

# Market Review and Outlook

## December 2025

The content of this document is supplementary to the Monthly Fund Factsheets.

For the following funds:

Allianz Life Master Bond Fund ("MBF")  
Allianz Life Master Equity Fund ("MEF")  
Allianz Life Master Dividend Fund ("MDF")  
Allianz Life Master Dana Ekuiti ("MDE")  
Allianz Life Master ASEAN Plus Fund ("AMAF")  
Allianz Life Managed Fund ("MF")  
Allianz Life Equity Fund ("EF")  
Allianz Life Dynamic Growth Fund ("DGF")  
Allianz Life Equity Income Fund ("EIF")  
Allianz Life Bond Fund ("BF")  
Allianz Life Dana Padu ("DP")  
Allianz Life ASEAN Plus Fund ("AAF")

## Market Review

Global equity markets largely ended the year on positive notes in the closing month of 2025. The MSCI World Index continued edging upwards +0.73% mom. In the US, while the Dow Jones Index rose +0.73% mom, its technology heavy NASDAQ Index instead eased 0.53% mom as investors of the Artificial Intelligence (AI) narrative diverged on concerns of earnings delivery as well as monetization. In December 2025, the Federal Open Market Committee (FOMC) moved to cut rates by 0.25 ppt to 3.75% premised on deliberations about the need of balancing inflationary risks against that of buttressing any weakness in its labour market. Its November Core Consumer Price Index (CPI) reported was +2.6% yoy which was better than consensus expectations of +3.0% yoy but still not yet at the Fed's +2% yoy target for inflation. On the other hand, the November unemployment rate was 4.6% which was slightly worse than consensus' expectations of 4.5%.

Over in Europe, the Stoxx 50 Index was up +2.17% mom as the region closed the year with HCOB Composite PMI reading of 51.5 marking its 12 straight months of expansion since December 2024. Its growth was anchored by its services contributions as its HCOB Manufacturing PMI had a contractionary reading of 48.8 during the month under review. However, its November CPI preliminary estimate came in at +2.2% yoy which was slightly ahead of consensus.

In China, the Shanghai Composite Index also shot up +2.06% mom amongst lukewarm macroeconomic activities and a near default from Vanke, once China's largest homebuilder by sales, as the country's property industry recovery continued to plod on. The nation's December 2025 Composite PMI managed to eke out an expansionary reading of 50.7, a rebound from its prior month's contractionary reading of 49.7. Apart from that, the People's Bank of China kept its 1 – year and 5 – year Loan Prime Rate (LPR) unchanged at 3.00% and 3.50% respectively, signifying the central bank's steady stance on monetary policy.

Unlike equity markets, selected commodities instead eased towards the year's end. Brent crude oil price fell 3.7% mom to close 2025 at USD60.85/ bbl. Despite brewing geopolitical tensions and China's strategic stockpiling, oil price was hampered by the oversupply situation in the global market which was further worsened by OPEC+ raising production targets in 2H25. In fact, the US Energy Information Administration (EIA) projected that Brent price would average USD55.08/ bbl in 2026. Similarly, crude palm oil (CPO) price also declined 2.5% mom to RM3998/ MT on surging inventory in November (announced on 10 December 2025) due to weaker exports whilst production was still relatively strong. In addition, the reduction in CPO price was also in part due to the strengthening of the RM which appreciated to RM4.0580: USD1.00 as at end December 2025 from RM4.1340: USD1.00 a month ago.

The ASEAN equity markets also enjoyed year end uplifts along with their developed market peers. Malaysia's FBMKLCI surged +4.71% mom spurred by domestic buying as the foreign investors' exodus continued with a December 2025 net foreign equity outflow of RM2.0b, bringing the 2025 total net foreign equity outflow to RM22.3b. From an economic standpoint, October 2025 industrial production and manufacturing sales were +6.0% yoy and +6.3% yoy which were better than the previous month's readings of +5.7% yoy and +4.3% yoy respectively.

Singapore's Straits Times Index soared +2.70% mom amidst the aforementioned US Fed rate cut and decent macroeconomic data. Its November 2025 Non – oil Domestic Exports (NODX) expanded at +11.6% yoy, ahead on consensus' expectation of +6.8% yoy, being driven by pharmaceuticals, pumps, non – electric engines and motors. Meanwhile, its November 2025 electronic exports grew by +13.1% yoy, albeit somewhat lower than the previous month's +33.2% yoy.

The Indonesian Jakarta Composite Index increased +1.62% mom as investors looked toward greater economic growth in the new year with President Prabowo's 2026 target of +5.4% yoy via fast – tracking infrastructure spending whilst Bank of Indonesia maintained its 2025 GDP growth forecast around the midpoint of 4.6 – 5.4% yoy. The higher economic growth could augur well for corporate earnings in 2026. On its monetary policy, Bank Indonesia decided to keep its policy rate at 4.75% for its third consecutive meeting. Central bank Governor Warjiyo stated that the move was to maintain the stability of the rupiah as global market uncertainties remained high. He added the central bank had room for further policy easing given the low inflation outlook in 2026 and the need to boost economic growth.

Lastly, the Stock Exchange of Thailand edged up +0.24% mom as the Bank of Thailand (BOT) moved to cut its benchmark interest rate by 0.25 ppt to 1.25% in response to a slowing economy and heightened external risks. The central bank's committee noted that the cut should ensure financial conditions would support a fragile recovery and alleviate vulnerable households' debt burden. According to the committee, the move was also to mitigate potential headwinds which would include the waning in private consumption as household incomes softened and the risks from potential new US trade tariffs.

Although the widely expected 25 bps cut in Fed Fund Rate did materialise in December, UST yields rose 5 – 19 bps mom across the curve. The weakened bond market sentiments were driven by lower – than – estimated jobless claims data and rising government bond yields in Europe and Japan during the month. Jobless claims for the week ended 29th November which amounted to 191k (Survey: 220k) were the lowest in 3 years, indicating that employers were now retaining their workforce after a recent surge in layoffs. The 10th of December rate cut saw two policymakers dissenting in favor of no action and one advocating for a larger reduction, indicating differing views on the necessity of further near – term cuts. Minutes of the meeting which was released on 31st December highlighted the challenges policymakers encountered in their latest decision which modestly reinforced expectations that the Fed may hold rates unchanged when they meet again in January. Fed fund futures as of end – December indicated lower implied rate cuts of 55 bps in 2026, down from 71 bps as of end – November.

Locally the movements of the Malaysian Government Securities (MGS) yields were mixed with the 3yr, 7yr, 20yr and 30yr yields down by 1 – 8 bps mom whilst the 5yr, 10yr and 15yr yields up by 1 – 5 bps mom. Malaysia's CPI for November 2025 increased by 1.4% yoy (Survey: 1.5% yoy, October: 1.3% yoy), driven by higher costs in alcoholic beverages, tobacco, and education. The auction calendar for 2026 was released during the month. The number of auctions will rise to 37 from 36. The 3y tenure will see 2 additional auctions while the 20y tenure will have 1 fewer auction. Issuance mix is roughly balanced between MGS and Government Investment Issues (GII) and well distributed across the curve.

Foreign funds net bought Ringgit bond holdings in December with net inflows of RM3.0b (November: net inflows of RM6.1b). This brought the total inflows for 2025 to RM25.6b, marking an increase from RM4.8b in 2024. The foreign share of MGS lowered slightly to 33.7% (November: 33.9%) while the foreign share of MGS+MGII expanded to 21.6% (November: 21.4%). Malaysia's foreign reserves expanded by USD1.4b to USD125.5b as of end – December (November: USD124.1b).

## Market Outlook

2025 was largely positive for investors, with investment sentiments initially spooked by US tariff tensions in 1H25 but was subsequently shrugged off and reinvigorated with fiscal and monetary easing policies. Going into 2026, global investors would likely be reevaluating the AI dominant theme which had been leading the US market for years on concerns of valuations and actual product monetisations. Furthermore, they would also have to grapple with rising inflation risks owing to the global US tariffs coming into play and other geopolitical flare ups such as the ongoing Ukraine – Russia conflict or a possible gambit on Greenland.

On the local front, 2025 market concerns such as the uncertainties surrounding the US Liberation Day tariff which threatened Malaysian trade, and the Framework for AI Diffusion which undermined Malaysia's access to advanced AI chips thereby potentially curtailing our government's AI/ Data Centre aspirations had all been buried in 2H25. Thus, investors could now venture into 2026 on a firm economic footing for continued growth underpinned by resilient domestic demand. It would also be a year of further actualisation for several key government reforms and initiatives such as the National Energy Transition Roadmap (NETR), New Industrial Master Plan 2030 (NIMP), Johor Singapore – Special Economic Zone (JSSEZ) and the Government – linked Enterprises Activation and Reform Programme (Gear – UP). However, even with a fairly benign market backdrop, ongoing geopolitical and other exogeneous risks would demand that we should exercise a degree of caution whilst abiding by our tenet of investing in fundamentally good investments over long – term investment horizons. Having said that, prudence would necessitate that we should keep constant vigil for potential threats that might require a realignment of our strategies.

In the US, indicators suggest that economic activity has been expanding at a moderate pace, but job gains have slowed in 2025. However, there are risks to inflation moving higher which could introduce caution into the Fed's monetary policy where potential rate cuts would be weighted against stubborn inflation. In any case, the FOMC remains attentive to the risks to both sides of its dual mandate and is strongly committed to supporting maximum employment and returning inflation to its 2% objective. Currently, markets expect the FOMC to stay put at the next meeting as policymakers weigh incoming data after the government shutdown.

Bank Negara Malaysia (BNM) noted that Malaysia's 3Q25 economic growth enjoyed sustained domestic demand, resilient electrical and electronics (E&E) exports, and a recovery in commodity production. It further highlighted that resilient domestic demand would continue to support growth in 2026. BNM also stated that they would continue to monitor ongoing developments and assess the balance of risks surrounding the outlook for domestic growth and inflation. We would selectively accumulate bonds at reasonable valuations while prioritizing good quality names.

## Target Fund Manager's Comment (For Allianz Global High Payout Fund)

### What helped?

- In a positive December, more risky stocks and those with smaller market capitalisation outperformed. This helped cyclical Value stocks, although names with higher dividend stability and more defensive characteristics lagged the market.

### What hurt?

- More defensive factors such as Quality and Dividend Reliability weighed on performance and contributed negatively to relative Fund performance.

### Market Review

Global equities delivered a modest gain in December, with the MSCI All Country World Index (ACWI) rounding out an impressive rise of more than 20% for the year. Gains were muted for most of the month, although the traditional Santa Claus rally lifted investor sentiment into the holiday period. However, escalating protests in Iran and Chinese military exercises in the Taiwan Strait weighed on sentiment at month-end. European stocks finished in front, followed closely by the UK. Japan was next but trailed the global index, while the US eked out a fractional gain over the month. Emerging markets trailed their developed market peers, dragged lower by index heavyweight China. Turning to sectors in the MSCI ACWI, Financials and Materials led the way, while Utilities were the weakest sector in December.

US equities rose fractionally in December, as lackluster economic data weighed on sentiment. Markets rose early on amid growing hopes of a rate cut from the US Federal Reserve (Fed), as duly transpired. Meanwhile, President Trump's peace plan to end the war in Ukraine resulted in further talks involving Kyiv, Moscow and European partners. As the month progressed, elevated artificial intelligence (AI) valuation concerns resurfaced, with investors rotating into cheaper parts of the market. Flaring tensions in the Caribbean triggered concerns around regional security after the US Coast Guard intercepted Venezuelan oil tankers as Washington stepped up pressure against the government of Nicolás Maduro. Meanwhile, US strikes against the Islamic State in northwestern Nigeria dented sentiment, alongside escalating protests in Iran and Chinese military exercises in the Taiwan Strait. The so-called Santa Claus rally lifted stocks into year-end despite lingering macroeconomic and geopolitical uncertainties.

European equities moved higher in December. Markets tracked Wall Street gains early on, as mounting hopes of a rate cut from the Fed bolstered sentiment. Positive fundamentals and the diminishing likelihood of rate rises from the European Central Bank (ECB) in 2026 also lifted sentiment. Tentative hopes for a ceasefire in Ukraine continued to mount and wane as further negotiations took place over the month. The European Union (EU) agreed a EUR 90 billion loan to Ukraine over the next two years, although leaders were unable to agree on using frozen Russian assets in fear of retaliation from Moscow. In addition, the European Commission fined Elon Musk's X EUR 120 billion under the Digital Services Act.

### Market Outlook

Overall, we stick to our optimistic outlook for equities, as global growth is likely to remain healthy. While fundamental and political uncertainty is still high, we believe it has passed its peak. Nevertheless, investors should be prepared for a potential increase in market volatility ahead of the US mid-term elections and the changeover at the Fed. In addition, market sentiment may change abruptly due to geopolitical crises. Turning to the individual regions, US equity valuations continue to appear elevated, particularly for Tech large caps. However, in most cases they are supported by healthy corporate earnings, which is why we do not see a significant bubble risk at the moment. European valuations are cheaper and offer selective opportunities, not least thanks to larger fiscal stimulus and the EU initiative for strategic autonomy. The outlook for China and India is attractive, thanks to structural growth factors and reforms. Generally speaking, we recommend a risk-aware, active investment approach with a longer-term horizon and broad diversification across regions and innovation topics.

For Allianz Life Asia Multi-IncomePLUS Fund:

## Target Fund Manager's Comment (For Allianz Asian Multi Income Plus)

### Market Review

Asia Pacific ex Japan equities ended December 2025 on a high note despite holiday-thinned trading and lingering global uncertainties. Offshore China equities were weaker in an environment of softer economic data, but China A-shares ended the year on a strong note supported by appreciation of the yuan against the US dollar. Technology and artificial intelligence (AI) related stocks saw a significant rebound towards year-end after a pullback in the previous period, leading to gains also in Taiwan and Korea. In particular, Korea was also supported by news that US auto tariffs had been cut to 15%. Conversely, India had a weak month with ongoing foreign fund outflows pressuring both the equity market and the currency. Elsewhere, ASEAN equities delivered a small positive return over the month, with Malaysia among the best performers.

For fixed income, December was seasonally quiet, with the JACI Composite up 0.30%, driven by high yield (+0.90%) while investment grade posted a modest +0.21%. Markets traded largely sideways, though a late-month Santa Claus rally supported sentiment. This was partially offset by geopolitical tensions, including protests in Iran and Chinese military activity near the Taiwan Strait. US Treasury yields steepened, with the 10-year rising 10 basis points (bps) to 4.17% and the 2-year dipping 2 bps to 3.47%. Short-term yields were anchored by expectations of another US Federal Reserve (Fed) rate cut, while longer-dated yields were pressured by uncertainty around President Trump's next Fed chair nomination.

The Fund return was positive in USD terms in December.

In the equity portfolio, a top single stock contributor was Samsung Electronics, global electronics conglomerate from South Korea. Share price saw some recovery from the recent profit taking pressure on the overall Technology and AI-related stocks. We continue to expect strong business momentum of the company driven by robust global AI-related demand over long term.

On the other hand, a key detractor was Alibaba. We view the recent share price weakness as some profit taking after strong gains year-to-date. While we trimmed the position slightly, Alibaba remains a leading competitor across the verticals of ecommerce, logistics, and cloud computing, with AliCloud standing out as a top tier asset on the back of rising AI-related demand.

The asset allocation at the end of the month was 70.1% invested in Asian equities and 30.0% in Asian fixed income.

During the month, we initiated two new Chinese positions in the equity sleeve, a construction machinery company which should enjoy a volume recovery and potential price hike, as well as an oil and gas field equipment company as beneficiary of growing power equipment demand. Conversely, we took some profits in select AI-related and financial names following strong year-to-date gains. On the other hand, fixed income transactions over the month were relatively limited.

At the end of the month, we held 68 equities and 63 fixed income securities. The equity portfolio yield was 1.7% (based on forward 12-month estimates), and the average fixed income coupon was 5.4% with an average credit rating of BBB- and average duration of 2.5 years.

### Market Outlook

Overall, we are optimistic on the outlook for Asia Pacific equities. Economic policy is broadly supportive across the region, helping to offset the impact of higher tariffs. Lower inflation is also providing flexibility for Asian central banks to lower interest rates. In China, we expect Technology to remain a feature going forward. In our view, China's AI industry has passed a turning point and entered a more self-sustaining cycle of rising investment and higher profitability. Combining with the supportive policy backdrop – the weaker economic data should lead to continued accommodative monetary and fiscal policy – other key factors include strong domestic liquidity and valuations should continue to support an optimistic outlook for China equities.

On the fixed income side, as we move through December and into 2026, we remain constructive on Asia credit. While spreads are tight, overall yields remain attractive, and there is little evidence of excessive risk taking or broad deterioration in fundamentals. Pro-cyclical drivers, most notably the Fed's pivot towards easing would continue to support a more favourable backdrop, and near-term sentiment should remain positive. Risk appetite was generally stable over the month and investor positioning normalised towards neutral levels. Corporate fundamentals remain broadly stable, external risks are easing, and technicals continue to provide support. Our base case is for steady performance in Asia credit, underpinned by constructive sentiment and stable spreads. We maintain a preference for high yield over investment grade for carry.

## Collective Investment Schemes Fund Manager's Comment (For Maybank Malaysia Balanced-I Fund)

### Market Review

#### Sukuk Market Review

The MGS yield curve saw a mixed to slightly upward movement in early December. However, yields were lower during the final week of December, suspecting driven by a combination of window-dressing and strong domestic sentiment. The 10y MGS closed the year at 3.49%. For corporate bonds, yields remained relatively stable throughout the month. The market saw a cooling period in December as many issuers front-loaded their funding requirements in October and November. Trading volume was thin, which was a standard trend as most investors "locked in" their year-end performances. On the currency front, MYR was one of the top-performing Asian currencies in 2025, reaching levels near 4.03–4.08 in December. Investors also reacted positively to Malaysia's fiscal consolidation as the 2025 fiscal deficit was expected to land at 3.5%–3.6%, outperforming the government's original 3.8% target.

#### Equity Market Review

Global equity markets saw a late year-end rally to end a tumultuous 2025. Investors awaited key policy cues from the US FOMC while tech stocks, particularly the memory segment, drove strong interest for the sector. Commodity also rallied for both precious metals and industrial metals. China however slipped given the still weak macro data and limited new policy support.

2025 saw markets generally trending upwards, especially after, perhaps the biggest event in the financial markets following the Liberation Day chaos in April. However, point to note here is that the year has been largely marked as the third year of market performance fuelled by AI, despite concerns caused by DeepSeek. Trade uncertainty, tariff rates and trade deals were the other theme, but impact were priced-in by the end of the year with the most significant deal to markets, being the US-China truce. Precious metals were perhaps the best-performing commodity if not asset class for 2025. Gold and silver were up 65% and 150% respectively. The industrials metals index rose by 16% with aluminium rising 17%. However, crude oil continues to be weak, falling some 18%.

Closer to home, the KLCI closed the year, surging 4.7% in Dec, driven by the financials and to some extent helped by the stronger MYR. The MYR continued its appreciated against the greenback by 1.8% in Dec and gained 9.2% to 4.06 for the year. Main sectors that gained during the month were financials, and industrial productions. In local events, we had a cabinet reshuffle involving 28 appointments and portfolio changes due to vacant positions left by Rafizi, Tengku Zafrul, Datuk Ewon and Nik Nazmi. For 2025, the KLCI was up a decent 2.3% to close at 1,680pts with the best sectors in financials, plantations and REITs while healthcare was the worst performer as glove stocks tumbled.

Selling by foreigners persisted for the month, amounting to RM2bn which brings the year-to-date a net foreign outflow of RM22.3bn (US\$5.2bn) (vs. 2024: -RM4.2bn). Malaysia only saw 2 months of net inflows, in May and Sep but were major rebalancing months which would have distorted the fund flows. The total net foreign selling since 2020 has widened to a whopping RM60.8bn. Offsetting this has been net buying by the local institutions amounting to RM2.6bn for the month of Dec with a total net buy of RM21bn for 2025.

For December in regional markets, Asean was mostly in positive territory with Malaysia taking top spot with a gain of 4.7%, followed by Singapore, Indonesia, Thailand and Philippines which gained 2.7%, 0.5% and 0.2% respectively. For 2025, Singapore took top spot, climbing 22.7%, Indonesia was closely behind with a gain of 22.1% while Malaysia managed a decent 2.3%. Thailand was the worst performer for the year, tumbling 10.0% given the political instability while Philippines were not far behind with a drop of 7.3% with similar factors.

## Collective Investment Schemes Fund Manager's Comment (For Maybank Malaysia Balanced-I Fund)

### Market Outlook

#### Sukuk Outlook & Strategy

Heading into 2026, capital flows into emerging markets (EM), including Malaysia, are expected to remain supportive, underpinned by anticipated Fed rate cuts, a softer US dollar, and improving EM growth prospects. While external risks persist amid ongoing geopolitical tensions and global policy uncertainty, which may lead to more cautious investor positioning and episodic market volatility, Malaysia's relatively insulated domestic demand and resilient credit fundamentals are expected to help limit spillover effects on the local sukuk market. Against this backdrop, we maintained a stable outlook on the domestic sukuk market for 1H2026, supported by a conducive macroeconomic environment. Credit spreads are expected to remain broadly stable, anchored by manageable inflation, steady economic growth, and healthy credit issuance.

From a portfolio positioning standpoint, we continue to favour mid-tenor corporate sukuk that provide attractive yield premiums over government securities. We intend to maintain a duration stance that is neutral to moderately overweight, reflecting our slightly positive outlook on interest rates.

While we will tactically seek entry opportunities in government sukuk for trading purposes, our core allocation remains overweight in corporate sukuk to anchor the Fund's income generation. Corporate credits generally offer higher yields and exhibit lower price volatility, helping to cushion against potential mark-to-market fluctuations in the event of a correction in sovereign sukuk yields.

Our credit selection strategy focuses on high-quality AA-rated and selective A-rated issuers, which offer both yield enhancement and the potential for credit upgrades as the domestic economy continues to strengthen. We will remain active in the primary market to capture higher-yielding new issuances and will look to exploit value opportunities in the secondary market, particularly in oversold names.

#### Equity Outlook & Strategy

Just as we entered the new year, renewed geopolitical concerns has emanated following the events in Venezuela. However, market reaction thus far has been muted save for certain key corporate said to be beneficiary of the invasion. In any case, as we move forward to 2026, global market themes from 2025 are likely to spill over to this year, as investors across asset classes remain cautious in macro volatility, while the lack of US macro data does not detail the resilience narrative despite reduced visibility. The persistence of a higher unemployment expanding remains a key macro challenge over the near-term, driving sentiment and the dynamic in consumer and business spending – tilting the fragile balance between either a resilient macro-outlook or a soft patch. US job growth fell below expectations in Dec, with non-farm payrolls increasing by 50,000 after downward revision to the previous 2 months. The data indicates that the labour market remains weak while outlook for hiring looks limited.

Macro risks, against higher US recession probably resulting in steeping USD curve, lower equity performance, wider credit spreads and strengthening in gold. However, inflation concerns and soft patch reinforces the justification for the continuation of the easing cycle.

For local equities, our constructive view is underpinned by fiscal reforms, mega developments, low inflation and supportive monetary policy that may cushion the impact from external headwinds. The recent concluded corporate earnings were decent, which supports this view. More importantly, forward guidance by corporates has been fairly optimistic, puts the local stocks in a stronger footing.

The 13th Malaysia plan has outlined several key initiatives that should support the economy. Valuations are not stretched by any means, stable politics on a regional context, low positioning by investors (including low foreign participation), should at least provide some limited downside risks. Visibility has somewhat improved but to what extent the resiliency of the market has been on front-loading of purchases ahead of the tariffs may lead to a sharper decline in the second half of the year.

For Allianz Life Amanah Dana Ikhlas:

## **Collective Investment Schemes Fund Manager's Comment (For Maybank Malaysia Balanced-I Fund)**

Strategy-wise, we maintain our tilt towards large-cap, and domestic-centric stocks. As we weather through these crosscurrents, we are likely to prioritize earnings quality and defensive stocks. As we look for catalysts, market participants will be hard pressed to deliver returns, we think selected sectors or stocks with earnings visibility are likely to be rewarded with better share price performance. With this, we anticipate a "narrow" trading market which we think could be in sectors such as construction (continued orderbook expansion), utilities (renewables and rising capex) as well as REIT (lower interest rate environment). Besides this, other key themes we look at into next year include consumption growth, tourism following VMY 2026. We also look opportunistically on value or stocks that we like as well as dividend yields to weather any volatility. Having said that, we are looking opportunistically at stocks which are more cyclical that we like but have been sold off, with perhaps a high margin of safety.

For Allianz Life All China Equity Fund, Allianz Life All China Equity Fund (USD) and Allianz Life All China Equity Fund (MYR-Hedged):

## Target Fund Manager's Comment (For Allianz All China Equity)

### Market Review

The Fund outperformed the benchmark in December. Stock selection in the Information Technology and Industrials sectors was the main contributor.

At a stock level, a key contributor was Shenzhen Envicool Technology, a leading thermal management solution provider for data centres, energy storage and artificial intelligence (AI) chips. The share price reacted positively to news that Nvidia would resume shipments of AI chips to China, as well as expectations of market share gains with key clients such as Google. We believe the company is well-positioned to benefit from healthy AI-related demand both in China and overseas.

Conversely, a detractor last month was Remegen, a biotech company focused on autoimmune and oncology related drug development. The pullback reflected some broader profit taking across the biotech space. We see Remegen as having a number of future share price catalysts given its drug development pipeline. We also expect further out-licensing deals as global pharmaceutical companies look to replenish product portfolios in the face of looming patent cliffs.

### Market Outlook

After a punishing period for China's equity markets, 2025 was a comeback year. Not only did both China A- and H-share markets each return close to 30% (USD), but more broadly China started to regain a sense of global leadership after a prolonged stretch when its long-term economic direction was being questioned.

Initially it was the release of DeepSeek's model, timed to coincide with President Trump's inauguration, that showed how China's AI capabilities had advanced more quickly than was widely appreciated. However, through the course of the year, it became clear that China is also developing fast in a range of other technologies. While some of these were already well known – electric vehicles, high-speed rail and renewable energy – others, such as battery technology, humanoid robots, and the burgeoning biotech space, have increasingly come on to investors' radars this year.

China clearly still has significant economic challenges. Domestic demand remains weak. Property prices continue to edge lower. We do not think this is likely to change much, at least for the time being. With the government prioritising domestic technological development and reducing reliance on Western supply chains, there is little incentive to reallocate resources to the housing market so long as the slowdown does not pose a more systemic risk.

Nonetheless, just as China equities often did not deliver great returns when there was eye-catching gross domestic product (GDP) growth, we also do not see the current environment of slower headline growth being a barrier to future equity upside. One of the lessons we can take from the last year is that the "macro" is not the "market".

This is especially the case given how the structure of China's equity markets has evolved. The MSCI China A Onshore Index has around a 25% weighting in the Tech sector, for example. This weighting has more than doubled in the last decade. In contrast, Real Estate accounts for less than 1% of the index.

Indeed, as we look ahead to the new year, we are optimistic on the outlook for China equities. As well as a supportive policy backdrop – the weaker economic data should lead to continued accommodative monetary and fiscal policy – other key factors include strong domestic liquidity and valuations.

In terms of liquidity, cash levels in China are high. There is an estimated USD 7 trillion of excess household deposit savings accumulated since the end of China's COVID-related policies. We expect these to be incrementally deployed into equities, particularly given the low interest rate environment and muted outlook for other investment options. There is also a push to encourage longer-term "patient" capital into China A-share markets. Insurance companies, for example, are being encouraged to invest 30% of new premiums into equities, significantly higher than current levels.

While valuations are no longer as depressed as they once were, still the equity risk premium remains above long-term average levels. To give some sense from a bottom-up perspective, the market cap of the largest listed Chinese company (Tencent) is USD 700 billion. This is less than half of any of the Magnificent 7 stocks.

Overall, therefore, our base case for 2026 is for another year of decent returns for China equities. And in terms of bull/bear scenarios, the potential for large gains looks to us to be higher than the risk of substantial losses. This is especially the case for China A-shares, where the government has consistently backstopped the market to cushion volatility over the last couple of years.

For Allianz Life All China Equity Fund, Allianz Life All China Equity Fund (USD) and Allianz Life All China Equity Fund (MYR-Hedged):

## **Target Fund Manager's Comment (For Allianz All China Equity)**

Against this backdrop, portfolio activity during recent months has focused on taking profits in some previous outperformers – for example related to battery technology – and using the pullback in AI-related names to add to selective positions. This includes areas such as AI servers, printed circuit board (PCB) manufacturers, and developments in solid-state battery development.

At month-end, the Fund has around 42% in China A-shares. The portfolio continues to have relatively close-to-benchmark sector allocations, so that stock selection remains the key relative performance driver. At month-end, the largest sector overweight is Industrials (+3.5%), while the largest underweight is Communication Services (-2.9%).

For Allianz Life Global Artificial Intelligence Fund, Allianz Life Global Artificial Intelligence Fund (USD) and Allianz Life Global Artificial Intelligence Fund (MYR-Hedged):

## Target Fund Manager's Comment (For Allianz Global Artificial Intelligence)

### Market Review

Global equities delivered mixed results in December. While the MSCI All Country World Index (ACWI) was modestly higher, helped by Europe and Asia ex-Japan stocks, US equities were slightly lower over the period. This included the Technology-heavy Nasdaq Composite experiencing headwinds in December, as the index faced profit taking in larger Technology names, which had outsized gains earlier in the year. The end of the government shutdown in mid-November allowed for a clearer flow of economic data in December. This included non-farm payrolls rising modestly, retail sales exceeding expectations, and November consumer price index (CPI) coming in below expectations, while unemployment edged slightly higher. Equity markets also saw a continuation of the cyclical rotation, as the Materials, Financials, and Industrials sectors led performance for the MSCI ACWI. Utilities and Real Estate were the weakest performing sectors over the month.

Major central banks around the world were active in December. The US Federal Reserve (Fed) delivered a 25-basis point (25-bps) rate cut, bringing the federal funds rate to 3.5-3.75%, the lowest level in three years. Similarly, the Bank of England (BoE) lowered the base rate by 25 bps to 3.75% – also the lowest in three years. The European Central Bank (ECB) and People's Bank of China (PBoC) both left their key borrowing rates unchanged. Japan remained an outlier, with the Bank of Japan (BoJ) delivering a 25-bps rate rise to 0.75% – the highest level since 1995 – amid rising inflation and continued Japanese yen weakness.

Brent crude oil prices eased in December, closing at just over USD 61 a barrel to round out their worst year since 2020. Prices hit a 5-year low on supply glut concerns and progress in the US-led Ukraine peace talks, before recovering on fading optimism over a potential ceasefire. This diminished the possibility of sanctioned Russian crude re-entering global markets. Gold prices rose amid heightened expectations of a Fed rate cut at its final meeting of the year and touched a series of fresh highs into month-end, closing the month of December just below USD 4,350 per ounce.

During the period, the Fund outperformed versus the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). From a sector perspective, Financials and Information Technology were the largest contributors, while Industrials and Communication Services were offsetting. Artificial intelligence (AI) enabled industries was the top performing dimension, helped by a continued broadening of the markets and positive stock selection in the financial sector. AI applications also outperformed, helped by better-than-expected earnings results from our enterprise software and digital advertising names. AI infrastructure slightly underperformed as companies tied to the custom AI silicon value chain underwent some profit taking after outperforming in the past prior months.

### Contributors

Lam Research Corp. is a leading global supplier of wafer fabrication equipment (WFE) and services for the semiconductor industry. Shares outperformed in December, supported by optimism for greater WFE orders to meet the strengthening memory demand backdrop. On a longer-term basis, the fundamental backdrop for semiconductor capital equipment spending environment remains healthy given the growing demand for leading edge semiconductors that include advanced logic chips and high-bandwidth memory. Lam Research is well positioned through its broad product portfolio that can address customer technology roadmaps and production objectives.

Our underweight position in technology hardware producer Apple Inc. was another relative contributor due to its significant weighting in the custom benchmark. Apple had an average 11.3% weight in the benchmark, while the Fund had an average exposure of 2.5%. The stock underwent some profit taking over December, while overall demand trends remain healthy.

### Detractors

Celestica Inc. is a leading electronics manufacturing services (EMS) company that designs, builds, and supplies critical hardware infrastructure – such as servers, storage systems, and networking switches – for AI data centres and hyperscale customers. Shares underwent some profit taking following outperformance in prior months, while the company's strong multi-year demand outlook remains intact. Looking forward, the company continues to be a beneficiary of an AI infrastructure buildout from hyperscale cloud customers. Demand for Celestica's advanced networking hardware and storage solutions should benefit from this multi-year investment cycle.

For Allianz Life Global Artificial Intelligence Fund, Allianz Life Global Artificial Intelligence Fund (USD) and Allianz Life Global Artificial Intelligence Fund (MYR-Hedged):

## Target Fund Manager's Comment (For Allianz Global Artificial Intelligence)

Among the top relative detractors for the month was Broadcom Inc., which designs, develops, and supplies a broad range of leading semiconductors, enterprise software and security solutions. Although Broadcom delivered strong fiscal Q4 results with record revenue growth that exceeded expectations, shares experienced some profit taking after earnings, following a period of stock outperformance in prior months. Looking forward, the company is on track for meaningful acceleration in revenue and earnings growth driven by AI-related computing and networking programmes, software infrastructure and a recovery in its wireless semiconductor business.

### New Buys and Sells

Micron Technology Inc. is a leading semiconductor company specialising in memory and storage solutions. We re-initiated a position in Micron, which benefits significantly from the ongoing buildout of AI infrastructure, as AI data centres and edge computing require vast amounts of high-performance memory like high-bandwidth memory (HBM) to support graphics processing unit (GPU)-intensive workloads. The sharp rise in demand has created a supply imbalance, strengthening Micron's pricing power and positioning the company for sustained multi-year growth.

Marriott International is one of the world's largest hospitality companies, operating an asset-light business model focused on franchising and managing hotel properties. We initiated a position in Marriot at this time as we believe the fundamental backdrop for the company is improving. Also, the company is seeing some benefit from its AI initiatives, and we believe the growth of agentic AI commerce should be a tailwind for the company.

Netflix is a leading global entertainment company operating a subscription-based streaming service. We exited the position due to concerns surrounding its pursuit of Warner Brothers Discovery, which introduces uncertainty tied to a potentially lengthy antitrust review. The ongoing bidding process also creates an unfavourable risk-reward profile at this time.

We exited the remaining position in ServiceNow as the company is rumoured to be pursuing an acquisition of a private company in a market adjacent to the company's core markets. We are concerned that such an acquisition will be dilutive to future earnings and require added investment to scale.

## Market Outlook

As we look ahead to 2026 and beyond, we maintain a constructive outlook for equities. An improved economic and earnings growth backdrop across more sectors should drive a broadening out effect in the equity market. Many major central banks have cut interest rates or signalled future cuts to keep financial conditions supportive of economic growth. In the US, the Trump administration's pro-business agenda also provides tailwinds through tax cuts, deregulation, domestic investments, and manufacturing reshoring. These efforts should help stimulate growth for both consumers and corporations across more areas of the economy.

The topic of an AI bubble has been a key area of focus for the media and many investors. In our view, it is too early to draw a conclusion. We think it is important to highlight that current valuations and capital intensity are materially lower than the dotcom bubble. Also, the AI capital expenditure cycle is being funded by some of the biggest and most profitable companies in the world. There are likely pockets of speculation with some data centre projects and private companies, and we may see period of digestion at some point in a few years.

While the Technology sector may continue to perform well, we expect improved earnings growth from a wider set of companies across other sectors. This should lead to broader equity market participation, creating a healthier and more balanced environment compared to one dominated by a concentrated group of mega cap stocks. The Fund is designed to invest across a broad spectrum of technologies and industries embracing the disruptive power of AI. This includes sectors such as Financials, Health Care, Consumer, and Industrials that are beginning to see early benefits from AI. As earnings re-accelerate across more companies and sectors, we believe this creates compelling stock selection opportunities for our diversified AI investing approach.

From an innovation perspective, progress with AI development is accelerating as more powerful capabilities become readily available from this robust infrastructure buildout wave. We are beginning to enter the next wave, where AI pilots go into production. The advancements of AI-enhanced products or services can drive new levels of productivity, cost savings and revenue opportunities across industries. Given the transformative potential of AI investments, we believe profit margins may not simply hold steady but could in fact grow, supporting valuations for innovative companies that are investing now to disrupt the status quo.

For Allianz Life Global Artificial Intelligence Fund, Allianz Life Global Artificial Intelligence Fund (USD) and Allianz Life Global Artificial Intelligence Fund (MYR-Hedged):

## Target Fund Manager's Comment (For Allianz Global Artificial Intelligence)

**AI infrastructure:** The ongoing expansion of global AI data centres remains stronger than many investors appreciate, and concerns about capital spending are likely to persist as we climb the wall of worry. There are many bottlenecks to this new AI industrial revolution buildout, which continues to provide many compelling opportunities. Some key areas include accelerated computing chips, semiconductor manufacturing equipment, power production and power efficiency, and advanced networking.

**AI applications:** Over the next few years, AI applications and software will evolve from being helpful tools to a partner that acts on our behalf. We are moving away from the era of "static apps" toward a future of "collaborative autonomous agents" that can reliably act, remember context over time, and adapt to any situation. This new wave of intelligent applications should drive more automation, deliver significant efficiency gains, and open new monetisation opportunities. While the 2025 software spending environment has been mixed, we believe the backdrop could stabilise and improve in 2026.

**AI-enabled industries:** We are still in early stages of true AI adoption across industries. Innovative companies that have been early AI adopters are moving more pilot projects into production, accelerating financial and competitive benefits compared to their peers. We believe leading AI adopters in the Financial Services, Health Care, Industrials and Consumer sectors are beginning to see the early benefits of AI driving better financial results. These opportunities remain underappreciated by investors and represent an attractive area for alpha generation in our view.

The AI revolution is only beginning, and its trajectory promises to dramatically reshape the global economy. Recent advancements in AI demonstrated its potential, yet we are only in the early chapters of a much larger transformation that will gain momentum as innovation brings us closer to artificial general intelligence – potentially within the next decade. AI is rapidly redefining processes and competitive dynamics in every sector. In the next decade of AI, we believe more alpha generation may come from the companies that help enable AI transformation. The innovators in each industry will be ones that truly embrace AI to significantly boost productivity, reduce costs, and launch new products or services. Stockpicking will be essential to capturing the benefits of this opportunity, especially in an environment characterised by disruption and change. As we have done since the launch of the Fund almost a decade ago, our focus remains on identifying the innovative companies best positioned to leverage AI to deliver the most shareholder value creation over the long term.

For Allianz Life Oriental Income Fund, Allianz Life Oriental Income Fund (USD) and Allianz Life Oriental Income Fund (MYR-Hedged):

## Target Fund Manager's Comment (For Allianz Oriental Income)

### Market Review

Asia Pacific equity markets ended December 2025 on a high note despite holiday-thinned trading and lingering global uncertainties. Hong Kong and mainland China equities delivered positive performance in December and strong returns for the year. Not only did both China A- and H-share markets each return close to 30% (USD), but more broadly China started to regain a sense of global leadership after a prolonged stretch when its long-term economic direction was being questioned.

Korea and Taiwan equities continued to shine in December, supported by strong performance in Technology-related names. In fact, 2025 was generally a year of strong tech, with demand for semiconductors, especially artificial intelligence (AI) and high-performance computing demand, accelerating at a rapid pace, even in the face of US tariff risks. Meanwhile, ASEAN markets were generally buoyed by domestic growth momentum and dovish interest rate policies. Both the Philippines and Thailand cut key lending rates in December by 25 basis points (bps).

Japanese equities moved modestly higher in December capping strong full-year gains. Markets shrugged off the Bank of Japan's (BoJ's) widely anticipated rate hike, which took the benchmark lending rate to the highest level in 30 years. Annual core inflation eased slightly to 2.9% in November but nevertheless breached the BoJ's target for the 44th consecutive month.

The Fund modestly underperformed the benchmark in December. Stock selection was the key driver, with select picks in Japan detracting.

For example, a key detractor last month was a Japanese equipment maker with a focus on power systems. This stock is a core portfolio holding, set to benefit from increased global security spending. It is also a major player in energy transition with significant investments in hydrogen, carbon capture, and renewable energy systems. In addition, there have been significant corporate governance improvements as the company exits loss-making businesses to focus on core operations. The recent share price weakness represents near-term profit taking rather than fundamental business weakness, in our view.

Conversely, a key contributor was one of China's largest insurance groups. The business has demonstrated steady operating profit growth in its important life and health segment, which has benefitted from strong demand despite China's subdued consumption pattern. We believe this represents a shift in wallet share towards protection products and expect further business recovery alongside property sector and broad macroeconomic stabilisation.

Over the last month we have added select names to the portfolio. These include a Chinese manufacturer of cables, optical fibres, and photovoltaic power generation system solutions as well as a Japanese streetwear brand which is expected to benefit from domestic store expansion and broader global appetite for Japanese pop culture. Other portfolio activity in recent weeks has been to increase Technology exposure. We used market weakness to selectively add stocks that we think represent long-term winners. While we are cautious about certain AI-related capital expenditures that appear excessive, nonetheless we see AI as a powerful long-term growth engine and remain confident in its transformative potential.

A significant proportion of the Fund remains invested in mid and small cap stocks, which can lead to shorter-term volatility but has historically been a key source of added value and an area where we believe we can find differentiated ideas that are mispriced.

### Market Outlook

Overall, we are optimistic on the outlook for Asia Pacific equities. Economic policy is broadly supportive across the region, helping to offset the impact of higher tariffs. Lower inflation is also providing flexibility for Asian central banks to reduce interest rates. In China, we anticipate there will be further policy support as the housing market continues to weaken. We also expect Technology to remain a feature going forward. In our view, China's AI industry has passed a turning point and entered a more self-sustaining cycle of rising investment and higher profitability.

As well as benefitting from global AI demand, in our view, structural drivers remain in place for a more positive, longer-term outlook in Japan. In particular, the combination of higher inflation and ongoing governance reforms should contribute both to improved earnings and a greater focus on shareholder value. We also see the Japanese yen as significantly undervalued.

In this environment, we are looking for opportunities to add to stocks that have been overly punished in the market rotation. Companies with strong balance sheets, exposure to long-term structural trends, and a competitive edge remain in focus.

For Allianz Life Total Return Asian Equity Fund:

## Target Fund Manager's Comment (For Allianz Total Return Asian Equity)

### Market Review

Equities in the Asia ex Japan region rose in December, tracking the Wall Street Santa Claus rally to end the year on a positive note. Bucking the trend, China equities were weaker with economic data signalling a broad-based slowdown. Industrial production fell to a 15-month low of 4.8% in November and the producer price index (PPI) fell for the 38th consecutive month against a backdrop of weak domestic demand. Tech stocks were generally a bright spot leading to gains in Taiwan and Korea. The latter market was also supported by news that US auto tariffs had been cut to 15%. Conversely, India had a weak month with ongoing foreign fund outflows pressuring both the equity market and the currency.

ASEAN markets delivered a positive return in aggregate, despite the worst flooding and landslides to hit Southeast Asia in recent years. In Thailand, there were further military clashes along the disputed border with Cambodia and the Thai prime minister dissolved parliament ahead of a snap general election in February next year. Both the Philippines and Thailand cut key lending rates in December by 25 basis points (bps).

The Fund outperformed the benchmark in December. Stock selection in Korea and China was the main contributor.

At a stock level, a key contributor was Ping An Insurance, one of China's largest insurance groups. The business has demonstrated steady operating profit growth in its important life and health segment, which has benefitted from strong demand despite China's subdued consumption pattern. We believe this represents a shift in wallet share towards protection products and expect further business recovery alongside property sector and broad macroeconomic stabilisation.

Conversely, a detractor was Singapore Telecommunications, one of Asia's leading communications technology groups. The company previously reported strong half-year earnings as well as a dividend hike and has experienced a strong share price rally throughout the year. We see recent weakness as a sign of profit taking rather than a reflection of any business deterioration. Over the longer term, we see the company providing broad exposure to Asian digital advancement, and its stable cash flows should continue to support an attractive dividend yield.

During the month, we selectively added names in China. These include a biotech company known for its pioneering treatments for cancer where the share price has pulled back significantly, as well as a high-tech industrials company with a focus on electric power systems and battery storage, and an industrial leader in areas including optical communications and smart grids.

Geography and sector allocations remain relatively close to benchmark. The portfolio is slightly overweight in China as a result of recent positioning changes, as well as the Philippines. This is balanced out by an underweight position in India.

At a sector level, Information Technology and Communication Services are the primary overweight positions, while Consumer Discretionary and Industrials are underweight. Top names in the portfolio at month end were TSMC, Samsung and Tencent.

### Market Outlook

Overall, we are optimistic on the outlook for Asia Pacific equities. Economic policy is broadly supportive across the region, helping to offset the impact of higher tariffs. Lower inflation is also providing flexibility for Asian central banks to reduce interest rates. In China, we anticipate there will be further policy support as the housing market continues to weaken. We also expect Technology to remain a feature going forward. In our view, China's artificial intelligence (AI) industry has passed a turning point and entered a more self-sustaining cycle of rising investment and higher profitability.

In this environment, we are looking for opportunities to add to stocks that have been overly punished in the market rotation. Companies with strong balance sheets, exposure to long-term structural trends, and a competitive edge remain in focus.

For Allianz Life Global Income Fund:

## Target Fund Manager's Comment (For Allianz Global Income)

### Market Review

Global equities, convertible securities, and corporate bonds all finished higher in December. The US Federal Reserve (Fed) cut its benchmark interest rate by 25 basis points (bps) to a range of 3.50-3.75%, while also updating its summary of economic projections for 2026 to show just one interest rate cut alongside higher real gross domestic product (GDP) growth. The resumption of economic data following the end of the government shutdown was mixed. Labour market indicators softened, while consumer spending and inflation metrics were stable. Against this backdrop, the 10-year US Treasury yield rose to 4.17% over the period.\*\*

In this environment, key markets were mixed:

- Global equity markets, as measured by the MSCI World Index, returned +0.84%.\*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +0.61%.\*\*
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +0.93%.\*\*
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +0.26%.^

The portfolio benefitted from strength across global equity and fixed income markets.

Top contributors in December were led by Nvidia, which rallied on reports that the US government would allow chip sales in China. A networking company was higher following management commentary around strong demand trends, while a consumer electronics manufacturer gained on accelerating fundamentals for its memory chip business. A number of major banks advanced on prospects of higher loan demand and improving credit conditions following the Fed rate cut. A mining company moved higher alongside the rally in precious metals, and an aerospace manufacturer gained after announcing a share buyback programme.

Top detractors comprised a number of companies that declined on broader scrutiny around the artificial intelligence (AI) theme, including Broadcom and hyperscalers like Microsoft and Alphabet. Apple fell following an executive departure alongside related reports that the company is planning on completely revamping its AI team. Welltower moved lower despite an unchanged positive fundamental outlook for its senior housing business. A pharmaceutical and biotech distributor consolidated strong year-to-date gains in the month. The other top detractors were Tech holdings in software and hardware, as well as a prescription lens manufacturer.

Exposure increased the most in Financials, Consumer Discretionary, and Industrials, and decreased in Technology, Consumer Staples, and Energy. Covered call option positioning decreased month-over-month.

### Market Outlook

2026 US economic growth could surpass that of 2025, which would catalyse another strong year for the global economy. Potential tailwinds include stimulus from the One Big Beautiful Bill Act (OBBBA – tax cuts/refunds and capital spending acceleration), foreign direct investment from overseas, continued monetary policy easing (including the recently announced asset purchase programme), and steady consumption. Reshoring activity, less regulation, expanding credit, and a rebound in consumer and business confidence are also potential drivers. Improvements in the housing and/or manufacturing sectors could aid growth as well. Key economic risks include heightened geopolitical tensions and elevated fiscal deficits globally. Additionally, if unemployment and/or inflation rise sharply, the odds of an economic slowdown increase.

In an environment where changes in the labour market and prices are more muted, the Fed can continue to target a neutral policy position. Currently, market odds suggest additional interest rate cuts to a range of 3.00-3.25% – a level that is consistent with the Fed's median, longer run projection of 3%.

Accelerating year-over-year earnings growth is expected to be the primary driver of equity market strength in 2026. Aside from the proliferation of AI, earnings tailwinds include productivity gains, low oil prices, corporate buybacks, cost cutting initiatives, and lower interest rates. Expanding earnings breadth could lead to a further broadening out of gains as an increasing number of companies assume market leadership. Earnings headwinds could include rising operating expenses as well as the impact of tariffs.

Against this economic and earnings backdrop, 2026 could be a favourable year for risk assets. Convertible securities could outperform equities again and high yield bonds could deliver another year of coupon-like returns. Given their defensive characteristics, convertible securities and high yield bonds can mitigate market volatility better than equities, which historically average a mid-teens intra-year decline even in annual periods of positive returns.

For Allianz Life Global Income Fund:

## Target Fund Manager's Comment (For Allianz Global Income)

Global convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class could outperform the broad equity market again in 2026, helped by solid earnings growth, expanding market breadth, stable credit spreads, and robust new issuance. After a record year of new issuance in 2025, primary market activity likely slows in 2026 but remains elevated around USD 105-115 billion.# Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

The global high yield market, yielding nearly than 7%^^, offers equity-like returns but with less volatility. The asset class is expected to deliver another year of coupon-like returns in 2026. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are stable, near-term refinancing obligations remain low, and management teams continue to exercise balance sheet discipline. Additionally, the market's credit quality composition has improved. In this environment, new issuance is expected to remain steady, spreads can stay tight, and the default rate should continue to reside below the historical average.

Global investment grade corporate bond's risk/reward opportunity is compelling. A coupon-like return is possible for the asset class in 2026. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are steady with limited default risk. In this environment, spreads can remain tight. If the 10-year US Treasury yield finishes 2026 near the lower bound of the expected range of 3.5-4.5%, the asset class return could exceed mid-single digits.

A covered call options strategy can be utilised to generate premium income. In periods of elevated or rising equity volatility, premiums collected may translate into more attractive annualised yields.

Collectively, these asset classes can provide a steady source of income and a compelling "participate and protect" return profile.

The strategy is a client solution designed to provide high monthly income, the potential for capital appreciation, and less volatility than an equity-only fund.

All data are sourced from Allianz Global Investors dated 31 December 2025 unless otherwise stated.

\* Source: MSCI, as at 31 December 2025

^ Source: Bloomberg, as at 31 December 2025

\*\* Source: BofA Merrill Lynch, as at 31 December 2025

^^ Source: ICE Data Services, as at 31 December 2025

# Source: BofA Research, as at 31 December 2025

## Target Fund Manager's Comment (For Allianz Thematica)

### Market Review and Outlook

Global equities delivered a modest gain in December, with the MSCI All Country World Index (ACWI) rounding out an impressive rise of more than 20% for the year. Gains were muted for most of the month, although the traditional Santa Claus rally lifted investor sentiment into the holiday period. However, escalating protests in Iran and Chinese military exercises in the Taiwan Strait weighed on sentiment at month-end. European stocks finished in front, followed closely by the UK. Japan was next but trailed the global index, while the US eked out a fractional gain over the month. Emerging markets trailed their developed market peers, dragged lower by index heavyweight China. Turning to sectors in the MSCI ACWI, Financials and Materials led the way, while Utilities was the weakest sector in December.

Major central banks around the world were active in December. The US Federal Reserve (Fed) delivered a 25-basis point (25-bps) rate cut, bringing the federal funds rate to 3.5%-3.75%, the lowest level in three years. Similarly, the Bank of England (BoE) lowered the base rate by 25 bps to 3.75% – also the lowest in three years. The European Central Bank (ECB) and People's Bank of China (PBoC) both left their key borrowing rates unchanged. Japan remained an outlier, with the Bank of Japan (BoJ) delivering a 25-bps rate rise to 0.75% – the highest level since 1995 – amid rising inflation and continued Japanese yen weakness.

Global bond yields inched higher over December. The US yield curve steepened, with short-term US yields pegged by another widely expected cut in interest rates from the Fed, while longer-dated Treasury yields were undermined by uncertainty over President Donald Trump's pick for the next Fed chair. European bond yields also moved higher amid worries the ECB may raise rates in 2026. In currency markets, the US Dollar Index closed November little changed. Early gains on the back of hawkish Fed commentary and the reopening of the US government were largely offset after mixed labour market data appeared to bolster the case for a Fed rate cut in December.

Brent crude oil prices eased in December, closing at just over USD 61 a barrel to round out their worst year since 2020. Gold prices rose early on amid heightened expectations of a Fed rate cut at its final meeting of the year, as duly transpired, and touched a series of fresh highs into month-end as the escalating US naval blockade against Venezuela bolstered the yellow metal's safe-haven appeal. The yellow metal closed December slipping just below USD 4,330 per ounce but still managed to register its best year since 1979.

While sector allocation contributed well to overall performance, stock selection has been a bit weaker resulting in the slight drag to overall performance.

From a thematic perspective, Humanoid Robots performed best, while Clean Water and Land was lagging. Ningbo Tuopu, Hesai Group, and Glencore outperformed global equity markets because investors favoured companies with clear demand signals and strong cyclical or structural tailwinds. Ningbo Tuopu benefitted from continued optimism around China's electric vehicle supply chain, with December data reinforcing expectations of resilient production and government support. Hesai Group gained as investor interest in autonomous driving and advanced safety technologies picked up into year end, supported by contract announcements and confidence that automotive innovation spending would remain intact despite broader economic uncertainty. Glencore stood out as commodity prices held firm in late December, and its strong cash generation and shareholder returns made it attractive during a period when investors sought inflation protection and tangible earnings.

In contrast, Agilent Technologies, Ferguson Enterprises, and Snowflake lagged during the same December window. Agilent was pressured by cautious life sciences spending signals, which weighed on sentiment as investors reassessed 2025 growth expectations. Ferguson faced concerns about slowing construction activity into winter months, dampening near-term outlooks. Snowflake underperformed as year-end portfolio rebalancing hit high-valuation growth stocks, especially those exposed to slower enterprise information technology (IT) spending. For retail investors, 25 December highlighted how short-term market moves often reward earnings certainty over long-term potential.

For Allianz Life Elite Income Fund, Allianz Life Elite Income Fund (USD) and Allianz Life Elite Income Fund (MYR-Hedged):

## **Target Fund Manager's Comment (For PIMCO GIS Income Fund (Accumulation))**

### **Market Review**

Risk assets posted mixed performance in December as markets weighed the resumption of delayed U.S. data, a divided-but-easing Fed, and divergent global policy moves. In the U.S., headline CPI for November, released mid-December after the shutdown delays, cooled to 2.7% year-over-year while core CPI eased to 2.6%, both below expectations. Labor conditions remained soft with the U.S. unemployment rate rising to 4.6%, exceeding market expectations of 4.4%. In the Euro Area, the inflation rate reached 2.1% year-over-year in November, stable compared to October's print. In the U.K., November CPI slowed to 3.2% year-over-year, from 3.6% in October.

Developed sovereign bond yields were broadly higher in December, amid mixed monetary policy outcomes. In the U.S., the 10- and 30-year Treasury yields rose 15 bps and 18 bps to 4.17% and 4.84%, respectively, as the Fed delivered a hawkish 25 bp rate cut and Q3 GDP growth surprised to the upside. In the U.K., the 10-year gilt yield rose 4 bps to 4.48%, as the BoE also delivered a 25 bp rate cut. Elsewhere, Japan's 10-year JGB yield climbed 25 bps to 2.07%, as the BoJ hiked rates by 25 bps to the highest level in 30 years.

Developed market equities delivered modest, regionally skewed gains. The MSCI World Index closed December with a gain of 0.8%, as global markets rallied despite lingering macro uncertainty. In the U.S., the S&P 500 Index was relatively flat, reflecting profit-taking after strong year-to-date gains. Credit spreads ended the year tight relative to history and were modestly tighter in December, with U.S. and Euro investment grade spreads narrowing 3 and 4 bps, respectively. In similar fashion, U.S. and Euro high yield spreads tightened 11 and 16 bps, respectively.

During the month, the PIMCO GIS Income Fund returned 0.35% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '25 performance to 10.55%.

## Target Fund Manager's Comment (For BGF World Healthscience Fund)

### Market Review and Outlook

#### Market:

- Global equities finished the month higher, with the MSCI All Country World Index up +1.0% USD in December. Developed markets lagged, as the MSCI World Index returned +0.8% during the month.
- December closed with mixed sector dynamics. Technology cooled after a strong year while defensive sectors regained footing. Technology slid by -0.5% for the month while Energy rose by 3.1% and Financials gained 3.7%.
- On December 10, the Federal Reserve reduced its target range by 25bps to 3.50%-3.75%, marking the third consecutive cut in 2025. The decision was contentious with a 9-3 vote reflecting the split between members concerned about inflation and those prioritizing labor market stability.
- Corporate earnings momentum persisted into year-end. FactSet estimates suggested 7.7% year-over-year earnings growth. Full year S&P 500 profits grew by roughly 12.9%, beating forecasts and supporting valuations at a forward P/E of 22.4, above the 5-year average of 20.0 and 10-year average of 18.7.
- The STOXX Europe 600 slipped 0.2% on the final trading day but capped a strong year with a +17% annual gain, while the Euro STOXX 50 advanced 18% for 2025. Banks and defense stocks led performance, supported by fiscal stimulus and rotation into cyclicals. The ECB maintained its policy stance, holding rates steady as inflation hovered near target and medium-term expectations remained anchored.
- Asia-Pacific markets rallied on global rate-cut optimism. December saw a sharp rebound across Asia, supported by the Fed's third rate cut and China's pro-growth measures. Japan's Nikkei rallied past 50,000 while the Topix hit record levels mid-month before moderating after the Bank of Japan raised rates to 0.75%. South Korea's KOSPI and Taiwan posted strong late-month gains, reversing early weakness as semiconductor demand and AI infrastructure spending drove flows.

#### Stocks:

- An off-benchmark position in Medline was the largest contributor to relative returns, as the company's stock rose sharply following its successful IPO.
- An overweight position in Roche also contributed to relative returns, as the pharmaceutical firm's stock gained after publishing a positive breast cancer study readout.
- An underweight position in Essilor Luxottica was another contributor to relative performance. The healthcare supplies company's stock faced pressure given concerns surrounding an acquisition made.
- The largest detractor from relative performance was an overweight position in Medtronic, which saw its stock price decline as investors sold shares to lock in gains after a period of strong performance.
- Another detractor from relative performance was an overweight position in Cencora, which saw its stock price pressured as investors sold shares to lock in gains after a period of strong performance.
- Lastly, an underweight position in Novo Nordisk detracted from relative returns. The pharmaceuticals company's stock rose on the back of news that the FDA approved its oral GLP-1 drug.

For Allianz Life World Healthscience Fund and Allianz Life World Healthscience Fund (MYR-Hedged):

## **Target Fund Manager's Comment (For BGF World Healthscience Fund)**

### **Changes:**

- During the month, the fund increased its exposure to the pharmaceuticals subsector. In contrast, the fund moderately reduced its exposure to medical devices & supplies companies.
- At the individual security level, the fund increased its positions in pharmaceuticals firms Merck and Novartis, as the team considers the risk reward profile to be attractive due to their product pipeline. Furthermore, the fund increased its exposure to Vertex Pharmaceuticals, as recent periods of underperformance created an attractive opportunity from a valuation perspective.
- Conversely, the fund reduced its positions in Abbott and Thermo Fisher as a source of funds. Furthermore, the fund exited its position in Labcorp as a source of funds.

### **Key Positioning & Outlook:**

- We continue to expect a high degree of stock dispersion in the sector driven by increasing scientific innovation, emerging technologies and policy shifts underscoring a flexible approach to investing across the sector while emphasising scientific attributes at the company level.
- Since Pfizer reached an agreement with the Trump administration on September 30 under the Most Favoured Nation (MFN) Executive Order, several other pharmaceutical companies have followed suit. These developments have provided much needed clarity on the policy front, easing the overhang that has persisted since the MFN announcement in May. With increased clarity, investors can refocus on the sector's stable underlying fundamentals. With the sector still trading at discount to the broader equity market, we believe the risk/reward profile remains attractive.
- Over the long-term, secular drivers for the sector remain in place; firstly, aging demographics in both developed and developing countries and secondly, innovation in medical science and technology. The combination of these secular trends, with favourable valuation creates an attractive long-term investment opportunity.

## Target Fund Manager's Comment (For BGF ESG Multi-Asset Fund)

### Market Review and Outlook

#### Market Review:

The final quarter of 2025 was marked by diverging monetary policy paths, political uncertainty, and intermittent trade tensions. In the US, signs of labour-market softening led the Federal Reserve to deliver 25bp rate cuts at both its October and December meetings, lowering the policy rate to a 3.50%–3.75% range. In contrast, the European Central Bank held rates steady and signalled the possibility of a hike in 2026, triggering a sell-off in European bonds. Political instability in France further weighed on sentiment following credit rating downgrades, while UK markets initially faced fiscal concerns before responding positively to the government's budget. Japan also stood out as the election of Sanae Takaichi as Prime Minister was followed by a sizeable fiscal stimulus announcement and a Bank of Japan rate hike in December. Trade tensions resurfaced intermittently after renewed tariff threats from the US toward China, though a subsequent agreement helped support risk sentiment.

Equity markets experienced bouts of volatility but proved broadly resilient. Japanese equities rallied strongly on expectations of reflation and increased fiscal spending. Emerging market equities benefited from the extension of the US–China tariff truce, easing concerns around trade disruption. UK and European equities outperformed the US as investors rotated away from expensive US technology stocks, while European banks and UK mining and defence sectors benefited from sector-specific tailwinds and supportive monetary policy. In the US, easier monetary policy helped offset concerns about economic cooling, although elevated valuations in AI-related stocks weighed on performance toward quarter-end.

Fixed income performance diverged across regions. US Treasuries rallied as the Federal Reserve continued its easing cycle. UK gilts were volatile in November amid fiscal uncertainty but stabilised following the well-received budget and a December rate cut. French government bonds remained under pressure due to ongoing political challenges, while Japanese yields rose after the Bank of Japan's December hike, with 10-year yields moving above 2% on expectations of further tightening alongside fiscal expansion.

Precious metals remained in focus into year-end, consolidating an already strong 2025. Silver outperformed gold during Q4, supported by strong industrial demand and increased investor interest, while gold also delivered solid gains amid geopolitical uncertainty and expectations of easier monetary policy.

#### Performance:

The BGF ESG Multi-Asset Fund delivered a positive return over the quarter, supported by contributions from equities, precious metals, listed alternatives and fixed income. These gains were partially offset by currency positioning.

Equities were the primary driver of performance, with most allocations contributing positively. The Systematic Active Equity portfolio, which serves as the Fund's core low tracking error allocation, performed broadly in line with its opportunity set. The Global Unconstrained Equity portfolio outperformed its opportunity set, benefiting from constructive positioning in artificial intelligence and security-related exposures.

Thematic equity allocations also added value, notably gold miners, sustainable energy, healthcare and robotics. In addition, tactical exposures to Japanese, UK and European equities further supported overall equity performance.

Within precious metals, silver was the leading contributor, complemented by positive contributions from gold and platinum. Listed alternatives performed strongly, led by the Schiehallion Fund, which benefited from favourable developments across several key holdings, including SpaceX's IPO announcement and higher-valuation funding rounds announced by four of its top five holdings. Molten Ventures and Gresham House Energy Storage also made meaningful positive contributions.

Fixed income returns were driven primarily by the Investment Grade Credit portfolio, with High Yield also contributing, albeit to a lesser extent. Within rates, yield curve steepening strategies and allocations to US and UK government bonds were offset by positions in Australian government bonds and the sovereign credit default swap strategy, held as protection against extreme geopolitical risks. Currency positioning detracted from returns, as US dollar weakness against the euro negatively impacted foreign exchange exposure.

## Target Fund Manager's Comment (For BGF ESG Multi-Asset Fund)

### Positioning:

Over the fourth quarter, the Fund maintained a constructive but increasingly balanced positioning, reflecting strong market performance and evolving macroeconomic conditions. Headline equity beta and portfolio duration remained broadly stable, with an ongoing underweight to duration and a positive allocation to equities. Toward the end of October, profits were taken in high momentum thematic equity exposures, reducing overall exposure to thematic baskets by approximately one third. This, as well as rebalancing of the thematic exposures helped mitigate the impact of the subsequent momentum unwind in markets in November.

In parallel, regional equity tilts were moderated following periods of strong relative performance, with reductions to overweight positions in the US and Emerging Markets and a reduction in the underweight to Europe.

Within equities, the Fund was rebalanced toward more defensive and diversifying exposures. Tactical upside exposure to UK equities was added via call options on the FTSE 100, reflecting attractive relative valuations, the index's sector composition, particularly financials, defence and energy, and the potential for increased foreign inflows as sterling weakens amid Bank of England rate cuts. The Fund also maintained allocations to Japanese and European equities during the quarter.

Thematic equity positioning evolved meaningfully in November following the earlier reduction in exposure. The Employee Sentiment basket was closed and replaced with a Global Healthcare basket, which also had the effect of increasing the defensive characteristics of the equity allocation. Additional thematic exposures were introduced, including a China AI basket to capture accelerating investment in artificial intelligence in China and as a complement to our US AI exposure, a Robotics basket targeting the next phase of AI-driven automation, and a Cryptocurrency Infrastructure basket focused on companies supporting digital asset and stablecoin ecosystems. Collectively, these changes reflect a deliberate shift toward themes supported by longer term structural drivers and improved diversification.

Commodity positioning was actively managed throughout the quarter. Gold exposure was reduced early, including an exit from gold miners and partial profit-taking in physical gold holdings, ahead of a sharp market correction. As prices stabilised, allocations to gold and silver were rebuilt, reaffirming the Fund's long-term conviction in precious metals within a structural dedollarisation backdrop. Exposure was further broadened through increased allocations to gold miners and the addition of platinum, supported by resilient industrial demand and persistent supply constraints.

Fixed income positioning remained cautious on duration, with a significant underweight at the long end of global yield curves, and a cautious approach to credit as spread compression limited upside relative to downside risks. Exposure to Australian government bonds was added during the quarter, reflecting a view that market interest-rate expectations had become misaligned with underlying growth and inflation dynamics.

Overall, the Fund effectively navigated the fourth quarter through disciplined risk management, balanced positioning and sustained exposure to long-term structural investment themes.

### Market Outlook:

Entering 2026, we remain constructively positioned in equities and precious metals, cautious on fixed income, and closely monitor the US dollar, balancing a more neutral to positive near-term view with a structurally cautious longer-term outlook. Equity markets are supported by economic resilience, sustained capital investment and the continued adoption of artificial intelligence which together underpin corporate earnings growth. The US remains our preferred equity market supported by solid earnings expectations, though attractive relative valuations outside of the US and lower investor exposure creates selective opportunities in areas such as Europe and Japan, reinforcing the importance of active management in a more uneven growth environment.

In fixed income, elevated fiscal risks and policy uncertainty, particularly in the US, underscore our cautious positioning. Higher yields have led us to adopt a more neutral stance on developed market duration, while we remain cautious on credit as spreads remain historically tight and provide limited compensation for late-cycle risks. The US dollar has traded within a broad range and may find near-term support if markets reduce expectations around the number of Federal Reserve cuts or reprice geopolitical risk. Over the longer term, however, gradual diversification away from the dollar in trade and reserve allocation remains an important structural consideration.

## **Target Fund Manager's Comment (For BGF ESG Multi-Asset Fund)**

Artificial intelligence remains a powerful structural theme, although market leadership has been narrow and concentrated in US mega-cap technology and hardware. China continues to scale AI adoption through cost-efficient systems supported by coordinated investment, expanding talent pools and infrastructure development. In the US, increasing government involvement reflects the strategic importance of AI but may moderate upside for equity holders over time. Against this backdrop, we maintain a neutral stance on US mega-cap technology and favour diversified exposure across both US- and China-focused AI opportunities as the timing and breadth of application-level monetisation, as well as longer-term labour market implications, remain uncertain.

Geopolitical risks remain elevated, with ongoing conflicts and a more assertive US foreign policy stance contributing to heightened global uncertainty. These dynamics increase the risk of further fragmentation and reinforce the role of precious metals as a portfolio diversifier and hedge against geopolitical and policy risk. We also maintain selective exposure to companies positioned to benefit from increased global defence spending, reflecting sustained government commitments to national security.

Economic cycle divergence is becoming an increasingly important driver of markets. The US is entering a monetary easing cycle with growth supported by a resilient consumer and early signs that capital expenditure is broadening beyond AI, providing a supportive backdrop for risk assets into 2026. In Europe, the rate-cutting cycle is largely complete, contributing to a more stable environment for rates and currencies, although weaker earnings momentum warrants selectivity despite attractive valuations. Japan appears to be entering a reflationary phase as the Bank of Japan gradually normalises policy, creating opportunities amidst increased volatility as markets adjust to a new rate regime. Across emerging markets, disinflation progress has slowed and easing cycles are largely mature, leaving duration opportunities increasingly idiosyncratic and concentrated in select local currency and frontier markets.

In this environment of heightened uncertainty, structural change and increasing dispersion across regions and asset classes, we believe a dynamic and diversified approach to portfolio construction is essential. Actively adjusting exposures, broadening sources of return and maintaining flexibility across equities, fixed income and real assets can help portfolios navigate evolving macroeconomic, policy and geopolitical risks, while positioning clients to capture opportunities as market leadership and economic cycles continue to diverge.

For Allianz Life Income and Growth Fund and Allianz Life Income and Growth Fund (MYR-Hedged):

## Target Fund Manager's Comment (For Allianz Income and Growth)

### Market Review

Top contributors in December were led by Nvidia, which rallied on reports that the US government would allow chip sales in China. A networking company was higher following management commentary around strong demand trends, while another semiconductor manufacturer gained on a significant beat-and-raise quarter. A multinational bank indicated robust underwriting revenues for next year, an electric vehicle maker outlined its autonomous vehicle strategy and unveiled custom chips, and a mining company moved higher alongside the rally in precious metals. The other top contributors were an airframe manufacturer, a travel agency, and a satellite internet provider.

Top detractors in the period comprised a number of companies that declined on broader scrutiny around the artificial intelligence (AI) theme, including semiconductor companies such as Broadcom, hyperscalers like Microsoft and Alphabet, and several infrastructure operators. Welltower moved lower despite an unchanged positive fundamental outlook for its senior housing business. Apple fell following an executive departure alongside related reports that the company is planning on completely revamping its AI team. A pharmaceutical and biotech distributor consolidated strong year-to-date gains in the month.

Many option positions expired below strike and the portfolio was able to retain the set premiums.

Exposure increased the most in Industrials, Health Care, and Utilities, and decreased the most in Communication Services, Technology, and Materials. Covered call option positioning decreased month-over-month.

### Market Outlook

2026 US economic growth could surpass that of 2025. Potential tailwinds include stimulus from the One Big Beautiful Bill Act (OBBBA – tax cuts/refunds and capital spending acceleration), foreign direct investment from overseas, continued monetary policy easing (including the recently announced asset purchase programme), and steady consumption. Reshoring activity, less regulation, expanding credit, and a rebound in consumer and business confidence are also potential drivers. Improvements in the housing and/or manufacturing sectors could aid growth as well. Key economic risks include heightened geopolitical tensions and elevated fiscal deficits globally. Additionally, if unemployment and/or inflation rise sharply, the odds of an economic slowdown increase.

In an environment where changes in the labour market and prices are more muted, the Fed can continue to target a neutral policy position. Currently, market odds suggest additional interest rate cuts to a range of 3.00-3.25% – a level that is consistent with the Fed's median, longer run projection of 3%.

Accelerating year-over-year earnings growth is expected to be the primary driver of equity market strength in 2026. Aside from the proliferation of AI, earnings tailwinds include productivity gains, low oil prices, corporate buybacks, cost cutting initiatives, and lower interest rates. Expanding earnings breadth could lead to a further broadening out of gains as an increasing number of companies assume market leadership. Earnings headwinds could include rising operating expenses as well as the impact of tariffs.

Against this economic and earnings backdrop, 2026 could be a favourable year for risk assets. Convertible securities could outperform equities again and high yield bonds could deliver another year of coupon-like returns. Given their defensive characteristics, convertible securities and high yield bonds can mitigate market volatility better than equities, which historically average a mid-teens intra-year decline even in annual periods of positive returns.

US convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class could outperform the broad equity market again in 2026, helped by solid earnings growth, expanding market breadth, stable credit spreads, and robust new issuance. After a record year of new issuance in 2025, primary market activity likely slows in 2026 but remains elevated around USD 75-80 billion. # Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

For Allianz Life Income and Growth Fund and Allianz Life Income and Growth Fund (MYR-Hedged):

## **Target Fund Manager's Comment (For Allianz Income and Growth)**

The US high-yield market, yielding more than 7%<sup>^^</sup>, offers equity-like returns but with less volatility. The asset class is expected to deliver another year of coupon-like returns in 2026. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are stable, near-term refinancing obligations remain low, and management teams continue to exercise balance sheet discipline. Additionally, the market's credit quality composition has improved. In this environment, new issuance is expected to remain steady, spreads can stay tight, and the default rate should continue to reside below the historical average.

A covered call options strategy can be utilised to generate premium income. In periods of elevated or rising equity volatility, premiums collected may translate into more attractive annualised yields.

Collectively, these three asset classes can provide a steady source of income and a compelling "participate and protect" return profile.

The strategy is a client solution designed to provide high monthly income, the potential for capital appreciation, and less volatility than an equity-only fund.

## Target Fund Manager's Comment (For BGF Global Unconstrained Equity)

### Market Review and Outlook (Oct - Dec 2025)

(Target Fund Manager only produces commentaries on quarterly basis)

#### Market Review:

The market delivered solid headline returns and the Q3 reporting season offered impressive evidence of growth, particularly in the US. Generally, commodity and consumer sectors delivered weaker results while technology and financials performed well. Within technology, all eyes were on the hyperscale's to gauge current compute demands and the outlook for investment in AI-infrastructure. Growth did not disappoint among the three largest cloud providers: AWS delivered its fastest growth in 11 quarters (+20% revenue YoY); Azure's revenue growth stood at 39% YoY, 2% ahead of consensus; and growth at Google Cloud accelerated to 34% YoY. Their parent companies, Amazon, Microsoft and Google, all also made clear the importance of ensuring that capex is sufficient to meet growing demand which could support continued strong momentum across the AI investment stack.

Despite this, the quarter was not without the now typical volatility we've seen YTD, with some of this driven by Oracle (not owned) pushing back the completion dates for some of the leading-edge data centres it is developing. This contributed to a mini rotation in December with healthcare emerging as the best performing GICs sector for the quarter. Elsewhere, metals and mining, banks and semiconductors continued their strong run.

The underperformance of quality has proved a headwind to portfolio performance but has also presented opportunities to add new names to the portfolio at what we hope will prove an opportune time. In Q4, this included RELX which has been one of Europe's most consistent compounders over the 30 years with vast, hard-to-replicate, proprietary datasets in various professional fields. The company is arguably better positioned than ever: it has invested in building better tools for users which is driving both seat growth and pricing. The company's largest division, Risk, provides data analytics, fraud prevention and identity verification and is seeing strong structural growth. Its Science and Legal divisions have high recurring revenue (80%+). As a result of some market concerns over the potential for disruption by AI, the FY2 P/E has de-rated by 25% over the course of a few months (from 28x in August to 21x when it was added to the portfolio). This was an opportunity to initiate a position in a name that we have known for years at an attractive valuation, and for which we don't subscribe to the AI-disruption thesis: not only this would only potentially affect only ~15% of the business, but also that part of the business benefits from proprietary data which an AI provider cannot easily replicate.

We also added a new position in Robinhood. This founder-run business was the first platform to offer commission-free trading and the first to tokenise private assets which, together with offering fractional shares, is helping expand access for retail investors. These innovations, in addition to others like predication markets, are supporting rapid growth: the number of funded customers has grown roughly 10% in the last year while assets under custody grew 119% over the same period as the company focus on recruiting higher net worth users via programmes such as Robinhood Gold, a premium subscription service which offers features like higher instant deposits and professional research. This is one avenue by which the company is diversifying its revenue streams although transaction-based revenues (payment for order flow and cryptocurrency trading) and net interest revenues (interest on cash balances, securities lending and margin loans) still comprise the bulk of the company's top line. The company's journey from a single-product trading app to a scalable diversified financial platform resulted in the company turning profitable in 2024 and margins could expand further given the limited incremental cost of adding new users. Additionally, regulatory changes including the Guiding and Establishing National Innovation for U.S. Stablecoins (GENIUS) Act, signed into law in July 2025, may support growth in crypto-currency markets. Robinhood has an estimated 30% share of the US retail crypto-trading market, and the recent acquisition of Bitstamp demonstrates the company's efforts to build its presence both internationally and within the institutional channel.

Lastly, we added a new position in consumer business Hasbro. Founded in 1923, Hasbro is perhaps best known for its flagship toy brands including Play-Doh and NERF, as well as for being the maker of classic board games like Monopoly and Cluedo. But today, around 85% of the company's earnings are driven by "Magic: The Gathering" (MTG), a collectible trading card game, blending strategic gameplay, fantasy lore and card collecting. Played in game stores and online platforms, Hasbro estimate that the game has reached over 50 million fans to date across more than 150 countries and report that two thirds of customers have been playing the game for over three years, including one third of customers who have over ten years of experience. The player base has exhibited steady growth and strong retention, with revenue driven by the release of 6-7 new card sets a year. This includes standard sets featuring original Magic lore and the "Universe Beyond" (UB) series which use external IPs from video games or films for example. These external IP sets help broaden the audience and deepen engagement. For example, in 2025 the UB Final Fantasy release broke all records as the highest-grossing set of all time highlighting the continued strong momentum in the game.

## Target Fund Manager's Comment (For BGF Global Unconstrained Equity)

Hasbro is also investing in video games with a strategy to release one to two marquee in-house games each year. "Exodus", a new science-fiction role-playing game expected to launch around 2027, is the company's first major attempt at a self-published AAA franchise, and while investment and depreciation here is a material headwind near-term, this is appropriately modelled in consensus forecasts and offers the potential for positive surprise in outer years should the first release be well-received. Overall, we believe the company's embedded customer relationships in MTG could drive continued compound growth. The company itself guides for mid-single digit revenue growth with 50-100bps of margin expansion per year and, as at the end November, was trading on an undemanding 15.5x earnings (FY2). That looks particularly attractive in the context of where some of its peers are trading: for example, Games Workshop (not owned) in the UK was trading at 31x at the end of December.

These new purchases were funded from the aforementioned sale of Intuitive Surgical and the disposal of Hilton. Hilton has proved resilient against a difficult backdrop for the hotel industry and rallied on Q3 results as the company upgraded its FY EBITDA guidance. We used this as an opportunity to move on: revenue per available room (RevPar) trends for the industry have not inflected in the way we expected, despite a long history of tracking inflation. We see a risk that persistently weak RevPar will impact new unit growth (NUG) in time, or greater concessions might be needed to deliver that growth, which is a key component of our long-term investment case for Hilton.

### Outlook:

2025 was an unusual year for equity markets: the strength of returns surpassed long-term average and yet market concentration climbed to all-time highs as growth was confined to just a few select sectors. Additionally, the year was notable for the underperformance of quality stocks with multiple proven, profitable businesses materially de-rating even when backed by solid fundamentals. From an earnings perspective we expect 2026 to be a year of continued economic expansion, consistent with a mid-cycle environment, albeit likely remaining relatively concentrated. 2026 consensus estimates for the Mag 7 still exceed those of the remaining 493 stocks in the S&P 500 Index, and remain higher for the US than for Europe in aggregate. Of course, a significant change in the interest rate environment could support various depressed cyclical industries. That being said, many of the sectors posting the strongest growth in 2025 benefit from multi-year structural tailwinds that look set to continue. The outlook for AI remains less certain given pace at which the industry is developing but, as noted above, demand for Cloud services and commitments to training ever more powerful models appear well-underpinned for now, although we continue to refine our views on this topic as new information comes to light.

We expect volatility to remain, in part due to market concentration, but also given elevated geopolitical uncertainty. The highly changeable environment has necessitated more change to the portfolio in the last twelve months. These changes aided relative returns by 3.5% over the year and, we believe, position us well to capture the long-term opportunity set from here. While the extreme environment of 2025 could persist, an interesting opportunity may now be building for quality growth stocks given current valuations levels and long-term growth potential: over time, share prices will be driven by the earnings and dividends companies deliver. Our process continues to seek those businesses which can sustain and compound attractive earnings growth over the long-term, believing these are frequently underappreciated by a market which is increasingly responding to short-term newsflow and narratives.

## Target Fund Manager's Comment (For BGF World Technology Fund)

### Market Review and Outlook

#### Performance Overview:

- The BGF World Technology Fund returned -0.1% in December (A2 share class in USD, net of fees), underperforming its benchmark, the MSCI ACWI Information Technology 10/40 Index, which returned +0.9%.

#### Market:

- Global equities were mixed in December. The MSCI ACWI rose by 1.0% while the Nasdaq 100 slid by 0.4%. The choppy performance in December saw the ACWI dip mid-month before rallying to close out the year up +22.3%. The strength of the markets is noteworthy given the MSCI ACWI had risen strongly in the prior two years, gaining 22% in 2023 and 18% in 2024.
- December closed with mixed sector dynamics. Technology cooled after a strong year while defensive sectors regained footing. Technology slid by -0.5% for the month while Energy rose by 3.1% and Financials gained 3.7%.
- On December 10, the Federal Reserve reduced its target range by 25bps to 3.50%-3.75%, marking the third consecutive cut in 2025. The decision was contentious with a 9-3 vote reflecting the split between members concerned about inflation and those prioritizing labour market stability. CME FedWatch data showed market-implied odds for the cut at 84.8% going into the meeting but traders now anticipate a pause in early 2026 before potential further easing.
- Corporate earnings momentum persisted into year-end. FactSet estimates suggested 7.7% year-over-year earnings growth. Full year S&P 500 profits grew by roughly 12.9%, beating forecasts and supporting valuations at a forward P/E of 22.4, above the 5-year average of 20.0 and 10-year average of 18.7.
- The STOXX Europe 600 slipped 0.2% on the final trading day but capped a strong year with a +17% annual gain, while the Euro STOXX 50 advanced 18% for 2025. Banks and defence stocks led performance, supported by fiscal stimulus and rotation into cyclicals. The ECB maintained its policy stance, holding rates steady as inflation hovered near target and medium-term expectations remained anchored.
- Asia-Pacific markets rallied on global rate-cut optimism. December saw a sharp rebound across Asia as the Fed's third rate cut and China's pro-growth measures fuelled risk appetite. Japan's Nikkei rallied past 50,000 while the Topix hit record levels mid-month before moderating after the Bank of Japan raised rates to 0.75%. South Korea's KOSPI and Taiwan posted strong late-month gains, reversing early weakness as semiconductor demand and AI infrastructure spending drove flows.

#### Sectors:

- Alphabet expanded data-centre capabilities by announcing a \$5 billion acquisition of Intersect, a clean-energy and data centre infrastructure developer. The deal strengthens the tech giant's ability to power the next generation of AI data-centres with renewable energy and reinforces the firm's leadership in cloud and AI infrastructure.
- OpenAI announced that it is pursuing further fundraising of up to \$100 billion and value the AI pioneer at as much as \$830 billion. The capital raise, potentially closing by end of Q1 2026, would support expansion of AI infrastructure, data-centres, and compute capacity as it scales advanced model development.
- Netflix announced a \$72 billion deal to acquire Warner Bros. Discovery's film studios and streaming assets, including HBO and HBO Max. The transaction, expected to close in 12-18 months pending regulatory approval, would reshape the streaming landscape by merging Netflix's 300 million subscribers with HBO Max's 130 million.
- Shopify hit a record \$14.6 billion in Black Friday-Cyber Monday sales, a 27% increase year-over-year. Peak traffic reportedly hit \$5.1 million per minute, and over 94,900 merchants had their best-ever day.

For Allianz Life Global Balanced Income and Growth Fund and Allianz Life Global Balanced Income and Growth Fund (MYR-Hedged):

## Target Fund Manager's Comment (For PIMCO GIS Balanced Income and Growth Fund)

### Market Review

#### Equity Market:

- The MSCI ACWI Index closed December with a 1.0% gain, as global markets rallied despite lingering macro uncertainty. In the U.S., the S&P 500 Index was relatively flat at 0.1%, reflecting profit-taking after strong year-to-date gains and muted tech performance. European equities<sup>1</sup> rose by 2.7%, driven by economic resilience and improving consumer confidence.
- Emerging market equities<sup>2</sup> rose 3.0% as the tariff truce held and fears of renewed trade wars diminished, boosting investor confidence. South Korea's KOSPI Index<sup>3</sup> surged 7.4%, driven by its pivotal role in the global semiconductor and AI boom, with leading tech companies fueling strong gains. Chinese equities<sup>4</sup> fell 2.5% amid persistent uncertainty surrounding government regulation of the tech sector, which spurred investor caution and capital outflow.

#### Bond Market:

- Developed market sovereign bond yields were broadly higher in December, as fiscal concerns remained elevated and central banks adjusted monetary policy. The U.S. 10- and 30-year Treasury yields rose 15 bps and 18 bps to 4.17% and 4.84%, respectively, as the Fed delivered a hawkish 25 bps rate cut and Q3 GDP growth surprised to the upside. The German 10-year Bund yield rose 17 bps to 2.86%, amid hawkish ECB rhetoric. In the U.K., the 10-year gilt yield rose 4 bps to 4.48%, as the BoE also delivered a 25 bps rate cut. In Japan, the 10-year JGB yield climbed 25 bps to 2.07%, as the BoJ hiked rates by 25 bps to the highest level in 30 years.
- Global IG credit posted negative returns of -0.12% for the month, outperforming like duration government bonds by 0.25%, as spreads tightened 3bps in December. Global HY credit delivered positive returns of +0.63%, with the higher quality segment of the high yield market, BB-rated and B-rated bonds, performing in line with CCC-rated bonds.
- Agency MBS<sup>5</sup> returned 0.22% in December, outperforming like-duration Treasuries by 47 bps, as higher coupons outperformed lowers amid lower realized volatility, modestly higher interest rates, lower prepayments, and continued strong demand from a broad base of buyers, including the GSEs.

For Allianz Life Global Balanced Income and Growth Fund and Allianz Life Global Balanced Income and Growth Fund (MYR-Hedged):

## Target Fund Manager's Comment (For PIMCO GIS Balanced Income and Growth Fund)

### Market Outlook

While we viewed economic risks as skewed to the downside in 2025, macro risks appear more balanced in 2026, creating a favorable backdrop for balanced portfolios. We are marginally constructive on overall risk amid growth that looks to be resilient and re-accelerating, inflation that is at or close to target, and central banks that are at or cutting to neutral in 2026. Against this backdrop, we leverage the broad universe of global opportunities to diversify performance drivers amid regional divergence, with an emphasis on up-in-quality exposures. We have constructive outlooks across both equity and fixed income betas, with compelling alpha opportunities under the surface. In fixed income, we see opportunities in duration amid attractive yields across developed and emerging markets, creating an abundance of global opportunities. We maintain exposure to US front-end and intermediate rates as well as select duration in other developed markets, like the UK and Australia. We continue to favor EM local duration in select countries with high real yields, strong carry profiles, and attractive spreads. We hold a constructive view on US TIPS due to reasonable valuations and high real yields, particularly considering the positive carry in the current rate environment. In spread sectors, we remain constructive on securitized exposures, particularly senior structured credit associated with higher-income consumers given resilient fundamentals and reasonable spreads. We believe that high-quality tranches of non-Agency MBS and select ABS collateralized by consumer loans exhibit reasonable valuations and protection against default risk. We continue to see relative value in Agency MBS versus investment grade corporate credit as the spread differential remains elevated. With regards to equities, we see the potential for positive returns driven by solid economic growth and earnings, which we expect to broaden across sectors. We retain conviction in global diversification, as areas outside the US, like EM Asia, exhibit more reasonable valuations and superior earnings outlooks than the U.S. We expect a positive environment for quantitatively driven stock selection and diversified factor exposures amid expectations for continued single-name dispersion.

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