Market Review and Outlook

March 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 slumped and experienced significant volatility in March, with the MSCI World Index falling 4.64% mom, the Nasdaq Index dropping by 8.21% mom, and the American Dow Jones Index declining by 4.20% mom. This broad-based weakness was primarily driven by escalating geopolitical tensions and tariff uncertainty, as the United States imposed a 25% tariff on imports from Canada and Mexico and increased tariffs on Chinese goods, leading to retaliatory measures and heightened concerns over US and global economic growth. The impact of higher bond and credit yields, coupled with fears of stagflation contributed to a risk-off sentiment and cautious investment climate, dampening economic growth projections worldwide.

In the US, February’s nonfarm payrolls (NFP) grew by +151k mom, (Survey: +160k mom) and prior month’s NFP was revised downwards to +111k mom (from +143k mom) while the unemployment rate was above expectations at 4.1% (Survey and January: 4.0%). Consumer Price Index (CPI) in February was slightly lower at +2.8% yoy (Survey: +2.9% yoy, January: +3.0% yoy) largely driven by the deceleration in transportation prices. Similarly, February’s advance retail sales were below consensus at +0.2% mom (Survey: +0.6% mom) but improved from prior month’s revised sales at -1.2% mom (revised downwards from -0.9% mom) contributed by greater spending online and on healthcare items. However, industrial production exceeded expectations at +0.7% mom (Survey: +0.2% mom, January revised: +0.3% mom) fueled by higher motor vehicle production. In the Federal Open Market Committee (FOMC)’s March meeting, the Federal Reserve (Fed) kept the rate unchanged at 4.25% – 4.50%. Fed Chair Powell noted on the uncertainty from President Trump’s policies changes but reiterated that they are not in a hurry to adjust the fed fund rate and that further clarity on the policies’ impact is needed before any adjustments are made. In addition to the rate decision, the Fed announced a further scaling back of its “quantitative tightening” program in which it is gradually lowering the bonds it holds on to its balance sheet.

Over in Europe, the Stoxx 50 Index declined by 3.94% mom. The announcement of auto tariffs and rumors of broader-than-anticipated reciprocal tariffs in late March triggered a sell-off across European markets. The March HCOB Eurozone Manufacturing Purchasing Manager’s Index (PMI) decreased slightly to 48.6 from 48.7, indicating a continued contraction in manufacturing activity, while Eurozone February retail sales showed resilience, growing by +2.3% yoy. The ECB decided to lower key interest rates by 25 basis points, emphasizing its commitment to closely monitor economic developments amid geopolitical tensions and trade uncertainties. The ECB also signaled that it would adopt a data-dependent approach to monetary policy decisions amidst rising uncertainty.

On the other hand, China’s Shanghai Composite Index inched up +0.45% mom, bolstered by the government's stimulus efforts to achieve a 5% growth target, including issuing RMB1.3 trillion in special treasury bonds and permitting local governments to issue RMB4.4 trillion in special debt, all aimed at enhancing domestic consumption and countering the impact of US tariffs. Consumer prices index fell by 0.7% yoy in February, marking the first deflation since January 2024 due to reduced demand post-Spring Festival. The People's Bank of China maintained key lending rates unchanged in March for the fifth month, with the one-year loan prime rate (LPR) at 3.1% and the five-year LPR at 3.6%. The Caixin China Manufacturing PMI rose to 51.2 in March 2025, surpassing February's 50.8, driven by increased new orders and improved demand.

In March, Brent crude oil price increased by +2.1% mom to USD74.74/barrel as fresh US sanctions on Iran coincided with OPEC+'s decision to maintain production cuts, raising expectations of potential tighter supply. Crude palm oil price inched up by +0.7% mom mainly due to decreased production, affected by heavy rainfall and exhausted oil palm trees. Additionally, emerging markets like Sub-Saharan Africa also filled the demand gap left by India and China.

For the ASEAN region, Singapore's Straits Times Index (STI) climbed +1.97% mom driven primarily by ST Engineering Limited (+25.5% mom) after the company announced ambitious five-year targets, plans to increase dividend payouts, and a strategy to balance growth and shareholder rewards. The Index was further supported by resilient performances from selected large cap banks. Indonesia's Jakarta Composite Index rose +3.83% mom as the Indonesian Financial Services Authority announced that listed companies could conduct buybacks without shareholder meetings, boosting investor confidence. This follows an intra-day plunge of 7% on March 18 due to economic uncertainty from global and domestic issues, including rumors of Finance Minister Sri Mulyani's resignation, transparency concerns with Daya Anagata Nusantara, and incompatible policies, sparking fears over fiscal stability. On the other hand, the Stock Exchange of Thailand continued its downtrend, falling 3.79% mom (YTD: -17.29%) plagued by a prolonged crisis of confidence, exacerbated by foreign investment selling amid economic decline, corporate governance scandals, persistent political instability, and global uncertainties, including US trade policies and tariff impacts. Malaysia also suffered with the FBMKLCI sliding 3.88% mom as investors worried about US trade policies and potential recession risks, driven by the impact of tariffs and fluctuations in major global indices. March 2025 saw a continued equities net foreign outflow of RM4.6bn, bringing 1Q25 net outflow to RM10.0bn.

The US Treasuries (UST) yields decreased by 5 – 10bps mom across the 3 – 7y tenors while the yields across the 20y and 30y tenors climbed by 7 – 8bps mom amidst weaker – than – expected jobs growth, inflation and retail sales and stronger – than – anticipated industrial production. The yield for 10y tenor remained unchanged at 4.21%.

Malaysian Government Securities (MGS) yields trended lower across the curve by 2 – 6bps mom. In the March Monetary Policy Committee (MPC) meeting, Bank Negara Malaysia (BNM) maintained the overnight policy rate (OPR) at 3% as expected. BNM anticipates economic activity to be backed by domestic demand despite external uncertainties with employment, wage growth as well as upward revision of the minimum wage and civil servant salaries supporting household spending. Meanwhile, January's industrial production was below expectations at +2.1% yoy (Survey: +2.7% yoy, December 2024: +4.6% yoy) dragged by contraction in the mining sector. February's CPI met consensus at +1.5% yoy but was lower than January's CPI of +1.7% yoy. The slower increase was primarily due to slower rise in the main groups of housing, water, electricity, gas and other fuels as well as recreation, sport and culture.

Foreign funds turned net buyers in March with net inflows of RM3.2bn (February: net outflows of RM1.1bn). The foreign share of both MGS and MGS+MGII climbed to 32.5% (February: 31.8%) and 20.9% (February: 20.6%) respectively. Despite the inflows, Malaysia's foreign reserves declined slightly by USD0.8bn to USD117.5bn as of end – March (February: USD118.3bn).

Market Outlook

The world is experiencing volatility due to a global trade war as President Trump initiates widespread tariff measures globally. Not surprisingly, the move has elicited measured retaliatory tariffs from selected countries. That said, it cannot be ruled out that the President could be using tariffs as leverage in his negotiation strategies for better trade terms for the US. Locally, investors would keenly observe the implementation of some important policies such as RON95 fuel subsidy rationalization and Malaysia's response to the US on their tariff measures and its potential impacts on the market.

As we navigate the volatile equity market environment of 2025, we remain steadfast to investing in fundamentally good investments over long – term investment horizons. As always, we will opportunistically engage in trading activities to capitalize on any prevailing market volatility. All the same, we will keep vigil over any potential geopolitical and other risks that may necessitate the gravitation towards new strategies to adjust to the ever – volatile market conditions.

Bond market volatility is expected to persist in 2025 as US – led tariff – related risk and geopolitical tensions continue to dominate headlines. The FOMC cautioned that uncertainty around the economic outlook has increased and that the Fed remains attentive to both of its dual mandate – inflation and employment. While the median projection showed a 50bps of rate cut in 2025, unchanged from December, there was a downgrade in the economic growth forecast to just a 1.7% pace this year, down 0.4% from the last projection. In the recent Monetary Policy Statement, BNM maintained its view for sustained economic activities in 2025 anchored by resilient domestic expenditure. Inflation in 2025 is expected to remain manageable with upside risk to inflation being dependent on the extent of spillover effects of domestic policy measures, as well as external developments surrounding global commodity prices, financial markets and trade policies. Demand for local bonds still appears strong and credit spreads have tightened further, led by high grades. All said, we would selectively accumulate bonds at reasonable valuations while prioritizing good quality names.

For Allianz Life Global High Payout Fund:

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

What helped?

- March was a strong month for dividend stocks. In a volatile and overall down market, the Fund profited from its exposure to the dividend theme, with stocks with highest dividend yield outperformed global equity markets.

What hurt?

- Continuing the development since the start of the year, trend-following and growth-related factors lagged again, with higher risk names strongly underperforming. The Fund allocates to cyclical trend- and growth-related factors as this can contribute positively in the long term when combined with dividend stocks.

Market Review

March was, in general, a disappointing month for global equities amid ongoing uncertainty regarding President Donald Trump's erratic trade policy. Stock markets weakened sharply at month end ahead of the president's self-dubbed "Liberation Day" of sweeping tariffs on 2 April. Continued conflict in Ukraine and Gaza, alongside escalating concerns surrounding Iran's nuclear programme, further compounded market jitters.

US equities sold off sharply in March, rounding out their worst quarter since 2022 against a backdrop of tariff-related uncertainty and geopolitical tensions. The Nasdaq Composite Index closed the month at a 6-month low, while the S&P 500 Index briefly fell into correction territory, having dropped 10% from its early-January peak, as investor sentiment plummeted. Sentiment was further knocked when President Donald Trump refused to rule out a recession, emphasising the possibility that the US will enter "a period of transition", with market jitters continuing into month end in the run-up to the president's self-dubbed "Liberation Day" of sweeping tariffs on 2 April. Overall, value stocks outperformed their growth equivalents during the month as investors rotated into more defensive shares.

European equities moved lower over March but held up better than US shares. President Donald Trump's withdrawal of US military aid to Ukraine and comments signalling faltering US commitment to the North Atlantic Treaty Organisation (NATO) and European security initially weighed on sentiment, but shares recovered after the German Parliament agreed to relax its debt brake. The landmark debt reform bill will unleash hundreds of billions of euros for defence and infrastructure spending. However, European markets stumbled further towards month end on heightened uncertainty in the run-up to the president's self-dubbed "Liberation Day" of sweeping tariffs on 2 April. At a sector level, Consumer Discretionary and Information Technology shares fell the most, while Utilities and Energy were the only sectors to post gains.

Market Outlook

Our proprietary Macro Breadth Growth Index, which aggregates global macroeconomic data, declined for the first time in six months. Figures from the US, the UK, China and several emerging markets weakened, whereas the numbers for Japan and the euro area improved. Business and investor sentiment in the world's largest economy, the US, is suffering from uncertainties about tariff, immigration, fiscal and regulation policies. We therefore expect US growth to slow down more visibly than generally anticipated by the market. In contrast, the outlook for Europe is improving. Higher defence and (in Germany) infrastructure spending is likely to boost sluggish growth. The Chinese government will probably continue to support the economy as the Real Estate sector remains fragile and tariffs on exports to the US are looming on the horizon. Overall, we are cautiously optimistic for equities. However, we expect more significant volatility and divergent developments between individual countries and regions. This trend may be reinforced by geopolitical tensions. Overall, we believe that this environment is favourable for active management based on fundamentally oriented analyses.

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 were mixed in March with a wide divergence of returns across markets as erratic tariff news was digested. China equities made modest gains. Tech stocks led the way for the first half of the month, continuing to rally after a Chinese AI start-up's success sparked growing interest in the sector, but closed the month on a weaker note. India rebounded strongly after several months of weakness, led mainly by positive domestic fund flow. In contrast, Taiwan lagged with the Technology sector seeing a particularly sharp pullback in line with the semiconductor sector globally. The Korea market was also weak after Trump announced tariffs on all cars imported to the US. Australian equities slid further from their historical highs in January, with all sectors retreating with the exception of Utilities.

On the fixed income side, US Treasury yields were volatile in March, although overall yields remained unchanged on a month-on-month basis. For much of the month, escalating fears of a global trade war and slowing global growth dominated economic news, resulting in widened credit spreads. Across Asia, hopes of fresh stimulus measures from China aimed at boosting consumption supported market sentiments. Overall, Asia credit returns were flat in March, with positive interest rate returns offsetting negative spreads.

The Fund return was positive in USD terms in March.

In the equity portfolio, the top contributor came from a telecommunications provider in the Philippines gaining market share through lower cost subscription plans. This strategy aligns with the growing demand for higher-speed internet and increasing digital connectivity in the region beyond urban areas.

On the detractor side, chipmaker Taiwan Semiconductor Manufacturing (TSMC) lagged during the month. The share price retreated on concerns surrounding global semiconductor demand and potential impacts from US tariffs. The company has announced stronger-than-expected guidance for 2025, with demand for high performance computing chips continuing to be well supported by ongoing adoption of AI-related applications. We have maintained our position.

The asset allocation at the end of the month was 70.0% invested in Asian equities and 30.0% in Asian fixed income.

During the month, we added a grocery retailer from Australia and a jewellery brand based in Hong Kong to the portfolio. On the flip side, we exited our position in a medical device company in Australia.

Within the fixed income portfolio, we continued to look for alpha opportunities in the secondary market focusing on shorter end maturities. We also trimmed our exposure to commodity related names given rising uncertainties under current macro environment.

At the end of the month, we held 59 equities and 57 fixed income securities. The equity portfolio yield was 2.6% (based on forward 12-month estimates), and the average fixed income coupon was 5.6% with an average credit rating of BB+ and average duration of 2.4 years.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

Market Outlook

Shortly after the end of the month, Asian equity markets were turned on their heads by Trump announcing significantly higher-than-expected tariffs. After signalling restraint earlier in the year, China, in particular, retaliated with a strong tit-for-tat response. Although China basically matched US actions rather than escalating further - showing it is still open to negotiation - in practice, the outlook is highly uncertain. We expect a significant policy response from China focused on stimulating domestic demand.

While we are still facing significant uncertainty as Trump is disrupting the global economic trade order with his tariff announcements and more time is needed to see where things settle, there could be channels for Asia to see some respite. Regional central banks have some propensity for policy easing, for example, especially if the US dollar continues to weaken. India is a more domestic demand-driven economy and is correspondingly less exposed to US tariff risk. India equity valuations have also come down significantly.

On the fixed income side, despite the macroeconomic uncertainties, we maintain a positive view on Asia credits due to strong technical factors such as declining default rates and reduced new issue supply. At the same time, we see Asia corporate fundamentals improving, and corporate earnings across the region have been strong. Most corporate sectors in the Asian high yield market are in the sweet spot of the credit cycle and will continue to provide decent carry returns, such as Indian Utilities, Macau Consumers, and select Asian Financials. While certain sectors are still in the downcycle, primarily China and HK Real Estate, these sectors present alpha opportunities due to market dislocations. In our view, the high-quality nature of the Asia investment grade market, combined with attractive all-in yields, presents an investment opportunity for investors seeking diversified returns.

For Allianz Life Amanah Dana Ikhlas:

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

Market Review

Sukuk Review

The recent trade policy induced market volatility took a toll on global risk assets, especially the equity markets. Trump Administration's recent tariff announcements have challenged the decade-long rapid globalisation and highly intertwined global supply chain. There are also increasing distrust of current US dominated financial system and the mighty USD. At the onset of the tariff announcement, equity sold off severely, VIX index jumped over 60 pts while UST and gold got their "safe heaven" bids. 10Y UST fell to as low as 3.80% from 4.20% level before the tariff news. The market took a turn on both "safe heaven" assets as steep equity losses triggered selling across all asset classes. Market was also pricing in FOMC's rate cuts from 2-3 cuts this year to up to 6 cuts in a span of less than 2 weeks. In local market, 10y MGS closed the end march at 3.77%, little changed from last month.

Equity Review

Global equity markets saw selling pressure following US recession fears and trade concerns, amid the announcement of the US auto sector tariffs, ahead of the tariff details on April 2nd. The Nasdaq, S&P 500, and the Dow Jones lost 8.2%, 5.8% and 4.2% respectively. Sentiment on AI related themes also saw headwinds following Microsoft's pullback in capex and Alibaba's leadership comments. What has been the sell-off initially from the AI theme given the outstanding performance. has now spilled over to other momentum and thematic trades.

Closer to home, the KLCI saw another decline of 3.9%, which brought the 1Q performance to fall by 7.8%. Besides US trade policy concerns, flows largely centered in the Hong Kong/China market, leaving Asean and for that matter Malaysia, little to no interest. Elsewhere, as far as news flow is concerned, Malaysia announced a partnership with ARM Holdings to establish an Asean base of operations, in efforts to move up the value chain in the semiconductor and AI related technology, aims to develop a robust intellectual property-driven ecosystem. In macroeconomic news, BNM maintained the OPR at 3.0% as expected, given the tariffs and geopolitical uncertainties while also citing the continued growth globally and domestically currently.

In foreign flows, net selling persisted for 23 weeks consecutively, with a whopping US$1,045m (RM4.5bn) in March. This brings the year-to-date selling to US$2,242m, the largest outflow in the region. Elsewhere, Thailand and Indonesia saw net foreign selling amounting to US$647m and US$490m respectively while Philippines had net foreign buying amounting to US$50m. All markets in the region had foreign net selling on a year-to-date basis.

In commodities, Brent oil bounced back to close 2.0% higher. There were supply concerns as the US administration could escalate sanctions on oil producing countries. Base metals saw gains likely due to front-loading ahead of the tariffs, led by steel, copper, and nickel which gained 14.7%, 11.5%, and 2.9% respectively. Iron ore on the other hand fell 1.9%. Precious metal continues its stride with a 9.3% gain during the month as flight to safety, in addition to the freezing of Russian foreign assets, led the buying from central banks and consumers. In currencies, the DXY fell 3.2% during the month. The Peso, Baht, Ringgit and Rupiah gained 1.3%, 0.7% 0.5% and 0.1% respectively.

Market Outlook

Sukuk Outlook & Strategy

BNM maintained the OPR at 3.00% as unanimously expected in most recent MPC meetings. The monetary policy remains neutral given the favorable combination of solid economic growth and anchored inflation trajectory that is expected to sustain into 2025. We expect the recovery in Malaysia's fixed income market to continue, as most central banks around the world have started embarking on rate cuts, shifting towards more accommodative monetary policy. The positive dynamic of yield movement globally could lead the local government yields to trend lower. Our view remains that BNM to maintain OPR at 3.00% in 2025 as Consumer Price Index (CPI) numbers are relatively benign at the back of subsidy rationalization exercises. However, we will watch for signs of demand-pulled pressure, as Malaysia GDP growth remained robust at 5.1% for the full year of 2024, an improvement from the 3.6% growth recorded in 2023. In addition, Malaysia is at full employment rate with expected average unemployment rate of 3.2% in 2025, and increase in minimum wage from MYR1,500 to MYR1,700, as well as civil servant salary increase; could lead to higher disposable income and increased consumption. We are also mindful of external factors such as US reflation risk and escalation of trade tensions under the Trump administration as well as China economic slowdown pose uncertainties.

For Allianz Life Amanah Dana Ikhlas:

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

Strategy wise, we maintain our neutral duration stance as we find current bond yields to be attractive. We will monitor government bond markets for attractive entry points to trade opportunistically (although not at current juncture) but will continue to overweight corporate bonds as the primary source of income. Corporate bonds generally offer lower volatility and higher yields, which can help buffer against potential mark-to-market losses if sovereign bond yields rise. We favor strong AA-rated and single A-rated credits for yield pickup and carry, as well as those with the potential for long-term upgrades as economic activity accelerates. Our strategy will remain opportunistic, focusing on primary issuances and oversold bonds in the secondary market that offer higher yields.

Equity Outlook & Strategy

As at writing, the US administration has reversed its earlier announced blanket "reciprocal" tariffs, with the higher-than-expected rates (bespoke to varying countries) with floor rate of 10%, except for China for 90 days. Equity markets have had a relief rally since then. However, moving forward, we think markets are likely to remain volatile as the US policy changes continue to create uncertainty for the world trade structure and for financial markets. At this juncture, the uncertainty is largely centered on negotiation deals as well as domestic policy responses. China and EU have indicated some package or retaliatory tariffs in the near-term as countermeasures. Furthermore, it is also difficult to ascertain with any high conviction the macro and market impact on this given the fluidity of the situation given the reciprocal measures as aforementioned. The bigger picture, perhaps on a trade war scenario, affects the economic environment and negatively impacts growth and increase inflation. While optimistically, this policy will eventually be priced-in the market, the prolonged uncertainty affects sentiment which hurts growth prospects. Macroeconomic data has shown strength, but these fears challenge the narrative of a resilient economic outlook.

For now, we think that tariffs are likely to be a permanent feature of the current US administration. Strategy-wise, we are maintaining our higher cash level and capital preservation mode to navigate the market through numerous crosscurrents. We are looking to stick to high quality e.g. strong cash flow yields as well as defensive stocks e.g. resilient demand/domestic oriented such as healthcare (hospitals). Having said that, we are looking opportunistically at stocks that we like but have been sold off with perhaps a high margin of safety.

For Allianz Life All China Equity Fund and Allianz Life All China Equity Fund (USD):

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

Market Review

The Fund delivered returns close to the benchmark in March. Positive stock selection in the Health Care sector was offset by weaker performance in the Industrials space.

At a single stock level, a key contributor last month was a large mining group engaged primarily in the exploration and development of gold, copper and zinc. As well as benefitting from higher material prices, the company also announced good results during the month. The company achieved record high output, ranking 4th and 6th globally for mined copper and gold globally.

Conversely, a detractor was a leading thermal management solution provider for data centres, energy storage and artificial intelligence (AI) chips. The share price weakened following concerns about slowing demand. While we continue to see longer-term growth opportunities, especially in Southeast Asia where data centre cooling demand remains strong, we have reduced the position size given some near-term uncertainty.

Market Outlook

China equities started the month strongly before giving up part of their gains, mainly due to tariff-related uncertainties. Overall, after a weak start to the year, China equities recovered well during the quarter. China A-shares were close to flat in USD terms. Offshore stocks delivered stronger returns. The trigger was the release of a new AI model by an emerging Chinese startup, China's equivalent of an established AI model, that demonstrated how China is more advanced in the global technology and AI race than was previously understood.

Shortly after the end of the quarter, however, the market situation was turned on its head. The catalyst was President Trump announcing significantly higher-than-expected additional tariff rates for China. After signalling restraint earlier in the year, China retaliated with a strong tit-for-tat response. Although China basically matched US actions rather than escalating further, showing it is still open to negotiation, in practice the outlook is highly uncertain.

There is little historical precedent for this scale of tariff increase. However, early sell-side estimates suggest this could, in isolation, have a close to 2% gross domestic product (GDP) impact on China. It seems likely that Beijing will use stronger domestic stimulus to help offset the macro impact of the tariffs.

Just a few weeks ago, China set an official GDP target for 2025 that is the same as 2024 and 2023 – "around 5%". Even before recent tariff developments, we viewed the GDP target as a lot more ambitious this time around. Last year, net exports accounted for around 30% of GDP expansion, but export momentum is set to fade sharply.

Given the importance attached to achieving the annual growth target – it has been met or exceeded in each of the last 15 years with the exception of COVID in 2022 – both monetary and fiscal policy should remain solidly in expansion mode. There is a clear need to boost domestic demand to maintain the recent economic momentum.

Looking beyond these near-term events, the emergence of AI as a key topic has sparked a new narrative for China's economy, with policymakers and regulators emphasising the importance of innovation and technology and considering new approaches to support private companies.

One notable announcement in the last month was the government preparing a "national venture capital guidance fund", which aims to raise around RMB 1 trillion (USD 140 billion) for funding high-tech companies. Although few details are available yet, it is likely to focus on areas described as "industries of the future" such as "biomanufacturing, quantum technology, embodied AI, and 6G technology". As such, this new fund can be seen in the context of China's increasing emphasis on establishing leadership in new areas of technology, rather than fighting established incumbents.

In this environment, portfolio activity in March included adding selectively to companies which are expected to benefit from the more rapid adoption of AI. In particular, we switched out of some "AI infrastructure" exposure related to areas such as data centres and added to positions related to the rise of edge AI applications as well as other software developments.

At month-end, the portfolio has around 35% 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 Health Care (+2.2%), while the largest underweight is Communication Services (-3.9%).

For Allianz Life Global Artificial Intelligence Fund and Allianz Life Global Artificial Intelligence Fund (USD):

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

Market Review

Global equities were lower in March due to multiple factors. Fears of a growth slowdown, geopolitical tensions and tariff uncertainty weighed on investor sentiment. In the US, the Technology-heavy Nasdaq Composite Index closed the month at a 6-month low, while the S&P 500 Index briefly fell into correction territory, having dropped 10% from its early-January peak. Value stocks outperformed their growth counterparts, as investors rotated into more defensive areas of the market. European shares also moved lower as hopes for a ceasefire faltered in Ukraine and trade tensions rose. Emerging markets held up better, with China stocks continuing its recovery from the prior month.

Fears of a global trade war and slowing global growth overshadowed economic news for much of the month. The US Federal Reserve (Fed) and Bank of England (BoE) held rates steady, as did the Bank of Japan (BoJ). Meanwhile, the European Central Bank (ECB) cut its key interest rates by 25 basis points (bps) to 2.5%, as expected, and slashed its gross domestic product (GDP) growth outlook for 2025, citing the tariff environment and heightened economic uncertainty. Meanwhile, German parliament passed a bill to step up government spending to fund higher defence and infrastructure investment.

Oil prices closed March little changed. Brent crude briefly fell back below USD 70 per barrel – the lowest level since December 2021 – amid fears that recently imposed US tariffs will diminish global energy demand at a time when the world's oil producers are increasing output. But prices recovered later in the month after President Donald Trump threatened to impose tariffs on countries buying Venezuelan oil. Meanwhile, gold continued to advance on safe-haven demand, breaching USD 3,100 an ounce for the first time on record.

From a sector perspective, for the MSCI All Country World Index, Energy and Utilities were the only sectors with positive absolute returns given the market's preference for value and defensive characteristics. The Information Technology and Consumer Discretionary sectors were laggards over the month due to profit taking in growth and momentum stocks.

During the period, the Fund underperformed versus the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). A backdrop of policy uncertainty due to tariffs, softer economic conditions, concerns over the sustainability of artificial intelligence (AI) capital expenditure (capex) spending, and lower earnings growth expectations translated to a more cautious stance by investors. This prompted profit taking, technical-related selling from systematic strategies and hedge funds to de-risk their portfolios, and a rotation into defensive sectors of the market. Such a market environment weighed on the AI ecosystem broadly. This included underperformance of the Fund's exposure to AI infrastructure, AI applications and AI-enabled industries relative to the blended benchmark. From a sector perspective, Information Technology and Financials were the largest detractors, while Consumer Discretionary was the only relative contributor.

Contributors

A global online travel agency headquartered in China offers a comprehensive suite of travel services, including accommodation reservations, transportation ticketing, packaged tours and corporate travel. Shares outperformed amid solid China domestic and outbound travel trends and continued government stimulus efforts. We continue to believe the company is well-positioned to not only benefit from the Chinese government's efforts to stimulate its economy, but also stands to gain share through its rapid pace of innovation within the travel market.

Our underweight position in technology hardware producer Apple Inc. was among the top contributors due to its significant weighting in the custom benchmark. Apple had an average 12.2% weight in the benchmark, while the Fund had an average exposure of 2.9%. Shares were lower during the period given supply chain risks from tariffs.

Detractors

Shares of a provider of project management and software development tools that help teams work more effectively underperformed alongside the broader software space due to ongoing macro uncertainty and data that pointed to slightly slower demand trends. The company remains well positioned to deliver on an attractive growth trajectory through pricing changes and product innovation. This includes their AI agent platform, which can catalyse more opportunities for the company's software to penetrate its customer base and enable more automation.

Our position in a provider of task management software that helps teams collaborate and organise projects was another relative detractor over the period. Although the company announced solid quarterly earnings results, shares pulled back on the announcement of its CEO's intentions to retire. In the longer term, it appears the company is near an inflection point where its product can have a broadening appeal among existing and prospective clients with the integration of more AI.

For Allianz Life Global Artificial Intelligence Fund and Allianz Life Global Artificial Intelligence Fund (USD):

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

New Buys and Sells

We initiated a new position in a multinational electronics manufacturing services company. The company specialises in manufacturing critical hardware infrastructure – such as servers, storage solutions and high-speed networking switches for AI data centres. It has had notable wins in AI recently, reinforcing its position as a key supplier in the AI infrastructure space.

We exited the remaining stub position in a cyber security company as we have been concerned about the pending departure of the Chief Financial Officer, who announced his retirement.

Market Outlook

Although we maintain a positive long-term outlook for equity markets, the Trump administration unfortunately is taking a more aggressive approach with reciprocal tariffs. The tariffs were larger than expected with a shorter-than-expected phase-in period. It remains to be seen how other countries will react and the extent of the retaliatory actions, which in turn may take longer to find a compromise. Such a policy backdrop can contribute to potential risks of inflation and a growth slowdown, weighing on investor sentiment.

Longer term, we continue to believe the Trump administration wants the US to maintain its leadership in AI innovation and is focused on bringing more manufacturing back onshore. However, markets will need to settle into this new policy regime, as investors await clarity on the impact on economic activity and earnings expectations. It is important to highlight a lot of uncertainties are now being discounted into equity prices. As we get more clarity over the coming months, markets may begin to stabilise and stage a recovery from oversold conditions.

From a monetary policy perspective, the Fed looks to be in a comfortable spot balancing inflation with economic stability. In a recent interview, Fed Chair Jerome Powell acknowledges the current high level of uncertainty associated with tariffs that includes impacts on inflation. Powell also reiterated that Fed is well positioned to wait for greater clarity before resuming its rate cut path. Eventually, an easier monetary policy backdrop should offset some of the tariff headwinds and help the market find its footing.

We recognise that more caution is warranted given a more uncertain backdrop and favour companies that are better positioned to navigate through a more complicated environment. As markets digest these additional risks, there may be opportunities to add to names that have overshot to the downside relative to their fundamental attributes and growth trajectory. Amid the volatility, we are opportunistically looking to upgrade select names and add to our highest conviction ideas to better position the portfolio for improved performance.

From an innovation perspective, progress with AI development is accelerating as more powerful capabilities becomes readily available from the robust "Phase 1" infrastructure buildout. We are beginning to enter "Phase 2" where new generative AI use cases and application adoption drive significant benefits over the coming years. Our analysis suggests that investments in AI could lower the marginal costs of operations, much like the information technology (IT) revolution did. Furthermore, the advanced features of AI- enhanced products or services can drive new levels of productivity, cost savings and revenue opportunities across industries in "Phase 3". 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.

AI infrastructure: Spending on AI infrastructure should continue to be robust over the next several years as more powerful AI data centres are built around the globe. NVIDIA's upcoming Blackwell AI chips provide up to a 30 times performance increase compared to the previous generation and more hyperscalers are designing custom AI chips to meet their unique specific needs. This is driving demand for new data centre architectures that can handle the higher power, cooling, space and networking requirements. Overall demand for generative AI training remains durable as more companies across the ecosystem are rushing to build better foundational models or fine-tune other models.

Growth in AI inference systems is also expanding to process and respond to new data in real-time and support applications that require low latency and high reliability at the edge of the network. Newer reasoning engines require more "think time" to yield better results, driving additional workload demand.

For Allianz Life Global Artificial Intelligence Fund and Allianz Life Global Artificial Intelligence Fund (USD):

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

AI applications: Generative AI applications are evolving into their next phase with the emergence of AI agents. Unlike AI copilots designed to answer a single question, AI agents have decision engines that allow them to operate autonomously and complete complex tasks. AI agents can be easily customised to handle repetitive tasks and have human-like decision making capabilities to adapt to different situations. This can create a new level of automation and dramatically cut costs and improve productivity. We believe there will be an upcoming surge of new generative AI infused applications across many areas of consumer and enterprise workflows over the next several years, driving more investment opportunities.

AI-enabled industries: AI continues to open up new possibilities to drive true industry transformation across every industry. Many companies in AI-enabled industries are increasing investments in generative AI to train one's own industry-specific model on its proprietary content or knowledge to compete better. In Health Care, the application of AI could dramatically speed up the time for drug discovery, accelerate clinical trials and dramatically improve efficacy of medical devices. Within Financial Services, there are companies with significant volumes of data related to transactions, customer interactions and research. This allows for the creation of AI solutions to enhance operational efficiency, improve fraud detection and personalise client service. There are similar opportunities within Automotive, Consumer, Industrials, Energy and even Mining. We think this is only the beginning as innovative companies embrace AI to enhance efficiency, lower costs, launch new products, take market share and drive higher levels of profitability.

We are still in the early innings of the AI era. Despite significant advancements, there is a lot more potential to be unlocked in the future. The industry is rapidly evolving, with major investments and innovations continuing to drive progress towards artificial general intelligence, possibly within the next decade. AI is becoming more integrated into various fields, from finance to health care to humanoid robotics. It is an exciting time, and we are likely to see even more transformative changes in the coming years.

Our view remains that the compounding effect from AI disruption will create opportunities for innovative companies across every sector. We believe that stockpicking will be essential to capturing the benefits of this opportunity, as today's AI winners may change in the future in an environment characterised by rapid change and disruption. We remained focused on identifying the companies that can best leverage AI to deliver the most shareholder value creation over the long term.

For Allianz Life Oriental Income Fund and Allianz Life Oriental Income Fund (USD):

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

Market Review

Asia Pacific equities were mixed in March with a wide divergence of returns across markets as erratic tariff news was digested. India rebounded strongly after several months of weakness, led mainly by positive domestic fund flow. In contrast, Taiwan lagged with the Tech sector seeing a particularly sharp pullback in line with the semiconductor sector globally. China equities made modest gains. Tech stocks led the way for the first half of the month, continuing to rally after the success of an emerging Chinese startup, which launched an open-sourced artificial intelligence (AI) model, sparked growing interest in the sector, but closed the month on a weaker note.

Elsewhere, Japan stocks were modestly stronger. The Bank of Japan (BoJ) held rates at 0.5% at its March meeting, as expected. Preliminary data indicated that the spring "shunto" wage negotiations reflect the biggest pay hike in 34 years, with an average figure of 5.46%. ASEAN markets were mixed against a backdrop of volatility owing to trade war tensions. The Singapore market was a defensive safe haven, but elsewhere Thailand and Indonesia were notably weaker.

The Fund underperformed the benchmark in March. Stock selection in the Information Technology sector was the key driver of the relative underperformance, with the sector becoming vulnerable to tariff-related pressures. As such, our Taiwan companies were most negatively affected by trade tensions. Meanwhile, our positioning in Japan offered more resilience and delivered a positive stock selection contribution during the month.

For example, a key detractor over the month was a Taiwanese semiconductor company focused on high-complexity and high-volume chip design, which projected slower revenue growth amid uncertainty around AI chip demand, especially from its important cloud service provider customers. In this case, we maintain our longer-term conviction on the stock.

Conversely, a top contributor was a Korean industrial company that specialises in aerospace and is known for its technological innovation. The company announced a significant results "beat" with both sales and margins ahead of expectations. Management guidance was also upbeat. This sector as a whole has benefitted from geopolitical uncertainty, and this company has also expanded its product offering, including more eco-friendly products using electric engines and hydrogen fuel cells.

We have been quite active in repositioning the portfolio in recent weeks. For example, we have significantly reduced the allocation to Taiwan from 24% at the beginning of the year to 15% at the end of March. There are signs of weakening demand for certain technology companies, related in part to the fast-moving changes in AI-related developments.

Correspondingly we have added to China/Hong Kong exposure which has risen from 14% at the beginning of the year to 23% at the end of March. This includes additional investments into the China tech ecosystem as well as biotech and financial services companies.

In Japan, we continue to focus on stocks where we see potential for enhanced shareholder returns and an improved earnings outlook as a result of governance reforms and a more inflationary environment. Many of these names sit in the Industrials and Financials sectors.

Market Outlook

Shortly after the end of the month, Asian equity markets were turned on their head by Trump announcing significantly higher-than-expected tariffs. After signalling restraint earlier in the year, China in particular retaliated with a strong tit-for-tat response. Although China basically matched US actions rather than escalating further, showing it is still open to negotiation, in practice the outlook is highly uncertain. We expect a significant policy response from China focused on stimulating domestic demand.

Across the region, there could be channels for Asia to see some respite. Regional central banks have some propensity for policy easing, for example, especially if the US dollar continues to weaken. India is a more domestic demand-driven economy and is correspondingly less exposed to US tariff risk. Structural drivers also remain in place for a more positive outlook in Japan. Our focus has been on companies that have the franchise strength to better withstand tariff pressures.

While we are still facing significant uncertainty as Trump is disrupting the global economic/trade order with his tariff announcements and more time is needed to see where things settle, we are looking to add to stocks that have been overly punished in the market volatility, as well as potential beneficiaries of Asian domestic policy stimulus measures to offset the tariff impact.

For Allianz Life Total Return Asian Equity Fund:

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

Market Review

Asia equities were mixed in March with a wide divergence of returns across markets as erratic tariff news was digested. India rebounded strongly after several months of weakness, led mainly by positive domestic fund flow. Chinese stocks also made modest gains despite ongoing trade tensions caused by the Trump administration's tariff policy. Hopes of fresh stimulus measures from Beijing aimed at boosting consumption in the wake of the country's persistent residential property woes supported markets mid-month. Tech stocks led the way for the first half of the month, continuing to rally after the success of an emerging Chinese startup, which launched an open-sourced artificial intelligence (AI) model, sparked growing interest in the sector, but closed the month on a weaker note.

Elsewhere, Taiwan lagged with the Tech sector seeing a particularly sharp pullback in line with the semiconductor sector globally. The Korea market was also weak after Trump announced tariffs on all cars imported to the US. ASEAN markets were mixed against a backdrop of volatility owing to trade war tensions. Equities in Malaysia and Thailand fell, with the Thai stock exchange suspending trading after an earthquake in neighbouring Myanmar forced officials to declare a state of emergency in Bangkok during the last week of the March. In contrast, stocks in Singapore rose slightly over the month, while Indonesia and the Philippines posted solid gains.

The Fund underperformed the benchmark in March. From a market perspective, stock selection in Taiwan was a key source of relative detraction. Sector contributions were mixed – Real Estate and Materials contributed positively but were more than offset by weakness in Industrials and Financials picks.

At a single stock level, a key detractor for the month was a Chinese company specialising in LiDAR (light detection and ranging) sensors. These use laser technology to create detailed 3D maps and play a key role in areas such as autonomous vehicles and robotics. The stock initially saw a strong rally during the month following the latest results and reports of a partnership with a carmaker, before subsequently seeing some profit taking. In the longer term, we believe the company is well positioned to benefit from accelerating adoption of advanced driver assistance systems (ADAS) in China.

In contrast, a non-bank financial company from the India market was a top contributor. The company is dedicated to the funding of private and public projects for power generation, transmission, and distribution. Backed by the Indian government, it benefits from low wholesale funding costs, and its management has demonstrated prudent asset-liability matching with many long duration projects but few long-term loans. As India urbanises and electrifies, the power capacity growth story should remain a key market thematic, in our view.

During the month, the main activity was continuing to increase exposure to China by selectively adding to stocks expected to benefit from more advanced manufacturing processes. This includes the aforementioned LiDAR sensor manufacturer and an established manufacturer of new energy equipment. We also initiated a position in a leading wealth management firm in India, set to benefit from India's growing middle class and rising family wealth seeking investment solutions. On the flip side, we exited a Chinese biotech company given tariff-related risks.

As a result, at the market level, the top overweight markets are now Singapore and China. The portfolio remains overweight in the ASEAN region, especially the Philippines and Thailand. This is balanced out by underweight positions in India and Korea. At a sector level, Financials and Real Estate are the primary overweight positions, while Industrials and Consumer Staples are among the main underweights. Top names in the portfolio at month end include TSMC, Tencent, and Alibaba.

Market Outlook

Shortly after the end of the month, Asian equity markets were turned on their head by Trump announcing significantly higher-than-expected tariffs. After signalling restraint earlier in the year, China in particular retaliated with a strong tit-for-tat response. Although China basically matched US actions rather than escalating further, showing it is still open to negotiation, in practice the outlook is highly uncertain. We expect a significant policy response from China focused on stimulating domestic demand.

Across the region, there could be channels for Asia to see some respite. Regional central banks have some propensity for policy easing, for example, especially if the US dollar continues to weaken. India is a more domestic demand-driven economy and is correspondingly less exposed to US tariff risk. India equity valuations have also come down significantly.

While we are still facing significant uncertainty as Trump is disrupting the global economic/trade order with his tariff announcements and more time is needed to see where things settle, we are looking to add to stocks that have been overly punished in the market volatility, as well as potential beneficiaries of Asian domestic policy stimulus measures to offset the tariff impact.

For Allianz Life Global Income Fund:

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

Market Review

Markets were mixed in March. Concerns around the pace and magnitude of tariff and government reform measures pressured markets due to their potential impact on consumer and corporate spending, economic growth, earnings, employment, and inflation. Economic reports released during the period were balanced with durable goods and factory orders, industrial production, and a key services survey all topping expectations. Conversely, consumer confidence declined, Atlanta Fed GDPNow estimates remained subdued, and a major manufacturing survey missed projections. Inflation, housing, and labour gauges were mixed. The US Federal Reserve (Fed) kept interest rates steady, slowed its balance sheet drawdown, and updated its economic projections to show a decrease in 2025 gross domestic product (GDP) growth estimates and an increase in 2025 inflation estimates. Against this backdrop, the 10-year US Treasury yield was largely unchanged month-over-month.

In this environment, key markets were mixed:

- Global equity markets, as measured by the MSCI World Index, returned -4.40%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned -1.12%.**
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned -0.15%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +0.62%.^

The portfolio was negatively impacted by risk asset weakness.

Top contributors included a number of industrial manufacturers that were positively impacted by strong quarterly results and fiscal stimulus announcements, along with a health care provider that gained on news of easing legal scrutiny. Holdings in reinsurance and banking both benefitted from mergers and acquisitions (M&A) headlines, and a gaming company was higher after reporting strong growth in its online segment. The other top contributors in the period were a trading services platform that gained on higher-than-expected volumes, and a grocery retailer that announced a share repurchase plan.

Top detractors in the period included Nvidia and Meta, in addition to several other holdings across the internet services and semiconductor industries, all of which were adversely impacted by increasing uncertainty around the artificial intelligence (AI) secular growth narrative and what an economic slowdown might mean for related capital expenditure (capex) spending. Apple, Amazon, and a major electric vehicle (EV) manufacturer were pressured by tariff-related volatility as investors struggled to evaluate a highly dynamic trade environment. Other top detractors from performance in the period included holdings in gaming, software, and retail.

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

Market Outlook

In our 2025 outlook, we wrote that the equity market's path would not be linear, with bouts of volatility throughout the year. We also noted convertible securities and corporate bonds – given their defensive characteristics – could mitigate equity market weakness. This scenario materialised in Q1. The portfolio is well positioned if volatility persists without sacrificing upside participation and income-generation potential.

Outside of the US, monetary and fiscal policy stimulus measures could help stabilise the global economy. The US economy could expand in 2025, but tariff, government reform, and immigration measures are becoming a bigger headwind than previously thought. However, tailwinds such as deregulation and taxation measures still exist. As trade and budgetary clarity improves, uncertainty should lessen, and spending, investment, hiring, M&A, etc. can resume. Productivity gains, industrialisation, onshoring, and private sector demand are additional potential growth drivers.

The Fed likely remains on hold as they assess the effect of trade policies on inflation, employment, and the potential for stagflation. Interest rate cuts could restart later this year to support their dual mandate. A resumption of monetary policy easing would closer align the Fed with accommodation by central banks overseas.

Global equity markets are now pricing in slower economic and earnings growth. Stabilisation in these estimates or better-than-expected incoming data/results and corporate guidance could be positive equity market catalysts.

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 may outperform the broad equity market if volatility continues. USD 85-95 billion of new issuance# is expected in 2025 due to coupon savings demand and elevated refinancing needs. 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 8%^^, could deliver a coupon-like return in 2025. As a result, the asset class continues to offer equity-like returns but with less volatility. 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. In this environment, new issuance is expected to remain steady, and the default rate should stay below the historical average of 3-4%.

Global investment grade corporate bond's risk/reward opportunity is compelling. Rising interest rates are a risk for high grade corporates, however the investment opportunity remains attractive given higher coupons and yields, and a positive fundamental outlook with limited default risk. The asset class trades at a discount to par, offering compelling total return potential and downside cushioning. If the 10-year US Treasury yield finishes 2025 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 Fund 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 28 February 2025 unless otherwise stated.
* Source: MSCI, as at 28 February 2025
^ Source: Bloomberg, as at 28 February 2025
** Source: BofA Merrill Lynch, as at 28 February 2025
^^ Source: ICE Data Services, as at 28 February 2025
# Source: BofA Research, as at 28 February 2024

For Allianz Life Thematica Fund and Allianz Life Thematica Fund (USD):

Target Fund Manager's Comment (For Allianz Thematica)

Market Review and Outlook

March was, in general, a disappointing month for global equities amid ongoing uncertainty regarding President Donald Trump's erratic trade policy. Stock markets weakened sharply at month end ahead of the president's self-dubbed "Liberation Day" of sweeping tariffs on 2 April. Continued conflict in Ukraine and Gaza, alongside escalating concerns surrounding Iran's nuclear programme, further compounded market jitters.

US stocks retreated as recession fears weighed on investor sentiment. European shares also moved lower as hopes for a ceasefire faltered in Ukraine and the region braced itself to be next in Trump's crosshairs, while Japanese stocks also stumbled. In contrast, emerging markets held up better. At a sector level, Information Technology, Consumer Discretionary and Communication Services stocks were the weakest in the MSCI All Country World Index, while Energy and Utilities were the only sectors to post positive returns.

Escalating fears of a global trade war and slowing global growth dominated economic news for much of the month. The US Federal Reserve (Fed) and Bank of England (BoE) held rates steady, as did the Bank of Japan (BoJ). Meanwhile, the European Central Bank (ECB) cut its key interest rates by 25 basis points (bps) to 2.5%, as expected, and slashed its gross domestic product (GDP) growth outlook for 2025, citing the erratic tariff environment and heightened economic uncertainty. Germany's decision to step up government spending to fund higher defence and infrastructure investment may yet prove to be a game changer for the European economy.

In currency markets, the US dollar weakened, reflecting growing concerns over the US growth outlook. While the Japanese yen appreciated slightly against the dollar, it lost ground against the euro which was buoyed by optimism over improving growth prospects in Europe following Germany's decision to relax its debt brake. Brent crude briefly fell back below USD 70 a barrel – the lowest level since December 2021. Meanwhile, gold continued to advance on safe-haven demand, breaching USD 3,100 an ounce for the first time on record.

The Fund returned negatively in March, lagging global equity markets as represented by the MSCI AC World Index. Stock selection as well as sector allocation have been a drag to overall performance. The Fund benefitted from the overweight to Utilities, Industrials and Materials, while it suffered from the underweight to Financials and the overweight to Information Technology.

From a thematic perspective, the theme Intelligent Machines suffered the most due to the negative news flow associated to global tariffs. Digital Finance and Artificial Intelligence (AI) Adoption have been weaker as well because Technology companies have been hurt by the recent turmoil. On the positive side, infrastructure related themes like Clean Water and Land as well as Infrastructure benefitted from positive announcements in Germany after the new government passed a huge stimulus program. Stock selection has been weak in the technology-related themes like AI Adoption.

On the one hand, the Fund benefitted strongly from the underweight to the "Magnificent Seven^" (+88 bps) but suffered from weaker developments from companies like a producer of precision control equipment and components, a database platform, and a supplier of semiconductor testing and electronic measuring instruments. Companies with exposure to the infrastructure theme like Iberdrola, Enel, and a Chinese mining company have been among the positive contributors.

In our view, a diversified multi-thematic portfolio continues to offer many opportunities for investors to benefit from structural megatrends in the current year. Regarding the positioning, we have moved to a higher degree of concentration as we have sought to strengthen our investment conviction.

For Allianz Life Elite Income Fund and Allianz Life Elite Income Fund (USD):

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

Market Review

In March, broadening uncertainty around trade policy continued to put pressure on risk assets, as tariff headlines increased concerns about both growth and inflation. In the US, labour markets added 151k jobs in February, up from a downwardly revised 125k in January but below the 160k forecasts. The annual inflation rate in the US eased to 2.8% in February, below forecasts of 2.9%. In the Eurozone, the annual inflation rate eased to 2.3% in February, down from 2.5% in January. In the UK, the annual inflation rate fell to 2.8% February, below market expectations of a 2.9% print, but in line with the Bank of England's forecast.

Elevated volatility created dispersion in bond markets. In the US, a declining sentiment towards the growth outlook caused yields to decline in the front and intermediate segments of the curve. Meanwhile, in Europe, plans to increase spending were more forceful than many had anticipated, driving yields higher. In the short end, US 2-year Treasury yields rallied 11bps, while UK 2-year gilt and German 2-year Bund yields sold off 2bps each. Further out the curve, US 10-year Treasury yields ended the month flat, while UK 10- year gilt and German 10-year Bund yields sold off 19 and 33bps, respectively.

US equities underperformed, as the S&P 500 fell by -5.8% compared to the MSCI ACWI's -4.1% decline. European equities also finished the month in negative territory, as investors braced for the unveiling of Trump's reciprocal tariffs, with the European Stoxx 600 falling -3.9%. In credit, US investment grade and Euro investment grade spreads widened 9bps and 5bps. Meanwhile, US high yield and Euro high yield spreads widened 68bps and 39bps.

During the month, the PIMCO GIS Income Fund returned 0.27% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '25 performance to 3.31%.

For Allianz Life World Healthscience Fund:

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

Market Review and Outlook

Market:

• The month of March saw negative performance in global equities, with the MSCI ACWI declining by -4.0%, as investors juggled Trumponomics 2.0 and America First Policies that saw a slew of executive orders and tariff announcements, notably the imposition of new tariffs on US imports from Mexico, Canada, and China.

• The U.S. equity markets struggled in March, with the S&P 500 down -6.2%, primarily driven by concerns about US economic growth, driven by tariff uncertainty and the impact of higher bond and credit yields. The tech-heavy NASDAQ benchmark was down -8.14% for the month.

• Given heightened uncertainty, the Federal Reserve opted to hold interest rates steady over the quarter. However, Fed Chair Jerome Powell signalled openness to potential rate cuts during the central bank's March meeting.

• European Commission President Ursula von der Leyen unveiled a proposal for nearly €800 billion in spending to strengthen the bloc's defence capabilities. Meanwhile, Germany's likely incoming chancellor, signalled a shift in fiscal policy, with plans to relax the debt brake for defence expenditure and introduce a €500 billion infrastructure package. Investors responded positively to the improved growth outlook—evidenced by Germany's DAX Index posting its strongest first-quarter performance since 2023.

• In commodities markets gold continued to hit record highs topping US$3000 for the first time and closing about US$3100. US deficit fears, higher inflation and ongoing geopolitical concerns contributed to its strength.

• 9 of 11 global sectors posted negative returns for the month with energy (+4.8%) and utilities (+2.9%) as the only sectors posting positive returns for the month.

Stocks:

• An underweight position in pharmaceutical company Novo Nordisk was the top contributor to relative returns over the period. The company's stock struggled over the course of the month amidst continued weak sentiment. Furthermore, the Danish multinational's data reported relatively weak prescription figures.

• An overweight position in Cencora contributed to relative returns because the company is considered to be well positioned to address policy risks. In the current market environment, the health care distributor's stock rose during March as the company may stand to benefit from tariff policies.

• Elsewhere, an underweight position in United Health was the largest detractor to relative returns, due to trade policy surrounding tariffs helping companies with large US revenue streams.

• An overweight position in Intuitive Surgical was another detractor from relative performance, as growth stocks underperformed throughout the month.

Changes:

• During the month, we increased our exposure to pharmaceutical companies which stood to benefit from resolution of legal disputes. Elsewhere, we locked in profits from pharmaceutical companies and medical device companies that had performed strongly over recent months.

For Allianz Life World Healthscience Fund:

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

Key Positioning & Outlook:

• Despite a relatively strong start to the year for the healthcare sector, 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.

• The tariff landscape remains fluid, and we continue to monitor developments closely. From a sector perspective, healthcare is not immune, but it may be less affected than others. Its defensiveness stems from non-discretionary demand—healthcare consumption typically holds steady even during periods of economic stress.

• While certain healthcare industries may see continued volatility under the new federal government leadership, change is unlikely to be immediate or unilateral. With a more stable earnings profile and valuations trading below long-term averages we see a favourable risk-reward profile for the sector.

• 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.

For Allianz Life ESG-Integrated Multi-Asset Fund:

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

Market Review and Outlook

Market Review:

• The first quarter of 2025 was marked by significant market volatility, with US equities posting their worst quarterly performance since 2022. The primary driver was a new wave of tariffs introduced under President Trump, which escalated trade tensions and fuelled inflation concerns. Investors grew increasingly worried about rising costs and supply chain disruptions, dampening market sentiment. Stagflation fears also became a key theme, with inflation expectations rising amid tariff-induced price pressures and persistent consumer concerns.

• U.S. equities struggled throughout the quarter, with losses accelerating in March as inflation worries and trade uncertainties intensified. Technology sector valuations came under pressure following the release of DeepSeek's AI model, triggering a sharp selloff in major U.S. technology stocks. The Magnificent 7 fell into bear market territory, raising doubts about the sector's prolonged dominance. In contrast, European equities surged as investors rotated out of US equities to more attractively priced and defensive markets. The German fiscal package focused on defence and infrastructure signalled a stark loosening in government spending, which served to further support the largest quarterly performance gap between European and U.S. equity markets in a decade. Emerging markets remained resilient, as strength in regions like Latin America and Eastern Europe more than offset losses from Asia's underperformance.

• The US bond market benefited from a risk-off sentiment, leading to lower yields. Yields initially climbed in early January as strong economic data suggested robust labour market conditions, but a softer-than-expected inflation print helped reverse the trend. By quarter-end, increasing concerns about economic growth and increasing probability for a Fed rate cut later in the year gained traction, further supporting the move lower in yields and driving further weakness in the U.S. dollar. In Europe, expectations of fiscal expansion led to a bond selloff, pushing yields higher. The defensive sentiment extended to credit markets, where investment grade bonds outperformed their higher yielding counterparts.

• Gold surged to record highs as investors sought safe-haven assets amid rising trade tensions, geopolitical uncertainty, and stagflation concerns. Commodities such as steel and aluminium experienced heightened volatility in response to shifting tariff policies.

Performance:

• Against this backdrop, the ESG Multi-Asset fund experienced a negative return; however, our emphasis on diversification and flexible asset allocation helped to mitigate losses. From an asset class perspective, equities were the primary detractor, although listed alternatives also contributed negatively despite showing recovery towards the end of the period. Conversely, allocations to fixed income, precious metals, cash and FX, as well as volatility strategies, were all additive to returns.

• Within equities, significant detractions resulted from exposures to the US and technology companies. Our Systematic Active Equity portfolio and Global Unconstrained Equity portfolio were adversely affected, as was the Mega-cap Tech Completion basket, although a timely tactical reduction in exposure partially mitigated losses. The US Enterprise Technology and Internet of Things baskets faced performance challenges, as did the Global Brands basket, with consumer confidence waning amid increasing tariff-related uncertainty. Exposures with higher weighting to Europe and more defensive sectors, such as the Resource Efficiency basket, performed better but still detracted in absolute terms.

• Fixed income allocations contributed positively to returns, with exposure to US Treasuries and investment grade credit benefiting from the decline in US Treasury yields. High yield bonds were also beneficial, albeit to a lesser extent, while the European Curve Steepener strategy gained as the German fiscal announcement pushed long-term bond yields higher towards the end of the period.

• Precious metals, particularly gold, continued to play a crucial role in diversifying the portfolio during a period of heightened uncertainty. Furthermore, we capitalized on market volatility through a tactical VIX call spread strategy. Timing for taking profits on this position was essential as volatility decreased towards the end of the month.

For Allianz Life ESG-Integrated Multi-Asset Fund:

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

• Elsewhere, cash and FX supported performance, primarily due to overweight positioning in the euro relative to the US dollar. Listed alternatives detracted overall; however, encouraging signs emerged that hedge fund activism and acquisition activity in the sector are starting to positively impact share prices. For example, the Gresham House Battery Storage Fund rallied strongly following the acquisition of a close competitor in the sector at a significant premium to its share price, underscoring our conviction in the quality of the underlying assets and the prominence of the theme.

Positioning:

• Throughout the first quarter, we have been dynamically reducing overall equity risk within the portfolio and reallocating from US equities to European and Japanese equities. Within sectors, we shifted to more defensive areas and have been actively managing exposures to mega-cap technology.

• To address economic uncertainty and tariff impacts, we incorporated convexity via options. We realised profits on our tactical VIX Call Spread Strategy as volatility spiked, demonstrating well-timed decisions as volatility subsequently decreased towards the end of the month. Additionally, we added put protection on the DAX Index as a hedge, given our increased allocation to Europe. We also included a call spread position on US Small-cap Equities, providing the Fund with greater potential for upside capture in US domestic equities that may be less impacted by tariffs than large cap companies with global supply chains.

• We introduced a European Reconstruction Equity Basket, targeting companies likely to benefit from a ceasefire and subsequent reconstruction efforts in Ukraine. Furthermore, we began winding down our Resource Efficiency Equity basket, as market sentiment towards data centers and related capital expenditures may adversely impact this theme.

• In light of the macro-driven environment, we enacted significant changes to our equity portfolio composition. We closed the Brighter Futures Equity portfolio and the Sustainable Global Infrastructure portfolio. This shift reduces stock-specific risk and emphasizes top-down asset allocation decisions, which have been generating added value for our clients.

• In Fixed Income, regional duration exposures were managed dynamically. We reversed our overweight view on Europe and underweight view on the US during the quarter due to government spending cuts in the US and the fiscal reform in Europe. While we are increasingly positive on US duration, we remain cautious in the near term due to an excessive number of Federal Reserve rate cuts being priced in amidst persistent inflation and tariff risks. In Europe, we implemented a yield curve steepening view, anticipating that more cuts from the ECB will benefit the front end of the curve, while looser fiscal policies and higher issuance are expected to keep long-term European Sovereign bond yields elevated. Despite tight spreads, we maintain allocations to both Investment Grade and High Yield credit due to the yield uplift, low default rates, and resilient corporate balance sheets.

• Exposure to Gold and Silver was maintained over the quarter, playing a key diversifying role within the portfolio despite strong momentum in recent months. Additionally, we increased our cash holdings to reflect a more defensive stance.

Market Outlook:

• Amidst significant changes in sentiment, increased market volatility, and dispersion, our portfolios' dynamic management style and focus on downside protection position us well to seize opportunities and manage risks moving forward. We anticipate that the recently observed volatility will persist as a defining characteristic of markets. While the U.S. economy remains robust with resilient earnings and job data, the impact of tariffs is uncertain, and rising prices and wages are beginning to affect consumer and corporate sentiment.

• The imposition of higher-than-expected tariffs by President Trump has been negatively received by the market. In our assessment, there remains considerable uncertainty regarding future developments, with Trump indicating potential negotiations to reduce tariffs, while his executive order also allows for further escalation. There appears to be an inclination to endure short-term market pain to achieve the administration's goals of reshaping global trade; however, this tolerance may diminish as the mid-term election cycle approaches. Consequently, growth estimates have been revised downward, and corporate and consumer confidence appear fragile, particularly in the U.S.

• In the upcoming weeks, we expect responses from global trading partners, although these may not take the form of tariffs due to the risk of escalation. For instance, reports suggest that the European Union is preparing emergency measures to support sectors most affected by U.S. tariffs, potentially indicating additional fiscal support.

For Allianz Life ESG-Integrated Multi-Asset Fund:

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

• Central banks' responses will also be critical to monitor. The market currently anticipates multiple additional cuts from the Federal Reserve, the extent to which we believe is excessive given the current inflation outlook and the weakening U.S. dollar. In Europe, having anticipated the ECB would pause its rate-cutting cycle in April, we now foresee the possibility of rate cuts in April and June. In this context, we expect a steepening of the yield curve, given that ECB rate cuts will favor the front end of the curve while looser fiscal policy and higher issuance will keep long-term European Sovereign bond yields elevated, creating opportunities to add value.

• European growth remains sluggish, but sentiment has improved. We believe that significant German fiscal reforms related to defense and infrastructure spending could significantly bolster European asset markets, while potential resolutions in the Russia-Ukraine conflict might reduce gas prices and boost growth. Simultaneously, we remain vigilant regarding substantial risks posed by potential tariffs.

• In this environment, we are focused on active asset management and dynamic monitoring of positioning to navigate heightened macroeconomic and policy uncertainty. Within equities, we prefer more defensive exposures but acknowledge prices have already moved significanlty. Therefore, we take a selective approach to identify parts of the market that still offer value. Given the uncertainty in markets, we expect volatility to remain high, prompting us to seek tactical opportunities to benefit from mispricing in volatility markets, where tariff and geopolitical risks may not be fully factored in.

• We hold an increasingly positive outlook on duration given the prevailing risk-off sentiment, but we remain cautious about excessive Federal Reserve rate cuts being priced against a backdrop of persistent inflation and tariff risks. In Europe, we explore selective yield curve steepening trades. We continue to favor corporate credit for its yield uplift, low default rates, and resilient corporate balance sheets, though we remain aware of tight spreads relative to historical levels.

For Allianz Life Income and Growth Fund:

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

Market Review

Risk assets finished lower in March with convertible securities and high yield bonds faring better than equities. Concerns around the pace and magnitude of tariff and government reform measures pressured markets due to their potential impact on consumer and corporate spending, economic growth, earnings, employment, and inflation. Economic reports released during the period were balanced with durable goods and factory orders, industrial production, and a key services survey all topping expectations. Conversely, consumer confidence declined, Atlanta Fed GDPNow estimates remained subdued, and a major manufacturing survey missed projections. Inflation, housing, and labour gauges were mixed. The US Federal Reserve (Fed) kept interest rates steady, slowed its balance sheet drawdown, and updated its economic projections to show a decrease in 2025 gross domestic product (GDP) growth estimates and an increase in 2025 inflation estimates. Against this backdrop, the 10-year US Treasury yield was largely unchanged month-over-month.

The portfolio was negatively impacted by risk asset weakness.

Top contributors included a health care provider that gained on news of easing legal scrutiny, and a pharmaceutical distributor that advanced following management commentary around limited tariff exposure. Another pharmaceutical holding rallied on Food and Drug Administration (FDA) approval of a new treatment, an issue in media traded higher after the parent company announced refinancing plans, and a travel services platform outperformed on an executive appointment. A software holding with bitcoin exposure executed a successful capital raise, and an insurance company saw strong auto policy growth. The other top contributors in the period were Global Payments and multiple utility operators.

Underperformance among top-detracting individual positions was generally attributable to macro uncertainty. Among these factors was increasing concern around the artificial intelligence (AI) secular growth narrative and what an economic slowdown might mean for related capital expenditure (capex) spending, which adversely impacted Microsoft, Meta, and Nvidia, in addition to several other holdings across the internet services and semiconductor industries. Tariff-related volatility was also prevalent as investors struggled to evaluate a highly dynamic trade environment, pressuring holdings with notable consumer spending exposure such as Apple and Amazon. Other top detractors from performance in the period included a biotech company and a software provider.

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

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

Market Outlook

In our 2025 outlook, we wrote that the equity market's path would not be linear, with bouts of volatility throughout the year. We also noted convertible securities and high yield bonds – given their defensive characteristics – could mitigate equity market weakness. This scenario materialised in Q1. The portfolio is well positioned if volatility persists without sacrificing upside participation and income-generation potential.

The US economy could expand in 2025, but tariff, government reform, and immigration measures are becoming a bigger headwind than previously thought. However, tailwinds such as deregulation and taxation measures still exist. As trade and budgetary clarity improves, uncertainty should lessen, and spending, investment, hiring, mergers and acquisitions (M&A), etc. can resume. Productivity gains, industrialisation, onshoring, and private sector demand are additional potential growth drivers.

The Fed likely remains on hold as they assess the effect of trade policies on inflation, employment, and the potential for stagflation. Interest rate cuts could restart later this year to support their dual mandate. A resumption of monetary policy easing would closer align the Fed with accommodation by central banks overseas.

The equity markets are now pricing in slower economic and earnings growth. Stabilisation in these estimates or better than expected incoming data/results and corporate guidance could be positive equity market catalysts.

US convertible securities have a favourable asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class may outperform the broad equity market if volatility continues. USD 60-65 billion of new issuance# is expected in 2025 due to coupon savings demand and elevated refinancing

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

needs. Aside from diversification benefits, new issuance expands the opportunity set of investments with favourable terms and the desired risk/reward characteristics.

The US high yield market, yielding nearly 8%^^, could deliver a coupon-like return in 2025. As a result, the asset class continues to offer equity-like returns but with less volatility. The market's favourable 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. In this environment, new issuance is expected to remain steady, and the default rate should stay below the historical average of 3-4%.

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 favourable annualised yields.

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

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

For Allianz Life Global Unconstrained Equity Fund:

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

Market Review and Outlook (Jan - Mar 2025)

(Target Fund Manager only produces commentaries on quarterly basis)

Market Review:

The Fund underperformed the market in Q1 2025. Although we do not trade the portfolio for short-term cyclical news flow and macro noise, recent performance is hard to divorce from this, given a seemingly large repositioning event in early March, with a rotation into defensives alongside the outperformance of select cyclical assets despite growth fears. Given this dynamic, the Fund's performance was driven more by positioning and sentiment than fundamentals.

At a sector level, industrials and healthcare were the largest detractors from relative performance. Additionally, not owning "flight to safety" stocks (i.e. consumer staples, utilities and telcos) cost c.1% relative performance. We do not believe these have attractive fundamentals and expect earnings downgrades for many staples. Positioning in the technology and consumer discretionary sectors contributed positively to performance, in particular not owning a number of high-growth, AI-related names and having consumer exposure concentred in the ultra-high net worth segment which is typically more resilient during periods of wider weakness.

Following a positive January for equities, markets subsequently sold off sharply in response to growing concerns about the outlook for the US economy, with consensus increasingly pricing in the risk of a US recession and investors heavily repositioning their portfolios as a consequence. This has driven a period of outperformance for high dividend yielding stocks and low beta areas of the market despite many of these stocks facing a challenging fundamental backdrop: these included energy despite a broadly flat oil price over Q1, utilities despite market concerns around the AI infrastructure buildout, and consumer staples despite a number of companies having downgrades and having to concede on pricing through promotions in an attempt to offset declining volumes.

President Trump refused to rule out an economic contraction this year and instead noted there may be a "period of transition" as his economic policies take effect, which include the imposition of tariffs with international partners, DOGE pursuing Federal government cost savings, and a desire to reduce inbound immigration. The combination of these policies has caused the recent market turmoil, in particular the uncertainty that surrounded the imposition of tariffs. The outlook here is subject to change rapidly, but our base case remains that there will likely be a period of negotiation and as such we remain more optimistic than many other market participants appear to be. That being said, we need to stay close to developments in order to understand how and when tariffs may be implemented given the variable impact they might have on specific stocks, sectors, and ultimately the economic outlook. Other policy objectives appear less concerning today, although we continue to monitor these, including: 1. DOGE which has ambitious targets, but we can track Federal government expenditure weekly, and recent data is effectively in line with the data from last year with the exception of USAID which will not impact on the US domestic economy; or 2. deportations which are yet to show a meaningful uptick. Indeed, while ICE was initially posting a daily numbers of arrests, this practice has stopped which may speak to the challenges being faced.

The rapid shift in investor sentiment over the last two months is another example of how fast the market can be to simplify the complexity of the economic landscape into one all-consuming narrative. While we recognise that there is evidence of an incremental slowing in some areas, for example there have been a spate of warnings from the airlines (albeit some of this weakness may be attributable to exogenous events like extreme weather), weaker channel checks for housing and luxury, and some evidence of delays in corporate decision making amid the uncertain backdrop, we continue to believe it takes a lot to "break" the US economy. And while it is true that consumer confidence surveys have rolled materially, it should still be noted that aggregate consumer spending is one of the most resilient of all data series over time and rarely falls materially without a rise in unemployment which is not evident today. Additionally, we note that the household sector does not look overstretched based on balance of payments data.

At the same time Europe is attracting interest following a period of depressed investor sentiment. Spurred by the ReArm Europe plan and Germany's plan to boost defence and infrastructure spending, cyclicals including materials, industrials and banks have rallied. While this could certainly support European growth, we remain cautious on the renewed optimism for Europe outside of select opportunities, given a number of structural challenges facing the European market remain, including greater regulation, higher taxation, less early-stage investment, less equity ownership, and lower executive compensation levels.

For Allianz Life Global Unconstrained Equity Fund:

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

Outlook:

While there remains a great deal of uncertainty in the geopolitical landscape, we remain focused on the long-term compounding opportunity for the companies in the portfolio. We believe the portfolio to be well positioned for an environment where pricing power, capital-light business models and resilient fundamentals will be important, particularly if growth became scarcer. While our base case is not for the US economy to experience a recession, higher tariffs and uncertainty are likely to have an impact on economic growth, and in such an environment, companies with strong moats and established market positions may display a higher degree of fundamental resilience versus the broader market. Although the portfolio may not be defensive from a share-price perspective in a flight-to-safety sentiment-driven environment, we build the Fund so that we have at least 50% of the portfolio at all times in companies with resilient earnings and cash flows even in economic downturns, allowing the underlying fundamentals of the portfolio to weather through more challenging economic backdrops if they to come.

In addition, as a result of the recent volatility, a number of these companies are now trading on attractive valuations in the context of the earnings growth potential: Vertiv is trading on a P/E of 17x with mid-teens revenue growth potential, Meta is on 20x despite having consolidated its market position meaningfully in the last two years, and Microsoft, currently trading at a 45% discount to its European enterprise software counterpart, despite having 2x the revenue growth and higher margins. The valuation pullback in select holdings over the last six months has meant that the portfolio is currently trading at the lowest P/E premium to the market we have seen since the Fund inception in January 2020.