Market Review and Outlook

May 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

After global equity markets were shaken last month on the back of the President Trump’s ‘Liberation Day” tariffs and its commensurate fallout fears, May ushered in a welcomed degree of calm with the MSCI World Index rebounding +5.69% mom. Markets enjoyed a reprieve as US initiated a temporary pause to its planned tariff hikes and began trade negotiations with several of its trade partners. This helped to briefly assuage apprehensions of a global recession and encouraged broad – based investments in risky assets. At the epicentre of the global tariff tensions, US’ Dow Jones and its broader S&P 500 Indices rose by +3.94% and +6.15% mom respectively. Its market performance was in part driven by a relatively benign 1Q25 results reporting season. In addition, its markets were further fueled by selected economic data points such as inflation being seemingly under control with April 2025 Consumer Price Index (CPI) coming in +2.3% yoy and May 2025 S&P Global US Composite Purchasing Managers Index (PMI) reading of 53.0 which were both ahead of consensus expectations. Apart from that, US’ Federal Reserve kept its interest rate pat at 4.25 – 4.50% whilst it monitors the impact of Trump trade policies on the economy, noting that “uncertainty about the economic outlook has increased further”.

In Europe, the Stoxx 50 Index also partook the global equity market rebound climbing +4.00% mom. European stocks benefitted from buoying optimism surrounding US – Europe trade negotiations. Nevertheless, the concerns over Trump’s tariffs policies on economic growth drove the Bank of England to cut interest rates by 25 bps to 4.25% which was also hot on the heels of a 25 bps interest rate cut by the European Central Bank in the month prior. From an economic standpoint, its May HCOB Eurozone Manufacturing PMI reading was still contractionary at 49.4, whilst its April 2025 preliminary CPI core was creeping up at +2.7% yoy, +0.3 ppt mom.

China’s Shanghai Composite Index too rose by +2.09% mom as both economic superpowers, US and China, agreed to lower reciprocal tariffs for 90 days, with both parties “recognizing the importance of a sustainable, long-term, and mutually beneficial economic and trade relationship”. In the country, retail sales momentum eased with April 2025 retail sales growth declining 0.8 ppt mom to +5.1% yoy, which was below consensus expectations. On the other hand, its April 2025 industrial production growth of +6.1% yoy was ahead of consensus expectations. Lastly, the People’s Bank of China (PBOC) decided to lower its 1 – year and 5 – year Loan Prime Rates by 10 bps each to 3.00% and 3.50% respectively, which was in – line with market expectations.

During the month under review, Brent oil price held steady at +1.2% mom to USD63.90/ bbl. It held up relatively well due to the aforementioned pause in global tariffs and the fact that OPEC+ had decided to not accelerate the pace of its July 2025 oil production increase over the previous two months. Instead, crude palm oil (CPO) price fell 2.1% mom to RM3888/ MT on account of higher production output leading to an increase in inventory in May 2025.

Unlike their developed market peers, the ASEAN stock markets experienced mixed results in May 2025. The Stock Exchange of Thailand dropped 4.02% mom in part due to concerns over its 36% US reciprocal tariff which was on account of the country having the 11th highest trade surplus against US in 2024. Furthermore, continued discord between Pheu Thai and Bhum Jai Thai political parties muddied market sentiment. Meanwhile, Thailand’s 1Q25 GDP growth moderated to +3.1% yoy from +3.3% yoy in 4Q24. The FBMKLCI pulled back 2.07% mom amidst Malaysia’s negotiation with US in an attempt to lower the imposed 24% reciprocal tariff imposed on our country. Against the looming threat of a global economic slowdown brought about by the uncertainties surrounding the Trump reciprocal tariffs, it was indeed commendable that the RM managed to continue to appreciate against the USD in May 2025 to RM4.2550: USD1.00 from RM4.3160: USD1.00 a month ago and RM4.4730: USD1.00 at end 2024. The strengthening RM could, to an extent, help to bolster foreign interest in Malaysian equities. It was noteworthy that May 2025 witnessed a net foreign equity inflow into Malaysia to the tune of RM1.0b after experiencing 4 months of consecutive net outflows totaling RM11.9b from January to April 2025. Conversely, Indonesia's Jakarta Composite Index surged +6.04% mom spurred by increased equity investments by domestic institutions, especially BJPS Ketenagakerjaan, Indonesia's USD48b social security fund. Moreover, its market was also lifted by Bank Indonesia (BI) cutting the BI – Rate, Deposit Rate and Lending Facility Rate by 25 bps each to 5.50%, 4.75% and 6.25% respectively, as it resumed monetary easing to support its slowing economy. Lastly, Singapore's Straits Times Index also edged up +1.62% mom with a showing of decent economic data such as its April 2025 Non – Oil Domestic Exports (NODX) rocketing +12.4% yoy surpassing consensus estimates and its April 2025 Electronic Exports which grew +23.5% yoy.

The US Treasuries (UST) yields rose by 23 – 26 bps mom across the curve amidst better – than – expected jobs report and the announcement on United States (US) and United Kingdom's trade deal over tariffs. Nonfarm payrolls (NFP) in April grew by +177k mom, surpassing expectations of +133k mom (March revised: +185k mom). The unemployment rate remained unchanged at 4.2% (March: 4.2%). In addition, the US - China's 90-day trade deal spurred a return in risk sentiments, contributing to the rise in UST yields. Fed fund futures as of end – May signaled an implied rate cut of 55 bps by end – 2025 compared to 102 bps as of end – April. Meanwhile, investors had also grown cautious of the US fiscal outlook as Moody's Ratings downgraded its sovereign credit rating to Aa1 from Aaa.

In contrast to the UST, Malaysian Government Securities (MGS) yields declined across all tenors by 5 – 16 bps mom due to the continued demand for domestic bonds. In the May Monetary Policy Committee (MPC) meeting, Bank Negara Malaysia (BNM) maintained the overnight policy rate (OPR) at 3% and announced its decision to reduce the Statutory Reserve Requirement (SRR) Ratio by 100 bps from 2% to 1%, effective 16 May 2025. BNM stated that the SRR decision is part of its ongoing efforts to ensure adequate liquidity in the domestic financial system, which will allow banks to better manage liquidity in an increasingly volatile market and support financial intermediation activities. BNM also emphasized that SRR is only an instrument to manage liquidity and not an indication of the monetary policy stance. Malaysia's 1Q2025 GDP met consensus at +4.4% yoy but was lower than the previous quarter of +4.9% yoy (revised). The GDP growth was mainly supported by consumer demand and capital investment. Meanwhile, April's CPI remained unchanged at +1.4% yoy (Survey: +1.4% yoy).

Market Outlook

The recent US 90 – day pause on most global reciprocal tariffs and its recent agreement with China to suspend several tariffs as well as to engage in dialogue have gifted global equity markets with a much-needed respite. That said, it remains to be seen how most of these trade negotiations pan out and thus far, being halfway into the 90 – day pause, there has yet been any concrete agreements inked. Thus, we opine that policy uncertainty remains somewhat raised and investors would keep a watchful vigil over any new developments that could have impacts on global economic activity. In fact, the recent May 2025 World Economic Forum report suggested that the global economic outlook had worsened since the start of 2025, "as rising economic nationalism and tariff volatility fuel uncertainty and risk stalling long – term decision – making". On the local front, we believe that investors would continue to monitor the implementation of vital policies such as RON95 fuel subsidy rationalisation whilst eagerly awaiting the outcome of our nation's trade negotiation with US.

Amidst the volatility currently permeating markets, we remain cautious and adhere to our dogma of investing in fundamentally good investments over long – term investment horizons. As always, we will seek out opportunities to engage in trading activities to capitalize on any prevailing market volatility. Nevertheless, we will keep constant watch over any potential geopolitical and other risks that may necessitate the gravitation towards new strategies to adjust to the ever – volatile market conditions.

The quantum of expected rate cuts in the US have eased to an expected two rate cuts in the second half of 2025. The FOMC minutes highlighted growing concerns over labour market softness. While the FOMC Committee remains data – dependent, there was a broad agreement that the risks of both elevated unemployment and inflation have increased since the March meeting. On local monetary policy, BNM statement clearly sees the balance of risks to growth as tilted to the downside on trade policy – related uncertainties. Meanwhile, the MPC expects the impact of domestic policy reforms on inflation to be "contained". Demand for RM government bonds have gained traction as investors sought safer assets and central banks globally have increased their probability for rate cut(s). All said, bond volatility will remain as markets remain wary of the economic conditions amid the trade uncertainty. 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?

- In May, equity markets rallied and clearly recovered from a volatile H1. Thanks to our strategy and the exposure to dividend growth stocks, the related earnings growth names as well as the investment styles Momentum and earnings revisions, the Fund could do even better and outperformed global equity markets.

What hurt?

- Stocks with high dividends as well as Value attributes lagged global equity markets. That limited the outperformance potential due to the Funds' high exposure to higher-yielding names.

Market Review

May brought some welcome respite for global equities following the recent tariff-related volatility. Investor sentiment was bolstered by de-escalating fears of a global trade war and a slew of positive corporate earnings releases. This overshadowed market jitters over the passage of President Donald Trump's "big, beautiful" bill of sweeping tax cuts and the launch of a new trade offensive against the European Union (EU). However, tariff whiplash was rekindled at month end, with global equities soaring on news that the New York-based Court of International Trade had blocked the US president's tariffs, before pulling back after the tariffs were reinstated by a US appeals court. Market sentiment deteriorated further after an abrupt re-escalation of US-China trade tensions and the announcement of Trump's plans to double tariffs on steel and aluminium to 50%.

It was a stellar month for US equities, with stocks recouping previous losses on a consensus-beating Q1 corporate earnings season and optimism around easing trade tensions. Markets were briefly buffeted after President Trump threatened the EU with 50% tariffs and on the announcement of his "big, beautiful" bill, which extends many tax cuts made during the president's first term in office and is expected to increase the US debt burden by over USD 3 trillion of US debt in the next decade. Sentiment was further dampened after credit rating agency Moody's consequently stripped the US sovereign of its AAA rating, citing the growing fiscal deficit. However, the risk-on mood prevailed for most of the month and growth stocks outperformed their value equivalents.

European equities moved higher in May, with defence names leading the way amid faltering hopes of a ceasefire in Ukraine. Having sold off sharply mid-month after President Donald Trump threatened to slap 50% tariffs on all of the bloc's exports to the US from 1 June, European markets rebounded on news that Trump had delayed implementation until 9 July to allow more time for negotiations. At a sector level, Information Technology and Industrials stocks were the strongest performers amid a slew of positive earnings releases. Health Care stocks brought up the rear but still managed a modest positive return during the month.

Market Outlook

It has become obvious during the reporting season that many listed companies are now more subdued about their business outlooks. At the same time, the "revision momentum" was weak, which means that analysts tend to revise their earnings estimates downwards rather than upwards. Uncertainty about the impact of the US trade policy on growth is probably the main reason behind this trend. US consumers' inflation expectations have increased markedly, as the import tariffs threaten to push goods prices upwards. According to surveys, US business sentiment has deteriorated as well. It is not yet clear whether the subdued mood will feed through to the hard data and how the US Federal Reserve will respond to the challenge of softer growth and rising inflation risks. From a technical vantage point, the major equity market indices are currently stable, and the recovery after the tariff shock seems to have broadened. The situation on the equity markets looks set to remain dynamic for now. This environment may provide attractive opportunities for active investors.

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 delivered strong returns in May, with many Asian currencies appreciating significantly against the US dollar over the month. The tech-heavy markets of Taiwan and Korea led the way, buoyed both by a recovery in global tech sentiment as well as currency gains. China equities also gained initially following indications of a tariff truce with the US, before giving way to profit taking in the second half of the month. Australian equities closed the month higher amid bullish sentiment led by Banking and Mining stocks. Markets welcomed the continuation of political stability after Prime Minister Anthony Albanese won a second term in the federal elections.

Elsewhere, ASEAN equities also rallied, with Indonesia leading the way in a strong month for net foreign inflows. Indian equities finished the month moderately higher. Investor sentiment was boosted by a number of positive developments that included a "landmark" free trade agreement with the UK, a strong gross domestic product (GDP) growth print of 7.4% year-on-year in Q1 (up from 6.4% in the previous quarter), continued foreign investor inflows, and easing inflation data.

For fixed income, market sentiment continued to recover from the sell off post "Liberation Day" on the back of the positive development on trade talks. As of end May, both investment grade (IG) and high yield (HY) credits were already trading tighter than a month ago. On the other hand, US Treasury yield rose in May with investors worried about higher budget deficit in the US would result in heavy bond issuance from the US government. In terms of performance, Asia credit (JACI Composite) was up 0.4% in May. IG credit returned 0.1%, with spread tightening and carry contributing 1.0%, while interest rate detracted -0.9%. HY credit was up 1.9%, as the positive spread return of 2.3% more than offset the negative interest rate return of -0.4%.

The Fund return was positive in USD terms in May.

In the equity portfolio, the top contributor was chipmaker Taiwan Semiconductor Manufacturing (TSMC). The share price rallied after the company announced plans to ramp up its European expansion with a new chip design hub in Munich, reinforcing the market confidence that artificial intelligence (AI) demand remains resilient.

On the detractor side, a tea drink brand, which positions itself as the "Oriental Starbucks", specialising in premium whole-lead teas, lagged during the month. The company listed in March, initially making strong gains before seeing some profit taking over the last month. We like the company given its differentiated franchise model and long-term potential for overseas expansion.

The asset allocation at the end of the month was 70.1% invested in Asian equities and 31.4% in Asian fixed income.

During the month, we initiated a position in a property developer and landlord with projects in Hong Kong and China. We expect the new property projects in China should bring new sources of cash flow to the company. We also initiated a position in a leading fabless semiconductor in Taiwan which specialises in the design and manufacture of application-specific integrated circuits (ASICs) and system-on-chip (SoC) solutions. On the other hand, we exited a smartphone lens maker in China given the concern over moderation of consumer electronics demand.

Within the fixed income portfolio, we continued to look for alpha opportunities and switched out the outperformers. Also, we were actively involved in the primary market to capture the new issue premium.

At the end of the month, we held 59 equities and 61 fixed income securities. The equity portfolio yield was 3.0% (based on forward 12-month estimates), and the average fixed income coupon was 5.8% with an average credit rating of BB+ and average duration of 2.6 years.

Market Outlook

Overall, we are quite cautious about the near-term outlook for regional equities. Global trade developments, especially the ongoing decoupling of the US and China, are likely to result in a weaker growth outlook. As well as putting pressure on corporate earnings, the visibility of growth is also reduced with some companies declining to provide their usual quarterly guidance. Offsetting this challenging macro environment to some extent is the ability of many countries to implement easier monetary and fiscal measures. In China, we think there will be more decisive policy changes including the government stepping up support for asset prices, not just in equities but in the crucial housing market as well. Across much of the region, central banks also have some flexibility to cut interest rates, 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.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

On the fixed income side, despite some positive developments on trade talks in the past two months, macro sentiment is likely to continue to be volatile in the near term given unpredictable US policies. However, over the medium to longer term, market should refocus on fundamentals and technicals when the dust settled. With most of the Asian countries still on track to deliver policy easing while the expectation on rate cut was pushed back in the US, we continue to expect Asia to lead the growth in 2025. Fundamental of Asian corporates remained solid with latest earnings showing evidence of stable to improving profitability and decreasing leverage. Widening interest rate gap between Asian countries and the US should keep dollar bond issuance from Asia issuers on the lower end of market expectation. As a result, we remain constructive on Asia credit with a slight preference of HY to IG and expect carry and security selection to be the key positive contributors to performance.

For Allianz Life Amanah Dana Ikhlas:

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

Market Review

Sukuk Review

In May, global bond markets faced a mix of headwinds from fiscal stress, rising yields, and curve steepening. Despite a 90-day truce in tariffs between the U.S. & China, policy uncertainty and slower growth have rattled bonds. Long-term sovereign yields have surged across major economies—including the U.S., U.K., France, and Japan—due to weak demand in auctions and soaring debt issuance. However, Malaysia's bond market demonstrated resilience amid global economic uncertainties and domestic fiscal adjustments. The bond market remained supported by steady domestic demand as market sentiment still modestly bullish, although the curve has largely priced in a 25bp rate cut. Overall Malaysia Government Bond yields posted gains of 5-15bps across the curve. BNM's MPC held the OPR unchanged at 3.00% in May's meeting as expected but cut SRR 1% to improve liquidity. Policy statement tilted decisively dovish, crystallising downside to the GDP outlook and omitting reference to a 'supportive' policy stance.

Equity Review

May continued from last month's de-escalation on tariffs, moderating US recession concerns as well as the revival of the theme surrounding AI (following upbeat outlook from global tech giants), although it was not without any headwinds, notably the sell-off in developed market bonds. The seemingly seen as a "truce" on China-US was perhaps the main catalyst for optimism on investors but was met by bond yields moving higher on fiscal, inflation and demand or there lack-of. The US credit rating was also downgraded by Moody's which set the stage for movement of the asset class.

Closer to home, the KLCI fell 2.1% with gainers largely centered around Gamuda, Sunway and TNB that was likely on the back of the revival in the Datacenter theme. The month also saw a somewhat volatile earnings season with a higher ratio of below estimates than above. In macro, Malaysia GDP came in at 4.4% yoy, a slight miss against street's estimates (+4.5% yoy). This marked the 3rd straight quarter of slower growth, with rising downside risks amidst the escalation in trade tensions. A sharper slowdown with major trading partners will invariably weaken demand for exports and the uncertainty with this regard undermines consumption and more importantly investments. Elsewhere, BNM maintains the OPR but reduced the Reserve Requirement (which is seen as precedent to interest rate cuts) to 1% from 2% releasing RM19bn of liquidity.

In Asean, performance was a mixed bag (in local currency terms) with Indonesia coming out on top with a 6.0% gain while it was more muted elsewhere as Philippines, Malaysia and Thailand reported a performance of -3.5%, -0.4% and +0.7% respectively.

In net foreign flows, Thailand and Philippines saw continued selling amounting to US$151m and US$259m respectively. Malaysia and Indonesia had decent net buying of US$236m (RM 1,028m) and US$337m respectively. On a year-to-date basis, Malaysia remains with the 2nd largest outflow in the region, amounting to US$2,450m (RM10.9bn) but beaten by Indonesia's net foreign outflow of US$2,726m.

In currencies, the US dollar was broadly weaker with the DXY Index falling to 99.3. TWD, a standout within Asia had a spectacular month, gaining 6.5% against the USD. The Rupiah, the Baht, the Ringgit, and the Pesos gained 1.9%, 1.8% 1.4%, and 0.2% respectively. After having a good run over the past few months, Gold was flat, closing at US$3,289/oz. Elsewhere, Brent rose 1.2% despite rising inventories while industrial metals increased slightly by 0.8%.

Market Outlook

Sukuk Outlook & Strategy

We continue to maintain a positive view on the domestic sukuk market in 2025, underpinned by resilient credit fundamentals and a supportive macroeconomic backdrop. We expect credit spreads to remain stable, supported by manageable inflation, steady economic growth, and healthy credit issuance despite external uncertainties.

With policy rates appearing to have peaked and global central banks expected to pivot towards a more accommodative stance, we believe there is potential for slight compression in sovereign bond yields, presenting tactical trading opportunities despite markets already pricing in a rate cut in the domestic sukuk markets.

Strategy wise, we continue to favor mid-tenor corporate sukuk that provide attractive yield premiums over government securities. We intend to maintain a duration stance that is neutral to moderately overweight, reflecting our positive outlook on interest rates.

For Allianz Life Amanah Dana Ikhlas:

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

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

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

Equity Outlook & Strategy

Combination of the Trump administration's incendiary policy as regards to trade combined with US's extreme fiscal deterioration has led to volatile performance of US markets which has reverberated global equity markets. Still, despite the recent relief in the trade war, China and the US have both accused each other of violating the trade deal, dimming the prospected for further bilateral talks. Given the still fluid environment, we believe that markets are likely to remain soft as the US policy changes continue to create uncertainty in financial markets.

At this juncture, market participants are closely monitoring the outcome of the negotiations deals as well as policy responses. Currently, negotiations have been focusing on US allied countries. In any case, it remains difficult to ascertain with any high conviction the market impact given the fluidity of the situation given the reciprocal measures as aforementioned. However, the prolonged effect of these reciprocal measures affects the economic environment and negative growth, sentiment as well as pressure on inflation.

Going forward, we think that tariffs are likely to be a permanent feature of the current US administration, with rates to bespoke based on negotiation deals on G2G basis. There is also concern that the US will make concessions with its allied parties at the expense of China to create leverage, but this bears watching.

Although markets have already recovered above "Pre-Liberation Day" levels, we remain cautious in the near-term as we see profit taking, approaching earnings season as well as still tepid fundamentals. Beyond these in the local context, we remain constructive supported by sound fundamentals, stable politics and improving FDI/DDI momentum. Strategy-wise, we maintain slightly higher cash levels and focus on large-cap, domestic-centric stocks. As we weather through these crosscurrents, we are likely to prioritize earnings quality certainty and defensive stocks growth-centric stocks. Having said that, we are looking opportunistically at stocks that we like but have been sold off, with perhaps a high margin of safety. These sectors include real estate, technology, industrials etc.

Microsoft and Facebook (Meta) announcing substantial capex plans puts the limelight back to the AI theme which helps set the mood for the stocks within the supply chain, which arguably has been a key catalyst for local equity markets. This was followed by the rescinding of the AI diffusion rules in addition to the the sovereign AI builds in Middle East (following President Trump's visit). However, we caution that the risks are not eliminated. While the overhang on the theme has eased, as Malaysia will no longer be subject to GPU restrictions, which would have stifled builds. However, the US department of Commerce is expected to issue a replacement rule and on 2G2 negotiations to determine access. Case in point, the expected investment in the Middle East was after President Trump's visit to the continent. For Malaysia, access will be granted with the condition that it can protect supply chains against diversion (China), in which Malaysia and Thailand were specifically by the US administration.

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

Initial market gains following indications of a tariff truce between the US and China gave way to profit taking in the second half of the month. Positive stock selection in the financial sector was partially offset by a weaker contribution from Industrials stocks.

At a stock level, a key contributor last month was a biotech company focused on autoimmune and oncology related drug development. Share price momentum continued from April when the company announced positive results from their phase 3 clinical trial for a new product. The biotech sector overall has performed well year-to-date, buoyed by news of global pharmaceutical companies replenishing their product pipelines by licensing new drugs under development in China for sales around the world.

Conversely, a detractor was a leading artificial intelligence (AI) chipset supplier. After touching all-time highs towards the end of Q1, the stock has seen some profit taking in recent weeks. This was triggered partly by a capital raising to support ongoing research and development (R&D), as well as by concerns that US plans to broaden restrictions on China's technology sector may limit the company's ability to develop more advanced high-end chips. Longer term, we view the company as a beneficiary of growing demand for AI computing and also the self-sufficiency trend in China.

Market Outlook

Since recovering from the tariff-induced volatility post "Liberation Day" in early April, China's equity markets have gone into something of a lull. To an extent, this has been caused by uncertainty over the direction of ongoing China-US negotiations, and the prospects of a more substantive trade deal or otherwise.

The other key unknown is to what extent China's government policy will be ramped up to offset the weakness in exports, a key driver for the economy in recent years and an important contributor to China achieving its closely watched gross domestic product (GDP) growth target. There are a number of factors at play in our view, not least that the extent of the downturn in exports – and therefore the degree of further government stimulus required to offset this with stronger domestic demand – is challenging to gauge.

Nonetheless, given that policymakers have reiterated this year's GDP target of "around 5%" several times since "Liberation Day", it is in our view a question of when, not if, we see further policy measures. This is especially the case given that the latest housing market data was modestly weaker, and showed an ongoing, albeit mild, decline in property prices.

A key issue is rebuilding consumer confidence, which took a major hit in 2022 as a result of COVID policies, the subsequent weaker employment outlook and the downturn in the property market. China's consumer confidence index is based on a scale of 0 to 200, where 200 indicates extreme optimism, 0 extreme pessimism, and 100 neutrality. In the years before COVID, China's consumer confidence index typically tracked a level close to 120. The latest reading is 88.4, which at least marks a pick-up from the low point last year.

This weaker confidence is reflected in how spending patterns have changed in recent years, resulting in a surge of household bank deposits to more than USD 20 trillion. Mobilising these resources will be an important part of China's domestic demand recovery. As such, the focus on the private sector, which accounts for around 90% of employment in China and within this, technology and AI, is likely to be an ongoing feature of policy.

While the timing of a recovery in the feel-good factor within China is hard to predict, our view is the direction of government policy will continue to be supportive for equities. Combined with the strong state support for domestic equities in the form of direct buying of exchange-traded funds (ETFs), we believe the downside in China A-shares in particular remains quite limited.

Portfolio activity in May was relatively limited. Overall, the Fund is positioned with a bias to companies that should benefit from improving domestic demand, either as a result of broader macro stabilisation, or because of other factors such as China's push for an increased level of self-sufficiency, particularly in technology-related industries. So far this year, for example, we have added to the domestic semiconductor supply chain, other AI-related applications, and health care.

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 Information Technology (+2.9%), 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 higher in the month of May, continuing its recovery that started earlier in April. The technology-heavy Nasdaq Composite Index led major indices, notching the best May month returns since 1997. The de-escalation of trade tensions between the US and China was a key upside catalyst. The US coming to a trade agreement with the UK was also constructive for risk assets. The rally was further supported by better-than-feared corporate earnings amid tariff headwinds, artificial intelligence (AI) tailwinds from strong Nvidia results and Middle East deals, and an uptick in mergers and acquisitions (M&A) and initial public offering (IPO) activity. Although credit rating agency Moody's downgraded the US government's credit rating due to the fiscal deficit, equity markets were mostly unaffected.

The US Federal Reserve (Fed) kept rates on hold at its monetary policy meeting, with officials citing economic uncertainty and inflationary risks. Meanwhile, the Bank of England (BoE) and the People's Bank of China (PBoC) cut rates. US recessionary fears eased, with the Fed Bank of Atlanta's GDPNow running estimate indicating growth of 3.8% for the current quarter. The flash S&P Global US composite purchasing managers' Index rose from a final reading of 50.6 in April to 52.1 in May, reflecting improvements in both services and manufacturing activity.

Oil prices fluctuated in May, ending the month around USD 63 a barrel. Brent crude initially moved lower on expectations of accelerated output increases by the Organisation of the Petroleum Exporting Countries Plus (OPEC+) before strengthening on expectations of increased global energy demand as trade war tensions eased. The fifth round of US-Iran nuclear talks ended inconclusively, with oil prices rising in anticipation that U.S. sanctions on Iranian oil exports will remain firmly in place, and later amid reports that Israel was planning a series of air strikes on Iranian nuclear facilities. Meanwhile, gold prices eased from April's record highs, but remained elevated, ending the month just above USD 3,300 – an increase of around 30% since this time last year.

From a sector perspective, for the MSCI All Country World Index, the Information Technology sector was the strongest performer amid positive earnings results. The Industrials sector was another outperformer. Real Estate and Health Care were laggards during the month, with Health Care being in the only sector with negative returns.

During the period, the Fund outperformed the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). From a sector perspective, Information Technology and Utilities were the largest contributors, while Health Care and Industrials were slightly offsetting. AI-related stocks continued their recovery that started in April as trade tensions eased. The AI infrastructure theme was the strongest performer, helped by positive earnings results and new AI data centre announcements. Although AI applications and AI-enabled industries generated positive absolute returns, the two themes slightly underperformed the benchmark as a few companies reported earnings that missed investor expectations.

Contributors

Constellation Energy Corp. was among the top contributors for the period. The company is a leading American energy company specialising in clean energy generation, primarily through its nuclear, wind and solar assets. Shares were higher as management expressed optimism on nearing long-term nuclear power deals with more hyperscalers that do not need regulatory clarity. The demand for data centre power is expected to drive significant growth in energy consumption. The rise in AI-driven electricity demand could lead to substantial power contracts with data centre operators over the coming years.

Our underweight position in a technology hardware producer was among the top contributors due to its significant weighting in the custom benchmark. The company had an average 10.67% weight in the benchmark, while the Fund had an average exposure of 2.49%. Shares were lower during the period over risk of higher tariffs in China where it produces a significant percentage of its smartphones and a court ruling that could allow developers to direct users to alternative payment options on its app store.

Detractors

Although it reported solid quarterly results, shares of a leading innovative pharmaceutical company underwent profit taking following earnings after a pharmacy benefit manager and a pharmaceutical company announced a partnership that made the latter's glucagon-like peptide-1 (GLP-1) drug a preferred medication on the former's standard formularies. Looking forward, the company's growth prospects appear attractive, which should be driven by its robust drug pipeline and franchises, which include oncology, diabetes and ventral nervous systems. The company's innovation in obesity treatments is another key growth driver, that has a large addressable market with strong momentum.

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

Microsoft Corp. is a software provider with a wide range of services that include operating systems, software applications, cloud computing and security solutions. While shares outperformed on better-than-feared earnings driven by Azure growth acceleration, the underweight position represented a relative performance headwind. Microsoft had an average 10.93% weight in the blended benchmark, while the Fund had an average exposure of 5.16%.

New Buys and Sells

The Walt Disney Co. is a global entertainment and media conglomerate. We initiated the position as shares are trading at an attractive relative valuation to its history, and as more parts of the company's business are trending positively. Further, the company is actively using AI across its key business to support business momentum. This includes content creation in its studios, more efficient operations and better visitor immersion in its parks and resorts segment, optimised advertising in Disney's media network segment and viewer experience in the direct-to-consumer streaming businesses.

We purchased a technology platform that connects customers with local restaurants, grocery stores and retailers for on-demand delivery. The use of AI is critical for the company to operate efficiently, maintain high customer satisfaction and execute on scalability across its marketplace. Through a superior AI-enhanced technology platform, the company has built a category defining brand identity as it continues to gain market share and has built a business that could be more resilient through uncertain economic times. Further, we believe the company is reflecting greater financial discipline as it has become profitable.

We exited the remaining position in a Chinese ecommerce company as it has chosen to invest aggressively in food delivery, which is a competitive market with it being a late entrant. The level of investment in food delivery is expected to be greater than we expected, resulting in a negative earnings revision. Given these considerations, we chose to exit the position and redeploy the proceeds into other names.

We exited the remaining position in an American software technology, design and consulting services provider as there is news suggesting that the Trump administration has asked electronic design automation (EDA) companies to stop providing their technologies to Chinese companies. China has been about 12–13% of the company's revenues and has been growing rapidly. We previously trimmed the position as shares had appreciated and chose to exit the remaining position as we believe this China development could be an overhang.

Market Outlook

We continue to maintain a positive long-term outlook for equities, but markets may undergo short periods of volatility. A more complicated policy backdrop can contribute to potential risks of inflation and slower economic growth. For now, equity markets have been on a recovery path since 9 April, when President Trump announced a 90-day pause on higher reciprocal tariffs. We believe the recovery of AI-related stocks could continue with a more benign policy environment and re-acceleration in earnings.

The outlook across the AI ecosystem remains healthy. From Q1 earnings results, management across AI-related companies generally had constructive commentaries on business trends and progress with AI projects. The landscape also got a boost from new AI data centre announcements, strong demand for AI workloads from new reasoning AI models, and more supportive advanced semiconductor export policies.

As we get more clarity on policy in the coming months, a more constructive backdrop may develop as we see some framework trade deals and look towards Trump's tax cuts and pro-business agenda. We continue to believe the Trump administration wants the US to maintain its leadership in innovation and is focused on bringing more manufacturing back onshore. Several announcements have been made to further onshore the technology supply chain to the US. More announcements should be constructive for the innovation ecosystem.

We continue to maintain a balanced portfolio of companies benefitting from AI innovation and favour companies that are better positioned to navigate through a more complicated environment. There may be opportunities to upgrade select names and add to high conviction ideas amid the market volatility to better position the portfolio for improved performance.

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

From an innovation perspective, progress with AI development is accelerating as more powerful capabilities becomes readily available from the robust "phase one" infrastructure buildout. We are beginning to enter "phase two" 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 three". 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.

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 delivered strong returns in May, with many Asian currencies appreciating significantly against the US dollar over the month. The tech-heavy markets of Taiwan and Korea led the way, buoyed both by a recovery in global tech sentiment as well as currency gains. China equities also gained initially following indications of a tariff truce with the US, before giving way to profit taking in the second half of the month. Australian equities closed the month higher amid bullish sentiment led by banking and mining stocks. Markets welcomed the continuation of political stability after Prime Minister Anthony Albanese won a second term in the federal elections.

Elsewhere, Japan equities also posted gains, supported by trade talk optimism after becoming the first country to enter into official negotiations with the US. Although the Bank of Japan (BoJ) cut its 2025 growth forecast from 1.1% to 0.5%, the recently concluded Shunto wage negotiations resulted in pay rises of over 5%. As such, real wages are projected to rise in 2025, raising expectations for a recovery in consumer spending.

The Fund outperformed the benchmark in May. Stock selection in the Industrials and Information Technology sectors was particularly beneficial, with names from Japan, Korea, and Taiwan being strong contributors. Several high conviction stocks including a global logistics player, a high-complexity chip designer, a baseboard management control provider, and a major engineering and industrial conglomerate were among the top-performing stocks in the portfolio. These stocks represent positions that we believe offer exposure to niche capabilities, with long-term, sustainable earnings growth potential.

Conversely, stocks from Hong Kong/China were relative detractors amid the broader market weakness, though we continue to find attractive investment ideas in these markets given improved policy support and reasonable valuations.

Given the high level of market and macro uncertainty, particularly as countries across Asia reassess their relationships with the US, in recent weeks we have built a buffer for some downside protection by raising cash and adding to fixed income. We will aim to deploy the cash in periods of market weakness and when we spot stock specific opportunities. As an example over the last month, we initiated select new ideas in the areas of drone technologies, semiconductor equipment testing, and uranium production.

Since last year, we have increased the portfolio exposure to China. This is partly a reflection of improved valuations as well as increasingly supportive government policy action. The announcement of an open-sourced artificial intelligence (AI) model developed by an emerging Chinese startup also demonstrated China's impressive advances in technology and AI which, in our view, have not yet been widely understood. We have added to ecommerce/internet stocks as well as insurance and healthcare companies.

Conversely, we have significantly reduced the allocation to Taiwan from 24% at the beginning of the year to 10% at the end of May. There are signs of weakening demand for certain Technology companies, related in part to the fast-moving changes in AI-related developments. 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.

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

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

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

Market Outlook

Overall, we are quite cautious about the near-term outlook for regional equities. Global trade developments, especially the ongoing decoupling of the US and China, are likely to result in a weaker growth outlook. As well as putting pressure on corporate earnings, the visibility of growth is also reduced with some companies declining to provide their usual quarterly guidance.

Offsetting this challenging macro environment to some extent is the ability of many countries to implement easier monetary and fiscal measures. In China, we think there will be more decisive policy changes including the government stepping up support for asset prices, not just in equities but in the crucial housing market as well. Across much of the region, central banks also have some flexibility to cut interest rates, especially if the US dollar continues to weaken. Structural drivers such as ongoing governance reforms also remain in place for a more positive longer-term outlook in Japan.

In this environment, we are looking for opportunities 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 ex Japan equities delivered strong returns in May, with many Asian currencies appreciating significantly against the US dollar over the month. The tech-heavy markets of Taiwan and Korea led the way, buoyed both by a recovery in global tech sentiment as well as currency gains. China equities also gained initially following indications of a tariff truce with the US, before giving way to profit taking in the second half of the month. ASEAN equities also rallied, with Indonesia leading the way in a strong month for net foreign inflows.

Indian equities finished the month moderately higher. Investor sentiment was boosted by a number of positive developments that included a "landmark" free trade agreement with the UK, a strong gross domestic product (GDP) growth print of 7.4% year-on-year in Q1 (up from 6.4% in the previous quarter), continued foreign investor inflows, and easing inflation data.

The Fund underperformed the benchmark in May. From a market perspective, stock selection in India and Taiwan was a source of relative detraction, while selection effects in Korea were more positive. At the sector level, selection effects in Industrials and Real Estate more than offset better picks in Financials and Consumer Staples.

At a stock level, a detractor during the month was our overweight position in Chinese ecommerce player Alibaba. The share price pulled back on missed earnings expectations for its fiscal Q4, due mainly to geopolitical uncertainties and tariff concerns. We continue to believe that Alibaba will remain a leading competitor across the verticals of ecommerce, logistics, and cloud computing and see Ali Cloud, in particular, as a top-tier asset.

Conversely, a top contributor in May was a Taiwanese semiconductor company focused on high-complexity and high-volume chip design for a global clientele. Its share price rallied on the back of improved profitability, especially in the North American market, and advances in artificial intelligence (AI) chip design. We believe the company offers a superior technology which is demonstrated by its growing project pipeline.

During the month, the main activity was to reposition somewhat in China, especially in the Health Care area. We also selectively added a Singapore real estate developer and a leading Korean beauty and skincare product manufacturer.

At the market level, the portfolio is overweight in the ASEAN region, especially the Philippines and Thailand. This is balanced out by underweight positions in Korea and Hong Kong/China. At a sector level, Health Care and Real Estate are the primary overweight positions, while Industrials and Materials are among the main underweights. Top names in the portfolio at month end included TSMC, Tencent, and Alibaba.

Market Outlook

Overall, we are quite cautious about the near-term outlook for regional equities. Global trade developments, especially the ongoing decoupling of the US and China, are likely to result in a weaker growth outlook. As well as putting pressure on corporate earnings, the visibility of growth is also reduced with some companies declining to provide their usual quarterly guidance.

Offsetting this challenging macro environment to some extent is the ability of many countries to implement easier monetary and fiscal measures. In China, we think there will be more decisive policy changes including the government stepping up support for asset prices, not just in equities but in the crucial housing market as well. Across much of the region, central banks also have some flexibility to cut interest rates, 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.

In this environment, we are looking for opportunities 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

In May, global equities, convertible securities, and high yield bonds finished higher, while the global core fixed income market closed lower. Momentum from April's mid-month rally persisted, as tariff tensions eased following announcements of de-escalation measures with both China and the UK. The earnings season wound down over the month with most of the remaining high profile companies surpassing analyst expectations. Q1 top- and bottom-line growth rates exceeded consensus estimates although many companies pulled or reduced full-year guidance on trade-related uncertainty. Economic reports released during the month were generally positive. Inflation measures decelerated, consumer confidence increased, the services sector rebounded, unemployment remained low, and Q2 estimates for real gross domestic product (GDP) growth neared 4%. Conversely, continuing jobless claims trended higher, retail sales underwhelmed, and select housing statistics remained weak. Against this backdrop, the US Federal Reserve (Fed) held interest rates steady at May's Federal Open Market Committee (FOMC) meeting, taking a "wait-and-see" approach, and the 10-year US Treasury yield increased to 4.39% but finished well off the intramonth high of 4.63%.**

In this environment, key markets were mostly higher:

- Global equity markets, as measured by the MSCI World Index, returned +5.99%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +3.37%.**
- Global high-yield bonds, as measured by the ICE BofA Global High Yield Index, returned +1.53%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned -0.36%.^

The portfolio was positively impacted by strength in global equity, convertible security, and corporate bond holdings.

Top contributors in May broadly benefitted from the trade deal announcements over the month. Several semiconductor companies notably outperformed on easing trade tensions, including Nvidia, which was also driven by strong earnings results. Microsoft and Meta both gained following beat-and-raise reports, while Amazon and Mastercard each offered positive readthroughs on consumer demand. Tesla was higher after CEO Elon Musk affirmed the Robotaxi rollout timeline and indicated plans to step away from his government role. Other top contributors to performance in the period were JPMorgan Chase, an aerospace manufacturer, and an energy technology company.

Top detractors in the period included multiple holdings with pharmaceutical exposure that faced pressure due to regulatory intervention on drug prices. Apple reported solid earnings but offered below-consensus guidance on tariff uncertainty, a steel manufacturer was negatively impacted by commodity price weakness in Q1, and a residential solar provider with a positive fundamental outlook was volatile over the period. Other top detractors for the period included a middle market investor and a diversified insurance provider.

Exposure increased across all sectors and covered call option positioning increased month-over-month.

Market Outlook

Despite May's notable strength in risk assets, the macro outlook remains uncertain.

Outside of the US, monetary and fiscal policy stimulus measures could help to stabilise the global economy. The US economy is still expected to expand in 2025 with widespread effects from tariffs hampering growth. Clarity around trade policy is unlikely to improve in the near term, but as the range of outcomes continue to narrow, uncertainty should lessen, and spending, investment, hiring, and mergers and acquisitions (M&A) activity can resume. Further out, fiscal stimulus, deregulation measures, productivity gains, and a reindustrialisation movement are potential growth drivers.

The Fed likely remains on hold as officials continue to assess the effect of tariffs on inflation, employment, and the potential for stagflation. Inflation has slowed but concerns of a second wave have risen due to tariffs. Steady employment is possible if less hiring is met with less layoffs. A resumption of monetary policy easing – currently, the market is pricing in two 25-basis point (25-bps) interest rate cuts in 2025 – would closer align the Fed with accommodation by central banks overseas.

Global large-cap equities have recovered this year's losses as odds of a recession and global shock receded and Q1 results came in better than expected. Continued strength is possible given subdued investor sentiment and positioning and a host of potential upcoming catalysts. However, tariff uncertainty could impact the short term. Ultimately, change on the margin around expectations for corporate earnings, management outlooks and the economy will determine the direction of the stock market over the remainder of the year.

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 more than 7%^^, 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 31 May 2025 unless otherwise stated.
* Source: MSCI, as at 31 May 2025
^ Source: Bloomberg, as at 31 May 2025
** Source: BofA Merrill Lynch, as at 31 May 2025
^^ Source: ICE Data Services, as at 31 May 2025
# Source: BofA Research, as at 31 May 2025

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

Target Fund Manager's Comment (For Allianz Thematica)

Market Review and Outlook

May brought some welcome respite for global equities following the recent tariff-related volatility. Investor sentiment was bolstered by de-escalating fears of a global trade war and a slew of positive corporate earnings releases. This overshadowed market jitters over the passage of President Donald Trump's "big, beautiful" bill of sweeping tax cuts and the launch of a new trade offensive against the European Union (EU). However, tariff whiplash was rekindled at month end, with global equities soaring on news that the New York-based Court of International Trade had blocked the US president's tariffs, before pulling back after the tariffs were reinstated by a US appeals court.

All but a handful of countries posted positive returns in May, led by offshore China and the US. At a sector level, Information Technology was the strongest performer in the MSCI All Country World Index amid a slew of positive earnings releases. Communication Services, Industrials and Consumer Discretionary stocks also posted strong returns in May, with Health Care the only sector to end the month in the red.

De-escalating fears of a global trade war and thawing Sino-American tensions dominated the headlines for most of May. While the US Federal Reserve (Fed) kept rates on hold at its monetary policy meeting, President Trump's tariff uncertainty unleashed a wave of rate cuts at key central banks, including the Bank of England (BoE) and the People's Bank of China (PBoC), as policymakers grappled with heightened downside risks to growth.

Oil prices fluctuated in May, ending the month around USD 63 per barrel. Meanwhile, gold prices eased from April's record highs, but remained elevated, ending the month just above USD 3,300 (+30% year-on-year).

The Fund returned positively (in EUR, gross of fees) in May, performing along with global equity markets as represented by the MSCI AC World index. Theme selection has been a net positive contributor to overall performance which has been completely erased by negative contributions from stock selection over the same period. The exposure to Intelligent Machines as well as Digital Finance resulted positively as those themes benefitted from the strong recovery among technology-driven sectors. On the other hand, the exposure to Generation Wellbeing and Clean Water and Land slightly detracted.

From a single stock perspective, the Fund benefitted from not being exposed to companies like a pharmaceutical company and a health insurance and services company as the Health Technology theme has been taken out from the portfolio a couple of month ago. The natural underweight to a smartphone and personal computer maker has been a positive effect as the stock underperformed due to uncertainties regarding tariffs. The underweight to a graphics processing unit manufacturer, an electric vehicle manufacturer and Microsoft has been a burden as all three companies benefitted from the recovery of the US Technology sector.

Although being down over the course of the year, the Fund performed well since the end of the last quarter outperforming global equity markets. A main reason for the absolute performance has been the weak development of the US dollar. The structural underweight to the Magnificent Seven^ has been helpful as the market concentration has come to an end. The underweight to traditional banks has pressured performance slightly as those companies are not suitable for the Fund. The recent easing of the trade restrictions led to a positive contribution from sectors like Industrials and Materials which are benefitting from improved global economic development. Given the recently increased beta, the Fund continues to benefit from the current recovery.

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

Risk assets extended their recovery in May supported by improving consumer sentiment and eased trade tensions. In this context, the U.S. labour market added 147k jobs in April, slightly below the downwardly revised 185k in March but above consensus estimates of 133k. In prices, the annual inflation rate in the U.S. eased to 2.3% in April 2025, the lowest since February 2021, from 2.4% in March and below forecasts of 2.4%. In the Euro Area, the annual inflation remained stable at 2.2%, slightly above market expectations of 2.1%, and in the U.K., the annual inflation rate jumped to 3.4% in April, the highest since January 2024, from 2.6% in March and above forecasts of 3.3%.

In fixed income, sovereign bonds faced pressure in May, while credit markets painted a more optimistic picture. High yield credit outperformed both investment grade credit and sovereign bonds, driven by improved risk sentiment. Against this backdrop, the U.S. 10-year Treasury yield rose 24 bps to 4.40% as markets adjusted to weaker Treasury auction results and renewed U.S.-China trade tensions. The U.K. 10-year gilt yield rose 21 bps to 4.65%, while the German 10-year Bund yield rose 6 bps to 2.50%. Meanwhile, the Japanese government bond yield curve continued to steepen as the BoJ reduced JGB purchases, with the 10-year yield rising 18 bps to 1.50%.

Equity markets experienced a robust recovery in May, with the S&P 500 climbing 6.3%, marking its strongest monthly performance since late 2023. This rebound was driven by better-than-expected corporate earnings, progress in U.S.-EU trade talks, and a temporary delay in tariff hikes, easing recession fears and boosting risk assets. Elsewhere, emerging market (EM) equities rose in May, supported by global equity flows as EM currencies appreciated amid a weakening U.S. dollar. In credit, U.S. investment grade and Euro investment grade spreads narrowed 18 and 14 bps. At the same time, U.S. high yield and Euro high yield spreads narrowed 63 and 45 bps.

During the month, the PIMCO GIS Income Fund returned -0.05% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '25 performance to 3.26%.

For Allianz Life World Healthscience Fund:

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

Market Review and Outlook

Market:

• In May 2025, global equities rebounded sharply, with the S&P 500 up 6.3%, the Dow Jones gaining 3.9%, and the Nasdaq soaring 9.6%, driven by easing U.S.-China tariffs, strong corporate earnings, and renewed momentum in growth sectors.

• European equities posted strong gains as the MSCI Europe Index rose 4.8%, led by technology and banking stocks, while consumer defensive names lagged.

• Emerging markets underperformed developed peers, with the MSCI Emerging Markets Index up 4.3%, however, Taiwan, Korea, and India saw robust inflows and Chinese equities stabilized.

• Sector performance was broadly positive, with U.S. technology, communication services, and consumer discretionary leading, while health care declined 3.6%.

• Macro data showed a mixed but improving picture, with softer U.S. labour market signals, moderating inflation in the U.S. and Europe, and improved consumer sentiment supporting bullish investor outlooks.

Stocks:

• An underweight position in managed health care company United Health was the top contributor to relative returns over the period. The company's stock fell due to a combination of surging medical costs, the abrupt resignation of CEO Andrew Witty, the withdrawal of its 2025 earnings guidance, and heightened investor fears following reports of a U.S. Department of Justice criminal probe into potential Medicare fraud.

• An overweight position in Boston Scientific also contributed to relative returns. The company experience strong performance following strong Q1 results that exceeded expectations, raised full-year sales and earnings guidance and robust growth in emerging markets.

• Elsewhere, not holding a position in Veeva was the largest detractor to relative returns. The health tech company reported its "best first quarter ever," with earnings and revenue far exceeding expectations while also unveiling new AI initiatives.

• An underweight position in HCA was another detractor from relative performance. The hospital operator reported strong Q1 earnings with robust revenue growth driven by increased patient demand.

Changes:

• During the month, we increased exposures to the medical devices and supplies subsector, while reducing exposures to the pharmaceuticals subsector. Within the medical devices and supplies subsector, we added to health care equipment with limited impact from recent US policy announcements. Additionally, we increased exposure to life sciences tools & services firms with expected strong fundamentals and innovation driven growth catalysts.

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:

• May saw a continued rebound in market sentiment, supported by improving economic data and a temporary easing of trade tensions. Early in the month, investors were reassured by a solid US jobs report and a surprise increase in the ISM services index. Consumer sentiment received another boost with the announcement of a temporary reduction in tariffs between the US and China, a significant reversal from earlier rhetoric. Inflation data also came in softer for a third consecutive month, reinforcing expectations that price pressures were moderating. However, enthusiasm faded in the second half of the month as focus shifted to growing concerns about the US fiscal outlook following a credit rating downgrade from Moody's which unsettled bond markets and rekindled volatility.

• Equity markets responded positively to the improving macro backdrop, with major indices across the US, Europe, and Asia posting positive returns over the month. US equities led the way, and growth-oriented stocks outperformed more value-oriented companies. US Small caps were supported by expectations that the proposed tax and regulatory changes in the US budget reconciliation bill would support smaller domestic business. Emerging market equities also participated in the rally, benefiting from a weaker US Dollar.

• Fixed income markets, however, faced headwinds following Moody's downgrade of its US sovereign credit rating and weak demand at long-dated Treasury auctions. Corporate credit fared better, with high yield outperforming investment grade and sovereign bonds, aided by improving risk appetite.

• Elsewhere, the returns of Commodities were mixed over the month. The Gold price decreased as improving risk appetite reduced demand for defensive assets, whilst Industrial metals and energy posted marginally positive returns.

Performance:

• Against this backdrop, the Fund delivered a positive return over the month. From an asset class perspective, Develop Marked Equities was the key driver of returns. Alternatives also contributed positively meanwhile Commodities and Emerging Market Equities were broadly flat. Cash & FX, Government Bonds and Volatility Strategies detracted from performance.

• Within Equities, BlackRock security selection managers delivered positive absolute returns and outperformed their respective opportunity sets. It was pleasing to see the changes made to the remit for the BlackRock Systematic Active Equity portfolio resulted in better absolute return outcomes while meeting ESG objectives. Retaining exposure to the Global Unconstrained Fund also proved beneficial, as it outperformed its opportunity set by 2.4% over the month. Positive macro asset allocation decisions included direct allocations to Japanese and European Equities, which were standout contributors. In aggregate, thematic equity baskets also contributed to returns, led by technology-focused exposures.

• Within Fixed Income, High Yield Credit exposure was positive, reflecting the risk-on tone in markets, while allocations to Investment Grade and Government Bonds detracted as yields rose amidst fiscal deficit concerns.

• Alternatives provided positive return contributions, with growth-oriented exposures in Listed Private Equity and Venture Capital adding most significantly to returns, whereas the exposure to Life Sciences and Energy Efficiency detracted.

Positioning:

• Over the month, we increased Equity risk to express a more neutral stance at the headline level. After favouring Europe and more defensive exposures for much of this year, we have added back to the US and to cyclicality reflecting a more balanced view.

• Given ongoing fiscal and inflationary pressures, we decided to reduce our US portfolio duration at an attractive entry point, reflecting our cautious outlook on US rates. We also took profits on our European 10s30s steepener following a sharp rally in 10-year German Bund yields relative to the 30-year.

For Allianz Life ESG-Integrated Multi-Asset Fund:

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

• Within Equities, we have implemented a bespoke Sustainable Energy basket. The less punitive language in the initial draft of the Inflation Reduction Act, combined with the severe pullback in the sector from a share price perspective over recent years, creates what we see as a highly attractive entry point in an unloved but structurally important theme. At the same time, we exited our European Reconstruction Equity Basket as the near-term outlook for resolution in the Russia/Ukraine conflict continues to deteriorate. Given the limited visibility on near-time catalysts, we prefer to redeploy capital into higher conviction opportunities whilst continuing to monito geopolitical developments closely.

• In commodities, we have implemented the abovementioned bespoke Gold Miners ESG basket. While our broader conviction in gold remains strong, we have identified a notable disconnect between the price of gold and the performance of gold miners, which continue to lag despite supportive fundamentals.

• Finally, we implemented a VIX call spread strategy to hedge against what could be an "eventful summer" driven by events such as the FOMC decisions, tariff negotiations, and progress on the US tax bill. Seasonally, volatility tends to spike during the summer months, and we viewed this as a cost-effective way to insulate portfolios against potential drawdowns over this period.

Market Outlook:

• Easing trade tensions and resilient economic data have created a recovery in consumer confidence and a more constructive backdrop for equity markets. However, continued uncertainty around tariffs and the potential for a pick-up in inflation temper our outlook, underscoring our decision to maintain a neutral stance in portfolios. While volatility has eased, we continue to expect periodic spikes to remain a defining feature of markets against a backdrop of heightened geopolitical fragmentation. In this environment, dynamic portfolio management and a strong focus on downside protection remain essential tools for navigating risks and capturing opportunities.

• Monetary policy remains critical to monitor. The market still anticipates significant cuts from the Federal Reserve, which we believe may be excessive given the current inflation outlook and the resilience of economic data. In Europe, we believe that the ECB will continue with its more dovish approach.

• In Europe, growth is sluggish, but sentiment has improved. Whilst prospective fiscal reforms could support recovery, implementation will likely be gradual and constrained by political friction and fiscal rules under the Stability and Growth Pact. With European stocks already outperforming their U.S. counterparts year-to-date, we see limited further upside in the absence of a significant macroeconomic catalyst. Potential tariff risks and ongoing uncertainty regarding a resolution between Russia and Ukraine threaten a sustained recovery in the region.

• We have added back to Equity risk, expressing a neutral stance at the headline level. After favouring Europe and more defensive exposures for much of this year, we have started adding back to the US and to cyclicality reflecting a more balanced view. Easing trade tensions, healthy corporate earnings and robust economic data create a more favourable backdrop for US and growth-oriented companies for the remainder of the year. That said, we remain alert to mispricing opportunities in options markets to build in cheap protection and focus on diversifying exposures, such as precious metals and goldminers.

• We are managing duration dynamically, seeking out selective opportunities to add tactical exposure following spikes in yields and taking profits at the lower end of the range. We believe yields may remain volatile and range bound as fiscal pressures put pressure on the long end of the curve, a weakening US Dollar leads to dampened demand for US Treasuries from foreign investors, and persistent inflation and tariff risks lead to policy uncertainty. We focus more on the front end and the belly of the curve for duration risk and look to retain exposures to corporate credit for its more attractive yield, though historically tight spreads reduce our appetite to add further exposure at these levels.

• Our outlook for emerging market assets is turning increasingly constructive. A key driver is our continued negative view on the U.S. dollar, which we expect to be supportive for emerging market equities and we continue to take advantage of compelling carry opportunities within local currency debt.

For Allianz Life Income and Growth Fund:

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

Market Review

Equities, convertible securities, and high yield bonds finished higher in May. Momentum from April's mid-month rally persisted, as tariff tensions eased following announcements of de-escalation measures with both China and the UK. The earnings season wound down over the month with most of the remaining high profile companies surpassing analyst expectations. Q1 top- and bottom-line growth rates exceeded consensus estimates although many companies pulled or reduced full-year guidance on trade-related uncertainty. Economic reports released during the month were generally positive. Inflation measures decelerated, consumer confidence increased, the services sector rebounded, unemployment remained low, and second quarter estimates for real gross domestic product (GDP) growth neared 4%. Conversely, continuing jobless claims trended higher, retail sales underwhelmed, and select housing statistics remained weak. Against this backdrop, the US Federal Reserve (Fed) held interest rates steady at May's Federal Open Market Committee (FOMC) meeting, taking a "wait-and-see" approach, and the 10-year US Treasury yield increased to 4.39% but finished well off the intramonth high of 4.63%.

The portfolio was positively impacted by strength across equity, convertible security, and high yield bond markets.

Top contributors in May broadly benefitted from the trade deal announcements over the month. Several semiconductor companies notably outperformed on easing trade tensions, including Nvidia, which was also driven by strong earnings results. Microsoft and Meta both gained following beat-and-raise reports, while Amazon and Mastercard each offered positive readthroughs on consumer demand. Tesla was higher after CEO Elon Musk affirmed the Robotaxi rollout timeline and indicated plans to step away from his government role. Other top contributors to performance in the period were an aerospace manufacturer and an enterprise software provider.

Top detractors in the period included a health care provider that suspended guidance and underwent a key executive departure. Regulatory intervention on drug prices pressured a number of pharmaceutical holdings. Apple reported positive earnings but offered weaker-than-expected guidance on tariff uncertainty, and a steel manufacturer was negatively impacted by weak commodity pricing in Q1. Other top detractors for the period were a satellite telecommunications provider and a technology company with automotive exposure.

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

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

Market Outlook

Despite May's notable strength in risk assets, the macro outlook remains uncertain.

The US economy is still expected to expand in 2025 with widespread effects from tariffs hampering growth. Clarity around trade policy is unlikely to improve in the near term, but as the range of outcomes continue to narrow, uncertainty should lessen, and spending, investment, hiring, and mergers and acquisitions (M&A) activity can resume. Further out, fiscal stimulus, deregulation measures, productivity gains, and a reindustrialisation movement are potential growth drivers.

The Fed likely remains on hold as officials continue to assess the effect of tariffs on inflation, employment, and the potential for stagflation. Inflation has slowed but concerns of a second wave have risen due to tariffs. Steady employment is possible if less hiring is met with less layoffs. A resumption of monetary policy easing – currently, the market is pricing in two 25-bps interest rate cuts in 2025 – would closer align the Fed with accommodation by central banks overseas.

US large-cap equities have recovered this year's losses as odds of a recession and global shock receded and Q1 results came in better than expected. Continued strength is possible given subdued investor sentiment and positioning and a host of potential upcoming catalysts. However, tariff uncertainty could impact the short term. Ultimately, change on the margin around expectations for corporate earnings, management outlooks and the economy will determine the direction of the stock market over the remainder of the year.

US convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class 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 needs. Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and

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

the desired risk/reward characteristics.

The US high yield market, yielding more than 7%^^, 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%.

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

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

The 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 number 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.