

Market Review and Outlook

September 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

September 2025 saw the MSCI World Index continue its inexorable upward momentum, further moving up +3.09% mom. This was against a benign backdrop manifest by subsiding global trade tensions and expectations of rate cuts in the near future.

US' Dow Jones Index rose +1.87% mom fueled in part by optimism from the first Fed Fund Rate cut in 2025. Fed Chair Powell explained that the balance of risk had shifted towards employment instead of inflation and Fed officials' "dot plot" indicated that there were likely two more rate cuts expected for the remainder of 2025. The decision to cut rates was aided by the fact that August 2025 core inflation came in at +3.1%, flat mom and was within consensus expectations. In the interim, the S&P Global US Composite Index September preliminary reading came in at 53.9, being still in an expansionary mode.

In terms of tariffs, President Trump had expanded and/ or increased the coverage of Section 232 of the Trade Expansion Act of 1962, which included aluminum, steel, timber, and pharmaceuticals, amongst other items. Meanwhile, US continued tariff quid pro quo negotiations with the rest of the world e.g. Japan, India and others. Between US and China, the two economic superpowers, negotiations had been proceeding with Presidents Trump and Xi, speaking via phone in September 2025, the third time this year. Meantime, their subordinates congregated for talks in Madrid as all parties attempted to keep the US – China trade relationship intact.

Europe's Stoxx 50 Index surged +3.33% mom with the European Central Bank (ECB) leaving interest rates unchanged while the inflation remained in check and the union narrowly avoided a 2Q25 economic contraction despite the US tariff disruption. However, after the European Commission slapped a EUR3b fine on Google over advertising practices, President Trump threatened to launch an investigation which could lead to higher tariffs imposed on the European Union.

In China, the Shanghai Composite index edged upwards by +0.64% mom, its fifth consecutive month enjoying an upward trajectory. Its market was supported by a technology stocks rally as the government moved to amplify policy support for domestic chipmakers. Apart from that, the market was also furthered by the ongoing US – China trade negotiations and the hopes that its domestic economy could be propped up by its 'Anti – Involution' campaign launched in July 2025. Once more time, the People's Bank of China kept key lending rates unchanged, with the one – year loan prime rate (LPR) at 3.0% and the five – year LPR at 3.5%.

During the month, Brent crude oil fell 1.6% mom to USD67.02/ bbl due to OPEC+ plan for another increase in oil output in November and also the resumption of oil exports by Iraq's Kurdistan region via Turkey. Crude palm oil (CPO) prices held rather steady mom at RM4305/ MT in September as we were entering a low output season where production and inventory were expected to ease.

Focusing on the ASEAN front, the Stock Exchange of Thailand rocketed +3.04% mom bolstered by improving sentiments around the nation's political leadership and policies. Investor confidence was lifted by the formation of the new government under new Prime Minister Anutin Charnvirakul. It was further buoyed by the announcement of a slew of economic stimulus packages aiming at boosting consumer spending and tax deductions. As regard Indonesia, the Jakarta Composite Index grew

+2.94% mom partly aided by a surprise Bank Indonesia 25 bps rate cut to 4.75% where its governor stated that “Indonesia’s economic growth needs to be further enhanced to match the capacity of the economy.” Following protests which began in August 2025, President Prabowo enacted a major cabinet reshuffle during the month under review to soothe public disquiet and economic apprehension. As for Malaysia, the FBM100 also continued its ascent, charging +2.33% mom, to some extent on the back of the burgeoning expectations for Fed Fund Rate cuts towards the year end. For the moment, Bank Negara Malaysia chose to keep its Overnight Policy Rate (OPR) stable at 2.75%. To that end, the RM strengthened to RM4.2073: USD1.00 as at end September 2025 from RM4.2260: USD1.00 a month ago. The recovery in foreign investor appetite was also evident in the net foreign equity inflow in September 2025 to the tune of RM76.6m, which marked the first month of net inflow after three consecutive months of net outflow. Investors were also heartened by the government’s commitment to enact reforms, such as the RON95 fuel subsidy rationalisation. On the economic front, Malaysia reported mixed data with July 2025 industrial production growth at +4.2% yoy, which was above consensus estimate whilst August 2025 export growth slipped to +1.9% yoy versus +6.5% yoy in July 2025 and was below consensus estimate. Lastly, Singapore’s Straits Times Index moved up +0.71% mom. However, Singapore’s economy was exhibiting signs of weakness. Its August 2025 Non – Oil Domestic Exports (NODX) collapsed 11.3% yoy and Industrial Production fell 7.8% yoy, both below consensus expectations.

US Treasury (UST) curve flattened as yields rose by 4 bps mom for the 3y and 5y tenors while yields across the 10 – 30y tenors declined by 8 – 20 bps. The 7y UST remained unchanged at 3.93%. August’s nonfarm payrolls (NFP) missed expectations at +22k mom (Survey: +75k mom, July revised: +79k mom), mainly contributed by jobs contraction in the federal government, wholesale trade and manufacturing segment. Meanwhile, US CPI in August was higher at +2.9% yoy (Survey: +2.9% yoy) than July’s CPI of +2.7% yoy, primarily due to greater shelter, food and energy prices.

Malaysian Government Securities (MGS) yields were higher by 6 – 14 bps mom across the tenors due to some weakness in UST and lukewarm interest in government bond auctions during the month. The benchmark 15yrs MGS 4/39 recorded a bid – to – cover (BTC) of only 1.520x, which was the lowest since 4Q 2023 while the benchmark 3yrs MGS 4/28 recorded a modest BTC of 1.928x. As mentioned above, the September Monetary Policy Committee (MPC) kept the OPR unchanged at 2.75% as widely anticipated and highlighted that resilient consumer spending and front – loading activities had supported global growth and the finalization of numerous trade negotiations had somewhat alleviated global uncertainty. However, downside risks persisted, stemming from the possibility of higher tariffs for targeted products and intensifying geopolitical conflicts. Malaysia CPI in August grew +1.3% yoy (Survey: +1.3% yoy, July: +1.2% yoy), mainly attributable to greater insurance premiums, higher costs for personal care, accommodation and education, among others.

Foreign funds turned net sellers in September with net outflows of RM6.8b (August: +RM3.0b inflows). Despite the outflows, the foreign share of MGS rose to 33.7% (August: 33.4%), primarily due to the RM26.8b maturity of MGS during the month, lowering the amount of outstanding MGS, while the foreign share of MGS+MGII reduced to 20.9% (August: 21.3%). Malaysia’s foreign reserves expanded by USD0.9b to USD123.6b as of end – September (August: USD122.7b) despite the outflows.

Market Outlook

Equity markets had seemed to be broadly benefiting from a respite in the global trade tariff conundrum and the renewed global monetary policy easing thrust. Locally, investors would be eagerly waiting for the announcement of Budget 2026 which would outline our government’s plans and policies for the coming year.

However, market volatility could not be completely ruled out as beneath the seemingly rosy market exterior, there would still exist concerning undercurrents pertaining to tariff and trade tensions, monetary policy responses as well as evolving geopolitical frictions. The full potential of the inflationary impact of the tariffs have also yet to unfold. We would therefore find it prudent to maintain a degree of caution amidst our optimism as we would continue to focus on investing into fundamentally good investments over long – term horizons. In addition, we would constantly seek prospects to take advantage of the market volatility via opportunistic trading activities. Again, we would be vigilantly watching over any potential changes in market dynamics which might dictate necessary strategy adjustments.

In US, after the 25 bps rate cut in September, markets continue to price in two rate cuts for the rest of 2025. The Fed statement mentions that uncertainty about the economy remains elevated and added that they will remain attentive to the risk to both sides of its dual mandate and judges that downside risks to employment have risen.

Locally, the OPR is expected to remain unchanged for the rest of the year. The MPC highlighted that resilient domestic demand and expansion of investment activities will continue to support Malaysia’s growth and remains on track to grow between 4% and 4.8% in 2025. Inflation is expected to remain moderate into 2026. The next signpost to watch is Budget 2026, which is set to be delivered on 10 October. All said, bond volatility will remain as markets remain wary of the economic conditions amid the trade uncertainties over future tariff rates or deadlines for additional tariffs, the impact from US government shutdown, combined with rising geopolitical tensions and increased risk aversion. 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?

- September continued the strong performance in global equity markets where the Fund could even do better than its benchmark. The Fund's strong exposure towards stocks with attractive valuation as well as trend exposure contributed to performance.

What hurt?

- In a rising market, stocks with most defensive characteristics such as high Quality, low Volatility and high Dividend Reliability could not positively add to performance.

Market Review

Global equities moved higher in September, buoyed by the prospect of the US Federal Reserve's (Fed's) first rate cut this year as well as easing Sino-American trade tensions. Emerging market equities led the advance, followed by US stocks. Turning to sectors in the MSCI All Country World Index, continued artificial intelligence (AI) momentum led Information Technology and Communication Services stocks higher over the month, with Consumer Discretionary stocks following close behind. The defensive Consumer Staples sector was the only negative performer over the month.

US equities rose in September, buoyed by Fed rate cut optimism and easing trade tensions. US Treasury Secretary Scott Bessent announced that the US and China had agreed a framework deal for a social media platform's parent company to divest the platform's US business. All three major US indices – the S&P 500 Index, the Dow Jones Industrial Average Index and the tech-heavy Nasdaq Composite Index – hit fresh record highs. Less positively, Fed Chair Jerome Powell struck a more cautious tone later in the month, highlighting upside risks to the labour market, while the prospect of a federal government shutdown also weighed on sentiment.

European equities edged slightly higher in September but once again underperformed the MSCI All Country World Index. Political turmoil in France weighed on markets early in the month, with the French National Assembly voting to oust Prime Minister François Bayrou in a confidence vote on 8 September aimed at ending the political impasse over the country's deepening financial crisis. French President Emmanuel Macron named close ally Sébastien Lecornu as the new Prime Minister, who will inherit the task of bringing France's spiralling national debt under control. Sentiment was dented further after rating agency Fitch downgraded French sovereign debt to A+ from AA-.

Market Outlook

It seems to us that the world economy is entering a more fragile state. That means that investors should try to be flexible and active about their allocation and ready to respond quickly to new developments. We see stagflation risks for the US against the background of a pick-up in inflation and subdued growth. Inflation is likely to exceed the forecasts in both 2025 and 2026 as import tariffs will probably be passed on to customers and more restrictive immigration policies will reduce labour supply. Still, investors will probably remain willing to take risks so that the equity uptrend looks set to continue as long as corporate earnings keep in step with rising prices and valuations.

We are overall optimistic for Europe. Here, inflation appears to be under control and government spending in Germany will rise considerably from 2026, thus boosting growth. "Strategic autonomy" will remain a key issue. Local market leaders in strategically important sectors show strong growth and fair valuations.

In China, growth is likely to slow from Q3 onwards. However, downside risks will probably be limited by additional state stimulus. The Chinese equity markets should benefit from developments in AI and related industries and improvements in the Real Estate sector. In general, emerging markets equities appear promising. They are likely to benefit from the weak US dollar, rising corporate earnings and strong price momentum.

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

Market Review

Asia Pacific ex Japan equities moved higher in September tracking the broader global rally on US Federal Reserve (Fed) rate cut optimism. China markets had another good month, led by Technology stocks after Beijing's pivot away from a US chipmaker's artificial intelligence (AI) chips and towards homegrown suppliers and rising retail investor activities. The AI trade also drove markets in South Korea and Taiwan to fresh record highs. India closed the month with a small gain on optimism around a tentative resumption of last month's stalled trade talks. On the other hand, Australian equities fell as rate-sensitive banking stocks sold off. Elsewhere, ASEAN equities rose modestly. Vietnam was a stand-out performer on expectations, subsequently confirmed, that it would be upgraded to "secondary emerging market" status by FTSE Russell in 2026.

Asia fixed income markets saw a surge in primary activity in September following the summer lull. This influx of supply initially led to a widening of credit spreads, particularly within the investment grade (IG) segment. However, investor sentiment remained robust, which supported a tightening of spreads in the latter half of the month. On the rates front, US Treasury yields experienced significant volatility. The 10-year yield declined to 4% early in the month, driven by softer labour market data, before rebounding later on the back of stronger-than-expected economic indicators. At the September Federal Open Market Committee (FOMC) meeting, the Fed cut the benchmark interest rate by 25 basis points (bps) as anticipated and signalled two additional cuts in 2025. In terms of performance, Asian credit (JACI Composite) posted a solid return of 1.1% for the month, with 0.8% attributed to rate and 0.3% to spread compression and carry. IG credits delivered comparable performance, while high yield (HY) outperformed with a 1.8% return, supported by a 31-bps tightening in spreads.

The Fund return was positive in USD terms in September.

In the equity portfolio, the top contributor was Alibaba, China's ecommerce giant and leader in AI development. The share price saw a sharp rally after the company announced a strong set of quarterly results. Investor sentiment was boosted by the company's significant progress in China's AI push, highlighted by a strong beat from its cloud division. We continue to view Alibaba as a leading competitor across the verticals of ecommerce, logistics, and cloud computing, with AliCloud standing out as a top tier asset on the back of rising AI-related demand.

On the negative side, a detractor was an operator of a large wholesale market in Yiwu, China, where buyers from around the world purchase goods in bulk. The core business is focused on small consumer goods such as toys and electronics. The company also has a commodity trading platform and had previously indicated it would participate in the Hong Kong stablecoin rollout. The recent share price weakness has primarily been related to some uncertainty of timing and restrictions in the initial batch of stablecoin licensing. While this has weighed on near-term sentiment, we believe the company's rapidly growing cross-border payment services to merchants should remain resilient.

The asset allocation at the end of the month was 71.0% invested in Asian equities and 29.8% in Asian fixed income.

During the month, the key portfolio activity for the equity sleeve was focused on adding high dividend paying companies across the region. For example, we initiated a position in one of the largest dairy producers in China, with a dividend yield of more than 5%. We also initiated one of the six gaming concessionaries in Macau. On the other hand, we exited the position in a China-based shipping logistics company.

Within the fixed income portfolio, we continued to look for opportunities in the primary market while keeping portfolio risk level and duration relatively stable.

At the end of the month, we held 65 equities and 65 fixed income securities. The equity portfolio yield was 3.1% (based on forward 12-month estimates), and the average fixed income coupon was 5.9% with an average credit rating of BB+ and average duration of 2.6 years.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

Market Outlook

Overall, we are cautiously optimistic about the near-term outlook for regional equities. This is despite global trade developments such as higher tariff rates which are likely to result in weaker growth. However, offsetting this to some degree is lower inflation across most Asia Pacific markets. Combined with the weaker US dollar this year, there is flexibility for Asian central banks to lower interest rates. In China, we anticipate there will be further policy support in order to achieve the annual economic growth target.

On the fixed income side, primary issuance in the Asia credit market is expected to remain active. However, this continued supply is unlikely to prompt significant repricing, given the strong investor demand observed last month. Looking ahead, fiscal and monetary policies across major economies are anticipated to remain accommodative, providing a supportive backdrop for risk assets. Credit fundamentals in Asia remain sound, with issuers generally maintaining sufficient buffers to absorb potential shocks. Technical conditions also remain favourable, underpinned by a relatively constrained supply environment. We retain a positive view on Asia credit despite current tight spread levels, with a modest preference for HY over IG. In this environment, carry and prudent security selection will be key drivers of performance.

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

Market Review

Sukuk Market Review

In September, local government bond yields were higher across the curve with benchmark 10y MGS ended the month at 3.45%, showing an increase of 5bps over the month. The sell-off activities were seen after the weak turnout and long tail of 15y MGS auction. Sentiment was soft as market awaiting new catalyst emerges and also strong pipelines of high-grade corporate bonds. On the economic data front, inflation inched up to +1.3% YoY in Aug (July 2025: +1.2% YoY). Core inflation also edged higher to +2.0% YoY (July 2025: +1.8%). 8M 2025 inflation averaged +1.4%. Exports slowed to +1.9% YoY in Aug (July 2025: +6.5%) while imports fell -5.9% YoY (July 2025: +0.6%). Choppy monthly external trade numbers this year reflect persistence in US tariff uncertainties which now shift from reciprocal tariff to product-specific tariffs, namely semiconductors. In the month of September, MYR appreciated around 0.4% and saw some swings as USD generally weakened into mid Sep ahead of the FOMC. USDMYR saw a month low of 4.1877 on 17 Sep ahead of concerns from FOMC announcements but has since retraced back to around 4.20.

Foreign holdings of MYR sovereign bonds posted an outflow of MYR6.8 billion after a brief inflow of MYR 3.0 billion in Aug 25. Accounting for the inflow of MYR 6.08 billion in Sep 25, bringing YTD cumulative net inflow to +MYR12.2 billion (2024: +MYR4.8 billion). By instruments, except for discount instruments MGS, GII and PDS drove the major outflows. MGS posted a decrease of MYR3.7 billion, GII (-MYR2.7 billion), PDS (-MYR0.5 billion) while discount instrument rose (+0.1 billion) respectively. Total foreign bond holdings fell from MYR294.0 billion (Aug 25) to MYR287 billion in Sept 25. The foreign shares of MGS rose to 33.7% (Aug 25: 33.4%) due to large maturity while MGS+GII fell to 20.9% (Aug 25: 21.3%) respectively at end of Sept 25. On separate note, BNM foreign reserves rose USD 0.9 billion in Sept 25 to USD123.6 billion (Aug 25: USD122.7 billion). Similarly, BNM net short forward position, released with 1-month lag, fell USD 0.2 billion at -USD21.0 billion in Aug 25 (July -USD21.2 billion).

Equity Market Review

Global equity markets were mostly higher in September, bucking historical monthly performance. Monetary easing and the continuous AI/tech euphoria drove market up setting up what market participants are calling a "goldilocks" environment. Following the well-expected rate cut by the Fed, we are seeing the return of the easing cycle. In the absence of major geopolitical tensions and relatively minor tariff related news with regards to pharmaceuticals and timber related, AI/tech continues to be the main headline. Indeed, tech centric markets rallied such as Korea and Taiwan while Nasdaq outperformed the main US markets. China gained was on expansion of AI projects by the likes of Alibaba and Baidu in addition to accelerated southbound flows.

In Asean, political uncertainties have plagued the region though only Philippines fell (-3.3%) during the month. Protests were held in Philippines and Indonesia while there was a new Prime Minister in Thailand. Singapore stayed flat (+0.7%). Thailand and Indonesia rose 3.0% and 2.9% respectively.

The USD halted its decline with the DXY closing flat during the month, with small gains seen in the Ringgit (+0.4%) while Baht (+0.0%) stayed flat. The Rupiah depreciated (-1.1%).

Precious metals continue to break records, with gold rising (+11.9%) above US\$3,800/oz (+47% YTD) while silver passed US\$47/oz (+17.5%). In other metals, copper rose 7.5% to reached to record high but was mostly on production disruption. Lastly, Brent oil prices fell 1.6% on rising production levels as well as stock levels with some 240m barrel rise this year already.

Closer to home, the KLCI gained 2.3% which reduced the index to year-to-date loss to 1.9%. The month also closed the quarter higher by 5.2% from 2Q decline of 1.9%. Elsewhere, the RON95 subsidy rationalisation was introduced which is expected to save RM2-4bn/year, while manufacturers report hit sales after the US tariff came in effect with already several reported margin compressions (absorbing the tariff cost). According to the Federation of Malaysian Manufacturing (FMM), more than half of exporters affected by the US tariffs have seen some 10% drop in sales while a third saw a decline between 10%-30%. While the conventional wisdom is for the cost to be passed on to consumers, importers are instead squeezing exporters which has already impacted margin compression for some of companies. Recall that Malaysia's goods exported to the US will be subjected to a 19% tariff effective Aug while transshipments now face an additional punitive 40% tariffs.

Elsewhere, September was the 2nd net foreign inflow for the year (the first one being in May), albeit only RM80m. This brings the year-to-date net foreign outflow of RM16.4bn. In macroeconomics, Malaysia's PPI fell 3.8% yoy in July but better than June's 4.2% drop as mining and manufacturing continued their downward trend.

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

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. This is further supported by the continued demand for domestic bond markets.

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

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

Our credit selection strategy focuses on high-quality AA-rated and selective A-rated issuers, which offer both yield enhancement and the potential for credit upgrades as the domestic economy continues to 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

We continue to believe market have desensitised on Trump's tariff tactics, with the latest (pharmaceuticals) being paused to negotiate on investments and drug pricing. The Section 232 sectorial tariff on chips also had muted impacted as it seems to be more of background noise as exemption will be given to meaningful US investments e.g. Apple while US-EU trade framework of 15% may seem manageable, which also suggests that worst-case scenario is likely off the table. In any case, the date line with the trade truce in November bears watching.

Positive news domestically, the infrastructure theme continues the deadline for RFP on the gas fired power plants was extended for 2 months as the industry players – the new capacity requirements of 2.99 GW, 3.2 GW and 0.7 GW for 2026, 2027 and 2028 respectively. In the same vein, the bidding round for 4 large-scale grid connected battery storage projects under MyBeST, aims each capacity of 100MW/400MWh.

Going forward, we are now looking ahead for catalysts, with market participants will be hard pressed to deliver return, and we think selected sectors or stocks with earnings visibility are likely to rewarded with better share price performance. With this, we anticipate a "narrow" trading market which we think could be in sectors such as construction (continued orderbook expansion), utilities (renewables and rising capex) as well as REIT (lower interest rate environment).

On a broader view, the macro setup for local equities driven by fiscal reforms, mega developments, low inflation and supportive monetary policy may cushion the impact from external headwinds. The 13th Malaysia plan has outlined several key initiatives that should support the economy although admittedly several conflicting messaging such as the subsidy rationalising/lower fuel prices for RON95. Valuations are not stretched by any means, stable politics on a regional context, low positioning by investors (including low foreign participation), should at least see lesser downside risks. As aforementioned, local corporate earnings have been decent. Visibility have somewhat improved but to what extent the resiliency of the market has been on front-loading of purchases ahead of the tariffs may lead to a sharper decline in the second half of the year. Strategy-wise, we maintain our tilt towards large-cap, and domestic-centric stocks. As we weather through these crosscurrents, we are likely to prioritize earnings quality and defensive stocks. Having said that, we are looking opportunistically at stocks that we like but have been sold off, with perhaps a high margin of safety.

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

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

Market Review

The Fund outperformed the benchmark in September. Stock selection in the Industrials and Information Technology sectors were the key contributors.

At a stock level, a key contributor last month was a maker of advanced machinery supporting the production of lithium-ion batteries, solar panels and automotive applications. The company recently announced strong results including a significant pick-up in order momentum. This included incremental orders in solid state battery equipment, where the company has a significant competitive advantage. While solid state battery technology has been under development and testing for many years, recent breakthroughs in materials and manufacturing are now driving renewed commercial momentum.

Conversely, a detractor was a clinical-stage biotech company with a focus on oncology. The share price saw some profit taking after a previous strong rally. The company is building out an increasingly diverse product pipeline with a number of promising new drugs at final stages of clinical trials. Domestic sales are ramping up quickly and we believe it is likely that the company will form a partnership with a global pharmaceutical company to support sales and marketing activity outside China.

Market Outlook

September was another good month for both onshore and offshore China equities, rounding off a strong Q3. There were broad-based gains across the market with technology-focused stocks generally leading the way.

Year to date, both China A- and China H-shares have returned more than 25% in USD terms, a marked turnaround from the doldrums of previous years. In our view, there are a number of factors supporting China equities, which have been in place for most of the last year and largely remain in place today.

Key to markets finding initial support levels was a pivot in government policy towards a more pro-growth stance. This has recently been reinforced with the focus on "anti-involution", an attempt to tackle over capacity and associated deflationary pressures. One feature of government policy has been an explicit objective of stabilising asset prices. So far, this has been more successful with equity markets than the Property sector.

Indeed, recent macro data suggests some weakening of domestic demand which, if the trend continues, could put at risk the 5% gross domestic product (GDP) growth target. We expect a mini stimulus package in coming months, similar to what was seen in both Q4 of 2023 and 2024.

Aligned with this growth focus has been renewed support for the private sector, after a turbulent few years. Perhaps the most visible signal was the reappearance of Jack Ma at a symposium chaired by President Xi Jinping in March, also attended by other high-profile business leaders. Linked to this, the announcement of an open-sourced artificial intelligence (AI) model developed by an emerging Chinese startup, and growing recognition of China's advanced technological capabilities, has sparked much of the strong market momentum.

There is now more optimism that China's AI industry has passed a turning point and entered a more self-sustaining cycle of rising investment and higher profitability. China's internet platforms and telecoms carriers are spending heavily on data centres and domestic chipmakers are ramping up production of advanced chips.

With the weighting of the Technology sector in MSCI China A-share indices having tripled in recent years, and significant representation of other Tech-oriented areas in the offshore space, the structure of China equity markets has already evolved to being more representative of China's future growth engines. This is a key reason why China equities have been able to shrug off the muted macro environment.

While each of these factors, as well as the improved geopolitical environment, have played their part in providing the foundation for the market upturn, the most notable short-term change has been the return of China's retail investors, who until recently have largely stayed on the sidelines.

Cash levels have increased significantly over several years reflecting macro-induced caution. There are currently around USD 23 trillion of household bank deposits in mainland China, of which USD 7 trillion are estimated to be "excess savings", over and above a normalised savings level. It now looks like the rebuilding of household balance sheets is at a turning point. With deposit rates having fallen to significantly lower levels, this is leading to some reallocation into risk assets.

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

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

While the rapid pace of the recent upturn might prompt some near-term profit taking, with this combination of factors in place our view is to buy the dips, not sell the rally.

Overall portfolio positioning and sector allocations were little changed over the month. We did, however, make some stock-specific adjustments given the significant share price moves. For example, we took profits in two stocks related to AI high-speed copper cabling and analog chips, and used these as a source of funding for other Technology-related ideas. These included initiating a position in a company that makes smart power systems to maintain efficient electricity supply for data centres, as well as a producer of advanced lithium batteries.

At month-end, the Fund has around 39% 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 (+4.0%), while the largest underweight is Communication Services (-4.3%).

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

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

Market Review

Global equities moved higher in September, with all three major US indices – the S&P 500, the Dow Jones Industrial Average, and the technology-heavy Nasdaq Composite – touching fresh record highs. Stock market gains were concentrated among larger cap names, as the equal-weight S&P 500 trailed their cap-weighted counterpart. Healthy corporate earnings results, directionally positive economic data, consumer resilience, as well as improved trade and economic policy clarity were constructive for investor sentiment. From a sector perspective, for the MSCI ACWI, Information Technology and Communication Services were the strongest performers as the artificial intelligence (AI) growth narrative strengthened from continued positive announcements. Consumer Staples and Energy were laggards over the month.

US economic data was directionally positive, but the jobs market continued to show signs of slowing. The Federal Reserve Bank of Atlanta's GDPNow running estimate accelerated, signalling higher growth for Q3. Non-farm payrolls increased by just 22,000 in August, below expectations of 75,000, while data for June was revised to a loss of 13,000. On the monetary policy front, the September Federal Open Market Committee (FOMC) meeting ended with a 25-basis points (25-bps) rate cut, while the updated summary of economic projections was more dovish than expected, showing a median dot for an additional 50-bps of cuts this year. Elsewhere, the Bank of England (BoE), European Central Bank (ECB) and People's Bank of China (PBoC) kept rates on hold. The Bank of Japan (BoJ) also maintained its monetary stance and held rates steady at 0.5% at its September meeting.

Brent crude oil prices eased in September, closing the month below USD 66 per barrel. Supply concerns were fuelled by Ukrainian drone strikes on Russian refineries and North Atlantic Treaty Organisation's (NATO's) pledge to deliver a "robust" response to Russian warplane incursions into Estonian airspace. However, increased output from Organisation of the Petroleum Exporting Countries Plus (OPEC+) and slowing global demand weighed on the price of oil. Gold soared to a series of fresh all-time highs and breaching USD 3,890 at month-end amid expectations of further rate cuts from the US Federal Reserve (Fed) and continued central bank accumulation of the precious metal.

During the period, the Fund slightly underperformed on both a gross- and net-of-fees basis versus the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). From a sector perspective, Information Technology and Consumer Discretionary were the largest contributors, while Health Care and Communication Services were offsetting. AI-related stocks remained on their upward trajectory that started in April. AI infrastructure was the strongest performing theme as the AI data centre buildout continues to strengthen. AI applications generated positive absolute returns but slightly underperformed the blended benchmark. AI-enabled industries underperformed due to our med-tech and entertainment holdings.

Contributors

Celestica Inc. is a leading electronics manufacturing services (EMS) company that designs, builds, and supplies critical hardware infrastructure – such as servers, storage systems, and networking switches – for AI data centres and hyperscale customers. Shares were higher from the strengthening AI infrastructure investment backdrop. Celestica remains a beneficiary of an AI infrastructure buildout from hyperscale cloud customers. Demand for Celestica's advanced networking hardware and storage solutions should benefit from this multi-year investment cycle.

Another top contributor was Tesla, Inc., which produces high-performance electric vehicles (EV). Shares were higher as the company continues to make progress with its robotaxi initiative and in humanoid robotics. Improved EV delivery trends were also helpful for shares. Looking forward, Tesla continues to have an ambitious innovation agenda, spanning EV, energy storage, autonomous driving, and humanoid robots. We believe the company is making good progress on each of these agendas in ways that can unlock significant shareholder value in the future.

Detractors

Shares of a global medical technology company specialising in minimally invasive solutions across cardiology, electrophysiology, neuromodulation, and other specialties were lower following the Food and Drug Administration (FDA) approval of a competitor's pulsed field ablation (PFA) device. We continue to believe that the company's first mover advantage helps it navigate a changing competitive landscape and deliver growth. Further, the company remains well-positioned to benefit from the adoption of AI-enhanced medical technologies, including imaging diagnostics, cardiac monitoring, and personalised neuromodulation. The company's PFA system, in particular, is expected to drive meaningful revenue growth and market share gains.

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

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

Our underweight position in a technology hardware producer was another relative detractor due to its significant weighting in the custom benchmark. The company had an average 10.52% weight in the benchmark, while the Fund had an average exposure of 3.53%. Shares were higher during the period following the launch of the new smartphone lineup, which is experiencing a strong start.

New Buys and Sells

We initiated a position in a multinational materials science company that develops and manufactures specialty glass, ceramics, and related technologies for diverse applications as we believe we are at an inflection point for the buildout of data centres in support of AI workloads. Through its optical communications segment, the company supplies high-performance fibre optic cables and systems essential for hyperscale AI infrastructure. This segment is also the company's most profitable and has the potential to drive meaningful earnings growth.

We also initiated a position in a provider of power management solutions across various end-markets that include AI data centres at this time as we believe we are at the beginning of a major infrastructure build centred around AI data centres and that the company is well-positioned to benefit from this growth. Its "grid-to-chip" strategy optimises power delivery for high-density AI computing. In addition, the company has been integrating AI into its product offerings to provide grid modernisation, facility-level energy performance optimisation with real-time monitoring, and edge AI solutions.

There were no complete sells made during the month.

Market Outlook

We remain positive on the long-term outlook for equities, with Q4 historically being a seasonally favourable period for stocks. With the market looking towards the potential of improving 2026 earnings across sectors, this setup is conducive for a market broadening beyond the Technology sector. However, it is possible that markets undergo short periods of volatility, as a more complicated policy backdrop can contribute to potential risks of inflation and slower economic growth. For now, equity markets have been on an upward trajectory since early April and we believe the outperformance of AI-related stocks could continue with a more benign policy environment.

The outlook across the AI ecosystem remains healthy. From Q2 earnings results, management teams across AI-focused companies shared constructive updates on the progress of their AI initiatives and business trends, despite ongoing uncertainties around tariffs. The landscape continues to experience a boost from additional AI data centre announcements, strong demand for AI workloads from new reasoning AI models, and more supportive advanced semiconductor export policies.

A more constructive backdrop is developing, as we see a continued narrowing of trade and tariff outcomes, implementation of Trump's tax cuts and pro-business agenda, and an easier monetary policy stance. The Trump administration continues to encourage global companies across the innovation value chain bring more leading-edge manufacturing to the US. The passage of the One Big Beautiful Bill Act should further support US domestic investments through tax incentives. Moreover, as the Fed resumed its rate-cut path, the easing of financial conditions and policy stimulus should be constructive for a potential re-acceleration in 2026 earnings more broadly across sectors, including areas that have lagged. This set up could catalyse a broadening of performance beyond Technology that includes underappreciated areas of AI-enabled industries and AI applications.

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 any market volatility to better position the portfolio for improved performance.

From an innovation perspective, progress with AI development is accelerating as more powerful capabilities becomes readily available from the robust "phase 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.

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

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

AI infrastructure: 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's 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's 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 remain 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, Allianz Life Oriental Income Fund (USD) and Allianz Life Oriental Income Fund (MYR-Hedged):

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

Market Review

Asia Pacific equities rose again in September tracking the broader global rally on US Federal Reserve (Fed) rate cut optimism. China markets had another good month, led by Technology stocks after Beijing's pivot away from the artificial intelligence (AI) chips of a US graphics processing unit manufacturer and towards homegrown suppliers. Sentiment was boosted by further signs of easing trade tensions with the US after the agreement of a framework deal for a Chinese social media company. Another feature was the increased involvement of retail investors who previously had largely stayed on the sidelines and built-up significant cash levels. Korea was another notably strong market, buoyed both by heavyweight memory chip providers as well as further measures by the government to tackle the long-standing Korea discount.

In Japan, the market also delivered solid gains. Major indices hit fresh all-time highs after Prime Minister Shigeru Ishiba announced his resignation following his coalition's defeat in the Upper House elections in July. Japanese annual core inflation cooled further from 3.1% in July to 2.7% in August as rice prices continued to ease. Meanwhile, real wage growth rose by 0.5% in July, turning positive for the first time this year following six months of declines on the back of summertime bonus payments. The Bank of Japan (BoJ) left key borrowing rates on hold at 0.5% at its September meeting. However, two board members hinted at a rate hike, leaving the door open for a possible increase before the year end.

The Fund outperformed the benchmark in September. Stock selection in the Industrials sector was a key source of outperformance. This was led by Defence names in the region, notably an Australia-based defence technology company focusing on counter-drone solutions, and a Korean company that specialises in aerospace and is particularly known for its technological innovation. This company has benefitted throughout most of this year from improving sales and margins, and the sector, as a whole, has been a beneficiary of global geopolitical uncertainty.

Conversely, a top detractor was a Taiwan semiconductor company focused on high-complexity and high-volume chip design for a global clientele. Despite some share price weakness during the month, we remain constructive on advances in AI chip design and believe this business offers a superior technology, as demonstrated by its project pipeline.

Earlier in the year, we raised cash levels and added to fixed income given the high level of market and macro uncertainty, especially related to geopolitics. We have since reduced this more defensive exposure to take advantage of specific stock opportunities. Portfolio activity in September was modest. We added two new names from Japan. One is a manufacturer of electrical and mechanical components and the other produces peptides for use in treating cancer, neurological disorders, and other diseases.

Overall, since last year, we have incrementally 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 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 11% at the end of September. Although AI names have staged a sharp rebound, we continue to see signs of weakening demand for certain Technology companies, related in part to the fast-moving changes in AI-related developments. In Japan, we are focused 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, Allianz Life Oriental Income Fund (USD) and Allianz Life Oriental Income Fund (MYR-Hedged):

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

Market Outlook

Overall, we are cautiously optimistic about the near-term outlook for regional equities. Global trade developments such as higher tariff rates are likely to result in weaker growth. As well as putting pressure on corporate earnings, the visibility of growth is also reduced with some companies declining to provide their usual guidance.

Offsetting this to some degree is lower inflation across most Asia Pacific markets. Combined with the weaker US dollar this year, there is flexibility for Asian central banks to lower interest rates. In China, we anticipate there will be further policy support in order to achieve the annual economic growth target. 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. Companies with strong balance sheets, exposure to long-term structural trends, and a competitive edge remain in focus.

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

Market Review

Asia ex Japan equities rose again in September, tracking the broader global rally on US Federal Reserve (Fed) rate cut optimism. China markets had another good month, led by Technology stocks after Beijing's pivot away from a US chipmaker's artificial intelligence (AI) chips and towards homegrown suppliers. Sentiment was boosted by further signs of easing trade tensions with the US after the agreement of a framework deal for a social media platform. Another feature was the increased involvement of retail investors who previously had largely stayed on the sidelines and built-up significant cash levels.

Korea was another notably strong market, buoyed both by heavyweight memory chip providers as well as further measures by the government to tackle the long-standing Korea discount. Taiwan equities also performed well after heavyweight stock TSMC reported another month of robust sales. ASEAN markets rose modestly in aggregate but lagged the broader regional index. Malaysia was the strongest performer, with sentiment boosted following a better-than-expected Q2 gross domestic product (GDP) print. India closed September with a small positive return, with foreign investor outflows continuing to weigh on the market.

The Fund performed in line with the index in September. Stock selection in China was a key source of positive performance, with broad contribution from holdings in Materials, Technology, and Industrial companies. Offsetting this somewhat was selection in Taiwan, with Industrials names in the areas of metal injection moulding and cables and wires being challenged during the month.

At a stock level, a key contributor was a leading semiconductor equipment producer. There is now more optimism that China's AI industry has passed a turning point and entered a more self-sustaining cycle of rising investment and higher profitability. The company has been gaining market share given its technological edge over other equipment players in China and in the longer term should benefit from the increased localisation of semiconductor production.

Conversely, a detractor was Singapore Telecommunications. The stock was weaker on concerns regarding the impact of a major outage of its Australian subsidiary. A significant fine seems likely. In our view, this does not derail the investment thesis with the company providing broad exposure to Asian digital advancement, and stable cash flows supporting an attractive dividend yield.

During the month, we selectively exited several names in China and added new ideas in the areas of electric vehicle batteries, internet, and the auto supply chain.

As a result, the portfolio is now overweight in Hong Kong/China and the Philippines. Korea is also a modest overweight after adding a beauty industry company that manufactures for global brands. This is balanced out by an underweight position in India and Taiwan.

At a sector level, Industrials and Communication Services are the primary overweight positions, while Financials 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 cautiously optimistic on the near-term outlook for regional equities. This is despite global trade developments such as higher tariff rates which are likely to result in weaker growth. As well as putting pressure on corporate earnings, the visibility of growth is also reduced with some companies declining to provide their usual guidance.

Offsetting this to some degree is lower inflation across most Asian markets. Combined with the weaker US dollar this year, there is flexibility for Asian central banks to lower interest rates. In China, we anticipate there will be further policy support in order to achieve the annual economic growth target.

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. Companies with strong balance sheets, exposure to long-term structural trends, and a competitive edge remain in focus.

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

Market Review

Global equities, convertible securities, and corporate bonds finished higher in September. Corporate headlines centred around trade, divestitures, collaborations, investments, asset sales, mergers and acquisitions (M&A), and earnings, with several high-profile companies reporting better-than-expected results and management commentary referencing strong artificial intelligence (AI) momentum. On the economic front, ISM Services and Manufacturing surveys rebounded, multiple consumer spending metrics topped projections, and Q3 gross domestic product (GDP) estimates moved higher. In contrast, inflation increased but was in line with estimates, employment data cooled, and consumer confidence contracted. The US Federal Reserve (Fed) cut interest rates by 25 basis points (bps) for the first time in 2025, with Fed commentary indicating a notable shift in stance and market expectations pricing two more cuts by year-end. Against this backdrop, the 10-year US Treasury yield fell to 4.15% from 4.22% at the end of August.**

In this environment, key markets were higher:

- Global equity markets, as measured by the MSCI World Index, returned +3.25%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +4.63%.**
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +0.79%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +0.65%.^

The portfolio benefitted from strength across global equities, convertibles, and corporate bonds.

Top contributors in September were driven by strong corporate profits and continued optimism around the AI buildout following further colour from management teams around capital expenditures (capex). Beneficiaries comprised several semiconductor companies, including Nvidia, hyperscalers such as Alphabet, and Industrials with power generation capabilities like Rolls-Royce. Apple and Tesla were both higher after indicating favourable demand readthroughs. The other top contributors were multiple electronics manufacturers and a pharmaceutical developer that increased revenue guidance.

Top detractors in the period included Amazon on competitive concerns related to its cloud business and a medical technology company. A toy manufacturer faced inventory challenges, a software company saw an executive departure, and several holdings in the Gaming space navigated industry-level headwinds. The other top detractors were a credit rating agency, an automotive semiconductor manufacturer, and select credit card companies.

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

Market Outlook

The macro outlook is improving following a stronger-than-expected economic rebound, an inflection in earnings estimates, a shift in the Fed's stance, the One Big Beautiful Bill Act (OBBBA) being signed into law, and increased visibility around trade policy.

Outside of the US, monetary and fiscal policy stimulus measures could help to stabilise the global economy. US economic growth for Q3 is tracking ahead of forecasts due to resilient consumption and strong corporate spending. Unemployment and inflation have increased but only modestly. Potential growth tailwinds include rising capex, reshoring, deregulation, and credit expansion, whereas a sharp rise in either unemployment or inflation could increase the odds of an economic slowdown.

The Fed is targeting a more neutral policy position with the market expecting two 25-bps interest rate cuts by year-end, followed by two cuts in 2026. However, Chair Powell has noted that future rate decisions remain highly data dependent. The primary risk to the market's current expected interest rate path is a Fed that must act aggressively to counterbalance either a sharp rise in unemployment or inflation.

Global equity market strength is the result of better-than-expected top- and bottom-line results and inflecting earnings estimates. Potential earnings growth tailwinds include improving economic momentum, rising productivity, the proliferation of AI, low oil prices, and falling borrowing costs. Headwinds include rising operating expenses as well as the impact of tariffs, but clarity has improved on this front. There is evidence earnings breadth is beginning to expand. This dynamic could lead to a broadening out of the market, aided by industries that have underperformed since 2022. The Fed's shift in stance is also notable because equities are generally higher a year after the first rate cut.

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's year-to-date outperformance of the broad equity market can continue if volatility rises or breadth expands. Strategist forecasts for annual new issuance continue to be revised higher, currently sitting at USD 140-150 billion# compared to an initial forecast of USD 85-95 billion. Heavy primary market activity is a function of coupon savings demand, elevated refinancing needs, and a positive outlook for price appreciation among small- and mid-cap companies. Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

The global high yield market, yielding nearly 7%^, offers equity-like returns but with less volatility. Currently, the asset class is on track to deliver a coupon-plus return in 2025. 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, spreads can stay tight, and the default rate should continue to reside below the historical average.

Global investment grade corporate bond's risk/reward opportunity is compelling. 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 30 September 2025 unless otherwise stated.

* Source: MSCI, as at 30 September 2025

^ Source: Bloomberg, as at 30 September 2025

** Source: BofA Merrill Lynch, as at 30 September 2025

^^ Source: ICE Data Services, as at 30 September 2025

Source: BofA Research, as at 30 September 2025

Target Fund Manager's Comment (For Allianz Thematica)

Market Review and Outlook

Global equities moved higher in September, buoyed by the prospect of the US Federal Reserve's (Fed's) first rate cut this year as well as easing Sino-American trade tensions. Emerging market equities led the advance, followed by US stocks. Turning to sectors in the MSCI All Country World Index, continued artificial intelligence (AI) momentum led Information Technology and Communication Services stocks higher over the month, with Consumer Discretionary stocks following close behind. The defensive Consumer Staples sector was the only negative performer over the month.

In currency markets, the US dollar's decline eased in September, although the US Dollar Index briefly hit a 3-year low after the Fed announced a 25-basis point (25-bps) rate cut mid-month and investors mulled the possibility of further monetary easing. In contrast, the euro rose to its highest level against the dollar in four years after the European Central Bank (ECB) confirmed it had reached the end of its monetary easing cycle. Elsewhere, the Japanese yen and British pound closed the month fractionally lower against the greenback.

Brent crude oil prices eased slightly in September, closing the month below USD 66 a barrel. Supply concerns were fuelled by Ukrainian drone strikes on Russian refineries and the North Atlantic Treaty Organisation's (NATO's) pledge to deliver a "robust" response to Russian warplane incursions into Estonian airspace. However, increased output from Organisation of the Petroleum Exporting Countries Plus (OPEC+) and slowing global demand clouded the outlook. Gold prices soared to a series of fresh all-time highs amid expectations of further rate cuts from the Fed, breaching USD 3,890 at month-end on the prospect of a US government shutdown.

The Fund returned positively (in EUR, gross of fees) in September. Infrastructure benefitted especially from the large investments associated to AI as well as government-related spending plans. AI Adoption as well as Intelligent Machines has been a burden to performance.

Besides solid fundamental development, the underweight to the index heavyweights (Magnificent 7*) has been a major burden over the course of September. Especially given the strong returns of an electric vehicle manufacturer, a computer and consumer electronics producer, a technology conglomerate, and a graphic processing units manufacturer, which are the largest detractors from a single stock perspective as those companies outperformed global equity markets, driven by strong earnings and investor optimism. Collectively, the Magnificent 7* gained nearly 9% for the month, surpassing the S&P 500's 3.6% increase.

A manufacturer of solid oxide fuel cells that produce electricity on-site, an AI and humanoid robotic company, and Advantest outperformed global equity markets due to strong sector-specific tailwinds and investor optimism. Collectively, these companies capitalised on the September market rally, driven by favourable economic conditions and sector-specific growth drivers. The fuel cells manufacturer saw its stock surge nearly 60% in September, driven by rising demand for its fuel cell technology in data centres. Strategic partnerships with companies like an enterprise software company and an electric utility company bolstered investor confidence, propelling the stock to all-time highs. Advantest benefitted from robust AI-driven semiconductor demand, leading to a 24% increase in its full-year profit forecast. Analyst upgrades and strong earnings reports further fuelled investor enthusiasm, pushing the stock to a 52-week high. The AI and humanoid robotic company experienced significant stock gains, with shares climbing over 17% in September. The company's advancements in robotics and AI applications attracted investor attention, contributing to its outperformance.

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

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

Market Review

Risk assets performed well in September, as the Federal Reserve delivered its first rate cut of the year. In terms of hard data, the U.S. labour market showed further signs of cooling with nonfarm payrolls increasing by a modest 22k jobs in August, well below expectations of 75k, while the unemployment rate ticked up to 4.3%. On soft data, the Conference Board latest survey showed U.S. consumer confidence falling sharply to 94.2 in September, down from 97.8 in August, its lowest reading since April, as households cited inflation and job concerns. On prices, the U.S. annual inflation rate accelerated to 2.9% in August, up from 2.7% in July, but in line with market expectations. In the Euro area, the annual inflation rate stood at 2.0% in August, slightly below preliminary estimates of 2.1%. In the U.K., the annual inflation rate held steady at 3.8% in August, unchanged from July and remaining near the highs last seen in January 2024.

Developed sovereign bond yields were mixed in September. In the U.S., 10- year Treasury yields ended the month at 4.15%, down from early-month highs above 4.30%, as markets priced in further Fed easing. In the U.K., 10- year gilt yields eased very slightly to 4.70%, still reflecting fiscal concerns and sticky inflation. In Germany, 10-year Bund yields also finished roughly flat at 2.71%, as signs of traction in inflation backed the view that the ECB may be done with its policy easing cycle.

Global equities extended their rally in September, with the S&P 500 gaining 3.6%, as optimism over rate cuts and resilient earnings outweighed macro headwinds. Emerging market equities outperformed developed market equities, supported by improving sentiment toward China, with the MSCI EM Index posting gains of 7.2%. In credit, U.S. and Euro investment grade spreads tightened 5 bps each. In similar fashion, U.S. and Euro high yield spreads tightened 4 bps and 14 bps, respectively.

During the month, the PIMCO GIS Income Fund returned 0.88% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '25 performance to 8.01%.

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

Market Review and Outlook

Market:

- Global equity markets registered another monthly gain, with the MSCI ACWI returning 3.6% in September (net, USD). A synchronized policy backdrop supported risk assets: the U.S. Federal Reserve cut the federal-funds target by 25 bps to 4.00%–4.25% on September 17, while the ECB, the Bank of England and the Bank of Japan all held rates steady.
- Regionally, policy and data catalysts were constructive. In Europe, the ECB's on-hold stance reflected inflation close to target and only incremental changes to staff projections. In China, authorities unveiled a package to boost services consumption—including visa facilitation and targeted credit support—while late-month property readings suggested tentative stabilization in home sales. In Germany, lawmakers advanced the 2025 federal budget with an investment-heavy tilt, signaling continued fiscal support. Together, these developments helped extend the global risk-on tone without stoking concerns about an abrupt policy pivot.
- Sector leadership rotated back toward growth. Performance was led by Information Technology (+7.5%) and Communication Services (+4.7%), while Energy (-0.4%) and Consumer Staples (-2.0%) lagged their counterparts.
- Overall, September's combination of measured monetary easing, contained inflation, and a healthier new-issue window left the backdrop constructive for global equities.

Stocks:

- An overweight position in McKesson was the top contributor to relative performance for the month. The company's stock rose after announcing favourable guidance for FY26 and long-term growth targets.
- Not holding a position in Zoetis also contributed to relative returns, as the company's stock struggled during the month amidst ongoing competitive and safety concerns in key categories.
- An overweight position in UCB was another contributor to relative performance. The pharmaceuticals company traded higher after competitors released a softer-than-hoped data readout.
- The largest detractor from relative performance was an overweight position in Boston Scientific, which saw its stock price decline as investors took profits from medical devices companies.
- An overweight position in AstraZeneca also detracted from returns, as the stock declined throughout September.
- Lastly, an overweight position in Edwards Lifesciences detracted from relative returns. The health care equipment company underperformed as investors took profits from medical devices companies.

Changes:

- During the month, the fund increased its exposure to the biotechnology subsector. In contrast, the fund moderately reduced its exposure to medical devices & supplies companies.
- At the individual security level, the fund added to Roche given positive clinical data on breast cancer results, which bolstered confidence in the program and raised probability of success for earlier line studies. Furthermore, the fund increased its exposure to UnitedHealth as management reaffirmed 2025 guidance, improving confidence that near-term goals are achievable. Lastly, the fund increased its exposure to Gilead following positive feedback on demand for its new HIV prevention drug.
- Conversely, the fund exited its position in Siemens Healthineers as the health care equipment company faces increased competition, particularly from Chinese firms. Furthermore, the fund exited its position in Humana given uncertainty around the firm's Medicare Advantage business. Lastly, the fund reduced its exposure to Novo Nordisk due to IRA pricing risk for the pharmaceutical company.

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

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

Key Positioning & Outlook:

- We continue to expect a high degree of stock dispersion in the sector driven by increasing scientific innovation, emerging technologies and policy shifts underscoring a flexible approach to investing across the sector while emphasising scientific attributes at the company level.
- 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.

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

Market Review and Outlook

Market Review:

The third quarter delivered positive performance across most major asset classes. Trade-related uncertainty eased as the United States reached agreements with both the European Union and Japan. Meanwhile, signs of softening in the labour market prompted the Federal Reserve to deliver its first rate cut of the year in September, accompanied by guidance pointing to further easing ahead.

Emerging Market Equities led gains, buoyed by tariff relief and supportive policy measures in key markets such as China, Brazil, and India. Developed Market Equities also advanced, with Japan outperforming thanks to a weaker yen and the US-Japan trade agreement. In the U.S., a more accommodative Federal Reserve alongside resilient economic growth supported equity markets, where technology stocks continued to drive returns amid sustained enthusiasm for AI. By contrast, Europe lagged, weighed down by negative returns from German equities and heightened volatility in France linked to political instability.

Government bond performance diverged across regions. In the U.S., Treasuries delivered gains as attention shifted from inflation risks to signs of cooling in the labour market, with revised employment data pointing to a less resilient economy than previously thought. In Europe and the UK, government bonds came under pressure. Political and fiscal challenges in France and persistent inflation concerns in the UK weighed on sentiment, leading to higher yields and weaker bond returns. Japan was the clear laggard, with volatility driven by political uncertainty following the government's leadership changes and a more hawkish tone from the Bank of Japan, which pushed yields higher.

Credit markets also delivered positive returns. Spreads tightened across both high yield and investment grade bonds, with U.S. high yield outperforming its European counterpart and global investment grade debt also adding to gains.

Precious metals extended their strong run, with gold hitting a record high and posting its best monthly performance since 2011, supported by the Fed's shift toward rate cuts and renewed safe-haven demand amidst geopolitical uncertainty. Silver also saw notable gains. Meanwhile, the US dollar steadied relative to other major developed market currencies after its sharp decline over the first half of the year.

Performance:

The ESG Multi-Asset Fund delivered a positive return over the quarter, with Developed Market Equities the primary driver of performance. Allocations to Emerging Market Equities and Precious Metals also contributed positively, while Government Bonds, Listed Alternatives, and Cash & FX detracted.

Within Developed Market Equities, Thematic Equity baskets were the strongest contributors overall, led by Gold Miners. Exposure to technological innovation and the evolution of AI continued to drive strong returns in the AI Ecosystem and U.S. Enterprise Technology baskets, while the Safety and Security basket benefited from cybersecurity holdings. The Sustainable Energy basket also advanced, supported by rising AI-related energy demand, the prospect of lower interest rates, and supportive policy in both the U.S. and Europe. Equity Managers added positively, with the Systematic Active Equity portfolio outperforming its opportunity set, though the Global Unconstrained Equity portfolio lagged the broader equity market modestly. Tactical allocations to Emerging Market Equities further supported results, partially offset by hedges on broad developed equity markets.

In Fixed Income, allocations to corporate credit across both Investment Grade and High Yield, managed by BlackRock's Global Fixed Income team, generated returns above their respective opportunity sets. Government Bonds detracted, as gains from U.S. Treasuries were more than offset by exposure to U.K. and Japanese Government Bonds, as well as the Sovereign CDS basket.

Gold was a standout contributor to performance, reinforcing its role as a diversifier in the portfolio. Conversely, Listed Alternatives detracted overall, particularly due to weakness in U.K. renewable energy infrastructure, which was pressured by rising long-term U.K. Government Bond yields.

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

Positioning:

In the third quarter, we maintained a constructive stance on equities, favouring U.S. and Emerging Markets over Europe, while keeping bond duration conservative, particularly at the longer-end of the yield curve. This reflected our preference for markets with stronger momentum and policy support, balanced by caution in fixed income amid ongoing fiscal and political uncertainty.

We introduced new thematic equity exposures, including baskets focused on Artificial Intelligence and Safety & Security, alongside an allocation to a Latin American opportunities fund within Alternatives. These additions reinforced our emphasis on long-term structural growth themes.

Within currencies, we maintained our structural short U.S. dollar hedge but tactically managed exposure, recognizing that the currency's extended weakness creates scope for short-term rebounds. We also initiated a tactical short in the Thai Baht, reflecting domestic political and economic challenges. Strategic exposure to Gold was increased, supporting our de-dollarisation view, while tactical allocations to Silver were closed at a profit.

Overall, the portfolio remained balanced, anchored in structural themes such as AI, increased spending on national security, and the energy transition, while maintaining tactical flexibility to capture opportunities and hedge risks across asset classes.

Market Outlook:

We remain constructive on equities, with a clear preference for the U.S. over Europe. U.S. companies have delivered stronger, higher-quality earnings than their European peers, prompting analysts to revise forecasts upward. We continue to lean into structural megatrends such as Artificial Intelligence and Defence, while also identifying opportunities in undervalued areas of the market with clear positive catalysts, including Sustainable Energy. Our constructive view extends to emerging markets across asset classes, supported by easing inflation pressures, reduced trade-related uncertainty, and a structurally weaker U.S. dollar.

We remain cautious on developed market duration, as core inflation is likely to stay elevated and market expectations for Federal Reserve rate cuts may be overly optimistic despite political pressure. In corporate credit, spreads have tightened significantly, leading us to adopt a more neutral stance.

We remain positive on gold as a strategic diversifier, underpinned by de-dollarisation, persistent inflation risks, and ongoing geopolitical tensions. In currencies, we retain a negative long-term view on the U.S. dollar, but remain flexible in tactically adjusting exposure to manage short-term rebounds, while favouring emerging market currencies that offer attractive carry opportunities.

Active asset management and dynamic positioning remain central to our approach. In an environment characterised by heightened geopolitical and policy uncertainty, we see the need for greater precision — narrowing exposures to specific regions, sectors, and industries to capture opportunities while managing risks.

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

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

Market Review

Equities, convertible securities, and high yield bonds finished higher in September. Corporate headlines centred around trade, divestitures, collaborations, investments, asset sales, mergers and acquisitions (M&A), and earnings, with several high-profile companies reporting better-than-expected results and management commentary referencing strong artificial intelligence (AI) momentum. On the economic front, ISM Services and Manufacturing surveys rebounded, multiple consumer spending metrics topped projections, and Q3 gross domestic product (GDP) estimates moved higher. In contrast, inflation increased but was in line with estimates, employment data cooled, and consumer confidence contracted. The US Federal Reserve (Fed) cut interest rates by 25 basis points (bps) for the first time in 2025, with Fed commentary indicating a notable shift in stance and market expectations pricing two more cuts by year-end. Against this backdrop, the 10-year US Treasury yield fell to 4.15% from 4.22%.

The portfolio benefitted from strength across equities, convertibles, and high yield bonds.

Top contributors in September were driven by strong corporate profits and continued optimism around the AI buildout following further colour from management teams around capital expenditures (capex). Beneficiaries comprised several semiconductor companies, such as Nvidia and Broadcom, hyperscalers including Alphabet and Microsoft, and a data centre operator. Apple and Tesla were both higher after indicating favourable demand readthroughs. The other top contributor in the period was a heavy equipment manufacturer that stands to benefit from improving demand.

Top detractors in the period included Amazon on competitive concerns related to its cloud business and a medical technology company. An airframe manufacturer dealt with prolonged labour negotiations, a discount retailer guided below expectations, a cruise line operator was lower on higher tax burden concerns, and a software company saw an executive departure. The other top detractors were financial services companies focused on payments, banking, and/or alternative investments, along with a semiconductor manufacturer.

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

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

Market Outlook

The macro-outlook is improving following a stronger-than-expected economic rebound, an inflection in earnings estimates, a shift in the Fed's stance, the One Big Beautiful Bill Act (OBBBA) being signed into law, and increased visibility around trade policy.

US economic growth for Q3 is tracking ahead of forecasts due to resilient consumption and strong corporate spending. Unemployment and inflation have increased but only modestly. Potential growth tailwinds include rising capex, reshoring, deregulation, and credit expansion, whereas a sharp rise in either unemployment or inflation could increase the odds of an economic slowdown.

The Fed is targeting a more neutral policy position with the market expecting two 25-bps interest rate cuts by year-end, followed by two cuts in 2026. However, Chair Powell has noted that future rate decisions remain highly data dependent. The primary risk to the market's current expected interest rate path is a Fed that must act aggressively to counterbalance either a sharp rise in unemployment or inflation.

US equity market strength is the result of better-than-expected top- and bottom-line results and inflecting earnings estimates. Potential earnings growth tailwinds include improving economic momentum, rising productivity, the proliferation of AI, low oil prices, and falling borrowing costs. Headwinds include rising operating expenses as well as the impact of tariffs, but clarity has improved on this front. There is evidence that earnings breadth is beginning to expand. This dynamic could lead to a broadening out of the market, aided by industries that have underperformed since 2022. The Fed's shift in stance is also notable because equities are generally higher a year after the first rate cut.

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's year-to-date outperformance of the broad equity market can continue if volatility rises or breadth expands. Strategist forecasts for annual new issuance continue to be revised

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

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

higher, currently sitting at USD 95-100 billion# compared to an initial forecast of USD 60-65 billion. Heavy primary market activity is a function of coupon savings demand, elevated refinancing needs, and a positive outlook for price appreciation among small- and mid-cap companies. Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

The US high yield market, yielding more than 7%^{^^}, offers equity-like returns but with less volatility. Currently, the asset class is on track to deliver a coupon-plus return in 2025. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are stable, near-term refinancing obligations remain low, and management teams continue to exercise balance sheet discipline. Additionally, the market's credit quality composition continues to improve. In this environment, new issuance is expected to remain steady, spreads can stay tight, and the default rate should continue to reside below the historical average.

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

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

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

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

Market Review and Outlook (Jul - Sep 2025)

(Target Fund Manager only produces commentaries on quarterly basis)

Market Review:

The Fund had a very strong Q2 results season in aggregate, aiding performance in July as shares to pulled-to-par with earnings, before a period of volatility in August paired back these gains. This volatility can broadly be described as a sharp momentum reversal driven by US interest rate policy uncertainty, hope of a Ukraine ceasefire and concerns over the outlook for artificial intelligence. September saw some of the most impacted areas of the market rebound and for the portfolio, at a sector level, industrial positions were the strongest area of performance over the quarter. AI sentiment supported semiconductor and data centre related holdings and the aerospace sector continued to demonstrate robust momentum as the industry works through order backlogs and supply ramp-ups. Financials, consumer discretionary and healthcare were the weakest sectors for relative performance.

2025 has been highly volatile. Equity markets (such as the MSCI World Index³) have delivered strong returns but with numerous sharp drawdowns, rotations, and short-lived changes in leadership. August exemplified this trend. We believe much of the volatility we have seen year-to-date can be ascribed to investor nervousness arising from narrow market leadership in addition to greater geopolitical uncertainty. This in turn reflects the shape of the economy: global economic growth remains modest and multiple cyclical sectors, particularly those exposed to consumer goods, remain in a protracted downturn. At the same time, demand for, and investment in, artificial intelligence has been strong and appears to be rapidly accelerating. This has created a "two speed" economy: growth is concentrated in just a small subset of companies and the equity market at times appears to be divorced from the wider, more modestly growing, economy. With this narrow market leadership comes investor nervousness, particularly given how rapidly all things AI are evolving, and we are witnessing dramatic share price reactions and market rotations to relatively small pieces of incremental news flow. These may get quickly forgotten as a new headline appears but have the effect of creating a fickle and volatile equity market even as it continues to reach new all-time highs.

The questions arising are, of course a) when will this growth broaden out and those relatively depressed areas of the economy start to recover, and b) can the growth in AI investment sustain? On the former, so far, we have had multiple false dawns. For example, a mild improvement in luxury in Q4 2024⁴, to more optimistic guidance on the lifescience sector on 2025⁵, to a significant rally in US homebuilders following dovish US Federal Reserve comments at Jackson Hole over the summer⁶. In each of these examples, hope has subsequently faded: luxury data rolled, numerous lifesciences companies revised guidance down from previous estimates, and housebuilders have retraced. While we would expect each to recover in due course, we find it challenging to have a high conviction view on when exactly this might happen: in our view, pricing architectures in luxury need to reset to a level which attracts customers back into the market; ongoing political uncertainty is impacting spending across the biotech and pharmaceuticals ecosystem; US rates need to come down for US housing to recover, no easy assumption when fiscal deficits remain elevated. Examples such as this can be identified across multiple other areas of the economy, and we believe it is clear that the burden of COVID-19-related distortions is elongating traditional economic cycles in ways which we have not seen before.

At the same time, artificial intelligence demand, and investment in building capacity to support this, has continued to strengthen. Over the course of September and into October (at the time of writing) we have seen numerous new partnerships announced, most notably by OpenAI (not owned). Meta and Microsoft have also both announced plans to rent compute capacity, despite having spent billions on capex, demonstrating how tight supply remains, and x AI (not owned) is using a special purpose vehicle to raise capital to fund its own expansion. The scale of some of these agreements is vast: Open AI has announced approximately 26GW⁷ of planned capacity (albeit this may include some double counting) over the next five years which, with an estimated current cost of US\$50-60bn per GW⁸, amounts to approximately US\$1.4tn of total spend. Crucially, this new phase of investment is pulling on capital markets for funding, a significant shift given most capex was previously funded by hyperscaler free cash flow. This both accelerates the expansion but arguably makes it more fragile. For now, the dramatic growth in AI usage and explosion in AI revenues may underpin sustained investment, but this is something we need to remain vigilant to.

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

Outlook:

We expect volatility to continue given ongoing political uncertainty and the narrow equity market leadership we have seen year to date. In such environments, staying focussed on company fundamentals is critical in our view. The potential for whipsawing is high, but over time share prices will pull to par with corporate earnings outcomes, given it is earnings and cash flows that drive returns over a reasonable time period. Our conviction in the outlook for AI investment has grown over the last six weeks given evidence of the rapid acceleration in investment plans for a growing number of corporates. At the same time, we recognise that this growth is becoming more fragile with announcements that are no longer financed by hyperscaler cash flows. This is something we need to remain hyper-vigilant to: there is potential for imbalances to build, yet concurrently there is a huge amount of value being created. We are developing various data sets to monitor this, in addition to continuing our extensive interactions with company executives and industry experts across the space. We have direct exposure to this secular trend via data centre capex beneficiaries, in addition to owning various hyperscalers who we believe can grow via cloud service provisions and embedded market positions in software and advertising. At the same time, we aim for our concentrated portfolio to remain diversified, and we find high conviction ideas across multiple other areas including payments, aerospace and specialised medical technology.

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

Market Review and Outlook

Performance Overview:

- The BGF World Technology Fund returned +6.7% in September (A2 share class in USD, net of fees), underperforming its benchmark, the MSCI ACWI Information Technology 10/40 Index, which returned +8.6%.

Market:

- Global equities rallied in September, defying the month's typical weakness. The MSCI ACWI climbed roughly +3.6% (its strongest September in 15 years), and the Nasdaq 100 jumped +6%. Emerging markets led with a +7.2% surge. Market breadth improved as small- and mid-cap stocks joined the rally, and investors largely shrugged off late-month U.S. government shutdown drama.
- Sector leadership rotated back toward growth. Tech led all other sectors rebounding from August's pause to surge +7.5%. In a risk-on shift, defensive and commodity-oriented groups lagged, Consumer Staples posted negative returns for the month, while Energy and Real Estate were flat.
- The Fed delivered a widely expected 25 bp rate cut at its mid-September meeting (its first cut of 2025), citing a "shift in the balance of risks." Treasury yields eased in response, the 30-year yield fell ~19 bps (to ~4.7%), helping support longer duration assets. Meanwhile, the ECB and BoE held rates steady in September as core inflation remained above target.
- US equities led global performance. Strong consumer spending, easing inflation, and robust corporate earnings supported risk assets. The Fed's rate cut boosted sentiment, and tech megacaps drove index gains. Despite political gridlock and shutdown threats, investor confidence remained high.
- UK and EU equities also posted modest gains. European banks and industrials benefited from strong dividend yields and resilient earnings, while tech and consumer names were mixed. The ECB's decision to hold rates reflected cautious optimism, and the EU's Digital Markets Act began reshaping platform regulation. UK equities were supported by stable inflation and steady BoE policy, though growth concerns lingered.
- China and Asia saw mixed performance. Chinese equities rebounded mid-month after new stimulus measures, including infrastructure spending and credit easing. Japan's Topix index rose on strong corporate earnings and political stability. South Korea and Taiwan outperformed, driven by semiconductor strength and AI supply chain momentum.

Sectors:

- Apple launched the iPhone 17 and iPhone Air in September, featuring the new A19 chip with Neural Accelerator cores for on-device AI. Early demand was stronger than expected, signaling resilient consumer tech spending despite new EU digital rules.
- Oracle posted Q1 FY2026 revenue up +12% YoY, with cloud sales +27% and a backlog jumping to \$455B, driven by a major AI contract. Shares rose +24%. Broadcom reported record Q3 results, with AI-related sales up +63% and a \$10B custom-chip order from a top AI client.
- CoreWeave expanded its deal with OpenAI via a new \$6.5B agreement, bringing total contracts to \$22.4B. Its GPU-centric data centers will support OpenAI's model training and deployment at scale.
- Nvidia and OpenAI announced a \$100B partnership to build next-gen AI supercomputers. Nvidia will supply millions of GPUs and invest in OpenAI, deepening their strategic alignment amid rising competition.
- TikTok reached a tentative U.S. security deal. ByteDance will hold no more than 20% of a new U.S.-controlled entity, with Oracle overseeing data and algorithms. The agreement awaits final approval but aims to resolve national security concerns.

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

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

Market Review

Equity Market:

- The MSCI ACWI Index closed September with a 3.6% gain, supported by AI/tech optimism and earnings momentum lifting global equities. In the U.S., the S&P 500 Index continued its upward trajectory, rising 3.6%, supported by the first 25-basis-point rate cut of the year. A stronger GDP revision reinforced market optimism about the economy's health. European equities¹ rose 1.6% in September, as improving consumer confidence suggested stronger near-term spending.
- Emerging market equities² rose 7.2% in September, driven by a weaker dollar and sustained inflows to EM assets. South Korea's KOSPI Index³ gained 7.5% driven by strength in the tech sector, notably semiconductors, aligned with ongoing AI initiatives. Chinese equities⁴ rose 9.5%, driven by a surge in AI developments among Chinese companies such as Alibaba.

Bond Market:

- Developed market sovereign bond yields were mixed in September in response to a slowing growth outlook. The U.S. 10- and 30-year Treasury yields fell 8 bps to 4.15% and 20 bps to 4.73%, respectively, as the Fed delivered its first rate cut of the year, given a softening labor market. In Europe, the BoE and ECB held rates steady, with the ECB likely near the end of its cutting cycle. The German 10-year Bund yield fell just 1 bp to 2.71%, while the U.K. 10-year gilt yield fell 2 bps to 4.70%. Amid fluid political dynamics and fiscal concerns, the 10-year JGB yield rose 5 bps to 1.65%.
- Global IG credit posted positive returns of +1.08% for the month, outperforming like duration government bonds by 0.38%, as spreads tightened to 4 bps in September. Global HY credit delivered positive returns of +0.75%, with the higher quality segment of the high yield market, BB-rated and B-rated bonds, performing in-line with CCC-rated bonds.
- Agency MBS⁵ returned 1.22% in September, outperforming like-duration Treasuries by 35 bps, with lower coupons outperforming higher coupons, as negative employment data and yield curve bull flattening led to increased convexity costs and down-in-coupon flows.

Market Outlook

After stimulus measures and a pull-forward of demand boosted global trade flows and goods production in the face of tariffs, the global economy looks to be facing increasing pressure from tariff policy and limited fiscal space – both of which we expect to spur a growth slowdown. In the US, the labor market appears to be bearing the largest effects from trade, tariffs, and tech, opening the window for the Fed to continue cutting rates through the end of 2025 and into 2026. Within fixed income, elevated yield levels and expectations for continued rate cuts globally underpin our view to be constructive on duration. We expect attractive income and capital appreciation potential under a variety of economic scenarios. We continue to favor developed markets, with a focus on US front-end and intermediate rates which provide a hedge against a more material economic slowdown. We retain our US curve-steepening bias given our view that front-end rates will continue to fall, as we expect the Fed to cut rates twice more in 2025 amid softness in the labor market. In other developed markets, we see value in the belly of the curve in the UK and Australia.

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

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

Though we expect inflation to continue to slowly decelerate closer to target levels over the cyclical horizon, we believe US TIPS are a reasonable hedge against inflation uncertainty. In credit, we have a preference for high-quality securitized credit, emphasizing lossremote, senior tranches at the top of the capital structure within the non-Agency MBS market. We also maintain a favorable view of Agency MBS given historically attractive valuations, robust liquidity, and lower correlations to risk assets, specifically focusing on higher coupons given better valuations and more attractive carry. Equity valuations remain elevated, market concentration is high, and the US market continues to grind higher, even as corporations appear to be bearing the impact of higher tariffs by reducing labor costs. Furthermore, US equities look to be priced for perfection as the market seems to be pricing in a Fed cutting cycle and looking through near-term economic weakness towards reacceleration in 2026, with double-digit EPS growth expected. Against this backdrop, we have conviction in PIMCO's systematic, global, and multi-factor approach to stock selection. This quantitatively driven approach delivers diversification across countries, sectors, and styles by seeking to own the most well-rounded companies from the global opportunity set.

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