

Market Review and Outlook

June 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

MSCI World Index continued its upward momentum into June 2025, having gained +4.22% mom. Geopolitical tensions in the Middle East briefly disrupted market stability during the middle of the month but this eased following a ceasefire announcement. US' Dow Jones and its broader S&P500 indices rose by +4.32% and +4.96% mom, respectively. This upward momentum can be attributed in part to investor optimism surrounding anticipated Federal Reserve rate cuts. Additionally, positive developments in the US-China trade negotiations contributed to market confidence, particularly following the signing of a framework agreement that includes key provisions related to automotive and rare earth exports. In May 2025, US' Consumer Price Index (CPI) came in less than expected at +2.4% yoy. However, the Bureau of Labor Statistics reported that President Donald Trump's tariffs had yet to show a significant impact on inflation levels. Meanwhile, the S&P Global US Composite Purchasing Managers Index (PMI) dipped slightly to 52.9 in June 2025 from 53.0 in May 2025.

Over in Europe, the Stoxx 50 Index declined -1.18% mom as investors weighed uncertainties over US trade deals with the July tariff pause deadline approaching. While still contractionary, the HCOB Eurozone Manufacturing PMI ticked up slightly to 49.5 in June (May: 49.4), reaching a 34-month high. As of the latest reading, European Union's (EU) May unemployment rate was at 5.90%, stable compared to April 2025 (5.90%).

On the other hand, China's Shanghai Composite Index rose by 2.90% mom, again, partly attributable to positive developments in the US-China trade negotiations. China's CPI for May 2025 came in at -0.10% yoy, stable compared to April's -0.10% yoy. Meanwhile, China's retail sales exceeded expectations, having jumped 6.40% yoy in May 2025, a faster pace compared to April's 5.10% yoy. Elsewhere, China's industrial production rose by 5.80% yoy, having eased from April's 6.10% growth.

During the month under review, Brent oil price was up 6.31% mom to USD66.74/bbl. It surged mid-month to USD77-78/bbl due to concerns about supply chain disruptions stemming from the Middle East conflict before settling lower at the end of the month. Meanwhile, crude palm oil (CPO) price was up 1.50% mom to RM3912/MT in June 2025, in line with broader trend of higher commodity prices observed in June.

Turning to the ASEAN region, the Stock Exchange of Thailand fell 5.2% mom to close at 1,089 pts at end-June 2025 as investors expressed concern over political uncertainties. Foreign investors and local institutions were net sellers of equities to the tune of THB8bn and THB12bn in June 2025, respectively. The best performing sector was the banking sector (down 2.1% mom in June 2025). On the home front, the FBMKLCI rose 1.60% mom. The three best performing sectors on a mom basis were Utilities (+4.30%), Energy (+3.80%) and Technology (+3.40%). In terms of fund flows, foreign investors returned to net selling with net sell flows of RM1.3bn. In the month, the Malaysia government announced that it would revise its sales tax rate and widen the scope of its services tax from 1 Jul 2025. Meanwhile, Indonesia's Jakarta Composite Index slid 3.50% mom in June 2025. During the month, foreign investors were net sellers with outflows of USD514mn in equities. Elsewhere, Indonesia's CPI print came in at 1.60% yoy, a decrease from the previous month's 1.95%. Lastly, Singapore's Straits Times Index edged up +1.78% mom. The sector outperformers were Real Estate, Services and Utilities, while Transport, Retail and Staples underperformed. Singapore's Non – Oil Domestic Exports (NODX) for May 2025 fell 3.5% yoy (Apr: +12.4% yoy), below Bloomberg consensus'

forecast of +7.80% yoy. Electronics NODX grew +1.70% yoy while non-electronics exports declined 5.30% yoy dragged by non-monetary gold (-25.9% yoy), Petrochemicals (-17.8% yoy), and Specialised Machinery (-11.7% yoy).

In June, US Treasury (UST) yields rallied by 16 – 18 bps mom across the curve. This rally was fueled by a combination of factors: weaker – than – anticipated inflation data, rising jobless claims data, and market speculation that President Trump might appoint a more dovish Federal Reserve (Fed) Chair to replace Jerome Powell before his term concludes in May 2026. These developments bolstered investor bets that the Fed could initiate interest rate cuts earlier than previously anticipated. US inflation increased by +0.1% mom (Survey and April: +0.2% mom) in May while US private businesses job growth slowed sharply with only +37k workers mom (Survey: +114k mom, April revised: +60k mom) added in May, marking the weakest employment gain in two years. Fed fund futures as of end – June now indicate an implied rate cut of 67 bps by year – end compared to 55 bps as of end – May. At June's Federal Open Market Committee (FOMC) meeting, policymakers unanimously voted to maintain the federal funds rate at 4.5%, unchanged since the start of the year. However, the "dot plot" projections revealed a divergence in outlooks, with 10 officials forecasting at least two rate cuts by the end-2025 and 7 officials anticipating no rate cuts this year.

In contrast to the UST, Malaysian Government Securities (MGS) yields remained broadly unchanged mom although UST yields shifted lower. Malaysia's inflation for May moderated to 1.2% yoy (Survey and April: 1.4% yoy), marking the slowest pace in 51 months. Meanwhile, the Industrial Production Index (IPI) for April was lower – than – expected at 2.7% yoy (Survey: 4.0% yoy, March: 3.2% yoy) as manufacturing activity picked up while mining and electricity output declined.

Foreign funds turned net sellers in June with net outflows of RM5.4bn (May: +RM13.4bn inflows). The foreign share of both MGS and MGS+MGII reduced to 34.4% (May: 35.6%) and 21.8% (May: 22.5%) respectively. Despite the outflows, Malaysia's foreign reserves climbed by USD1.0bn to USD120.6bn as of end – June (May: USD119.6bn).

Market Outlook

On the trade policy front, while developments in the US – China trade deal started off promising, it remains to be seen how most of these trade negotiations will pan out. Thus, we opine that policy uncertainty remains somewhat raised and investors would keep a watchful vigil over any new developments that could have impacts on global economic activity. On the local front, we believe that investors would continue to monitor the implementation of vital policies such as RON95 fuel subsidy rationalisation whilst eagerly awaiting the outcome of our nation's trade tariff negotiation with US.

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

The quantum and timing of expected rate cuts in the US seems to have eased compared to the earlier part of the year. Fed Chair Powell's overall tone remains consistent with the policy being well positioned to wait and see. He highlighted the importance of keeping longer – run inflation expectations anchored and not letting a one – time price level shift from tariffs become a more persistent threat to price stability. Given the inflation outlook, he also said that once the labor market weakens, the FOMC could react to that. On local monetary policy, Bank Negara Malaysia (BNM) statement clearly sees the balance of risks to growth as tilted to the downside on trade policy – related uncertainties. Meanwhile, the Monetary Policy Committee (MPC) expects the impact of domestic policy reforms on inflation to be "contained". Demand for Ringgit government bonds has gained traction and the market priced in a 25 bps overnight policy rate (OPR) cut. All said, bond volatility will remain as markets remain wary of the economic conditions amid the trade uncertainty and geopolitical tensions. We would selectively accumulate bonds at reasonable valuations while prioritizing good quality names.

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

What helped?

- In June, equity markets continued its positive trend we saw in May. Thanks to our strategy and the trend-following investment style Revisions, we outperformed in June.

What hurt?

- Stocks with high dividend stability as well as Growth and Quality attributes lagged global equity markets. That limited the outperformance potential since the Dividend factors contributed negatively overall, especially Dividend Stability.

Market Review

Global equities closed June higher as “tariff fatigue” took hold after months of heightened volatility. However, as Sino-American trade relations thawed, mounting geopolitical tensions in the Middle East moved sharply into focus. Shares sold off on news of Israeli strikes against Iran with oil prices spiking on fears of supply risks. But the risk-on mood returned as oil prices slumped after Tehran’s restrained response to US strikes paved the way for a de-escalation in tensions and a ceasefire between Israel and Iran appeared to take hold.

US equities delivered solid gains in June, with the S&P 500 Index hitting a fresh all-time high, buoyed by better-than-expected corporate earnings. Stocks rose early in the month on easing Sino-American tensions, after the US and China agreed a “framework” to implement the consensus reached last month in Geneva, including US access to China’s critical rare earth minerals and magnets. However, US stocks got caught up in the global sell-off after Israel launched a series of strikes on Iran, with oil prices spiking in the aftermath of Washington’s subsequent air strikes on Iranian nuclear facilities, before rallying once more as geopolitical tensions in the Middle East de-escalated.

European equities fell slightly in June. Earlier gains were offset by negative tariff sentiment, as a trade deal between Washington and Brussels remains elusive as the 9 July deadline approaches; failure to reach a trade deal will result in a 50% tariff on all goods imported to the US – the European Union’s biggest export partner – which will have a crippling impact on the bloc, particularly Germany. Escalating geopolitical tensions in the Middle East also weighed on sentiment, although the month ended on a more positive note following a ceasefire between Israel and Iran. At a sector level, the Consumer sectors fared worst, while Energy rose the most.

Market Outlook

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

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

Market Review

Asia Pacific ex Japan equities rose in June, even as geopolitical jitters continued to linger in the background. South Korea was the strongest market, boosted by post-election reform optimism after the new president was inaugurated. A rally in global technology stocks also buoyed the market as well as leading to gains in Taiwan. Chinese equities benefitted from easing trade tensions with the US. Shares rose on news that the US and China had restored their trade truce, with the two sides agreeing a "framework" to implement the previous consensus reached in Geneva. Australian equities closed the month modestly higher. The ASX 200 Index reached a fresh record high on optimism surrounding renewed US and China trade talks early in the month before weakening as escalating tensions in the Middle East weighed on sentiment.

Indian equities also finished the month moderately higher. June delivered a series of favourable developments including softer inflation data, quarterly gross domestic product (GDP) growth at 7.4% year-on-year (above consensus expectations of 6.8%), a deeper than expected 50 basis point cut to the repo rate, and a 100 basis point reduction in the Cash Reserve Ratio (CRR). Elsewhere, ASEAN equities generally fell as investors rotated into safe-haven assets amid soaring tensions in the Middle East. In Thailand, the index hit a five-year low amid political turmoil as the country's Constitutional Court suspended the prime minister.

For fixed income, market sentiment was mixed in June with the positive development on trade talks being offset by the escalation of tension in the Middle East. However, despite all the uncertainties and volatilities in the market, Asia credit continued to demonstrate resilience with both Investment Grade (IG) and High Yield (HY) reporting positive return in June. On rate side, US treasury yields fell significantly during the month, driven by benign inflation data and dovish commentary from US Federal Reserve (Fed) governors backing earlier rate cut. In terms of performance, Asian credit (JACI Composite) was up 1.2% in June. IG credits returned 1.2%, with spread and interest rate contributing 0.2% and 1.0% respectively. HY credits was up 0.8% with all of the return coming from interest rate.

The Fund return was positive in USD terms in June.

In the equity portfolio, the top contributor was chipmaker Taiwan Semiconductor Manufacturing (TSMC). The share price rallied after the company raised its guidance for this year, as the demand drag from tariffs appears more muted than two months ago, while AI demand remains robust.

On the negative side, the top detractor came from an Australia-listed clinical dermatology company based in the US. The company announced a set of disappointing sales for its flagship product prescription, which is used to treat excessive sweating. While the company is expected to continue deepening its presence in the dermatology sector over the long term, we will monitor the recovery progress of the stock.

The asset allocation at the end of the month was 69.1% invested in Asian equities and 30.1% in Asian fixed income.

During the month, the key portfolio activity for the equity sleeve was focused on high dividend paying companies. For example, we initiated a Korean telecom company which is actively investing in the artificial intelligence (AI) value chain. We also initiated an Australia REIT with a diverse portfolio of high-quality assets to the portfolio. On the other hand, we exited two positions in China, including a beverage shop specialised in tea drinks, and a condiment producer.

Within the fixed income portfolio, we continued to look for alpha opportunities and switched out the outperformers. Also, we were actively managing portfolio duration given a very volatile rate market during the month. In addition, we were actively involved in the primary market to capture the new issue premium.

At the end of the month, we held 60 equities and 60 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 BBB- and average duration of 2.4 years.

Market Outlook

Overall, we are quite cautious about the near-term outlook for regional equities. Global trade developments, especially the ongoing decoupling of the US and China, are likely to result in a weaker growth outlook. As well as putting pressure on corporate earnings, the visibility of growth is also reduced with some companies declining to provide their usual quarterly guidance. Offsetting this to some degree is a weaker US dollar, which has led to relative appreciation among many regional currencies and provides Asian central banks with scope to lower interest rates. In China, we think there will be more decisive policy changes including the government stepping up support for asset prices, not just in equities but in the crucial housing market as well.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

On the fixed income side, with the Middle East conflict being temporarily resolved, market focus is now turning back to the US economy which should remain highly uncertain given Trump's unpredictable policies. As global investors reassess the concentration of risk in US credits, Asia stands out as a compelling destination for diversification, underpinned by the strong fundamentals with limited tariff exposure. Asian IG credits provide a resilient high-quality alternative to US issuers while HY credits offer the highest yield among peers with contained default risk. Technicals continued to be supportive to Asia credits with year-to-date net supply remained negative after factoring in coupon payments. As a result, we remain constructive on Asia credit with a slight preference of HY to IG. We maintain our long carry position, expect security selection to be the key long-term positive contributor and look to increase credit beta on the back of global-induced selloffs.

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

Market Review

Sukuk Review

In June, global bond markets saw uneven returns in June, driven by shifting monetary policies, inflation signals, and geopolitical risks. The UST market is having its best run with yields fell 12-17bp across the curve with safe-haven demand balancing rate-cut expectations. Malaysia's bond market demonstrated resilience amid global economic uncertainties and domestic fiscal adjustments. In local market, yield retraced in a bear-steepening fashion in first half of June amid profit taking pressures after the rally last month which driven by bets on a BNM rate cut as well as the 100bps reduction in the SRR. However, the losses were reversed as expectations of a rate cut in July resurfaced following softer-than-expected exports (May: -1.1%) and an unexpected moderation in headline inflation (May: +1.2%). The support of local market also proven by the 10y MGS new issue that drew exceptionally strong demand and bids were somewhat aggressive, driving the cut-off to 3.48%.

Equity Review

Equity markets in June continued its momentum from last month. Trade disputes were manifested following statement from US against EU, Canada and Japan. However, market participants were mostly engrossed with the geopolitics in the Middle East. The Iran-Israel escalated with the Trump administration opting for a direct US military intervention Iran. Sentiment was short lived as a ceasefire by the end the month led markets higher, lower US treasury yields but with a weakening USD (but this was likely on the back of expectations of a rising fiscal deficit on the Big Beautiful Bill).

In commodities, after being in the doldrums for some time, oil prices jumped some 20% and peaked at US\$78/bbl but retreated to close at US\$67/bbl (+5.8% mom) following the Middle East conflict. Similarly, gold peaked at US\$3,432/oz but closed flat at US\$3,303/oz (+0.4% mom).

Closer to home, the KLCI was up 1.63% as utilities were the main contributors (TNB, YTL and YTL P) while Petchem while Sime Darby and Nestle were the main detractors. On YTD basis, the KLCI closed lower by 6.7% for 1H2025, with only a handful gained which were PetDag, CelcomDigi, Press Metal, and Gamuda. Bottom performers were Petchem, Sime Darby and Nestle.

For macroeconomics, rising outlays was the main topic. CPI has been manageable with a 1.2% yoy increase in May though these were pre the recent tax announcement made. Sales and services tax of 5-10% imposed is expanded to selected and non-essential goods and to include new services that are taxable, effective 1st July. Another potential inflationary move, the Peninsular electricity tariffs will be adjusted monthly from July onwards from twice a year. The base tariff KWh will be raised to 45.4 sen under the fourth regulatory period (RP4) from 39.95 under RP3. Lastly, EPF has announced that employers and non-Malaysian workers must each contribute 2% of monthly pay starting in October.

In net foreign flows, Malaysia saw a return to a net selling for the month (after net buying in May of RM1.0bn) amounting to RM1.3bn with foreign shareholdings to fall to an all-time low of 19%. On a YTD basis, net foreign outflow amounted to RM12.1bn.

In the region, Singapore outperformed, gaining 1.8% mom followed by Malaysia and Philippines (+0.4% mom). Thailand ranked the lowest, tumbling 5.2% mom and Indonesia slipped 3.5% mom. On year-to-date basis, regionally, Singapore is the only market in green territory (+4.7%) while Thailand's political environment turning from bad to worst with the latest scandal to hit the nation, plummet by 22.2%.

Asian currencies appreciated against the USD. The DXY has, for 6 consecutive months been on a declining trend. The Ringgit topped the appreciation by 1.1%, followed by Baht and Rupiah which gained 1.0% and 0.3% respectively while the Pesos was the only decliner with a 1.0% drop.

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 some global central banks have started to pivot towards a more accommodative stance, we believe there is potential for slight compression in sovereign bond yields, presenting tactical trading opportunities despite markets already pricing in a rate cut in the domestic bond markets.

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

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

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

Equity Outlook & Strategy

The rebound following the "Liberation Day" U-Turn has been nothing short of dramatic, despite the lack of clarity on this front. Certainly, in terms of price action, not just regionally, suggests that market participants have looked passed the peak tariff stress and the announcement of a trade deals between US and Vietnam does support this view. In any case, tariff concerns will likely remain key and centre at least in the near-term as we approach the deadline on 8th July. With regards to trade policy specific to Malaysia, as at writing, there were recent, as at writing, news reports of US administration putting restrictions of AI chips to Malaysia, as a part of an effort to reduce channelling to China. With both Malaysia and Thailand both specifically mentioned in the draft rule from the Commerce Department, this may re-introduce the overhang on the data centre/hyperscale theme. Recall that early of the year, the AI diffusion rule led to concerns on the outlook for data centre builds in Malaysia, even though most of are not AI capable/training builds.

Beyond the topic of tariffs, we remain cautiously optimistic as we move towards the 2H2025. 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. 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. Thus far, our local corporate earnings have been decent. But the lack of clarity and visibility, even to corporates themselves, to what extent the resiliency of the market has been on front-loading of purchases ahead of the tariffs may will lead to a sharper decline in the second half of the year.

Strategy-wise, we maintain slightly higher cash levels and 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 and Allianz Life All China Equity Fund (USD):

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

Market Review

The Fund outperformed the benchmark in June. Stock selection in the Information Technology and Health Care sectors were the key contributors. Performance in H1 was also ahead of the index supported by a broad base of stocks across multiple sectors.

At a stock level, a key contributor last month was a manufacturer of high-speed optical transceivers used in areas such as data centres, telecom networks, and broadband systems to move large amounts of data quickly and reliably. The share price has recovered from a period of weakness earlier in the year, buoyed both by a good set of quarterly results as well as reassurance that US-based demand remains strong.

Conversely, a detractor was a manufacturer of home appliances and smart technologies. It produces a range of air conditioners, washing machines, refrigerators and other devices both for home and industrial use. Domestic demand has been resilient as a result of supportive government policy, and sentiment was impacted recently by concerns over a potential phasing out of trade-in subsidies. While this may have some shorter-term impact, we continue to rate the quality of the business highly and also see the share price being supported by its high dividend yield.

Market Outlook

June was a good month for both onshore and offshore China equities, which defied the ongoing uncertainty related to trade negotiations with the US to finish close to the high points year to date. The recent gains build on the previous market recovery. Since the middle of last year, a time when China's equity markets were being described as "uninvestable", China A-shares have rallied by nearly 20% in USD terms. Returns of China H-shares have been even stronger.

There have been a number of reasons for this turnaround. On the one hand, some factors that previously weighed heavily on markets have eased. Local government financing has been significantly restructured, for example, and the property market is more stable, albeit still weak. This is reflected in bond markets, where the Markit iBoxx China Real Estate High Yield Index is up by almost 80% since its low point in Q4 2023.

On the other hand, there have also been several new and more supportive factors in place for China equities over last year. A key change has been a shift in government policy. Overall, the key long-term policy objective of developing a future growth model based on technology-intensive manufacturing has not changed.

However, economic momentum last year weakened significantly, putting the longer-term goals at risk. And this prompted an important course correction towards a more pro-growth policy setting. We expect policy support will need to be further strengthened during H2 to achieve the 5% gross domestic product (GDP) target.

Linked to this has been a renewed focus on the private sector. The high-profile symposium chaired by President Xi Jinping earlier this year and attended by China's highest-profile business leaders, including Alibaba founder Jack Ma, sends a clear policy signal in our view.

Indeed, it has been notable how there has been a marked recovery in the share price performance of private/non-state-owned companies year to date. An initial catalyst was the moment when an emerging Chinese startup launched an open-sourced artificial intelligence (AI) model, which illustrated how China's technological progress is far more advanced than previously understood. While some people remain locked into the idea that China is at best an imitator of technology rather than an original creator, in our view the reality is different. We anticipate the technology and innovation theme will continue to be a feature of China equities.

Further support for markets has come from a structural improvement in the liquidity environment, especially in China A-shares. Previously, a heavy supply of equity in the form of initial public offerings (IPOs) and secondary issuance had been a big weight on the market. This has been significantly reduced due to regulatory changes. Conversely, there has been a meaningful pick-up in both dividend payments and share buybacks.

Overall, our view is that these factors which have contributed to a more positive market environment are still in place. Combined with attractive valuations, we believe there should be ongoing support for China equities. In addition, the government's commitment to providing direct support for domestic equities during periods of higher volatility also provides downside support.

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

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

Portfolio activity in June was focused on adding selectively to Technology-related and Health Care stocks. In particular, we identified several names that had pulled back during the period of tariff-induced weakness, but where we see growth opportunities related to AI demand as well as China's ongoing push for self-sufficiency. This included areas such as optical transceivers and power supply to data centres.

At month end, the Fund has around 35% in China A-shares. The portfolio continues to have relatively close-to-benchmark sector allocations, so that stock selection remains the key relative performance driver. At month end, the largest sector overweight is Information Technology (+3.8%), while the largest underweight is Communication Services (-4.4%).

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

Market Review

Global equities delivered solid gains in June, with the S&P 500 and the Nasdaq Composite hitting fresh all-time highs. US-China trade relations improved, as the two countries agreed on a framework to implement the consensus reached last month in Geneva. Trade talks with other countries remain underway and reports suggest many can be completed in July. Despite escalating tensions between Israel and Iran that ended with US air strikes on Iran nuclear facilities, the subsequent ceasefire helped investor sentiment towards the end of the month.

The US Federal Reserve (Fed) maintained its wait-and-see approach, holding benchmark lending rates steady for the fourth consecutive meeting, given the continued uncertainty surrounding the economy and inflation. US recessionary risks abated in June, with the Federal Reserve Bank of Atlanta's GDPNow running estimate indicating solid economic growth for Q2. Non-farm payrolls rose by 139,000 in May, exceeding expectations. The unemployment rate remained unchanged at 4.2%. The European Central Bank (ECB) cut its key interest rate by 25 basis points (bp) to 2.0% as inflation continues to stabilise. Meanwhile, Bank of England, Bank of Japan and People's Bank of China kept rates on hold at their respective meetings during the month.

June was a volatile month for oil prices, with Brent crude falling back early in the month on increased Organization of the Petroleum Exporting Countries Plus (OPEC+) supply. The commodity subsequently rallied on the rapid escalation of geopolitical tensions in the Middle East. Oil prices briefly surged to a five-month high after the US launched a series of strikes on Iranian nuclear facilities amid fears that Tehran could retaliate by blocking the Strait of Hormuz, a major shipping lane for around one-fifth of global oil supplies. However, prices eased on news of Iran's restrained response and reports of a ceasefire between Iran and Israel, ending the month below USD 67/bbl.

From a sector perspective for the MSCI All Country World Index, the Information Technology sector was the strongest performer amid growing optimism on the ongoing artificial intelligence (AI) data centre buildout. Communication Services sector was another outperformer. Consumer Staples and Real Estate were laggards over the month.

From a sector perspective, Information Technology and Consumer Staples were the largest contributors, while Consumer Discretionary and health care were slightly offsetting. AI-related stocks continued their recovery that started in April as trade tensions eased. The AI Infrastructure theme was the strongest performer on continued optimism surrounding AI data centre investments. Although AI-enabled industries generated positive absolute returns, the theme underperformed the blended benchmark as non-Technology sectors broadly lagged over the month. AI Applications also underperformed as a few names reported earnings that missed expectations.

Contributors

The top contributor over the period was a leading electronics manufacturing services company. The company's connectivity and cloud solutions (CCS) segment serves the communications, enterprise, and cloud hyperscale end-markets. Shares were higher as business momentum improved for the company and the backdrop for AI data centre investments continues to strengthen. The company remains a beneficiary of an AI infrastructure build out from hyperscale cloud customers. Demand for its advanced networking hardware and storage solutions should benefit from this multi-year investment cycle.

Oracle Corp. provides enterprise software and services, and also operates Oracle Cloud Infrastructure (OCI), a rapidly growing hyperscale platform designed to deliver cost-effective, high-performance solutions for AI workloads. Shares were higher as Oracle delivered strong earnings results and as management provided positive outlook commentary for bookings, cloud and OCI growth that were well above expectations. We continue to believe Oracle is well positioned to capitalise on the healthy demand backdrop for AI workloads, as the OCI business has a rapidly growing pipeline of large deals. This includes the US Stargate initiative, a potential source for further upside.

Detractors

Our position in electric vehicle (EV) producer Tesla, Inc. was the top relative detractor over the period. The stock underperformed as delivery trends softened in Europe. However, Tesla's recent successful global production changeover to the new Model Y should support a recovery in deliveries. 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. The recent Robotaxi launch represents a step forward towards Tesla's longer-term ambitions.

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

Another detractor on a relative basis was NVIDIA Corp. Although the stock was a meaningful position in the Fund, it was a relative underweight in the blended benchmark, which had an average weight of 11.6% during the quarter versus the Fund's average allocation of 8.4%. Shares were higher over the period as NVIDIA continues to execute on the production ramp of the new Blackwell GPU product. The strengthening AI data centre spending backdrop was also constructive for investor sentiment. We still favour the company as one piece of a diversified exposure to the AI infrastructure opportunity. Cloud hyperscalers continue to add AI compute capacity to meet large, unmet customer demand, while enterprises are also building out their own AI training capabilities to create new business applications and enhance employee productivity.

New Buys and Sells

We initiated a position in a global technology leader specialising in networking hardware, software, telecommunications equipment, and cybersecurity solutions as the company is seeing improving growth trends in its AI networking solutions, which is a critical component for AI data centres. The company also benefits from AI by delivering more intelligent, automated, and secure solutions, which strengthens its competitive edge in enterprise markets.

Another new purchase was a diversified semiconductor company that supplies smart embedded chips across a wide range of end market applications. The company has developed microcontrollers that allows for programmable memory and other integrated circuits. The company's microcontrollers are key inputs across trends that include 5G, internet of things, advanced driver assistance systems, and AI.

There were no complete sells during the period.

Market Outlook

We continue to maintain a positive long-term outlook for equities, but markets may undergo short periods of volatility. A more complicated policy backdrop can contribute to potential risks of inflation and slower economic growth. For now, equity markets have been on a recovery path since 9 April 2025, when President Trump announced a 90-day pause on higher reciprocal tariffs. We believe the recovery of AI-related stocks could continue with a more benign policy environment and re-acceleration in earnings.

The outlook across the AI ecosystem remains healthy. From Q1 earnings results, management across AI-related companies generally had constructive commentaries on business trends despite tariff uncertainties and progress with AI projects. The landscape also got 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.

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

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

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 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.

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

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

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

Market Review

Asia Pacific equities rose in June, even as geopolitical jitters continued to linger in the background. South Korea was the strongest market, boosted by post-election reform optimism after the new president was inaugurated. A rally in global Technology stocks also buoyed the market as well as leading to gains in Taiwan. Chinese equities recovered from a sharp selloff in reaction to the "Liberation Day" tariff announcements. June saw a rebound, with the market benefitted from an easing in trade tensions, with the US and China agreeing a "framework" to implement the consensus reached in Geneva.

In Japan, the market closed modestly higher despite protracted trade talks between Tokyo and Washington. Trump's tariffs are already having an impact, with Japanese exports falling by 1.7% in May compared with the same period last year. Core inflation rose to 3.7%, driven higher by surging rice prices. Prime Minister Shigeru Ishiba has promised a slew of measures to ease voter dissatisfaction about soaring food prices and low wage growth. Meanwhile, ASEAN equities generally fell as investors rotated into safe-haven assets amid soaring tensions in the Middle East. In Thailand, the index hit a 5-year low amid political turmoil as the country's Constitutional Court suspended the prime minister.

The Fund outperformed the benchmark in June. Stock selection in the Information Technology and Health Care sectors was particularly beneficial, with names from a broad base of geographies – Japan, China, Korea, Taiwan, and Australia – being key contributors. A baseboard management control supplier from Taiwan was a particularly strong performer. This business plays a significant role in the global artificial intelligence (AI) supply chain, especially given its relationships with hyperscalers and dedicated enterprise customers. Korean Tech names were also strong during the month, represented across both memory names and digital applications for social messaging and entertainment.

Conversely, a global logistics and freight management business headquartered in New Zealand has been a detractor. We have held this stock in the portfolio for more than a decade and continue to believe it is an exceptionally well-managed business with a highly competitive service and customer-focused culture. The share price has traded sideways for most of the last year in the face of headwinds from slower global growth projections.

Given the high level of market and macro uncertainty, particularly as countries across Asia reassess their relationships with the US, we had built a buffer earlier in the year by raising cash and adding to fixed income. During June, we deployed some of the cash to take advantage of specific stock opportunities. As an example, we initiated new ideas in the areas of semiconductor equipment testing, luxury postpartum care, and a producer of thermal control components primarily used in areas such as electric vehicles (EVs) and also increasingly in humanoid robots.

Since last year, we have increased the portfolio exposure to China. This is partly a reflection of improved valuations as well as increasingly supportive government policy action. The announcement of an open-sourced 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 Health Care companies.

Conversely, we have significantly reduced the allocation to Taiwan from 24% at the beginning of the year to 11% at the end of June. There are signs of weakening demand for certain Technology companies, related in part to the fast-moving changes in AI-related developments. In Japan, we continue to focus on stocks where we see potential for enhanced shareholder returns and an improved earnings outlook as a result of governance reforms and a more inflationary environment. Many of these names sit in the Industrials and Financials sectors.

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

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

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

Market Outlook

Overall, we are quite cautious about the near-term outlook for regional equities. Global trade developments, especially the ongoing decoupling of the US and China, are likely to result in 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 quarterly guidance.

Offsetting this to some degree is a weaker US dollar, which has led to relative appreciation among many regional currencies and provides Asian central banks with scope to lower interest rates. In China, we anticipate there will be more decisive 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 in June, even as geopolitical jitters continued to linger in the background. South Korea was the strongest market, boosted by post-election reform optimism after the new president was inaugurated. A rally in global Technology stocks also buoyed the market as well as leading to gains in Taiwan. Chinese equities recovered from a sharp selloff in reaction to the "Liberation Day" tariff announcements to also record gains over the period. May and June saw a rebound, with the market benefitted from an easing in trade tensions, with the US and China agreeing a "framework" to implement the consensus reached in Geneva.

Indian equities also finished the month moderately higher. June delivered a series of favourable developments including softer inflation data, quarterly gross domestic product (GDP) growth at 7.4% year-on-year (above consensus expectations of 6.8%), a deeper-than-expected 50 basis point (50 bps) cut to the repo rate, and a 100 bps reduction in the cash reserve ratio (CRR). Meanwhile, ASEAN equities generally fell as investors rotated into safe-haven assets amid soaring tensions in the Middle East. In Thailand, the index hit a 5-year low amid political turmoil as the country's constitutional court suspended the prime minister.

From a market perspective, stock selection in Korea and Hong Kong/China was a source of relative contribution, while selection effects in the Philippines and Malaysia detracted. At the sector level, selection effects in Financials and Industrials were positive, balanced by weaker picks in Communication Services and Health Care.

At a stock level, a top contributor in June was a Korean cosmetics manufacturer. The stock was added to the portfolio in May and has benefitted from strength in the overall Korean equity market and also strong quarterly earnings. We see the company as a category leader in the K-beauty industry with significant scope to gain market share due to its ability to offer competitive quality products at affordable prices. Its deep client relationships and large-scale production capabilities also lead to high switching costs for customers.

Conversely, a key detractor was a Chinese biotechnology company specialising in skincare, especially in the area of bioactive ingredients. The company is particularly known for pioneering recombinant collagen-based skin products, which are sold across China and increasingly abroad. Despite our favourable longer-term view of the business, recent negative publicity is hurting sales performance and may pressure the share price in the near future, so we decided to exit the position.

During the month, in China we selectively added a commodities trading platform and a state-backed property developer, while reducing some of our Consumer Discretionary exposure. In Korea, we entered an automotive components supplier and a general insurer.

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

Market Outlook

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

Offsetting this to some degree is a weaker US dollar, which has led to relative appreciation among many regional currencies and provides Asian central banks with scope to lower interest rates. In China, we think there will be more decisive policies 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

In June, global equities, convertibles, and corporate bonds all finished higher on easing geopolitical tensions, further clarity around trade, and US economic resiliency. Inflation measures subsided, wage growth exceeded expectations, and employment data surprised to the upside, while consumer confidence fell, and key manufacturing and services surveys showed contraction. The US Federal Reserve (Fed) kept interest rates steady and continued to project two cuts by year-end. Against this backdrop, the 10-year US Treasury yield fell to 4.23% in the month.

In this environment, key markets were higher:

- Global equity markets, as measured by the MSCI World Index, returned +4.35%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +3.71%.**
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +2.26%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +1.89%.^

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

Top contributors in June were driven by renewed optimism around the artificial intelligence (AI) buildout, following management guidance around capital expenditure (capex) and infrastructure spending during Q2 earnings season.

Beneficiaries comprised several semiconductor companies, including Nvidia, as well as hyperscalers such as Meta, Microsoft, and Amazon. JP Morgan Chase and a payments company both gained on perceived benefits from a new regulatory framework around cryptocurrency. Other top contributors were a property and casualty insurance provider that had a successful initial public offering (IPO), and an aerospace manufacturer rallied on expectations of increased spending targets abroad.

Top detractors in the period included an electric vehicle manufacturer that was negatively impacted by the possible elimination of tax credits. Several apparel producers declined on potential tariff impacts, and a logistics software provider missed on both top- and bottom-line results. A consumer finance company fell on concerns related to changing legislation, and a digital infrastructure platform detracted after guiding for higher-than-expected annual capex. Other top detractors for the period were a telecommunications operator, a pharmaceutical developer, and multiple insurance providers.

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

Market Outlook

Despite a strong recovery in risk assets, the macroeconomic outlook remains clouded given uncertainty around trade, monetary policy, government spending and geopolitics. On the other hand, economic data has been resilient, trade tensions while elevated have stabilised, earnings tailwinds have begun to emerge, Fed commentary has been less hawkish, capital market activity has been healthy, interest rates have fallen, and energy prices have declined.

Outside of the US, monetary and fiscal policy stimulus measures could help to stabilise the global economy. The US economy should expand in 2025, even with tariffs potentially hampering growth. Trade policy clarity could begin to improve and as the range of outcomes narrow, uncertainty should lessen, and spending, investment, hiring, and mergers and acquisitions (M&A) activity can resume. Further out, fiscal stimulus, deregulation measures, capex tailwinds, productivity gains, and a reindustrialisation movement are potential growth drivers.

A resumption of monetary policy easing – currently, the market is pricing in two 25-basis point (25-bps) interest rate cuts in 2025 – would closer align the Fed with accommodation by central banks overseas. Early signs of labour market softening or minimal tariff price pass through could pull forward rate cuts, while steady employment or higher inflation could cause the Fed to move later.

Global large-cap equities have recovered this year's losses as odds of a recession and global shock receded and Q1 earnings results came in better than expected. Market tailwinds include subdued investor sentiment and positioning, dollar weakness, lower oil prices, and a decline in interest rates, among other potential catalysts. The impact of tariffs remains a headwind, and valuations will continue to be debated. Ultimately, any change on the margin around expectations for corporate earnings, management outlooks and the economy will determine the direction of the stock market over the remainder of the year.

For Allianz Life Global Income Fund:

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

Global convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class may outperform the broad equity market if volatility continues. USD 100-120 billion of new issuance# is now expected in 2025 due to coupon savings demand and elevated refinancing needs. Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

The global high yield market, yielding more than 7%^, could deliver a coupon-like return in 2025. As a result, the asset class continues to offer equity-like returns but with less volatility. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are stable, near-term refinancing obligations remain low, and management teams continue to exercise balance sheet discipline. In this environment, new issuance is expected to remain steady, and the default rate should stay below the historical average of 3-4%.

Global investment grade corporate bond's risk/reward opportunity is compelling. Rising interest rates are a risk for high grade corporates, however the investment opportunity remains attractive given higher coupons and yields, and a positive fundamental outlook with limited default risk. The asset class trades at a discount to par, offering compelling total return potential and downside cushioning. If the 10-year US Treasury yield finishes 2025 near the lower bound of the expected range of 3.5-4.5%, the asset class return could exceed mid-single digits.

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

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

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

All data are sourced from Allianz Global Investors dated 30 June 2025 unless otherwise stated.

* Source: MSCI, as at 30 June 2025

^ Source: Bloomberg, as at 30 June 2025

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

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

Source: BofA Research, as at 30 June 2025

Target Fund Manager's Comment (For Allianz Thematica)

Market Review and Outlook

Global equities closed June higher as “tariff fatigue” took hold after months of heightened volatility. However, as Sino-American trade relations thawed, mounting geopolitical tensions in the Middle East moved sharply into focus. Shares sold off on news of Israeli strikes against Iran with oil prices spiking on fears of supply risks. But the risk-on mood returned as oil prices slumped after Tehran’s restrained response to US strikes paved the way for a de-escalation in tensions and a ceasefire between Israel and Iran appeared to take hold.

In currency markets, the US dollar extended its decline for most of June, hitting its lowest level in more than three years after President Trump announced that he would be writing to trading partners to outline new tariff rates after the current 90-day pause on reciprocal tariffs expires on 9 July.

De-escalating fears of a global trade war and soaring geopolitical tensions in the Middle East dominated the headlines for most of June. In monetary policy news, the ECB cut its key interest rate by 25 basis points (bps) to 2.0% amid increasing deflationary pressures on the back of President Donald Trump’s erratic trade policy.

Brent crude falling back early in the month on increased supply from the Organisation of the Petroleum Exporting Countries Plus (OPEC+) before soaring because of the rapid escalation of geopolitical tensions in the Middle East. Oil prices briefly surged to a 5-month high of USD 80 per barrel after the US launched a series of strikes on Iranian nuclear facilities amid fears that Tehran could retaliate by blocking the Strait of Hormuz. However, prices eased on news of Iran’s restrained response and reports of a ceasefire between Iran and Israel, ending the month below USD 67 a barrel.

The Fund returned positively (in EUR, gross of fees) in June. Theme and stock selection had both positive effect to the overall results. The exposure to Intelligent Machines as well as Digital Finance resulted positively as those themes benefitted from the strong recovery among technology-driven sectors.

On the other hand, the exposure to Generation Wellbeing and Clean Water and Land slightly detracted. A producer of flavours and fragrances struggled as investor sentiment dimmed over weakening consumer demand. Jefferies downgraded the stock to “underperform”, citing slower growth in pet-food ingredients and uncertainty under new management, prompting profit-taking. A provider of precision motion solutions saw a sharp decline after missing profit expectations, despite adequate revenues. Softening order intake – especially from Europe and China – plus hefty valuation levels unsettled shareholders. A mining company dipped mid-June following its demerger and share consolidation. This structural change, coupled with pressure from lower commodity prices and muted trading volume, dragged on the stock.

On the other hand, Advantest performed well after announcing a share buyback and offering stock-based rewards to its management team. This move showed strong confidence in its future and reassured investors about its growth in the semiconductor testing space. A financial services company saw a big boost after launching tokenised US stocks and exchange-traded funds (ETFs) for European customers. This new feature, along with expanded crypto offerings and artificial intelligence (AI) tools, attracted more users and renewed retail investor interest. An online platform for buying, selling, transferring, and storing cryptocurrency jumped sharply after US lawmakers passed clear crypto rules (the GENIUS Act). Strong institutional growth and positive analyst upgrades added to investor excitement.

The structural underweight to the Magnificent Seven* has been a burden. The underweight to traditional banks has pressured performance slightly as those companies are not suitable for the Fund. Given the recently increased beta and the focus on growth-related equities, the Fund continues to benefit from the current recovery.

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

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

Market Review

Despite soft economic data and heightened geopolitical tensions, risk assets managed to perform well in June, as equities climbed and credit spreads tightened. The U.S. labour market remained stable, with the unemployment rate steady at 4.2% and the economy adding 144k jobs in May, surpassing the forecast of 130k jobs. The annual inflation rate in the U.S. rose for the first time in four months to 2.4% in May, but below expectations of a 2.5% rise. In the Euro Area, the annual inflation rate fell to a cooler-than-expected 1.9%, below the ECB's target. At the same time, in the U.K., the annual inflation rate also edged down to 3.4% in May 2025 from 3.5% in April, in line with expectations.

In fixed income markets, developed market sovereign yields were mixed in June, while credit markets remained buoyant with spreads across most sectors narrowing. Against this backdrop, the U.S. 10-year Treasury yield fell 17 bps to 4.23% as markets pulled forward rate cut expectations. The U.K. 10-year gilt yield fell 16 bps to 4.49%, while the German 10-year Bund yield rose 11 bps to 2.61%. Meanwhile, the yield on the Japanese 10-year government bond fell by 7 bps to 1.43% as the Bank of Japan kept interest rates unchanged and signalled a cautious stance on shrinking its balance sheet, reaffirming a gradual approach to policy normalization.

In equity markets, despite an interim bout of volatility, U.S. stocks extended their rally, with the S&P 500 returning +5.1%, as the index closed the month at a new all-time high. Stocks were bolstered by trade agreements, notably with China, and easing geopolitical tensions amid the Israel-Iran ceasefire. Within credit, U.S. investment grade spreads tightened 6 bps to 86 bps, while Euro investment grade spreads tightened 7 bps to 91 bps. Meanwhile, U.S. high yield spreads tightened 36 bps to 296 bps, while Euro high yield spreads tightened 15 bps to 321 bps.

During the month, the PIMCO GIS Income Fund returned 2.03% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '25 performance to 5.36%.

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

Market Review and Outlook

Market:

- In June 2025, global equities performed strongly, with the S&P 500 up +5.1%, the Dow Jones gaining +4.5%, and the Nasdaq rising +6.7%. This performance was driven by investor optimism during the month on the back of easing trade tensions and positive earnings reports broadly.
- European equities also posted positive gains as the MSCI Europe Index rose +2.1%, led by energy and utilities equities, while consumer staples names lagged.
- Emerging markets equities rose strongly, with the MSCI Emerging Markets Index up +6.0%. South Korea, Turkey, and Taiwan were notable countries leading the way for monthly performance.
- Sector performance was broadly positive, with all sectors except for consumer staples posting gains over the month. Information technology, communication services, and energy were the largest beneficiaries over the month.
- Macro data showed a mixed picture with moderating inflation and resilient labour markets combined with uncertainty around interest rate trajectories, particularly from the US Fed.
- Overall, June closed with renewed investor confidence, though macroeconomic and geopolitical risks remain firmly on the radar.

Stocks:

- Not holding a position in GSK was the top contributor to relative performance over the month. The British pharmaceuticals company's stock fell as Most Favoured Nation policies introduced uncertainty across the broader industry.
- An overweight position in Medtronic also contributed to relative returns. The company experienced strong performance during the month as new product potential improved investor sentiment.
- Elsewhere, an underweight position in Eli Lilly was the largest detractor to relative returns over the period. The company performed well and continued to benefit from strong demand and increasing competitiveness in the GLP-1 drug offering.
- An overweight position in AstraZeneca was another detractor from relative performance. The pharmaceuticals company struggled over the month as Most Favoured Nation policies created broad-based uncertainty in the industry.

Changes:

- During the month, we significantly adjusted positioning within the pharmaceuticals subsector. We increased exposure to pharmaceuticals companies with improved risk reward profiles following earlier sharp sell-offs and added to others where we expect solid fundamentals to drive returns. Conversely, we reduced portfolio exposure to pharmaceutical companies facing upcoming patent expirations that raised concerns over product pipelines, as well as those with negative pipeline developments. Additionally, we took profits from select health care equipment companies.

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

Key Positioning & Outlook:

- Despite a relatively strong start to the year for the healthcare sector, we continue to expect a high degree of stock dispersion in the sector driven by increasing scientific innovation, emerging technologies and policy shifts underscoring a flexible approach to investing across the sector while emphasising scientific attributes at the company level.
- The tariff landscape remains fluid, and we continue to monitor developments closely. From a sector perspective, healthcare is not immune, but it may be less affected than others. Its defensiveness stems from non-discretionary demand—healthcare consumption typically holds steady even during periods of economic stress.
- While certain healthcare industries may see continued volatility under the new federal government leadership, change is unlikely to be immediate or unilateral. With a more stable earnings profile and valuations trading below long-term averages we see a favourable risk-reward profile for the sector.
- Over the long-term, secular drivers for the sector remain in place; firstly, aging demographics in both developed and developing countries and secondly, innovation in medical science and technology. The combination of these secular trends, with favourable valuation creates an attractive long-term investment opportunity.

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

Market Review and Outlook

Market Review:

Q2 was one of the most turbulent quarters in recent memory, though asset performance painted a picture of strong performance when viewed over the period in aggregate. The quarter began with sharp volatility after the US announced sweeping reciprocal tariffs, far exceeding expectations. Markets reacted violently, with equities and long-term bonds both selling off sharply. However, sentiment quickly reversed after President Trump introduced a 90-day delay for non-retaliating countries, helping restore calm. Added to this, economic growth and inflation data remained benign.

Concerns around US fiscal policy grew, particularly after a credit rating downgrade and renewed efforts to extend previous tax cuts, which contributed to rising long-term yields. Geopolitical risks also flared, most notably in June, when tensions between Israel and Iran escalated sharply before ultimately easing with the announcement of a ceasefire.

Equity markets recovered strongly from the initial tariff-induced shock. US equities advanced to new record highs, while emerging markets outperformed amid improving sentiment around China. European and Japanese equity markets also gained ground, as investors took comfort in the avoidance of more severe economic outcomes related to US trade policy and geopolitical tensions.

In fixed income, government bond performance was mixed. Although overall returns remained positive, long-dated US Treasury yields moved higher amid persistent fiscal concerns and the downgrade in the country's credit rating. European sovereign bonds performed more strongly, particularly in peripheral markets such as Italy, where spreads narrowed to their tightest levels in over a decade. Credit markets also posted solid gains, supported by firm risk appetite and limited evidence of deterioration in corporate fundamentals. High yield credit, in particular, benefited from the broader rally in risk assets and a supportive inflation environment.

The US dollar continued to weaken significantly, marking one of its worst first-half performances in decades. This supported gains in precious metals which posted strong returns. Oil prices were volatile, spiking briefly on geopolitical tensions between Israel and Iran, but ultimately ended lower as those tensions eased and a ceasefire was reached.

Performance:

The ESG Multi-Asset fund delivered positive returns over the quarter showcasing the fund's ability to navigate more turbulent markets through a strong focus on diversification and flexible asset allocation. Developed Market Equities were the key contributors, with allocations to Emerging Market Equities, Corporate Credit, and Listed Alternatives also adding value. On the other hand, Government Bonds and Commodities detracted from returns.

Within Developed Market Equities, active managers added positive absolute returns and significantly outperformed their global equity opportunity sets. The Systematic Active Equity strategy, which forms the bedrock of our equity allocation, continued its positive active performance trajectory and it was pleasing to see the Global Unconstrained Equity strategy recover strongly over the quarter following a more challenged period. Thematic Equity baskets also contributed positively in aggregate with our Enterprise Tech and Mega-Cap Tech baskets proving to be the most notable contributors. Contrarily, the now closed Global Brands basket detracted in the face of trade policy uncertainty and weakening consumer sentiment early in the quarter. Macro asset allocation calls also added to returns, with key positive highlights including tactical downside protection on German equities during April and the tactical addition later in the period to broad emerging market equities via futures.

In Fixed Income, the allocation to Investment Grade Credit and to High Yield via active strategies managed by the BlackRock Global Fixed Income team provided positive returns. Contrarily, Government Bonds detracted from returns due primarily to the underperformance of the Sovereign Credit Default Swap, a tail risk strategy expected to outperform in a prolonged and significant period of global geopolitical risk.

Elsewhere, despite positive spot price moves for Gold and Silver, our precious metals exposure detracted due to adverse currency effects from the weakening U.S. dollar. Listed Alternatives were a notable positive contributor to the portfolio, driven by ongoing consolidation in the UK Investment Trust sector. Given the high quality of the assets and the discounted share prices, we expect this recovery to continue and provide a diversified source of returns for our clients.

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

Positioning:

We actively managed the fund's asset allocation throughout the quarter to navigate market volatility, maintaining flexibility but avoiding major changes in April due to the unpredictability of US trade policy developments. We slightly reduced equity exposure early in the period focusing on sectors vulnerable to tariffs and monetised protection strategies. Profitable trades included the VIX call spread, DAX put protection, and precious metals, which we exited following a period of strong momentum and as prices diverged from fundamentals.

Mid-quarter, we added back to equity risk, especially in the US and emerging markets, and re-entered precious metals through a Gold Miners ESG basket, noticing a decoupling between gold prices and the performance of miner companies.

In fixed income, we continued to express a preference for corporate credit over government bonds given the resilient economic growth backdrop and the uplift in yield. We maintained a cautious stance on duration exposures but reflected a more positive view as the quarter progressed. We made tactical adjustments to reflect regional divergences in monetary policy. Ongoing fiscal and inflationary pressures underpinned our cautious outlook on longer duration US bond yields. As the ECB approached the end of its cutting cycle in June in contrast to the Federal Reserve that remains on hold, we reduced the preference for European duration by taking profits on our European 10s30s steepener following a sharp rally in 10-year German Bund yields relative to the 30-year.

We revisited long-term themes, closing the Global Brands Equity Basket due to deglobalization risks and consolidated our tech exposure into a single basket focused on resilient AI software over hardware. Elsewhere, we implemented a bespoke Sustainable Energy basket. The less punitive language in the initial draft of the Inflation Reduction Act, combined with the severe pullback in the sector from a share price perspective over recent years, creates what we see as a highly attractive entry point in an unloved but structurally important theme. At the same time, we exited our European Reconstruction Equity Basket as the near-term outlook for resolution in the Russia/Ukraine conflict continued to deteriorate. Given the limited visibility on near-term catalysts, we prefer to redeploy capital into higher conviction opportunities whilst continuing to monitor the developments closely.

Finally, we implemented a VIX hedge ahead of anticipated summer volatility driven by events such as the FOMC decisions, tariff negotiations, and progress on the US tax bill. Seasonally, volatility tends to spike during the summer months, and we viewed this as a cost-effective way to insulate portfolios against potential drawdowns over this period. In FX, we maintained a cautious stance on the US dollar, seeking positive carry in higher-yielding emerging market currencies amid the ongoing de-dollarization trend.

Market Outlook:

Economic growth data, inflation and geopolitics are likely to continue to drive volatility in markets through the second half of 2025. Despite ongoing concerns around inflation and geopolitics, macroeconomic conditions remain stable, particularly in the US, where consumer strength and corporate earnings remains robust. Europe appears sluggish by comparison, with improved sentiment weighed down by limited policy flexibility and an expected slow pace of implementation of growth generating initiatives, particularly in areas such as increased defence spending.

We continue to hold a constructive view on equities, with a preference for the US over Europe. The Magnificent 7 have delivered strong earnings and are demonstrating meaningful and sustainable productivity gains through advancements in AI and automation. Robotics is also emerging as a compelling long-term structural theme. While we remain mindful of potential policy risks, we believe the overall environment remains supportive for US equities. In contrast, with European equities having already outperformed this year, further upside looks limited without a clear macroeconomic catalyst.

The investment case within Emerging Markets remains compelling. Local currency debt offers attractive carry opportunities supported by relatively strong fundamentals, dovish policy settings, and undervalued exchange rates. We expect a weaker US dollar to be a tailwind for the asset class. Equity valuations across EM remain relatively cheaper than in developed markets, though regional differentiation is key: China stands out as a potential underperformer in H2, with early-year strength likely driven by pre-tariff front-loading rather than sustainable demand.

For Allianz Life ESG-Integrated Multi-Asset Fund:

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

We maintain a neutral stance on duration. Although markets continue to price in meaningful rate cuts from the Federal Reserve, we believe these expectations may be overly optimistic given the continued strength of the US economy. In our view, the likelihood of a significant repricing of the Fed's path in 2025 remains low, particularly as the potential for a dovish Fed Chair successor come into sharper focus. In Europe, while the ECB is expected to maintain a more accommodative stance, its capacity to ease further appears limited.

We remain negative on the US dollar, reinforcing our preference for emerging market local currency assets. We continue to favour gold as a diversifier, though we manage this exposure tactically after a strong rally in the first half of the year. Heightened geopolitical fragmentation continues to pose a risk and may contribute to intermittent spikes in volatility. In this environment, dynamic portfolio management and a clear focus on risk management remain critical.

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

Market Review

In June, equities, convertibles, and high yield all finished higher on easing geopolitical tensions, further clarity around trade, and US economic resiliency. Inflation measures subsided, wage growth exceeded expectations, and employment data surprised to the upside, while consumer confidence fell, and key manufacturing and services surveys showed contraction. The US Federal Reserve (Fed) kept interest rates steady and continued to project two cuts by year-end. Against this backdrop, the 10-year US Treasury yield fell to 4.23% in the month.

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

Top contributors in June were driven by renewed optimism around the artificial intelligence (AI) buildout, following management guidance around capital expenditure (capex) and infrastructure spending during Q2 earnings season. Beneficiaries comprised several semiconductor companies, including Nvidia and Broadcom, as well as hyperscalers such as Microsoft, Meta, and Amazon. The other top contributors were a major bank and a financial exchange operator, both of which stand to benefit from a new regulatory framework around cryptocurrency.

Top detractors in the period included multiple electric vehicle manufacturers that were negatively impacted by the potential elimination of tax credits. Potential regulatory headwinds hampered a major utility operator, while a waste collection company declined alongside industry peers. A payments company fell on concerns related to changing legislation, and a digital infrastructure platform detracted after guiding for higher-than-expected annual capex. Other top detractors for the period were a big-box retailer and multiple insurance providers.

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

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

Market Outlook

Despite a strong recovery in risk assets, the macroeconomic outlook remains clouded given uncertainty around trade, monetary policy, government spending and geopolitics. On the other hand, economic data has been resilient, trade tensions while elevated have stabilised, earnings tailwinds have begun to emerge, Fed commentary has been less hawkish, capital market activity has been healthy, interest rates have fallen and energy prices have declined.

The US economy should expand in 2025, even with tariffs potentially hampering growth. Trade policy clarity could begin to improve and as the range of outcomes narrow, uncertainty should lessen, and spending, investment, hiring, and mergers and acquisitions (M&A) activity can resume. Further out, fiscal stimulus, deregulation measures, capex tailwinds, productivity gains, and a reindustrialisation movement are potential growth drivers.

A resumption of monetary policy easing – currently, the market is pricing in two 25-bps interest rate cuts in 2025 – would closer align the Fed with accommodation by central banks overseas. Early signs of labour market softening or minimal tariff price pass-through could pull forward rate cuts, while steady employment or higher inflation could cause the Fed to move later.

US large-cap equities have recovered this year's losses as odds of a recession and global shock receded and Q1 earnings results came in better than expected. Market tailwinds include subdued investor sentiment and positioning, dollar weakness, lower oil prices, and a decline in interest rates, among other potential catalysts. The impact of tariffs remains a headwind, and valuations will continue to be debated. Ultimately, any change on the margin around expectations for corporate earnings, management outlooks and the economy will determine the direction of the stock market over the remainder of the year.

US convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class may outperform the broad equity market if volatility continues. USD 75-80 billion# of new issuance is now expected in 2025 due to coupon savings demand and elevated refinancing needs. Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

For Allianz Life Income and Growth Fund:

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

The US high yield market, yielding more than 7%^{^^}, could deliver a coupon-like return in 2025. As a result, the asset class continues to offer equity-like returns but with less volatility. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are stable, near-term refinancing obligations remain low, and management teams continue to exercise balance sheet discipline. In this environment, new issuance is expected to remain steady, and the default rate should stay below the historical average of 3-4%.

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

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

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

For Allianz Life Global Unconstrained Equity Fund:

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

Market Review and Outlook (Apr - Jun 2025)

(Target Fund Manager only produces commentaries on quarterly basis)

Market Review:

Markets crashed at the start of April as investors were negatively surprised by the President Trump's "Liberation Day" tariff announcements. Despite this, the MSCI World Index returned to new all-time highs in June, highlighting the extent of volatility over the quarter. A strong Q1 earnings season and a pause in the implementation of many US tariffs to allow more time for negotiation reassured the market even as geopolitical events in the Middle East escalated.

Following a period of outperformance in Q1, Europe's advance stalled in Q2, as the corporate result season once again demonstrated superior aggregate earnings trend in the US. This was linked to a strong return to favour for the information technology sector. Earlier fears of a slowdown in artificial intelligence investment eased off, while sectors facing a more difficult outlook in the new policy environment, most notably healthcare stocks, lagged the wider market. Sectors commonly viewed as "safe havens"¹ including consumer staples, real estate, telecoms and legacy utilities also underperformed as the market rallied and sentiment turned risk on, and we maintain that they offer little to get excited about by way of long-term earnings growth.

The market rebound and reversal in leadership from Q1 is an important reminder of the need to stay both fundamentally focused and long-term when investing in equity markets. While macro narratives can be persuasive at any given point in time, their durability is dependent on the manifestation of real-world evidence to back them up. Frequently, in a world of ever more information being spread at ever faster speeds, these narratives foreshadow a reality that does not come to pass, creating significant whipsaw risk. It is why our process relies on building a world view from a mosaic of insights gathered at the company level. It allows us to judge what is actually happening to supply and demand trends, and thus the wider economy, in a way which is frequently different from those deploying other approaches.

Outlook:

We remain optimistic in our outlook. Employment trends remain strong, consumers are continuing to spend and corporates are continuing to invest. Tariffs pose an ongoing threat to inflation and corporate profitability in some sectors, but we believe they will be manageable at an aggregate level. We continue to think stock selectivity will be key: growth remains modest across the economy and relatively concentrated in certain areas.

The US government's fiscal position is something we continue to monitor. This has been running at a deficit for many years but may deteriorate further with the plans outlined in the Administrations "Big Beautiful Bill". Although concerning, such imbalances only become problematic when people stop being willing to fund them, and we see no signs of material stress in bond markets today.

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

Market Review and Outlook

Performance Overview:

- The BGF World Technology Fund returned +9.9% in June (A2 share class in USD, net of fees), outperforming its benchmark, the MSCI ACWI Information Technology 10/40 Index, which returned +9.5%.

Market:

- In June 2025, global equities delivered strong gains, with the S&P 500 up 5.0%, the Dow Jones gaining 4.3%, and the Nasdaq soaring 6.6%, driven by resilient labour markets, easing trade tensions and robust earnings.
- European equities remained mostly flat following a strong performance in the prior month, the FTSE 100 and Euronext 100 up +0.1% and down -0.7%, respectively.
- In Asia, the Shanghai index was up 2.9% while the Nikkei gained 6.6%, largely due to a weakening dollar and improving global market sentiment.
- Sector performance was predominantly positive, with 10 out of the 11 global equity sectors up over the month, information technology, communication services and energy sectors led all others while consumer staples lagged.
- Macro data showed a mixed picture with moderating inflation and resilient labour markets combined with uncertainty around interest rate trajectories, particularly from the US Fed.
- Geopolitics remained a key source of volatility. The 90-day tariff pause between the US and China in May provided short term relief but left lingering uncertainty over future trade policy.
- Overall, June closed with renewed investor confidence, though macroeconomic and geopolitical risks remain firmly on the radar.

Sectors:

- Apple introduced several AI-driven features at its Worldwide Developers Conference, including opening its ~3-billionparameter on-device large language model to third-party developers, live voicemail transcription, call screening, and real time translation of phone calls.
- Google launched a premium "AI Ultra Plan" subscription at \$250/month, offering advanced AI tools like Project Mariner (AI browser automation) and Deep Think (enhanced reasoning AI). Google also expanded its Gemini 2.5 AI model family and introduced Gemini CLI, an open-source AI agent for developers.
- Amazon announced deploying over 1 million industrial mobile robots enhanced with new AI foundation models to improve efficiency and smart operations across its logistics network.
- Meta aggressively recruited over a dozen top AI researchers from OpenAI, offering unprecedented compensation packages reportedly worth up to \$300 million over four years, as part of its push to strengthen AI capabilities.
- NVIDIA hit an all-time high market cap of \$3.92 trillion making it the most valuable company in human history.

Key Positioning & Outlook:

- The technology sector rebounded strongly in Q2 2025, as macroeconomic concerns eased and AI-driven earnings accelerated. While some uncertainty remains around global tariffs and geopolitical conflicts, these issues are increasingly viewed as manageable for leading tech firms. The sector's underlying fundamentals remain robust, supported by multi-year secular growth trends in AI, cloud, and quantum computing.
- The recent market recovery has reaffirmed the value of high-quality AI enablers and application leaders. We are selectively adding to companies with proven AI monetization strategies and durable competitive moats, particularly where valuations remain attractive relative to long-term growth prospects.

For Allianz Life World Technology Fund:

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

- The current AI infrastructure cycle is being driven by both the rollout of next-generation Blackwell-class GPUs and a significant ramp-up in compute capacity by hyperscalers and sovereign governments alike. National AI and cloud initiatives are now matching or exceeding the scale of traditional hyperscaler investments, fueling robust demand for advanced semiconductors, networking, and supporting technologies, while also accelerating the development of regional supply chains.
- AI, cloud computing, and quantum computing continue to anchor our core holdings. The current environment of renewed optimism and selective volatility provides a constructive backdrop for active stock selection, as the AI infrastructure buildout and expanding technology moats are expected to drive sustained outperformance.
- The global technology sector is dominated by a small group of increasingly diversified mega-caps, but the Team believes that there are increasing opportunities in the vast number of companies not captured in the large behemoths of the space. The winners of tomorrow are unlikely to be the winners of today. The Fund is currently investing in mainly small and mid-cap companies, which provide more pure-play exposure into the emerging technologies than the sector's mega-caps.

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

Market Review

Equity Market:

- The MSCI ACWI Index closed June with a 4.5% gain, supported by ongoing trade negotiations, and indications from the Trump administration that the July 9 tariff pause expiration may be extended. In the U.S., the S&P 500 finished the month up 5.1%, bolstered by trade agreements, notably with China, and easing geopolitical tensions amid the Israel-Iran ceasefire. European equities¹ declined 1.3% in June despite strong 2025 YTD performance, due to ongoing conflict in the middle east and an EU-US trade deal that has yet to be reached.
- Emerging market equities² rose 6.0% in June, supported by a positive backdrop that includes the U.S. Dollar's continued weakening. South Korea's KOSPI Index³ gained 13.9%, as political uncertainty eased with the election of a new administration following the former President's impeachment, along with a rebound in semiconductor exports. Chinese equities⁴ rose 3.3%, supported by progress in US-China trade agreements, including the resolution of shipping issues involving rare earth minerals and magnets to the US—an obstacle that had previously stalled the deal reached in May.

Bond Market:

- Developed market sovereign bond yields were broadly lower in June in response to softer-than-expected inflation reports and dovish central bank rhetoric. The U.S. 10-year Treasury yield fell 17 bps to 4.23%. While Chair Powell and other Fed Governors continued to emphasize comfort in the Fed's current policy stance, some members indicated a potential to resume cutting in the near term. The U.K. 10-year gilt yield fell 16 bps to 4.49%. The German 10-year Bund yield rose 11 bps to 2.61%, showing continued effects of fiscal expansion. Amid the BOJ holding rates steady, the 10-year JGB yield fell 7 bps to 1.43%.
- Global IG credit posted positive returns for the month, outperforming like-duration government bonds by 0.9%, as spreads tightened in June. Global HY delivered positive returns across quality segments, supported by improving technicals, solid Q1 earnings results, and declining recession risks as risk assets continued to rally.
- Agency MBS⁵ delivered positive returns in June, outperforming like-duration Treasuries as MBS spreads continued their recovery amid strong fixed income flows.

Market Outlook

We anticipate slower US growth and a softening labor market in the second half of 2025. While we expect tariffs to remain a key driver of the global macro environment, we also anticipate US tax cuts and deregulation may help offset some of the economic drag. A weakening labor market may allow the Fed to eventually return to rate cuts in the latter half of the year. In developed ex-US economies, we expect continued soft growth, inflation coming closer to targets, and monetary policy moving towards neutral levels.

Within fixed income, we continue to prefer US front-end and intermediate rates, which are poised to benefit in an environment of slowing growth and a weakening labor market while remaining more insulated from the deficit-related concerns driving the term premium higher in the long-end of the curve. Accordingly, we maintain a steepening bias in the US as well as in the Eurozone amid expectations for rising fiscal deficits. We continue to see value in select developed ex-US rates, such as the U.K. and Australia.

Given continued upside risks to inflation over the cyclical horizon, we favor inflation linked bonds, namely US TIPS exposure, as a reasonably priced hedge against possible near-term reheating in inflation arising from trade policy. We maintain a preference for up-in-quality securitized credit exposure. We continue to be constructive on well-seasoned, legacy non-Agency MBS, which exhibit significant embedded home price appreciation and strong fundamentals. Similarly, we prefer agency MBS, especially exposure to the higher end of the coupon stack, as agencies' "risk-free" spreads remain relatively attractive versus risky corporate credit.

For Allianz Life Global Balanced Income and Growth Fund:

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

Despite continued Trump administration tariff risk, softer expected macro data, and weaker summer seasonality, we believe the benign but still positive growth backdrop can buoy global equities over the cyclical horizon. We have conviction in PIMCO's global, systematic approach to equity investing, which offers diversified exposure to multiple robust equity factors linked to long-term excess return potential. Amid persistent global uncertainty, we continue to emphasize global diversification with a focus on high-quality exposures and appropriate risk-scaling.

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