

Market Review and Outlook

August 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

The MSCI World Index continued its upward trajectory in August 2025, gaining +2.5% mom. In the US, the Dow Jones index rose +3.2% mom, while the broader S&P 500 index increased +1.9% mom. The Dow Jones index joined in to post its first and second new closing highs of the year (45,757.84 intraday high and 45,636.90 closing high) while the S&P 500 index continued its upward trend by posting five new closing highs for the month. Strong corporate earnings was major reason for the new highs as both earnings and sales were set to post new quarterly records, even as corporations absorbed the larger part of the tariff costs. July's retail sales rose by +0.5% mom, below the forecasts of +0.6% mom as well as prior month's revised gain of +0.9% mom. Meanwhile, the S&P Global US Composite Purchasing Managers Index (PMI) fell to 54.6 in August from 55.1 in July.

In Europe, the Stoxx 50 index inched up +0.6% mom as the HCOB Eurozone Manufacturing PMI increased to 50.7 in August compared to 49.8 in the previous month. The Eurozone unemployment rate was down from 6.3% in June to 6.2% in July while Eurozone Core CPI also was unchanged at 2.3% yoy in August.

Over in China, its Shanghai Composite index continued to surge by +8.0% mom, up for 4 months consecutively, fuelled in part by receding trade tensions with the U.S. This is despite retail sales YTD falling to +4.8% yoy in July, as compared to +5.0% yoy in June. Consumer prices index (CPI) was lower at 0.0% yoy in July, as compared to +0.1% yoy in the previous month. The RatingDog China PMI Manufacturing grew to 50.5 in August, higher than the 49.5 in July. The People's Bank of China maintained key lending rates unchanged in August, with the one – year loan prime rate (LPR) at 3.0% and the five-year LPR at 3.5%.

During the month under review, Brent crude oil price fell 6.1% mom to USD68.12/bbl as traders digested weaker demand in the US and an autumn supply boost from OPEC and its allies. Meanwhile, crude palm oil (CPO) price was up +3.2% mom to RM4308/MT in August due to tightening supply and strong demand from India and Pakistan. Malaysian stockpiles dropped 18% in July, while El Niño continued to pressure production across Indonesia, particularly in Sumatra and Kalimantan. India and Pakistan drove demand, increasing palm oil imports by 22% and 18% yoy as of July, respectively.

Turning to the ASEAN region, the Stock Exchange of Thailand fell 0.5% mom despite a higher S&P Global Manufacturing PMI reading of 52.7 in August, as compared to 51.9 in the previous month. Its Business Sentiment Index also rose to 47.5 in August, as compared to 45.8 in July. Meanwhile, Indonesia's Jakarta Composite Index surged +4.6% mom in August due to a higher S&P Global Manufacturing PMI reading of 51.5 in August, as compared to 49.2 in the previous month. However, export sales slowed to +9.9% yoy in July, as compared to +11.3% yoy in June. Bank Indonesia's also cut interest rate by 25 bps to 5.0% at its August 2025 meeting. In Singapore, its Straits Times Index rose +2.3% mom, despite its non – oil domestic exports plunging by -4.6% yoy in July, as compared to a gain of +13.0% yoy in June. Its industrial production was maintained in July at +7.1% yoy. On a yoy basis, retail sales surged 4.8% in July, as compared to a +2.4% yoy increase in June. On the home front, the FBMKLCI

gained +4.1% mom due to a higher industrial production reading of +3.0% yoy in June, as compared to +0.3% yoy in the previous month. Its S&P Global Manufacturing PMI was also slightly higher at 49.9 in August, as compared to 49.7 in July.

US Treasury (UST) yields were lower by 3 – 32 bps mom except for the 30 years UST which went higher by 3bps mom. The rally came with rising expectations that the Fed will cut rates as soon as September premised on the weaker employment data, mild inflation and actions by the White House to appoint new central – bank policymakers who are more inclined towards an easing monetary policy. Payroll in July rose by +73k mom (Survey: +105k mom, June revised: +14k mom) following downward revisions of nearly 260k for the previous two months. Over the last three months, employment growth has averaged a mere 35k, marking the lowest level since the pandemic, indicating that the labor market is decelerating. Despite Trump's tariffs, CPI for the month of June stayed at +2.7% yoy (Survey: +2.8% yoy, June: +2.7% yoy), raising speculation for a potential September rate cut. In the Jackson Hole annual conference, Fed Chair Powell cautiously indicated the possibility of an interest rate cut in September as he highlighted growing risks to the labor market despite ongoing concerns about inflation. Fed fund futures as of end – Aug now indicate an implied rate cut of 56 bps by year – end compared to 33 bps as of end – July.

Malaysian Government Securities (MGS) yields were lower by 2 – 11 bps mom except for the 10 years MGS which went higher by 2 bps mom. Malaysia's GDP for 2Q 2025 grew by +4.4% yoy (Survey: +4.5% yoy, 1Q 2025: +4.4% yoy). Despite the slight miss against estimates, Bank Negara Malaysia (BNM) expressed confidence that the economy is robust enough to withstand the anticipated export slowdown caused by US tariffs. BNM Governor Abdul Rasheed Ghaffour stated that the economy "continues to be stable" and that the recent interest rate cut will offer "further support". July CPI rose +1.2% yoy (Survey: +1.2% yoy, June: +1.1% yoy). The slight uptick was primarily to an increase in insurance premiums and higher costs for restaurant and accommodation cost.

Foreign funds turned net buyers in August with net inflows of RM3.0b (July: RM5.5b outflows). The foreign share of MGS lowered marginally to 33.4% (July: 33.5%) while the foreign share of MGS+MGII increased to 21.3% (July: 21.1%). Malaysia's foreign reserves rose by USD1.4b to USD122.7b as of end – August (July: USD121.3b).

Market Outlook

On the global front, investors would keep an eye on any tariff developments as well as economic reports leading up to the Federal Reserve meeting in mid September. On the local front, we believe that investors would continue to monitor the effects of the 13th Malaysia Plan, as well as the recent government policy moves, such as the RM100 cash handout and the promise to lower fuel prices.

Amidst the current volatile markets, we remain cautious and will focus into 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.

In US, markets have priced in two rate cuts for the rest of 2025 with the first in September now almost fully priced in. Fed Chair Powell speech at Jackson Hole mentions that the shifting balance of risks may warrant adjusting the stance of monetary policy.

Locally, the 25 bps rate cut in July was viewed by markets as a one – off pre – emptive decision and that the Overnight Policy Rate (OPR) would be maintained for the rest of the year. Monetary Policy Committee (MPC) highlighted that resilient domestic demand and expansion of investment activities will continue to support Malaysia's growth. Inflation is expected to remain moderate into 2026. Although BNM downgraded its growth forecast range slightly from "4.5% – 5.5%" to "4% – 4.8%", it still looked decent in this challenging external environment. The next signpost to watch is Budget 2026, which is set to be delivered on 10 October. All said, bond volatility will remain as markets remain wary of the economic conditions amid the trade uncertainties over future tariff rates or deadlines for additional tariffs, combined with rising geopolitical tensions and increased risk aversion. 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?

- August was a strong month for global equity markets where the Fund could perform better than its benchmark. This can be attributed to trend-following investment styles like Momentum and Earnings Revisions.

What hurt?

- Stocks with high dividend stability and defensive characteristics lagged global equity markets.

Market Review

Global equities moved higher in August. Stocks rebounded from losses on the first day of the month as President Trump's postponed "Liberation Day" tariffs came into effect. While Russian forces stepped up the offensive in eastern Ukraine, market sentiment was lifted by dovish commentary from US Federal Reserve (Fed) Chair Jerome Powell at the Jackson Hole annual symposium. These fuelled expectations of a rate cut at the US central bank's September meeting and unleashed a global equity rally. During August, Materials, Health Care and Communication Services were the strongest sectors in the MSCI All Country World Index, while Utilities and Industrials were weakest.

US equities had a bumpy start to the month, with the S&P 500 Index recording its worst day since May as President Trump's postponed "Liberation Day" tariffs came into effect on 1 August. Renewed accusations of political interference also weighed on sentiment as President Trump renewed his hostile campaign against the Fed and fired Bureau of Labour Statistics Commissioner Erika McEntarfer following the publication of disappointing jobs data. However, US stocks recovered to close the month modestly higher, boosted by rising hopes of a September rate cut.

European equities moved slightly higher in August but underperformed the global index as investors cautiously awaited the outcome of a series of high-level meetings to discuss the future of Russia's war in Ukraine. Intensifying political turmoil in Paris also undermined sentiment towards month-end. Ballooning French national debt and budget deficit levels prompted French Prime Minister François Bayrou to call a parliamentary vote of confidence in early September. The CAC 40 Index plummeted, driven lower by French banks and insurers, after the three major opposition parties vowed to vote against the proposed slew of budget cuts, which includes the contentious cancellation of two public holidays.

Market Outlook

We forecast a global economic slowdown for H2, mainly as a consequence of US tariff policies. At the same time, a soft landing in the US is still our baseline scenario, as the US economy will be supported by productivity gains related to the use of artificial intelligence (AI) and a generally high willingness to invest. Moreover, the Fed might reduce its target rate during the remainder of the year. In the European Union (EU), fiscal policy stimulus might counteract structural growth weaknesses. The Chinese government looks set to adopt stimulus measures, too. Nevertheless, increased uncertainty might weigh on investors' risk appetite. In combination with the fact that some equity valuations are no longer cheap, this development might make the markets vulnerable to setbacks in the short term. Investors should be prepared for more volatility and select their investments carefully. The environment is difficult to navigate, and developments in the individual sectors and regions look set to diverge considerably. Against this background, we believe that it is useful to take an active investment approach based on long-term fundamentals.

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

Market Review

Asia Pacific ex Japan equities rose in August tracking the broader global rally after US Federal Reserve (Fed) Chair Jerome Powell's dovish commentary at Jackson Hole. China markets had another good month, supported by easing trade tensions with the US and rising retail investor activities. Australian equities posted a modest gain in August. On the other hand, South Korean and Taiwan equities lagged in August, as concerns over overheated artificial intelligence (AI) rally began to grow. India was also notably weaker during the month with sentiment being impacted by Trump's 50% tariff announcement. Elsewhere, ASEAN equities also closed the month higher, with Singapore being the strongest performer, benefitting from the market's perceived safe-haven status.

For fixed income, August saw notable volatility in US Treasury yields, with the 10-year yield peaking at 4.33% before retracing to 4.23%, marking a modest month-on-month decline of 4 basis points (bps). Despite mixed economic data, the market found support as US Federal Reserve (Fed) Chair Jerome Powell signalled at Jackson Hole that the Fed could begin easing monetary policy as early as September. This was further boosted by the 90-day extension of the Sino-American trade truce. However, sentiment was occasionally unsettled by headlines suggesting the White House's attempts to influence Fed policy direction. Asia credit mirrored this volatility, with spreads widening early in the month before tightening towards month-end. A key highlight was the upgrade of India's sovereign rating by S&P from BBB- to BBB, which provided a tailwind to Indian credit spreads. The JACI Composite Index delivered a solid 1.2% return, with 0.9% attributed to rates and 0.3% to spread compression. Investment grade (IG) credits matched this performance, while high yield (HY) outperformed with a 1.5% return, supported by a 20-bps tightening in spreads to 492 bps – now below the 500-bps threshold. This continued strength sets a positive tone as we enter September.

The Fund's return was positive in USD terms in August.

In the equity portfolio, the top contributor was Tencent Holdings, the leading internet gaming and social media company in China. The stock rallied strongly after the company announced a strong set of quarterly results, particularly in gaming, reflecting successful AI integration across its business segments. Share price momentum was further supported by renewed global optimism around AI-related demand both domestically and overseas.

On the negative side, the top detractor came from an Australia-listed cloud-based software solution company focused on the logistics industry. The trigger for the recent share price pullback was due to disappointing full-year results and cautious guidance. This raised concerns over elevated execution risks from the company and uncertainties around its monetisation strategy amid a pricing model switch.

The asset allocation at the end of the month was 69.6% invested in Asian equities and 30.8% in Asian fixed income.

During the month, the key portfolio activity for the equity sleeve was focused on adding high dividend-paying companies across the region. For example, we initiated a position in an Australian property group which manages office, industrial and retail properties, with a dividend yield of more than 5%. On the other hand, we exited position in a major telecommunication company in Philippines, and Australia's largest general insurance company.

Within the fixed income portfolio, we lowered our portfolio risk level by moving up the credit curve and increasing allocation to IG bonds. Also, we remained active in the primary market to capture the new issue premium.

At the end of the month, we held 62 equities and 60 fixed income securities. The equity portfolio yield was 3.3% (based on forward 12-month estimates), and the average fixed income coupon was 5.8% with an average credit rating of BB+ and average duration of 2.4 years.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

Market Outlook

Overall, we are quite cautious on the near-term outlook for regional equities. Global trade developments such as higher tariff rates are likely to result in weaker growth. As well as putting pressure on corporate earnings, the visibility of growth is also reduced with some companies declining to provide their usual guidance. Offsetting this to some degree is lower inflation across most Asian markets. Combined with the weaker US dollar this year, there is flexibility for Asian central banks to lower interest rates. In China, we anticipate there will be further policy support in order to achieve the annual economic growth target.

On the fixed income side, as we enter September, investor caution persists, with many awaiting new issue concessions before deploying capital. While upcoming supply may temporarily shift focus from the secondary market, it is unlikely to trigger significant repricing. Market momentum should remain intact. Political headlines continue to fluctuate, particularly around the Trump administration's attempts to influence Fed policy. Despite tight spreads, we remain bullish on Asia credit. IG yields at greater than 5% are historically attractive, and fundamentals remain solid. S&P's positive rating actions on India have tightened benchmark names, with potential spillover to off-benchmark credits. Recent corporate earnings indicate stable to improving profitability and reduced leverage across sectors. With strong technicals and attractive all-in yields, we maintain a constructive view on Asia credit, with a slight preference for HY over IG. Carry and security selection are expected to be key performance drivers.

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

Market Review

Sukuk Market Review

In August, the yields were in range bound as the market was pulled in two different directions between resilient domestic demand and mounting global macroeconomic pressures. Benchmark 10-year MGS yield closed at 3.39% as of end August, showing a slight increase of 2bps over the month. Some profit-taking activities towards the last week of the month and new supply weighed on the curve, despite lower UST yields and a steady USDMYR. The muted interest in MGS & GII auctions during the month, adds to signs of softening demand heading into 4Q25, given the absence of new catalysts to motivate markets to raise positioning in an already strong bond year, and competing supply from high-grade PDS tends to be slightly backloaded. On the currency front, MYR remains one of the top performers in the ASEAN year-to-date, appreciating around 6.2%. In the month of Aug, MYR appreciated around 1.3% and saw some swings as USD generally weakened in Aug.

Equity Market Review

Global equity markets broadly rose during the month on higher probability of a Fed rate cuts amidst the negative payroll revisions, subsequently was reinforced by the Fed Chair's speech at Jackson Hole. Tariff related news flows also helped, with the US tariff cuts (e.g. 19% from 25% for Malaysia) effective 7 Aug and the 90-days US-China trade truce extension until 10 Nov 2025.

The KLCI was up 4.1% for the month to 1,575 pts was also lifted driven by domestic sentiment following the 13th Malaysia plan and topping it off with a decent 2Q corporate earnings results. Within the sub-indices, construction, technology and the financials were the main gainers while healthcare, REITs, and telecommunication were at the bottom. For individual stocks, Sime Darby, CIMB, Petronas Chemicals, and 99 Speedmart were top gainers while Axiata, MrDIY, and CelcomDigi were the top losers. Sime Darby earnings were above expectations, with margins expanding and UMW showing good strength. Petronas Chemical fell in loss territory, but stock climbed driven mainly by China's anti-involution. In commodities, industrial metals gained 2.8% while precious metals gold gained 4.8%. Oil prices were however lower with Brent crude sliding 6.1%.

Within local markets, the month that was earnings season, had decent showing. Positively, we had come to understand that generally corporates during briefings were more optimistic on the later part of the year with a more upbeat guidance in earnings. Having said that, investors have thus far punished stocks that have announced poor showing, except for certain sectors that were more forgiving such as the technology stocks, with emphasis on the outlook rather than results. On the other hand, telecommunication did post decent earnings but have instead underperformed, likely due to the overhang over DNB.

In foreign flows, Malaysia had the 2nd largest net outflow this year amounting RM3.4bn which brings the year-to-date net selling of RM16.5bn (US\$3.7bn) while the foreign shareholdings have fell to a record low of 18.8%. Similarly, Thailand and Philippines had net foreign selling of US\$556m and US\$687m respectively. In contrast, Indonesia had a positive net foreign inflow of US\$538bn.

Elsewhere, in macroeconomics, Malaysia's GDP came in slightly below at +4.4% (consensus: +4.5%). BNM had downgraded, early, full-year growth estimates to 4.0%-4.8% from 4.5%-5.5% on account of heightened trade concerns with the new range incorporating the various tariff implications. However, BNM did acknowledge that the uncertainty with this regard "will take time to fully materialize". On the same topic, the US semiconductor tariff seems to be the next hurdle. Semis make up 44.1% of Malaysia's total exports to the US in 2024 and any significant increase in tariffs would invariably affect the sector given it has been a key growth driver. As it stands, the sectoral tariffs and reciprocal tariffs (to 19% from 10% effective 7 August) in addition to front-loading is expected to affect the trajectory for at least in the 2H2025. We do expect domestic centric sectors should remain resilient helped by policy support and the resilient labour market to buffer the external factors.

Regionally, in local currency terms, Indonesia was the best former with a 4.6%, followed by Malaysia's 4.1%. Singapore was the only other gainer in the region with an increase of 2.3%. Philippines and Thailand declined 1.6% and 0.5% respectively. In currencies, the USD fell, as the DXY was down 2.2%. The Peso outperformed gaining 2.0%, followed by the Baht and the Ringgit which gained 0.9% and 0.9% respectively. IDR depreciated by 0.2%.

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. 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

Just as we have thought the trade saga is now behind us, there are renewed drama in Washington. On 29th August, the US Court of Appeals for the Federal Circuit has found that the tariffs under IEEPA are illegal and have indicated to be removed by October. The case however is expected to reach the Supreme Court sometime in early 2026. Judging by how the markets have reacted seems to suggest that market participants have not priced in any change of the status quo (tariffs are a permanent feature in US administration). This is likely since the Supreme Court is likely to be on the side of the Trump administration, given the previous rulings. In any case, this at the very least has brought some semblance of certainty to the region. There is still of point divergence in the rates across the countries which may have implications for the competitiveness for exporting similar goods to the US. As at writing, China tariff rates are currently at 30% highest relative to neighbouring countries. This implies that China exporters are at a disadvantage which lends to the idea that trade circumvention within Asean are likely to continue. We do, however, think that investors are now desensitised to trade noises and are now looking ahead for catalysts, with the most imminent, the quarterly earnings season. A poor 1H local equity performance, market participants will be hard pressed to deliver return, and we think selected sectors or stocks with earnings visibility are likely to rewarded with better share price performance. With this, we anticipate a "narrow" trading market which we think could be in sectors such as construction (continued orderbook expansion), utilities (renewables and rising capex) as well as REIT (lower interest rate environment).

In the near-term and in the local market context, as we go through September, which is historically a weaker month, as it has only seen a monthly gain in one during the month in the past 10 years. On average, September has declined 2.2% over that period and fell 1.1% over the past 47 years. The month will also see the MPC on 4th September and the FOMC meeting on the 16-17th September with market expectations of a 25bps cut. We should also see potential announcements on the rollout of RON95 fuel subsidy rationalisation by end of September and the release of the Automatic Fuel Adjustment values for electricity.

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

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

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

Market Review

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

At a stock level, a key contributor last month was Eoptolink Technology. The company makes high speed optical transceivers which are an essential component for areas such as high-speed internet, cloud computing, and data centre communication. Eoptolink previously announced a set of strong quarterly results, well ahead of market expectations, buoyed by healthy artificial intelligence (AI)-related demand both in China and overseas.

Conversely, a detractor was China Construction Bank, one of the largest banks in China. Having previously been an outperformer, the Financials sector lagged last month with the market rotation into high growth areas. China Construction Bank remains one of our preferred bank stocks given its higher return on equity and stronger capital ratios compared to most peers. The high dividend yield should also support valuations.

Market Outlook

August was another good month for both onshore and offshore China equities. China A-shares were particularly strong with gains led by the Technology sector. Over the last 12 months, both China A- and H-shares have returned more than 40% in USD terms, a dramatic turnaround from the doldrums of previous years.

There have been a number of reasons for this turnaround. On the one hand, some factors that previously weighed heavily on markets have eased. Although China's housing market continues to be weak, for example, its impact on the country's financial markets has been lessening for some time. In the bond market, real estate indices bottomed out almost two years ago. It's taken a lot longer – and several false dawns – for confidence in equities to rebuild. But the breakout in recent weeks, supported by record trading volume, suggests that China equities have finally turned the corner.

Much of the recent equity market strength has been focused on the Tech sector. While the open-sourced AI model developed by an emerging Chinese startup was the high-profile catalyst earlier this year, the groundwork for China's AI surge has been laid for over a decade. In 2017, the government established AI as a national strategic focus, prioritising computing infrastructure, AI chips and cloud services.

Supported by a vast pool of STEM (science, technology, engineering and maths) talent, extensive data centre infrastructure, abundant and low-cost electricity, and substantial capital, China has brought together the ingredients for an AI boom. The recent news that the US revoked export curbs that required American companies to obtain licenses to provide chip design software to customers in China – as part of an agreement intended to ease trade tensions – has also provided a further boost to China's AI ambitions.

Linked to this, another catalyst for the positive market sentiment is related to geopolitics, and the turn of events since the US and China traded ever-higher tariff numbers post "Liberation Day". China's control of processed rare earth minerals has subsequently provided powerful negotiating leverage. For the time being, at least, US-China relations appear to have found a floor and previous concerns about a sharp slowdown in China's exports to the US have eased.

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

Bank deposits have been ballooning for several years reflecting the macro weakness, increased job uncertainty, and the decline in house prices. Households in China used to save around USD 1 trillion a year in aggregate, but that roughly doubled during and since COVID. As a result, there are around USD 7 trillion of "excess savings", about half the size of the China A-share market. With bond yields and deposit rates having fallen to significantly lower levels, this is leading to some reallocation from cash deposits into risk assets.

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

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

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

Portfolio activity was quite limited during the month. We had previously added to several names that had pulled back during the period of tariff-induced weakness earlier in the year, but where we saw growth opportunities related to AI demand as well as China's ongoing push for self-sufficiency. We also added to Health Care stocks in previous months, with a focus on the biotech space where out-licensing deals with global pharmaceutical companies have become an important new growth driver.

At month end, the Fund has around 40% in China A-shares. The portfolio continues to have relatively close-to-benchmark sector allocations, so that stock selection remains the key relative performance driver. At month end, the largest sector overweight is Information Technology (+4.5%), while the largest underweight is Communication Services (-4.1%).

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

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

Market Review

Global equities were broadly higher in August, with the MSCI All Country World Index (ACWI), S&P 500 and Nasdaq notching another consecutive monthly gain while setting fresh all-time highs. The Russell 2000 small cap index also had its best month since November 2024. Despite some initial growth concerns from a weaker-than-expected July non-farm payrolls, markets were supported by healthy corporate earnings, dovish US Federal Reserve (Fed) commentary, consumer resilience and narrowing trade uncertainties. There was a rotation into cyclicals, value and small caps in August, as growth-oriented names underwent some profit taking. From a sector perspective, for the MSCI ACWI, the Materials and Health Care sectors were the strongest performers. Utilities was the only sector to generate a negative return over the month.

US economic data was generally solid. Gross domestic product (GDP) growth for Q2 was upwardly revised to 3.3% on an annualised basis, and the Federal Reserve Bank of Atlanta's GDPNow running estimate signalled further growth for the current quarter. However, non-farm payrolls rose by just 73,000 in July, below estimates of 110,000, while the figures for May and June were downwardly revised lower. July consumer price index (CPI) services prices saw some reacceleration, but goods inflation was cooler than feared and core personal consumption expenditure (PCE) was in line with consensus. In monetary policy news, central bankers globally are continuing with their wait-and-see approach to monetary easing. The Bank of England (BoE) implemented a 25-basis point (25-bps) cut, taking the base rate to 4.0%. At the annual Jackson Hole Economic Policy Symposium, Jerome Powell's commentary was more dovish than expected. While policy is in restrictive territory, Chair Powell said that the shifting balance of risks warrant adjusting policy stance.

Oil prices eased in August, closing the month around USD 68 per barrel. Fears of an oil glut caused the first monthly decline since April as higher production from Organization of the Petroleum Exporting Countries Plus (OPEC+) countries coincided with weaker-than-expected demand. Gold prices remained elevated, closing August above USD 3,450 given a growing political pressure from the Trump administration on monetary policy and central banks diversifying their reserves that includes gold.

During the period, the Fund underperformed on both a gross- and net-of-fees basis versus the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). From a sector perspective, Communication Services and Information Technology were the largest detractors, while Financials were slightly offsetting. Although artificial intelligence (AI) related stocks mostly remained on their upward trajectory that started in April, the AI ecosystem lagged the broader equities this month as the market favoured value and cyclically oriented stocks. Among the three AI themes, AI applications were the weakest performer. More software companies are seeing some headwinds due to softer near-term demand trends, as customers evaluate new generative AI capabilities and potential transition from seat-based licensing to consumption-based pricing. AI infrastructure underperformed during the period, as our semiconductor holdings saw modest profit taking following a strong rally that began in April. Additionally, AI-enabled industries underwent a slight pullback primarily due to mixed earnings results from our Communication Services sector exposure.

Contributors

Microsoft Corp. is a leading software provider with a wide range of services that include operating systems, software applications, cloud computing, and security solutions. The underweight position represented a relative performance tailwind. Microsoft had an average 10.98% weight in the blended benchmark, while the Fund had an average exposure of 5.76%. Despite reporting strong earnings results supported by accelerating business trends, the stock experienced modest profit-taking following a strong rally in prior months.

Another contributor on a relative basis was Nvidia Corp. Although the stock was a meaningful position in the Fund, it was a relative underweight to the blended benchmark, which had an average weight of 13.16% versus the Fund's average allocation of 7.76%. Despite reporting solid earnings results, shares saw a modest pullback as the company's revenue guidance for Q3 was slightly below elevated investor expectations. Nvidia continues to execute on the production ramp of the new Blackwell graphics processing unit (GPU) product. We still favour the company as a core position within a diversified approach to the AI infrastructure opportunity.

Detractors

Our underweight position in technology hardware producer Apple Inc. was the top relative detractor due to its significant weighting in the custom benchmark. Apple had an average 10.07% weight in the benchmark, while the Fund had an average

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

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

exposure of 3.91%. Shares were higher during the period as the company announced a USD 100 billion investment in the US for the production of critical components to avoid tariffs.

Another detractor was an AI-powered technology platform that helps manage digital advertising campaigns. Shares underperformed as earnings results indicated that the company is growing slower than larger competitors, which include an ecommerce giant and Meta. The unexpected CFO transition also weighed on investor sentiment.

New Buys and Sells

Among our new purchases include a biopharmaceutical company focused on innovative medicines and therapies. The company integrated AI extensively across its operations to accelerate innovation and efficiency, including applications in drug discovery, improving drug development timelines, clinical trial optimisation and personalised medicine.

We initiated a position in a home improvement retailer at this time as we believe the company's business should improve as interest rates start to come down and as it sees more incremental efficiency gains from its growing use of AI. This includes a suite of generative AI tools to improve customer experience, dynamic pricing optimisation, marketing campaigns, and supply chain management and inventory forecasting.

We exited the position in the previously mentioned AI-powered technology platform after mixed earnings and guidance given the potential risk of increased competition and unexpected departure of the CFO.

We sold an online travel booking service as we continue to have concerns regarding China's consumer economy, which has faced economic headwinds. Separately, an ecommerce company's announcements of more aggressively targeting the China travel booking market complicates the competitive environment.

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

A more constructive backdrop is developing as we see a continued narrowing of trade and tariff outcomes as well as additional details on Trump's tax cuts and pro-business agenda. We believe the Trump administration wants the US to maintain its leadership in innovation and is focused on bringing more manufacturing back onshore. Moreover, the passage of the One Big Beautiful Bill Act should support US domestic investments by enhancing tax incentives for research and development activities as well as capital expenditures. In longer term, this should be supportive for the ongoing innovation cycle for AI.

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

From an innovation perspective, progress with AI development is accelerating as more powerful capabilities becomes readily available from the robust "phase one" infrastructure buildout. We are beginning to enter "phase two" where new generative AI use cases and application adoption drive significant benefits over the coming years. Our analysis suggests that investments in AI could lower the marginal costs of operations, much like the information technology (IT) revolution did. Furthermore, the advanced features of AI-enhanced products or services can drive new levels of productivity, cost savings and revenue opportunities across industries in "phase three". Given the transformative potential of AI investments, we believe profit margins may not simply hold steady but could in fact grow, supporting valuations for innovative companies that are investing

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

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

now to disrupt the status quo.

AI infrastructure: Spending on AI infrastructure should continue to be robust over the next several years as more powerful AI data centres are built around the globe. Nvidia's upcoming Blackwell AI chips provide up to a 30 times performance increase compared to the previous generation and more hyperscalers are designing custom AI chips to meet their unique specific needs. This is driving demand for new data centre architectures that can handle the higher power, cooling, space, and networking requirements. Overall demand for generative AI training remains durable as more companies across the ecosystem are rushing to build better foundational models or fine-tune other models. Growth in AI inference systems is also expanding to process and respond to new data in real-time and support applications that require low latency and high reliability at the edge of the network. Newer reasoning engines require more "think time" to yield better results, driving additional workload demand.

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

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

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

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

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

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

Market Review

Asia Pacific equities rose in August tracking the broader global rally after US Federal Reserve (Fed) Chair Jerome Powell's dovish commentary at Jackson Hole. China markets had another good month. Sentiment was boosted by easing trade tensions with the US. Another feature was the increased involvement of retail investors who have built up very significant levels of cash deposits in recent years. Australian stocks also posted gains. With Q2 headline inflation slowing to 2.1%, the Reserve Bank of Australia (RBA) cut its cash rate by 25 basis points (bps) to 3.60%. ASEAN equities also closed the month higher. Singapore was the strongest performer, benefitting from the market's perceived safe-haven status. India was notably weaker during the month with sentiment being impacted by Trump's 50% tariff announcement.

In Japan, the market delivered solid gains. Major indices touched fresh highs, buoyed by strong overseas interest and relief after the US and China agreed to extend their trade truce by a further 90 days. Beating expectations and defying earlier predictions that Japan was headed for a technical recession, the Japanese economy unexpectedly grew by 0.3% in Q2. Annual core inflation also continued to slow, cooling to 3.1% in July from the June figure of 3.3% as rice prices eased.

The Fund underperformed the benchmark in August. Stock selection in the Industrials sector was a key source of detractor, with some previous winners becoming vulnerable to profit-taking pressures. For example, a top detractor was a Korean industrial company that specialises in aerospace and is particularly known for its technological innovation. The company had benefitted throughout most of this year from improving sales and margins, and the sector as a whole has been a beneficiary of global geopolitical uncertainty. Despite the recent pullback, we believe this company is well-positioned given its expanded product range, which includes more eco-friendly products using electric engines and hydrogen fuel cells.

Conversely, a top contributor was a Chinese biotech name with several innovative drugs on its commercial platform that treat autoimmune diseases and cancer, with further drugs in various stages of its development pipeline. The share price rallied in August following positive Phase III trial results for an important new kidney damage product, as well as the announcement of a significant new licensing agreement for retinal diseases.

Earlier in the year, we raised cash levels and added to fixed income given the high level of market and macro uncertainty, especially related to geopolitics. We have since reduced this more defensive exposure to take advantage of specific stock opportunities. During August, for example, we continued to expand into new names in China including a biotechnology company specialising in precision oncology, and a smart home appliance maker best known for its robotic vacuum cleaners.

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

Conversely, we have significantly reduced the allocation to Taiwan from 24% at the beginning of the year to 12% at the end of August. Although AI names have staged a sharp rebound, we continue to see signs of weakening demand for certain Technology companies, related in part to the fast-moving changes in AI-related developments. In Japan, we are focused on stocks where we see potential for enhanced shareholder returns and an improved earnings outlook as a result of governance reforms and a more inflationary environment. Many of these names sit in the Industrials and Financials sectors.

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

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

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

Market Outlook

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

Offsetting this to some degree is lower inflation across most Asia Pacific markets. Combined with the weaker US dollar this year, there is flexibility for Asian central banks to lower interest rates. In China, we anticipate there will be further policy support in order to achieve the annual economic growth target. Structural drivers such as ongoing governance reforms also remain in place for a more positive longer-term outlook in Japan.

In this environment, we are looking for opportunities to add to stocks that have been overly punished in the market volatility, as well as potential beneficiaries of Asian domestic policy stimulus measures to offset the tariff impact. Companies with strong balance sheets, exposure to long-term structural trends, and a competitive edge remain in focus.

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

Market Review

Asia ex Japan equities rose in August tracking the broader global rally after US Federal Reserve (Fed) Chair Jerome Powell's dovish commentary at Jackson Hole. China markets had another good month. Sentiment was boosted by easing trade tensions with the US. Another feature was the increased involvement of retail investors who have built up very significant levels of cash deposits in recent years.

ASEAN equities also closed the month higher. Singapore was the strongest performer, benefitting from the market's perceived safe-haven status. India was notably weaker during the month with sentiment being impacted by Trump's 50% tariff announcement. In monetary policy news, the central banks of Thailand, the Philippines and Indonesia each implemented rate cuts of 25 basis points (bps) during the month.

The Fund outperformed the index in August. Stock selection in China was a key source of positive contribution, with Chinese Health Care and Ecommerce picks leading the gains. The Industrials sector was also a good pocket, with notable share price rallies in a mix of names related to thermal management, shipbuilding, and energy storage areas, for example.

At a stock level, a key contributor was a clinical-stage biopharmaceutical company specialising in the development of small molecule therapies for cancer. Its portfolio includes a number of promising candidates in clinical trials. The company announced a new licensing agreement with a US pharmaceutical company, which helped boost the share price.

Conversely, a detractor was HDFC Bank, one of India's largest private sector banks. The weaker share price was primarily the result of a technical adjustment linked to the bank's 1:1 bonus share issuance. We continue to view HDFC Bank as a well-managed business and a core portfolio holding.

During the month we selectively added several new names in China. This included Health Care exposure, as the Chinese biotech area has been recovering on the back of strategic partnerships with global pharmaceutical companies and a significant pipeline of new drug development. We also introduced a China auto dealership and a leading budget snack retailer.

At the market level, the portfolio is overweight in Taiwan and the Philippines. This is balanced out by an underweight position in India. At a sector level, Industrials, Health Care, and Information Technology are the primary overweight positions, while the Consumer Discretionary, Financials, and Materials are among the main underweights. Top names in the portfolio at month end included TSMC, Tencent, and Alibaba.

Market Outlook

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

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

In this environment, we are looking for opportunities to add to stocks that have been overly punished in the market volatility, as well as potential beneficiaries of Asian domestic policy stimulus measures to offset the tariff impact. Companies with strong balance sheets, exposure to long-term structural trends, and a competitive edge remain in focus.

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

Market Review

Global equities, convertible securities, and corporate bonds finished higher in August. Q2 earnings reports for S&P 500 companies continued to surpass top- and bottom-line estimates, with quarterly earnings growth pacing for low-double-digits (versus projections for mid-single-digits) with most constituents having reported. Economic data was mixed. The Federal Reserve Bank of Atlanta's Q3 gross domestic product (GDP) estimate moved higher, the consumer price index (CPI) was below consensus, and initial claims remained subdued, while manufacturing and services surveys missed estimates, the unemployment rate ticked higher, and retail sales decelerated. Global trade remains in focus with many companies citing tariff pressures, while the Trump administration indicated that most major deals will be finalised in the next few months. The US Federal Reserve (Fed) was a focal point in August with Chair Powell's Jackson Hole speech marking a significant shift in stance, further increasing market expectations for a rate cut in September. Against this backdrop, the 10-year Treasury yield fell 14 basis points (bps) to 4.22%.

In this environment, key markets were higher:

- Global equity markets, as measured by the MSCI World Index, returned +2.64%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +2.90%.**
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +1.48%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +1.45%.^

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

Top contributors in August were led by Apple on the back of strong quarterly results and Alphabet following the announcement of a key strategic partnership. A toy manufacturer reported strong margin expansion and a media conglomerate issued a favourable revenue growth forecast. A telecom provider reaffirmed full-year 2026 guidance and a biotech holding moved higher on strong clinical volumes. The other top contributors in the period were positions in electric vehicle manufacturing, aerospace, and banking.

A number of the top detractors were top contributors or had a positive impact on portfolio performance in July with most equities recording new year-to-date highs heading into August. Multiple semiconductor and related component companies, including Nvidia, and hyperscalers such as Microsoft, Meta, and Amazon, underperformed the broader market. The other top detractors were multiple software companies, an infrastructure developer, and a business analytics provider.

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

Market Outlook

Despite a strong recovery in risk assets, the macroeconomic outlook remains clouded given uncertainty around trade and monetary policy. On the other hand, economic data has been resilient, trade tensions while elevated have stabilised, earnings estimates appear to have inflected, the Fed's stance has shifted significantly, capital markets have been active, and government spending has emerged as a tailwind.

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, capital expenditure (capex) tailwinds, productivity gains, and a reindustrialisation movement are potential growth drivers.

A resumption of monetary policy easing – currently, the market is pricing in three 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 quarterly earnings results came in better than expected. Tailwinds include dollar weakness, lower oil prices, and falling interest rates, while tariffs remain a headwind, and valuations will continue to be debated. Ultimately, any change on the margin around

For Allianz Life Global Income Fund:

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

expectations for corporate earnings, management outlooks and the economy will determine the direction of the stock market over the remainder of the year.

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 expected in 2025 due to coupon savings demand and elevated refinancing needs. Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

The global high yield market, yielding nearly 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, spreads can stay tight, and the default rate should continue to reside below the historical average.

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

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

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

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

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

* Source: MSCI, as at 31 August 2025

^ Source: Bloomberg, as at 31 August 2025

** Source: BofA Merrill Lynch, as at 31 August 2025

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

Source: BofA Research, as at 31 August 2025

Target Fund Manager's Comment (For Allianz Thematica)

Market Review and Outlook

Global equities moved higher in August. Stocks rebounded from losses on the first day of the month as President Trump's postponed "Liberation Day" tariffs came into effect. While Russian forces stepped up the offensive in eastern Ukraine, market sentiment was lifted by dovish commentary from US Federal Reserve (Fed) Chair Jerome Powell at the Jackson Hole annual symposium. These fuelled expectations of a rate cut at the US central bank's September meeting and unleashed a global equity rally. During August, Materials, Health Care and Communication Services were the strongest sectors in the MSCI All Country World Index, while Utilities and Industrials were weakest.

The Fund lost slightly in value (in EUR) in August, underperforming the MSCI AC World Index. Both theme and stock selection weighed on results. Exposure to Infrastructure and Generation Wellbeing supported returns, while Intelligent Machines detracted.

The underweight to the index heavyweights (Magnificent 7*) has been a minor benefit over the course of August. Especially given the softer returns of a technology conglomerate and a graphics processing unit manufacturer. In August, a provider of infrastructure technologies for data centres underperformed as the broader Technology sector weakened and enthusiasm for artificial intelligence (AI)-related plays cooled, with investors likely taking profits after earlier strong gains in data-centre infrastructure. A semiconductor production equipment company also fell behind global markets after it sharply cut full-year guidance, citing weaker demand for semiconductor production equipment and missing earnings expectations. Meanwhile, a provider of electronic design automation software products lagged as ongoing regulatory uncertainties around US export controls weighed on sentiment, while delayed financial guidance and soft technical indicators further pressured the stock.

On the other hand, a company that offers back-up power solutions outperformed global equities after posting stronger-than-expected quarterly results, with earnings and revenue growth boosted by strategic partnerships, restored tax-credit eligibility, and raised analyst targets, which together lifted investor confidence. A pet healthcare innovation company also gained after reporting double-digit revenue growth and earnings that exceeded forecasts, prompting the company to raise its full-year guidance as demand for pet diagnostics and veterinary equipment remained resilient. Meanwhile, a manufacturer of stormwater and onsite septic wastewater solutions advanced on better-than-expected quarterly results, a new "Outperform" rating with notable upside, and improving technical momentum.

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

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

Market Review

Investor sentiment remained resilient in August, with most major asset classes posting positive returns. In terms of economic data, the U.S. labour market added an upwardly revised 79k jobs in July, below expectations of 110k, but up from June's revised 13k. In prices, the annual inflation rate in the U.S. remained steady at 2.7% in July, the same as June and below forecasts of 2.8%. In the Euro area, the annual inflation rate also remained steady at 2%, unchanged from June and slightly exceeding expectations of 1.9%. At the same time, the annual inflation rate in the UK jumped to 3.8% in July, the highest since January 2024 and up from 3.6% in June.

In fixed income, developed sovereign bond yields were mixed in August amid an environment of divergent political and economic conditions. Against this backdrop, U.S. 10-year Treasury yields fell 15 bps to 4.23% amid more dovish Fed signalling, softer labour market data, and a benign headline inflation print. In the U.K., the 10-year gilt yield rose 15 bps to 4.72%, driven by sticky inflation and investor concerns over the U.K.'s fiscal trajectory. In Germany, 10-year Bund yields rose 3 bps to 2.72% as preliminary estimates suggested that the German annual inflation rate increased to 2.2% in August, up from 2% in July.

Equities in developed markets saw broad gains, helped by strong corporate earnings in the U.S. and signals of a September Fed rate cut. In the US, the S&P 500 index maintained its upward momentum, gaining 2.0% over August despite intra-month volatility caused by downward revisions to prior non-farm payrolls and the release of an MIT report indicating that AI pilot programmes were not boosting corporate revenue growth. In emerging markets (EM), equities also rose in August, driven by increased inflows into EM currencies amid a weakening U.S. Dollar and a rebound in Asian Markets, specifically China. Within credit, U.S. investment grade spreads widened 1 bp to 80 bps, while Euro investment grade spreads widened 5 bps to 83 bps. Meanwhile, U.S. high yield spreads tightened 4 bps to 282 bps, while Euro high yield spreads widened 9 bps to 293 bps.

During the month, the PIMCO GIS Income Fund returned 1.57% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '25 performance to 7.07%.

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

Market Review and Outlook

Market:

- Global equities advanced again in August as breadth improved, the S&P 500 rose roughly +2.0% and notched five new 2025 all-time highs, while small caps led with the Russell 2000 up +7.1%. Elsewhere, MSCI EAFE gained +4.3% and MSCI EM +1.3%.
- Sector performance tilted away from megacap Tech with Materials (+5.8%) and Health Care (+5.4%) led, while Information Technology (+0.3%) lagged amid consolidation in AI leaders. Energy (+3.6%) and Communication Services (+3.6%) also outperformed.
- In August, small-cap stocks outpaced their large-cap peers, buoyed by resilient global activity data and, in the U.S., growing expectations of near-term rate cuts by the Federal Reserve. Meanwhile, value stocks outperformed growth, with the MSCI World Value Index exceeding the MSCI World Growth Index by 1.9%. This divergence was partly driven by underperformance in the technology sector, as investors grew more cautious about the near-term returns on AI-related investments.
- A more dovish Jackson Hole tone from Chair Powell lifted rate-cut expectations and helped the 10-year UST finish the month near 4.22% (4.36% in July), supporting investment-grade credit and duration.
- An appeals court declared reciprocal tariffs illegal but stayed enforcement to mid-October, tempering near-term escalation while keeping policy risk alive.

Stocks:

- An off-benchmark position in Rhythm Pharmaceuticals was the top contributor to relative performance for the month. The company's stock rose after releasing positive clinical data from its drug IMCIVREE, a medicine that helps control appetite.
- An underweight position in Vertex also contributed to relative returns, as the company's stock struggled after announcing plans to scrap development of an acute pain candidate.
- An underweight position in Eli Lilly was another contributor to relative performance. The pharmaceuticals company underperformed after reporting weaker-than-expected data on orforglipron.
- The largest detractor from relative performance was an underweight position in UnitedHealth, which saw its stock price spike following a large purchase from Berkshire Hathaway.
- An underweight position in Merck also detracted from returns, as the stock rose amid a broad market rotation into value equities.
- Lastly, an overweight position in Boston Scientific detracted from relative returns. The health care equipment company underperformed as growth equities struggled throughout the month.

Changes:

- During the month, the fund increased its exposure to the pharmaceuticals and health care providers & services subsectors, notably adding to positions in managed care companies. In contrast, the fund moderately reduced its exposure to medical devices & supplies companies. At the individual security level, the fund added to Johnson & Johnson, with the expectation of growth acceleration following patent expirations and new product introductions. Furthermore, the fund increased its exposure to Merck due to an improved valuation profile. Lastly, we initiated a position in health care provider Elevance, following managed care organization underperformance.
- Conversely, the fund reduced its position in Eli Lilly amid fears of market share gain slowing in key products given changing industry dynamics. Additionally, the fund locked in profits from a position in UnitedHealth after a strong rebound. Lastly, the fund reduced its exposure to CVS Health amid concerns of Medicare Advantage star rating risks in coming months.

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

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

Key Positioning & Outlook:

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

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

Market Review and Outlook

Market Review:

August began with renewed trade tensions as the US administration imposed fresh tariffs on a range of countries, though earlier agreements with the European Union and Japan helped limit disruption. Focus soon turned to the weak US jobs report, which showed downward revisions to previous months and raised concerns about labour market momentum, triggering an equity selloff and a rally in government bonds. Markets later recovered given expectations that the Federal Reserve would reduce rates in September, reinforced by Chair Powell's dovish Jackson Hole remarks, while worries about central bank independence were fuelled by President Trump ordering the dismissal of Fed Governor Lisa Cook.

Global equities generally closed higher in August as optimism over a potential Federal Reserve rate cuts outweighed concerns about slowing labour markets. European equities also advanced, although France lagged amid renewed political uncertainty surrounding the forthcoming confidence vote which revived long-standing concerns about fiscal sustainability. Japan led gains on the back of strong earnings and renewed risk appetite, while emerging markets benefited from a softer US dollar eased currency pressures and improved funding conditions.

In fixed income, US Treasuries strengthened throughout August as weaker labour market data and dovish signals from the Federal Reserve encouraged expectations of a rate cut in September. In Europe, French government bonds underperformed as investors demanded a higher risk premium given the political uncertainty, leading to a notable widening of spreads over German government bonds. This underperformance contrasted with the stability seen in other core European sovereign bonds.

Elsewhere, gold benefitted from August's shifting dynamics where concerns about inflation, combined with expectations of easier monetary policy, encouraged investors to seek protection in real assets. The metal's appeal as a hedge against both financial instability and geopolitical uncertainty was reinforced by the ongoing political tensions in Europe. The US dollar weakened as investors increasingly anticipated rate cuts from the Federal Reserve, providing support for other G10 currencies.

Performance:

The ESG Multi-Asset Fund delivered a positive return over the month. Equities were the primary driver of performance, complemented by gains in Fixed Income and Precious Metals, while Listed Alternatives and Cash & FX detracted.

Within Equities, Thematic Equity Baskets led contributions, with standout performance from the Gold Miners Equity Basket, alongside notable gains from the Japanese High Dividend and Sustainable Energy baskets. Equity manager performance was mixed. The Systematic Active Equity portfolio contributed positively in absolute terms and outperformed its opportunity set, while the Global Unconstrained Equity strategy lagged as Tech and Aerospace holdings suffered during the momentum unwind. Macro positioning was additive, driven mainly by tactical exposure to Emerging Market Equities.

Fixed Income exposures contributed broadly, led by Investment Grade Credit and Rates as yields declined, while High Yield Credit added modestly.

Gold was a significant contributor, supported by US dollar weakness and new price highs. Conversely, Listed Alternatives detracted, primarily due to Clean Energy Transition assets giving back part of their momentum from the months prior.

Positioning:

Over the past month, we maintained headline Equity and Fixed Income exposures broadly unchanged, sustaining a constructive outlook on Equities while adopting a more cautious stance on Fixed Income.

Within Equities, we realized profits on Russell call options and rolled the contracts to preserve upside exposure to U.S. domestic companies. At the same time, we added put protection on the S&P 500 at an attractive entry point to hedge against potential downside risks, given our more constructive positioning in U.S. large-cap equities.

For Allianz Life ESG-Integrated Multi-Asset Fund and Allianz Life ESG-Integrated Multi-Asset Fund (MYR-Hedged):

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

In currencies, we initiated a tactical short position in the Thai Baht versus the U.S. dollar. This view reflects our assessment that ongoing political instability, a dovish central bank despite already low interest rates, and deteriorating economic data are likely to exert further downward pressure on the currency.

Finally, towards the end of the month, we increased our allocation to Gold, underpinned by our conviction that the asset may extend its positive momentum following its recent breakout from a consolidation range.

Market Outlook:

We remain constructive on equities, with a preference for the US over Europe. US companies delivered stronger and higher quality earnings than their European peers, and analysts revised US forecasts upward following results. In contrast, revisions in Europe were mixed and skewed negative. We continue to favour mega-cap technology, where robust earnings have supported performance despite elevated valuations. We retain a constructive view on emerging markets, underpinned by disinflation, reduced trade-related uncertainty and a weaker US dollar.

In fixed income, we are still cautious on developed market duration. We believe core inflation will remain sticky, limiting the ability of the Federal Reserve to cut rates aggressively despite pressure from the Trump administration. In corporate credit, our stance is now neutral given how far spreads have tightened. Local currency debt continues to offer attractive carry opportunities.

We remain positive on gold and on gold miners as strategic diversifiers, supported by de-dollarisation, ongoing inflation risks, and geopolitical tensions. On currencies, we continue to take a negative strategic view on the US dollar, and look to Emerging Market currencies that can deliver positive carry.

Active asset management and dynamic monitoring of positioning remain important parts of our toolkit. They provide an effective means of navigating the new regime, which is characterised by higher geopolitical and policy uncertainty. In this environment it is necessary to take a more granular approach by narrowing down regional, sectoral, and industry-specific exposures.

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

Market Review

Equities, convertible securities, and high yield bonds finished higher in August. Q2 earnings reports for S&P 500 companies continued to surpass top- and bottom-line estimates, with quarterly earnings growth pacing for low-double-digits (versus projections for mid-single-digits) with most constituents having reported. Economic data was mixed: the Federal Reserve Bank of Atlanta's Q3 gross domestic product (GDP) estimate moved higher, the consumer price index (CPI) was below consensus, and initial claims remained subdued, while manufacturing and services surveys missed estimates, the unemployment rate ticked higher, and retail sales decelerated. Global trade remains in focus with many companies citing tariff pressures, while the Trump administration indicated that most major deals will be finalised in the next few months. The US Federal Reserve (Fed) was a focal point in August with Chair Powell's Jackson Hole speech marking a significant shift in stance, further increasing market expectations for a rate cut in September. Against this backdrop, the 10-year Treasury yield fell 14 basis points (bps) to 4.22%.

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

Top contributors in August were led by Apple on the back of strong quarterly results and Alphabet following the announcement of a key strategic partnership. Mastercard benefitted from strong purchase volumes and Wells Fargo gained after boosting its quarterly dividend payment. A data centre operator rallied, citing significant traction for its artificial intelligence (AI) segment, a biotech company was higher on strong clinical volumes, and a health insurance provider gained after a prominent investor disclosed a large stake. The other top contributors in the period were an electric vehicle manufacturer and an entertainment company.

Nearly all top detractors were top contributors or had a positive impact on portfolio performance in July with most equities recording new year-to-date highs heading into August. Multiple semiconductor companies, including Nvidia, and hyperscalers such as Microsoft, Meta, and Amazon, underperformed the broader market. The other top detractors were software and crypto-linked companies with favourable long-term fundamental outlooks.

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

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

Market Outlook

Despite a strong recovery in risk assets, the macroeconomic outlook remains clouded given uncertainty around trade and monetary policy. On the other hand, economic data has been resilient, trade tensions while elevated have stabilised, earnings estimates appear to have inflected, the Fed's stance has shifted significantly, capital markets have been active, and government spending has emerged as a tailwind.

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, capital expenditure (capex) tailwinds, productivity gains, and a reindustrialisation movement are potential growth drivers.

A resumption of monetary policy easing – currently, the market is pricing in three 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 quarterly earnings results came in better than expected. Tailwinds include dollar weakness, lower oil prices, and falling interest rates, while tariffs remain 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

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

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

continues. USD 75-80 billion of new issuance# is expected in 2025 due to coupon savings demand and elevated refinancing needs. Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

The 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, spreads can stay tight, and the default rate should continue to reside below the historical average.

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

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

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

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

Market Review and Outlook (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 -1.0% in August (A2 share class in USD, net of fees), underperforming its benchmark, the MSCI ACWI Information Technology 10/40 Index, which returned +0.4%.

Market:

- Global equities advanced again in August as breadth improved, the S&P 500 rose roughly +2.0% and notched five new 2025 all-time highs, while small caps led with the Russell 2000 up +7.1%. Elsewhere, MSCI EAFE gained +4.3% and MSCI EM +1.3%.
- Sector performance tilted away from megacap Tech with Materials (+5.8%) and Health Care (+5.4%) led, while Information Technology (+0.3%) lagged amid consolidation in AI leaders. Energy (+3.6%) and Communication Services (+3.6%) also outperformed.
- A more dovish Jackson Hole tone from Chair Powell lifted rate-cut expectations and helped the 10-year UST finish the month near 4.22% (4.36% in July), supporting investment-grade credit and duration.
- An appeals court declared reciprocal tariffs illegal but stayed enforcement to mid-October, tempering near-term escalation while keeping policy risk alive.

Sectors:

- Nvidia prints another record quarter Q2 FY26 revenue \$46.7bn (+56% YoY) and non-GAAP EPS \$1.05 beat, with datacenter \$41.1bn; guidance called for Q3 revenue \$54bn ($\pm 2\%$), and there were no H20 sales to China in the period. The board also approved an additional \$60bn repurchase authorization on Aug 26.
- Microsoft unveils its first in-house foundation models (Aug 28–29). MAI-1-preview (text, trained on ~15k H100s) entered public testing, and MAI-Voice-1 began powering Copilot speech features — a notable step to complement (not replace) OpenAI and reduce model-vendor concentration risk.
- Cybersecurity's August focus: agentic-AI and identity at Black Hat (Aug 6–7). New launches from leading vendors emphasized AI/agent security, application security posture, and identity-centric controls, reflecting the shift from point tools to platforms that govern both human and machine/agent identities.
- AI compute build-out continues. August saw fresh headline projects across North America: Oracle + OpenAI expanded their "Stargate" collaboration in Texas toward 4.5 GW, CoreWeave outlined \$6bn in Pennsylvania, and Vantage DC announced a 224 MW Nevada campus — underscoring sustained demand for power, networking, and advanced semis.
- xAI details 'Colossus 2': toward a gigawatt-scale AI supercomputer (Aug 22–25). Elon Musk outlined plans for Colossus 2, targeting 1M GPUs and gigawatt-class power with Tesla Megapacks and on-site generation; training for Grok 5 is slated to leverage the new cluster.

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

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

Market Review

Equity Market:

- The MSCI ACWI Index closed August with a 2.5% gain, driven by mounting confidence that the Federal Reserve would cut rates in September, increasing risk appetite and supporting equity returns. In the U.S., the S&P 500 Index continued its upward trajectory, rising 2.0%, supported by robust earnings. European equities¹ rose 1.1% in August, supported by better-than-expected economic data releases and rising expectations of future European Central Bank rate cuts.
- Emerging market equities² rose 1.3% in August, driven by increased inflows into EM currencies amid a weakening U.S. Dollar and a rebound in Asian Markets, specifically China. South Korea's KOSPI Index³ lost 1.7% due to a weakening won and a foreign investor sell-off. Chinese equities⁴ rose 4.1%, led by a surge in domestic investor activity as investor confidence increased due to positive economic data.

Bond Market:

- Developed market sovereign bond yields were mixed in August against a backdrop of divergent political and economic conditions. The U.S. 2- and 10-year Treasury yields fell 34 bps to 3.62% and 15 bps to 4.23%, respectively, amid more dovish signaling from the Fed, softer labor market data, and headline inflation posting in line with expectations. In Europe, the BoE cut rates by 25 bps, while the U.K. 10-year gilt yield rose 15 bps to 4.72%, driven by investor concerns over the U.K.'s fiscal trajectory, and the German 10-year Bund yield rose 3 bps to 2.72%. In Japan, the 10-year JGB rose 5 bps to 1.60%, given BoJ rate hike uncertainty.
- Global IG credit posted positive returns of +0.74% for the month, underperforming like duration government bonds by 0.04%, as spreads widened 2bps in August. Global HY credit delivered positive returns of +1.01%, with the higher quality segment of the high yield market, BB-rated and B-rated bonds, outperforming CCC-rated bonds.
- Agency MBS⁵ returned 1.61% in August, outperforming like-duration Treasuries by 47 bps, with higher coupons outperforming lowers as performance benefitted from a steepening of the yield curve and strong CMO issuance.

Market Outlook

We expect weakening in the US labor market, a deceleration in real consumption, and likely persistence in the current stagflationary environment over the next few quarters as the economy adjusts to the new tax and tariff regime. We see heightened political uncertainty moving forward, punctuated by the Trump administration's removal of Fed Governor Cook as well as the recent firing of the BLS commissioner. Markets are pricing in a Fed rate cut in September, supported by a dovish tone from Powell in Jackson Hole, lackluster unemployment figures in August, and benign inflation data, and we expect continued central bank policy normalization across most developed markets.

Within fixed income, we maintain a preference for developed market rates and are constructive on US front-end and intermediate tenors, as we expect growth to moderate and the Fed to begin cutting rates again in September. We continue to express a curve steepener in the US and Eurozone amid expectations for elevated fiscal deficits and a continued rebuilding of the term premium.

Additionally, we have exposure to the belly of the curve in the U.K. and Australia. Despite Fed Chair Powell's comments around the inflationary effects of tariffs likely being transitory, we believe US TIPS are a sensible hedge against potential upside inflation surprises, especially given elevated real yield levels today. In credit, we continue to prefer securitized with an emphasis on senior, legacy non-Agency MBS amid significant embedded home price appreciation and resilient fundamentals. From a relative value perspective, we prefer agency MBS over generic investment grade corporate credit as technical factors over the last couple of years have resulted in agencies offering greater spread compensation for less risk.

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

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

With cooling economic activity, US earnings being disproportionately driven by mega-cap tech, and stretched valuations, we have conviction in PIMCO's systematic, multi-factor approach to stock selection. This disciplined process delivers diversification across countries, sectors, and styles by seeking to own the most well-rounded companies from the global opportunity set. Against this backdrop, we retain a high-quality bias with a focus on diversified, global exposures.

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