

# Income and Growth Strategies

Achieving income and growth with high yield bonds, convertible bonds, and equities. Setting in place the dual opportunities of potential income and growth.



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## 2025: US Economy From Uncertainty to Stability

In the first half of 2025, US economy held up relatively well despite a challenging backdrop of policy shifts, trade tensions, and weaker business and consumer sentiments. Although Trump's tariff policies continued to create uncertainty, US economic data remained resilient, supported by a healthy labour market and strong corporate earnings, while inflation worries continued to grow. Despite market volatility, equity markets staged an impressive rebound, finishing the first half at all-time highs.

### **US Federal Reserve (Fed) in wait-and-see mode:**

The Fed continues to delay interest rate cuts, citing persistent inflation and a resilient labour market. Despite the uncertainty surrounding trade policies, labour market and consumer spending continue to be resilient.

That said, the Fed still projects two rate cuts later this year while awaiting

greater clarity on the growth and inflationary impact of tariffs.

### **One Big Beautiful Bill Act (OBBBA):**

The passage of OBBBA extends the 2017 Tax Cuts and Job Acts (TCJA), increases state and local tax deductions (SALT), while cutting Medicaid, and boost spending on defence and border security. The bill is generally positive for short-term economic growth as it is designed to stimulate consumer spending, business investment and corporate profitability. However, the long-term impact is more mixed, which will likely expand US deficits.

**While US growth is expected to slow further, resilient economic data, easing trade tensions and potential policy supports, both monetary and fiscal,**

**provide reasons to be optimistic. Over the long term, it is the economy, corporate fundamentals and earnings growth that will determine market performance. It is important for investors to capture market opportunity and continue to build resilient portfolios by balancing risk and reward. A strategy with the potential for consistent income distribution, capital growth, and downside risk management would improve the resilience of a portfolio.**

# Chapter One: One-Stop Solution for Income and Growth

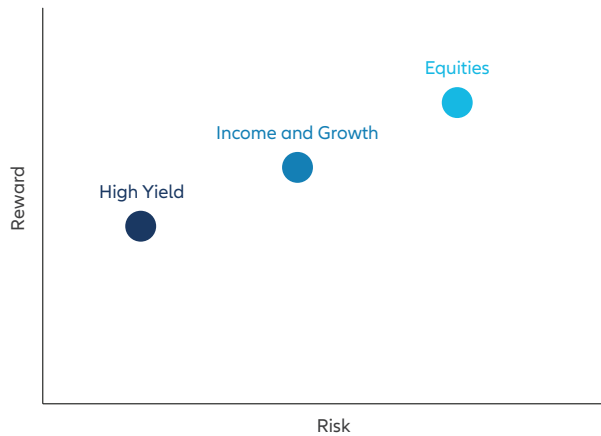
# One-Stop Solution for Income and Growth

In the current market environment, investors can consider a multi-asset approach, by investing in high yield bonds, convertible bonds, and equities.

Investors could enjoy three potential benefits:

1. A steady flow of potential income, including coupons from high yield bonds and convertible bonds, and dividends from equities.
2. Upside potential when markets rise.
3. Downside risk management against declining markets.

Risk/reward



Note: The above examples are for illustration only and does not represent actual results. There is no guarantee that these investment strategies and processes will be effective under all market conditions and investors should evaluate their ability to invest for the long term based on their individual risk profile especially during periods of downturn in the market.

# High Yield Bonds: High Income and Portfolio Diversifier

## What are high yield bonds?

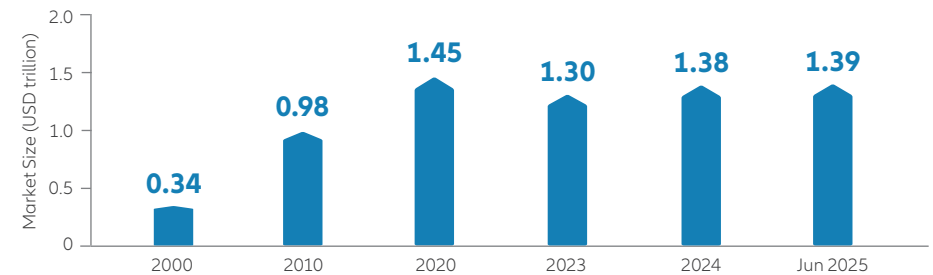
As the name implies, high yield bonds could offer a higher yield than other fixed income instruments.

**The credit ratings of high yield bonds are lower than BBB-. For this reason, the interest rates offered by such bonds are usually more favourable than issues with higher ratings such as US Treasuries and investment grade corporate bonds.** The past few

decades have seen strong growth in both the breadth and depth of the high yield market, and the asset class is now a globally popular investment instrument.

US high yield gross issuance was only USD 338 billion in 2000, but as of June 2025, the size of the market had grown to around USD 1.39 trillion<sup>1</sup>.

Growth of US high yield bond market<sup>1</sup>



Source

<sup>1</sup> ICE Data Indices, ICE BofA US High Yield Index, as at 30 June 2025.

The US dollar high yield bond market has continued to grow steadily. According to the ICE BofA US High Yield Index, the US dollar high yield market makes up about 62% of the global high yield universe<sup>1</sup>.

The US high yield bond universe is well diversified. It covers a wide range of sectors, allowing investors to allocate across a broad range of bond holdings.

### Info Corner: What is bond rating?

Bonds can be divided into two segments: investment grade and non-investment grade. Investment grade bonds have stronger creditworthiness but lower yields, while non-investment grade bonds are considered more risky due to the weaker credit profiles of their issuers. Issuers of non-investment grade bonds are more willing to offer higher interest rates to attract investors, and therefore these bonds are known as high yield bonds. It is worth mentioning that the creditworthiness of high yield bonds has greatly improved in recent years.

Source  
<sup>1</sup> Bloomberg, as at 30 June 2025.

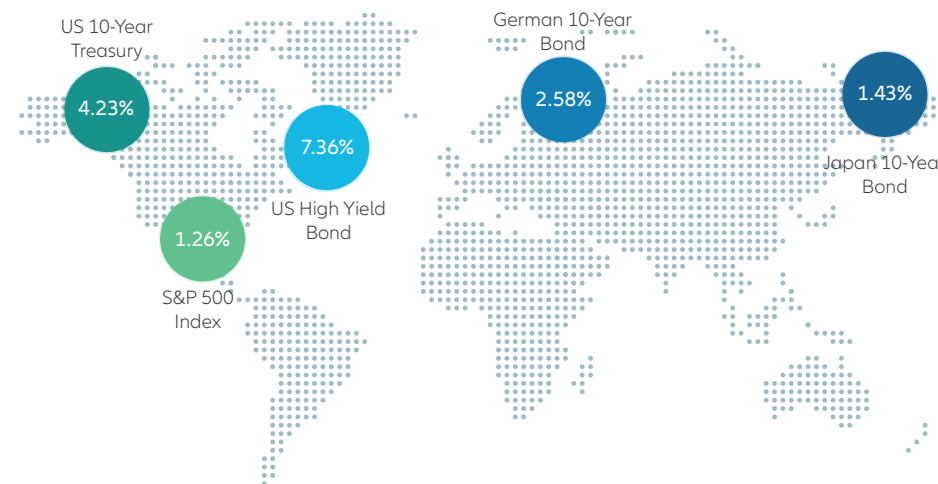
# Why Invest in High Yield Bonds?

## 1. Potential yields

US high yield bonds offer investors a competitive level of yield with lower interest rate sensitivity. As of 30 June 2025, the US 10-year Treasury bonds and US investment grade corporates offered yields of 4.23%<sup>2</sup> and 5.07%<sup>2</sup> respectively. US stocks have also delivered dividend yields, with the S&P 500 Index offering

1.26%<sup>2</sup>. Meanwhile, the US high yield market generated a yield of 7.36%<sup>2</sup>, making it a favourable opportunity for both international and domestic investors. Many people now include high yield bonds in their portfolios to enhance potential returns and hedge against inflation.

## Favourable yields from US high yield bonds<sup>2</sup>



<sup>2</sup> Bloomberg, US investment grade corporates represented by ICE BofA US Corporate Index and high yield bond represented by ICE BofA US High Yield Index, yield represented yield-to-maturity of the index, data as at 30 June 2025.

## 2. A proven track record

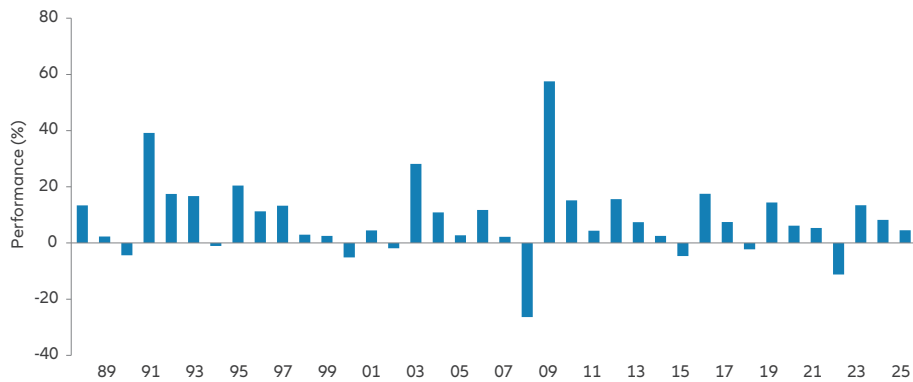
US high yield bonds have an outstanding past performance record, with an average annual return of 7.77%<sup>1</sup> in the past 37 years.

Since 1988, the US high yield market has posted negative returns in only 8 years out of

37 years, while posting positive returns in 29 years of those years<sup>2</sup>. US high yield performance is undoubtedly a front-runner in the global fixed income universe, which explains why it is appealing to investors.

It is also interesting to note that US high yield bonds have not declined in two consecutive years.

Performance of US high yield market in the past 37 years<sup>2</sup>



Source

<sup>1</sup> Morningstar as at 30 June 2025. High yield bond represented by ICE BofA US High Yield Index, data from 1 January 1988 to 30 June 2025. Past performance, or any prediction, projection or forecast, is not indicative of future performance.

<sup>2</sup> Morningstar, ICE Data Services, Bloomberg, Allianz Global Investors, as at 30 June 2025. High yield bond performance is measured by ICE BofA US High Yield Index. Past performance, or any prediction, projection or forecast, is not indicative of future performance.

## 3. Fixed income diversification benefits

Historically, high yield bonds have delivered equity-like returns, with less volatility than stocks.

They also provide fixed income diversification benefits given their relatively low correlations with US Treasuries and other investment grade fixed income asset classes,

which means that adding high yield securities to a core fixed income portfolio may help enhance return while maintaining a similar level of risk exposure.

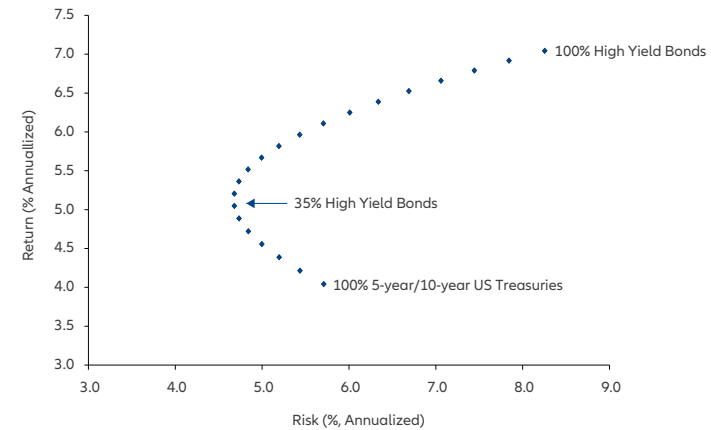
Unlike US Treasury bonds which are very sensitive to changes in interest rates, high yield bonds are generally driven by the fundamentals of their issuers.

### High yield may benefit your portfolio

Over time, high yield bonds are well-positioned to deliver favourable potential total return. Low interest rate sensitivity, favourable yields, and low dollar bond price are supporting factors of the asset class under a wide range of different economic scenarios.

#### Efficient Frontier - January 1993 to June 2025<sup>3</sup>

Adding high yield bonds to a fixed income allocation has been shown to reduce risk and increase returns over the long term.



<sup>3</sup> ICE Data Services, BofA, FactSet. Past performance, or any prediction, projection or forecast, is not indicative of future performance. Data as of 30 June 2025. Efficient Frontier Chart Note: High Yield: ICE BofA US High Yield Index, 5- and 10-Year Treasuries: ICE BofA US Treasury Current 5 Year Index, ICE BofA US Treasury Current 10 Year Index. The information and charts above are provided for illustrative purposes only. The charts do not reflect future performance. This analysis has been distributed for informational purposes only, does not constitute investment advice and is not a recommendation or offer of any particular security, strategy or investment product.

# Risks of High Yield Bonds

## 1. Default risk

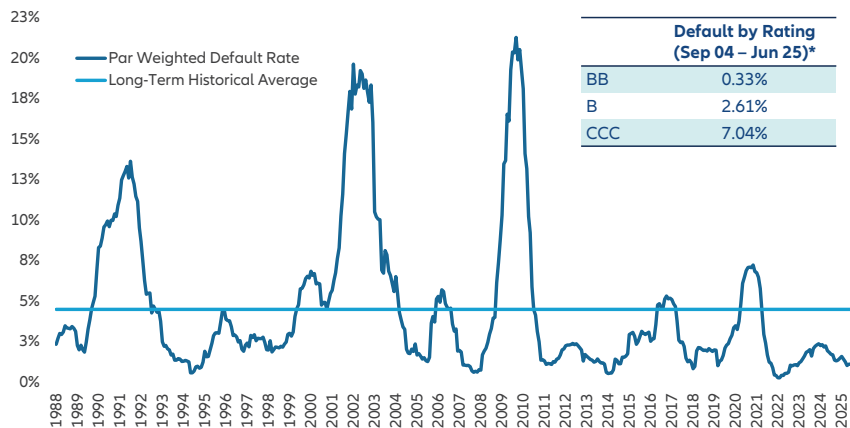
The main risk associated with high yield bonds is corporate default (also known as default risk). High yield defaults in June 2025 was at 1.1%<sup>1</sup> due to strong credit fundamentals, much lower than the long-term historical default rate of 4.5%<sup>1</sup>.

## 2. Beware of market fluctuations

The high yield market can be volatile, and investors need to be aware of market fluctuations.

**The path toward achieving positive results is hardly linear, and periods of heightened volatility should be expected.** The annualised volatility of US high yield bonds since 1988 amounted to 8.11%<sup>2</sup>, lower than that of S&P 500 Index (14.66%<sup>2</sup>) over the same period.

The default rates could rise but should remain below the historical average<sup>3</sup>



Source

<sup>1</sup> BofA, JP Morgan, as at 30 June 2025. US high yield bonds are represented by the ICE BofA US High Yield Index. Past performance, or any prediction, projection or forecast, is not indicative of future performance.

<sup>2</sup> Morningstar, data from 1 January 1988 to 30 June 2025. US high yield bonds are represented by the ICE BofA US High Yield Index. Past performance, or any prediction, projection or forecast, is not indicative of future performance.

<sup>3</sup> Source: BofA Global Research, ICE Data Indices LLC, LCD/Pitchbook. Data of as June 2025. \*BBs-1yr (and similar notations for other ratings) represent a fixed sample of issuers rated BB exactly 12 months ago; standard default rate calculation implies a BB rating one month prior to default.

# Convertible Bonds: Combining the Advantages of Bonds and Stocks

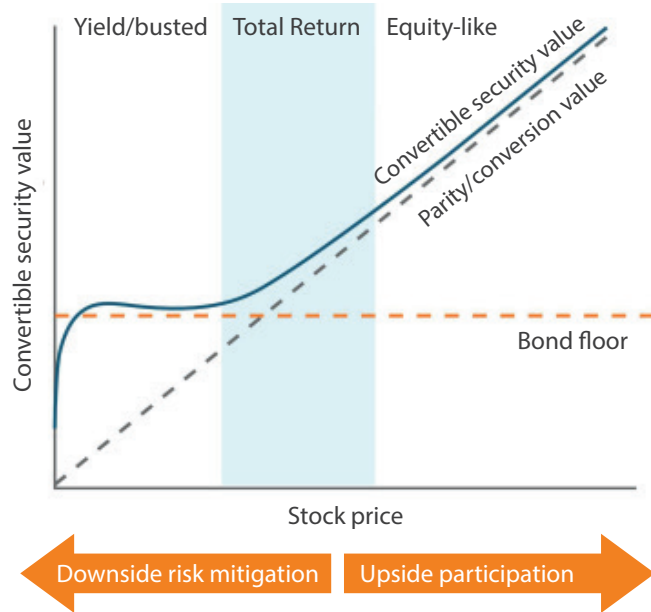
## What are convertible bonds?

A convertible security is a traditional bond that can be converted or exchanged into a specific number of shares of the issuer's common stock. Convertibles have characteristics of both bonds and stocks which can help improve a portfolio's overall risk-adjusted returns.

The bond component provides income potential and reduced volatility, derived from the stated coupon and maturity and claim to principal. Like other bonds, a convertible's value can fluctuate with changes in interest rates and

the credit quality of the issuing company. It should be noted that convertible securities generally have a lower coupon than corporate bonds, but they usually offer a yield advantage over the common stock dividend.

The equity component provides unlimited capital appreciation potential, derived from an option (determined at issuance) that provides the right to convert into a fixed number of common shares. Because of this feature, when convertible securities mature, they can be redeemed at the market value of the underlying common shares or at their face value – whichever is higher.



**Info Corner: How do convertible securities behave?**

For example, The behaviour of a convertible security may take on either stock-like or bond-like characteristics, depending upon where the underlying stock is trading in relation to the bond's conversion price. The security tends to become more equity-like as the price of the common shares rise which means its participation in the stock's upside may increase.

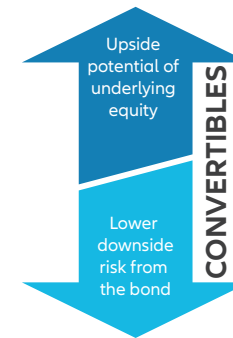
As the underlying stock prices falls, the convertible may act more bond like which means its participation in the stock's downside tends to decrease. It is important to note that convertibles are subject to the same risk factors as stocks and bonds, including market, interest rate and credit risk.

# Why Invest in Convertible Bonds?

## 1. Offensive yet defensive

Combining the advantages of bonds and stocks

Convertible securities offer an asymmetric risk/reward profile in which the upside opportunity (reward) potentially exceeds the downside capture (risk). Over the last 25+ years, the asset class has produced equity-like performance but with lower volatility. This attribute is unique to the convertible market and can play a valuable role in a portfolio.



## 2. Equity-like returns with less volatility

Between January 1988 and June 2025, US equities rose in 112 quarters and fell in 38 quarters (by an average of -7.2% in each quarter). Convertible bonds managed to decline by an average of -4.9% in each of the quarters when S&P 500 fell<sup>1</sup>.

US convertible securities have an asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall.

Source

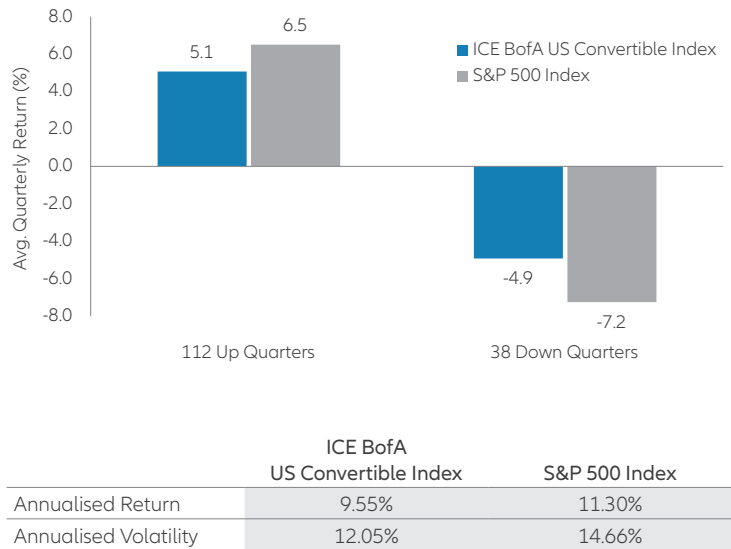
<sup>1</sup> FactSet, ICE Data Services, Morningstar. Data as of January 1988 to June 2025. US convertible bonds are represented by the ICE BofA US Convertibles Index. US equities are represented by S&P 500 Index. The information above is provided only for illustrative purposes, it should not be considered a recommendation to purchase or sell any particular security or strategy or an investment advice. Past performance is not a reliable indicator of future results.

### 3. Convertibles market outlook

broadening rally in the S&P 500, capturing upside in sectors beyond the mega-cap tech companies.

Year-to-date as of June 2025, convertibles bonds captured a solid portion of the equity market upside while offering downside protection when the market sold off in April. Convertible bonds market benefitted from the

Performance of convertible bonds between January 1988 and June 2025<sup>1</sup>



Source

<sup>1</sup> FactSet, ICE Data Services, Voya Investment Management, Morningstar. Data as of January 1988 to June 2025. US convertible bonds are represented by the ICE BofA US Convertibles Index. US equities are represented by S&P 500 Index. The information above is provided only for illustrative purposes, it should not be considered a recommendation to purchase or sell any particular security or strategy or an investment advice. Past performance is not a reliable indicator of future results.

Over the long term, the US convertible market has provided benefits to investors, including a favourable asymmetric return profile and potentially lower volatility relative to the equity market.

to expand the investment universe and improve market breadth.

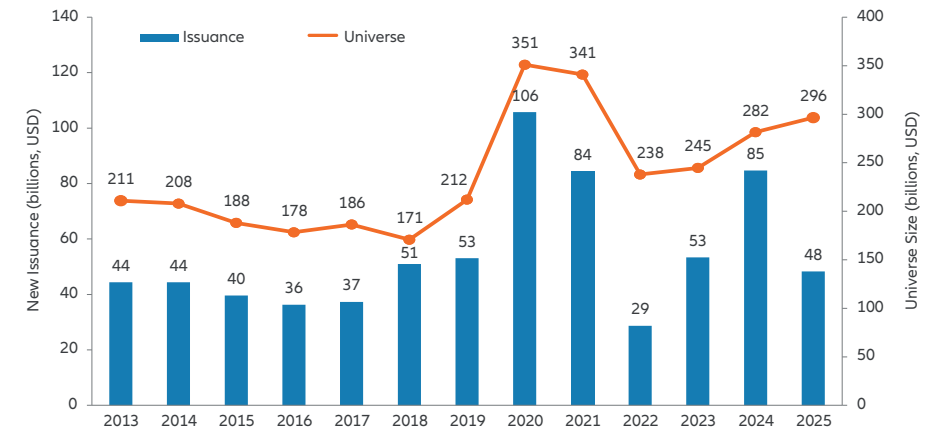
According to BofA Data Analytics, USD 75-80 billion of new issuance is now expected in 2025<sup>2</sup>. New issuance expands opportunity set of investments with higher coupons and better risk/reward characteristics.

1. **Bond-like characteristics:** The convertible bond market consists of more yield opportunities after a challenging year in 2022. The lower delta in the convertible bond market is poised to provide better defensive characteristics with higher forward return potential.

3. **Broadening out:** While the spotlight has been on artificial intelligence (AI) related mega cap names, valuations outside of these companies are even more favourable. The broadening out of the equity this year has seen an improvement of the upside capture of convertibles.

2. **Increased issuance:** Convertible bond issuance has picked up this year, driven by refinancing activity. Increased new issuances continue

New issuance is expected to return<sup>2</sup>



<sup>2</sup> ICE Data Services, BofA. Data as of 30 June 2025. US convertible bonds are represented by the ICE BofA All US Convertibles Index. Projections are based on assumptions with respect to future events. Actual future events may differ from the assumptions. Past performance, or any prediction, projection or forecast, is not indicative of future performance.

## Risks of Convertible Bonds

Convertible bonds are subject to the same risks associated with stocks and bonds. These bonds can fluctuate in value when interest rates rise and/or the price of the underlying stock changes.

**If interest rates rise, the value of convertible bonds may decline.**

Some of the companies that issue convertible bonds are below investment grade, which means **these bonds can be riskier than investment grade issues.**

Convertible bonds are often issued by smaller companies and may be more volatile than securities issued by larger companies. It is worth noting that the convertible bond market is relatively complicated and difficult for retail investors to access. A more practicable way of

investing in convertible bonds is to entrust the task to a professional management team.

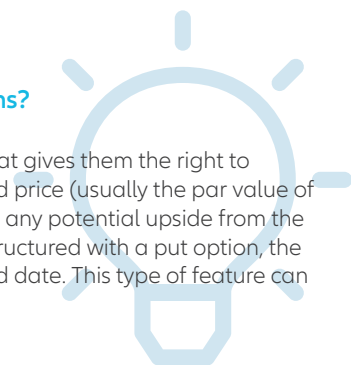
In general, a fund management team analyses different aspects of each investment, such as:

- Financial condition
- Valuation
- Credit rating
- Bond spread

The team decides whether to buy a convertible bond only after reviewing the above fundamentals. As market conditions change, holdings are adjusted by selling, holding or converting the bonds into shares.

### Info Corner: Are convertible bonds subject to limitations?

Many companies issue convertible bonds with a call option that gives them the right to repurchase the convertible bond from the holder at a specified price (usually the par value of the bond). This call option can limit the opportunity to capture any potential upside from the underlying common stock. On the other hand, if the bond is structured with a put option, the holder has the right to sell the bond to the issuer on a specified date. This type of feature can limit risk should the underlying stock price drop sharply.



## US Equities: Tariffs, Tensions, Tech Triumphs

### 1. Earnings versus tariffs

Despite uncertainty surrounding tariffs, corporate earnings in Q1 remained resilient, reflecting strong business fundamentals and healthy margin expansion. This solid performance underscored the underlying strength of US companies.

For Q2, the market consensus anticipates a slowdown in earnings growth, with the first tangible effects of the new tariffs expected to weigh on profitability.

### 2. Policy stability

After a volatile start to the year, US trade and fiscal policies are gradually taking shape. While trade negotiations remain ongoing and complex, greater clarity is expected in the coming months. The passage of the One Big Beautiful Bill Act marks a significant step forward in defining the fiscal agenda, offering more visibility into government spending and tax priorities. Meanwhile, the Fed is anticipated to resume rate cuts in the second half of the year, providing a potential cushion for markets should economic conditions continue to soften.

# Covered Call Options: An Opportunistic Approach to Dampen Volatility

## What are covered call options?

This is an option strategy that pairs a long position with a short-call option on the same stock in exchange for an upfront premium paid by the buyer.

An option is the right to buy or sell a stock at a specified price on or before a specified date. There are two types of options: call options and put options.

If investors expect the stock market to remain flat, they may sell an option on a stock and use the premium to cover part of the potential volatility.

If investors expect the overall market to be increasingly volatile, they may sell an index option to obtain a premium to cover part of the market drop.

## Understanding how covered calls actually work

Let's look at a hypothetical example to understand how covered calls actually work.

- An investor buys 100 shares of ABC Co. for USD 30 a share, the total cost being USD 3,000.
- At the same time, the investor sells a call option of ABC Co. The exercise price is USD 35.
- Option premium: USD 4 per contract (one contract per share).

**Scenario 1:** The investor benefits from additional cash flow and appreciation but does not participate in additional profits\*.

**Scenario 2:** The investor benefits from additional cash flow from premium.

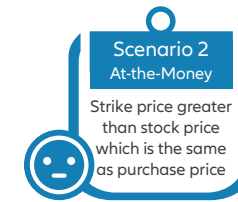
**Scenario 3:** The additional cash flow from premium can only offset part of the stock depreciation.

## How covered calls work



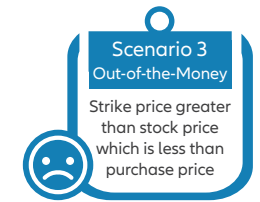
**Market price of ABC Co.:**  
USD 37 per share; Stock up 23.3%

- Gain = USD 400 (premium)
- Realised gain of common stock = USD 500 [(USD 35 - USD 30) x 100 shares]
- Net portfolio effect = USD 900



**Market price of ABC Co.:**  
USD 30 per share; Stock flat

- Gain = USD 400 (premium)
- Net portfolio effect = USD 400



**Market price of ABC Co.:**  
USD 25 per share; Stock down 16.6%

- Gain = USD 400 (premium)
- Unrealised depreciation of common stock = USD 500 [(USD 25 - USD 30) x 100 shares]
- Net portfolio effect = -USD 100

## Why include a covered call strategy in a portfolio?

Selling covered call options on the stocks in a portfolio provide an additional source of potential income from the call premium received. Besides income, selling covered call option can help dampen downside volatility when the stock price declines. However, a covered call strategy also limits the upside potential of a stock when stock price rises.

Hence, it is also important to consider the coverage percentage, moneyness of the options and the

maturity of the option contracts when implementing a covered call strategy.



**BULL Market:** Portfolio return is likely to lag the market despite option premium received but upside is being capped.



**FLAT Market:** Portfolio return is likely to outperform the market from the option premium received.



**BEAR Market:** Portfolio return is likely to outperform the market from the option premium received, which helps offset some of the stock decline.

Note: The example above and on the next page is for illustration only and does not represent actual results.  
\* Additional profits = market price - exercise price.

# Chapter Two:

# Global Income

## Allianz Global Income

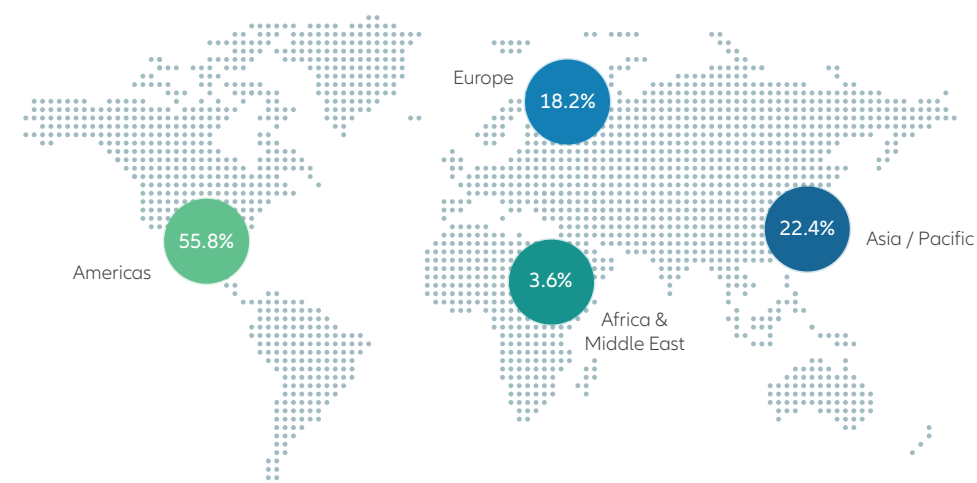
- The Fund aims at long term income and capital growth by investing in a broad range of asset classes, in particular in global equity and global bond markets.
- The Fund is exposed to significant risks of investment/general market, asset allocation, company-specific, emerging market, geographical concentration, creditworthiness/credit rating/downgrading, interest rate, default, valuation, volatility and liquidity, currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation.
- The Fund may invest in high-yield (non-investment grade and unrated) investments and convertible bonds which may subject to higher risks, such as volatility, loss of principal and interest, creditworthiness and downgrading, default, interest rate, general market and liquidity risks and therefore may adversely impact the net asset value of the Fund. Convertibles bonds may also expose to risks such as prepayment, equity movement, and greater volatility than straight bond investments.
- The Fund may invest in financial derivative instruments ("FDI") which may expose to higher leverage, counterparty, liquidity, valuation, volatility, market and over the counter transaction risks. The Fund's net derivative exposure may be up to 50% of the Fund's net asset value.
- This investment may involve risks that could result in loss of part or entire amount of investors' investment.
- In making investment decisions, investors should not rely solely on this material.

**Note:** Dividend payments may, at the sole discretion of the Investment Manager, be made out of the Fund's capital or effectively out of the Fund's capital which represents a return or withdrawal of part of the amount investors originally invested and/or capital gains attributable to the original investment. This may result in an immediate decrease in the NAV per share and the capital of the Fund available for investment in the future and capital growth may be reduced, in particular for hedged share classes for which the distribution amount and NAV of any hedged share classes (HSC) may be adversely affected by differences in the interests rates of the reference currency of the HSC and the base currency of the Fund, particularly if such HSC are applying the IRD Neutral Policy.

## Why Invest in Global Asset?

Investing in global assets expands the opportunity set, enabling investors to capture opportunities and access the most attractive companies that might not exist in your home market.

### MSCI World geographic revenue<sup>1</sup>



Historically, the performance of asset classes can vary during different market conditions. Having a diversified portfolio investing in global equities, global convertible securities, global high yield corporate bonds, and global investment grade corporate bonds can be beneficial during periods of economic uncertainty.

Source

<sup>1</sup> FactSet. Data as of 21 July 2025. Revenue exposure by super-region. Global equities: MSCI World Index.

Asset class performance can vary – a strong argument for diversification<sup>1</sup>

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 YTD
EQ: 28.9	EQ: 9.8	CB: 3.9	HY: 15.9	EQ: 18.5	CB: -0.3	EQ: 27.3	CB: 32.6	EQ: 24.2	HY: -11.8	EQ: 23.1	EQ: 21.0	CB: 8.6	
CB: 17.9	IG: 7.8	EQ: 2.1	EQ: 9.0	CB: 13.1	IG: -1.7	HY: 14.0	EQ: 13.5	CB: 4.0	IG: -14.6	HY: 12.5	HY: 8.9	EQ: 6.6	
HY: 7.1	CB: 7.2	IG: -0.2	CB: 7.9	HY: 7.6	HY: -2.4	CB: 13.7	IG: 7.7	HY: 2.9	CB: -14.9	CB: 11.3	CB: 8.9	HY: 4.2	
IG: 0.1	HY: 2.5	HY: -2.1	IG: 5.7	IG: 5.2	EQ: -7.4	IG: 11.5	HY: 6.3	IG: -1.0%	EQ: -16.0	IG: 8.2	IG: 3.4	IG: 3.4	

In addition, investing in asset classes that demonstrate low correlation to one another may help enhance diversification and reduce portfolio volatility, hence improving the risk-reward profile of the portfolio.

Combining assets with low correlations can reduce overall portfolio volatility<sup>2</sup>

	1	2	3	4	5
1 US Equities	1.00				
2 Global Equities	0.98	1.00			
3 Global Convertible Securities	0.86	0.90	1.00		
4 Global High Yield Corporate Bonds	0.74	0.77	0.84	1.00	
5 Global Investment Grade Corporate Bonds	0.50	0.51	0.61	0.68	1.00

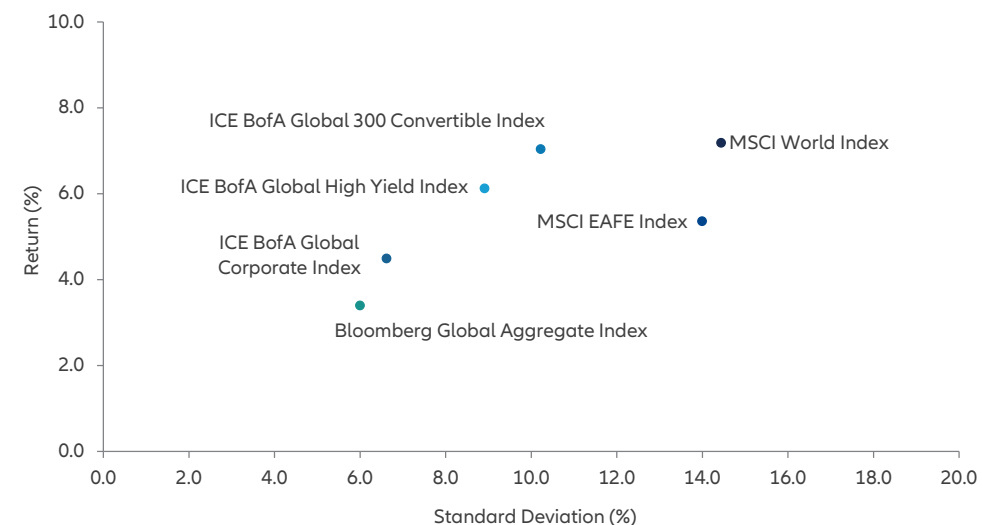
<sup>1</sup> Morningstar. Data as of June 2025. HY – ICE BofA Global High Yield Index (Local); CB – ICE BofA Global 300 Convertible Index; EQ – MSCI World NR Index; IG – ICE BofA Global Corporate Index. Past performance does not predict future returns.

<sup>2</sup> Morningstar. Date from July 2005 to June 2025. Global HY Corp: ICE BofA Global High Yield Index (Local); Global Convertibles: ICE BofA Global 300 Convertible Index; Global Equities: MSC World NR Index; Global IG Corp: ICE BofA Global Corporate Index; US Equities: S&P 500 Index. Past performance does not predict future returns.

A blend of global asset classes can help mitigate volatility without sacrificing upside potential

Over the long term, global convertible securities and global high yield corporate bonds have delivered global equity-like returns with less volatility. Additionally, global investment grade corporate bonds are an attractive alternative to global core bonds.

Global Income asset classes offer compelling risk/return profiles<sup>3</sup>



<sup>3</sup> ICE Data Services, FactSet. Data from January 1998 to June 2025. Past performance does not predict future returns. Standard deviation is an absolute measure of volatility measuring dispersion about an average which, for an index, depicts how widely the returns varied over a certain period of time. The greater the degree of dispersion, the greater the risk. Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. It is not possible to invest directly in an index.

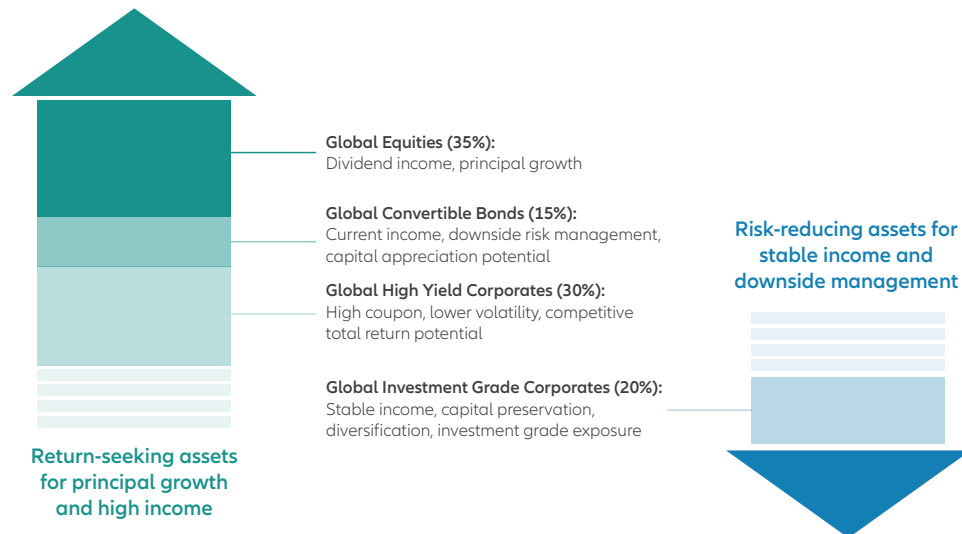
# Allianz Global Income

Allianz Global Income seeks to deliver consistent income and capital growth with lower volatility through investments in a broad range of asset classes.

The Fund invests in global equities, global convertible securities, global high yield corporate bonds, and global investment grade corporate bonds.

The investment team follows a disciplined, bottom-up research process which seeks to identify companies that will benefit from positive sustainable change. After confirmation of a company's fundamentals, the investment team analyses the company's capital structure and evaluates each investable security. The team then selects the investment expected to provide the best total return opportunity, depending on the current market environment, while balancing the goals of the Fund.

## Targeted allocation into global assets



## Investing across a company's capital structure

<p><b>Stable income from Global Investment Grade Corporates</b></p>	<ul style="list-style-type: none"> <li>• Consistent income and attractive yields</li> <li>• Have historically exhibited much lower volatility than stocks</li> <li>• Investment grade bond exposure provides capital preservation and diversification benefits</li> </ul>
<p><b>High income from Global High Yield Corporates</b></p>	<ul style="list-style-type: none"> <li>• Higher income and yields</li> <li>• Have historically exhibited lower volatility than stocks</li> <li>• Are less interest rate sensitive relative to core fixed income, instead driven by issuer fundamentals</li> </ul>
<p><b>Asymmetric return from Global Convertibles</b></p>	<ul style="list-style-type: none"> <li>• Provide current income and investment-grade exposure</li> <li>• Can potentially deliver unlimited upside with less downside participation than stocks</li> <li>• Are more correlated to stocks than core fixed income</li> </ul>
<p><b>Capital growth from Global Equities</b></p>	<ul style="list-style-type: none"> <li>• Opportunity to participate in the upside potential of companies</li> <li>• Dividend income</li> <li>• Covered call option premiums generate additional income and help reduce volatility</li> </ul>

Source: Voya Investment Management as of December 2023. This is for guidance only and not indicative of future allocation. The actual asset allocation may vary materially and will depend on availability of assets and current market conditions.

# Chapter Three:

## Q&A

### Allianz Income and Growth

- The Fund aims at long-term capital growth and income by investing in US and/or Canadian corporate debt securities and equities.
- The Fund is exposed to significant risks of investment/general market, company-specific, creditworthiness/credit rating/downgrading, default, valuation, asset allocation, country and region, emerging market, interest rate, currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation. The Fund's investments focus on US and Canada which may increase concentration risk.

### Allianz Global Income

- The Fund aims at long term income and capital growth by investing in a broad range of asset classes, in particular in global equity and global bond markets.
- The Fund is exposed to significant risks of investment/general market, asset allocation, company-specific, emerging market, geographical concentration, creditworthiness/credit rating/downgrading, interest rate, default, valuation, volatility and liquidity, currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation.
- The Funds may invest in high-yield (non-investment grade and unrated) investments and convertible bonds which may subject to higher risks, such as volatility, loss of principal and interest, creditworthiness and downgrading, default, interest rate, general market and liquidity risks and therefore may adversely impact the net asset value of the Funds. Convertibles bonds may also expose to risks such as prepayment, equity movement, and greater volatility than straight bond investments.
- The Funds may invest in financial derivative instruments ("FDI") which may expose to higher leverage, counterparty, liquidity, valuation, volatility, market and over the counter transaction risks. The Funds' net derivative exposure may be up to 50% of the Funds' net asset value.
- This investment may involve risks that could result in loss of part or entire amount of investors' investment.
- In making investment decisions, investors should not rely solely on this material.

**Note:** Dividend payments may, at the sole discretion of the Investment Manager, be made out of the Funds' capital or effectively out of the Funds' capital which represents a return or withdrawal of part of the amount investors originally invested and/or capital gains attributable to the original investment. This may result in an immediate decrease in the NAV per share and the capital of the Funds available for investment in the future and capital growth may be reduced, in particular for hedged share classes for which the distribution amount and NAV of any hedged share classes (HSC) may be adversely affected by differences in the interests rates of the reference currency of the HSC and the base currency of the Funds, particularly if such HSC are applying the IRD Neutral Policy.

## Q1

### What are the Fund solutions on the Income and Growth's platform?

We offer the following Funds that could fit your investment needs.

1. **Allianz Income and Growth** is a US and/or Canada multi-asset strategy with allocations to US and/or Canada high yield, US and/or Canada convertibles, and US and/or Canada equities with a covered call strategy.
2. **Allianz Global Income** is a multi-asset strategy allocating to global equities with a covered call strategy, global convertibles, global investment grade and high yield corporate bonds.

# Q2

## What is the performance of Allianz Income and Growth and Allianz Global Income in H1 2025?

As of 30 June 2025, the Allianz Income and Growth Class AM (USD) Dis. returned +3.98%<sup>1</sup> for H1 2025 and +8.69%<sup>1</sup> for past 1 year; and the Allianz Global Income Class AMg (USD) Dis. returned +6.45%<sup>1</sup> for H1 2025 and +9.12%<sup>1</sup> for over past 1 year. Both Funds benefitted from the underlying strength across equities, convertible securities, and corporate bonds.

Despite the sharp selloffs after Liberation Day and unrest in the Middle East, the first half of 2025 saw a strong rebound in US equities, with the S&P 500 reaching record highs in June. The rally was fueled by robust corporate earnings, artificial intelligence-driven (AI-driven) growth, and easing trade tensions.

Meanwhile, non-US equities have outperformed US equities after a decade of underperformance. Global equity markets have recovered this year's losses as odds of a recession and global shock receded and Q1 earnings results came in better than expected. Market tailwinds include subdued investor sentiment and positioning, dollar weakness, lower oil prices, and a decline in interest rates.

<sup>1</sup> Source: IDS, as at 30 June 2025. Fund performance is calculated in USD based on NAV-to-NAV with gross dividends reinvested. Past performance is not indicative of future performance. Performance information: Allianz Income and Growth Class AM (USD) Dis.: 3.98% (YTD 30 June 2025), 9.94% (2024), 17.32% (2023), -19.70% (2022), 11.66% (2021) and 21.94% (2020); Allianz Global Income Class AMg (USD) Dis.: 6.45% (YTD 30 June 2025), 8.49% (2024), 14.77% (2023), -17.89% (2022), 8.65% (2021) and 5.41% (2020).

# Q3

## What is the outlook on US high yield, US convertibles and US equities?

Despite a strong rebound in risk assets, macroeconomic outlook remains clouded given uncertainty around trade, monetary policy, fiscal direction, and geopolitics. However, economic resilience, steadier trade tensions, improving earnings, and less hawkish Fed signals have supported markets. The Fed is expected to cut rates twice in 2025, potentially aligning more closely with global monetary easing.

US large-cap equities have recovered losses as recession risks faded and Q1 earnings beat expectations, though tariffs and valuation concerns linger. Convertible securities stand out for their asymmetric return potential and may benefit from increased issuance and market volatility. High yield bonds continue to offer strong total return prospects, supported by healthy fundamentals, low default risk, and stable issuance. Collectively, these three asset classes could potentially provide a steady source of income and a compelling "participate and protect" return profile.

# Q4

## Why may investors consider investing in Income and Growth?

A multi-asset portfolio makes sense, being a great way for investors to potentially generate income and capital gains over time. It is clear that today's investing environment is characterised by high uncertainty, fears of both equity and rate volatility, and rising inflation which can erode wealth. The Fund consists of three underlying asset classes – high yield, convertibles and equities, and is designed as a solution to address these risks. It aims to provide monthly income (yields are not guaranteed, dividend may be paid out from capital)<sup>Note</sup>, the potential for capital appreciation, less volatility than an equity-only fund, and a low correlation to rate-sensitive investments.

For investors looking to supplement income in a portfolio, the high yield asset class provides coupon-like returns. Convertibles offer an asymmetric risk return, allowing investors to participate on the upside of the equity market while being cushioned from downside volatility. And equities provide the potential to grow the principal investment. Collectively, these three asset classes may provide a source of potential income and a compelling return profile. The bottom line for investors is that they must not allow short-term market uncertainty to derail their long-term goals. Market-timing is not easily achievable. Investors would be wise to “re-risk” their portfolios and consider a range of income-generating strategies that have historically held up well during down markets, and be able to capture market upside when bull market returns.

Note: Dividend payments may, at the sole discretion of the Investment Manager, be made out of the Fund's capital or effectively out of the Fund's capital which represents a return or withdrawal of part of the amount investors originally invested and/or capital gains attributable to the original investment. This may result in an immediate decrease in the NAV per share and the capital of the Fund available for investment in the future and capital growth may be reduced, in particular for hedged share classes for which the distribution amount and NAV of any hedged share classes (HSC) may be adversely affected by differences in the interest rates of the reference currency of the HSC and the base currency of the Fund. Monthly dividend payments are applicable for Class AM Dis (monthly distribution) and for reference only but not guaranteed. Positive distribution yield does not imply positive return. For details, please refer to the Fund's distribution policy disclosed in the offering documents.

# Q5

## Why may investors consider investing in Global Income?

Like Allianz Income and Growth, Allianz Global Income seeks to deliver consistent income and capital growth with lower volatility through investments in a broad range of global asset classes. The Fund invests in global equities, global convertibles, global high yield bonds and global investment grade corporate bonds. While Income and Growth is a US-focused multi-asset strategy, Global Income expands the opportunity set beyond the US market, enabling investors to access the most attractive companies worldwide.

Historically, the performance of asset classes can vary during different market conditions. Having a diversified portfolio investing in global equities, global convertible securities, global high yield corporate bonds, and global investment grade corporate bonds can be beneficial during periods of economic uncertainty.

# About Allianz Global Investors

Allianz Global Investors is a leading active asset manager with more than 700 investment professionals in over 20 offices worldwide, and managing EUR 562 billion in assets. We believe that with every change comes an opportunity. Our goal is to actively shape the future of investing for all our clients, wherever their location and whatever their objectives. Curious and active in everything we do, we aspire to generate impact beyond alpha,

steering our clients' assets towards the right place at the right time, and building solutions that draw on capabilities across public and private markets.

Our focus on protecting and growing our clients' assets allows us to create trusted partnerships, underpinned by a commitment to sustainability and driving positive change.

## AllianzGI at a glance



Allianz Global Investors, as at 30 June 2025.

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Allianz Global Investors and Voya Investment Management entered into a long-term strategic partnership on 25 July 2022, upon which the investment team transferred to Voya Investment Management. This did not materially change the composition of the team, the investment philosophy nor the investment process. Management Company: Allianz Global Investors GmbH. Delegated Manager: Voya Investment Management Co. LLC ("Voya IM").

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

Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this material but should seek independent professional advice.

There is no guarantee that these investment strategies and processes will be effective under all market conditions and investors should evaluate their ability to invest for a long-term based on their individual risk profile especially during periods of downturn in the market.

Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions.

Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Past performance is not indicative of future performance. Investors should read the offering documents for further details, including the risk factors, before investing. This material and website have not been reviewed by the Securities and Futures Commission of Hong Kong. Issued by Allianz Global Investors Asia Pacific Limited.

