

Allianz

American Income

Monthly commentary

- The Fund aims at long-term capital growth and income by investing in debt securities of American bond markets with a focus on the US bond markets.
- The Fund is exposed to significant risks of investment/general market, country, emerging market, creditworthiness/credit rating, default, interest rate, volatility and liquidity, counterparty, valuation, sovereign debt, 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 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.

What Happened in October

US corporate bonds and Treasuries finished higher in October. The third quarter earnings season got off to a strong start. With 64% of S&P 500 companies having reported, 83% topped estimates for an earnings growth rate of 10.7%. Management outlooks highlighted artificial intelligence demand, cautious consumer spending signals, inflationary / tariff pressures, and cost cutting measures. China trade tensions eased, and most economic reports were delayed due to the government shutdown. The US Federal Reserve (Fed) cut interest rates by 25 basis points and announced plans to end quantitative tightening. Against this backdrop the 10-year US Treasury yield fell to 4.09%.

Investment Grade Bond Market Environment

The ICE BofA US Corporate Index returned +0.45%, modestly outperforming the shorter-dated ICE BofA 1-10 Year US Corporate Index which returned +0.41%.^ AAA, AA, A and BBB rated bonds returned +0.43%, +0.44%, +0.51% and +0.38%, respectively.^

Spreads widened to 80bp, the average bond price rose modestly to 96.00, and the market's yield was steady at 4.87%.^

Gross new issuance for the month was USD 161.3 billion.

The 10-year US Treasury returned +0.79%. * The note's yield fell to 4.09% compared to 4.15% the prior month.*

High-Yield Bond Market Environment

The ICE BofA US High Yield Index returned +0.20% for the month.^BB, B, and CCC rated bonds returned +0.46%, -0.06%, and -0.42%, respectively.^

Spreads widened to 294bp from 280bp, the average bond price fell to 97.71, and the market's yield rose to 7.17%.^

Industry performance was generally higher with healthcare, metals, and telecoms outperforming, while packaging/paper, chemicals, and autos underperformed.

Trailing 12-month default rates finished the period at 1.40% (par) and 1.38% (issues). **

Monthly new issuance saw 20 issues priced, raising USD 18.7 billion in proceeds.**

Portfolio Review

October performance was positively impacted by strength across fixed income markets.

Among corporate bonds, the top contributing industries to performance were technology, energy, and banking. Technology was supported by multiple issuers benefiting from AI-driven demand, including holdings in networking, data center operations, and cloud analytics. Within energy, an exploration & production company and an energy infrastructure provider were notable performers. Strength in banking was broad-based, driven by multinational banks positioned to gain from increased capital markets activity. In addition, the portfolio benefited from an allocation to US Treasuries.

Industries that detracted from performance in the period were support-services, healthcare, and gaming. Within support-services, an equipment rental company was the primary source of detraction. Weakness in healthcare was attributable to a pharmaceutical company that saw an executive departure. A casino & resort operator that missed expectations had the largest negative impact in gaming.

Transactions during the period included new purchases in integrated telecommunication services, electric utilities, and broadcasting, and complete sells in transaction & payment processing services, diversified banks, and aerospace.

Outlook and Strategy

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

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

The Fed is targeting a more neutral policy position with the market expecting additional interest rate cuts over the coming quarters. However, Chair Powell has noted that future rate decisions remain highly data dependent.

US investment grade corporate bond's risk/reward opportunity is favourable. Rising interest rates are a risk for high grade corporates, however the investment opportunity remains favourable given higher coupons and yields, and a positive fundamental outlook with limited default risk. The asset class trades at a discount to par, offering favourable 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.

US Treasuries – a low-risk source of reliable income – are an attractive investment given relatively high interest rates.

The US high-yield market, yielding more than 7%¹, offers equity-like returns but with less volatility. Currently, the asset class is on track to deliver a coupon-plus return in 2025. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are stable, near-term refinancing obligations remain low, and management teams continue to exercise balance sheet discipline. Additionally, the market's credit quality composition continues to improve. In this environment, new issuance is expected to remain steady, spreads can stay tight, and the default rate should continue to reside below the historical average.

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

* Source: BofA Merrill Lynch, as at 31 October 2025.

^Source: ICE Data Systems, as at 31 October 2025.

**Source: JP Morgan, as at 31 October 2025.

¹ Source: ICE Data Services; data as 31 October 2025.

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").

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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.

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