

Allianz Asia Pacific Income^

Monthly commentary

- The Fund aims at long-term capital growth and income by investing in Asia-Pacific equity and bond markets.
- The Fund is exposed to significant risks of investment/general market, company-specific, interest rate, creditworthiness/credit rating/downgrading, default, valuation, sovereign debt, volatility and liquidity, country and region, emerging market, asset allocation and currency.
- The Fund may invest in high-yield (non-investment grade and unrated) investments 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
- 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.

What Happened in September

Asia ex-China equities moved higher in September, tracking the broader global rally on the US Federal Reserve (Fed) rate cut optimism. The AI trade drove markets in South Korea and Taiwan to fresh record highs, with index heavyweight Taiwan Semiconductor Manufacturing Company (TSMC)* reporting another period of robust chip sales. Memory large caps (Samsung* and SK Hynix*) also led the gains, driven by tight memory supply/demand dynamics. India closed the month with a small gain on optimism around a tentative resumption of last month's stalled trade talks. Elsewhere, ASEAN equities rose modestly. Vietnam was a stand-out performer on expectations—subsequently confirmed—that it would be upgraded to "secondary emerging market" status by FTSE Russell in 2026.

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

Fund Performance

The Fund return was positive in USD terms in September.

In the equity portfolio, the top contributor was chipmaker Taiwan Semiconductor Manufacturing (TSMC)*. The share price rallied among broader gains for the tech sector as the company reported another period of robust chip sales.

On the fixed income side, both IG and HY contributed positively to return, with HY outperforming IG. Most of the returns came from credit spreads.

Portfolio Review

The top geographical exposures across the portfolio were India, South Korea, and Taiwan.

In the equity portfolio, over the month we added selectively to artificial intelligence (AI)-related beneficiaries in Taiwan and South Korea, which are expected to benefit from the capex upcycle in data centres. On the other hand, we reduced exposure to a South Korean auto parts manufacturer due to the increasingly competitive industry landscape.

Within the fixed income sleeve, the main activities revolved around relative value opportunities, as we switched out of some lower-yielding bonds into higher-yielding bonds of similar ratings. We also extended duration on some of the bonds. We participated in some new issues which offer good new issuance premium. On portfolio allocation, we maintained an overweight in IG over HY allocations.

Outlook and Strategy

Overall, we are cautiously optimistic on the near-term outlook for regional equities. This is despite global trade developments such as higher tariff rates which are likely to result in weaker growth. However, offsetting this to some degree is lower inflation across most Asia Pacific markets. Combined with the weaker US dollar this year, there is flexibility for Asian central banks to lower interest rates.

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

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Source: Bloomberg, IDS and Allianz Global Investors, as at 30 September 2025 unless otherwise stated.

*The information above is provided for the purpose to demonstrate the Fund's investment strategy only, it should not be considered a recommendation nor investment advice to buy or sell any shares of securities. There is no assurance that any securities discussed herein will remain in the Fund at the time you receive this document.

^On 02/02/2024, Allianz Indonesia Equity was renamed to Allianz Asia Pacific Income. There was a material change of the Fund's objectives and investment strategy. The previous performance was achieved under circumstances that no longer apply. Please refer to the offering documents for details. On 09/12/2005, the assets of Dresdner RCM New Tiger Selections – Indonesia were transferred to Allianz Global Investors Selections RCM Indonesia Fund ("Allianz GIS RCM Indonesia Fund"). On 03/10/2008, the assets of Allianz GIS RCM Indonesia Fund were merged into Allianz Global Investors Fund - Allianz Indonesia Equity (formerly named: Allianz RCM Indonesia).

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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.

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 $not \ been \ reviewed \ by \ the \ Securities \ and \ Futures \ Commission \ of \ Hong \ Kong. \ Issued \ by \ Allianz \ Global \ Investors \ Asia \ Pacific \ Limited.$

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