Allianz
Global Investors

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 July

Asia ex China equities rose in July. South Korean equities also outperformed and remain the best-performing regional market year to date, helped by expectations of corporate reform following the election of a new President. Taiwanese stocks rallied as well, supported by ongoing AI-driven chip demand. Elsewhere, ASEAN equities were generally stronger, led by Thailand after a ceasefire was agreed with Cambodia in their longstanding border dispute as a pre-condition to trade talks with the US. India equities gave back gains in July as a weak earnings season and tariff uncertainty weighed on market and portfolio returns. These dynamics offset positive trends in the form of a favorable monsoon season, moderating inflation, and improved domestic liquidity.

For fixed income, sentiment was positive for the month of July amid resilient economic data from both sides of the Pacific, no further escalation in the Iranian conflict and trade deals being reached across Asia towards the end of the month. In the US, Non-Farm Payrolls continue to be stronger than expected at 147k against expectations of 106k while the University of Michigan Consumer Sentiment Index rose to 61.8 despite a slight uptick in the Consumer Price Index to 2.7% yoy. In Asia, China's 2Q GDP rose by a better than expected 5.2% against consensus expectations of 5.1%. Both the NBS and Caixin Manufacturing PMIs for June were also stronger than forecast due to the short term de-escalation in the US-China tariff war. With the positive macroeconomic backdrop, Asian credit markets were on a risk seeking mode. In terms of performance, Asian credit (JACI Composite) was up 0.6% in June. Investment Grade (IG) credits returned 0.5%, with spread and interest rate contributing 0.6% and -0.1% respectively. High Yield (HY) credits was up 1.4% with most of the return coming from spread return.

Fund Performance

The Fund return was positive in USD terms in July.

In the equity portfolio, the top contributor was Samsung Electronics, a global electronics conglomerate from South Korea, specializing in semiconductors, display panels, mobile phones and consumer electronics. The stock has experienced strong share price momentum, driven by global enthusiasm for AI as major US tech firms signal robust AI capex. A notable US$16.5bn chip order win from a leading US electric vehicle (EV) manufacturer further supported the share price.

On the fixed income side, both IG and HY contributed positively to return, with HY outperforming IG. Most of the returns from IG bonds came from spread tightening. We continued to look for alpha opportunities and switched out the outperformers. We participated in the new issuances and made several relative value switches. Carry continues to contribute positively to returns.

Portfolio Review

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

In the equity portfolio, over the month we added further to selective Korean cosmetic positions with plans for overseas expansion. On the other hand, we reduced exposure in selective ASEAN companies due to nearterm uncertainties.

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

Outlook and Strategy

Overall, we are quite cautious on the near-term outlook for regional equities. Global trade developments, especially the ongoing decoupling of the US and China, are likely to result in a weaker growth outlook. As well as putting pressure on corporate earnings, the visibility of growth is also reduced with some companies declining to provide their usual quarterly guidance. Offsetting this to some degree is a weaker US dollar, which has led to relative appreciation among many regional currencies and provides Asian central banks with scope to lower interest rates.

On the fixed income side, sentiment was helped by the slew of trade deals being struck with the US towards the end of July. That has reduced tariffs for most countries to within 15-20% which is a level that markets feel consumers, companies and the economy can absorb. With less meaningful differences in tariffs between the export dependent Asian economies, there would not be a material change in the comparative advantage of production for each country. Although tariffs are disruptive to global trade, this outcome is less disruptive than initially feared. The resolution of tariffs has removed a key risk weighing on financial markets since the start of the year and credit markets are likely to continue grinding higher as focus shifts towards the impending policy rate cuts in the US. Together with robust fundamentals, high absolute yields and low new bond supply, we remain constructive on Asian credit markets.

Source: Bloomberg, IDS and Allianz Global Investors, as at 31 July 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).

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.

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.

Allianz Global Investors Asia Pacific Limited (32/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong) is the Hong Kong Representative and is regulated by the Securities and Futures Commission of Hong Kong (54/F, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong).

ADM-W4764838