

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 October

Asia ex China equities moved higher again in October buoyed by a rally in the regional tech sector. Taiwan and South Korea led the way, helped by upbeat quarterly earnings from megacap tech names in the US. Indian equities recovered some of their previous losses as optimism over bilateral negotiations with the US lifted sentiment. Elsewhere, ASEAN equities rose modestly. Thailand was the best performer following recent political upheaval. Indonesia was close behind Thailand, supported by expectations of further monetary easing.

For fixed income, October saw notable volatility in US Treasury yields, with the 10-year yield bottoming at 3.94% before retracing to 4.08%, on the back of Powell's hawkish tone at the last FOMC meeting, marking a modest month-on-month decline of 7bps. This is the second consecutive month of 25bps cut in the Fed funds rate. Due to the US government shutting down during the month, the jobs data was not produced. In terms of performance, Asian credit (JACI Composite) delivered a solid 0.73% return, 0.4% attributed to rates and 0.3% to spread compression. Investment Grade (IG) credits matched this performance, while High Yield (HY) outperformed with a 1.2% return, supported by a 23bps tightening in spreads.

Fund Performance

The Fund return was positive in USD terms in October.

In the equity portfolio, the top contributor was Samsung Electronics*, a global electronics conglomerate from South Korea. The company reported a strong set of quarterly results towards the end of the month, confirming strong business momentum buoyed by robust global AI-related demand.

On the fixed income side, both IG and HY contributed positively to return. For IG, most of the returns were contributed by duration returns, while for HY, contributions were evenly spread between duration returns and spread returns.

Portfolio Review

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

In the equity portfolio, over the month we initiated a position in an India consumer name that manufactures fashion accessories. We believe the introduction of a new GST regime in India should further accelerate consumption among the country's growing middle class. On the other hand, we exited our position in an Indian IT vendor that offers digital services to businesses given the headwinds related to the US economy and potential tariff impacts.

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. On new issues, we participated in some new issues (e.g. SOFTBK, GSCCOR) which offer good new issuance premium. On portfolio allocation, we maintained overweight in IG over HY allocations.

Outlook and Strategy

Overall, we are cautiously optimistic 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.

On the fixed income side, spreads remained tight amid fundamental risks and late-cycle concerns, yet we believe the case for selective buying remains compelling. Importantly, there is little evidence of excessive risk-taking or broad-based deterioration in fundamentals. Pro-cyclical catalysts—such as the Fed's shift toward easing and Germany's fiscal expansion—support a more favorable market backdrop. With risk reduced during the month, positioning has normalized to more neutral levels, reducing the likelihood of forced selling and historically aligning with moderately positive returns. Corporate fundamentals remain broadly intact, external risks are stabilizing, and technicals continue to provide a tailwind. Our base case is for steady performance in Asia credit, supported by constructive sentiment and ongoing spread compression.

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Source: Bloomberg, IDS and Allianz Global Investors, as at 31 October 2025 unless otherwise stated.

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^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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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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