

Allianz

Dynamic Asian High Yield Bond

Monthly commentary

- The Fund aims at long-term capital growth and income by investing in high yield rated debt securities of Asian bond markets.
- The Fund is exposed to significant risks of investment/general market, interest rate, valuation, sovereign debt, creditworthiness/credit rating/downgrading, default, emerging market, country and region and 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 be exposed to risks such as prepayment risk, 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.

What Happened in April

April saw a recovery in Asia credit markets following a volatile first quarter, supported by improving global sentiment and expectations of a potential easing in Middle East tensions. This led to a broad-based tightening in credit spreads across both investment grade (IG) and high yield (HY) segments. Asia dollar credit spreads tightened by 11 bps in IG and 73 bps in HY. The JACI returned 0.80% for the month, with gains largely driven by HY performance (2.04%) while IG posted more modest returns (0.62%). Performance was broad-based, with all countries ending in positive territory, led by frontier markets such as Sri Lanka. Despite the rebound in performance, markets still have to contend with a challenging macro and geopolitical environment. US Treasury yields were volatile throughout the month amid mixed economic data, shifting Fed expectations and oil price fluctuations linked to developments in the Middle East. As a result, while spreads tightened, total returns were slightly dragged down by higher Treasury yields and duration headwinds. Due to the improvement in sentiment, Asia dollar credit issuance rose slightly to USD9.05 bn. That said, issuance conditions remained uneven and issuers were opportunistic at accessing the capital markets.

Asian High Yield (HY)

High yield returned 2.04% for the month, driven by strong spread compression to 372 bps over treasuries. The rebound in risk appetite reflects a broad-based rally across high-beta and distressed segments following improved geopolitical sentiment. This enabled a flurry of primary activities as issuers took advantage of lower credit spread. Notably, subsidiary of a conglomerate engaged in leisure, entertainment, and resort operations was able to successfully price USD 1.25 billion in a hybrid format as they look to defend their IG status. Performance was led primarily by frontier sovereigns. Taking back some of their losses in March, Sri Lanka and Pakistan registered gains of more than 4% in April. Besides the sovereigns, other outperformers comprise of generic high beta China credit and distressed names such as the like of one of China's largest property developers and a Chinese car rental services company. While there were only a handful of credit which registered negative returns, 2 of these are worth pointing out. Firstly, a global logistics and warehouse solutions provider traded softer amid a news vacuum. Investors are looking ahead to the company's full year release in early May as a guidepost. Secondly, a Hong Kong-based property and hotel conglomerate weakened after the company announced that it would defer the 18 April distribution on its perpetual bond. While not surprising for this issuer, this would be a precursor to a potential future liability management exercise (LME) action by this issuer.

Portfolio Review

The Fund outperforming the benchmark. Active returns were largely driven by spread compression as contribution from carry and curve were minimal. While the Fund did not benefit materially from a single issuer, our active exposure to higher beta bonds on aggregate tilted performance to our favor. This is evident from the Fund's slightly higher market beta versus the benchmark. Another reason for outperformance can be explained by our allocation choices in the Fund. Our underweight in the Philippines was accretive to relative performance as the country's returns lagged the rest of the complex. The Fund also gained from an overweight in India and Mongolia.

Outlook and Strategy

Spreads have broadly retraced to pre-conflict levels, reflecting a sharp improvement in risk sentiment as tensions eased. This recovery has been swift and partly driven by a reduction in elevated cash levels at the height of the tensions. While the macro backdrop has stabilised, with geopolitical risks moderating from their peak, uncertainty remains elevated. In particular, we need to be mindful of the persistence of higher oil prices and the potential second-order impact on inflation and growth trajectories. Against this backdrop with tighter credit spreads, we prefer to adopt a more cautious stance in overall risk positioning. Portfolio construction is therefore tilted towards carry generation rather than capital appreciation, with a reduced emphasis on duration given tighter spreads and ongoing rate volatility. At the same time, we maintain a focus on higher-quality credits with resilient balance sheets and clearer refinancing visibility. In this environment, we see selective opportunities in the primary market. Issuers have returned to tap improving conditions but remain willing to offer concessions to ensure execution, particularly amid still-erratic market sentiment. This provides a more attractive entry point relative to secondary markets, allowing us to capture incremental yield while maintaining discipline on credit selection.

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Source: from Bloomberg, IDS and Allianz Global Investors and as at 30 April 2026 unless otherwise stated.

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