Allianz Global Investors

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 March

Asia credit markets experienced elevated volatility throughout March 2026, driven primarily by escalating geopolitical tensions in the Middle East following US/Israel strikes on Iran and subsequent retaliatory actions. The ongoing conflict weighed on global risk sentiment, resulting in heightened macro uncertainty, sharp equity market swings, elevated energy prices, and constrained credit market activity across the region. Concerns around potential supply disruptions intensified as shipping activity through the Strait of Hormuz was significantly affected, adding further pressure on energy markets. Crude oil prices remained above USD100 per barrel for much of the month, amplifying inflation concerns and contributing to renewed volatility across global fixed income markets. In response, the US Treasury yield curve shifted higher, with the 10-year US Treasury yield reaching around 4.4% at one point during March, as markets reassessed inflation risks linked to higher energy prices. Overall bond market participation remained cautious. Secondary market liquidity was lower, with investors reducing exposure to higher risk assets and focusing largely on higher quality credits. Against this backdrop, Asia credit posted negative returns in March. Both Investment Grade and High Yield segments declined, reflecting the combined effect of wider credit spreads and higher US Treasury yields. Over the month, Asia Investment Grade and High Yield returned -1.6% and -3.1% respectively. Primary market activity remained subdued. Only USD 24 billion of new bonds were issued in March, compared with USD 33 billion of bond maturities, resulting in negative net supply. Many issuers remained cautious, opting to wait for improved macro visibility and a more stable geopolitical backdrop before accessing the market.

Asian High Yield (HY)

Asian HY credit underperformed IG during March, with spreads widening by 77 bps amid a weaker macro backdrop, heightened geopolitical risk, and broad selling across risk assets. Market sentiment remained soft, particularly within lower quality and less liquid segments. Despite the weak monthly performance, Asia HY continued to outperform global peers on a year-to-date basis. As of end March, Asia HY delivered a -0.1% total return, compared with -0.5% for US HY and -1.1% for Global HY, highlighting the region's relative resilience over a longer time horizon.

Within the sector, sovereign and China property names were among the primary underperformers, reflecting heightened sensitivity to macro volatility and risk aversion. On individual issuers, a global logistics and industrial real estate operator related bonds sold off sharply following reports that Chinese authorities had provided "window guidance" to domestic insurers limiting transactions with its China logistics platform, triggering a repricing across the GLP curve. In contrast, there was a positive development for an Indian non-bank lender providing consumer and SME financing during the month. The Reserve Bank of India approved the acquisition of approximately 41.2% stake in the company by an Abu Dhabi–based diversified investment holding group through new equity issuance. Following this transaction, capital adequacy is expected to improve to the high 30% to low 40% range, from around 25% at the end of the December quarter, which supports the company's credit profile. Positive rating actions are expected following this development.

Portfolio Review

The Fund slightly underperforming the benchmark. Active returns were not affected by overall curve movement but by spread widening in some of the more heavily positioned tickers in the index. These include generic high beta tickers in China and Sovereign bonds in the frontier complex. The largest detractor was a global logistics and industrial real estate operator following rumors that regulators have provided a window guidance to domestic insurers in association to the company's funds. Accompanied by consensus positioning and geopolitical unease, the company's bonds were heavily sold before finding support at the latter half of the month.

Outlook and Strategy

Looking ahead, Asia credit markets are likely to face a more uncertain global macro and geopolitical environment, with market performance expected to remain uneven and sensitive to developments in global interest rates, energy prices, and political events. While the near-term impact of the Middle East conflict has already been reflected through elevated oil prices and risk sentiment, the potential longer-term implications, particularly related to sustained supply disruptions, warrant continued monitoring. Systemic risk across Asia credit markets appears limited at this stage; however, volatility is expected to persist. This reinforces the importance of diversification and selection across the Asia credit universe. Fundamentals across much of Asia remain stable, supported by generally solid balance sheets and manageable refinancing needs, while market technicals continue to benefit from disciplined issuance and a relatively contained supply backdrop. In this environment, a defensive and diversified investment stance remains an appropriate approach as markets navigate ongoing uncertainty and manage downside risks.

Connect with Us | hk.allianzgi.com | +852 2238 8000 | Search more Allianz Global Investors

Like us on Facebook 安聯投資 – 香港

Connect on LinkedIn Allianz Global Investors

Subscribe to YouTube channel 安聯投資

Source: from Bloomberg, IDS and Allianz Global Investors and as at 31 March 2026 unless otherwise stated.

MACS-W-ADM@N/A-P-19150107C
ADM-W5436965