

Allianz

Flexi Asia Bond

Monthly commentary

- The Fund aims at long-term capital growth and income by investing in debt securities of Asian bond markets denominated in EUR, USD, GBP, JPY, AUD, NZD or any Asian currency in accordance with environmental and social characteristics. With the adoption of the Sustainability Key Performance Indicator Strategy (Relative) ("KPI Strategy (Relative)"), the Fund aims to achieve the reduction in greenhouse gas emissions ("GHG") of the Fund's portfolio which shall be at least 20% lower than that of its benchmark index within the same period ("Sustainability KPI").
- The Fund is exposed to significant risks of investment/general market, country and region, interest rate, creditworthiness/credit rating/downgrading, default, valuation, sovereign debt, emerging market, RMB debt securities, currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation.
- The Fund is exposed to sustainable investment risks relating to KPI Strategy (Relative) (such as foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities when it might be disadvantageous to do so or relying on information and data from third party ESG research data providers and internal analyses which may be subjective, incomplete, inaccurate or unavailable). The Fund focuses on the Sustainability KPI which may reduce risk diversifications and may be more volatile compared to broadly based funds. Also, the Fund may be particularly focusing on the GHG emission efficiency of the investee companies rather than their financial performance which may have an adverse impact on the Fund's performance.
- Investing in share class with fixed distribution percentage (Class AMf) is not an alternative to fixed interest paying investment. Investors should note that fixed distribution percentage is not guaranteed. The percentage of distributions paid by these share classes is unrelated to expected or past income or returns of these share classes or the Fund. Distribution will continue even the fund has negative returns and may adversely impact the net asset value of the Fund. Positive distribution yield does not imply positive return.
- 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 expose to risks such as prepayment, 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 October

October saw notable volatility in U.S. 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 Federal Open Market Committee (FOMC) meeting, marking a modest month-on-month decline of 7bps. This is the second consecutive month of 25bps cut in the US Federal Reserve (Fed) funds rate. Due to the US government shutting down during the month, we did not receive much data releases. Of importance would be the jobs data which was not produced.

The JACI Composite Index 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 to 438bps—now below the 450bps threshold. This continued strength sets a positive tone as we enter November. Asia Pacific USD credit supply slowed down pace in the month of October, with 40 new deals totaling USD 17.46 billion issued during the month.

Asian Investment Grade (IG)

Asian investment-grade (IG) credit posted a 0.7% return, supported by strong duration performance despite only a modest 3bps tightening in spreads. The rally was broad-based across sectors, driven by improved sentiment following positive developments in international trade. The US and China agreed to a one-year truce in their trade war during President Trump's visit to Asia, reducing the risk of further escalation. This agreement, along with other bilateral deals, helped ease concerns of a hard decoupling. While tit-for-tat actions remain possible, the current environment suggests a more constructive tone in trade negotiations. Overall, market fundamentals remain supportive.

Indonesia bonds was a standout performer in IG space, with sovereign and quasi-sovereign credits outperforming across both IG segments. Long-end bonds from US dollar corporate bond of an Indonesian food manufacturer and the Indonesian Sovereign Bond Series (INDON) led the rally, with INDON spreads tightening. Despite a deteriorating fiscal narrative, strong local demand and underweight positioning by global emerging markets (EM) investors continue to support Indonesian credit. The attractive all in yield of longer dated Indo quasi-sovereign attracted yield investors. Investor sentiment was further bolstered by Indonesia's finance chief reaffirming the central bank's autonomy, easing concerns over potential monetary policy interference.

Asian High Yield (HY)

Asian high-yield (HY) credit markets saw spreads tighten by 23bps, delivering a 1.2% return, with Hong Kong real estate leading the rally. A Hong Kong-based company focused on property, hotels, infrastructure and services and department stores was in the spotlight amid market speculation of an equity raise, which the company denied. Despite this, the company is reportedly pursuing a USD 3 billion equity financing via convertible preference shares, with the Cheng family expected to contribute half. Bond prices have corrected but remain above pre-rumor levels, reflecting investor optimism. While equity raising and liability management are seen as necessary to normalize operations and improve the capital structure, investors should remain cautious, as coupon deferrals on preference shares may persist. Sri Lanka's sovereign curve firmed following strong fiscal performance, with tax revenue rising 32.5% YoY to LKR 3.56 trillion and a primary budget surplus exceeding International Monetary Fund (IMF) targets. This led to a narrowed budget deficit and the initial approval of a USD 347 million IMF loan tranche. Additionally, the Asian Development Bank (ADB) approved a USD 100 million financing package aimed at revitalizing Sri Lanka's tourism sector through improved governance and increased private sector participation. These developments signal improving macroeconomic stability and external support, which could bolster investor confidence in Sri Lanka's credit outlook.

Portfolio Review

The Fund delivered generally in line with the benchmark. The portfolio maintained a modest overweight allocation in High Yield primarily through higher quality BB rated issuers, to enhance yield and carry. Looking ahead, we intend to maintain a strategic overweight in High Yield, given its attractive carry and yield characteristics. This positioning reflects our cautious optimism and continued focus on income generation in a volatile interest rate environment. On duration, we remain neutral, as most of the anticipated Fed rate cuts appear to be largely priced in, limiting the potential benefit of extending duration at this stage.

Outlook and Positioning

As we moved through October, 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. We maintain a preference for HY over IG for carry, while in HY space, we prefer BB over B, consistent with our more defensive stance.

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

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