

Allianz

Thematic Income

Monthly commentary

- The Fund aims at income and long-term capital appreciation by investing in global interest bearing securities and global equities with a focus on theme and stock selection.
- The Fund is exposed to significant risks which include investment/general market, thematic concentration, thematic-based investment strategy, asset allocation, emerging market, company-specific, creditworthiness/credit rating/downgrading, interest rate changes, default, volatility and liquidity, valuation, 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 financial derivative instruments ("FDI") which may expose the Fund to higher leverage, counterparty, liquidity, valuation, volatility, market and over the counter transaction risks. The use of derivatives may result in losses to the Fund which are greater than the amount originally invested. 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 income and/or capital which in the latter case 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 distribution unit 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, particularly if such HSC are applying the IRD Neutral Policy.

What Happened in March

Global equities were pressured across the globe in March. The MSCI All Country World Index (ACWI) plunged, with markets going into freefall as the US-Israeli war against Iran spread throughout the Middle East. Oil and gas prices soared on supply disruption fears as Tehran placed a chokehold on oil and gas exports through the Strait of Hormuz – a vital shipping lane handling around one-fifth of the world's energy exports – clouding the outlook for inflation and diminishing expectations of further monetary easing from key central banks. Stock market losses were pared slightly into month end amid rising hopes of a potential de-escalation in the Middle East. Turning to the MSCI ACWI, with the exception of energy, all other sectors fell in March.

Global bond yields jumped, with the major government debt markets suffering a sharp sell-off as investors priced in higher inflation and interest rate expectations due to the Middle East conflict and soaring oil prices. US Treasuries registered one of their worst monthly performances in recent years. European and Japanese government bond yields also rose substantially.

Emerging market debt (EMD) was down in March. Both local currency bonds and US dollar-denominated debt generated negative returns against the backdrop of rapidly increasing global energy prices and inflation expectations, together with a sudden rise in US Treasury yields.

Portfolio Review

Over March, the fund generated a negative return after fees in USD terms (AM USD share class).

The equity investments focus on themes and topics of strong secular drives to generate long-term alpha. In March, sector allocation and stock selection have been both negative contributors to overall performance. The overweight to Industrials has been a burden to the overall portfolio while the underweight to Energy has been too. As a result of the weakness among industrial companies' themes with a lot of exposure to this sector like Humanoid Robots suffered over the recent month, while Digital Finance contributed well to overall performance. Overall, investors rotated away from rate-sensitive and cyclical exposures towards more defensive sectors during a volatile and uncertain market environment.

The fixed income investments in the fund focus on global and emerging markets investment grade corporate bonds. The portfolio delivered a negative return in March and slightly underperformed the respective universe due to security selections. Both developed and emerging market credits saw spread widening on the back of deteriorating market conditions on US-Iran conflict. Government bond yields had a major re-pricing higher as the spike in oil prices raised concerns on higher inflation. US dollar strengthened which hurt Euro and British Pound. As a result of the negative impact from foreign exchange and longer duration, developed market credits underperformed emerging market credits. From a country perspective, holdings in Singapore and Morocco credits had the least drawdown. On the other hand, Saudi Arabia and Mexico credits underperformed due to long duration exposures.

By the end of March 2026, the portfolio had around 58% allocation to equities, and the remaining was allocated to fixed income and cash/cash equivalent.

During March, we have modestly reduced overall equity exposure and exited commodities position. Fixed income exposure remained stable.

Outlook and Strategy

The Middle-East conflict is creating considerable uncertainty and putting the resilience of the equity markets to the test. Nevertheless, we stick to our baseline scenario and expect the global economy to remain robust. Risks might increase if oil prices remain elevated for longer and the world continues to be cut off from gas supply from the crisis region. In that case, we may be in for a mix of higher inflation and weaker growth rates. Overall, equity valuations have declined slightly during the past three months. Recent price setbacks may therefore open up entry opportunities in sectors which we prefer for structural reasons. This includes the larger topics "European autonomy" and "AI enablers". Europe's efforts to achieve greater strategic autonomy are being supported by an expansionary fiscal policy, which mobilises capital from the private sector. This topic is gaining importance around the world, as many countries are seeking to reduce their dependency on fossil fuels and to become more independent in terms of defence and in other areas. Artificial Intelligence is likely to remain a key issue on the world markets, too. China is poised to enter a period of broad AI use, supported by hardware, AI model and robotics innovations. In the shorter term, however, developments in the Middle East will have greater impact on investor sentiment and, in turn, the equity markets. From our vantage point, this environment supports active management, building resilient positions, engaging in efficient diversification and focusing on long-term goals.

The Iran conflict has driven up long-term bond yields, as it has increased the risk of a pick-up in inflation and tighter monetary policies than expected so far. We believe that US growth will slow down during the second and the third quarter of the year, as there are still weak patches in the economy, despite the healthy start into the year. Higher energy prices should keep inflation near 3%, i.e. above the Federal Reserve's (Fed's) 2% target. This might make the Fed postpone its next rate cut to the second half of the year. If the conflict in the Middle East is over soon, the euro area should remain on course for a growth rate of 1 – 1.5% this year, supported, for example, by additional government spending in Germany. We have raised our inflation forecasts for the euro area and the UK, as the region is considerably affected by rising energy prices. In fact, inflation looks set to exceed the European Central Bank's 2% target, which is why we do not expect any rate

cuts in 2026 – rather, the opposite. Credit market valuations are still moving within a historically tight range, despite increased equity market volatility. We prefer a selective approach, as defaults are making headlines again. Careful bond selection is key in this environment. We believe that selected emerging markets bonds may offer diversification opportunities and provide additional resilience, as long as risk aversion does not increase abruptly.

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All data sourced from Allianz Global Investors and Bloomberg as at 31 March 2026 unless otherwise stated.

^Magnificent Seven refers to a group of US stocks which includes Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla.

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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.

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