

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 February

February was another turbulent month for global equity markets, with the MSCI All Country World Index (ACWI) posting a modest gain. Stocks rallied after the US Supreme Court overturned the Trump administration's emergency tariffs. The evolving situation in the Middle East also buffeted sentiment, culminating in joint US-Israeli attacks against Iran and reports that Supreme Leader Ayatollah Ali Khamenei had been killed. Tehran unleashed deadly retaliatory strikes against Israel and US allies across the region, while Russia's bombardment of Ukraine and its power grid continued, even as the second round of US-brokered peace talks took place in Abu Dhabi.

Overall, Japan finished in front, with stocks buoyed by Prime Minister Sanae Takaichi's election victory. The UK was next, bolstered by a slew of better-than-expected data prints, followed by Europe. The US brought up the rear with a broadly flat return. Once again, emerging markets significantly outperformed their developed market peers. Turning to the MSCI ACWI, materials and utilities were the strongest sectors, followed closely by energy and consumer staples. Less positively, communication services, consumer discretionary and information technology stocks delivered negative returns.

Global bond yields advanced, with the major bond markets buoyed by safe-haven flows and easing inflation. US Treasuries notched their best monthly return in a year. Euro zone and UK government bond yields also fell substantially, while Japanese yields eased to a lesser extent. Inflation in January slowed across the US, euro zone, Japan and UK.

Emerging market debt advanced in February. Both local currency bonds and US dollar-denominated debt generated positive returns against a backdrop of declining US Treasury yields.

Portfolio Review

Over February, the fund generated a positive 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 February, sector allocation was a meaningful positive contributor to performance. Performance benefitted from the strong overweight to industrials and utilities and the underweight to communication services. The positive impact from sector positioning was however more than counterweighed by the negative impact from stock selection. Whilst selection was positive within information technology, it detracted across the other sectors, most notably within financials, industrials and health care. Theme-wise, Digital Finance was the main detractor. Also, stocks from the MSCI AC World Index that were not held in the portfolio and not classified to a theme resulted in a meaningful negative impact on performance. The themes Electrification, AI Adoption and Clean Water and Land were positive contributors.

The fixed income investments in the fund focus on global and emerging markets investment grade corporate bonds. The portfolio delivered a modest positive total return in February but underperformed the respective universe due to an idiosyncratic credit development in Brazil. Developed and emerging market credits had even performance during the month with wider spread more than offset by sharply lower government bond yields. Rates were a positive performance contributor. US dollar partially retraced the depreciation in the prior month which sent Euro and British Pound weaker. This has negatively impacted our exposures in European credits. Our position on the bond issued by a Brazilian integrated fuel producer was the main performance detractor last month. The bond saw significant volatility driven by rising concerns on the company's financial sustainability. Subsequently, the bond was downgraded from investment grade to high yield ratings by S&P and Fitch. We have exited this position during the month.

By the end of February 2026, the portfolio had around 65% allocation to risky assets (including equity and commodity), and the remaining was allocated to fixed income and cash/cash equivalent.

During February, we have modestly increased overall equity exposure with some regional rotation especially in Asia. Commodities and fixed income exposure remained stable.

Outlook and Strategy

We expect global growth to be slightly above potential during the first quarter of 2026 thanks to stimulus from investments in technology and Artificial Intelligence in the US and key emerging markets on the one hand and a gradual pick-up in activity in the euro area and Japan on the other. In view of this macroeconomic background and the probable increase in corporate earnings we are still optimistic about the equity market. We believe that the recent trends will continue and that the upswing will gain breadth. In Europe, stronger economic data and fiscal support in Germany should prop up cyclical sectors. Japan will probably continue to benefit from a stable political framework and healthy corporate fundamentals. And the weaker US dollar and rising structural demand from international investors will support emerging markets equities. However, disappointments in one of the key areas – growth, inflation or monetary policy – might trigger setbacks. Uncertainties about global conflicts are another source of potential risks.

Monetary policy conditions for the bond markets of the most important economies are approaching neutral, which is why we expect volatility on these markets to be limited for now. In this environment, long-term Treasuries have become more attractive again, even though concerns about the US budget deficit and the dollar weakness remain. Turning to Europe, we currently do not see any need for action by the European Central Bank. Stable economic data and high supply remain the key characteristics of the euro-area government bond market for now. We believe that the environment for corporate bonds is still favourable because absolute returns are attractive and fundamentals appear solid enough. However, the

spreads are often narrow, so risks are asymmetrical. In this environment, careful selection is necessary, particularly in sectors where the cycle has reached a turning point. Emerging markets bonds remain one of the best diversification options for a global bond portfolio, particularly in view of the fact that central banks in the emerging markets have more leeway in their monetary policy. Nevertheless, careful selection and issuer analysis are warranted in the emerging markets, too.

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All data sourced from Allianz Global Investors and Bloomberg as at 28 February 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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