

Allianz

US High Yield

Monthly commentary

- The Fund aims at long-term capital growth and income by investing in high yield rated corporate bonds of US bond markets.
- The Fund is exposed to significant risks of investment/general market, country and region, emerging market, creditworthiness/credit rating/downgrading, interest rate, default, valuation, sovereign debt, 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 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 increase the risk of loss of original investment.
- 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 May

High yield bonds finished higher for the month. Corporate earnings results in May remained strong with the S&P 500 Index on pace to deliver its highest quarterly earnings growth and surprise percentage since 2021. On the economic front, unemployment declined and the manufacturing sector continued to expand, while inflation rose and personal savings, income, and consumption fell. There was no Federal Open Market Committee (FOMC) meeting in May, but Kevin Warsh was officially sworn in as the next Chairman of the Federal Reserve. Against this backdrop, the 10-year US Treasury yield and crude oil settled well below intra-month highs on lower odds of reescalation in the Middle East.

The ICE BofA US High Yield Index returned +0.49% for the month.* BB, B, and CCC rated bonds returned +0.53%, +0.69%, and -0.48%, respectively.*

Spreads narrowed to 274bp from 283bp, the average bond price was flat at 97.32, and the market's yield rose modestly to 7.35%.*

Most industries finished higher with technology, packaging/paper, and services outperforming, while cable, transportation, and retail underperformed.

Trailing 12-month default rates finished the period at 2.02% (par) and 1.64% (issues).[^]The upgrade/downgrade ratio was lower at 0.8.[^]

Monthly new issuance saw 40 issues priced, raising USD27.0 billion in proceeds. [^] High-yield funds reported estimated net flows of +USD 0.6 billion.[^]

Portfolio Review

Technology, automotive, and media content were the largest contributors to performance in the period. Within technology, almost all positions contributed positively, with holdings in cybersecurity and cloud computing having the largest impact. Strength in automotive was attributable to issues from several different component manufacturers. Issues in video game development, satellite radio, and television broadcasting drove portfolio performance within media content.

There were no industries that detracted from performance in the period.

Transactions during the period included new purchases in financial exchanges & data, integrated telecommunication services, and construction/engineering, and complete sells in healthcare equipment, renewable electricity, and consumer finance. Additionally, there were both purchases and sells in casinos/gaming.

Outlook and Strategy

The outlook for 2026 remains unchanged. Conflict headwinds may offset some of the artificial intelligence (AI) proliferation, reindustrialisation, and fiscal and monetary policy tailwinds. On the other hand, first quarter results are surpassing expectations, management outlooks are constructive, earnings estimates continue to trend higher, and multiple datapoints indicate sustained economic growth.

Going forward, corporate investment, consumer spending (helped by tax cuts/refunds), less regulation, energy and defence spending, and credit expansion could support gross domestic product (GDP) growth. On the other hand, a prolonged conflict lengthens the recovery period, pushing out eventual stability in commodity markets, supply chains, and geopolitics. The investment team continues to closely monitor the situation including the potential effects of higher energy prices on consumption, margins, sales, inflation, government debt yields, monetary policy, and capital expenditure plans.

The US high-yield market, yielding more than 7%[^] offers equity-like returns but with less volatility. Currently, the asset class is on track to deliver a coupon-plus return in 2025. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are stable, near-term refinancing obligations remain low, and management teams continue to exercise balance sheet discipline. Additionally, the market's credit quality composition continues to improve. In this environment, new issuance is expected to remain steady, spreads can stay tight, and the default rate should continue to reside below the historical average.

Longer-duration issues are the most likely to be impacted by high and volatile rates, but the overall high-yield market should have a dampened response due to its larger coupon relative to other fixed income alternatives. As a result, US high-yield bonds contribute from both a diversification and a relative-performance perspective, offering a very compelling yield opportunity.

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All data are sourced from Allianz Global Investors, S&P Dow Jones Indices and FactSet dated 31 May 2026 unless otherwise stated.

*Source: BofA Merrill Lynch, as at 31 May 2026.

^Source: J.P. Morgan, as at 31 May 2026.

Allianz Global Investors and Voya Investment Management entered into a long-term strategic partnership on 25 July 2022, upon which the investment team transferred to Voya Investment Management. This did not materially change the composition of the team, the investment philosophy nor the investment process. Management Company: Allianz Global Investors GmbH. Delegated Manager: Voya Investment Management Co. LLC (“Voya IM”).

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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.

Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Past performance is not indicative of future performance. Investors should read the offering documents for further details, including the risk factors, before investing. This material and website have not been reviewed by the Securities and Futures Commission of Hong Kong. Issued by Allianz Global Investors Asia Pacific Limited.

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