Market Review and Outlook

November 2024

The content of this document is supplementary to the Monthly Fund Factsheets.

For the following funds:

Allianz Life Master Bond Fund (“MBF”)
Allianz Life Master Equity Fund (“MEF”)
Allianz Life Master Dividend Fund (“MDF”)
Allianz Life Master Dana Ekuiti (“MDE”)
Allianz Life Master ASEAN Plus Fund (“AMAF”)
Allianz Life Managed Fund (“MF”)
Allianz Life Equity Fund (“EF”)
Allianz Life Dynamic Growth Fund (“DGF”)
Allianz Life Equity Income Fund (“EIF”)
Allianz Life Bond Fund (“BF”)
Allianz Life Dana Padu (“DP”)
Allianz Life ASEAN Plus Fund (“AAF”)

Market Review

The global equity markets rebounded in November 2024, with the MSCI World Index advancing 4.47% mom. In the US, the Dow Jones Index rose 7.54% mom on the back of Trump’s decisive election victory. Donald Trump’s earlier pledges of deregulation, tax cuts and import tariffs have boosted investors’ expectations for the US. On inflation, US CPI rose 2.60% in October 2024 versus a year ago (2.40% in September 2024), matching expectations. In the month of November, the Federal Reserve (FED) cut interest rates by 25 basis points. The cut was half the size of its earlier reduction in September.

Meanwhile, the European Stoxx 50 declined by 0.48%. This could be attributable to signs of slowing economic momentum in Europe, as well as potential tariffs imposed on Europe by the US. The HCOB Flash Eurozone Manufacturing Purchasing Managers’ Index (PMI) fell to 45.2 in November, down from 46.0 in October, suggesting some signs of weakness in its manufacturing sector. As of the latest reading, EU’s unemployment rate was at 6.30%. It remained stable compared with August 2024.

China’s Shanghai Composite Index rose by 1.42% mom as some investors anticipate potential stimulus measures that may be announced during the Central Economic Work Conference (CEWC), slated for mid-December. Meanwhile, China’s Caixin PMI came in at 51.5 in November, compared with 50.3 in October, marking a second straight month of expansion.

During the month under review, Brent oil price dipped 1.30% mom to USD71.84/bbl as market factors in potential measures from Trump that could increase oil supplies. Also, OPEC+ has delayed its oil policy meeting and this has stirred uncertainty. Key issues to be addressed includes the United Arab Emirates’ (UAE) output hike which is scheduled to start in January 2025. Conversely, crude palm oil price surged 8.33% mom to RM5020/MT mainly on concerns over Indonesia’s plan to adopt B40 biodiesel by January 2025 as well as tightening supply conditions.

Turning to the ASEAN region, Singapore’s Strait Times advanced 5.07% mom, tracking gains in the US despite concerns that a US-centric policy approach could negatively impact the global economy. Its October 2024 Non-Oil Domestic Exports (NODX) fell 4.60% yoy due to weakness in the non-electronics sector, reversing three months of expansion. Meanwhile, The Stock Exchange of Thailand declined 2.60% mom partly due to a lackluster third-quarter earnings season and concerns regarding US policies under Trump administration. Back at home, Malaysia’s FBMKLCI declined 0.50% mom mainly due to continued profit-taking by foreign investors. Having offloaded RM3.10bn worth of equities, this has reversed their YTD position to a net sell of RM1.32bn. The healthcare sector was the best performing sector in the month while the telecommunications sector was the worst. Bank Negara Malaysia (BNM) kept its Overnight Policy Rate (OPR) at 3.00% in November. Lastly, Indonesia’s Jakarta Composite Index was down 6.07% mom partly due to foreign outflows of USD1.1bn in November. Bank Indonesia (BI) maintained the benchmark policy rate at 6.00% in November.

The US Treasuries (UST) yields were down by 4 – 14 bps mom across all tenors as October's nonfarm payrolls (NFP) were weaker – than – expected and the FED delivered a 25 bps interest rate cut, reducing interest rates to 4.50% – 4.75%. NFP in October came in at only +12k mom (Survey: +100k mom, September revised: +223k mom) as hirings were affected by hurricanes and a strike at Boeing Co. Unemployment rate remained unchanged at 4.10% mom (Survey: 4.10% mom). In Federal Open Market Committee (FOMC)'s November meeting minutes, the Fed stated that it will approach future interest rate cuts more carefully as the economy and labour market continues to be solid, although there are signs of gradual easing. The market – implied rate cut probability for December 2024 is at 66.00% as of end – November 2024.

Similarly, Malaysian Government Securities (MGS) yields declined by 5 – 14 bps mom across the tenors amidst the release of Malaysia's 3Q24 GDP and CPI data. In 3Q24, Malaysia's GDP grew by 5.30% yoy as expected (Survey: 5.30% yoy), albeit lower than the growth of 5.90% yoy in 2Q24. The growth was mainly driven by solid investment activity and continued rise in exports from external demand recovery coupled with positive impact from global tech upcycle spillover. Household spendings also sustained its growth with favourable labour market conditions and supportive policy. Meanwhile, October's CPI was stronger – than – expected at 1.90% yoy (Survey: 1.80% yoy, September: 1.80% yoy) largely due to greater prices in food and beverages as well as personal care, social protection, and miscellaneous goods and services.

Foreign funds net outflows reduced to RM1.1bn in November (October: -RM11.4bn). Foreign share of both MGS and MGS+MGII declined to 32.7% (October: 33.2%) and 21.4% (October: 21.7%) respectively. Despite the outflows, Malaysia's foreign reserves climbed by USD0.7bn to USD118.3bn as of end – November 2024 (October: USD117.6bn).

Market Outlook

With global inflation seemingly under control, we believe that investors would focus on other significant uncertainties. These include the implications of new policies from the incoming US President, tensions in the Middle East and the effectiveness of China's stimulus package. Domestically, investors are likely to pay close attention to the launch of Johor-Singapore Special Economic Zone (JSSEZ) and the specifics of policies like fuel subsidy rationalization.

Against that backdrop, we remain committed to investing in fundamentally good investments over long – term investment horizons. Furthermore, we might partake in a modicum of trading activities to capitalize on any prevailing market volatility. That said, we have to remain alert that the pervasive geopolitical and other risks may necessitate the adoption of new strategies to adapt to the ever – volatile market conditions.

Bond market volatility in the fixed income market will persist. From now till Trump's inauguration in January 2025, there could be more volatility and uncertainty to come from the actual policies to be instituted. The future of Fed rate cuts could be less certain with the market implied terminal rate looking slightly higher. Locally on the economy, BNM said the latest indicators point towards sustained strength in economic activity, driven by resilient domestic expenditure and better export performance. Its inflation outlook remains subject to the details of the implementation of announced domestic policy measures. Market expectation is for BNM to stand pat on the OPR for 2025. We would continue accumulating bonds at favorable valuations while prioritizing good quality names.

For Allianz Life Global High Payout Fund:

Target Fund Manager's Comment (For Allianz Global High Payout Fund)

What helped?

- November was a risk-on month where the most cyclical stocks did better than market average. The Fund could participate in that rally with its exposure to cyclical value names and trend-following exposure.

What hurt?

- The Fund lagged the benchmark index MSCI World in the last month.
- Stocks with strong quality and defensive features like stable dividends could not hold up in the strong market environment.

Market Review and Outlook

Global equities closed November with mixed returns. US stocks rallied strongly as Donald Trump's landslide victory in the US presidential election boosted hopes of tax cuts and looser regulations. However, threats of tariffs weighed on the performance of other markets, particularly in Europe, Japan and many emerging markets. At a sector level, Consumer Discretionary and Financials stocks rallied the most, while Materials and Health Care were the weakest sectors in the MSCI All Countries World Index.

US shares rallied strongly over November, spurred by Donald Trump's decisive victory in the presidential election. From January, the Republican Party will control both the Senate and the House of Representatives, providing few obstacles for the president-elect to implement his planned policies. Trump has promised to cut regulation and taxes, as well as hike import tariffs. He has already announced that he will impose 25% tariffs on all imports from Canada and Mexico from "day one" in office and raise tariffs on Chinese imports by an extra 10%. The S&P 500 Index closed the month at a fresh high, although the Nasdaq failed to regain its post-election peak. Meanwhile, US smaller companies soared, with the Russell 2000 Index touching a record high for the first time in three years.

European equities struggled over November as the prospect of Donald Trump's return to the White House raised the spectre of higher tariffs. Rising political uncertainty also undermined sentiment. German Chancellor Olaf Scholz called a snap election after the 3-year-old coalition government collapsed as it battled to agree a budget. In France, Prime Minister Michel Barnier's minority government also appear to be in peril as it struggled to gain sufficient support for a budget that contained tax increases and spending cuts.

Following the clear result of the US elections, the outlook for riskier assets such as equities remains favourable, as both the US and the global economy look set to do well, even though there may be temporary volatility. US equities should benefit. From our vantage point, they are still attractive despite their high valuations. The divergence in global growth – with the US expanding more strongly than the euro area or Japan – is likely to continue under a second Trump administration. Recent data from China point to a macroeconomic stabilisation and even an upswing in the Financial sector in that country. In addition, the (moderate) uptrend in corporate earnings is continuing and contributing to the overall encouraging picture. Corporate earnings are the most important driver of investment and therefore a significant leading indicator for the overall economic development. Nevertheless, some risks remain. In fact, financial market participants expect the central banks to cut their key interest rates considerably. However, that may not happen if inflation picks up again. Moreover, several geopolitical crises remain unresolved, and the second Trump administration may take decisions that have a negative impact on the world. With US import tariffs and trade conflicts looming on the horizon, active management will be key for success in a global environment in which opportunities and risks are unevenly distributed.

For Allianz Life Asia Multi-IncomePLUS Fund:

Target Fund Manager's Comment (For Allianz Asian Multi Income Plus)

Market Review

Asia Pacific equities were broadly down in November, although there was diverging performance across the region. Trump's victory raised the prospect of higher tariffs on exports to the US, triggering an initial sell-off in China equities before they stabilised later in the month. A stronger dollar also presented headwinds, especially for the smaller ASEAN markets.

China equities delivered mixed returns over the month. Onshore market rose slightly, boosted by Beijing's announcement of a substantial stimulus package aimed at refinancing local authority debt, although the rally faded as the month progressed. However, offshore stocks declined. Australian stocks advanced, with key indices touching a fresh record high towards month-end as the market posted its strongest monthly gain since July. Taiwan and South Korea equities lost ground. Taiwan equities slid amid concerns over slower growth and a correction in the semiconductor market. Korea equities were also weaker as Technology stocks fell, despite a new value-up plan announcement from an appliance and consumer electronics company. ASEAN markets were mixed. Singapore stocks rallied strongly, led by the Financials sector, but the Philippines, Indonesia and Thailand stocks were weaker.

On the fixed income side, the performance of Asian credit markets in October and November demonstrated resilience to rate fluctuations and global macroeconomic headlines, as well as its lower correlation with other global credit markets. Asian credit spreads overall withstood a choppy session for US Treasuries and ended the month on a more positive note. Asian investment grade (IG) spreads traded in a 15 basis point (15 bps) range intra month and ended November just 4 bps wider, while high yield (HY) credits gave back some October gains with the wider sector dispersion.

The Fund's return was negative in USD terms in November.

In the equity portfolio, the top detractor was an ecommerce platform and cloud service provider in China. The share price pulled back amid the broader market correction. In general, the company has been refining its business strategy to improve competitiveness in the weaker macro environment. Looking ahead, the company should benefit from more supportive government policies designed to improve domestic demand.

On the positive side, a key contribution came from our position in Pro Medicus. This Australian company has a focus on imaging and patient management software in the healthcare sector. A series of recent contract wins has highlighted how Pro Medicus continues to displace older legacy systems as health care clinics and hospitals increasingly move to the cloud. After the share price strength, we reduced our position size to take some profit.

The asset allocation at the end of the month was 69.2% invested in Asian equities and 30.6% in Asian fixed income, with the remainder in cash.

In terms of portfolio activity for the equity sleeve, over the month we initiated a position in an online location sharing and communications platform in Australia. On the other hand, we exited a number of smaller positions as sources of funding, including a household appliance maker in China and a natural resources company in Australia.

For the fixed income sleeve, we continued to extend portfolio duration by switching out some shorter-dated issues to longer-dated bonds.

At the end of the month, we held 60 equities and 60 fixed income securities. The equity portfolio yield was 2.5% (based on forward 12-month estimates), and the average fixed income coupon was 5.6%, with an average credit rating of BB+ and average duration of 2.1 years.

Market Outlook

We maintain a constructive longer-term view on the regional outlook. The peak of the US rate cycle should provide a supportive overall backdrop. Overall, valuations generally remain at reasonable levels. However, a key market concern since the US elections has been to what extent higher US tariffs, across Asia and especially in China, will become a major risk factor. As such, recent weeks have seen China equities erasing some of the earlier gains that were driven by positive policy measures. Our view is that the "shock factor" of a Trump presidency will be somewhat less the second time around, and that China authorities will react with further domestically focused stimulus measures in the event of a major hike in tariffs. This comes in addition to the measures required to address the more structural problems in China, especially related to the property sector as well as the broad-based deflationary pressures. Across the region, we are finding a number of attractively valued structural growth stories in South Asia that are less impacted by geopolitical risks. In particular, the more favourable demographics and rising consumption power is boosting the growth outlook across ASEAN markets and India.

For Allianz Life Asia Multi-IncomePLUS Fund:

Target Fund Manager's Comment (For Allianz Asian Multi Income Plus)

On the fixed income side, while market volatility may be set to pick up in 2025 due to global geopolitical uncertainties, we think such volatility will mainly be expressed via local rates and foreign exchange (FX), less so in credit. We take comfort in the healthy corporate fundamental backdrop in Asian credits and supportive technicals. Most Asian issuers do not have large direct exposures to the US market and stronger sovereign fundamentals across the board versus eight years ago provides an additional buffer. Higher all-in yield of Asian credit, moderate supply and stable-to-improving credit fundamentals have kept spread volatility in check and will adequately support the market into year-end. Idiosyncratic headlines may bring reassessment of risk premium in a sector or country of risk, particularly given tight valuation, but we are not overly concerned about default risk in Asian credit given favourable credit cycle. We will continue to take market correction, if any, as opportunities to buy into the credits that we have high conviction in.

For Allianz Life Amanah Dana Ikhlas:

Collective Investment Schemes Fund Manager's Comment (For Maybank Malaysia Balanced-I Fund)

Market Review

Malaysian yield curve bull flattened for the month, with yields falling 6 to 13bps across the curve, reversing some of the yield rises in the month of Oct, in line with lower UST yields. Key local date for the month was 3QGDP data, which saw 5.3% growth driven by stronger household spending, positive labour market conditions and government policy support. 10y MGS yield fell 12 bps to 3.81% from 3.93% a month ago while longer-ends outperformed short to belly of the curve. Treasury yields fell on news that Bessent is nominated as Treasury Secretary as well as benign PCE data. On policy front, US Fed cut interest rate as expected by 25 bps to 4.50 - 4.75%. On currency, Ringgit grossly underperformed major and regional currencies. Against USD, MYR was weaker by 1.2% MoM to 4.4475.

Global equity markets were fully focused on the US presidential election as the most market impacting event. With the GOP winning both chambers of Congress in a Red Sweep, trigged concerns over tariff hikes leading to sell-off in the broader market.

Not spared, emerging and Asian markets and currencies slipped while foreign saw outflows. The DXY index was up 1.7% while the Ringgit, Baht, Pesos and Rupiah depreciated 1.8%, 1.4%, 0.9% and 0.9% respectively. Gains in currencies reversed from early US Fed shift towards a more monetary policy. At this juncture, the question remains on whether Trump will impose a blanket tariff on China, or all countries. These adds to concerns on the growth outlook due to risks stemming from escalation of geopolitical tensions, protectionism, and weaker-than-expected commodities.

Closer to home, the KLCI was flat (-0.47%) for the month, as investors mostly digested the tariffs impact and the final corporate earnings for the year. In terms of sub-sectors, healthcare, plantations, and utilities were the main gainers while decliners were in telecommunications, energy, and industrial productions. In macroeconomic news, Malaysia's 3Q GDP came in at 5.3%, within the street's estimates. Exports continued to strengthen on the back of external demand and partially from the global tech upcycle. Malaysia's 3Q final GDP was in line with preliminary data at -5.3% yoy and 6.3% qoq driven by domestic demand while trade was slightly weaker. October's inflation CPI rose 1.9% yoy and 0.2% mom were within expectations while core CPI (excluding food) rose 1.8% yoy and 0.1% mom. Elsewhere, BNM maintained its policy rate at 3.0% within street's expectations.

Most Asean markets was weaker, except for Singapore, which surged 5.1% during the month on upbeat earnings. The rest Philippines was the worst performer, sliding 7.41%, followed by Indonesia's 6.07% drop, and Thailand fell 2.63% while Malaysia was flat (-0.5%). Most Asian markets experienced net foreign outflows. In fund flows, Malaysia slipped into net foreign sell, amounting to US$698m (RM3.1bn), the biggest selling since March 2020. On year-to-date basis, net foreign outflow amounted to RM1.3bn. Elsewhere, Thailand, Indonesia, and Philippines had net foreign outflow of US$398, US$1.1bn and US$349m respectively.

Commodities were generally weaker with oil prices were down 0.3% but metals were lower amid concerns of slower demand due to potential trade implications. LME Metal Index retreated 3.0% with the copper tumbling 6.0% while aluminium was flat 0.9%. Precious metals, platinum, palladium and silver were weaker by 4.5%, 12.2%, and 6.2% respectively. Safe-haven gold however saw a sharp drop by 3.7% to 2,643/oz. Lastly, CPO hit a 2-year high on supply concerns as both Malaysia and Indonesia have been hit by heavy rains. Further supporting prices, were commitment by Indonesia to implement B40 in 2025, although there may be questions on the incentive scheme by the BPDP KS fund to finance the programme given the price differential between CPO and gasoil.

Market Outlook

Sukuk Outlook & Strategy

In November 2024, BNM maintained the OPR at 3.00% for a ninth straight meeting since the last hike in May 2023. The monetary policy remains neutral given the favorable combination of solid economic growth and anchored inflation trajectory that is expected to sustain into 2025. We expect the recovery in Malaysia's fixed income market to continue, as most central banks around the world have started embarking on rate cuts, shifting towards more accommodative monetary policy. The positive dynamic of yield movement globally could lead the local government yields to trend lower. Our view remains that BNM to maintain OPR at 3.00% in 2025 as Consumer Price Index (CPI) numbers are relatively benign at the back of subsidy rationalization exercises. However, we will watch for signs of demand-pulled pressure, as Malaysia GDP growth remained robust at 5.3% in 3Q 2024, and is projected to expand between 4.80%-5.30% in 2024 (revised higher from 4.00-5.00%) and 4.5-5% in 2025. In addition, Malaysia is at full employment rate with a steady unemployment rate of 3.2%, and increase in minimum wage from MYR1,500 to MYR1,700, as well as civil servant salary increase; could lead to higher disposable income and increased consumption. We are also mindful of external factors such as US reflation risk and escalation of trade tensions

Collective Investment Schemes Fund Manager's Comment (For Maybank Malaysia Balanced-I Fund)

under the Trump administration as well as China economic slowdown pose uncertainties.

Strategy wise, we will continue to trade opportunistically and realize profits, reinvesting into longer-duration and higher yield accretive bonds while also considering new primary issuances with higher yields to increase returns. We will maintain our Neutral to long-duration stance as we find current bond yields to be attractive. We continue to overweight corporate bonds over sovereign bonds to anchor the Fund's income, as corporate bonds are less volatile and provide higher yields to buffer against potential mark-to-market losses. We prefer strong AA-rated and A-rated papers for yield pickup, while our holdings in AAAs and GIIs will be primed for trading and ROI (return on investment) purposes. We will continue to trade opportunistically to realize profits.

Equity Outlook & Strategy

Moving forward, we think that news flows on tariff are likely to continue to dominate headlines leading to a lackluster market. Already, Trump had said he would impose a 25% tariff on all products from Canada and Mexico on his first day, and would impose an additional 10% tariff, above any existing tariffs on imports from China. While there is reason to believe that this is only a negotiating tactic and unlikely to implement a 60% tariff as he has previously threatened with. Indeed, these concerns have led net foreign flows to turn negative. Positively however, the market has been supported by local institutions. Elsewhere, the China+1, or trade diversion could benefit countries in Asean and has been in the past, there is a risk that tariff could be imposed on Chinese content e.g. component made in China that are then assembled in Asean. This would certainly negatively affect the positive effect of the trade diversion.

Hence, we have tilted to more defensive stance and there could be pockets of opportunities, upside risks to growth include greater spillover from the tech recovery and investment/infrastructure projects. We think stock picking will be the key strategy for outperformance going into next year, with focus on thematic names such as: 1) Emphasizing NETR-related segments such as water, solar, and energy-efficiencies businesses perhaps expanding into tech software and hardware, 2) Allocation of additional government spending for Penang & East Malaysia (Sabah & Sarawak) from the 2024 Budget, likely to drive pent-up economic activities in these states; 3) new growth pillars such as datacenters/hyperscale supply chain e.g. land owners, contractors, network/cable providers, energy providers, data security etc.; and 4) Lastly, fostering a closer Malaysia-Singapore relationship which will directly benefit Johor State e.g. ART, HSR.

For Allianz Life All China Equity Fund and Allianz Life All China Equity Fund (USD):

Target Fund Manager's Comment (For Allianz All China Equity)

Market Review

The Fund lagged the benchmark in November. Positive stock selection in the Industrials sector was offset by some weakness in Financials.

At a single stock level, a key detractor last month was a leading smartphone and consumer electronic component producer and a key supplier to a multinational technology giant. The share price saw a pullback after the US election results amid concerns about the potential impact of higher tariffs. We believe the company will be able to mitigate this risk if required, for example by transferring production to other countries. Longer term, the company continues to gain market share in the afore-mentioned technology giant's supply chain by enhancing its ongoing vertical integration and supplying a broader range of capabilities.

Conversely a leading contributor was a company specialising in the development of high-tech auto parts such as chassis systems, intelligent driving and anti-vibration systems. The company is a key supplier to an American electric vehicle manufacturer, and the stock saw a big rally post the US election results. The share price was also supported by positive Q3 results. Longer term, we believe the company has good growth prospects underpinned by new product opportunities and expansion into humanoid robots.

Market Outlook

Recent weeks have seen China equities consolidating somewhat after the very strong rally at the end of September / early October, which was spurred by a significant change in government policy focused on stabilising the economy as well as financial markets.

This has resulted in China equities being one of the better performing global asset classes year to date, delivering double digit gains in US dollar terms in both onshore and offshore markets.

A key market concern since the US elections has been to what extent higher US tariffs, which weighed heavily on sentiment in China equities in 2018, will again become a major risk. Our view is that the 'shock factor' of a Trump presidency will be somewhat less the second time around, and that China authorities will react with further domestically focused stimulus measures in the event of a major hike in tariffs.

Indeed, it was noticeable how China equities reacted positively in the final week of November in response to an announcement by President-elect Trump that he would impose an additional 10% tariffs on China goods on top of all existing levies. This would suggest that, to some extent, the expectation of higher tariffs is already discounted in share prices.

Looking ahead to next year, a further key issue will be concrete signs that China's policy package is working, which would then potentially outweigh tariff concerns. While high frequency economic data has certainly improved so far in Q4, there are still questions as to the sustainability of this improved economic momentum.

In particular, China's export momentum – a key driver of growth this year – will likely fade in 2025. As such, an improvement in domestic demand will be needed to achieve the expected gross domestic product (GDP) growth target of 4.5 - 5.0%. Unlike in other global economies, Chinese consumers have been in 'saving' rather than 'spending' mode since the end of Covid. Retail cash levels are close to record high levels – household deposits in banks, for example, have reached the equivalent of two times the entire market capitalisation of China A-shares.

Much of the reason for the higher savings rate, in our view, is related to fears of future income prospects and the erosion of wealth as house prices have fallen. As such, stabilising the property market will be key to start rebuilding confidence and ultimately reversing this cycle.

Notwithstanding the uncertainly regarding what the Trump presidency will bring, overall our view is to be more optimistic on the outlook for China equities. The government has sent strong signals that it will step in to support the China A-shares market in particular, which should help to limit downside risks. With the likelihood of more supportive government measures to come, and with market valuations still reasonable, our view is to buy the dips rather than to sell the rallies.

In terms of portfolio activity, given our more constructive outlook, we have added to stocks which are more sensitive to an improvement in the domestic economy and financial markets. These include financial services companies such as investment banking and mutual fund management businesses, as well as consumption-related stocks. Conversely, we have trimmed exposure to previous outperformers such as large banks and selective semiconductor companies.

For Allianz Life All China Equity Fund and Allianz Life All China Equity Fund (USD):

Target Fund Manager's Comment (For Allianz All China Equity)

At month end the portfolio has around 42% in China A-shares. Sector weightings continue to be relatively close to the benchmark allocations. The largest sector overweight is Industrials (+1.7%), while the largest underweight is Communication Services (-2.4%).

For Allianz Life Global Artificial Intelligence Fund and Allianz Life Global Artificial Intelligence Fund (USD):

Target Fund Manager's Comment (For Allianz Global Artificial Intelligence)

Market Review

US shares rallied strongly over November, spurred by Donald Trump's decisive victory in the presidential election, as it boosted hopes of tax cuts and looser regulations. The S&P 500 Index closed the month at a fresh high, although the Nasdaq failed to regain its post-election peak. Meanwhile, US smaller companies soared, with the Russell 2000 Index touching a record high for the first time in three years. However, threats of tariffs weighed on the performance of other markets, particularly in Europe, Japan and many emerging markets.

The US Federal Reserve (Fed) cut rates by 25 basis points (bps), slowing the pace of its easing after September's 50-bps reduction. Minutes of the meeting revealed that policymakers are considering scaling back future rate cuts if inflation fails to be tamed. While jobs growth was far weaker than expected in October, elsewhere the US economy appears solid. In contrast, the growth outlook darkened in Europe, ramping up pressure on the European Central Bank (ECB) to cut rates further. Meanwhile, speculation grew that the Bank of Japan (BoJ) may raise rates again before year-end.

Oil prices closed the month little changed, with Brent crude trading around USD 72 per barrel. Israel's ceasefire with Lebanon's Hezbollah allayed fears over potential supply disruptions in the Middle East. The Organisation of the Petroleum Exporting Countries plus (OPEC+) next meets in early December amid rumours that a planned production increase may be postponed given oversupply concerns in 2025. Gold eased from the record high hit at the end of October as the US dollar strengthened.

From a sector perspective for the MSCI All Country World Index, performance was led by Consumer Discretionary, followed by Financials. The Materials and Health Care sectors were the top laggards over the period.

During the period, the Fund outperformed the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). From a sector perspective, Information Technology and Consumer Discretionary were the largest relative contributors. The Health Care sector was the only detractor. Artificial intelligence (AI) applications was the strongest performer on better earnings results and early traction from new generative AI capabilities. AI-enabled industries reacted positively to the Trump election victory, in anticipation of a more business-friendly environment. AI infrastructure generated positive returns and performed in line with the blended benchmark.

Contributors

Our position in electric vehicle (EV) producer Tesla Inc. was the top contributor over the period. The stock rallied strongly following the US presidential election results. Given Elon Musk's support for the Trump presidential election bid, the company stands to benefit under a friendlier regulatory regime and from a pro-business agenda. Looking forward, Tesla has some of the most ambitious innovation agendas of any public company, spanning EV, energy transition, AI and advanced robotics. We believe the company is making good progress on each of these agendas in ways that can unlock significant shareholder value in the future.

Another contributor is an enterprise AI software provider. Its platform empowers organisations to develop and deploy enterprise-scale AI applications. Shares were higher as the company announced an expanded strategic partnership with a technology company to help accelerate enterprise AI adoption. The company is currently benefitting from the developments of large language models (LLMs) and generative AI. Bookings trends have been solid given new products and increased interest from various organisations to leverage AI technologies.

Detractors

Amongst the detractors is a Chinese internet and ecommerce company. Shares were lower alongside the rest of China equities, as threats of China tariffs from the Trump presidency weighed on the overall space. Looking forward, the company is positioned to benefit from a recovery in gross merchandise value as macroeconomic conditions improve, greater penetration into lower-tier cities and new monetisation opportunities on its platform.

Broadcom Inc. is an infrastructure software provider and a semiconductor designer with applications across a range of end-markets, which includes AI infrastructure as a key market. Broadcom co-designed specialised AI chips that include the TensorFlow Processing Unit (TPU) with a technology conglomerate and a custom accelerator chip with a social media company. During the period, the stock had sluggish performance, which was in line with the rest of the semiconductor space. Looking forward, the company is on track for meaningful acceleration in revenue and earnings growth driven by AI-related computing and networking programmes, software infrastructure, and a recovery in its non-AI-related semiconductor business.

For Allianz Life Global Artificial Intelligence Fund and Allianz Life Global Artificial Intelligence Fund (USD):

Target Fund Manager's Comment (For Allianz Global Artificial Intelligence)

New Buys and Sells

A new purchase is a software company that develops project management and software development tools which help teams work more effectively. The company employs AI-driven tools to automate tasks, summarise project updates and break down complex work into actionable steps. It is also rolling out its AI agent platform, which could potentially catalyse more opportunities for its software to penetrate a broader user base and enable more automation.

We also initiated a position in a US utility company specialising in clean energy generation through its nuclear, wind and solar assets. It is positioning itself to meet the growing energy demands from AI and digital infrastructure. The company also uses AI to improve its operations in nuclear energy production, optimise reactor performance and predict equipment maintenance needs.

We exited the remaining position in a luxury goods company as it continues to face headwinds due to economic pressures impacting the high-end luxury category. We also sold a small position in a Chinese search engine provider as a part of our rebalancing of exposure to China-related equities. We had less confidence that the company's investment initiatives would yield near-term returns compared to the AI investments of other China-focused positions in the portfolio.

Market Outlook

We continue to have a constructive mid- to long-term outlook for equity markets given the earnings growth potential from continued AI innovation and adoption over the coming years. We recognise that short periods of volatility may occur, as markets digest changes in the timing of future rate cuts by the Fed and unexpected announcements from the upcoming Trump administration, especially around geopolitics and global supply chain. We continue to maintain a balanced portfolio positioning for the upcoming Trump presidency, which should be similar to his past administration. Overall corporate earnings have been relatively resilient year-to-date, although there have been pockets showing some softness given the lag effect of higher rates. As we have done in periods of volatility, we will opportunistically look to upgrade select names and add to our highest conviction ideas to better position the portfolio for improved performance.

Since inflation is now moving towards the Fed target of 2% and employment conditions have moderated, the central bank is now in a more comfortable spot to normalise policy. From the most recent Federal Open Market Committee (FOMC) meeting in November, Chair Jerome Powell highlighted that the central bank continues to pursue interest rate cuts as monetary policy is still restrictive. Minutes from the meeting indicated that the Fed recognises that inflation continues to ease towards the 2% target and the economy remains resilient and supports gradual rate cuts in the near future. An easier monetary backdrop should be constructive for the economy to regain its footing, but it may take time for effects to take hold.

As for what's next in the ongoing generative AI innovation wave, we expect the robust capital investments in "Phase 1" AI infrastructure to continue and the industry to enter the "Phase 2" AI applications wave that leverages this infrastructure to develop new generative AI capabilities in software to drive greater value and automation opportunities. We are also seeing early signs of "Phase 3" AI-enabled industries demonstrating effective use of generative AI. Many companies outside of the Technology sector are increasing investments in generative AI to train one's own industry-specific model on its proprietary data or knowledge to compete better and innovate in the future. A backdrop of emerging AI beneficiaries underappreciated for their potential creates a significant opportunity for alpha generation in the years ahead.

AI infrastructure: The developments around generative AI and large language models further demonstrate that the demand backdrop for AI infrastructure companies should remain strong given the computing requirements for training complex AI models and subsequent inference needed for edge intelligence. More companies are now motivated to build out their own domain-specific generative AI capabilities through continuous training and refinement. As these launch for broad-based use, demand should also expand to networking and storage infrastructure to support the explosive growth in new AI workloads. Investment also appears to be expanding to smaller cloud providers, governments and corporations in more countries around the world, which should be supportive of the ongoing build-out of critical AI infrastructure in the coming years.

AI applications: A new wave of AI applications is emerging that infuse generative AI capabilities into their software to drive greater value and create more monetisation opportunities. Generative AI appears to be evolving into its next phase with the emergence of AI agents. These applications are customisable and run 24/7, and can mimic human decision-making capabilities. This can take a lot of costs out of businesses and dramatically improve productivity. As these AI agents roll out for broader distribution, AI applications companies can open up many new monetisation opportunities and create value for users.

For Allianz Life Global Artificial Intelligence Fund and Allianz Life Global Artificial Intelligence Fund (USD):

Target Fund Manager's Comment (For Allianz Global Artificial Intelligence)

AI-enabled industries: AI is helping to reinvent digital transformation, introducing new generative AI possibilities that can significantly boost productivity and reduce costs. As more processes go digital, the opportunity for AI to react to new information or unexpected changes can revolutionise every industry. Many companies in AI-enabled industries are increasing investments in generative AI to train one's own industry-specific model on its proprietary content or knowledge to compete better and innovate in the future. We are witnessing an increasing number of companies across Automotive, Consumer, Health Care and Finance sectors leveraging proprietary datasets that could yield differentiated AI models and applications that are difficult to replicate and can handle tasks better than general purpose AI. We believe this is just the tip of the iceberg as companies become more comfortable with AI's potential to drive greater efficiencies and automation across every part of their business.

Overall, we continue to believe we are at the very early stages of massive disruptive change brought about by advances in – and the deployment of – AI. We believe these changes will drive meaningful growth for companies that can take advantage and drive disruption within their respective industries. Our view is that the compounding effect from AI disruption will create massive opportunities for innovative companies across every sector. Stockpicking will be essential to capturing the benefits of this opportunity, especially in an environment characterised by disruption and change. As we have done since the launch of the Fund, we remain focused on identifying the companies that leverage AI to deliver the most shareholder value creation over the long term. Compared to the technology innovation ahead of us, humanity is still on day one of our journey through the AI revolution.

For Allianz Life Oriental Income Fund and Allianz Life Oriental Income Fund (USD):

Target Fund Manager's Comment (For Allianz Oriental Income)

Market Review

Asia Pacific equities were broadly down in November although there was diverging performance across the region. Trump's victory raised the prospect of higher tariffs on exports to the US, triggering an initial sell off in China equities before they stabilised later in the month. A stronger dollar also presented headwinds, especially for the smaller ASEAN markets.

Australian stocks advanced, with key indices touching a fresh record high towards month end as the market posted its strongest monthly gain since July. In contrast, shares retreated in Taiwan and South Korea. The Bank of Korea reduced interest rates by 25 basis points to 3.0%, marking its second consecutive monthly cut. Japan equities eased slightly in local terms, although the stronger yen improved returns to international investors. Minutes of the Bank of Japan's (BoJ's) October meeting confirmed that the central bank expects to continue to raise rates gradually. Expectations are growing that the BoJ will likely raise rates again in December or at the latest, the start of 2025.

The Fund underperformed the MSCI AC Asia Pacific Index in November. Key detractions came from stock selection in the markets of South Korea and Japan, where our large positions in Information Technology names lagged and offset better selection effects in Health Care and Financials.

For example, a key detractor was a South Korean small cap technology company, which is a global leader in inspection equipment for consumer and auto electronics. We see significant opportunities ahead for this company in artificial intelligence (AI)-based smart solutions. However, as some other parts of the business are seeing weaker demand that may be sustained for some time, we have taken action to reduce portfolio exposure to this name. In general, we continue to favour names set to benefit from AI adoption.

The broad positioning of the portfolio remains in place. At a geography level, key overweight exposures are in Japan and Taiwan. Overall, we are using weakness in conviction stocks as an opportunity to add, with the market often being focused on the next set of quarterly results as opposed to longer-term growth potential.

In Japan, we continue to focus on stocks where we see potential for enhanced shareholder returns and an improved earnings outlook. In Taiwan, our focus is primarily on technology stocks, especially in companies which we see as key suppliers into the next generation of AI technology and related industries. Underlying this, we believe the AI story is a structural market driver that has the potential to deliver productivity gains across many parts of the economy.

While the fund remains underweight in China, we added to exposure in recent months by increasing allocations to insurance and ecommerce, which should benefit from macro stabilisation, as well as a major oil and gas producer that has lagged significantly in recent months bringing it back to attractive valuations. We also added a new holding in India following the market pullback.

Market Outlook

We maintain a constructive longer-term view on the regional outlook. The peak of the US rate cycle should provide a supportive overall backdrop. Overall, valuations generally remain at reasonable levels. However, a key market concern since the US elections has been to what extent higher US tariffs, across Asia and especially in China, will become a major risk factor.

As such, recent weeks have seen China equities erasing some of the earlier gains that were driven by positive policy measures. Our view is that the 'shock factor' of a Trump presidency will be somewhat less the second time around, and that China authorities will react with further domestically focused stimulus measures in the event of a major hike in tariffs. This comes in addition to the measures required to address the more structural problems in China, especially related to the Property sector as well as the broad-based deflationary pressures.

Elsewhere, the Indian market has seen around a 10% pullback over Q4. We see this as some near-term profit taking rather than a more fundamental change to the outlook. We also believe that structural drivers remain in place for a more positive outlook in Japan. In particular, the combination of higher inflation as well as ongoing governance reforms should contribute both to improved earnings as well as a greater focus on shareholder value. We continue to see the Japanese yen as fundamentally undervalued.

For Allianz Life Total Return Asian Equity Fund:

Target Fund Manager's Comment (For Allianz Total Return Asian Equity)

Market Review

Asia ex Japan equities delivered mixed returns in November. Donald Trump's landslide victory raised the prospect of higher tariffs on exports to the US, with a stronger dollar also presenting headwinds for many of the region's markets. While equities in Singapore closed higher, shares in China, Taiwan, and Korea lost ground.

Chinese equities consolidated after a very strong rally at the end of September and early October, spurred by a significant change in government policy focused on stabilising the economy and financial markets. Taiwan equities slid amid concerns over slower growth and a correction in the semiconductor market. Korea equities were also weaker as Technology stocks fell, despite a new value-up plan announcement from industry giant Samsung Electronics.

The Fund underperformed the benchmark in November. From a market perspective, stock selection in China was a key source of detraction. At the sector level, stock picks in the Technology and Consumer Discretionary areas were relatively weak.

A key detractor was a Korea-based memory chipmaker. The share price has suffered on fears that excess inventory levels in memory chips will lead to weaker pricing power. Domestic political developments have also been weighing on the market more broadly. We do not see the fundamentals of this business being significantly impacted by domestic politics. Overall, we believe longer-term artificial intelligence (AI) demand will accelerate the need for high bandwidth memory, where the company is a key global provider.

Conversely, top picks during the month came from the India market, where a real estate developer and banking giant HDFC Bank were solid contributors. The former performed well due to a strong revenue increase and a credit rating upgrade. The successful operations of its malls also bolstered investor confidence. HDFC Bank rallied due to robust Q2 reported results for financial year (FY) 2025, as well as an increased weighting in the MSCI India Index at the November rebalancing.

During the month, we initiated two new names in Singapore, including a large internet/ecommerce player. Similarly in Korea, we repositioned into a new name in the internet search and ecommerce space and exited a couple of names in the Industrials and Consumer Staples areas. We also continue to find select opportunities in the China market, where we are finding high quality business with sound earnings delivery trading on attractive valuations.

At a sector level, Financials, Information Technology, and Real Estate are the primary overweight positions, while Industrials, Consumer Discretionary, and Consumer Staples are among the main underweights. Top names in the portfolio at month-end include Taiwan Semiconductor Manufacturing Company (TSMC), Tencent, and Alibaba.

Market Outlook

We maintain a constructive longer-term view on the regional outlook. The peak of the US rate cycle should provide a supportive overall backdrop. Overall, valuations generally remain at reasonable levels. However, a key market concern since the US elections has been to what extent higher US tariffs, across Asia and especially in China, will become a major risk factor.

As such, recent weeks have seen China equities erasing some of the earlier gains that were driven by positive policy measures. Our view is that the "shock factor" of a Trump presidency will be somewhat less the second time around, and that China authorities will react with further domestically focused stimulus measures in the event of a major hike in tariffs. This comes in addition to the measures required to address the more structural problems in China, especially related to the property sector as well as the broad-based deflationary pressures.

Across the region, we are finding a number of attractively valued structural growth stories in South Asia that are less impacted by geopolitical risks. In particular, the more favourable demographics, rising consumption power, and reordering of supply chains associated with "China +1" are boosting the growth outlook across ASEAN markets and India.

For Allianz Life Global Income Fund:

Target Fund Manager's Comment (For Allianz Global Income)

Market Review

Risk assets and safe havens advanced in November, with global equity and fixed income markets finishing higher for the period. US election results and an anticipated pro-growth agenda under the new administration were the primary drivers of market gains. In addition, the US Federal Reserve (Fed) cut interest rates by 25 basis points (bps), boosting investor sentiment further. Lastly, the Q3 earnings season ended on a strong note with both top- and bottom-line results tracking to exceed consensus estimates. On the economic front, inflation gauges were generally in line with expectations, the services sector's expansion improved, jobless claims remained low, and retail sales beat consensus. In contrast, housing market statistics were mixed, and consumer sentiment and monthly payrolls declined relative to the prior period.

In this environment, global equity markets, as measured by the MSCI World Index, returned +4.59% with US equities outperforming their non-US counterparts.* Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +2.66% with US issues outperforming non-US issues.** Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +0.92% with US issues outperforming non-US issues.** Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +0.34% with US exposure outperforming non-US exposure.^

The portfolio was positively impacted by strength across global equities, convertible securities, and corporate bonds.

Top contributors in the period were led by an electric vehicle (EV) manufacturer, as well as a software company with bitcoin exposure. Amazon, Nvidia, Apple, and Microsoft – companies capitalising on secular trends around artificial intelligence (AI) and cloud migration – were also notable contributors. Several major US banks moved higher on election outcome optimism. Holdings in clean energy and software also advanced on favourable read throughs from earnings reports.

Top detractors were led by several companies that released quarterly results, with holdings in aircraft manufacturing, insurance, logistics, and chemicals missing earnings expectations. Additionally, an automaker and an ophthalmology company reported lower-than-expected sales. A foreign bank declined on mergers and acquisitions (M&A) news, a semiconductor holding saw pricing weakness, and issues in ecommerce and mining fell on tariff-related concerns.

Exposure increased the most in Communication Services, Energy, and Health Care, and decreased the most in Consumer Discretionary, Materials, and Financials. Covered call option positioning decreased month-over-month.

Market Outlook

Global economic growth could begin to stabilise as central banks worldwide reduce interest rates or implement stimulus to boost spending.

Apart from an accommodative shift in monetary policy, potential economic tailwinds include pro-growth US policies under the new administration, steady consumption, continued fiscal spending, the proliferation of AI, and improving productivity, among others. Risk to the global economy may increase if these trends weaken. Other potential headwinds include new tariffs, more restrictive immigration policies, geopolitical tensions, prolonged labour market softening, continued manufacturing contraction, and slower growth outside the US.

Global equities could benefit from Trump's pro-growth policies should they have a notable impact on future earnings. Continued Fed easing and economic expansion, secular growth drivers, such as AI, and accelerating earnings growth or an earnings inflection from more companies are also catalysts. If economic growth or earnings growth fall short of expectations, the global equity market could be challenged.

Global convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. Higher debt financing costs have drawn issuers to the convertible market for coupon savings, resulting in accelerated new issuance at favourable terms and an expanded investment opportunity set with the desired risk/reward characteristics. While a change in market leadership is not certain, a sustained broadening of the equity market could be a positive development for the asset class.

The global high yield market, yielding over 7%^^, offers the potential for equity-like returns but with less volatility. 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. Given these factors, the default rate has been below the long-term average with expectations for it to trend towards the historical average in 2025. Regarding credit spreads, they can stay tight for many years. This was the case in the mid-1990s and 2000s – periods like today when high yield balance sheets were healthy and defaults were low, the economy was stable, and interest rates were elevated.

For Allianz Life Global Income Fund:

Target Fund Manager's Comment (For Allianz Global Income)

Global investment grade corporate bond's risk/reward opportunity is also compelling. Rising interest rates are a risk for high grade corporates, however the investment opportunity remains attractive given higher coupons and yields, and a positive fundamental outlook with limited default risk. The asset class trades at a discount to par, offering compelling total return potential and downside cushioning.

A covered call options strategy can be utilised to generate premium income. In periods of elevated or rising equity volatility, premiums collected may translate into more attractive annualised yields.

Collectively, these asset classes can provide a steady source of income and a compelling "participate-and-protect" return profile.

The Fund is a client solution designed to provide high monthly income, the potential for capital appreciation, and less volatility than an equity-only fund.

All data are sourced from Allianz Global Investors dated 30 November 2024 unless otherwise stated.
* Source: MSCI, as at 30 November 2024
^ Source: Bloomberg, as at 30 November 2024
** Source: BofA Merrill Lynch, as at 30 November 2024
^^ Source: ICE Data Services, as at 30 November 2024

For Allianz Life Thematica Fund and Allianz Life Thematica Fund (USD):

Target Fund Manager's Comment (For Allianz Thematica)

Market Review

Global equities closed November with mixed returns. US stocks rallied strongly as Donald Trump's landslide victory in the US presidential election boosted hopes of tax cuts and looser regulations. However, threats of tariffs weighed on the performance of other markets, particularly in Europe, Japan and many emerging markets. At a sector level, Consumer Discretionary and Financials stocks rallied the most, while Materials and Health Care were the weakest sectors in the MSCI All Countries World Index.

It was a volatile month for global bonds as Donald Trump's decisive win raised fears that rate cuts may be scaled back if higher tariffs reignite inflation. The yield on the 10-year US Treasury bond touched a 4-month high of 4.5% in the aftermath of the election result, but closed the month at 4.2%, slightly lower than the level at the end of October, as the President-elect's choice of Treasury Secretary reassured investors. Meanwhile, European bond yields declined sharply as the threat of higher tariffs for the region's US exports further depressed the growth outlook. Japan proved the exception, with bond yields rising amid increasing speculation that the Bank of Japan (BoJ) may hike rates again in December.

The US Federal Reserve (Fed) cut rates by 25 basis points (bps), slowing the pace of its easing after September's 50-bps reduction. Minutes of the meeting revealed that policymakers are considering scaling back future rate cuts if inflation fails to be tamed. While jobs growth was far weaker than expected in October, elsewhere the US economy appears solid. In contrast, the growth outlook darkened in Europe, ramping up pressure on the European Central Bank (ECB) to cut rates further. Meanwhile, speculation grew that BoJ may raise rates again before year-end.

The US dollar surged on concerns that Donald Trump's promises to raise tariffs would increase inflation and reduce scope for the Fed to cut rates. The Dollar Index, a measure of the currency's strength against its major trading partners, hit a 2-year high. Oil prices closed the month a little changed, with Brent crude trading around USD 72 a barrel. Israel's ceasefire with Lebanon's Hezbollah allayed fears over potential supply disruptions in the Middle East. Gold eased from the record high hit at the end of October as the US dollar strengthened.

Market Outlook

The Fund returned positively (in EUR, gross of fees) in November, underperforming global equity markets as represented by the MSCI AC World Index.

From a sector perspective, the overweight to Materials and Utilities created a burden, as well as the underweight to Financials, as classical banks benefitted from a steepening in the yield curve in Europe and the US because of the US election.

From a single stock perspective, positive performance occurred from a global manufacturer of equipment used in the production, storage, and end-use of hydrocarbon and industrial gases (Infrastructure); a cyber security company (Digital Life); and a manufacturer of electronic and electrical equipment, software, systems, and services (Intelligent Machines). Negative performance occurred from not owning an electric vehicle (EV) maker, as well as the investment to a provider of specialised management consulting and engineering services (Clean Water and Land) and a manufacturer of disposable hygiene products and household cleaning products (GenWell).

Connected to the US elections, we got rid of our exposure to the theme "Next Generation Energy". By reinvesting the proceeds, we took a very US-centric view as we expect US markets and the USD to outperform over the next month. We have added the proceeds across different themes like US-focused Industrial companies in the Clean Water and Land theme (a water technology company and a company focused on heating, ventilation, and air conditioning and refrigeration systems). Other examples include a US-focused provider of payments and financial services technology solutions (Digital Life). Among Intelligent Machines, we added to a diversified industrial company (fluids handling) and the aforementioned manufacturer of electronic and electrical equipment, software, systems, and services, which benefits from the construction boom in data centres.

In our view, a diversified multi-thematic portfolio continues to offer many opportunities for investors to benefit from structural megatrends in the current year.

For Allianz Life Elite Income Fund and Allianz Life Elite Income Fund (USD):

Target Fund Manager's Comment (For PIMCO GIS Income Fund (Accumulation))

Market Review

The US election results bolstered risk assets, as the Republican Party gained control of the presidency and both chambers of Congress, fuelling expectations for the continuation of US exceptionalism. In the US, labour markets added 12k jobs in October, well below forecasts of 113k and marking the lowest job growth since December 2020. On the inflation front, the annual headline rate rose by 2.6% in October, from 2.4% in September and in line with expectations. In the Euro Area, the headline annual rate climbed back to the 2% target in October. In the UK, the annual inflation rate increased to 2.3%, up from September's figure of 1.7%.

Developed markets central banks continued to ease monetary policy in November. Bond markets experienced some volatility caused by renewed inflation concerns due to Trump's policy proposals yet yields still ended the month lower as markets responded positively to Trump's selection of perceived fiscal conservative Scott Bessent as Treasury Secretary. In the US, Treasury yields rallied moderately following an inflation report that matched forecasts, and as the Federal Reserve reduced the benchmark rate by 25bps to a target range of 4.50%-4.75%. Meanwhile in the UK, the Bank of England also eased its benchmark rate by 25bps to 4.75%, contributing to a broad decline in UK Gilt yields. In the short end, US 2-year Treasury, UK 2-year Gilt, German 2-year Bund yields rallied 2, 20, and 33bps, respectively. Further out the curve, US 10-year Treasury, UK 10-year Gilt, and German 10-year Bund yields rallied 12, 20, and 30bps, respectively.

Equity markets moved higher in November, with the S&P 500 posting positive returns of 5.7% as a post-election stock rally lifted markets broadly. Elsewhere, emerging markets and Chinese equities underperformed global equities due to concerns about tariffs and potential future trade conflicts. In credit, US investment grade spreads tightened by 5bps while Euro investment grade spreads widened by 4bps. Meanwhile, US high yield spreads tightened by 16bps while Euro high yield spreads widened by 10bps.

During the month, the PIMCO GIS Income Fund returned 1.56% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '24 performance to 6.24%.

For Allianz Life World Healthscience Fund:

Target Fund Manager's Comment (For BGF World Healthscience Fund)

Market Review and Outlook

Market:

• Global equities saw strong performance in November with the MSCI World Index returning +4.6% as investors digested the results of the US presidential election, strong earnings, and easing monetary policy.

• In the US, equities reacted positively to the outcome of the Presidential Election. At the beginning of the month, Donald Trump was elected as the 47th President of the United States. Additionally, the Republican Party secured a majority in both chambers of Congress which led to expectations of tax cuts and nationalistic trade policy. The Fed announced a 25 basis points (bps) reduction to the benchmark overnight borrowing rate. As a result, the S&P 500 Index returned +5.9% over the month.

• In Europe, equities were challenged by investor concerns around potential US trade policy and softening corporate earnings. In the UK, October's CPI rose to a six-month high of +2.3% due to a surge in gas prices. As expected, the BoE lowered interest rates by 25 bps. Asian equity markets were also under pressure from the strength of the US dollar.

• Global sectors had mostly positive performance over the month, with only Materials and Health Care experiencing negative returns. Consumer Discretionary and Financials were the top performing sectors.

• From a regional perspective, North America had the highest performance while Emerging Markets lagged over the month.

Stocks:

• An overweight position in medical device company Boston Scientific was the top contributor to relative returns over the period. The company reported positive clinical trial results showing that its Watchman FLX device, used to prevent blood clots in the heart, was superior at reducing the risk of bleeding compared to blood-thinning medications after a cardiac ablation procedure.

• An overweight position in McKesson was another top to relative returns as the drug distributor beat earnings expectations on the back of elevated pharmaceutical prescription volumes and continued expansion of its oncology network.

• Elsewhere, an overweight position in Sanofi was the top detractor from relative performance. The biopharmaceutical stock declined due to broader pressure on vaccine manufacturers following Trump's nomination of Robert F. Kennedy Jr. as Secretary of HHS.

• Not holding a position Bristol-Myers Squibb was another detractor from relative returns as the biopharmaceutical stock rose after AbbVie reported negative clinical trial data for a potential competitor schizophrenia treatment.

Changes:

• During the month, we increased our exposure to select US health care providers with Medicare Advantage franchises, anticipating that Republican leadership will act as a tailwind for the segment. We also increased exposure to biopharmaceutical companies with strong fundamentals and attractive risk-reward profiles. Elsewhere, we sourced capital from a pharmaceutical name with a decelerating growth outlook and reduced exposure to a US health care facility provider that faces potential budgetary pressure under a Republican administration.

For Allianz Life World Healthscience Fund:

Target Fund Manager's Comment (For BGF World Healthscience Fund)

Key Positioning & Outlook:

• We continue to seek opportunities in segments of the health care sector with attractive valuations, stable growth, and promising product pipelines over the medium-to-long term. We also consider new innovations and technological developments for selective growth opportunities in the biotechnology, pharmaceuticals, and medical devices space.

• While the sector may see an uptick in volatility with the transition of US federal government leadership, change is unlikely to be immediate or unilateral. Leaders will need to navigate complex procedural processes involving multiple government levels, with opportunities for public and judicial challenges to reforms at various stages. Heightened dispersion driven by sector-specific impacts of policy changes and ongoing policy uncertainty underscores the importance of active management. Leveraging scientific and industry expertise is essential in identifying undervalued opportunities.

• We expect continued market volatility and seek attractive opportunities in stable, strong cash flow generating companies across all health care industries. Over the long-term, secular drivers for the sector remain in place; firstly, aging demographics in both developed and developing countries and secondly, innovation in medical technology. The combination of these secular trends, with favourable valuation creates an attractive long-term investment opportunity.

For Allianz Life ESG-Integrated Multi-Asset Fund:

Target Fund Manager's Comment (For BGF ESG Multi-Asset Fund)

Market Review and Outlook

Market Review:

• Market performance over November was heavily influenced by the outcome of the US election. Trump's victory and the Republican party's majority win across both chambers of Congress supported the view that "US exceptionalism" can continue. Expectations for corporate tax cuts, expansionary fiscal policy, and a nationalist trade policy drove US equity markets higher with US small caps ending the month as the standout performers. Whilst the stark outperformance of US equities resulted in positive returns for global equities given their weight in global indices, the election outcome was not received positively by equity markets outside the US primarily due to the stronger US dollar and the prospect of trade tariffs.

• Indeed, trade concerns caused equities in Europe ex-UK to provide negative returns, as did Emerging Market equities, which were further impacted by the US dollar strength and potential for a less supportive US monetary environment from here. Waning views that the Chinese government support measures will be enough to boost the domestic economy also worked to spur further weakness in Chinese Equities. The UK equity market, on the other hand, benefited from the strong performance from financials, which make up a significant part of the index.

• Global bonds only benefitted marginally despite the Federal Reserve's decision to cut interest rates by a further 25 basis points, as the potential for Trump's fiscal measures to be inflationary led to a downward revision in expectations for future interest rates cuts. Given the subsequent strength in the US dollar, EUR and GBP based investors in bonds benefitted to a greater degree than USD investors.

• Commodity returns were mixed, with Gold retracing some of its strong gains year-to-date primarily due to rise in the US dollar and growing concerns about gas supply pushed gas prices higher over the month.

Performance:

• In this context the ESG Multi-Asset fund delivered positive returns over the month. From an asset class perspective, the exposure to Developed Market Equities were the key contributor to returns, however Government Bond and Corporate Credit allocations were also additive. Contrarily, the exposure to Precious Metals and Listed Alternatives marginally detracted from returns.

• The decision to hold onto equity risk and continuing leaning into the US equity market through the US election helped to drive returns over the month. Within equities, allocations to equity managers drove returns, however thematic equity baskets also contributed significantly. More growth-oriented allocations, such as the Mega Cap Tech basket, outperformed whereas exposure to value via the ESG value long-short equity basket detracted. From a regional perspective, US exposures were additive, particularly the tactical exposure to US small cap equities, and hedges on the European equity market also helped cushion losses from European exposures elsewhere in the portfolio. Contrarily, the exposure to Japanese Equities detracted.

• Fixed Income allocations were positive across the board, with the key contributor stemming from Argentina Bopreal bonds that continued their positive performance trend, however Government bond exposures were additive across the board. The exposure to both Investment Grade and High Yield corporate credit also contributed positively.

• The exposure to Gold and Silver marginally detracted from returns, as did the exposure to listed alternatives. The positive contribution from early stage growth exposures was offset by the underperformance of renewables as Trump's anti-green stance impacted sentiment.

For Allianz Life ESG-Integrated Multi-Asset Fund:

Target Fund Manager's Comment (For BGF ESG Multi-Asset Fund)

Positioning:

• Over the month, we maintained constructive exposure to equities with a focus on the US relative to Europe.

• We also reflected cautious duration positioning given the potential for widening fiscal deficits to keep yields anchored at elevated levels and expressed a preference for European duration relative to the US given the weaker growth picture and disinflation trend gives more certainty for interest rate cuts from the ECB in our view.

• We actively managed exposure to sustainability related themes given increased uncertainty for green technologies following a Trump election win. We sold the Green Technology equity basket and reduced the overall exposure to renewables within our Listed Alternatives allocation. Instead, we added exposure to the Resource Efficiency basket, which we believe will benefit from the increasing data storage and energy efficiency needs of Tech companies as they continue to build out their A.I. capabilities.

• We closed out of the Healthy Living basket, given the increased uncertainty around the pharmaceutical sector in general, and potential pricing controls under the incoming US administration in particular.

• Elsewhere, we took some profits on the Listed Private equity basket following a period of strong share price performance from the underlying companies and added Silver back to the portfolio after a recent pullback in performance.

Market Outlook:

• The US economy remains robust. Corporate earnings and consumer spending are resilient, and we expect better economic sentiment and greater trade activity as businesses front-run tariffs. Job creation is slowing, though job opening levels still look healthy and higher frequency data on initial claims shows little signs for concern. Our main concern is the near-term is that the disinflation trend appears to have stalled above target. There is potential that pent-up price pressures are still to show up in inflation data, retailers and producers could front-run tariffs by raising prices, and some upside in wages is already starting to show even before the effect of potential immigration constraints.

• Given the above, markets may be too optimistic about the speed of the path back to the Federal Reserve's 2% target and so the market may dial back the number of rate cuts currently priced in. Clearly both fiscal and monetary policy uncertainty in the US is likely to remain elevated ahead of the new administration taking charge. Key things we are watching include the Federal Reserve's reaction to tariffs, and whether they look through what is expected to be a one-off increase in the price of goods.

• In Europe, economic growth continues to lag that of the US. Whilst growth is set to remain positive, survey data continues to weaken presenting a downside risk, with energy insecurity in Germany continuing to have a long-term impact on the region's manufacturing sector. Political instability and potential tariffs are risks we are monitoring; however, the disinflation backdrop suggests that further rate cuts from the European Central Bank are likely into the end of the year.

• Moves by China to support the domestic stock and housing markets, easing monetary conditions and moves to stimulate consumption, reflect a growing urgency to support the economy, however question marks remain over the effectiveness of the announced measures thus far. Elsewhere within emerging markets, continued disinflation and improving economic growth presents an opportunity, however, the prospect for tariffs and a stronger US dollar are potential risks. This highlights the need for a more selective approach.

• As we reach the peak in developed market interest rates, fixed income assets are becoming more attractive. We are managing exposure dynamically, preferring Europe and Canada given our view that markets are not fully pricing in the required rate cuts to bring rates to neutral, unlike in the US. Despite being in a rate cutting cycle, we believe that there are structural drivers that will keep long-term yields elevated, particularly in the US, including resilient economic growth and high fiscal issuance. Despite tight spreads, a positive growth outlook is supportive of credit and high yield given the level of income available.

For Allianz Life ESG-Integrated Multi-Asset Fund:

Target Fund Manager's Comment (For BGF ESG Multi-Asset Fund)

• Portfolio resilience is at the fore; we continue to believe that active asset management and dynamic monitoring of positioning remain important parts of our toolkit. They provide an effective means of navigating the new regime in which we are in. In this regime, characterised by higher macro and policy uncertainty, it is necessary to take a granular approach by narrowing down regional, sectoral, and industry-specific exposures. We emphasize the importance of downside protection and continuously monitor key risks including geopolitical tensions and the impact of the US presidential election.

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