Market Review and Outlook

February 2025

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

After a decent start to 2025, MSCI World Index slid by 0.81% mom in February. The American Dow Jones Index fell by 1.58% mom due to growing uncertainties regarding the effects of U.S. policy initiatives and emerging worries about economic growth. Among the key developments, President Trump issued various tariffs on imports from Canada, Mexico, and China, imposed new tariffs on steel and aluminum and engaged in trade talks with India while considering additional tariffs on autos and pharmaceuticals. On inflation, the U.S. CPI increased more than expected, +3.00% yoy in January 2025 (Survey: 2.9% yoy), driven largely by higher energy and egg prices.

Meanwhile, the European Stoxx 50 continued its upwards momentum +3.34% mom, boosted by the prospect of a ceasefire in Ukraine and likelihood of increase in spending on defense. The HCOB Eurozone Manufacturing Purchasing Managers’ Index (PMI) rose to 46.6 in January (December 2024: 45.1), suggesting slight improvement in its manufacturing sector. As of the latest reading, European Union’s (EU) January unemployment rate was at 6.20%, stable compared to December 2024.

In China, the Shanghai Composite Index rose by +2.16% mom. Excitement surrounding the potential of DeepSeek bolstered the broader Chinese technology sector. High profile meetings between President Xi and prominent entrepreneurs also suggested a more favorable regulatory landscape moving forward. The Caixin PMI Services rose to 51.4 in February (January 2025: 51.0) , driven by a rebound in demand. Additionally, China’s January CPI rose +0.5% yoy, fastest increase in five months (December 2024: +0.1% yoy).

In February, Brent oil price settled lower 3.78% mom to USD72.81/bbl due to the prospect of a ceasefire in Ukraine. As for crude palm oil, it was up +1.85% mom to RM4759/MT as inventory levels declined and production remained weak due to adverse weather conditions.

Turning to the ASEAN region, Singapore’s Straits Times Index (STI) rose +1.03% mom, partly boosted by the announcement of several initiatives by the Equity Market Review Group. Among them was the launch of the SGD5bn MAS Equity Market Development Fund to invest in Singapore equities and tax exemptions for fund managers investing substantially in Singapore equities. Onto Singapore’s January Non-Oil Domestic Exports (NODX), it fell 2.1% yoy (Survey: -0.30% yoy) dragged down by decline in non-electronics. Meanwhile, Indonesia’s Jakarta Composite Index tumbled by 11.8% mom. Most sectors saw negative returns in February 2025, with Consumer Staples and Financials being the bottom performers. There was also a net outflow in equities to a tune of USD1.1bn for the month. During the month, a new sovereign wealth fund (Danantara) was launched in Indonesia and it has a direct reporting line to President Prabowo. The newly launched wealth fund would take over management of seven state-owned enteprises and this may have created a new source of policy uncertainty. Similarly, The Stock Exchange of Thailand also saw a sharp decline of 8.43% mom. By sector, IT, Materials and Industrials were among the worst performers. Elsewhere, the Bank of Thailand (BoT) voted in a 6-1 decision to lower the policy rate by 25bps to 2.0% and this was against consensus expectations for a hold. Lastly, after a sluggish start for Malaysia’s FBMKLCI, it rebounded +1.1% mom in February (January 2025: -5.2%); largely propped up by the banks post decent results showing. Foreign investors were net sellers for the fifth consecutive month having recorded RM2.2bn net outflow in February 2025 (YTD 2025 RM5.3bn outflow).

The US Treasuries (UST) yields decreased by 27 – 33bps mom as weaker – than – expected economic data drove yields to lower levels YTD. ISM Services Index for January 2025 slipped to 52.8 (Survey and December 2024 revised: 54.0), reflecting uncertainty as businesses braces for potential tariff impacts. January 2025's Conference Board's gauge of confidence decreased to 98.3 (Survey: 102.5, December 2024 revised: 105.3) with the largest mom declined since August 2021 on concerns about the broader economy with Americans increasingly worried about their economic future from President Trump's policies. Fed Chair Powell in the congressional testimony on Feb 11 – 12 told Congress that the Fed is still in no rush to lower rates and reiterating that reducing policy restraint too fast or too much could hinder progress on inflation.

Malaysian Government Securities (MGS) yields were lower by 1 – 4bps mom except for the 20y tenor which was higher by 2bps mom. Malaysia's economy surpassed expectations in the last quarter of 2024 with a growth of +5.0% yoy (Survey and 4Q24: +4.8% yoy), fueled primarily by household spending and business investments, alongside an increase in exports. Overall, Malaysia's economy expanded by +5.1% yoy in 2024, marking a significant increase compared to the +3.6% yoy growth recorded in 2023. Inflation meanwhile remained at +1.7% yoy in January 2025 (Survey: +1.8% yoy, December 2024: +1.7% yoy).

Foreign funds turned net sellers in February with net outflows of RM1.1bn (January: +RM1.2b inflows). The foreign share of both MGS and MGS+MGII reduced to 31.8% (January: 32.3%) and 20.6% (January: 21.1%) respectively. Despite the outflows, Malaysia's foreign reserves climbed by USD1.9bn to USD118.3bn as of end – February (January: USD116.4bn).

Market Outlook

While there have been positive geopolitical developments, such as Trump's commitment to resolving the Ukraine conflict and a ceasefire in Gaza, the world however is now bracing for the volatility stemming from a worsening global trade war as President Trump launches his tariff campaign. Elsewhere, it is crucial to monitor the developments in generative AI and its transformative effects on the global economy. Domestically, investors will closely watch the implementation of some important policies such as RON95 fuel subsidy rationalization, rollout of the Johor – Singapore Special Economic Zone (JSSEZ) and National Energy Transition Roadmap (NETR) and to assess their potential impacts on the market.

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. All the same, we will keep vigil over any potential geopolitical and other risks that may necessitate the gravitation towards new strategies to adjust to the ever – volatile market conditions.

Bond market volatility is expected to persist in 2025 as tariffs jitters would continue to dominate headlines. The Fed appears to have tempered its future rate cut trajectory as its policy stance now seems considerably less restrictive and any additional rate cuts would depend on further progress on inflation and labour market conditions. This cautious approach would also provide some maneuvering room for the Fed to respond to any changes in economic data and policies as needed in the coming year. On local monetary policy, Bank Negara Malaysia (BNM) is expected to maintain the OPR at 3.00% in 2025, barring any substantial external shocks. In the Monetary Policy Statement dated 22 January 2025, BNM maintained its view for sustained economic activities in 2025 driven by resilient domestic expenditure. There would also be no change to its assessment on inflation, which is expected to remain manageable going into 2025, in the wake of easing global cost conditions and absence of excessive domestic demand pressures. All said, we would continue accumulating bonds at favourable 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?

- February was a strong month for dividend stocks. In a volatile and overall down market, the Fund profited from its exposure to the dividend theme, with stocks with the highest dividend yield outperformed global equity markets.

What hurt?

- Trend-following and growth-related factors lagged in this market environment. The Fund allocates to growth-related factors as this can contribute positively in the long term when combined with dividend stocks.

Market Review and Outlook

Global equities delivered mixed returns over February as markets struggled to navigate President Trump's deliberately disruptive and unpredictable agenda. Chinese stocks surged, boosted by strength in Technology companies. European shares also advanced, underpinned by growing optimism over a potential end to the war in Ukraine. In contrast, US and Japanese equities lost ground. At a sector level, defensive Consumer Staples companies were the best performing area in the MSCI All Country World Index, with Energy and Real Estate companies also faring well, while the Consumer Discretionary and Communication Services sectors suffered notable setbacks.

US equities retreated over February, underperforming most other developed markets, as sentiment was knocked by rising inflation expectations and signs of slowing momentum in the US economy. President Trump remained unpredictable, continuing to announce deliberately disruptive policies. Additionally, he stepped up the trade war, slapping an additional 10% tax on Chinese exports and announcing that the 25% tariffs on exports from Mexico and Canada, which had been postponed by a month, will now start on 4 March. Growth shares lagged value stocks over the month, with small-cap stocks, which are more exposed to domestic growth, especially weak. The retreat meant that US stocks have now lost most of their gains so far in 2025.

European equities rallied over February, as President Trump's push for peace in Ukraine raised hopes that the three-year war would soon end, although markets closed the month on a weaker note after he hinted that he may introduce 25% tariffs on European exports to the US. Defence stocks, in particular, benefitted from signs that European governments will be forced to increase military spending sharply. At a sector level, Financials, Communication Services and Consumer Staples rallied the most, while Information Technology was the only sector to close the month with notable losses.

While a "soft landing" of the US economy remains the most probable scenario for us, strong US data, persistently high inflation, and uncertainty about the impact of President Trump's policies increasingly raise doubts about both the outlook for the economy and a complete normalisation of the US Federal Reserve's (Fed's) monetary policy. At the same time, US equity valuations appear high in a historical comparison. Obviously, investors' earnings growth expectations are very optimistic, above all in the Tech segment. This may ultimately lead to higher volatility on the US equity market. In this environment, risk-aware investors might turn to more favourably valued markets. In fact, it seems that they have recently channelled more capital into the European markets, not least because a number of companies pursue global business models which are less affected by the weak macro environment in Europe. In addition, several political initiatives from the US, in particular the dialogue with Russia about an end to the conflict in Ukraine, might support higher investments and a better business environment. While there are considerable political uncertainties, corporate earnings should remain robust for now, and healthy corporate earnings are usually favourable for equity investments. However, in view of concentration risks, it makes sense to diversify the portfolio and pursue a dynamic approach at both the sector and the individual stock level.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

Market Review

Asia Pacific ex Japan equities delivered broadly flat returns in February, with a large divergence of returns across markets. China equities rallied strongly with an emerging Chinese startup, which launched an open-sourced artificial intelligence (AI) model, being the catalyst as it became clear that China is significantly more advanced in the global technology and AI race than was previously understood. This realisation triggered a substantial re-rating of Technology stocks. The advance was also driven by hopes that US tariffs may prove to be milder than expected, although the gains were tempered by President Trump's month-end announcement of an additional 10% US tax on Chinese exports.

Elsewhere, South Korean equities also ended slightly higher, while Taiwanese stocks sold off. Australia equities retreated from historical highs as large banks reported disappointing earnings. ASEAN markets moved lower overall. Indian equities also lost ground, declining sharply to mark their worst consecutive monthly pullback in nearly three decades. Given rising trade uncertainty and with inflation falling to a 5-month low of 4.31% in January, the Reserve Bank of India (RBI) cut interest rates by 25 basis points (bps) to 6.25%, its first reduction since May 2020.

On the fixed income side, Asian credits delivered positive returns in February, primarily driven by the rally in US Treasuries in the second half of the month and tighter credit spreads. Spread performance has shown more divergencies in terms of sectors and countries. In terms of market, Thailand and India did well, while Indonesia and Philippines underperformed with slightly longer durations. Year-to-date, Asian credits returned 2.2%, with high yield credits leading the market.

The Fund return was positive in USD terms in February.

In the equity portfolio, the top contributor was Alibaba, the leading e-commerce platform in China. The share price has benefitted from the rerating of China Technology companies since the announcement of the aforementioned Chinese AI startup. Within the AI space, Alibaba has announced plans to invest significantly over the next three years to advance its cloud computing and AI infrastructure. In addition, there was a significant boost to sentiment from founder Jack Ma's appearance at a high profile symposium held by President Xi Jinping attended by prominent private sector business leaders.

On the detractor side, chipmaker Taiwan Semiconductor Manufacturing (TSMC) lagged during the month. After a strong previous rally, the share price retreated on concerns surrounding global semiconductor demand. The company has announced stronger-than-expected guidance for 2025, with demand for high performance computing chips continuing to be well supported by ongoing adoption of AI-related applications. We have maintained our position.

The asset allocation at the end of the month was 69.5% invested in Asian equities and 30.4% in Asian fixed income, with the remainder in cash.

During the month, the main activity was initiating new names in China, selectively entering companies that are expected to benefit from the more rapid adoption of AI along with other growth areas. For example, we added an AI-powered home assistant to the portfolio. On the flip side, we exited a toll road operator in China and an energy company in Australia.

Within the fixed income portfolio, we continued to look for alpha opportunities in the market and switched out some lower yielding bonds for better carry.

At the end of the month, we held 59 equities and 59 fixed income securities. The equity portfolio yield was 2.6% (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 2.4 years.

For Allianz Life Asia Multi-IncomePLUS Fund:

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

Market Outlook

We maintain a constructive longer-term view on the regional outlook. While there are clearly still risks to be faced – tariffs, property, weaker export momentum – nonetheless there does appear to have been a significant mindset change in China. For a long time, much of the focus on China has been on what could go wrong. Now attention has started to shift, encouraged by China's increasingly visible technological advances. Innovation leadership comes in addition to the measures required to address more structural problems in China, especially related to the property sector as well as broad-based deflationary pressures.

Across other parts of the region, we are finding a number of favourably valued structural growth stories in ASEAN that should be 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 much of South Asia. Notably, the Indian market has seen a sharp pullback since September 2024. We see this as near-term profit taking rather than a more fundamental change to the outlook.

On the fixed income side, the latest corporate earnings have shown evidence of stable to improving profitability and decreasing leverage across most sectors in Asian credit space. Therefore, despite tight spreads, solid credit fundamentals and strong technical should continue to support Asian credit valuations. With favourable all-in yields, we remain constructive on Asia credits and expect carry and security selection to be the key positive contributors to performance.

For Allianz Life Amanah Dana Ikhlas:

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

Market Review

Malaysian yield curve bullish flattened for the month, with yields falling a tad by 1 to 2bps across the curve, in line with benign UST yields. 10y MGS yield fell 2bps to 3.79% from 3.81% a month ago while 3y MGS dropped 2 bps to 3.43% mom. Local govvie yields were trading at a tight range despite the roller coaster ride in UST. US tariff concerns, higher market volatility and slowing growth prospects pulled 10-year Treasury yields lower in February. However, in the later part of February, Trump administration confirmed the tariffs on EU autos, Mexico and Canada spooked the market, stocking concern about inflation again. For February 25, 10y UST government bonds edged lower to 4.20 range, down about 35bps from end Jan 25. In local space, key news was Malaysia steady inflation print at 1.7% in January 25 and BNM held OPR unchanged at 3.0% in March 25's MPC meeting, and the wordings of the MPC statement was largely unchanged from previous few meetings, reinforcing the view that OPR could be held steady for the remaining of the year.

Equity Review

Global equity markets were mixed for February with the main US indices slipping as tariff-related rattled the market as well as geopolitics on Ukraine policies. Initial indications of a pause of the proposed tariffs on US imports eased earlier jitters but the uncertainty has led the market to turn risk-off. Nasdaq came off the worst, falling 4.0%, followed by Dow Jones and S&P 500 which fell 1.6% and 1.4% respectively. On the other hand, Asian equities outperformed was largely marked by a strong rally in China and Hong Kong buoyed by optimism from DeepSeek. Beyond tariff concerns, growth and stagflation were also in the mix, with weaker economic data and hotter inflation measures.

Closer to home, February was better for the KLCI. However, the rest of the indices did not fare better which clouds the still negative momentum in the broader market. It was also the corporate earnings season with a higher percentage in below expectations. Generally, sectors that were within expectations included financials, plantation, and REITs while below were technology, oil & gas and gloves. In macroeconomics, Malaysia's 4Q GDP of +5.0% yoy was above expectations (consensus: +4.8%, 3Q: +5.4%). Negatively, the breakdown of GDP showed that 4Q had the weakest growth in domestic demand since 1Q23.

Regionally, Indonesia and Thailand were the worst performers, tumbling 11.8% and 8.4% respectively. Malaysia and Singapore gained 1.1% and 1.0% respectively. Top spot came from Philippines that gained 2.3%. Within the currencies, the DXY Index weakened 0.7% with the Peso falling 0.7% against the USD while the Rupiah, Baht and the Ringgit gained 1.7%, 1.5% and 0.1% respectively. No surprise given the market volatility, with net foreign selling was across the region. Indonesia had the biggest outflow amounting to U$1.1bn followed by Malaysia's US$495m, Thailand's US$195m and Philippines's US$145m. For Malaysia, this markets the 5th consecutive monthly outflow bringing net highest selling of US$1.2bn (RM5.2bn), the second outflow within the region.

In commodities, oil prices fell 4.7% on concerns over potential US tariffs and higher surplus. Precious metals such as gold continue to get gains, higher by 2.1%. Copper moved up 5.5% on the back of an investigation into copper imports as a prelude to potential tariffs. CPO moderated from highs on an already tightened supplies in the global market and is back to drawdown in stockpiles, lifted the commodity by 3.9%.

Market Outlook

Sukuk Outlook & Strategy

BNM maintained the OPR at 3.00% as unanimously expected in most recent MPC meetings. 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 5.1% for the full year of 2024, an improvement from the 3.6% growth recorded in 2023. In addition, Malaysia is at full employment rate with expected average unemployment rate of 3.2% in 2025, 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 under the Trump administration as well as China economic slowdown pose uncertainties.

For Allianz Life Amanah Dana Ikhlas:

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

Strategy wise, we maintain our neutral duration stance as we find current bond yields to be attractive. We will monitor government bond markets for attractive entry points to trade opportunistically but will continue to overweight corporate bonds as the primary source of income. Corporate bonds generally offer lower volatility and higher yields, which can help buffer against potential mark-to-market losses if sovereign bond yields rise. We favour strong AA-rated credits for yield pickup and carry, as well as those with the potential for long-term upgrades as economic activity accelerates. Our strategy will remain opportunistic, focusing on primary issuances and oversold bonds in the secondary market that offer higher yields.

Equity Outlook & Strategy

Equity markets continue to be rocky, on the back of the impact of Trump 2.0 (due to tariffs, trade war, inflation risks, investor appetite into developed markets etc.). As at writing, markets continue to have large swings following the shifts in tariff signals, indicating a pathway for tariff relief just as the President was unwilling to consider any more negotiations. Positively, our theme in AI development has received some reprieve given the continued investment by Microsoft (with Ecoworld) as well as the recent deal by Arm Holdings to provide chip designs, albeit at the front-end of the supply chain. We maintain our slightly cautious on this theme for now. We believe that the DC theme still has solid fundamentals (Singapore moratorium, utility advantages etc.), valuation multiples are unlikely to re-rate until there is better visibility. The bigger picture, perhaps the trade war imposed, would affect the economic environment and negatively impact growth and increase inflation. The outlook is clouded by trade policy and could influence growth and inflation trends moving forward.

Hence, we are maintaining our tilt to a more defensive stance and watch for pockets of opportunities. Upside risks to growth include greater spillover from tech recovery and investment/infrastructure projects. We think stock picking will be the key strategy for outperformance going into next year, with a 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; and 3) 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 delivered returns close to the benchmark in February. Positive stock selection in the Health Care and Industrials sectors was offset by weaker performance in the Consumer Discretionary space.

At a single stock level, a key contributor last month was Xiaomi. Previously known for its smartphones, the company has expanded across a range of consumer products including smart home devices and more recently electric vehicles. The strategy of targeting higher quality, premium priced products has been well executed so far, leading to enhanced revenue growth and profitability. Consensus sell-side growth forecasts have risen significantly, and the stock has also benefitted from the rerating of China technology companies since the announcement of an emerging Chinese startup, which launched an open-sourced artificial intelligence (AI) model.

Conversely a detractor was an online travel booking platform in China. The trigger for the recent share price weakness was management guidance for higher marketing costs as the company looks to further build out its international operations. Overall, we expect the company should continue to see sustained earnings growth as a result of increased travel volumes as well as potentially improving operational efficiency through the adoption of generative AI.

Market Outlook

Recent weeks have seen the second major rally in China equities in the last six months. The underlying reasons, though, are very different.

The previous rally started last September in response to an unexpectedly strong pivot in government policy including clear support for domestic equities. The emphasis was primarily focused on reducing the risk of significant further property and equity market weakness.

The strength of the "Beijing put" helped put a floor under China A-share markets, in particular, and also triggered a recovery in domestic animal spirits. The level of margin trading, a good real-time sentiment indicator, recovered to levels last seen three years ago.

This latest rally is very different. The initial trigger was the release of a new AI model by the aforementioned Chinese startup, China's equivalent of an established artificial intelligence (AI) model. While it is not new – its first model was released in November 2023 – the timing of this latest announcement on President Trump's inauguration day catapulted the firm into global consciousness. And their announcement also focused attention on other recent innovation-driven headlines across a range of areas including humanoid robots, advanced driver assistance systems and high-speed rail capabilities.

The key takeaway is that China is more advanced in the global technology and AI race than was previously understood. And from an equity perspective, this realisation has triggered a substantial re-rating of Technology stocks. This is also the reason why offshore China equities have performed particularly well – eight of the top 10 constituents of the MSCI China Index are related to Technology, either as internet platform, ecommerce or gaming stocks.

Adding fuel to the market rally was a high-profile symposium held by President Xi Jinping and attended by prominent private sector business leaders. In a highly symbolic move, this was the first time that Jack Ma, founder of Alibaba, had publicly attended a government meeting since the initial public offering (IPO) of its fintech affiliate was pulled in 2021. The fact that Xi Jinping chaired the meeting is, in our view, clear confirmation of an important shift in policy direction with a focus on boosting private sector confidence.

While there are clearly still risks to be faced – tariffs, property, weaker export momentum – nonetheless there does appear to have been a significant mindset change in China equities. For a long time, much of the focus on China has been on what could go wrong. Now attention has started to shift. And this momentum will likely be encouraged as China's technological advances are increasingly visible.

In this environment, portfolio activity has been focused on adding selectively to companies which are expected to benefit from the more rapid adoption of AI. This includes areas related to the rise of edge AI applications as well as software development specialising in real-time translation and advanced voice transcription. Conversely, we have reduced exposure to Consumer Staples where we see some earnings risks due to intensifying competition.

At month-end, the portfolio has around 38% in China A-shares. The portfolio continues to have relatively close-to-benchmark sector allocations, so that stock selection remains the key relative performance driver. At month-end, the largest sector overweight is Consumer Discretionary (+1.1%), while the largest underweight is Communication Services (-3.4%).

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

Global equities delivered mixed returns over February. US equities were lower, as Trump administration policy uncertainty, conservative outlook from earnings, and softer economic data points weighed on investor sentiment. Chinese stocks outperformed, boosted by strength in Technology companies. European shares also advanced, underpinned by growing optimism over a potential end to the war in Ukraine.

February brought growing signs that the US economy was slowing, with inflation expectations higher. Retail sales, consumer sentiment and home sales slumped in January and early indications showed services activity in February contracting. While the US Federal Reserve (Fed) indicated it was in no rush to cut rates, the European Central Bank (ECB) is expected to continue to reduce borrowing costs. Conversely, accelerating Japanese inflation increased the likelihood of another rate hike from the Bank of Japan (BoJ).

Oil prices eased over February, with Brent crude closing the month back below USD 73 a barrel as slowing US growth and the threat of a global trade war dampened the demand outlook. Gold rallied further, touching a fresh record high of USD 2,950 an ounce, amid robust demand for safe-haven assets.

From a sector perspective for the MSCI All Country World Index, Consumer Staples was the best performing sector given its defensive characteristics. Real Estate was another outperformer amid lower interest rates. The Consumer Discretionary and Communication Services sectors were laggards over the month due to profit taking.

During the period, the Fund underperformed versus the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). A broad pullback in higher growth-oriented stocks weighed on the artificial intelligence (AI) ecosystem. In addition to policy uncertainty and softer economic conditions, conservative guidance from earnings reports translated to a slower growth outlook. The backdrop caused investors to take a wait-and-see approach, prompting some profit taking and a rotation into defensively oriented industries that are generally not owned by the Fund.

From a sector perspective, Information Technology and Consumer Discretionary were the largest relative detractors. The Health Care sector was slightly offsetting. AI-enabled industries weighed on returns with a pullback from our automotive and power utility holdings. AI applications also underperformed the benchmark on mixed reactions following quarterly earnings. AI infrastructure pulled back on fears of a slower spending environment.

Contributors

Eli Lilly is a leading innovative pharmaceutical company. Shares were higher after the company reported good earnings results and guidance. Also, the US Food and Drug Administration (FDA) announced a resolved shortage of semaglutide, reducing competition that should be constructive for Eli Lilly's GLP-1 opportunity. Looking forward, the company's growth prospects appear favourable, which should be driven by its robust drug pipeline and franchises, which includes oncology, diabetes and ventral nervous systems. Eli Lilly's innovation in obesity treatments is another key growth driver, that has a large addressable market with strong momentum.

Shares of a Chinese internet and ecommerce company were higher as the company's involvement with an AI system (developed by a computer and consumer electronics company) and collaboration with a Chinese AI start-up which launched an open-sourced AI model improved near-term outlook of its AI opportunities. Looking forward, the company is positioned to benefit from a recovery in gross merchandise value as macroeconomic conditions improves, greater penetration into lower-tier cities, and new monetisation opportunities on its platform.

Detractors

Our position in electric vehicle (EV) producer Tesla, Inc. was the top relative detractor over the period. Shares pulled back during the month as new data indicated softer sales in Europe due in part to a transition of upcoming lower cost models. Looking forward, Tesla continues to have an ambitious innovation agenda, spanning EV, energy storage, autonomous driving and humanoid robots. We believe the company is making good progress on each of these agendas in ways that can unlock significant shareholder value in the future.

Our position in a provider of payments hardware and software solutions for merchants and consumers was another detractor over the period. Shares were lower on mixed earnings results, with a slowdown in the mobile payment app business that is expected to rebound towards the back half of the year. Looking forward, the company continues to have a unique growth opportunity, which is supported by its merchant ecosystem, consumer financial technology capabilities that includes the highly popular mobile payment app, and synergies from the acquisition of a buy now, pay later lender.

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

We initiated a position in a computer and consumer electronics company, as we believe it is poised to deliver a better AI experience throughout its product line-up and a compelling fall release of its new smartphone. We believe that shares may begin anticipating a strong smartphone cycle such that its shares can participate more with the growth of the AI market.

We exited a position in a computer, monitor and technology solutions company as competitive pressures have increased, such that long-run profit margins may be more muted despite being a beneficiary of the AI Infrastructure buildout.

We also sold our remaining position in a semiconductor manufacturer after the company reported disappointing results. It has been experiencing an inventory correction in many of its end markets, which could remain choppy and get further complicated by tariffs.

Market Outlook

We maintain a positive outlook for equity markets in 2025, though markets may have periods of volatility due to concerns over stickier inflation, the implementation of Trump's tariff and fiscal policies, subdued global growth, and slower interest rate cuts. The Fed looks to be in a comfortable spot balancing inflation with economic stability and should continue its path towards rate cuts, albeit at a more gradual pace. An easier monetary policy backdrop should be constructive for pockets within the US economy to regain its footing and drive more broad-based growth.

On the changing policy landscape, we believe the upcoming Trump administration represents an evolution of policy, with a net positive effect on AI innovation. Trump recognises the US leads in AI and wants to maintain that leadership. A less regulated and business-friendly environment should be conducive for more technology investments and capital markets activity. However, companies heavily reliant on an overseas supply chain in some countries may face greater uncertainty. It remains to be seen how much tariffs and other restrictions could impact certain industries, but overall should be manageable. A wide range of capital is fuelling the cloud and AI investment backdrop, including venture capital, private equity, self-funding from larger technology companies and the start of an AI initial public offering (IPO) cycle.

Although volatility may continue as investors look to reduce risk in a period of uncertainty, we believe this is a normal and healthy event in bull markets. While the recent equity market pullback has been sharp, it is in line with previous drawdowns over the past few years. We continue to have a constructive outlook on the long-term fundamentals across the AI ecosystem. Moreover, high yield bond spreads have remained tight, signalling that the US economy remains in expansion territory. A large portion of investor concerns are macro related, and we will be paying attention to any policy responses that can help stabilise the economy and investor sentiment. Better clarity and certainty on the Trump administration's policies should help markets find better footing. As markets digests through these short-term risks, we believe this represents an opportunity to add to names that have overshot to the downside relative to their fundamental attributes and growth trajectory.

From an innovation perspective, progress with AI development is accelerating as more powerful capabilities becomes readily available from the robust "Phase 1" infrastructure buildout. We are beginning to enter "Phase 2" where new generative AI use cases and application adoption drive significant benefits over the coming years. Our analysis suggests that investments in AI could lower the marginal costs of operations, much like the information technology (IT) revolution did. Furthermore, the advanced features of AI-enhanced products or services can drive new levels of productivity, cost savings and revenue opportunities across industries in "Phase 3". Given the transformative potential of AI investments, we believe profit margins may not simply hold steady but could in fact grow, supporting valuations for innovative companies that are investing now to disrupt the status quo.

AI infrastructure: Spending on AI infrastructure should continue to be robust over the next several years as more powerful AI data centres are built around the globe. NVIDIA's upcoming Blackwell AI chips provide up to a 30 times performance increase compared to the previous generation and more hyperscalers are designing custom AI chips to meet their unique specific needs. This is driving demand for new data centre architectures that can handle the higher power, cooling, space and networking requirements. Overall demand for generative AI training remains durable as more companies across the ecosystem are rushing to build better foundational models or fine-tune other models. Growth in AI inference systems is also expanding to process and respond to new data in real-time and support applications that require low latency and high reliability at the edge of the network. Newer reasoning engines require more "think time" to yield better results, driving additional workload demand.

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 applications: Generative AI applications are evolving into their next phase with the emergence of AI agents. Unlike AI copilots designed to answer a single question, AI agents have decision engines that allow them to operate autonomously and complete complex tasks. AI agents can be easily customised to handle repetitive tasks and have human-like decision making capabilities to adapt to different situations. This can create a new level of automation and dramatically cut costs and improve productivity. We believe there will be an upcoming surge of new generative AI infused applications across many areas of consumer and enterprise workflows over the next several years, driving more investment opportunities.

AI-enabled industries: AI continues to open up new possibilities to drive true industry transformation across 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. In Health Care, the application of AI could dramatically speed up the time for drug discovery, accelerate clinical trials and dramatically improve efficacy of medical devices. Within Financial Services, there are companies with significant volumes of data related to transactions, customer interactions and research. This allows for the creation of AI solutions to enhance operational efficiency, improve fraud detection and personalise client service. There are similar opportunities within Automotive, Consumer, Industrials, Energy and even Mining. We think this is only the beginning as innovative companies embrace AI to enhance efficiency, lower costs, launch new products, take market share and drive higher levels of profitability.

We are still in the early innings of the AI era. Despite significant advancements, there is a lot more potential to be unlocked in the future. The industry is rapidly evolving, with major investments and innovations continuing to drive progress towards artificial general intelligence, possibly within the next decade. AI is becoming more integrated into various fields, from finance to health care to humanoid robotics. It is an exciting time, and we are likely to see even more transformative changes in the coming years.

Our view remains that the compounding effect from AI disruption will create opportunities for innovative companies across every sector. We believe that stockpicking will be essential to capturing the benefits of this opportunity, as today's AI winners may change in the future in an environment characterised by rapid change and disruption. We remain focused on identifying the companies that can best leverage AI to deliver the most shareholder value creation over the long term.

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 lower overall in February but there was a large divergence of returns across markets. China equities rallied strongly with an emerging Chinese startup, which launched an open-sourced artificial intelligence (AI) model, being the catalyst as it became clear that China is significantly more advanced in the global technology and AI race than was previously understood. This realisation triggered a substantial re-rating of Technology stocks. The advance was also driven by hopes that US tariffs may prove to be milder than expected, although the gains were tempered by President Trump's month-end announcement of an additional 10% US tax on Chinese exports.

Elsewhere, Japan equities were lower although returns to international investors were supported by a further appreciation of the Japanese yen. The market was pressured by concerns over President Trump's policies as well as higher bond yields, with Japan's headline inflation rate climbing to a two-year high of 4.0%. Along with this there were further signs of modest economic recovery as Japan's gross domestic product (GDP) grew at an annualised rate of 2.8% in the final three months of 2024, marking the third consecutive quarterly expansion. India was again a notable weak spot, driven by decelerating corporate earnings, uncertainty around tariffs, and domestic growth concerns.

The Fund underperformed the MSCI AC Asia Pacific Index in February. Stock selection in Japan was the key driver of the relative underperformance, with several of our holdings, which had previously performed well, becoming vulnerable to profit taking during the month. Stock selection among Technology companies was mixed during February, as AI-led euphoria from China and fears of trade tensions affected some stocks more than others.

For example, a key detractor was one of our Taiwan technology holdings, which suffered from executive changes and the fallout from a cyber security attack in late January. We retain conviction in this business, which is a global leader in the production of high-end printed circuit boards and Ajinomoto Build-up Film (ABF) substrate, a specialised material used in semiconductor packaging and interconnection processes.

Conversely, a top contributor in February was a Korean industrial company that specialises in aerospace and is known for its technological innovation. The company announced a significant results "beat" with both sales and margins ahead of expectations. Management guidance was also upbeat. This sector as a whole has benefitted from geopolitical uncertainty, and this company has also expanded its product offering, including more eco-friendly products using electric engines and hydrogen fuel cells.

We are maintaining the broad positioning of the portfolio, focusing primarily at the stock level to identify companies set to benefit from competent management execution and which should correspondingly deliver through-cycle earnings growth. At a geography level, the key overweight exposure is in Taiwan, especially companies expected to be key suppliers into the next generation of AI technology and related industries.

We have reduced our exposure in Japan somewhat, although it is still the largest allocation in the portfolio at around 30%. We continue to focus on stocks where we see potential for enhanced shareholder returns and an improved earnings outlook as a result of governance reforms and a more inflationary environment. This is a long duration trend, and where we have seen stronger near-term opportunities, we have used some Japan exposure as a source of funds.

While the Fund remains underweight in China, in recent months we have increased allocations to areas including insurance, ecommerce, and cloud-based software, which should benefit from macro stabilisation, as well as specific names offering favourable valuations at current levels.

Market Outlook

We maintain a constructive longer-term view on the regional outlook. Although there has been near-term volatility as a result of uncertainties related to higher tariffs, for much of the region we see resilient corporate earnings and reasonable valuations. China authorities, in particular, will likely react with further domestically focused stimulus measures in the event of a major hike in tariffs.

Elsewhere, the Indian market has seen around a significant pullback. We see this as some healthy profit taking rather than a more fundamental change. Structural drivers remain in place for a more positive outlook in Japan. And we also continue to see the region being a beneficiary of technology developments. Underlying this, we view the AI story is a structural market driver that has the potential to deliver productivity gains across many parts of the global economy.

For Allianz Life Total Return Asian Equity Fund:

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

Market Review

February was another mixed month for Asia ex Japan equities, with markets closing the month modestly higher after US President Donald Trump stepped up rhetoric on a global trade war. China was by far the strongest market in the region. In part, the advance was driven by hopes that US tariffs may prove to be milder than expected, although the gains were tempered by President Trump's month-end announcement of an additional 10% US tax on Chinese exports. Technology companies also contributed to the rally as investor interest rose following the recent success of an open-sourced artificial intelligence (AI) model developed by an emerging Chinese startup.

Elsewhere, South Korean equities ended slightly higher, while Taiwanese stocks sold off. ASEAN markets moved lower overall. During the month, the Bank of Thailand unexpectedly reduced rates by 25 basis points (bps) to 2.0%, taking borrowing costs to their lowest level since July 2023. Officials said the move was in response to a weaker growth outlook and increased risks posed by global trade uncertainty. Indian equities also lost ground, declining sharply to mark their worst consecutive monthly pullback in nearly three decades. Given rising trade uncertainty and with inflation falling to a 5-month low of 4.31% in January, the Reserve Bank of India (RBI) cut interest rates by 25 bps to 6.25%, its first reduction since May 2020.

The Fund outperformed the benchmark in February. From a market perspective, stock selection in Hong Kong/China was a key source of relative value add. Most sectors contributed positively apart from Real Estate.

At a single stock level, a key contributor last month was Xiaomi. Previously known for its smartphones, the company has expanded across a range of consumer products including smart home devices and more recently electric vehicles. The strategy of targeting higher quality, premium priced products has been well executed so far, leading to enhanced revenue growth and profitability. Consensus sell-side growth forecasts have risen significantly, and the stock has also benefitted from the rerating of China Technology companies since the announcement of the previously mentioned Chinese AI startup.

Conversely, a key detractor was a private bank in Indonesia. Although the company's recent financial results were stable, there were concerns about potential net interest margin (NIM) compression due to interest rate cuts in Indonesia. The shares were also vulnerable to general softness in the Indonesia market given trade and tariff fears. We continue to view the company as our preferred bank in Indonesia and added to our position on the weakness.

During the month, the main activity was initiating new names in China, selectively entering companies that are expected to benefit from the more rapid adoption of AI and advanced manufacturing processes, along with other growth areas. This includes two new positions related to information technology (IT) and cloud management services, both of which assist enterprises in their digital transformation and AI journeys. On the flip side, we exited a real estate developer in India and an online travel agency in China.

As a result of these changes, at the market level, the top overweight market is now China. The portfolio also remains overweight in the ASEAN region, especially the Philippines and Indonesia. This is balanced out by an underweight position in India. At a sector level, IT and Financials are the primary overweight positions, while Industrials and Consumer Staples are among the main underweights. Top names in the portfolio at month end include TSMC, Tencent, and Alibaba.

Market Outlook

We maintain a constructive longer-term view on the regional outlook. While there are clearly still risks to be faced – tariffs, property, weaker export momentum – nonetheless there does appear to have been a significant mindset change in China. For a long time, much of the focus on China has been on what could go wrong. Now attention has started to shift, encouraged by China's increasingly visible technological advances. Innovation leadership comes in addition to the measures required to address more structural problems in China, especially related to the property sector as well as broad-based deflationary pressures.

Across other parts of the region, we are finding a number of favourably valued structural growth stories in ASEAN 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 much of South Asia. Notably, the Indian market has seen a sharp pullback since late September 2024. We see this as near-term profit taking rather than a more fundamental change to the outlook.

For Allianz Life Global Income Fund:

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

Market Review

Markets were mixed in February. Q4 earnings momentum persisted, with approximately three-quarters of companies topping bottom-line consensus estimates, while corporate guidance remained mixed as managements await clarity around the new administration's policies. Except for a key manufacturing survey and unemployment, both of which were better than expected, economic data generally underwhelmed. Services, retail sales, consumer confidence, and select inflation measures missed estimates. Against this backdrop, the 10-year US Treasury yield fell sharply.

In this environment, key markets were mixed:

- Global equity markets, as measured by the MSCI World Index, returned -0.69%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +0.51%.**
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +0.90%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +1.43%.^

The portfolio moved lower in the month as equity holdings offset strength in convertible and corporate bonds.

Top contributors included Nvidia which reported a strong beat-and-raise quarter. Apple and an ecommerce conglomerate gained after announcing a strategic partnership. An aerospace holding advanced after announcing a buyback and reinstating its dividend, and an industrial manufacturer gained on receipt of multiple new contracts. Several pharmaceutical companies also moved higher on strong long-term demand prospects. The other top contributors were holdings in consumer electronics and banking.

Top detractors included Alphabet and Microsoft, both of which were impacted by weaker-than-expected cloud growth, as well as Amazon on cautious guidance. Delivery and margin concerns weighed on an electric vehicle manufacturer, and a semiconductor company consolidated strong 2024 gains. An alternative asset manager fell after forecasting near-term insurance business headwinds, and an apparel holding saw slower-than-expected direct-to-consumer growth. The other top detractors were a health care provider on legal scrutiny, along with holdings in software and consumer products.

Exposure increased the most in Financials, Technology, and Industrials. Covered call option positioning increased month-over-month.

Market Outlook

Macro factors, including newly implemented tariffs and government efficiency initiatives, could weigh on consumer spending and delay corporate investment in the near term as households and companies await clarity around current and future policies. A growth slowdown in the US would not be unexpected if these headwinds materialise. The recent increase in US equity volatility likely reflects the possibility of downward revisions to short-term earnings growth estimates.

Global economic growth could begin to stabilise as central banks ease and governments increase spending. The US economy should continue to expand in 2025, supported by earnings growth, further US Federal Reserve (Fed) easing as inflation and the labour market continue to normalise, and the new administration's pro-US growth policies.

Apart from these factors, steady consumer spending, ongoing services sector expansion, continued fiscal spending, and improving productivity aided by the proliferation of artificial intelligence (AI) are US growth tailwinds. Risk to the US economy may increase if these trends weaken. Other considerations include tariff and immigration policies, geopolitical tensions, prolonged labour market softening, continued manufacturing contraction in the US, and economic weakness outside of the US.

Against this backdrop, low- to high-single-digit returns in 2025 are possible for global large-cap equities, global convertible securities, and global corporate bonds. The equity market's path will not be linear, with bouts of volatility probable throughout the year. Given their defensive characteristics, corporate bonds and convertible securities can mitigate market volatility better than equities.

The global equity market could benefit from continued economic growth and accelerating or inflecting earnings from more companies. Secular growth themes, such as AI, lower taxes, increased mergers and acquisitions (M&A) activity, deregulation, productivity gains, and share buybacks are also catalysts. If either economic growth or earnings growth fall short of expectations, the equity market could be challenged. US valuations will continue to be debated.

For Allianz Life Global Income Fund:

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

Global convertible securities have a favourable asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class may outperform the broad equity market if leadership broadens, and new issuance remains steady. USD 85-95 billion# of new issuance is expected in 2025 due to coupon savings demand, elevated refinancing needs, and a positive outlook for price appreciation among small and mid-cap companies. Aside from diversification benefits, new issuance expands the opportunity set of investments with favourable terms and the desired risk/reward characteristics.

The global high-yield market, yielding over 7%^^, is expected to deliver a coupon-like return in 2025 with upside possible. As a result, the asset class continues to offer equity-like returns but with less volatility. The market's favourable 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. Increased M&A activity and deregulation could also have a positive market impact. In this environment, new issuance is expected to remain elevated, the default rate should stay below the historical average of 3-4%, and spreads can remain tight.

Global investment grade corporate bond's risk/reward opportunity is favourable. Rising interest rates are a risk for high grade corporates, however the investment opportunity remains favourable given higher coupons and yields, and a positive fundamental outlook with limited default risk. The asset class trades at a discount to par, offering favourable total return potential and downside cushioning. If the 10-year US Treasury yield finishes 2025 near the lower bound of the expected range of 3.5-4.5%, the asset class return could exceed mid-single digits.

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 favourable annualised yields.

Collectively, these asset classes can provide a steady source of income and a favourable "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 28 February 2025 unless otherwise stated.
* Source: MSCI, as at 28 February 2025
^ Source: Bloomberg, as at 28 February 2025
** Source: BofA Merrill Lynch, as at 28 February 2025
^^ Source: ICE Data Services, as at 28 February 2025
# Source: BofA Research, as at 28 February 2024

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

Target Fund Manager's Comment (For Allianz Thematica)

Market Review

Global equities delivered mixed returns over February as markets struggled to navigate President Trump's deliberately disruptive and unpredictable agenda. Chinese stocks surged, boosted by strength in Technology companies. European shares also advanced, underpinned by growing optimism over a potential end to the war in Ukraine. In contrast, US and Japanese equities lost ground. At a sector level, defensive Consumer Staples companies were the best performing area in the MSCI All Country World Index, with Energy and Real Estate companies also faring well, while the Consumer Discretionary and Communication Services sectors suffered notable setbacks.

Global bonds delivered positive returns. US Treasuries were among the strongest performers, boosted by signs of slowing US economic momentum. European government bonds also rose but lagged their US counterparts in anticipation that higher European defence commitments will likely cause government spending to balloon across the continent. In contrast, Japanese government bonds sold off, with yields touching the highest level since 2009 mid-month.

February brought growing signs that the US economy was slowing, with inflation expectations jumping due to President Trump's tariffs threats. Retail sales, consumer sentiment and home sales slumped in January and early indications showed services activity in February had contracted for the first time in more than two years. While the US Federal Reserve (Fed) indicated it was in no rush to cut rates, the European Central Bank (ECB) is expected to continue to reduce borrowing costs. Conversely, accelerating Japanese inflation increased the likelihood of another rate hike from the Bank of Japan (BoJ).

The British pound also rose against the US dollar and the euro, bolstered by hopes that the UK may secure a trade deal with the US and better-than-expected economic data. Oil prices eased over February, with Brent crude closing the month back below USD 73 a barrel as slowing US growth and the threat of a global trade war dampened the demand outlook. Gold rallied further, touching a fresh record high of USD 2,950 an ounce, amid robust demand for safe-haven assets.

Market Outlook

The Fund returned negatively in February, lagging global equity markets as represented by the MSCI AC World Index. Stock selection as well as sector allocation have been a drag to overall performance. The Fund benefitted from the overweight to Utilities as well as to the underweight to Communication Services and Consumer Discretionary. On the other hand, the overweight to Technology as well as the underweight to Health Care and Consumer Staples has been a burden.

Stock selection has been a burden especially in the Technology sector. As the underweight to stocks like an electric vehicle (EV) manufacturer and a technology conglomerate has been a major benefit to the portfolio, a consumer electronics and smart manufacturing company has been a large benefit to the Fund as it benefitted from the strong recovery among Chinese Technology companies. China's technological advances are increasingly visible. In this environment, portfolio activity has been focused on adding to companies which are expected to benefit from the more rapid adoption of artificial intelligence (AI). The aforementioned EV manufacturer suffered from negative momentum which due to weaker delivery numbers.

On the other hand, the exposure to a computer networking company has been a burden after it suffered from the negative sentiment across data centres affected markets during the last week of February. The underweight of a graphics processing unit manufacturer has been a negative effect as well since the stock bounced back slightly after the sharp correction over January after the release of an open-sourced AI model developed by an emerging Chinese startup. We have also decided to respond to the recent evolution of technology within the financial services market and the wider adoption of AI beyond the initial investment phase. Therefore, we decided to bring two new themes to the portfolio. To capture these growth trends more effectively, we have split the broad Digital Life theme into two, more distinct themes. Adoption will focus on the next wave of implementation and proliferation of efficiency-enhancing applications based on the recent advancements of AI, and Digital Finance, which captures companies within the evolving financial sector benefitting from fintech, blockchain and decentralised finance developments. In response to the US election outcome, the Health Technology theme is being phased out due to the increase in regulatory uncertainties. In our view, a diversified multi-thematic portfolio continues to offer many opportunities for investors to benefit from structural megatrends in the current year. Regarding the positioning, we have moved to a higher degree of concentration as we have sought to strengthen our investment conviction.

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

After a strong start to 2025, February brought concerns about the effects of the new US administration's trade policy on growth, which raised doubts about the narrative of US exceptionalism and led to increased volatility in equity markets. In the US, labour markets added a revised 125k jobs in January, well below an upwardly revised 307k gain in December and forecasts of 170k. The annual inflation rate in the US edged up to 3% in January, above market forecasts of 2.9%, indicating stalled progress in curbing inflation. Similarly, the Euro Area saw its annual inflation rate climb to 2.5% in January, marking the highest level since July 2024. In the UK, the annual inflation rate also surprised to the upside as it accelerated to 3% in January, above forecasts of 2.8%.

Heightened volatility caused a divergence in performance between fixed income and equity markets. Bonds acted as a diversifier against equity losses with the focus on weaker US sentiment data and growth risks rather than the potential upside to inflation from tariffs. In the short end, US 2-year Treasury, UK 2-year gilt, and German 2-year Bund yields rallied 21, 4, and 9bps. Further out the curve, US 10-year Treasury, UK 10-year gilt, and German 10-year Bund yields rallied 33, 6, and 5bps.

US equities faced challenges due to weaker sentiment data and concerns about the sustainability of mega-cap earnings, leading to a 1.3% decline in the S&P 500. In contrast, European equities were lifted by hopes of a ceasefire in Ukraine, resulting in a 3.6% increase in the MSCI Europe Index. Elsewhere, Chinese equities rose, driven by optimism around AI stocks, following the success of the Chinese AI startup DeepSeek, with the Shanghai Stock Exchange Composite rising 2.2%. In credit, US investment grade spreads widened 6bps while Euro investment grade spreads were unchanged. Meanwhile, US high yield spreads widened 19bps while Euro high yield spreads tightened 13bps.

During the month, the PIMCO GIS Income Fund returned 1.86% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '25 performance to 3.04%.

For Allianz Life World Healthscience Fund:

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

Market Review and Outlook

Market:

• The month of February saw mixed performance in global equities, with the MSCI ACWI declining by -0.6%, reflecting investor concerns over inflation and geopolitical tensions. European equities outperformed, with the Stoxx 600 rising +3.3%, while U.S. markets faced downward pressure due to trade policy uncertainties and weaker consumer confidence.

• The U.S. equity markets struggled in February, with the S&P 500 down -1.4%, the Nasdaq Composite falling -4%, and the Dow Jones Industrial Average declining by -1.6%. Concerns about potential tariffs, softer economic data, and inflationary pressures weighed on sentiment. The Federal Reserve maintained its cautious stance, holding rates steady amid macroeconomic uncertainty.

• In Europe, equities outperformed other regions, benefiting from stable geopolitical conditions and improving investor sentiment following clarity on U.S. trade policies. Germany's DAX rose +3.8%, Italy's FTSE MIB surged +6%, and France's CAC 40 climbed +2% during the month.

• Chinese equities rallied strongly, with the Shanghai Composite Index up significantly, driven by improving economic data and optimism around AI advancements like DeepSeek. The Caixin PMI rose to 50.8, signalling manufacturing expansion despite new U.S. tariffs. Other emerging markets experienced mixed results as monetary easing cycles began to take shape.

• Japan's equity market remained under pressure due to a stronger yen, even as the Bank of Japan continued its rate-hiking cycle amid robust GDP growth and export demand.

• In the commodities market, The Bloomberg Commodity Index fell slightly in February. Gold prices rose modestly as investors sought safe-haven assets amid global uncertainties, while crude oil prices declined after geopolitical tensions eased and supply concerns moderated.

• In global sectors, Consumer Staples, Utilities, Real Estate, and Energy outperformed in February within the U.S., while Technology and Consumer Discretionary sectors lagged due to weaker earnings guidance from key players like Nvidia.

Stocks:

• An underweight position in medical device company United Healthcare was the top contributor to relative returns over the period. The company continues to struggle amidst persistent negative media reports on care denial and a Department of Justice investigation on coding practice.

• An overweight position in Abbvie contributed to relative returns as the company reported strong earnings that beat estimates in Q4 2024. Additionally, the company presented promising sales forecasts in key drug pipelines.

• Elsewhere, an underweight position in Johnson & Johnson was the largest detractor to relative returns, as macro dynamics triggered a risk-off shift, driving investor preference towards value stocks.

• Not holding a position in CVS was another detractor from relative performance, as the stock rose following stronger-than expected Medicare Advantage rates released by the Centers for Medicare & Medicaid.

Changes:

• During the month, we increased our exposure to health care equipment companies with strong outlooks for recovery after disappointing previous fiscal year results. Elsewhere, we locked in profits from health care equipment companies that had performed strongly over recent quarters and sold life sciences companies with outstanding risk to geopolitical conflicts.

For Allianz Life World Healthscience Fund:

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

Key Positioning & Outlook:

• Despite a relatively strong start to the year for the health care sector, we continue to expect a high degree of stock dispersion in the sector driven by increasing scientific innovation, emerging technologies and policy shifts underscoring a flexible approach to investing across the sector while emphasising scientific attributes at the company level.

• While certain health care industries may see continued volatility under the new federal government leadership, change is unlikely to be immediate or unilateral. With a more stable earnings profile and valuations trading below long-term averages we see a favourable risk-reward profile for the sector.

• 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 science and 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:

• February was a broadly positive month for markets, with most assets posting steady gains. However, bouts of volatility emerged throughout the month as investors reacted to tariff developments, inflation concerns, and shifting risk sentiment. The initial announcement of tariffs on Canada, Mexico, and China led to a risk-off move, but a last-minute extension for Canada and Mexico triggered a relief rally. Inflation concerns resurfaced following a stronger-than-expected US CPI print, leading to an increase in inflation expectations. Towards the end of the month, renewed tariff concerns and weaker US economic data contributed to a more cautious market tone, resulting in a sell-off in risk assets and a shift toward safe havens such as gold and sovereign bonds.

• Developed market equities had a mixed performance in February. European equities continued to outperform, supported by expectations of increased defense spending following the start of negotiations between the US and Russia over Ukraine. In contrast, US equities initially performed well, with the market reaching an all-time high mid-month, but later declined as technology stocks struggled. The Magnificent 7 saw significant losses, marking their worst month in over a year, which weighed on the broader market. Emerging market equities showed resilience amidst the heightened policy and geopolitical uncertainty, with strong performances in Hong Kong and Central and Eastern Europe, while Southeast Asia and India lagged.

• Fixed income markets performed well, particularly in the latter half of the month, as investors sought safe-haven assets amid tariff concerns and weaker US data. US Treasuries experienced a strong rally, with yields declining meaningfully. European sovereign bonds also benefited, with yields falling as investors shifted toward defensive positioning. Inflation expectations moved higher following the CPI surprise, but bond markets remained supported by broader risk sentiment.

• Elsewhere, commodities had a mixed month. Gold reached an all-time high intra month, gaining as investors sought haven assets. Industrial metals also saw gains, with copper advancing. Conversely, oil prices declined due to the initiation of US Russia negotiations, which eased geopolitical concerns. Bitcoin faced significant losses, marking its worst monthly performance in nearly two years, as broader risk-off sentiment weighed on speculative assets.

Performance:

• Against this backdrop, the BGF ESG Multi-Asset fund recorded a negative return for the month. The strong rally in Equities and Bonds at the US market close on the final trading day of the month was not reflected in the official returns due to the fund's valuation timing being set at the European market close.

• From an asset class perspective, Developed Market Equities were the key detractor, offsetting the positive return contributions from Fixed Income and Alternatives.

• Within Equities, exposures to US Technology companies were the key detractor, along with more growth-oriented stocks. Contrarily, the newly implemented long US financials versus broad US equities position, benefitted from the market rotation.

• Interest rate sensitive parts of the portfolio, such as the Global Infrastructure portfolio, Clean Energy names within Listed Alternatives, and Fixed Income exposures added to returns over the month. Within Fixed Income, key contributions stemmed from the allocation to US Treasuries, as well as exposure to Investment Grade credit via the BlackRock ESG Fixed Income portfolio. The BlackRock ESG High Yield portfolio also added to returns, albeit to a lesser degree.

For Allianz Life ESG-Integrated Multi-Asset Fund:

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

Positioning:

• We kept a neutral overall equity exposure and maintained allocations to the volatility market for protection.

• We shifted our portfolio’s duration focus from European to US, reflecting recent fiscal policy changes. As the US signals spending cuts, Europe, especially Germany, is increasing defense and infrastructure spending.

• We took profits on Argentina Bopreal Bonds after strong performance.

• We initiated a positive view on US Financials over the broad US Equity market, expecting tailwinds from sustained higher rates, and deregulation. Financials may also provide portfolio diversification against a backdrop of trade wars and tech sector volatility.

• We increased long Brazilian Real exposure relative to Japanese Yen, believing the market has overestimated Bank of Japan hikes. The position also benefits from positive carry.

Market Outlook:

• The US economy remains robust with resilient earnings and jobs data, but disinflation has stalled above target. In particular, the US CPI release for January showed the strongest monthly print since August 2023.The impact of tariffs remains uncertain, and the potential for rising prices and wages has started to affect consumer sentiment. In this context we have grown more cautious about large-cap growth equities and are therefore monitoring lower-valued US smaller cap companies that may be set to benefit from domestic tax cuts, as well as more defensive areas of the global market.

• European growth is sluggish, but sentiment has improved and we think there is scope for the German fiscal reform around defence and infrastructure spending to deliver a seachange in European asset markets. We think there is scope for European rates to rise from here and break out of structural ranges. Further ECB rate cuts are also likely due to continued disinflation and potential resolutions in the Russia-Ukraine conflict could lower gas prices and boost growth. At the same time, we keep an eye on the risks posed by potential tariffs.

• China is taking steps to support its economy, but effectiveness is uncertain. Emerging markets show opportunities with disinflation and growth, though the impact of tariffs remains a key risk, necessitating a selective approach.

• Given recent market moves and tariffs, we have reduced equity exposure and favour defensive assets. After a strong start to the year Europe appears increasingly expensive as its valuation gap with US equal-weighted indices narrows, prompting us to also explore undervalued markets like the UK and Japan.

• We are growing incrementally more positive on duration but remain wary in the near-term of too many Federal Reserve rate cuts being priced in against a backdrop of persistent inflation and tariff risk. We favour US duration due to potential government spending cuts, while Europe's shift to looser fiscal policy with a focus on increased defense and infrastructure spending may keep yields elevated. Corporate credit looks favorable due to a positive growth outlook and income levels despite tight spreads.

• Active asset management and dynamic monitoring of positioning remain important parts of our toolkit. They provide an effective means of navigating the new regime, which is characterized by higher macroeconomic and policy uncertainty. In this environment it is necessary to take a more granular approach by narrowing down regional, sectoral, and industry specific exposures. We emphasise the importance of downside protection and continuously monitor key risks including geopolitical tensions and the policy implications of the new US administration.

For Allianz Life Income and Growth Fund:

Target Fund Manager's Comment (For Allianz Income and Growth)

Market Review

Markets were mixed in February, as high yield bonds closed higher while equities and convertible securities finished lower. Fourth quarter earnings momentum persisted, with approximately three-quarters of companies topping bottom-line consensus estimates, while corporate guidance remained mixed as managements await clarity around the new administration's policies. Except for a key manufacturing survey and unemployment, both of which were better than expected, economic data generally underwhelmed. Services, retail sales, consumer confidence, and select inflation measures missed estimates. Against this backdrop, the 10-year US Treasury yield fell sharply.

The portfolio moved lower in the month as equity and convertible holdings offset strength in high yield bonds.

Top contributors included Nvidia which reported a strong beat-and-raise quarter. Apple and an ecommerce conglomerate gained after announcing a strategic partnership. Welltower advanced after boosting 2025 guidance, and several pharmaceutical companies gained on strong long-term demand prospects. Mastercard rallied after reporting strength across core and secondary businesses, and a utility operator was higher on execution optimism of its long-term capital plan. The other top contributors were a cellular provider and a consulting company.

Top detractors included Alphabet and Microsoft, both of which were impacted by weaker-than-expected cloud growth, as well as Amazon on cautious guidance. Delivery and margin concerns weighed on an electric vehicle manufacturer, and a semiconductor company consolidated strong 2024 gains. An alternative asset manager fell after forecasting near-term insurance business headwinds. The other top detractors were a health care provider on legal scrutiny, a software company with bitcoin exposure, and a fintech holding that missed expectations.

All option positions expired below strike and the portfolio was able to retain the set premiums.

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

Market Outlook

Macro factors, including newly implemented tariffs and government efficiency initiatives, could weigh on consumer spending and delay corporate investment in the near term as households and companies await clarity around current and future policies. A growth slowdown would not be unexpected if these headwinds materialise. The recent increase in equity volatility likely reflects the possibility of downward revisions to short-term earnings growth estimates.

The US economy should continue to expand in 2025, supported by earnings growth, further US Federal Reserve (Fed) easing as inflation and the labour market continue to normalise, and the new administration's pro-US growth policies.

Apart from these factors, steady consumer spending, ongoing services sector expansion, continued fiscal spending, and improving productivity aided by the proliferation of artificial intelligence (AI) are growth tailwinds. Risk to the economy may increase if these trends weaken. Other considerations include tariff and immigration policies, geopolitical tensions, prolonged labour market softening, continued manufacturing contraction, and economic weakness outside of the US.

Against this backdrop, low- to high-single-digit returns in 2025 are possible for large-cap equities, convertible securities, and high yield bonds. The equity market's path will not be linear, with bouts of volatility probable throughout the year. Given their defensive characteristics, high yield bonds and convertible securities can mitigate market volatility better than equities.

The equity market could benefit from continued economic growth and accelerating or inflecting earnings from more companies. Secular growth themes, such as AI, lower taxes, increased mergers and acquisitions (M&A) activity, deregulation, productivity gains, and share buybacks are also catalysts. If either economic growth or earnings growth fall short of expectations, the equity market could be challenged. Valuations will continue to be debated.

US convertible securities have a favourable asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class may outperform the broad equity market if leadership broadens, and new issuance remains steady. USD 60-65 billion# of new issuance is expected in 2025 due to coupon savings demand, elevated refinancing needs, and a positive outlook for price appreciation among small- and mid-cap companies. Aside from diversification benefits, new issuance expands the opportunity set of investments with favourable

Target Fund Manager's Comment (For Allianz Income and Growth)

terms and the desired risk/reward characteristics.

The US high-yield market, yielding over 7%^^, is expected to deliver a coupon-like return in 2025 with upside possible. As a result, the asset class continues to offer equity-like returns but with less volatility. The market's favourable 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. Increased M&A activity and deregulation could also have a positive market impact. In this environment, new issuance is expected to remain elevated, the default rate should stay below the historical average of 3-4%, and spreads can remain tight.

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 favourable annualised yields.

Collectively, these three asset classes can provide a steady source of income and a favourable "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.

For Allianz Life Global Unconstrained Equity Fund:

Target Fund Manager's Comment (For BGF Global Unconstrained Equity)

Market Review and Outlook (Oct - Dec 2024)

(Target Fund Manager only produces commentaries on quarterly basis)

Market Review:

Global equities (as represented by the MSCI World Index) were broadly flat in the final quarter. Negative returns for the Index in October and December were offset by market strength in November as investors were bulled by the outcome of the US presidential election. Although equity markets responded positively to the result, sentiment was counterbalanced by the potential for tariffs and greater immigration controls which pushed inflation expectations higher. Whilst the Federal Reserve cut interest rates twice in the quarter, at the December meeting Chair Jerome Powell noted that policymakers would now be "cautious" about further reductions, leading bond yields to rally into the end of the year and the equity market to give up some of its November gains.

At a regional level, the US outperformed Europe again, rounding out a difficult year for the region. Ongoing concern about the outlook for growth across the continent was exacerbated by political instability in both Germany and France. More worrying for the region is the persistent outperformance of US corporates relative to those based in Europe. In the last 50 years, Europe has only founded three companies which today have a market capitalization of >US$100bn. In contrast, 25 have been founded in the US.

Outlook:

The team remain bullish on the outlook for equities. The global profit pool (as defined by consensus earnings growth estimates) is growing, particularly in the US, and ongoing interest rate cuts should provide incremental support to many subdued cyclical areasvi. Some of these remain in a protracted post-COVID-19 downturn, which has certainly persisted for longer than we would have expected. We continue to believe that demand for various goods will return as households have more cash available and that areas like housing are not structurally impaired.

We are doing more work to understand the sustainability of central bank debt and what this might mean for the path of interest rates. Borrowing costs have increased across developed markets and while current yield levels are not unusual, governments have amassed more debt, particularly during the COVID-19 years. Outside of this, we are monitoring US policy closely to understand whether any regulatory change may materially impact stocks in the portfolio or the industries in which they operate.

Reference to individual companies mentioned in this communication is for illustrative purposes only and should not be construed as investment advice or investment recommendation.

Any opinions or forecasts represent an assessment of the market environment at a specific time and is not a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation.