Market Review and Outlook

January 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

Global equity markets generally started off 2025 on solid footing with the MSCI World Index rebounding +3.47% mom after falling in the last month of previous year. The Dow Jones Index surged +4.70% mom as the market hailed the return of President Trump for his second term in office alongside his America First overarching policy. In addition, the President also unveiled a series of tariffs hikes for Canada, Mexico and China that were slated to begin in February 2025 and appeared to foreshadow his election campaign pledges of selected protectionist policies. From an economic standpoint, based on advanced real Gross Domestic Product (GDP) estimates, the US economy grew by +2.3% qoq, spurred by increased consumer and government spending which helped to mitigate a dip in investments. Nevertheless, the US and broader technology equity market segments then experienced a degree of volatility due to the emergence of a new artificial intelligence (AI) company DeepSeek which was seen to pose a threat to US' technology sector seeming dominance. As a result, the Nasdaq Index ended the month under review 1.86% lower versus its intra – month peak. Nvidia, the largest constituent of the S&P500 Index, saw almost USD600b of its market capitalization lost on 27 January 2025, which was the largest one – day equity loss in US history. On the interest rate front, the Federal Reserve opted to keep its overnight borrowing rate steady 4.25 – 4.50% after 3 rate cuts since September 2024. The Fed Chair noted that he would need to see "real progress on inflation or some weakness in the labour market" before they would consider making further adjustments.

Over in Europe, the Stoxx 50 Index rocketed by +7.98% mom, continuing its uptrend from the previous month. The significant jump in its equity performance was somewhat predicated on its Eurozone macroeconomic data. The Preliminary HCOB Flash Eurozone Composite Purchasing Manager's Index (PMI) edged up to 50.2 in Jan, its highest reading in 5 months and a signal of the first rise in Euro business activities since August 2024. Apart from that, Eurozone November 2024 retail sales grew +2.1% yoy, marking its 5th month of consecutive growth.

On the other hand, China's Shanghai Composite Index fell 3.02% mom despite, on the face of it, less aggressive tariff threats from US as compared to what had been espoused during the election campaigning period. While the Chinese government had taken steps to bolster its economy by cutting interest rates and announcing some broad stimulus plans, investors appeared to be waiting for more fiscal support which might potentially kick in after its annual parliamentary meeting in March 2025. The Chinese economy had yet to meaningfully be on the mend as December 2024 consumer price index (CPI) only edged up +0.1% yoy and consumer spending remained lacklustre whilst December 2024 producer price index (PPI) dipped 2.3% yoy.

In January, Brent oil price continued its upward ascent by +2.8% mom to USD76.76/ bbl as the outgoing US President Biden increased sanctions on Russian oil production and exports to choke Russia's funding for the Ukraine war. After its 9.28% mom drop in December 2024, crude palm oil price managed to stabilize and only dipped slightly by 0.3% mom in January 2025 as output slowed as evinced by an approx. 10% mom drop in Malaysian CPO shipments.

Closer to home, in the ASEAN region, Singapore's Straits Times Index (STI) rose +1.80% mom as its December 2024 Non – Oil Domestic Exports (NODX) shot up +9.00% yoy after rising by +3.40% yoy in November 2024, due to a recovery in exports to US. Indonesia's Jakarta Composite Index climbed up +0.41% mom after dipping last month, as Bank Indonesia (BI) unexpectedly lowered its benchmark interest rate by 25 bps to 5.75% in January 2025, being prompted by its low inflation forecast for 2025 – 2026 of 2.5%, +/- 1 ppt. The BI governor further noted that the rupiah exchange rate remained stable and the rate reduction was expected to help maintain inflation within their target range. However, the Stock Exchange of Thailand experienced a 6.12% mom collapse in January 2025 which was in part due to strong selling pressure by foreign investors and very high outflows from Long – Term Funds (LTF) and tax – deductible funds whose holding periods had reached their 5 – year thresholds. In January 2025 alone, LTF redemption amounted to THB19b, which was already 50.0% of 2024's full year redemption of THB38b. To revitalise the nation's tourism sector, the government took a significant step in legalizing casinos by approving the draft Entertainment Complex Bill. Lastly, Malaysia too started 2025 on poor footing with the FBMKLCI sliding 5.20% mom in January. A plethora of developments such as the new Framework for AI Diffusion which would limit advanced AI and Graphic Processor Units (GPU) sales to a host of countries including Malaysia, the launch of the USD500b Stargate Initiative for AI infrastructure and the aforementioned launch of DeepSeek had all negatively impacted our market sentiment. The reason was that they would threaten to dampen one of Malaysia's growth cornerstones, which aims to position Malaysia as a leading data centre hub in the region. These developments could potentially jeopardize the construction and utility sectors' prospects in terms of data centre construction as well as resource supply. In terms of foreign equity participation, January 2025 saw a continued net foreign investment exodus to the tune of RM3.1b, +8.5% mom.

The US Treasuries (UST) yields decreased by 2 – 5 bps mom except for the 30y tenor which rose by 1bp mom, amidst stronger – than – expected jobs report and weaker – than – anticipated core inflation. December 2024's nonfarm payrolls rose by +256k mom (Survey: +165k mom, November 2024 revised: +212k mom), mainly attributable to the increase in employment in the health care, retail, leisure and hospitality segments while the unemployment rate declined to 4.1% (Survey and November 2024: 4.2%). Core CPI expanded by +3.2% yoy, which was lesser than expectation of +3.3% yoy (November 2024: +3.3% yoy).

Malaysian Government Securities (MGS) yields for 3y, 7y and 10y tenors moved between -2 bps to +2 bps mom while the rest of the tenors were unchanged. GDP growth and inflation moderated while overnight policy rate (OPR) maintained at 3.00% as expected in the January 2025 Monetary Policy Committee (MPC) meeting. Going into 2025, Bank Negara Malaysia (BNM) has expected inflation to be manageable following the moderating global cost conditions and absence of excessive domestic demand pressures. The advanced estimates of 4Q24 GDP growth were lesser – than – anticipated at +4.8% yoy (Survey: +5.2% yoy, 3Q: +5.3% yoy) mainly due to the slower growth in the manufacturing segment as well as contraction in the agriculture and mining segments. Meanwhile, December's CPI was below consensus at +1.7% yoy (Survey and November 2024: +1.8% yoy) primarily due to the continued decline in the Information and Communication segment.

Foreign funds turned net buyers in January 2025 with net inflows of RM1.2b (December 2024: -RM1.4b). The foreign share of MGS was maintained at 32.3% (December 2024: 32.3%) while the foreign share of MGS+MGII lowered marginally to 21.1% (December 2024: 21.2%). Malaysia's foreign reserves rose by USD0.2b to USD116.4b as of end – January 2025 (December 2024: USD116.2b).

Market Outlook

The world is now bracing for the potential volatility from a brewing global trade war as President Trump embarks on his tariff tirade in which Canada, China and Mexico have been the first countries to be hit by the tariff salvos. Not surprisingly, the move has elicited measured retaliatory tariffs from the afflicted countries. That said, it cannot be ruled out that the President could be using tariffs as leverage in his negotiation strategies for better trade terms for the US. On the global geo – politic stage, there have been some improvements as the conflict in Gaza reached a ceasefire whilst President Trump has been vocal about his determination to seek a resolution for the Ukraine war. It would also be noteworthy to follow the developments of generative AI and its game – changing impact on the global economy. Locally, investors would keenly observe 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.

As we navigate the volatile equity market environment of 2025, we remain steadfast to investing in fundamentally good investments over long – term investment horizons. As always, we will opportunistically engage in 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.

Going into 2025, bond market volatility is expected to persist as tariffs jitters would continue to dominate headlines after the inauguration of Trump in January 2025. 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, BNM is expected to maintain the OPR at 3.00% in 2025, barring any substantial external shocks. In its latest Monetary Policy Statement, BNM maintains its view for sustained economic activities in 2025 driven by resilient domestic demand from both the consumption and investment fronts. 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 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?

- January started on a strong footing for global equities. The Fund lagged its benchmark but could still post a positive performance.
- In this positive market environment, higher risk stocks and stocks with Growth- and Trend features contributed positively to performance.

What hurt?

- Higher Dividend- and Quality stocks somewhat lagged over January and underperformed global equities.

Market Review and Outlook

Global equities advanced over January, led by European shares. While US stocks also moved higher, gains were limited by a sharp reversal in technology shares after a Chinese artificial intelligence (AI) start-up announced it had developed a chatbot with the same functionality as an established AI model – but at a fraction of the cost. The news added to the uncertainty caused by Donald Trump's return to the White House, with the president swiftly signing a raft of executive orders to progress his disruptive agenda. Late on 31 January, after financial markets had mostly closed, the US administration slapped 25% tariffs on imports from Mexico and Canada, as well as 10% on Chinese imports, with effect from 1 February.

US equities closed a volatile month moderately higher as investors digested a plethora of executive orders from President Donald Trump, including withdrawing the US from the World Health Organization (WHO) and Paris Climate Accord, stepping up threats to seize control of both the Panama Canal and Greenland, forcibly evicting illegal immigrants and taking steps to shrink the federal workforce. Late on 31 January, after financial markets had mostly closed, the US administration slapped 25% tariffs on imports from Mexico and Canada, as well as 10% on Chinese imports, with effect from 1 February.

European equities delivered strong gains over January, with the EuroStoxx 600 Index hitting fresh highs. Shares benefitted from increased interest in the region as attractive relative valuations helped investors overlook lacklustre growth and the threat of higher US tariffs. A rotation away from richly-valued US tech stocks was a further tailwind. At a sector level, Financials, Communication Services and Consumer Discretionary stocks rallied the most. In contrast to the US, European technology shares also rallied strongly, with a semiconductor equipment maker noting that the afore-mentioned Chinese AI startup's announcement was good news for chipmakers. Meanwhile, the Utilities, Consumer Staples and Real Estate sectors lagged.

Our "Macro Breadth Growth Index", an aggregated, single indicator for the global environment as a whole, continued its upward trend in December and suggests that global gross domestic product (GDP) growth remained above potential in Q4 2024. This aggregate figure is supported by a stronger expansion in the US and Japan and a recovery in the euro area and China. While the "hard" economic data improved towards the end of the year, business and consumer confidence seem to be deteriorating. Nevertheless, manufacturing looks set to expand in the coming months, backed by inventory building and increased corporate production efforts ahead of anticipated US tariffs. From our vantage point, conditions remain favourable for riskier assets such as equities, as US growth is likely to remain healthy and corporate earnings are convincing. Still, we are aware of the downside risks stemming from the uncertain impact of the new US administration's plans and sometimes high equity valuations. The risks include a pick-up in inflation and, as a consequence, a tighter US monetary policy. Since the market environment may bring considerable surprises and is characterized by deviating regional developments, we believe that investors should pursue an active portfolio management approach based on fundamentals and involving targeted risk diversification.

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 positive returns in January, although performance was mixed at the market level. The threat of higher US tariffs continued to weigh on sentiment, as is the US Federal Reserve's (Fed's) signal that it has now paused cutting rates. Added to volatility was an emerging Chinese startup, which launched an open-sourced artificial intelligence (AI) model, announced a low-cost language model that rivalled the significantly more expensive US versions. The news disrupted the entire AI supply chain as the market rushed to work out winners and losers. China equities started the year on a slightly weaker note. Over 2024 as a whole, China's economy grew 5%, meeting Beijing's official target, as exports and stimulus measures offset weak domestic demand. Taiwan equities modestly rose, primarily due to strong performance from major Tech companies, particularly in the semiconductor sector. Korean equities were also stronger despite continued turmoil in domestic politics. Australian equities reached new highs with strong credit growth and ongoing strength in the Financials sector. On the other hand, India and ASEAN markets were weaker, with the strength of the US dollar and higher bond yields setting a challenging backdrop for the region.

On the fixed income side, market activity in Asian credit picked up in January as we entered the new year. US Treasury yields remained volatile, with 10-year yields reaching a high of 4.81% – a level not seen since October 2023. However, the release of a softer-than-expected US consumer price index (CPI) report capped the increase and led to a decline in yields. On a month-on-month basis, US Treasury yields dropped 2-5 basis points (bps). Asian credit (JACI Composite) delivered a 0.5% return in December. Investment grade (IG) credits returned 0.5%, supported by favourable US Treasury movements contributing 0.3%, while credit spreads contributed 0.2%. High yield (HY) credits were up at 0.1%, as the positive interest rate return (0.4%) offset the negative spread return (-0.3%).

The Fund return was slightly negative in USD terms in January.

In the equity portfolio, the top detractor was a provider of software services to power industries in China. The company announced a weaker set of results due to slower project implementation with a key client. We have slightly reduced our position and will continue to monitor the stock for recovery. Overall, we view the stock as attractively valued for the longer-term growth potential driven by demand for services to support China's power grid upgrade and energy mix transition.

On the positive side, the top contributor was chipmaker Taiwan Semiconductor Manufacturing Company (TSMC). The share price reacted positively to the company's stronger-than-expected guidance for 2025 sales, as growth momentum continues to be supported by rising demand for AI-related applications.

The asset allocation at the end of the month was 69.1% invested in Asian equities and 30.0% in Asian fixed income, with the remainder in cash.

In terms of portfolio activity for the equity sleeve, in January we initiated a position in an online insurance platform in India. We also initiated positions in two companies in Taiwan that supply data transmission technologies used in AI applications. This was funded by exiting positions in an online food delivery platform in India and a convenience store operator in Thailand. We also took some profit in select positions in Australia that performed well over the last year.

Within the fixed income portfolio, we did some relative value trading by switching the outperformed names to bonds that have potential upside or provide better carry.

At the end of the month, we held 56 equities and 62 fixed income securities. The equity portfolio yield was 2.6% (based on forward 12-month estimates), and the average fixed income coupon was 5.5%, with an average credit rating of BB+ and average duration of 2.1 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. Although the near-term outlook is clouded by risks related to higher tariffs, our view is that the "shock factor" of a Trump presidency will be somewhat less the second time around. China authorities, in particular, will likely 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 more structural problems in China, especially related to the property sector as well as broad-based deflationary pressures. In terms of the afore-mentioned Chinese AI startup, we view this as a significant innovation in China's software development capabilities. Overall, the democratisation of AI tools for applications developers should be a net positive for AI development and proliferation.

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 are boosting the growth outlook across ASEAN markets and India. Notably, the Indian market has seen around a 15% pullback since late September 2024. We see this as near-term profit taking rather than a more fundamental change to the outlook.

On the fixed income side, credit fundamentals in Asian credit markets continue to improve, and we expect this trend to persist, albeit at a more gradual pace. The current credit cycle in Asia is also viewed as favourable, with substantial reduction in tail risks related to China. Supported by the declining default rate, the elevated bond yields continue to attract demand from yield-seeking investors. Asia credit is expected to provide a decent return this year. We will continue to take market correction, if any, as opportunities to buy into the credits that we have high conviction on.

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 3bps across the curve, in line with benign UST yields. 10y MGS yield fell1 bps to 3.81% from 3.82% a month ago while 3y MGS dropped 3 bps to 3.45% mom. Shorter-ends outperformed belly to long-end of the curve. 10-year Treasury yields climbed around 20 basis points in the first two weeks of January, as Trump's tariffs and uncertainties heightened the volatility. However, US government bonds subsequently rose on the back of a weaker-than-expected December US inflation print and unexpected AI tech rout, fueling demand for safe-haven assets. As a result, 10y UST government bonds fell 1bp to 4.56% by end Jan 25, largely unchanged from 31 Dec 2024.

Meanwhile for equities, January was a bustling month for most markets. Newly inaugurated President Trump pledged to announce tariffs on Canada, Mexico and China while also implementing changes to the federal payment system and the workforce. Despite these, Dow Jones, S&P 500, and Nasdaq gained 4.7%, 2.7% and 1.6% respectively which generally masked the shockwave that reverberated the global AI chip stocks. Perhaps the main headline for the month centred around DeepSeek, a Chinese AI company, announced a much cheaper open-source AI model which punished US AI hardware stocks (as well as AI/DC related stocks globally) but saw rally AI application/software names. On the other hand, Asian stocks were lower, led by China on tariffs concerns, which also led to declined elsewhere in the region.

Closer to home, KLCI tumbled 5.20%, making it the worst start to a year over the past 30 years. With the AI/DC theme were the main driver for 2024 performance, this was however, the key detractor for the month, largely on the DeepSeek development. While our local stocks are not involved in the chips per se, this new development poses questions on the DC capex and hardware demand that led to sharp decline to stocks within the supply chain ranging from manufacturers, construction and real estate. The weaker-than-expected advance 4Q GDP did not help either. Net foreign inflows persisted throughout the month which led to a net foreign selling of US$702m (RM3.1bn). This transpired into the region as well, although perhaps not due to the same factors, with Philippines crashing 10.2%, followed by Thailand's s 6.1%. drop. Singapore was higher by 1.8% while Indonesia was flat (+0.4%).

The USD was weaker, with the DXY Index falling 0.1% mom but was a roller coaster, hitting a high of 110, falling after the inauguration then shifted again following the 25% tariffs on Mexico and Canada. The IDR was the worst performer, depreciating 1.2% followed by the PHP 0.9% decline. The THB and MYR appreciated 1.2% and 0.3% respectively.

In commodity prices, Brent oil rose to 3.9% US$77/bbl while crude palm oil was lower by around 4% to RM4,280. Precious metals fared better, with palladium, platinum, and gold rose 11.4%, 8.3%, and 6.6% respectively. Base metals were decent with copper and aluminium gained 3.2% and 1.7% respectively while nickel and zinc were lower by 0.8% and 7.9% respectively.

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

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.

For Allianz Life Amanah Dana Ikhlas:

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

Equity Outlook & Strategy

Although we had expected that equity markets would be rocky in the beginning of 2025, on the back of Trump 2.0 (due to tariffs, trade war, inflation risks, investor appetite into developed markets etc.), the local markets were particularly hit by the recent AI developments by the US AI restrictions and compounded by the DeepSeek model. In this regard, we are 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 we get clarity on the impact to the whole ecosystem. 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 outperformed the benchmark in January. Positive stock selection in the Industrials sector was the main contributor.

At a single stock level, a key contributor last month was a company specialising in the development of high tech auto parts such as chassis, intelligent driving and anti-vibration systems. It is a key supplier to an electric vehicle (EV) maker, and the stock has seen a significant rally post the US election results. Last month, the company also announced a strong set of earnings with positive guidance for the year ahead. In the longer term, we believe the company has good growth prospects supported by expansion into humanoid robots.

Conversely, a detractor was a full-service financial services business operating across diverse segments including investment banking, brokerage and asset management. After a strong Q4, the stock saw some profit taking last month. Looking ahead, a sustained recovery in capital market sentiment should be positive for the company, given its broad investment banking capabilities.

Market Outlook

China equities started the year on a slightly weaker note. While this was partly due to the strength of the US dollar and rising bond yields globally, which have impacted most of the emerging market universe, the first two months of the calendar year are also frequently quite turbulent in Chinese markets.

A key factor is the pause in policy announcements and a vacuum in macro data availability. Because of the Chinese New Year holiday, which falls either in late January or early February depending on the lunar cycle, economic statistics for the first two months are combined and only announced in mid-March. The economic policy news cycle goes into a similar lull. Important details such as the country's annual gross domestic product (GDP) target and government budget are not announced until the annual meeting of the National People's Congress in early March.

In addition, a further market headwind has been concerns regarding US tariffs, which weighed heavily on equity market sentiment during the first Trump administration. Towards the end of January, the opening salvo was fired with the US raising tariffs on China goods by a further 10%. Although only time will tell to what extent this will escalate, overall our view is that the "shock factor" of a Trump presidency will be somewhat less the second time around.

Looking further ahead in this Lunar Year of the Snake, a fundamental issue will be the sustainability of the improved economic momentum seen in recent months. In particular, China's export momentum – a key driver of growth last year – will likely fade in 2025. As such, an improvement in domestic demand will be needed to achieve the expected GDP growth target of around 4.5-5.0%. And for this to happen, more policy support will be needed to underpin the property market in particular. The National People's Congress, held each March, is typically when more policy details are announced.

Notwithstanding the uncertainty on tariffs, overall our view is to be more optimistic on the outlook for China equities. Part of this view is based on the "Beijing put" helping to put a floor under the market. The People's Bank of China (PBoC) sent a strong signal last year that it is willing to act as the lender of last resort to backstop the market by extending significant amounts of credit for stock repurchases, which already reached a record high level in the China A-share market last year.

As such, our base case is to see relatively limited downside risk, especially given the light investor positioning and supportive valuations. And with the likely continuation of looser monetary and more expansionary fiscal policy, there is a higher probability that a more expansionary approach benefits the real economy, in turn helping to support corporate earnings.

In recent months, 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. We also believe higher yielding stocks should be well supported given the lower interest rate environment in China. Conversely, we have trimmed exposure to previous outperformers such as selective technology and semiconductor stocks.

At year-end, the portfolio has around 41% 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 (+2.1%), while the largest underweight is Communication Services (-2.9%).

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 advanced over January, led by European shares. While US stocks also moved higher, gains were limited by profit taking in Technology stocks amid investor debate on the impact of an emerging Chinese startup which launched an open-sourced artificial intelligence (AI) model on the levels of artificial intelligence (AI) spending. Investors also digested a series of executive orders and announcements from the new Trump administration. While deregulation was initially constructive for market sentiment, uncertainty surrounding tariffs weighed on markets at the end of the month.

The US economy grew less than expected in Q4, with gross domestic product (GDP) rising 2.30% on an annualised basis, the slowest pace of growth since the start of the year. Consumer spending was the main driver of economic activity, with job growth ending the year on a strong note. Non-farm payrolls increased by 256,000 in December, the biggest monthly rise in nine months.

It was a mixed month for interest rates around the world. The US Federal Reserve (Fed) left rates on hold. Fed Chair Jerome Powell said US policymakers "do not need to be in a hurry to adjust our policy stance". Meanwhile, as widely expected, the European Central Bank (ECB) lowered rates by 25 basis points (bps) for the fifth time this cycle, while the Bank of Japan (BoJ) raised rates by the same amount.

Oil prices rose. Brent crude breached USD 82 per barrel for the first time in almost six months after the US said it was planning to increase sanctions on Russian oil companies, causing Indian and Chinese buyers to find alternative suppliers. But crude prices later fell as Donald Trump urged the Organisation of the Petroleum Exporting Countries (OPEC) to lower oil prices and pushed for more domestic oil production. Gold rallied, breaching USD 2,800 an ounce for the first time on record as US investors sought safety ahead of potential tariffs on US imports.

From a sector perspective, for the MSCI All Country World Index, performance was led by Communication Services, helped by constructive earnings results. The Health Care sector was another outperformer. Information Technology was the only sector with negative absolute returns as the uncertainty surrounding the afore-mentioned Chinese AI startup caused some profit taking and rotation away from semiconductors. The Real Estate sector was another underperformer.

During the period, the Fund outperformed versus the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). From a sector perspective, Information Technology and Utilities were the largest relative contributors. The Materials and Energy sectors were slightly offsetting. AI-enabled industries was the strongest performer and benefitted from the equity market broadening out. Our exposure to Financials and clean power names also contributed to returns. AI applications outperformed, helped by strong earnings results and positive generative AI trends. AI infrastructure underperformed as our AI chip holdings underwent some profit taking amid the uncertainty caused by the Chinese startup which launched an open-sourced AI model recently.

Contributors

Constellation Energy Corp is leading American energy company specialising in clean energy generation, primarily through its nuclear, wind and solar assets. Shares were higher after the company announced a USD 1 billion power supply agreement with the US government and the acquisition of a power utility company that should be accretive to earnings. The company is positioning itself to meet the growing energy demands from AI and digital infrastructure. The demand for data centre power is anticipated to drive significant growth in energy consumption. The rise in AI-driven electricity demand could lead to substantial power contracts with data centre operators over the coming years.

Another contributor is a developer of project management and software development tools that help teams work more effectively. Shares were higher as it reported strong results, which was helped by paid seat expansion, stabilisation from the small-medium business segment, better large deal activity, and positive trends with new generative AI products. The company remains well positioned to deliver on a favourable growth trajectory through pricing changes and product innovation. This includes its AI agent platform, which can catalyse more opportunities for the company's software to penetrate its customer base and enable more automation.

Detractors

The top relative detractor over the period was Broadcom Inc. The company designs, develops and supplies a broad range of leading semiconductor, enterprise software and security solutions. Shares pulled back on uncertainty caused by the Chinese AI startup. 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 wireless semiconductor business.

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

Another detractor is a provider of enterprise AI software. Its platform empowers organisations to develop and deploy enterprise-scale AI applications. Shares underwent some profit taking following the rally in Q4. 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.

New Buys and Sells

We initiated a position in a provider of commercial banking services as we believe the reward-to-risk ratio is favourable. We believe the proposed acquisition of a digital bank could prove more accretive to earnings than expected given the potential for better business scale, cost savings and revenue synergies. The company is a bank holding that heavily leverages big data, AI and technology to improve its overall operations.

We also bought a provider of cloud networking solutions that include high performance data centre switches, routers and network security products. It stands to benefit from the growth in AI in several ways, including increased demand for high performance networking that enables the creation of AI supercomputing clusters, and solutions for distributed edge environments that ensures AI applications can scale without networking bottlenecks.

We exited the position in an industrial automation company as it is seeing a longer recovery period in its end markets than we anticipated. Also, we sold a digital payment services company as shares had appreciated towards our near-term target price, providing a less favourable reward-to-risk ratio.

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 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.

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 AI investment 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 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.

Regarding the Chinese AI startup which launched an open-sourced AI model recently, although the model's cost-efficient design raised some concerns on AI spending, we believe it is more of an incremental step forward and not a game changing event. It is a smaller distillation model trained on outputs from larger foundational models. More model distillation breakthroughs like it should help further drive AI adoption, creating more data to better train the next foundational model. Spending intention from cloud hyperscalers remains healthy, helping push the AI virtuous cycle forward. The industry continues to rapidly evolve, with major investments and innovations still needed to drive progress towards artificial general intelligence.

From an innovation perspective, progress with AI development is accelerating as more powerful capabilities become 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.

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 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.

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 the 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's 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 remained 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 broadly flat in January after having finished 2024 with healthy positive returns. Japan was one of the region's better performers during the month with a stronger tone to the yen supporting returns for international investors. The gains were despite a more hawkish stance from the Bank of Japan (BoJ), which hiked rates by 25 basis points (bps) and raised inflation expectations for the 2025 fiscal year, reflecting greater confidence for wage growth. Recent data supports this outlook as headline inflation surged to 3.6% in December, compared with 2.9% in the prior month and the highest reading since January 2023.

At the other end of the spectrum, India and ASEAN markets were weaker, with the strength of the US dollar and higher bond yields setting a challenging backdrop. The threat of US tariffs continued to weigh on sentiment, as did the US Federal Reserve's (Fed's) signal that it has taken a pause in cutting rates. Added to volatility was Chinese start-up Deepseek's announcement of a low-cost chatbot that rivalled the significantly more expensive US versions. The news disrupted the entire artificial intelligence (AI) supply chain as the market rushed to work out winners and losers.

The Fund outperformed the MSCI AC Asia Pacific Index in January. Stock selection was the key driver, with several of our small- and mid-cap Information Technology names, which had previously lagged in 2024, adding good value during the month.

For example, a key contributor was a small-cap Korean company that is a global leader in inspection equipment for consumer and auto electronics. The shares delivered particularly strong returns on the back of US Food and Drug Administration (FDA) approval for its brain surgery robot, allowing it to expand its medical device unit in the US Health Care market. We see further opportunities for this business to benefit from smart manufacturing solutions and AI-based applications, but have reduced our position size given the strong rally.

Conversely, an Indian Technology name focused on electronics manufacturing services (EMS) was a top detractor over the month, being vulnerable to the broader market selloff as well as company-specific news that management revised its financial year (FY) 2025 revenue guidance downward due to execution delays. We continue to find the EMS space in India to be an attractive long-term growth area underpinned by a strong push by the Indian government for local production and import substitution of electronic products. Global supply chain realignment in the EMS sector is also set to benefit this stock.

We are maintaining the broad positioning of the portfolio as we enter 2025, 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, key overweight exposures remain in Japan and Taiwan. Sector-wise, we maintain our exposure to Technology, especially in the semiconductor supply chain. We have used recent dislocations in the market, such as the Deepseek R1 model launch, to take advantage of valuation opportunities and adjust position sizes. We have also initiated some new names that include a Chinese cloud service provider, a Malaysian engineering and infrastructure player, and a major Japanese financial services conglomerate.

In Japan, we continue to focus on stocks where we see potential for enhanced shareholder returns and an improved earnings outlook. This is a long duration trend that we expect to play out over several years rather than a few quarters. 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 areas like insurance and ecommerce, 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 the near-term outlook is clouded by risks related to higher tariffs, our view is that the "shock factor" of a Trump presidency will be somewhat less the second time around. China authorities, in particular, will likely 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 more structural problems in China, especially related to the property sector as well as broad-based deflationary pressures.

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 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 a modestly positive return in January. Performance was mixed across the region, with ASEAN markets being key laggards on the threat of higher US tariffs and signals from the US Federal Reserve (Fed) that it had paused cutting rates. Singapore withstood the sell-off, helped by a rally in index-heavy Banking stocks. The Monetary Authority of Singapore eased monetary policy for the first time in four years, saying it would slow the Singapore dollar's appreciation. Indian equities also lost ground, with the BSE Index hitting a 7-month low towards month-end as shares were pressured by continued foreign outflows and slowing earnings momentum.

China equities started the year on a slightly weaker note. While this was partly due to the strength of the US dollar, rising bond yields globally, and concerns regarding US tariffs, other factors were also at play. The first two months of the calendar year are frequently quite turbulent in Chinese markets. A key factor is the pause in policy announcements and a vacuum in macro data availability. Because of the Chinese New Year holiday, which falls either in late January or early February, economic statistics for the first two months are combined and only published in mid-March. Added to this was a Chinese artificial intelligence (AI) start-up announcement of a low cost chatbot that rivalled the significantly more expensive US versions. The news disrupted the entire AI supply chain as analysts rushed to work out winners and losers.

The Fund underperformed the benchmark in January. From a market perspective, stock selection in India was a key source of detraction. At the sector level, stock picks in the Financials and Health Care areas were relatively weaker.

A key detractor was a pharmaceutical company in India, which focuses on developing, manufacturing, and marketing a diverse range of pharmaceutical formulations across various acute and chronic therapeutic areas, as well as several consumers over-the-counter (OTC) health care products. It primarily serves customers in India. The stock sold off in January along with the broader market, as the Health Care sector came under particular selling pressure. We continue to like the company as a long-term market share gainer among India's rising middle class demographic.

Conversely, a key contributor was Hana Financial, a large Korean financial services business with a footprint across banking, securities, insurance, and credit cards. The shares rallied after delivering a record net profit in calendar year 2024. Additionally, the group announced a significant share buyback programme. We maintain conviction in the name.

During the month, we rotated somewhat in the Taiwan Technology and China Financials sectors, taking advantage of share price volatility. For example, new names include a baseboard management control supplier in Taiwan that plays a significant role in the global AI supply chain. In China, we initiated a position in one of the largest and best-capitalised banks that also has a high dividend yield. On the flip side, we exited an Indian stock focused on air conditioning and cooling solutions.

At a market level, the top overweight market is now Taiwan. The portfolio also remains overweight in the ASEAN region, especially the Philippines and Singapore. This is balanced out by underweights in China and India. At a sector level, Financials and Information Technology are the primary overweight positions, while Industrials and Consumer Staples are among the main underweights. Top names in the portfolio at month-end include Taiwan Semiconductor Manufacturing Company (TSMC), Tencent, and Mediatek.

Market Outlook

We maintain a constructive longer-term view on the regional outlook. Although the near-term outlook is clouded by risks related to higher tariffs, our view is that the "shock factor" of a Trump presidency will be somewhat less the second time around. China authorities, in particular, will likely 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 more structural problems in China, especially related to the property sector, as well as 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. Notably, the Indian market has seen around a 15% 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

Risk assets and safe havens finished higher in January. The Q4 earnings season got off to a strong start, with approximately three quarters of reporting companies topping bottom-line consensus estimates, although forward guidance has been mixed. Corporate managements are balancing potentially easier financial and regulatory conditions, improving business sentiment, stable employment, and a resilient consumer, against stricter trade and immigration policies, as well as global growth uncertainties. Key economic data points released in January were largely positive. Manufacturing and services surveys surpassed estimates, inflation measures were in line with expectations, and the labour markets remained solid. On the other hand, retail sales, durable goods orders, and consumer confidence were weaker. As widely expected, the US Federal Reserve (Fed) left interest rates unchanged. Against this backdrop, the 10-year US Treasury yield fell, and risk assets and core fixed income advanced.

In this environment, key markets finished higher.

- Global equity markets, as measured by the MSCI World Index, returned +3.55%.*
- Global convertible securities, as measured by the ICE BofA Global 300 Convertible Index, returned +2.68%.**
- Global high yield bonds, as measured by the ICE BofA Global High Yield Index, returned +1.24%.**
- Global fixed income, as measured by the Bloomberg Global Aggregate Index, returned +0.57%.^

The portfolio moved higher in the month.

Top contributors in the period were led by Meta following a strong top- and bottom-line beat for Q4, and Amazon on optimism around core business efficiency and margin expansion. SAP was higher on solid growth metrics for its cloud business, and a major US bank advanced after reporting net interest income ahead of expectations. In addition, an aerospace manufacturer gained on strong free cash flow guidance. An industrial conglomerate outperformed on broad organic revenue growth, and a utility operator rallied on mergers and acquisitions (M&A) headlines. The other top contributors were Alphabet, a semiconductor holding, and a consumer finance company.

Top detractors in the period were led by Nvidia, which declined as investors re-evaluated future growth potential. Apple lagged on uncertainty over tariffs and currency headwinds but finished off the lows following a strong quarterly report, while Microsoft was negatively impacted by competitive concerns. An insurance provider moved lower following an executive departure, an electronic components manufacturer declined on end market demand uncertainty, and several retailers detracted on tariff concerns. The other top detractors were companies in Utilities, Real Estate, and Pharmaceuticals.

Exposure increased the most in Financials, Consumer Discretionary, and Technology. 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. The US economy should continue to expand in 2025, supported by earnings growth, further 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 and continued manufacturing contraction in the US, and economic weakness outside of the US.

Against this backdrop, mid- 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 expected range of annual returns for global large-cap equities is 5-10%. The market could benefit from continued Fed easing, economic growth, and accelerating or inflecting earnings from more companies. Secular growth themes, such as AI, lower taxes, increased 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 digit.

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 31 January 2025 unless otherwise stated.
* Source: MSCI, as at 31 January 2025
^ Source: Bloomberg, as at 31 January 2025
** Source: BofA Merrill Lynch, as at 31 January 2025
^^ Source: ICE Data Services, as at 31 January 2025
# Source: BofA Research, as at 31 January 2025

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

Target Fund Manager's Comment (For Allianz Thematica)

Market Review

Global equities advanced over January, led by European shares. While US stocks also moved higher, gains were limited by a sharp reversal in Technology shares after an emerging Chinese startup, which launched an open-sourced artificial intelligence (AI) model, announced that it had developed a chatbot with the same functionality as an American AI company's model – but at a fraction of the cost. The news added to the uncertainty caused by Donald Trump's return to the White House, with the President swiftly signing a raft of executive orders to progress his disruptive agenda. Late on 31 January, after financial markets had mostly closed, the US administration slapped 25% tariffs on imports from Mexico and Canada, as well as 10% on Chinese imports, with effect from 1 February.

Global bonds were volatile. Yields rose sharply for the first half of the month, with the yield on the 10-year Treasury briefly trading at 4.8%, its highest level since 2023, as stronger-than-expected US economic data sparked fears that the next move in US rates may be up rather than down. However, yields fell in the second half of January as these fears appeared overblown. While the 10-year US Treasury yield closed the month little changed, government bond yields ended higher in Japan and Europe. Corporate bonds outperformed government debt, with high yield posting the best returns.

It was a mixed month for interest rates. The US Federal Reserve (Fed) left rates on hold, prompting a barrage of criticism from Donald Trump who insisted global rates should be lowered at the World Economic Forum in Davos. Meanwhile, as widely expected, the European Central Bank (ECB) lowered rates by 25 basis points (bps) for the fifth time this cycle, while the Bank of Japan (BoJ) raised rates by the same amount. Threats of higher US tariffs continue to hang over the global economy, sparking a flurry of trade deals between non-US countries.

In currency markets, the Japanese yen strengthened, buoyed by the BoJ's decision to raise rates to "around 0.5%", the highest level in 17 years, with BoJ officials signalling that the central bank will raise rates further if the economy and prices move in line with expectations. Brent crude closed the month around USD 76 a barrel. Gold rallied, breaching USD 2,800 an ounce for the first time on record as US investors sought to repatriate gold ahead of potential tariffs on US imports.

Market Outlook

The Fund returned positively in January, outperforming global equity markets as represented by the MSCI AC World Index. Stock selection as well as theme allocation have been a driver to overall performance.

From a sector perspective, the overweight to Industrials and Materials has been a tailwind, while the underweight to Financials and Communication Services has been a drag. From a thematic perspective, themes like Digital Life and Health Technology performed best over the recent month, followed by Intelligent Machines. This once again shows that Technology dominates the current market as these themes have a very high exposure to the sector.

The structural underweight to Technology index-heavyweights like a graphics processing units manufacturer, a computer and consumer electronics manufacturer, and a technology conglomerate has been a benefit to overall performance, while the underweight to Meta Platforms and a ecommerce giant has been a minor burden. Nevertheless, the last month showed that the strong outperformance of the Magnificent 7* has eased. On the positive side, the Fund benefitted from the exposure to a cyber security company (Digital Life), as well as a medical devices manufacturer (Health Technologies), and an online retailer of pet food and other pet-related products (Generation Wellbeing).

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 (number of themes has decreased from 7 to 6 for the time being, number of stocks has gone from approximately 200 to 155).

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

Risk assets had a strong start to 2025, with both equities and fixed income broadly delivering positive returns. In the US, labour market resiliency continued as the economy added an upwardly revised 307k jobs in December 2024, the most in nine months. A softer read on consumer prices was also well received by bond investors as the US annual core inflation rate eased to 3.2% in December 2024, modestly below projections for a 3.3% rise. Meanwhile, the headline annual inflation rate in the Euro Area accelerated to 2.4% in December 2024, the highest level since July. In the UK, the headline annual inflation rate unexpectedly dipped to 2.5% in December 2024, below forecasts of a 2.6% rise.

Developed sovereign bond yield movements were mixed in January against a backdrop on economic cross-currents. The Fed paused its rate-cutting cycle after three consecutive reductions in 2024, signalling that the central bank is in no rush to cut rates further, citing that economic activity has continued to expand at a solid pace. Nonetheless, US Treasury yields ended the month broadly lower. In the UK, gilt yields also declined as investors weighed US trade tensions. In the short end, US 2-year Treasury and UK 2- year gilt yields rallied 4 and 16bps, while German 2-year Bund yields sold off 3bps. Further out the curve, US 10-year Treasury and UK 10-year gilt yields both rallied 3bps, while German 10-year Bund yields sold off 9bps.

The return of President Trump along with his 'America First' agenda continued to support equity markets, but the emergence of Chinese tech start-up DeepSeek sparked debates over the economic and geopolitical competition between the US and China in developing AI technology. Nonetheless, US equities ended the month 2.7% higher as positive sentiment and expectations surrounding deregulation continued to push stocks higher. Elsewhere, Chinese equities fell amid concerns around weak economic growth and US tariff threats, with the Shanghai Stock Exchange Index declining by 2.7%. In credit, US and Euro investment grade spreads tightened 2 and 8bps, respectively. Meanwhile, US and Euro high yield spreads tightened by 26 and 11bps, respectively.

During the month, the PIMCO GIS Income Fund returned 1.16% after fees (in USD, for the Institutional class, Accumulation share), bringing YTD '25 performance to 1.16%.

For Allianz Life World Healthscience Fund:

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

Market Review and Outlook

Market:

• Global equities had a positive start to the year with the MSCI ACWI returning +3.4%. In a reversal from 2024, value outperformed growth as investors weighed the outlook for monetary policy and the implications of the incoming Trump Administration.

• In the US, Donald Trump was inaugurated as the 47th President with significant policy ambitions across tax cuts, tariffs, and immigration reform. Anticipation of such changes led yields to rise and the S&P 500 Index to return +2.8% on the month. Macroeconomic data including December job growth and Q4 GDP figures indicated that the US economy remains healthy. As a result, the Fed held interest rates steady.

• Elsewhere, European and UK equities appeared among the best performing regions, supported by improving macro data. At the end of the month, the ECB announced a 25 basis point (bps) reduction to interest rates.

• In China, equities rose on the back of improving economic data and milder-than-expected US tariffs. In Japan, the BoJ delivered a 25 bps interest rate hike as the outlook for the economy improved over the period. Upward pressure on the yen challenged the export-oriented equity market.

• On the commodities front, the Bloomberg Commodity Index returned +4.0%. Gold appreciated on the anticipation of Trump's tariffs, whilst oil prices rose after reports of US sanctions on Russia; brent crude finished the month +3.4% higher at $76/barrel.

• Global sectors had mostly positive performance over the month, with only Information Technology posting negative returns. Communication Services and Health Care were the top performers in January. From a regional perspective, Europe and North America had the strongest performance.

Stocks:

• An overweight position in medical device company Boston Scientific was the top contributor to relative returns over the period. The company expectedly continued its strong financial results when announcing its Q3 earnings in October, which made it multiple consecutive quarters of growth.

• An underweight position in Novo Nordisk contributed to relative returns. Recent clinical trial results for its GLP-1 drug, a class of medications used to treat type 2 diabetes and obesity, were weaker than anticipated and the share price sold off as a result.

• An underweight position in Merck contributed to relative returns, as the stock remained under pressure due to a less innovative pipeline and upcoming patent expirations.

• Not holding a position in CVS was the largest detractor from relative performance, as the stock rose following stronger-than expected Medicare Advantage rates released by the Centers for Medicare & Medicaid. We continue to hold an underweight position due to our medium-term view on company fundamentals.

• An overweight position in Biogen detracted from relative performance, as the uptake of its Alzheimer's drug has been slower than expected. This slower adoption rate has been primarily driven by logistical challenges which include the need for patients to undergo specialized scans prior to receiving the treatment.

Changes:

• During the month, we increased our exposure to health care equipment companies with positive forward-looking guidance and attractive risk-reward profiles. We also increased exposure to medical devices & supplies companies that have improved execution in the recent past with innovative methods. Elsewhere, we locked in profits from companies that had performed strongly over recent quarters and reduced exposure to pharmaceutical companies operating in increasingly competitive spaces.

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. Artificial intelligence's integration to company operations offers significant opportunities in the sector and is a theme that will be continually evaluated.

• 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:

• January was a broadly a positive month for markets with both global equities and bonds posting positive returns. There were, however, bouts of volatility intra month driven by concerns about inflation, which resurfaced due to strong US economic data and the potential for new tariffs under the Trump administration. A better-than-expected jobs report led to a global bond sell-off as investors adjusted their expectations for Central Bank rate cuts. However, softer inflation data later in the month raised hopes for lower interest rates, with the Federal Reserve signalling possible cuts. Toward the end of the month, markets also reacted sharply to the release of DeepSeek's new AI model, causing a brief sell-off in US Tech and Utilities stocks.

• Developed market equities performed well throughout the month, with Europe outperforming the US; a reversal of last year's trend. Despite concerns about economic stagnation, European markets closed higher, supported by dovish signals and an interest rate cut from the European Central Bank. US equities also finished the month in positive territory, though saw some volatility towards the end of the month. Indeed, the news that DeepSeek, Chinese Artificial Intelligence company, have reportedly produced efficient low-cost AI models significantly impacted US technology stocks. US Utilities companies positioned to play a role in providing solutions or energy to meet the increased power demand linked to the A.I. adoption were also negatively impacted. However, the sell-off was short-lived and by month-end, the Tech-heavy US NASDAQ Index remained just below its all-time high from December. Emerging Markets were more uncertain, influenced by concerns over US trade policy, but ultimately also closed higher.

• US Treasury yields rose mid-month due to strong economic data but eased later as inflation softened. UK gilts saw a notable sell-off, with the UK 10-year government bond yield reaching its highest level since 2008, but later recovered following a weaker-than-expected December inflation print. European sovereign bond yields broadly rose over the period, as persistent inflation and rising energy prices led investors to reassess expectations for further interest rate cuts. Credit markets remained relatively stable, with investors showing a preference for higher-yielding assets amid ongoing economic uncertainty and hopes for easing monetary policy.

• Elsewhere, gold prices reached an all-time high. Crude oil also finished higher together with copper, which rebounded after several months of declines. The Japanese Yen was the strongest G10 currency, supported by the Bank of Japan's rate hike, while the Canadian Dollar weakened due to trade concerns. Bitcoin also had strong performance, continuing its upward momentum throughout the month.

Performance:

• In this context, the ESG Multi-Asset fund delivered a positive return. From an asset class perspective, the allocation to Equities was the key contributor to returns, however Fixed Income and Precious Metals were also additive. Listed Alternatives, on the other hand, detracted.

• Within Equities, allocations to underlying managers were positive across the board in absolute terms and each strategy outperformed their respective opportunity sets. Thematic Equity baskets were also positive in aggregate with the Global Brands and the Resource Efficiency baskets leading the contributions. Technology focused baskets were impacted by the DeepSeek announcement, though the effect varied among them.The Internet of Things and the US Enterprise Tech baskets ended the month in positive territory, illustrating the advantage of our diversified approach to the technology advancements theme, however the Mega Cap Tech completion basket detracted given its exposure to Nvidia and Apple. Macro asset allocation calls also detracted primarily due to hedging position on US and European Equities, which ultimately finished the month in positive territory.

• Positive contributions within Fixed Income stemmed from both government bond and credit exposures. Government bond returns were mixed, with Argentina Bopreal Bonds continuing their strong momentum and US Treasuries also proving additive. The short 30-year US inflation view also added to returns, whereas the exposure to Canada and German government bonds detracted. Both the Sustainable Investment Grade and the Sustainable High Yield portfolios managed by our Global Fixed Income team benefitted from spreads tightening over the month.

• Elsewhere, the exposure to Gold and Silver added to returns, but this was offset by the negative contributions from Listed Alternatives, which suffered in the face of volatility in UK Gilt yields.

For Allianz Life ESG-Integrated Multi-Asset Fund:

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

Positioning:

• We came into the month with a more neutral level of equity risk, a cautious level of duration, and a constructive allocation to precious metals. Over the month we maintained this positioning however made several tactical decisions.

• We took profits on a portion of the Argentina Bopreal Bonds after a period of strong performance.

• We implemented a call spread strategy on the VIX index based on attractive pricing relative to our anticipation of an increase in market volatility driven by tariff uncertainty and A.I. developments showing their potential to spur rotations out of mega-cap tech.

• We expressed a long view on the Canadian Dollar relative to the US Dollar given that we believe the significant weakening in the Canadian Dollar due to the potential impact of tariffs is overdone, creating an attractive entry point.

• We added to our short US 30-year inflation position to express our view that 30-year inflation pricing is not reflecting the persistent elevated levels we expect based on our inflation forecasts.

Market Outlook:

• The US economy remains robust as evidenced by resilient corporate earnings, consumer spending and jobs data. Our main concern in the near-term is that the disinflation trend appears to have stalled above target. Despite the softer inflation data released in January, there is still a risk that pent-up price pressures could appear in future inflation reports. Retailers and producers may raise prices in anticipation of tariffs, and we are already seeing some upward pressure on wages, even before considering the potential impact of immigration constraints.

• Economic growth in Europe continues to lag the US. While growth is expected to remain stable, weakening survey data and the risk of Trump imposing tariffs pose downside risks. Our central view is that continued disinflation will prompt further interest rate cuts from the ECB. We are monitoring possible macroeconomic catalysts, such as the potential for a resolution in the Russia-Ukraine conflict, which could lower gas prices and boost growth.

• Moves by China to support the domestic stock and housing markets, to ease monetary conditions and 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, yet the prospect for tariffs and a stronger US dollar are potential risks. This highlights the need for a more selective approach.

• We are broadly positive on equities, supported by strong global growth and favourable fiscal and monetary conditions. Regionally, the extent to which US equities can continue to outperform from here is uncertain. We continue to monitor developments in the A.I. space and assess their impact on the profitability and market dominance of US mega-cap technology companies.

• We remain underweight government bonds, with a preference for taking duration exposure outside of the US. We are managing allocations dynamically, preferring Europe and Canada given our view that markets are not yet 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. We would, however, have a preference for closing our underweight positioning as yields test the upper reaches of their recent ranges. Despite tight spreads, a positive growth outlook is supportive of corporate credit given the level of income available.

• 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

Equity, convertible, and high yield markets finished higher in January. The Q4 earnings season got off to a strong start, with approximately three quarters of reporting companies topping bottom-line consensus estimates, although forward guidance has been mixed. Corporate managements are balancing potentially easier financial and regulatory conditions, improving business sentiment, stable employment, and a resilient consumer, against stricter trade and immigration policies, as well as global growth uncertainties. Key economic data points released in January were largely positive. Manufacturing and services surveys surpassed estimates, inflation measures were in line with expectations, and the labour markets remained solid. On the other hand, retail sales, durable goods orders, and consumer confidence were weaker. As widely expected, the US Federal Reserve (Fed) left interest rates unchanged. Against this backdrop, the 10-year US Treasury yield fell, and risk assets and core fixed income advanced.

The portfolio moved higher in the month.

Top contributors in the period were led by Meta following a strong top- and bottom-line beat for Q4, and Amazon on optimism around core business efficiency and margin expansion. Several major US banks, including JP Morgan, advanced after reporting net interest income ahead of expectations. In addition, an aerospace manufacturer gained on strong free cash flow guidance. An industrial conglomerate outperformed on broad organic revenue growth, and a utility operator rallied on mergers and acquisitions (M&A) headlines. Other top contributors were Alphabet and several medical technology holdings.

Top detractors in the period were led by multiple semiconductor companies, including Nvidia, which declined as investors re-evaluated future growth potential. Apple lagged on uncertainty over tariffs and currency headwinds, but finished off lows following a strong quarterly report, while Microsoft and travel services companies were both negatively impacted by competitive concerns. The other top detractors were companies in utilities, residential solar, satellite television, and software.

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

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

Market Outlook

The US economy should continue to expand in 2025, supported by earnings growth, further 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, mid- 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 expected range of annual returns for large-cap equities is 5-10%. The market could benefit from continued Fed easing, economic growth, and accelerating or inflecting earnings from more companies. Secular growth themes, such as AI, lower taxes, increased 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 an attractive 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 attractive terms and the desired risk/reward characteristics.

For Allianz Life Income and Growth Fund:

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

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 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. 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 attractive annualised yields.

Collectively, these three 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.

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.