Allianz Global Investors

Allianz Cyber Security

Monthly commentary

- The Fund aims at long-term capital growth by investing in equities in the global equity markets with a focus on companies whose business will benefit from or is currently related to cyber security in accordance with environmental and social characteristics. With the adoption of the Sustainability Key Performance Indicator Strategy (Relative) ("KPI Strategy (Relative)"), the Fund aims to achieve the reduction in greenhouse gas emissions ("GHG") of the Fund's portfolio which shall be at least 20% lower than that of its benchmark index within the same period ("Sustainability KPI").
- The Fund is exposed to significant risks relating to investment/general market, concentration, cyber security, emerging market, company specific, currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation.
- The Fund is exposed to sustainable investment risks relating to KPI Strategy (Relative) (such as foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities when it might be disadvantageous to do so or relying on information and data from third party ESG research data providers and internal analyses which may be subjective, incomplete, inaccurate or unavailable). The Fund focuses on the Sustainability KPI which may reduce risk diversifications and may be more volatile compared to broadly based funds. Also, the Fund may be particularly focusing on the GHG emission efficiency of the investee companies rather than their financial performance which may have an adverse impact on the Fund's performance.
- The Fund may invest in financial derivative instruments ("FDI") which may expose to higher leverage, counterparty, liquidity, valuation, volatility, market and over the counter transaction risks. The Fund's net derivative exposure may be up to 50% of the Fund's net asset value.
- This investment may involve risks that could result in loss of part or entire amount of investors' investment.
- In making investment decisions, investors should not rely solely on this material.

Note: Dividend payments may, at the sole discretion of the Investment Manager, be made out of the Fund's capital or effectively out of the Fund's capital which represents a return or withdrawal of part of the amount investors originally invested and/or capital gains attributable to the original investment. This may result in an immediate decrease in the NAV per share and the capital of the Fund available for investment in the future and capital growth may be reduced, in particular for hedged share classes for which the distribution amount and NAV of any hedged share classes (HSC) may be adversely affected by differences in the interests rates of the reference currency of the HSC and the base currency of the Fund.

What Happened in July

Global equities rose modestly in July, bolstered by progress in US trade talks for most of the period. A positive start to the second-quarter earnings season also boosted stocks, although gains were capped after President Trump stepped up his campaign against US Federal Reserve (Fed) Chair Jay Powell, raising concerns about the central bank's independence, as well as by ongoing geopolitical tensions. Turning to sectors, information technology and energy were the strongest sectors in the MSCI All-Country World Index, followed by utilities. Conversely, the health care and consumer staples sectors generated negative returns in July.

Within technology, the MSCI ACWI Information Technology Index gained 4.2%, as the majority of industries were higher for the month. Results were led by high-single-digit gains in electronic equipment, followed by advances in semiconductors and software, while the IT services industry declined. The ISE Cyber Security Index was lower by 4.7% for the month, as outsized gains in semiconductor and professional services stocks were more than offset by underperformance in software and communication services industries. The top contributor to performance was internet infrastructure and security company Cloudflare, Inc.*, while a cybersecurity and Internet of Things (IoT) software solutions provider, detracted the most from benchmark performance.

JULY 2025

Outlook and Strategy

Our expectation is that the cyber security risk/reward may remain favorable in light of underlying fundamentals, with macroeconomic uncertainty recently notching lower and interest rate cuts, which are anticipated in the coming months, likely help further improve industry prospects. Equally important is the role cybersecurity plays as the incessant march towards artificial intelligence (AI) continues. As enterprises invest in enhancing AI capabilities, we expect this spending to benefit cybersecurity spending in the coming quarters. Longer-term, the durability of the cyber theme and its stable growth characteristics alongside a relatively attractive valuation level, are likely to drive investor attention. As a result, areas like data security are expected to see above-average and sustainable long-term growth due to its critical importance. Although near-term uncertainty may preside, the secular demand for security solutions appears unabated and market leaders who execute well are likely to be rewarded.

Investors are likely to continue to closely monitor interest rate levels, with future cuts forecasted, which are likely to benefit cybersecurity companies incrementally. Corporate earnings have been relatively resilient, and valuations appear reasonable given the secular growth potential of the asset class. Our expectation is that merger and acquisition activity may continue to rise as capital markets show signs of strength, with a broad cross-section of acquirers for cyber assets given their durability and strategic positioning. Amid the volatility, we are opportunistically looking to upgrade select names and add to our highest conviction ideas to better position the portfolio for improved performance.

Despite short-term periods of higher volatility among Technology stocks, earnings growth ultimately drives stock prices over the long term, and in our view, we are still early in the spending trend supporting this dynamic segment. We are excited about the investment opportunities presented, and believe our research-driven, bottom-up process is the most effective means to capture the value generated by this theme.

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All data are sourced from Bloomberg and Allianz Global Investors as at 31 July 2025 unless otherwise stated.

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