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 February

Global equities delivered mixed returns over February as markets struggled to navigate President Trump's deliberately disruptive and unpredictable agenda. Chinese stocks surged, boosted by strength in technology companies. European shares also advanced, underpinned by growing optimism over a potential end to the war in Ukraine. In contrast, United States and Japanese equities lost ground. At a sector level, defensive consumer staples companies were the best performing area in the MSCI All Country World Index, with energy and real estate companies also faring well, while the consumer discretionary and communication services sectors suffered notable setbacks.

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

Within technology, the MSCI ACWI Information Technology Index declined –2.0% as modest gains within the technology hardware industry were offset by mid-single-digit declines in IT services, electronic equipment and software stocks. The ISE

Cyber Security Index was lower by –3.8% for the month, as outsized advances in select non-US aerospace and defense stocks were offset by double-digit losses in interactive media and services, professional services and IT services industries. Shares of a marker of anti-virus computer and internet security software advanced following buyout rumors and positive earnings results, while a provider of cloud computing, security and streaming solutions, detracted the most from benchmark results for the month.

Outlook and Strategy

We remain constructive on cyber security as the demand backdrop remains healthy, earnings estimates appear to be reasonable, and the cyber threat environment continues to intensify. Our expectation is that recent volatility in technology and cyber security-related companies, amid in part via uncertainty over the Trump administration polices, is likely to subside as markets reassess grandstanding in an effort to focus attention relative to actual policies and their impact on growth. Long-term, the secular growth in cyber security solutions appears durable and markets are likely to continue to reward leaders in the industry, particularly those which execute at a high level.

Investors continue to pay close attention to interest rate levels, with future cuts forecasted which are likely to have an incremental benefit to cyber security companies. Corporate earnings have been relatively resilient and although valuations appear reasonable given the secular growth potential of the asset class. Our expectation is that mergers and acquisitions (M&A) activity may continue to rise as capital markets continue to show signs of strength, and there is potentially 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. We continue to have a constructive mid-to-long-term outlook for equity markets, particularly cyber security stocks given their favourable risk versus reward profile.

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.

All data are sourced from Bloomberg and Allianz Global Investors as at 28 February 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").

*The information above is provided for the purpose to demonstrate the Fund's investment strategy only, it should not be considered a recommendation nor investment advice to buy or sell any shares of securities. There is no assurance that any securities discussed herein will remain in the Fund at the time you receive this document.

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