

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 May

May brought some welcome respite for global equities following the recent tariff-related volatility. Investor sentiment was bolstered by de-escalating fears of a global trade war and a slew of positive corporate earnings releases. This overshadowed market jitters over the passage of President Donald Trump's "big, beautiful" bill of sweeping tax cuts and the launch of a new trade offensive against the European Union (EU). However, tariff whiplash was rekindled at month end, with global equities soaring on news that the New York-based Court of International Trade had blocked the US president's tariffs, before pulling back after the tariffs were reinstated by a US appeals court. Market sentiment deteriorated further after an abrupt re-escalation of US-China trade tensions and the announcement of Trump's plans to double tariffs on steel and aluminium to 50%.

Within Technology, the MSCI ACWI Information Technology Index advanced 10.4%, with the majority of industries posting gains. Semiconductors and software were the top performers with double-digit gains, followed closely by advances in electronic equipment and information technology (IT) services. Meanwhile, technology hardware was lower for the month, due primarily to headwinds in a computer and consumer electronics manufacturer. The ISE Cyber Security Index was higher by 8.8% for the month, led by strong gains in semiconductors, IT services and aerospace & defence, while professional services were down slightly for the period. The top contributor to performance was cloud data management and data

security company Rubrik, Inc.*, while an infrastructure software maker was lower amid concerns of slowing growth combined with the announcement of a convertibles offering.

Outlook and Strategy

We believe the current risk/reward profile for cyber security remains attractive and continue to anticipate favourable performance throughout the year compared to the broader technology market, given the combination of durability of the theme and its stable growth characteristics alongside an attractive valuation level, which is increasingly scarce within the sector.

Software and information technology services have outperformed other technology industry peers, driven by a combination of cyber security and infrastructure-related software. Interestingly, recent fears of a software spending slowdown never materialised, yet valuation metrics were generally compressed heading into the start of the year.

Equally important is the role cyber security plays as the incessant march towards AI continues. As enterprises invest in enhancing AI capabilities, we expect this spending to benefit cyber security over the medium to long term. 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, we maintain a positive mid-to-long-term outlook for equity markets, especially cybersecurity stocks, given their attractive risk-reward profile combined with the expectation that cybersecurity solutions appears robust, 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 May 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").

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