

# Allianz

## Global Floating Rate Notes Plus

### Monthly commentary

- The Fund aims to capture income from a global universe of floating-rate notes and seeks potential for long-term capital growth in accordance with environmental and social characteristics. With the adoption of the socially responsible investment ("SRI") (Proprietary Scoring) strategy ("SRI (Proprietary Scoring) Strategy"), the Fund takes into account sustainability factors based on United Nations Global Compact Principles and follows the principles of SRI. The Fund does not constitute as an ESG fund pursuant to the SFC's circular issued on 29 June 2021.
- The Fund is exposed to significant risks of investment/general market, currency, creditworthiness/credit rating, interest rate, default, valuation, volatility and liquidity, and sovereign debt.
- The Fund is exposed to risks relating to SRI (Proprietary Scoring) Strategy investment (such as foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, selling securities when it might be disadvantageous to do so, and/or selling securities when it might be disadvantageous to do so). The Fund focuses on SRI which may reduce risk diversifications and may have an adverse impact on the performance of the Fund.
- The Fund may invest in high-yield (non-investment grade and unrated) investments which may subject to higher risks, such as volatility, loss of principal and interest, creditworthiness and downgrading, default, interest rate, general market and liquidity risks and therefore may increase the risk of loss of original investment.
- 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, particularly if such HSC are applying the IRD Neutral Policy.

### What Happened in February

February unfolded against a backdrop of persistent headline risk, keeping uncertainty elevated across global credit markets. Artificial intelligence (AI)-driven sentiment swings, renewed private credit fragilities and escalating geopolitical tensions combined to weigh on risk appetite. While underlying corporate fundamentals remained broadly resilient, markets struggled to look through near-term noise, resulting in a more cautious tone across investment-grade credit.

Performance reflected this shift in sentiment. Global Aggregate Corporate excess returns were 60bps over the month, driven by a 10bp widening in spreads, which ended the period at 85bps. Sector performance was broadly negative, with Industrials returning 64bps, Utilities 68bps, and Financials 53bps, as spreads widened by 10bps, 9bps, and 12bps

respectively. This underscores the broad based nature of the move, rather than weakness concentrated in any single sector. By currency, USD spreads widened by 11bps to 84bps, EUR spreads by 9bps to 83bps, and GBP spreads by 12bps to 93bps, resulting in excess returns of -73bps for USD, -33bps for EUR, and -55bps for GBP.

Trade policy uncertainty resurfaced in late February when the US Supreme Court ruled that tariffs imposed under the International Emergency Economic Powers Act were unconstitutional. The administration subsequently implemented a 15% global tariff under Section 122 of the Trade Act of 1974 for up to 150 days, unless extended by Congress. While tariff levels remain elevated in the near term, the ruling introduced renewed legal and policy uncertainty for globally exposed issuers, particularly across industrial and consumer sectors.

Private credit concerns intensified during the month. Turbulence at a major US private credit and alternatives asset manager, following heavy redemption requests and valuation pressure in AI- and software-linked portfolios, unsettled investors and renewed scrutiny of liquidity practices in the roughly USD 2 trillion US private credit market. While direct spillover into public IG markets appears contained, stress in private credit contributes to tighter financial conditions and a more cautious risk backdrop.

Geopolitical risk escalated sharply at month-end following hostilities involving the United States, Israel and Iran. Missile and drone exchanges across the Middle East lifted energy risk premia and heightened concerns around potential disruption through the Strait of Hormuz, a conduit for roughly one-fifth of global crude exports. Oil prices moved higher on supply concerns, reinforcing inflation risks and complicating the global monetary policy outlook.

Primary markets remained active, with February issuance reaching approximately USD 190bn in USA (led by non-financial corporates), EUR 73bn (tilted towards financials (EUR 40bn) over non-financials (EUR 33bn)), and GBP 10bn.

### Portfolio overview

The Fund generated +40 bp of gross return in February, ahead of the +29 bp return of its cash reference index (SOFR). Positive absolute performance was generated by attractive underlying yields inbuilt within the fund, with SOFR at 3.68% by the end of the period.

With its low duration, high credit quality and liquid profile, we believe that the Fund is in a good position to weather the uncertain current environment. The fund benefits from minimal duration volatility through its floating rate profile and an interest duration of 0.6y. Against the backdrop of modestly rich valuations, we have been reducing our credit risk exposure over the past few months, favouring higher-quality issuers and maintaining a preference for securities from higher up in the capital structure. This is reflected in an overall average rating of AA-, a corporate contribution to spread duration (CTSD) of 1.3y and 0.6y of high-quality securitized CTSD. To put this into context, corporate CTSD was 2.5yrs in December 2022 and >~2.0yrs during 2023 when spreads were trading meaningfully wider. Additionally, we currently hold 7.5% market value, 0.3y CTSD, long protection exposure via our credit default swap (CDX) high yield (HY) overlay.

### Outlook

The sharp escalation in Middle East tensions has pushed oil prices higher and triggered a broad risk off move across global markets. While military conflicts often appear sudden, this episode should not come as a surprise to those closely monitoring developments, as momentum toward confrontation has been building for some time. In our view, this US-Iran escalation constitutes a classic geopolitical volatility shock, not yet a regime-changing macro shock, at this stage. However, the key risk for markets, however, is the absence of a clear endgame: while the supreme leader is gone, the Islamic Republic and its security apparatus remain intact, and US and Israeli leaders have framed the conflict around regime change without clear criteria for success. This raises the risk of a prolonged campaign, ongoing disruption to energy shipping - especially through the Strait of Hormuz - and a sustained war risk premium in oil.

For fixed income, oil driven inflation risks compete with risk aversion flows. Duration performance will hinge on how persistent higher energy prices prove to be, while credit risk is asymmetric, with certain countries in emerging and frontier markets most exposed. Our base case remains a contained conflict, pointing to temporary spread widening, curve flattening and stronger USD rather than a regime shift. The key determinant to watch is whether elevated energy prices persist long enough to turn volatility into a broader macro problem.

Volatility has re-emerged as markets reassess prior complacency and certainty. This environment favours quality carry, balance sheets strength, and active credit selection over broad, directional beta exposure. While an easing liquidity backdrop continues to support carry strategies, keeping powder dry and remaining selective is critical for navigating market uncertainty.

At a sector level, we retain our preference for financials and consumer non-cyclicals and remain cautious on consumer cyclicals. We are constructive on securitised products as relative value looks compelling to corporates. The asset class continues to benefit from stable credit trends on underlying assets. Structures include credit enhancement and other structural protections as well as tests and covenants that protect bondholders, particularly at the AAA level. The fund benefits from active management of credit risk allowing us to be dynamic in responding to the evolving market and idiosyncratic events.

Having assessed the portfolio in light of recent developments, we see limited direct impacts, given no energy exposure and de minimis allocations in the chemicals and airlines sectors. Clearly, we continue to evaluate second-order impacts but do not foresee material idiosyncratic or sectorial changes at this stage.

We also flag that the markets' reaction function to the oil price shock will likely continue to be a pricing out of FED rate cut expectations; down to 1.5 for 2026 from 2 pre-crisis. This will improve the underlying yield outlook for the fund. Wider credit spreads will be a drag on performance in the near term, this is tempered by the light, high quality credit risk and credit protection. Similarly, wider spreads will provide greater opportunities going forward. Therefore, we do not expect to make material changes to fund positioning at this stage but continue to evaluate overall risk in the context of the valuation backdrop.

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All data are sourced from Bloomberg and Allianz Global Investors, as of 28 February 2026 unless otherwise stated.

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