

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 reducing risk diversifications compared to broadly based funds) which may result in the Fund being more volatile and have adverse impact on the performance of the Fund and consequently adversely affect an investor's investment in 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 May

The trade war continued to dominate the macro narrative. During the month, a trade deal was reached with the UK; the White House threatened a 50 percent tariff on European goods; and there were some encouraging trade talks with China, although sentiment reversed toward the end of the month. While negotiations between the US and its major trading partners are still ongoing and the market increasingly appears to be looking through the headline noise and pricing for a more benign outcome.

While volatility remains on the trade front, the credit market has digested the shifting narrative with rebounded quickly to spreads close to pre-Liberation Day levels. USD investment grade (IG) spreads tightened to 88 bp by month-end, fully

erasing April's widening. A similar pattern was seen in EUR and GBP IG spreads, which are now very close to their pre-Liberation Day levels.

Economic data generally came in softer. The first-quarter US gross domestic product (GDP) fell at a 0.2% annualised rate (versus -0.3% expected), with personal consumption growth revised down to its lowest in seven quarters, at +1.2% (versus 1.7% expected). The headline April Producer Price Index (PPI) surprised on the downside, falling 0.5 percent month-on-month versus 0.2% expected, and cheaper crude helped pull market-based inflation expectations lower. In the UK, March Consumer Price Index (CPI) eased to 2.6%, down from 2.8% in the previous month, giving the Bank of England room to deliver a widely anticipated 25-basis-point cut, bringing UK base rate to 4.25%.

Primary issuance remained heavy, and demand was solid. USD IG supply totalled USD 160 billion in May. In Europe, supply reached EUR 109 billion, well above the EUR 87 billion recorded in the same month last year, making it the biggest month of the year so far, with EUR 58 billion from non-financial issuers.

Portfolio overview

The Fund generated positive gross return in May, ahead its cash reference index Secured Overnight Financing Rate (SOFR). Positive absolute performance was generated by attractive underlying yields inbuilt within the fund, with SOFR at 4.35% by the end of the period, and spread tightening supported the funds outperformance versus benchmark.

With a corporate spread duration of circa 1.75 years, we maintained our overall conservative position with a quality bias. The fund continues to hold a circa 20% liquidity buffer including cash, US Treasury Floating Rate Notes (FRNs) and high-quality Supra & Agency (SSA) paper. Over the month, we selectively participated in new issues and remained tactical in trading around our Credit Default Swap Index High Yield (CDX HY) overlay, 0.1-year contribution to spread duration (CTSD), responding to evolving valuations.

Outlook

We consider the global corporate market to be at fair value, as the market is pricing in strong fundamentals across the majority of sectors, as evidenced by the recent earnings season albeit recent volatility is posing unknown risk to underlying credits. Our focus remains on sectorial and idiosyncratic opportunities, within the context of an overall light credit risk footprint. We prefer Pharma and Utilities/domestically focused sectors and we remain cautious on consumer cyclicals. Our modest risk positioning and our ample liquidity buffer provide us with high flexibility to seize opportunities going forward.

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All data are sourced from Bloomberg and Allianz Global Investors, as of 31 May 2025 unless otherwise stated.

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