

# Allianz Global Opportunistic Bond

## Monthly commentary

- The Fund aims at long-term capital growth and income by investing in global bond markets.
- The Fund is exposed to significant risks of investment/general market, creditworthiness/credit rating, interest rate, default, valuation, sovereign debt, emerging markets, and currency.
- Investing in share class with fixed distribution percentage (Class AMf) is not an alternative to fixed interest paying investment. Investors should note that fixed distribution percentage is not guaranteed. The percentage of distributions paid by these share classes is unrelated to expected or past income or returns of these share classes or the Fund. Distribution will continue even the fund has negative returns and may adversely impact the net asset value of the Fund. Positive distribution yield does not imply positive return.
- 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, particularly if such HSC are applying the IRD Neutral Policy.

### What Happened in May

In May, the US-Iran conflict continued to drive market sentiment and bond market volatility. During the first half of the month, rising inflation expectations on the back of the energy price shock saw 10-year US Treasury yields spike higher towards 4.7% by mid-month, their highest levels since early 2025, before ending May at 4.44% (still 7bp higher) on growing optimism of a de-escalation and eventual agreement to resolve the conflict. The 5-year US break-even inflation rate, having touched 2.71% during the month, ended at 2.54% as oil prices came off their recent highs. Nonetheless, the data continued to signal a stagflationary tilt in the global macro environment i.e. slower economic growth with supply constraints and energy-driven inflation pressures, and increasingly divergent central bank policy paths. In the US, the macroeconomic data pointed to a resilient economy, with a stable labour market and upside inflation risks. As a consequence, short term interest rate markets increasingly began to price the risk of a US Federal Reserve rate hike by the end of this year; 2-year US Treasury yields ended the month at 4%, around early 2025 highs.

In the Euro area, Q1 saw gross domestic product (GDP) growth of just 0.8% y/y, suggesting that economic growth in the region was already losing momentum prior to the energy shock, leaving the Euro area entering Q2 with weak underlying momentum. 10-year Bund yields ended the month at 2.94% (10bp lower). Meanwhile, in the UK, inflation and jobs data

undershot expectations, reducing the prospects of an imminent rate hike from the Bank of England. UK Gilts performed strongly in the second half of May, supported by the global rates rally and by comments from potential future Labour leadership candidates that they would adhere to UK fiscal rules were they to win any leadership election. 10-year Gilt yields ended the month at 4.81% (20bp lower), while the 30-year Gilt / US Treasury spread tightened back to 55bp. In Japan, solid Q1 GDP data and renewed JPY weakness, despite interventions in the FX market, supported the case for a Bank of Japan rate hike in June. Japan Government Bond (JGB) yields continued to drift higher, ending the month at 2.66% (14bp higher), around their highest levels since the mid-1990's.

In foreign exchange (FX) markets, the US dollar edged higher given the relatively more favourable US growth outlook versus other major markets and the growing risk that the Fed policy stance could turn more hawkish over the coming months. In May, the US dollar outperformed the JPY, CAD, GBP and EUR, but underperformed commodity-sensitive currencies, such as the NZD, NOK and AUD.

### Portfolio Review and Strategy

The repricing higher in US yields during the first half of May, driven by resilient macro data and firming inflation expectations, resulted in a drag from our US duration exposure – albeit with a reduced impact given the recent reduction in the US duration held on the strategy. Our duration exposure held outside of the US, and our relative value positioning, favouring the Euro area and the UK versus the US, contributed positively as spreads tightened. EM local rates exposure (notably in Brazil and Peru) dragged at the margin.

Inflation strategies detracted as breakeven inflation rates, having moved higher earlier in the month, retraced as oil prices came off their recent highs.

Our yield curve positioning – particularly US steepening expressions – also weighed on performance as curves flattened, reflecting a combination of monetary policy repricing and increased uncertainty around the Fed reaction function.

In currency markets, our active positioning detracted over the month given the firmer US dollar. In this environment, our exposure to Asian currencies – including the Japanese yen and Korean won – was a notable drag on performance. Our CNH exposure delivered positive performance. We continue to favour a strategic long CNH position versus the USD and GBP. Elsewhere, commodity-sensitive currencies provided only partial offsets, with long positioning in the NOK gaining support from higher energy prices, but not sufficient to fully counter broad USD strength. Overall, FX performance reflected a challenging environment for our strategic short USD theme.

In spread sectors, our active positioning contributed positively, as global investment grade corporate spreads remained supported despite macro volatility. During the month, we closed our long-standing overweight to 30-year Spanish rates and rotated into 30-year German bunds and 30-year EU bonds.

Looking ahead, our base case is for a period of sub-trend global growth, but a resilient US economy, with inflation remaining above central bank targets. The distribution of possible scenarios is unusually wide and depends on the outcome of the US-Iran conflict and the central bank reaction function to near-term stagflation concerns.

---

Connect with Us | [hk.allianzgi.com](http://hk.allianzgi.com) | +852 2238 8000 | Search more  Allianz Global Investors

 Like us on Facebook [安聯投資 – 香港](#)

 Connect on LinkedIn [Allianz Global Investors](#)

 Subscribe to YouTube channel [安聯投資](#)

All data are sourced from Bloomberg and Allianz Global Investors as of 31 May 2026 unless otherwise stated.

Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this material but should seek independent professional advice.

Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions.

Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Past performance is not indicative of future performance. Investors should read the offering documents for further details, including the risk factors, before investing. This material and website have not been reviewed by the Securities and Futures Commission of Hong Kong. Issued by Allianz Global Investors Asia Pacific Limited.

The Fund is not domiciled in the Macao Special Administrative Region ("Macao SAR"), and its regulatory standards may differ from those applicable in the Macao SAR.