

# Allianz

# Cyber Security

## Monthly commentary

### Investment Objective

The Fund aims at long-term capital growth by investing 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.

### 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, US 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 information technology (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 defence 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 rumours and positive earnings results, while a provider of cloud computing, security and streaming solutions detracted the most from benchmark results for the month.

### Performance Analysis

The Fund declined in February and trailed its broad-based MSCI ACWI Information Technology Index due to short-term stock selection and allocation impacts. For the month, positive bottom-up stock selection in IT services contributed to results, followed by an underweight allocation to electronic equipment stocks. This was primarily offset by our avoidance of the technology hardware industry, the benchmark's top performer for the month, due to lack of materiality as well as more conservative selection in semiconductor stocks and an above-benchmark allocation to the software industry.

On a relative basis, our active overweight allocation to cyber security pure plays Cloudflare Inc. and Fortinet, Inc. aided monthly performance results as did our avoidance of a chipmaker which was impacted by President Trump's threats of tariffs against Taiwan, aimed at shifting semiconductor production to the US, created uncertainty in the market.

Meanwhile, our avoidance of a graphics processing unit manufacturer and a computer and consumer electronics company, the two largest companies in the benchmark, offset results given their low-single-digit advances and perceived safety relative to the broader market, while security software company SentinelOne, Inc. declined due in part to moderating earnings expectations from sell-side analysts.

### Market Outlook

We remain constructive on the 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 policies, is likely to subside as markets reassess grandstanding in an effort to focus attention relative to actual policies and their impact on growth. In the 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.

Connect with Us | [sg.allianzgi.com](https://sg.allianzgi.com) | +65 6438 0828 | Search more  Allianz Global Investors

 Like us on Facebook [Allianz Global Investors Singapore](#)

 Connect on LinkedIn [Allianz Global Investors](#)

 Subscribe to YouTube channel [Allianz Global Investors](#)

All data are sourced from Bloomberg and Allianz Global Investors as of 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 presented here is intended for general circulation and does not constitute a recommendation to anyone; it also has not taken into account the specific investment objectives, financial situation or particular needs of any particular person. 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 publication but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself. Past performance of the fund manager(s) and the fund is not indicative of future performance. Prices of units in the Fund and the income from them, if any, may fall as well as rise and cannot be guaranteed. Distribution payments of the Fund, where applicable, may at the sole discretion of the Manager, be made out of either income and/or net capital gains or capital of the Fund. As a result of the payment, the Fund’s net asset value is expected to be immediately reduced. The dividend yields and payouts are not guaranteed and might change depending on the market conditions or at the Manager’s discretion; past payout yields and payments do not represent future payout yields and payments. Investment involves risks including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. The Fund may invest in financial derivative instruments and/or structured products and be subject to various risks (including counterparty, liquidity, credit and market risks etc.). Past performance, or any prediction, projection or forecast, is not indicative of future performance. Investors should read the Prospectus obtainable from Allianz Global Investors Singapore Limited or any of its appointed distributors for further details including the risk factors, before investing. The duplication, publication, extraction, or transmission of the contents, irrespective of the form is not permitted, except for the case of explicit permission by Allianz Global Investors. This publication has not been reviewed by the Monetary Authority of Singapore (MAS). MAS authorization/recognition is not a recommendation or endorsement. The issuer of this publication is Allianz Global Investors Singapore Limited (79 Robinson Road, #09-03, Singapore 068897, Company Registration No. 199907169Z).