

# 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.

#### What Happened in June

Global equities closed June higher as “tariff fatigue” took hold after months of heightened volatility. However, as Sino-American trade relations thawed, mounting geopolitical tensions in the Middle East moved sharply into focus. Shares sold off on news of Israeli strikes against Iran with oil prices spiking on fears of supply risks. But the risk-on mood returned as oil prices slumped after Tehran’s restrained response to US strikes paved the way for a de-escalation in tensions and a ceasefire between Israel and Iran appeared to take hold. In monetary policy news, the European Central Bank (ECB) cut its key interest rate by 25 basis points (bps) to 2.0% amid increasing deflationary pressures on the back of President Donald Trump’s uncertain trade policies.

Within Technology, the MSCI ACWI Information Technology Index gained 9.5%, with all industries advancing for the month. Semiconductors were the best performers with a double-digit rally on the back of improved artificial intelligence (AI)-related optimism, following by advances in communications equipment and software, while technology hardware was only modestly higher. The ISE Cyber Security Index was higher by 4.1% for the month, led by gains in semiconductors and communications equipment, while interactive media & services stocks declined. The top contributor to performance was a provider of security solutions for virtual, cloud, and software defined data centres, while a provider of security software solutions detracted the most from benchmark performance.

## Performance Analysis

The Fund posted a mid-single-digit advance in June and trailed its broad-based MSCI ACWI Information Technology Index due to industry allocation impacts. Our avoidance of technology hardware aided results as did bottom-up stockpicking in information technology (IT) services. Conversely, an active overweight allocation and short-term stock selection in software offset relative results, followed closely by an underweight in semiconductors, given the industry's lower level of materially, significant benchmark weight and strong monthly performance.

On a relative basis, our avoidance of a computer and consumer electronics manufacturer aided performance as shares continued to trail its technology peers amid tariff uncertainty and slower-than-anticipated progress in the company's AI offering. Our active positions in cyber security pure plays Cloudflare, Inc. and Zscaler, Inc. also contributed to results given their double-digit monthly advances.

Meanwhile, the avoidance of a graphics processing unit manufacturer detracted from results given the rebound in semiconductors and improved sentiment for AI-related applications. Our exposure to cloud data management and data security company Rubrik, Inc., and an infrastructure software developer also detracted from relative performance for the month.

### Contributors

Cloudflare, Inc., a global cloud services provider which enhances the security, performance, and reliability of websites and internet applications, continued to rally given the stock's leadership position, durable demand drivers and forward guidance optimism. We made the decision to reduce our position size at the margin following recent outsized gains in the stock.

Similarly, shares of threat protection and networking solutions leader Zscaler, Inc. continued to notch higher following strong earnings results and a positive management outlook on the back of new product offerings which are likely to drive outsized growth in the future. We also trimmed our weight in the stock in an effort to lock in profits.

Our exposure to Broadcom Inc., a provider of semiconductor and security solutions, contributed to monthly performance, thanks to modestly higher earnings results and a broad-based advance in chipmakers amid improved optimism for AI-related applications.

Our positions in web and mobile security, threat protection, cloud application visibility and cloud-enabled networking solutions leader CrowdStrike Holdings, Inc., and an endpoint management, embedded systems, software-defined vehicles, critical event management, and secure communications provider also contributed to absolute results in June.

### Detractors

Our largest absolute detractor was Rubrik, Inc. a cloud data management and data security company, providing a platform which helps enterprises to achieve resilience against cyber-attacks, malicious insiders, operational disruptions, cloud mobility, and regulatory compliance. The company's stock price moderated despite upside earnings results and an increase in annual guidance, with investors choosing to lock in profits following outsized gains over the last several months. Although we incrementally added to our position size given the pullback in share price given the encouraging risk versus reward profile.

Shares of an integrated platform combining hardware (GPS trackers, sensors, environmental monitors, dashcams) and cloud-based software to help organisations monitor and manage physical operations, were lower, despite strong earnings and revenue beats, due to investor disappointment over its fiscal guidance, which came in slightly below expectations.

Our active position in the afore-mentioned infrastructure software developer detracted from results amid less certain tariff and supply chain visibility, which translated to moderating sell-side guidance and price targets.

Our active positions in a leading independent identity management platform, and an IT services and security provider also offset results for also offset performance during the month due to moderating earnings results.

### **Purchases and sales**

Turnover in June was undertaken at a regular cadence and reflective of incremental adjustments in the portfolio to improve the risk versus reward potential. There were no new buys or new sales in the portfolio during the month.

We added to our existing position in a cloud-based monitoring and analytics platform amid expectations that sentiment for the stock has appeared to bottom and incrementally moving higher. We also added to leading security-related software companies, including Rubrik Inc, following solid earnings results and favourable guidance.

Conversely, we reduced our exposure to a handful of software companies in an effort to reduce the overall risk in the portfolio, incrementally trimming our position sizes in Cloudflare, Inc. and Zscaler Inc., as well as network security appliances, software, and subscription services provider Fortinet, Inc., and a cloud-based customer relationship management platform.

### **Market Outlook**

Our expectation is that the cyber security risk/reward may remain favourable in light of underlying fundamentals, with macroeconomic uncertainty recently notching lower and interest rate cuts - which are anticipated in the coming months - are likely to help further improve industry prospects. 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 spending in the coming quarters. In the longer term, the durability of the cyber theme and its stable growth characteristics alongside a relatively attractive valuation level, are likely to drive investor attention. 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, the secular demand for security solutions appears unabated 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 cyber security 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 of 30 June 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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