

# 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 April

Global equities rebounded sharply in April amid hopes of de-escalating tensions in the Middle East. Despite the extension of the US-Iran and Israel-Lebanon ceasefires, market jitters resurfaced as Brent crude continued to soar and the prospect of further peace talks remained unclear. Tensions escalated at month-end amid reports that the White House was weighing renewed military strikes against Iran after US President Donald Trump rejected Tehran's offer to reopen the Strait of Hormuz in exchange for lifting the US blockade on Iranian ports. Separately, the United Arab Emirates (UAE) announced that it will quit the Organisation of the Petroleum Exporting Countries (OPEC) next month, casting doubts over the future of the oil cartel. Information Technology (IT) and Communication Services were the strongest sectors, while Energy and Health Care finished the month in negative territory.

Within Technology, the MSCI ACWI Information Technology Index surged 19.6% with the majority of industries posting gains. Electronic equipment stocks were up greater than 30%, followed by more than 20% gains in semiconductors and communications equipment, thanks to favourable investor sentiment and secular growth drivers related to artificial intelligence (AI) and data centre demand. Meanwhile, IT services were the only segment of the Technology market to post a loss for the month. The ISE Cyber Security UCITs Index advanced 7.2% in April, led by a meaningful rally in semiconductors, followed by strong advances in communications equipment and semiconductors, while IT services and professional services notched losses for the month. The top contributor to performance was intelligent security software solutions provider BlackBerry Limited which advanced following an upside earnings surprise while shares of infrastructure services provider Fastly, Inc, which was the top performer in the prior two months, was lower on valuation concerns and investor profit taking.

## Performance Analysis

The Fund posted an advance in April, topping the return of the ISE Cyber Security UCITs Index on a gross- and net-of-fee basis, thanks to a combination of bottom-up stock selection and industry allocation impacts. Notably, the recent headwinds due to underweight positioning in smaller cap and more value-oriented stocks in the benchmark was increasingly alleviated during the month. Relative returns were led by stockpicking and a modest overweight allocation to communications equipment, as well as favourable selections in IT services and interactive media & services. This was partially offset by exposure to aerospace & defence as well as an underweight allocation to software and overweight allocation to professional services.

On a relative basis, monthly results were aided by a below-benchmark allocations to the aforementioned small-cap software company Fastly, Inc. and endpoint security provider Check Point Software Technologies Ltd., as well as off-benchmark exposure to search engine and security giant Alphabet, Inc. Meanwhile, a below-benchmark allocation to software solutions provider BlackBerry Limited offset results given the stock's meaningful benchmark weight and significant monthly advance, while active positions in infrastructure software maker ServiceNow, Inc. and defence contractor and security systems integrator Kratos Defense & Security Solutions, Inc. offset relative returns more modestly.

### Contributors

Our top absolute contributor for the month was semiconductor and security solutions provider Broadcom Inc. Shares rallied thanks to strength tied primarily to the AI infrastructure trade as investors reacted to hyperscaler capital expenditure (capex) signals and continued AI networking/custom silicon momentum. The stock was the second largest holding in the portfolio at the end of the month given its leadership position, durable demand drivers and attractive secular growth profile.

Shares of BlackBerry Limited, a provider of secure communications and software designed for safety and security across automotive, industrial, and government environments, were higher on better-than-expected earnings, a more favourable profitability outlook and news of a share buyback. We added incrementally to our position in light of the stock's attractive risk versus reward expectations.

Cisco Systems, Inc., a global networking and IT infrastructure leader offering routers, switches, and enterprise software, with cyber security spanning network security, secure connectivity, observability, and analytics, advanced on AI-driven infrastructure demand, analyst optimism, and strategic positioning that improved expectations. The stock was a top 3 weight in the portfolio given its diversified business mix and near-term catalysts.

Our positions in cyber security pure plays CrowdStrike Holdings, Inc., a leader in cloud-native endpoint, cloud, identity, and threat intelligence protection, and Palo Alto Networks, Inc., a comprehensive cyber security platform provider offering network, cloud, and security operations solutions, also contributed to results due to positive channel checks and improving sentiment.

### Detractors

Our largest absolute detractor in April was Fastly, Inc., a programmable edge cloud platform focused on real-time content delivery and application security, helping enterprises secure and optimise modern, high-traffic digital

applications. The stock was lower following a sell-side analyst downgrade that cited high valuation multiples and potential traffic disruption from next-generation AI models.

Shares of Akamai Technologies, Inc., a global edge computing and security company that protects and accelerates web and application traffic, declined after gains in each of the prior three months, as investors weighed the erosion of legacy CDN (content delivery network) margins against the high capex required to scale its AI-integrated cloud compute platform.

Check Point Software Technologies Ltd., a long-established cyber security provider specialising in network and firewall security, offering software platforms that protect enterprises across networks, cloud, and endpoints, fell following earnings results which reflected near-term execution challenges, with go-to-market and leadership changes creating internal headwinds that weighed on growth and guidance despite a constructive industry backdrop.

Shares of automation platform ServiceNow Inc. declined despite favourable sales and earnings results, as investors grew sceptical of the “quality” of its raised guidance, which relied heavily on acquisition-driven revenue rather than organic growth, while identity and access management leader Okta Inc. was lower amid concerns of market saturation and competitive pricing.

### **Purchases and sales**

Turnover in April was undertaken at a lower-than-normal level as we were already well-positioned from a cyber materiality and risk versus reward standpoint. There were no new purchases in the portfolio during the month. We added incrementally to our position in Blackberry Limited due to favourable momentum fuelled by expanding edge-AI collaboration combined with a relatively attractive valuation level.

We also increased our stake in F5, Inc., a provider of application delivery and application security infrastructure, due to resilient demand from hybrid multi-cloud adoption and continued momentum from its shift towards software, recurring revenue, and AI-enabled application delivery and security solutions.

Additionally, we added to positions in cloud-based identity and access management platform Okta, Inc., data analytics and AI software leader Palantir Technologies Inc., and data security company Varonis Systems Inc. to improve the near-term risk versus reward profile of the portfolio.

We made the decision to fully exit our position in enterprise software and security giant Microsoft Corp given the expectation of better near-term risk versus reward opportunities in other stocks in the portfolio.

We also sold our stake in data storage, analytics and threat detection platform Snowflake, Inc. due to its high carbon score, industry headwinds and lacklustre outlook.

Separately, we trimmed our existing positions in cloud-based enterprise workflow automation platform ServiceNow, Inc., and electronic connectors and interconnect systems maker Amphenol Corp to manage the overall risk profile of the portfolio.

### **Market Outlook**

Cyber security equities continued to benefit from an improvement in investor sentiment as perceptions around the AI and cyber security interconnect drove stock prices higher. After a prior period of valuation compression and uneven stock

performance, the cyber security landscape improved as fundamentals continued to firm beneath the surface. Industry checks through April indicate that cyber spending remains stable to modestly growing, with budgets increasingly directed towards AI security, identity, data protection, and platform consolidation rather than discretionary point solutions. The rapid adoption of AI is emerging as a structural catalyst, not only expanding the attack surface, but also reinforcing the mission-critical nature of security spending across endpoints, cloud workloads, identities, and security operations. While earnings season is unlikely to produce broad upside surprises in the near term, improving demand visibility, more normalised expectations and greater differentiation between legacy and next-generation platforms are helping reset the opportunity set. As macro uncertainty moderates and investor attention shifts from “whether” to “how” organisations secure AI-enabled environments, cyber security equities appear better positioned to participate in a broadening Technology recovery, supported by resilient demand, rising strategic relevance, and increasingly favourable medium-term fundamentals.

Fundamentally, the majority of our cyber security holdings remain well positioned, with earnings trends broadly supportive and continued visibility into growth. Looking ahead, a healthier initial public offering (IPO) pipeline and renewed mergers and acquisitions (M&A) activity, both strategic and financial, should further underpin industry momentum. Importantly, the group continues to trade at a discount to its 5-year historical valuation range, despite an expanding set of secular growth drivers, which we believe enhances upside potential. Our expectation is that cyber security equities may continue to experience volatility and any notable downturns in price are likely to be reflective of shorter-term investor sentiment rather than any deterioration in underlying demand. Amid 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 April 2026 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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