Allianz Global Investors

Allianz Global Diversified Credit

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth by investing in global bond markets in accordance with environmental and social characteristics.

What Happened in February

In February, the backdrop for risk assets was mixed. Although global BBB and BB credit spreads closed wider, total returns were positive, supported by carry and lower interest rates. Government bonds had a good month, buoyed by safe haven flows and easing inflation. US Treasuries recorded their best monthly return in a year. Euro area and UK government bond yields also fell, while Japanese yields eased to a lesser extent.

Portfolio Review

The Fund delivered a positive gross performance in February and year-to-date, ahead of its benchmark (US Secured Overnight Financing Rate Index in USD).

Portfolio performance maintained a high level of granularity, with no single line generating or costing more than 1 basis point (bps), while all rating buckets contributed positively. By industry, Financials and non-cyclicals such as Health Care and Telecoms added to gains, as did Energy. Only the Services sector was a detractor, owing to idiosyncratic weakness from a couple of holdings.

Portfolio composition was broadly unchanged, with a handful of specific trades undertaken to take profit on positions that had run out of upside and to exit names in vulnerable sectors. We recycled some of the portfolio risk into Financials sector new issuance and shorter call securities. In March, several holdings are set to mature, be called or otherwise taken out by the issuer, freeing up more cash to redeploy into new opportunities.

Market Outlook

Conflict in the Middle East and implications for energy prices, headline inflation, economic activity and interest rates, are top of mind. Against this backdrop, the portfolio's relatively low duration risk and shorter-dated carry and rolldown, with careful security selection, should position it well for a period of heightened market volatility.

We continuously screen the portfolio and have no fundamental concerns on individual holdings in the context of a more challenged geopolitical and macroeconomic environment. Meanwhile, we are also closely monitoring developments and flows in private credit and are staying alert to any signs of stress possibly spreading to the broader high yield market.

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All data are sourced from Bloomberg and Allianz Global Investors as at 28 February 2026 unless otherwise stated.

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