

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 April

Global government bonds advanced in April, recovering some of March's losses. The major central banks left interest rates on hold, though officials generally struck a modestly hawkish tone, warning of upside risks for inflation and downside risks to growth due to the Iran war and elevated energy costs. Meanwhile, global equities rebounded sharply. Despite the extension of the US-Iran and Israel-Lebanon ceasefires, market jitters resurfaced as Brent crude oil prices moved higher. Corporate credit performed very well too, with global high yield indices advancing more than 190 basis points (bps) compared to a monthly gain of around 65 bps from global investment grade.

Portfolio Review

The Fund delivered a positive gross performance in April and year-to-date. By rating bucket, return contributions were largely concentrated in our BB holdings which outperformed BBBs amidst a risk-on tone. Financial institutions produced the biggest sector-level contribution, with Energy also adding strongly through a relatively small portfolio allocation, thanks to the rise in oil prices. All in all, the portfolio's performance in April continued to be highly diversified, with multiple single holdings contributing 2 bps or more.

Despite the improving market sentiment, we did not chase additional risk in the portfolio, not having aggressively shifted down risk during March's dislocations. Where we did reinvest cash, we had a preference for adding short-end higher-

quality corporate paper, where all-in yields had backed up. We also selectively participated in AAA-rated securitised primary issuance.

Market Outlook

Global markets are navigating a more complex backdrop than many had expected at the start of 2026. The conflict in the Middle East adds a fresh layer of geopolitical uncertainty that could prove a significant test for the global economy. Outcomes hinge on how long warfare persists and the scale of energy market disruption. While effects are still unfolding, the conflict has already heightened risks to growth and inflation, particularly for energy-dependent economies in Europe and Asia. Our outlook remains one of “bending but not breaking”, suggesting that a focus on short duration carry, careful issuer selection, and a balanced appetite for credit risk continues to make sense in an environment of steepening yield curves, tempered default rate expectations, and heightened volatility.

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All data are sourced from Bloomberg and Allianz Global Investors as at 30 April 2026 unless otherwise stated.

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