

# 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 June

The context for June 2025 was a month in which credit spread performance was robust, with shorter-dated high yield credit (HNVC Index) seeing 36 basis points (bps) of tightening, and shorter-dated investment grade (GVBC index) a more muted 6bps. Total returns were notably positive for broad global HY and IG indices. Despite a range of challenges including geopolitics and sharp moves in oil prices, we continue to observe a healthy appetite for credit assets across the board as reflected in strong new issuance activity.

At the macro level, de-escalating fears of a global trade war and elevated geopolitical tensions in the Middle East dominated the headlines for most of June. In monetary policy news, the European Central Bank (ECB) cut its key interest rate by 25 bps to 2.0% amid increasing deflationary pressures on the back of President Donald Trump's wavering trade policy. Meanwhile, policymakers at the US Federal Reserve (Fed) and Bank of England (BoE) kept rates on hold. June was a mixed month for global bonds, with US, UK and Japanese bonds rallying while euro-zone bond returns were broadly flat. US bonds were boosted by growing hopes for US rate cuts and weaker-than-expected inflation data, while yields on euro-zone government bonds rose after ECB suggested it may be nearing the end of its rate-cutting cycle. Global equities closed June higher as "tariff fatigue" took hold after months of heightened volatility.

### Portfolio Review

The Fund returned positively, ahead of its cash benchmark (the Secured Overnight Financing Rate in USD). With US rates rallying across most of the curve while Bunds were biased to higher yields, the USD allocation was a key positive contributor to the portfolio and all rating buckets contributed positively. By sector, Banks was the biggest contributor

reflecting the size of our allocation, and there was also a strong contribution from Health Care where a couple of single names played out positively. Overall, the granularity of positive total return contribution by individual lines is pleasing, and no single name lost more than 1 bp.

No significant portfolio changes were of note in June, since we remained happy with the overall low investment grade profile of the Fund and the duration positioning towards the low-end of the expected range. Effective duration sits just a little over 2 years. We do have an incremental appetite to add to our USD allocations where we see a potentially more supportive rate backdrop and help from tariff de-escalation. New name additions came primarily in the USD investment grade space, where short-dated new issues gave attractive entry points. We closed out our longstanding position in one central European bank senior bond which had done very well, and we used the primary market to swap into longer-dated senior debt paper of a higher rated peer. We also rotated longer in a couple of US finance and leisure names and added one financial sector bond in the “mispriced dynamic” bucket.

### Market Outlook

Uncertainty remains around US policy and inflation, though the market believes that a soft-landing scenario remains the most likely outcome. A low growth environment is good enough for all but the most levered or cyclical businesses. We take further comfort from a limited refinancing wall, and generally robust fundamental metrics. But a slowing growth picture, and valuations which we see as fair rather than cheap, continue to argue for the carry and defensive attractions of shorter-end credit.

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All data are sourced from Bloomberg and Allianz Global Investors, as at 30 June 2025 unless otherwise stated.

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