

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 November

With no US Federal Reserve (Fed) policy meeting, and economic data releases delayed by the US government shutdown, global bond markets had mostly sentiment to go by in November. As for expectations around a US rate cut in December, futures markets have changed their bets several times. According to data from the CME FedWatch Tool, the odds of a December rate cut were above 90% in mid-October, then dropped below 50% in early November, only to climb back up to around 80% at month-end. A December cut would bring the target range to 3.50%-3.75%.

Portfolio Review

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

November was another mixed month for global credit markets. Much like October, there was a significant weakening in sentiment mid-month followed by a strong recovery. Whilst in that context the month was volatile, credit assets ended up delivering positive returns, but once again with the lowest rated corporates lagging. Away from CCCs, credit spreads closed the month only a bit wider.

Having added some portfolio exposure to 10-year US Treasuries in October, we decided to also add 5-year Treasuries in November. This reflected our positive top-down view on the belly of the US yield curve, as well as our bias to maintain a

defensive stance – which contributed positively as 5-year Treasuries rallied into month-end. Amongst corporate holdings, there was little trading activity, with the month mostly about harvesting “carry”.

Market Outlook

Our outlook remains constructive but measured. From the top down and longer term, we continue to look for moderate (and sufficient for credit to perform) economic growth, increasing dispersion of returns between issuers and rating classes, but still benign default rates. In the short term, while the pace of US rate cuts is a key variable, market conviction that the direction of travel for rates seems to be lower ought to continue supporting risk appetite. Without a credit or growth shock as our base case scenario for 2026, resilient income remains a central theme.

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

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