

Allianz Global Opportunistic Bond

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth and income by investing in global bond markets.

What Happened in November

In November, the longest federal government shutdown in US history ended and market attention turned back to the trickle of official economic data releases to help gauge the state of the US economy. The latest available data still suggested that the US labour market was loosening, albeit gradually.

Over the course of the month, expectations that the US Federal Reserve (Fed) would cut rates once again in December became more entrenched. 10-year US Treasury yields ended the month at 4.02% (6 basis points (bps) lower). The US 7s30s yield curve steepened by 10 bps to end-November at 88 bps.

In the euro area, survey data suggested that activity held steady in the region, while inflationary pressures also remained relatively benign. 10-year Bund yields ended the month at 2.69% (6 bps higher). In the UK, meanwhile, the much-anticipated Budget saw the government announce a fiscal consolidation that was more backloaded than expected, with increased spending outweighing higher taxes in the near term and new measures only pushing down public sector borrowing from fiscal year 2028. Nonetheless, the Gilt market reacted positively to the government's more than doubling of its headroom against the fiscal rule to balance the current budget deficit in 2029/30. 10-year Gilt yields ended the month at 4.44% (+3 bps higher), having risen to 4.60% during the month. The spread between 30-year Gilt and US Treasury yields ended the month at 53 bps, having risen as high as 70 bps.

On a trade weighted basis, the US dollar was fractionally weaker over the month. The best performers versus the USD were the GBP (+0.6%), EUR (+0.5%) and SEK (+0.5%). The JPY continued to come under downward pressure, falling by 1.4% versus the USD, as the market lowered expectations on the pace of future Bank of Japan (BoJ) policy tightening, as

well as re-surfacing concerns about Japanese fiscal sustainability. 10-year Japanese government bond (JGB) yields rose 15 bps to 1.81% – their highest levels since 2008.

Portfolio Review and Strategy

Our duration positioning yielded positive returns in November, with contributions driven by our allocations to US Treasuries, and emerging markets (EM) local rates markets. Within the core markets, we opted to further allocate to our long duration stance at the front-end in 2-year US Treasuries. Elsewhere, our curve positioning benefitted from the re-steepening of the US 7s30s curve, which yielded strong performance. We used this opportunity to take partial profits, reducing our exposure by circa 20% in November.

UK Gilts had a volatile month around the much-anticipated Autumn budget. Following a period of strong cross-market outperformance in October, Gilts initially retraced much of the gains in the weeks just prior to the Budget. In the event, the Budget was well received by a Gilt market that saw evidence of a material increase in the government's headroom against its fiscal rules. Ahead of the Budget, we decided to reduce our exposure to 30-year Gilts funded out of US Treasuries. On balance, our short exposure to 30-year US Treasuries (against Gilts and Spanish government bonds) modestly detracted in November.

In foreign exchange (FX) markets, the US dollar on a trade-weighted basis fell modestly in November, however, the Korean won was challenged over the month amidst continuing selling pressure on low-yielding currencies in the region, with JPY and TWD being other examples. Our short USD/KRW therefore detracted from performance in this environment. However, we view the sell-off in the KRW as more related to technical factors in the carry-inducive environment of recent weeks (low volatility amid low data visibility) than based on economic fundamentals. Indeed, we see long exposures to pro-cyclical Asian currencies as a building theme in portfolios for 2026. Many currencies in the region remain deeply undervalued. Policy is growth supportive (fiscal in China, Japan, Korea; monetary in Australia, New Zealand), and the continued artificial intelligence (AI) related capital expenditure (capex) will benefit the region. In addition, US tariff-related uncertainty has abated, with trade agreements now in place. The Korean won, in particular, may see additional technical support from inflows around the inclusion of Korean Treasury bonds (KTBs) into the FTSE World Government Bond index.

Alongside this activity, we also opted to reduce our position to be long EUR funded out of USD, plus we moved neutral on GBP FX, respecting the strong moves lower in GBP ahead of the UK Autumn budget.

In credit sectors, global investment grade (IG) corporate spreads widened 3 bps in November, driven by an underperformance in EUR corporates. The Fund retained a moderate long footprint via allocations to IG corporates (sector focus on senior Financials and Utilities versus cyclical Industrials), and in European sovereigns, we continue to favour Spain over Germany.

Looking ahead, we think global economic growth expectations are tilting in a cyclically favourable direction given a generally pro-growth policy setting in the major economies. We currently favour a mild long headline duration bias. We maintain a structurally bearish view on the US dollar given ongoing concerns about large US twin deficits (fiscal and current account), potential worries about institutional credibility (such as those related to a more politicised Fed ahead), and the potential for currency re-alignment in those markets that run large bilateral trade and current account surpluses versus the US. In IG credit, we retain a moderate overall credit allocation given that fundamentals and technicals still remain supportive for the asset class. The credit allocation leans into higher quality tiers, with a bias to favour senior Financials and Utilities versus cyclical Industrials.

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sg.allianzgi.com

+65 6438 0828

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