Get active explainer

How actively managing multi asset portfolios can capture returns in volatile markets

October 2025

Allianz Global Investors

Unpredictable markets? Being agile is key

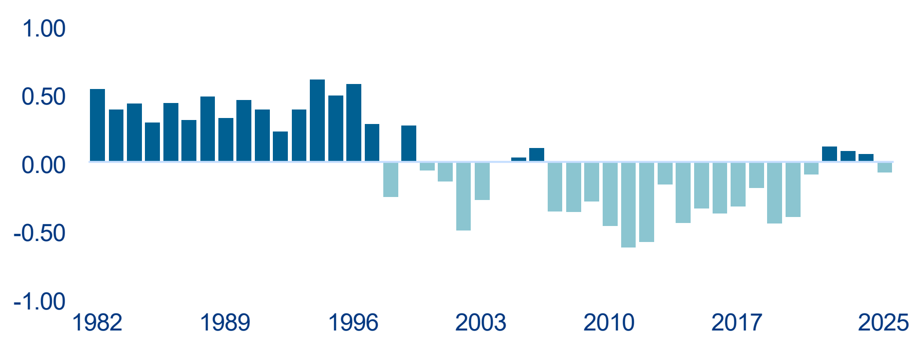
There are several reasons why today's markets are choppy:

01 **Economies are diverging:**
Different trade deals and economic performance across countries are widening the range of potential outcomes for economies and companies.

02 **Some valuations may be inflated:**
High valuations in major equity indexes, especially among large tech firms, has raised the risk that other sectors become overpriced – underlining the value of active management to navigate these distortions.

03 **The relationship between bonds and stocks is shifting:**
The traditional negative correlation between bonds and equities has weakened (see chart), requiring a more sophisticated approach to realise their diversification benefits

Recent history shows that investors cannot always rely on the diversification power of equities and bonds



Conditions like these may reward agile and active risk takers – which is why we apply active approaches in our multi asset portfolios.

The chart shows historical correlations between US equities and bonds on an annual basis. Source: Allianz Global Investors, Bloomberg Finance, US-Equities via ES1 Index, ie, generic first S&P 500 E-mini Future and US-Treasuries via US1 Comdty, ie, generic first US Treasury Bond Futures, daily rolling 63-days-correlations of daily returns, own calculations; as of 31 July 2025. Past performance does not predict future returns. .

Allianz Global Investors

Active management in action (1/2)

Five ways active management can help unlock returns in shifting markets

1. Navigate macro risks through fixed income exposure

- **Managing the duration of bonds** within a portfolio can help it adapt to a changing economic outlook.
- Shorter durations typically reduce risk and yield. Longer durations increase both risk and potential return.
- Our fund managers have the **flexibility to adjust the duration** to align with their outlook for interest rates and other risks.

2. Balance equity exposure to adapt to changing markets

- Shifting market conditions call for a **flexible approach to managing equity exposure**.
- Our fund managers can respond with a rigorous selection of sectors, regions and individual stocks.
- They can also **pivot between investment styles**, using different signals to determine the optimal level of exposure.

3. Use hedging to protect portfolios from risk

- A weaker US dollar has pressured many international investors in US markets. Currency hedges can help to mitigate the risk.
- Our fund managers use tools like Vix futures to **mitigate the impact of market volatility.**
- Put options (allowing the sale of a security at a guaranteed price) are used to **guard against sharp equity market falls.**

Active management in action (2/2)

Five ways active management can help unlock returns in shifting markets

4. Rebalance portfolios to keep them aligned with goals

- Some of our strategies use **dynamic allocation techniques** to shape the asset mix, while other portfolios rely on regular rebalancing.
- We take a **strategic approach to rebalancing** to ensure the portfolio remains on track with its investment objectives.
- A well-timed rebalancing can boost a portfolio's performance without significantly changing its volatility.

5. Diversify in new ways to boost returns

- Our faith in gold remains intact thanks to robust central bank demand and macro uncertainty.
- We also **seek out less traditional sources of diversification**, including emerging market debt and catastrophe bonds.
- We can **add alpha through relative-value strategies** which target returns that are uncorrelated with the broader market.

Discover **more** on the benefits of active management within a multi asset portfolio

Building a resilient portfolio

Combining diverse active investment techniques with expert insights and data analysis helps build a more adaptable, stable and resilient portfolio with stronger long-term performance potential.

Disclaimer

The document is for use by qualified Institutional Investors (or Professional/Sophisticated/Qualified Investors as such term may apply in local jurisdictions).

This document or information contained or incorporated in this document have been prepared for informational purposes only without regard to the investment objectives, financial situation, or means of any particular person or entity. The details are not to be construed as a recommendation or an offer or invitation to trade any securities or collective investment schemes nor should any details form the basis of, or be relied upon in connection with, any contract or commitment on the part of any person to proceed with any transaction.

Any form of publication, duplication, extraction, transmission and passing on of the contents of this document is impermissible and unauthorised. No account has been taken of any person's investment objectives, financial situation or particular needs when preparing this content of this document. The content of this document does not constitute an offer to buy or sell, or a solicitation or incitement of offer to buy or sell, any particular security, strategy, investment product or services nor does this constitute investment advice or recommendation.

The views and opinions expressed in this document or information contained or incorporated in this document, which are subject to change without notice, are those of Allianz Global Investors at the time of publication. While we believe that the information is correct at the date of this material, no warranty of representation is given to this effect and no responsibility can be accepted by us to any intermediaries or end users for any action taken on the basis of this information. Some of the information contained herein including any expression of opinion or forecast has been obtained from or is based on sources believed by us to be reliable as at the date it is made, but is not guaranteed and we do not warrant nor do we accept liability as to adequacy, accuracy, reliability or completeness of such information. The information is given on the understanding that any person who acts upon it or otherwise changes his or her position in reliance thereon does so entirely at his or her own risk without liability on our part. There is no guarantee that any investment strategies and processes discussed herein will be effective under all market conditions and investors should evaluate their ability to invest for a long-term based on their individual risk profile especially during periods of downturn in the market.

Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Any past performance, prediction, projection or forecast is not indicative of future performance. Investors should not make any assumptions on the future on the basis of performance information in this document. The value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations and you may not get back the amount originally invested.

Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions.

ADM-W4892312