Allianz Global Investors

Allianz Best Styles Global Equity

Quarterly commentary

Investment Objective

The Fund aims at long-term capital growth by investing in global equity markets.

What Happened in Q1

Global equities delivered mixed returns over Q1 against a volatile economic and geopolitical backdrop. President Donald Trump's return to the White House and the swift implementation of his disruptive agenda dominated the headlines early in the quarter and reinforced economic uncertainty over the remainder. Continued conflict in Ukraine and Gaza, alongside escalating concerns surrounding Iran's nuclear programme, compounded global market jitters.

US equities fell, posting their worst quarter since 2022, amid fears of far slower US economic growth. On his return to the White House, President Donald Trump wasted no time in pursuing his disruptive agenda, signing a raft of executive orders into law – over 100 by quarter end – and slapping a slew of tariffs on imports into the US, including goods exported from its closest trading partners. Investor sentiment plummeted, with the Nasdaq Composite Index closing the quarter at a 6-month low and the S&P 500 briefly falling into correction territory, having dropped 10% from its early-January peak. Stocks were pressured further into quarter end in the run-up to the president's self-dubbed "Liberation Day" of sweeping tariffs on 2 April. Against this unpredictable backdrop, US value stocks posted gains in Q1, significantly outperforming their growth peers. Small-cap stocks, which are more sensitive to the domestic economy, were also notably weak.

European equities soared over Q1, buoyed by a rotation away from richly valued US Tech stocks and hopes of an end to the war in Ukraine. Tariff-related uncertainty remained a concern but was partly countered by news the German Parliament had approved a landmark debt reform bill to fund defence and infrastructure spending. However, markets ended the quarter on a weak note due to heightened uncertainty surrounding President Donald Trump's self-dubbed "Liberation Day" of sweeping tariffs on 2 April. At a sector level, Financials, Energy, Communication Services and Utilities all delivered double-digit gains, while Information Technology and Consumer Discretionary stocks sold off the most.

Portfolio Review

The Fund returned negatively in Q1, gross of fees, closing price valuation, in EUR.

The Fund implement a well-diversified blend of the five long-term successful investment styles Value, Momentum, Revisions, Growth and Quality.

Thus, the relative performance of the Fund is primarily driven by the performance of these key investment styles.

Analysing the performance from an investment style perspective

In Q1, our global investment styles had diverging performance - with Value positive, but trend-following (Growth, Revisions, Momentum) and Quality negative.

The contrarian investment style Value started the year on a negative note in January but recovered and added to relative performance in the next two months. Value closed the quarter in positive territory and was the greatest positive contributor during Q1.

The trend-following investment styles Momentum, Revisions, and Growth had a negative quarter with Momentum being the weakest. All trend-following styles suffered, particularly in March.

The more defensive investment style Quality did not contribute positively to relative performance. It struggled in January and February but performed in line in March.

Analysing the performance from a more traditional perspective of regions and sectors

The total sector allocation effect was negative over the reporting period. The most positive contribution came from overweighting Health Care, and the least positive contribution came from underweighting Financials.

The total regional allocation effect was slightly positive over the reporting period. The most positive contribution came from overweighting Europe ex UK, and the least positive contribution came from overweighting North America.

Market Outlook

Our proprietary Macro Breadth Growth Index, which aggregates global macroeconomic data, declined for the first time in six months. Figures from the US, the UK, China and several emerging markets weakened, whereas the numbers for Japan and the euro area improved. Business and investor sentiment in the world's largest economy, the US, is suffering from uncertainties about tariff, immigration, fiscal and regulation policies. We therefore expect US growth to slow down more visibly than generally anticipated by the market. In contrast, the outlook for Europe is improving. Higher defence and (in Germany) infrastructure spending is likely to boost sluggish growth. The Chinese government will probably continue to support the economy as the Real Estate sector remains fragile and tariffs on exports to the US are looming on the horizon. Overall, we are cautiously optimistic for equities. However, we expect more significant volatility and divergent developments between individual countries and regions. This trend may be reinforced by geopolitical tensions. Overall, we believe that this environment is favourable for active management.

All data are sourced from Bloomberg and Allianz Global Investors as of 31 March 2025 unless otherwise stated.