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 Q2

Q2 was a volatile period for global equities as investor sentiment was buffeted by President Donald Trump's disruptive trade policies. Stock markets initially plunged on heightened global recession risk in the immediate aftermath of Trump's self-dubbed "Liberation Day" tariff offensive at the start of April, but subsequently recovered as most tariffs were postponed. In June, geopolitical tensions in the Middle East moved sharply into focus. Shares sold off on news of Israeli strikes against Iran as oil prices spiked amid supply disruption fears. However, the risk-on mood resumed after Tehran's restrained response to US strikes heralded a de-escalation in tensions and a ceasefire between Israel and Iran appeared to take hold.

After recording their worst quarter since 2022 in the first three months of the year, US equities finished sharply higher in Q2, with the S&P 500 hitting an all-time high near quarter-end and outperforming global indices. US equities suffered one of the most volatile periods on record in April after President Trump's "Liberation Day" sweeping tariff onslaught prompted fears about weakening fundamentals and a global market meltdown. Cooling sentiment was also evident in May after the announcement of Trump's "big, beautiful bill" provoked concern about the US's increasing budget deficit. In June, stocks rose after the US and China reaffirmed last month's consensus in Geneva and agreed a "framework" trade deal, which includes US access to China's rare earth minerals and magnets. However, tariff concerns were swiftly replaced by soaring geopolitical tensions in the Middle East, although the market's response to ever-changing events remained somewhat muted.

European equities closed the quarter moderately higher. Stocks sold off sharply after Trump's "Liberation Day" tariff announcement in early April, recovering after the US president's abrupt U-turn delayed implementation for 90-days to allow time for trade negotiations. Markets were buffeted by negative tariff sentiment over the remainder of the quarter, with no deal between Washington and Brussels in sight as the 9 July deadline for trade talks loomed larger. Investor sentiment near quarter-end was largely driven by events in the Middle East. At a sector level, Real Estate, Industrials and Utilities increased the most, while Energy and Health Care suffered the largest declines.

UK equities rose modestly over the quarter. Shares sold off sharply after Trump's "Liberation Day" tariff salvo, although sentiment was bolstered in May after the UK became the first major economy to sign a trade deal with the US.

Portfolio Review

The Fund returned positively in Q2 (gross of fees, closing price valuation, in EUR), outperforming its benchmark.

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

Q2 was a diverging period for global investment styles.

The contrarian investment style Value started the period on a negative note in April, recorded weaker performance in May but recovered partly in June. Value closed the past quarter in negative territory.

The trend-following investment styles Momentum, Revisions, and Growth had a successful Q2, predominantly in April and May. The three investment styles suffered on the "Liberation Day" but soon started to recover to different degrees. Consequently, Revisions, Growth, and Momentum ended positively overall, with Revisions being the strongest.

The more defensive investment style Quality struggled in Q2. In April, Quality rallied on the "Liberation Day" but declined in the rest of April and May. As a result, it closed the period negatively.

Overall, the underperformance of Value and Quality could be overcompensated by the gains from the trend-following investment styles which led to an outperformance of the Fund in Q2.

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

The total sector allocation effect was positive over the reporting period. The most positive contribution came from overweighting Information Technology (IT) and the most negative contribution came from overweighting Health Care. The stock selection across sectors was overall positive.

The total regional allocation effect was neutral over the reporting period. The stock selection across regions was overall positive.

Market Outlook

Most of the global growth indicators we regularly watch have recently declined, reflecting the impact of the trade conflicts with some delay. In the US, the indicators were down for the fourth month in a row, and we saw setbacks in Japan, the UK and China as well. In contrast, a positive trend was visible in the euro area. That is why we come to different assessments for the individual regions. In Europe, the focus on "self-sufficiency" should provide some stimulus for the economy, as policymakers intend to boost investments in infrastructure and strategically important industries. We expect that the earnings growth gap versus the US will narrow by 2026. In Asia, particularly in China, new developments in the area of artificial intelligence (AI) look set to become an important driver of growth and innovation. In Japan, reflation and corporate governance reforms will drive the markets, which might also benefit from a "safe haven" effect as capital is withdrawn from the US. And in India, fiscal and monetary stimulus should result in a re-acceleration of growth. In the short term, our outlook for US equities is dampened by tariff uncertainties and high valuations. However, many of the factors behind the US's considerable success are still intact, such as the high return on equity of US companies, their leading position in the field of AI and the favourable demographic development.

The Fund will maintain its broadly diversified strategic allocation to long-term rewarding factors including Value, Momentum, Revisions, Growth and Quality.

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