

Allianz Europe

Equity Growth

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth by investing in European equity markets with a focus on growth stocks in accordance with environmental and social characteristics.

What Happened in April

European equities closed April broadly flat against a volatile backdrop of escalating trade war tensions. Stocks sold off early in the month amid heightened economic uncertainty following President Donald Trump's "Liberation Day" of sweeping tariffs, but later recovered after the US president's U-turn effectively paused most tariffs for 90 days. At a sector level, Energy was the weakest sector by far, dragged lower by falling oil prices, while Real Estate and Utilities were the best-performing sectors in April.

The eurozone economy expanded 0.4% in Q1. The stronger-than-expected growth rate was driven by easing inflation, lower borrowing costs, renewed optimism following Germany's agreement to relax its debt brake and expectations of increased defence spending in the coming months. However, data for April reflected the threat of higher tariffs, with the flash estimate of the HCOB eurozone composite managers' index only just managing to stay in expansion territory. The European Central Bank (ECB) cut its key interest rate by 25 basis points (bps) to 2.25%, as widely anticipated, with policymakers citing the deteriorating growth outlook due to rising trade tensions. Inflation in the eurozone eased to 2.2% in March, down from 2.3% in February.

German equities advanced in April and outperformed the broader European market, despite the volatile backdrop of tariff-driven turbulence. Germany's economy grew 0.2 % over Q1 as easing inflation and lower borrowing costs boosted domestic demand, with sentiment also lifted by the formation of a stable coalition government. However, the uncertain tariff environment meant Germany's ZEW Indicator of Economic Sentiment plunged to -14.0 points in April, down from 51.6 points in March, its sharpest decline since the Russian invasion of Ukraine in 2022.

UK equities slid in April amid continued tariff-related uncertainty. The UK economy unexpectedly grew by 0.5% in February, well ahead of consensus estimates. However, April's flash S&P UK composite purchasing managers' index (PMI) slumped to its lowest level since 2023, with the services sector contracting for the first time in 17 months. Annual headline inflation surprised to the downside, easing slightly from 2.8% in February to 2.6% in March. Markets are currently pricing in a high likelihood of a 25-bps rate cut at the Bank of England's (BoE's) May meeting.

Performance Review

The Fund returned negatively in April. Market sentiment remained weighed down by global concerns, including weaker Chinese macro data and renewed volatility linked to the ongoing US tariff uncertainty. This prompted a risk-off rotation into traditionally defensive sectors such as Real Estate, Utilities, and Consumer Staples, where the portfolio has limited or no exposure, given the structurally low or unsustainable growth in these spaces. Analysts have revised down their full-year earnings per share (EPS) growth expectations for Europe, from over 6% to below 4%. This cautious outlook contrasts with a broadly constructive Q1 earnings season for our holdings, many of which reported robust results and minimal tariff-related risks in their financial year (FY) 2025 guidance. Eurozone macroeconomic data also surprised to the upside and following the US, equities finished the month strongly. Valuations across the portfolio remain attractive, with holdings trading at or below their 10-year historical averages, while semiconductor momentum is building for H2. Considering the relatively higher resilience of our high quality, structural growth holdings, the backdrop may yet turn supportive for our style and positioning.

The top active contributor was a German real estate platform, impressing investors with over 15% earnings growth in Q1. The top active detractor was alternatives asset manager Partners Group, given slow fundraising and a weaker exit environment. We continue to monitor tariff-related risks closely, making numerous trades in April to slightly raise the defensive profile of the portfolio.

Top contributors

The afore-mentioned German real estate platform has risen over 23% year-to-date. Management increased earnings before interest, taxes, depreciation, and amortisation (EBITDA) by circa 15% in Q4, underpinned by continued private client growth of circa 25% and professional client growth of 4%, which has risen consecutively despite challenging property markets that increase reliance on the company's services. German mortgage rates spiked again after recent stimulus, so FY 2025 guidance for 12-14% revenue growth and further margin expansion is encouraging. Recent acquisitions of a provider of real estate data and valuations for residential properties, and an online platform for new build residential real estate further support the company's growth profile. In April, they announced another acquisition: a land registry and transaction data provider in Austria.

A building information modelling (BIM) software company is another high performing stock, rising over 24% this year. Stellar Q1 results included 26% revenue growth, supported by their USD 770 million acquisition of a subscription tool that enhances field worker collaboration in mid-2024. EBITDA was up 18%, despite being negatively impacted by a one-off item. Excluding this one-off item, EBITDA was up 30%. Recurring revenues now make up 92% of total. The strongest growth has developed in the Build segment, where its construction collaboration software reigns as a blockbuster product. Full-year guidance was unchanged, with management maintaining a target of 17-19% revenue growth and an EBITDA margin of around 31%, which now appears conservative. The company is expanding internationally, with India being a vast new opportunity.

L'Oréal gained nearly 13%, rebounding after pressure since mid-2024 when the CEO acknowledged a softening of the global beauty market, driven largely by China. Q1 sales grew 3.5% on a like-for-like basis, though results are skewed by

stock building ahead of a systems, applications, and products in data processing (SAP) rollout in China, mirroring similar activity in the US last year, creating odd comparatives. That said, results beat consensus across all divisions and L'Oreal outpaced global beauty market growth of 2%, taking share. Fragrance was the star category posting mid-teens growth, followed by high single-digit gains in Haircare. Makeup and Skincare lagged. China remains a major opportunity, with only 100 million of 400 million potential customers reached, and presence in just 150 of 600 key cities.

Top detractors

Partners Group disappointed with a double miss on H2 assets under management (AUM) and a softer 2025 outlook, in their results posted mid-January, reflecting continued fundraising challenges in a weak exit environment. In its capital markets day during March, management outlined a 10-year AUM compound annual growth rate (CAGR) target of 13%. A further update in April noted minimal tariff exposure across their portfolio of 75+ direct assets. We remain focused on their structural growth opportunity in private wealth, where AUM stands at circa USD 50 billion with 10% market share. In partnership with a leading asset manager, management expects this to triple over the next 5-10 years, supported by a projected rise in private market AUM from USD 500 billion to USD 10 trillion and increased reach to 84,000 wealth managers.

An engineered polymer solutions provider continues to execute well in a slower market. Q1 organic sales growth matched market expectations, while margins even slightly expanded despite ongoing input cost pressures. Management reaffirmed their focus on high-performance engineered applications, particularly in Health Care and Aerospace, where long-term secular demand remains strong. The integration of a rubber manufacturing company is progressing well, enhancing their US footprint. The company's strong balance sheet provides for more bolt-on acquisitions ahead. The CEO commented that the direct effects of tariffs will have a limited impact on the group given their local-for-local production model. In shorter term, we reduced our position along with other Industrials.

A sportswear company fell circa 7% in April, despite a solid set of preliminary figures that pointed to circa 13% sales growth. Double-digit sales gains were demonstrated across all markets and channels, also adjusted for the contribution of a fashion brand limited to last year. We spoke to the company in March, which pointed to a strong start into 2025 although intended to improve the cost structure. Following up on tariff impact, it intend to focus on Vietnam as a supplier to the US, in preference to China. Visibility in sports and culture is very high currently and the company is the number one brand in Latin America, growing well here. Investors are pricing in a softer macro environment. Should growth trends turn, management intend to manage volumes down, rather than price discount.

Purchases

Purchases include a market leader in the live event industry, offering ticketing (approximately 250 million tickets marketed each year) and live entertainment services. The industry is characterised by a natural monopoly driving consolidations, favouring the company with market shares of 60-80% in European countries outside the UK (80% in Germany). As one of the largest promoters with strong ties to independent promoters, and with a well-known ticketing platform (even the closest US competitor sells approximately 80% of tickets via this platform in Europe), the company benefits from high entry barriers, enhancing its structural growth. This growth, with a 10-year revenue CAGR of 13%, significantly outpaces the market (expected to grow at 6-8%). A strong balance sheet with a substantial net cash position and a return on invested capital well above the cost of capital support further business expansion and growth.

We bought a German financial exchanges operator which offers post-trade services, data analytics, and index solutions. The company benefits from structural growth drivers such as increasing demand for market data, analytics, and higher volatility. With over 60% recurring revenue, limited exposure to trade tariffs, and positive sensitivity to rising interest rates, the business offers diversified, capital-light growth with strong margins and high returns on invested capital.

We also purchased a global information services company focused on professional customers in legal, tax, health care, and regulatory compliance markets. The company benefits from structural growth drivers such as increasing regulatory complexity, digitalisation of professional workflows, and the rising demand for expert decision-support tools. Its competitive advantages lie in deep domain expertise, high switching costs, and a portfolio of mission-critical, data-driven software solutions. With around 80% recurring revenue, robust cash flow, and consistent margin expansion, it is a high-quality, capital-light compounder. A recent correction created an attractive entry point.

Sales

We sold a provider of sensor, software, and autonomous solutions for various industries. The company lacks transparency, and past governance concerns surrounding the former CEO (now chairman) persist. Organic growth has historically been modest and dependent on acquisitions. Potential plans to spin off software assets via a US initial public offering (IPO) would reduce the attractiveness of the portfolio, as the software is the most appealing component. We have exited the position to reallocate capital to higher-conviction opportunities.

Market Outlook

Amongst all the noise of tariffs and threats of a pending recession, the half of European companies that have reported their earnings have done so significantly ahead of expectations, averaging earnings growth of 3.8% so far versus estimates of a 1.4% decline. Sales growth is also ahead of estimates overall. At the time of writing, stocks were recovering well and the Stoxx 600 Europe index had returned to its pre-Liberation Day levels. While style factors remain volatile, quality companies with pricing power and operational flexibility are beginning to distinguish themselves, even in sectors under broader macro pressure.

Taking a broader global perspective, China continues to be a drag, and the US economy unexpectedly shrank in Q1, with gross domestic product (GDP) falling 0.3% on an annualised basis as companies accelerated imports ahead of threatened tariff hikes. Nevertheless, corporate earnings in the US remain broadly resilient too, with many global champions delivering stable or growing cash flows and maintaining strong balance sheets. There is a growing divergence between companies with global scale and adaptability – and those more vulnerable to inflation volatility, regulatory shifts, or capital intensity.

In response to the evolving tariff landscape, our high quality holdings have taken a range of proactive measures and very few have proactively downgraded guidance. Several intend to diversify their manufacturing footprints: The aforementioned sportswear company for example, has reduced exports from China to the US to just 3%. Others are optimising cost structures through targeted headcount reductions, as seen at L'Oréal and a luxury goods company. Companies with pricing power, where we have many examples including the said luxury goods company and Assa Abloy, are selectively raising prices to protect margins. An ecommerce giant has negotiated supplier price reductions on China-sourced goods, while firms like Atlas Copco and a graphics processing unit manufacturer are expanding US operations to support onshoring efforts. Some portfolio names, particularly in software and semiconductors, or those that have already enabled US production like a chocolate company, will see no direct impact. A few leaders such as a life science and clinical research company are signalling opportunities to gain market share.

We believe this backdrop reinforces the importance of a consistent focus on global quality growth equities. Our companies are typically capital light, cash generative, and positioned in structurally growing end markets, and are therefore well placed to navigate the current noise and emerge stronger on the other side. With valuations for many

quality growth names now sitting at or below long-term averages, and some sectors like semiconductors poised for recovery, the medium-term outlook is increasingly constructive for disciplined investors.

Connect with Ussg.allianzgi.com[+65 6438 0828](tel:+6564380828)**Search more**[Allianz Global Investors](#)[Like us on Facebook Allianz Global Investors Singapore](#)[Connect on LinkedIn Allianz Global Investors](#)[Subscribe to YouTube channel Allianz Global Investors](#)

All data are sourced from Allianz Global Investors, Eurostat, IHS Markit and Office for National Statistics, as at 30 April 2025 unless otherwise stated.

The information presented here is intended for general circulation and does not constitute a recommendation to anyone; it also has not taken into account the specific investment objectives, financial situation or particular needs of any particular person. Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this publication but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself. Past performance of the fund manager(s) and the fund is not indicative of future performance. Prices of units in the Fund and the income from them, if any, may fall as well as rise and cannot be guaranteed. Distribution payments of the Fund, where applicable, may at the sole discretion of the Manager, be made out of either income and/or net capital gains or capital of the Fund. As a result of the payment, the Fund's net asset value is expected to be immediately reduced. The dividend yields and payouts are not guaranteed and might change depending on the market conditions or at the Manager's discretion; past payout yields and payments do not represent future payout yields and payments. Investment involves risks including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. The Fund may invest in financial derivative instruments and/or structured products and be subject to various risks (including counterparty, liquidity, credit and market risks etc.). Past performance, or any prediction, projection or forecast, is not indicative of future performance. Investors should read the Prospectus obtainable from Allianz Global Investors Singapore Limited or any of its appointed distributors for further details including the risk factors, before investing. The duplication, publication, extraction, or transmission of the contents, irrespective of the form is not permitted, except for the case of explicit permission by Allianz Global Investors. This publication has not been reviewed by the Monetary Authority of Singapore (MAS). MAS authorization/recognition is not a recommendation or endorsement. The issuer of this publication is Allianz Global Investors Singapore Limited (79 Robinson Road, #09-03, Singapore 068897, Company Registration No. 199907169Z).