

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 higher but trailed the global index. Movements in the Stoxx 600 Index were largely driven by developments in the Middle East, with equities rising on ceasefire news and tentative progress in US-Iran peace talks, before giving back gains amid renewed attacks on commercial vessels in the Strait of Hormuz. Conflicting signals from Washington and Tehran around a potential end to the stalemate also rattled markets. More positively, sentiment was boosted by the landslide victory of Péter Magyar in Hungary's presidential elections, ending Viktor Orbán's 16-year rule and ushering in a new era of co-operation with the European Union (EU). Elsewhere, Tech stocks were lifted by record Q1 profits from Dutch semiconductor firm ASML, supported by continued strength in artificial intelligence (AI) demand.

Performance Review

In April, the Fund posted positive returns, however, the portfolio underperformed its benchmark. The underperformance was largely due to adverse stockpicking. This proved especially disadvantageous in the Industrials, Health Care and Information Technology areas. Stockpicking in the Consumer Discretionary and Communication Services sectors contributed positively to performance, however. The Fund sector allocation had a positive influence on overall returns. Our overweight in Industrials and our underweights in Health Care and Communication Services stocks are worth mentioning and had a positive influence on relative performance. On the other hand, the overweights in Consumer Discretionary and Consumer Staples stocks, as well as the underweight in Financials companies, weighed on the Fund's relative performance.

On a single stock basis, our overweight positions in Schneider Electric, a French firm operating in the electrical components and equipment area, and Besi, a Dutch firm operating in the semiconductor materials and equipment area, together with our underweight position in Novartis, a Swiss pharma company, helped most. Our overweight position in Lindt & Sprüngli, a Swiss supplier of packaged food and meat, together with our underweight positions in Infineon Technologies, a German semiconductor company, and ABB, a Swiss firm operating in the electrical components and equipment area, weighed heavily on the overall outcome.

Portfolio Strategy and Activity

The Fund continued to focus on European companies that can benefit from long-term competitive advantages, significant pricing power, and high barriers to entry.

During the month under review, we sold our holdings in Sartorius, a German provider of life science tools and services, Straumann, a Swiss name operating in the health care equipment area, and 3i Group, a British company operating in the asset management and custody banks area. In addition, we added HSBC, ASM International, a Dutch name operating in the semiconductor materials and equipment area, and Leonardo, an Italian aerospace and defence name, to the portfolio.

The top holdings of the Fund were ASML, a Dutch name operating in the semiconductor materials and equipment area, AstraZeneca, a British pharmaceutical company, and Schneider Electric. The Fund's heaviest overweights were Deutsche Börse, a financial exchanges and data name, L'Oréal, a French name operating in the personal care products area, and IHG, a British company operating in the hotels, resorts and cruise lines sector. On the other hand, three names from Switzerland – Novartis, Roche, a pharma company, and ABB – were the Fund's main underweights at the end of April.

Thanks to the Fund's specific stock selection approach, the sector and country positionings looked as follows: the Fund was overweight in the Industrials, Consumer Discretionary and Information Technology areas, while it was underweight in the Financials, Health Care and Utilities sectors. From a regional perspective, the Fund had an overweight exposure to stocks from France, Ireland and Sweden, whereas stocks from Switzerland, Spain and Italy were underweight.

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