

Allianz Europe

Equity Growth Select

Monthly commentary

Investment Objective

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

What Happened in June

European equities fell slightly in June. Earlier gains were offset by negative tariff sentiment, as a trade deal between Washington and Brussels remains elusive as the 9 July deadline approaches. Failure to reach a trade deal will result in a 50% tariff on all goods imported to the US – the European Union's biggest export partner – which will have a crippling impact on the bloc, particularly Germany. Escalating geopolitical tensions in the Middle East also weighed on sentiment, although the month ended on a more positive note following a ceasefire between Israel and Iran. At a sector level, the Consumer sectors fared worst, while Energy rose the most.

Performance Review

In June, the Fund decreased in value. This was due to stock selection. This proved profitable in the Consumer Staples, Health Care and Material areas, whereas stock selection in the Industrials, Financials and Consumer Discretionary sectors had a detrimental impact. The Fund's sector allocation had a moderately positive impact on overall returns. Our overweights in Information Technology and Industrials, and our underweight in Consumer Staples stocks are worth mentioning and had a positive influence on performance. On the other hand, a light drag on relative performance was the overweight of Consumer Discretionary stocks as well as the underweight of Energy and Utilities companies.

On a single stock basis, our overweight positions in a French corporation operating in the electrical components and equipment area, and a Dutch corporation operating in the semiconductor materials and equipment area, together with our underweight position in a multinational packaged food company, helped most. Our overweight positions in a German sporting apparel company and Adyen (a Dutch corporation operating in the transaction and payment

processing services area), together with our underweight position in a French aerospace and defence name, weighed heavily on the overall result.

Portfolio Strategy and Activity

For its concentrated portfolio, the Fund remained overweight eurozone large caps with upside potential that does not appear to be sufficiently priced in. Stockpicking focused in particular on identifying factors such as structural competitive advantages that point to long-term, above-average upside potential.

In June, we made only a few minor adjustments to the portfolio.

The Fund's top holdings were SAP, ASML and Novo Nordisk. The Fund's heaviest overweights were Partners Group, Assa Abloy and DSV A/S. On the other hand, two firms from Switzerland – the afore-mentioned packaged food company, a developer and manufacturer of pharmaceutical and diagnostic products, as well as a name from the personal care products sector headquartered in the UK, were the Fund's main underweights at the end of June.

Due to the Fund's specific stock selection approach, the sector and country positionings looked as follows: equities from the Information Technology, Industrials and Consumer Discretionary were overweight, while the Fund only held selective positions in the Health Care, Utilities and Consumer Staples. From a regional perspective, the Fund had an overweight exposure to stocks from Sweden, Denmark and the Netherlands, whereas stocks from the UK, Spain and Italy were underweight.

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