

Allianz Global Hi-Tech Growth

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth by investing in global equity markets with a focus on the information technology sector or on an industry which forms part of this sector in accordance with environmental and social characteristics.

What Happened in April

"Politics continued to play a major role in the performance of stock markets" could well be the starting line of every monthly report for the next three and a half years. President Trump announced his "Redemption Day" tariffs on 2 April, China retaliated with their own tariff proposals, to which President Trump countered with an increase towards China before China reacted again. Over the four trading sessions that followed, global equities (MSCI AC World Index) declined 11% and US equities (S&P 500 Index) fell 12%.

On the 9 April, the US President stepped back from his proposals of the prior week offering a 90-day pause at a lower (10% rate) for those countries that had indicated they wanted to negotiate a new trade deal with the US, the S&P 500 rallied 9.5% that same day. Meanwhile, tariffs between the US and China remain at the new elevated levels. Whilst equities remained volatile during the remainder of the month, equity markets recovered from their initial drops and the MSCI AC World Index ended the month with a 0.8% gain and the S&P 500 decreased 0.8%.

Companies have begun to announce their Q1 earnings and attempted to provide some insight into how their businesses would fare for the remainder of the year. Uncertainty and complexity have been all too familiar words used by management teams these past few weeks and this has been reflected in company reports and as we commented last month, "the upcoming Q1 results for 2025 could be one of the most challenging earnings seasons since the COVID pandemic began in 2020". For those companies in the MSCI World Index that have reported calendar year (CY) Q1 results, 47% beat revenue estimates and 60% beat earnings estimates. Within the Technology component of the same index, 54% beat revenue estimates and 58% beat earnings estimates. For the Fund, 55% of holdings beat revenue estimates and 79% beat earnings estimates.

Portfolio Review

The Fund outperformed the MSCI AC World Information Technology index in April (in USD).

Our top active contributors during April included our holdings in ServiceNow, the provider of cloud-based information technology (IT) service management software for enterprises; a video streaming subscription service provider; and a Japanese maker of video consoles and games. Our underweight position in Apple also contributed positively.

The biggest detractors to performance during the month included our underweight position in Microsoft as well as the lack of exposure to a big data and analytics software solutions provider. Our investment in Meta Platforms, plus Amazon and a Chinese ecommerce platform were also diminishers of relative performance in April. The perceived impact of trade tariffs between the US and China weighed on all three of these names.

Three stocks (Apple, Microsoft and Nvidia) comprise approximately 48% of the index; weightings that we cannot (nor would we wish to) replicate in a diversified portfolio. Our weighting in these three names is approximately 18% and our lower weighting resulted in a positive relative contribution in the month.

Significant Transactions

We continued to use recent market volatility to upgrade the quality of the portfolio. We sold out of positions in an engineering simulation software company, a fabless chipmaker, a technology services provider, a provider of semiconductor and wireless communication technologies, a software developer, and a semiconductor technology company, and have opened a new position in a German provider of enterprise resource planning (ERP) software.

Market Outlook

Whilst President Trump's step back from the implementation of elevated global tariffs has provided equity markets with some respite, all attention will be focused on the progress of trade negotiations which are taking place between the US and other nations.

At the same time, all economic data releases will be scrutinised for any indication of a downturn in the US that could suggest that a recession is looming.

Whilst the outlook is indeed challenging, we believe that when uncertainty is high that some of the best long-term investment opportunities can present themselves. The current environment reinforces our view that, when investing in Technology, it is important to focus on companies with solid management teams and ensure that the investment portfolio has good diversification across sectors and geographies. Our bottom-up stockpicking approach incorporating over 70 years of experience within the team plays an even more critical role when uncertainty is elevated.

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

Allianz Global Investors and Voya Investment Management entered into a long-term strategic partnership on 25 July 2022, upon which the investment team transferred to Voya Investment Management. This did not materially change the composition of the team, the investment philosophy nor the investment process. Management Company: Allianz Global Investors GmbH. Delegated Manager: Voya Investment Management Co. LLC ("Voya IM").

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