

# 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 February

The ripples caused by the emerging Chinese startup, which launched an open-sourced artificial intelligence (AI) model, continued to be felt in sentiment towards Technology stocks as the debate continued over the necessity of large capital expenditure (capex) investments for AI.

Politics also weighed heavily on investor sentiment with so many unknowns around trade tariffs that make it hard for companies to anticipate the potential impact. Uncertainty with regards to policy and implementation of any changes, will have undoubtedly led to companies choosing to increase their caution around providing an outlook for the rest of 2025.

Q4 results have generally been positive, particularly for Technology firms. For those companies in the MSCI World Index that have reported calendar year (CY) Q4 results, 59% beat revenue estimates and 66% beat earnings estimates. Within the Technology component of the same index, 68% beat revenue estimates and 80% beat earnings estimates. For the Fund, 75% of holdings beat revenue estimates and 83% beat earnings estimates.

However, market reactions to announcements have been more inclined to sell the news especially if guidance fell below expectations, supporting the current "risk-off" sentiment. As of the end of February, whilst the MSCI World index is in positive territory, year to date the Information Technology (IT) sector has provided negative returns.

## Portfolio Review

The Fund declined, underperforming its benchmark, the MSCI World Information Technology index, in February (in USD).

Three stocks (Apple, Microsoft and Nvidia) comprise approximately 53% 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 negative relative contribution in the month.

Our top active contributor during February was a Chinese internet business which benefitted from a more favourable sentiment towards Chinese Technology companies as well as success with their AI assistant app. Its decision to integrate the AI model by the aforementioned Chinese AI startup into its mobile app was also received positively.

An internet-based music and audio streaming business reported a strong set of results, supported by strong monthly active user and new subscriber growth. A developer of video games also reported solid results with success from its basketball game franchise and a restatement that its key franchise – an action-adventure video game – was on track to release its latest iteration later this year. An electronic payment network reported a strong set of results and provided guidance for the coming year that exceeded expectations. The company also hosted its investor day, where it showcased the breadth of its product range, which underpins its growth ambitions.

Outside of our underweight positions in Apple and Nvidia, the biggest detractors to performance in the month included Alphabet, whilst the initial reaction to their results was positive, the company's shares performed poorly as concerns over increased capex levels weighed on the sentiment, both for Alphabet and other companies currently investing heavily in AI infrastructure. The same sentiment befell Amazon, who also announced an increase in their capex plans for the coming year. Taiwan Semiconductor (TSMC) share price fell after speculation mounted that they were part of a deal to help a US technology company secure its future. Whilst nothing has transpired on this front, TSMC did announce an additional USD 100 billion investment to build new fabs in the US.

### Significant Transactions

We initiated positions in a commerce company that operates a 3-sided marketplace serving the needs of merchants, consumers and Dashers (riders), and a Chinese internet company over the month.

Having started in food delivery, the former has begun expanding into further categories such as grocery. It has a disruptive model that has reached 40 million monthly active users and targets a very large addressable market.

The latter operates a portfolio of businesses spanning ecommerce, cloud computing and digital media. Its cloud computing business is the largest in China and has experienced an inflection in demand driven by AI. The company is ideally positioned to benefit from the positive AI momentum currently being witnessed in China. The announcement that the company was partnering with Apple, to roll out AI for iPhones sold in China, further boosted sentiment. The recognition of AI capabilities in China is causing a closing of the vast valuation gap that exists between the China internet companies and their equivalent US peers.

Both our holdings in the two Chinese internet companies mentioned above performed strongly during the month as the breakthrough of the Chinese AI startup has expanded the enthusiasm for AI in China.

We did not exit any positions during the month, but we did trim our holdings in several investments including Microsoft, Amazon, a travel technology company, an ecommerce platform, and a supply chain solutions provider.

### Market Outlook

IT spending intentions appear robust. Gartner forecast that worldwide IT spending in 2025 will grow to USD 5.74 trillion, an increase of 9.4% compared to 2024. Data centre systems and software are expected to see the highest growth.

As previously cited, geopolitics will continue to have a bearing on market sentiment in 2025, in particular discussions over trade tariffs as well as the progress made in ending the conflicts in the Middle East and Ukraine. Whilst there is some hope of progress on resolution of the conflicts, the debate and uncertainty over tariffs are likely to linger for some time.

The current uncertainty reinforces our view that, when investing in the Technology sector, it is important to focus on companies who can be identified as long-term winners. It also emphasises the point that multiple tech ecosystems are emerging, and investors should thus maintain a portfolio of well-diversified opportunities across sectors and geographies.

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All data are sourced from Bloomberg and Allianz Global Investors as at 28 February 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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