

# Allianz Global Sustainability

## Monthly commentary

### Investment Objective

The Fund aims at long-term capital growth by investing in global equity markets in accordance with environmental and social characteristics.

### What Happened in February

February began, similarly to January, with elevated geopolitical uncertainty and surprisingly stable equity markets. Geopolitical drama focused on growing tensions in the Middle East between US-Israel and Iran which got to the point of conflict on the last day of the month causing oil prices to rise as transport through the Strait of Hormuz was inhibited.

Earlier on in the month, the US Supreme Court overruled President Trump's use of tariffs, but he immediately announced a reintroduction of tariffs under a different, time limited legal mechanism. Macroeconomic data remained relatively stable globally with stable inflation, growth and labour markets. Monetary policy decisions were largely kept on hold, but this will likely adapt as tensions escalate in Iran putting pressure on oil prices and inflation.

On a regional basis, South Korea was the standout market for the month, largely driven by the large flows of retail investment in the region toward artificial intelligence (AI) and memory trades. Elsewhere in Asia, performance was strong as Japan saw Prime Minister Sanae Takaichi's snap election deliver a significant majority which bolstered market confidence. The rotation away from the US saw the S&P 500 decline over the period as US politics were entangled in geopolitics throughout. The defensive rotation also benefitted European equities which outperformed the US counterparts for the month.

There was a clear rotation toward defensive sectors over the period as markets shifted toward resilience and cash flow stability. Utilities, Materials and Consumer Staples performed strongly whilst Software continued to lag, as fears around the disruption from AI continued to mount. Meanwhile semiconductors continued their strong run of performance.

Commodities including gold and silver rallied as the assets were seen as a safe haven throughout the geopolitical uncertainty. Energy stocks also performed well as oil prices began to rise due to tensions in the Middle East.

## Portfolio Review

### **Software continued to struggle while Memory stocks rallied**

The Fund's performance year to date has been impacted negatively by its exposure to software as we have seen a major market rotation within the Technology sector over the last few months. Whilst the idea that AI tools would be disruptive is not new, it has had a profound impact on a few of our stocks. S&P Global and Intuit were among the largest detractors for the month. We undertook a thorough analysis of our digital assets exposure and decided to sell our positions in Intuit and S&P Global on the belief they have more permanent impairment risk. In the case of S&P, we also felt that there was a valuation risk and we have a preferred holding in LSEG, which is a very similar business.

Not holding Korean technology company Samsung impaired returns as the stock performed strongly as they benefitted from the significant rally in memory demand. The subsequent surge on memory pricing put margin pressures on Nintendo (held) which further hindered performance.

### **Defensive stocks benefitted**

The rotation to defensive stocks benefitted as our sector allocation to Industrials and Utilities were supportive to performance. Regal Rexnord, an Industrial company exposed to the data centre buildout which we bought last month, was our strongest contributor in the month along with Canadian Pacific Kansas, another Industrial business and SSE, a UK Utilities business.

### **Transactions**

Following the weak performance of Software and certain data service providers due to AI disruption fears, we took the decision to sell S&P Global and Intuit as we see investor sentiment toward AI disruption risk likely to continue. We also decided to reduce our exposure to Financials by selling Morgan Stanley and trimming Bank of America.

We initiated a new position in Applied Materials, a semiconductor capital equipment company, where we see further long-term structural growth driven by the AI supercycle. We also bought into Itochu, a Japanese general trading company that will benefit from inflation-related growth that is occurring in Japan.

## Market Outlook

The Iran conflict is likely to dominate investor discussions in the coming weeks. If the disruption proves short lived, market attention should soon revert to developments in AI and key macroeconomic indicators such as US Federal Reserve policy, inflation, and labour market dynamics. However, a more prolonged escalation could pose a materially greater risk to financial markets.

We have maintained the portfolio with a defensive tilt to withstand the expected volatility in global markets over the coming weeks and months. We have also been increasing our positioning toward AI beneficiaries that will prosper from the data centre buildout and AI supercycle.

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All data are sourced from Bloomberg and Allianz Global Investors as at 28 February 2026 unless otherwise stated.

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