

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 April

The war in the Middle East entered its second month as ceasefire talks between the US and Iran oscillated between positive developments and further escalation. Such uncertainty kept global bond yields elevated throughout the month. Oil prices also remained elevated throughout the period. While a ceasefire extension early in the month saw Brent crude move lower, this later rebounded as the US began blockading Iranian ports in retaliation to the continued closure of the Strait of Hormuz by Iran. This was further complicated by the perhaps opportunistic United Arab Emirates (UAE) announcing plans to leave the Organisation of the Petroleum Exporting Countries (OPEC) next month.

Central banks around the world had a hawkish tone with the US Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) all deciding to keep rates on hold. They cited the inflationary pressure brought about by the elevated oil price while also aiming to balance this against the signs of a slightly softer labour market globally and very visible impacts to input prices.

Global equity markets rebounded on sporadic and hard to corroborate news of a ceasefire and were largely unaffected by the escalation later in the month as strong earnings reports gave way to an equity rally led by the US Technology sector. In the month, the S&P 500 gained 10%, while the Technology-heavy Nasdaq jumped 15%. Europe was slightly behind that but still posting solid gains. In Asia, the tech hubs of South Korea (+30%) and Taiwan (+22%) saw exceptional gains with Japan also significantly higher but lagging the global index.

The narrowness of the market is dramatic (only 5 out of 25 sub-sectors outperformed) and this can be highlighted well by looking at the returns inherent to the Information Technology sector. Whilst semiconductor equities returned a very healthy 26%, software returned 3%. So, whilst the sector itself was the best performing, it is fairly astounding to see that the artificial intelligence (AI) winners and losers segmentation produced very significant deviations. Despite being sectors that generally deals well with a stagflationary backdrop, Energy and Health Care finished the month negative.

Portfolio Review

Information Technology rally hindered performance

The Information Technology sector led the rally this month with the Tech-heavy Nasdaq up 15% for the month. While our top contributors for the month (Alphabet, Keyence and Amazon) were clearly in the AI beneficiaries basket, our stock selection within the semiconductor sub-sector was weak. This is due to the remarkable performances of Intel and AMD, which both gained ~110% and ~71% for the month, respectively, and were not held in the portfolio. The detraction from stock selection in the semiconductor industry can be attributed to the narrowness of returns.

Mixed attribution outside Technology

Our underweight allocation to Energy was beneficial this month as the fragile ceasefire saw the oil price drop down to the USD 90 per barrel mark before rising again later in the month as the ceasefire came under stress. This saw the oil and gas sector finish the month down overall.

Health Care as a sector continued to struggle with the sub-sector of medtech also remaining out of favour with investors. The Funds' overweight allocation to the sector was negative to performance with Medtronic, Thermo Fisher, Alcon and Zoetis, all among the top detractors for the period. These are very attractively valued, but it is harder to say with certainty when that will matter.

Transactions

The Fund bought DSV during the month, a global freight forwarding business which offers intermedial services between consumer and shipper, organising transportation of its customers' goods via air, sea, road and rail. The business is known for its best-in-class margins with a strong track record of value accretive mergers and acquisitions (M&A). They are currently benefitting from integrating their DB Schenker acquisition and are also rolling out AI tools to meaningfully improve the business.

Market Outlook

The conflict in the Middle East remains a key debate with focus shifting to the longer-term economic impacts that will come from the disruption to supply chains that flow through the region. What is clear, the longer the conflict continues, the greater the impact will be on a global scale and to more than just energy markets. Inflation is going to come in much higher and we are seeing the bond markets begin to price this which is normally cause for prudence.

With over 70% of the MSCI World Index having reported their Q1 results, the strength in the market is clearly driven by the raft of earnings upgrades that are coming from the AI-exposed companies. These are not limited to the hyperscalers, with examples from memory, semiconductor equipment and networking industries also benefitting from the significant demand for compute. The capital expenditure (capex) guidance from the hyperscalers is expected to increase by over 80% this year, after a 73% increase in 2025. The continued capital commitment to the AI theme will bolster the revenue

growth of these beneficiaries in the short-term while also putting emphasis on the huge revenues needed to justify this expenditure. What we can say with certainty is enterprise use of AI is exploding and capacity is insufficient at this point, which likely keeps the theme outperforming – albeit in an increasingly volatile fashion.

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All data are sourced from Bloomberg and Allianz Global Investors as at 30 April 2026 unless otherwise stated.

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