

Allianz Global Sustainability

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth by investing in global equity markets of developed countries in accordance with environmental and social characteristics. The Investment Manager may engage in foreign currency overlay and thus assume separate foreign currency risks with regard to currencies of OECD member states, even if the Sub-Fund does not include any assets denominated in these respective currencies.

What Happened in August

Global equities moved higher in August. Stocks rebounded from losses on the first day of the month as President Trump's postponed 'Liberation Day' tariffs came into effect. While Russian forces stepped up the offensive in eastern Ukraine, market sentiment was lifted by dovish commentary from US Federal Reserve (Fed) Chair Jerome Powell at the Jackson Hole annual symposium. This fuelled expectations of a rate cut at the US central bank's September meeting and unleashed a global equity rally.

During August, Materials, Health Care and Communication Services were the strongest sectors in the MSCI All Country World Index, while Utilities and Industrials were weakest. In currency markets, the US dollar clawed back some of its recent losses in July as US economic data remained resilient. In contrast, the euro weakened in the aftermath of the trade deal announced by Washington and Brussels.

Portfolio Review

After a few months of underperformance, the Health Care sector performed well over August, and our overweight position contributed to positive relative returns. Within the sector, a US healthcare insurance company that had been a poor performer over the last few months had a strong rebound after it was revealed that an investment conglomerate

took a position in the stock. The US healthcare insurance company, with its strong performance over the month, was the top contributors over the month.

We also saw a positive contribution from an animal health company. They had experienced issues with their antibody drug used for the control of pain associated with osteoarthritis in dogs, but we believe that this is now reflected in the current expectations.

A recent addition to the portfolio was Home Depot which performed well and featured amongst the top contributors.

Stock selection within the Technology sector was negative over the month. Our underweight position in a smartphone and personal computer giant was detrimental over the month as the stock performed strongly. Some strong performers in the sector also experienced a reversal of performance and contributed negatively to relative returns (such as a developer of financial management software solutions; a Japanese conglomerate and Taiwan Semiconductor).

Significant transactions

We sold our positions in a provider of information technology services and outsourcing, and a producer of aluminium and hydroelectric power whilst using the weakness in a UK stock exchange and data provider to increase our position. We also initiated a position in the aforementioned smartphone and personal computer giant as we are turning more positive on their artificial intelligence (AI) capabilities. The company will also benefit from Trump's exemption for companies with US manufacturing, which the firm has reaffirmed its financial commitment to.

Market Outlook

The positioning of the Fund continues to be relatively defensive with a focus on predictability of earnings and return in what remains an environment of economic fragility.

We believe there will be a pause in the outperformance of the Magnificent 7* and market returns will broaden in financial year 2025 and beyond, as valuations and earnings revisions become less compelling for that group. In fact, we can already see dispersion of returns between them.

The Magnificent 7* companies are spending record levels on capital expenditure and will need to show a return on this spend shortly. Recent narrative suggests that demand still outweighs supply, but this is coming to the point where more questions are being asked. Additionally, 2026 is looking like a tough year in terms of comparison.

We continue to find attractive valuations and investment cases that will work well if the market rotates away from its narrow leadership.

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All data are sourced from Bloomberg and Allianz Global Investors as at 31 August 2025 unless otherwise stated.

* Magnificent 7 refers to a group of US stocks which includes Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla.

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