

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 May

While May did not quite match the volatility we saw in April, the month was far from quiet. Despite numerous messages and headlines from the White House regarding trade, monetary policy, and geopolitics – some of them contradictory – global equity markets had a very strong month, with US indices outperforming their European peers. Still, for the year, European indices have left the US in the dust, with gains of around 20% in Italy and Germany. The big story of the month was the rise in long-term yields – not only in the US but globally. Usually a negative for risk assets, markets have so far shrugged off the ascent in yields.

Investor sentiment was bolstered by de-escalating fears of a global trade war and a slew of positive corporate earnings releases. This overshadowed market jitters over the passage of President Donald Trump's "big, beautiful" bill of sweeping tax cuts and the launch of a new trade offensive against the European Union (EU). However, tariff whiplash was rekindled at month end, with global equities soaring on news that the New York-based Court of International Trade had blocked the US president's tariffs, before pulling back after the tariffs were reinstated by a US appeals court. Market sentiment deteriorated further after an abrupt re-escalation of US-China trade tensions and the announcement of Trump's plans to double tariffs on steel and aluminium to 50%.

All but a handful of countries posted positive returns in May, led by offshore China and the US. At a sector level, Information Technology was the strongest performer in the MSCI All Country World Index amid a slew of positive

earnings releases. Communication Services, Industrials and Consumer Discretionary stocks also posted strong returns in May, with Health Care the only sector to end the month in the red.

Portfolio Review

The Health Care sector continued to impair performance over May. An overweight to the Health Care sector detracted as the sector suffered over the month. Within the sector, a health insurance and services company particularly disappointed with the announcement of the CEO stepping down and the withdrawal of their guidance for the rest of the year. We are doing significant work here to gauge recovery potential.

Technology had a mixed impact. With the sharp rebound of the sector in the month, our holdings in Microsoft, Taiwan Semiconductor Manufacturing Company (TSMC), and a financial services software company all featured in the positive contributors – as well as a lack of exposure to a computer and consumer electronics manufacturer that suffered after posting disappointing results with reduced guidance due to weakness in China and tariffs headwinds. Our underweight position in a graphics processing unit manufacturer impaired performance as the stock performed well for the month on the back of strong results.

Significant Transactions

We started a new position in a content-driven technology conglomerate. We think its legal research platform business is set to be a significant total addressable market (TAM) winner in generative artificial intelligence (AI) for the legal profession and there is a good chance the consensus numbers are too low.

We added to a life science and medical equipment manufacturer, and a Chinese ecommerce giant on weakness. We trimmed TSMC, the afore-mentioned financial services software company, and a cyber security provider on excessive strength.

Market Outlook

Global equity markets have cross winds that leave investors divided between taking the optimism of the tariff de-escalation and the pessimism of leading indicators looking poor.

We have mentioned before that there is a stagnant nature to many broad economic and consumer categories and have maintained that AI-related exposure is the one constant through what has been large spikes in uncertainty.

We are constructive on our positioning which has slightly less cyclical and a mild defensive growth tilt but we have acted where excessive moves have happened in both directions and this continues to be our strategy through this uncertainty.

In the short term, we will see slightly weaker momentum in cyclicals and as such, the narrative for a rebound in H2 becomes even more important. We believe that stockpicking will be far more important this year, and a muted style exposure combined with positions that are accessing the AI theme (that continues to be prevalent) will lead to outperformance.

Connect with Us

sg.allianzgi.com

+65 6438 0828

Search more



Allianz Global Investors

Like us on Facebook [Allianz Global Investors Singapore](#)Connect on LinkedIn [Allianz Global Investors](#)Subscribe to YouTube channel [Allianz Global Investors](#)

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

The information presented here is intended for general circulation and does not constitute a recommendation to anyone; it also has not taken into account the specific investment objectives, financial situation or particular needs of any particular person. Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this publication but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself. Past performance of the fund manager(s) and the fund is not indicative of future performance. Prices of units in the Fund and the income from them, if any, may fall as well as rise and cannot be guaranteed. Distribution payments of the Fund, where applicable, may at the sole discretion of the Manager, be made out of either income and/or net capital gains or capital of the Fund. As a result of the payment, the Fund's net asset value is expected to be immediately reduced. The dividend yields and payouts are not guaranteed and might change depending on the market conditions or at the Manager's discretion; past payout yields and payments do not represent future payout yields and payments. Investment involves risks including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. The Fund may invest in financial derivative instruments and/or structured products and be subject to various risks (including counterparty, liquidity, credit and market risks etc.). Environmental, Social and Governance (ESG) strategies consider factors beyond traditional financial information to select securities or eliminate exposure which could result in relative investment performance deviating from other strategies or broad market benchmarks. Past performance, or any prediction, projection or forecast, is not indicative of future performance. Investors should read the Prospectus obtainable from Allianz Global Investors Singapore Limited or any of its appointed distributors for further details including the risk factors, before investing. The duplication, publication, extraction, or transmission of the contents, irrespective of the form is not permitted, except for the case of explicit permission by Allianz Global Investors. This publication has not been reviewed by the Monetary Authority of Singapore (MAS). MAS authorization/recognition is not a recommendation or endorsement. The issuer of this publication is Allianz Global Investors Singapore Limited (79 Robinson Road, #09-03, Singapore 068897, Company Registration No. 199907169Z).