

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 March

News flow and market volatility was shaped by the conflict that has been ongoing throughout the whole of March between US-Israel and Iran. This saw a widespread sell-off across virtually all asset classes. As a result of the conflict, the Strait of Hormuz, which sees around 20% of global oil pass through, was shut sending oil prices significantly higher touching USD 120 a barrel towards the end of the month. While this is yet to fully filtrate into inflation, central banks are aware of the potential for this to occur if the conflict is prolonged. The US Federal Reserve (Fed) kept its funds rate on hold at 3.50%-3.75% in March and commented on the risk of elevated inflation and the impact the conflict would have on growth, which gave some hope of further cuts later in the year.

On a regional basis, Asia saw significant declines as investors fled to regions and asset classes with lower beta in times of uncertainty. This was not a standout region as US and European equities also had notable declines due to the conflict. Europe, which is more reliant on importing oil, had more significant losses compared to the US.

Most sectors were down for the month with Energy being the only outlier as the rising price of oil was a direct benefit to the sector, which was up approximately 10%. Investors fled to safe-haven sectors with Telecoms being a notable performer, while more cyclical sectors, such as Consumer Discretionary, and those adversely correlated to rising energy prices, such as Industrials, were negatively impacted. Surprisingly, gold did not act as a safe-haven asset and was also down for the month as rising yields impacted the non-yielding commodity.

Portfolio Review

The Funds' exclusion to oil and gas was a significant detractor for the month, which saw the Energy sector rally due to the rising oil prices. However, total relative losses were largely contained by stock selection within other sectors.

The rising energy prices heavily impacted on our overweight position in Industrials, which is influenced by rising energy prices with Saint Gobain, Schneider Electric, Kingspan and Hitachi, all among the top detractors for the month. Outside of Energy, this sector allocation hindered performance the most.

The Information Technology sector saw a significant sell-off, which was most prominent in the memory sector with SK Hynix and Samsung both down approximately 25% for the month as investors took profits on the strong rally. This benefitted the Fund which did not hold positions in these equities.

Stock selection within Materials and Financials was also beneficial for the month with Linde, London Stock Exchange and AIA all marginally benefitting performance.

Conversely, stock selection in Consumer Staples did impact performance, notably Reckitt Benckiser which was the top detractor for the month. This was largely due to margin pressure and slower volume growth reported early in March as the company commented on a weaker-than-expected cold and flu season which will impact the health segment of the business in Q1.

The Fund bought a position in Siemens Energy, a worldwide renewable energy company with operations across the full energy value chain from generation and transmission, to technical consultancy, operation and maintenance services. The business' scale and diversification across the value chain offers stability in earnings supported by a strong balance sheet. We see this as a strong beneficiary of the growing electrification theme that is becoming ever more prevalent and topical as power demand and resilience are becoming increasingly important.

Market Outlook

The Iran conflict is likely to continue to dominate investor discussions in the coming weeks as a conclusive ceasefire seems to still be uncertain. While conversations between parties are beginning to emerge, we cannot predict with any confidence the extent or pace of a truce. If the disruption proves short lived, market attention should soon revert to developments in artificial intelligence (AI) and key macroeconomic indicators such as Fed policy, inflation, and labour market dynamics. However, a more prolonged escalation could pose a materially greater risk to financial markets.

We have maintained a defensive tilt within the portfolio to withstand the expected volatility in global markets over the coming weeks and months. We have also been increasing our positioning towards 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 31 March 2026 unless otherwise stated.

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