

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 March

March was, in general, a disappointing month for global equities amid ongoing uncertainty regarding President Donald Trump's erratic trade policy. Stock markets weakened sharply at month end ahead of the president's self-dubbed "Liberation Day" of sweeping tariffs on 2 April. Continued conflict in Ukraine and Gaza, alongside escalating concerns surrounding Iran's nuclear programme, further compounded market jitters.

US stocks retreated as recession fears weighed on investor sentiment. European shares also moved lower as hopes for a ceasefire faltered in Ukraine and the region braced itself to be next in Trump's crosshairs, while Japanese stocks also stumbled. In contrast, emerging markets held up better. At a sector level, Information Technology (IT), Consumer Discretionary and Communication Services stocks were the weakest in the MSCI All Country World Index, while Energy and Utilities were the only sectors to post positive returns.

Portfolio Review

Sector allocation was supportive over March. Our underweight positions in Consumer Discretionary and Communication Services helped in the light of the weakness of these sectors. Our overweight in Health Care was also positive as the

sector performed better after a weak performance in the previous month. Stock selection in Technology, Health Care and Real Estate proved particularly helpful over the month.

Contributors

UnitedHealth, a US health care company, performed strongly in March, bouncing back from a weaker performance in February. The easing of litigation concerns has contributed to the rebound in its share price. Meanwhile, a German insurer experienced robust growth, driven by the release of a set of positive financial results. Telecom operator American Tower maintained positive performance for the second consecutive month, benefitting from the sector's overall strength.

Detractors

Following a period of strong performance, Morgan Stanley suffered in March due to growing concerns about the deterioration of the US economy, which adversely affected financial stocks.

Technology stocks, particularly those in the artificial intelligence (AI) sector, experienced a downturn following their previous strong performance, as future capital expenditure requirements for AI are being reassessed following the announcement of an emerging Chinese startup, which launched an open-sourced AI model. Whilst a lack of exposure to a graphics processing unit manufacturer was a positive, our holdings in a supplier of materials for the semiconductor and other high-tech industries, and a provider of enterprise IT management software detracted.

Significant Transactions

Over the month, we sold our positions in an energy company, an Indian bank, a semiconductor company, and a biotechnology company. We sold the energy company as we broadened our exclusion list for the oil and gas sector. The Fund now excludes companies that derive 1% or more of their revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite; companies that derive 10% or more of their revenues from the exploration extraction, distribution or refining of oil fuels; companies that derive 50% or more of their revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels; companies that derive 50% or more of their revenues from electricity generation with a greenhouse gas (GHG) intensity of more than 100g CO₂ e/kWh.

We initiated new positions in a video game company and a Chinese internet stock. The former stands as a high-margin, first-party Intellectual Property (IP) powerhouse with a uniquely engaging ecosystem. The remarkable success of its video game console, with over 155 million units sold, strong digital attach rates, and enduring software sales, has cultivated an engaged user base. This positions the second generation of the console (just launched) for a highly lucrative upgrade cycle, bolstered by expanding digital monetisation, an increasing subscription base through the company's paid online game service, and cross-media IP monetisation.

We also initiated a position in the Chinese internet stock mentioned previously. It operates a portfolio of businesses spanning ecommerce, cloud computing and digital media. Its cloud computing business is the largest in China and has experienced an inflection in demand driven by AI. The company is ideally positioned to benefit from the positive AI momentum currently being witnessed in China.

Market Outlook

Trump's measures are likely to impact economic growth in the US and internationally which will create volatility in markets. Investors will closely watch whether the weak soft data will flow into hard data. The release of corporate

earnings in the next few weeks will give us a better understanding of how politics and uncertainty are affecting corporates.

The Fund remained well positioned for the current environment. Volatility in markets might provide interesting entry points. As markets question the trajectory of the economy, there could be a rotation into the sustainable growth that we are looking for, and as ever, we focus on companies with very strong balance sheets that provide stability during periods of market turbulence.

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

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