Allianz Global Investors

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 August

Global equities advanced in a turbulent August. Markets initially welcomed Oman-mediated efforts to secure an interim peace agreement between the US and Iran and reopen the Strait of Hormuz, helping reduce immediate fears of a prolonged disruption to global energy supplies. However, investor optimism proved short-lived as attacks on commercial shipping resumed and tensions between Washington and Tehran escalated again. Sentiment later improved after the US announced a new package of sanctions on Iran and its trading partners that was ultimately viewed as less severe than feared by markets. Ultimately, a very robust earnings season seems to have trumped the disappointment in the Middle East.

Monetary policy also returned to the forefront of investor attention. US Federal Reserve (Fed) Chair Kevin Warsh delivered a notably hawkish speech at the Jackson Hole symposium, reinforcing expectations that interest rates may need to remain higher for longer in response to persistent inflationary pressures. Higher gold and oil joined higher bond yields and slightly higher near-term interest rate expectations hurting bond proxies.

Sector performance was highly dispersed. Materials, Information Technology and Energy were among the strongest areas of the market but within the sectors we saw a very strong performance of highly shorted sectors such as software, along with some catch up in gold-related equities that has been weaker year-to-date. Energy benefitted from the rising geopolitical risk premium in oil prices. Classical bond proxy sectors, such as Utilities, Consumer Staples and Real Estate, lagged as investors favoured businesses with stronger earnings momentum and greater exposure to structural growth themes or inflation beneficiaries.

Portfolio Review

Stock selection was the primary detractor from relative performance during the month. While sector allocation had a modest negative impact, the majority of underperformance was driven by individual stock movements.

Markets continue to scrutinise strong Information Technology results

Stock selection in Information Technology was the largest source of weakness as momentum names sold off and heavily shorted names performed better. Despite continuing to deliver strong operating fundamentals, several holdings exposed to the artificial intelligence (AI) infrastructure buildout experienced profit taking as investors questioned the durability of future growth. Our holding in Applied Materials was the most significant detractor. The company reported results that exceeded expectations and raised guidance, yet shares sold off as investors adopted a more cautious stance towards semiconductor equipment manufacturers after a prolonged period of strong performance. Similar weakness was seen across several holdings, including MKS Instruments and Texas Instruments along with Amer Sports in the Consumer Discretionary sector. They all beat and raised but lagged during the month and we have since added to these positions as we think they will outperform as liquidity returns post the summer.

Industrials stock selection was beneficial

In contrast, Industrials was the strongest contributor to stock selection and a significant offset to weakness elsewhere. Kingspan was the largest positive contributor during the month following an encouraging earnings release and the announcement of its acquisition of BMC Manufacturing, an Irish manufacturer of power systems for data centres. Investors reacted positively to the strategic rationale of the deal, particularly its exposure to infrastructure supporting data centre demand, which remains one of the strongest themes associated with AI deployment. WSP Global also delivered strong performance after reporting robust results and continued evidence of healthy end-market demand across engineering and infrastructure projects.

Transactions

During the month, we initiated a position in Arista Networks, a provider of high-performance ethernet hardware and software for cloud, AI and enterprise data centre connectivity. We see an attractive opportunity in computer networking infrastructure as data centre architectures evolve to support increasingly complex AI workloads. The company combines strong competitive positioning, attractive profitability and exposure to a very compelling long-term growth trend within global technology. The market has placed a significant focus on short-term debates around the company and has undervalued the size of the expanding market that Arista sits within.

Market Outlook

Looking ahead, we remain focused on the upcoming US midterm elections and the Iranian conflict which we believe are the two most dominant risks the market currently faces. On the positive, we see enterprise adoption of AI driving unprecedented spend and optimism which we are well placed to benefit from.

Given this dynamic environment, we continue to maintain a balanced portfolio, emphasising quality sustainable companies with resilient earnings and durable competitive advantages. We see this dispersion as an opportunity to add to companies with durable, long-term investment cases that have sold off alongside weaker, more crowded names, and continue to identify such positions where valuations have become disconnected from fundamentals. It is becoming clear

that the super cycle of AI spend is stimulating much broader economic growth and the Fund is well positioned for that environment whilst providing plenty of resilience to any shocks in confidence.

The broadening of market leadership during the summer has created attractive opportunities across a wider range of sectors and industries. Areas of the market that were previously difficult to justify on valuation grounds have experienced periods of consolidation, allowing us to establish or add to positions where long-term fundamentals remain compelling. This is reflected in the increased level of portfolio activity during recent months as we have sought to capitalise on a richer opportunity set.

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All data are sourced from Bloomberg and Allianz Global Investors as at 31 August 2026 unless otherwise stated.

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