

# Allianz Smart Energy

## Monthly commentary

### Investment Objective

The Fund aims at long-term capital growth by investing in global equity markets with a focus on companies with an engagement in the area of transition of energy usage in accordance with environmental and social characteristics.

### What Happened in April

Global equities had another volatile month in April. Stocks initially plummeted amid fears that the global response to President Donald Trump's "Liberation Day" tariff offensive would plunge the global economy into recession but recovered most of their earlier losses when the president announced an abrupt U-turn to provide scope for trade negotiations. Trump's subsequent attack on US Federal Reserve (Fed) Chair Jerome Powell for not cutting interest rates heightened concerns over the central bank's independence and prompted a renewed sell-off, although easing tariff tensions and optimism around Q1 corporate earnings releases brought some welcome respite near month-end.

At a sector level, Energy was the weakest sector in the MSCI All Country World Index, dragged lower on falling oil prices. Meanwhile, Consumer Staples and Utilities delivered positive returns as investors rotated into defensive names. Information Technology and Communication Services stocks also staged a partial comeback near month-end on optimism around corporate earnings releases.

Global bonds advanced over April. European bonds rallied the most as hopes grew that the European Central Bank (ECB) and Bank of England (BoE) would continue to cut rates. In the US, the yield curve steepened, with short-term yields falling sharply while the 30-year Treasury bond yield rose, amid growing fears that President Donald Trump would interfere with the Fed's independence in his quest for lower interest rates. Credit markets generally lagged government bonds.

Escalating fears of a global trade war and slowing global growth dominated the headlines for most of April, with investors and policymakers alike grappling with President Donald Trump's whipsawing tariff chaos. The Bank of Japan (BoJ) and the People's Bank of China (PBoC) held key lending rates steady at their meetings during the month. Meanwhile, the ECB cut interest rates by 25 basis points (bps) to 2.25%, as widely anticipated, citing the deteriorating growth outlook due to rising trade tensions.

Oil prices fell in April as heightened trade tensions clouded the outlook for global energy demand. Brent crude prices tumbled, briefly dipping below USD 60 a barrel – the lowest level in more than four years.

## Portfolio Strategy and Activity

The Fund outperformed its benchmark, the MSCI AC World Index. After financial markets were shaken by Donald Trump's "Liberation Day", shares tumbled in a sharp risk-off move. However, towards the end of the month, markets were able to recover most losses.

Among the best performers, Iberdrola stood out in the flight to safety. The utilities giant reported better-than-expected Q1 earnings, pushing the stock higher. Secondly, an electronics components maker reported very good Q1 results and gave a positive outlook for the data centre business. Lastly, a cable specialist reported revenues only but nevertheless convinced the markets and attracted upgrades by the sell side.

Conversely, the worst performers include a Japanese semiconductor manufacturer, which over-proportionally lost from the concern around trade tariffs and Japanese yen strength. The company reported good quarterly numbers, but the stock price could not return to previous levels. The same developments were true for a manufacturer of smart home appliances, which were hit by trade concerns and could not even fully recover over the course of April despite good results. Lastly, a software-driven home energy solutions provider continued its decline, reporting poor Q1 numbers on uncertainty around solar policies in the US and Europe.

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