

# Allianz Thematica

## Monthly commentary

### Investment Objective

The Fund aims at long-term capital growth by investing in global equity markets with a focus on theme and stock selection in accordance with the Sustainability Key Performance Indicator Strategy (Absolute Threshold). In this context, the aim is to target a specific minimum allocation into sustainable investments to achieve the investment objective.

### 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.

## Performance Analysis

The Fund returned negatively (in EUR, gross of fees) in April, outperforming global equity markets as represented by the MSCI AC World index. Stock selection as well as sector allocation have been a positive driver to overall performance. The Fund benefitted from the overweight to Industrials as well as the underweight to Energy and Health Care. The underweight to Consumer Staples, Communication Services and Financials has been a negative contributor.

From a thematic perspective, the Fund benefitted from the exposure to themes like Infrastructure and Intelligent Machines which have been positive contributors to overall performance. Themes like Clean Water and Land as well as Digital Finance slightly detracted over the course of April.

From a single stock perspective, the Fund benefitted from the exposure to ServiceNow (Artificial Intelligence (AI) Adaption), and a cyber security company (AI Adaption) after both companies reported decent earnings. Iberdrola (Infrastructure) has been among the positive contributors as well. A fintech and payments company (Digital Finance), and a Chinese ecommerce platform (AI Adaption) detracted slightly.

Considering the heightened market uncertainty and the not entirely unwarranted fears surrounding a potential reset of global supply chains and a move towards regionalised protectionism, we have decided to adjust our exposure within thematic allocations. In recent days, we have proactively taken steps to de-risk the portfolio by exiting higher-beta stocks that we deem more susceptible to setbacks from escalating tariffs. In their place, we have added exposure to lower-beta names, particularly in areas like Utilities, which are more insulated from global trade disruptions. We maintain full confidence in our current thematic selections and their underlying beneficiaries. We also anticipate that markets may overreact to the present uncertainty. As such, we will continue to monitor thematic corrections closely and may consider them as potential buying opportunities during this period of adjustment.

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