

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 environmental and social characteristics.

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, 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.

Escalating fears of a global trade war and slowing global growth dominated economic news for much of the month. The US Federal Reserve (Fed) and Bank of England (BoE) held rates steady, as did the Bank of Japan (BoJ). Meanwhile, the European Central Bank (ECB) cut its key interest rates by 25 basis points (bps) to 2.5%, as expected, and slashed its gross domestic product (GDP) growth outlook for 2025, citing the erratic tariff environment and heightened economic uncertainty. Germany's decision to step up government spending to fund higher defence and infrastructure investment may yet prove to be a game changer for the European economy.

In currency markets, the US dollar weakened, reflecting growing concerns over the US growth outlook. While the Japanese yen appreciated slightly against the dollar, it lost ground against the euro which was buoyed by optimism over improving growth prospects in Europe following Germany's decision to relax its debt brake. Brent crude briefly fell back below USD 70 a barrel – the lowest level since December 2021. Meanwhile, gold continued to advance on safe-haven demand, breaching USD 3,100 an ounce for the first time on record.

Performance Analysis

The Fund returned negatively in March, lagging global equity markets as represented by the MSCI AC World Index. Stock selection as well as sector allocation have been a drag to overall performance. The Fund benefitted from the overweight to Utilities, Industrials and Materials, while it suffered from the underweight to Financials and the overweight to Information Technology.

From a thematic perspective, the theme Intelligent Machines suffered the most due to the negative news flow associated to global tariffs. Digital Finance and Artificial Intelligence (AI) Adoption have been weaker as well because Technology companies have been hurt by the recent turmoil. On the positive side, infrastructure related themes like Clean Water and Land as well as Infrastructure benefitted from positive announcements in Germany after the new government passed a huge stimulus program. Stock selection has been weak in the technology-related themes like AI Adoption.

On the one hand, the Fund benefitted strongly from the underweight to the “Magnificent Seven” (+88 bps) but suffered from weaker developments from companies like a producer of precision control equipment and components, a database platform, and a supplier of semiconductor testing and electronic measuring instruments. Companies with exposure to the infrastructure theme like Iberdrola, Enel, and a Chinese mining company have been among the positive contributors.

In our view, a diversified multi-thematic portfolio continues to offer many opportunities for investors to benefit from structural megatrends in the current year. Regarding the positioning, we have moved to a higher degree of concentration as we have sought to strengthen our investment conviction.

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

*Magnificent Seven refers to a group of US stocks which includes Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla.

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