Allianz Global Investors

Allianz
US Equity Fund

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth by investing in companies of the United States of America equity markets with a minimum market capitalisation of USD 500 million.

What Happened in March

In March, the US equity market took a significant hit, with the S&P 500 Index falling by -5.63%. The decline was fuelled by a combination of factors, including increased policy uncertainty from the new administration, particularly around trade. This uncertainty led to a significant drop in consumer and corporate confidence, as seen in negative guidance from retailers, airlines and homebuilders. The Nasdaq Composite Index suffered even more, declining by -8.21%, largely due to the underperformance of the “Magnificent Seven”^ stocks.

Despite the Federal Open Market Committee’s (FOMC’s) stance, which noted that tariff impacts on inflation were temporary and announced a larger-than-expected tapering of quantitative tightening, the market remained largely unaffected. The market's cautious sentiment was further highlighted by a significant rally in gold, and a 3.2% decline in the dollar index, signalling a shift in global economic sentiment and a flight to safe-haven assets.

Performance Review

For the month of March, the Fund underperformed the benchmark, the S&P 500 Index, on a gross- and net-of-fees basis due to unfavourable stock selection. Stock selection within the Financials, Energy, Real Estate and Utilities sectors contributed slightly positive returns and contributed the most to performance. However, stock selection within Information Technology, Communication Services and Industrials sectors detracted the most.

Contributors

Owning a non-benchmark position in an electronic trading platform contributed to performance this month. The company reported strong profits and a year-over-year increase in average daily volume. Q4 sales also showed growth compared to the prior year.

An overweight position in a natural gas production company contributed to performance this month. Following strong quarterly results reported in late February, the stock benefitted from an announced addition to the S&P 500 Index.

An overweight position in a consumer health company positively impacted performance this month, supported by robust demand from an active cold and flu season and increased investor preference for Staple stocks amid recent market volatility.

Detractors

Holding a non-benchmark position in a software company specialised in collaboration tools designed for software development and project management negatively impacted performance, as weaker-than-expected earnings and concerns over slowing cloud growth weighed on the stock. Uncertainty surrounding tariffs added to investor caution.

Not owning a diversified holding company was also a major detractor this quarter. The company reported record annual profits driven by strong underwriting and strength in the property and casualty insurance segment. The stock also benefitted from a "flight to safety" in a volatile market environment.

Holding a non-benchmark position in a social media platform negatively impacted performance this month, as shares declined after its February earnings report. While overall results exceeded expectations, revenue came in a little lighter and management reported a sequential decline in US daily active users (DAU). With investor sentiment already elevated, the stock reacted negatively to these results.

Purchases and Sales

This month, we initiated a new position in an enterprise information management software provider. We expect current strong bookings growth to transition into revenue growth. As a low-cost provider of cloud and artificial intelligence (AI) services, the company is poised to maintain its strong business momentum.

We eliminated our position in an American international chain of restaurants that primarily sells buffalo wings given concern regarding near-term fundamental factors and to reduce our higher beta position.

We eliminated our position in a provider of infrastructure semiconductor solutions due to concerns over near-term fundamental factors and the delayed impact of new programmes, which are pushing sales into late 2025 and early 2026.

We also eliminated our position in a cloud-based data monitoring and analytics platform due to concerns that it is more exposed to an economic slowdown. Although its valuation has pulled back, it remains elevated relative to the broader market.

Finally, we eliminated our position in a provider of electronic signature solutions as recent data points in small and medium business (SMB) spending cause concern regarding 2025 revenue and margin expectations.

Market Outlook

The outlook for US equities in the coming period remains cautious, amid a mix of economic and market factors. While the labour market remains strong and inflation pressures have eased, broader economic uncertainty and tariff uncertainties continue to pose significant risks. Policymakers will need to navigate through these challenges carefully to make sure the economy continues to grow and remain stable.

All data are sourced from Bloomberg and Allianz Global Investors dated as of 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.