



# SRI strategies in times of crisis

Active is: Investing sustainably to maneuver our clients' investments in times of crisis

May 2020

- Allianz Global Sustainability aims at long-term capital growth by investing in global equity markets of developed countries in accordance with the Sustainable and Responsible Investment Strategy (SRI Strategy) which considers various criteria regarding social and environmental policy, human rights, and corporate governance.
- The Fund is exposed to significant risks of investment/general market, SRI strategy investment, company-specific, emerging market, liquidity and currency.
- The Fund may invest in financial derivative instruments ("FDI") which may expose to higher leverage, counterparty, liquidity, valuation, volatility, market and over the counter transaction risks. The Fund's net derivative exposure may be up to 50% of the Fund's net asset value.
- This investment may involve risks that could result in loss of part or entire amount of investors' investment.
- In making investment decisions, investors should not rely solely on this material.

**Note:** Dividend payments may, at the sole discretion of the Investment Manager, be made out of the Fund's capital or effectively out of the Fund's capital which represents a return or withdrawal of part of the amount investors originally invested and/or capital gains attributable to the original investment. This may result in an immediate decrease in the NAV per share and the capital of the Fund available for investment in the future and capital growth may be reduced, in particular for hedged share classes for which the distribution amount and NAV of any hedged share classes (HSC) may be adversely affected by differences in the interests rates of the reference currency of the HSC and the base currency of the Fund.

## Market review

The COVID-19 global pandemic has resulted in the kind of market volatility that has not been seen since the 2008 financial crisis. The global economy has quickly fallen into a deep near term recession given a synchronised contraction in economic activity across the world. Fears surrounding the coronavirus outbreak are leading consumers and companies to cut back on spending, with a number of countries having gone into lockdown. Meanwhile, tightening financial conditions, supply chain disruptions and the oil price war have also added to these downside risks.

The health crisis unfolding across the world has dramatically re-shaped expectations for both the monetary and fiscal policy response. To date, the monetary and fiscal policy responses have been designed to prevent a widespread liquidity crisis. Most central banks in the developed world have cut their policy interest rates back towards zero and many have restarted or scaled up their asset purchase programmes. The US Federal Reserve (Fed) has wheeled out new facilities, as well as facilities it used during the 2008 financial crisis. The Fed also re-started swap lines with other central banks to ease a global shortage of US dollars; the trade weighted US dollar, having risen to its highest level since early 2017, retraced some of these gains by month-end.

The fiscal stimulus measures announced by many developed market governments amount to some of the largest seen since World War 2. Measures have included comprehensive safety

nets for companies and their employees, public guarantee schemes and deferred tax payments.

In 2019, capital market participants have been debating on where we stand in the business cycle and when to expect a global economic recession. With the COVID-19 pandemic the global economy is in recessionary territory with no doubt. It is probably just a matter of time until business associations and economists will increase the pressure on politics and regulation to accompany monetary and fiscal measures by loosened environmental and social standards as additional support for companies. Research shows, however, that the evolution of the Corona virus (and others we have seen in the past like SARS, Ebola, avian influenza, etc.) can often be associated with environmental changes or ecological disturbances, such as agricultural intensification and human settlement, or encroachments into forests and other habitats. In addition, experts suggest that virus epidemics are often triggered by events such as climate change, flooding and famines. In other words, in order to decrease the likelihood of future pandemics, politics must follow the roadmap to a more sustainable economy and society, and continue to fight climate change. This requires a longer term perspective, and with this in mind we would like to remind our clients that investing sustainably means to reflect on the individual investment horizon.

## Sustainable and Responsible Investment (SRI)

By avoiding controversial investments and focusing on best-in-class securities, sustainability strategies provide downside risks mitigation in times when you need it the most – at least over the first 3 months of 2020.

### Allianz Global Sustainability

#### Portfolio Update

The Fund's exposure to quality companies with sustainable characteristics and exposed to structural growth trends led to a more defensive footprint in comparison to the broader equity markets which was beneficial for performance. We have used recent market volatility to make long-term investments in quality growth names we have been assessing for some time, but now is not the time for excessive trading. More than ever, maintaining focus on our investment philosophy and process will be key to delivering potential returns.

#### Fund Details

Share Class ^	Class A (EUR) Dis.	Class A (USD) Dis.	Class AM (USD) Dis.	Class AM (H2-USD) Dis.	Class AM (H2-SGD) Dis.	Class AMg (USD) Dis.
Benchmark	DOW JONES Sustainability World Index (Total Return)					
Fund Manager	Paul Schofield					
Fund Size <sup>1</sup>	EUR 616.11m					
Number of Holdings	48					
Base Currency	EUR					
Subs. Fee (Sales Charge)	Up to 5%					
Mgmt. Fee (All-in-Fee <sup>2</sup> )	1.80% p.a.	1.80% p.a.	1.80% p.a.	1.80% p.a.	1.80% p.a.	1.80% p.a.
Total Expense Ratio <sup>3</sup>	1.86%	1.86%	1.90%	N/A	N/A	1.90%
Unit NAV	EUR 26.89	USD 29.04	USD 8.96	USD 8.48	SGD 8.43	USD 8.85
Inception Date	02/01/2003	02/01/2003	01/08/2019	02/01/2020	02/01/2020	01/08/2019
Dividend Frequency <sup>4</sup>	Annually	Annually	Monthly	Monthly	Monthly	Monthly
ISIN Code	LU0158827195	LU0158827948	LU2023251221	LU2089283258	LU2089284900	LU2028103732
Bloomberg Ticker	DREGLSU LX	DREGSAX LX	AGSAMUS LX	ALGSAHU LX	ALGSAHS LX	AGSAMGU LX

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Source: All fund data quoted are Allianz Global Investors/IDS GmbH/Morningstar, as at 31/03/2020, unless stated otherwise.

^ The currency-hedged share classes are not recommended for investors whose base currency of investment is not in respective hedged currencies.

1. The Fund Size quoted includes all share classes of the Fund.
2. The All-in-Fee includes the expenses previously called management and administration fees.
3. Total Expense Ratio (TER): Total cost (except transaction costs) charged to the Fund during the last financial year (as at 30/09/2019) expressed as a ratio of the Fund's average NAV. For share classes that have been incepted for less than one year as at close of the last financial year (please refer to the Inception Date in the Fund Details table), the TER will be annualised. For share classes incepted after the close of the last financial year, the TER will be reflected as N/A.
4. Dividend payments are applicable for Class A Dis (annual distribution), Class AM Dis (monthly distribution) and for Class AMg Dis (monthly distribution), and for reference only. Yields are not guaranteed, dividend may be paid out from capital (Class A/AM/AMg). This may result in an immediate decrease in the NAV per share and may reduce the capital available for the Fund for future investment and capital growth. Positive distribution yield does not imply positive return.

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Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Past performance is not indicative of future performance. Investors should read the offering documents for further details, including the risk factors, before investing. This material and website have not been reviewed by the Securities and Futures Commission of Hong Kong. Issued by Allianz Global Investors Asia Pacific Limited. Allianz Global Investors Asia Pacific Limited (27/F, ICBC Tower, 3 Garden Road, Central, Hong Kong) is the Hong Kong Representative and is regulated by the Securities and Futures Commission of Hong Kong (35/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong).