Allianz Global Investors

Allianz Europe Equity Growth

Monthly commentary

- The Fund aims at long-term capital growth by investing in European equity markets with a focus on growth stocks in accordance with environmental and social characteristics. With the adoption of the Sustainability Key Performance Indicator Strategy (Relative) ("KPI Strategy (Relative)"), the Fund aims to achieve the reduction in greenhouse gas emissions ("GHG") of the Fund's portfolio which shall be at least 20% lower than that of its benchmark within the same period ("Sustainability KPI").
- The Fund is exposed to significant risks of investment/general market, country and region, European country and company-specific. The economic and financial difficulties in Europe may get worse and thus may adversely affect the Fund (such as increased volatility, liquidity and currency risks associated with investments in Europe).
- The Fund is exposed to sustainable investment risks relating to KPI Strategy (Relative) (such as foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities when it might be disadvantageous to do so or relying on information and data from third party ESG research data providers and internal analyses which may be subjective, incomplete, inaccurate or unavailable). The Fund focuses on the Sustainability KPI which may reduce risk diversifications and may be more volatile compared to broadly based funds. Also, the Fund may be particularly focusing on the GHG efficiency of the investee companies rather than their financial performance which may have an adverse impact on the Fund's performance.
- 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.

What Happened in May

European equities moved higher in May, with defence names leading the way amid faltering hopes of a ceasefire in Ukraine. Having sold off sharply mid-month after President Donald Trump threatened to slap 50% tariffs on all of the bloc's exports to the US from 1 June, European markets rebounded on news that Trump had delayed implementation until 9 July to allow more time for negotiations. At a sector level, information technology and industrials stocks were the strongest performers amid a slew of positive earnings releases. Health care stocks brought up the rear, but still managed a modest positive return during the month.

In May, the fund's leading share class made large returns and performed noticeably better than the benchmark. This result was mainly due to beneficial stock selection. This was most successful in the financials, communication services and consumer discretionary areas, whereas stock selection in the industrials, health care and information technology sectors had a detrimental influence. Sector allocation added to the fund's performance. The fund's leading share class overweights in the information technology and industrials areas and its underweight position in the health care sector were highly favourable. On the other hand, a light drag on relative performance, was the overweight of consumer discretionary stocks as well as the underweight of financials companies.

On a single stock basis, our overweight positions in the two German firms, a semiconductors manufacturer and a digital company, as well as Adyen*, a Dutch firm operating in the transaction & payment processing services area, helped most. Our overweight positions in the two Danish firms, a medical device company and a provider of health care products and services, together with our underweight position in a German aerospace & defence company, weighed heavily on the overall result.

Portfolio Review

The Fund continued to focus on European companies that can benefit from long-term competitive advantages, significant pricing power, and high barriers to entry.

In terms of trading activity, we sold a Swedish supplier of electronic equipment & instruments. The fund's top holdings were SAP*, a corporation from the application software sector headquartered in Germany, ASML*, a corporation from the semiconductor materials & equipment sector headquartered in the Netherlands and Dsv A/S*, a Danish company operating in the air freight & logistics area. The fund's heaviest overweights were ASML*, ASSA ABLOY*, a Swedish supplier of building products and Dsv A/S*. On the other hand, the two Swiss corporations, a multinational packaged food company and a pharmaceutical company, as well as a British corporation operating in the personal care products area, were the fund's main underweights at the end of May.

In terms of general portfolio allocation, active management resulted in the following sector and country positionings: the fund was overweight in the information technology, industrials and consumer discretionary areas, while it was underweight in the health care, utilities and consumer staples sectors. From a regional perspective, the fund had an overweight exposure to stocks from Sweden, the Netherlands and Denmark, whereas stocks from the United Kingdom, Switzerland and Italy were underweight.

All data are sourced from Allianz Global Investors, Eurostat, IHS Markit and Office for National Statistics, as at 31 May 2025 unless otherwise stated.

*The information above is provided for the purpose to demonstrate the Fund's investment strategy only, it should not be considered a recommendation nor investment advice to buy or sell any shares of securities. There is no assurance that any securities discussed herein will remain in the Fund at the time you receive this document.