

Allianz Global Sustainability

Monthly commentary

- The Fund aims at long-term capital growth by investing in global equity markets in accordance with environmental and social characteristics. With the adoption of the socially responsible investment ("SRI") (Proprietary Scoring) strategy ("SRI (Proprietary Scoring) Strategy"), the Fund takes into account sustainability factors based on United Nations Global Compact Principles and follows the principles of SRI.
- The Fund is exposed to significant risks of investment/general market, company-specific, emerging market, liquidity, currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation.
- The Fund is exposed to risks relating to SRI (Proprietary Scoring) Strategy investment (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 SRI which may reduce risk diversifications and may have an adverse impact on the performance of the Fund.
- 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, particularly if such HSC are applying the IRD Neutral Policy.

What Happened in October

Global equities moved higher in October as the US Federal Reserve (Fed) cut rates for the second sequential meeting since Trump took the presidency although it's the third since he was elected. Again, the longer end of the bond market didn't quite move as much in sympathy reminding us that there is fiscal fragility to be considered.

The earnings season is well underway, and it has become evident that the significant panic surrounding tariffs in April has been navigated better than expected. What is also true, however, is there is clear economic malaise in the US for the average or median company, and it really is only the names positively exposed to AI (artificial intelligence) that are doing well.

In fact, earnings guidance and results in the consumer space were poor and despite the shut down and lack of official data the sentiment regarding the economy and labour markets is clear.

Inflation data has, however, been more volatile and therefore the weaker guidance has come at a time when rate setters still have inflation fears and so this fragility endures in almost anything outside of the AI trade.

The technology sector rose nearly 10% for the month. South Korea experienced a strong rally, driven by new partnerships with OpenAI and significant momentum from Samsung and SK Hynix. Taiwan also performed well, emerging as another clear beneficiary of these trends.

Europe and LATAM were weaker than the other markets quite simply as their indices are less heavily weighted toward AI. However, we would note the announcement of the partnership between Nvidia and Nokia that took the shares up over 40%. If we needed a reminder of tech concentration, we certainly got one!

Japan moved forward by announcing that Takaichi would become prime minister and we continue to have interest in the region from a stock picking and allocation perspective.

Portfolio Review

We did have some good results in healthcare that supported performance in the month. This comes after the Trump administration began to make deals with two multinational pharmaceutical and biotechnology companies. We expect more to come and this has a chance of boosting the sector's performance.

As you might expect, in a very speculative market, our biggest detractor was our slight underweight to semi-conductors, but we do think the recent run in memory looks very fragile.

We initiated a new position in a Canadian based, global engineering company, that is benefitting from many of the trends that are under significant stimulus today such as increased demand for datacentres and power infrastructure. They are a very successful roll up company with a well-liked management team that delivers consistently on their targets. We think the shares are much more attractively valued than the broader market and they will compound over time.

We did use the very strong run-up in technology companies to trim both a global leader in advanced materials science (memory exposure) and an AI Platform for business transformation (position size).

Outlook and Strategy

The Fund has a slight overweight positioning in the AI winners group with the remainder being relatively defensive prioritizing stable earnings and returns in the current environment of economic uncertainty.

We believe there will be a pause in the outperformance of the Mag 7, and market returns will broaden in FY26 and beyond, as valuations and earnings revisions become less compelling for that group. In fact, we can already see dispersion of returns between them beginning to emerge.

The Mag 7 companies are spending record levels of capex and will need to show a return on this spend shortly. They also running the risk that there simply isn't enough power to satisfy the expectations of the market, and this will be interesting during 2026. The recent narrative is that demand still outweighs supply, but this is coming to the point where more questions are being asked about sustaining this level of performance.

We continue to find attractive valuations and investment cases that will work well if the market rotates away from its narrow leadership.

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All data are sourced from Bloomberg and Allianz Global Investors as of 31 October 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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