

# 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 be more susceptible to fluctuations in value.
- 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 July

Global equities rose modestly in July, bolstered by progress in US trade talks for most of the period. A positive start to the second-quarter earnings season also boosted stocks, although gains were capped after President Trump stepped up his campaign against US Federal Reserve (Fed) Chair Jay Powell, raising concerns about the central bank's independence, as well as by ongoing geopolitical tensions. Turning to sectors, information technology and energy were the strongest sectors in the MSCI All-Country World Index, followed by utilities. Conversely, the health care and consumer staples sectors generated negative returns in July.

Trade talks dominated the headlines for much of July. President Trump's 90-day pause on 'Liberation Day' tariffs expired on 9 July and the president ramped up the pressure on the US's trading partners to sign trade deals by a new deadline of 1 August. Among the most notable trade deals the US signed in July were agreements with Japan and the European Union (EU).

In currency markets, the US dollar clawed back some of its recent losses in July as US economic data remained resilient. In contrast, the euro weakened in the aftermath of the trade deal announced by Washington and Brussels.

## Portfolio Review

The healthcare sector had another poor month of performance and our holding in a health care and well-being company featured as the top detractor over the month. The company has suffered a series of setbacks with the departure of the CEO and a significant profit warning. This was offset by our position in Thermo Fisher\* who was the top contributor over the month having posted a solid set of numbers and given guidance that was well received. Life science and tools healthcare companies had suffered most within the sector in the second quarter, with the pressure on the sector from Trump, despite showing signs that the industry is stabilising. A recovery in their end markets is now expected and the valuation is extremely attractive.

Amongst the top contributors to relative performance, our holding in consumer staples company Reckitt Benckiser\* contributed to relative returns, performing strongly having released better-than-expected results demonstrating solid growth in Emerging markets.

Meanwhile our position in a data provider performed poorly despite posting a solid set of numbers. The stock reacted negatively to the potential impact of artificial intelligence (AI) on their business and their ability to innovate quickly as well as pointing out a disappointing outlook for subscription revenue growth in an environment of heightened pricing competition. We believe concerns regarding both are overdone and we continue to see a business with compounding earnings growth and improving financial quality trading at a discount to peers.

## Outlook and Strategy

The positioning of the Fund continues to be relatively defensive with a focus on predictability of earnings and return in what remains an environment of economic fragility.

We believe there will be a pause in the outperformance of the Mag 7, and market returns will broaden in 2025 and beyond, as valuations and earnings revisions become less compelling for that group of companies. They are spending record levels of capex and will need to show a return on this spend shortly. Recent narrative is that demand still outweighs supply, but this is coming to the point where more questions are being asked as well as 2026 is looking like a tough year in terms of comparison.

From a regional standpoint, Europe is more interesting, although the region is lacking economic impulse. Asia is struggling to show better than expected growth which leaves investors still focused on the US as the economic engine that is firing. We continue to find attractive valuations and investment cases that will work well if the market rotates away from the mega cap AI stocks.

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

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