Allianz Global Investors

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 March

March was, in general, a disappointing month for global equities amid ongoing uncertainty regarding President Donald Trump's erratic trade policy. Stock markets weakened sharply at month end ahead of the president's self-dubbed "Liberation Day" of sweeping tariffs on 2 April. Continued conflict in Ukraine and Gaza, alongside escalating concerns surrounding Iran's nuclear programme, further compounded market jitters.

US stocks retreated as recession fears weighed on investor sentiment. European shares also moved lower as hopes for a ceasefire faltered in Ukraine and the region braced itself to be next in Trump's crosshairs, while Japanese stocks also stumbled. In contrast, emerging markets held up better. At a sector level, Information Technology, Consumer Discretionary and Communication Services stocks were the weakest in the MSCI All Country World Index, while Energy and Utilities were the only sectors to post positive returns.

Portfolio Review

Sector allocation was supportive over March. Our underweight positions in Consumer Discretionary and Communication Services helped in the light of the weakness of these sectors. Our overweight in healthcare was also positive as the sector performed better after a weak performance the previous month. Stock selection in Technology, Healthcare and Real Estate proved particularly helpful over the month.

UnitedHealth*, a US healthcare company, performed strongly in March, bouncing back from a weaker performance in February. The easing of litigation concerns has contributed to the rebound in its share price. Meanwhile, a German insurer experienced robust growth, driven by the release of a set of solid financial results. Telecom operator American Tower* maintained solid performance for the second consecutive month, benefiting from the sector's overall strength.

Following a period of strong performance, Morgan Stanley* suffered in March due to growing concerns about the deterioration of the US economy, which adversely affected financial stocks.

Technology stocks, particularly those in the artificial intelligence (AI) sector, experienced a downturn following their previous strong performance, as future capital expenditure requirements for AI are being reassessed following the Deepseek announcement. Whilst a lack of exposure to semi-conductor company was a positive, our holdings in a supplier of materials for the semiconductor and other high-tech industries, and a provider of enterprise IT management software detracted.

Outlook and Strategy

Trump's measures are likely to impact economic growth in the US and internationally which will create volatility in markets. Investors will closely watch whether the weak soft data will flow into hard data. The release of corporate earnings in the next few weeks will give us a better understanding of how politics and uncertainty are affecting corporates.

The Fund remained well positioned for the current environment; volatility in markets might provide interesting entry points. As markets question the trajectory of the economy there could be a rotation into the sustainable growth that we are looking for, and as ever, we focus on companies with very strong balance sheets that provide stability during periods of market turbulence.

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