

# 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 April

The war in the Middle East entered its second month as ceasefire talks between the US and Iran oscillated between positive developments and further escalation. Such uncertainty kept global bond yields elevated throughout the month. Oil prices also remained elevated throughout the period. While a ceasefire extension early in the month saw Brent crude move lower, this later rebounded as the US began blockading Iranian ports in retaliation to the continued closure of the Strait of Hormuz by Iran. This was further complicated by the perhaps opportunistic United Arab Emirates (UAE) announcing plans to leave the Organisation of the Petroleum Exporting Countries (OPEC) next month.

Central banks around the world had a hawkish tone with the US Federal Reserve (Fed), European Central Bank (ECB) and Bank of England (BoE) all deciding to keep rates on hold. They cited the inflationary pressure brought about by the elevated oil price while also aiming to balance this against the signs of a slightly softer labour market globally and very visible impacts to input prices.

Global equity markets rebounded on sporadic and hard to corroborate news of a ceasefire and were largely unaffected by the escalation later in the month as strong earnings reports gave way to an equity rally led by the US Technology sector. In the month, the S&P 500 gained 10%, while the Technology-heavy Nasdaq jumped 15%. Europe was slightly

behind that but still posting solid gains. In Asia, the tech hubs of South Korea (+30%) and Taiwan (+22%) saw exceptional gains with Japan also significantly higher but lagging the global index.

The narrowness of the market is dramatic (only 5 out of 25 sub-sectors outperformed) and this can be highlighted well by looking at the returns inherent to the Information Technology sector. Whilst semiconductor equities returned a very healthy 26%, software returned 3%. So, whilst the sector itself was the best performing, it is fairly astounding to see that the artificial intelligence (AI) winners and losers segmentation produced very significant deviations. Despite being sectors that generally deals well with a stagflationary backdrop, Energy and Health Care finished the month negative.

### Portfolio Review

The Information Technology sector led the rally this month with the Tech-heavy Nasdaq up 15% for the month. While our top contributors for the month (i.e. Alphabet\*and Amazon\*) were clearly in the AI beneficiaries basket, our stock selection within the semiconductor sub-sector was weak. This is due to the remarkable performances of two US semiconductor companies, which both gained ~110% and ~71% for the month, respectively, and were not held in the portfolio. The detraction from stock selection in the semiconductor industry can be attributed to the narrowness of returns.

Our underweight allocation to Energy was beneficial this month as the fragile ceasefire saw the oil price drop down to the USD 90 per barrel mark before rising again later in the month as the ceasefire came under stress. This saw the oil and gas sector finish the month down overall.

Health Care as a sector continued to struggle with the sub-sector of medtech also remaining out of favour with investors. The Funds' overweight allocation to the sector was negative to performance with a global leader in medical devices, a US life sciences tools and diagnostics company, a Swiss-based eye care company, and a US animal health company, all among the top detractors for the period. These are very attractively valued, but it is harder to say with certainty when that will matter.

During the month, the Fund bought a global freight forwarding business which offers intermedial services between consumer and shipper, organising transportation of its customers' goods via air, sea, road and rail. The business is known for its best-in-class margins with a strong track record of value accretive mergers and acquisitions (M&A). They are currently benefitting from integrating their global logistics and supply chain management company acquisition and are also rolling out AI tools to meaningfully improve the business.

### Outlook and Strategy

The conflict in the Middle East remains a key debate with focus shifting to the longer-term economic impacts that will come from the disruption to supply chains that flow through the region. What is clear, the longer the conflict continues, the greater the impact will be on a global scale and to more than just energy markets. Inflation is going to come in much higher and we are seeing the bond markets begin to price this which is normally cause for prudence.

With over 70% of the MSCI World Index having reported their Q1 results, the strength in the market is clearly driven by the raft of earnings upgrades that are coming from the AI-exposed companies. These are not limited to the hyperscalers, with examples from memory, semiconductor equipment and networking industries also benefitting from the significant demand for compute. The capital expenditure (capex) guidance from the hyperscalers is expected to increase by over 80% this year, after a 73% increase in 2025. The continued capital commitment to the AI theme will bolster the revenue growth of these beneficiaries in the short-term while also putting emphasis on the huge revenues needed to justify this expenditure. What we can say with certainty is enterprise use of AI is exploding and capacity is insufficient at this point, which likely keeps the theme outperforming – albeit in an increasingly volatile fashion.

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All data are sourced from Bloomberg and Allianz Global Investors as of 30 April 2026 unless otherwise stated.

\*Magnificent Seven refers to a group of US stocks which includes Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla.. Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this material but should seek independent professional advice. 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. The Fund is not domiciled in the Macao Special Administrative Region ("Macao SAR"), and its regulatory standards may differ from those applicable in the Macao SAR.