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 May

While May didn't quite match the volatility we saw in April, the month was far from quiet. Despite numerous messages and headlines from the White House regarding trade, monetary policy, and geopolitics—some of them contradictory—global equity markets had a very strong month, with U.S. indices outperforming their European peers. Still, for the year, European indices have left the US in the dust, with gains of around 20% in Italy and Germany. The big story of the month was the rise in long-term yields—not only in the US but globally. Usually a negative for risk assets, markets have so far shrugged off the ascent in yields.

Investor sentiment was bolstered by de-escalating fears of a global trade war and a slew of positive corporate earnings releases. This overshadowed market jitters over the passage of President Donald Trump's 'big, beautiful' bill of sweeping tax cuts and the launch of a new trade offensive against the European Union. However, tariff whiplash was rekindled at month end, with global equities soaring on news that the New York-based Court of International Trade had blocked the US president's tariffs, before pulling back after the tariffs were reinstated by a US appeals court. Market sentiment deteriorated further after an abrupt re-escalation of US-China trade tensions and the announcement of Trump's plans to double tariffs on steel and aluminium to 50%.

All but a handful of countries posted positive returns in May, led by offshore China and the US. At a sector level, information technology was the strongest performer in the MSCI All-Country World Index amid a slew of positive earnings releases. Communication services, industrials and consumer discretionary stocks also posted strong returns in May, with health care the only sector to end the month in the red.

Portfolio Review

The Health Care sector continued to impair performance over May. An overweight to the Health Care sector detracted as the sector suffered over the month. Within the sector, a health insurance and services company particularly disappointed with the announcement of the CEO stepping down and the withdrawal of their guidance for the rest of the year. We are doing significant work here to gauge recovery potential.

Technology had a mixed impact. With the sharp rebound of the sector in the month, our holdings in Microsoft, Taiwan Semiconductor Manufacturing Company (TSMC), and a financial services software company all featured in the positive contributors – as well as a lack of exposure to a computer and consumer electronics manufacturer that suffered after posting disappointing results with reduced guidance due to weakness in China and tariffs headwinds. Our underweight position in a graphics processing unit manufacturer impaired performance as the stock performed well for the month on the back of strong results.

Outlook and Strategy

Global equity markets have cross winds that leave investors divided between taking the optimism of the tariff de-escalation and the pessimism of leading indicators looking poor.

We have mentioned before that there is a stagnant nature to many broad economic and consumer categories and have maintained that AI-related exposure is the one constant through what has been large spikes in uncertainty.

We are constructive on our positioning which has slightly less cyclicality and a mild defensive growth tilt but we have acted where excessive moves have happened in both directions and this continues to be our strategy through this uncertainty.

In the short term, we will see slightly weaker momentum in cyclicals and as such, the narrative for a rebound in H2 becomes even more important. We believe that stockpicking will be far more important this year, and a muted style exposure combined with positions that are accessing the AI theme (that continues to be prevalent) will lead to outperformance.

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