

# 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 February

February began, similarly to January, with elevated geopolitical uncertainty and surprisingly stable equity markets. Geopolitical drama focused on growing tensions in the Middle East between US-Israel and Iran which got to the point of conflict on the last day of the month causing oil prices to rise as transport through the Strait of Hormuz was inhibited.

Earlier on in the month, the US Supreme Court overruled President Trump's use of tariffs, but he immediately announced a reintroduction of tariffs under a different, time limited legal mechanism. Macroeconomic data remained relatively stable globally with stable inflation, growth and labour markets. Monetary policy decisions were largely kept on hold, but this will likely adapt as tensions escalate in Iran putting pressure on oil prices and inflation.

On a regional basis, South Korea was the standout market for the month largely driven by the large flows of retail investment in the region toward artificial intelligence (AI) and memory trades. Elsewhere in Asia, performance was strong as Japan saw Prime Minister Sanae Takaichi's snap election deliver a significant majority which bolstered market confidence. The rotation away from the US saw the S&P 500 decline over the period as US politics were entangled in geopolitics throughout. The defensive rotation also benefitted European equities which outperformed the US counterparts for the month.

There was a clear rotation toward defensive sectors over the period as markets shifted toward resilience and cash flow stability. Utilities, Materials and Consumer Staples performed strongly whilst Software continued to lag, as fears around the disruption from AI continued to mount. Meanwhile semiconductors continued their strong run of performance.

Commodities including gold and silver rallied as the assets were seen as a safe haven throughout the geopolitical uncertainty. Energy stocks also performed well as oil prices began to rise due to tensions in the Middle East.

### Portfolio Review

The Fund's performance year to date has been impacted negatively by its exposure to software as we have seen a major market rotation within the technology sector over the last few months. Whilst the idea that AI tools would be disruptive isn't new, it has had a profound impact on a few of our stocks. A global provider of financial data, credit ratings, benchmarks, and analytics ("the company") and a US financial software company were among the largest detractors for the month. We undertook a thorough analysis of our digital assets exposure and decided to sell our positions in both companies on the belief they have more permanent impairment risk. In the case the company, we also felt that there was a valuation risk and we have a preferred holding in a global financial markets infrastructure and data provider, which is a very similar business.

Not holding a Korean technology company impaired returns as the stock performed strongly as they benefitted from the significant rally in memory demand. The subsequent surge on memory pricing put margin pressures on a Japanese multinational video game company (held) which further hindered performance.

The rotation to defensive stocks benefitted the fund as our sector allocation to Industrials and Utilities were supportive to performance. An Industrial company exposed to the data centre buildout which we bought last month, was our strongest contributor in the month along with a transnational railway linking Canada, the U.S., and Mexico, another Industrial business and a UK Utilities business.

Following the weak performance of Software and certain data service providers due to AI disruption fears, we took the decision to sell the global provider of financial data, credit ratings, benchmarks, analytics and the US financial software company as we see investor sentiment toward AI disruption risk likely to continue. We also decided to reduce our exposure to Financials by selling a global financial services firm and trimming one of the world's largest financial institutions.

We initiated a new position in a semiconductor capital equipment company, where we see further long-term structural growth driven by the AI supercycle. We also bought into a Japanese general trading company that will benefit from inflation-related growth that is occurring in Japan.

### Outlook and Strategy

The Iran conflict is likely to dominate investor discussions in the coming weeks. If the disruption proves short lived, market attention should soon revert to developments in artificial intelligence and key macroeconomic indicators such as Federal Reserve policy, inflation, and labour market dynamics. However, a more prolonged escalation could pose a materially greater risk to financial markets.

We have maintained the portfolio with a defensive tilt to withstand the expected volatility in global markets over the coming weeks and months. We have also been increasing our positioning toward AI beneficiaries that will prosper from the data centre buildout and AI supercycle.

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All data are sourced from Bloomberg and Allianz Global Investors as of 28 February 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.