

Allianz

Thematic Income

Monthly commentary

- The Fund aims at income and long-term capital appreciation by investing in global interest bearing securities and global equities with a focus on theme and stock selection.
- The Fund is exposed to significant risks which include investment/general market, thematic concentration, thematic-based investment strategy, asset allocation, emerging market, company-specific, creditworthiness/credit rating/downgrading, interest rate changes, default, volatility and liquidity, valuation, and currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation.
- The Fund may invest in financial derivative instruments ("FDI") which may expose the Fund to higher leverage, counterparty, liquidity, valuation, volatility, market and over the counter transaction risks. The use of derivatives may result in losses to the Fund which are greater than the amount originally invested. 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 income and/or capital which in the latter case 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 distribution unit 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 interest 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

Global equities had another volatile month in April. Stocks initially plummeted amid fears that the global response to President Donald Trump's 'Liberation Day' tariff offensive would plunge the global economy into recession, but recovered most of their earlier losses when the president announced an abrupt U-turn to provide scope for trade negotiations. Trump's subsequent attack on Federal Reserve (Fed) Chair Jay Powell for not cutting interest rates heightened concerns over the central bank's independence and prompted a renewed sell-off, although easing tariff tensions and optimism around first-quarter corporate earnings releases brought some welcome respite near month end.

Global bonds advanced over April. European bonds rallied the most as hopes grew that the European Central Bank and Bank of England would continue to cut rates. In the US, the yield curve steepened, with short-term yields falling sharply while the 30-year Treasury bond yield rose, amid growing fears that President Donald Trump would interfere with the Fed's independence in his quest for lower interest rates. Credit markets generally lagged government bonds.

Emerging market bonds delivered mixed returns in April. US dollar-denominated bonds fell slightly, mirroring the small decline in other higher risk areas of the US credit markets. Local currency bonds, meanwhile, advanced, with returns in USD terms further lifted by currency appreciation versus the US dollar.

Gold continued to soar on safe-haven demand, breaching USD 3,500 an ounce for the first time on record before retreating modestly into month end on profit-taking.

Portfolio Review

The equity investments focus on themes and topics of strong secular drives to generate long-term alpha. From a thematic perspective the strategy benefitted from the exposure to themes like Infrastructure and Intelligent Machines which have been positive contributors to overall performance. Themes like Clean Water and Land as well as Digital Finance slightly detracted over the course of April. Considering the heightened market uncertainty and the not entirely unwarranted fears surrounding a potential reset of global supply chains and a move toward regionalized protectionism, we have decided to adjust our exposure within thematic allocations. In recent days, we have proactively taken steps to de-risk the portfolio by exiting higher-beta stocks that we deem more susceptible to setbacks from escalating tariffs. In their place, we have added exposure to lower-beta names, particularly in areas like utilities, which are more insulated from global trade disruptions. We maintain full confidence in our current thematic selections and their underlying beneficiaries. We also anticipate that markets may overreact to the present uncertainty. As such, we will continue to monitor thematic corrections closely and may consider them as potential buying opportunities during this period of adjustment.

The fixed income investments in the fund focus on global and emerging markets investment grade corporate bonds. In April 2025, the fixed income portfolio achieved a positive return but underperformed the broader market return. Key performance drivers included declining US Treasury bond yields (5-20bp) and German Bund yields (30-35bp), as markets priced in heightened recession risks amid global trade disruptions. The Trump administration's historically high import tariffs led to a sharp widening of credit spreads, though a mid-month recovery followed a temporary tariff reprieve and dovish monetary policy signals. Overall, credit spreads widened modestly, with emerging market corporates decompressing relative to developed market peers. Currency movements in Euro and British Pound had a positive impact to performance. The US dollar weakened due to concerns over President Trump's potential interference with the Federal Reserve's independence and reduced overseas demand amid declining trade activity. By country, emerging markets such as Mexico, Panama, and Saudi Arabia detracted from performance, while Europe emerged as the top performer, benefiting from the Bund rally and favorable currency effects. Sector-wise, pharmaceuticals and real estate outperformed, whereas consumer services and energy lagged. Looking forward, the global trading system faced significant challenges from the Liberation Day turmoil and the US-China tariff dispute. Global risk appetite and business confidence have dampened over rising economic uncertainty. The US tariffs present a near-term stagflation shock, complicating US monetary policy as the Federal Reserve adopts a wait-and-see approach.

Outlook and Strategy

In April, our Macro Breadth Growth Index declined for the second time in a row – a development which points to a significant loss of economic momentum. The broad deterioration across key developed economies (including the US, the euro area, Japan and the UK) and a number of emerging economies was not fully offset by a recovery in China and Brazil. The import tariffs announced by President Trump at the beginning of April will probably turn the global economic and trade system upside-down. Investors will have to deal with far-reaching structural shifts, which may (particularly in the US) lead to stagflation or recession. Risk premiums for riskier asset classes, such as equities, probably do not reflect yet the increase in uncertainty and the deterioration of the growth and inflation outlook. From our vantage point, the probability of significant price movements or a longer correction period has increased, above all in highly valued market segments such as the US market. While some European and Chinese stocks might benefit from increased government spending, these regions will be faced with structural headwinds and the negative impact on demand caused by the US tariffs. Since the market environment may bring considerable surprises and is characterised by deviating regional developments, we believe that investors should pursue an active portfolio management approach based on fundamentals.

Following largely synchronised rate cuts during the past year, the international central banks will find different responses to the imminent global trade shock and its asynchronous effects on growth and inflation. As downside risks to growth and

upside risks to inflation increase, we expect the Federal Reserve (Fed) in particular to take a “wait-and-see” approach until the impact of the Trump administration’s disruptive policies becomes clearer. In the euro area, sluggish growth, trade-related downside risks and the recent slowdown in inflation will provide the European Central Bank (ECB) with some leeway to cut rates further. The Chinese authorities are likely to loosen their monetary policy, too. High-quality bonds should retain their defensive qualities in a quickly shifting macroeconomic environment, but some of them may be subject to increased inflation risks. Riskier bonds may be subject to market revaluations, which is why a differentiated approach seems warranted. Since some spreads are very low, it makes sense to select investments carefully and analyse each bond and issuer individually.

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All data sourced from Allianz Global Investors and Bloomberg as at 30 April 2025 unless otherwise stated.

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Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions.

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