

Allianz Thematica

Monthly commentary

- The Fund aims at long-term capital growth by investing in global equity markets with a focus on theme and stock selection in accordance with environmental and social characteristics. The Fund aims to achieve the Sustainability Key Performance Indicator Strategy (Absolute Threshold) ("KPI Strategy (Absolute Threshold)"). The Fund does not constitute as an ESG fund pursuant to the SFC's circular issued on 29 June 2021.
- The Fund is exposed to significant risks of investment/general market, concentration, thematic-based investment strategy, company-specific, emerging market risks, 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 sustainable investment risks relating to KPI Strategy (Absolute Threshold) (such as foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, selling securities when it might be disadvantageous to do so, and/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 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.

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 US Federal Reserve (Fed) Chair Jerome 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 Q1 corporate earnings releases brought some welcome respite near month end.

At a sector level, Energy was the weakest sector in the MSCI All Country World Index, dragged lower on falling oil prices. Meanwhile, Consumer Staples and Utilities delivered positive returns as investors rotated into defensive names. Information Technology and Communication Services stocks also staged a partial comeback near month-end on optimism around corporate earnings releases.

Global bonds advanced over April. European bonds rallied the most as hopes grew that the European Central Bank (ECB) and Bank of England (BoE) 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.

Escalating fears of a global trade war and slowing global growth dominated the headlines for most of April, with investors and policymakers alike grappling with President Donald Trump's whipsawing tariff chaos. The Bank of Japan (BoJ) and the People's Bank of China (PBoC) held key lending rates steady at their meetings during the month. Meanwhile, the ECB cut

interest rates by 25 basis points (bps) to 2.25%, as widely anticipated, citing the deteriorating growth outlook due to rising trade tensions.

Oil prices fell in April as heightened trade tensions clouded the outlook for global energy demand. Brent crude prices tumbled, briefly dipping below USD 60 a barrel – the lowest level in more than four years.

Portfolio Review

The Fund returned negatively in April, outperforming global equity markets as represented by the MSCI AC World index. Stock selection as well as sector allocation have been a positive driver to overall performance. The Fund benefitted from the overweight to Industrials as well as the underweight to Energy and Health Care. The underweight to Consumer Staples, Communication Services and Financials has been a negative contributor.

From a thematic perspective, the Fund 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.

From a single stock perspective, the Fund benefitted from the exposure to ServiceNow (Artificial Intelligence (AI) Adaption), and a cyber security company (AI Adaption) after both companies reported decent earnings. Iberdrola (Infrastructure) has been among the positive contributors as well. A fintech and payments company (Digital Finance), and a Chinese ecommerce platform (AI Adaption) detracted slightly.

Considering the heightened market uncertainty and the not entirely unwarranted fears surrounding a potential reset of global supply chains and a move towards regionalised 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.

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Source: Bloomberg and Allianz Global Investors as at 30 April 2025 unless otherwise stated.

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