Allianz Global Investors

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 July

Global equities rose modestly in July, bolstered by progress in US trade talks for most of the period. A positive start to the second-quarter earnings season also boosted stocks, although gains were capped after President Trump stepped up his campaign against Federal Reserve Chair Jay Powell, raising concerns about the central bank's independence, as well as by ongoing geopolitical tensions. Turning to sectors, information technology and energy were the strongest sectors in the MSCI All-Country World Index, followed by utilities. Conversely, the health care and consumer staples sectors generated negative returns in July.

Global government bonds sold off in July, with yields rising modestly over the month as a more risk-on tone returned to financial markets. Japanese government bonds were among the weakest performers: 10-year JGB yields hit the highest level since the 2008 financial crisis amid fears the ruling coalition would lose its majority, potentially leading to political uncertainty and costly campaign pledges. In general, corporate bonds delivered positive returns, outperforming government debt, with high-yield bonds rising the most.

In currency markets, the US dollar clawed back some of its recent losses in July as US economic data remained resilient. In contrast, the euro weakened in the aftermath of the trade deal announced by Washington and Brussels; European leaders subsequently argued that the deal disproportionately favours the US. The British pound also fell against the dollar and the euro on softer-than-expected GDP and retail sales data. Meanwhile, having risen on news of a US-Japan trade deal, the Japanese yen subsequently pulled back on post-election political uncertainty to end July down against the dollar and the euro.

Oil prices rose modestly in July with Brent crude closing the month just below USD 72 per barrel as trade deal optimism spurred hopes of increased global demand. President Trump's threats to ramp up sanctions on Russia unless it reached a peace deal with Ukraine further supported oil prices towards month end. Meanwhile, gold prices remained elevated, although prices moved modestly lower to end the month around USD 3,300 per ounce as increased risk appetite undermined the precious metal's safe-haven appeal.

Portfolio Review

The Fund returned 2.9% (in EUR, gross of fees) in July, underperforming the MSCI AC World Index, which gained 4.0%. Both theme and stock selection weighed on results. Exposure to Infrastructure and Clean Water and Land supported returns, while Digital Finance and Generation Wellbeing detracted.

An underweight position in index heavyweight a multinational technology company also hurt performance amid its strong rallies. July saw notable gains from Synopsys*, a company that designs, manufactures, and installs solid-oxide fuel cell (SOFC) system (the energy company), and a technology company that designs and manufactures electrical and electronic components (the technology company), all outperforming global equities. Synopsys benefited from completing its USD 35 billion Ansys acquisition and the U.S. government lifting export restrictions to China, boosting long-term growth confidence. The energy company surged on record Q2 results, a new Oracle deal, and clean energy tax-credit optimism, attracting strong retail investor demand. The technology company rallied on double-digit sales and earnings growth, driven by artificial intelligence (AI) infrastructure and energy demand, appealing to growth-focused investors. These company-specific catalysts stood out despite broader market caution.

Conversely, a public food company (the food company), a multinational cybersecurity company (the cybersecurity company), and a German athletic apparel and footwear corporation (the apparel company) lagged. The food company suffered from softer consumer volumes in Europe and currency headwinds, overshadowing solid earnings. The cybersecurity company dropped after announcing a USD 25 billion CyberArk acquisition, as investors worried about execution risks and the high valuation amid slowing organic growth. Adidas delivered strong Q2 revenue and profit growth, but its stock declined due to concerns over demand sustainability in a competitive market and perceived overvaluation. While global equities advanced, the strategy's performance was held back by underexposure to market leaders and select stock-specific setbacks, offsetting gains from other themes and stocks.

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Source: Bloomberg and Allianz Global Investors as at 31 July 2025 unless otherwise stated.

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