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 December

Global equities delivered a modest gain in December, with the MSCI All Country World Index (ACWI) rounding out an impressive rise of more than 20% for the year. Gains were muted for most of the month, although the traditional Santa Claus rally lifted investor sentiment into the holiday period. However, escalating protests in Iran and Chinese military exercises in the Taiwan Strait weighed on sentiment at month-end. European stocks finished in front, followed closely by the UK. Japan was next but trailed the global index, while the US eked out a fractional gain over the month. Emerging markets trailed their developed market peers, dragged lower by index heavyweight China. Turning to sectors in the MSCI ACWI, Financials and Materials led the way, while Utilities was the weakest sector in December.

Major central banks around the world were active in December. The US Federal Reserve (Fed) delivered a 25-basis point (25-bps) rate cut, bringing the federal funds rate to 3.5%-3.75%, the lowest level in three years. Similarly, the Bank of England (BoE) lowered the base rate by 25 bps to 3.75% – also the lowest in three years. The European Central Bank (ECB) and People's Bank of China (PBoC) both left their key borrowing rates unchanged. Japan remained an outlier, with the Bank of Japan (BoJ) delivering a 25-bps rate rise to 0.75% – the highest level since 1995 – amid rising inflation and continued Japanese yen weakness.

Global bond yields inched higher over December. The US yield curve steepened, with short-term US yields pegged by another widely expected cut in interest rates from the Fed, while longer-dated Treasury yields were undermined by uncertainty over President Donald Trump's pick for the next Fed chair. European bond yields also moved higher amid worries the ECB may raise rates in 2026. In currency markets, the US Dollar Index closed November little changed. Early gains on the back of hawkish Fed commentary and the reopening of the US government were largely offset after mixed labour market data appeared to bolster the case for a Fed rate cut in December.

Brent crude oil prices eased in December, closing at just over USD 61 a barrel to round out their worst year since 2020. Gold prices rose early on amid heightened expectations of a Fed rate cut at its final meeting of the year, as duly transpired, and touched a series of fresh highs into month-end as the escalating US naval blockade against Venezuela bolstered the yellow metal's safe-haven appeal. The yellow metal closed December slipping just below USD 4,330 per ounce but still managed to register its best year since 1979.

Portfolio Review

While sector allocation contributed well to overall performance, stock selection has been a bit weaker resulting in the slight drag to overall performance.

From a thematic perspective, Humanoid Robots performed best, while Clean Water and Land was lagging. A Chinese auto parts maker expanding into humanoid robots, a global leader in LiDAR sensors for autonomous driving and robotics and a diversified natural resource company engaged in mining and commodity trading outperformed global equity markets because investors favoured companies with clear demand signals and strong cyclical or structural tailwinds. The auto parts maker expanding into humanoid robots benefitted from continued optimism around China's electric vehicle supply chain, with December data reinforcing expectations of resilient production and government support. The global leader in LiDAR sensors gained as investor interest in autonomous driving and advanced safety technologies picked up into year end, supported by contract announcements and confidence that automotive innovation spending would remain intact despite broader economic uncertainty. The diversified natural resource company stood out as commodity prices held firm in late December, and its strong cash generation and shareholder returns made it attractive during a period when investors sought inflation protection and tangible earnings.

In contrast, a US company providing laboratory instruments and diagnostics solutions, a US distributor of plumbing, Heating, Ventilation, and Air Conditioning (HVAC), and building supplies, and a cloud-based data warehousing and analytics platform provider lagged during the same December window. The laboratory instruments provider was pressured by cautious life sciences spending signals, which weighed on sentiment as investors reassessed 2025 growth expectations. The HVAC distributor faced concerns about slowing construction activity into winter months, dampening near-term outlooks. The platform provider underperformed as year-end portfolio rebalancing hit high-valuation growth stocks, especially those exposed to slower enterprise information technology (IT) spending. For retail investors, 25 December highlighted how short-term market moves often reward earnings certainty over long-term potential.

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

*The information above is provided for the purpose to demonstrate the Fund's investment strategy only, it should not be considered a recommendation nor investment advice to buy or sell any shares of securities. There is no assurance that any securities discussed herein will remain in the Fund at the time you receive this document.

^Magnificent Seven refers to a group of US stocks which includes Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla.