

# Allianz Global Hi-Tech Growth

## Monthly commentary

### Investment Objective

The Fund aims at long-term capital growth by investing in global equity markets with a focus on the information technology sector or on an industry which forms part of this sector.

### What Happened in November

US shares rallied strongly over November, spurred by Donald Trump's decisive victory in the presidential election, as it boosted hopes of tax cuts and looser regulations. The S&P 500 Index closed the month at a fresh high, although the Nasdaq failed to regain its post-election peak. Meanwhile, US smaller companies soared, with the Russell 2000 Index touching a record high for the first time in three years. However, threats of tariffs weighed on the performance of other markets, particularly in Europe, Japan and many emerging markets.

The US Federal Reserve (Fed) cut rates by 25 basis points (bps), slowing the pace of its easing after September's 50-bps reduction. Minutes of the meeting revealed that policymakers are considering scaling back future rate cuts if inflation fails to be tamed. While jobs growth was far weaker than expected in October, elsewhere the US economy appears solid. In contrast, the growth outlook darkened in Europe, ramping up pressure on the European Central Bank (ECB) to cut rates further. Meanwhile, speculation grew that the Bank of Japan (BoJ) may raise rates again before year-end.

Oil prices closed the month little changed, with Brent crude trading around USD 72 per barrel. Israel's ceasefire with Lebanon's Hezbollah allayed fears over potential supply disruptions in the Middle East. The Organisation of the Petroleum Exporting Countries plus (OPEC+) next meets in early December amid rumours that a planned production increase may be postponed given oversupply concerns in 2025. Gold eased from the record high hit at the end of October as the US dollar strengthened.

From a sector perspective for the MSCI All Country World Index, performance was led by Consumer Discretionary, followed by Financials. The Materials and Health Care sectors were the top laggards over the period.

## Market Outlook

The near-term outlook for Technology and related sectors has improved in light of the Fed rate cuts, which is likely to have an incrementally positive impact on market sentiment. Our expectation is that mergers and acquisitions (M&A) activity may rise as capital markets continue to show signs of strength. Investors are paying attention to a closer race in the upcoming US elections which may also add to volatility, especially around geopolitics and global supply chain. Amid any potential volatility, we are opportunistically looking to upgrade select names and add to our highest conviction ideas to better position the portfolio for improved performance.

We anticipate a potential broadening of performance across industries and market caps, consistent with a more normalised environment. Global economic conditions remain healthy, as labour markets, corporate earnings and consumer spending have been resilient. Valuations continue to be reasonable and we believe there is the potential for upward revenue and earnings estimates should we see a better spending environment, but continue to make sure that we have exposures in subsectors which will receive budgetary allocations. Uncertainty in terms of geopolitical tensions, the US presidential elections and the timing and the level of Fed and other central bank interest rate cuts may translate to periods of rising volatility in the coming months.

In our view, Information Technology and related sectors continue to benefit from tailwinds which should continue to drive attractive long-term appreciation. Many businesses are struggling to find workers to meet customer demand and need technology solutions to improve productivity of limited staff. As companies need to reduce costs and improve productivity, we expect to see accelerating demand for innovative and more productive solutions such as cloud, software-as-a-service, AI, cyber security, etc. We are in a period of rapid change, where the importance of technology is key to the prosperity of most industries. This environment is likely to provide attractive growth opportunities in many technology stocks over the next several years. The incorporation of Health Care, Communication Services with select Industrials and consumer-related exposure is intended to provide both diversification and alpha potential over time.

We continue to believe technology leaders spanning multiple sectors from Technology to Health Care to Consumer Discretionary can provide some of the best absolute and relative return opportunities in the equity markets over time.

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All data are sourced from Bloomberg and Allianz Global Investors as at 30 November 2024 unless otherwise stated.

Allianz Global Investors and Voya Investment Management have entered into a long-term strategic partnership, and as such, as of 25 July 2022, the investment team transferred to Voya Investment Management. This did not materially change the composition of the team, the investment philosophy nor the investment process. Management Company: Allianz Global Investors GmbH. Delegated Manager: Voya Investment Management Co. LLC ("Voya IM").

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