

Allianz Smart Energy

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth by investing in global equity markets with a focus on companies with an engagement in the area of transition of energy usage in accordance with environmental and social characteristics.

What Happened in March

March was, in general, a disappointing month for global equities amid ongoing uncertainty regarding President Donald Trump's erratic trade policy. Stock markets weakened sharply at month end ahead of the president's self-dubbed "Liberation Day" of sweeping tariffs on 2 April. Continued conflict in Ukraine and Gaza, alongside escalating concerns surrounding Iran's nuclear programme, further compounded market jitters.

US stocks retreated as recession fears weighed on investor sentiment. European shares also moved lower as hopes for a ceasefire faltered in Ukraine and the region braced itself to be next in Trump's crosshairs, while Japanese stocks also stumbled. In contrast, emerging markets held up better. At a sector level, Information Technology, Consumer Discretionary and Communication Services stocks were the weakest in the MSCI All Country World Index, while Energy and Utilities were the only sectors to post positive returns.

Escalating fears of a global trade war and slowing global growth dominated economic news for much of the month. The US Federal Reserve (Fed) and Bank of England (BoE) held rates steady, as did the Bank of Japan (BoJ). Meanwhile, the European Central Bank (ECB) cut its key interest rates by 25 basis points (bps) to 2.5%, as expected, and slashed its gross domestic product (GDP) growth outlook for 2025, citing the erratic tariff environment and heightened economic uncertainty. Germany's decision to step up government spending to fund higher defence and infrastructure investment may yet prove to be a game changer for the European economy.

In currency markets, the US dollar weakened, reflecting growing concerns over the US growth outlook. While the Japanese yen appreciated slightly against the dollar, it lost ground against the euro which was buoyed by optimism over improving growth prospects in Europe following Germany's decision to relax its debt brake. Brent crude briefly fell back below USD 70 a barrel – the lowest level since December 2021. Meanwhile, gold continued to advance on safe-haven demand, breaching USD 3,100 an ounce for the first time on record.

Portfolio Strategy and Activity

The Fund returned negatively (in EUR, gross of fees) in March, outperforming the MSCI AC World Index. Financial markets were dominated by uncertainty around the endurance of data centre growth, which was questioned by the release of a frugal an open-sourced artificial intelligence (AI) model developed by an emerging Chinese startup. Also, the looming tariff announcement by the Trump administration was seen as a potential source of volatility.

Among the best performers, a Chinese clean energy distributor leads with a significant active contribution. The stock was driven by an mergers and acquisitions (M&A) offer with a juicy premium. Iberdrola Sa and Enel Spa follow closely, due to their defensiveness in the current market turmoil.

Conversely, the worst performers include Renesas Electronics Corp, which returned -18.7% due to concerns on a prepayment the company had given to its supplier. A global manufacturer of equipment servicing multiple applications in the clean energy and industrial gas markets; and a provider of digital infrastructure and continuity solutions for data centres, communication networks, and commercial and industrial environments both fell as the end market growth was questioned.

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All data are sourced from Bloomberg and Allianz Global Investors as at 31 March 2025 unless otherwise stated.

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