

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 the SDG-Aligned Strategy Type A.

What Happened in September

Global equities mostly rallied over September, buoyed by the US Federal Reserve's (Fed's) larger-than-expected cut in interest rates, its first reduction in four years. In late September, a raft of further stimulus measures from the People's Bank of China (PBoC) and the Chinese government further boosted sentiment, particularly towards Chinese stocks which surged over the month. Sectoral performance was mixed, with Consumer Discretionary, Utilities, Real Estate and Communication Services rising the most, while Health Care and Energy were the weakest.

Concerns over the health of the labour market finally persuaded the Fed to start cutting rates. The Fed's larger-than-usual 50 basis point (50 bps) cut was accompanied by forecasts of further cuts this year and in 2025. The European Central Bank (ECB) also reduced borrowing costs, marking its second cut this year, while the Bank of England (BoE) kept rates on hold, but indicated that borrowing costs were likely to be reduced later this year. While the Bank of Japan (BoJ) also kept rates on hold, the PBoC announced a package of measures aimed at supporting the economy and the property sector, including lowering the reserve requirement ratio for banks and cutting some loan rates.

Global bonds rallied as the Fed joined an increasing number of developed market central banks in starting to ease monetary policy. The US dollar weakened as the Fed cut rates and signalled further cuts were likely. While the euro rose against the US dollar, it lost ground against the British pound and the Japanese yen. The ECB reduced borrowing costs by 25 bps in September, while both the BoE and BoJ kept rates on hold.

Oil prices fell, briefly moving back below USD 70 a barrel amid ongoing concerns over the health of the US economy. Saudi Arabia also signalled that it was planning to raise production in December as it seeks to reclaim market share. Elsewhere, industrial metals such as copper surged, following China's announcement of extensive stimulus measures.

Portfolio Strategy and Activity

The Fund returned positively (in EUR, gross of fees) in September, outperforming the MSCI AC World Index.

Sector allocation, as well as single stock selection, delivered positive results to overall performance. The Fund benefitted from the overweight to Industrials and Materials, while suffering from the underweight to Health Care. Investor hopes of a soft landing of the US economy have been favourable for Industrials companies. In the Information Technology market, stocks struggled due to volatility in the semiconductors sector, with concerns over China's lithography spending increasing the risk of further trade restrictions. This negatively affected companies like Renesas and Infineon.

Positive momentum occurred after the Chinese government released stimulus spending plans, and central banks in Europe and the US announced their first rate cuts. Those rate cuts benefitted Utility companies like a Danish wind farm giant, and companies that are closely associated with utility spending like Nexans. The Chinese stimulus measures benefitted battery producers, and energy companies, which jumped on hopes of a pick-up in the Chinese economy. Micron Technology benefitted from releasing favourable quarterly results.

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

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