

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 February

Global equities delivered mixed returns over February as markets struggled to navigate President Trump's deliberately disruptive and unpredictable agenda. Chinese stocks surged, boosted by strength in Technology companies. European shares also advanced, underpinned by growing optimism over a potential end to the war in Ukraine. In contrast, US and Japanese equities lost ground. At a sector level, defensive Consumer Staples companies were the best performing area in the MSCI All Country World Index, with Energy and Real Estate companies also faring well, while the Consumer Discretionary and Communication Services sectors suffered notable setbacks.

Global bonds delivered positive returns. US Treasuries were among the strongest performers, boosted by signs of slowing US economic momentum. European government bonds also rose but lagged their US counterparts in anticipation that higher European defence commitments will likely cause government spending to balloon across the continent. In contrast, Japanese government bonds sold off, with yields touching the highest level since 2009 mid-month.

February brought growing signs that the US economy was slowing, with inflation expectations jumping due to President Trump's tariffs threats. Retail sales, consumer sentiment and home sales slumped in January and early indications showed services activity in February had contracted for the first time in more than two years. While the US Federal Reserve (Fed) indicated it was in no rush to cut rates, the European Central Bank (ECB) is expected to continue to reduce borrowing costs. Conversely, accelerating Japanese inflation increased the likelihood of another rate hike from the Bank of Japan (BoJ).

The British pound also rose against the US dollar and the euro, bolstered by hopes that the UK may secure a trade deal with the US and better-than-expected economic data. Oil prices eased over February, with Brent crude closing the month back below USD 73 a barrel as slowing US growth and the threat of a global trade war dampened the demand outlook. Gold rallied further, touching a fresh record high of USD 2,950 an ounce, amid robust demand for safe-haven assets.

Portfolio Strategy and Activity

The Fund Class AT (USD) outperformed its benchmark MSCI AC World Index in February 2025. The market nervously interpreted the first administrative steps of Donald Trump returning to the White House. Interestingly, market leadership changed towards Europe from the US due to a potential peace initiative in Ukraine. In the universe of clean energy stocks, building materials jumped on infrastructure hopes, and data centre-related stocks suffered from uncertainty in the US.

Among the top contributors for the Fund, semiconductor companies Renesas Electronics and Infineon benefitted from more positive news in the industrial and automotive end markets. Also, results were taken up very favourably and stocks jumped. Also, the metal mining/smelting company Boliden could exceed expectations and shares outperformed in February.

Negative relative contributors were Owens Corning, which was sold due to weak results. A US-based photovoltaic producer also suffered from lower numbers. Also, the uncertainty around the Inflation Reduction Act (IRA) in the US laid over the stocks. Moreover, a data centre cooling specialist fell in sympathy with the AI-driven stocks. The company could exceed expectations by far in their Q4 results, however it could buck the trend.

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All data are sourced from Bloomberg and Allianz Global Investors as at 28 February 2025 unless otherwise stated.

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