

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 June

Global equities closed June higher as “tariff fatigue” took hold after months of heightened volatility. However, as Sino-American trade relations thawed, mounting geopolitical tensions in the Middle East moved sharply into focus. Shares sold off on news of Israeli strikes against Iran with oil prices spiking on fears of supply risks. But the risk-on mood returned as oil prices slumped after Tehran’s restrained response to US strikes paved the way for a de-escalation in tensions and a ceasefire between Israel and Iran appeared to take hold.

June was a mixed month for global bonds, with US, UK and Japanese bonds rallying, while eurozone bond returns were broadly flat. US bonds were boosted by growing hopes for US rate cuts and weaker-than-expected inflation data, while yields on eurozone government bonds rose after the European Central Bank (ECB) suggested it may be nearing the end of its rate-cutting cycle. In general, corporate bonds outperformed sovereign debt.

In currency markets, the US dollar extended its decline for most of June, hitting its lowest level in more than three years after President Trump announced that he would be writing to trading partners to outline new tariff rates after the current 90-day pause on reciprocal tariffs expires on 9 July. De-escalating fears of a global trade war and soaring geopolitical tensions in the Middle East dominated the headlines for most of June. In monetary policy news, the ECB cut its key interest rate by 25 basis points (bps) to 2.0% amid increasing deflationary pressures on the back of President Donald Trump’s erratic trade policy.

Brent crude fell back early in the month on increased supply from the Organisation of the Petroleum Exporting Countries Plus (OPEC+) before soaring because of the rapid escalation of geopolitical tensions in the Middle East. Oil prices briefly surged to a 5-month high of USD 80 per barrel after the US launched a series of strikes on Iranian nuclear facilities amid fears that Tehran could retaliate by blocking the Strait of Hormuz. However, prices eased on news of Iran’s restrained response and reports of a ceasefire between Iran and Israel, ending the month below USD 67 a barrel.

Portfolio Strategy and Activity

The Fund returned positively (in EUR, gross of fees) in June, outperforming the MSCI AC World index. The relief rally following the Liberation Day in April continued for another month. Moreover, the hope of lower interest rates under a dovish US Federal Reserve (Fed) Chair prevailed.

Among the best performers, a manufacturer of solid oxide fuel cells that produce electricity on-site stood out. The company announced a strategic partnership with a major utility company to expand its clean energy solutions. This collaboration aims to enhance the deployment of the company's solid oxide fuel cells, driving increased market demand and investor confidence. A data infrastructure semiconductor solutions provider released its quarterly earnings report in June, showcasing better-than-expected revenue growth driven by strong demand for its semiconductor solutions in data centres and 5G infrastructure. The positive financial results contributed to its stock performance. Finally, a critical digital infrastructure company announced the launch of a new product line focused on energy-efficient solutions for data centres. This innovation was well received by the market, positioning the company as a leader in sustainable infrastructure, which positively impacted its stock value.

In terms of worst contributors, a Chinese manufacturing conglomerate faced challenges due to supply chain disruptions affecting its electric vehicle (EV) production. Additionally, increased competition in the EV market led to concerns about market share, contributing to stock underperformance. Air Liquide released a statement in June, addressing regulatory changes impacting the industrial gases sector. The company faced operational challenges in adapting to new environmental regulations, which affected stock performance. Finally, a renewable energy company experienced setbacks in June due to fluctuating energy prices and regulatory uncertainties in the renewable energy sector. These factors led to investor concerns about future growth prospects, impacting its stock value.

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