

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 November

Global equities closed November with mixed returns. US stocks rallied strongly as Donald Trump's landslide victory in the US presidential election boosted hopes of tax cuts and looser regulations. However, threats of tariffs weighed on the performance of other markets, particularly in Europe, Japan and many emerging markets. At a sector level, Consumer Discretionary and Financials stocks rallied the most, while Materials and Health Care were the weakest sectors in the MSCI All Countries World Index.

It was a volatile month for global bonds as Donald Trump's decisive win raised fears that rate cuts may be scaled back if higher tariffs reignite inflation. The yield on the 10-year US Treasury bond touched a 4-month high of 4.5% in the aftermath of the election result, but closed the month at 4.2%, slightly lower than the level at the end of October, as the President-elect's choice of Treasury Secretary reassured investors. Meanwhile, European bond yields declined sharply as the threat of higher tariffs for the region's US exports further depressed the growth outlook. Japan proved the exception, with bond yields rising amid increasing speculation that the Bank of Japan (BoJ) may hike rates again in December.

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 BoJ may raise rates again before year-end.

The US dollar surged on concerns that Donald Trump's promises to raise tariffs would increase inflation and reduce scope for the Fed to cut rates. The Dollar Index, a measure of the currency's strength against its major trading partners, hit a 2-year high. Oil prices closed the month a little changed, with Brent crude trading around USD 72 a barrel. Israel's ceasefire with Lebanon's Hezbollah allayed fears over potential supply disruptions in the Middle East. Gold eased from the record high hit at the end of October as the US dollar strengthened.

Portfolio Strategy and Activity

The Fund returned positively in November, underperforming the MSCI AC World Index.

In November, the re-election of Donald Trump to the White House boosted stock markets in the US. Market participants anticipated a business-friendly administration and tax cuts to boost outlook for companies. On the flipside, rhetoric around introduction of tariffs hurt European and Asian equities.

Among the top contributors, a producer of back-up power supply solutions stood out. The company could announce a framework on back-up power equipment for a 100-megawatt (MW) data centre in Ohio, US. This proved the investment case to be a critical equipment provider for hyperscalers and sent the shares sharply up. Similar trends around data centre growth momentum also propelled the stock, Chart Industries. The general upswing attracted upgrades by broker houses. In addition, Chart Industries could announce a carbon capture partnership with a helium exploration and development company. Lastly, stock of insulation specialist Owens Corning also shot up as the company reported strong Q3 numbers.

Negative relative contributors were led by Nexans, where the potential import tariffs into the US were seen as a negative and sent shares down. Insulation specialist Rockwool disappointed in the Q3 numbers and shares underperformed in the following. Finally, a battery specialist underperformed as a potential repeal of the Inflation Reduction Act was feared to undermine the electric vehicle-related investments in the US automotive industry.

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

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