

# Allianz Thematica

## Monthly commentary

### Investment Objective

The Fund aims at long-term capital growth by investing in global equity markets with a focus on theme and stock selection in accordance with the Sustainability Key Performance Indicator Strategy (Absolute Threshold). In this context, the aim is to target a specific minimum allocation into sustainable investments to achieve the investment objective.

### 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.

## Performance Analysis

The Fund returned positively (in EUR, gross of fees) in November, underperforming global equity markets as represented by the MSCI AC World Index.

From a sector perspective, the overweight to Materials and Utilities created a burden, as well as the underweight to Financials, as classical banks benefitted from a steepening in the yield curve in Europe and the US because of the US election.

From a single stock perspective, positive performance occurred from a global manufacturer of equipment used in the production, storage, and end-use of hydrocarbon and industrial gases (Infrastructure); a cyber security company (Digital Life); and a manufacturer of electronic and electrical equipment, software, systems, and services (Intelligent Machines). Negative performance occurred from not owning an electric vehicle (EV) maker, as well as the investment to a provider of specialised management consulting and engineering services (Clean Water and Land) and a manufacturer of disposable hygiene products and household cleaning products (GenWell).

Connected to the US elections, we got rid of our exposure to the theme "Next Generation Energy". By reinvesting the proceeds, we took a very US-centric view as we expect US markets and the USD to outperform over the next month. We have added the proceeds across different themes like US-focused Industrial companies in the Clean Water and Land theme (a water technology company and a company focused on heating, ventilation, and air conditioning and refrigeration systems). Other examples include a US-focused provider of payments and financial services technology solutions (Digital Life). Among Intelligent Machines, we added to a diversified industrial company (fluids handling) and the aforementioned manufacturer of electronic and electrical equipment, software, systems, and services, which benefits from the construction boom in data centres.

In our view, a diversified multi-thematic portfolio continues to offer many opportunities for investors to benefit from structural megatrends in the current year.

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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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