

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 September

Global equities mostly rallied over September, buoyed by the US Federal Reserve's (Fed's) larger-than-usual 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 by more than usual 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 massive stimulus measures.

Performance Analysis

The Fund returned positively in September, slightly outperforming global equity markets as represented by the MSCI AC World Index. The theme selection contributed slightly negatively to overall performance, while stock selection among the themes has been a major driver. While Infrastructure and Digital Life showed decent relative performance compared to global markets, themes like Health Tech and Clean Water and Land contributed negatively, as the themes slightly consolidated after a strong year-to-date performance.

Stockpicking worked very well among the Digital Life theme, mainly driven by Chinese ecommerce companies and digital finance companies that benefitted from the massive boost in Chinese markets after the government announced several stimulus activities to boost economic activity in China. Next Generation Energy companies like Iberdrola and a renewable energy company benefitted from falling interest rates, which boosts profitability for new projects in the renewables area, which is also a positive driver for companies like a solar panels manufacturer, which also performed well.

Negative performance occurred from a semiconductor contract manufacturing and design company and a semiconductor manufacturer, both suffered from negative news flow from the overall semiconductor area. Having no exposure to an electric vehicle (EV) maker and the underweight to companies like a social technology company and an ecommerce company also created a minor burden. In our view, a diversified multi-thematic portfolio continues to offer many opportunities for investors to benefit from structural megatrends in the current year. At the same time, both earnings growth as well as sales growth are expected to come in well above global equity markets average.

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