

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 February

Global equities rallied over February, with China, Japan, and the US among the strongest markets, buoyed by hopes of further stimulus measures in China, ongoing resilience in the US economy and solid corporate earnings. At a sector level, growth stocks in the Consumer Discretionary, Industrials and Information Technology sectors were the top performers in the MSCI All Countries World Index, while Utilities, Consumer Staples, Real Estate and Energy lagged.

Global central banks indicated that they were in no rush to reduce borrowing costs but suggested that rate cuts would likely be possible later this year. Headline inflation rates slowed modestly, but policymakers continue to be vigilant for signs that inflationary pressures, such as wage growth, may be accelerating again. While economic activity appeared to improve in Europe during February, it deteriorated slightly in the US and Japan.

The Japanese yen weakened against other major currencies as the Bank of Japan (BoJ) maintained its ultra-accommodative stance. Elsewhere, the US dollar and euro rose against the British pound. Central banks in both the US and the eurozone moved to dispel speculation that rates might be cut in March but suggested that rate cuts were still on the cards later in 2024.

Oil prices traded just above USD 80 a barrel for much of the month (Brent crude), as investors weighed hopes for a ceasefire in the Israel/Hamas conflict against the forthcoming Organisation of the Petroleum Exporting Countries plus (OPEC+) decision as to whether to extend production cuts. European gas prices fell to the lowest level since May 2021 as a warm winter coincided with abundant inventories.

Performance Analysis

The Fund returned positively in February, slightly lagging global equity markets as represented by the MSCI AC World Index.

Positive performance occurred from themes like Intelligent Machines, Clean Water and Land, and Digital Life. Whilst we had already taken a more cautious stance with a lower overall portfolio exposure and changes with the theme, the theme Next Generation Energy remained a detractor in the month of February, as well as Infrastructure, and Pet Economy.

The influence of the index heavyweights has been slightly negative in total, as the underweight to Nvidia, a social technology company, and an ecommerce giant hurt the overall performance, while the underweight to a US tech giant and a technology conglomerate helped. Due to solid performance from the other stocks in this theme, the overall performance has been slightly positive. Besides that, companies from the Intelligent Machines theme contributed solidly, bringing the overall theme into positive territory. Clean Water and Land companies contributed positively as some of them announced robust quarterly earnings results.

Negative performance occurred from Infrastructure-related companies. A cyber security company suffered as it missed market expectations after the earnings release. Furthermore, the pressure on renewable companies like a producer of renewable gasoline remains in place, although some companies are already reporting that the trough in terms of business activity has been reached.

The portfolio forward-looking price/earnings relation sits below global equity markets – at a level not seen in the past five years. At the same time, both earnings growth as well as sales growth are expected to come in well above global equity markets average. Whilst this already provides a good starting point for a catch-up move, we are also confident with our theme line-up. In our ongoing exercise of checking the continued relevance of each single theme, we can clearly put a check mark behind each of the themes owned in the portfolio.

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