

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 January

Global equities were mixed in January, with central banks dampening rampant speculation of rate cuts as soon as March. Japanese stocks surged, while eurozone and US shares recorded modest gains. However, emerging market equities declined, dragged down by steep falls in China. At a sector level, Communication Services, Information Technology and Health Care were the strongest sectors, while Materials, Real Estate and Utilities declined the most.

Headline inflation rates reaccelerated modestly in December 2023, and heightened geopolitical tensions in the Red Sea raised concerns over higher shipping costs and extended delivery times. Flash estimates of purchasing managers' indices (PMIs) for January suggested a moderate uptick in economic activity. Central banks in developed markets kept rates on hold, but policymakers stressed that hopes of rate cuts as soon as March were likely to prove premature.

The US dollar strengthened as speculation that the US Federal Reserve (Fed) may cut rates as early as March faded. While the euro and the British pound fell against the dollar, they rallied against the Japanese yen. The Bank of Japan (BoJ) maintained rates below zero, but indicated that the likelihood of sustainably achieving its 2% inflation target was rising.

Escalating geopolitical tensions in the Middle East sent oil prices higher amid fears of supply disruptions. Companies increasingly avoided using the Red Sea (and hence the Suez Canal), choosing the longer route around Africa, given the heightened chance of attack from Houthi rebels. There were also fears that the Israel/Hamas conflict would spill over into other flashpoints in the region. Brent crude reached a peak of USD 84 a barrel, having started the month around USD 77.

Performance Analysis

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

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 January. Companies within the theme lagged the overall positive market environment across the board, with two lithium companies seeing some of the strongest share price pressure. The theme Infrastructure also was a negative contributor in January. In particular, resources-related companies within the theme such as a metals, mining, and smelting company; a provider of construction and mining machinery; and a producer of aluminium and hydroelectric power were relatively weak.

In contrast to the calendar year 2023, the group of the Technology mega-cap stocks only had a marginally negative impact on performance, as the negative contribution from outperforming companies including two technology conglomerates and a graphics processing units manufacturer was counterweighted by a positive impact from underperforming names including an US tech giant and an electric vehicle (EV) maker.

On the positive side, the theme Health Tech performed ahead of the market. A number of theme holdings including Intuitive Surgical and two medical technology companies performed well ahead of the overall market. 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 behind each of the themes owned in the portfolio.

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All data are sourced from Bloomberg and Allianz Global Investors as at 31 January 2024 unless otherwise stated.

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