

# 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 March

Global equities moved higher over March, further bolstering already strong year-to-date returns. Sentiment was lifted by signs of improving economic momentum in Europe and China, as well as by central bank indications that rate cuts were likely to start in the summer. At a sector level, Energy companies advanced the most, followed by Materials stocks, while Consumer Discretionary was the weakest.

Global bonds gained as central banks appeared to be less concerned about the possibility of a resurgence in inflation than many had feared. The largest downward movement in yields was seen in Europe, particularly in the UK where 10-year yields dropped around 25 basis points (bps) after UK inflation fell more than expected. Elsewhere, the yield on the 10-year German Bund fell 10 bps to 2.3%, while the 10-year US Treasury yield declined 5 bps to 4.2%.

The Swiss National Bank became the first major central bank to lower rates this cycle. Japan was the exception with bond yields rising slightly after the Bank of Japan (BoJ) finally ended its below-zero interest rate policy. The US dollar, euro and British pound strengthened against the Japanese yen. While BoJ increased borrowing costs for the first time since 2007 and ended its yield curve control policy, it stressed that borrowing costs would not rise sharply until inflation expectations were anchored at its 2% target.

Commodity prices rallied. Oil prices moved higher, closing the month around USD 87 a barrel (Brent crude) given the ongoing conflicts in Ukraine and the Gaza strip, as well as the increased attacks in the Red Sea. Gold prices also advanced, touching a fresh high of more than USD 2,200 an ounce.

## Performance Analysis

The Fund returned positively (in EUR, gross of fees) in March, slightly lagging global equity markets as represented by the MSCI AC World Index. The Fund underperformed the global equity markets in Q1 but posted a pleasing increase in value.

Although we had already adopted a more cautious positioning, the Energy theme of the future lagged the broad market trend in Q1 but contributed well over the course of March. Initial positive signals that wind and solar had already bottomed out did change the mood of market participants. The Clean Water and Land theme also contributed well to the overall performance.

Stock selection has been the main source of performance as companies like a pump manufacturer; an industrial equipment manufacturing company focused on heating, ventilation, and air conditioning (HVAC) and refrigeration systems; as well as Pentair benefitted from recent pick-up in business active and generally more positive economic activity. The influence of the index-heavyweights was mixed over the course of March, as the underweighting of a technology company that designs graphics processing units had a negative impact on overall performance, while the underweighting of a US tech giant made a positive contribution. Stock selection among the Digital Life theme contributed negatively to overall performance, as disappointing quarterly results pressured a cyber security company. A company providing animal health solutions suffered after falling slightly short of market estimates.

The portfolio forward-looking price/earnings relation sits at the level of 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. The portfolio continues to have a high degree of diversification. 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 31 March 2024 unless otherwise stated.

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