

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 May

Global equities advanced over May. US stocks led the rally, boosted by a jump in Technology companies, particularly a chipmaker which blew past earnings' forecasts. In contrast, Japanese and UK shares rose only modestly, while the MSCI Emerging Markets Index was pressured by weak returns from Brazil and Mexico, among others. At a sector level, Information Technology rallied the most, with Communication Services and Utilities also areas of notable strength. Meanwhile, Energy was the only sector in the MSCI All Countries World Index to fall over the month.

In the US, the appreciation was mostly driven by robust gains from the Technology sector. As a result, the tech-heavy Nasdaq Composite Index outperformed the broad-based S&P 500 Index, with growth stocks topping value ones by a sizable margin. Shares of the afore-mentioned chipmaker soared after it beat quarterly earnings' forecasts, announced a stock split and increased its quarterly dividend. The company is now the third largest US company by market capitalisation, beaten only by two technology giants.

US Federal Reserve (Fed) Chair Jerome Powell signalled that investors would need to be "patient and let restrictive policy do its work" in reducing inflation. However, he also confirmed that the likelihood of a further increase in rates was "very small". In the eurozone, the European Central Bank (ECB) gave its strongest hint yet that rates would be cut in June, despite higher-than-expected wage growth. Hopes that the Bank of England (BoE) would also cut rates in June were dashed when UK inflation fell less than forecast and the government unexpectedly called a general election, to be held on 4 July.

In the commodity markets, oil prices eased, touching their lowest level since March on fears of a looming supply glut. Conversely, metals prices moved higher. Gold touched a fresh high of USD 2,450 a troy ounce, while copper topped USD 11,000 a ton for the first time on record as concerns over curtailed supply added to expectations of a pick-up in demand.

Performance Analysis

The Fund lagged global equity markets as represented by the MSCI AC World Index.

Over the course of the month, the Next Generation Energy and Infrastructure themes were positive contributors. On the other hand, the Digital Life and Intelligent Machines themes detracted, driven by adverse stock selection (underweight in Tech index-heavyweights).

On a single stock basis, the positions in a solar panels manufacturer; a home solar panel and battery storage company; Nextera Energy (all Next Generation Energy), a computer peripherals manufacturer (Digital Life), and a manufacturer of semiconductors and wireless telecommunications products (Intelligent Machines) were amongst the key contributors to performance. Not owning the afore-mentioned chipmaker and a computer hardware and consumer electronics company were the most meaningful detractors for the month.

The Fund continues to carry a meaningful overweight to Industrials and Materials and underweight to Communication Services. This positioning is in our view supported by decent business activity overall with solid capital expenditures, further investment activity in modernisation of equipment etc., a pick-up in economic activity in China and improvements in Chinese stock markets, as well as the slight decrease in interest rates.

We see several turning points for infrastructure-related themes. After the shakeout of the theme last year, we are seeing a stabilisation across Utilities, as well as electric vehicle (EV) and renewables within the Next Generation Energy theme. Recent mergers and acquisitions (M&A) activity boosted the Materials sector overall and benefitted the Infrastructure theme. Water engineering consultancy and engineering companies we recently met mentioned an increase in order activity with funding now becoming available from infrastructure acts, etc.

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.

Connect with Us | sg.allianzgi.com | +65 6438 0828 | Search more

 Like us on Facebook [Allianz Global Investors Singapore](#)

 Connect on LinkedIn [Allianz Global Investors](#)

 Subscribe to YouTube channel [Allianz Global Investors](#)

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

The information presented here is intended for general circulation and does not constitute a recommendation to anyone; it also has not taken into account the specific investment objectives, financial situation or particular needs of any particular person. Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this publication but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself. Past performance of the fund manager(s) and the fund is not indicative of future performance. Prices of units in the Fund and the income from them, if any, may fall as well as rise and cannot be guaranteed. Distribution payments of the Fund, where applicable, may at the sole discretion of the Manager, be made out of either income and/or net capital gains or capital of the Fund. As a result of the payment, the Fund's net asset value is expected to be immediately reduced. The dividend yields and payouts are not guaranteed and might change depending on the market conditions or at the Manager's discretion; past payout yields and payments do not represent future payout yields and payments. Investment involves risks including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. The Fund may invest in financial derivative instruments and/or structured products and be subject to various risks (including counterparty, liquidity, credit and market risks etc.). Past performance, or any prediction, projection or forecast, is not indicative of future performance. Investors should read the Prospectus obtainable from Allianz Global Investors Singapore Limited or any of its appointed distributors for further details including the risk factors, before investing. The duplication, publication, extraction, or transmission of the contents, irrespective of the form is not permitted, except for the case of explicit permission by Allianz Global Investors. This publication has not been reviewed by the Monetary Authority of Singapore (MAS). MAS authorization/recognition is not a recommendation or endorsement. The issuer of this publication is Allianz Global Investors Singapore Limited (79 Robinson Road, #09-03, Singapore 068897, Company Registration No. 199907169Z).