

Allianz

Cyber Security

Monthly commentary

- The Fund aims at long-term capital growth by investing in equities in the global equity markets with a focus on companies whose business will benefit from or is currently related to cyber security in accordance with environmental and social characteristics. With the adoption of the Sustainability Key Performance Indicator Strategy (Relative) ("KPI Strategy (Relative)"), the Fund aims to achieve the reduction in greenhouse gas emissions ("GHG") of the Fund's portfolio which shall be at least 20% lower than that of its benchmark index within the same period ("Sustainability KPI").
- The Fund is exposed to significant risks relating to investment/general market, concentration, cyber security, emerging market, company specific, currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation.
- The Fund is exposed to sustainable investment risks relating to KPI Strategy (Relative) (such as foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities when it might be disadvantageous to do so or relying on information and data from third party ESG research data providers and internal analyses which may be subjective, incomplete, inaccurate or unavailable). The Fund focuses on the Sustainability KPI which may reduce risk diversifications and may be more volatile compared to broadly based funds. Also, the Fund may be particularly focusing on the GHG emission efficiency of the investee companies rather than their financial performance which may have an adverse impact on the Fund's performance.
- The Fund may invest in financial derivative instruments ("FDI") which may expose to higher leverage, counterparty, liquidity, valuation, volatility, market and over the counter transaction risks. The Fund's net derivative exposure may be up to 50% of the Fund's net asset value.
- This investment may involve risks that could result in loss of part or entire amount of investors' investment.
- In making investment decisions, investors should not rely solely on this material.

Note: Dividend payments may, at the sole discretion of the Investment Manager, be made out of the Fund's capital or effectively out of the Fund's capital which represents a return or withdrawal of part of the amount investors originally invested and/or capital gains attributable to the original investment. This may result in an immediate decrease in the NAV per share and the capital of the Fund available for investment in the future and capital growth may be reduced, in particular for hedged share classes for which the distribution amount and NAV of any hedged share classes (HSC) may be adversely affected by differences in the interests rates of the reference currency of the HSC and the base currency of the Fund.

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.

Within Technology, the MSCI ACWI Information Technology Index advanced 1.92%, thanks to monthly gains in all industries. Results were led by mid-single-digit gains in communications equipment, information technology (IT) services

and software stocks, while technology hardware and electronic equipment managed only modest gains. The ISE Cyber Security Index was higher by 1.60%, thanks in part to a rebound in an infrastructure software and security provider, while a cyber security pure play offset results in September, following a double-digit advance in August.

Outlook and Strategy

The near-term outlook for cyber security-related companies has improved in light of the Fed rate cuts, which is likely to have an incrementally positive impact on software and IT services providers given their greater sensitivity to lower rates. There has been a notable relative rotation out of semiconductor and technology hardware-related stocks in recent weeks, which has helped alleviate some of the shorter-term performance comparisons relative to the broad-based technology benchmark. Quarterly earnings results for the majority of cyber security stocks were positive and points to the potential for incremental asset class momentum relative to a broader technology mandate. We look for continued strength in the upcoming quarter, particularly as we enter a period of seasonal tailwinds which are also likely to benefit software and IT services segments of the market, where many of our cyber security holdings reside.

Our expectation is that mergers and acquisitions (M&A) activity may rise as capital markets continue to show signs of strength, and there is potentially a broad cross-section of acquirers for cyber assets given their durability and strategic positioning. Additionally, valuations remain attractive with cyber companies broadly trading at pre-COVID levels on an enterprise value-to-sales ratio and cyber remains one of the more insulated areas within Technology which is less likely to be impacted by any boom/bust spending which has been impacting AI-related opportunities in recent months. Investors are paying attention to a closer race in the upcoming US elections which may also add to volatility, especially around geopolitics and global supply chain. Amid any potential volatility, we are opportunistically looking to upgrade select names and add to our highest conviction ideas to better position the portfolio for improved performance. We continue to have a constructive mid- to long-term outlook for equity markets, particularly cyber security stocks given their secular growth expectations.

Despite short-term periods of higher volatility among technology stocks, earnings growth ultimately drives stock prices over the long term, and in our view, we are still early in the spending trend supporting this dynamic segment. We are excited about the investment opportunities presented, and believe our research-driven, bottom-up process is the most effective means to capture the value generated by this theme.

Connect with Us

hk.allianzgi.com

+852 2238 8000

Search more





Like us on Facebook [安聯投資 – 香港](#)



Connect on LinkedIn [Allianz Global Investors](#)



Subscribe to YouTube channel [安聯投資](#)

All data are sourced from Bloomberg and Allianz Global Investors as at 30 September 2024 unless otherwise stated.

Allianz Global Investors and Voya Investment Management (Voya IM) have entered into a long-term strategic partnership, and as such, as of 25 July 2022, the investment team transferred to Voya IM and Voya IM became the delegated manager for this fund. AllianzGI continues to provide information and services to Voya IM for this investment through a transitional service agreement.

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 material but should seek independent professional advice.

Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Past performance is not indicative of future performance. Investors should read the offering documents for further details, including the risk factors, before investing. This material and website have not been reviewed by the Securities and Futures Commission of Hong Kong. Issued by Allianz Global Investors Asia Pacific Limited.

Allianz Global Investors Asia Pacific Limited (32/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong) is the Hong Kong Representative and is regulated by the Securities and Futures Commission of Hong Kong (54/F, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong).