

# Allianz

# Global Artificial Intelligence

## Monthly commentary

- The Fund aims at long-term capital growth by investing in the global equity markets with a focus on the evolution of artificial intelligence 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 within the same period ("Sustainability KPI").
- The Fund is exposed to significant risks of investment/general market, concentration, company-specific, emerging market, 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 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 December

Global equities pulled back in December following a strong rally in the prior month. For the US, markets were mixed amid a more hawkish outlook from the US Federal Reserve (Fed). Ongoing debates on President-elect Trump's policies and a narrowly averted government shutdown also introduced some uncertainty. The technology-heavy Nasdaq Composite Index held up relatively well due to positive headlines from mega-cap growth companies, while smaller cap stocks experienced more profit taking. European equities closed the month with flat returns. The weakness of the euro helped support the outlook for the region's exporters, although the threat of higher tariffs weighed on sentiment. While Asia equities were mixed overall, China stocks moved higher, buoyed by further signs that Beijing is taking steps to bolster economic growth.

As widely expected, the Fed cut rates by 25 basis points (bps) in December, but policymakers issued more cautious guidance for 2025, reducing the number of expected 25-bps cuts to two from four at the previous Federal Open Market Committee (FOMC) meeting. Concerns that progress against fighting inflation had stalled were cited for the change. It was mostly a different story in Europe, with the European Central Bank (ECB) cutting rates by 25 bps, while the Swiss National Bank reduced borrowing costs by 50 bps, its largest cut in nearly a decade. However, the Bank of England (BoE) kept rates on hold as inflationary pressures remained stubbornly high. The Bank of Japan (BoJ) also maintained its monetary stance.

Commodity prices were mixed. Oil prices, as measured by Brent crude, hovered around USD 72-73 per barrel for much of the month. While the Organisation of the Petroleum Exporting Countries Plus (OPEC+) nations voted to continue production cuts in 2025, this was offset by concerns over the outlook for global growth. Gold mostly traded above USD 2,600 an ounce, remaining below the record high of almost USD 2,800 an ounce reached in late October.

From a sector perspective for the MSCI All Country World Index, performance was led by Consumer Discretionary and Communication Services, as mega-cap names held up better amid a mixed equity backdrop. The Materials and Health Care sectors were the top laggards over the period.

### Portfolio Review

During the period, the Fund outperformed the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). From a sector perspective, Consumer Discretionary and Information Technology were the largest relative contributors. The Industrials and Financials sectors were slightly offsetting. Artificial intelligence (AI) infrastructure was the strongest performer as our AI chip holdings reported better-than-feared earnings results. Both AI applications and AI-enabled industries pulled back during December, following strong returns in the prior month.

The top relative contributor over the period was a company that designs, develops and supplies a broad range of leading semiconductor, enterprise software and security solutions. Shares outperformed during the period after the company reported solid earnings results and management articulated a materially larger-than-expected revenue opportunity for AI-related infrastructure in the next three years. Looking forward, the company is on track for meaningful acceleration in revenue and earnings growth driven by AI-related computing and networking programmes, software infrastructure and a recovery in its wireless semiconductor business.

Our position in an electric vehicle (EV) producer was another contributor over the period. The stock continued its rally following the US presidential election results. Given the company CEO's support for the Trump presidential election bid, the company stands to benefit under a friendlier regulatory regime and from a pro-business agenda. Looking forward, the company continues to have an ambitious innovation agenda, spanning EV, energy storage, autonomous driving and humanoid robots. We believe the company is making good progress on each of these agendas in ways that can unlock significant shareholder value in the future.

Amongst the detractors is a supplier of building materials and construction services to professional contractors and housebuilders. The company uses AI, robotics and digital technologies to drive operational efficiencies. Shares were lower as higher interest rates weighed on housing activity and sentiment for the building products space. The company has been an organic market share gainer and consolidating smaller regional competitors. The management team has maintained financial discipline by returning cash to shareholders, while driving efficiency through AI.

Another detractor is an American energy company specialising in clean energy generation, primarily through its nuclear, wind and solar assets. Shares were lower alongside the rest of the Utilities sector, primarily from profit taking. The company is positioning itself to meet the growing energy demands from AI and digital infrastructure. The demand for data centre power is anticipated to drive significant growth in energy consumption. The anticipated rise in AI-driven electricity demand could lead to substantial power contracts with data centre operators over the coming years.

## Outlook and Strategy

We maintain a positive outlook for equity markets in 2025, though markets may have periods of volatility due to concerns over stickier inflation, the implementation of Trump's fiscal policies, subdued global growth and slower interest rate cuts. The Fed looks to be in a comfortable spot balancing inflation with economic stability and should continue its path towards rate cuts, albeit at a more gradual pace. An easier monetary policy backdrop should be constructive for pockets within the US economy to regain its footing and drive more broad-based growth.

We believe the upcoming Trump administration represents an evolution of policy, with a net positive effect on AI innovation. Trump recognises the US leads in AI and wants to maintain that leadership. A less regulated and business-friendly environment should be conducive for more AI investment and capital markets activity. However, companies heavily reliant on an overseas supply chain in some countries may face greater uncertainty. It remains to be seen how much tariffs and other restrictions could impact certain industries, but overall should be manageable. A wide range of capital is fuelling the AI investment backdrop, including venture capital, private equity, self-funding from larger technology companies and the start of an AI initial public offering (IPO) cycle.

From an innovation perspective, progress with AI development is accelerating as more powerful capabilities become readily available from the robust "Phase 1" infrastructure buildout. We are beginning to enter "Phase 2" where new generative AI use cases and application adoption drive significant benefits over the coming years. Our analysis suggests that investments in AI could lower the marginal costs of operations, much like the information technology (IT) revolution did. Furthermore, the advanced features of AI-enhanced products or services can drive new levels of productivity, cost savings and revenue opportunities across industries in "Phase 3". Given the transformative potential of AI investments, we believe profit margins may not simply hold steady but could in fact grow, supporting valuations for innovative companies that are investing now to disrupt the status quo.

**AI infrastructure:** Spending on AI infrastructure should continue to be robust over the next several years as more powerful AI data centres are built around the globe. A semiconductor company's upcoming AI chips provide up to a 30 times performance increase compared to the previous generation and more hyperscalers are designing custom AI chips to meet their unique specific needs. This is driving demand for new data centre architectures that can handle the higher power, cooling, space and networking requirements. Overall demand for generative AI training remains durable as more companies across the ecosystem are rushing to build better foundational models or fine tune other models. Growth in AI inference systems is also expanding to process and respond to new data in real time and support applications that require low latency and high reliability at the edge of the network. Newer reasoning engines require more "think time" to yield better results, driving additional workload demand.

**AI applications:** Generative AI applications are evolving into their next phase with the emergence of AI agents. Unlike AI copilots designed to answer a single question, AI agents have decision engines that allow them to operate autonomously and complete complex tasks. AI agents can be easily customised to handle repetitive tasks and have human-like decision making capabilities to adapt to different situations. This can create a new level of automation and dramatically cut costs and improve productivity. We believe there will be an upcoming surge of new generative AI-infused applications across many areas of consumer and enterprise workflows over the next several years, driving more investment opportunities.

**AI-enabled industries:** AI continues to open up new possibilities to drive true industry transformation across every industry. Many companies in AI-enabled industries are increasing investments in generative AI to train one's own industry-specific model on its proprietary content or knowledge to compete better. In Health Care, the application of AI could dramatically speed up the time for drug discovery, accelerate clinical trials and dramatically improve the efficacy of medical devices. Within Financial Services, there are companies with significant volumes of data related to transactions, customer interactions and research. This allows for the creation of AI solutions to enhance operational efficiency, improve fraud detection and personalise client service. There are similar opportunities within Automotive, Consumer, Industrials, Energy

and even Mining. We think this is only the beginning as innovative companies embrace AI to enhance efficiency, lower costs, launch new products, take market share and drive higher levels of profitability.

We are still in the early innings of the AI era. Despite significant advancements, there is a lot more potential to be unlocked in the future. The industry is rapidly evolving, with major investments and innovations continuing to drive progress towards artificial general intelligence, possibly within the next decade. AI is becoming more integrated into various fields, from finance to health care to humanoid robotics. It is an exciting time, and we are likely to see even more transformative changes in the coming years.


Our view remains that the compounding effect from AI disruption will create opportunities for innovative companies across every sector. We believe that stockpicking will be essential to capturing the benefits of this opportunity, as today's AI winners may change in the future in an environment characterised by rapid change and disruption. We remain focused on identifying the companies that can best leverage AI to deliver the most shareholder value creation over the long term.

---

Connect with Us | [hk.allianzgi.com](https://hk.allianzgi.com) | +852 2238 8000 | Search more  Allianz Global Investors

 Like us on Facebook [安聯投資 – 香港](#)

 Connect on LinkedIn [Allianz Global Investors](#)

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

Source: Bloomberg, IDS and Allianz Global Investors and as at 31 December 2024 unless otherwise stated.

**Allianz Global Investors and Voya Investment Management entered into a long-term strategic partnership on 25 July 2022, upon which the investment team transferred to Voya Investment Management. This did not materially change the composition of the team, the investment philosophy nor the investment process. Management Company: Allianz Global Investors GmbH. Delegated Manager: Voya Investment Management Co. LLC (“Voya IM”).**

Any securities mentioned (above) is for illustrative purposes only. It should not be considered as an investment advice, or a recommendation to buy or sell any particular security or strategy.

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).