Allianz Global Investors

Allianz Global Hi-Tech Growth

Monthly commentary

- The Fund aims at long-term capital growth by investing in global equity markets with a focus on the information technology sector or on an industry which forms part of this sector in accordance with environmental and social characteristics. The Fund aims to achieve the Sustainability KPI with the adoption of the Sustainability Key Performance Indicator Strategy (Absolute) ("KPI Strategy (Absolute)"). The Fund does not constitute as an ESG fund pursuant to the SFC's circular issued on 29 June 2021.
- The Fund is exposed to significant risks of investment/general market, concentration, emerging market, company-specific, liquidity and currency.
- The Fund is exposed to sustainable investment risks relating to KPI Strategy (Absolute) (such as foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, selling securities when it might be disadvantageous to do so, and/or reducing risk diversifications compared to broadly based funds) which may result in the Fund being more volatile and have adverse impact on the performance of the Fund and consequently adversely affect an investor's investment in the Fund.
- 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 Q3

Global equities were defined by several major developments during the quarter. The first was a sharp sell-off in early August as weaker-than-expected US jobs data sparked recessionary fears. This was followed by a swift rebound, with many markets finishing the quarter at and near record highs, as the US Federal Reserve's (Fed) decision to start cutting rates increased hopes of a soft landing. At the end of the quarter, China's announcement of the biggest stimulus measures since the pandemic further boosted shares. The quarter was also notable for a rotation out of highly valued growth stocks, particularly in the information technology and communication services sectors, into sectors seen to be bond proxies, such as utilities and real estate.

Inflation continued to slow, falling to 2.50% in the United States and 2.20% in the euro zone in August. Concerns over the health of the labor market finally persuaded the Fed to start cutting rates in September. The Feds larger-than-usual 50-

basis points (bp) cut was accompanied by forecasts of further cuts this year and in 2025. In the same month, the European Central Bank (ECB) also reduced borrowing costs, marking its second cut this year, while the Bank of England (BoE) started its easing program in August but kept rates on hold in September. In contrast, the Bank of Japan (BOJ) raised rates to 0.25%, indicating it was confident that inflation was sustainably above 2%. Meanwhile, the People's Bank of China (PBC) cut rates as growth remained subdued and the Chinese authorities announced the biggest monetary stimulus since the pandemic.

The US dollar weakened as signs of slowing US economic activity led to growing speculation that the Fed may cut rates more than once in 2024. Oil prices, which started the period just under USD90/bbl (Brent crude), trended lower, briefly moving back below USD70/bbl in early September. While heightened tensions in the Middle East and production cuts from the Organization of Petroleum Exporting Countries (OPEC+) helped to support prices, this was offset by abundant supply and fears that a slowdown in global growth could depress demand. In contrast, gold, which is often seen to be a safe haven in times of uncertainty, rallied, with the precious metal breaching USD2,600 an ounce for the first time on record.

Portfolio Review

The Fund posted a low-single-digit advance the quarter and trailed the MSCI World Information Technology Index return due to short-term stock selection, which countered sector allocation tailwinds in non-technology segments of the market. Specifically, results were aided by exposure to industrials, health care, utilities and consumer discretionary. Meanwhile, stock selection within technology detracted from performance, including more conservative stock selection in semiconductors, technology hardware and IT services, followed by exposure to the financials sector.

Outlook and Strategy

The near-term outlook for technology and related sectors has improved in light of the Fed rate cuts, which is likely to have an incrementally positive impact on market sentiment. Our expectation is that merger and acquisition activity may rise as capital markets continue to show signs of strength. Investors are paying attention to a closer race in the upcoming US elections 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 anticipate a potential broadening of performance across industries and market caps, consistent with more normalized environment. Global economic conditions remain healthy, as labor markets, corporate earnings and consumer spending have been resilient. Valuations continue to be reasonable and we believe there is the potential for upward revenue and earnings estimates should we see a better spending environment in the second but continue to make sure we have exposures in subsectors who will receive budgetary allocations. Uncertainty in terms geopolitical tensions, the US Presidential elections and the timing and the level of Fed and other central bank interest rate cuts may translate to periods of rising volatility in the coming months.

In our view, information technology and related sectors continue to benefit from tailwinds which should continue to drive attractive long-term appreciation. Many businesses are struggling to find workers to meet customer demand and need technology solutions to improve productivity of limited staffs. As companies need to reduce costs and improve productivity, we expect to see accelerating demand for innovative and more productive solutions such as cloud, software-as-a-service, AI, cyber security, etc. We are in a period of rapid change, where the importance of technology is key to the prosperity of most industries. This environment is likely to provide attractive growth opportunities in many technology stocks over the next several years. The incorporation of health care, communication services with select industrials and consumer-related exposure is intended to provide both diversification and alpha potential over time.

We continue to believe technology leaders spanning multiple sectors from technology to healthcare to consumer discretionary can provide some of the best absolute and relative return opportunities in the equity markets over time.

All data are sourced from Allianz Global Investors dated 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.