

# Allianz Global Sustainability

## Monthly commentary

- The Fund aims at long-term capital growth by investing in global equity markets of developed countries in accordance with environmental and social characteristics. With the adoption of the sustainable and responsible investment ("SRI") (Proprietary Scoring) strategy ("SRI (Proprietary Scoring) Strategy"), the Fund takes into account sustainability factors based on United Nations Global Compact Principles and follows the principles of SRI.
- The Fund is exposed to significant risks of investment/general market, company-specific, emerging market, liquidity, 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 risks relating to SRI (Proprietary Scoring) Strategy investment (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 SRI which may reduce risk diversifications and may be more susceptible to fluctuations in value.
- 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 interest rates of the reference currency of the HSC and the base currency of the Fund, particularly if such HSC are applying the IRD Neutral Policy.

### What Happened in October

Despite wide-ranging fears that October could turn out volatile in the run up to the US election, global equities mostly kept pushing higher in an orderly fashion until, the last day of the month when all gains were given up driven by a selloff in technology heavyweights, especially from two technology companies, as their stock dropped following reporting softer results than market expectations.

At a sector level, health care, materials, consumer staples and real estate fell the most, while financials, communication services and energy moved higher.

The flickers of volatility did not exclude rates and currencies as the big story of the month was the sell-off in global bonds and the consequent sharp rise in US yields as polls pointed to a Donald Trump win in November's presidential election. The former President has promised to hike import tariffs substantially while tax cuts are likely to further swell the fiscal deficit, cautioning investors as the yield on the 10-year US Treasury bond rose 50 basis points over the month to close just below a four-month high of 4.3%.

The US dollar strengthened as investors moderated their forecasts for the pace of rate cuts by the US Federal Reserve (Fed). While the Euro fell against the dollar, it rose against the Japanese yen. In a surprise result, Japan's ruling Liberal Democratic party lost its parliamentary majority in October's snap general election, prompting concerns over the country's

political stability and economic outlook. The British pound slumped towards month end as the aftermath of the UK budget raised renewed question on the growth and inflation outlook.

In commodities, Oil prices initially surged after an escalation of tensions in the middle east and subsequently retreating. Gold prices also surged to a fresh record high amid the ongoing geopolitical tensions and as investors evaluated political risks ahead of the US presidential election.

### Portfolio Review

The Fund lagged its benchmark, the Dow Jones Sustainability Index over October (In USD, gross of fees).

Amongst the top contributors featured our financial and energy holdings that benefitted from the advance of their sectors. Previous detractors also fared better over the month.

### Outlook and Strategy

Economic data continues to show signs of fatigue with weak purchasing managers' indexes (PMIs) and the institute of supply management (ISM) data. The disparity in regional valuations continues to widen, with the premium of US stocks versus the rest of the world at record levels.

The impact of the Trump election is still unknown in terms of what will be implemented and what a potential response from Europe and the Rest of the World might be. This could result in another trade war. The clearest positives that are exempt from the weaker macro is the global shift to embrace AI and we have plenty of exposure in the portfolio. The challenge is to avoid the overvalued and hyped parts and invest in the stocks that have predictable upside to the global roll out of AI tools. We have increased our exposure to networking and power recently as its clear these bottlenecks to the roll out will have meaningful growth going forward.

We need to stay hypervigilant to any improvement to the global economy ex US whether that is more stimulus in China or a more confidence in European businesses. The countries that are relatively exempt from Trump like India are clearly also on a positive trajectory albeit at very high valuations.

We continue expect 2025 will be a stock pickers year and that AI will be the dominant theme in markets which puts our strategy in a good position to deliver returns. We do find markets to be expensive (especially US) and expect pullbacks which we will take advantage of.

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