

# Allianz Thematica

## Monthly commentary

- 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 environmental and social characteristics. The Fund aims to achieve the Sustainability Key Performance Indicator Strategy (Absolute Threshold) ("KPI Strategy (Absolute Threshold)"). 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, thematic-based investment strategy, company-specific, emerging market risks, 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 (Absolute Threshold) (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 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 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 November

Global equities closed November with mixed returns. US stocks rallied strongly as Donald Trump's landslide victory in the US presidential election boosted hopes of tax cuts and looser regulations. However, threats of tariffs weighed on the performance of other markets, particularly in Europe, Japan and many emerging markets. At a sector level, consumer discretionary and financials stocks rallied the most, while materials and health care were the weakest sectors in the MSCI All Countries World Index.

It was a volatile month for global bonds as Donald Trump's decisive win raised fears that rate cuts may be scaled back if higher tariffs reignite inflation. The yield on the 10-year US Treasury bond touched a four-month high of 4.5% in the aftermath of the election result but closed the month at 4.2%, slightly lower than the level at the end of October, as the president-elect's choice of Treasury Secretary reassured investors. Meanwhile, European bond yields declined sharply as the threat of higher tariffs for the region's US exports further depressed the growth outlook. Japan proved the exception, with bond yields rising amid increasing speculation the Bank of Japan may hike rates again in December.

The US Federal Reserve (Fed) cut rates by 25 basis points (bps), slowing the pace of its easing after September's 50-bps reduction. Minutes of the meeting revealed that policymakers are considering scaling back future rate cuts if inflation fails to be tamed. While jobs growth was far weaker than expected in October, elsewhere the US economy appears solid. In contrast, the growth outlook darkened in Europe, ramping up pressure on the European Central Bank (ECB) to cut rates further. Meanwhile, speculation grew that the Bank of Japan may raise rates again before year end.

The US dollar surged on concerns that Donald Trump's promises to raise tariffs would increase inflation and reduce scope for the US Federal Reserve to cut rates. The Dollar Index, a measure of the currency's strength against its major trading partners, hit a two-year high. Oil prices closed the month a little changed, with Brent crude trading around USD 72 a barrel. Israel's ceasefire with Lebanon's Hezbollah allayed fears over potential supply disruptions in the Middle East. Gold eased from the record high hit at the end of October as the US dollar strengthened.

### Portfolio Review

The Fund returned negatively (in EUR, gross of fees) in November, underperforming global equity markets as represented by the MSCI AC World Index.

From a sector perspective the overweight to Materials and Utilities created a burden as well as the underweight to Financials as classical banks benefitted from a steepening in the yield curve in Europe and the US because of the US election. From a single stock perspective positive performance occurred from a manufacturer of engineered equipment (Infrastructure), a cybersecurity company (Digital Life) and an automation company (Intelligent Machines). Negative performance occurred from not owning an automotive and clean energy company as well as the investment to a consulting and engineering services firm (Clean Water and Land) and a company that manufactures disposable hygiene products, household cleaning products (GenWell). Connected to the US elections, we got rid of our exposure to the theme "Next Generation Energy". By reinvesting the proceeds, we took a very US centric view as we expect US markets and the USD to outperform over the next month. We have added the proceeds across different themes like US focused Industrial companies in the Clean Water and Land theme (a building technology and energy solutions company, a water technology provider). Other examples include a global fintech and payments company (Digital Life) which is a US focused provider of payments and financial services technology solutions. Among Intelligent Machines we added to a diversified industrial company (fluids handling) and an automation company, which benefits from the construction boom in data centres. In our view, a diversified multi-thematic portfolio continues to offer many opportunities for investors to benefit from structural megatrends in the current year.

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Source: Bloomberg and Allianz Global Investors as at 30 November 2024 unless otherwise stated.

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