

Allianz

US Equity Fund

Monthly commentary

- The Fund aims at long-term capital growth by investing in companies of the United States of America ("US") equity markets with a minimum market capitalization of US\$500 million.
- The Fund is exposed to significant risks of investment/general market, country and region, emerging market and company-specific.
- 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

US stocks advanced in September following the US Federal Reserve (Fed) implementing a larger-than-expected 50 basis points interest rate cut. The S&P 500 Index rose by 2.14% and the Nasdaq Composite increased by 2.68% during the month. The consumer discretionary and utilities sectors led, while energy and health care lagged. Large-cap stocks outperformed small caps and growth beat value.

US bonds advanced modestly during the month. The Bloomberg US Aggregate Bond Index rose by 1.34% for the month. The 10-year US Treasury yield was essentially flat during the month, ending at 3.81%.

Portfolio Review

For the month of September, the Strategy underperformed the benchmark, the S&P 500 Index (the Index), on a both gross and net-of-fees basis due to allocation effect. Sector allocation was the main reason for underperformance. An overweight in the health care sector was the main detractor from performance. Furthermore, individual stock selection within the information technology, consumer discretionary and health care sectors detracted the most. Stock selection within the consumer staples, industrials and real estate sectors contributed the most to performance.

Outlook and Strategy


The stickiness of the “last mile” of inflation suggests the US may be facing structural inflation pressures, driven by supply chain constraints and a tight labor market (despite disappointing job growth numbers, layoffs have not increased and unemployment remains at only 4.2%). Inflation that persists above 2% may prevent the Fed from cutting rates as aggressively as the market hopes. The anticipated rate cuts resemble past recession scenarios, but today’s economic landscape differs significantly—the current economy does not seem to be on the brink of collapse. In fact, in Fed Chair Powell’s words, “the US economy is basically fine.” The temporary boost to the workforce from immigration and shift in consumer spending back to services have also helped dampen inflation, but these trends may not be sustainable.

This disconnect could lead to increased volatility, especially in the bond market, if the Fed’s actual moves fall short of expectations. Investors should be prepared for potential sharp adjustments in pricing as the market navigates its perceptions this rate-cutting cycle.

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Source: Bloomberg and Allianz Global Investors dated as of 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.

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