

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 March

US stocks gained ground in March as inflation's downward trend continued and US economic growth beat expectations. The S&P 500 Index reached a new high and advanced by 3.22% during the month and the Nasdaq Composite rose by 1.79%. The Energy and Materials sectors led, while Consumer Discretionary and Health Care lagged. Small-cap stocks outperformed large caps and value beat growth. The Federal Open Market Committee (FOMC) voted to hold interest rates steady for the fifth consecutive time at its March meeting. However, three rate cuts are still expected this year, with the first likely to happen in June.

US bonds advanced during the month as the year-over-year reading of the core personal consumption expenditures price index (PCE, the US Federal Reserve's (Fed's) preferred measure of inflation) inched down in March, eliciting a favourable response from Fed Chair Jerome Powell. The Bloomberg US Aggregate Bond Index rose by 0.92% for the month. The 30-year US Treasury yield was essentially flat, ending the month at 4.20%.

Portfolio Review

In March, stock selection in the Utilities and Information Technology sectors contributed the most to performance. The Financials and Communication Services sectors detracted the most.

Outlook and Strategy

The US economy remains strong, with positive gains in payrolls and productivity. Consumer spending momentum appears soft but stable. Household net worth has increased significantly since the pandemic, but consumer confidence remains below long-term averages due to the lasting negative impact of higher prices on consumers' psyches. The US labour market remains robust but shows signs of softening. While inflation has fallen to more manageable levels, concerns about overheating persist. Interest rates may remain higher for longer than some participants expect.

The economic soft landing and easier financial conditions, coupled with anticipated rate cuts, should create favourable conditions for US stocks. Although a lot of price appreciation has already taken place and a near-term pullback is possible, there is significant potential for further rally once the Fed starts cutting rates.

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Source: Bloomberg and Allianz Global Investors dated as of 31 March 2024 unless otherwise stated.

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