

# Allianz

## European Equity

### Dividend

#### Monthly commentary

- The Fund aims at long-term capital growth by investing in companies of European equity markets that are expected to achieve permanent dividend returns 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, country and region, European country and company-specific, and the adverse impact on RMB share classes due to currency depreciation. The economic and financial difficulties in Europe may get worse and thus may adversely affect the Fund (such as increased volatility, liquidity and currency risks associated with investments in Europe).
- 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, particularly if such HSC are applying the IRD Neutral Policy.

#### What Happened in May

European equities rose in May but finished slightly behind the global index. The Stoxx 600 Index tracked Wall Street higher early as optimism around a breakthrough in US-Iran peace talks helped to ease oil supply and inflationary concerns. However, reports of clashes near the Strait of Hormuz intermittently roiled markets. Elsewhere, Russia intensified attacks on Ukraine, including a hypersonic ballistic missile strike on multiple targets in Kyiv. A number of suspected Russian drone incursions were also reported in Romania, Finland and the Baltic states. Renewed trans-Atlantic tensions also rattled sentiment, with US President Donald Trump threatening to withdraw 5,000 troops from Germany after Chancellor Friedrich Merz criticised the US war with Iran. German carmakers plunged after President Trump threatened to impose a 25% tariff on all auto exports from the European Union to the US, with Brussels calling on Washington to honour last year's US-EU bilateral trade agreement capping levies at 15%. Meanwhile, in an attempt to calm relations, EU lawmakers agreed provisional wording to remove EU levies in accordance with the so-called Turnberry Agreement, after President Trump set a 4 July deadline for the bloc to either comply or face higher tariffs.

Economic fundamentals for the euro zone underwhelmed. Annual inflation in the bloc rose from 2.6% in March to 3.0% in April, the highest level since September 2023, as soaring energy costs pushed the headline figure well above the European Central Bank's (ECB) 2% target. After leaving rates on hold at 2.0% in April for the seventh consecutive meeting, speculation mounted around the likelihood of monetary policy tightening from the ECB as early as its next meeting in June. In addition, the European Commission cut the European Union gross domestic product (GDP) forecast from 1.6% to 1.1% and lowered the euro-zone estimate to 0.9%. Euro-zone exports fell in March compared with the same time last year, while industrial production rose on a sequential monthly basis in March.

German equities finished May modestly higher but trailed the regional and global indices. German carmakers plummeted early in the month after President Trump launched a fresh tariff salvo targeting EU auto exports. UK equities rose fractionally in May. Early in the month, oil majors BP and Shell drove the FTSE 100 lower, as oil prices slumped amid rising hopes of a US-Iran peace deal and easing geopolitical risk. However, oil prices rose and stocks retreated amid renewed clashes in the crucial Strait of Hormuz shipping lane. Meanwhile, political turmoil intensified in the aftermath of the devolved parliament and local government elections, with the ruling Labour Party suffering heavy losses and populist Reform UK securing significant gains. Gilt yields soared after Greater Manchester Mayor Andy Burnham resigned and announced plans to run for parliament and challenge UK Prime Minister Keir Starmer for the party leadership. Annual headline inflation fell from 3.3% in March to a cooler-than-expected 2.8% in April, although economists warned of the looming energy price shock from the Middle East crisis.

### Portfolio Review

In May, the strategy slightly underperformed the broader market, as represented by the MSCI Europe Index. European equities continued their recovery in May. However, market performance remained narrow and strongly driven by growth-oriented segments. Information Technology continued to lead, with semiconductor stocks at the forefront, supported by robust demand linked to artificial intelligence and broader semiconductor investment cycles. Companies such as a German semiconductor manufacturer and a Dutch leader in semiconductor equipment delivered strong gains during the month, reflecting investors' continued focus on structural artificial intelligence (AI)-driven growth themes. This proved challenging for the strategy, given its zero exposure to the Information Technology sector, which remained a key source of market leadership.

At a sector level, stock selection delivered a mixed outcome, reflecting the generally high level of dispersion across European equities. Within Consumer, contributions were supported by overweight positions in a UK food ingredients company and a Danish jewelry company, while an overweight in a UK consumer goods company weighed on performance. In Industrials, positioning was beneficial overall. Overweights in an Irish sales, marketing and support services group, Siemens\* and a French tire manufacturer contributed positively, while the absence of UK engineering company was a minor detractor.

Energy was a key source of relative performance dispersion during the month. The sector faced headwinds amid significant oil price volatility, driven by shifting expectations around US-Iran negotiations. While oil prices recovered later in the period, the earlier decline and continued uncertainty weighed on sentiment and equity performance. As a result, the lack of exposure to oil majors such as an Anglo-Dutch oil and gas major, a British oil and gas company and a German energy technology company supported relative returns, while overweight positions in a Norwegian oil and gas company and TotalEnergies\* detracted.

Within Communication Services, the absence of a European cloud and AI services provider weighed modestly on performance, reflecting the continued strength of selected growth-oriented names. In Health Care, relative returns benefited from not holding a British pharmaceutical company, although this was offset by the negative impact of an overweight in a British pharmaceutical and consumer healthcare company. Within Financials, the reinsurance segment was a notable source of weakness. Overweight exposures to two German reinsurance companies, detracted, as the sector came

under pressure during the month and lagged the broader market. Finally, in Materials, an overweight position in Rio Tinto\* made a positive contribution and helped to offset weaker areas elsewhere in the portfolio.

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Source: Allianz Global Investors, Eurostat, IHS Markit and Office for National Statistics, as at 31 May 2026 unless otherwise stated.

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