Allianz Global Investors

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 February

European equities rallied over February, as President Trump's push for peace in Ukraine raised hopes that the three-year war would soon end, although markets closed the month on a weaker note after he hinted that he may introduce 25% tariffs on European exports to the US. Defence stocks benefitted from signs that European governments will be forced to increase military spending sharply. At a sector level, financials, communication services and consumer staples rallied the most, while information technology was the only sector to close the month with notable losses. Headline euro-zone inflation rose to a six-month high of 2.5% in January, but core inflation held steady at 2.7% for the fifth consecutive month. The European Central Bank continued to signal that further rate cuts were likely.

German equities rose. The Christian Democrats (CDU/CSU) won the most seats in the country's general election, with the right-wing Alternative für Deutschland coming second and outgoing Chancellor Olaf Scholz's Social Democrats (SPD) coming third. The CDU/CSU alliance now needs to form a coalition government, most likely with the SPD but this may prove tricky given their differing views on taxes, regulation and social spending. There is also a pressing need to address Germany's 'debt brake' to allow for higher defence spending. UK equities closed the month higher. As widely expected, the Bank of England (BoE) cut rates by 25 basis points to 4.5%. However, hopes of further rate cuts were dashed when UK inflation rose to 3.0 % in January, its highest level since March 2024. Given lacklustre economic growth, the UK government is facing increasing pressure to break its election promises and raise personal taxes in its March budget to pay for higher spending on defence and health care.

Portfolio Review

The Fund slightly outperformed the MSCI Europe index. Key positive contributors included strong stock selection in industrial names such as Siemens* and Siemens *, which reported good quarterly results. An overweight position in financials also proved beneficial, with quality banks like KBC*, an Irish bank, Nordea* and an Italian international banking group performing well. A leading UK-based financial services group rebounded due to provisions set aside for past contentious car loans and was the month's top active contributor. Conversely, not holding a Spanish multinational financial services company and a British universal bank and financial services group, as well as being overweight positioned in a Swiss private banking group had a negative impact. Not holding a Dutch multinational corporation and an enterprise applications and business AI company proved to be positive after the general volatility in the technology sector and the uncertainties in the global economy increased.

The largest negative contribution came from our overweight in a creative transformation company, which corrected sharply on weaker-than-expected results and poor guidance for 2025. Some more negative contributions came from the overweighting of a seafood provider within the retail, horeca and industry segments, a leading supplier of semiconductor assembly equipment, a French multinational advertising and public relations company, a British multinational hotel and restaurant company and an international energy company. Despite this, the relative performance of the strategy was decent

Source: Allianz Global Investors, Eurostat, IHS Markit and Office for National Statistics, as at 28 February 2025 unless otherwise stated.