

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 June

European equities fell slightly in June. Earlier gains were offset by negative tariff sentiment, as a trade deal between Washington and Brussels remains elusive as the 9 July deadline approaches; failure to reach a trade deal will result in a 50% tariff on all goods imported to the US – the European Union's biggest export partner – which will have a crippling impact on the bloc, particularly Germany. Escalating geopolitical tensions in the Middle East also weighed on sentiment, although the month ended on a more positive note following a ceasefire between Israel and Iran. At a sector level, the consumer sectors fared worst, while energy rose the most.

Euro-zone gross domestic product (GDP) increased by an upwardly revised 0.6% in the first quarter of 2025 compared with 0.3% the previous quarter, marking the fifth consecutive quarter of expansion. Meanwhile, the flash estimate of the Hamburg Commercial Bank (HCOB) euro-zone composite purchasing managers' index (PMI) remained unchanged in May with a reading of 50.2 (above 50 signifies growth). Inflation in the euro zone fell below the European Central Bank's (ECB's) 2%

target to 1.9% in May, down from 2.6% a year ago and from 2.2% in April. The ECB cut its key interest rate by 25 basis points (bps) to 2.0% but signalled that it may be nearing the end of its rate-cutting cycle. The central bank cut its inflation forecast for 2025 to 2.0% from 2.3% in March but left its growth outlook unchanged at 0.9% for this year.

German equities eased over June. The DAX Index hit a fresh record high early in the month on positive factory orders data and optimism around an ECB rate cut, which duly transpired. Sentiment was also supported after the Bundestag approved a EUR 46 billion business-friendly tax relief package aimed at boosting investment. However, German stocks joined the global sell-off as geopolitical tensions soared in the Middle East. The flash estimate of the HCOB Germany composite PMI nudged into positive territory in June with a reading of 50.4, bolstered by manufacturing activity, which reached a 39-month high. Furthermore, Germany's ZEW Indicator of Economic Sentiment continued to improve, climbing to 47.5 in June from May's 25.2.

UK shares closed June broadly flat. Early in the month, defence names led UK indices higher after the UK government announced an increase in military spending as part of its defence review. Subsequently, heightened geopolitical tensions in the Middle East sent both oil prices and shares in oil majors surging, taking the FTSE 100 to an all-time high.

Portfolio Review

The strategy delivered a modest positive return, while its benchmark performed slightly better. This relative underperformance was partly driven by a market rotation favouring growth-oriented sectors, particularly defence companies within industrials and the technology sector. In contrast, previously strong areas such as insurance and banks saw their upward momentum pause.

Geopolitical tensions, especially the escalating conflict between Iran and Israel and the involvement of the United States, contributed to increased market volatility. Stock selection was less effective during the month, with several overweight positions – including GSK*, a hygiene and health company, a mining company, and an advertising and public relations company – detracting from performance. As a dividend-focused approach, the strategy was less exposed to the rally in technology and defence names. However, the position in a semiconductor equipment company helped offset some of the downside.

On a positive note, the strategy's modest overweight in the energy sector, including positions in TotalEnergies* and a Norwegian energy company, contributed positively, as the sector outperformed the broader market. In addition, overweight positions in Siemens* and a provider of materials for the industrial and construction markets – both industrial names – were also positive contributors.

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Source: Allianz Global Investors, Eurostat, IHS Markit and Office for National Statistics, as at 30 June 2025 unless otherwise stated.

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