

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 October

European equities edged higher in October, overcoming fresh political turmoil in Paris. French Prime Minister Sébastien Lecornu resigned just 26 days after his appointment, having been unable to build an alliance to address the country's deteriorating public finances. President Emmanuel Macron subsequently reappointed Lecornu, who pledged to shelve a contentious pension reform bill and garnered sufficient support for the government to narrowly survive two further confidence votes. News that the Dutch government had seized control of Chinese chipmaker Nexperia on national security grounds weighed on shares and stoked fears of semiconductor supply-chain disruption among carmakers. Nevertheless, optimism ahead of Trump-Xi talks in Asia helped European equities to close the month modestly higher.

Euro-zone gross domestic product (GDP) expanded by a stronger-than-expected 0.2% in the third quarter, driven by a robust expansion in France and Spain. The flash estimate of the HCOB euro-zone composite purchasing managers' index (PMI) rose to a 17-month

high in October, with both services and manufacturing activity scoring above the 50 mark which separates growth from contraction. Meanwhile, inflation in the euro zone edged slightly lower, increasing by 2.1% in the 12 months to October after September's 2.2% rise and heading closer to the European Central Bank's (ECB's) 2% target. The ECB held rates steady at 2.0% at its October meeting, as widely anticipated.

Portfolio Review

In October, the performance of the Fund trailed that of the MSCI Europe index. The US Federal Reserve's interest rate cut and the post-summit perception that China-US trade tensions are cooling made market participants optimistic. As in previous months, world markets were led higher by a few large technology companies in the US, a trend that was also evident in the European markets. However, this backdrop was unfavourable for dividend stocks, as the information technology and luxury goods sectors were among the strongest performers. Whilst a Dutch multinational corporation and semiconductor company and a leading luxury goods conglomerate are among the top performers, they do not meet our dividend focus requirements as they offer only low current distributions. As such, they were not included in the portfolio as they are considered "low yielders". Companies that reported weaker-than-expected results were often severely punished by the market, even if the disappointment was minor. This negatively impacted the strategy's overweight positions in a British hotel group, a French multinational tire manufacturer, and a British food ingredients company. Overweight positions in a global insurance and asset management group, a French multinational providing food services and facilities management, Volvo* and a German reinsurer were also detrimental, as was not holding a British-Swedish pharmaceutical company.

Conversely, the positioning in the banking sector (not holding an European banking and financial services group, overweight Nordea Bank*) and the pharmaceutical sector was mostly positive. In the latter sector, GSK* impressed with its strong performance, drug approval and the appointment of its future CEO. A French multinational biopharma company also performed well as concerns in the industry about price pressure in the US eased. Not holding a Danish pharmaceutical company helped, as the company is going through challenging transitional periods following management changes and guidance cuts. Not holding a German defense and automotive technology group and a German enterprise software company also helped. An overweight position in an Anglo-Australian mining company, Siemens* and Iberdrola* also helped.

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Source: Allianz Global Investors, Eurostat, IHS Markit and Office for National Statistics, as at 31 October 2025 unless otherwise stated.

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