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 December

European equities moved higher in December. Markets tracked Wall Street gains early on, as mounting hopes of a rate cut from the US Federal Reserve (Fed) bolstered sentiment. Positive fundamentals and the diminishing likelihood of rate rises from the European Central Bank (ECB) in 2026 also lifted sentiment. Tentative hopes for a ceasefire in Ukraine continued to mount and wane as further negotiations took place over the month. The European Union agreed a EUR 90 billion loan to Ukraine over the next two years, although leaders were unable to agree on using frozen Russian assets in fear of retaliation from Moscow. In addition, the European Commission fined Elon Musk's X EUR 120 billion under the Digital Services Act.

Inflation in the euro zone remained unchanged at 2.1% in the 12 months to November, revised down from preliminary estimates of 2.2%. The ECB held rates steady at 2.0% for the fourth consecutive meeting. Third-quarter gross domestic product (GDP) growth in the euro-zone was revised up to 0.3% from a previous estimate of 0.2%. In addition, the ECB revised up its growth outlook for 2025 to 1.4% from an earlier projection of 1.2%. ECB President Christine Lagarde emphasised the resilience euro-zone economy and robust domestic demand but warned of continued international volatility.

German equities rose in December and outperformed the regional and global indices. The benchmark DAX 40 Index fell early on after the German Parliament unveiled a contentious new military service model, including the mandatory screening of all 18-year-old men for suitability. German inflation held steady at 2.3% in the 12 months to November while producer prices fell by 2.3% over the same period, down from 1.8% in October and marking the ninth consecutive month of annual producer price deflation and the steepest pace of decline since April 2024. More positively, the ZEW Indicator of Economic Sentiment for Germany rose sharply from, trouncing estimates to hit a five-month high.

UK equities closed December higher, with the FTSE 100 Index rounding its best year since 2009 as concerns about last month's Autumn Budget faded. However, economic fundamentals remained lacklustre. Unemployment rose to 5.1% in the three months to October – the highest level since early 2021, while the UK economy unexpectedly contracted by 0.1% in October, with the shutdown at Jaguar Land Rover after September's cyberattack continuing to impact the October figure. Annual inflation fell from 3.6% in the year to October to 3.2% in November but remained above the Bank of England's (BoE's) 2% target for the 14th consecutive month. The BoE's nine-member Monetary Policy Committee voted 5–4 to cut the base rate by a further 25 basis points to 3.75%, the lowest level since February 2023.

Portfolio Review

For December 2025, the Fund outperformed the MSCI Europe Index, primarily driven by strong stock selection. Our overweight positions in a spanish multinational fashion retailer, Rio Tinto*, Volvo*, and a French advertising and communications group contributed meaningfully to returns. The banking sector was once again among the strongest performers in December, and our targeted overweight positions in leading names such as A Swiss private banking group, Intesa Sanpaolo*, and Nordea Bank* delivered a significant positive impact. This selective approach within financials allowed us to capture the sector's strength while maintaining a disciplined portfolio structure. Consequently, the absence of other large-cap banks such as one of Switzerland's largest financial institutions, a major global bank headquartered in London, an Italian banking group with operations across Europe, a UK-based multinational bank, and a Spanish multinational bank as well as a Spanish banking group with international operations weighed on relative performance.

Not holding a global leader in eyewear also supported returns, as the stock underperformed during the month amid weaker retail demand and margin pressure in its eyewear segment, combined with cautious sentiment around discretionary spending. In healthcare, our overweight in Roche* and the decision not to hold a UK-based biopharmaceutical company added positively, while the overweight a French multinational pharmaceutical and healthcare company detracted slightly. On the negative side, our overweight in TotalEnergies* weighed on performance, as falling oil prices and persistently weak refining margins overshadowed solid operational results, while investor concerns over rising debt added to the pressure. The largest relative negative impact came from our overweight in an international sales, marketing, and support services group, which came under pressure due to challenges in its energy distribution business, including weak volumes due to mild weather and market uncertainty linked to strategic realignment. Further negative contributions resulted from our overweight position in is a major UK housebuilder.

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

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