

# 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 March

European equities moved sharply lower in March, as the US-Israeli war with Iran triggered a global sell-off. European Indices fell as oil prices spiked on heightened supply concerns, with Iran's newly appointed Supreme Leader Mojtaba Khamenei tightening the blockade of the Strait of Hormuz. European leaders resisted US pressure to form a naval coalition to secure freedom of navigation through the strait, despite President Donald Trump threatening repercussions for the future of NATO. They also joined Kyiv in criticising the Trump administration's attempt to curb rising oil prices by temporarily easing sanctions on Russian oil at sea. Meanwhile, lingering trade uncertainty continued to weigh on sentiment after the US Supreme Court overturned President Trump's 'emergency tariffs', with the US launching a Section 301 trade probe into alleged forced labour practices targeting over 60 countries, including the EU and the UK, that could potentially trigger fresh tariffs. In political news, the mainstream parties held onto power in the French mayoral elections – generally perceived to be a yardstick for the presidential elections in 2027.

Euro-zone economic fundamentals were mixed. According to a flash estimate, inflation in the euro zone is expected to rise by 2.5% year on year in March, after edging up to 1.9% in February from 1.7% in January. As widely anticipated, the European Central Bank held rates steady at 2.0% for the sixth consecutive meeting, although the spike in oil prices has clouded the inflationary outlook. Euro-zone exports fell 7.6% in January compared with the same period last year, while industrial production fell by 1.5% month on month in January, equivalent to an annualised decline of 1.2%.

### Portfolio Review

During March 2026, the strategy delivered an outperformance versus the MSCI Europe benchmark, despite a sharp drawdown in absolute terms. Equity markets were heavily influenced by the escalation of the Middle East conflict, which resulted in extreme volatility, abrupt shifts in risk sentiment and a sharp rise in oil prices. In this environment, the strategy's well balanced and defensive positioning proved effective and translated into solid relative performance.

Sector positioning was the key driver of outperformance. The overweight in Energy provided the strongest contribution, with stock selection in a Norwegian energy company and TotalEnergies\* delivering the most meaningful positive impact during the month. Strong oil price momentum supported these holdings. While the absence of a global energy company headquartered in the Netherlands and a British energy company engaged in oil, gas, and renewable energy projects had a minor negative effect, this was more than offset by the strong contribution from existing Energy positions.

The underweight in Industrials and the absence of Information Technology holdings further supported relative performance. The strategy avoided the correction in large capitalisation technology names such as a German enterprise software company and did not hold exposure to highly rated industrial names such as a French industrial group providing energy management and automation solutions..

Some positive contributions were partly offset by weaker stock selection in selected consumer-oriented sectors. In Consumer Staples, holdings such as a UK-based consumer goods company and a Global consumer goods company corrected amid an uncertain global economic backdrop, which was only partly compensated by the positive contribution from the overweight in a Norwegian salmon producer. In Consumer Discretionary, a UK homebuilder focused on residential property development, a French tire manufacturer and mobility solutions provider and a Swedish hygiene and health company producing tissue, personal care, and medical products underperformed during the risk off phase.

European Industrials also detracted, with holdings including Volvo\*, Siemens\* and a Swedish company specializing in bearings, seals, and industrial engineering solutions weighing on performance. These effects were mitigated by the defensive characteristics of the portfolio, with reinsurance holdings two German reinsurance companies providing support, alongside the overweight positions in a French pharmaceutical company and Rio Tinto\*.

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

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