

# Allianz European Equity Dividend

## Monthly commentary

### Investment Objective

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.

### What Happened in April

European equities closed April broadly flat against a volatile backdrop of escalating trade war tensions. Stocks sold off early in the month amid heightened economic uncertainty following President Donald Trump's "Liberation Day" of sweeping tariffs, but later recovered after the US president's U-turn effectively paused most tariffs for 90 days.

The eurozone economy expanded 0.4% in Q1. The stronger-than-expected growth rate was driven by easing inflation, lower borrowing costs, renewed optimism following Germany's agreement to relax its debt brake and expectations of increased defence spending in the coming months. However, data for April reflected the threat of higher tariffs, with the flash estimate of the HCOB eurozone composite managers' index only just managing to stay in expansion territory. The European Central Bank (ECB) cut its key interest rate by 25 basis points (bps) to 2.25%, as widely anticipated, with policymakers citing the deteriorating growth outlook due to rising trade tensions. Inflation in the eurozone eased to 2.2% in March, down from 2.3% in February.

German equities advanced in April and outperformed the broader European market, despite the volatile backdrop of tariff-driven turbulence. Germany's economy grew 0.2% over Q1 as easing inflation and lower borrowing costs boosted domestic demand, with sentiment also lifted by the formation of a stable coalition government. However, the uncertain tariff environment meant Germany's ZEW Indicator of Economic Sentiment plunged to -14.0 points in April, down from 51.6 points in March, its sharpest decline since the Russian invasion of Ukraine in 2022.

UK equities slid in April amid continued tariff-related uncertainty. The UK economy unexpectedly grew by 0.5% in February, well ahead of consensus estimates. However, April's flash S&P UK composite purchasing managers' index (PMI) slumped to its lowest level since 2023, with the services sector contracting for the first time in 17 months. Annual headline inflation surprised to the downside, easing slightly from 2.8% in February to 2.6% in March. Markets are currently pricing in a high likelihood of a 25-bps rate cut at the Bank of England's (BoE's) May meeting.

### Portfolio Review

European markets as represented by the MSCI Europe index registered a loss over the course of April. Driven by the tariffs shock, European markets initially registered a significant drawdown but subsequently recovered and nearly paired the losses for the month. At a sector level, Energy was the weakest sector by far, dragged lower by falling oil prices, while Real Estate and Utilities were the best performing sectors.

The Fund lagged the MSCI Europe performance over the course of the month. The slight overweight to the Energy sector, where companies tend to provide attractive dividends, was a detractor. The positions in TotalEnergies and a Norwegian energy company were consequently also the most significant detractors on a single stock basis - largely explaining overall relative performance as both stocks were down with the oil price and the overall sector. Both positions were in fact positive contributors in the previous month. On the other hand, the portfolio does not hold two of the largest oil and gas companies, which both are meaningful index weights and which on average even slightly underperformed the positions in TotalEnergies and the afore-mentioned Norwegian energy company.

The Fund also suffered from not holding a software company specialising in enterprise applications and business artificial intelligence (AI) – the largest weight in the benchmark index – which was up against the market trend on good results. Moreover, the Fund has no position in the stock as it does not fulfil the dividend yield criteria.

On the positive side, the positions in an airport management company, Munich Re and Nordea Bank, which all belong to the top active positions, were meaningful positive contributors as they outperformed the overall market on the back of positive results and other news flow. Not holding a luxury goods company and a pharmaceutical company also resulted in positive contributions.

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All data are sourced from Allianz Global Investors, Eurostat, IHS Markit and Office for National Statistics, as at 30 April 2025 unless otherwise stated.

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