Allianz Global Investors

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 February

European equities rallied over February, as President Trump's push for peace in Ukraine raised hopes that the three-year war would soon end, although markets closed the month on a weaker note after he hinted that he may introduce 25% tariffs on European exports to the US. Defence stocks benefitted from signs that European governments will be forced to increase military spending sharply. At a sector level, Financials, Communication Services and Consumer Staples rallied the most, while Information Technology was the only sector to close the month with notable losses. Headline eurozone inflation rose to a 6-month high of 2.5% in January, but core inflation held steady at 2.7% for the fifth consecutive month. The European Central Bank (ECB) continued to signal that further rate cuts were likely.

German equities rose. The Christian Democrats (CDU/CSU) won the most seats in the country's general election, with the right-wing Alternative für Deutschland coming second and outgoing Chancellor Olaf Scholz's Social Democrats (SPD) coming third. The CDU/CSU alliance now needs to form a coalition government, most likely with the SPD but this may prove tricky given their differing views on taxes, regulation and social spending. There is also a pressing need to address Germany's "debt brake" to allow for higher defence spending. UK equities closed the month higher. As widely expected, the Bank of England (BoE) cut rates by 25 basis points (bps) to 4.5%. However, hopes of further rate cuts were dashed when UK inflation rose to 3.0 % in January, its highest level since March 2024. Given lacklustre economic growth, the UK government is facing increasing pressure to break its election promises and raise personal taxes in its March budget to pay for higher spending on defence and health care.

Portfolio Review

Key positive contributors included strong stock selection in Industrial names such as Siemens and Volvo, which reported good quarterly results. An overweight position in Financials also proved beneficial, with quality banks like KBC, Nordea, an Irish bank and an Italian banking group performing well. A British retail and commercial bank rebounded due to provisions set aside for past contentious car loans and was the month's top active contributor. Conversely, not holding a Spanish bank and a global banking group, as well as being overweight positioned in a Swiss wealth management group had a negative impact. Not holding a semiconductor equipment manufacturer and an enterprise software company proved to be positive after the general volatility in the Technology sector and the uncertainties in the global economy increased.

The largest negative contribution came from our overweight in a marketing services company, which corrected sharply on weaker-than-expected results and poor guidance for 2025. Some more negative contributions came from the overweighting of a seafood company, a supplier of edge assembly equipment, an advertising and public relations company, a hospitality business, and an energy company. Despite this, the relative performance of the Fund was decent given the strong performance of defence stocks and some lower yielding Health Care names during the month.

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All data are sourced from Allianz Global Investors, Eurostat, IHS Markit and Office for National Statistics, as at 28 February 2025 unless otherwise stated.