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 March

European equities moved lower over March but held up better than US shares. President Donald Trump's withdrawal of US military aid to Ukraine and comments signalling faltering US commitment to the North Atlantic Treaty Organisation (NATO) and European security initially weighed on sentiment, but shares recovered after the German Parliament agreed to relax its debt brake. The landmark debt reform bill will unleash hundreds of billions of euros for defence and infrastructure spending. However, European markets stumbled further towards month end on heightened uncertainty in the run-up to the president's self-dubbed "Liberation Day" of sweeping tariffs on 2 April.

At a sector level, Consumer Discretionary and Information Technology shares fell the most, while Utilities and Energy were the only sectors to post gains. The flash HCOB eurozone composite purchasing managers' index (PMI) ticked up slightly in March. Services activity slowed modestly but remained in expansion territory, while the manufacturing PMI rose to a 26-month high. Inflation in the eurozone eased to 2.3% in February from 2.5% in January. The European Central Bank (ECB) cut its key interest rate by 25 basis points (bps) to 2.5%, as expected, and slashed its gross domestic product (GDP) growth outlook by 0.2% to 0.9% for 2025 considering the worrying trade tariff backdrop and economic uncertainty.

German equities declined in March but outperformed the broader European market, despite stumbling towards month end in the run-up to President Donald Trump's self-dubbed "Liberation Day" of sweeping tariffs on 2 April. German lawmakers approved a landmark debt brake reform deal proposed by the country's Chancellor-in-waiting Friedrich Merz. The historic vote will change the German Constitution and ease borrowing limits to fund higher defence and security spending, as well as the creation of a EUR 500 billion infrastructure fund. Germany's ZEW Indicator of Economic Sentiment soared to 51.6 points in March from 26 points in February, the highest level in over two years, on optimism surrounding fiscal policy.

UK equities fell modestly over the month amid continued economic and geopolitical uncertainty, weakening further into month end in the run-up to President Donald Trump's self-dubbed "Liberation Day" of sweeping tariffs on 2 April. The UK economy unexpectedly shrank by 0.1% in January, following a rise of 0.4% in December. The Office for Budget Responsibility halved its 2025 growth outlook to 1%, while the chancellor's Spring Statement outlined welfare cuts, boosted defence spending and warned of tax hikes to come. The Bank of England (BoE) kept rates on hold at 4.5% at its March meeting, despite a slight easing in the annual rate of inflation.

Portfolio Review

The MSCI Europe Index fell by around 4% over the month, while the Fund proved more resilient. A few sectors, such as Insurance and Energy, were positive for the month and have been leaders so far this year with returns of over 10%. The biggest decliners were Technology and Luxury Goods, which have also been laggards this year. Meanwhile, the Auto sector struggled as it will be heavily impacted by tariffs. All three sectors were down more than 10%.

In March, our sector positioning was positive across the board, while stock selection was generally positive, with only minor detracting positions in Industrials (not holding an automotive and arms manufacturer due to the minimum exclusion list, overweight Volvo and a bearing and seal manufacturer) and Communication Services (overweight two advertising and public relations company).

Within individual stocks, the Fund benefitted from its exposure to Financials through insurance holdings such as Munich Re and a French multinational insurance corporation; and banks such as KBC and a Nordic bank. Our exposure to the energy companies such as TotalEnergies and a Norwegian energy company, as well as two Utilities companies (a water, energy and waste recycling management services company, and a renewables and smart grids company) also made a positive contribution.

It helped that we do not own large benchmark companies, including a pharmaceutical company, a luxury goods company, and a semiconductor equipment manufacturer. Some small negative contributions came from overweight positions in a luxury goods group, a clothing company, and a hospitality business, and from not holding an energy and petrochemical company, and a bank and financial services company.

Connect with Us | sg.allianzgi.com | +65 6438 0828 | Search more Allianz Global Investors

Like us on Facebook **Allianz Global Investors Singapore**

Connect on LinkedIn **Allianz Global Investors**

Subscribe to YouTube channel **Allianz Global Investors**

All data are sourced from Allianz Global Investors, Eurostat, IHS Markit and Office for National Statistics, as at 31 March 2025 unless otherwise stated.

ADM-4424879