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 sustainable dividend returns in accordance with the Sustainability Key Performance Indicator Strategy (Absolute). In this context, the aim is, at least, a year-on-year improvement pathway on the sub-fund's weighted average Sustainability KPI to achieve the investment objective.

What Happened in November

European equities struggled over November as the prospect of Donald Trump's return to the White House raised the spectre of higher tariffs. Rising political uncertainty also undermined sentiment. German Chancellor Olaf Scholz called a snap election after the 3-year-old coalition government collapsed as it battled to agree a budget. In France, Prime Minister Michel Barnier's minority government also appear to be in peril as it struggled to gain sufficient support for a budget that contained tax increases and spending cuts. The economic outlook darkened. The flash HCOB eurozone composite purchasing managers' index (PMI) slumped in November, marking the lowest reading since January. Activity in the services sector fell into contraction territory for the first time in 10 months, while the recession in manufacturing deepened. The gloomy data prompted speculation that the European Central Bank (ECB) may cut rates by 50 basis points (bps) when it next meets in December. Eurozone inflation accelerated to 2.3% in November, from 2.0% in October, but core inflation held steady at 2.7%.

German equities outpaced the broader euro zone to advance over the month. Germany faces a snap election in February after Chancellor Olaf Scholz sacked his Finance Minister, Christian Lindner, following an extended battle over how to fill a massive hole in the national budget. UK equities posted moderate gains over November, helped by strong returns from banks. The flash S&P Global UK composite PMI dropped below the 50 level in November, indicating that private sector activity may be shrinking for the first time in more than a year. Companies are continuing to baulk at the recent increase in employers' national insurance contributions, saying it will lead to job cuts and stoked inflation. While the Bank of England (BoE) reduced rates by 25 bps, hopes for further imminent cuts were dashed when UK inflation rose to a 6-month high of 2.3% in October.

Portfolio Review

The Fund lagged the return of the MSCI Europe benchmark. The most significant positive impact in stock selection came from the strong rise in a private equity company, following its inclusion in the MSCI index. Additionally, our overweights in Muenchner Rueck and KBC contributed positively. However, our overall positioning in the Financials sector was unfavourable, particularly due to our overweight positions in a French multinational insurance company and a French international banking group.

More positive contributions came from our positioning in Communication Services. Our overweight position in a leading telecommunications provider in Europe benefitted from its large and profitable US arm, which will likely face lower taxes under the current economic plans. Our overweight in two advertising and media companies also had a positive impact. Technology companies were strong on the back of the US election result. Given that this is often a low-yielding area, which we do not favour in the Fund, this detracted from the relative return of the Fund. However, our holding in a semiconductor assembly equipment manufacturer was an important positive contributor. Pharmaceutical companies Sanofi and GSK were also affected by the selections for key US health care roles, as their vaccines businesses are now likely to face headwinds. Other positive contributions came from our overweight positions in a Norwegian seafood company, an energy company, and a mining company, while our positions in TotalEnergies, a postal services provider, and a water, waste and energy management solutions company detracted.

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All data are sourced from Allianz Global Investors, Eurostat, IHS Markit and Office for National Statistics, as at 30 November 2024 unless otherwise stated.

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