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 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 the North Atlantic Treaty Organisation (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 European Union (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.

Eurozone economic fundamentals were mixed. According to a flash estimate, inflation in the eurozone 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 (ECB) held rates steady at 2.0% for the sixth consecutive meeting, although the spike in oil prices has clouded the inflationary outlook. Eurozone 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 Fund 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 Fund'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 Equinor and TotalEnergies delivering the most meaningful positive impact during the month. Strong oil price momentum supported these holdings. While the absence of Shell and BP 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 Fund avoided the correction in large capitalisation Technology names such as SAP and did not hold exposure to highly rated Industrial names such as Schneider Electric.

Some positive contributions were partly offset by weaker stock selection in selected consumer-oriented sectors. In Consumer Staples, holdings such as Reckitt Benckiser and Unilever corrected amid an uncertain global economic backdrop, which was only partly compensated by the positive contribution from the overweight in Norwegian salmon producer Mowi. In Consumer Discretionary, Barratt Redrow, Michelin and Essity underperformed during the risk-off phase.

European Industrials also detracted, with holdings including Volvo, Siemens and SKF weighing on performance. These effects were mitigated by the defensive characteristics of the portfolio, with reinsurance holdings Hannover Re and Munich Re providing support, alongside the overweight positions in Sanofi and Rio Tinto.

All data are sourced from Allianz Global Investors, Eurostat, IHS Markit and Office for National Statistics, as at 31 March 2026 unless otherwise stated.





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