

# 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 moved higher in February, although markets were not immune to the artificial intelligence (AI) disruption fears dragging stocks lower elsewhere. The STOXX 600 Index touched a fresh record high as investors rotated out of mega-cap high-growth US Tech names. Defence stocks also moved higher after US-brokered peace talks between Moscow and Kyiv collapsed dashing hopes of an end to the conflict as it entered its fifth year. Mounting concerns about renewed conflict in the Middle East further supported the sector. Reports that European Central Bank (ECB) President Christine Lagarde was planning to step down before her 8-year term ends in October 2027 fuelled succession talk and speculation about the central bank's policy outlook. Stocks rose later in the review period after the US Supreme Court's decision to overturn President Donald Trump's emergency tariffs.

Eurozone economic fundamentals remained resilient. According to a flash estimate, inflation in the eurozone slipped from 2.1% in the 12 months to December to 1.7% in January, trouncing forecasts and coming in well below the ECB's 2% target. As widely anticipated, the ECB held rates steady at 2.0% for the fifth consecutive meeting. Q4 gross domestic product (GDP) growth in the eurozone rose by 0.3% on a sequential quarterly basis and is estimated to have grown by 1.5% over the whole of 2025, up from 0.9% in 2024. Eurozone exports rose 2.4% over 2025, while industrial production in the eurozone fell 1.4% in December but rose by 1.2% for 2025 as a whole.

German equities moved higher in February. The German economy is expected to grow in 2026 following an only slight increase for 2025. More positively, automakers led the benchmark DAX 40 Index higher after the US Supreme Court

invalidated Trump's reciprocal trade tariffs. Elsewhere, Germany's Ifo Business Climate Index rose to an expectation-beating 88.6 in February.

UK equities rose in February and outperformed the regional index, despite political turmoil amid the fallout from the Mandelson scandal and the Labour Party's defeat in the Gorton and Denton by-election in Greater Manchester. The FTSE 100 touched fresh highs as cooling labour market data triggered hopes of further rate cuts. The Bank of England (BoE) left the base rate unchanged at 3.75% at its February meeting, with four members of the Monetary Policy Committee favouring a rate cut in the narrow 5-4 vote. Dovish commentary from BoE Governor Andrew Bailey and a fall in the annual inflation rate to a 10-month low of 3.0% in January reinforced bets of further easing at its March meeting.

### Portfolio Review

In February, the Fund outperformed the broader market. Equity markets advanced despite ongoing geopolitical tensions, including January's US actions in Venezuela and growing signs of increased US military mobilisation around Iran. The subsequent air strikes occurred after month-end and therefore did not impact February's performance.

Many sectors delivered positive returns during the month, led by Energy and Telecommunications. The Fund benefitted from its overweight positioning in oil companies, with holdings such as TotalEnergies and Equinor contributing positively. Within Pharmaceuticals, our overweight position in GSK performed well following strong results, while the absence of Novo Nordisk supported relative performance as the stock declined sharply after disappointing drug trial news.

Conversely, not holding the low-yielding AstraZeneca detracted from returns, as did the Fund's overweight position in Hikma Pharmaceuticals.

Stock selection within banks was mixed. Previously strong holdings such as KBC, Lloyds Banking Group, Intesa Sanpaolo and Bank of Ireland lagged during the month. This was partly offset by avoiding UBS and Banco Bilbao Vizcaya, both of which fell materially. Our overweight in Veolia Environment helped ahead of solid results, supporting overall stock selection.

Publicis declined alongside other media peers as investors reassessed the long-term impact of AI on the sector's business models. This was partially counterbalanced by the Fund's overweight exposure to Deutsche Telekom, which contributed positively. Whitbread showed weaker momentum, reflecting a more cautious consumer spending environment in the UK hospitality market.

Overall, the Fund proved resilient and coped well with a challenging macroeconomic backdrop.

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All data are sourced from Allianz Global Investors, Eurostat, IHS Markit and Office for National Statistics, as at 28 February 2026 unless otherwise stated.

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