



# Allianz

## European Equity Dividend

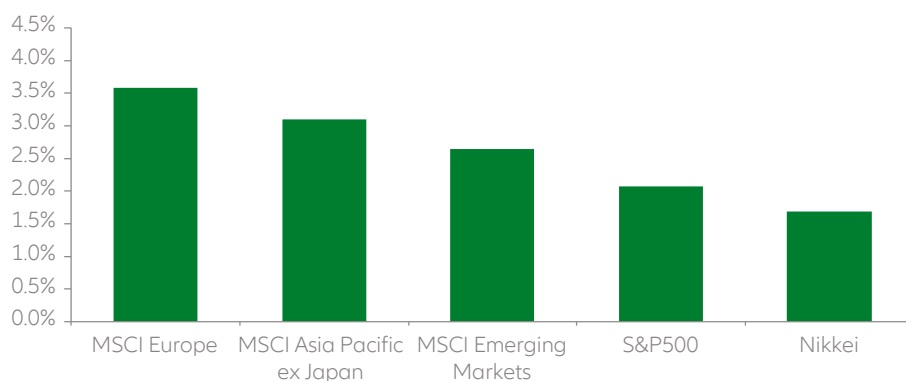
Active is: Being selective with long-term return in mind

June 2020

Whilst equity markets are likely to experience higher volatility in the short term, policymakers have acted decisively by implementing stabilising measures, and leading international central banks are set to maintain or potentially loosen their generous monetary policies.

European dividend policies historically have been the most shareholder-friendly across regions. Investors with exposure in European equities have, indeed, enjoyed meaningful dividend payouts. Over the past 15 years, the dividend yield of the MSCI Europe Index has averaged at around 3.6% p.a.<sup>^</sup>, well ahead of not only regional Asian and American but also Global indices. As such, European companies are comparatively more attractive for income-oriented investors.

### Historical dividend yields (15-year average)<sup>^</sup>



<sup>^</sup> Source: AllianzGI, Datastream, as of 30 April 2020. Past performance is not a reliable indicator of future results.

### The Fund aims to deliver



#### Capital appreciation

Participation in the upside potential of European equity markets



#### Income generation

High and steady income



#### Risk mitigation

Lower volatility, lower drawdowns

Value. Shared.

**Allianz**   
Global Investors

### Is now the right time for European equities?

European equity valuations and dividend returns appear attractive in any comparison - versus own history, from an international perspective and versus other asset classes. European companies are comparatively more attractive for income-oriented investors than other areas of the market:

- Despite dividend cuts in certain areas of the market, European equities continue to offer many choices in high yielding, good quality businesses - with many of them global leaders in their field of business.
- European equities continue to trade at a large valuation discount relative to other major equity regions, particularly the US. The valuation gap is at a historical high.
- European equities offer a significant yield pick-up over large areas of the fixed income space. The gap between dividend yields and corporate bond yields in Europe has moved back to historical highs.

With the recent setback, opportunities have unfolded that we have not witnessed before due to high valuations and low dividend yields. Yield levels for some resilient businesses are clearly extraordinary and indicate significant catch-up potential – higher than in other market regions.

### Is now the right time for dividends?

Dividends have proven to be a stable source of return. Historically, a high and safe dividend yield has provided a meaningful anchor point for investors. The current situation has, however, once again highlighted that identifying sustainable dividend opportunities requires an active selection approach with long-term return in mind.

After market setbacks, a recovery is likely to be led by the value side of the equity market – as seen after the 2008 recession, for example. The areas that have suffered most – including parts of the dividend spectrum – tend to have a stronger recovery because they start from significantly lower valuations as indicated by high dividend yields, for example. In our view, investors can potentially enjoy both - some stable dividends and additional returns - when markets start to recover.

A “lower-for-longer-again” interest rate environment puts dividends back in the spotlight as a sustainable source of income. At the same time, they can enhance and balance the overall returns of an investment portfolio.

## Allianz European Equity Dividend: Combining equity returns, payout yield and risk mitigation

### Sustainable income generation

The Fund has a history of sustainable income distribution. It has consistently been one of the highest yielding funds in the European equities universe.

The positioning of the portfolio continues to be guided by the sustainability of dividend payments. The quality aspect of an invested company refers to the ability and the willingness to pay a meaningful dividend on an ongoing basis. This assessment is the central focus point in times of low visibility and a deteriorating macro-economic environment.

Since inception<sup>#</sup> to end April 2020, the Fund (Class AM (EUR) Distribution) has monthly dividend payout with an average historical annualised dividend yield well above 4%.<sup>\*</sup>

### Monthly dividend payout

#### - Class AM (EUR) Distribution

Ex-dividend date	Dividend/Share (EUR)	Annualised dividend yield <sup>*</sup>
15/04/2020	0.04167	6.58%
16/03/2020	0.04167	7.81%
17/02/2020	0.04167	4.73%
15/01/2020	0.04167	4.75%
16/12/2019	0.04167	4.74%
15/11/2019	0.04167	4.83%

<sup>#</sup> Inception date 2 October 2013.

<sup>\*</sup> Annualised Dividend Yield =  $[(1 + \text{Dividend Per Share/Ex-Dividend Date NAV})^{12} - 1] \times 100$ . The annualised dividend yield is calculated based on the latest dividend distribution with dividend reinvested, and may be higher or lower than the actual annual dividend yield. Positive distribution yield does not imply positive return. Dividend is not guaranteed.

## A unique investment approach to dividends

Whilst there is strong pressure on dividends in some parts of the market, not all companies are affected equally, and many companies will still be able to pay a meaningful dividend.

The Fund takes advantage of the full breadth of the European stock market. Apart from the well-known blue chip dividend payers, the Fund also invests in companies lower down the market capitalisation that are often overlooked by investors, which can result in mispricing. Small- and mid-cap exposures offer attractive dividend yields that investors could benefit from.

Historically, the Fund has held up to one third of the portfolio in companies that are not members of the MSCI Europe Index.

## Top 10 portfolio holdings

Holdings	Weight portfolio in %	Weight MSCI Europe in %	Estimated dividend yield
Swiss Re AG	5.1	0.3	8.1
Allianz SE	4.9	1.0	5.8
Scor SE	4.8	0.1	8.0
Glaxosmithkline	4.7	1.4	4.8
<b>Sanofi</b>	<b>4.6</b>	<b>1.5</b>	<b>3.6</b>

Source: Allianz Global Investors, as at 30 April 2020. This is not a recommendation or advice to buy or sell any particular security. A stock mentioned as example above and below will not necessarily be comprised in the portfolio by the time this document is disclosed or at any other subsequent date.

## The investment case examples shown below illustrate the spectrum of companies the strategy invests in

### Large-cap company case



#### Sanofi - EUR 109.1bn

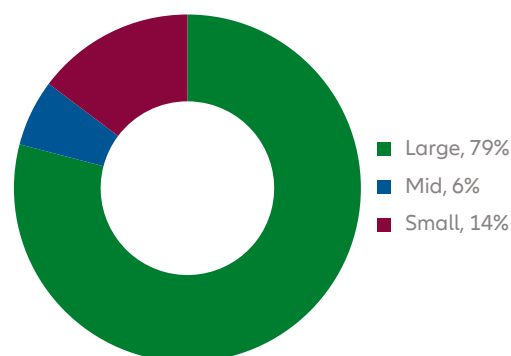
One of the world's leading pharmaceutical companies manufacturing prescription pharmaceuticals and vaccines. The company also develops cardiovascular, thrombosis, metabolic disorder, central nervous system, and oncology medicines and drugs.

- ✓ Sanofi has teamed up with GlaxoSmithKline to be amongst the first companies to develop an efficient vaccine to fight the coronavirus. One of few companies who could produce vaccines at a large scale.
- ✓ New blockbuster medications for dermatitis and diphtheria, for example, should see material growth in the upcoming years.
- ✓ The company has comfortably beaten expectations on latest results and reiterated its outlook – confirming the relative strength of the Health Care space versus other market areas.

Source: Allianz Global Investors, Sanofi, as of 30 April 2020.

The above information is used for the purpose to demonstrate the Fund's investment strategy only, it is not a recommendation nor investment advice to buy or sell any of the securities.

## Market Cap exposure breakdown



Source: Allianz Global Investors, as at 30 April 2020. This is for reference only and not indicative of future allocation.

Holdings	Weight portfolio in %	Weight MSCI Europe in %	Estimated dividend yield
Munich Re	4.5	0.4	4.9
National Grid	4.1	0.5	5.3
Total SA	3.9	1.2	8.7
Novartis AG	3.6	2.5	3.4
<b>Logista</b>	<b>3.2</b>	<b>0.0</b>	<b>7.6</b>

### Small-cap company case



#### Logista - EUR 2.3bn

An international logistical solutions provider. The company offers logistics, parcel and express courier transport, industrial parcel transport and long distance and full truck load transport management services.

- ✓ The company serves 300,000 delivery points.
- ✓ Has exposure to an emerging theme of other logistics, most notably in pharmaceutical products.
- ✓ The company stands to benefit from high demand for Consumer Staples in the weeks of lockdown.

Source: Allianz Global Investors, Logista, as of 30 April 2020.

## Active is: Being selective with Allianz European Equity Dividend

## A reliable source of income



- European equity **valuations** and dividend returns appear **attractive**.
- The move back to "lower-for-longer" interest rates leads to a change of favourites on the markets and sets the focus again on dividends as a **reliable source of income**.

## A meaningful dividend



- Not all companies are affected equally by the COVID-19 crisis and many companies will still be able to pay a **meaningful dividend**.
- After the market setback, we see **opportunities unfolding** that we have not witnessed before due to high valuations and low dividend yields.

## A countercyclical investment approach



- The Fund employs a counter-cyclical investment approach, focusing on sustainable high dividend yields.
- Investors benefit from the Fund's focus on companies that are lower down the **market capitalisation spectrum**.

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