Allianz Global Investors

Allianz Global High Payout Fund

Monthly commentary

Investment Objective

The Fund aims to provide investors with total return from dividend income, option premiums and capital appreciation, sustainable distributions, and typically lower portfolio volatility compared to an equity investment, by investing in a globally diversified portfolio of equities which offer attractive and sustainable dividend yields, and selling call options to generate option premiums which will enhance dividends and reduce overall portfolio risk.

What Happened in June

Global equities closed June higher as “tariff fatigue” took hold after months of heightened volatility. However, as Sino-American trade relations thawed, mounting geopolitical tensions in the Middle East moved sharply into focus. Shares sold off on news of Israeli strikes against Iran with oil prices spiking on fears of supply risks. But the risk-on mood returned as oil prices slumped after Tehran’s restrained response to US strikes paved the way for a de-escalation in tensions and a ceasefire between Israel and Iran appeared to take hold.

US equities delivered solid gains in June, with the S&P 500 Index hitting a fresh all-time high, buoyed by better-than-expected corporate earnings. Stocks rose early in the month on easing Sino-American tensions, after the US and China agreed a “framework” to implement the consensus reached last month in Geneva, including US access to China’s critical rare earth minerals and magnets. However, US stocks got caught up in the global sell-off after Israel launched a series of strikes on Iran, with oil prices spiking in the aftermath of Washington’s subsequent air strikes on Iranian nuclear facilities, before rallying once more as geopolitical tensions in the Middle East de-escalated.

European equities fell slightly in June. Earlier gains were offset by negative tariff sentiment, as a trade deal between Washington and Brussels remains elusive as the 9 July deadline approaches; failure to reach a trade deal will result in a 50% tariff on all goods imported to the US – the European Union’s biggest export partner – which will have a crippling impact on the bloc, particularly Germany. Escalating geopolitical tensions in the Middle East also weighed on sentiment, although the month ended on a more positive note following a ceasefire between Israel and Iran. At a sector level, the Consumer sectors fared worst, while Energy rose the most.

Portfolio Highlights

What helped?	● In June, equity markets continued its positive trend we saw in May. Thanks to our strategy and the trend-following investment style Revisions, we outperformed in June.
What hurt?	● Stocks with high dividend stability as well as Growth and Quality attributes lagged global equity markets. That limited the outperformance potential since the Dividend factors contributed negatively overall, especially Dividend Stability.

Market Outlook

It has become obvious during the reporting season that many listed companies are now more subdued about their business outlooks. At the same time, the “revision momentum” was weak, which means that analysts tend to revise their earnings estimates downwards rather than upwards. Uncertainty about the impact of the US trade policy on growth is probably the main reason behind this trend. US consumers’ inflation expectations have increased markedly, as the import tariffs threaten to push goods prices upwards. According to surveys, US business sentiment has deteriorated as well. It is not yet clear whether the subdued mood will feed through to the hard data and how the US Federal Reserve will respond to the challenge of softer growth and rising inflation risks. From a technical vantage point, the major equity market indices are currently stable, and the recovery after the tariff shock seems to have broadened. The situation on the equity markets looks set to remain dynamic for now. This environment may provide attractive opportunities for active investors.

All data are sourced from Allianz Global Investors as at 30 June 2025 unless otherwise stated.