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 July

Global equities rose modestly in July, bolstered by progress in US trade talks for most of the period. A positive start to the Q2 earnings season also boosted stocks, although gains were capped after President Trump stepped up his campaign against US Federal Reserve (Fed) Chair Jerome Powell, raising concerns about the central bank's independence, as well as by ongoing geopolitical tensions. Turning to sectors, Information Technology and Energy were the strongest sectors in the MSCI All Country World Index, followed by Utilities. Conversely, the Health Care and Consumer Staples sectors generated negative returns in July.

US equities extended recent gains to close July higher. Trade deal optimism led the benchmark S&P 500 and tech-heavy Nasdaq Composite indices to hit a series of fresh record highs, with sentiment also boosted by a slew of upbeat Q2 earnings releases by big banks and mega-cap tech giants. This helped investors overcome concerns about the US's spiralling budget deficit and fears about the Fed's independence as President Trump ramped up his campaign against Fed Chair Jerome Powell.

European equities closed July little changed. Some European Union (EU) members reacted negatively to the announcement of a US-EU trade deal with 15% tariffs on EU imports into the US, with Germany and France among the EU countries concluding that the terms disproportionately favour the US. The negative impact of euro strength is also starting to surface in Q2 corporate earnings releases, with analysts slashing full-year forecasts. At a sector level, Information Technology stocks fared worst, dragged lower by a Dutch semiconductor manufacturer as its shares plunged after US tariff uncertainty clouded the outlook for 2026. Communication Services and Real Estate stocks also posted negative returns, while Energy and Financials stocks were among the positive performers.

Portfolio Highlights

What helped?	● July was again a positive month for global equities, continuing the rebound from the correction in April. Our Fund did well, attributed to trend-following investment styles and dividend growth allocation.
What hurt?	● Stocks with high dividend yield and value characteristics lagged global equity markets. That limited the outperformance potential since the high dividend factor contributed negatively overall.

Market Outlook

We remain cautiously optimistic for the equity markets overall, with Europe and Asia currently appearing more attractive than the US in a regional comparison. While corporate earnings in general look set to suffer from the subdued global growth outlook and the US import tariffs, we continue to expect moderate earnings growth in Europe in 2025 and a considerable acceleration in 2026. We foresee a positive impact from the likely improvement in the macroeconomic conditions, companies' efforts to adapt to the new tariff regime and abating foreign exchange (FX) effects. US earnings growth looks set to pick up in 2026, too, but less than that in Europe. As a result, the "earnings growth gap" between the US and Europe is likely to narrow, which means that an important reason for the current valuation discount of European versus US equities should lose significance. Numerous emerging markets appear promising as well, given that they benefit from a strong domestic momentum and solid fundamentals as well as from the US dollar depreciation, better earnings opportunities and favourable political framework conditions. However, we may be in for significant equity market volatility due to persistent geopolitical risks and the fact that markets are, at times, driven more by sentiment than by fundamentals. In the longer term, a thorough analysis at the single-stock level remains key in order to reduce company-specific risks and benefit from return opportunities.

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All data are sourced from Allianz Global Investors as at 31 July 2025 unless otherwise stated.