

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 November

Global equities closed November with mixed returns. US stocks rallied strongly as Donald Trump's landslide victory in the US presidential election boosted hopes of tax cuts and looser regulations. However, threats of tariffs weighed on the performance of other markets, particularly in Europe, Japan and many emerging markets. At a sector level, Consumer Discretionary and Financials stocks rallied the most, while Materials and Health Care were the weakest sectors in the MSCI All Countries World Index.

US shares rallied strongly over November, spurred by Donald Trump's decisive victory in the presidential election. From January, the Republican Party will control both the Senate and the House of Representatives, providing few obstacles for the president-elect to implement his planned policies. Trump has promised to cut regulation and taxes, as well as hike import tariffs. He has already announced that he will impose 25% tariffs on all imports from Canada and Mexico from "day one" in office and raise tariffs on Chinese imports by an extra 10%. The S&P 500 Index closed the month at a fresh high, although the Nasdaq failed to regain its post-election peak. Meanwhile, US smaller companies soared, with the Russell 2000 Index touching a record high for the first time in three years.

European equities struggled over November as the prospect of Donald Trump's return to the White House raised the spectre of higher tariffs. Rising political uncertainty also undermined sentiment. German Chancellor Olaf Scholz called a snap election after the 3-year-old coalition government collapsed as it battled to agree a budget. In France, Prime

Minister Michel Barnier’s minority government also appear to be in peril as it struggled to gain sufficient support for a budget that contained tax increases and spending cuts.

Market Outlook

Following the clear result of the US elections, the outlook for riskier assets such as equities remains favourable, as both the US and the global economy look set to do well, even though there may be temporary volatility. US equities should benefit. From our vantage point, they are still attractive despite their high valuations. The divergence in global growth – with the US expanding more strongly than the euro area or Japan – is likely to continue under a second Trump administration. Recent data from China point to a macroeconomic stabilisation and even an upswing in the Financial sector in that country. In addition, the (moderate) uptrend in corporate earnings is continuing and contributing to the overall encouraging picture. Corporate earnings are the most important driver of investment and therefore a significant leading indicator for the overall economic development. Nevertheless, some risks remain. In fact, financial market participants expect the central banks to cut their key interest rates considerably. However, that may not happen if inflation picks up again. Moreover, several geopolitical crises remain unresolved, and the second Trump administration may take decisions that have a negative impact on the world. With US import tariffs and trade conflicts looming on the horizon, active management will be key for success in a global environment in which opportunities and risks are unevenly distributed.

Portfolio Highlights

What helped?	<ul style="list-style-type: none">● November was a risk-on month where the most cyclical stocks did better than market average. The Fund could participate in that rally with its exposure to cyclical value names and trend-following exposure.
What hurt?	<ul style="list-style-type: none">● The Fund lagged the benchmark index MSCI World in the last month.● Stocks with strong quality and defensive features like stable dividends could not hold up in the strong market environment.

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