Allianz Global Investors

Allianz Global High Payout Fund

Monthly commentary

Investment Objective

The Fund aims to provide investors with long-term capital growth by investing in global equity markets with a focus on equities which will result in a portfolio of investments with a potential dividend yield above the market average when the portfolio is considered as a whole.

What Happened in May

Global equities rose in May. The MSCI All Country World Index (ACWI) was largely driven by events in the Middle East and the commentary emanating from Washington and Tehran. Stocks rallied on slumping oil prices on reports that the two sides may be edging closer to agreeing a peace deal, only to retreat amid subsequent clashes near the Strait of Hormuz. Risk assets were supported into month-end as oil dipped back below USD 100 a barrel on optimism surrounding a deal to reopen the strait and extend the fragile ceasefire. Turning to the MSCI ACWI, Information Technology shares led the way, boosted by the artificial intelligence (AI) rally, with the Consumer Discretionary and Materials sectors also generating positive returns. Conversely, Energy and Utilities were the worst performing sectors.

US equities ended the month higher. The S&P 500 and Nasdaq Composite indices touched fresh highs as the so-called peace dividend drove stocks higher amid reports that Washington and Tehran could be closing in on a peace deal. However, stocks gave back some early gains as talks stalled, with spiking oil prices reigniting inflation fears and pushing bond yields higher. Chip stocks also sold off on profit taking amid mounting concerns that a higher interest rate environment will prove volatile for richly valued tech stocks. Trans-Atlantic tensions flared when US President Donald Trump threatened to slap a 25% tariff on all car exports from the European Union (EU), and again when he threatened to withdraw 5,000 US troops from Germany and a pullback from the North Atlantic Treaty Organisation (NATO). On the domestic front, redistricting chaos ahead of the US mid-term elections in November led to accusations of partisan gerrymandering and dampened investor confidence. More positively, the run-up to the long-awaited meeting between President Trump and Chinese President Xi Jinping in Beijing stoked optimism around a potential thaw in Sino-American relations. Solid Q1 corporate earnings were an additional tailwind, while renewed optimism around a peace deal supported stocks into month-end.

European equities rose in May but finished slightly behind the global index. The Stoxx 600 Index tracked Wall Street higher early as optimism around a breakthrough in US-Iran peace talks helped to ease oil supply and inflationary concerns. However, reports of clashes near the Strait of Hormuz intermittently roiled markets. Elsewhere, Russia intensified attacks on Ukraine, including a hypersonic ballistic missile strike on multiple targets in Kyiv. A number of suspected Russian drone incursions were also reported in Romania, Finland and the Baltic states. Renewed trans-Atlantic tensions also rattled sentiment, with US President Donald Trump threatening to withdraw 5,000 troops from Germany after Chancellor Friedrich Merz criticised the US war with Iran. German carmakers plunged after President Trump threatened to impose a 25% tariff on all auto exports from the European Union (EU) to the US, with Brussels calling on Washington to honour last year's US-EU bilateral trade agreement capping levies at 15%. Meanwhile, in an attempt to calm relations, EU lawmakers agreed provisional wording to remove EU levies in accordance with the so-called Turnberry Agreement, after President Trump set a 4 July deadline for the bloc to either comply or face higher tariffs.

Portfolio Highlights

What helped?	• Equity markets experienced a strong rebound led by high-risk names. In that environment, the dividend strategy could not hold up with its benchmark. The Fund, however, posted a positive result in May.
What hurt?	• The defensive nature of the dividend styles could not hold up during a market driven by most volatile names. Dividend Yield, Dividend Reliability and Quality were lagging in May.

Market Outlook

Healthy corporate earnings, high investments in AI and hopes of a boost to productivity should continue to support the equity markets. US equities, in particular, are likely to benefit, seeing that corporate earnings momentum remains strong, above all in the Technology sector. That is why, at the regional level, the US and large Asian technology hubs are still attractive. In Europe, hopes of a significant pickup in earnings have recently faltered. The Industrials sector, in particular, is suffering from the fallout of the conflict in Iran and energy-supply concerns. However, there is still a chance that government investment may stimulate growth during the remainder of the year. In Japan, the persistently expansionary monetary policy, growth packages and progress with corporate governance issues make for a relatively benign environment.

At the sector level, Technology remains predominant. At the same time, traditional industry stocks are getting more attention, as they benefit from digital infrastructure construction and from war-related shortages. Demand for defensive sectors such as Food or Telecommunications might increase in case of major market disruptions. Overall, we remain constructive for equities, despite the persistent geopolitical risks. Active stock selection is gaining even more importance, seeing that companies with a convincing earnings outlook should benefit most.

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All data are sourced from Allianz Global Investors as at 31 May 2026 unless otherwise stated.

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