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 December

Global equities delivered a modest gain in December, with the MSCI All Country World Index (ACWI) rounding out an impressive rise of more than 20% for the year. Gains were muted for most of the month, although the traditional Santa Claus rally lifted investor sentiment into the holiday period. However, escalating protests in Iran and Chinese military exercises in the Taiwan Strait weighed on sentiment at month-end. European stocks finished in front, followed closely by the UK. Japan was next but trailed the global index, while the US eked out a fractional gain over the month. Emerging markets trailed their developed market peers, dragged lower by index heavyweight China. Turning to sectors in the MSCI ACWI, Financials and Materials led the way, while Utilities was the weakest sector in December.

US equities rose fractionally in December, as lacklustre economic data weighed on sentiment. Markets rose early on amid growing hopes of a rate cut from the US Federal Reserve (Fed), as duly transpired. Meanwhile, President Trump's peace plan to end the war in Ukraine resulted in further talks involving Kyiv, Moscow and European partners. As the month progressed, elevated artificial intelligence (AI) valuation concerns resurfaced, with investors rotating into cheaper parts of the market. Flaring tensions in the Caribbean triggered concerns around regional security after the US Coast Guard intercepted Venezuelan oil tankers as Washington stepped up pressure against the government of Nicolás Maduro. Meanwhile, US strikes against the Islamic State in northwestern Nigeria dented sentiment, alongside escalating protests in Iran and Chinese military exercises in the Taiwan Strait. The so-called Santa Claus rally lifted stocks into year-end despite lingering macroeconomic and geopolitical uncertainties.

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European equities moved higher in December. Markets tracked Wall Street gains early on, as mounting hopes of a rate cut from the Fed bolstered sentiment. Positive fundamentals and the diminishing likelihood of rate rises from the European Central Bank (ECB) in 2026 also lifted sentiment. Tentative hopes for a ceasefire in Ukraine continued to mount and wane as further negotiations took place over the month. The European Union (EU) agreed a EUR 90 billion loan to Ukraine over the next two years, although leaders were unable to agree on using frozen Russian assets in fear of retaliation from Moscow. In addition, the European Commission fined Elon Musk's X EUR 120 billion under the Digital Services Act.

Portfolio Highlights

What helped?	● In a positive December, more risky stocks and those with smaller market capitalisation outperformed. This helped cyclical Value stocks, although names with higher dividend stability and more defensive characteristics lagged the market.
What hurt?	● More defensive factors such as Quality and Dividend Reliability weighed on performance and contributed negatively to relative Fund performance.

Market Outlook

Overall, we stick to our optimistic outlook for equities, as global growth is likely to remain healthy. While fundamental and political uncertainty is still high, we believe it has passed its peak. Nevertheless, investors should be prepared for a potential increase in market volatility ahead of the US mid-term elections and the changeover at the Fed. In addition, market sentiment may change abruptly due to geopolitical crises. Turning to the individual regions, US equity valuations continue to appear elevated, particularly for Tech large caps. However, in most cases they are supported by healthy corporate earnings, which is why we do not see a significant bubble risk at the moment. European valuations are cheaper and offer selective opportunities, not least thanks to larger fiscal stimulus and the EU initiative for strategic autonomy. The outlook for China and India is attractive, thanks to structural growth factors and reforms. Generally speaking, we recommend a risk-aware, active investment approach with a longer-term horizon and broad diversification across regions and innovation topics.

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

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