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 March

March was, in general, a disappointing month for global equities amid ongoing uncertainty regarding President Donald Trump's erratic trade policy. Stock markets weakened sharply at month end ahead of the president's self-dubbed "Liberation Day" of sweeping tariffs on 2 April. Continued conflict in Ukraine and Gaza, alongside escalating concerns surrounding Iran's nuclear programme, further compounded market jitters.

US equities sold off sharply in March, rounding out their worst quarter since 2022 against a backdrop of tariff-related uncertainty and geopolitical tensions. The Nasdaq Composite Index closed the month at a 6-month low, while the S&P 500 Index briefly fell into correction territory, having dropped 10% from its early-January peak, as investor sentiment plummeted. Sentiment was further knocked when President Donald Trump refused to rule out a recession, emphasising the possibility that the US will enter "a period of transition", with market jitters continuing into month end in the run-up to the president's self-dubbed "Liberation Day" of sweeping tariffs on 2 April. Overall, value stocks outperformed their growth equivalents during the month as investors rotated into more defensive shares.

European equities moved lower over March but held up better than US shares. President Donald Trump's withdrawal of US military aid to Ukraine and comments signalling faltering US commitment to the North Atlantic Treaty Organisation (NATO) and European security initially weighed on sentiment, but shares recovered after the German Parliament agreed to relax its debt brake. The landmark debt reform bill will unleash hundreds of billions of euros for defence and infrastructure spending. However, European markets stumbled further towards month end on heightened uncertainty in the run-up to the president's self-dubbed "Liberation Day" of sweeping tariffs on 2 April. At a sector level, Consumer Discretionary and Information Technology shares fell the most, while Utilities and Energy were the only sectors to post gains.

Market Outlook

Our proprietary Macro Breadth Growth Index, which aggregates global macroeconomic data, declined for the first time in six months. Figures from the US, the UK, China and several emerging markets weakened, whereas the numbers for Japan and the euro area improved. Business and investor sentiment in the world's largest economy, the US, is suffering from uncertainties about tariff, immigration, fiscal and regulation policies. We therefore expect US growth to slow down more visibly than generally anticipated by the market. In contrast, the outlook for Europe is improving. Higher defence and (in Germany) infrastructure spending is likely to boost sluggish growth. The Chinese government will probably continue to support the economy as the Real Estate sector remains fragile and tariffs on exports to the US are looming on the horizon. Overall, we are cautiously optimistic for equities. However, we expect more significant volatility and divergent developments between individual countries and regions. This trend may be reinforced by geopolitical tensions. Overall, we believe that this environment is favourable for active management based on fundamentally oriented analyses.

Portfolio Highlights

What helped?	• March was a strong month for dividend stocks. In a volatile and overall down market, the Fund profited from its exposure to the dividend theme, with stocks with highest dividend yield outperformed global equity markets.
What hurt?	• Continuing the development since the start of the year, trend-following and growth-related factors lagged again, with higher risk names strongly underperforming. The Fund allocates to cyclical trend- and growth-related factors as this can contribute positively in the long term when combined with dividend stocks.

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

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