Allianz Global Investors

Allianz European Equity Dividend

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth by investing in companies of European equity markets that are expected to achieve sustainable dividend returns in accordance with the Sustainability Key Performance Indicator Strategy (Absolute). In this context, the aim is, at least, a year-on-year improvement pathway on the sub-fund's weighted average Sustainability KPI to achieve the investment objective.

What Happened in July

The key feature of July was a change in leadership, both politically and in equity market terms. In the UK, Keir Starmer won a commanding majority in the general election, bringing the first Labour government since 2010. This was widely expected and with a centre-left agenda it had limited impact on financial markets. In France, the first-round success of the National Rally was thwarted in the second round by centre and left-wing coordination, reassuring the financial markets. The broad alliance of left-wing parties won most seats, but the prime minister will not be decided until after the Olympic Games. World equity markets also saw a change in leadership. This was clearest in the US, where there was a sharp rotation away from the largest technology companies. These so-called Magnificent 7* had dominated markets in H1. Over the month, the technology-heavy Nasdaq Composite Index fell, whilst the Russell 2000 Index of smaller companies produced a double-digit return. There were similar moves in the European markets.

Eurozone equities closed July flat. At a sector level, consequently Information Technology stocks fell sharply, with a semiconductor manufacturing equipment supplier hurt by reports that the US may consider tougher restrictions on what semiconductor equipment can be sold to China. Luxury goods companies were also hit after a luxury goods company reported slower-than-expected sales in Q2. At the other end of the scale, Utilities companies were the strongest performers. The eurozone economy grew 0.3% in Q2, slightly above forecasts and the same growth rate as in Q1. Growth appears to be stagnating in Q2. The HCOB eurozone composite purchasing managers' index (PMI) fell to a 5-month low in July. Headline eurozone inflation quickened to 2.6% in July, up from 2.5% in June. As widely expected, the European

Central Bank (ECB) kept rates on hold, as minutes of its rate-setting meeting in June showed that policymakers had been divided over whether to cut rates by 25 basis points (bps) given higher-than-expected wage growth. ECB President Christine Lagarde said another cut in September was "wide open" as she noted that "the risks to economic growth are tilted to the downside". German equities rose slightly, outperforming the broader eurozone. UK equities advanced, helped by the FTSE 100 Index's value tilt and its lack of exposure to technology companies. The FTSE 250 Index of domestically focused companies performed even better after the Labour Party won a landslide victory in the UK general election, boosting hopes of political stability, improved relations with the European Union (EU) and a period of fiscal prudence. The S&P Global UK composite PMI accelerated in July, mainly driven by stronger manufacturing activity. UK inflation held steady at 2% in June.

Portfolio Review

During the volatile month of July, the Fund generated a positive return (in EUR, gross of fees, closing price) and outperformed the MSCI Europe Index.

The Fund benefitted from having only small positions in Technology, such as an overweight in a producer of integrated semiconductor assembly equipment, which detracted but was offset by the largest positive contribution in this sector from not holding the aforementioned semiconductor manufacturing equipment supplier. Stock selection in Health Care was particularly positive, with no position in a pharmaceutical company and an overweight in Roche, but small negative contributions came from not holding a Swiss multinational chemicals and biotechnology company. In the Industrials sector, our overweights in a package delivery and supply chain management company, and a construction and building product manufacturing company were beneficial, while our position in a Swedish bearing and seal manufacturing company detracted. In addition, our overweight in a global airport services provider was detrimental due to a political debate on the management of Barcelona airport.

Looking at the Consumer Discretionary sector, we are currently experiencing a negative market sentiment, particularly towards the Automotive sector, due to the weak consumer environment. Our overweight in an automotive manufacturer has been affected by this and has also experienced operational problems in the North American market, so the position has detracted from performance this month. Not holding luxury goods companies helped, but our overweight in a Spanish clothing retailer weighed on performance. Our overweight in Financials had a positive impact, helped in particular by large holdings in areas such as Banks (overweight in KBC and a British retail and commercial financial services provider), with the sector rising by 6%. Other detractors from the Fund's returns were companies such as Munich Re, an energy company, a mining company, and a Nordic financial services group. More positive contributions came from our overweight in UK consumer goods company Unilever and a Swedish hygiene and health care company.

Connect with Us | sg.allianzgi.com | +65 6438 0828 | Search more Allianz Global Investors

Like us on Facebook **Allianz Global Investors Singapore**

Connect on LinkedIn **Allianz Global Investors**

Subscribe to YouTube channel **Allianz Global Investors**

All data are sourced from Allianz Global Investors, Eurostat, IHS Markit and Office for National Statistics, as at 31 July 2024 unless otherwise stated.

* Magnificent 7 refers to a group of US stocks which includes Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla.

ADM-3802930