



Allianz

Global Intelligent Cities

Building a better future through innovation

November 2021

- The Fund aims at long-term income and capital growth by investing in equities in the global equity and bond markets with a focus on companies whose business will benefit from or is currently related to evolution of intelligent cities and connected communities.
- The Fund is exposed to significant risks of investment/general market, asset allocation, concentration, intelligent cities and connected communities, emerging market, company-specific, creditworthiness/credit rating/downgrading, interest rate, default, valuation, volatility and liquidity and currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation.
- The Fund may invest in high-yield (non-investment grade and unrated) investments and convertible bonds which may subject to higher risks, such as volatility, loss of principal and interest, creditworthiness and downgrading, default, interest rate, general market and liquidity risks and therefore may adversely impact the net asset value of the Fund. Convertibles will be exposed to prepayment risk, equity movement and greater volatility than straight bond investments.
- The Fund is also exposed to risks relating to securities lending transactions, repurchase agreements and reverse repurchase agreements.
- The Fund may invest in financial derivative instruments ("FDI") which may expose to higher leverage, counterparty, liquidity, valuation, volatility, market and over the counter transaction risks. The Fund's net derivative exposure may be up to 50% of the Fund's net asset value.
- This investment may involve risks that could result in loss of part or entire amount of investors' investment.
- In making investment decisions, investors should not rely solely on this material.

Note: Dividend payments may, at the sole discretion of the Investment Manager, be made out of the Fund's capital or effectively out of the Fund's capital which represents a return or withdrawal of part of the amount investors originally invested and/or capital gains attributable to the original investment. This may result in an immediate decrease in the NAV per share and the capital of the Fund available for investment in the future and capital growth may be reduced, in particular for hedged share classes for which the distribution amount and NAV of any hedged share classes (HSC) may be adversely affected by differences in the interests rates of the reference currency of the HSC and the base currency of the Fund.

People are familiar with the terms 'intelligent cities' or 'smart cities', but what does intelligent city actually mean?

Smart "intelligent" cities use the latest technologies and data to create efficiencies, improve sustainability, promote economic development and enhance the quality of life for people in a city.

Cities around the world are facing increasing environmental pressures, infrastructure needs and growing demands from residents for better services. This is creating a need for a new type of city that can be smarter, more ecological and, ultimately, sustainable long into the future. Smart technologies can help cities meet these challenges.

Intelligent cities are finally happening due to the convergence of disruptive technologies, digital transformation and new innovations - and they are already enabling the next wave of investment.

What has fuelled the rise in the number of intelligent cities?

Urbanisation is one of the four key megatrends that we believe are having the greatest impact on our future. Cities are home to more than half the world's population and over 80% of global GDP now comes from the world's cities¹. This rapid growth however is causing big problems in our cities such as pollution, traffic congestion, crime & safety, strained public services, a rising cost of living and resource scarcity to name a few.

As our economies recover from the COVID-19 pandemic, we believe there are significant tailwinds ahead that will further support the investments needed to make our cities safer and more sustainable over the coming years. Policy support like the Biden administration's infrastructure plan, the European Green Deal and other stimulus proposals from around the world should help to provide more funding to improve our cities and fight climate change.



Stephen Jue
Portfolio Manager
Global AI Strategies



Justin Kass
Portfolio Manager
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What is the estimated size of this opportunity?

The market opportunity for intelligent cities is very large and could reach over USD 3 trillion by 2026². There are now over 600 smart city projects³ globally with technology spending over USD 100 billion in 2019⁴. Hundreds of cities worldwide now have significant budgets and are investing to improve infrastructure, city services, security, transportation and healthcare.

There are many examples of smart city initiatives where you live and work. From Smart Nation Singapore to Smarter London Together to Smart Dubai. Just type in smart cities and your city name in a search engine and you'll find several websites and news articles on the topic. The growth of intelligent cities should only accelerate over the coming years.

Please describe the Allianz Global Intelligent Cities investment strategy?

We utilize a thematic approach, investing in companies whose products and services are benefitting from the smart cities trend and helping to build a better future through innovation. We invest across a company's capital structure, in public equities, convertibles, and fixed income securities - across sectors- through a fundamental, bottom-up investment process. We do this with the goal of providing a stable income stream and long-term capital appreciation with less portfolio volatility.

Why a multi-asset approach?

The strategy is designed for investors seeking a mixture of income and capital appreciation for today's more volatile market environment. The goal is to provide active equity market exposure to the smart cities theme while lowering volatility of the portfolio by using convertible securities and a modest amount of fixed income. With different market cycles in mind, it can be helpful to leverage different asset classes to maximize risk-adjusted returns through a more balanced total return profile.

Please describe the areas and themes of focus for you within the intelligent cities ecosystem?

We see a broad and diversified investment opportunity across the entire intelligent cities' ecosystem with a focus on 3 key dimensions:

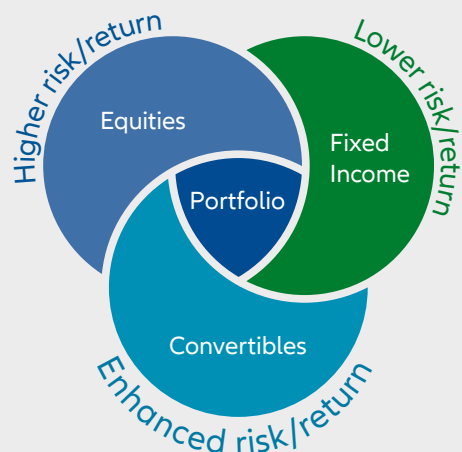
- **Infrastructure** (building the city): Critical building blocks across next-gen connectivity, datacenters, buildings and clean energy are now being put in place to enable the city of the future.
- **Management** (overseeing the city): Digital transformation is creating new solutions to better manage assets & resources more efficiently to improve the quality, safety and sustainability of city living.
- **Services** (living in the city): New digital apps and smart services that enhance the quality of everyday life for people in the city.

What is the portfolio allocation of Allianz Global Intelligent Cities?

The portfolio allocates among equity securities, convertible securities and fixed income securities.

Equities that we believe provide an attractive risk/return profile and "total return" convertible securities that exhibit favourable asymmetric risk/reward characteristics are the primary targeted asset classes. Fixed income securities that provide attractive yield and relative value over US Treasuries are considered to provide some potential yield and help manage downside risks.

Convertible securities help to dampen volatility and can provide both defensive characteristics of a bond and upside potential of the underlying equity. Total return convertibles are the most compelling as they can provide an asymmetric risk/return profile to participate in the upside potential while lowering the downside risks. Convertible issuance of companies benefitting from the smart cities theme has blossomed over the past several years providing many opportunities.



There are also eight key themes that we believe are critical for smart cities, ranging from intelligent buildings to clean energy to safety & security (as illustrated below).

How is Allianz Global Intelligent Cities different from other thematic funds?

Allianz Global Intelligent Cities is very different from a typical thematic equity only fund. First, it's a thematic strategy focused on providing an attractive income solution and total return profile that has less volatility than a pure equity strategy. Second, the fund invests in a broader opportunity set across eight key themes, which helps to provide for more diversification and greater access to the convertible universe. This helps the strategy to have high active share versus other thematic funds, meaning it has relatively minimal overlap.

The strategy also takes a broader view relative to competing funds, looking beyond just smart city infrastructure to how technological innovation can improve the entire ecosystem in a city - across all sectors and industries. We believe our unique approach of investing across a company's capital structure is a better way to gain exposure to attractive growth areas like smart cities, while helping investors to better weather down markets and still participate in up markets.









Can you describe the teams' experience?

Allianz Global Intelligent Cities combines the core strengths of the Artificial Intelligence and Income & Growth teams.

Our teams collectively manage over USD 83 billion in AuM⁵ with experience in technology, thematic and multi-asset strategies. The Artificial Intelligence team has over 20 years of experience covering technology & innovation and deep relationships across Silicon Valley. The Income & Growth team has been investing across the capital structure through multiple market cycles with convertible bonds and high-yield bonds since the 1990s and equities since 2007.

To capture the Intelligent Cities opportunity, we believe in our approach of investing across the capital structure of a company. We first identify the companies best positioned to benefit from the growth in smart cities based on bottom-up, fundamental research conducted by the Artificial Intelligence team. Then, both teams collaborate and evaluate the available investment opportunities across a company's capital structure (which includes equity, convertible, or fixed income securities). We finally select the most favourable segment of the capital structure to invest in that exhibits the most attractive risk/reward profile. Daily dialogue and regular meetings between the two teams ensures a seamless fund management process.

Key themes of focus

<p>Software & Services </p> <p>Improving the daily lives of citizens and visitors, and helping businesses and government work more efficiently through digital apps and smart programs</p>	<p>Safety & Security </p> <p>Protecting people, property and data through video, surveillance, public safety LTE, managed security services, etc.</p>	<p>Home </p> <p>Automating everything in the home from computers to entertainment to appliances to lighting to thermostats to security with intelligent monitoring</p>	<p>Sharing </p> <p>Reshaping traditional models & increasing asset efficiency in many sectors of the economy</p>
<p>Infrastructure </p> <p>Making cities smarter requires a complex system of next-generation information & communication technology infrastructure</p>	<p>Building </p> <p>Designing new energy efficient and intelligent buildings with advanced automation that controls and manages every aspect</p>	<p>Clean Energy </p> <p>Creating sustainable renewable energy and power systems that are intelligent with integrated transmission and distribution across the grids</p>	<p>Mobility </p> <p>Enabling intelligent transportation through connectivity, electrification, lower emissions, multimodal transport systems and autonomous driving</p>

Who might be interested in this strategy?

Investors who want thematic exposure to the growth opportunities related to the evolution of intelligent cities and connected communities. We believe Allianz Global Intelligent Cities' value proposition of an income stream and long-term capital appreciation with less portfolio volatility is unique in the marketplace.

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¹ The World Bank April 2020

² Persistence Market Research December 2017

³ Guidehouse Insights 1Q21

⁴ International Data Corporation (IDC) February 2020

⁵ AllianzGI, Assets under management (AUM) as of 30 June 2021: AllianzGI Income and Growth Team USD 63.5 billion and AllianzGI Artificial Intelligence Team USD 20.2 billion

Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions.

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