

Allianz

Global Artificial Intelligence

Monthly commentary

- The Fund aims at long-term capital growth by investing in the global equity markets with a focus on the evolution of artificial intelligence in accordance with environmental and social characteristics. With the adoption of the Sustainability Key Performance Indicator Strategy (Relative) ("KPI Strategy (Relative)"), the Fund aims to achieve the reduction in greenhouse gas emissions ("GHG") of the Fund's portfolio which shall be at least 20% lower than that of its benchmark within the same period ("Sustainability KPI").
- The Fund is exposed to significant risks of investment/general market, concentration, company-specific, emerging market, currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation.
- The Fund is exposed to sustainable investment risks relating to KPI Strategy (Relative) (such as foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities when it might be disadvantageous to do so or relying on information and data from third party ESG research data providers and internal analyses which may be subjective, incomplete, inaccurate or unavailable). The Fund focuses on the Sustainability KPI which may reduce risk diversifications and may be more volatile compared to broadly based funds. Also, the Fund may be particularly focusing on the GHG efficiency of the investee companies rather than their financial performance which may have an adverse impact on the Fund's performance.
- 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.

What Happened in May

Global equities advanced in May, with the MSCI All Country World Index (ACWI) delivered modest gains amid generally supportive risk sentiment. Equity markets benefitted from continued enthusiasm around artificial intelligence and broadly resilient corporate earnings, particularly in the United States. Stocks also benefited from slumping oil prices on reports that the US and Iran may be edging closer to agreeing a peace deal. From a sector perspective for the MSCI ACWI, performance was largely concentrated within the information technology sector, which was the only sector to outperform the global index. The sector benefitted from broadening AI rally, with strong returns across semiconductors, hardware, and software.

Conversely, energy and utilities were the worst-performing sectors. Energy equities were volatile during the month, reflecting sharp swings in underlying commodity prices rather than company-specific fundamental factors.

From a macroeconomic standpoint, incoming data in May suggested a US economy that remained resilient. Labor market releases indicated continued job growth. Non-farm payrolls data showed that the US economy added 115,000 jobs in April, beating consensus estimates and marking the second consecutive monthly rise, while the US unemployment rate held steady at 4.3%. Elsewhere, the annualized first-quarter gross domestic product (GDP) print was revised down to 1.6% from an initial estimate of 2.0%, while the Federal Reserve Bank of Atlanta's GDPNow running estimate of annualized economic growth ticked up to over 4% for the second quarter. May was a quiet month for the major central bank rate setters, with only the People's Bank of China meeting and leaving its loan prime rates unchanged for the 11th consecutive month. In the US, Kevin Warsh was confirmed by the Senate to serve as the new chair of the US Federal Reserve, succeeding Jerome Powell. Oil prices eased in May. Brent crude moved off recent highs at the start of the month, falling back below USD 100 per barrel amid hopes of a US-Iran peace deal and news that a handful of tankers had crossed the strait, spurring hopes that the crucial shipping lane might fully reopen. Meanwhile, gold prices fell slightly in May. The precious metal rose early on as mounting optimism around a US-Iran peace deal helped to ease inflationary risks and expectations of higher interest rates. However, prices resumed their descent, closing the month above USD 4,500 an ounce, as cautious optimism mounted around the prospects of a deal to end the conflict.

Portfolio Review

During the period, the Fund outperformed on a net-of-fees basis versus the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). The Fund continues to outperform over the year-to-date period, spanning the period before the Iran conflict, through the escalation and recent de-escalation recovery that started in April.

From a sector perspective, financials and health care were the largest contributors, while industrials and information technology were offsetting. Overall portfolio outperformance was driven by the AI infrastructure dimension, with notable strength across hardware, memory, and semiconductor holdings benefiting from strengthening AI data center spending. AI applications outperformed as the broader software sector recovered. AI-enabled industries delivered positive absolute returns but underperformed amid a narrow market backdrop, as performance was largely concentrated in the information technology sector.

Contributors

Flex Ltd.* is a leading contract manufacturer, offering solutions that span from initial design to manufacturing through the life cycle of customer product. The key performance driver has been the market's positive reaction to Flex's strong quarterly results, and its decision to spin off the Cloud and Power Infrastructure segment, which investors view as unlocking the value of a high-growth AI data center power and thermal platform. Looking forward, Flex remains a key provider of advanced manufacturing solutions and operates global supply chains across a diverse set of industries, including AI hyperscalers. Flex is involved in producing high-performance AI server racks as well as power solutions for AI data centers, positioning the company to capitalize on the AI infrastructure buildout.

Our position in semiconductor memory producer Micron Technology*, Inc. was among the largest contributors over the period. The stock outperformed in May, supported by growing evidence of a persistently tight memory environment driven by strong AI infrastructure demand, which may support improved dynamic random-access memory (DRAM) and NAND pricing. Micron remains well positioned to capitalize on the strong semiconductor memory market with demand for memory continuing to exceed available supply. The company is also making strides on high-bandwidth-memory, which is essential for AI infrastructure.

Detractors

Caterpillar Inc.* manufactures construction and mining equipment, engines as well as power generation solutions. Shares underperformed amid fears of increased competition in the turbine generator space. Long-term, Caterpillar continues to have a compelling growth trajectory, as its leadership in heavy machinery and onsite power solutions positions it to benefit from the AI infrastructure buildout. The company is also favorably positioned to capitalize on a recovery in global demand for autonomous and efficient industrial systems.

A company which manufactures and services energy equipment, was another detractor over the period. The stock underwent some profit taking over the month, as broader heavy-duty gas turbine manufacturing capacity expanded, weighing on investor sentiment. Looking ahead, the strengthening growth in AI data centers is driving electricity demand—projected to double US power needs by 2030—is directly benefiting the company. This has driven a surge in orders for its gas turbines and grid equipment that should convert to strong revenue and profit growth for the company.

New buys and sells

We exited the remaining position in a leading US-based technology company, after the company reported results that included a continued increase in capital spending plans. We have a more cautious view on the company's investments, as the company must prove its ability to keep pace on AI innovation and execute internal projects to generate high return from investments. Presently, we view this as a higher risk path that could weigh on shares.

Additionally, we sold the position in a US-based industrial company, as the company has been experiencing a downturn in its core large agriculture business. Farmers have been deferring equipment purchases amid lower crop prices, higher costs, and elevated interest rates. This has pushed the recovery timeline further out, driven earnings downgrades, and pressured margins. While construction and small agriculture remain relatively resilient, they do not offset the large agriculture weakness.

There were no new buys during the month.

Outlook and Strategy

Despite recent volatility, we maintain a constructive longer-term outlook for equities. Recent developments regarding the ongoing conflict with Iran have resulted in somewhat greater clarity around the possibility of de-escalation. Notably, indications from Iran's president suggest a willingness to pursue an end to the conflict, contingent on the provision of security guarantees. However, it is important to note that uncertainty persists as to whether these signals will ultimately lead to a sustainable and successful de-escalation. We continue to maintain a balanced portfolio of companies benefitting from innovation and favour companies that are better positioned to navigate through a more complicated environment. There may be opportunities to upgrade select names and add to high conviction ideas amid any market volatility to better position the portfolio for improved performance.

Over the intermediate term, an improved economic and earnings growth backdrop across more sectors should drive a broadening out effect in the equity market. Many major central banks have cut interest rates or signalled future cuts to keep financial conditions supportive of economic growth. In the US, the Trump administration's pro-business agenda also provides tailwinds through tax cuts, deregulation, domestic investments, and manufacturing reshoring. These efforts should help stimulate growth for both consumers and corporations across more areas of the economy as the conflict with Iran eases.

The topic of an AI bubble has been a key area of focus for the media and many investors. In our view, it is too early to draw a conclusion. We think it is important to highlight that current valuations and capital intensity are materially lower than the dotcom bubble. Also, the AI capital expenditure cycle is being funded by some of the biggest and most profitable companies

in the world. There are likely pockets of speculation with some data centre projects and private companies, and we may see period of digestion at some point in a few years.

While the Technology sector may continue to perform well, we expect improved earnings growth from a wider set of companies across other sectors. This should lead to broader equity market participation, creating a healthier and more balanced environment compared to one dominated by a concentrated group of mega cap stocks. The Fund is designed to invest across a broad spectrum of technologies and industries embracing the disruptive power of AI. This includes sectors such as Financials, Health Care, Consumer, and Industrials that are beginning to see early benefits from AI. As earnings re-accelerate across more companies and sectors, we believe this creates compelling stock selection opportunities for our diversified AI investing approach.

From an innovation perspective, progress with AI development is accelerating as more powerful capabilities become readily available from this robust infrastructure buildout wave. We are beginning to enter the next wave, where AI pilots go into production. The advancements of AI-enhanced products or services can drive new levels of productivity, cost savings and revenue opportunities across industries. Given the transformative potential of AI investments, we believe profit margins may not simply hold steady but could in fact grow, supporting valuations for innovative companies that are investing now to disrupt the status quo.

AI infrastructure: The ongoing expansion of global AI data centres remains stronger than many investors appreciate, and concerns about capital spending are likely to persist as we climb the wall of worry. There are many bottlenecks to this new AI industrial revolution buildout, which continues to provide many compelling opportunities. Some key areas include accelerated computing chips, semiconductor manufacturing equipment, power production and power efficiency, and advanced networking.

AI applications: Over the next few years, AI applications and software will evolve from being helpful tools to a partner that acts on our behalf. We are moving away from the era of “static apps” toward a future of “collaborative autonomous agents” that can reliably act, remember context over time, and adapt to any situation. This new wave of intelligent applications should drive more automation, deliver significant efficiency gains, and open new monetisation opportunities. While the 2025 software spending environment has been mixed, we believe the backdrop could stabilise and improve in 2026.

AI-enabled industries: We are still in early stages of true AI adoption across industries. Innovative companies that have been early AI adopters are moving more pilot projects into production, accelerating financial and competitive benefits compared to their peers. We believe leading AI adopters in the Financial Services, Health Care, Industrials and Consumer sectors are beginning to see the early benefits of AI driving better financial results. These opportunities remain underappreciated by investors and represent an attractive area for alpha generation in our view.

The AI revolution is only beginning, and its trajectory promises to dramatically reshape the global economy. Recent advancements in AI demonstrated its potential, yet we are only in the early chapters of a much larger transformation that will gain momentum as innovation brings us closer to artificial general intelligence – potentially within the next decade. AI is rapidly redefining processes and competitive dynamics in every sector. In the next decade of AI, we believe more alpha generation may come from the companies that help enable AI transformation. The innovators in each industry will be ones that truly embrace AI to significantly boost productivity, reduce costs, and launch new products or services. Stockpicking will be essential to capturing the benefits of this opportunity, especially in an environment characterised by disruption and change. As we have done since the launch of the Fund almost a decade ago, our focus remains on identifying the innovative companies best positioned to leverage AI to deliver the most shareholder value creation over the long term.

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Source: Bloomberg, IDS and Allianz Global Investors and as at 31 May 2026 unless otherwise stated.

Allianz Global Investors and Voya Investment Management entered into a long-term strategic partnership on 25 July 2022, upon which the investment team transferred to Voya Investment Management. This did not materially change the composition of the team, the investment philosophy nor the investment process. Management Company: Allianz Global Investors GmbH. Delegated Manager: Voya Investment Management Co. LLC (“Voya IM”).

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