

# 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 June

Global equities delivered solid gains in June, with the S&P 500 and the Nasdaq Composite hitting fresh all-time highs. US-China trade relations improved, as the two countries agreed on a framework to implement the consensus reached last month in Geneva. Trade talks with other countries remain underway and reports suggest many can be completed in July. Despite escalating tensions between Israel and Iran that ended with US air strikes on Iran nuclear facilities, the subsequent ceasefire helped investor sentiment towards the end of the month.

The US Federal Reserve (Fed) maintained its wait-and-see approach, holding benchmark lending rates steady for the fourth consecutive meeting, given the continued uncertainty surrounding the economy and inflation. US recessionary risks abated in June, with the Federal Reserve Bank of Atlanta's GDPNow running estimate indicating solid economic growth for the

second quarter. Non-farm payrolls rose by 139,000 in May, exceeding expectations. The unemployment rate remained unchanged at 4.2%. The European Central Bank (ECB) cut its key interest rate by 25 basis points (bp) to 2.0% as inflation continues to stabilize. Meanwhile, Bank of England, Bank of Japan and People's Bank of China kept rates on hold at their respective meetings during the month.

June was a volatile month for oil prices, with Brent crude falling back early in the month on increased Organisation of the Petroleum Exporting Countries Plus (OPEC+) supply. The commodity subsequently rallied on the rapid escalation of geopolitical tensions in the Middle East. Oil prices briefly surged to a five-month high after the US launched a series of strikes on Iranian nuclear facilities amid fears that Tehran could retaliate by blocking the Strait of Hormuz, a major shipping lane for around one-fifth of global oil supplies. However, prices eased on news of Iran's restrained response and reports of a ceasefire between Iran and Israel, ending the month below USD 67 a barrel.

From a sector perspective for the MSCI All Country World Index, the information technology sector was the strongest performer amid growing optimism on the ongoing artificial intelligence (AI) data centre buildout. Communication services sector was another outperformer. Consumer staples and real estate were laggards over the month.

### Portfolio Review

During the period, the Allianz Global Artificial Intelligence Fund outperformed on a gross- and net-of-fees basis versus the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). From a sector perspective, information technology and consumer staples were the largest contributors, while consumer discretionary and health care were slightly offsetting. AI related stocks continued their recovery that started in April as trade tensions eased. The AI Infrastructure theme was the strongest performer on continued optimism surrounding AI data center investments. Although AI-enabled industries generated positive absolute returns, the theme underperformed the blended benchmark as non-technology sectors broadly lagged over the month. AI Applications also underperformed as a few names reported earnings that missed expectations.

The top contributor over the period was a leading electronics manufacturing services company. The company's connectivity and cloud solutions (CCS) segment serves the communications, enterprise, and cloud hyperscale end-markets. Shares were higher as business momentum improved for the company and the backdrop for AI data centre investments continues to strengthen. The company remains a beneficiary of an AI infrastructure build out from hyperscale cloud customers. Demand for its advanced networking hardware and storage solutions should benefit from this multi-year investment cycle.

Oracle Corp.\* provides enterprise software and services, and also operates Oracle Cloud Infrastructure (OCI), a rapidly growing hyperscale platform designed to deliver cost-effective, high-performance solutions for AI workloads. Shares were higher as Oracle\* delivered strong earnings results and as management provided positive outlook commentary for bookings, cloud and OCI growth that were well above expectations. We continue to believe Oracle\* is well positioned to capitalise on the healthy demand backdrop for AI workloads, as the OCI business has a rapidly growing pipeline of large deals. This includes the US Stargate initiative, a potential source for further upside.

Our position in electric vehicle (EV) producer Tesla, Inc.\* was the top relative detractor over the period. The stock underperformed as delivery trends softened in Europe. However, Tesla's recent successful global production changeover to the new Model Y should support a recovery in deliveries. Looking forward, Tesla continues to have an ambitious innovation agenda, spanning EV, energy storage, autonomous driving and humanoid robots. We believe the company is making good progress on each of these agendas in ways that can unlock significant shareholder value in the future. The recent Robotaxi launch represents a step forward towards Tesla's longer-term ambitions.

Another detractor on a relative basis was Nvidia\*. Although the stock was a meaningful position in the Fund, it was a relative underweight in the blended benchmark, which had an average weight of 11.6% during the quarter versus the Fund's average allocation of 8.4%. Shares were higher over the period as Nvidia\* continues to execute on the production ramp of

the new Blackwell GPU product. The strengthening AI data centre spending backdrop was also constructive for investor sentiment. We still favour the company as one piece of a diversified exposure to the AI infrastructure opportunity. Cloud hyperscalers continue to add AI compute capacity to meet large, unmet customer demand, while enterprises are also building out their own AI training capabilities to create new business applications and enhance employee productivity.

## Outlook and Strategy

We continue to maintain a positive long-term outlook for equities, but markets may undergo short periods of volatility. A more complicated policy backdrop can contribute to potential risks of inflation and slower economic growth. For now, equity markets have been on a recovery path since April 9, 2025, when President Trump announced a 90-day pause on higher reciprocal tariffs. We believe the recovery of AI-related stocks could continue with a more benign policy environment and re-acceleration in earnings.

The outlook across the AI ecosystem remains healthy. From first quarter earnings results, management across AI-related companies generally had constructive commentaries on business trends despite tariff uncertainties and progress with AI projects. The landscape also got a boost from new AI data centre announcements, strong demand for AI workloads from new reasoning AI models, and more supportive advanced semiconductor export policies.

As we get more clarity on policy in the coming months, a more constructive backdrop may develop as we see some framework trade deals and look towards Trump's tax cuts and pro-business agenda. We continue to believe the Trump administration wants the US to maintain its leadership in innovation and is focused on bringing more manufacturing back onshore. Several announcements have been made to further onshore the technology supply chain to the US. More announcements should be constructive for the innovation ecosystem.

We continue to maintain a balanced portfolio of companies benefitting from AI 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 the market volatility to better position the portfolio for improved performance.

From an innovation perspective, progress with AI development is accelerating as more powerful capabilities become readily available from the robust "Phase 1" infrastructure buildout. We are beginning to enter "Phase 2" where new generative AI use cases and application adoption drive significant benefits over the coming years. Our analysis suggests that investments in AI could lower the marginal costs of operations, much like the information technology (IT) revolution did. Furthermore, the advanced features of AI-enhanced products or services can drive new levels of productivity, cost savings and revenue opportunities across industries in "Phase 3". 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:** Spending on AI infrastructure should continue to be robust over the next several years as more powerful AI data centres are built around the globe. Nvidia's\* upcoming AI chips provide up to a 30 times performance increase compared to the previous generation and more hyperscalers are designing custom AI chips to meet their unique specific needs. This is driving demand for new data centre architectures that can handle the higher power, cooling, space and networking requirements. Overall demand for generative AI training remains durable as more companies across the ecosystem are rushing to build better foundational models or fine tune other models. Growth in AI inference systems is also expanding to process and respond to new data in real time and support applications that require low latency and high reliability at the edge of the network. Newer reasoning engines require more "think time" to yield better results, driving additional workload demand.

**AI applications:** Generative AI applications are evolving into their next phase with the emergence of AI agents. Unlike AI copilots designed to answer a single question, AI agents have decision engines that allow them to operate autonomously

and complete complex tasks. AI agents can be easily customised to handle repetitive tasks and have human-like decision making capabilities to adapt to different situations. This can create a new level of automation and dramatically cut costs and improve productivity. We believe there will be an upcoming surge of new generative AI-infused applications across many areas of consumer and enterprise workflows over the next several years, driving more investment opportunities.

**AI-enabled industries:** AI continues to open up new possibilities to drive true industry transformation across every industry. Many companies in AI-enabled industries are increasing investments in generative AI to train one's own industry-specific model on its proprietary content or knowledge to compete better. In Health Care, the application of AI could dramatically speed up the time for drug discovery, accelerate clinical trials and dramatically improve the efficacy of medical devices. Within Financial Services, there are companies with significant volumes of data related to transactions, customer interactions and research. This allows for the creation of AI solutions to enhance operational efficiency, improve fraud detection and personalise client service. There are similar opportunities within Automotive, Consumer, Industrials, Energy and even Mining. We think this is only the beginning as innovative companies embrace AI to enhance efficiency, lower costs, launch new products, take market share and drive higher levels of profitability.

We are still in the early innings of the AI era. Despite significant advancements, there is a lot more potential to be unlocked in the future. The industry is rapidly evolving, with major investments and innovations continuing to drive progress towards artificial general intelligence, possibly within the next decade. AI is becoming more integrated into various fields, from finance to health care to humanoid robotics. It is an exciting time, and we are likely to see even more transformative changes in the coming years.

Our view remains that the compounding effect from AI disruption will create opportunities for innovative companies across every sector. We believe that stockpicking will be essential to capturing the benefits of this opportunity, as today's AI winners may change in the future in an environment characterised by rapid change and disruption. We remain focused on identifying the companies that can best 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 30 June 2025 unless otherwise stated.

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