

# 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 September

Global equities moved higher in September, with all three major US indices – the S&P 500, the Dow Jones Industrial Average, and the technology-heavy Nasdaq Composite – touching fresh record highs. Stock market gains were concentrated among larger cap names, as the equal-weight S&P 500 trailed their cap-weighted counterpart. Healthy corporate earnings results, directionally positive economic data, consumer resilience, as well as improved trade and economic policy clarity were constructive for investor sentiment. From a sector perspective, for the MSCI ACWI, Information Technology and Communication Services were the strongest performers as the artificial intelligence (AI) growth narrative strengthened from continued positive announcements. Consumer Staples and Energy were laggards over the month.

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US economic data was directionally positive, but the jobs market continued to show signs of slowing. The Federal Reserve Bank of Atlanta's GDPNow running estimate accelerated, signalling higher growth for Q3. Non-farm payrolls increased by just 22,000 in August, below expectations of 75,000, while data for June was revised to a loss of 13,000. On the monetary policy front, the September Federal Open Market Committee (FOMC) meeting ended with a 25-basis points (25-bps) rate cut, while the updated summary of economic projections was more dovish than expected, showing a median dot for an additional 50-bps of cuts this year. Elsewhere, the Bank of England (BoE), European Central Bank (ECB) and People's Bank of China (PBoC) kept rates on hold. The Bank of Japan (BoJ) also maintained its monetary stance and held rates steady at 0.5% at its September meeting.

Brent crude oil prices eased in September, closing the month below USD 66 per barrel. Supply concerns were fuelled by Ukrainian drone strikes on Russian refineries and North Atlantic Treaty Organisation's (NATO's) pledge to deliver a "robust" response to Russian warplane incursions into Estonian airspace. However, increased output from Organisation of the Petroleum Exporting Countries Plus (OPEC+) and slowing global demand weighed on the price of oil. Gold soared to a series of fresh all-time highs and breaching USD 3,890 at month-end amid expectations of further rate cuts from the US Federal Reserve (Fed) and continued central bank accumulation of the precious metal.

### **Portfolio Review**

During the period, the Fund slightly underperformed on both 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 Discretionary were the largest contributors, while Health Care and Communication Services were offsetting. Al-related stocks remained on their upward trajectory that started in April. Al infrastructure was the strongest performing theme as the AI data centre buildout continues to strengthen. Al applications generated positive absolute returns but slightly underperformed the blended benchmark. Al-enabled industries underperformed due to our med-tech and entertainment holdings.

Celestica Inc.\* is a leading electronics manufacturing services (EMS) company that designs, builds, and supplies critical hardware infrastructure – such as servers, storage systems, and networking switches – for AI data centres and hyperscale customers. Shares were higher from the strengthening AI infrastructure investment backdrop. Celestica remains a beneficiary of an AI infrastructure buildout from hyperscale cloud customers. Demand for Celestica's advanced networking hardware and storage solutions should benefit from this multi-year investment cycle.

Another top contributor was Tesla, Inc\*., which produces high-performance electric vehicles (EV). Shares were higher as the company continues to make progress with its robotaxi initiative and in humanoid robotics. Improved EV delivery trends were also helpful for shares. 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.

One of the detractors was a global medical technology company specialising in minimally invasive solutions across cardiology, electrophysiology, neuromodulation, and other specialties were lower following the Food and Drug Administration (FDA) approval of a competitor's pulsed field ablation (PFA) device. We continue to believe that the company's first mover advantage helps it navigate a changing competitive landscape and deliver growth. Further, the company remains well-positioned to benefit from the adoption of AI-enhanced medical technologies, including imaging diagnostics, cardiac monitoring, and personalised neuromodulation. The company's PFA system, in particular, is expected to drive meaningful revenue growth and market share gains.

Our underweight position in a technology hardware producer was another relative detractor due to its significant weighting in the custom benchmark. The company had an average 10.52% weight in the benchmark, while the Fund had an average exposure of 3.53%. Shares were higher during the period following the launch of the new smartphone lineup, which is experiencing a strong start.

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We initiated a position in a multinational materials science company that develops and manufactures specialty glass, ceramics, and related technologies for diverse applications as we believe we are at an inflection point for the buildout of data centres in support of AI workloads. Through its optical communications segment, the company supplies high-performance fibre optic cables and systems essential for hyperscale AI infrastructure. This segment is also the company's most profitable and has the potential to drive meaningful earnings growth.

We also initiated a position in a provider of power management solutions across various end-markets that include AI data centres at this time as we believe we are at the beginning of a major infrastructure build centred around AI data centres and that the company is well-positioned to benefit from this growth. Its "grid-to-chip" strategy optimises power delivery for high-density AI computing. In addition, the company has been integrating AI into its product offerings to provide grid modernisation, facility-level energy performance optimisation with real-time monitoring, and edge AI solutions.

There were no complete sells made during the month.

## **Outlook and Strategy**

We remain positive on the long-term outlook for equities, with Q4 historically being a seasonally favourable period for stocks. With the market looking towards the potential of improving 2026 earnings across sectors, this setup is conducive for a market broadening beyond the Technology sector. However, it is possible that markets undergo short periods of volatility, as a more complicated policy backdrop can contribute to potential risks of inflation and slower economic growth. For now, equity markets have been on an upward trajectory since early April and we believe the outperformance of AI-related stocks could continue with a more benign policy environment.

The outlook across the AI ecosystem remains healthy. From second quarter earnings results so far, management teams across AI-focused companies shared constructive updates on the progress of their AI initiatives and business trends, despite ongoing uncertainties around tariffs. The landscape continues to experience a boost from additional AI data center announcements, strong demand for AI workloads from new reasoning AI models, and more supportive advanced semiconductor export policies.

A more constructive backdrop is developing as we see more framework trade deals and additional details on 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. Moreover, the passage of the One Big Beautiful Bill Act should support US domestic investments by enhancing tax incentives for research and development activities as well as capital expenditures. Longer-term, this should be supportive for the ongoing innovation cycle for Al.

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.

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Al infrastructure: Spending on Al infrastructure should continue to be robust over the next several years as more powerful Al data centres are built around the globe. Nvidia's\* upcoming Al chips provide up to a 30 times performance increase compared to the previous generation and more hyperscalers are designing custom Al 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 Al training remains durable as more companies across the ecosystem are rushing to build better foundational models or fine tune other models. Growth in Al 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.

Al applications: Generative Al applications are evolving into their next phase with the emergence of Al agents. Unlike Al copilots designed to answer a single question, Al agents have decision engines that allow them to operate autonomously and complete complex tasks. Al 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 Al-infused applications across many areas of consumer and enterprise workflows over the next several years, driving more investment opportunities.

Al-enabled industries: Al continues to open up new possibilities to drive true industry transformation across every industry. Many companies in Al-enabled industries are increasing investments in generative Al to train one's own industry-specific model on its proprietary content or knowledge to compete better. In Health Care, the application of Al 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 Al 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 Al 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 stock picking 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 September 2025 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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