

# Allianz Global Intelligent Cities Income

## Monthly commentary

- The Fund aims at long-term income and capital growth by investing in 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 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, 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 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 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 may also expose to risks such as prepayment, equity movement, and greater volatility than straight bond investments.
- 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 July

Global equities rallied for the month of July, with the S&P 500 and the Nasdaq Composite pushing to new record highs. The backdrop was supported by a continued easing of tariffs and trade tensions. The United States came to several trade agreements this month before the August 1, 2025, end of the pause on reciprocal tariffs, including with the European Union and Japan. A resilient macro backdrop, positive artificial intelligence (AI) data center investment trends, a pickup in capital markets activity and passage of the One Big Beautiful Bill Act were also constructive for investor sentiment.

From a sector perspective for the MSCI All Country World Index, the information technology and energy sectors were the strongest performers as companies reported healthy earnings results. Consumer staples was the largest underperformer, as many companies issued cautious commentary regarding the impact of tariffs. Health care was another underperforming sector, as health insurers and providers were hit by high Affordable Care Act (ACA) and Medicaid costs.

US corporate bonds outperformed Treasuries, helped by a further tightening in credit spreads. High yield bonds outperformed, posting gains despite a modest Treasury sell-off, while investment grade bonds ended the month largely unchanged. US corporate credit spreads have now returned to near historically tight levels.

The US economy grew by an annualized 3.0% during the second quarter, rebounding from a negative first quarter gross domestic product (GDP) print. Non-farm payrolls in June rose by a consensus-beating 147,000, modestly higher than May's upwardly revised figure of 144,000. On the monetary policy front, the US Federal Reserve (Fed) maintained its wait-and-see approach, holding the federal funds rate steady at 4.25–4.50% for the fifth consecutive meeting. Separately, the European Central Bank, Bank of Japan and People's Bank of China also kept key lending rates unchanged. Policymakers took a more measured approach because of ongoing uncertainty surrounding the effects of tariffs on their respective economies.

Oil prices rose modestly in July with Brent crude closing the month just below USD 72 per barrel as trade optimism spurred hopes of increased global demand. Meanwhile, gold prices remained elevated, although prices moved modestly lower to end the month around USD 3,300 per ounce as increased risk appetite undermined the precious metal's safe-haven appeal.

### Portfolio Review

During the period, the Fund outperformed its custom benchmark (70% MSCI All Country World Index + 30% ICE BofAML US Corporate & High Yield Index).

From a sector perspective, information technology and industrials were the top absolute contributors. Health care and communication services were the top absolute detractors. On a single security basis, our positions in a commercial Aerospace electronics manufacturing service provider (Equity, Electronic Manufacturing Services), an energy equipment manufacturing and services company (Equity, Heavy Electrical Equipment), and Corning Inc.\* (Equity, Electronic Components) contributed to performance. In contrast, our positions in a fast-casual restaurant company (Equity, Restaurants), an audio streaming and media service provider (Convertible, Movies & Entertainment), and a biotechnology company (Equity, Health Care Equipment) detracted from returns.

### Outlook and Strategy

We maintain a positive long-term outlook for equities, but markets could 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 early April, and we believe the broadening of the market may continue with a more benign policy environment and re-acceleration in earnings.

The outlook across the ecosystem of innovation and companies involved in intelligent cities remains healthy. From second quarter earnings results, companies generally had constructive commentaries on business trends. The landscape also got a boost from new AI data center announcements, more supportive advanced semiconductor export policies and executive orders from the Trump administration that supported power generation.

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. Several recent announcements are supportive of more onshoring of the supply chain to the US. 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.

We continue to maintain a balanced portfolio of innovative companies with durable business models, strong management teams and unique products or services that can navigate the current 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. Ongoing secular trends, which include the growing demand for data centre infrastructure, power grid upgrades, electrification, smart buildings and factories as well as investments in the energy and industrial transition, provide significant tailwinds for the modernisation of cities around the world.

As cities get smarter, they become more liveable and more responsive – and today we are seeing only a glimpse of what innovation can do to significantly improve the quality of life in urban environments. Investments are growing to transform cities by improving infrastructure, creating better public services, enhancing transportation and reducing traffic, and keeping citizens safe and more engaged in the community. We are excited about the investment opportunities ahead and believe our research-driven, bottom-up process across key asset classes is the most effective means to capture the value generated as we build a better future.

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Source: Bloomberg, IDS and Allianz Global Investors and as at 31 July 2025 unless otherwise stated.

On 31/08/2022, Allianz Global Intelligent Cities was re-named to Allianz Global Intelligent Cities Income. There was a material change of the Fund's investment strategy and restrictions. Please refer to the offering documents for details.

**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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