

# 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 February

February was a more volatile month for global equity markets, with the MSCI All Country World Index (ACWI) posting a modest gain. Non-US equities outperformed its US counterparts. This driven in part by the underperformance of mega-cap technology companies, which delivered solid earnings but concerns over rising capital intensity weighed on sentiment and drove the continued rotation toward cyclical stocks. Tariffs returned to focus after the US Supreme Court ruled against the Trump administration's use of emergency tariff powers. In response, the White House implemented a 10% global tariff.

Geopolitical tensions also drew some attention, marked by a buildup of naval forces near Iran and culminating in a US-Israeli strike on the country at the month end.

From a sector perspective for the MSCI All Country World Index, materials was the strongest performing sector amid a rally in gold and silver. Utilities was another outperformer given its more defensive profile. Communication services and consumer discretionary were the top laggards over the month.

Treasuries made their best monthly gains in a year amid increased safe-haven flows. The Treasury market additionally found support from a lower-than-forecast US headline inflation print for January. The 10-year US Treasury yield dropped below 4% for the first time since November, while the two-year yield fell to the lowest since 2022. As for US corporate bonds, investment grade credit generated positive returns, although trailed the Treasury market. US high yield debt was further behind, closing just marginally higher. Underlying demand for US corporate debt remained robust.

Regarding economic data, gross domestic product (GDP) expanded by 1.4% in the fourth quarter of 2025, below the 2.8% consensus expectation. Retail sales also missed estimates, remaining flat in December after increasing by 0.6% in November. Non-farm payrolls data showed that 130,000 jobs were added to the US economy in January, ahead consensus estimates of 70,000. More positively, the US unemployment rate continued to ease, falling from 4.4% in December to 4.3% in January. Meanwhile, headline inflation fell from 2.7% in December to 2.4% in January, which was cooler than expectations for 2.5%. It was a subdued month on the monetary policy front among the key central banks, as the Bank of England, European Central Bank and the Bank of Japan left rates unchanged. The US Federal Reserve did not meet in February.

Oil prices rose during the month, with Brent crude closing the month above USD 72 per barrel. Although crude prices eased early in the month, oil rallied amid growing fears of a United States–Iran conflict, with the US increasing its naval presence in the Persian Gulf. Meanwhile, gold prices rallied after the sharp sell-off in January. Mounting US–Iran tensions was constructive for the precious metal, which closed the month near USD 5,300 an ounce.

### Portfolio Review

During the period, Allianz Global Intelligent Cities Income AT-USD share class outperformed its custom benchmark (70% MSCI All Country World Index + 30% ICE BofAML US Corporate & High Yield Index) on both a gross- and net-of-fees basis. From a sector perspective, information technology and industrials were the top positive absolute contributors. Financials and consumer discretionary were the top absolute detractors. On a single security basis, our positions in Lumentum Holdings Inc.\* (convertible, communications equipment), Corning Inc.\* (equity, electronic components), and Keysight Technologies Inc.\* (equity, electronic equipment and instruments) contributed to performance. In contrast, our positions in a US payment processor (fixed income, transaction and payment processing services), a US space-technology company (convertible, aerospace and defense), and a Chinese internet and e-commerce firm (convertible, broadline retail) detracted from returns.

### Outlook and Strategy

As we look ahead to 2026 and beyond, we maintain a constructive outlook for capital markets. 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 signaled 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.

The outlook across the ecosystem of innovation and companies involved in intelligent cities remains healthy. The landscape has been boosted from new artificial intelligence data center announcements, more supportive advanced semiconductor export policies and executive orders from the Trump administration that supported power generation.

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 center infrastructure, power grid upgrades, electrification, smart buildings and factories, as well as investments in the energy and industrial transition, provide significant tailwinds for the modernization of cities around the world.

As cities get smarter, they become more livable 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 28 February 2026 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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Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Past performance is not indicative of future performance. Investors should read the offering documents for further details, including the risk factors, before investing. This material and website have not been reviewed by the Securities and Futures Commission of Hong Kong. Issued by Allianz Global Investors Asia Pacific Limited.

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