

# 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 March

Global equities were pressured across the globe in March, as the US-Israeli conflict with Iran escalated. The MSCI All Country World Index (ACWI) declined, with Asian countries underperforming given their greater dependence on energy imports, while the US proved more resilient. Oil and gas prices soared on supply disruption fears as Tehran placed a chokehold on exports through the Strait of Hormuz – a vital shipping lane handling around one-fifth of the world's energy exports. Markets were caught between fears of a US ground operation and emerging reports that Trump may seek a diplomatic exit. Stock market losses were pared at month-end amid rising hopes of a potential de-escalation, as Iran

signalled a willingness to end the conflict with security guarantees. From a sector perspective within the MSCI ACWI, vast majority of sectors were broadly lower, with Materials and Industrials the weakest performers. Energy was the only sector to deliver positive absolute returns.

From a macroeconomic perspective, Q4 US gross domestic product (GDP) growth was downwardly revised from 1.4% to 0.7%. Non-farm payrolls data showed that the US economy lost 92,000 jobs in February, while the US unemployment rate crept back up to 4.4%. Headline inflation held steady at 2.4% on an annualised basis in February and increased to 0.3% from January's 0.2% on a month-over-month basis. On the monetary policy front, the US Federal Reserve (Fed) held the federal funds rate steady at a target range of 3.50%-3.75%, as widely anticipated, with Fed Chair Jerome Powell stating that it was too early to gauge the impact of rising energy inflation on the economy. Similarly, the Bank of England (BoE), European Central Bank (ECB), Bank of Japan (BoJ), and the People's Bank of China (PBoC) left rates unchanged.

US Treasuries were lower over the period. Rising inflation expectations and surging oil prices pushed markets to price out Fed rate cuts and instead consider potential tightening. The 10-year and 2-year US Treasury yields rose to levels last seen in August 2025. US corporate bonds declined alongside Treasuries, with both investment grade (IG) and high yield (HY) posting losses. While HY spreads widened amid rising risk aversion, IG underperformed due to its longer duration.

Oil prices surged in March, with Brent crude breaching USD 112 a barrel, as the conflict in Iran continued and Middle Eastern oil producers cut supply due to the Strait of Hormuz closure. Oil prices subsequently eased amid rising hopes of a potential de-escalation in the Middle East, with Brent crude closing March below USD 105 a barrel. Meanwhile, gold prices declined in March, as investors favoured the safe-haven appeal of the US dollar over the precious metal. In addition, markets increasingly priced in the possibility of rate hikes, which put pressure on non-yielding assets such as gold, ending the month below USD 4,700 an ounce.

### Portfolio Review

During the period, the Fund slightly underperformed 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. However, note the Fund's monthly performance (priced as of end of day, CET) does not reflect the positive market reaction to the latest Iran news that occurred in the final hours of trading on 31 March during US market hours, whereas the benchmark performance does. The commentary below reflects performance after aligning valuation cut-offs.

From a sector perspective, there were no contributors. Information Technology and Industrials sectors were the top absolute detractors. On a single security basis, our positions in Viavi\* (convertible, communications equipment), an Israel-based semiconductor foundry (equity, semiconductors), and aUS-based internet infrastructure and security company (convertible, internet services & infrastructure) contributed to performance. In contrast, our positions in a South Korea-based global leader in semiconductors (equity, technology hardware, storage, & peripherals), Corning Inc\* (equity, electronic components), and Amphenol Corp\* (equity, electronic components) detracted from returns.

### Outlook and Strategy

Despite recent volatility, we maintain a constructive 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 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.

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.

The outlook across the ecosystem of innovation and companies involved in intelligent cities remains healthy. Ongoing secular trends, which include the growing demand for data centre infrastructure, power grid upgrades, electrification, smart buildings and factories, and 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 March 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.

The Fund is not domiciled in the Macao Special Administrative Region ("Macao SAR"), and its regulatory standards may differ from those applicable in the Macao SAR.