

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 December

Global equities pulled back in December following a strong rally in the prior month. For the US, markets were mixed amid a more hawkish outlook from the US Federal Reserve (Fed). Ongoing debates on President-elect Trump's policies and a narrowly averted government shutdown also introduced some uncertainty. The technology-heavy Nasdaq Composite Index held up relatively well due to positive headlines from mega-cap growth companies, while smaller cap stocks experienced more profit taking. European equities closed the month with flat returns. The weakness of the euro helped support the outlook for the region's exporters, although the threat of higher tariffs weighed on sentiment. While Asia

equities were mixed overall, China stocks moved higher, buoyed by further signs that Beijing is taking steps to bolster economic growth.

As widely expected, the Fed cut rates by 25 basis points (bps) in December, but policymakers issued more cautious guidance for 2025, reducing the number of expected 25-bps cuts to two from four at the previous Federal Open Market Committee (FOMC) meeting. Concerns that progress against fighting inflation had stalled were cited for the change. It was mostly a different story in Europe, with the European Central Bank (ECB) cutting rates by 25 bps, while the Swiss National Bank reduced borrowing costs by 50 bps, its largest cut in nearly a decade. However, the Bank of England (BoE) kept rates on hold as inflationary pressures remained stubbornly high. The Bank of Japan (BoJ) also maintained its monetary stance.

Commodity prices were mixed. Oil prices, as measured by Brent crude, hovered around USD 72-73 per barrel for much of the month. While the Organisation of the Petroleum Exporting Countries Plus (OPEC+) nations voted to continue production cuts in 2025, this was offset by concerns over the outlook for global growth. Gold mostly traded above USD 2,600 an ounce, remaining below the record high of almost USD 2,800 an ounce reached in late October.

From a sector perspective for the MSCI All Country World Index, performance was led by Consumer Discretionary and Communication Services, as mega-cap names held up better amid a mixed equity backdrop. The Materials and Health Care sectors were the top laggards over the period.

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 a gross- and net-of-fees basis.

On a single security basis, our positions in a global technology firm (equity, semiconductors), a supply chain electronics manufacturing services (EMS) company (equity, electronic manufacturing services), and a supplier of infrastructure semiconductor solutions (equity, semiconductors) contributed to performance. In contrast, our positions in a developer database platform (equity, internet services and infrastructure), a developer of energy servers incorporating solid oxide fuel cells that produce electricity on-site (convertible, heavy electrical equipment), a company that produces carbon-free energy and provides sustainable solutions (equity, electric utilities) detracted from performance.

From a sector perspective, Consumer Discretionary was the only absolute contributor. Industrials and Information Technology were the top absolute detractors over the period.

Outlook and Strategy

We maintain a positive outlook for equity and fixed income markets in 2025, though markets may have periods of volatility due to concerns over stickier inflation, the implementation of Trump's fiscal policies, subdued global growth and slower interest rate cuts. The Fed looks to be in a comfortable spot balancing inflation with economic stability and should continue its path towards rate cuts, albeit at a more gradual pace. An easier monetary policy backdrop should be constructive for pockets within the US economy to regain its footing and drive more broad-based growth. Convertible securities may outperform the equity market if leadership broadens and new issuance remains steady, while providing downside mitigation if stock prices fall. The US high yield market is expected to deliver attractive coupon-like returns in 2025 with upside possible. Credit fundamental factors are stable, near-term refinancing obligations remain low, and spreads can remain tight.

On the changing policy landscape, we believe the upcoming Trump administration represents an evolution of policy, with a net positive effect on innovation. A less regulated and business-friendly environment should be conducive for more technology investments, infrastructure build out and capital markets activity. However, companies heavily reliant on an

overseas supply chain in some countries may face greater uncertainty. It remains to be seen how much tariffs and other restrictions could impact certain industries, but overall should be manageable.


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. 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, as well as 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 December 2024 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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Investing in fixed income instruments (if applicable) may expose investors to various risks, including but not limited to creditworthiness, interest rate, liquidity and restricted flexibility risks. Changes to the economic environment and market conditions may affect these risks, resulting in an adverse effect to the value of the investment. During periods of rising nominal interest rates, the values of fixed income instruments (including short positions with respect to fixed income instruments) are generally expected to decline. Conversely, during periods of declining interest rates, the values are generally expected to rise. Liquidity risk may possibly delay or prevent account withdrawals or redemptions.

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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