Allianz
Global Investors

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 May

Global equities were higher in the month of May, continuing its recovery that started earlier in April. The technology heavy Nasdaq Composite Index led major indices, notching the best May month returns since 1997. The de-escalation of trade tensions between United States and China was a key upside catalyst. The US coming to a trade agreement with the United Kingdom (UK) was also constructive for risk assets. The rally was further supported by better-than-feared corporate earnings amid tariff headwinds, artificial intelligence (AI) tailwinds from a graphics processing unit manufacturer's strong results and Middle East deals, and an uptick in mergers and acquisitions (M&A) and initial public offering (IPO) activity.

Although credit rating agency Moody's downgraded the U.S. government's credit rating due to the fiscal deficit, equity markets were mostly unaffected.

From a sector perspective for the MSCI All Country World Index, the information technology sector was the strongest performer amid positive earnings results. The industrials sector was another outperformer. Real Estate and Health Care were laggards during the month, with Health Care being in the only sector with negative returns.

US government bonds fell over the month, with the yield on the 10-year US Treasury briefly moving back above 4.5%. Several factors drove the decline: the US lost its AAA credit rating following the downgrade by Moody's and concerns over President Trump's 'big, beautiful' tax bill that could add over USD 3 trillion of US debt in the next decade. Credit spreads continued to recover from a sharp widening in early April as recessionary fears eased. Investment-grade corporate bonds closed the month flat, faring better than Treasuries due to a tightening in credit spreads. High-yield bonds delivered positive returns as spreads narrowed over the month.

The US Federal Reserve (Fed) kept rates on hold at its monetary policy meeting, with officials citing economic uncertainty and inflationary risks. Meanwhile the Bank of England (BoE) and the People's Bank of China (PBoC) cut rates. US recessionary fears eased, with the Federal Reserve Bank of Atlanta's GDPNow running estimate indicating growth of 3.8% for the current quarter. The flash S&P Global US composite purchasing managers' Index rose from a final reading of 50.6 in April to 52.1 in May, reflecting improvements in both services and manufacturing activity.

Oil prices fluctuated in May, ending the month around USD 63 a barrel. Brent crude initially moved lower on expectations of accelerated output increases by Organisation of the Petroleum Exporting Countries (OPEC+) before strengthening on expectations of increased global energy demand as trade war tensions eased. The fifth round of US and Iran nuclear talks ended inconclusively, with oil prices rising in anticipation that US sanctions on Iranian oil exports will remain firmly in place, and later amid reports that Israel was planning a series of air strikes on Iranian nuclear facilities. Meanwhile, gold prices eased from April's record highs, but remained elevated, ending the month just above USD 3,300 an ounce—an increase of around 30% since this time last year.

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).

On a single security basis, our positions in Broadcom Inc.* (equity, semiconductors), a distributor of energy solutions (equity, electric utilities) and a manufacturer of electronic components (equity, electronic manufacturing services) contributed to performance. In contrast, our positions in a manufacturer of health care products (equity, health care supplies), a pharmaceuticals manufacturer and distributor (equity, pharmaceuticals) and a data communications and telecommunications equipment provider (equity, communications equipment) detracted from returns.

From a sector perspective, Information Technology and Industrials were the top absolute contributors. Health Care was the only absolute sector detractor over the period.

Outlook and Strategy

We continue to maintain a positive long-term outlook for capital markets, but risk assets may undergo short periods of volatility. A more complicated policy backdrop can contribute to potential risks of inflation and slower economic growth. For now, markets have been on a recovery path since April 9, 2025, when President Trump announced a 90-day pause on higher reciprocal tariffs. We believe the recovery could 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 first quarter earnings results, companies generally had constructive commentaries on business trends. The landscape also got a boost from new AI data centre announcements, more supportive advanced semiconductor export policies and executive orders from the Trump administration that supported nuclear power.

As we get more clarity on policy in the coming months, a more constructive backdrop may develop as we see some framework trade deals and look towards 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 announcements have been made to further onshore the technology supply chain to the United States. More announcements should be constructive for the innovation ecosystem.

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 May 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").