

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 October

Global equities closed October higher. This included a rally in US equities, although they pulled back mid-month amid renewed United States-China trade tensions. The market recovered later in the month, helped by upbeat third-quarter earnings, de-escalating US-China trade headlines, cooler-than expected inflation, and positive headlines for the artificial intelligence ecosystem. Elsewhere, Asian stocks were the strongest performer, led by Korea and Taiwan. European equities edged higher as the eurozone posted stronger than expected gross domestic product (GDP) expansion. Turning to sectors

in the MSCI All Country World Index, information technology led the way, helped by healthy third-quarter earnings results. Utilities was another outperformer over the period. Real estate and materials were laggards over the month.

US bonds delivered positive returns over October. The 10-year Treasury yield briefly dipped below 4.0% mid-month amid softer-than-expected labor data and moved higher following the US Federal Reserve (Fed) rate cut, closing the month at 4.1%. US corporate bonds advanced but lagged the gain in government debt amid a widening in credit spreads. Investment grade credit rose the most, with spreads closing the month little changed. Meanwhile, high yield bonds eked out positive returns as they recovered from a sharp widening in spreads early in the month.

On the macroeconomic front, the Federal Reserve Bank of Atlanta's GDPNow running estimate indicates continued growth for the third quarter. September headline inflation in the US came in softer than expected at 3.0%. Core inflation, which excludes volatile food and energy prices, was also cooler than expected and slowed to 3.0%. With the ongoing US government shutdown, many other key economic data releases remain suspended. In monetary policy news, the Fed delivered its second consecutive 25 basis points rate cut, bringing the Fed funds rate to 3.75–4.00%, its lowest level since 2022. Elsewhere, The European Central Bank, the People's Bank of China, and the Bank of Japan (BoJ) also held meetings in October and kept their respective benchmark lending rates on hold.

Brent crude oil prices initially weakened in October, nearing USD 60/bbl for the first time in six months amid increased US-China trade war tensions. However, prices rebounded on news that the US had imposed fresh sanctions against Rosneft and Lukoil, Russia's two largest oil companies, closing the month just below USD 65/bbl. Gold prices broke through the USD 4,000 barrier for the first time on record, rising to a fresh high of USD 4,379 amid the US government shutdown and trade war fears. Profit-taking and optimism about trade war tensions triggered a sharp correction later in the month, with the precious metal closing October at just above USD 4,000 per 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 a net-of-fees basis. From a sector perspective, information technology and industrials were the top positive absolute contributors. Financials and materials were the top absolute detractors. On a single security basis, our positions in Hitachi Ltd.* (Equity, Industrial Conglomerates), a leading total thermal solution provider (Equity, Technology Hardware, Storage and Peripherals), and a leader in high-reliability design, manufacturing and supply chain solutions (Equity, Electronic Manufacturing Services) contributed to performance. In contrast, our positions in a technology company that provides safety and security products and services, (Equity, Communications Equipment), a technology and services company that provides solutions to measure, manage, and analyze energy and water usage for utilities and cities (Convertible, Electronic Equipment and Instruments), and a technology company specializing in cyber resilience and data protection solutions for organizations (Convertible, Systems Software) detracted from returns.

Outlook and Strategy

We remain positive on the long-term outlook for equities, with the fourth quarter historically being a seasonally favorable period for stocks. With the market looking towards the potential of improving 2026 earnings across sectors, this setup is conducive for the market to broaden. However, it is possible that markets undergo short periods of volatility, as we could see some profit taking after a strong run and a more complicated policy backdrop due to potential risks of inflation and slower economic growth. For now, equity markets have been on an upward trajectory since early April.

The outlook across the ecosystem of innovation and companies involved in intelligent cities remains healthy. The landscape has been boosted from new AI data centre 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 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 October 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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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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