

# Allianz Global Artificial Intelligence

## Monthly commentary

### Investment Objective

The Fund aims at long-term capital growth by investing in the global equity markets with a focus on the evolution of artificial intelligence in accordance with environmental and social characteristics.

### What Happened in April

Global equity markets rebounded sharply in April, reversing the March's drawdown as expectations of de-escalating tensions in the Middle East improved sentiment, although negotiations remain ongoing and the path to resolution is still uncertain. Equity performance was broadly positive across regions, with leadership from the US and Asian markets tied to the global semiconductor supply chain. Artificial intelligence (AI) and Technology-related stocks outperformed during the month, driven by renewed optimism around AI adoption and strong earnings results across the ecosystem, while the Nasdaq Composite posted its strongest monthly gain since April 2020 and closed at record levels. From a sector perspective within the MSCI ACWI, Information Technology and Communication Services were the best performing sectors. On balance, Health Care and Energy were the only sectors with negative absolute returns.

On the macroeconomic front, the data remained resilient. Non-farm payrolls data showed that the US economy added a better-than-expected 178,000 jobs in March, while the US unemployment rate crept back down from 4.4% in February to 4.3% in March. March Institute of Supply Management (ISM) manufacturing expanded for a third-straight month. US consumer price index (CPI) for March was in line with expectations, rising 0.9% month-over-month, accelerating from 0.3% in February due to higher energy prices, while core CPI increased 0.2%, below the 0.3% consensus expectation. The US Federal Reserve (Fed) held the federal funds rate steady at a target rate of 3.50%-3.75%, with four dissenting voters underscored an ongoing debate on the monetary policy outlook. Other major central banks, the European Central Bank (ECB), Bank of England (BoE), Bank of Japan (BoJ), and People's Bank of China (PBoC) also left policy settings unchanged during the month.

Commodity markets were again shaped by geopolitical developments. Oil prices remained elevated in April, with Brent crude trading above recent averages amid ongoing disruptions to energy flows through the Strait of Hormuz and continued uncertainty around Middle East supply conditions. Brent Crude closed the month around USD 110 a barrel. Gold prices were range-bound during the month, as expectations for higher interest rates weighed on non-yielding assets. The precious metal ended in April at roughly USD 4,600 per ounce.

### Portfolio Review

During the period, the Fund significantly outperformed the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). The Fund continues to outperform over the year-to-date period, spanning the period before the Iran conflict, through the escalation and recent de-escalation recovery in April.

From a sector perspective, Information Technology and Industrials were the largest contributors, while Health Care and Communication Services were offsetting. Overall portfolio outperformance was driven by the AI infrastructure dimension, with notable strength across hardware and semiconductor holdings benefitting from strengthening AI data centre spending. AI-enabled industries delivered positive absolute returns but underperformed due to our Health Care and Communication Services holdings. On balance, AI applications underperformed as investor sentiment remained cautious on broader software demand. However, the impact on relative performance was limited given the smaller allocation to this dimension.

### Contributors

Top contributor over the period, Celestica Inc. is a leading electronics manufacturing services (EMS) company that designs, builds, and supplies critical hardware infrastructure – such as servers, storage systems, and networking switches – for AI data centres and hyperscale customers. The share price strength was driven by strong quarterly results and a materially higher full-year outlook, underpinned by robust demand for AI networking and compute. Celestica remains a beneficiary of an AI infrastructure buildout from hyperscale cloud customers. Demand for Celestica's advanced networking hardware and storage solutions should benefit from this multi-year investment cycle.

Flex Ltd. is a leading contract manufacturer, offering solutions that span from initial design to manufacturing through the life cycle of customer product. Shares were higher alongside other companies associated with data-centre hardware and power infrastructure. Looking forward, Flex remains a key provider of advanced manufacturing solutions and operates global supply chains across a diverse set of industries, including AI hyperscalers. Flex is involved in producing high-performance AI server racks as well as power solutions for AI data centres, positioning the company to capitalise on the AI infrastructure buildout.

### Detractors

Eli Lilly and Co. is a leading pharmaceutical company, complemented by AI-driven drug discovery initiatives. Shares underperformed amid heightened concerns of greater competition in the obesity drug market earlier in the month. However, the stock pared losses in late April following earnings results that significantly exceeded expectations. Looking forward, the company's growth prospects remain attractive driven by its robust drug pipeline and franchises, which include oncology, diabetes and central nervous systems. Eli Lilly's innovation in obesity treatments with promising oral treatments is another key growth driver to expand its addressable market.

Another detractor, Merck & Co., Inc. is a leading global biopharmaceutical company. Its core businesses include human pharmaceuticals and animal health solutions. Although the company delivered solid earnings results, shares

underperformed amid some growing concerns on competition for its two products, Keytruda and Gardasil. Looking forward, the company is leveraging AI to address bottlenecks in the traditional drug development process – where success rates remain low – potentially shortening the typical 10+ year timeline to bring new therapies to patients while maintaining rigorous scientific standards.

### **New buys and sells**

We initiated a position in Nokia as we believe the company is emerging from a multi-year restructuring effort and is a beneficiary of the AI infrastructure buildout as a communications infrastructure company that enable customers to build and operate high performance networks. As AI data centres scale, demand rises for high capacity optical transport, data centre interconnect, and automation software – all areas where Nokia participates. Management has specifically cited AI and cloud demand as a driver for parts of its network infrastructure business, particularly in optical and internet protocol (IP) networking.

In addition, we initiated a position in UnitedHealth Group, Inc., the largest diversified health care company in the US, operating through UnitedHealthcare, its health insurance arm, and Optum, which provides pharmacy benefit management services. This integrated payer–provider–services model supports better outcomes and more durable earnings visibility. Further, adoption of AI across Optum is enhancing efficiency, unlocking new revenue opportunities and strengthening the company’s value proposition across the health care ecosystem.

We exited Wells Fargo & Co. as the company missed revenue and net interest income expectations, as the bank is experiencing some near-term execution issues. We chose to take the proceeds to increase our other positions in the Financials sector that have been executing better.

The remaining position in power utility Constellation Energy Corp. was sold during the month, as the company is experiencing some uncertainty around the timing of the Three Mile Island restart and potential delays in some transmission projects.

### **Market Outlook**

Despite recent volatility, we maintain a constructive longer-term outlook for equities. Ongoing negotiations with Iran have helped provide some additional visibility on the potential path towards de-escalation, although the timing and outlook remains uncertain. At the same time, markets have recently demonstrated a willingness to look through geopolitical uncertainty and refocus on corporate fundamental factors, supported in part by healthy Q1 earnings results. Within this context, we continue to maintain a balanced portfolio of companies benefitting from innovation and favour those better positioned to navigate a more complex environment. There may be opportunities to upgrade select names and add to high conviction ideas amid any 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 a bias for 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 as the conflict with Iran eases.

The topic of an AI bubble has been a key area of focus for the media and many investors. In our view, it is too early to draw a conclusion. We think it is important to highlight that current valuations and capital intensity are materially lower

than the dotcom bubble. Also, the AI capital expenditure cycle is being funded by some of the biggest and most profitable companies in the world. There are likely pockets of speculation with some data centre projects and private companies, and we may see period of digestion at some point in a few years.

While the Technology sector may continue to perform well, we expect improved earnings growth from a wider set of companies across other sectors. This should lead to broader equity market participation, creating a healthier and more balanced environment compared to one dominated by a concentrated group of mega cap stocks. The Fund is designed to invest across a broad spectrum of technologies and industries embracing the disruptive power of AI. This includes sectors such as Financials, Health Care, Consumer, and Industrials that are beginning to see early benefits from AI. As earnings re-accelerate across more companies and sectors, we believe this creates compelling stock selection opportunities for our diversified AI investing approach.

From an innovation perspective, progress with AI development is accelerating as more powerful capabilities become readily available from this robust infrastructure buildout wave. We are beginning to enter the next wave, where AI pilots go into production. The advancements of AI-enhanced products or services can drive new levels of productivity, cost savings and revenue opportunities across industries. Given the transformative potential of AI investments, we believe profit margins may not simply hold steady but could in fact grow, supporting valuations for innovative companies that are investing now to disrupt the status quo.

**AI infrastructure:** The ongoing expansion of global AI data centres remains stronger than many investors appreciate, and concerns about capital spending are likely to persist as we climb the wall of worry. There are many bottlenecks to this new AI industrial revolution buildout, which continues to provide many compelling opportunities. Some key areas include accelerated computing chips, semiconductor manufacturing equipment, power production and power efficiency, and advanced networking.

**AI applications:** Over the next few years, AI applications and software will evolve from being helpful tools to a partner that acts on our behalf. We are moving away from the era of “static apps” toward a future of “collaborative autonomous agents” that can reliably act, remember context over time, and adapt to any situation. This new wave of intelligent applications should drive more automation, deliver significant efficiency gains, and open new monetisation opportunities. While the 2025 software spending environment has been mixed, we believe the backdrop could stabilise and improve in 2026.

**AI-enabled industries:** We are still in early stages of true AI adoption across industries. Innovative companies that have been early AI adopters are moving more pilot projects into production, accelerating financial and competitive benefits compared to their peers. We believe leading AI adopters in the Financial Services, Health Care, Industrials and Consumer sectors are beginning to see the early benefits of AI driving better financial results. These opportunities remain underappreciated by investors and represent an attractive area for alpha generation in our view.

The AI revolution is only beginning, and its trajectory promises to dramatically reshape the global economy. Recent advancements in AI demonstrated its potential, yet we are only in the early chapters of a much larger transformation that will gain momentum as innovation brings us closer to artificial general intelligence – potentially within the next decade. AI is rapidly redefining processes and competitive dynamics in every sector. In the next decade of AI, we believe more alpha generation may come from the companies that help enable AI transformation. The innovators in each industry will be ones that truly embrace AI to significantly boost productivity, reduce costs, and launch new products or services. Stockpicking will be essential to capturing the benefits of this opportunity, especially in an environment characterised by disruption and change. As we have done since the launch of the Fund almost a decade ago, our focus remains on identifying the innovative companies best positioned to leverage AI to deliver the most shareholder value creation over the long term.

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All data are sourced from Bloomberg and Allianz Global Investors as of 30 April 2026 unless otherwise stated.

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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