

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 December

Global equities delivered mixed results in December. While the MSCI All Country World Index (ACWI) was modestly higher, helped by Europe and Asia ex-Japan stocks, US equities were slightly lower over the period. This included the Technology-heavy Nasdaq Composite experiencing headwinds in December, as the index faced profit taking in larger Technology names, which had outsized gains earlier in the year. The end of the government shutdown in mid-November allowed for a clearer flow of economic data in December. This included non-farm payrolls rising modestly, retail sales exceeding expectations, and November consumer price index (CPI) coming in below expectations, while unemployment edged slightly higher. Equity markets also saw a continuation of the cyclical rotation, as the Materials, Financials, and Industrials sectors led performance for the MSCI ACWI. Utilities and Real Estate were the weakest performing sectors over the month.

Major central banks around the world were active in December. The US Federal Reserve (Fed) delivered a 25-basis point (25-bps) rate cut, bringing the federal funds rate to 3.5-3.75%, the lowest level in three years. Similarly, the Bank of England (BoE) lowered the base rate by 25 bps to 3.75% – also the lowest in three years. The European Central Bank (ECB) and People's Bank of China (PBoC) both left their key borrowing rates unchanged. Japan remained an outlier, with the Bank of Japan (BoJ) delivering a 25-bps rate rise to 0.75% – the highest level since 1995 – amid rising inflation and continued Japanese yen weakness.

Brent crude oil prices eased in December, closing at just over USD 61 a barrel to round out their worst year since 2020. Prices hit a 5-year low on supply glut concerns and progress in the US-led Ukraine peace talks, before recovering on fading optimism over a potential ceasefire. This diminished the possibility of sanctioned Russian crude re-entering global

markets. Gold prices rose amid heightened expectations of a Fed rate cut at its final meeting of the year and touched a series of fresh highs into month-end, closing the month of December just below USD 4,350 per ounce.

Portfolio Review

During the period, the Fund outperformed versus the blended benchmark (50% MSCI ACWI Index/50% MSCI World Information Technology Index). From a sector perspective, Financials and Information Technology were the largest contributors, while Industrials and Communication Services were offsetting. Artificial intelligence (AI) enabled industries was the top performing dimension, helped by a continued broadening of the markets and positive stock selection in the Financials sector. AI applications also outperformed, helped by better-than-expected earnings results from our enterprise software and digital advertising names. AI infrastructure slightly underperformed as companies tied to the custom AI silicon value chain underwent some profit taking after outperforming in the past prior months.

Contributors

Lam Research Corp. is a leading global supplier of wafer fabrication equipment (WFE) and services for the semiconductor industry. Shares outperformed in December, supported by optimism for greater WFE orders to meet the strengthening memory demand backdrop. On a longer-term basis, the fundamental backdrop for semiconductor capital equipment spending environment remains healthy given the growing demand for leading edge semiconductors that include advanced logic chips and high-bandwidth memory. Lam Research is well positioned through its broad product portfolio that can address customer technology roadmaps and production objectives.

Our underweight position in technology hardware producer Apple Inc. was another relative contributor due to its significant weighting in the custom benchmark. Apple had an average 11.3% weight in the benchmark, while the Fund had an average exposure of 2.5%. The stock underwent some profit taking over December, while overall demand trends remain healthy.

Detractors

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. Shares underwent some profit taking following outperformance in prior months, while the company's strong multi-year demand outlook remains intact. Looking forward, the company continues to be 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.

Among the top relative detractors for the month was Broadcom Inc., which designs, develops, and supplies a broad range of leading semiconductors, enterprise software and security solutions. Although Broadcom delivered strong fiscal Q4 results with record revenue growth that exceeded expectations, shares experienced some profit taking after earnings, following a period of stock outperformance in prior months. Looking forward, the company is on track for meaningful acceleration in revenue and earnings growth driven by AI-related computing and networking programmes, software infrastructure and a recovery in its wireless semiconductor business.

New buys and sells

Micron Technology Inc. is a leading semiconductor company specialising in memory and storage solutions. We re-initiated a position in Micron, which benefits significantly from the ongoing buildout of AI infrastructure, as AI data

centres and edge computing require vast amounts of high-performance memory like high-bandwidth memory (HBM) to support graphics processing unit (GPU)-intensive workloads. The sharp rise in demand has created a supply imbalance, strengthening Micron's pricing power and positioning the company for sustained multi-year growth.

Marriott International is one of the world's largest hospitality companies, operating an asset-light business model focused on franchising and managing hotel properties. We initiated a position in Marriott at this time as we believe the fundamental backdrop for the company is improving. Also, the company is seeing some benefit from its AI initiatives, and we believe the growth of agentic AI commerce should be a tailwind for the company.

Netflix is a leading global entertainment company operating a subscription-based streaming service. We exited the position due to concerns surrounding its pursuit of Warner Brothers Discovery, which introduces uncertainty tied to a potentially lengthy antitrust review. The ongoing bidding process also creates an unfavourable risk-reward profile at this time.

We exited the remaining position in ServiceNow as the company is rumoured to be pursuing an acquisition of a private company in a market adjacent to the company's core markets. We are concerned that such an acquisition will be dilutive to future earnings and require added investment to scale.

Market Outlook

As we look ahead to 2026 and beyond, we maintain a constructive outlook for equities. 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 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 31 December 2025 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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