Allianz Global Intelligent Cities Income

Monthly commentary

Investment Objective

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.

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.

Treasuries ended the month slightly lower but largely stabilised after last month's sharp sell-off, with both the 10-year and 2-year yields rising modestly. Investors broadly maintained expectations that policy rates will remain unchanged through 2026. US corporate bonds posted gains, recovering some of last month's declines, with high yield (HY) significantly outperforming investment grade (IG) credit. HY credit benefitted from its shorter duration profile and a renewed appetite for risk.

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 outperformed 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. From a sector perspective, Information Technologies and Industrials were the top absolute contributors. Health Care was the only absolute detractor.

On a single security basis, our positions in Viavi Solutions Inc. (convertible, communications equipment), Delta Electronics Inc. (equity, electronic components), and Lumentum Holdings Inc. (convertible, communications equipment) contributed to performance. In contrast, our positions in Okta Inc. (equity, internet services and infrastructure), ServiceNow Inc. (equity, systems software), and Cooper Co. (equity, health care supplies) detracted from returns.

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 outlook across the ecosystem of innovation and companies involved in intelligent cities remains healthy. 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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All data are sourced from Allianz Global Investors and Bloomberg as of 30 April 2026 unless otherwise stated.

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