

# 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 March

Global equities were pressured across the globe in March, as the US-Israeli conflict with Iran escalated. The MSCI All Country World Index (ACWI) declined, with Asian countries underperforming given their greater dependence on energy imports, while the US proved more resilient. Oil and gas prices soared on supply disruption fears as Tehran placed a chokehold on exports through the Strait of Hormuz – a vital shipping lane handling around one-fifth of the world's energy exports. Markets were caught between fears of a US ground operation and emerging reports that Trump may seek a diplomatic exit. Stock market losses were pared at month-end amid rising hopes of a potential de-escalation, as Iran signalled a willingness to end the conflict with security guarantees. From a sector perspective within the MSCI ACWI, vast majority of sectors were broadly lower, with Materials and Industrials the weakest performers. Energy was the only sector to deliver positive absolute returns.

From a macroeconomic perspective, Q4 US gross domestic product (GDP) growth was downwardly revised from 1.4% to 0.7%. Non-farm payrolls data showed that the US economy lost 92,000 jobs in February, while the US unemployment rate crept back up to 4.4%. Headline inflation held steady at 2.4% on an annualised basis in February and increased to 0.3% from January's 0.2% on a month-over-month basis. On the monetary policy front, the US Federal Reserve (Fed) held the federal funds rate steady at a target range of 3.50%-3.75%, as widely anticipated, with Fed Chair Jerome Powell stating that it was too early to gauge the impact of rising energy inflation on the economy. Similarly, the Bank of England (BoE), European Central Bank (ECB), Bank of Japan (BoJ), and the People's Bank of China (PBoC) left rates unchanged.

US Treasuries were lower over the period. Rising inflation expectations and surging oil prices pushed markets to price out Fed rate cuts and instead consider potential tightening. The 10-year and 2-year US Treasury yields rose to levels last seen in August 2025. US corporate bonds declined alongside Treasuries, with both investment grade (IG) and high yield (HY) posting losses. While HY spreads widened amid rising risk aversion, IG underperformed due to its longer duration.

Oil prices surged in March, with Brent crude breaching USD 112 a barrel, as the conflict in Iran continued and Middle Eastern oil producers cut supply due to the Strait of Hormuz closure. Oil prices subsequently eased amid rising hopes of a potential de-escalation in the Middle East, with Brent crude closing March below USD 105 a barrel. Meanwhile, gold prices declined in March, as investors favoured the safe-haven appeal of the US dollar over the precious metal. In addition, markets increasingly priced in the possibility of rate hikes, which put pressure on non-yielding assets such as gold, ending the month below USD 4,700 an ounce.

### Portfolio Review

During the period, the Fund slightly underperformed its custom benchmark (70% MSCI All Country World Index + 30% ICE BofAML US Corporate & High Yield Index) on both a gross- and net-of-fees basis. However, note the Fund's monthly performance (priced as of end of day, CET) does not reflect the positive market reaction to the latest Iran news that occurred in the final hours of trading on 31 March during US market hours, whereas the benchmark performance does. The commentary below reflects performance after aligning valuation cut-offs.

From a sector perspective, there were no contributors. Information Technology and Industrials sectors were the top absolute detractors. On a single security basis, our positions in Viav (convertible, communications equipment), Tower Semiconductor Ltd (equity, semiconductors), and Cloudflare Inc (convertible, internet services & infrastructure) contributed to performance. In contrast, our positions in Samsung Electronics Com (equity, technology hardware, storage, & peripherals), Corning Inc (equity, electronic components), and Amphenol Corp (equity, electronic components) detracted from returns.

### Outlook

Despite recent volatility, we maintain a constructive outlook for equities. Recent developments regarding the ongoing conflict with Iran have resulted in somewhat greater clarity around the possibility of de-escalation. Notably, indications from Iran's president suggest a willingness to pursue an end to the conflict, contingent on the provision of security guarantees. However, it is important to note that uncertainty persists as to whether these signals will ultimately lead to a sustainable and successful de-escalation. 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.

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 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 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, and 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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All data are sourced from Allianz Global Investors and Bloomberg as of 31 March 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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