

# 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 equities had a choppy month in April. Stocks initially sold off on President Donald Trump's aggressive retaliatory tariffs announced on 2 April "Liberation Day". The initial reaction was a sharp risk-off environment that was broad-based with most equity styles down double digits until markets reached a bottom on 8 April. In the following weeks, tariff tensions began to ease and earnings were better-than-feared, helping stage a market recovery over the last few weeks.

The US economy unexpectedly shrank in Q1, with gross domestic product (GDP) falling 0.3% on an annualised basis, as companies accelerated imports ahead of tariff. Headline year-on-year inflation fell to 2.4% in March, down from 2.8% in February, while core inflation also eased more than expected, reaching the lowest rate since March 2021. In Asia, the Bank of Japan (BoJ) and the People's Bank of China (PBoC) held key lending rates steady at their meetings during the month. Meanwhile, the European Central Bank (ECB) cut interest rates by 25 basis points (bps) to 2.25%, as widely anticipated, citing the deteriorating growth outlook due to rising trade tensions.

Oil prices fell in April as heightened trade tensions softened the outlook for global energy demand. Brent crude prices fell following the "Liberation Day" tariff announcement, briefly dipping below USD 60 a barrel – the lowest level in more than four years. Fears of a supply surplus also weighed on oil prices after Organisation of the Petroleum Exporting Countries Plus (OPEC+) announced plans to increase output in May. Meanwhile, gold continued to soar on safe-haven demand, breaching USD 3,500 an ounce for the first time on record before retreating modestly into month-end on profit-taking.

From a sector perspective, for the MSCI All Country World Index, Consumer Staples and Utilities were the top performing sectors given the preference for defensive stocks amid a volatile environment. Energy and Health Care were the only sectors with negative returns.

### 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 single security basis, our positions in Amphenol Corp. (equity, electronic components), GE Vernova Inc. (equity, heavy electrical equipment), and AAON (equity, building products) contributed to performance. In contrast, our positions in an energy technology company (equity, oil and gas equipment and services); a developer of energy servers incorporating solid oxide fuel cells that produce electricity on-site (convertible, heavy electrical equipment); and a data centre and cloud infrastructure operator (convertible, internet services and infrastructure) detracted from performance.

From a sector perspective, Information Technology and Industrials were the top absolute contributors. The Consumer Discretionary and Energy sectors were the top absolute detractors over the period.

### Outlook

Although we maintain a positive long-term outlook for equities, markets may undergo short periods of volatility. A more complicated policy backdrop can contribute to potential risks of inflation and a growth slowdown. For now, tariff tensions appear to be easing but it remains to be seen when trade deals will be signed. As deals get announced, they would serve as blueprints for other countries to follow.

A lot of uncertainty remains discounted into equity prices, especially with stocks in the innovation ecosystem. Near-term earnings expectations have come down while valuations have compressed. As lingering uncertainties get resolved and companies resume their long-term earnings growth trajectory, markets should find their footing and continue to recover.

We continue to believe the Trump administration wants the US to maintain its leadership in innovation and is focused on bringing more manufacturing back onshore. Several announcements have been made to further onshore the technology supply chain to the US. This included plans for a USD 500 billion investment from a graphics processing unit manufacturer, and a USD 500 billion investment from a smartphone, computer and communications equipment company. More announcements should be constructive for the innovation ecosystem.

We recognise that more caution is warranted given a more uncertain backdrop and favour companies that are better positioned to navigate through a more complicated environment. As markets digest these additional risks, there may be opportunities to add to names that have overshot to the downside relative to their fundamental attributes and growth trajectory. Amid the volatility, we are opportunistically looking to upgrade select names and add to our highest conviction ideas to better position the portfolio for improved performance.

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. 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 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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