Allianz Global Investors

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 August

Global equities advanced during August, supported by resilient economic conditions and a broadly favourable earnings backdrop. Following the conclusion of the Q2 earnings season, S&P 500 earnings growth accelerated, reinforcing investor confidence and supporting risk appetite. The constructive earnings environment provided a tailwind for equities across sectors. Within the MSCI ACWI, Materials was the top performing sector, driven by strength in Gold. Information Technology was another top performer, supported by strong earnings results across both the software and services as well as semiconductor industry groups. In contrast, Real Estate and Utilities were the weakest performing sectors, amid elevated interest rates.

From a macroeconomic perspective, non-farm payrolls experience a decline of 23,000 jobs in July, falling short of consensus estimates. Inflation also moderated, as headline consumer price index (CPI) eased from 3.5% in June to 3.4% in July, while core inflation declined 2.5%. Meanwhile, US Federal Reserve (Fed) Chair Kevin Warsh's speech at the Jackson Hole Economic Symposium had a more hawkish tone, prompting markets to increase expectations for near-term tightening. Outside the US, investors assigned a higher probability of a September rate hike by the European Central Bank (ECB), while expectations for Bank of England (BoE) policy tightening were pushed further out into 2027.

Fiscal uncertainty continued to influence market sentiment, as a 30-year Treasury auction resulted in the highest borrowing costs since 2001. Markets showed little reaction to Treasury Secretary Scott Bessent's decision to increase planned purchases of longer-dated bonds. Within fixed income, US corporate bonds posted positive returns, supported by resilient corporate fundamental factors and ongoing investor demand despite elevated issuance levels, particularly

from Technology companies financing artificial intelligence (AI) related investments. High yield bonds outperformed investment grade, aided by their shorter-duration characteristics.

Oil prices moved slightly higher in August, with little sign of diplomatic progress on the US-Iran front amid continued strikes and threats of sanctions. However, there were more signs of increased energy volumes transiting the Strait of Hormuz under US military guidance or with ship transponders off. It was a strong month for precious metals, in particular for gold. The rally was supported in part by US Treasury's intervention in the Treasury market. Gold did pare back its gains following Fed Chair Kevin Warsh's speech at Jackson Hole, with gold closing the month below USD 4,450 an 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).

From a sector perspective, Information Technology and Financials were the top absolute contributors. Consumer Staples and Real Estate were the top absolute detractors.

On a single security basis, our positions in Asia Vital Components Co. Ltd. (equity, technology hardware, storage, and peripherals), Okta Inc. (equity, internet services and infrastructure), and Lumentum Holdings Inc. (convertible and communications equipment) contributed to performance. In contrast, our positions in MKS Inc. (convertible, semiconductor materials and equipment), Howmet Aerospace Inc. (equity, aerospace and defence), and AAON Inc. (equity, building products) detracted from returns.

Outlook

While AI and data centre infrastructure related companies have experienced heightened volatility recently, we continue maintain a constructive longer-term outlook. We view the recent pullback as largely technical, reflecting the unwinding of leveraged and crowded positioning heading into summer, with much of that selling pressure now likely behind us. Meanwhile, underlying fundamental factors remain healthy and Q2 earnings have indicated broad-based strength. With the backdrop normalising, AI and data centre related equities appeared to be entering a bottoming process.

On the monetary policy front, we believe central banks are increasingly focused on the risk of stickier inflation. Although we expect an eventual return to an easing bias, further progress on inflation as well as a resolution for the Hormuz closure will be needed before central banks resume rate cuts. With that said, markets are also adjusting to a new Fed communication regime under Chair Kevin Warsh, who is inclined to provide less forward guidance. We expect markets to gradually settle into the new framework.

Over the intermediate term, an improved economic and earnings growth backdrop across more sectors should continue to drive a broadening out effect in the equity market. Ongoing investment in AI infrastructure and data centres is beginning to benefit an expanding set of industries. The Trump administration's pro-business agenda also provides tailwinds through tax cuts, deregulation, domestic investments, and manufacturing reshoring. Taken together, these developments should support a more durable expansion in economic and earnings growth, helping to sustain broader market participation beyond a narrow group of leadership stocks.

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 August 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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