

# 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 May

Global equities were higher in the month of May, continuing its recovery that started earlier in April. The technology-heavy Nasdaq Composite Index led major indices, notching the best May month returns since 1997. The de-escalation of trade tensions between the US and China was a key upside catalyst. The US coming to a trade agreement with the UK was also constructive for risk assets. The rally was further supported by better-than-feared corporate earnings amid tariff headwinds, artificial intelligence (AI) tailwinds from strong results of a graphics processing unit manufacturer and Middle East deals, and an uptick in mergers and acquisitions (M&A) and initial public offering (IPO) activity. Although credit rating agency Moody's downgraded the US government's credit rating due to the fiscal deficit, equity markets were mostly unaffected.

From a sector perspective, for the MSCI All Country World Index, the Information Technology sector was the strongest performer amid positive earnings results. The Industrials sector was another outperformer. Real Estate and Health Care were laggards during the month, with Health Care being in the only sector with negative returns.

US government bonds fell over the month, with the yield on the 10-year US Treasury briefly moving back above 4.5%. Several factors drove the decline: the US lost its AAA credit rating following the downgrade by Moody's and concerns over President Trump's "big, beautiful" tax bill that could add over US dollar 3 trillion of US debt in the next decade. Credit spreads continued to recover from a sharp widening in early April as recessionary fears eased. Investment grade corporate bonds closed the month flat, faring better than Treasuries due to a tightening in credit spreads. High yield bonds delivered positive returns as spreads narrowed over the month.

The US Federal Reserve (Fed) kept rates on hold at its monetary policy meeting, with officials citing economic uncertainty and inflationary risks. Meanwhile, the Bank of England (BoE) and the People's Bank of China (PBoC) cut rates. US recessionary fears eased, with the Federal Reserve Bank of Atlanta's GDPNow running estimate indicating growth of 3.8% for the current quarter. The flash S&P Global US composite purchasing managers' index (PMI) rose from a final reading of 50.6 in April to 52.1 in May, reflecting improvements in both services and manufacturing activity.

Oil prices fluctuated in May, ending the month around USD 63 per barrel. Brent crude initially moved lower on expectations of accelerated output increases by the Organisation of the Petroleum Exporting Countries Plus (OPEC+) before strengthening on expectations of increased global energy demand as trade war tensions eased. The fifth round of US and Iran nuclear talks ended inconclusively, with oil prices rising in anticipation that US sanctions on Iranian oil exports will remain firmly in place, and later amid reports that Israel was planning a series of air strikes on Iranian nuclear facilities. Meanwhile, gold prices eased from April's record highs, but remained elevated, ending the month just above USD 3,300 – an increase of around 30% since this time last year.

### 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 Broadcom Inc. (equity, semiconductors); a utility company specialising in clean energy generation through its nuclear, wind and solar assets (equity, electric utilities); and a supply chain solutions company (equity, electronic manufacturing services) contributed to performance.

In contrast, our positions in a medical device company (equity, health care supplies); a pharmaceutical company (equity, pharmaceuticals); and a technology, communications, and security company (equity, communications equipment) detracted from returns.

From a sector perspective, Information Technology and Industrials were the top positive absolute contributors. Health Care was the only absolute sector detractor over the period.

### Outlook

We continue to maintain a positive long-term outlook for capital markets, but risk assets may undergo short periods of volatility. A more complicated policy backdrop can contribute to potential risks of inflation and slower economic growth. For now, markets have been on a recovery path since 9 April when President Trump announced a 90-day pause on higher reciprocal tariffs. We believe the recovery could continue with a more benign policy environment and re-acceleration in earnings.

The outlook across the ecosystem of innovation and companies involved in intelligent cities remains healthy. From Q1 earnings results, companies generally had constructive commentaries on business trends. The landscape also got a boost from new AI data centre announcements, more supportive advanced semiconductor export policies, and executive orders from the Trump administration that supported nuclear power.

As we get more clarity on policy in the coming months, a more constructive backdrop may develop as we see some framework trade deals and look towards Trump's tax cuts and pro-business agenda. 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. More announcements should be constructive for the innovation ecosystem.

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. 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 31 May 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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