

# 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 October

Global equities closed October higher. This included a rally in US equities, although they pulled back mid-month amid renewed US-China trade tensions. The market recovered later in the month, helped by upbeat Q3 earnings, deescalating US-China trade headlines, cooler-than expected inflation, and positive headlines for the artificial intelligence (AI) ecosystem. Elsewhere, Asian stocks were the strongest performer, led by Korea and Taiwan. European equities edged higher as the eurozone posted stronger-than-expected gross domestic product (GDP) expansion. Turning to sectors in the MSCI All Country World Index, Information Technology led the way, helped by healthy Q3 earnings results. Utilities was another outperformer over the period. Real Estate and Materials were laggards over the month.

US bonds delivered positive returns over October. The 10-year Treasury yield briefly dipped below 4.0% mid-month amid softer-than-expected labour data and moved higher following the US Federal Reserve (Fed) rate cut, closing the month at 4.1%. US corporate bonds advanced but lagged the gain in government debt amid a widening in credit spreads. Investment grade credit rose the most, with spreads closing the month little changed. Meanwhile, high yield bonds eked out positive returns as they recovered from a sharp widening in spreads early in the month.

On the macroeconomic front, the Federal Reserve Bank of Atlanta's GDPNow running estimate indicates continued growth for Q3. September headline inflation in the US came in softer than expected at 3.0%. Core inflation, which excludes volatile food and energy prices, was also cooler than expected and slowed to 3.0%. With the ongoing US government shutdown, many other key economic data releases remain suspended. In monetary policy news, the Fed delivered its second consecutive 25-basis point (25-bps) rate cut, bringing the fed funds rate to 3.75-4.00%, its lowest

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level since 2022. Elsewhere, the European Central Bank (ECB), the People's Bank of China (PBoC), and the Bank of Japan (BoJ) also held meetings in October and kept their respective benchmark lending rates on hold.

Brent crude oil prices initially weakened in October, nearing USD 60 a barrel for the first time in six months amid increased US-China trade war tensions. However, prices rebounded on news that the US had imposed fresh sanctions against Russia's two largest oil companies, closing the month just below USD 65 a barrel. Gold prices broke through the USD 4,000 barrier for the first time on record, rising to a fresh high of USD 4,379 amid the US government shutdown and trade war fears. Profit taking and optimism about trade war tensions triggered a sharp correction later in the month, with the precious metal closing October at just above USD 4,000 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 net-of-fees basis. From a sector perspective, Information Technology and Industrials were the top positive absolute contributors. Financials and Materials were the top absolute detractors.

On a single security basis, our positions in Hitachi Ltd. (equity, industrial conglomerates), a manufacturer of computer cooling systems (equity, technology hardware, storage and peripherals), and a supply chain electronics manufacturing services (EMS) company (equity, EMS) contributed to performance.

In contrast, our positions in a provider of consumer cyber security solutions (equity, communications equipment), a smart metering specialist (convertible, electronic equipment and instruments), and a cybersecurity and data protection software company (convertible, systems software) detracted from returns.

#### Outlook

We remain positive on the long-term outlook for equities, with Q4 historically being a seasonally favourable period for stocks. With the market looking towards the potential of improving 2026 earnings across sectors, this setup is conducive for the market to broaden. However, it is possible that markets undergo short periods of volatility, as we could see some profit taking after a strong run and a more complicated policy backdrop due to potential risks of inflation and slower economic growth. For now, equity markets have been on an upward trajectory since early April.

The outlook across the ecosystem of innovation and companies involved in intelligent cities remains healthy. The landscape has been boosted from new AI data centre announcements, more supportive advanced semiconductor export policies, and executive orders from the Trump administration that supported power generation.

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, 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

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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 October 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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