

MARCH 2026

The AI cycle meets the **power** of **predictable income**

A dividend investor's perspective

The investment landscape in 2026 is shaped less by the question of whether artificial intelligence will transform the economy, and more by who will ultimately be able to monetize that transformation. The AI cycle is entering a new phase, moving away from narrative-driven growth toward an environment defined by rising capital intensity, operational execution, and economic viability. This shift is clearly reflected in market behaviour. AI-related enthusiasm continues to dominate headlines, yet price movements have become increasingly volatile and differentiated. Rapid rallies, abrupt sector rotations, and sharp reversals point to growing uncertainty around which business models are truly sustainable over the long term. While some AI frontrunners display price patterns reminiscent of earlier boom phases, only a limited number of companies will ultimately succeed in translating technological leadership into durable earnings.

Dividend investors are necessarily cash centric. In this respect, the current AI cycle contains a number of elements that warrant a more cautious assessment. The unprecedented scale of capital expenditure by large platform companies is putting free cash flow under visible pressure. In cloud and AI-infrastructure businesses, investment outlays for data centres, compute capacity and proprietary chip development currently absorb a substantial share of operating cash flows. Depending on definition and period, particularly when looking at free cash flow after growth capex, free cash flow has temporarily turned negative for some major players, as near-term monetisation lags the pace of investment.



Carola Dorn
Product Specialist

THE AI CYCLE MEETS THE POWER OF PREDICTABLE INCOME

While AI-related revenues are growing rapidly, they remain modest relative to the scale of capital deployed, and for many AI-native companies, meaningful profits and self-sustaining cash flows are still a distant prospect. This is not a call on AI as a systemic bubble, but a reflection of a market phase that is becoming increasingly selective, where capital intensity, execution and monetisation matter more than narrative alone.

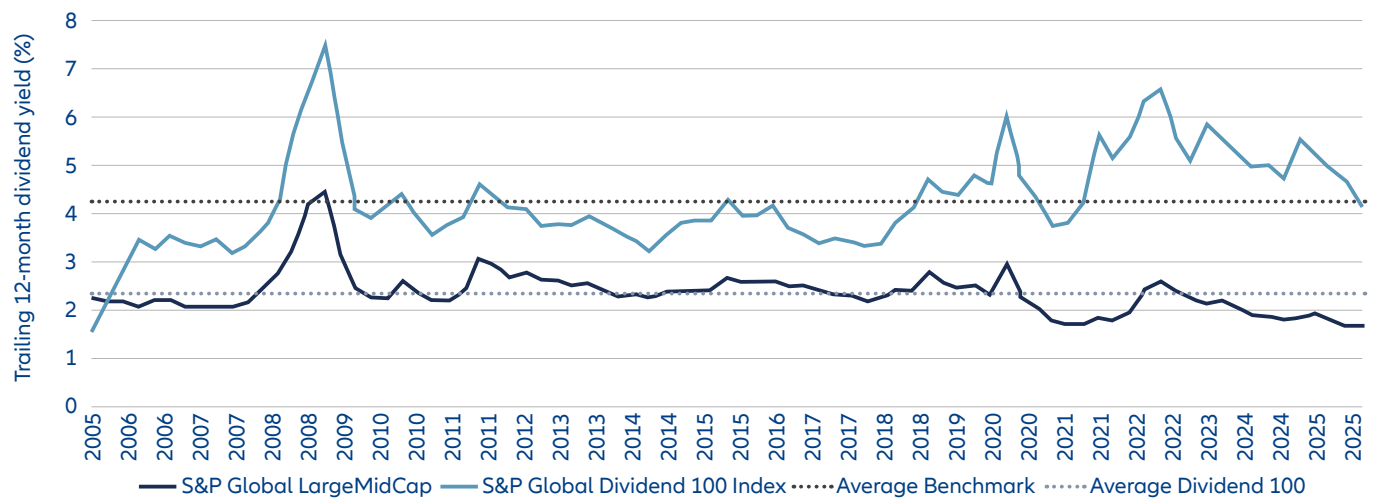
Against this backdrop, dividend yield offers a useful historical reference for how markets have rewarded companies with sustained cash generation across cycles.

generated. This massive capital allocation fundamentally alters the economic logic of the AI cycle. Growth alone is no longer sufficient. What matters is whether companies can monetise these investments efficiently and generate stable cash flows, the necessary destination for all viable businesses.

Across the value chain, this dynamic creates substantial, but highly selective opportunities. For the time being, Nvidia and Broadcom remain key beneficiaries of rising demand for computing power. However, the increasing shift toward in-house chip development at Alphabet and Microsoft is reshaping competitive dynamics. Each newly developed

Exhibit 1: Dividend yield as a historical reference for cash generation across market cycles

Historical comparison of dividend yield – S&P Global Dividend 100 Index vs. S&P Global Large/Mid Cap



Source: S&P Dow Jones Indices LLC. Data from 30 June 2005 to 31 December 2025. The S&P Global Dividend 100 Index was launched on 8 December 2025. All data prior to such date is back-tested hypothetical data. Index performance based on monthly total return in USD. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance.

Following this visual support, the methodology of the S&P Global Dividend 100 Index illustrates how high yield can be combined with quality screens to avoid value traps. Dividend distributions remain a clear signal of financial health, operational efficiency and long-term stability.

According to CNBC estimates, AI capital expenditures could reach up to USD 700 billion this year alone.¹ This level of investment already exceeds the estimated USD 636 billion spent by the global oil and gas sector in 2025, according to BMI.² By contrast, revenues across large parts of the AI ecosystem remain materially lower, highlighting a fundamental imbalance between capital deployed and cash

internal TPU or Maia/Cobalt generation redistributes volumes and highlights how quickly dependencies on individual product cycles or customer structures can emerge. This underscores a central insight of the current AI cycle. Sustainable value creation arises where business models are not tied to specific technologies, products, or customers, but instead benefit from broad-based, structural demand.

In this context, companies that serve as infrastructural enablers of the AI ecosystem come into focus. TSMC is a prime example. While chip designers may lose market share as hyperscalers develop proprietary architectures, TSMC remains the indispensable manufacturing backbone of the

¹ Source: CNBC, Tech AI spending approaches \$700 billion in 2026, 6 February 2026

² BMI Research, a Fitch Solutions company, June 2025

THE AI CYCLE MEETS THE POWER OF PREDICTABLE INCOME

global semiconductor industry. Every new chip generation, regardless of who designs it, relies on the company's leading-edge fabrication technologies. As a result, TSMC's economic value is driven not by the success of individual products, but by the increasing complexity and scale of the entire industry. The same structural pattern applies to equipment suppliers such as Applied Materials. Without their systems, large-scale production of advanced semiconductors would not be possible. Regardless of which chip designer dominates a given cycle, these companies benefit from rising investment levels and growing technological barriers to entry, and are able to translate this structural relevance into predictable cash flows.

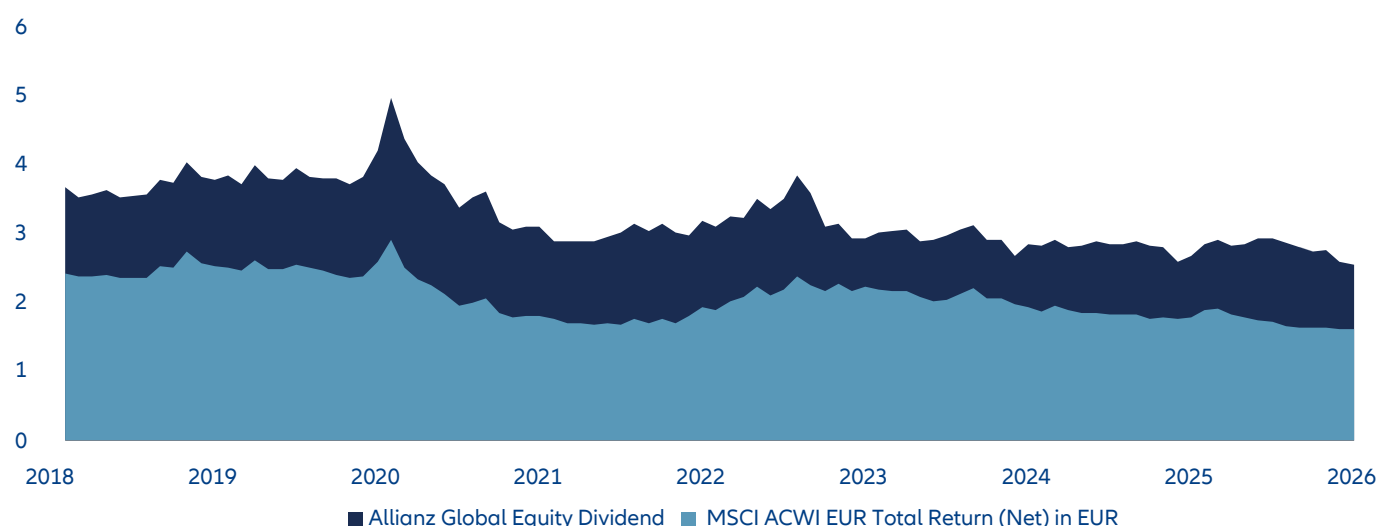
Portfolio perspectives: Applying the AI cycle to Allianz Global Dividend

As the AI cycle matures, the focus shifts not only within the semiconductor industry but also toward platform companies. As the transition from experimentation to productive deployment accelerates, scale, integration, and monetization become increasingly important. Companies such as Microsoft exemplify this phase, with diversified business models, high levels of recurring revenue, a strong balance sheet, and a track record of steadily rising dividends. Alphabet is gradually moving in a similar

direction, with a clearer emphasis on regular capital returns alongside continued strategic investment. The growing importance of predictable income is by no means limited to the technology sector. In more traditional industries, the targeted use of AI is also driving efficiency gains with immediate cash flow effects. Itochu offers a compelling example. As a global trading and logistics conglomerate, the company combines stable business models with disciplined capital allocation and steadily increasing dividends. The use of AI to improve forecasting, optimize supply chains, and reduce waste enhances efficiency without fundamentally altering the company's risk profile.

Against this backdrop, it becomes clear that dividends in 2026 are not a defensive fringe issue in the AI environment, but rather a reliable indicator of economic substance. Especially in the capital-intensive and selective AI cycle, they show which companies are able to finance growth, absorb volatility, and return capital to their shareholders, regardless of short-term market sentiment. Thus, 2026 offers real opportunities, not for speculation, but for discipline. In an environment characterized by high capital intensity, increasing selectivity, and volatile market movements, predictable returns are gaining importance as a stabilizing factor. They reduce portfolio risks, stabilize return profiles, and enable investors to participate in structural innovations

Exhibit 2: Consistently higher yield than the market across cycles (expected portfolio dividend yield in %, gross)



Source: Allianz Global Investors/IDS. Figures as of 28 February 2026. For illustrative purposes only (no reference to any real strategy, portfolio or product data). At any given time, other criteria may affect the investment process. Past payout yields and payments do not represent future payout yields and payments. Historical payments may comprise of distributable income or capital, or both (for further details, please refer to our website). Yield = Indicated dividend rate divided by current price. A ratio that shows how much a company pays out in dividends each year relative to its share price. Dividends used are indicative dividends, i.e. last announced dividends times dividend frequency. The returns shown are based on historical data and reflect the dividend yield generated by the respective portfolio holdings at the specified dates. They are not forecasts or expectations for future returns. Past performance is no guarantee of future results.

THE AI CYCLE MEETS THE POWER OF PREDICTABLE INCOME

such as artificial intelligence without having to rely on uncertain earnings promises. Against this backdrop, we are focusing in our Allianz Global Dividend strategy on targeted exposure to structural growth themes, combined with a consistent focus on sustainable cash flows and reliable

capital returns. Our portfolio alignment follows precisely this approach. We invest in companies that can translate growth in the AI cycle into rising cash flows and dividends. In this way, we achieve a distribution yield above the market without unduly overstretching the risk-return profile.

Securities mentioned in this document are for illustrative purposes only and do not constitute a recommendation or solicitation to buy or sell any particular security. These securities will not necessarily be comprised in the portfolio by the time this document is disclosed or at any other subsequent date.

Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested.

Past performance does not predict future returns. If the currency in which the past performance is displayed differs from the currency of the country in which the investor resides, then the investor should be aware that due to the exchange rate fluctuations the performance shown may be higher or lower if converted into the investor's local currency.

This is for information only and not to be construed as a solicitation or an invitation to make an offer to buy or sell any securities. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. The data used is derived from various sources and assumed to be accurate and reliable at the time of publication, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or willful misconduct. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted, except for the case of explicit permission by Allianz Global Investors.

This material has not been reviewed by any regulatory authorities.

This document is being distributed by the following Allianz Global Investors companies: In Australia, this material is presented by Allianz Global Investors Asia Pacific Limited ("AllianzGI AP") and is intended for the use of investment consultants and other institutional/professional investors only, and is not directed to the public or individual retail investors. AllianzGI AP is not licensed to provide financial services to retail clients in Australia. AllianzGI AP is exempt from the requirement to hold an Australian Foreign Financial Service License under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order (CO 03/1103) with respect to the provision of financial services to wholesale clients only. AllianzGI AP is licensed and regulated by Hong Kong Securities and Futures Commission under Hong Kong laws, which differ from Australian laws; in the European Union, by Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungs-aufsicht (BaFin) and is authorized and regulated in South Africa by the Financial Sector Conduct Authority; in the UK, by Allianz Global Investors (UK) Ltd. company number 11516839, authorised and regulated by the Financial Conduct Authority (FCA); in Switzerland, by Allianz Global Investors (Schweiz) AG, authorised by the Swiss financial markets regulator (FINMA); in HK, by Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; in Singapore, by Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; in Japan, by Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424], Member of Japan Investment Advisers Association, the Investment Trust Association, Japan and Type II Financial Instruments Firms Association; In mainland China, it is for Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations and is for information purpose only. in Taiwan, by Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan; and in Indonesia, by PT. Allianz Global Investors Asset Management Indonesia licensed by Indonesia Financial Services Authority (OJK).