

Allianz

All China Equity

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth by investing in onshore and offshore Equity Markets of the PRC, Hong Kong and Macau in accordance with environmental and social characteristics.

What Happened in April

The Fund outperformed the benchmark in April. Positive stock selection in the Industrials and Information Technology sectors was the main contributor.

At a stock level, a key contributor was Suzhou Dongshan Precision, a printed circuit board (PCB) manufacturer and key supplier of flexible circuit boards (FPCs) to Apple. The market is increasingly seeing Dongshan as the beneficiary of artificial intelligence (AI) driven computing demand, rather than a legacy PCB manufacturer. Last year's acquisition of Source Photonics, which added optical solutions to its product mix, has helped to position Dongshan higher up the AI hardware value chain.

Conversely, a detractor was Minimax, an AI company focused on the development and commercialisation of large-scale foundation models and AI applications. After a strong rally earlier in the year, the share price was weaker in April amid profit taking and some near-term caution around valuation and the timing of monetisation, despite continued progress in product development and adoption.

Portfolio Strategy and Outlook

Against the backdrop of the ongoing Middle East conflict, China continues to look better placed than most in our view, validating its strategy of large-scale stockpiling of key commodities. While much of the focus has been on China's huge

oil reserves, in practice this is only one of many commodities stockpiled in the face of an increasingly volatile geopolitical environment. There is a long list of other products including foodstuffs such as rice, wheat and corn as well as reserves of metals – copper, aluminium, zinc, cobalt and nickel, to name a few.

The enhanced self-sufficiency of China's economy has, in our view, been a key factor in the relative stability of its financial markets. This has been reinforced by Moody's upgrading China's outlook to "stable" from "negative", citing resilient economic and fiscal strength.

Not only have China A-shares in particular recovered the ground lost in March at the outset of hostilities in the Middle East, but fixed income and currency markets have also been standout performers. While most global bond markets have moved to price in higher inflationary expectations, China's 10-year government bond yield remains at similar levels as the beginning of March. The renminbi has continued to appreciate against the US dollar and is now around 2.3% stronger year-to-date.

A key unknown at this stage is how the disruption to global trade and the wider global economy will impact the Chinese economy if the conflict is prolonged. With export growth likely to moderate in coming months, some additional stimulus to boost domestic demand may be necessary if this year's gross domestic product (GDP) growth target of 4.5-5.0% is to be met. However, with Q1 GDP recently coming in at 5.0%, and signs of green shoots in tier-1 city property markets, we do not expect any significant policy course correction for the time being.

In this environment, the focus in China equity markets continues to be firmly on the Tech space, particularly in AI-related stocks. This has been reinforced by a flurry of eye-catching events and corporate announcements. In contrast, internet platform and ecommerce stocks have been weaker, explaining why the offshore market has lagged over the month.

In 2025 at the inaugural Beijing humanoid robot half marathon, the winning time was 2 hours and 40 minutes. Of 21 robots competing, only 6 finished the race. In the same race this year, the winning time was 50 minutes – beating the men's half marathon world record. Over 300 robots competed, highlighting how rapidly humanoid robot capability is scaling under real-world conditions.

In another Tech-related area, Contemporary Amperex Technology (CATL) – the world's largest electric vehicle (EV) battery maker – recently showcased a new battery capable of allowing an EV to drive 1,500 kilometres on a single charge – the equivalent of driving from Frankfurt to Barcelona, or Madrid to Milan. Its latest ultra-fast charging battery can also now achieve a full charge in just six minutes, reinforcing China's leadership in addressing long-standing concerns around battery charging time, range anxiety and performance in extreme temperatures.

The ChiNext market – launched in 2009 as a growth enterprise board for innovative companies, in some ways similar to Nasdaq's role for US Technology firms – has recently returned to peak levels, marking a full recovery from the weak macro/property period.

We have not changed portfolio positioning significantly in reaction to events in the Middle East. However, we did use the market pullback as an opportunity to build exposure in companies leveraged to AI and electrification. As part of this, we initiated holdings in a stock linked to power grid stability as well as a supplier of critical semiconductor manufacturing equipment. Overall, we maintain a preference for innovative companies with proven research and development (R&D) capabilities and an ability to capture and expand market share.

At month end, the Fund has around 45% in China A-shares. The portfolio continues to have relatively close-to-benchmark sector allocations, so that stock selection remains the key relative performance driver. At month end, the largest sector overweight is Industrials (+4.9%), while the largest underweight is Consumer Discretionary (-3.5%).

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All data are sourced from Allianz Global Investors and Bloomberg as of 30 April 2026 unless otherwise stated.

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