

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 May

The Fund outperformed the benchmark in May. Positive stock selection in the Information Technology sector was the main contributor.

At a stock level, a key contributor was Shengyi Technology, a producer of copper clad laminates (CCL) and other materials used in multilayer printed circuit boards. The company reported strong results at the end of April. Demand has been supported by the rising CCL intensity of artificial intelligence (AI) related applications such as servers and network equipment, keeping pricing firm. At the same time, ongoing specification upgrades have strengthened Shengyi's technology leadership, driving a more favourable product mix and supporting margin expansion.

Conversely, a detractor last month was Busy Ming, a snack retailer that operates a large network of stores offering a wide range of low-cost packaged snacks. There was no specific news flow during the month, and we attribute the share price weakness primarily to profit taking following the previous rally, alongside broader softness in the consumer sector amid the market's strong concentration in AI-related names.

Portfolio Strategy and Outlook

May was another month where China A-shares significantly outperformed offshore markets. Year-to-date, the MSCI China A Onshore Index has returned +11%, compared to MSCI China -8% (USD). The difference is driven primarily by the performance of Technology stocks.

During a European client roadshow this month, one of the most frequently asked questions was: “Why has China Technology performed so badly?” This highlights how, for many Western investors in particular, the China Tech story remains anchored in the big internet and ecommerce platforms that dominate offshore indices.

These businesses are increasingly perceived as more mature “traditional” Tech names. Growth has moderated, weighed down by weak domestic consumption, while rising AI-related capital expenditure (capex) (albeit less intense than in the US) has reduced the free cash flow previously allocated to share buybacks. As a result, these stocks are often used as a funding source for more direct AI beneficiaries within China, or to support participation in new technology initial public offerings (IPOs) in Hong Kong.

In reality, broader China Tech has performed well, particularly companies more directly exposed to AI. The ChiNext Index, a growth and technology-focused board within the Shenzhen Stock Exchange often referred to as China’s Nasdaq, has recently broken through to new all-time highs, supported by strong performance in AI-related names.

Because China does not have a “TSMC” or a “Samsung Electronics”, its Tech companies do not often hit the headlines. Nonetheless, they are playing a key role in the buildout of China-centric AI infrastructure including chips, data centres, models and applications. Indeed, in a number of cases, they are also key suppliers to US hyperscalers.

For example, this includes “picks and shovels” companies specialising in optical transceivers, which convert data into light for ultra-fast transmission over fibre optic cables, and printed circuit boards, which provide the foundational layer connecting components such as processors, memory and storage. These technologies are critical for AI hardware, enabling high-speed data flow and supporting intensive computing workloads reliably.

May also saw President Trump’s visit to Beijing. From a market perspective, while short on concrete outcomes, the overall tone of the summit was constructive, with an apparent effort to establish a diplomatic roadmap. Geopolitical tensions, which have historically weighed heavily on Chinese equities, have clearly eased, supported by China’s increasing ability to neutralise US economic pressure.

We have not changed portfolio positioning significantly over the last month. Previously, in reaction to events in the Middle East, we used the market pullback as an opportunity to build exposure in companies leveraged to AI and electrification. 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 49% 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 (+4.4%), while the largest underweight is Consumer Discretionary (-3.0%).

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All data are sourced from Allianz Global Investors and Bloomberg as of 31 May 2026 unless otherwise stated.

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