Allianz Global Investors

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 August

The Fund outperformed the benchmark in August. Stock selection in the Health Care sector was the main contributor.

At a stock level, a key contributor was Shengyi Technology, a leading producer of copper clad laminates (CCLs) and other high-performance materials used in printed circuit boards (PCBs), which form the foundation of electronic devices such as artificial intelligence (AI) servers, networking equipment and data centre infrastructure. The company reported quarterly results significantly ahead of market expectations, reflecting both pricing power and a higher margin product mix. We view the stock as a preferred way to access China's AI capital expenditure (capex) cycle.

Conversely, a detractor was Sieyuan Electric, a supplier of power transmission and distribution equipment such as transformers, high voltage switchgear and grid automation systems. The share price was weaker after a US executive order raised concerns about potential restrictions on foreign-made power equipment in the US grid. The company's direct US exposure is limited and therefore the impact on near-term earnings should, in our view, be limited.

Portfolio Strategy and Outlook

August was a relatively stable month for China equities, following the Technology-led profit taking the previous month. China A-shares made modest gains, while offshore markets were somewhat weaker.

AUGUST 2026

The latest quarterly results season was in full swing during the month. The results broadly reinforced trends that had been evident earlier in the year. In particular, AI-related capex remained strong as China's AI infrastructure buildout continues. Major cloud service providers – notably the large internet platform companies listed in Hong Kong – signalled a further step-up in spending. While this weighed on share prices due to the near-term impact on profitability and cash flows, it also reflected growing confidence in long-term AI demand.

In contrast, technology hardware companies, many of which are listed in the A-share market, generally continued to see positive business momentum. AI investment is driving growth across areas such as optical networking, semiconductor equipment and advanced manufacturing, with broader policy support for technology self-sufficiency providing an additional tailwind.

Technology overall remained in focus with another high-profile initial public offering (IPO) - Unitree Robotics - and the second Beijing Humanoid Robot Games. The highlight was a robot winning the 100m in 9.39 seconds, comfortably ahead of Usain Bolt's world record, another reminder of the pace of innovation taking place across China's Technology sector.

More broadly, China's Technology universe is often viewed through two lenses: either the well-known internet and ecommerce giants, or the newer and more speculative start-ups making headlines. In reality, a large part of the story sits elsewhere. Beneath the surface is a broad group of established technology hardware companies, spanning areas such as CCLs, PCBs, optical networking equipment, memory products and high-speed interconnect chips, to mention just a few.

Many of these companies trace their origins back to when China was emerging as a major manufacturing hub for global electronics supply chains. Decades ago, firms were supplying components used in everyday household products such as refrigerators and washing machines. As end products became more sophisticated, so too did China's electronics industry. Walkmans became smartphones. Desktop computers became laptops and tablets. Internal combustion engines gave way to electric vehicles. Mobile networks evolved from 3G to 5G.

Throughout that evolution, suppliers were forced to keep pace. To remain competitive, they invested heavily in manufacturing capabilities, engineering expertise and research and development, often serving some of the world's leading consumer, industrial and technology companies. Rather than appearing overnight, therefore, many of today's AI-related beneficiaries are the results of decades of accumulated know-how, continuous investment and steady movement up the value chain.

Looking ahead, we remain constructive on the market outlook. We continue to see technology self-sufficiency, AI adoption, industrial upgrading and advanced manufacturing as key structural growth drivers. Ultimately, earnings growth remains the key determinant of long-term equity returns, and earnings momentum has been encouraging across a number of stocks aligned with these themes.

Portfolio activity during the month was limited. At month-end, approximately 48% of the Fund was invested in China A-shares. The portfolio remains broadly balanced, with sector allocations generally maintained within +/-5% of the benchmark. As a result, stock selection rather than sector positioning, remains the primary driver of relative performance. The largest sector overweight is Industrials (+1.8%), while the biggest underweight is Utilities (-1.9%).

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

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