

Allianz

China A-Shares

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth by investing in China A-Shares equity markets of the PRC in accordance with environmental and social characteristics.

What Happened in June

The Fund outperformed the benchmark in June. Stock selection in the Information Technology sector was the key contributor. Performance in H1 was also ahead of the index supported by a broad base of stocks across multiple sectors.

At a stock level, a key contributor last month was a manufacturer of high-speed optical transceivers used in areas such as data centres, telecom networks, and broadband systems to move large amounts of data quickly and reliably. The share price has recovered from a period of weakness earlier in the year, buoyed both by a good set of quarterly results as well as reassurance that US-based demand remains strong.

Conversely, a detractor was Midea, one of the world's largest manufacturers of home appliances and smart technologies. It produces a range of air conditioners, washing machines, refrigerators and other devices both for home and industrial use. Domestic demand has been resilient as a result of supportive government policy, and sentiment was impacted recently by concerns over a potential phasing out of trade-in subsidies. While this may have some shorter-term impact, we continue to rate the quality of the business highly, and also see the share price being supported by its high dividend yield.

Portfolio Strategy and Outlook

June was a good month for both onshore and offshore China equities, which defied the ongoing uncertainty related to trade negotiations with the US to finish close to the high points year to date. The recent gains build on the previous

market recovery. Since the middle of last year, a time when China's equity markets were being described as "uninvestable", China A-shares have rallied by nearly 20% in USD terms. Returns of China H-shares have been even stronger.

There have been a number of reasons for this turnaround. On the one hand, some factors that previously weighed heavily on markets have eased. Local government financing has been significantly restructured, for example, and the property market is more stable, albeit still weak. This is reflected in bond markets, where the Markit iBoxx China Real Estate High Yield Index is up by almost 80% since its low point in Q4 2023.

On the other hand, there have also been several new and more supportive factors in place for China equities over last year. A key change has been a shift in government policy. Overall, the key long-term policy objective of developing a future growth model based on technology-intensive manufacturing has not changed.

However, economic momentum last year weakened significantly, putting the longer-term goals at risk. And this prompted an important course correction towards a more pro-growth policy setting. We expect policy support will need to be further strengthened during H2 to achieve the 5% gross domestic product (GDP) target.

Linked to this has been a renewed focus on the private sector. The high-profile symposium chaired by President Xi Jinping earlier this year and attended by China's highest-profile business leaders, including the founder of a leading e-commerce company, sends a clear policy signal in our view.

Indeed, it has been notable how there has been a marked recovery in the share price performance of private/non-state-owned companies year to date. An initial catalyst was the moment when an emerging Chinese startup launched an open-sourced artificial intelligence (AI) model, which illustrated how China's technological progress is far more advanced than previously understood. While some people remain locked into the idea that China is at best an imitator of technology rather than an original creator, in our view the reality is different. We anticipate the technology and innovation theme will continue to be a feature of China equities.

Further support for markets has come from a structural improvement in the liquidity environment, especially in China A-shares. Previously, a heavy supply of equity in the form of initial public offerings (IPOs) and secondary issuance had been a big weight on the market. This has been significantly reduced due to regulatory changes. Conversely, there has been a meaningful pick-up in both dividend payments and share buybacks.

Overall, our view is that these factors which have contributed to a more positive market environment are still in place. Combined with attractive valuations, we believe there should be ongoing support for China equities. In addition, the government's commitment to providing direct support for domestic equities during periods of higher volatility also provides downside support.

Portfolio activity in June was focused on adding selectively to Technology-related stocks. In particular, we identified several names that had pulled back during the period of tariff-induced weakness, but where we see growth opportunities related to AI demand as well as China's ongoing push for self-sufficiency. This included areas such as optical transceivers, printed circuit boards and power supply to data centres.

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 Consumer Discretionary (+3.5%), while the largest underweight is Materials (-2.1%).

Connect with Us | sg.allianzgi.com | +65 6438 0828 | Search more  Allianz Global Investors



Like us on Facebook [Allianz Global Investors Singapore](#)



Connect on LinkedIn [Allianz Global Investors](#)



Subscribe to YouTube channel [Allianz Global Investors](#)

All data are sourced from Bloomberg and Allianz Global Investors as at 30 June 2025 unless otherwise stated.

The information presented here is intended for general circulation and does not constitute a recommendation to anyone; it also has not taken into account the specific investment objectives, financial situation or particular needs of any particular person. Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this publication but should seek independent professional advice. However, if you choose not to seek professional advice, you should consider the suitability of the product for yourself. Past performance of the fund manager(s) and the fund is not indicative of future performance. Prices of units in the Fund and the income from them, if any, may fall as well as rise and cannot be guaranteed. Distribution payments of the Fund, where applicable, may at the sole discretion of the Manager, be made out of either income and/or net capital gains or capital of the Fund. As a result of the payment, the Fund's net asset value is expected to be immediately reduced. The dividend yields and payouts are not guaranteed and might change depending on the market conditions or at the Manager's discretion; past payout yields and payments do not represent future payout yields and payments. Investment involves risks including the possible loss of principal amount invested and risks associated with investment in emerging and less developed markets. The Fund may invest in financial derivative instruments and/or structured products and be subject to various risks (including counterparty, liquidity, credit and market risks etc.). Past performance, or any prediction, projection or forecast, is not indicative of future performance. Investors should read the Prospectus obtainable from Allianz Global Investors Singapore Limited or any of its appointed distributors for further details including the risk factors, before investing. 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 publication has not been reviewed by the Monetary Authority of Singapore (MAS). MAS authorization/recognition is not a recommendation or endorsement. The issuer of this publication is Allianz Global Investors Singapore Limited (79 Robinson Road, #09-03, Singapore 068897, Company Registration No. 199907169Z).