

# 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 April

The Fund outperformed the benchmark in April. Positive stock selection in the Information Technology and Industrials 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 key detractor was Sieyuan Electric. The company provides electrical power equipment such as high voltage switchgear, transformers and automation systems. After a rally earlier in the year, the stock has seen some recent profit taking. In longer term, we expect a robust power grid capital expenditure (capex) cycle in China, with upside from AI-driven data centre demand as well as the integration of renewable energy supply.

### 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 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 holding in stocks linked to power grid automation and semiconductor testing. 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.

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 (+3.8%), while the largest underweight is Information Technology (-3.1%).

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

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