

Allianz China Future Technologies

Monthly commentary

Investment Objective

The Fund aims at long-term capital growth by investing in equities of companies of the People's Republic of China ("PRC"), Hong Kong and Macau with a focus on companies with an engagement in the development of future technologies.

What Happened in April

The Fund significantly outperformed the benchmark in April. Key contribution came from positive stock selection in the Information Technology and Industrials sectors. Our overweight allocation in the Information Technology sector also helped.

At a single stock level, the top contributors were:

- Delta Electronics – an electronics manufacturer specialising in power and thermal management solutions. The company is well positioned to benefit from the rising demand for energy-efficient solutions to support artificial intelligence (AI) servers and data centres.
- Suzhou Dongshan Precision Manufacturing – a printed circuit board (PCB) manufacturer. Beneficiary of a healthy AI related demand both domestically and overseas. The company's acquisition to an optical solutions provider enables it to be more vertically integrated along the AI hardware value chain.
- Unimicron Technology – a leading manufacturer of integrated circuit (IC) substrate and PCB. The company is benefitting from the demand for increasing complexity in AI chips and higher substrate content.

The top detractors, on the other hand, included:

- Siewan Electric – an electrical power equipment maker 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.

- 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 has seen some recent profit taking. We see the company's continued progress in product development and user adoption.
- China Merchants Bank – a leader in retail bank in China. The share price was weak as the market rotated into higher growth areas during the month. The bank remains a preferred positions within the fintech space as it continues to expand its customer base via innovative apps blending lifestyle perks with wealth solutions.

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. We also initiated a position to an innovative biopharmaceutical company focused on oncology with strong capabilities in antibody-drug conjugates (ADCs). 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 the end of the month, the top portfolio allocations were to internet and ecommerce platforms, AI and advanced manufacturing/robotics. The largest holdings were Tencent, an internet giant on internet gaming and social media company in China, Alibaba, another internet giant on ecommerce and leader in China’s AI development, and CATL, the world’s largest battery manufacturer of EVs and energy storage systems (ESS). At month end, the allocation to China A-shares was around 47%.

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

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