

# Allianz Total Return Asian Equity

## Monthly commentary

### Investment Objective

The Fund aims at long-term capital growth and income by investing in the Asian equity markets (excluding Japan) in accordance with environmental and social characteristics.

### What Happened in February

Asia ex Japan equities delivered strong returns in February. At first, regional indices felt the global artificial intelligence (AI) jitters before rising after the US Supreme Court ruled that President Donald Trump's reciprocal tariffs were invalid. US-Iran tensions also played in the background throughout the month.

In this environment, semiconductor stocks led Taiwan and Korea to fresh highs, the latter market also receiving a boost from the "value up" corporate governance program. China A-shares also saw good gains with Tech/AI leading the way, but offshore China equities were weaker. As usual, there were few official economic data releases during the month due to the Lunar New Year holiday period. The India equity market was more subdued, with information technology (IT) services companies impacted by the global AI/software shakeout. Among ASEAN markets, Thailand generated robust gains after the ruling Bhumjaithai Party's victory in the snap general election signalled an end to the political turmoil and boosted risk appetite.

### Portfolio Review

The Fund outperformed the benchmark in February. Stock selection in China was the main contributor. From a sector standpoint, Information Technology stocks were among the top performers.

Our overweight position in large-cap memory chipmaker from Korea, Samsung Electronics, continued to be a top contributor this month. Samsung has made great advances from being a traditional memory supplier and its share price

has rallied on the back of surging demand for high-performance AI memory chips. We believe longer-term demand related to AI applications will continue to accelerate the need for high bandwidth memory, where Samsung is a key global provider.

Conversely, China internet and ecommerce players were a source of relative weakness. Both Alibaba and Tencent sold off along with broader fears around front-loaded AI and cloud capital expenditure (capex), with uncertain monetisation benefits further out. Alibaba's scale as an ecommerce giant, along with further growth verticals across its AI and technology ecosystem, especially AliCloud, remain attractive for future growth, in our view. Meanwhile, Tencent's leading position in internet gaming and social media, particularly its unique WeChat ecosystem and global gaming assets, position the business to benefit from further AI applications in gaming, advertising, fintech, and cloud.

During the month, most of the portfolio activity took place in China. We added Suzhou TFC Optical Communication, for example, a leading optical components and optoelectronic packaging company supplying the global AI, data centre, and telecom ecosystem. We also added a non-benchmark position from the Energy sector in Australia, Santos, which plays directly into Asian liquified natural gas (LNG) demand, especially from Japan, South Korea, and Southeast Asia, due to their long-term energy security needs.

Otherwise, we have not made significant changes to the portfolio as a result of the Middle East situation and at this stage, have no plans of doing so. However, we are monitoring markets closely for opportunities in the more volatile environment. Geography and sector allocations remain relatively close to benchmark. The portfolio is overweight in China and underweight in India. At a sector level, Communication Services and Energy are the primary overweight positions, while Industrials and Utilities are underweight. Top names in the portfolio at month-end were TSMC, Samsung, and Tencent.

### Market Outlook

Markets were jolted in early March following the outbreak of hostilities in the Middle East. The majority of Asian companies have limited activity in the Middle East and, therefore, should not experience a significant direct impact on their operations. The bigger question relates to the impact of higher oil prices and supply disruption.

China is the main regional buyer of Iranian oil. While this is a relatively small part of China's overall energy consumption, supply via the Strait of Hormuz accounts for around half of China's oil imports. China has built up significant crude oil reserves in recent years and also has other domestic sources of energy supply. Therefore, unless the conflict leads to a sustained, multi-month disruption in physical supply, the macro impact should be manageable. India is also a net oil importer, hence a sustained high oil price would weigh on the economy, and its strategic reserves are limited. At this stage, the situation remains uncertain.

Looking beyond these near-term risks, we are optimistic on the outlook for Asia ex Japan equities. Economic policy is broadly supportive across the region. In China, we anticipate there will be further policy support as the housing market continues to weaken. We also expect Technology to remain a feature going forward. In our view, China's AI industry has passed a turning point and entered a more self-sustaining cycle of rising investment and higher profitability.

In this environment, we are looking for opportunities to add to stocks that have been overly punished in the market rotation. Companies with strong balance sheets, exposure to long-term structural trends, and a competitive edge remain in focus.

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All data are sourced from Bloomberg and Allianz Global Investors dated 28 February 2026 unless otherwise stated.

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