

Allianz All China Equity

Monthly commentary

- The Fund aims at long-term capital growth by investing in onshore and offshore People's Republic of China ("PRC"), Hong Kong and Macau equity markets in accordance with environmental and social characteristics. The Fund aims to achieve an outperformance (i.e. achieve a higher Environment, Social and Governance ("ESG") score) of the Fund's weighted average ESG score compared to weighted average ESG score of Fund's benchmark index by the adoption of the ESG Score Strategy. The Fund does not constitute as an ESG fund pursuant to the SFC's circular issued on 29 June 2021.
- The Fund is exposed to significant risks of investment/general market, country and region, emerging market, company-specific, currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation.
- The Fund may invest in the China A-Shares market directly via the Stock Connect or other foreign access regimes and/or other permitted means and/or indirectly through all eligible instruments and thus is subject to the associated risks (including quota limitation, change in rule and regulations, repatriation of the Fund's monies, trade restrictions, China market volatility and uncertainty, potential clearing and/or settlement difficulties, change in economic, social and political policy in PRC and Mainland China tax risks).
- The Fund is exposed to risks relating to ESG Score Strategy investment (such as foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, selling securities when it might be disadvantageous to do so, and/or reducing risk diversifications compared to broadly based funds) which may result in the Fund being more volatile and have adverse impact on the performance of the Fund and consequently adversely affect an investor's investment in the Fund.
- The Fund may invest in financial derivative instruments ("FDI") which may expose to higher leverage, counterparty, liquidity, valuation, volatility, market and over the counter transaction risks. The Fund's net derivative exposure may be up to 50% of the Fund's net asset value.
- This investment may involve risks that could result in loss of part or entire amount of investors' investment.
- In making investment decisions, investors should not rely solely on this material.

Note: Dividend payments may, at the sole discretion of the Investment Manager, be made out of the Fund's capital or effectively out of the Fund's capital which represents a return or withdrawal of part of the amount investors originally invested and/or capital gains attributable to the original investment. This may result in an immediate decrease in the NAV per share and the capital of the Fund available for investment in the future and capital growth may be reduced, in particular for hedged share classes for which the distribution amount and NAV of any hedged share classes (HSC) may be adversely affected by differences in the interests rates of the reference currency of the HSC and the base currency of the Fund.

What Happened in May

The Fund outperformed the benchmark in May. Positive stock selection in the information technology sector was the main contributor.

At a stock level, a key contributor was a producer of copper-clad laminates (CCL) and other materials used in multilayer printed circuit boards. The company reported strong results at the end of April. Demand has been supported by the rising CCL intensity of artificial intelligence (AI)-related applications such as servers and network equipment, keeping pricing firm. At the same time, ongoing specification upgrades have strengthened the company's technology leadership, driving a more favourable product mix and supporting margin expansion.

Conversely, a detractor last month was a snack retailer that operates a large network of stores offering a wide range of low-cost packaged snacks. There was no specific news flow during the month, and we attribute the share price weakness

primarily to profit-taking following the previous rally, alongside broader softness in the consumer sector amid the market's strong concentration in AI-related names.

Outlook and Strategy

May was another month where China A shares significantly outperformed offshore markets. Year to date, the MSCI China A Onshore Index has returned +11% compared to MSCI China -8% (USD). The difference is driven primarily by the performance of technology stocks.

During a European client roadshow this month, one of the most frequently asked questions was: "Why has China technology performed so badly?" This highlights how, for many Western investors in particular, the China tech story remains anchored in the big internet and e-commerce platforms that dominate offshore indices.

These businesses are increasingly perceived as more mature "traditional" tech names. Growth has moderated, weighed down by weak domestic consumption, while rising AI-related capex (albeit less intense than in the US) has reduced the free cash flow previously allocated to share buybacks. As a result, these stocks are often used as a funding source for more direct AI beneficiaries within China, or to support participation in new technology IPOs in Hong Kong.

In reality, broader China tech has performed well, particularly companies more directly exposed to AI. The ChiNext Index, a growth and technology-focused board within the Shenzhen Stock Exchange often referred to as China's Nasdaq, has recently broken through to new all-time highs, supported by strong performance in AI-related names.

Because China does not have a "TSMC" or a "Samsung Electronics," its tech companies do not often hit the headlines. Nonetheless, they are playing a key role in the build-out of China-centric AI infrastructure including chips, data centres, models and applications. Indeed, in a number of cases they are also key suppliers to US hyperscalers.

For example, this includes "picks and shovels" companies specialising in optical transceivers, which convert data into light for ultra-fast transmission over fibre optic cables, and printed circuit boards, which provide the foundational layer connecting components such as processors, memory and storage. These technologies are critical for AI hardware, enabling high-speed data flow and supporting intensive computing workloads reliably.

May also saw President Trump's visit to Beijing. From a market perspective, while short on concrete outcomes, the overall tone of the summit was constructive, with an apparent effort to establish a diplomatic roadmap. Geopolitical tensions, which have historically weighed heavily on Chinese equities, have clearly eased, supported by China's increasing ability to neutralise US economic pressure.

We have not changed portfolio positionings significantly over the last month. Previously, in reaction to events in the Middle East, we used the market pullback as an opportunity to build exposure in companies leveraged to AI and electrification. Overall, we maintain a preference for innovative companies with proven R&D capabilities and an ability to capture and expand market share.

At month end, the fund has around 49% in China A shares. 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 (+4.4%), while the largest underweight is consumer discretionary (-3.0%).

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Source: Bloomberg, Allianz Global Investors, as of 31 May 2026 unless otherwise stated.

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