Allianz Global Investors

Allianz

China A-Shares

Monthly commentary

- The Fund aims at long-term capital growth by investing in the China A-Shares markets of the People's Republic of China ("PRC") 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 and currency (in particular RMB), and the adverse impact on RMB share class 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.
- Investment involves 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 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 a US-based multinational technology company. 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.

Outlook and Strategy

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%).

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

*The information above is provided for the purpose to demonstrate the Fund's investment strategy only, it should not be considered a recommendation nor investment advice to buy or sell any shares of securities. There is no assurance that any securities discussed herein will remain in the Fund at the time you receive this document.

Any securities mentioned (above) is for illustrative purposes only. It should not be considered as an investment advice, or a recommendation to buy or sell any particular security or strategy.

Allianz Global Investors Fund - Allianz China A-Shares (the "Sub-Fund") was launched on 23 October 2019 upon the merger of Allianz Global Investors Opportunities - Allianz China A-Shares into the Sub-Fund. The detail mentioned above is related to the China A-Shares strategy as a whole, is for informational purpose only.

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