

# Allianz

## China Future Technologies

### Monthly commentary

- 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.
- The Fund is exposed to significant risks relating to investment/general market, country and region, emerging market, concentration, company-specific, future technology development sector, ChiNext Market and/or the STAR Board, small-capitalisation / mid-capitalisation companies, 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 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.

### Portfolio Review

The Fund outperformed the benchmark in January. Positive stock selection within industrial and financials sectors, and our overweight position in the information technology sector contributed most to relative outperformance.

At a single stock level, the top contributors were:

- A producer of thermal control components which are primarily used in electric vehicles and is expected to extend its current partnership with an electric vehicle company to humanoid robots.
- A provider of datacenter servers and infrastructure needed to support cloud-based services.
- A financial technology company that specializes in digitized brokerage and wealth management services.

The top detractors, on the other hand, included:

- A smartphone components and camera module maker.
- Ping An Insurance Group\* – one of the largest insurance groups in China.
- A company that produces high speed interconnectivity solutions, actively penetrating into AI server supply chain.

### Outlook and Strategy

China equities started the year on a slightly weaker note. While this was partly due to the strength of the US dollar and rising bond yields globally, which have impacted most of the emerging market universe, the first two months of the calendar year are also frequently quite turbulent in Chinese markets.

A key factor is the pause in policy announcements and a vacuum in macro data availability. Because of the Chinese New Year holiday, which falls either in late January or early February depending on the lunar cycle, economic statistics for the first two months are combined and only announced in mid-March. The economic policy news cycle goes into a similar lull. Important details such as the country's annual gross domestic product (GDP) target and government budget are not announced until the annual meeting of the National People's Congress in early March.

In addition, a further market headwind has been concerns regarding US tariffs, which weighed heavily on equity market sentiment during the first Trump administration. Towards the end of January the opening salvo was fired with the US raising tariffs on China goods by a further 10%. Although only time will tell to what extent this will escalate, overall our view is that the 'shock factor' of a Trump presidency will be somewhat less the second time around.

Looking further ahead in this lunar year of the Snake, a fundamental issue will be the sustainability of the improved economic momentum seen in recent months. In particular, China's export momentum – a key driver of growth last year – will likely fade in 2025. As such, an improvement in domestic demand will be needed to achieve the expected GDP growth target of around 4.5-5.0%. And for this to happen, more policy support will be needed to underpin the property market in particular. The National People's Congress, held each March, is typically when more policy details are announced.

Notwithstanding the uncertainty on tariffs, overall our view is to be more optimistic on the outlook for China equities. Part of this view is based on the "Beijing put" helping to put a floor under the market. The People's Bank of China (PBOC) sent a strong signal last year that it is willing to act as the lender of last resort to backstop the market by extending significant amounts of credit for stock repurchases, which already reached a record high level in the China A market last year.

In January, we added to positions we expect benefit from the development of AI in China. For examples, we initiated a position in an AI chip designer in China with a focus on high-performance solutions for computer vision and language processing. On the other hand, we reduced exposure to select financials positions that have performed well over the last year.


At the end of the month, the top portfolio allocations were to internet/ecommerce, financials/fintech, and artificial intelligence. The largest holdings were two internet giants Tencent\* and Alibaba\*, as well as China Merchants Bank\*, a leading retail bank in China which is expanding its customer base through its innovative mobile application that combines lifestyle services, shopping rebates with accessible wealth management solutions. At month end, the allocation to China A-Shares was around 25%.

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Source: Bloomberg, Allianz Global Investors, as at 31 January 2025 unless otherwise stated.

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