

# Allianz

# Total Return Asian

# Equity

## Monthly commentary

- 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. With the adoption of the Sustainability Key Performance Indicator Strategy (Relative) ("KPI Strategy (Relative)"), the Fund aims to achieve the reduction in greenhouse gas emissions ("GHG") of the Fund's portfolio which shall be at least 20% lower than that of its benchmark index within the same period ("Sustainability KPI").
- The Fund is exposed to significant risks of investment/general market, interest rate, creditworthiness/credit rating/downgrading, country and region, emerging market, company-specific and currency (such as exchange controls, in particular RMB), and the adverse impact on RMB share classes due to currency depreciation.
- The Fund is exposed to sustainable investment risks relating to KPI Strategy (Relative) (such as foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, and/or selling securities when it might be disadvantageous to do so or relying on information and data from third party ESG research data providers and internal analyses which may be subjective, incomplete, inaccurate or unavailable). The Fund focuses on the Sustainability KPI which may reduce risk diversifications and may be more volatile compared to broadly based funds. Also, the Fund may be particularly focusing on the GHG efficiency of the investee companies rather than their financial performance which may have an adverse impact on the Fund's performance.
- 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.

### What Happened in May

Asia ex Japan equities delivered strong returns in May, with many Asian currencies appreciating significantly against the US dollar over the month. The tech-heavy markets of Taiwan and Korea led the way, buoyed both by a recovery in global tech sentiment as well as currency gains. China equities also gained initially following indications of a tariff truce with the US, before giving way to profit taking in the second half of the month. ASEAN equities also rallied, with Indonesia leading the way in a strong month for net foreign inflows.

Indian equities finished the month moderately higher. Investor sentiment was boosted by a number of positive developments that included a 'landmark' free trade agreement with the UK, a strong GDP growth print of 7.4% year on year in Q1 2025 (up from 6.4% in the previous quarter), continued foreign investor inflows, and easing inflation data.

### Portfolio Review

The Fund underperformed the benchmark in May. From a market perspective, stock selection in India and Taiwan was a source of relative detractor, while selection effects in Korea were more positive. At the sector level, selection effects in industrials and real estate more than offset better picks in financials and consumer staples.

At a stock level, a detractor during the month was our overweight position in Chinese ecommerce player Alibaba\*. The share price pulled back on missed earnings expectations for its fiscal fourth quarter, due mainly to geopolitical uncertainties and tariff concerns. We continue to believe that Alibaba\* will remain a leading competitor across the verticals of ecommerce, logistics, and cloud computing and see Ali Cloud, in particular, as a top tier asset.

Conversely, a top contributor in May was a Taiwan semiconductor company focused on high-complexity and high-volume chip design for a global clientele. Its share price rallied on the back of improved profitability, especially in the North American market, and advances in artificial intelligence (AI) chip design. We believe the company offers a superior technology which is demonstrated by its growing project pipeline.

During the month, the main activity was to reposition somewhat in China, especially in the health care area. We also selectively added a Singapore real estate developer and a leading Korean beauty and skincare product manufacturer.

At the market level, the portfolio is overweight in the ASEAN region, especially the Philippines and Thailand. This is balanced out by underweight positions in Korea and Hong Kong /China. At a sector level, health care and real estate are the primary overweight positions while industrials and materials are among the main underweights. Top names in the portfolio at month end included TSMC\*, Tencent\*, and Alibaba.\*

### Outlook and Strategy

Overall, we are quite cautious on the near-term outlook for regional equities. Global trade developments, especially the ongoing decoupling of the US and China, are likely to result in a weaker growth outlook. As well as putting pressure on corporate earnings, the visibility of growth is also reduced with some companies declining to provide their usual quarterly guidance.

Offsetting this challenging macro environment to some extent is the ability of many countries to implement easier monetary and fiscal measures. In China, we think there will be more decisive policy changes including the government stepping up support for asset prices, not just in equities but in the crucial housing market as well. Across much of the region, central banks also have some flexibility to cut interest rates, especially if the US dollar continues to weaken. India is a more domestic demand driven economy and is correspondingly less exposed to US tariff risk.

In this environment, we are looking for opportunities to add to stocks that have been overly punished in the market volatility, as well as potential beneficiaries of Asian domestic policy stimulus measures to offset the tariff impact.

---

Connect with Us

[hk.allianzgi.com](https://hk.allianzgi.com)

+852 2238 8000

Search more



Like us on Facebook 安聯投資 – 香港



Connect on LinkedIn **Allianz Global Investors**



Subscribe to YouTube channel 安聯投資

All data are sourced from Allianz Global Investors and Bloomberg, as of 31 May 2025 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.

Information herein is based on sources we believe to be accurate and reliable as at the date it was made. We reserve the right to revise any information herein at any time without notice. No offer or solicitation to buy or sell securities and no investment advice or recommendation is made herein. In making investment decisions, investors should not rely solely on this material but should seek independent professional advice.

Investment involves risks, in particular, risks associated with investment in emerging and less developed markets. Past performance is not indicative of future performance. Investors should read the offering documents for further details, including the risk factors, before investing. This material and website have not been reviewed by the Securities and Futures Commission of Hong Kong. Issued by Allianz Global Investors Asia Pacific Limited.

Allianz Global Investors Asia Pacific Limited (32/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong) is the Hong Kong Representative and is regulated by the Securities and Futures Commission of Hong Kong (54/F, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong).