KGI

CIO Insights

Cusson Leung, Chief Investment Officer,
International Wealth Management

Investments Through Cycles

Investment Styles That Worked Over the Past 30 Years

25 September 2026

What Is Parallax – And Why Is It Useful?

An AI-Powered Stock-Selection Tool That Classifies Stocks Into Five Styles

The Problem With Single Metrics

Most investors look at stocks through just one lens – like finding the cheapest stock (Value) or the fastest-growing one (Momentum). But a stock that looks cheap might be going bankrupt, and a fast-growing stock might be dangerously overpriced.

The Parallax Solution

Parallax is a framework that scores every stock across **five different lenses** simultaneously. By looking at all five scores together, you get a complete picture of a company's health, price, and market trend.

Why Multiple Lenses Matter

Avoid Traps: A high Value score is great, but only if the Quality score is also high enough to prove the company isn't failing.

Adapt to the Economy: Different styles win in different economies. Parallax helps you shift your focus (e.g., from Momentum to Defensive) when the world changes.

Source: KGI

Strategy for the Current Economic Regime

Defensive First, Value Second

Current U.S. Macro Regime

Slow growth, high interest rates, and cooling consumer demand.

- Slowing economy: Retail sales are dropping, consumer confidence is down, and job growth is stalling.
- Inflation risk: Oil prices near $97 could push everyday inflation back up in the coming months.
- Narrow market: Only one-third of major stocks are currently in an uptrend.

Style Recommendation

Play it safe first, look for bargains carefully, and limit trend-chasing.

- Defensive (Low Volatility): The strongest signal right now. Essential protection when the economy is slowing down.
- Value: Beginning to recover, but screen for company health (Quality) to avoid buying cheap, broken businesses.
- Key Warning: The performance gap between styles is extremely narrow right now. It is a crowded market where broad bets are not being rewarded easily.

Source: KGI

Five Investment Styles

Horses for Courses

Quality

Definition

Companies with strong, reliable businesses.

High Score Means

High profitability, healthy balance sheet, stable margins, and fewer accounting-quality warning signs.

Best Use

A core, long-term filter; particularly useful when growth slows or balance-sheet risk matters.

Momentum

Definition

Companies with improving share-price trends and earnings expectations.

High Score Means

Strong 6-12 month relative price performance, positive earnings revisions, and relative strength.

Best Use

Participating in sustained market trends. Can reverse abruptly when leadership changes.

Value

Definition

Companies that are cheap relative to their fundamentals.

High Score Means

The stock trades at a discount to peers on measures such as P/E, P/B, EV/EBITDA, or dividend yield.

Best Use

Finding underpriced companies; most useful when valuations reset or market leadership broadens.

Defensive

Definition

Companies that are more resilient and less volatile than the market.

High Score Means

Lower beta and volatility, stable earnings, dependable dividends, and greater recession resistance.

Best Use

Reducing portfolio risk when inflation, interest rates, recession risk, or market volatility are rising.

Tactical

Definition

Short-term opportunities driven by flows or temporary dislocations.

High Score Means

Favorable institutional or insider flows, unusual volume, technical setups, or event catalysts.

Best Use

Shorter-duration, catalyst-driven decisions – not a permanent long-term style allocation.

Source: KGI

What High-Scoring Stocks Look Like Today

The Investment Universe Extends Beyond the AI Theme

Quality (Score 9-10)

Tenet Healthcare (THC)
Healthcare | High margins, strong ROE

Pediatrix Medical (MD)
Healthcare | Solid operating margins

Kforce Inc (KFRC)
Industrials | Strong profitability

Momentum (Score 10)

Applied Materials (AMAT)
Technology | Strong price trend

Advanced Micro Devices (AMD)
Technology | Strong growth expectations

Brightspring Health (BTSG)
Healthcare | Positive recent revisions

Value (Score 10)

Macy's Inc (M)
Consumer | Low P/E, cheap to book value

ArcBest Corp (ARCB)
Industrials | Discounted valuation

Chatham Lodging (CLDT)
Real Estate | Trading below book value

Defensive (Score 10)

Aflac Inc (AFL)
Financials | Low volatility, stable earnings

Atmos Energy (ATO)
Utilities | Regulated, predictable cash flow

AMETEK Inc (AME)
Industrials | Resilient business model

Tactical (Score 10)

Affirm Holdings (AFRM)
Technology | Strong near-term flow/catalyst

Autodesk Inc (ADSK)
Technology | Unusual volume/technical setup

Ameriprise Financial (AMP)
Financials | Favorable short-term signals

Source: KGI, Note: These are current examples of stocks that score highly in individual categories based on Parallax's daily screening. They illustrate each style and are not portfolio recommendations.

30 Trending S&P 500 Stocks – Parallax Style Scores

Tech-Centric Names Score Highly on Momentum but Lag on Defensive

Ticker	Momentum	Quality	Value	Defensive	Tactical
MU	10	10	2	1	3
AMD	10	8	2	2	3
INTC	10	5	4	2	3
LRCX	10	10	2	2	3
AMAT	10	10	3	2	5
SNDK	10	10	2	1	9
STX	10	10	1	2	9
MRVL	10	8	1	1	3
WDC	10	10	2	2	10
DELL	10	8	2	1	5
CSCO	9	9	3	6	4
CAT	9	9	3	6	1
MRK	9	8	5	7	5
PANW	9	5	2	4	10
CRWD	9	6	1	3	10

Ticker	Momentum	Quality	Value	Defensive	Tactical
LLY	8	10	4	8	10
XOM	8	8	8	8	10
JNJ	8	9	6	9	7
CVX	8	8	7	8	9
GS	8	3	9	8	7
MS	8	3	8	9	8
TXN	8	10	4	6	1
AMGN	8	9	2	8	10
C	8	3	8	9	4
UNP	8	9	6	9	4
ADI	8	8	3	7	1
COP	8	9	6	7	9
VRTX	8	10	5	8	10
BMY	8	9	7	8	8
NEM	8	10	3	6	4

Source: KGI

30-Year Investment-Style Scorecard (1996-2025)

No Single Investment Style Won in Every Period; Quality Was the Most Reliable

Style Proxy	Average Annual Relative Return	Median Annual Return	Positive Years (out of 30)	Annual Standard Deviation	Interpretation
Quality	+4.1%	+4.2%	22	+11.8%	The most reliable long-term approach.
Momentum	+3.5%	+7.0%	21	+21.5%	Great for riding trends, but crashes hard when trends break.
Value	+1.3%	+1.9%	16	+18.1%	Works best right after a market crash or when the economy recovers.
Defensive	-1.0%	+4.0%	16	+33.2%	A shield for bad times, not an engine for good times.

Source: KGI

Investment Style Allocation Map by Macro Regime

"When the Facts Change, I Change": Dynamic Portfolio Adjustments

Macro Regime	Growth / Inflation Backdrop	Valuation / Market Breadth	Plain-Language Meaning	Preferred Parallax Styles
Late-Cycle / Stagflation	Slowing growth / rising risk	High valuation / narrow market breadth	High interest rates hurt demand, but inflation is still a threat. Protect your money first.	Defensive; Quality; Tactical
Mature Expansion	Durable growth / stable inflation	High valuation / narrow market breadth	The economy is growing, but stocks are expensive. Ride the trend, but stick to high-quality companies.	Quality; Momentum
Crisis / Contraction	Slowing growth / rising risk	Low valuation / broad market breadth	Severe economic stress. A company's ability to survive without going bankrupt is all that matters.	Quality; Defensive
Cyclical Recovery	Durable growth / stable inflation	Low valuation / broad market breadth	Prices have crashed and the economy is starting to recover. Cheaper, economically sensitive stocks win here.	Value; Quality

Source: KGI

Lessons Learned From the Past 30 Years

1996-2026: Macro Regimes Changed – And the Appropriate Style Mix Changed With Them

Period	Macro Regime	Economic Backdrop	Style Mix 1	Style Mix 2	Style Mix 3	Corresponding Style Mix
1996-2000	Tech boom & valuation expansion	Fast growth; valuations pushed to extremes	MOMENTUM	QUALITY		Momentum, Quality
2001-2003	Dot-com bust & policy easing	Growth slowed and policy became easier	VALUE	QUALITY		Value, Quality
2004-2006	Credit & housing expansion	Broad economic recovery and easy credit	VALUE	QUALITY		Value, Quality
2007-2009	Global financial crisis	Economic contraction and severe market stress	QUALITY	DEFENSIVE		Quality, Defensive
2010-2012	QE recovery & deleveraging	Low rates, policy support, gradual recovery	DEFENSIVE	QUALITY		Defensive, Quality
2013-2015	Mature low-inflation expansion	Steady growth, low rates, low inflation	MOMENTUM	QUALITY		Momentum, Quality
2016-2018	Reflation & Fed tightening	Inflation moved higher as the Fed raised rates	DEFENSIVE	QUALITY		Defensive, Quality
2019-2020	Late-cycle cuts & Pandemic shock	Sharp recession followed by extraordinary liquidity	MOMENTUM	QUALITY		Momentum, Quality
2021-2022	Inflation shock & rapid tightening	Rates rose quickly; stocks and bonds fell	DEFENSIVE	VALUE		Defensive, Value
2023-2025	Disinflation & AI-led concentration	Strong index returns, but narrow leadership	QUALITY	TACTICAL		Quality, Tactical
2026 (Current)	**Slow growth & inflation tail risk**	Restrictive rates, weakening demand, oil-driven inflation risk	DEFENSIVE	VALUE	QUALITY	Defensive, Value, Quality

Source: KGI

KGI

Restrictive Policy, Slowing Demand and High Inflation Risk

Macroeconomic Read (18 Sept 2026)

Current Environment	**Slow growth, sticky inflation**
10-Year Treasury Yield	**~5.0%**
Oil Price (WTI)	**$97 / bbl**
Market Breadth (>50d MA)	**33%**

The Policy Constraint

With oil near $97, inflation could reaccelerate just as the economy weakens. This constrains the Federal Reserve: it cannot easily cut rates without risking a further inflation pickup.

Demand Deterioration

Retail sales are falling, consumer confidence is weakening, and job growth has stalled. The economy is clearly cooling.

Source: KGI

Investment Strategy

Protect First, Add Value Selectively, and Earn the Right to Own Momentum

- **Anchor with Defensive.** Low Volatility is the strongest signal today and provides essential protection as growth slows and rates remain high.
- **Screen Value with Quality.** Value is beginning to recover mainly because it was cheap, not because the economy is booming. Demand high Quality scores to avoid buying cheap companies with weak fundamentals.
- **Constrain Momentum.** The recent market rebound is fading and few stocks remain in uptrends. Avoid chasing trends; keep Momentum exposure limited.
- Market uncertainty and high volatility mean that **option premiums are elevated**. Investors are willing to pay more for the protection that options provide. This can create an attractive opportunity to sell that protection for income while awaiting clearer market direction.
- **Covered Calls.** If you already own a high-Quality or Defensive stock, you can sell the right to buy it at a higher price. The premium provides additional income in a flat market.
- **Selling Puts / FCNs.** If you want to own a recovering Value stock but consider it slightly expensive, you can sell a put option. You collect a premium today and, if the stock falls, buy it at the lower price you wanted.

Source: KGI

Selected Stocks for the Current Regime

Defensive Stocks as the Anchor and Only Buy Value Stocks When Their Quality Score Confirms a Sound Underlying Business

Company	Ticker	Profile	Score 1 Category	Score 1	Score 2 Category	Score 2	Score 3 Category	Score 3	Why It Fits	Rationale
Aflac Inc.	AFL	Defensive anchor	Defensive	10	Value	7	Quality	6	A perfect Defensive anchor.	Extremely low volatility and stable earnings, providing a safe harbor while the broader economy slows down.
AMETEK Inc.	AME	Resilient industrial	Defensive	10	Quality	8	Momentum	7	Combines Defensive strength with Quality.	High margins and profitability support a resilient industrial business model for uncertain times.
Macy's Inc.	M	Value with a Quality check	Value	10	Quality	7	Momentum	8	A deep Value play with a solid Quality score.	Trades near book value with a low P/E, helping avoid the classic value trap of a failing business.
Chatham Lodging Trust	CLDT	Quality-screened Value	Value	10	Quality	8	Defensive	7	Value screened by strong operating health.	Trades at a steep discount to assets while maintaining strong operating margins and balance-sheet health.

Source: KGI

KGI

Disclaimer and Important Notice

Hong Kong: The information contained in the document herein is confidential and is not intended for general public distribution or for use by any person or entity located or residing in any jurisdiction which restricts the distribution of such information by KGI Asia Limited ("KGI") or any affiliate of KGI. Re-distribution of the document herein and any part thereof by any means is strictly prohibited. Such information shall not be regarded as an offer, invitation, solicitation or recommendation to invest in or sell any securities or investment products to any person or entity in any jurisdiction. The above information (including but not limited to general financial and market information, news services, market analysis and product information) is for general information and reference purpose only and may not be reproduced or published (in whole or in part) for any purpose without the prior written consent of KGI Asia Ltd. Such information is not intended to provide investment advice and should not be relied upon in that regard. You are advised to exercise caution, and if you are in any doubt about such information, you should seek independent professional advice.

You are advised to exercise caution and undertake your own independent review, and you should seek independent professional advice before making any investment decision. You should carefully consider whether investment is suitable in light of your own risk tolerance, financial situation, investment experience, investment objectives, investment horizon and investment knowledge.

No representation or warranty is given, whether express or implied, on the accuracy, adequacy or completeness of information provided herein. In all cases, anyone proposing to rely on or use the information contained herein should independently verify and check the accuracy, completeness, reliability and suitability of the information. Simulations, past and projected performance may not necessarily be indicative of future results. Information including the figures stated herein may not necessarily have been independently verified, and such information should not be relied upon in making investment decisions. None of KGI, its affiliates or their respective directors, officers, employees and representatives will be liable for any loss or damage of any kind (whether direct, indirect or consequential losses or other economic loss of any kind) suffered or incurred by any person or entity due to any omission, error, inaccuracy, incompleteness or otherwise, or any reliance on such information. Furthermore, none of KGI, its affiliates or their respective directors, officers, employees and representatives shall be liable for the content of information provided by or quoted from third parties.

Complex Products refers to an investment product whose terms, features and risks are not reasonably likely to be understood by a retail investor because of its complex structure. Investors should exercise caution in relation to complex products. Investors may lose the entire amount or more than the invested amount. For complex products with offering documents or information not reviewed by the Hong Kong Securities and Futures Commission (SFC), investors should exercise caution regarding the offer. For complex products described as SFC-approved, such approval does not imply official endorsement, and SFC recognition does not equate to a recommendation or assurance of the product's commercial viability or performance. Past performance data, if provided, is not indicative of future performance. Some complex products are only available to professional investors. Before making any investment decisions, investors should review the offering documents and other relevant information to understand the key nature, features, and risks of the complex products. Independent professional advice should be sought, and investors should have sufficient net assets to bear the potential risks and losses associated with the product. Members of the KGI group and their affiliates may provide services to any companies and affiliates of such companies mentioned herein. Members of the KGI group, their affiliates and their directors, officers, employees and representatives may from time to time have a position in any securities mentioned herein.

Bond investment is NOT equivalent to a time deposit. It is NOT protected under the Hong Kong Deposit Protection Scheme. Bondholders are exposed to a variety of risks, including but not limited to: (i) Credit risk - The issuer is responsible for payment of interest and repayment of principal of bonds. If the issuer defaults, the holder of bonds may not be able to receive interest and get back the principal. It should also be noted that credit ratings assigned by credit rating agencies do not guarantee the creditworthiness of the issuer; (ii) Liquidity risk - some bonds may not have active secondary markets and it would be difficult or impossible for investors to sell the bond before its maturity; (iii) Interest rate risk – When the interest rate rises, the price of a fixed rate bond will normally drop, and vice versa. If you want to sell your bond before it matures, you may get less than your purchase price. Do not invest in bond unless you fully understand and are willing to assume the risks associated with it. Please seek independent advice if you are unsure.

All investments involve risks. The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Prices of securities and fund units may go up as well as down and past performance information presented is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets)) in detail before making any investment decision. You are advised to exercise caution and undertake your own independent review, and you should seek independent professional advice before making any investment decision. You should carefully consider whether investment is suitable in light of your own risk tolerance, financial situation, investment experience, investment objectives, investment horizon and investment knowledge.

Singapore: This document is provided for general information and circulation only, and is not an offer or a solicitation to deal in any securities or to enter into any legal relations, nor an advice or a recommendation with respect to any financial products mentioned herein. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. You should ensure that you understand the risk(s) involved and should independently evaluate particular investments and consult an independent financial adviser before making any investment decisions. All information and opinions contained herein is based on certain assumptions, information and conditions available as at the date of this document and may be subject to change at any time without notice.