



2026 Mid-Year Global Market Outlook

Beyond the Mist, First Light Appears

June 2026





Global Economic and Stock Market Outlook

Earnings Powered Investment Cycle

Epic Market Movement

War's impact on 2026 inflation greater than on economic growth

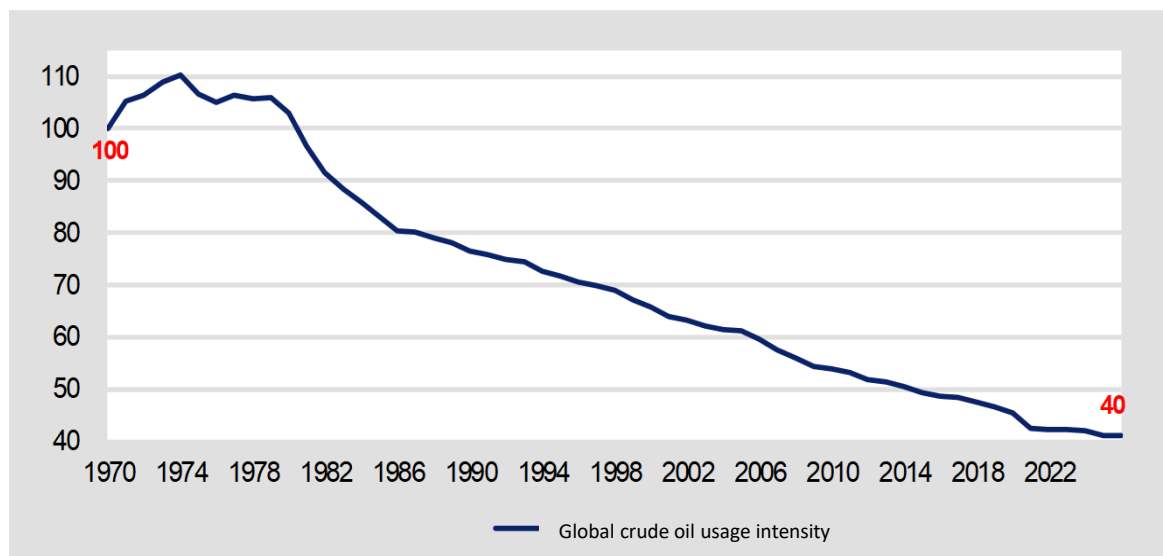
	GDP					CPI				
	2023	2024	2025	2026 Jan/Apr	2027 Jan/Apr	2023	2024	2025	2026 Jan/Apr	2027 Jan/Apr
Global	3.3	3.4	3.4	3.3/3.1	3.2/3.2	6.7	5.8	4.1	3.8/4.4	3.4/3.7
Developed	1.7	1.8	1.9	1.8/1.8	1.7/1.7	4.6	2.6	2.5	2.1/2.8	2.2/2.2
Emerging	4.4	4.5	4.4	4.2/3.9	4.1/4.2	8.2	8.0	5.2	4.8/5.5	4.3/4.6
US	2.9	2.8	2.1	2.4/2.3	2.0/2.1	4.1	3.0	2.7	2.4/3.2	2.0/2.1
Europe	0.4	0.9	1.4	1.3/1.1	1.4/1.2	5.4	2.4	2.1	1.9/2.6	2.0/2.2
Japan	0.7	-0.2	1.2	0.7/0.7	0.6/0.6	3.3	2.7	3.2	2.3/2.2	2.1/2.3
China	5.4	5.0	5.0	4.5/4.4	4.0/4.0	0.2	0.2	0.0	0.7/1.2	1.5
India	7.2	7.1	7.6	6.4/6.5	6.4/6.5	5.4	4.6	2.1	4.0/4.7	4.0
Korea	1.6	2.0	1.0	1.9/1.9	2.1/2.1	3.6	2.3	2.1	1.8/2.5	1.9
Taiwan	1.1	5.3	8.7	2.1/5.2	2.5/3.0	2.5	2.2	1.7	1.6/1.5	1.6

Source: IMF

US inflationary pressure rising — lower oil dependence + AI-driven productivity gains mean oil price \$55-\$75 → \$75-\$95 has limited economic impact

The global economy's reliance on oil has declined markedly compared with the past

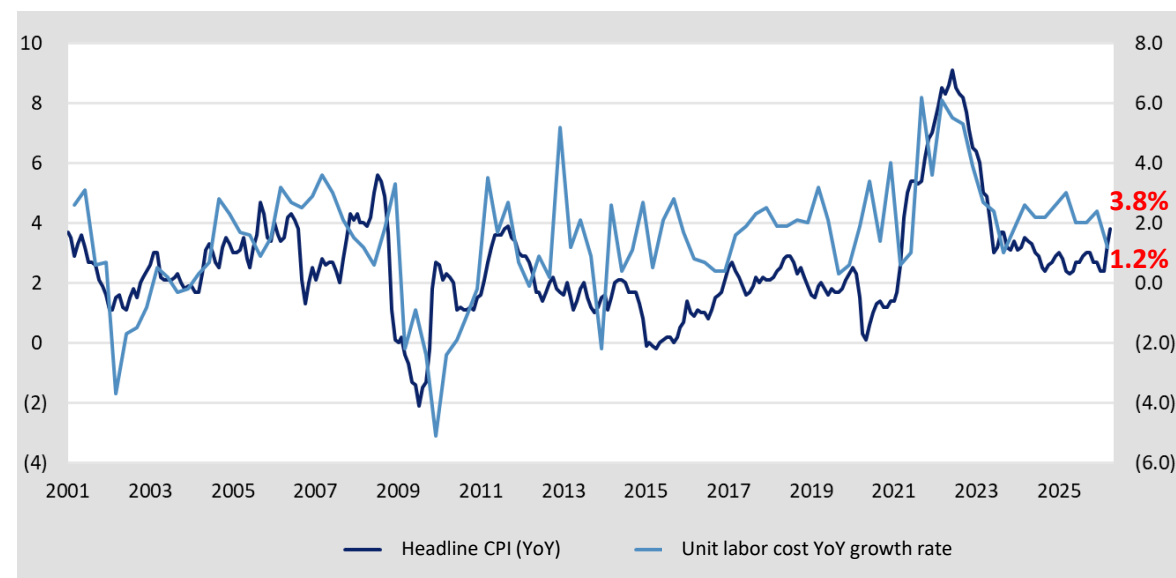
Crude oil consumption per unit of real GDP growth (1970=100), points



Source: Bloomberg; KGI Research

Labor market stability and productivity gains make it unlikely that a wage-price spiral will trigger runaway inflation

Overall CPI YoY growth rate, % (LHS); Unit labor cost YoY growth rate, % (RHS)

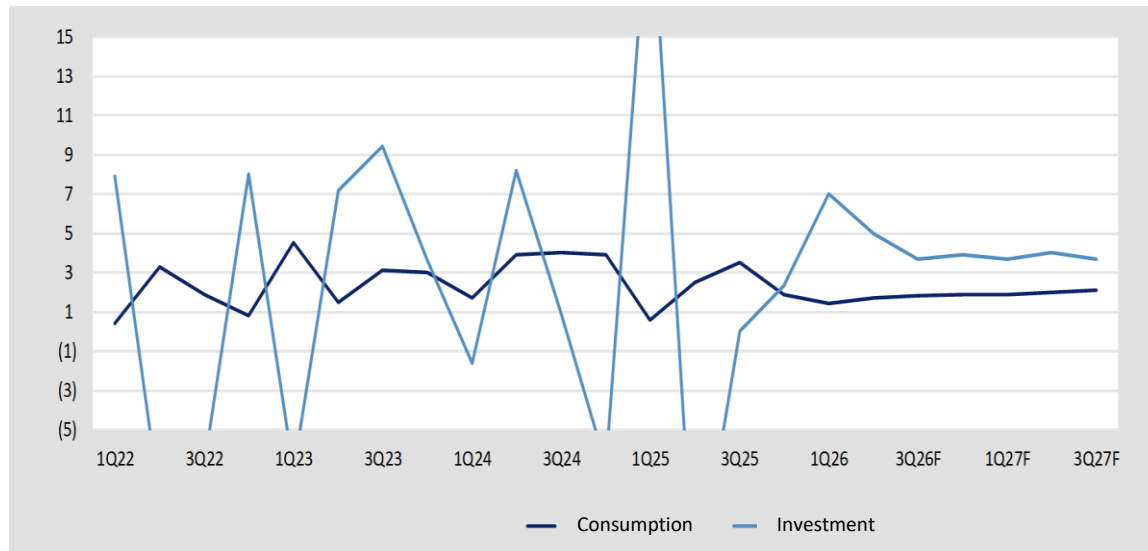


Source: Bloomberg; KGI Research

Investment-driven, new model of the US — historically consumption accounted for nearly 70% of GDP; since the 2023 AI-driven surge in large capital expenditures, investment has become a powerful engine of the economy

The United States has recently and will shift to a pattern where investment-driven forces exceed consumption

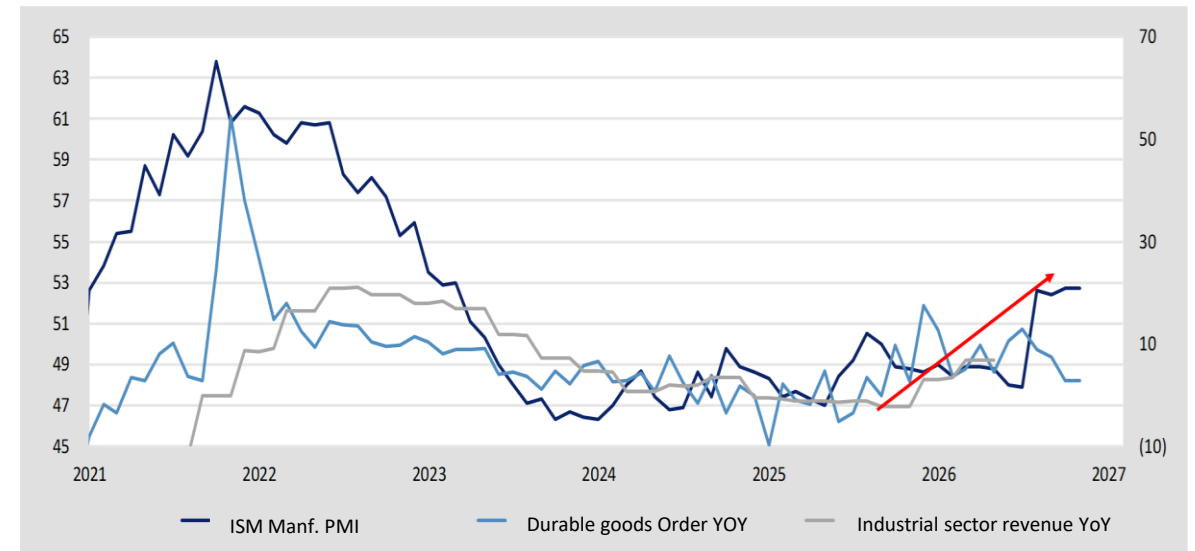
Consumption and investment growth rates (QoQ annualized rate), %



Source: Bloomberg; KGI Research

Other data also indicate the investment (AI)-driven momentum pulling the economy

ISM manufacturing PMI, points (LHS); durable goods orders YoY growth rate, industrial sector revenue YoY growth rate, % (leading by 6 months, RHS)



Source: Bloomberg; KGI Research

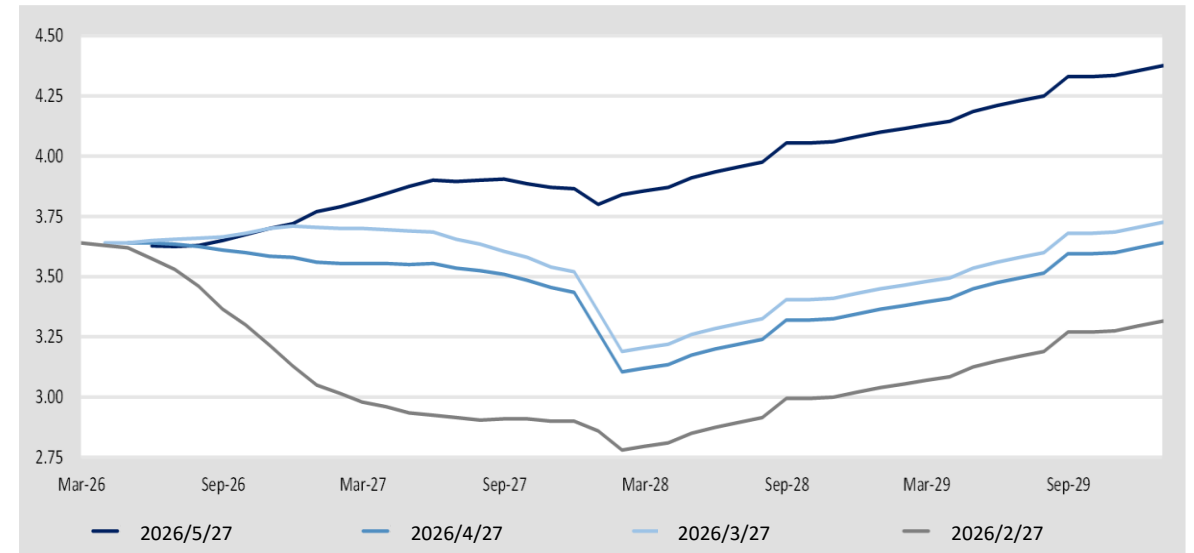
Financial markets expect the Fed to begin raising rates next year. Although recent price pressures have intensified, if the US-Iran conflict eases, future inflationary pressures will decline

The market views price pressures as short-term, but medium- to long-term inflation expectations have been gradually increasing recently
 US inflation 0Y1Y, 1Y1Y, 5Y5Y swap rates, %



Source: Bloomberg; KGI Research

The market has shifted from expecting interest rate cuts to anticipating a rate hike cycle starting at the end of this year
 Federal funds futures-implied expected future policy rate, %

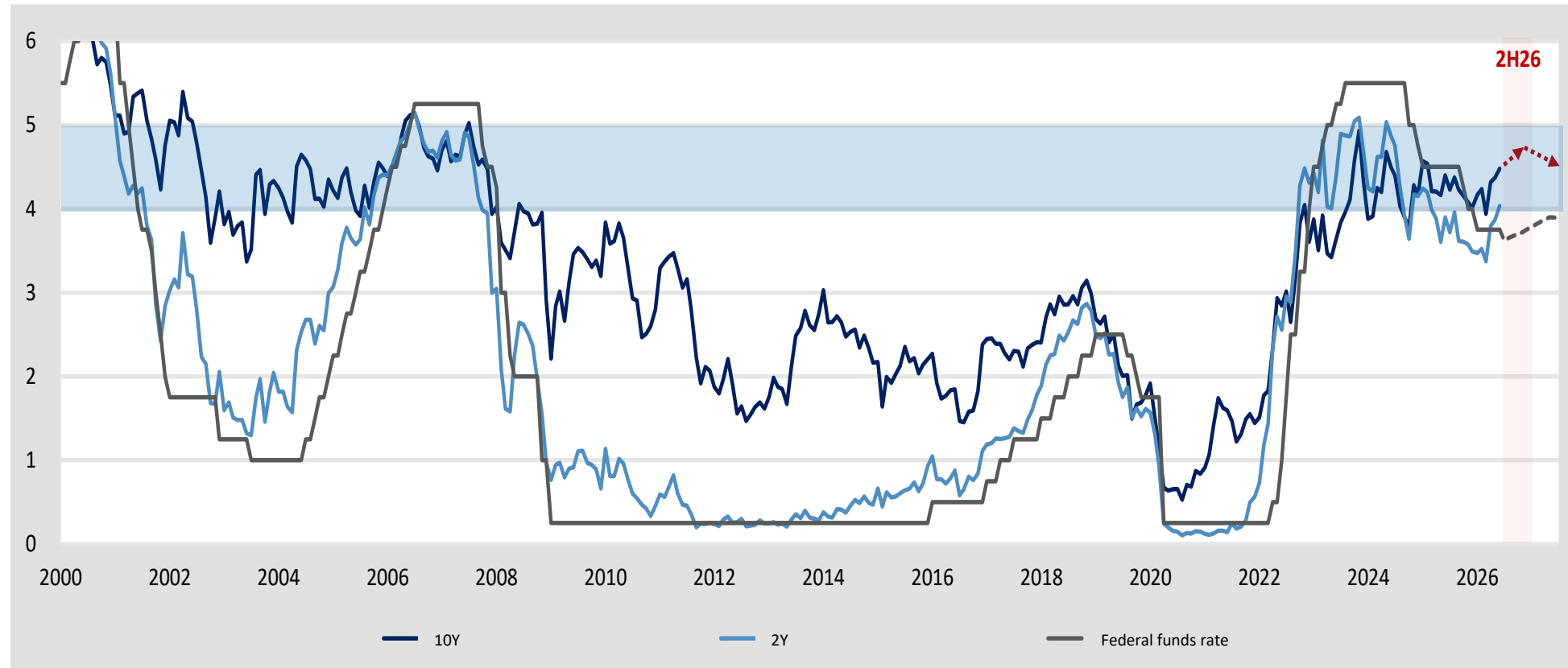


Source: Bloomberg; KGI Research

The 10-year US Treasury yield remains oscillating in the old historical normal range of 4% to 5%, similar to the period before the global financial crisis and the COVID-19 pandemic (2001 to 2007)

Inflationary pressures are pushing up yields; during short-term sharp rate spikes one can position in mid- to long-term US Treasuries; once the US-Iran conflict eases, US Treasury yields should decline

2- and 10-year US Treasury yields, federal funds rate ceiling, %



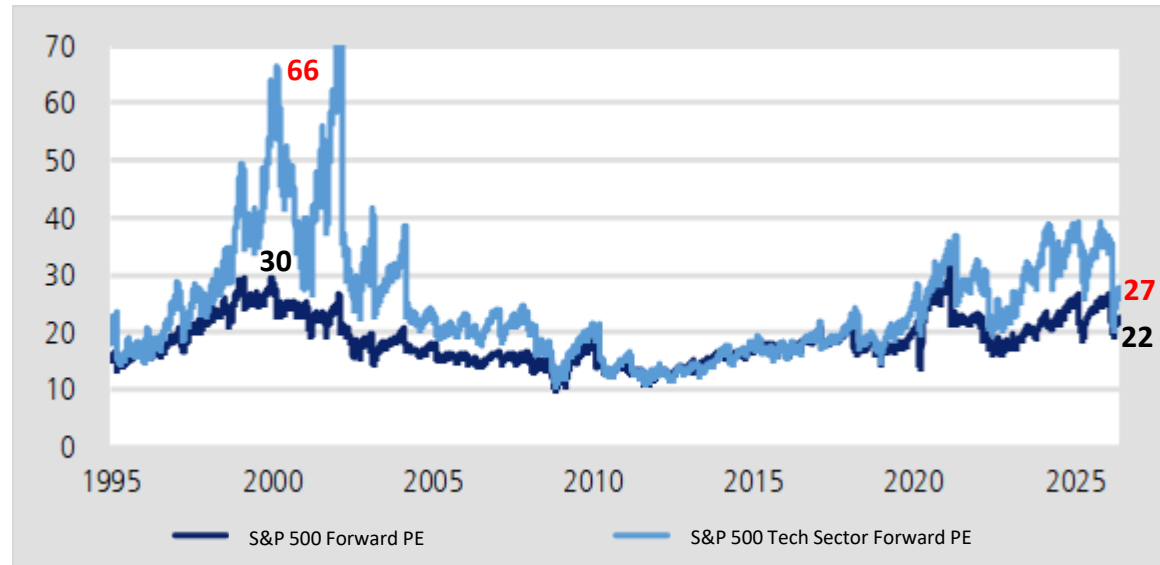
Note: The dashed portion of the federal funds rate represents futures-implied expected policy rates

Source: Bloomberg; KGI

Today's market is not a FOMO (Fear of Missing Out) compare to the Dot-com (1995-2000) bubble; there remains considerable room to run

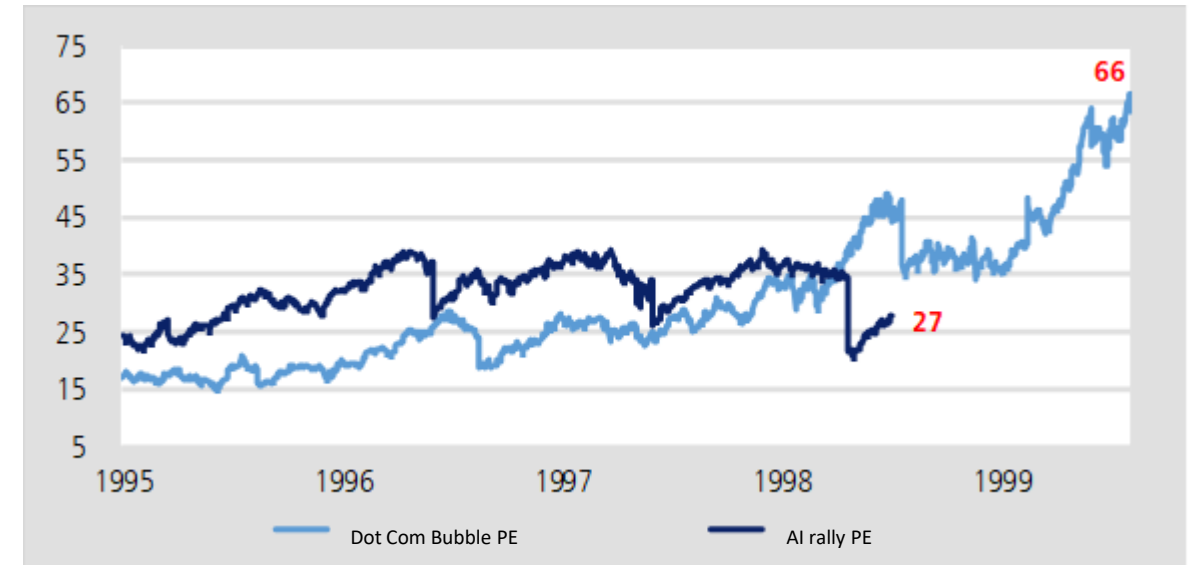
Investors have not significantly increased the P/E multiple they are willing to pay for expected earnings growth

S&P500 Forward PE (next 1 year) vs. S&P500 Technology Forward PE (next 1 year), x



Source: Bloomberg; KGI Research

.... there is still some way to go
S&P500 technology Forward P/E, x

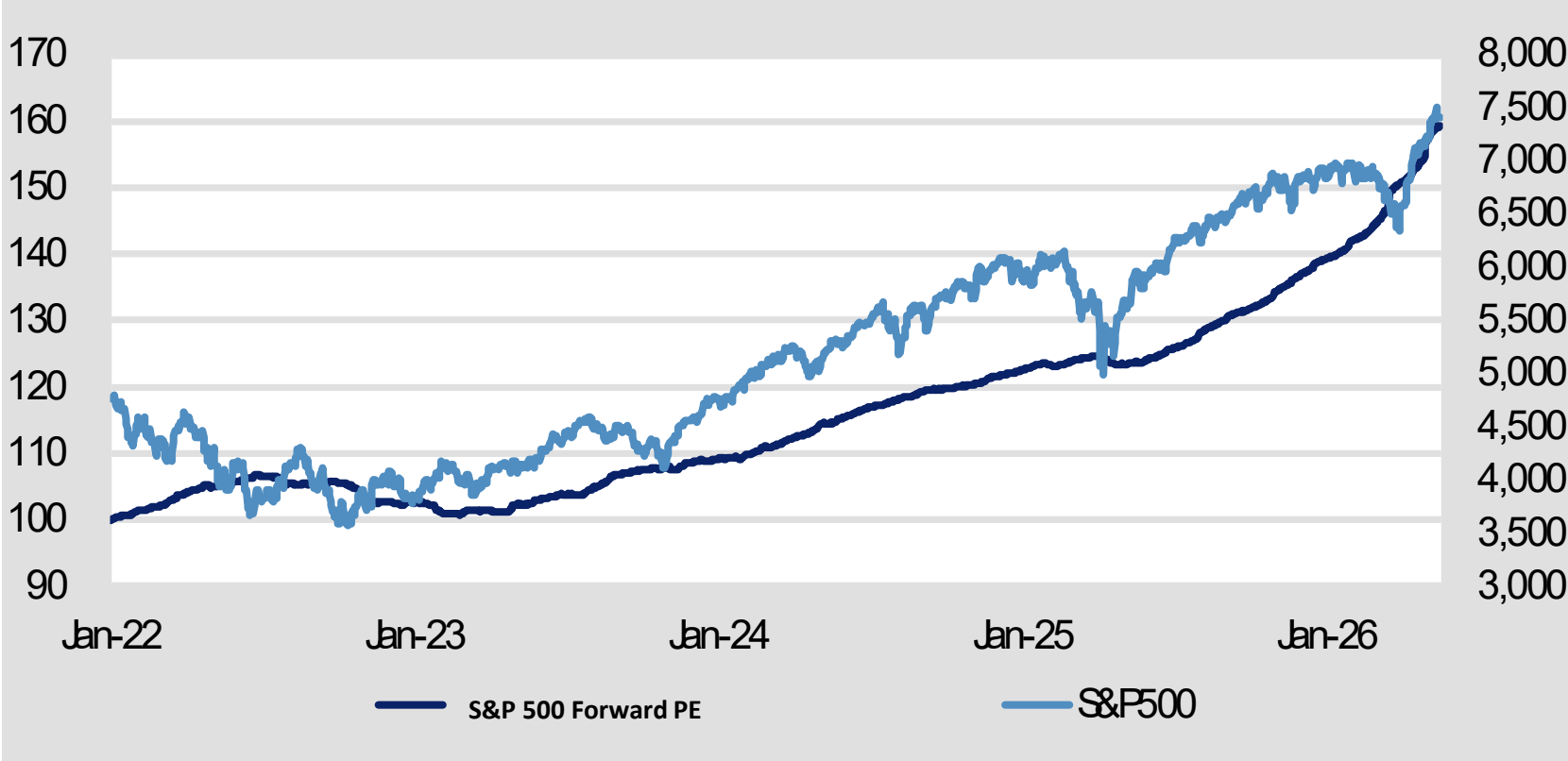


Source: Bloomberg; KGI Research

EPIC (Earnings Powered Investment Cycle) epic earnings-powered investment cycle; this surge is purely earnings-driven; earnings estimates have not only been revised upward, but revisions are accelerating

U.S. equities have rallied strongly since April, primarily reflecting earnings prospects materially better than expected

S&P500 Forward EPS, USD (LHS); S&P500 index, points (RHS)

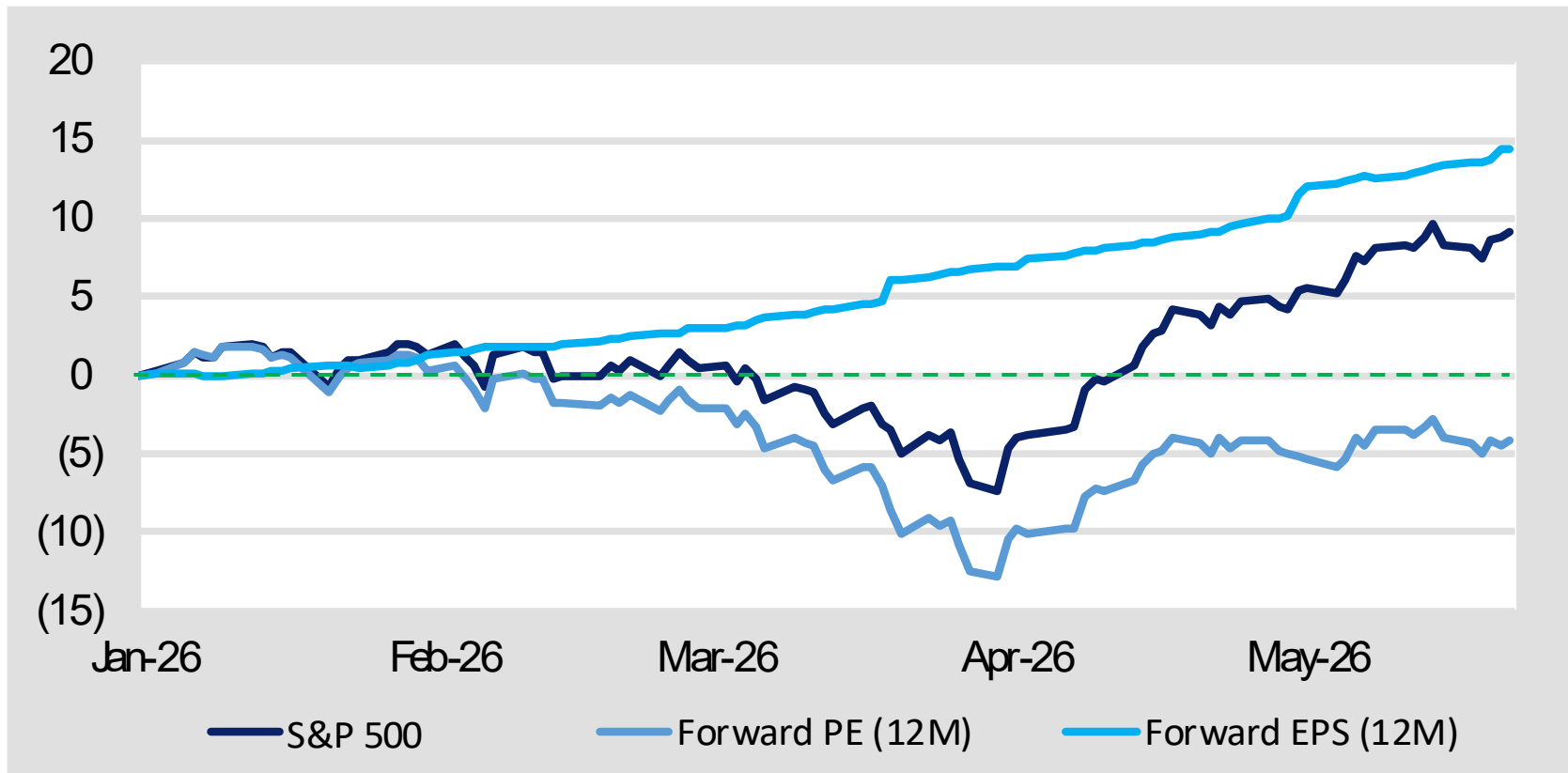


Source: Bloomberg; KGI Research

Note: Taiwan equities estimated EPS indexed to 100 as of January 2022

Valuation is even below the beginning of the year; the market's year-to-date performance mainly reflects rapid upward revisions to earnings

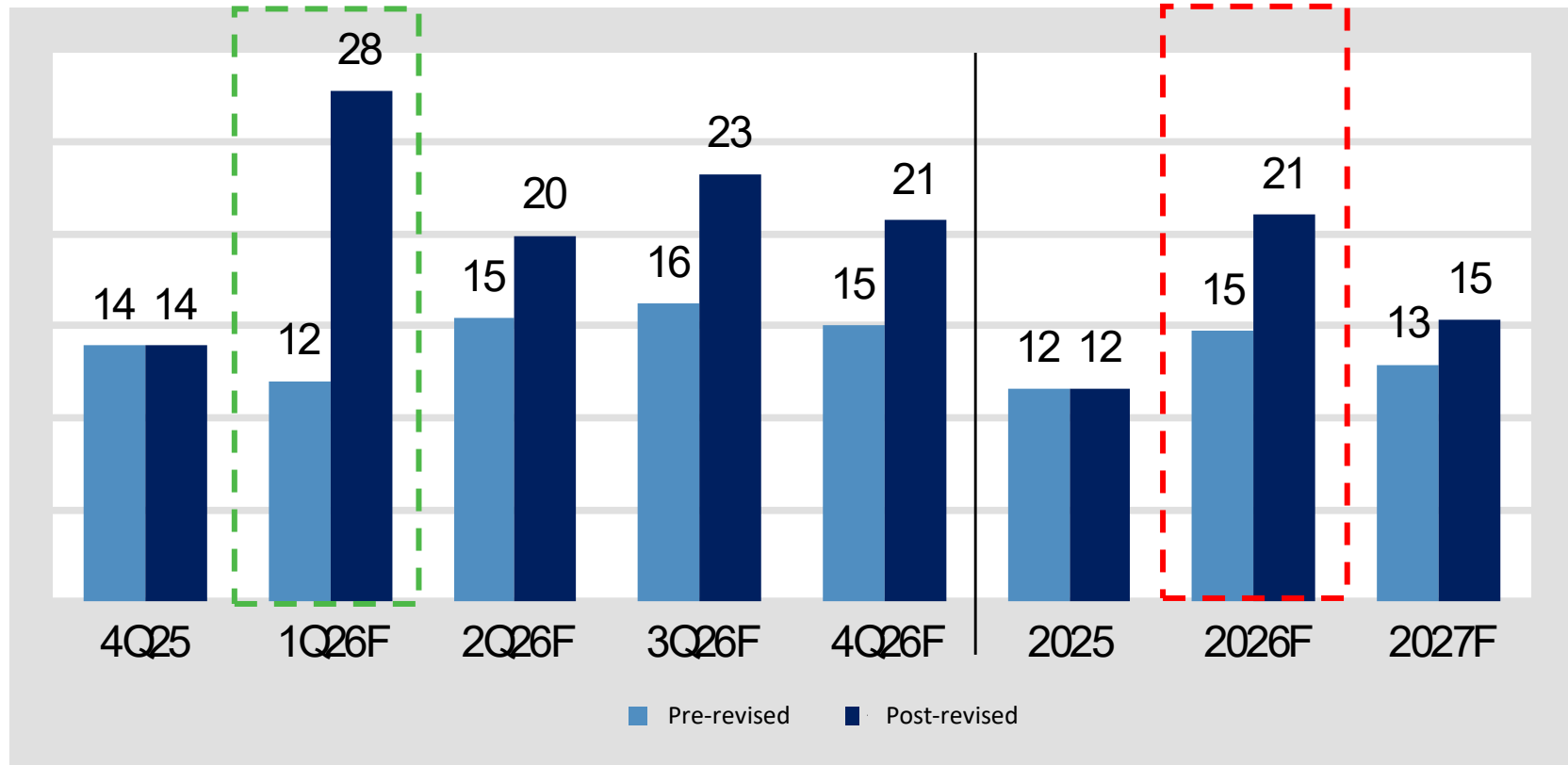
U.S. equities are up 9% year-to-date, while EPS upward revisions have reached 14%
S&P500 index vs. estimated PE vs. estimated EPS (zero-normalized, points)



Source: Bloomberg; KGI Research

AI demand intensity far exceeds market expectations; corporate earnings outlooks have been significantly revised upward this earnings season

Earnings outlooks for U.S. equities in 2026 and 2027 have been significantly revised upward
S&P500 constituents' single-quarter and annual earnings YoY growth rates, %

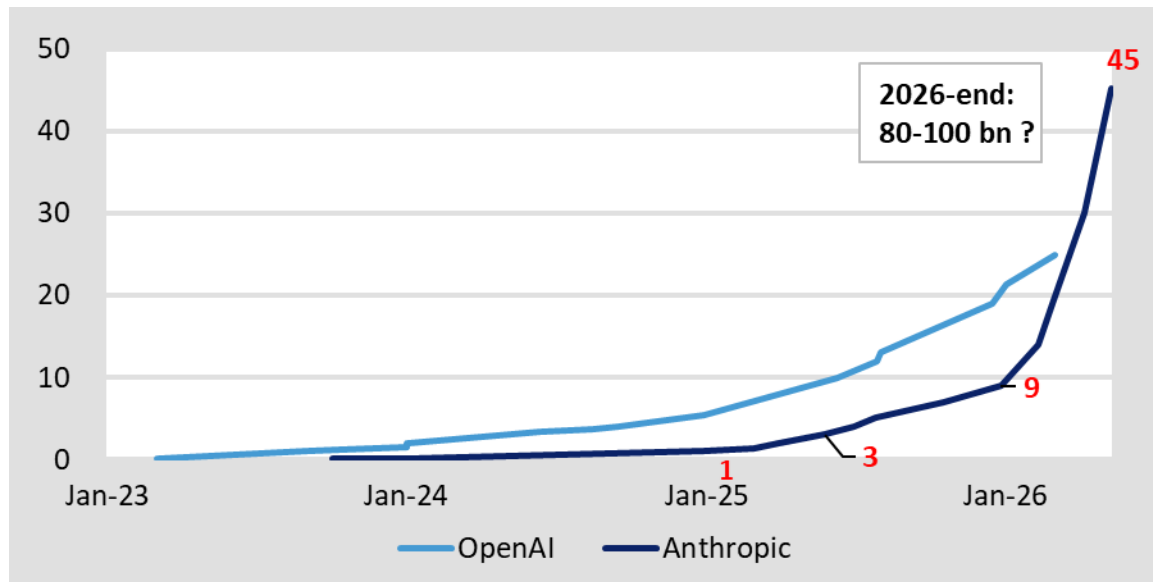


Source: FactSet; KGI Research

AI has entered the stage of scaled deployment, and Anthropic has become profitable. Even with usage restrictions and rising compute costs, AI model companies can still be profitable

Annualized revenues of large language models are growing at an astonishing pace

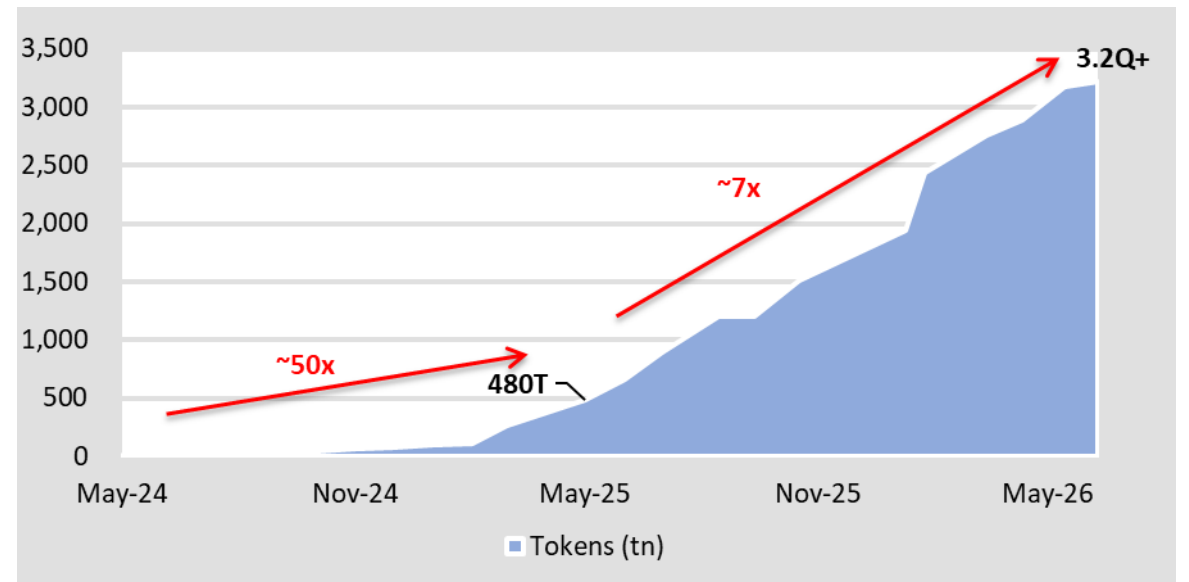
Anthropic and OpenAI annualized revenues, USD billion



Source: Company data; KGI Research

Google's AI models are rapidly being integrated into Search, YouTube, Gmail, and cloud services

Google large language models tokens processed per month, trillion

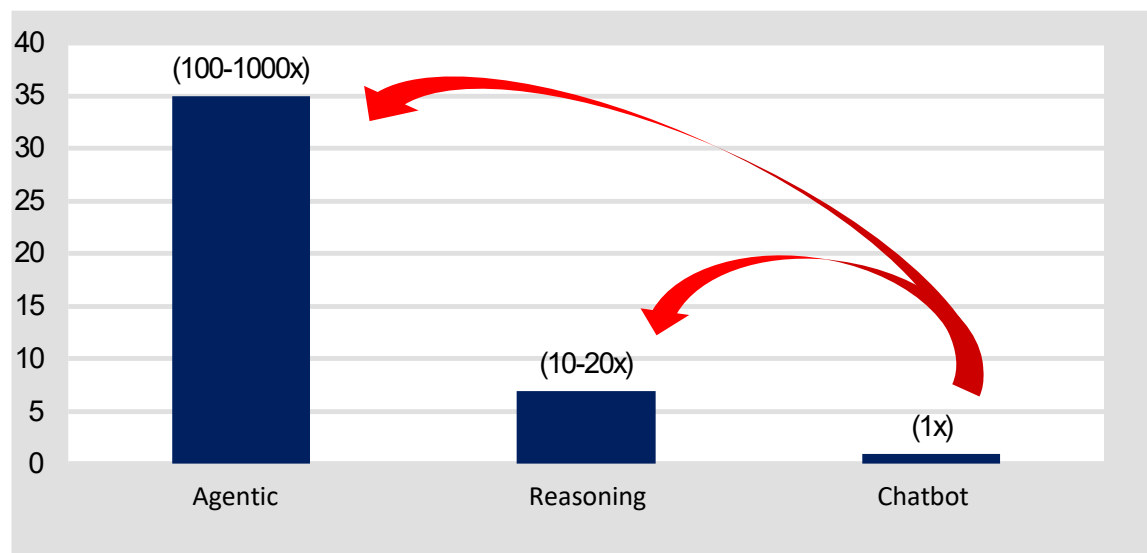


Source: Google; KGI Research

Agentic AI reshapes compute demand - AI applications shift from training to inference and agentic workflows; AI roles change from advisor to operator (around the clock); Agentic Coding and long-running task execution consume large amounts of compute

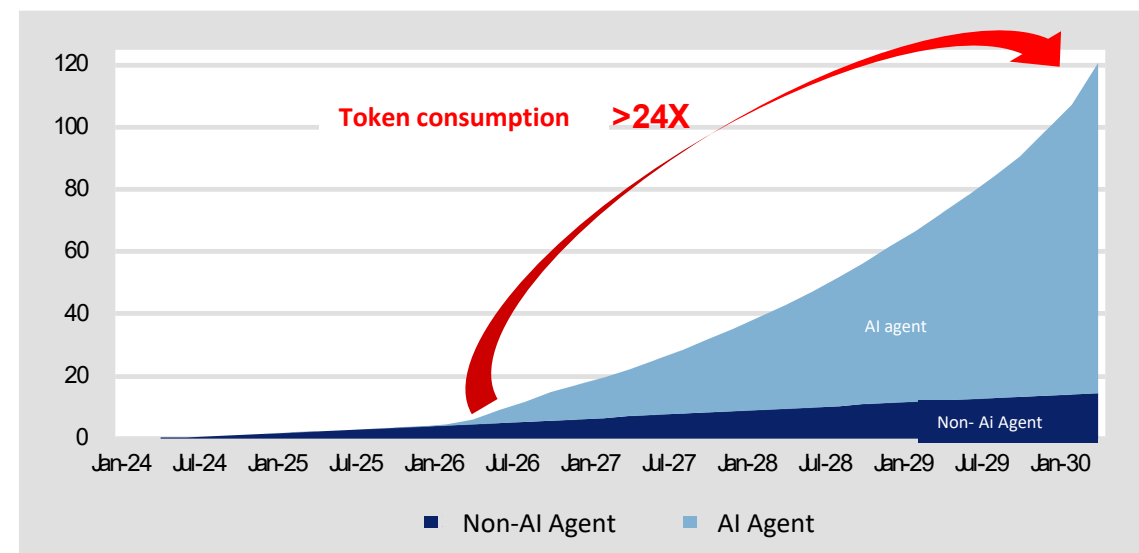
Token consumption for agent AI tasks can be 100 to 1,000 times that of general Q&A

Agent-based AI vs. traditional LLMs tokens consumption comparison



Source: KGI Research

Token demand driven by agent-based AI is experiencing explosive growth
AI token consumption, quadrillion tokens

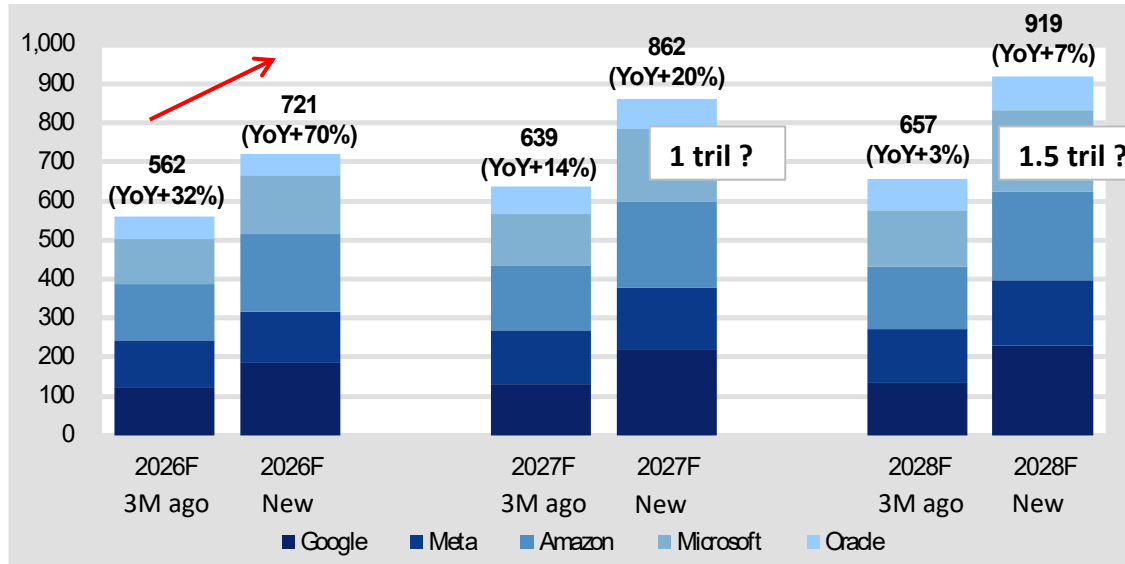


Source: KGI Research

AI models have begun to be profitable, Data Centers are profitable, investments have begun to convert into returns; compute is severely constrained, demand growth far outpaces infrastructure expansion capacity; xAI rents compute to Anthropic

Accelerating AI profitability stimulates further expansion in capital expenditure, forming a positive feedback loop

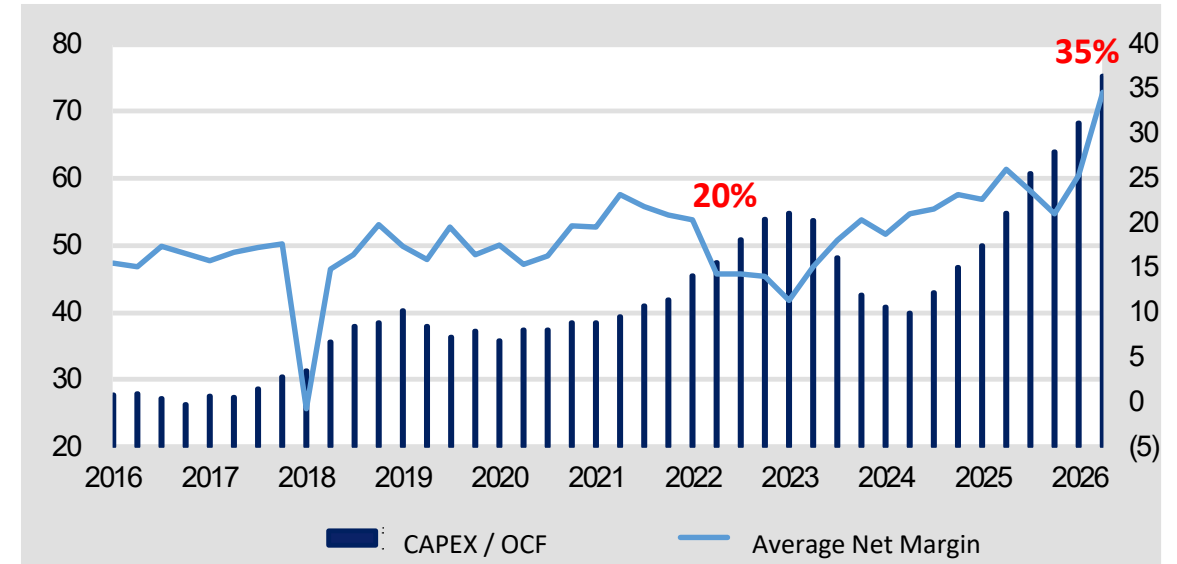
Annual capital expenditure of the top five U.S. CSPs, USD billion



Source: Bloomberg; KGI Research

Net margins of large U.S. CSPs rose from 20% before the AI wave to 35% currently

Capital expenditure / operating cash flow of U.S. cloud service providers, % (LHS); average net margin, % (RHS)

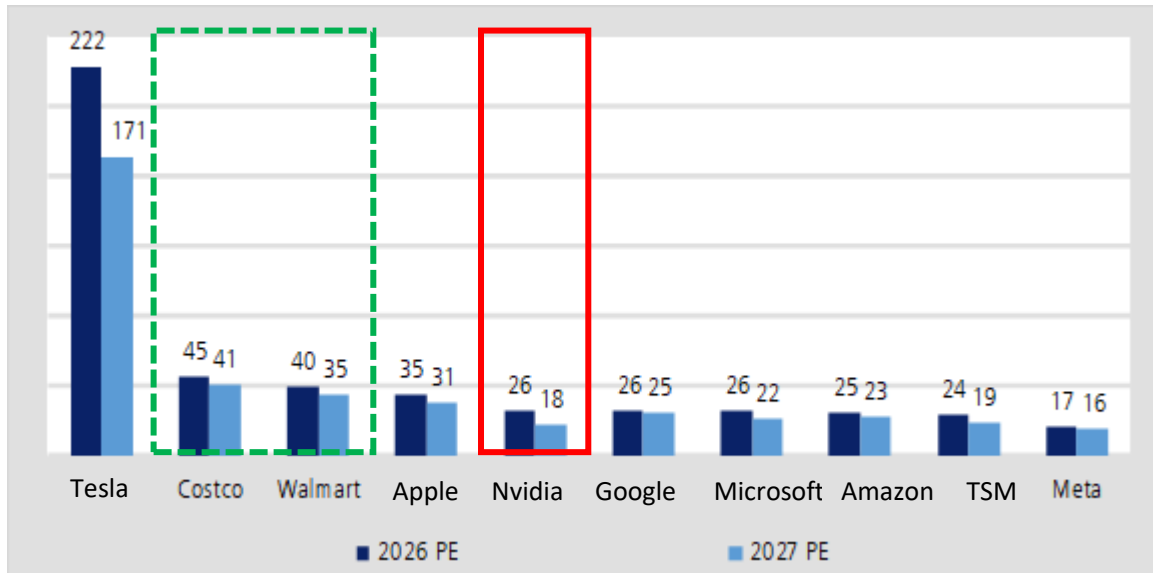


Source: Bloomberg; KGI Research

AI giants' profit growth is strong but valuations remain reasonable; from a PEG perspective they are not overvalued

Current forward P/E of global tech giants is mostly in the 16~25x range

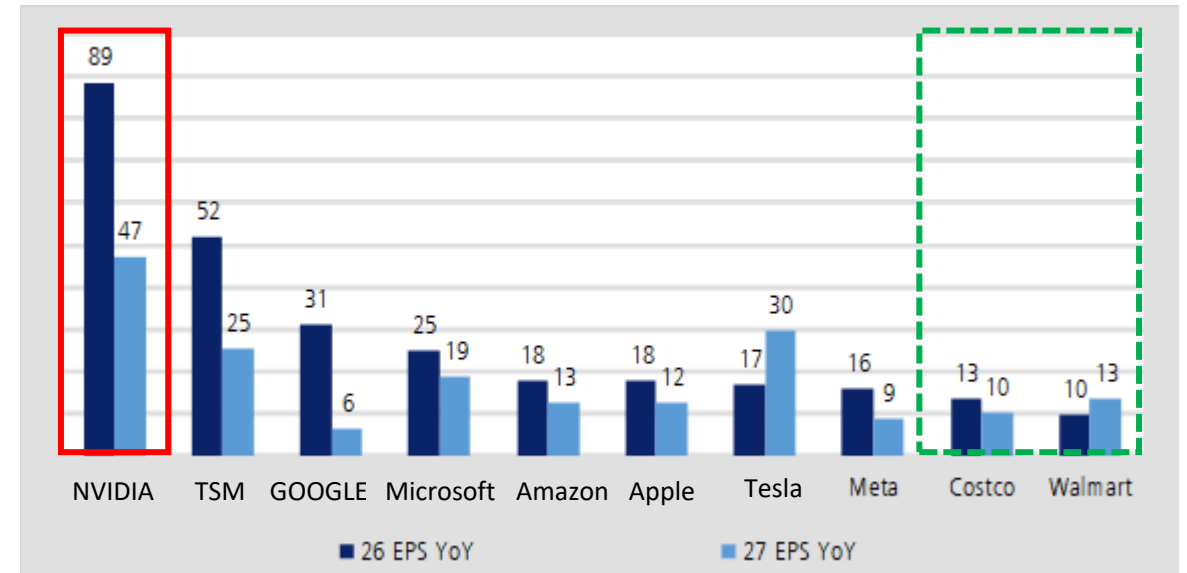
Forward PE of tech giants, x



Source: Bloomberg; KGI Research

... and the earnings outlook remains bright

Estimated earnings growth of tech giants, %



Source: Bloomberg; KGI Research

Possible sources of market volatility: opacity + a Fed that won't support the market?

	Powell	Warsh
Establishing credibility	Through large amounts of data, forecasts, and public explanations	Restricting Fed functions, shrinking the balance sheet
Communication style	Transparent forward guidance (speeches, dot plot, economic forecasts) Pros: reduces unexpected risk Cons: rigidity and passivity, Behind the Curve	Framework replaces guidance (hard to predict) (Reduce speeches, eliminate the dot plot and economic forecasts) Pros: restore policy flexibility Cons: increased market volatility
Facing White House pressure	Stand firm; maintain oppositional independence	Through coordination with the Treasury (the White House), Defend against pressure through rules
Policy tool preference	Normalize the use of unconventional tools (QE, forward guidance)	Prudently use unconventional tools Return to policy rate tools
Relationship with the market	Market caretaker (Fed Put)	Respect market efficiency and maintain discipline



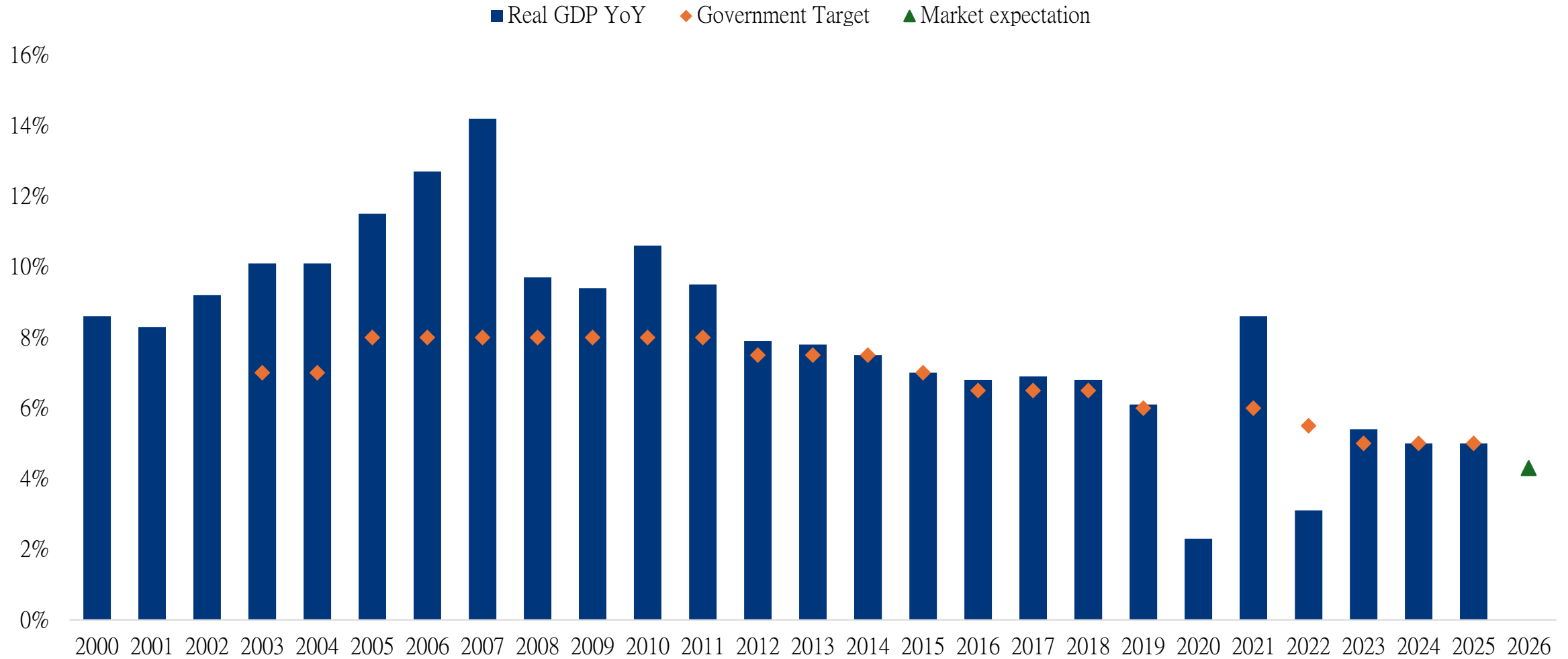
2H outlook for Mainland China and Hong Kong markets



Economic overview

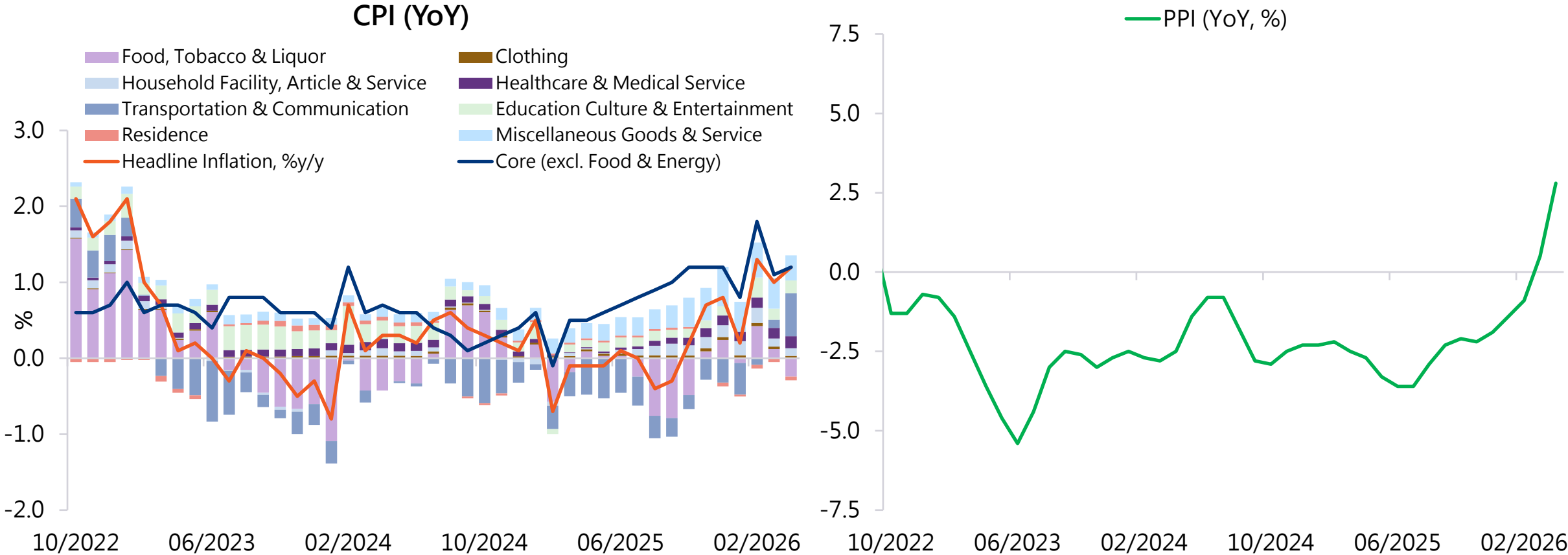
The market focuses on visibility rather than the level of growth

China's economic growth is slightly downward; the market does not have high expectations



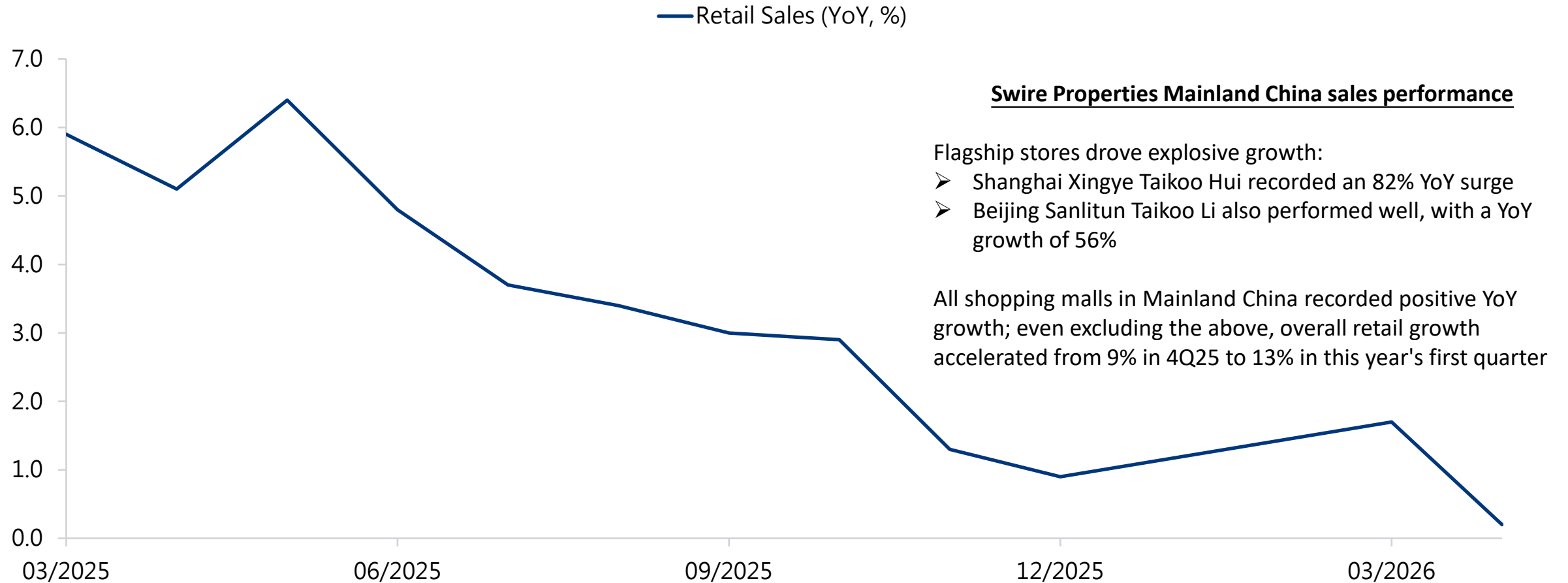
Source: Bloomberg; KGI Research

China's deflationary pressure is gradually easing, which has a positive impact on overall consumption



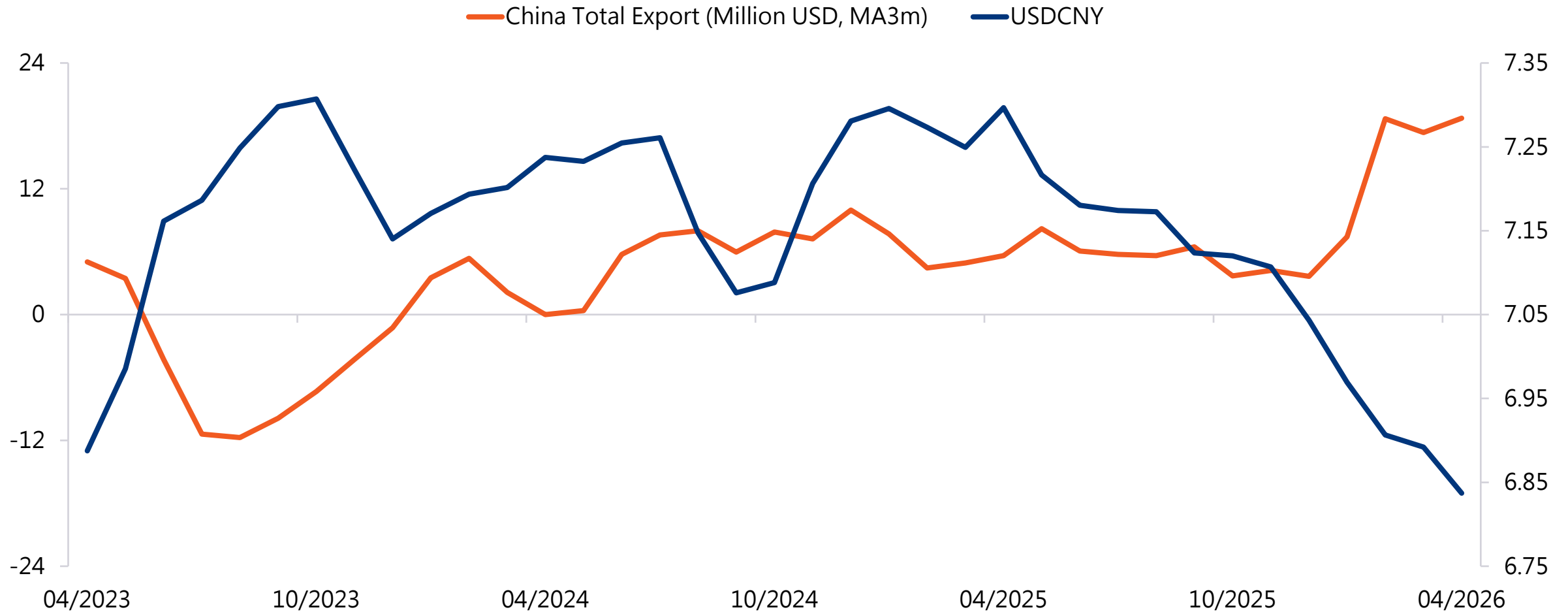
Source: CEIC; KGI Research

Mainland China shopping malls recorded mid-single-digit sales growth on average in 2025, and consumer confidence is slowly recovering



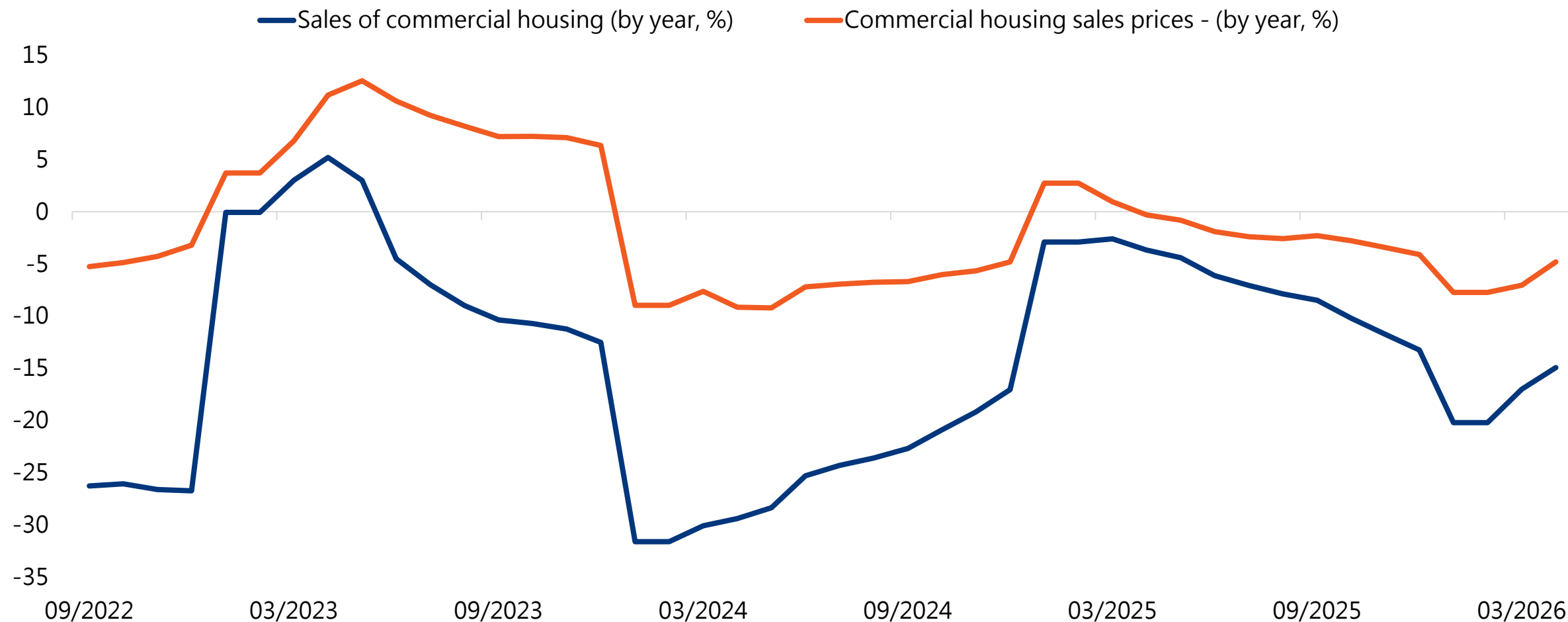
Source: Bloomberg; KGI Research

US tariffs have a negligible impact on China's exports, and the trade surplus provides substantial support for the RMB



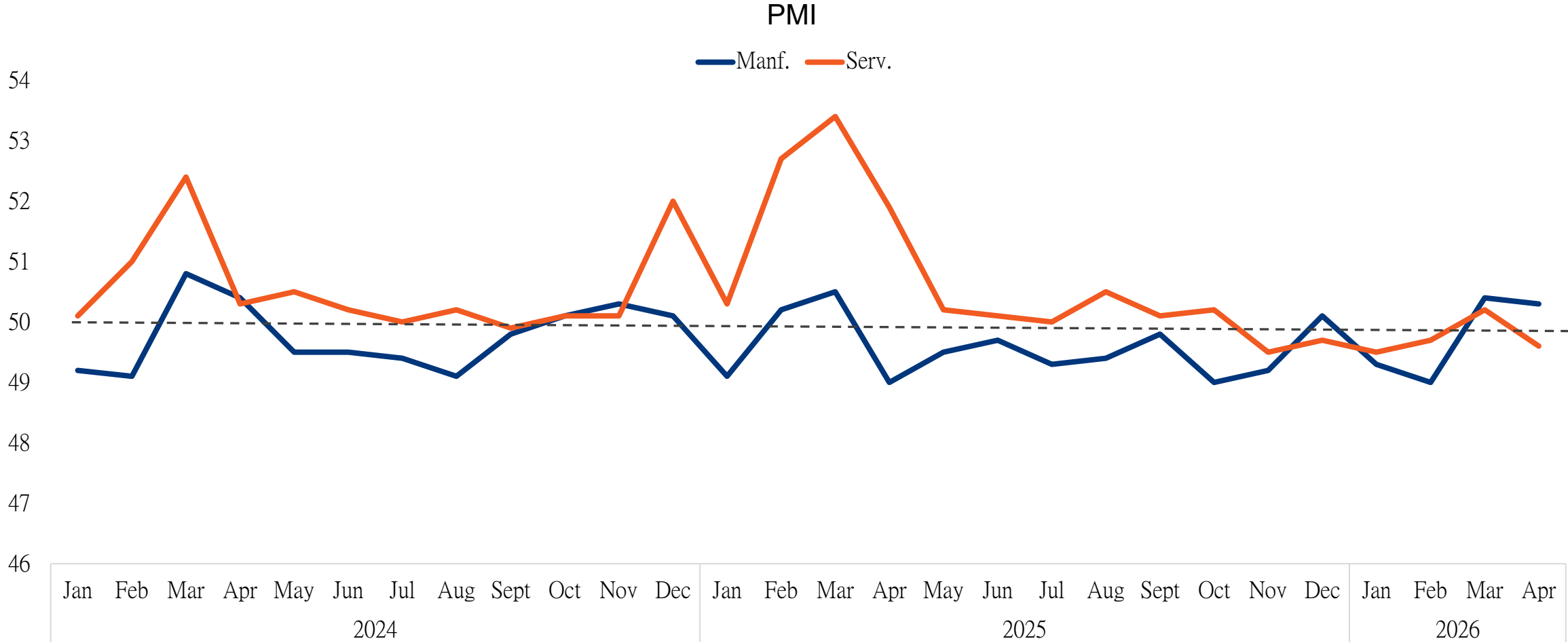
Source: CEIC; KGI Research

China's housing price declines have sharply narrowed from their peak



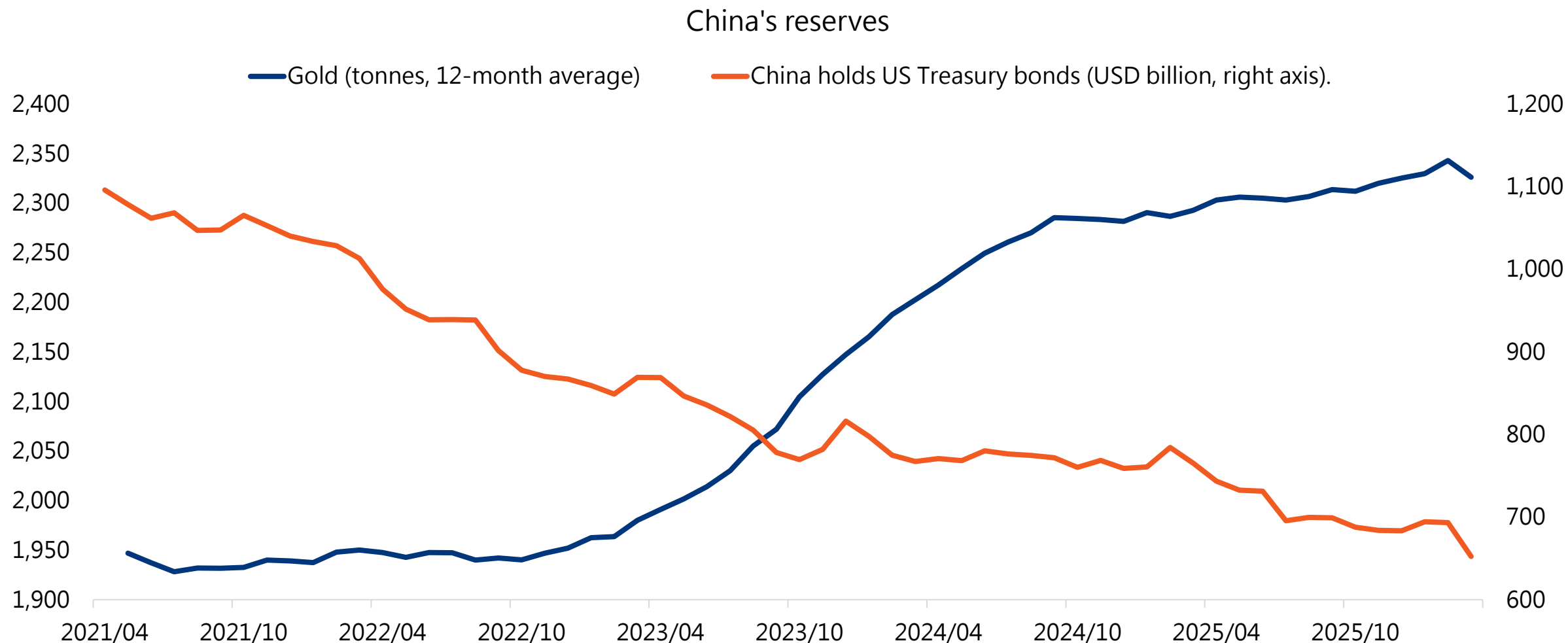
Source: Bloomberg; KGI Research

PMI indicates China's economy is lukewarm, and monetary policy should lean toward easing



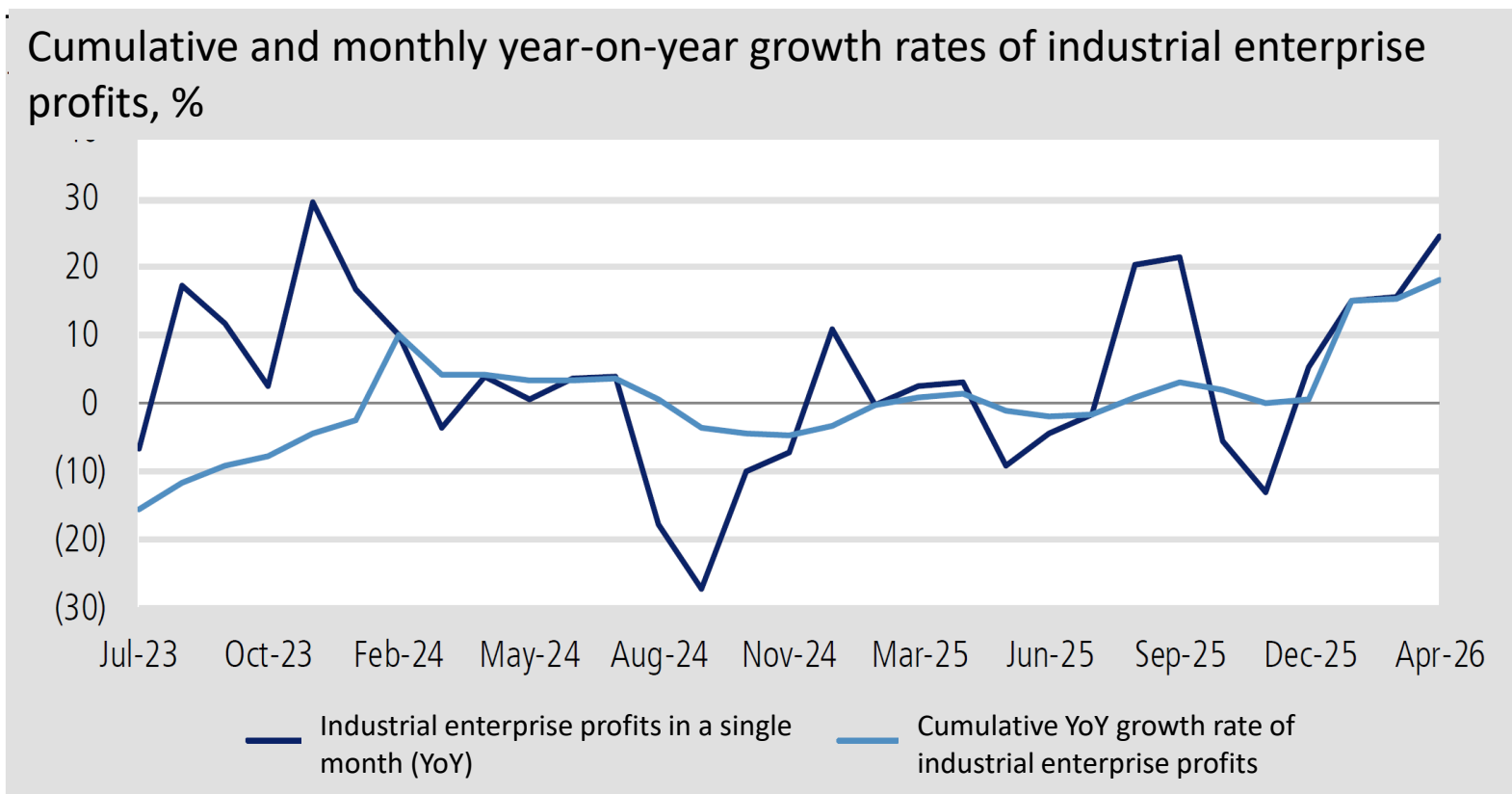
Source: National Bureau of Statistics; KGI Research

China's concurrent reductions in gold and US bond holdings in recent months, have increased upward pressure on the RMB



Source: CEIC; KGI Research

Industrial enterprise profits accelerated YoY



Source: Wind, KGI

China's announced economic stimulus measures

Key points of the Government Work Report

Economic indicators	2023 targets	2024 targets	2025 targets	2026 targets
Gross Domestic Product growth (GDP, %)	~5%	~5%	~5%	4.5% - 5%
Urban new employment (million)	~12	>12	>12	>12
Urban surveyed unemployment rate (%)	~5.5%	~5.5%	~5.5%	~5.5%
Increase in consumer prices (CPI, %)	~3%	~3%	~2%	~2%

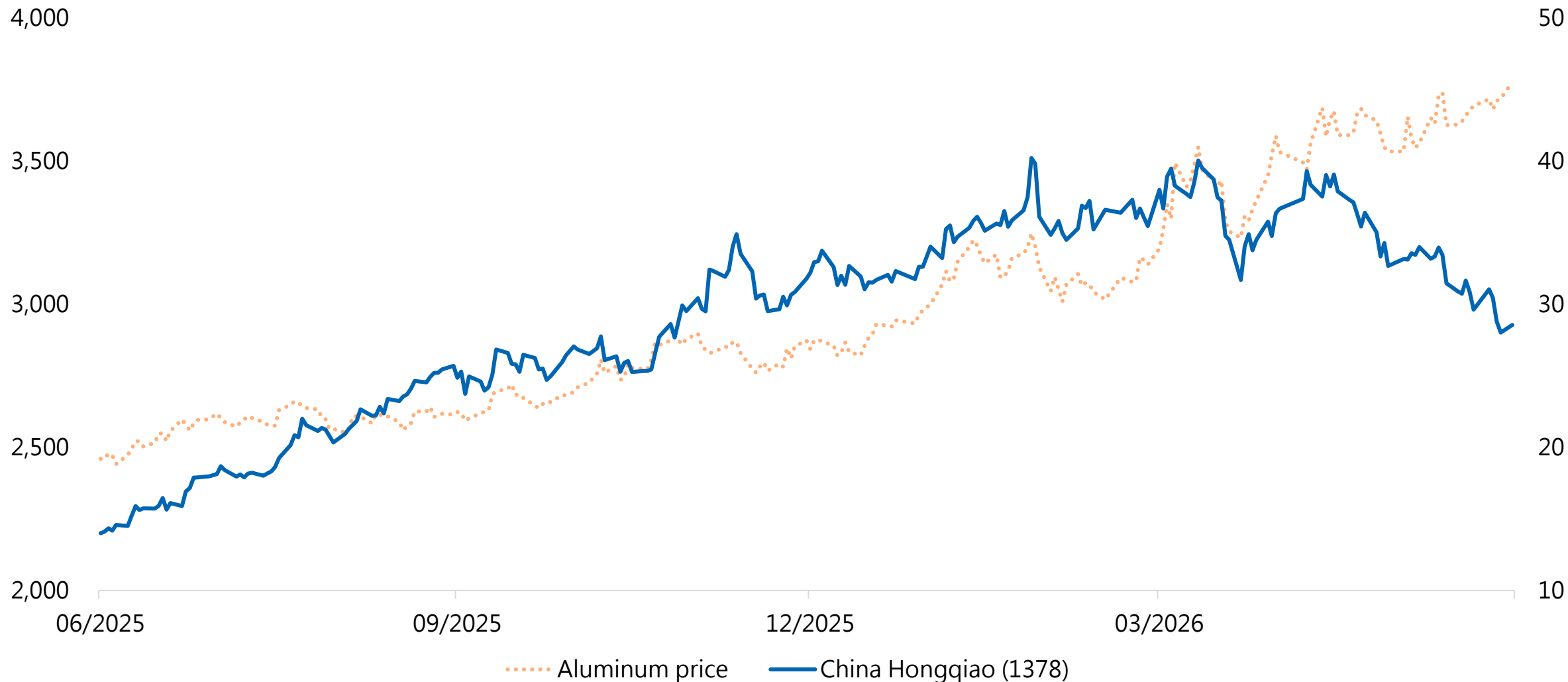
Types of debt	2023 target	2024 target	2025 target	2026 target	Purpose
Size of fiscal deficit (as % of GDP / ten billion)	3.0%*	3.0%/ 4,060	4.0%/ 5,660	4.0%/ 5,890	General public budget
Issuance of ultra-long-term special government bonds (ten billion)	-	1,000	1,300	1,300	"Dual" projects (800), equipment renewal (200); consumer goods trade-in (2026: 250; 2025: 300); Fiscal and financial coordination special fund to promote domestic demand (2026: 500)
Issuance of special government bonds (ten billion)	- 1,000* (additional issuance in Q4)	-	500	300	Supplement capital for major state-owned banks
New quota for local government special bonds (ten billion)	3,800	3,900	4,400	4,400	Used for investment and construction, land banking and acquisition of existing commercial housing stock, settling local government arrears to enterprises, etc.

*After additional issuance reaches 3.8%



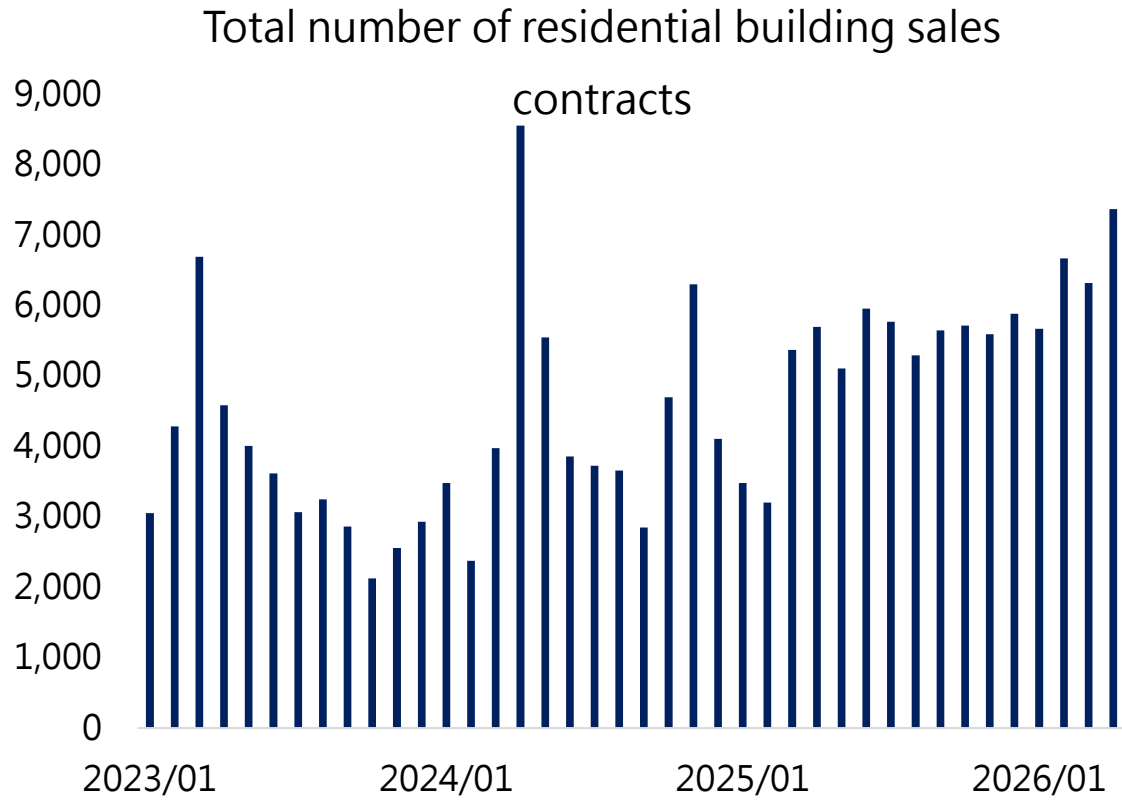
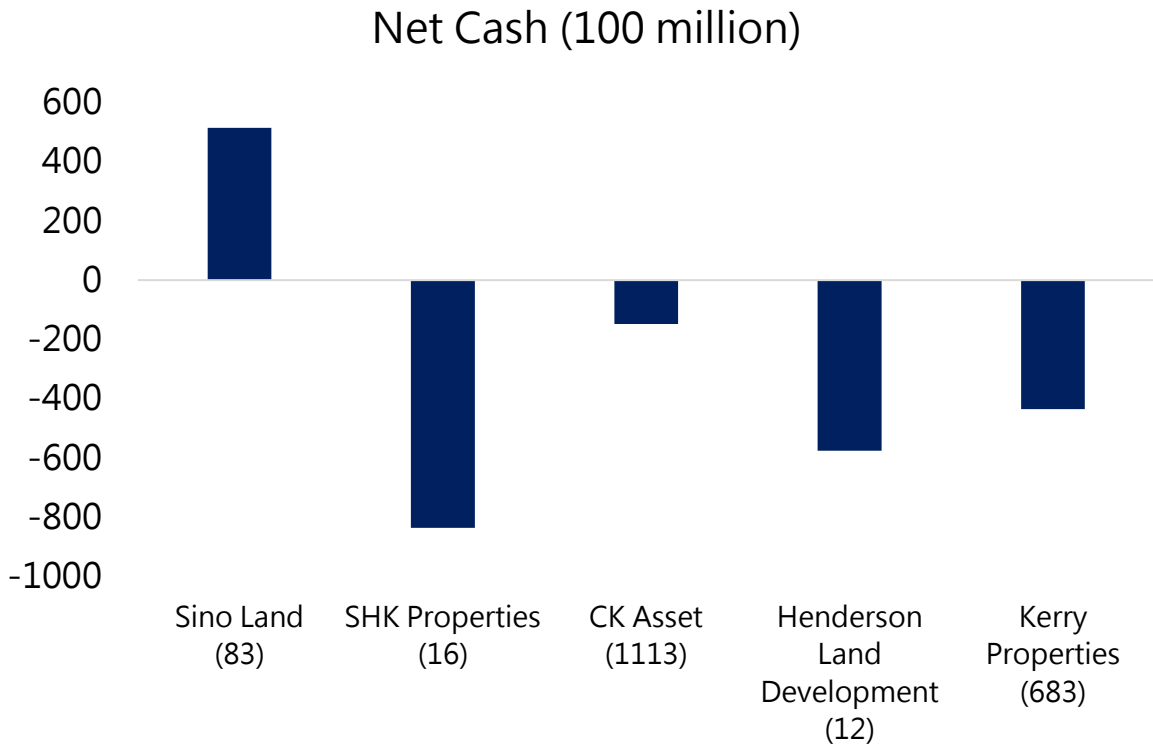
**Recommended strategy since
the beginning of the year**

The structural demand and shortage of aluminum remain unchanged, giving China Hongqiao a cost advantage in production. Its recent price movement has diverged from aluminum prices, presenting an opportunity to accumulate aluminum



Hong Kong property transactions continue to recover

Sino Land (83) maintains a defensive stance with net cash, which also helps the company capture development opportunities



Source: Hong Kong Land Registry



US-China trade war
"Escalate & De-escalate" strategy

Topic 1

During September to November will be the peak of US-China tariff negotiations

The seemingly harmonious atmosphere between the two countries may be brewing beneath the surface

Tactical upgrade

In order to gain leverage in the next deal, Trump is expected to revert to a hardline strategy.

- **Tariff Threat:** The threat states that if a new agreement is not reached, tariffs will be reinstated to the 145% level seen in early 2025.
- **Decoupling strategy:** Increase propaganda on "managed trade" and further restrict sensitive technologies to disrupt Beijing's pace.
- **China's countermeasures:** China has expanded its "economic toolbox," including export controls on lithium-ion batteries and graphite. It is expected that China will delay rare earth exports or U.S. agricultural orders to remind Washington of its retaliatory capabilities.

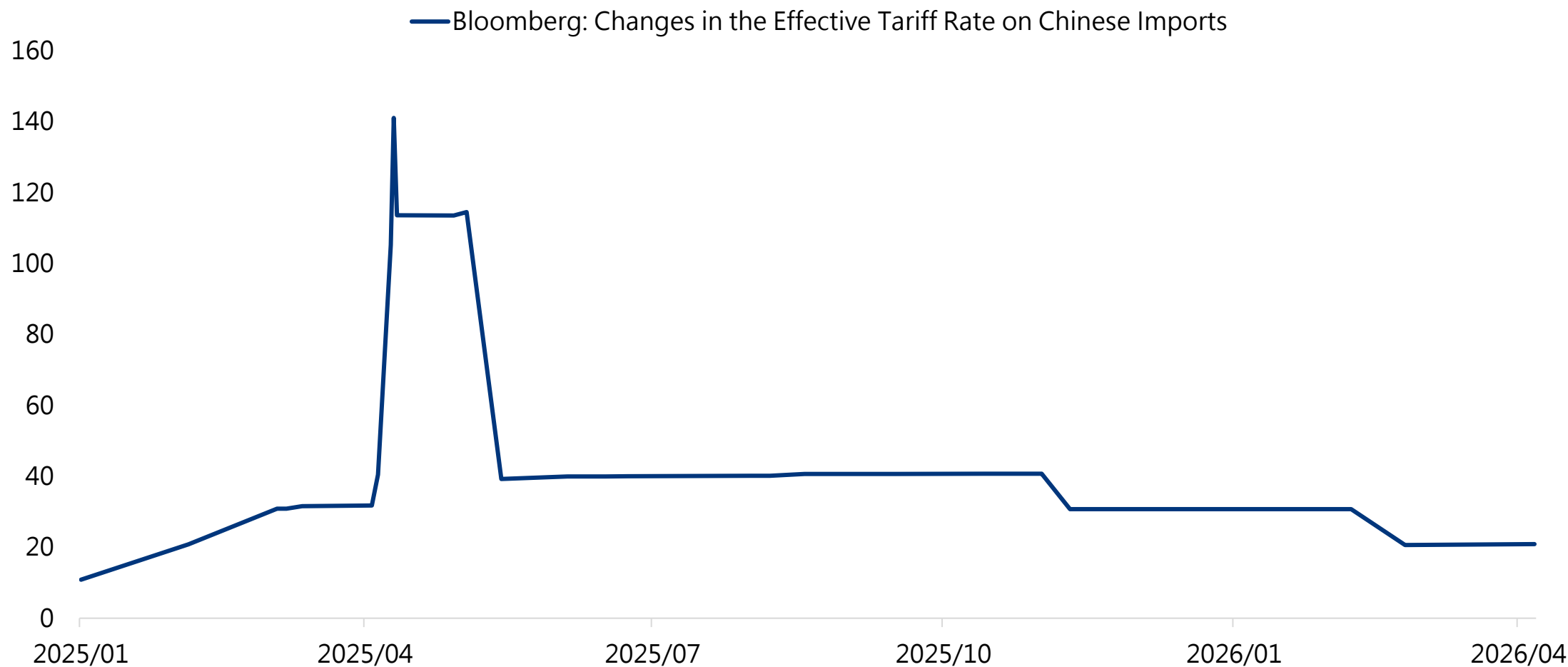
Market volatility is expected as the truce nears its end. Trump's usual tactic is to walk out midway through the meeting or issue a midnight ultimatum on social media, forcing concessions at the last minute. This period will be the most tense in US-China relations.

Neither the US nor China can afford the consequences of a complete decoupling; any trade disputes between the two countries should be seen as good opportunities to increase investment

- **A “new” controlled trade agreement:** a follow-up to the Busan ceasefire agreement, focusing on narrowly defined, non-sensitive goods.
- **Reciprocal concessions:** Trump may grant "exemptions" to certain artificial intelligence semiconductors in exchange for continued large-scale Chinese purchases of US commodities.
- **The vicious cycle continues:** fundamental issues such as geopolitics and technological hegemony in the Asia-Pacific region are likely to remain unresolved, repeatedly postponed until the next agreement expiration date.

The Beijing meeting represents a diplomatic truce; the months leading up to November will be a business game. We anticipate significant market volatility during the negotiation phase (especially for the Hong Kong / China markets).

The effective US tariffs on China have decreased from nearly 140% to the current 21%



Source: CEIC KGI's compilation

If selling pressure re-emerges due to US-China tariff negotiations, the focus should be on the biotechnology sector

Company Name	Stock Code	Stock price before liberation	Lowest stock price since Liberation Day	Maximum drop	Stock price bottoming out	Number of days needed to reach the bottom	Three months after bottoming out, the stock price	Rebound %	Will the stock price recover to its pre-liberation state ?
AKESO	9926	88	64.75	-26%	4/7/2025	5	113	75%	28%
COWELL	1415	30.3	16.9	-44%	4/7/2025	5	28.55	69%	-6%
CHERVON	2285	17.82	11.28	-37%	4/17/2025	15	18.62	65%	4%
WUXI APTEC	2359	68.55	48.4	-29%	4/9/2025	7	78.75	63%	15%
XIAOMI-W	1810	44.55	36.45	-18%	4/7/2025	5	57.3	57%	29%
NEXTEER	1316	5.01	3.48	-31%	4/7/2025	5	5.31	53%	6%
MINTH GROUP	425	21.5	15.5	-28%	4/7/2025	5	22.5	45%	5%
OOIL	316	118	96.2	-18%	4/7/2025	5	137.2	43%	16%
COSCO SHIP HOLD	1919	12.58	9.96	-21%	4/7/2025	5	13.72	38%	9%
SHENZHOU INTL	2313	60.5	44.15	-27%	4/9/2025	7	59.5	35%	-2%
LENOVO	992	10.66	7.5	-30%	4/9/2025	7	9.72	30%	-9%
AAC TECH	2018	47.4	32.6	-31%	4/16/2025	14	41.75	28%	-12%
CRYSTAL INTL	2232	5.88	3.93	-33%	4/7/2025	5	4.95	26%	-16%
SUNNY OPTICAL	2382	74.6	55.4	-26%	4/7/2025	5	68.5	21%	-8%
MAN WAH HLDGS	1999	4.57	3.58	-22%	4/7/2025	5	4.34	21%	-5%
TECHTRONIC IND	669	93.8	72.05	-23%	4/8/2025	6	86.5	20%	-8%
YUE YUEN IND	551	12.66	10.38	-18%	4/7/2025	5	12.46	20%	-2%
HAIER SMARTHOME	6690	24.9	19.82	-20%	4/7/2025	5	23.75	20%	-5%
SMIC	981	44.7	37.7	-16%	4/7/2025	5	44.3	18%	-1%
STELLA HOLDINGS	1836	17.38	13.28	-24%	4/22/2025	20	15.28	15%	-12%
BYD ELECTRONIC	285	40.65	28.65	-30%	4/8/2025	6	31.65	10%	-22%

Geopolitically sensitive

Individual stocks	Investment Focus
<p>Akeso Biopharma (9926)</p>	<ul style="list-style-type: none"> • Accelerated commercialization and the effect of medical insurance coverage: The inclusion of core bispecific antibody products (Ivonescimab and Cadonilimab) in the national medical insurance program will continue to increase market penetration and drive accelerated sales, initiating a long-term profit release cycle. • Ivonescimab demonstrates excellent clinical data : Ivonescimab plus chemotherapy showed excellent clinical data in HARMONI-6 , with longer overall survival and progression-free survival compared to the control group. • Expanding overseas : Partner Summit Therapeutics (SMMT) has submitted a Biologics License Application (BLA) for Ivonescimab (AK112) as a second-line treatment . Approval is expected as early as the end of the year, marking a significant milestone for Akeso. The first drug successfully entered the overseas market.
<p>COSCO Shipping Holdings (1919)</p>	<ul style="list-style-type: none"> • The freight rate outlook is relatively certain : Global supply chains are strained due to Middle Eastern geopolitical factors, such as the Red Sea bypass, and new shipbuilding capacity is limited. This has driven a significant increase in spot freight rates, providing strong price support for long-term contract negotiations in North America. Given the expectation that the Suez Canal will not be fully operational in the short term, overall freight rates are expected to remain high. • Cost Control and Operational Optimization : Despite market volatility, the company successfully achieved a year-on-year decrease in unit container costs thanks to its superior supply chain and operational management. Through optimized routes and flexible capacity allocation, it effectively mitigated oil price risks and achieved counter-trend growth in cargo volume on Asian and Asia-Europe routes.

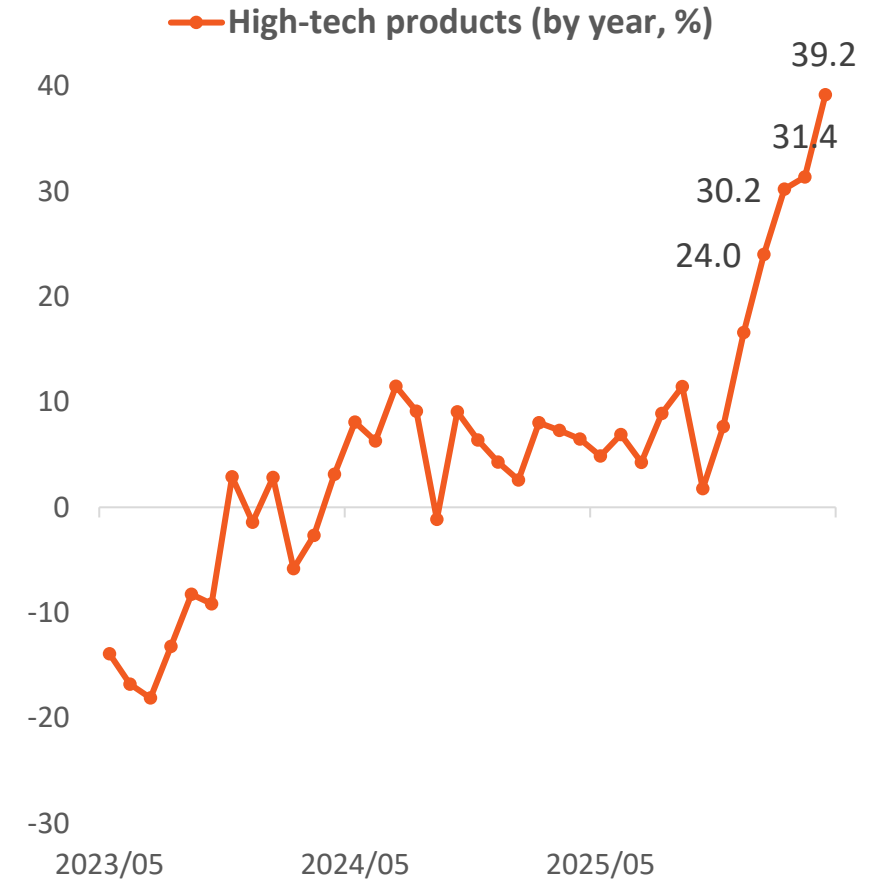
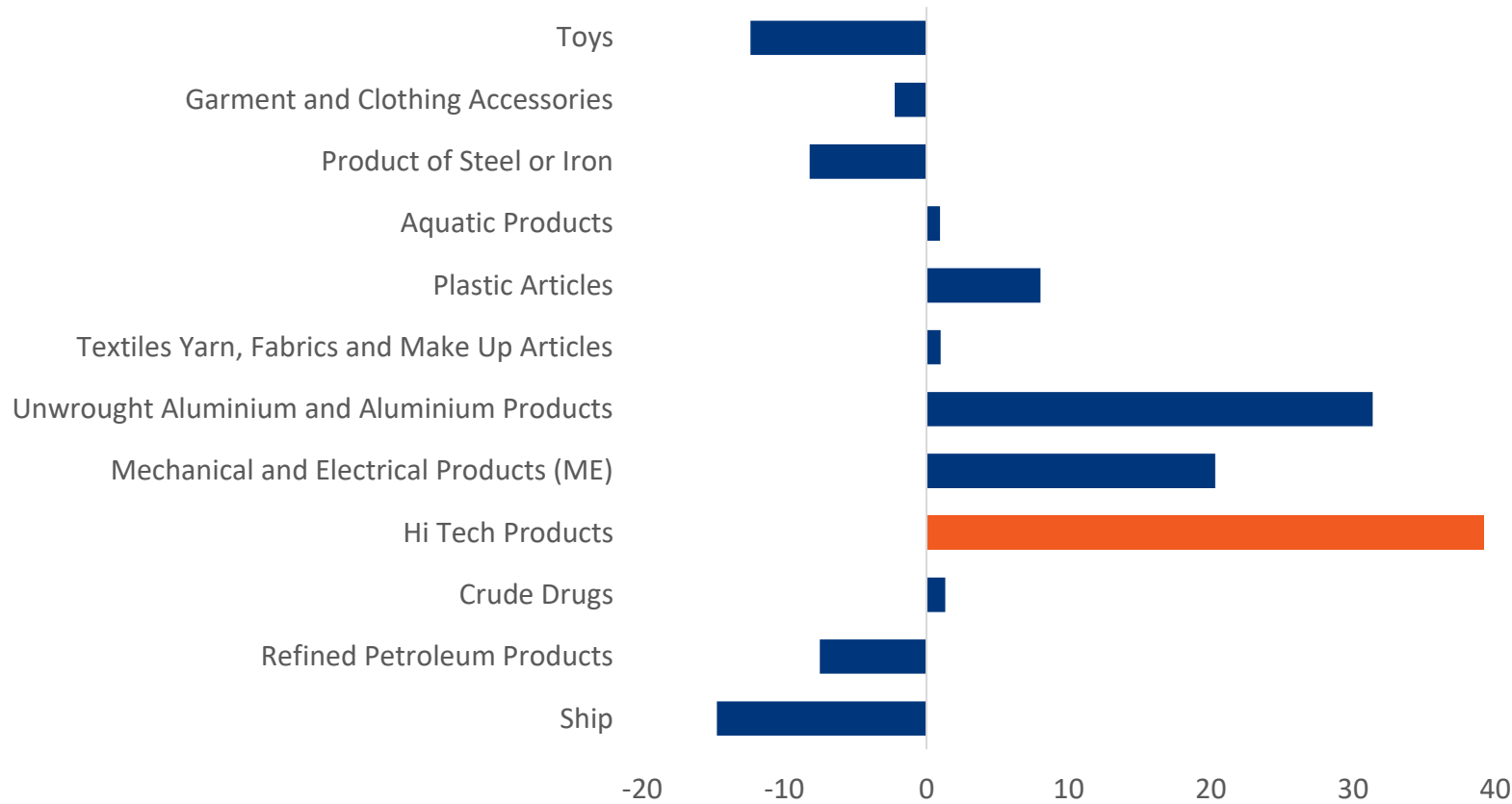


China AI

Theme 2

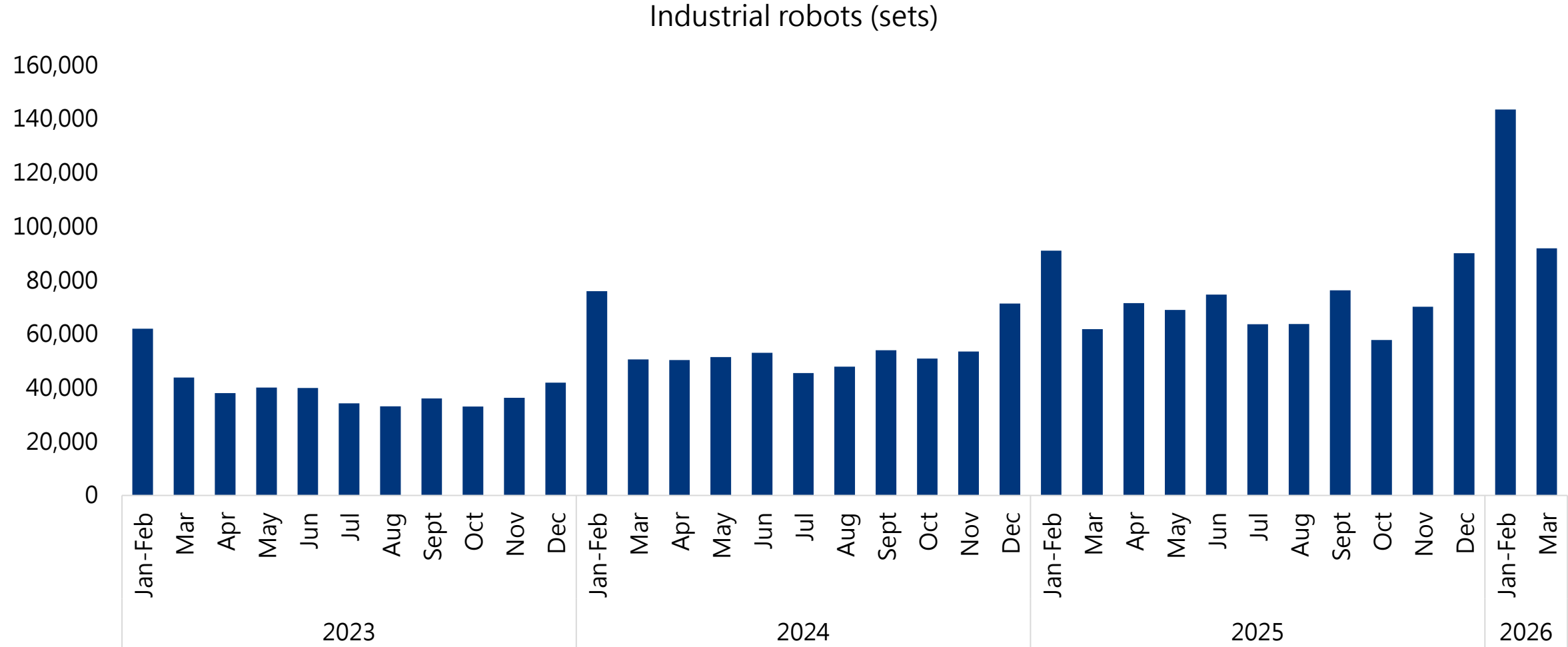
China's total exports grew by 14%, far exceeding market expectations of 7.9%, with exports of high-tech products increasing by 39.2%, indicating strong demand for AI-related products

China's exports grew by (%) year-on-year



Source: CEIC KGI's compilation

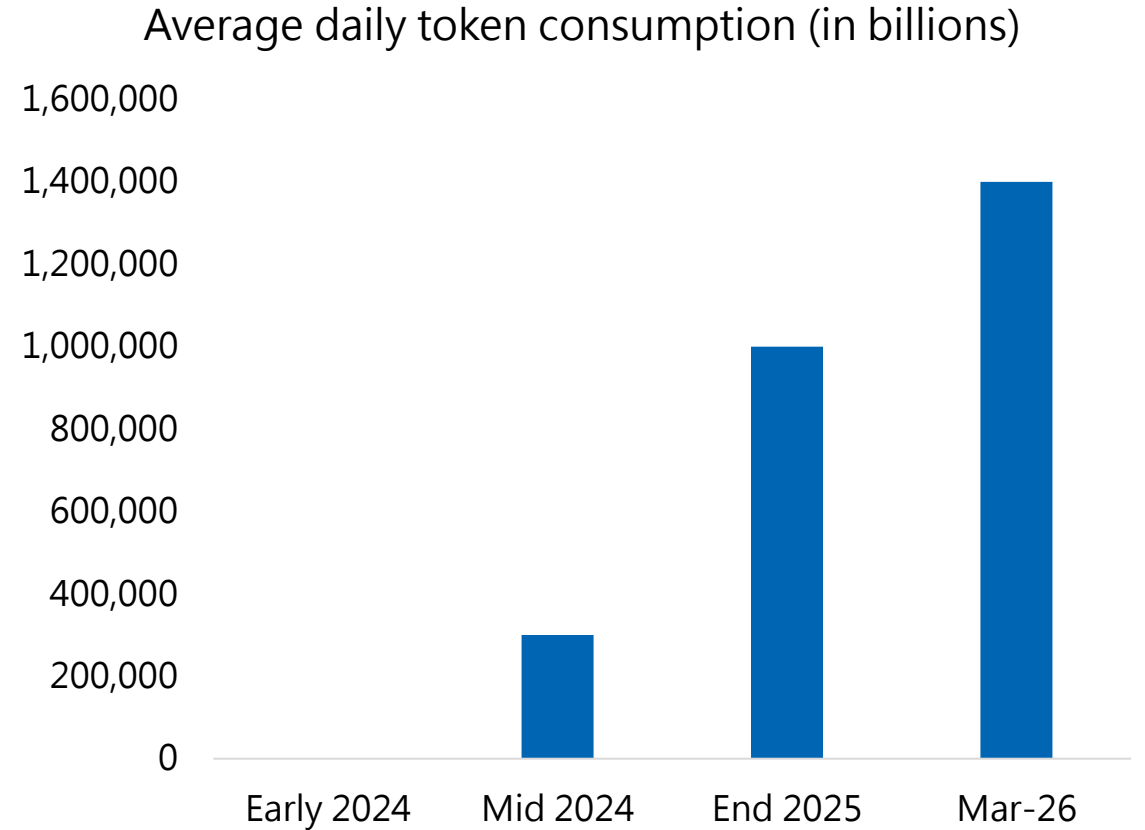
Industrial robots production is rising rapidly



Source: National Bureau of Statistics KGI's compilation

Artificial intelligence The use of tokens has increased exponentially

Time	Daily Token Consumption	Compared to the beginning of 2024
Early 2024	100 billion	-
June 2025	30 trillion	300 times
December 2025	100 trillion	1,000 times
March 2026	140 trillion	1,400 times



Source: Compiled from online materials KGI's compilation

The commercialization process of China's large-scale AI models

	First quarter of Number of winning bids	First quarter of Disclosed Amount (10,000 RMB)	2025 full year Number of winning bids	2025 full year Disclosed Amount (10,000 RMB)
Baidu AI Cloud	25	124,826	109	88,330
Alibaba Cloud	24	26,811	69	39,414
Volcano Engine	20	8,210	82	50,712
Tencent Cloud	9	1,138	44	12,337
Huawei Cloud	7	1,408	40	77,769

Source: Compiled from online materials KGI's compilation

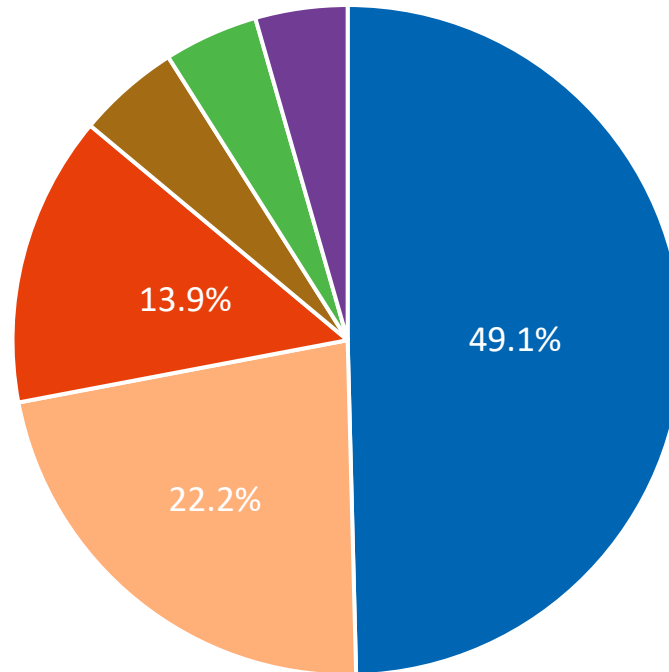
Chinese companies related to the AI supply chain

	business	name	January %	March %	YTD %	1 year %	Market capitalization (US dollars)	income (US dollars)	Forecast Price-to-Earnings Ratio (This year)	Forecast Price-to-Earnings Ratio (next year)	Net profit margin T12M
700	super-large data center operators	Tencent	(-15.4)	(-15.9)	(-26.7)	(-15.7)	510,926	104,638	12.63	11.38	30.61
9988	super-large data center operators	Alibaba	(-7.6)	(-14.3)	(-11.8)	3.2	308,681	144,156	18.88	13.45	10.12
BIDU	super-large data center operators	Baidu Group	9.5	(-0.5)	3.5	58.2	46,009	17,967	16.97	14.83	1.02
3888	super-large data center operators	Kingsoft Software	(-13.7)	(-22.5)	(-25.6)	(-45.6)	3,732	1,348	18.78	15.97	20.70
600203	Technical components (connectors)	Fujian Furi Electronics	(-0.4)	(-5.2)	(-10.3)	25.1	1,044	1,933	-	-	0.24
300308	Technical components (optics)	Zhongji Xuchuang	14.9	87.1	62.8	937.6	162,641	5,323	43.10	27.11	29.28
300502	Technical components (optics)	Chengdu Xinyisheng Communication Technology	(-2.2)	54.6	31.4	578.7	82,720	3,458	32.02	22.25	36.87
300476	Technical components (PCB/ substrate)	Shenghong Technology	0.2	27.5	15.2	318.8	47,387	2,685	32.91	19.80	22.83
2463	Technical components (PCB/ substrate)	Hushi Electronics	3.9	49.9	41.9	235.6	29,341	2,637	36.42	24.82	20.37

Overview of Chinese technology stocks raising funds in Hong Kong

Technology companies accounted for half of total funds raised in Q1 (number of listed companies)

- High-tech (15 companies)
- Industrial (9 companies)
- Retail (2 companies)
- Consumer staples (2 companies)
- Other (6 companies)
- Healthcare (4 companies)



The focus is on downstream AI and robotics

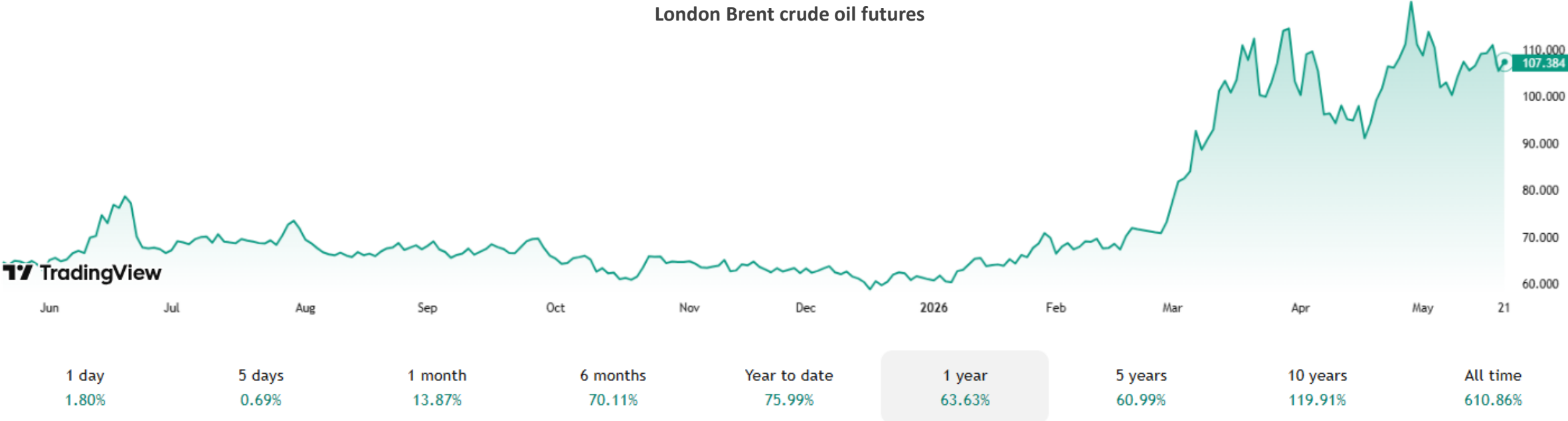
Individual stocks	Investment Focus
Tencent (700)	<ul style="list-style-type: none"> • Improved financial visibility ensures future returns: The clear disclosure framework established in the first quarter significantly improves future profit visibility. With strong free cash flow of RMB 57 billion and self-financing capabilities, the company expects to continue increasing future share buybacks and AI capital expenditures, providing strong support for shareholder returns . • Dual-engine growth, poised for further gains in subsequent quarters: The robust double-digit revenue growth in the domestic game market in the first quarter will gradually translate into tangible revenue in subsequent quarters. With increased user engagement on video platforms and upgrades to AI advertising models, there is still significant room for improvement in ad load rates, continuously unleashing long-term growth momentum. • AI ecosystem monetization is promising, with ample room for valuation recovery: The WeChat Mini Program ecosystem connects millions of merchants, creating a unique advantage for the future application and closed-loop monetization of AI technology. Currently, the five-year low of a forward P/E ratio of 13 provides strong defensive characteristics.
Alibaba (9988)	<ul style="list-style-type: none"> • Cloud computing and AI is expected to bring profit margins back to double digits: Qianwen 's annualized recurring revenue (ARR) for MaaS is projected to exceed RMB\$ 30 billion by the end of the year . With the increasing proportion of high-margin MaaS and the deployment of self-developed chips, cloud EBITA profit margins are expected to return to double digits within the next 1-2 quarters, laying the foundation for the long-term core engine of " AI + cloud computing". • Future profits and cash flow are on an improving trajectory: Taotian Group's strategic investments have solidified its market share, and profits are now on track. With the improving competitive landscape of the industry, the fundamentals and profits of e-commerce are expected to see substantial improvement in the coming quarters, continuously providing a strong cash flow support for the Group. • Instant Retail Accelerates Loss Reduction: Benefiting from rational market competition, instant retail losses are narrowing at an accelerated pace. Unit economics (UE) is projected to turn positive in fiscal year 2027 , with losses halving annually from fiscal year 2027 to 2028 , ultimately achieving full profitability in fiscal year 2029 , effectively unlocking the Group's overall profit elasticity.
UBTECH (9880)	<ul style="list-style-type: none"> • Walker S shipments doubled, establishing it as a core engine for future revenue: The 2026 Walker S shipment target has been significantly increased to 5,000 units (total capacity 10,000 units), expected to contribute nearly half to 69% of revenue. The upcoming, lighter, and lower-cost next-generation Walker S3 will further lower the barrier to entry for industrial customers and accelerate economies of scale. • AI "world model" builds high barriers to entry, potentially bringing forward the profit inflection point: R&D expenditure will rise to 700 million RMB in 2026 , used to develop VLA models and significantly increase data collection to 1 million hours. Algorithmic advantages will help solidify its leading position in the humanoid field. With gross margin expected to improve significantly from 37.7% to 43-44% , the company is expected to achieve break-even in 2027 or earlier



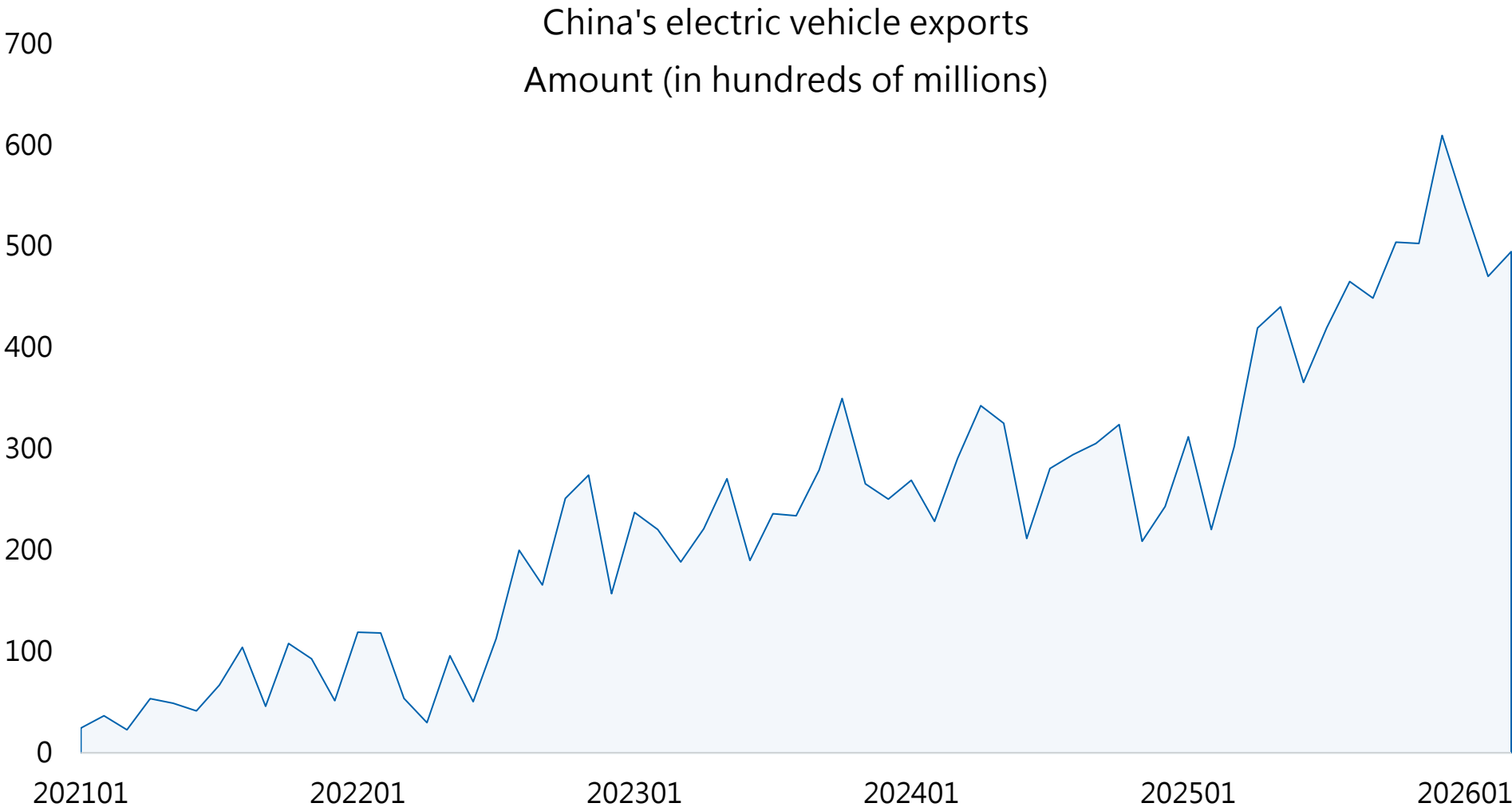
Opportunities for China from the Energy Crisis

Theme 3

"Ceasefire, war, ceasefire, war ..." International crude oil prices remain at high levels

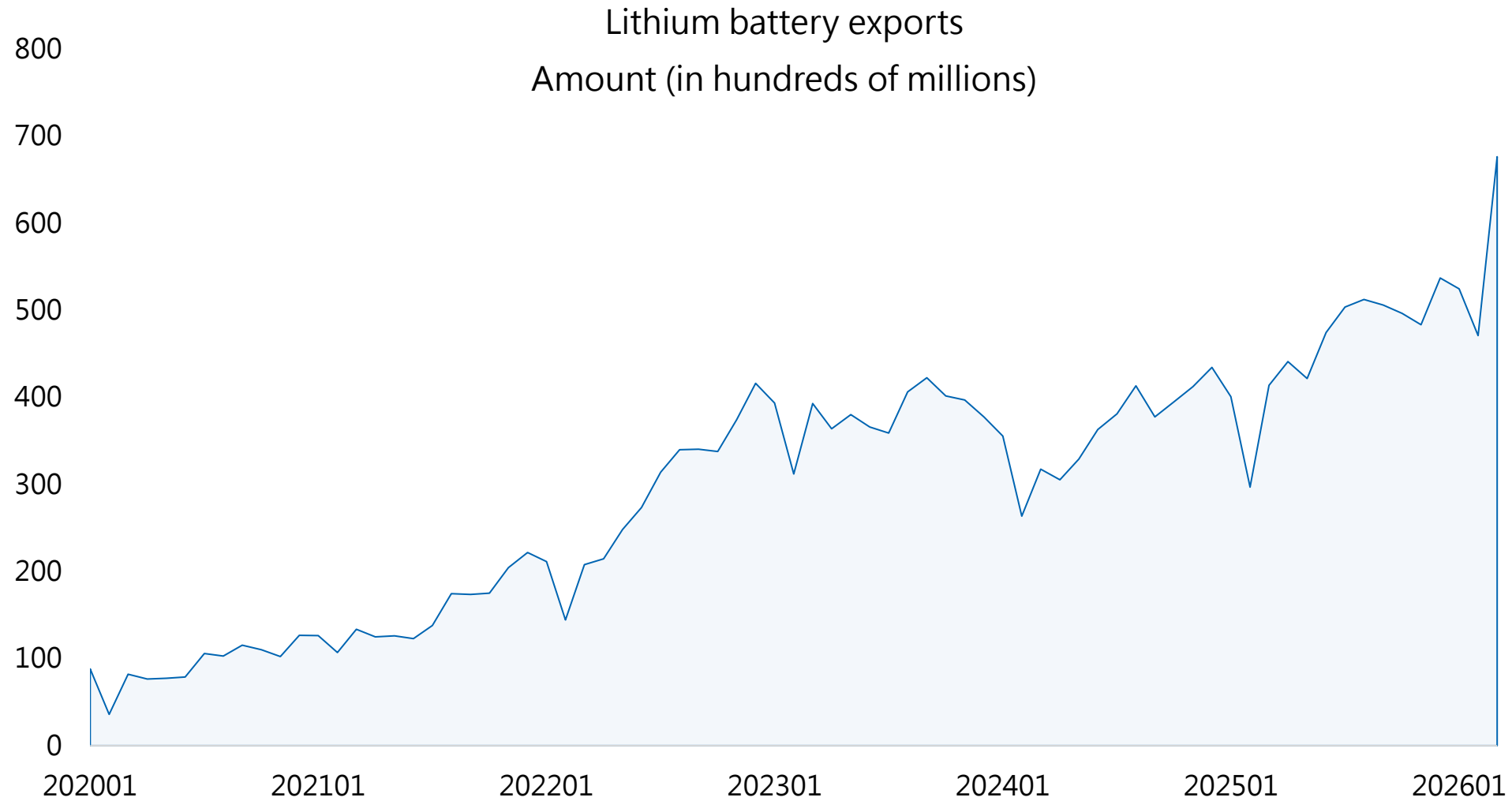


Energy instability also drives strong growth in China's EV exports



Source : General Administration of Customs of China

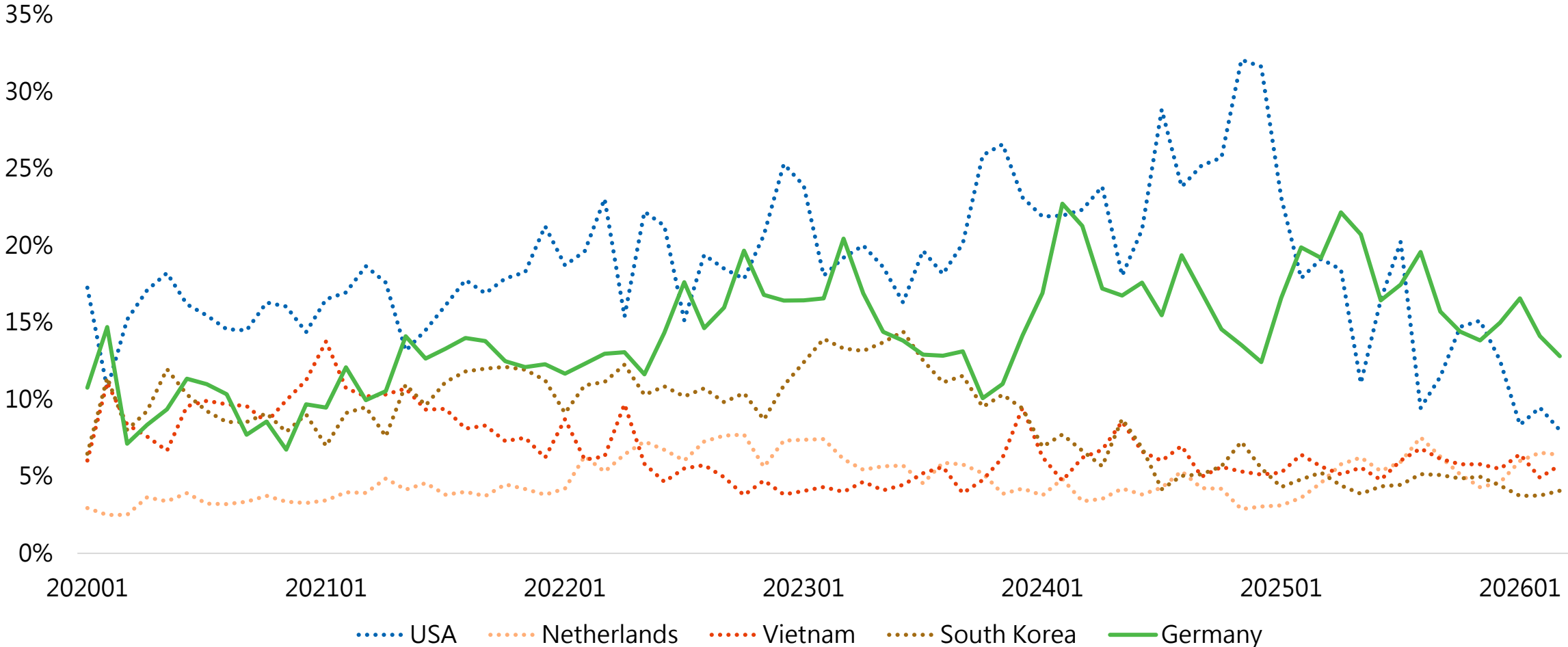
The rapid growth in China's lithium battery exports reflects the expanding global demand for electric vehicles



Source : General Administration of Customs of China

Germany has surpassed the United States to become China's largest importer of lithium batteries

Lithium battery export destinations (%)



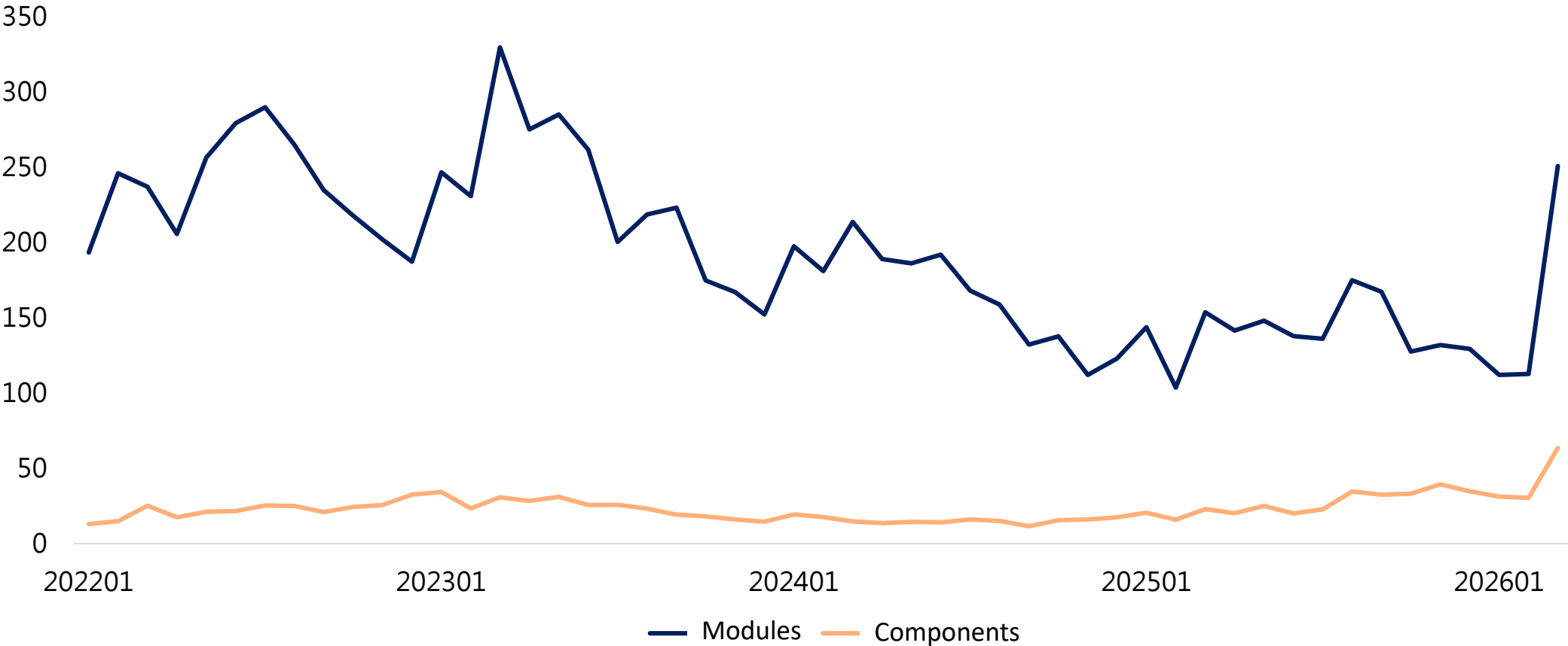
Source : General Administration of Customs of China

Energy storage have become strategic assets for many countries to support the development of sustainable renewable energy and maintain grid stability

Energy storage related policies		
	Policy Name / Project	Key details for 2026
Taiwan	Subsidy for Off-Meter Energy Storage Systems (MOEA)	For industrial users, the subsidy is approximately NT\$5 million per MWh ; priority will be given to those using domestically produced battery cells.
China	Electricity price for independent energy storage capacity on the power side	The subsidy will be based on the "available capacity" rather than just the amount of electricity discharged, referencing the capacity-based electricity price of coal-fired power plants; the National Development and Reform Commission will fully implement this in 2026 .
U.S.	OBCCA Act (New ITC)	Projects commencing in 2026 are eligible for a 30% investment credit; additional credits are available if more than 50% of the parts are domestically produced.
Australia	Low-cost home battery program (Federal)	The subsidy is approximately AUD\$310 per kWh . Starting May 1, 2026, it will be changed to a tiered system (the highest subsidy is for kWh below 14 kWh).
Italy	Ecobonus 2026	Residential energy storage: 50% for first-time homebuyers A 36% tax credit is offered on second homes , up to a maximum of € 96,000 , payable over 10 years.
Germany	Low Value Added Tax (VAT) Policy	The 7% low VAT on energy storage systems will continue ; some state governments (such as NRW) are offering additional installation bonuses.
Poland	Mój Prąd (Round 6)	The maximum subsidy for residential energy storage is 16,000 PLN ; the number of applications is expected to reach a new high in 2026 .

Following the US attack on Iran, China's photovoltaic-related exports surged in March

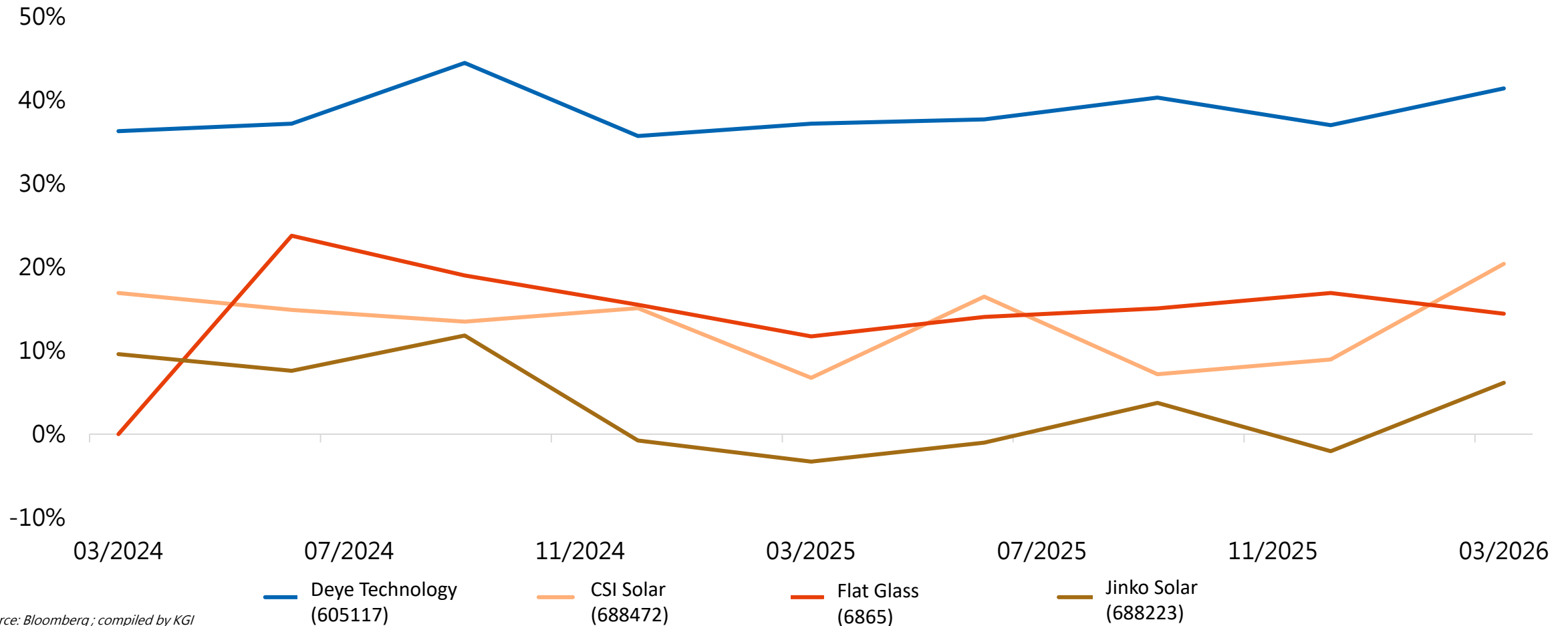
Export of photovoltaic modules and photovoltaic components
Amount (in hundreds of millions)



Source: General Administration of Customs of China ; compiled by KGI

This has brought a slight improvement in gross profit margin to China's highly competitive photovoltaic industry

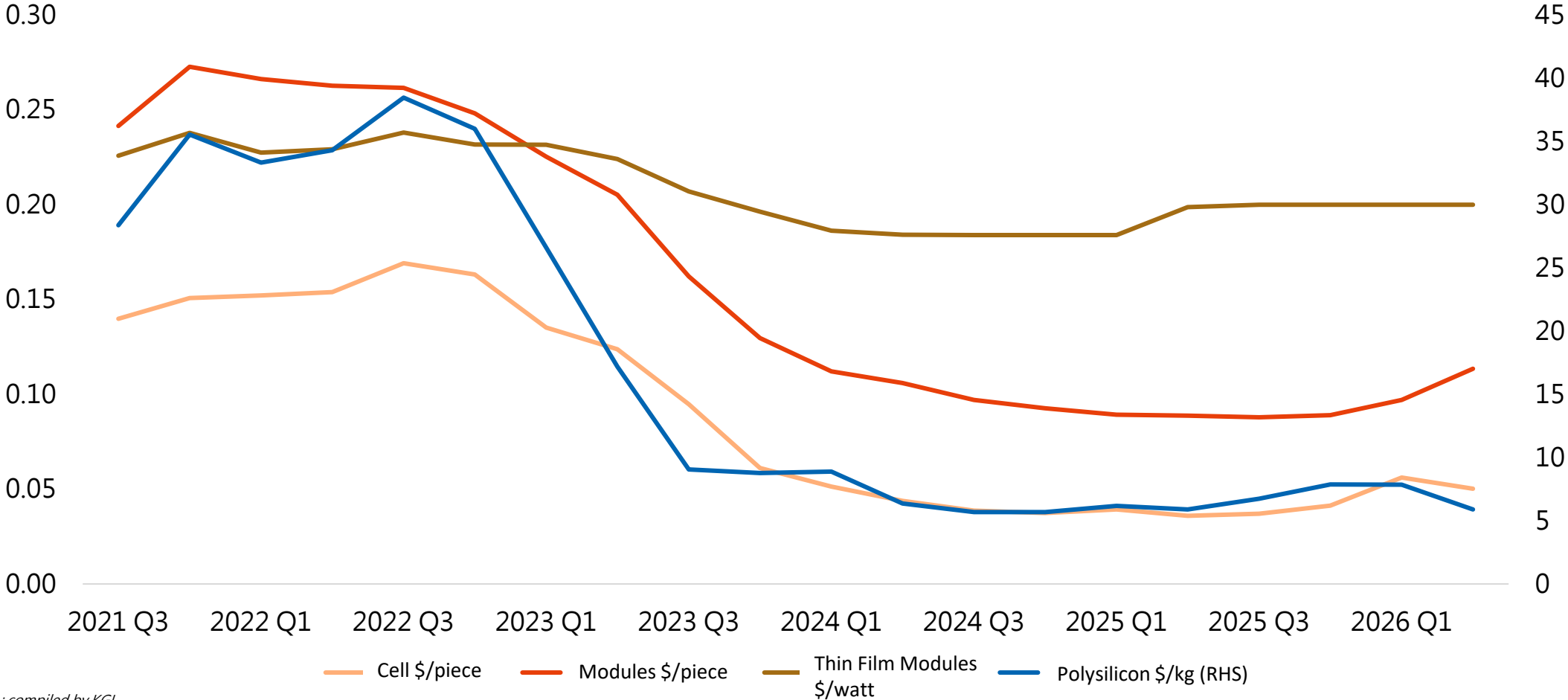
Photovoltaic gross profit margin



Source: Bloomberg ; compiled by KGI

However, hyper-competition within the industry remains severe, so we caution against excessive optimism

Photovoltaic prices



Source: Bloomberg ; compiled by KGI

The focus is on wind power and lithium batteries

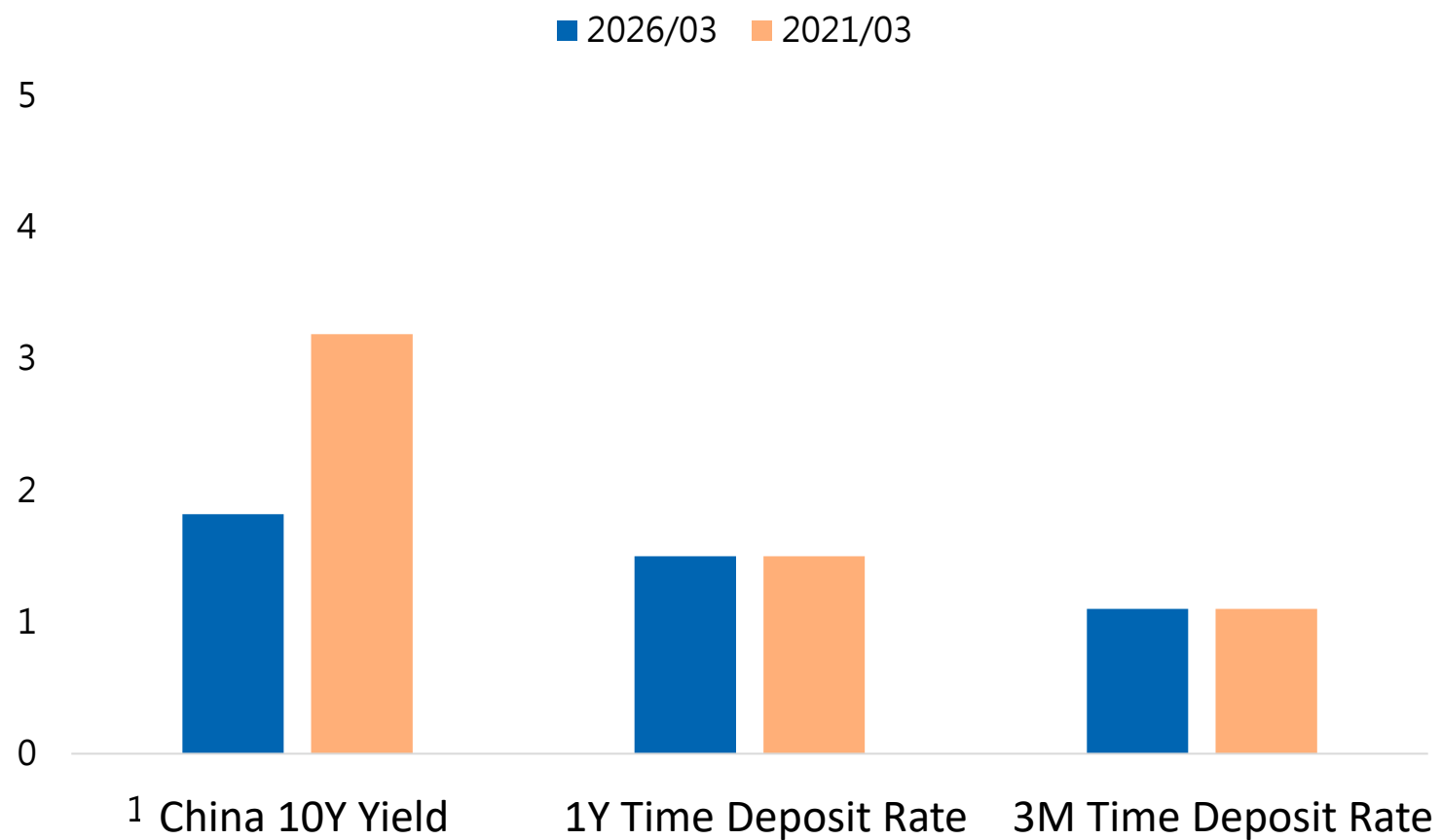
Individual stocks	Investment Focus
Goldwind Technology (2208)	<ul style="list-style-type: none"> • Wind turbine shipments are experiencing high growth, with overseas market share expected to more than double. Total wind turbine shipments for 2026 are projected to reach 40GW (a year-on-year increase of approximately 33%), including approximately 7-8GW of overseas exports and 2.7GW of domestic offshore wind turbines. Benefiting from strong demand in South America, Asia Pacific, Africa, and the Middle East, the outlook for new overseas orders is optimistic. Overseas market share is expected to expand rapidly, doubling from the current approximately 5% to over 10% by 2030 , becoming a core driver of medium- to long-term revenue growth. • The "Dual-O" Strategy (Overseas + Offshore) Boosts Profitability: The company is accelerating its shift towards the high-margin "Overseas + Offshore" business, with its new installed capacity ranking first in the industry (37% market share in offshore installations and 49.9% market share in exports). The installed capacity share of "Dual-O" is expected to rise to 24.5% by 2026 , continuously optimizing the profit structure. • With domestic pricing recovering, the gross profit margin of wind turbines is entering an upward trend . It is expected that the gross profit margin of wind turbines will steadily increase from 8.9% in the previous year to 9%-10% in 2026 , and onshore wind turbines are expected to achieve a turnaround in net profit.
CATL (3750)	<ul style="list-style-type: none"> • Technological breakthroughs and a major energy storage order solidify the company's leading position: The company launched its third-generation Shenxing and Kirin batteries, both capable of 10C to 15C ultra-fast charging. Furthermore, breakthroughs in sodium-ion battery technology have led to mass production in the fourth quarter, and the company has secured the world's largest sodium-ion battery energy storage order totaling 60GWh over three years . This not only revitalizes the sodium-ion battery industry chain but also establishes the company's absolute leading advantage in next-generation battery technology. • "Energy storage + heavy trucks" hedging against cyclical fluctuations: Battery demand is shifting towards energy storage (accounting for 25% , CAGR 52.2%) and the electrification of heavy trucks, effectively mitigating the cyclical risks of passenger vehicles. • Multi-dimensional global expansion to bypass barriers and capture high premiums: Securing the top spot with a 33.8% share of the overseas EV battery market. Through business models such as technology licensing and localized manufacturing, the company circumvents trade restrictions to secure high gross margins abroad.



Banking and financial services

Theme 4

China's main interest rates hover at low levels



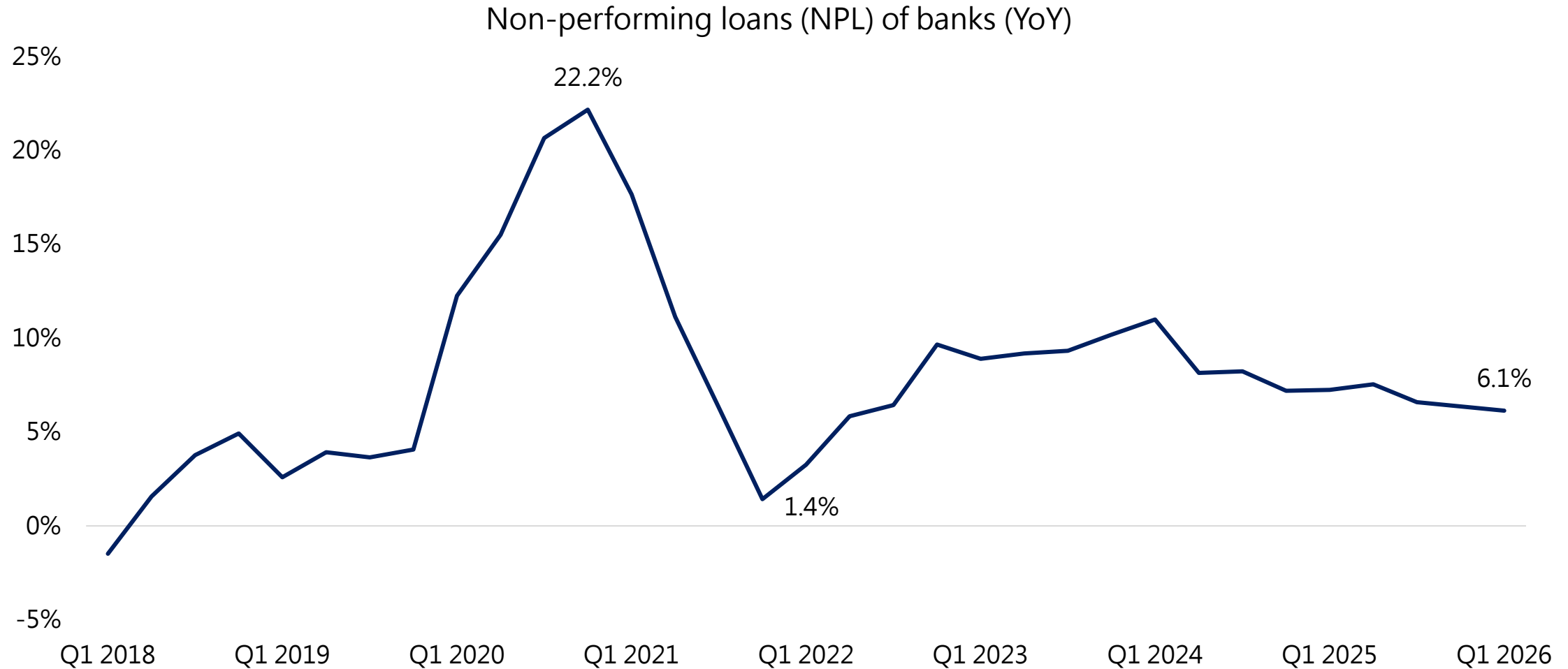
The central bank has slowed its pace of interest rate cuts, easing pressure on banks' net interest margins

Net Interest Margin (on an annual basis , per pp)



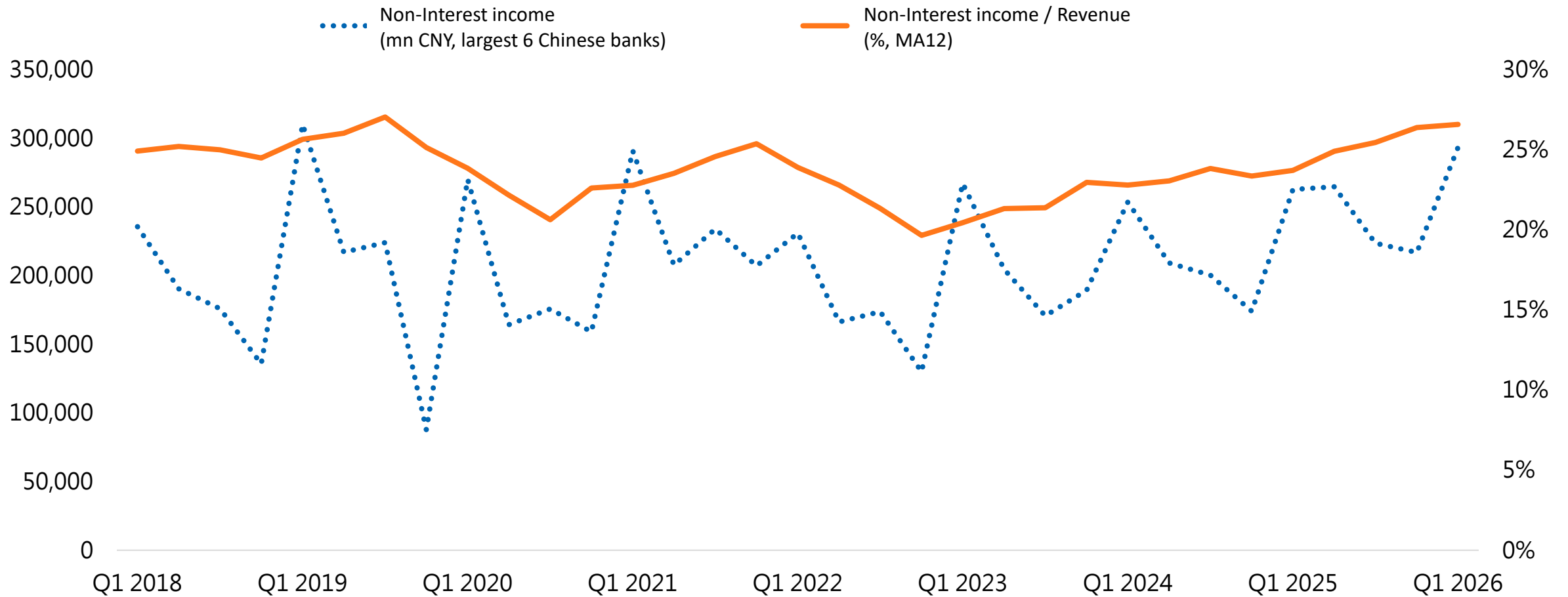
Source: Bloomberg ; compiled by KGI

The bottoming out of the economy and the decline in the non-performing loan ratio of banks are also major pillars supporting profitability



Source: Bloomberg; compiled by KGI

Share of Non-interest income remains persistently high, given that funding costs continue to stay low, this proportion is expected to keep growing



Source: Bloomberg ; compiled by KGI

With narrowing pressure on net interest margins and improved non-interest income, pre-provision profit growth has returned to an upward trajectory

Profit before provisions (PPOP, YoY)



Source: Bloomberg ; compiled by KGI

Focus on state-owned banks with high capital adequacy ratios (CET 1) that are actively boosting their share of non-interest income

Individual stocks	Investment Focus
China Construction Bank (939)	<ul style="list-style-type: none"> • High CET 1 , strong defensive capabilities : The core tier 1 capital adequacy ratio (CET 1) is among the industry's best, providing excellent defensive capabilities, effectively resisting cyclical risks, and providing ample buffer for future business expansion and stable dividend payouts. • Non-interest income growth and structure optimization : Actively promote business transformation, with stable growth in wealth management, settlement and custody and transaction returns, effectively reducing reliance on traditional deposit and loan interest rate spreads and enhancing profitability resilience during interest rate cut cycles. • Leading net interest margin and strong profit momentum : Excellent control over debt costs, with a net interest margin (NIM) that outperforms that of major state-owned banks and expands quarter by quarter, successfully offsetting the pressure of declining asset yields and solidly supporting core profitability.
Bank of China (3988)	<ul style="list-style-type: none"> • Non-interest income growth : Leveraging its overseas network and the internationalization of the RMB, cross-border wealth management, trade settlement and investment income increased significantly, driving double-digit year-on-year growth in non-interest income and becoming a new engine for revenue. • Maintaining a healthy level of CET 1 : While expanding overseas, optimizing risk-weighted assets (RWA) keeps the core tier 1 capital adequacy ratio healthy, eliminating concerns about short-term financing and providing a guarantee for continued dividend payments.

Stock Selection List

Recommended strategy since the beginning of the year	US-China trade war "Escalate & Deescalate" strategy	China AI	Opportunities for China from the Energy Crisis	Banking and financial services
China Hongqiao (1378) Sino Land (83)	Akeso Biopharma (9926) COSCO Shipping Holdings (1919)	Tencent (700) Alibaba (9988) UBTECH (9880)	Goldwind Technology (2208) CATL (3750)	China Construction Bank (939) Bank of China (3988)



Riding the Waves: Deploying the "LEAD" Strategy

1

Macro & Investment Outlook

2

Asset Allocation Strategy



1

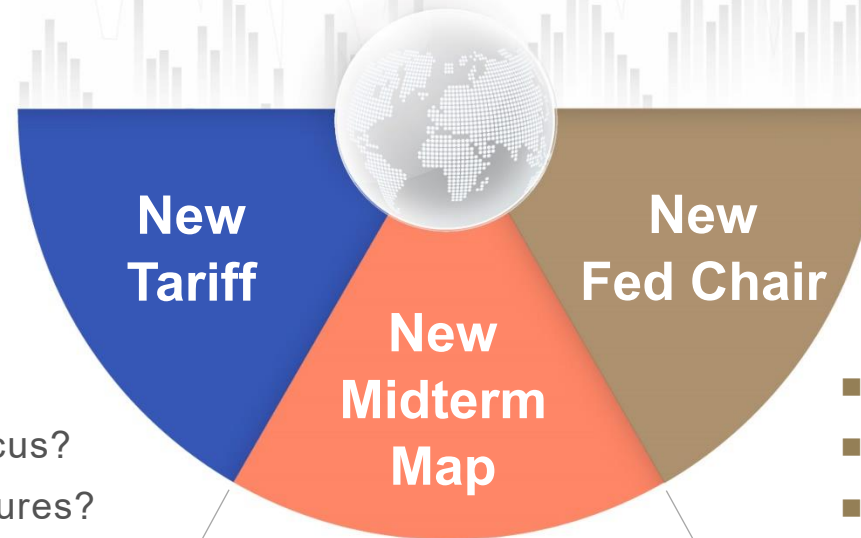
Macro & Investment Outlook



Tariffs, Midterm and New Fed Leadership Put 2H26 at a Crossroads

Three Major Shifts Reshape Asset Pricing as Volatility Persists

Markets Face Three New Shifts



- Section 301 Probes Return?
- Broader National Security Focus?
- More Targeted Industry Measures?

- Return of A Blue Wave?
- Reset of Fiscal Discipline?
- Reshape of Policy Stance?

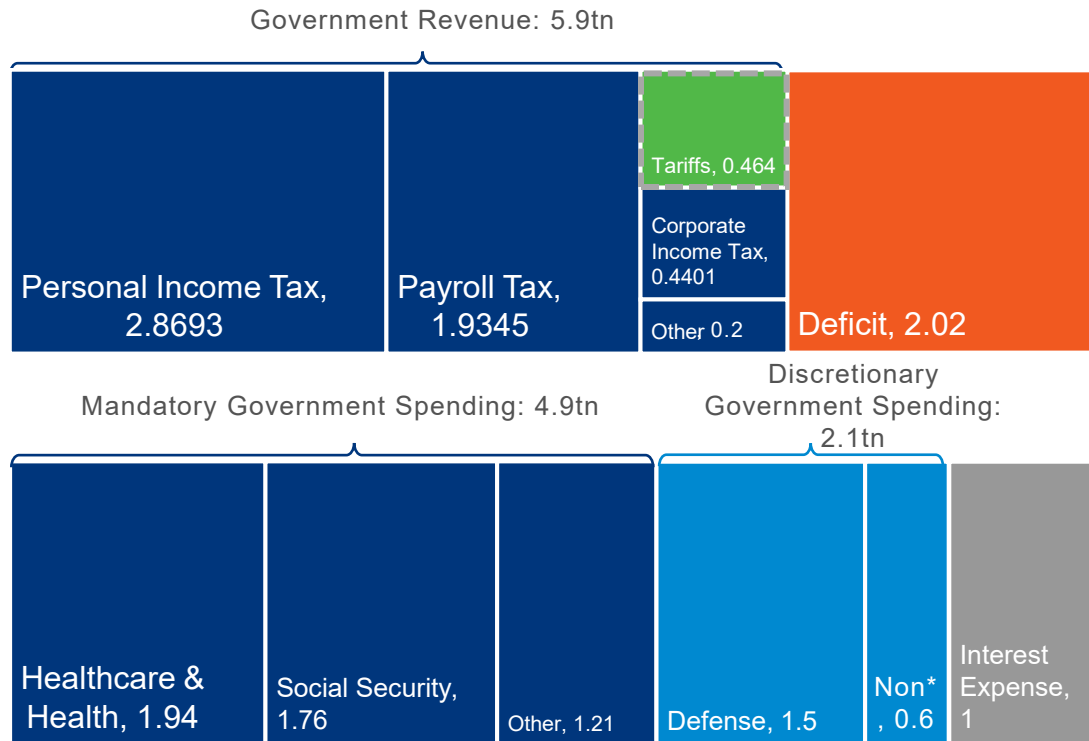
- Monetary Policy Independence?
- QT Drains Liquidity?
- Less Communication Adds Volatility?

U.S. Deficit Keeps Widening with Tariffs Aimed at Offsetting Spending Spiral

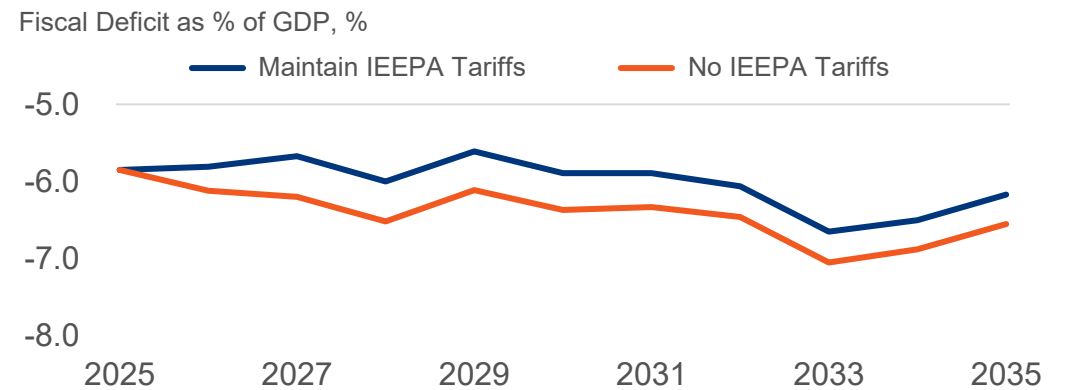
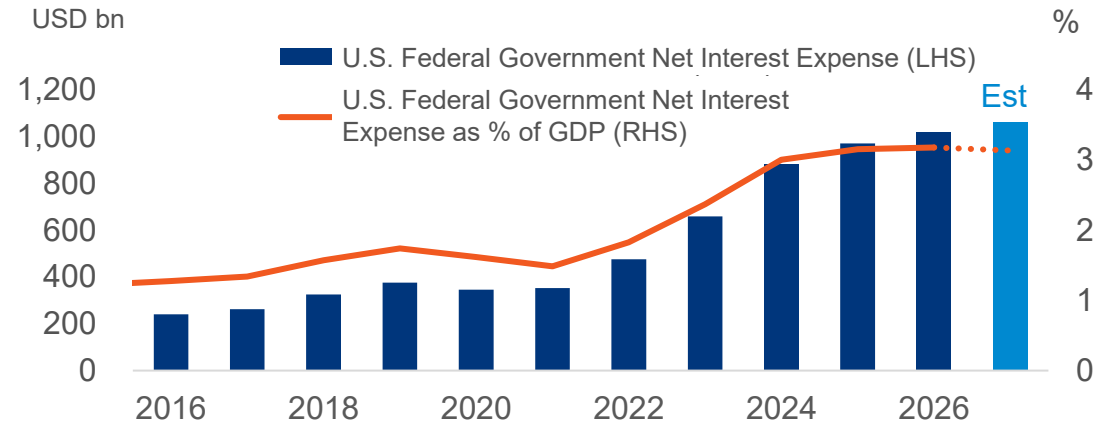
U.S. Budget Cuts Set the Stage for a \$1.5tn Defense Spending Bet

Trump-Era Fiscal Deficit May Easily Exceed 6% of GDP

2027 U.S. Government Budget Proposal, USD tn



U.S. Government Debt Nears \$39tn, with Interest Burden a Long-Term Overhang for Treasuries

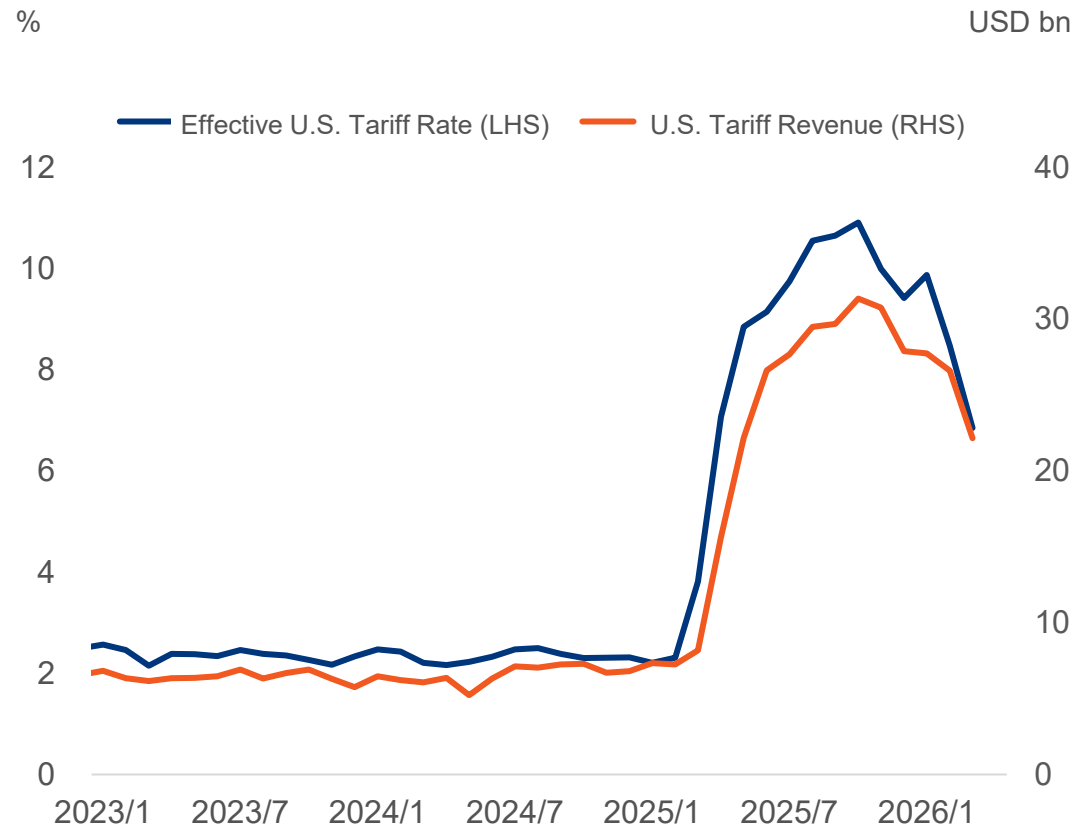


Source: Bloomberg, Fed; *Note: Transportation, Veterans Affairs, Education, State Department, Justice Department, Treasury, Environmental Protection, NASA, Agriculture, etc.

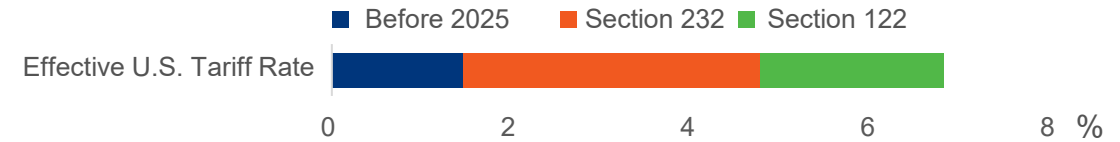
Court Strikes Down Tariffs, Trump Seen Adding New Trade Measures

IEEPA Tariffs Ruled Invalid And Must Be Refunded, With Trump Likely To Pursue New Tariffs Via Section 301

Court Ruling Invalidates IEEPA Tariffs, Weighing on Tariff Revenue



Trump May Use Section 301 or Other Measures to Replace Lost Tariff Revenue



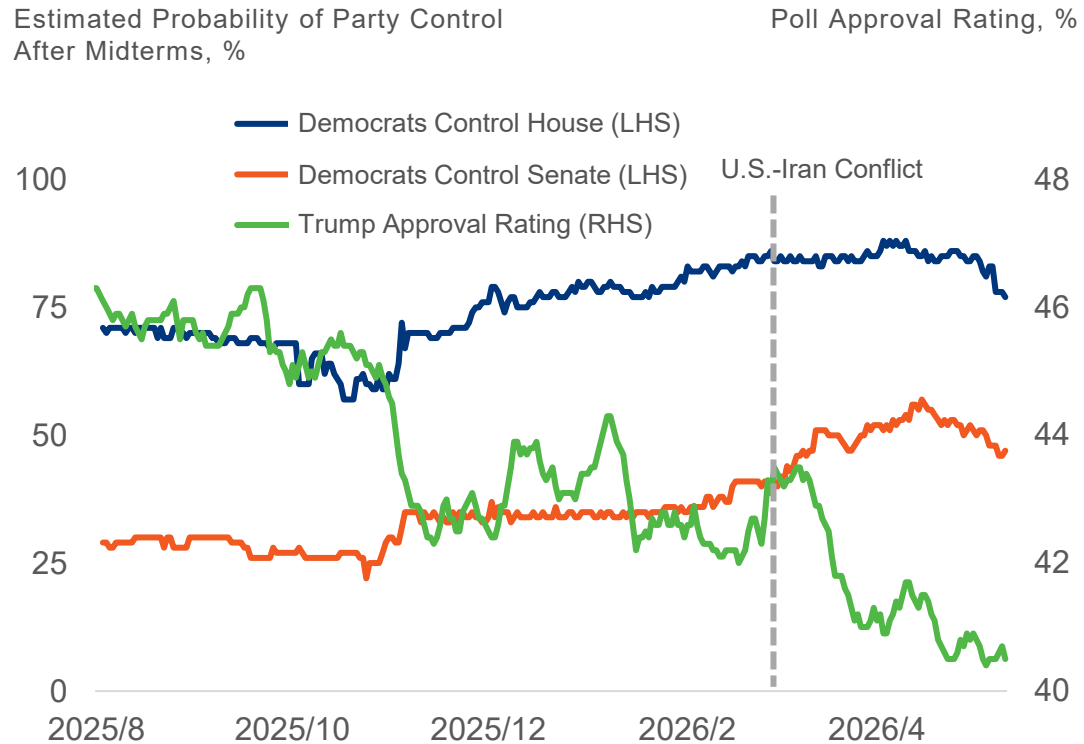
Legal Basis	Trigger	Scope	Duration	Status
Section 122 (Trade Act of 1974)	Severe balance-of-payments or sharp USD weakness	Broad-based; all imports, up to 15% surcharge	150 days (extendable)	10% tariff on all countries from 2/24/26; court ruled expiry date 7/24/26
Section 301 (Trade Act of 1974)	Unfair trade practices (IP theft, subsidies)	Country/sector-specific (e.g., China, EU)	No fixed duration	Probe ongoing; USTR launched second review in Feb, may extend beyond 122 expiry
Section 232 (Trade Expansion of 1962)	National security investigation	Mainly steel, aluminum; expanded to semis and autos in 2026	No expiry	Active; viewed as the most stable tariff tool
Section 201 (Trade Act of 1974)	Import surges harming domestic industries (safeguards)	Broad products (solar panels, washing machines)	Typically 4 years, up to 8 years	Partially active; expiry varies by case
Section 338 (Tariff Act of 1930)	Retaliatory tariffs against discrimination toward U.S. goods	Highly targeted; tariffs up to 50%	President decides duration	Stronger version of Section 301; if retaliation emerges, could be used alongside 301 after 122 expires

Source: Bloomberg

Trump Approval Ratings Continue to Slide as Markets Price in Divided Gov.

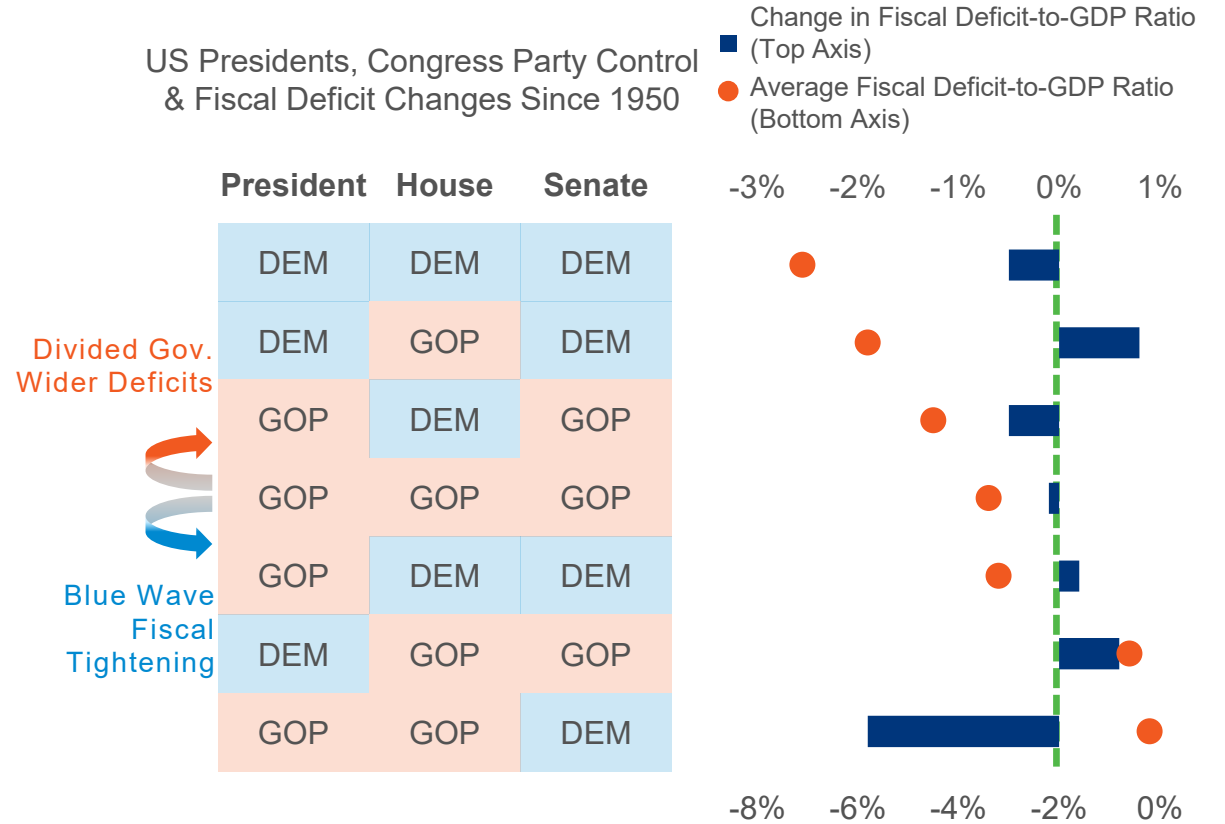
2nd Half of Trump Presidency Brings Rising Uncertainty Ahead of Midterm Elections

Winning Public Support Wins Elections: Is a Blue Wave Returning?



Midterm Elections Could Shape Future U.S. Policy

US Presidents, Congress Party Control & Fiscal Deficit Changes Since 1950

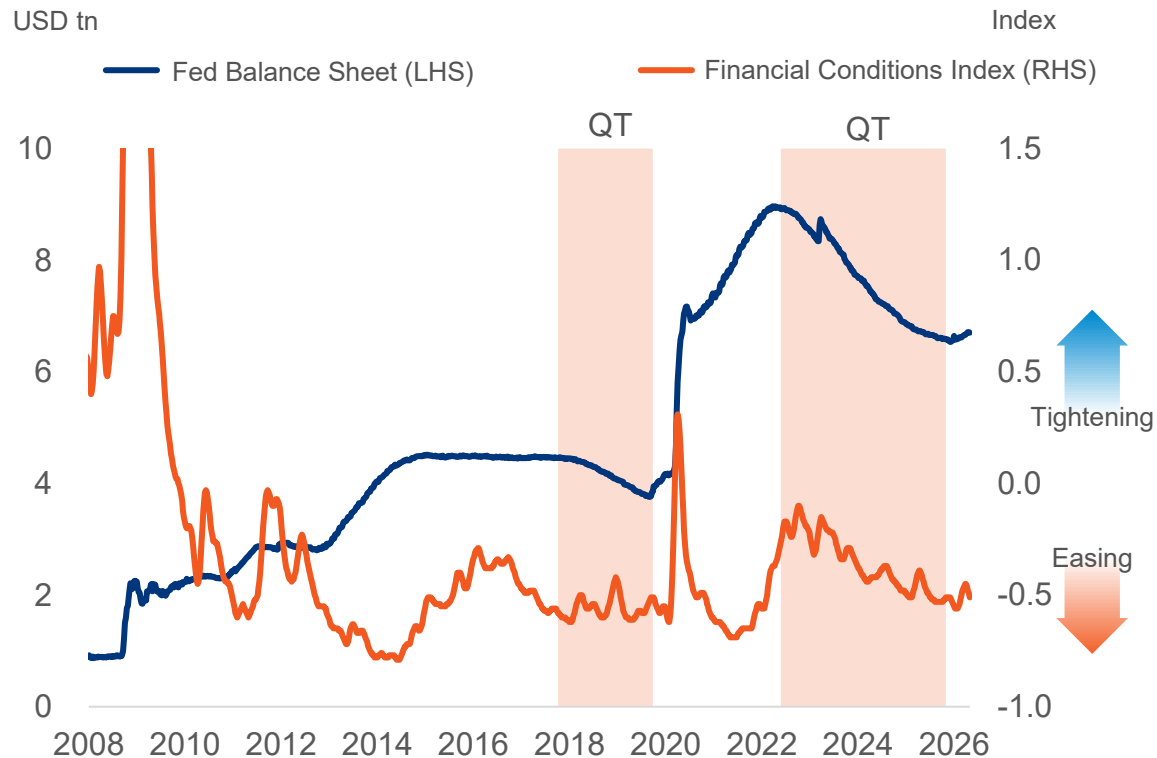


Source: Bloomberg

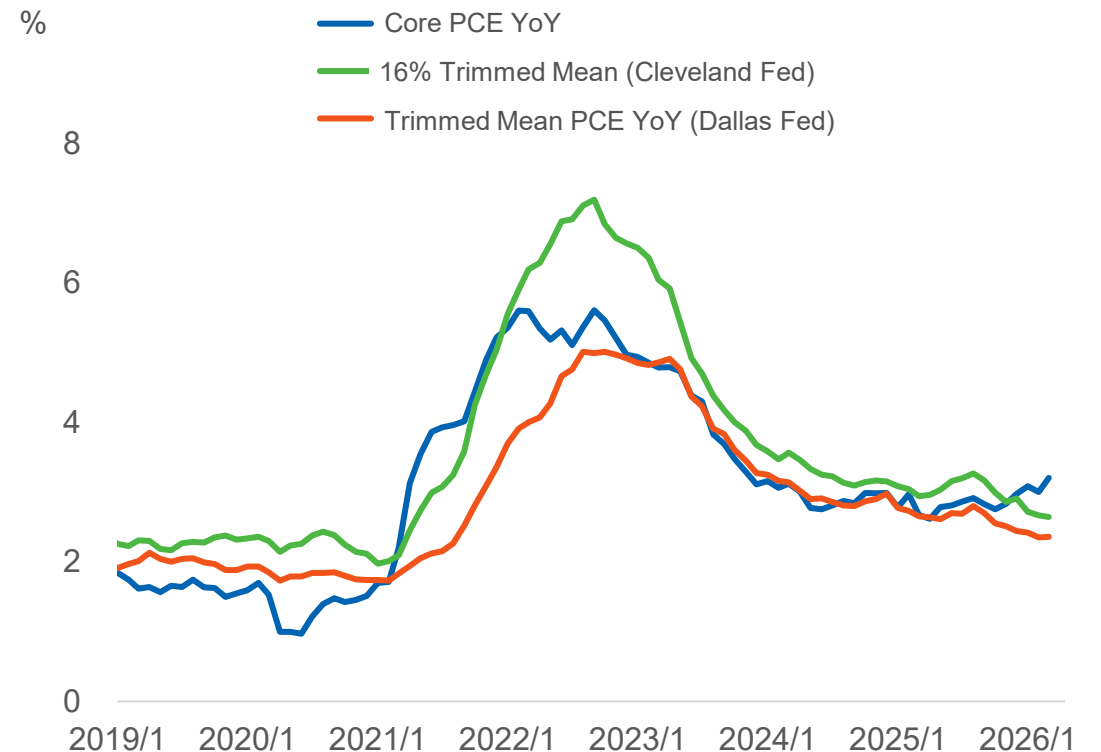
Warsh Policy Shift Could Add Volatility to Rate Markets

QT, Inflation Metrics and Reduced Guidance Trigger Market Concerns Before Implementation

Fed QT Restart Could Tighten Market Liquidity

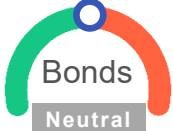


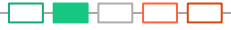


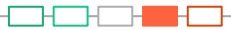

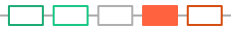








Inflation Metrics May Vary by Definition



Source: Bloomberg; Note: Quantitative tightening (QT) reduces a central bank's balance sheet by allowing bonds to mature without reinvestment or by selling securities before maturity.

KGI Global Asset Allocation View

Asset Class		UW	OW	Commentary
 <p>Bonds Neutral</p>	US Treasury			Oil rebound lifts inflation expectations; Fed may resume hikes, watch treasury issuance
	Investment Grade			US corporate quality diverges; IG credit spreads tighten, focus on financials, tech, utilities & communications
	High Yield			CCC firms' leverage deteriorates, repayment capacity weak; Avoid Sub-CCC bonds, monitor underlying credit shifts
	Emerging Markets			EM FX volatility eases; Flows return to EM debt for yield, favor low-import energy nations via satellite allocation
 <p>Equities Bullish</p>	U.S.			AI profit momentum extends; Growth spreads to cyclicals, bias stays positive
	Europe			High oil & gas prices lift rate hike expectations; Profit & growth pressured, euro stocks face test, neutral view maintained
	Japan			Japan exports show resilience; AI semiconductors with strong fundamentals & policy-backed defense stay bullish
	EM Asia			Energy shock persists, yet AI outlook drives profit upgrades in tech-pure Korea & Taiwan; Bullish bias maintained
 <p>USD Mild Bullish</p>	USD			Fed cut bets shrink; Hike expectations rise into year-end, driving USD rebound
	JPY			High odds of June BoJ hike; Intervention supports Yen, guidance stays cautious, path hinges on inflation
 <p>Gold/Alt. Neutral</p>	Gold			Us-Iran war unresolved; High oil & rates pressure gold short-term, yet debt expansion & central bank demand provide long-term support
	Alternatives			Inflation concerns & market volatility persist; Policy and war uncertainty high, alternative assets reduce correlation and diversify concentration

2

Asset Allocation Strategy

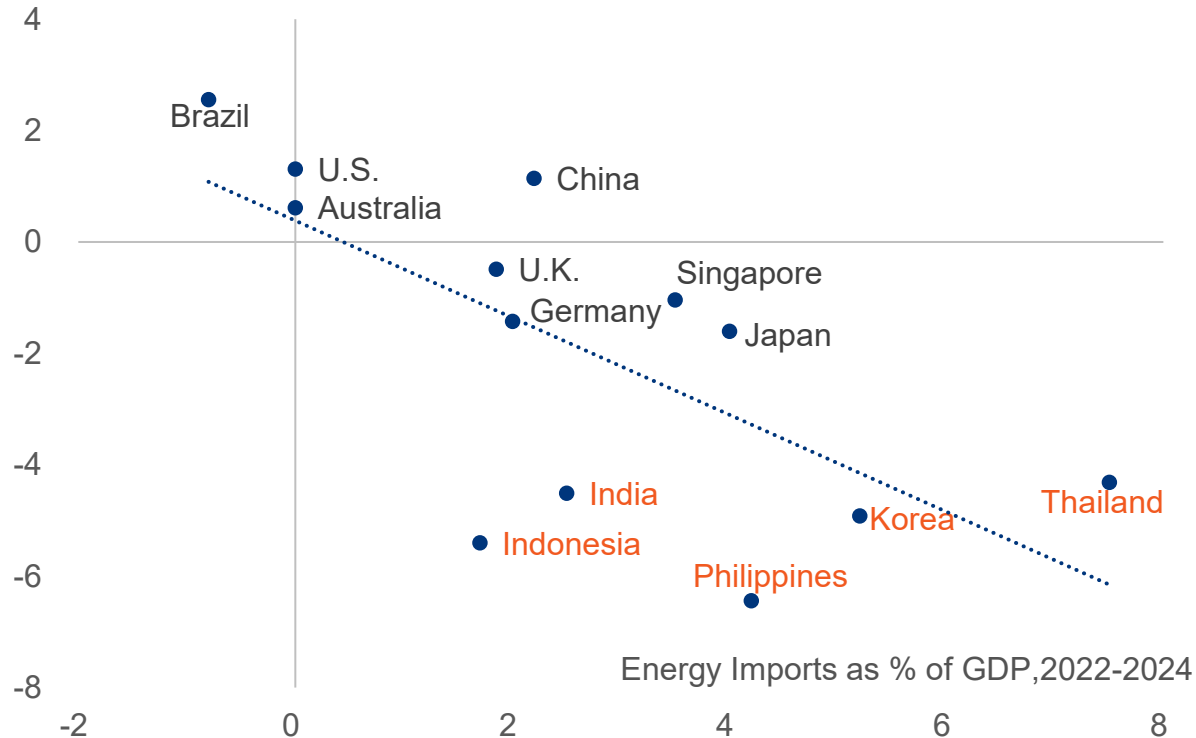


USD Supported at Elevated Levels; Diversified Allocation Preferred

Elevated Oil Prices and Rising Rates Increase FX Depreciation Pressure on Energy-Import-Dependent Economies

Energy-Import-Dependent Economies Face Wider Trade Deficits and FX Pressure

FX Change Over the Past 3 Months, %



Source: Bloomberg, as of 25 May 2026

Liquidity Shift | Main Strategies

Fed on Hold Supports USD

The Israel-Iran conflict has pushed oil prices higher, while U.S. April CPI rose 3.8% YoY, the highest since May 2023. Even if U.S.-Iran negotiations succeed, inflation pressure may persist through 3Q. Markets have pared Fed rate-cut expectations this year and increased expectations for hikes by year-end and early next year, supporting the USD.

Asian Energy Importers Face FX Pressure

Higher oil prices and a stronger USD have increased pressure on energy importers, especially Thailand, South Korea, the Philippines, India, and Indonesia. Wider trade deficits have driven capital outflows and currency weakness. If the Strait of Hormuz stays open and oil prices fall, depreciation pressure could ease; otherwise, it may worsen.

Commodity Exporters Gain; FX Holds Firm

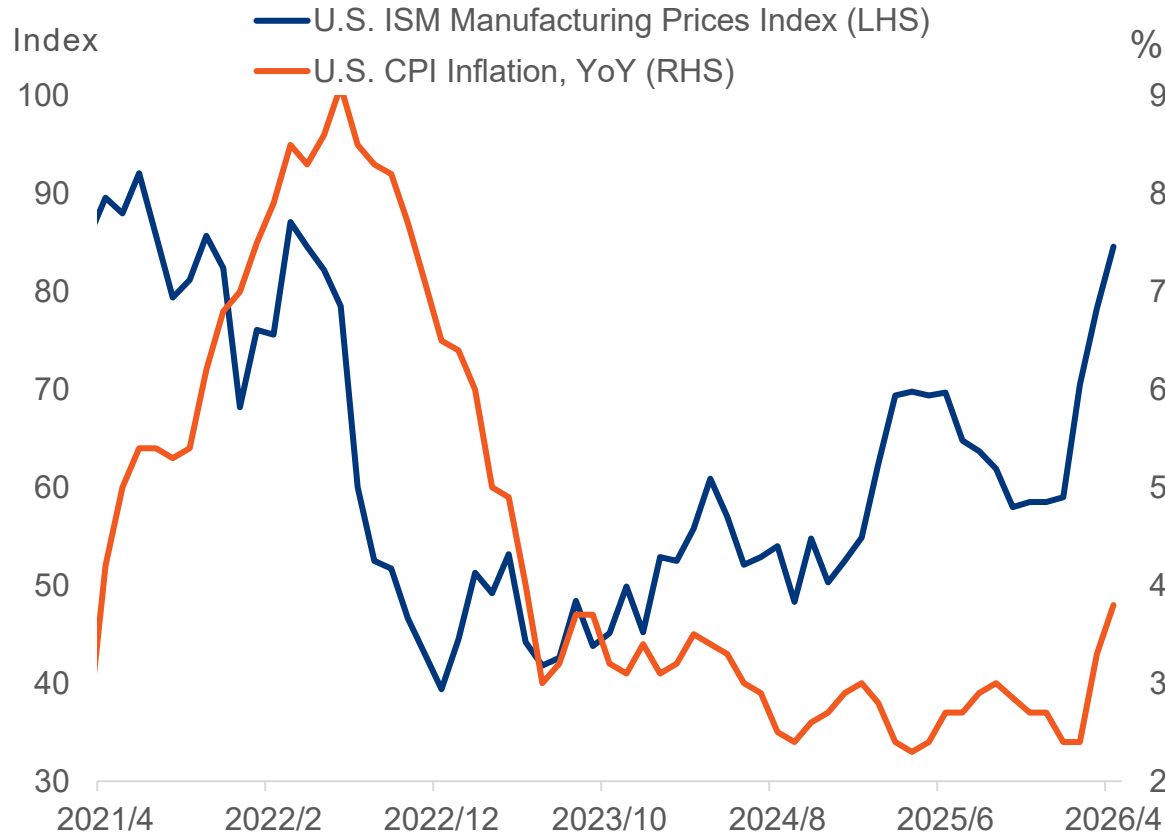
Higher commodity prices benefit exporters such as Brazil and Australia through larger current account surpluses. The RMB is also among the few currencies appreciating against the strong USD, supported by rising Chinese equities, capital inflows, and the PBOC's preference for a firmer currency to curb imported inflation.

USD

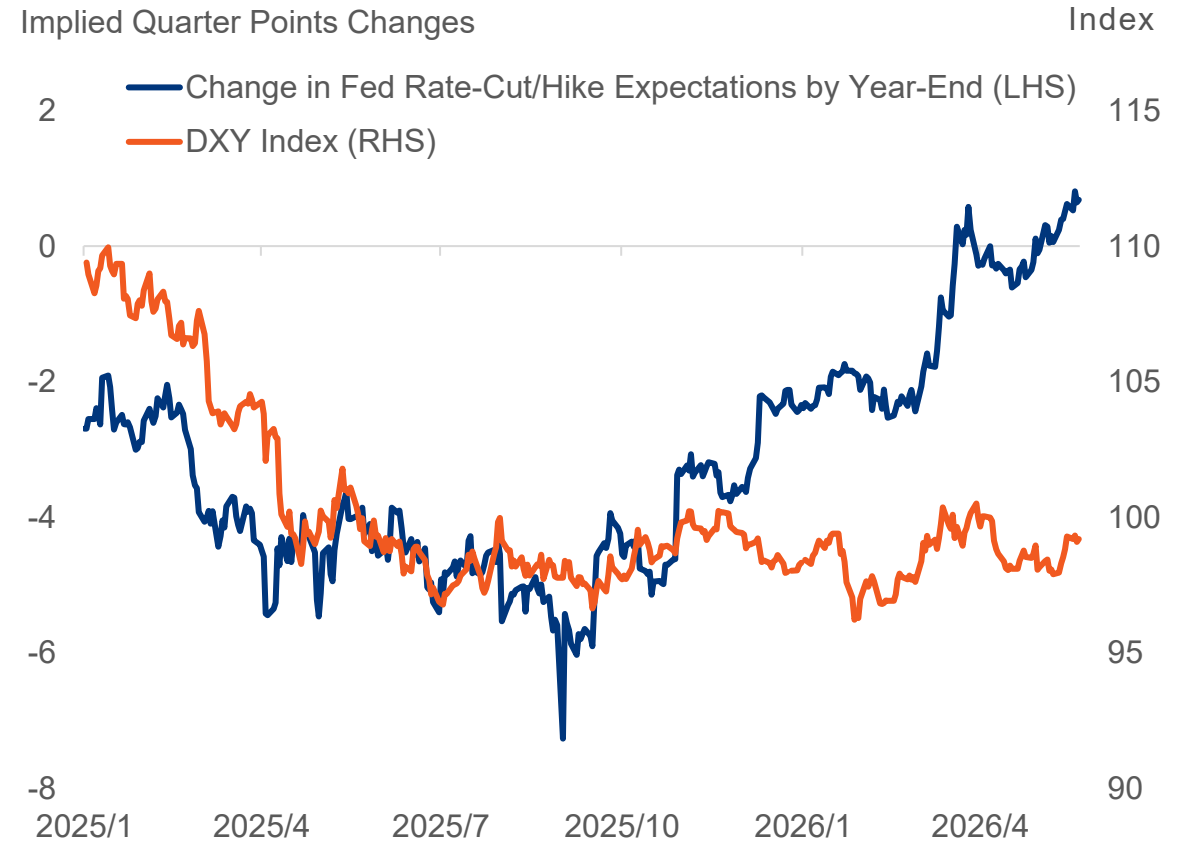
Elevated Oil Prices and Rising Inflation Support a Stronger USD

Fed Turns More Hawkish, Rate Cuts May Shift to Hikes; UST Yields Rise with USD Remaining Well Supported

Raw Material Price Surge Fuels U.S. Inflation



Fed Expectations Shift from Cuts to Hikes, Boosting the USD Index



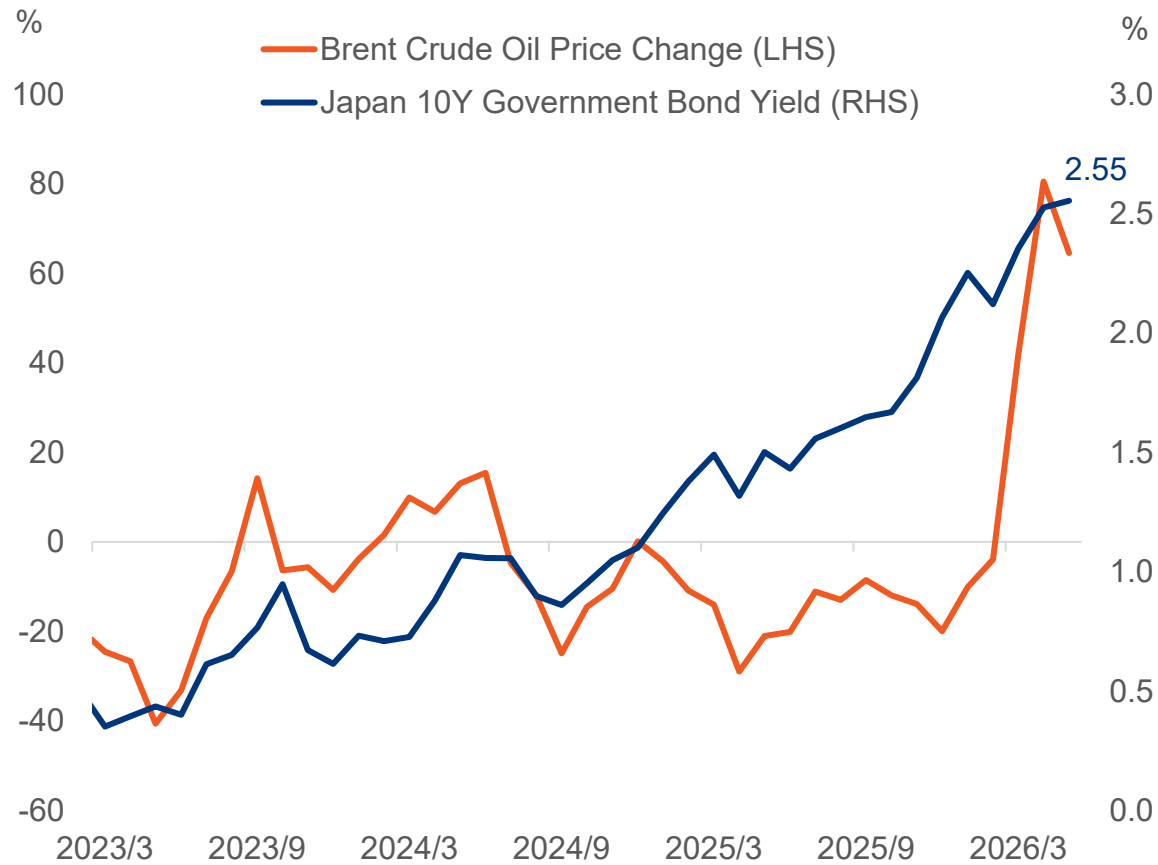
Source: Bloomberg, Note: One unit of "quarter point" equals to 25 bps

JPY

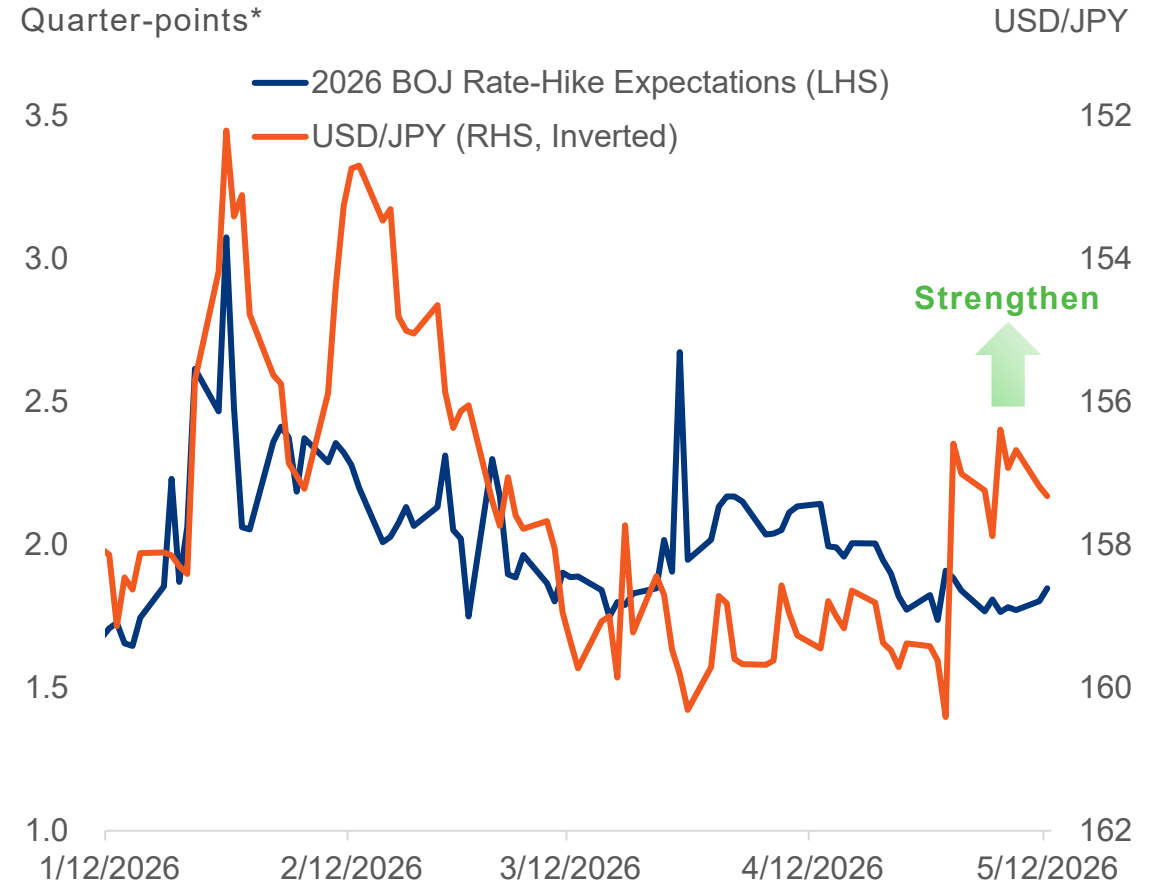
Rate-Hike Expectations and Intervention Support the Yen

Overseas Bond Buying Weighs on Yen; Hike Expectations and Intervention Provide Support

Oil Prices Stay Elevated, Driving Higher JGB Yields



Markets Price in 50bps Hikes by Year-End, Limiting Yen Weakness



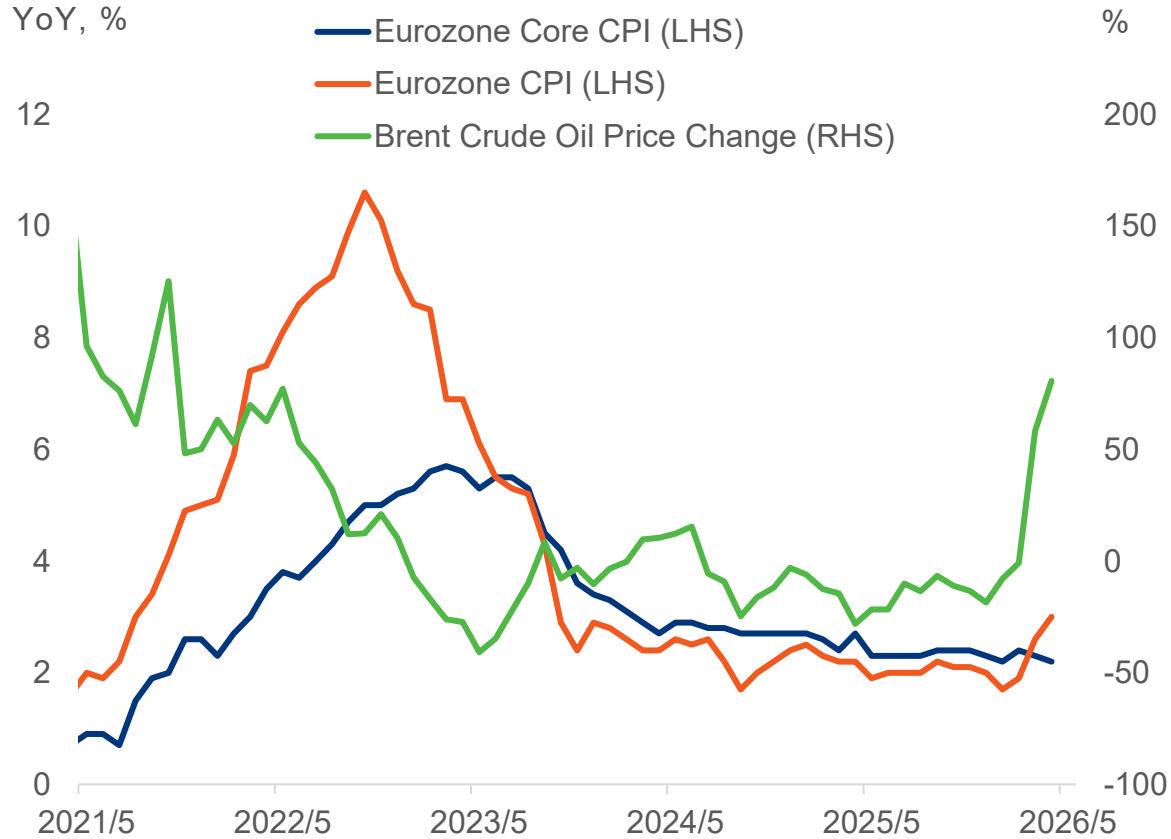
Source: Nikkei · Bloomberg, Note: One unit of "quarter point" equals to 25 bps

EUR

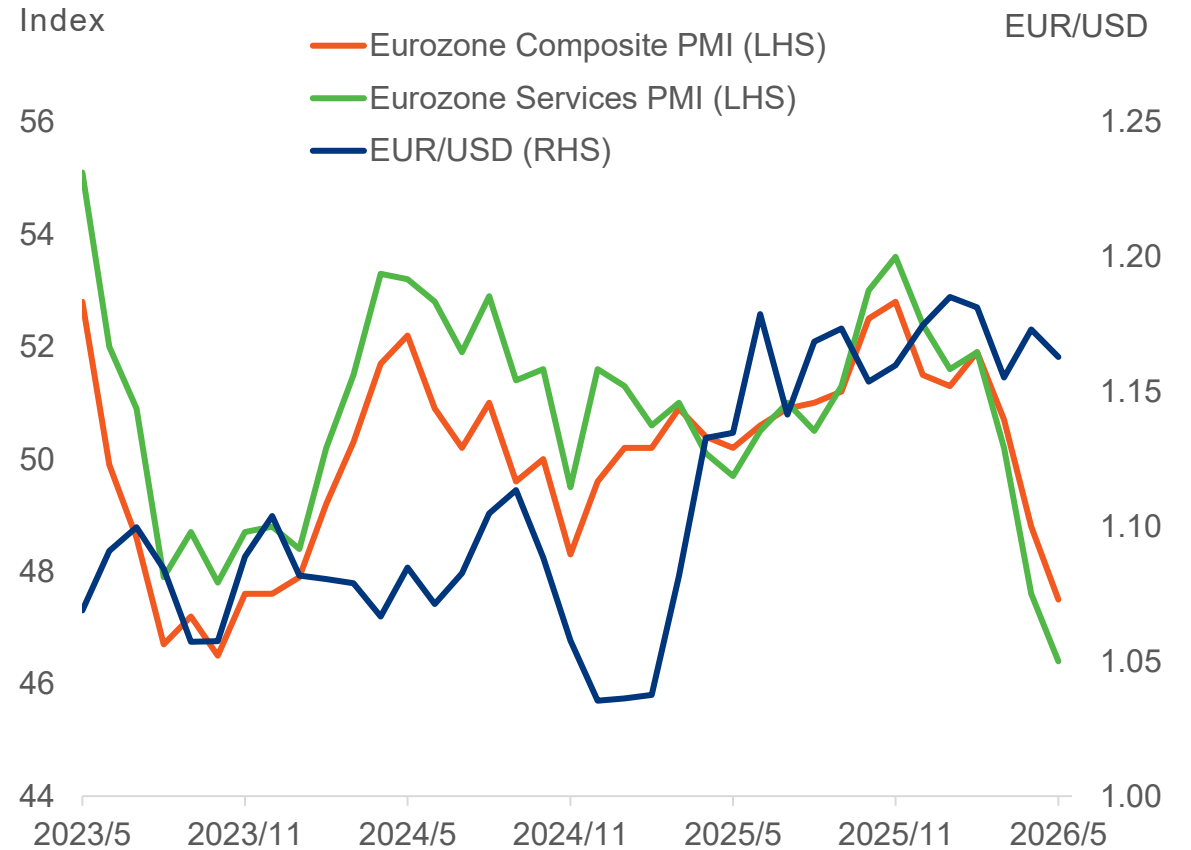
Energy Prices Drive Inflation & Growth Pressure, Euro Weakens

High Energy Costs Drive Inflation and Growth Concerns, Keeping the Euro Under Pressure

Oil Price Pass-Through Emerges, Lifting Eurozone Inflation



Rising Costs Weigh on Eurozone Growth Outlook, Pressuring the Euro



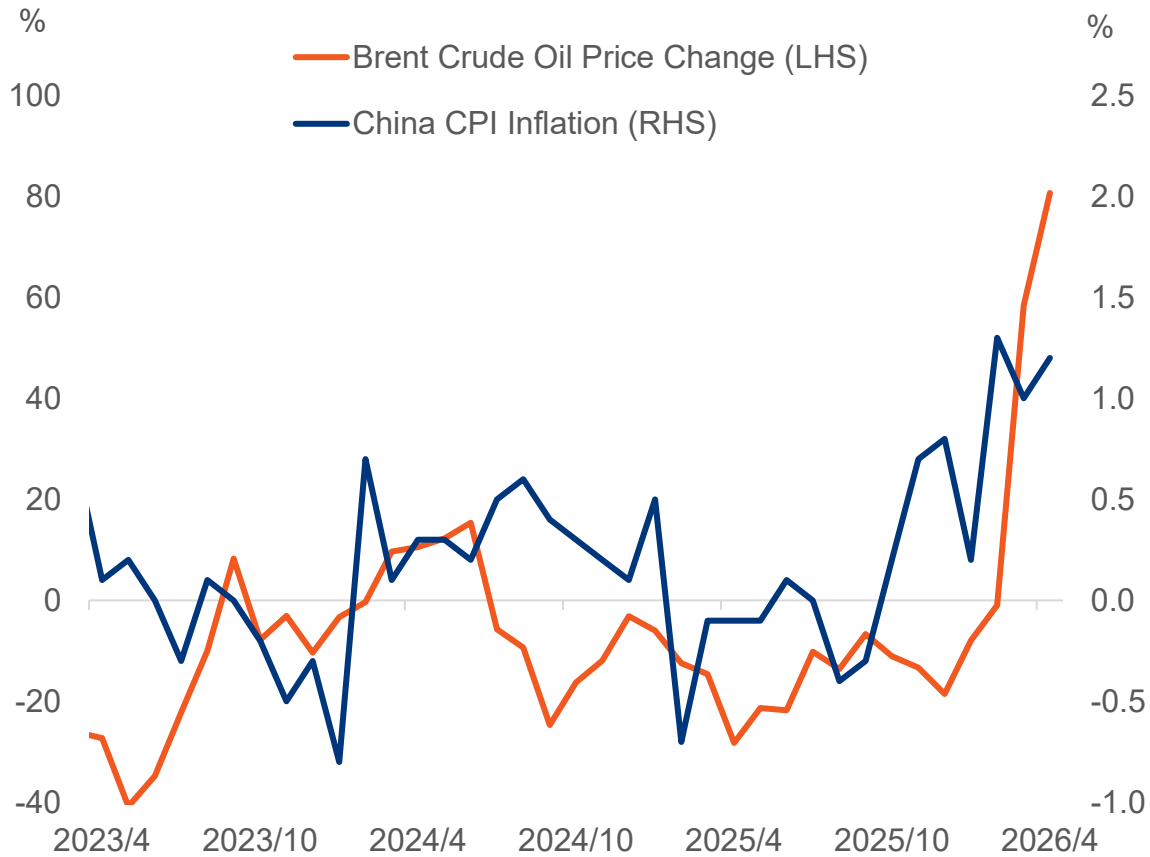
Source: Bloomberg

CNY

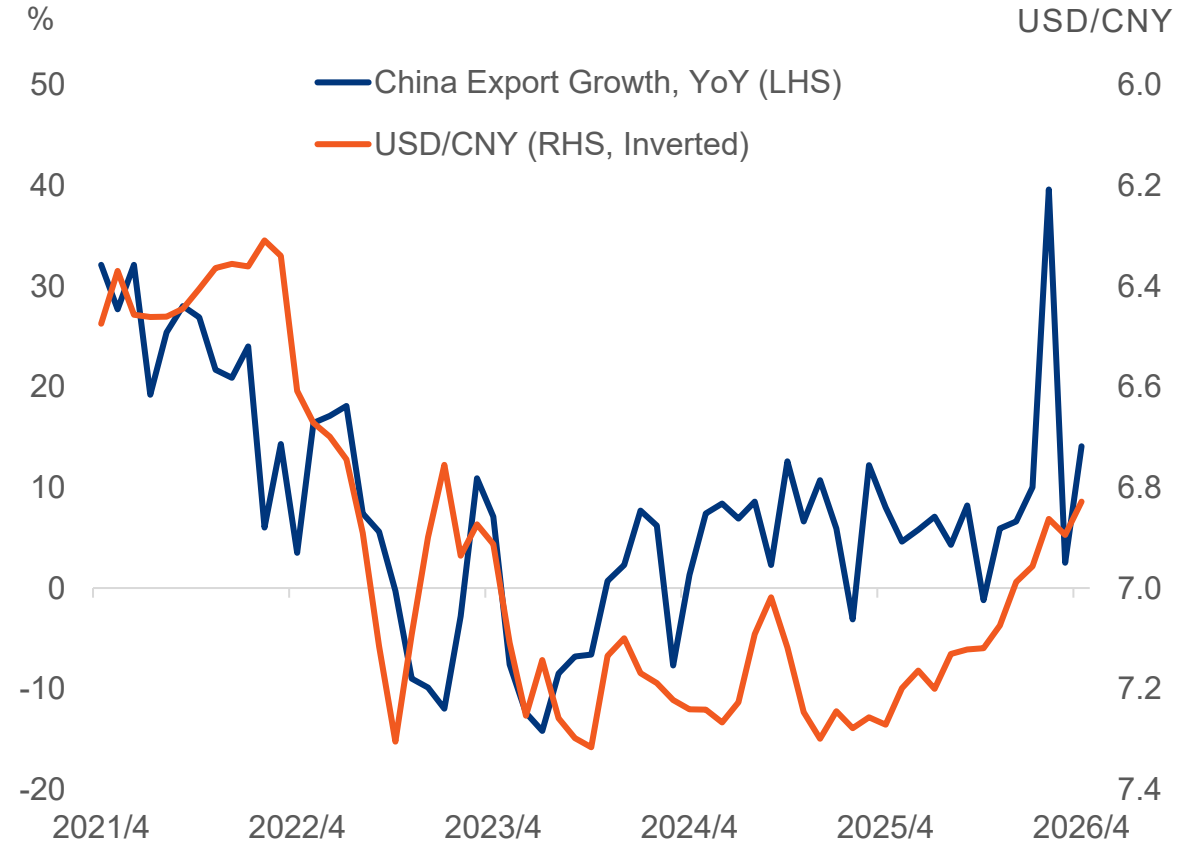
CNY Remains Resilient on Inflation Pressures and Capital Inflows

Elevated Oil Drives Inflation Higher; Strong Exports and Equity Inflows Support RMB Strength to Curb Imported Inflation

International Oil Price Surge Lifts China's Inflation



Strong Exports and Economic Recovery Support the CNY

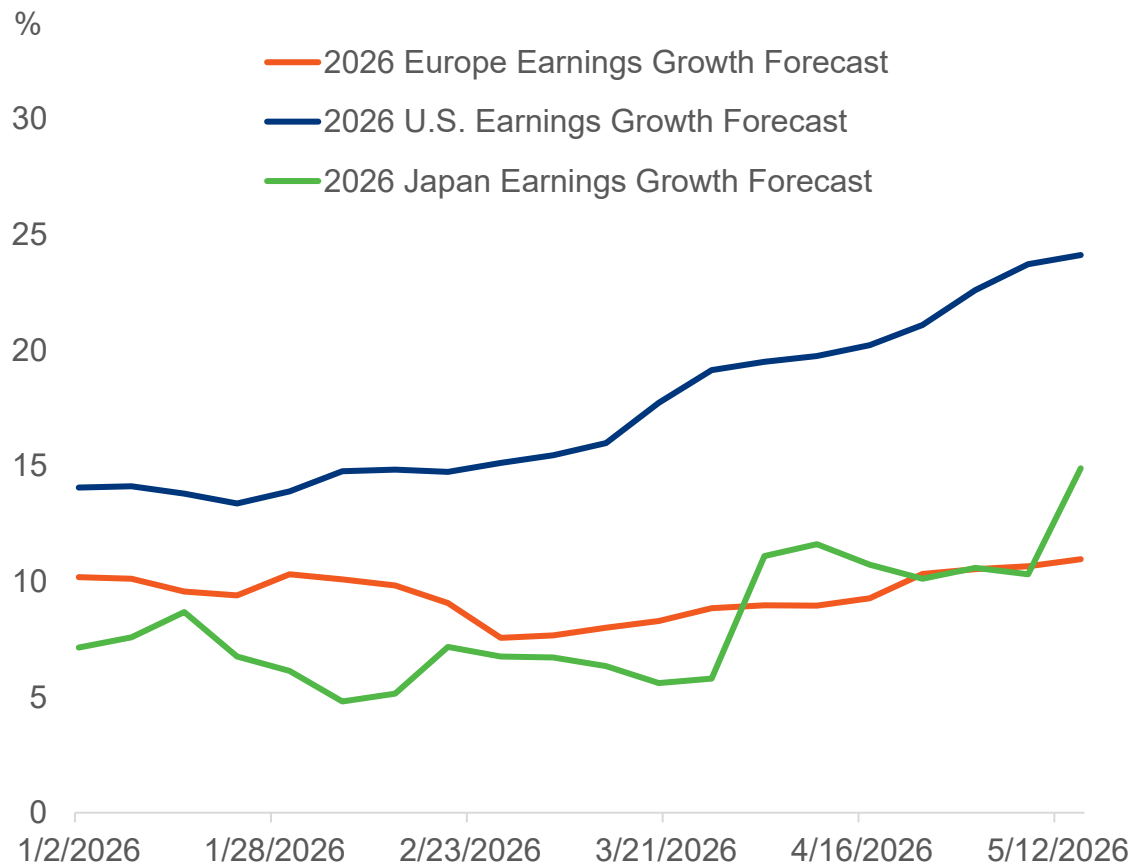


Source: Bloomberg

AI Boom Widens Fundamental Divergence Across Equity Markets

AI-Led Investment Broadens US Equity Gains into Cyclical; Japan Also Supported by Policy Tailwinds

AI-Driven U.S. and Japanese Equities Show Stronger Earnings Momentum Than Europe



Source: Bloomberg

Earnings Focused | Main Strategies

AI Leadership Broadens from Tech to Cyclical in U.S.

Rising index margins should continue supporting risk appetite and equity valuations. AI-driven investment, coupled with better-than-expected U.S. economic growth, is also generating positive spillover effects for cyclical sectors.

Higher Energy Costs and Rate-Hike Risks Weigh on European Equities

Energy-driven inflation could lift rate-hike expectations and pressure 2026 earnings forecasts, potentially limiting market momentum in 2H. UK equities and European defense stocks may offer greater resilience in this environment.

AI Demand and Policy Support Favor Japan Equities

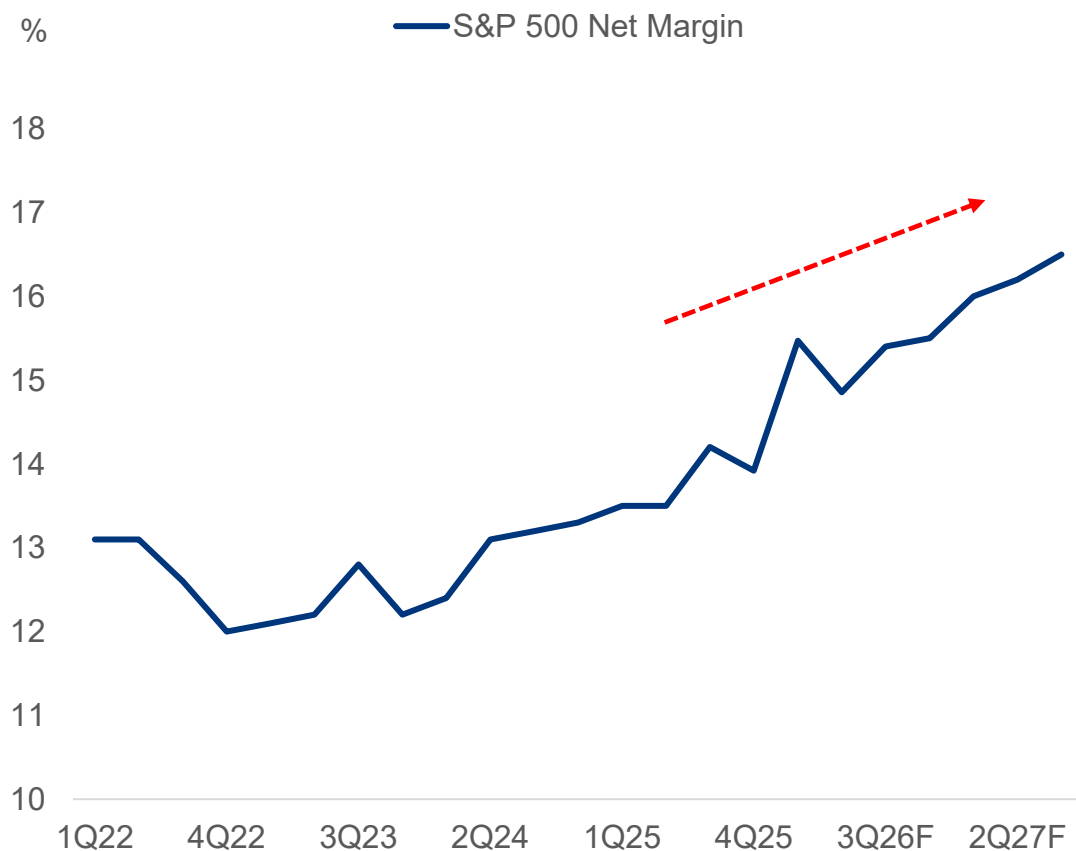
Strong export growth reflects robust demand for semiconductors, ICs, and electrical machinery. Supported by policy tailwinds, AI-related semiconductor stocks and defense names should remain key areas of investor focus in 2H.

U.S.

Growth Stocks Lead U.S. Equities, with Upside Extending to Cyclical

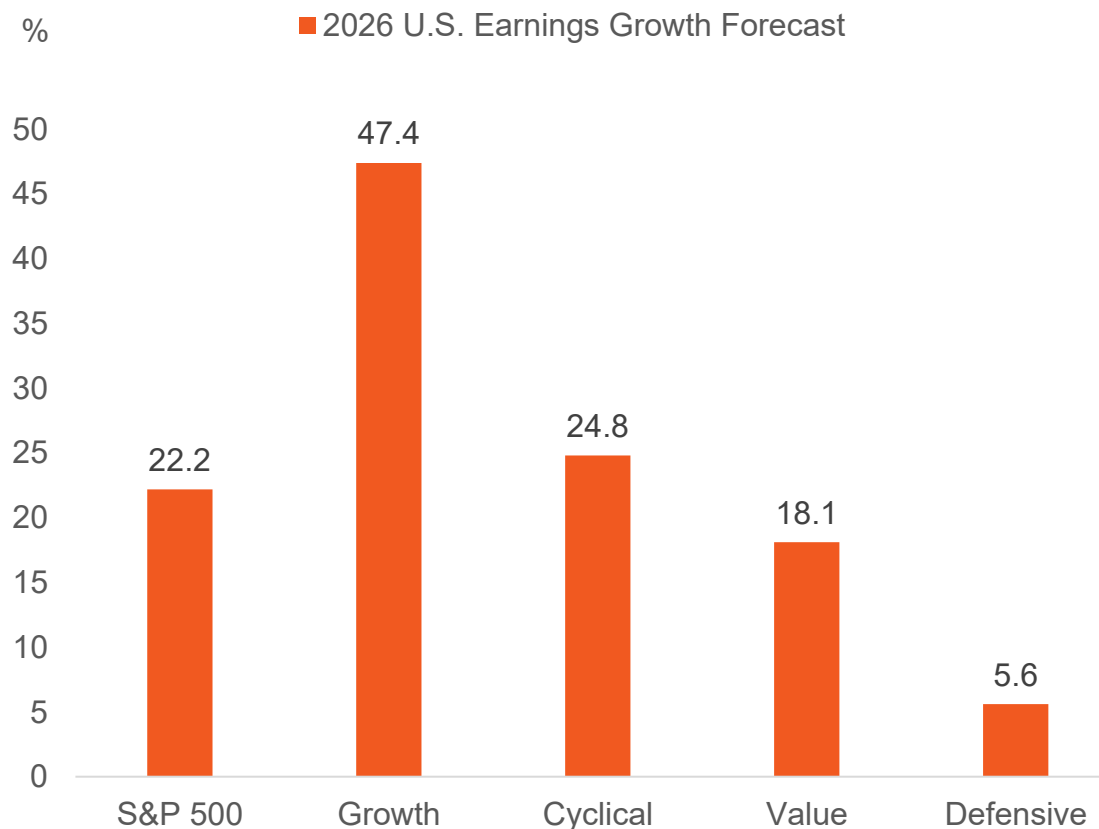
Rising Margins Support Valuations; AI Investment May Spur Rotation into Cyclical

S&P 500 Net Margins Continue to Rise



Source: Bloomberg

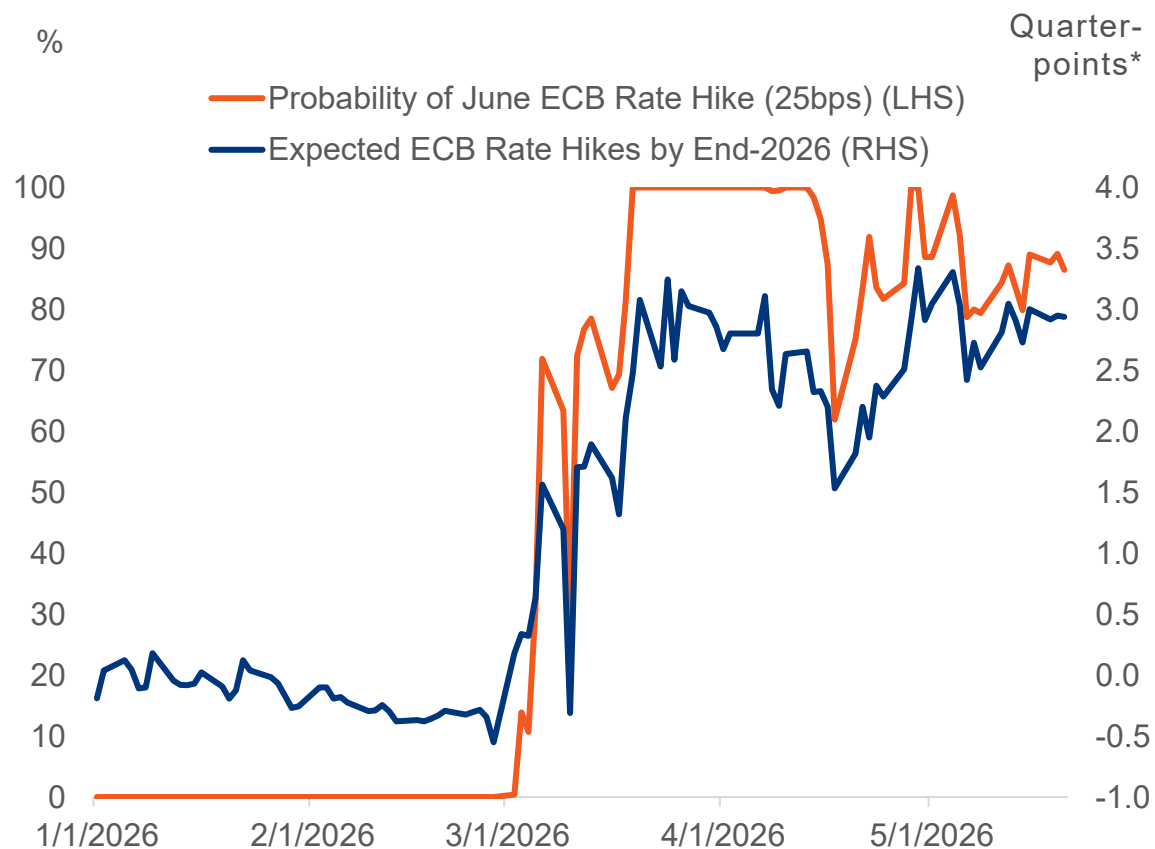
Strong Earnings Momentum in Growth Sectors, with Cyclical Also Benefiting



Europe Higher Energy Costs and Rate-Hike Risks Weigh on Equities

Energy Import Reliance Exposes Europe to Price Volatility; Focus On Resilient UK Equities and Policy-backed Defense

Oil and Natural Gas Price Gains Raise ECB Rate-Hike Expectations



2026 European Earnings Growth Faces Downward Revision Risk



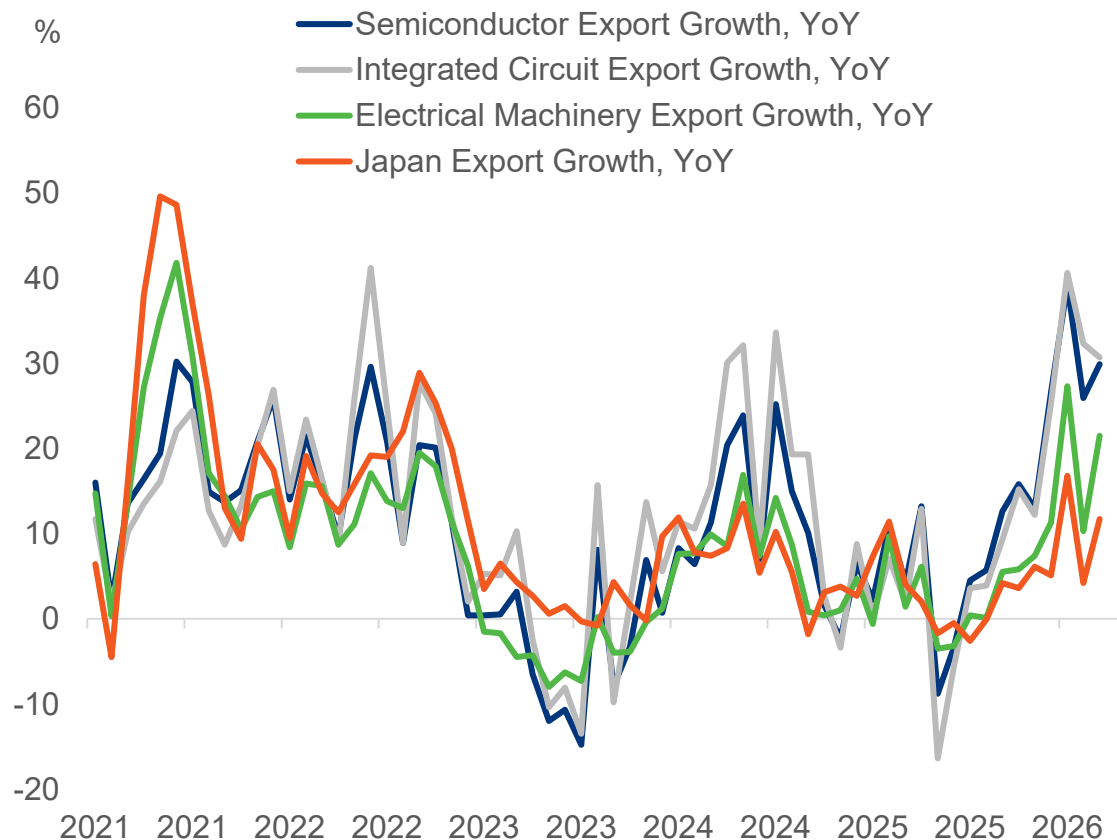
Source: Bloomberg, Note: One unit of "quarter point" equals to 25 bps

Japan

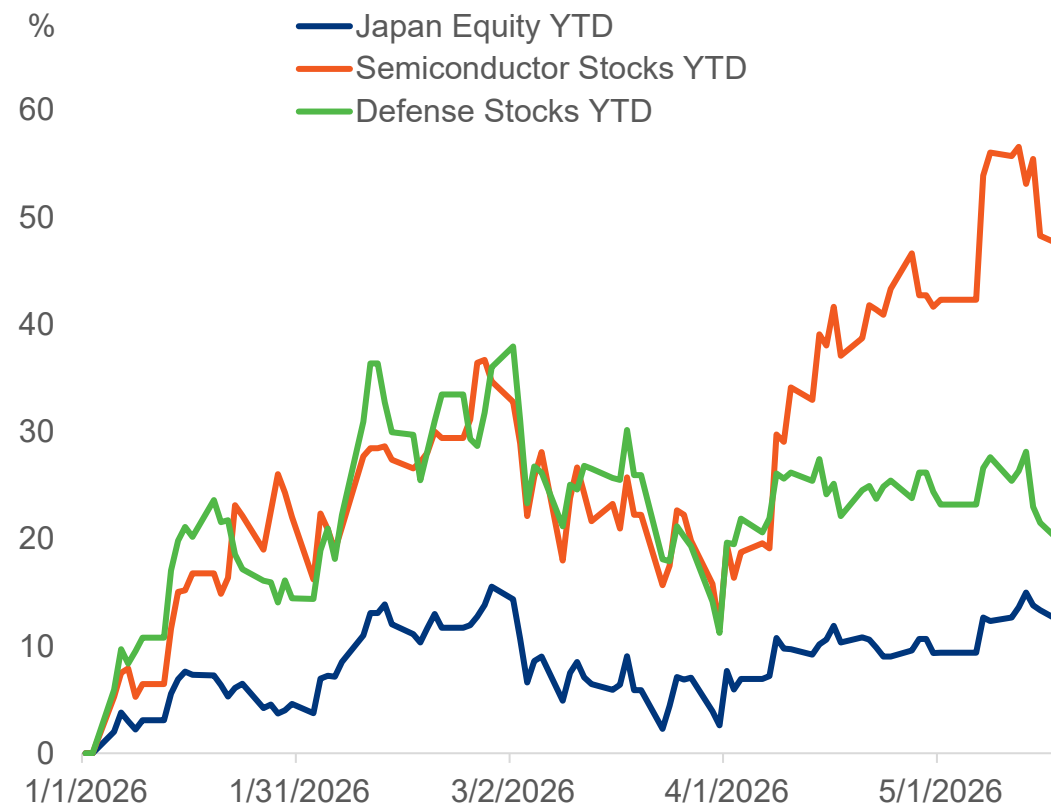
Strong Exports Reflect AI Demand; Defense Backed by Policy Support

Japan External Demand Outpaces Domestic; AI Semiconductors & Defense in Focus

AI Boom Drives Semiconductor Demand Boosting Related Exports



Policy-Supported Semiconductor and Defense Stocks Outperform



Source: Bloomberg

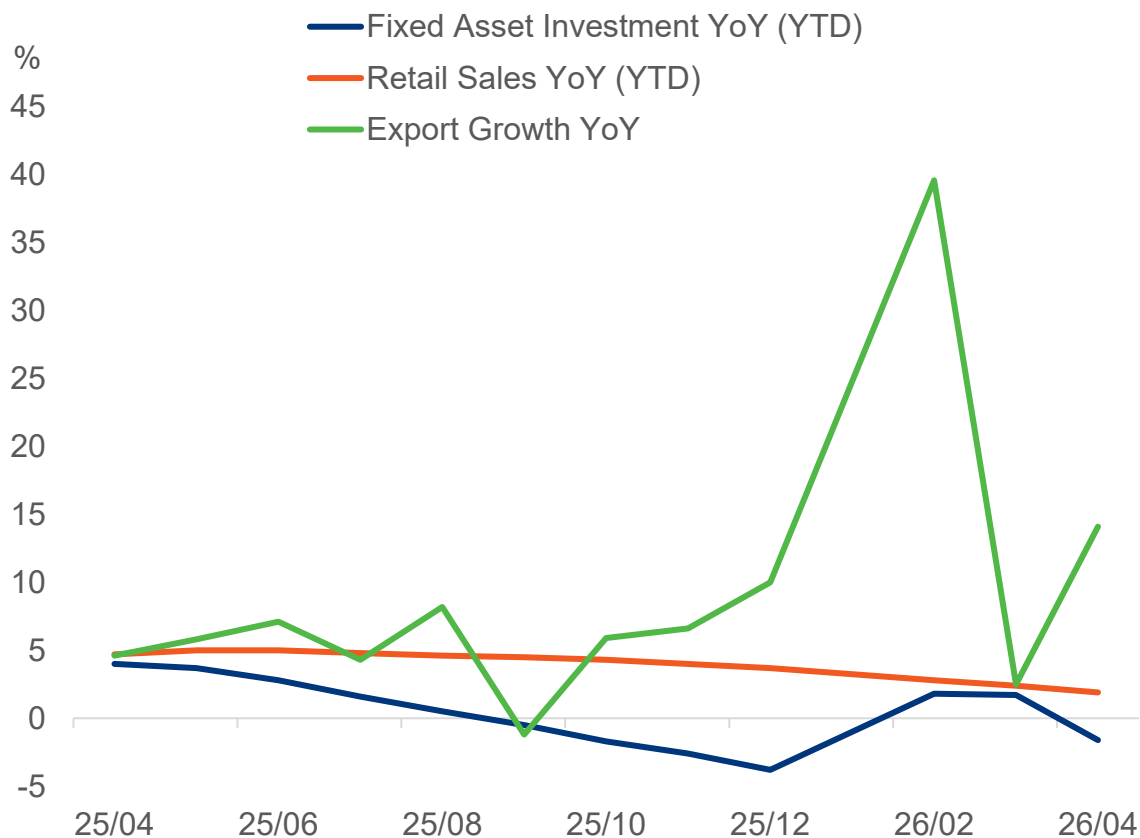
China

Economy Remains Export-Led, New Quality Productivity Drives Stocks

AI Hardware & Semiconductors Gain Policy Support; Fragile Domestic Demand Weighs on Consumption

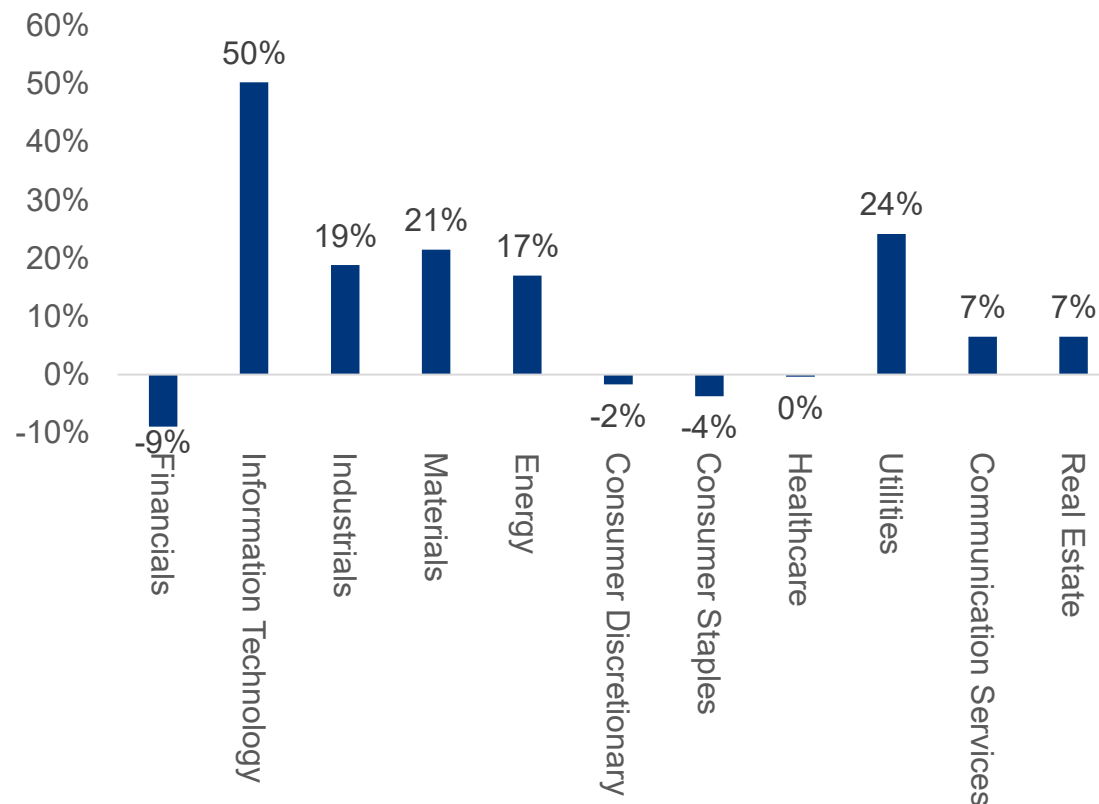
Export Growth Improves, Domestic Demand Remains Soft

Sectors Aligned with “New Quality Productive Forces” Outperform



Source: Bloomberg

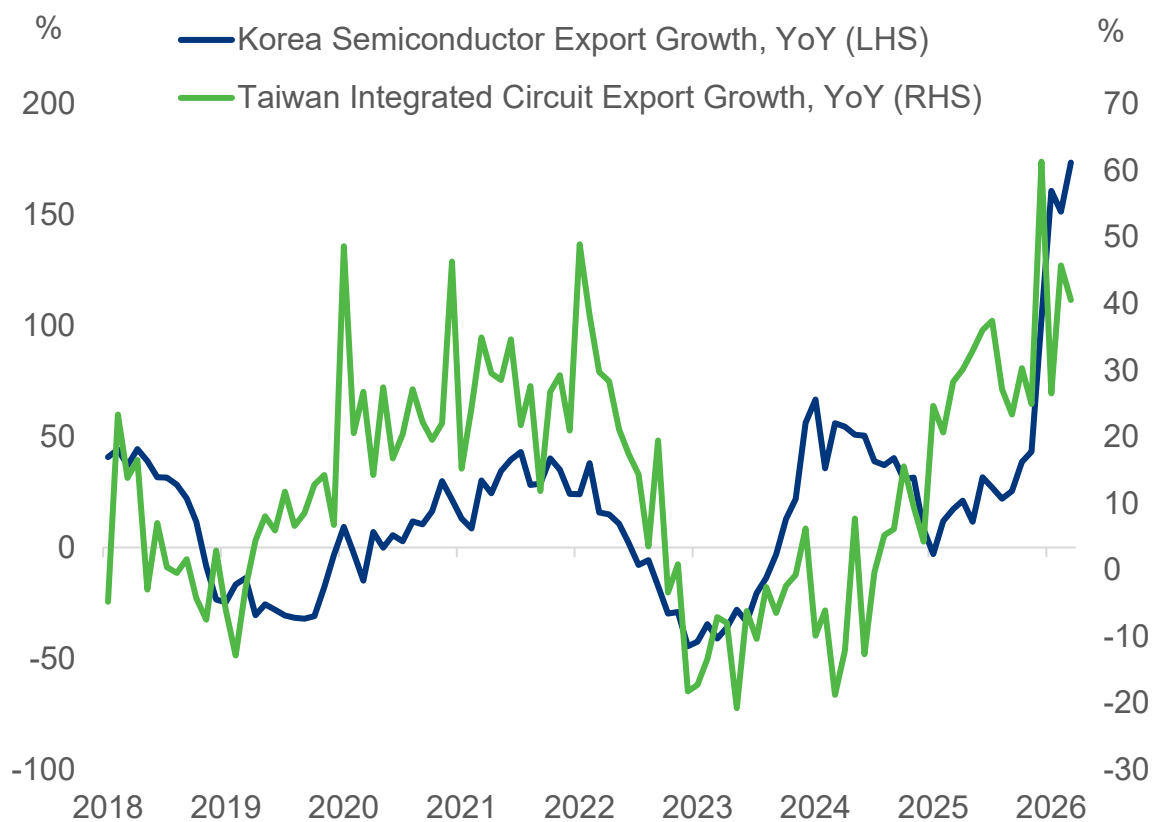
SSE Composite Sector Performance, YTD



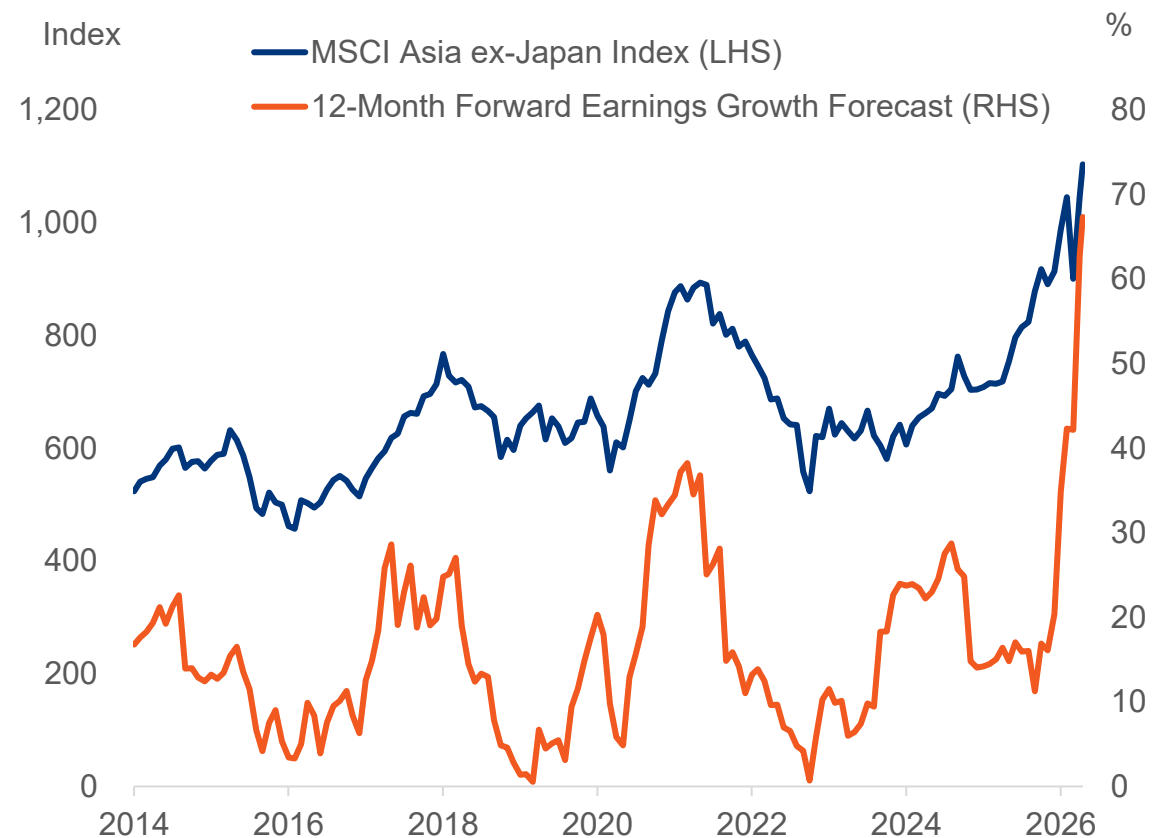
AI Outlook Fuels Tech Momentum in Taiwan & Korea

AI-Linked Taiwan & Korea Outperform; Manufacturing-Heavy SE Asia & India Lag

Taiwan and Korea Semiconductor Exports Continue to Surge



New Asia Earnings Growth Continues to Accelerate

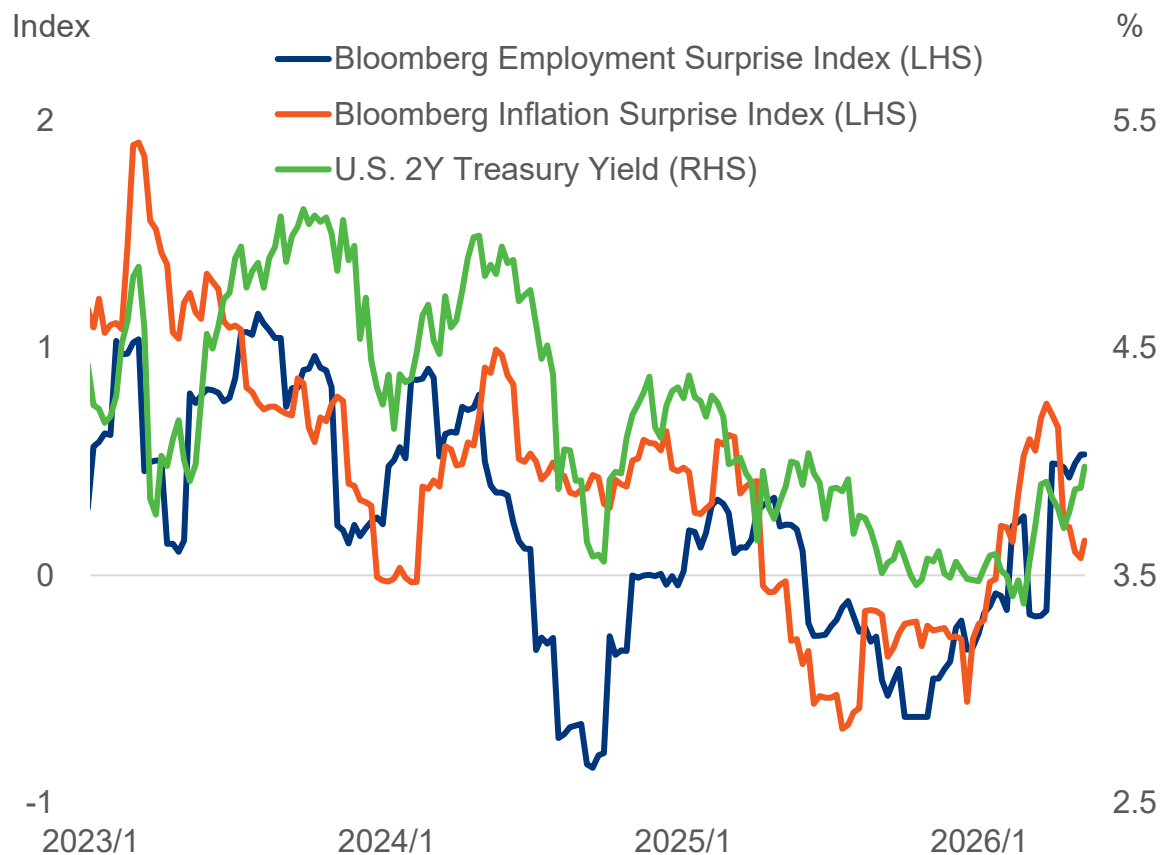


Source: Bloomberg

Economic Resilience and Fading Cut Hopes Favor Higher-Yield Lock-In

Strong Labor Markets and Credit Fundamentals Support Diversified Bond Allocation

Stable Labor Data Push U.S. Treasury Yields Higher



Source: Bloomberg

Adding Credit | Main Strategies

Fed on Hold; Wait for Better Treasury Entry Levels

Labor markets remain resilient, while the Fed could shift back toward hikes in 2027. With Middle East risks unresolved, upside for Treasuries appears limited. Prefer adding duration after yields move higher and growth data show clearer signs of moderation.

Attractive Yields in Investment-Grade Credit

Bond issuance should ease in 2H26, providing support for IG valuations. Favor sectors with attractive risk-adjusted spreads, including financials, technology, communications, utilities, industrials, and energy. Maintain diversified exposure and avoid CCC-rated high-yield issuers.

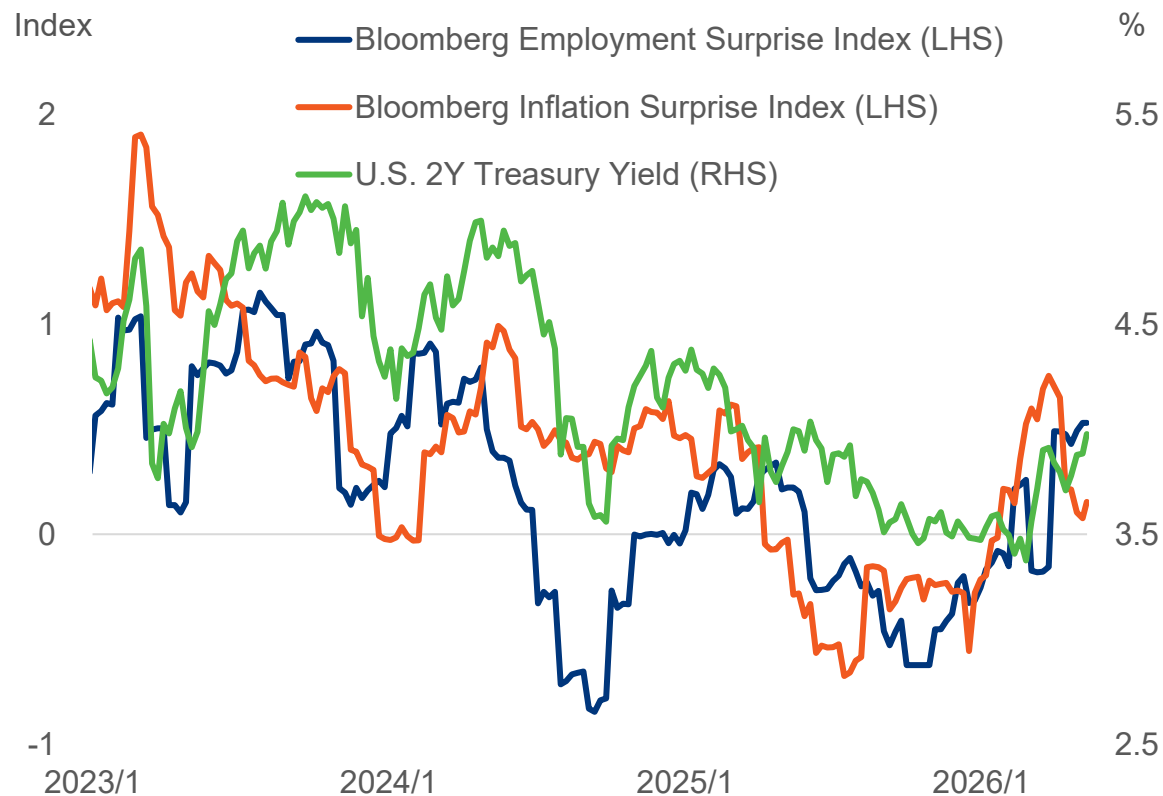
Emerging Debt as a Satellite Allocation

Emerging-market bond yields remain heavily influenced by U.S. real yields and global risk sentiment. Sticky inflation could push U.S. real rates and the USD higher in 2H. Use EM debt as a satellite allocation to capture yield while managing risk.

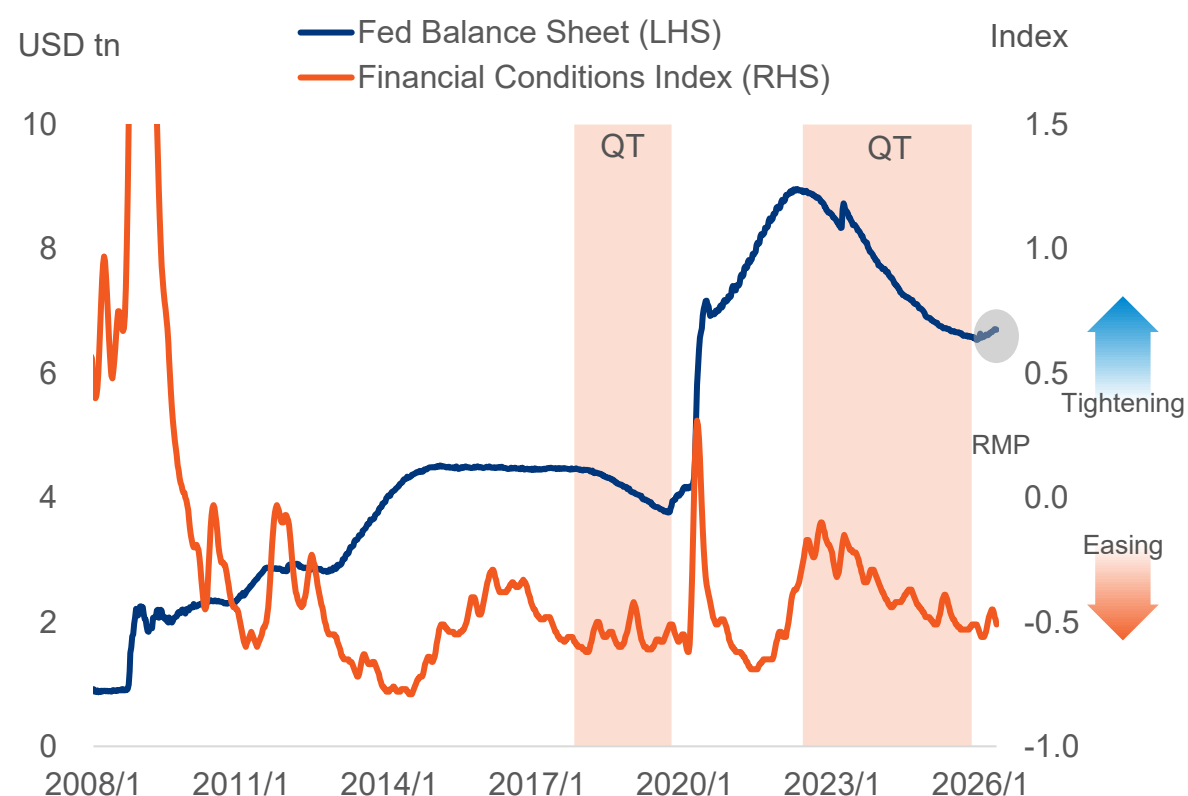
Treasuries Inflation and Resilient Growth Keep the Fed on Hold

Warsh's Appointment as Fed Chair May Renew Rate-Market Volatility

U.S. Treasury Yields Rise on Stronger-Than-Expected Labor Data



Fed Assets Expand Despite No Rate Cuts; Watch for Further Changes



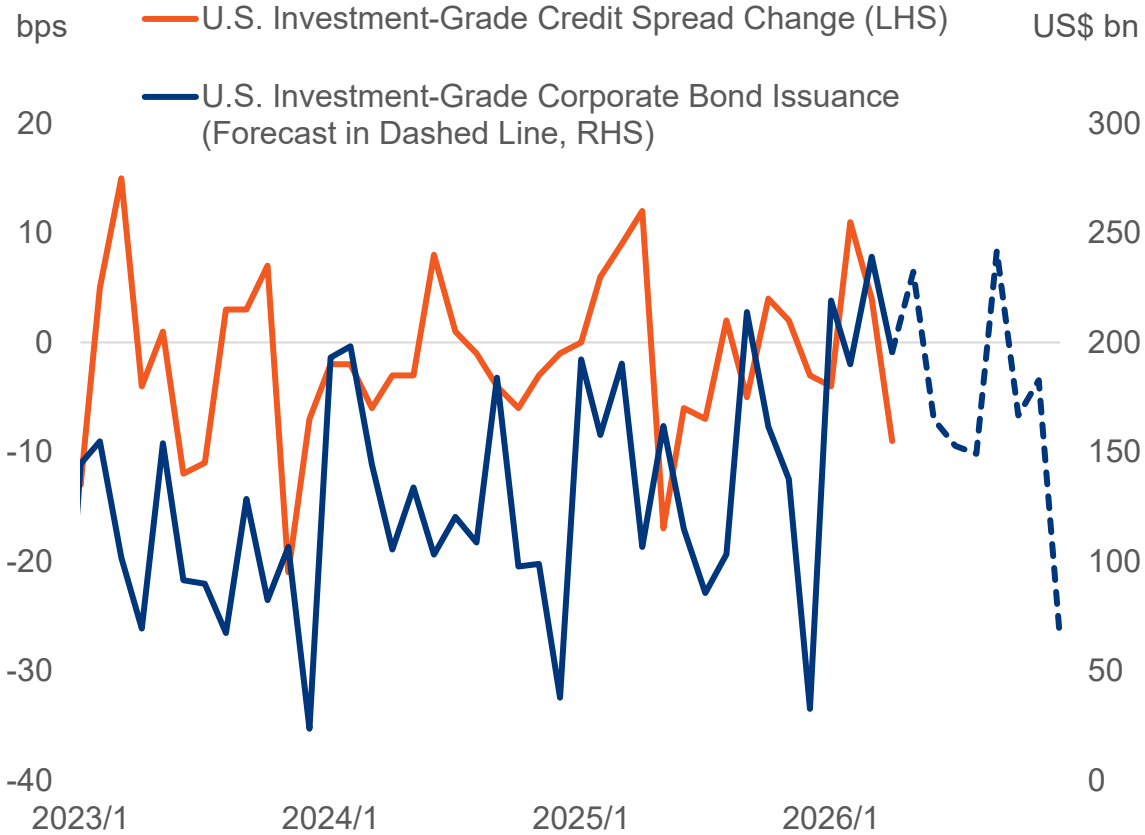
Source: Bloomberg; Note: Reserve Management Purchases (RMP), introduced by the Fed in Dec-2025, are a technical operation involving fixed monthly purchases of short-term U.S. Treasury bills. The objective is to replenish banking system reserves, maintain ample liquidity, and support effective policy-rate control. RMP is a technical measure to ensure smooth functioning of the financial system rather than a form of monetary easing.

Investment Grade

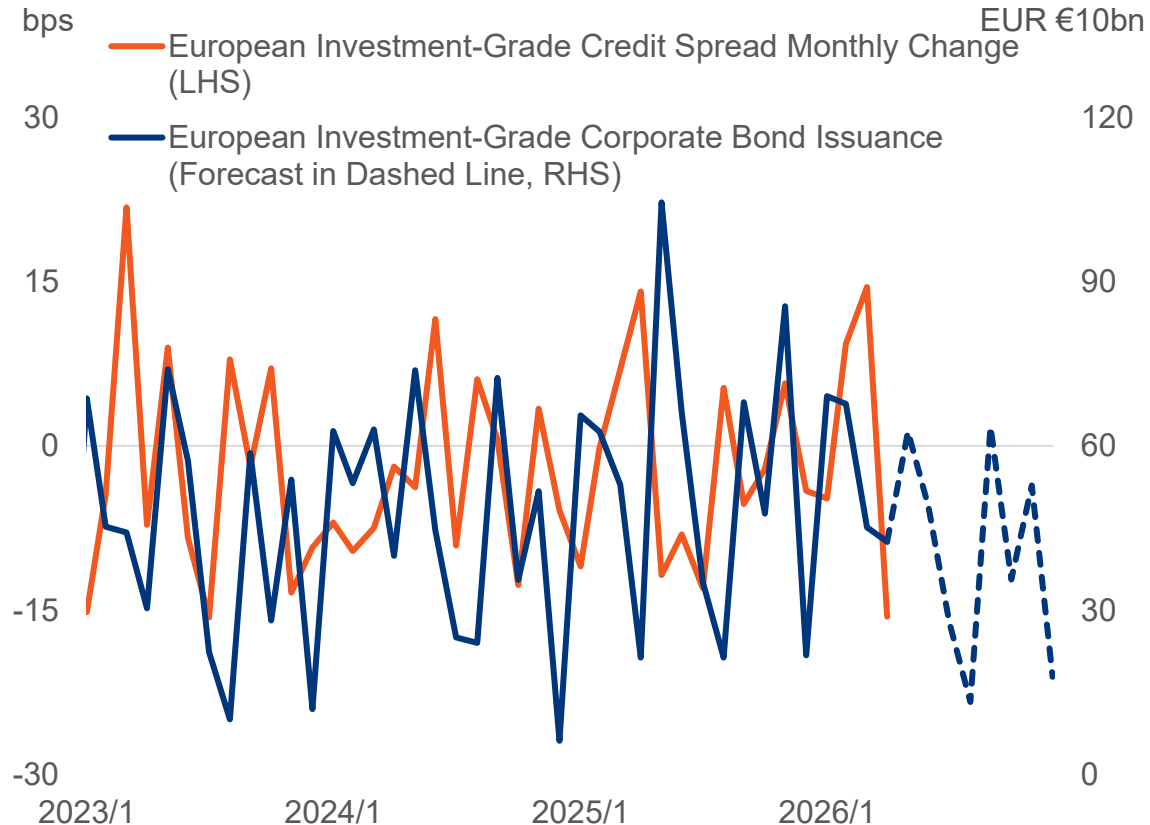
Heavy Issuance Lifts Risk Premiums, Enhancing the Appeal of IG Bond

With Credit Fundamentals Still Intact, Rising Yields Present Opportunities to Lock in High-Quality IG Bonds

Demand Absorbs Heavy Supply, Supporting IG Bond Prices



European IG Supply Expected to Ease in 2H, Enhancing Appeal



Source: Bloomberg

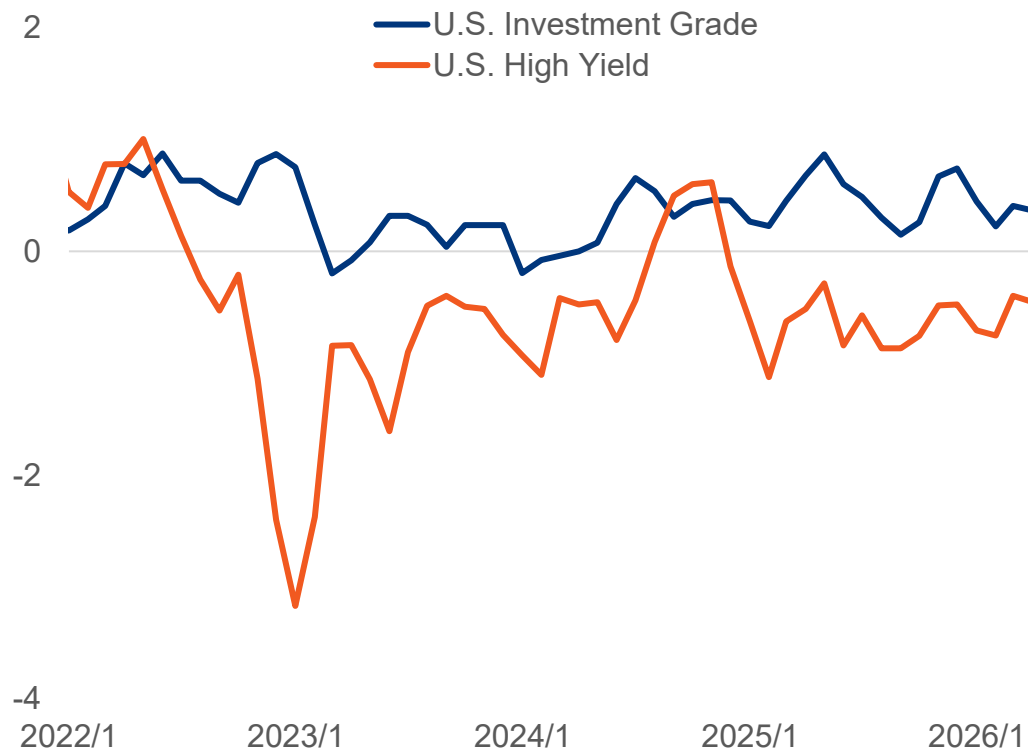


High Yield Downgrades Continue to Outpace Upgrades in High Yield

Rising Default Risks in High Yield Suggest Fund or ETF Exposure, Avoiding Sub-CCC Credits

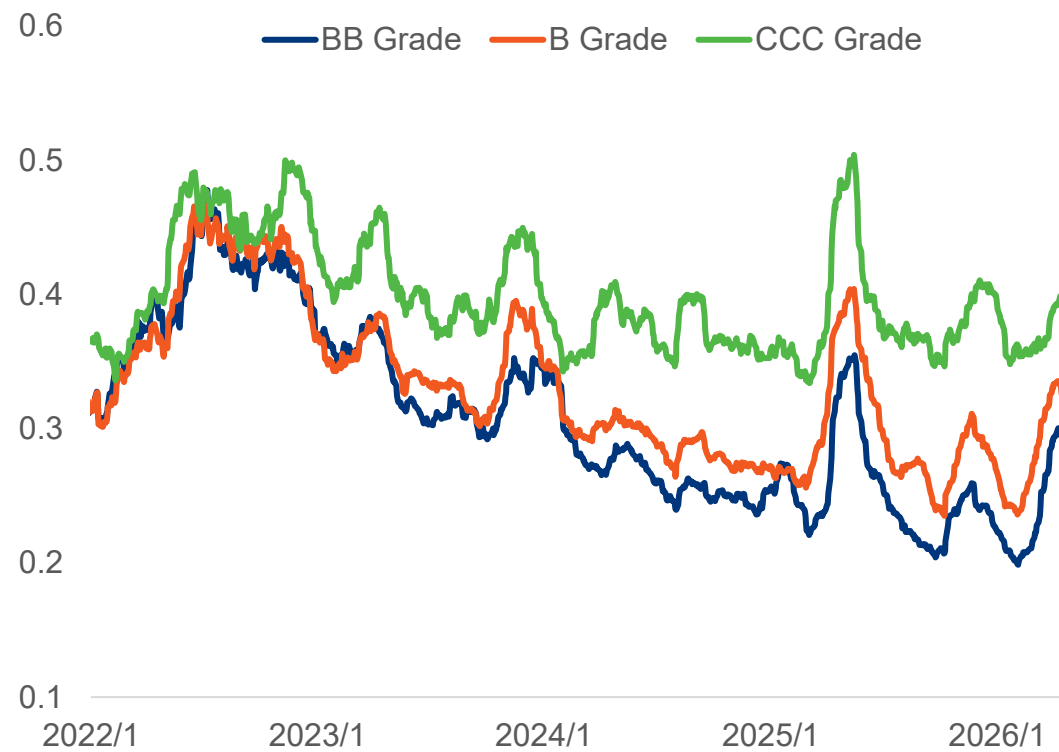
Downgrades Continue to Outpace Upgrades in High Yield

3-Month Moving Average Net Rating Migration, %



Lower-Rated Issuers Continue to Face Wider Spreads

U.S. High-Yield Bond Bid-Ask Spread, %



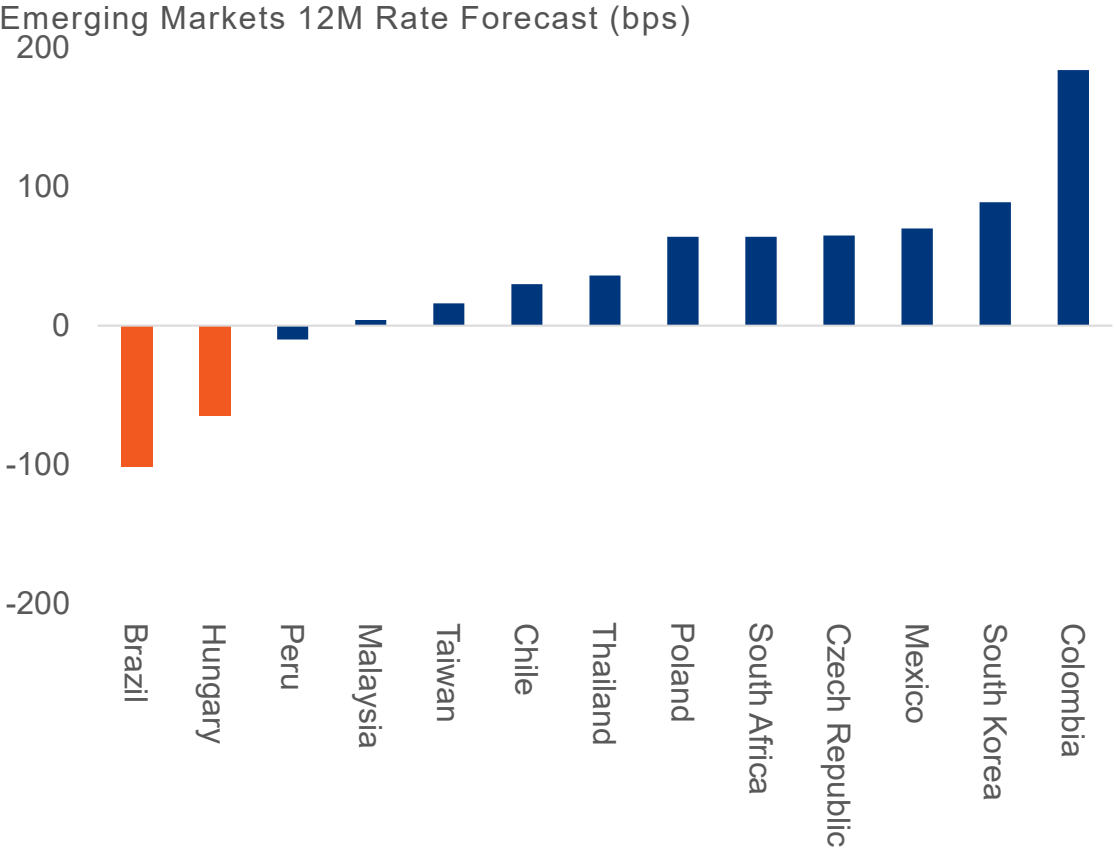
Source: Bloomberg, Bank of America; Note: Credit Migration Rate measures the ratio of net rating upgrades or downgrades to the total bond universe.

EM Debt

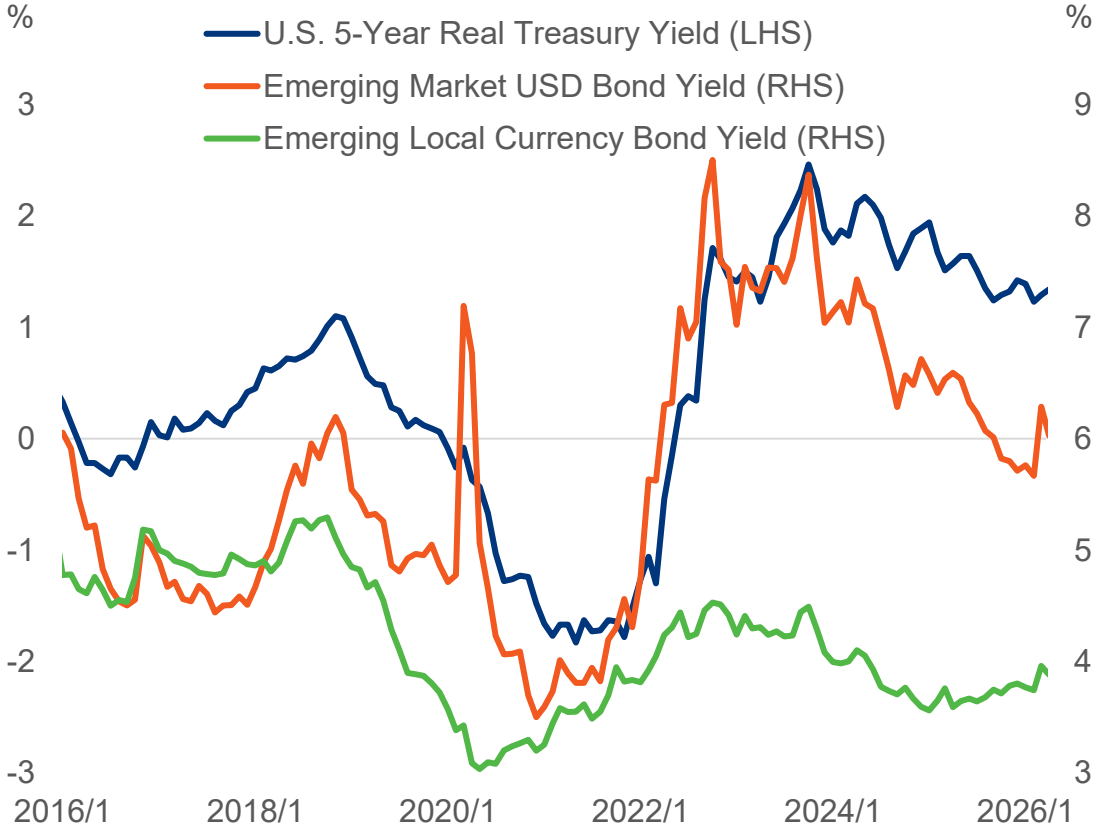
Emerging Market Debt Remains Resilient Amid Geopolitical Risks

Income Demand, Central Bank Policy, and USD Trends Drive EM Debt; Use Satellite Allocation to Lock in Yield

Emerging Nations May Move Toward Rate Hikes



Real U.S. Yields Shape EM Bond Trends



Source: Bloomberg

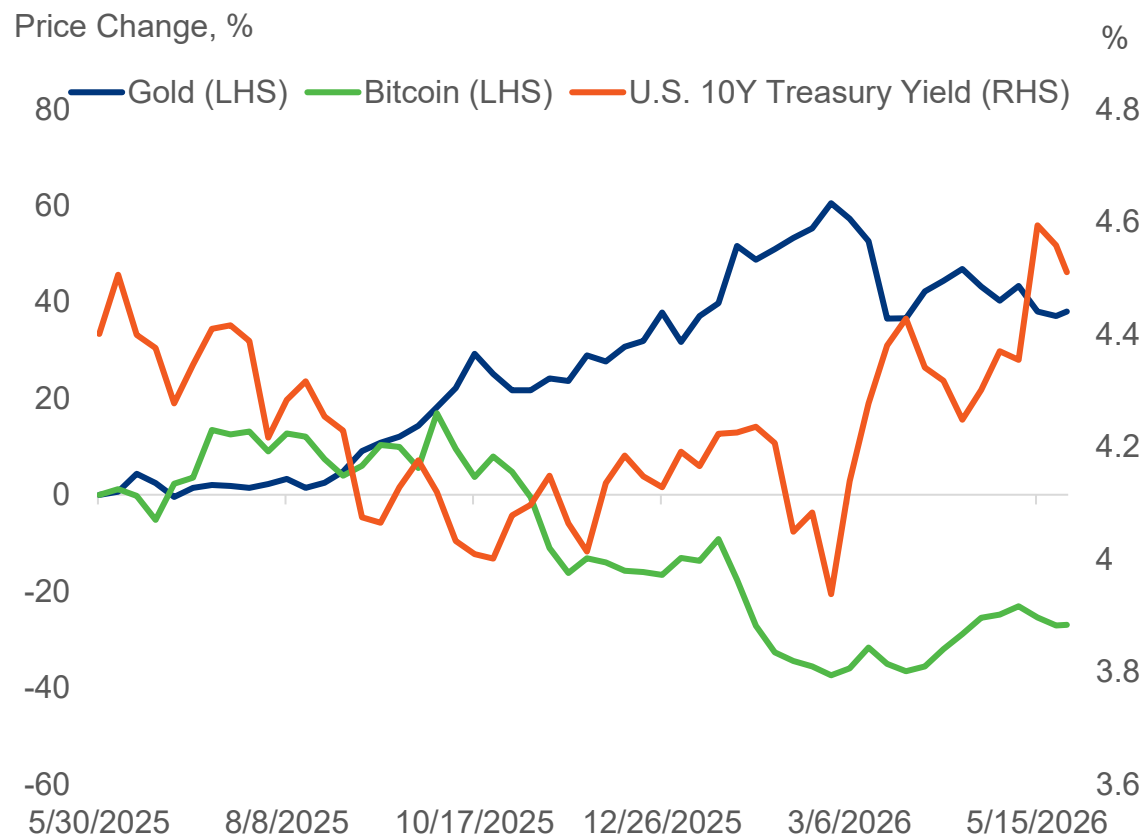




Multi-Asset Portfolios Navigate a Volatile Environment Better

Moderate Alternative Asset Exposure Helps Diversify Risk and Reduce Volatility

Higher Rates Have Mixed Effects on Gold & Crypto



Source: Bloomberg, as of 26 May 2026



Diversified Asset | Main Strategies

Gold

Higher inflation concerns have pushed global rates higher and kept the USD firm, weighing on gold in the near term. However, continued sovereign debt expansion and ongoing central bank gold purchases as a diversification tool away from the USD should provide downside support. Gold retains medium- to long-term upside potential, with pullbacks offering accumulation opportunities.

Digital Assets

Improving risk sentiment has eased recent net outflows from spot Bitcoin ETFs, lifting prices off the lows and suggesting the worst may be over for digital assets. If the U.S. Clarity Act passes judicial review in 2H, it could further support continued gains.

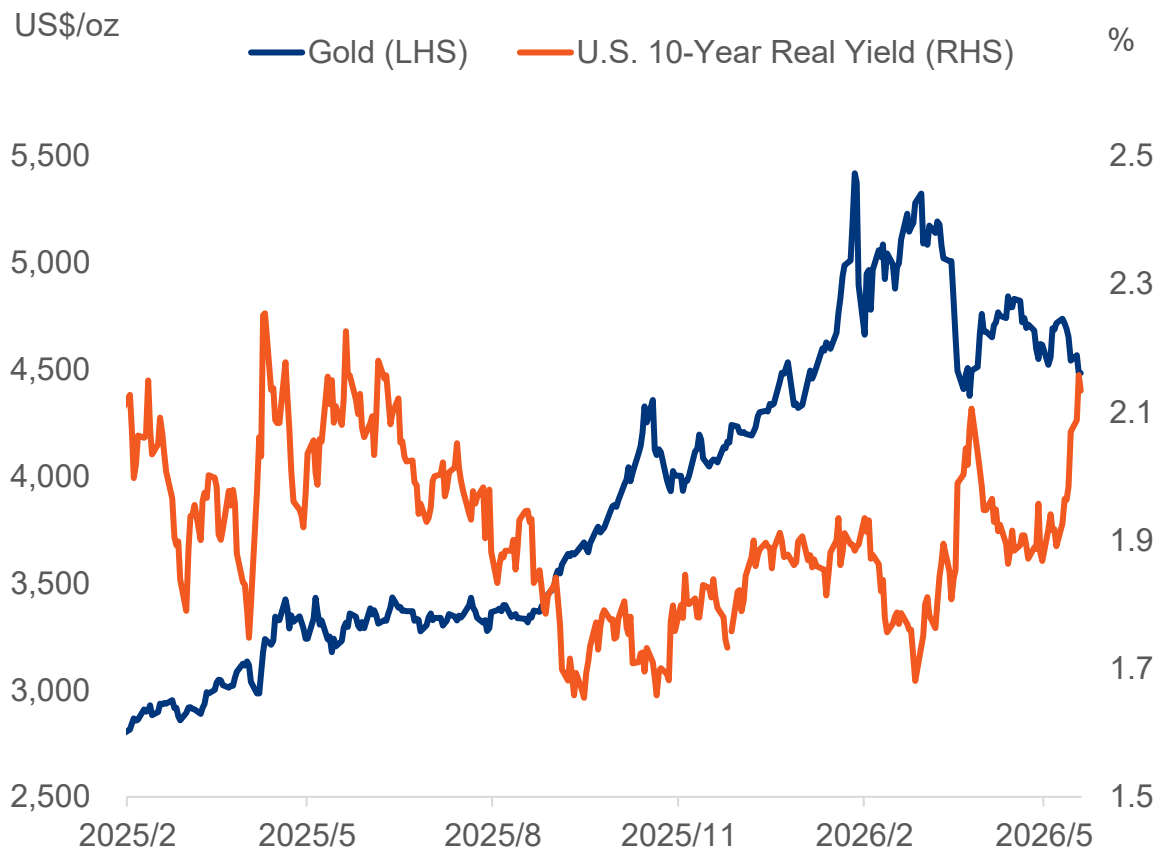
Private Assets

Private equity moves past economic uncertainty and valuation concerns, while also benefiting from increased M&A activity. As demand for liquidity rises, secondary private equity funds may attract greater investor attention.

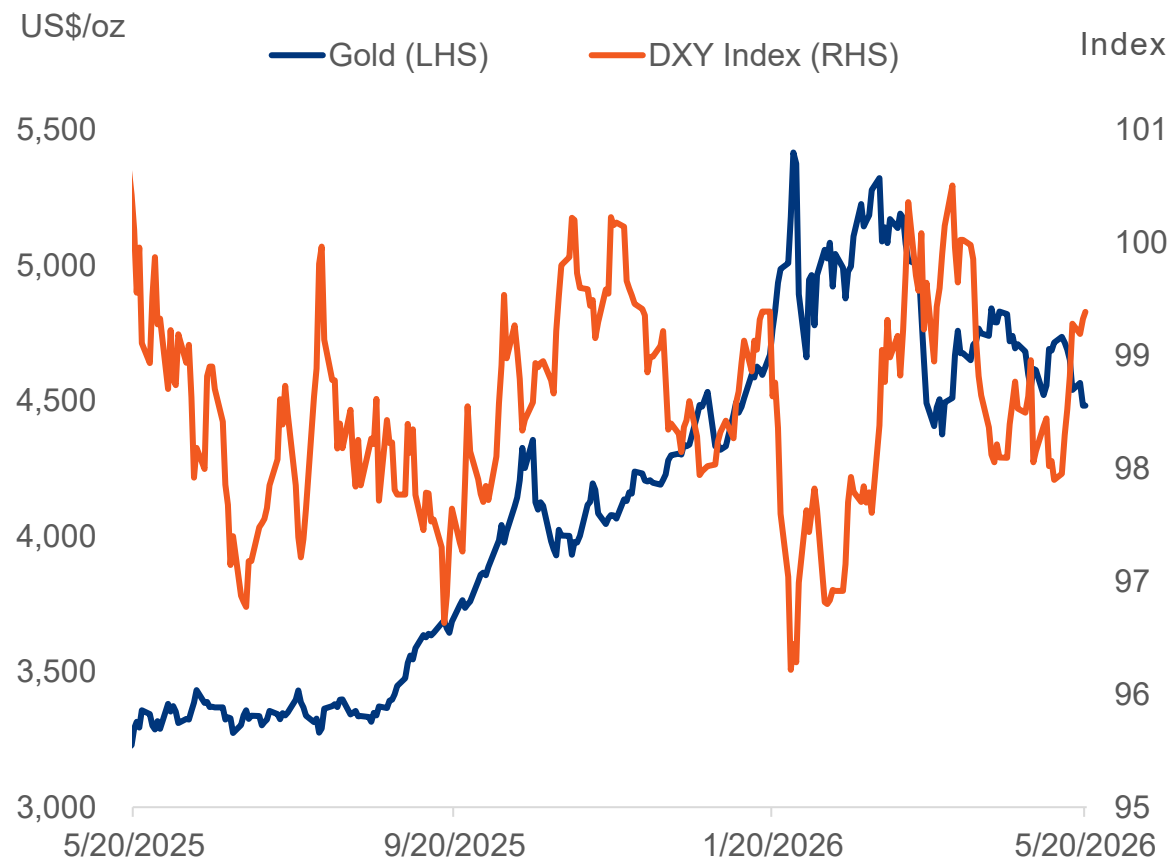
Gold Rising Inflation Concerns Lift Rates, Pressuring Gold

Higher Global Rates, Hawkish Central Banks, and a Firm USD Weigh on Gold

**Inflation Expectations Rise
Elevated U.S. Real Yields Pressure Gold**



Short-Term USD Rebound Weighs on Gold



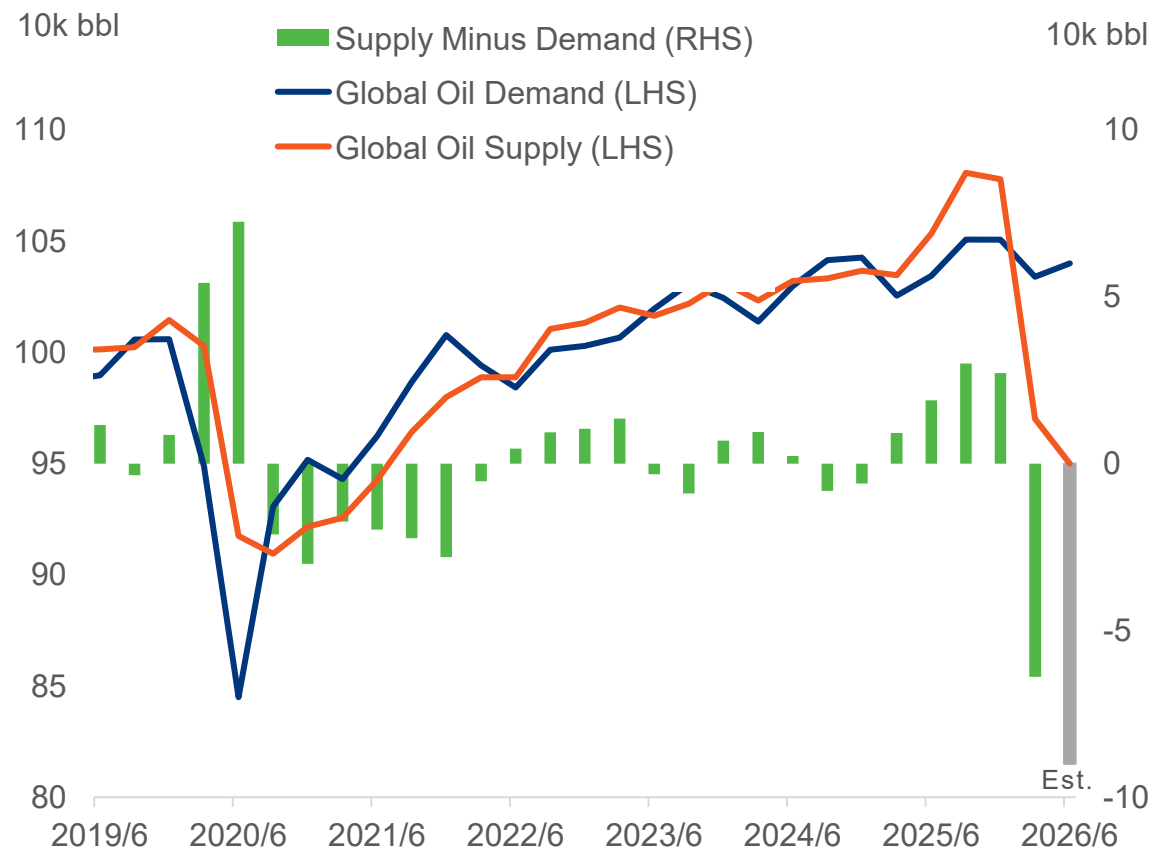
Source: Bloomberg

Oil

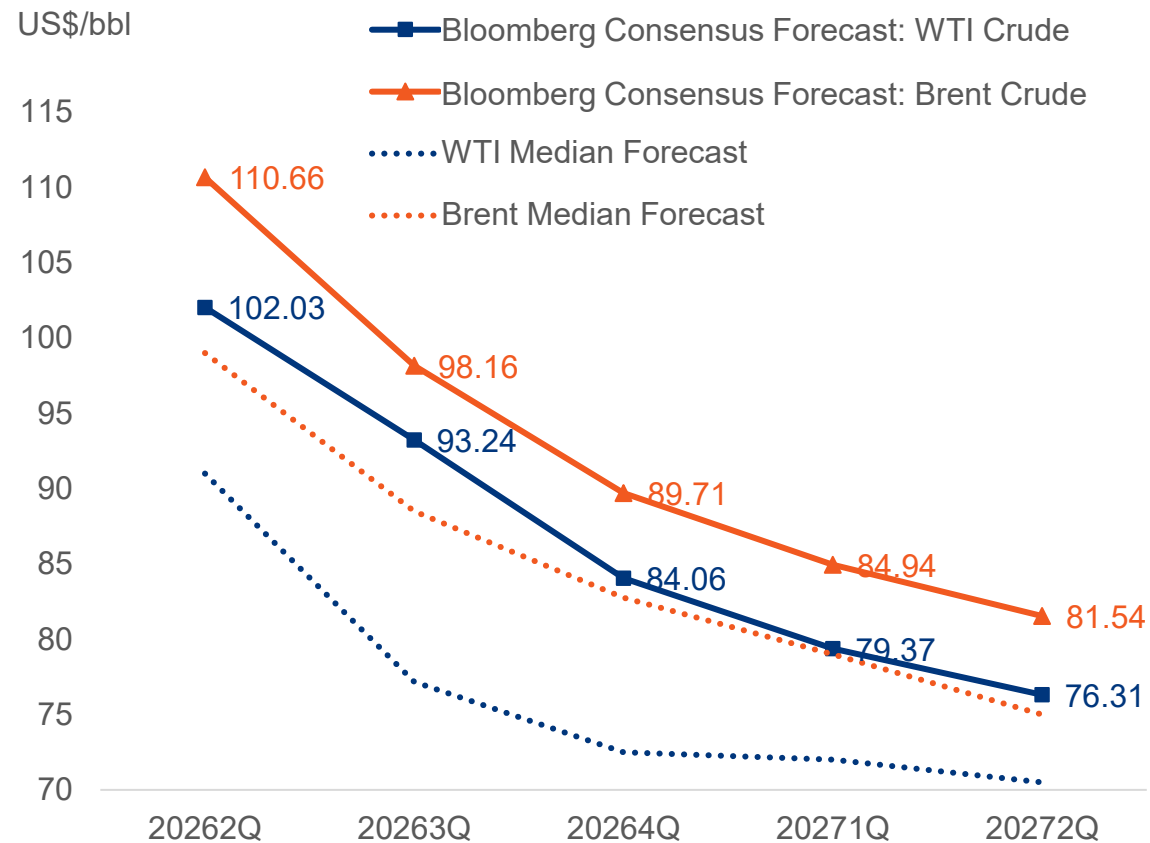
Persistent Supply-Demand Imbalances Keep Oil Prices Elevated

Even with a Deal, Energy Markets Are Unlikely to Normalize Quickly; High Prices May Persist Through Year-End

Strait of Hormuz Closure Keeps Global Energy Markets Tight



Oil Prices May Stay Elevated Through 3Q Before Easing by Year-End

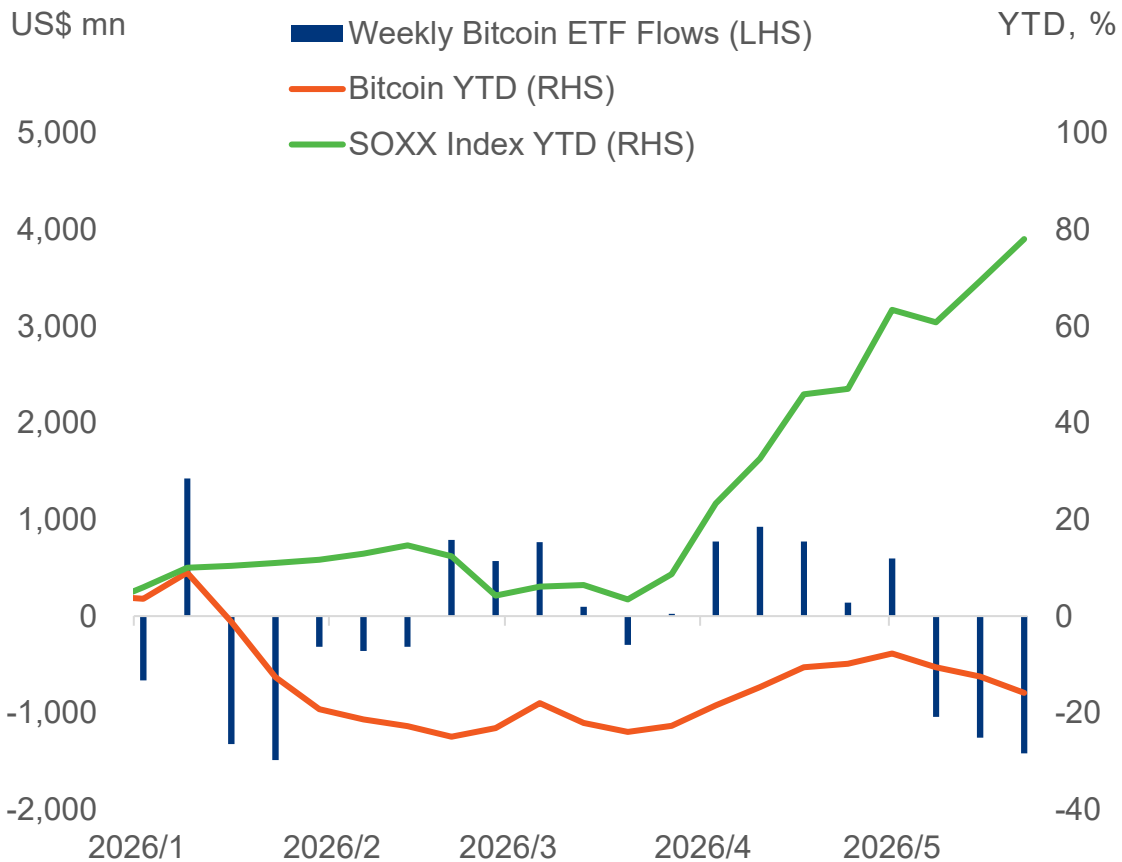


Source: Bloomberg

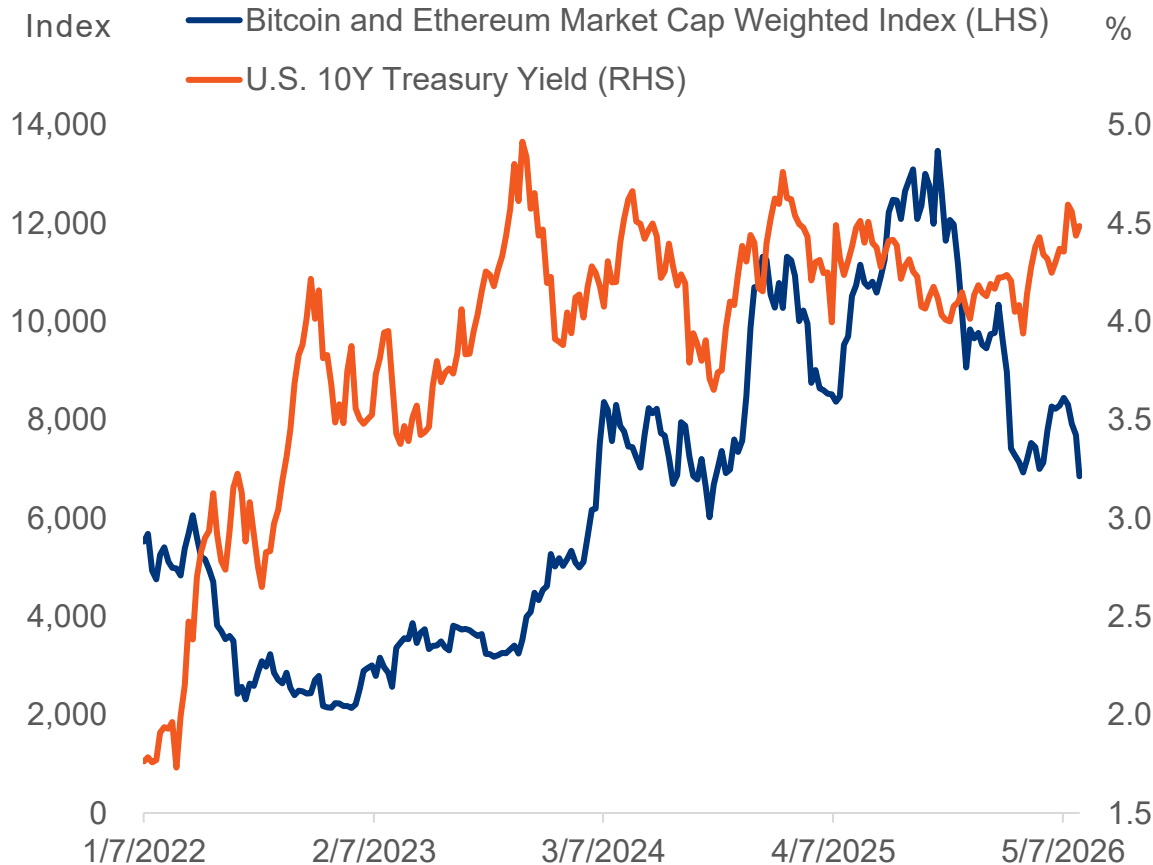
Crypto AI Rally and Higher Rates Divert Flows from Digital Assets

Recent Outflows Weigh on Crypto Markets, but the Clarity Act Could Support Longer-Term Development

AI and Semis Rally Crowds Out Flows to Digital Assets



Higher Rates Raise the Opportunity Cost of Holding Digital Assets

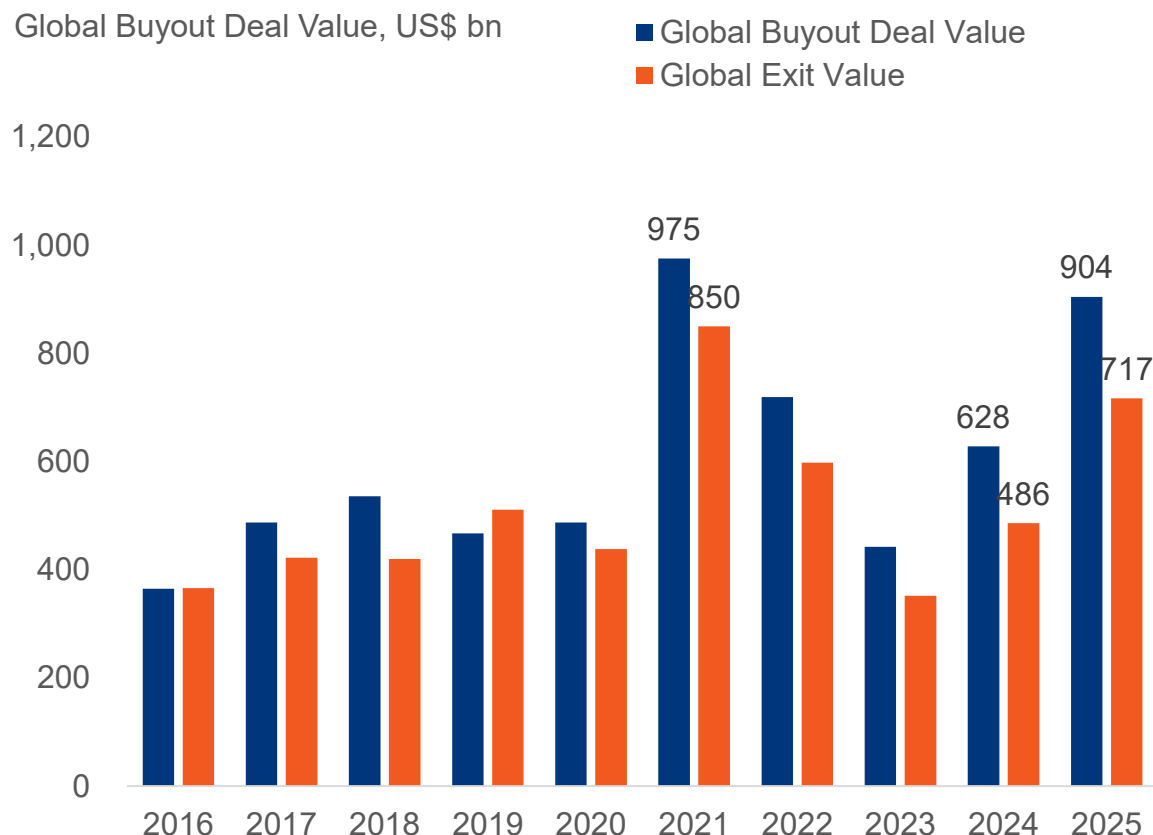


Source: Bloomberg

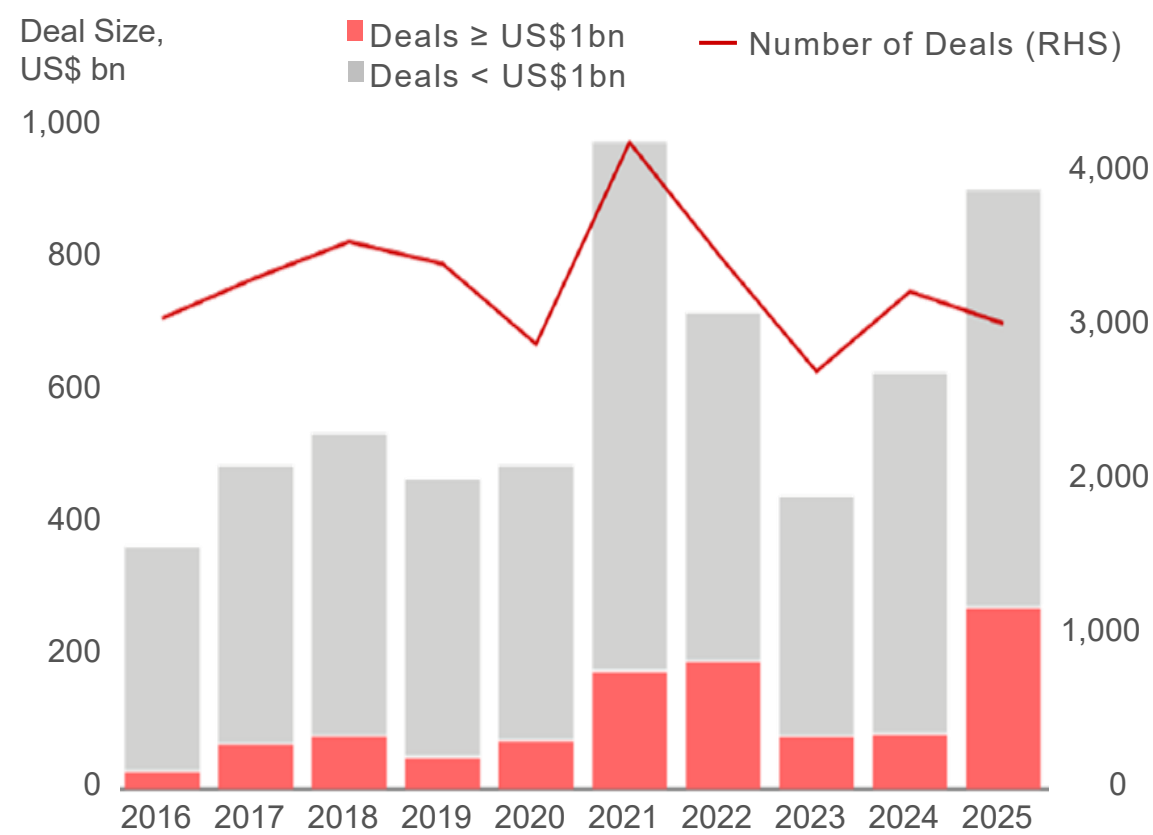
Private Equity Deal Value and Exits Rise 40% YoY; Liquidity Remains Key

Market Eases Uncertainty & Valuation Concerns; PE Capital Return Slow, Liquidity Tools* and Secondary Market Rising

Global Buyout Deal and Exit Value Rise More Than 40% YoY



Large Deals Dominate; Delayed Capital Returns Drive Liquidity Demand



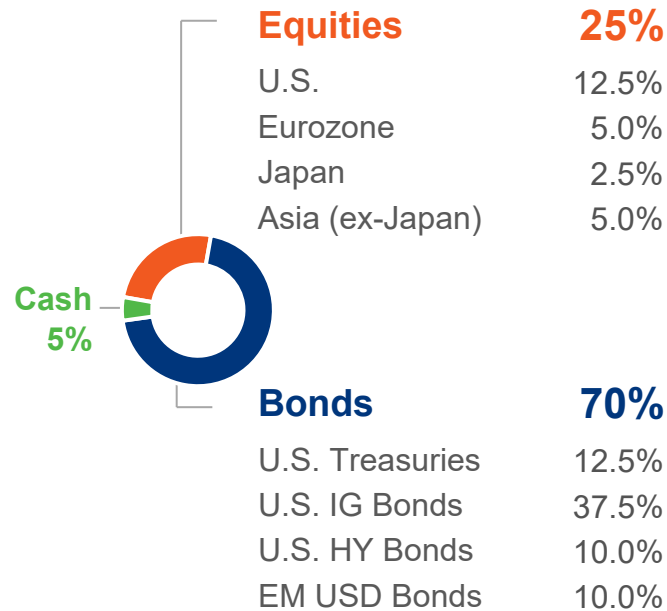
Source: Bain & Company; showing overall buyout deal value and total exit proceeds.

Note*: Refers to GP-led Continuation Vehicles (CVs), where the general partner sets up a new continuation fund to acquire the portfolio from the original private equity fund. Limited partners can choose either to cash out or roll over into the new vehicle.

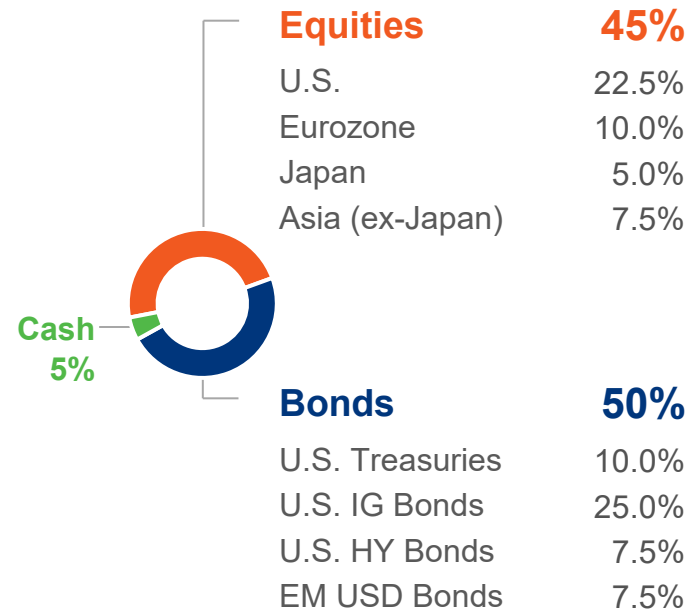
Non-Professional Investor Asset Allocation

Asset Allocation for Three Risk Profiles

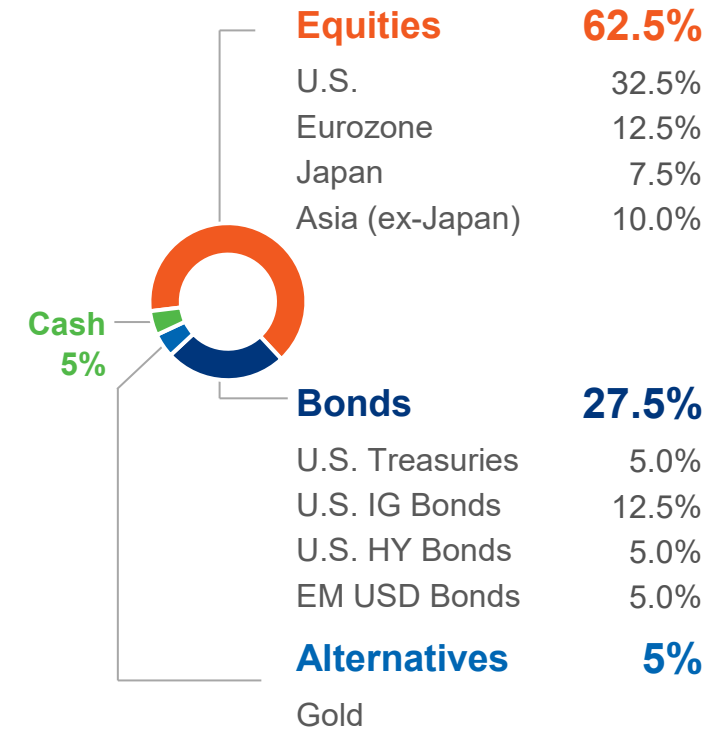
Conservative



Balanced



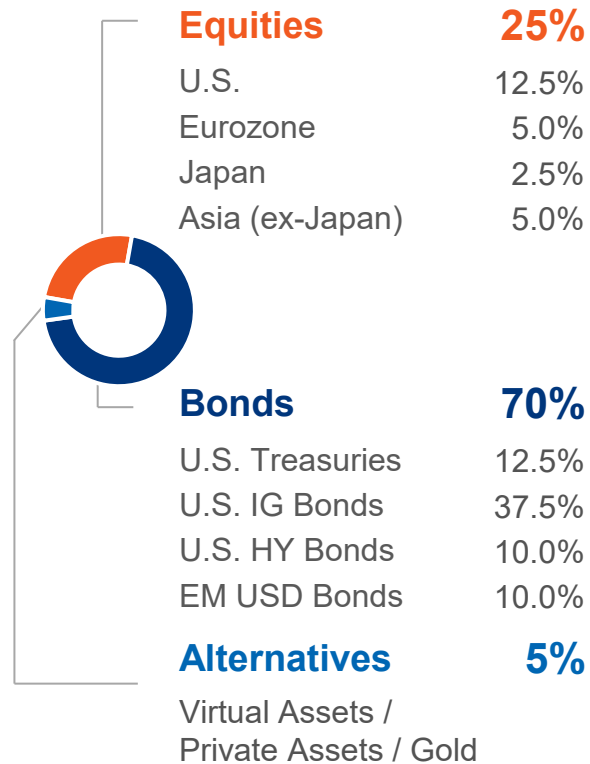
Aggressive



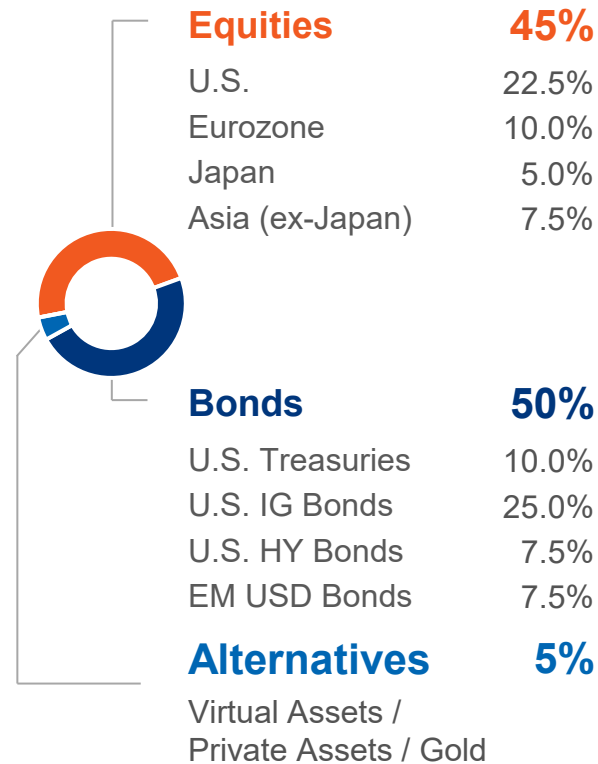
Professional Investor Asset Allocation

Asset Allocation for Three Risk Profiles

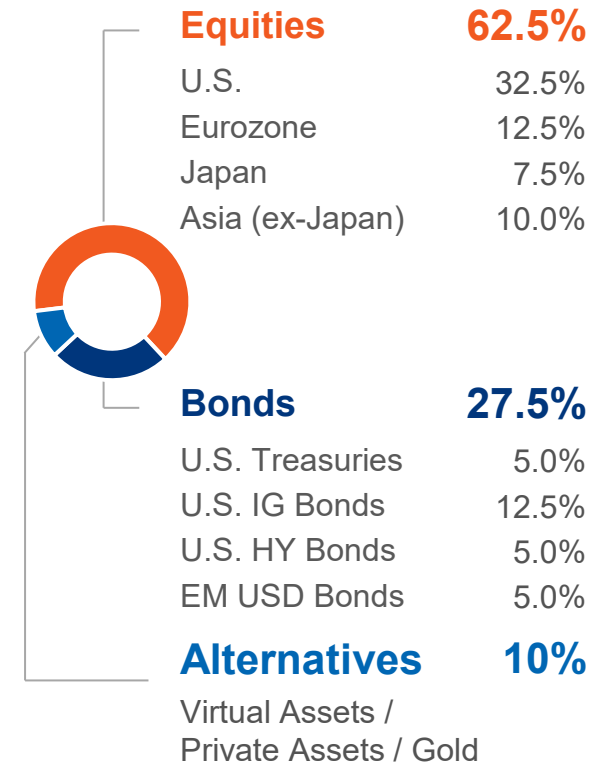
Conservative Allocation



Balanced Allocation



Aggressive Allocation



Three Shifts Reach a Crossroads – Is Your Portfolio LEAD-Ready?

New Tariffs

Tariffs and U.S.-Iran tensions remain unresolved, while high oil prices lift inflation risks. Alternative assets with lower market correlation can help strengthen portfolio.

New Midterm Map

With U.S. midterms approaching, a shift in Congress remains possible. Divided government could steer the market back to fundamentals, supporting long-term opportunities in AI-led growth sectors.

New Fed Chair

Sticky inflation keeps the Fed on hold. High-quality credit offers attractive income and can support portfolio stability.



Liquidity Shift

- Non-U.S. & Asian currencies



Earnings Focused

- Capture opportunities in U.S., Europe and Japan equities



Adding Credit

- A-rated USD & non-U.S. bonds



Diversified Asset

- Gold & Alternatives



Disclaimer

All information contained in this document is confidential and not intended for individuals or entities located in jurisdictions where the distribution of such information by KGI Securities (Asia) Limited ("KGI"), KGI Investment Management Limited, or their affiliates is restricted. This information does not constitute investment advice, an offer, or an invitation to subscribe to or invest in any securities, insurance, or other investment products or services in any jurisdiction. It is particularly important to note that this document's contents should not be distributed, offered, or used to solicit subscriptions for any securities in the United States or to U.S. persons (including U.S. residents or entities formed under U.S. law). The information in this document is for general reference only and does not consider the specific objectives, financial situations, or needs of any investor. Without KGI's written consent, the unauthorized dissemination, reproduction, or publication of any part of this document is prohibited. The information provided is not intended to serve as legal, financial, tax, or other professional advice, and should not be relied upon as professional investment advice.

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.

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.

This document has not been reviewed by the Securities and Futures Commission (SFC). The SFC does not take responsibility for the financial soundness of any recognized funds or investment products, nor does SFC recognition imply a recommendation to invest in such funds or products. In case of discrepancies between the English and Chinese versions of this disclaimer, the English version shall prevail.

- Investors should exercise caution when dealing with complex products.
- "Complex Products" refer to investment products with structures so intricate that their terms, features, and risks are unlikely to be understood by retail investors under normal circumstances.
- Investors may incur losses equal to or greater than the invested amount (where applicable).
- 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.