



CIO Office

Global Markets Weekly Kickstart

# Tariff Threats Remain

4 August 2025



## 01 Chart of the Week

Fed Holds Rates; Hawkish Tone at Press Conference



## 02 Market Recap

Rally Stalls as Fewer Rate Cuts Weigh on USD



## 03 What's Trending

China Tech Sentiment Improves After World AI Conference



## 04 In Focus

Rising Effective Tariffs Drive Shift to Downside Protection



## 05 Product Spotlight

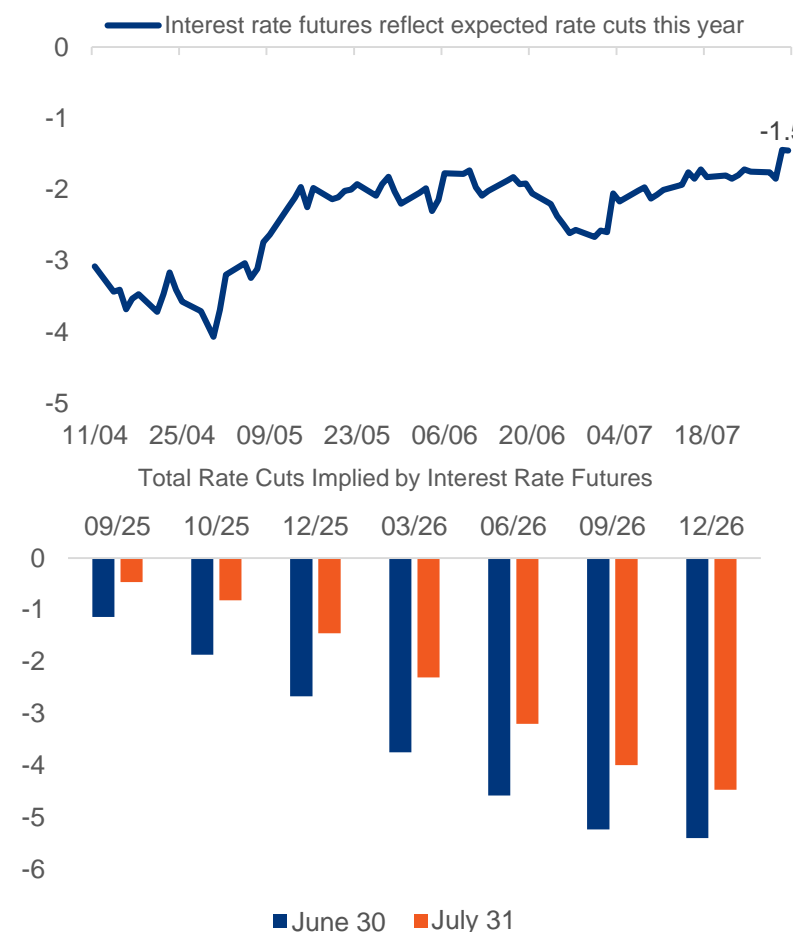
Selection of HK, U.S., Taiwan Equities, Bonds and Funds/ETFs

# Chart of the Week

## Fed Holds Rates; Hawkish Powell Flags Sticky Inflation, Dampens Sep Cut Hopes

- ▶ The Fed held rates steady at 4.25%–4.5% for a fifth consecutive meeting. At the press conference, Chair Powell emphasized a still-strong labor market and warned that tariff-driven goods inflation may just be starting, signaling potentially more persistent inflation. He made no mention of a possible September rate cut, with his tone notably more hawkish than the meeting statement.
- ▶ 2Q US GDP grew at an annualized 3%, beating expectations of 2.6% and reversing the prior quarter's 0.5% contraction. The rebound was mainly driven by a sharp 30.3% drop in imports, alongside stronger consumer spending—especially on goods—and a recovery in government spending, though fixed investment slowed. The quarter coincided with raised US tariffs and a pause in reciprocal measures. Data suggests front-loaded imports have ended, and tariff uncertainty is weighing on investment appetite, though consumption remains resilient.
- ▶ Overall, 2Q economic performance was solid, but early signs of a slowdown are emerging in leading indicators. Markets may be underestimating the broader impact of the trade war. Strong 2Q data may not persist into 2H25, potentially prompting a more dovish tone in the September FOMC.

### Rate-Cut Expectations Largely Repriced



### Yields Surge During Powell's Press Conference



### Solid U.S. Growth May Not Extend Into 2H25



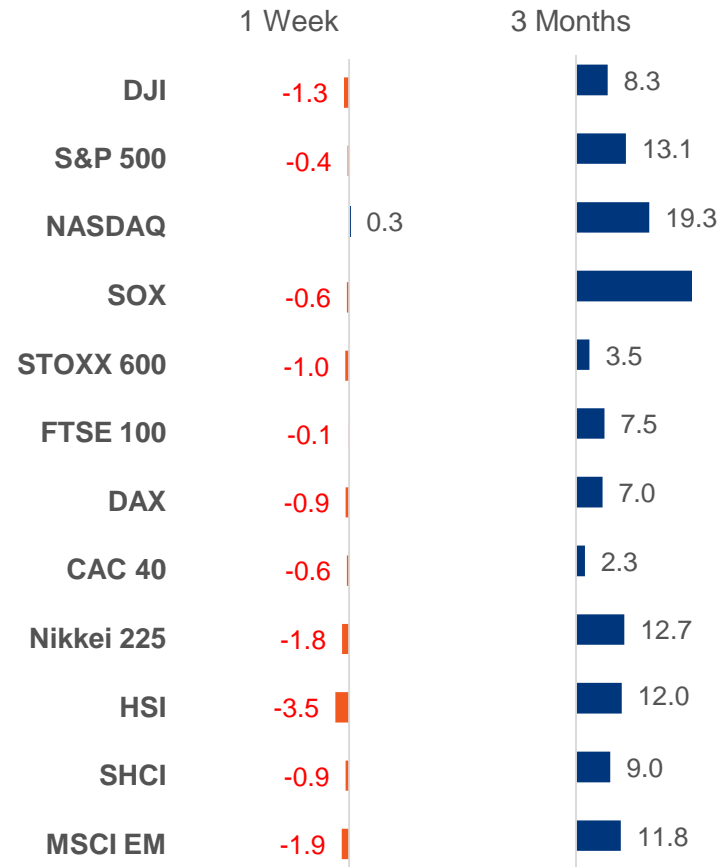
Source: Bloomberg

## Market Recap

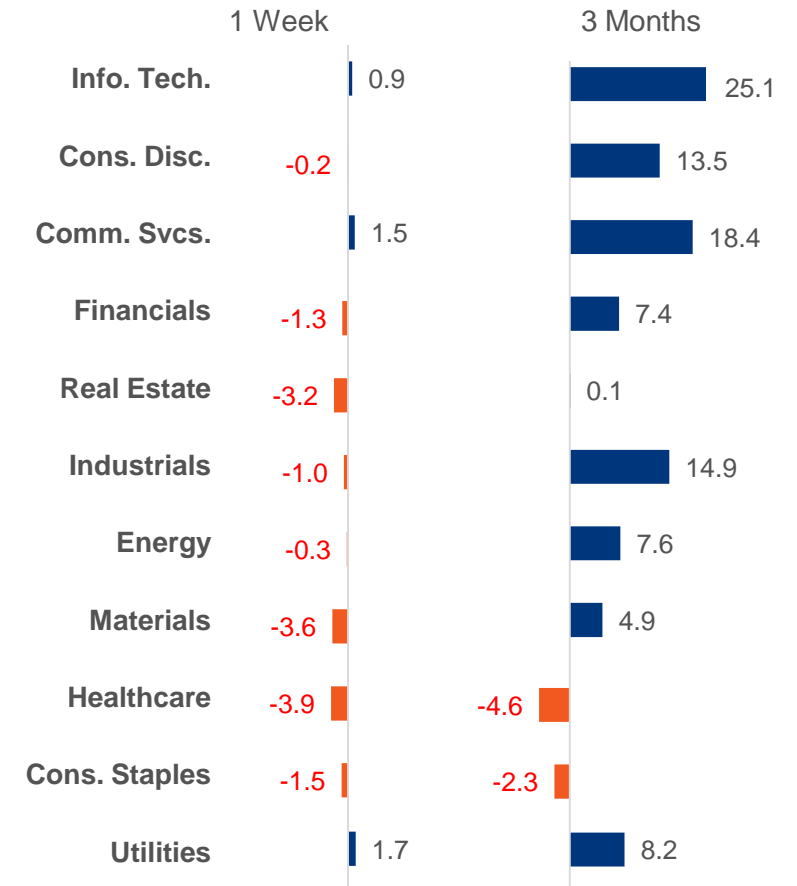
## Rally Fades Midweek; MFN Pricing Pressures Healthcare Sector

- ▶ U.S. equities hit new highs early last week, buoyed by a U.S.–EU trade deal that halved tariffs from 30% to 15%, granted exemptions for some tech products, and included a €600 billion investment pledge from Europe. However, gains faded midweek after Fed Chair Powell's press conference offered no signal of a September rate cut, denting market sentiment. The S&P and Dow ended the week lower, while the Nasdaq posted modest gains.
- ▶ In sector moves, healthcare underperformed after former President Trump announced letters had been sent to 17 pharmaceutical firms, requesting an extension of the "Most-Favored-Nation" pricing clause by September 29. Profitability concerns dragged the sector down.
- ▶ NVIDIA briefly hit record highs on news it ordered 300,000 H20 chips from TSMC to meet China demand, but later retraced gains in line with broader market weakness.

## Regional Indices Performance (%)

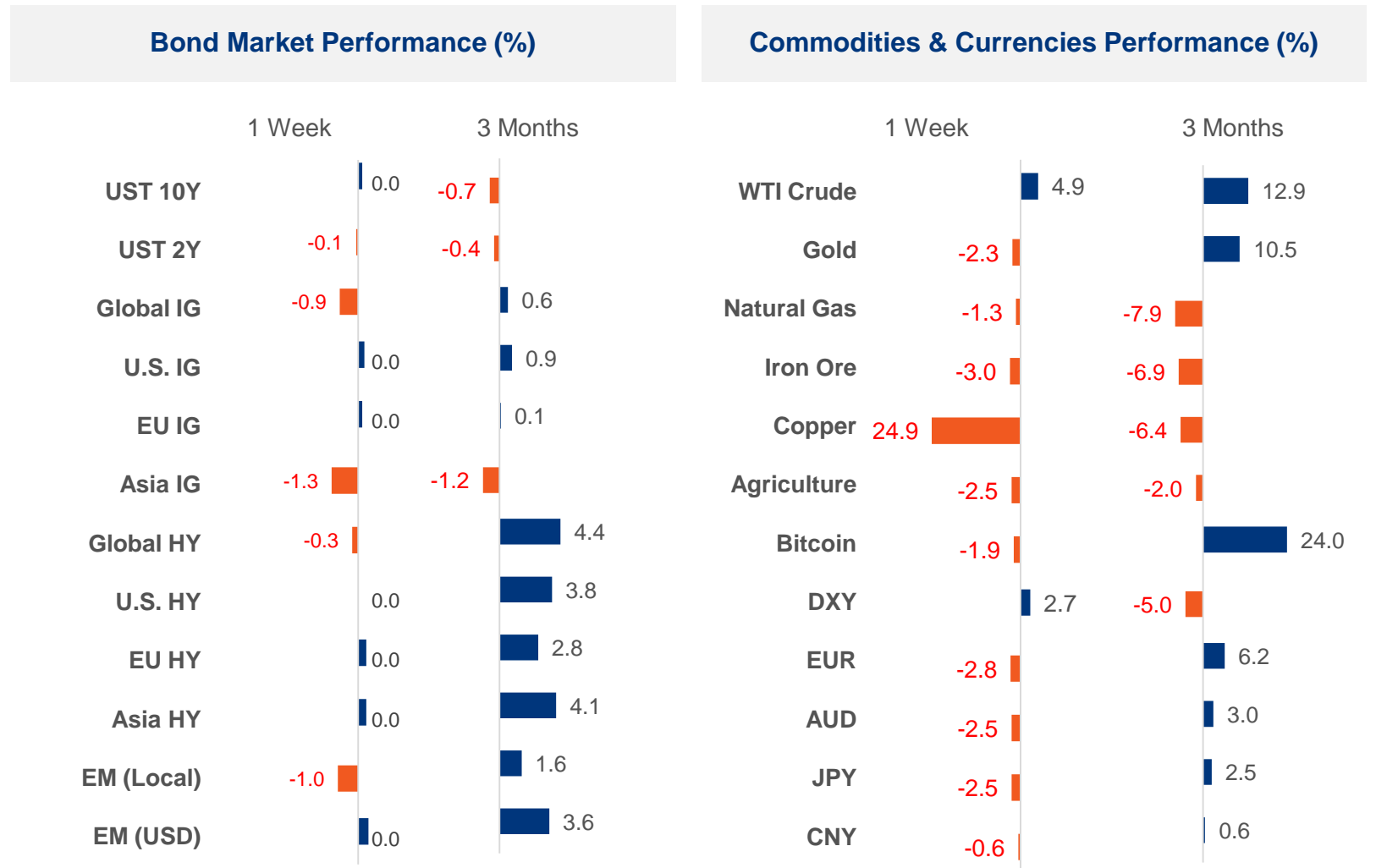


## U.S. Sector Performance (%)



# Hawkish Powell Lifts USD; Refined Copper Exempt from Tariffs, Prices Plunge

- ▶ Fed Chair Powell avoided mention of a possible September rate cut during his press conference, a stance the market interpreted as hawkish. Rate-cut expectations were sharply reduced, pushing 2-year yields higher and pressuring bond prices. The U.S. Dollar Index continued climbing, nearing the 100 level—a two-month high—dragging down non-dollar currencies.
- ▶ The Bank of Japan held rates steady for a fourth consecutive meeting and raised its inflation outlook. It also flagged uncertainties from U.S. tariffs, with no shift toward tightening, leaving the yen weak against the dollar.
- ▶ The U.S. announced a 50% tariff on semi-finished copper products, but excluded refined copper. Markets had priced in full coverage, so the exemption triggered a sharp reversal—copper futures plunged over 20% this week, weighing on select materials stocks.



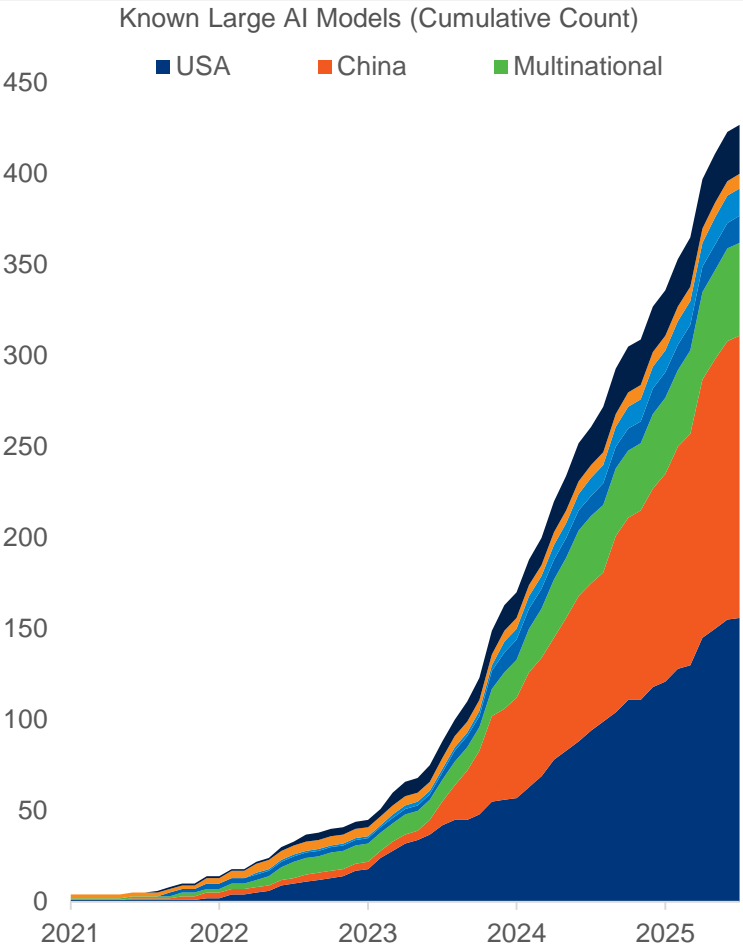
Source: Bloomberg, 25 July 2025



# World AI Conference Ends on Positive Note for China Tech

- ▶ The 2025 World Artificial Intelligence Conference (WAIC) wrapped up in Shanghai, where major Chinese tech firms unveiled a range of AI technologies and products. The event reported over RMB 16 billion in intended procurement deals. Concurrently, Shanghai rolled out new support measures—including full first-year subsidies for small firms renting computing power—to boost the AI ecosystem across infrastructure, model applications, and training data.
- ▶ China is rapidly narrowing the AI gap with the U.S., with each now accounting for about one-third of large-scale AI models. Domestic models like Deepseek and Moonshot gained recognition for strong language performance despite low training costs and export restrictions on chips. However, nearly 75% of AI supercomputing capacity remains in the U.S., while China holds 15%. Chinese model training still relies on imported chips, leaving the U.S. in a leading position.
- ▶ Still, with supportive policy and cost advantages, market sentiment toward China’s AI trajectory remains optimistic. The mid-July resumption of H20 chip exports to China eased supply-chain pressures, marking a positive shift for Chinese tech firms. Upcoming developments in humanoid robotics and autonomous driving are expected to remain key focal points.

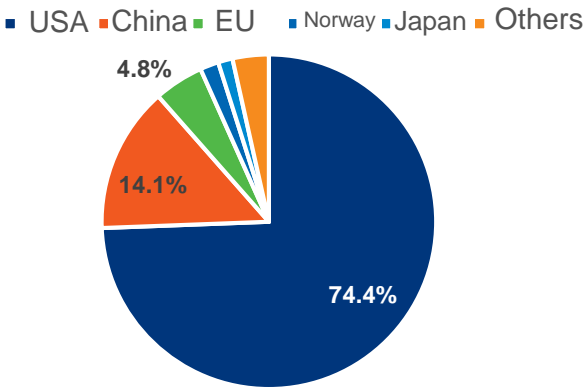
## U.S. and China Each Hold One-Third Share in Large AI Models



## Chinese AI Models Show Rising Competitiveness

LMArena Rank – Text Grouping			
Rank	Developer	Model Name	Region
1	Google	Gemini-2.5-pro	USA
1	OpenAI	O3	USA
2	OpenAI	Chatgpt-4o	USA
3	OpenAI	Gpt-4.5	USA
3	xAI	Grok-4	USA
5	Anthropic	Claude-opus-4	USA
5	Moonshot	Kimi-k2	China
5	DeepSeek	Deepseek-r1	China

## Nearly 75% of Global Supercomputing Power Is Based in the U.S.



Source: Bloomberg

**In Focus**

# U.S. Yet to Reach Deals with Key Partners; Avg Effective Tariff Rises to 18%

- ▶ Last week, the U.S. continued signing trade agreements with more regions, imposing 15% and 25% tariffs on South Korea and India, respectively. President Trump signed an executive order enforcing the new tariffs starting August 7.
- ▶ However, no agreement has been reached in the widely watched U.S.–China talks. The two sides only discussed extending the tariff truce, with the U.S. refusing to ease restrictions on high-tech chip and equipment exports, and warning China against buying oil from Iran and Russia. Talks with Mexico were extended by 90 days, while tariffs on Canada rose to 35%, though exemptions remain in place.
- ▶ Trade data shows China and Mexico as the largest sources of U.S. trade deficits, with Canada ranking third in imports. The three account for over 40% of U.S. imports, and the lack of finalized deals with them adds to market uncertainty.
- ▶ Recent market optimism stems from lower-than-feared tariff rates in some deals, but actual levels remain high. As of August 1, Yale Budget Lab estimates place the U.S. average effective tariff at 18%, well above the global average of 10%.

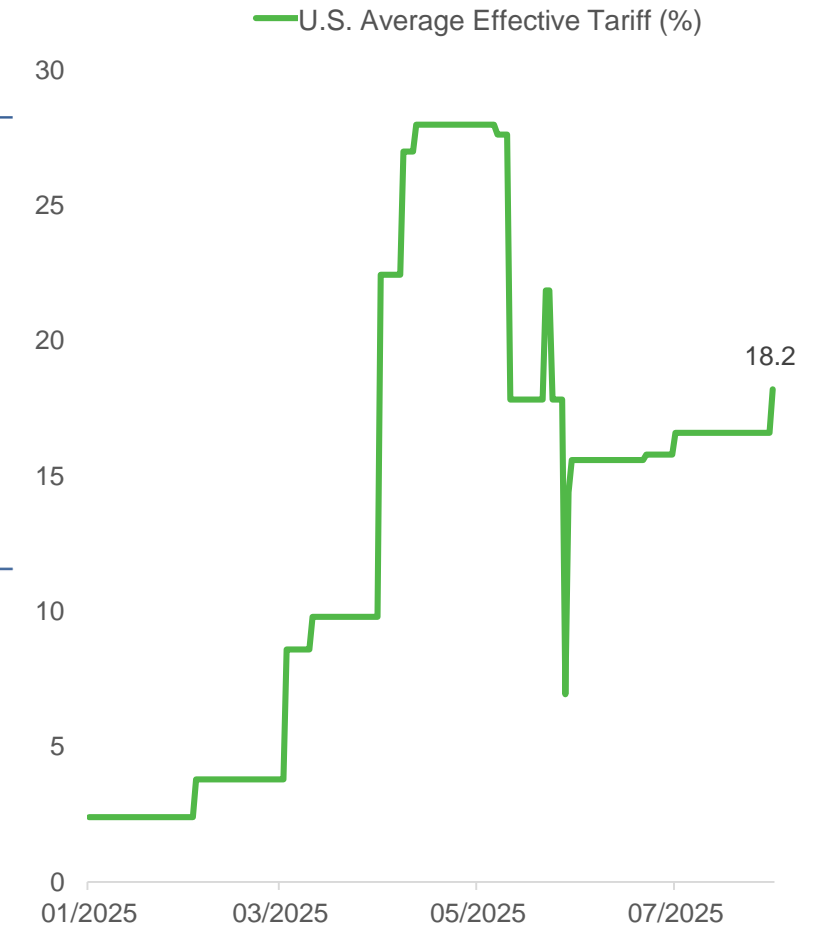
## U.S. Yet to Reach Agreements with Major Trade Partners

	2024 Import Data		Tariff
	Import Value	% of U.S. Imports	
	505.9	15.5	30%
China	438.9	13.4	30%
Canada	412.7	12.6	35%

	2024 Import Data		Negotiated Tariff
	Import Value USD (Billion)	% of U.S. Imports	
Germany	160.4	4.9	15%
Japan	148.2	4.5	15%
Vietnam	136.6	4.2	20%
Korea	131.5	4.0	15%
Taiwan	116.3	3.0	20%
Ireland	103.3	3.2	15%
India	87.2	2.4	25%

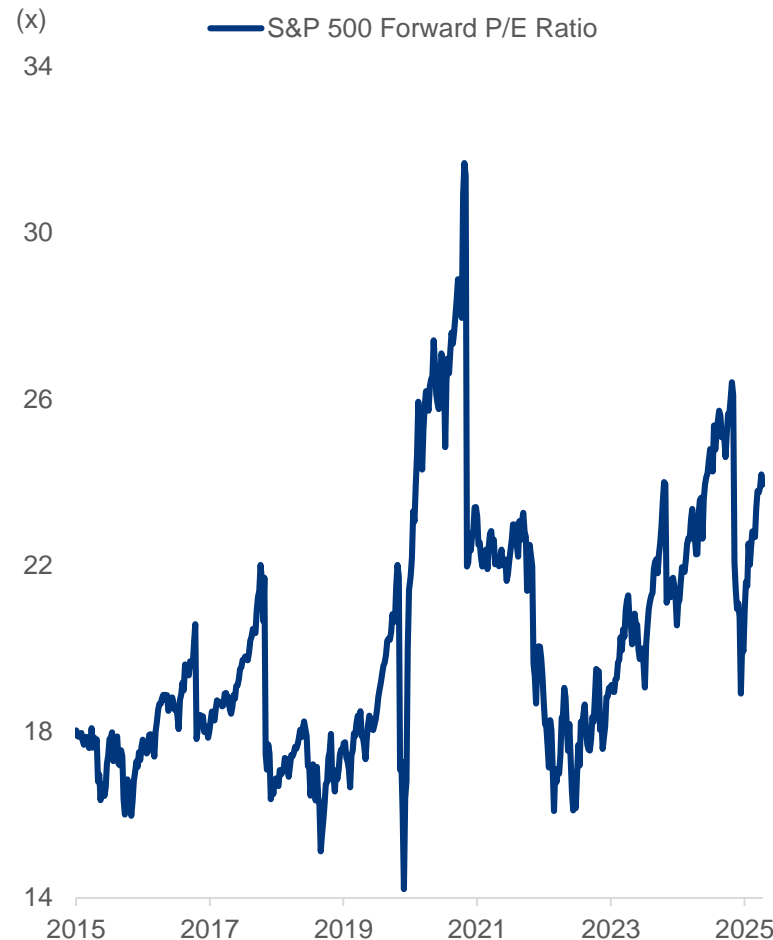
## Average Effective Tariff Rises to 18%



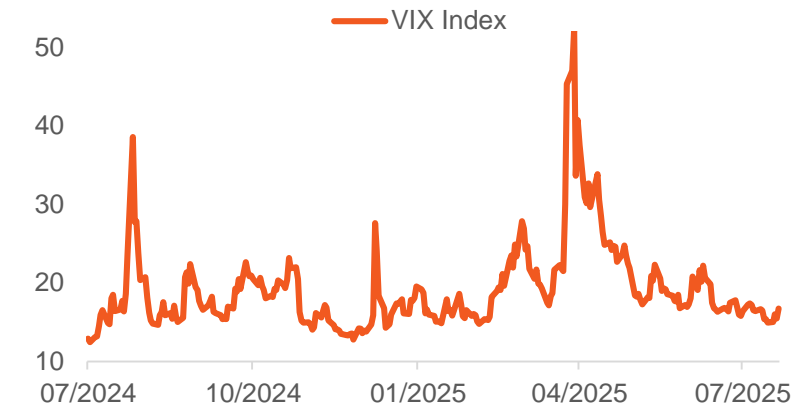
# Fading Tailwinds May Add Volatility; Equity Strategies Focus on Downside Protection

- ▶ Economic and equity market performance held up well in 1H25, supported by front-loaded imports and tariff deferrals. However, that honeymoon phase may be ending. Elevated U.S. tariffs risk disrupting supply chains and dampening real consumption through rising prices. The Fed maintained a neutral stance in its July meeting, despite signs of a potential slowdown. With U.S. equities near record highs, fading tailwinds could increase volatility ahead.
- ▶ From a fundamental perspective, we remain cautious on U.S. equities. Defensive positioning is key in 2H25. Investors may consider rotating profits into sectors with stronger downside resilience or companies with more stable earnings. Low-volatility equities—those with below-average index-level fluctuations—also warrant attention.
- ▶ Covered call strategies may offer added protection. While limiting upside, they generate premium income that can cushion downside moves. The strategy is sector-agnostic and can also be applied to low-yielding tech stocks.

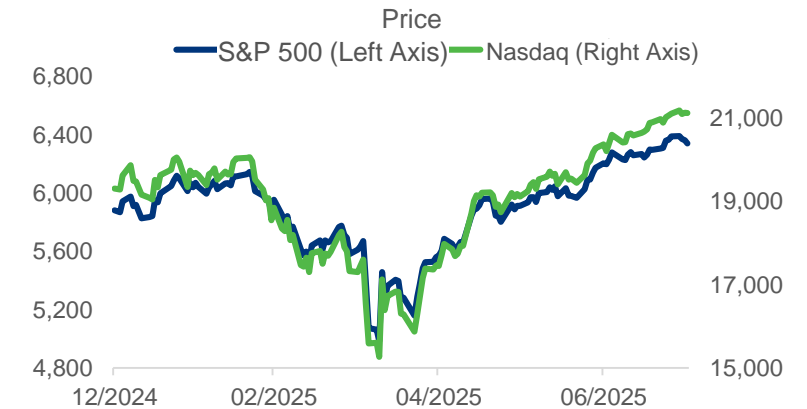
## U.S. Equity Valuations Return to Elevated Levels



## Market Complacency Risks Underpricing Trade War Impact



## U.S. Stocks Keep Hitting Highs with Little Pricing of Trade War Risks



Source: Statista (LHS) 、Newzoo (RHS)



# Asset Strategy

Asset Type	Market View	Preferred Assets
<b>Equities</b>	<ul style="list-style-type: none"> <li>◆ With U.S. average effective tariffs rising and solid economic momentum unlikely to extend into 2H25, positioning should emphasize high-quality stocks and maintain portfolio flexibility amid fast-changing conditions. Long-term investors may consider AI themes, favoring software and cybersecurity within tech; accumulate gradually on pullbacks.</li> <li>◆ The U.K. stock market gains relative appeal following a trade deal with the U.S. In the Eurozone, dovish monetary policy and Germany's push for fiscal expansion support a medium- to long-term case for European equities—gradual accumulation on dips is advised for diversification. Japan's economy continues to improve; within domestic demand plays, banks offer value on weakness.</li> </ul>	<p><b>Strategic Style:</b> Focus on Quality Large Caps; Long-Term AI Themes in Software, Cybersecurity</p> <p><b>Regional Focus:</b> Opportunities in European, U.K. Equities and Japanese Domestic Banks</p>
<b>Bonds</b>	<ul style="list-style-type: none"> <li>◆ Short- to medium-term bonds remain attractive; consider locking in yields during U.S. Treasury sell-offs. Within investment-grade credit, focus on A-rated or higher blue-chip issuers. Sectors with favorable risk-adjusted spreads include financials, industrials, energy, utilities, and communications.</li> <li>◆ Given potential USD depreciation, select non-USD bonds—such as euro- or SGD-denominated investment-grade debt—to diversify currency exposure and reduce dollar risk.</li> </ul>	<p><b>Duration:</b> Lock in Yields with Short- to Mid-Term High-Quality Corporate Bonds</p> <p><b>Type:</b> Prefer Investment-Grade Debt from Large-Cap Issuers in Financials, Industrials, Energy, Utilities, and Communications</p>
<b>Forex</b>	<ul style="list-style-type: none"> <li>◆ The Trump administration's call for a managed USD decline, coupled with policy inconsistency, may erode confidence in the U.S. economic outlook and dollar assets—keeping the dollar index biased lower over the medium term. However, resilient U.S. data and a firm but patient Fed provide near-term support.</li> <li>◆ Non-USD currencies such as the euro and yen remain rangebound at elevated levels but hold potential for medium- to long-term upside.</li> </ul>	<p>USD in Range as Policy Signals Remain Mixed</p> <p>Euro, Yen Hold Highs with Medium-Term Upside</p>
<b>Commodity</b>	<ul style="list-style-type: none"> <li>◆ Rising geopolitical tensions in the Middle East and uncertainty around Trump's shifting tariff policy have fueled risk-off sentiment. With economic slowdown risks, inflation concerns, and fiscal deficit pressures in play—alongside continued central bank and institutional gold buying—gold retains upside potential. Gradual accumulation on pullbacks is advised.</li> </ul>	<p><b>Gold:</b> Bullish</p>

# Humanoid Robots Enter First Year of Mass Production

## ► Shanghai World AI Conference: Robot Exhibition Hits Record High

The Shanghai World Artificial Intelligence Conference concluded with the robotics exhibition emerging as a key highlight. Both the number of exhibitors and exhibition space reached record highs, reflecting rapid advances and expanded applications in robotics. Numerous companies and research institutions showcased their latest developments, including several bipedal humanoid robots and innovations from emerging startups. The exhibition fostered cross-industry collaboration and reaffirmed its status as a premier event in the AI sector.

## ► Humanoid Robots Enter ‘First Year of Mass Production’

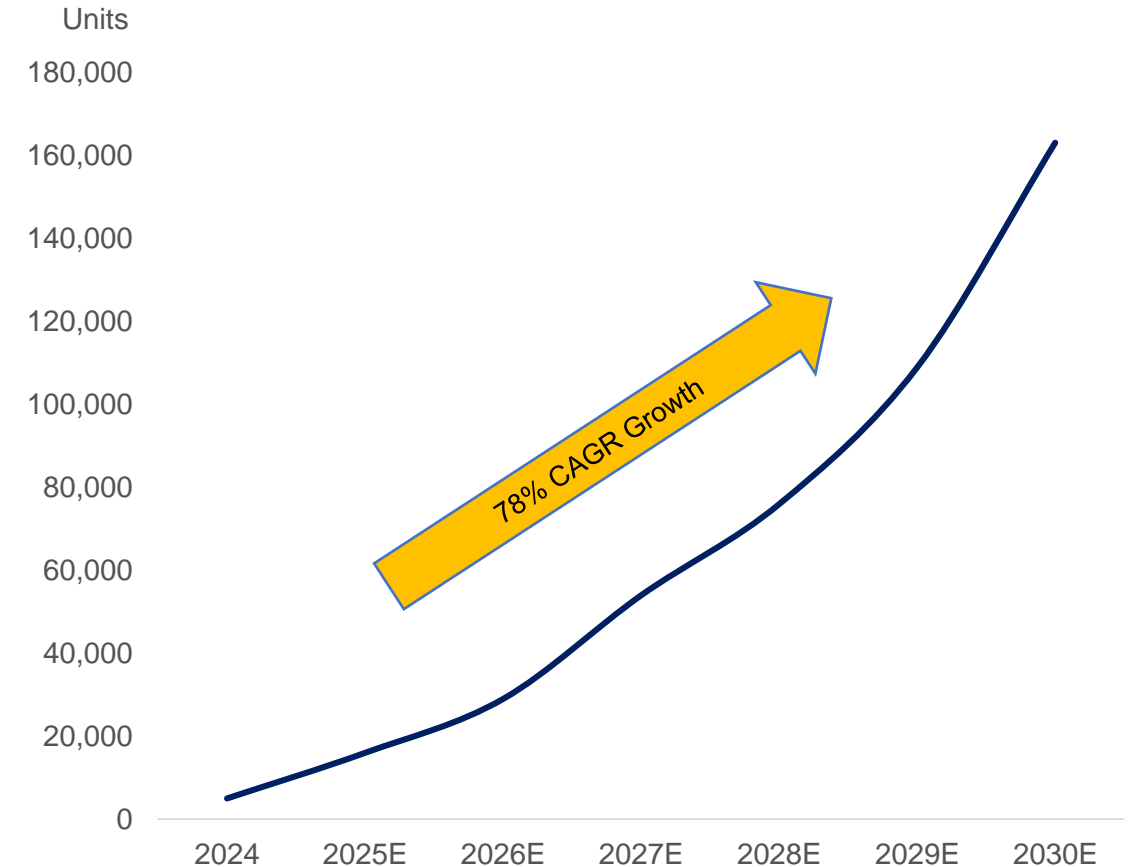
China has formally incorporated humanoid robotics into its national development strategy, including in the “14th Five-Year Plan for Intelligent Manufacturing,” with increased funding and strong policy backing. The year 2025 is widely regarded as the industry’s “first year of mass production,” marking the transition from prototypes to large-scale commercial deployment. Supportive policies, capital inflows, and breakthroughs in technology are laying a solid foundation for widespread adoption in manufacturing, healthcare, and service sectors, accelerating the industry’s shift toward high-quality growth. Market forecasts estimate the sector’s potential to reach a size of USD 30–40 billion by 2035.

## ► From Agent AI to the Era of Physical Intelligence

NVIDIA founder Jensen Huang stated that the rise of agent AI signals a new phase for artificial intelligence. The next wave will move beyond software-based intelligence into “physical AI”—integrating robotics and hardware capable of autonomous perception and decision-making in the physical world. This trend suggests AI will no longer be confined to data processing but will become a core driver of everyday life and industrial automation, enabling deeper cross-sector innovation and technological transformation.

Source: CEIC

### Estimated Humanoid Robots Needs



# Ubtech Robotics Corp (9880)

Closing Price	HK \$90	Target Price	HK \$125
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Primarily engaged in the R&D, design, production, and sales of robots, along with related support services.

## ■ Leading Humanoid Robot Firm with Widest Automotive Deployment

Humanoid robots from the company are already in on-site testing at major automakers including BYD, Huawei, and Zeekr. In April, it secured its first order from a carmaker and, by July, landed the world's largest single humanoid robot order—worth RMB 90 million—backed by a state-affiliated entity focused on helping Chinese firms expand overseas. Given close trade ties with BYD, further orders from the automaker are expected to act as catalysts. Management targets 500 unit shipments in 2025, rising to 2,000 units by 2026. Revenue contribution from humanoid robots is projected to reach nearly 40% by 2026.

## ■ World's First Humanoid Robot with Autonomous Battery Swapping and 24/7 Operation

The next-gen Walker S2 robot is expected to reduce costs by up to 30% versus its predecessor. It features globally leading technology enabling multi-robot collaboration and autonomous battery swapping—supporting uninterrupted, around-the-clock operation. As production scales, management expects unit costs to decline further, with gross margins improving from 20% to 50%.

## ■ Cash Reserves Cover R&D Through 2027

Ubtech Robotics Corp has raised a total of HKD 2.5 billion through two equity placements year-to-date, translating to an estimated RMB 2 billion in net cash. With annual R&D spend estimated at RMB 500–700 million, the company is well-funded through 2027—the year it expects to reach breakeven.

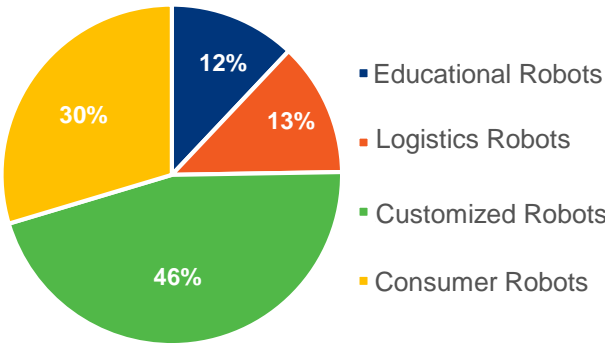
## ■ Revenue Growth to Accelerate; Valuation Compression Ahead

Ubtech Robotics Corp is forecasting a revenue CAGR of 60% over the next three years. Price-to-sales multiples are expected to compress meaningfully. Based on a peer-average 2026 P/S ratio of 17x, the target price for 2026 is set at HKD 125.

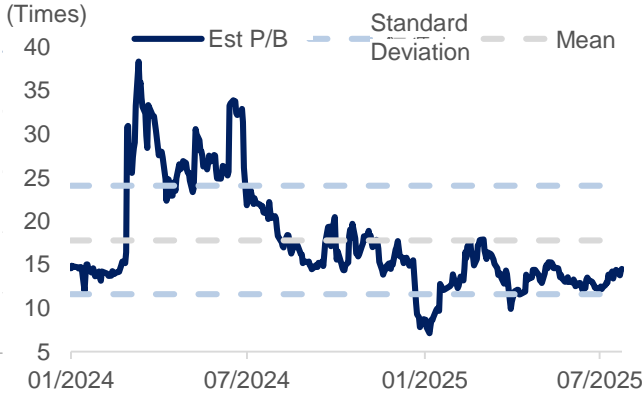
Financials	2022	2023	2024	2025F	2026F
Revenue (1B CNY)	10.0	10.5	13.0	19.9	31.8
Revenue YoY	23.4	4.7	23.6	52.6	59.6
EPS (CNY)	-2.50	-3.05	-2.67	-2.12	-1.54
EPS YoY	-	-	-	-	-
ROA	4.3	4.9	4.8	5.9	6.7

Source: Bloomberg

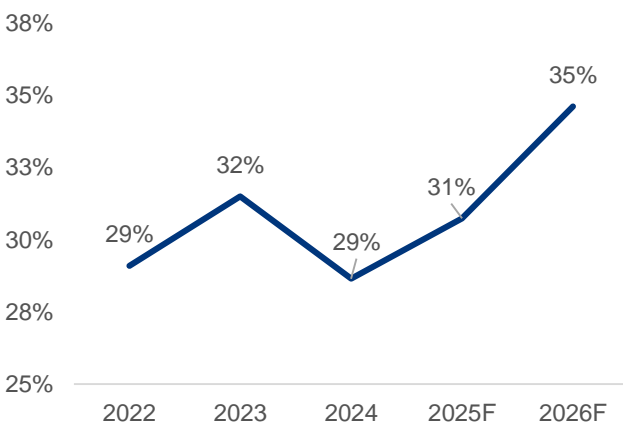
## 2026 Revenue Contribution



## Estimated P/B



## Gross Margin



# DOBOT (2432)

Closing Price	HK \$53.1	Target Price	HK \$ -
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Primarily engaged in the design, development, manufacturing, and commercialization of collaborative robots.

■ Deep Tech Moat Driven by Full-Stack In-House R&D

DOBOT specializes in collaborative robotic arms—widely used in manufacturing sectors such as automotive. While international players like Denmark’s Universal Robots, Japan’s FANUC, and Sweden’s ABB dominate the market, Elephant Robotics holds a key advantage through deep vertical integration.

Unlike its global peers who rely on external suppliers, the company independently develops its entire tech stack—from core components (motors, encoders, controllers) to high-level algorithms and operating systems. It also holds the most registered patents in the global collaborative robot space.

■ SafeSkin Unlocks Seamless Human–Robot Interaction

Its core technology, SafeSkin, features flexible electronic skin capable of proactive obstacle avoidance—anticipating contact rather than reacting after collision. This marks a significant leap in production efficiency and delivers a near-seamless human–robot collaborative experience.

■ Strong Cash Reserves to Sustain R&D

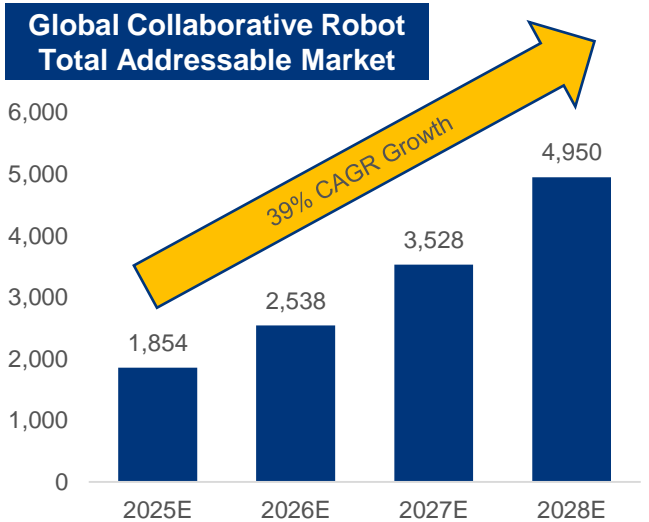
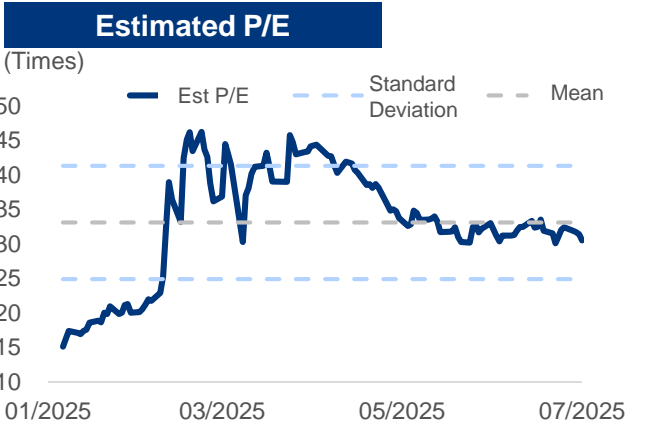
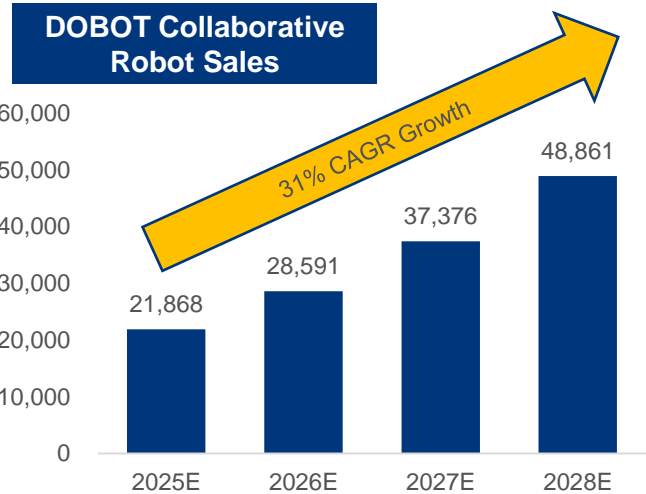
Following a share placement completed on July 22, the company holds approximately RMB 1.7 billion in net cash. With annual R&D spend averaging RMB 70 million, Elephant Robotics is well-positioned to sustain long-term innovation investment.

■ Valuation Remains Elevated Despite Strong Growth Outlook

While revenue is projected to grow at 50%+ annually, the current price-to-sales ratio above 20x remains well above industry norms. KGI has withheld a rating and target price due to valuation concerns.

Financials	2022	2023	2024	2025F	2026F
Revenue (1B CNY)	0.24	0.29	0.37	0.50	0.67
Revenue YoY	38.3	19.0	30.3	34.7	33.5
EPS (CNY)	0.10	0.12	0.17	0.24	0.32
EPS YoY	11.5	27.1	39.4	36.8	34.8
ROA	40.7	43.5	46.6	47.3	47.8

Source: Bloomberg



Source: DOBOT IPO prospectus

## US Equities

# Entering Seasonally Weak Month; Defensive Positioning Recommended

- ▶ The Federal Reserve, as expected by the market, kept interest rates unchanged at the 4.25% to 4.50% range for the fifth consecutive meeting. However, two officials voted in favor of a rate cut. The Fed reiterated that whether to further adjust interest rates in the future will depend on upcoming data releases, changes in the economic outlook, and assessments of risk balance. Facing the possibility that tariffs may hinder progress toward achieving the 2% inflation target, the Fed continues to adopt a wait-and-see approach.
- ▶ U.S. nonfarm payrolls increased by only 73,000 in July, far below the market expectation of 104,000. June's data was significantly revised down from the originally reported 147,000 to just 14,000, and May's data was also revised down by 125,000. Overall, employment figures for May and June were 258,000 lower than initially reported, indicating that the labor market may be cooling faster than expected.
- ▶ The U.S. ISM Manufacturing PMI for July fell to 48 from 49 in June, below the market expectation of 49.5. This marks the fifth consecutive month in contraction territory and the lowest level since October last year.
- ▶ According to preliminary estimates, the U.S. economy grew at an annualized rate of 3% in the second quarter of 2025, successfully emerging from the -0.5% contraction in the first quarter and outperforming the market expectation of 2.6%.
- ▶ U.S. ADP employment data for July showed an increase of 104,000 jobs, the strongest growth since March and well above the market expectation of 76,000. The report also showed that June's data was revised down to a decrease of 23,000 jobs, indicating a clear rebound in labor market momentum.
- ▶ Since April, the U.S. stock market has staged a typical "climb the wall of worry" V-shaped rebound, driven mainly by growth sectors and individual stocks, especially those related to AI themes. However, with rising bullish sentiment, declining expectations for rate cuts, and valuations approaching historical highs, a correction is likely. August is a month with frequent seasonal adjustments in the U.S. market. Investors are advised to pay attention to capital rotation, consider partial profit-taking, and position in sectors and stocks with stronger defensive characteristics.

## Performance Comparison Between the S&P 500 Growth Index (White) & Value Index (Orange)





# Altria Group (MO)

Closing Price	US \$61.7	Target Price	US \$67		
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Altria Group is a holding company that, through its subsidiaries, manufactures and sells cigarettes and other tobacco products, including cigars and pipe tobacco. Additionally, Altria holds a stake in a brewing company.

■ Strong Demand for Nicotine Pouches

Altria reported better-than-expected Q2 results, driven by a 26.5% increase in shipments of on! nicotine pouches, helping offset declines in cigarette sales and the temporary withdrawal of NJOY e-cigarettes. Despite challenges from unregulated e-cigarettes and shifting consumer preferences, revenue grew 1.2% year-over-year, and earnings per share reached \$1.44, beating forecasts. The company reaffirmed its full-year guidance and emphasized supply chain flexibility amid rising tariffs.

■ Stable and Resilient Model

Altria’s consumer staples business model provides stable demand and cash flow. Despite regulatory and market changes, its transition toward reduced-risk products such as pouches and e-cigarettes supports long-term relevance. With a 12-month forward dividend yield of 6.63% and consistent payouts, Altria remains attractive to income-oriented investors.

■ Earnings Beat Expectations

Revenue for Q2 2025 declined 1.8% year-over-year to \$6.1 billion, compared to \$910 million in Q2 2024. Non-GAAP EPS was \$1.44, beating expectations by \$0.06. The company narrowed its FY2025 adjusted diluted EPS guidance to \$5.35–\$5.45, representing a 3%–5% increase from the 2024 base of \$5.19. Due to share count reduction from the accelerated repurchase program in 2024 and benefits from the expiration of the Master Settlement Agreement legal fund in Q4, EPS growth is expected to slow.

■ Valuation Consensus

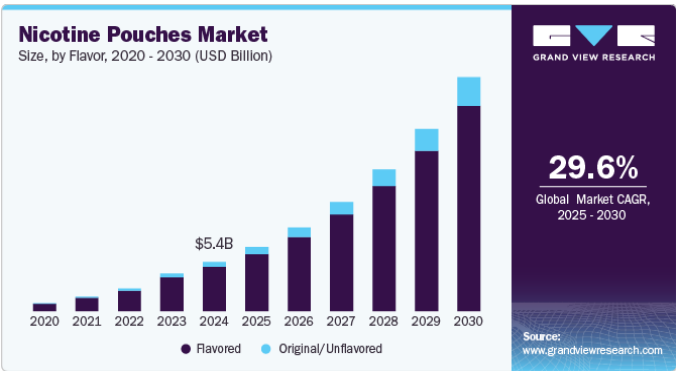
Bloomberg’s 12-month average target price is \$59.15, with a high of \$73 and a low of \$49.

Source: Bloomberg

1-Year Performance



Nicotine Pouches Market Growth



Financials

	2022	2023	2024	2025F	2026F
Revenue Growth (%)	-2.0	-0.9	-0.3	-1.3	-0.1
EBITDA (%)	59.1	59.7	48.4	61.9	63.6
EPS (USD)	4.85	4.96	3.88	5.40	5.55
Net Profit Margin (%)	42.3	43.0	32.7	45.2	46.1

Source: Bloomberg; 2025–2026 figures are based on market average financial estimates.

PE & PB



# British American Tobacco (BTI)

Closing Price	US \$151.68	Target Price	US \$170
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British American Tobacco P.L.C. offers consumer products and provides adult consumers with alternative smoke-free products such as vapor, heated tobacco, and oral nicotine pouches. The company also serves customers globally.

■ U.S. Market and Smoke-Free Product Growth

British American Tobacco exceeded profit forecasts for the first half of the year, driven by a 3.7% revenue increase in the U.S.—the company’s first growth in the U.S. market in three years. Strong demand for smoke-free products such as Velo and Vuse boosted “New Category” sales by 3.9%, now accounting for over 18% of total revenue. Despite tariffs affecting the cost of certain new products, the company is effectively managing these impacts. It raised its full-year sales forecast to the upper end of the 1%–2% range and reaffirmed confidence in its 2025 targets.

■ An Attractive Defensive Option

As the market approaches its peak, the company stands out as a defensive, high-dividend choice. With a 12-month forward yield of 5.72%, stable cash flow, and exposure to the expanding smoke-free market, it remains appealing to investors seeking lower volatility and steady returns.

■ Earnings Beat Expectations

Revenue for the first half of 2025 declined 2.2% year-over-year to £12.069 billion, mainly due to unfavorable exchange rates. Diluted earnings per share reached 203.6 pence, up 1.6% year-over-year. The company expects revenue growth to reach the upper end of its 1.0%–2.0% guidance range and forecasts mid-single-digit growth in New Category revenue.

■ Valuation Consensus

Bloomberg’s 12-month average target price is \$52.63, with a high of \$66 and a low of \$35.5.

1-Year Performance

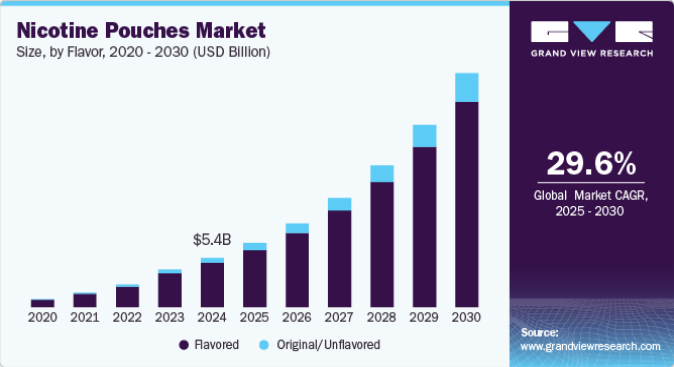


Financials

	2022	2023	2024	2025F	2026F
Revenue Growth (%)	6.2	1.8	-1.3	3.7	6.8
EBITDA (%)	32.8	30.2	29.0	32.7	33.9
EPS (USD)	4.11	5.50	4.76	8.16	9.02
Net Profit Margin (%)	15.4	19.8	16.8	26.8	27.4

Source: Bloomberg; 2026–2027 figures are based on market average financial estimates.

Nicotine Pouches Market Growth



PE & PB



Source: Bloomberg

# U.S.–Taiwan Tariff Set at 20%; TAIEX May See Volatility, Flows Shift to Defense Stocks

## ► Taiwan Tariff Set at 20%; Market Poised for Short-Term Volatility

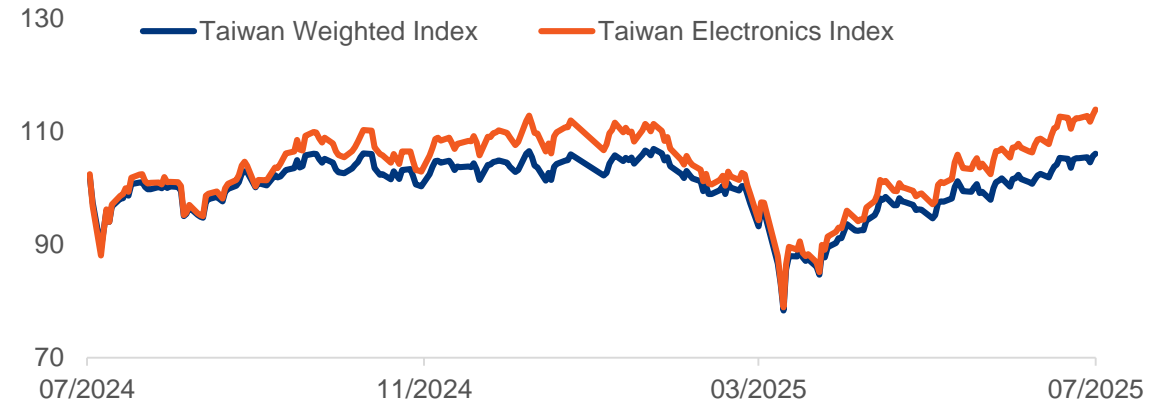
President Trump's latest tariff announcement placed Taiwan's reciprocal rate at 20%—the high end of KGI's expected range of 15%–20%—raising concerns about short-term volatility in the Taiwan equity market. From a technical standpoint, TAIEX previously dipped below short-term moving averages on rising volume but quickly regained support and maintained its bullish alignment. Despite the rebound, the 20% tariff—higher than Japan and South Korea's 15%—may pressure the competitiveness of Taiwan-listed exporters. Investors are advised to prioritize fundamentally strong AI-related stocks.

## ► Key Stocks Regain Support; Momentum Concentrated in Defense, Plastics, and Cables

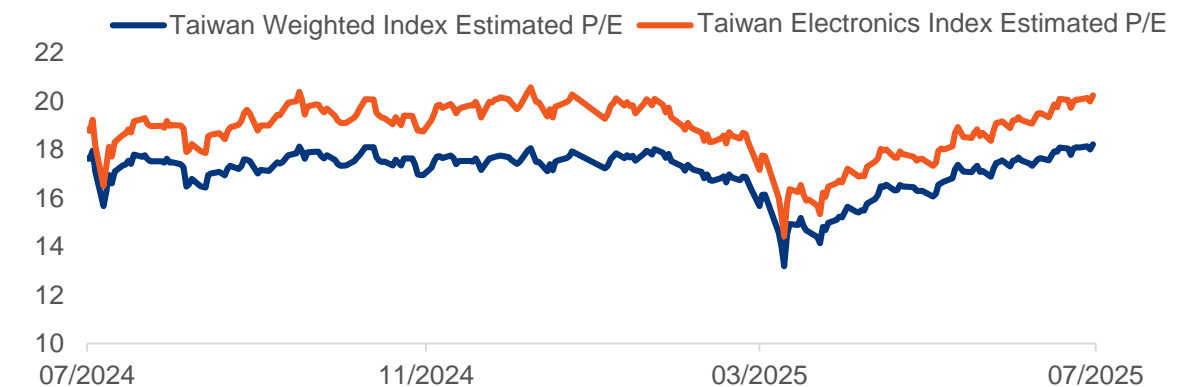
Last week's market action showed several large-cap names reclaiming short-term moving averages. As long as the monthly trend holds, upside momentum remains intact. Defense names outperformed, buoyed by a new drone procurement plan from Taiwan's Ministry of National Defense. Most continued to rally along 5-day lines; a break below may signal consolidation. Plastics stocks hit new highs, trending steadily along the 10-day average—investors should monitor for potential chase-risk. Cable stocks also gained broadly, with some approaching early-July highs and showing potential for continued upside. For short-term positioning, rotate into strength while trimming weaker names; focus remains on outperforming sectors.

## TAIEX and Taiwan Tech Sector: Index Trends and Forward P/E

Index trends normalized to 100 as of 2024/7/31



## Estimated P/E Ratio Trends



# Lite-On Technology Corp. (2301 TT)

Lite-On Technology Corporation primarily manufactures products for computing and digital home applications, consumer electronics, communication devices, key components and subsystems, as well as automotive electronics. The company's core business segments include imaging products, power supplies, enclosures, and LED solutions.

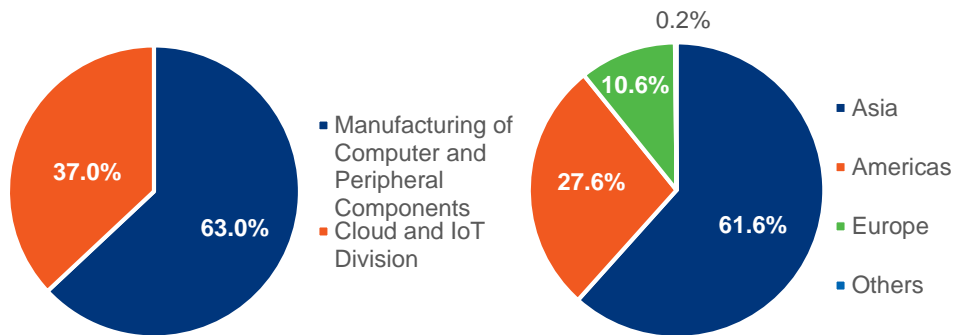
## ■ 2Q25 EPS Misses; 2026 EPS Unchanged Amid Strong AI Server Outlook

Lite-On's 2Q25 EPS came in below expectations, though 2026 EPS estimates remain unchanged. Aside from automotive, all non-server segments posted YoY growth in 1H25. The company has replaced a domestic peer as the primary PSU supplier for a major LEO satellite client and will begin shipments to a second customer in 2H25. While NT dollar appreciation weighed on revenue, management expects sequential growth in 3Q25 on seasonal strength. KGI trimmed gross margin assumptions due to tariff pressures but raised 2026 revenue forecasts accordingly.

## ■ BBU and Liquid Cooling Progress Support AI Server Upgrades

Cloud-related sales surged over 50% YoY, driven by demand for AI server PSUs and BBUs. Lite-On plans to begin volume production of 500kW standalone power cabinets in 2026 to support a U.S. cloud service provider's ASIC-based servers. The company is positioned to benefit from the upcoming power architecture upgrade cycle.

## Revenue Sources and Regional Breakdown



Source: Bloomberg

## Financials

	2022	2023	2024	2025F	2026F
EPS (NTD)	6.36	5.21	6.19	7.89	9.47
EPS Growth Rate(%)	2.8	-18.1	18.8	27.5	20.0
P/E	19.8	24.2	20.4	16.0	13.3
ROE (%)	17.6	13.6	15.8	19.7	21.6

Source: Company Data, KGI Securities Estimates

## Valuations

		5 Years Average	Now	
Price	45.0			159.5
P/E	9.88			24.87
P/B	1.47			4.53

## 1-Year Price



# Elite Material Co Ltd (2383 TT)

Elite Material, founded in 1992, initially focused on supplying FR-4 copper-clad laminates and prepregs. By 2013, it had become the world's largest halogen-free substrate provider—a position it continues to hold. The company's products are widely used in communication devices, network infrastructure, and upcoming 5G applications.

## Company Updates

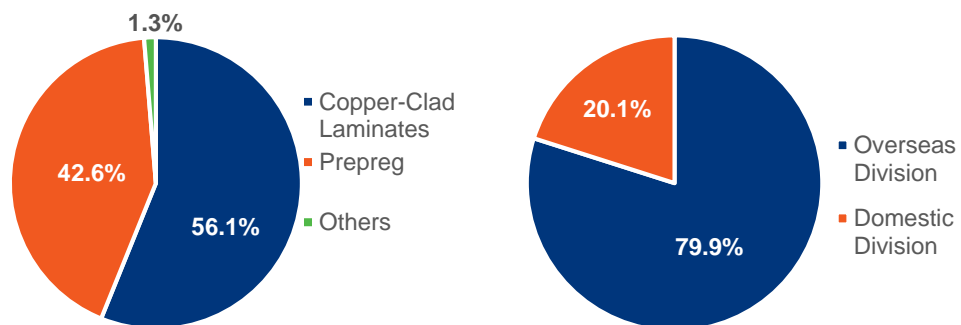
### ■ 2Q25 EPS Beats; 3Q25 Revenue Growth Expected

The company's recently reported 2Q25 earnings beat KGI's estimates. AI and M6+ products each accounted for 40% of the product mix. Despite FX headwinds trimming gross margin by around 1%, KGI expects revenue to rise further in 3Q25.

### ■ AI Server Multilayer Supports Further Capacity Expansion in 2026

Driven by increasing demand for high-speed, multilayer PCBs in GPU and ASIC AI servers, the company may expand capacity again in 2026. Shipment forecasts for Trainium 2 & 2.5 PCBs were also revised upward. Industry checks indicate a clear shift toward multilayer boards in ASIC server applications, supporting further monthly capacity growth.

## Revenue Sources and Regional Breakdown



Source: Bloomberg

## Financials

	2022	2023	2024	2025F	2026F
EPS (NTD)	15.24	16.35	27.81	45.28	58.33
EPS Growth Rate(%)	-7.7	7.3	70.1	62.8	28.8
P/E	66.0	61.5	36.1	22.2	17.2
ROE (%)	24.3	22.5	30.9	39.5	40.4

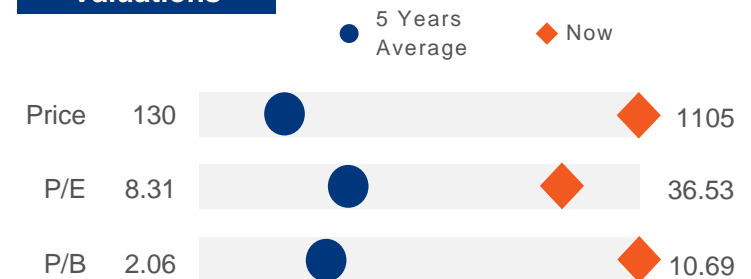
Source: Company Data, KGI Securities Estimates

## 1-Year Price



As of July 31, 2025	1 Week	1 Month	3 Months	6 Months	YTD	1 Year
Return During Period (%)	11.73	25.28	98.74	79.97	78.80	152.28

## Valuations





## Economic Uncertainty Persists; Global Dividend Strategies Offer Downside Protection

### ► Fidelity Funds – Global Dividend Plus Fund

Focuses on high-quality dividend stocks with an actively managed covered call overlay to enhance income.

- Managed by a seasoned team with over 15 years of average experience.
- Globally diversified, with overweight positions in Europe and the U.K., and underweight in the U.S.
- Sector allocation leans defensive, with key holdings in diversified financials, insurance, and consumer staples—industries less sensitive to macro fluctuations.
- Latest annualized yield (A-Share C Monthly Distribution (G), USD Hedged): 8.57%

### ► BlackRock Systematic Global Equity High Income Fund

- Combines global dividend equities with index option short positions to broaden income sources.
- Uses forward-looking signals and quantitative models to build a diversified, income-focused global equity portfolio aimed at identifying high-yield, lower-risk opportunities.
- Managed by BlackRock's Systematic Active Equity team, backed by 38+ years of experience in quantitative investing.
- Integrates AI and big data to evaluate over 3,000 securities daily, continually refining machine learning signals to identify strong income and performance potential.
- Latest annualized yield (A6 USD class): **7.38%**

Product	Fidelity Funds – Global Dividend Plus Fund		BlackRock Systematic Global Equity High Income Fund	
Features	<ul style="list-style-type: none"> <li>■ Invests in quality dividend-paying stocks with an actively managed covered call strategy to enhance income</li> <li>■ U.S. allocation below 10%, suitable for investors seeking regional diversification</li> </ul>		<ul style="list-style-type: none"> <li>■ Holds ~388 stocks; broad diversification helps reduce single-stock and regional concentration risks</li> <li>■ Leverages AI and big data to build the portfolio and identify top-performing securities</li> </ul>	
AUM	USD \$951 Million		USD \$10.302 Billion	
Number of Holdings	55		388	
3M/YTD Return	6.50% / 17.22%		8.36% / 9.15%	
Top 5 Sectors (%)	Financials	27.70	Information Technology	25.48
	Industrials	18.20	Financials	14.91
	Consumer Discretionary	11.60	Consumer Staples	12.28
	Consumer Staples	11.60	Healthcare	12.15
	Information Technology	10.00	Communication Services	8.53
Top 5 Regions (%)	UK	21.4	U.S.	58.37
	Spain	12.0	Japan	7.32
	France	10.3	China	5.99
	Finland	7.2	Switzerland	3.77
	U.S.	7.1	France	3.16
Top 5 Holdings (%)	FERROVIAL SE	3.9	MICROSOFT CORPORATION	4.85
	INDUSTRIA DE DISEÑO TXTL	3.4	NVIDIA CORPORATION	3.89
	RECKITT BENCKISER GROUP	3.3	COSTCO WHOLESALE CORPORATION	2.25
	NATWEST GROUP PLC	2.8	APPLE INC	2.11
	UNILEVER PLC	2.8	ALTRIA GROUP INC	2.03

Source: Bloomberg, 30 July 2025

# Fidelity Funds – Global Dividend Plus Fund

## Profile

Targets returns above benchmark by investing at least 70% of assets in global equities, with up to 30% in China A and B shares combined.

### Globally Diversified with Defensive Tilt

Sector allocation leans defensive, focusing on areas less tied to economic cycles—such as diversified financials, insurance, pharmaceuticals, and consumer staples—making it suitable for investors seeking regional diversification.

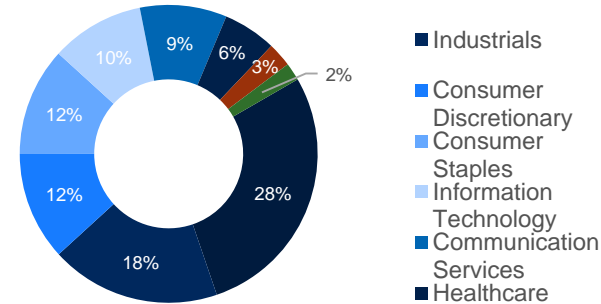
### Dividend Focus with Strategic Income Enhancement

Managed by a team averaging over 15 years' experience, the portfolio invests in quality dividend stocks and employs an actively managed covered call strategy to boost income.

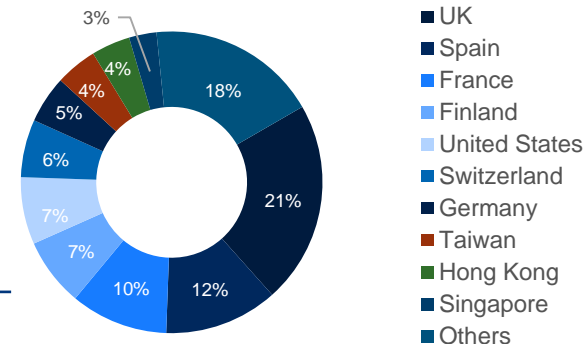
### Monthly Payouts in Multiple Currencies

Offers monthly income and multiple currency classes, including USD, HKD, AUD, RMB, JPY, and EUR. A-Share C Monthly Distribution (G) USD-Hedged class currently offers an annualized yield of 8.57%.

## Sectors



## Country Distribution



## Top-5 Holdings (%)

<b>FERROVIAL SE</b>	3.9
<b>INDUSTRIA DE DISEÑO TXTL IN SA</b>	3.4
<b>RECKITT BENCKISER GROUP PLC</b>	3.3
<b>NATWEST GROUP PLC</b>	2.8
<b>UNILEVER PLC</b>	2.8

## 3Y NAV



<b>Inception Date</b>	November 10, 2021	<b>AUM</b>	USD 951 million
<b>Morningstar Category</b>	Global Large-Cap Stocks	<b>Fund Classification</b>	Equity
<b>Morningstar Rating</b>	★★★★	<b>3-Year Std Dev (Annualized)</b>	14.96%

As of July 29, 2025	1M	3M	YTD	1Y	2Y	3Y
USD Cumulative Return (%)	-0.01	6.50	17.22	18.01	33.36	49.85
Quartile Ranking Within Category	4	4	1	1	2	1

Source: Fidelity Asset Management Fund Monthly Report, Morningstar. Performance as of: July 29, 2025. Monthly Report Date: June 30, 2025. Class Used: A Share – C Monthly Distribution (G) – USD

# BlackRock Systematic Global Equity High Income Fund

## Profile

Aims to deliver high income by investing at least 70% of total assets in global equities, with no preset country or regional allocation limits.

### Globally Diversified Portfolio

Invests across the U.S., Japan, China, Switzerland, France, and more, holding ~388 stocks with the top 10 accounting for ~24% of assets. Broad diversification helps reduce single-stock and regional concentration risks.

### Managed by BlackRock’s Systematic Active Equity Team

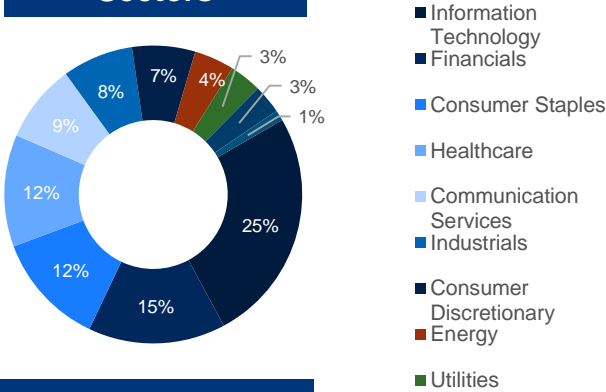
Backed by 38+ years of experience, the team leverages big data, quantitative models, and AI-driven signals—continuously optimized through machine learning—to identify leading performers.

### Monthly Income Option Available

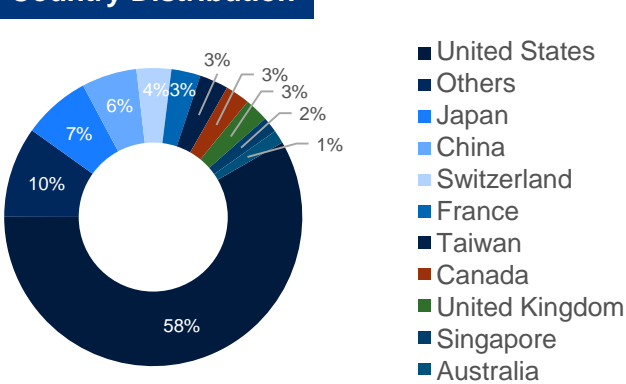
Offers a monthly distribution share class. A6 USD class currently delivers an annualized yield of 7.38%.

Inception Date	Oct 13, 2006	AUM	USD 10.3B
Morningstar Category	Global Large-Cap Stocks	Fund Classification	Equity
Morningstar Rating	★★★	3-Year Std Dev (Annualized)	14.31%

## Sectors



## Country Distribution



## Top-5 Holdings (%)

MICROSOFT CORPORATION	4.85
NVIDIA CORPORATION	3.89
COSTCO WHOLESALE CORPORATION	2.25
APPLE INC	2.11
ALTRIA GROUP INC	2.03

## 3Y NAV



As of July 29, 2025	1M	3M	YTD	1Y	2Y	3Y
USD Cumulative Return (%)	1.53	8.36	9.15	14.01	32.21	42.47
Quartile Ranking Within Category	3	3	1	1	2	2

Source: BlackRock Asset Management Fund Monthly Report, Morningstar. Performance as of: July 29, 2025. Monthly Report Date: June 30, 2025. Class Used: A2 USD



# Morgan Stanley Beats Earnings Forecast; WM & Investment Units Drive Resilience Amid Volatility

- ▶ **MS 5.32 07/19/35 (Morgan Stanley) (USD)**
- ▶ **MS 5.213 10/24/35 (Morgan Stanley) (GBP)**
- Morgan Stanley’s diversified business model enables it to navigate various economic cycles effectively. Growth in wealth and investment management segments helps mitigate overall risk and enhances revenue diversification. For example, the equity trading unit capitalized on early-year market volatility to generate gains. While declining market valuations may pose headwinds to wealth and investment management, the global footprint of these businesses supports the generation of stable, recurring income.
- In 2Q25, EPS came in at \$2.13, beating the \$1.98 consensus. Wealth management revenue rose 6%, supported by higher net interest income and asset management fees.
- As of 2Q25, the firm reported a Common Equity Tier 1 (CET1) ratio of 15% and ranks among the top U.S. global systemically important banks (G-SIBs).

Product	MS 5.32 07/19/35 (Morgan Stanley) (USD)	MS 5.213 10/24/35 (Morgan Stanley) (GBP)
ISIN	US61747YFT73	XS2927570858
Features	Morgan Stanley, a global bank holding company, offers a wide range of financial services worldwide, serving individuals, institutional investors, and investment banking clients through its securities and asset management businesses.	
Maturity Date	July 19, 2035	Oct 24, 2035
Next Call Date	July 19, 2034	Oct 24, 2034
Coupon (%)	Float/5.32/Semi-annual	Float/5.213/Annual
Currency	USD	GBP
Years to Maturity	9.97	10.23
Credit Rating (Moody's/Fitch/S&P)	A1/A+/A-	A1/A+/A-
Seniority	Senior Unsecured	Senior Unsecured
YTM/YTC (%)	5.20/5.14	5.36/5.29

Source: Bloomberg

# Morgan Stanley (MS 5.32 07/19/35)

## Profile

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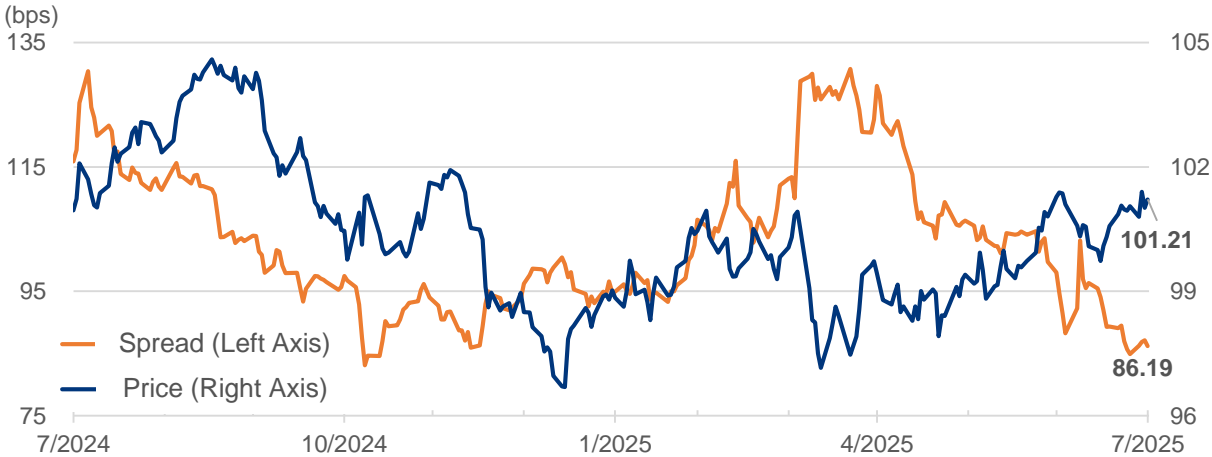
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Financials	2022	2023	2024
Earnings Per Share (USD)	6.63	5.75	7.97
Common Equity Tier 1 Ratio	15.3	15.2	15.9
Net Income (USD billion)	93.27	82.30	86.11

## Overview

Name	MS 5.32 07/19/35	ISIN	US61747YFT73
Maturity Date	July 19, 2035	Remaining Maturity	9.97
Coupon(%)	Float/5.32/Semi-annual	YTM/YTC(%)	5.20/5.14
Currency	USD	Min. Subscription/ Increment	1,000/1,000
Ratings (Moody's/Fitch/S&P)	A1/A+/A-	Seniority	Senior Unsecured

## Price



Source: Bloomberg, July 31, 2025. Coupon reset date is July 19, 2034, quarterly distributions. Applicable annual rate is the U.S. SOFR (Secured Overnight Financing Rate), with the reset rate set as the bond yield on the settlement date plus 1.555%.



# Morgan Stanley (MS 5.213 10/24/35)

## Profile

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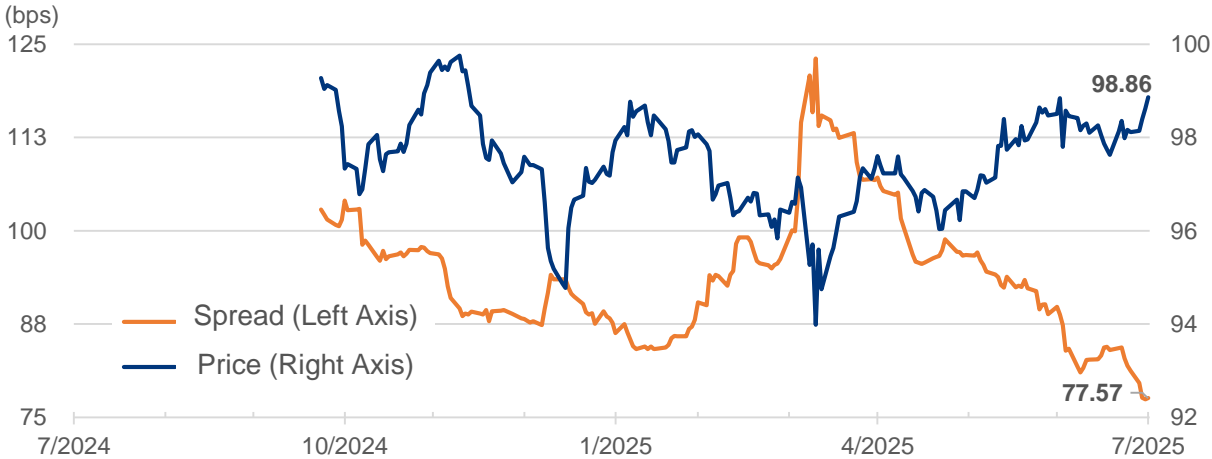
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Net Income (USD billion)	93.27	82.30	86.11

## Overview

Name	MS 5.213 10/24/35	ISIN	XS2927570858
Maturity Date	Oct 24, 2035	Remaining Maturity	10.23
Coupon(%)	Float/5.213/Annual	YTM/YTC(%)	5.36/5.29
Currency	GBP	Min. Subscription/ Increment	100,000/1,000
Ratings (Moody's/Fitch/S&P)	A1/A+/A-	Seniority	Senior Unsecured

## Price



Source: Bloomberg, July 31, 2025. Coupon reset date is Oct 24, 2034, quarterly distributions. The applicable annual rate is the U.K. SONIA (Sterling Overnight Index Average), with the reset rate set as the bond yield on the settlement date plus 1.456%.

## Appendix

## Key Economic Data / Events

## ► JULY 2025

28

Monday

- Hong Kong Jun Exports YoY (Act:11.9% Est:16.2% Prev:15.5%)

29

Tuesday

- US Jun JOLTS Job Openings (Act:7,437k Est:7,500k Prev:7,712k)
- US Jul Conference Board Consumer Confidence (Act:97.2 Est:96.0 Prev:95.2)

30

Wednesday

- US 2Q GDP QoQ SAAR (Act:3.0% Est:2.6% Prev:-0.5%)
- Eurozone 2Q GDP YoY (Act:1.4% Est:1.2% Prev:1.5%)
- Eurozone Jul Consumer Confidence Final (Act:-14.7 Prev:-15.3)

31

Thursday

- US Jul Fed Rate Decision (Act:4.50% Est:4.50% Prev:4.50%)
- US Jun Core PCE YoY (Act:2.8% Est:2.7% Prev:2.8%)
- US Initial Jobless Claims (Act:218k Est:224k Prev:217k)
- Eurozone Jun Unemployment (Act:6.2% Est:6.3% Prev:6.2%)
- Japan Jul BoJ Rate Decision (Act:0.5% Est:0.5% Prev:0.5%)

1

Friday

- US Jul Nonfarm Payrolls (Est:104k Prev:147k)
- US Jul Unemployment Rate (Est:4.2% Prev:4.1%)
- Eurozone Jul HCOB Mfg. PMI (Est:49.8 Prev:49.5)
- Eurozone Jul CPI YoY Flash (Est:1.9% Prev:2.0%)
- Japan Jun Unemployment Rate (Act:2.5% Est:2.5% Prev:2.5%)

## ► AUG 2025

4

Monday

- US Jun Durable Goods Orders MoM Final (Est:-9.3% Prev:16.5%)
- Eurozone Aug Sentix Investor Confidence (Est:8.0 Prev:4.5)
- Earnings: BRKb/ PLTR/ VRTC

5

Tuesday

- US Jul ISM Services PMI (Est:51.5 Prev:50.8)
- Eurozone Jul HCOB Services PMI (Est:51.2 Prev:50.5)
- Eurozone Jun PPI YoY (Prev:0.3%)
- Earnings: AMD/ CAT/ AMGN/ ANET/ ETN/ PFE

6

Wednesday

- Eurozone Jun Retail Sales MoM (Est:0.4% Prev:-0.7%)
- Taiwan Jul Core CPI YoY (Prev:1.47%)
- Taiwan Jul CPI YoY (Prev:1.37%)
- Taiwan Jul PPI YoY (Prev:-5.47%)
- Earnings: MCD/ DIS/ UBER

7

Thursday

- US Initial Jobless Claims (Prev:218k)
- China Jul Exports YoY (Prev:5.9%)
- UK Aug BoE Rate Decision (Est:4.00% Prev:4.25%)
- Earnings: LLY/ GILD/ COP/ CEG

8

Friday

- Taiwan Jul Exports YoY (Prev:33.7%)

Source: Bloomberg

# Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	EPS
2025/7/25	HCA Healthcare (HCA)	18.49B	18.61B	6.27	6.84	V	V
2025/7/28	Welltower Inc. (WELL)	2.45B	2.55B	0.45	0.45	V	
2025/7/29	Visa Inc. (V)	9.84B	10.2B	2.84	2.98	V	V
2025/7/29	Procter & Gamble Co. (PG)	20.81B	20.89B	1.42	1.48	V	V
2025/7/29	UnitedHealth Group (UNH)	111.59B	111.62B	4.45	4.08	V	
2025/7/29	Merck & Co. (MRK)	15.87B	15.81B	2.03	2.13		V
2025/7/29	Booking Holdings (BKNG)	6.54B	6.8B	50.14	55.4	V	V
2025/7/29	Boeing Co. (BA)	21.45B	22.75B	-1.4	-1.24	V	V
2025/7/29	Starbucks Corp. (SBUX)	9.29B	9.5B	0.65	0.5	V	
2025/7/30	Microsoft Corp. (MSFT)	73.79B	76.4B	3.37	3.65	V	V
2025/7/30	Meta Platforms (META)	44.72B	47.52B	5.85	7.14	V	V
2025/7/30	Qualcomm Inc. (QCOM)	10.33B	10.37B	2.71	2.77	V	V
2025/7/30	Lam Research (LRCX)	4.99B	5.17B	1.2	1.33	V	V
2025/7/30	Automatic Data Processing (ADP)	5.04B	5.13B	2.23	2.24	V	V

Source: Investing.com

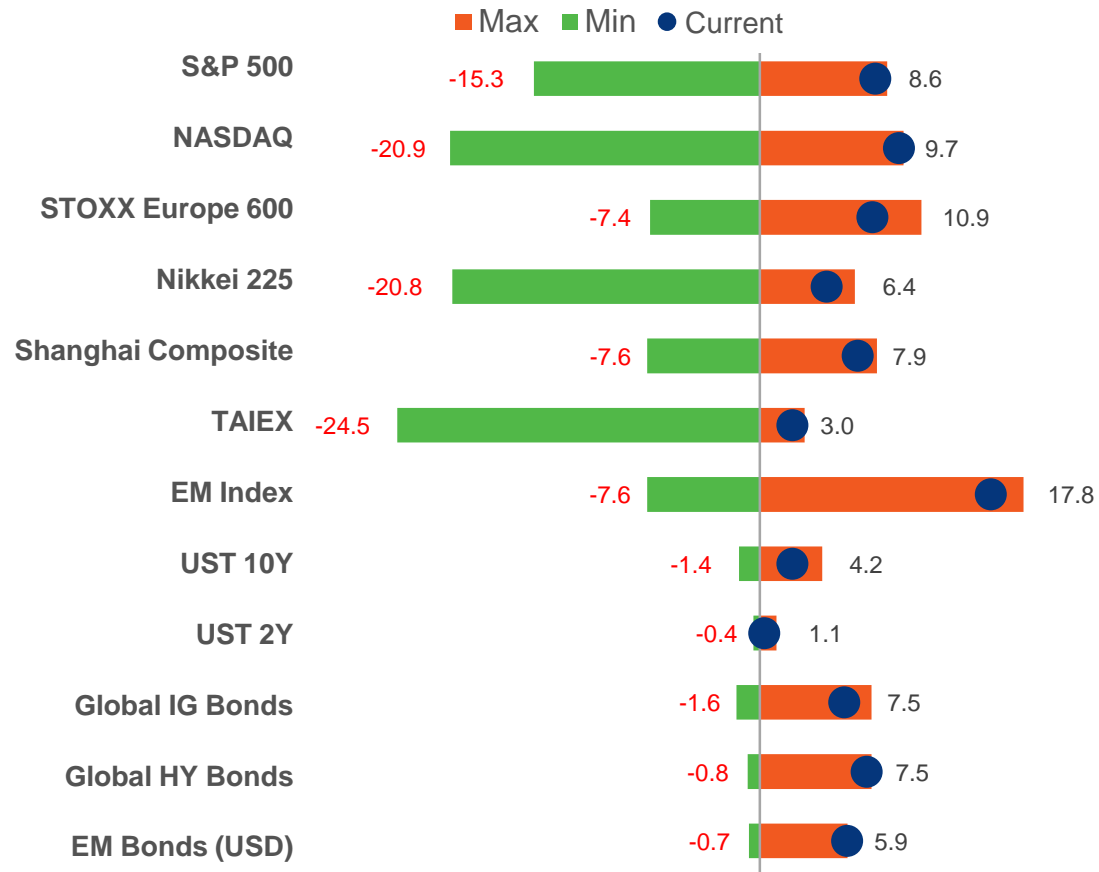
# Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	EPS
2025/7/30	Altria Group (MO)	5.2B	6.1B	1.38	1.44	V	V
2025/7/31	Apple Inc. (AAPL)	89B	94.01B	1.42	1.57	V	V
2025/7/31	Amazon.com Inc. (AMZN)	162.05B	167.7B	1.32	1.68	V	V
2025/7/31	Mastercard Inc. (MA)	7.93B	8.13B	4.03	4.15	V	V
2025/7/31	AbbVie Inc. (ABBV)	14.99B	15.42B	2.96	2.97	V	V
2025/7/31	S&P Global Inc. (SPGI)	3.66B	3.76B	4.2	4.43	V	V
2025/7/31	Stryker Corp. (SYK)	5.94B	6.02B	3.07	3.13	V	V
2025/7/31	KKR & Co. Inc. (KKR)	1.81B	1.86B	1.13	1.18	V	V

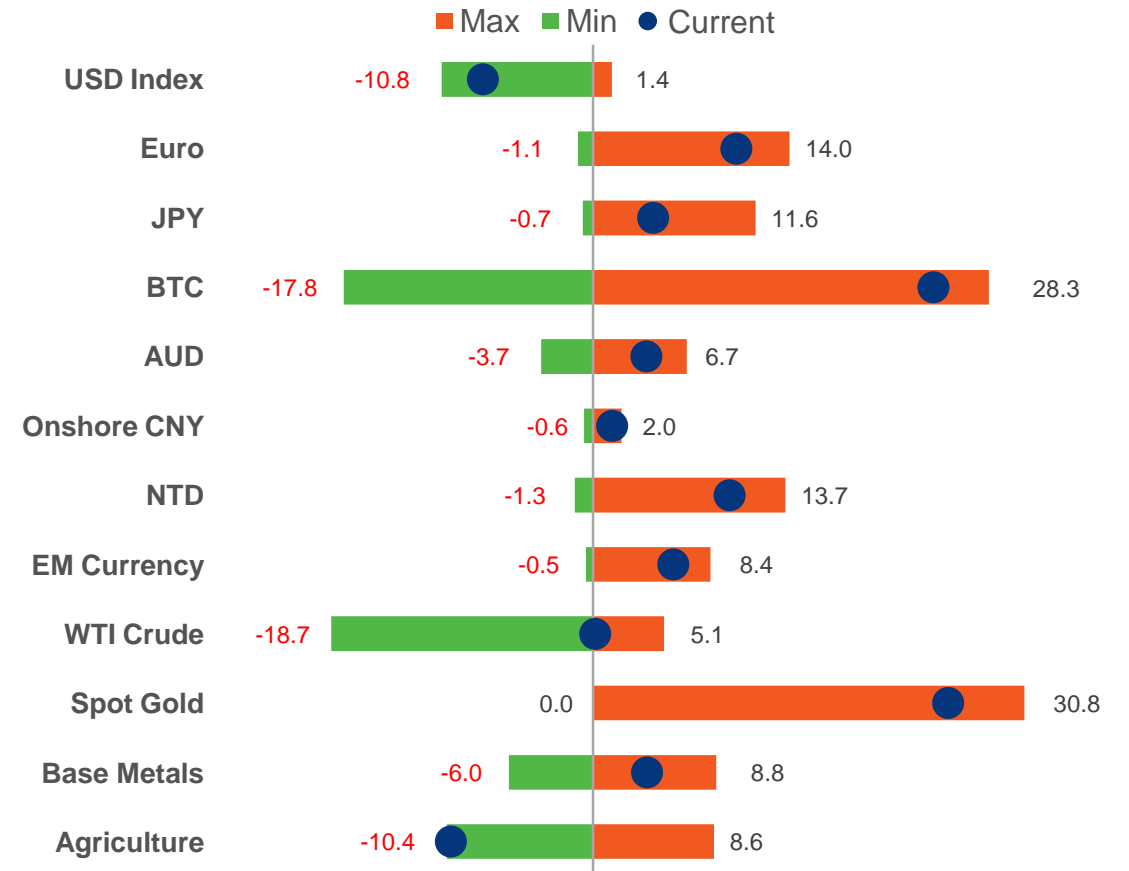
Source: Investing.com

# YTD Major Market / Asset Performance

## Equities & Bond Markets YTD Performance (%)

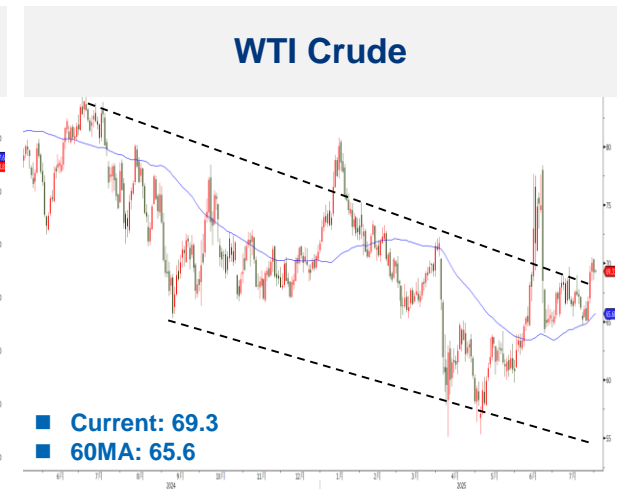
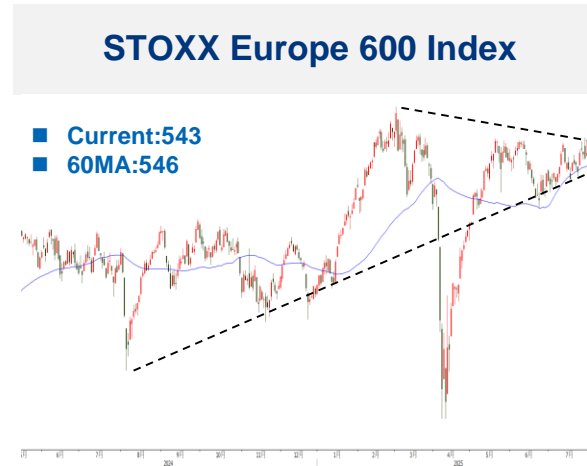
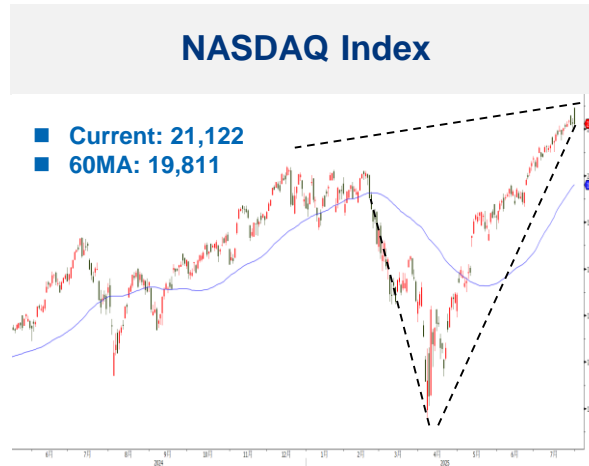
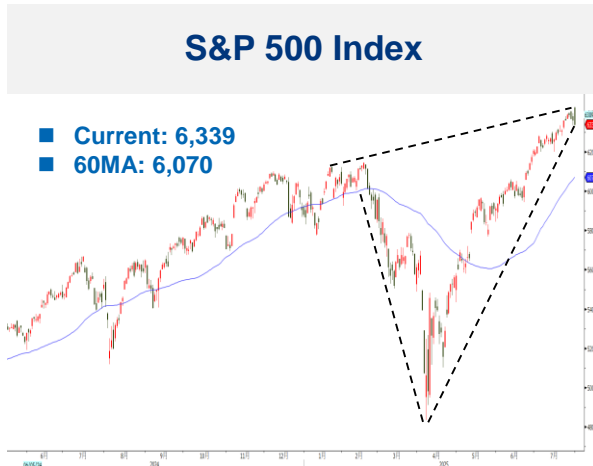


## Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 1 August 2025

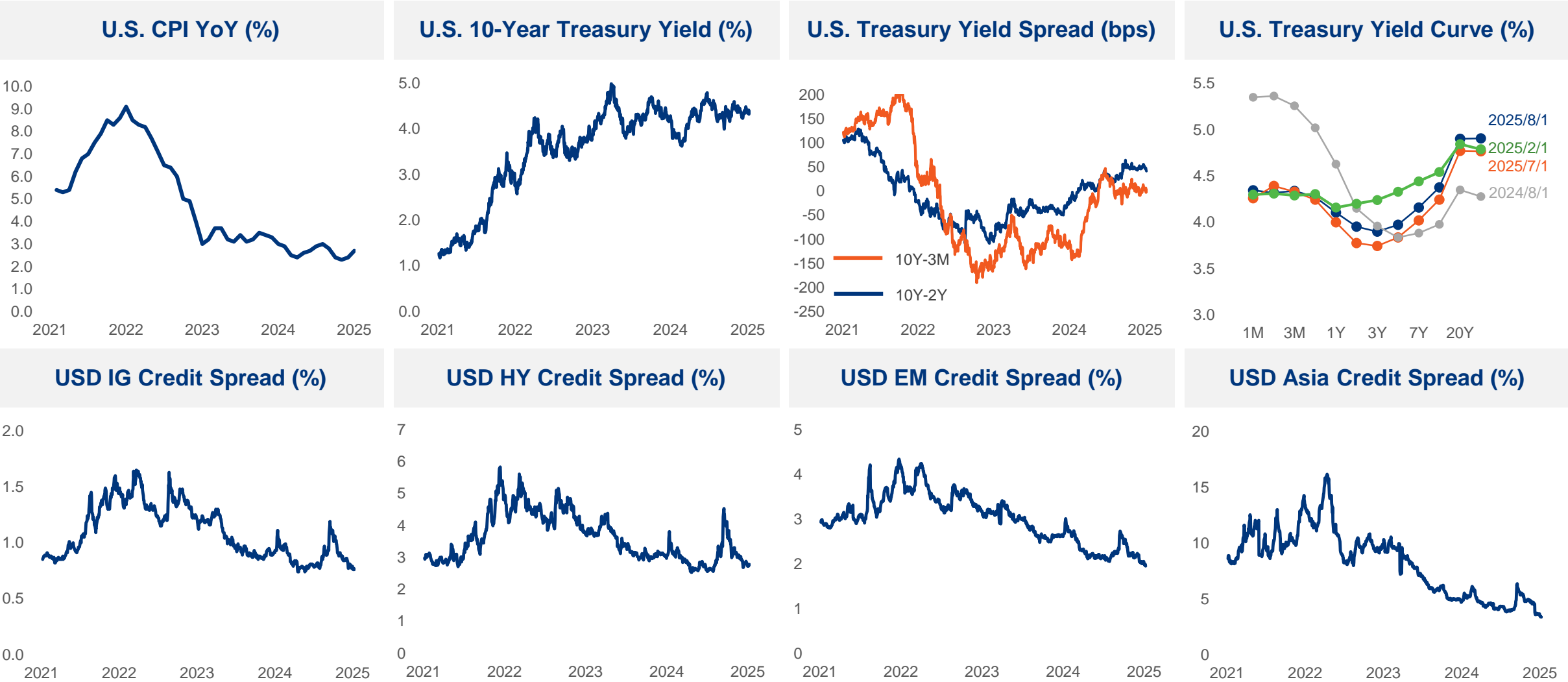
# Technical Analysis



Source: Bloomberg, 1 August 2025

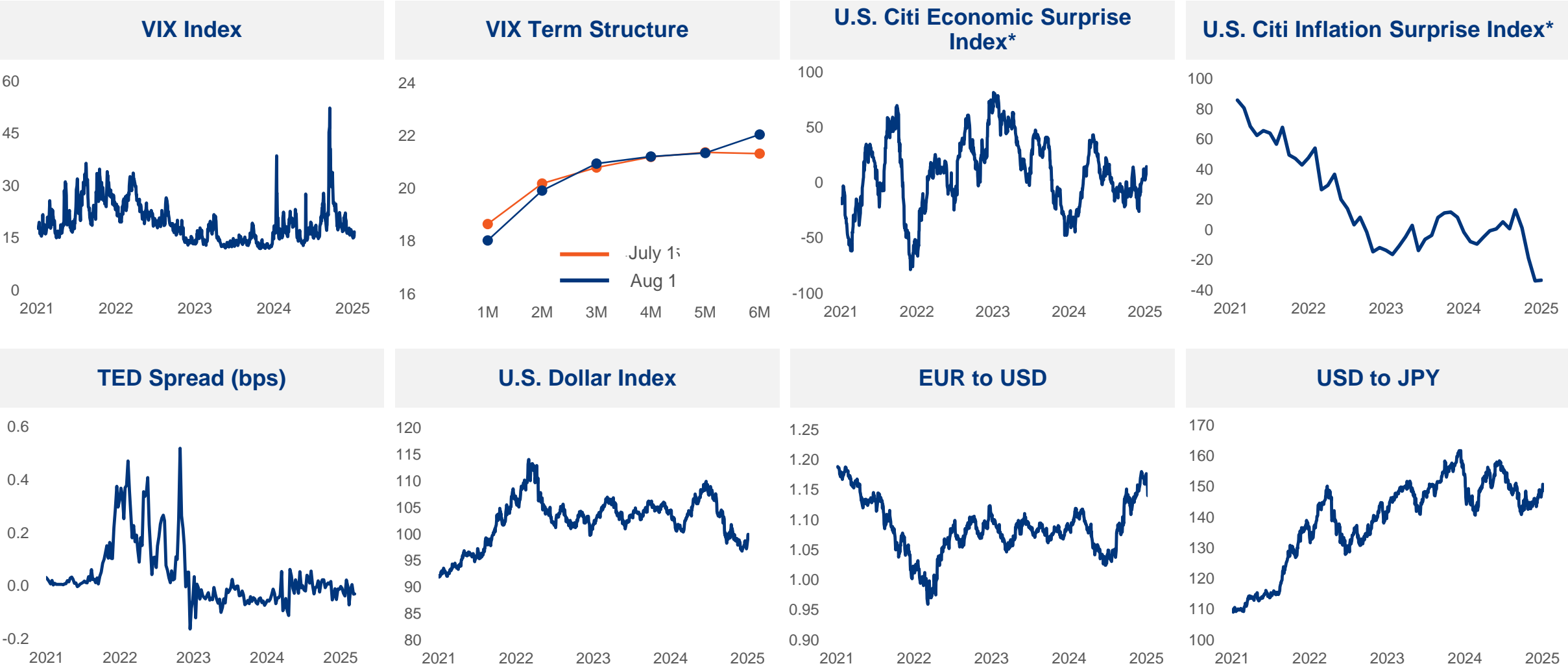


# Market Monitor



Source: Bloomberg, 1 August 2025

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Source: Bloomberg, 1 August 2025\*The Citi Economic/Inflation Surprise Index measures the deviation between economic data/actual inflation and market expectations. A rising index indicates economic improvement/inflation exceeding market expectations.

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