



CIO Office

Global Markets Weekly Kickstart

Don't Let the Great Yield Slip Away

18 August 2025



01 Chart of the Week

Earnings Beat Supports U.S. Stocks;
Focus Shifts to Future Opportunities



02 Market Recap

Volatility Stays Low, Equities and
Bonds Extend Steady Gains



03 What's Trending

Trump Signs Executive Order,
Unlocking Alternative Asset
Opportunities



04 In Focus

US Likely to Resume Rate Cuts, Rare
Opportunity to Lock in Yields on
Quality Bonds



05 Product Spotlight

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

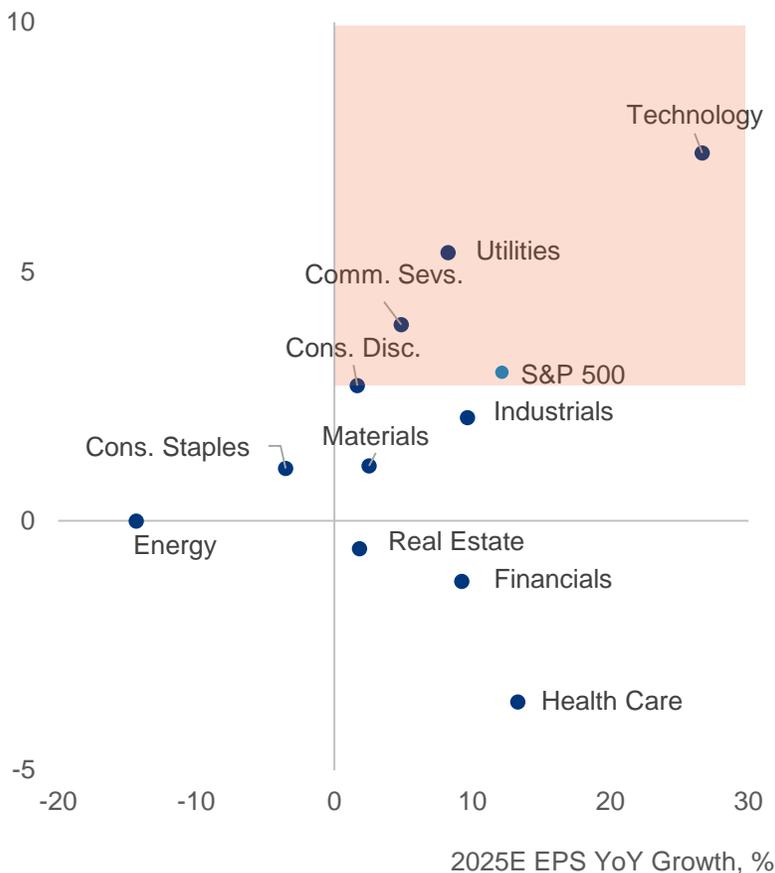
U.S. Earnings Beat Expectations; Balanced Allocation to Equal-Weight and High-Quality Stocks Advised

Over 90% of U.S. corporates have reported 2Q results, with 81% beating earnings forecasts. Overall profit growth rose 11.8% YoY, well above earlier single-digit estimates. Trade negotiations between the U.S. and other nations are showing progress, and the number of companies citing recession risk dropped sharply from 124 in 1Q to 16 in 2Q. Sector-wise, technology outperformed on EPS growth. With easing political and economic uncertainty and solid earnings momentum, U.S. equities have firm downside support.

The Fed may restart rate cuts as early as September, lowering funding costs for corporates. Some companies also flagged benefits from new tax policies. Large-cap techs continue to expand capex, and once the “Big and Beautiful” Act is passed, tax shields from major investment and R&D spending could further support earnings. However, tariff risks still weigh on the economy. In addition, the top 10 S&P 500 stocks now account for over 40% of market cap, and valuations are well above the 10-year average. Investors are advised to allocate toward equal-weight and high-quality stocks to manage risk.

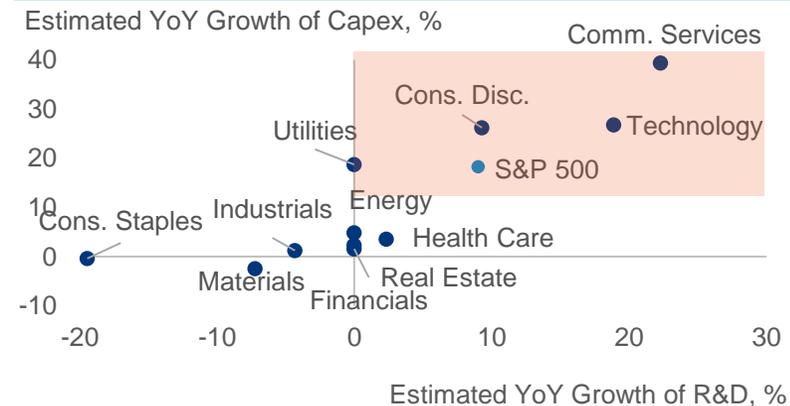
2Q Earnings Beat Expectations, Providing Support for U.S. Equities

S&P 500 and Sector Performance, Jun 30 – Aug 8, 2025, %



“Big and Beautiful” Tax Act Seen Adding Next Wave of Earnings Tailwind

| Company | Commentary on “Big and Beautiful” Tax Act |
|-------------------------------|--|
| Meta Platforms (META) | Corporate taxes expected to decline over coming years; no estimate yet on magnitude |
| Texas Instruments (TXN) | Tax rate to fall after 2026; significant reduction in corporate taxes ahead |
| CDW Corporation (CDW) | Commercial clients may benefit, creating a potential tailwind |
| Global Payments (GPN) | Modest improvement in free cash flow, supporting shareholder returns |
| AT&T Inc. (T) | \$1.5–2.0bn savings this year; \$2.5–3.0bn in 2026–27; \$3.5bn reinvestment planned in fiber expansion |
| T-Mobile US (TMUS) | \$1.5bn cash tax benefit in 2026 to be strategically deployed via capital allocation |
| Charter Communications (CHTR) | Billions in tax savings over next 5 years to fund network rollout and capital deployment |



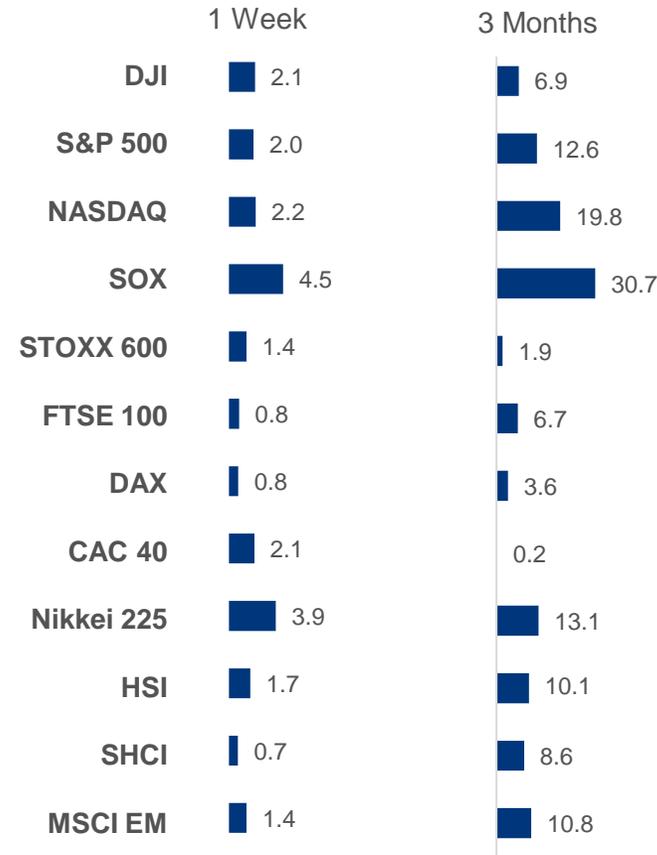
Source: Bloomberg

Market Recap

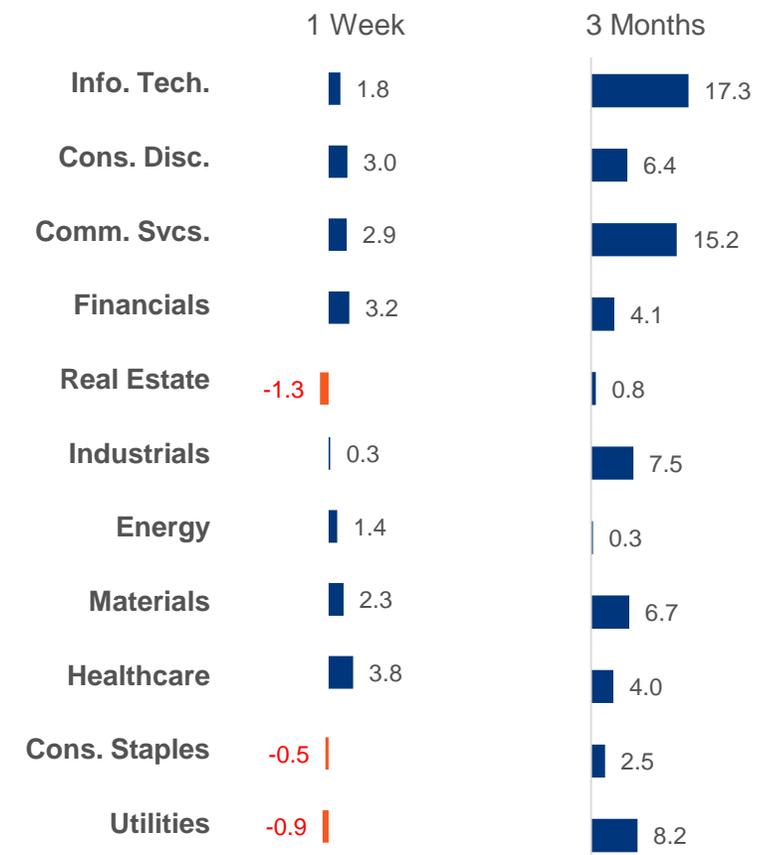
Mixed U.S. Inflation Data Lifts Rate-Cut Bets; Equities Extend Gains with Volatility at Lows

- ▶ U.S. CPI came in below expectations, with investors downplaying tariff impacts on inflation. Treasury Secretary Bessent noted weak labor data, suggesting a possible 50 bps cut, boosting odds of a Fed rate cut in September. Equities advanced with volatility near historic lows, while earnings grew double digits, led by tech and semiconductors.
- ▶ UK 2Q GDP rose 0.3%, above the BOE's 0.1% forecast. LSEG data show 54% of European companies beat earnings expectations, highlighting profit resilience. Markets were upbeat on Friday's Trump-Putin talks, with a ceasefire proposal including territorial exchanges fueling optimism for a faster end to the war, lifting European equities, particularly healthcare, financials, and defense.
- ▶ Japan's chief trade negotiator confirmed the U.S. will not impose "stacked" tariffs and will cut auto duties as pledged. Rising Fed cut expectations also spurred fund flows into Japan, with financials and tech leading recent gains.

Regional Index Performance (%)



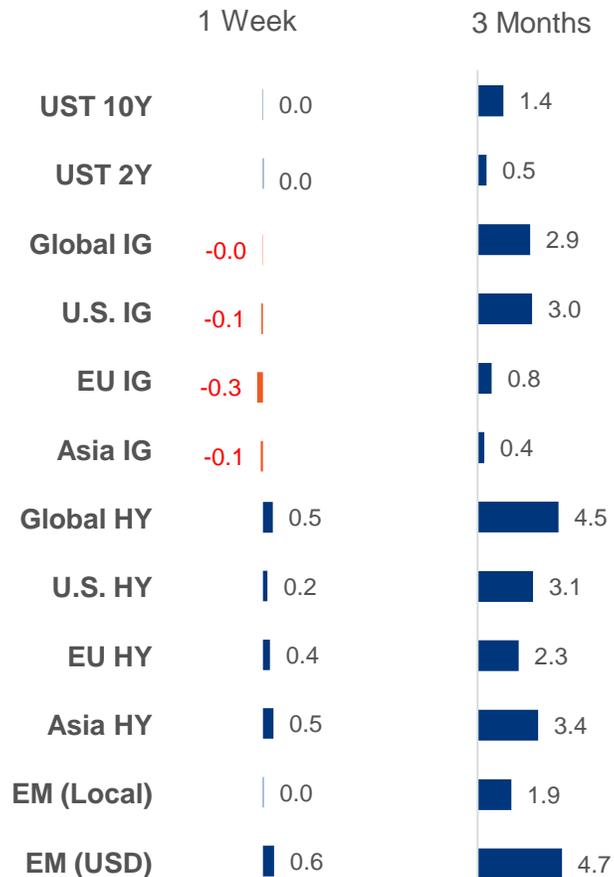
U.S. Sector Index Performance (%)



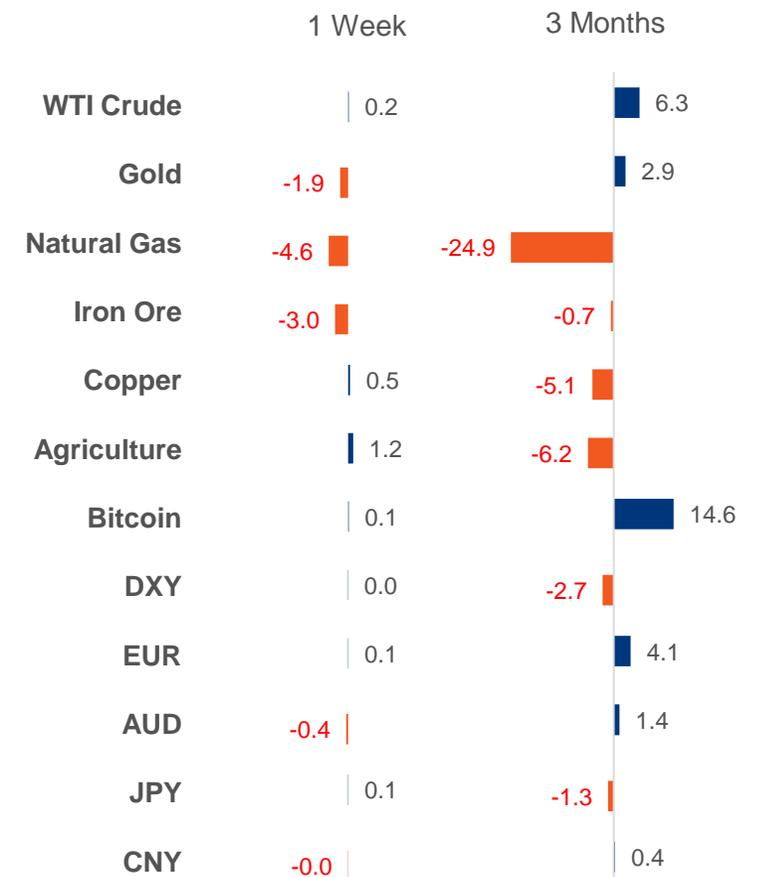
Trump Executive Order and Rising Odds of September Fed Cut Support Crypto and Yen

- ▶ U.S. inflation data was mixed: July CPI rose 2.7% YoY, unchanged from June, while July PPI jumped to 3.3% YoY vs. 2.4% prior and 2.5% consensus. Despite soft CPI, surging PPI trimmed market expectations for a 50 bps September cut to 25 bps. In credit, shorter-duration and high-yield bonds outperformed on rate-cut bets.
- ▶ Trump signed an executive order expanding 401(k) investment options to crypto and other alternatives, lifting Bitcoin on inflow expectations. PBOC data showed gold reserves rose by 1.87 tons in July to 2,300 tons, the ninth consecutive monthly increase. However, Trump stated the U.S. will not impose tariffs on imported gold, leaving prices softer last week.
- ▶ Fed cut odds boosted FX volatility: DXY fell before rebounding. Markets expect narrowing U.S.–Japan rate differentials, with Treasury Secretary Bessent’s rare comments on BOJ policy fueling speculation of a Japan rate hike, nudging the yen higher.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



Source: Bloomberg, 15 August 2025

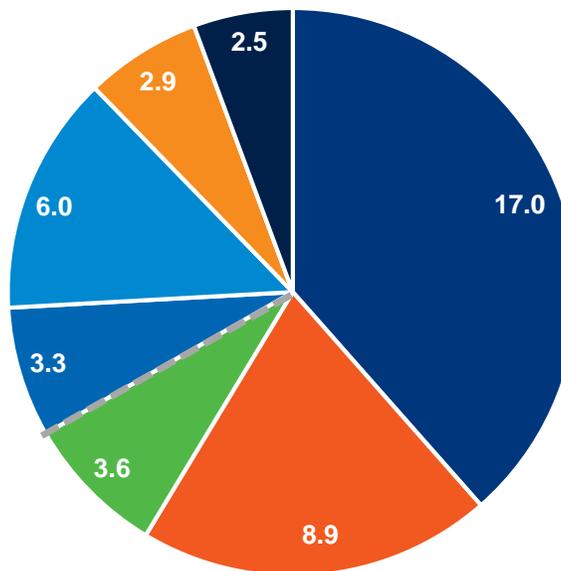
Trump Executive Order Opens Door for Alternative Assets via Retirement Funds

- ▶ Trump recently signed an executive order directing the Labor Department to review 401(k) and similar plans to expand investment access into private equity, crypto, and other alternative assets. Plans offering a “Brokerage Window” already allow participants to invest beyond core options—including equities, bonds, ETFs, and crypto-related products—though available assets differ across platforms. Currently, only 2% of funds flow through this channel, with crypto allocations still minimal.
- ▶ U.S. retirement assets are vast, estimated at \$44tn, about 11x the size of the total crypto market (with Bitcoin accounting for nearly 60%). The executive order covers 401(k) and other defined-contribution plans totaling nearly \$12tn. A 1.5% allocation into U.S. spot Bitcoin and Ether ETFs would be enough to double their AUM.
- ▶ With rising awareness, broader access, and reduced regulatory uncertainty, crypto is gaining acceptance. This could lift market cap and dampen volatility. Despite Bitcoin hitting record highs, volatility has declined, making it increasingly attractive for traditionally conservative retirement capital.

U.S. Retirement Assets Are Vast

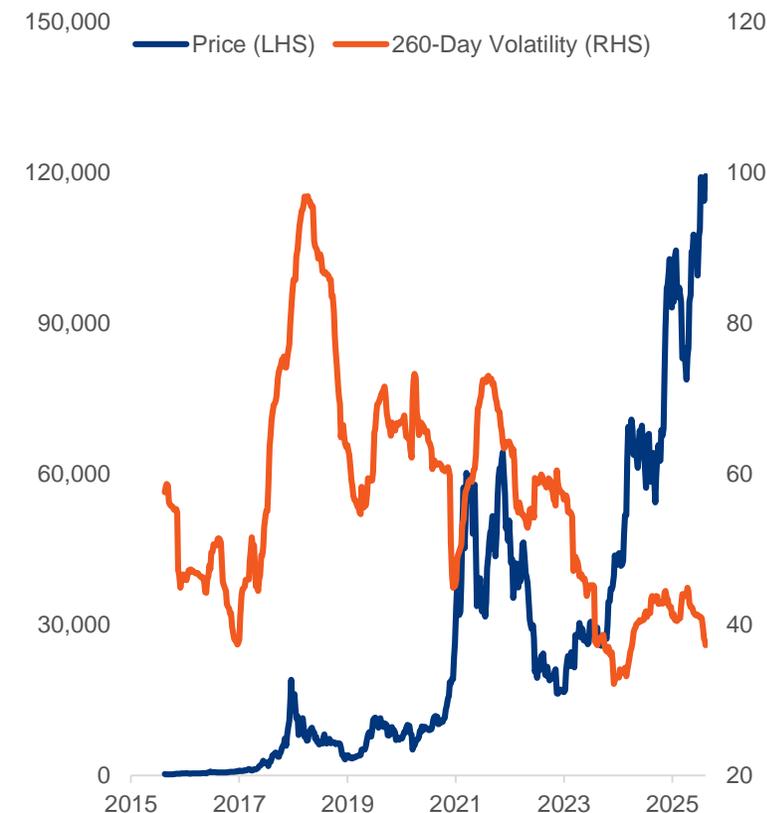
U.S. Retirement Market (USD tn)

- Individual Retirement Accounts (IRA)
- 401(k)
- Other Defined Contribution Plans
- Private-Sector Defined Benefit Plans
- State & Local Government DB Plans
- Federal Government DB Plans
- Annuities



Bitcoin Volatility Gradually Declining

Bitcoin vs. USD

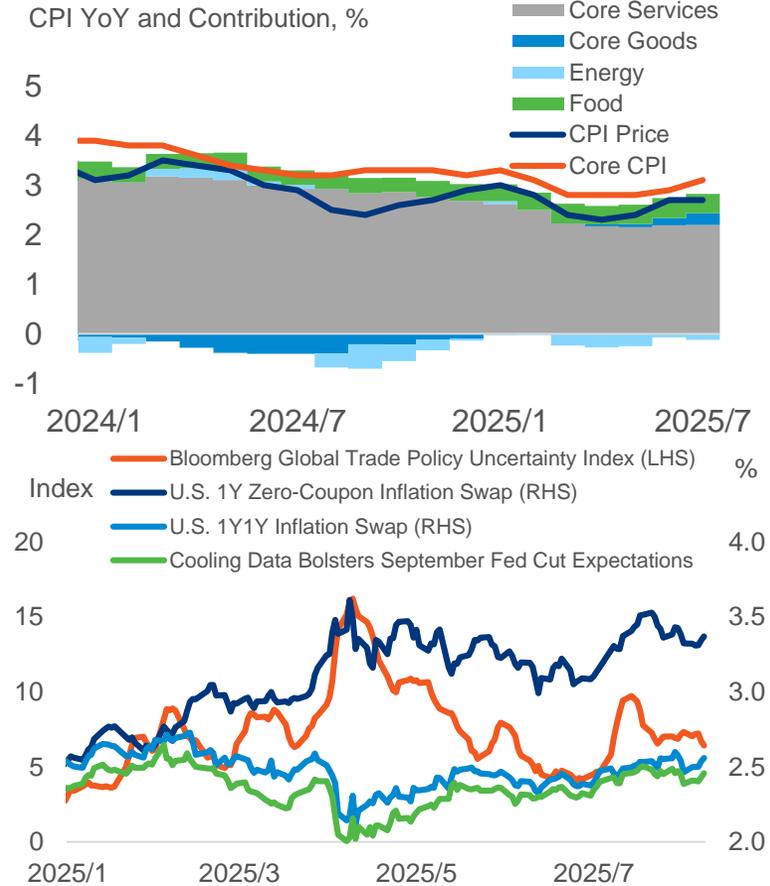


Source: Investment Company Institute, Bloomberg

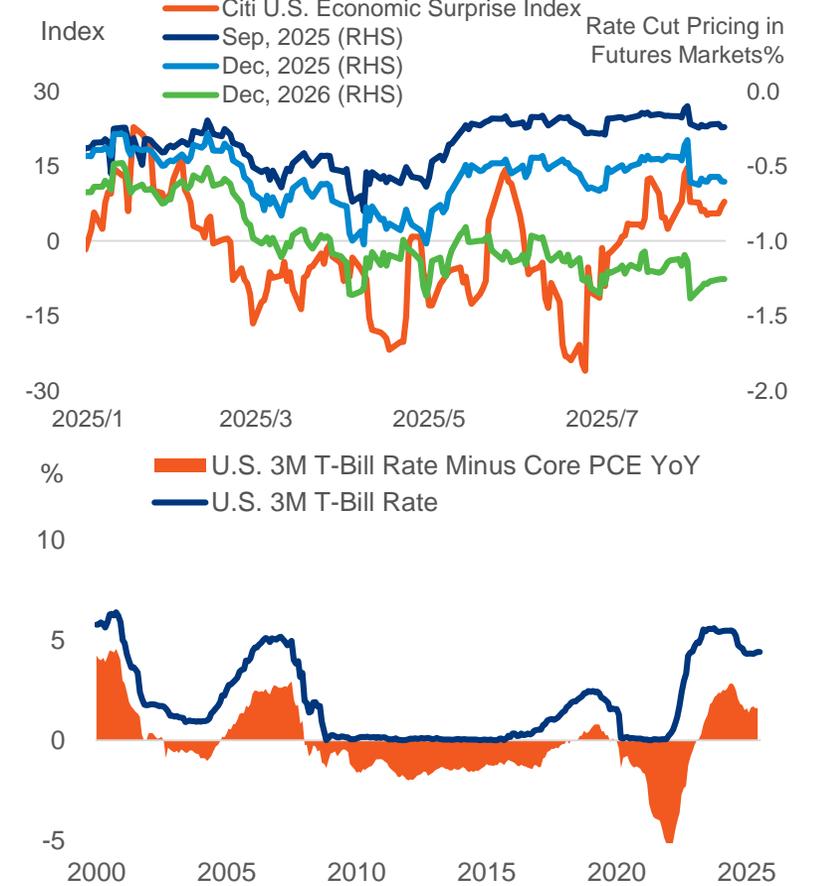
Slowing Growth Lifts Rate-Cut Odds; High-Quality Bonds Offer Yield-Locking Window

- ▶ U.S. July CPI rose 2.7% YoY, flat vs. June and below expectations. Housing inflation eased, the main driver of disinflation, while used cars and household goods lifted core goods prices. Medical care, airfares, auto insurance, and leisure pushed core services higher, driving core CPI up from 2.9% to 3.1% YoY. With tariff negotiations progressing and labor markets softening, consumption momentum may weaken in 2H, limiting inflation pressures a year out.
- ▶ Cooling labor data highlights downside risks to growth, reinforcing September Fed rate-cut expectations. We see room for two cuts by year-end and a further 3–4 cuts in 2026. Historically, after Fed cuts, real yields (3M T-bill minus core PCE inflation) tend to compress, reducing bonds' inflation-hedge effect. If U.S. nonfarm payrolls continue to weaken, the Fed could restart cuts as early as September. Investors should seize current high yields in Treasuries and investment-grade bonds ahead of the easing cycle.

U.S. CPI Consolidates at Highs, Inflation Expectations Ease with Lower Uncertainty



Cooling Data Bolsters September Fed Cut Expectations



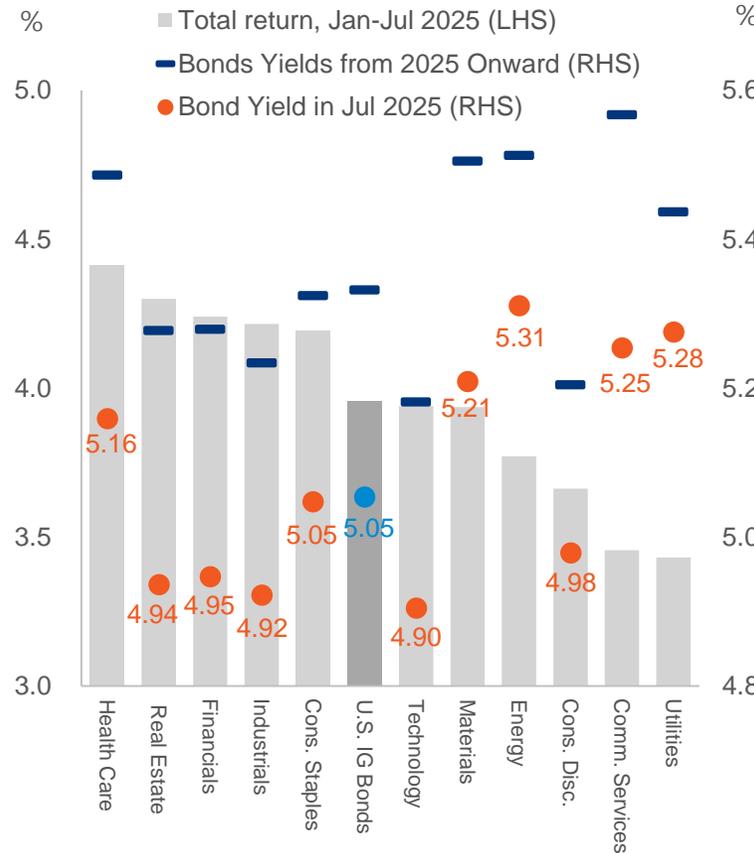
Attractive Yields Provide Steady Income; Focus on Sectors with Positive Credit Outlook

► From January to July, U.S. investment-grade corporate bond returns were shaped by three key factors:

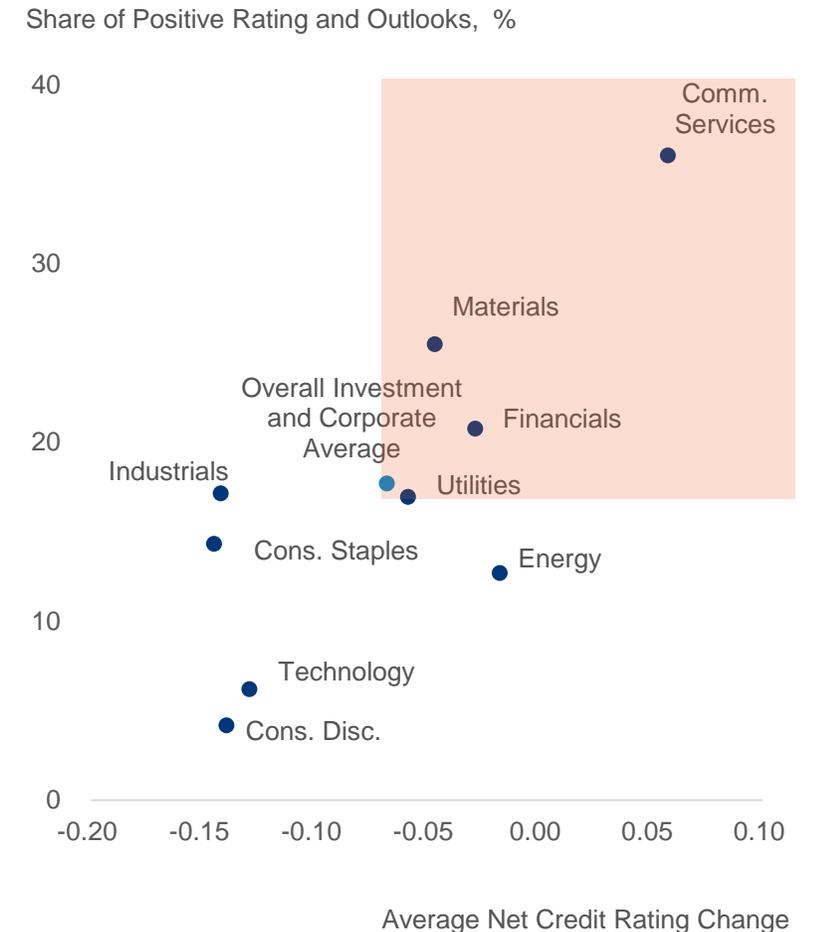
1. With the Fed pausing rate cuts, mid- to short-duration bonds outperformed.
2. Despite tariff-driven spread widening in April, spreads mostly hovered near historical lows, with BBB-rated bonds offering relative yield advantages.
3. Passage of the “Big and Beautiful” Act and debt-ceiling resolution supported fiscal expansion and a steeper yield curve, driving notable spread compression in policy-benefiting sectors such as financials and industrials. Looking ahead, bonds in financials, telecom, and utilities offer attractive levels amid an economic slowdown.

► Bloomberg data show that about 18% of U.S. investment-grade bonds carry a net positive credit-rating outlook, with telecom services, materials, financials, and utilities outperforming the broader market. As growth slows in 2H, investors can both lock in favorable yields ahead of Fed cuts and focus on sectors with positive credit outlooks to mitigate market volatility.

U.S. Investment-Grade Bonds Outperform in Policy-Supported Sectors This Year



Positive Credit Outlook Concentrated in Telecom, Materials, Financials, and Utilities



Source: Bloomberg. Note: The average net credit rating change score is calculated by Bloomberg based on the ratings and outlooks from the three major credit rating agencies for each issuer.

Asset Strategy

| Asset Type | Market View | Preferred Assets |
|------------------|--|--|
| Equities | <ul style="list-style-type: none"> ◆ With Trump's tariff negotiations gradually unfolding, political and economic uncertainty is easing. As U.S. equities trade at elevated levels with stretched valuations, softer growth in 2H could add correction risks. We recommend maintaining balanced sector allocation and investment flexibility. Near term, investors may increase exposure to low-volatility, high-quality stocks. For long-term positioning, AI remains a key theme, with software and cybersecurity favored within tech, offering opportunities for phased accumulation on pullbacks. ◆ In the eurozone, fundamentals are improving and valuations are cheaper than U.S. equities. U.K. and German markets, less vulnerable to trade shocks, are preferred. Japan's economy continues to strengthen with tariff agreements secured; domestic demand and banking stocks can be accumulated on dips. | <p>Strategy: Increase allocation to low-volatility, high-quality stocks. For long-term positioning, focus on AI themes, with preference for software and cybersecurity stocks; consider phased buying on pullbacks</p> <p>Regions: European equities, UK equities, Japanese domestic demand and banking stocks</p> |
| Bonds | <ul style="list-style-type: none"> ◆ With the economy weakening and September Fed rate-cut odds rising, bonds look increasingly attractive. Investors should lock in yields on Treasuries and investment-grade bonds ahead of easing. Within IG, A-rated or higher blue-chip issuers are preferred, while sectors offering relatively favorable risk-adjusted spreads include financials, industrials, energy, utilities, and telecom. ◆ The U.S. dollar remains weak, supporting diversification into non-USD bonds such as investment-grade issues denominated in EUR and SGD. | <p>Duration: High-grade corporate bonds and U.S. Treasuries for yield-locking opportunities</p> <p>Type: Financials, industrials, energy, utilities, and communications</p> |
| Forex | <ul style="list-style-type: none"> ◆ Trump's preference for a weaker dollar, combined with rising odds of a Fed rate cut in September and nearing end of easing cycles by the ECB and BOE, suggests the DXY will find near-term support but remain structurally weak over the medium term. ◆ Non-USD currencies such as the euro, yen, and sterling are expected to trend higher with moderate volatility. | <p>USD: Consolidating with Downward Bias</p> <p>EUR, JPY, GBP: Fluctuating with upward bias</p> |
| Commodity | <ul style="list-style-type: none"> ◆ The U.S. dollar is set to weaken over the medium term as rate cuts drive yields lower, while inflation risks and fiscal deficit pressures persist. With both central banks and market funds continuing to accumulate gold, upside potential remains. Investors can gradually build positions on pullbacks. | <p>Gold: Bullish bias</p> |

Online Entertainment Opportunities Across Cycles

► “Self-Indulgence” Consumption as Structural Growth Driver

China’s online entertainment industry is benefiting from a structural consumption trend — resilient demand centered on “self-indulgence” spending. ARPU in segments such as online gaming and music continues to rise, with Tencent Music (1698) posting strong quarterly results underscoring robust spending power. This trend appears insulated from macroeconomic swings, with such discretionary consumption increasingly viewed as an essential pursuit of personal fulfillment. This supports a stable user base and sustained monetization growth for industry leaders.

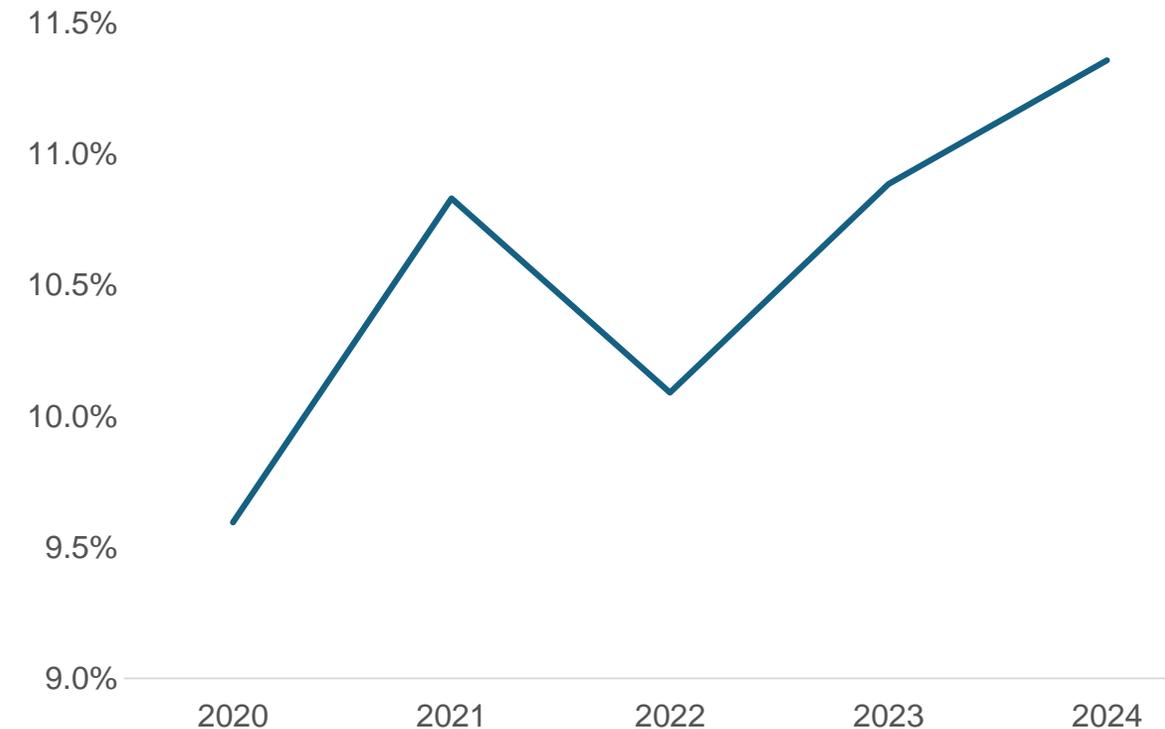
► Dual Growth Engines: Content Ecosystem and Monetization Efficiency

Growth momentum also comes from ongoing supply-side optimization and innovation. In gaming, major players extend product life cycles through refined IP operations and frequent content updates, while new releases expand supply. In online music and other segments, diversified value-added services and membership programs drive higher user conversion and ARPU. Rapid AI development is further catalyzing content creation and distribution efficiency, enhancing user experience and opening new monetization channels.

► Large Market Potential Offers Margin of Safety

Despite notable YTD outperformance in online entertainment stocks, investor positioning remains far from crowded, offering an attractive risk-reward profile. Some investors may rotate into the sector as a “safe haven” amid intensifying competition elsewhere.

Share of Per Capita Spending on Education, Culture & Entertainment



NetEase Inc (9999)

Closing Price HK \$207.8

Target Price HK \$240

Primarily operates online gaming, online music, and advertising services.

■ Sustainable Growth Driven by Strong Pipeline and Flagship Titles

NetEase’s gaming outlook remains positive, supported by a deep pipeline and upcoming flagship releases. The company has over 60 titles pending launch, with more than 20 already licensed, providing solid visibility for revenue growth over the next few quarters. Among them, Blizzard-licensed Diablo IV is a key catalyst. Given its strong IP appeal and market potential, the title could contribute over RMB 1bn in incremental revenue in its launch quarter, equivalent to roughly a 5 ppt boost to quarterly growth from current levels.

■ Market Misjudgment on Profit Pressure

Concerns that heavy marketing expenses for new launches will erode margins may be overstated. Historical large-scale releases have seen elevated launch-quarter marketing spend, temporarily pressuring margins. However, this is a strategic upfront investment — once player base is established and the game enters a stable revenue phase, scale benefits typically drive a quick rebound in profitability. Past data shows margins often recover and resume an upward trend in the quarter following launch.

■ 2Q Results in Line with Expectations

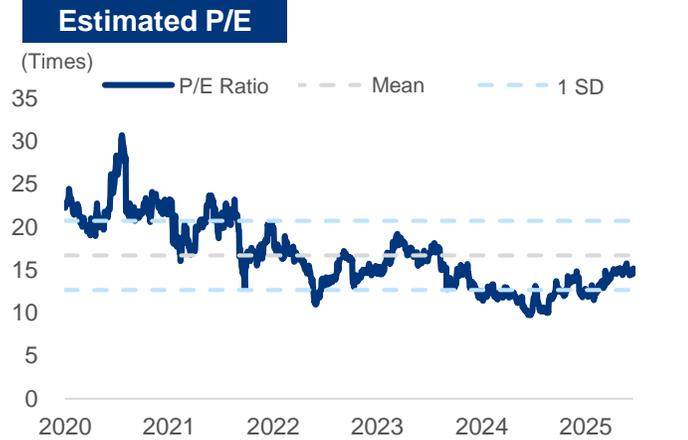
2Q revenue was RMB 27.9bn, up 9.4% YoY, near the lower end of consensus. Adjusted net profit rose 22% YoY to RMB 9.53bn, in line with expectations.

■ Target Price Near Historical Average Valuation

Target price of HKD 240 implies 17.2x 2026E P/E, versus current 14.4x, with EPS CAGR of 11% over the next three years.

| Financials | | | | | |
|--------------------|------|-------|-------|-------|-------|
| | 2022 | 2023 | 2024 | 2025F | 2026F |
| Revenue (100M CNY) | 96.5 | 103.5 | 105.3 | 114.7 | 123.3 |
| Revenue YoY | 10.1 | 7.2 | 1.8 | 9.0 | 7.5 |
| EPS (CNY) | 6.3 | 8.9 | 9.1 | 12.3 | 12.8 |
| EPS YoY | 31.9 | 42.3 | 2.3 | 34.6 | 3.9 |
| ROE(%) | 20.3 | 25.7 | 22.6 | 23.5 | 21.9 |

| 2H25 Game Pipeline | | |
|--------------------------|----------|-------------|
| Title | Genre | Launch Date |
| Destiny Constellations | RPG | 28 Aug |
| Spirit Beast Adventure | RPG | 6 Oct |
| Jiuji: Journey of Qifeng | Strategy | 2025 |
| Dragon’s Spirit Realm | RPG | 2025 |
| Planet Party Time | Casual | 2025 |
| No Man’s Abyss | Shooter | 2025 |



Source: Bloomberg

Tencent Holdings (700)

Closing Price HK \$590

Target Price HK \$700

Primarily operates value-added services, online advertising, and fintech & business services.

■ New Mobile Esports Title Poised to Become Evergreen Game

Tencent's gaming competitiveness remains strong, with its products holding the top four spots in July iOS gaming revenue rankings. Game launches have accelerated, with 2Q new releases already reaching half of last year's total. The company now has over 90 distribution channels, providing a solid base for future revenue growth. Notably, Valorant Mobile has reached 60mn pre-registrations, with the China version set to launch on Aug 19. We expect it to replicate the success of its PC and console versions, with potential to become one of Tencent's evergreen titles.

■ AI-Driven Multi-Sector Enablement as Core Growth Driver

Tencent is committed to AI as a long-term growth engine, focusing capital expenditure on technology improvement rather than indiscriminate chip purchases, and enhancing AI application efficiency. In gaming, AI will help accelerate development and implement anti-cheat measures, boosting user experience and engagement. In monetization, AI improves ad targeting precision and click-through rates, enabling advertisers to reach target audiences more effectively, supporting steady ad revenue growth.

■ 2Q Results Beat Expectations

2Q revenue was RMB 184.5bn, up 15% YoY, and adjusted net profit was RMB 63.1bn, up 10% YoY — both exceeding market expectations.

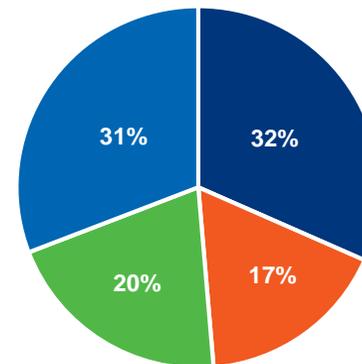
■ Valuation Re-Rating Supported by Game Launches and AI Gains

Given (1) a strong 2Q beat, (2) upcoming high-profile releases from both proprietary IP and licensed international titles, and (3) growing AI-driven efficiency gains, Tencent is well-positioned for a valuation re-rating. Target price HKD 700 implies ~20.5x 2026E P/E.

Financials

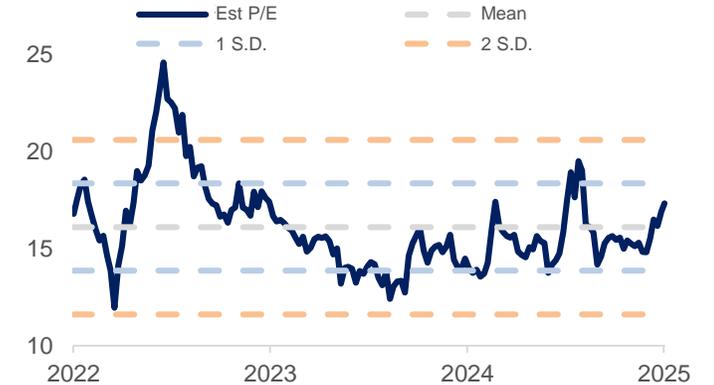
| | 2022 | 2023 | 2024 | 2025F | 2026F |
|--------------------------|------|------|------|-------|-------|
| Revenue (1B CNY) | 554 | 609 | 660 | 737 | 806 |
| Revenue YoY | -1.0 | 9.8 | 8.4 | 11.7 | 9.4 |
| EPS (CNY) | 11.8 | 16.3 | 23.5 | 27.2 | 30.8 |
| EPS YoY | -6.8 | 37.9 | 44.0 | 15.7 | 13.1 |
| Net Profit Margin | 11.8 | 7.3 | 11.6 | 11.8 | 12.1 |

2026 Revenue Sources

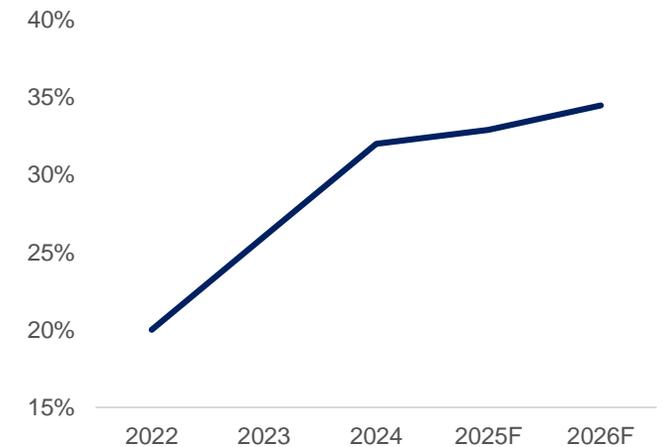


■ Gaming ■ Social Media ■ Ad Services ■ FinTech & Business Services

Estimated P/E



Operating Margin



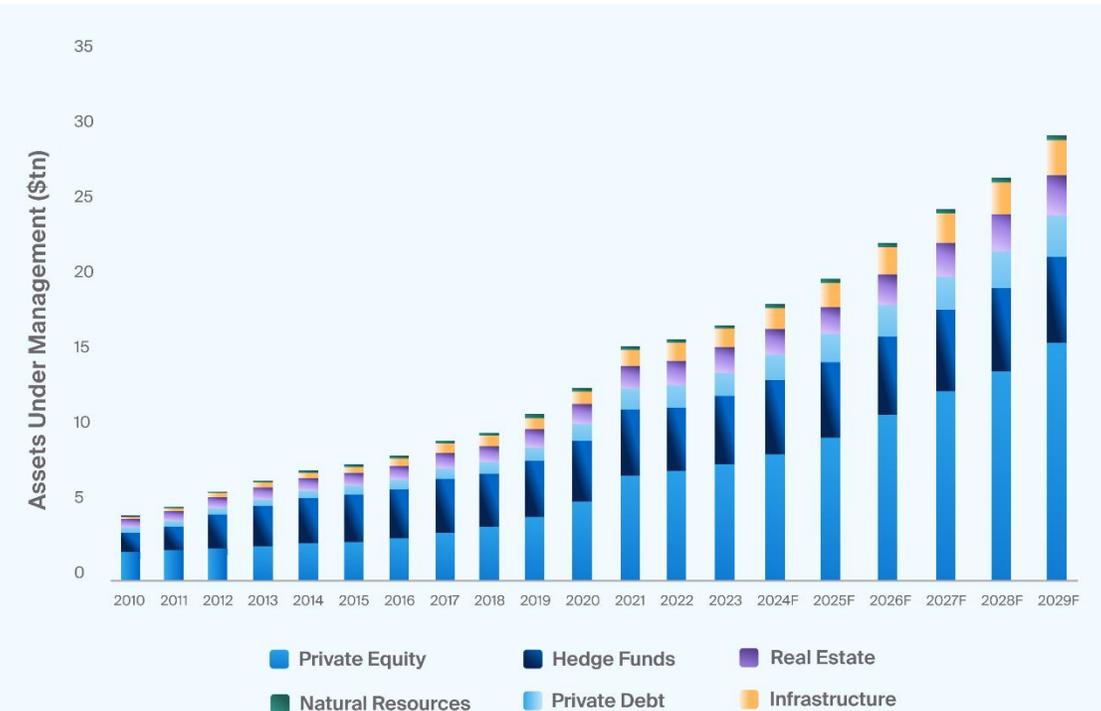
Source: Bloomberg



Policy Support Unlocks New Opportunities for Asset Management Industry

- ▶ US Jul CPI rose 0.2% MoM, slightly below Jun's 0.3%, in line with expectations. Core CPI gained 0.3%, above Jun's 0.2%, also matching forecasts.
- ▶ US Jul PPI jumped 0.9% MoM, rebounding sharply from flat in Jun and well above the 0.2% consensus, marking the largest monthly gain since Jun 2022. Core PPI also rose 0.9%, versus flat in Jun and above the 0.2% forecast.
- ▶ US Jul retail sales grew 0.5% MoM, below the 0.6% estimate, though Jun was revised up to 0.9%.
- ▶ The preliminary Aug University of Michigan consumer sentiment index fell to 58.6, from Jul's 61.7 and well under the 62.0 consensus.
- ▶ President Trump signed an executive order allowing alternative assets—including private equity, real estate, and crypto—to be included in 401(k) retirement plans, opening access to roughly USD 12.5tn in retirement savings. The order directs the SEC to revise rules to facilitate such investments in participant-directed defined contribution plans, which have typically focused on safer stocks and bonds. This is expected to channel significant capital into capital-starved private equity and forms part of Trump's broader push to boost the crypto sector.

Alternative Assets AUM Growth Forecast



Apollo Global Management (APO)

Closing Price US \$139.39

Target Price US \$160

Operates as an asset manager investing across yield, hybrid, and equity markets to generate retirement and investment income, serving both institutions and individuals globally.

Key Features

Retirement Capital Flywheel via Athene

Apollo's integrated model benefits directly from new policies, leveraging its insurance arm Athene as a key funding source for private credit and real estate strategies. By creating 401(k)-compliant products, Apollo can channel new participant contributions into high-yield, long-duration private investments. As rates decline, the appeal of these high-return, low-correlation strategies will strengthen. This structural advantage positions Apollo as a preferred partner for plan sponsors seeking higher returns under the new regulatory framework.

Private Credit and M&A Driving Growth

Apollo operates one of the world's largest private credit platforms, enabling it to fund large, capital-intensive transactions — a trend boosted by ongoing retirement capital inflows into alternatives. Its USD 1.5bn acquisition of Bridge Investment Group expands real estate credit capabilities to over USD 110bn in AUM, while its stake in Stream Data Centres creates direct exposure to the fast-growing AI and digital infrastructure sector. This combination of scale, sector diversity, and product adaptability enables Apollo to design offerings meeting the liquidity, transparency, and governance standards required for 401(k) adoption.

Earnings Beat

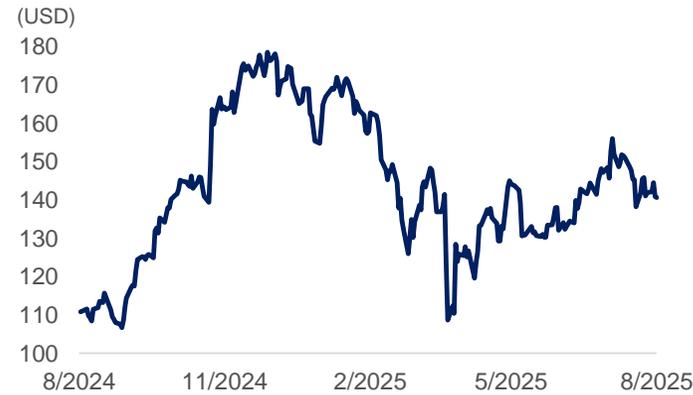
2Q25 revenue rose 13.1% YoY to USD 6.81bn. Non-GAAP EPS was USD 1.92, beating estimates by USD 0.08. Declared a USD 0.51 per share cash dividend for 2Q, payable Aug 29, 2025.

Valuation Consensus

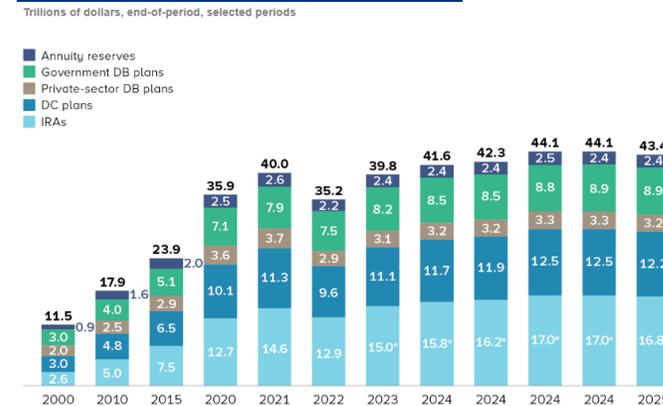
Bloomberg 12M average target price: USD 167.29; high: USD 185; low: USD 154.

Source: Bloomberg

1-Year Price



Total US Retirement Assets

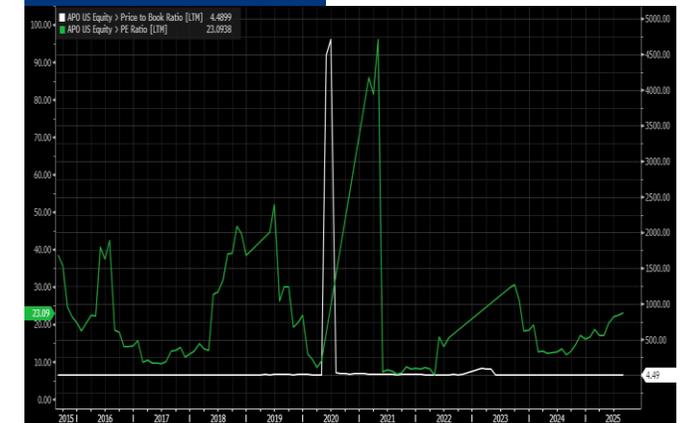


Financials

| | 2023 | 2024 | 2025 | 2026F | 2027F |
|----------------------|-------|-------|-------|-------|-------|
| Revenue Growth(%) | 28.0 | 183.7 | -20.2 | -34.6 | 15.8 |
| EBITDA(%) | -28.8 | 19.8 | 32.2 | 35.7 | 36.2 |
| EPS (USD) | -3.14 | 8.75 | 8.00 | 7.58 | 9.17 |
| Net Profit Margin(%) | -15.9 | 15.8 | 18.6 | 28.1 | 29.1 |

Source: Bloomberg; 2025/26F are market estimates

P/E & P/B



BlackRock Inc (BLK)

Closing Price US \$1,135.01

Target Price US \$1,240

Provides investment management, advisory, and risk management services to individuals, families, educational institutions, governments, insurers, and nonprofits worldwide.

Key Features

401(k) Access to Alternatives

BlackRock's leadership in target-date funds and defined contribution plans aligns seamlessly with new policy shifts. In 2026, the firm will launch a target-date fund integrating 5–20% allocations to private equity and private credit, in partnership with Great Gray Trust. BlackRock estimates this could enhance returns by 50 bps, creating a significant competitive edge as plan sponsors seek compliant yield-boosting solutions.

Expanding Private Markets via M&A

Acquisitions including Global Infrastructure Partners, HPS Investment Partners, Preqin, and the pending purchase of ElmTree Funds have built a private markets platform capable of managing retirement-eligible asset classes under the new rules. With private markets potentially accounting for 20% of future retirement portfolios, BlackRock's scale in illiquid assets - coupled with its operational, compliance, and risk management infrastructure - positions it to meet liquidity, transparency, and governance requirements. In a lower-rate environment where returns are harder to generate, its ability to expand alternative asset offerings and integrate deeply with retirement channels gives it a first-mover advantage to capture incremental inflows as the market adapts.

Earnings Beat

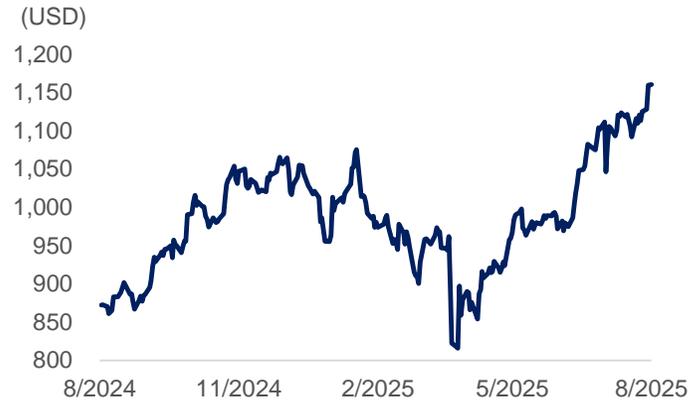
2Q25 revenue rose 12.7% YoY to USD 5.42bn, USD 40mn below estimates. Non-GAAP EPS was USD 12.05, beating forecasts by USD 1.23. Quarterly dividend of USD 5.21 per share, unchanged, payable Sep 23, 2025.

Valuation Consensus

Bloomberg 12M average target price: USD 1,179; high: USD 1,326.6; low: USD 750.

Source: Bloomberg

1-Year Price



Total US Retirement Assets



Financials

| | 2023 | 2024 | 2025 | 2026F | 2027F |
|----------------------|-------|-------|-------|-------|-------|
| Revenue Growth(%) | -7.7 | -0.1 | 14.3 | 15.0 | 14.4 |
| EBITDA Ratio | 37.9 | 41.4 | 42.1 | 41.4 | 43.3 |
| EPS (USD) | 33.85 | 34.27 | 40.62 | 47.61 | 52.30 |
| Net Profit Margin(%) | 28.9 | 28.9 | 30.2 | 32.7 | 31.8 |

Source: Bloomberg; 2025/26F are market estimates

P/E & P/B





Rate-Cut Expectations Lift TAIEX to New High; Electronics Remain Market Focus

► Trump Announces Tariff Exemption for Taiwan Semiconductors, Lifting TAIEX to New Yearly High

Technically, TAIEX surged last week to a new YTD high, with a strong volume-backed rally supporting continued upside momentum. Short-term support has shifted up to the lower end of the recent gap at 23,557—holding above this level keeps the short-term uptrend intact. The next resistance is the all-time high of 24,416 set in July 2024.

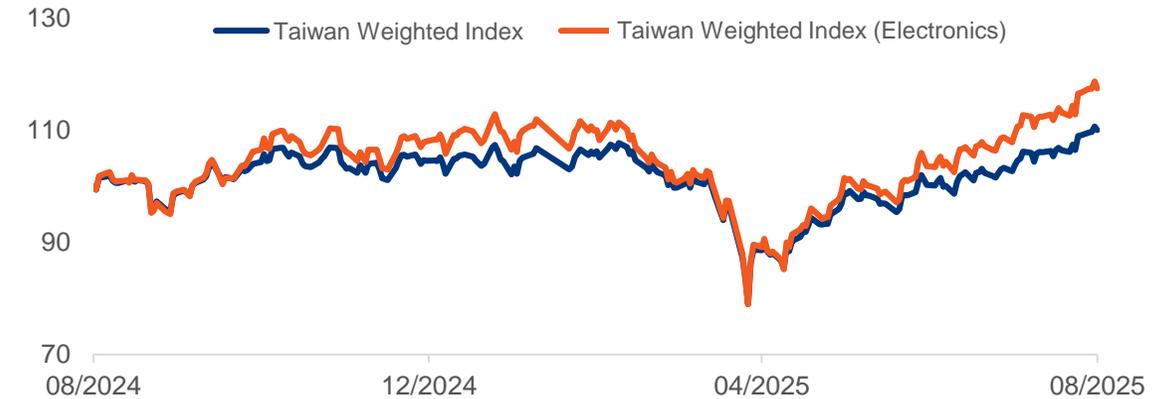
► AI-Linked Stocks Active; Rotation Extends Beyond Financials and Electronics

Last week's market structure showed several large-cap electronics stocks hitting new highs. Upgrades in AI server specifications continue to lift value for components such as cooling systems, power supplies, and PCBs, keeping AI equipment stocks the hottest segment. Some bellwether names set fresh cycle highs. The electronics uptrend remains intact, but if key AI server names weaken on heavy volume and break below their 20-day moving average, it could weigh on both the electronics sector and the broader market. Financials have been consolidating but remain supportive, likely to aid rallies or cushion pullbacks. Outside financials and electronics, rotation has recently extended to glass ceramics and plastics, with high-end fiberglass fabric stocks remaining a short-term focus. Overall market volume trends warrant close monitoring.

Source: Bloomberg

Taiwan Weighted Index and Taiwan Electronics Sector Trends & Est. P/E

Index, 15 Aug 2024 = 100



Index Est. P/E



Quanta Computer (2382 TT)

Founded in 1988, Quanta is a Fortune Global 500 company and the world's leading ODM for notebook PCs, as well as a top supplier of cloud computing solutions. Its product portfolio spans ICT, consumer electronics, cloud computing, smart home, autonomous driving, smart healthcare, and AIoT, built on core computing design expertise.

Key Features

■ 2Q25 EPS Beats Expectations

2Q25 EPS exceeded consensus, driven by higher margins, better non-operating income, and operating margin above our estimates. Notebooks account for 20–25% of revenue, with an increasing Chromebook mix supporting gross margin. The company also plans to expand assembly capacity in Mexico to meet growing demand.

■ AI Servers in Transition Phase; Significant Ramp Post-4Q25

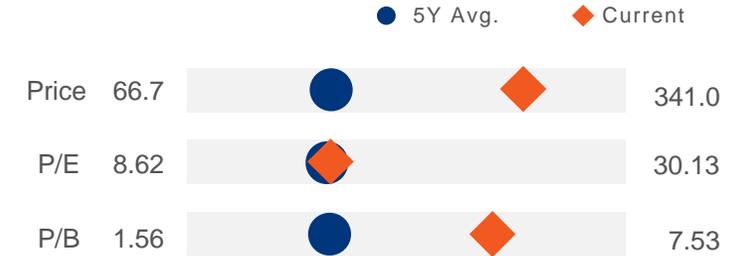
Management expects 3Q25 notebook shipments to grow slightly QoQ, while AI server revenue will be flat as GB200/300 transitions between product cycles. Nevertheless, Quanta maintains its triple-digit YoY AI server revenue growth outlook for 2025. Shipments of GB200/300 AI servers are projected to exceed 5,000 racks in 2025, with the addition of new customer Oracle potentially driving shipments to double in 2026.

Financials

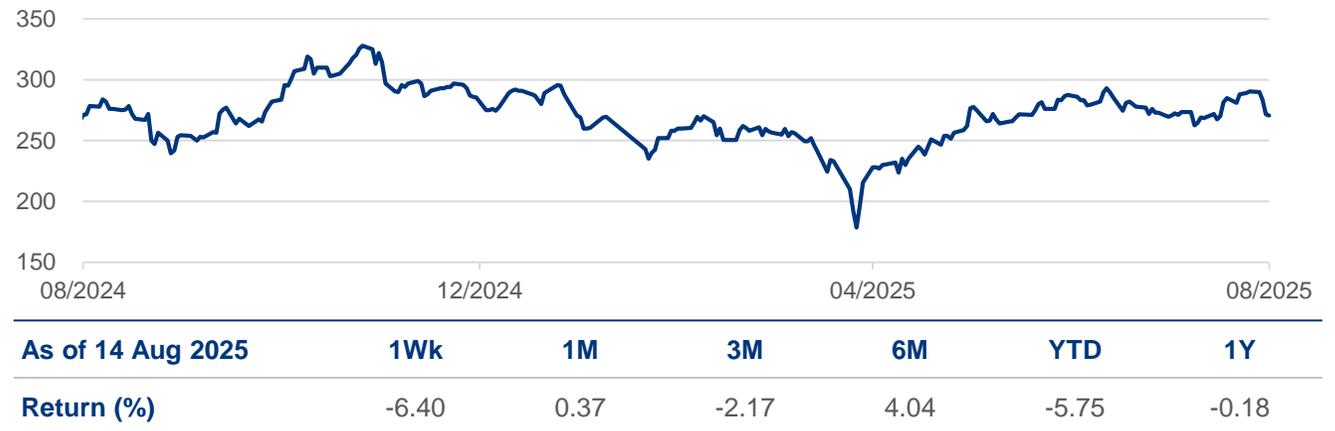
| | 2022 | 2023 | 2024 | 2025F | 2026F |
|-----------------------|-------|-------|-------|-------|-------|
| EPS (NTD) | 7.51 | 10.29 | 15.49 | 16.73 | 19.43 |
| EPS Growth (%) | -14.0 | 37.0 | 50.5 | 8.0 | 16.1 |
| P/E Ratio | 37.7 | 27.5 | 18.3 | 16.9 | 14.6 |
| ROE (%) | 17.5 | 22.3 | 29.2 | 28.2 | 30.9 |

Source: Company data, estimates of KGI analyst

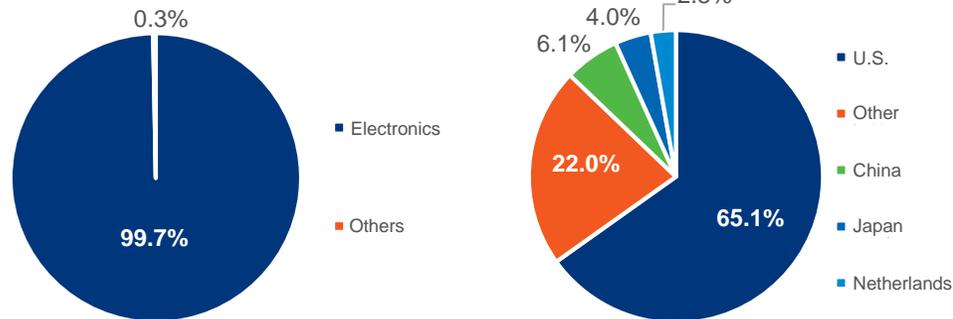
Valuations



1-Year Price



Revenue Sources and Regions



Source: Bloomberg

GCE (2368 TT)

Founded in 1981, Gold Circuit Electronics manufactures PCBs for servers, notebooks, telecom equipment, and high-current power supplies, with facilities in Zhongli (Taiwan) and Suzhou (China), ISO-certified quality systems, and service centers across the U.S., Europe, and Asia.

Key Features

Strong AI Server Demand to Drive Another Record in 3Q25 Revenue

July revenue hit a new high on robust AI server demand, though FX impact and Thailand-related expenses slightly weighed on profit. With AWS servers, 800G switches, and other ASIC servers ramping, we estimate 3Q25 revenue could rise over 10% QoQ.

Clear Shift Toward High-Speed, Multi-Layer Server Boards; PCB Capacity Expanding via Bottleneck Removal

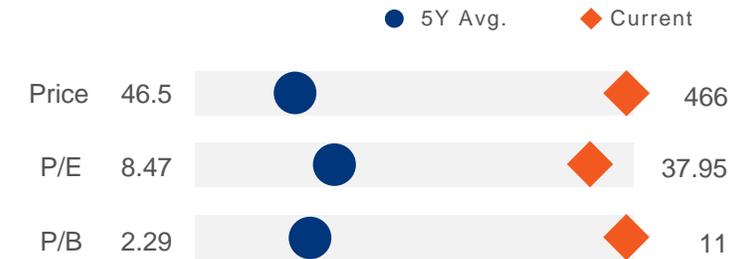
We raise our 2025 Trainium 2 & 2.5 PCB shipment forecast by 15–20%. Industry checks indicate Google TPU and Meta ASIC servers are adopting 22L+ multi-layer designs, with materials upgraded to M7–M8. As a key supplier to the top four CSPs, GCE’s monthly output is expected to reach TWD 4.1bn in 2Q25 and TWD 5.4bn in 3Q25, with potential to climb to TWD 6.7bn in 2H26 as debottlenecking continues.

Financials

| | 2022 | 2023 | 2024 | 2025F | 2026F |
|----------------|------|-------|-------|-------|-------|
| EPS (NTD) | 8.86 | 7.25 | 11.54 | 18.42 | 26.40 |
| EPS Growth (%) | 63.7 | -18.2 | 59.1 | 59.7 | 43.3 |
| P/E Ratio | 46.2 | 56.4 | 35.4 | 22.2 | 15.5 |
| ROE (%) | 35.5 | 22.7 | 29.4 | 39.6 | 46.4 |

Source: Company data, estimates of KGI analyst

Valuations

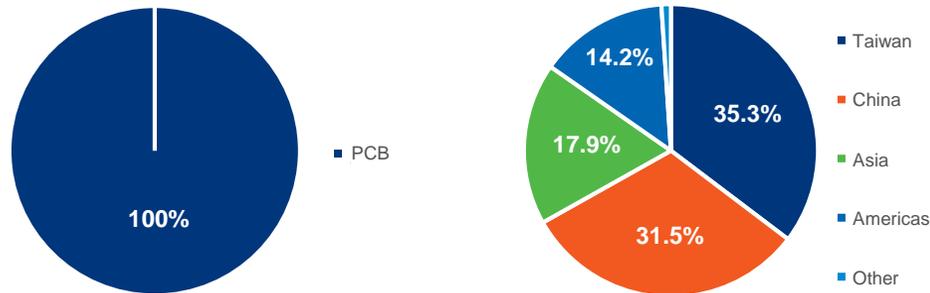


1-Year Price



| As of 14 Aug 2025 | 1Wk | 1M | 3M | 6M | YTD | 1Y |
|-------------------|-------|-------|--------|--------|-------|--------|
| Return (%) | 25.27 | 50.32 | 106.19 | 106.19 | 92.96 | 125.67 |

Revenue Sources and Regions



Source: Bloomberg

Fed Likely to Resume Rate Cuts, Rare Chance to Lock in Bond Yields

► PIMCO GIS Diversified Income Fund

- One of the world's leading fixed-income managers with USD 2tn in AUM
- Diversified fixed-income portfolio designed for resilience across market environments
- Prudent approach aiming for stable income generation
- Actively manages duration to navigate economic uncertainty and challenges
- Long-term track record recognized with the "Lipper Fund Awards Hong Kong 2023" for Best USD Global Bond Fund (10 Years).

► AB - American Income Strategy Portfolio

- Over 30 years of history with flexible asset allocation to capture attractive income while balancing risk
- At least 50% in investment-grade securities under normal market conditions
- Minimum 65% in securities issued by U.S.-domiciled institutions, rated B- or above
- Diversified across bond types, with relatively high current allocation to U.S. Treasuries
- Employs a barbell strategy balancing investment-grade and high-yield bonds for both return and stability
- Winner of the 2022 Benchmark Taiwan Fund of the Year Award for Best USD Flexible Fixed Income Fund

| Product | PIMCO GIS Diversified Income Fund | | AB - American Income Strategy Portfolio | |
|----------------------|---|-------|---|-------|
| Features | <ul style="list-style-type: none"> ■ Adopts a global multi-asset approach covering investment-grade bonds, high-yield bonds, emerging market debt, and mortgage-backed securities. | | <ul style="list-style-type: none"> ■ Focus on High-Quality IG Bonds; Aims to provide steady income with a monthly distribution share class, making it suitable for conservative investors seeking stable cash flows. | |
| AUM | USD 99 Billion | | USD 24.52 Billion | |
| 3M/YTD Return | 3.74% / 5.91% | | 3.12% / 5.42% | |
| Asset Allocation (%) | MBS | 53.03 | Treasuries | 44.87 |
| | Corporate Bonds | 19.80 | Corporate Bonds (HY) | 16.79 |
| | Treasuries | 19.39 | Agency MBS | 10.91 |
| | Cash & Equiv. | 7.78 | Corporate Bonds (IG) | 10.05 |
| | | | EM Debt – Hard Currency | 6.77 |
| Ratings (%) | AAA | 14.5 | AAA | 25.55 |
| | AA | 59.5 | AA | 18.27 |
| | A | 5.9 | A | 8.11 |
| | BBB | 9.3 | BBB | 19.36 |
| | BB | 3.9 | BB | 20.41 |
| Top 5 Regions (%) | U.S | 85.9 | U.S. | 72.39 |
| | United Kingdom | 15.3 | United Kingdom | 3.54 |
| | Australia | 6.2 | Luxembourg | 2.62 |
| | Mexico | 1.6 | Mexico | 1.94 |
| | Peru | 1.4 | Canada | 1.54 |
| Top 5 Holdings (%) | FNMA TBA 6.0% MAY 30YR | 10.5 | U.S. Treasury Bonds 6.25%, 05/15/30 | 3.26 |
| | FNMA TBA 6.5% JUN 30YR | 10.2 | U.S. Treasury Bonds 6.125%, 11/15/27 - 08/15/29 | 2.56 |
| | FNMA TBA 5.0% MAY 30YR | 8.5 | GNMA 5.50%, 05/20/49 - 04/20/55 | 2.54 |
| | FNMA TBA 5.5% MAY 30YR | 6.8 | GNMA 5.00%, 05/20/53 - 01/20/55 | 2.38 |
| | FNMA TBA 6.0% JUN 30YR | 3.2 | LM 6.00%, 10/01/53 - 04/01/5 | 2.34 |

Source: Bloomberg

PIMCO GIS Diversified Income Fund

Profile

This fund primarily invests in fixed-income instruments with varying maturities, aiming to deliver higher and consistent income without sacrificing long-term capital appreciation.

Global Diversified Allocation

Adopts a global multi-asset approach covering investment-grade bonds, high-yield bonds, emerging market debt, and mortgage-backed securities. The strategy helps diversify risk, capture income opportunities across markets, and provide stable, diversified returns.

Expert Management Team

Actively managed by PIMCO, one of the world's largest fixed-income managers, with asset allocation dynamically adjusted to market conditions, delivering relatively stable long-term performance.

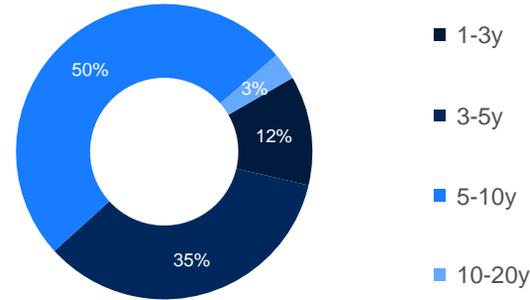
Morningstar 4-Star Rating and Lipper Fund Award

Large-scale fund with an average credit rating of AA-, awarded a Morningstar 4-star rating and the "Lipper Fund Awards Hong Kong 2023" for Best USD Global Bond Fund (10 Years).

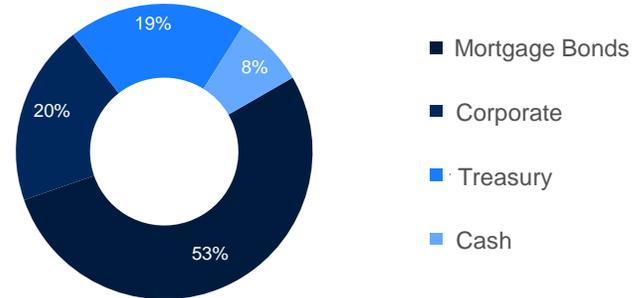
| | | | |
|-----------------------------|-------------|------------------------------|----------------|
| Inception Date | 2012/11/30 | AUM | USD 99 Billion |
| Morningstar Category | Global Bond | Fund Category | Bond |
| Morningstar Rating | ★★★★ | 3Y Stand. Dev. (Ann.) | 5.66% |

Source: Pimco, Morningstar, Bloomberg

Maturity



Asset



Top-5 Holdings (%)

| | |
|-------------------------------|------|
| FNMA TBA 6.0% MAY 30YR | 10.5 |
| FNMA TBA 6.5% JUN 30YR | 10.2 |
| FNMA TBA 5.0% MAY 30YR | 8.5 |
| FNMA TBA 5.5% MAY 30YR | 6.8 |
| FNMA TBA 6.0% JUN 30YR | 3.2 |

3-Year NAV



| As of 12 Aug 2025 | 1M | 3M | YTD | 1Y | 3Y | 5Y |
|---|------|------|------|------|-------|-------|
| USD Cumulative Return (%) | 1.53 | 3.74 | 5.91 | 6.83 | 15.58 | 17.15 |
| Quartile Ranking Within Category | 1 | 1 | 1 | 2 | 2 | 2 |

AB - American Income Strategy Fund

Profile

The fund invests in a broad range of USD-denominated fixed-income securities, including U.S. government securities, bonds issued by U.S. corporations, USD bonds issued by non-U.S. corporations, foreign governments, agencies and subsidiaries, as well as mortgage-backed securities and zero-coupon bonds.

Focus on High-Quality Investment-Grade Bonds

At least 50% of assets are allocated to investment-grade securities, with a minimum of 65% issued by U.S.-domiciled institutions. Currently, over 70% of the portfolio is investment-grade, with an average credit rating of A-, offering stability in uncertain market conditions.

Flexible and Active Management

With over 30 years of history, the fund dynamically allocates across global credit and government bonds, adjusting exposure based on market conditions. Winner of the 2022 Benchmark Taiwan Fund of the Year Award – Best USD Flexible Fixed Income Fund in its category.

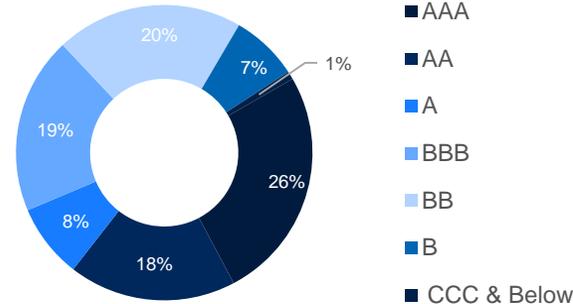
Monthly Distribution Share Class

Aims to provide steady income with a monthly distribution share class, making it suitable for conservative investors seeking stable cash flows.

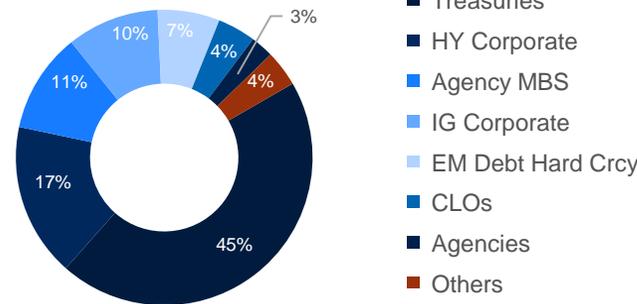
| | | | |
|-----------------------------|------------|------------------------------|-------------------|
| Inception Date | 1998/10/26 | AUM | USD 24.52 Billion |
| Morningstar Category | U.S. Bond | Fund Category | Bond |
| Morningstar Rating | ★★★★ | 3Y Stand. Dev. (Ann.) | 6.76% |

Source: AB, Morningstar, Bloomberg

Ratings



Asset



Top-5 Holdings (%)

| | |
|--|------|
| U.S. Treasury Bonds 6.25%, 05/15/30 | 3.26 |
| U.S. Treasury Bonds 6.125% | 2.56 |
| GNMA 5.50%, 05/20/49 - 04/20/55 | 2.54 |
| GNMA 5.00%, 05/20/53 - 01/20/55 | 2.38 |
| FHLM 6.00%, 10/01/53 - 04/01/5 | 2.34 |

3-Year NAV



| As of 12 Aug 2025 | 1M | 3M | YTD | 1Y | 3Y | 5Y |
|---|------|------|------|------|-------|-------|
| USD Cumulative Return (%) | 1.22 | 3.12 | 5.42 | 5.25 | 14.67 | 12.44 |
| Quartile Ranking Within Category | 2 | 2 | 2 | 3 | 2 | 3 |

Bonds

Mid- to Long-Term Bonds Benefit from Steepening Yield Curve; Focus on Quality Corporates

► **NFLX 4.9 08/15/34 (Netflix Inc, USD)**
 ► **NFLX 3.625 06/15/30 (Netflix Inc, EUR)**

- One of the world's largest subscription-based video-on-demand providers, Netflix has over 300mn paid subscribers across 190 countries. Revenue is geographically diversified, with 45% from the U.S. and Canada, 32% from EMEA, 12% from Latin America, and 11% from Asia-Pacific.
- With strong brand recognition and high-quality content, Netflix commands exceptional pricing power. Expanded content diversity — including live events — is expected to sustain robust subscriber growth in 2025. The company primarily generates revenue from subscription fees, but advertising is becoming a meaningful growth driver as Netflix scales its ad business and builds infrastructure.
- Credit metrics have steadily improved, with leverage (Debt/EBITDA) reduced from 7.69x in 2016 to 1.60x in 2024. Moody's upgraded Netflix to investment grade in March 2023, and further to A3 with a positive outlook in May 2024. The company has pledged to maintain its investment-grade rating and, absent major acquisitions, aims to keep leverage below 1x.

| Product | NFLX 4.9 08/15/34 | NFLX 3.625 06/15/30 |
|-----------------------------------|--|-------------------------|
| ISIN | US64110LAZ94 | XS2072829794 |
| Features | With strong brand recognition and high-quality content, the company enjoys exceptional pricing power, and its expanding diversified content lineup is expected to support robust subscriber growth in 2025 | |
| Maturity Date | 2034/8/15 | 2030/6/15 |
| Next Call Date | 2034/5/15 | 2030/3/15 |
| Coupon (%) | Fixed/4.9/Semi-Annual | Fixed/3.625/Semi-Annual |
| Currency | USD | EUR |
| Years to Maturity | 9.01 | 4.84 |
| Credit Rating (Moody's/Fitch/S&P) | A3/-/A | A3/-/A |
| Seniority | Senior Unsecured | Senior Unsecured |
| YTM/YTC (%) | 4.57/4.56 | 2.77/2.73 |

Source: Bloomberg

Netflix Inc (NFLX 4.9 08/15/34)

Profile

Founded in August 1997 and headquartered in California, Netflix is a subscription-based streaming and production company offering TV series, films, anime, and documentaries via internet-connected devices to audiences in the U.S. and worldwide.

- With strong brand recognition and high-quality content, the company commands exceptional pricing power. The expansion of its diversified content portfolio — including live events — is expected to support continued robust subscriber growth in 2025. Historically, Netflix has generated the majority of its revenue from subscription fees, but advertising is emerging as another key growth driver as the company scales its ad business and builds the necessary infrastructure.
- Credit metrics continue to improve, with leverage (Debt/EBITDA) reduced from 7.69x in 2016 to 1.60x in 2024. Moody's upgraded Netflix to investment grade in March 2023 and further to A3 with a positive outlook in May 2024. The company has publicly committed to maintaining its investment-grade rating and, absent major acquisitions, expects leverage to remain below 1x.

| Financials | 2022 | 2023 | 2024 |
|---------------------------------|------|-------|-------|
| Leverage Ratio (Debt/EBITDA)(x) | 2.65 | 2.19 | 1.60 |
| EPS (USD) | 9.59 | 12.34 | 19.61 |
| Profit Margin (%) | 13.7 | 16.4 | 22.1 |

Source: Bloomberg

Overview

| | | | |
|--|-----------------------|-------------------------------------|------------------|
| Name | NFLX 4.9 08/15/34 | ISIN | US64110LAZ94 |
| Maturity Date | 2034/8/15 | Remaining Maturity | 9.01 |
| Coupon(%) | Fixed/4.9/Semi-Annual | YTM/YTC(%) | 4.57/4.56 |
| Currency | USD | Min. Subscription/ Increment | 2,000/1,000 |
| Ratings (Moody's/Fitch/S&P) | A3/-/A | Seniority | Senior Unsecured |

Price



Netflix Inc (NFLX 3.625 06/15/30)

Profile

Founded in August 1997 and headquartered in California, Netflix is a subscription-based streaming and production company offering TV series, films, anime, and documentaries via internet-connected devices to audiences in the U.S. and worldwide.

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- Credit metrics continue to improve, with leverage (Debt/EBITDA) reduced from 7.69x in 2016 to 1.60x in 2024. Moody's upgraded Netflix to investment grade in March 2023 and further to A3 with a positive outlook in May 2024. The company has publicly committed to maintaining its investment-grade rating and, absent major acquisitions, expects leverage to remain below 1x.

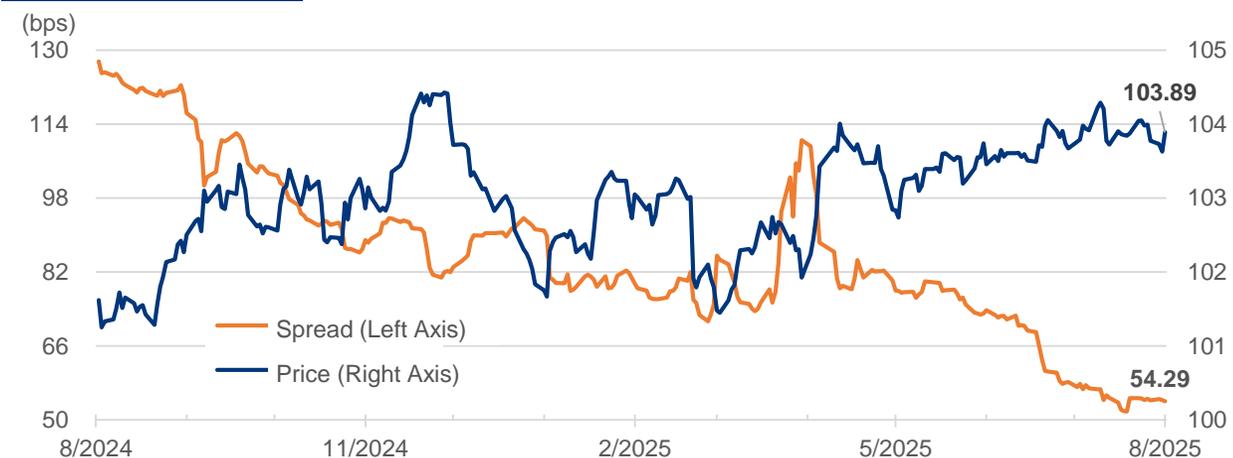
| Financials | 2022 | 2023 | 2024 |
|---------------------------------|------|-------|-------|
| Leverage Ratio (Debt/EBITDA)(x) | 2.65 | 2.19 | 1.60 |
| EPS (USD) | 9.59 | 12.34 | 19.61 |
| Profit Margin (%) | 13.7 | 16.4 | 22.1 |

Source: Bloomberg

Overview

| | | | |
|--|-------------------------|-------------------------------------|------------------|
| Name | NFLX 3.625 06/15/30 | ISIN | XS2072829794 |
| Maturity Date | 2030/6/15 | Remaining Maturity | 4.84 |
| Coupon(%) | Fixed/3.625/Semi-Annual | YTM/YTC(%) | 2.77/2.73 |
| Currency | EUR | Min. Subscription/ Increment | 100,000/1,000 |
| Ratings (Moody's/Fitch/S&P) | A2/A/BBB+ | Seniority | Senior Unsecured |

Price



Key Economic Data / Events

▶ AUGUST 2025

11

Monday

12

Tuesday

- US Jul Core CPI YoY (Act:3.1% Est:3.0% Prev:2.9%)
- US Jul CPI YoY (Act:2.7% Est:2.8% Prev:2.7%)
- US Jul CPI MoM (Act:0.2% Est:0.2% Prev:0.3%)

13

Wednesday

- Japan Jul PPI YoY (Act:2.6% Est:2.5% Prev:2.9%)
- Japan Jul Machine Tool Orders YoY Prelim (Act:3.6% Prev:-0.5%)

14

Thursday

- US Jul PPI YoY (Act:3.3% Est:2.5% Prev:2.4%)
- US Weekly Initial Jobless Claims (Act:224k Est:225k Prev:227k)
- Eurozone Q2 GDP YoY (Act:1.4% Est:1.4% Prev:1.4%)
- Eurozone Jun Industrial Production YoY (Act:0.2% Est:1.5% Prev:3.1%)

15

Friday

- US Jul Retail Sales MoM (Est:0.6% Prev:0.6%)
- US Jul Industrial Production (Est:0.0% Prev:0.3%)
- US Aug U. of Mich. Consumer Sentiment Prelim (Est:62.0 Prev:61.7)
- Japan Q2 GDP QoQ Prelim (Act:0.3% Est:0.1% Prev:0.1%)
- Japan Jun Industrial Production (Prev:-0.1%)
- Taiwan Q2 GDP YoY (Est:8.00% Prev:7.96%)

18

Monday

- Earnings: PANW

19

Tuesday

- US Jul Housing Starts (Est:1,290k Prev:1,321k)
- US Jul Building Permits Prelim (Est:1,390k Prev:1,393k)
- HK Jul Unemployment Rate (Prev:3.5%)
- Earnings: HD, MDT

20

Wednesday

- Eurozone Jul CPI YoY Final (Prev:2.0%)
- Japan Jul Exports YoY (Est:-1.8% Prev:-0.5%)
- Japan Jun Core Machinery Orders MoM (Est:-1.0% Prev:-0.6%)
- Taiwan Jul Export Orders YoY (Prev:24.6%)
- Earnings: TJX, LOW, ADI

21

Thursday

- US Weekly Initial Jobless Claims (Prev:224k)
- US Aug S&P Global Mfg PMI (Prev:49.8)
- Eurozone Aug HCOB Mfg PMI (Prev:49.8)
- Eurozone Aug Consumer Confidence Prelim (Prev:-14.7)
- Japan Aug S&P Global Mfg PMI (Prev:48.9)
- Jackson Hole Economic Policy Symposium(-8/23)
- Earnings: WMT, INTU

22

Friday

- Japan Jul Nationwide CPI YoY (Est:3.1% Prev:3.3%)
- Taiwan Jul Unemployment Rate (Prev:3.34%)

Source: Bloomberg

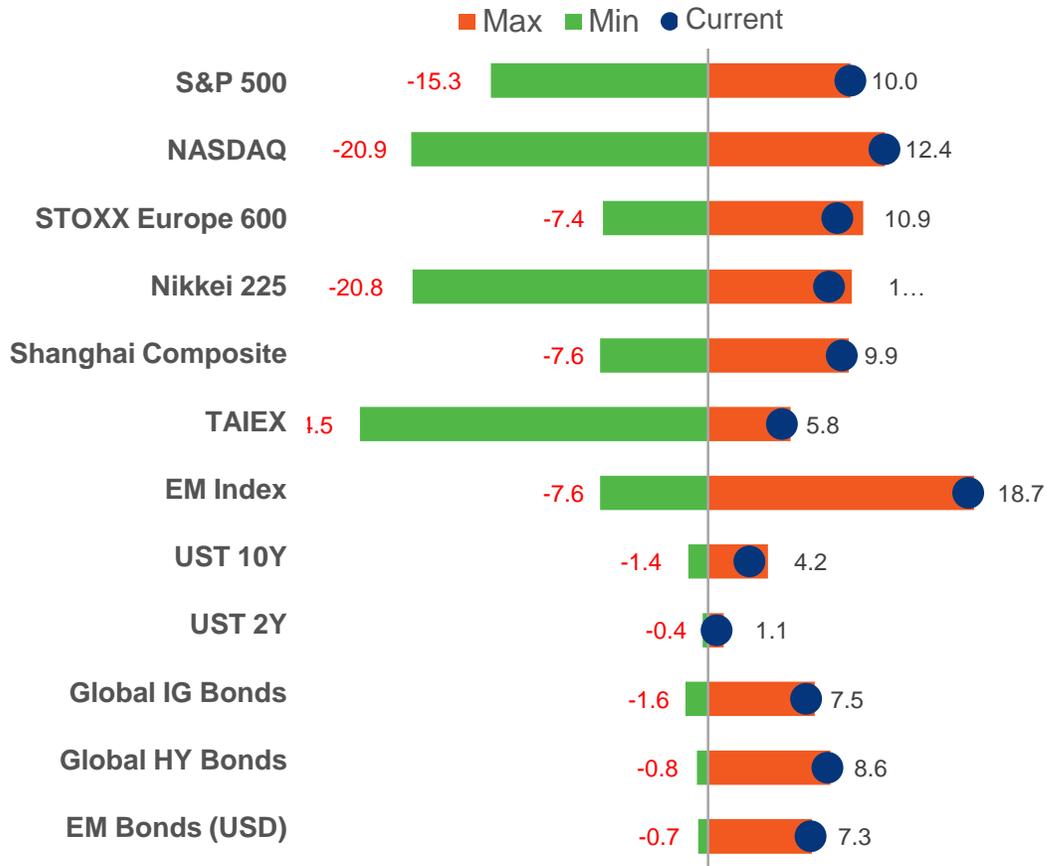
Key Earnings Releases

| Date | Name | Revenue (F) (USD) | Actual Revenue (USD) | EPS (F) (USD) | Actual EPS (USD) | Exceed Expectation Revenue | Exceed Expectation EPS |
|-----------|--------------------------------|----------------------|-------------------------|------------------|---------------------|-------------------------------|---------------------------|
| 2025/8/13 | Cisco Systems, Inc (CSCO) | 14.62B | 14.67B | 0.98 | 0.99 | V | V |
| 2025/8/14 | Applied Materials, Inc. (AMAT) | 7.22B | 7.30B | 2.36 | 2.48 | V | V |
| 2025/8/14 | Deere & Company (DE) | 10.35B | 10.6B | 4.58 | 4.75 | V | V |

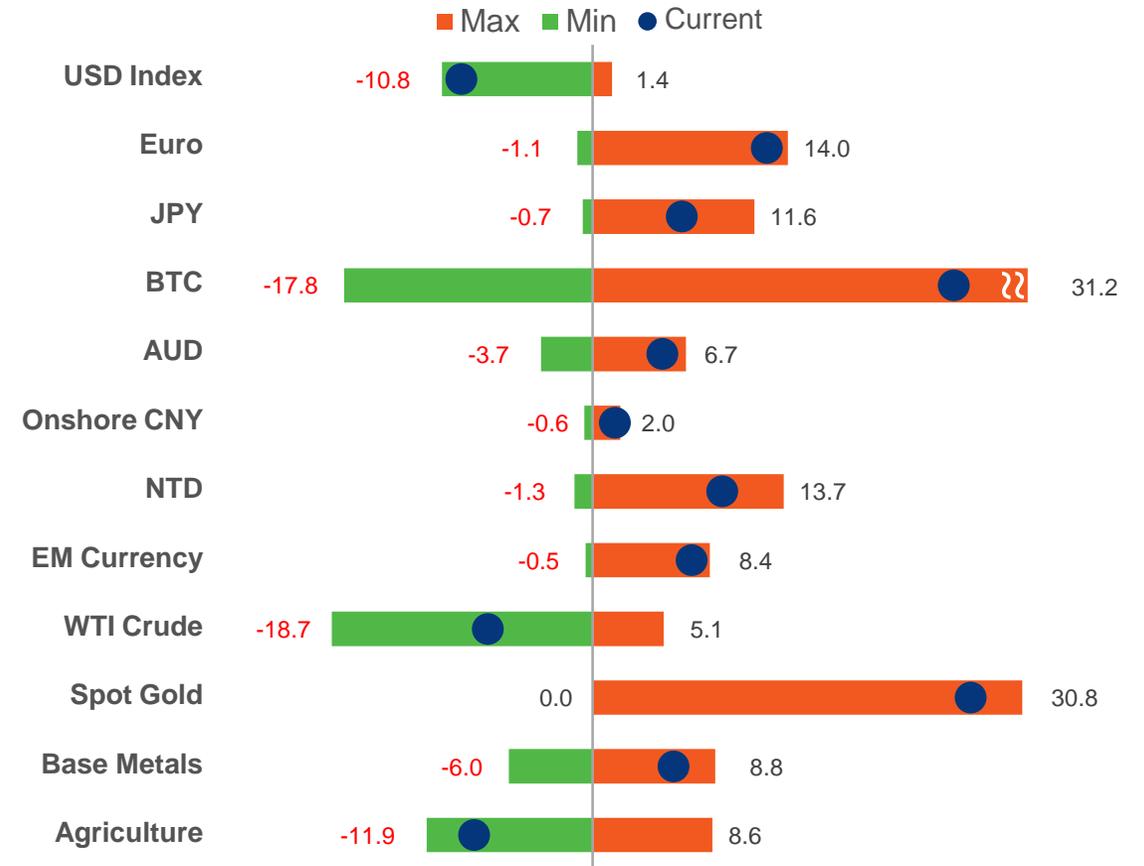
Source: Investing.com

YTD Major Market / Asset Performance

Equities & Bond Markets YTD Performance (%)

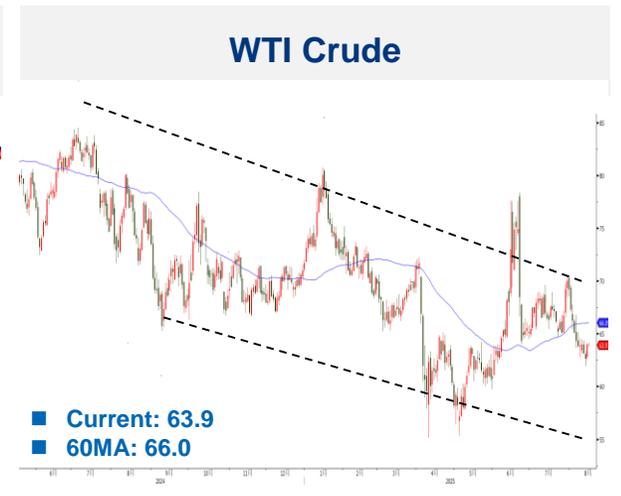
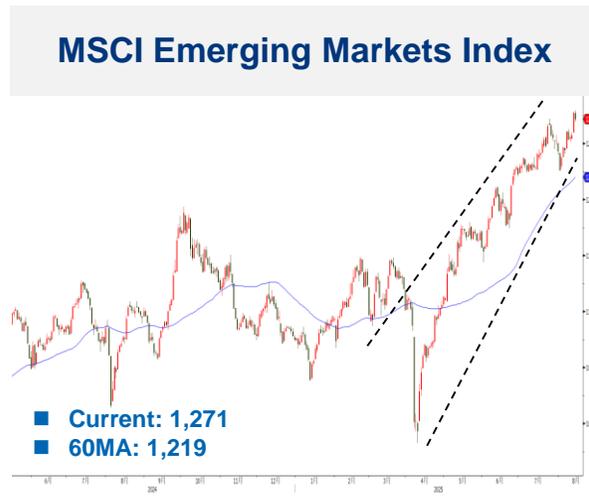
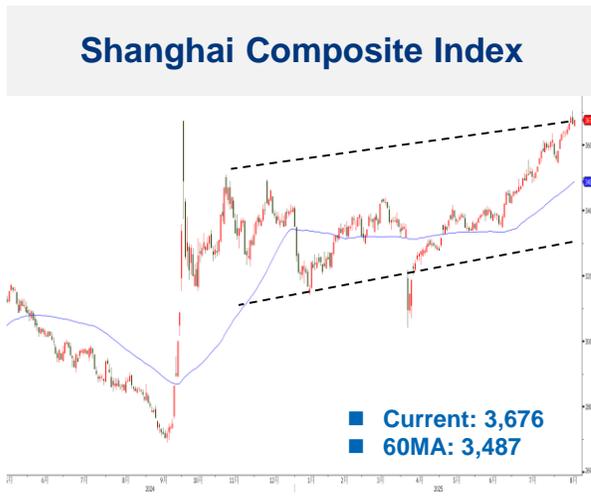
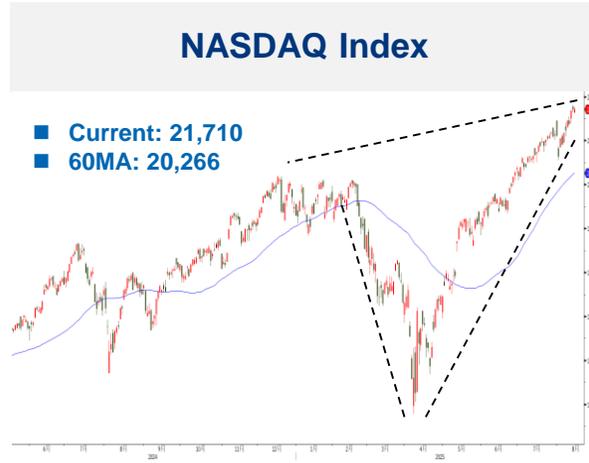
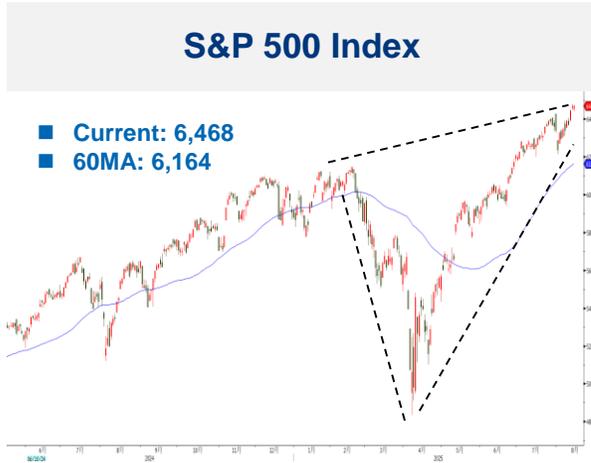


Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 15 Aug 2025

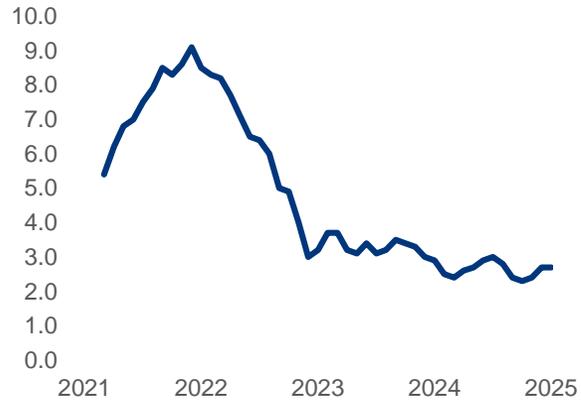
Technical Analysis



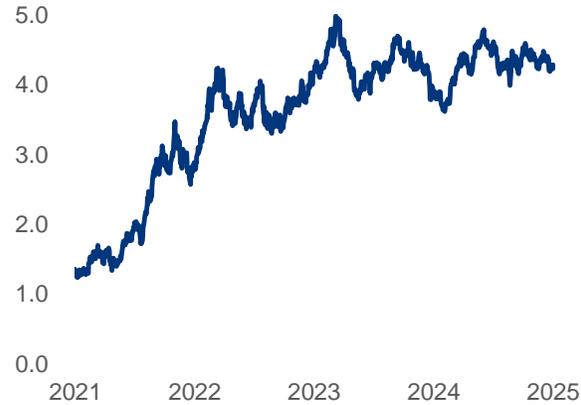
Source: Bloomberg, 15 Aug 2025

Market Monitor

U.S. CPI YoY (%)



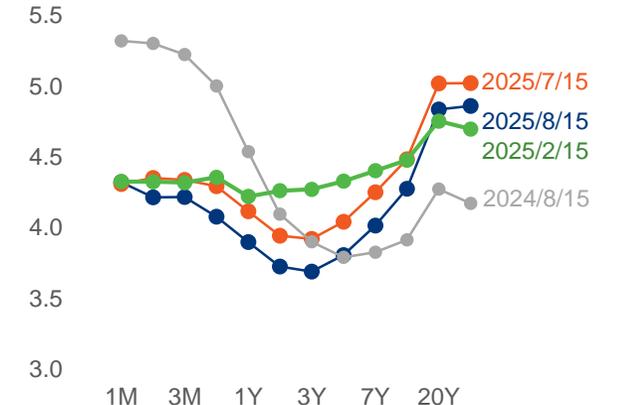
U.S. 10-Year Treasury Yield (%)



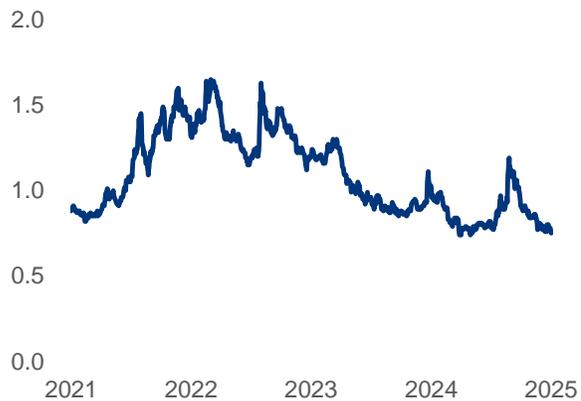
U.S. Treasury Yield Spread (bps)



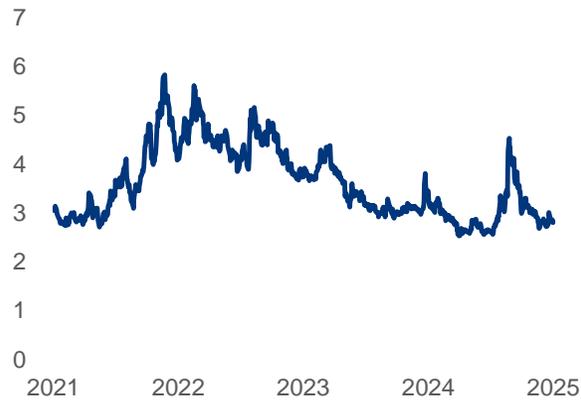
U.S. Treasury Yield Curve (%)



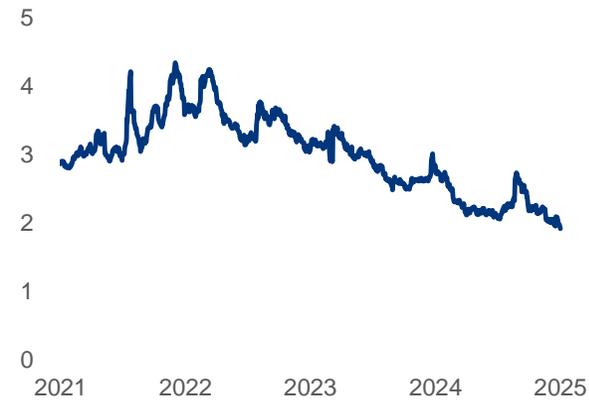
USD IG Credit Spread (%)



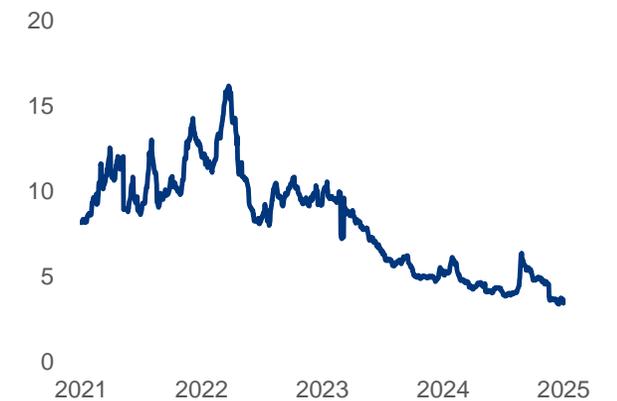
USD HY Credit Spread (%)



USD EM Credit Spread (%)



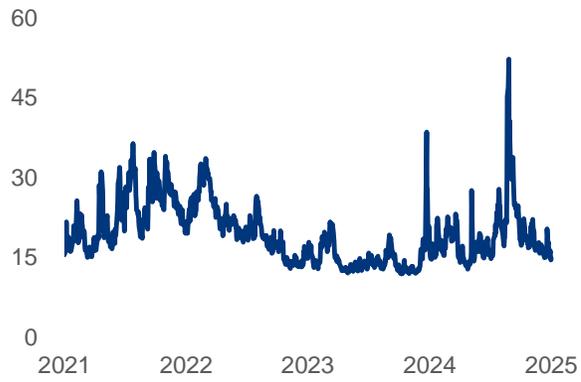
USD Asia Credit Spread (%)



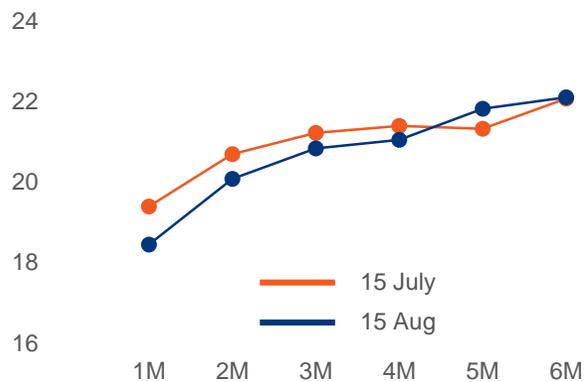
Source: Bloomberg, 15 Aug 2025

Market Monitor

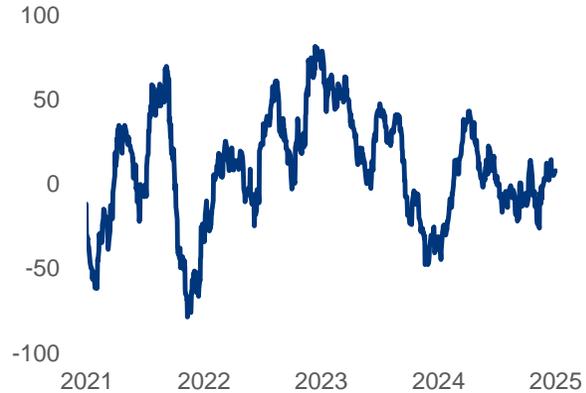
VIX Index



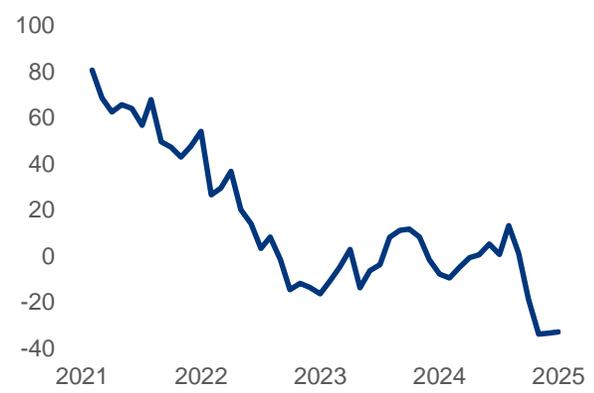
VIX Term Structure



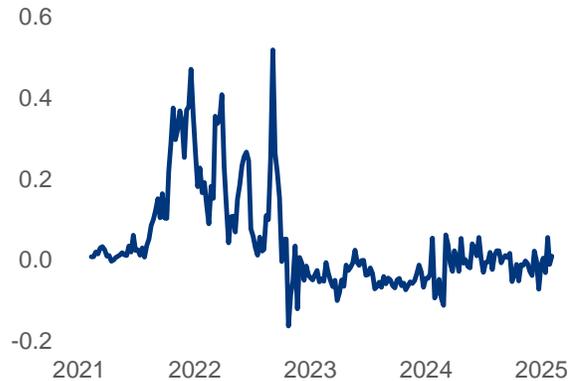
U.S. Citi Economic Surprise Index*



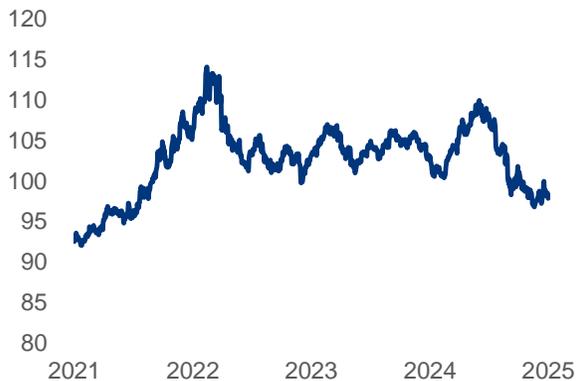
U.S. Citi Inflation Surprise Index*



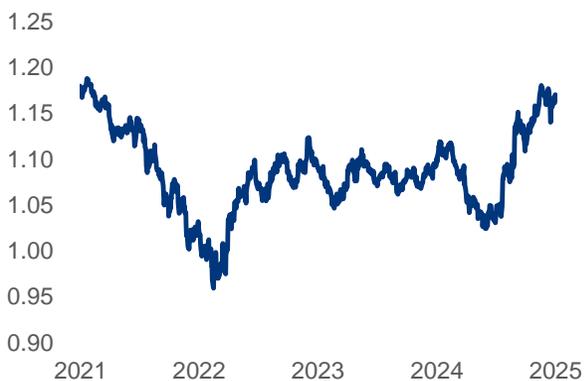
TED Spread (bps)



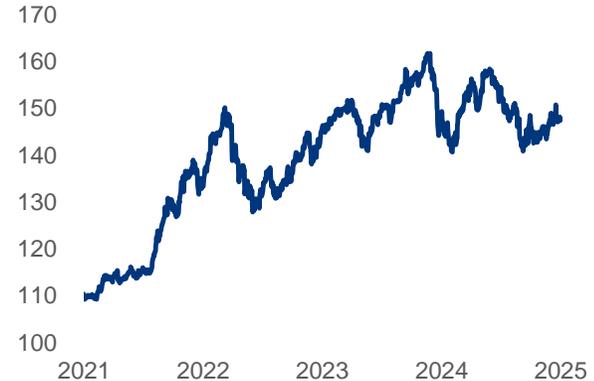
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg, 15 Aug 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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