CIO Office

Global Markets Weekly Kickstart

Japan Equities: Uncertainties Ease?

1 September 2025

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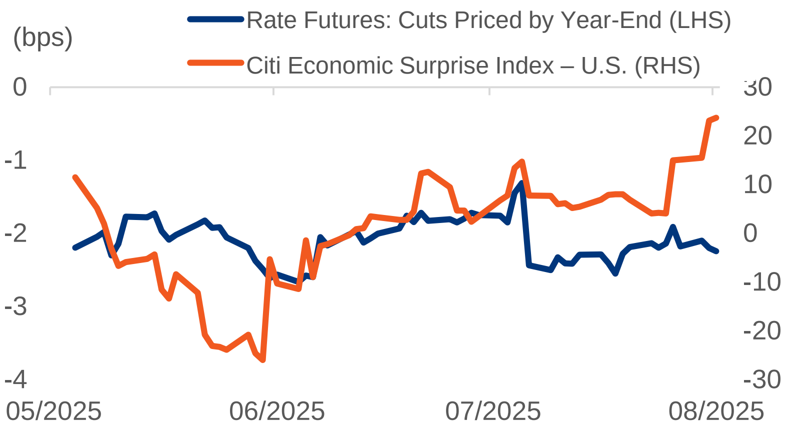
Chart of the Week

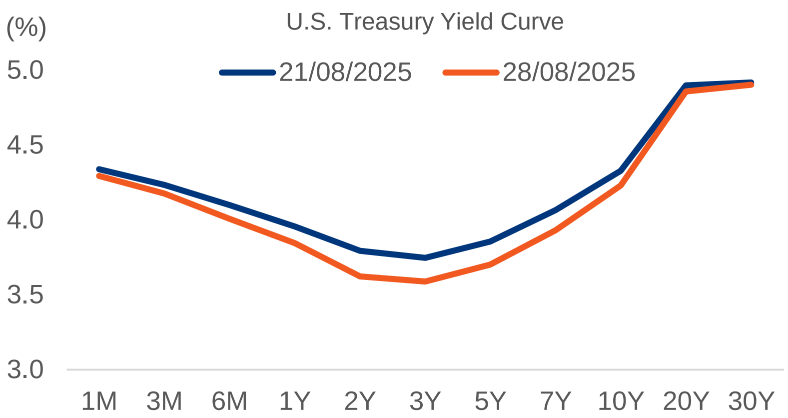
Powell's Dovish Remarks Spur Cut Bets; Fiscal Gains, Steeper Curve

- Powell's dovish tone at Jackson Hole boosted expectations for a September cut, with futures now pricing in two cuts by year-end. U.S. data remain resilient, with a modest labor market slowdown but no clear recession threat. July headline and core PCE came in at 2.6% and 2.9%, keeping inflation risks alive.
- Trump's ongoing pressure on the Fed — including attempts to remove Governor Lisa Cook — further fueled cut expectations. Of the U.S.'s $36tn debt, ~18% is in T-bills under one year, with an average maturity of less than six years. Net interest costs account for 14% of total federal spending. Rate cuts would ease the fiscal burden, but political interference threatens Fed independence and heightens inflation risks.
- The U.S. Treasury curve steepened as markets questioned Fed autonomy and long-term inflation trends. Still, rate-cut expectations support valuations and lower funding costs. Despite uncertainties, risk appetite continues to lift equities. We maintain a preference for quality stocks with higher ROE and stable earnings.

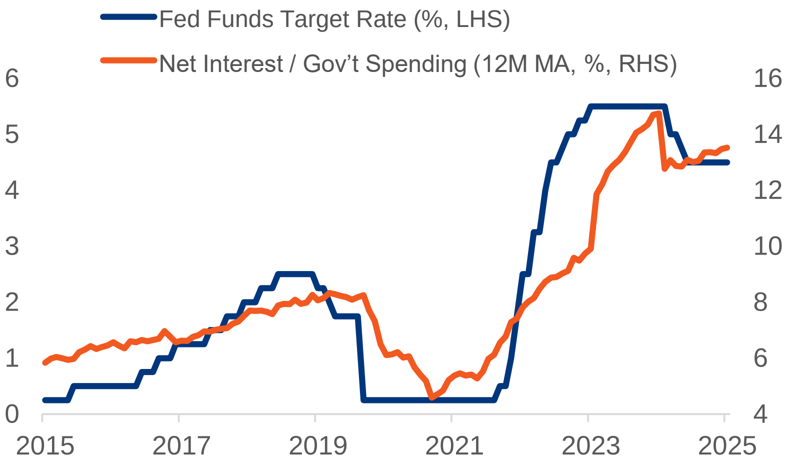
Economic Data Beats Expectations, but Market Maintains Cut Forecasts



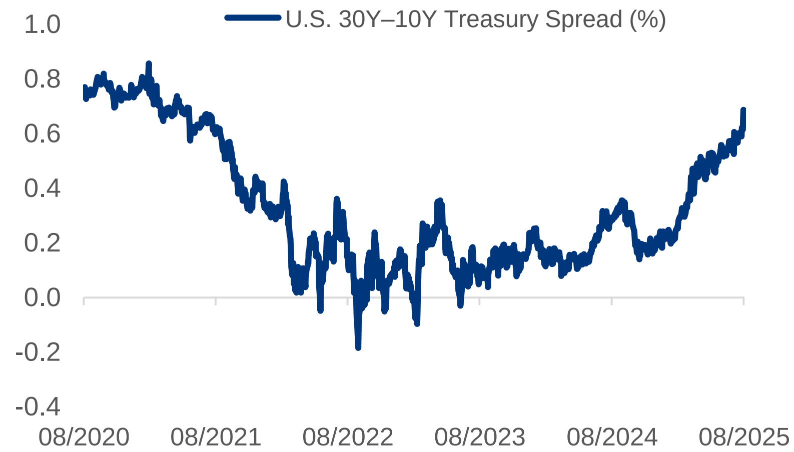
U.S. Treasury Yield Curve Steepens



Rate Cuts Help Lower Government Interest Expenses



10Y–30Y Yield Spread at Narrowest in Years



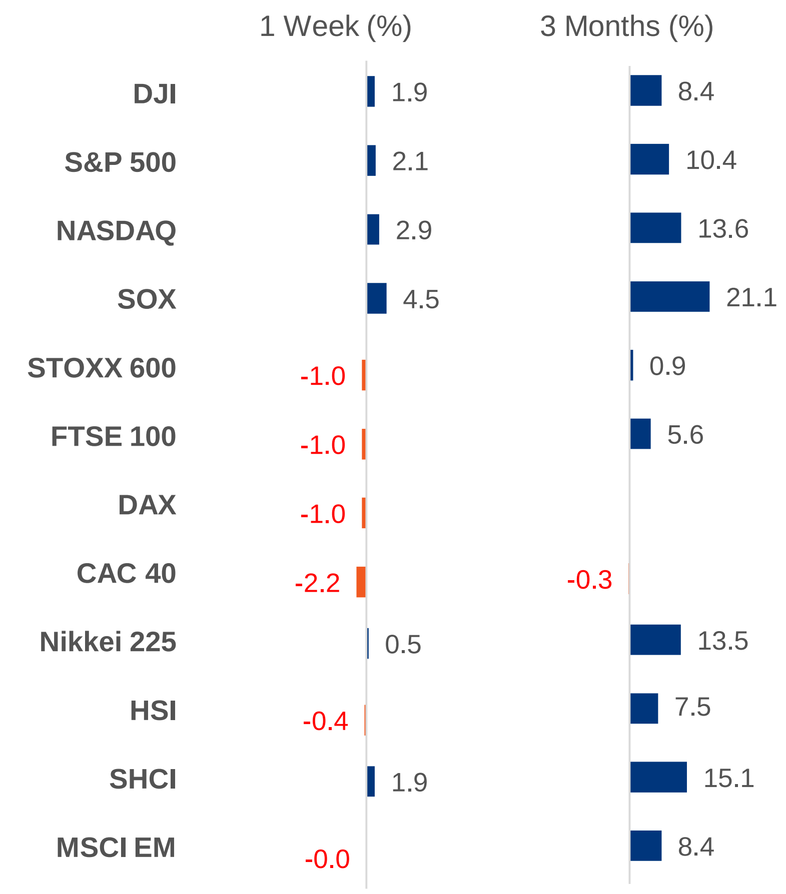
Source: Bloomberg

Market Recap

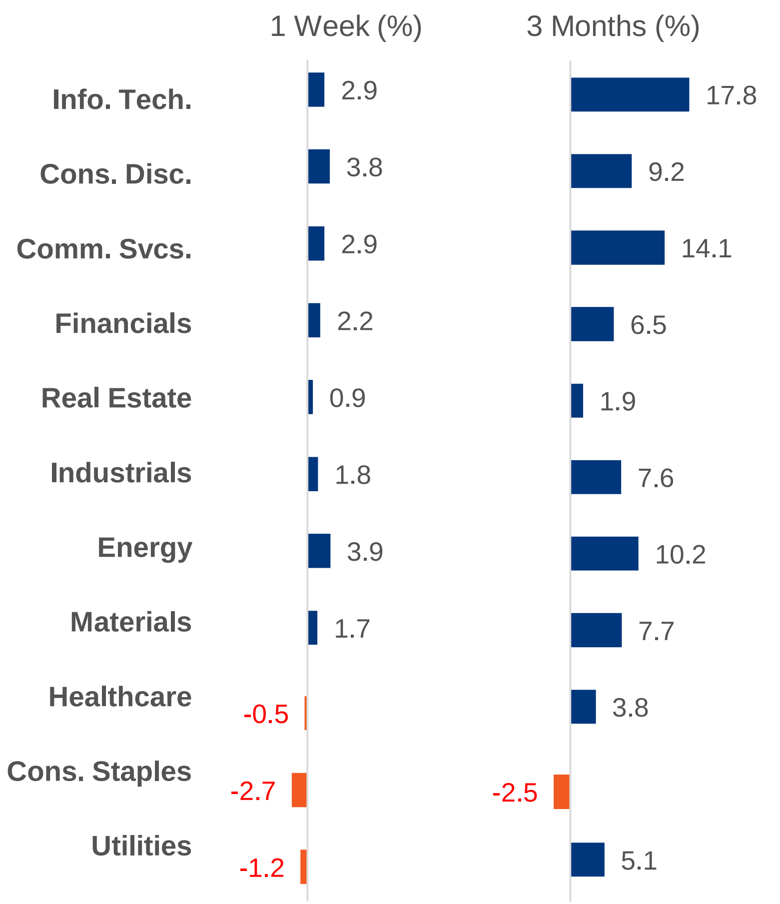
Rate-Cut Bets Fuel U.S. Equity Rally Despite No Clear Slowdown

- U.S. equities rallied broadly last week, with all three major indexes hitting intraday and closing record highs. Markets interpreted Powell's remarks at the global central banking forum - noting that "policy remains restrictive, but shifts in outlook and risks may require adjustments" - as dovish, lifting expectations for a September rate cut. Concerns over Fed independence and long-term inflation risks were largely overlooked, keeping sentiment upbeat.
- Risk-on momentum saw 8 of 11 S&P sectors higher, with defensive consumer staples, utilities, and healthcare the only laggards.
- European equities edged lower, with French stocks under heavier pressure from political turmoil. Hang Seng hovered near 25,000, while Shanghai Composite climbed to a 10-year high.
- Nvidia's latest earnings beat expectations, but its muted outlook for the coming quarter pushed shares down over 3% post-release, though part of the loss was recovered in subsequent trading.

Regional Index Performance (%)



U.S. Sector Index Performance (%)

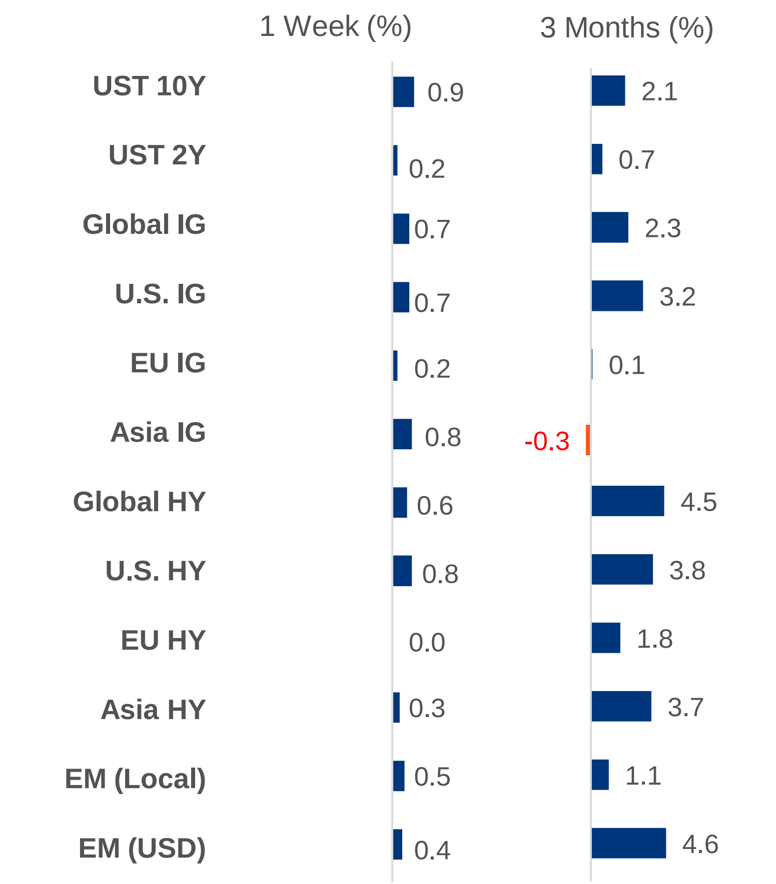


Source: Bloomberg, 28 August 2025

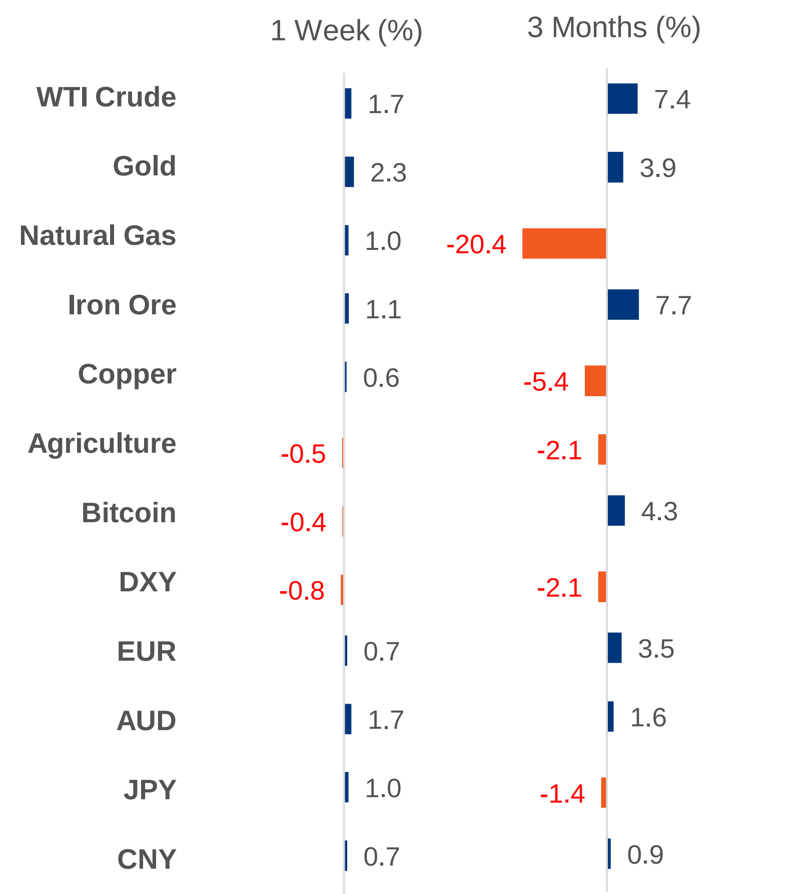
Powell Strengthens September Cut Bets: Bonds Rise, Dollar Falls; Lower Yields Lift Gold

- Trump's continued pressure on the Fed, alongside Powell's comments, reinforced expectations for a September cut, driving a bond rally. Markets largely overlooked Fed independence and long-term inflation risks. The curve shifted lower overall, but with long yields falling less amid stable economic conditions, the curve steepened. Long-duration bonds, more sensitive to rate moves, outperformed, lifting the broader market.
- Rate-cut expectations weighed on the DXY while boosting non-USD currencies. With lower rates reducing the opportunity cost of holding gold, prices gained ~2% this week, hovering near record highs. Oil sentiment remained cautious, with geopolitical risks providing downside support.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



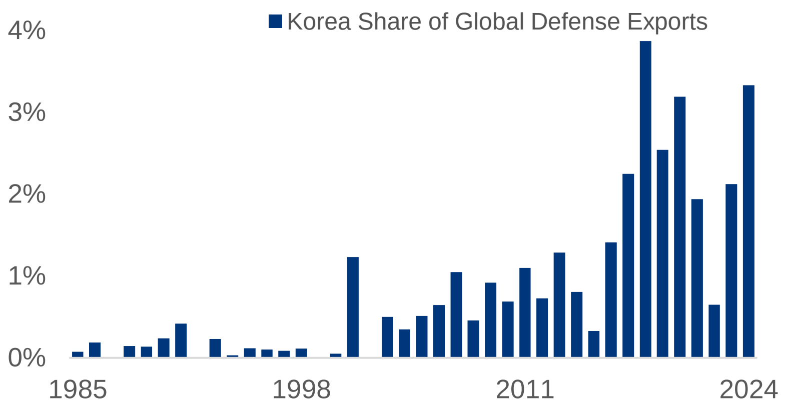
Source: Bloomberg, 28 August 2025

What’s Trending

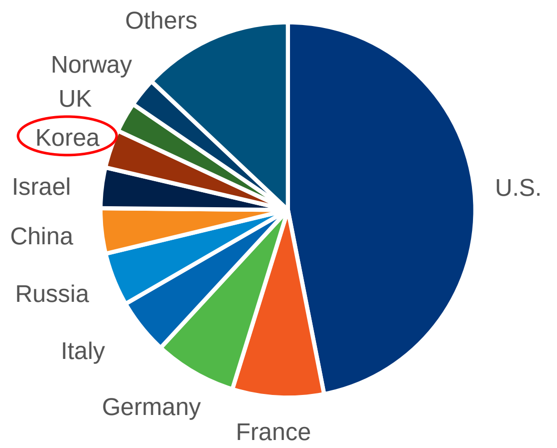
Korean Defense Exports Rise on Sustained Global Arms Demand

- The Russia-Ukraine war has created equipment shortfalls requiring replenishment, while Europe’s “rearmament plan” further supports Korean defense firms. This month, Poland purchased 180 K2 tanks from Korea in a $6.7bn deal. Beyond Europe, Vietnam signed for 20 K9 howitzers, adding to a global client base that includes India, Finland, and the UAE.
- Korean defense manufacturers produce a broad range of equipment. The four major listed firms make not only tanks and howitzers but also fighter jets, helicopters, drones, and missiles. While some products fall short of U.S. and European peers in performance, lower costs appeal to mid-tier countries. Capacity is also a strength — Korea began delivering tanks to Poland just four months after the 2022 order.
- Korean defense stocks have surged ~70% over the past six months. Despite the rally, valuations remain attractive versus Western peers, with P/E and P/B broadly in line. Rising export share should improve economies of scale and profitability. However, should the U.S. succeed in brokering a Russia-Ukraine ceasefire, the sector may face selling pressure.

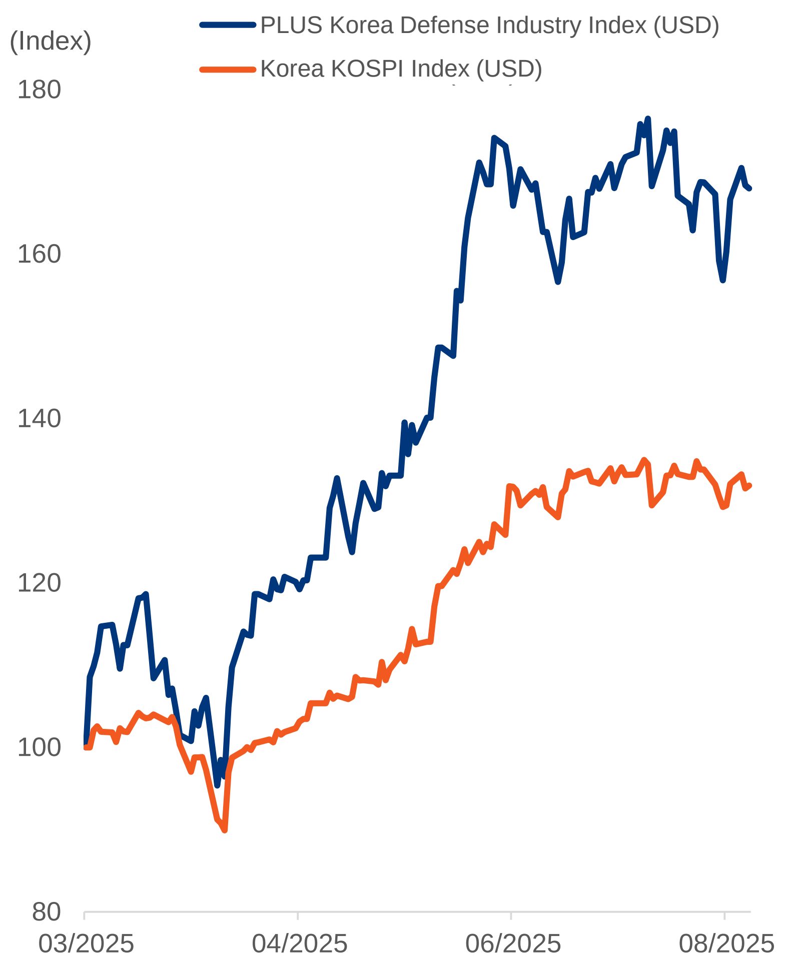
Korea’s Share of Global Arms Exports Has Risen Sharply in Recent Years



Korea Is a Top-10 Exporter, Share Still Low but Room to Grow



Korean Defense Stocks Outperform Domestic Market



Source: Bloomberg, SIPRI

In Focus

U.S.-Japan Deal Offers Brief Relief, But Corporate Earnings Face Tariff Test

- TOPIX and Nikkei 225 have hovered near record highs since mid-August. TOPIX currently trades at ~15x P/E, slightly above the 10-year average but still reasonable. Recent factors supporting Japanese equities include:

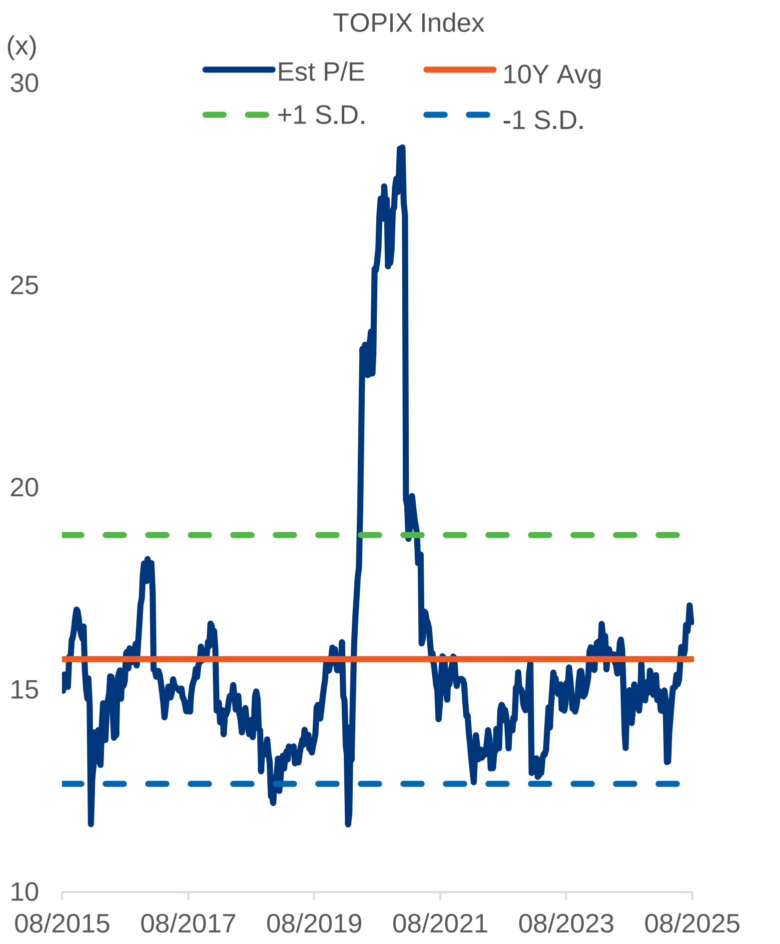
1. Markets widely expect the Fed to cut in September despite no clear recession risk.

2. With Japan inflation easing and under control, the BoJ may hike twice next year to 1.0%, while the Fed could cut twice this year. The yen is expected to appreciate only modestly, posing little equity risk.

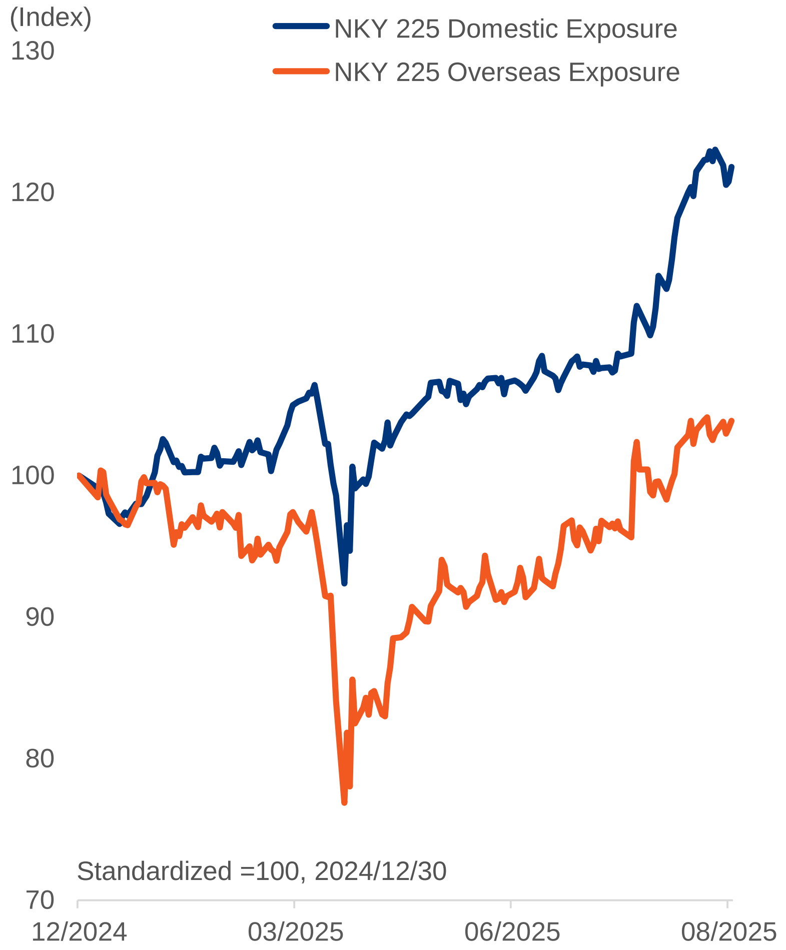
3. The U.S. pledged to revise reciprocal tariffs and refund excess duties retroactive to Aug 7, easing concerns and boosting sentiment.

- While tariff uncertainty has eased, corporate earnings will remain sensitive to tariff costs. Firms that pass on higher costs and adjust supply chains promptly should outperform. Exporters, however, face risks from global demand: if U.S. consumption weakens, labor conditions deteriorate, and Fed cuts prove insufficient, Japanese export stocks may come under pressure.

TOPIX P/E Slightly Above 10-Year Average



Gap Persists Between Domestic and Overseas-Exposed Stocks



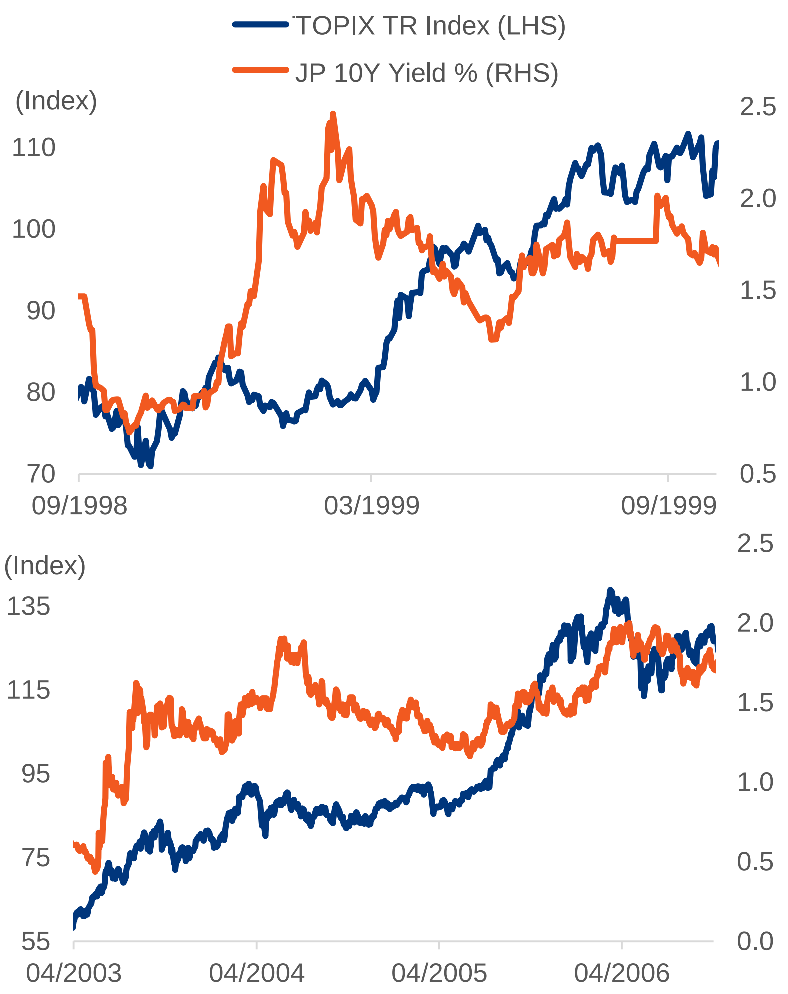
Source: Bloomberg

KGI

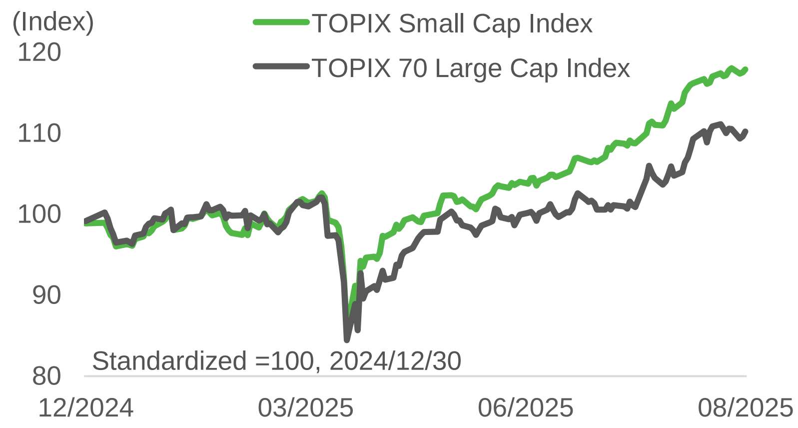
Buybacks and Reform Support Japan Equities Long Term; Wage-Price Cycle Intact, Favor Domestic Plays

- Over the medium to long term, governance reforms, rising buybacks, and reduced cross-shareholdings will provide structural support to equities. Japanese firms are expected to keep strengthening balance sheets, raise payout ratios, and increase capex to drive long-term benefits and ROE, unlocking corporate value.
- Historically, periods of sharply higher long-term yields have not derailed Japan's equity uptrend.
- By style, domestic demand stocks continue to outperform exporters. Value remains ahead of growth, while small caps are leading large caps - aided by reform-driven value release and loose monetary policy.
- Private consumption and corporate capex have supported GDP growth for five consecutive quarters, beating expectations. While tariffs may slow 2H momentum, the virtuous wage-price cycle remains intact, sustaining support for domestic-oriented equities. We stay cautious on external-demand names.

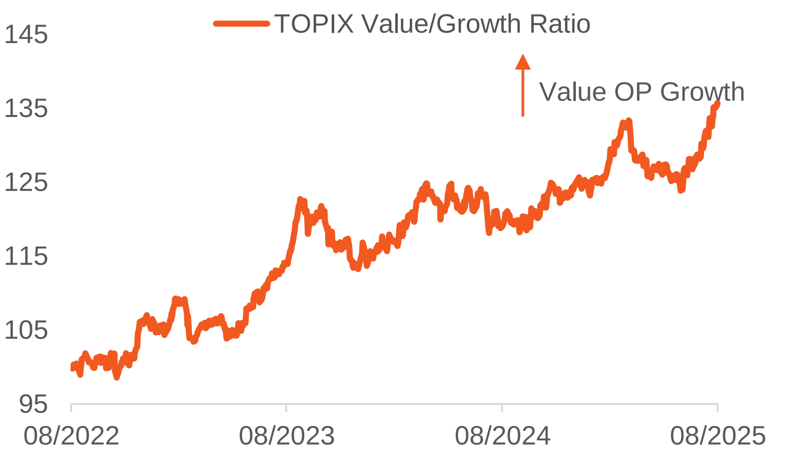
JP Long Yields Haven't Derailed Equity Gains



Small Caps Outperform Large Caps



Value Stocks Keep Advantage



Source: Bloomberg.

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	◆ With tariffs implemented, the U.S. average effective tariff rate has risen, raising doubts on whether solid economic momentum can extend into 2H. Powell's dovish tone, however, improved sentiment. Focus should remain on high-quality stocks while keeping portfolios flexible to adapt to rapid market shifts. Long-term investors can accumulate AI themes on pullbacks, with a relative preference for software and cybersecurity within tech. ◆ The U.S.-U.K. trade deal gives U.K. equities a relative edge. In Europe, continued monetary easing and Germany's push for fiscal expansion support a gradual, diversified accumulation strategy. In Japan, the economy keeps improving, with domestic-oriented banks attractive on dips.	**Strategy**: Focus on large-cap quality stocks; long-term AI exposure via software and cybersecurity on pullbacks **Regions**: European equities, U.K. equities, Japanese domestic plays and banks
Bonds	◆ Short- to medium-term bond yields remain attractive, allowing investors to lock in returns during Treasury yield rebounds. Within investment-grade, preference is for A-rated or above blue-chip corporates. On a risk-adjusted basis, sectors with higher spreads include financials, industrials, energy, utilities, and communications. ◆ With the dollar facing further depreciation risks, major non-USD currencies retain upside. Diversification into non-USD bonds — such as euro- or SGD-denominated IG corporates — can reduce USD exposure.	**Duration:** Short- to medium-term high-quality corporates for yield lock-in. **Type:** Investment-grade, led by large-cap firms; focus on financials, industrials, energy, utilities, and communications
Forex	◆ The Trump administration advocates an "orderly return" of the dollar, but inconsistent policy may undermine confidence in the U.S. outlook and dollar assets. The DXY is expected to stay weak in the medium to long term. ◆ Non-USD currencies such as the euro and yen are trading sideways at elevated levels, with potential for medium- to long-term gains.	**USD:** Weak bias, consolidating **EUR, JPY:** Sideways with upward tilt
Commodity	◆ Trump's shifting tariff policy and heightened Middle East tensions have fueled risk-off sentiment. With slowing growth, persistent inflation risks, fiscal deficit pressures, and ongoing central bank and institutional gold purchases, upside remains. Investors can accumulate on pullbacks.	**Gold**: Bullish bias

Product Spotlight | HK Equities

Platform Earnings Diverge as Price Wars Erode Growth

► Platform Tech Stocks Earnings Diverge

Earnings among platform tech stocks are diverging this quarter. Firms focusing on organic growth and tech upgrades are showing solid profit gains, while those trapped in intense competition are missing expectations.

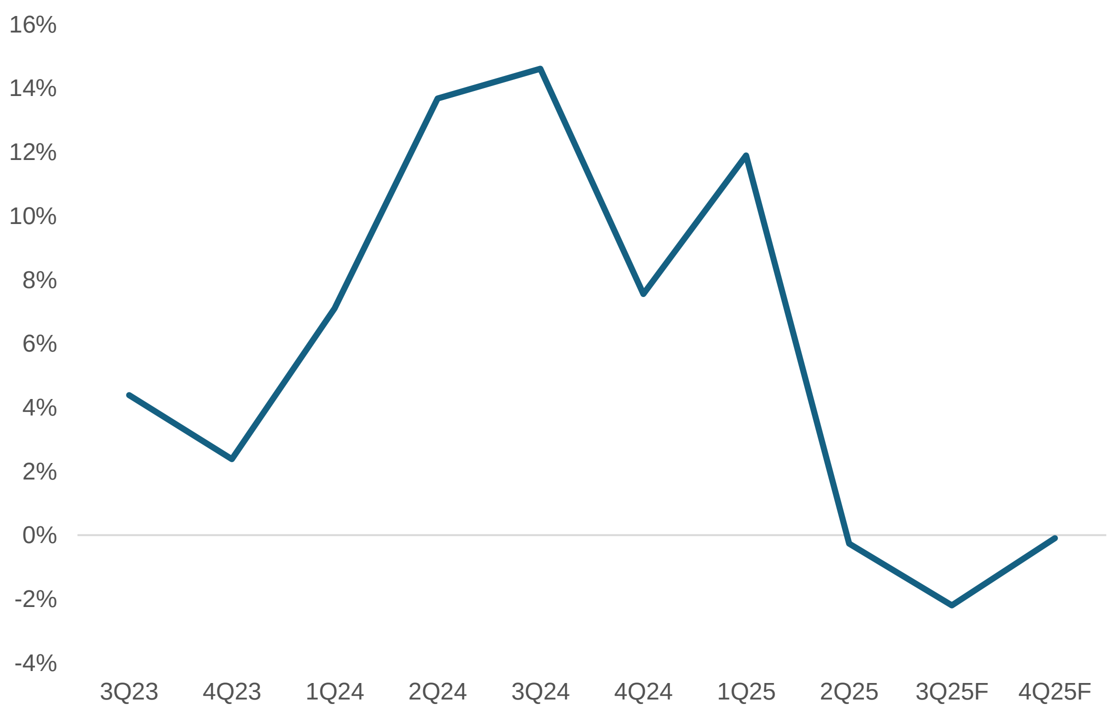
► Margin Pressure from Price Wars

In segments plagued by aggressive competition, companies resort to heavy subsidies and discounting to capture users and traffic. While this lifts transaction volumes in the short run, it sharply raises costs, straining cash flow and profitability. Over time, such practices erode pricing power and core value. Regulators are expected to tighten oversight, enforcing fair competition and guiding the industry back to sustainable growth.

► Industry Restructuring

Authorities are stepping up enforcement against excessive subsidies, pushing for healthier market practices. Larger platforms must leverage scale, technology, and capital to build defensible moats, while smaller players need differentiated strategies and efficiency gains to survive without unsustainable subsidies.

Meituan (3690) Operating Margin Under Pressure



Meituan (3690)

Closing Price HK $101.7 **Target Price** HK $108

Meituan is a technology-driven retail company providing diversified daily goods and services across dining delivery, in-store services, hotel and travel booking, and other retail offerings.

- **3Q Warning: Heavy Losses Ahead**

Profitability is under severe pressure. 2Q results showed core local commerce margins shrinking sharply to 5.7% amid an unprecedented subsidy war, with operating profit collapsing YoY. Management warned that persistent subsidies will drive significant 3Q losses, implying worsening near-term margin pressure.

- **Enduring Price War: Industry Faces Prolonged Margin Pain**

Key rivals JD.com and Alibaba are leveraging food delivery as a traffic gateway to their broader retail ecosystems and to capture growth in instant retail. The battle has escalated to an ecosystem-level contest, likely to remain intense and structurally pressure industry profitability.

- **Policy Intervention May Bring Relief in 4Q**

A potential turnaround depends on government intervention. In August, authorities explicitly called for an end to excessive delivery subsidies, suggesting Meituan likely incurred heavy losses in Jul–Aug. While 3Q earnings collapse is inevitable, policy pressure could force an earlier bottom, with financials improving sequentially in 4Q.

- **Target Price Cut: Recommend Avoidance for Now**

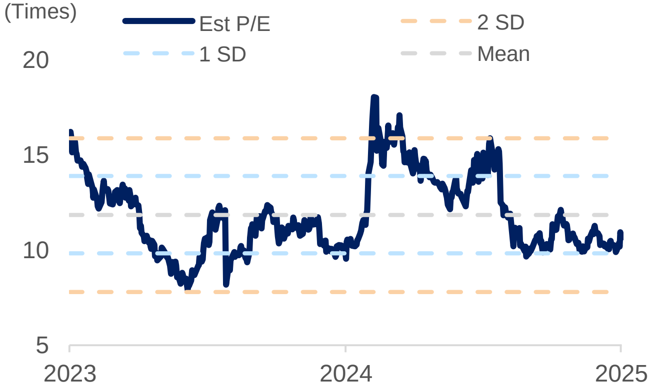
We lower TP from HK$160 to HK$108, based on 11x 2027E P/E. We recommend avoiding the stock until the competitive landscape stabilizes. Should Meituan lose leadership in food delivery, competition could intensify again; under a bear-case scenario, the stock could retreat to HK$86 (~9x P/E).

Source: Bloomberg

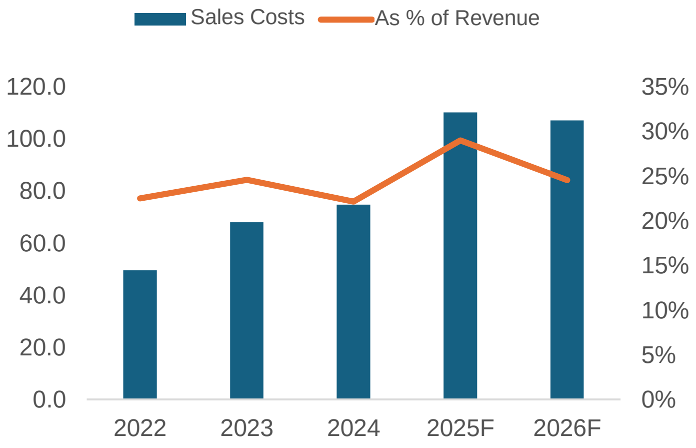
Financials

	2022	2023	2024	2025F	2026F
Revenue (100M CNY)	219.9	276.7	337.6	379.8	436.3
Revenue YoY	22.8	25.8	22.0	12.5	14.9
EPS (CNY)	0.46	3.74	7.25	1.53	5.38
EPS YoY	-	713	94	-79	254
ROE(%)	-5.3	9.8	22.1	6.0	16.9

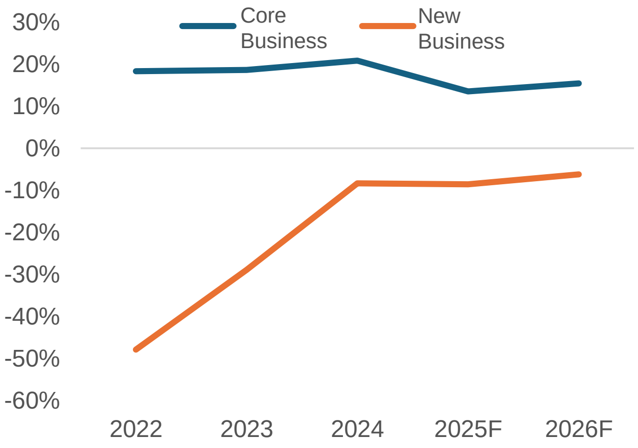
Estimated P/E



Sales Cost and Ratio



Branch Operating Profit Margin (%)



Kuaishou (1024)

Closing Price	HK $76.45	Target Price	HK $90

Kuaishou's core businesses include online marketing services, live streaming, and other value-added services.

Koling AI Growth Potential Underestimated

Management raised full-year revenue guidance for Koling AI to USD125m (RMB900m), double its initial outlook, implying flat 3Q–4Q revenue versus 2Q's RMB250m. We view this as conservative. At WAIC, Koling AI announced the launch of a premium "Studio Membership" in 3Q, offering multi-user real-time collaboration and 4K output. Coupled with a newly formed commercialization team, this should attract high-value clients in media, gaming, and advertising. With ongoing investment in marketing and technology upgrades, Koling AI's industry expansion should accelerate, driving stronger revenue growth.

OneRec Becomes Core Technology

Kuaishou rolled out its proprietary AI recommendation system OneRec. Tests show it improves user engagement and retention, while boosting local services order volumes and customer acquisition efficiency by double digits. Currently handling ~25% of recommendation requests, OneRec is set to become a core system component as integration deepens.

2Q Earnings Beat Expectations

2Q revenue rose 13.1% YoY to RMB35bn, while adjusted net profit climbed 20.1% to RMB5.24bn, both ahead of consensus.

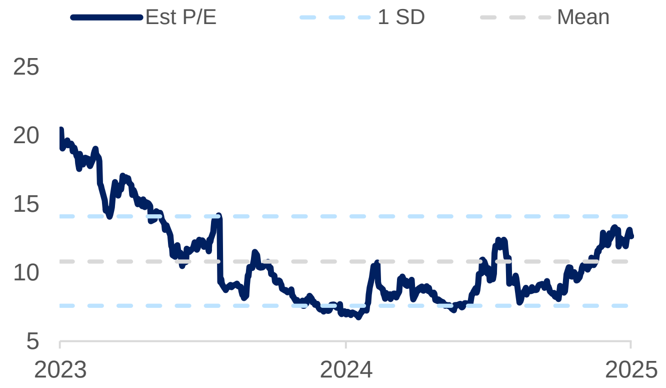
Profitability Improving; Target Price Raised

We raise TP to HKD90 based on DCF, implying 15x 2026E P/E and a 3-year EPS CAGR of 17%.

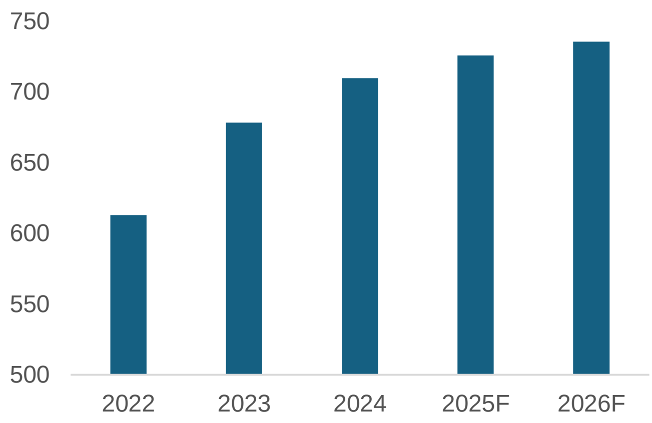
Financials

	2022	2023	2024	2025F	2026F
Revenue (1B CNY)	94.2	113.5	126.9	142.5	156.1
Revenue YoY	16.2	20.5	11.8	12.3	9.5
EPS (CNY)	-1.6	2.31	4.0	4.7	5.5
EPS YoY	-	-	73.8	17.0	17.7
ROA (%)	-32.2	14.4	27.6	24.3	23.0

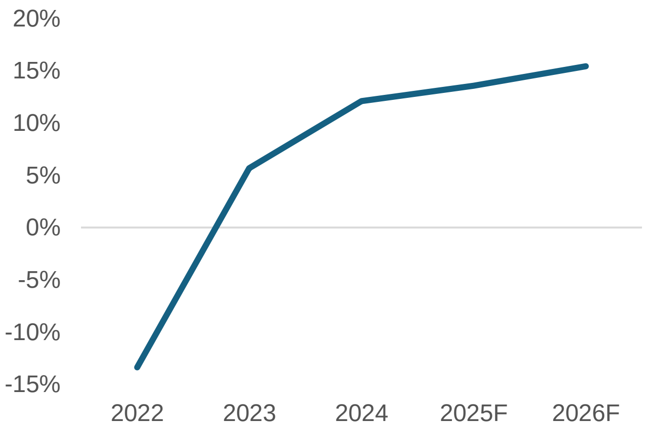
Estimated P/E



Monthly Active Users



Operating Profit Margin (%)



Source: Bloomberg

US Equities

Japan and Korea Equities Outperform

- U.S. July core PCE rose 0.3% MoM, matching June and expectations, while YoY accelerated to 2.9% from 2.8%. New single-family home sales slipped 0.6% MoM to an annualized 652k, retracing part of June's revised 4.1% gain but above the 630k forecast. Durable goods orders fell 2.8% MoM to USD302.8bn, following June's revised 9.4% drop, but the decline was smaller than the expected 3.8%.
- U.S. 2Q GDP grew at 3.3% annualized, rebounding sharply from 1Q's 0.5% contraction and revised up from the 3.1% advance estimate.
- With major economies shifting to easing cycles and the Fed expected to cut in September, capital is flowing into non-U.S. assets. Korean equities surged ~30% in 1H25, Asia's best performer. In early August, the Lee Jae-myung government proposed higher taxes - including a lower capital gains threshold, plus higher transaction and corporate taxes - triggering a 3.8–3.9% selloff. Still, prior policies restricting short-selling, strengthening governance, and boosting AI investment support the medium-term outlook.
- In Japan, the Nikkei staged a V-shaped rebound on U.S.-Japan trade deals and corporate reforms. Berkshire Hathaway raised its stake in Mitsubishi Corp. to 10.23%, underscoring confidence in trading houses. Delisting activity is also surging, with 2025 PE deal value expected to exceed 2023's USD40.3bn; by Aug 20, deals had already topped USD27.6bn.

Japan (Blue) vs. Korea (White) Equity Index, Past 3 Years

Source: Bloomberg

Mitsubishi UFJ Financial Group (MUFG US)

Closing Price	US $15.29	Target Price	US $17.5

MUFG is the world's largest bank holding company, spanning retail and commercial banking, corporate and investment banking, asset management and investor services, global markets, and digital services.

Key Features

■ **Policy Shift Supports Yen Strength**

While the U.S.-Japan tariff deal eased trade concerns, auto tariffs remain unresolved, posing near-term export risks. Medium term, a hawkish BoJ versus a dovish Fed narrows the rate differential, enhancing the yen's safe-haven appeal, improving MUFG's funding base, and attracting capital inflows.

■ **Global Asset Management Transformation**

MUFG is expanding internationally to address Japan's demographic challenges. Of its JPY120.7tn AUM, only 20% comes from overseas. The firm is pursuing acquisitions in the U.S. and Europe, while leveraging its Morgan Stanley stake and London base to grow more stable fee-based revenue streams beyond cyclical lending.

■ **Core Banking Resilience**

MUFG reported FY1Q25 net profit of JPY546bn (+2.2% YoY), supported by JPY758bn in loans. Despite tariff uncertainty, demand held steady, while BoJ rate hikes lifted loan margins. Strong loan growth and wider spreads underscore the resilience of MUFG's domestic business.

■ **Earnings Beat**

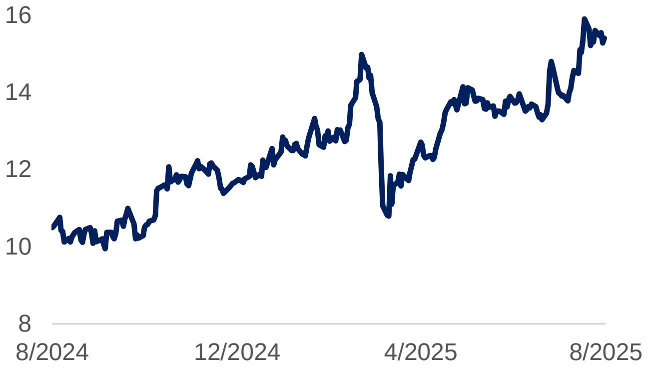
In 1Q26, revenue reached JPY546bn (USD3.7bn), down 9.8% YoY. MUFG remains on track to achieve its record FY26 profit target of JPY2tn, though tariff-related volatility adds uncertainty.

■ **Valuation Consensus**

Bloomberg 12M average TP: JPY2,291.54 (USD15.6); high JPY2,700 (USD18.38); low JPY1,830 (USD12.46).

Source: Bloomberg

1-Year Price



Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	0.6	19.4	9.1	-17.6	6.0
Operating Ratio	19.5	34.4	39.6	42.7	44.7
EPS (JPY)	58.8	128.6	166.5	179.8	195.8
Net Profit Margin(%)	14.1	24.9	28.9	36.8	37.4

Source: Bloomberg; 2025/26F are market estimates

JP 10Y Treasury & JPY

P/E & P/B

TW Equities Nvidia Earnings Trigger TAIEX Pullback After Gains; Flows Shift to AI and Defense

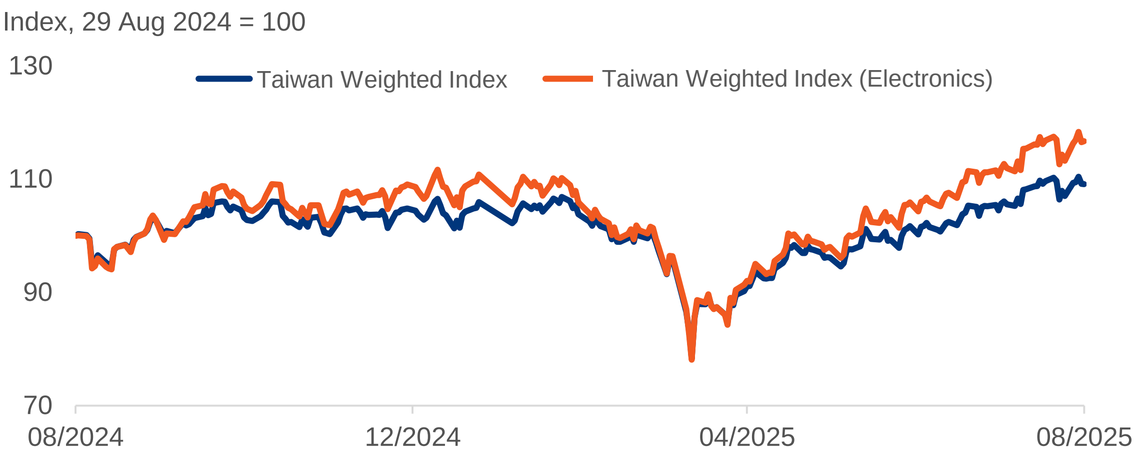
► Nvidia Results Pressure TAIEX Near-Term

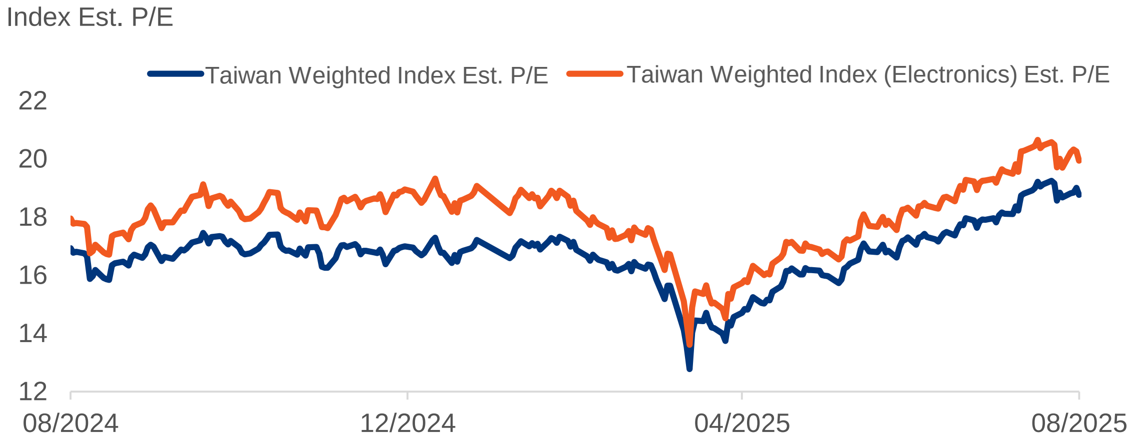
Nvidia reported last Wednesday with 2Q revenue and profit above expectations, though data center revenue missed for a second straight quarter. TAIEX saw reduced volumes and choppy consolidation, with the index filling a bullish gap but turnover below the 20-day average. The 10-day MA turned lower; if the 5- and 10-day supports break, downside may test the monthly line and the Aug 23 gap at 24,071.

► Market Focus on AI and Defense Themes

As electronics and financial heavyweights consolidate, flows shifted toward semiconductor equipment, test interfaces, substrates, optical communications, and robotics. PCB supply chain is showing signs of strength, with glass fiber cloth, CCL, and high-speed PCB worth attention. Nvidia's launch of Jetson AGX Thor boosted related partners, though robotics plays saw profit-taking. Outside tech/finance, defense stocks gained traction, led by drones. Taiwan's 2025 defense budget will rise sharply to NT$949.5bn, with U.S. inviting Taiwan's drone supply chain to invest domestically, underscoring long-term defense potential.

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





Source: Bloomberg

KGI

Hong Hai Precision Industry (2317 TT)

Hon Hai provides EMS for computers, communications, and consumer electronics, including assembly of desktops and laptops, connectors, cables, PCBs, smartphones, and other devices, serving global clients.

Key Features

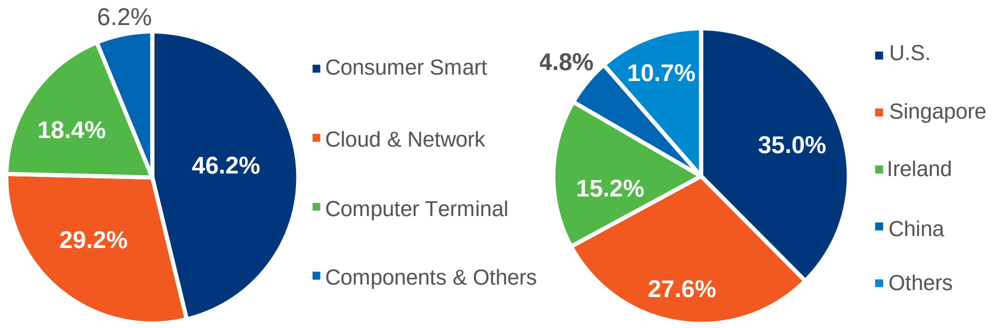
- **GB200 AI Servers Driving Growth**

3Q AI server revenue is expected to surge on improved assembly efficiency and yield. Shipments of GB200 AI server racks are set to jump post-August, with 3Q25 volumes guided to grow over 300% QoQ. We estimate Oracle as a key customer. GB300 production will ramp in 4Q, with full-year AI server revenue projected to double to NT$1.7–1.8tn.

- **Cloud Business and Long-Term Outlook**

Cloud revenue share rose to 41% in 2Q25, surpassing consumer electronics. While new iPhones will lift CE sales in 2H, cloud contribution is expected to climb from 30% to 40% of revenue in 2025. Strategic moves including its Tecom alliance and U.S. plant investment strengthen AI and EV positioning, supporting long-term earnings momentum.

Revenue Sources and Regions



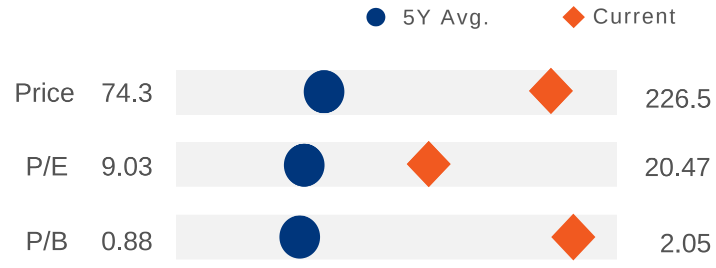
Source: Bloomberg

Financials

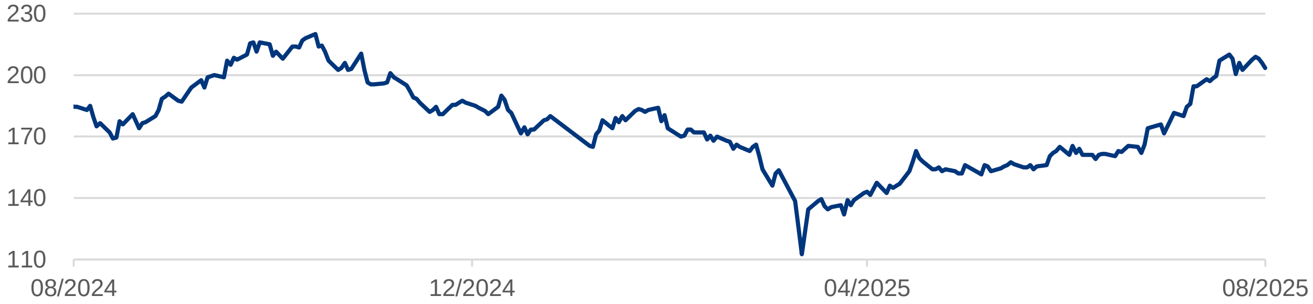
	2022	2023	2024	2025F	2026F
EPS (NTD)	10.21	10.25	11.01	13.24	15.32
EPS Growth (%)	1.6	0.4	7.4	20.3	15.7
P/E Ratio	19.6	19.6	18.2	15.1	13.1
ROE (%)	10.0	9.7	9.7	10.9	11.9

Source: Company data, estimates of KGI analyst

Valuations



1-Year Price



As of 29 Aug 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	1.23	19.53	31.41	17.82	11.41	11.11

Molex-KY (3665 TT)

Molex-KY provides connectivity solutions including wiring harnesses, fiber optics, connectors, and cables for IT/CE, autos, appliances, medical devices, industrials, optical communications, and solar, serving global clients.

Key Features

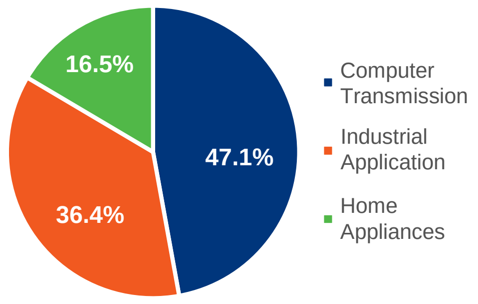
- **Power Product Upgrades to Boost 2026 Revenue**

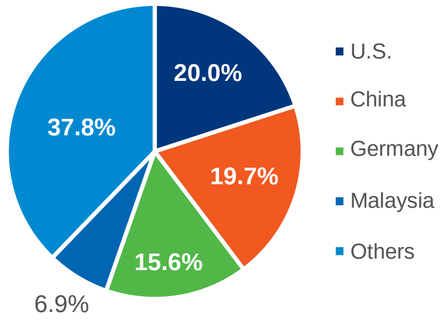
With yield improvement and higher U.S. CSP capex, Nvidia GPU server cabinet shipments are estimated at 27k units in 2025 and 50k in 2026. Rising TDP in GPU servers significantly increases the value content of Molex-KY's power products. The launch of standalone power cabinets in 2026 and adoption of 800V HVDC architecture in 2027 should add growth momentum.

- **AEC Outlook Positive on Expanding TAM**

AEC products continue to benefit from TAM expansion. Major CSPs are expected to adopt AEC in GB300 cabinets, while management sees its partnership with Credo sustaining technology leadership. AEC revenue share is projected to reach 11% in 2025 and 16% in 2026.

Revenue Sources and Regions





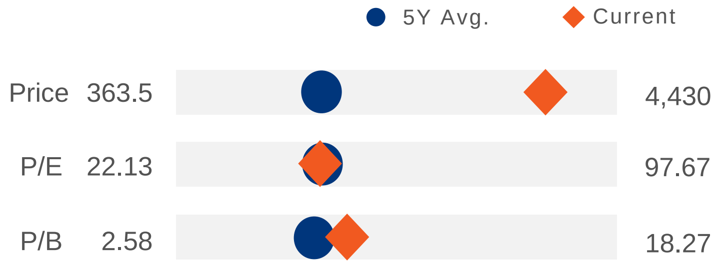
Source: Bloomberg

Financials

	2022	2023	2024	2025F	2026F
EPS (NTD)	19.78	21.44	42.27	50.17	53.17
EPS Growth (%)	-67.0	8.4	97.1	18.7	6.0
P/E Ratio	32.4	29.8	15.1	12.8	12.0
ROE (%)	6.6	7.0	12.3	13.6	14.0

Source: Company data, estimates of KGI analyst

Valuations



1-Year Price

As of 29 Aug 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	-10.94	0.13	27.01	9.71	15.40	52.93

Mutual Funds/ ETFs

U.S.-Japan Deal Offers Brief Relief; Buybacks & Reform Support Japan Equity Outlook

► SMD-AM Funds - DSBI Japan Equity Small Cap Absolute Value

- Managed by Sumitomo Mitsui DS Asset Management (SMDAM), a leading Japanese asset manager with deep local market expertise. Chief PM Tataro Nigauri, a well-known small-cap specialist, applies a value-biased, active style.
- The fund targets under-researched Japanese small- and micro-cap companies with sustainable growth potential but undervalued prices, selecting ~300 names out of ~2,400.
- Aims to maximize total returns over the medium to long term. Rated 5 stars by Morningstar, with consistent outperformance versus benchmarks and peers.

► Nomura Funds Ireland-Japan Strategic Value Fund

- Focuses on value investing with no sector or market-cap bias, applying a bottom-up approach to select quality Japanese equities with long-term growth potential.
- The investment and research team averages 18 years of industry experience.
- Nomura Investment Management maintains one of the largest Japan equity buy-side research teams, with over 20 analysts supporting portfolio managers to deliver deep and broad market coverage.

Product	SMD-AM Funds - DSBI Japan Equity Small Cap Absolute Value		Nomura Funds Ireland-Japan Strategic Value Fund	
Features	Aims to maximize total returns over the medium to long term. Rated 5 stars by Morningstar, with consistent outperformance versus benchmarks and peers.		Focuses on value investing with no sector or market-cap bias, applying a bottom-up approach to select quality Japanese equities with long-term growth potential	
AUM	USD 137.58 Million		JPY 303.59 Billion	
Currency	JPY		JPY	
3M/YTD Return	16.10% / 23.53%		11.07% / 18.22%	
Top 5 Sectors (%)	Industrials	31.72	Industrials	23.92
	Discretionary	24.87	Info Tech	19.12
	Info Tech	13.28	Comm Srvcs	13.57
	Materials	9.60	Financials	13.44
	Healthcare	6.18	Discretionary	10.98
Top 5 Holdings (%)	Mikami Engineering	3.70	Nippon Telegraph and Telephone	5.14
	Belle Platform	2.58	Sumitomo Mitsui Financial Group	4.88
	Aisan Industry	2.42	Hitachi, Ltd.	4.50
	CUC Inc	2.27	Sony Group Corp.	4.06
	Konoike Transport	2.18	Daiwa House Industry	3.12

Source: Bloomberg

SMD-AM Funds - DSBI Japan Equity Small Cap Absolute Value

Profile

This fund applies a unique value-biased active strategy, targeting undervalued Japanese small- and micro-cap companies with sustainable growth potential to maximize medium- to long-term total returns.

■ Disciplined Value Investing

Screens ~2,400 stocks to identify ~300 undervalued small caps with growth potential, aiming to capture contrarian opportunities and deliver long-term returns.

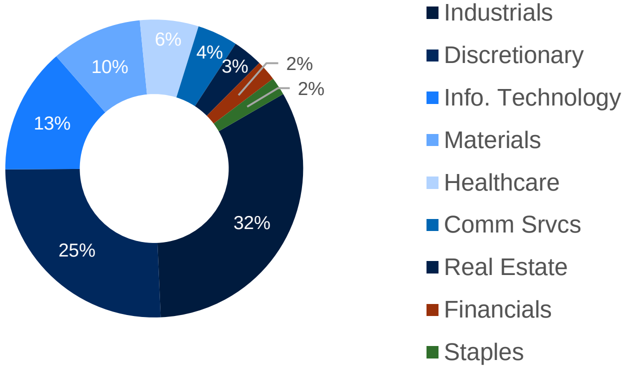
■ Unlocking Small-Cap Growth

Focuses on the bottom 15% of market cap on the Tokyo Stock Exchange — companies often overlooked by the market but with high growth potential.

■ Experienced Management

Led by Tataro Nigauri, a renowned portfolio manager with 20+ years managing small-cap strategies and nearly 30 years of research expertise. The fund is rated 5 stars by Morningstar.

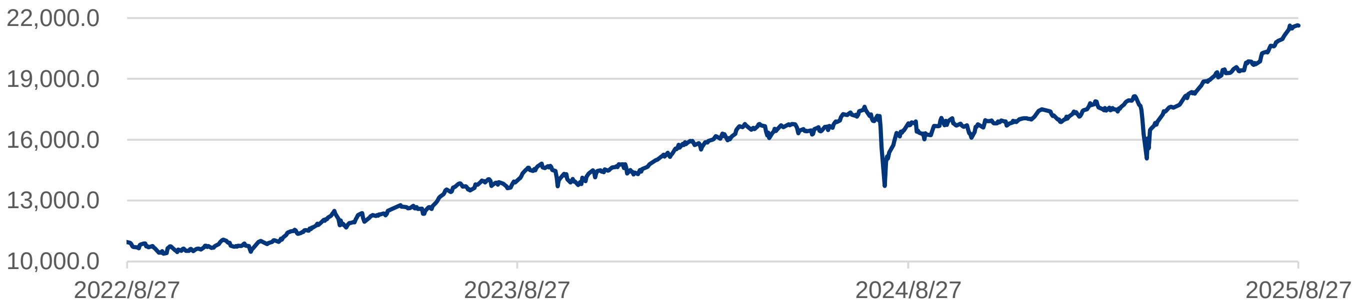
Sector



Top-5 Holdings (%)

Mikami Engineering	3.70
Belle Platform	2.58
Aisan Industry	2.42
CUC Inc	2.27
Konoike Transport	2.18

3-Year NAV



Inception Date	2021/4/20	**AUM**	USD 137.58 Million
Morningstar Category	Japan Equities	**Fund Category**	Equities
Morningstar Rating	★★★★★	**3Y Stand. Dev. (Ann.)**	20.75%

As of 27 Aug 2025	1M	3M	YTD	1Y	3Y	5Y
USD Cumulative Return (%)	6.55	16.10	23.53	28.68	55.63	97.26
Quartile Ranking Within Category	2	1	1	1	1	1

Source: Vistra Fund Management S.A.

Nomura Funds Ireland-Japan Strategic Value Fund

Profile

Invests primarily in Japanese equities to achieve long-term capital growth. Up to 30% of NAV may be allocated to stocks listed or traded on approved exchanges outside Japan, provided their main business activities are Japan-based.

■ Value-Oriented, Unconstrained Approach

Anchored in value investing, the fund applies a bottom-up process across all sectors and market caps, targeting undervalued Japanese companies with long-term growth potential.

■ Expert Management Team

Nomura Investment Management operates one of the largest Japan equity buy-side research teams. With an average of 18 years' industry experience, over 20 analysts conduct extensive company visits and in-depth fundamental research, supporting portfolio managers with broad and deep market coverage.

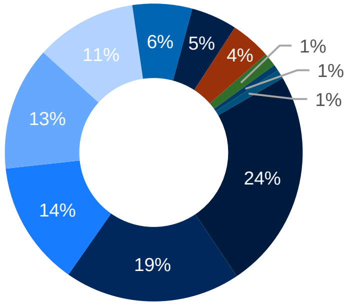
■ Focus on Long-Term Capital Growth

Japanese corporate earnings are supported by policy reforms and governance improvements, making the fund well suited for investors seeking to capture Japan's economic recovery.

Inception Date	2010/1/4	**AUM**	JPY 303.59 Billion
Morningstar Category	Japan Equities	**Fund Category**	Equities
Morningstar Rating	★★★	**3Y Stand. Dev. (Ann.)**	21.62%

Source: Nomura Fund Management.

Sector



Top-5 Holdings (%)

Nippon Telegraph and Telephone	5.14
Sumitomo Mitsui Financial Group	4.88
Hitachi, Ltd.	4.50
Sony Group Corp.	4.06
Daiwa House Industry	3.12

3-Year NAV

As of 27 Aug 2025	1M	3M	YTD	1Y	3Y	5Y
USD Cumulative Return (%)	3.66	11.07	18.22	21.54	50.19	84.12
Quartile Ranking Within Category	3	2	1	1	1	1

Bonds Powell at Jackson Hole Strengthens September Cut Bets; Quality Bonds to Benefit

► HSBC 4.583% 06/19/29 (US404280BT50) - USD

- HSBC maintains one of the strongest capital positions in Europe, with a CET1 ratio of 14.6% as of 2Q25. Its subsidiaries are capital self-sufficient, and profitability is well above peers with a 2024 ROTE of 14.6%.
- Strong corporate deposit base and ample liquidity underpin HSBC's superior funding profile. Loan-to-deposit ratio stood at 56% at end-2024, well below domestic and global peers, while LCR was ~148%. Operating entities are funding self-sufficient with deposits exceeding loans.
- Asset quality remains solid with diversified credit exposures across corporates and mortgages, concentrated in Hong Kong and the UK. Risk appetite is lower than local peers, and China CRE exposure is well provisioned, limiting further credit losses. HSBC has exited underperforming non-core Western markets and targets $1.5bn cost savings by 2026.

Product	HSBC 4.583 06/19/29 (USD)
ISIN	US404280BT50
Features	HSBC combines unmatched capital strength in Europe with robust funding, diversified credit exposure, and improving profitability, making its EUR-denominated bonds a quality allocation option.
Maturity Date	2029/6/19
Next Call Date	2028/6/19
Coupon (%)	Float/4.583/Semi-annual
Currency	USD
Years to Maturity	3.80
Credit Rating (Moody's/Fitch/S&P)	A3/A+/A-
Seniority	Senior Unsecured
YTM/YTC (%)	4.48/4.30

Source: Bloomberg

HSBC Holdings PLC (HSBC 4.583 06/19/29)

Profile

HSBC Holdings PLC operates as a holding company providing personal and commercial banking, trade finance, investment, lending, mortgages, securities, custody, capital markets, treasury, insurance, and financial services globally.

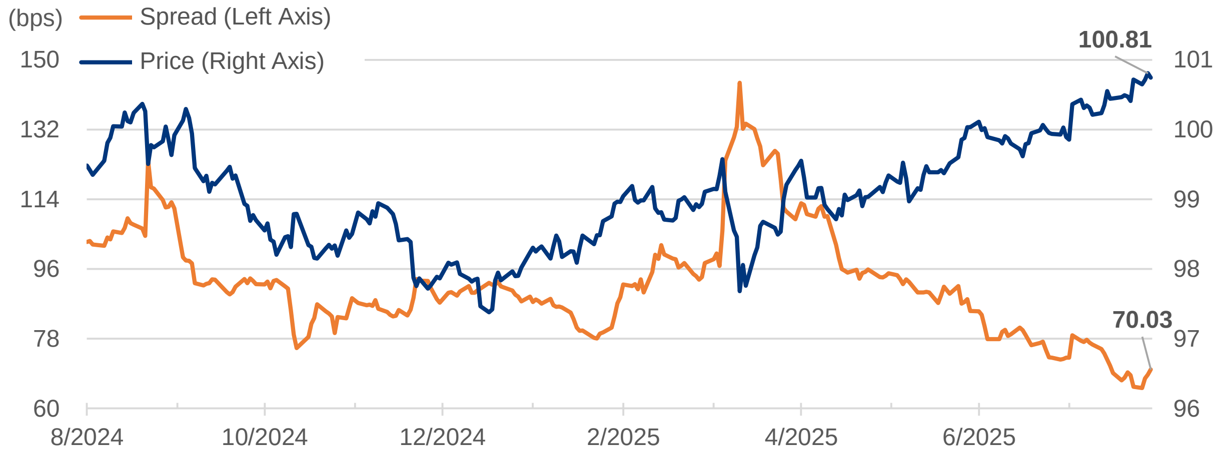
- HSBC maintains a high proportion of corporate deposits and ample liquidity. Its large, diversified funding base supports a stronger liquidity profile than peers. As of end-2024, the loan-to-deposit ratio was 56%, well below domestic and global averages. The group's liquidity coverage ratio stood at ~148%. Long-standing policies ensure subsidiaries are self-funded, with deposits exceeding loans.
- Credit exposure is highly diversified across corporate lending and residential mortgages, with relatively solid performance. China CRE exposure is fully provisioned, limiting future credit losses. HSBC has also exited underperforming, non-core Western markets in recent years, improving profitability. The group targets USD1.5bn in cost savings by 2026.

Financials	2022	2023	2024
CET1 (%)	14.2	14.8	14.9
Liquidity Coverage Ratio (%)	132	136	138
Return on Equity (ROE) (%)	8.59	13.77	13.74

Overview

Name	HSBC 4.583 06/19/29	**ISIN**	US404280BT50
Maturity Date	2029/6/19	**Remaining Maturity**	3.80
Coupon(%)	Float/4.583/Semi-annual	**YTM/YTC(%)**	4.48/4.30
Currency	USD	**Min. Subscription/ Increment**	200,000/1,000
Ratings (Moody's/Fitch/S&P)	A3/A+/A-	**Seniority**	Senior Unsecured

Price (New Issued Bond)



Source: Bloomberg; Note: The coupon resets on June 19, 2018, paying quarterly. The reset rate will be based on US 3M SOFR plus 1.53455% over the bond yield at issuance.

Bonds Powell at Jackson Hole Strengthens September Cut Bets; Quality Bonds to Benefit

► Nestlé (NESNVX 5.00 09/12/30) (USD)

- Nestlé is the world's largest food & beverage group, with a highly diversified brand portfolio and strong pricing power against inflation. Key growth/profit drivers include powdered & liquid beverages (Nespresso) and pet care (Purina).
- Revenue is geographically diversified: 59% developed markets, 41% emerging markets, with EM consistently outgrowing DM in pricing and volumes.
- Strong free operating cash flow fully funds dividends; management targets leverage reduction to 2–3x.
- Rated Aa3/AA- (Moody's/S&P), outlook stable.

Product	NESNVX 5.00 09/12/30
ISIN	USU74078CX95
Features	Nestlé is the world's largest food & beverage group, with a highly diversified brand portfolio and strong pricing power against inflation. Key growth/profit drivers include powdered & liquid beverages (Nespresso) and pet care (Purina).
Maturity Date	2030/9/12
Next Call Date	2030/7/12
Coupon (%)	Fixed/5.00/Semi-Annual
Currency	USD
Years to Maturity	5.04
Credit Rating (Moody's/Fitch/S&P)	Aa3/-/AA-
Seniority	Senior Unsecured
YTM/YTC (%)	4.14/4.11

Source: Bloomberg

Nestlé (NESNVX 5.00 09/12/30)

Profile

Nestlé is a multinational packaged food company, producing and marketing a diversified portfolio across seven categories including coffee, dairy, and pet care. It is the world's largest food and beverage group, and the global leader in coffee, with operations spanning the Americas, Europe, and Asia.

- Nestlé owns a wide range of leading brands and leverages strong pricing power to offset inflation. Its portfolio includes high-growth, high-margin categories such as powdered & liquid beverages (e.g., Nespresso) and pet care (e.g., Purina).
- Revenue is well distributed between developed markets (59%) and emerging markets (41%), with the latter consistently delivering stronger organic growth in both price and volume.
- The group generates solid free operating cash flow (FOCF), fully funding dividends from internal resources. Management also targets reducing leverage to 2–3x, further supporting financial resilience.

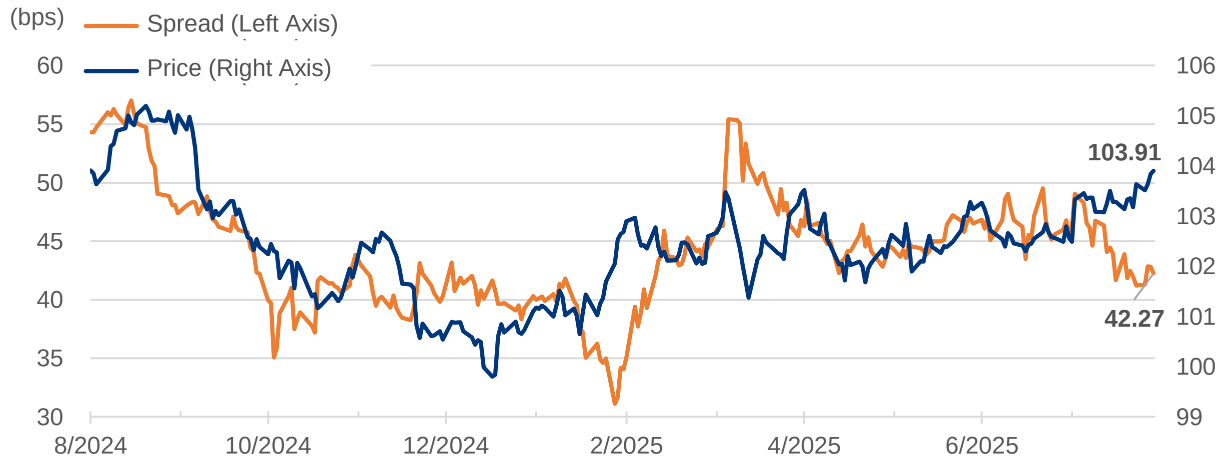
Financials	2022	2023	2024
Gross Margin (%)	45.41	46.09	46.94
ROE ($)	19.49	28.84	30.38
ROA (%)	6.76	8.57	8.19

Source: Bloomberg

Overview

Name	NESNVX 5.00 09/12/30	**ISIN**	USU74078CX95
Maturity Date	2030/9/12	**Remaining Maturity**	5.04
Coupon(%)	Fixed/5.00/Semi-annual	**YTM/YTC(%)**	4.14/4.11
Currency	USD	**Min. Subscription/ Increment**	150,000/1,000
Ratings (Moody's/Fitch/S&P)	Aa3/-/AA-	**Seniority**	Senior Unsecured

Price



Appendix

Key Economic Data / Events

AUG 2025

25 Monday	26 Tuesday	27 Wednesday	28 Thursday	29 Friday
• US Jul New Home Sales (Act:652k Est:630k Prev:656k) • US Jul Building Permits (final) (Act:1,362k Prev:1,393k)	• US Jul Durable Goods Orders MoM (Prelim) (Act:-2.8% Est:-3.8% Prev:-9.4%) • US Aug Conference Board Consumer Confidence (Act:97.4 Est:96.5 Prev:98.7) • Hong Kong Jul Exports YoY (Act:14.3% Est:11.3%Prev:11.9%)	• Earnings: NVDA	• US Weekly Jobless Claims (Act:229k Est:230k Prev:234k) • US 2Q GDP QoQ Ann. (Rev.) (Act:3.3% Est:3.1% Prev:3.0%) • EZ Aug Cons. Conf. (F) (Act:-15.5 Prev:-14.7) • EZ Aug Econ. Sentiment (Act:95.2 Est:96.0 Prev:95.7)	• US Jul PCE YoY (Est:2.6% Prev:2.6%) • US Jul Core PCE YoY (Est:2.9% Prev:2.8%) • US Aug U. Mich. Sent. (F) (Est:58.6 Prev:61.7) • JP Jul Unemp. Rate (Act:2.3% Est:2.5% Prev:2.5%) • JP Aug Tokyo CPI YoY (Act:2.6% Est:2.6% Prev:2.9%) • JP Jul Ind. Prod. MoM (P) (Act:-1.6% Est:-1.1% Prev:2.1%)

SEP 2025

1 Monday	2 Tuesday	3 Wednesday	4 Thursday	5 Friday
• EZ Jul Unemp. Rate (Prev:6.2%) • EZ Aug PMI (F) (Prev:49.8) • JP Aug PMI (F) (Prev:48.9)	• US Aug PMI (F) (Prev:49.8) • US Aug ISM Mfg. PMI (Est:48.8 Prev:48.0) • EZ Aug CPI YoY (P) (Est:2.1% Prev:2.0%)	• US Jul JOLTS Job Openings (Prev:7,437k) • US Jul Dur. Goods MoM (F) (Prev:-9.4%) • EZ Aug PMI (F) (Prev:51.0) • EZ Jul PPI YoY (Prev:0.6%)	• US Weekly Jobless Claims (Aug) (Prev:229k) • US Aug ADP Emp. Chg. (Est:60k Prev:104k) • US Aug ISM Svcs. PMI (Est:50.5 Prev:50.1) • EZ Jul Retail Sales MoM (Prev:0.3%)	• US Aug NFP (Est:78k Prev:73k) • US Aug Unemp. Rate (Est:4.3% Prev:4.2%) • EZ 2Q GDP YoY (F) (Prev:0.6)

Source: Bloomberg

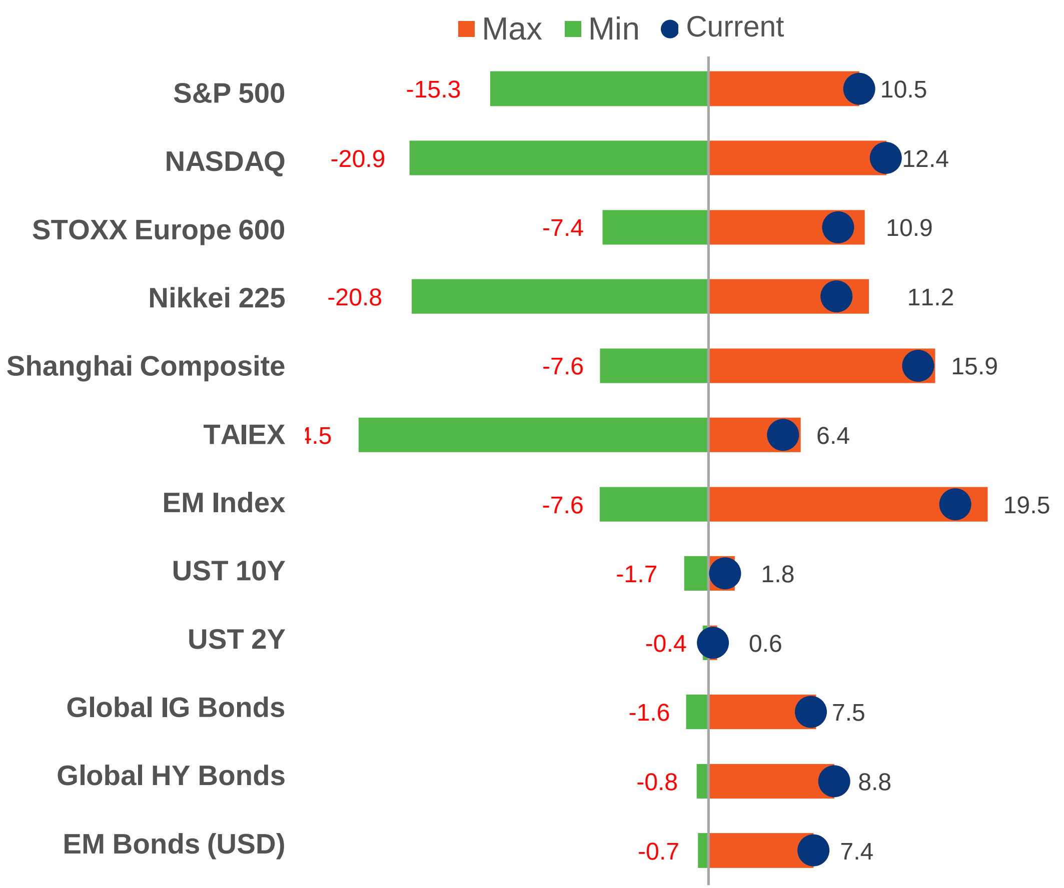
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation	
						Revenue	EPS
2025/8/28	Nvidia Corp (NVDA)	46.1B	46.7B	1.01	1.04	V	V
2025/8/28	CrowdStrike Holdings (CRWD)	1.15B	1.17B	0.83	0.93	V	V

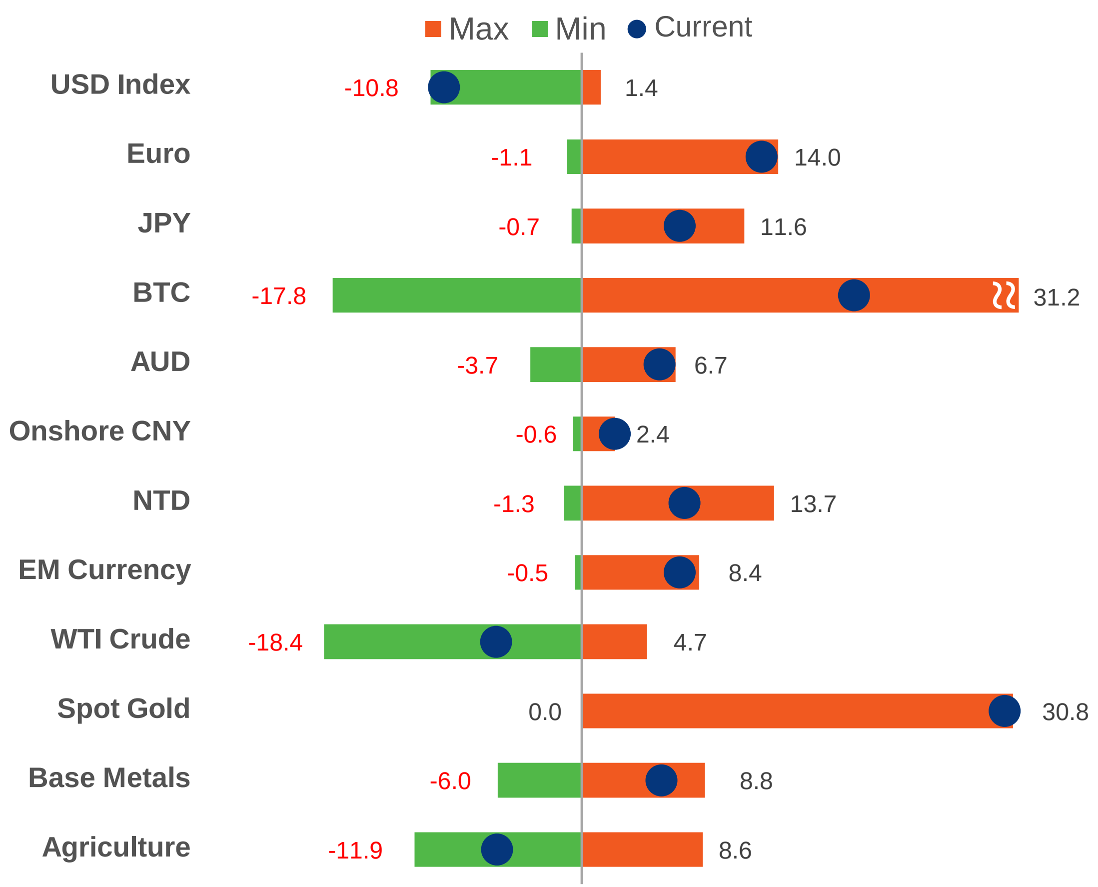
Source: Investing.com

YTD Major Market / Asset Performance

Equities & Bond Markets YTD Performance (%)



Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 29 Aug 2025

Technical Analysis

S&P 500 Index

NASDAQ Index

STOXX Europe 600 Index

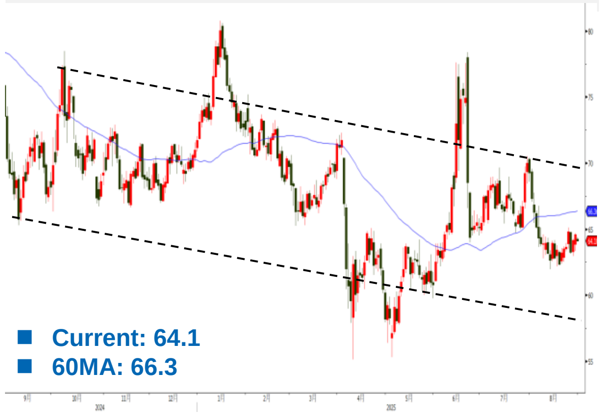
Nikkei 225 Index

Shanghai Composite Index

MSCI Emerging Markets Index

Gold

WTI Crude

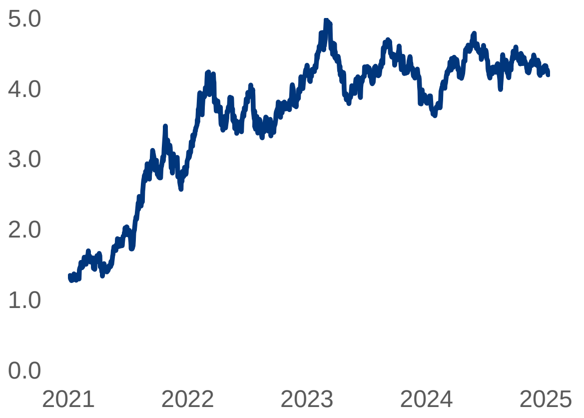


Source: Bloomberg, 29 Aug 2025

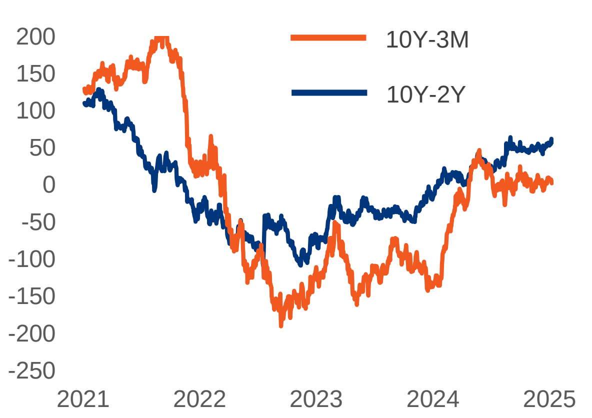
Market Monitor

U.S. CPI YoY (%)

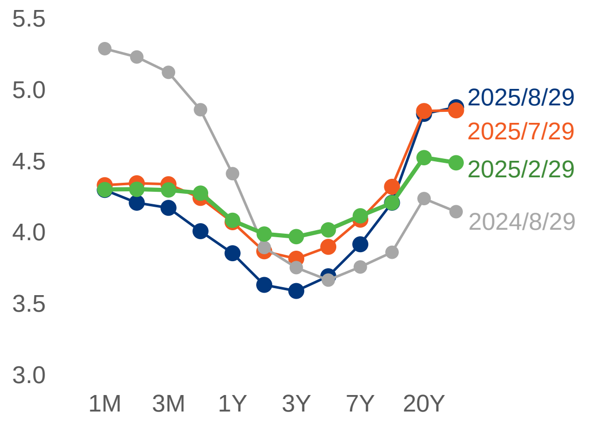
U.S. 10-Year Treasury Yield (%)



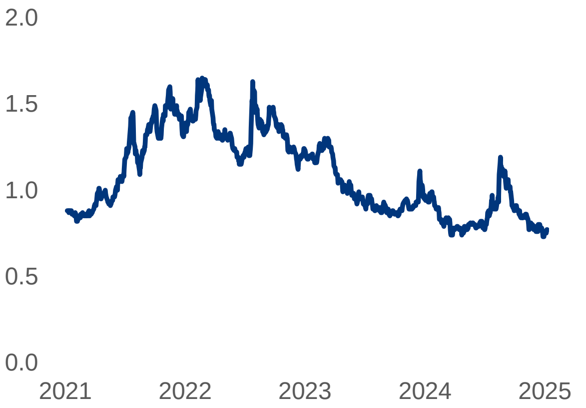
U.S. Treasury Yield Spread (bps)



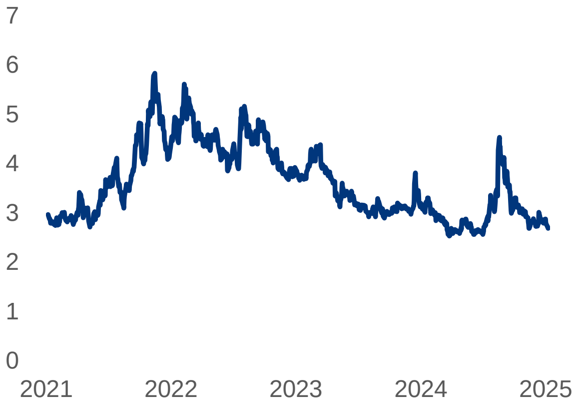
U.S. Treasury Yield Curve (%)



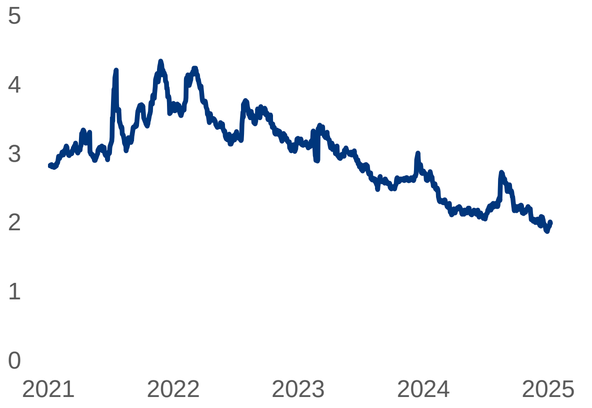
USD IG Credit Spread (%)



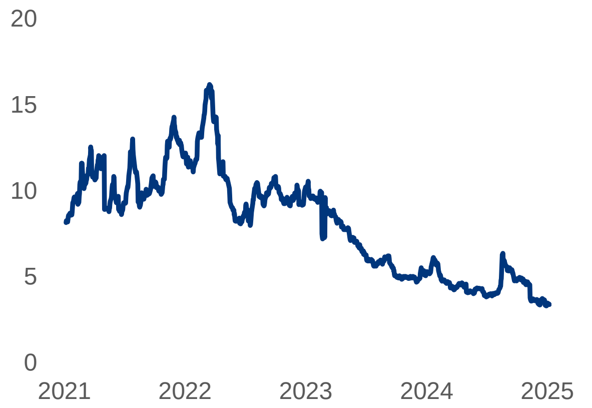
USD HY Credit Spread (%)



USD EM Credit Spread (%)



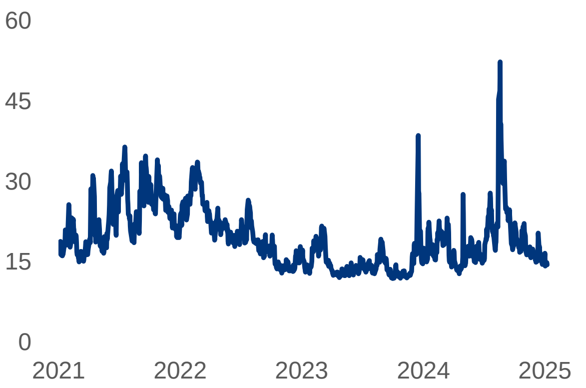
USD Asia Credit Spread (%)



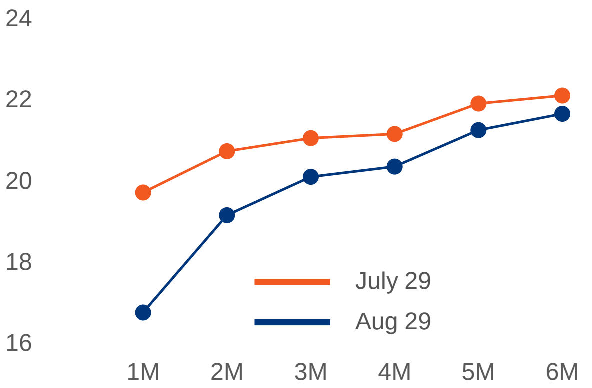
Source: Bloomberg, 29 Aug 2025

Market Monitor

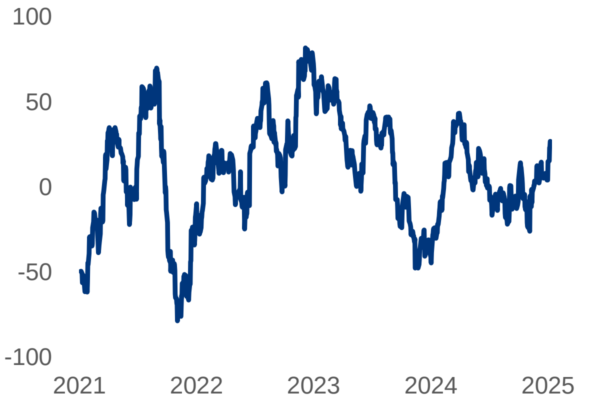
VIX Index



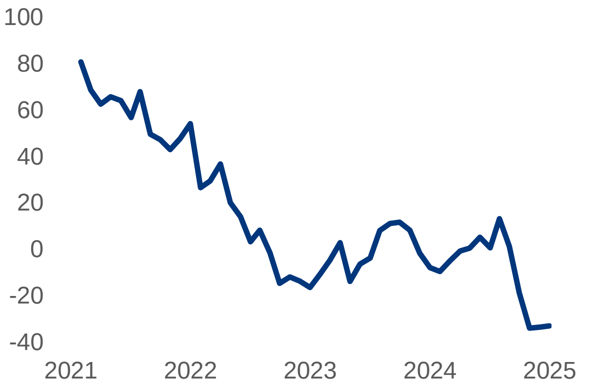
VIX Term Structure



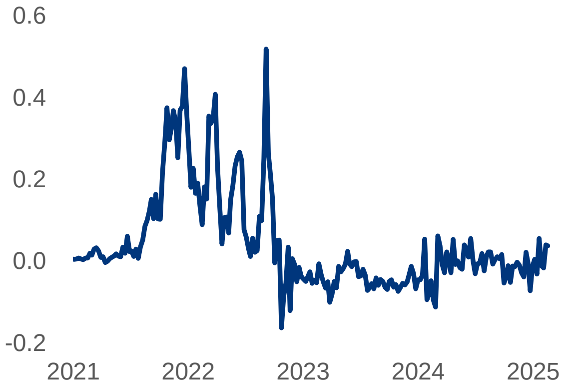
U.S. Citi Economic Surprise Index*



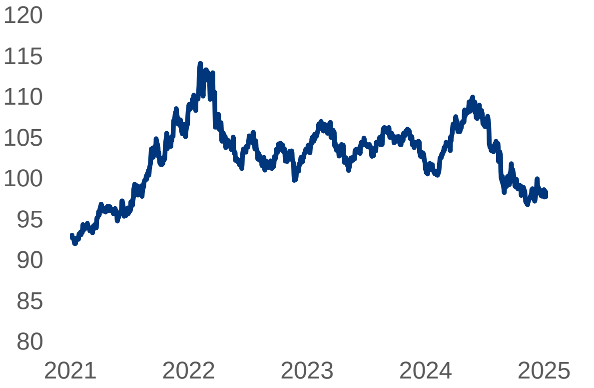
U.S. Citi Inflation Surprise Index*



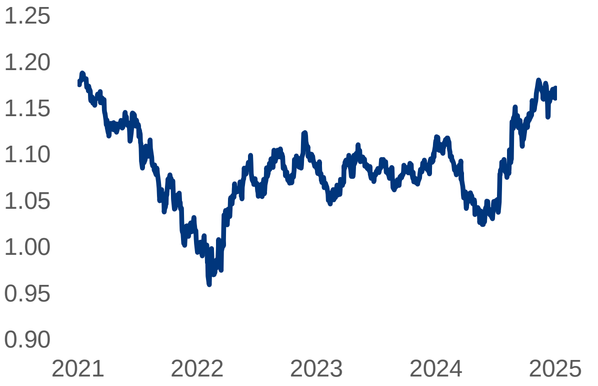
TED Spread (bps)



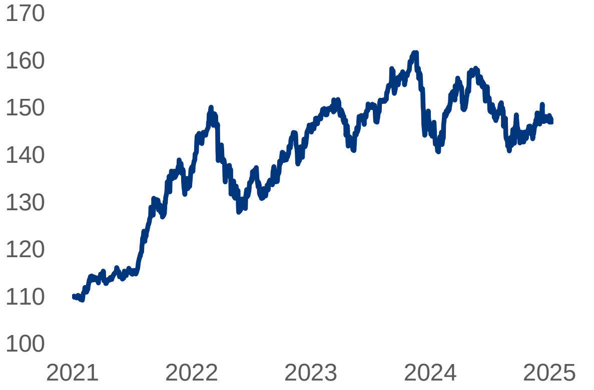
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg, 29 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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