CIO Office | Global Markets Weekly Kickstart

Favor Mid -To-Long Term Bonds

5 January 2025

01 **CIO Insights** The 3M Phenomenon in 2026

02 Chart of the Week

U.S. Tariffs Rise Through the Year, Lifting Revenue but Keeping Ultra-Long Yields Elevated

03 Market Recap

Final Week of 2025: U.S. Equities Flat, Europe Relatively Steady

04 What's Trending

Trade War Adds Volatility but Panic Creates Attractive Entry Points

05 In Focus

Short-Dated Bond Returns to Decline in a Cutting Cycle; Favor Medium-to-Long Tenor for Long-Term Positioning

06 Product Spotlight

Selection of HK, Taiwan Equities, Bonds and Funds/ETFs

CIO Insights The 3M Phenomenon in 2026

▶ **Multipolarity Deepening**

Despite the short-term trade truce between the US and China, the relationship for the two countries are likely to be a roller coaster ride with a lot of back-and-forth negotiation. On an increasing fragmented global trade picture, inflation is likely to stay stickily high.

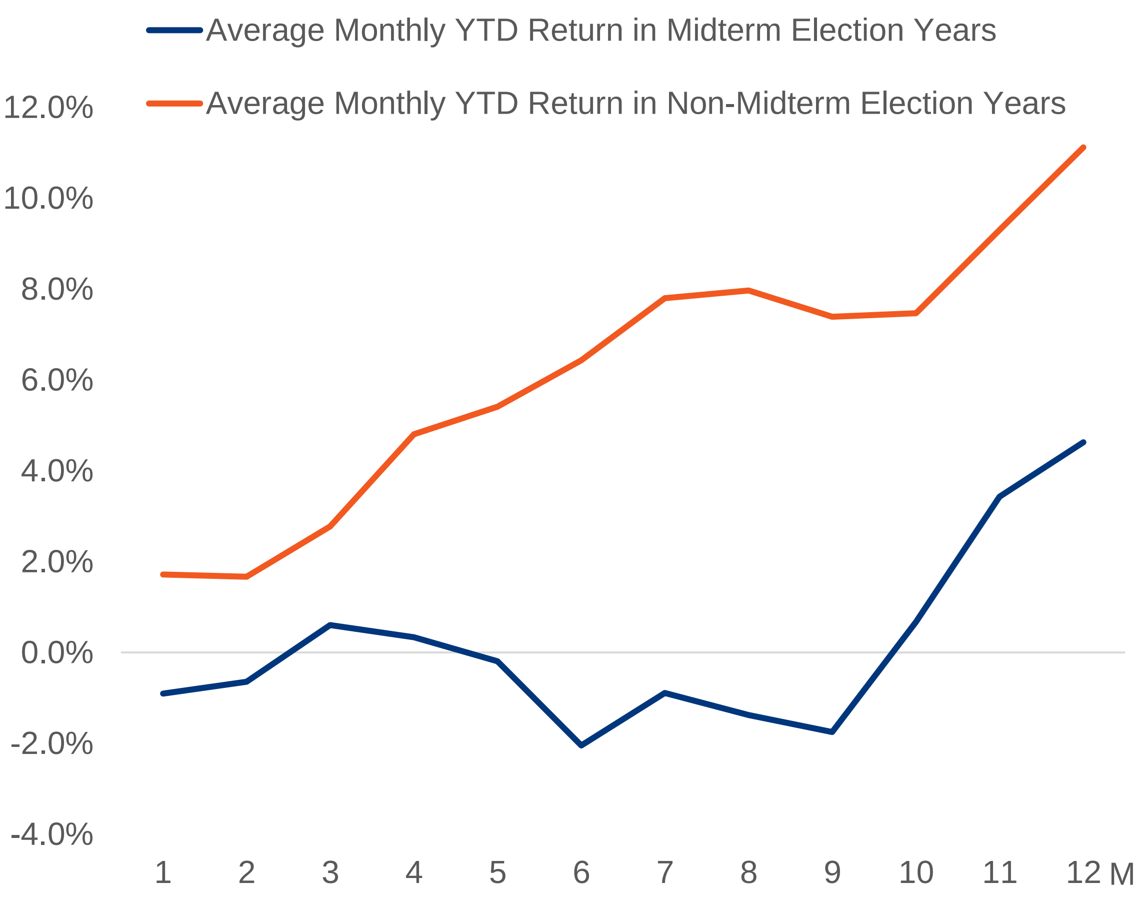
▶ **Midterms election impact**

The Trump's administration is losing its approval rating which could affect the chance of the republican party controlling the house. Historically, mid-term election tend to correlate with a relatively weak market performance due to the setback of the incumbent party.

▶ **Meddling in the Fed**

The market is expecting a slightly more than 2 times (25bp each) cut in the Fed rate in 2026. The expected change in the Fed chair may point to a more dovish trend of the interest rate. However, the wild card remains on inflation trend. If the effect of cheaper imported inventory running down in 2026, it may prove to be less positive for the interest rate trend.

U.S. Equities Volatile in Midterm Election Years, but Rebound Near the Election



Source: Bloomberg, KGI

Chart of the Week

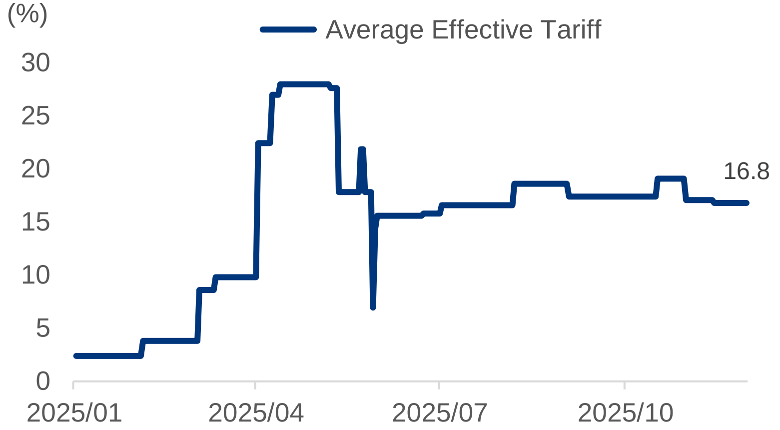
U.S. Tariffs Rise and Revenue Increases, but Ultra-Long Yields Stay Elevated

- **U.S. effective tariffs have climbed to 17%**, marking the sharpest annual shift in decades, with year-end levels the highest since the 1930s. This has reshaped global supply chains. We estimate tariffs will drag GDP growth by 0.3ppt, though increased AI investment offsets much of the impact. Tariffs generate over USD 200bn in revenue—4% of total government income, vs. 2% in 2024.

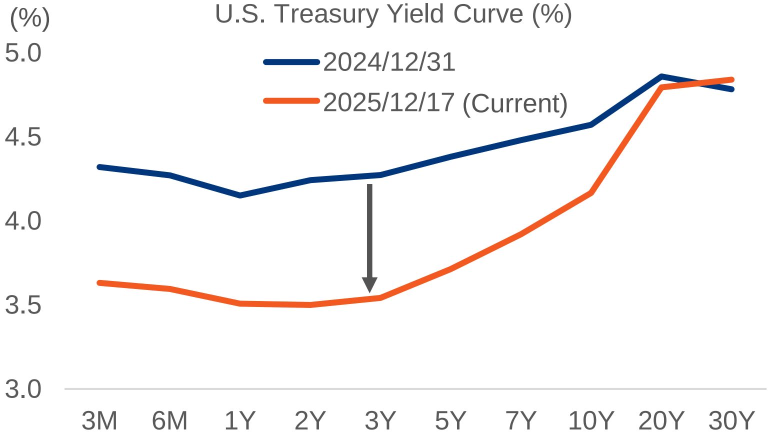
- **The Fed cut rates again**, delivering 75 bps of easing for the year, and ended QT in December to maintain ample liquidity. With core goods a small share of CPI, tariff-related inflation is largely one-off, and the Fed has avoided turning hawkish. Yields across the front end and belly have declined, but ultra-long yields remain elevated, steepening the curve. Other central banks, including the ECB and BoE, also cut rates, while Japan hiked, exiting its ultra-loose stance.

- **The U.S. Treasury market has calmed**. With the Fed back in a cutting cycle, yields have moved lower and total returns on Treasuries have been solid. The BofA MOVE Index, which tracks Treasury volatility (similar to the VIX for equities), has fallen steadily to a near four-year low.

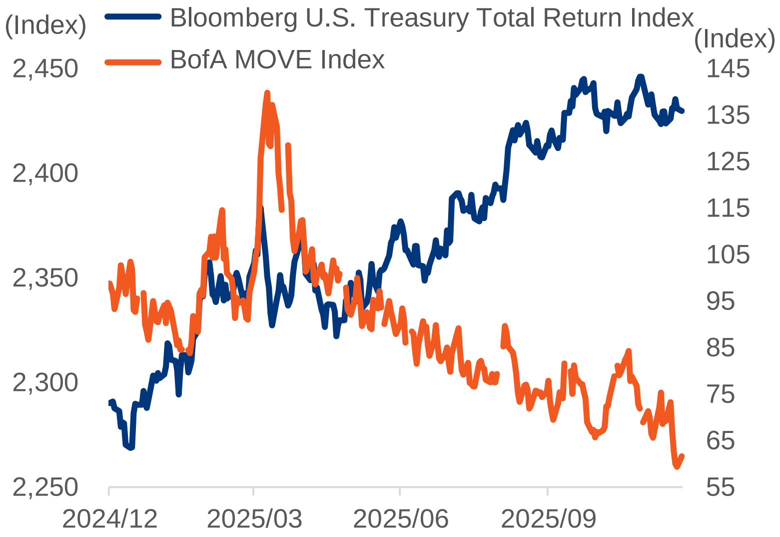
U.S. Effective Tariffs Rise to 17%, Highest Since the 1930s

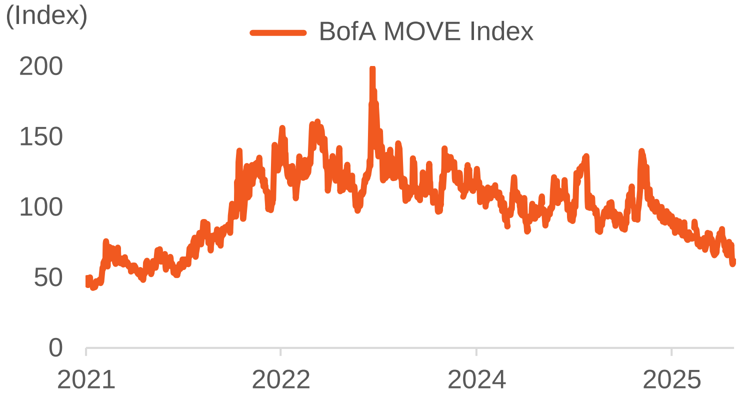


Yield Curve Steepens After Rate Cuts



U.S. Treasury Market Has Gradually Calmed This Year





Source: Bloomberg, The Budget Lab, KGI

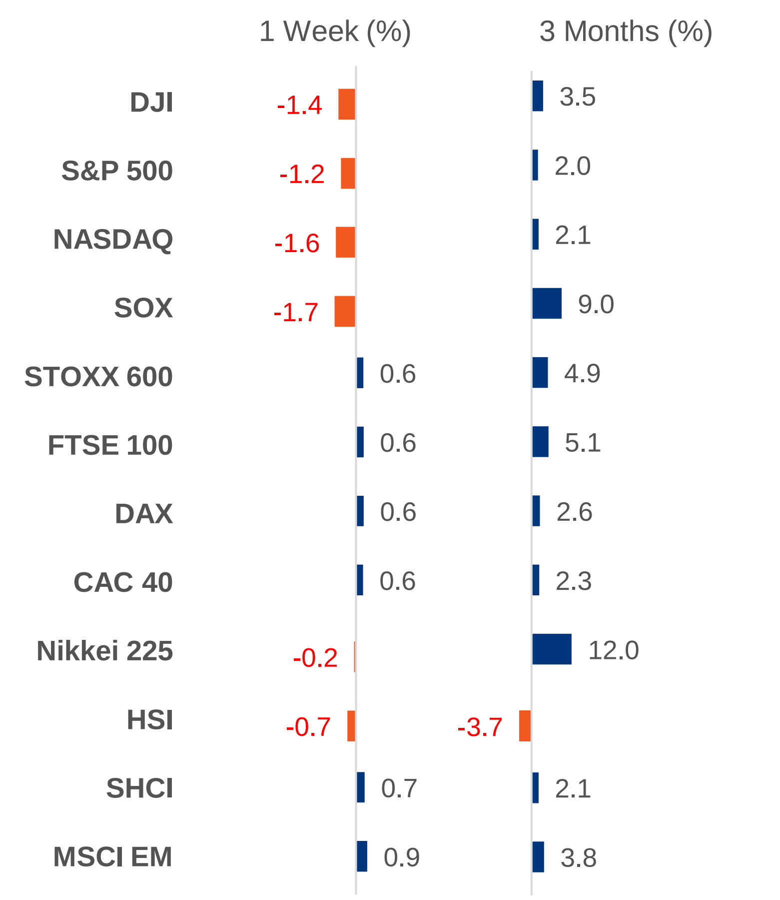
KGI

Market Recap

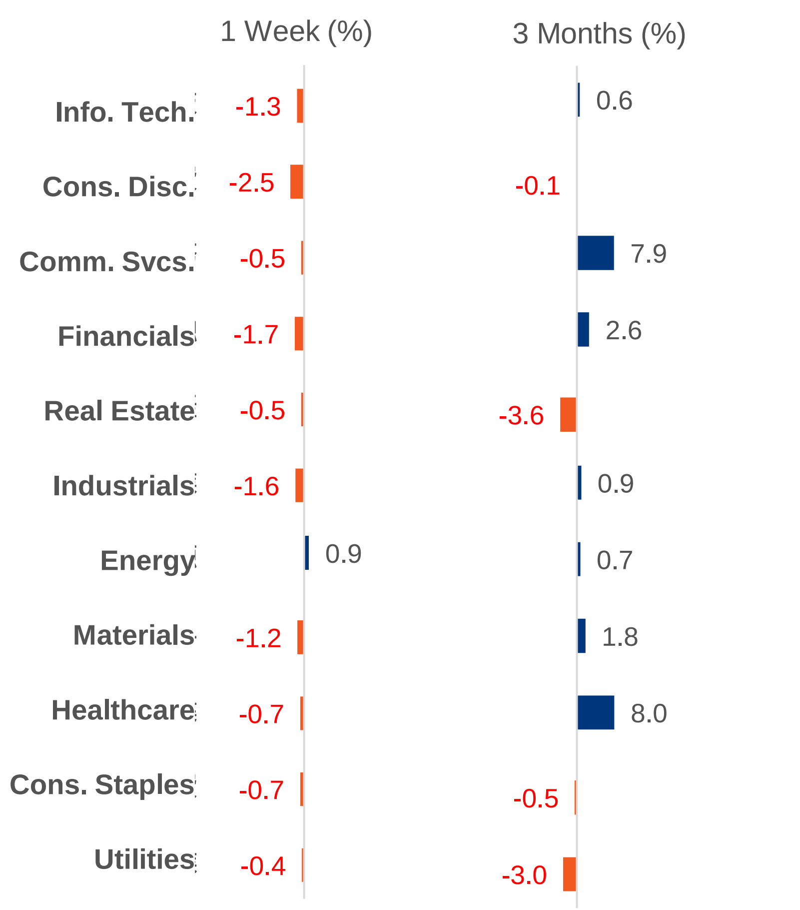
Final Week of 2025: U.S. Equities Soft; Europe Holds Steady

- In the final week of 2025, with limited corporate news flow and no fresh catalysts—and shortened trading sessions due to holidays—investor participation was muted. All three major U.S. indices extended mild declines. Energy was the only sector posting a modest gain, with some rotation into traditional sectors.
- For the full year, the S&P 500 rose 16.4%, near its record high, marking a third straight year of double-digit gains. The Nasdaq and SOX posted +20.4% and +42.2%, while the Dow, weighed by lower tech exposure, gained 13.0%.
- While U.S. year-end performance was soft, European equities held firmer. The Stoxx 600 ended 2025 near its historic high, its best year since 2021.
- Media reports indicated Chinese tech firms have ordered over 2mn Nvidia (NVDA) H200 chips, but current inventory is only around 700k. Nvidia is therefore seeking increased output from TSMC (TSM). In thin holiday trading, Nvidia dipped slightly for the month.

Regional Index Performance (%)



U.S. Sector Index Performance (%)

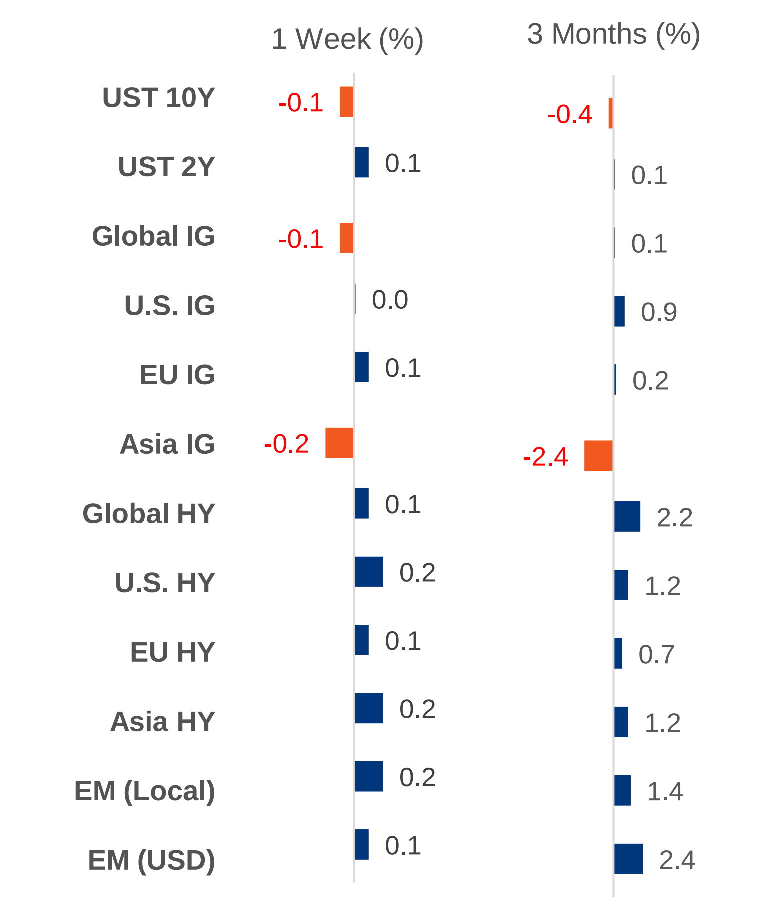


Source: Bloomberg

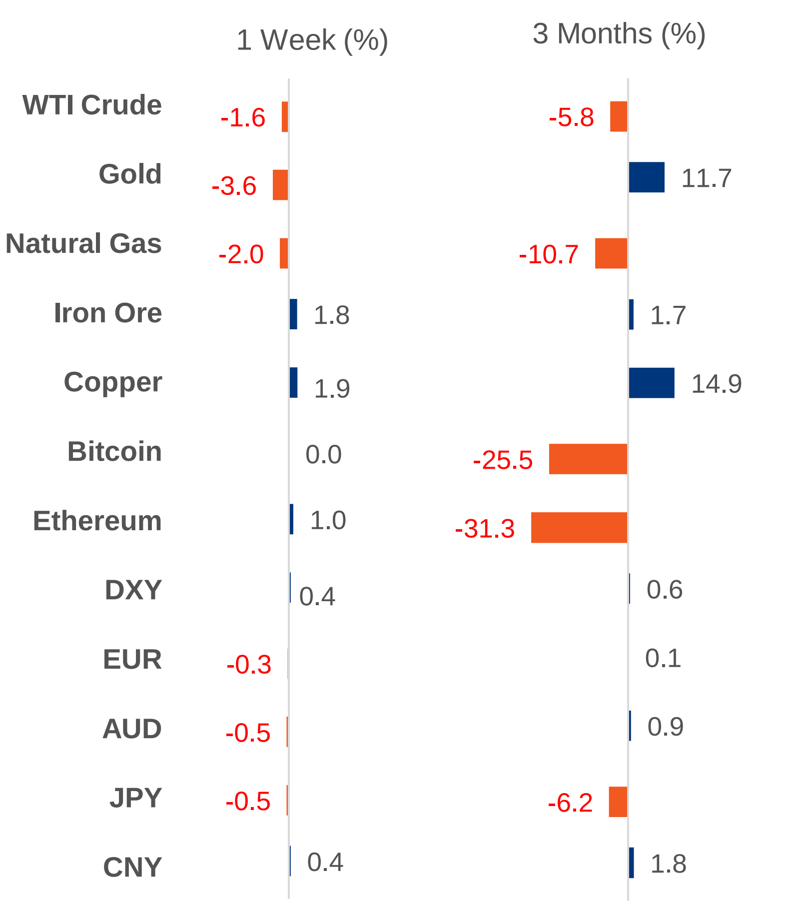
Yield Curve Steepens; Precious Metals Highly Volatile at Year-End

- Minutes from the December FOMC meeting showed notable division among officials on the policy path, raising the likelihood of a pause at an upcoming meeting. Most officials believe shifting policy toward neutral would help avoid further labor-market deterioration. Conversely, easing too aggressively while inflation remains elevated risks undermining the Fed's credibility on the 2% target.
- Rates futures still price 25–50 bps of cuts next year. Treasury yields were mixed: the 2Y fell while the 10Y rose, steepening the curve. The Fed is maintaining accommodation under political pressure, keeping front-end yields low; however, risks around Fed independence and inflation could push long-end yields higher and keep the curve steep.
- Precious metals saw extreme year-end volatility. Gold retreated after hitting a record above USD 4,500/oz and may consolidate before resuming its uptrend, supported by central-bank diversification and rate cuts. Other precious metals (silver, platinum, palladium) outperformed gold through December amid tighter supply and a surge in futures activity. Volatility in metals weighed on mining stocks.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



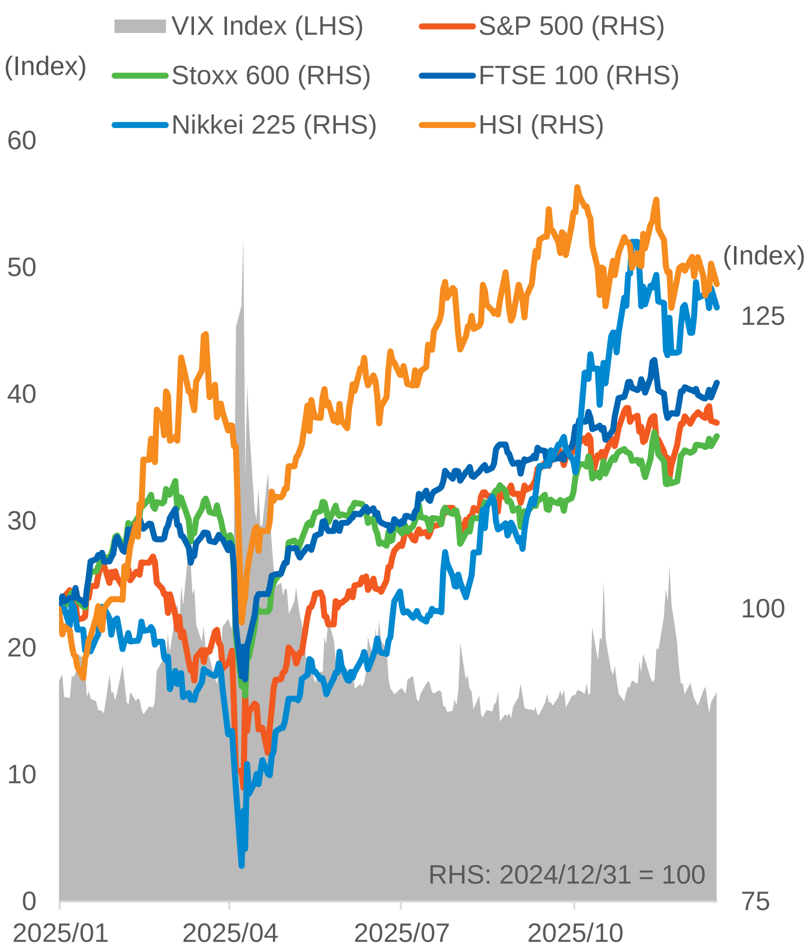
Source: Bloomberg

What's Trending

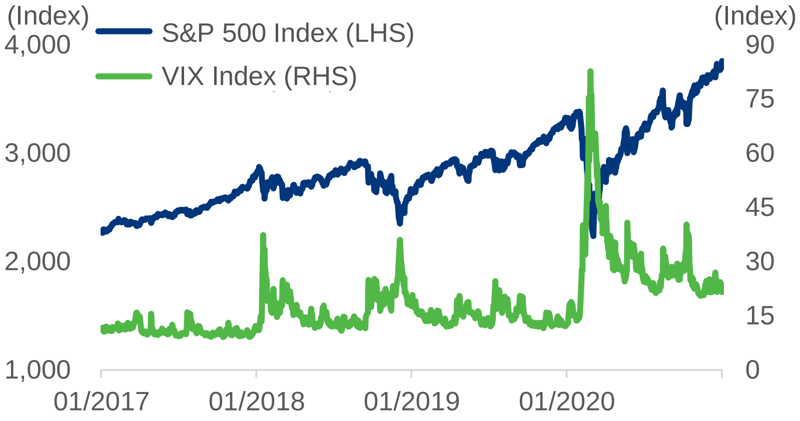
Trade War Spurs Market Volatility, but Panic Creates Ideal Entry Points

- Although Trump announced steep tariffs on Liberation Day, triggering a trade war and a sell-off in risk assets—with the VIX spiking to around 52—sentiment improved as the U.S. and multiple countries later reached agreements, driving a rebound in global equities, including U.S. stocks.
- As we noted in December 2024, Trump's primary objective is to secure more favorable deals for the U.S., meaning policies are unlikely to inflict major economic damage. During his first term, the fear gauge briefly surged above 30 before markets staged a sharp rebound. Historically, buying large-cap stocks during VIX spikes has outperformed random entry points; the same pattern appeared this year on Liberation Day.
- With 2026 being a midterm election year, Trump may soften trade measures to avoid hurting his political standing. However, if reciprocal tariffs are overturned and new tariffs are introduced to compensate for fiscal revenue, uncertainty could rise again, lifting volatility—but also creating attractive buying opportunities.
- Beyond buying large caps when the VIX jumps, investors can add portfolio protection when the VIX is near average levels, such as by purchasing put options or taking long VIX positions—strategies built around VIX dynamics.

VIX Spike Created Buy Opportunities This Year



VIX Spiked Sharply During Trump's First Term



U.S. Risk Events Early in the Year

Jan	China Tightens Export Licensing for Rare Earths; Trade Tensions Rise
	Supreme Court Begins Hearing on Removing Fed Governor Cook
	Fed Governor Miran's Interim Term Ends
	Supreme Court Rules on Tax Constitutionality
	Trump Expected to Nominate New Fed Chair (Pending)
Feb	European Parliament Votes on EU–U.S. Trade Agreement

Source: Bloomberg

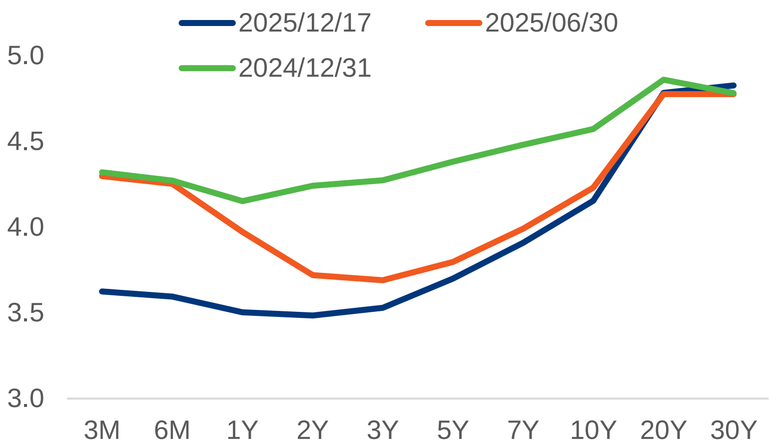
In Focus

The Fed Cut 75 bps, but Ultra-Long Yields Remain Elevated

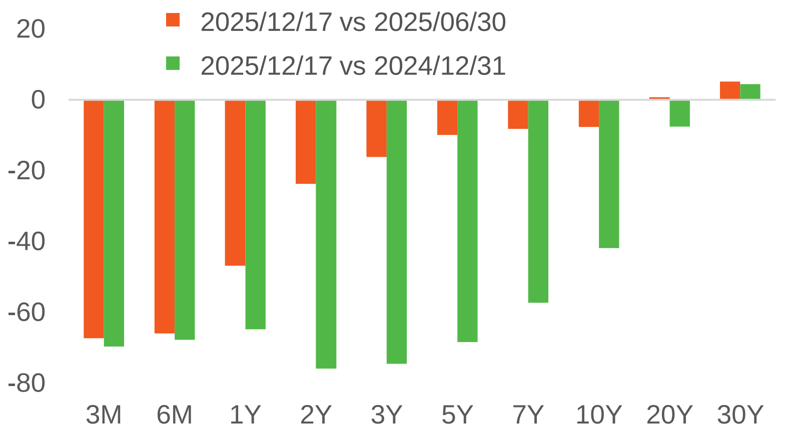
- The Fed resumed rate cuts in the second half, delivering 75 bps of easing. U.S. Treasuries across most maturities posted solid performance YTD. However, yields beyond 20 years have not fallen meaningfully—30Y yields even edged higher—so total returns on ultra-long bonds were roughly equal to their coupons, meaning almost no price-driven gains.
- The divergence in yields reflects differing catalysts at the front and long ends. Short-term rates respond directly to Fed policy; lower front-end yields reflect the ongoing rate-cut cycle and expectations of further accommodation, with 1–3Y yields especially subdued.
- Longer maturities are far less sensitive to policy rates. Tariff-driven inflation expectations, concerns around fiscal discipline, questions on monetary-policy independence, and a resilient U.S. economy all keep long-end yields elevated. As a result, the yield curve has steepened, with uneven declines across maturities leading to varied price gains within Treasuries.
- Outside U.S. Treasuries, the spread between investment-grade (IG) corporates and government bonds is extremely tight, meaning moves in Treasury yields carry significant impact on IG credit pricing.

U.S. Cut 75 bps in 2025, but Ultra-Long Yields Stayed Elevated

U.S. Treasury Yield Curve (%)

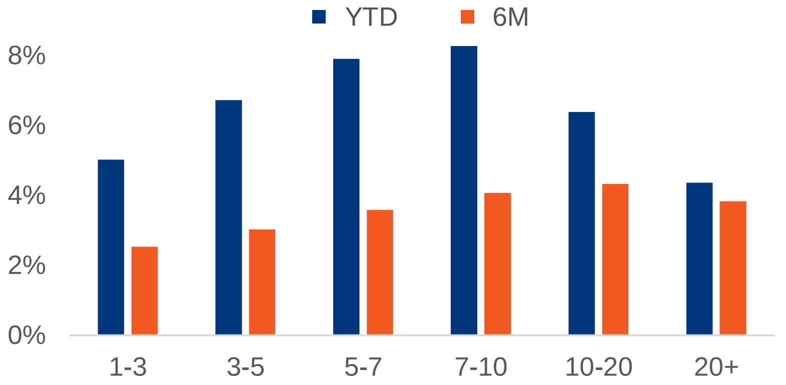


Changes (bps)



Medium-to-Long Tenor Treasuries Outperformed

Bloomberg U.S. Treasury Total Return Index



30Y U.S. Treasury Prices Softened in 2025

U.S. Treasury 4.50%, maturing 2054/11/15 – Price

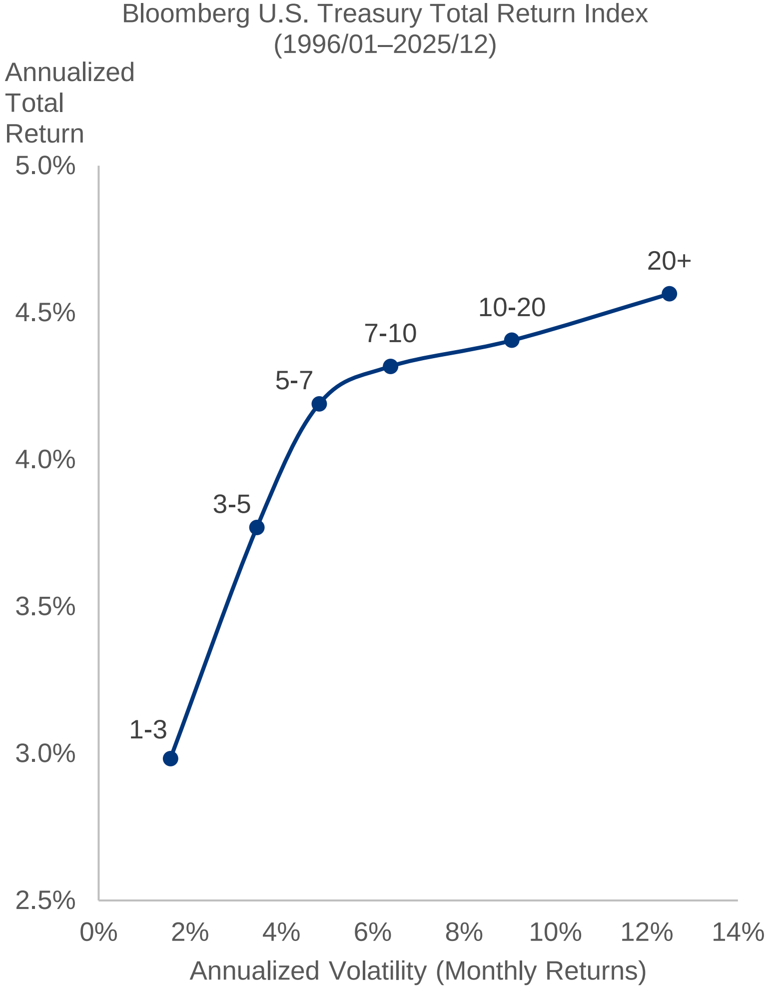
Source: Bloomberg

KGI

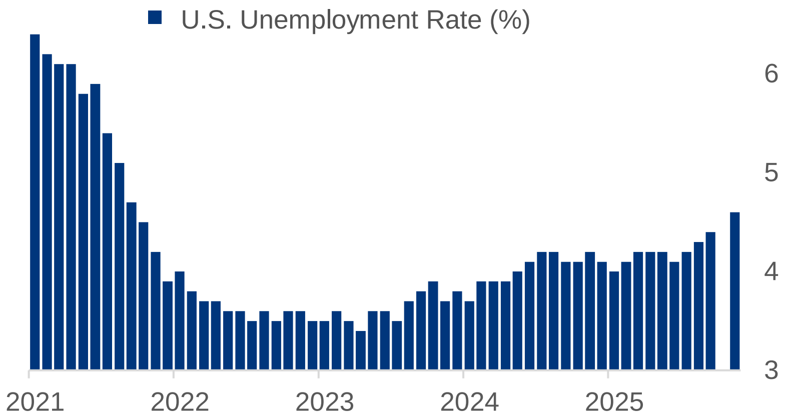
Short-Dated Bond Returns to Fall in a Cutting Cycle; Favor Medium-to-Long Tenors for Long-Term Positioning

- U.S. unemployment rose to 4.6% in November, the highest since September 2021. Given rising slowdown risks, we estimate the Fed still has room to cut, with yields across maturities likely to decline. The 10Y yield may bottom at 3.7–3.9% in the first half. Long-dated Treasuries will remain out of favor, keeping the curve steep.
- Into 2H26, the U.S. economy may approach a trough, and markets may have priced in the end of the Fed's easing cycle. Medium-to-long yields could then bottom and rebound. After the Trump-nominated Fed Chair takes office, a more accommodative stance may anchor front-end yields, while risks around Fed independence could push long-end yields higher and keep the curve steep.
- As noted earlier, short-dated bonds offer a high return-to-risk ratio and suit short-term parking or very conservative investors, but returns will fall in a rate-cut cycle. With the curve now sloping upward, extending duration modestly toward the middle and long end can improve potential returns. Many bond funds also concentrate in the belly of the curve. Maturities beyond 20 years, however, remain a trade on "U.S. fiscal conditions and Fed independence," carrying higher relative risk.

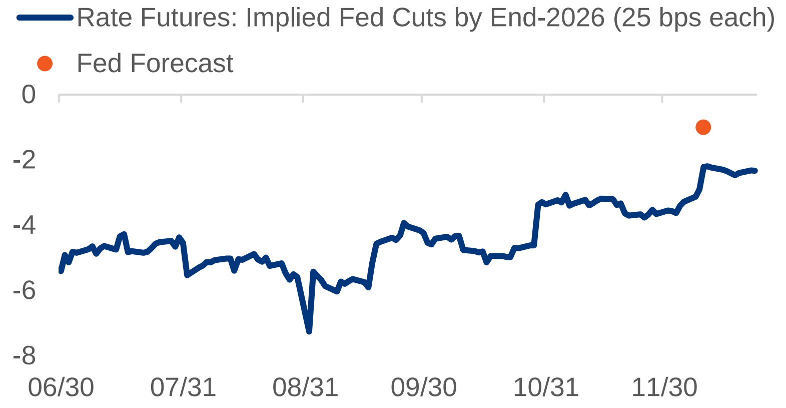
Total Return of U.S. Treasuries Across Different Maturities



U.S. Unemployment Rises to Multi-Year High



Market Still Expects Two More Cuts Ahead



Source: Bloomberg

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	◆ 2026 allocation can follow L (Liquidity Shift), E (Earnings Focused), A (Adding Credit), and D (Diversified Asset) to respond to macro drivers. With expected USD softness and flows into non-USD assets, equity investment should focus on growth while maintaining valuation discipline, paired with bonds for balanced risk and enhanced returns. ◆ Eurozone equities for diversification; country picks include fiscally stimulative Germany and fast-improving Spain. Sector focus on financials with stronger balance sheets and defense supported by policy. In the U.S., focus on domestic consumption, banks, and semiconductors.	**Strategy:** AI beneficiaries including semiconductors, utilities, industrials; non-AI exposures include aerospace, defense, and pharma. **Regions**: Germany, Spain, Japanese banks, Japanese semiconductor stocks.
Bonds	◆ With the yield-curve steepening, opportunities exist in medium-to-short duration Treasuries and high-grade credit, plus select EM credit post spread adjustments. Attractive sectors include financials, utilities, and industrials. ◆ USD long-end valuation remains uncertain; increase non-USD IG bond exposure such as EUR, SGD-denominated IG.	**Duration:** Medium-to-short duration government bonds, high-grade credit. **Types:** High-grade credit, especially financials, industrials, utilities.
Forex	◆ Fed's gradual cuts delay the turn in expectations, but weak labor data and cooling inflation widen U.S. cut expectations. In 2026, Fed independence may face challenges, keeping the USD biased weaker. ◆ BoJ rate hikes and government preference for gradual normalization support JPY; Fed easing keeps USD soft; narrowing U.S.–Europe rate differentials support EUR strength.	**USD:** mildly softer **JPY, EUR:** biased higher
Commodity	◆ U.S. inflation remains sticky, but expectations of continued Fed easing plus geopolitical risks—including U.S./Nordic pressure on Russia's oil exports—keep commodity prices elevated. Tech and semiconductors are driving strong silver demand; geopolitical tension and sanctions support gold.	**Gold**: Bullish in the medium to long term **Silver:** Remains strong in the near term.

Product Spotlight | HK Equities

2025 Recommendation Review

2025 Top Performers in China and Hong Kong Equities

This week we continue our review of 2025 China/Hong Kong equity and ADR stock-picking strategies, focusing on the best return performers: Tencent Music (1698) and Futu (FUTU). The former benefited from growth in service-oriented consumption, while the latter was driven by a re-rating of China/Hong Kong equities that boosted trading activity.

Online Music Industry: Structural Growth Driven by Service Consumption

China’s consumption model is rapidly shifting toward “services and experiential spending.” Online music, as a highly sticky digital service, has demonstrated strong counter-cyclical resilience. Leading platforms successfully optimized membership systems in 2024–2025, restoring profitability. Looking ahead to 2026, with service consumption continuing to gain share, the industry outlook remains positive. AI enablement and rising demand for high-quality audio are expected to drive sustained ARPU growth, positioning sector leaders as key beneficiaries of service-sector revaluation.

2026 Capital Markets: High Base Challenge Ahead

Compared with content consumption, the digital securities industry is highly cyclical. In 2025, China/Hong Kong equities were buoyed by policy support and liquidity, creating exceptionally strong investor sentiment. This delivered record trading volumes and asset growth for leading platforms. However, it also set a very high comparison base for 2026. As market enthusiasm normalizes, the industry will face cautious tests from potential volume pullbacks and slower growth momentum.

Return Tracking

Product Name	Recommendation Date	Product Name Since Recommendation (%)
Tencent Music – SW	2025/4/22	69.9%
Futu Holdings Ltd.	2025/3/31	58.5%
UBTECH	2025/8/4	43.0%
Alibaba – W	2025/4/14	41.0%
CATL*	2025/6/9	40.5%
Hesai	2025/9/29	-21.6%
Leapmotor	2025/7/28	-22.5%
Pop Mart	2025/6/30	-27.2%
Meituan – W	2025/4/14	-28.0%
Li Auto – W	2025/7/28	-44.5%

Returns calculated from recommendation date to 31 Dec 2025 or exit date.
*Indicates delisted.

KGI

Tencent Music (1698)

Closing Price HK $68	Target Price HK $90

The group operates one of China's largest online music entertainment platforms, offering music streaming, online karaoke, and live-streaming services.

Market Overreacts to Share-Loss Concerns

New platforms have emerged recently, triggering concerns about intensified competition and potential market-share erosion, leading to share-price volatility. We believe the reaction is excessive. Although monthly active users dipped slightly QoQ, paid subscribers continued to rise, showing strong stickiness. Users who churned were mostly non-core with low monetization potential. Tencent Music continues to upgrade its SVIP strategy, with both ARPU and paid-user growth improving in 3Q.

Differentiated Services Sustain Competitive Advantage

Despite a more competitive landscape, Tencent Music stands out through its "online + offline" service integration. Online, it maintains long-term exclusive partnerships with top Chinese artists and major global labels. Offline, it continues to build its fan-economy ecosystem—including merchandise and concerts—with perks such as SVIP early ticket access. This differentiated experience reinforces its core user base.

Fundamentals Intact; Valuation Turning Attractive

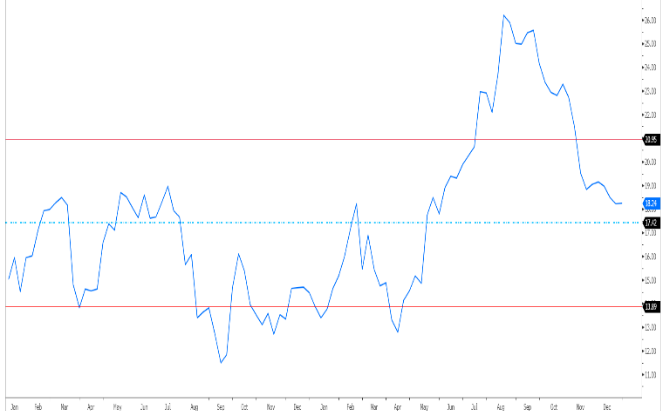
Even with rising competition, Tencent Music's differentiated services preserve its competitive edge, and market expectations for its earnings remain positive. The valuation pullback offers a better re-entry opportunity. The current forward P/E has fallen to 18.7x. Given Tencent Music's stable cash flow, we assign a target price of HKD 90, implying 24x forward P/E based on a DCF framework.

Source: Bloomberg

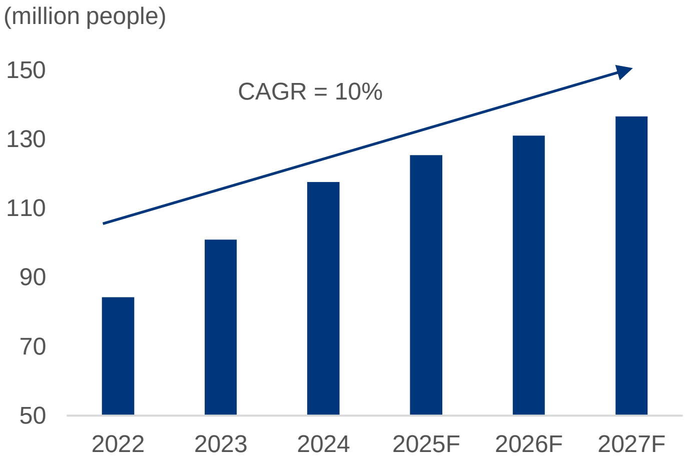
Financials

	2022	2023	2024	2025F	2026F
Revenue (CNY bln)	31.2	28.3	27.8	28.4	32.7
Revenue YoY	-9	-2	2	15	13
EPS (CNY)	1.3	1.9	2.5	3.2	3.4
EPS YoY	4	46	31	30	6
ROE(%)	7.5	9.5	10.7	14.1	12.5

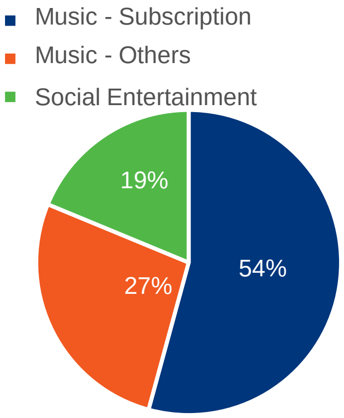
Forward P/E Ratio



Subscriptions



Revenue Contribution (%)



Futu (FUTU)

Closing Price	US $164.2	Target Price	US $ -

Futu provides digital financial services, including securities brokerage and wealth-management products.

Share Price Strength Driven by Solid Fundamentals

Since our recommendation, Futu has returned about 60%. Its strong 2025 performance is fundamentally driven. Revenue and profit are expected to grow 63% and 90%, respectively, supported by valuation re-rating in China/HK equities and higher per-client AUM that boosts net interest income.

2026 Growth Faces High-Base Pressure

Entering 2026, Futu will face a significant high-base effect. Revenue growth is expected to slow to mid-double-digit levels, and with 50 bps of expected rate cuts next year, net interest income momentum will soften. While lower rates support margin-financing demand, the already elevated trading base means the marginal benefit may not offset growth deceleration. Overall business growth is likely to plateau.

Japan Expansion Brings Profitability Risks

Internationally, Japan is Futu's key expansion market. Although client numbers saw triple-digit YoY growth in 3Q, customer acquisition costs continue to rise. Importantly, Japanese online brokers operate with structurally lower ROE than Futu. With sustained high spending, it remains unclear whether Futu can demonstrate long-term profitability in Japan—this requires more time to validate.

Investment Strategy & Allocation View

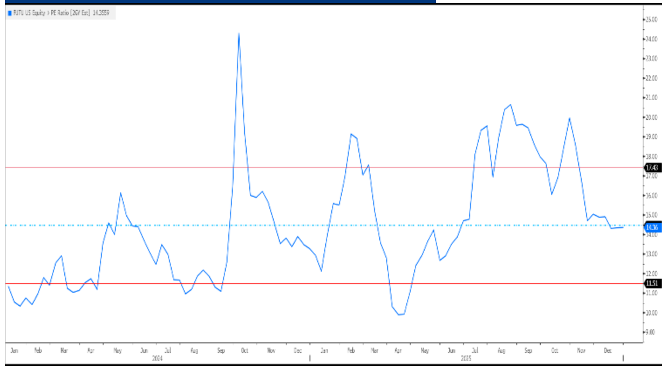
Given slowing growth expectations and rising cost pressures, we recommend holders take profit at higher levels. Strategically, we suggest rotating into AIA (1299) to capture opportunities from improving global liquidity and a lower-rate environment. Compared with the brokerage sector, AIA offers a better balance of defensiveness and growth. (For details, refer to the single-stock report dated 3 Nov 2025.)

Source: Bloomberg

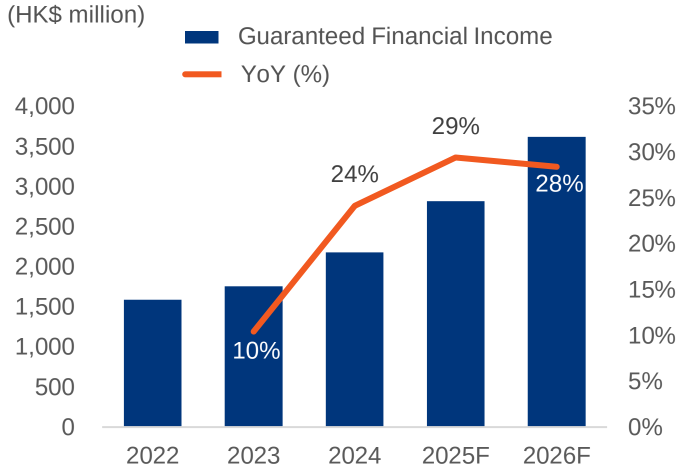
Financials

	2022	2023	2024	2025F	2026F
Revenue (CNY bln)	7.6	10.0	13.6	22.2	25.3
Revenue YoY	7.0	31.4	35.8	63.3	14.1
EPS (CNY)	20.6	32.6	41.2	78.6	89.6
EPS YoY	9.8	58.8	26.2	90.7	14.0
ROE(%)	14.0	18.9	20.7	31.5	28.0

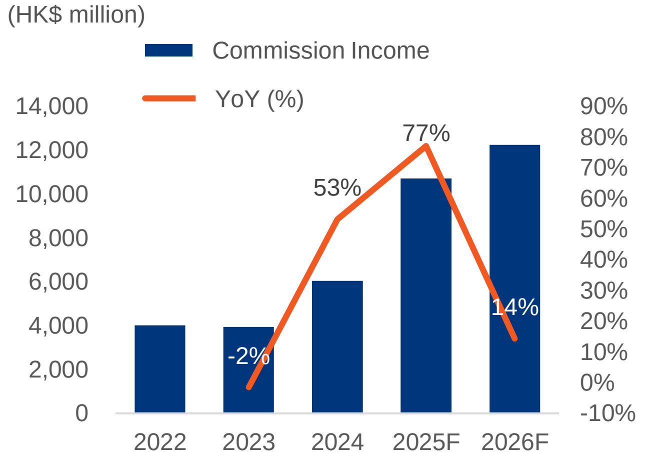
Forward P/E & P/B Ratio



Guaranteed Financial Income and YoY (%)



Commission Income and YoY



TW Equities A Strong Start to 2026; AI Investment Boom May Extend Taiwan's Bull Cycle

Taiwan Equities Open 2026 Strong, Index Surges to New Highs

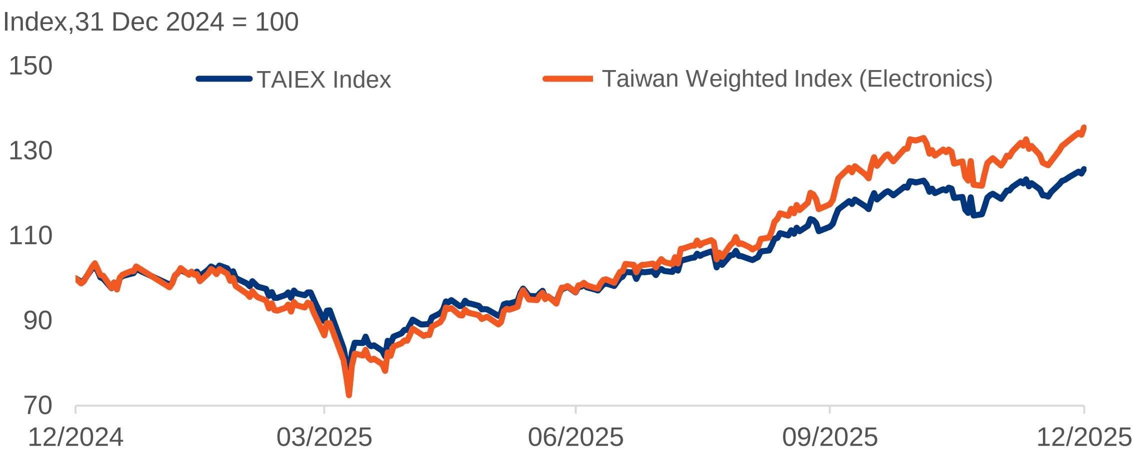
The Taiwan market ended 2025 with a 25.74% annual gain, marking a strong finish. Entering 2026, the index continues to climb along the 5-day moving average, repeatedly hitting new highs. On Wednesday, the intraday peak broke above the 29,000 level. Historically, after breaking major round numbers, the index often enters short-term consolidation or pullbacks. However, as long as the market stays above the 5-day moving average, the short-term uptrend can continue.

AI Investment Boom Still Early; Taiwan's Bull Trend Likely to Extend into 2026

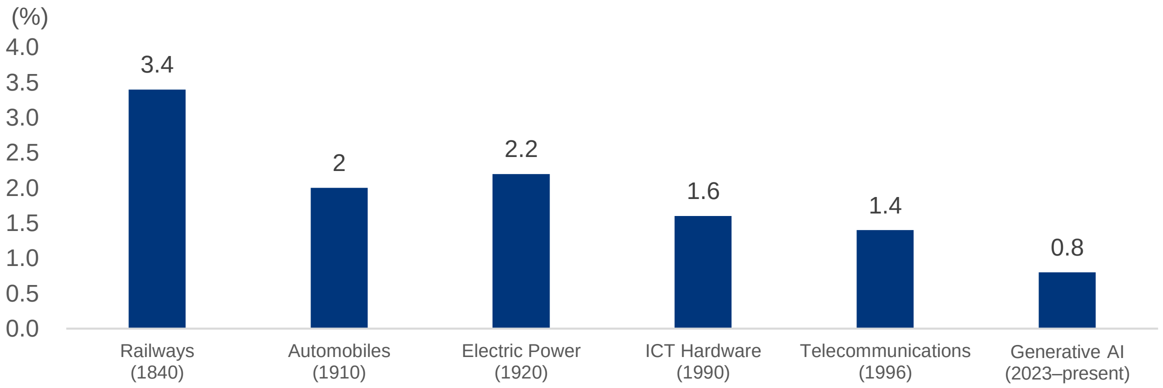
Compared with the nearly 5-year upcycle of the 2000 dot-com boom, the current AI-driven rally has lasted only around 3 years, suggesting the trend remains mid-cycle and may extend through 2026. Although AI investment appears strong, generative AI capex still accounts for only ~0.8% of GDP—well below the 2–3% peak levels seen in major technological revolutions such as railroads, automobiles, electricity, and IT, indicating the growth cycle is still early.

We estimate 2026 investment will concentrate on two major themes:(1)AI supply-chain upgrades — foundries, GPUs/ASICs, advanced packaging (CoWoS), memory, PCB, power systems, and other key components should benefit from expanding AI compute demand.(2)Diversified and defensive allocation** — the introduction of the folding iPhone and smart wearables should support consumer-electronics innovation, while domestic-demand names with resilient fundamentals and stable yields can provide a balanced mix of growth and income. Overall, 2026 portfolios should balance high-growth AI exposure with defensive assets to navigate market volatility.

TAIEX Index and Taiwan Electronics Sector Trends



Share of Emerging Technology Investment as a % of GDP (Historical)



Source: Bloomberg

Alchip – KY (3661 TT)

Alchip specializes in high-complexity ASIC and SoC design and production services, with a team built around IC-design veterans from Silicon Valley and Japan.

Key Features

U.S. Hyperscaler's 3nm Project to Ramp in 2Q26

Management noted that its U.S. hyperscaler client's 3nm project will enter mass production in 2Q26. Although slightly later than expected, the impact on full-year revenue is limited. Gross margin is expected to be similar to—or better than—7nm. If demand is revised upward, wafer starts can be increased accordingly. Supply-chain checks indicate Alchip's CoWoS-R orders represent roughly 30–35% of the client's major foundry capacity. Once mass production begins, the 3nm project should account for about 55–60% of 2026 revenue.

3nm Hyperscaler Project, China OEM ADAS, Crypto, and Networking Lead Growth

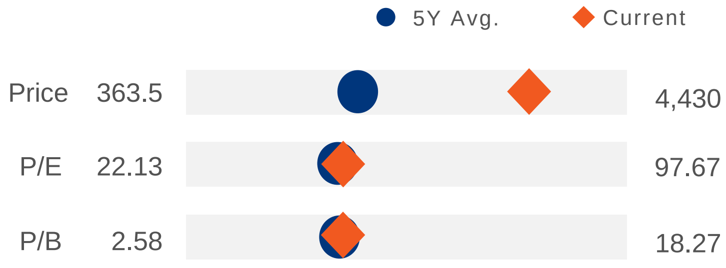
The U.S. hyperscaler 3nm project is expected to reach multi-billion–dollar revenue in 2026–27. The China OEM ADAS project will contribute for the entire year starting 1Q26, with a scale of USD 300–400m. Additional support will come from 3nm crypto-mining chips and networking ASICs, while a 2nm networking project is expected to enter production in 2027.Based on these drivers, we estimate 2026 revenue to grow 138% YoY to NT$77.7bn, with gross margin around 20.6%, down 3.9 ppts from 2024.

Financials

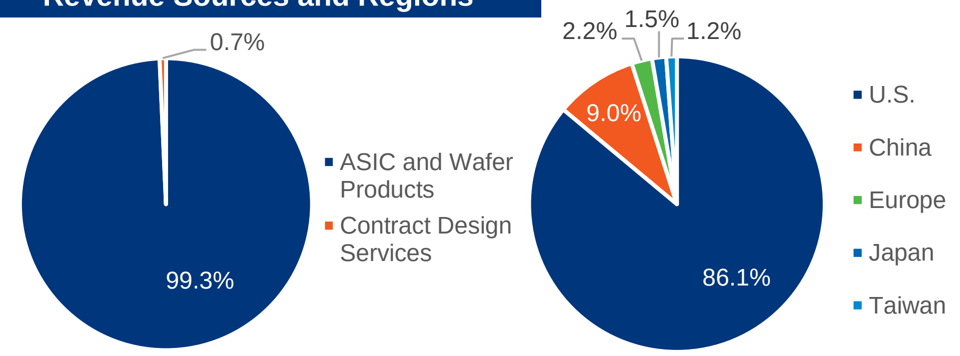
	2022	2023	2024	2025F	2026F
EPS (NTD)	25.69	45.47	81.34	66.40	134.46
EPS Growth (%)	20.4	77.0	78.9	-18.4	102.5
P/E Ratio	119.7	67.6	37.8	46.3	22.9
ROE (%)	15.7	21.4	22.4	14.3	27.3

Source: Company data, estimates of KGI analyst

Valuations

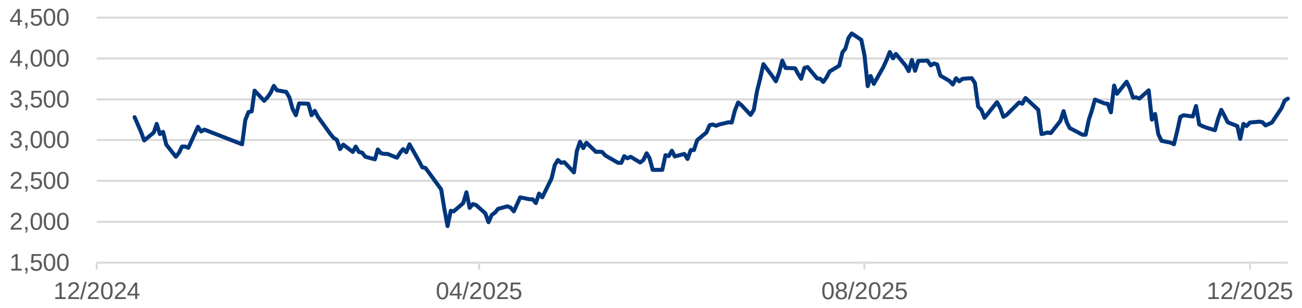


Revenue Sources and Regions



Source: Bloomberg

1-Year Price



As of 31 Dec 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	9.01	6.20	1.30	13.41	7.01	7.01

Waltop (6223 TT)

Waltop provides probe cards, optoelectronic automation, advanced semiconductor testing, and thermal solutions. Its probe-card offering includes CPC (cantilever), VPC (vertical), and MEMS designs.

Key Features

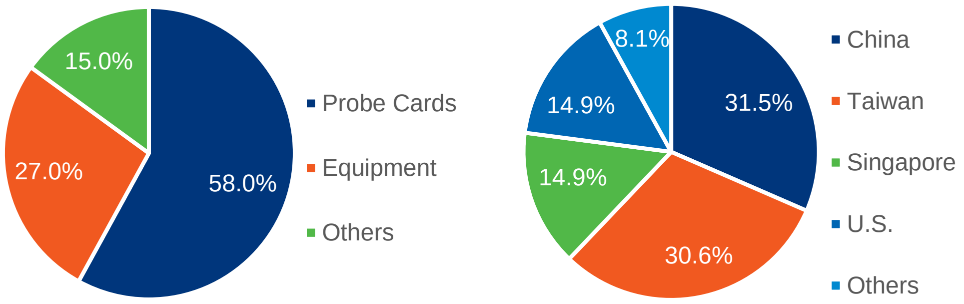
CPO Equipment to Ship in 2H26; Margin Outlook Improving

We estimate 2026 revenue to grow 42% to NT$18.5bn, supported by exclusive supply for a U.S. AI ASIC customer and second-half CPO equipment shipments. MEMS probe cards carry a 20–25% price premium over traditional products, and their revenue mix will rise from 10% to 25%, lifting gross margin to 59% (+3ppt YoY). Full-year profit is projected to rise 86.5% to NT$5.85bn, with EPS reaching NT$62.08.

ASIC Probe-Card Leadership Intact; Capacity Expansion Supports 2027 Momentum

Waltop continues to expand ASIC probe-card capacity. We estimate VPC/MEMS combined capacity will exceed 4mn pins/month by end-2026, supporting 2027 growth. With next-gen AI ASIC demand and equipment shipments, 2027 revenue is expected to rise 17.4% to NT$21.7bn, with profit up 23.8% to NT$7.24bn and EPS at NT$76.87.

Revenue Sources and Regions



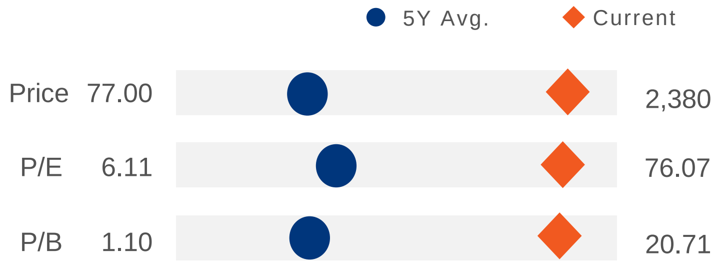
Source: Bloomberg

Financials

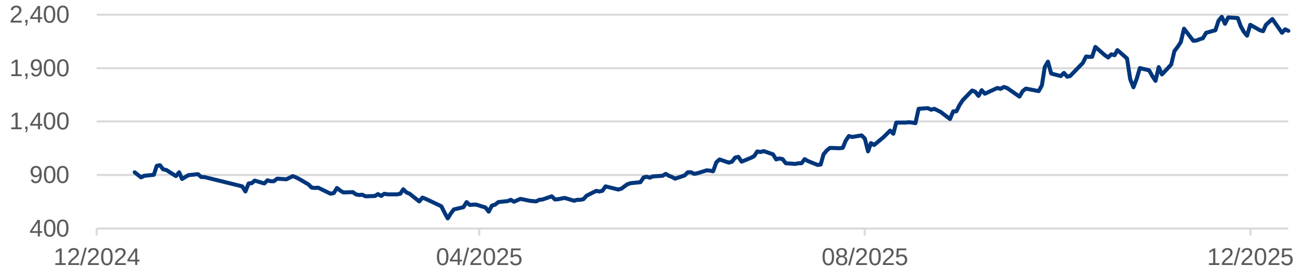
	2022	2023	2024	2025	2026F
EPS (NTD)	13.92	24.42	32.98	62.08	76.87
EPS Growth (%)	8.0	75.4	35.0	88.3	23.8
P/E Ratio	137.2	78.2	57.9	30.8	24.8
ROE (%)	18.1	27.2	33.7	57.7	49.1

Source: Company data, estimates of KGI analyst

Valuations



1-Year Price



As of 31 Dec 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	0.22	-0.88	31.20	138.10	142.98	142.98

Mutual Funds/ ETFs

In a Rate-Cut Environment, Use Medium-to-Long Duration Bonds for Long-Term Positioning

► PIMCO GIS Income Fund

- One of the world's largest actively managed fixed-income funds.
- Has navigated multiple market cycles and consistently captures post-volatility opportunities.
- Offers attractive yield; despite lower market yields, the fund still delivers an estimated yield-to-maturity above 6%, giving it a competitive edge.
- Long-term performance is well recognized, winning the Lipper Fund Award Hong Kong 2023 for Best Global Bond USD Fund (10-year category).
- Managed by an award-winning team led by Group CIO Dan Ivascyn, Alfred Murata, and Josh Anderson, with nearly 30 years of average experience and supported by a global credit research team of 80+ analysts.
- Latest annualized distribution yield: 6.12% (Class E USD).

Product	PIMCO GIS收益基金	
Features	■ Global diversification helps mitigate risk and capture return opportunities across different markets ■ The fund is large in scale, carries an average credit rating of AA-, and holds a 4-star Morningstar rating	
AUM	USD 118.5 billion	
Holdings	764	
3M/YTD Return	2.18% / 9.60%	
Asset Allocation (%)	Mortgage Bonds Government Bonds Corporate Bonds Cash and Others	50.92 19.46 17.38 12.24
Maturity(%)	1-3Y 35Y 5-10Y 10-20Y+	29.9 21.3 38.0 10.8
Top 5 Holdings (%)	FNMA TBA 6.0% NOV 30YR FNMA TBA 6.5% NOV 30YR FNMA TBA 5.0% NOV 30YR FNMA TBA 5.5% NOV 30YR FNMA TBA 4.0% NOV 30YR	11.3 10.5 9.3 5.9 3.0

Source: Bloomberg

PIMCO GIS Income Fund

Profile

The fund primarily invests in fixed-income instruments with varying maturities, aiming to generate higher levels of consistent and stable income without compromising long-term capital appreciation.

■ Global Diversification

The fund adopts a globally diversified allocation, covering investment-grade bonds, high-yield bonds, emerging market debt, and mortgage-backed securities. This strategy helps mitigate risk while capturing return opportunities across different markets, providing stable and diversified sources of income.

■ Professional Management Team

Actively managed by PIMCO—one of the world's largest fixed-income asset managers—the professional team flexibly adjusts asset allocation in response to market conditions, delivering relatively steady long-term performance.

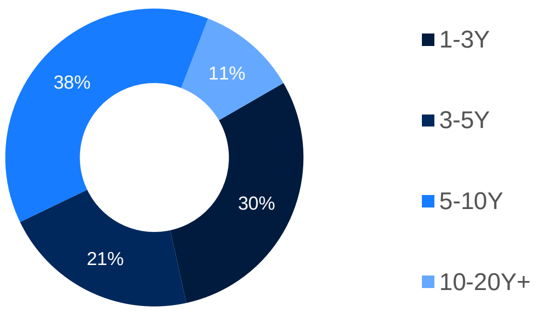
■ Morningstar 4-Star Rating

The fund is large in scale, carries an average credit rating of AA-, and has been awarded a 4-star Morningstar rating, earning the trust of global investors.

Inception	2012/11/30	**AUM**	USD 118.5 b
Morningstar Category	Global Bond	**Fund Category**	Bond
Morningstar Ratings	★★★★	**3Y SD (Ann.)**	4.96%

Source: Bloomberg

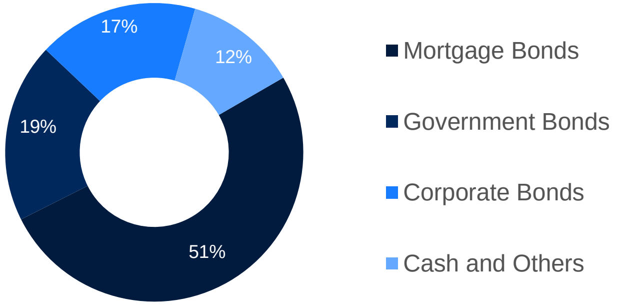
Sectors



Top-5 Holdings (%)

FNMA TBA 6.0% NOV 30YR	11.3
FNMA TBA 6.5% NOV 30YR	10.5
FNMA TBA 5.0% NOV 30YR	9.3
FNMA TBA 5.5% NOV 30YR	5.9
FNMA TBA 4.0% NOV 30YR	3.0

Regions



3Y NAV

As of 29 Dec 2025	1M	3M	YTD	1Y	3Y	5Y
Cumulative Return(%)	0.34	2.18	9.60	9.80	14.61	23.08
Category Ranking	2	1	1	1	1	2

Bonds Consider Allocating to U.S. and European Financials; Solid 3Q Performance with Attractive Yields

► JPM 4.81 10/22/36 (JPMorgan) (USD)

- JPMorgan Chase is one of the world's largest financial institutions by market value. As of 31 Dec 2024, total assets reached USD 4tn, with operations across more than 60 countries. Its highly diversified franchise—global retail and commercial banking, capital markets, and asset management—underpins its strong competitive position. The latest 3Q25 results again beat expectations, with net income of USD 5.7bn, 14% above consensus.
- JPM's performance continues to lead peers. For six consecutive years, the bank has exceeded its 17% ROTCE target. This track record underscores the strength and diversification of its franchise, enabling industry-leading results across macro environments.
- As of 3Q25, JPM's CET1 ratio stood at 14.8%, among the highest across U.S. G-SIBs. With strong profitability and a robust balance sheet, JPM is well positioned to remain resilient through economic and rate-cycle downturns.
- S&P upgraded the parent company's rating from A- to A in Nov 2024 with a stable outlook, and reaffirmed the rating and outlook in June 2025. Moody's also raised its outlook from stable to positive in Nov 2024.

Product	JPM 4.81 10/22/36 (JP Morgan) (USD)
ISIN	US46647PFE16
Features	JPMorgan Chase continues to outperform peers, with strong profitability and a solid balance sheet expected to sustain resilience during economic and interest rate downturns.
Maturity Date	2036/10/22
Next Call Date	2035/10/22
Coupon (%)	Float/4.81/Semi-annual
Currency	USD
Years to Maturity	10.81
Credit Rating (Moody's/Fitch/S&P)	A1/AA-/A
Seniority	Senior Unsecured
YTM/YTC (%)	4.76/4.74

Source: Bloomberg

JPM 4.81 10/22/36 (JP Morgan) (USD)

JPMorgan Chase is one of the world's largest financial institutions by market value. As of 31 Dec 2024, total assets reached USD 4tn, with operations across more than 60 countries. Its highly diversified franchise—global retail and commercial banking, capital markets, and asset management—underpins its strong competitive position. The latest 3Q25 results again beat expectations, with net income of USD 5.7bn, 14% above consensus.

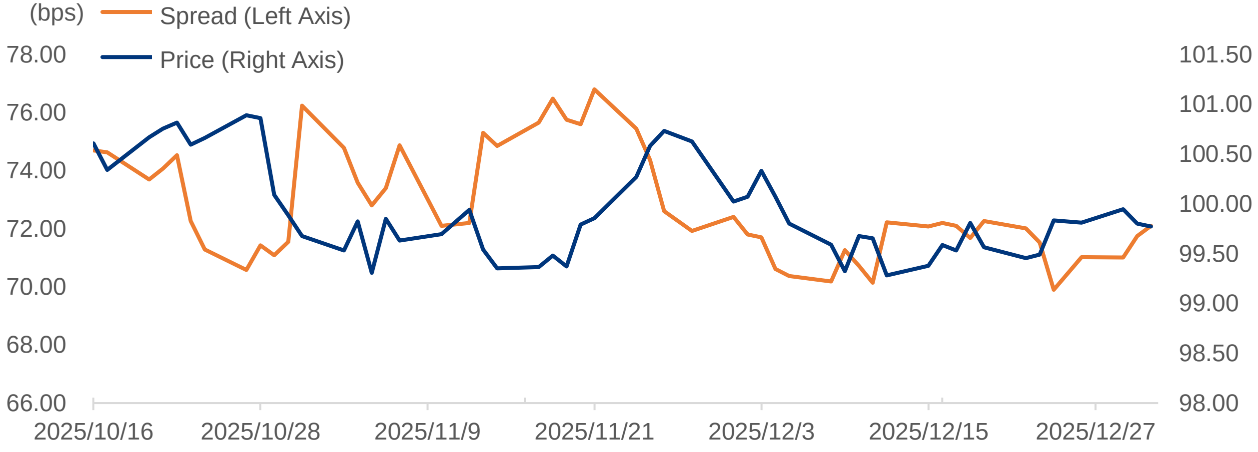
- JPM's performance continues to lead peers. For six consecutive years, the bank has exceeded its 17% ROTCE target. This track record underscores the strength and diversification of its franchise, enabling industry-leading results across macro environments.
- As of 3Q25, JPM's CET1 ratio stood at 14.8%, among the highest across U.S. G-SIBs. With strong profitability and a robust balance sheet, JPM is well positioned to remain resilient through economic and rate-cycle downturns.
- S&P upgraded the parent company's rating from A- to A in Nov 2024 with a stable outlook, and reaffirmed the rating and outlook in June 2025. Moody's also raised its outlook from stable to positive in Nov 2024.

Financials	2025Q1	2025Q2	2025Q3
Return on Equity (%)	18.25	16.88	17.06
Non-Performing Loan Ratio (%)	0.64	0.70	0.70
CET1 Ratio (%)	15.40	15.10	14.80

Overview

Name	JPM 4.81 10/22/36	ISIN	US46647PFE16
Maturity Date	2036年10月22日	Remaining Maturity	10.81
Coupon(%)	Float/4.81/Semi-annual	YTM/YTC(%)	4.76/4.74
Currency	USD	Min. Subscription/ Increment	2,000/1,000
Ratings (Moody's/Fitch/S&P)	A1/AA-/A	Seniority	Senior Unsecured

Price (New Issued Bond)



Source: Bloomberg, December 31, 2025. Note: The coupon reset date is October 22, 2035, after which distributions will be made quarterly. The applicable annual interest rate will be based on the U.S. The reset rate will equal the bond yield on the settlement date plus 1.19%.

Appendix Key Economic Data / Events

▶ DEC 2025 ▶ JAN 2026

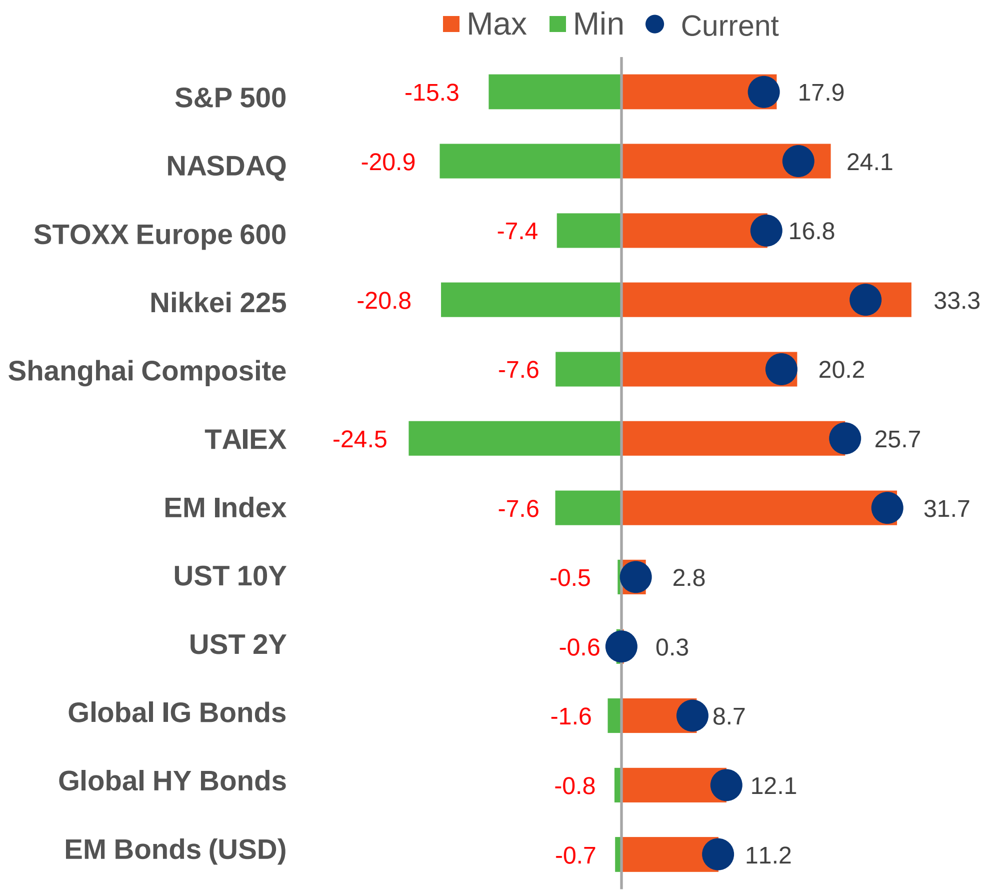
29 Monday	30 Tuesday	31 Wednesday	1 Thursday	2 Friday
		• U.S. Initial Jobless Claims (Wk) (Act:199k Est:218k Prev:215k) • China Dec Mfg. PMI (Act:50.1 Est:49.2 Prev:49.2) • China Dec Services PMI (Act:50.2 Est:49.6 Prev:49.5) • China Dec S&P Global Mfg. PMI (Act:50.1 Est:49.8 Prev:49.9)		• U.S. Dec S&P Global Mfg. PMI Final (Est:51.8 Prev:52.2) • Eurozone Dec Mfg. PMI Final (Est:49.2 Prev:49.6)

5 Monday	6 Tuesday	7 Wednesday	8 Thursday	9 Friday
• U.S. Dec ISM Mfg. PMI (Est:48.4 Prev:48.2) • Japan Dec S&P Global Mfg. PMI Final (Prev:48.7) • China Dec S&P Global Services PMI (Est:52.0 Prev:52.1)	• U.S. Dec S&P Global Services PMI Final (Est:52.9 Prev:52.9) • Eurozone Dec HCOB Services PMI Final (Est:52.6 Prev:53.6)	• U.S. Dec ADP Employment Change (Est:48k Prev:-32k) • U.S. Dec ISM Services PMI (Est:52.3 Prev:52.6) • U.S. Nov JOLTS Job Openings (Est:7,726k Prev:7,670k) • U.S. Oct Durable Goods MoM Final (Prev:0.7%) • Eurozone Dec CPI YoY Flash (Est:2.0% Prev:2.1%) • Taiwan Dec CPI YoY (Est:1.30% Prev:1.23%)	• U.S. Initial Jobless Claims (Wk) (Prev:199k) • Eurozone Dec Consumer Confidence Final (Prev:-14.2) • Eurozone Nov PPI YoY (Prev:-0.5%) • Eurozone Nov Unemployment Rate (Est:6.4% Prev:6.4%)	• U.S. Dec Nonfarm Payrolls (Est:55k Prev:-105k) • U.S. Dec Unemployment Rate (Est:4.5% Prev:4.6%) • U.S. Oct Housing Starts (Est:1,325k Prev:1,307k) • U.S. Oct Building Permits (Prel.) (Est:1,349k Prev:1,330k) • U.S. Jan Michigan Sentiment (Prel.) (Est:53.5 Prev:52.9) • China Dec CPI YoY (Prev:0.7%)

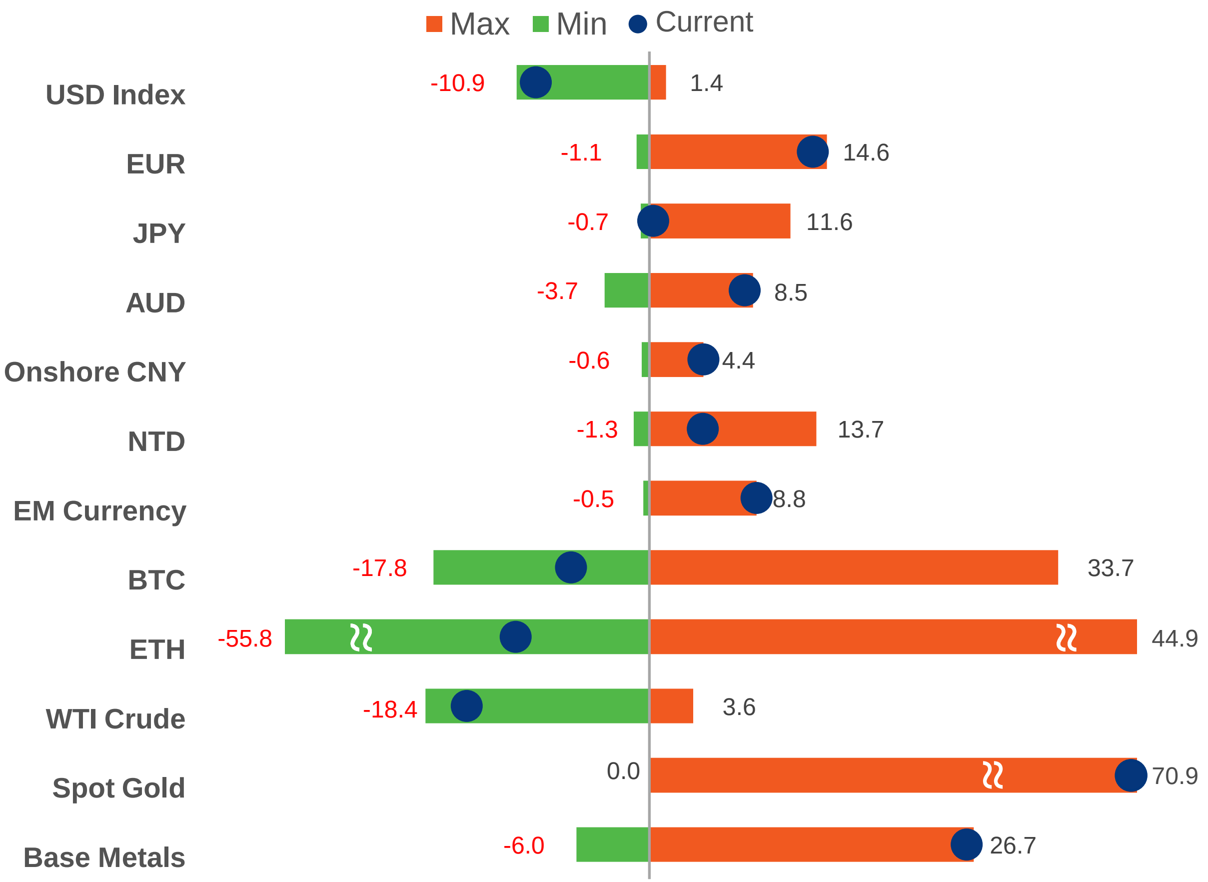
Source: Bloomberg

2025 Major Market / Asset Performance

Equities & Bond Markets 2025 Performance (%)



Currencies and Commodities Market 2025 Performance (%)



Source: Bloomberg, 31 Dec 2025

Technical Analysis

S&P 500 Index

NASDAQ Index

STOXX Europe 600 Index

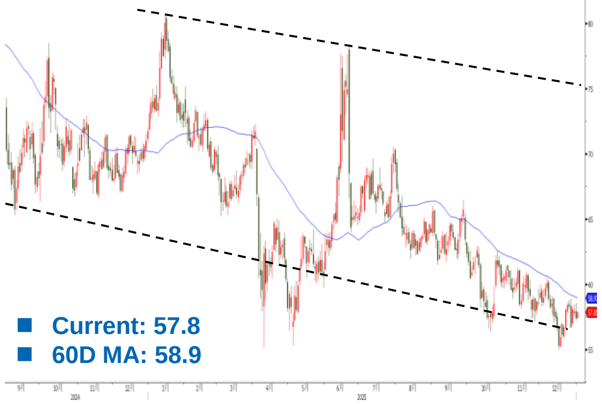
Nikkei 225 Index

Shanghai Composite Index

MSCI Emerging Markets Index

Gold

WTI Crude



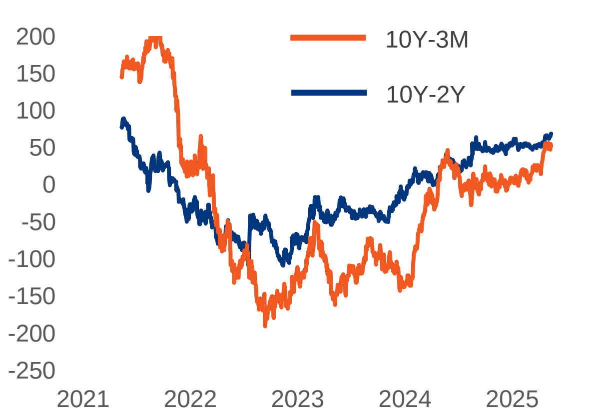
Source: Bloomberg, 2 Jan 2026

Market Monitor

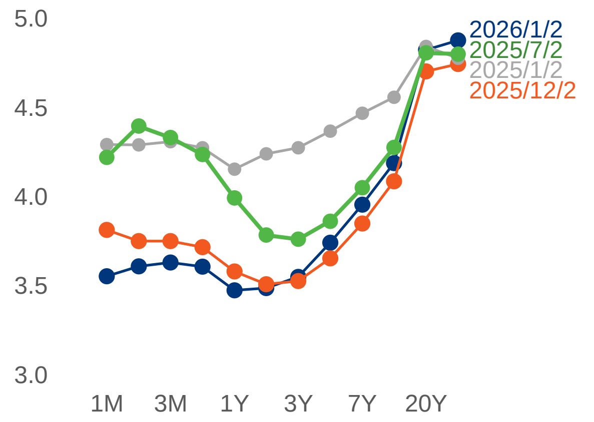
U.S. CPI YoY (%)

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

U.S. Treasury Yield Spread (bps)

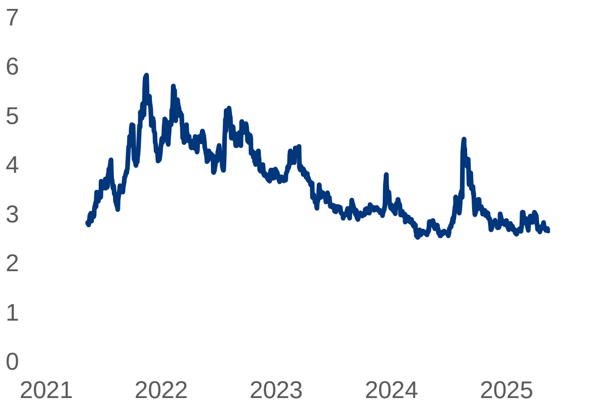


U.S. Treasury Yield Curve (%)

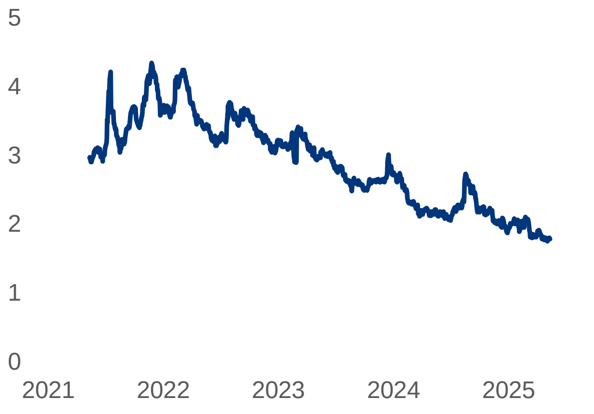


USD IG Credit Spread (%)

USD HY Credit Spread (%)



USD EM Credit Spread (%)



USD Asia Credit Spread (%)

Source: Bloomberg, 2 Jan 2026

Disclaimer and Important Notice

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

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

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

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

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

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

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