

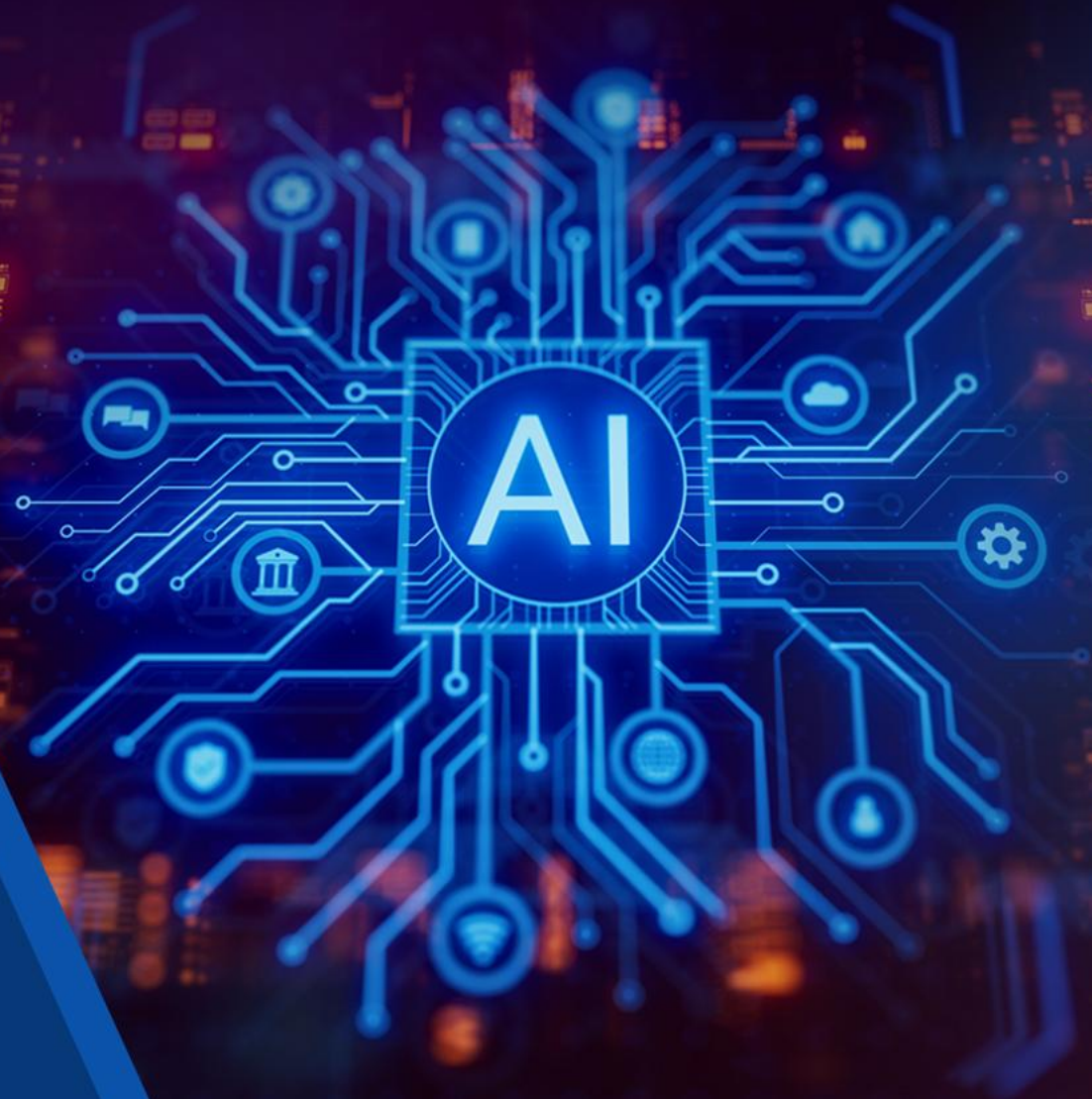


CIO Office

Global Markets Weekly Kickstart

Halftime Review: The AI Story

6 July 2026



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Funding The AI Mega-trend: Bond Portfolio Repositioning

► Hawkish Fed and Persistent Inflation

The Warsh Fed has solidified a strictly hawkish inflation-fighting stance, removing its easing bias at the June 17, 2026 FOMC meeting and making a rate hike highly probable. This aggressive policy shift responds to an exceptionally robust labor market adding 172,000 jobs—double consensus forecasts—and re-accelerating inflation. Driven by a headline CPI of 4.2% and PPI of 6.5%, sticky consumer prices will remain elevated through 2026 due to lagging base effects.

► AI Capex and Surging Cost of Capital

Concurrently, an intensifying capital constraint forces top US hyperscalers to deploy 80–90% of free cash flow into critical infrastructure capex, which will top a staggering \$744 billion in 2026. Reluctant to dilute equity given positive outlooks, these tech corporations face severe capital formation bottlenecks. Prompted by systemic BIS warnings that soft AI returns could trigger sudden financing pullbacks, firms are relying on expensive debt markets, highlighted by SpaceX's 30-year bond yielding a near-High Yield rate of 6.65%.

► Defensive Fixed-Income Strategies

To navigate this elevating cost of debt, fixed-income portfolios should avoid long-duration bonds as Fed Fund rate is expected to be on the rise in 2026. Investors are advised to prioritize liquidity and solvency by allocating capital toward short-to-medium-term maturities. Driven by a pervasive fear of missing out, heavy rotation will occur within the tech sector, shifting assets away from lower-tier credits and into premium, high-quality corporate bonds.

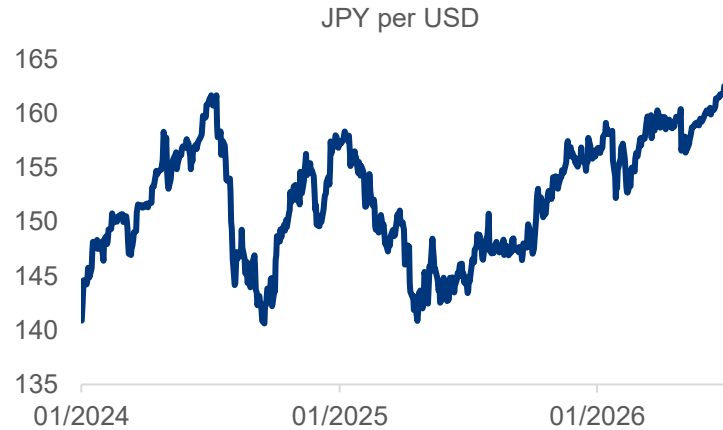
Est. Capex (2026-27) of US CSP and neo-cloud players

US\$bn	2024	2025	2026F	2027F
Amazon	83	132	199	228
Google	53	91	187	242
Microsoft	56	83	158	192
Meta	37	70	135	162
Oracle	11	35	66	77
Top-5 US CSP	239	412	744	902
YoY (%)	60	72	81	21
China CSP	21	32	38	41
YoY (%)	135	49	19	7
Neocloud & Enterprise	24	37	77	89
YoY (%)	30	50	111	15

Yen Hits 40-Year Low; Policy Normalization Needed, but Aggressive Rate Hikes Unlikely

- ▶ USD/JPY briefly reached 162 last week, the yen's weakest level since 1986. Japanese officials reiterated they would intervene in the FX market if necessary, but the lack of immediate action suggests no imminent intervention. The yen weakened further amid reports that government policy guidance could limit the BOJ's ability to raise rates aggressively.
- ▶ Japan exited negative interest rates in March 2024, marking the start of its tightening cycle. In July, the BOJ raised its policy rate from 0.1% to 0.25%, triggering expectations of a more hawkish path. The move sparked a sharp unwind of global yen carry trades as investors repaid low-cost yen funding, sending the Nikkei down more than 12% in a single day and dragging global equities lower. In response to the market turmoil, the BOJ's Deputy Governor pledged on Aug. 7 not to raise rates while markets remain unstable.
- ▶ While policy normalization remains necessary, an overly hawkish stance could undermine financial market stability, highlighting the BOJ's key policy dilemma. Japan is also the largest foreign holder of U.S. Treasuries, and a narrower U.S.-Japan yield gap could reduce demand for Treasuries. The U.S. therefore has an incentive to see Japanese rates remain relatively low, while a weaker yen also supports U.S. imports of Japanese goods. With tensions between the U.S. and Iran easing, the urgency for yen appreciation has diminished somewhat.

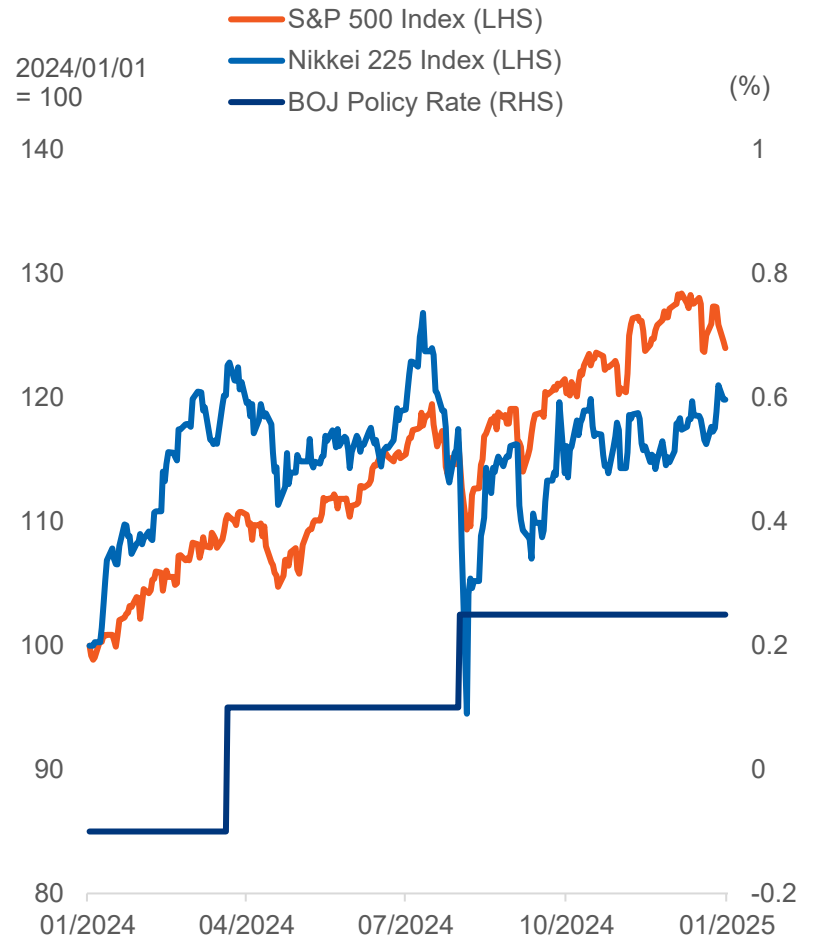
Yen Falls to a 40-Year Low



Narrowing U.S.-Japan Yield Gap Could Weigh on U.S. Treasury Demand



Expectations for Aggressive BOJ Tightening Triggered Market Turmoil



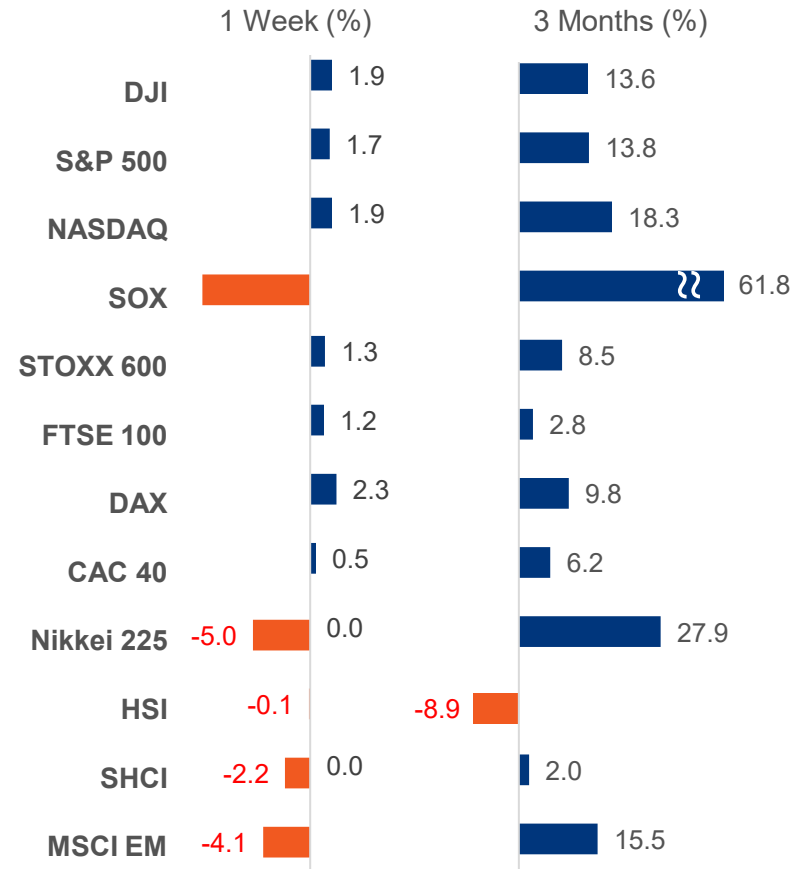
Source: Bloomberg, Treasury International Capital System

Market Recap

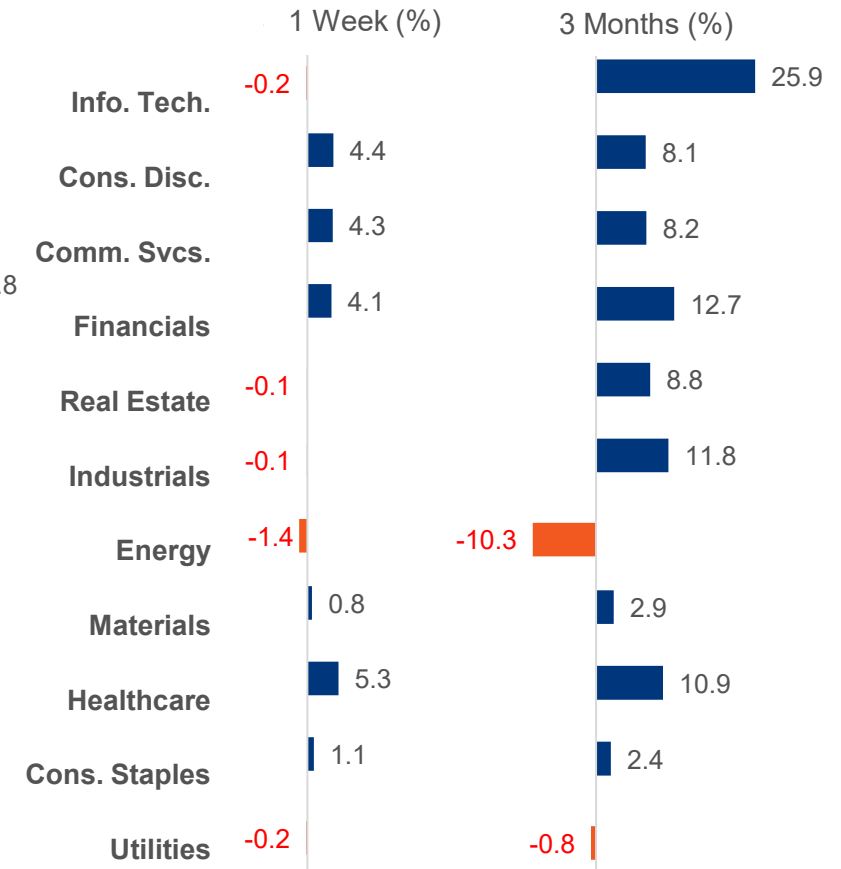
U.S.-Iran Ceasefire Eases Rate-Hike Concerns; Market Sentiment Improves

- ▶ The U.S.-Iran ceasefire agreement eased concerns over further rate hikes, lifting overall market sentiment and supporting equities, although the Philadelphia Semiconductor Index saw heavier profit-taking.
- ▶ Meta (META) plans to begin selling AI computing capacity, similar to Amazon's (AMZN) AWS and Microsoft's (MSFT) Azure, as it seeks to monetize its heavy AI investment. The company may host AI models in its data centers and charge developers for access, creating a new revenue stream. However, the move also raised concerns about a potential oversupply of AI computing capacity, weighing on broader technology stocks.
- ▶ Media reports also indicate Apple is in talks with Chinese memory chipmakers CXMT and YMTC to potentially add them to its supply chain. The move aims to lower costs and diversify sourcing but could pose a direct challenge to South Korean memory suppliers that have long dominated Apple's supply chain, pressuring incumbent suppliers.

Regional Index Performance (%)

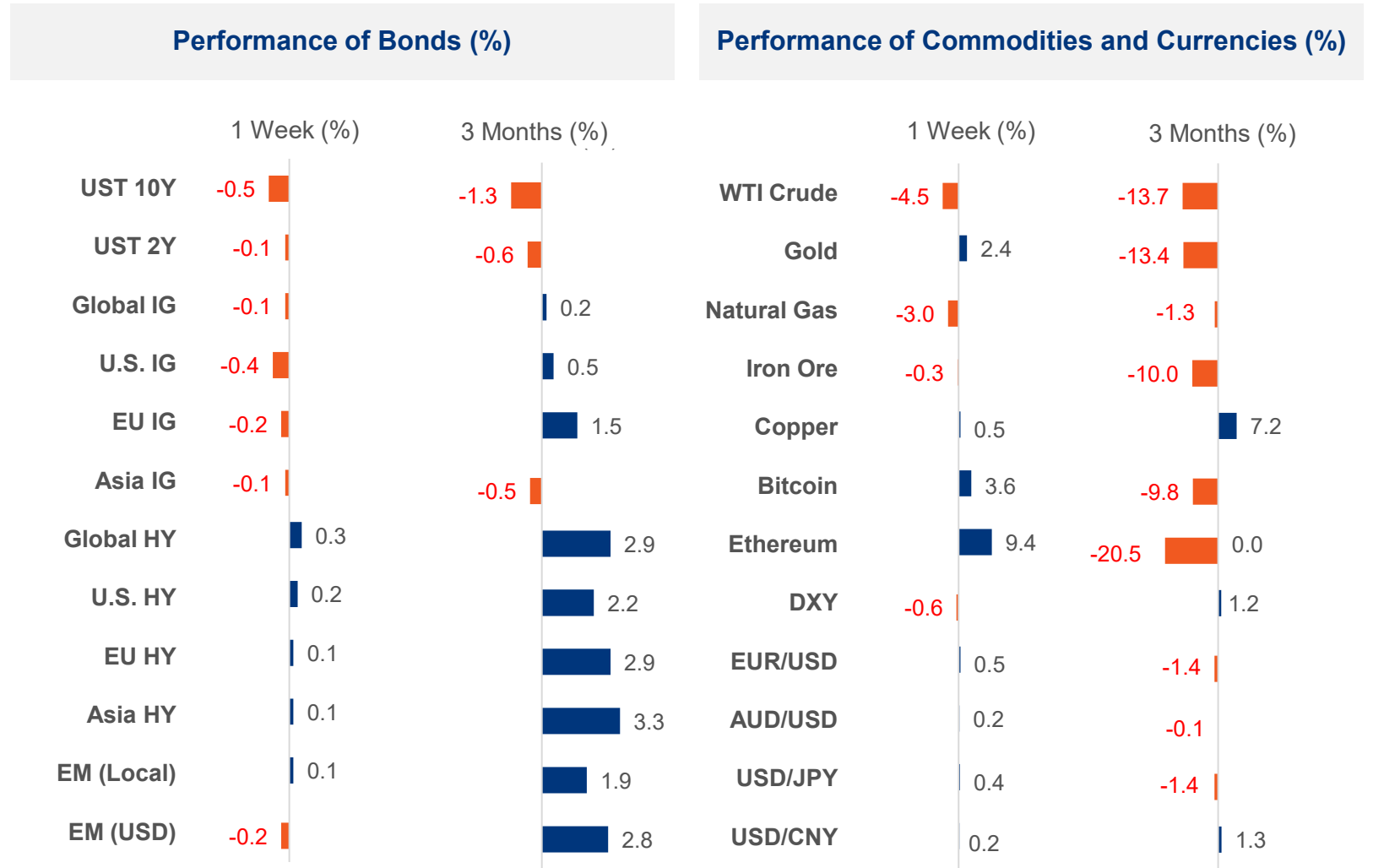


U.S. Sector Index Performance (%)



U.S.-Iran Ceasefire Eases Concerns Over Oil Supply Disruptions

- ▶ U.S. nonfarm payrolls increased by 57,000 in June, below market expectations of 113,000 but still above the 12-month average. The labor market showed no meaningful deterioration and remained broadly stable. The softer-than-expected employment data modestly eased concerns that the Fed could begin raising rates earlier than expected. Interest rate futures now point to October, rather than September, as the likely timing for the first rate hike. On a weekly basis, bond prices were relatively weak.
- ▶ Following the U.S.-Iran ceasefire agreement and the reopening of the Strait of Hormuz, concerns over disruptions to global oil supplies eased significantly. Oil prices fell about 4.5% during the week and have declined markedly over the past three months. As Middle East oil shipments normalize, market attention is expected to shift back to global macro demand and OPEC+ production policy.
- ▶ Gold prices rebounded during the week, but recent weakness reflects a relatively hawkish macro policy backdrop. A stronger U.S. dollar and higher interest rates continue to limit gold's upside momentum.



Source: Bloomberg

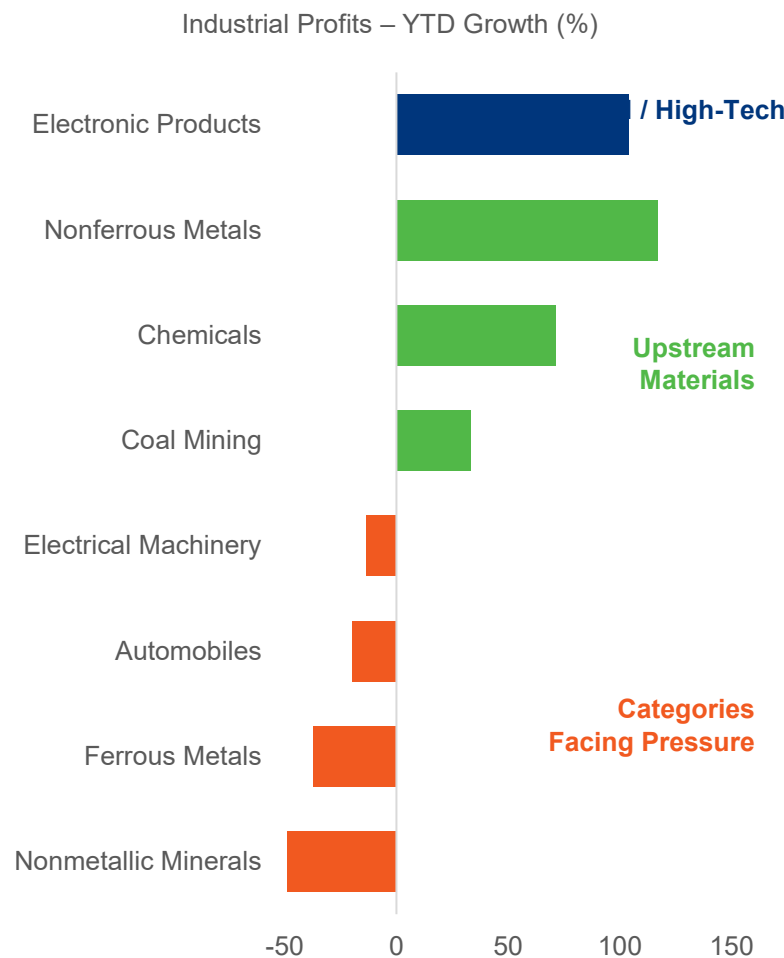
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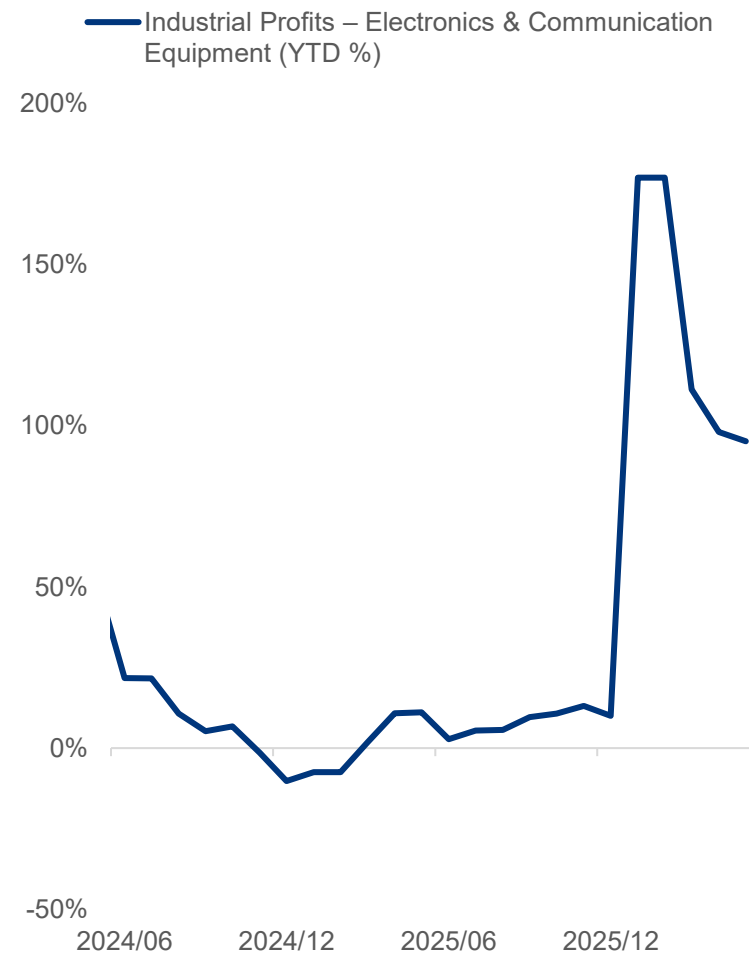
China Industrial Profits Improve as AI Demand and Geopolitics Drive Sector Divergence

- ▶ Industrial profits at China's major enterprises rose 18.8% YoY in the first five months of 2026, while May growth slowed to 21.1% from 24.7% in April. Upstream sectors continued to outperform, with mining profits up 33.5%, led by coal, oil & gas, and non-ferrous metals.
- ▶ Manufacturing profits rose 20% YoY but remained uneven. AI-driven demand lifted electronic equipment manufacturing 103.9% YoY, the strongest among manufacturing sectors, though growth has moderated for three straight months.
- ▶ The data suggest industrial profit growth remains concentrated in upstream industries, supported by high commodity prices rather than broad-based demand, while downstream manufacturers and consumer sectors remain under pressure. Looking ahead, easing U.S.-Iran tensions could reduce raw material supply risks, while faster investment in China's "Six Networks" initiative after this month's Politburo meeting should support downstream demand and capacity utilization.

Profit Recovery in China's Industries Not Broad-Based



Electronic Equipment Profits at Multi-Year Highs

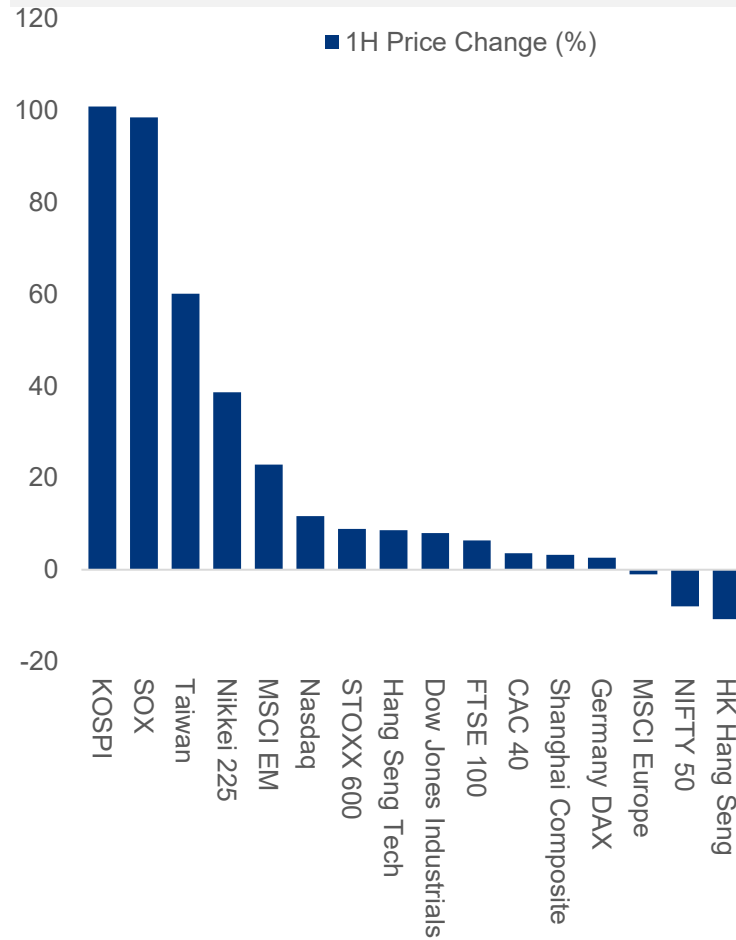


Source: CEIC, Bloomberg

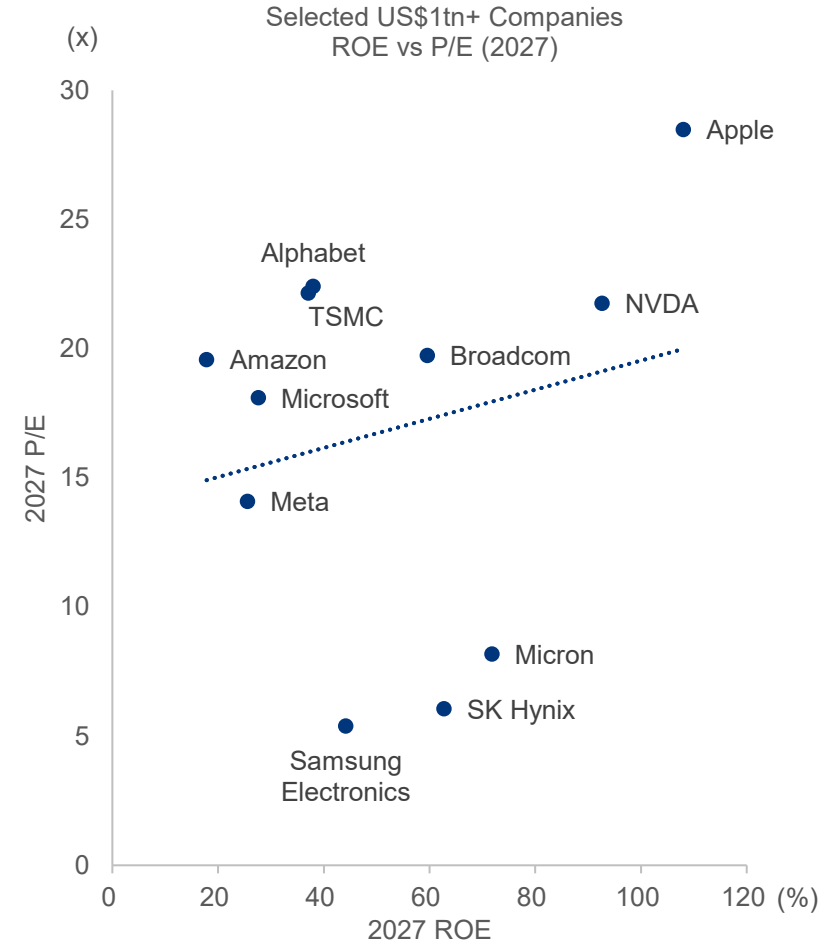
AI Exposure Drove Global Equity Performance in 1H26

- ▶ Global equities rallied in 1H26, but performance diverged sharply based on AI exposure. Markets with greater AI participation—including the U.S., Taiwan, South Korea, and Japan—outperformed, while markets with limited AI exposure lagged.
- ▶ Unlike the dot-com bubble, this AI rally has been supported by fundamentals. Technology stocks have risen alongside forward earnings since the AI boom began in 2023, with both up roughly 2.5–3.0x. During the dot-com era, however, share prices surged sixfold while earnings only doubled.
- ▶ The key theme in 1H26 was the broadening of AI demand—from hyperscalers to enterprises, sovereign AI projects, and the broader physical economy. This marks AI’s transition from a technology growth theme to infrastructure-like capital spending, extending the industry’s growth cycle.

AI Exposure Has Been the Key Driver of Equity Market Performance This Year



Companies with Stronger Profitability Command Higher Valuations



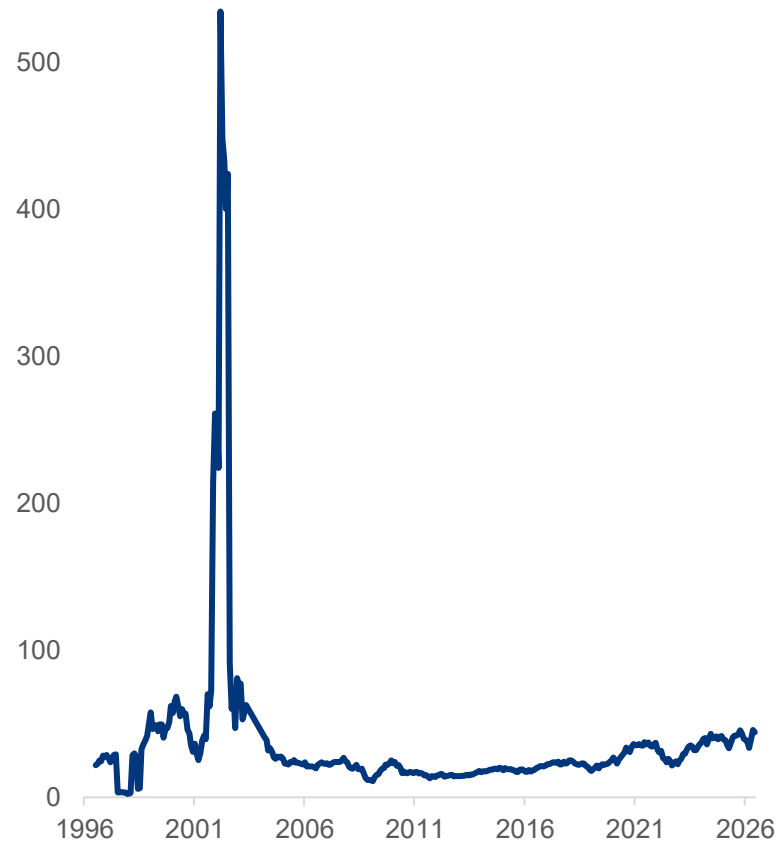
Source: Bloomberg

AI Expansion Faces Structural Bottlenecks

- ▶ AI industry trends remain bifurcated, with semiconductors and hardware continuing to lead. Nvidia maintains its dominance in AI training, while major hyperscalers are rapidly increasing shipments of in-house AI chips.
- ▶ Software fundamentals are also being reshaped as IT budgets shift toward AI-first architectures. Companies successfully integrating AI, such as cybersecurity leader CrowdStrike and hyperscalers like Google, are commanding valuation premiums, while traditional SaaS vendors lacking AI capabilities face slower growth.
- ▶ AI expansion is increasingly constrained by structural bottlenecks. In power infrastructure, shortages of electrical equipment are limiting data center deployment, prompting hyperscalers to build dedicated power capacity. In semiconductors, CoWoS packaging yields and HBM supply remain the key production constraints, while memory suppliers are securing long-term contracts to stabilize future shipments. On the software side, fragmented enterprise data and depleted high-quality training data remain key challenges, making synthetic data a critical next step for improving AI models.
- ▶ For 2H26, AI investment opportunities remain centered on hyperscalers, hardware leaders, and the broader AI hardware supply chain.

Today's Technology Sector Is Backed by Earnings

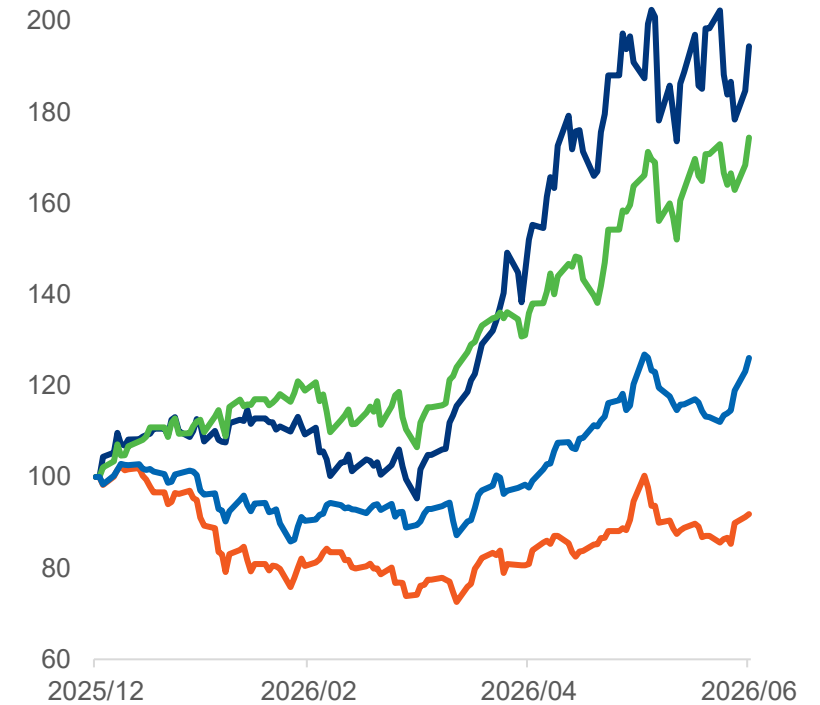
— S&P 500 Information Technology Sector – Historical P/E



Industries Successfully Integrating AI Have Outperformed

Selected Information Technology Industries YTD Performance (2025/12/31 = 100)

— S&P Semiconductor & Semiconductor Equipment
 — S&P Software & Services
 — S&P Technology Hardware & Equipment
 — FactSet Global Cybersecurity



Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ The U.S.-Iran ceasefire memorandum, easing oil prices, and solid U.S. corporate earnings provide fundamental support for equities. Major indexes still have upside, but narrow market breadth and elevated valuations call for caution. In the near term, investors can reduce risk by favoring defensive sectors such as healthcare and utilities. Longer term, remain constructive on technology and AI-related semiconductor themes. Investors may also buy on pullbacks and diversify across regions and sectors. ◆ Japan and Europe remain attractive diversification markets. Japanese equities offer stronger technology exposure, with the semiconductor sector continuing to perform well. Rising JGB yields should also support Japanese banks. Europe is led by defense, while U.K. equities are favored for their defensive characteristics. 	<p>Strategy: Short term: defensive sectors. Medium to long term: AI infrastructure, physical AI, AI software, semiconductors; AI software also favors large-cap and defensive names.</p> <p>Regions: Japanese banks, Japanese semiconductor stocks, UK equities, European defense</p>
Bonds	<ul style="list-style-type: none"> ◆ Although oil prices have declined, the U.S. 30-year Treasury yield remains relatively high. Avoid excessive duration risk and focus on short- to intermediate-duration bonds. High-quality corporate bonds offer attractive yields after recent adjustments, particularly in financials, technology, communications, and utilities. ◆ A stronger U.S. dollar supports diversification into non-USD investment-grade bonds, such as EUR- or AUD-denominated issues. 	<p>Types: Short- to intermediate-duration IG bonds, with a preference for financials, technology, telecoms, and utilities.</p> <p>Satellite : Non-USD IG bonds for diversification.</p>
Forex	<ul style="list-style-type: none"> ◆ The Fed's new Vice Chair is expected to make his FOMC debut in June. A more dovish policy stance could steepen the yield curve, while the U.S. dollar should remain supported in the near term. Lower oil prices may further ease inflation expectations. ◆ The USD remains firm as markets continue to monitor Fed policy. The JPY is likely to appreciate gradually on BOJ rate hikes and intervention, while the RMB is expected to strengthen modestly under policy support. 	<p>USD: Near-term strength remains supported.</p> <p>Gradual JPY appreciation; modest RMB appreciation.</p>
Commodity	<ul style="list-style-type: none"> ◆ Oil prices may remain volatile following the U.S.-Iran ceasefire memorandum and easing geopolitical risks around the Strait of Hormuz. ◆ Higher U.S. yields and a stronger dollar have pressured gold in the short term. However, geopolitical tensions, continued central bank purchases, and portfolio diversification demand should support gold over the medium to long term. 	<p>Gold: remains supported over the medium to long term.</p>

Hardware Demand Driven by AI and High-Performance Computing

► **AI Compute Boom: The “Hardware Heart”**

The explosive rise of artificial intelligence and large language models has created unprecedented demand for computing power. With the new Vera Rubin platform entering mass production, global tech giants are engaged in a historic arms race for compute capacity. This has elevated performance requirements for high-layer, high-density HDI PCBs, making advanced circuit boards the indispensable “hardware heart” of the AI era.

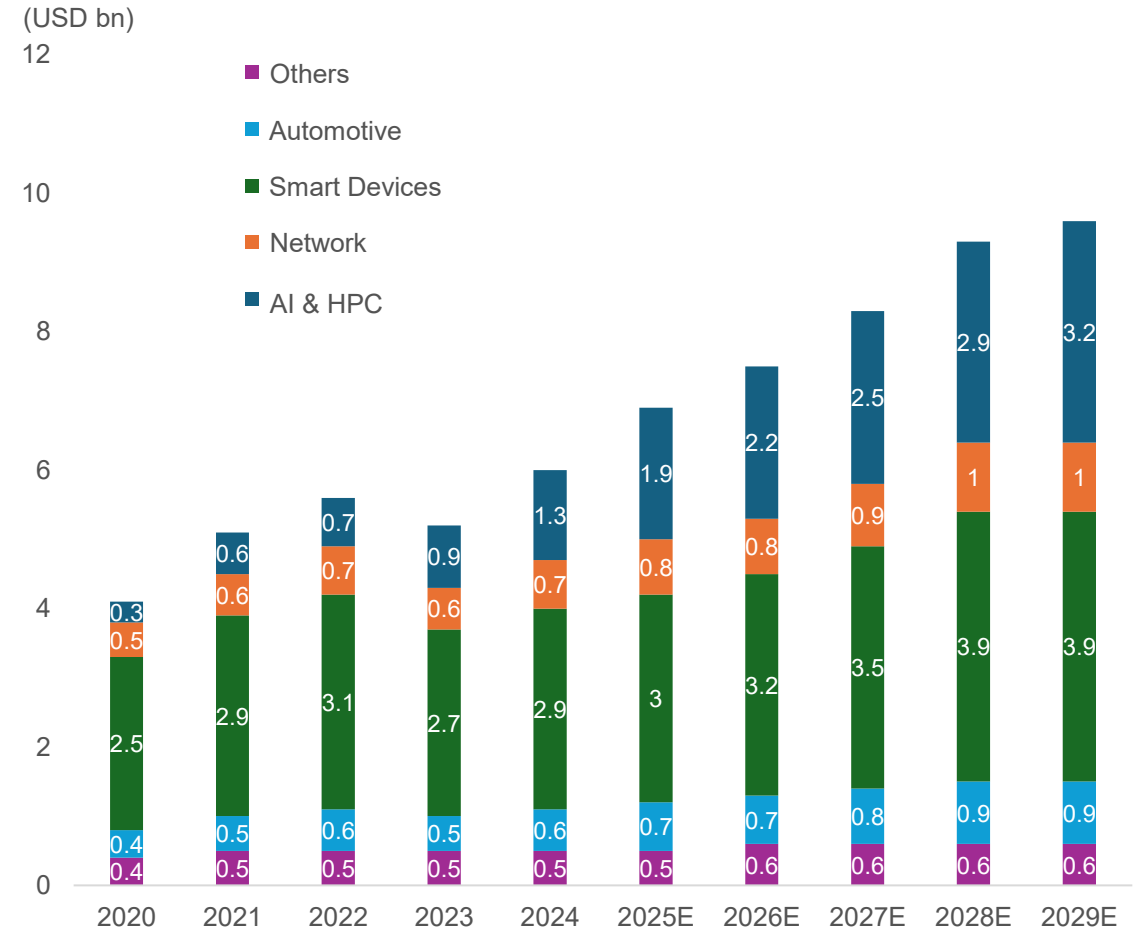
► **Tech Boom: MLPCB & HDI**

Driven by AI hardware upgrades and server specification leaps, multi-layer PCBs (MLPCB) and HDI boards are experiencing explosive demand. Traditional boards can no longer support ultra-dense signal routing as chip power consumption and transmission speeds push their limits. The industry is being forced to accelerate toward 20-plus layer designs and complex any-layer HDI processes. High-end AI servers are consuming these advanced boards at geometric growth rates, positioning leading manufacturers with deep capacity layouts to capture both profit and valuation upside.

► **Global Supply Rivalry: Taiwan vs Mainland**

In the most advanced AI server and high-performance computing fields, stable supply of MLPCB and HDI capacity is concentrated among Taiwan PCB leaders and select China advanced manufacturers. Taiwanese giants have long dominated high-end server boards, but breakthroughs in technology and manufacturing have allowed Mainland champions to catch up rapidly. With flexible capacity and superior yields, these firms are successfully entering the supply chains of top global chipmakers, creating a dual-power rivalry in the high-end PCB market.

Global High-End HDI PCB Market Size by Application



Victory Giant Technology (2476 HK)

Closing Price HK \$292.4

Target Price HK \$530

A global leader in advanced printed circuit board (PCB) manufacturing, specializing in high-end HDI and multi-layer PCBs. Its products are deeply embedded in core sectors such as AI compute, servers, and new energy vehicles, positioning the company as a critical hardware supplier driving next-generation high-performance computing and intelligent industries.

Riding the AI & HPC Tailwind, Global PCB Leader

With rapid iterations in AI and surging compute demand, the global high-end PCB market is entering a structural growth phase. Victory Giant Technology has established absolute leadership in niche segments. The company holds the No.1 global share in AI/HPC PCBs (13.8%), ultra-high multi-layer PCBs (16.2%), and high-end HDI (44.6%). Positioned as the prime beneficiary of this value-growth cycle, it continues to capture high-growth dividends.

Direct Beneficiary of Nvidia & ASIC Upgrade Cycles

Victory Giant is a direct beneficiary of Nvidia platform upgrades. As chips transition from Blackwell to Rubin, PCB specifications rise sharply, boosting per-unit value. The company is also deepening ties with Google ASIC customers, with potential HDI orders for the ninth-generation TPU. As the world's first to commercialize 24-layer HDI, now developing 36-layer HDI and >100-layer MLPCB, its technological moat ensures strong customer stickiness.

Accelerating Global Capacity & Smart Manufacturing

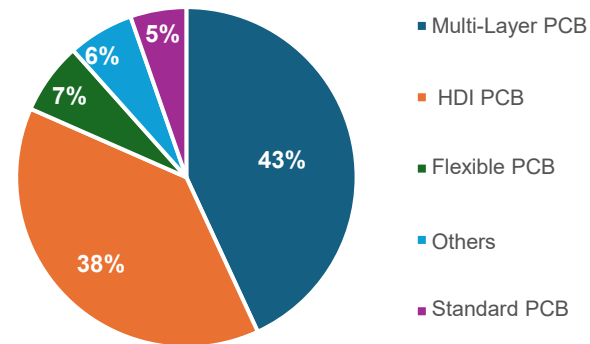
To meet booming AI orders, Victory Giant is executing aggressive capacity expansion, with planned 2026 capex up to RMB 18 billion. Beyond mature smart factories in China, overseas lines in Thailand, Vietnam, and Malaysia are coming online. This globalized network reduces geopolitical tariff risks and meets tech giants' supply chain resilience requirements.

Orders Driven by Tech Upgrades & Compute Demand

As a key supplier to Nvidia, Victory Giant will benefit from Vera Rubin mass production and rising HPC demand, generating substantial incremental orders. The target price is HKD 530.

Financials					
	2023	2024	2025	2026F	2027F
Revenue (CNY b)	7.9	10.7	19.3	33.7	57.9
Revenue YoY	0.6	35	79	75	71
Adj. EBITDA (CNY b)	0.8	1.3	5.0	9.6	17.3
EBITDA YoY	-15.2	71.8	273.9	91.8	80.1
Net Profit Margin (%)	9.3	13.9	35.6	30.1	37.2

Revenue Breakdown



Estimate P/E (300476 CH)



Leadership Position

Global AI & HPC PCB market share

No.1

Global High-end HDI PCB market share

No.1

Global 14-layer+ Multi-Layer PCB market share

No.1

Source: Bloomberg

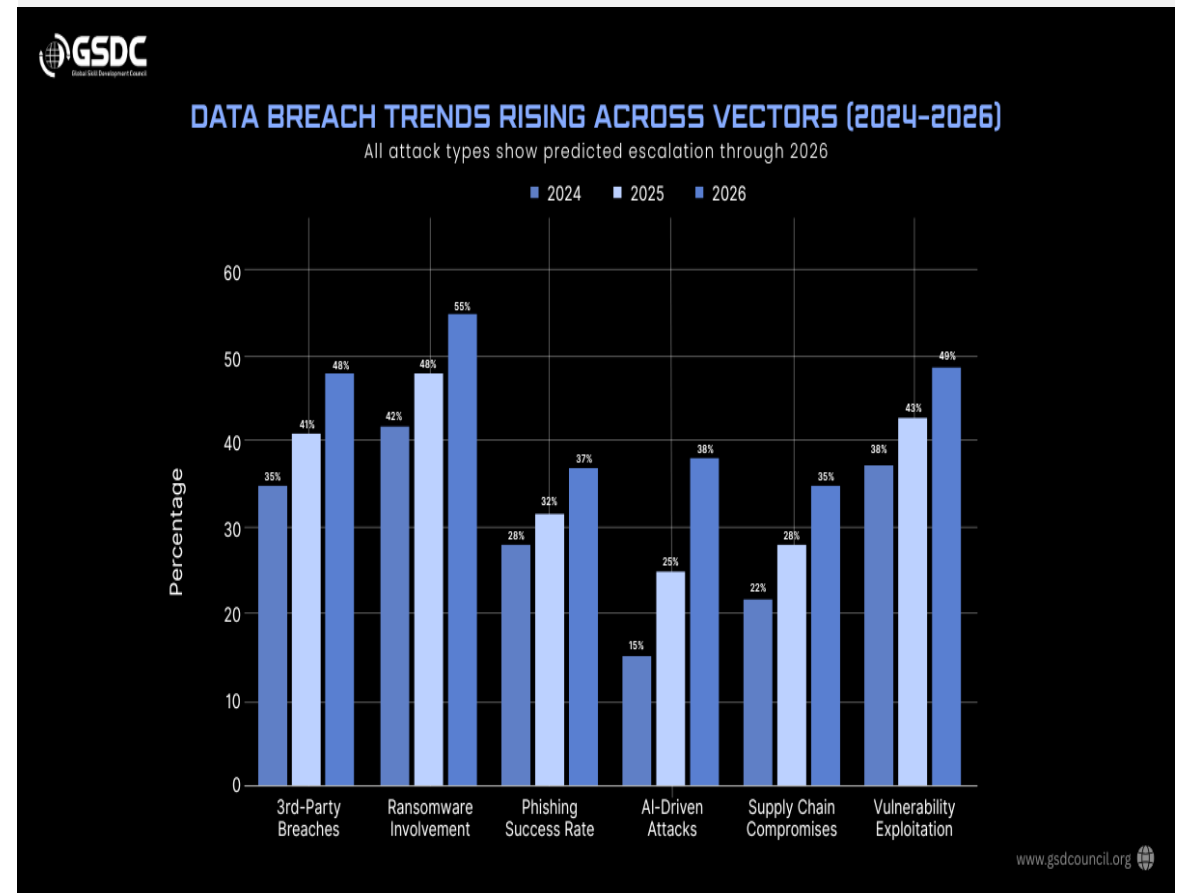


U.S. Market Correction, Sector Rotation: Favoring Software over Hardware

- ▶ At the Sintra central bank forum in Portugal, Fed Governor Waller noted that U.S. inflation expectations and risks have recently declined, but emphasized the Fed's firm commitment to the 2% inflation target, with no tolerance for levels above 2%. He also stressed the Fed's independence and clarified that no forward guidance will be provided; rate decisions will be made within FOMC discussions, meaning markets should not expect early signals of hikes or cuts.
- ▶ U.S. June nonfarm payrolls added 57,000 jobs, below consensus of 113,000 and the revised prior 129,000. The unemployment rate stood at 4.2%, slightly better than expectations and the previous 4.3%.
- ▶ June ADP employment rose 98,000, also missing forecasts of 120,000 and down from 122,000 prior.
- ▶ June ISM Manufacturing PMI printed 53.3, below consensus (53.9) and the prior 54.0.
- ▶ Equity flows show rotation from overheated semiconductors and AI hardware into software. Investors are seeking beneficiaries beyond AI infrastructure. While software stocks have lagged chips year-to-date, recent rebounds reflect renewed confidence in enterprise AI adoption, cloud automation, and cybersecurity spending. The cybersecurity sub-sector stands out, as AI proliferation amplifies risks in data leakage, identity authentication, endpoint protection, and cloud security. Firms like CrowdStrike, Palo Alto Networks, and Zscaler continue to show resilient ARR, RPO, and free cash flow. However, with inflation and rate expectations still elevated, markets demand more from high-valuation software names. Future performance will hinge on visible operating leverage, cash flow improvement, and commercialization of AI-driven security products. Overall, cybersecurity is poised to be the preferred allocation within software, combining defensiveness with growth potential.

Source: Bloomberg, GSDCouncil (GSDC)

Data Breach Trends Rising Across Vectors



CrowdStrike (CRWD US)

Closing Price US \$193.98

Target Price US \$230

CrowdStrike delivers cybersecurity products and services designed to prevent breaches. The company provides cloud-delivered protection across endpoints, cloud workloads, identity, and data. Its offerings include leading threat intelligence, managed security, IT operations management, threat hunting, zero-trust identity protection, and log management. CrowdStrike serves a global customer base, positioning itself as a comprehensive platform for modern enterprise security.

Falcon Expanding into AI Security Control Plane

CrowdStrike continues to broaden its unified Falcon platform from endpoint protection into cloud, identity, SIEM, browser, and AI security. In FY2027 Q1, ARR grew 24% to \$5.51B, with record free cash flow of \$468M, prompting management to raise full-year net new ARR guidance. Partnerships with OpenAI, Anthropic, AWS, NVIDIA, and major AI gateways further reinforce Falcon's role as the enterprise AI security control plane.

Software Rotation & AI-Driven Cyber Risk Support Valuation Re-rating

After broad sector sell-offs on AI disruption fears, investors are refocusing on beaten-down software stocks with durable recurring revenue and clear AI monetization paths. Cybersecurity stands out, as AI infrastructure investment expands workloads, agents, identities, and data flows requiring protection. This underpins resilient security budgets and supports potential valuation recovery for CrowdStrike.

FY2027 Q1 Net New ARR Record, Guidance Raised

Revenue reached \$1.39B, up 26.4% y/y, beating consensus by \$30M. Non-GAAP EPS was \$1.10, ahead of expectations by \$0.03. For Q2, ARR is guided to \$5.792B–\$5.794B, revenue \$1.436B–\$1.442B, and EPS \$1.16–\$1.17. For FY2027, ARR is expected at \$6.532B–\$6.556B, revenue \$5.915B–\$5.959B, and EPS \$4.88–\$4.96.

Valuation Consensus

Bloomberg 12-month average target price: US\$179.63; high: US\$212.5; low: US\$48.7.

1-Year Price



FY2027 Guidance

	2Q FY2027	Full Year FY2027
Annual recurring revenue	\$5,792.6 - \$5,794.6M	\$6,531.7 - \$6,555.5M
Total revenue	\$1,436.0 - \$1,442.0M	\$5,914.7 - \$5,958.7M
Non-GAAP income from operations	\$345.6 - \$349.1M	\$1,452.3 - \$1,480.3M
Non-GAAP net income attributable to CrowdStrike	\$300.7 - \$303.4M	\$1,263.1 - \$1,285.2M
Non-GAAP net income per share attributable to CrowdStrike common stockholders, diluted	\$1.16 - \$1.17	\$4.88 - \$4.96
Weighted average shares used in computing non-GAAP net income per share attributable to common stockholders, diluted	258M	259M
Non-GAAP tax rate	21.0%	21.0%

Financials

	2024	2025	2026	2027F	2028F
Revenue Growth(%)	36.3	29.4	21.7	23.5	21.9
EBITDA (%)	5.5	4.4	3.8	29.4	30.8
EPS(USD)	0.10	-0.01	-0.02	1.23	1.51
Net Profit Margin(%)	3.2	-0.4	-0.4	21.5	22.7

Source: Bloomberg; 2026/27F are market estimates

P/E & P/B



Source: Bloomberg, Company

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Palo Alto Networks (PANW US)

Closing Price US \$348.06

Target Price US \$400

Palo Alto Networks provides network security solutions. The company offers firewalls that can identify and control applications, scan content to block threats, prevent data leakage, and deliver integrated visibility across applications, users, and content. Palo Alto Networks serves customers worldwide, positioning itself as a leader in cybersecurity infrastructure.

Platform Expansion & Acquisitions Driving Recurring Security Revenue

Palo Alto Networks offers one of the industry's broadest platforms, spanning network, cloud, security operations, identity, and AI security. In FY26 Q3, revenue grew 31% YoY to USD 3.0B. Next-gen security ARR surged 60% to USD 8.1B, boosted by CyberArk and Chronosphere contributions.

AI & Quantum Threats Intensify Mission-Critical Security Spend

AI accelerates vulnerability discovery, while enterprises face complex risks in cloud, identity, and supply chains. The U.S. government's push toward post-quantum cryptography highlights urgency in upgrading systems, supporting demand for integrated providers like Palo Alto Networks.

FY26 Q3 Organic Growth Momentum

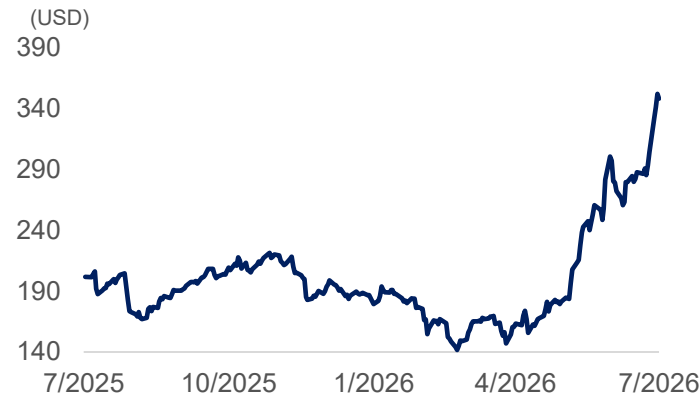
Palo Alto Networks reported FY26 Q3 revenue of USD 3.0B, representing 31.0% year-on-year growth and beating market expectations by USD 60M. Non-GAAP EPS came in at USD 0.85, exceeding consensus by USD 0.05. For the full fiscal year, the company projects next-generation network security ARR between USD 8.90B and USD 8.95B, remaining performance obligations between USD 20.9B and USD 21.0B, total revenue between USD 11.415B and USD 11.425B, a non-GAAP operating margin of 28.9% to 29.2%, and diluted non-GAAP EPS of USD 3.77 to USD 3.79.

Valuation Consensus

Bloomberg 12-month average target price: USD 328.63 (high: USD 433, low: USD 200).

Source: Bloomberg, Company

1-Year Price



FY2026 Guidance

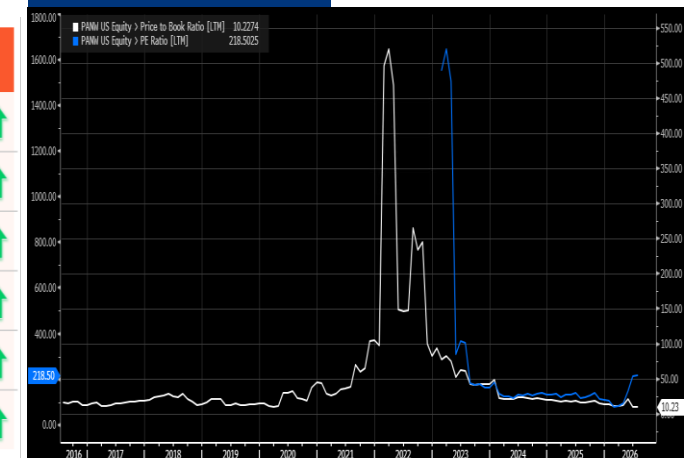
	Q4'26 Guidance (as of 6/2/26)	FY'26 Guidance (as of 6/2/26)	
Next-Gen Security ARR	\$8.90B - \$8.95B 59% - 60% y/y	\$8.90B - \$8.95B 59% - 60% y/y	↑
Remaining Performance Obligation	\$20.9B - \$21.0B 32% - 33% y/y	\$20.9B - \$21.0B 32% - 33% y/y	↑
Total Revenue	\$3.345B - \$3.355B 32% y/y	\$11.415B - \$11.425B 24% y/y	↑
Operating Margin (Non-GAAP)		28.9% - 29.2% +10 bps - +40 bps y/y	↑
Diluted EPS (Non-GAAP)	\$0.96 - \$0.98	\$3.77 - \$3.79	↑
Adj. Free Cash Flow Margin (Non-GAAP)		37.5%	↑

Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	25.3	16.5	14.9	23.9	21.0
EBITDA (%)	10.1	15.8	16.6	34.3	34.9
EPS(USD)	0.68	1.32	1.58	3.78	4.12
Net Profit Margin(%)	6.7	11.7	12.1	25.3	24.8

Source: Bloomberg; 2027/28F are market estimates

P/E & P/B



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AI Server Size & Design Upgrades: Taiwan Liquid Cooling Beneficiaries

SOX Continues to Fall, Taiwan Stocks Retest Support; Awaiting Volume Breakout

Last week, Taiwan equities briefly rebounded, but selling pressure in U.S. chip stocks and the sharp drop in the PHLX Semiconductor Index kept overall performance volatile. Within the TAIEX structure, large-cap electronics and financials consolidated, while select electronic sub-sectors outperformed — notably quartz components, discrete devices, silicon wafers, facility engineering, semiconductor test interfaces, power inverters, and power management ICs. With rapid sector rotation, investors should continue to trim weaker holdings and accumulate stronger names during intraday swings, prioritizing stocks with pricing power and strong June revenue momentum.

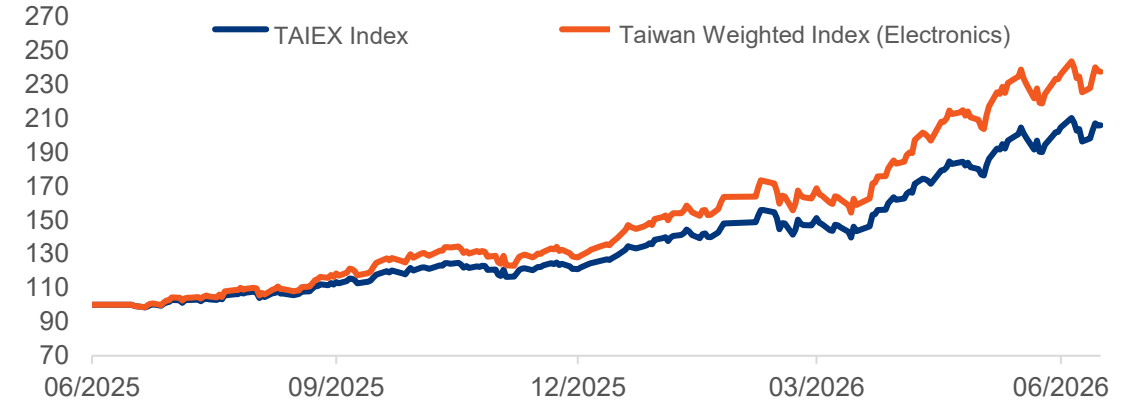
AI Server Size & Design Upgrades Driving Liquid Cooling Adoption

As rack power consumption breaks new thresholds, liquid cooling is becoming the mainstream configuration for most AI server cabinets, significantly boosting infrastructure value inside and outside the rack. KGI Securities expects penetration to accelerate. Nvidia’s VR NVL72 adopts a fully modular, fanless, direct-to-chip liquid cooling design, with cold plate and manifold value in the VR200 cabinet rising over 30% versus the prior generation. High-density racks also drive upgrades in 2–4MW in-row CDUs and 100–350kW sidecars. With single-chip TDPs approaching 2–3kW, traditional TIM2 has become a bottleneck, prompting exploration of metal TIMs and micro-channel lid (MCL) integration. Overall, the value of liquid cooling components (cold plates, QDs, manifolds) and GPU heat spreaders will continue expanding, benefiting the related Taiwan supply chain.

Source: Bloomberg

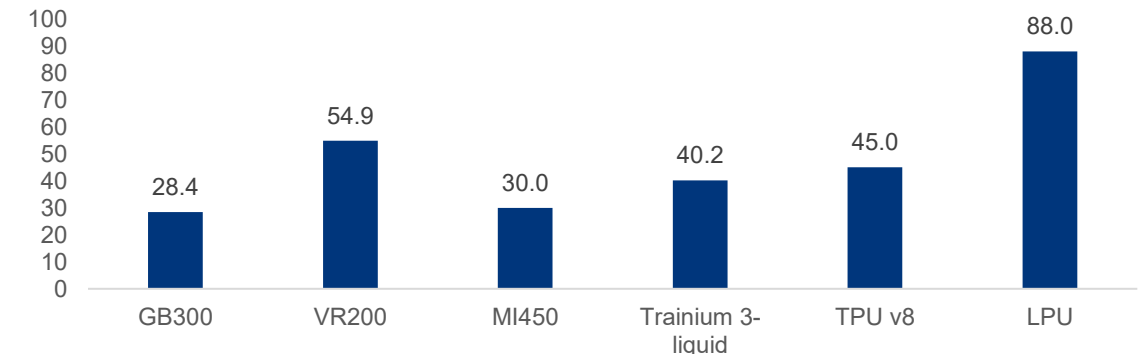
TAIEX Index and Taiwan Electronics Sector Trends

Index, 3 July 2025 = 100



The Embedded Value of AI Server Cold Plates Will Rise Significantly

Per-Cabinet Cold Plate Value, USD Thousands



Asia Vital Components Co., Ltd. (3017 TT)

Asia Vital Components manufactures heat sinks, radiators, DC fans, and notebook heat pipes. These products are supplied for use in personal computers, notebooks, and power supply cooling.

Key Features

GPU & ASIC Liquid Cooling to Drive 2H26–FY2027 Revenue

The company expects revenue and profit to grow sequentially from 2Q26 to 4Q26, with stronger 2H26 performance versus 1H26. Key catalysts for 2H26–FY2027 growth include: (1) Rising cold plate usage in VR compute trays and switch trays. (2) AMD MI455 Helios cabinets adopting Auras cold plates, with 5,000–8,000 units expected to ship in FY2027. (3) AWS Trainium3 air-cooled and liquid-cooled designs ramping in 2Q26 and 4Q26, driving 30–40% y/y cabinet shipment growth in 2026. (4) Revenue from LPU and Spectrum-X cold plates accelerating from late 4Q26 into FY2027. (5) Google TPU liquid cooling products contributing revenue after 4Q26.

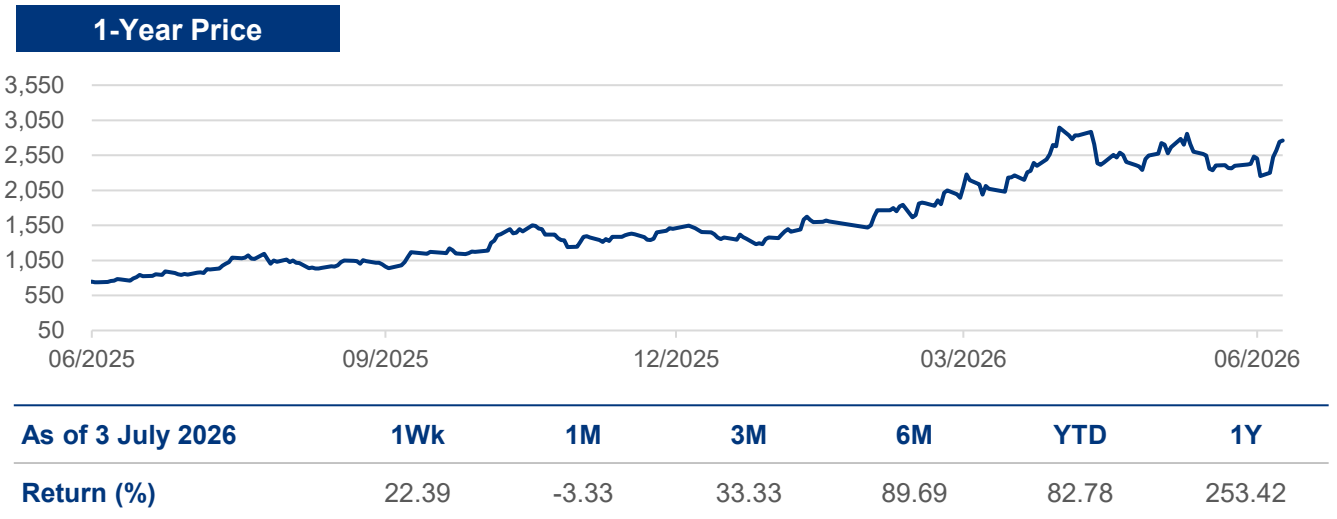
Liquid Cooling Market Beneficiary

IKGI Securities views Asia Vital Components as a major beneficiary of liquid cooling market expansion, maintaining an “Add” rating and raising the target price to NT\$3,450, based on 26x FY2027F EPS.

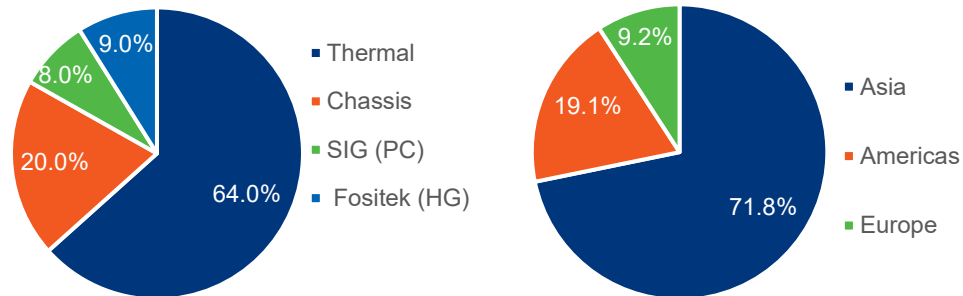
Financials					
	2023	2024	2025	2026F	2027F
EPS (NTD)	7.00	10.00	21.00	39.89	56.07
EPS Growth (%)	19.7	50.4	131.8	92.2	40.4
P/E Ratio	181.1	120.5	52.0	27.0	19.3
ROE (%)	28.3	32.1	52.2	67.1	64.6

Source: Company data, estimates of KGI analyst

Valuations		5Y Avg.	Current
Price	67.02	●	◆ 2,945
P/E	8.56	●	◆ 53.11
P/B	2.17	●	◆ 25.57



Revenue Sources and Regions



Source: Bloomberg

Auras Technology Co., Ltd. (3324 TT)

Auras Technology is one of Taiwan's top three thermal module manufacturers. Its main businesses cover notebooks and desktops, graphics cards and gaming notebooks, servers, and smartphones.

Key Features

Bright Outlook for Liquid Cooling

Auras Technology's revenue for the first four months rose 77% y/y, driven by rising liquid cooling demand from GB300 cabinets. In 1Q26, server revenue accounted for 76%, with liquid cooling at 55% and air cooling at 21%. While Blackwell AI servers are not yet fully liquid-cooled, the Vera Rubin generation will mark a full liquid-cooling era. Alongside rising penetration in HGX and ASIC AI servers, Auras Technology's liquid cooling revenue is expected to surge in 2026.

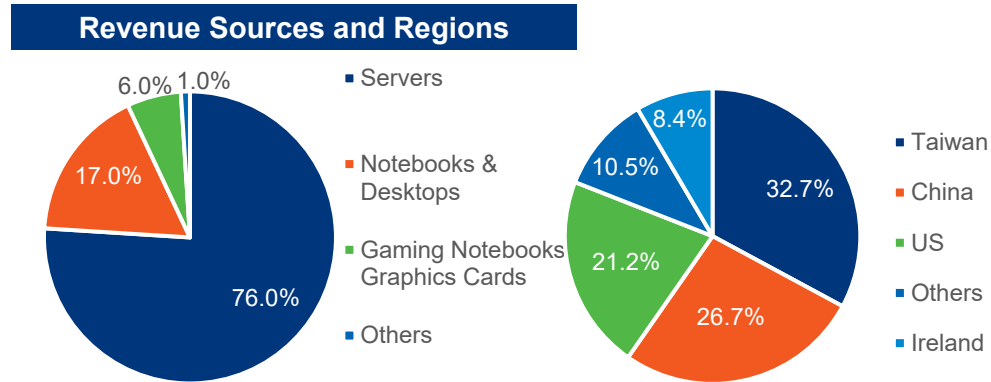
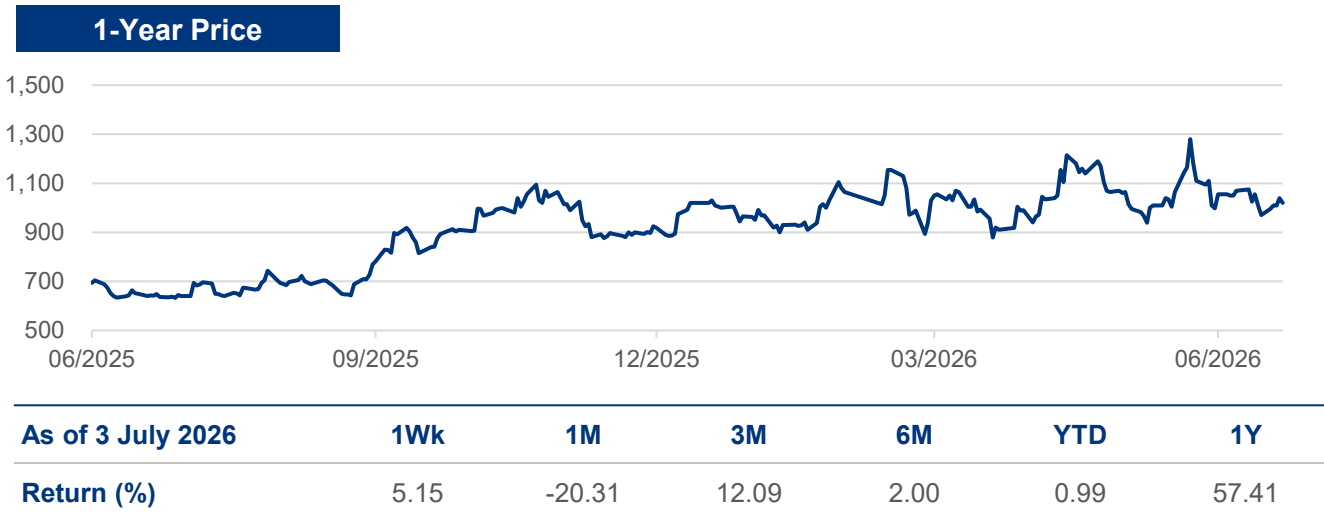
DIMM Cold Plates to Lead in FY2027; CPU Heat Spreaders Add Growth

Under the NVIDIA HGX architecture, DIMMs in CPU trays will adopt cold plates, making this highly customized design Auras Technology's future liquid cooling focus. In addition, AI server manifolds will see expanded capacity from 2Q26, with revenue growth driven by strong demand from U.S. CSPs (Meta, AWS, Oracle) and enterprise customers (Dell, SMCI).

Financials					
	2023	2024	2025	2026F	2027F
EPS (NTD)	14.28	21.23	28.26	59.27	81.87
EPS Growth (%)	-2.7	48.7	33.1	109.7	38.1
P/E Ratio	80.2	53.9	40.5	19.3	14.0
ROE (%)	20.2	24.3	25.7	43.5	46.5

Source: Company data, estimates of KGI analyst

Valuations		5Y Avg.	Current
Price	117.00	●	◆ 1,280
P/E	7.02	●	◆ 61.15
P/B	1.87	●	◆ 11.22



Source: Bloomberg

Post-GTC Focus Remains on Supply Chains, Supporting Asian Technology Stocks

► Wellington Asia Technology Fund

- **Broad Exposure Across Market Caps.** The fund seeks technology opportunities beyond globally recognized mega-cap names, investing across large-, mid-, and small-cap companies.
- **Flexible Positioning Across the AI Value Chain.** As Asia's importance in technology continues to grow, the fund maintains balanced exposure to both software and hardware companies, providing broad coverage of the AI ecosystem. Country allocations are adjusted dynamically to capture opportunities while managing downside risk.
- **Long-Term Focus on Innovation.** The investment strategy emphasizes innovative companies at an early stage of growth, aiming to benefit from long-term structural growth trends.
- **Experienced Management Team.** Fund manager Yash Patodia previously worked as a Software Design Engineer at Microsoft. With more than 10 years of technology-sector experience, he is supported by regional technology specialists, a global technology research team, and Wellington's extensive investment resources.

Fund	Wellington Asia Technology Fund	
Features	<ul style="list-style-type: none"> ■ Focused on Core Asian Technology, emphasizing fast-innovating, high-growth tech companies. ■ Manager Background: Former software design engineer at Microsoft, with over 10 years of experience in the technology sector. 	
AUM	USD 1.2 billion	
3M/YTD Return	45.87% / 48.09%	
Top 5 Sectors (%)	Semiconductors & Semiconductor Equipment	42.2
	Technology Hardware & Equipment	26.0
	Media & Entertainment	8.9
	Consumer Discretionary Distribution & Retail	7.2
	Capital Goods	4.2
Top 5 Regions (%)	Japan	29.4
	Taiwan	28.2
	South Korea	20.9
	China	15.8
	Netherlands	2.7
Top 5 Holdings (%)	SK Hynix	10.2
	TSMC	9.6
	Samsung Electronics	9.6
	Tencent Holdings	4.9
	Alibaba	4.7

Source: Bloomberg

Wellington Asia Technology Fund

Profile

The fund aims to outperform the MSCI AC Asia Pacific Information Technology Custom Index over the long term, primarily investing in equities of technology and tech-related companies listed or operating in Asia.

Focus on Asia's Core Tech Supply Chain

One of the few funds dedicated to Asian technology, including Japan, with exposure to semiconductors, semiconductor equipment, electronics, software, and tech services—emphasizing Asia's critical role in the global supply chain.

Professional Management Team

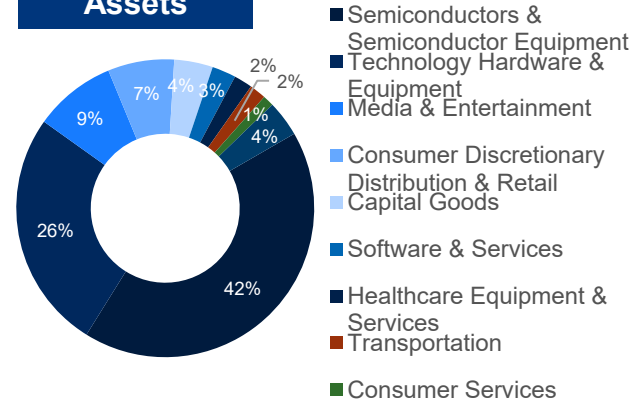
Managed by Yash Patodia, a former Microsoft software engineer with 10+ years of experience in the tech sector, supported by regional and global tech research teams and the firm's extensive resources.

Differentiated Tech Exposure

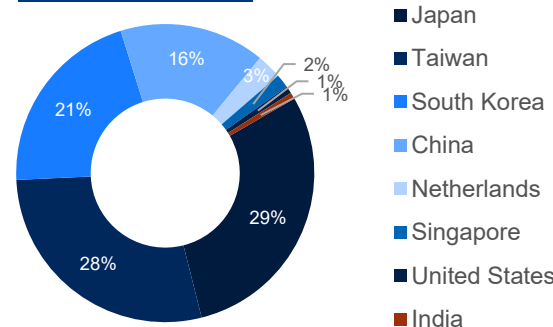
Distinct from global mega-cap tech exposure, the fund targets high-growth, innovative, and emerging tech companies, adopting a long-term investment approach to capture upside from technology cycles.

Inception	2025/2/20	AUM	USD 1.2 bn
Morningstar Category	Sector-Tech	Fund Type	Equities
Morningstar Rating	-	3Y SD (Ann.)	-

Assets



Region



Top-5 Holdings (%)

SK Hynix	10.2
TSMC	9.6
Samsung Electronics	9.6
Tencent Holdings	4.9
Alibaba	4.7

1Y NAV



As of 30 June 2026	1M	3M	YTD	1Y	2Y	3Y
Cumulative Return(%)	5.02	45.87	48.09	80.98	-	-
Ranking	1	2	1	1	-	-

Source: Morningstar

NVIDIA Upgraded to AA by S&P; Strong Cash Flow and Debt Servicing Capacity Support Credit

► NVDA 4.95 06/15/36 (Nvidia) (USD)

- NVIDIA is a global pioneer in graphics processing and accelerated computing, offering full-stack chip and software solutions that include GPUs, Grace CPUs, and DPUs. Leveraging its dominant market share in AI training and inference, the company has successfully transformed traditional data centers into high-performance “AI factories.”
- In July 2026, S&P raised NVIDIA’s long-term issuer credit rating from AA- to AA, with a stable outlook. The agency expects NVIDIA’s sustainable competitive advantage in AI infrastructure to drive continued business improvement over the next two years, further strengthening its balance sheet.
- NVIDIA’s financial strength is evident in its high operating margins and low capital intensity, generating massive free operating cash flow (FOCF). FY2026 FOCF reached USD 97 billion, with S&P projecting increases to USD 196 billion in FY2027 and USD 276 billion in FY2028. As of April 26, 2026, NVIDIA held USD 81 billion in cash and marketable securities against only USD 8.5 billion in debt, underscoring its robust net cash position.
- Strong liquidity and cash generation enable NVIDIA to make advance payments to TSMC, securing wafer supply and advanced packaging capacity—critical advantages in a constrained market. With EBITDA margins at 67.03% and debt levels low, its EBITDA interest coverage ratio surged to 516x, highlighting minimal interest burden.
- In 1Q26, NVIDIA reported revenue of USD 81.6 billion, marking its 14th consecutive quarter of beating guidance. Data center revenue climbed to USD 75.2 billion, while non-hyperscale cloud (ACIE) and sovereign AI revenue grew 31% quarter-on-quarter, now accounting for half of total sales, reflecting strong demand from diversified customers.
- This latest bond issuance marks NVIDIA’s return to the public debt market since 2020, offering multiple maturities and improved liquidity, further reinforcing its financial flexibility.

Source: Bloomberg

Bond	NVDA 4.95 06/15/36 (Nvidia) (USD)
ISIN	US67066GAT13
Features	S&P upgraded NVIDIA’s long-term issuer credit rating from AA- to AA, citing its competitive edge in AI infrastructure and expected business and balance sheet improvements.
Maturity	2036/6/15
Next Call Date	2036/3/15
Coupon(%)	Fixed/4.95/Semi-Annual
Currency	USD
Years to Maturity	9.96
Credit Rating (Moody’s/Fitch/S&P)	Aa1/-/AA
Seniority	Senior Unsecured
YTM/YTC (%)	4.90/4.90

NVDA 4.95 06/15/36 (Nvidia) (USD)

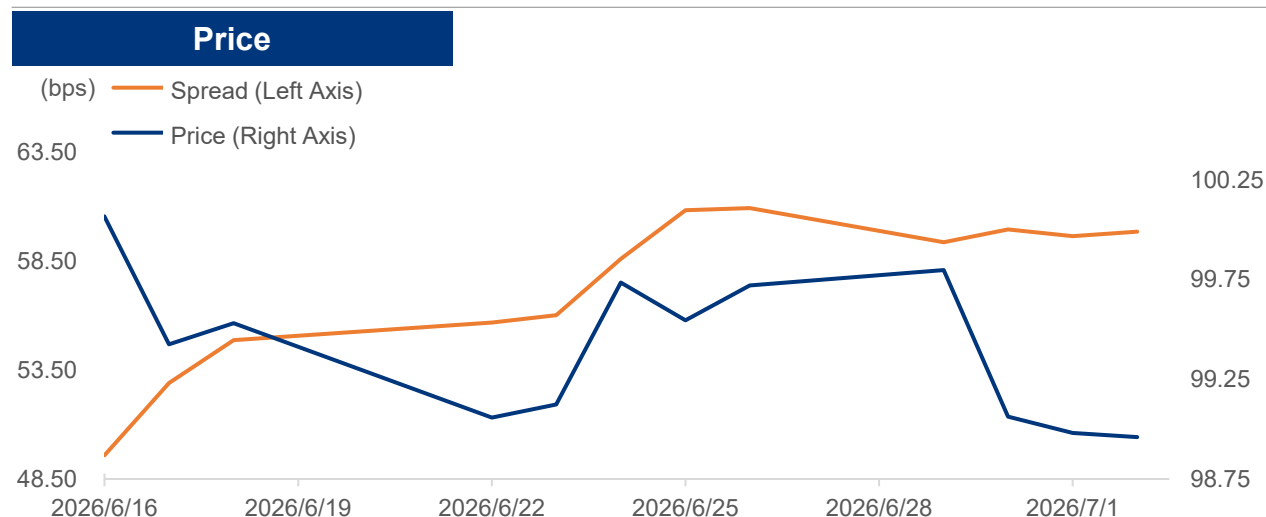
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Financials	2023	2024	2025
Free Cash Flow (USD 100 mln)	56.41	270.21	640.89
EBITDA Margin (%)	56.93	72.72	74.99
Interest Coverage Ratio	22.75	135.21	338.76

Source: Bloomberg

Overview			
Name	NVDA 4.95 06/15/36	ISIN	US67066GAT13
Maturity Date	2036/6/15	Remaining Maturity	9.96
Coupon(%)	Fixed/4.95/Semi-Annual	YTM/YTC(%)	4.90/4.90
Currency	USD	Min. Subscription/ Increment	2,000/1,000
Ratings (Moody's/Fitch/S&P)	Aa1/-/AA	Seniority	Senior Unsecured



Appendix

Key Economic Data / Events

▶ JUNE 2026

▶ JULY 2026

29

Monday

- Japan May retail sales MoM (Act:1.9% Est:-0.5% Prev:2.8%)

30

Tuesday

- U.S. Jun Conference Board Consumer Confidence (Act:91.2 Est:94.4 Prev:90.6)
- U.S. May JOLTS Job Openings (Act:7,594k Est:7,296k Prev:7,585k)
- Japan May Unemployment Rate (Act:2.5% Est:2.5% Prev:2.5%)
- China Jun Manufacturing PMI (Act:50.3 Est:50.1 Prev:50.0)
- China June Non-Manufacturing PMI (Act:50.2 Est:49.9 Prev:50.1)

1

Wednesday

- U.S. Jun ADP Employment Change (Act:98k Est:120k Prev:122k)
- U.S. Jun S&P Global Manufacturing PMI Final (Act:53.9 Est:55.7 Prev:55.1)
- U.S. Jun ISM Manufacturing Index (Act:53.3 Est:53.9 Prev:54.0)
- Japan Jun S&P Global Manufacturing PMI Final (Act:54.8 Prev:54.5)
- Eurozone Jun S&P Global Manufacturing PMI Final (Act:51.4 Est:51.3 Prev:51.6)

2

Thursday

- U.S. Weekly Initial Jobless Claims (Act:215k Est:218k Prev:216k)
- U.S. Jun Nonfarm Payrolls Change (Act:57k Est:113k Prev:129k)
- U.S. Jun Unemployment Rate (Act:4.2% Est:4.3% Prev:4.3%)
- Eurozone May Unemployment Rate (Act:6.2% Est:6.3% Prev:6.2%)

3

Friday

- Japan June S&P Global Services PMI Final (Act:52.2 Prev:50.0)

6

Monday

- U.S. Jun S&P Global Services PMI Final (Est:51.3 Prev:50.7)
- U.S. Jun ISM Services Index (Est:54.1 Prev:54.5)
- Eurozone May PPI YoY (Est:5.7% Prev:4.9%)

7

Tuesday

8

Wednesday

9

Thursday

- U.S. Weekly Initial Jobless Claims (Prev:215k)
- U.S. Jun FOMC Minutes
- U.S. Jun Existing Home Sales (Est:4.20m Prev:4.17m)
- China Jun CPI YoY (Est:1.1% Prev:1.2%)
- China Jun PPI YoY (Est:4.1% Prev:3.9%)

10

Friday

- Japan June PPI YoY (Est:6.8% Prev:6.3%)

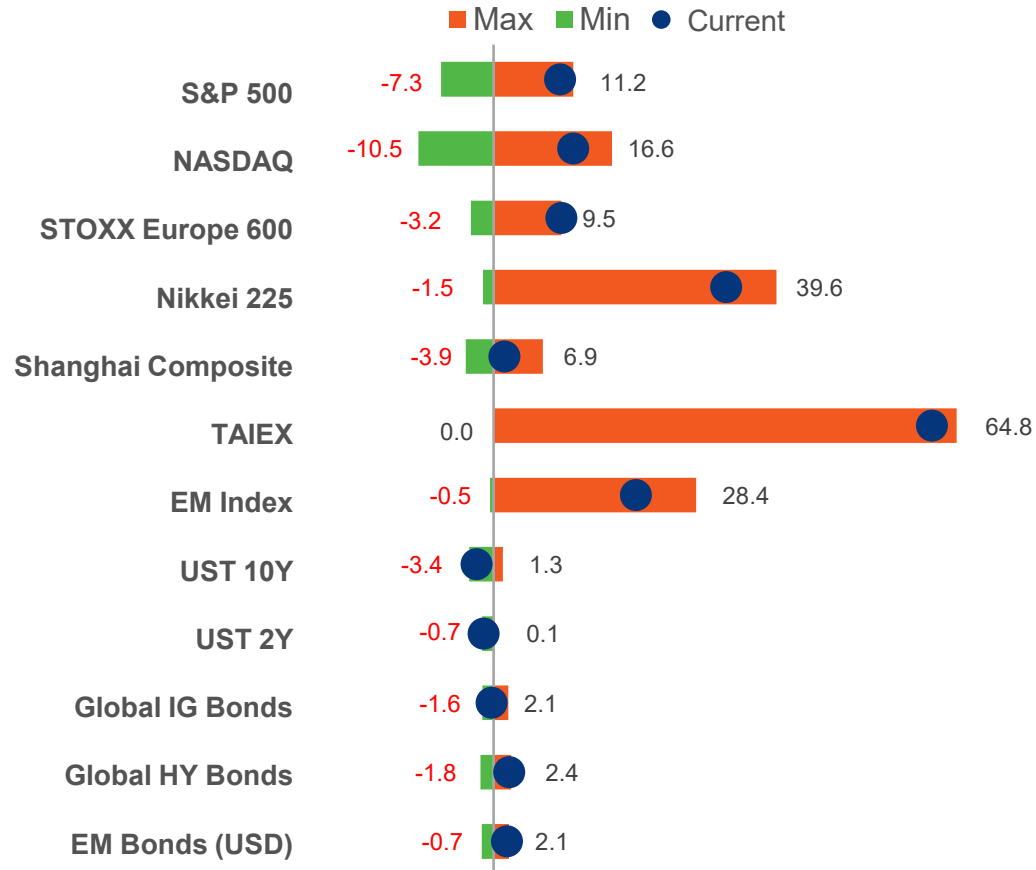
Source: Bloomberg

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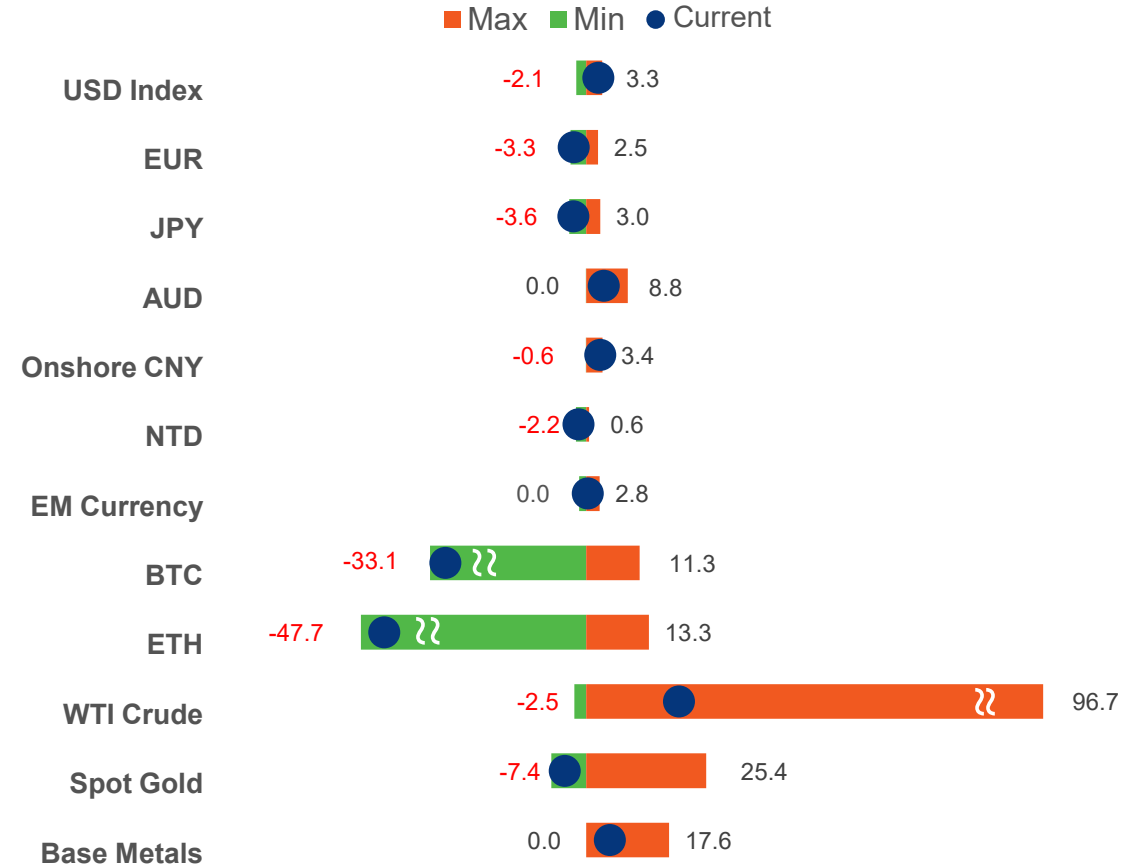
23

Major Market / Asset YTD Performance

Equities & Bond Markets YTD Performance (%)



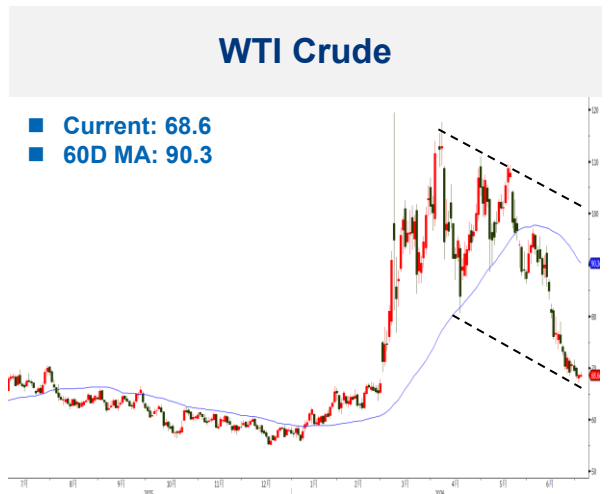
Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg

Technical Analysis

— 60D MA



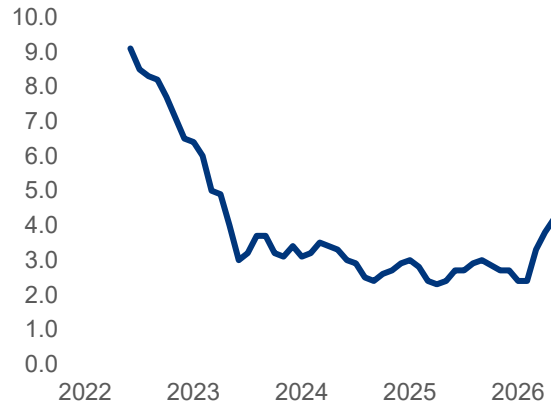
Source: Bloomberg

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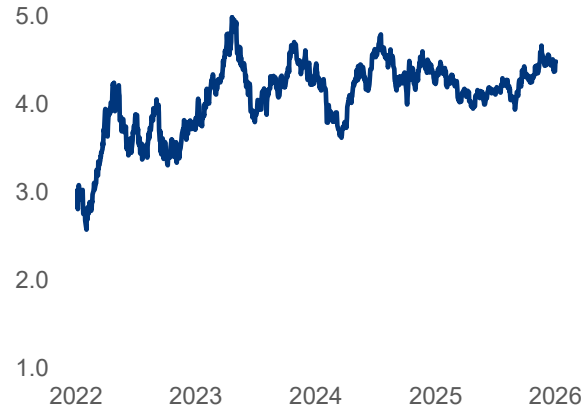


Market Monitor

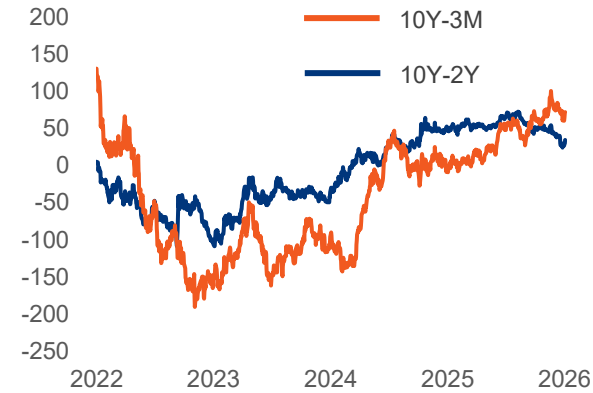
U.S. CPI YoY (%)



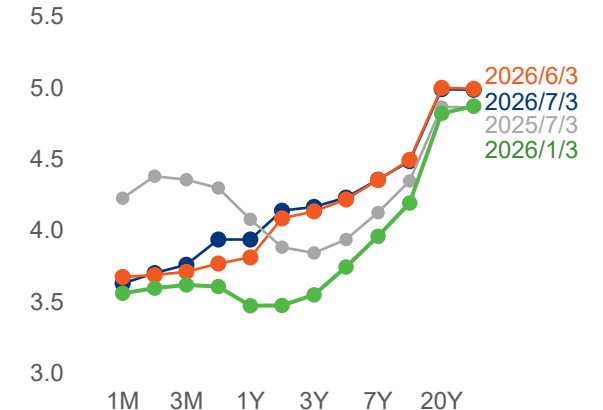
U.S. 10-Year Treasury Yield (%)



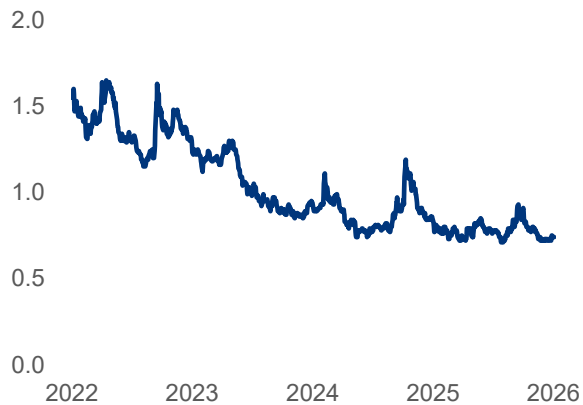
U.S. Treasury Yield Spread (bps)



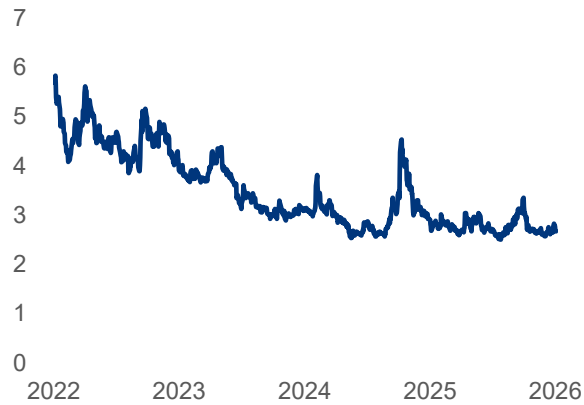
U.S. Treasury Yield Curve (%)



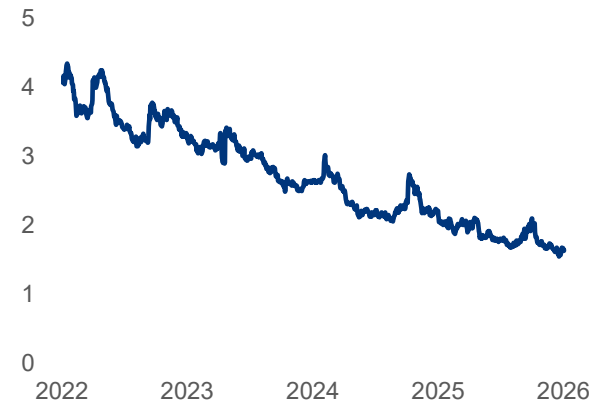
USD IG Credit Spread (%)



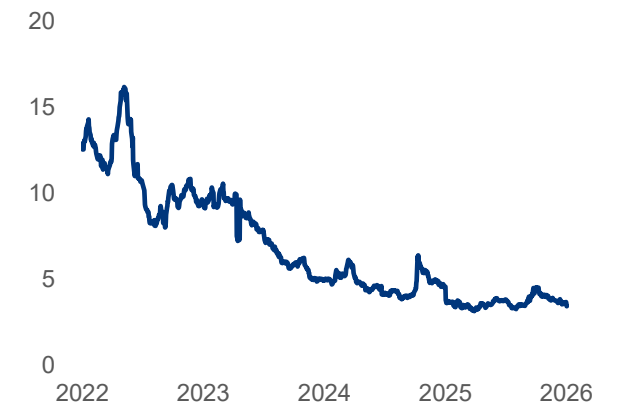
USD HY Credit Spread (%)



USD EM Credit Spread (%)



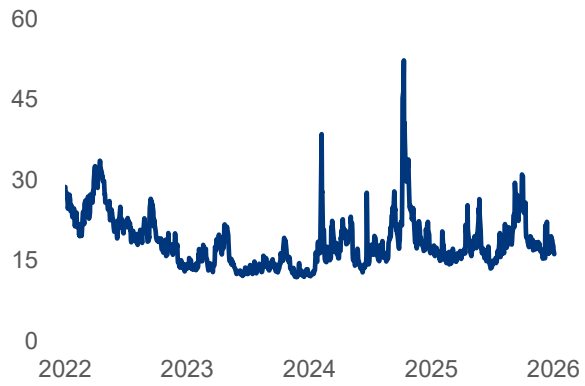
USD Asia Credit Spread (%)



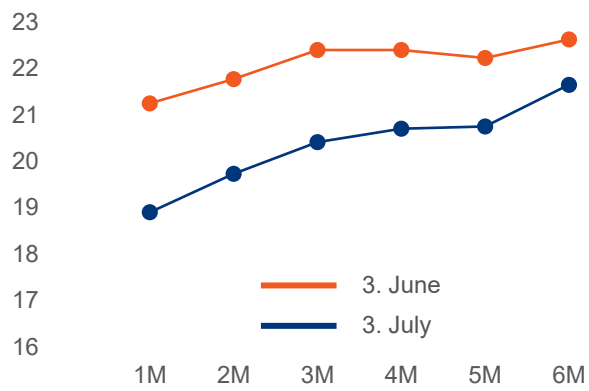
Source: Bloomberg

Market Monitor

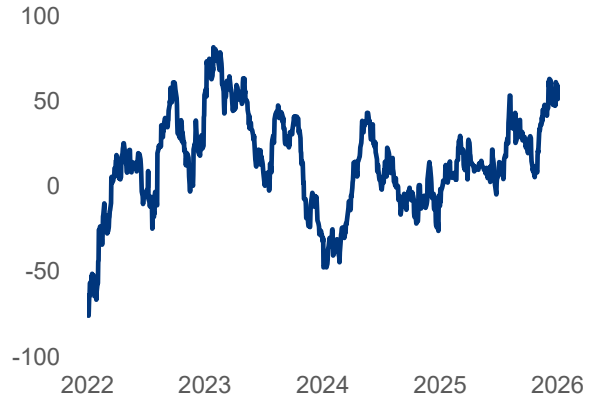
VIX Index



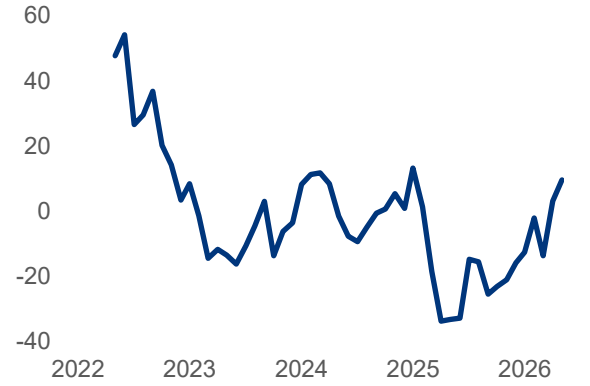
VIX Term Structure



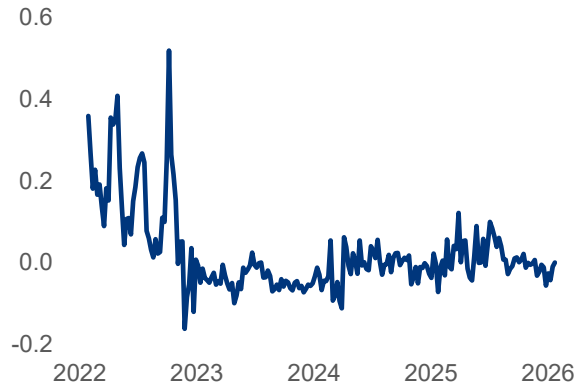
U.S. Citi Economic Surprise Index*



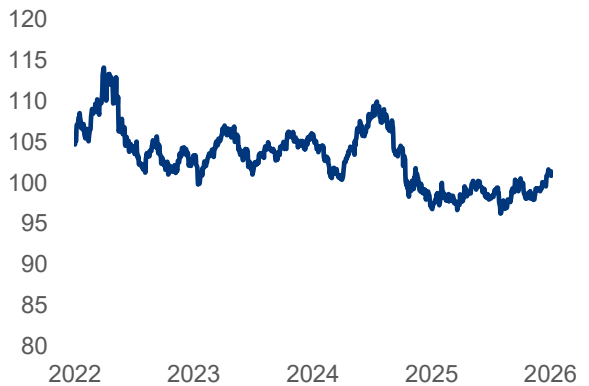
U.S. Citi Inflation Surprise Index*



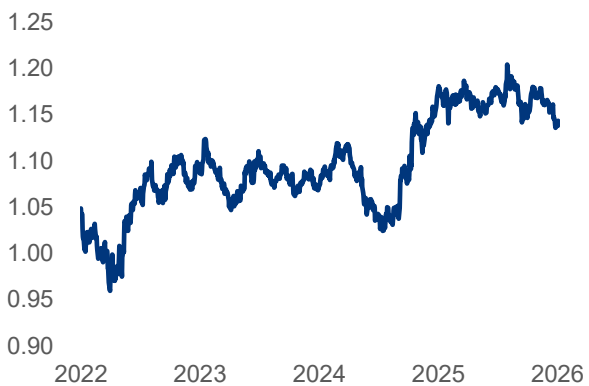
TED Spread (bps)



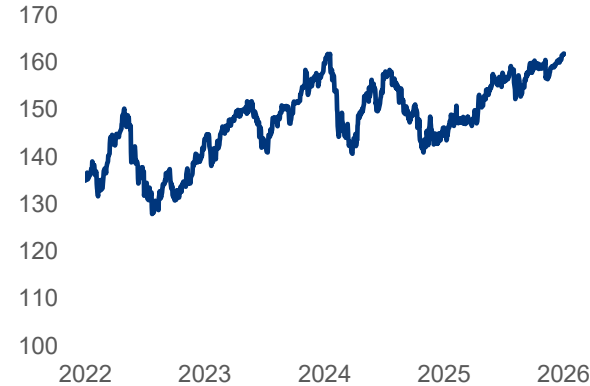
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg



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