KGI

CIO Office

Global Markets Weekly Kickstart

Financials Catching Up

27 July 2026

01 Chart of the Week

ECB Holds Rates Steady, but Leaves Door Open to Further Hikes

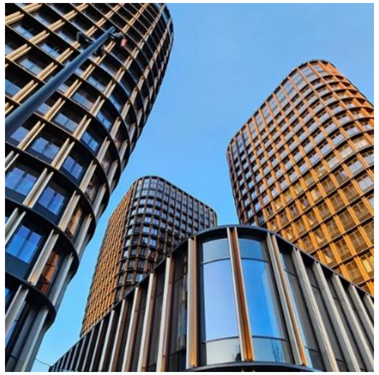
02 Market Recap

Geopolitical Tensions Persist, Driving Market Correction and Higher Volatility

03 What’s Trending

Semiconductor Rally Pauses; Hyperscaler Earnings to Test AI Growth and ROI

04 In Focus



Strong Bank Earnings Could Fuel Catch-Up Rally

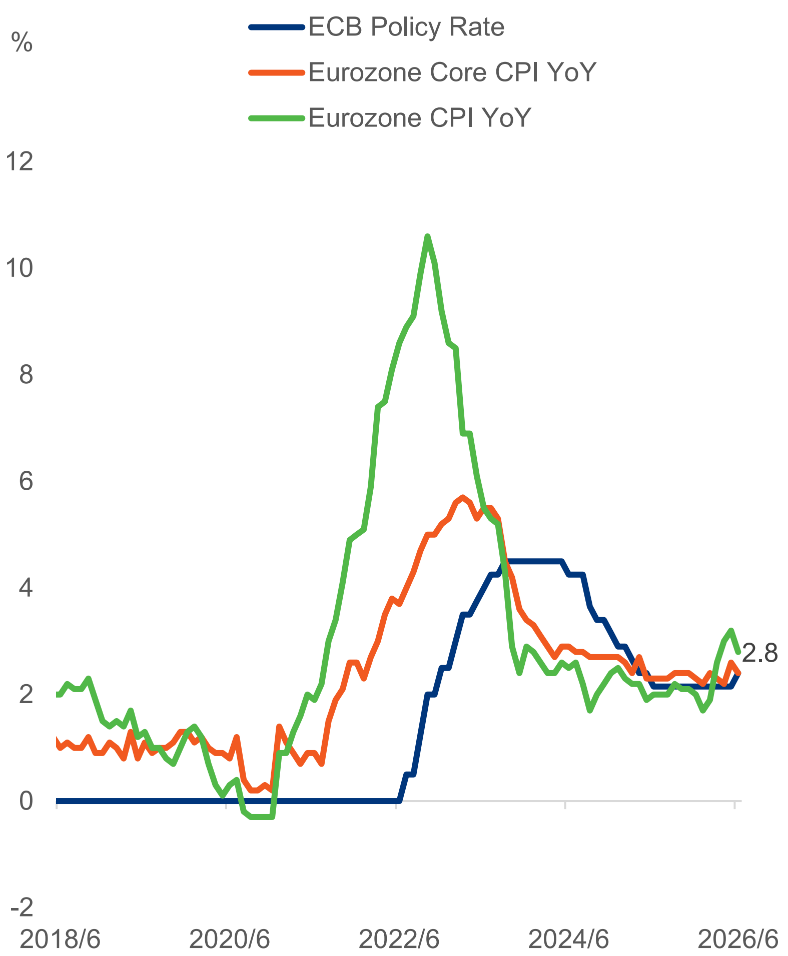
05 Product Spotlight

Selection of Equities, Bonds, Funds/ETFs

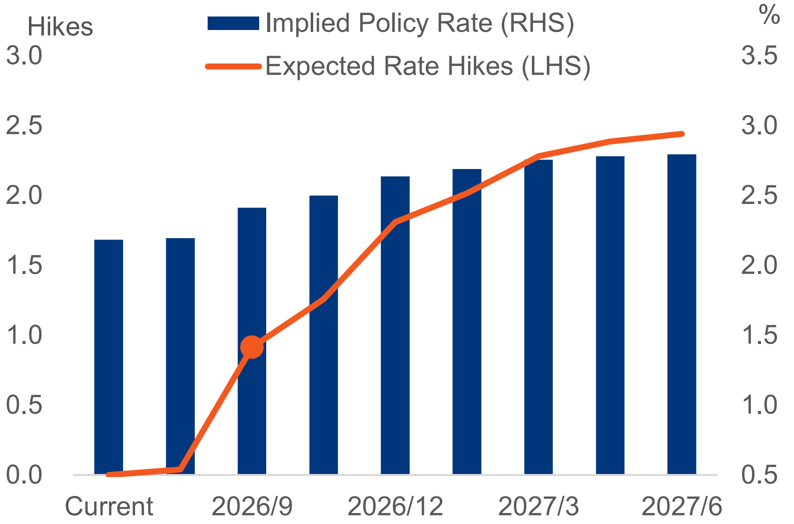
Chart of the Week ECB Holds Rates Steady but Leaves Door Open for Further Tightening

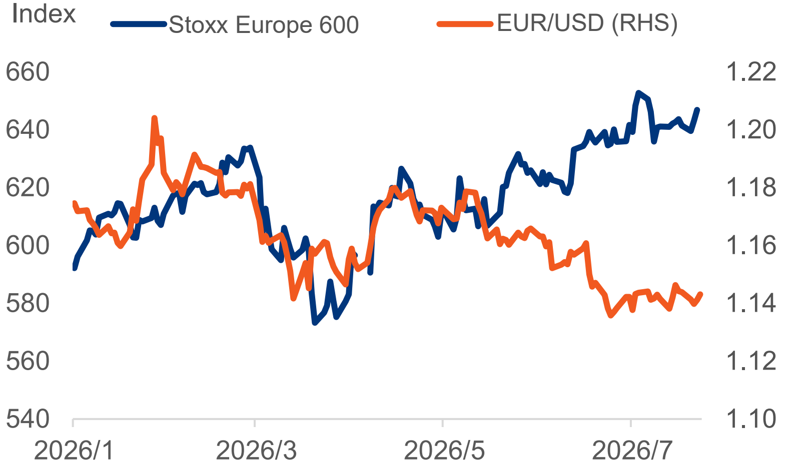
- Renewed fighting between the U.S. and Iran has pushed oil prices higher, prompting central banks to remain vigilant on inflation. Eurozone data have improved, with the July Sentix Investor Confidence Index rising to -3.1 from -3.4, well above expectations of -10. June Services PMI was revised up to 49.4, while the Composite PMI was revised to 50. However, renewed Middle East tensions have lifted Brent crude back above US$90/bbl, pushing the eurozone one-year inflation swap rate to 2.5%. June CPI rose 2.8% YoY, with core CPI at 2.4%, reigniting inflation concerns. Against this backdrop, the ECB maintained its restrictive policy stance while signaling a "hawkish pause," keeping the option of a September rate hike if inflation pressures persist.
- Markets now expect eurozone GDP growth of 0.5% in 2026, down from 0.7% in last month's survey and below the ECB's baseline forecast of 0.8%. While the ECB left rates unchanged this week, interest rate futures continue to price in a September hike. Higher borrowing costs are likely to weigh on medium-term growth, keeping the euro under pressure, although resilient corporate earnings continue to support European equities.

ECB Holds Rates Steady as Inflation Risks Tilt Higher



Rate Futures Price Another ECB Hike in September





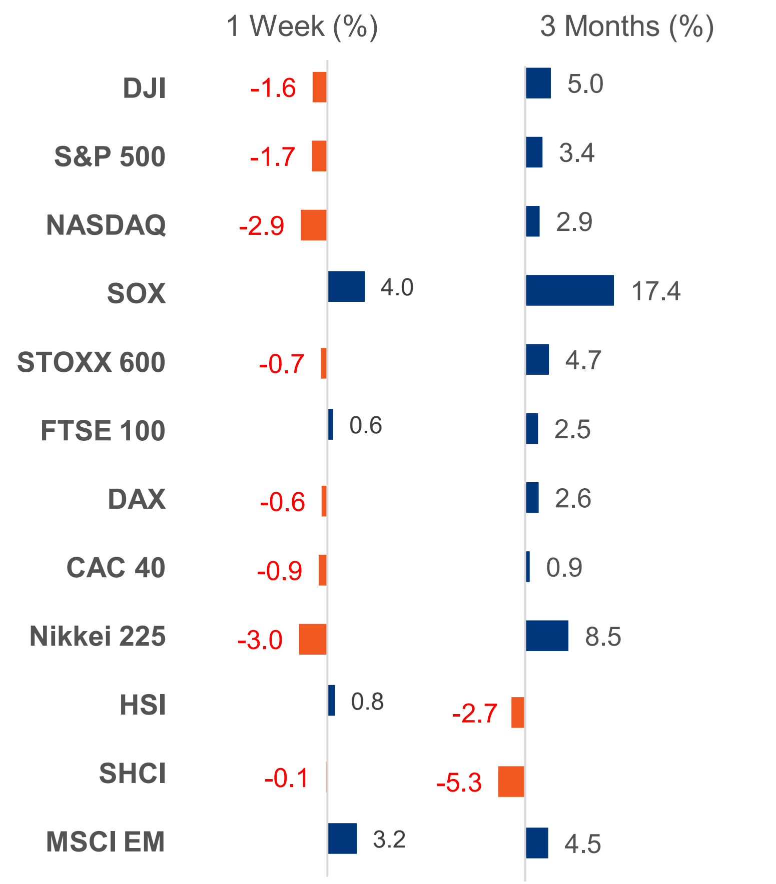
Source: Bloomberg

Market Recap

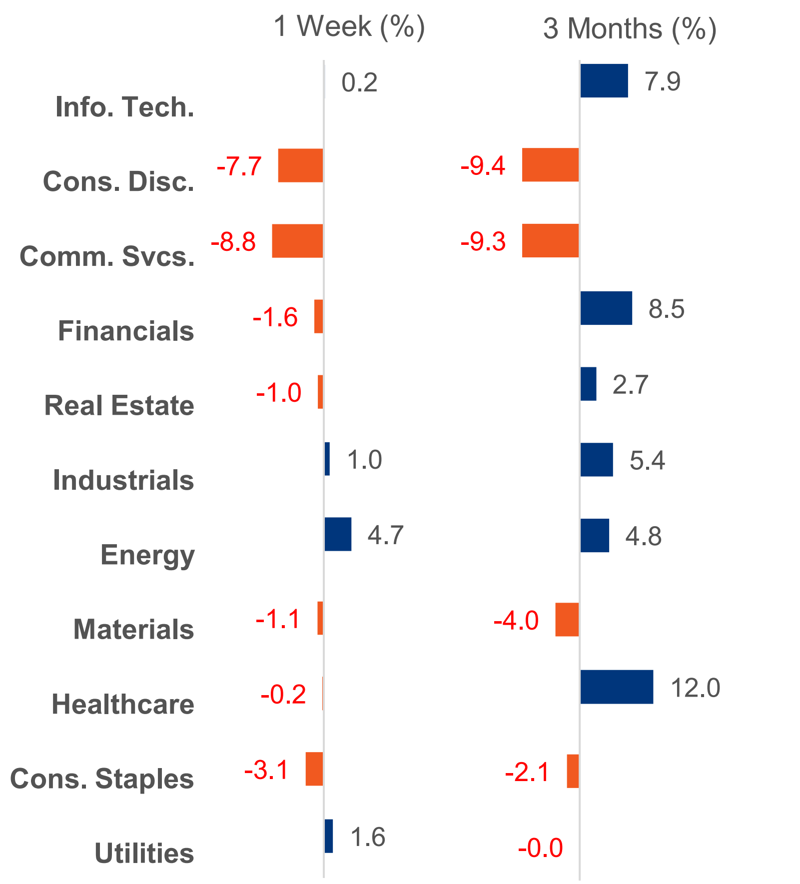
Geopolitical Tensions Persist, Driving Market Correction and Higher Volatility

- Military conflict between the U.S. and Iran intensified as U.S. airstrikes on Iran continued. Yemen's Houthi forces announced a maritime blockade against Saudi Arabia and threatened shipping through the Bab el-Mandeb Strait, while Iran stepped up attacks on oil shipments through the Strait of Hormuz. President Trump warned of retaliation, keeping global energy supply and trade under pressure. Oil prices rose, adding to equity market volatility.
- LSEG now forecasts S&P 500 2Q earnings growth of 26% YoY, up from 23.7%. Alphabet reported 2Q revenue of US$103.6bn (+27% YoY), beating expectations, driven by Google Cloud (+82% YoY), advertising (+14%), and YouTube ads (+13%). The company also raised its full-year capex guidance to US$195–205bn from US$180–190bn, though concerns over spending weighed on the stock. AMD signed an AI chip supply agreement with Anthropic for its next-generation MI450 accelerators and will invest about US$5bn in the company, strengthening its challenge to Nvidia. Tesla beat revenue expectations but missed on earnings. 2Q capex surged 142% YoY to US$5.79bn, free cash flow turned negative, and the stock declined.

Regional Index Performance (%)



U.S. Sector Index Performance (%)

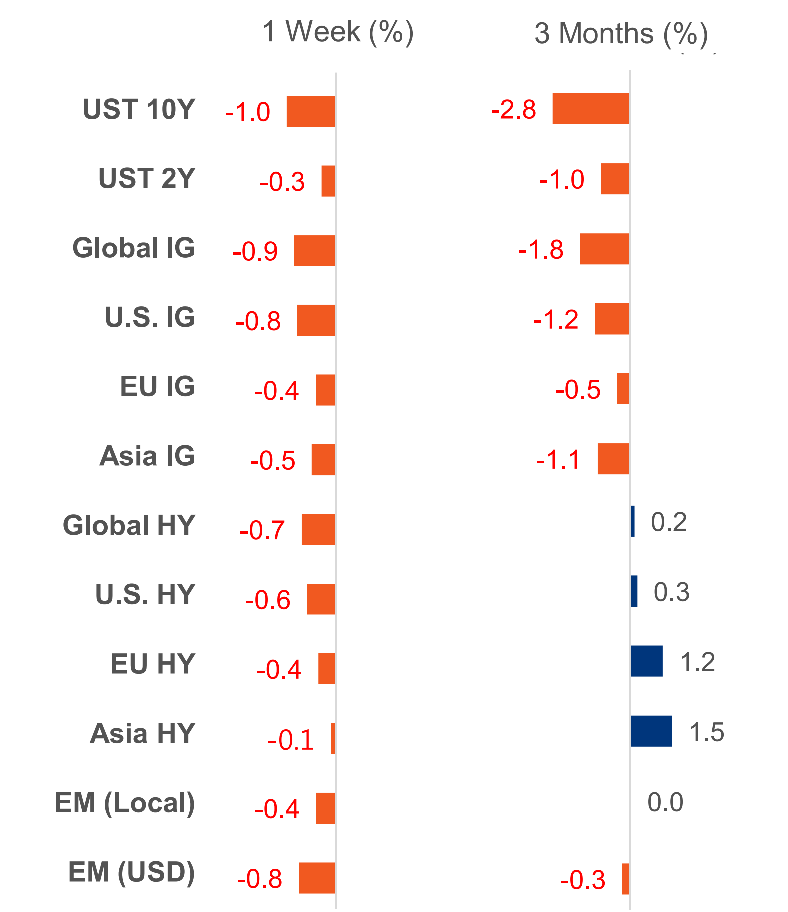


Source: Bloomberg

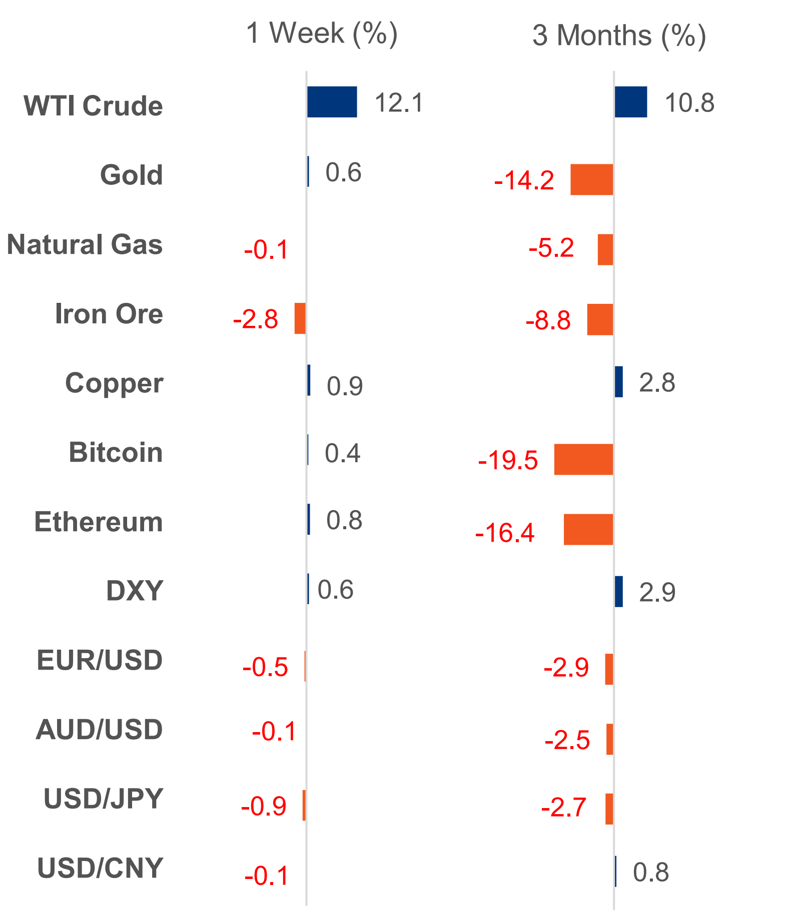
Oil Prices and Yields Climb, Pressuring Bonds and Commodities

- Escalating Middle East tensions pushed WTI crude back above US$92/bbl, lifting inflation expectations and Treasury yields. The U.S. 10-year yield rose to 4.70%, while the 30-year yield climbed above 5.16%, weighing on bond markets, with long-duration bonds underperforming. The U.S. dollar strengthened to 101.4, pressuring gold, silver, and base metals. Meanwhile, Bitcoin and Ether attracted inflows on expectations that the CLARITY Act will be passed.
- Japan unveiled its annual Basic Policy on Economic and Fiscal Management, with four key initiatives: 1) designate FY2027 as the start of a more proactive fiscal policy, expanding support for strategic industries such as AI and semiconductors; 2) target a gradual decline in the debt-to-GDP ratio while allowing temporary fiscal deterioration when needed to support growth and investment; 3) finalize policies on food tax cuts and refundable tax credits by early August; and 4) reaffirm the BOJ's independence in conducting monetary policy. Markets remain concerned that wider fiscal deficits could keep the yen under pressure.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



Source: Bloomberg

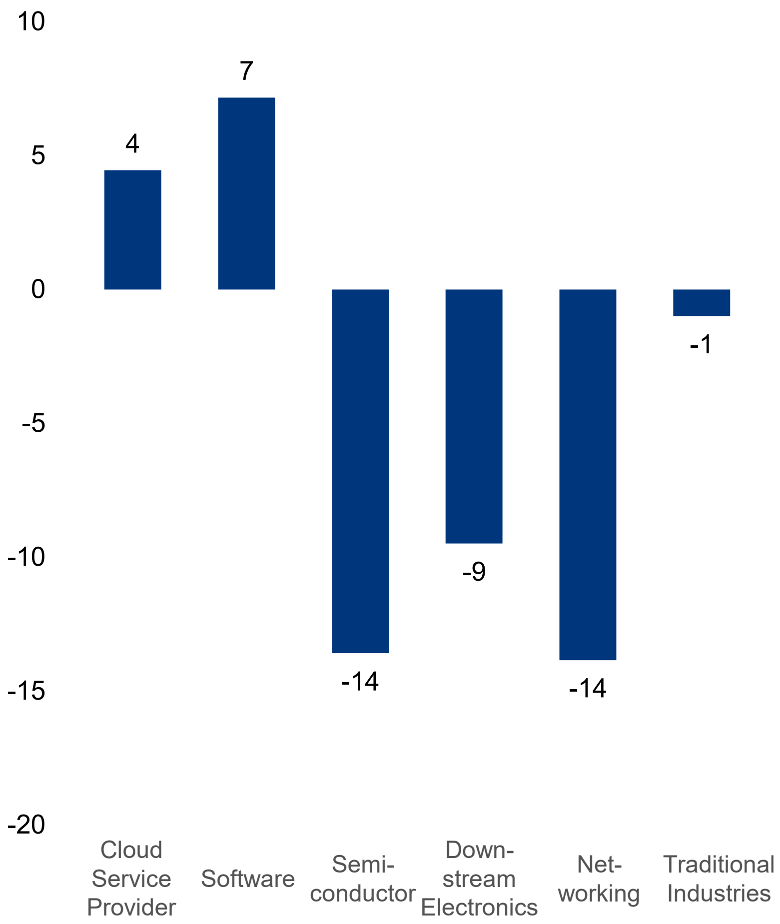
What's Trending

Semiconductor Pullback Shifts Focus to Hyperscalers as Earnings Test AI Growth and ROI

- Semiconductor stocks have pulled back in recent weeks, while cloud platforms and enterprise software have outperformed. The rotation reflects investors shifting from AI hardware, such as chips and servers, toward platforms that control computing capacity, enterprise customers, and AI applications. For now, this appears to be a sector rotation rather than a reversal in AI infrastructure demand.
- Fundamentals support the shift. Markets expect 2Q26 AWS and Azure revenue growth to accelerate to 32% and 41%, respectively. Alphabet's results also reinforced the trend, with Google Cloud revenue surging 82% YoY, suggesting AI demand is expanding from server procurement to model training, inference, and enterprise cloud usage. Upcoming results from other hyperscalers will be closely watched, particularly AWS growth at Amazon, Azure and Copilot at Microsoft, and Meta's ability to generate new AI revenue beyond advertising.
- Consensus forecasts call for combined capex of US$637bn across the four major hyperscalers, with another upward revision likely. If earnings confirm stronger cloud growth and improving order visibility, concerns over negative free cash flow should ease, supporting continued rotation into cloud platform stocks.

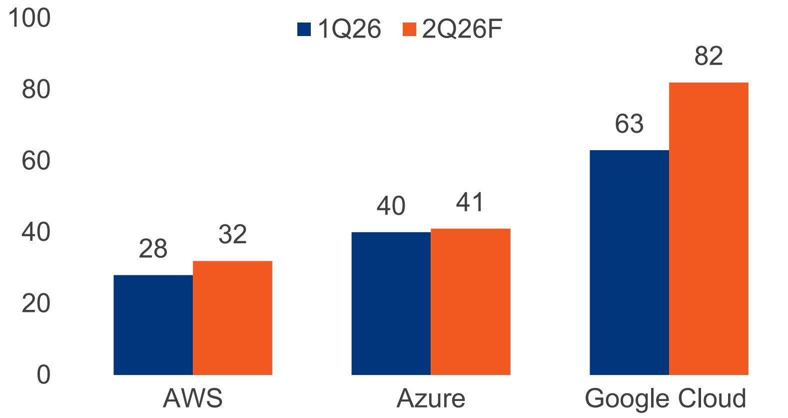
Semiconductors and Downstream AI Stocks Have Pulled Back, While Cloud and Software Outperformed

U.S. Equity Sector Performance Over the Past Month (%)



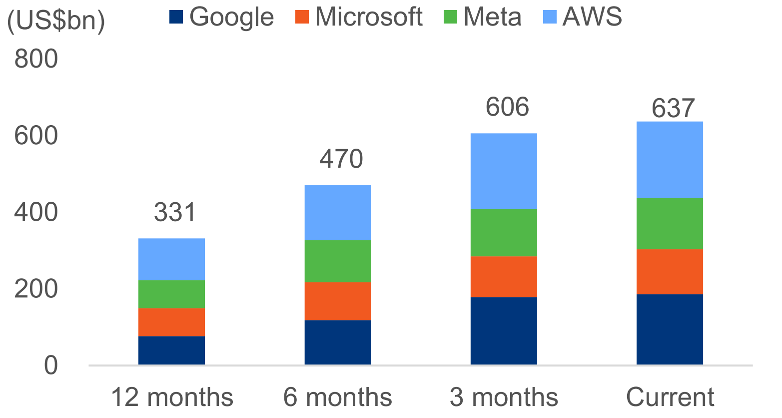
AI Demand Is Shifting to the Cloud; Top Three Hyperscalers Expected to Accelerate Growth in 2Q26

Revenue Growth (cc, %)



Top 4 CSP CAPEX Consensus

(US$bn)



Source: Bloomberg, Visible Alpha

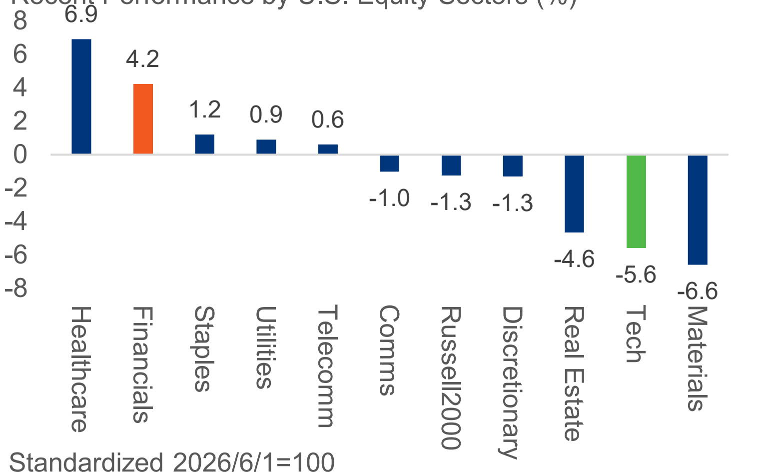
In Focus

Strong Economy and Earnings Support U.S. Banks, Driving Higher Dividends and Relative Outperformance

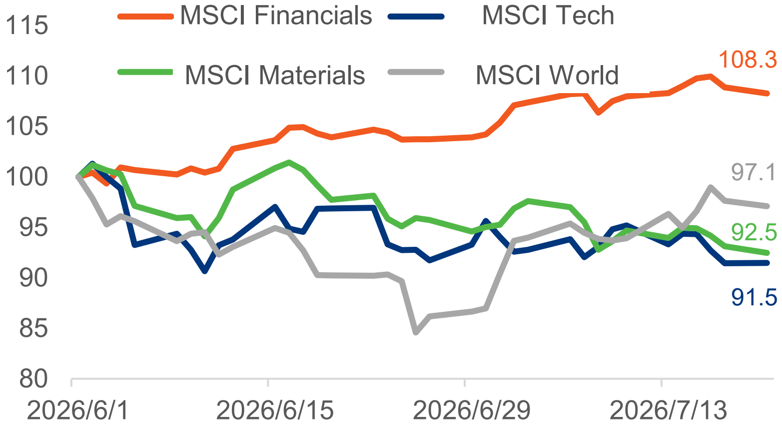
- Major U.S. banks reported better-than-expected 2Q earnings, led by strong investment banking, equity trading, and wealth management. Higher interest rates continued to support net interest income, while improving capital markets activity–including IPOs, M&A, and bond issuance–along with elevated market volatility boosted investment banking and trading revenue. JPMorgan's equity trading revenue rose 86% YoY, investment banking fees increased 30%, and the bank raised its full-year net interest income guidance. Goldman Sachs reported 72% growth in equity trading revenue, a 55% increase in investment banking fees, and 32% growth in fixed-income trading.
- Banks have also increased shareholder returns. JPMorgan raised its quarterly dividend by 10% and announced a US$50bn share buyback program. Goldman Sachs, Morgan Stanley, Wells Fargo, and Citigroup also raised dividends by 11–15%, while Bank of America announced a roughly US$20bn share buyback. With the U.S. economy remaining resilient, services PMI improving, and the six largest U.S. banks posting 13% YoY revenue growth–the strongest since mid-2024–investors have begun rotating into financials following the recent pullback in technology stocks.

Technology and Semiconductor Stocks Have Corrected, While Financials Have Outperformed

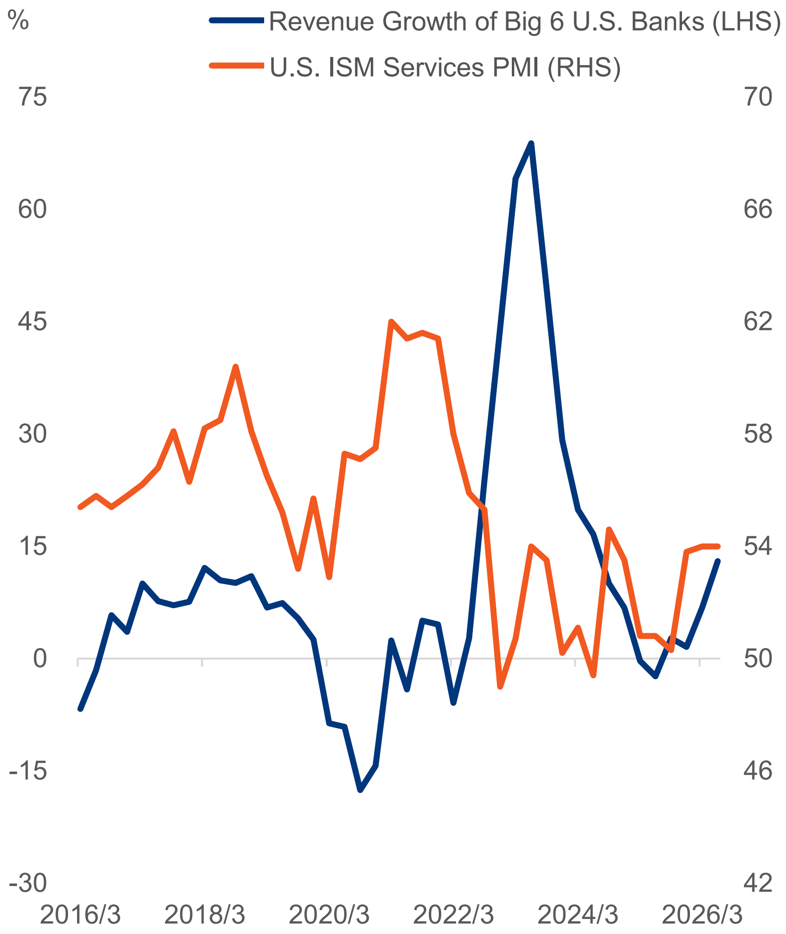
Recent Performance by U.S. Equity Sectors (%)



Standardized 2026/6/1=100



Resilient U.S. Economy Supports Bank Revenue Growth



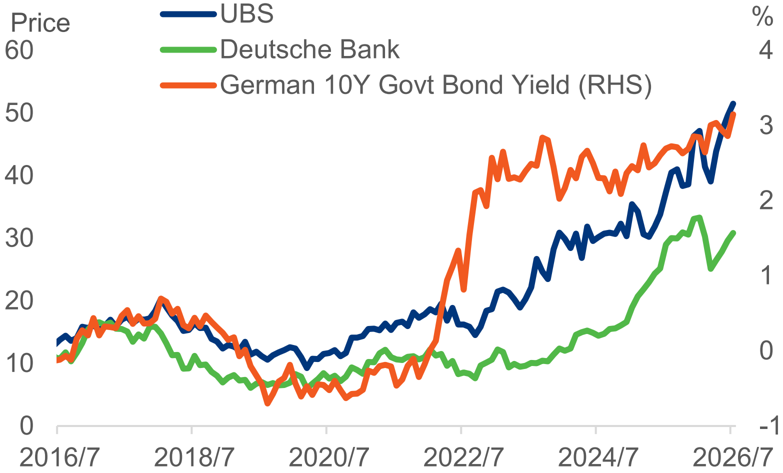
Source: Bloomberg

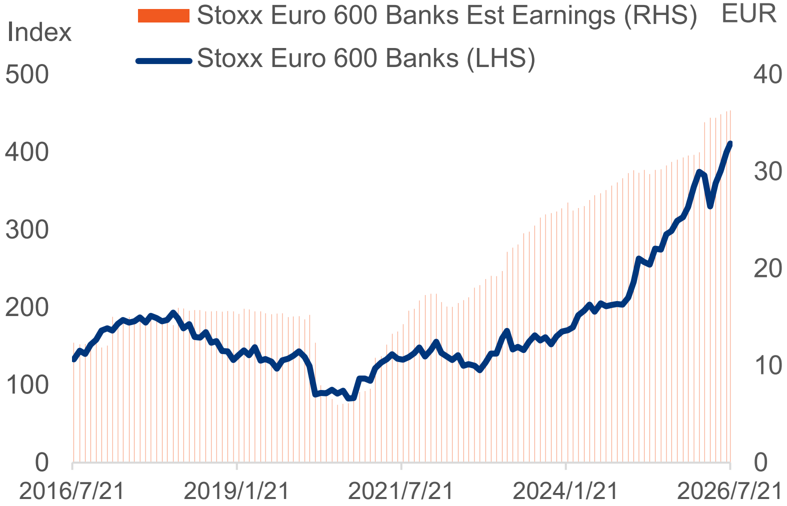
ECB Tightening and Higher Rates Continue to Lift European Bank Earnings

- Following the ECB's June rate hike, long-term yields have risen and yield curves have steepened, supporting European banks. Historically, European bank stocks have tended to move in line with higher German 10-year government bond yields. While U.S.-Iran tensions have resurfaced, they are unlikely to reach the severity seen in March. With the U.S. midterm elections approaching, oil prices and economic growth are expected to remain manageable. Markets still expect one more 25 bps ECB rate hike by year-end, supporting bank earnings. Reflecting this backdrop, earnings forecasts for European financials have been revised steadily higher over the past month.
- Beyond improving earnings, European banks continue to strengthen capital ratios and offer shareholder returns that exceed those of U.S. peers. Balance sheets have also improved across multiple metrics. Despite stronger fundamentals, European banks still trade at roughly a 30% valuation discount to U.S. banks and remain well below their own historical median since 2000, while also ranking among the most undervalued sectors in Europe. With solid earnings and attractive valuations, European financials still have room to catch up. As sector rotation broadens following the strong 1H rally in technology stocks, the higher-rate environment should continue to favor financials.

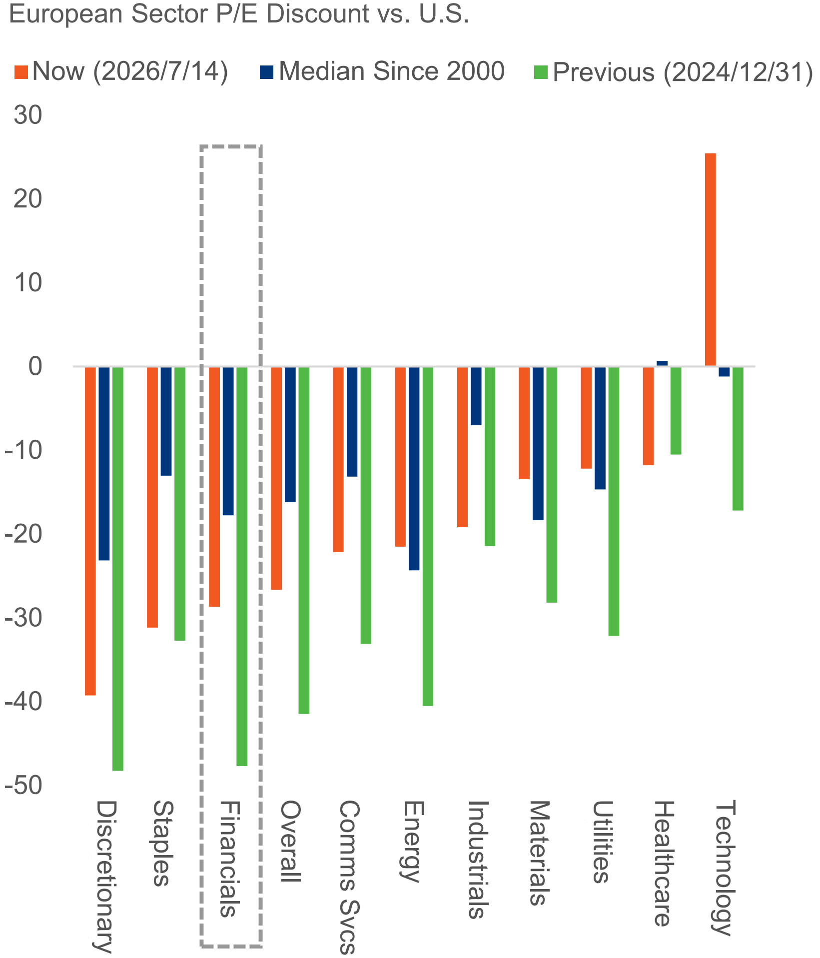
Source: Bloomberg, BofA

ECB Rate Hikes and Rising Bank Earnings Continue to Lift Bank Stocks





European Financials' Valuation Discount vs. U.S. Has Narrowed, but Remains Significant



KGI

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	◆ Corporate earnings remain solid, but investors are increasingly focused on AI capex returns. Cash flow pressure at major tech firms has raised market volatility, while renewed U.S.-Iran tensions and higher oil prices have added uncertainty. Favor defensive sectors such as healthcare and utilities in the near term, while maintaining a positive long-term view on technology and AI semiconductors. Use pullbacks to build positions and diversify across regions and sectors. ◆ Europe and Japan remain attractive diversification markets. Higher global yields support bank stocks, while Japanese banks continue to benefit from solid fundamentals. Japan's semiconductor sector remains attractive on pullbacks. European defense stocks retain long-term appeal, and UK equities offer defensive characteristics.	**Strategy:** Short term: defensive sectors. Medium to long term: AI themes including technology and semiconductors; Outside AI, prefer values **Regions**: Japanese banks, Japanese semiconductor stocks, UK equities, European defense, European financials
Bonds	◆ Higher oil prices have pushed U.S. 30Y Treasury yields to YTD highs. Avoid long-duration bonds and focus on short- to intermediate-duration. High-quality IG credit remains resilient, with opportunities after risk-driven spread widening, particularly in financials, technology, telecom and utilities. ◆ A stronger USD supports diversification into non-USD bonds, such as EUR- or AUD-hedged IG bonds.	**Types:** Short/ Intermeidate term IG bonds, with a preference for financials, technology, telecoms, and utilities. **Satellite :** Non-USD IG bonds for diversification.
Forex	◆ The Fed remains hawkish, with rate hike expectations rising alongside oil prices. Near-term USD strength should persist. ◆ Japan's fiscal expansion keeps the JPY under pressure, while the RMB is expected to appreciate modestly under policy support.	**USD:** Near-term strength remains supported. Gradual JPY appreciation; modest RMB appreciation.
Commodity	◆ Renewed U.S.-Iran conflict has lifted oil prices. Higher U.S. Treasury yields and a stronger USD remain headwinds for gold. ◆ The Strait of Hormuz remains disrupted, while strong U.S. summer fuel demand and low gasoline/distillate inventories should keep oil prices elevated in the near term.	Higher U.S. yields remain a headwind for gold; elevated oil prices supported by Middle East tensions and low inventories.

Product Spotlight | HK Equities

China's Emerging Anthropic?

▶ Technological Paradigm Evolution and Open vs. Closed Source Divergence

In recent years, the global generative AI wave has advanced rapidly, and the market has clearly formed two major paradigms: U.S. closed-source cloud and China's open-source and privatized deployment. U.S. giants such as OpenAI and Anthropic dominate top-tier closed models and advanced reasoning capabilities, maintaining high technical premiums. In contrast, the Chinese market emphasizes open-source frameworks and private deployment, focusing on data security, autonomy, and compliance — highly aligned with the customization needs of large enterprises, finance, and government sectors. As technology matures, the AI industry is shifting from pure capability competition toward a comprehensive consideration of commercialization efficiency, compute cost, and data sovereignty.

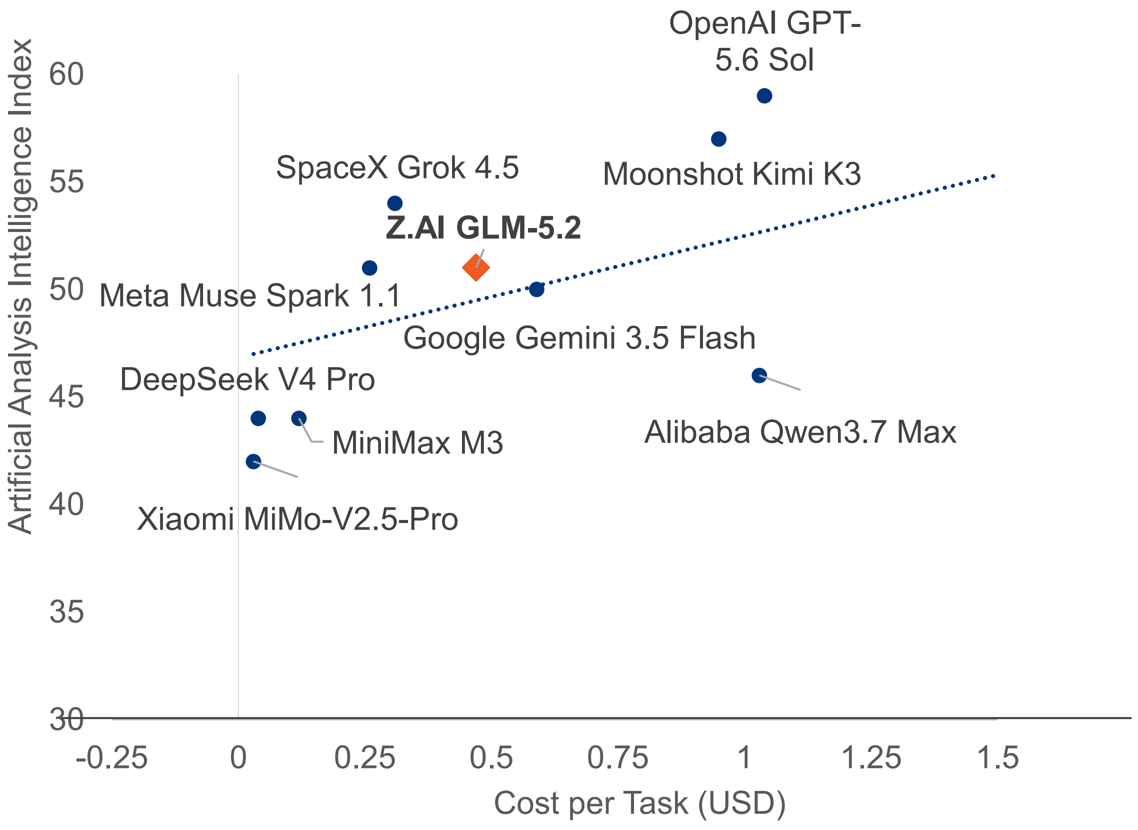
▶ Pricing Strategy Evolution and U.S.–China Divergence

Global AI pricing strategies have undergone dramatic restructuring. After aggressive price cuts in 2024 and the ultra-low-price phase led by DeepSeek in 2025, 2026 saw a clear divergence between U.S. and China. U.S. vendors, leveraging generational leadership in advanced reasoning, maintained high premiums. The Chinese market moved from "across-the-board low pricing" to tiered pricing. With rising compute costs and commercialization pressure, mainstream domestic vendors began rational price adjustments: mass-market models kept low prices to capture traffic, while flagship high-end models gradually demonstrated pricing power and commercial returns.

▶ Intensifying Market Fragmentation and Technology Revaluation Effects

Competition in both U.S. and China markets has become fragmented and fierce. U.S. giants rely on global B2B and B2C subscriptions to achieve tens of billions in annualized revenue, yet still face massive compute and training losses. In China, incumbents and challengers carve up the market. Alibaba's Qwen and ByteDance's Doubao leverage ecosystem and traffic advantages to wage price wars; Moonshot AI (Kimi) focuses on long-form text and breakout agents; DeepSeek breaks barriers with algorithmic innovation and extreme open-source. Players clash intensely across cloud APIs and vertical industries, with new product launches often triggering market revaluations and sharp valuation swings.

Leading Models of Major AI Developers: Capability Scores and Usage Costs



Z.AI Co Ltd (2513 HK)

Closing Price HK $1,171 **Target Price** HK $1,581

Zhipu AI focuses on large-model R&D, with its self-developed GLM as the core. It provides API services, enterprise private deployment, and industry solutions, and has launched applications such as 'GLM 5.2.' It is one of China's leading AI model technology players.

Domestic Leading AI Model, Aligned with China's Compute Development

Zhipu adheres to a full-stack self-developed GLM architecture, ensuring independent technological sovereignty, and has deployed a 1GW domestic data center. Its flagship model GLM-5.2 focuses on Agentic Coding and project-level refactoring, delivering performance comparable to top U.S. models while offering API prices 80% lower. After an 83% API price increase in Q1 this year, usage rose 400%, proving its pricing power and customer stickiness.

Equity Placement Secures Strong Cash Flow and Safety Buffer

In July 2026, Zhipu completed an equity placement raising net proceeds of about HKD 31.4 billion. Together with IPO funds, cash and bank deposits are expected to reach nearly RMB 29 billion. The company operates under a "service procurement + equipment leasing" light-asset model, effectively reducing CAPEX. Current reserves are sufficient to support around six years of operations and R&D, building a deep financial moat to withstand long-term R&D competition and price wars.

Threat from Kimi K3 Launch

Moonshot released its next-generation flagship model Kimi K3, achieving a 76% win rate in Code Arena programming tests, rivaling U.S. GPT-5.6. Kimi's breakthroughs in programming and agentic domains directly threaten Zhipu's core project-level coding moat. This raised doubts about Zhipu's sustainable competitive edge, leading to a nearly 30% single-day stock plunge, highlighting the market risks of rapid technological iteration.

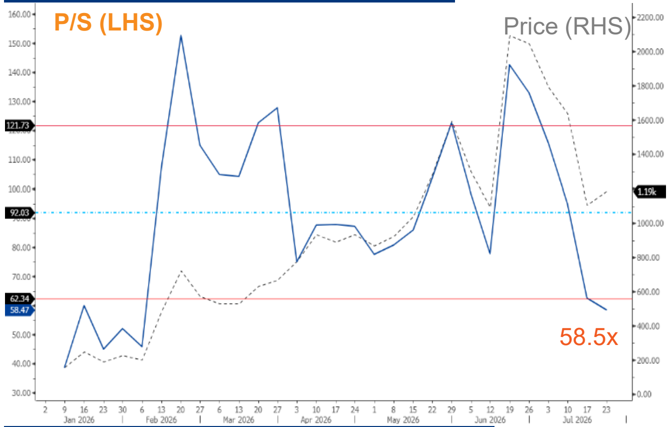
IPO Wave Narrows "Scarcity Premium"

With Moonshot initiating a Hong Kong IPO and U.S. players Anthropic and OpenAI entering public markets, Zhipu's position as the "only pure large-model stock in Hong Kong" will be eroded. Its current high valuation "scarcity premium" faces significant narrowing and repricing risk. Investors must also weigh competitive risks from model updates. Deployment via structured products is advisable..

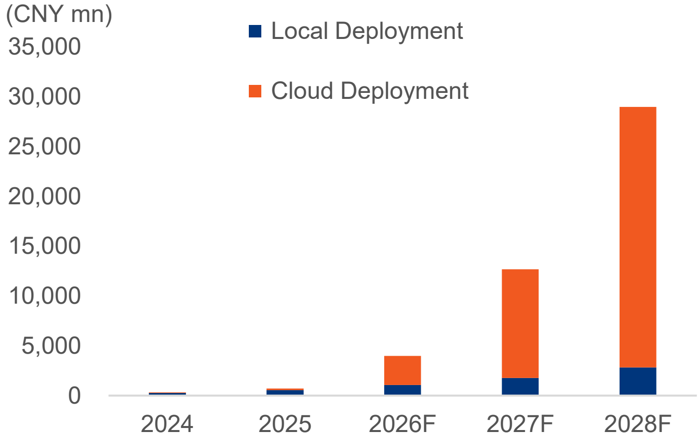
Financials

	2024	2025	2026F	2027F	2028F
Revenue (CNY b)	3.1	7.2	39.2	11.5	24.3
Revenue YoY	-	131	442	192	111
EPS (CNY b)	-154	-8.1	-11.2	-10.3	-5.1
EPS YoY	-	94.7	-37.9	8.1	50.6
Operating Cash Flow (CNY b)	-2.2	-2.2	-1.7	0.2	4.0

Estimate P/S



Revenue Breakdown



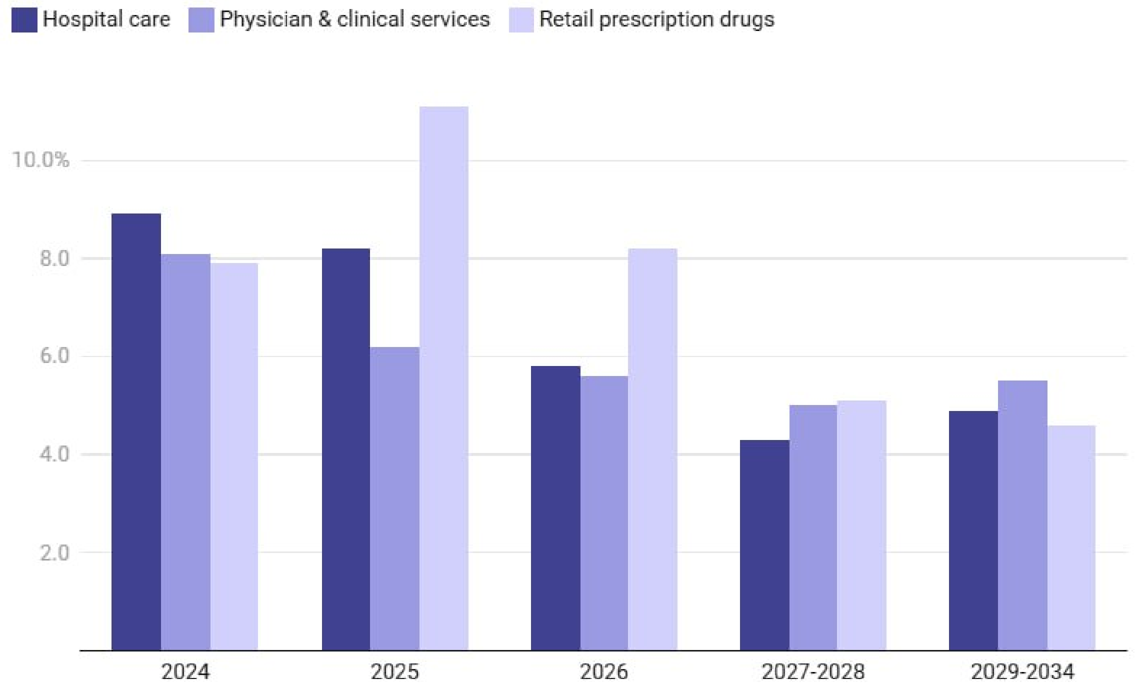
Historical Volatility

Source: Bloomberg

US Equities U.S. Healthcare Industry: Fundamentals Recovering Alongside Innovation Growth

- S&P Global U.S. Manufacturing PMI for July was 53.8, below market expectations of 54.4 and slightly lower than the prior reading of 53.9.
- S&P Global U.S. Services PMI for July was 53.6, above consensus of 51.5 and higher than the previous 51.2.
- The U.S. healthcare sector is showing a differentiated recovery: medical cost growth is gradually improving, and the better-than-expected 2027 Medicare Advantage payment rates support insurers' profitability and valuation recovery. Meanwhile, biotech and pharmaceutical R&D activity is rebounding, driving demand for life science tools. Looking ahead, demographic aging, GLP-1 weight-loss drugs, oncology treatments, and healthcare technology innovation remain long-term growth drivers. Large pharmaceutical companies are expected to continue biotech M&A to offset revenue gaps from patent expirations. However, drug price controls, elevated healthcare utilization, changes in ACA subsidy policies, and potential tariffs may compress margins for some firms. Overall, companies with innovative pipelines, strong cost management, and clear growth visibility are relatively more attractive for investment.

Healthcare Industry Segment CAGR



Source: Bloomberg, Healthcare Dive, CMS

UnitedHealth Group (UNH US)

Closing Price US$420.74 **Target Price** US$480

UnitedHealth Group owns and manages organized healthcare systems. The company provides products and resources to corporate employers for planning and managing employee benefit programs. UnitedHealth Group also delivers services to clients worldwide.

Industry Cost Pressure & Policy Improvement

The U.S. managed care industry continues to face headwinds from elevated healthcare utilization, ACA and Medicaid membership attrition, and rising medical costs. However, the Centers for Medicare & Medicaid Services finalized a 2.48% average net payment increase for Medicare Advantage in 2027, involving over USD 13 billion. Together with premium repricing and benefit design adjustments, industry profitability is expected to gradually recover.

Operational Reform & Cost Control

The company is refocusing on the U.S. healthcare market, exiting certain non-U.S. businesses, and has refreshed nearly half of its top 100 senior management positions while strengthening board independence, risk oversight, and corporate governance. As of July 2026, it completed 23 improvement measures from the first phase of an independent review plan. Operationally, investments in AI, cybersecurity, and data connectivity are increasing. By end-2026, the firm plans to eliminate 30% of remaining prior authorization requirements and standardize over 70% of authorizations via electronic applications, reducing administrative costs and improving physician and member experience. Optum Rx introduced a transparent drug benefit model charging fixed fees per member, reducing reliance on drug pricing, prescription volumes, and spread revenue, while enhancing cost disclosure and consumer price comparison tools. These reforms may raise short-term tech and staffing costs but are expected to improve efficiency, restore regulatory and market trust, and strengthen synergies between UnitedHealthcare and Optum.

Q2 Earnings Beat & Guidance Raised

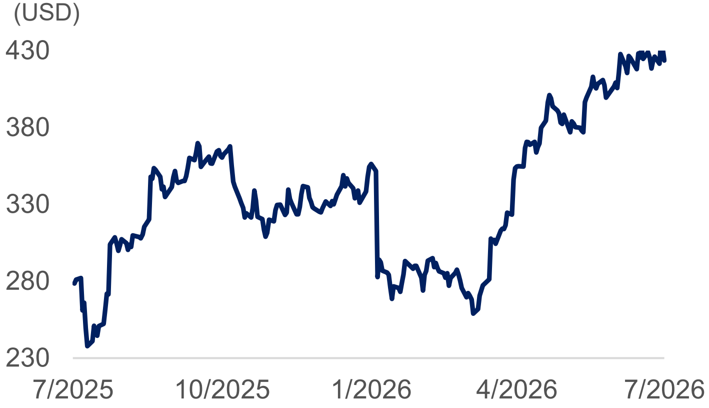
For fiscal Q2 2026, revenue reached USD 112 billion, with Non-GAAP EPS at USD 6.38, well above market expectations of about USD 4.90. The medical cost ratio fell to 86.7% from 89.4% a year earlier, reflecting improvements in pricing, benefit design, and cost management. The company also raised its adjusted FY2026 EPS guidance to USD 19.50–20.00.

Valuation Consensus

Bloomberg's 12-month average target price is USD 478.9, with a high of USD 529 and a low of USD 380.

Source: Bloomberg, Company

1-Year Price



FY2026 Guidance

($ in millions, except per share data)	Reported Operating Earnings	Adjusted Operating Earnings
UnitedHealthcare	> $12,000	> $12,000
Optum Health	> $2,275	> $2,215
Optum Insight	> $4,925	> $4,750
Optum Rx	> $6,250	> $6,250
Optum (a)	> $13,450	> $13,215
UnitedHealth Group	**> $25,450**	**> $25,215**
Medical Care Ratio		88.1% ± 25 bps
Tax Rate		~18.5%
Cash Flows from Operations		~$24,000
Share Repurchase		At Least $5,000
Net Earnings to UNH Shareholders		> $16,750
	Diluted	**Adjusted (b)**
Net Earnings per Share	$18.45 - $18.95	$19.50 - $20.00

Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	14.6	7.7	11.8	-0.5	3.1
EBITDA (%)	10.2	9.4	6.1	6.6	7.2
EPS(USD)	23.86	33.38	15.52	19.67	22.37
Net Profit Margin(%)	6.0	7.7	3.2	4.0	4.3

Source: Bloomberg; 2026/27F are market estimates

P/E & P/B

Eli Lily (LLY US)

Closing Price	US$1,196.03	Target Price	US$1,400

Eli Lilly engages in the discovery, development, manufacturing, and marketing of human and animal pharmaceutical products. The company's products are sold worldwide, covering therapeutic areas including neuroscience, endocrinology, anti-infectives, cardiovascular, oncology, and animal health

Broader Insurance Coverage Expands GLP-1 Market

GLP-1 drugs are becoming a major driver of U.S. prescription drug spending, with reports indicating about one in eight Americans are using them. A new Medicare plan offers eligible beneficiaries a USD 50 monthly copay for certain obesity treatments, which may boost adoption among older patients. However, broader public coverage is expected to increase future pricing pressure.

Obesity Leadership & Diversified Pipeline

Eli Lilly's core portfolio continues rapid expansion: in Q1 FY2026, Mounjaro revenue rose 125% year-on-year to USD 8.7 billion, while Zepbound revenue grew 80% to USD 4.2 billion. Foundayo and retatrutide further enrich its oral and injectable obesity portfolio. The proposed USD 3.8 billion acquisition of AtaiBeckley adds long-term neuroscience potential via BPL-003, a Phase III candidate for treatment-resistant depression, even as obesity and diabetes remain the primary growth drivers.

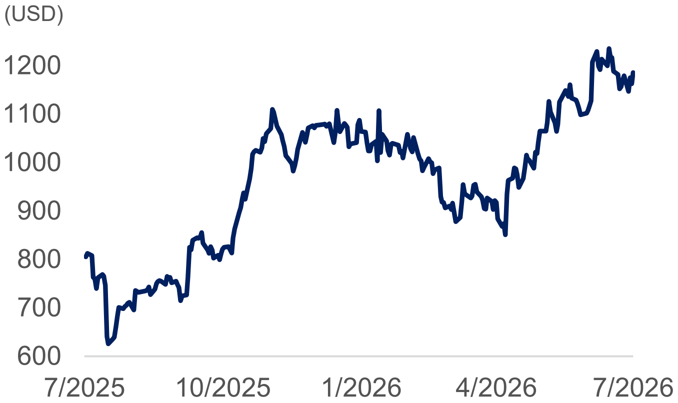
Q1 Earnings Beat & Guidance Raised

In Q1 FY2026, revenue reached USD 19.8 billion, exceeding expectations by USD 2 billion. Non-GAAP EPS was USD 8.55, far above consensus of USD 1.76. The company raised full-year revenue guidance to USD 82–85 billion and EPS guidance to USD 35.5–37.0.

Valuation Consensus

Bloomberg's 12-month average target price is USD 1,276.87, with a high of USD 1,600 and a low of USD 850.

1-Year Price



FY2026 Guidance

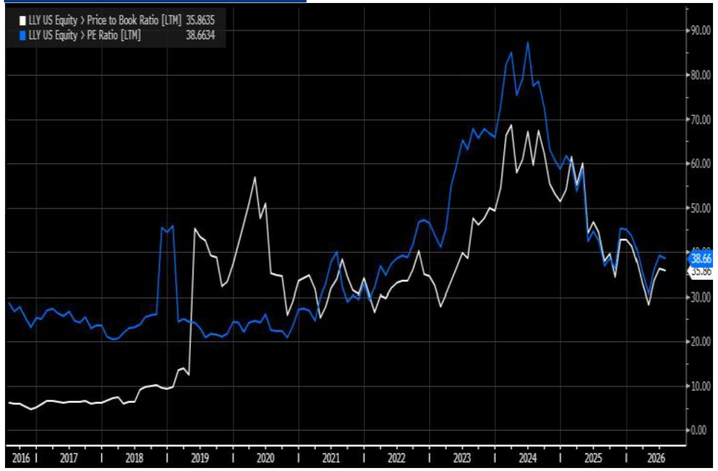
	Prior	Updated
Revenue[1]	$80.0 – $83.0 billion	$82.0 – $85.0 billion
Performance Margin[2]	46.0% – 47.5%	47.0% – 48.5%
Tax Rate	Approximately 18-19%	Unchanged
Earnings per share[3]	$33.50 – $35.00	$35.50 – $37.00

Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	19.6	32.0	44.7	30.8	16.4
EBITDA (%)	34.7	41.8	48.6	46.7	53.0
EPS(USD)	9.15	15.17	26.15	34.33	44.97
Net Profit Margin(%)	24.2	30.5	36.1	36.0	40.6

Source: Bloomberg; 2026/27F are market estimates

P/E & P/B



Source: Bloomberg, Company

TW Equities Focus on ABF Substrates Driven by Advanced Packaging Demand

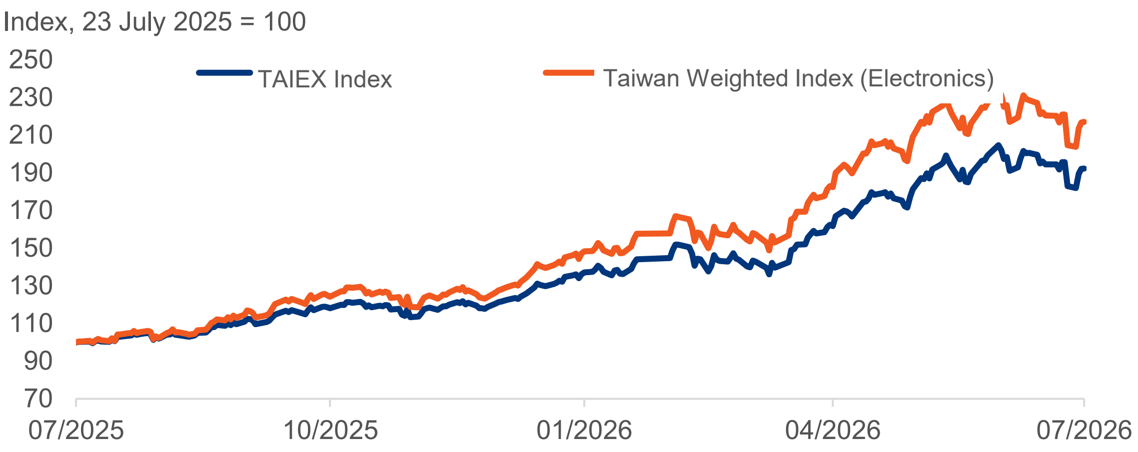
Taiwan Equities Under Pressure, Resistance at Upper Levels

Large tech earnings reignited concerns over massive AI spending, while ongoing U.S.–Iran tensions drove oil prices higher, intensifying inflation worries and pushing U.S. Treasury yields upward. Although the index briefly rebounded, shrinking turnover left monthly resistance intact, keeping short-term trading choppy. On sector structure, electronics remain the rebound driver after sharp declines, with stability in heavyweights and strong performance in memory, substrates, copper-clad laminates, AI servers, and silicon wafers. Traditional industries can focus on plastics benefiting from rising oil prices.

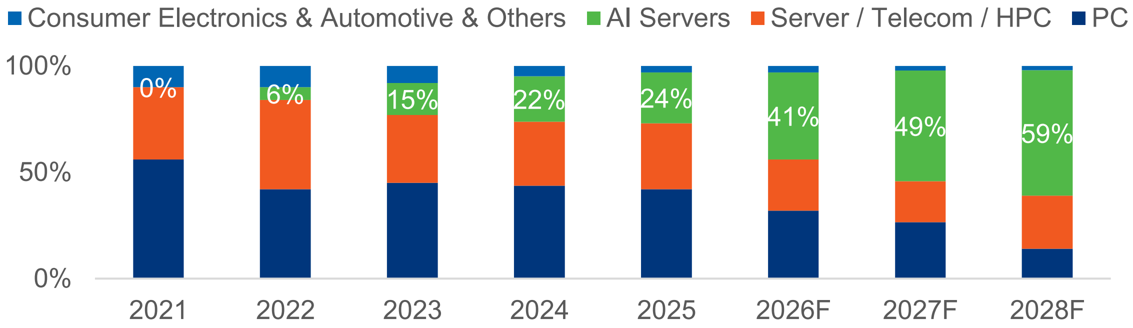
ABF Substrate Supply Gap Expands 2027–2028

From 2025–2028, ABF substrate demand is set to grow rapidly, driven by AI chip advanced packaging and HBM integration, with a CAGR of 39%. AI computing demand CAGR reaches 63%, servers about 30%, and by 2028 AI servers will account for 59% of demand, with servers and networking at 25%, showing a fast shift toward AI applications. With AI server spec upgrades, substrates are moving to larger sizes and higher layer counts: NVIDIA's Rubin platform ABF size rises to 100×91mm with 18–20 layers, 71% larger than Blackwell. Future CPO integration with optical transceivers may push sizes beyond 150×150mm. Given the widening supply gap in 2027–2028, price hikes and product mix optimization are expected to drive sustained profit growth for Taiwan's ABF substrate manufacturers.

TAIEX Index and Taiwan Electronics Sector Trends



ABF Shipments Shift Toward AI Servers: AI Applications Reach 59% by 2028



Source: Bloomberg

Unimicron Technology Corp (3037 TT)

Unimicron Technology Corp. engages in the manufacture and sale of various types of printed circuit boards, electrical equipment, and electronic products, and provides integrated circuit (IC) testing and burn-in services.

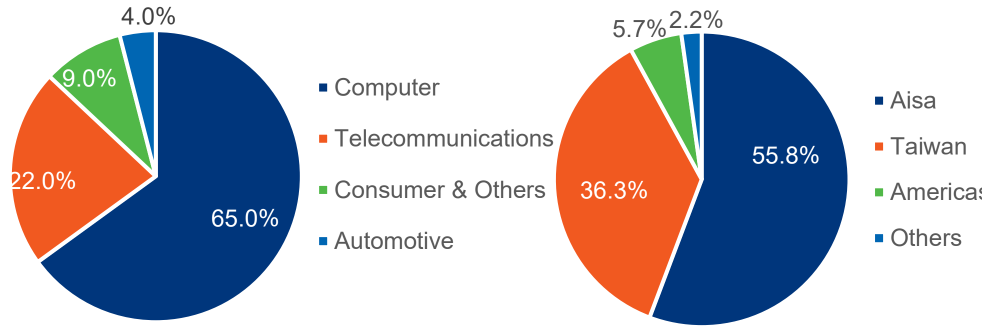
2H26 Benefiting from Substrate Price Hikes & Optical Module Ramp-Up

KGI expects Q3–Q4 2026 substrate price increases to exceed 10% per quarter, better than the prior 5–10% forecast, with BT substrates rising more than ABF. Currently, AI products account for 60% of ABF substrate revenue and 50% of HDI revenue. In 2H26, demand for 800G and 1.6T optical modules will surge, with capacity rising more than 50% compared to 1H26. Capacity targets for 2027 aim for a further 30–50% increase. Optical modules currently contribute 4–5% of revenue, expected to rise to 6–7% in 2H26.

ABF Substrate Supply Gap Expands 2027–2028, LTAs Extend to 2030

Supply of T-glass fiber cloth is expected to gradually ramp up at Nittobo (Japan), with alternative materials validated, easing upstream raw material bottlenecks and enabling ABF capacity expansion after 2H27. However, high-end ABF substrates are shifting toward larger sizes and higher layer counts, driving demand growth faster than supply. The market is projected to turn undersupplied in 2027–2028, with gaps of 22% and 29%, respectively. The company expects 2026–2028 to be a plateau period for substrate capital expenditure, supporting incremental revenue growth.

Revenue Sources and Regions



Source: Bloomberg

Financials

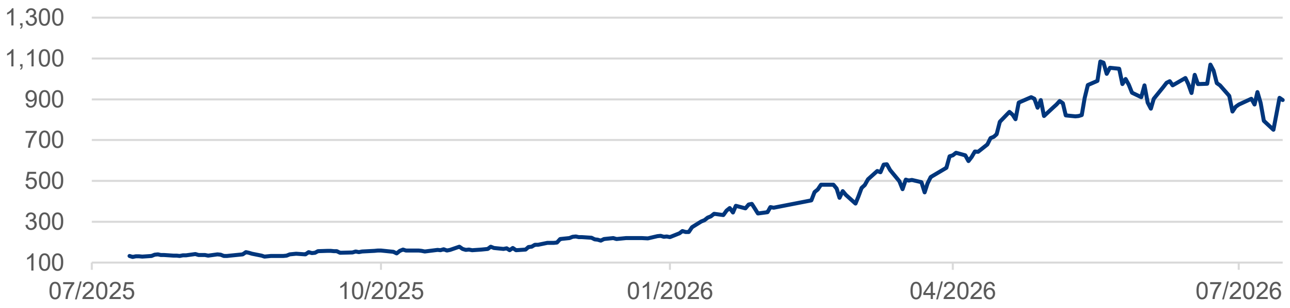
	2024	2026	2026F	2027F	2028F
EPS (NTD)	3.34	4.38	16.10	32.71	53.96
EPS Growth (%)	-57.6	31.1	267.5	103.1	65.0
P/E Ratio	224.5	171.2	46.6	22.9	13.9
ROE (%)	5.5	6.9	22.6	35.8	43.9

Source: Company data, estimates of KGI analyst

Valuations

Price	69.85	1,085
P/E	5.81	154.09
P/B	1.13	15.19

1-Year Price



As of 23 July 2026	1Wk	1M	3M	6M	YTD	1Y
Return (%)	1.59	-8.01	23.08	164.31	307.27	586.67

Nan Ya Printed Circuit Board Corp. (8046 TT)

Nan Ya Printed Circuit Board Corporation manufactures and sells printed circuit boards (PCBs) and integrated circuit (IC) substrates.

2Q26 Margin Upside from Price Hikes

Benefiting from strong demand in high-end switches and memory, with selling price increases exceeding Q1 levels. In Q1 FY2026, ABF and BT substrates contributed 55–60% and 30–35% of revenue, respectively. ABF utilization held at 80–85%, while BT substrates were near full capacity. PCB remains consumer-focused and loss-making, with plans to gradually shift capacity toward BT substrates. KGI raised Q2 FY2026 gross margin forecast to 22.6%, with profit up 25% to EPS of NT$3.41.

ASIC & High-End Switches Drive Momentum

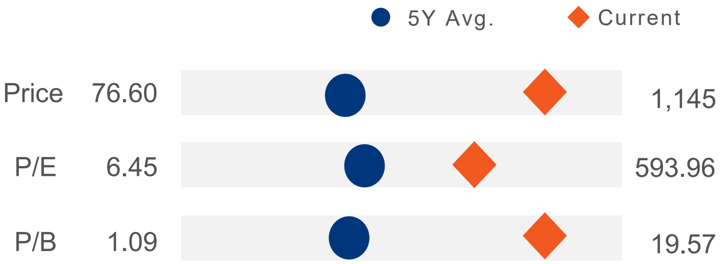
AI and data center (800G switches) applications account for about 60% of ABF revenue. The company's strategy focuses on legacy ASIC chips and high-end switches. In the 800G/1.6T switch market, it targets 50–70% share. Over half of ABF capacity supports large body sizes, with new capacity expansion not expected until 2029. Thus, product specification upgrades from existing capacity will be the main driver in 2026–2028.

Financials

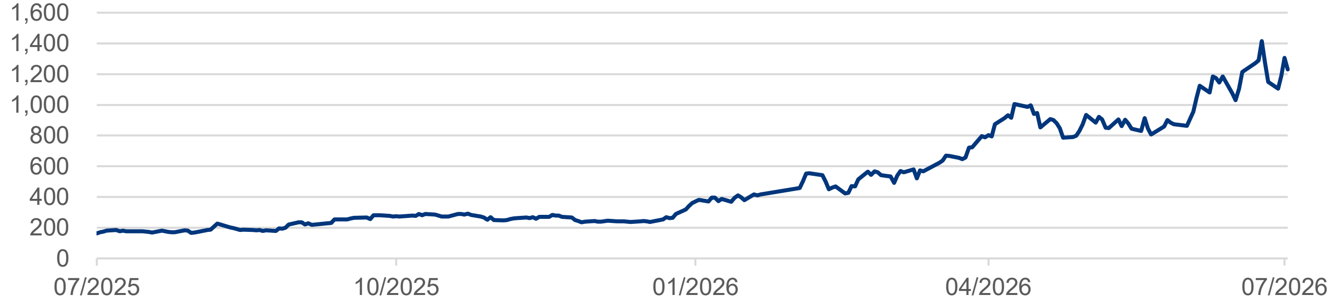
	2024	2025	2026F	2027F	2028F
EPS (NTD)	0.32	3.01	17.27	38.88	61.35
EPS Growth (%)	-96.5	855.6	473.1	125.2	57.8
P/E Ratio	3,504	366.8	64.0	28.4	18.0
ROE (%)	0.4	4.3	22.0	38.9	45.7

Source: Company data, estimates of KGI analyst

Valuations

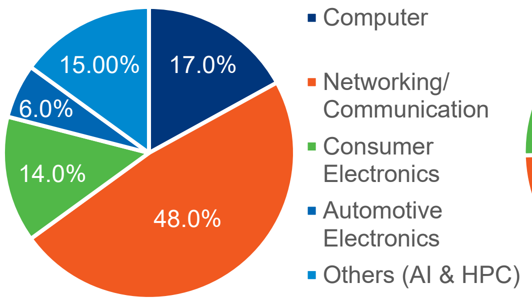


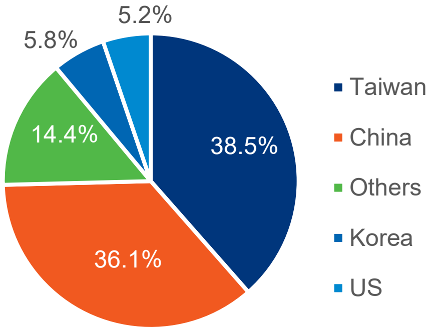
1-Year Price



As of 23 July 2026	1Wk	1M	3M	6M	YTD	1Y
Return (%)	-3.53	35.31	54.72	221.99	410.37	617.20

Revenue Sources and Regions





Source: Bloomberg

Mutual Funds/ ETFs

Tech Stock Correction: Diversify Across Sectors to Seek Value Opportunities

► BlackRock Global Fund – US Basic Value Fund

- Founded in January 1997, the BlackRock U.S. Value Fund has a long history and track record in the market.
- It is one of the few funds that concentrates specifically on U.S. large-cap value stocks, making it a distinctive option among peers.
- The fund applies a strict value investing strategy, aiming to uncover undervalued potential companies within America's largest firms.
- Its portfolio is designed to balance risk, adding value exposure in volatile markets to offset the risks associated with growth assets.
- Holdings are more concentrated in defensive industries such as financials and healthcare.
- The portfolio trades at a price-to-earnings ratio of about 13.8x, significantly lower than the S&P 500's 25x+.

Product	BlackRock Global Fund – US Basic Value Fund	
Features	■ Focus on Value Strategy — The fund emphasizes companies with low valuations and intrinsic investment potential. ■ Diversified Allocation — No single industry accounts for more than 25% of the portfolio.	
AUM	USD 961 million	
3M/YTD Return	7.01% / 12.37%	
Top 5 Sector Allocation(%)	Information Technology Healthcare Financials Industrials Consumer Discretionary	16.33 15.60 15.36 11.80 11.06
Top 5 Country Allocation (%)	US	100
Top 5 Holdings (%)	AMAZON.COM INC MICROSOFT CORP APPLE INC CVS HEALTH CORP CITIGROUP INC	6.51 5.72 4.63 3.71 3.15

Source: Bloomberg, KGI

BlackRock Global Fund – US Basic Value Fund

Profile

The fund aims to enhance total return. At least 70% of its total assets are invested in equity securities of companies that are either registered in the United States or conduct the majority of their economic activities there.

■ Value Investing Strategy

The fund adopts a value investing approach, focusing on companies with low valuations and intrinsic investment potential. Managers aim to buy quality and stable stocks at appropriate price levels, making it suitable for investors seeking long-term stable returns.

■ Large-Cap Quality Stocks

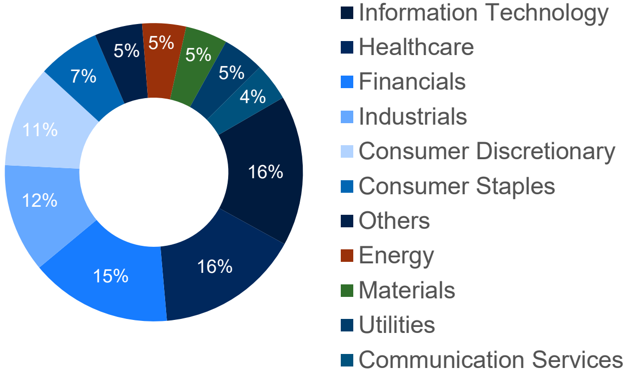
It primarily invests in large-cap stocks across multiple industries, with at least 65% of the portfolio composed of securities covered by MSCI ESG Research. This enables investors to evaluate performance in environmental, social, and governance (ESG) aspects.

■ Diversified Portfolio

The portfolio is diversified, with no single industry accounting for more than 25% of total holdings. The top ten positions represent about 35.40% of the portfolio.

Inception	1997/1/8	**AUM**	USD 961 mn
Morningstar Category	US Large-Cap Value Stocks	**Fund Type**	Equities
Morningstar Rating	★★★	**3Y SD (Ann.)**	11.03%

Sectors



Top-5 Holdings (%)

AMAZON.COM INC	6.51
MICROSOFT CORP	5.72
APPLE INC	4.63
CVS HEALTH CORP	3.71
CITIGROUP INC	3.15

3Y NAV

As of 21 July 2026	1M	3M	YTD	1Y	2Y	3Y
Cumulative Return(%)	2.00	7.01	12.37	22.33	34.27	48.94
Ranking	2	2	2	1	1	1

Sources: BlackRock Asset Management Fund Monthly Report, Morningstar. Performance data as of July 21, 2026; monthly report as of June 30, 2026.Data share class: A2 USD.

Mutual Funds/ ETFs

Tech Stock Correction: Diversify Across Sectors to Seek Value Opportunities

► iShares MSCI Europe Financials ETF (EUFN.US)

- The ETF seeks to replicate the performance of the MSCI Europe Financials Index.
- Investment style emphasizes large-cap value stocks.
- Country allocation covers developed European markets such as the UK, Germany, Switzerland, Spain, and Italy.
- European financials generally provide stable dividends; EUFN distributes twice a year, with the latest annualized yield at 4.22% (as of June 30, 2026).

► iShares U.S. Financials ETF (IYF US)

- The ETF seeks to replicate the performance of the Russell 1000 Financials 40 Act 15/22.5 Daily Capped Index.
- Focuses on major American financial industry giants, with top holdings including Berkshire Hathaway, JPMorgan Chase, and Bank of America.
- Provides four dividend payouts per year.

Product	iShares MSCI Europe Financials ETF (EUFN.US)	iShares U.S. Financials ETF (IYF US)
Features	■ For investors targeting Europe's financial industry. ■ Lower P/E ratios vs. U.S. peers.	■ Focus on leaders like Berkshire Hathaway and JPMorgan. ■ Strong industry representation since inception.
AUM	USD 4.03 bln	USD 4.62 bln
Tracking Index	MSCI Europe Financials Index	Russell 1000 Financials 40 Act 15/22.5 Daily Capped Index
Exchange	USD	USD
Currency	NASDAQ	NYSE
Holdings	87	145
Expense Ratio	0.48%	0.38%
3M/YTD Return	10.70% / 13.06%	7.02% / 4.19%
Sectors (%)	Bank 61.13 Insurance 23.83 Asset Management 10.42 Institutional Financial Services 3.28 Others 1.34	Bank 33.96 Insurance 29.88 Institutional Financial Services 16.35 Asset Management 13.41 Others 6.39
Holdings (%)	HSBC Holdings PLC 9.88 Banco Santander SA 5.50 Allianz SE 5.17 UBS Group AG 4.66 BBVA 4.12	JPMorgan Chase & Co 11.15 Berkshire Hathaway Inc 10.99 Bank of America Corp 4.72 Goldman Sachs Group Inc 4.01 Wells Fargo & Co 3.92

Source: Bloomberg

iShares MSCI Europe Financials ETF (EUFN.US)

Profile

Tracks the MSCI Europe Financials Index, aiming to replicate its performance.

Pure Exposure to European Banks

This ETF tracks European financial stocks, making it suitable for investors who want concentrated exposure to the region's financial industry.

Attractive Valuations

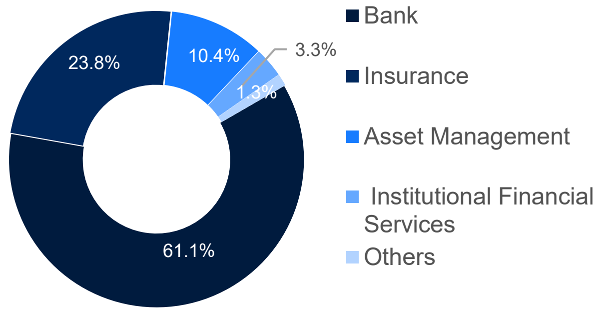
European financial institutions span banks, insurance, asset management, and fintech, with operations across the EU and global markets. This diversification enhances resilience, while European financials generally trade at lower P/E ratios than U.S. peers, making them more appealing in global asset allocation.

Low Beta, Moderate Volatility

With a Beta of just 0.63 and a three-year standard deviation of about 15.60%, the ETF provides regional financial exposure while helping reduce overall portfolio volatility.

Inception	2010/1/20	**AUM**	USD 4.03 bln
ETF Category	Equities	**Holdings**	87
Expense Ratio	0.48%	**3Y SD (Ann.)**	15.60%

Sectors

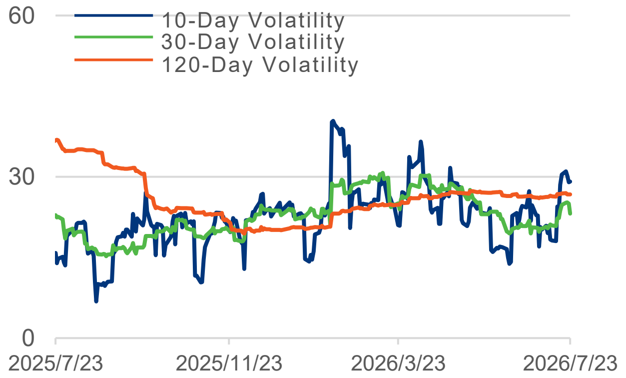


Top-5 Holdings (%)

HSBC Holdings PLC	9.88
Banco Santander SA	5.50
Allianz SE	5.17
UBS Group AG	4.66
BBVA	4.12

1Y Price

1Y Volatility



As of 22 July 2026	**1M**	**3M**	**YTD**	**1Y**	**3Y**	**5Y**
Return(%)	4.14	10.70	13.06	32.25	32.55	21.92

Source: Bloomberg

KGI

iShares U.S. Financials ETF (IYF US)

Profile

This ETF tracks the Russell 1000 Financials 40 Act 15/22.5 Daily Capped Index, seeking to replicate the performance of its constituent securities.

High Concentration in Core Holdings

The ETF’s top ten holdings cover major U.S. financial leaders, accounting for nearly 49%. This allows investors to directly benefit from the performance of industry giants, particularly as interest rates and regulatory shifts quickly influence sector trends.

Clear Industry Purity

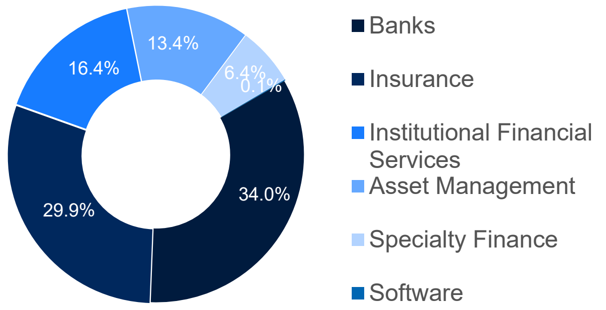
The ETF is fully concentrated in the financial sector, spanning banks, insurance, asset management, and investment firms. It offers pure financial exposure without dilution from other industries, ideal for investors seeking a single-sector view.

Long-Term Performance and Risk Profile

Since its inception in 2000, the ETF has delivered a 10-year annualized return of about 12.7%, underscoring the resilience of the financial sector. With a Beta near 1.0 and volatility comparable to the broader market, it serves as a balanced tool for sector allocation.

Inception	2000/5/31	**AUM**	USD 4.62 bln
ETF Category	Equities	**Holdings**	145
Expense Ratio	0.38%	**3Y SD (Ann.)**	15.52%

Sectors

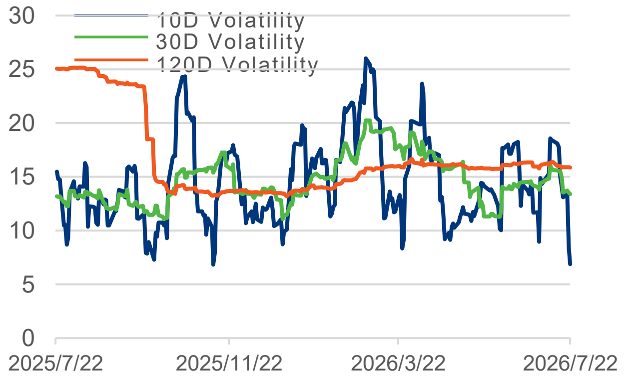


Top-5 Holdings (%)

JPMorgan Chase & Co	11.15
Berkshire Hathaway Inc	10.99
Bank of America Corp	4.72
Goldman Sachs Group Inc	4.01
Wells Fargo & Co	3.92

Price Trend (Past 1 Year)

Volatility (Past 1 Year)



As of 22 July 2026	1M	3M	YTD	1Y	3Y	5Y
Return(%)	3.67	7.02	4.19	10.41	20.85	12.18

Source: Bloomberg

Bonds Keytruda Sales Remain Strong and Credit Solid, Allocating Quality Pharma Bonds to Boost Yield

► **MRK 4.45 12/04/32 (Merck & Co.) (USD)**

- Merck & Co. is a leading global pharmaceutical company and a Dow Jones Industrial Average constituent. It focuses on drug and vaccine R&D, manufacturing, and marketing, with an animal health division. Its flagship oncology immunotherapy, Keytruda, achieved sales of USD 31.68 billion in 2025, up 7% YoY (including FX impact).
- The pharmaceutical sector benefits from high entry barriers, strong pricing power, and low sensitivity to business cycles. Merck's above-average R&D investment supports sustained organic revenue growth. By end-2025, total sales reached USD 65.01 billion, EBITDA margin held at 42%, net debt/EBITDA was 1.31x, and interest coverage rose to 20.25x.
- Merck maintains conservative credit metrics. S&P Global Ratings expects ample M&A capacity under current ratings. In November 2025, Merck announced the acquisition of Cidara Therapeutics, with post-deal leverage projected at 1.5–2.0x, supported by strong cash flow and expanding Keytruda patents.
- The acquisition adds Cidara's CD388, a long-acting antiviral under clinical trials for seasonal and pandemic flu prevention. If Phase III results confirm strong efficacy, CD388 could boost sales and diversify Merck's portfolio risk.

Bond	MRK 4.45 12/04/32 (Merck & Co.) (USD)
ISIN	US58933YBY05
Features	Merck's flagship product is the oncology immunotherapy Keytruda, which recorded 2025 sales of about USD 31.68 billion, up 7% YoY (including FX impact). In November 2025, Merck also announced the acquisition of Cidara Therapeutics, while maintaining a healthy net leverage ratio post-deal.
Maturity	2031/4/21
Next Call Date	2030/4/23
Coupon(%)	Fixed/4.45/Semi-Annual
Currency	USD
Years to Maturity	6.37
Credit Rating (Moody's/Fitch/S&P)	Aa3/-/A+
Seniority	Senior Unsecured
YTM/YTC (%)	4.80/4.80

Source: Bloomberg

MRK 4.45 12/04/32 (Merck & Co.) (USD)

Merck & Co. is a leading global pharmaceutical company and a constituent of the Dow Jones Industrial Average. The firm focuses on drug and vaccine R&D, manufacturing, and marketing, and also operates an animal health division.

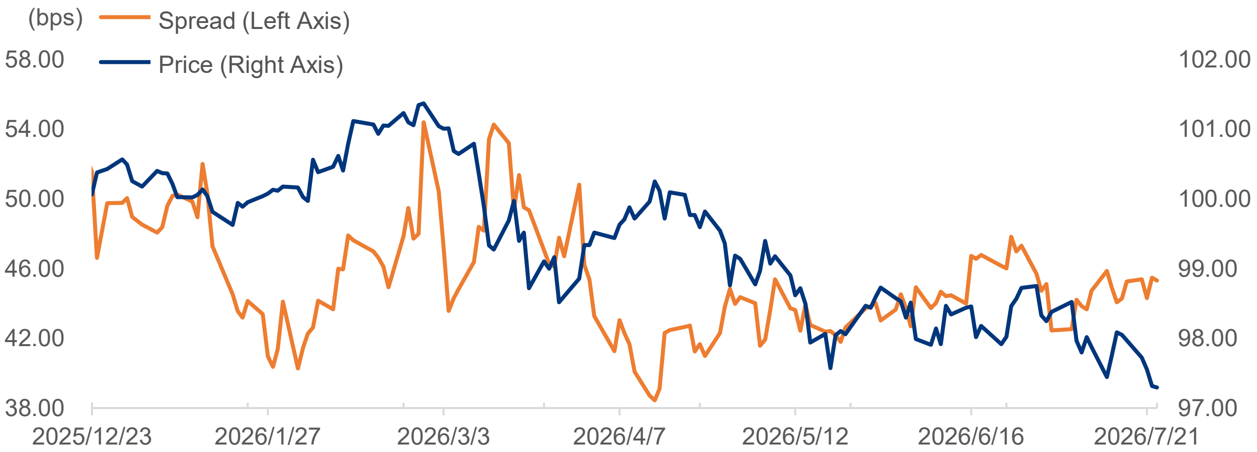
- The pharmaceutical industry offers high entry barriers, strong pricing power, and low sensitivity to business cycle fluctuations. Merck's above-average R&D investment supports sustained organic revenue growth. By the end of 2025, total sales reached USD 65.01 billion, EBITDA margin remained at a high 42%, net debt/EBITDA stood at 1.31x, and interest coverage improved to 20.25x (vs. 19.48x a year earlier).
- Merck maintains relatively conservative credit metrics. S&P Global Ratings expects ample M&A capacity under current ratings. In November 2025, Merck announced the acquisition of Cidara Therapeutics, with post-deal net leverage projected to remain in the 1.5–2.0x range, supported by strong cash flow generation and continued expansion of Keytruda's patent portfolio.
- The acquisition adds Cidara's lead asset CD388, a single-dose long-acting antiviral currently in clinical trials for seasonal and pandemic flu prevention. If Phase III results demonstrate strong efficacy, CD388 could significantly boost sales and further diversify Merck's product portfolio risk.

Financials	2023	2024	2025
Free Cash Flow (USD mn)	91.43	180.96	123.60
EBITDA Margin (%)	10.92	38.58	42.27
Interest Coverage Ratio	5.73	19.48	20.25

Overview

Name	MRK 4.45 12/04/32	**ISIN**	US58933YBY05
Maturity Date	2032/12/4	**Remaining Maturity**	6.37
Coupon(%)	Fixed/4.45/Semi-Annual	**YTM/YTC(%)**	4.80/4.80
Currency	USD	**Min. Subscription/ Increment**	2,000/1,000
Ratings (Moody's/Fitch/S&P)	Aa3/-/A+	**Seniority**	Senior Unsecured

Price



Source: Bloomberg

Appendix Key Economic Data / Events

▶ JUL 2026

20 Monday

21 Tuesday

22 Wednesday

23 Thursday
- •U.S. Initial Jobless Claim (weekly) (Act:187k Est:210k Prev:209k)
- Eurozone Jul ECB Main Refinancing Rate (Act:2.40% Est2.40% Prev:2.40%)

24 Friday
- U.S. Jul S&P Global Manufacturing PMI (Prelim.) (Est:54.4 Prev:53.9)
- U.S. Jun New Home Sales (Est:607k Prev:580k)
- Eurozone Jul S&P Global Manufacturing PMI (Prelim.) (Est:51.5 Prev:51.4)
- Japan Jun CPI YoY (Act:1.7% Est1.7% Prev:1.5%)
- Japan Jul S&P Global Manufacturing PMI (Prelim.) (Act:54.7 Prev:54.8)

27 Monday
- U.S. Jun Durable Goods Order (Prelim.) (Est:1.5% Prev:-4.5%)

28 Tuesday
- U.S. Jul Conference Board Consumer Confidence (Est:92.3 Prev:91.2)
- Earnings: WELL US, KO US, GLW US, BA US,SPGI US

29 Wednesday
- Japan Jun Machine Tool Orders YoY (Final) (Prev:37.5%)
- Earnings: KLAC US, V US, APH US, PG US, LRCX US

30 Thursday
- U.S. Jul Federal Funds Rate (Est:3.75% Prev:3.75%)
- U.S. Jun PCE YoY (Est:3.6% Prev:4.1%)
- U.S. Jun Core PCE YoY (Est:3.3% Prev:3.4%)
- U.S. Q2 GDP QoQ SAAR (Prelim.) (Est:2.3% Prev:2.1%)
- U.K. Jul BoE Bank Rate (Est:3.75% Prev:3.75%)
- Earnings: MSFT US, META US, QCOM US, MA US

31 Friday
- U.S. Jul Conference Board Consumer Confidence (Final) (Est:54.2 Prev:49.5)
- Japan Jul BoJ Uncollateralized Overnight Call Rate (Est:1.00% Prev:1.00%)
- China Jul Manufacturing PMI (Est:50.1 Prev:50.3)
- Earnings: AAPL US, AMZN US, ABBV US, LIN US, CVX US, ETN US, XOM US

Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2026/7/21	Danaher Corporation (DHR US)	6.1B	6.27B	1.84	1.94	V	V
2026/7/21	Charles Schwab Corporation (SCHW US)	6.92B	7.07B	1.55	1.62	V	V
2026/7/22	Interactive Brokers Group (IBKR US)	1.79B	1.88B	0.63	0.69	V	V
2026/7/22	Capital One Financial Corporation (COF US)	15.76B	15.85B	4.68	5.81	V	V
2026/7/22	Chubb Limited (CB US)	15.96B	15.65B	6.75	7.26		V
2026/7/22	GE Vernova (GEV US)	10.82B	11.1B	3.05	2.40	V	
2026/7/22	AT&T Inc. (T US)	31.77B	31.56B	0.59	0.65		V
2026/7/22	Philip Morris International (PM US)	10.61B	11.19B	2.04	2.20	V	V
2026/7/23	Alphabet Inc. (GOOGL US)	101.07B	103.62B	2.90	9.11	V	V
2026/7/23	Texas Instruments Inc. (TXN US)	5.24B	5.46B	1.93	2.14	V	V
2026/7/23	Tesla Inc. (TSLA US)	26.32B	28.24B	0.51	0.33	V	
2026/7/23	International Business Machines Corporation (IBM US)	17.52B	17.16B	2.97	2.93		
2026/7/23	RTX Corporation (RTX US)	22.9B	24.71B	1.66	1.89	V	V
2026/7/23	Thermo Fisher Scientific Inc. (TMO US)	11.7B	11.99B	5.72	6.03	V	V
2026/7/23	Honeywell International Inc. (HON US)	5.02B	5.19B	1.83	1.95	V	V

Source: Investing.com

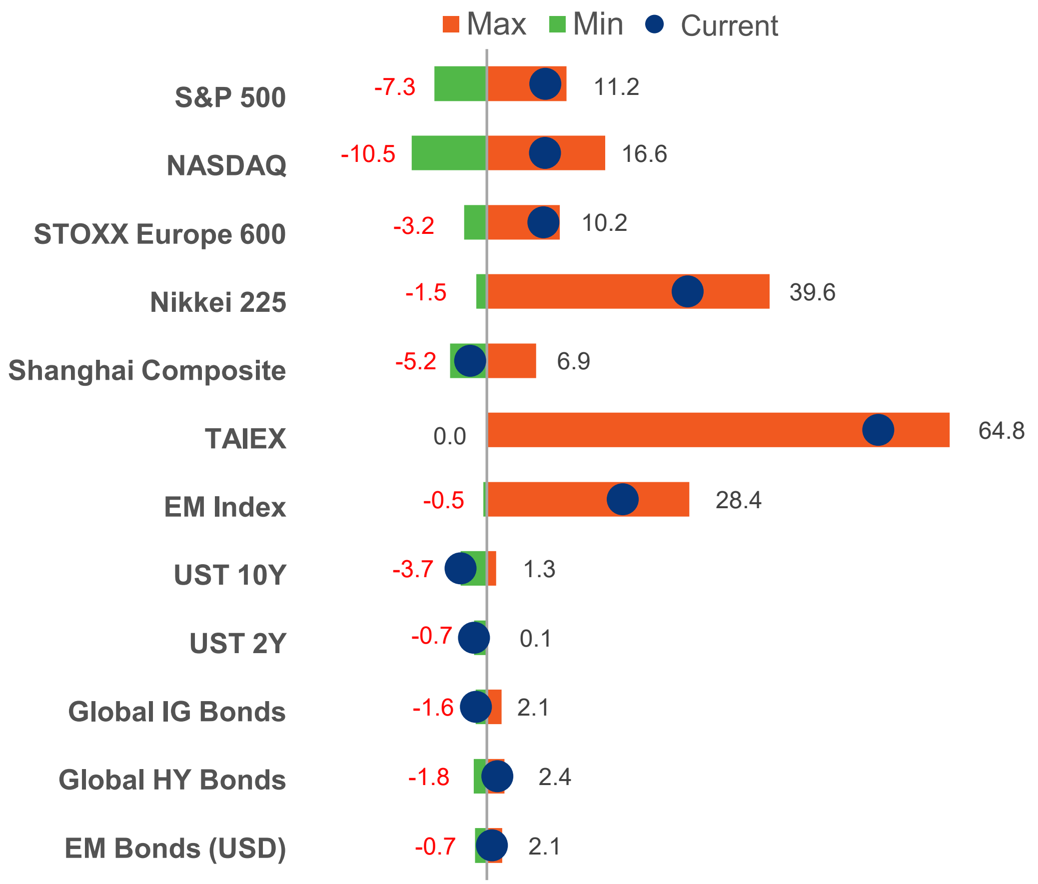
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation	
						Revenue	EPS
2026/7/23	T-Mobile US Inc. (TMUS US)	22.93B	22.79B	2.59	2.99		V
2026/7/23	Lockheed Martin Corporation (LMT US)	19.33B	20.06B	7.13	7.94	V	V
2026/7/23	Blackstone Inc. (BX US)	3.39B	3.8B	1.33	1.52	V	V
2026/7/23	Union Pacific Corporation (UNP US)	6.72B	6.86B	3.24	3.41	V	V
2026/7/24	Intel Corporation (INTC US)	14.43B	16.13B	0.21	0.42	V	V
2026/7/24	Newmont Corporation (NEM US)	6.35B	6.12B	2.03	2.10		V

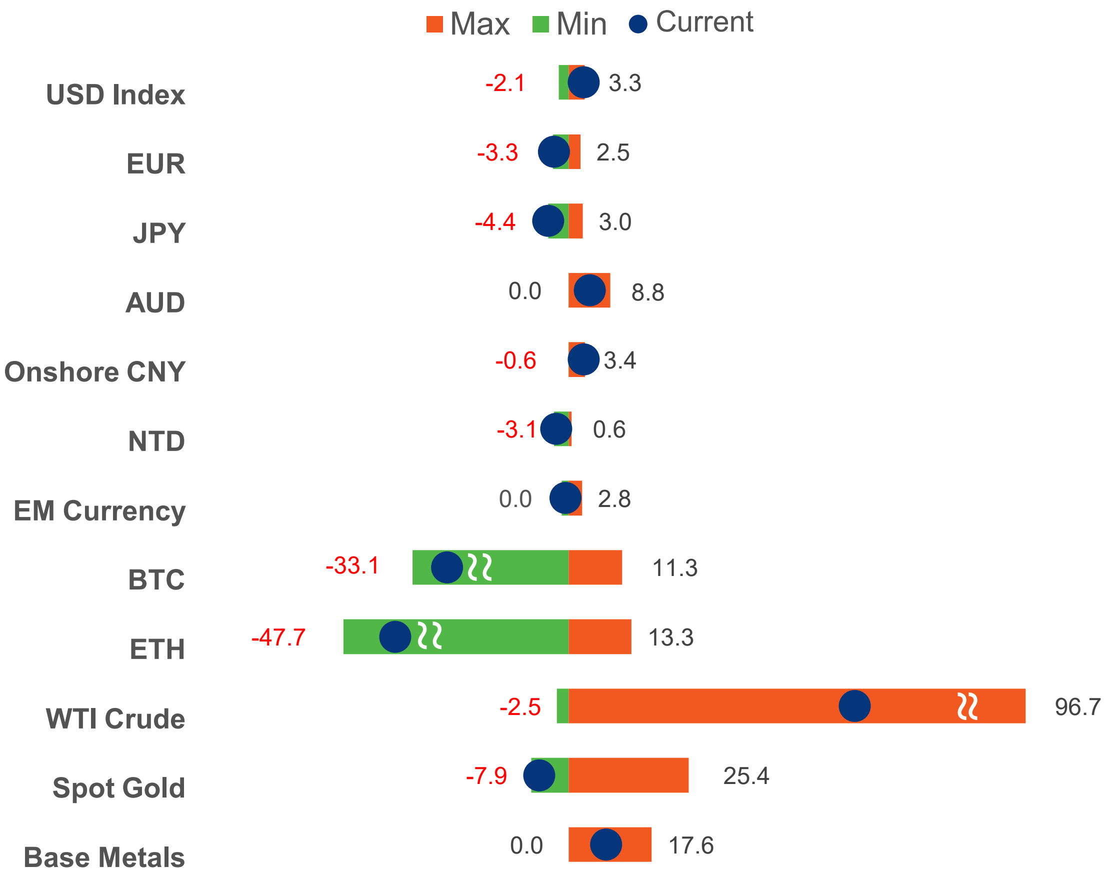
Source: Investing.com

Major Market / Asset YTD Performance

Equities & Bond Markets YTD Performance (%)



Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg

Technical Analysis

60D MA

S&P 500 Index

NASDAQ Index

STOXX Europe 600 Index

Nikkei 225 Index

Shanghai Composite Index

MSCI Emerging Markets Index

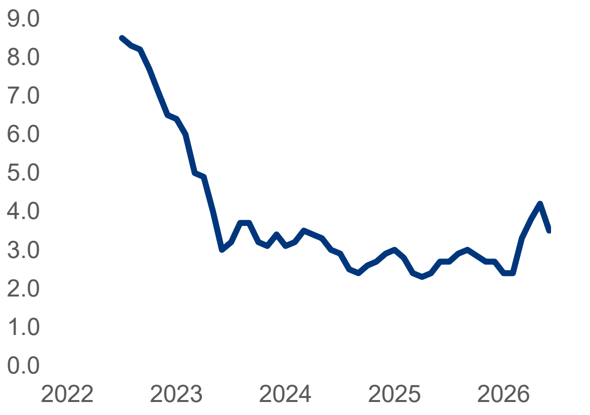
Gold

WTI Crude

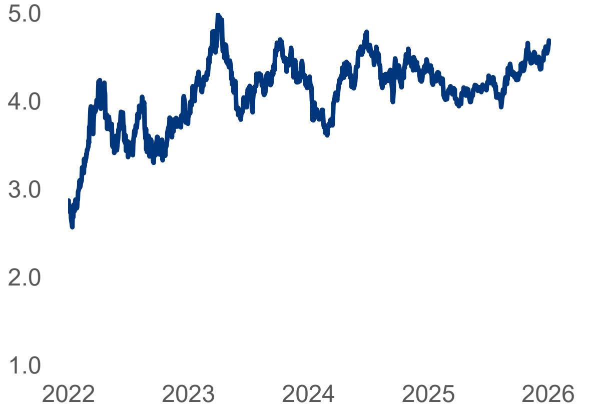
Source: Bloomberg

Market Monitor

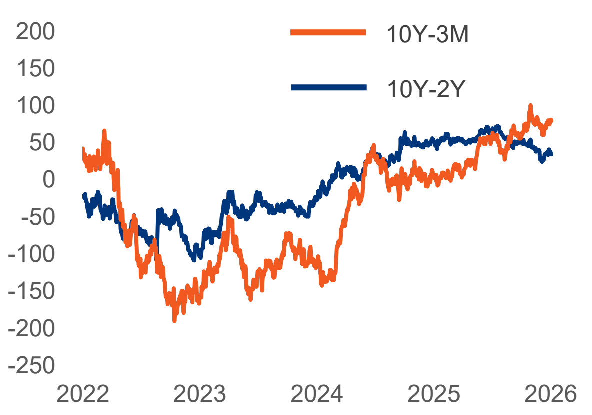
U.S. CPI YoY (%)



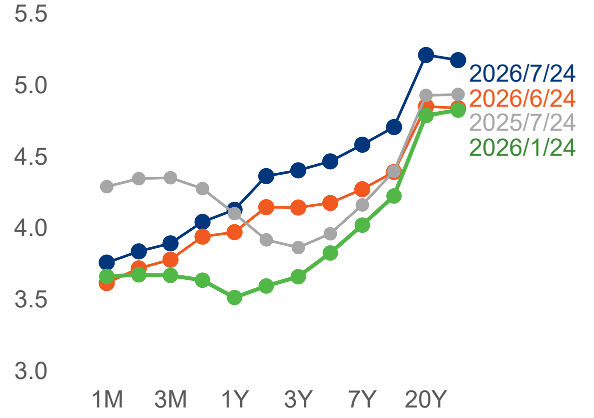
U.S. 10-Year Treasury Yield (%)



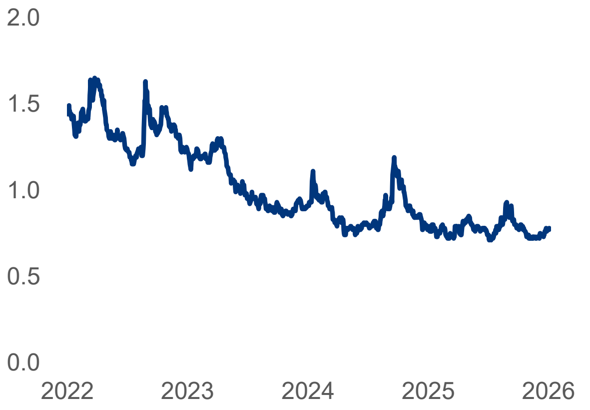
U.S. Treasury Yield Spread (bps)



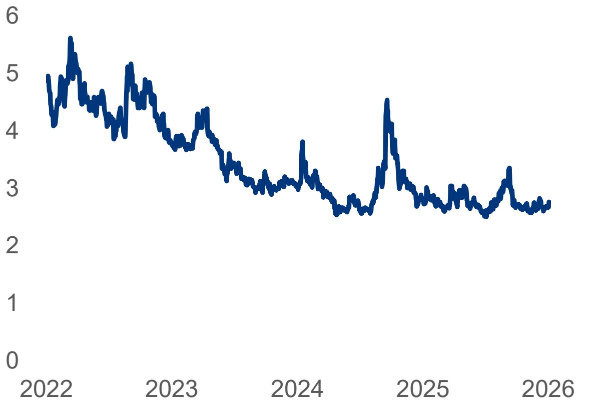
U.S. Treasury Yield Curve (%)



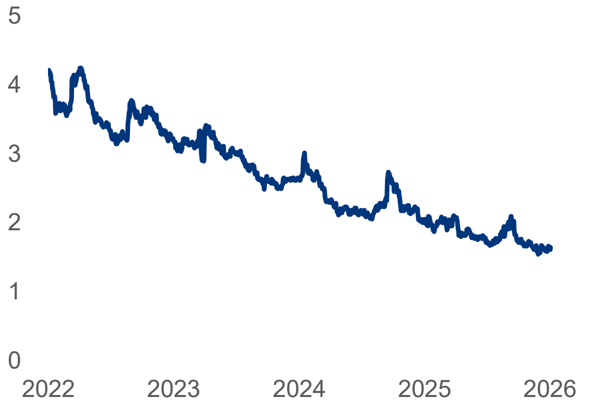
USD IG Credit Spread (%)



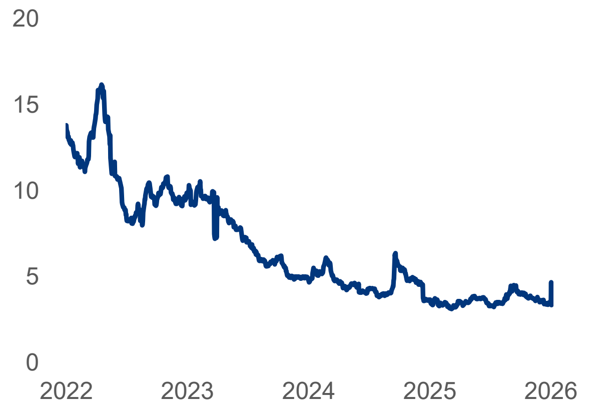
USD HY Credit Spread (%)



USD EM Credit Spread (%)



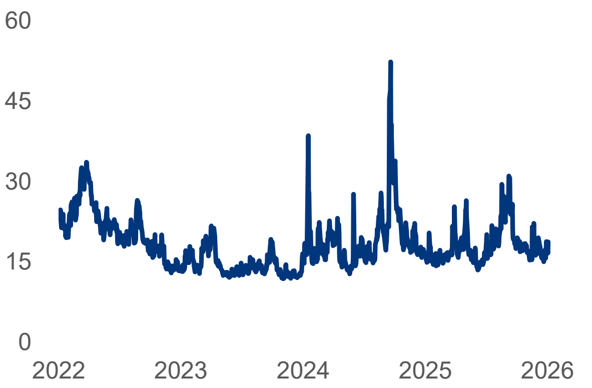
USD Asia Credit Spread (%)



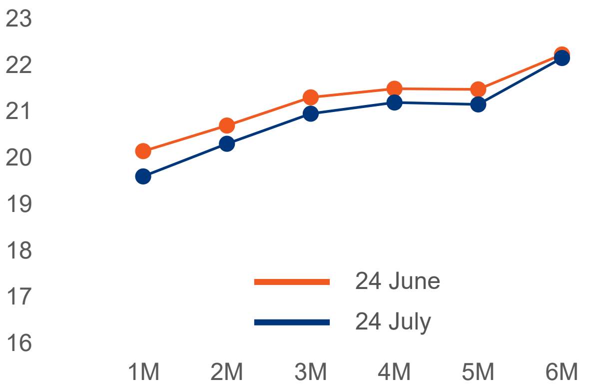
Source: Bloomberg

Market Monitor

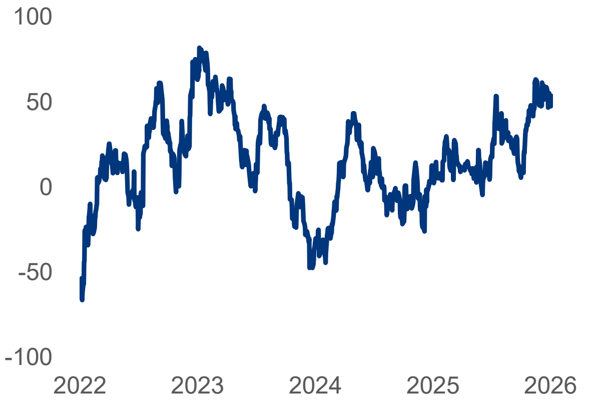
VIX Index



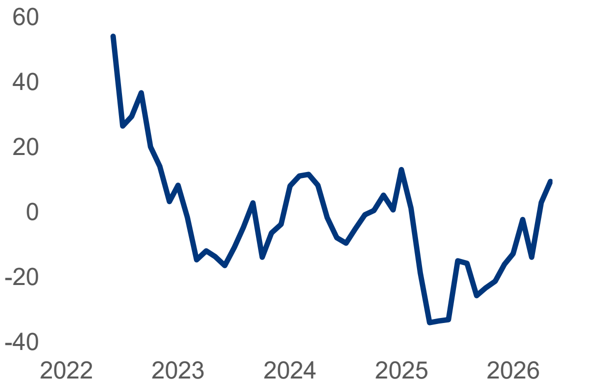
VIX Term Structure



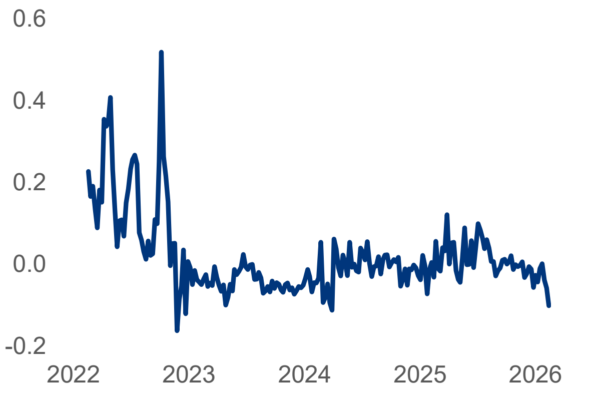
U.S. Citi Economic Surprise Index*



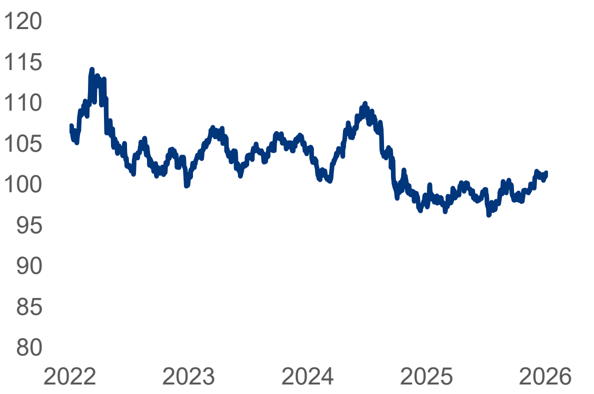
U.S. Citi Inflation Surprise Index*



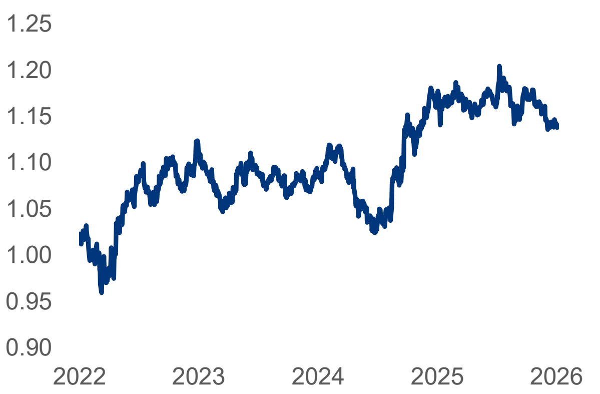
TED Spread (bps)



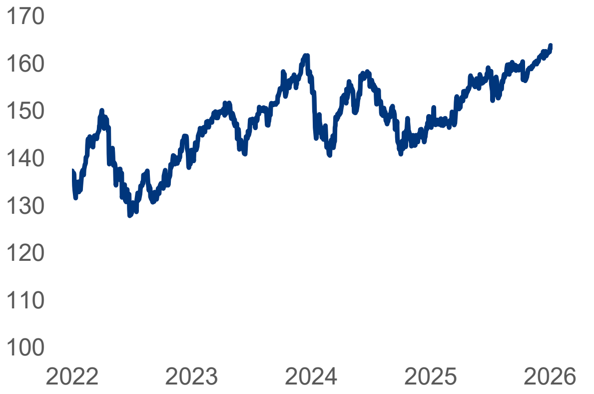
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg

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.