CIO Office

Global Markets Weekly Kickstart

Rebalancing
Japan Equity Investments

10 August 2026

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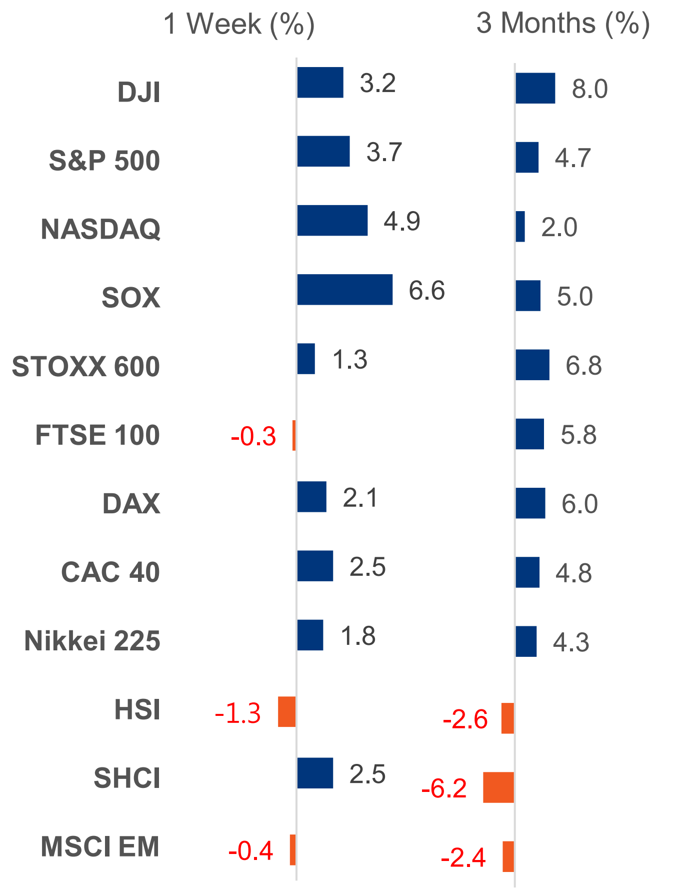
Market Recap

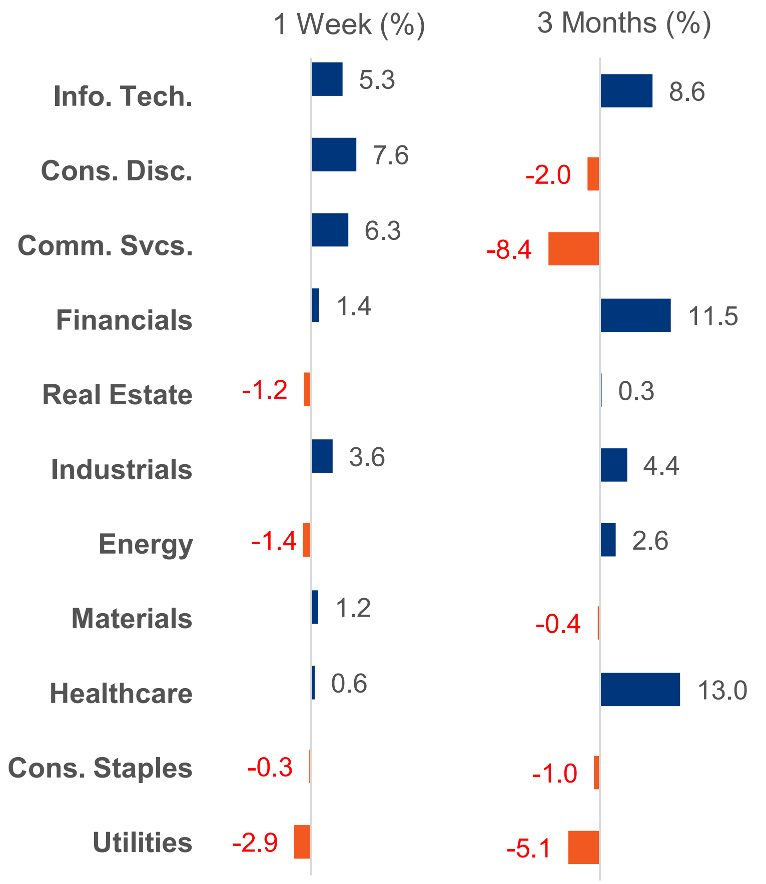
Earnings Revive Optimism, Driving Equity Rebound

- Better-than-expected U.S. earnings drove a strong rebound from recent lows, led by the Nasdaq and Philadelphia Semiconductor Index as optimism toward technology and semiconductors returned. Meanwhile, Trump canceled planned military strikes on Iran, easing market concerns and supporting European equities. However, Europe lagged the U.S. due to its lower technology weighting.
- By sector, despite post-earnings declines in SpaceX and AMD, Palantir's strong results reinforced optimism over AI demand, alongside Amazon's earlier cloud revenue beat. Capital continued to rotate back into growth sectors, driving strong rebounds in technology and consumer discretionary, while defensive sectors such as consumer staples and utilities declined.
- U.S. Treasury Secretary Bessent said the U.S. and Iran could soon reach an agreement to reopen the Strait of Hormuz. Easing geopolitical concerns pushed oil prices lower, weighing on energy stocks.

Regional Index Performance (%)



U.S. Sector Index Performance (%)



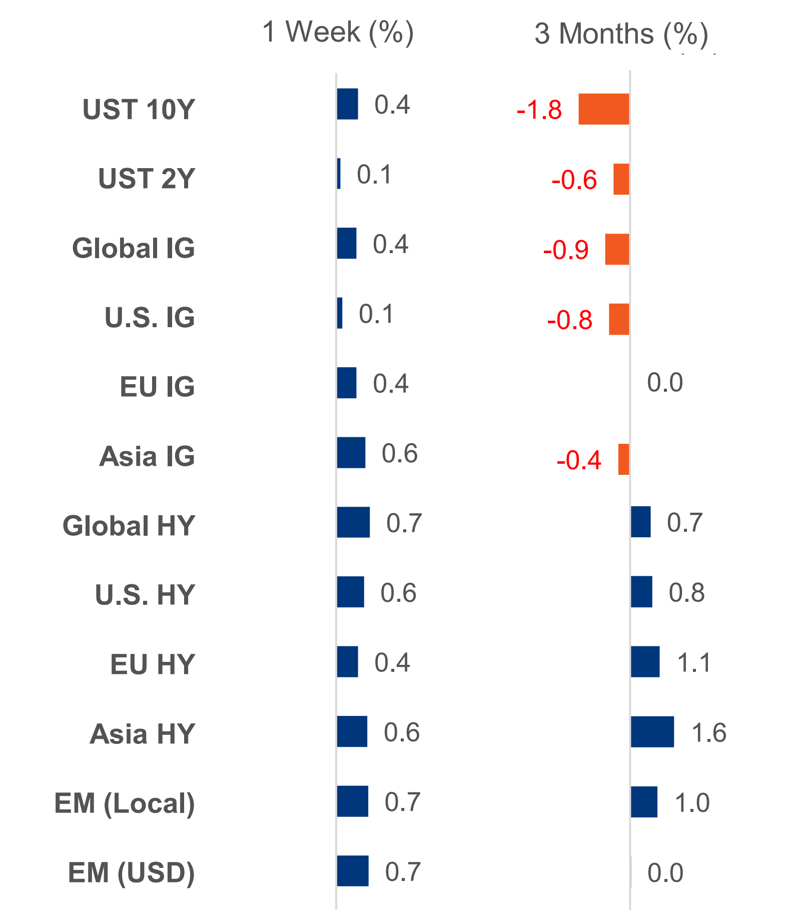
Source: Bloomberg

Market Recap

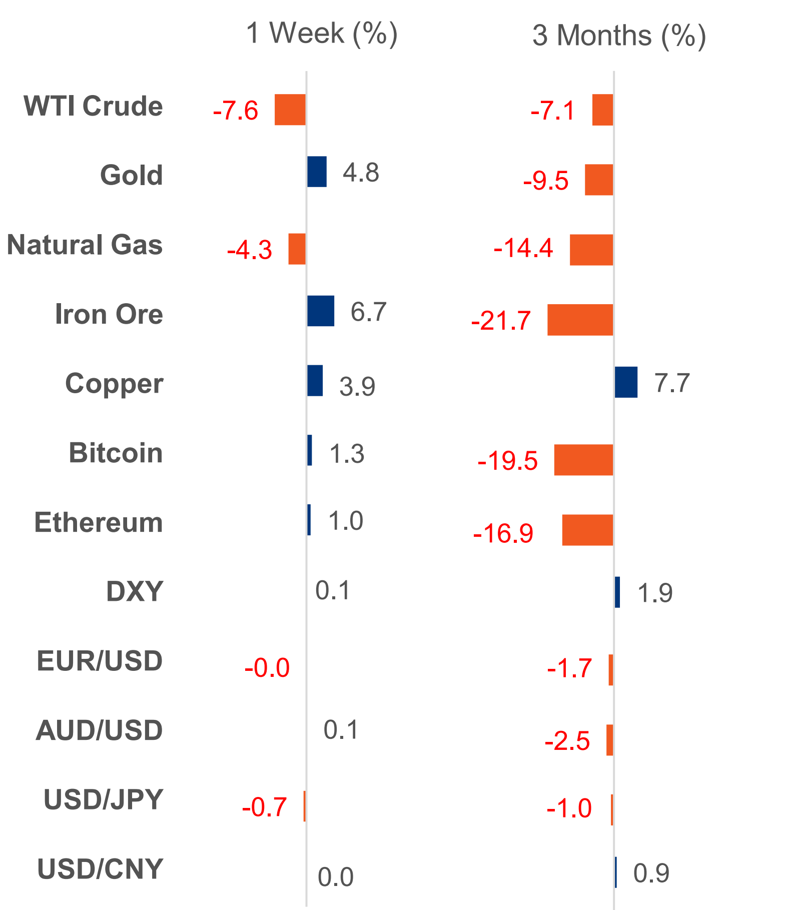
Easing Geopolitical Risks Weigh on Oil and Yields; JPY Intervention in Focus

- Trump canceled planned military strikes on Iran, allowing U.S.-Iran talks to continue and easing Middle East tensions. Lower geopolitical risk pushed Brent briefly below US$80/bbl and pulled Treasury yields off recent highs. The U.S. 10Y yield fell to around 4.65% and the 30Y to 5.20%, lifting bonds across the curve, with long-duration bonds outperforming.
- On Aug. 3, Japan's Finance Minister Satsuki Katayama said Japan and the U.S. had jointly intervened in FX markets to curb excessive JPY weakness. USD/JPY fell sharply, briefly reaching 155. U.S. Treasury Secretary Bessent also said the U.S. is considering expanding the Fed's repo facility in the coming months to provide temporary USD liquidity. This could allow Japan to access dollars without directly selling U.S. Treasuries, easing the funding burden of FX intervention.
- We expect the JPY to remain firm near term, though the durability of intervention remains uncertain given the wide U.S.-Japan rate differential and high energy import costs.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



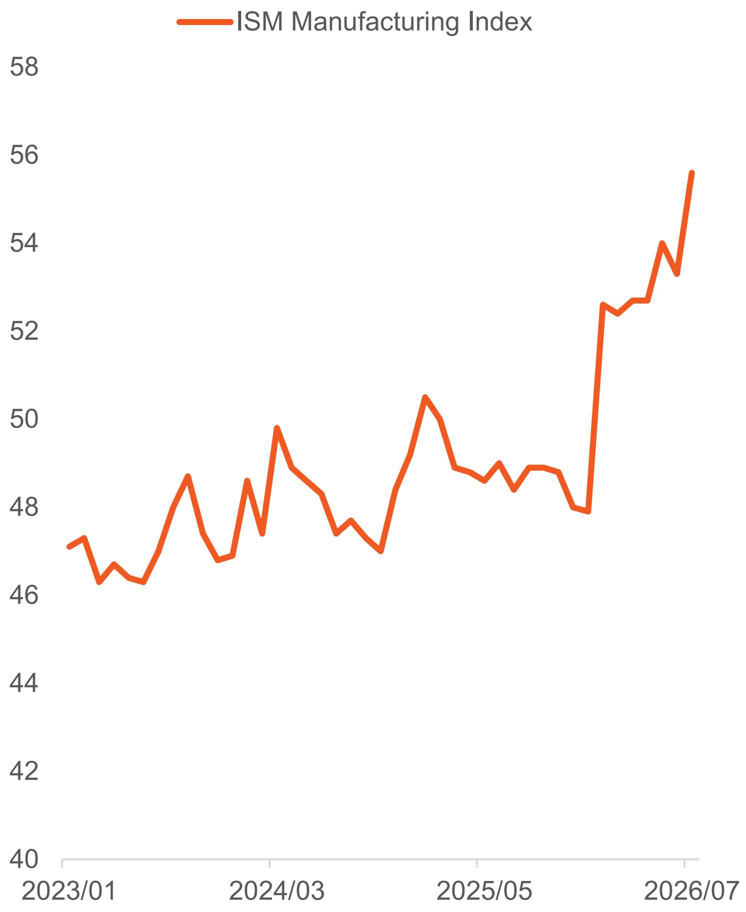
Source: Bloomberg

What's Trending

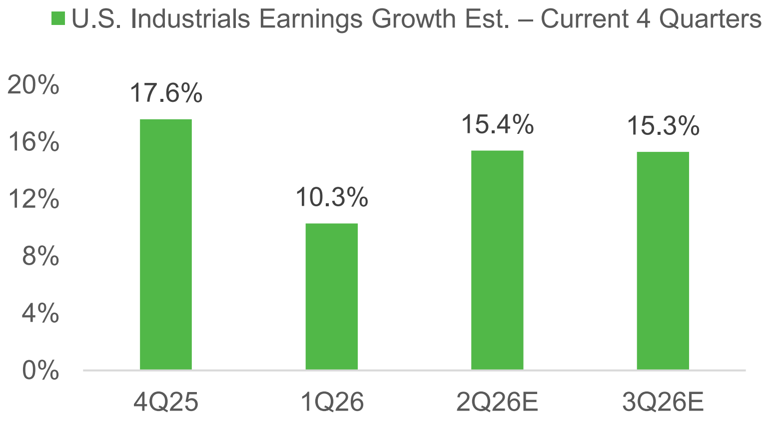
ISM Manufacturing Beats Expectations, Supporting Industrials Fundamentals

- The latest ISM Manufacturing Index rose further, with key sub-indices improving. New orders rebounded, while new export orders returned above 50, signaling solid U.S. manufacturing demand. Production accelerated and employment returned to expansion, consistent with improving labor data. Prices continued to ease from recent highs, though only modestly, suggesting inflation pressures remain.
- The stronger ISM reading signals improving U.S. manufacturing activity and supports industrial stocks. Consensus expects 2026 industrial earnings growth to be revised higher, with double-digit growth sustained over the past four quarters, driven by stronger orders and corporate capex. Rising geopolitical tensions could also boost defense demand. Improving fundamentals should continue to attract flows into industrials.

ISM Manufacturing Continues to Rise, Signaling Strong Confidence



Industrial Earnings Growth Remains in Double Digits Across Quarters



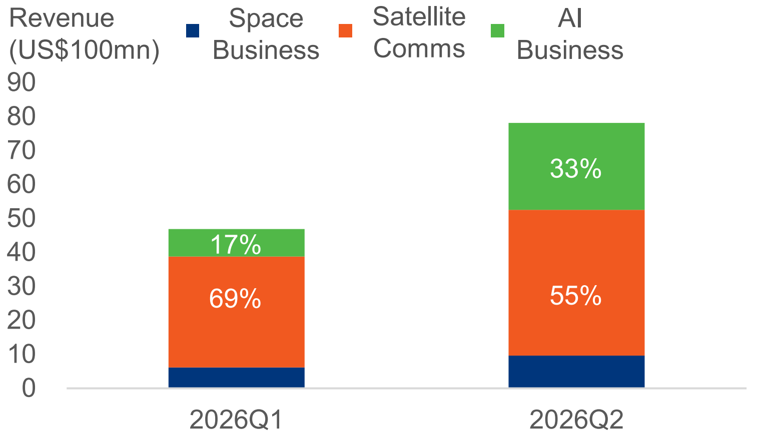
Source: Bloomberg

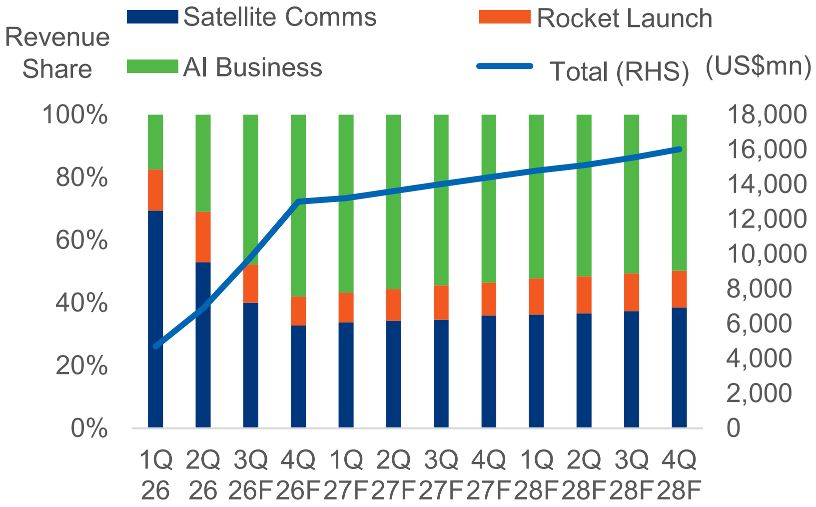
What's Trending

SpaceX Earnings: Focus on Lockup Expiry and AI Monetization

- SpaceX 2Q26 revenue rose 66.5% QoQ to US$7.81bn. AI compute revenue reached US$2.56bn, up 247.5% YoY, as compute leasing contracts with Google, Anthropic and other customers began contributing. Starlink subscriber growth also drove satellite communications revenue up 66% YoY to US$4.29bn.
- 2Q26 capex reached US$18.37bn, up 550% YoY, with US$15.83bn allocated to AI. Beyond compute for Grok training, AI data-center capacity will support inference, orbital computing satellites and compute leasing, reflecting strong compute demand.
- Near term, heavy capex will weigh on FCF and earnings, while insider lockup expiries in 2H26 could increase share-price volatility. Longer term, SpaceX plans to launch Starmind AI satellites from 2027 alongside ground data centers, supporting rapid AI revenue growth. AI capex monetization will remain a key focus.

AI Business Starts Contributing Revenue, Share Set to Rise





Rising Free Float May Weigh on Shares Near Term

Days Post-IPO	Approx. Timing	Unlock %/ Details
Day 70	Mid-Aug	First 7% Unlock
After 2Q26 Earnings	Mid-Aug	20% Unlock
Day 90	Mid-Sep	Second 7% Unlock
Day 105	Late Sep	Third 7% Unlock
Day 120	Mid-Oct	Fourth 7% Unlock
Day 135	Late Oct	Fifth 7% Unlock
After 3Q26 Earnings	Mid-Nov	7% Unlock
Day 180	Early Dec	All remaining shares unlocked
Day 366	Mid-June 2027	Musk's restricted shares fully unlocked

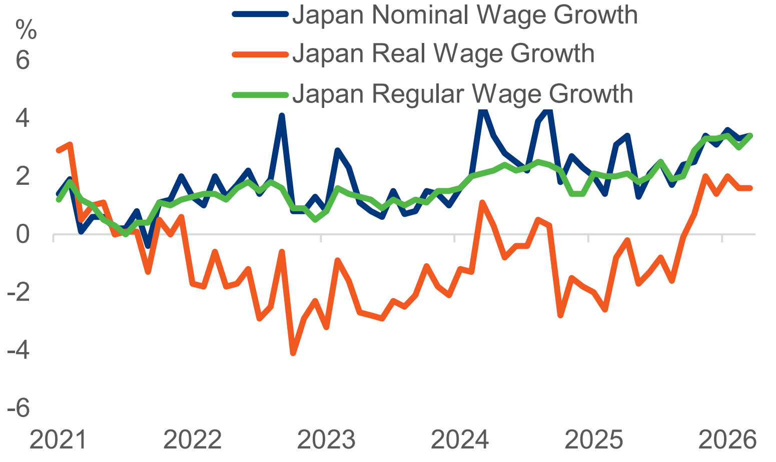
Source: Bloomberg, SpaceX, KGI

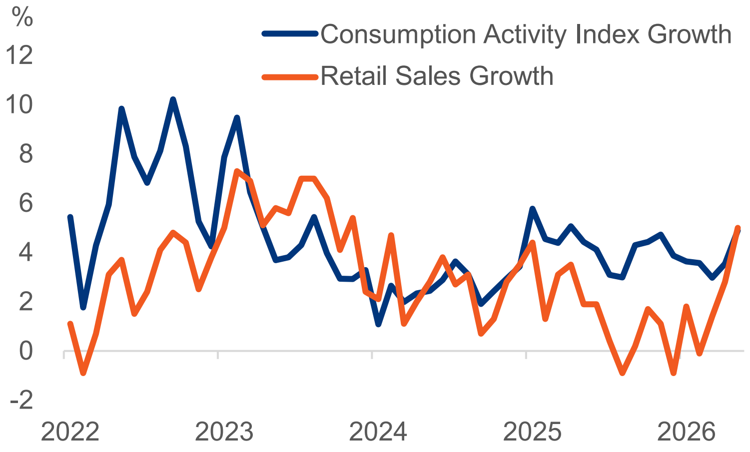
In Focus

Japan Data Improve, Signaling Economic Resilience

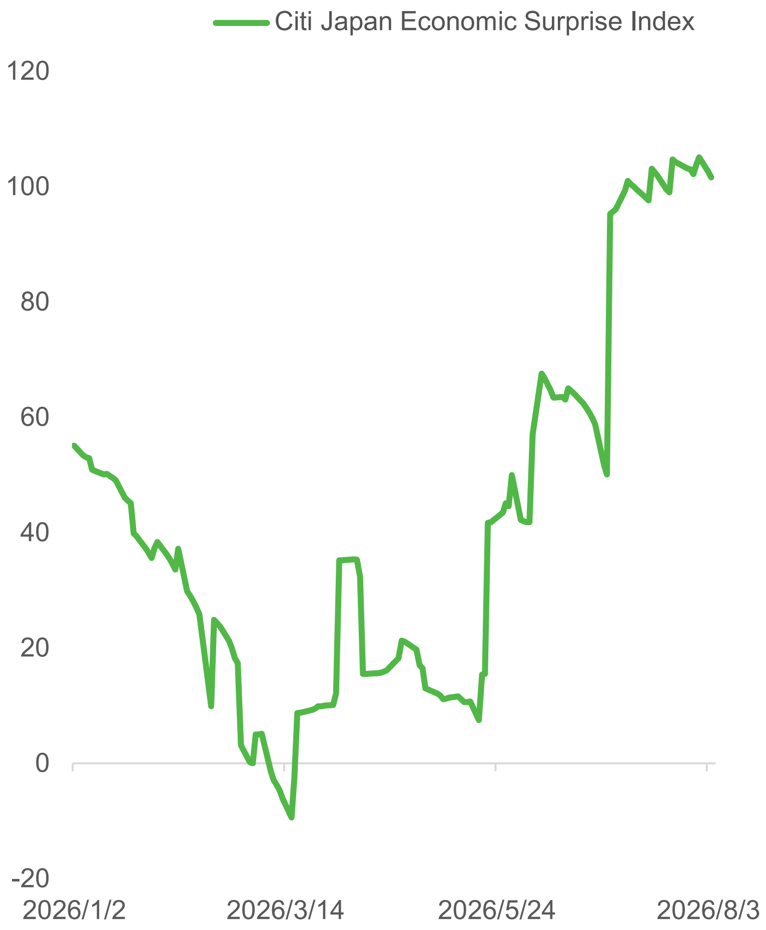
- Japan's nominal wage growth accelerated to 3.4% YoY in June, supporting steady growth in regular wages and reflecting a tight labor market. Real wages rose 1.6% YoY, marking a sixth straight month of growth as wages caught up with inflation and household purchasing power improved. Consumption remained positive, with retail sales rising modestly. Food and essentials demand stayed solid despite weak durable goods spending. Overall, wage growth remains a key support for domestic demand.
- Japan's manufacturing PMI remained above 50, with stronger new orders and output as AI-related external demand boosted production to a record high. Services PMI also remained in expansion, indicating resilient domestic and external demand. Better-than-expected data have pushed the Citi Japan Economic Surprise Index higher, reinforcing confidence in Japan's economic resilience.

Japan Real Wages Maintain Positive, Supporting Consumption Momentum





Japan Data Beat Expectations, Showing Economic Resilience

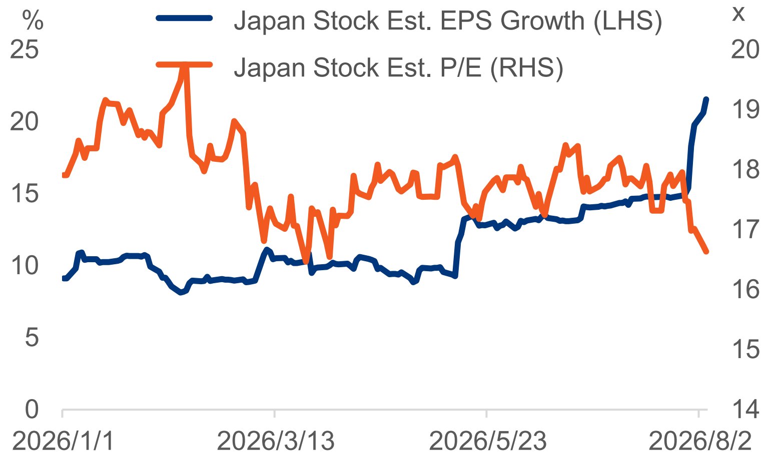


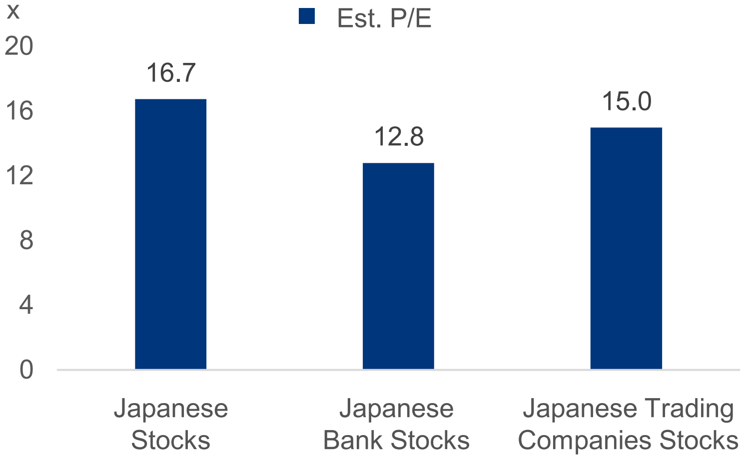
Source: Bloomberg, KGI

Banking and Trading Companies Hold Investment Value, Attracting Funds Amid Recent Market Volatility

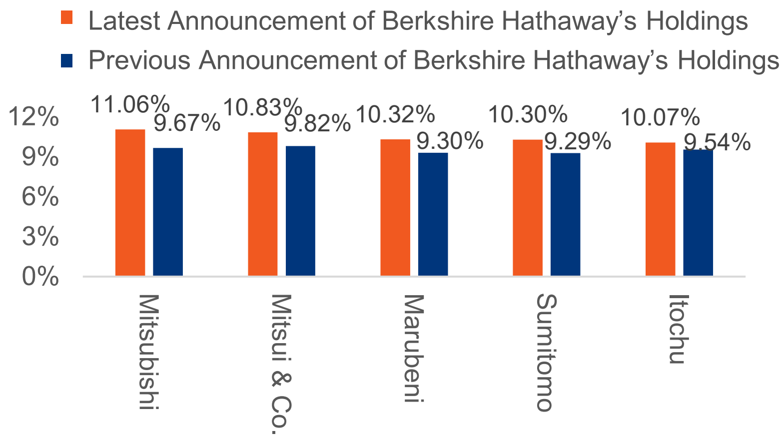
- Japanese stocks have recently pulled back, mainly reflecting valuation corrections in AI-related names after strong gains. Meanwhile, most corporate earnings have beaten expectations, driving continued upgrades to earnings growth forecasts and signaling improving fundamentals.
- As valuations correct, investors are shifting toward cheaper sectors, particularly banks and trading companies, which trade well below the broader market. With the BOJ already in a rate-hike cycle and another 25 bps hike expected by year-end, bank earnings should continue to benefit.
- Trading companies offer diversified business exposure, while their energy and commodities businesses support growth amid commodity price volatility. Recent earnings were also strong, while Berkshire Hathaway has continued raising its stakes to above 10%, underscoring the long-term appeal of Japanese trading companies.

Japan Pullback Reflects Valuation Reset; Banks and Trading Companies Offer Value

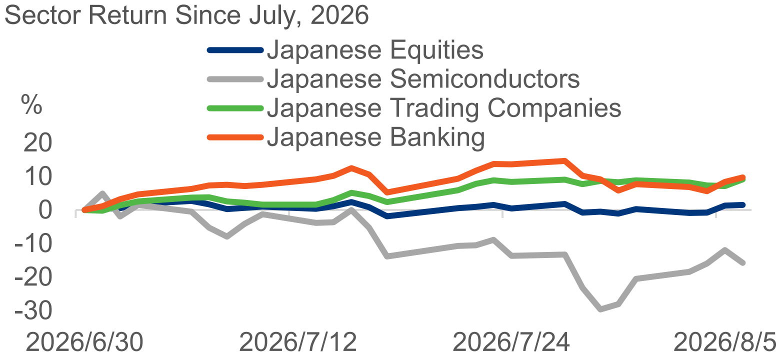




Berkshire Raises Stakes in Five Trading Companies, Signaling Long-Term Confidence



Recent Japan Stock Volatility Favors Banks and Trading Companies



Source: Bloomberg, KGI

Strategic Viewpoint

Watch for Near-Term Pullback After Rapid Equity Rebound

Asset Type	Market View	Preferred Assets
Equities	◆ Corporate earnings remain solid, while strong AI demand at some tech firms has supported a rebound in sentiment. However, markets remain focused on capex returns, raising pullback risk after the rapid rebound. Meanwhile, renewed U.S.-Iran tensions cloud the outlook. Defensive sectors such as healthcare and utilities can reduce volatility, while the long-term tech and AI semiconductor outlook remains positive. Favor buying on dips and diversify across countries and sectors. ◆ Europe and Japan remain key diversification markets. Higher global rates benefit banks, while European and Japanese banks have solid fundamentals. Japanese semiconductors remain attractive on pullbacks, while European defense stocks retain investment appeal.	**Strategy:** Short term: defensive sectors. Medium to long term: AI infrastructures and semiconductors; while favoring cyclical sectors outside AI. **Regions**: Japanese banks, Japanese semiconductor stocks, European defense, European financials
Bonds	◆ U.S. 30Y Treasury yields have eased but remain elevated. Avoid excessive long-duration exposure and favor short- to medium-term bonds. High-quality IG issuers with defensive characteristics remain attractive after risk-adjusted yields, including financials, tech, telecom and utilities. ◆ Non-USD IG bonds, such as EUR- or AUD-denominated bonds, can diversify single-currency risk.	**Types:** Short/ Intermediate term IG bonds, with a preference for financials, technology, communication services, and utilities. **Satellite :** Non-USD IG bonds for diversification.
Forex	◆ The Fed's hawkish stance should provide some support to the USD, but joint U.S.-Japan intervention could pressure the USD near term. ◆ Joint U.S.-Japan FX intervention should keep the JPY relatively strong near term, while the RMB may also appreciate following PBOC intervention.	**USD:** Near-term strength remains supported. Gradual JPY appreciation; modest RMB appreciation.
Commodity	◆ Trump's cancellation of planned military strikes on Iran supports continued U.S.-Iran talks, but uncertainty remains and could increase oil-price volatility. ◆ Lower U.S. yields and a weaker USD support gold near term. Longer term, continued central-bank purchases and portfolio demand remain supportive.	**Gold**: Near-term headwinds from higher U.S. yields and a stronger dollar. **Oil**: Supported by Middle East tensions and tight inventories.

Product Spotlight | HK Equities

Driving CRDMO via Cost Reduction and New Molecules

► Global R&D Costs Surge, CRDMO Emerges as Efficiency Breakthrough

Global pharmaceutical R&D costs are rising sharply, making the CRDMO model a critical efficiency breakthrough. With escalating expenses and looming patent expirations, drugmakers increasingly depend on specialized outsourcing partners to mitigate risk and accelerate time-to-market. By leveraging full-process service providers, companies reduce fixed asset investment and concentrate resources on core target discovery. As innovation pipelines expand worldwide, this cross-border division of labor has become an indispensable engine of pharmaceutical progress, reinforcing supply chain stability and transformation.

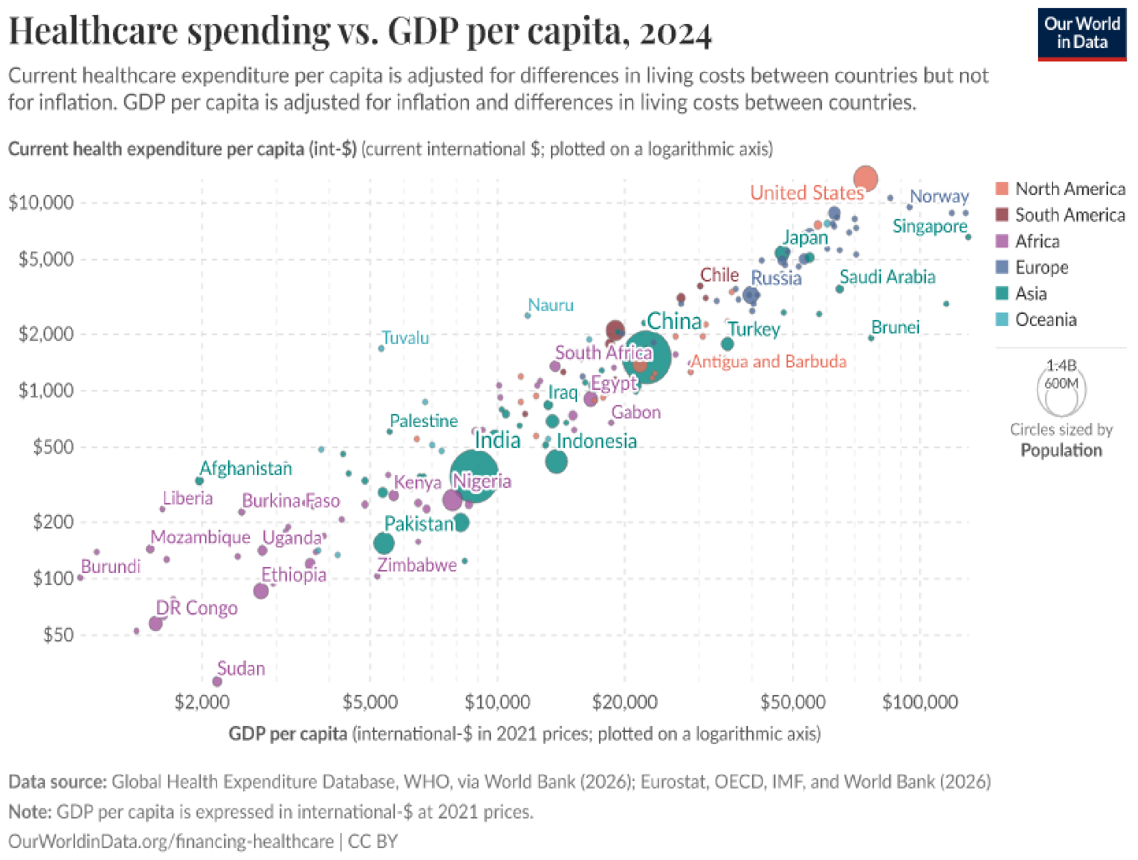
► End-to-End Service Platforms Build Moats and Client Stickiness

One-stop end-to-end platforms spanning early discovery, preclinical research, clinical development, and commercial production create strong competitive moats and deepen client stickiness. Their integrated coverage minimizes switching costs, ensures seamless technology transfer, and safeguards data consistency. As projects advance into clinical and commercial phases, platforms with scale advantages and rigorous compliance standards deliver resilient long-term revenue streams and sustained customer loyalty.

► Rise of New Modalities Drives Next Growth Cycle

The surge of new modalities — peptides, oligonucleotides, and cell & gene therapies — is fueling a new growth cycle. These frontier therapies demand advanced technical expertise and complex manufacturing processes, heavily reliant on partners with cutting-edge capabilities and capacity. Firms that invest early in diversified technology platforms will secure a first-mover advantage in the next wave of drug innovation, capturing substantial incremental market opportunities.

Healthcare Spending Across Countries



WuXi AppTec Co., Ltd. (2359 HK)

Closing Price HK $179.7 **Target Price** HK $210

WuXi AppTec is a global leading CRO/CDMO platform. The company provides one-stop services for global pharmaceutical enterprises, covering small-molecule drugs as well as cell and gene therapies. By integrating research and manufacturing capabilities, WuXi enables innovative medicines to accelerate their path to market.

Earnings and Guidance Far Above Expectations, Growth Highly Visible

The company's 2Q26 and 1H26 results significantly exceeded market and institutional forecasts, showcasing strong operating resilience. Driven by robust order demand, management raised full-year 2026 revenue guidance from RMB 51.3–53.0B to RMB 58.5–60.5B, with continuing operations growth guidance lifted from 18–22% to 35–39%. As of 1H26, backlog reached RMB 66.4B, up 25.2% yoy, providing solid visibility and support for sustained mid- to long-term growth.

Core Small Molecule and TIDES Business Strengthens, Multi-Engine Leadership

As a global CRDMO leader, core businesses delivered across the board. 1H26 WuXi Chemistry revenue rose 53.3% yoy to RMB 24.99B, with small-molecule D&M surging 72.7% to RMB 14.99B and pipeline projects totaling 3,731. Commercialization momentum continued, while booming global GLP-1 demand drove management to lift full-year TIDES revenue growth guidance to ~45%. Testing and biology also benefited from front-end R&D recovery and new modality demand (>35% share), reinforcing synergies and competitive barriers.

Profitability at Record High, Capex Expansion Secures Long-Term Capacity

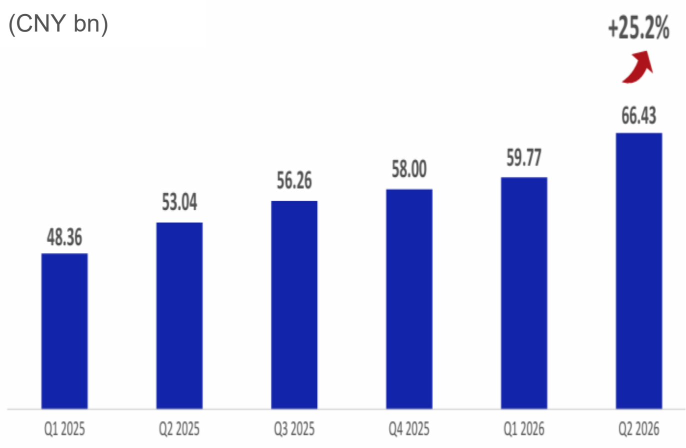
Scale efficiency and product mix optimization boosted profitability. 1H26 gross margin expanded 9.4ppt to 53.2%, with adjusted non-IFRS net margin rising to 40.0% (+9.7ppt yoy). To meet strong demand, management raised 2026 capex guidance from RMB 6.5–7.5B to RMB 7.5–8.5B, initiating construction of a new Changzhou base and accelerating overseas capacity in Singapore, ensuring high-quality long-term revenue growth.

Financials

	2024	2025	2026F	2027F	2028F
Revenue (CNY b)	39.2	45.4	57.8	69.8	81.8
Revenue YoY	-2.7	15.8	27.2	20.9	17.0
EPS (CNY b)	3.2	6.7	7.2	8.4	9.8
EPS YoY	-10.9	107.4	6.9	17.4	17.0
RoE (%)	16.4	27.8	23.3	22.9	22.4

Estimate P/E

Order Backlog



Historical Volatility

Source: Bloomberg

US Equities Japan's Five Major Trading Companies: Divergent Investment Amid Yen Policy Shift

- July U.S. nonfarm payrolls fell by 23K, far below expectations of 80K, with May and June revised down by 103K. Unemployment rate stood at 4.1%, lower than consensus and prior 4.2%. Average hourly earnings rose 0.1% m/m, below the 0.3% forecast and prior.
- July U.S. ADP employment added 44K jobs, missing expectations of 65K and below the revised prior 95K.July U.S.
- ISM Manufacturing PMI came in at 55.6, above consensus 53.9 and prior 53.3.July U.S.
- ISM Services PMI registered 54.1, slightly below consensus 54.5 but above prior 54.0.
- On July 31, the Bank of Japan held its policy rate at 1.0% but reiterated gradual hikes as inflation nears 2%. Some members advocated raising to 1.25%, signaling normalization bias. Japan and the U.S. jointly intervened to buy yen, aiming to curb excessive depreciation and disorderly volatility. For the five major trading companies , yen appreciation and rising financing costs may compress overseas USD earnings, with higher sensitivity for resource-heavy Mitsubishi Corp, Mitsui & Co, and Marubeni. Conversely, a stronger yen lowers import costs for energy, food, and raw materials, improving household purchasing power and benefiting Itochu and Sumitomo with greater exposure to non-resource, consumer, and domestic demand businesses. Given FX intervention cannot alone reverse U.S.–Japan yield differentials, the yen is likely to trade with two-way volatility. Investment outlook remains neutral-to-positive but increasingly divergent: near-term preference for Itochu with stable non-resource income, cash flow, and shareholder returns; medium-to-long term focus on Mitsubishi, Mitsui, and Marubeni for earnings elasticity in energy, metals, power infrastructure, and AI-related investments.

U.S.–Japan 10Y Bond Yield Spread & FX Comparison

White Line: U.S.–Japan 10Y Bond Yield Spread
Blue Line: U.S.–Japan Exchange Rate

Source: Bloomberg, BloombergNEF

Mitsubishi Corporation (8058 JP)

Closing Price ¥4,868 **Target Price** ¥5,800

Mitsubishi Corporation has a broad business portfolio spanning multiple industries, coordinated through eight specialized divisions: Environment & Energy, Material Solutions, Mineral Resources, Urban Development & Infrastructure, Mobility, Food Industry, Smart Living Creation, and Power Solutions. The company's operations extend worldwide.

Resource Earnings and LNG Expansion Enhance Cash Generation

Mitsubishi Corporation's diversified portfolio across coking coal, copper, natural gas, automotive, and food provides multiple profit drivers. In 1Q FY2026, net income rose 47% yoy to JPY 298.5B, with operating cash flow at JPY 341.2B. Strong commodity prices and rising output from the Canada LNG project supported short-term earnings, and management is considering raising full-year guidance.

AI Data Centers Boost Copper, Power, and Gas Demand

AI infrastructure and broader electrification trends are driving demand for grid capacity, power generation, and conductive metals. Mitsubishi's positioning in copper, LNG, and power infrastructure is reinforced, while direct development of AI-ready data centers in Japan highlights future electricity demand sources, securing exposure across both resources and infrastructure.

FY2026 Q1 Results Beat Expectations, Outlook Positive

In Q1 FY2026 (fiscal year ending March), operating cash flow rose JPY 90.8B to JPY 341.2B, and consolidated net income increased JPY 95.4B to JPY 298.5B. For the full year, the company projects operating cash flow of JPY 1.25T, net income of JPY 1.1T, and dividend per share of JPY 125.

Valuation Consensus

Bloomberg's 12-month average target price is JPY 5,821.31, with a high of JPY 7,000 and a low of JPY 3,280.74.

1-Year Price

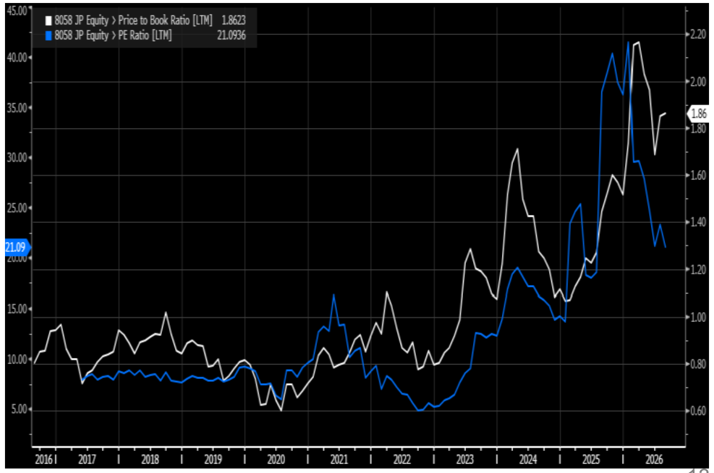
Financials

	2024	2025	2026	2027F	2028F
Revenue Growth(%)	-9.3	-4.9	1.6	10.7	4.3
EBITDA (%)	5.8	5.0	4.6	5.6	5.5
EPS(JPY)	183.21	160.69	205.21	308.38	309.80
Net Profit Margin(%)	4.1	3.5	4.1	5.3	5.1

FY2026 Guidance

(¥ bn, except per share amounts)	FY2026 Forecast
Underlying operating CF[1]	1,250.0
Consolidated net income[2]	1,100.0
Adjusted consolidated net income	820.0
Capital recycling gains / losses	160.0
One-time items	120.0

P/E & P/B



Source: Bloomberg, Company

Marubeni Corporation (8002 JP)

Closing Price	¥5,024	Target Price	¥6,200

Marubeni Corporation is a comprehensive trading company with operations spanning steel, information technology, utilities and infrastructure, energy, food, metals and mineral resources, development and construction, industrial machinery, and chemicals. Through a global network of sales offices and representative branches, the company distributes its products worldwide.

Stronger Cash Flow Supports Higher Investment and Shareholder Returns

Marubeni's earnings structure is increasingly supported by operating businesses in North American agriculture, power infrastructure, chemicals, and aerospace, reducing reliance on commodity prices. Following 1Q FY2026 net income growth of 21% to JPY 186.4B, the company raised its three-year investment allocation by JPY 250B to JPY 1.35T and lifted planned shareholder returns by JPY 200B to JPY 900B, reflecting stronger cash generation and confidence in its project pipeline.

U.S. Infrastructure, Power, and Food Demand Drive Long-Term Growth

With established platforms in power, food, and distribution, Marubeni is well positioned to benefit from rising U.S. electricity demand, infrastructure investment, and agricultural consumption. Management expects a significant portion of new investments to target the U.S. market, while structural copper demand from AI and semiconductor infrastructure provides further upside through its metals portfolio.

FY2026 Q1 Results Beat Expectations, Full-Year Forecast Raised

In Q1 FY2026 (fiscal year ending March), net income reached JPY 186.4B (+JPY 32.0B yoy), adjusted net income was JPY 177.0B (+JPY 49.0B yoy), and core operating cash flow rose to JPY 249.9B (+JPY 96.0B yoy). For the full year, the company projects net income of JPY 580.0B, adjusted cash flow of JPY 540.0B, and annual dividend per share of JPY 115. Additionally, investment plans were raised by JPY 250B to JPY 1.35T, and shareholder return targets increased by JPY 200B to JPY 900B.

Valuation Consensus

Bloomberg's 12-month average target price is JPY 6,214.62, with a high of JPY 7,180 and a low of JPY 5,100.

Source: Bloomberg, Company

1-Year Price

Financials

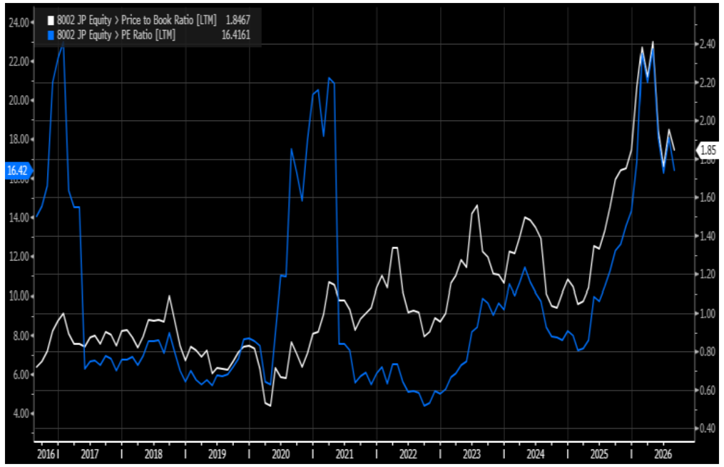
	2024	2025	2026	2027F	2028F
Revenue Growth(%)	-21.1	7.4	6.1	5.3	3.2
Operating Margin(%)	6.9	7.4	5.8	6.4	5.8
EPS(JPY)	293.31	294.64	288.01	373.81	390.19
Net Profit Margin(%)	6.8	6.3	5.7	7.0	7.0

Source: Bloomberg; 2027/28F are market estimates

FY2026 Guidance

(billion yen)	FY2026 Forecast (announced on May 1, 2026)
Net profit	**580.0**
Adjusted net profit	**540.0**
Non-resources	382.0
Resources	161.0
Core operating cash flow	**+660.0**

P/E & P/B



TW Equities U.S. CSP Capex Remains Strong, AI Server Demand Sustains Momentum

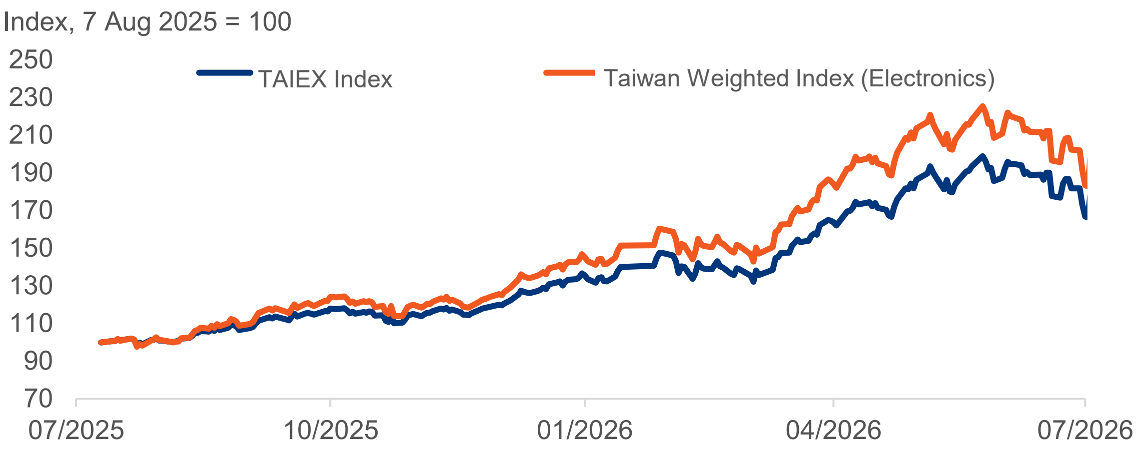
Electronics Heavyweights Lead Gains, Sub-Sector Rotation Evident

Taiwan equities extended short-term rebound over the past week, with major electronics heavyweights broadly higher. Sub-sector rotation emerged as policy risk headlines drove momentum: reports that the Trump administration is considering banning imports of China-made optical transceiver modules into the U.S. spurred Taiwan suppliers, as U.S. clients accelerate diversification of supply chains. This triggered rallies in GaAs and optical communication stocks. Meanwhile, copper-clad laminates and niche DRAM names surged on pricing themes, highlighting sectoral rotation across the broader market.

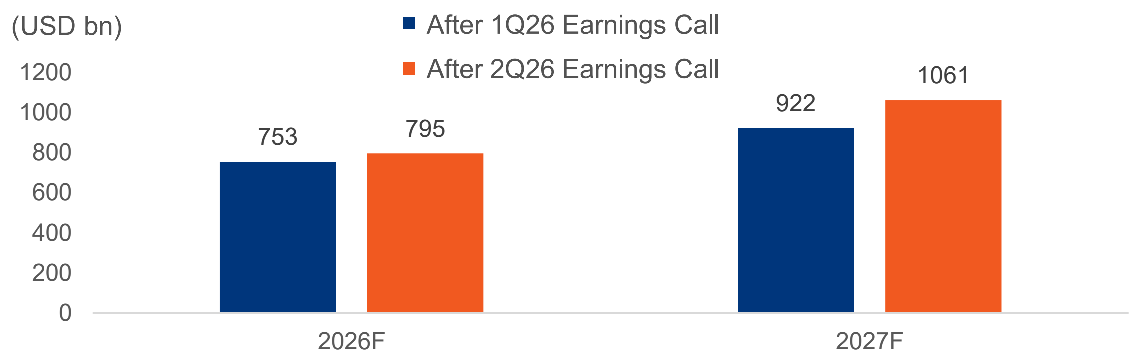
U.S. CSP Capex Strong, AI Server Demand Momentum

In 2Q26, the four major U.S. CSPs increased capital expenditure 82% yoy and 19% qoq. We projects full-year capex growth to remain robust. Market consensus now expects the five largest CSPs to spend USD 795.1B in 2026, up 77% yoy, revised higher from 69% three months ago. This reflects stronger-than-expected AI demand, rising cloud backlog, and capacity constraints, driving CSPs to expand AI infrastructure. Looking ahead to 2026–2027, AI server demand is expected to remain strong, with potential upward revisions to 2027 capex. Nvidia and AMD's VR/MI455 GPUs, alongside CSP-developed ASIC AI chips, will fuel supply chain revenue and profit growth. Taiwan's AI supply chain beneficiaries are concentrated in server chassis assembly, liquid cooling, power supplies, and PCB/CCL manufacturers.

TAIEX Index and Taiwan Electronics Sector Trends



U.S. CSP Capex



Source: Bloomberg

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.

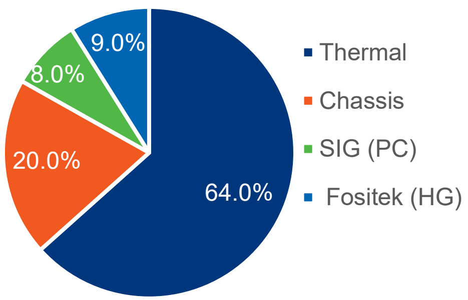
2H26 AI Server Revenue Growth Expected

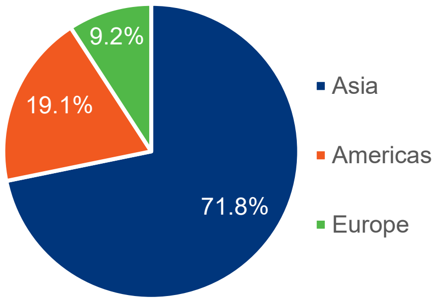
Management highlighted ASIC AI servers as the primary growth driver ahead. With AWS Trainium 3 (T3) ramping, even under current air-cooled 2.5D VC design, the company benefits from higher shipments and ASP. Vera Rubin (VR) liquid-cooling products may enter mass production by late 3Q26, alongside Google's new TPU liquid-cooling project and AMD's MI455 Helios liquid-cooled sales, supporting sequential revenue growth of ~8% in 3Q26 and ~18% in 4Q26.

ASIC Revenue to Surpass GPU by 2027

Rising liquid-cooling penetration and leadership in server switch trays will drive 2027 revenue. Expanding ASIC demand and higher customization mix should lift margins, with planned Vietnam capacity expansion reinforcing growth. Additional upside stems from LPU, CPU cabinets, CPO, and 1.6T switch demand in 2027–2028, raising server-related revenue share to 70–80%.

Revenue Sources and Regions





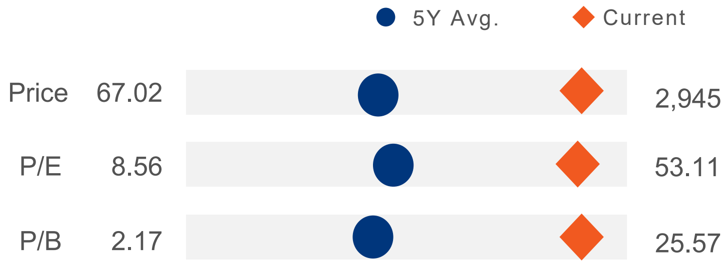
Source: Bloomberg

Financials

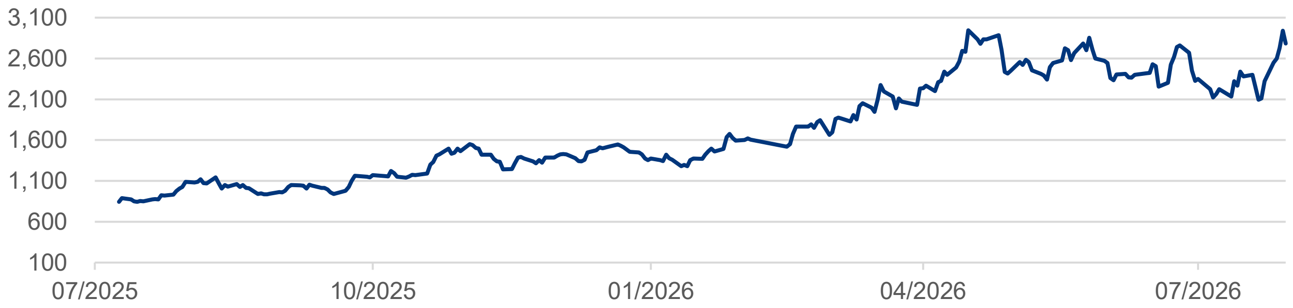
	2023	2024	2025	2026F	2027F
EPS (NTD)	14.11	21.21	49.17	103.02	159.99
EPS Growth (%)	19.7	50.4	131.8	109.5	55.3
P/E Ratio	193.5	128.7	55.5	26.5	17.1
ROE (%)	28.3	32.1	52.2	71.9	73.3

Source: Company data, estimates of KGI analyst

Valuations



1-Year Price



As of 7 August 2026	1Wk	1M	3M	6M	YTD	1Y
Return (%)	20.04	13.67	15.32	74.61	84.44	172.42

Jentech Precision Industrial Co., Ltd. (3653.TW)

Jentech's main products are heat spreaders and LED lead frames. In recent years, the company has adopted a vertical integration strategy, expanding into liquid-cooling module manufacturing. It now provides customized one-stop solutions that integrate fasteners, heat spreaders, and liquid-cooling plates into complete thermal modules.

3Q26 Revenue Growth Solid, Product Mix Further Optimized

Heat spreader revenue share is rising, supporting 2H26 margin expansion. Vera Rubin heat spreaders began shipping in March, with 2Q26 monthly volumes at 100–200K units, expected to reach 500–600K units by 4Q26. The 2026 shipment target of ~2M units positions heat spreaders as the main revenue driver. Additionally, AMD MI450/455 heat spreaders will start shipping in 4Q26, while higher ASP stiffener designs for ASIC chips (Trainium3, v8) add upside. Revenue is projected to grow ~9% qoq in 3Q26 and ~20% qoq in 4Q26.

2027F Heat Spreader Upgrade Trend

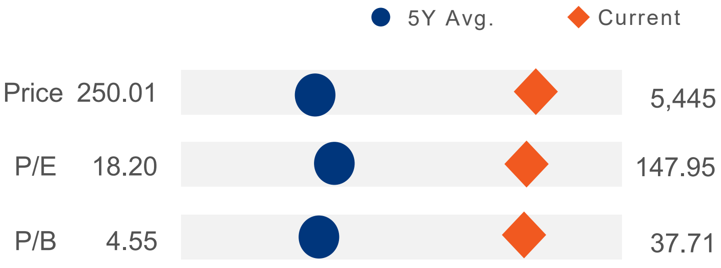
VR heat spreaders currently use a single-cover design, with next-gen VR Ultra expected to adopt a detachable cover structure. This upgrade will be a key growth driver in 2027. Intel CPU Socket and Carrier products have completed certification and are undergoing ODM client testing, adding another growth engine. Shipments of Spectrum-X and Quantum-X mechanical parts further support optimistic revenue and EPS growth outlook for 2027.

Financials

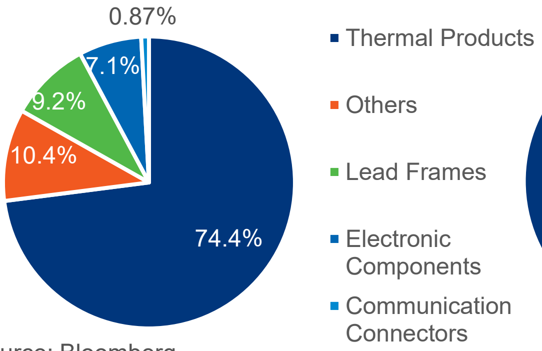
	2024	2025	2026F	2027F	2028F
EPS (NTD)	24.15	36.75	59.08	121.99	190.24
EPS Growth (%)	45.5	52.2	60.8	106.5	56.0
P/E Ratio	142.7	93.7	58.3	28.2	18.1
ROE (%)	26.4	28.3	35.3	60.0	71.8

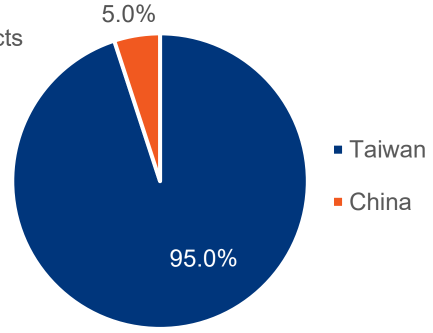
Source: Company data, estimates of KGI analyst

Valuations



Revenue Sources and Regions





Source: Bloomberg

1-Year Price

As of 7 August 2026	1Wk	1M	3M	6M	YTD	1Y
Return (%)	27.14	37.09	13.03	47.47	59.56	201.03

Mutual Funds/ ETFs

Economic Resilience Beats Expectations, Banks and Trading Companies in Focus

► JPMorgan Funds - Japan Equity Fund

- Selective growth in high-quality Japanese companies is pursued through a bottom-up approach, identifying firms with strong and sustainable long-term potential.
- Core investments are concentrated in six leading Japanese industries, including technology, automation, renewable energy, and consumer markets.
- The investment team has been established in Japan for over 50 years, making it one of the most experienced foreign asset managers locally. With analysts averaging 18 years of industry expertise, the team provides comprehensive coverage in a market where analyst penetration is relatively limited, enabling them to capture potential opportunities.
- Founded in 1969, the fund is the longest-standing product in the Morningstar Japan Large-Cap Equity category, combining heritage with disciplined forward-looking investment.

Product	JPMorgan Funds - Japan Equity Fund	
Features	■ Established in 1969, the fund boasts a rich history of over 50 years. ■ Sector allocation maintains flexibility in response to market dynamics while utilizing leverage operations agilely; investments are distributed across large, mid, and small-cap stocks to uncover opportunities in internet, consumer, and retail sectors.	
AUM	USD 496million	
Functional Currency	JPY	
3M/YTD Return	5.19% / 14.90%	
Top 5 Industry Allocation (%)	Electrical Products Others Banks Retail Trade Services	23.80 21.60 12.50 7.80 6.60
Top 5 Holdings (%)	Mitsubishi UFJ Financial Group Mitsubishi Electric Asics Sumitomo Electric Inds Fast Retailing	8.6 5.8 5.0 4.9 4.9

Source: Bloomberg

JPMorgan Funds - Japan Equity Fund

Profile

Provides investors with long-term capital growth primarily by investing at least 70% of its total net asset value in Japanese equity securities and other equity securities whose investment performance is closely related to the performance of the Japanese economy.

Long History, Navigating Bull and Bear Markets

Established in 1969, the fund boasts a rich history of over 50 years. This long-standing track record means it has navigated multiple global economic crises and full bull-and-bear cycles in the Japanese market, accumulating extensive experience in market adaptation.

Flexible Stock Selection, Agile Operations

Sector allocation maintains flexibility in response to market dynamics while utilizing leverage operations agilely. Investments are distributed across large, mid, and small-cap stocks to uncover unique opportunities in internet, consumer, and retail sectors.

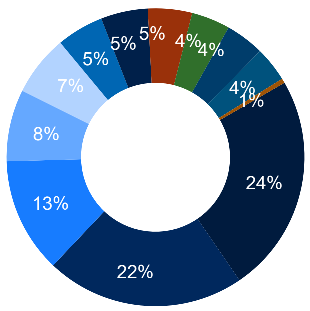
Professional Team, Rich Experience

The current principal fund managers possess over 20 years of investment experience in the Japanese market. Their prudent investment style and rigorous focus on detail serve as the cornerstone of this fund's long-term performance.

Inception	1969/8/6	**AUM**	USD 496 mn
Morningstar Category	Japan Equities	**Fund Type**	Equities
Morningstar Rating	★★★	**3Y SD (Ann.)**	16.18%

Source: Morningstar

Sectors



Top-5 Holdings (%)

Mitsubishi UFJ Financial Group	8.6
Mitsubishi Electric	5.8
Asics	5.0
Sumitomo Electric Inds	4.9
Fast Retailing	4.9

Asset

As of 7 August 2026	1M	3M	YTD	1Y	2Y	3Y
Cumulative Return(%)	-0.74	5.19	14.90	28.72	79.10	87.08
Ranking	3	4	4	3	1	1

Mutual Funds/ ETFs

Economic Resilience Beats Expectations, Banks and Trading Companies in Focus

► NEXT FUNDS TOPIX-17 Banks ETF (1631 JP)

- Tracks the TOPIX-17 Banks Index, one of 17 reclassified industries derived from Japan's traditional 33 sectors.
- The ETF uses a floating market-cap weighting methodology, with the top three holdings accounting for ~68% as of July 31, 2026.

► NEXT FUNDS Japan Business & Wholesale Trade ETF (1629 JP)

- Designed to replicate the TOPIX-17 Commercial & Wholesale Trade Index, aiming for investment results consistent with the benchmark.
- Concentrates on the retail and wholesale trade industry classification within the Tokyo Stock Exchange's 17 sectors, reflecting overall performance in Japan's retail, wholesale, and e-commerce distribution industries.
- Primarily invests in Japan's five major trading companies, including Mitsubishi Corp. and Mitsui & Co., with the top five holdings representing ~76% of the portfolio.

Product	NEXT FUNDS TOPIX-17 BANKS ETF (1631.JP)	NEXT FUNDS Japan Business & Wholesale Trade ETF (1629 JP)
Features	■ Focusing on Japanese banks, highlights industry stock shifts. ■ Rate-shift themes from monetary policy draw capital inflows.	■ Japan's five major trading companies make up over 70% of the index. ■ Align with Berkshire's long-term strategy.
AUM	JPY 27.3 billion	JPY 50.5 billion
Tracking Index	TOPIX-17 BANKS Index	TOPIX-17 COMMERCIAL & WHOLESALE TRADE
Exchange	Tokyo Stock Exchange	Tokyo Stock Exchange
Currency	JPY	JPY
Holdings	71	127
Expense Ratio	0.39%	0.39%
3M/YTD Reutrn	22.82% / 44.01%	-6.45% / 14.70%
Sectors (%)	Banking 97 Others 3	Wholesale trade 100
Holdings (%)	Mitsubishi Corp 24.36 Mitsui & Co 20.09 Itochu Corp 16.36 Marubeni Corp 9.76 Sumitomo Corp 8.08	Mitsubishi Corp 24.36 Mitsui & Co 20.09 Itochu Corp 16.36 Marubeni Corp 9.76 Sumitomo Corp 8.08

Source: Bloomberg

NEXT FUNDS TOPIX-17 Banks ETF (1631.JP)

Profile

Tracks the TOPIX-17 BANKS Index, aiming to replicate the performance of its constituent stocks.

Sector Concentration
Focused on Japan's banking industry, mainly large-cap stocks such as Mitsubishi UFJ, Sumitomo Mitsui, and Mizuho; top three holdings ~68%.

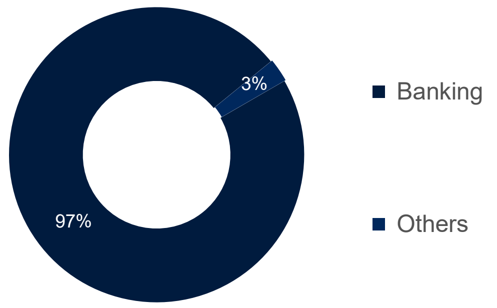
International Businesses
Japanese banks operate extensive international businesses, creating broader market opportunities.

Policy Normalization Benefit
As monetary policy normalizes, net interest margins (NIM) are expected to expand, improving profitability; banking ETFs stand to benefit.

Inception	2008/03/25	**AUM**	JPY 27.3 billion
ETF Category	Equities	**Holdings**	71
Expense Ratio	0.39%	**3Y SD (Ann.)**	21.70%

Source: Bloomberg

Sectors

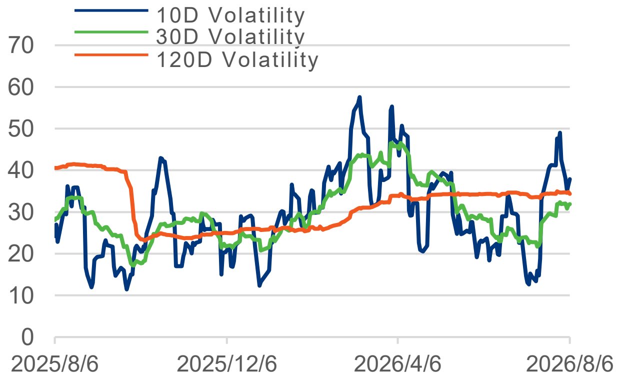


Top-5 Holdings (%)

Mitsubishi UFJ Financial Group Inc	30.81
Sumitomo Mitsui Financial Group Inc	20.20
Mizuho Financial Group Inc	16.15
Japan Post Bank Co Ltd	4.79
Resona Holdings Inc	3.92

Price Trend (Past 1 Year)

Volatility (Past 1 Year)



As of 5 August 2026	1M	3M	YTD	1Y	3Y	5Y
Cumulative Return(%)	3.47	22.82	44.01	84.18	49.51	43.83

NEXT FUNDS TOPIX-17 COMMERCIAL & WHOLESALE TRADE ETF (1629.JP)

Profile

Tracks the TOPIX-17 Commercial & Wholesale Trade Index, seeking to replicate the performance of its constituent stocks.

■ Exposure to Japan's Major Trading Companies

The ETF focuses on Japan's five major trading companies, including Mitsubishi Corporation, Mitsui & Co., and Itochu. The top five holdings account for about 78% of the portfolio.

■ Unique Business Model

Japan's trading companies are not traditional trading firms but industrial orchestrators spanning resources, energy, infrastructure, and consumer sectors. Their diversified model makes them a unique investment proxy for Japan's broader economy.

■ Improving Economic Fundamentals

Japan's macro fundamentals are strengthening, with upgrades in private consumption, corporate investment, and government spending. Solid domestic demand continues to support the economic recovery.

Inception	2008/3/21	**AUM**	JPY 50.5 billion
ETF Category	Equities	**Holdings**	127
Expense Ratio	0.39%	**3Y SD (Ann.)**	19.39%

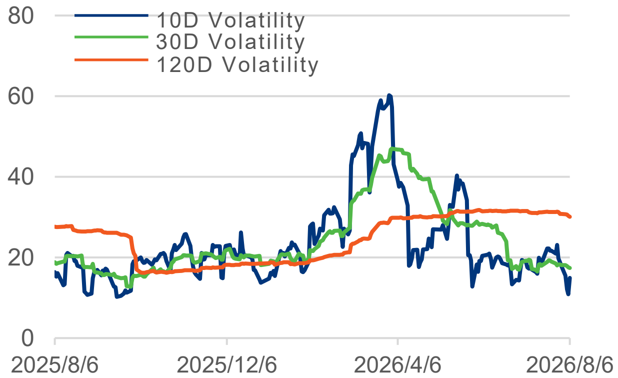
Sectors

Top-5 Holdings (%)

Mitsubishi Corp	22.03
ITOCHU Corp	17.29
Mitsui & Co Ltd	17.08
Sumitomo Corp	10.46
Marubeni Corp	9.51

Price Trend (Past 1 Year)

Volatility (Past 1 Year)



As of 8 August 2026	1M	3M	YTD	1Y	3Y	5Y
Cumulative Return(%)	4.43	-6.45	14.70	48.55	24.86	29.24

Source: Bloomberg

Bonds One of Japan's Five Major Trading Companies – Diversified Operations with Strong Credit Support

► **MITCO 4.625 06/23/2031 (Mitsubishi Corporation) (USD)**

- Mitsubishi Corporation is a major Japanese general trading and investment company, and one of Japan's "five major trading companies," with total assets exceeding JPY 20 trillion. The company's businesses cover eight principal groups, including energy, metals, machinery, chemicals, automobiles, food and consumer industries, power solutions, and urban development and infrastructure. Through subsidiaries and affiliates, it has significant participation in the retail sector, particularly holding a 50% stake in Lawson, one of Japan's largest convenience store chains (jointly with KDDI).
- The company's assets and revenue sources are highly diversified geographically, extending beyond Japan to Australia, Asia, Europe, North America, and South America.
- Mitsubishi Corporation's highly diversified and stable business portfolio helps provide a solid earnings base and mitigates, to some extent, the impact of U.S. tariffs, global economic recession, and geopolitical risks. Its broad business coverage also supports relatively stable profits, particularly from retail (including convenience stores), food (such as salmon and trout farming), and industrial infrastructure. The company maintains strong long-term customer relationships and a complete value chain from upstream to downstream. Profit protection is further enhanced by the completion and production start of LNG projects, sustained high copper prices, and the integration of U.S. shale gas operations.
- The company has strong liquidity. S&P expects annual liquidity sources over the next 12 months to be at least 1.0–1.1 times its uses. This assessment is based on Mitsubishi Corporation being a core company of the Mitsubishi Group and maintaining long-term stable relationships with major lending institutions, including Japan's three megabanks.
- Since 2016, the company has been assigned high credit ratings of A2 by Moody's and A by S&P, both with stable outlooks.

Bond	MITCO 4.625 06/23/2031 (Mitsubishi Corporation) (USD)
ISIN	USJ43830FW33
Features	Engaging in highly diversified businesses across a wide range of fields helps achieve relatively stable profits. Since 2016, the company has been assigned high credit ratings of A2 by Moody's and A by S&P, both with stable outlooks.
Maturity	2031/6/23
Next Call Date	2031/5/23
Coupon(%)	Fixed/4.625/Semi-Annual
Currency	USD
Years to Maturity	4.88
Credit Rating (Moody's/Fitch/S&P)	A2/-/A
Seniority	Senior Unsecured
YTM/YTC (%)	4.65/4.65

Source: Bloomberg

MITCO 4.625 06/23/2031 (Mitsubishi Corporation) (USD)

Mitsubishi Corporation is a major Japanese general trading and investment company, and one of Japan's "five major trading companies," with total assets exceeding JPY 20 trillion. The company's businesses cover eight principal groups, including energy, metals, machinery, chemicals, automobiles, food and consumer industries, power solutions, and urban development and infrastructure.

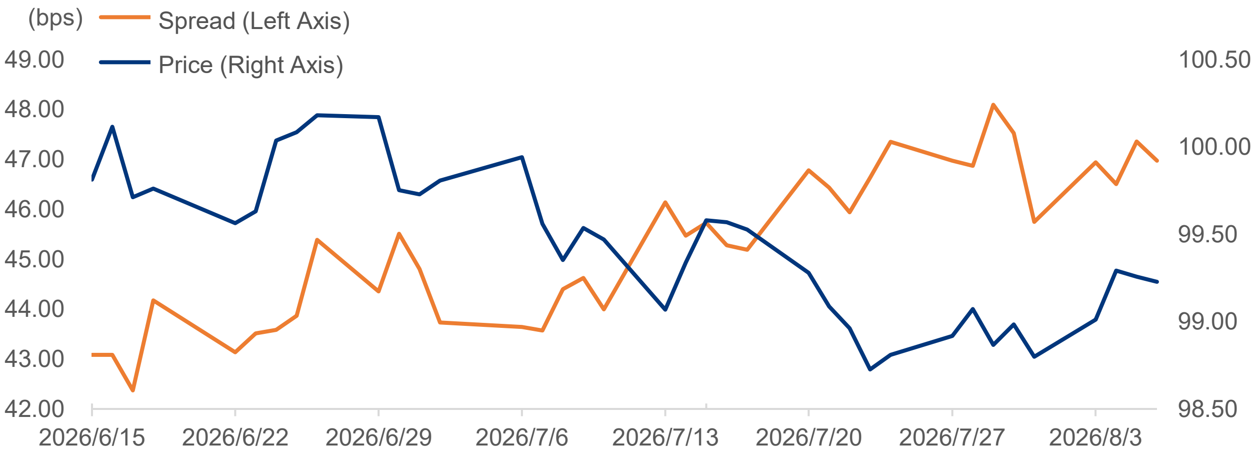
- Mitsubishi Corporation engages in highly diversified businesses across a wide range of fields, helping to achieve relatively stable profits, particularly from retail (including convenience stores), food (such as salmon and trout farming), and industrial infrastructure. At the same time, the company maintains solid long-term customer relationships and a complete value chain from upstream to downstream. Profit protection is further supported by the completion and production start of LNG projects, sustained high copper prices, and the integration of U.S. shale gas operations.
- The company has strong liquidity. S&P expects annual liquidity sources over the next 12 months to be at least 1.0–1.1 times its uses. This assessment is based on Mitsubishi Corporation being a core company of the Mitsubishi Group and maintaining long-term stable relationships with major lending institutions, including Japan's three megabanks.
- The company's assets and revenue sources are geographically highly diversified, covering not only Japan but also Australia, Asia, Europe, North America, and South America. Since 2016, it has been assigned high credit ratings of A2 by Moody's and A by S&P, both with stable outlooks.

Financials	2023	2024	2025
Free Cash Flow (100mn)	109.11	57.27	83.64
Return on Assets (%)	6.97	5.84	5.67
Interest Coverage Ratio (%)	11.05	5.30	6.19

Overview

Name	MITCO 4.625 6/23/31	ISIN	USJ43830FW33
Maturity Date	2031/6/23	Remaining Maturity	4.88
Coupon(%)	Fixed/4.625/Semi-Annual	YTM/YTC(%)	4.65/4.65
Currency	USD	Min. Subscription /Increment	200,000/1,000
Ratings (Moody's/Fitch/S&P)	A2/-/A	Seniority	Senior Unsecured

Price



Source: Bloomberg

Appendix Key Economic Data / Events

▶ AUG 2026

3 Monday	4 Tuesday	5 Wednesday	6 Thursday	7 Friday
• U.S. July S&P Global Manufacturing PMI Final (Act:53.9 Est:53.8 Prev:53.9) • U.S. Jul ISM Manufacturing PMI (Act:55.6 Est:53.9 Prev:53.3) • Japan Jul S&P Global Manufacturing PMI (Final) (Act:54.5 Prev:54.8) • Eurozone Jul S&P Global Manufacturing PMI (Final) (Act:51.9 Est:52.0 Prev:51.4)	• U.S. Jun JOLTS Job Openings (Act:7,359k Est:7,454k Prev:7,537k) • U.S. Jun Durable Goods Orders MoM (Final) (Act:0.5% Est:0.3% Prev:-4.0%)	• U.S. Jul ADP Employment Change (Act:44k Est:65k Prev:95k) • U.S. Jul S&P Global Services PMI (Final) (Act:54.6 Est:53.6 Prev:51.2) • U.S. Jul ISM Services PMI (Act:54.1 Est:54.5 Prev:54.0)	• U.S. Weekly Initial Jobless Claims (Act:199k Est:205k Prev:198k) • Eurozone Jun Retail Sales MoM (Act:-0.3% Est:0.1% Prev:0.4%)	• U.S. Jul Nonfarm Payrolls Change (Est:80k Prev:57k) • U.S. Jul Unemployment Rate (Est:4.2% Prev:4.2%) • China Jul Export YoY (Act:23.9% Est:23.0% Prev:27.0%)

10 Monday	11 Tuesday	12 Wednesday	13 Thursday	14 Friday
• Eurozone Aug Sentix Investor Confidence (Est:-2.9 Prev:3.1)	• U.S. Jul Existing Home Sales (Est:4.05m Prev:4.09m)	• U.S. Jul CPI YoY (Est:3.4% Prev:3.5%) • U.S. Jul Core CPI YoY (Est:2.5% Prev:2.6%) • Earnings: LITE US, SMCI US	• U.S. Weekly Initial Jobless Claims (Est:203k Prev:199k) • U.S. Jul PPI YoY (Est:4.8% Prev:5.5%) • Japan Jul PPI YoY (Est:7.5% Prev:7.1%) • Earnings: CSCO US, COHR US	• U.S. Jul Retail Sales MoM (Est:0.2% Prev:0.2%) • U.S. Aug Univ. of Michigan Consumer Sentiment (Prelim.) (Est:54.1 Prev:55.2) • Eurozone Q2 GDP YoY (Revised) (Est1.0% Prev:0.5%) • Earnings: AMAT US

Source: Bloomberg

Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2026/8/4	Palantir Technologies (PLTR US)	1.81B	1.94B	0.35	0.41	V	V
2026/8/4	Merck (MRK US)	16.35B	16.61B	-0.23	-0.13	V	V
2026/8/4	Caterpillar (CAT US)	18.13B	19.58B	6.17	8.17	V	V
2026/8/4	Pfizer (PFE US)	14.41B	15.03B	0.68	0.77	V	V
2026/8/4	McDonald’s (MCD US)	7.12B	7.1B	3.33	3.38		V
2026/8/5	Booking Holdings (BKNG US)	7.18B	7.35B	2.43	2.54	V	V
2026/8/5	Amgen (AMGN US)	9.44B	10.05B	5.62	6.29	V	V
2026/8/5	Gilead Sciences (GILD US)	7.4B	7.8B	-7.15	-6.75	V	V
2026/8/5	Arista Networks (ANET US)	2.83B	3.04B	0.89	1.02	V	V
2026/8/5	Advanced Micro Devices (AMD US)	11.31B	11.54B	1.62	1.66	V	V
2026/8/5	Walt Disney (DIS US)	25.39B	25.25B	1.86	2.06		V
2026/8/5	Eli Lilly (LLY US)	20.59B	22.97B	6.01	8.38	V	V
2026/8/5	Uber Technologies (UBER US)	14.24B	14.19B	0.84	1.17		V
2026/8/6	Western Digital (WDC US)	3.68B	3.75B	3.31	3.56	V	V
2026/8/6	AppLovin (APP US)	1.94B	1.92B	3.75	3.76		V

Source: Investing.com

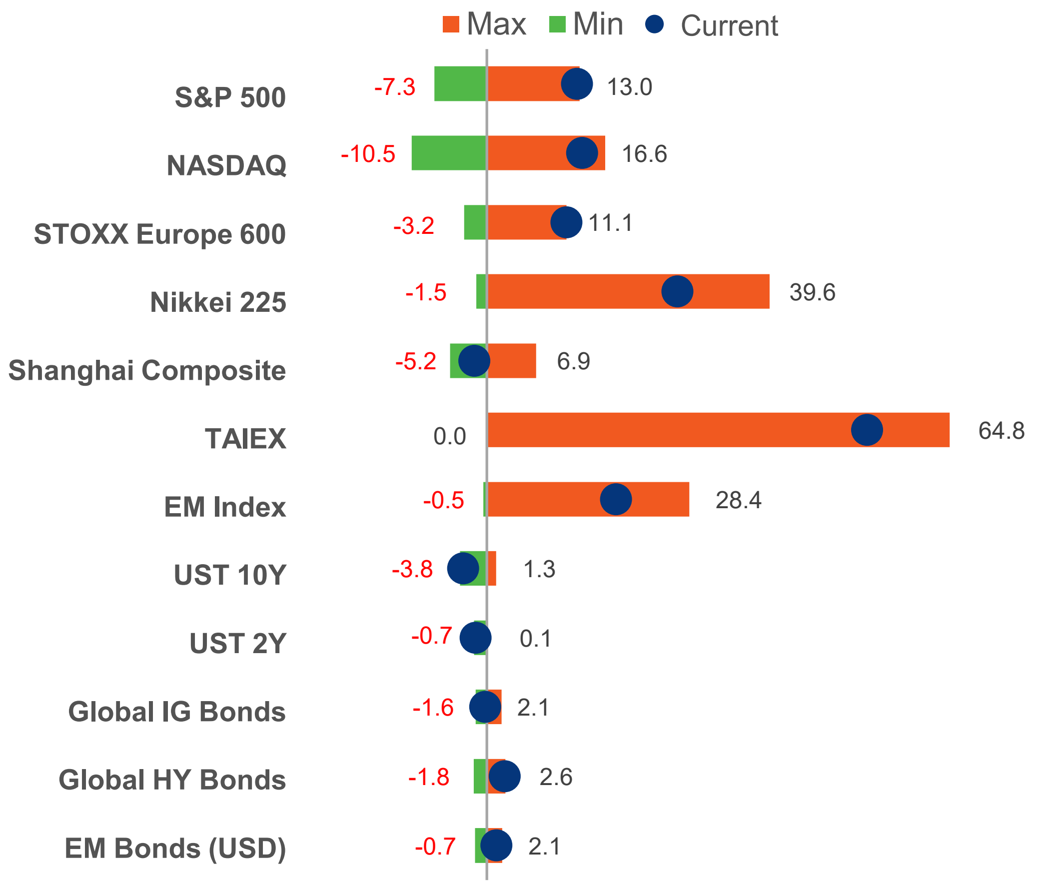
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation	
						Revenue	EPS
2026/8/6	SanDisk Corporation (Delaware) (SNDK US)	20.07B	20.25B	67.06	70.88	V	V
2026/8/6	ConocoPhillips (COP US)	18.3B	19.52B	2.90	3.24	V	V
2026/8/6	Parker-Hannifin Corporation (PH US)	5.58B	5.76B	8.21	9.27	V	V

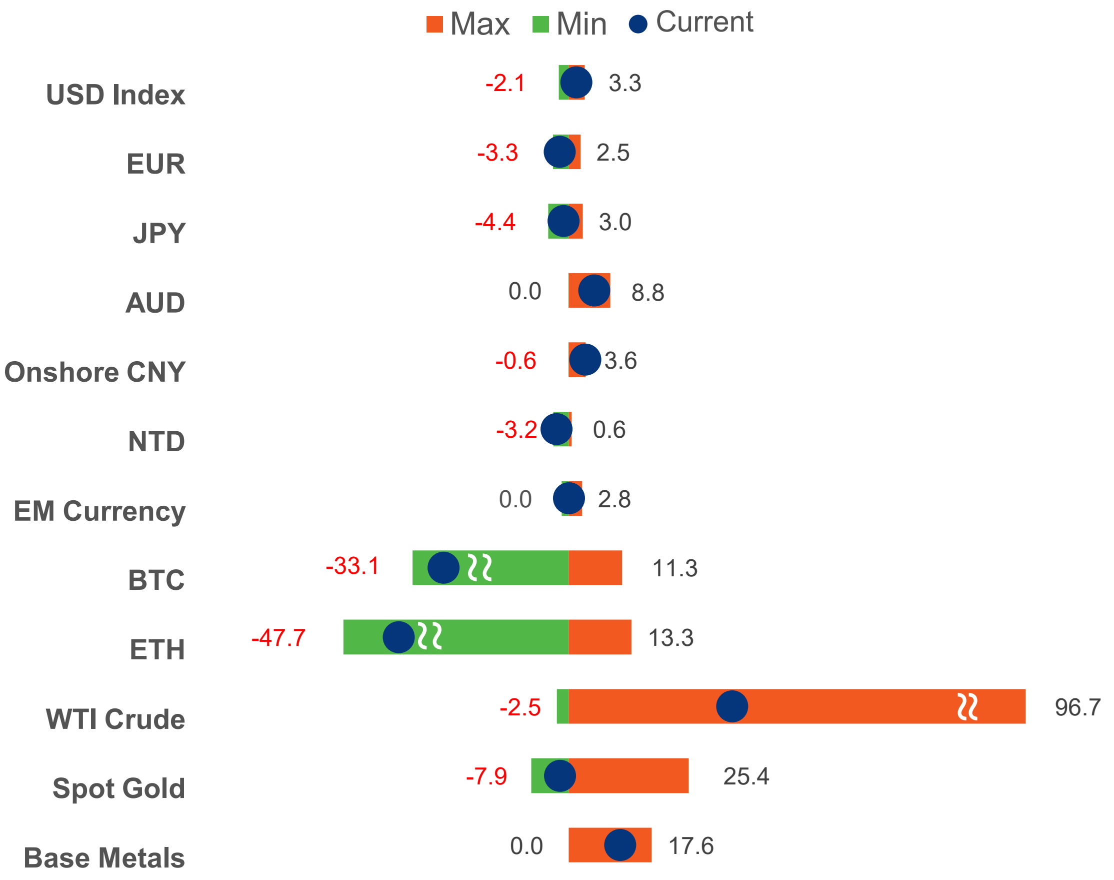
Source: Investing.com

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

- Current: 7,709
- 60D MA: 7,480

NASDAQ Index

- Current: 26,348
- 60D MA: 25,999

STOXX Europe 600 Index

- Current: 658
- 60D MA: 635

Nikkei 225 Index

- Current: 64,740
- 60D MA: 66,413

Shanghai Composite Index

- Current: 3,899
- 60D MA: 4,001

MSCI Emerging Markets Index

- Current: 1,658
- 60D MA: 1,694

Gold

- Current: 4,256
- 60D MA: 4,213

WTI Crude

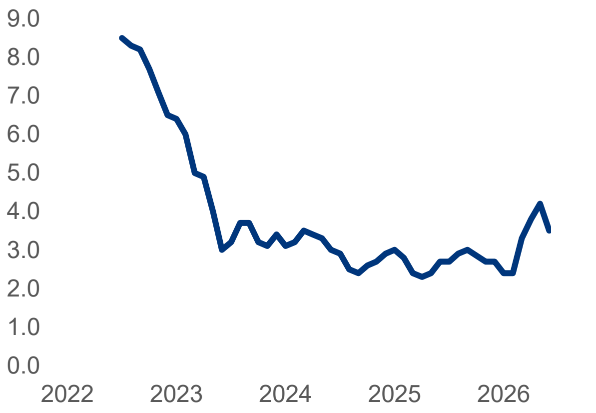
- Current: 77.9
- 60D MA: 83.6

Source: Bloomberg

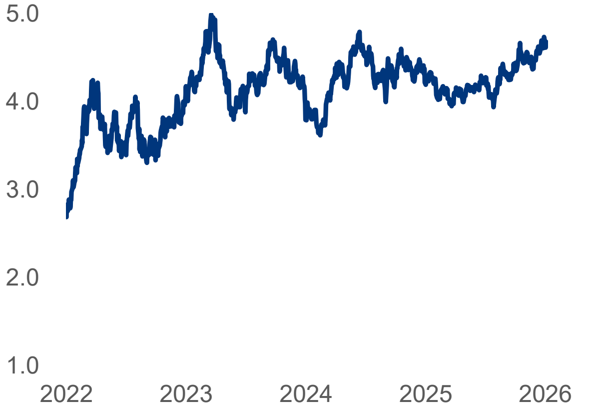
KGI

Market Monitor

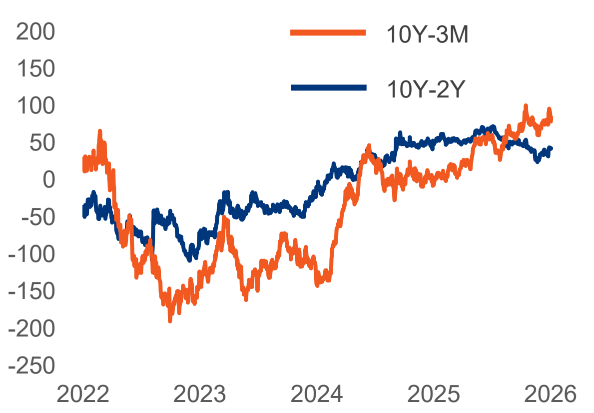
U.S. CPI YoY (%)



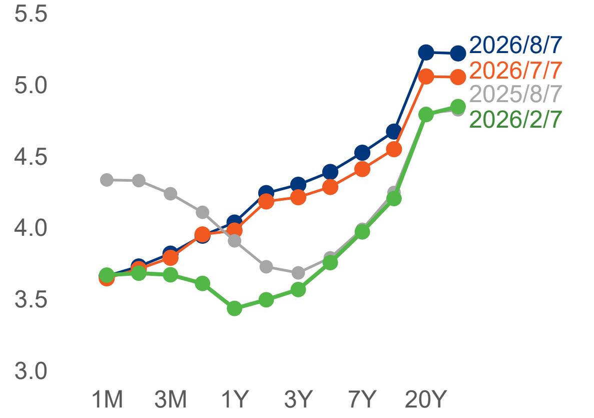
U.S. 10-Year Treasury Yield (%)



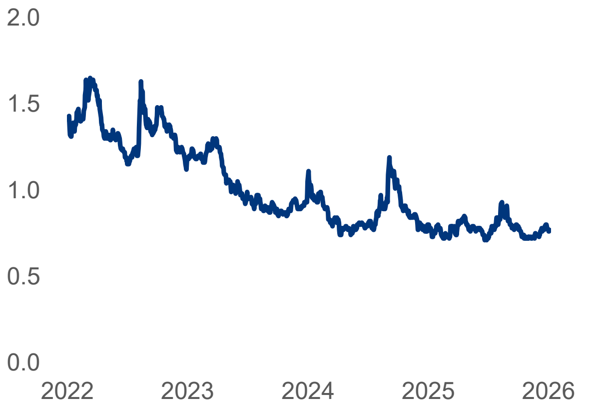
U.S. Treasury Yield Spread (bps)



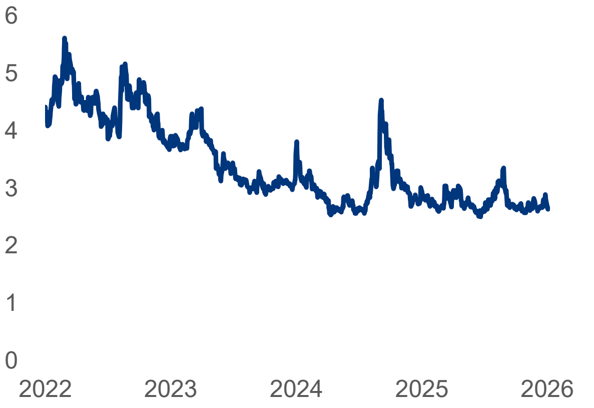
U.S. Treasury Yield Curve (%)



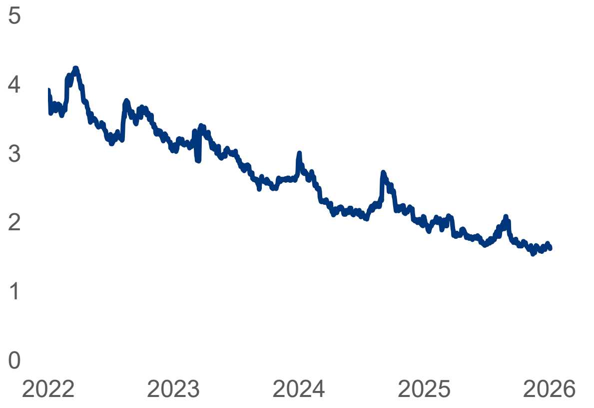
USD IG Credit Spread (%)



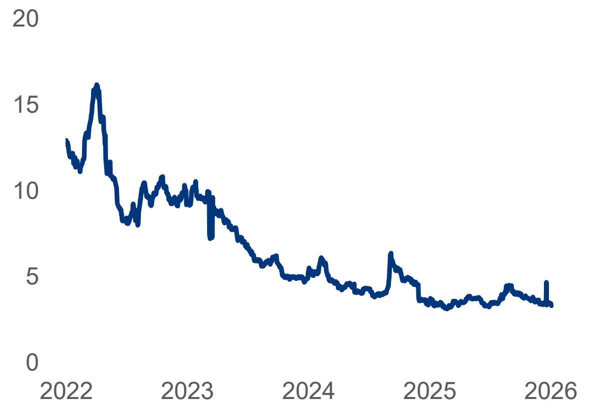
USD HY Credit Spread (%)



USD EM Credit Spread (%)



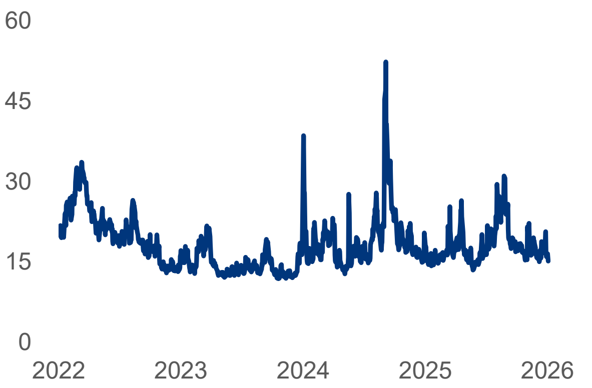
USD Asia Credit Spread (%)



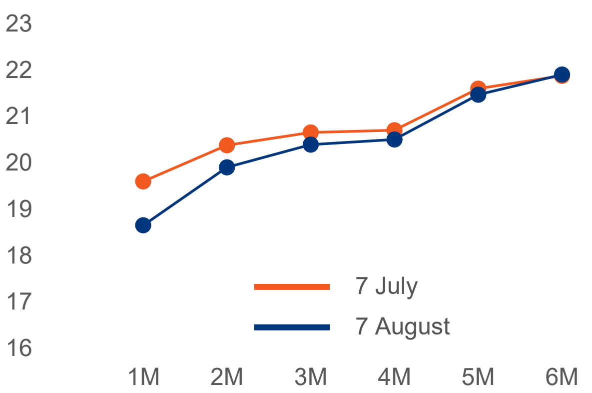
Source: Bloomberg

Market Monitor

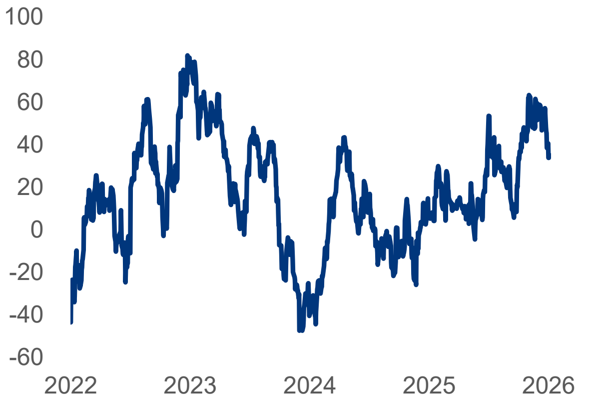
VIX Index



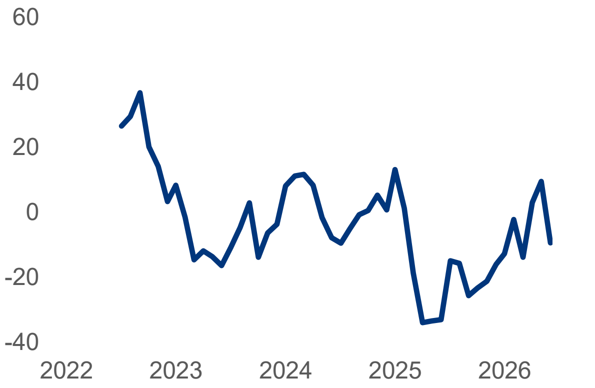
VIX Term Structure



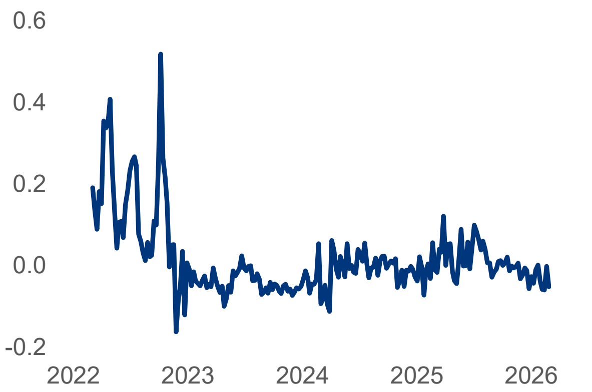
U.S. Citi Economic Surprise Index*



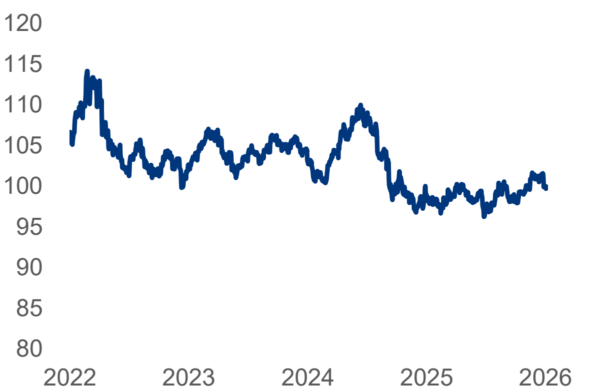
U.S. Citi Inflation Surprise Index*



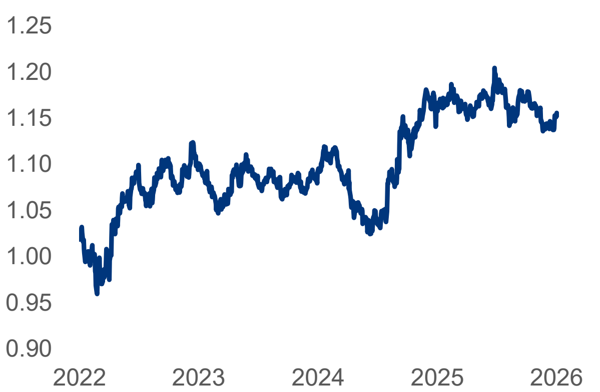
TED Spread (bps)



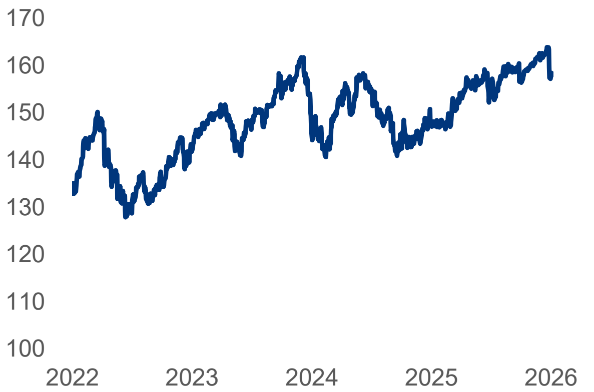
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg

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