



Trump Empowers the Defense Industry

Global Markets Weekly Kickstart

17 February 2025

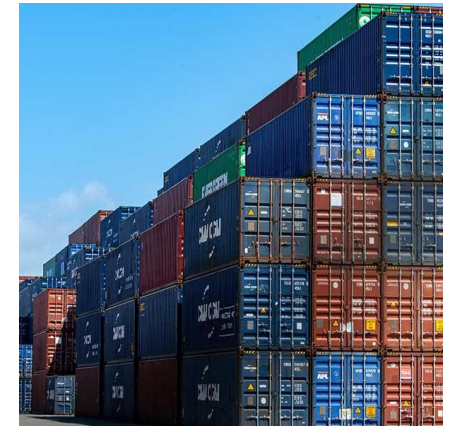
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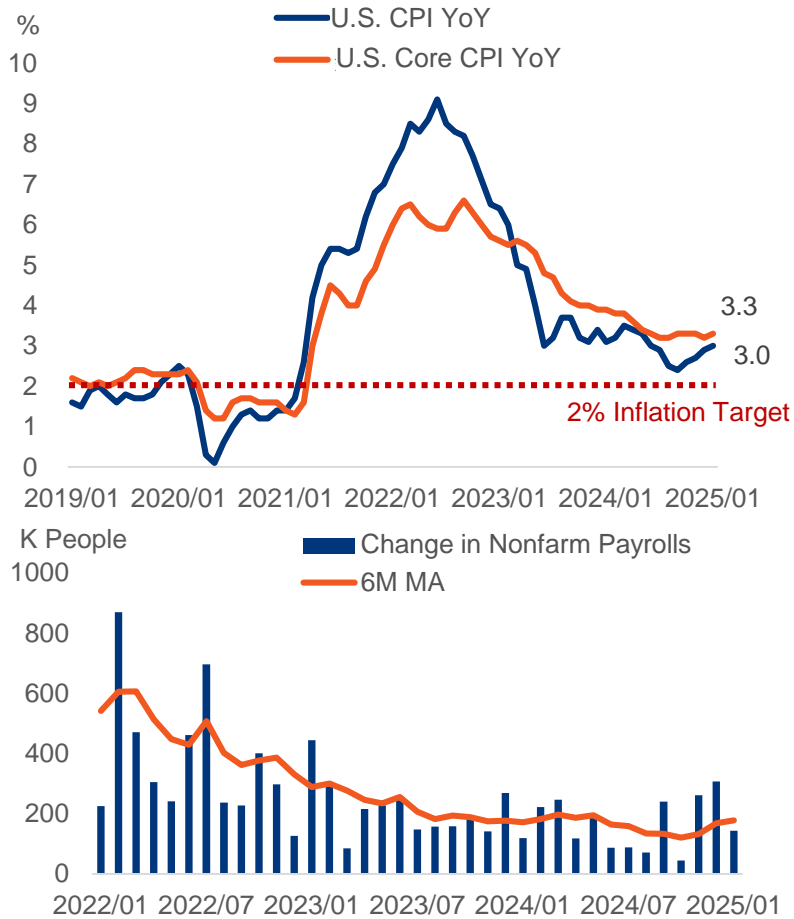
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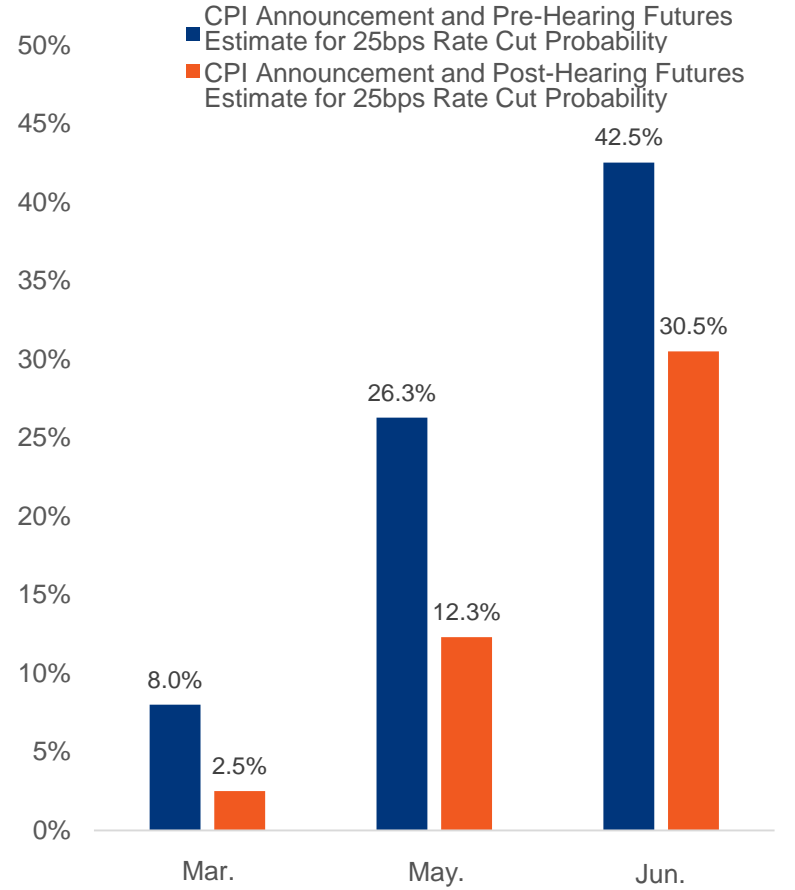
Inflation Remains Above Target, Powell Reiterates No Rush to Cut Rates

- ▶ Fed Chair Powell stated in congressional testimony that the U.S. economy remains strong with a balanced labor market, while inflation is still above the Fed's 2% target. If growth persists but inflation remains elevated, restrictive policy will stay in place longer. However, if the labor market weakens or inflation declines faster than expected, easing would be considered.
- ▶ January CPI rose to 3.0% YoY, while core CPI hit 3.3%, both above expectations. Nonfarm payrolls increased by 143,000, slightly lower than the prior month, but the six-month average ticked up, signaling labor market resilience. Powell reaffirmed that the economy is strong and stressed the need for more progress on inflation. He sees no urgency to cut rates. Post-CPI and testimony, market odds of a 25 bps cut in 1H dropped, with a second cut likely postponed to 2H. Expected total cuts for 2025 fell from 50 bps to 25 bps.

Inflation Rebounds While Labor Market Remains Resilient



Rate Cut Expectations for 1H Weaken Post-CPI and Testimony



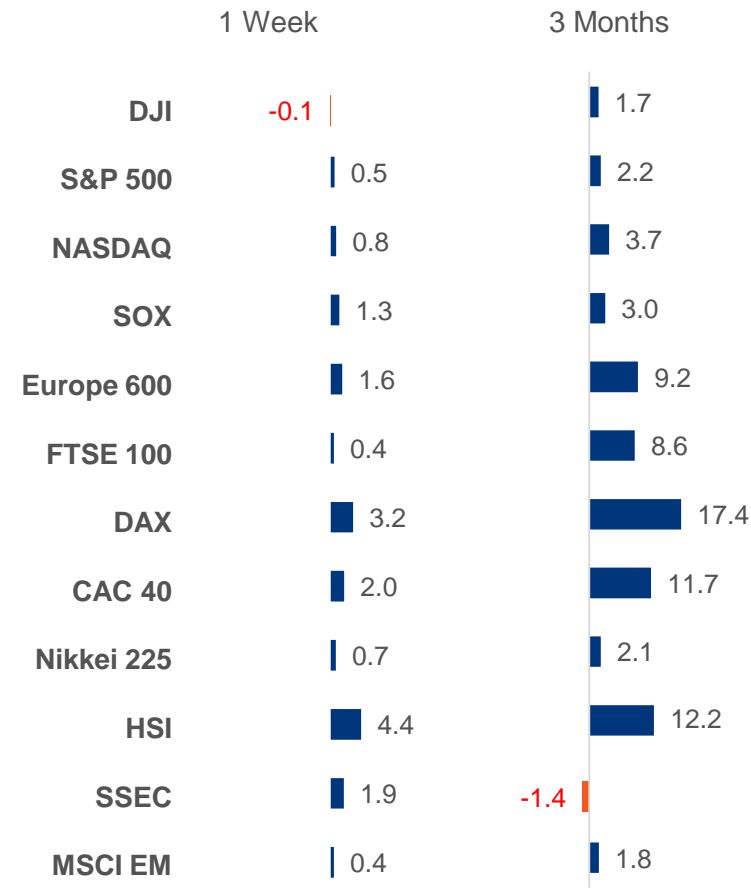
Source: Bloomberg

Market Recap

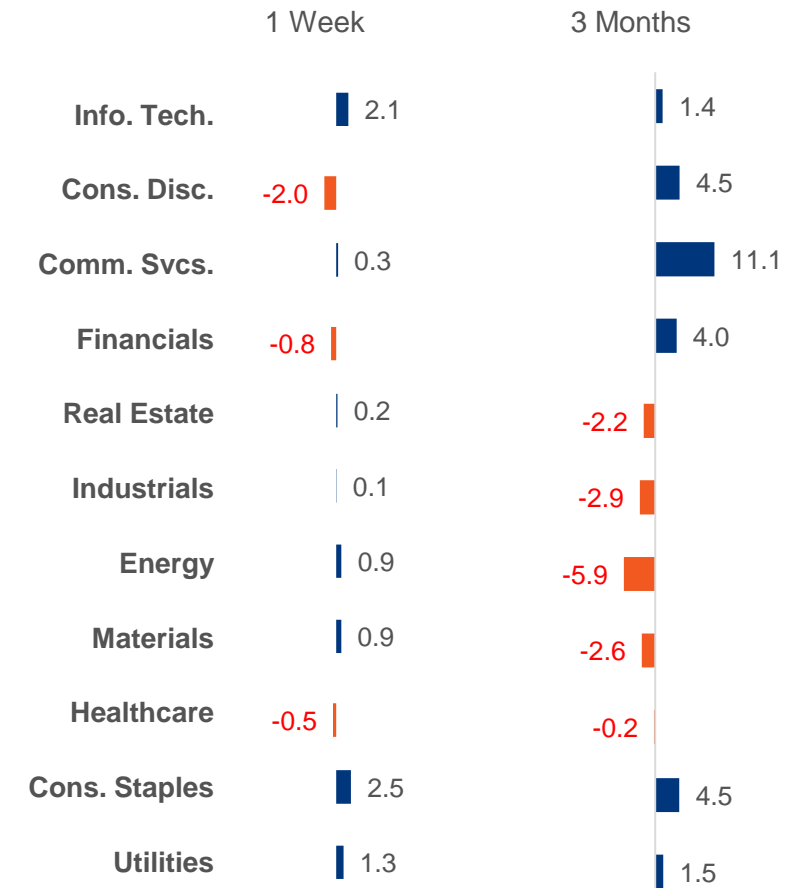
Mild Volatility As Inflation Data and Tariff Concerns Weigh on Markets

- ▶ Powell's testimony delayed rate cut expectations, with CPI and PPI data surpassing forecasts. Investor concerns eased as tariff measures were delayed and talks began. European stocks stayed strong, bolstered by solid Q4 earnings despite Trump's tariffs. Mainland China and Hong Kong stocks rose, driven by the DeepSeek trend. Japanese stocks recovered after Shigeru Ishiba met Trump, with strong earnings and a weaker yen lifting the Nikkei.
- ▶ Tech stocks rose on news of Apple's AI partnership with Alibaba and OpenAI's development of its first AI chip. Coca-Cola's strong earnings boosted the consumer staples sector. Other sectors saw mixed performance due to a lack of major positive news.

Major Stock Indices Performance by Region (%)



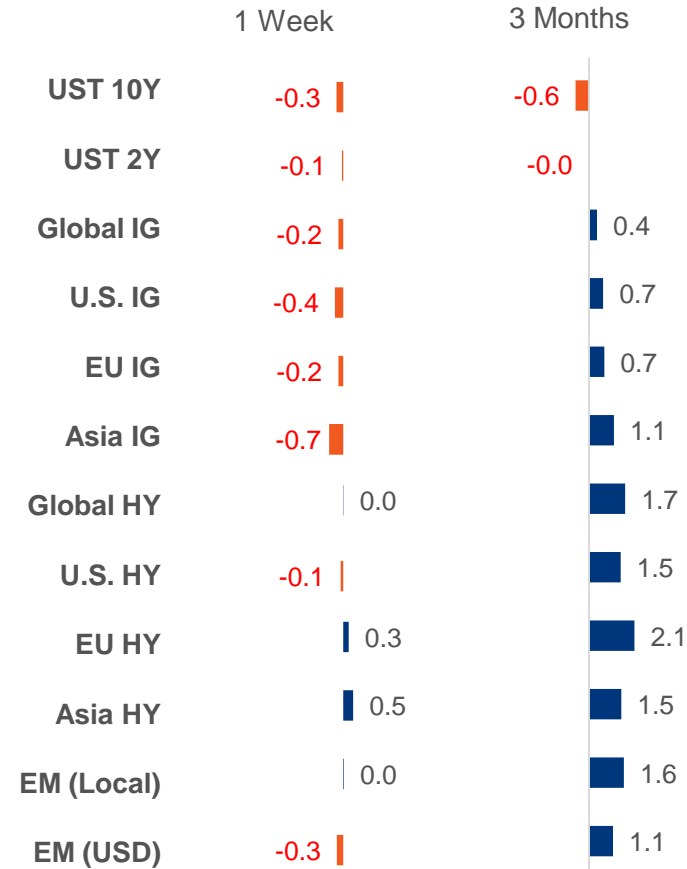
US Stock Performance by Sector (%)



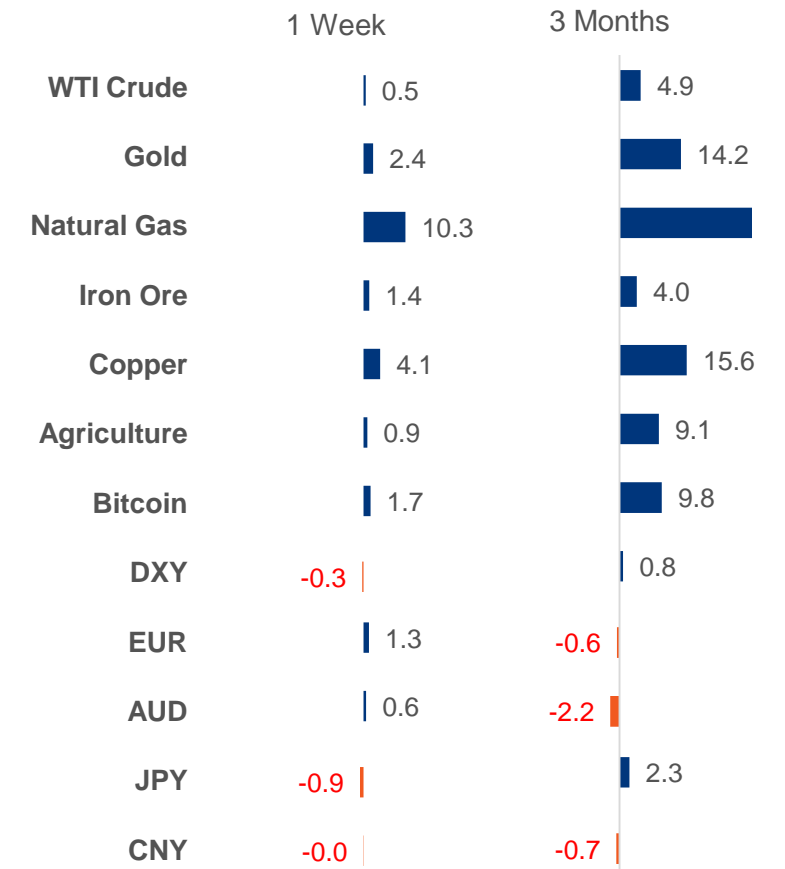
Inflation Drives Long-Term Yields Up, Dollar Oscillates, Gold Continues to Strengthen

- ▶ U.S. January inflation data exceeded expectations, lifting 10-year Treasury yields. Short- to long-term yields rebounded, but the rise didn't offset previous declines, as the delay in retaliatory tariffs lacked sufficient market impact. With ongoing trade tensions, inflation expectations may keep yields high, leading to continued bond market volatility.
- ▶ Trump's 25% tariff on steel and aluminum boosted industrial metal prices. Tariff uncertainty also drove demand for gold, pushing prices to new highs. Cold weather accelerated Europe's natural gas depletion, driving prices higher. Trade war concerns and a drop in Fed rate cut expectations supported a strong U.S. dollar, while the Japanese yen weakened, as markets expect the Bank of Japan to maintain a cautious rate hike pace amid external uncertainties.

Performance of Bonds (%)



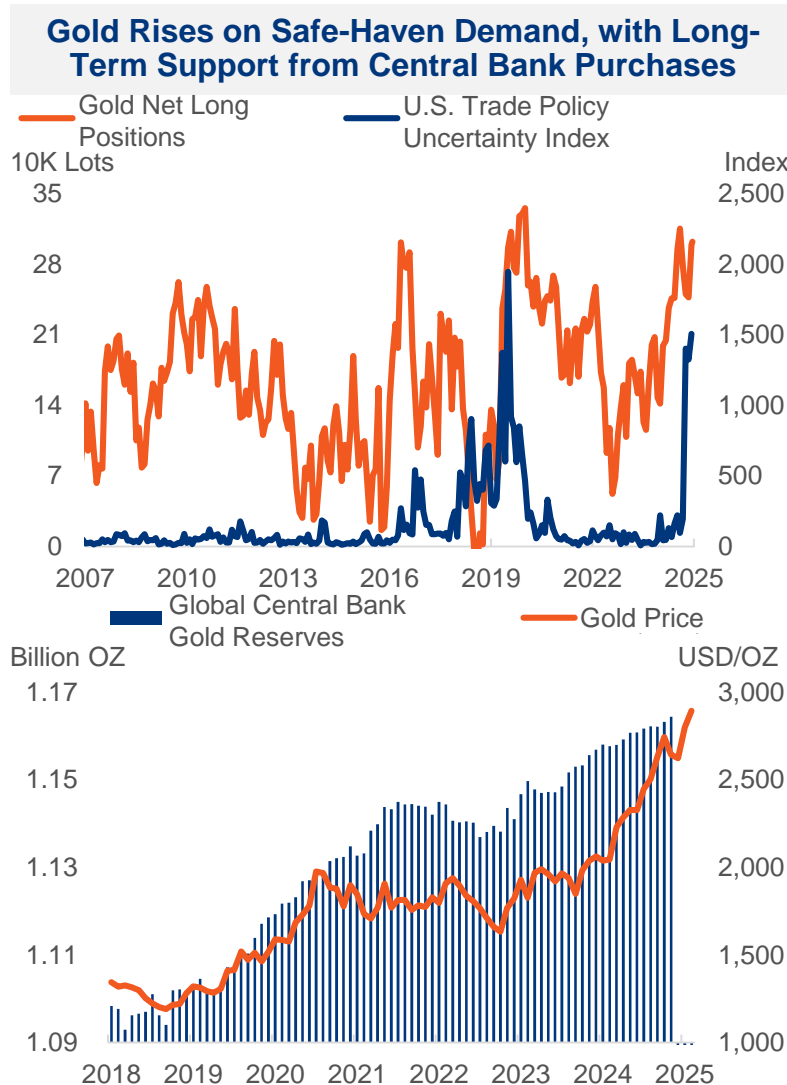
Performance of Commodities and Currencies (%)



Source: Bloomberg, 14 Feb. 2025

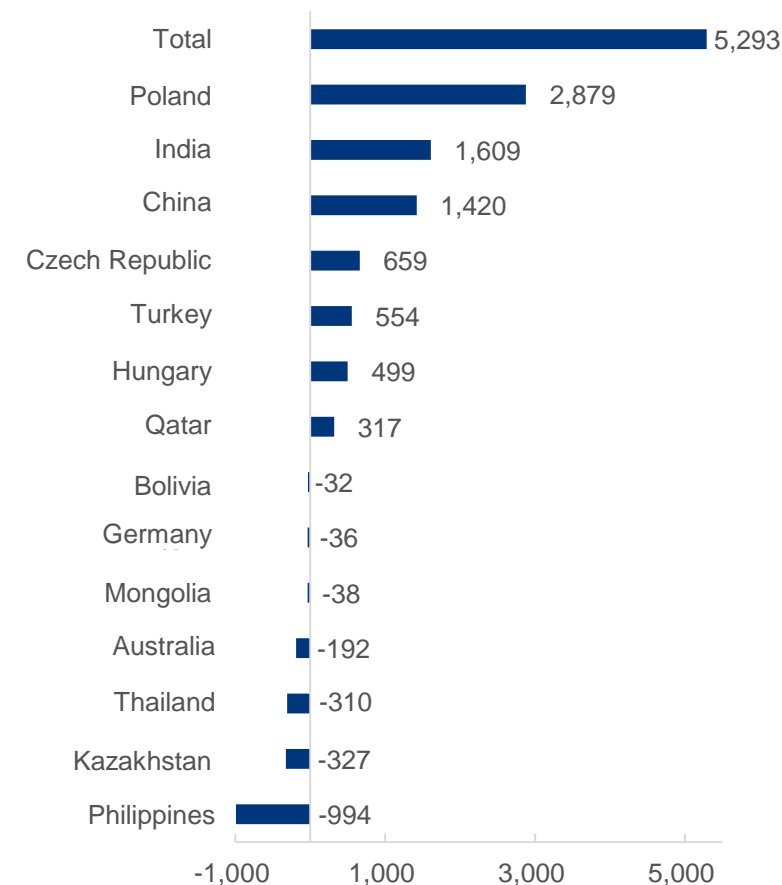
Trade Uncertainty Drives Safe-Haven Demand, Gold Surges to Record High

- ▶ Trump's frequent tariff actions, including tariffs on China, Canada, Mexico, and the EU, have increased global trade uncertainty. This, along with the potential for further tariffs on cars, chips, and pharmaceuticals, has fueled safe-haven demand, pushing gold prices to new highs.
- ▶ Gold demand has increased not only due to trade uncertainty but also because of central banks' growing gold holdings. The 2022 Russia-Ukraine conflict sparked a global de-dollarization trend, with emerging markets, including Poland, India, China, and the Czech Republic, boosting gold reserves. Ongoing tariff policies from Trump and the weakening of the U.S. dollar due to rising debt will likely keep gold demand high.



Poland, India, China Among the Top Gold Buyers in 2024

2024 Net Gold Purchases/Sales by Country (K Ounce)

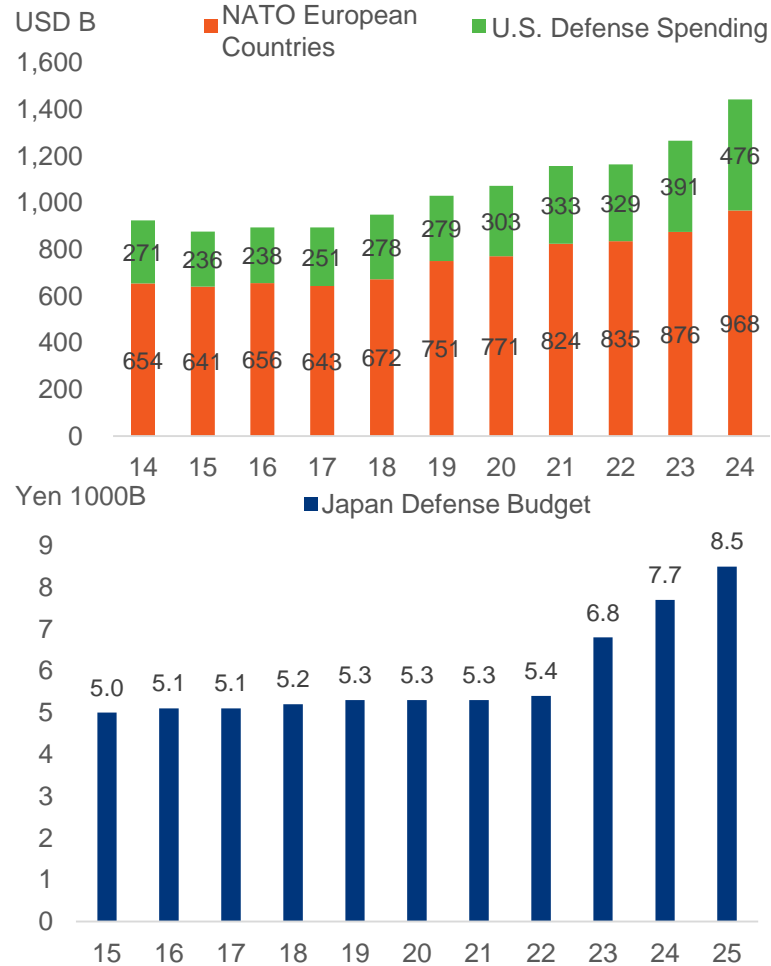


Source: Bloomberg

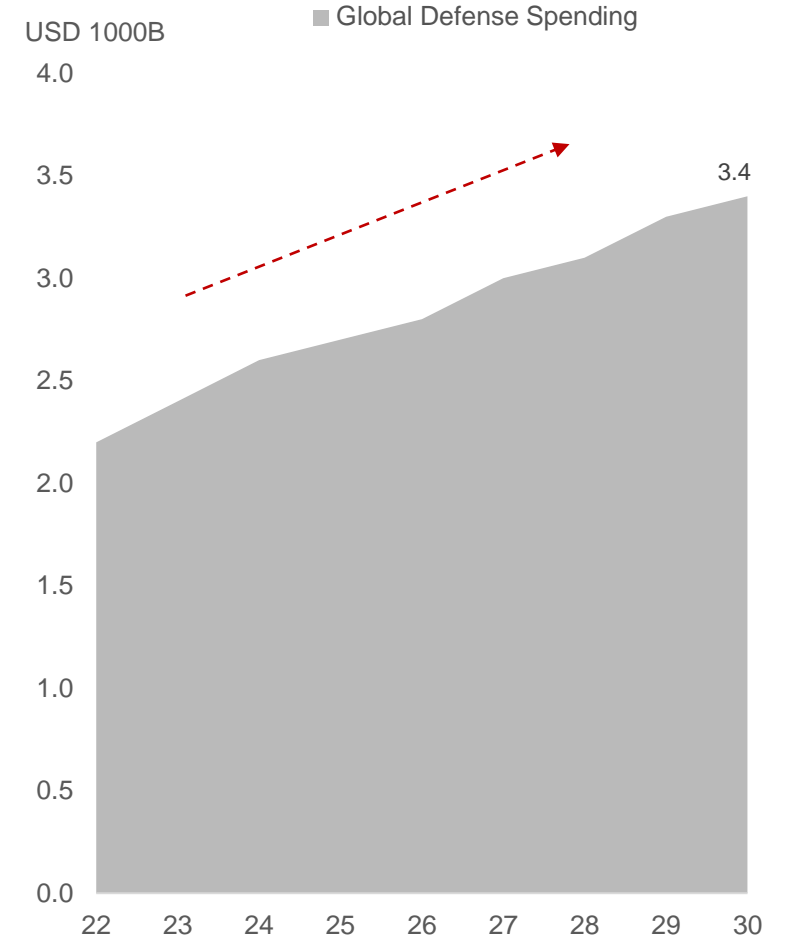
Under Trump's Pressure and Global Shift Toward Multipolarity, Global Defense Spending Likely to Rise

- ▶ During Trump's first term (2016-2020), he expressed dissatisfaction with NATO allies' military spending, particularly European countries. Before 2022, NATO European members had slow defense spending growth, but after the Russia-Ukraine war, spending surged, driven by aid to Ukraine and increased concerns about Russia. Trump, seeing the U.S. as NATO's largest contributor, expected Europe to continue raising defense budgets under his pressure.
- ▶ Since 2023, Japan has notably raised its defense budget, naming China as its primary strategic challenge and aiming for defense spending to reach 2% of GDP, in line with NATO. As global uncertainty increases and powers prioritize their own interests, geopolitical risks are likely to rise. Countries around the world are steadily increasing defense spending, a trend expected to continue in the short term.

Europe and Japan Gradually Increase Defense Spending



Global Landscape Shifts Toward Multipolarity, Making It Hard to Reduce Global Defense Spending

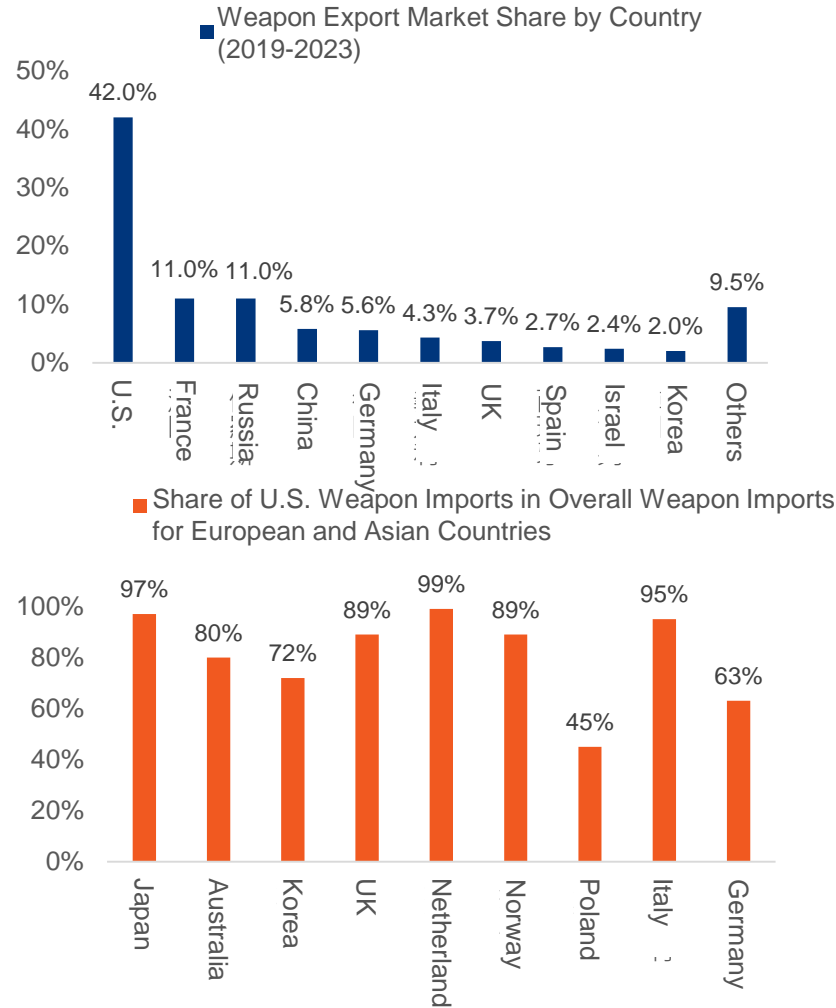


Source: Bloomberg, NATO, Japan Ministry of Defense, SIPRI

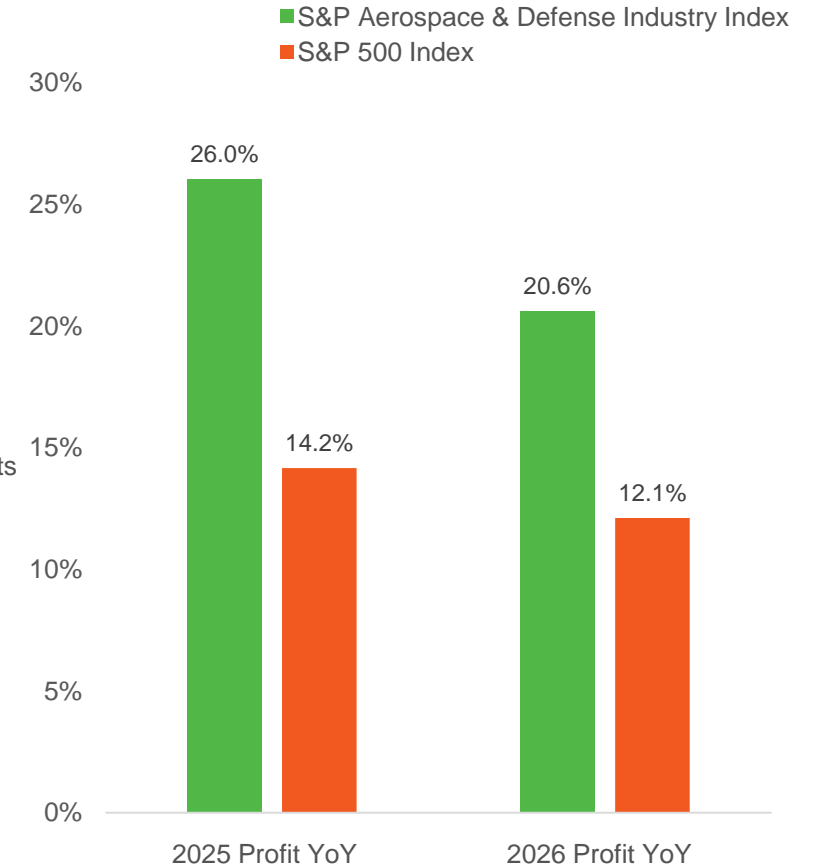
U.S. Defense Leads Market Share, Advanced Tech Create Moats, Profit Growth Outperforms

- ▶ The top five global arms exporters are the U.S., France, Russia, China, and Germany, with the U.S. holding the highest market share at 42%. The U.S. is also the primary weapons supplier for many countries across Europe and Asia, highlighting the substantial demand for the U.S. defense industry.
- ▶ The defense industry benefits from advanced technology, with innovations like drones and GPS first used by the military. High technical barriers lead to strong margins and a competitive edge. Contracts with government defense units create long-term stability, while ongoing maintenance ensures steady revenue. As the U.S. defense sector grows faster than the S&P 500, rising global defense spending points to continued strong performance.

U.S. Military Industry Dominates as Major Weapons Supplier to Europe and Asia



Defense Sector Earnings Growth Outlook Strong, Outpacing Broader U.S. Market



Source: Bloomberg, SIPRI

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ The market is focused on Trump's tariff policies and U.S. corporate results. DeepSeek sees a rotation in U.S. stocks, with finance, industrial, and defense sectors benefiting. AI's long-term outlook remains positive, supporting tech stock growth. ◆ Higher tariffs will hurt Chinese external demand. While ECB easing aids the economy, trade uncertainty keeps European stocks neutral. Japan's market is more positive, driven by rising wages and consumption growth. 	<p>Style: Large-cap stocks, Financial, Industrial, Defense, AI, and Technology stocks</p> <p>Regions: U.S., Japan</p>
Bonds	<ul style="list-style-type: none"> ◆ The U.S. economy and employment remain strong, but persistent inflation has narrowed expectations for future Fed rate cuts. With rising yields, investors should lock in rates through short- and medium-term government and investment-grade bonds. ◆ Long-term bonds are more volatile and carry risks related to fiscal discipline and inflation. Investors should avoid them unless a hard landing occurs. Consider increasing exposure to medium- and long-term bonds only after observing a clear slowdown in employment data. 	<p>Duration: Focus on Short-Medium Term Bonds</p> <p>Types: Invest in government and investment-grade bonds from large corporations, with a focus on financial sector debt that may see positive developments</p>
Forex	<ul style="list-style-type: none"> ◆ The Fed's pace of rate cuts has slowed, with strong US economic performance providing short-term support for the dollar. A robust USD is expected to persist into the first half of 2025. ◆ Japan's economic recovery and the Bank of Japan's anticipated rate hike have driven the yen into an uptrend. However, with the still significant US-Japan interest rate differential, further gains are expected to be limited. 	<p>USD remains supported at current high levels in the near term.</p> <p>The yen is appreciating, but its upside potential remains constrained.</p>

Lunar New Year Drives Inflation Pickup in January

January Inflation Sees Larger Increase Due to Lunar New Year

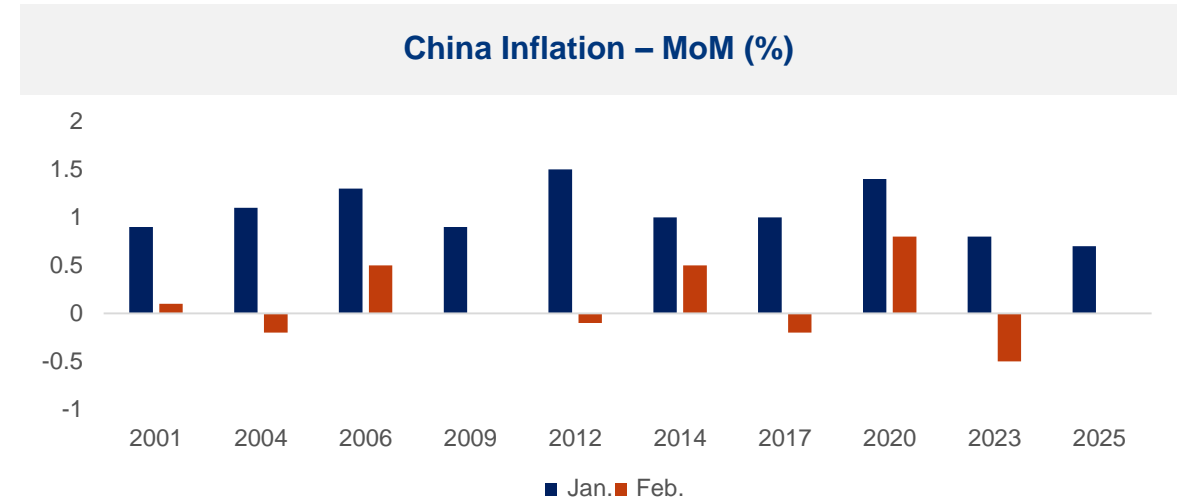
► The National Bureau of Statistics reported a 0.5% YoY increase in January’s Consumer Price Index (CPI), slightly above expectations of 0.4%. On a monthly basis, CPI rose 0.7%, just under the forecasted 0.8%. The improvement from December’s flat 0.0% MoM was partly influenced by the earlier timing of the Lunar New Year in January.

February Inflation Expected to Drop, Reflecting Lunar New Year Distortion in Jan-Feb Data

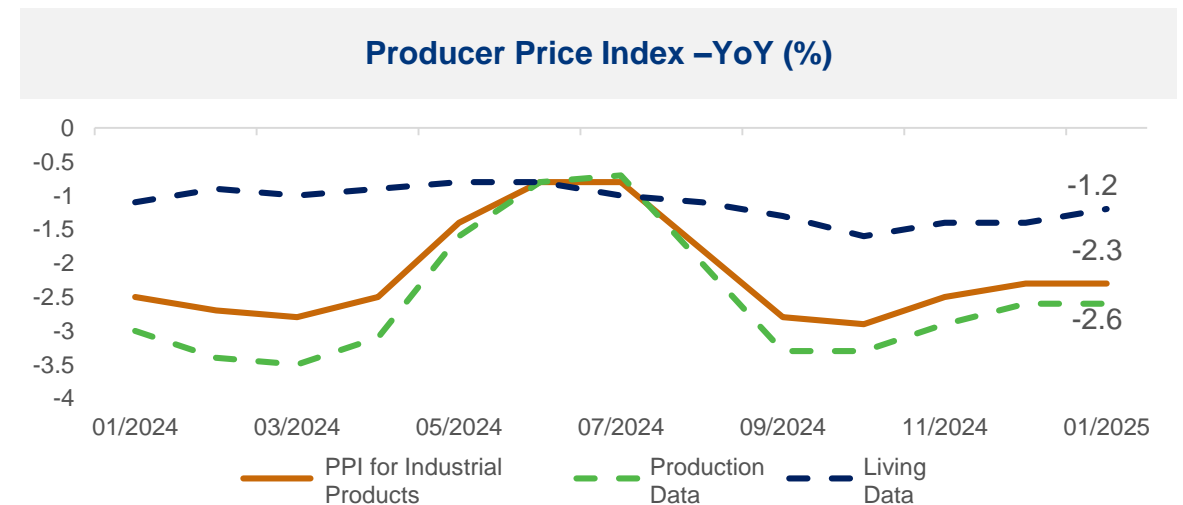
► Historical data since 2001 shows a higher monthly inflation spike during the Lunar New Year month, followed by a slowdown or decline. YoY growth will also show slight moderation due to the varying timing of the holiday (last year, it didn’t start in January). As such, February inflation is expected to moderate, aligning with the typical Lunar New Year effects, especially on food and service prices.

Producer Price Decline Moderates, Trend Expected to Continue

► The Producer Price Index (PPI) fell 2.3% YoY in January, slightly below expectations of 2.2%. The monthly decline widened to 0.2%, up by 0.1 percentage point. The PPI for production materials stayed at a 2.6% YoY drop, while consumer goods PPI improved to a 1.2% decline. PPI is expected to continue narrowing, with February’s YoY drop forecasted at 2%.



Source: The National Bureau of Statistics, Only Include Years Where Chinese New Year Begins in January



Source: The National Bureau of Statistics

BYD Company Limited (1211 HK)

Closing Price HK \$339

Target Price HK \$370

Profile

BYD manufactures automotive products. It produces ordinary passenger cars, commercial vehicles, and other products. BYD also operates battery making, rail transportation construction, and other businesses.

Highlights

Over 30% Increase Since Recommendation, Target Price Raised

BYD's smart driving advances boost decision-making and market share. With 2024 sales expected to surpass 4 million units, BYD has a clear scale advantage. The stock has risen over 30% since our recommendation, driven by: (1)Enhances market share through autonomous technology; (2)Exceeds expectations, raising our target price from NT\$319.1 to NT\$370.

Advanced Smart Driving Fully Covered

BYD's "Heavenly Eye" system comes in three versions: A (DiPilot 600), B (DiPilot 300), and C (DiPilot 100), covering the entire lineup. The Heavenly Eye C, offering parking and high-speed NOA, will be available on models starting at NT\$69,800. This makes advanced smart driving accessible to a broader market, with models like the Qin L DM-i and Qin PLUS DM-i priced from NT\$79,800 to NT\$99,800. Additionally, BYD plans to add city memory navigation to the Heavenly Eye C via an OTA update by the end of the year.

Focus Shifts to Car Stocks with Stronger Smart Driving Capabilities

BYD has caught up in smart driving technology, boosting its brand influence. As smart driving becomes the focus of electric vehicles, Wang Chuanfu predicts it will soon be as essential as seat belts and airbags. This year marks a shift toward standardizing smart driving features. While price competition may affect margins, BYD's production scale gives it cost advantages, allowing it to remain profitable in the price war.

Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
Net Income (100M CNY)	30.4	166.2	300.4	389.2	495.7
NI YoY(%)	-28.0	445.8	80.7	29.5	27.3
EPS(CNY)	1.06	5.71	10.32	13.25	16.88
DPS(CNY)	0.11	1.14	3.10	3.62	4.37
P/E	299.5	55.6	30.8	24.0	18.8
Dividend Yield(%)	0.03%	0.36%	0.98%	1.14%	1.38%

Source: Bloomberg; 2024/25F are market estimates

1 Year Performance



As of 13 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	36.03	23.72	27.15	88.10	46.92	668.40

Valuations

● 5Y Average ◆ Current

Price	32.81	●	◆	352
P/E	15.07	◆	●	242.83
P/B	1.56	●	◆	11.14

Li Auto Inc. (2015 HK)

Closing Price HK \$97.9

Target Price HK \$115

Profile

Li Auto Inc. manufactures automobiles. The Company designs, develops, and sells smart new energy electric sport utility vehicles. Li Auto conducts businesses in China.

Highlights

Smart Driving Capabilities Competitive with Peers

Li Auto has boosted its smart driving R&D, becoming an industry leader with a smart driving model penetration rate of 60-70%. Its new E2E and VLM systems were fully rolled out to AD Max users in October. The OTA 7.0 update launched in January, along with the new Li Auto AD Max V13.0, enhancing the user experience.

Clear R&D Path, Next-Generation Technology Focused on VLA

Li Auto's CEO, Li Xiang, unveiled the "VLA" model, focusing on the integration of vision, language, and action. This highlights the company's smart driving tech and future strategy. Li Auto will use NVIDIA Drive Thor, offering 2000 TOPS of processing power. In two years, with 20 million clips of training data, MPI (miles per intervention) could reach 500 kilometers.

Scale Advantage Among New Competitors

Li Auto delivered 500,500 vehicles in 2024, up 33% YoY, with strong demand for AD Max-equipped models. Over 70% of orders for cars above ¥300,000 and 80% for those above ¥400,000 had AD Max. In January 2025, Li Auto led the Chinese car market in the ¥200,000+ segment. Despite strong performance, its stock hasn't reflected this, but with 2025 marking the rise of smart driving, potential growth is likely.

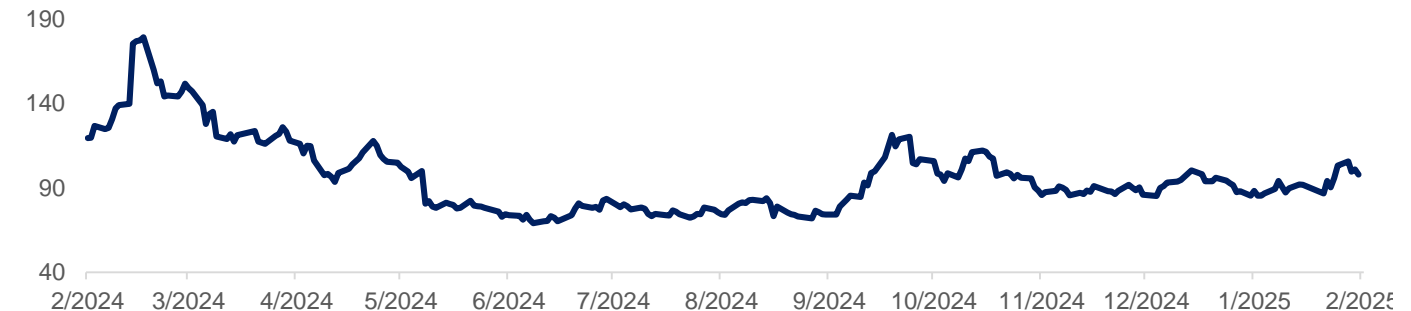
Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
Net Income (100M CNY)	7.7	0.4	120.9	90.3	130.6
NI YoY(%)	377.3	-94.7	29430	-25.2	44.5
EPS(CNY)	0.81	0.04	11.4	8.7	11.8
DPS(CNY)	0.00	0.00	0.00	0.00	0.00
P/E	113.9	2306.8	8.1	10.6	7.8
Dividend Yield(%)	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg; 2024/25F are market estimates

1 Year Performance



As of 13 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	14.77	8.47	4.20	-18.14	-11.00	-17.03

Valuations

● 5Y Average ◆ Current

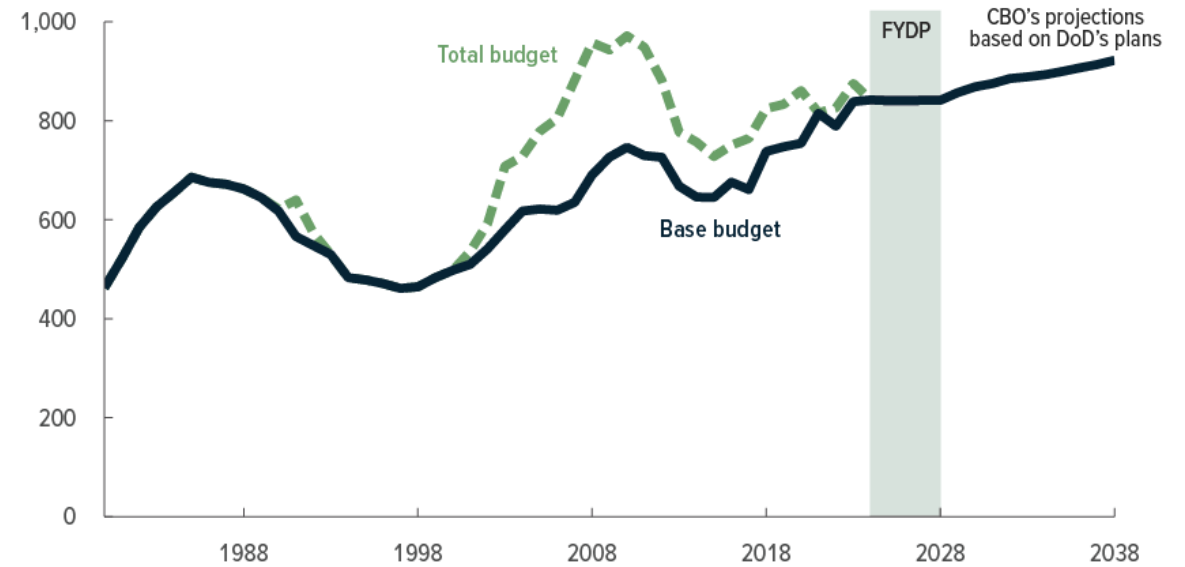
Price	53.55		184.3
P/E	11.26		13788.8
P/B	1.86		22.79



Russia-Ukraine Peace Talks Imminent, Focus on Defense and Military Sector

- ▶ Fed Chairman Powell, during his February 11-12 testimony, emphasized that the Federal Reserve is not in a rush to cut rates, as inflation remains above the 2% target, necessitating a restrictive policy stance.
- ▶ In January 2025, U.S. core CPI rose 3.3% YoY, up from 3.2% in December, and higher than the expected 3.1%. Core consumer prices also rose 0.4% MoM, surpassing the expected 0.3%.
- ▶ U.S. core PPI for January rose 3.6% YoY, slightly down from the revised December figure of 3.7%, but still above the 3.3% forecast. On a monthly basis, it increased 0.3%, matching expectations.
- ▶ Retail sales in January fell 0.9% MoM, worse than the expected 0.2% decline, largely due to bad weather and wildfires affecting consumer spending.
- ▶ On February 13, former President Trump initiated peace talks on the Ukraine war, after speaking with Russian President Putin and Ukrainian President Zelensky.
- ▶ U.S. Defense Secretary Lloyd Austin called for an increase in defense spending, aiming for at least 3% of GDP.

U.S. DoD History and Budget Planning Through 2038 (USD B)



GE Electric Co (GE US)

Closing Price US \$208.27

Target Price US \$225

Profile

GE Electric Co operates as an aircraft engine supplier company. The Company provides jet and turboprop engines, as well as integrated systems for commercial, military, business, and general aviation aircraft.

Highlights

■ Global Aviation Industry Expected to Grow Steadily

From 2024 to 2030, the global aviation market is projected to grow annually by 4%-5%, driven by commercial aviation and cargo demand. Airlines are increasing demand for new, efficient, low-emission engines, with GE Aerospace set to benefit.

■ Growth in Military and Defense Business

Global demand for military aerospace equipment, including fighter jets and drones, remains strong. GE Aerospace's F110 and F414 engines are used by several militaries, with defense technology demand expected to rise due to increasing geopolitical uncertainty.

■ FY24 Q4 Earnings

Q4 adjusted revenue reached \$9.88 billion, up 16% YoY, surpassing expectations by \$410 million. Non-GAAP EPS was \$1.32, exceeding estimates by \$0.28. Total orders increased 46% YoY to \$15.5 billion. The company also announced a 30% dividend increase and a \$7 billion stock buyback plan.

■ Valuation Consensus

Bloomberg's 12-month average target price is \$227.43, with a high of \$261 and a low of \$190.

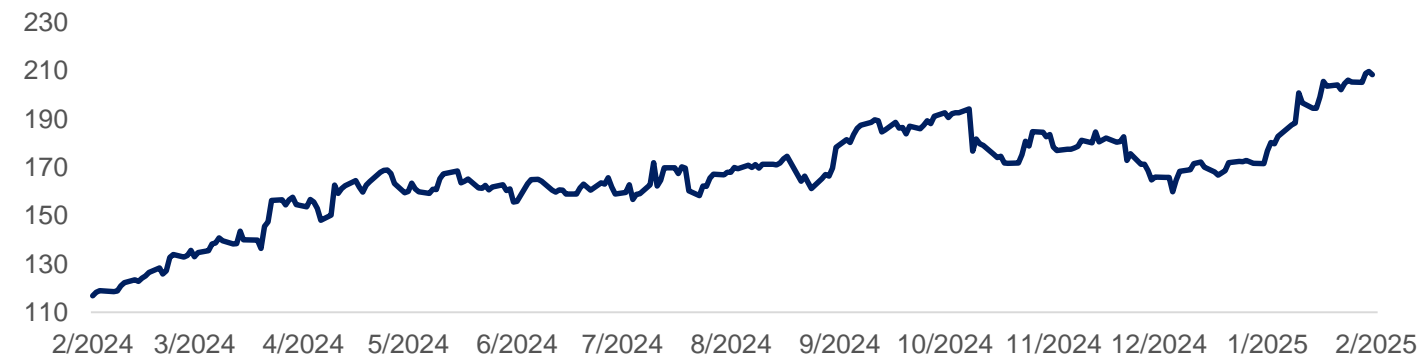
Source: Bloomberg

Financials

	2022	2023	2024	2025F	2026F
Revenue Growth(%)	3.2	-53.8	9.5	2.0	10.5
EBITDA (%)	11.6	19.6	18.2	23.8	24.1
EPS	2.67	3.35	4.60	5.44	6.43
Net Profit Margin(%)	3.8	10.6	13.0	14.7	15.3

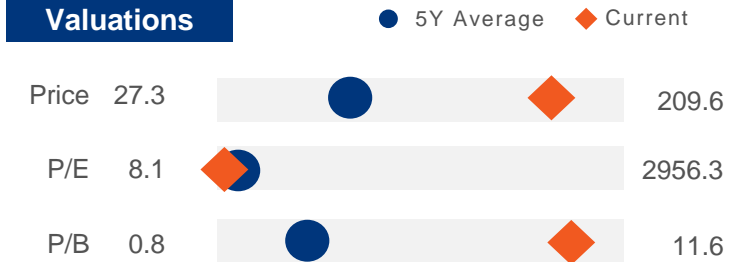
Source: Bloomberg; 2025/26F are market estimates

1-Year Performance



As of 13 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	21.4	13.5	24.9	84.3	52.1	26.7

Valuations



Kratos Defense & Security Solutions, Inc. (KTOS US)

Closing Price US \$27.16

Target Price US \$40

Profile

Kratos Defense & Security Solutions, Inc. operates as a defense contractor and security systems integrator for the federal government and for state and local agencies. It offers services in weapon systems lifecycle support, military weapon range, security and surveillance systems, and IT engineering.

Highlights

Benefiting from U.S. Defense Budget Increase

Kratos stands to benefit from rising U.S. defense spending, driven by geopolitical tensions and government policies. With the Pentagon's budget nearing \$1 trillion and defense commitments increasing, Kratos' unmanned systems, hypersonic weapons, and C5ISR solutions align with government priorities. The rising defense budget positions Kratos to secure new contracts, fostering growth and reinforcing its leadership in national security.

Multiple Contract Wins Year-to-Date

In January, Kratos secured several key contracts, including a 5-year MACH-TB 2.0 contract worth \$1.45 billion, a \$48 million global geolocation support services contract for the U.S. Space Force, and a hypersonic systems project with a potential value of \$100 million, initially funded at \$15 million, with more expected in FY25's second half.

Valuation Consensus

Bloomberg's 12-month average target price is \$34.36, with a high of \$40 and a low of \$22.

Financials

	2021	2022	2023	2024F	2025F
Revenue Growth(%)	8.5	10.7	15.5	10.0	12.1
EBITDA (%)	8.2	6.2	7.7	9.2	9.7
EPS (USD)	0.01	-0.10	-0.06	0.48	0.60
Net Profit Margin(%)	0.2	-1.4	-0.8	6.3	7.3

Source: Bloomberg; 2024/25F are market estimates

1-Year Performance



As of 13 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	-7.5	3.0	8.3	60.4	21.9	8.8

Valuations

● 5Y Average ◆ Current

Price	9.1		35.2
P/E	30.1		5097.2
P/B	1.2		4.7

Source: Bloomberg



Taiwan Stocks Consolidate; Focus on Revenue-Driven Catalysts

► Trump’s Tariff Threat Looms; Taiwan Stocks Under Pressure

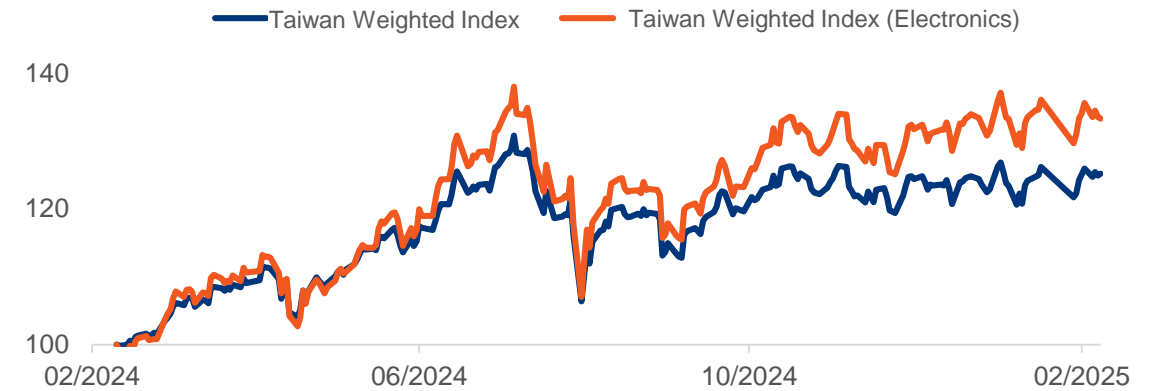
Trump’s tariff announcement pressured Taiwan stocks, opening lower and trending down last Monday. Technically, the market held above the 5-day moving average and 23,216 support, keeping its short-term bullish structure intact. A breakout above 23,642 could extend gains.

► MSCI Quarterly Rebalance Highlights Revenue-Driven Stocks

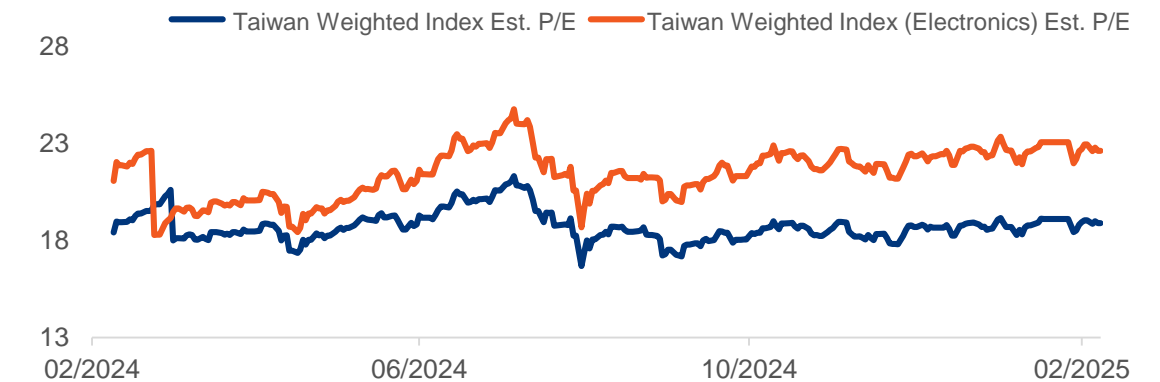
MSCI’s quarterly adjustment last Wednesday raised Taiwan’s weighting across three major indices, but buying momentum remained weak, leading to a choppy market. Large-cap electronics consolidated, while robotics, industrial PCs, high-speed connectors, networking, and chassis rails outperformed. Optical communications lagged. Financials climbed steadily, while plastics, biotech, shipping, machine tools, and bicycles showed strength. The market remains in short-term consolidation. Traders can buy strong stocks on dips, focusing on those with revenue catalysts breaking resistance or trending along short-term moving averages.

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

Index, 13 Feb, 2024 = 100



Index Est. P/E



Source: Bloomberg

MPI Corporation (6223 TT)

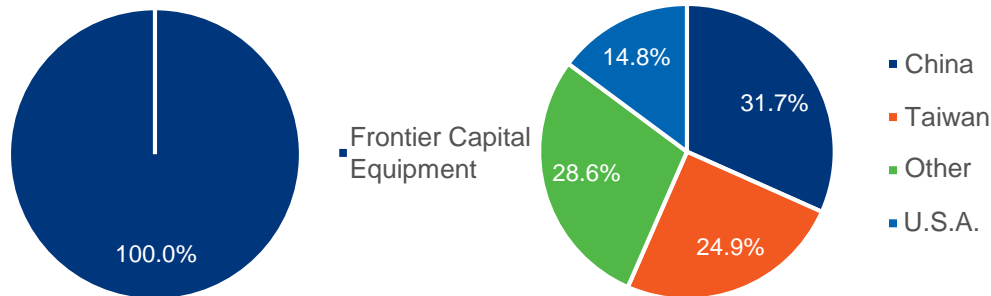
Profile

MPI Corporation designs, manufactures, and markets probe cards and probe stations for wafer testing.

Highlights

- 2025 Vertical Probe Card (VPC) Demand Stronger Than Expected**
 We project VPC revenue to grow by 35-40% YoY in 2025, with further upside potential. The growth is driven by several key projects: AI ASIC and networking ICs for U.S. clients, gaming GPUs for global GPU leaders, smartphone SoCs, and automotive chips for European and Japanese IDM clients.
- 2024 VPC Capacity Expansion on Track at 30%**
 After a 30% capacity increase in 2024 (from 1M to 1.3M probes), the company plans to expand VPC capacity to 1.8M probes per month in 2025, with new capacity coming online in 2H25. Despite the aggressive expansion, We expect VPC utilization to remain above 100% due to strong demand.

Revenue Sources and Regions



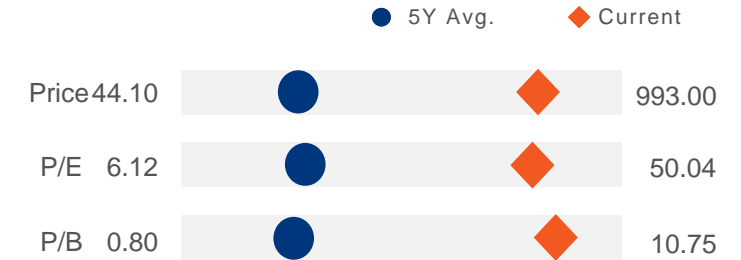
Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
EPS (NTD)	7.44	12.89	13.92	24.49	33.40
EPS Growth (%)	-11.50	73.30	8.00	75.90	36.40
P/E Ratio	110.4	63.70	59.00	33.50	24.60
ROE (%)	11.90	18.80	18.10	27.10	30.20

Source: Company data, estimates of KGI analyst

Valuations



1-Year Performance



Chenbro Micom Co., Ltd. (8210 TT)

Profile

Produces computer servers and peripheral products. It manufactures and distributes rack-mounted edge computing server chassis, tower modular high-speed computing storage server chassis, and more.

Highlights

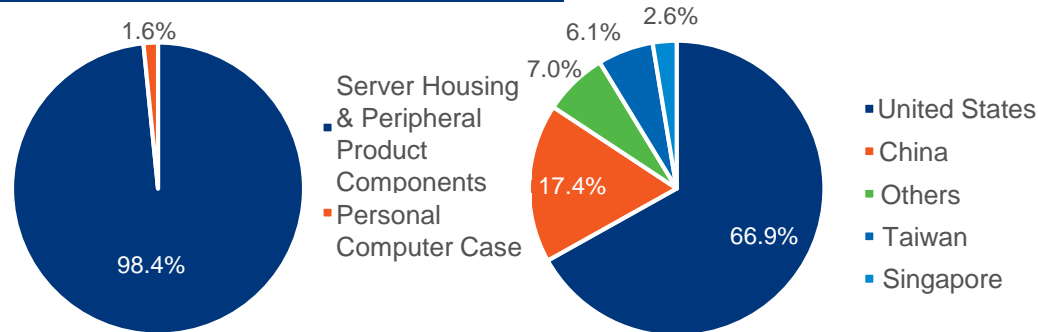
Short-Term AI Revenue Remains Strong

Amazon's increased orders for HGX AI servers will boost Chicony's AI revenue, as it supplies enclosures and ASICs. We revised Chicony's 1Q25 revenue to a 7% QoQ decline, with a higher AI revenue share driving a QoQ gross margin increase. 1Q25 EPS is upgraded to NT\$3.68, reflecting an 8% QoQ decline.

Strong Growth Expected in 2025

We expect a 28% YoY revenue growth in 2025, driven by: (1) increased GPU AI server orders from several CSPs, (2) expanded ASIC AI server revenue, and (3) new rack business. With capacity expansion in the U.S. and Malaysia, KGI forecasts more orders and new clients in 2025–2026.

Revenue Sources and Regions



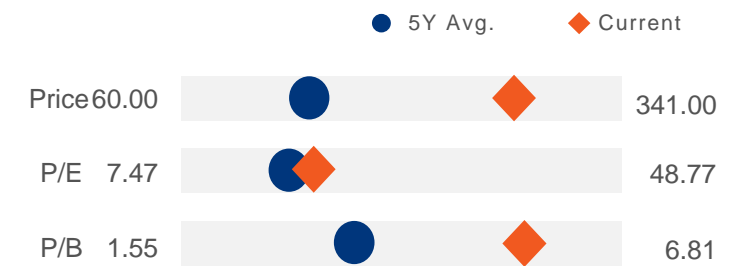
Source: Bloomberg

Financials

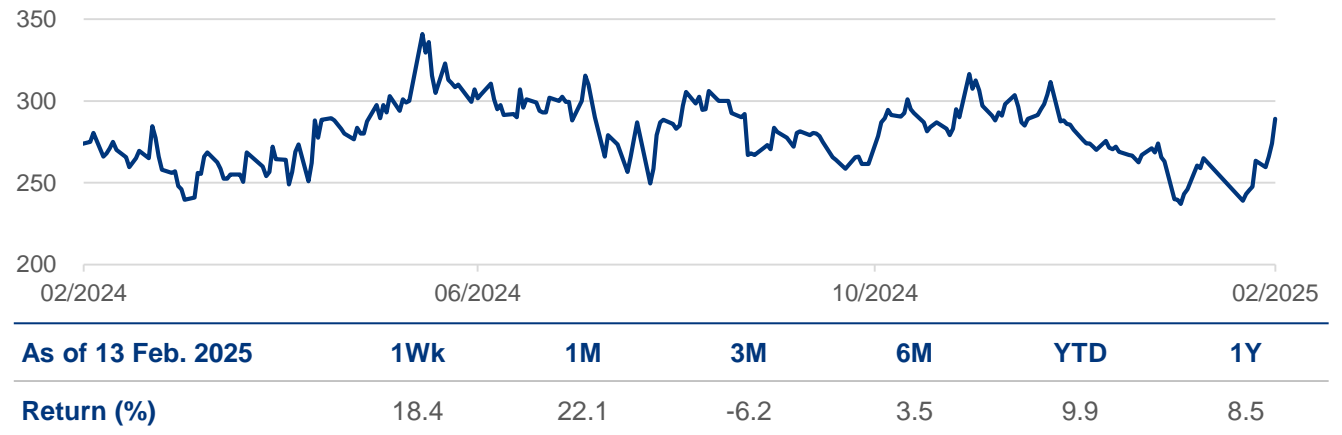
	2021	2022	2023	2024F	2025F
EPS (NTD)	5.62	8.32	9.03	16.13	19.45
EPS Growth (%)	-31.20	48.20	8.50	78.60	20.60
P/E Ratio	46.20	31.20	28.70	16.10	13.30
ROE (%)	16.60	22.00	20.80	32.40	33.40

Source: Company data, estimates of KGI analyst

Valuations



1-Year Performance



Rising Defense Spending Expected to Boost Defense Stocks

With Trump likely to urge other nations to increase defense spending, military stocks are expected to see sustained growth. Investors can tap into this trend through ETFs.

► Invesco Aerospace & Defense Portfolio (PPA.US)

- The ETF aims to track the SPADE Defense Index, which focuses on U.S. defense and aerospace companies.
- Established in October 2005, it is one of the longest-standing U.S. military ETFs.
- It does not limit the market cap of the companies it invests in, resulting in a relatively diversified portfolio.

► iShares U.S. Aerospace & Defense ETF (ITA.US)

- This ETF tracks the Dow Jones U.S. Select Aerospace & Defense Index, consisting of U.S. stocks in the aerospace and defense sectors.
- It is the largest U.S. military ETF by assets, offering relatively good liquidity.
- The ETF has a high concentration in holdings, with the top holding accounting for over 20% of the portfolio.

Product	Invesco Aerospace & Defense Portfolio (PPA.US)	iShares U.S. Aerospace & Defense ETF (ITA.US)																				
Features	<ul style="list-style-type: none"> ■ Compared to Similar ETFs, Holdings Are More Diversified, with No Single Stock Exceeding 10% ■ Benefiting from Countries' Active Efforts to Strengthen Defense, the Sector Remains in High Focus 	<ul style="list-style-type: none"> ■ Invests in Mid-to-Large Cap Stocks with High Concentration, Top 10 Holdings Account for Approximately 77.83% ■ Expense Ratio Stands at 0.4%, One of The Lowest in Its Category. 																				
AUM	USD 4.83 B	USD 6.72 B																				
Tracking Index	SPADE Defense Index	Dow Jones U.S. Select Aerospace & Defense Index																				
Holdings	54	35																				
Expense Ratio	0.57%	0.4%																				
3M/YTD Returns	-2.96% / 3.74%	0.51% / 7.61%																				
Top-5 Sectors (%)	<table border="1"> <tr><td>Aerospace/Defense</td><td>66.27</td></tr> <tr><td>Miscellaneous Manufactur</td><td>9.98</td></tr> <tr><td>Electronics</td><td>8.47</td></tr> <tr><td>Computers</td><td>5.22</td></tr> <tr><td>Electrical Compo & Equip</td><td>2.75</td></tr> </table>	Aerospace/Defense	66.27	Miscellaneous Manufactur	9.98	Electronics	8.47	Computers	5.22	Electrical Compo & Equip	2.75	<table border="1"> <tr><td>Aerospace/Defense</td><td>87.92</td></tr> <tr><td>Miscellaneous Manufactur</td><td>6.93</td></tr> <tr><td>Electronics</td><td>1.98</td></tr> <tr><td>Machinery-Constr&Mining</td><td>1.74</td></tr> <tr><td>Shipbuilding & Others</td><td>1.39</td></tr> </table>	Aerospace/Defense	87.92	Miscellaneous Manufactur	6.93	Electronics	1.98	Machinery-Constr&Mining	1.74	Shipbuilding & Others	1.39
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Source: Bloomberg, 12 Feb. 2025

Invesco Aerospace & Defense Portfolio (PPA.US)

Profile

The Invesco Aerospace & Defense ETF is based on the SPADE™ Defense Index (Index). The Index is designed to identify a group of companies involved in the development, manufacturing, operations and support of US defense, homeland security and aerospace operations.

Focus on Specific Industries

This ETF invests in U.S. defense, homeland security, and aerospace companies, suitable for investors focused on these sectors.

Diversified Holdings

This ETF has 54 holdings, with none above 10%. Top names include GE, Raytheon, Boeing, Lockheed Martin, and Northrop Grumman, making up 57.93% of the portfolio.

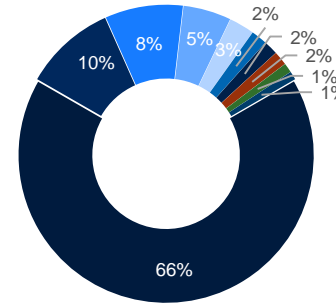
Countries' Policies

Boosted by global defense spending, this sector thrives on high technical barriers, industry giants, and strong government funding.

Inception Date	26 Oct. 2005	AUM	USD 4.83 B
ETF Category	Equities	Holdings	54
Expense Ratio	0.57%	3Y Stand. Dev. (Ann.)	18.43%

Source: Bloomberg, 12 Feb. 2025

Sectors



- Aerospace/Defense
- Miscellaneous Mfg.
- Electronics
- Computers
- Electrical Compo & Equip
- Software
- Commercial Services Machinery-Constr & Mining
- Iron/Steel
- Shipbuilding

1-Year Performance

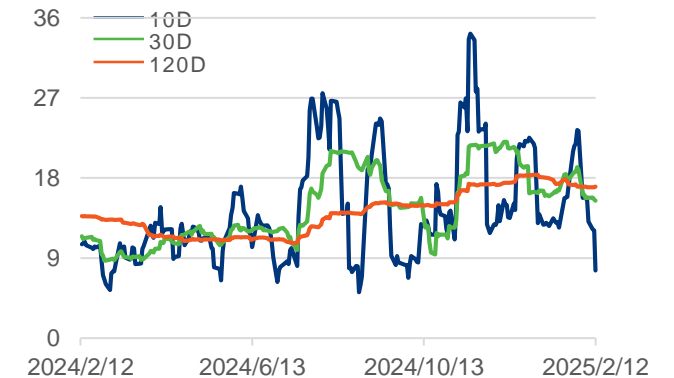


As of 12 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
Return (%)	2.86	-2.96	3.74	28.00	69.02	68.23

Top-5 Holdings (%)

General Electric Co	9.09
RTX Corp	7.94
Boeing Co/The	7.66
Lockheed Martin Corp	6.59
Northrop Grumman Corp	5.32

1-Year Volatility



iShares U.S. Aerospace & Defense ETF (ITA.US)

Profile

The iShares U.S. Aerospace & Defense ETF seeks to track the investment results of an index composed of U.S. equities in the aerospace and defense sector.

Focused on Aerospace & Defense

This ETF tracks the Dow Jones U.S. Select Aerospace & Defense Index, covering U.S. manufacturers, suppliers, and service providers in the sector.

Concentrated Holdings

This ETF holds about 35 stocks, mainly mid- and large-cap names like GE, Raytheon, Boeing, Howmet Aerospace, and TransDigm. The top 10 holdings account for 77.83%.

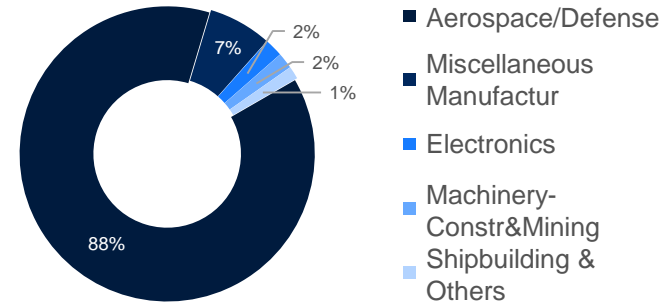
Low Expense Ratio

This ETF has a 0.4% expense ratio, making it relatively low among peers. Its cost efficiency helps investors reduce expenses.

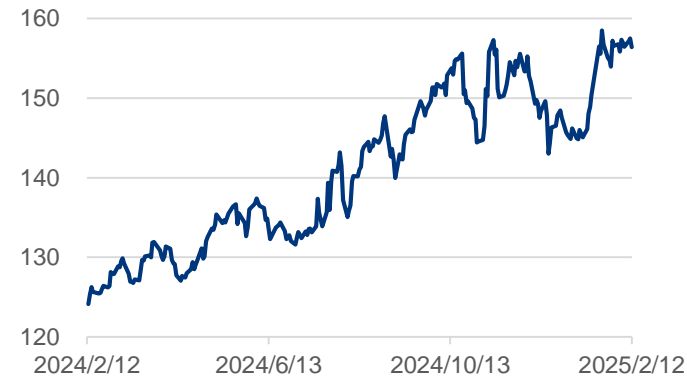
Inception Date	1 May. 2006	AUM	USD 6.72 B
ETF Category	Equities	Holdings	35
Expense Ratio	0.4%	3Y Stand. Dev. (Ann.)	20.03%

Source: Bloomberg, 12 Feb. 2025

Sectors



1-Year Performance



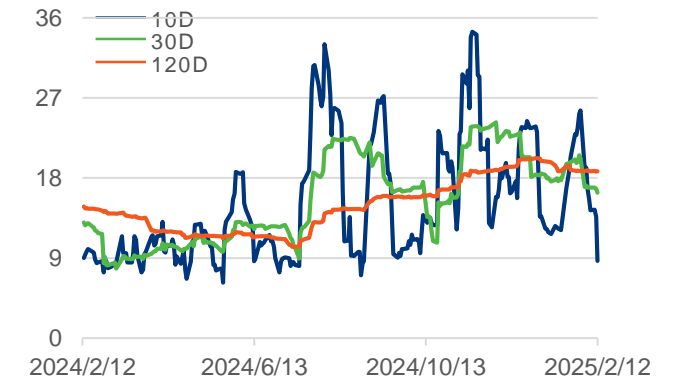
As of 12 Feb. 2025

	1M	3M	YTD	1Y	3Y	5Y
Return (%)	7.03	0.51	7.61	27.14	53.14	37.87

Top-5 Holdings (%)

General Electric Co	20.57
RTX Corp	15.30
Boeing Co/The	12.62
Howmet Aerospace Inc	4.69
TransDigm Group Inc	4.61

1-Year Volatility



Tariffs & Supply-Demand Drive Natural Gas Market, Boosting Related Bonds

► STOAU 5.25 03/13/29 (Santos Finance Ltd)

- Santos Ltd is an independent Australian E&P company engaged in LNG production, domestic gas supply, crude oil, and condensate.
- The company maintains a large, diversified, and low-cost production base. Its unit production cost for 2023–2024 was approximately \$7.61–\$8.00 per barrel, with plans to reduce it to \$7.00–\$7.50 per barrel in 2025, reinforcing its cost competitiveness.
- Key projects are progressing well. The Barossa project is 88.3% complete, with first production expected in 3Q25. The Pikka project's first phase is 74% complete and on track for first oil in 2026. Capital expenditure peaked in 2024 and is set to decline from 2025.

► ET 6.625 PERP (Energy Transfer LP)

- Energy Transfer LP (ET) operates a diverse, fee-based midstream network in the U.S., spanning crude oil, natural gas, and NGL pipelines, storage, and processing.
- During the pandemic, ET halved distributions and cut growth spending to preserve cash, prioritizing asset optimization, free cash flow, and debt reduction to maintain its investment-grade rating.
- Since 2020, ET has doubled its NGL export share via Gulf Coast and Pennsylvania terminals, reaching a loading capacity of over 1.1 million barrels per day.

Source: Bloomberg

Products	STOAU 5.25 03/13/29 (Santos Finance Ltd)	ET 6.625 PERP (Energy Transfer LP)
ISIN	XS1912654594	US29273VAJ98
Highlight	Broad, Low-Cost, and Diversified Reserves	Strategic Positioning to Capitalize on U.S. Energy Trade Growth
Maturity Date	13 Mar. 2029	-
Next Redemption Day	13 Dec. 2028	15 Feb. 2028
Coupon (%)	Fixed/5.25/Semi-annual	Float/6.625/Semi-annual
Currency	USD	USD
Years to Maturity	4.08	-
Rating (Moody's/ Fitch/S&P)	-/-/BBB-	Ba1/BB+/BB+
Seniority	Senior Unsecured	Subordinated
YTM/YTC (%)	5.58/5.60	8.08/6.99

STOAU 5.25 03/13/29 (Santos Finance Ltd)

Profile

Santos Finance Ltd operates as an oil and gas company. The Company provides production of oil and natural gas resources and carbon energy. Santos Finance serves customers worldwide.

Highlights

- The company's large, low-cost reserves strengthen its position in Australia's gas and LNG markets. Unit production costs for 2023–2024 were \$7.61–\$8.00 per barrel, with a projected drop to \$7.00–\$7.50 in 2025.
- Key projects are advancing. The Barossa project is 88.3% complete, targeting first production in 3Q25. The Pikka project's first phase is 74% complete, with first oil expected in 2026. Capital expenditure peaked in 2024 and should decline from 2025.
- With Fed rate cuts beginning, investors can lock in yields on high-quality bonds. Assessing issuers with low credit risk can help manage volatility as rates rebound.

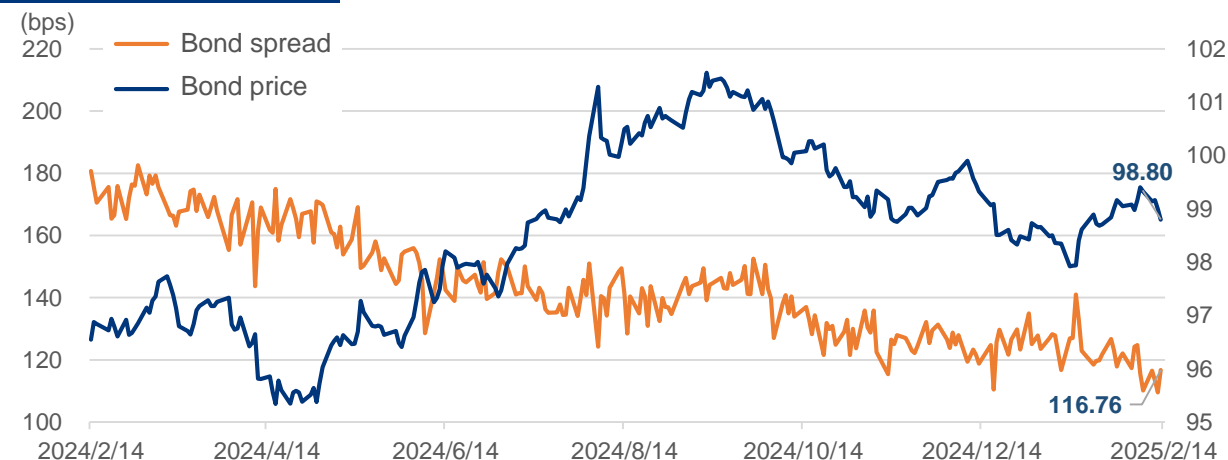
Financials	2021	2022	2023
EBITDA Margin	56.06	64.02	66.46
Return on Assets (ROA)	2.76	7.18	4.83
Interest Coverage Ratio	8.38	16.04	13.01

Source: Bloomberg, 13 Feb. 2025

Overview

Name	STOAU 5.25 03/13/29	ISIN	XS1912654594
Maturity Date	13 Mar. 2029	Remaining Maturity	4.08
Coupon(%)	Fixed/5.25/Semi-annual	YTM/YTC(%)	5.58/5.60
Currency	USD	Min. Subscription/Increment	200,000/1,000
Ratings (Moody's/Fitch/S&P)	-/-/BBB-	Seniority	Senior Unsecured

Price Since Issuance



ET 6.625 PERP (Energy Transfer LP)

Profile

Energy Transfer LP owns and operates a portfolio of energy assets. The Company engages in the operations such as transportation, storage and terminalling, crude oil, NGLs, refined products, and liquid natural gas. Energy Transfer serves customers in the United States.

Highlights

- ET has reduced leverage by \$8 billion over three years, increasing cash flow. During the pandemic, it halved distributions and cut growth spending to preserve cash, focusing on asset optimization, free cash flow, and debt reduction to maintain its investment-grade rating.
- Strategically, ET benefits from U.S. energy trade growth. Its NGL export share has doubled since 2020, with loading capacity exceeding 1.1 million barrels per day at its Gulf Coast and Pennsylvania terminals.
- With the Fed cutting rates, investors can lock in yields on high-quality bonds, focusing on issuers with low credit risk to mitigate volatility as rates rebound.

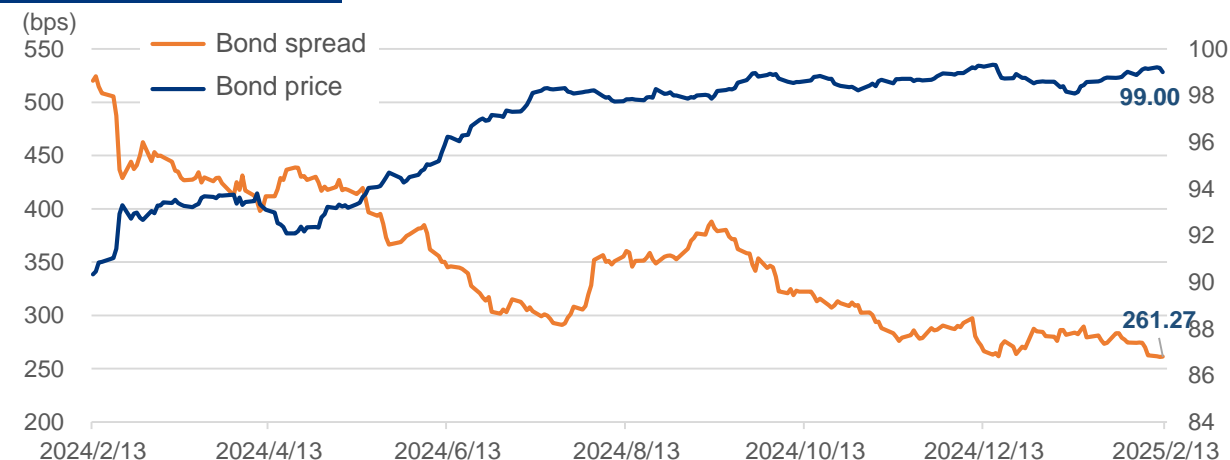
Financials	2022	2023	2024
EBITDA Margin	13.30	16.19	17.30
Return on Assets (ROA)	4.50	3.59	4.03
Interest Coverage Ratio	3.36	3.22	2.92

Source: Bloomberg, 13 Feb. 2025

Overview

Name	ET 6.625 PERP	ISIN	US29273VAJ98
Maturity Date	-	Remaining Maturity	-
Coupon(%)	Float/6.625/Semi-annual	YTM/YTC(%)	8.08/6.99
Currency	USD	Min. Subscription/ Increment	1,000/1,000
Ratings (Moody's/Fitch/S&P)	Ba1/BB+/BB+	Seniority	Subordinated

Price Since Issuance



Appendix

Key Economic Data / Events

► FEB 2025

10

Monday

- Eurozone Feb. Sentix Investor Confidence (Act:-12.7 Est:-16.5 Prev:-17.7)

11

Tuesday

12

Wednesday

- U.S. Jan. CPI YoY (Act:3.0% Est:2.9% Prev:2.9%)
- U.S. Jan. Core CPI YoY (Act:3.3% Est:3.1% Prev:3.2%)
- Japan Jan. Machine Tool Orders YoY Initial Value (Act:4.7% Prev:12.6%)

13

Thursday

- U.S. Last Week's Initial Jobless Claims (Act:213k Est:216k Prev:220k)
- U.S. Jan. PPI YoY (Act:3.5% Est:3.3% Prev:3.5%)
- Japan Jan. PPI YoY (Act:4.2% Est:4.0% Prev:3.9%)
- Eurozone Feb. Industrial Production YoY (Act:-2.0% Est:-3.1% Prev:-1.8%)

14

Friday

- U.S. Jan. Retail Sales MoM (Est:-0.2% Prev:0.4%)
- U.S. Jan. Industrial Production MoM (Est:0.3% Prev:0.9%)
- Eurozone Q4 GDP YoY Initial Value (Est:0.9% Prev:0.9%)

17

Monday

- Japan Q4 Annualized GDP MoM Initial Value (Est:1.1% Prev:1.2%)
- Japan 1Feb. Industrial Production MoM Final Ratio (Prev:0.3%)

18

Tuesday

- MDT Performance

19

Wednesday

- U.S. Jan. Housing Starts MoM (Est:-7.0% Prev:15.8%)
- Japan Jan. Exports YoY (Est:7.9% Prev:2.8%)
- Japan Feb. Core Machine Tool Orders MoM (Est:0.5% Prev:3.4%)
- ANET, ADI Performance

20

Thursday

- U.S. Last Week's Initial Jobless Claims (Prev:213k)
- WMT Performance

21

Friday

- U.S. Feb. S&P Global Manufacturing PMI Initial Value (Prev:51.2)
- U.S. Feb. S&P Global Service PMI Initial Value (Prev:52.9)
- U.S. Feb. U. of Mich. Sentiment Final Value (Prev:67.8)
- Japan Jan. Natl CPI YoY (Est:4.0% Prev:3.6%)
- Japan Feb. Jibun Bank Japan PMI Mfg Initial Value (Prev:48.7)
- Eurozone Feb. HCOB Eurozone Manufacturing PMI Initial Value (Est:46.7 Prev:46.6)

Source: Bloomberg

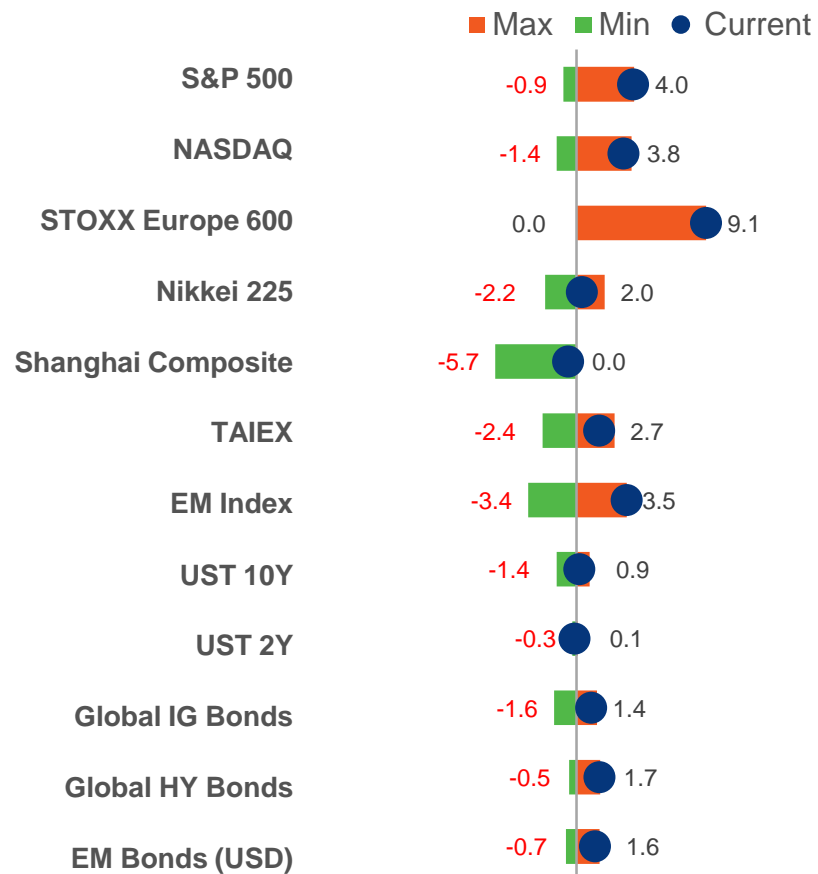
Key Earnings Releases

Date	Name	Revenue (F) (USD)	Announced Revenue (USD)	EPS (F) (USD)	Announced EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2025/2/10	Mcdonald'S Corp	6.51B	6.39B	2.9	2.83		
2025/2/11	Vertex Pharmaceuticals Inc	2.79B	2.91B	4.02	3.98	V	
2025/2/11	Coca-Cola Co/The	10.7B	11.5B	0.52	0.55	V	V
2025/2/11	S&P Global Inc	3.43B	3.59B	3.36	3.77	V	V
2025/2/12	Gilead Sciences Inc	7.16B	7.6B	1.71	1.9	V	V
2025/2/13	Cisco Systems Inc	13.87B	14B	0.91	0.94	V	V
2025/2/13	Deere & Co	7.7B	8.51B	3.12	3.19	V	V
2025/2/14	Applied Materials Inc	7.15B	7.17B	2.28	2.38	V	V
2025/2/14	Palo Alto Networks Inc	2.24B	2.26B	0.78	0.81	V	V

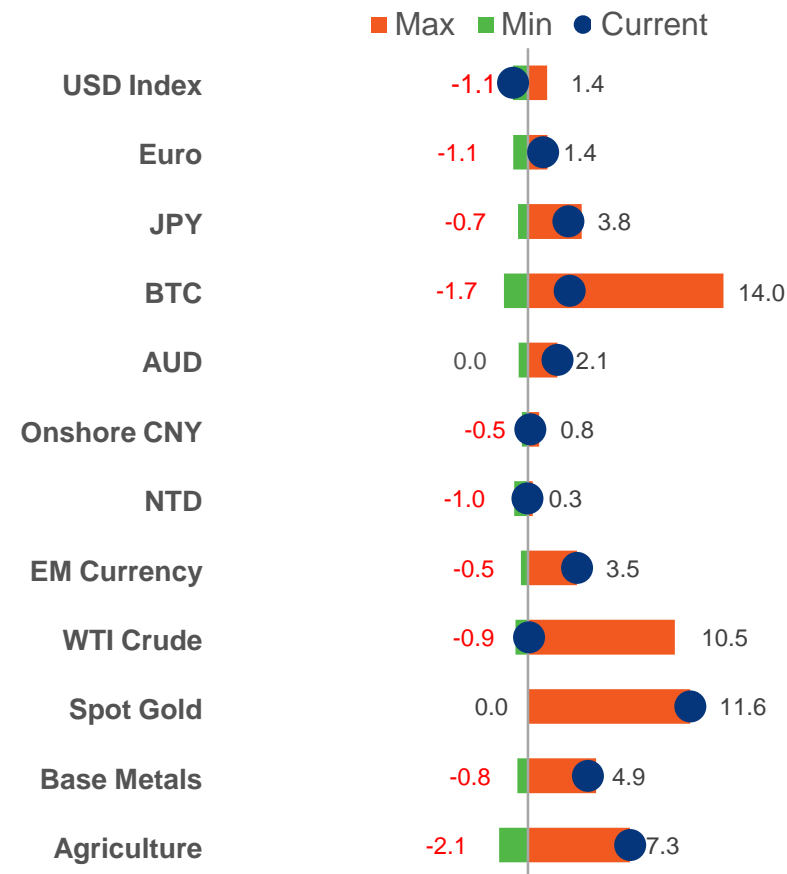
Source: Investing.com

YTD Major Market / Asset Performance

Stock and Bond Market YTD Performance (%)



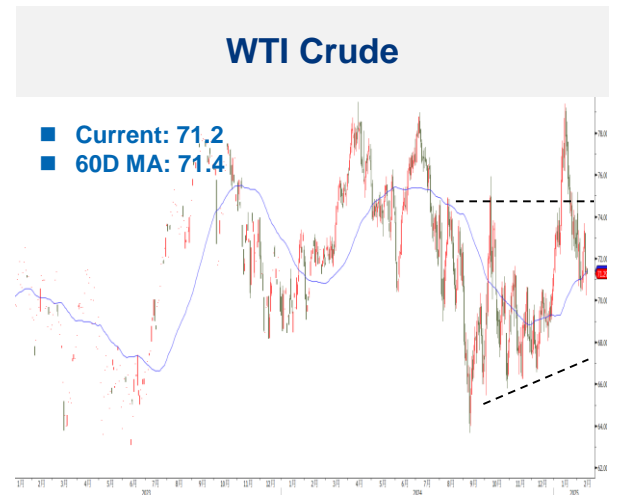
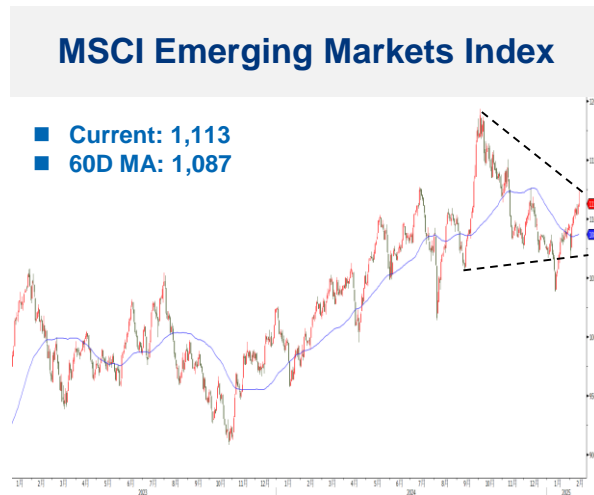
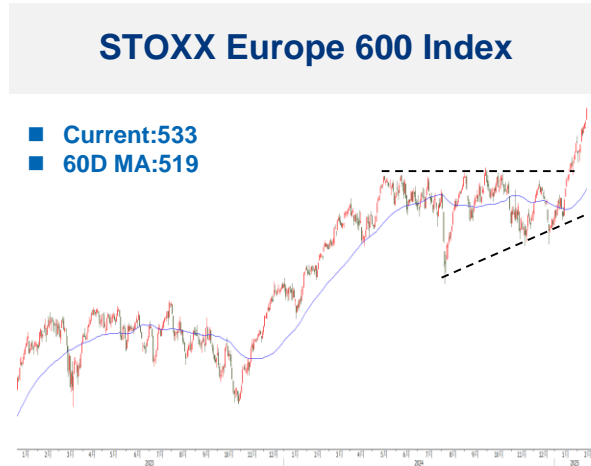
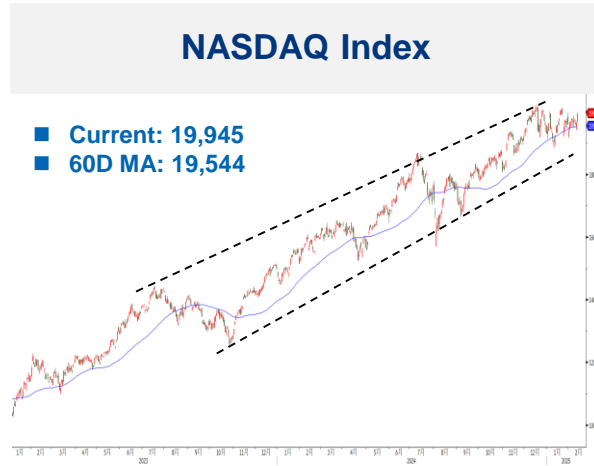
Currencies and Futures Market YTD Performance (%)



Source: Bloomberg, 14 Feb. 2025

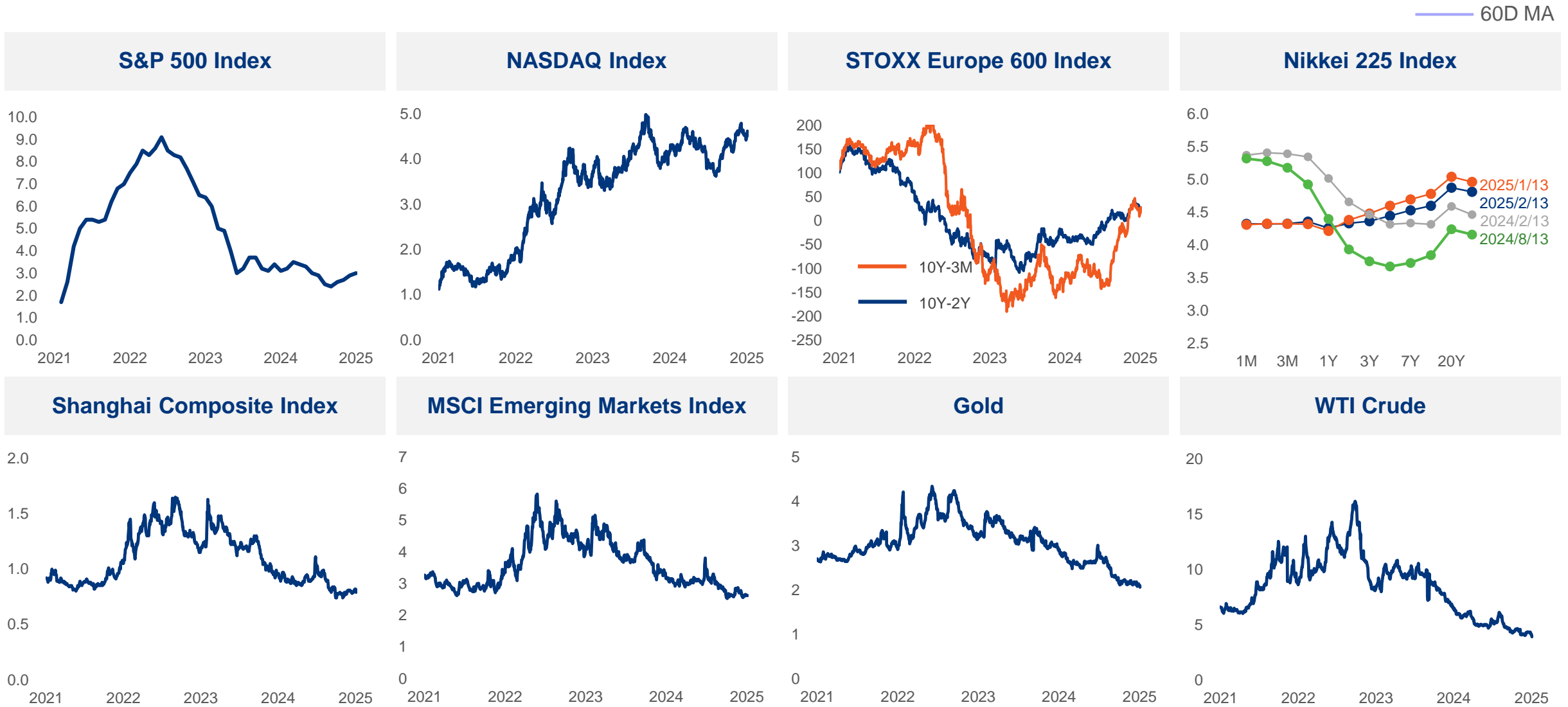
Technical Analysis

— 60D MA



Source: Bloomberg, 14 Feb. 2025

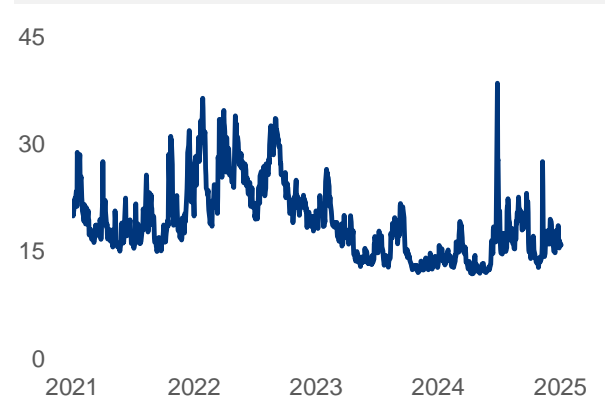
Technical Analysis



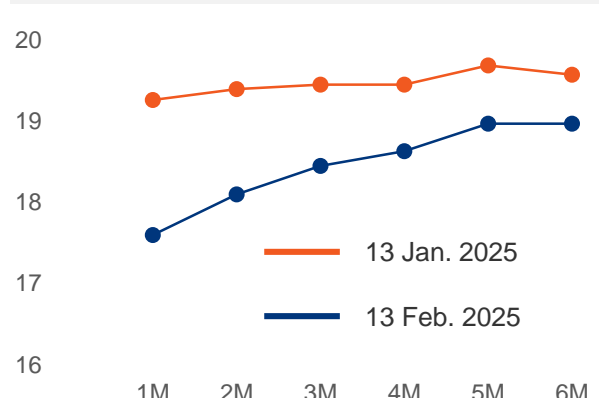
Source: Bloomberg, 13 Feb. 2025

Market Monitor

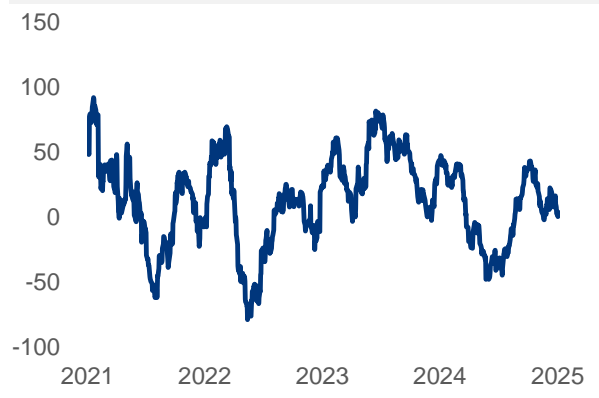
VIX Index



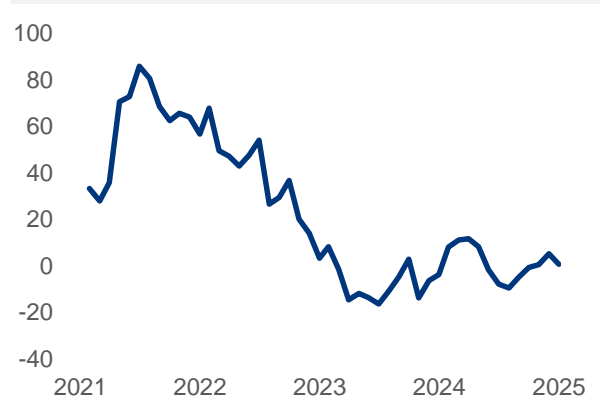
VIX Term Structure



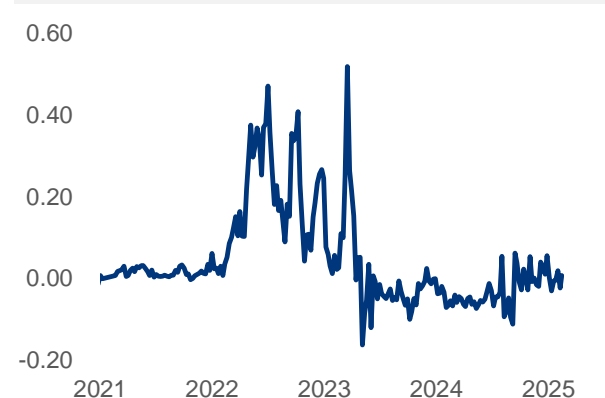
U.S. Citi Economic Surprise Index*



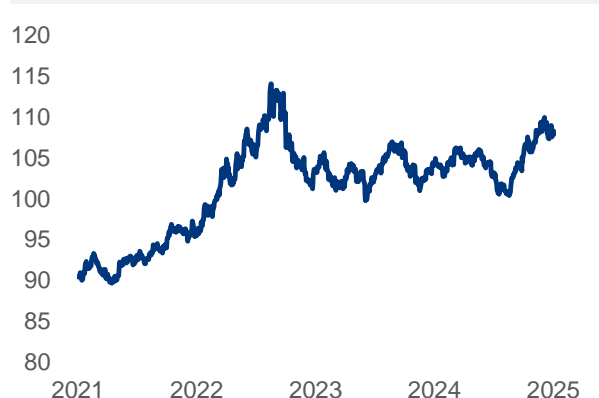
U.S. Citi Inflation Surprise Index*



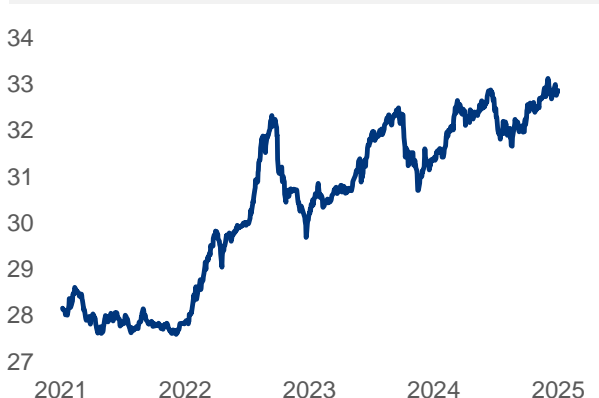
TED Spread (bps)



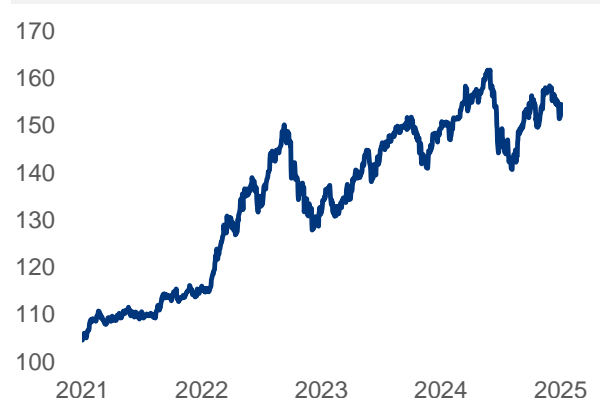
U.S. Dollar Index



USD to TWD



USD to JPY



Source: Bloomberg, 13 Feb. 2025; *The Citi Economic/Inflation Surprise Index measures the deviation between economic data/actual inflation and market expectations. A rising index indicates economic improvement/inflation exceeding market expectations.

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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.