



# Inflation Shadow Lingers

Global Markets Weekly Kickstart

3 March 2025

## 01 Chart of the Week

U.S. Inflation Expectations Continue to Rise; Retail Sales Growth in Focus



## 02 Market Recap

Services PMI Unexpectedly Contracts;  
Consumer Sentiment Drops  
Major Indices Decline, Long-Term  
Yields Retreat



## 03 What's Trending

Japan Inflation Surges; Food and  
Energy Prices Key Drivers  
BOJ Likely to Stay Hawkish,  
Supporting Yen



## 04 In Focus

Defensive U.S. Equities Positioning  
With Various Defensive Strategies



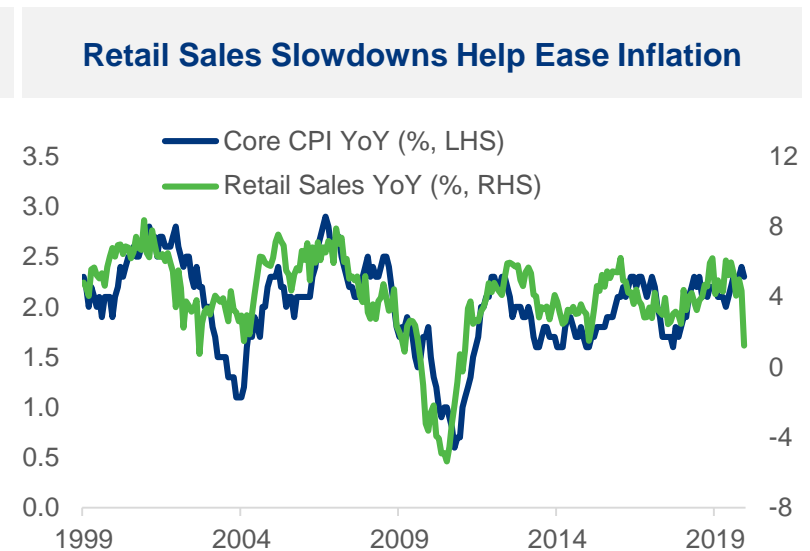
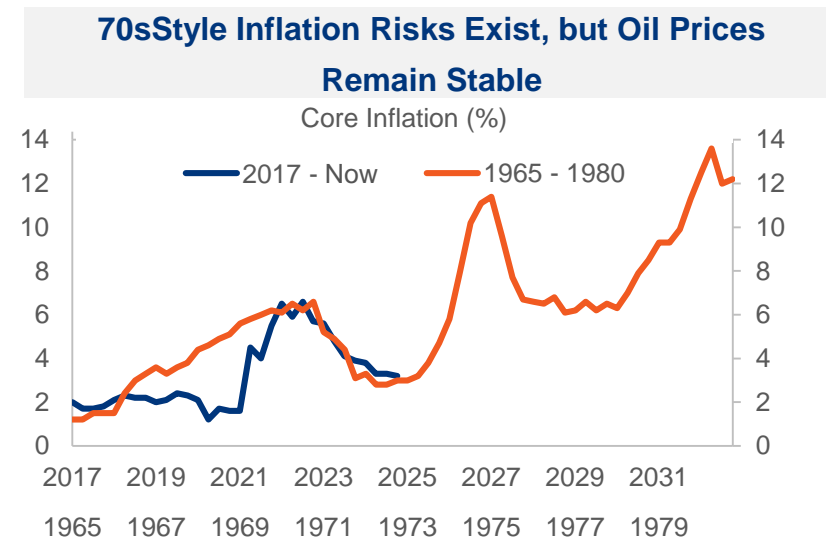
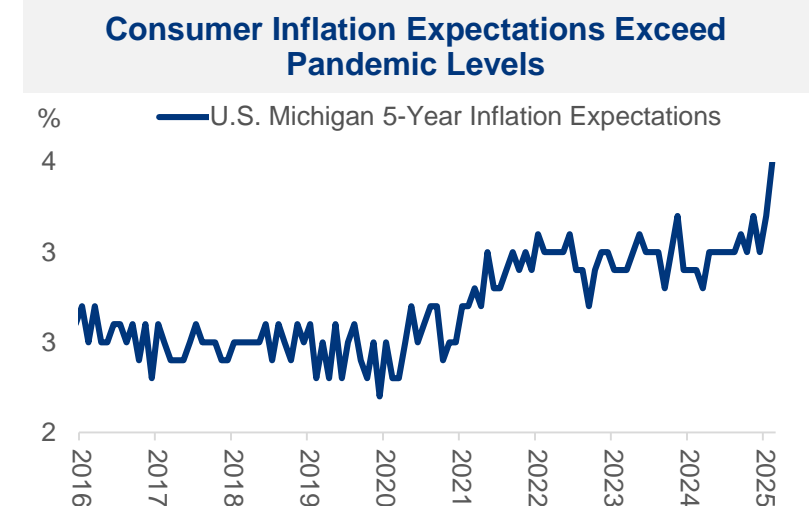
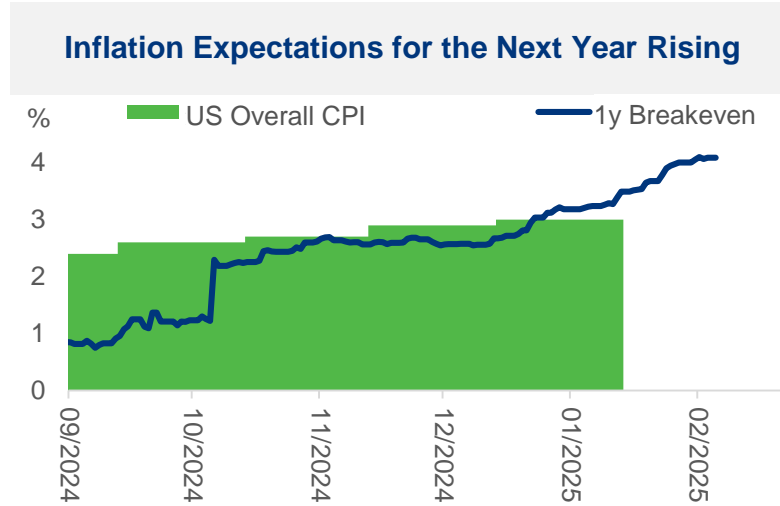
## 05 Product Spotlight

Selection of HK, U.S., Taiwan Equities, Bonds and Funds/ETFs



# U.S. Inflation Expectations Keep Rising; Retail Sales Growth in Focus

- ▶ Following Trump's tariff hikes on Chinese imports and China's countermeasures, markets fear an escalating trade war. Inflation expectations, reflected in breakeven rates, have risen significantly over the past month, with the 1-year breakeven rate up nearly 80 bps. The University of Michigan survey shows consumers are increasingly concerned about inflation, with long-term inflation expectations notably higher than during the pandemic.
- ▶ Beyond tariffs, investors worry about inflation challenges similar to the 1970s. However, unlike then, when oil price spikes drove inflation, current energy supply remains stable, reducing the risk of a similar inflationary surge.
- ▶ Despite rising inflation expectations, actual inflation remains relatively stable. January retail sales fell 0.9% MoM, the weakest since March 2023. However, given this is just one month of data, it is too early to confirm a slowdown trend. Historically, retail sales lead inflation by about 12 months, making it a key indicator to monitor.



Source: Bloomberg

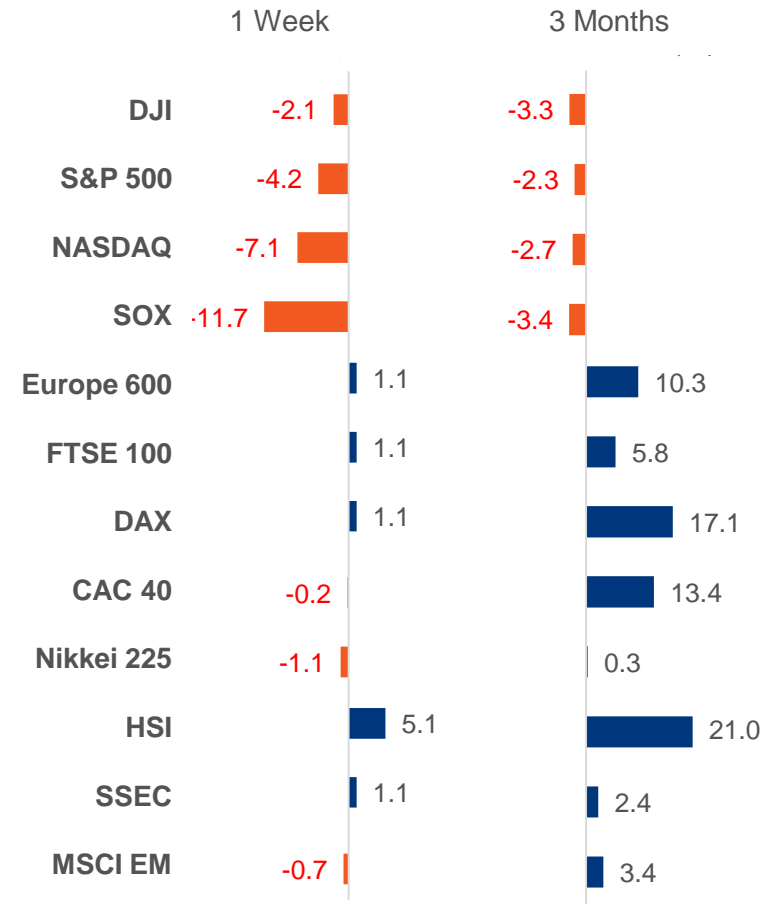
## Market Recap

## Rising Inflation Expectations; Nvidia Beats Estimates but Fails to Impress

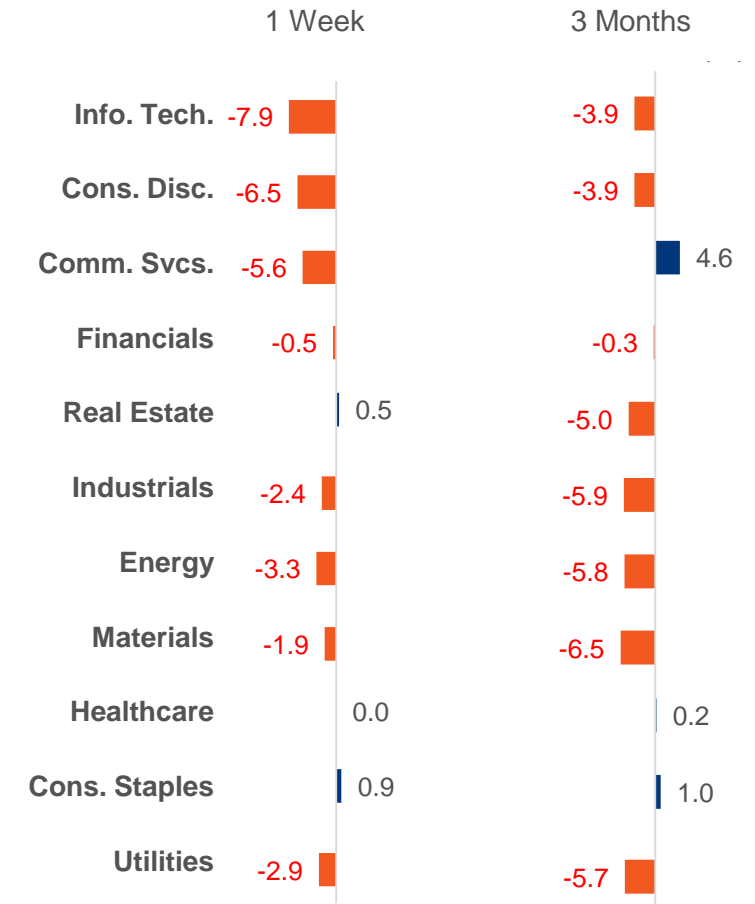
- ▶ Inflation expectations continue to rise, prompting renewed discussions about delaying rate cuts. Adding to market pressure, Trump confirmed plans to impose tariffs on Mexico and Canada, leading to a broad decline across major U.S. indices.
- ▶ Nvidia reported 4Q FY2025 revenue of \$39.3B, up 78% YoY, surpassing the \$37.5B consensus estimate and reaching the upper end of expectations. Guidance also exceeded revised forecasts. However, despite the strong results, the market showed little surprise, sending Nvidia shares down 8.5% the following trading day, dragging tech and semiconductor stocks lower.
- ▶ Growth and cyclical sectors posted the largest declines this week, while healthcare and consumer staples remained stable. Real estate gained as bond yields pulled back.
- ▶ Chinese and Hong Kong equities continued their rally, though overbought conditions may lead to short-term volatility. Valuations still have room for expansion. While market expectations for Hong Kong's budget were low, announced measures aimed at strengthening its financial hub status—such as improving the "lot size" mechanism and implementing T+1 settlement—boosted HKEX (388) shares.

Source: Bloomberg, 27 Feb. 2025

## Major Stock Indices Performance by Region (%)



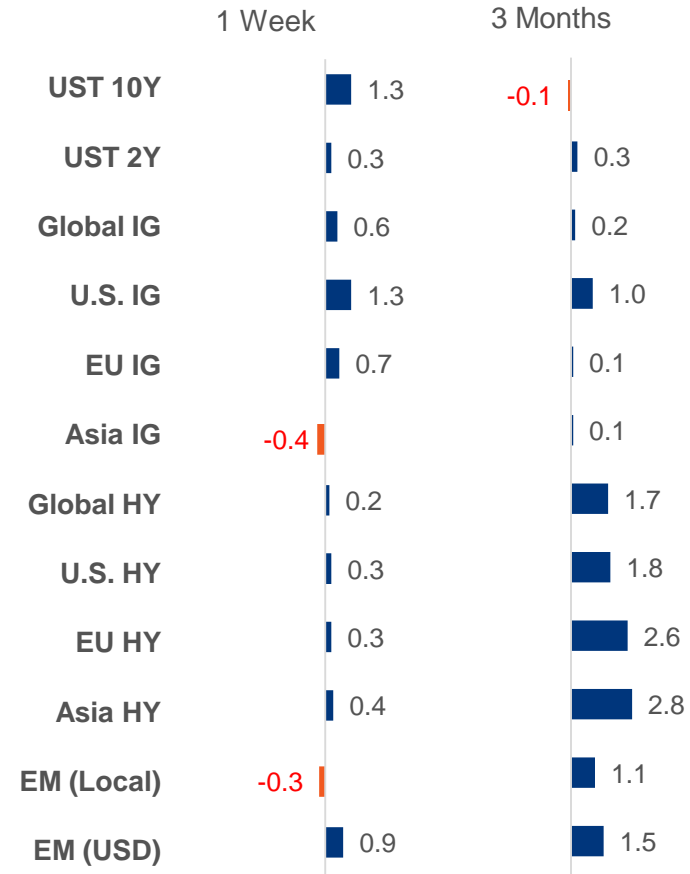
## US Stock Performance by Sector (%)



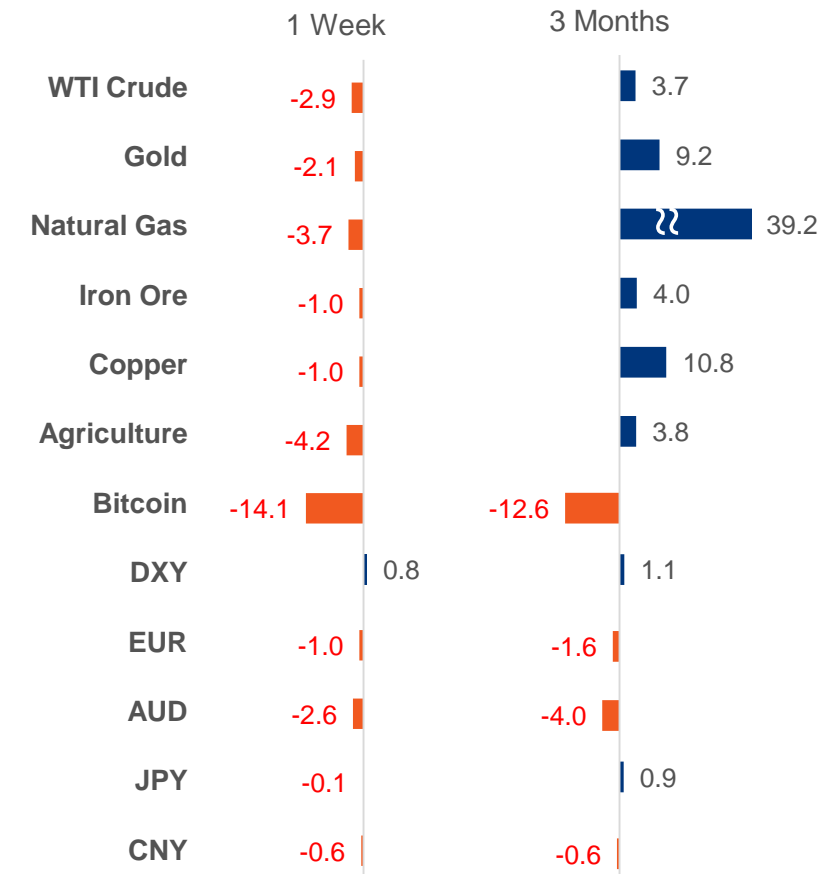
# U.S. Services PMI Contracts; Consumer Sentiment and Long-Term Yields Decline

- ▶ The U.S. Manufacturing and Services PMIs came in at 51.6 and 49.7, respectively. While manufacturing improved from Jan's 51.2, services tumbled from 52.9, unexpectedly slipping into contraction. Manufacturing may have benefited from advanced production due to Trump's tariff policies, but the sharp services decline caught markets off guard. The final Michigan Consumer Sentiment Index fell to 64.7, below the preliminary 67.8 reading, with declines across age, income, and wealth groups - potentially reflecting inflation concerns tied to tariffs. Walmart's recent weak earnings may have been an early signal of services sector weakness.
- ▶ With growth expectations softening, long-term U.S. yields retreated from above 4.4% to below 4.3% this week, supporting bond prices. Growth-sensitive assets also corrected, with Bitcoin plunging nearly 14%, mirroring the selloff in semiconductor and tech stocks.
- ▶ The U.S. Dollar remained largely stable this week. Our model suggests the dollar may have peaked, though it is expected to stay relatively strong in the first half of the year. This is due to the likelihood of sustained rate differentials - where other major economies may cut rates while the Fed holds - and ongoing policy uncertainty, which supports safe-haven demand for the dollar.

## Performance of Bonds (%)



## Performance of Commodities and Currencies (%)



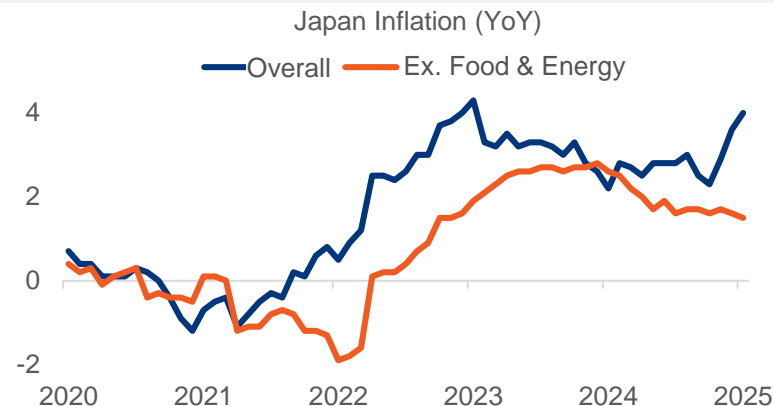
What's Trending

# Japan's Inflation Driven by Food & Energy Prices; BOJ Hawkish to Support Yen

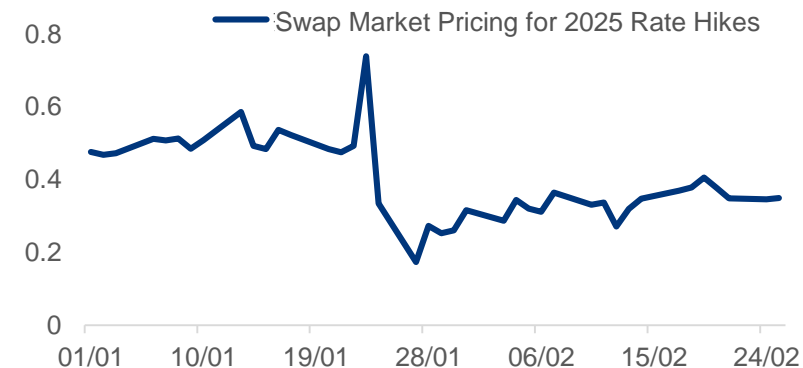
- ▶ Japan's Jan CPI rose 4% YoY, the highest in nearly two years. Food prices surged, and energy costs climbed after government subsidies ended in May 2023. However, core inflation (excluding food & energy) continued to ease, rising just 1.5% YoY.
- ▶ Real wage growth remains positive, sustaining an uptrend. With the spring wage negotiations (Shunto) underway, labor unions aim to secure wage hikes at least on par with last year's 3.6% increase—higher than in 2023. A positive wage-price cycle may help the BOJ achieve its 2% inflation target.
- ▶ Domestic demand-driven Japanese stocks are expected to outperform, while exporters could face volatility amid U.S. tariff risks. Higher energy prices, driven by a weaker yen, combined with stable GDP growth and rising wages, suggest the BOJ will maintain a hawkish stance. The yen remains on a medium-to-long-term appreciation path.

Source: Bloomberg

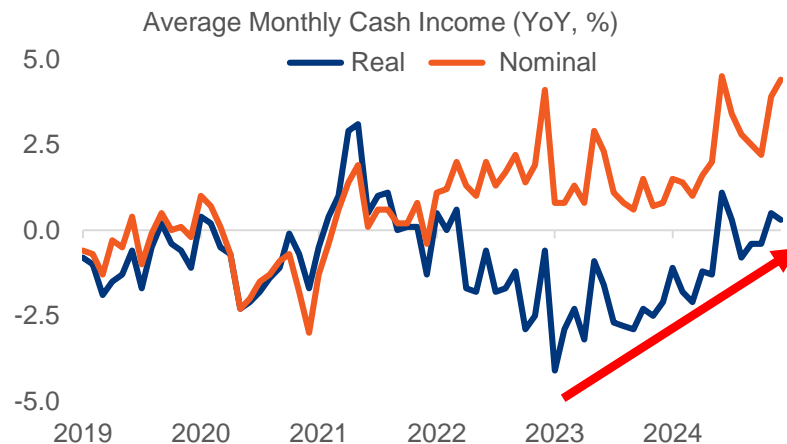
**Rising Food & Energy Prices Push Japan's Inflation Higher**



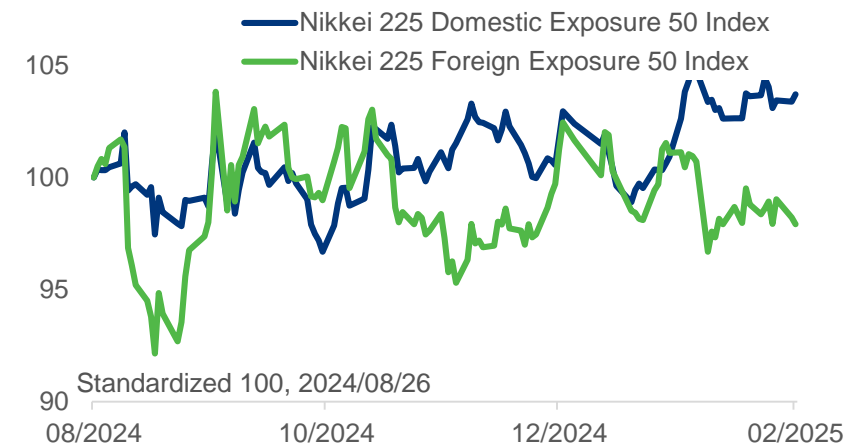
**BOJ Rate Hike in January Hasn't Significantly Altered 2025 Expectations**



**Real Wage Growth Sustains Uptrend**



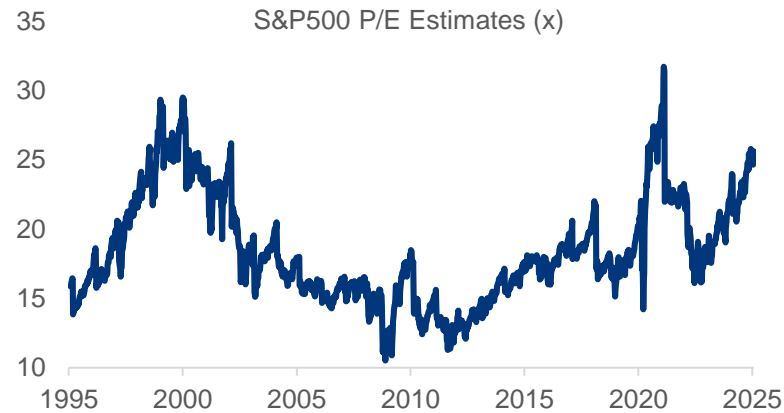
**Domestically Focused Stocks Outperform**



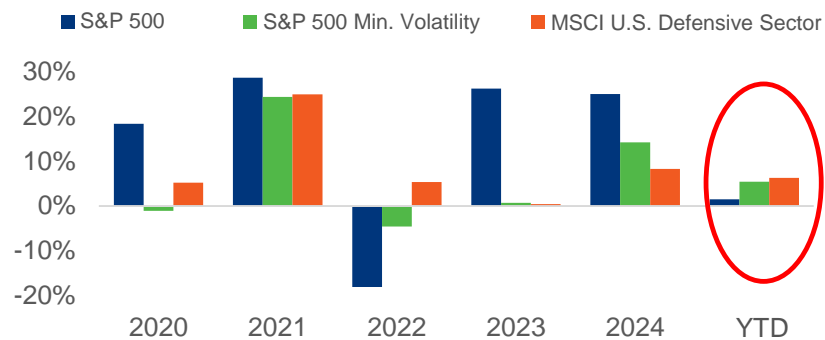
# Defensive Positioning in U.S. Equities; Diversified Strategies to Manage Volatility

- ▶ The S&P 500's forward P/E ratio is at levels seen during the pandemic and the 2000 dot-com bubble. If earnings, monetary policy, or economic outlooks disappoint, combined with Trump's policy uncertainties, market volatility could rise.
- ▶ While U.S. equities still have an edge among developed markets, and a softer dollar may ease pressure, investors should integrate defensive strategies.
- ▶ **Diversify into Defensive & Low-Volatility Stocks** – Traditional defensive sectors like utilities and consumer staples offer stable earnings during downturns. Low-volatility stocks, selected for their lower market fluctuations, have outperformed the broader S&P 500 YTD, indicating sector rotation from high-growth names.
- ▶ **Equal-Weighted ETFs to Reduce Concentration Risk** – The market-cap-weighted S&P 500 is heavily concentrated, with the top 10 stocks accounting for over 35% of the index. With earnings growth expected to narrow between the "Magnificent 7" and the other 493 companies, equal-weighted ETFs provide broader exposure.

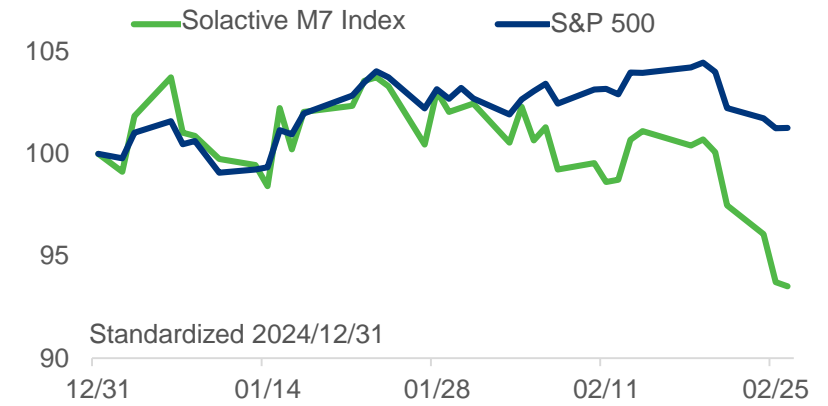
**S&P 500 Valuations at Pandemic & Dot-Com Bubble Levels**



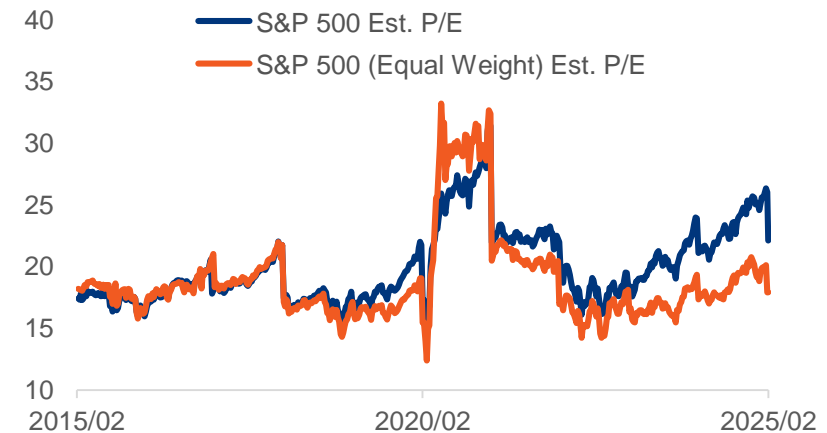
**Defensive & Low-Volatility Stocks Outperform S&P 500**



**"Magnificent 7" Lagging Broader Market**



**Unusual Valuation Gap Between Equal-Weighted & Traditional Index**



Source: Bloomberg

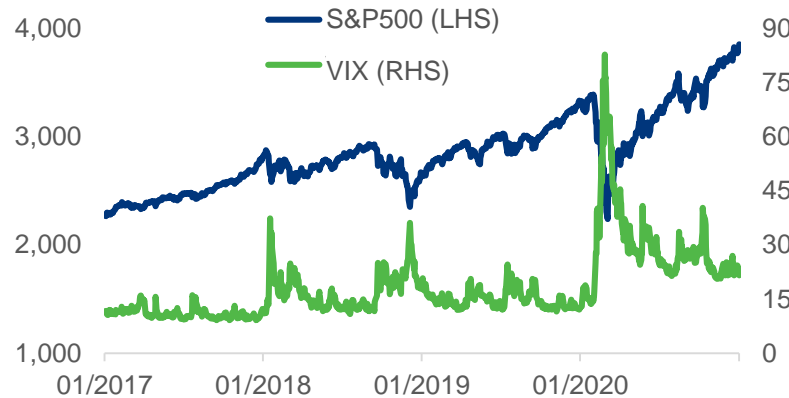
# Defensive Positioning by Integrating Risk Management Strategies

- ▶ **Covered Call Strategy for Income & Volatility Buffer** – This strategy sacrifices upside potential in exchange for option premiums as additional income. With limited near-term catalysts for major equity rallies but no immediate bearish outlook, covered calls present a viable approach. They offer a higher yield than holding stocks outright and provide a cushion during market downturns. As volatility rises, option premiums increase, further enhancing income potential. This strategy is not sector-restricted and can be applied to low-dividend tech stocks. Single-stock covered call ETFs are also available for implementation.
- ▶ **Buying on VIX Spikes** – Trump's trade policies aim for better U.S. trade agreements but could heighten market volatility. Historically, high volatility (VIX spikes) has provided solid buying opportunities. Two key approaches:
  - ▶ 1. When VIX is near its average, add portfolio hedges (e.g., buying put options or long VIX positions).
  - ▶ 2. When VIX rises above 20, historical data suggests better 60-day returns when buying U.S. large-cap ETFs, funds, or stocks compared to random entry points.

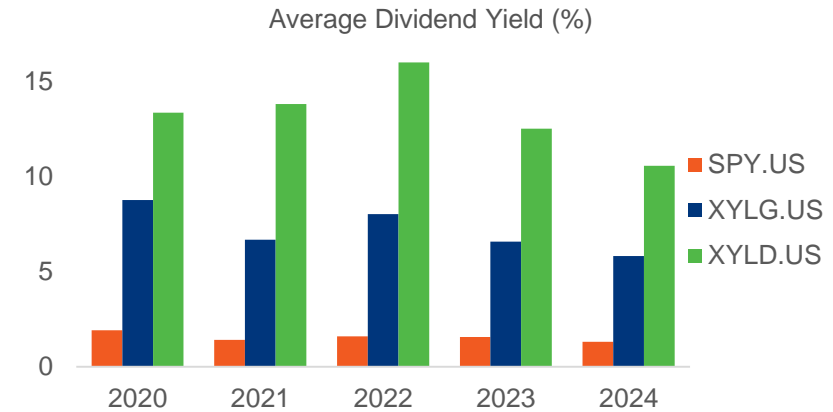
## Covered Call Strategy Lowers Portfolio Volatility

	1Y Return	260D Volatility
SPDR S&P500 ETF (SPY.US)	27.0%	12.90
Global X S&P 500 Covered Call & Growth ETF (XYLG.US)	23.6%	9.88
Global X S&P 500 Covered Call ETF (XYLD.US)	20.2%	
Invesco QQQ Trust Series 1 (QQQ.US)	18.6%	18.56
Global X Nasdaq 100 Covered Call ETF (QYLD.US)	15.4%	10.97

## During Trump's First Term, Trade War Triggered VIX Surge



## Option Premiums Enhance Income, Yield Higher Than Equities Alone



## VIX Spikes Often Signal Buying Opportunities

	S&P500 Return (%)	Avg. VIX	Occurrences		Avg. 60D S&P500 Return (%)		
			VIX 20+	VIX 25+	All	VIX 20+	VIX 25+
2017	19.4	11.0	0	0	4.0	/	/
2018	-6.2	16.6	59	16	0.1	3.8	8.2
2019	28.9	15.4	15	1	3.1	10.0	17.1
2020	16.3	29.3	218	154	6.3	9.9	11.6
20年		19.1	1,674	849	2.2	3.1	4.9
10年		18.3	769	358	2.8	4.8	6.8

Source: Bloomberg



# Asset Strategy

Asset Type	Market View	Preferred Assets
<b>Equities</b>	<ul style="list-style-type: none"> <li>◆ U.S. corporate earnings have largely exceeded expectations, and DeepSeek's emergence presents rotation opportunities in U.S. equities. Markets are closely monitoring Trump's tariff policies, with financials and industrials continuing to benefit from his pro-business stance. AI remains a strong long-term growth theme, sustaining the tech sector's structural uptrend. However, a defensive positioning in equities and sector rotation remains crucial.</li> <li>◆ In Europe, potential peace talks in the Russia-Ukraine conflict and ongoing ECB easing are driving equity markets to new highs. U.S.-EU trade negotiations will be key to watch. In Japan, wage growth is fueling a positive consumption cycle, supporting a bullish outlook. In China and Hong Kong, DeepSeek-driven gains have lifted sentiment, but rising tariffs pose downside risks, warranting caution over volatility.</li> </ul>	<p><b>Style:</b> Large-cap stocks, Financial, Industrial, Defense, AI, and Technology stocks</p> <p><b>Regions:</b> U.S., Japan</p>
<b>Bonds</b>	<ul style="list-style-type: none"> <li>◆ With U.S. economic resilience and persistent inflation concerns, the Fed may slow its balance sheet runoff instead of aggressively cutting rates. Fixed-income investors should focus on locking in yields with medium-to-short duration investment-grade bonds. Fiscal discipline risks remain, suggesting a cautious stance on long-term Treasuries.</li> <li>◆ As the economy soft-lands, credit spreads are tightening, and corporate credit quality remains strong. Investors should capitalize on yield opportunities in corporate bonds while considering a potential economic slowdown in the latter half of the year. Focus should remain on investment-grade bonds from leading firms, particularly in sectors with attractive risk-adjusted spreads such as telecom, financials, and utilities.</li> </ul>	<p><b>Duration:</b> Medium-to-short term bonds for yield locking</p> <p><b>Types:</b> Investment-grade corporate bonds, with a focus on telecom, financials, and utilities</p>
<b>Forex</b>	<ul style="list-style-type: none"> <li>◆ The Fed's slower rate-cut path, Trump's continued trade war rhetoric, and rising market uncertainties support the dollar in the near term, albeit with slightly reduced strength.</li> <li>◆ Japan's economic conditions continue to improve, and rate hike expectations remain intact, leading to sustained yen appreciation.</li> </ul>	<p>The US dollar remains supported at elevated levels in the near term</p> <p>The Japanese yen is likely to trend upwards</p>

## Focusing on China's "Two Sessions"

### HK Budget Introduces Measures to Strengthen Financial Hub Status

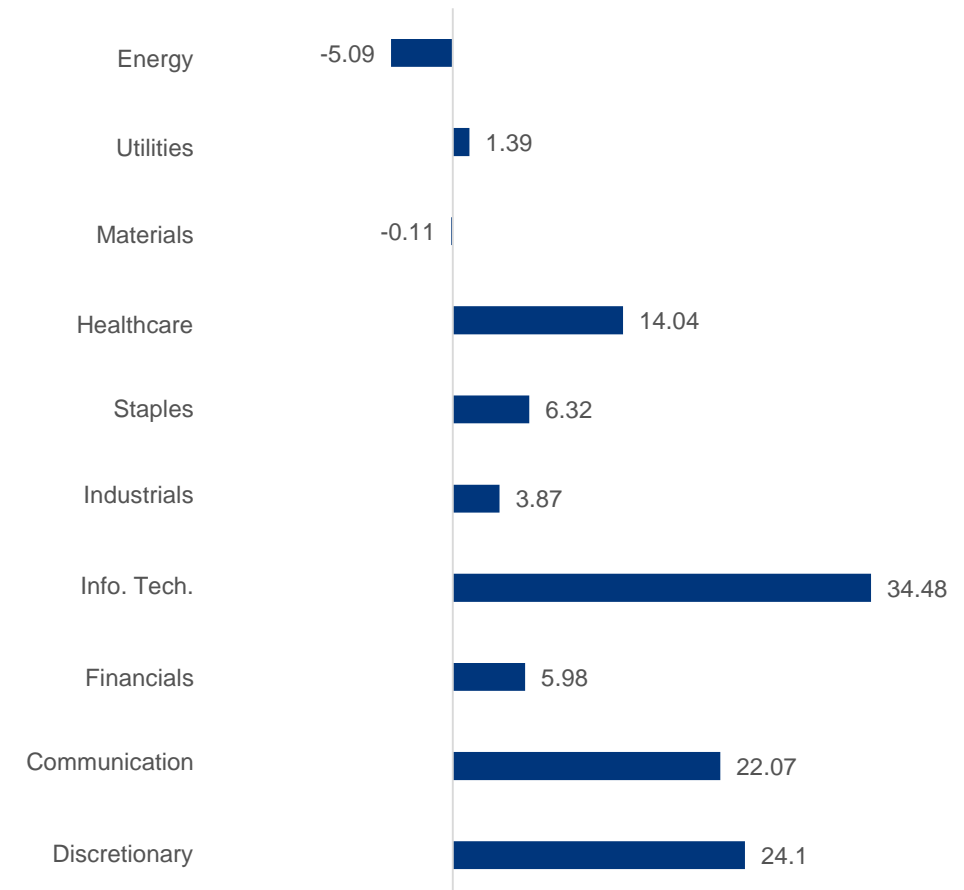
- ▶ Hong Kong's Financial Secretary, Paul Chan, unveiled the 2025-26 budget on Wednesday (26th), outlining key measures to reinforce the city's international financial center status, including: 1. Active preparation for a Technology Listing Connect; 2. Review of listing regulations; 3. Improving the lot size mechanism for Hong Kong stocks; 4. Implementing T+1 settlement within the year.
- ▶ The first two measures aim to attract more firms, particularly specialized tech companies under Chapter 18C, to list in Hong Kong. The latter two initiatives are designed to enhance market liquidity, benefiting high-quality stocks with large entry barriers by lowering investment thresholds for smaller investors. These capital market enhancements are directly positive for HKEX (388), especially as recent trading volumes have rebounded significantly, making it a key stock to watch.

### China's "Two Sessions" in Focus

- ▶ China will hold its Two Sessions on March 4-5, where the government will present its annual review and future targets, covering economic growth, employment, fiscal policies, and industrial upgrades.
- ▶ Provincial governments have already set 2025 GDP growth targets, with major economies such as Guangdong, Jiangsu, and Shandong aiming for around 5% or higher, indicating that the central government may maintain its 5% growth target for 2025. Inflation expectations at the provincial level suggest a full-year CPI target of 2%, lower than last year's 3% target. Policies to boost consumption will be key to achieving this.
- ▶ The fiscal deficit ratio is widely expected to increase from 3% to 4%, with a larger bond issuance compared to 2024. A key area to watch is funding allocation for "Two New" initiatives—early signals from the National Development and Reform Commission (NDRC) in January suggest that ultra-long-term special bonds for "Two New" projects could double from CNY 300 billion in 2024 to CNY 600 billion in 2025. The allocation details of these funds will be crucial.

Source: Bloomberg

### MSCI China Index 1-Month Return by Sector (%)



# Meituan (3690)

**Closing Price** HK \$170.5

**Target Price** HK \$180.5

Meituan operates as a web based shopping platform for locally found consumer products and retail services. The Company offers deals of the day by selling vouchers on local services and entertainment, dining, delivery, and other services.

■ **Stock Weakness Presents a Buying Opportunity**

We last recommended Meituan in Dec., but it has underperformed other tech names since. The market is concerned that its Saudi expansion could increase new business losses. However, we previously noted that Meituan’s Saudi push is a worthwhile venture, and recent developments show it has successfully gained market share. Unlike AI-driven stocks, Meituan has not benefited from the AI rally, which partly explains its underperformance. However, this also means it carries less geopolitical risk. We remain bullish and view the pullback as opportunity.

■ **JD Food Delivery Poses Limited Threat**

JD officially launched a recruitment campaign for dine-in restaurant merchants, offering a zero commission fee until May 2025. This has raised concerns about intensified competition in food delivery, but we believe these fears may be overblown: 1) User feedback suggests JD’s food delivery service lacks a price advantage and is often significantly more expensive. To compete, JD may need heavy subsidies. 2) Meituan has 7.45 million couriers, while JD’s Dada Now service only has 1.3 million—a significant gap. 3) Meituan benefits from economies of scale and a well-established membership system and recommendation algorithm. JD has yet to launch a standalone app, with its food delivery function hidden under the “Dada Now” tab, raising doubts about its long-term commitment. Given Meituan’s dominance, we believe JD’s entry will not pose a major competitive threat.

■ **Limited Impact from U.S.-China Tensions**

Reports indicate that Trump has signed the “America First Investment Policy,” restricting U.S. investments in China’s high-tech sectors. Earlier this year, he blacklisted Tencent as a military-linked company. These moves heighten concerns over escalating U.S.-China tensions, especially for tech firms potentially facing investment restrictions. However, Meituan’s business is primarily domestic, focusing on local services and logistics rather than semiconductors, AI, quantum computing, biotech, aerospace, or advanced manufacturing—the sectors affected by the new policy. This shields Meituan from direct geopolitical risk, making it a safer bet amid rising U.S.-China tensions.

Source: Bloomberg

**Financials**

	2021	2022	2023	2024F	2025F
<b>Net Income (100M HKD)</b>	-155.7	28.2	232.5	440.0	551.2
<b>NI YoY(%)</b>	-598.9	118.1	722.4	89.2	25.2
<b>EPS(CNY)</b>	-3.9	-1.09	2.11	6.99	8.73
<b>DPS(CNY)</b>	0	0	0	0	0
<b>P/E</b>	-	-	74.6	22.5	18.0
<b>Dividend Yield(%)</b>	0	0	0	0	0

Source: Bloomberg; 2024/25F are market estimates

**1Y Performance**



As of 26 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	16.36	6.02	14.83	122.33	1.16	75.42

**Valuations**

● 5Y Average    ◆ Current

Price	62.55	◆	●	451.4
P/E	24.85	◆	●	1099.3
P/B	2.35	◆	●	22.65

# ANTA Sports Products Ltd (2020)

**Closing Price** HK \$88.55

**Target Price** HK \$96

ANTA Sports Products Limited designs, develops, manufactures, and markets sportswear. The Company produces sports footwear and apparel for professionals and the general public.

## ■ Potential Beneficiary of Consumption Stimulus Policies

With Trump 2.0 in play, the market widely expects China's "Two Sessions" to roll out further consumption stimulus policies to counter external challenges. Earlier this year, the NDRC and Ministry of Finance launched an "Old-for-New" consumption initiative, but as home appliances are durable goods and smartphones have longer upgrade cycles, the incremental impact may be limited. This time, the policy could expand to a broader range of consumer goods, including sporting goods.

## ■ China's Retail Sector Poised for Improvement

According to the China Chain Store & Franchise Association (CCFA), over 70% of shopping malls reported sales growth in 2024. A January survey of the top 100 mall operators and retailers revealed that more than half of shopping centers saw YoY increases in sales, foot traffic, and rental income.

Further supporting this trend, Hang Lung Properties' latest results showed a notable improvement in tenant retail sales in 4Q24, with narrowing declines—a sign that the sector is stabilizing. Additionally, China recently raised salaries for civil servants nationwide, a move that could boost domestic demand and drive economic growth.

## ■ Anta's Multi-Brand Strategy Outperforms Peers

FILA's recovery in 4Q24 has eased a key overhang on Anta's stock. FILA's growth momentum weakened in 2024, slowing from double-digit expansion in 2023 to a decline in 3Q24, sparking concerns as FILA has historically contributed over 40% of Anta's operating profits. However, in 4Q24, both Anta and FILA brands posted high-single-digit growth, while other brands surged 50–55% YoY. Additionally, Amer Sports, in which Anta holds a 43% stake, reported a net profit of RMB 15.4 million in 4Q24, reversing a RMB 93 million loss a year earlier.

Anta's multi-brand strategy enables it to cater to diverse consumer segments, positioning it ahead of industry peers.

Source: Bloomberg

## Financials

	2022	2023	2024	2025F	2026F
<b>Net Income (100M USD)</b>	77.2	75.9	102.3	129.6	137.6
<b>NI YoY(%)</b>	52.6	-1.6	34.8	26.6	6.2
<b>EPS(CNY)</b>	2.81	2.76	3.69	4.58	4.88
<b>DPS(CNY)</b>	1.58	1.34	1.97	2.37	2.55
<b>P/E</b>	29.5	30.0	22.5	18.1	17.0
<b>Dividend Yield(%)</b>	1.91	1.62	2.38	2.86	3.08

Source: Bloomberg; 2025/26F are market estimates

## 1Y Performance



As of 26 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	4.86	11.81	10.66	18.71	-23.03	44.90

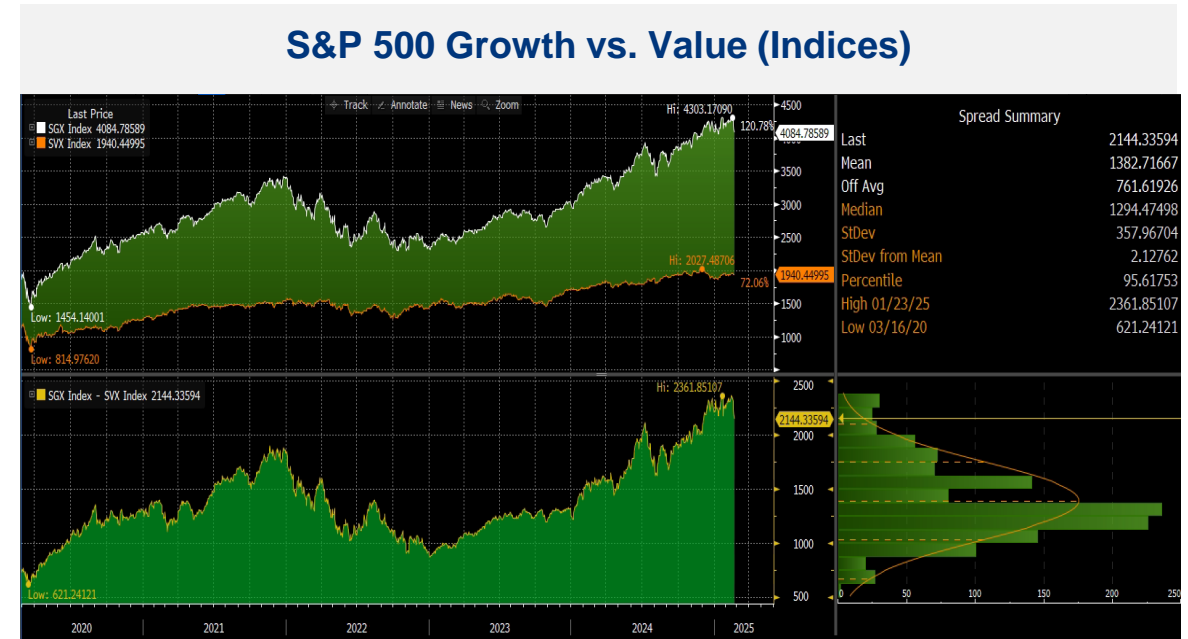
## Valuations

● 5Y Average ◆ Current

Price	42.3		177.4
P/E	12.69		76.8
P/B	2.92		16.6

## Sector Rotation in Play as Value Stocks Outperform

- ▶ U.S. core PCE inflation (excluding food and energy) rose 0.3% MoM in January, aligning with market expectations and slightly above December's 0.2%. On a YoY basis, core PCE eased to 2.6%, meeting forecasts.
- ▶ 4Q GDP final estimate came in at 2.3% annualized, the slowest in three quarters and down from 3.1% in 3Q, consistent with preliminary data.
- ▶ Durable goods orders surged 3.1% MoM to \$282.3 billion, marking the largest increase in six months and beating expectations of 2% growth. December's orders were revised lower to a 1.8% decline.
- ▶ New home sales fell 10.5% MoM to 657K units, missing forecasts of 680K units and down from 698K units in December.
- ▶ Looking back at 2022's inflationary cycle, the S&P Growth vs. Value Index spread narrowed, reflecting a sector rotation toward value stocks. Renewed reflationary expectations have once again triggered capital flows into value-oriented sectors.
- ▶ Recent weak U.S. macro data, heightened concerns over fiscal tightening and layoffs, and geopolitical uncertainty have weighed on risk sentiment, fueling a sharp equity pullback—especially in high-valuation growth stocks. Amid market volatility, investors are shifting toward value and defensive stocks.



# Costco Wholesale Corp. (COST)

**Closing Price** US \$1,048

**Target Price** US \$1,200

## Profile

Costco Wholesale is a membership warehouse club. It sells all kinds of food, automotive supplies, toys, hardware, sporting goods, jewelry, electronics, apparel, health, and beauty aids, as well as other goods.

## Highlights

### ■ Inflation Remains Elevated, but Sales Growth Stays Strong

Despite elevated inflation in the U.S. and a 0.9% MoM decline in retail sales, YoY retail sales still grew 4.2% in January. The company's same-store net sales in the U.S. rose 9.2% YoY to \$19.51 billion. Notably, 36% of its members earn over \$125K annually, a demographic less impacted by inflation and exhibiting stable spending habits, supporting high membership retention rates.

### ■ A Defensive Growth Play

Unlike traditional supermarkets relying on low-margin volume sales, the company maintains ultra-low wholesale prices while deriving profits primarily from membership fees. Long-term growth is driven by membership expansion and fee hikes. As of December 2024, paid household memberships reached 77.4 million (+8% YoY), with total cardholders at 138.8 million. Global renewal rates stood at 90.4%.

From September 1, 2024, membership fees in the U.S. and Canada were raised—basic memberships increased from \$60 to \$65, and premium memberships from \$120 to \$130. In South Korea, fees will rise 7.5%-15.2% in May 2025. The company currently operates 897 warehouses across 13 countries, with plans to open 29 new locations in 2025, including 12 outside the U.S.

### ■ Valuation Consensus

Bloomberg's 12-month target price: Average: \$1,057, High: \$1,200, Low: \$560

Source: Bloomberg

## Financials

	2022	2023	2024	2025F	2026F
<b>Revenue Growth(%)</b>	15.8	6.8	5.0	7.3	6.8
<b>EBITDA (%)</b>	4.5	4.5	4.6	4.7	4.8
<b>EPS</b>	13.49	14.85	16.54	18.26	20.07
<b>Net Profit Margin(%)</b>	2.6	2.7	2.9	3.0	3.1

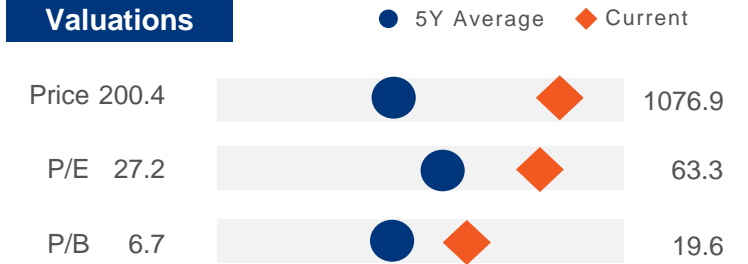
Source: Bloomberg; 2025/26F are market estimates

## 1-Year Performance



As of 26 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	9.8	6.2	12.6	38.5	28.6	30.3

## Valuations



# Waste Management Inc. (WM)

**Closing Price** US \$232.78

**Target Price** US \$250

## Profile

Waste Management, Inc. provides waste management services including collection, transfer, recycling, resource recovery, and disposal services, and operates waste-to-energy facilities.

## Highlights

### Resilient Business Model

The company's waste management operations resemble a utility, offering essential disposal services that remain in demand regardless of economic conditions. This ensures stable growth even during economic uncertainty or periods of deflation. While macroeconomic fluctuations (e.g., tariffs) may impact broader markets, the necessity of waste management services underscores the company's strategic importance and resilience.

### Synergies from Acquisitions

Following its \$7.2 billion acquisition of Stericycle, the company has solidified its leadership in the medical waste disposal market. Over the next three years, this deal is projected to generate \$250 million in synergies. For FY2025, revenue is expected to range between \$25.55 billion and \$25.8 billion, reflecting confidence in continued growth potential.

### Valuation Consensus

Bloomberg's 12-month target price: Average: \$239.67; High: \$262; Low: \$191.

Source: Bloomberg

## Financials

	2022	2023	2024	2025F	2026F
<b>Revenue Growth(%)</b>	9.9	3.7	8.0	16.2	5.6
<b>EBITDA (%)</b>	28.7	29.8	30.6	29.4	30.1
<b>EPS (USD)</b>	5.71	6.14	7.15	7.67	8.72
<b>Net Profit Margin(%)</b>	12.0	12.2	13.1	12.0	13.0

Source: Bloomberg; 2025/26F are market estimates

## 1-Year Performance



As of 26 Feb. 2025

**Return (%)**

**1M**

**3M**

**YTD**

**1Y**

**3Y**

**5Y**

9.2

0.5

13.3

10.2

18.6

15.5

## Valuations

● 5Y Average ◆ Current

Price	87.9	5Y Average	230.8
P/E	19.9	5Y Average	35.3
P/B	5.3	5Y Average	12.4



# Key Tech Stocks in Focus, Watch for Strong Performers Breaking Above Short-Term MA

## ► Taiwan Stocks Stay Firm at Highs, Index Finds Support at 50-Day Moving Average

Taiwan stocks remained resilient last week, with the market rebounding on Wednesday after testing the 50-day moving average and the February 14 low of 23,142. This suggests that the 50-day moving average could continue to act as a strong support level. Whether the index can sustain an upward momentum depends on a notable increase in trading volume. Without such confirmation, approaching or breaking above technical resistance levels could lead to consolidation. In the near term, the index is likely to trade within the 23,150–23,650 range until volume trends provide further direction.

## ► Nvidia’s Earnings Could Be a Market Catalyst; Key Tech Stocks Drive Market Direction

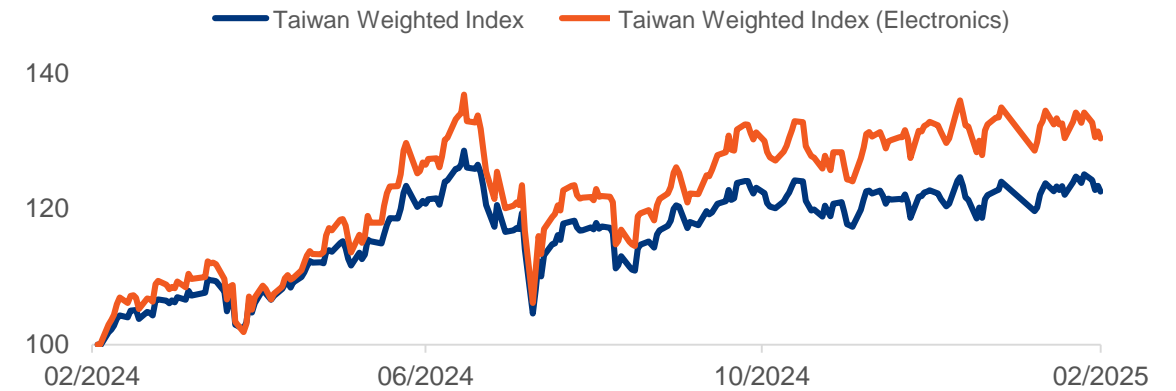
Nvidia reported earnings last Thursday, and its post-earnings performance will be critical in determining whether Taiwan's major tech stocks and the broader market can stabilize and rebound. Key tech stocks are defending the 50-day moving average, maintaining crucial market support. Financials continue to exhibit choppy but overall bullish momentum, playing a supporting role for the market. Non-tech sectors have seen increased volatility after strong rallies, with steel, plastics, cement, and shipping stocks, which were boosted by post-war reconstruction themes, now consolidating. The Taipei International Machine Tool Show, set for early March, could drive attention to related stocks.

With the market still in a short-term bullish trend, traders may take advantage of intraday pullbacks to accumulate strong stocks with growth potential. The focus should be on stocks benefiting from revenue catalysts, breaking above key resistance levels, or trending higher along short-term moving averages.

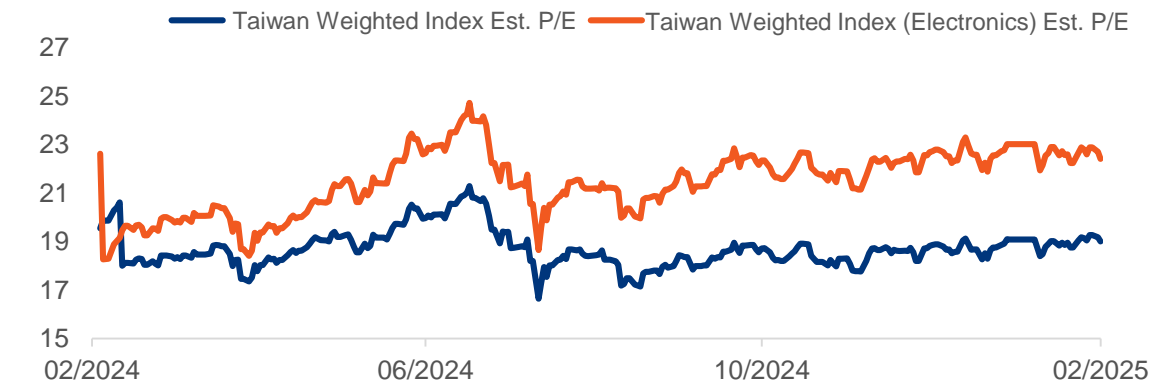
Source: Bloomberg

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

Index, 27 Feb. 2024 = 100



Index Est. P/E





# Elite Material (2383 TT)

Elite Material Co., Ltd. manufactures and markets prepreg and copper clad laminates for varieties of printed circuit boards (PCBs). Applications of the company's products include, but are not limited to, communication devices, networking infrastructure products and the upcoming 5G communication products.

## Highlights

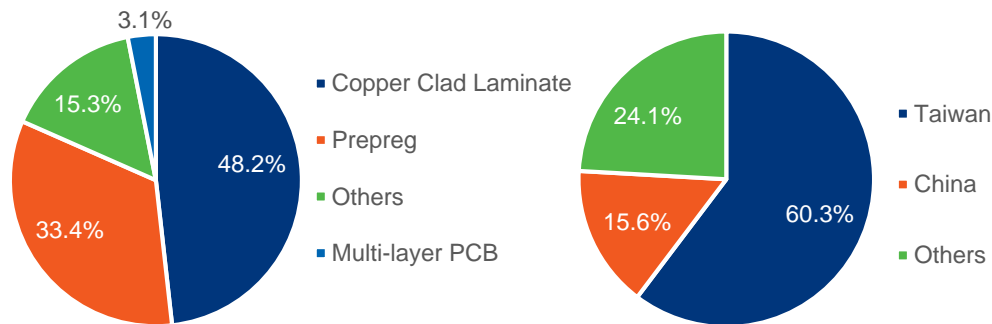
### ■ 1Q25 Revenue to Hit New High, Driven by ASIC Server Growth

We expect 1Q25 revenue to grow 5-15% QoQ, with full capacity utilization and outsourcing support. Gross margin is projected to continue improving. Infrastructure and networking revenue is expected to rise QoQ, driven by ASIC servers and 800G demand, while automotive revenue sees a slight increase.

### ■ Strong Order Momentum in 2025; New Capacity to Come Online

4Q25 capacity is projected at 5.8 million units. The new Huangshi plant's additional 300,000 units will come online earlier in May 2Q25, while the Malaysia plant's 600,000-unit expansion may also be advanced to August 3Q25. Monthly capacity in 2026 is estimated at 6.1 million units. ASIC orders continue to ramp up, surpassing GPU in share. Meanwhile, 800G switch penetration is expected to rise to 20-25% in 2025.

## Revenue Sources and Regions



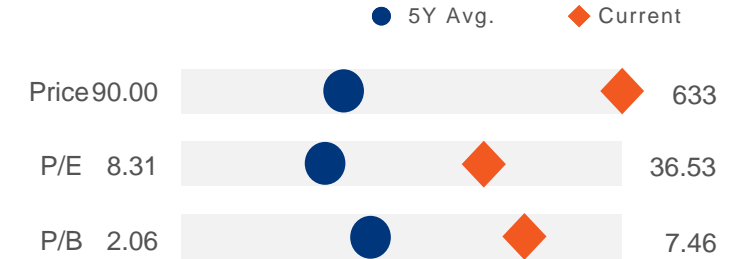
Source: Bloomberg

## Financials

	2021	2022	2023	2024F	2025F
EPS (NTD)	15.24	16.35	27.74	36.22	40.49
EPS Growth (%)	-7.7	7.3	69.7	30.5	11.8
P/E Ratio	37.8	35.2	20.8	15.9	14.2
ROE (%)	24.3	22.5	33.5	38.2	37.1

Source: Company data, estimates of KGI analyst

## Valuations



## 1-Year Performance



As of 27 Feb. 2025	1Wk	1M	3M	6M	YTD	1Y
Return (%)	5.1	3.3	35.6	43.0	2.6	25.8

# Wistron Corp (3231 TT)

## Profile

Wistron Corporation manufactures and markets notebook computers, personal computers, and other related information products.

## Highlights

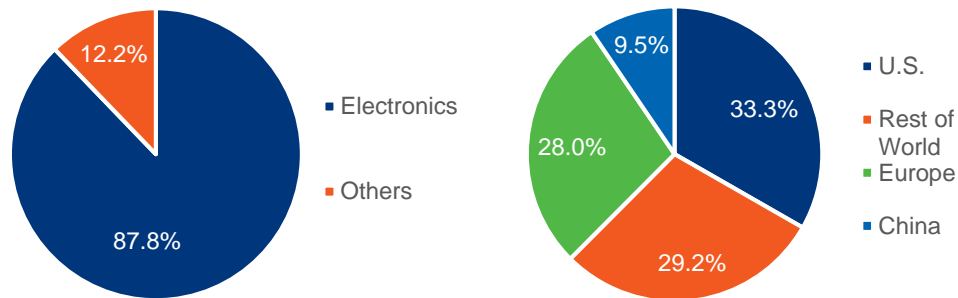
### Robust AI Server Demand, 1Q25 Orders Continue to Grow

GB200 substrates started shipping in late 4Q24, with Nvidia (US) recently raising its order forecast. Dell's (US) GB200 NVL72 system orders for 1Q25 have also been revised up, reflecting strong AI server demand. With solid order momentum, we expect revenue to remain flat QoQ but grow 25% YoY.

### Profit Margins to Improve in 2025

Higher-margin AI and general-purpose servers are expected to drive overall margin improvement, with 2025 gross margin forecasted at 4.3% (up from 3.7% in 2024). EPS is projected at NT\$8.41, a 38% YoY increase (2024: NT\$6.11). Management remains optimistic about the increasing contribution from edge AI in 2026 and plans to expand into firmware and key components for robotics.

## Revenue Sources and Regions



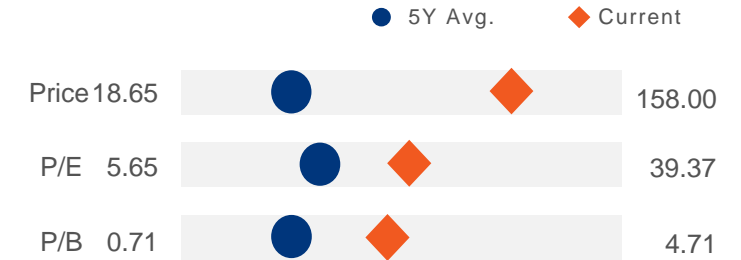
Source: Bloomberg

## Financials

	2021	2022	2023	2024F	2025F
EPS (NTD)	3.76	4.01	4.08	6.11	8.41
EPS Growth (%)	21.3	6.6	1.7	49.8	37.6
P/E Ratio	30.6	28.7	28.2	18.8	13.7
ROE (%)	14.0	12.8	11.4	15.7	19.2

Source: Company data, estimates of KGI analyst

## Valuations



## 1-Year Performance



# Market Remains Volatile, Enhancing with Covered Calls and Low-Vol Strategies

## ► Invesco S&P 500 Low Volatility ETF (SPLV)

- Tracks the performance of the S&P 500 Low Volatility Index.
- Unlike the S&P 500 Index, this ETF is more concentrated in financials and utilities, with lower exposure to technology stocks.
- Helps reduce portfolio risk in volatile market conditions.

## ► Global X S&P 500 Covered Call ETF (XYLD)

- Tracks the Cboe S&P 500 BuyWrite Index.
- Actively selects stocks with dividend growth potential while selling covered calls to generate additional income through option premiums.
- Offers diversified exposure with around 500 holdings, with the top 10 positions accounting for approximately 35% of the portfolio.

Product	Invesco S&P 500 Low Volatility ETF (SPLV.US)	Global X S&P 500 Covered Call ETF (XYLD.US)
Features	<ul style="list-style-type: none"> <li>■ Tracks an index that selects and holds at least 100 of the lowest-volatility stocks within the S&amp;P 500</li> </ul>	<ul style="list-style-type: none"> <li>■ Follows a covered call strategy by holding stocks while selling call options on the underlying securities, generating additional income through option premiums.</li> </ul>
AUM	USD 7.63 B	USD 3.25 B
Tracking Index	S&P 500 Low Volatility Index	CBOE S&P 500 BuyWrite Index
Holdings	102	505
Expense Ratio	0.25%	0.6%
3M/YTD Returns	-0.10% / 6.25%	3.69% / 1.34%
Top-5 Sectors (%)	Financials 20.24 Utilities 16.89 Industrials 16.51 Staples 13.57 Healthcare 7.89	Info. Tech. 32.70 Financials 13.64 Cyclicals 10.76 Healthcare 10.64 Comm. Services 9.58
Top-5 Holdings (%)	Coco-Cola Co. 1.33 Marsh & McLennan Cos 1.29 Berkshire Hathaway Inc 1.25 Republic Services 1.20 Firstenergy Corp 1.19	Apple Inc 7.38 Nvidia 6.31 Microsoft 5.94 Amazon.com 3.93 Meta Platforms 2.88

Source: Bloomberg, 25 Feb. 2025

# Invesco S&P 500 Low Volatility ETF (SPLV.US)

## Profile

Invesco S&P 500 Low Volatility ETF is an exchange-traded fund incorporated in the USA. The Fund tracks the S&P 500 Low Volatility Index which is designed to measure the performance of the 100 least volatile stocks in the S&P 500 Index as measured by trailing 12 month standard deviation.

### Low Volatility

This ETF tracks an index that selects and holds at least 100 of the lowest-volatility stocks within the S&P 500, resulting in a relatively stable performance during market fluctuations.

### Inverse Volatility Weighting

The ETF employs an inverse volatility weighting methodology, assigning higher weights to stocks with lower volatility. No single stock exceeds 2% weight, with the top 10 holdings comprising approximately 12.05% of the portfolio.

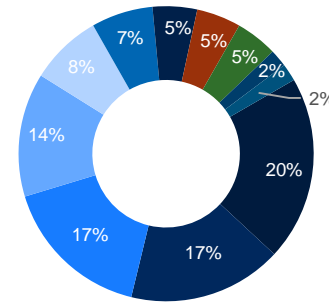
### Lower Expense Ratio

With an expense ratio of 0.25%, this ETF is cost-effective compared to similar funds, helping investors reduce investment costs.

<b>Inception Date</b>	5 May 2011	<b>AUM</b>	USD 7.63 B
<b>ETF Category</b>	Equities	<b>Holdings</b>	102
<b>Expense Ratio</b>	0.25%	<b>3Y Stand. Dev. (Ann.)</b>	13.11%

Source: Bloomberg, 25 Feb. 2025

## Sectors



- Financials
- Utilities
- Industrials
- Staples
- Healthcare
- Real Estate
- Discretionary
- Materials
- Tech
- Communications
- Energy

## 1-Year Performance

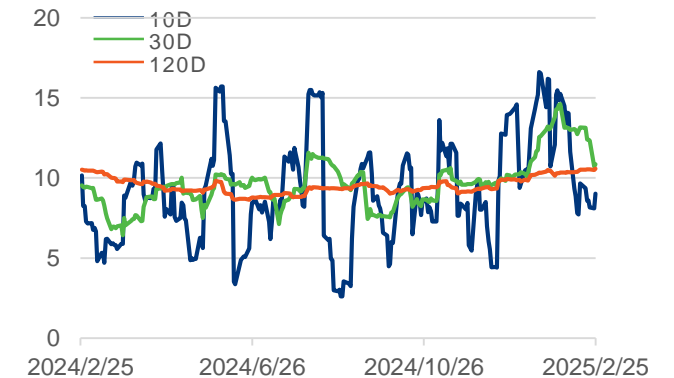


As of 25 Feb. 2025	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	4.49	-0.10	6.25	18.10	23.52	41.04

## Top-5 Holdings (%)

<b>Coco-Cola Co.</b>	1.33
<b>Marsh &amp; McLennan Cos</b>	1.29
<b>Berkshire Hathaway Inc</b>	1.25
<b>Republic Services</b>	1.20
<b>Firstenergy Corp</b>	1.19

## 1-Year Volatility



# Global X S&P 500 Covered Call ETF (XYLD.US)

## Profile

Global X S&P 500 Covered Call ETF is an exchange-traded fund incorporated in the USA. The Fund seeks to track the performance of the CBOE S&P 500 BuyWrite Index.

### Covered Call Strategy

This ETF follows a covered call strategy by holding stocks while selling call options on the underlying securities, generating additional income through option premiums.

### Monthly Dividend Payouts

While the S&P 500 index has historically yielded around 1.8% annually over the past decade, this ETF enhances income through both dividends and option premiums, making it suitable for income-focused investors with a monthly distribution mechanism.

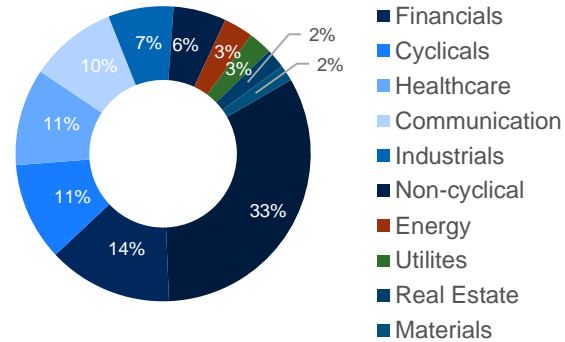
### Reducing Portfolio Volatility

With S&P 500 valuations remaining elevated by historical standards, this ETF is an option for investors looking to reduce volatility in their U.S. large-cap equity exposure.

<b>Inception Date</b>	21 June. 2013	<b>AUM</b>	USD 3.25 B
<b>ETF Category</b>	Equities	<b>Holdings</b>	505
<b>Expense Ratio</b>	0.6%	<b>3Y Stand. Dev. (Ann.)</b>	9.89%

Source: Bloomberg, 25 Feb. 2025

## Sectors



## 1-Year Performance



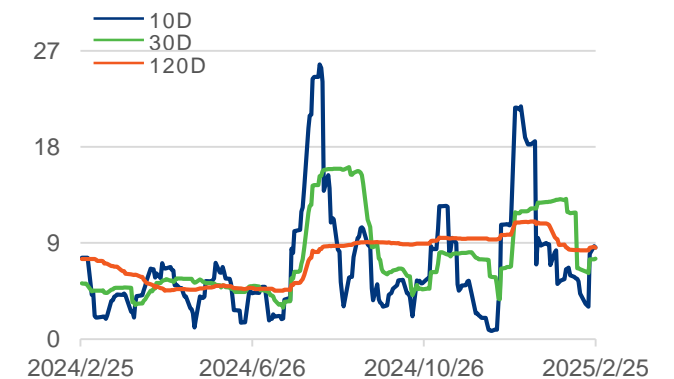
As of 25 Feb. 2025

	1M	3M	YTD	1Y	3Y	5Y
<b>Return (%)</b>	-0.94	3.69	1.34	17.17	21.72	45.69

## Top-5 Holdings (%)

<b>Apple Inc</b>	7.38
<b>Nvidia</b>	6.31
<b>Microsoft</b>	5.94
<b>Amazon.com</b>	3.93
<b>Meta Platforms</b>	2.88

## 1-Year Volatility



# European Banks' Earnings Exceed Expectations; Positive Outlook for AT1 Performance

## ▶ STANLN 7.625 PERP (Standard Chartered Group)

- Standard Chartered has maintained consistent profit growth in recent years, driven by recurring revenue increases across key business segments and cost optimization initiatives.
- The group's asset quality has steadily improved since 2021. It has reduced its exposure to China's commercial real estate (CRE) by approximately 46% since the end of 2021. As of June 30, 2024, its CRE exposure accounts for only about 1% of total loans, with a non-performing loan (NPL) ratio of 68% and an NPL coverage ratio of 77%. We anticipate minimal future risk impact from China's property sector.
- Standard Chartered maintains a strong capital position, with a Common Equity Tier 1 (CET1) ratio of 14.6% as of June 2024. The group expects to keep its CET1 ratio within the 13%-14% range over the medium term. In September 2024, Moody's revised Standard Chartered's credit outlook from "Stable" to "Positive."

## ▶ NWG 4.6 PERP (NatWest Group)

- NatWest Group (NWG) is a leading retail and corporate bank in the UK, with a strong market presence. The bank operates almost exclusively in the UK, focusing on commercial banking, investment banking, and predominantly secured retail banking.
- NWG maintains solid asset quality with well-controlled non-performing assets. As of the end of 2024, Stage 3 loans accounted for only 1.45% of total group loans, significantly below the European banking sector average.
- NWG reported a return on tangible equity (ROTE) of 17.5% in 2024, reflecting strong profitability, while its cost-to-income ratio declined to 53.4%. At year-end, the group's CET1 ratio stood at 13.6%, providing a solid capital buffer and aligning with its 13%-14% target range.
- In 2024, Fitch upgraded NatWest Bank's rating outlook from 'Stable' to 'Positive', reflecting improved financial strength and risk management.

Source: Bloomberg

Products	STANLN 7.625 PERP (Standard Chartered Group)	NWG 4.6 PERP (NatWest Group)
ISIN	USG84228GP72	US639057AD02
Highlight	Quality of assets continues to improve, and it maintains a robust capital ratio.	Non-performing assets are well-managed, and the CET1 ratio provides a strong capital buffer
Maturity Date	-	-
Next Redemption Day	16 Jan 2032	28 June 2031
Coupon (%)	Float/7.625/Semi-annual	Float/4.6/Semi-annual
Currency	USD	USD
Years to Maturity	-	-
Rating (Moody's/ Fitch/S&P)	Ba1/BBB-/BB-	Baa3/BBB-/BB-
Seniority	Subordinated	Subordinated
YTM/YTC (%)	7.03/7.39	7.21/7.15

# STANLN 7.625 PERP (Standard Chartered Group)

## Profile

Standard Chartered's ROTA rose from 0.4% in 2023 to 0.6% in H1 2024, driven by higher net interest income, maturing short-term hedges, and structural improvements. Non-interest income from wealth solutions and global markets also grew strongly. Moody's expects ROTA to reach 0.7% by 2026. facilities.

## Highlights

- Asset quality has improved since 2021. As of June 30, 2024, its NPL ratio fell to 2.4% from 3.2% in 2020. The loan portfolio now has a higher share of investment-grade corporate loans and lower exposure to vulnerable sectors. Its China CRE exposure is just 1% of total loans, with an NPL ratio of 68% and coverage at 77%, reducing risks from China's property market.
- CET1 stood at 14.6% in mid-2024, with the bank aiming for 13%-14% in the medium term. Moody's upgraded its credit outlook to 'Positive' in September 2024.
- With the Fed cutting rates, investors may consider locking in high-quality bond yields while monitoring issuers with low credit risk. Adding high-quality bonds can help manage volatility.

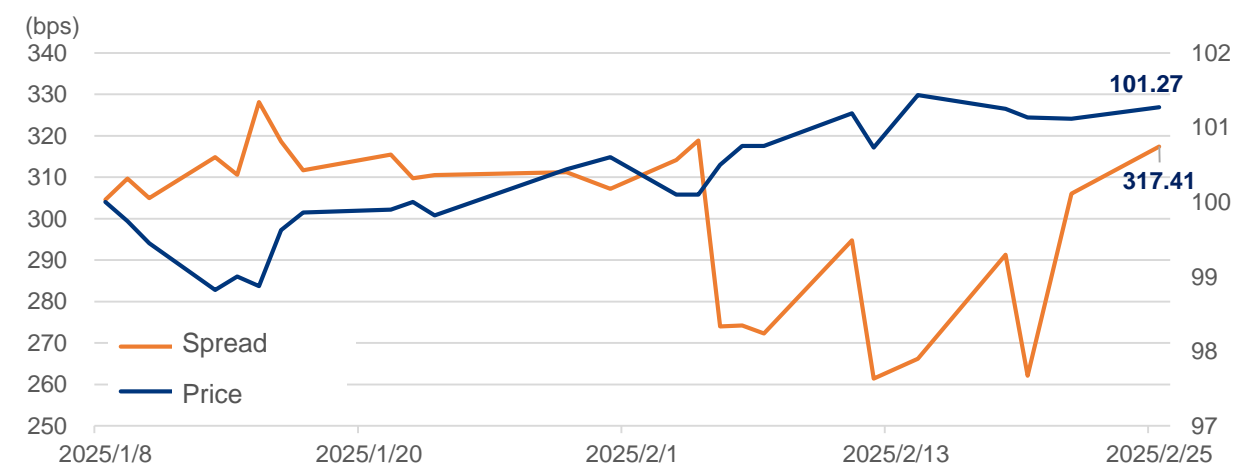
Financials	2022	2023	2024
Return on Tangible Assets (ROTA)	0.36	0.43	0.49
Bad Loan Ratio	2.69	2.60	2.25
Common Equity Tier 1 (CET1)	14.00	14.10	14.20

Source: Bloomberg, 26 Feb. 2025

## Overview

<b>Name</b>	STANLN 7.625 PERP	<b>ISIN</b>	USG84228GP72
<b>Maturity Date</b>	26 Feb. 2030	<b>Remaining Maturity</b>	-
<b>Coupon(%)</b>	Float/7.625/Semi-annual	<b>YTM/YTC(%)</b>	7.03/7.39
<b>Currency</b>	USD	<b>Min. Subscription/Increment</b>	200,000/1,000
<b>Ratings (Moody's/Fitch/S&amp;P)</b>	Ba1/BBB-/BB-	<b>Seniority</b>	Subordinated

## Price Since Issuance



# NWG 4.6 PERP (NatWest Group)

## Profile

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## Highlights

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- In 2024, Fitch upgraded NatWest Bank's rating outlook from 'Stable' to 'Positive', reflecting improved financial strength and risk management..

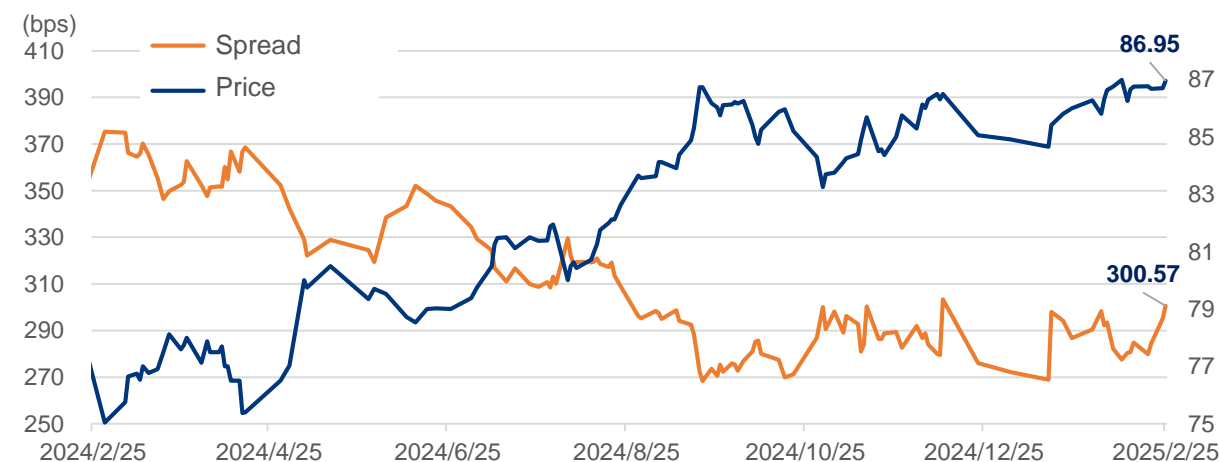
Financials	2022	2023	2024
Return on Tangible Equity (ROTE)	11.89	17.19	17.34
Bad Loan Ratio	1.45	1.53	1.47
Common Equity Tier 1 (CET1)	14.20	13.40	13.60

Source: Bloomberg, 26 Feb. 2025

## Overview

Name	NWG 4.6 PERP	ISIN	US639057AD02
Maturity Date	-	Remaining Maturity	-
Coupon(%)	Float/4.6/Semi-annual	YTM/YTC(%)	7.21/7.15
Currency	USD	Min. Subscription/Increment	200,000/1,000
Ratings (Moody's/Fitch/S&P)	Baa3/BBB-/BB-	Seniority	Subordinated

## Price Since Issuance





## Appendix

## Key Economic Data / Events

## ► FEB 2025

24	Monday	25	Tuesday	26	Wednesday	27	Thursday	28	Friday
<ul style="list-style-type: none"> <li>• Eurozone Jan. CPI YoY Final Value (Actual:2.5% Est:2.5% Prev:2.4%)</li> </ul>		<ul style="list-style-type: none"> <li>• U.S. Feb. Conf. Board Consumer Confidence (Actual:98.3 Est:102.5 Prev:105.3)</li> <li>• Japan Jan. Machine Tool Orders YoY Initial Value (Actual:4.7% Prev:4.7%)</li> </ul>		<ul style="list-style-type: none"> <li>• U.S. Jan. New Home Sales MoM (Actual:-10.5% Est:-2.6% Prev:8.1%)</li> </ul>		<ul style="list-style-type: none"> <li>• U.S. Last Week's Initial Jobless Claims (Actual:242k Est:221k Prev:220k)</li> <li>• U.S. Q4 GDP Seasonally Adjusted Annual Rate (Actual:2.3% Est:2.3% Prev:3.1%)</li> <li>• U.S. Jan. Durable Goods Orders Initial Value (Actual:3.1% Est:2.0% Prev:-1.8%)</li> <li>• Eurozone Feb. Consumer Confidence Final Value (Actual:-13.6 Prev:-13.6)</li> </ul>		<ul style="list-style-type: none"> <li>• U.S. Jan. PCE YoY (Actual:2.5% Est:2.5% Prev:2.6%)</li> <li>• U.S. Jan. Core PCE YoY (Actual:2.6% Est:2.6% Prev:2.9%)</li> <li>• Japan Feb. Tokyo CPI YoY (Actual:2.9% Est:3.2% Prev:3.4%)</li> <li>• Japan Jan. Retail Sales MoM (Actual:0.5% Est:0.6% Prev:-0.8%)</li> <li>• Japan Jan. Industrial Production MoM Initial Value (Actual:-1.1% Est:-1.1% Prev:-0.2%)</li> </ul>	

## ► MAR 2025

3	Monday	4	Tuesday	5	Wednesday	6	Thursday	7	Friday
<ul style="list-style-type: none"> <li>• U.S. Feb. ISM Manufacturing PMI (Est:50.5 Prev:50.9)</li> <li>• U.S. Feb. S&amp;P Global Manufacturing PMI Final Value (Prev:51.6)</li> <li>• Japan Feb. Jibun Bank Japan PMI Mfg Final Value (Prev:48.9)</li> <li>• Eurzone Feb. HCOB Services PMI (Prev:47.3)</li> <li>• China Feb. Caixin China PMI Mfg (Est:50.5 Prev:50.1)</li> </ul>		<ul style="list-style-type: none"> <li>• Japan Jan. Jobless Rate (Est:2.4% Prev:2.4%)</li> <li>• Japan Jan. Job-To-Applicant Ratio (Est:1.25 Prev:1.25)</li> <li>• Eurzone Jan. Jobless Rate (Prev:6.3%)</li> </ul>		<ul style="list-style-type: none"> <li>• U.S. Feb. ISM Services Index PMI (Est:53.0 Prev:52.8)</li> <li>• U.S. S&amp;P Global Services Index PMI (Prev:49.7)</li> <li>• U.S. Feb. ADP Employment Change (Est:133k Prev:183k)</li> <li>• Japan Feb. Jibun Bank Services Index PMI Final Value (Prev:53.1)</li> <li>• Eurzone Feb. Services Index PMI Final Value (Prev:50.7)</li> <li>• China Feb. Caixin China PMI Composite (Prev:51.0)</li> </ul>		<ul style="list-style-type: none"> <li>• U.S. Last Week's Initial Jobless Claims (Prev:242k)</li> <li>• Eurzone Mar. ECB Main Refinancing Rate (Prev:2.90%)</li> <li>• Eurzone Jan. Retail Sales (Prev:-0.2%)</li> </ul>		<ul style="list-style-type: none"> <li>• U.S. Feb. Change in Nonfarm Payrolls (Est:155k Prev:143k)</li> <li>• U.S. Feb. Unemployment Rate (Est:4.0% Prev:4.0%)</li> <li>• Eurzone Q4 GDP Final Value (Prev:0.9%)</li> <li>• Taiwan Feb. Exports YoY (Prev:4.4%)</li> <li>• COST, AVGO Performance</li> </ul>	

Source: Bloomberg

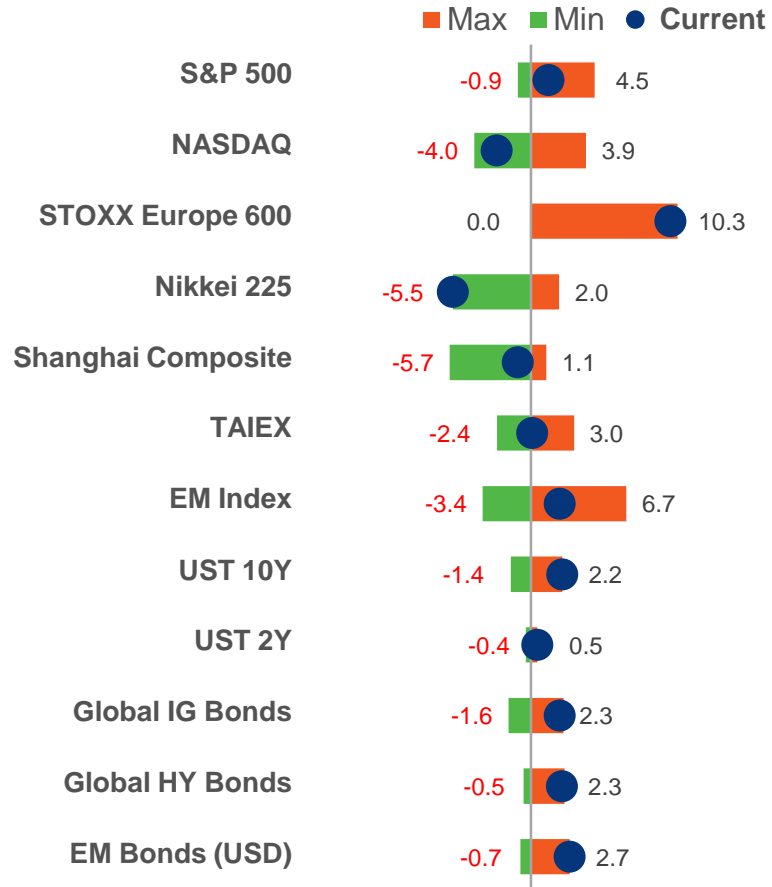
# Key Earnings Releases

Date	Name	Revenue (F) (USD)	Announced Revenue (USD)	EPS (F) (USD)	Announced EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2025/2/25	Home Depot Inc (HD)	38.83B	39.7B	3	3.13	V	V
2025/2/26	Intuit Inc (INTU)	3.83B	3.96B	2.58	3.32	V	V
2025/2/26	Lowe'S Cos Inc (LOW)	18.19B	18.55B	1.81	1.93	V	V
2025/2/26	Tjx Companies Inc (TJX)	16.19B	16.35B	1.16	1.23	V	V
2025/2/27	Nvidia Corp (NVDA)	38.02B	39.3B	0.84	0.89	V	V
2025/2/27	Salesforce Inc (CRM)	10.04B	10B	2.61	2.78		V

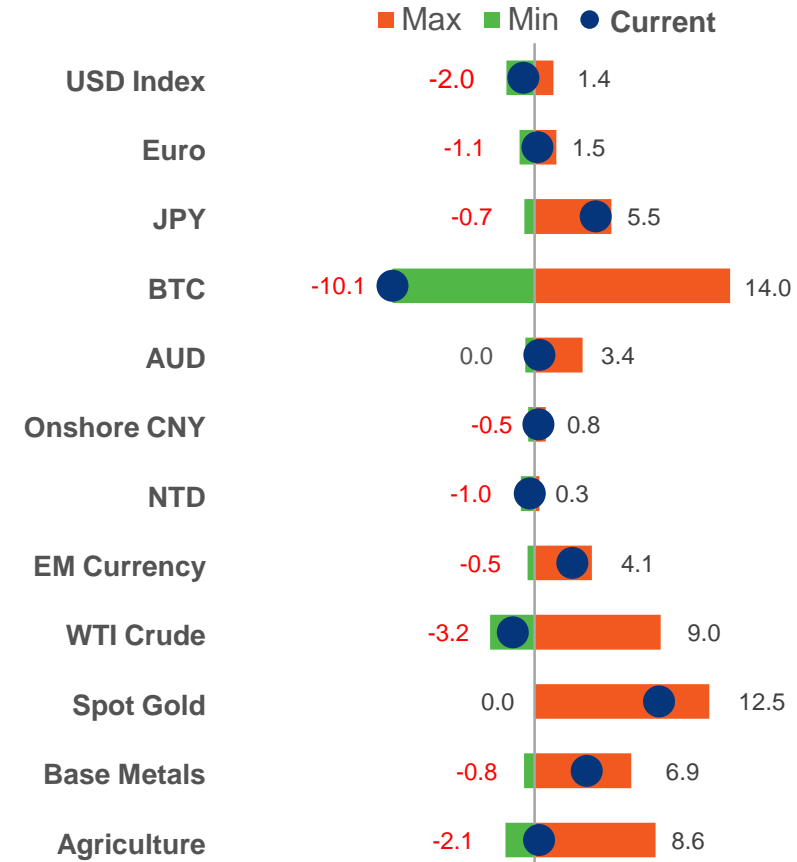
Source: Investing.com

# YTD Major Market / Asset Performance

## Stock and Bond Market YTD Performance (%)



## Currencies and Futures Market YTD Performance (%)



Source: Bloomberg, 27 Feb. 2025

# Market Monitor

**U.S. CPI YoY (%)**



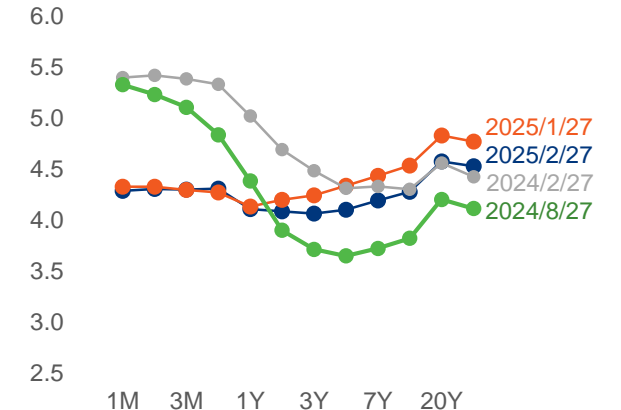
**U.S. 10-Year Treasury Yield (%)**



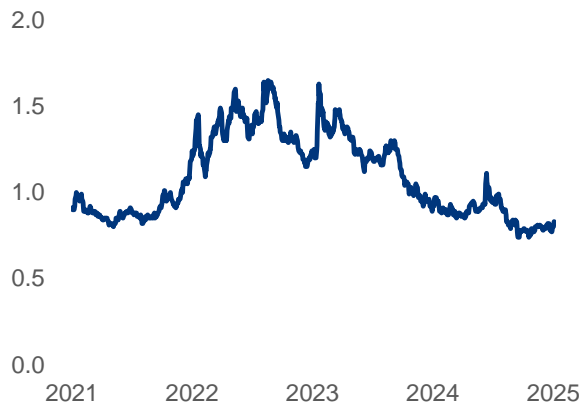
**U.S. Treasury Yield Spread (bps)**



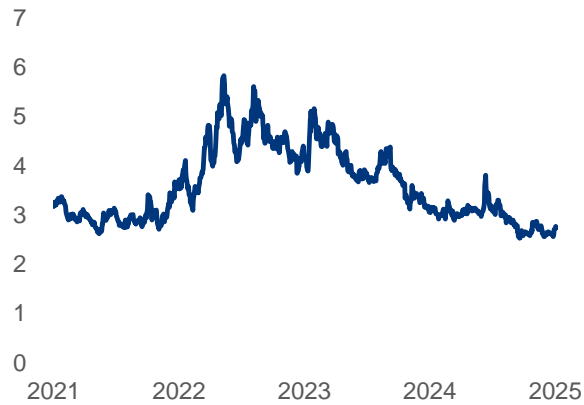
**U.S. Treasury Yield Curve (%)**



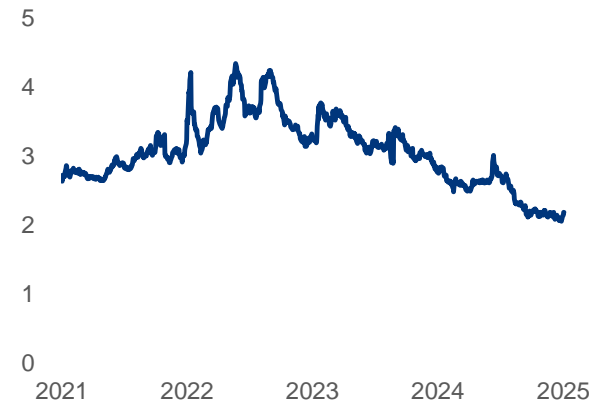
**USD IG Credit Spread (%)**



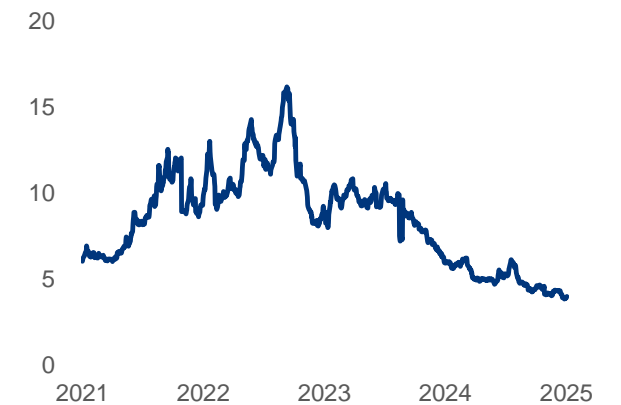
**USD HY Credit Spread (%)**



**USD EM Credit Spread (%)**



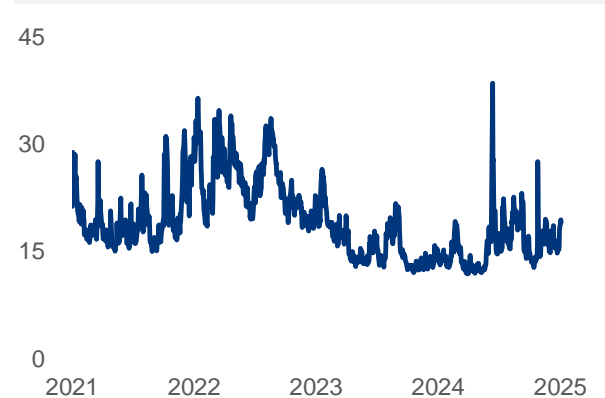
**USD Asia Credit Spread (%)**



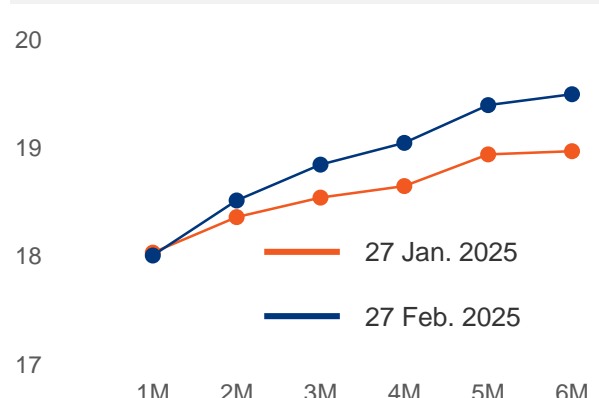
Source: Bloomberg, 27 Feb. 2025

# Market Monitor

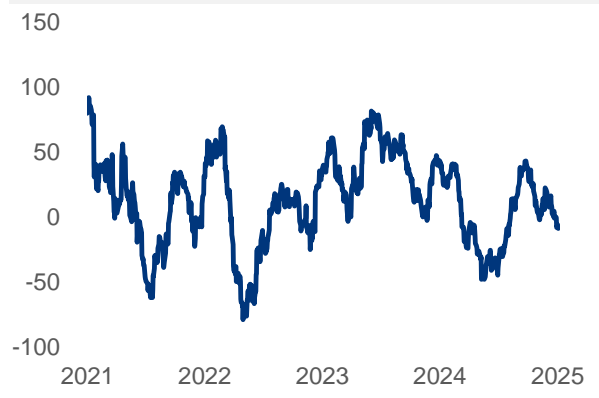
**VIX Index**



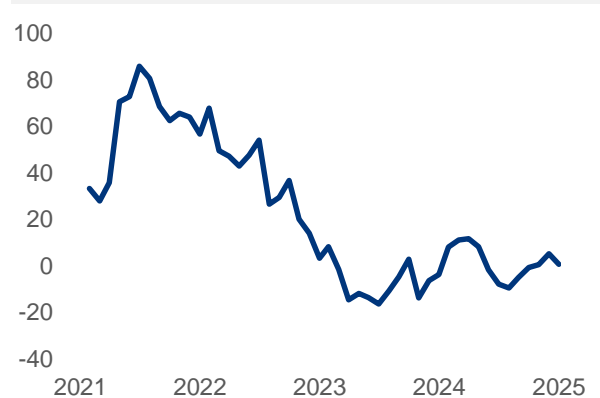
**VIX Term Structure**



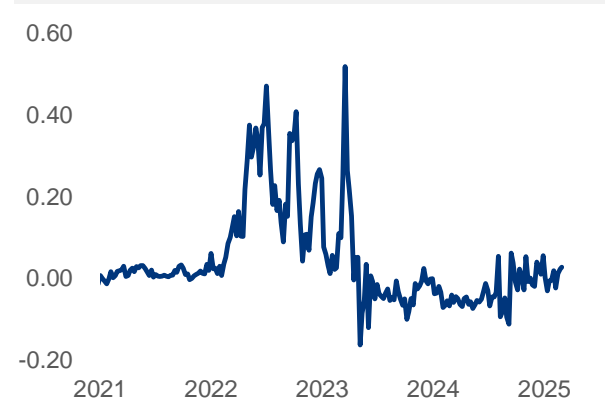
**U.S. Citi Economic Surprise Index\***



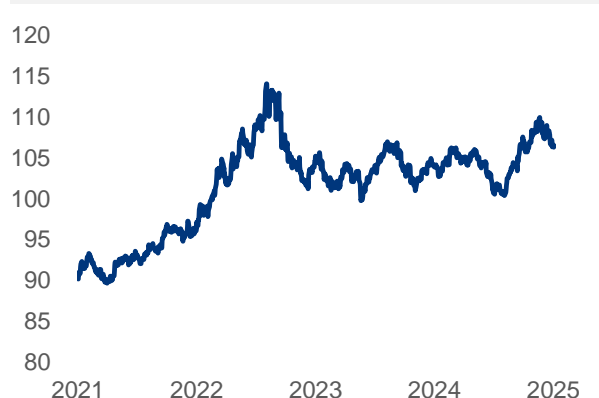
**U.S. Citi Inflation Surprise Index\***



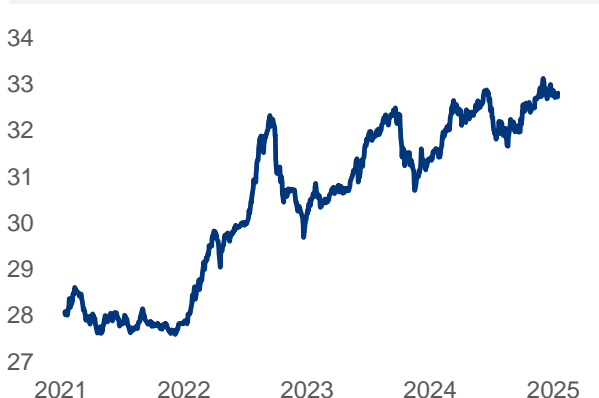
**TED Spread (bps)**



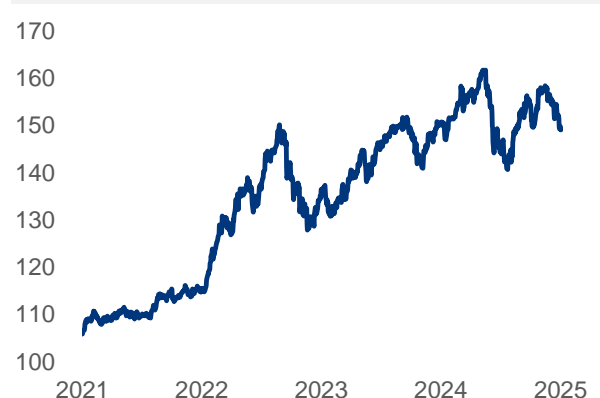
**U.S. Dollar Index**



**USD to TWD**



**USD to JPY**



Source: Bloomberg, 27 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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