

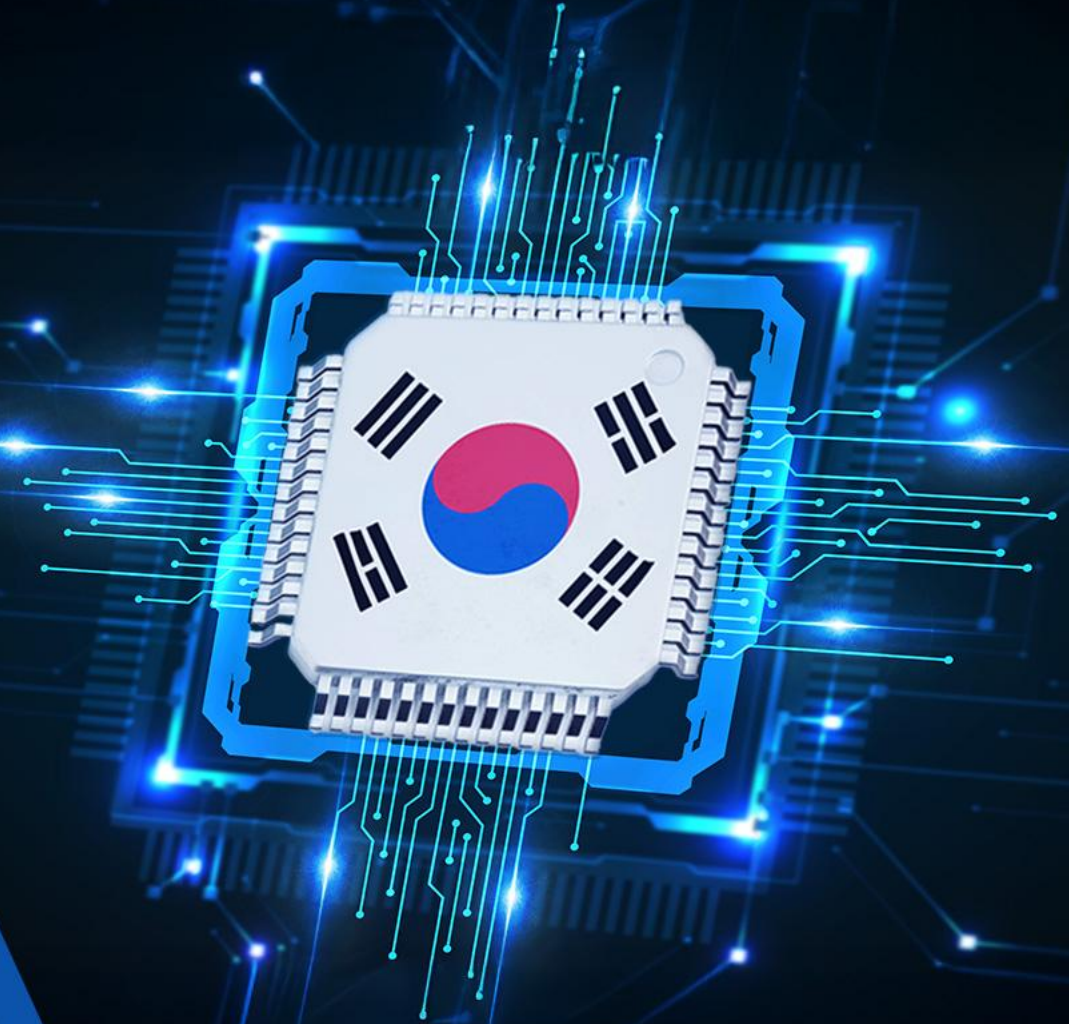


CIO Office

Global Markets Weekly Kickstart

Tech Diffusion

27 October 2025

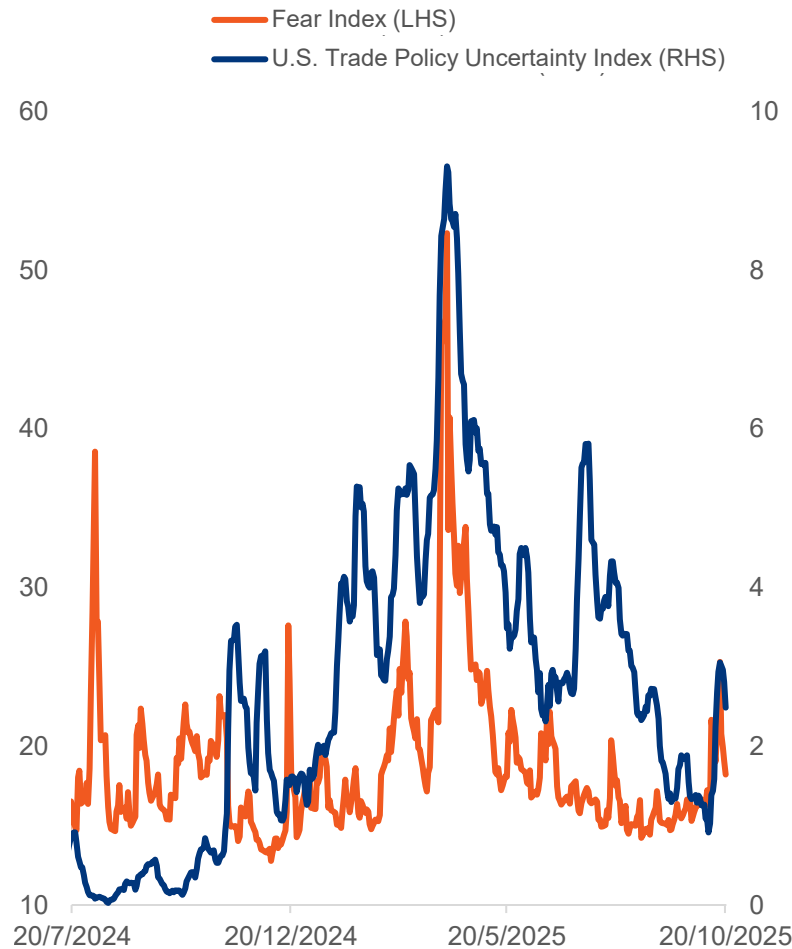


Uncertainty Rises Ahead of Xi–Trump Meeting; Earnings and Valuation Drive U.S. Stocks

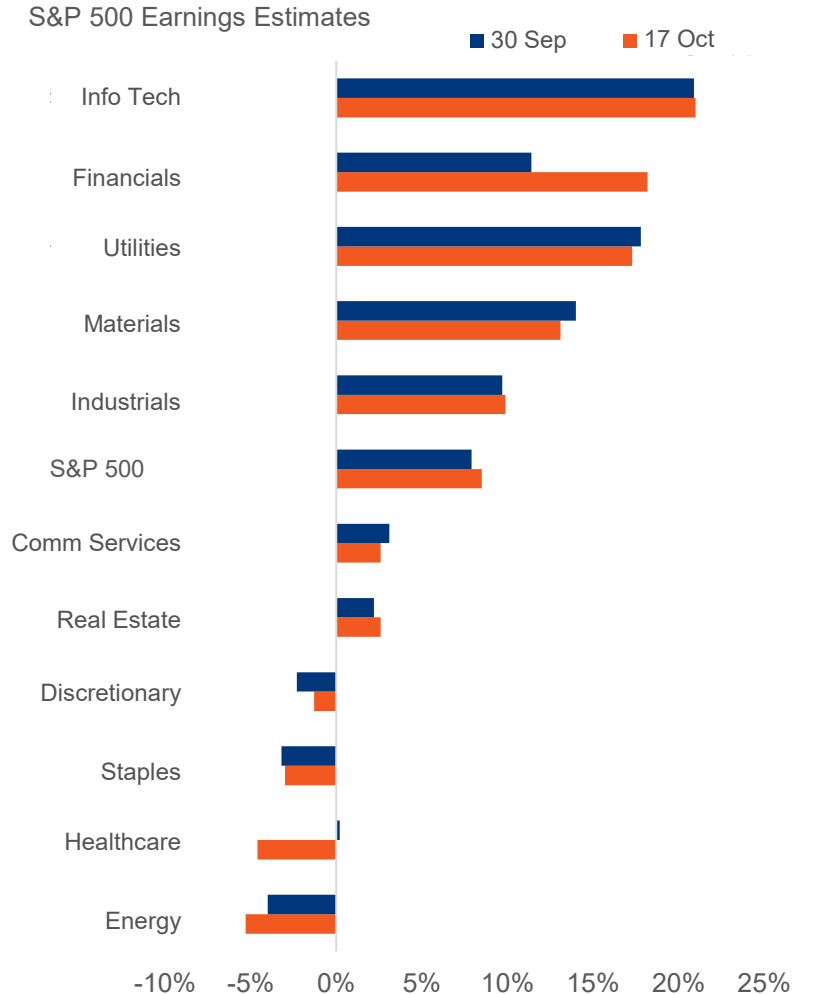
- ▶ China tightened export controls on rare earth products, while President Trump retaliated by imposing additional tariffs on Chinese goods and considering new curbs on U.S. software exports to China. Both sides appear to be raising their bargaining leverage ahead of the Xi–Trump meeting. Although rising domestic inflation pressures Trump, the U.S.–China standoff is expected to remain tense but contained.
- ▶ We estimate the tariff impact on large U.S. corporates remains limited. About 14% of S&P 500 companies show high sensitivity to tariffs, mainly in consumer discretionary (34%), industrials (31%), and healthcare (20%). However, inventories built ahead of earlier tariffs are now depleting, pushing up spot inventory costs ahead of the 4Q consumption season. This could increase profit pressure and cost drag, reflected in earnings and guidance.
- ▶ Among S&P 500 companies that have reported so far, 86% beat profit expectations—above 5- and 10-year averages—but EPS beats averaged only 5.9%, below the 5-year (8.4%) and 10-year (7%) norms, suggesting earnings weakness. Financials have led upside surprises, offsetting downward revisions in healthcare. Still, elevated valuations leave U.S. equities sensitive to news, amplifying volatility at high levels.

Source: Bloomberg, FactSet

Uncertainty Rises Ahead of Xi–Trump Meeting, Driving High-Level Volatility



Financials Lead Earnings Upgrades in S&P 500

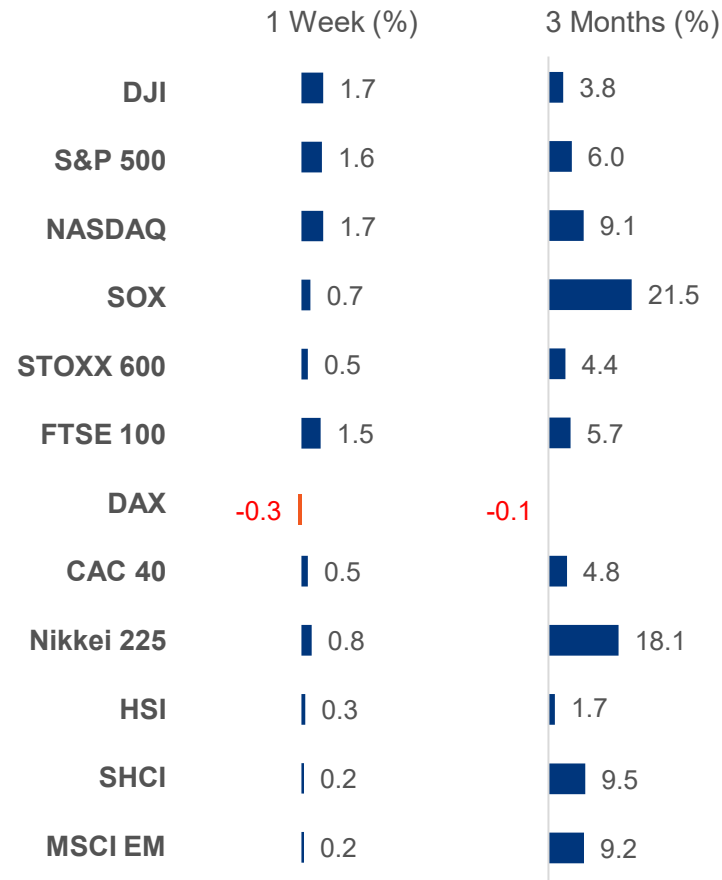


Market Recap

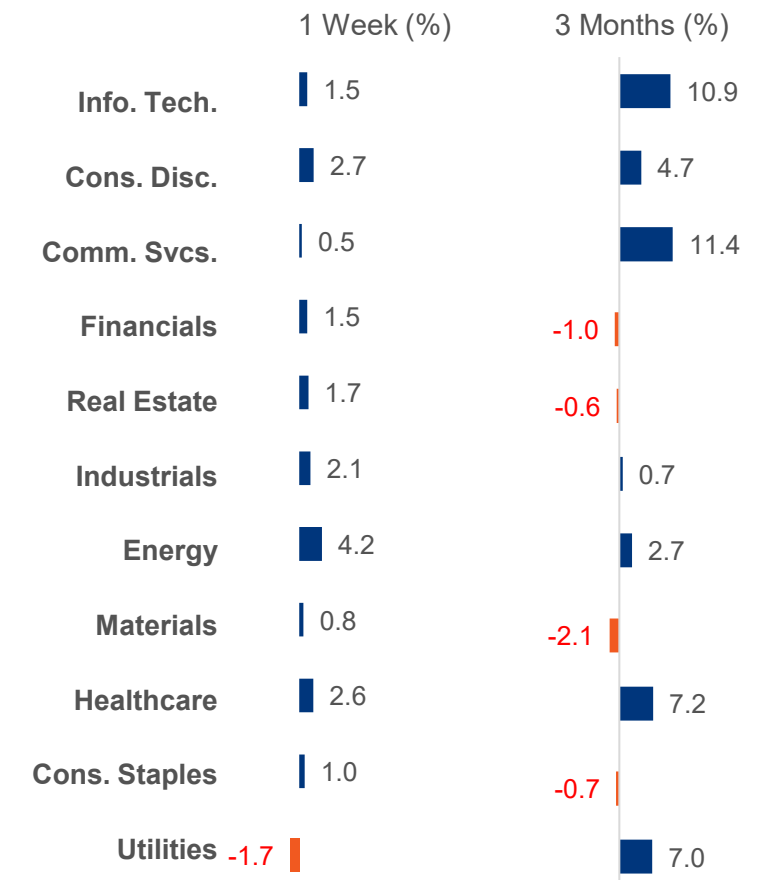
Earnings and Outlook in Focus as U.S.–China Standoff Keeps Equities Volatile

- ▶ Budget negotiations between Democrats and Republicans remain stalled, while markets await September CPI data to gauge the Fed's policy direction later this month. A series of loan defaults among U.S. regional banks has heightened concerns over private credit risks. Although large banks maintain solid capital and strong risk buffers, high leverage among non-bank financials and weaker SMEs could pose systemic risk.
- ▶ The Trump administration is considering curbs on U.S. software exports to China—including laptops and jet engines—in retaliation for China's rare earth export restrictions. Meanwhile, the U.S. canceled a planned summit with Russian President Putin on Ukraine ceasefire talks after Moscow refused to halt attacks, keeping geopolitical risks elevated and equities cautious near highs.
- ▶ Tesla's quarterly revenue rose 12% QoQ, but AI-related R&D spending jumped 50%, and higher tariffs on imported auto parts added to costs, driving a 31% YoY earnings decline—worse than expected. Texas Instruments posted weaker-than-expected results and guidance, while Netflix also missed on profits, dragging share prices lower. Markets now turn attention to upcoming results from Microsoft, Alphabet, Meta, Apple, and Amazon next week.

Regional Index Performance (%)

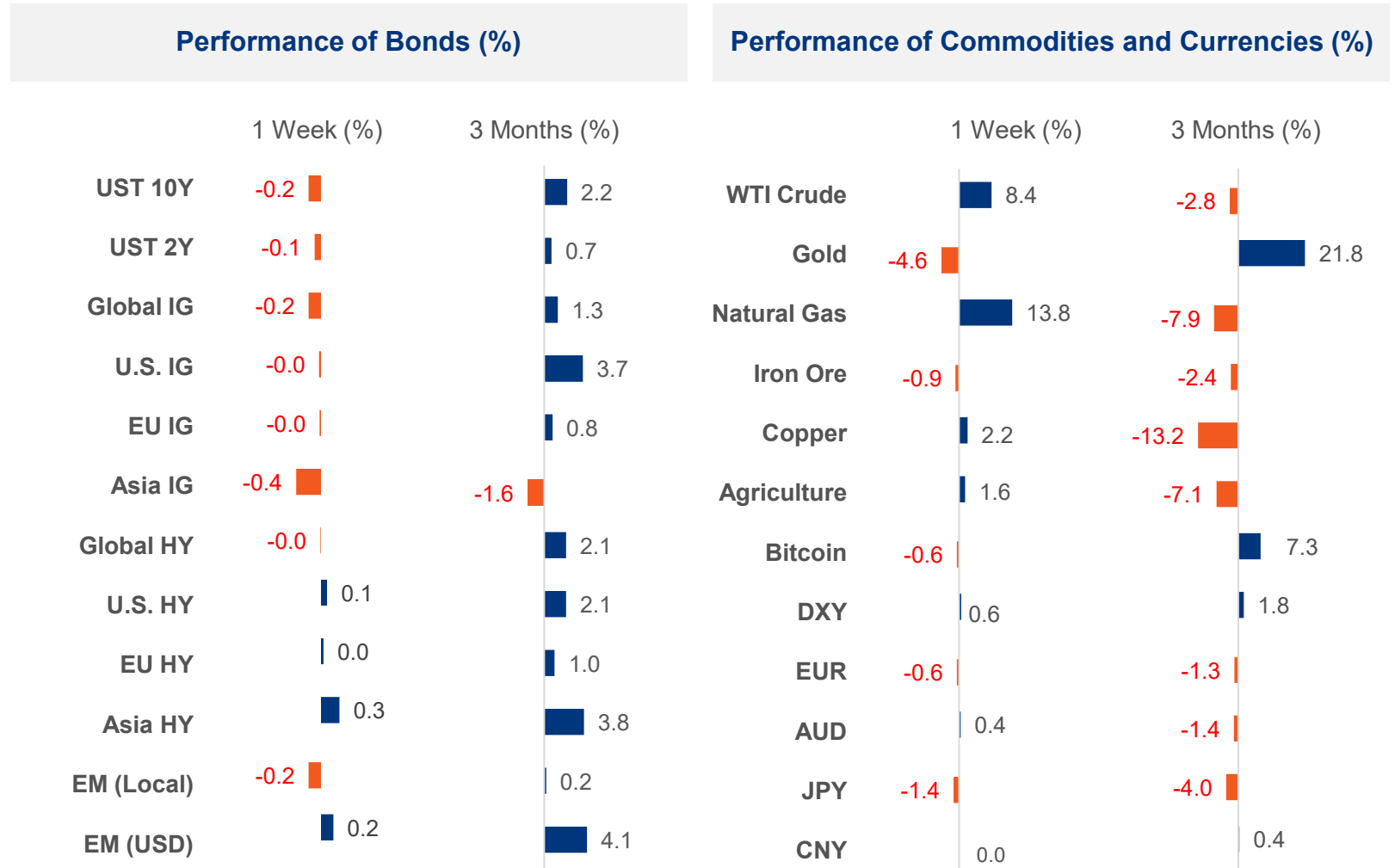


U.S. Sector Index Performance (%)



U.S. Govt Shutdown and Credit Stress Spur Safe-Haven Demand; Treasury Yields Ease, Gold Slumps

- ▶ U.S. subprime auto lender Tricolor and parts maker FirstBrands recently filed for bankruptcy protection, while Jefferies, Zions Bank, and Western Alliance disclosed credit losses, triggering market panic. Fed Chair Powell noted signs of tightening liquidity and a weakening labor market, suggesting the Fed may consider halting balance sheet reduction.
- ▶ Markets now price a 97.3% chance of a rate cut at the October FOMC meeting. The 10-year U.S. Treasury yield edged down to 3.95%, and bond prices broadly rose.
- ▶ In Japan, the LDP and Japan Innovation Party reached an agreement to form a coalition government, paving the way for Sanae Takaichi to become Japan's first female prime minister. The development boosted Japanese equities and weakened the yen, while the dollar index climbed to 98.9.
- ▶ A stronger dollar and temporary easing in U.S.–China tensions triggered profit-taking after gold hit a record high, with prices plunging 5.7% to USD 4,098/oz. We expect continued Fed rate cuts and widening global fiscal deficits to offer medium- to long-term buying opportunities on pullbacks.
- ▶ U.S. Treasury Secretary Bessent said more sanctions on Russia are forthcoming, while a surprise drop in U.S. crude inventories drove oil prices up 5.6%.



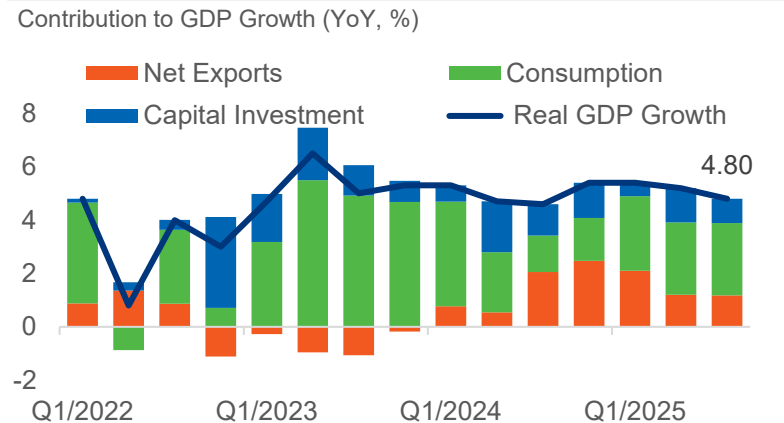
Source: Bloomberg, 24 Oct 2025

What's Trending

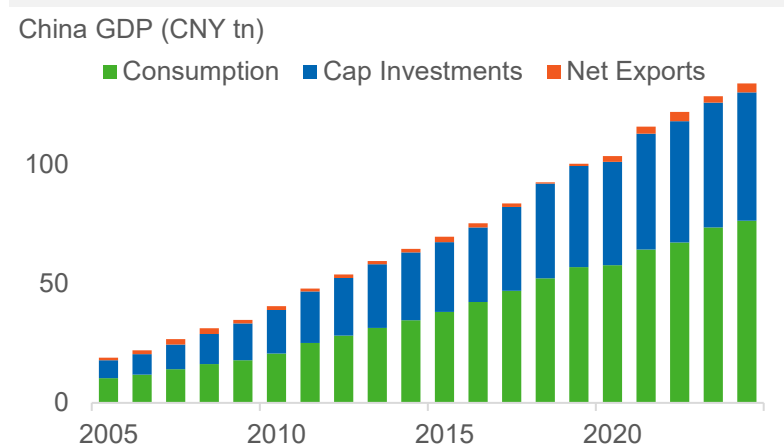
China GDP Growth Slows; Consumption Drives Expansion, Easing Policies Support A/H Shares

- ▶ China's 3Q real GDP grew 4.8% YoY, down 0.4 pts from 2Q and largely in line with expectations, bringing 9M GDP growth to 5.2%. Domestic consumption contributed nearly 60% of GDP growth, while net exports and capital investment made up roughly the remaining half. Last year in 3Q, net exports accounted for about 45% of GDP growth, highlighting a sharp drop this year. With net exports now under 5% of GDP, China's economy remains heavily reliant on domestic circulation.
- ▶ September CPI fell 0.3% YoY, below expectations, dragged mainly by "food and tobacco" and "transport and communication," while other components stayed positive. Core inflation rose from 0.6% at the start of the year to 1.0%, indicating low but divergent price trends.
- ▶ This year's strong rally in A/H shares is expected to boost consumption and help reinforce the recovery cycle. While China's economy shows improvement without overheating, the 20th Central Committee's Fourth Plenum emphasized "balancing development and security," signaling a cautious policy stance. We expect monetary policy to remain accommodative, with liquidity conditions likely to support mainland and Hong Kong equities.

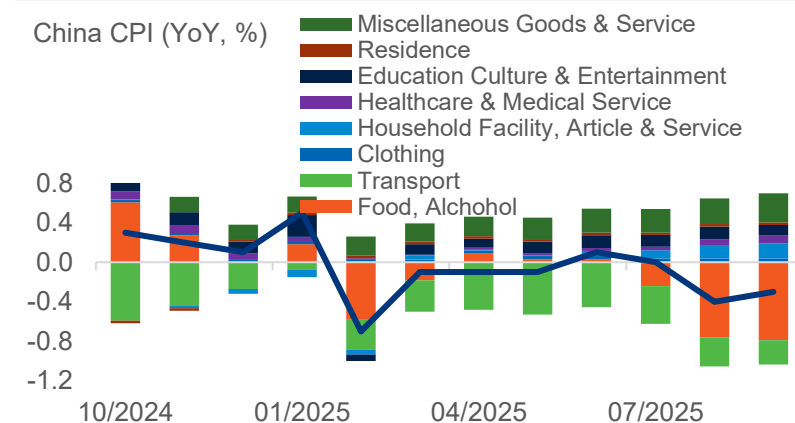
Consumption Drove Nearly 60% of 3Q GDP Growth



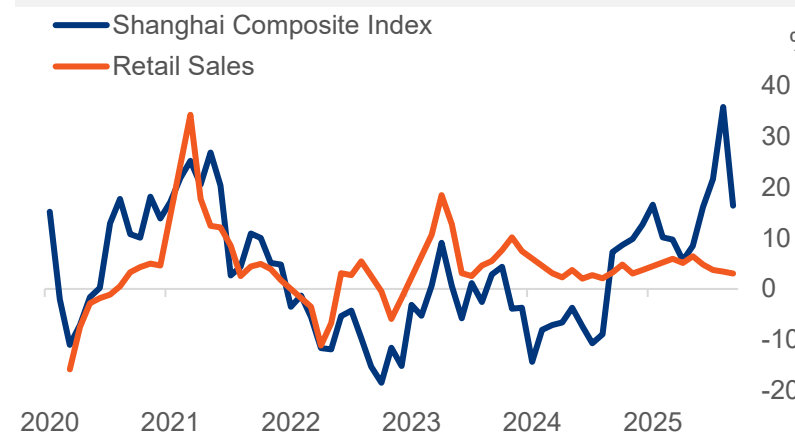
China GDP Driven Mostly by Consumption, Limited Export Contribution



Inflation Limited to Food and Transport Categories



Wealth Effect from Stock Market Likely Boosting Consumption



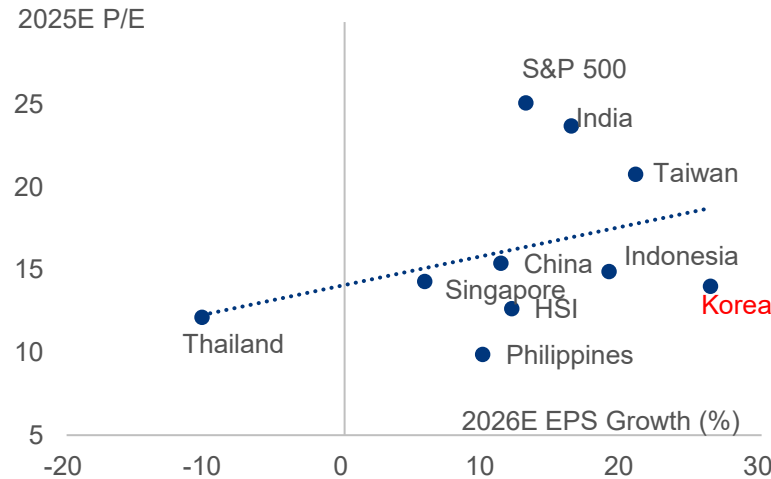
Source: CEIC

Fed Rate Cuts and Capital Inflows Lift Asian Tech; DRAM Shortage Fuels Korean Rally

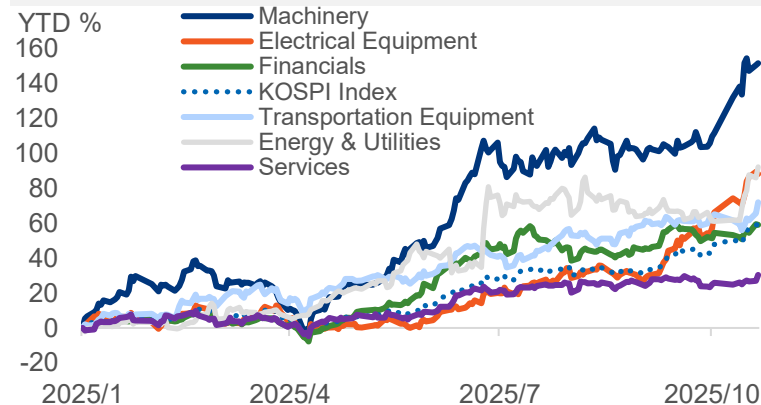
► The Fed has resumed its rate-cut cycle, pushing U.S. Treasury yields lower and weakening the dollar, leading to capital inflows into emerging markets. Supported by ongoing strength in AI and tech stocks, Asian tech markets have surged YTD (as of Oct 21): Taiwan +23.5%, Hong Kong tech +30.1%, and Korea +61.4%. Despite the sharp gains, Korean equities remain attractively valued versus regional and U.S. peers, given a low base and strong earnings momentum. Kosp's 2026E EPS growth stands at 26.3%, with compelling valuations across key sectors such as industrials, electronics, and financials.

► In the MSCI Korea Index, technology accounts for 45.6% of weighting. Samsung and SK Hynix are key beneficiaries of booming AI-driven demand. Hynix's high-bandwidth memory (HBM) chips supply Nvidia, with the next-gen HBM4 powering Nvidia's upcoming Blackwell platform. Strong orders from U.S. cloud service providers have led memory producers to raise 4Q prices for DRAM and NAND flash by around 25%. The supply-demand imbalance has sharply reduced DRAM inventories, with NAND levels also below long-term averages, driving strong gains across memory-related stocks.

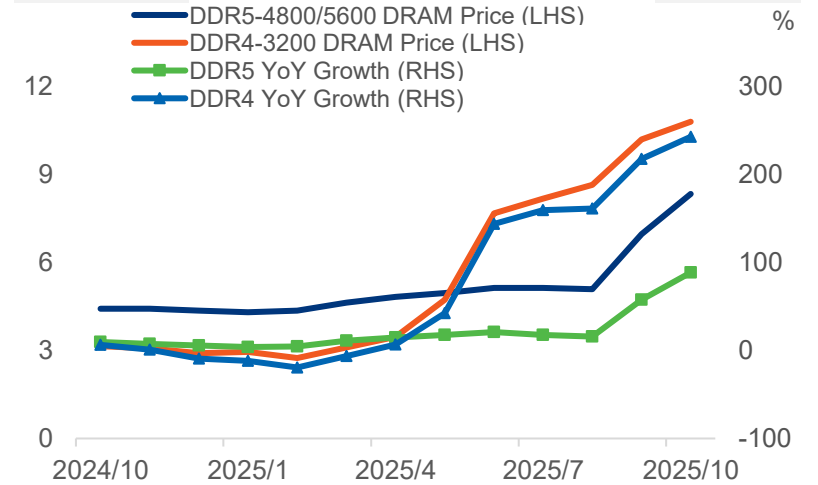
Tech-Heavy Taiwan and Korea See Earnings Recovery; Korean Valuations Remain Attractive



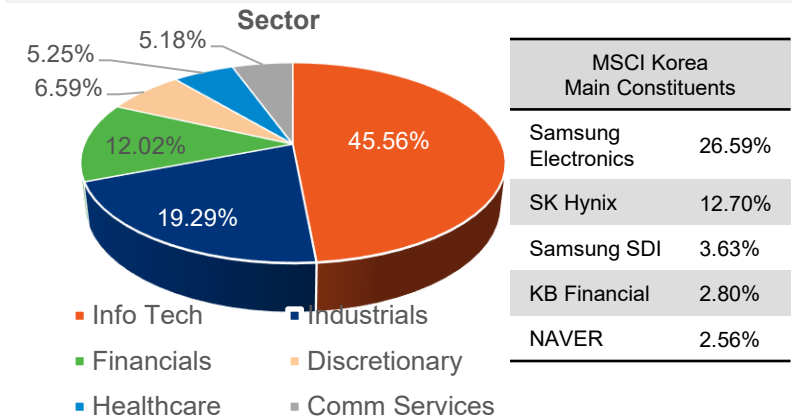
Korean Machinery, Electronics, and Financials Up Over 50% YTD



DRAM Prices Surge; Samsung and SK Hynix Lead on Strong Earnings Outlook



MSCI Korea Index Weighted Nearly Half in Tech — Main Driver of This Year's Rally



Source: Bloomberg

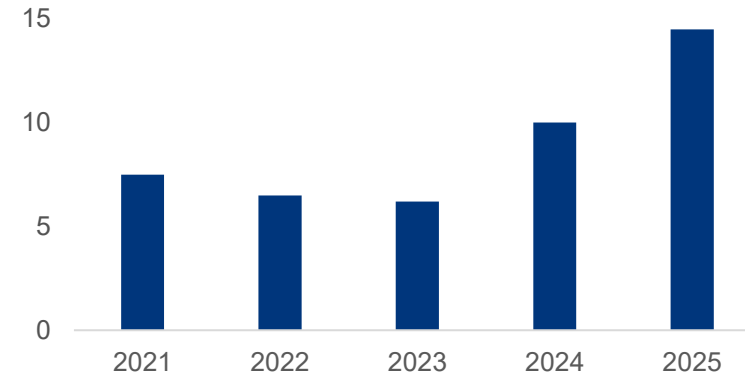
U.S.–Korea Tariff Agreement and Lower Political Risk Support Corporate Reform and Defense Themes

- ▶ Foreign investors estimate that new memory chip capacity will take four to six quarters to catch up with demand, keeping supply tight and prompting clients to continue early inventory buildup, sustaining price momentum. Beyond the semiconductor “supercycle,” Korea’s new president, Lee Jae-myung, has enacted a corporate governance reform bill requiring directors to act in shareholders’ best interests, limiting major shareholders’ voting rights in appointing audit committee members, mandating hybrid virtual shareholder meetings for large listed firms, and increasing the share of independent directors on boards.
- ▶ Since 2022, Korean companies have steadily raised dividend payouts and expanded share buybacks. According to FactSet, total buybacks by 1H25 have already surpassed those of 2024, driving continued foreign inflows into Korean equities.
- ▶ Global arms trade data show weapons sales reached USD 111.6bn last year—the highest since the Cold War—with Korea’s exports totaling USD 5.691bn, giving it a 5.1% global market share and ranking fourth worldwide. The defense sector has benefited accordingly. Rising dividend yields, together with expectations of higher lending margins after the Bank of Korea’s rate cuts, have also boosted financial stocks—all supporting continued strength in Korean equities.

Source: Bloomberg

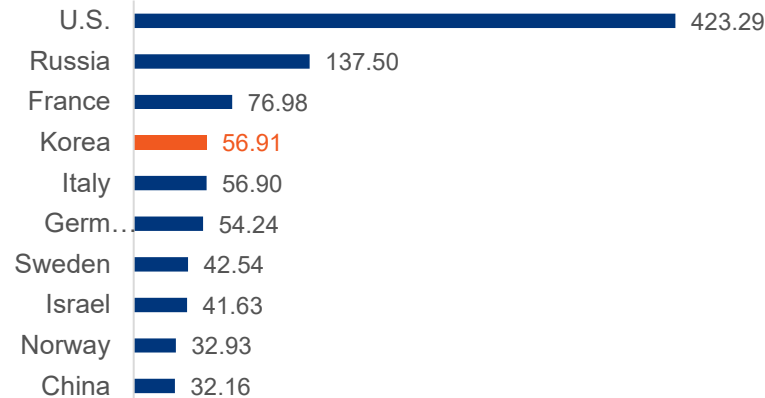
Korean Corporates’ 1H25 Share Buybacks Have Already Surpassed Last Year

Korean Corporate Share Buyback Value (USD bn, as of July 15)

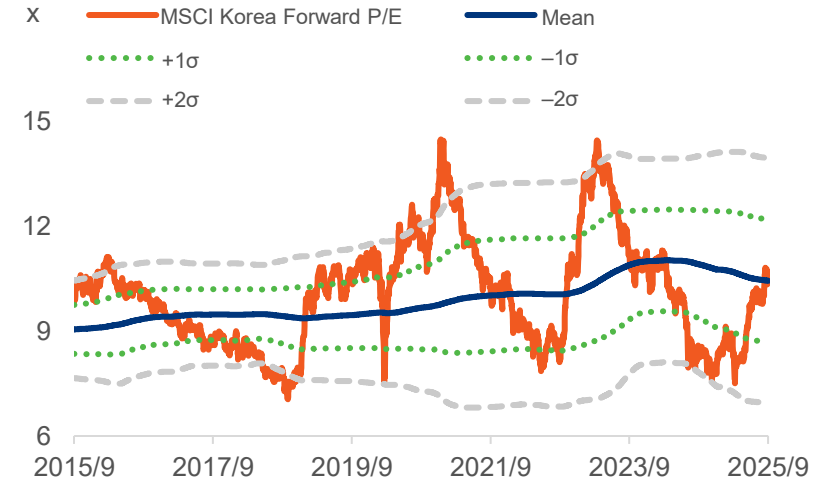


Korea Ranked Fourth Globally in 2024 Arms Exports

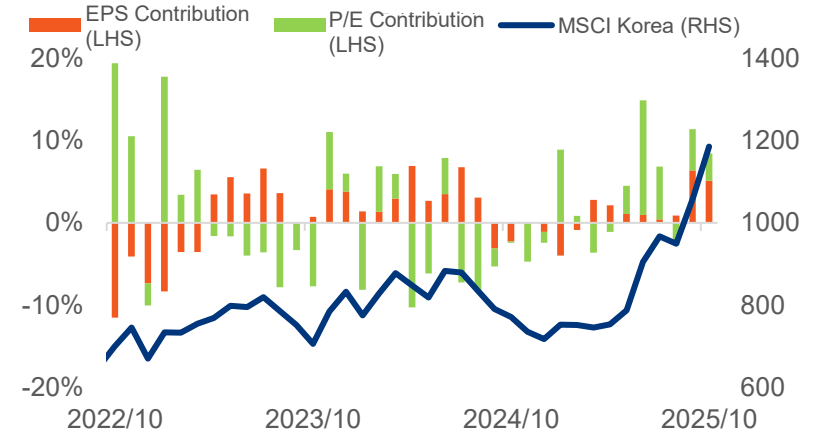
2024 Global Top 10 Arms Exporters (USD bn)



Korean Market Valuations Near 5-Year Average, Still Relatively Cheap



Earnings Upgrades Drove Korean Stock Gains



Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ U.S.–China trade policies remain inconsistent, with relations stuck in a stalemate. Prolonged budget gridlock between Democrats and Republicans has extended the U.S. government shutdown, while economic data continue to lack clarity. As earnings season peaks, rising tariff-related costs may weigh on profit margins and guidance, adding pressure to equity volatility at elevated levels. We recommend maintaining balanced sector allocation and liquidity flexibility to navigate market swings. At this stage, investors may increase exposure to high-quality stocks, while long-term investors should continue to monitor AI and tech themes for phased accumulation on pullbacks. ◆ European equities trade at lower valuations than U.S. peers, with U.K. and German markets favored given their smaller exposure to trade frictions. The confirmation of Sanae Takaichi as Japan’s next prime minister supports Japanese equities, while improving wage trends also favor increased allocations to Japan for portfolio diversification. 	<p>Strategy High-quality equities for volatility resilience; accumulate AI and tech stocks on dips</p> <p>Regions: European equities, U.K. equities, Japanese domestic-demand and bank stocks</p>
Bonds	<ul style="list-style-type: none"> ◆ With economic momentum slowing and the labor market cooling, the yield curve has steepened. Investors should focus on locking in yields through U.S. Treasuries and investment-grade bonds. Within IG bonds, A-rated or higher blue-chip issuers are preferred, with sectors offering stronger risk-adjusted spreads including financials, utilities, and industrials. ◆ The U.S. dollar remains weak, suggesting diversification into non-USD investment-grade bonds—such as euro- and Singapore dollar-denominated issues—may help mitigate currency risk. 	<p>Duration: Short- to mid-term Treasuries and high-grade bonds for yield capture</p> <p>Sector: Financials, industrials, and utilities for stable income</p>
Forex	<ul style="list-style-type: none"> ◆ Market uncertainty remains elevated, while expectations for two Fed rate cuts before year-end are pressuring the U.S. dollar, which is likely to stay weak over the medium term. ◆ The yen may remain volatile in the short term following Sanae Takaichi’s election but is expected to appreciate gradually over time, reflecting economic recovery and rate normalization. The euro and pound are also likely to trend moderately higher amid continued fluctuations. 	<p>USD: Weak, consolidating</p> <p>EUR, JPY, GBP: Gradual upside with swings</p>
Commodity	<ul style="list-style-type: none"> ◆ The U.S. dollar is expected to weaken over the medium to long term as rate cuts lower yields. Persistent inflation risks, rising fiscal deficits, and continued central bank and institutional gold purchases all support a favorable long-term outlook for gold. Short-term pullbacks offer buying opportunities on dips. 	<p>Gold: Medium- to long-term bullish</p>



Luxury Market Shows Medium- to Long-Term Resilience

- ▶ U.S. existing home sales rose 1.5% MoM in September to 4.06 million units, slightly above August's 4.0 million and in line with market expectations.
- ▶ Core CPI rose 0.2% MoM in September, down from 0.3% in August and marginally below the expected 0.3%. On a YoY basis, core CPI increased 3.0%, easing from 3.1% and below consensus of 3.1%.
- ▶ The final reading of the University of Michigan Consumer Sentiment Index for October was revised down to 53.6 from 55, below expectations of 54.5.
- ▶ The global luxury goods market remains structurally resilient, valued around USD 464bn with an expected CAGR of 4–5%. Growth will be driven primarily by Asia-Pacific, particularly India and Southeast Asia, while Europe and North America remain mature markets. The rise of younger consumers is shifting brands toward experiential luxury, sustainability, and digitalization, such as premium travel, lifestyle, and personalized online services. Overall, the luxury sector in 2025 is expected to transition from “volume expansion” to “value and experience enhancement,” emphasizing brand exclusivity and emotional engagement to sustain long-term growth.

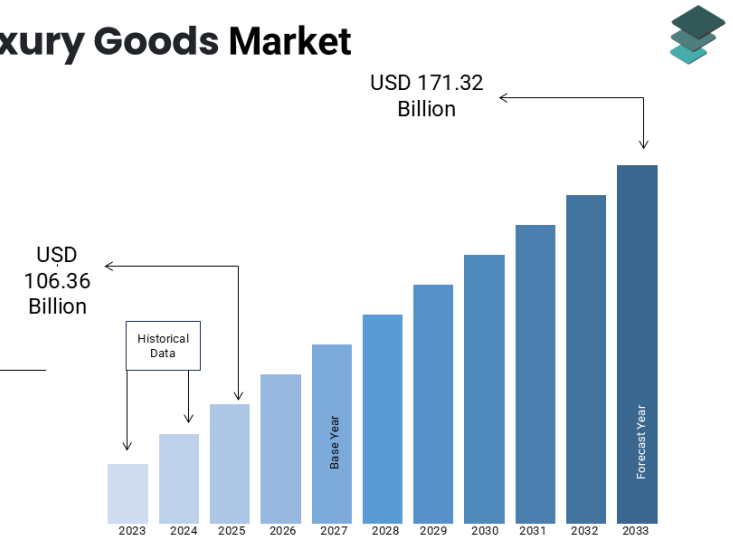
Source: Bloomberg

Global Personal Luxury Market Growth 2025–2033

Global Personal Luxury Goods Market Market Size Overview

6.14%

Global market CAGR,
2025 - 2033



www.marketdataforecast.com

Source: Market Data Forecast Analysis

Estée Lauder (EL US)

Closing Price US \$102.16

Target Price US \$110

Engages globally in the manufacturing, marketing, and sale of skincare, makeup, fragrance, and haircare products.

“Beauty Reimagined” Strategy Showing Early Results

In the post-pandemic period, rising inflation has curbed global consumer spending, weighing on luxury (Veblen) goods sales. In response, Estée Lauder launched its “Beauty Reimagined” strategy, focusing on a leaner, faster, and more agile operating model; expanding consumer reach and accelerating innovation; and increasing investment in customer-facing initiatives. After three years of sluggish performance, results have started to recover, demonstrating the strategy’s effectiveness and improving consumer confidence in premium beauty.

Mainland China Market Stabilizing

In mainland China, sales declined by mid-single digits in 1H FY2025 but rebounded to mid-single-digit growth in 2H, gaining market share. Travel retail also shows signs of recovery, with reports indicating renewed growth in Hainan and healthier inventory levels.

FY2025 Results Weakened but Recovery Expected Next Year

For FY2025 (ending June), net sales fell 8% YoY to USD 14.33bn. Non-GAAP organic net sales also declined 8% YoY to USD 14.35bn. Diluted GAAP EPS recorded a loss of USD 3.15, compared with a profit of USD 1.08 in FY2024. For FY2026, management guides GAAP EPS of USD 1.63–1.87, and adjusted constant-currency Non-GAAP EPS of USD 1.87–2.07.

Valuation Consensus

Bloomberg’s 12-month consensus target price is USD 97.22, with a high estimate of USD 120 and a low of USD 61.

Source: Bloomberg

1-Year Price

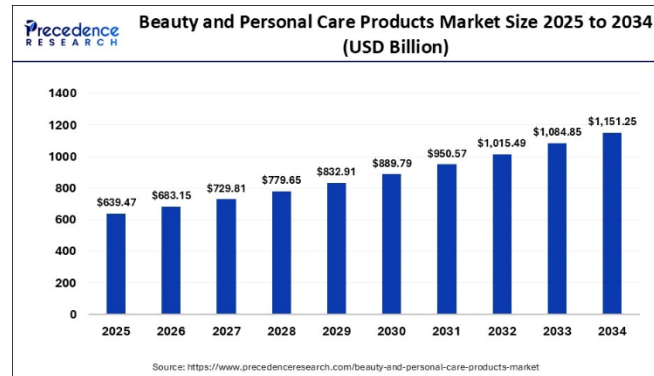


Financials

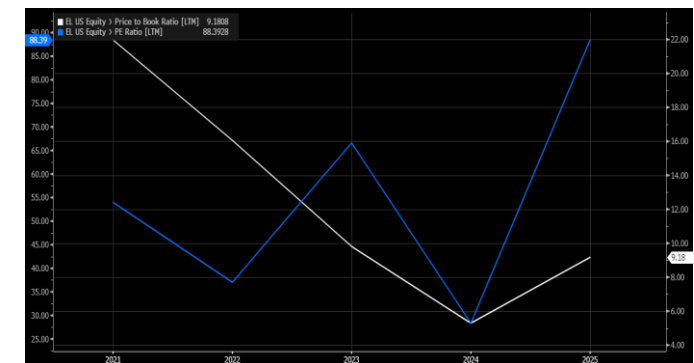
	2023	2024	2025	2026F	2027F
Revenue Growth(%)	-10.3	-1.9	-8.2	3.3	4.1
EBITDA(%)	18.9	18.4	17.3	15.4	17.1
EPS (USD)	3.46	2.59	1.12	2.05	2.92
Net Profit Margin(%)	-52.2	-25.1	-56.9	84.0	42.1

Source: Bloomberg; 2026/27F are market estimates

Cosmetics Market Size 2025-2034



P/E & P/B



LVMH (MC FP)

Closing Price EU €612.5

Target Price EU €680

LVMH Moët Hennessy–Louis Vuitton SE and its subsidiaries operate as a global luxury goods group.

The King of Fashion Remains Unshaken

LVMH owns more than 75 prestigious brands, including Louis Vuitton, Dior, Tiffany & Co., Hennessy, and Moët & Chandon. The strong brand equity and desirability of its portfolio enable the company to raise prices without materially impacting demand, helping protect margins amid inflationary pressure. Despite recent macro headwinds weighing on luxury spending, the group continues to thrive through economic cycles.

Shifts in the China Market

Facing challenges from slowing GDP growth and deflation concerns, luxury brands in China are adopting experiential strategies—for example, Louis Vuitton’s concept stores now target affluent tourists and regional entrepreneurs. Despite macro uncertainty, demand for high-end products remains resilient, supported by unexpectedly strong growth from lower-tier cities. This shift reflects deep structural and generational change, as younger consumers in emerging regions are increasingly exposed to luxury through Chinese channels. The consumption slowdown appears psychological rather than structural, with consumer wealth largely intact.

3Q FY2025 Results Show YoY Improvement

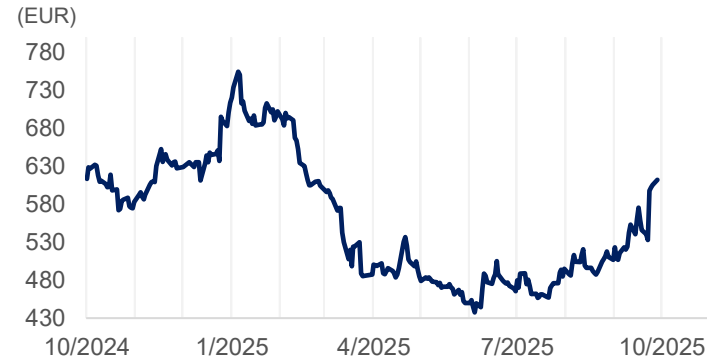
Total revenue reached EUR 18.28bn, with core business growth of 1% YoY—marking a return to positive growth after declines in 1H25. Mainland China posted positive sales growth in 3Q, serving as a key driver of renewed optimism. Travel retail spending by Chinese tourists also improved. Demand in Europe and the U.S. remained stable, supported by steady local consumption, while Japan saw softer sales due to a high comparison base from last year’s yen-driven tourist

Valuation Consensus

Bloomberg’s 12-month consensus target price stands at EUR 601.9, with a high estimate of EUR 700 and a low of EUR 434.67.

Source: Bloomberg

1-Year Price



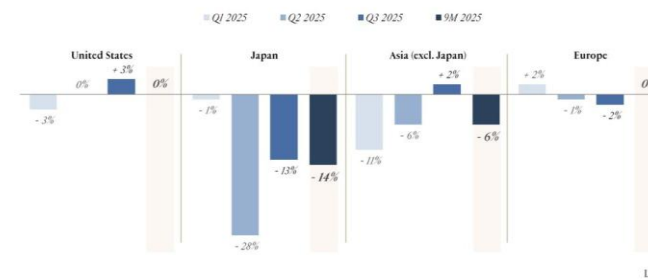
Financials

	2022	2023	2024	2025F	2026F
Revenue Growth(%)	23.3	8.8	-1.7	-4.6	3.1
EBITDA(%)	34.4	34.8	32.3	29.7	30.6
EPS (EUR)	28.11	30.65	26.12	21.57	24.11
Net Profit Margin(%)	17.69	9.05	-14.79	-17.41	11.75

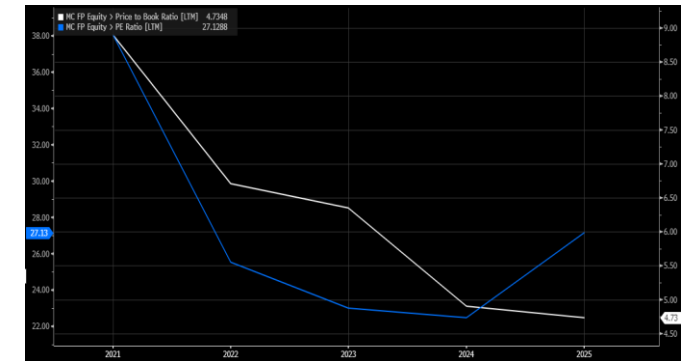
Source: Bloomberg; 2025/26F are market estimates

Quarterly Organic Revenue Growth

Quarterly organic revenue change by region (in %), versus same period of 2024



P/E & P/B



Appendix

Key Economic Data / Events

► OCT 2025

20

Monday

- China 3Q GDP YoY (Act:4.8% Est:4.7% Prev:5.2%)
- China Sep Retail Sales YoY (Act:3.0% Est:3.0% Prev:3.4%)
- China Sep Industrial Output YoY (Act:6.5% Est:5.0% Prev:5.2%)

21

Tuesday

- Japan Sep Machine Tool Orders YoY (Final) (Act:11.0% Prev:8.5%)
- Taiwan Sep Export Orders YoY (Act:30.5% Est:18.7% Prev:19.5%)

22

Wednesday

- Japan Sep Exports YoY (Act:4.2% Est:4.4% Prev:-0.1%)

23

Thursday

- U.S. Initial Jobless Claims (Weekly) (Act:- Est:225k Prev:-)
- U.S. Sep Existing Home Sales (Act:4.06 Est:4.06m Prev:4.00m)
- Eurozone Oct Consumer Confidence (Prel.) (Act:-14.2 Est:-15.0 Prev:-14.9)

24

Friday

- U.S. Sep CPI YoY (Est:3.1% Prev:2.9%)
- U.S. Sep Core CPI YoY (Est:3.1% Prev:3.1%)
- U.S. Oct S&P Global Mfg PMI (Prel.) (Est:51.9 Prev:52.0)
- U.S. Oct Michigan Consumer Sentiment (Final) (Est:54.6 Prev:55.1)
- Japan Sep Nationwide CPI YoY (Act:2.9% Est:2.9% Prev:2.7%)

27

Monday

- U.S. Sep Durable Goods Orders MoM (Prel.) (Est:-0.1% Prev:2.9%)
- Taiwan Sep Unemployment Rate (Est:3.4% Prev:3.35%)

28

Tuesday

- U.S. Oct Conference Board Consumer Confidence (Est:93.8 Prev:94.2)
- Earnings: UNH, NEE

29

Wednesday

- Earnings: BKNG, V, ADP, BA, CAT, VZ

30

Thursday

- U.S. Initial Jobless Claims (Weekly) (Prev:-)
- U.S. Oct Fed Funds Rate (Est:4.00% Prev:4.25%)
- Eurozone Oct ECB Main Refinancing Rate (Prev:2.15%)
- Japan Oct BoJ Uncollateralized Overnight Call Rate (Prev:0.5%)
- Earnings: MSFT, GOOGL, META, MRK, LLY, SPGI

31

Friday

- U.S. Sep PCE YoY (Prev:2.7%)
- U.S. Sep Core PCE YoY (Prev:2.9%)
- Japan Sep Unemployment Rate (Prev:2.6%)
- Japan Oct Tokyo CPI YoY (Prev:2.5%)
- China Oct Manufacturing PMI (Prev:49.8)
- Earnings: AAPL, AMZN, ABBV, XOM

Source: Bloomberg

Key Earnings Releases

Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2025/10/21	Danaher Corp. (DHR)	6B	6.05B	1.72	1.89	V	V
2025/10/21	General Electric Co. (GE)	10.37B	11.31B	1.45	1.66	V	V
2025/10/21	RTX Corp. (RTX)	21.27B	22.5B	1.41	1.7	V	V
2025/10/21	Philip Morris International Inc. (PM)	10.63B	10.8B	2.09	2.24	V	V
2025/10/21	The Coca-Cola Co. (KO)	12.41B	12.5B	0.78	0.82	V	V
2025/10/21	Lockheed Martin Corp. (LMT)	18.53B	18.6B	6.39	6.95	V	V
2025/10/22	Texas Instruments Inc. (TXN)	4.65B	4.74B	1.49	1.48	V	
2025/10/22	Netflix Inc. (NFLX)	11.51B	11.51B	6.96	5.87		
2025/10/22	Intuitive Surgical Inc. (ISRG)	2.41B	2.51B	1.99	2.4	V	V
2025/10/22	Capital One Financial Corp. (COF)	15.08B	15.36B	4.38	5.95	V	V
2025/10/22	Chubb Ltd. (CB)	14.56B	14.87B	6.14	7.49	V	V
2025/10/22	GE Vernova Inc. (GEV)	9.16B	9.97B	1.86	1.64	V	
2025/10/22	Thermo Fisher Scientific Inc. (TMO)	10.91B	11.12B	5.5	5.79	V	V
2025/10/22	Boston Scientific Corp. (BSX)	4.97B	5.07B	0.71	0.75	V	V

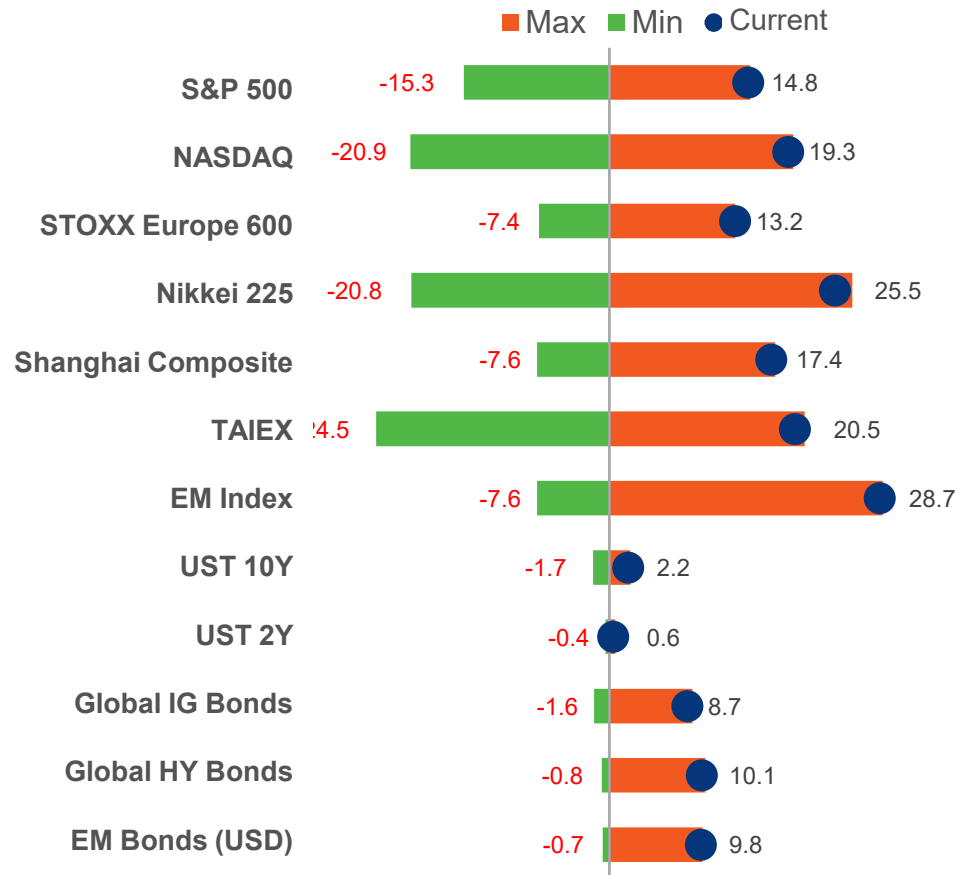
Source: Investing.com

Key Earnings Releases

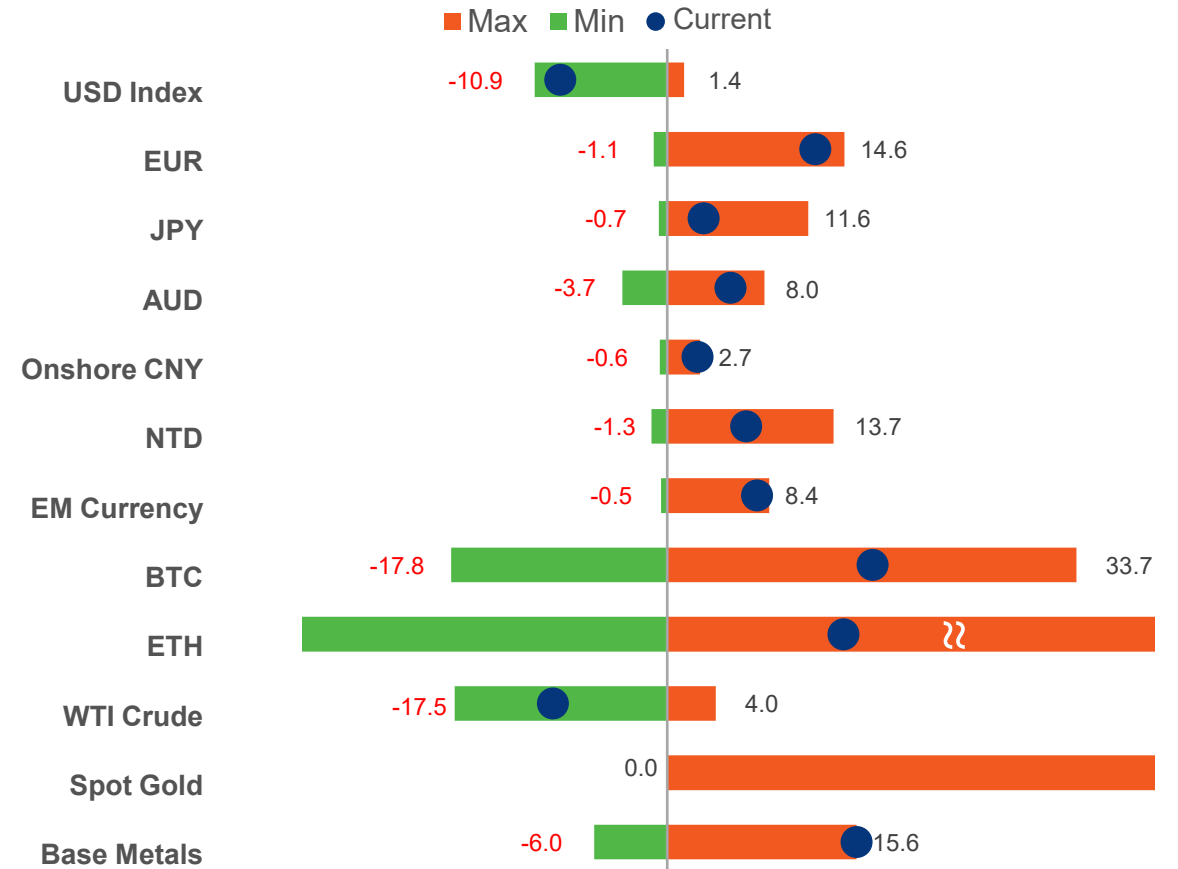
Date	Name	Revenue (F) (USD)	Actual Revenue (USD)	EPS (F) (USD)	Actual EPS (USD)	Exceed Expectation Revenue	Exceed Expectation EPS
2025/10/22	AT&T Inc. (T)	30.89B	30.7B	0.54	0.54		
2025/10/22	Amphenol Corp. (APH)	5.53B	6.2B	0.79	0.93	V	V
2025/10/23	Tesla Inc. (TSLA)	26.22B	28.1B	0.54	0.5	V	
2025/10/23	Lam Research Corp. (LRCX)	5.22B	5.32B	1.22	1.26	V	V
2025/10/23	International Business Machines Corp. (IBM)	16.09B	16.33B	2.44	2.65	V	V

YTD Major Market / Asset Performance

Equities & Bond Markets YTD Performance (%)

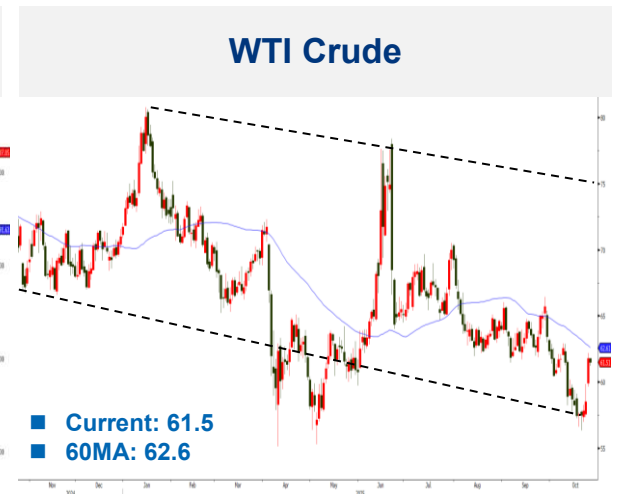


Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 24 Oct 2025

Technical Analysis



Source: Bloomberg, 24 Oct 2025

Market Monitor

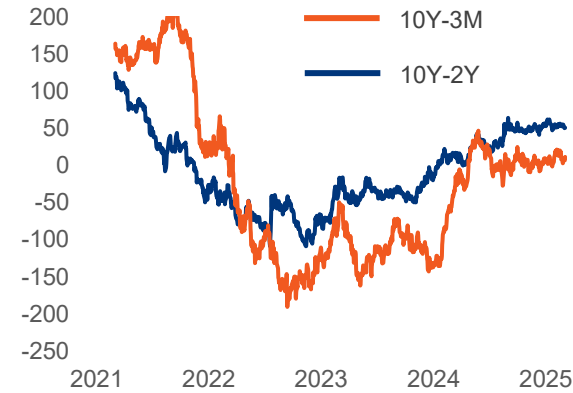
U.S. CPI YoY (%)



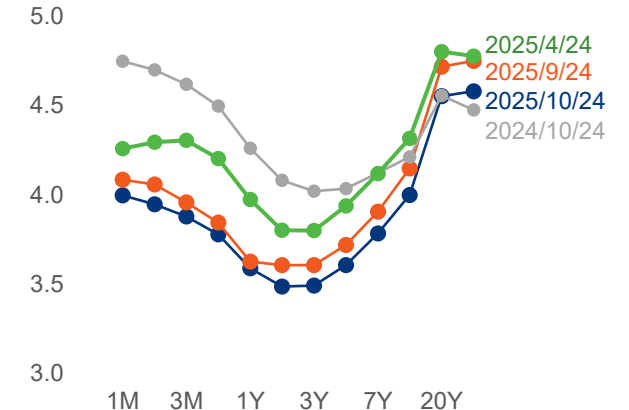
U.S. 10-Year Treasury Yield (%)



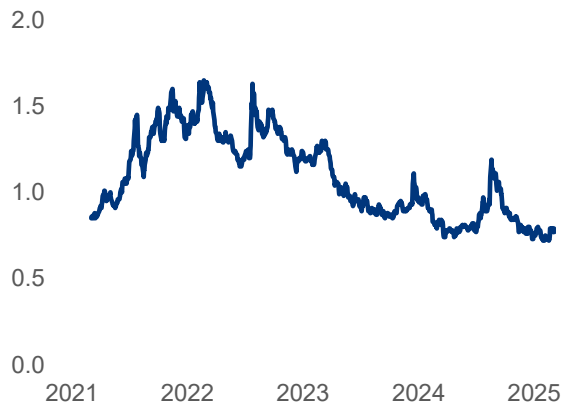
U.S. Treasury Yield Spread (bps)



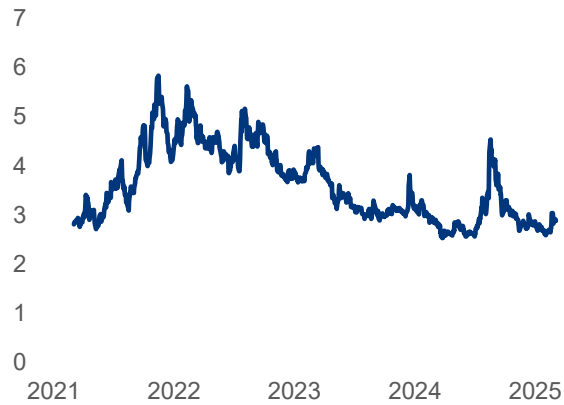
U.S. Treasury Yield Curve (%)



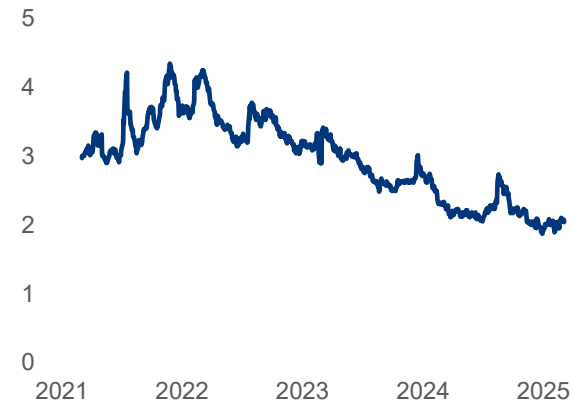
USD IG Credit Spread (%)



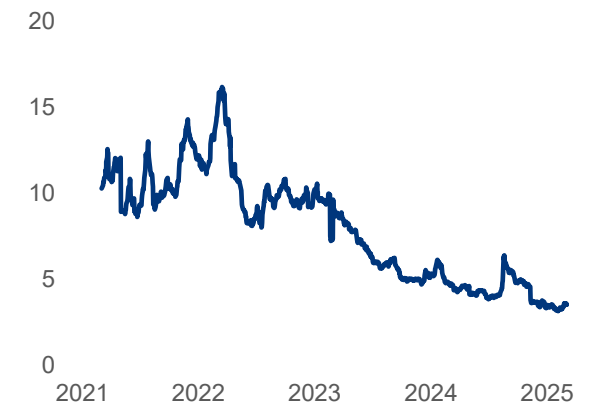
USD HY Credit Spread (%)



USD EM Credit Spread (%)



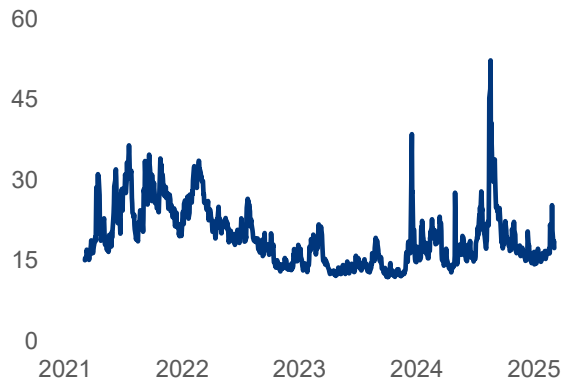
USD Asia Credit Spread (%)



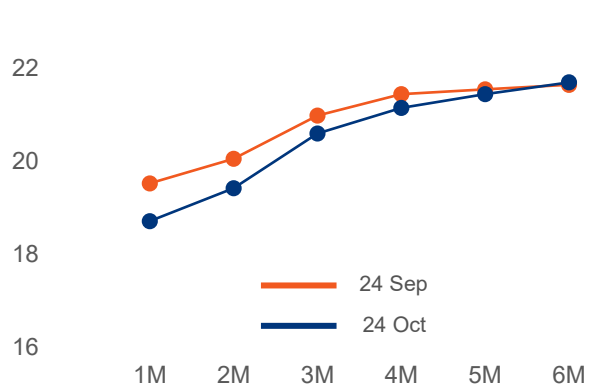
Source: Bloomberg, 24 Oct 2025

Market Monitor

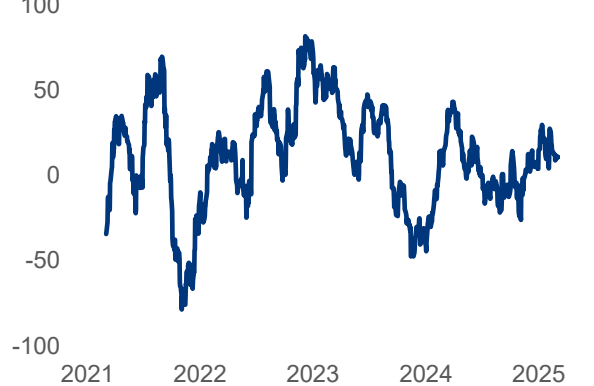
VIX Index



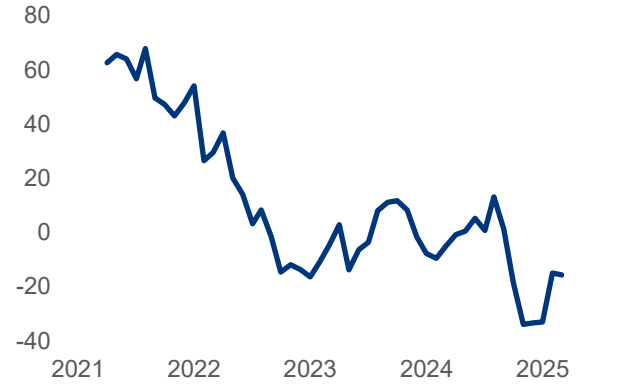
VIX Term Structure



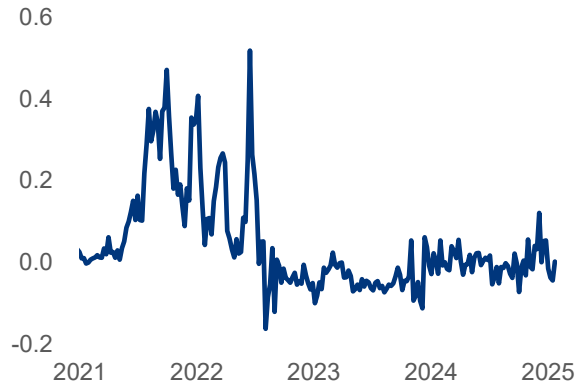
U.S. Citi Economic Surprise Index*



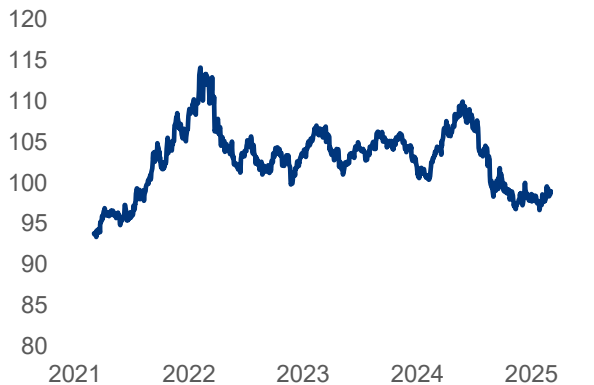
U.S. Citi Inflation Surprise Index*



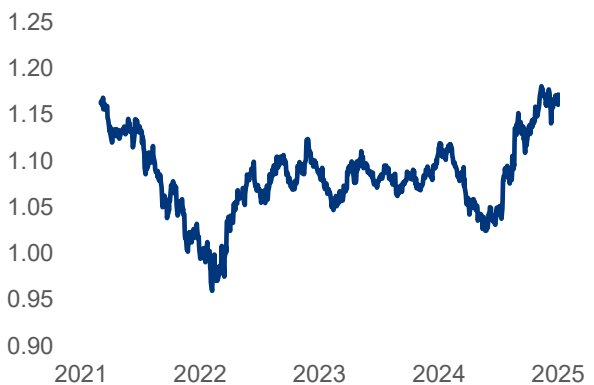
TED Spread (bps)



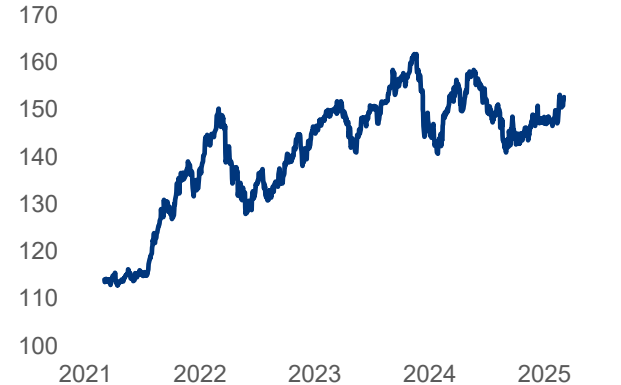
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg, 24 Oct 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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