



CIO Office

Global Markets Weekly Kickstart

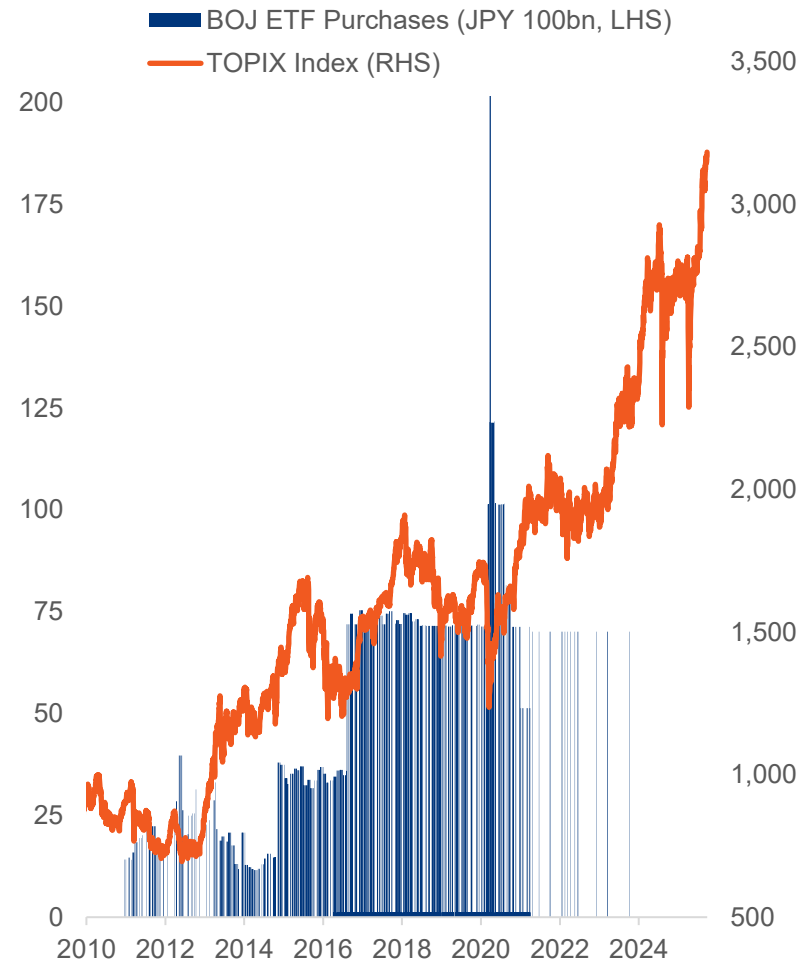
Capex War

29 September 2025

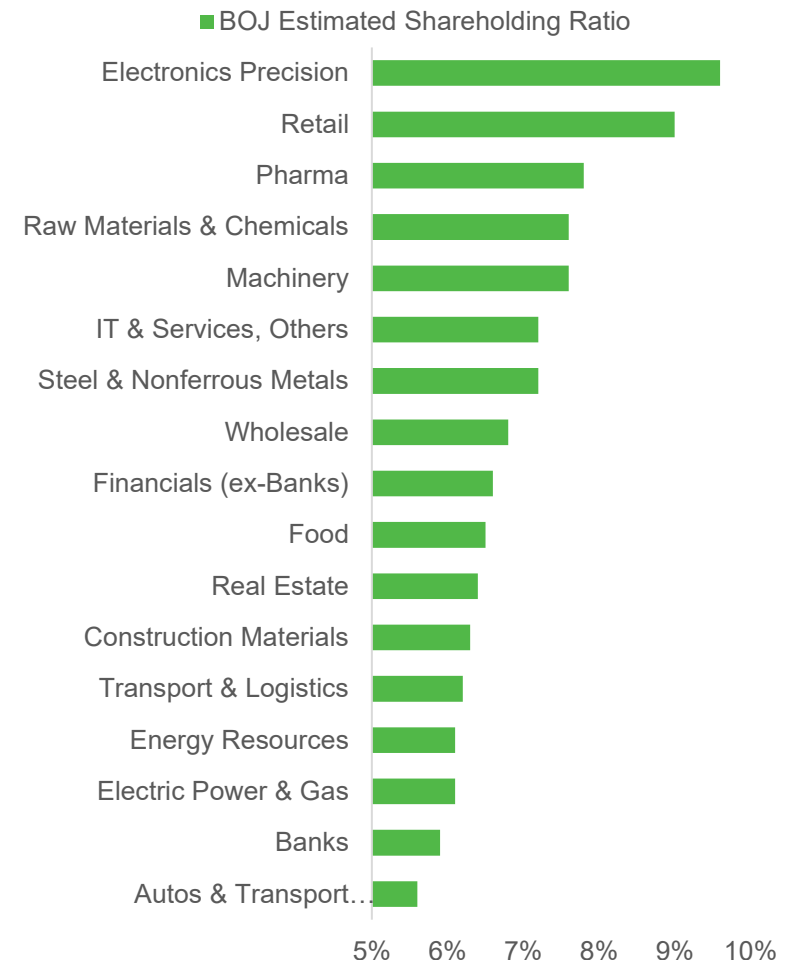
BOJ to Sell ¥37tn ETF Holdings; Current Pace Would Take 100+ Years to Exit

- ▶ After its Sept 19 meeting, the BOJ said it will sell ¥37tn ETF holdings (book value), with planned sales of ¥330bn annually (book value) or ¥620bn (market value). The move marks another step away from ultra-loose policy, signaling confidence in the economy.
- ▶ The ETFs' market value is about ¥84tn, equivalent to 7% of TOPIX constituents. The pace is similar to the stock disposals completed in July, which had little impact on equities. But with much larger ETF holdings, full exit at this pace would take over 110 years, raising concerns of potential acceleration later.
- ▶ Japanese corporate reforms have progressed, with buybacks rising sharply since 2023, reaching ¥20tn annually. This is expected to offset BOJ sales. JPMorgan estimates if constituent firms absorb BOJ sales via buybacks, holdings could be halved within five years, but this would erode the positive effect of buybacks on share prices.
- ▶ The market expects sales to start as early as 2025. Given the gradual initial pace, impact on Japanese equities should be limited.

BOJ Began ETF Purchases in 2010, Gradually Halted After Pandemic



BOJ's Rising Shareholdings Add Pressure on Equities



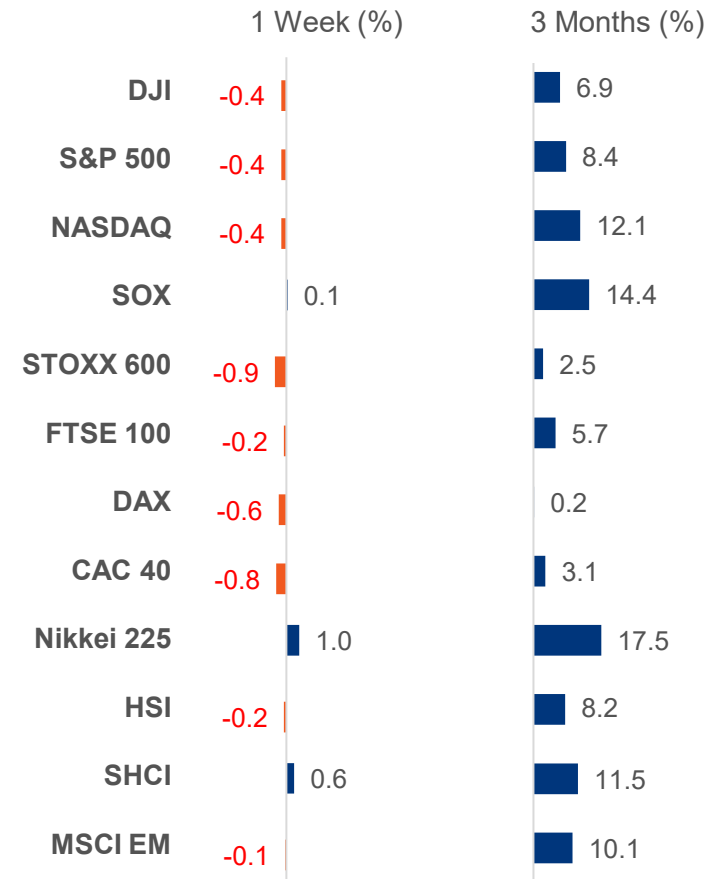
Source: Bloomberg, JP Morgan

Market Recap

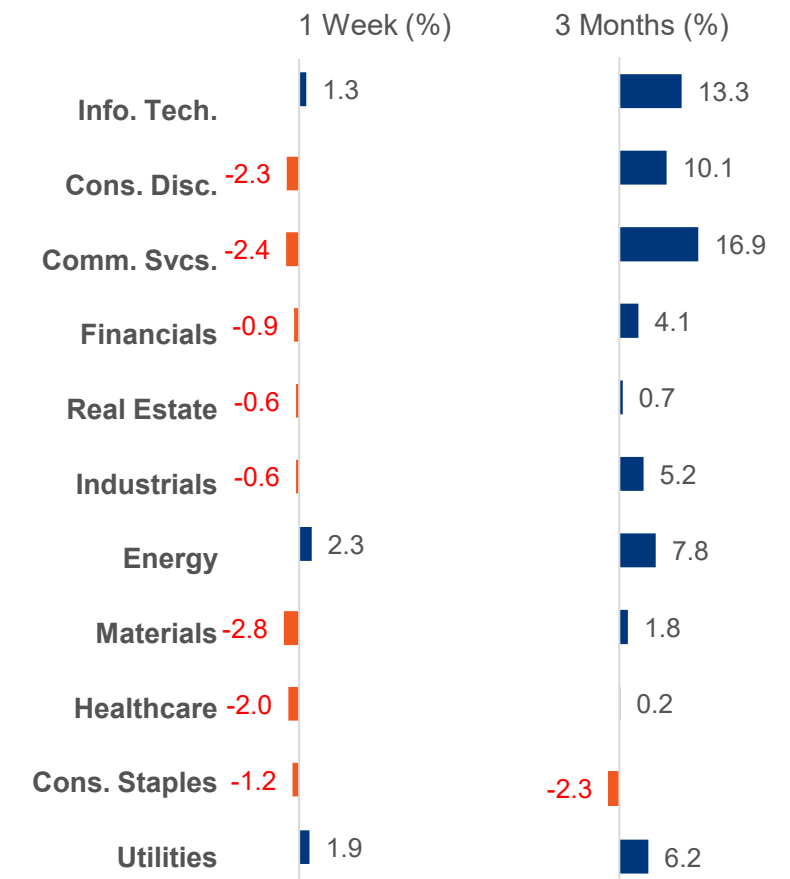
Powell Flags Rich Valuations, U.S. Small Caps Lead Pullback as Rate-Cut Bets Fade

- ▶ Fed Chair Powell highlighted elevated equity valuations, weighing on sentiment. With 2Q GDP growth revised up to 3.8% YoY, stronger momentum curbed rate-cut expectations, prompting profit-taking in earlier rate-cut-driven rallies. U.S. small caps, more rate-sensitive, saw steeper declines.
- ▶ Breaking down the data, 2Q GDP growth of 3.8% beat the 3.3% forecast, driven by resilient consumption and capex, while a sharp drop in imports narrowed the trade deficit, contributing 4.83 ppts to GDP and reversing prior weakness. More recent indicators point to softening momentum: Sept S&P Global manufacturing PMI fell to 52.0 from 53.0, and services PMI eased to 53.9 from 54.5, marking a second month of cooling activity.
- ▶ On corporates, Nvidia announced a \$500mn investment in Intel to co-develop AI chips. BofA cautioned results will take time, with Intel's foundry business still facing client shortages.

Regional Index Performance (%)

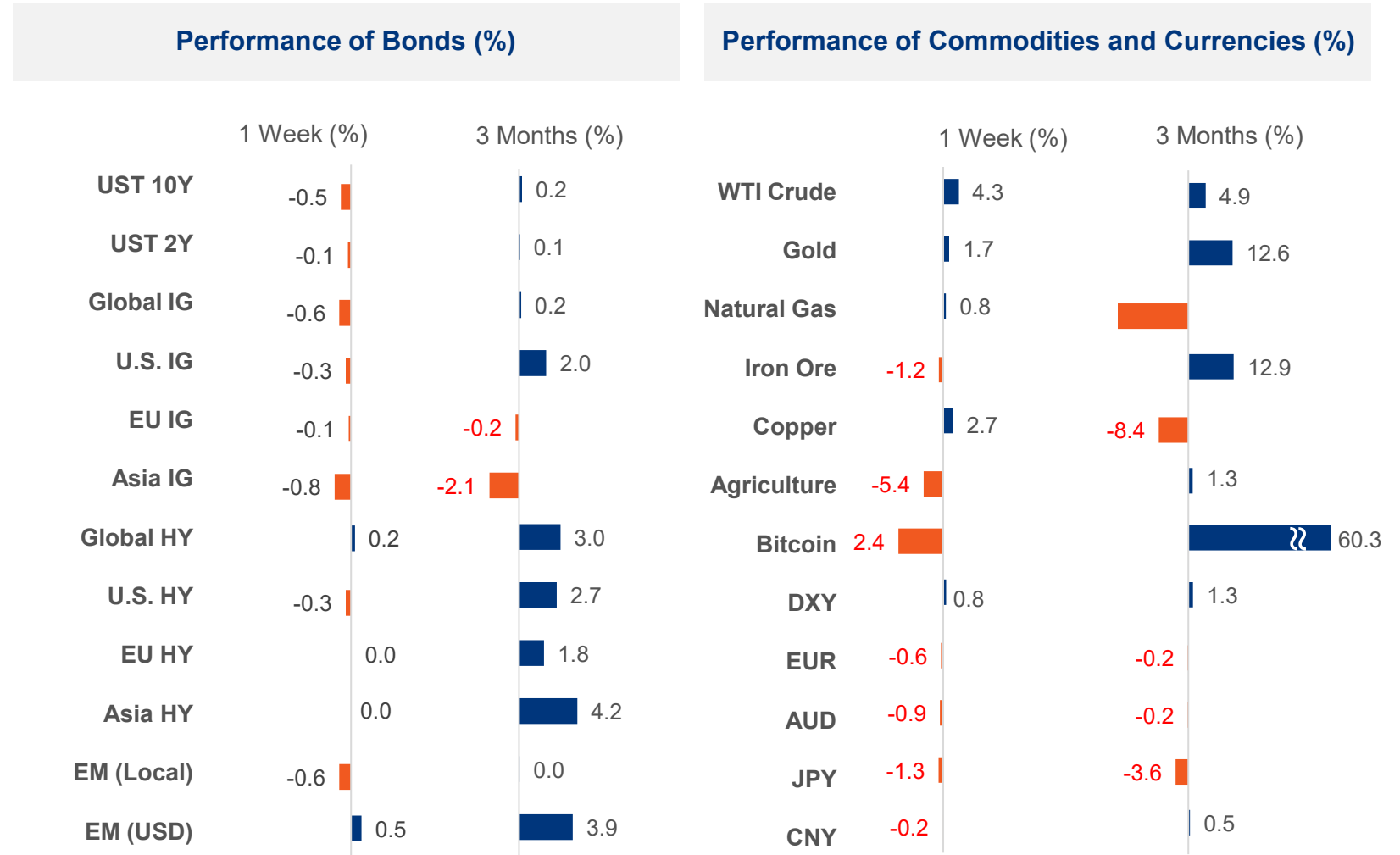


U.S. Sector Index Performance (%)



Bond Rally Reverses on Profit-Taking; Gold Consolidates at Highs

- ▶ Fed officials delivered diverging views: new Governor Miran saw policy as overly tight and backed steep cuts; St. Louis Fed's Musalem said stance is near neutral; Atlanta's Bostic opposed an October cut given inflation remains above target; Cleveland's Hammack warned easing too much could risk overheating.
- ▶ Overall, gains driven by rate-cut expectations saw profit-taking this week. Bonds broadly retreated, the dollar firmed, while gold consolidated at elevated levels. Solid economic data supported oil and copper prices.



Source: Bloomberg, 25 Sep 2025

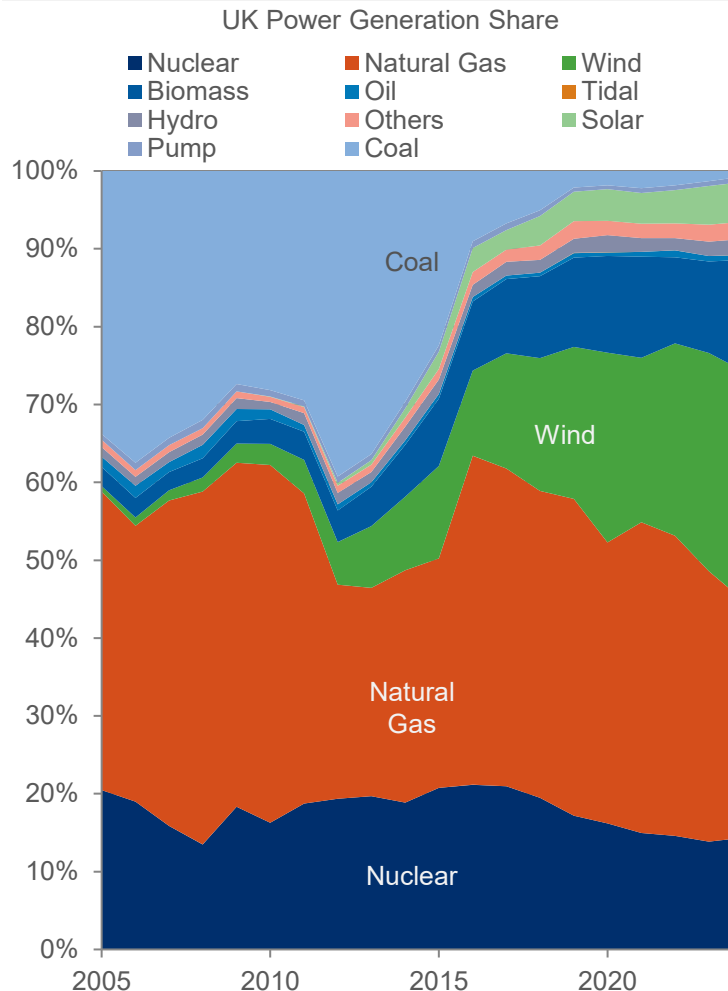
What's Trending

UK-U.S. Pact Deepens Nuclear Cooperation; Sector Overbought Near Term, Long-Term Positive

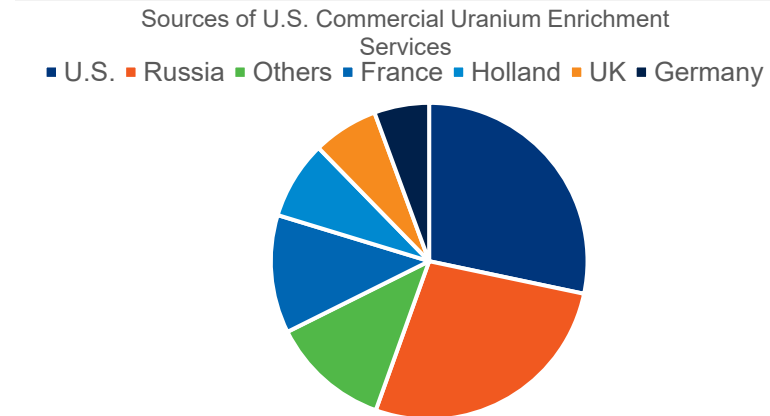
- ▶ On Sept 18, Trump and Sunak signed the “Tech Prosperity Agreement” covering AI, commercial nuclear power, and quantum computing. In nuclear, the deal includes joint R&D, shared licensing pathways, and a target to end reliance on Russian nuclear fuel by end-2028.
- ▶ Russia currently provides ~30% of U.S. enrichment services and over 40% globally. Following the May 2023 U.S. ban on Russian uranium imports, combined with the new UK-U.S. agreement and strained U.S.-Russia ties, we expect nuclear development to bifurcate: East (China/Russia) vs West (U.S./UK/France). The U.S. and UK are set to secure alternative Western suppliers to fill the gap and meet rising demand.
- ▶ As noted in our June 30 report, upstream nuclear supply chain reform continues to offer investment opportunities, supported by lower financing costs as the Fed resumes rate cuts. However, given recent outperformance in nuclear and uranium names—with some stocks at multi-year highs and stretched valuations—short-term profit-taking may emerge, leading to elevated volatility. Medium- to long-term investors may await better entry levels.

Source: CEIC, Bloomberg

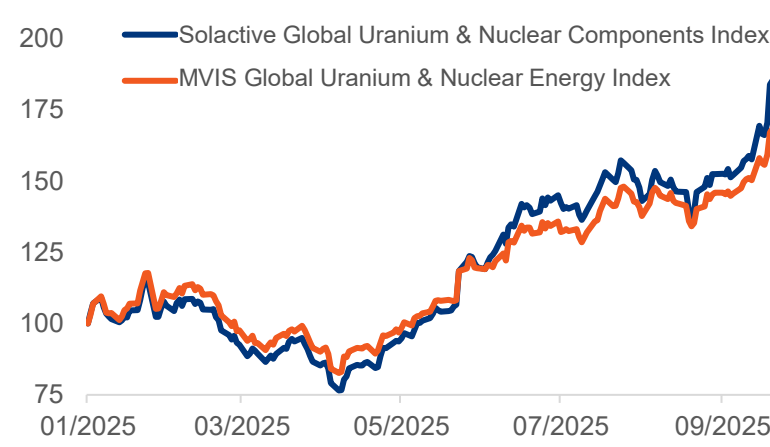
In the UK, Nuclear Share Still Has Room to Rise



U.S. Aims to Cut Reliance on Russia



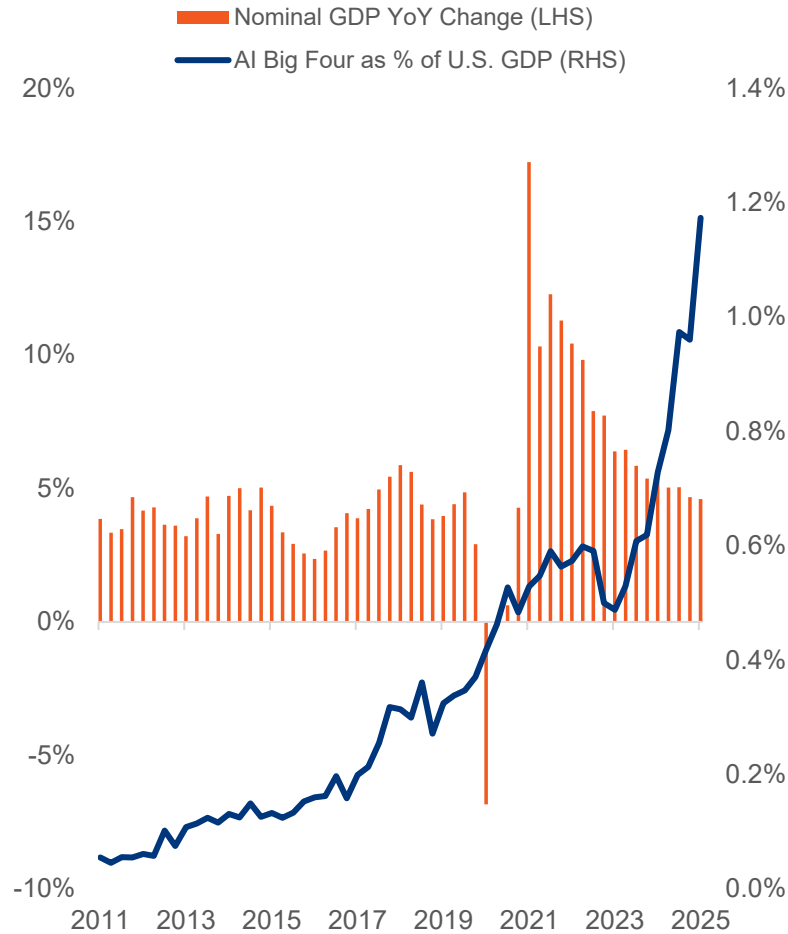
Nuclear and Uranium-Related Stocks Outperform Broad Market, Now Overbought



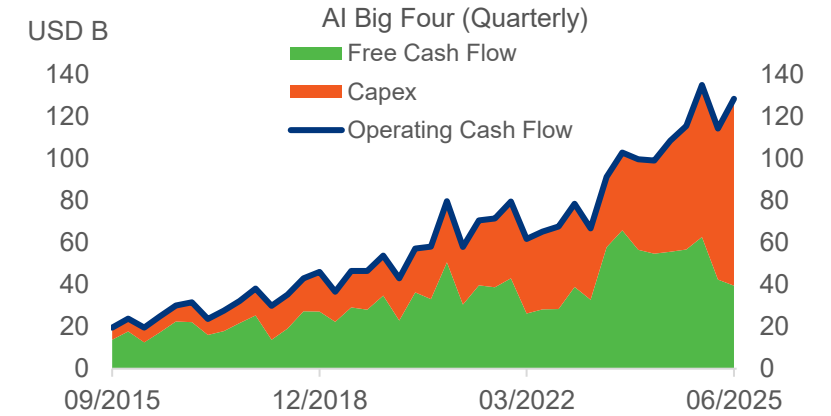
AI Giants' Heavy Capex Fuels High Expectations

- ▶ Since OpenAI unveiled ChatGPT in late 2022, U.S. tech majors have poured massive capital into AI. Meta, Google, Amazon, and Microsoft together account for about half of total market capex. Their strong share performance and aggressive spending have sparked debate over a potential tech “bubble.”
- ▶ In 2023, the four spent \$230bn in capex. AI applications are driving demand for data centers and energy facilities, boosting jobs and productivity, supporting U.S. GDP growth. Yet relative to nominal GDP, the capex equates to only ~1%.
- ▶ Robust earnings and cash flow underpin these investments. However, since 2023 capex has surged, leaving free cash flow roughly back at pre-pandemic levels. On valuation, their trailing and forward P/E multiples remain well below the 50–60x seen in tech stocks before the 2000s dot-com crash. Unlike then, today’s tech giants operate with more mature and sustainable business models.

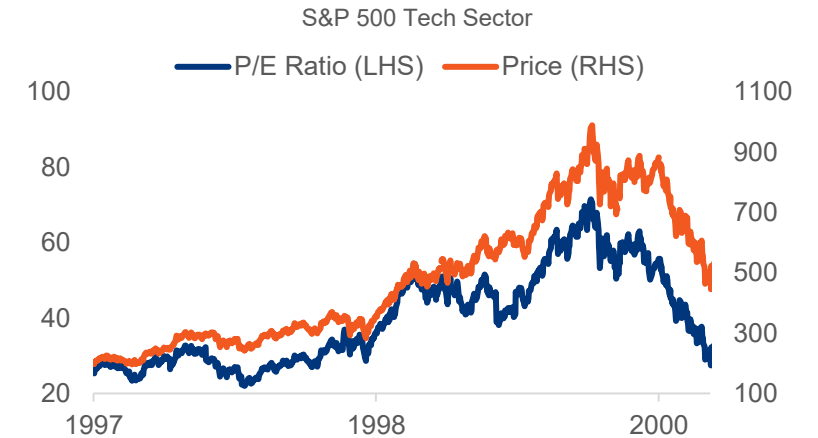
AI Big Four Capex Equals ~1% of GDP



Capex Share of Cash Flow Rising



Big Four Valuation Below Dot-Com Levels



Source: Bloomberg

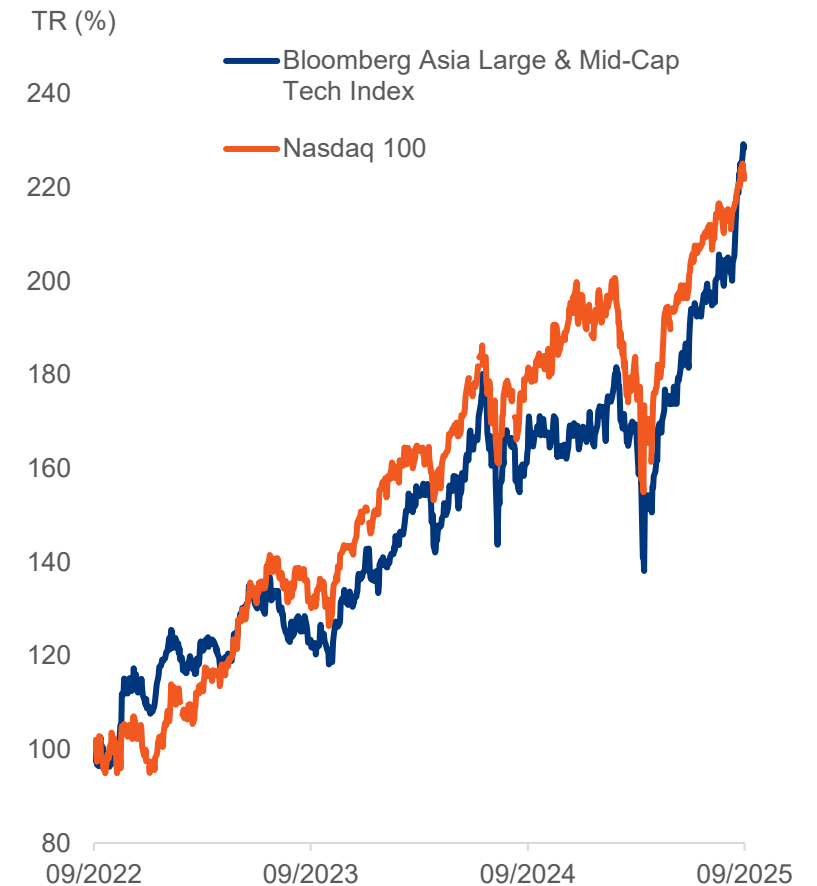
Asia Tech May Offer More Effective Diversification in AI Allocation

- ▶ Over the past year, the four U.S. tech giants posted average earnings growth of 34%, outpacing the Nasdaq 100 and S&P 500. While valuations are high, growth justifies the multiples. In contrast, the Nasdaq 100 and S&P 500 trade at lower valuations but with weaker earnings growth, making them less attractive.
- ▶ Bloomberg's 12-month forecasts show a similar picture: the big four's growth outlook supports relative valuation appeal. Broader U.S. earnings forecasts are less upbeat, so we maintain a neutral stance on U.S. equities overall.
- ▶ U.S. tech majors have strong profitability and growth potential, but dominance is concentrated in a handful of firms, raising risk. High expectations also make them harder to meet, reinforcing the case for diversification.
- ▶ Asia-Pacific tech stocks trade at lower valuations and add regional diversification. With the Fed entering a rate-cut cycle, a weaker USD should support non-U.S. inflows. Moreover, Asia's tech sector spans not just software applications but also component producers, offering broader exposure across the AI value chain.

U.S. Companies Show Strong Profitability and Growth Potential, but Advantages Concentrated

	Past 12 Months		Next 12 Months Est.		
	P/E	EPS Growth	P/E	EPS Growth	PEG
Google	21.3	32.0	22.3	26.6	0.8
Amazon	36.0	47.6	24.9	33.7	0.7
Meta	28.7	40.2	21.7	46.4	0.5
Microsoft	38.3	17.4	25.7	18.7	1.4
Nasdaq 100	32.2	19.2	27.5	15.6	1.8
S&P500 Equal Weight	18.6	4.4	17.2	5.7	3.0
Bloomberg Asia Large & Mid-Cap Tech	22.0	24.2	19.6	12.7	1.5

Asia Tech Stocks May Offer More Effective Diversification



Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	<ul style="list-style-type: none"> ◆ The Fed's renewed easing cycle, coupled with surging AI-related demand, has lifted global equities to record highs and fueled strong risk appetite. However, U.S. labor market weakness remains a key economic risk. We suggest a balanced allocation across sectors with investment flexibility to adapt to market shifts. At this stage, investors may add high-quality stocks, while long-term focus should stay on AI themes. Within tech, software and cybersecurity are favored, with staggered entry on pullbacks. Growth stocks and U.S. small caps may serve as short-term trades under loose monetary policy. ◆ In Europe, fundamentals are improving and valuations remain cheaper than U.S. equities. UK and German equities, less exposed to trade shocks, are preferred. In Japan, following Shigeru Ishiba's resignation, new leadership candidates appear more neutral or dovish on monetary policy, a short-term positive. Longer term, wage growth is supporting the economy, and a tariff deal has been reached. We remain positive on domestic demand stocks and banks. 	<p>Strategy: Quality stocks to buffer volatility; long-term focus on AI, software, and cybersecurity; buy gradually on dips</p> <p>Regions: European, U.K., Japan domestic demand and banks</p>
Bonds	<ul style="list-style-type: none"> ◆ U.S. data shows slowing growth, weakening jobs, and sticky inflation. The Fed cut rates by 25 bps in September, with room for two more cuts by year-end. The dot plot signals only one cut in 2025, implying less easing than markets expected. Short-to medium-term high-grade bonds offer opportunities to lock in yields. Within IG, A-rated or above industry leaders are preferred, with relatively attractive risk-adjusted spreads in financials, industrials, energy, utilities, and telecom. ◆ The USD remains weak, favoring diversification into non-USD bonds. EUR- and SGD-denominated IG bonds are recommended for risk hedging. 	<p>Duration: Short-to-medium IG bonds for yield lock-in</p> <p>Sector: Financials, industrials, energy, utilities, telecom</p>
Forex	<ul style="list-style-type: none"> ◆ With U.S. labor market cooling and the Fed starting its September rate-cut cycle, the dollar index is trending lower, with a medium- to long-term weak bias. Non-USD currencies such as EUR, JPY, and GBP are trading with an upward tilt. 	<p>USD: Weak, consolidating</p> <p>EUR, JPY, GBP: Gradual upside with swings</p>
Commodity	<ul style="list-style-type: none"> ◆ A weaker dollar, lower rates, inflation risks, and fiscal deficit pressures—combined with ongoing central bank and market gold purchases—support further upside for gold. Gradual accumulation on pullbacks is recommended. 	<p>Gold: Bullish</p>

China's Autonomous Driving Opportunity

Year One: Policy and Market Outlook

2025 marks China's first year of autonomous driving. In mid-September, Beijing released the Intelligent Connected Vehicle Development Plan, accelerating rollout of L3 and L4 applications across passenger cars and public transport. By 2030, 20% of new cars are expected to be fully driverless, with 70% equipped with advanced ADAS.

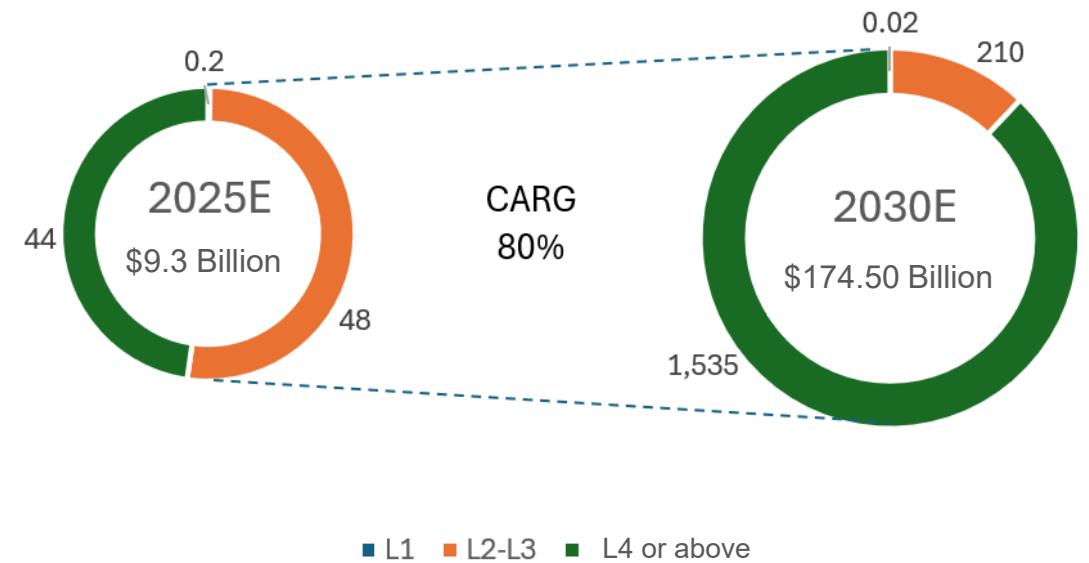
China's Robotaxi Goes Global

Robotaxi, at the forefront of commercialization, is expanding abroad. Chinese firms are deploying fleets via international platforms, with initial launches in Asia and the Middle East by year-end. Pilot programs are also extending to Europe, signaling a shift from domestic testing to international expansion.

LiDAR Dominates Tech and Adoption

LiDAR, the core sensor, is now led by Chinese suppliers globally. Digital LiDAR has secured mass-production orders from multiple OEMs, strengthening cost and reliability advantages. The global auto LiDAR market is projected to reach multi-billion USD by 2030, with China driving most incremental growth through EV scale and rapid iteration. The co-evolution of LiDAR and Robotaxi will accelerate penetration in L3 and L4 applications.

Global Autonomous Driving Market Size (USD)



Hesai (2525)

Closing Price HK \$228

Target Price HK \$286

The group develops, manufactures, and sells 3D LiDAR solutions.

Pick-and-Shovel Play: Investing in the Track, Not the Racer

In the fierce race toward smart mobility, betting on a single automaker’s success is risky. Instead, LiDAR—an indispensable technology for all players—offers higher certainty. As a global market leader, Hesai plays the role of “pick-and-shovel” supplier. Beyond autonomous driving, emerging themes such as humanoid robots also rely on LiDAR, placing Hesai at the center of future tech adoption.

Policy Tailwinds: L3 Unlocks Huge Market

China’s conditional approval of L3 autonomous driving removes key barriers for ADAS commercialization. As the critical sensor for smart driving, LiDAR’s penetration rate and per-vehicle adoption are set to rise rapidly, triggering a demand surge.

Traditional Automakers Drive Scale

Leading Chinese automakers—Changan, Chery, and Great Wall—are accelerating smart transformation. With combined annual sales over 6.5m vehicles, if 20% shift to smart models, this alone would create ~2m units of LiDAR demand. This supports Hesai’s shipment CAGR forecast of 36% over the next six years.

Attractive Valuation, Strong Earnings Outlook

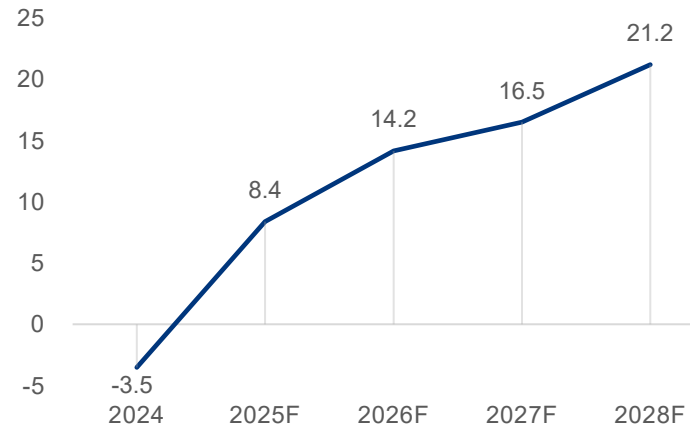
The stock trades at 28x 2027E P/E. We set a target price of HK\$286, implying 34x, backed by projected EPS CAGR of 63% over the next five years.

Source: Bloomberg

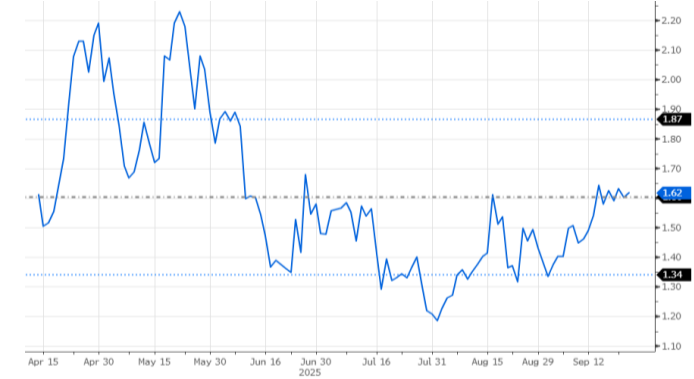
Financials

	2022	2023	2024	2025F	2026F
Revenue (CNY Billion)	1.9	2.1	3.2	4.8	6.5
Revenue YoY	N/A	10.7	56.0	47.6	35.7
EPS (CNY)	-1.93	0.1	2.2	4.9	7.6
EPS YoY	N/A	N/A	2,130.0	118.8	54.9
ROE(%)	N/A	0.0	6.3	11.6	16.1

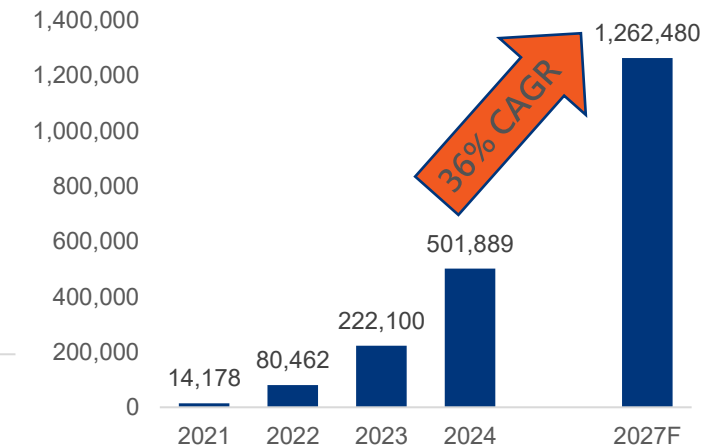
EBITDA Profit Margin (%)



PEG



LiDAR Yearly Production



WeRide, Inc. (WRD)

Closing Price HK \$10.91

Target Price HK \$ N/A

WeRide, Inc. is a holding company engaged in autonomous vehicle sales, including self-driving buses, robotaxis, street-cleaning vehicles, and related sensor kits.

Tech Export + Ecosystem Partnership Model

WeRide has built a Robotaxi and Robobus portfolio across China, the UAE, Southeast Asia, and Saudi Arabia, advancing L4 commercialization through a “tech export + ecosystem partnership” model. Revenue comes from ride-hailing platform revenue-sharing and system licensing, while WeRide provides AV hardware/software R&D, fleet operations, and maintenance, forming a full business ecosystem.

First-Mover Advantage Abroad with Broadest Licensing

WeRide is the pioneer in expanding L4 autonomous driving internationally. By March 2025, it had deployed fleets in 30 cities, spanning robotaxis, driverless buses, and street sweepers, with 1,300 vehicles in operation—one-third overseas. It remains the only AV company licensed in seven countries, underscoring its global ambition and market recognition.

Scaling Robotaxi via Platform Partnerships

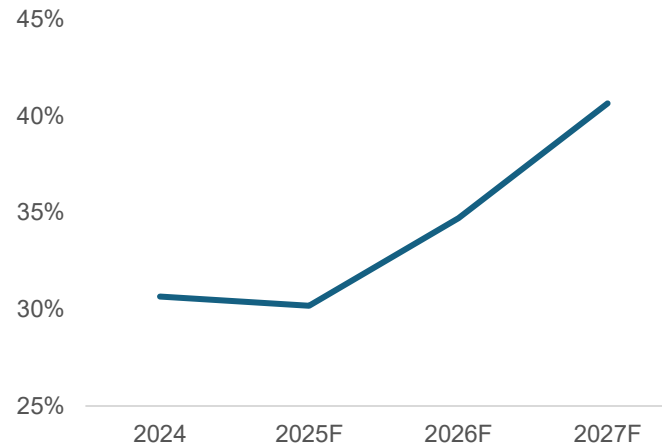
WeRide partnered with Uber and Grab to roll out Robotaxi services directly via their apps. Platforms handle fleet operations, shortening time-to-market and allowing WeRide to focus on core AV technology. Management targets several thousand additional vehicles in operation next year, with growing hardware and service revenues cementing robotaxis as the company’s main revenue driver.

Source: Bloomberg

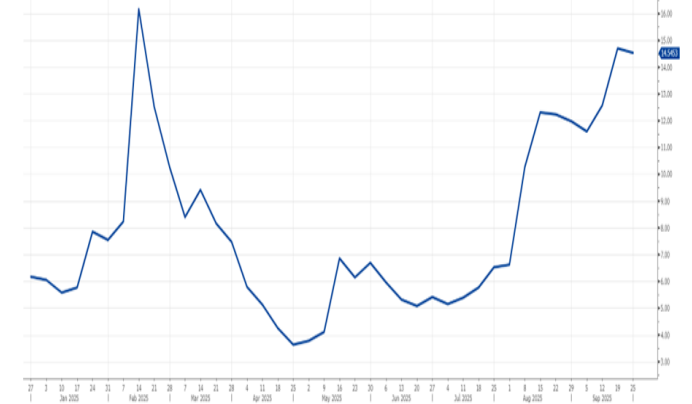
Financials

	2022	2023	2024	2025F	2026F
Revenue (100 M CNY)	-	3.61	6.54	15.3	41.5
Revenue YoY	-	-	81.3	133.8	171.5
EPS (CNY)	-	-8.54	-1.39	-2.38	0.3
EPS YoY	-	-	-	-	-
Cash & Equiv (100M CNY)	16.6	42.7	22.7	21.2	10.3

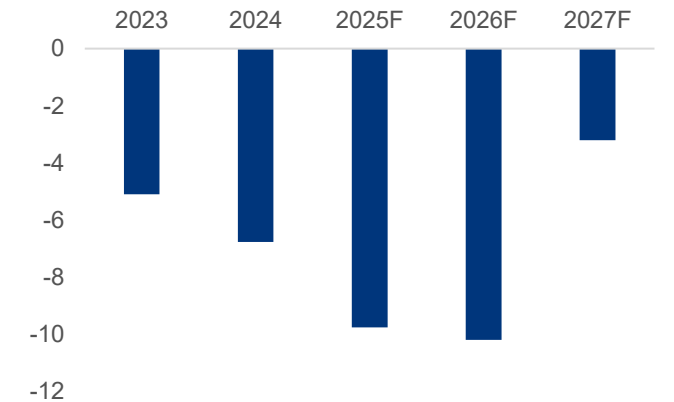
Gross Margin (%)



Estimated P/S



Free Cash Flow



Pony.ai, Inc. (PONY)

Closing Price US \$21.31

Target Price US \$ N/A

Pony.ai develops autonomous driving software and infrastructure enabling vehicles to sense, predict, and act.

Asset-Light Strategy

JV with Toyota China and GAC Toyota supports RoboTaxi rollout. Pony.ai is shifting toward asset-light operations, focusing on AV tech and services while automakers hold fleet assets. Dual-track commercialization through its “PonyPilot” app and third-party ride-hailing platforms. Revenue mainly from fare-sharing and service fees.

Full Permits in China, Expanding Abroad

First to secure driverless permits across all tier-1 Chinese cities, already running 24/7 services in Guangzhou. Overseas pilots in Dubai, South Korea, and Luxembourg. Fleet totals 400 RoboTaxis, targeting 1,000 by year-end.

RoboTruck as Key Growth Driver

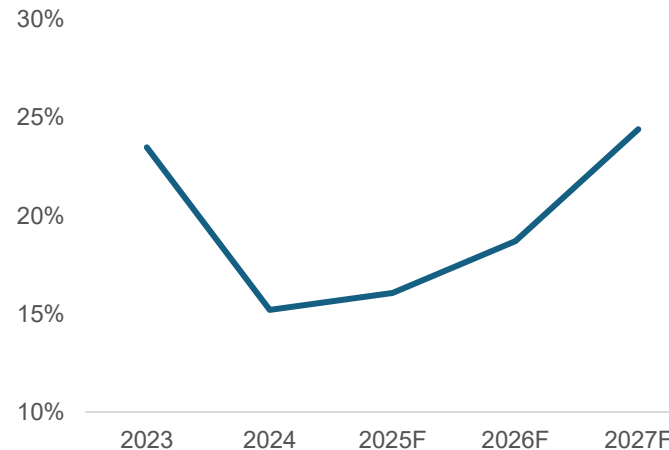
Holds China’s first cross-province RoboTruck permit. Partnering with SANY Heavy Industry and Sinotrans, with 190 trucks operating hub-to-hub routes. RoboTrucks can cut long-haul costs by ~50% through reduced labor and fuel, easing driver shortages and raising logistics efficiency. Management sees freight automation as a major long-term growth engine.

Source: Bloomberg

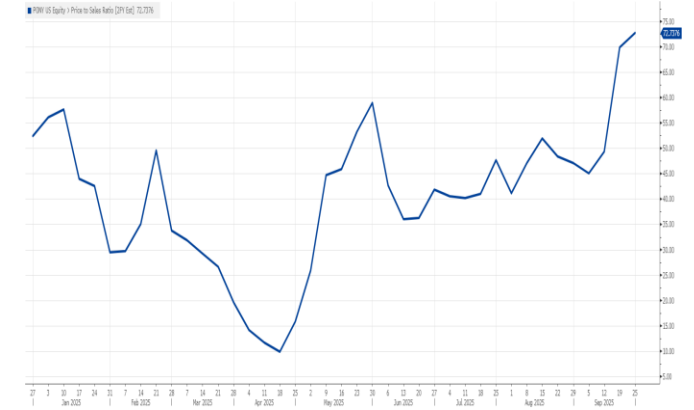
Financials

	2022	2023	2024	2025F	2026F
Revenue (USD 100M)	0.71	0.75	0.82	1.05	2.01
Revenue YoY	5.14	4.35	9.27	28.48	91.24
EPS (USD)	-1.32	-1.34	-0.55	-0.53	-0.5
EPS YoY	-	-	-	-	-
CapEx (USD M)	-	11.4	49.8	38.2	51.6

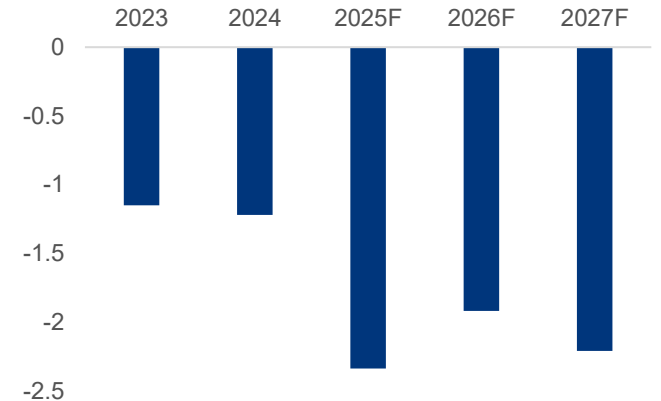
Gross Margin (%)



Estimated P/S



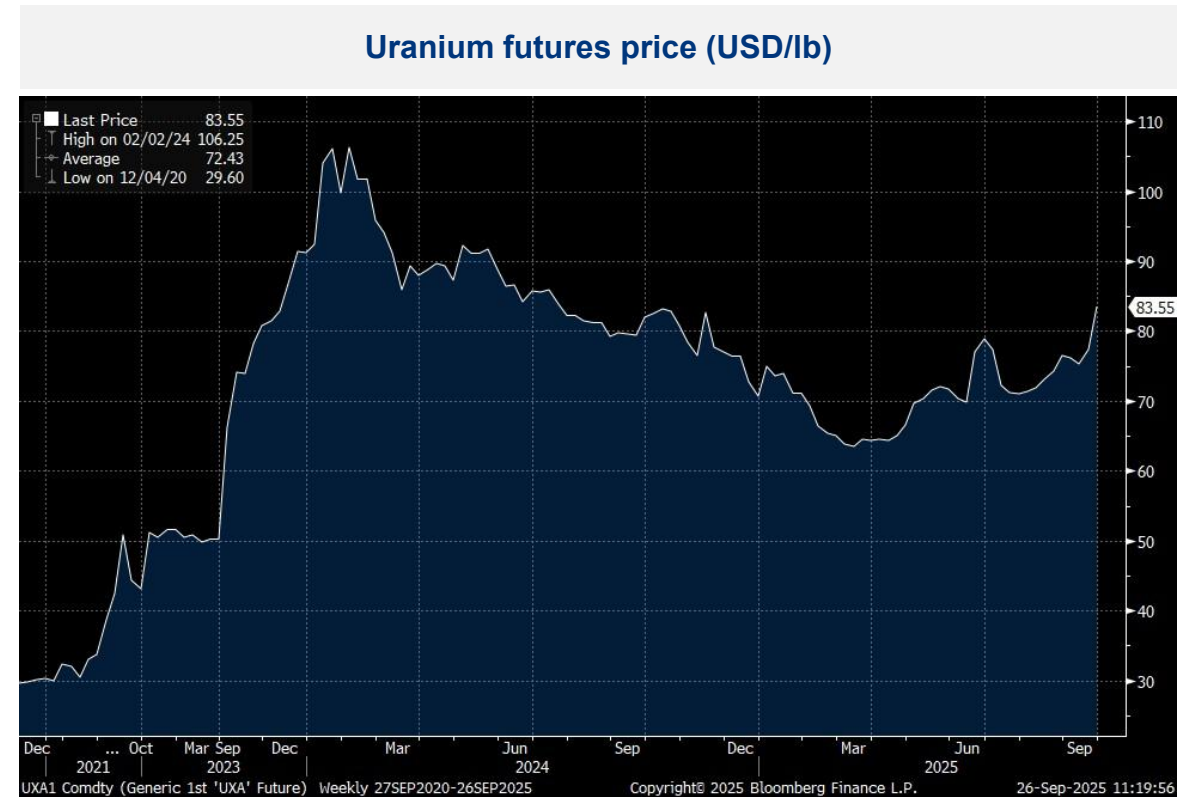
Cost of Sales & %





Nuclear Power Emerges as U.S. Strategic Priority

- ▶ Fed Chair Powell said policy remains slightly restrictive after last week's cut, with future moves dependent on data, outlook, and risks. He also warned equity valuations appear elevated by many measures.
- ▶ Core PCE rose 0.2% MoM and 2.9% YoY in Aug, in line with expectations. U.S. 2Q25 GDP grew 3.8% annualized, above the prior 3.3% estimate and the strongest since 3Q23. Durable goods orders jumped 2.9% MoM to \$312.1bn, beating forecasts and reversing July's -2.7%. Aug existing home sales dipped 0.2% MoM to a 4.0mn annualized pace, slightly above expectations.
- ▶ In May, President Trump issued an executive order to lift U.S. nuclear capacity from ~100GW to 400GW by 2050. The order also designated AI data centers as critical defense infrastructure and directed the DOE to deploy advanced reactors by 2027. During his UK visit last week, Trump signed a nuclear cooperation pact, accelerating investment and SMR development. Uranium prices have since resumed their uptrend. Looking ahead, nuclear is set to remain a core U.S. strategic growth sector, with positive medium- to long-term prospects.



Source: Bloomberg

Cameco (CCJ)

Closing Price US \$85.58

Target Price US \$100.0

Cameco explores, develops, mines, refines, converts, and manufactures uranium, supplying fuel for nuclear power reactors worldwide.

Tightening Uranium Market

Global uranium demand is forecast to rise 28% by 2030 and more than double by 2040, driven by decarbonization, data center power needs, and nuclear policy shifts. Supply is expected to halve in the 2030s, highlighting looming shortages. With uranium futures above \$80/lb and producers curbing output, Cameco is positioned to benefit from structural undersupply.

Expanding Along the Value Chain

Cameco is diversifying from mining into conversion and advanced nuclear technology. A 2028–36 supply contract with Slovenské Elektrárne secures long-term revenue and cements its role in Central Europe’s low-carbon grid. As the U.S. and UK target eliminating Russian fuel reliance by 2028, Cameco stands to gain from supply-chain realignment.

Policy Tailwinds and Capital Inflows

U.S. initiatives aim to quadruple nuclear capacity, establish uranium reserves, and expand nuclear support frameworks. Rising AI-driven power demand reinforces nuclear as the only scalable carbon-free baseload option. Physical uranium funds are also absorbing supply, enhancing producers’ pricing power to Cameco’s advantage.

Strong 2QFY25 Earnings

Revenue rose 46.7% YoY to \$877mn, beating estimates by \$288.7mn. Non-GAAP EPS came in at \$0.71, topping consensus by \$0.34. FY25 guidance calls for 22.4mn lbs uranium output, 3.7mn lbs JV Inkaï purchases, and 1,300–1,400 tU from fuel services.

Source: Bloomberg

1-Year Price

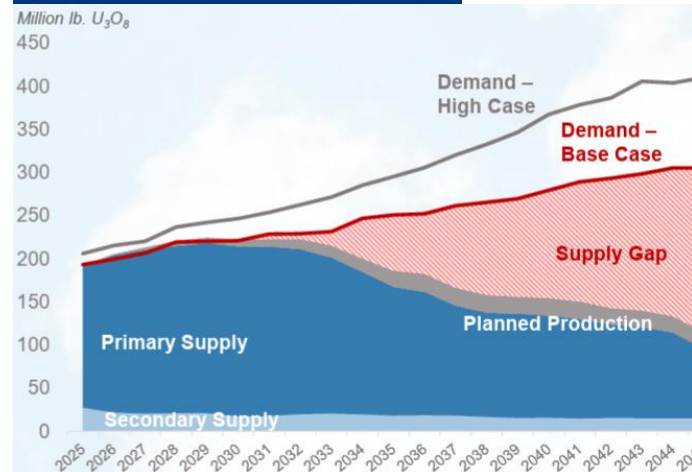


Financials

	2022	2023	2024	2025F	2026F
Revenue Growth(%)	26.6	38.5	21.2	10.1	5.8
EBITDA(%)	10.3	20.2	24.8	54.1	59.4
EPS (CAD)	0.35	0.83	0.58	1.57	2.09
Net Profit Margin(%)	7.7	14.0	8.1	20.1	26.5

Source: Bloomberg; 2025/26F are market estimates

Uranium Market Outlook



P/E & P/B



Centrus Energy (LEU)

Closing Price US \$305.35

Target Price US \$350

Supplies nuclear fuel and services, operating through two segments: Low-Enriched Uranium (LEU) and Technical Solutions. LEU accounts for most revenue, primarily from the U.S., and includes separative work unit sales and uranium sales..

Strategic Partnerships and Expansion

Centrus is working with Korea Hydro & Nuclear Power (KHNP) and POSCO International to explore potential investment in expanding its Piketon, Ohio enrichment facility. The collaboration aims to strengthen U.S.-Korea civil nuclear ties and pursue supply agreements for both LEU and High-Assay LEU (HALEU). This underscores rising demand for U.S.-owned enrichment capacity and paves the way for private capital participation.

Competitive Edge in HALEU

HALEU, enriched to 5–20% U-235, is seen as a critical fuel for next-gen reactors, including small modular designs, offering greater efficiency and less waste than conventional LEU. Centrus is the only U.S. company licensed by the NRC to produce HALEU, giving it a unique position to capture this emerging market despite strict regulatory hurdles.

2Q25 Results

Revenue fell 18.3% YoY to \$154.5mn, while net income slipped 5.6% to \$28.9mn. EPS declined to \$1.63 vs \$1.89 a year ago. Backlog stood at \$3.6bn, with deliveries extending to 2040, including \$2.1bn in LEU sales and \$0.9bn in technical services.

Valuation

Bloomberg's 12M average target price is \$244.62, with a high of \$310 and low of \$108.

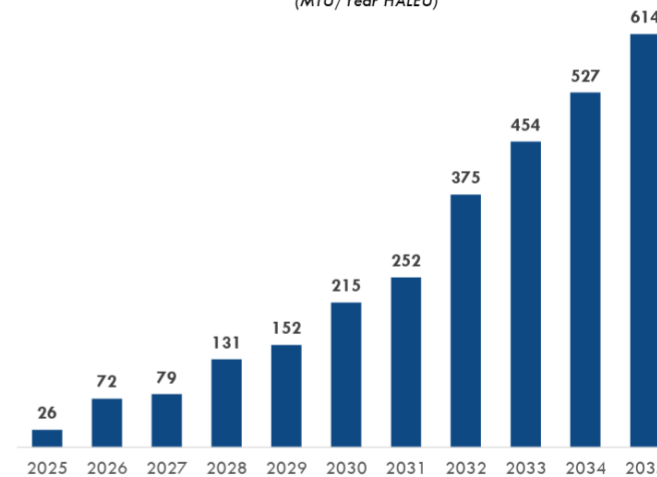
Source: Bloomberg

1-Year Price



HALEU Est Demand

(MTU/Year HALEU)

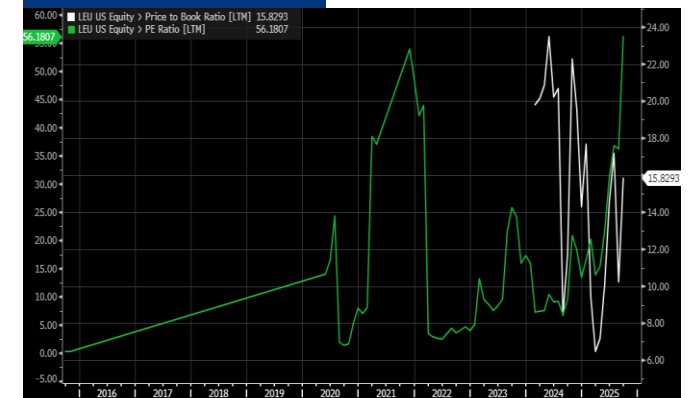


Financials

	2023	2024	2025	2026F	2027F
Revenue Growth(%)	-1.5	9.0	38.0	4.6	8.8
EBITDA(%)	24.0	19.7	13.6	20.6	18.0
EPS (USD)	3.41	5.62	4.48	4.55	3.94
Net Profit Margin(%)	17.4	27.2	16.6	18.1	14.4

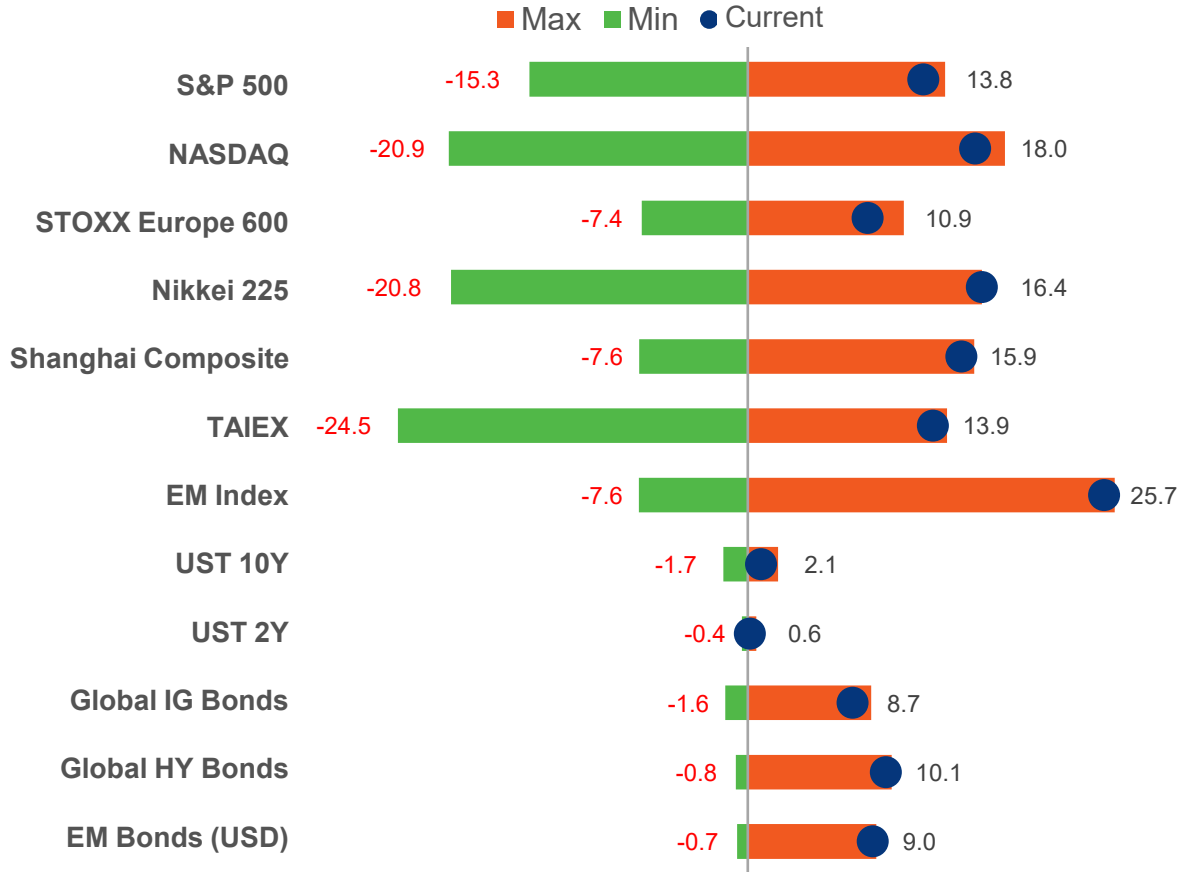
Source: Bloomberg; 2025/26F are market estimates

P/E & P/B

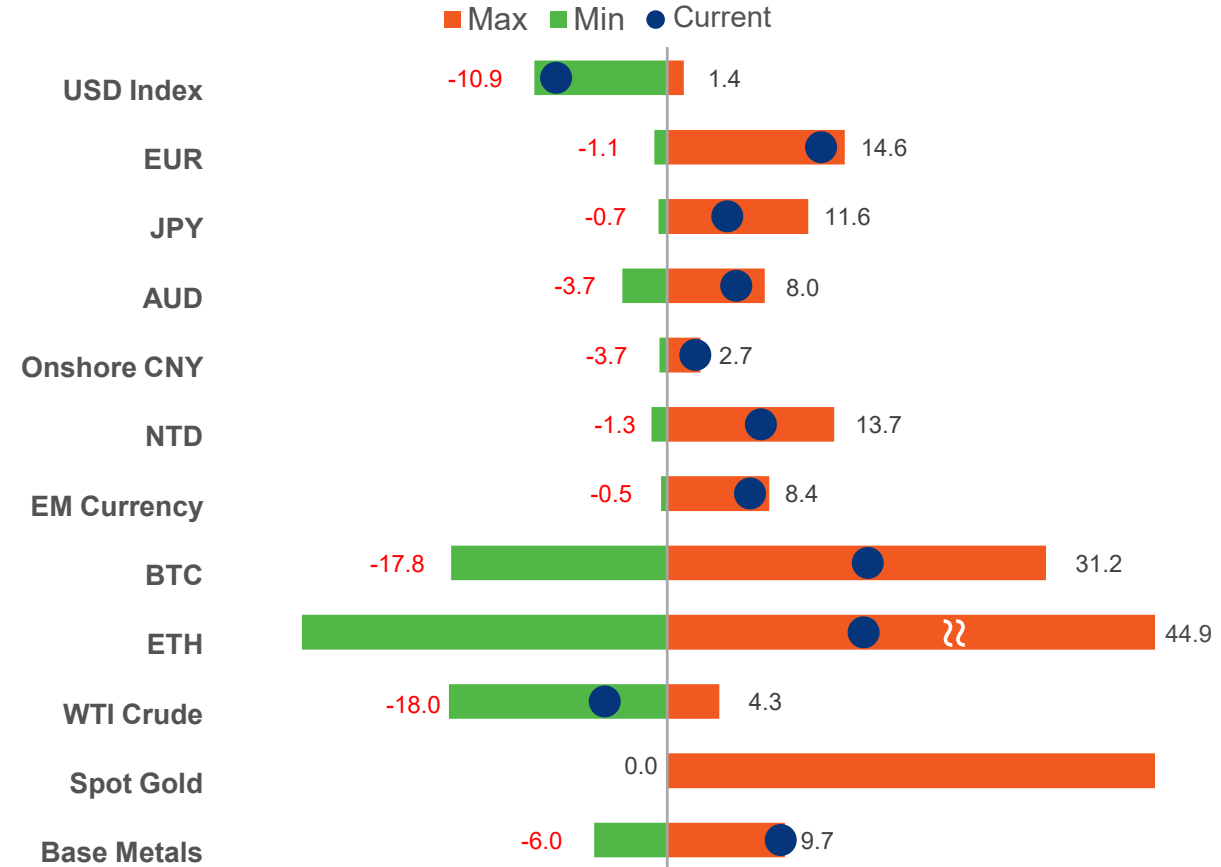


YTD Major Market / Asset Performance

Equities & Bond Markets YTD Performance (%)

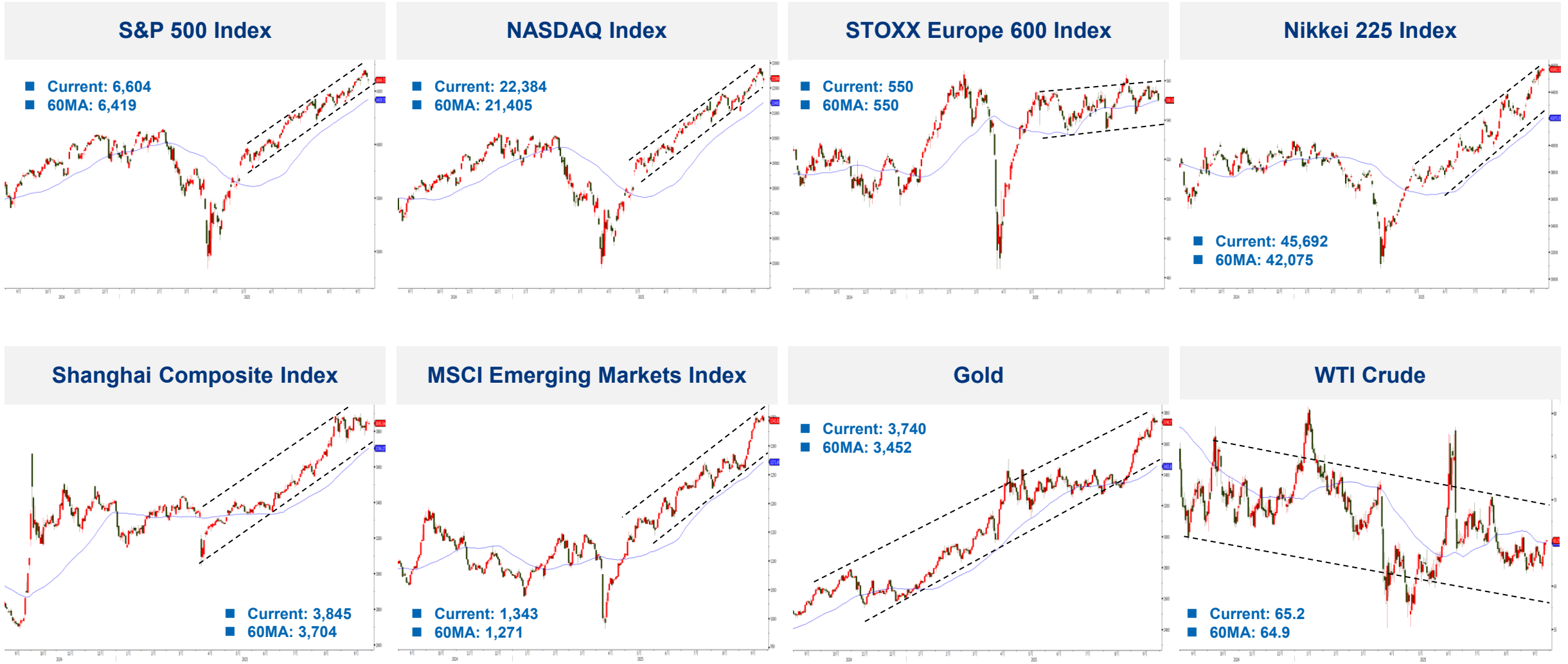


Currencies and Commodities Market YTD Performance (%)



Source: Bloomberg, 26 Sep 2025

Technical Analysis



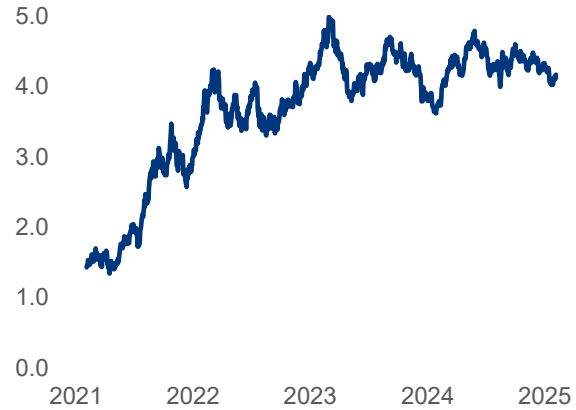
Source: Bloomberg, 26 Sep 2025

Market Monitor

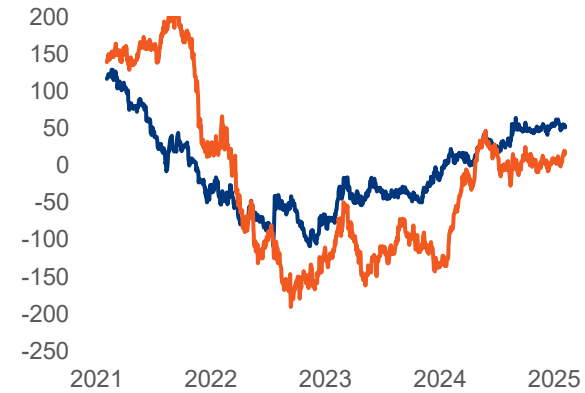
U.S. CPI YoY (%)



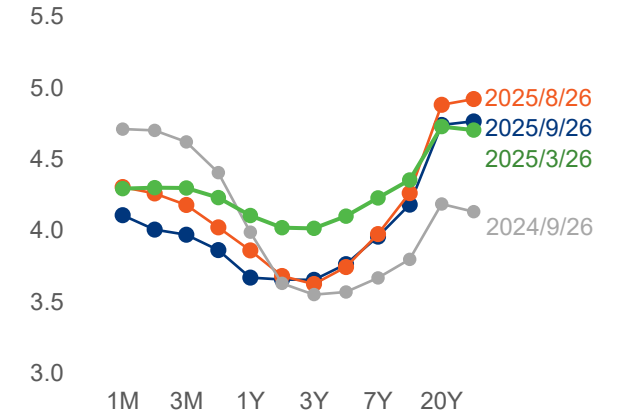
U.S. 10-Year Treasury Yield (%)



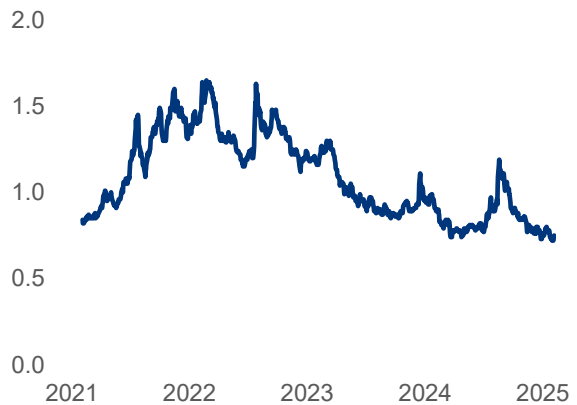
U.S. Treasury Yield Spread (bps)



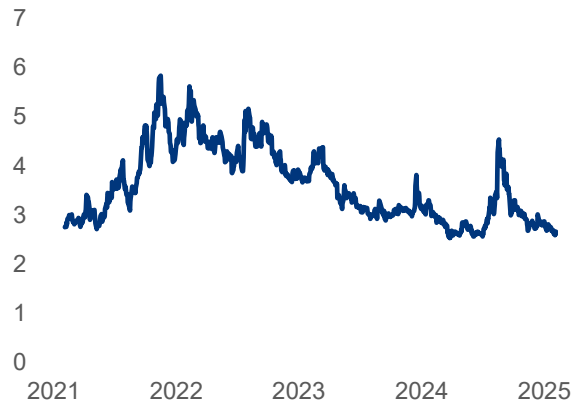
U.S. Treasury Yield Curve (%)



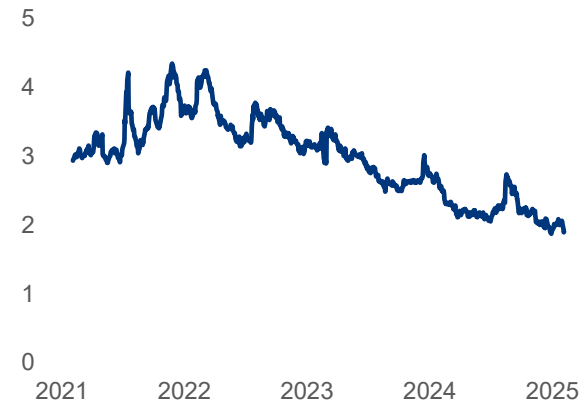
USD IG Credit Spread (%)



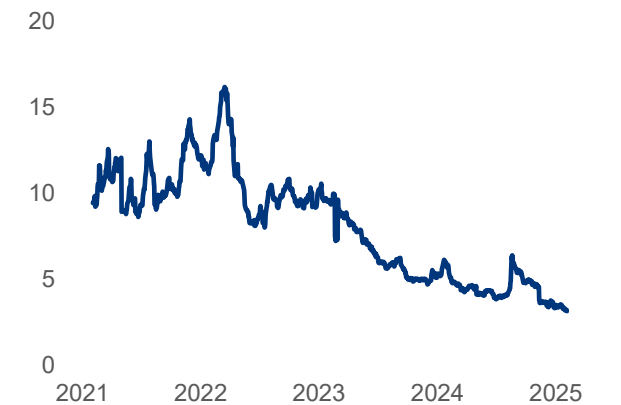
USD HY Credit Spread (%)



USD EM Credit Spread (%)



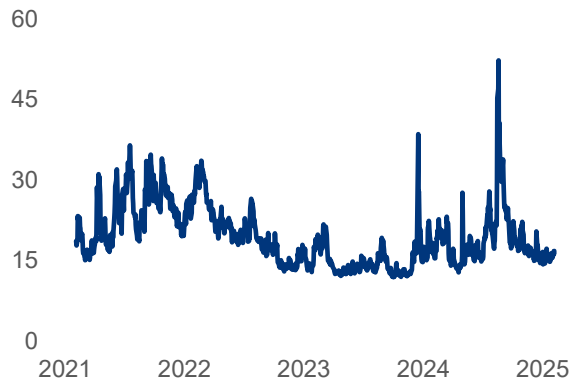
USD Asia Credit Spread (%)



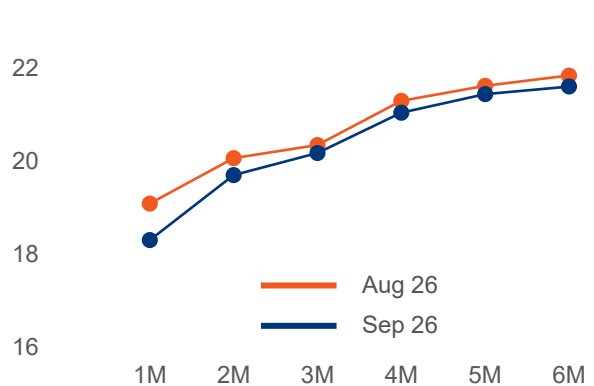
Source: Bloomberg, 26 Sep 2025

Market Monitor

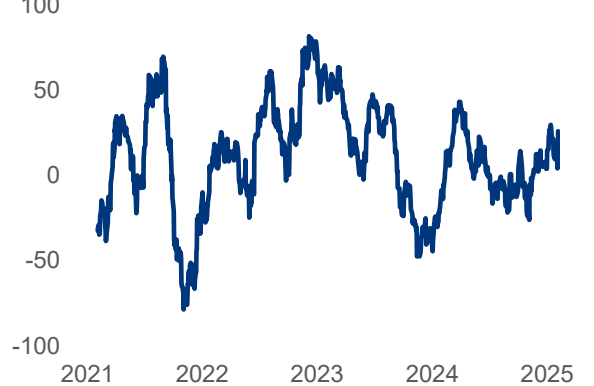
VIX Index



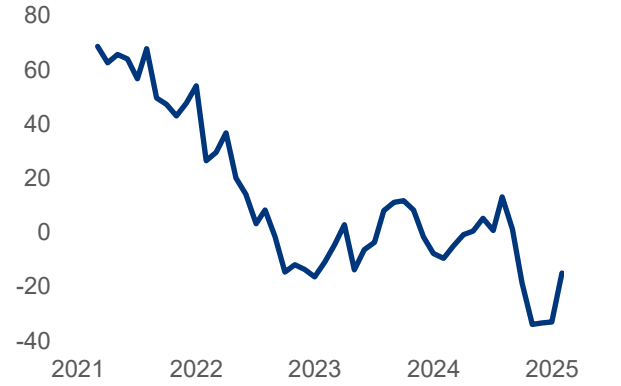
VIX Term Structure



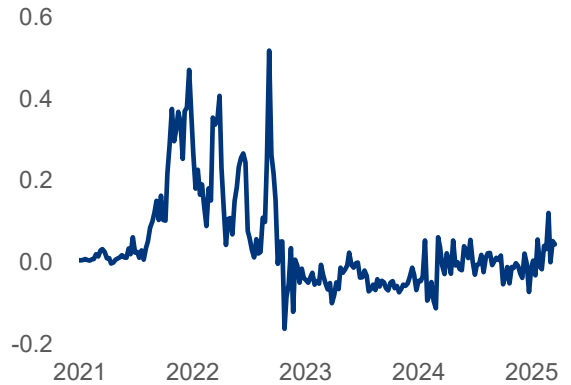
U.S. Citi Economic Surprise Index*



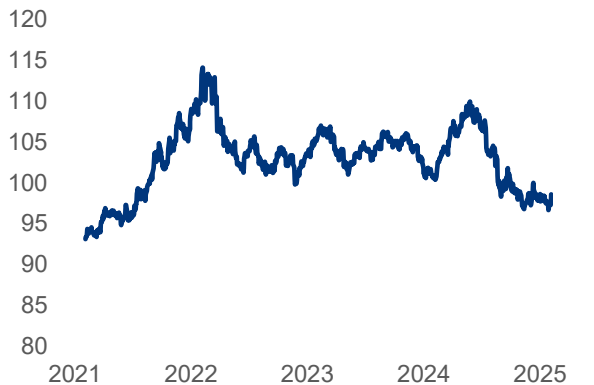
U.S. Citi Inflation Surprise Index*



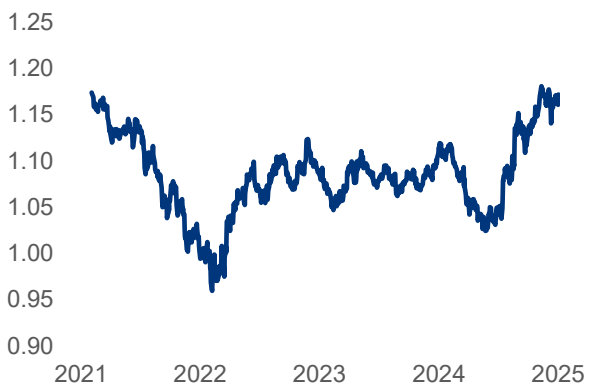
TED Spread (bps)



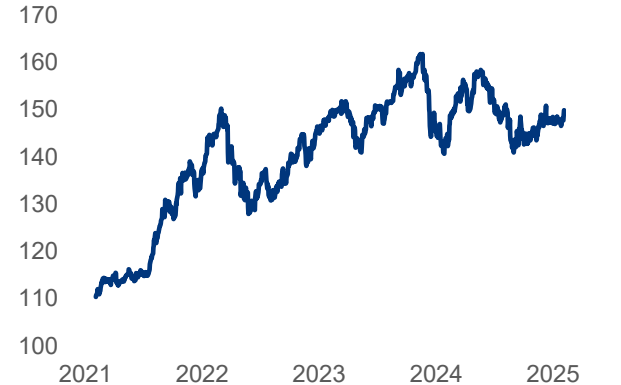
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg, 26 Sep 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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