



### Asia investment views amid Middle East tensions

The military conflict in the Middle East has now lasted for more than a month, and the Strait of Hormuz remains closed. With no clear timetable for resolution at this stage, global supply chains and energy prices are under heavy pressure, which has weighed significantly on overall investor sentiment. Asian economies with a higher dependence on energy imports have been affected to a greater extent.

That said, we remain constructive on Asia over the long term. We believe the development of artificial intelligence is shifting from being U.S.-led to becoming more broadly diffused globally. Asia—especially South Korea and Taiwan—stands to benefit meaningfully thanks to supply-chain advantages and a strong innovation ecosystem. This could lift the marginal profitability of both technology and non-technology companies across the region and create attractive investment opportunities. In addition, the political and economic policy direction in many Asian economies has been more stable than in the U.S. and Europe, offering investors a more predictable backdrop.

In the near term, however, as the conflict continues, Asian assets may experience heightened volatility. A steady and disciplined monthly investment plan can help investors average their entry costs over time, while reducing the risk of missing opportunities by trying to time the market bottom.

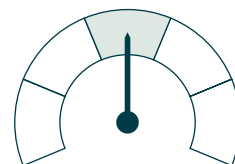
Source: Bloomberg

## 12-Month Outlook



Slightly Positive

ESG (Low Carbon)



Neutral

US Equity

European Equity

Asian Equity

China/HK Equity

Global Bond

Cash



#### No Change

- The geopolitical tensions in the Middle East remain fluid. Continued market volatility is expected despite of the signs of de-escalation
- US headline inflation accelerated as surging oil prices triggered by the US-Iran conflict. High energy prices cloud the interest rate outlook, although rate hike in 2026 is not our base scenario
- Corporates have solid earnings and profit margin, supported by fiscal policies and CapEx. AI theme remains intact, valuation of technology sector has retreated to a more attractive level than months ago while industrial and material sectors also benefit from the CapEx by big tech giants



#### No Change

- Euro area GDP growth is projected at a modest pace, influenced by soft domestic demand and external trade headwinds, though Germany's fiscal initiatives may offer some offset
- Europe's economic outlook is sensitive to the US-Iran conflict outcomes as it is a net energy importer

## Equities



#### No Change

- We view AI as a structural growth theme in Asia. South Korea and Taiwan, in particular, are capitalizing on robust hardware demand, which remains a primary catalyst for short-term earnings growth
- Over 80% of crude oil and condensate transit through the Strait of Hormuz has been destined for Asia, with China and India as the leading importers. The current blockade stemming from the US-Iran conflict poses a significant downside risk to these economies should the standoff persist
- The trajectory of the USD is expected to remain a key source of short-term volatility across the region



#### No Change

- 80% of Iran's shipped oil going to China. A prolonged conflict threatens this supply
- China set a GDP growth target of 4.5%-5%, with exports decelerating and domestic activities remaining largely resilient, though the property downturn is expected to continue with a smaller contraction
- Market dynamics show a rotation from high-growth technology sectors into undervalued, high-dividend stocks. A "barbell Strategy" can balance structural risks while delivering stable returns. On one side of the barbell, focus should remain on the "AI+" theme, which is poised to become a key engine driving "New Quality Productive Forces" and the commencement of the "15th Five-Year Plan"

## Thematic Equities



#### No Change

- The US-Iran conflict has exposed the global dependence on fossil fuels, which accelerates the investment demand for low-carbon transition
- In an increasingly volatile market, low-carbon strategies are demonstrating superior resilience, offering stronger downside protection and more attractive risk-adjusted returns compared to traditional equity strategies

## Fixed Income & Cash



#### No Change

- US core inflation could remain sticky due to potential supply shocks. US rates may stay range bounded as the interest rate outlook becomes uncertain
- Corporate credit valuations are currently high, though fundamentals are expected to remain benign. We believe allocating to high-quality, investment-grade bonds will enhance portfolio risk management



#### No Change

- With expectation of market jitters continuing in the near term, cash remains as a defensive asset

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