China Equity Strategy

Time to get back in tech?

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AI narrative improved and sentiment stabilised… we think it's time

Our tracking of selective AI tech hardware names in China (see Appendix) shows that their share prices declined 32% in the month of July, with 36% of stocks we track having declined 40% or more in the month. At the same time, A-share margin financing balance has retraced from a peak of RMB3trn back to RMB2.6trn, similar to the level in early April when the recent increase in leverage occurred. As such, it would seem that the worst of the technical selling / deleveraging is behind us. Meanwhile it appears that the global AI narrative has shifted positively on the back of the US hyperscaler results. With valuation of China AI tech hardware names having eased significantly to be only slightly above the historical average while EPS continues to be upgraded, we think it is time to get back in. With that said, our sense is that investors are unlikely to embrace AI tech hardware to the same extent as before given the recent share price volatilities and lingering concerns around AI monetization. As such, we think the breadth of stock performance going forward is likely to be broader than what we have experienced YTD and that we may see some flows coming back to some of the previously beaten up sectors such as China internet, power equipment and non-ferrous metals.

Deleveraging process nearing an end, we think

With the margin financing balance having declined to April levels and with many tech stocks having also seen share prices drawdown close to the level in April, it would suggest that the market is through with the worst of the technical selloff. Overall A-share collateral coverage seems to remain healthy at 280% of margin lending, suggesting some downside protection should we experience another episode of technical selling. Recent government support in the tech ETFs could also help anchor confidence while the stabilization in share prices could draw some fundamental investors back in – our conversations with investors (see our Europe investor feedback) suggest China tech remains a key focus for global investors given the semi localisation drive. Globally, it would also seem tech stock leverage has declined with margin loan balance in Korea now close to the level in early 2026 and leveraged ETF AUM having fallen c.50% in Korea and c.30% in the US (see Figures 10 & 12).

Global AI narrative has improved

The AI narrative has improved globally as evidenced by: 1) Microsoft and Amazon results suggesting strong growth from OpenAI and improved monetization from AI investment and (see here and here), 2) strong demand from AI natives (see Karl's note), 3) increasing backlog for hyperscalers suggesting improved growth outlook for cloud providers (see Figure 26), and 4) enterprise adoption accelerating, with avg AI spend up 25% sequentially (see here). For many of the China AI stocks, their share prices have been dragged down by the global selloff; nevertheless, their narrative and fundamentals have not changed during this process – China's domestic tech supply chain is catching up and we expect an acceleration in the AIDC build-out in 2H of this year as domestic GPU availability improves (see WAIC tour takeaways). The stabilisation in the global narrative is helpful in shifting investors' attention back to the fundamentals of the Chinese AI supply chain names.

Market breadth may be less narrow in the 2H

While we remain positive on tech fundamentals, the recent share price volatilities and some lingering uncertainties around AI monetization could hamper their share price performances in the near term. As such, we think that 2H cross-sector performances could be less narrow than what we have experienced in the 1H. Within AI tech hardware, the preferences remain in semi cap equipment, networking chips and advanced packaging (i.e. the less cyclical part of the AI theme). Outside of tech hardware, our preferences are: 1) internet on the back of improving earnings trends, shifting AI narrative around hyperscalers and cheap valuation, 2) power equipment given cheap valuation, beneficiary of AIDC build-out and energy independence, 3) non-ferrous metals given strong earnings trends, and 4) 'going abroad' stocks as the currency appreciation impacts start to wear off. Our model portfolio is shown in Figure 2 while in Figure 31, we have also provided a screen of stocks with accelerating revenue and earnings growth into 2H26.

Figure 1: Sector preferences

Most preferred	Least preferred
Tech hardware	Construction
Internet	Auto OEM
"Going Abroad" stocks	Consumer
Non-ferrous metal	~~Software~~
Electrical equipment	

Source: UBS

Figure 2: Changes to model portfolio

Most preferred names

Stock Code	Company name	Lead analyst	UBS rating	Last close	Price target	FY26 P/E	UBSe FY26 EPS growth	UBSe vs consensus FY26 earnings	Forward div yield	YTD return
9888.HK	Baidu	Wei Xiong	Buy	106.90	165.00	14.0	-36%	0%	2%	-19%
3606.HK	Fuyao Glass	Nora Min	Buy	55.90	85.00	12.4	12%	1%	5%	-13%
2899.HK	Zijin Mining Group - H	Sharon Ding	Buy	36.48	57.80	9.6	64%	5%	3%	2%
002371.SZ	NAURA Technology Group	Jimmy Yu	Buy	751.99	800.00	80.4	23%	-10%	0%	62%
0700.HK	Tencent Holdings	Kenneth Fong	Buy	479.40	780.00	14.0	3%	-3%	1%	-19%
GDS.O	GDS	Sara Wang	Buy	31.84	52.00	24.0	77%	72%	0%	-9%
300750.SZ	Contemporary Amperex Technology	Paul Gong	Buy	388.07	600.00	17.0	42%	10%	3%	8%
1072.HK	Dongfang Electric Corporation	Ken Liu	Buy	23.30	68.00	12.0	25%	19%	4%	-6%
1211.HK	BYD Company Limited	Paul Gong	Buy	90.20	135.00	17.7	23%	-1%	1%	-5%
2359.HK	Wuxi Apptec	Chen Chen, PhD	Buy	192.90	194.50	21.0	14%	9%	1%	84%
002532.SZ	Tianshan Aluminum Group	Sharon Ding	Buy	13.55	18.10	7.6	72%	-7%	8%	-15%
0883.HK	China National Offshore Oil Corporation	Amily Guo	Buy	23.20	33.60	5.6	38%	3%	8%	9%
2259.HK	Zijin Gold International	Sharon Ding	Buy	137.20	203.00	14.8	89%	-11%	1%	-9%
002850.SZ	Shenzhen Kedali Industry	Nora Min	Buy	183.90	268.00	20.5	40%	3%	2%	15%

Addition

Stock Code	Company name	Lead analyst	UBS rating	Last close	Price target	FY26 P/E	UBSe FY26 EPS growth	UBSe vs consensus FY26 earnings	Forward div yield	YTD return
BABA.N	Alibaba Group	Kenneth Fong	Buy	126.81	195.00	20.0	-32%	-2%	1%	-7%
3908.HK	China International Capital - H	Dennis Bai	Buy	21.66	31.40	6.5	39%	6%	2%	10%
603308.SS	Anhui Yingliu Electromechanical	Ken Liu	Buy	48.52	100.00	48.0	67%	14%	1%	16%
600584.SS	JCET Group	Jimmy Yu	Buy	77.75	135.00	51.7	72%	23%	0%	107%

Removal

Stock Code	Company name	Lead analyst	UBS rating	Last close	Price target	FY26 P/E	UBSe FY26 EPS growth	UBSe vs consensus FY26 earnings	Forward div yield	YTD return
002714.SZ	Muyuan Foods	Nina Jiang	Buy	38.47	60.50	47.0	-71%	-13%	5%	-23%
YAZG.SI	Yangzijiang Shipbuilding	Kunlun Li	Buy	4.23	5.10	7.6	20%	4%	6%	19%
002648.SZ	Zhejiang Satellite Chemical	Amily Guo	Buy	25.78	36.80	10.3	59%	-15%	4%	46%
002487.SZ	Dajin Heavy Industry	Yishu Yan	Buy	42.12	100.00	14.4	73%	1%	1%	-19%

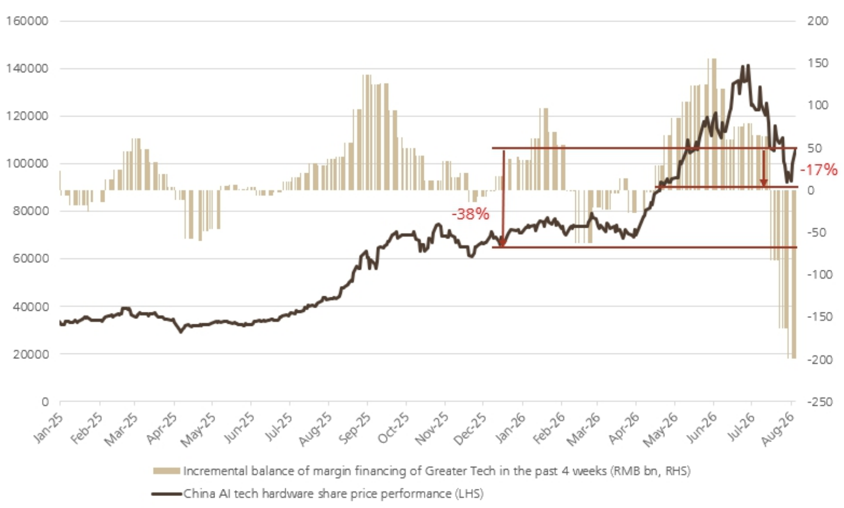
Source: FactSet, UBS

Leverage, positioning and flows

Figure 3: China margin financing balance as % of A share total market cap

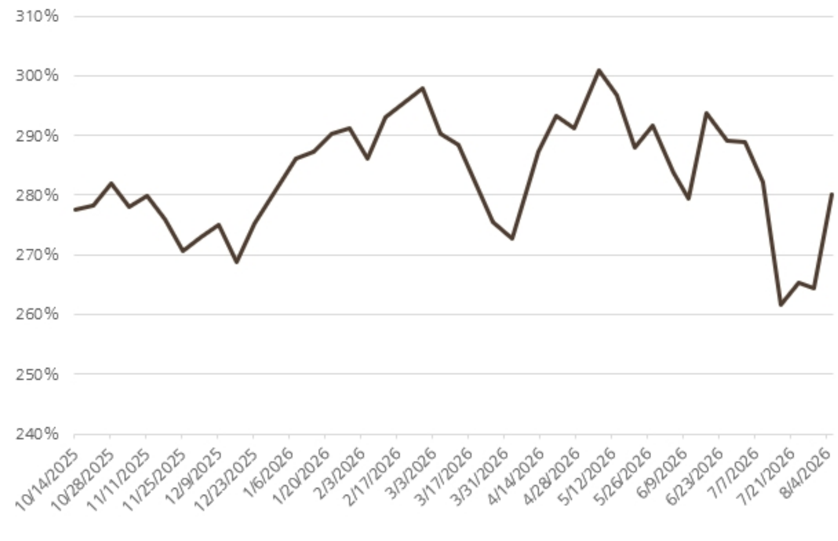
Source: Bloomberg, UBS

Figure 4: Tech sector's margin financing flows vs share price performance



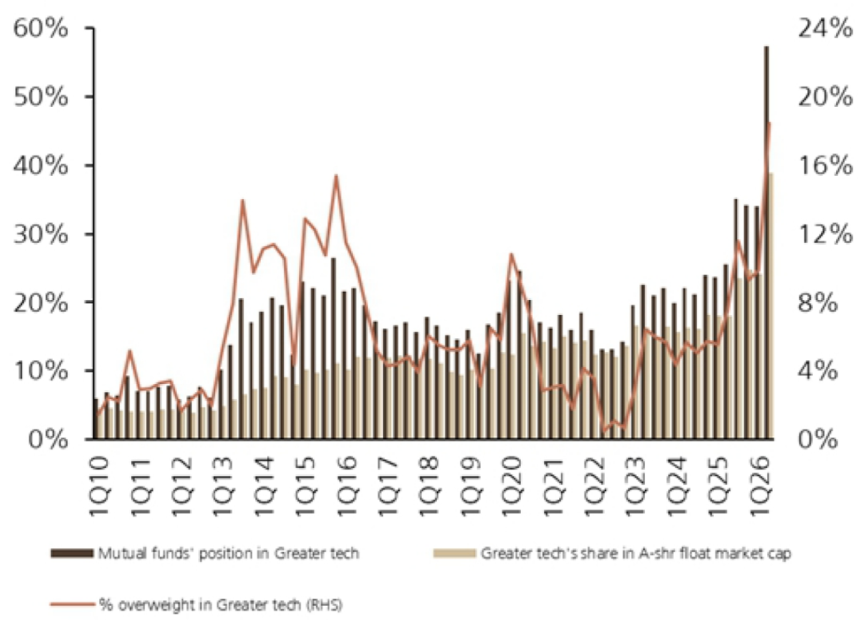
Source: Wind, FactSet, UBS, AI tech hardware stocks shown in the Appendix

Figure 5: A share margin financing average guarantee ratio



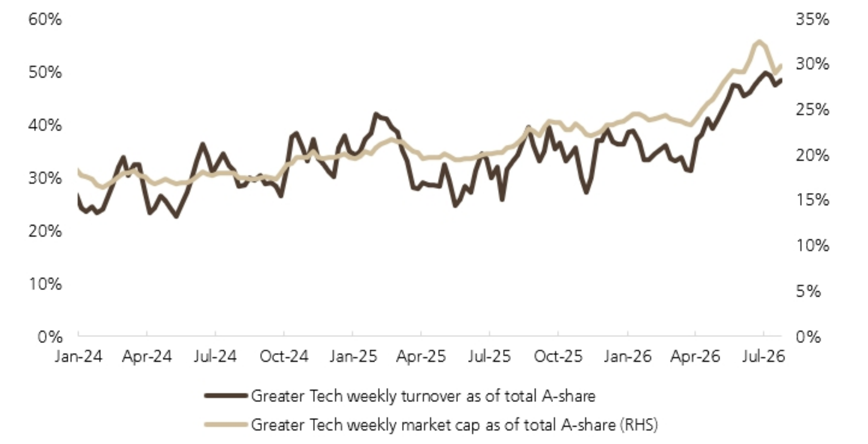
Source: CSData, UBS

Figure 6: Onshore mutual funds positioning in greater tech sector vs benchmark



Source: Wind, UBS Note: The greater tech sector includes electronics, telecom, computers and national defence

Figure 7: Greater tech weekly turnover and market as % of total A share market

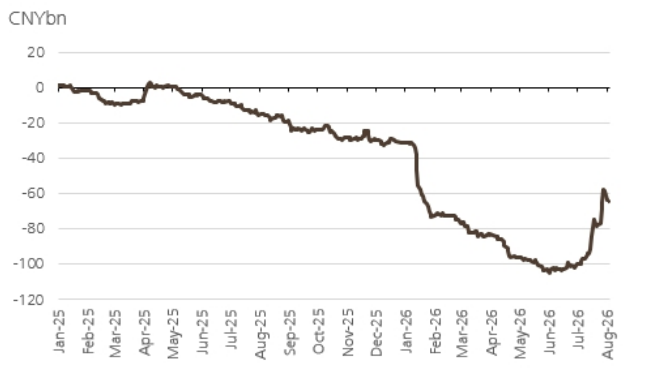


Source: Wind, UBS Note: Greater tech sector includes electronics,telecom, computers and national defence

Figure 8: Cumulative net inflows into STAR 50 ETFs

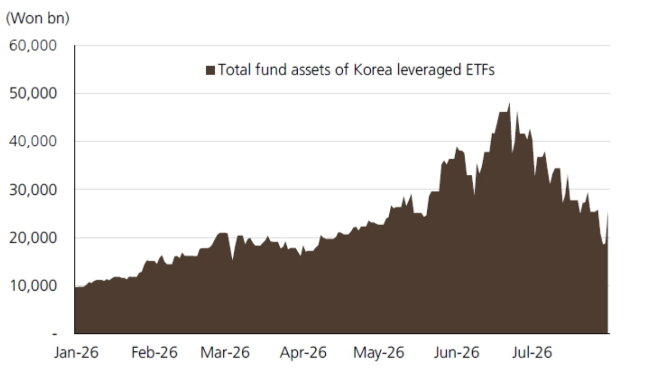
Source: Wind, FactSet, UBS

Figure 9: Cumulative net inflows into ChiNext ETFs



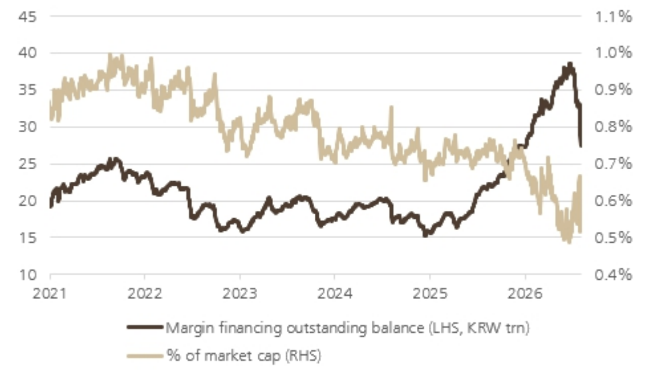
Source: Wind, FactSet, UBS

Figure 10: Total Korea leveraged ETFs AUM



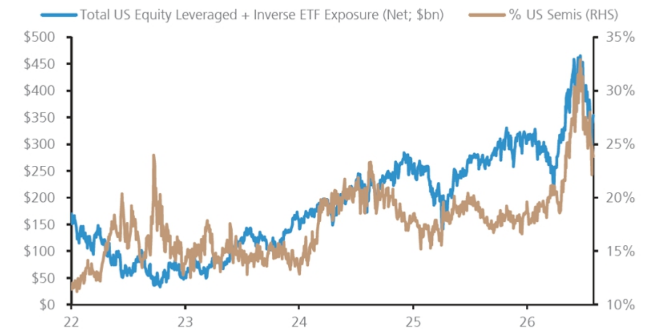
Source: Bloomberg, UBS

Figure 11: Korea margin financing outstanding balance as % of total market cap



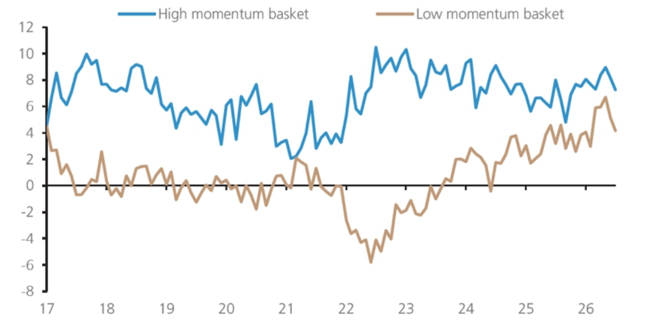
Source: KOFIA, UBS

Figure 12: US leveraged ETF exposure



Source: Bloomberg, UBS

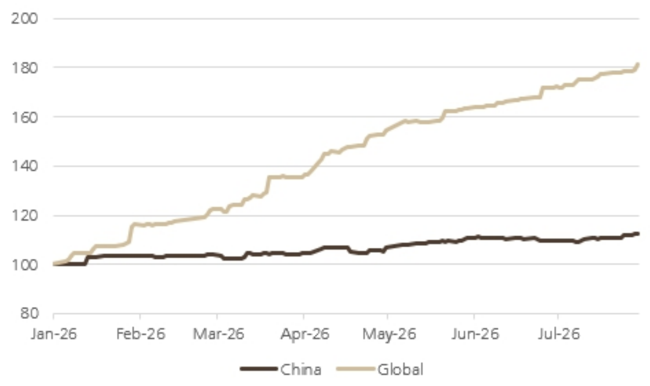
Figure 13: UBS crowding scores high vs low momentum stocks



Source: UBS Quant, Crowding scores range +/-30 with std dev around ~7. Note:The above calculations are basedon a simple average

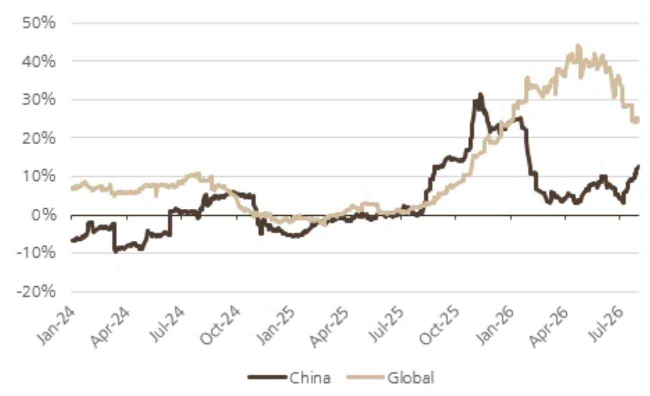
Fundamentals intact while valuations now more reasonable

Figure 14: FY26 EPS trend - China vs global AI tech hardware



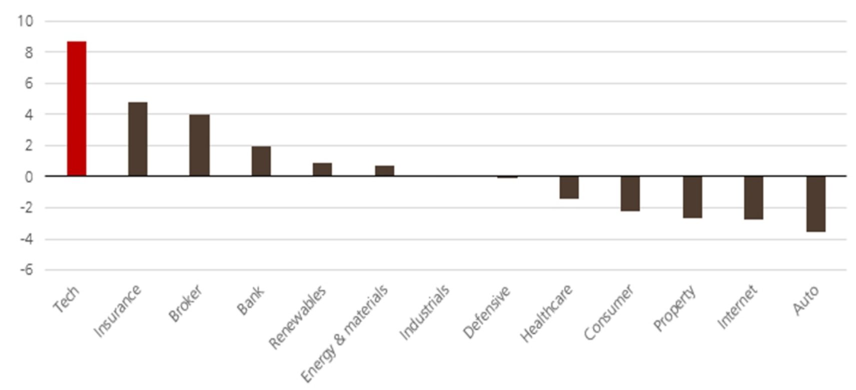
Source: FactSet, UBS

Figure 15: Forward EPS 3M revision - China vs global AI tech hardware



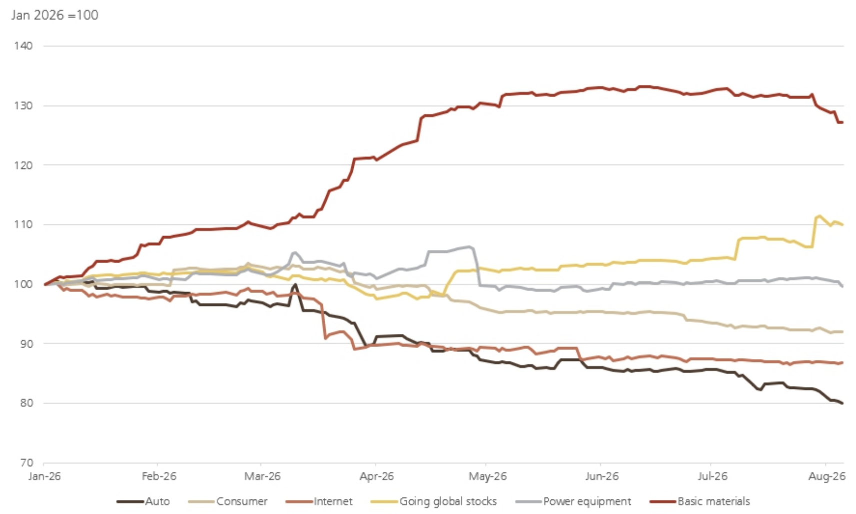
Source: FactSet, UBS

Figure 16: Forward earnings revision by sector in the past 3 months



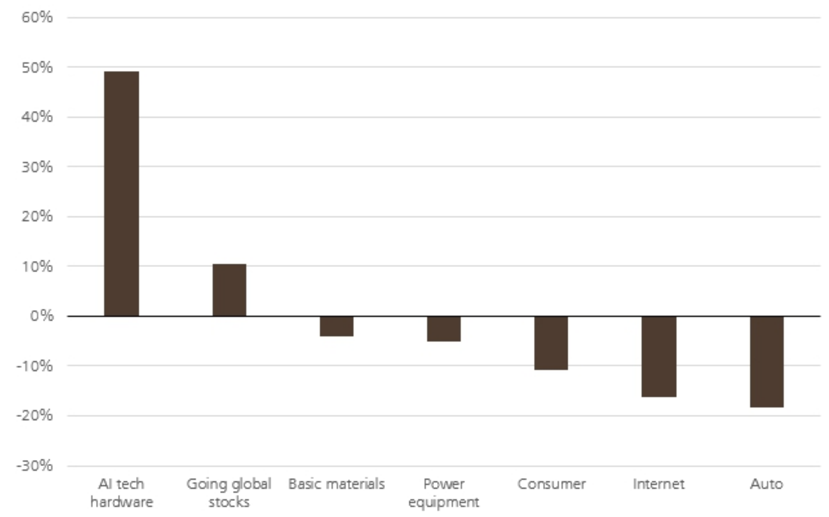
Source: FactSet, UBS

Figure 17: FY26 consensus EPS trend for other major sectors



Source: FactSet, UBS

Figure 18: YTD performance of major sectors/ themes



Source: FactSet, UBS

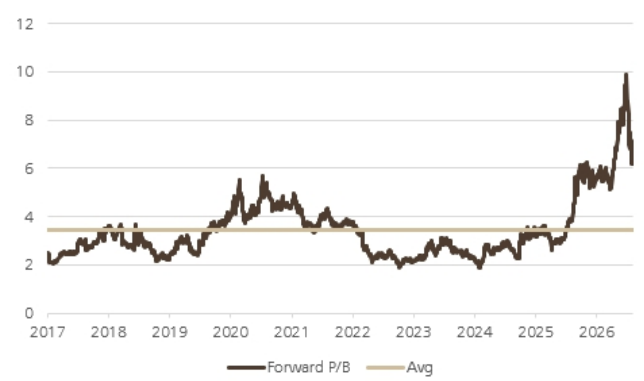
Figure 19: China AI tech hardware forward P/E

Source: FactSet, UBS

Figure 20: Global AI tech hardware forward P/E

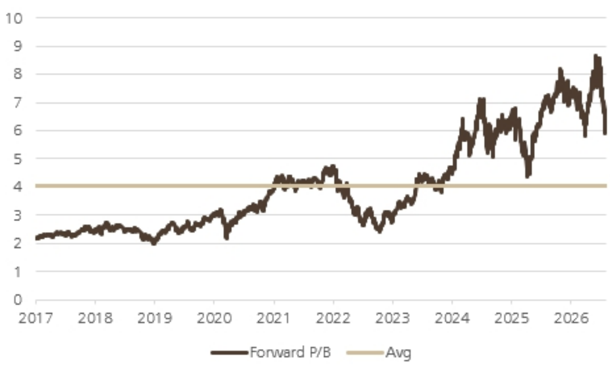
Source: FactSet, UBS

Figure 21: China AI tech hardware P/B



Source: FactSet, UBS

Figure 22: Global AI tech hardware P/B



Source: FactSet, UBS

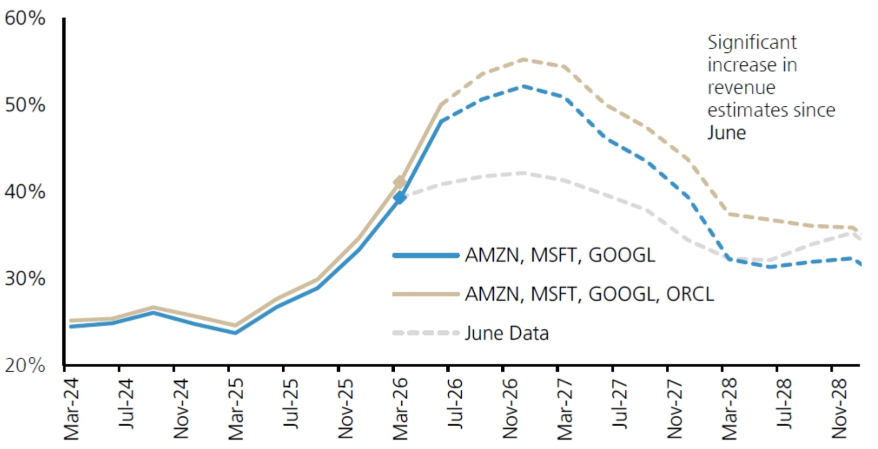
Figure 23: Global AI tech hardware (ex-memory) forward P/E

Source: FactSet, UBS

Figure 24: Global AI tech hardware (ex-memory) forward P/B

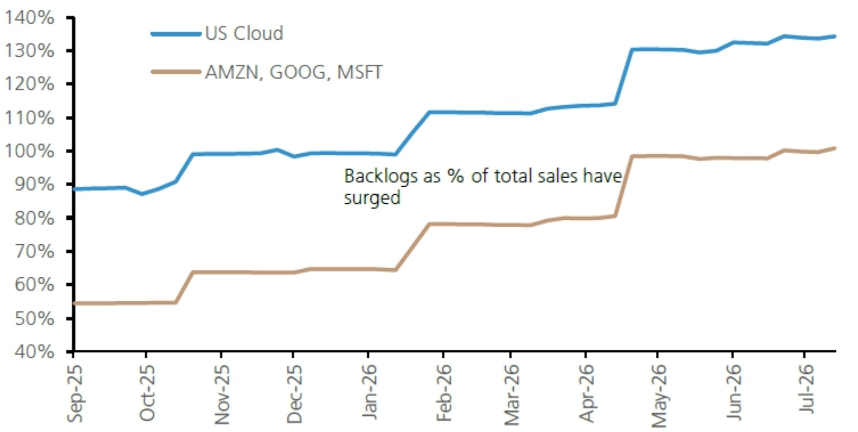
Source: FactSet, UBS

Figure 25: US hyperscaler cloud revenue growth consensus forecast



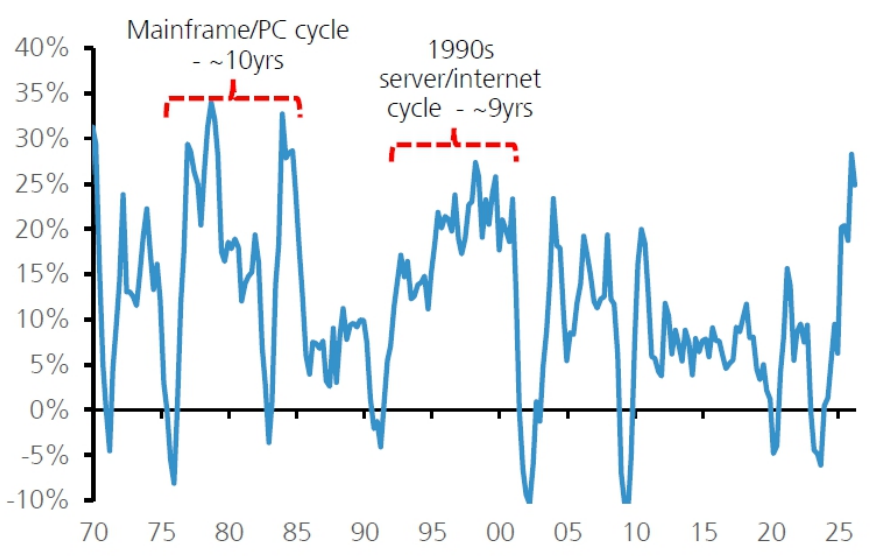
Source: Visible Alpha

Figure 26: US Cloud backlog as % of total sales



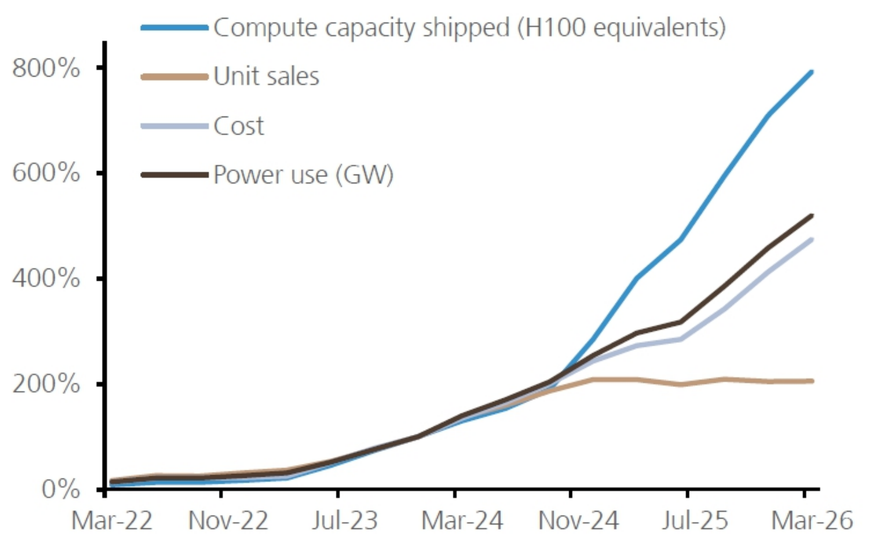
Source: Visible Alpha, UBS

Figure 27: US real IT equipment spend YoY growth



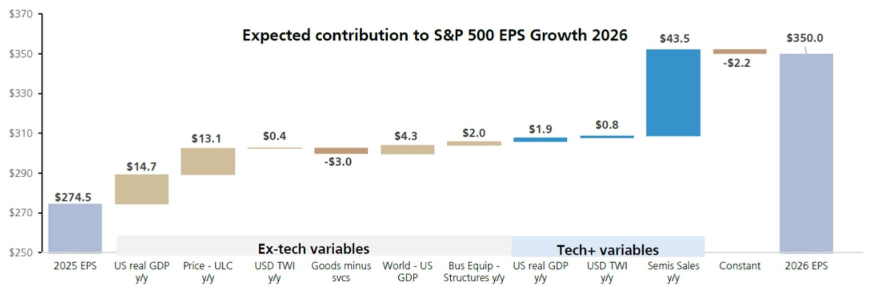
Source: BEA, Haver, UBS

Figure 28: Compute still increasing at a rapid pace



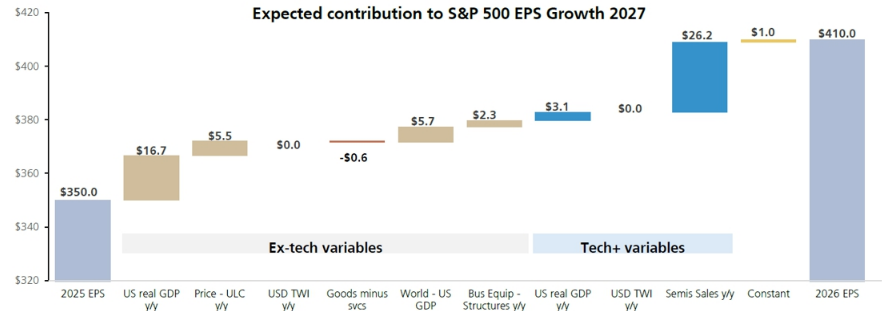
Source: Epoch AI, UBS. Normalized to 100 at end 2023.

Figure 29: S&P 500 earnings estimate for 2026, with contribution by key driver



Source: UBS estimates

Figure 30: S&P 500 earnings estimate for 2027, with contribution by key driver



Source: UBS estimates

Figure 31: UBS Buy-rated stocks with accelerating revenue and earnings growth in 2H26

Ticker	Name	UBS rating	1H26 revenue growth	2H26 revenue growth	1H26 earnings growth	2H26 earnings growth	Forward P/E	YTD return
002027-CN	Focus Media Information Technology Co Ltd Class A	Buy	2%	5%	20%	917%	12.3	-28%
6869-HK	Yangtze Optical Fibre and Cable Joint Stock Ltd Co Class H	Buy	63%	106%	305%	573%	9.9	128%
2498-HK	RoboSense Technology Company., Ltd	Buy	50%	59%	46%	446%	50.8	-37%
600299-CN	Bluestar Adisseo Co. Class A	Buy	16%	31%	103%	386%	9.2	-1%
600460-CN	Hangzhou Silan Microelectronics Co., Ltd. Class A	Buy	18%	22%	89%	260%	43.6	10%
688106-CN	Jinhong Gas Co. Ltd. Class A	Buy	12%	50%	49%	256%	51.5	54%
600176-CN	China Jushi Co., Ltd. Class A	Buy	20%	31%	77%	133%	20.7	140%
688392-CN	SBT Ultrasonic Technology Co., Ltd. Class A	Buy	35%	37%	79%	132%	54.5	23%
002484-CN	Nantong Jianghai Capacitor Co., Ltd. Class A	Buy	33%	48%	82%	106%	36.1	120%
6809-HK	Montage Technology Co., Ltd. Class H	Buy	32%	64%	51%	90%	58.1	152%
300263-CN	Longhua Technology Group (Luoyang) Co,. Ltd. Class A	Buy	16%	20%	24%	83%	34.4	10%
688339-CN	Beijing SinoHytec Co., Ltd. Class A	Buy	20%	60%	29%	70%	N/A	-35%
601888-CN	China Tourism Group Duty Free Corporation Limited Class A	Buy	1%	3%	20%	62%	20.8	-41%
002129-CN	TCL Zhonghuan Renewable Energy Technology Co., Ltd. Class A	Buy	24%	50%	32%	58%	199.2	4%
600009-CN	Shanghai International Airport Co., Ltd. Class A	Buy	4%	12%	11%	53%	20.2	-26%
300285-CN	Shandong Sinocera Functional Material Co., Ltd. Class A	Buy	16%	21%	10%	52%	73.1	154%
300408-CN	Chaozhou Three-Circle (Group) Co., Ltd. Class A	Buy	36%	42%	40%	48%	56.8	179%
9999-HK	Netease Inc	Buy	12%	13%	21%	45%	12.9	-4%
300866-CN	Anker Innovations Technology Co., Ltd. Class A	Buy	26%	28%	1%	45%	17.6	2%
601006-CN	Daqin Railway Co., Ltd. Class A	Buy	5%	5%	7%	43%	12.2	-3%
603915-CN	Jiangsu Guomao Reducer Co., Ltd. Class A	Buy	11%	11%	16%	32%	24.4	-26%
688697-CN	Neway CNC Equipment (Suzhou) Co., Ltd. Class A	Buy	9%	26%	8%	30%	22.5	31%
600276-CN	Jiangsu Hengrui Pharmaceuticals Co., Ltd. Class A	Buy	7%	16%	22%	29%	34.8	-12%
000963-CN	Huadong Medicine Co., Ltd. Class A	Buy	5%	12%	7%	22%	12.1	-28%
000423-CN	Dong-E-E-Jiao Co., Ltd. Class A	Buy	5%	12%	3%	21%	16.1	13%
600887-CN	Inner Mongolia Yili Industrial Group Co., Ltd. Class A	Buy	4%	6%	9%	15%	12.8	-5%
603699-CN	Neway Valve (Suzhou) Co., Ltd. Class A	Buy	14%	17%	8%	10%	19.0	2%
688271-CN	Shanghai United Imaging Healthcare Co., Ltd. Class A	Buy	17%	20%	8%	10%	34.2	-11%
601009-CN	Bank of Nanjing Co., Ltd. Class A	Buy	11%	12%	4%	9%	5.7	1%

Source: Visible Alpha, UBS Note: based on consensus estimates

Figure 32: Sector valuation

Sector	Current P/E or P/B*	5Y Average	Valuation Standard deviation	Forward PEG	FY26 consensus earnings growth	2026 YTD Return (%)	Forward Dividend yield
Power operator	16.0	14.0	1.6	3.8	-2%	4%	3.2%
Construction	6.0	5.2	1.3	N/A	6%	-10%	5.1%
Construction materials	14.8	11.3	1.2	0.6	81%	-8%	6.7%
Telecom	12.2	10.1	1.2	-15.0	-6%	-5%	6.5%
Energy	10.0	8.1	1.1	37.9	28%	7%	5.4%
Shipping	10.3	7.8	1.0	N/A	4%	9%	4.1%
Semiconductor	46.0	35.4	1.0	1.1	67%	29%	0.6%
Aerospace & defense	41.7	35.0	1.0	N/A	8%	-20%	0.7%
Banks*	0.6	0.5	0.9	1.5	4%	-3%	4.9%
Truck	12.6	11.0	0.9	0.6	24%	42%	5.1%
Transportation	12.9	11.4	0.9	1.5	65%	-4%	4.3%
Tech hardware	19.7	17.6	0.7	0.5	45%	12%	2.0%
Data center*	1.7	1.5	0.4	-66.0	238%	-1%	0.7%
Wind power equipment	14.4	12.8	0.4	0.5	81%	-11%	2.1%
Solar supply chain	47.1	28.6	0.1	1.5	176%	-5%	0.8%
Auto retail	10.9	14.5	-0.1	1.1	134%	-38%	7.8%
Education*	1.4	1.4	-0.1	4.9	30%	-2%	3.2%
Gas utilities	8.8	9.0	-0.2	6.1	3%	-20%	5.8%
Pharma	21.9	22.5	-0.2	4.9	18%	-8%	1.5%
Internet (E-commerce)	14.0	15.5	-0.3	3.6	8%	-15%	1.1%
Home appliance	10.9	11.4	-0.4	3.1	6%	-12%	5.7%
Chemicals	12.5	13.4	-0.4	N/A	105%	1%	3.1%
Property*	0.6	0.6	-0.4	-5.8	80%	-11%	3.7%
EV Battery & materials	16.1	22.8	-0.4	0.5	54%	-3%	2.6%
Consumer finance	4.0	4.6	-0.5	-0.5	4%	-36%	11.3%
Grid	20.7	22.8	-0.7	3.2	14%	7%	2.9%
Software	49.8	57.7	-0.7	33.0	96%	-16%	0.7%
Machinery	14.7	16.4	-0.8	0.7	21%	-11%	3.0%
Baijiu	17.6	23.2	-0.8	2.4	7%	-12%	4.5%
Hog*	1.9	2.4	-0.8	N/A	-65%	-23%	5.5%
Express delivery*	1.4	2.0	-0.9	0.8	28%	4%	3.2%
Biotech, CRO	28.9	41.0	-0.9	11.4	59%	9%	1.3%
Health care service	23.8	36.3	-1.0	6.0	85%	-15%	2.2%
Personal product	15.9	20.6	-1.0	2.1	2%	-16%	3.8%
Internet (Media & entertainment)	13.2	19.1	-1.0	2.1	4%	-23%	1.3%
Basic materials	9.9	11.7	-1.0	0.6	63%	-12%	3.8%
Auto parts	14.4	17.2	-1.1	1.0	13%	-23%	2.8%
Restaurant	13.8	22.6	-1.1	1.2	12%	-11%	4.1%
Internet (Online game)	13.5	16.2	-1.1	1.5	25%	-16%	2.9%
Airline airport*	1.6	1.9	-1.1	N/A	1%	-28%	3.1%
Pharma retail	14.1	25.3	-1.1	5.5	11%	-24%	3.7%
Medical device	18.2	24.5	-1.1	4.8	20%	-17%	3.4%
Broker	11.5	14.4	-1.1	N/A	19%	-9%	2.9%
Food & beverage	15.2	19.0	-1.2	1.7	14%	-10%	4.6%
Leisure	13.6	23.4	-1.2	3.2	-26%	-33%	3.2%
Furniture	9.0	13.4	-1.2	1.6	2%	-31%	6.6%
Beer	12.8	22.1	-1.2	3.6	23%	-11%	5.0%
Sportswear	11.3	18.4	-1.2	2.5	2%	-16%	4.4%
Auto	14.7	20.1	-1.6	3.7	110%	-20%	2.3%
Insurance	6.5	8.8	-2.5	1.7	6%	-15%	4.0%

Source: FactSet, UBS

Figure 33: China AI tech hardware names

Ticker	Name	Subsector
688396-CN	CR Micro	Power Semi
600460-CN	Silan Micro	Power Semi
605111-CN	NCE Power	Power Semi
603290-CN	Star Power	Power Semi
688141-CN	Joulwatt	Power Semi
300661-CN	SG Micro	Power Semi
301269-CN	Empyrean Tech	EDA & IP
688206-CN	Primarius Technologies	EDA & IP
688521-CN	VeriSilicon Microelectronics (Shanghai)	EDA & IP
002371-CN	NAURA Technology Group Co Ltd	Semi equipment
688012-CN	Advanced Micro-Fabrication Equipment	Semi equipment
688120-CN	Hwatsing Technology	Semi equipment
688037-CN	KINGSEMI	Semi equipment
688082-CN	ACM Research (Shanghai)	Semi equipment
688072-CN	Piotech	Semi equipment
300604-CN	Changchuan	Semi equipment
688200-CN	Huafeng Test & Control	Semi equipment
688627-CN	SEICHI Tech	Semi equipment
603061-CN	JHT Design	Semi equipment
688981-CN	SMIC	Foundry
1347-HK	Hua Hong Semiconductor	Foundry
688249-CN	Nexchip Semi	Foundry
688396-CN	China Resources Microelectronics	Foundry
603986-CN	Giga Device Semiconductor Inc.	Memory
600584-CN	JCET Group	Advanced packaging
002156-CN	TongFu Microelectronics	Advanced packaging
002185-CN	Tianshui Huatian Technology	Advanced packaging
688820-CN	SJ Semi	Advanced packaging
148-HK	Kingboard Holdings Limited	CCL/ fiber glass/ resin
1888-HK	Kingboard Laminates Holdings Limited	CCL/ fiber glass/ resin
688519-CN	Nanya New Material Technology	CCL/ fiber glass/ resin
600183-CN	Shengyi Technology	CCL/ fiber glass/ resin
600176-CN	China Jushi	CCL/ fiber glass/ resin
002080-CN	Sinoma Science & Technology	CCL/ fiber glass/ resin
601208-CN	Sichuan EM Technology	CCL/ fiber glass/ resin
605589-CN	Jinan Shengquan Group	CCL/ fiber glass/ resin
603002-CN	Epoxy Base Electronic Material	CCL/ fiber glass/ resin
301511-CN	Defu Technology	CCL/ fiber glass/ resin
002916-CN	Shennan Circuit	PCB/ Substrates
002463-CN	Wus Printed Circuit	PCB/ Substrates
603228-CN	Shenzhen Kinwong Electronic	PCB/ Substrates
688183-CN	Shengyi Electronics	PCB/ Substrates
300476-CN	Victory Giant Technology	PCB/ Substrates
002436-CN	Shenzhen Fastprint Circuit	PCB/ Substrates
002938-CN	Avary Holding	PCB/ Substrates
002384-CN	Dongshan Precision	PCB/ Substrates
600601-CN	Founder Technology	PCB/ Substrates
001389-CN	Delton Technology	PCB/ Substrates
600183-CN	Shengyi Technology	PCB/ Substrates
688256-CN	Cambricon Technologies Corp. Ltd.	AI chips (GPU/ ASICs)
688041-CN	Hygon Information Technology	AI chips (GPU/ ASICs)
688047-CN	Loongson Technology Corp. Ltd.	AI chips (GPU/ ASICs)
9903-HK	Shanghai Iluvatar CoreX Semiconductor	AI chips (GPU/ ASICs)
6082-HK	Biren Tech	AI chips (GPU/ ASICs)
688802-CN	MetaX	AI chips (GPU/ ASICs)
688795-CN	Moore Threads	AI chips (GPU/ ASICs)
688521-CN	VeriSilicon	AI chips (GPU/ ASICs)
000063-CN	ZTE Corporation	Networking and interconnect
688008-CN	Montage Tech	Networking and interconnect
600498-CN	Fiberhome Telecommunication Tech	Networking and interconnect
002281-CN	Accelink Technologies	Networking and interconnect
300308-CN	Zhongji Innolight	Networking and interconnect
300502-CN	Eoptolink Technology Inc., Ltd.	Networking and interconnect
601869-CN	Yangtze Optical Fibre & Cable	Networking and interconnect
300394-CN	Suzhou TFC Optical Communication	Networking and interconnect
002475-CN	Luxshare Precision Industry	Networking and interconnect
002384-CN	Suzhou Dongshan Precision	Networking and interconnect
603296-CN	Huaqin	Servers/ OEM
000938-CN	Unisplendour	Servers/ OEM
992-HK	Lenovo Group Limited	Servers/ OEM
000977-CN	IEIT SYSTEMSClass A	Servers/ OEM
603019-CN	Dawning Information Industry	Servers/ OEM
601138-CN	Foxconn Industrial Internet	Servers/ OEM

Source: UBS

Figure 34: Global AI tech hardware names

Ticker	Name	Subsector
IFX-DE	Infineon	Power Semi
STM-US	STMicroelectronics	Power Semi
ON-US	ON Semi	Power Semi
TXN-US	Texas Instruments	Power Semi
ADI-US	Analog Devices	Power Semi
MPWR-US	Monolithic Power Systems	Power Semi
SNPS-US	Synopsys	EDA & IP
CDNS-US	Cadence Design Systems	EDA & IP
ARM-US	ARM Holdings	EDA & IP
SIE-DE	Siemens Aktiengesellschaft	EDA & IP
ASML-NL	ASML Holding NV	Semi equipment
AMAT-US	Applied Materials	Semi equipment
LRCX-US	Lam Research Corporation	Semi equipment
KLAC-US	KLA Corporation	Semi equipment
8035-JP	Tokyo Electron Ltd.	Semi equipment
TSM-US	Taiwan Semiconductor Manufacturing	Foundry
005930-KR	Samsung Electronics	Foundry
INTC-US	Intel Corporation	Foundry
GFS-US	GlobalFoundries Inc.	Foundry
2303-TW	UMC	Foundry
000660-KR	SK hynix Inc.	Memory
005930-KR	Samsung Electronics	Memory
MU-US	Micron Technology	Memory
SNDK-US	Sandisk Corporation	Memory
WDC-US	Western Digital Corporation	Memory
STX-US	Seagate Technology Holdings	Memory
2408-TW	Nanya Tech	Memory
TSM-US	Taiwan Semiconductor Manufacturing	Advanced packaging
3711-TW	ASE Technology Holding	Advanced packaging
AMKR-US	Amkor Technology	Advanced packaging
034020-KR	Doosan Enerbility Co., Ltd.	CCL/ fiber glass/ resin
6752-JP	Panasonic Holdings Corporation	CCL/ fiber glass/ resin
3110-JP	Nitto Boseki Co., Ltd.	CCL/ fiber glass/ resin
3407-JP	Asahi Kasei Corporation	CCL/ fiber glass/ resin
4182-JP	Mitsubishi Gas Chemical Company, Inc.	CCL/ fiber glass/ resin
2383-JP	Nihon Aim Co Ltd Npv	CCL/ fiber glass/ resin
1802-JP	Obayashi Corporation	CCL/ fiber glass/ resin
DD-US	DuPont de Nemours, Inc.	CCL/ fiber glass/ resin
4062-JP	IBIDEN	PCB/ Substrates
3037-TW	Unimicron Technology	PCB/ Substrates
TTMI-US	TTM Technologies	PCB/ Substrates
4958-TW	Zhen Ding Technology	PCB/ Substrates
3189-TW	Kinsus Interconnect	PCB/ Substrates
007660-KR	ISU Petasys	PCB/ Substrates
8046-TW	Nan Ya PCB	PCB/ Substrates
009150-KR	Samsung Electro-Mechanics	PCB/ Substrates
2368-TW	Gold Circuit Electronics	PCB/ Substrates
NVDA-US	NVIDIA Corporation	AI chips (GPU/ ASICs)
AMD-US	Advanced Micro Devices	AI chips (GPU/ ASICs)
INTC-US	Intel Corporation	AI chips (GPU/ ASICs)
AVGO-US	Broadcom Inc.	AI chips (GPU/ ASICs)
MRVL-US	Marvell Tech	AI chips (GPU/ ASICs)
AVGO-US	Broadcom Inc.	Networking and interconnect
CSCO-US	Cisco Systems	Networking and interconnect
MRVL-US	Marvell Technology	Networking and interconnect
COHR-US	Coherent Corp.	Networking and interconnect
LITE-US	Lumentum Holdings	Networking and interconnect
GLW-US	Corning Inc	Networking and interconnect
ALAB-US	Astera Labs	Networking and interconnect
RMBS-US	Rambus	Networking and interconnect
2317-TW	Hon Hai Precision	Servers/ OEM
6669-TW	Wiwynn	Servers/ OEM
DELL-US	Dell Technologies Class C	Servers/ OEM
HPE-US	Hewlett Packard Enterprise Co.	Servers/ OEM
SMCI-US	Super Micro Computer	Servers/ OEM

Source: UBS

Valuation Method and Risk Statement

For various stocks across the industries we cover in the Hong Kong and mainland China stock markets, we use a variety of valuation approaches, including DCF models, Gordon growth model analysis and relative valuation analysis using various multiples such as PE, EV/EBITDA and P/BV.

We think the risks facing China's equities include a hard landing for the property market, a capital exodus associated with currency depreciation and slow structural reform progress. In our view, any government policies that do not adequately address these risks could result in a shock to the market. For example, an excess of stimulus policies could pose a risk to the transition from an investment-driven to a consumption-driven economy and increase the debt of government and state-owned enterprises.