UBS

Global Research
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China Equity Strategy

Time to get back into tech?

Equity Strategy

China

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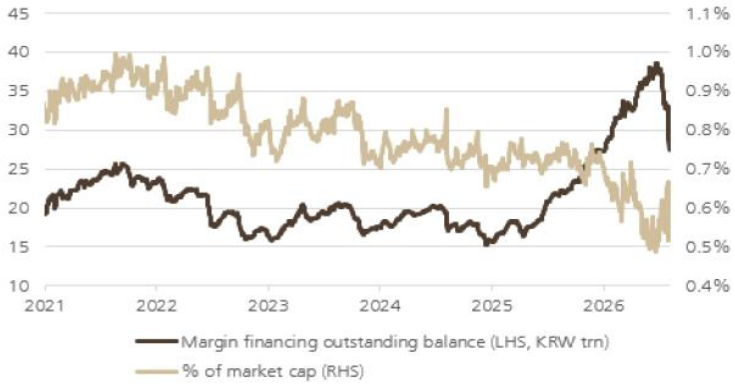
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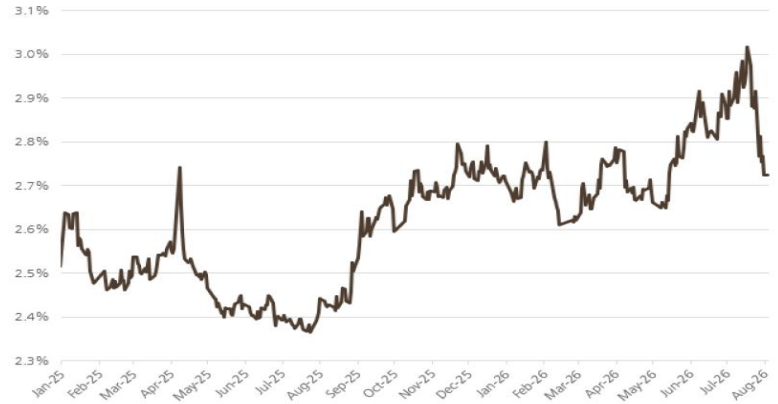
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Tech deleveraging mostly done

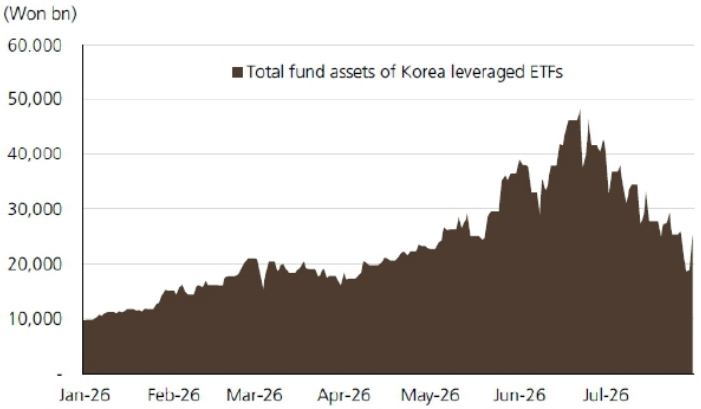
Korea margin financing



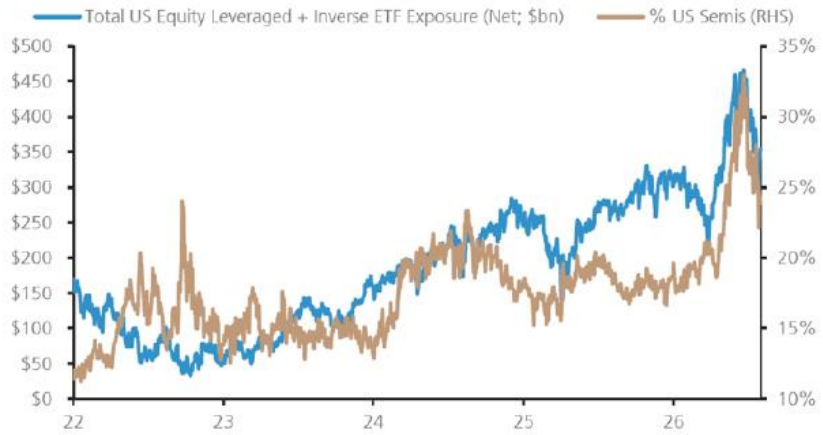
China margin financing balance as % of A share market cap



Korea leveraged ETF



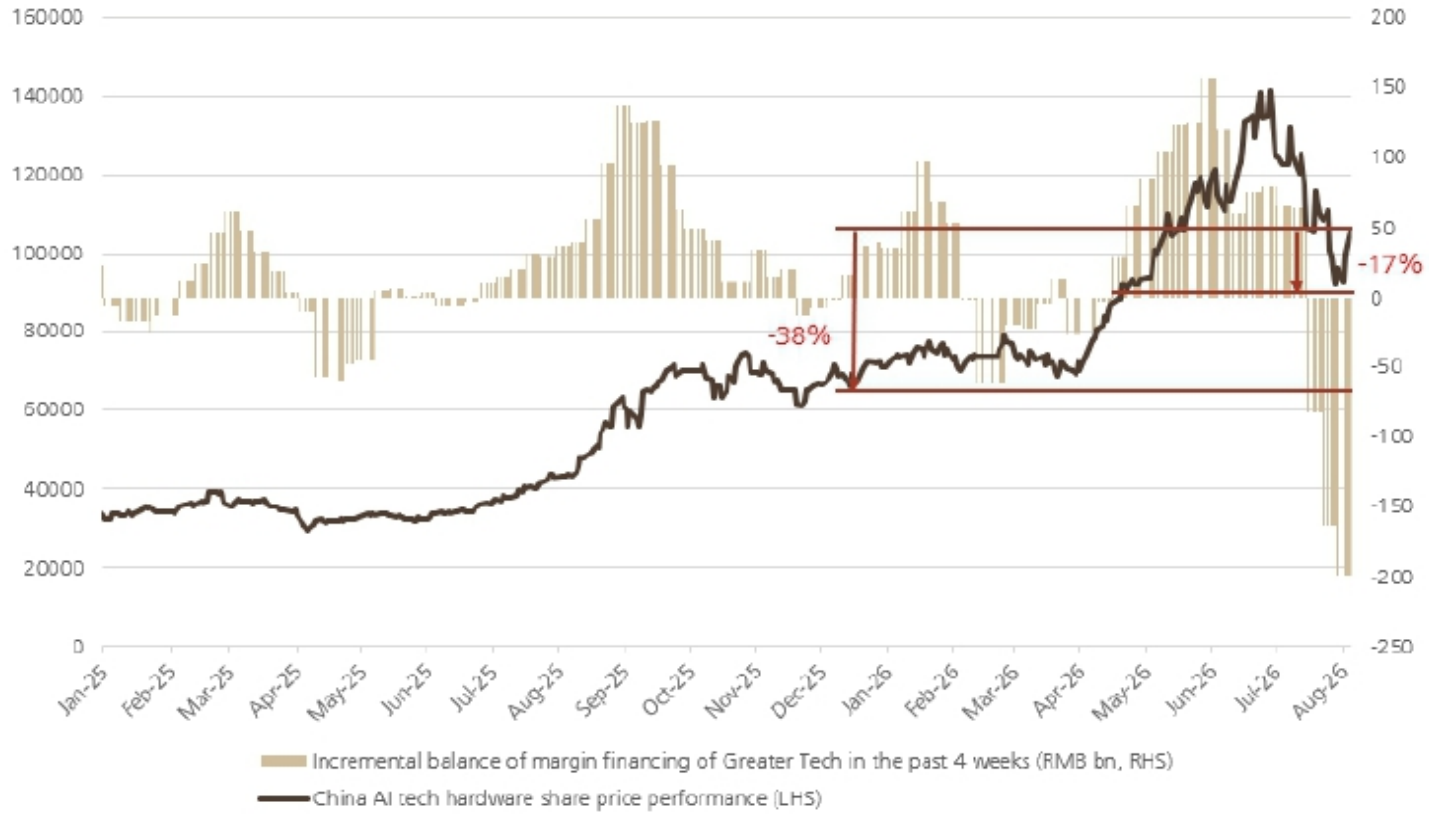
US leveraged ETF



Source: Bloomberg, Wind, FactSet, KOFIA, UBS

1

Stress test completed on China tech

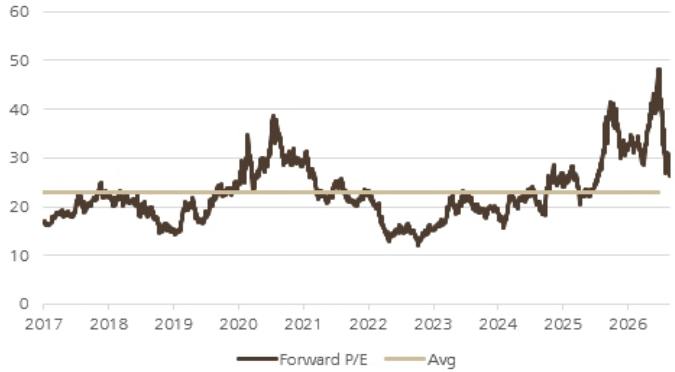


Source: Bloomberg, Wind, FactSet, UBS estimates

2

Tech valuations more reasonable

China AI tech hardware forward P/E (x)



Global tech hardware forward P/E (x)



China AI tech hardware P/B (x)



Global tech hardware P/B (x)

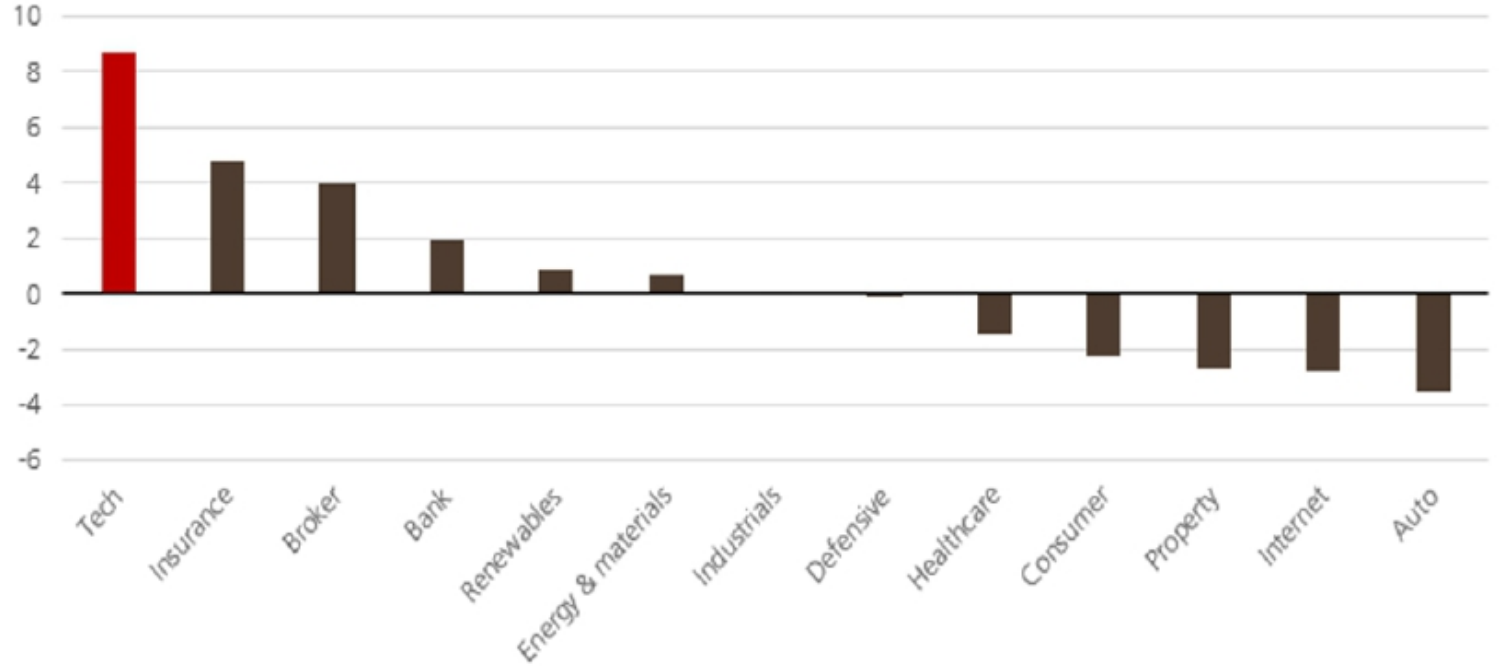


Source: Bloomberg, Wind, FactSet, UBS

3

While earnings performances remain strong

Tech forward earnings changes last 3 months vs other sectors



Source: FactSet, UBS

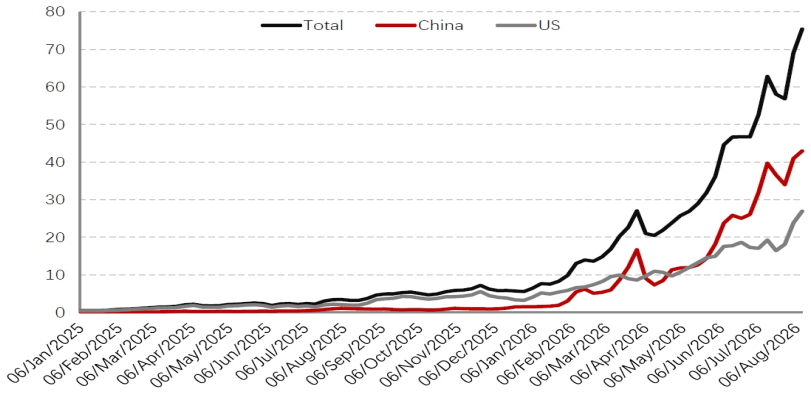
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AI narrative has stabilised

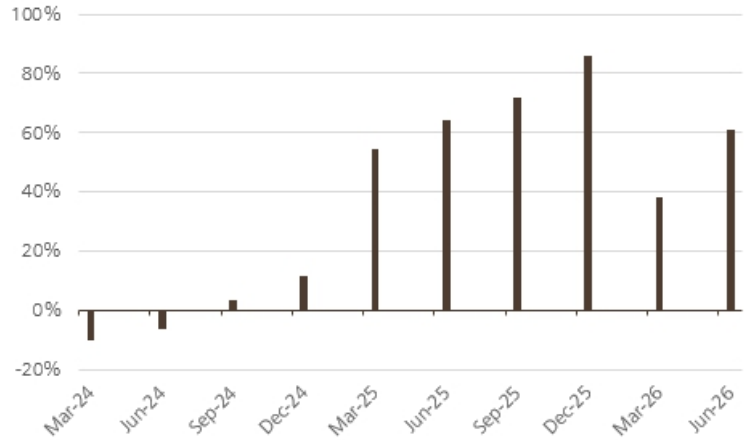
US software sector share price performance (IGV)



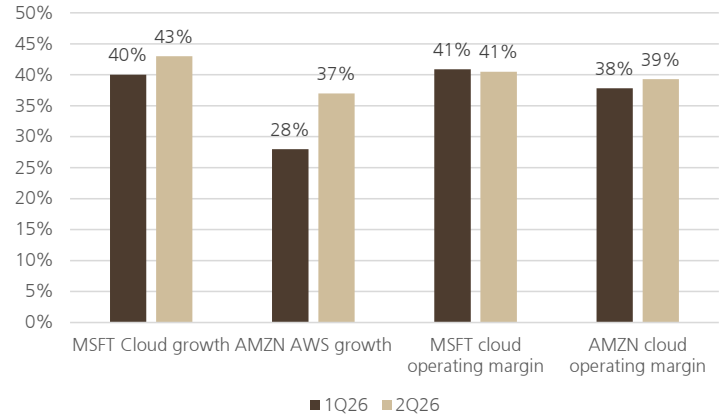
Token usage growth



China quarterly internet capex growth



AMZN and MSFT 2Q cloud revenue growth and margin

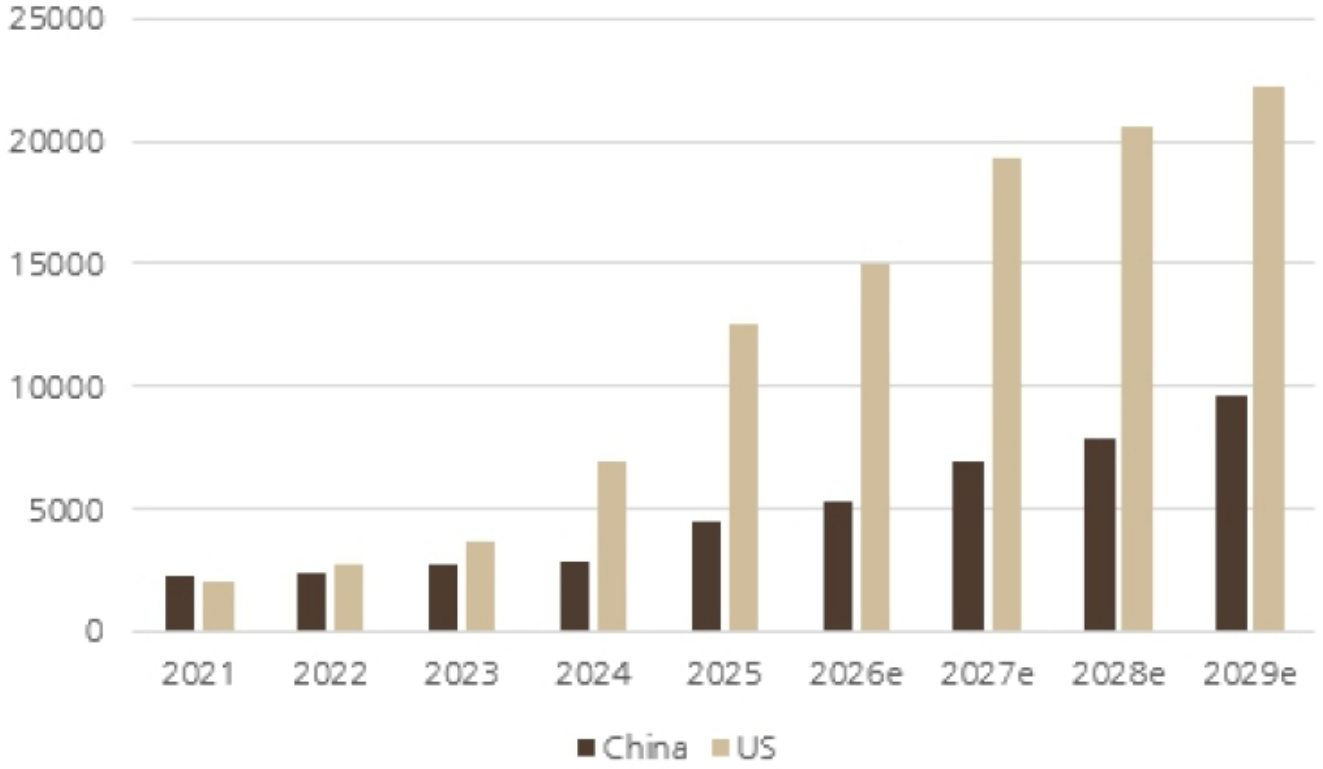


Source: Bloomberg, Wind, FactSet, UBS estimates

5

China the catch-up play on global AI

AIDC capacity buildout net addition in MW



Source: MIIT, UBS estimates

6

AI sector crowding may impact near-term upside

Average crowding scores of China AI hardware names

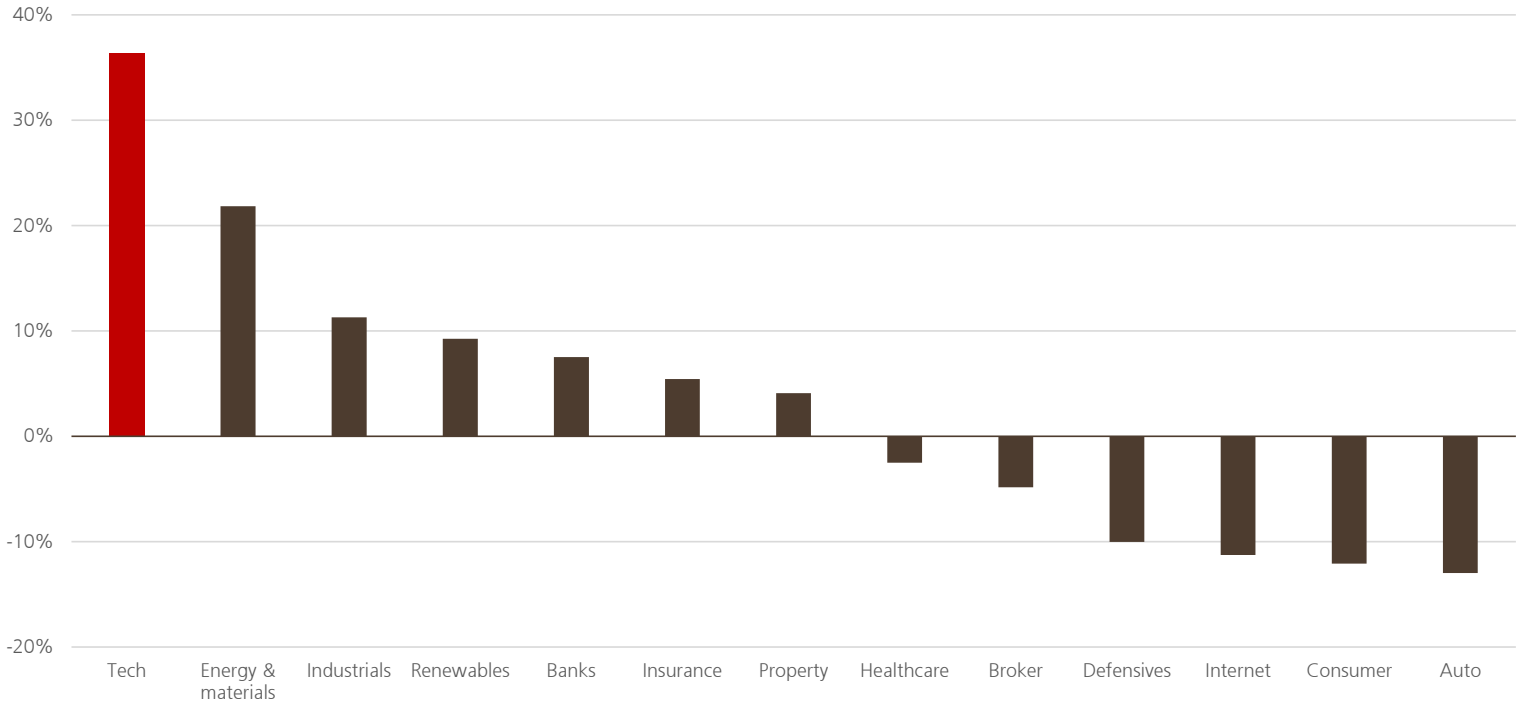


Source: Bloomberg, Wind, FactSet, UBS estimates

7

As investors diversify into other sectors

YTD sector performance



Source: Bloomberg, Wind, FactSet, UBS estimates

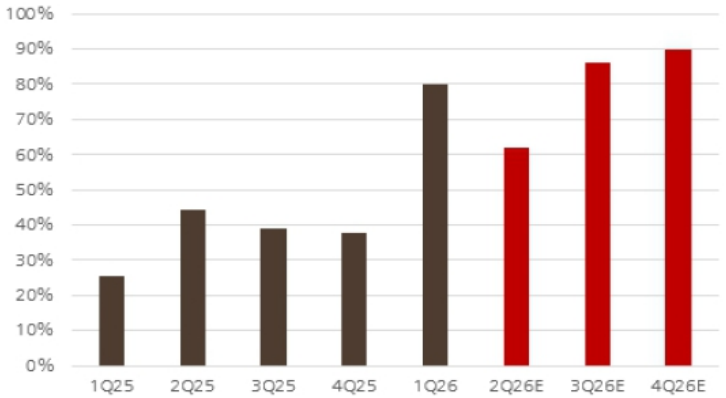
8

Fundamentals remain strong

Correlation of China AI hardware tech share price YoY and indicators

Indicators	Correlation
Contract liability (% of revenue)	0.75
Forward revenue growth	0.74
Inventory (% of revenue)	0.64
Forward earnings 3M revision	0.59
Forward earnings growth	0.56
Aggregate financing new increased YoY	0.17
US 10Y yield	0.13
RMB FX rate	0.11
China handset production YoY	-0.20
China 10Y yield	-0.41

China AI tech hardware consensus earnings growth



Consensus revenue and earnings growth for China AI hardware tech



Forward earnings 3M revision

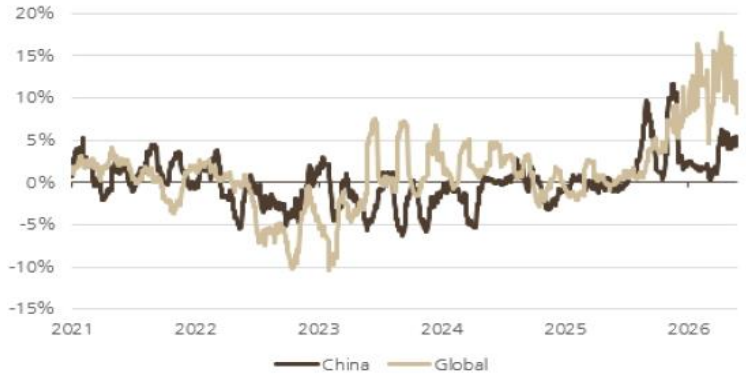


Source: Bloomberg, Wind, FactSet, UBS estimates

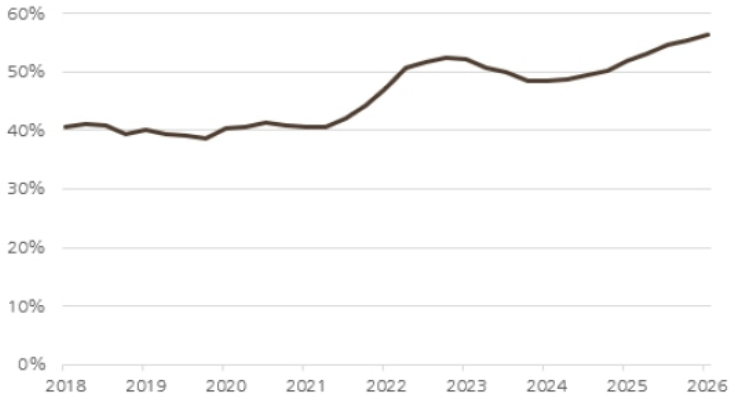
9

Leading indicators remain robust

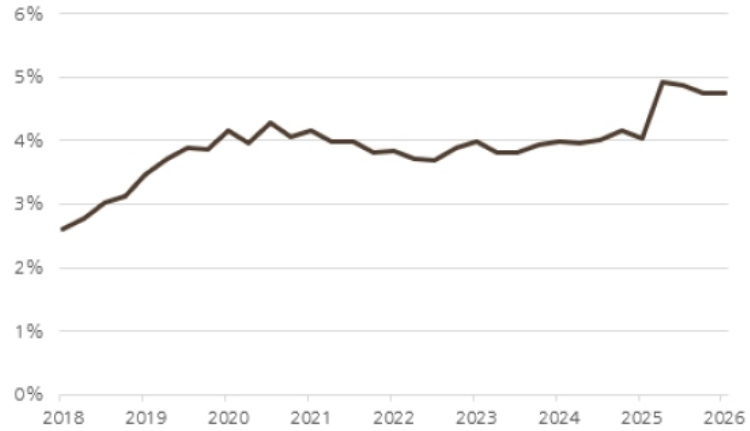
Forward EPS 1M revision for China and global AI tech hardware



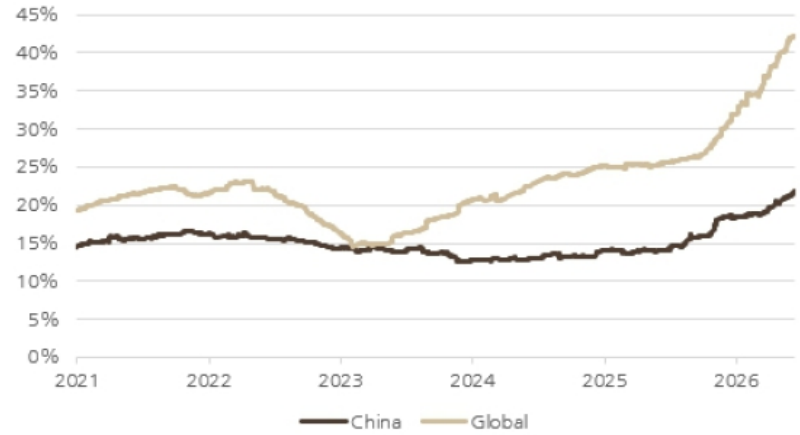
Chinese AI names inventory as % of revenue (4-quarter moving average)



Chinese AI names contract liability as % of revenue (4-quarter moving average)



Trailing 12M ROE of China and Global AI tech hardware

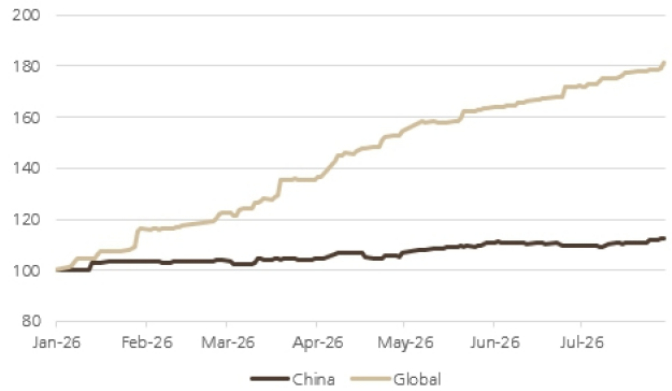


Source: Bloomberg, Wind, FactSet, UBS estimates

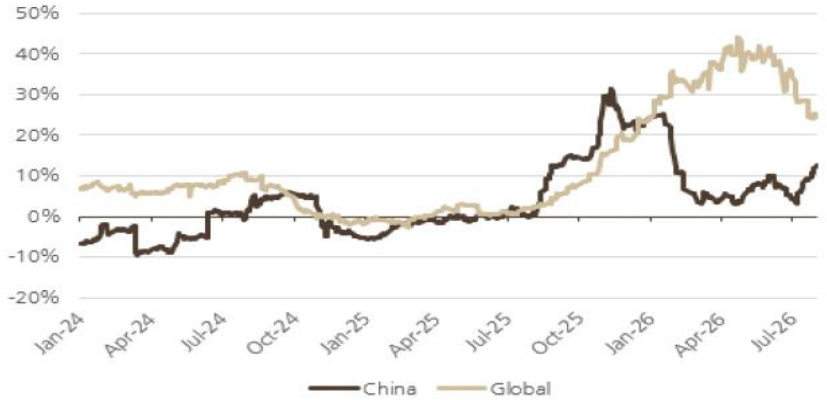
10

Fundamentals intact while valuations now more reasonable

FY26 EPS trend - China vs global AI tech hardware



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



China AI tech hardware forward P/E (x)



Global AI tech hardware (ex-memory) forward P/E (x)

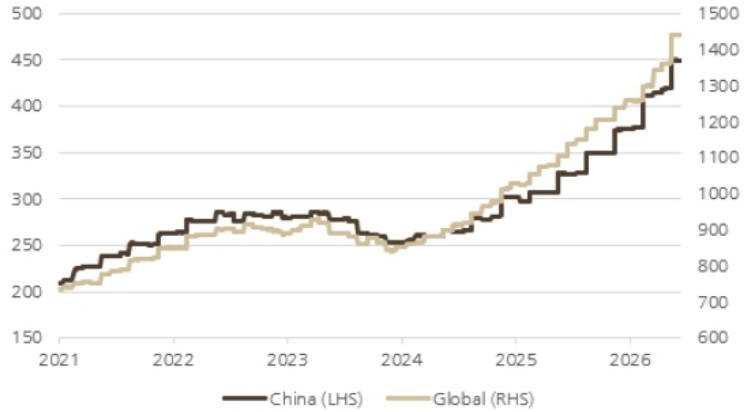


Source: Bloomberg, Wind, FactSet, UBS estimates

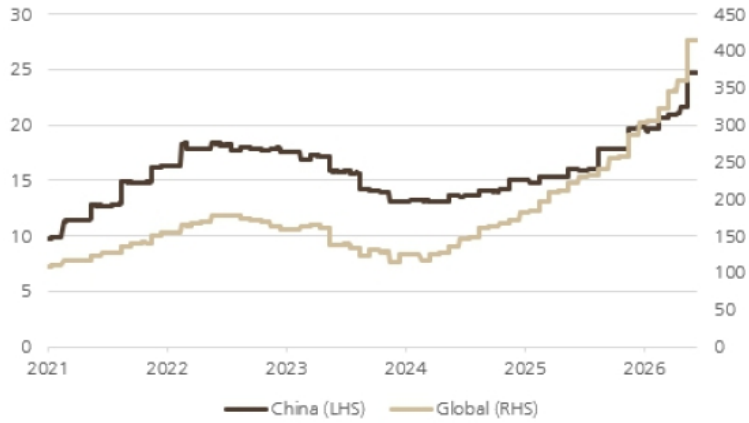
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更多资料请加V

How do Chinese AI tech hardware's compare with global peers?

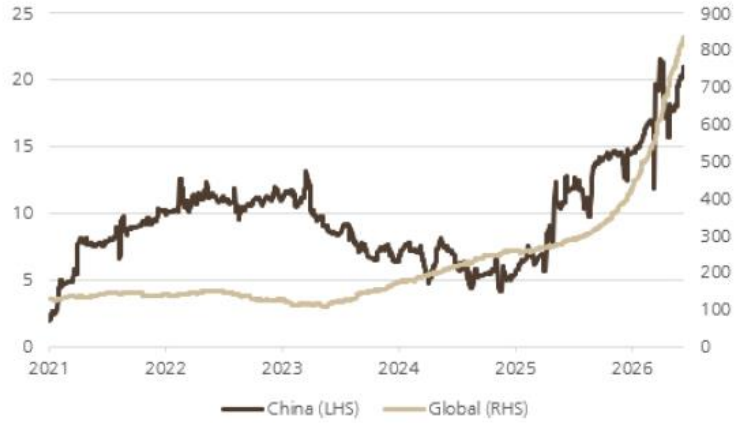
Trailing 12M revenue (USDbn)



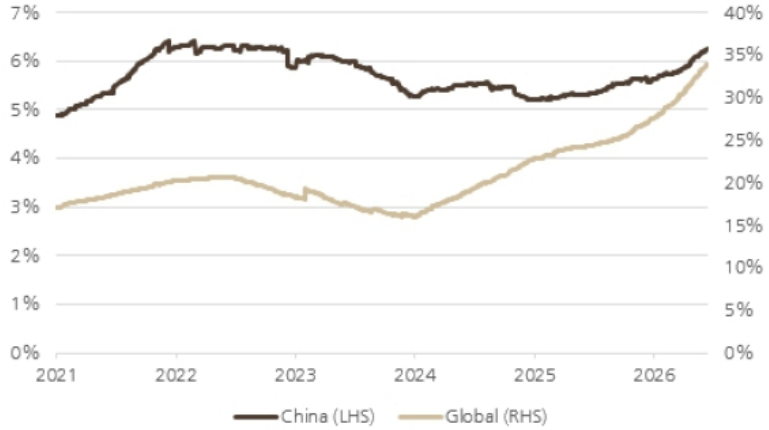
Trailing 12M earnings (USDbn)



Trailing 12M FCF (USDbn)



Trailing net margin



Source: Bloomberg, Wind, FactSet, UBS estimates

12

What drives share price performance and key signal for consolidation?

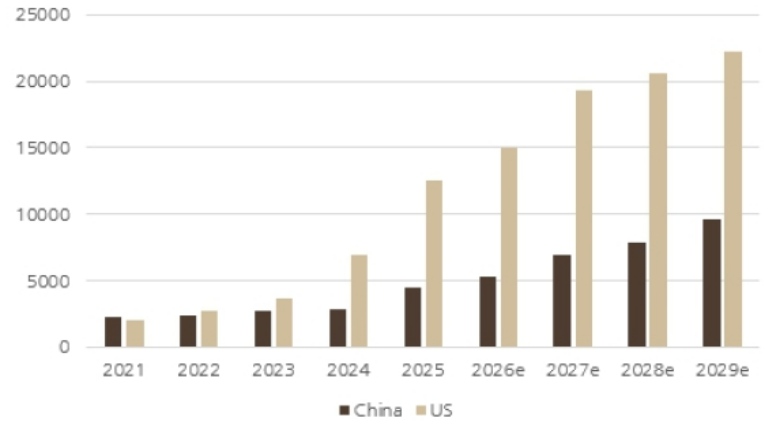
China AI tech hardware share price YoY vs 12M forward earnings growth



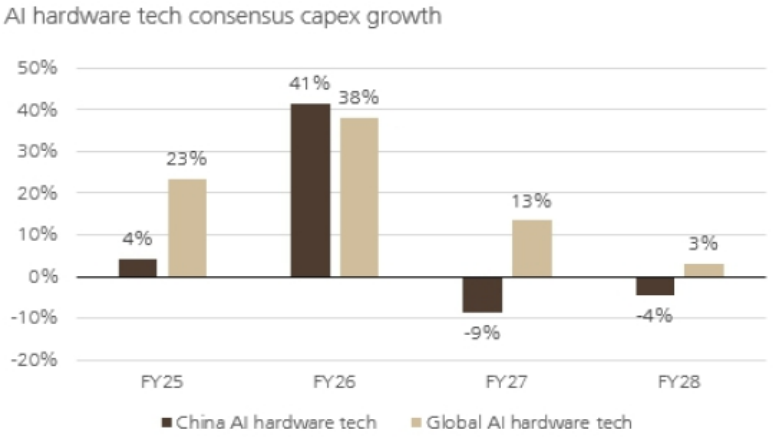
China AI hardware absolute and relative price performance when revenue growth peak



AIDC capacity buildout net addition in MW



Consensus capex growth

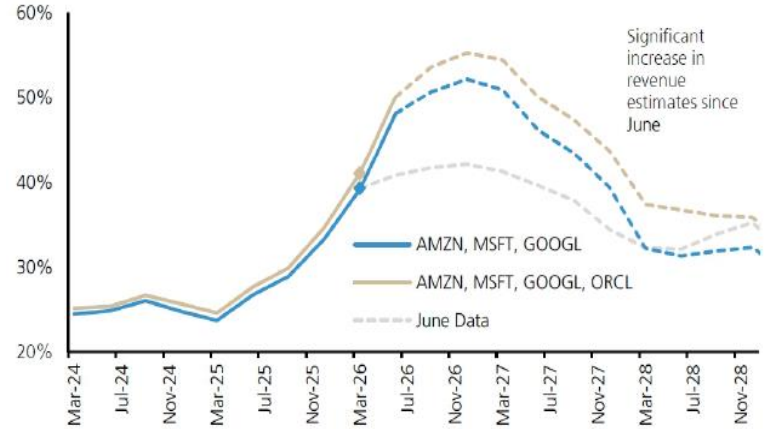


Source: Bloomberg, Wind, FactSet, UBS estimates

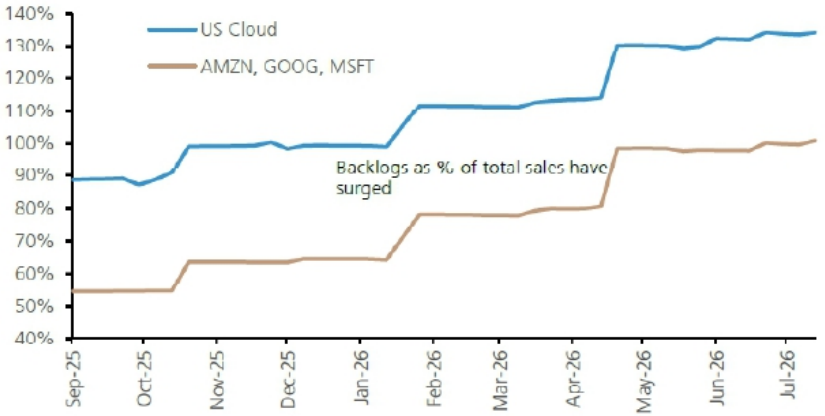
13

Global AI narrative improving while the worst of deleveraging seems behind us

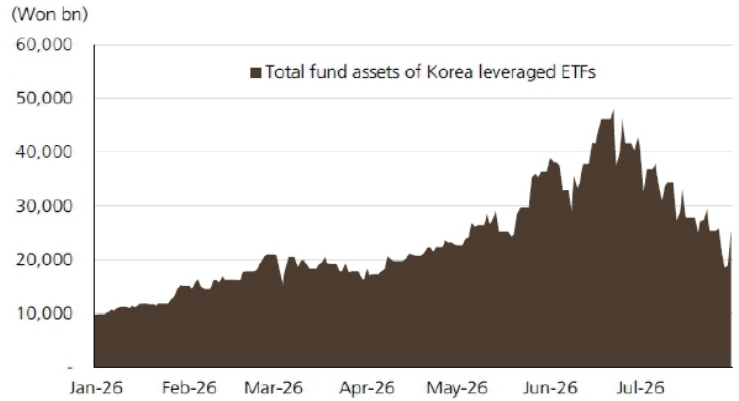
US hyperscaler cloud revenue growth consensus forecast



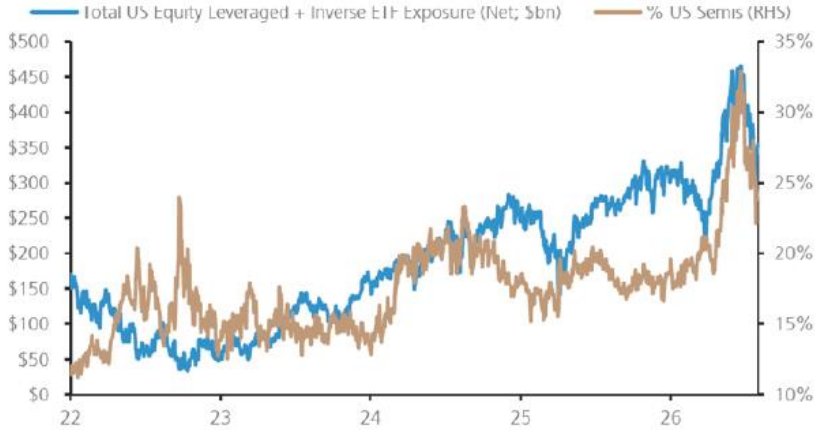
US Cloud backlog as % of total sales



Total Korea leveraged ETFs AUM



US leveraged ETF exposure

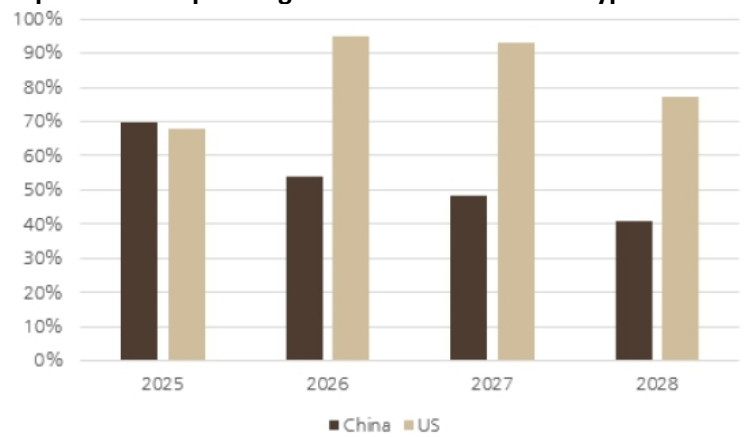


Source: Bloomberg, Wind, FactSet, UBS estimates

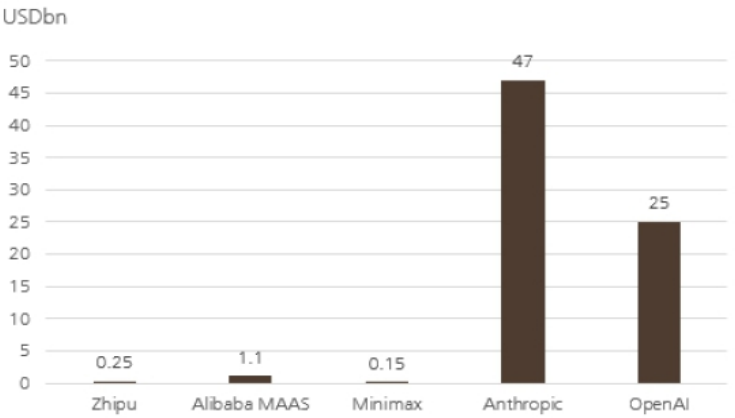
14

Comparing the hyperscaler and LLM companies

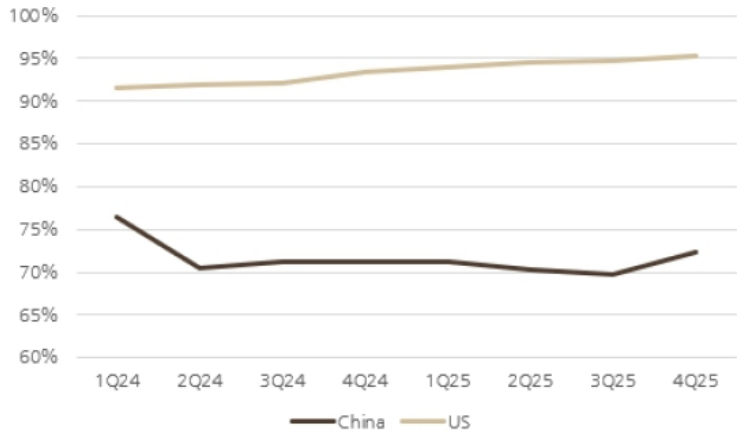
Capex as % of operating cash flow - China vs US hyperscalers



ARR of China vs US LLM



IDC utilization rate - China vs US



Relative share price performance of China/US hyperscalers vs corresponding market indices

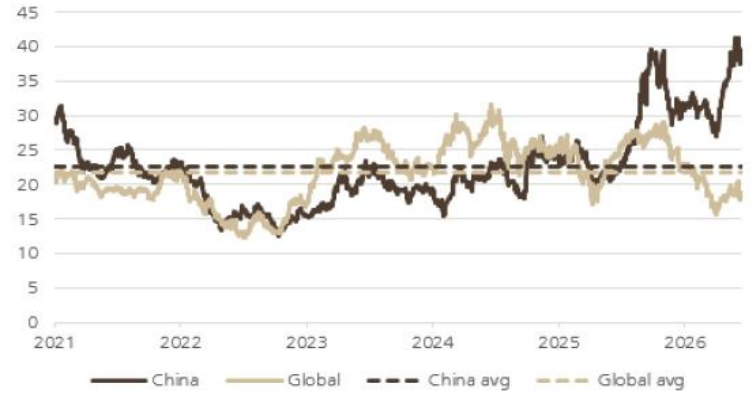


Source: Bloomberg, Wind, FactSet, UBS estimates Note: Note: Tencent, Alibaba, Baidu, AMZN, MSFT, GOOGL, ORCL, IBM and META are included in hyperscaler

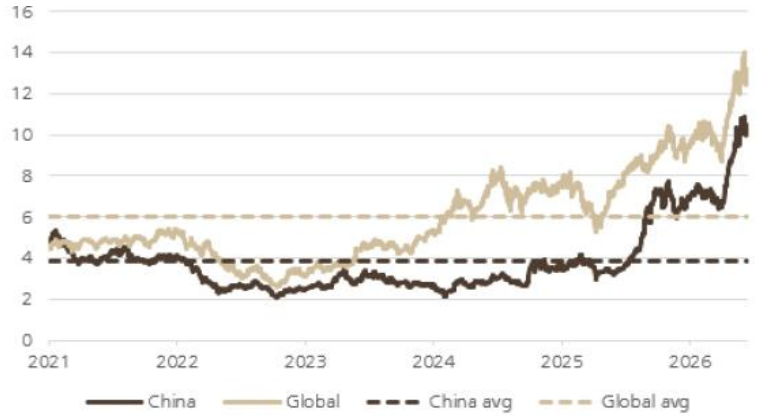
15

How have AI tech hardware stocks traded vs global peers?

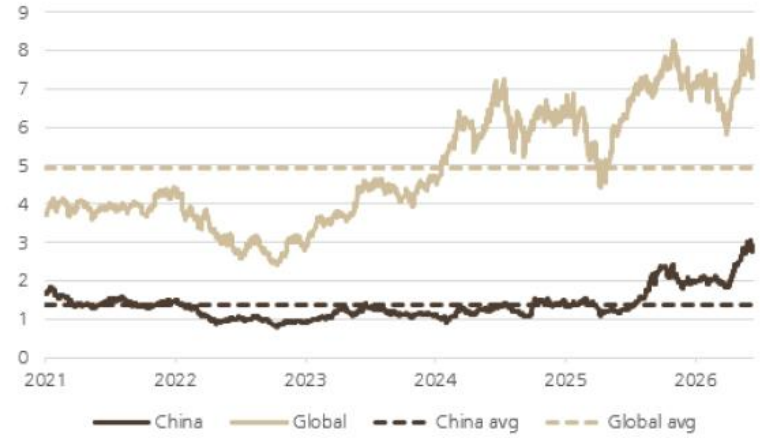
Forward P/E (x) - China vs global AI tech hardware



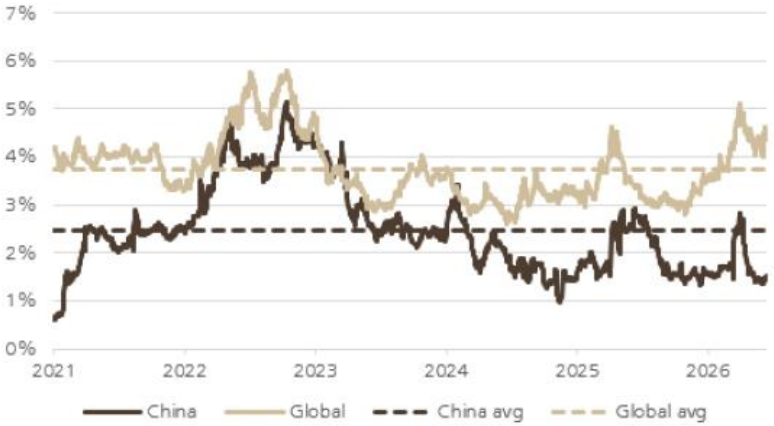
Price to book (x) - China vs global AI tech hardware



Forward P/Sales (x) - China vs global AI tech hardware



Forward FCFY - China vs global AI tech hardware



Source: Bloomberg, Wind, FactSet, UBS estimates

16

China AI supply chain historical valuation

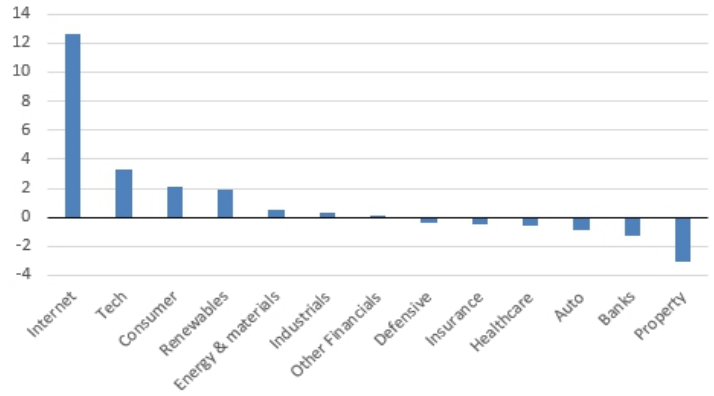
Sector	YTD performance	P/E	High	Low	10Y avg	Std dev from mean	P/B	High	Low	10Y avg	Std dev from mean	FY26 earnings growth	FY27 earnings growth
MLCC	171%	75.8	65.4	14.1	17.1	9.9	9.5	9.5	1.8	4.1	3.7	38%	25%
AI model	128%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	83%	-5%
CCL/ fiber glass/ resin	119%	45.3	35.9	6.8	12.6	5.1	6.2	6.9	1.0	1.8	6.4	67%	28%
Memory	97%	70.3	118.1	23.3	50.2	0.6	14.8	24.1	4.8	11.1	0.8	145%	26%
Semiconductor equipment	94%	69.5	143.7	18.9	47.5	0.4	9.6	20.4	3.9	7.4	0.7	32%	46%
Advanced packaging	88%	62.7	121.7	12.0	35.0	1.6	5.1	6.5	1.2	2.8	2.2	30%	28%
PCB	59%	43.9	41.5	12.0	22.2	3.2	13.2	13.9	1.8	4.4	5.3	87%	63%
Networking & interconnect (optics)	52%	39.7	57.2	13.7	25.1	2.1	14.3	14.3	2.5	4.5	5.8	94%	55%
EDA & IP	40%	346.9	3575.0	11.1	355.2	-0.2	23.8	76.0	4.2	13.0	1.1	191%	117%
Foundry	39%	121.7	133.5	9.0	42.9	2.4	4.9	6.1	0.7	2.1	2.7	87%	34%
Power Semi	27%	63.9	157.6	23.3	53.0	0.4	4.6	19.0	2.3	5.8	-0.4	60%	44%
Server/ OEMs	22%	21.4	31.1	6.8	15.6	1.6	7.9	9.5	1.5	3.4	3.7	59%	33%
AI Chip (GPU/ ASIC)	20%	158.9	1723.7	39.1	410.9	-0.7	41.4	46.5	3.1	15.3	2.5	206%	90%
Energy infra/ power equipment	-3%	18.1	63.9	13.0	26.5	-0.6	5.0	12.7	2.6	4.6	0.2	31%	25%
Data center	-6%	175.4	86554.2	4.6	1741.4	-0.2	2.0	9.5	0.3	2.8	-0.4	520%	-48%
Cooling/ thermal system	-17%	49.5	58.5	14.2	30.2	1.8	8.1	10.0	2.7	6.0	1.2	22%	28%
Hyperscaler	-24%	13.1	36.0	10.1	21.3	-1.0	2.6	13.2	1.6	5.3	-0.9	9%	19%
Software	-27%	26.4	160647.5	0.9	299.7	-0.1	3.3	14.6	3.0	6.4	-1.3	1%	24%

Source: FactSet,UBS

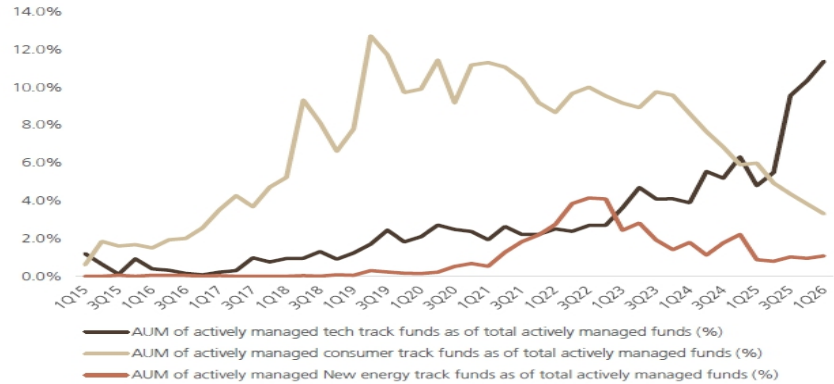
17

How crowded is the AI trade in China?

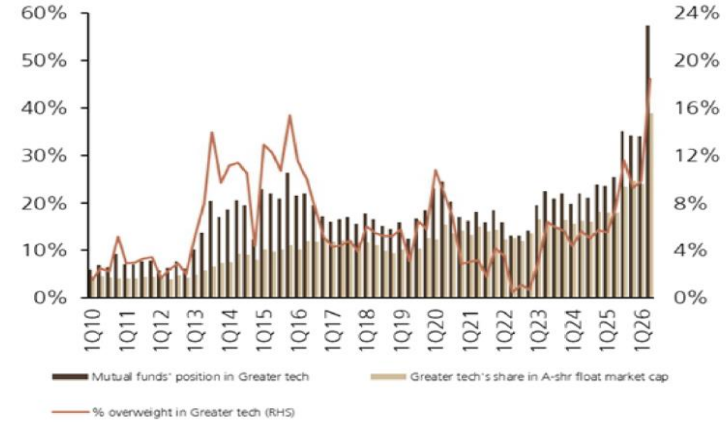
Crowding score by sector



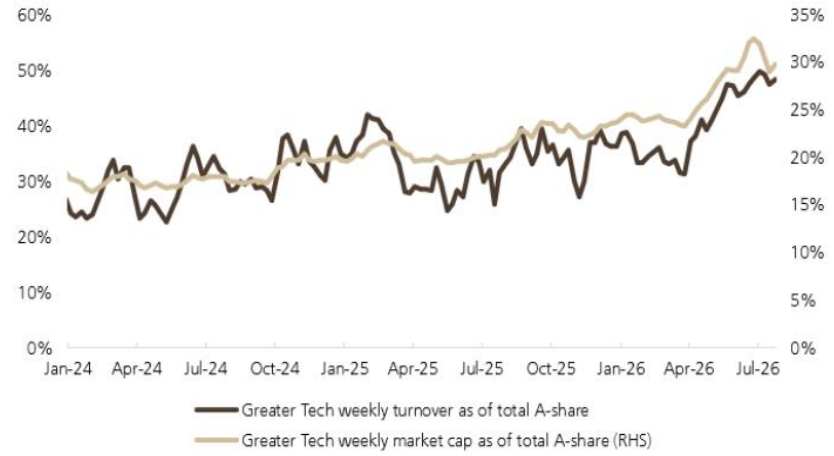
AUM of actively managed tech, consumer and new energy funds as % of total actively managed funds



Onshore mutual funds positioning in greater tech sector vs benchmark



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

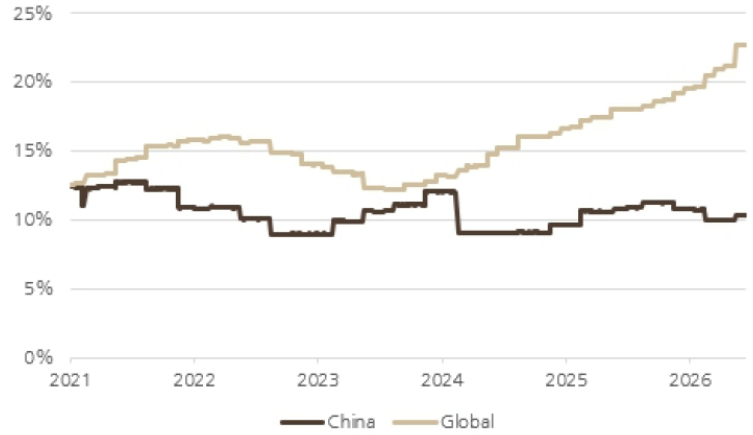


Source: Bloomberg, Wind, FactSet, UBS estimates

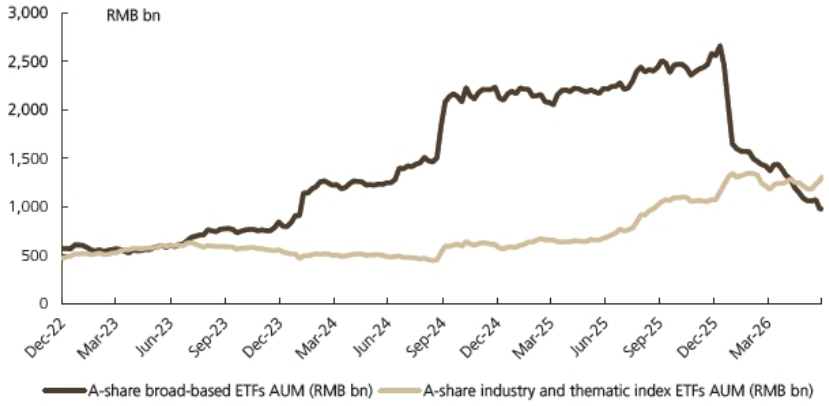
18

Sector leaders preferred within China AI tech supply chain

Higher margin for global AI companies vs China's



Onshore Sector and thematic index ETF AUM has increased notably YTD

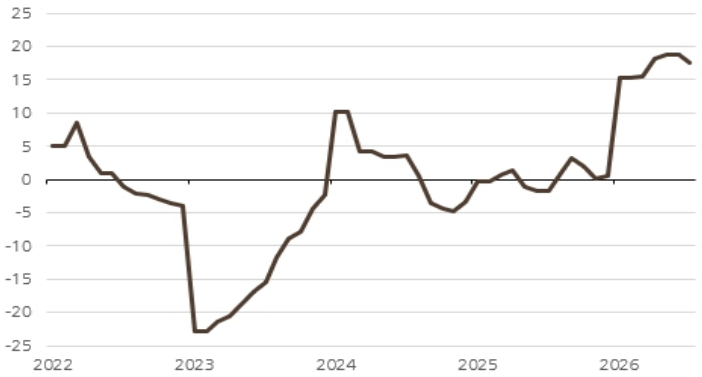


Source: Bloomberg, Wind, FactSet, UBS estimates

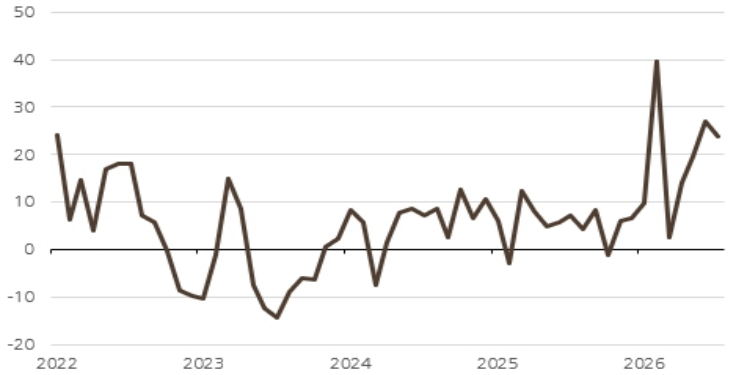
19

Macro: tech and export led growth

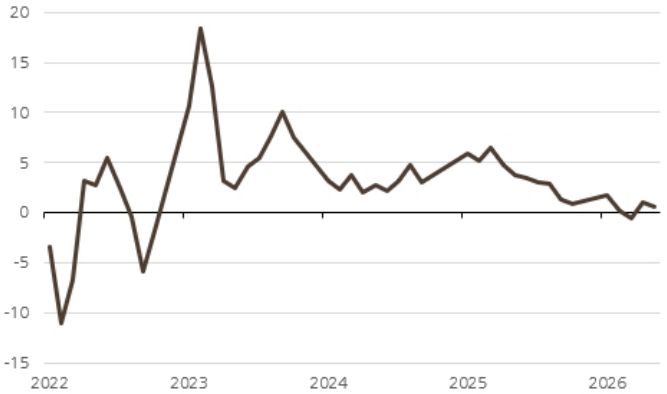
China industrial enterprise profit YoY



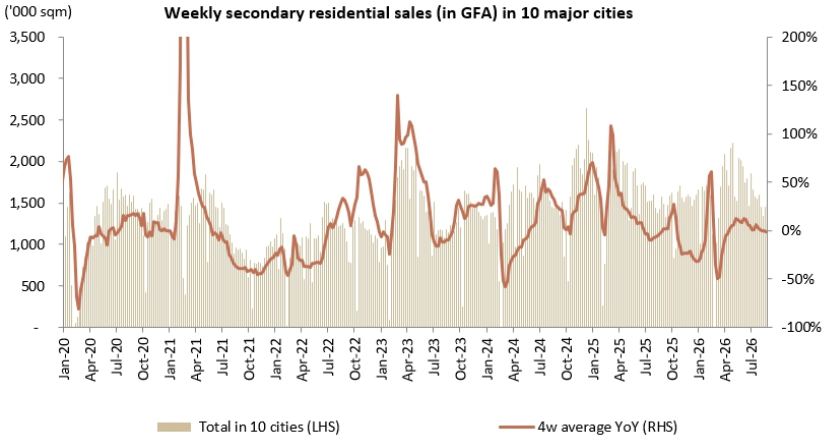
China export YoY



China retail sales YoY



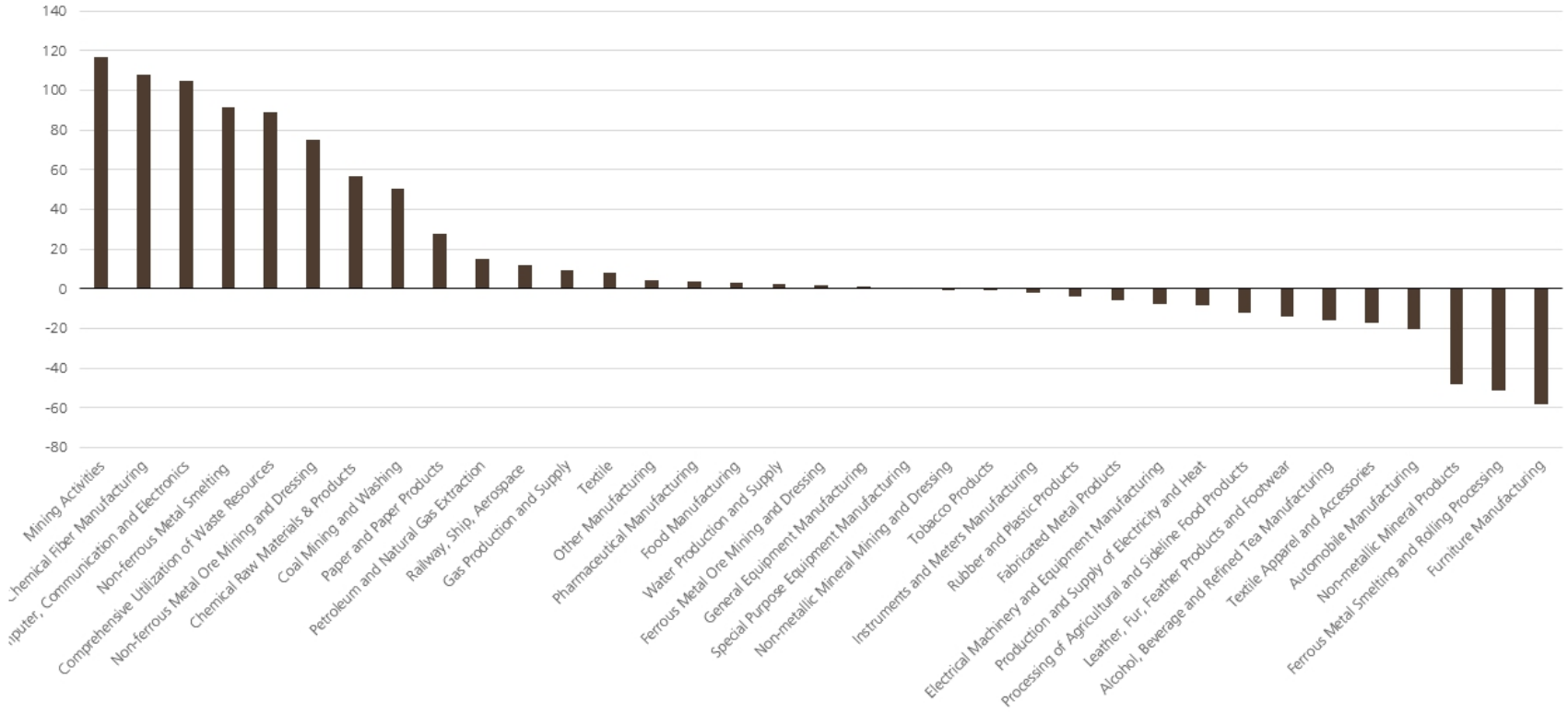
Secondary property sales YoY



Source: Bloomberg, Wind, FactSet, UBS estimates

20

July 2026 YTD industrial profit growth by sector

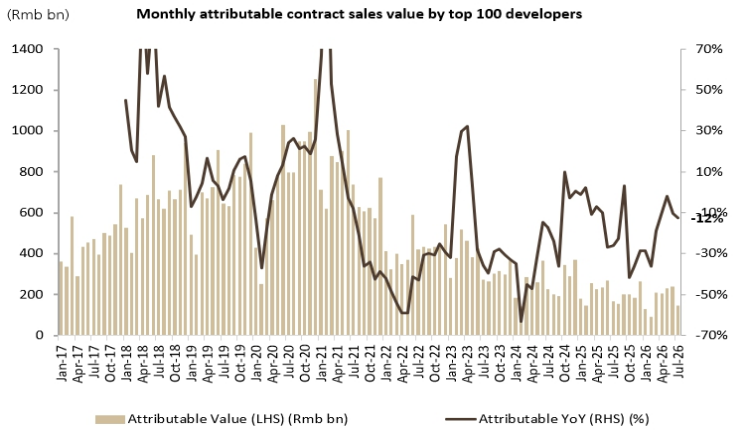


Source: NBS, UBS

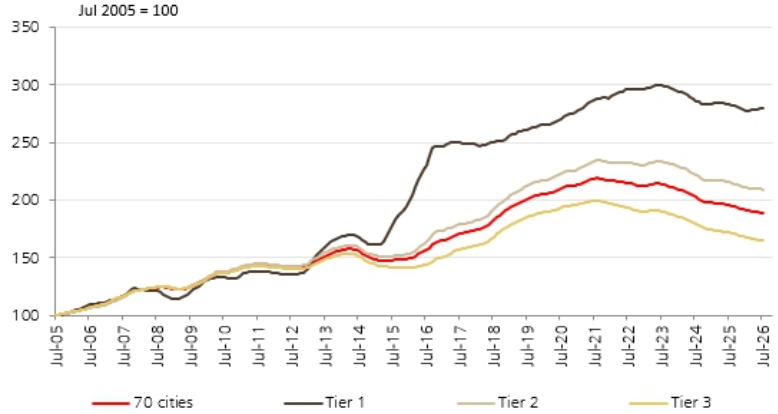
21

Property market: Tier 1 cities recovering

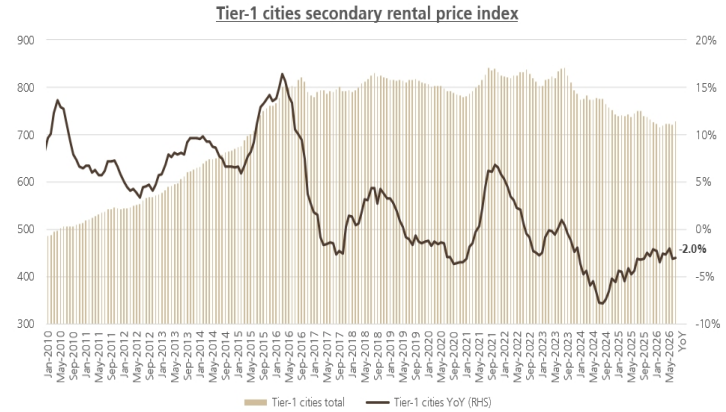
Primary market sales stabilizing



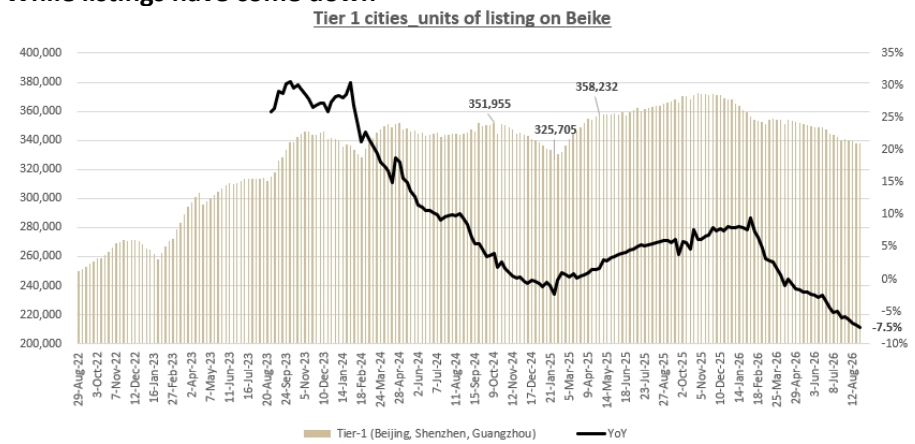
Secondary property market prices stabilizing in tier 1 cities



Rental declines have decelerated



While listings have come down



Source: Bloomberg, Wind, Centaline, UBS estimates, Beike

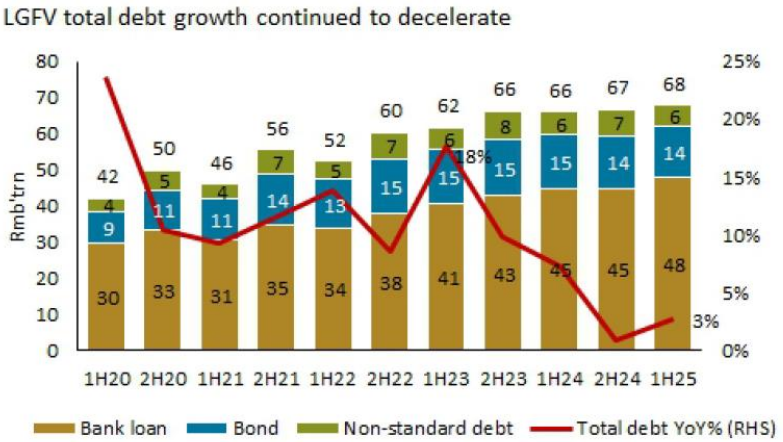
22

LGFV update

Credit spreads have recovered

AAA-rated LGFV bond spread (bp)	2018	2019	2020	2021	2022	2023	2024	2025
Jilin	175	210	306	342	483	130	93	56
Liaoning	208	223	361	367	436	216	113	n.a.
Heilongjiang	187	113	153	101	190	72	78	n.a.
Xinjiang	154	145	126	97	164	81	70	44
Ningxia	52	56	51	257	443	224	146	104
Gansu	348	232	241	213	345	174	119	63
Shaanxi	175	157	205	211	320	136	117	70
Guangdong	142	106	102	75	104	65	74	43
Guangxi	222	251	297	302	322	197	118	79
Hunan	216	207	252	232	304	160	99	45
Hubei	203	172	193	169	223	114	77	46
Henan	191	156	193	207	317	142	102	57
Shanxi	237	167	210	149	221	87	76	43
Hebei	171	171	152	118	193	104	77	62
Inner Mongolia	135	72	111	89	160	78	n.a.	n.a.
Tianjin	154	144	241	341	441	100	98	52
Beijing	125	82	84	58	98	51	52	31
Yunnan	297	275	314	320	501	289	151	89
Guizhou	180	156	223	245	400	224	165	112
Sichuan	285	257	308	272	343	157	106	61
Chongqing	205	191	233	235	311	151	91	50
Fujian	101	84	88	64	109	58	66	39
Jiangxi	264	218	266	259	323	167	95	54
Zhejiang	140	122	132	88	146	68	64	36
Anhui	196	141	178	143	221	105	86	47
Jiangsu	161	124	137	96	162	76	68	39
Shandong	169	151	162	131	210	118	88	54
Shanghai	95	67	60	47	87	52	58	29
China (average)	181	154	188	171	247	113	85	49

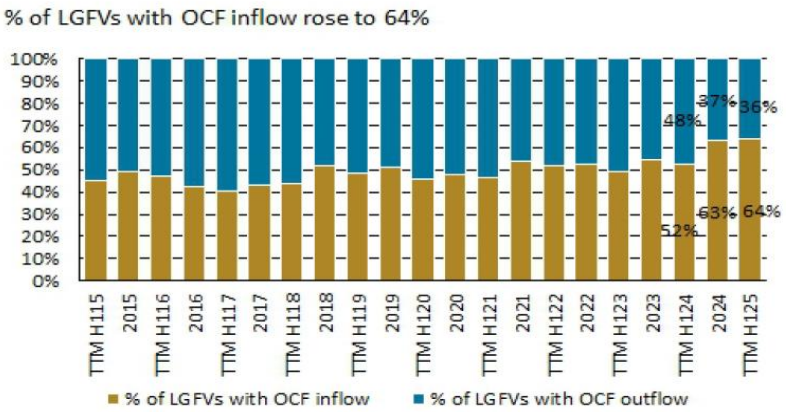
LGFV debt growth slowing



ROE of LGFV's remain low

Annualized	1H24	2024	1H25
LGFVs (Rmb'bn)			
Total asset	122,599	126,501	127,836
Total equity	45,309	46,638	45,926
Net profit	111	409	93
Net profit to ordinary shareholders	101	382	82
Average ROA (annualized)	0.18%	0.33%	0.15%
Average ROE (annualized)	0.44%	0.81%	0.36%
A-share corporates			
Average ROA (annualized)	1.37%	1.21%	1.30%
Average ROE (annualized)	9.02%	7.97%	8.74%

Though cash flow generation has improved



Source: Bloomberg, Wind, Centaline, UBS estimates, Beike

Recent observations on energy and commodity prices

Shanghai Containerized Freight Index



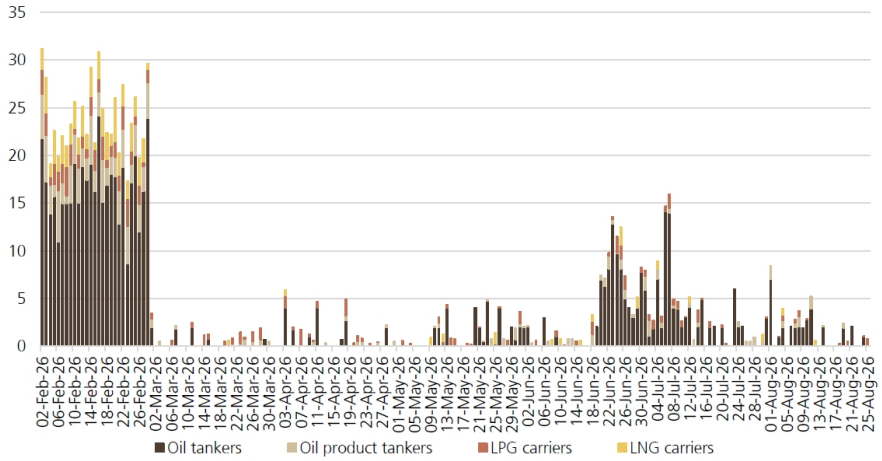
China average retail gasoline price (RMB/L)



China chemical price index



Estimated oil and gas flows exiting the Gulf, based on DWT, in Mboe/d



Source: Bloomberg, Wind, FactSet, Ministry of Transport, UBS

Would higher PPI lead to lower earnings?

A share non-financials trailing earnings growth vs PPI YoY



A share non-financials trailing earnings growth vs Brent oil YoY



Exporters trailing revenue growth vs PPI YoY



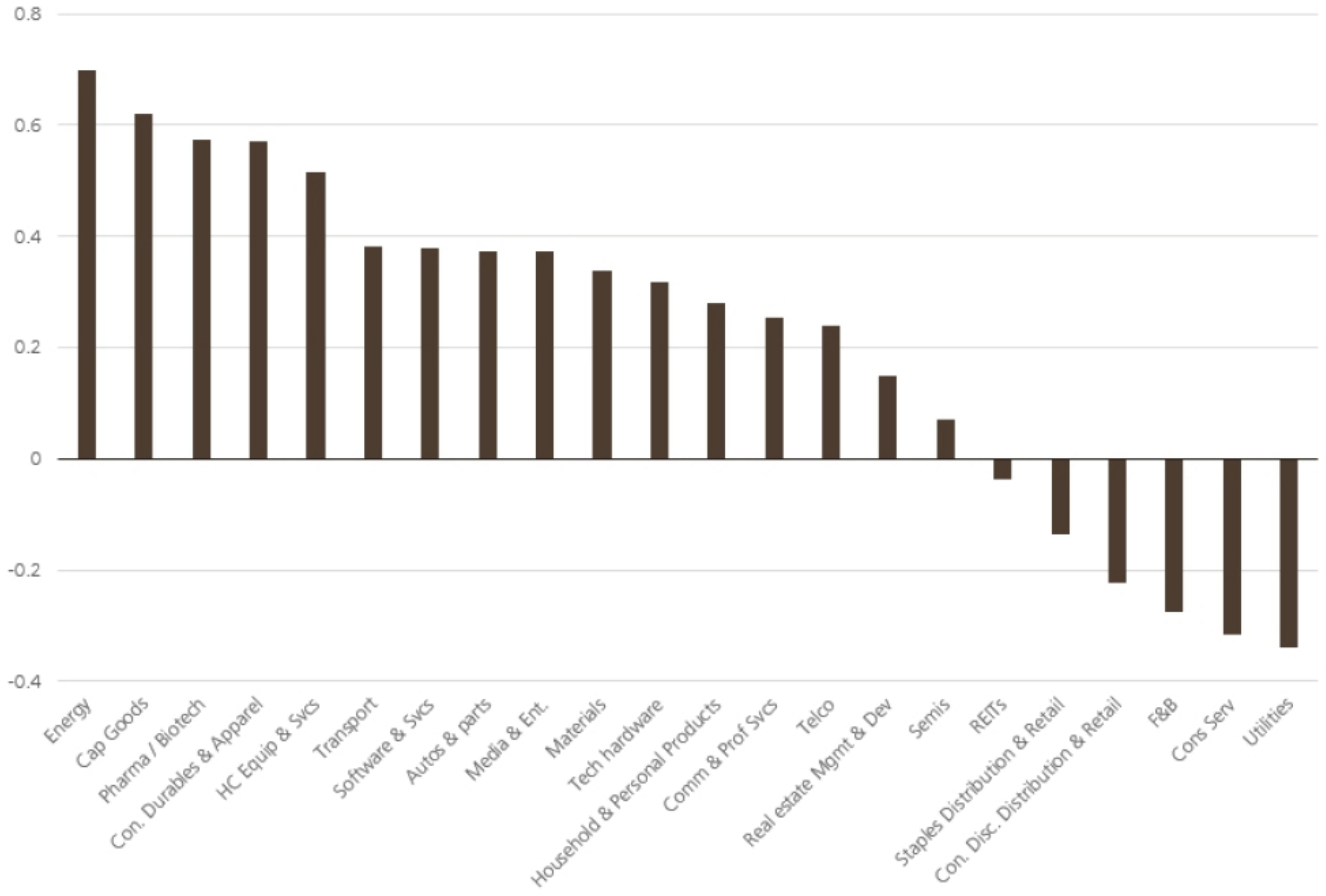
Exporters trailing earnings growth vs PPI YoY



Source: Bloomberg, Wind, FactSet, UBS estimates

25

Correlation between sector trailing earnings growth and PPI YoY

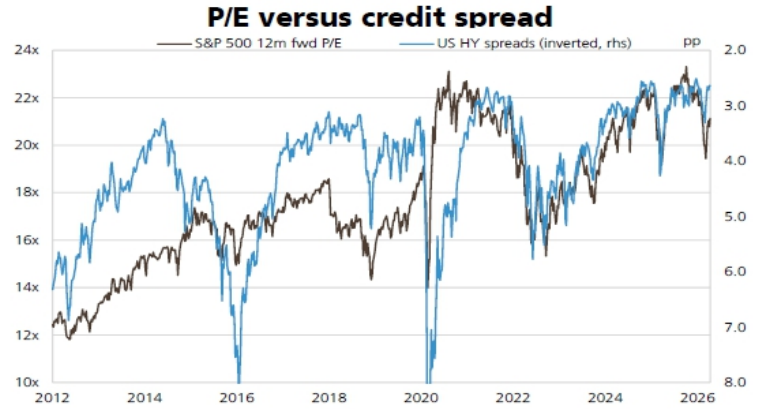


Source: Bloomberg, Wind, FactSet, UBS estimates

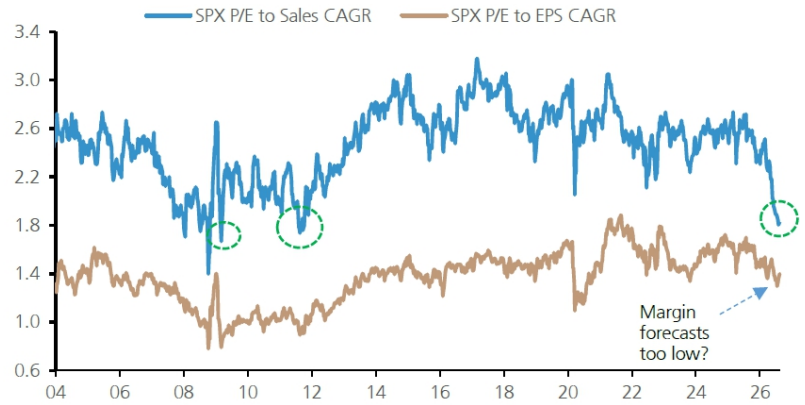
26

Global views – stay long equities

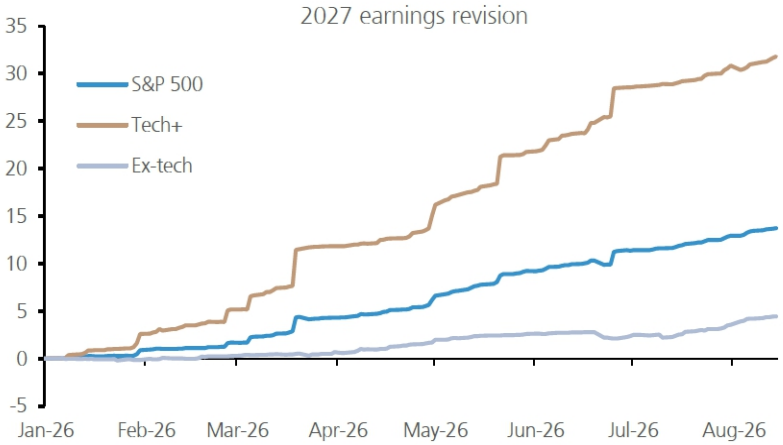
HY credit spread well behaved



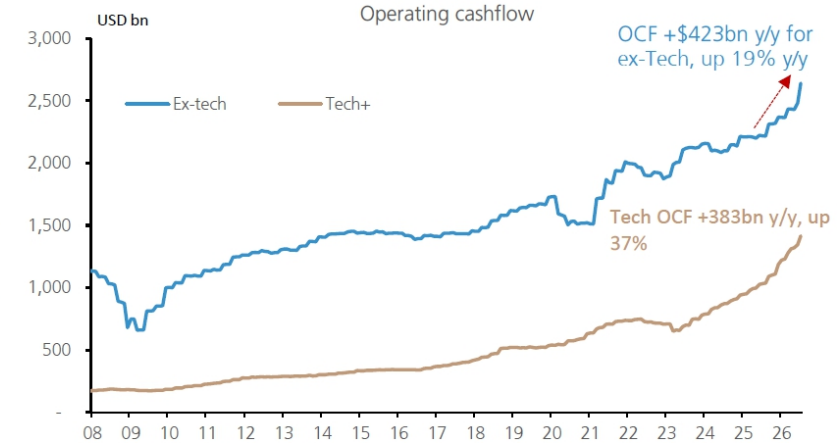
SPX P/E to sales growth ratio near the lows



S&P 500 2027e EPS continues to rise



Operating cash flow has surged for Tech and ex-Tech

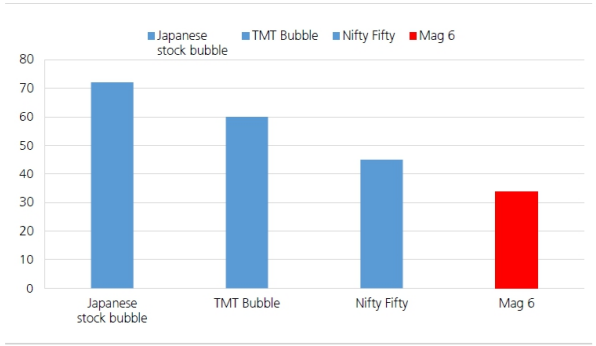


Source: Bloomberg, FactSet, UBS estimates

27

Global views – conditions for a bubble we are not in and upside

Bubble precondition	
Extended period of equities strongly outperforming bonds-happens at end of structural bull market.	✓
It is different this time around	✓
Gap of 25 years from previous bubble	✓
Overall profits (economy wide) under pressure	✓
High concentration	✓
Retail buying	✓
Loose monetary conditions.	?



Source: UBS, Refinitiv Datastream, Haver

Source: Bloomberg, Wind, FactSet, UBS estimates

28

MSCI China recent 1Q/2Q26 results

1Q26 result summary

Sector	No. of companies reported	% weighting in MSCI China	Revenue growth	Earnings growth
Overall	**715**	**100%**	**3%**	**5%**
Financials	90	18%	-1%	4%
Non-financials	625	82%	4%	5%
SOE	219	26%	0%	4%
Non-SOE	495	74%	7%	7%
Upstream	173	9%	4%	24%
Downstream	438	36%	2%	-1%
Downstream (ex-property)	413	31%	13%	0%
Renewables	35	2%	23%	54%
Property	23	3%	-13%	39%
Tech	111	5%	17%	36%
Energy & materials	124	6%	3%	34%
Other Financials	37	2%	41%	17%
Healthcare	91	6%	7%	5%
Banks	28	9%	-1%	3%
Industrials	71	3%	-3%	-2%
Insurance	2	4%	-15%	-4%
Consumer	117	13%	4%	-6%
Internet	27	38%	6%	-9%
Defensive	25	3%	-2%	-13%
Auto	24	5%	3%	-30%

2Q26 result summary

Sector	No. of companies reported	% weighting in MSCI China	Revenue growth	Earnings growth
Overall	**297**	**100%**	**13%**	**13%**
Financials	25	18%	24%	53%
Non-financials	272	82%	11%	4%
SOE	68	26%	4%	9%
Non-SOE	228	74%	18%	16%
Upstream	71	9%	17%	46%
Downstream	183	36%	11%	5%
Downstream (ex-property)	144	34%	12%	4%
Other Financials	13	2%	72%	89%
Insurance	1	4%	26%	65%
Energy & materials	58	6%	15%	64%
Renewables	13	2%	39%	50%
Property	7	3%	-4%	49%
Auto	8	5%	71%	39%
Tech	54	5%	27%	32%
Industrials	13	3%	10%	15%
Healthcare	39	6%	8%	11%
Banks	4	9%	3%	8%
Consumer	58	13%	3%	-9%
Defensive	12	3%	-2%	-14%
Internet	17	38%	4%	-28%

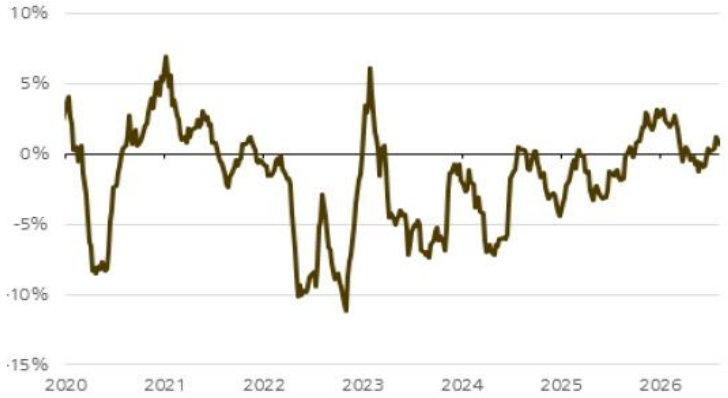
Source: Bloomberg, Wind, FactSet, UBS

Key charts for the earnings season

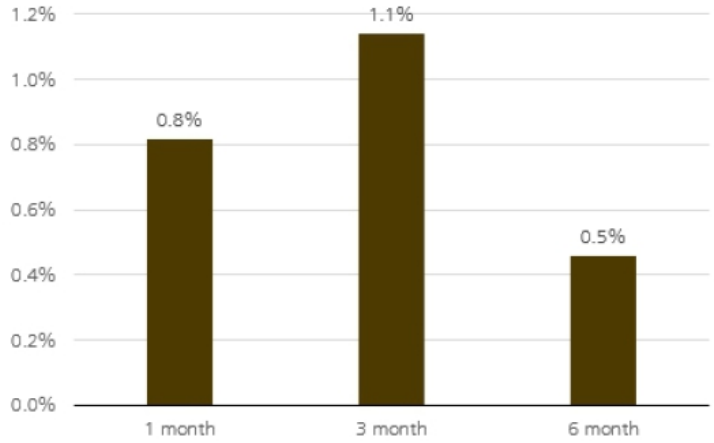
FY1 earnings revision ratio (breadth)



12-month forward earnings revisions in the past 3 months (magnitude)



FY26 earnings estimate revisions



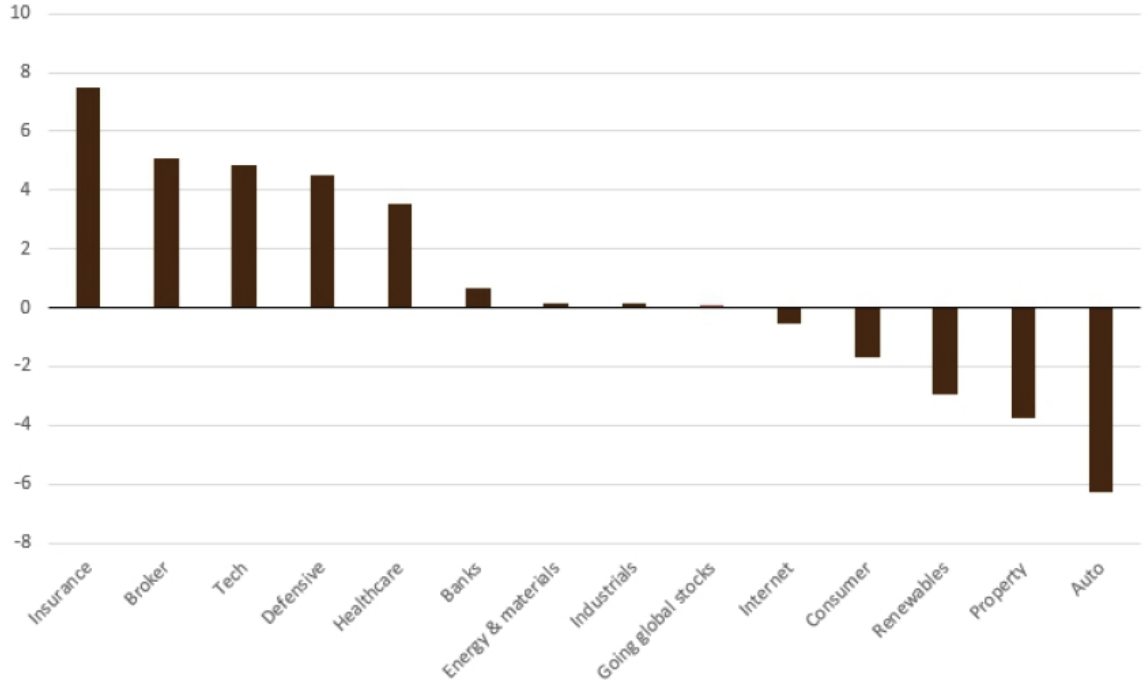
MSCI China EPS integer



Source: Bloomberg, Wind, FactSet, UBS estimates

30

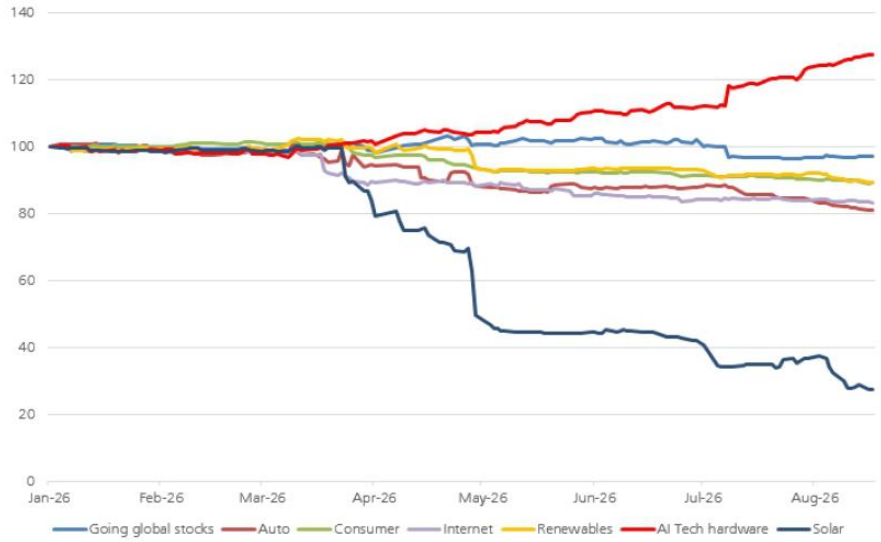
FY26 earnings revision by sector in the past 1M

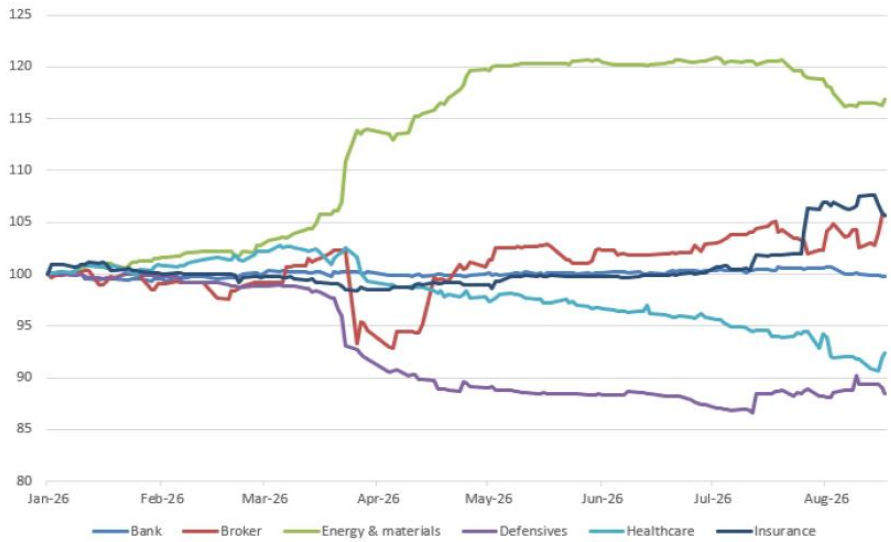


Source: Bloomberg, Wind, FactSet, UBS

31

Sector earnings trend - FY26 EPS integer by sector (Jan 2026 =100)

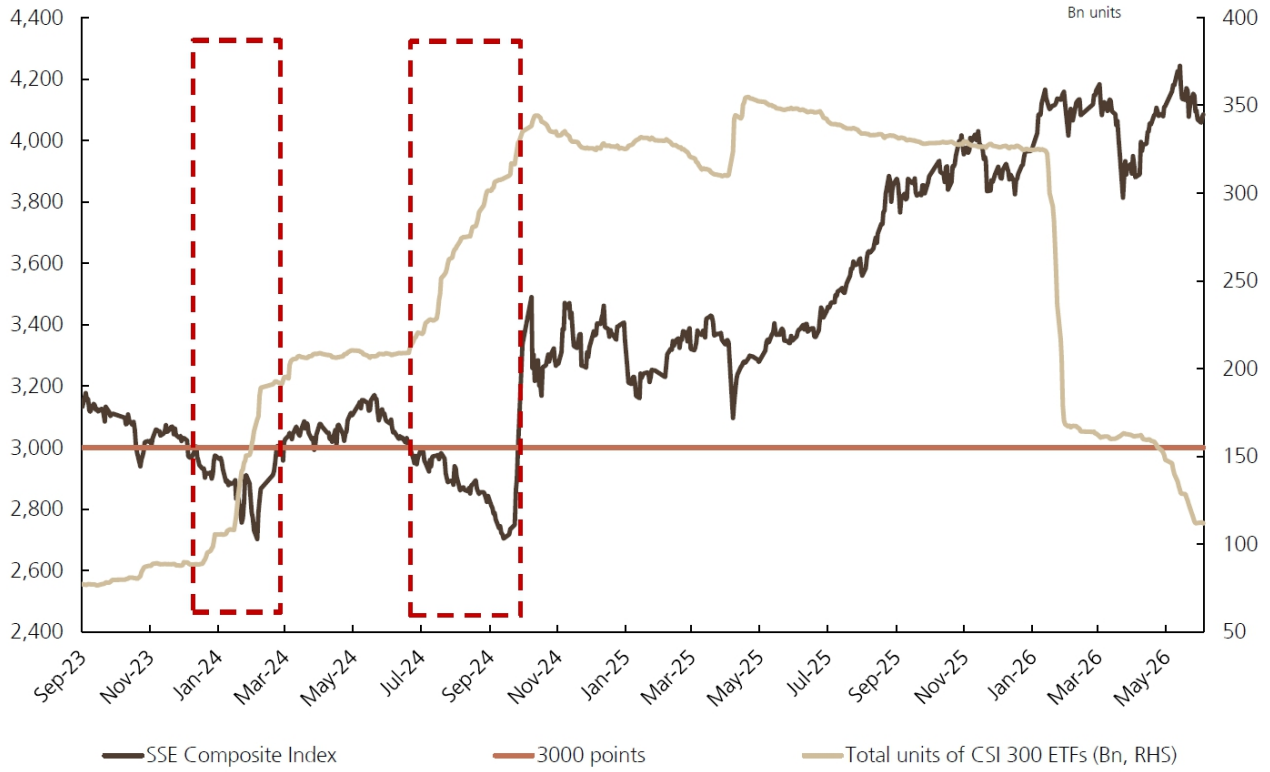




Source: Bloomberg, Wind, FactSet, UBS estimates

32

The national team is a counter-cyclical force

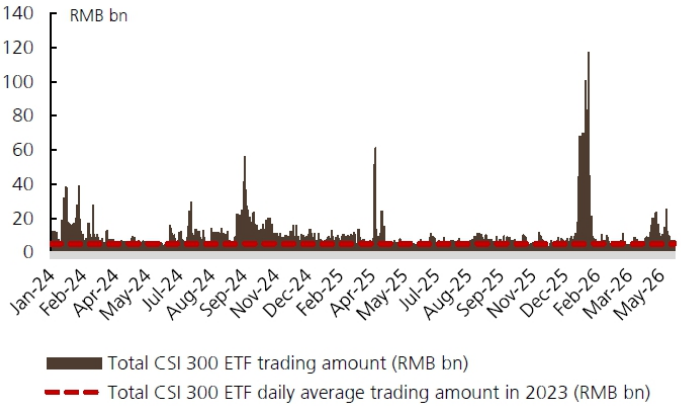


Source: Bloomberg, Wind, FactSet, UBS estimates

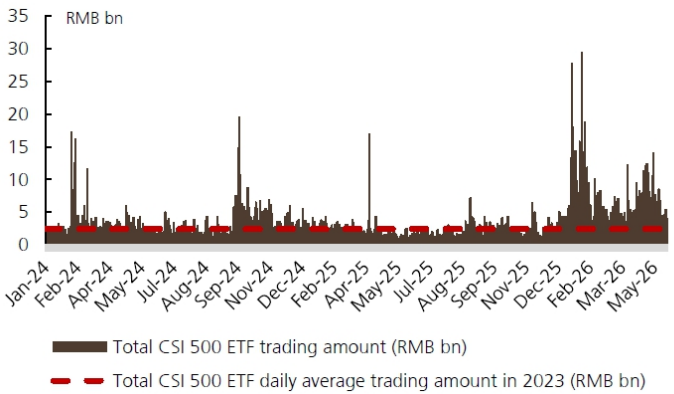
33

How to monitor the national team?

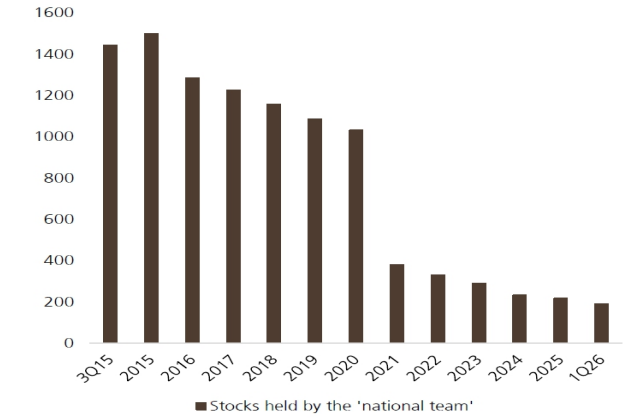
Total CSI 300 ETF daily turnover



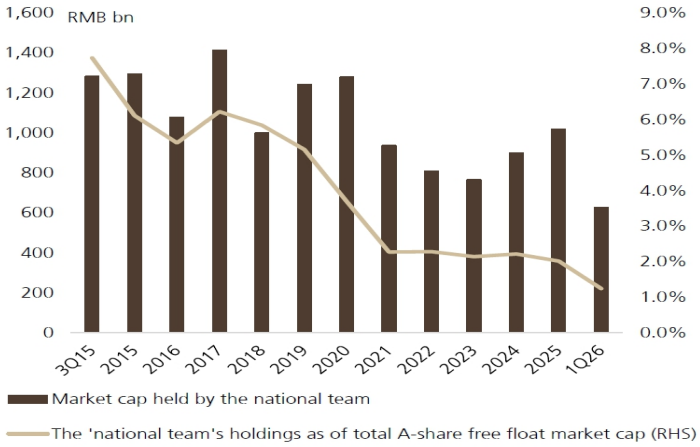
Total CSI 500 ETF daily turnover



Stocks held by the old national team



Value of stocks held by the old national team



Source: Bloomberg, Wind, FactSet, UBS estimates

34

The old national team held more positions in energy and financials

The old 'national team' ownership as of total A-share free float market cap (by sector)

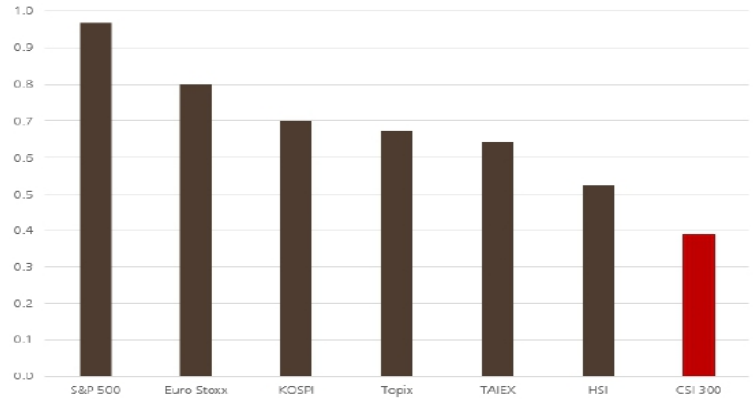
	3Q15	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	1Q26
Financials	13.7%	12.8%	12.2%	13.9%	11.9%	10.5%	8.3%	6.4%	6.6%	6.9%	6.6%	7.1%	5.9%
Real estate	6.5%	4.7%	3.6%	4.3%	4.7%	5.0%	4.5%	3.4%	3.3%	2.8%	2.5%	1.8%	1.0%
Industrials	8.2%	5.9%	4.7%	6.2%	6.3%	5.0%	3.0%	1.9%	1.9%	1.8%	1.9%	1.2%	0.5%
Materials	5.5%	4.0%	2.9%	3.2%	2.8%	2.6%	2.1%	1.0%	0.9%	1.0%	1.0%	0.9%	0.4%
Consumer discretionary	6.2%	4.7%	4.0%	4.8%	4.5%	4.5%	4.2%	2.7%	2.4%	2.1%	2.1%	1.6%	1.3%
IT	4.3%	2.8%	2.3%	2.0%	1.8%	1.9%	1.5%	0.7%	0.6%	0.4%	0.3%	0.2%	0.1%
Utilities	8.2%	6.7%	6.7%	8.7%	9.2%	7.6%	6.2%	4.4%	4.4%	4.1%	3.9%	3.8%	1.1%
Healthcare	5.8%	5.0%	4.0%	3.7%	3.1%	2.7%	1.9%	1.0%	0.8%	0.8%	0.7%	0.6%	0.3%
Consumer staples	6.3%	5.0%	4.0%	4.4%	3.4%	3.7%	3.5%	2.6%	2.4%	2.3%	2.3%	2.0%	1.7%
Energy	15.1%	14.0%	11.6%	13.8%	11.6%	11.0%	9.4%	7.1%	6.9%	6.8%	7.9%	7.3%	5.7%
Telecom	2.7%	2.0%	2.2%	0.8%	0.7%	0.5%	0.2%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%

Source: Bloomberg, Wind, FactSet, UBS estimates

35

A share market - A viable diversification option for global investors

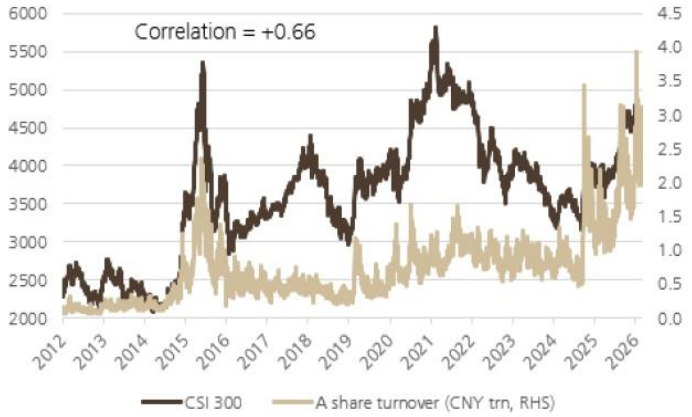
Correlation with MSCI AC World



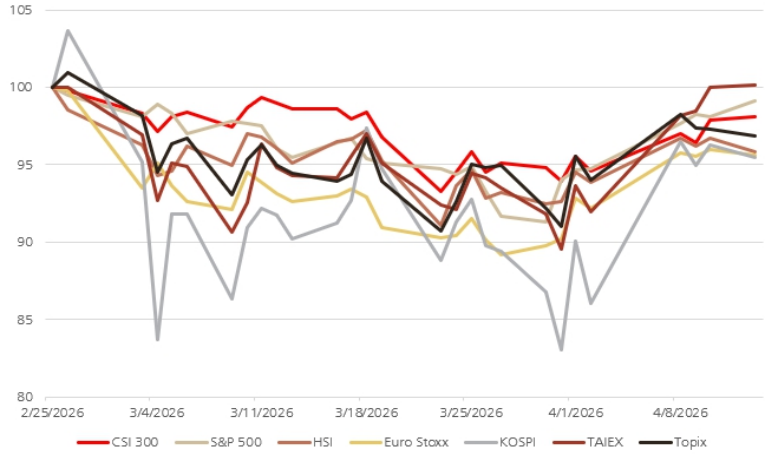
A-share equity risk premium vs S&P 500



CSI 300 vs A-share market turnover



A-share more resilient amid global uncertainty

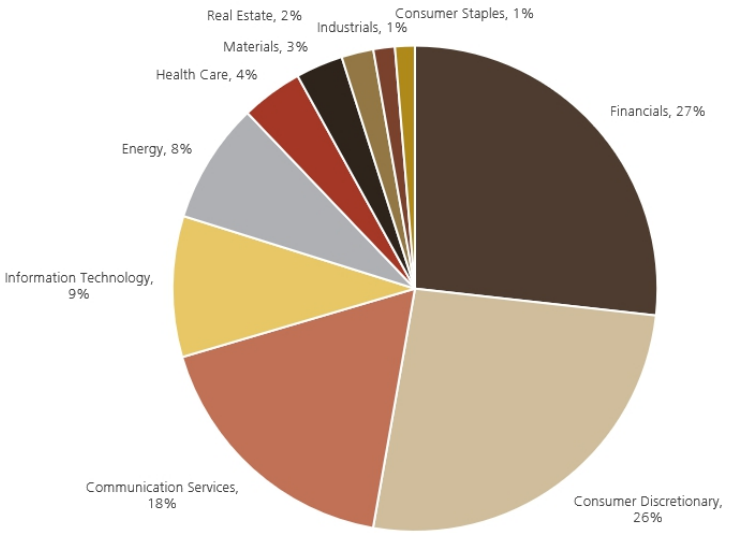


Source: Bloomberg, Wind, FactSet, UBS

36

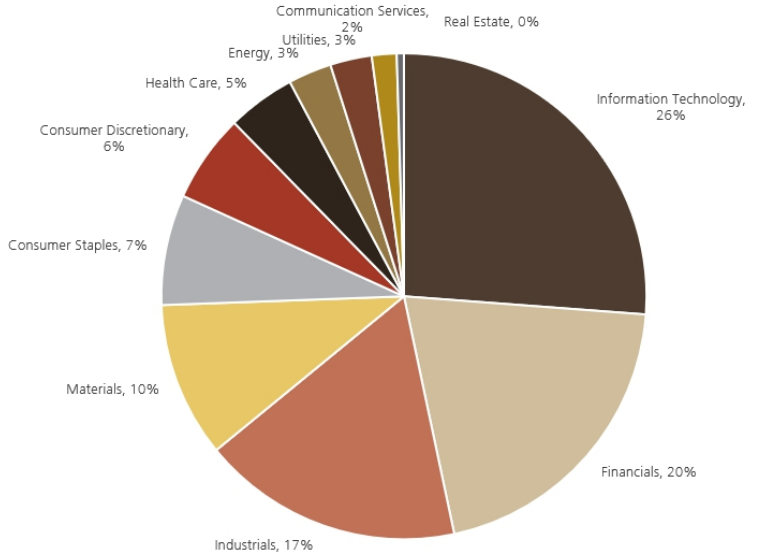
A vs H sector mix

HSCEI



HSCEI	
Internet	27%
Tech	9%
Renewables	0%

CSI 300

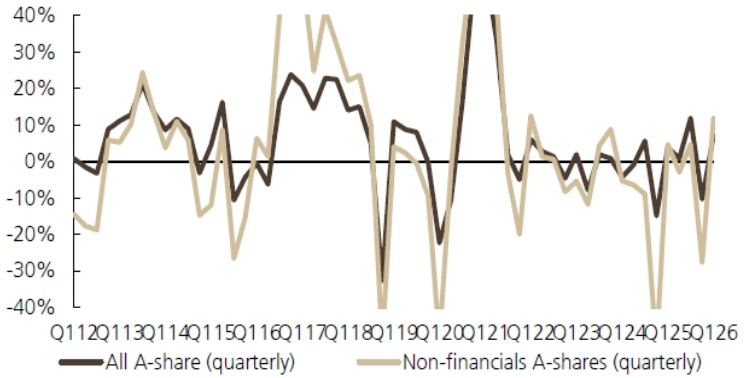


CSI 300	
Internet	0%
Tech	18%
Renewables	9%

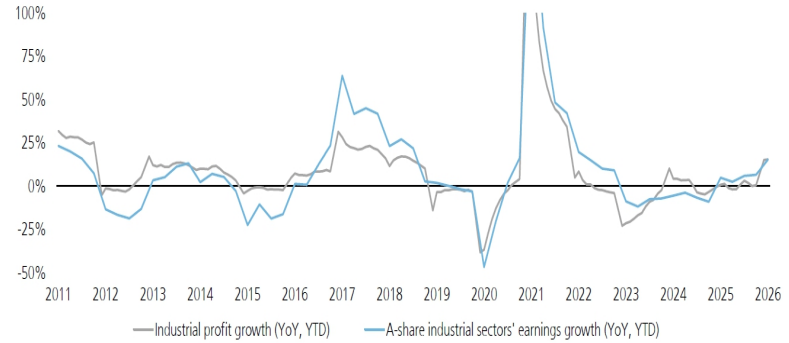
Source: Bloomberg, Wind, FactSet, UBS

A share market fundamentals improving

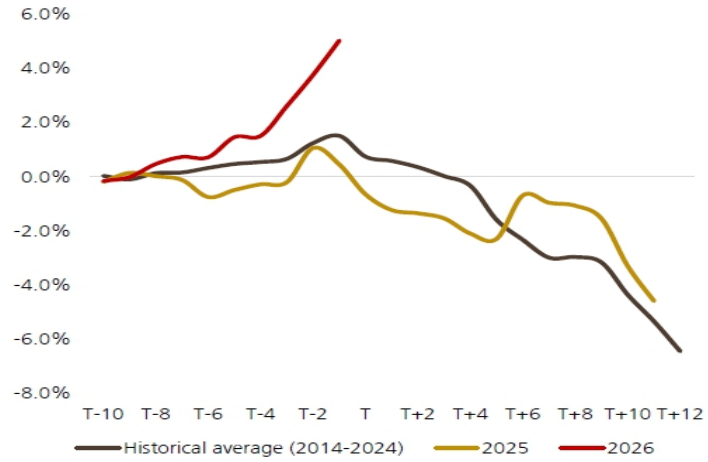
A share quarterly earnings growth



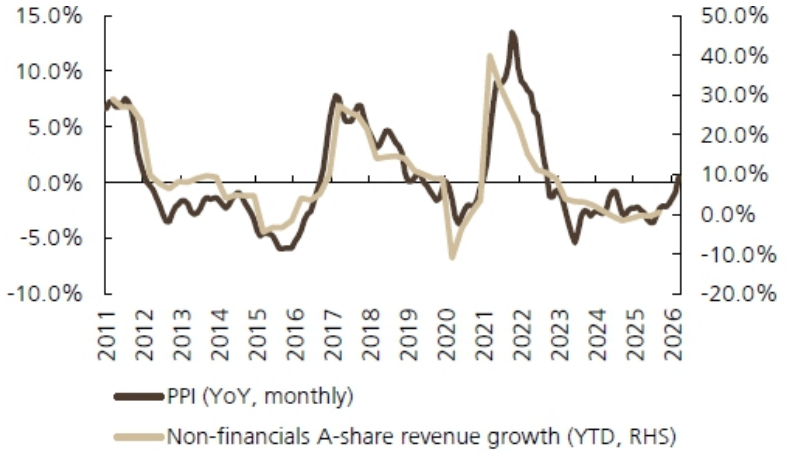
NBS industrial profit growth and A-share industrial-related sectors' earnings growth



CSI 300 monthly earnings revisions (2014-26F)



China PPI vs A-share non-financials revenue growth

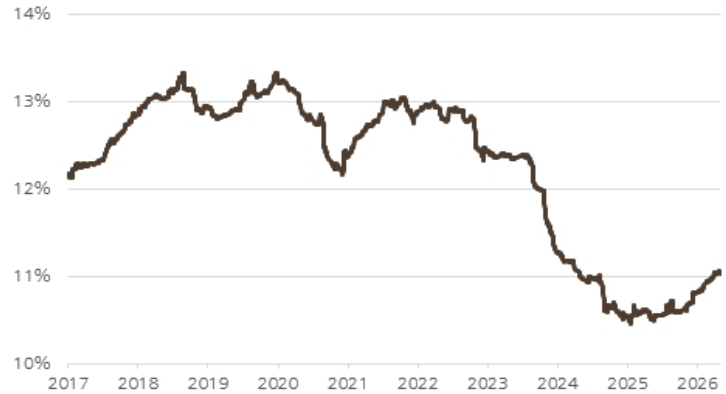


Source: Go-goal, Wind, FactSet, UBS estimates

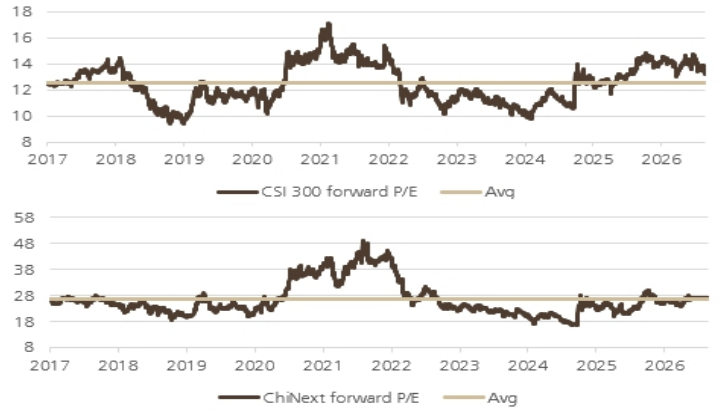
38

A-share valuation

Trailing ROE trends



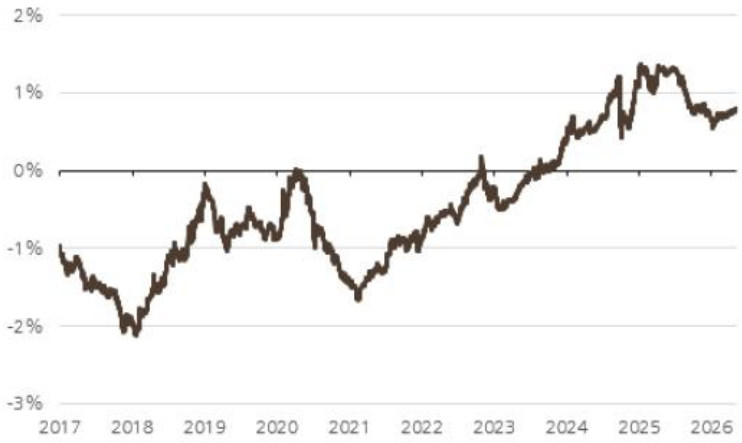
Valuation (Chinext, CSI300)



A-H premium



Dividend yield minus government bond yield



Source: Bloomberg, Wind, FactSet, UBS

39

Prefer A over H

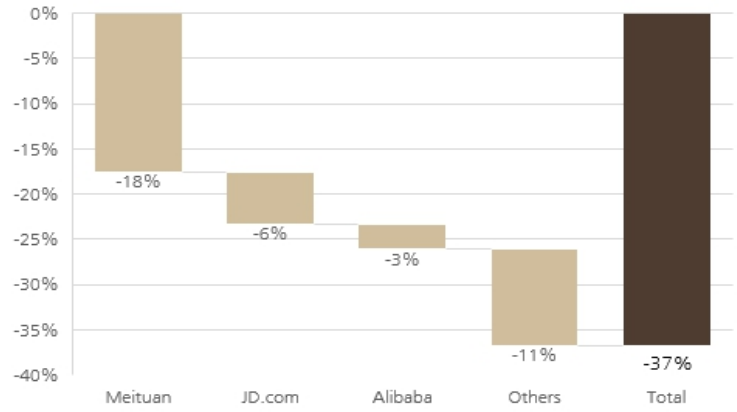
HSTECH forward P/E (x)



HSTECH share price performance



FY26 12-month consensus earnings revision breakdown for HSTECH



HSTECH vs US software companies

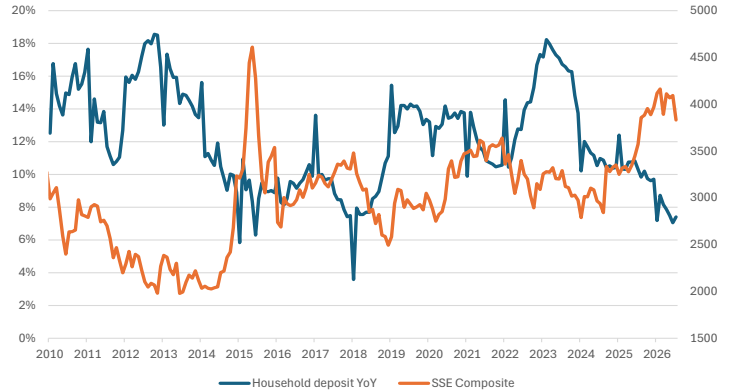


Source: Bloomberg, Wind, FactSet, UBS

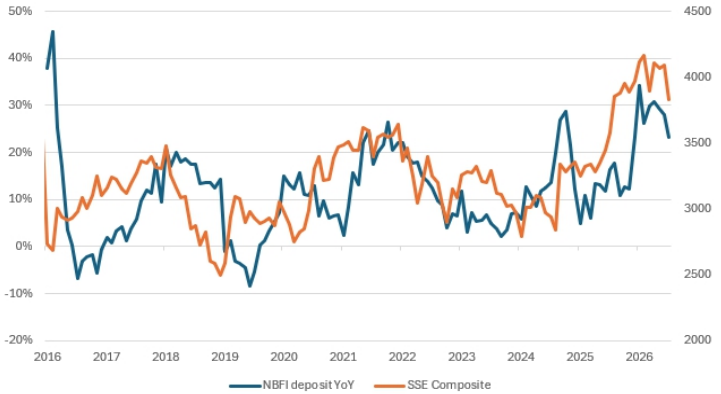
40

Fund flow supportive for A share

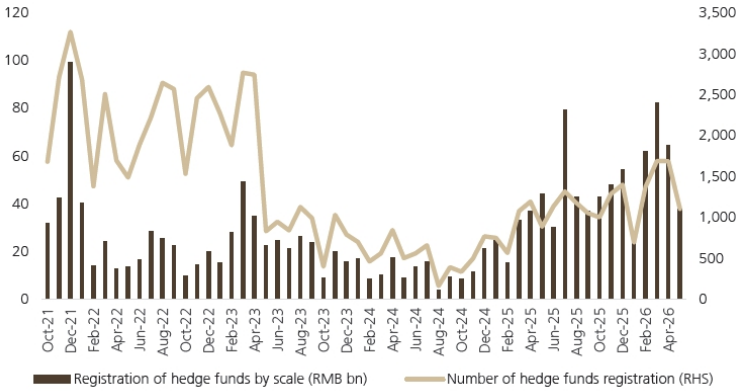
Household deposit YoY vs SSE Composite



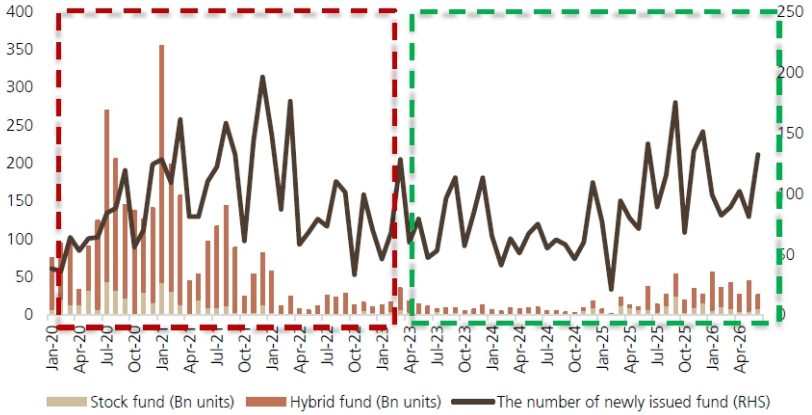
NBFI deposit YoY vs SSE Composite



Private hedge funds: number of registration & scale



Monthly mutual fund new fund raising

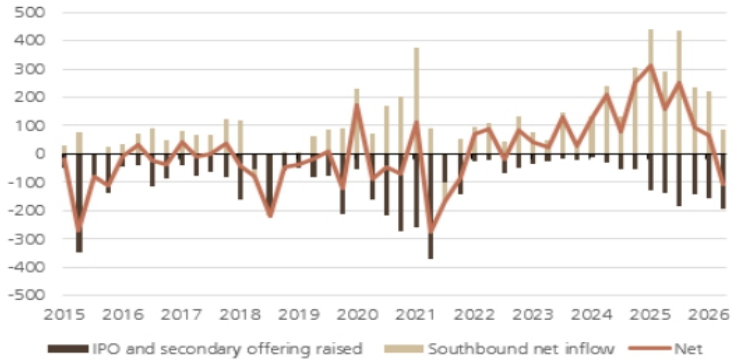


Source: Bloomberg, Wind, FactSet, UBS

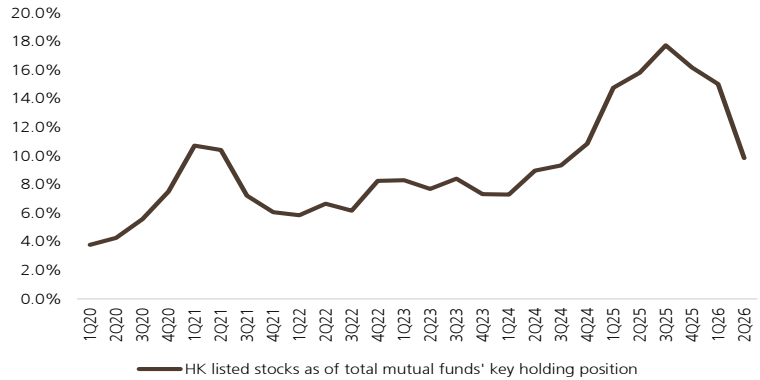
41

Prefer A over H –flows

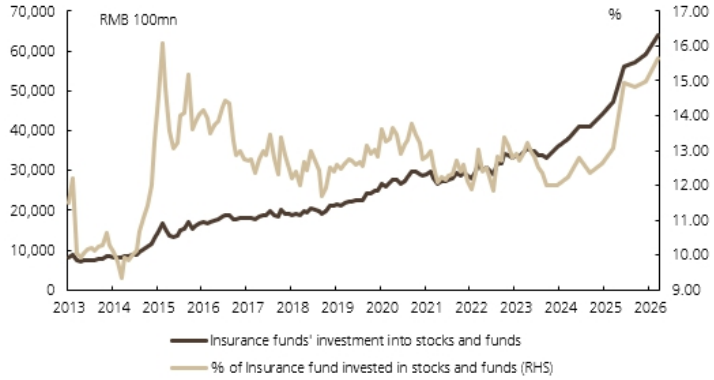
Southbound net inflows minus equity raising (quarterly)



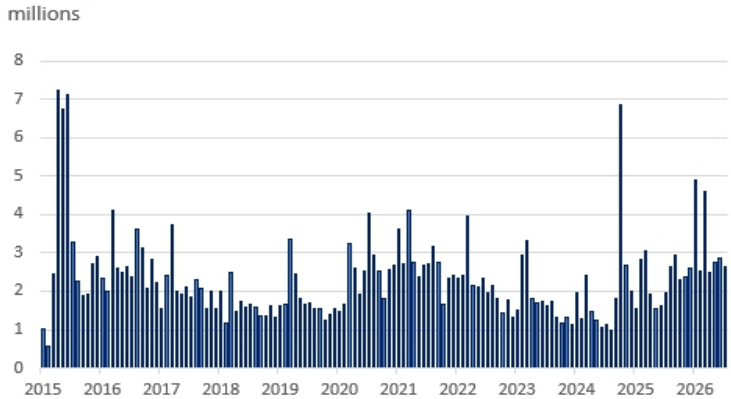
Onshore mutual fund holding of H-shares



Insurers' holding of stocks



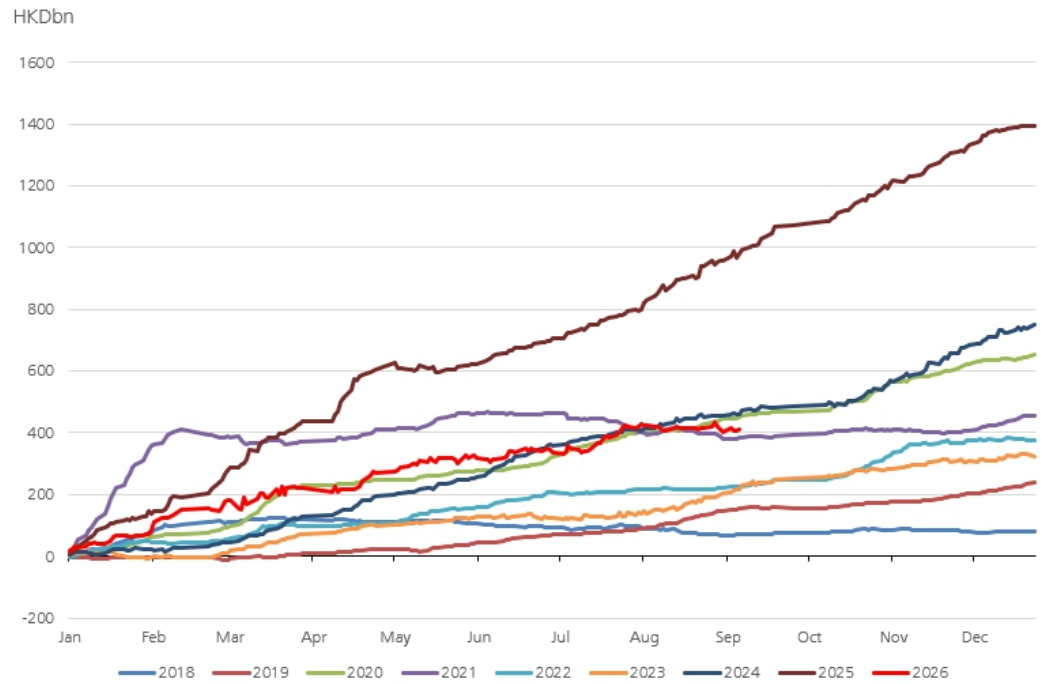
A-share new retail investor account openings at SSE



Source: Bloomberg, Wind, FactSet, UBS

42

Southbound flows slowed down vs last year

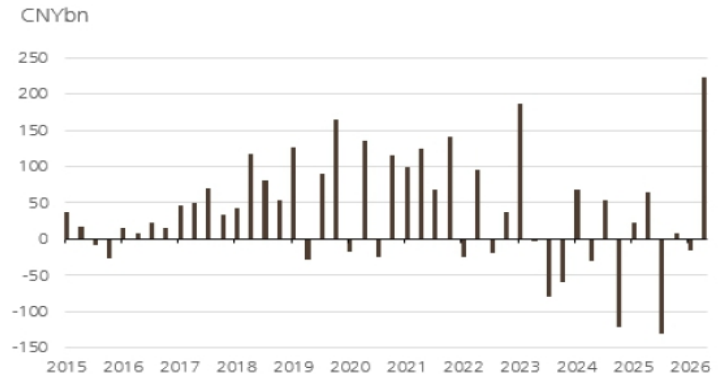


Source: CEIC, UBS

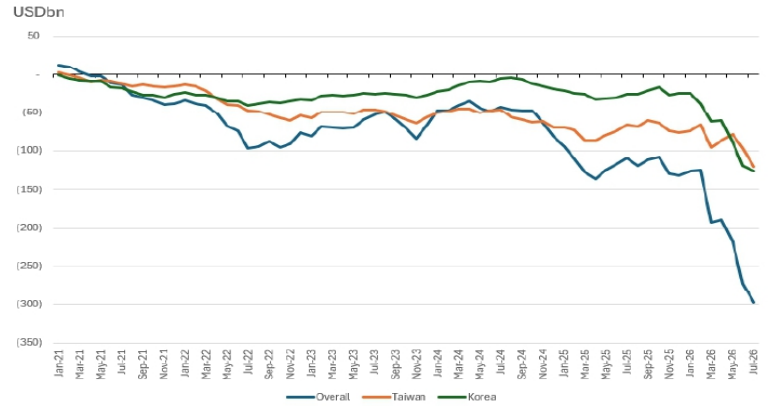
43

Foreign funds have exited EM in general but shifted towards A shares in recent months

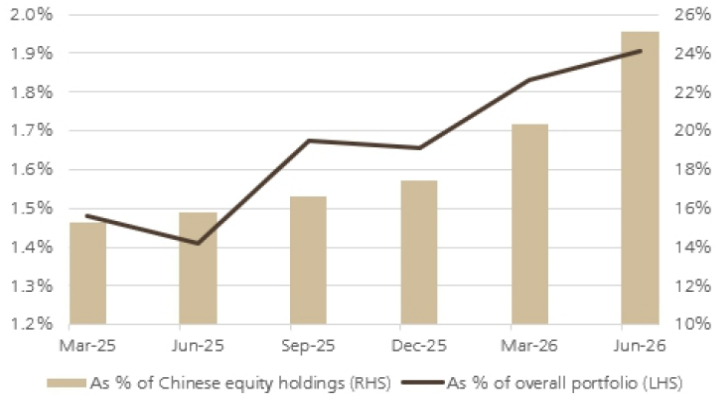
Quarterly northbound net inflows



Cumulative net inflows into EM ex-China equities



A shares holding as % of portfolio and Chinese equity holdings among foreign active funds



Top 40 global investor positioning in Chinese equity (% of portfolio)



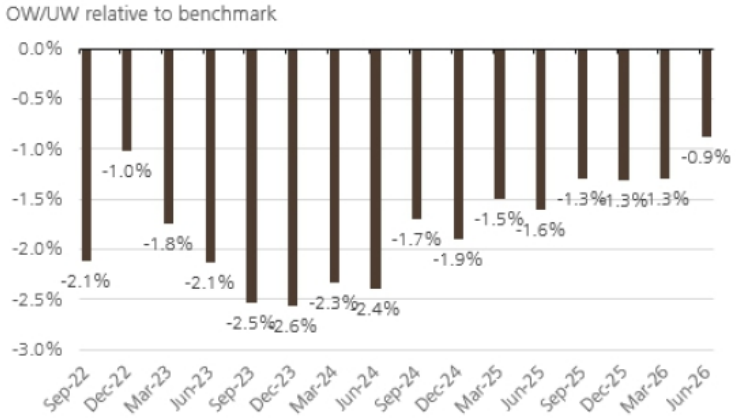
Source: Bloomberg, Wind, FactSet, UBS

Investor positioning

Actively managed funds' Chinese equity holdings vs benchmarks - 30 June 2026

Region/market focus	Benchmark index	No. of funds	Total equity AUM (USDbn)	Weighting in Chinese equities (as % of equity portfolio)	Weighting in benchmark	Diff	Cash as % of total AUM
Asia	MSCI AC Asia ex Japan Index	31	29	27.2	24.1	3.1	0.5
	MSCI AC Asia Pacific ex Japan Index	10	3	24.5	21.0	3.5	1.8
	MSCI AC Asia Pacific ex Japan Small Cap Index	2	0	18.8	10.3	8.4	3.6
	MSCI AC Asia Pacific Index	6	10	17.9	15.2	2.7	0.1
	MSCI All Country Asia ex Japan Index	16	10	21.4	24.1	-2.7	1.4
	MSCI Asia Pacific Ex-Japan IMI Index	3	6	37.6	20.7	17.0	0.1
	MSCI Emerging Markets Asia Index	2	7	25.8	22.2	3.6	1.9
Asia Total		**70**	**65**	**25.7**	**22.0**	**3.6**	**0.7**
Global	FTSE All-World Index	5	13	3.8	3.1	0.8	6.8
	FTSE Global All Cap Index	3	112	2.8	3.0	-0.2	0.8
	MSCI ACWI Index - EUR	8	6	3.7	2.7	1.1	1.9
	MSCI ACWI Ex USA Growth Index	6	37	6.1	8.4	-2.3	1.9
	MSCI ACWI Large Cap Index net	1	26	1.6	2.5	-0.8	0.0
	MSCI AC World Net USD	4	5	4.2	2.7	1.5	1.5
	FTSE All-World ex US Index	2	96	7.5	8.0	-0.5	1.7
	FTSE Global All Cap ex US Index	1	663	7.3	8.0	-0.7	2.2
	MSCI ACWI Index	176	694	2.0	2.7	-0.7	0.4
	MSCI ACWI ex USA Index	59	251	3.8	7.3	-3.6	0.6
	MSCI World Index	202	371	1.4	0.5	0.9	1.1
	MSCI World Index - EUR	39	82	1.6	0.5	1.2	1.4
Global Total		**506**	**2358**	**3.9**	**4.6**	**-0.6**	**1.2**
EM	FTSE Emerging Index	3	11	24.6	26.2	-1.6	-0.2
	FTSE Emerging Markets All Cap China A Inclusion Index	1	168	23.5	25.9	-2.4	3.7
	MSCI Emerging Markets Index	222	502	16.6	18.6	-2.0	0.6
	MSCI Emerging Markets Index - EUR	10	16	16.6	18.6	-2.0	0.6
	MSCI Emerging Markets Index - GBP	8	8	19.1	18.6	0.5	0.7
EM Total		**244**	**705**	**18.4**	**20.5**	**-2.1**	**1.3**
Overall total		**820**	**3128**	**7.6**	**8.5**	**-0.9**	**1.2**

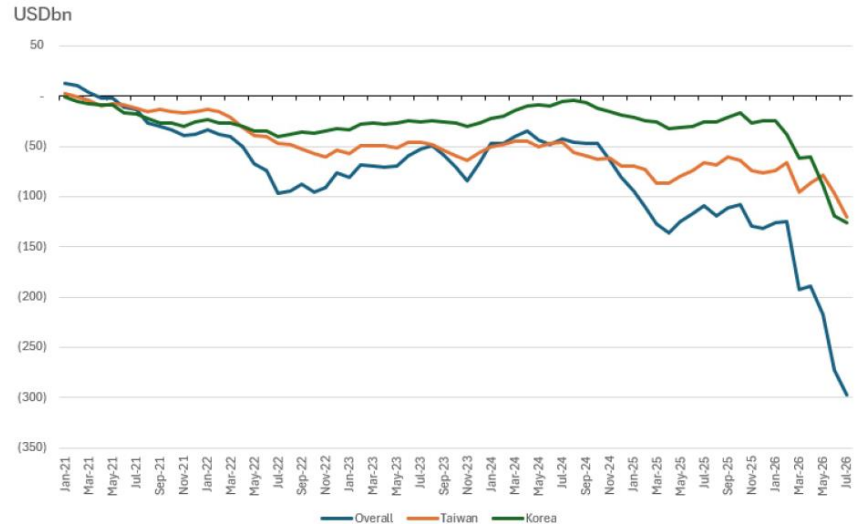
Actively managed funds' Chinese equity holdings vs benchmarks



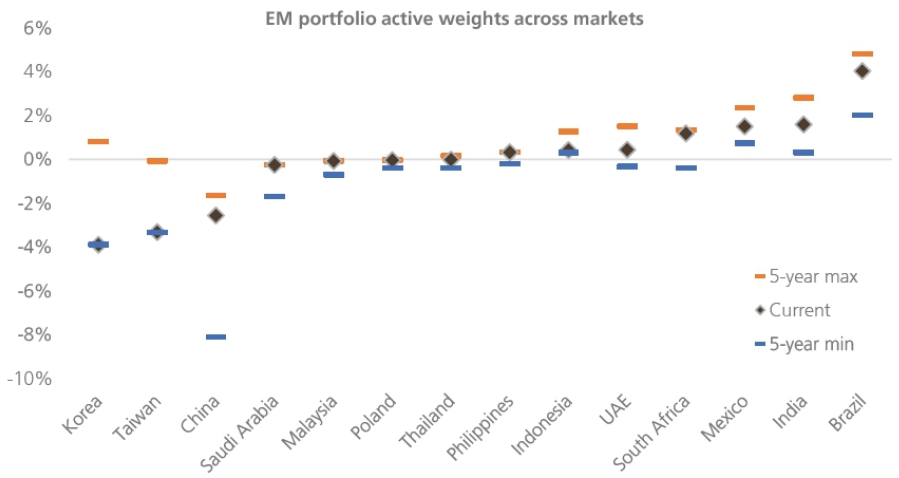
Source: Bloomberg, Wind, FactSet, UBS

EM flows and investor positioning

Cumulative foreign net inflows into EM equities (ex-China)



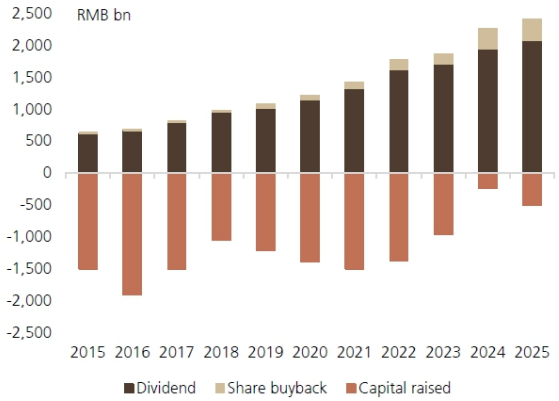
EM funds' active holdings across major markets



Source: Bloomberg, Wind, FactSet, UBS estimates

A-share governance reforms

A-share market appeared to be financing-oriented in the past



2024 "Nine-point" guideline

1. Adhere to the political and people's natures of the capital market
2. Strictly gatekeep access to issuance and listings
3. Enhance the stability, sustainability and predictability of dividends
4. Strengthen the supervision of delistings
5. Strengthen the regulation of securities and funds institutions
6. Enhance the internal stability of the capital market
7. Encourage participation by long-term funds in the capital market
8. Deepen reform and opening up
9. Promote the high-quality development of the capital market

2024 onward: Investor-oriented

Increasing strategic importance of A-share market

- Valuation re-rating
- Improving quality of listed universe
- More dividends and share buybacks

Developing new "quality productive forces"

Self-reliance and accelerated localisation

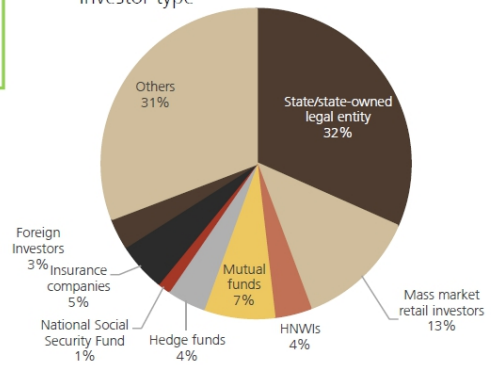
Supporting an aging China through state-owned capital transfers

New household wealth reservoir

Capital appreciation and common prosperity

Support development

Total A-share market cap breakdown by investor type

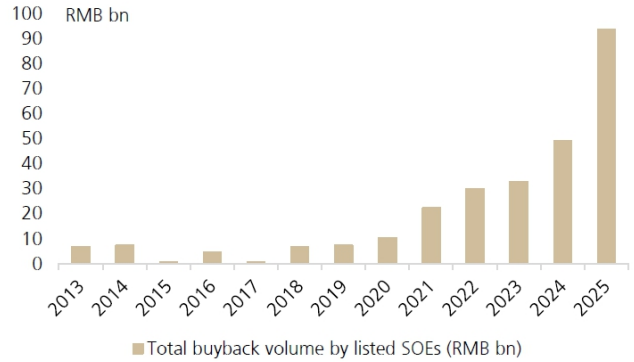


Source: Bloomberg, Wind, FactSet, UBS estimates

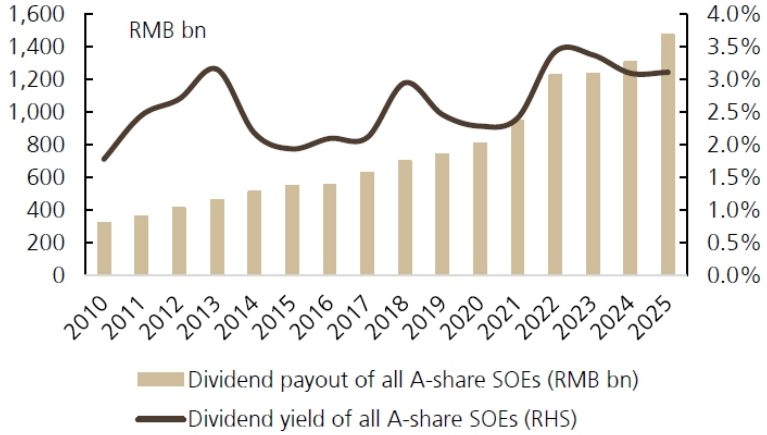
47

A-share improvements in shareholder returns

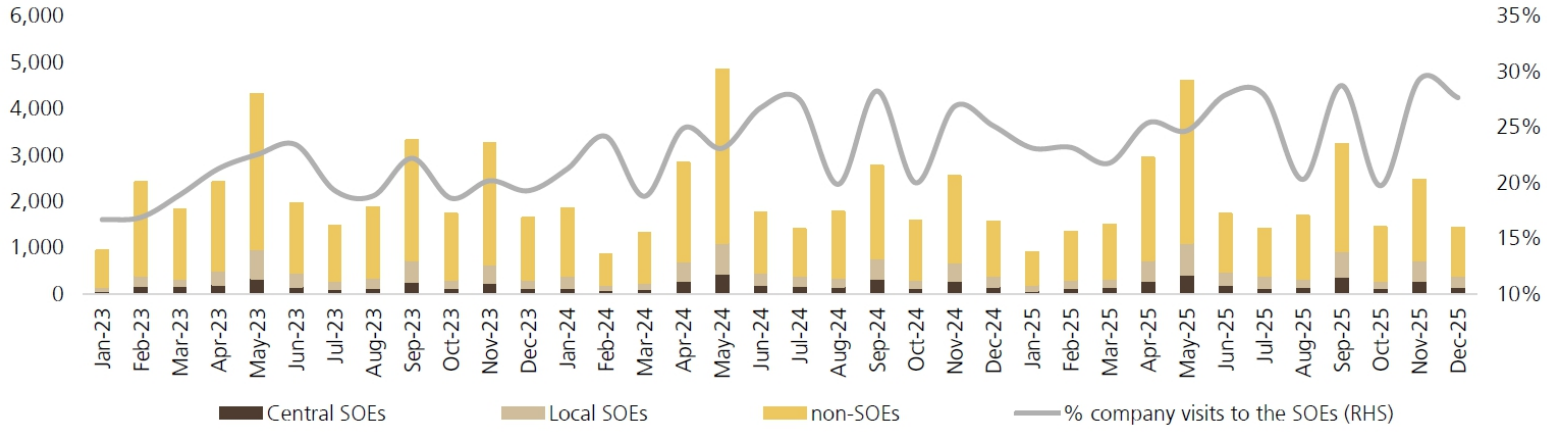
Buyback volumes of A-share SOEs



Dividend yield of A-share SOEs



Company visits to SOEs have been on an upward trend



Source: Bloomberg, Wind, FactSet, UBS

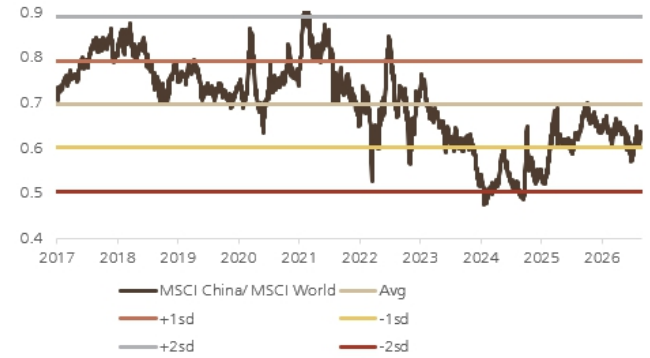
48

Valuation undemanding

MSCI China forward P/E (x)



MSCI China forward P/E relative to MSCI AC World



MSCI China trailing dividend yield (%)



MSCI China forward FCF yield (%)



Source: Bloomberg, Wind, FactSet, UBS

Sector preferences – back to a barbell

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

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	89.50	155.00	16.6	-53%	-18%	2%	-29%
3606.HK	Fuyao Glass	Nora Min	Buy	55.40	85.00	12.3	13%	7%	5%	-13%
2899.HK	Zijin Mining Group - H	Sharon Ding	Buy	38.46	57.80	10.5	64%	5%	3%	11%
002371.SZ	NAURA Technology Group	Jimmy Yu	Buy	707.90	800.00	75.7	23%	-10%	0%	56%
0700.HK	Tencent Holdings	Kenneth Fong	Buy	440.40	770.00	13.3	0%	-1%	1%	-23%
GDS.O	GDS	Sara Wang	Buy	32.85	52.00	24.4	79%	15%	0%	-6%
300750.SZ	Contemporary Amperex Technology	Paul Gong	Buy	387.89	600.00	17.0	42%	10%	3%	9%
600183.SS	Shengyi Technology	Jimmy Yu	Buy	126.30	192.00	39.4	130%	12%	2%	87%
BABA.N	Alibaba Group	Kenneth Fong	Buy	119.34	206.00	17.0	-26%	-8%	1%	-18%
3908.HK	China International Capital - H	Dennis Bai	Buy	20.62	31.40	6.4	39%	6%	2%	9%
600584.SS	JCET Group	Jimmy Yu	Buy	73.80	135.00	49.1	72%	24%	0%	114%
1211.HK	BYD Company Limited	Paul Gong	Buy	92.50	135.00	18.3	23%	0%	1%	-2%
002532.SZ	Tianshan Aluminum Group	Sharon Ding	Buy	12.70	18.10	7.1	72%	-7%	8%	-18%
0883.HK	China National Offshore Oil Corporation	Amily Guo	Buy	25.36	33.60	6.2	38%	3%	7%	21%
2259.HK	Zijin Gold International	Sharon Ding	Buy	159.50	203.00	18.1	89%	-7%	1%	11%
002850.SZ	Shenzhen Kedali Industry	Nora Min	Buy	183.81	268.00	20.5	40%	7%	2%	18%

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
600919.SS	Bank of Jiangsu	Helen Li, CFA	Buy	12.13	14.00	6.3	10%	-5%	5%	20%
0939.HK	China Construction Bank	May Yan	Buy	9.16	10.20	6.3	0%	-4%	5%	23%

Removal

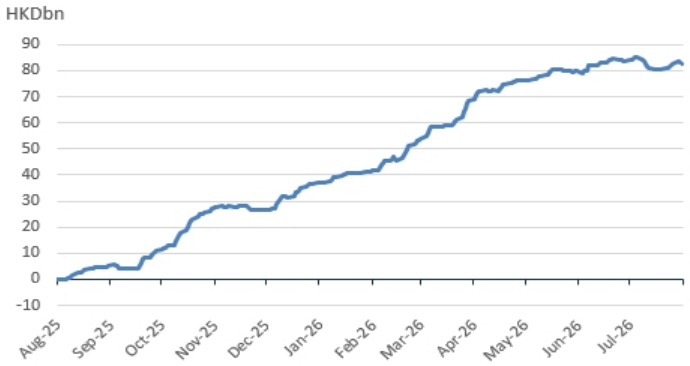
Stock Code	Company name	Lead analyst	UBS rating	Last close	Price target	FY26 P/E	UBSe FY26 EPS growth	UBSe vs consensus FY26 earnings	Forward div yield	YTD return
603308.SS	Anhui Yingliu Electromechanical	Ken Liu	Buy	42.60	100.00	42.2	67%	14%	1%	6%
1072.HK	Dongfang Electric Corporation	Ken Liu	Buy	21.44	68.00	11.9	25%	19%	4%	-7%
2359.HK	WuXi AppTec	Chen Chen, PhD	Buy	196.70	237.40	24.0	14%	3%	1%	111%

Source: FactSet, UBS estimates Note: Closing prices as of 28 Aug 2026

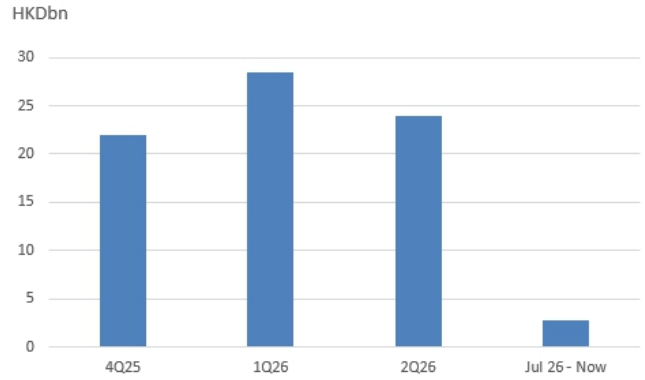
50

Recent flows trend and investor positioning in HK banks

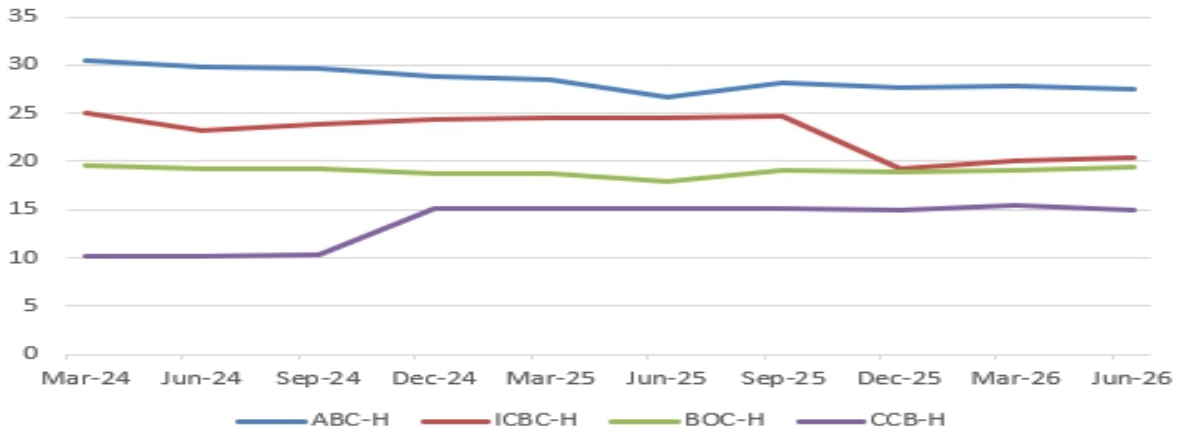
Cumulative southbound net inflows into four major SOE banks



Quarterly southbound net inflows into four major SOE banks



Foreign institutional ownership of four major SOE banks



Source: FactSet, CEIC, UBS

51

Sector valuations

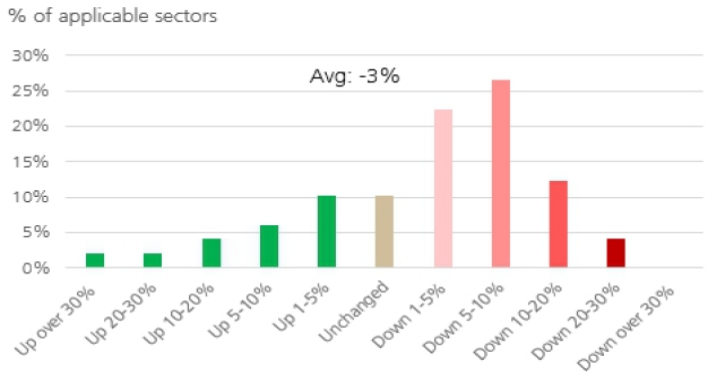
Sector	Current P/E or P/B*	Valuation			FY26 consensus earnings growth	2026 YTD Return (%)	Forward Dividend yield
		5Y Average	Standard deviation	Forward PEG			
Energy	10.5	8.1	1.4	5.8	27%	13%	5.0%
Power operator	15.6	14.0	1.2	3.7	-2%	2%	3.5%
Construction materials	14.9	11.3	1.2	0.5	71%	-5%	3.7%
Transportation	13.3	11.5	1.2	3.0	66%	-7%	3.6%
Telecom	12.1	10.2	1.1	N/A	-7%	-8%	6.5%
Banks*	0.6	0.5	1.1	1.5	4%	0%	4.7%
Aerospace & defense	41.6	34.9	1.0	N/A	12%	-18%	0.7%
Education*	1.8	1.4	1.0	5.1	25%	-2%	3.0%
Shipping	10.1	7.8	0.9	N/A	16%	18%	4.2%
Construction	5.6	5.2	0.7	N/A	4%	-13%	5.6%
Tech hardware	19.2	17.6	0.5	0.4	47%	19%	2.0%
Truck	11.9	11.1	0.5	0.5	24%	37%	5.6%
Semiconductor	39.4	35.2	0.4	1.3	97%	40%	0.6%
Wind power equipment	13.9	12.9	0.3	N/A	70%	-15%	2.0%
Data center*	1.6	1.5	0.2	N/A	224%	-7%	N/A
Property*	0.6	0.6	0.2	2.4	-417%	-9%	3.4%
Solar supply chain	48.8	29.4	0.1	1.4	213%	-6%	0.7%
Auto retail	10.9	14.6	-0.1	1.1	131%	-41%	8.0%
Gas utilities	8.8	8.9	-0.1	7.9	2%	-19%	6.0%
Home appliance	11.1	11.4	-0.2	2.6	5%	-13%	5.8%
Consumer finance	4.3	4.6	-0.2	N/A	-25%	-52%	10.8%
Chemicals	12.3	13.4	-0.4	N/A	107%	5%	3.1%
Internet (E-commerce)	12.9	15.3	-0.4	N/A	9%	-24%	1.2%
Pharma	21.1	22.4	-0.5	5.0	21%	-8%	1.8%
EV Battery & materials	15.5	22.0	-0.5	0.7	54%	-7%	2.7%
Hog*	2.1	2.4	-0.5	18.8	-98%	-18%	3.2%
Biotech, CRO	31.6	40.2	-0.7	10.9	24%	24%	1.3%
Machinery	14.9	16.3	-0.7	0.8	15%	-10%	3.0%
Basic materials	10.5	11.7	-0.7	0.6	65%	-6%	3.7%
Baijiu	17.3	23.0	-0.9	2.5	5%	-16%	4.7%
Software	46.5	57.3	-1.0	2.1	98%	-23%	1.0%
Health care service	23.6	35.6	-1.0	4.1	68%	-18%	1.2%
Restaurant	14.0	22.4	-1.0	1.3	8%	-13%	4.2%
Furniture	9.5	13.2	-1.1	1.7	-5%	-29%	6.4%
Express delivery*	1.3	2.0	-1.1	0.7	25%	-6%	3.4%
Internet (Media & entertainment)	12.6	18.9	-1.1	1.6	-1%	-30%	1.4%
Personal product	15.2	20.4	-1.1	2.4	7%	-17%	3.6%
Airline airport*	1.5	1.9	-1.1	N/A	-123%	-31%	3.1%
Pharma retail	13.6	24.8	-1.1	2.5	9%	-30%	3.6%
Medical device	18.3	24.2	-1.1	4.3	17%	-16%	3.1%
Leisure	13.5	23.2	-1.2	2.6	-26%	-35%	3.3%
Sportswear	11.5	18.1	-1.2	5.7	2%	-15%	4.4%
Grid	19.1	22.7	-1.2	2.4	14%	-1%	3.1%
Food & beverage	15.0	18.9	-1.2	1.8	13%	-12%	4.7%
Auto parts	13.9	17.1	-1.2	0.9	11%	-26%	2.8%
Beer	12.2	21.8	-1.3	0.6	19%	-19%	5.1%
Broker	10.8	14.3	-1.4	1.2	30%	-9%	3.1%
Internet (Online game)	12.6	16.2	-1.4	1.3	21%	-21%	3.0%
Auto	15.3	19.9	-1.5	3.1	81%	-24%	2.4%
Insurance	6.7	8.7	-2.2	1.9	6%	-15%	4.0%

Source: FactSet, UBS estimates

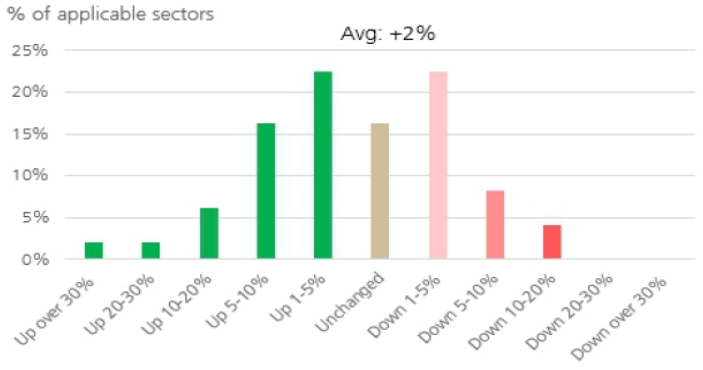
52

China the next reflation trade?

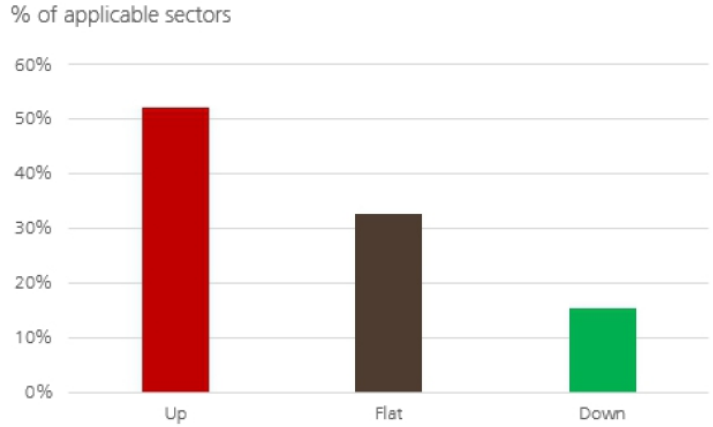
Output price 2025



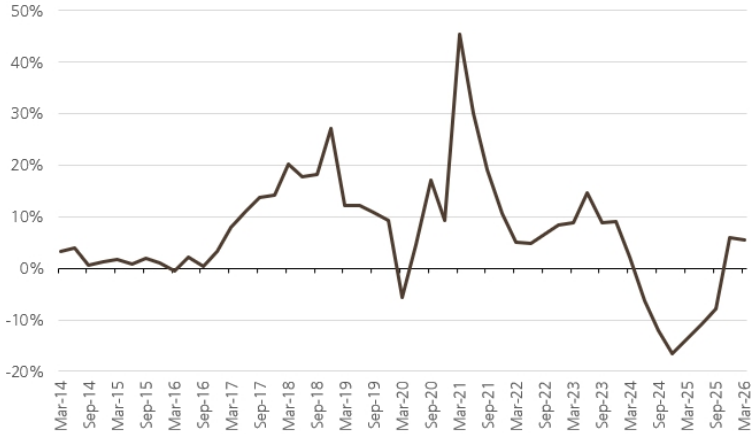
Output price expectation 2026



Capacity outlook for 2026



A-share non-financials capex YoY

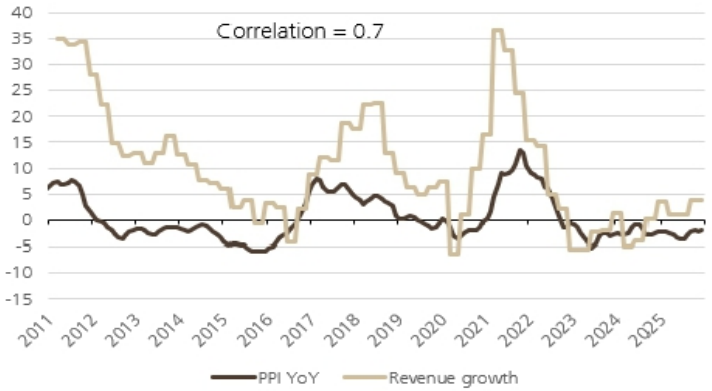


Source: Bloomberg, Wind, FactSet, UBS

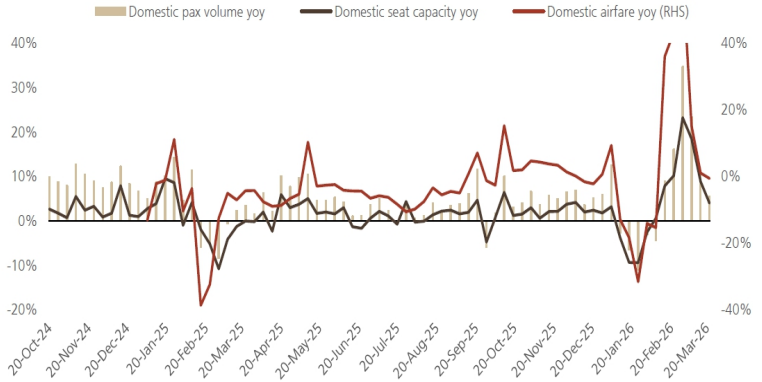
53

Other potential reflation signals

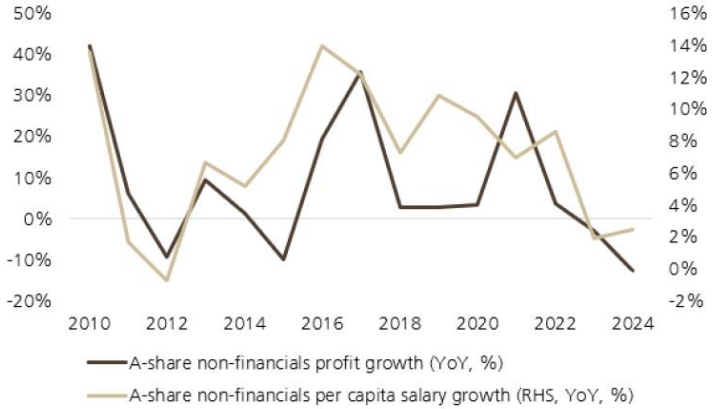
China PPI YoY vs MSCI China revenue growth



Bottom-up pricing trends – China airfare improving



A share non-financials profit growth vs salary growth



A-share companies' average wage growth

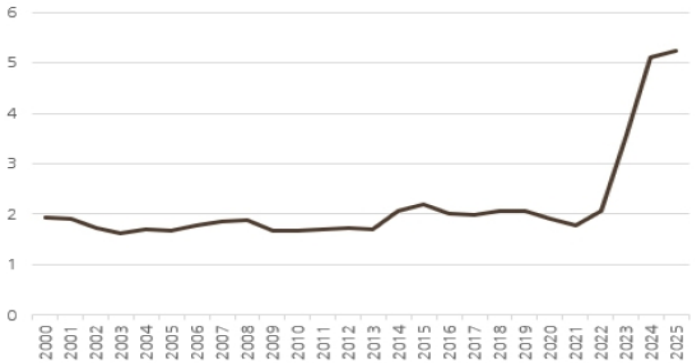


Source: Bloomberg, Wind, FactSet, UBS

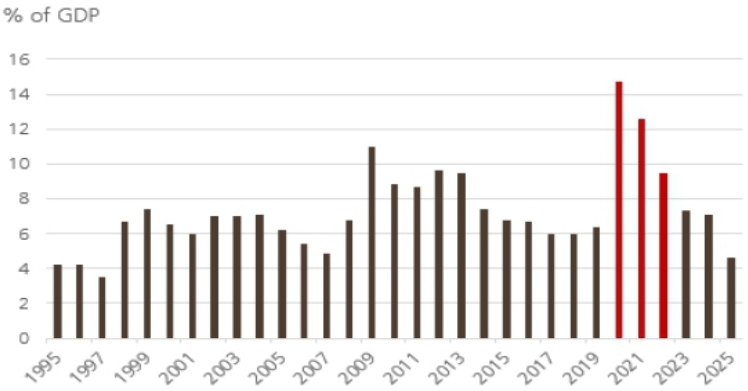
54

Lessons learnt from Japan

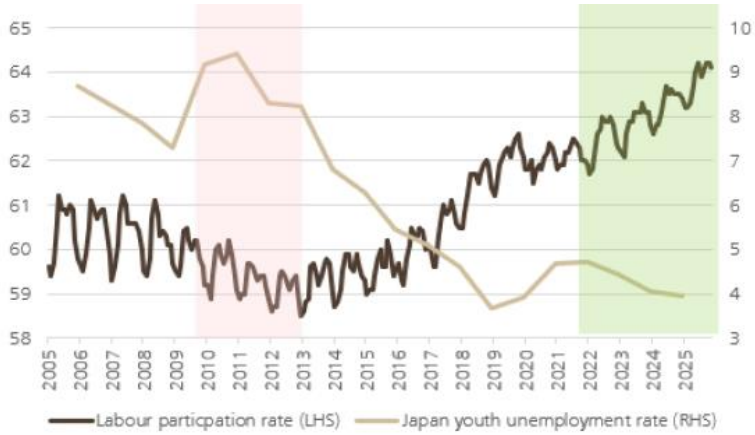
Japan Spring wage negotiation (Shuntou) monthly avg wage increase rate



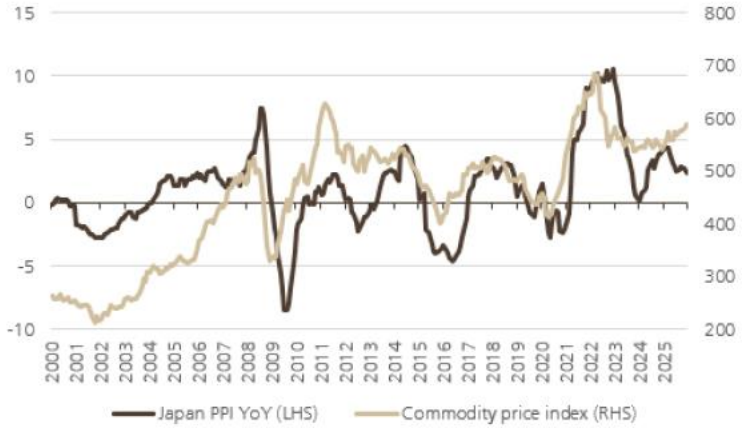
Japan fiscal deficit



Japan unemployment rate and labor participation



PPI vs commodity prices



Source: Bloomberg, Wind, FactSet, UBS

55

China and Global AI tech hardware mapping

Multi-layer Ceramic Capacitor (MLCC)

China		Global	
300408-CN	Chaozhou Three-Circle	6981-JP	Murata Manufacturing
000636-CN	Guangdong Fenghua Advanced Technology	009150-KR	Samsung Electro-Mechanics
		6976-JP	Taiyo Yuden
		2327-TW	Yageo Corporation

Power semi

China		Global	
688396-CN	CR Micro	IFX-DE	Infineon
600460-CN	Silan Micro	STM-US	STMicroelectronics
605111-CN	NCE Power	ON-US	ON Semi
603290-CN	Star Power	TXN-US	Texas Instruments
688141-CN	Joulwatt	ADI-US	Analog Devices
300661-CN	SG Micro	MPWR-US	Monolithic Power Systems

EDA & IP

China		Global	
301269-CN	Empyrean Tech	SNPS-US	Synopsys
688206-CN	Primarius Technologies	CDNS-US	Cadence Design Systems
688521-CN	VeriSilicon Microelectronics (Shanghai)	ARM-US	ARM Holdings
		SIE-DE	Siemens Aktiengesellschaft

Source: UBS

China and Global AI tech hardware mapping

Wafer fab equipment

China		Global	
002371-CN	NAURA Technology Group Co Ltd	ASML-NL	ASML Holding NV
688012-CN	Advanced Micro-Fabrication Equipment	AMAT-US	Applied Materials
688120-CN	Hwatsing Technology	LRCX-US	Lam Research Corporation
688037-CN	KINGSEMI	KLAC-US	KLA Corporation
688082-CN	ACM Research (Shanghai)	8035-JP	Tokyo Electron Ltd.
688072-CN	Piotech		

Back-end equipment

China		Global	
300604-CN	Changchuan	6857-JP	Advantest
688200-CN	Huafeng Test & Control	TER-US	Teradyne
688627-CN	SEICHI Tech	522-HK	ASMPT
603061-CN	JHT Design	BESI-NL	BE Semi
		042700-KR	Hanmi Semi
		7769-TW	Hon. Precision

Foundry

China		Global	
688981-CN	SMIC	TSM-US	Taiwan Semiconductor Manufacturing
1347-HK	Hua Hong Semiconductor	005930-KR	Samsung Electronics
688249-CN	Nexchip Semi	INTC-US	Intel Corporation
688396-CN	China Resources Microelectronics	GFS-US	GlobalFoundries Inc.
		2303-TW	UMC

Source: UBS

57

China and Global AI tech hardware mapping

Memory

China		Global	
603986-CN	Giga Device Semiconductor Inc.	000660-KR	SK hynix Inc.
		005930-KR	Samsung Electronics
		MU-US	Micron Technology
		SNDK-US	Sandisk Corporation
		WDC-US	Western Digital Corporation
		STX-US	Seagate Technology Holdings
		2408-TW	Nanya Tech

Advanced packaging

China		Global	
600584-CN	JCET Group	TSM-US	Taiwan Semiconductor Manufacturing
002156-CN	TongFu Microelectronics	3711-TW	ASE Technology Holding
002185-CN	Tianshui Huatian Technology	AMKR-US	Amkor Technology
688820-CN	SJ Semi		

CCL/ fiber glass/ resin

China		Global	
148-HK	Kingboard Holdings Limited	034020-KR	Doosan Enerbility Co., Ltd.
1888-HK	Kingboard Laminates Holdings Limited	6752-JP	Panasonic Holdings Corporation
688519-CN	Nanya New Material Technology	3110-JP	Nitto Boseki Co., Ltd.
600183-CN	Shengyi Technology	3407-JP	Asahi Kasei Corporation
600176-CN	China Jushi	4182-JP	Mitsubishi Gas Chemical Company, Inc.
002080-CN	Sinoma Science & Technology	2383-JP	Nihon Aim Co Ltd Npv
601208-CN	Sichuan EM Technology	1802-JP	Obayashi Corporation
605589-CN	Jinan Shengquan Group	DD-US	DuPont de Nemours, Inc.
603002-CN	Epoxy Base Electronic Material		
301511-CN	Defu Technology		

Source: UBS

58

China and Global AI tech hardware mapping

PCB/ Substrates

China		Global	
002916-CN	Shennan Circuit	4062-JP	IBIDEN
002463-CN	Wus Printed Circuit	3037-TW	Unimicron Technology
603228-CN	Shenzhen Kinwong Electronic	TTMI-US	TTM Technologies
688183-CN	Shengyi Electronics	4958-TW	Zhen Ding Technology
300476-CN	Victory Giant Technology	3189-TW	Kinsus Interconnect
002436-CN	Shenzhen Fastprint Circuit	007660-K	ISU Petasys
002938-CN	Avary Holding	8046-TW	Nan Ya PCB
002384-CN	Dongshan Precision	009150-K	Samsung Electro-Mechanics
600601-CN	Founder Technology	2368-TW	Gold Circuit Electronics
001389-CN	Delton Technology		
600183-CN	Shengyi Technology		

AI chips

China		Global	
688256-CN	Cambricon Technologies Corp. Ltd.	NVDA-US	NVIDIA Corporation
688041-CN	Hygon Information Technology	AMD-US	Advanced Micro Devices
688047-CN	Loongson Technology Corp. Ltd.	INTC-US	Intel Corporation
9903-HK	Shanghai Iluvatar CoreX Semiconductor	AVGO-US	Broadcom Inc.
6082-HK	Biren Tech	MRVL-US	Marvell Tech
688802-CN	MetaX		
688795-CN	Moore Threads		
688521-CN	VeriSilicon		

Networking and interconnect

China		Global	
000063-CN	ZTE Corporation	AVGO-US	Broadcom Inc.
688008-CN	Montage Tech	CSCO-US	Cisco Systems
600498-CN	Fiberhome Telecommunication Tech	MRVL-US	Marvell Technology
002281-CN	Accelink Technologies	COHR-US	Coherent Corp.
300308-CN	Zhongji Innolight	LITE-US	Lumentum Holdings
300502-CN	Eoptolink Technology Inc., Ltd.	GLW-US	Corning Inc
601869-CN	Yangtze Optical Fibre & Cable	ALAB-US	Astera Labs
300394-CN	Suzhou TFC Optical Communication	RMBS-US	Rambus
002475-CN	Luxshare Precision Industry		
002384-CN	Suzhou Dongshan Precision		

Source: UBS

59

China and Global AI tech hardware mapping

Servers/ OEM

China		Global	
992-HK	Lenovo Group Limited	DELL-US	Dell Technologies Class C
000977-CN	IEIT SYSTEMSClass A	HPE-US	Hewlett Packard Enterprise Co.
603019-CN	Dawning Information Industry	SMCI-US	Super Micro Computer
601138-CN	Foxconn Industrial Internet	2317-TW	Hon Hai Precision
603296-CN	Huaqin	6669-TW	Wiwynn
000938-CN	Unisplendour		

Source: UBS

60

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

Source: UBS

China AI tech hardware names

Ticker	Name	Subsector
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

62

Capex, revenue, earnings growth and net margin by subsector

Sector	Forward P/E	P/B	Forward ROE	2026E capex growth	2026E Revenue growth	2026E Earnings growth	2027E Revenue growth	2027E Earnings growth	Current net margin vs historical avg since 2021
Energy infrastructure/ power equipment	18.1	3.7	20%	-13%	29%	31%	19%	26%	2%
MLCC	75.8	11.5	15%	61%	31%	38%	21%	25%	7%
Power Semi	63.9	4.5	7%	-4%	18%	61%	17%	44%	-6%
Cooling / Thermal system	49.5	7.6	16%	-9%	22%	22%	27%	28%	1%
EDA & IP	346.9	28.2	10%	28%	81%	159%	46%	193%	1%
Semiconductor Equipment	69.5	10.7	16%	26%	30%	33%	28%	46%	0%
Foundry	121.7	5.5	5%	-6%	21%	83%	17%	34%	-4%
Memory	70.3	16.6	24%	-36%	71%	145%	28%	26%	6%
Advanced Packaging	62.7	4.6	7%	-14%	15%	31%	15%	25%	-1%
CCL/ Fiber glass/ resin	45.3	7.5	17%	20%	32%	67%	18%	29%	1%
PCB	43.9	11.0	26%	35%	41%	87%	40%	66%	5%
AI Chip (GPU / ASIC)	158.9	34.2	23%	-12%	89%	210%	57%	87%	43%
Networking & Interconnect (optics)	39.7	10.8	28%	-2%	34%	98%	26%	54%	4%
Server / OEMs	21.4	5.7	27%	-33%	43%	59%	25%	37%	0%
Data Center	175.4	1.6	1%	59%	14%	525%	15%	-62%	9%
Hyperscaler	13.1	1.9	14%	24%	9%	8%	11%	19%	1%
AI Model	N/A	N/A	38%	733%	305%	83%	180%	-5%	N/A
Software (apps / SaaS)	26.4	2.6	10%	39%	8%	1%	10%	24%	6%

Source: FactSet, UBS

63

China & global peers power equipment names

EV

China		Global	
1211-HK	BYD Company Limited	TSLA-US	Tesla, Inc.
XPEV-US	XPeng, Inc. ADR Sponsored	RIVN-US	Rivian Automotive, Inc.
LI-US	Li Auto, Inc. Sponsored ADR	LCID-US	Lucid Group, Inc.
NIO-US	NIO Inc. Sponsored ADR	005380-KR	Hyundai Motor Company
175-HK	Geely Automobile Holdings Limited	000270-KR	Kia Corporation

Battery

China		Global	
300750-CN	CATL	373220-KR	LG Energy Solution Ltd.
1211-HK	BYD Company Limited	006400-KR	Samsung SDI Co., Ltd
300014-CN	EVE Energy	051910-KR	LG Chem Ltd.
002074-CN	Gotion High-tech Co., Ltd	FLNC-US	Fluence Energy, Inc.
		3407-JP	Asahi Kasei Corporation

Battery materials/ equipment

China		Global	
002466-CN	Tianqi Lithium Corp.	ALB-US	Albemarle Corporation
300073-CN	Beijing Easpring Material Technology	SQM-US	Sociedad Quimica y Minera de Chile S.A.
688005-CN	Ningbo Ronbay New Energy Technology	247540-KR	Ecopro BM Co., Ltd.
300450-CN	Wuxi Lead Intelligent Equipment		
002812-CN	Yunnan Energy New Material (Group)		
603659-CN	Shanghai Putailai New Energy Technology		
300457-CN	Shenzhen Yinghe Technology		
688116-CN	Jiangsu Cnano Technology		
002460-CN	Ganfeng Lithium Group		
002850-CN	Shenzhen Kedali Industry Co Ltd Class A		

Power equipment

China		Global	
1072-HK	Dongfang Electric Corporation Limited	CAT-US	Caterpillar Inc.
1133-HK	Harbin Electric	GEV-US	GE Vernova Inc.
603308-CN	Anhui Yingliu Electromechanical	ENR-DE	Siemens Energy AG
2338-HK	Weichai Power	7011-JP	Mitsubishi Heavy Industries, Ltd.
002353-CN	Yantai Jereh Oilfield Services Group	CMI-US	Cummins Inc.
600885-CN	Hongfa Technology		

64

China & global peers power equipment names

BESS

China		Global	
300274-CN	Sungrow Power Supply Co., Ltd. Class A	FLNC-US	Fluence Energy, Inc. Class A
688472-CN	CSI Solar Co., Ltd.	ENPH-US	Enphase Energy, Inc.
6656-HK	Sigenergy Technology Co., Ltd. Class H	SEDG-US	SolarEdge Technologies, Inc.
688032-CN	Hoymiles Power Electronics, Inc. Class A		

Wind power equipment

China		Global	
002202-CN	Goldwind Science & Technology	GEV-US	GE Vernova Inc.
002487-CN	Dajin Heavy Industry	112610-KR	CS Wind Corp.
601615-CN	Ming Yang Smart Energy Group Limited	6481-JP	THK Co., Ltd.
603606-CN	Ningbo Orient Wires & Cables Co Ltd	5805-JP	SWCC Corporation

Grid

China		Global	
688100-CN	Willfar Information Technology	6501-JP	Hitachi, Ltd.
300682-CN	Longshine Technology Group	ENR-DE	Siemens Energy AG
002270-CN	Huaming Power Equipment	GEV-US	GE Vernova Inc.
600406-CN	NARI Technology	SU-FR	Schneider Electric SE
002028-CN	Sieyuan Electric	ABBN-CH	ABB Ltd.
		298040-KR	Hyosung Heavy Industries Corp.
		267260-KR	HD Hyundai Electric
		010120-KR	LS Electric Co., Ltd.
		6503-JP	Mitsubishi Electric Corp.

Solar

China		Global	
601012-CN	LONGi Green Energy Technology	544488-IN	Vikram Solar Limited
300316-CN	Zhejiang Jingsheng Mechanical & Electrical	FSLR-US	First Solar, Inc.
600438-CN	Tongwei		
688472-CN	CSI Solar Co., Ltd.		
002129-CN	TCL Zhonghuan Renewable Energy Technology		
601865-CN	Flat Glass Group		

Source: Bloomberg, Wind, FactSet, UBS

65

China & global peers power equipment names

Power equipment

China		Global	
1072-HK	Dongfang Electric Corporation Limited	CAT-US	Caterpillar Inc.
1133-HK	Harbin Electric	GEV-US	GE Vernova Inc.
603308-CN	Anhui Yingliu Electromechanical	ENR-DE	Siemens Energy AG
2338-HK	Weichai Power	7011-JP	Mitsubishi Heavy Industries, Ltd.
002353-CN	Yantai Jereh Oilfield Services Group	CMI-US	Cummins Inc.
600885-CN	Hongfa Technology		

Source: Bloomberg, Wind, FactSet, UBS

66

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.