September 1, 2026 02:40 PM GMT

Asia EM Equity and Thematic Strategy | Asia Pacific

Virtual Financials Day 2026 – Financing the Investment Super-Cycle, Adopting AI

Another super-cycle of corporate capex is well underway. Banks have benefited from the investment super-cycle associated with AI, energy and, economic security, and defence.

We favour Financials with a wholesale and wealth focus within our overweight markets, including stocks in Japan, Singapore, Hong Kong, and Korea. We are cautious on Australian banks given high valuations, tightening policy, and adverse tax changes.

We see banks as net beneficiaries of AI adoption and have selective exposure to demographic and wealth management shifts associated with an aging society.

Our Focus Lists are geared to core Morgan Stanley research themes. They are centred on a preference for capex vs. consumer and goods over services and concentrated in Semis/Memory, Tech Hardware, Industrials/Cap Goods, Materials and Energy.

MORGAN STANLEY ASIA (SINGAPORE) PTE +

Daniel K Blake

Equity Strategist

Daniel.Blake@morganstanley.com +65 6834 6587

Jonathan F Garner

Equity Strategist

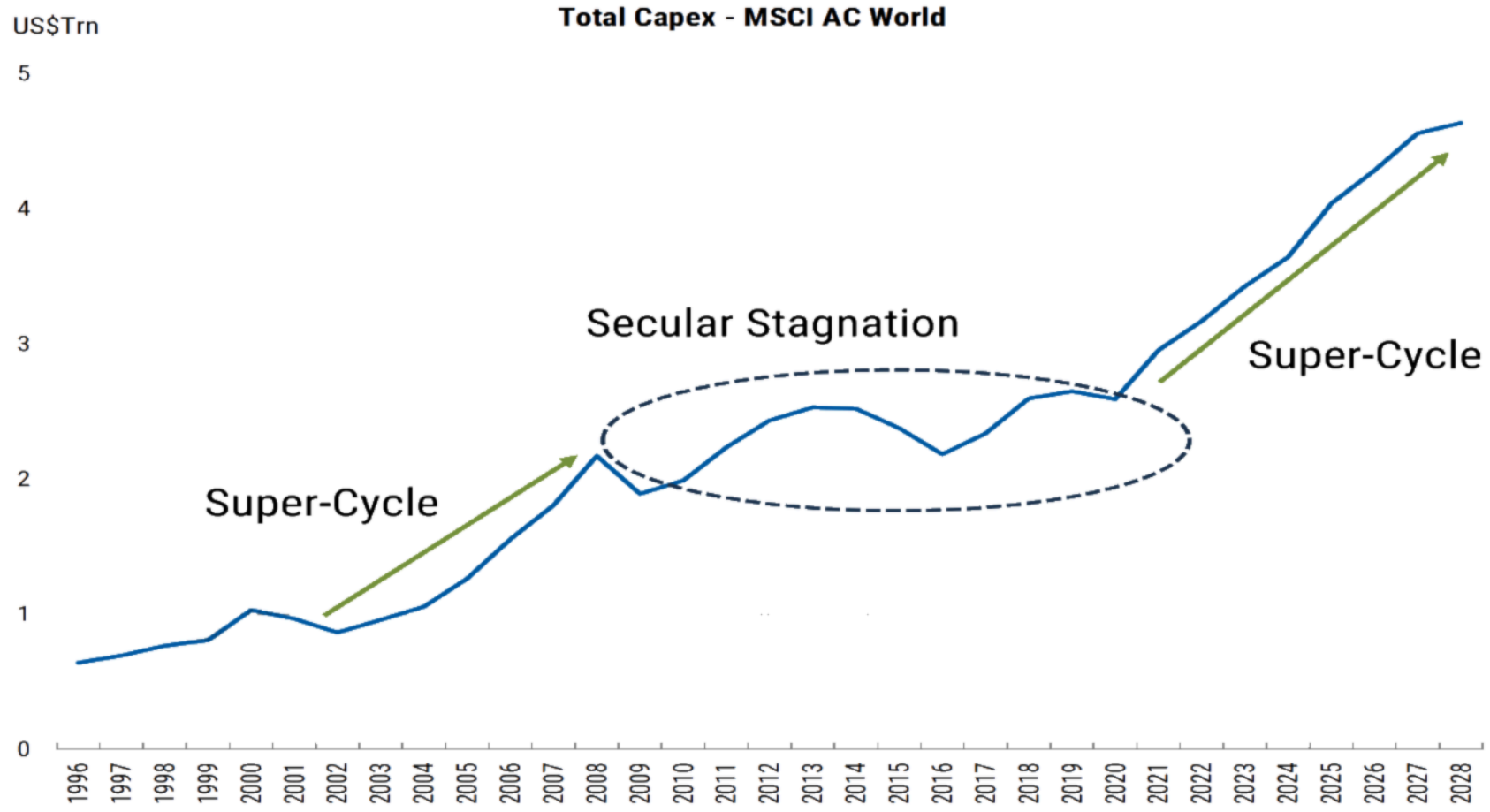
Jonathan.Garner@morganstanley.com +65 6834 6587

Morgan Stanley does and seeks to do business with companies covered in Morgan Stanley Research. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of Morgan Stanley Research. Investors should consider Morgan Stanley Research as only a single factor in making their investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

+= Analysts employed by non-U.S. affiliates are not registered with FINRA, may not be associated persons of the member and may not be subject to FINRA restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

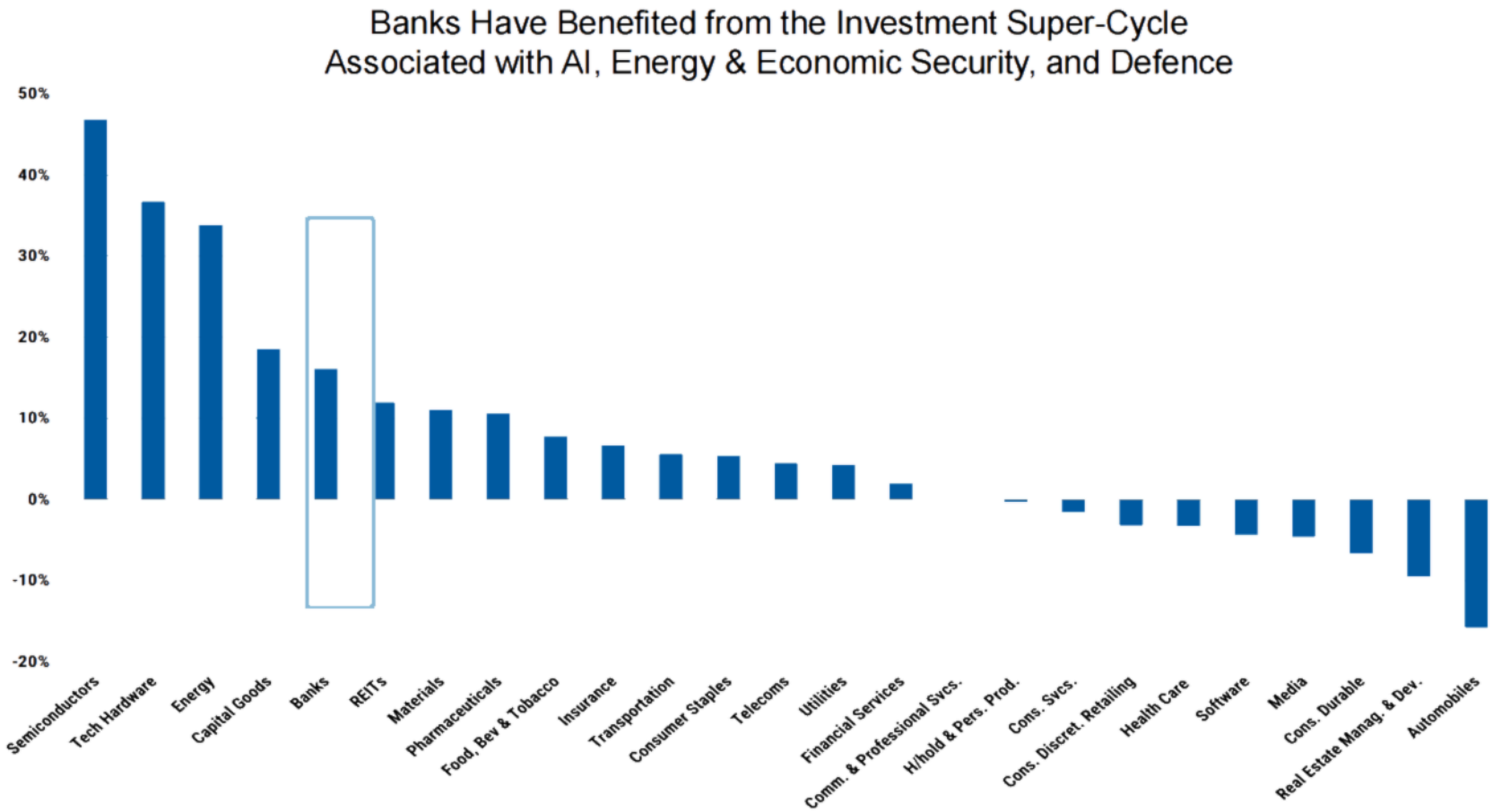
Another Super-cycle of Corporate Capex Is Well Underway



Source: FactSet, Morgan Stanley Research.

Morgan Stanley

Global Equities – Industry Group Performance Year to Date



Source: Bloomberg, Morgan Stanley Research. Note: Data as of Aug 18, 2026. *Universe is MSCI All Country World index.

Morgan Stanley

Asia EM Market Recommendations and Valuation Dashboard

	MSCI Indices	Japan	China	Hong Kong	Taiwan	Korea	India	Australia	Singapore	Malaysia	Thailand	Indonesia	Philippines	Brazil	Mexico	South Africa	Saudi Arabia	UAE	MSCI EM	MSCI APxJ	USA	Europe
MS Rating	vs Asia/EM	OW	EW	EW	EW	OW	EW	UW	OW	EW	OW	UW	UW	OW	EW	EW	EW	EW	EW	-	-	-
Index Weight	% of APAC-EM	26.9%	12.7%	2.0%	16.8%	12.8%	7.0%	7.4%	2.1%	0.6%	0.6%	0.3%	0.2%	2.3%	1.0%	2.0%	1.5%	0.7%	11.7% (ACWI)	12.0% (ACWI)	63.7% (ACWI)	13.9% (ACWI)
Earnings Revisions & Growth	CY2 EPS Rev Breadth (3ma)	25%	-2%	-3%	52%	21%	1%	-20%	13%	-2%	18%	-27%	-17%	-12%	-15%	-24%	0%	6%	4%	4%	25%	16%
	3m Δ of 12mf EPS	2%	0%	0%	8%	13%	0%	-2%	2%	1%	1%	1%	0%	0%	1%	-6%	0%	0%	6%	7%	3%	0%
	12mf EPS growth	14%	14%	10%	35%	78%	14%	7%	10%	9%	8%	5%	6%	15%	11%	21%	11%	6%	36%	37%	21%	13%
ROE	Level	9.6%	10.4%	7.6%	18.6%	15.1%	13.9%	12.8%	11.5%	10.6%	11.0%	14.8%	14.7%	18.4%	16.3%	17.9%	14.1%	19.1%	13.9%	12.7%	21.1%	14.0%
	10yr %'ile	*75%*	*23%*	*59%*	*89%*	*98%*	*45%*	*65%*	*79%*	*92%*	*63%*	*50%*	*92%*	*66%*	*97%*	*90%*	*92%*	*97%*	*98%*	*98%*	*98%*	*94%*
12mf PE	Level	17.0x	11.0x	14.3x	20.3x	5.5x	20.6x	18.4x	18.2x	14.1x	17.9x	9.0x	10.7x	7.9x	11.9x	9.0x	13.6x	8.9x	10.8x	11.8x	21.0x	15.3x
	10yr %'ile	*92%*	*36%*	*45%*	*97%*	*2%*	*50%*	*83%*	*98%*	*38%*	*82%*	*2%*	*17%*	*32%*	*19%*	*18%*	*3%*	*15%*	*7%*	*7%*	*63%*	*79%*
P/Book	Level	2.0x	1.5x	1.3x	5.9x	2.5x	3.3x	2.7x	2.4x	1.6x	2.2x	1.6x	1.6x	1.8x	2.3x	2.4x	2.1x	1.8x	2.4x	2.5x	5.9x	2.5x
	10yr %'ile	*98%*	*29%*	*66%*	*98%*	*94%*	*44%*	*97%*	*99%*	*61%*	*83%*	*2%*	*17%*	*52%*	*74%*	*92%*	*52%*	*85%*	*96%*	*96%*	*99%*	*99%*
P/Sales	Level	1.6x	1.4x	2.6x	3.5x	2.2x	2.4x	2.5x	3.4x	2.3x	1.4x	1.7x	2.2x	1.1x	1.1x	1.8x	3.1x	2.4x	2.0x	2.3x	3.6x	1.7x
	10yr %'ile	*98%*	*58%*	*50%*	*97%*	*95%*	*60%*	*85%*	*99%*	*65%*	*72%*	*3%*	*45%*	*31%*	*61%*	*62%*	*25%*	*23%*	*97%*	*97%*	*98%*	*98%*
Div Yield	Level	1.8%	2.2%	3.4%	1.5%	0.8%	1.3%	3.3%	3.0%	3.9%	3.0%	7.7%	3.1%	5.3%	3.7%	3.9%	4.0%	5.0%	2.0%	1.9%	1.2%	2.8%
	10yr %'ile	*3%*	*66%*	*64%*	*4%*	*2%*	*53%*	*11%*	*9%*	*68%*	*60%*	*97%*	*90%*	*50%*	*75%*	*83%*	*89%*	*71%*	*9%*	*7%*	*7%*	*21%*
Technicals	30 day RSI	53	59	64	49	45	50	60	67	62	48	55	52	47	42	58	56	56	48	49	57	55
	50/200d MA	8%	-8%	-3%	24%	29%	0%	2%	9%	1%	10%	-20%	5%	-3%	1%	-5%	-1%	-1%	9%	9%	6%	5%
Perf.	1m	8%	4%	2%	8%	5%	1%	4%	6%	1%	0%	-1%	-3%	-4%	-1%	8%	3%	6%	5%	5%	3%	3%
	YTD	20%	-9%	4%	59%	87%	-10%	13%	21%	4%	22%	-37%	5%	6%	8%	-1%	5%	1%	21%	22%	12%	9%

Source: FactSet, Morgan Stanley Research. Note: Data as of Aug 17, 2026.

MSCI EM Sector Recommendations and Valuation Dashboard

	MSCI EM Sectors & Industry Groups	Automobiles & Components	Cons. Discret. Retailing	Durables & Apparel	Consumer Staples	Consumer Services	Telecoms	Media & Entertainment	Software & Services	Semiconductors & Equipment	Tech Hardware & Equipment	Financials	Real Estate	Health Care	Utilities	Energy	Materials	Industrials
MS Rating		UW	UW	UW	UW	UW	EW	EW	UW	OW	OW	EW	EW	EW	EW	OW	OW	OW
Index Weight	% of MSCI EM	2.6%	3.8%	0.7%	2.7%	1.2%	2.1%	4.1%	1.1%	24.6%	16.1%	19.2%	1.0%	2.7%	1.8%	3.4%	6.1%	6.7%
Earnings Revisions & Growth	CY2 EPS Revision Breadth (3ma)	-1%	-1%	-4%	-6%	-7%	-5%	-13%	-14%	31%	38%	8%	-5%	0%	-8%	8%	4%	4%
	3m Δ of 12mf EPS	0%	-4%	1%	1%	7%	0%	0%	-2%	20%	23%	1%	0%	0%	-4%	-4%	-1%	19%
	12mf EPS growth	25%	31%	15%	11%	57%	17%	9%	15%	65%	81%	9%	8%	16%	11%	6%	109%	35%
ROE	Level	8.6%	10.1%	14.5%	15.8%	1.1%	15.2%	15.5%	15.6%	32.7%	15.9%	12.5%	8.7%	10.8%	11.2%	12.5%	11.4%	13.6%
	10yr %'ile	53%	43%	56%	92%	15%	97%	90%	4%	98%	88%	91%	33%	60%	89%	64%	66%	88%
12mf PE	Level	14.1x	12.5x	15.1x	17.5x	19.4x	16.0x	12.5x	20.9x	11.8x	7.9x	9.4x	10.2x	28.6x	11.7x	9.2x	11.3x	12.9x
	10yr %'ile	71%	26%	45%	2%	26%	67%	2%	21%	22%	4%	88%	73%	71%	67%	73%	46%	58%
P/Book	Level	1.6x	1.3x	2.4x	3.2x	1.7x	3.0x	2.3x	3.2x	12.7x	5.7x	1.2x	1.0x	3.5x	1.5x	1.2x	1.8x	2.9x
	10yr %'ile	58%	1%	17%	2%	7%	91%	2%	1%	99%	99%	74%	34%	33%	85%	62%	77%	99%
P/Sales	Level	0.9x	1.1x	1.1x	1.0x	1.8x	2.3x	3.8x	2.8x	10.3x	2.0x	1.8x	1.6x	3.8x	1.2x	0.9x	1.6x	1.6x
	10yr %'ile	74%	17%	65%	2%	2%	91%	12%	2%	96%	97%	97%	71%	91%	71%	87%	93%	96%
Div Yield	Level	1.8%	1.2%	2.5%	3.3%	1.1%	3.4%	1.2%	3.1%	0.9%	0.9%	3.7%	4.0%	1.0%	3.6%	4.1%	2.7%	1.8%
	10yr %'ile	41%	65%	81%	98%	75%	45%	98%	98%	4%	2%	41%	55%	45%	90%	39%	16%	30%
Technicals	30 day RSI	51	64	62	47	64	44	49	72	42	46	55	48	60	39	67	59	46
	50dma / 200 dma	-4%	-14%	1%	-4%	-10%	1%	-13%	-15%	33%	32%	3%	-3%	-1%	-2%	-1%	-4%	4%
Perf.	1m	6%	5%	5%	0%	6%	-1%	-2%	8%	4%	15%	2%	0%	10%	-2%	3%	11%	7%
	YTD	0%	-14%	5%	-5%	-17%	1%	-25%	-26%	76%	95%	5%	-3%	8%	-1%	7%	5%	16%

Source: FactSet, Morgan Stanley Research. Note: Data as of Aug 17, 2026

Asia and EM Industry Estimate Revisions Breadth (3mma) and Consensus EPS Growth

	MSCI EM Industry Group 12mf 3MMA Earnings Revisions Breadth Breakdown																			Consensus EPS Growth		
	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	CY2026E	CY2027E	CY2028E
MSCI EM	**-5.1%**	**-4.3%**	**-4.6%**	**-6.0%**	**-6.9%**	**-7.4%**	**-5.6%**	**-2.8%**	**-1.8%**	**-0.6%**	**0.7%**	**0.9%**	**0.8%**	**0.5%**	**0.7%**	**-1.3%**	**-1.8%**	**-2.1%**	**-0.4%**	**69.9%**	**23.9%**	**10.9%**
Banks	-1.0%	-2.5%	-2.4%	-3.0%	-4.5%	-5.2%	-3.8%	-1.3%	-1.9%	-2.4%	-0.2%	1.3%	2.1%	2.2%	2.8%	0.9%	-0.8%	-2.3%	-0.6%	8.0%	10.2%	10.1%
Diversified Financials	3.0%	-0.1%	-0.8%	-1.0%	-0.9%	1.2%	1.7%	5.2%	**8.0%**	**8.5%**	**11.3%**	**6.6%**	**6.7%**	3.4%	4.6%	2.2%	1.6%	2.9%	5.0%	21.3%	11.5%	9.2%
Insurance	**8.0%**	3.7%	-2.1%	-4.2%	-5.8%	-2.7%	-0.4%	4.3%	**7.1%**	**9.0%**	**11.6%**	**9.1%**	**10.1%**	4.5%	3.2%	-3.8%	-4.1%	-2.1%	2.0%	-0.5%	8.4%	4.5%
Real Estate	**8.1%**	**8.1%**	2.6%	**8.3%**	**10.7%**	**10.7%**	2.4%	**9.5%**	-0.3%	-4.2%	**-15.7%**	-5.9%	-7.8%	-5.9%	-8.3%	2.7%	-2.8%	-6.5%	-9.1%	**-41.4%**	15.4%	6.5%
Energy	-12.2%	-6.8%	-7.0%	-10.6%	-14.2%	-15.6%	-10.0%	-4.7%	-2.2%	-0.9%	2.9%	4.0%	3.4%	0.8%	4.1%	**8.8%**	**10.3%**	5.7%	0.6%	31.2%	**-4.3%**	3.1%
Materials	-11.9%	-10.4%	-10.2%	-9.2%	-6.5%	-6.4%	-4.9%	-1.4%	1.2%	2.4%	3.5%	3.0%	3.2%	3.1%	3.7%	3.9%	3.8%	5.4%	1.8%	98.6%	8.4%	5.3%
Capital Goods	-7.0%	-5.1%	-4.3%	-6.7%	-6.0%	-7.1%	-3.3%	-1.9%	0.0%	-0.4%	3.5%	3.1%	3.1%	0.6%	0.7%	-1.4%	-2.3%	-3.1%	-0.8%	92.6%	27.7%	**14.4%**
Commercial & Prof. Services	**-13.6%**	-3.0%	0.1%	-9.7%	**-16.5%**	-24.4%	**-14.7%**	-6.3%	**10.0%**	**13.6%**	15.9%	4.6%	1.1%	2.5%	-2.2%	0.3%	-0.7%	-3.4%	-4.1%	9.6%	12.6%	**13.9%**
Transportation	-2.2%	-1.8%	-4.6%	-5.6%	-6.1%	-5.2%	-3.9%	-1.4%	-2.7%	-4.3%	-6.0%	-3.9%	-3.2%	-1.1%	0.1%	-2.6%	-6.7%	-7.6%	-2.0%	-2.9%	11.1%	9.7%
Utilities	-5.5%	**-9.4%**	-9.2%	**-11.7%**	-9.7%	-10.7%	-7.1%	-3.8%	-5.9%	-4.2%	-5.0%	-2.5%	-3.6%	-6.3%	-5.9%	-8.4%	-8.1%	-8.8%	-6.4%	6.8%	13.5%	5.4%
Automobiles & Components	0.1%	-1.9%	-2.5%	-3.0%	-6.7%	-8.0%	-8.8%	-5.1%	-2.5%	0.9%	3.6%	1.9%	0.7%	-2.3%	-4.0%	-10.6%	**-15.4%**	**-14.5%**	-9.2%	29.3%	23.0%	**14.4%**
Consumer Durables & Apparel	-4.9%	-3.3%	-5.4%	-7.5%	-7.0%	-7.7%	-6.9%	-7.0%	-4.1%	-1.1%	-1.6%	-2.3%	-2.7%	-2.5%	-3.4%	-3.9%	-4.7%	-4.7%	-4.4%	19.8%	12.4%	12.8%
Consumer Services	4.6%	0.8%	-5.8%	-9.0%	-12.8%	**-15.2%**	**-13.6%**	**-11.8%**	-10.6%	-9.2%	-6.8%	-5.4%	-6.1%	-4.4%	-2.3%	-7.6%	-6.8%	-6.3%	-2.9%	17.8%	**79.6%**	**27.0%**
Food & Staples Retailing	-9.5%	-5.4%	-7.9%	-7.3%	-12.0%	-10.8%	**-13.7%**	**-12.4%**	-9.7%	-6.8%	-6.5%	-6.1%	-4.6%	-6.9%	-11.3%	-12.0%	-9.5%	-8.8%	-12.2%	14.6%	13.7%	**15.0%**
Food Beverage & Tobacco	-9.8%	-5.3%	-5.1%	-4.2%	-3.4%	-4.1%	-5.8%	-6.3%	-8.5%	-7.7%	-9.6%	-7.3%	-7.5%	-3.4%	-3.6%	-5.7%	-7.0%	-7.1%	-5.1%	12.5%	10.7%	10.3%
Household & Personal Products	**-24.6%**	**-23.9%**	**-21.2%**	**-23.0%**	-12.0%	**-15.1%**	**-11.6%**	**-14.3%**	**-12.5%**	**-13.7%**	**-16.5%**	**-15.1%**	**-13.0%**	-6.7%	-4.9%	-8.5%	-5.2%	-6.7%	-1.7%	4.3%	13.2%	12.2%
Retailing	-4.7%	-4.6%	-1.7%	-4.2%	-3.5%	-8.2%	-8.4%	-8.1%	-1.5%	1.2%	3.2%	0.6%	-1.7%	-2.8%	-2.7%	-7.0%	-8.3%	-10.8%	-3.0%	30.0%	27.6%	**20.6%**
Health Care Equip. & Services	**-14.1%**	-7.3%	-7.7%	**-11.0%**	**-16.2%**	**-15.1%**	**-11.7%**	-4.0%	-10.2%	-9.1%	**-15.7%**	-8.1%	-9.4%	-4.7%	-7.1%	**-11.1%**	**-14.7%**	**-15.0%**	**-10.8%**	10.4%	14.7%	**13.3%**
Pharma, Biotech & Life Sciences	-2.7%	-2.9%	-0.7%	-2.4%	-0.7%	-4.0%	-3.6%	-2.6%	1.1%	1.4%	0.2%	-1.3%	-1.6%	-0.3%	-0.3%	-1.2%	-2.1%	-3.8%	-3.2%	13.5%	21.1%	**20.4%**
Media & Entertainment	0.2%	0.7%	3.7%	2.7%	2.1%	2.3%	2.7%	5.8%	5.3%	6.3%	3.7%	-0.2%	-1.2%	-2.3%	-5.6%	**-11.1%**	**-12.5%**	**-11.8%**	-7.9%	6.4%	11.0%	10.5%
Semis & Semi Equipment	-7.0%	-4.1%	-4.7%	-4.1%	-10.8%	-11.6%	**-11.7%**	-7.7%	-7.6%	-3.7%	2.1%	5.4%	4.9%	**6.4%**	**7.7%**	5.8%	7.5%	**8.9%**	**11.7%**	**159.1%**	**39.0%**	**15.9%**
Software & Services	-5.2%	-4.4%	-5.5%	**-14.8%**	**-24.7%**	**-23.6%**	**-12.8%**	-2.9%	-4.1%	1.8%	2.6%	4.8%	**8.0%**	**12.7%**	**9.9%**	**7.6%**	0.7%	1.4%	-2.8%	17.4%	11.6%	**11.8%**
Tech. Hardware & Equipment	-5.6%	-2.7%	-3.9%	-5.5%	-7.6%	-6.4%	-3.1%	1.7%	4.7%	6.8%	**8.6%**	7.4%	5.9%	5.7%	**8.5%**	**9.3%**	**14.4%**	**15.5%**	**16.8%**	**332.0%**	**39.7%**	7.0%
Telecommunication Services	2.3%	1.0%	2.0%	1.7%	1.0%	-0.5%	-0.5%	-1.3%	-1.1%	-2.3%	1.2%	2.1%	2.2%	-1.6%	-2.3%	-4.1%	-4.1%	-5.3%	-3.0%	17.0%	17.1%	**14.0%**

Source: FactSet, IBES consensus, Morgan Stanley Research. Note: Monthly data as of July, 2026. Earnings revision breadth is calculated using the 3-month moving average of upgrades less downgrades divided by the total universe of forward earnings estimates.

Morgan Stanley

Active Fund Positions in EM Equities by GICS Industry Group and Changes QTD

	International & US Funds				International Funds - UCITS			US Funds		
GICS Industry Group	Portfolio Composite Weight	MSCI EM Index Weight	Active Weight	Active Weight Change QTD	Portfolio Composite Weight	Active Weight	Active Weight Change QTD	Portfolio Composite Weight	Active Weight	Active Weight Change QTD
Capital Goods	**8.6%**	5.4%	3.2%	1.2%	8.1%	2.8%	0.8%	8.7%	3.4%	1.3%
Financial Services	**2.7%**	2.3%	0.4%	-0.2%	2.9%	0.6%	-0.1%	2.6%	0.3%	-0.3%
Consumer Durables & Apparel	**1.0%**	0.7%	0.3%	-0.2%	1.2%	0.5%	-0.1%	0.9%	0.3%	-0.2%
Transportation	**1.7%**	1.3%	0.3%	0.0%	1.2%	-0.1%	-0.1%	1.9%	0.5%	0.1%
Semiconductors & Semiconductor Equipment	**27.6%**	27.3%	0.3%	-0.8%	25.4%	-1.9%	-1.0%	28.4%	1.1%	-0.8%
Media & Entertainment	**4.2%**	4.0%	0.3%	0.0%	3.7%	-0.2%	-0.1%	4.4%	0.5%	0.1%
Food Beverage & Tobacco	**1.9%**	1.7%	0.2%	-0.2%	1.5%	-0.2%	0.2%	2.0%	0.3%	-0.4%
Consumer Staples Distribution & Retail	**0.8%**	0.7%	0.2%	-0.2%	0.8%	0.1%	-0.2%	0.8%	0.2%	-0.1%
Utilities	**2.0%**	1.9%	0.1%	0.4%	1.3%	-0.6%	0.4%	2.3%	0.4%	0.4%
Health Care Equipment & Services	**0.6%**	0.5%	0.1%	0.0%	0.5%	0.1%	0.0%	0.6%	0.2%	-0.1%
Commercial & Professional Services	**0.2%**	0.0%	0.1%	0.1%	0.1%	0.1%	0.0%	0.2%	0.1%	0.1%
Telecommunication Services	**2.1%**	2.0%	0.1%	-0.1%	1.9%	-0.1%	-0.1%	2.2%	0.2%	-0.1%
Energy	**3.2%**	3.1%	0.1%	0.1%	2.1%	-1.0%	0.3%	3.6%	0.5%	0.1%
Equity Real Estate Investment Trusts (REITs)	**0.1%**	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%
Real Estate Management & Development	**0.8%**	0.9%	-0.1%	0.0%	1.0%	0.1%	0.0%	0.8%	-0.1%	0.0%
Household & Personal Products	**0.2%**	0.3%	-0.1%	0.1%	0.3%	0.0%	0.1%	0.2%	-0.1%	0.1%
Pharmaceuticals Biotechnology & Life Sciences	**1.8%**	1.9%	-0.1%	0.1%	1.8%	-0.1%	0.2%	1.8%	-0.1%	0.1%
Insurance	**2.2%**	2.4%	-0.2%	-0.2%	2.4%	0.0%	-0.2%	2.2%	-0.3%	-0.2%
Consumer Services	**0.8%**	1.0%	-0.2%	0.1%	0.9%	-0.1%	0.1%	0.8%	-0.3%	0.1%
Banks	**13.3%**	13.7%	-0.3%	-0.4%	14.0%	0.3%	-0.5%	13.1%	-0.5%	-0.3%
Consumer Discretionary Distribution & Retail	**2.8%**	3.2%	-0.3%	0.3%	3.4%	0.3%	0.2%	2.6%	-0.5%	0.3%
Automobiles & Components	**2.0%**	2.4%	-0.4%	0.2%	2.6%	0.3%	0.0%	1.8%	-0.6%	0.3%
Software & Services	**0.4%**	1.0%	-0.5%	0.2%	0.7%	-0.3%	0.3%	0.3%	-0.6%	0.1%
Materials	**3.9%**	5.4%	-1.5%	0.5%	3.6%	-1.8%	0.4%	4.1%	-1.4%	0.6%
Technology Hardware & Equipment	**14.9%**	17.0%	-2.1%	-0.9%	18.3%	1.3%	-0.6%	13.6%	-3.4%	-1.0%

Source: FactSet, Morningstar, Morgan Stanley Research. Note: Data as of Jun 30, 2026. Please contact us if you would like to receive the full table. For more details see Asia EM Equity Strategy: Flows & Positioning Guide (6 Aug 2026).

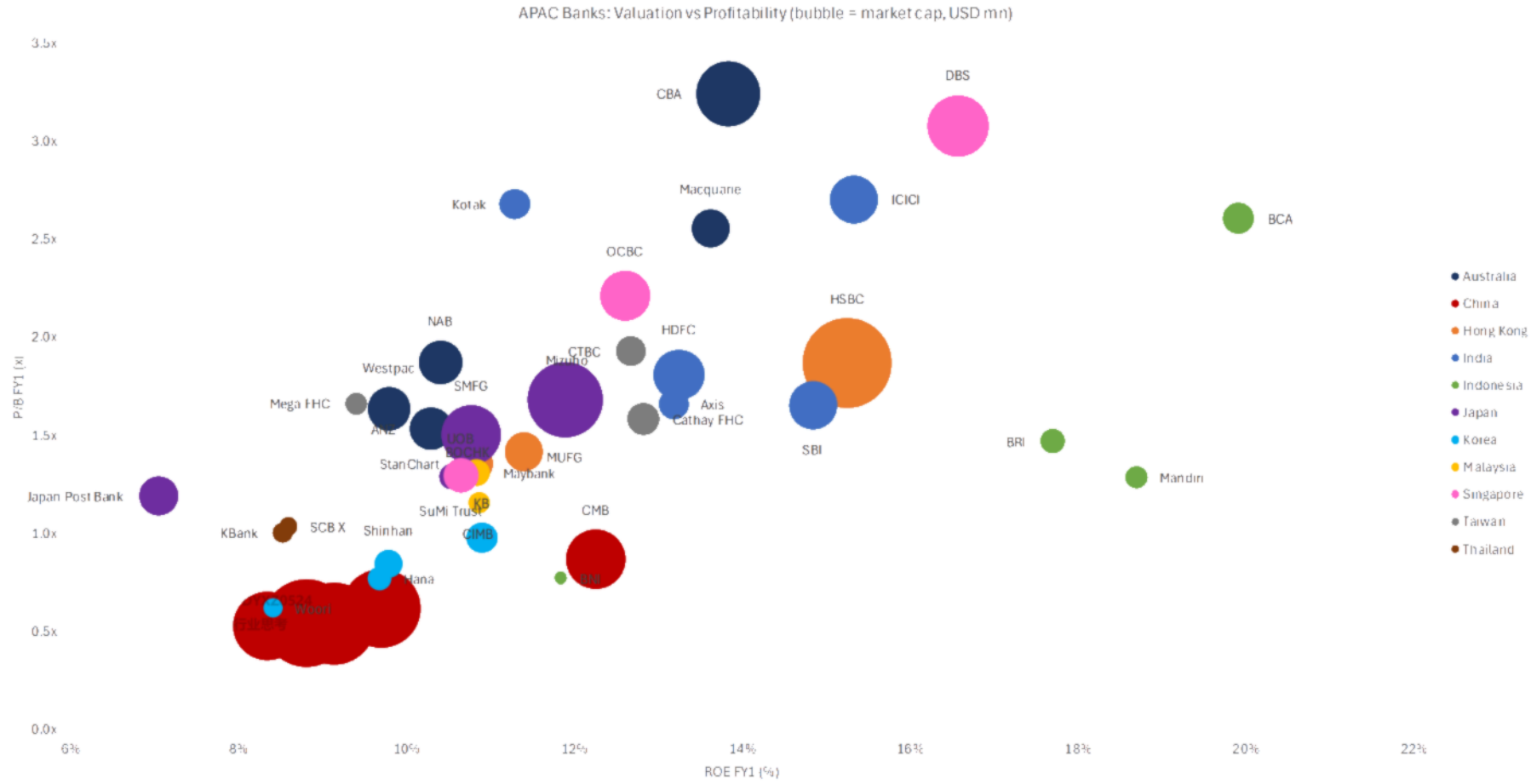
Morgan Stanley

Morgan Stanley Asia Pacific ex Japan Focus List

Company Name	Ticker	Rating	Market	GICS Sector	Mkt Cap (US$bn)	Date Added	Total US$ Returns Since Added	12M Total Return Perf.		Last Price	Upside to Target Price	MS P/E		MS P/Book	MS ROE	MS Div. Yld	MS P/Sales	Analyst
												2026E	2027E	2026E	2026E	2026E	2026E	
ASPEED Technology	5274.TWO	OW	Taiwan	Information Technology	26.8	28-Jul-26	24.1%	242.7%	✓	16,065.0	30.0%	83.6x	59.2x	55.3x	66.1%	1.0%	48.0x	Yen, Daniel
BHP Group	BHP.AX	OW	Australia	Materials	224.1	29-Jan-26	34.5%	74.8%	✓	66.2	1.2%	18.2x	18.6x	4.4x	24.5%	3.5%	3.9x	Anand, Rahul
Contemporary Amperex Technology	300750.SZ	OW	China	Industrials	285.5	25-Mar-26	-4.4%	28.5%		363.6	63.7%	17.5x	13.4x	-	NA	2.9%	3.2x	Lu, Jack
Delta Electronics	2308.TW	OW	Taiwan	Information Technology	153.0	26-Mar-25	392.3%	150.7%	✓	1,840.0	46.7%	44.3x	28.3x	10.9x	24.5%	0.6%	6.2x	Yang, Derrick
Gulf Development	GULF.BK	OW	Thailand	Utilities	29.5	30-Jul-26	-2.5%	38.9%		63.3	34.4%	26.4x	23.7x	2.7x	10.1%	1.9%	6.0x	Maheshwari, Mayank
Hana Financial Group	086790.KS	OW	S. Korea	Financials	24.7	21-Jul-25	58.0%	75.0%	✓	136,300.0	10.1%	8.2x	7.4x	0.8x	9.4%	3.7%	2.6x	Seok, Joon
Hanwha Aerospace	012450.KS	OW	S. Korea	Industrials	41.6	26-Sep-25	9.8%	27.6%		1,102,000.0	27.0%	23.5x	17.5x	4.8x	20.3%	0.6%	1.9x	Seok, Joon
Larsen & Toubro	LART.NS	OW	India	Industrials	58.9	15-Apr-26	-2.1%	4.8%		4,030.0	11.2%	28.8x	24.3x	4.7x	16.2%	1.2%	1.8x	Achhipalia, Girish
LS Electric	010120.KS	OW	S. Korea	Industrials	21.9	28-Jul-26	26.3%	271.8%	✓	207,500.0	30.1%	56.1x	42.3x	14.2x	25.3%	1.0%	5.0x	Kim, Ryan
NAURA Technology Group	002371.SZ	OW	China	Information Technology	82.3	16-Jun-26	4.8%	99.6%	✓	699.8	16.9%	55.0x	37.6x	9.9x	17.9%	0.3%	10.8x	Chan, Charlie
PTT Exploration & Prod	PTTEP.BK	OW	Thailand	Energy	17.6	24-Feb-26	4.9%	38.2%		148.5	9.8%	10.8x	10.5x	1.1x	10.1%	5.3%	2.0x	Maheshwari, Mayank
Samsung Electronics	005930.KS	OW	S. Korea	Information Technology	1392.0	21-Jul-25	293.8%	283.6%	✓	260,000.0	46.5%	5.3x	3.6x	2.6x	48.3%	1.6%	2.7x	Kim, Shawn
Singapore Exchange	SGXL.SI	OW	Singapore	Financials	21.6	18-Nov-24	134.3%	59.0%	✓	25.5	8.5%	36.1x	32.3x	10.9x	30.1%	1.8%	18.3x	Lord, Nick
SK hynix	000660.KS	OW	S. Korea	Information Technology	827.7	19-May-26	5.7%	533.9%		1,674,000.0	55.3%	4.6x	3.7x	3.1x	67.0%	0.3%	3.5x	Kim, Shawn
Standard Chartered	2888.HK	OW	Hong Kong	Financials	68.2	5-Aug-26	-1.3%	65.1%		230.8	14.0%	12.7x	11.0x	1.4x	10.8%	2.4%	3.1x	Lord, Nick
Taiwan Semiconductor Manufacturing	2330.TW	OW	Taiwan	Information Technology	1944.2	5-Aug-26	1.8%	102.4%		2,405.0	24.2%	21.7x	16.6x	8.0x	37.1%	1.1%	11.4x	Chan, Charlie
Wiwynn	6669.TW	OW	Taiwan	Information Technology	35.0	19-May-26	49.1%	137.5%	✓	7,095.0	5.7%	19.8x	15.2x	8.0x	40.5%	2.0%	0.8x	Kao, Howard
Zijin Mining Grp Co Ltd	2899.HK	OW	China	Materials	129.3	18-Aug-26	3.2%	47.7%	✓	36.6	66.6%	11.0x	9.7x	3.4x	30.6%	2.3%	1.8x	Zhang, Rachel

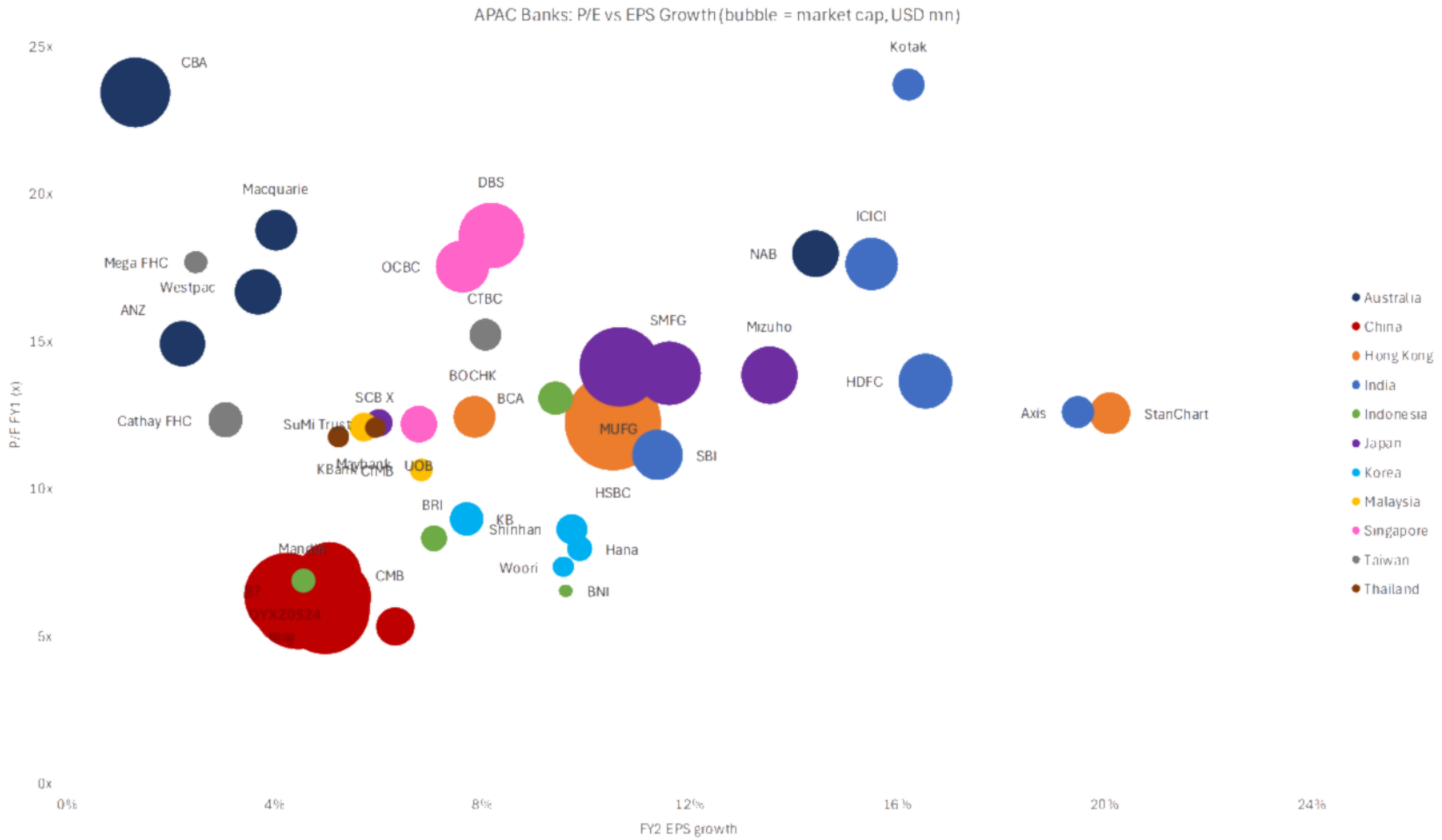
Source: ModelWare, RIMES, FactSet, Morgan Stanley Research. Note: OW = Overweight, Data as of Aug 31, 2026. The US$ total return of the Morgan Stanley Asia Pacific ex Japan Equity Strategy Focus List since inception on April 23, 2009, is 700.9% (MSCI APxJ Index total return is 473.4%). This assumes the Focus List constitutes an equal-weighted portfolio, rebalanced whenever positions are added or subtracted. Results shown represent total absolute return (including dividends) and exclude brokerage commissions. These figures are not audited. Past performance is no guarantee of future results. The tick mark indicates the stock has outperformed MSCI Asia Pacific ex Japan Index since inclusion in the Focus List. For important disclosures regarding companies that are the subject of this screen, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures.

APAC – Major Banks: P/B vs. ROE Scatterplot



Source: FactSet, Morgan Stanley Research. Note: Data as of 1 Sep 2026; Consensus estimates shown

APAC – Major Banks: P/E vs. EPS Growth Scatterplot

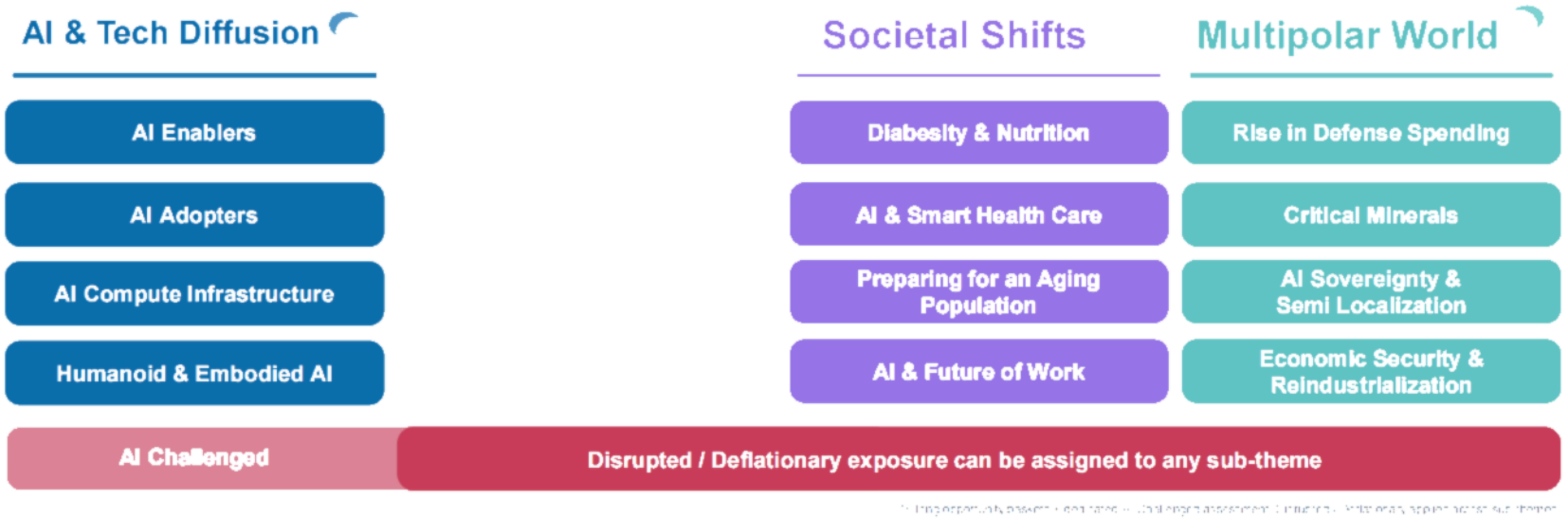


Source: FactSet, Morgan Stanley Research. Note: Data as of 1 Sep 2026; Consensus estimates shown

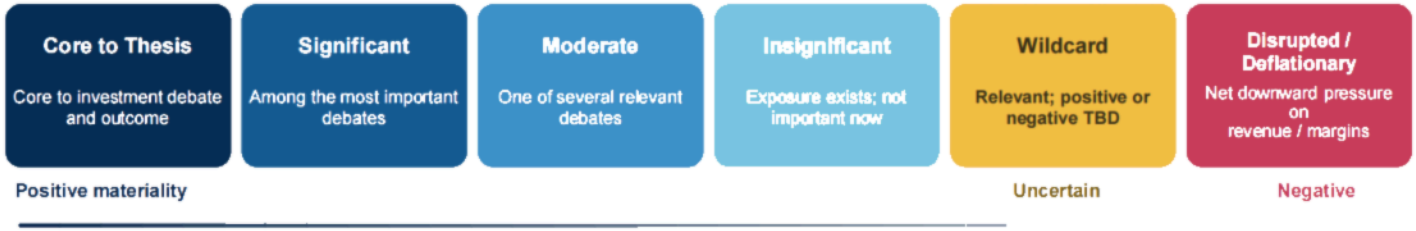
Morgan Stanley

Asia's Competitive Reinvention – Morgan Stanley's Core Themes Are Driving Transformation and Thematic Opportunity

Thematic Structure: Four Core Themes, 16 Sub-themes and a Disruption/Deflation Layer



Materiality Scale: Separates Thematic Association from Investment Relevance



Source: Morgan Stanley Research

Morgan Stanley

AI Adoption – Banks Are Net Beneficiaries, with a Cost, Productivity and Operating Leverage Tailwind

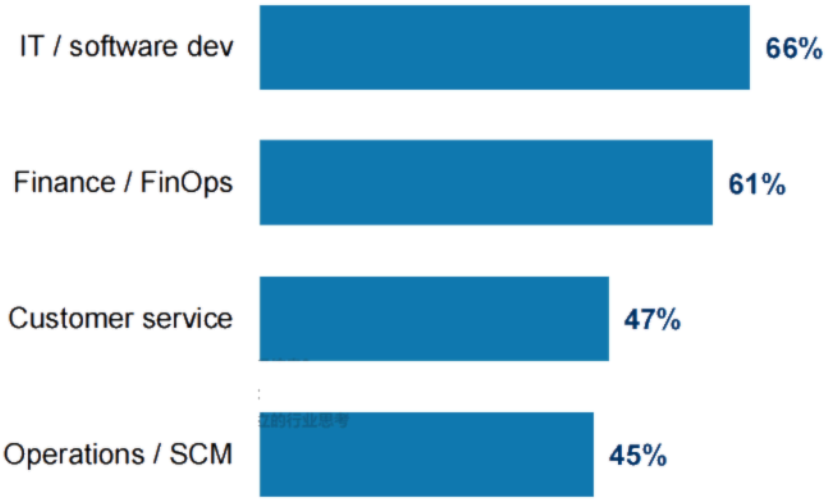
~10%
net productivity gain over the LTM across global banks

20–50%
expected gains across wholesale banking, markets, advisory and ops functions

~18%
long-term uplift to bank pretax income once AI is fully embedded

41%
of global banks cite positive financial impact / ROI as the top AI outcome

Largest productivity gains sit in banks' highest-cost functions (% of global bank respondents)



Where the gains show up

- Freed capacity is pushed back into client-facing and advisory roles – the same headcount carries more revenue
- Advisors spend more time servicing and prospecting; better investment decisions, wider product suite and improved client experience drive more wealth flows per advisor
- Durable operating leverage rather than a one-time efficiency gain

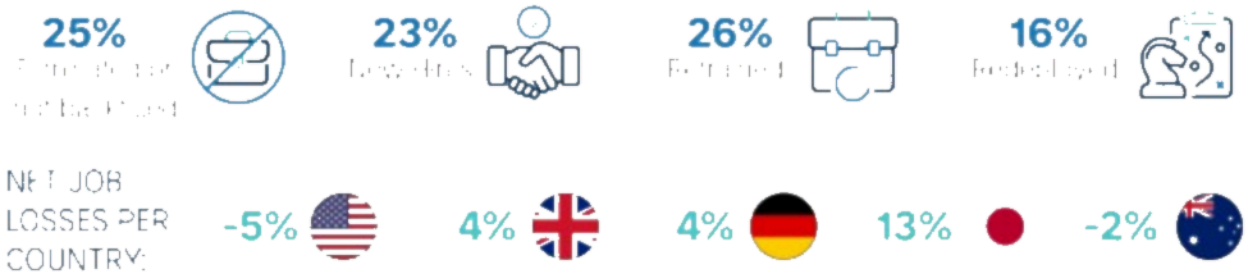
Deployment friction – and why it is not a revenue risk

- Top hurdles: trust/security and reputational risk (23%), data readiness (22%), legacy integration (22%), AI skills shortage (22%)
- None point to AI eroding banks' revenue base; the largest banks have a multi-year head start on data governance, in-house cyber tooling and enterprise-wide upskilling

Source: Morgan Stanley Research / AlphaWise – "Global Thematics: AI Adoption and the Future of Work: Sector Deep Dive" (July 19, 2026); "Thematic Investing: AI Adoption and the Future of Work"

Morgan Stanley

Workforce Impact – Talent Upgrade and Redeployment, Not Broad-Based Job Cuts – Attrition Is the Main Lever



JPM: ~$20bn

2026 tech budget; ~$2.3bn (~25%) of the ~$9.2bn investment budget is AI-linked

Talent upgrade, not a headcount cut

- Losses skew offshore and toward less experienced (two- to 10-year) roles, while hiring targets 2–10 years of experience in AI, data governance, and risk.
- BofA frames this as "augmented intelligence"; JPM guides to more AI people and fewer bankers in certain categories, growing client-facing roles while shrinking ops and support (CCB accounts per ops employee +6% y/y)

Australia: redesign over replacement

- Task redesign, workforce mix and productivity – capacity shifting from "run the bank" to "change the bank"
- Next 12 months: re-skilling and redeployment; leaner process-heavy roles, growth in CRM, data and analytics, risk and transformation

Source: Morgan Stanley Research / AlphaWise – "Global Thematics: AI Adoption and the Future of Work: Sector Deep Dive" (July 19, 2026); "Australia Macro+: The Future of Work Downunder" (July 19, 2026); "Thematic Alpha: What Are Companies Saying About AI Adoption Benefits & AI's Impact on Labor?" (July 8, 2026)

Morgan Stanley

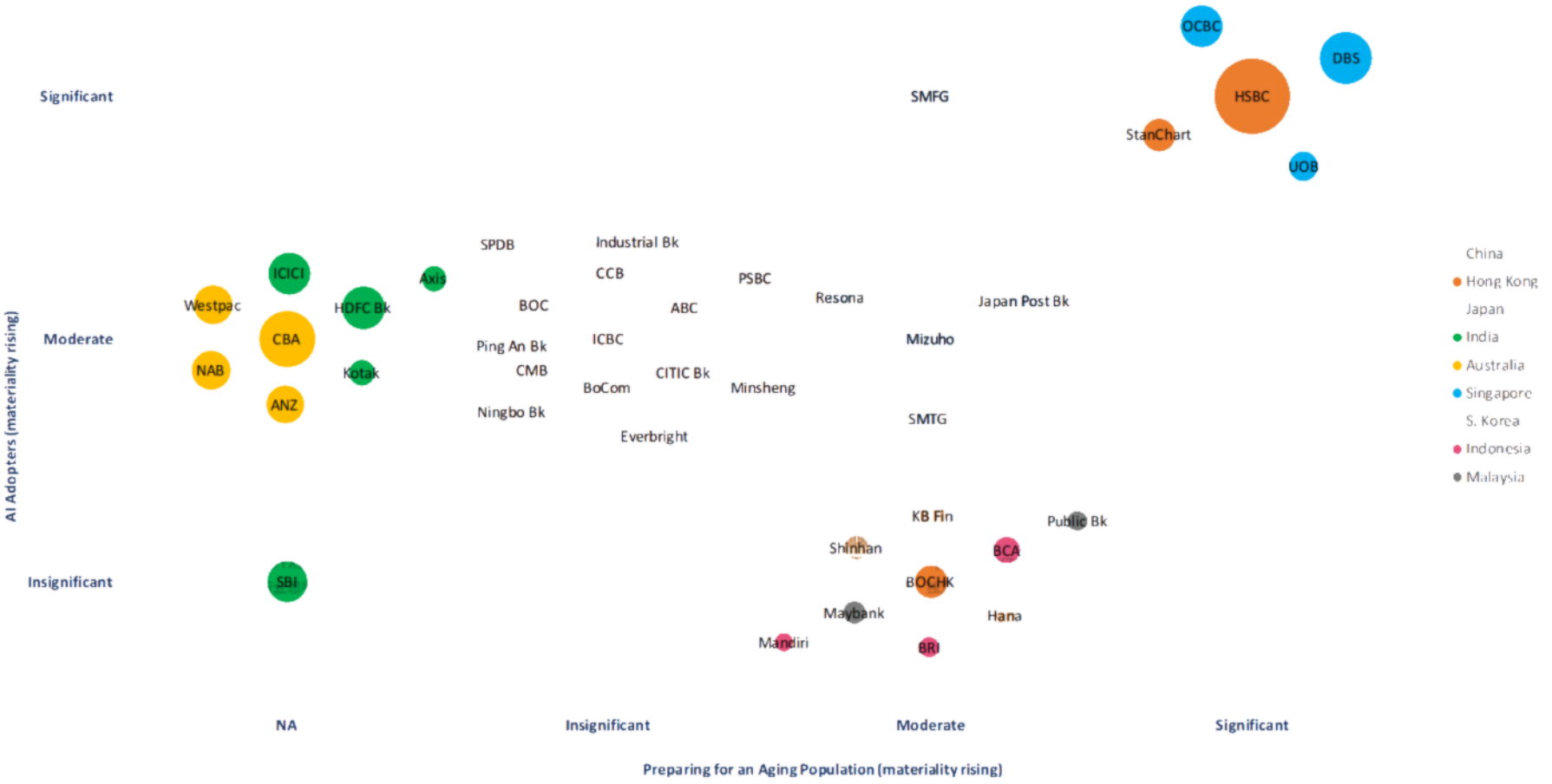
Thematic Exposure by Sector – Financials Skewed to AI Adopters and Aging Society, but Also Face Second-Greatest Share of AI Challenge, behind Technology

	AI & Tech Diffusion				Future of Energy				Societal Shifts				Multipolar World				AI Challenged
	AI Enablers	AI Adopters	AI Compute Infrastructure	Humanoid & Embodied AI	Powering AI	Nuclear Renaissance	Renewable & Energy Storage	Globalization of Gas	Diabesity & Nutrition	AI & Healthcare	Aging Society	AI & the Future of Work	Rise in Defense Spending	Critical Minerals	AI Sovereignty & Semi Localization	Economic Security & Reindustrialization	
Technology	**44%**	20%	**41%**	**33%**	15%	5%	8%	3%	3%	2%	1%	13%	17%	3%	**48%**	12%	33%
Industrials	19%	15%	19%	**45%**	19%	20%	24%	17%	8%	5%	8%	13%	**39%**	13%	14%	20%	13%
Materials	8%	5%	10%	10%	20%	22%	32%	11%	10%	3%	6%	0%	24%	**57%**	10%	22%	1%
Energy/Utilities	12%	7%	13%	1%	**39%**	**45%**	23%	**55%**	0%	0%	0%	0%	1%	7%	2%	20%	0%
Healthcare	3%	9%	1%	2%	1%	1%	1%	2%	35%	**76%**	45%	14%	1%	1%	2%	3%	3%
Financials	3%	20%	2%	0%	1%	3%	4%	4%	0%	4%	25%	0%	1%	15%	3%	6%	24%
Telecom Services	4%	3%	9%	1%	0%	1%	0%	0%	0%	0%	0%	29%	12%	0%	15%	3%	1%
Transportation	2%	4%	0%	7%	2%	0%	2%	7%	1%	0%	2%	16%	0%	2%	0%	6%	4%
Real Estate	1%	4%	4%	0%	1%	0%	4%	0%	1%	3%	4%	5%	4%	0%	4%	5%	5%
Consumer Staples	1%	4%	0%	1%	0%	0%	0%	0%	29%	5%	8%	3%	0%	0%	0%	2%	0%
Media & Entertain.	2%	4%	1%	1%	0%	1%	0%	0%	0%	0%	0%	5%	1%	0%	2%	0%	13%
Discretionary Retail	0%	4%	0%	1%	0%	0%	0%	0%	11%	0%	2%	0%	0%	0%	0%	0%	3%

Source: FactSet, Morgan Stanley Research; Includes Core-to-Thesis, Significant and Moderate exposures as share of sector, by stock count

Morgan Stanley

Hong Kong and Singapore Banks Have Strongest Exposure to Core Themes of AI Adoption and Preparing for an Aging Society



Source: Morgan Stanley Research; Size = market capitalisation

AI Challenged (Share of Morgan Stanley Coverage Facing Moderate or Greater Challenges)

GICS Industry Group	Americas	APAC	EMEA	All Regions
Energy				
Energy	0%	0%	0%	0%
Materials				
Materials	0%	0%	1%	0%
Industrials				
Capital Goods	5%	2%	1%	3%
Transportation	22%	2%	13%	11%
Commercial & Professional Services	23%	19%	35%	25%
Consumer Discretionary				
Consumer Services	7%	13%	15%	11%
Consumer Discretionary Distribution & Retail	3%	6%	42%	10%
Automobiles & Components	59%	4%	6%	12%
Consumer Durables & Apparel	0%	14%	0%	8%
Consumer Staples				
Food Beverage & Tobacco	0%	0%	0%	0%
Consumer Staples Distribution & Retail	5%	0%	11%	5%
Household & Personal Products	0%	0%	0%	0%
Health Care				
Pharmaceuticals Biotechnology & Life Sciences	2%	0%	10%	2%
Health Care Equipment & Services	0%	0%	26%	4%
Financials				
Banks	19%	34%	3%	21%
Financial Services	12%	32%	11%	19%
Insurance	0%	29%	10%	12%
Information Technology				
Software & Services	45%	44%	25%	43%
Technology Hardware & Equipment	0%	1%	0%	1%
Semiconductors & Semiconductor Equipment	0%	0%	0%	0%
Communication Services				
Media & Entertainment	12%	50%	61%	36%
Telecommunication Services	0%	6%	0%	2%
Utilities				
Utilities	0%	0%	0%	0%
Real Estate				
Equity Real Estate Investment Trusts (REITs)	10%	8%	0%	8%
Real Estate Management & Development	17%	4%	0%	6%

- Asian Financials are deemed to face greater challenges from AI disruption than peers in Americas and EMEA.
- This likely reflects a wider differential in terms of the pace of adoption between leaders and laggards in the region.

Source: FactSet, Morgan Stanley Research; Includes Core-to-Thesis, Moderate exposures as share of sector, by stock count

