29 April 2025, 07:54PM UTC
Chief Investment Office GWM
Investment Research

Tariff Q&A

Investing in China

Authors: Yifan Hu, CIO Greater China and Head Macroeconomics APAC, UBS AG Hong Kong Branch; Eva Lee, CFA, Strategist, UBS AG Hong Kong Branch; Kathy Li, CFA, Macro Strategist, UBS AG Hong Kong Branch; Allen Pu, CFA, Analyst, UBS AG Hong Kong Branch; Teck Leng Tan, CFA, Strategist, UBS AG Singapore Branch; Sundeep Gantori, CFA, CAIA, CIO Equity Strategist, UBS AG Singapore Branch; Eve Li, CFA, Credit Strategist, UBS AG Hong Kong Branch; Stephanie Choi, CIO Sustainable and Impact Investing Strategist, UBS AG Hong Kong Branch; Jessie Ren, Strategist, UBS AG Hong Kong Branch

- It may take time for China and the US to reach an agreement if any talks restart, as their gap on tariffs could remain large. China is expected to ramp up policy support to mitigate tariff impact.
- We recommend a defensive positioning towards select SOEs in financials, energy, utilities, and telecom sectors. Within China tech, we prefer online gaming and travel platforms with robust cash flow.
- On fixed income, we think Asia IG offers an attractive carry and prefer an average duration of five years.
- We expect USDCNY to trade in a narrow band and reach 7.2 by year-end.

Source: UBS Database

Special contribution:
Julian Wee, Investment Writer

Key macro messages
1Q GDP beat expectations on frontloading and consumption recovery
Tariff pressure to trigger incremental policy support
Politubro called for faster policy implementation and timely policy rate cuts
Equities
Short-term: Book profit on China Tech and switch back to defensives
Defensive: High-yielding SOEs in utilities, telecom, energy and financial
Long-term sector picks
Value proposition: Beverage, Restaurant services, Dairy
Global presense: Online gaming, EVs
Tech: Semi solutions, AI ecosystem, Select battery maker leaders
Bonds
Attractive
IG bonds with average duration of five years
Select short-tenor Macau gaming bonds
Unattractive
China property: HY developers less likely to benefit from policy easing
Currencies
Reducing hedges on CNY as environment should turn constructive

Inside pages

Tariff Q&A

Yifan Hu, Regional CIO & Head Macroeconomics APAC
Eva Lee, CFA, Head CIO Equities Greater China
Kathy Li, CFA, CIO Macro Strategist
Allen Pu, CFA, CIO Equity Strategist

After the aggressive tit-for-tat tariff rate hikes earlier this month, investors are still nervously watching the standoff between China and the US. Below, we address some frequently asked questions about how the China-US trade dispute might evolve, and how this could affect China equities.

Are US and China even talking yet? Will they reach a deal soon?
China appears to be in no hurry to enter into trade talks with the US yet. Beijing's stance is clear: "if there is a fight, we are ready; if there is an opportunity to talk, we are open". In our view, this implies it prefers "letting the bullet fly for a while"—i.e., waiting for the US to back down from its tariffs first. China has officially denied formal negotiations with the US thus far. In our view, we think the US tariffs should at least fall to sub-34% as a reasonable starting point before China comes to the table to talk.

Negotiations are also impacted by trade dependencies. The US heavily depends on China's electronic imports, especially smartphones, PC monitors and laptops, which account for over 65% of total US imports. That is likely why the US has thus exempted most of these products—worth near USD 100bn, or 20% of total imports from China.

In contrast, it seems easier for China to diversify its imports from the US. Two items stood out: for large imports of US aircraft, China may incrementally increase the share of EU aircraft instead. For agricultural imports like soybeans, China may shift more purchases to other suppliers like Brazil and Argentina.

Altogether, the gap between the US and China on tariffs could remain large. Thus, in our view, it will likely take time to reach an agreement if any talks start. As a whole, we do not expect a deal soon despite Trump's back-and-forth positioning over tariffs.

We think the US tariffs should at least fall to sub-34% as a reasonable starting point before China comes to the table to talk.

Who will be hit more by tariffs: the US or China?
The current tariffs could hurt the US more than China, in our view. For the US, we now expect economic growth of 1.5% for 2025, down from 2.8% in 2024. Inflation may rise by 1-2ppts (from the current level of around 3%) if the proposed tariffs are sustained. Consumer confidence has marked the fourth consecutive month of decline in April, adding to investor fears that this will spill over to weaker actual spending and labor market. The Federal Reserve may cut 75-100bps this year in response to signs of economic weakness, in our view.

For China, we expect a GDP growth hit of about 200bps for 2025-26, making the official 2025 growth target of "around 5%" more challenging. The Politburo has called for faster policy implementation, timely reserve requirement ratio (RRR) and interest rate cuts, and signaled an incremental stimulus plan for worst-case scenarios. China will also likely provide policy support in both the short and long term, which has been termed the 'self-betterment' strategy. In the short term, 1) Beijing could cut the RRR by 100-200bps and interest rates by 30-50bps; 2) there could also be an incremental CNY 1-3tr in fiscal stimulus to support consumption and cushion the property market; 3) we expect intervention from the 'national team' to soften potential blows on the equity market. Stronger policy support will likely cushion GDP growth to about 4% in 2025, in our view. In the long term, China plans to continue emphasizing tech innovation, with the new open-source AI-related infrastructure and cheap hardware, supported by a strong manufacturing capability.

What other tools does China have in its toolbox?
China has several key tools at its disposal, in our view. First, the ability to keep the CNY stable via strong fixing and no supply-chain cuts, which means that US corporates and consumers will have to shoulder tariff costs. Second, the country's willingness to purchase more energy and agriculture goods if needed. Third, tighter rare earth control, with China representing around 70%-80% of global production. Finally, Beijing still retains several negotiation

tools, including fentanyl control, the repatriation of illegal immigrants, and cooperation on geopolitical flash points including Ukraine-Russia and Middle East issues.

Moreover, China also visibly plans to build on its past efforts to strengthen non-US trade and investment relationships. Direct investment and supply chain localization may be further enhanced between China and the EU, Middle East and ASEAN etc. Indeed, President Xi has just completed a visit to Vietnam, Malaysia, and Cambodia on 14-18 April, signing several cooperation agreements. Also, China and the EU have planned a July summit, and initiated negotiations to suspend the EU's tariffs on Chinese electric vehicles (EVs).

Over the medium to long term, we think China would likely promote CNY globalization and increase the CNY's role in global reserves and trade settlement, with more currency swaps and CNY-denominated trade blocs. To diversify from USD holdings, Beijing appears poised to accelerate plans to develop the digital CNY-based SWIFT system.

US reliance on imports from China is high for some consumer goods

Key US imports from China (2024 value)

Product	Total US imports (USD bn)	China exports to US (USD bn)	China share in US total imports (%)
Game consoles	7	6	86
PC monitors	6	5	79
Toys	18	14	76
Smartphones	56	41	73
Lithium-ion batteries	22	16	70
Laptops	49	32	66
Plastic products	10	4	38
Wireless headphones	56	8	14
Computer parts	51	4	9
Medicine	85	6	7

Source: US International Trade Commission, Bloomberg

Are China equities attractive?

We remain Neutral on China equities in the near term, largely on account of the ongoing volatility and uncertainty from US-China trade tensions. Although China equities have outperformed year-to-date and current valuations remain attractive (with the forward P/E stll well below historical average), we advise patience until there is clear progress on trade talks. After all, negotiations with the US could be prolonged and difficult, with Beijing unlikely to make major concessions early.

Despite this cautious stance, selective opportunities exist. We prefer skewing towards defensive state-owned enterprises (SOEs) in financials, energy, telecom, and utilities, which offer yields above 6% and resilience amid tariff and growth risks. Within China tech, we prefer online gaming and travel platforms with robust cash flows. Over the medium to long term, leading EV manufacturers appear attractive for their superior technology features and pricing advantages.

How high is the risk of ADR delisting? Will Hong Kong's market benefit?

The risk of American Depository Receipts (ADR) delisting remains heavily dependent on whether elevated US-China tensions escalate, especially with the potential for additional tech restrictions and secondary tariffs. In a downside scenario involving forced ADR de-listings, China's equities could see an 8-14% derating, highlighting the need for investors to stay alert to policy shifts and geopolitical developments.

That said, we believe the overall impact of a delisting is likely to be contained. Most major mainland Chinese firms have already secured dual or secondary listings in Hong Kong, with over 80% of mainland Chinese ADRs in the MSCI China basket now tradable in Hong Kong. Since the ADR issue was raised in 2020, leading internet names listed in the US have started moving their secondary or even primary listings to Hong Kong. Over 60% of their shareholdings are now traded in Hong Kong, an increase of 30 percentage points over the past three years. As a result, even if delistings occur, we think shareholders will for the most part have a clear alternative avenue to access their holdings. Such an event could prove beneficial to the Hong Kong market as it would increase liquidity and trading activity.

The greater risk lies in potential US restrictions on general US investors' ownership of mainland Chinese companies, which could have broader implications. Overall, while the ADR delisting risk is real, it is largely mitigated by the robust Hong Kong listing infrastructure, in our view.

MSCI China now trading 10.7x forward PE vs. the average of 11.6x

Historical trend of MSCI China forward PE

Source: Bloomberg

Tariff pressure is expected to prompt incremental policy support.

1Q GDP beat ahead of tariff hit

Yifan Hu, Regional CIO & Head Macroeconomics APAC
Kathy Li, CFA, Macro Strategist

Key data trends

- 1Q GDP grew 5.4% y/y, beating expectations, driven by export front-loading and consumption recovery.
- March retail sales growth improved further to 5.9% y/y, helped by trade-in subsidies. Investment growth steadied at 4.2% y/y, with manufacturing strong (9.1% y/y) and infrastructure resilient (5.8%); property remained a drag (-9.9%). Exports grew by 12.4% y/y on front-loading.
- CPI is likely to stay near muted (1Q: -0.1% y/y), while PPI is likely to stay negative for most of the year (1Q: -2.3%).

Key policy trends

- On the fiscal front, we expect additional CNY 1-3tr worth of stimulus measures, on top of the ~CNY 2tr funding unveiled at the NPC for 2025. The package may involve consumption support, including the expansion of trade-in subsidies, nationwide subsidies to newborns, and targeted support for service and export-oriented business.
- Monetary policy could see more easing. We expect 100-200bps of RRR cuts and 30-50bps of policy rate cuts within 12 months, with the next cut likely restarting in 2Q.

Key highlights

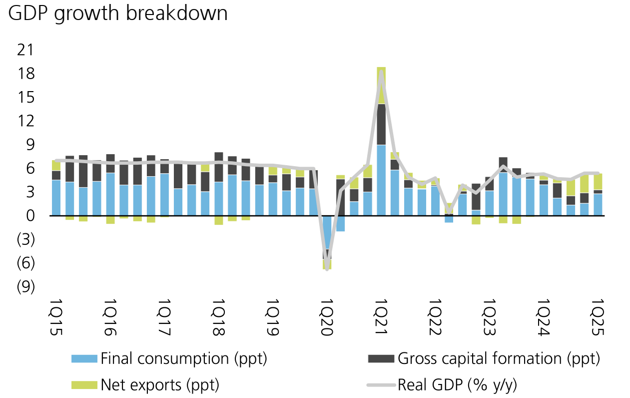
- The April Politburo meeting had a pro-growth tone but lacked concrete measures or details. Top leaders urged accelerating existing policy implementation and called for timely cuts to RRR and policy rates. They also talked about the need to stabilize the housing market, resolve local debt risk, and roll out incremental countercyclical measures when needed, signaling a reactive and patient policy approach to tariff developments and the economic situation.

Recent reports

- China's 1Q GDP beat expectations ahead of tariff hit, 17 Apr 2025
- China's March export growth beat on frontloading, 14 Apr 2025
- China's March credit growth beat expectations, 14 Apr 2025

1Q GDP beat with export frontloading and consumption recovery

GDP growth breakdown



Source: CEIC, NBS

> We recommend maintaining a defensive positioning stance, with a preference for select state-owned enterprises in the financial, energy, utilities, and telecom sectors.

Stay defensive in the near term

Eva Lee, CFA, Head CIO Equities Greater China
Arafat Alafate, Analyst

Performance

- The MSCI China Index has declined 5% month-to-date in April, primarily due to a higher equity risk premium stemming from escalating uncertainties surrounding the China-US trade conflict.

Key trends

- **Delisting threat could drive more homecoming.** Although China and the US settled the auditing issue back in late 2022, ADR delisting risks have resurfaced amid intensifying China-US tensions. However, mainland China ADRs are now more prepared for the delisting threat compared to three years ago as over 80% of mainland China ADRs in the MSCI China basket are already listed in Hong Kong; and more importantly, already over 60% of the trade in the shares is done in Hong Kong. The key concern is whether the US government would place restrictions on US investors' ownership, which we would clearly see hurting US investors the most.

- **Near-term impact of H20 restrictions is limited.** The US has introduced new rules restricting the sale of NVIDIA's H20 GPU to China, closing previous loopholes that allowed downgraded "compliant" chips to bypass export controls. The new rules require companies to obtain licenses from the US government to build up computing capacity in select countries. While these measures aim to limit China's access to advanced AI hardware, the near-term impact on China's major tech companies is expected to be limited as they have already stockpiled significant quantities of high performance chips in anticipation of tighter regulations. Additionally, as AI demand shifts more to inference, the deployment of domestically-made chips is increasing among hyperscalers' infrastructure build-up.

- **Be patient and stay defensive.** We anticipate that the dispute between the US and China will persist, and investors should prepare for continued high volatility. In light of ongoing uncertainties, we recommend maintaining a defensive positioning stance, with a preference for select state-owned enterprises in the financial, energy, utilities, and telecom sectors. Within the China tech space, we favor leading digital entertainment companies, whose earnings tend to be more resilient and counter-cyclical compared to those of e-commerce and advertising-focused online portals.

Recent reports

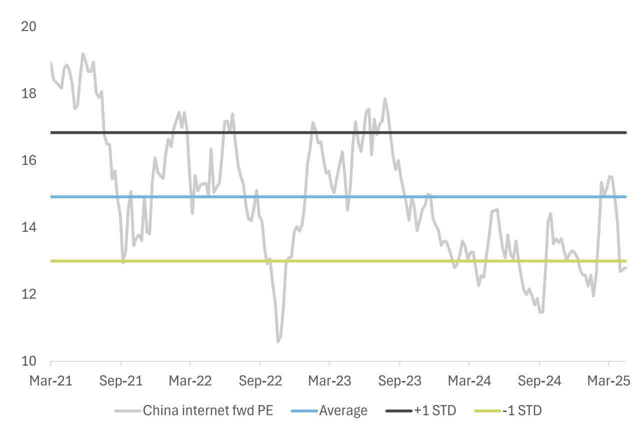
- Most asked questions on China's internet stocks, 22 Apr 2025

- Surfing through the tariff challenge, 3 Apr 2025

Some reports may not be available to investors of UBS Financial Services Inc.

China internet sector forward PE now below -1 STD from the average since 2021

Historical trend of China internet forward PE



Source: Refinitiv Eikon, UBS

We think Asia IG offers an attractive carry opportunity and continue to prefer an average duration of five years.

Positioning in light of tariffs

Eve Li, CFA, CIO Credit Strategist

Performance

- China IG bonds have lost 0.6% month-to-date (+1.8% YTD, 5.0% yield-to-worst), driven by both a wider spread and higher US Treasury yields. China HY bonds have been largely unchanged, up 0.1% (+4.6% YTD, 17.4% YTW) as property bonds continued to grind higher. The 10-year US Treasury yield is up 9bps year-to-date at 4.30%.

Key trends

- China credit has experienced volatile trade since the 2 April "Liberation Day" as the market digested the initial worse-than-expected reciprocal tariffs and subsequent signs of easing trade war escalation. The space saw credit spread widen by 25bps at one time due to risk-off sentiment and preparation for potential redemption by fund managers. It has since experienced some spread tightening following the temporary reciprocal tariff exemption on electronics products. That said, month-to-date, China credit is still around 20bps wider, with the fluid trade situation preventing investors from turning to an immediate risk-on mode.

- Chinese USD bond issuers, similar to their Asian peers, are overall resilient amid the tariff risk. By sector, sovereign, quasi-sovereign, and financial account for 70% of China IG index, followed by TMT (16%). For HY, financial (42%), real estate (37%), and quasi-sovereign (7%) together make up 86% of the index. The overall domestic-oriented business profile and state support largely point to a manageable direct shock from tariffs, except for a few tech hardware names. However, the second-order impact from the tariffs has yet to be observed, which could weigh on sectors such as financial, discretionary consumption, and real estate if the economy experiences a broad slowdown.

Investment ideas

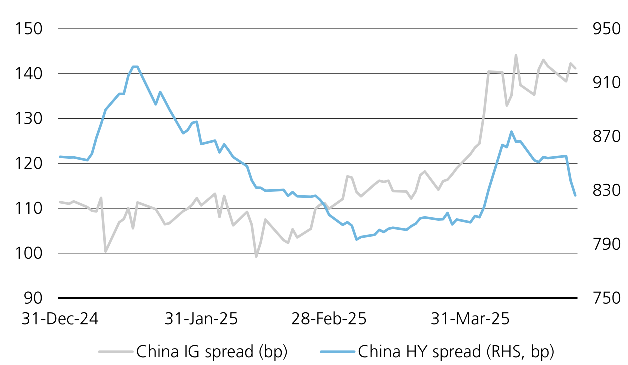
- Given the still evolving tariff situation, we think it makes sense to position portfolios in a defensive manner. We continue to favor IG over HY, and think the current yield level of 5.5% represents attractive carry opportunities forAsia IG. For investors with a higher risk appetite, select short-tenor bonds of Asia BB names that have sold off disproportionately also offer value. We still prefer an average duration of five years.

Recent reports

- Indonesia credit: Position defensively, 17 April 2025
- Positioning in light of tariffs, 16 April 2025
- SGD bonds: A shelter in turbulent times, 9 April 2025

Some reports may not be available to US-onshore investors.

China credit's spreads are still wider following tariff announcements



Source: JP Morgan, UBS, as of 23 April 2025

> We believe the most challenging period for the CNY is likely behind us.

Poised for gradual recovery

Teck Leng Tan, CFA, CIO FX Strategist
Jessie Ren, Analyst

April brought dramatic twists and turns in the US-China tariff saga, yet the CNY has stood its ground with remarkable stability. As broad USD weakness sets in and optimism over US-China trade relations gains traction, we believe the most challenging period for the CNY against the USD is now behind us. In response to these shifts, we are revising our USDCNY forecasts to 7.30, 7.25, 7.20, and 7.15 for June 2025, September 2025, December 2025, and March 2026, respectively—down from our previous projections of 7.40, 7.40, 7.30, and 7.30.

Multiple forces are shaping our expectation for a gradual downward trajectory in USDCNY. To begin with, the People's Bank of China (PBoC) has maintained a notably stable daily fixing since the escalation of the trade war, underscoring a clear commitment to anchor market expectations. In effect, with tariffs likely at their peak, this approach from the central bank should act as a ceiling for USDCNY. Additionally, the prospect of a US-China trade deal is back in focus. With tariffs appearing to have peaked and President Trump signaling a renewed urgency to reach an agreement, we believe the environment is turning more constructive for the CNY.

Furthermore, the backdrop for the US dollar has shifted dramatically. The once-dominant narrative of US exceptionalism has faded in the last few weeks, replaced by a rotation as global investors amid mounting uncertainty. Deteriorating PMIs and waning business confidence signal that the economic tide may be turning. With the Fed now expected to deliver 100bps of rate cuts this year, according to market pricing, further narrowing the US-China yield gap, and global investors increasingly hedging or reallocating away from US assets, the stage is set for continued USD weakness.

In the short term, we expect USDCNY will continue to trade in a narrow band around 7.30. Ongoing uncertainty over a trade deal and weak domestic demand are keeping the outlook cautious, but any new stimulus or support measures from China could help reassure markets.

Investment implications
Prospects: With broad USD weakness emerging and optimism over US-China trade relations building, we believe the most challenging period for the CNY is likely behind us. Investors may consider gradually reducing hedges on CNY positions, as the environment should turn more constructive for the CNY.

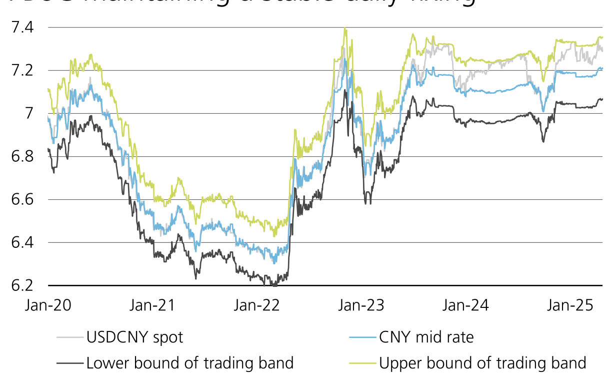
Risk factors: A quicker Fed easing cycle or significant breakthroughs in US-China trade negotiations could accelerate USDCNY's decline toward 7.20, while setbacks in trade talks or renewed domestic economic challenges in China may keep the CNY trading in a narrow range in the near term.

Boundaries: The PBoC's commitment to currency stability and peak tariffs should cap USDCNY's upside, making a move above 7.50 unlikely. Furthermore, we expect China to avoid leveraging the currency as a bargaining chip in upcoming US-China trade negotiations.

Recent reports

- Poised for gradual recovery, 25 Apr 2025
- Hold your hedges, 8 Apr 2025

USDCNY was not able to move higher, with the PBoC maintaining a stable daily fixing



Source: Daily data, UBS

AI adoption remains resilient despite macro uncertainty

Sundeep Gantori, CFA, CAIA, Equity Strategist
Delwin Kurnia Limas, CFA, Equity Strategist

Tech stocks witnessed a sharp volatility in the past few weeks amid the significant uncertainty from the US's recent reciprocal tariffs and China's retaliatory tariffs. While tech stocks' valuations have come down sharply, the situation is fluid given there are many uncertainties around tariff economics. These include how the increased cost sharing will be done with suppliers, the extent to which costs can be passed on to end-customers, and the duration of tariffs. The good news is that critical AI-based companies have manageable exposure to mainland Chinese tariff risks, as seen in the chart below. Indeed, mainland China as a share of US imports for servers is very low at around 5% versus 75% for smartphones, in our view.

The key focus, however, remains on the potential downside earnings revisions from tariffs still in place. While we believe the situation is fluid, the downside earnings risk appears more manageable to us following the recent tariff reprieve. We've previously highlighted three earnings scenarios for tech, and at the moment, the impact looks largely contained to the most benign scenario (manageable 3-5% downside earnings revisions).

While there are a lot of uncertainties due to a wide range of negative EPS outcomes, we believe investors should not lose hope and should instead look to the past to see how the stocks performed once the uncertainty was fully priced in. Global tech stocks today are tracking the 20%-plus correction witnessed in 2018, which was also due to a significant tariff escalation. Global tech earnings were revised down by 12% during that period. This suggests negative EPS revisions due to tariffs and resulting macroeconomic uncertainty are not new for tech. What is interesting is how tech stocks rebounded once the tariff uncertainty diminished on some policy updates and

> We think a manageable earnings impact supports rebound opportunities across quality AI stocks.

as investors started to recognize the strong structural growth prospects of cloud theme (vs. AI theme today, another similarity). After a peak-to trough decline of about 24%, tech stocks rebounded by more than 30% over the next 12 months, with lower rates in addition fueling strong gains.

With the tech reporting season soon underway, we believe the focus will shift back to fundamentals, particularly on AI capex trends, any guidance on tariff impact, and AI adoption trends.

The good news, however, is that the underlying AI growth story remains intact, in our view, based on the latest AI adoption rates in the US. The recent quarterly report from the US Census Bureau on the results of its Business Trends and Outlook Survey, which tracks AI adoption across 1.2 million firms in the US, showed strong sequential improvement in AI adoption rates. In particular, the AI adoption rate rose from 5.7% in 3Q24 to 7.4% in 1Q25, and we expect it to reach 9.9% by 3Q25 and to cross 10% by the end of the year. To put this into perspective, it took 24 years for US e-commerce penetration to cross the 10% threshold.

Delving into the details, we see a broad-based improvement in the adoption rates across industries. For this purpose, we compared the overall improvement in US AI adoption rates from 4Q24 to 1Q25 (1.3 percentage points) and then looked at which industries reported an above-average improvement in sequential adoption rates (i.e., more than 1.3 percentage points). While technology adoption is not a surprise, the inclusion of new industries like media (arts, entertainment, and recreation), manufacturing, and wholesale trade is encouraging and further supports the AI adoption story. We are also encouraged to see steady AI adoption improvement in the health care and financial services sectors, which bodes well for our Longevity theme and for fintech firms.

In summary, we think a manageable earnings impact supports rebound opportunities across quality AI stocks. With tech's elevated volatility here to stay, structured strategies including capital preservation strategies should also be considered, in our view.

Tariff impact on sustainability and climate

Stephanie Choi, Sustainable & Impact Investing Strategist
Amanda Gu, Sustainable & Impact Investing Analyst

The tit-for-tat tariff escalation between the US and China could drastically affect trade between the world's two largest economies. US tariffs on Chinese imports have risen to 145% as of 9 April, following a 90-day pause on "reciprocal" tariffs announced by the US, with China being an exception. With a greater-than-expected escalation between the US and China, US Treasury Secretary Scott Bessent reportedly said he expects the current tariff standoff with China to de-escalate. Despite potential tariff headwinds and near-term economic challenges, we believe the risk of a more severe economic downturn is now more limited.

The tariff impact on climate and emissions is complex owing to the interconnected nature of global supply chains related to climate-change solutions and the transition to a low-carbon economy. China, which is a significant source of essential minerals and materials for renewable energy technologies, has imposed restrictions on US imports of critical rare earths and materials used in solar and nuclear energy in response to the US tariffs. This uncertainty makes it challenging to forecast long-term outcomes until there is clarity on the final tariffs table, which could take weeks or months.

Clean technologies from China have faced US tariffs for several years, including a 30% tariff on imported solar panels in 2018 and additional tariffs, such as 100% tariffs on Chinese-made EVs, 50% on solar cells, and 25% on batteries, which were established by the Biden administration in 2024. Despite these tariffs, renewable energy generation as a share of total electricity generation has continued to increase across the US, China, and the European Union.

As reported by the press, US trade officials are preparing to impose anti-dumping tariffs of up to 3,521% on imports of solar panels from Vietnam, Thailand, Cambodia, and

> Near-term volatility offers opportunity to align long-term investment with sustainability goals.

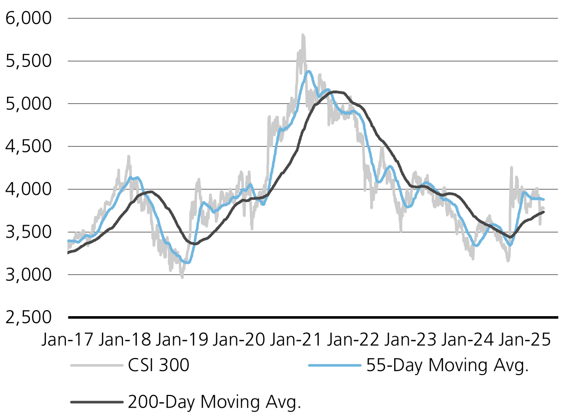
Malaysia—these countries together constituting over 80% of the US's solar panel cell imports.While details are being finalized, we note that imports of assembled PV panels have declined since their peak in mid-2024. Imports of unassembled PV panels, on the other hand, have grown rapidly—a testament to a reshoring of new PV panel manufacturing.

Negotiations with the EU are also crucial for the future of electrification and emissions reduction. EU-US tariff negotiations are also in focus for President Trump, but non-tariff barriers, such as EU import standards on agriculture and sustainability metrics, as well as the EU Carbon Border Adjustment Mechanism, could also be on the table.

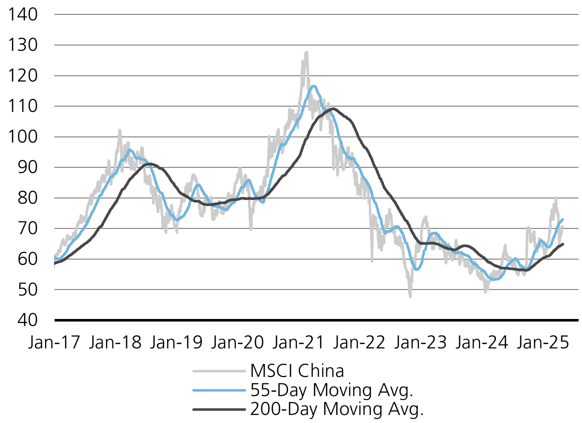
For sustainability-focused investors, continued volatility is expected in the short term, driven by market responses to President Trump's tariff intentions and varying expectations of recession or inflation. Despite this, the underlying drivers toward electrification, decarbonization, and meeting the needs of a growing global population will persist. Societal needs for better solutions and systems will not change. Investors with a long-term view should continue to build exposure to these areas. We recommend a portfolio approach to sustainable investing, diversifying across SI approaches and asset classes. Global ESG leaders had a challenging start to 2025, but diversifying across Leaders, Thematic, and Improver equity strategies has supported portfolios over periods of market volatility. In fixed income, we see green, social, and sustainable bonds performing in line with traditional equivalents. We see opportunities in bonds issued by multilateral development banks as offering a similar risk-return profile to US Treasuries.

Key financial indexes

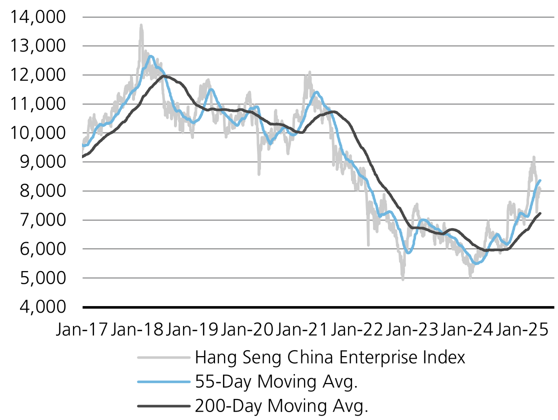
Equities: CSI 300 Index



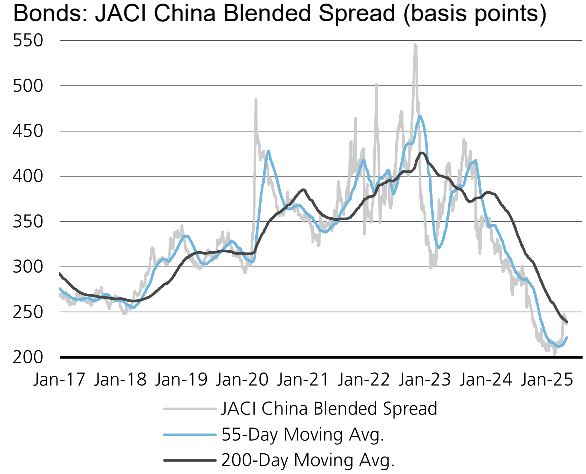
Equities: MSCI China



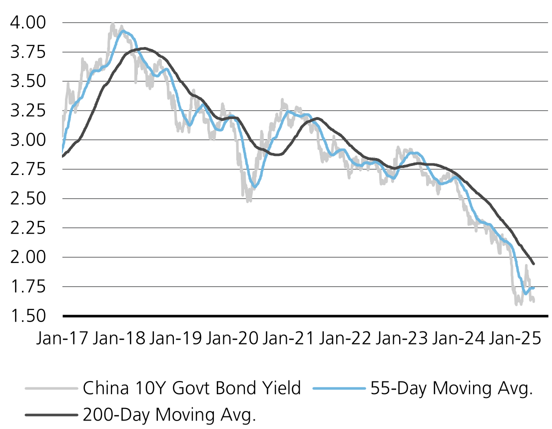
Equities: Hang Seng China Enterprise Index



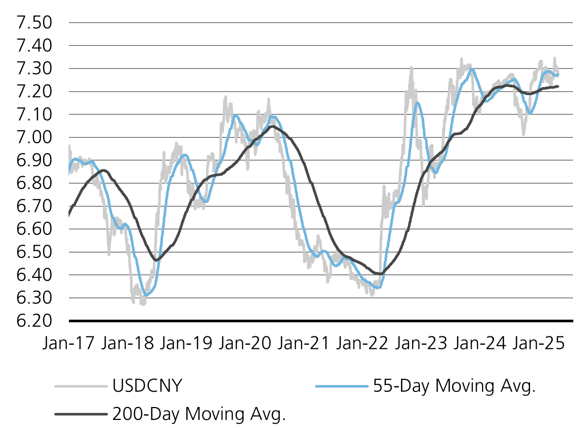
Bonds: JACI China Blended Spread (basis points)



Bonds: China 10Y Govt Bond Yield (in percentage)



Forex: USDCNY



Source: Bloomberg, UBS, as of 29 April 2025

Global asset class preferences definitions

The asset class preferences provide high-level guidance to make investment decisions. The preferences reflect the collective judgement of the members of the House View meeting, primarily based on assessments of expected total returns on liquid, commonly known stock indexes, House View scenarios, and analyst convictions over the next 12 months. Note that the tactical asset allocation (TAA) positioning of our different investment strategies may differ from these views due to factors including portfolio construction, concentration, and borrowing constraints.

Most attractive – We consider this asset class to be among the most attractive. Investors should seek opportunities to add exposure.

Attractive – We consider this asset class to be attractive. Consider opportunities in this asset class.

Neutral – We do not expect outsized returns or losses. Hold longer-term exposure.

Unattractive – We consider this asset class to be unattractive. Consider alternative opportunities.

Least attractive – We consider this asset class to be among the least attractive. Seek more favorable alternative opportunities.

Note: For equities, we have collapsed “Most Attractive” with “Attractive” and “Least Attractive” with “Unattractive” from the five-tier rating system that is found in the Equity Compass into three tiers.

Non-Traditional Assets

Non-traditional asset classes are alternative investments that include hedge funds, private equity, real estate, and managed futures (collectively, alternative investments). Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. An investment in an alternative investment fund is speculative and involves significant risks. Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments, there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

Interests in alternative investment funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency. Prospective investors should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment in an alternative investment fund and should consider an alternative investment fund as a supplement to an overall investment program.

In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

- Foreign Exchange/Currency Risk: Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in U.S. dollars, changes in the exchange rate between the U.S. dollar and the issuer's "home" currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a U.S. investor.

Emerging Market Investments

Investors should be aware that Emerging Market assets are subject to, amongst others, potential risks linked to currency volatility, abrupt changes in the cost of capital and the economic growth outlook, as well as regulatory and socio-political risk, interest rate risk and higher credit risk. Assets can sometimes be very illiquid and liquidity conditions can abruptly worsen. CIO GWM generally recommends only those securities it believes have been registered under Federal U.S. registration rules (Section 12 of the Securities Exchange Act of 1934) and individual State registration rules (commonly known as "Blue Sky" laws). Prospective investors should be aware that to the extent permitted under US law, CIO GWM may from time to time recommend bonds that are not registered under US or State securities laws. These bonds may be issued in jurisdictions where the level of required disclosures to be made by issuers is not as frequent or complete as that required by US laws. For more background on emerging markets generally, see the CIO GWM Education Notes, Emerging Market Bonds: Understanding Emerging Market Bonds, 12 August 2009 and Emerging Markets Bonds: Understanding Sovereign Risk, 17 December 2009. Investors interested in holding bonds for a longer period are advised to select the bonds of those sovereigns with the highest credit ratings (in the investment grade band). Such an approach should decrease the risk that an investor could end up holding bonds on which the sovereign has defaulted. Sub-investment grade bonds are recommended only for clients with a higher risk tolerance and who seek to hold higher yielding bonds for shorter periods only.

Appendix

Risk information
UBS Chief Investment Office's ("CIO") investment views are prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland) or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. Additional disclaimer relevant to Credit Suisse Wealth Management follows at the end of this section.
The investment views have been prepared in accordance with legal requirements designed to promote the **independence of investment research**.
Generic investment research – Risk information:
This publication is **for your information only** and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS). All information and opinions as well as any forecasts, estimates and market prices indicated are current as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria.
In no circumstances may this document or any of the information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes (i) valuation or accounting purposes; (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or (iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Value or of defining the asset allocation of portfolio or of computing performance fees. By receiving this document and the information you will be deemed to represent and warrant to UBS that you will not use this document or otherwise rely on any of the information for any of the above purposes. UBS and any of its directors or employees may be entitled at any time to hold long or short positions in investment instruments referred to herein, carry out transactions involving relevant investment instruments in the capacity of principal or agent, or provide any other services or have officers, who serve as directors, either to/for the issuer, the investment instrument itself or to/for any company commercially or financially affiliated to such issuers. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS and its employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and options trading is not suitable for every investor as there is a substantial risk of loss, and losses in excess of an initial investment may occur. Past performance of an investment is no guarantee for its future performance. Additional information will be made available upon request. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on the price, value or income of an investment. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information.
Different areas, groups, and personnel within UBS Group may produce and distribute separate research products **independently of each other**. For example, research publications from **CIO** are produced by UBS Global Wealth Management. **UBS Global Research** is produced by UBS Investment Bank. **Research methodologies and rating systems of each separate research organization may differ**, for example, in terms of investment recommendations, investment horizon, model assumptions, and valuation methods. As a consequence, except for certain economic forecasts (for which UBS CIO and UBS Global Research may collaborate), investment recommendations, ratings, price targets, and valuations provided by each of the separate research organizations may be different, or inconsistent. You should refer to each relevant research product for the details as to their methodologies and rating system. Not all clients may have access to all products from every organization. Each research product is subject to the policies and procedures of the organization that produces it.
The compensation of the analyst(s) who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking, sales and trading or principal trading revenues, however, compensation may relate to the revenues of UBS Group as a whole, of which investment banking, sales and trading and principal trading are a part.
Tax treatment depends on the individual circumstances and may be subject to change in the future. UBS does not provide legal or tax advice and makes no representations as to the tax treatment of assets or the investment returns thereon both in general or with reference to specific client's circumstances and needs. We are of necessity unable to take into account the

particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein.
This material may not be reproduced or copies circulated without prior authority of UBS. Unless otherwise agreed in writing UBS expressly prohibits the distribution and transfer of this material to third parties for any reason. UBS accepts no liability whatsoever for any claims or lawsuits from any third parties arising from the use or distribution of this material. This report is for distribution only under such circumstances as may be permitted by applicable law. For information on the ways in which CIO manages conflicts and maintains independence of its investment views and publication offering, and research and rating methodologies, please visit www.ubs.com/research-methodology. Additional information on the relevant authors of this publication and other CIO publication(s) referenced in this report; and copies of any past reports on this topic; are available upon request from your client advisor.
Important Information About Sustainable Investing Strategies: Sustainable investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and portfolio construction. Strategies across geographies approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or Sustainable Investing considerations may inhibit UBS's ability to participate in or to advise on certain investment opportunities that otherwise would be consistent with the Client's investment objectives. The returns on a portfolio incorporating ESG factors or Sustainable Investing considerations may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered by UBS, and the investment opportunities available to such portfolios may differ.
External Asset Managers / External Financial Consultants: In case this research or publication is provided to an External Asset Manager or an External Financial Consultant, UBS expressly prohibits that it is redistributed by the External Asset Manager or the External Financial Consultant and is made available to their clients and/or third parties.
USA: Distributed to US persons only by UBS Financial Services Inc. or UBS Securities LLC, subsidiaries of UBS AG. UBS Switzerland AG, UBS Europe SE, UBS Bank, S.A., UBS Brasil Administradora de Valores Mobiliarios Ltda, UBS Asesores Mexico, S.A. de C.V., UBS SuMi TRUST Wealth Management Co., Ltd., UBS Wealth Management Israel Ltd and UBS Menkul Degerler AS are affiliates of UBS AG. **UBS Financial Services Inc. accepts responsibility for the content of a report prepared by a non-US affiliate when it distributes reports to US persons. All transactions by a US person in the securities mentioned in this report should be effected through a US-registered broker dealer affiliated with UBS, and not through a non-US affiliate. The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. UBS Financial Services Inc. is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.**
For country information, please visit ubs.com/cio-country-disclaimer-gr or ask your client advisor for the full disclaimer.
Additional Disclaimer relevant to Credit Suisse Wealth Management
You receive this document in your capacity as a client of Credit Suisse Wealth Management. Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website https://www.credit-suisse.com. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.
Except as otherwise specified herein and/or depending on the local Credit Suisse entity from which you are receiving this report, this report is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).
Version D/2024. CIO82652744