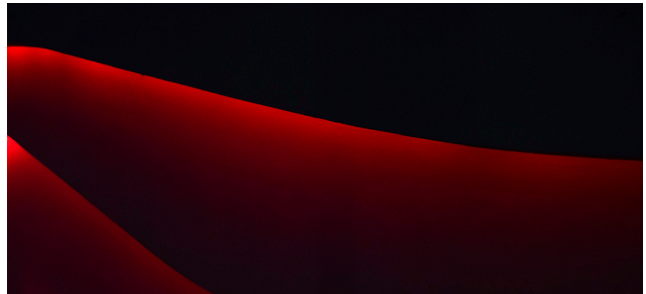


Seek opportunities in China

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- **Why** 1) China's domestic tech innovation is accelerating, with significant progress on AI, semiconductor localization, and cloud computing. 2) Rising domestic liquidity, supportive policy reforms, and underweight global investor positioning create scope for further upside. 3) These trends should also support positive returns for broader Asia ex-Japan, aided by a benign regional macro-outlook and a weaker US dollar.
- **Why now** 1) China's upcoming Five Year Plan is set to deliver more targeted support for manufacturing and technology sectors. 2) While current valuations are above historical averages, they remain well below prior peaks and trade at a discount to global peers. 3) Dips arising from US-China tensions may offer opportunities to build positions at favorable levels.



We expect China's tech sector to drive outperformance for the Chinese equity market and for the EM index more broadly. Source: Hector Falcon_Unsplash

Video: [Seek opportunities in China: Rally set to continue in 2026](#)

China Tech

China's tech sector ramped up innovation in 2025, with notable advances across the AI value chain. New Chinese AI models have shown tech leadership, and supportive policy is reinforcing ecosystem resilience. Despite strong performance this year, valuations remain at a significant discount to global peers and below historical highs, suggesting potential for rerating. We expect strong earnings growth in 2026 to drive China's tech stocks higher, and view China's tech sector as a high-conviction idea within global equities.

Chinese equities

Beyond technology, the broader Chinese equity outlook has improved. Economic growth may stay muted, but equities should be supported by stronger domestic liquidity, robust earnings, and rising retail flows. Government stimulus has been modest, but new support for manufacturing and technology is likely in the upcoming Five Year Plan. Current

valuations are above historical averages, but well below prior peaks. Dips arising from US-China tensions may offer opportunities to build positions.

Asia ex-Japan

Positive returns for China and its tech sector should also support positive returns for Asia ex-Japan equity indices, and we expect double-digit returns by the end of 2026. A benign regional macro outlook and a weaker US dollar should provide additional support. Positive AI capex developments across Asia are a growth tailwind, earnings growth is solid, and the breadth of revisions continues to improve. Regional valuations look appealing, trading at a discount to global peers. Beyond mainland China, we also expect Hong Kong, India and Singapore to deliver good returns as their business and earnings cycles turn.

Emerging markets

Investing in emerging markets offers not only a diversified way to invest in China but also diversified exposure to global AI and tech innovation beyond the US, with tech-related sectors now accounting for over 40% of the MSCI

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EM Index. We expect high-single-digit returns for emerging market (EM) equities by the end of 2026, supported by a constructive macro backdrop, Fed easing, and a softer US dollar—all of which should improve financial conditions and attract capital flows.

Appendix

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