In collaboration with:

# Monthly Investment Insights

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TOPIC 1:

## Seeking income in a changing investment landscape

Geopolitical tensions and policy uncertainty continue to pose persistent risks for investors. In this environment, income-generating strategies may offer relatively stable investment opportunities.

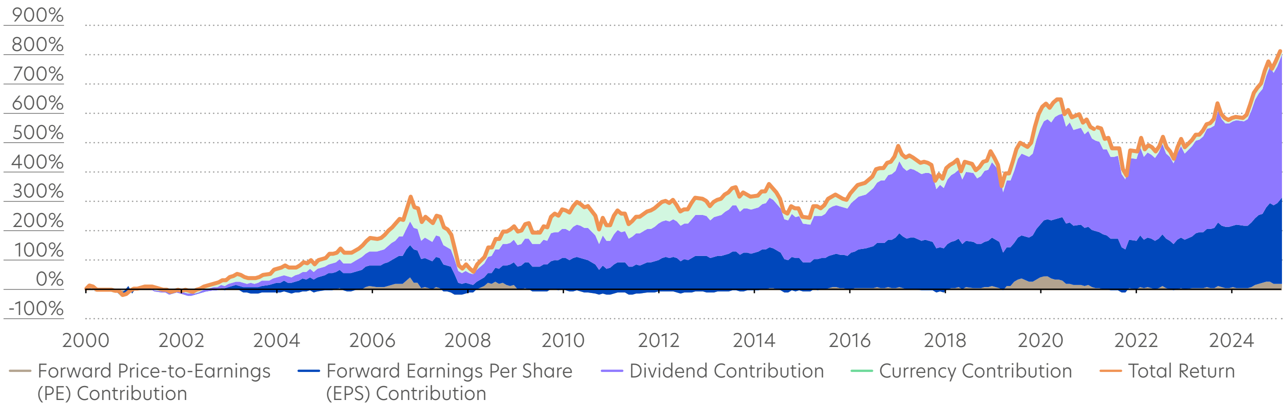
### What you can do

Quality Asian dividend stocks offer attractive income, serves as a defensive allocation within the portfolio, and provides potential capital appreciation with a compounding wealth effect through reinvested dividends.

- Falling interest rates, an artificial intelligence (AI)-led spending and investment cycle, and a weaker US dollar are expected to help bolster investor confidence in Asia. Within the region, China is seeing growth opportunities in AI, the technology sector, and higher-end manufacturing. Taiwan and South Korea are also benefitting from increased AI adoption and sustained demand for technology hardware and semiconductors.
- In an environment where uncertainty persists, income-oriented strategies can play a valuable role. The search for yield remains a core investment theme, as investment income can provide stable cash flow and help cushion portfolio volatility.
- Historically, Asia high-dividend stocks have delivered superior risk-adjusted returns compared with broader market indices over the long term. When dividends are reinvested, they are a key driver of total returns, accounting for more than 50% of overall returns in Asian stock markets due to the power of compounding. During periods of market uncertainty, income becomes particularly important, and dividends have been a consistent and meaningful contributor to stock returns since 2000 (Figure 1).
- Dividend yields in Asian stock markets also tend to be higher than that in the US and remain competitive relative to Europe. Looking ahead, there is potential for dividend payout ratios to improve across the region. Regulatory reforms aimed at strengthening corporate governance and encouraging greater returns to shareholders are supporting higher payout ratios and dividend growth. Early progress is already evident in markets such as Japan, South Korea, and Singapore, where reform initiatives have delivered positive outcomes.
- Finally, companies with strong and/or growing dividend payouts often exhibit more defensive characteristics. Sustaining dividend payouts typically requires solid balance sheets and robust fundamentals, which can provide greater resilience during periods of market volatility.

Figure 1:

**APAC ex-Japan total return contribution**




**Source:** Factset, MSCI, J.P. Morgan Asset Management calculations

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TOPIC 2:

# China's rising leadership in technology

## Amid shifting global dynamics, China offers attractive investment opportunities.

### What you can do

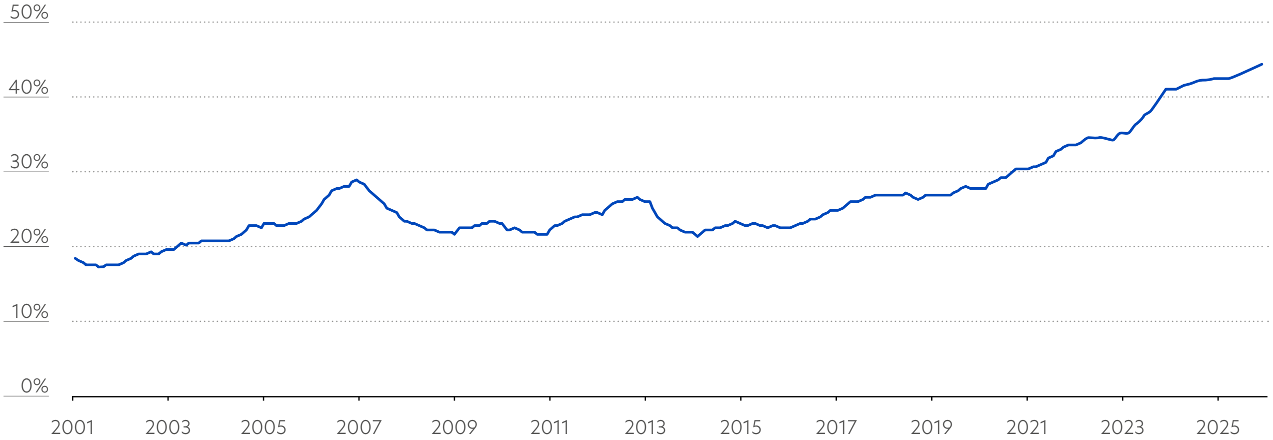
Look beyond US mega-cap technology stocks. Chinese technology companies stand to benefit from the country's policy-driven AI strategy.

- Recent economic data from China indicate a continued slowdown in growth. However, several supportive factors suggest a more positive outlook for some parts of the Chinese stock market.
- Exports have proven more resilient than expected despite significant headwinds from US trade policies. Reduced shipments to the US have been largely offset by strong demand from other global trade partners.
- China's advantages include a highly efficient manufacturing supply chain and strong cost competitiveness. In addition, the country's efforts to move up the manufacturing supply chain are beginning to yield results. As advanced manufacturing capabilities continue to strengthen, China has reduced its reliance on labour-intensive, low-value exports.
- Amid China's focus on technological self-sufficiency and innovation, this transition is reflected in robust growth across high tech products, machinery and electrical equipment, automobiles, and integrated circuits. China's semiconductor self-sufficiency ratio has steadily improved, highlighting meaningful progress in domestic technological capability and know-how (Figure 2).
- China's rapidly developing AI ecosystem also warrants attention. The launch of low-cost, high-performance Chinese AI models signal an important evolution in China's technology leadership, with increasing competence in software complemented by advances in hardware.
- These developments are enabling Chinese companies to deploy AI investments more effectively across a broader range of use cases. To date, AI adoption in China has been concentrated primarily in search-related functions and general-purpose assistants. However, growing demand for scenario-based and task-specific solutions suggest potential for more specialised AI agents in image and video processing. This broadening of AI applications could drive wider adoption and sustained demand, creating additional investment opportunities within China's technology ecosystem.

Figure 2:

### China's semiconductor integrated circuit self-sufficiency ratio

Rolling 12-month average in units




**Source:** CEIC, National Bureau of Statistics, J.P. Morgan Asset Management calculations.

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TOPIC 3:

# Turning tides in Singapore's stock market

Singapore's stock market is entering a transformative phase, driven by government-led market reforms. These initiatives aim to strengthen corporate focus on shareholder value and deepen investor engagement.

### What you can do

Singapore's evolving stock market offers investors a dynamic and diversified landscape, with compelling opportunities for income generation and long-term growth.

→ The SGD5 billion Equity Market Development Programme (EQDP) was launched last year to strengthen investor participation in Singapore stocks, support long-term wealth creation, and leverage the research capabilities of the domestic fund management industry. In parallel, the Monetary Authority of Singapore (MAS) and Singapore Exchange (SGX) introduced the "Value Unlock" program, aimed at enhancing shareholder value and deepening engagement between listed companies and investors. Collectively, these initiatives have the potential to broaden investment opportunities beyond traditional large-cap banks and high-yielding real estate stocks.

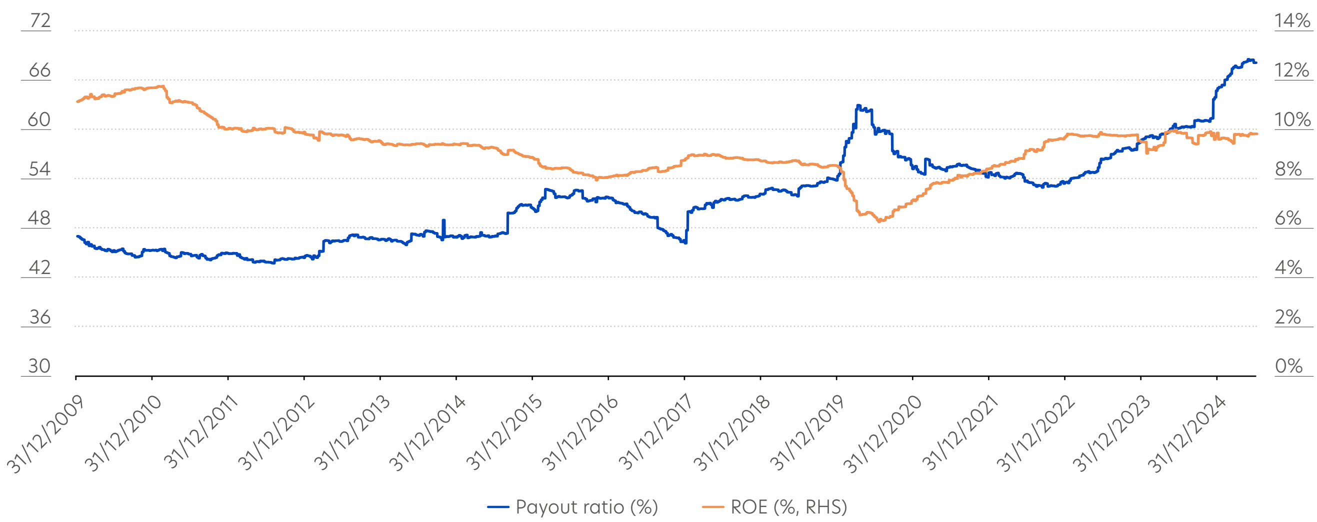
→ More broadly, Singapore's stock market offers a balanced combination of income, growth, and diversification, with opportunities spanning sectors such as real estate, consumer staples, and industrials. Notably, Singapore is home to many high-yielding stocks across different market capitalisations, including the small- and mid-cap segments.

→ Singapore-listed companies have also demonstrated improving earnings momentum and sustained profitability (Figure 3), while valuations remain attractive relative to global developed market peers.

→ For investors seeking portfolio rebalancing and diversification, these initiatives are expected to enhance the competitiveness of Singapore stocks and support wealth creation for retail investors over the medium to long term. Continued progress in corporate reforms could catalyse the next market upcycle, and with forward price-to-earnings valuations of approximately 16.0x, Singapore stocks present a compelling opportunity within Asian stock allocations.

Figure 3:

**STI Index: Dividend payout ratio and Return on Equity (ROE)**




**Source:** Factset, J.P. Morgan Asset Management.

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