IONIC WEALTH

BY ANGEL ONE

The Investing Pantheon

August 2026

“The Investing Pantheon serves as a unified framework for global asset allocation. Inspired by the ancient Pantheon—a structure designed to accommodate many deities within a single architecture—our approach brings together equities, fixed income, commodities, currencies, and alternative assets across regions and investment styles. The objective is to identify the most attractive opportunities globally while maintaining diversification and portfolio resilience.”

Global Markets Remained Choppy, Participants Favoured Large Caps & Defensives Amid Major Froth Erosion

Global equities were volatile through July as scrutiny of AI capex returns despite a strong earnings season across the AI complex, combined with an unwind of leveraged positioning weighed on sentiment. In the US, this drove rotation into large-cap and defensive exposures even as Tech fundamentals held firm. China saw renewed inflows, while South Korea bore the brunt of the margin unwind. Rate-hike expectations firmed after the July FOMC as the Fed reiterated its commitment to the 2% inflation target. We remain constructive on risk assets given the underlying fundamental backdrop, while acknowledging scope for near-term volatility. We retain a diversified allocation: equities ~70%, commodities ~20%, REITs ~10%.

1. Investors Favoured Large Caps/Defensives, But Valuation Gains Could Trigger Reversal: Weak investor sentiment, driven by concerns over AI capex ROI, the global margin-trading unwind, and the possibility of a shift towards tighter Fed policy, boosted allocations to large caps (S&P 500: -0.1% vs. Russell 2000: -3.1% in July) and defensive sectors such as healthcare. Healthcare valuations have risen from 17.3X at the beginning of June to 18.5X by end-July. With uncertainty around the AI-driven rally and the Fed's rate trajectory, we expect investors to increasingly favour a more diversified approach over concentrated positions, particularly as valuations rise.

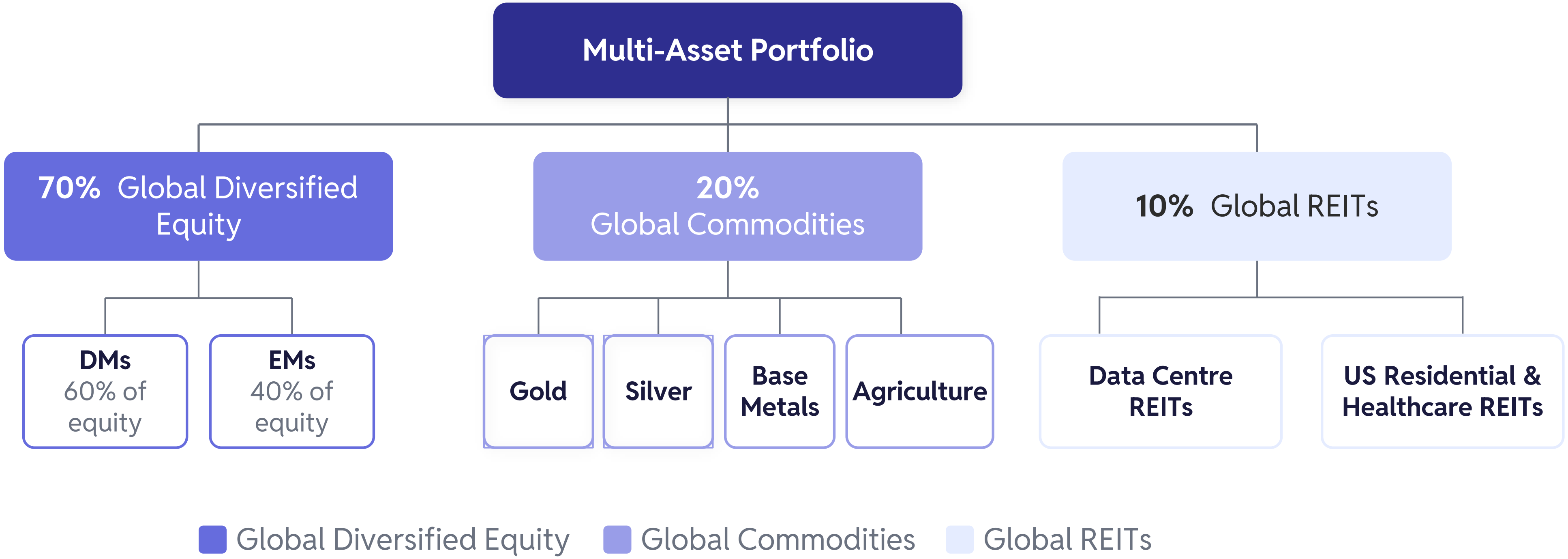
2. Margin Unwind: Most of the Forced Selling Is Behind Us: Leveraged positioning has unwound sharply across Asia, with margin balances down 25.5% in Korea, 15.5% in Taiwan and 13.1% in China from their recent peaks, as elevated volatility and a higher-for-longer Fed path forced investors to cut geared exposure. Balances remain above historical averages, but the pace of de-risking materially lowers the risk of a second forced-selling cascade and shifts the marginal driver of returns back towards fundamentals.

3. US & Global Inflation Could Remain Elevated Due To Energy, Food, Tariffs & Shelter: The Fed's shift towards a tighter policy stance could be reinforced by persistent inflationary pressures from multiple fronts. Energy prices remain vulnerable to further spikes, while food inflation could stay elevated as supply-side stress persists. Tariffs, including blanket tariffs of 10–12.5% and potentially higher levies on pharmaceuticals and imports from countries such as Canada and Brazil, could add to price pressures. Meanwhile, US shelter inflation may remain sticky or accelerate as higher mortgage rates keep housing costs elevated.

4. USD Strength Visible Only Against DMs, While USD Remains Weak Against EMs: The strength in the DXY can largely be attributed to weakness in its major DM constituents, particularly the EUR and JPY, which have depreciated by ~2.0% YTD. In contrast, the USD has depreciated against EM currencies during Jan–Jul 2026, highlighting that broad-based USD strength remains absent. While the DXY could see intermittent strength amid rising geopolitical tensions and further weakness in the EUR and JPY, underlying structural factors continue to point towards a weaker USD over the medium to long term.

5. Selective US REITs Could Benefit Even As Interest Rates Rise: While the broader US real estate market remains vulnerable to rising mortgage rates, select REIT segments could continue to perform well. Healthcare REITs, particularly those focused on senior housing, are positioned to benefit from the faster growth of the 80+ population relative to overall population growth. Housing REITs could also benefit as persistent affordability challenges keep homeownership out of reach for many households, supporting rental demand. Additionally, shorter lease durations allow these REITs to reprice rents more frequently, enabling them to pass through inflationary pressures more effectively.

How To Position? Global Multi-Asset Strategy



- **Optimized Strategic Asset Allocation:** A disciplined **70/20/10 allocation across global equities, commodities, and select REITs** balances long-term growth potential with protection against structural inflation risks.

- **Gold as a Strategic Reserve Asset:** Within the 20% allocation to broad-based commodities, gold continues to be the primary position in the commodities basket. Increasingly supported by central bank reserve accumulation and de-dollarization trends, gold is evolving beyond its traditional sensitivity to real yields and the DXY, reinforcing its role as a long-term store of value.

- **Agriculture: Cyclical Opportunity As Global Supply Stress Remains:** Agricultural commodities, especially wheat are positioned to see a cyclical upside due global supply pressures as weather related risks intensify.

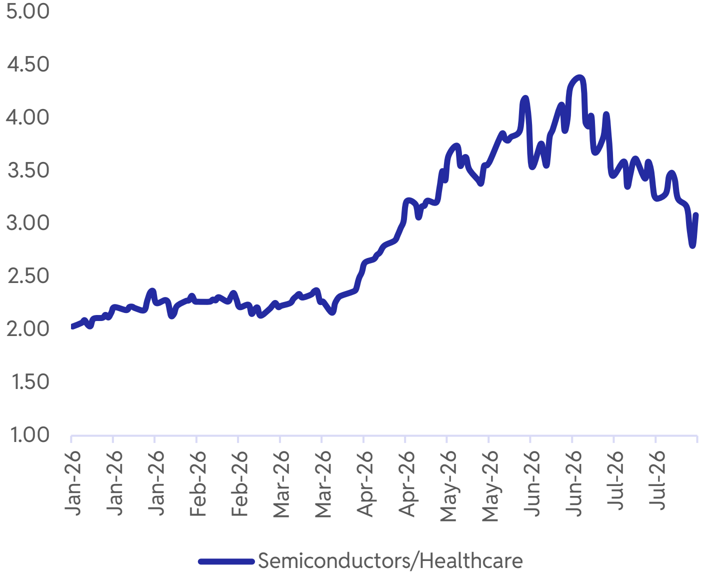
- **The Case for Zero Bond Exposure:** We remain **zero-weight duration**. The conditions that historically underpin sustained bond bull markets—accommodative monetary policy, fiscal discipline, and a stable sovereign. debt trajectory—are largely absent today, limiting the attractiveness of long-duration fixed income.

A Look In The Rear View Mirror…

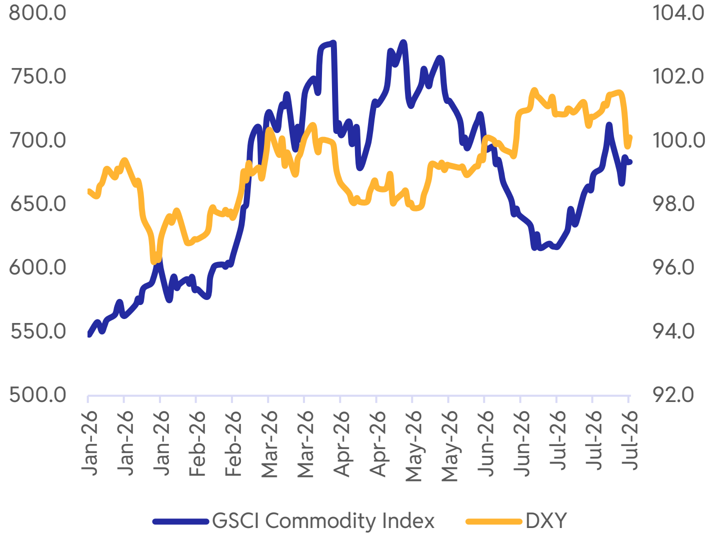
Rotation Into Defensives In the US; Commodities Regained Some Strength While Long-Term Treasuries Continued to Weaken Despite Dollar Strength

Rotation into defensives dominated the equity markets in July, while commodities regained some strength despite elevated USD.

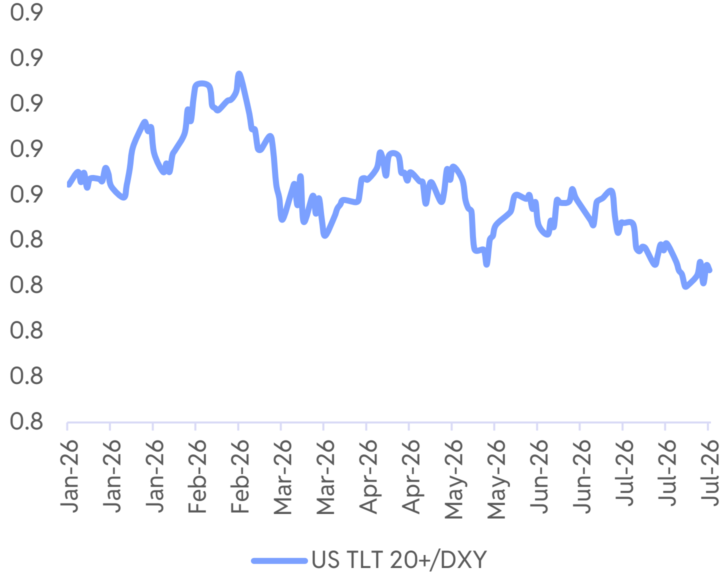
Rotation into defensives accelerated



Commodity trade gained despite DXY strength



US TLTs continued to weaken



Cautious investor sentiment increased allocation to defensives during the month

Despite DXY retaining strength, commodity basket regained some momentum

Investors remained cautious on TLT given inflation and fiscal risks

Source: Bloomberg, Ionic Wealth, Data available as on July 31, 2026

July market activity highlighted a clear defensive shift as equity leadership rotated sharply from high-beta tech into defensives, while commodities rallied despite a firm US Dollar. Meanwhile, long-end US Treasuries remained under pressure, underscoring persistent duration fatigue driven by sticky inflation and elevated fiscal supply risks.

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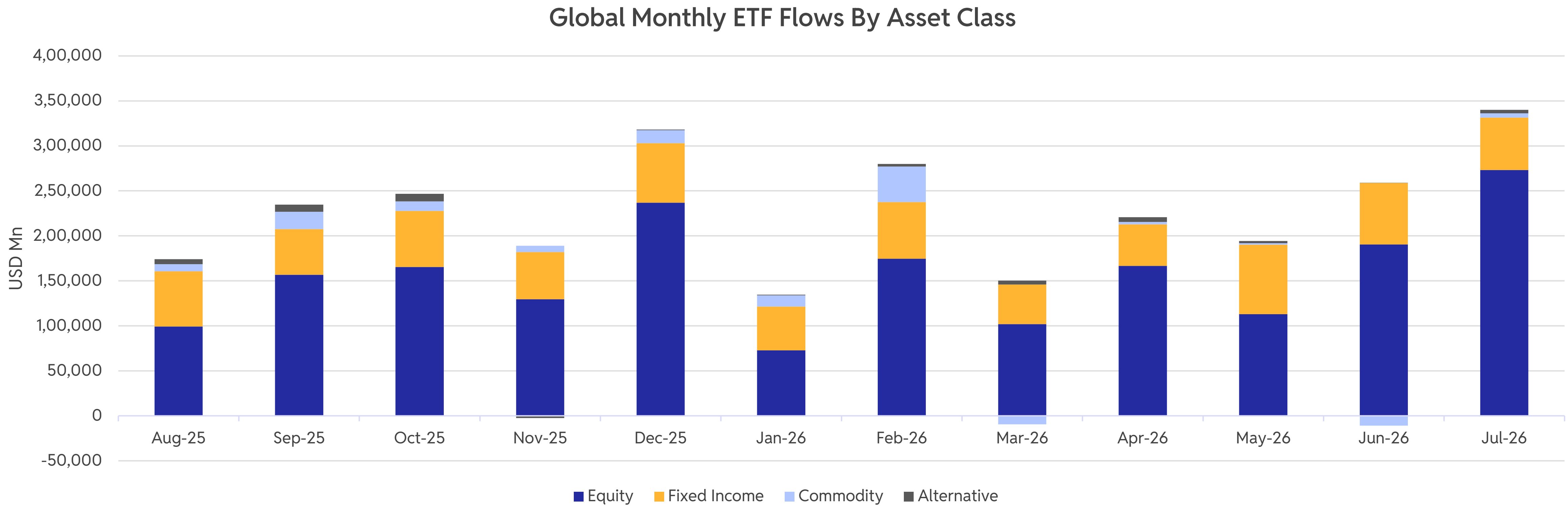
Dip Buying Reflects Renewed Confidence

The Fed maintained a hawkish stance citing persistent inflation risk and a resilient labor market. Heightened market volatility through June and July, combined with continued geopolitical risks, drove investors to rotate away from commodities and back into equities while fixed income inflows remained resilient.



- **July 2026 – Rotation back towards equity**

Global ETF flows continued to favor equities, with July recording the strongest monthly inflows at 80% over the past year. Although June inflation came in slightly softer than expected, the Fed maintained a hawkish stance, reinforcing expectations that policy rates will remain restrictive. Elevated market volatility, driven largely by sharp swings in semiconductor stocks, led to more selective positioning, while commodity inflows remained low as investors increasingly favored equities.

Source: Bloomberg, Ionic Wealth, Data available as on July 31, 2026

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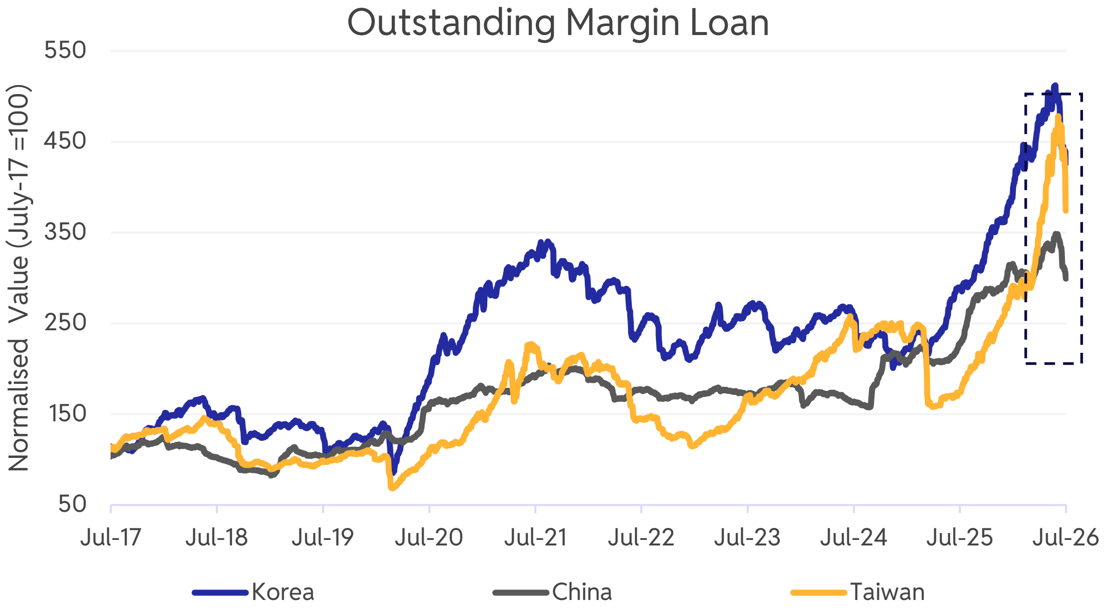
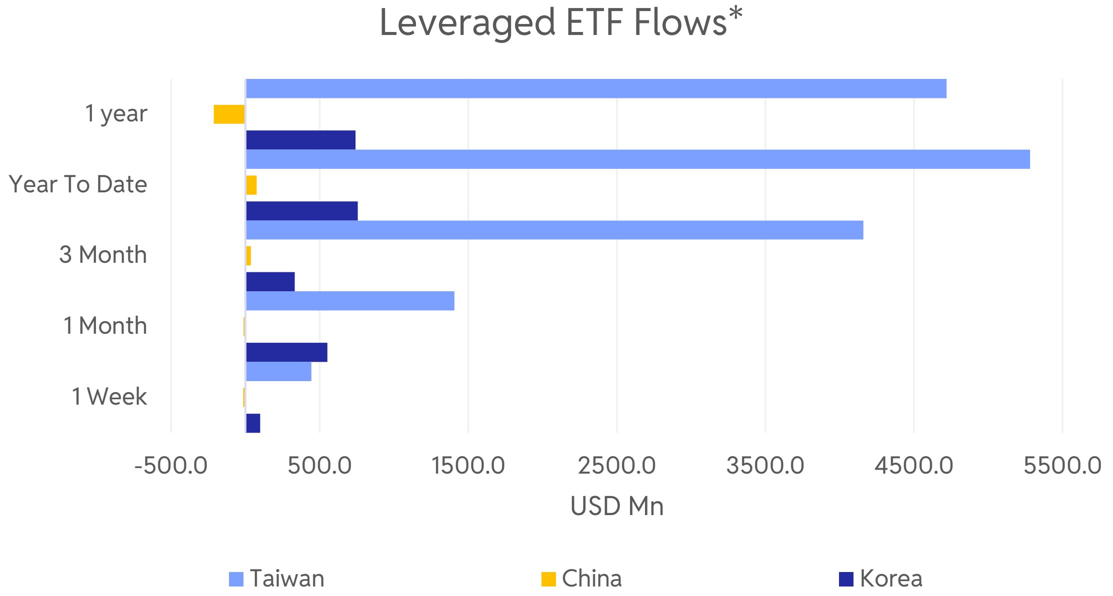
Leverage Trades Moderate As Speculative Positions Unwind

The easing in leveraged positioning suggests the recent rally is transitioning towards a more sustainable phase, with reduced dependence on speculative capital and greater support from underlying fundamentals





Margin financing has moderated across Korea, Taiwan and China following the sharp build-up in leveraged positioning during the first half of the year, signaling a gradual unwind of speculative activity..

The decline in outstanding margin loans, along with moderating leveraged ETF flows, suggests investors are becoming more selective in deploying leverage, thereby reducing the influence of margin-driven flows on short-term price action. Despite the pullback in margin financing, trading volumes remain elevated, indicating market participation has stayed resilient even as leverage normalizes.

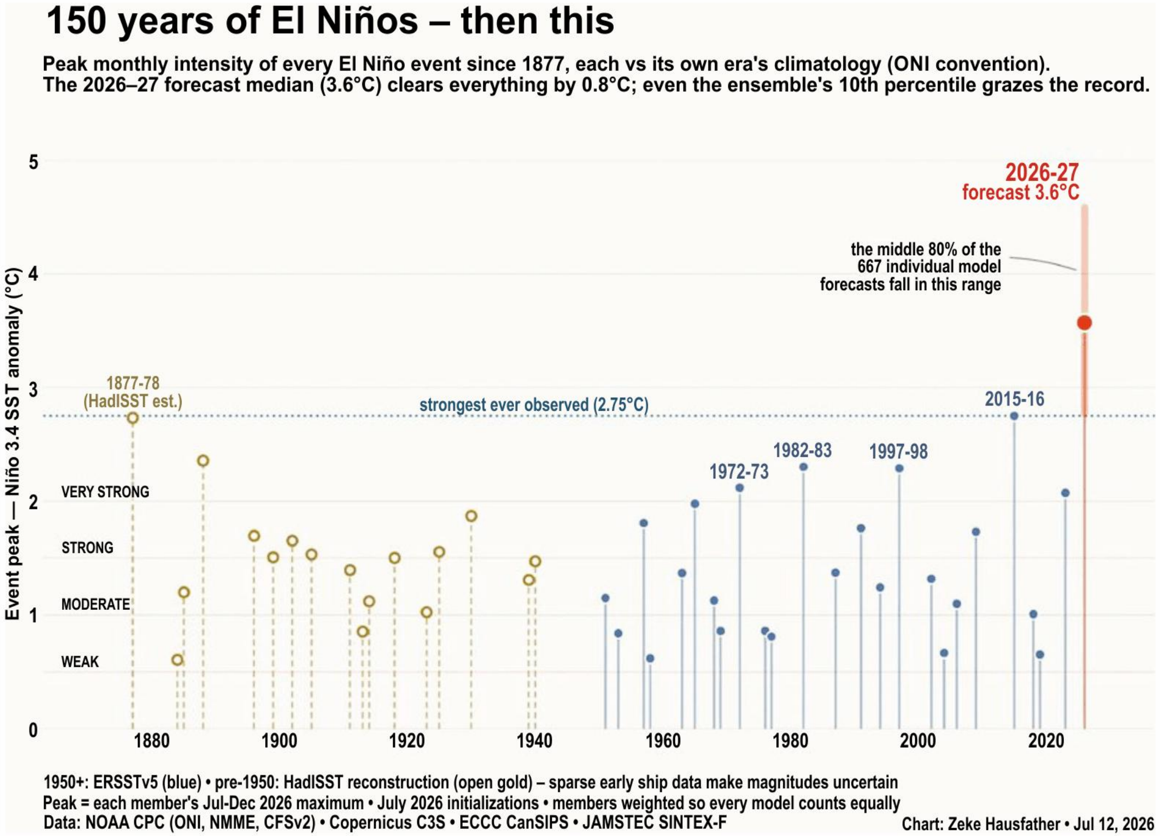
While margin balances remain historically elevated, the recent moderation suggests retail positioning is becoming less stretched, thereby reducing the market's sensitivity to leverage-driven volatility.

Source: Bloomberg, Ionic Wealth, Data available as on July 31, 2026 | Leveraged ETF Flows- Fund flows have been taken from the largest leveraged ETFs in Korea, Tawain, and China namely Direxion Daily South Korea Bull 3X Shares, Direxion Daily FTSE China Bull 3X ETF, and Yuanta Daily Taiwan 50 Bull 2X ETF

Inflationary Undertones Are Not Softening. Implications? Potential for a rate hike, and yet selective REITS appear promising.

A Potentially Record Breaking El Niño Could Amplify Global Food Inflation

A stronger than historical El Niño increases the risk of weather driven supply disruptions, which would tighten the agricultural production and thereby seep into higher food prices



Regional Impact – Where El Niño Hits the Hardest

Region	Food Supply Impact	Key Commodities
South East Asia	Lower rice and palm oil production, Import dependence rises	Rice, palm oil
India	Rice stocks-to-use falling 3.1% India accounts for ~40% of global rice exports	Rice, wheat
Australia	Wheat production falling 22.2% YoY Stocks-to-use falling 5.8%	Wheat
Southern Africa	Lower maize production	Corn
Brazil	Record soybean (186 MMT) and strong corn harvests support global supply	Soybean, corn
North America	US wheat and rice production remain weak despite limited El Niño impact	Wheat, rice, corn

The impact is unlikely to be uniform. While Asia and Australia face the greatest production risks, North America could experience more pronounced El Niño effects during the winter months, extending weather-related uncertainty into 2027.

Source: 13D Research, Allianz Research, Ionic Wealth, Data available as on July 31, 2026

Global Food Inflation Could Rise as Agricultural Supply Conditions Tighten

Lower stocks-to-use ratios, along with falling production, leave global agricultural markets increasingly vulnerable to supply disruptions, raising the risk of persistent food inflation

Global Agricultural Supply Conditions Continue To Tighten

Commodity	Production (MMT)	Stocks to use	Production YoY	Stocks-to-Use Δ (pp)
Wheat	820.0	33.0%	▼-2.8%	▼-0.8
Corn	1297.1	20.8%	▼-2.3%	▼-1.7
Rice	537.2	35.5%	▼-1.6%	▼-1.3
Soybean	441.7	28.1%	▲ 2.9%	▼-1.1

Production Weakness Among Key Exporters Could Tighten Global Supply

Commodity	Country	Exports (MMT)	% of World Exports	Production YoY	Stocks-to-Use Δ (pp)
Wheat	Australia	22	10.30%	▼-22.5%	▼-5.8
Wheat	United States	21	9.9%	▼-22.6%	▼-6.5
Corn	United States	81.3	38.7%	▼-6.0%	▼-1.2
Rice	India	25	39.8%	▼-2.6%	▼-3.1
Rice	United States	2.5	4.0%	▼-25.8%	▼-6.7

- Stocks-to-use ratios have declined across all major crops, reducing global supply buffers and leaving agricultural markets more vulnerable to weather-related production disruptions.
- Higher fertilizer costs (Urea +65%; EU nitrogen +40%) create a second supply shock by raising production costs and discouraging fertilizer application, adding further pressure to crop yields.
- Production weakness is becoming increasingly broad-based, with wheat production already projected to decline by over 22% in both Australia and the US, while India's rice stocks-to-use ratio has fallen 3.1%, thereby increasing the risk of tighter global export availability.
- The IMF estimates a typical El Niño raises global food prices by around 5%. With the current event expected to be stronger than historical episodes, weather-related supply disruptions could amplify existing supply tightness and materially increase upside risks to global food inflation.
- Global grain exports remain highly concentrated, with the US accounting for nearly 39% of corn exports and India almost 40% of rice exports, meaning production disruptions in a few countries can have an outsized impact on global food markets.

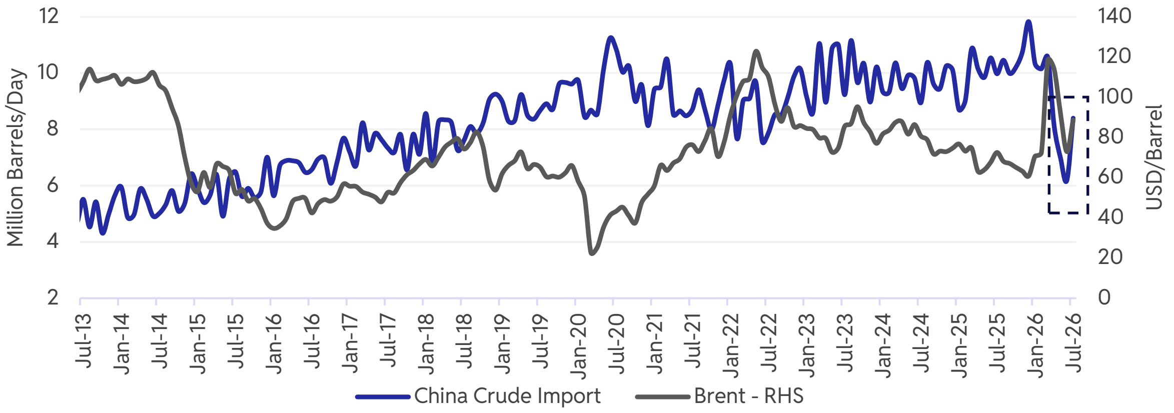
Unlike previous supply shocks, this cycle combines extreme weather with rising input costs and concentrated global exports, increasing the risk that local production losses become a global food inflation shock.

Source: USDA, IMF, ING, Ionic Wealth, Data available as on July 31, 2026

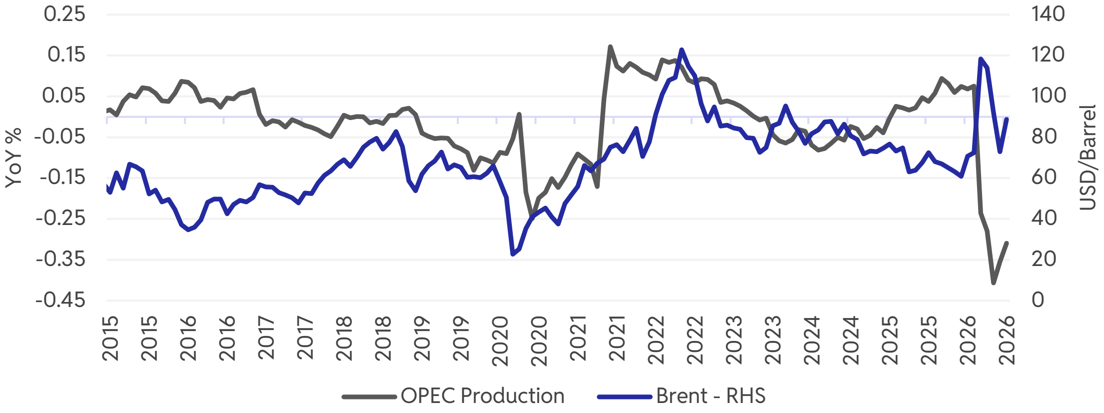
China's Rising Crude Imports & Shrinking Oil Buffers Could Leave Crude Prices More Sensitive to Future Supply Shocks

Global inventory drawdowns and recovering Chinese crude imports could tighten physical oil balances even as OPEC+ gradually restores production

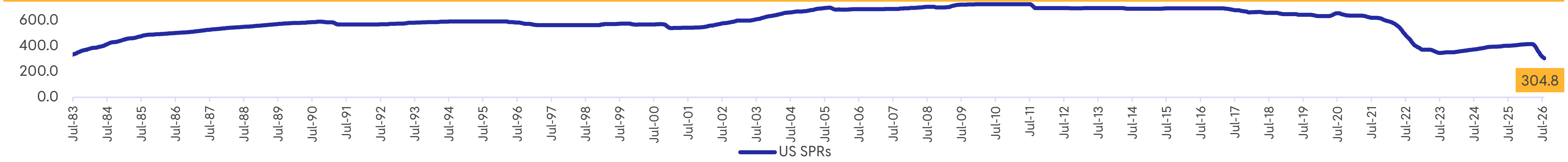
China oil imports were up 35.8% in July, after declining by 39.1% between March and June



OPEC oil production has declined by 34.3% since the conflict between US & Iran began



OECD government inventories fell 163 mb (–1.8 mb/d) between March–May 2026 to their lowest since December 1990, with the US SPRs at its lowest since 1983, as emergency releases accelerated



Recent stability in oil markets has been driven by inventory drawdowns rather than stronger underlying supply-demand dynamics. Coordinated SPR releases and weaker Chinese crude imports have kept pressure on physical balances to a minimal, thereby limiting the impact of recent supply disruptions.

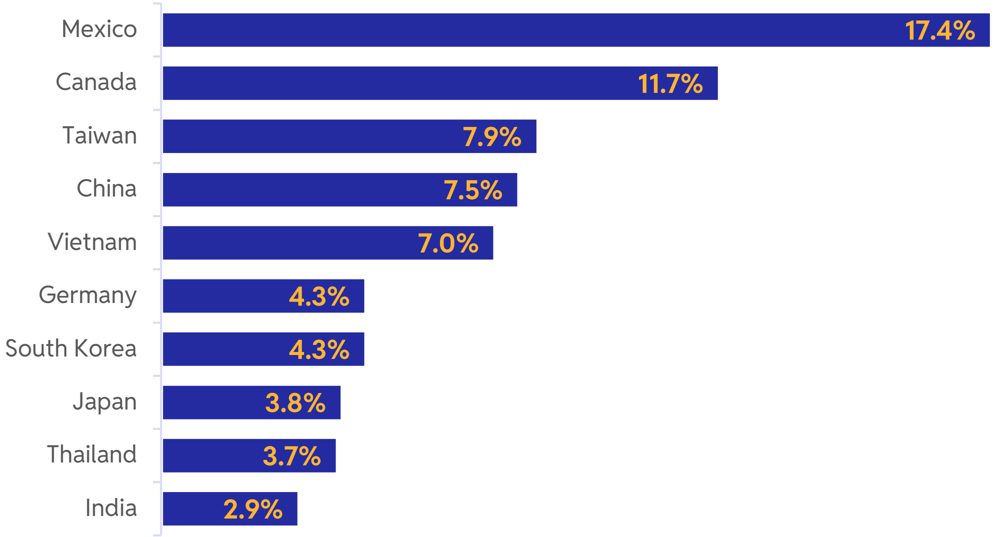
As these buffers diminish, the market's ability to absorb future shocks is weakening. US SPRs are at the lowest level since 1983. Although OPEC+ has agreed to increase production by around 188,000 bpd from September, ongoing export disruptions are expected to limit the impact on global oil supply. With Chinese crude imports beginning to recover, any shift from inventory drawdowns towards stock replenishment could further tighten physical balances, increasing oil prices' sensitivity to future supply disruptions.

Source: Kpler, Bloomberg, Ionic Wealth, Data available as on July 31, 2026

Trumps Tariff Strategy Continues To Put Pressure On Inflation

Trade measures are shifting from broad-based tariffs to strategic sectors, increasing the likelihood of supply-chain disruptions and persistent inflationary pressures.

Top 10 Trading Partners of US (May 2026)



July 20th — **Canada**
50% levies Agriculture, Dairy, Furniture, Alcohol, Autos

July 21st — **Pharma**
100% levies on generic drug makers from 2028

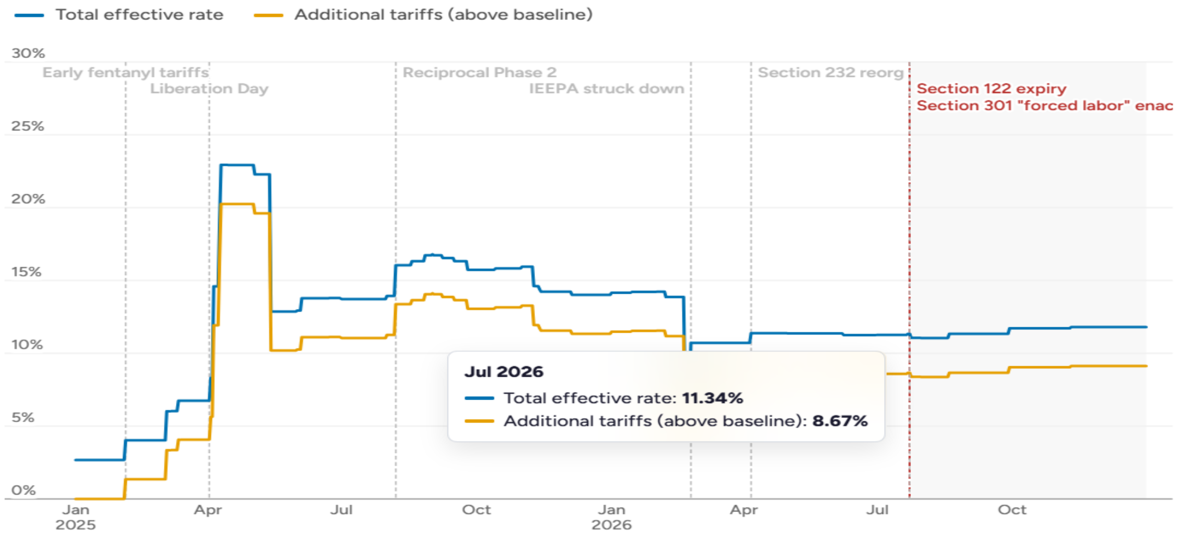
July 22nd — **Brazil**
25% tariffs on Brazilian goods

July 24th — **10% - 12.5% Tariffs**
On 60 Economies over Forced Labor Law

- Assuming the new 10–12.5% Section 301 tariffs remain in effect and are not overturned by the courts, the average statutory tariff rate will increase from 11.1% to 11.8% by end of 2026, as per Yale Budget Lab.
- With tariffs increasingly targeting the US's largest trading partners and strategic industries, cost pressures are likely to broaden across key CPI components, increasing the risk of more persistent goods inflation as higher import costs gradually pass through producer and retail prices.
- ***As a result, the consumer price level is estimated to rise by around 0.7% by end of 2026.***

Daily Statutory Tariff Rate — Current law

Import-weighted average statutory tariff rate. Percent.

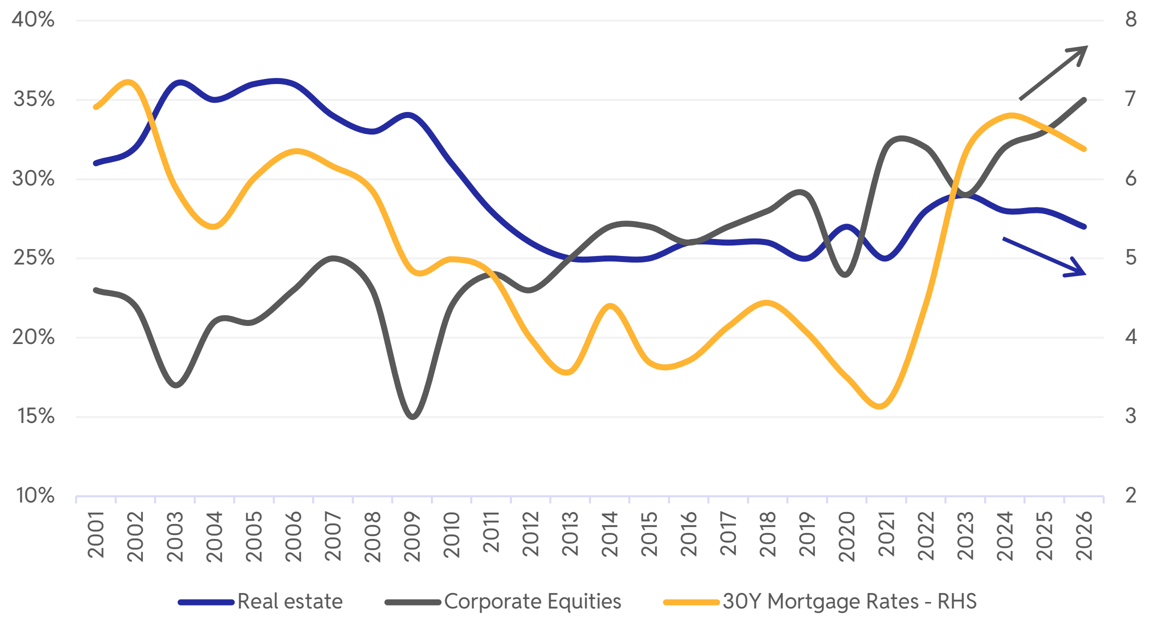


Source: YaleBudgetLab, Bloomberg, Ionic Wealth, Data available as on July 31, 2026

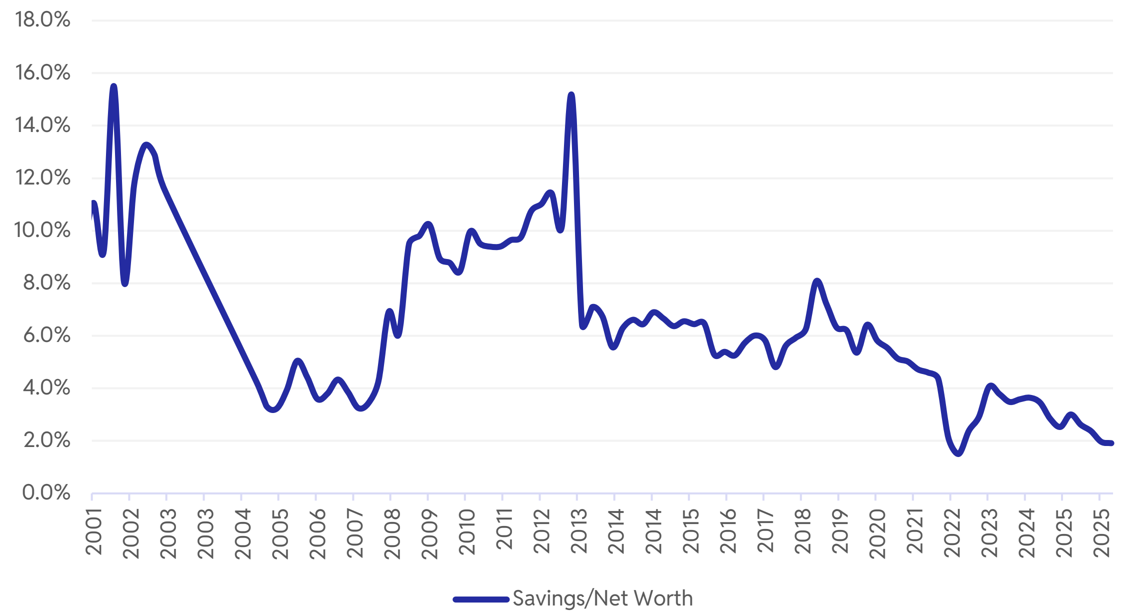
Higher Interest Rates + Rising Equity Market Cap Are Reshaping US Household Balance Sheets

Higher borrowing costs are shifting household wealth away from real estate, while sustained rally in equity markets have increased the share of corporate equities in household balance sheets

US Equity market cap has risen by 100.9% since 2023, while 30Y mortgage rate has moved up by 27 bps, despite US FFR being 75 bps lower from 2023 levels



While total net worth has risen 27.3% since 2023, at the same time savings have reduced by 21.8% during that period

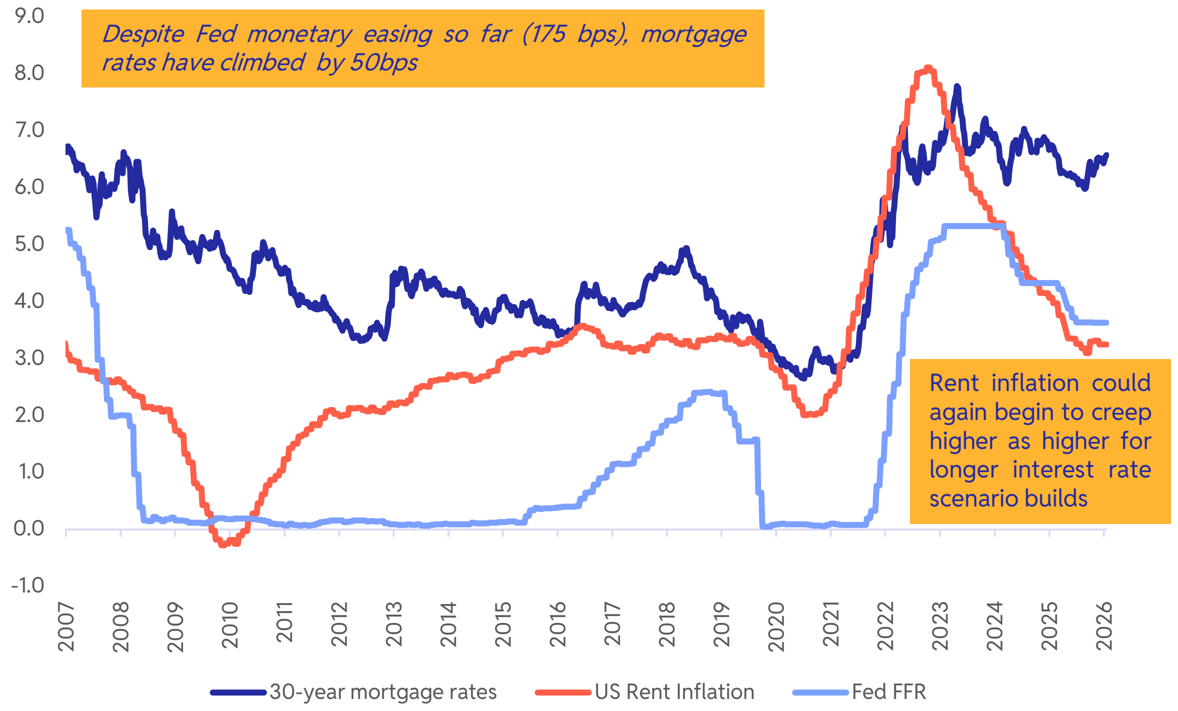


- Real estate has become a smaller contributor to household wealth as higher mortgage rates weigh on activity, while resilient equity markets continue to underpin financial assets.
- Persistent debt servicing pressures continue to limit savings, leaving households with a smaller buffer despite rising net worth. The widening gap between financial asset values and savings suggests household balance sheets are becoming increasingly dependent on elevated equity valuations- leaving consumers less insulated if financial conditions weaken.

Source: Bloomberg, Ionic Wealth, Data available as on July 31, 2026

Despite Interest Rates Expected To Be Higher For Longer, Selective US REITs Continue To Benefit

Sticky Inflation is expected to keep policy rates and mortgage rates elevated, reducing affordability and supporting demand for rental housing



Persistent affordability pressures continue to support residential rental and healthcare real estate

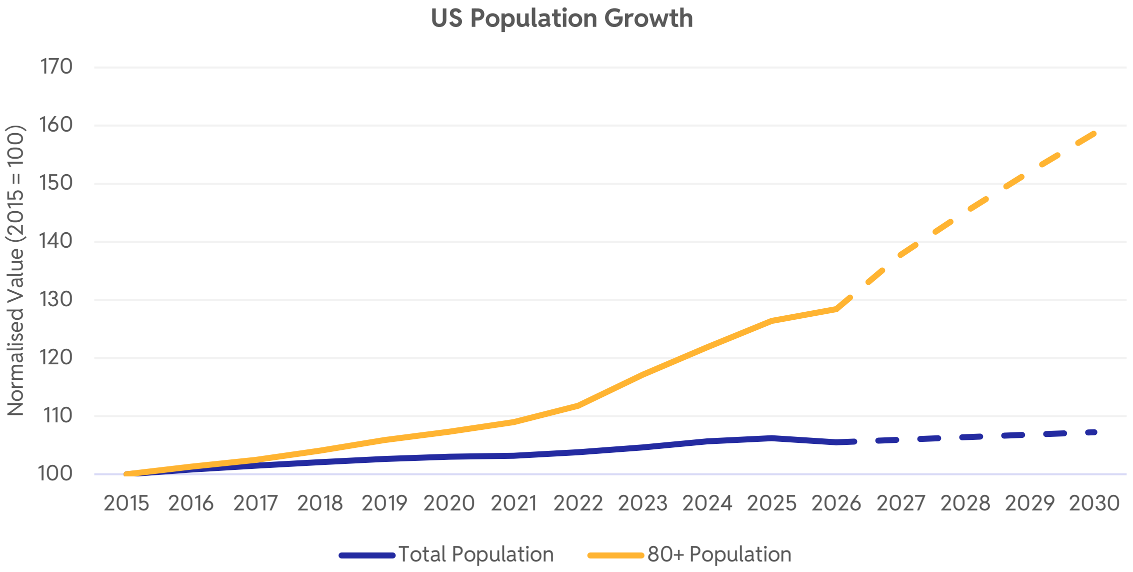
Between 2022-2024, existing home sales declined by 12%, while new homebuilders offered mortgage rate buydowns in an already tightly supplied housing markets- supporting home builders

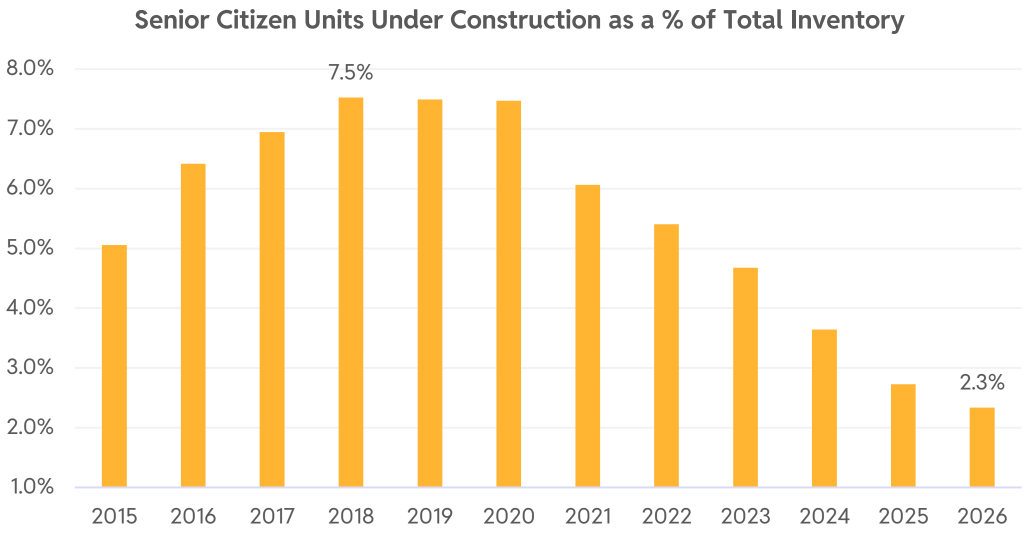
- 30-year mortgage rates have climbed to 6.7%, their highest level in nearly a year, while 10-year Treasury yields remain elevated as markets price a higher-for-longer interest rate environment.
- Although new home sales rose 1.6% MoM in June, they remained down 4.9% YoY YTD, as affordability continues to be constrained by elevated interest rates.
- Reduced homeownership affordability is likely to keep households in the rental market for longer, supporting occupancy and rental growth for residential REITs.

Source: Bloomberg, Ionic Wealth, Data available as on July 31, 2026

US Healthcare REITs Continue to Benefit From Structural Demand Despite a Higher Rate Environment

Ageing demographics are driving the long-term demand for senior housing, while elevated financing costs, continue to limit the supply





80+ Population growth significantly outpaces overall population growth, driving long-term need based demand

Construction pipeline has fallen from a 2018-2020 peak of 7.5% to 2.3% of inventory, indicating a tight supply environment

How Demographics and Rates are Driving the Supply Demand Gap

80+ Population is growing rapidly → **More demand for senior housing** → **Elevated financing cost limits new supply** → **Construction pipeline stays low** → **Occupancy & rental rates continue to rise**

The 80+ population is projected to grow at a 5.40% CAGR, compared to 0.4% for the overall population, creating a long-term demand tailwind for senior housing

Unlike traditional residential real estate, demand is primarily driven by ageing and healthcare needs, rather than affordability

The development pipeline has contracted sharply, as higher financing costs, construction inflation and tighter lending standards discourage new projects

As demand continues to outpace new supply, Healthcare REITs are well positioned to benefit from improving occupancy, rental growth and stronger cash visibility

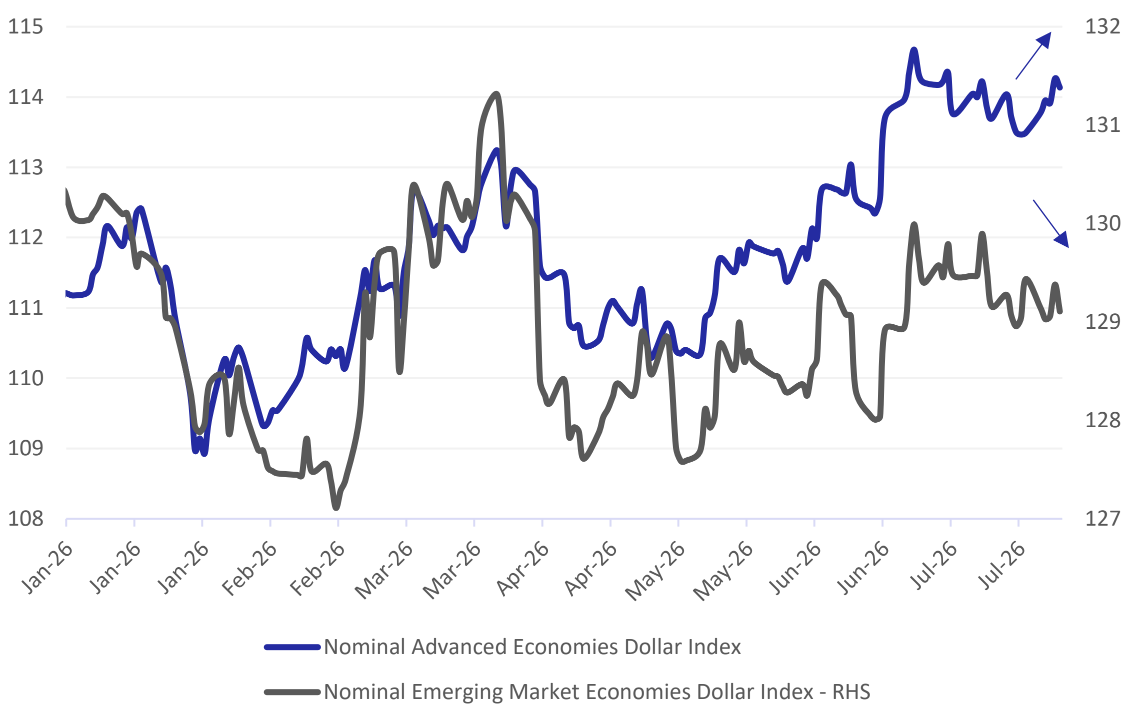
Source: OECD, Bloomberg, Ionic Wealth, Data available as on July 31 , 2026

DXY: Gaining because of DM currencies weakness, not because of its own strength…

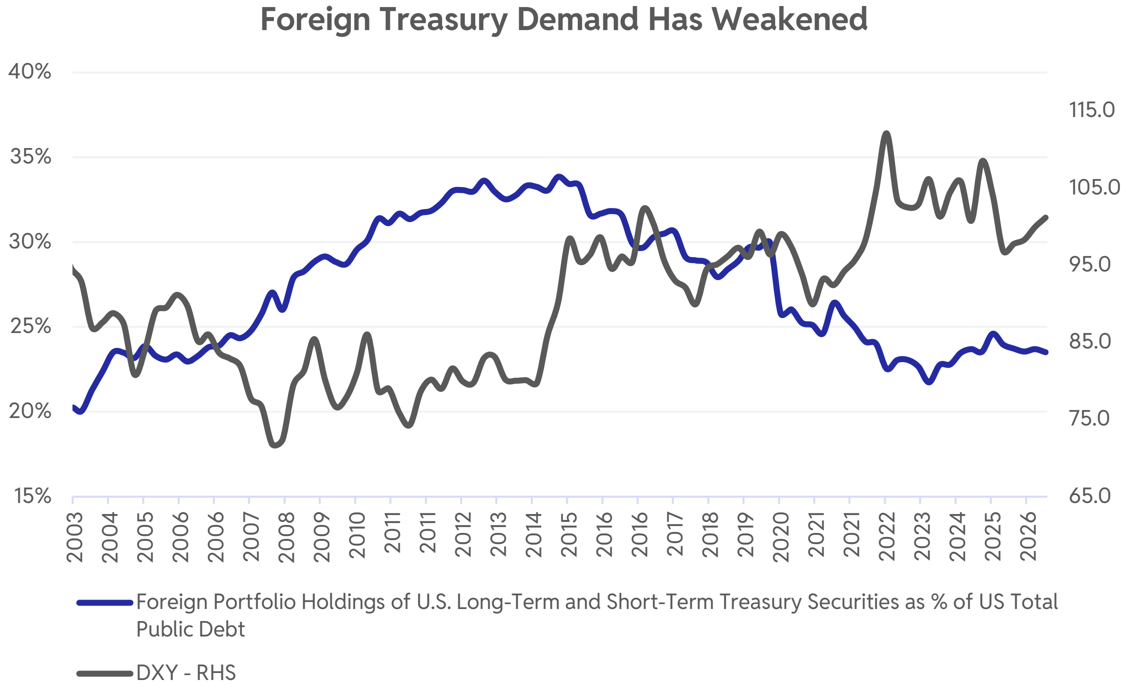
DXY Gains Remain Due To Weakness In Developed Market Currencies

The divergence between advanced and emerging market currencies suggests the recent appreciation in the DXY has been driven by weakness in EUR & JPY, rather than a broad-based strengthening of the US dollar

The euro and Japanese yen have each depreciated by approximately 2.0% against the US dollar YTD, contributing to the appreciation of the U.S. dollar



In Q1 2026, while total US public debt increased by 7.9% YoY%, foreign portfolio holding of USTs grew by a mere 3.9%



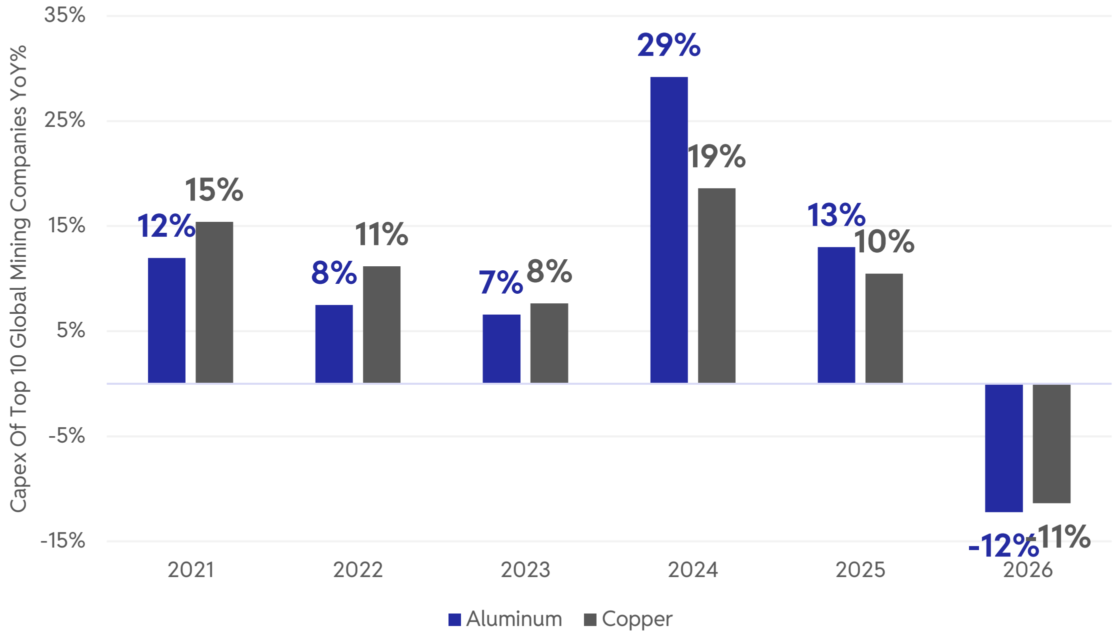
Recent DXY strength appears increasingly driven by weakness in developed market currencies rather than broad-based USD demand. With foreign Treasury purchases continuing to lag the pace of US debt issuance, we believe the structural backdrop for the dollar remains less supportive over the medium to long term.

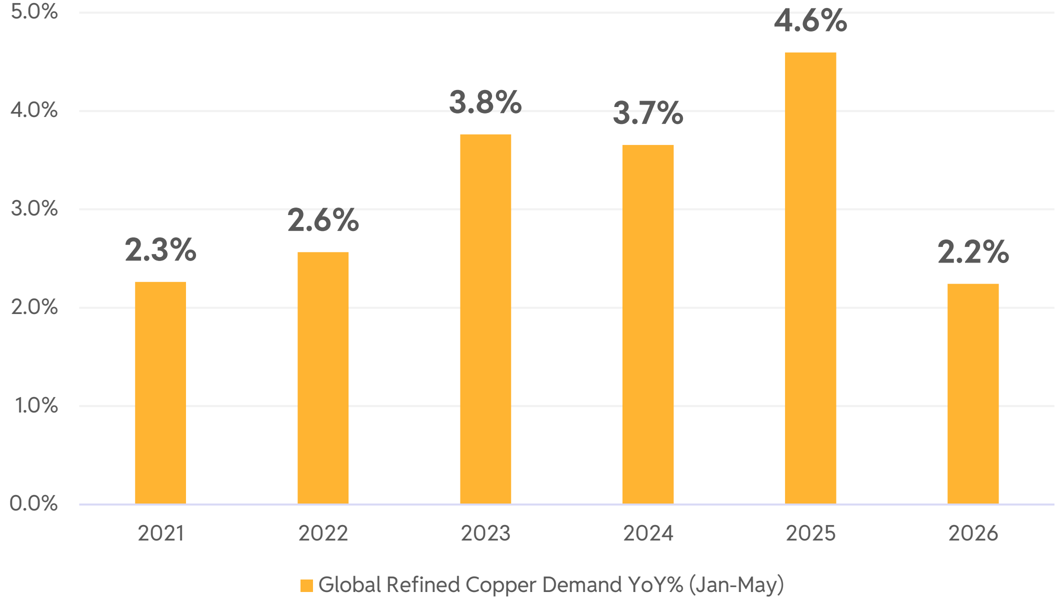
Source: Bloomberg, Ionic Wealth, Data available as on July 31 , 2026

Metals: Long Term Positive Still

Base Metals: Structural Supply Deficits vs. Near-Term Cyclical Risks

Disciplined Mining Capex Keeps Markets Tight, Though Moderating Copper Demand & Potential Monetary Tightening Present Headwinds





- Lower capital spending across major mining companies suggests future copper and aluminum supply is likely to remain constrained in the long-run.
- Management commentary from top global mining companies continues to highlight structural demand from electrification, power grids, AI infrastructure and packaging, with producers maintaining a positive long-term demand outlook despite near-term macro uncertainty
- **Near-term macro headwinds may weigh on industrial metal demand which has shown signs of moderation but constrained mine supply as corporates adopt capital discipline and structural end-market demand are expected to keep physical markets relatively tight. That said, a move towards a tighter monetary policy could impact base metals adversely.**

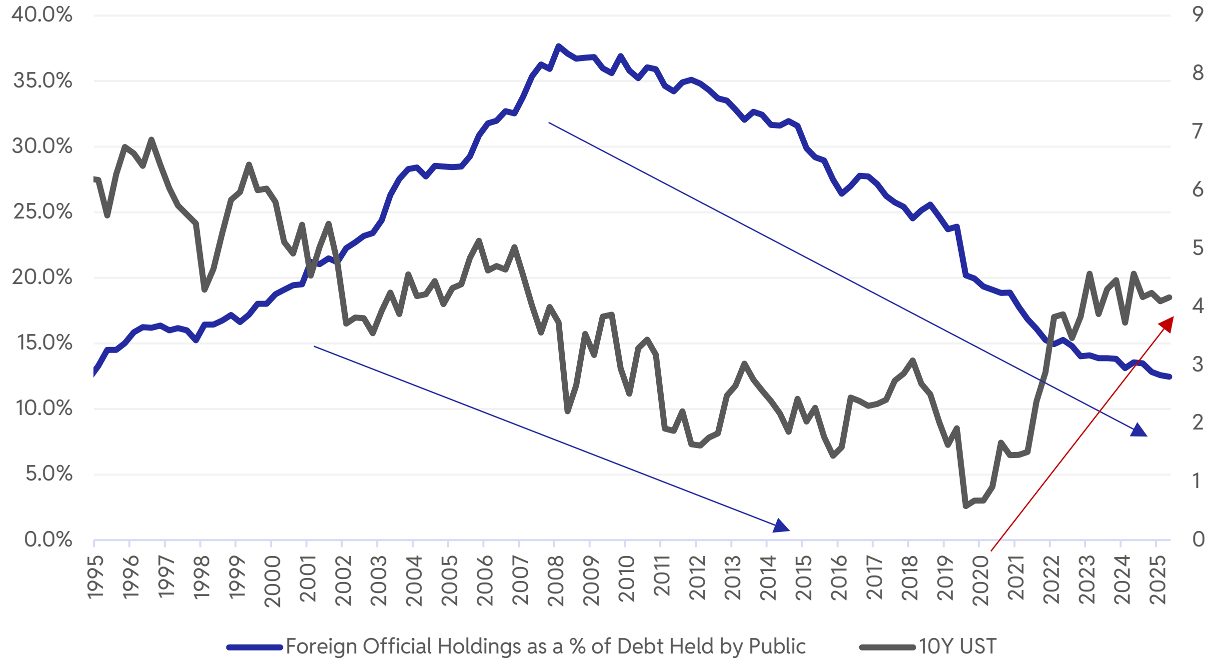
Source: Bloomberg, Ionic Wealth, Data available as on July 31, 2026

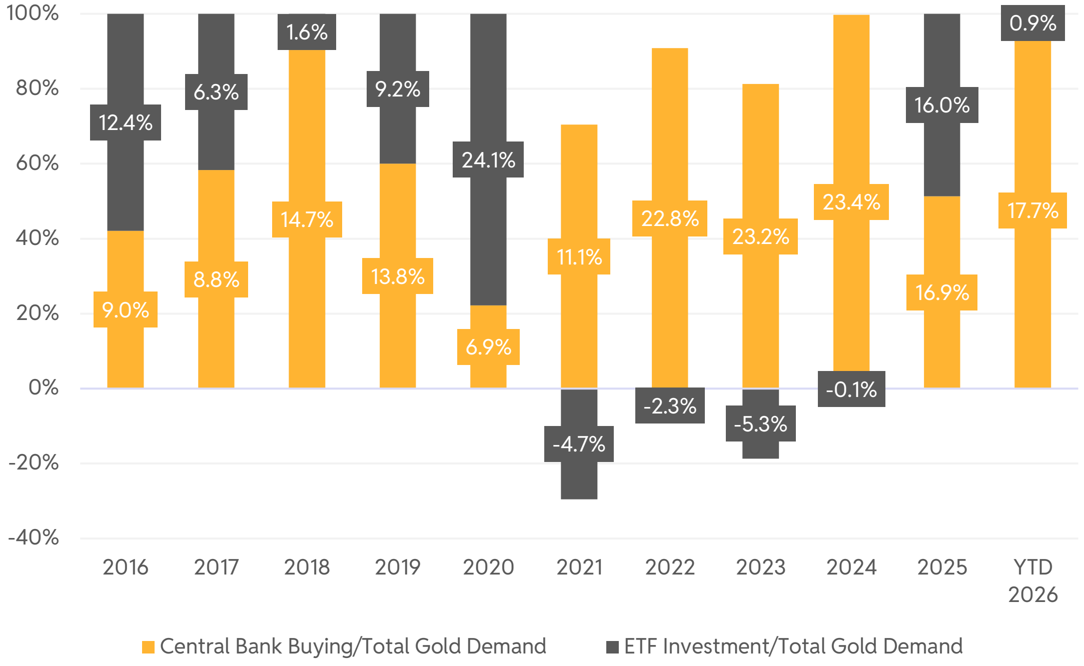
Gold: Central Bank Buying Strengthens Despite Softer Investor Demand

Gold has underperformed of late as tactical headwinds have dominated, even as the longer-term structural case, rising US debt levels and reserve diversification away from the USD, remain intact. Recent USD strength has also been narrower than headline DXY suggests, driven more by EUR & JPY weakness than broad-based dollar gains.

Foreign official Treasury holdings have declined as rising US debt has reinforced reserve diversification, supporting long-term central bank demand for gold

CB buying increased 62% YoY and 411% QoQ in Q2 2026





The recent underperformance suggests near-term headwinds including rising real yields rather than a change in gold's structural outlook. Higher rate expectations increased the opportunity cost of holding gold and weighed on ETF demand. In contrast, central bank purchases accelerated in Q2 2026, led by China, with the PBoC extending its buying streak to 20 consecutive months. Meanwhile, rising US public debt and widening fiscal deficits are prompting central banks to reduce reliance on US Treasuries and the dollar by increasing gold holdings, reinforcing the metal's longer-term investment case.

Source: Bloomberg, Ionic Wealth, Data available as on July 31 , 2026

Japan and China: Optimism Remains But Data Is More Mixed Now

Japan's Fiscal Package, Transmission so Far

Household relief has cushioned inflation, while strategic investment is beginning to translate into real activity

Household Relief & Cost Cushion ~11.7 Trillion Yen - Largely Delivered

- Utilities & Gas subsidies
- Cash Payouts
- Gasoline Tax Relief
- Higher Tax-free Income Threshold

Inflation cushioned (headline CPI fell 1.4pp, from 3.5% to 2.1%), but consumer spending remains subdued as real wage gains are absorbed by living costs

Strategic Growth & Supply Side ~9.6 Trillion Yen - Partially Deployed (~25% - 40%)

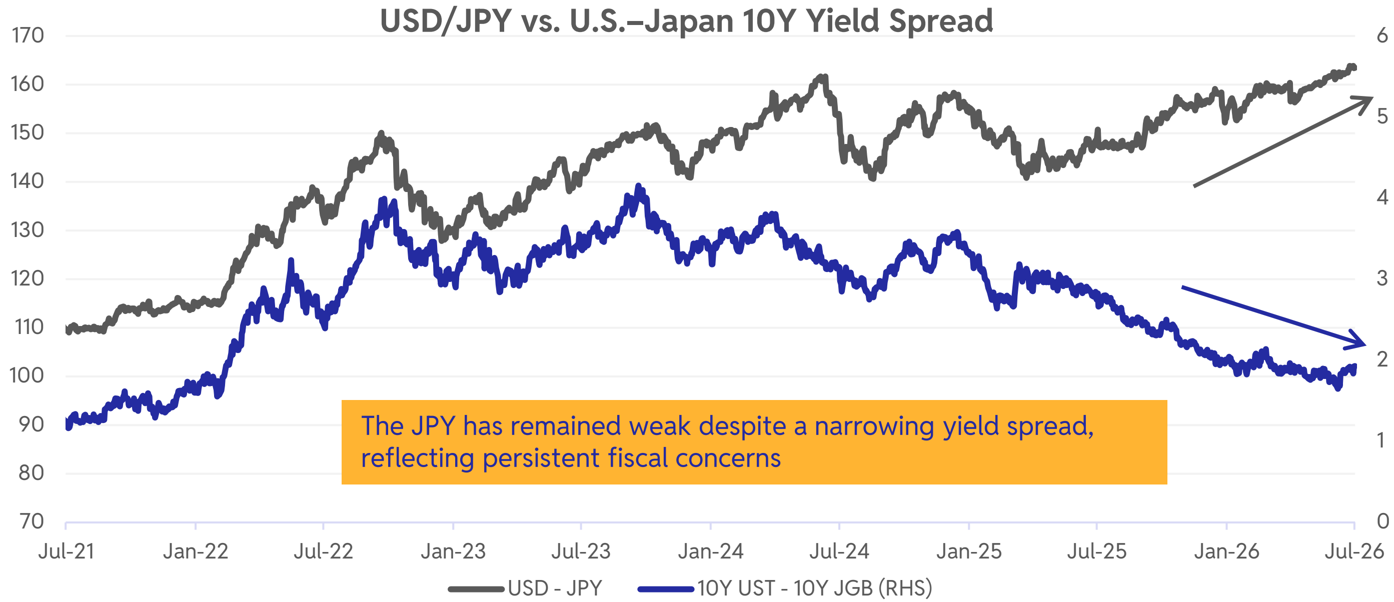
- 17 Critical industrial sectors including:
- AI & advanced semiconductors
- Quantum, nuclear & space tech
- Infrastructure & cyber defence

Early implementation is underway across all 17 strategic sectors, with defence spending already above 2% of GDP and broader investment rolling out over the next 3–5 years

Total Package ~21.3 Trillion Yen Active Implementation

- Around fiscal spending ~3.5% GDP
- Funded partly via new JGBs ~7 Trillion Yen
- Public investment & resilience

Supports near-term economic activity, but investors are increasingly watching whether higher borrowing costs offset the long-term benefits of strategic investment



Source: Bloomberg, Ionic Wealth, Data available as on July 31, 2026

	Sep 2025	Mar 2026	Change
Headline CPI	3.5%	2.1%	-1.40%
Core CPI	1.3%	1.4%	0.10%
Real GDP YoY	0.5%	0.4%	-0.10%
Nominal GDP YoY	4.0%	3.6%	0.4%

Fiscal support has cushioned inflation and stabilized economic activity, but the growth payoff remains limited. While nominal GDP remains positive, real GDP has yet to improve meaningfully, suggesting stronger nominal growth continues to reflect higher prices rather than stronger underlying activity

China's AI-Led Growth Continues, But Broader Economic Growth Yet To Materialize

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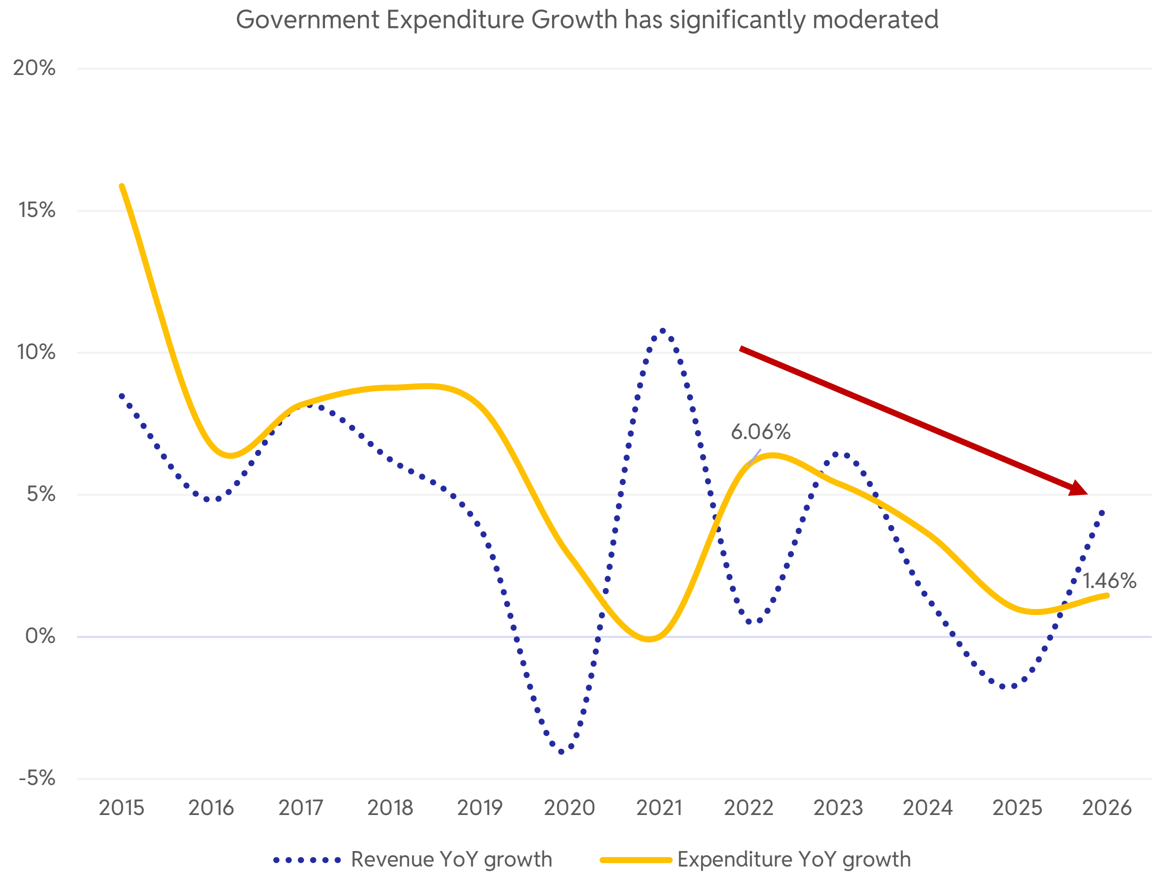
BY ANGEL ONE

AI-led manufacturing and export growth continue to provide resilience, but weak consumption, persistent housing weakness and more targeted fiscal support suggest that China's growth remains limited



	2026	2025	
Last 4 quarter average			Difference
GDP	1.1%	1.3%	-0.2%
Last 12 month average			Difference
Industrial Production	5.2%	5.8%	-0.6%
Retail Sales	1.8%	4.2%	-2.4%
Exports	11.9%	3.1%	8.9%
Manufacturing PMI (% Change)	49.7	49.7	-0.1%
YTD YoY %			Difference
Property Investment	-18.0%	-11.2%	-6.8%
Residential Property Sales	-17.8%	-10.4%	-7.4%

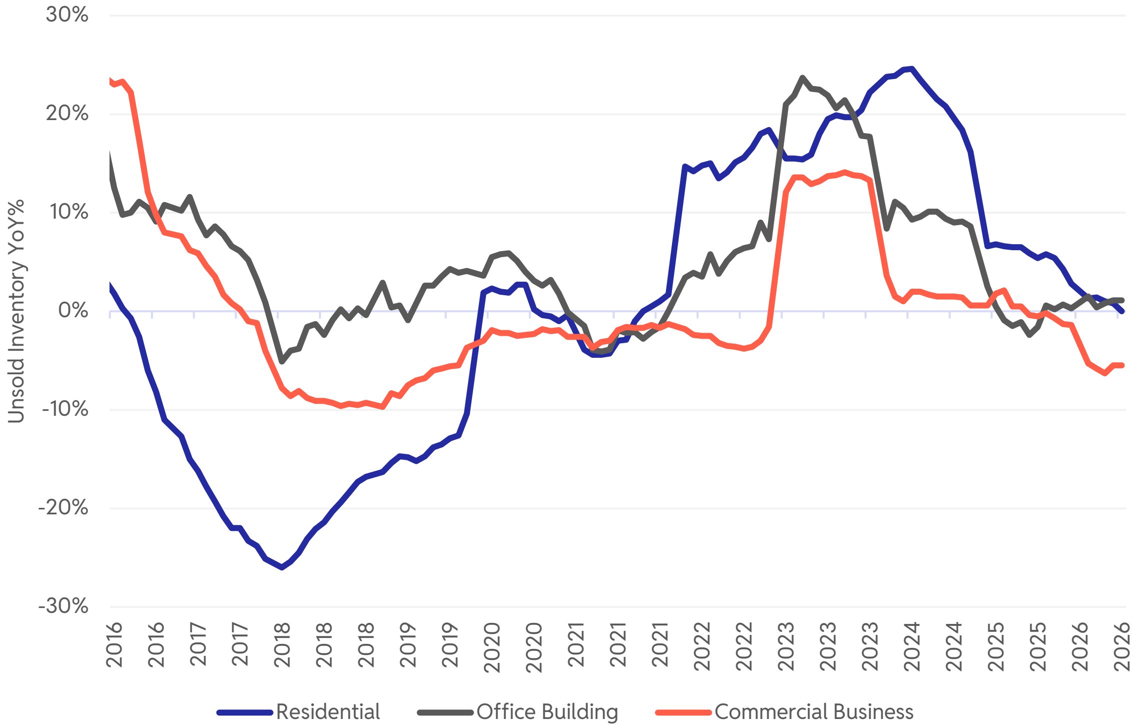
- Divergence between stronger exports and weaker retail sales suggests China's growth remains increasingly dependent on external demand, while domestic demand continues to lose momentum.
- Continued deterioration in property investment and residential sales indicate that housing remains the primary structural drag on the economy, with previous policy measures yet to deliver a sustained recovery.
- Moderation in fiscal expenditure growth suggests policymakers are becoming more restrained in deploying stimulus, increasing the burden on the private sector to support broader economic growth.

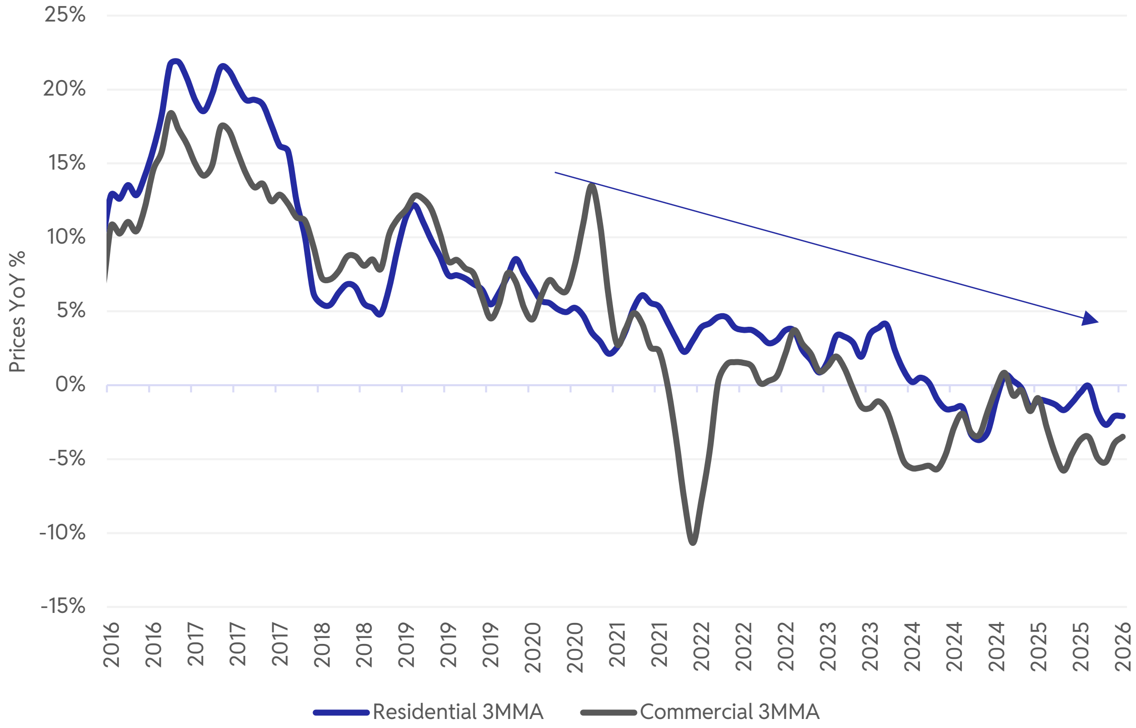
China's Q2 2026 GDP growth slowed to 4.3% YoY, the weakest since Q4 2022, as weaker investment and consumption reinforced that economic momentum remains concentrated in AI-led manufacturing and export-oriented sectors.

Source: Bloomberg, Ionic Wealth, Data available as on July 31, 2026

China's Real Estate Continues to Face Weak Demand

Inventory growth has moderated across residential and commercial property, but continued weakness in prices, sales and investment suggests the sector is yet to stabilize



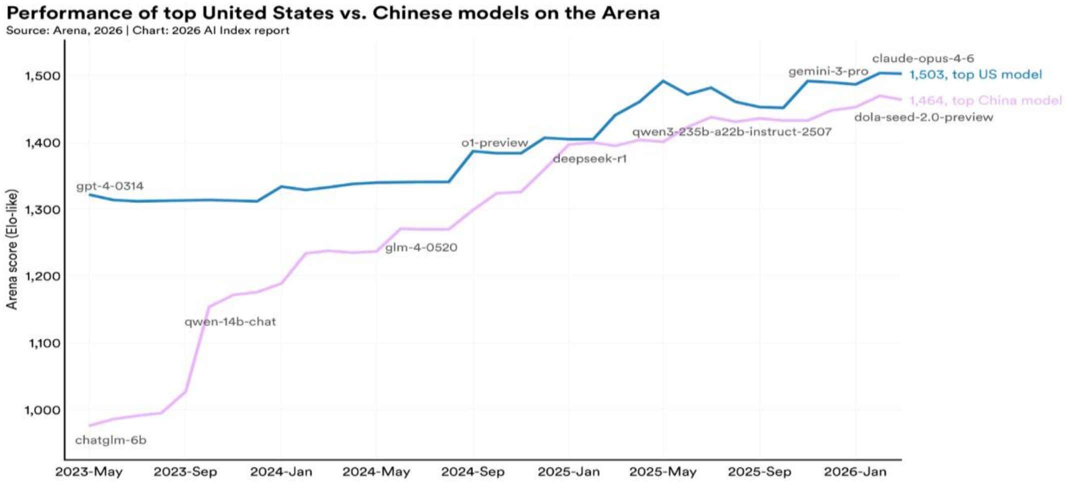


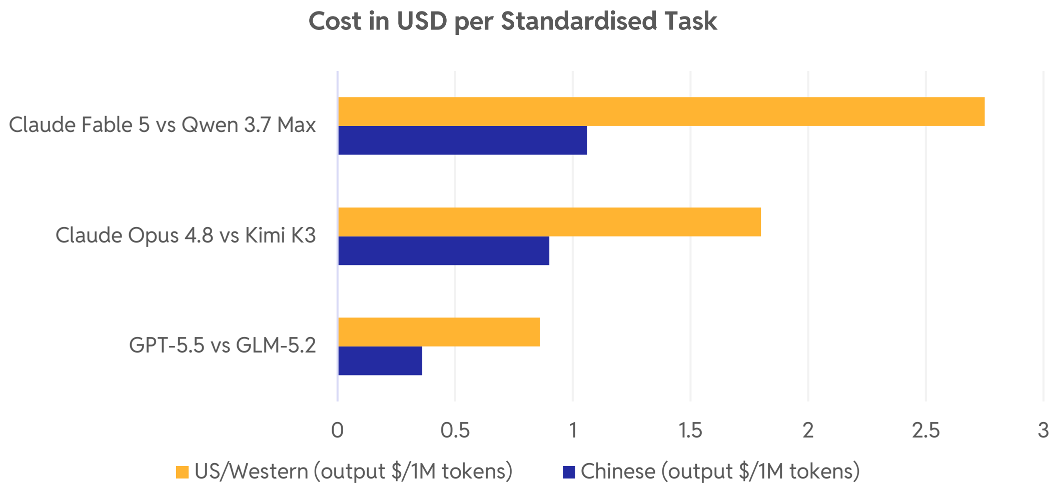
- Unsold residential floor space growth slowed from +24% YoY in 2024 to around 0% by June 2026, with office and commercial inventory following a similar trend. While the excess supply overhang has eased, continued weakness in sales suggests inventory normalization has yet to translate into stronger end-user demand.
- Residential property prices remain under pressure, declining 5.2% YoY, while commercial property prices also remained in negative territory. Continued price weakness suggests demand remains insufficient to restore pricing power despite ongoing policy support.
- Personal mortgage lending remained -24.9% YoY, despite mortgage rates holding near 3.05% for more than a year. Stable borrowing costs have not translated into stronger mortgage demand, indicating household demand remains the primary constraint on housing activity.

Source: Bloomberg, Ionic Wealth, Data available as on July 31, 2026

China's Cost Leadership Could Reshape The Next Phase Of The AI Cycle

As Chinese AI models become increasingly competitive on both performance and cost, AI adoption could accelerate, increasing competition across the global AI value chain





➢ China's AI Performance Gap Has Narrowed Significantly

- The U.S. - China AI model performance gap has narrowed materially, with leadership changing hands multiple times since early 2025
- While the U.S. continues to lead in frontier models, Chinese developers are increasingly competing on both performance and cost

➢ China's Cost Advantage Could Accelerate AI Adoption

- Chinese AI models deliver comparable performance at substantially lower deployment costs
- Lower pricing could accelerate enterprise AI adoption while increasing competitive pressure across the AI industry

➢ AI Competition Is Shifting Beyond Model Development

- As model capabilities converge, competitive advantage could increasingly shift towards infrastructure, ecosystem scale and commercial execution
- AI infrastructure providers remain well positioned as adoption expands

➢ China's AI Ecosystem Could Gain Strategic Importance

- China's leadership in AI publications, patent output and industrial automation strengthens its long-term AI ecosystem
- Policy support and localisation could reinforce China's position across the global AI value chain, while South Korea remains a key innovation hub through its leadership in AI patents per capita

Source: Stanford, Ionic Wealth, Data available as on July 31, 2026

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