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From the CIO's Desk

Asia Half-Yearly Report ◆ H1 2025

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"Stock markets climb a wall of worry" – a phrase that resonates deeply as we reflect on the first half of 2025. Our strong performance year-to-date validates our approach to avoiding linear thinking, which typically leads to commoditized outcomes, and instead developing fresh perspectives that challenge consensus views. In this half-yearly review, we share what has worked well for us so far this year and the questions we're facing head-on as we go into H2. Where do growth opportunities lie in a constrained world? Read on as we take stock of the year and outline our conviction for the future. Enjoy!

Market Review

The MSCI All Country Asia Ex-Japan Index was up 14.79% (in USD terms[1]) for the first half of 2025, rallying 6.20% in the month of June alone. Relative to the rest of the region, South Korea and Singapore were the outperformers year-to-date (YTD), while Thailand and Indonesia were the laggards. Sector-wise, Communication Services and Industrials led performance over H1, while Utilities and Consumer Staples were the worst performers.

MSCI China gained 3.76% in June, bringing H1 2025 returns to 17.37%. Despite ongoing geopolitical tensions, investors priced in existing risks while capitalizing on undervalued tech leaders and AI tailwinds. While consumer deflation persisted, government subsidies helped maintain demand, with retail sales showing consistent monthly improvements, from 3.7% year-over-year (y/y) in December 2024 to 6.4% y/y in May 2025.[2] China's manufacturing Purchasing Managers' Index (PMI) averaged a contractionary 49.7 in H1[3]; however, exports proved resilient through trade partner diversification, offsetting some negative impact of US tariffs.

Indian equities gained 3.44% in June, bringing H1 returns to 6.55%. While corporate earnings showed signs of revival, high valuations led investors to favor more attractive regional markets. Global headwinds, including volatile crude oil prices and border tensions with Pakistan, caused some volatility but were mitigated by swift resolutions. The Reserve Bank of India (RBI) implemented three rate cuts totaling 100 basis points in H1 (February, April, and June), including a larger-than-expected 50bp cut in June, before signaling a hold at 5.50% through fiscal year-end. Economic momentum remained robust, with manufacturing PMI hitting a fourteen-month high of 58.4 in June amid strong output and orders, while services PMI ended H1 at a solid 60.4.[4]

[1] Note: All return figures are in USD terms unless stated otherwise
[2] Source: National Bureau of Statistics of China, July 2025
[3] Source: Ibid.
[4] Source: S&P Global, July 2025

Korean equities rallied 17.64% in June, leading regional performance with H1 returns of 39.69%. The rally was driven by a confluence of factors, including a historically undervalued currency, deeply discounted market valuations, and strong local investor support despite heavy foreign selling. Foreign investor inflows flooded back to KOSPI following President Lee Jae-myung's election victory and his promised financial reforms, particularly the Corporate Value-up Program (CVP). Resilient corporate earnings in certain sectors and growing interest in crypto-related companies, buoyed by Won-backed stablecoins, also fueled the market's advance.

Taiwanese equities rebounded strongly in Q2 following a volatile first quarter, with June gaining 9.54% to bring H1 2025 returns to 10.43%. Foreign investors returned in May, focusing on AI and robotics stocks amid constructive US trade negotiations. The rally was further supported by Taiwan dollar strength and record-breaking May exports of USD 51.7 billion, surging 38.6% y/y, driven by robust AI demand and accelerated orders ahead of potential US tariffs following next month's suspension expiry.

ASEAN markets lagged their North Asian peers in June, though performance varied significantly across the region. Singapore emerged as H1's top performer, with equities returning 21.16%, as its defensive market characteristics attracted investors amid global uncertainties, particularly in real estate and financials. The market also benefited from capital market reforms aimed at boosting foreign investment and liquidity. The Philippines delivered mid-pack returns of 5.20% for H1 2025, supported by central bank easing but constrained by political tensions between the Marcos and Duterte camps. Thailand ranked as the worst performer, with equities declining 13.09% in H1 2025, weighed down by political instability, policy uncertainty, and a slower-than-expected tourism recovery relative to regional peers.

Performance Review

Over the first half of 2025, the Shikhara Asia Opportunities Fund (the "Fund") delivered a net return of 19.33%, outperforming the MSCI AC Asia ex Japan Index by 4.54 percentage points.[5]

By market, South Korea and China/Hong Kong were the largest contributors to absolute performance. In Korea, the industrial sector, particularly in defense and power transmission equipment manufacturing, demonstrated strong momentum amid increased government spending and export demand. The semiconductor sector also saw strong gains from AI-driven tailwinds, while our position in Korean power utilities, KEPCO, benefited from renewed optimism in nuclear power exports and improving energy cost dynamics.

In China/Hong Kong, we took a nuanced approach across sectors, focusing on category disruptors and market share gainers across sectors. Pharmaceutical innovators like Hansoh outperformed as they advanced their novel drug pipelines and expanded market penetration in oncology treatments. Among financials, we benefited from positions in Standard Chartered and Prudential Asia, which are capturing increasing market share across high-growth Asian markets. While established tech leaders like Tencent and Alibaba contributed positively, performance was slightly offset by other consumer platforms like travel and food delivery names, which faced near-term headwinds from competitive pressures.

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[5] Source: FactSet, July 2025.

Elsewhere, Indian private sector banks were also positive contributors, benefiting from robust credit growth and improving asset quality. Our exposures in Singapore, particularly in regional digital platforms, continued to see positive expansion in their market presence across Southeast Asia and other emerging markets. However, positions in other ASEAN markets, notably Malaysia and the Philippines, detracted from performance in H1, largely due to slower-than-expected recovery in consumption and tourism levels.

Top Contributors

Stock	Rationale
Sea Limited	Sea's share price rallied over H1 2025 thanks to improved profitability driven by improved operating metrics and a strong rebound in its e-commerce business, Shopee. The company's focus on sustainable growth, including reducing cash burn in its digital financial services and gaming divisions, enhanced investor confidence in its fundamentals. Additionally, Sea's ability to expand its market share amidst growing demand for digital services in the region solidified its long-term growth prospects.
Hansoh Pharmaceutical Group Company Limited	Hansoh Pharma saw strong gains over H1 2025 thanks to two significant business development deals: the out-licensing of HS-20094 (GLP-1/GIP) to Regeneron in June 2025 and HS-10535 (oral GLP-1) to Merck & Co in December 2024, validating the company's R&D capabilities. Additionally, the company's core product Aumolertinib (43% of 2024 drug sales) received approval for adjuvant therapy and is expected to reach peak sales of RMB 8 billion by 2029, demonstrating strong execution in its core business.[6]

Top Detractors

Stock	Rationale
Trip.com Group Limited	Despite resilient bookings growth, pricing pressure remains, which impacted margins for China's leading online travel agency (OTA) platform over the last two quarters. Additionally, concerns over rising competition in the domestic travel market and the company's high valuation relative to peers further weighed on investor sentiment. However, we remain positive on the longer-term outlook. Competitive pressures, particularly from JD.com, should moderate in the next few quarters as market rationalization plays out. Moreover, Trip.com's non-China business continues to demonstrate robust momentum, providing an important avenue for sustained expansion.
Meituan	Meituan's share price came under pressure in H1 due to the slower pace of growth in its core food delivery business. Investors were also concerned about rising competition from rivals like JD.com, which aggressively expanded into local services, pressuring Meituan's market share and margins. While near-term margins may remain under pressure due to heightened competitive intensity and

[6] Source: Hansoh Pharmaceutical, UBS, June 2025

	investments in overseas expansion, we believe Meituan's strong operational execution and market leadership positions it well to maintain its dominance over the medium term.

Note: Top contributors and detractors reflect the securities' absolute contribution to overall portfolio return during the period from December 31, 2024, to June 30, 2025. Investment involves risk. Past performance is not indicative of future performance. It cannot be guaranteed that the performance of the investment product will generate a return, and there may be circumstances where no return is generated. Investors could lose all or a substantial portion of any investment made. Before making any investment decision, investors should read the Private Placement Memorandum for details and the risk factors. Investors should ensure they fully understand the risks associated with the investment product and should also consider their own investment objective and risk tolerance level. Investors are advised to seek independent professional advice before making any investment. The information provided herein doesn't constitute and should not be considered as any form of financial opinion or recommendation.

Portfolio Commentary & Outlook

What worked for us? Taking stock of the year so far…

As we take stock of 2025 so far, the phrase "bull markets climb a wall of worry" reminds us of the proverbial "wall" that investors have faced over the last 6 months. From tariffs to political uncertainty, to tech disruptions and global conflicts (India/Pakistan, Russia/Ukraine, Middle East), Asian markets have demonstrated remarkable resilience in climbing higher despite these headwinds.

The Fund's strong performance of 19.33% in H1 2025 was driven by our ability to capitalize on opportunities in rapidly shifting markets. What really made a difference was the unique setup of our investment team compared to other Asian managers, sitting across three key locations (New York, Hong Kong, and Mumbai).

Here in New York with my senior tech analyst, we are right in the thick of things, getting a firm grasp of what's happening on the ground with geopolitics, the economy, and most importantly, understanding US priorities. Because, let's face it, the US is still one of the largest demand centers of the world and where most innovation is happening. Then we have our investment team members in Hong Kong, who travel extensively across Asia, conducting channel checks and getting under the hood of how supply chains and manufacturing are shifting in light of tariffs. And last but not least are our team members in Mumbai covering small and mid-cap Indian names – this served us well in H1 as we saw Indian small and mid-caps were still fairly stretched, and we concluded that this time correction still had a bit longer to run. When we bring all of our perspectives together, the discussions and debates we have in our team meetings give us an unmatched level of insight – and that's what gives us the conviction to navigate through the noise.

Rather than finding comfort in the wisdom of the crowds, we focused instead on what we call "activity pools" – these are themes where we see time, money, and energy being incrementally deployed at scale across the region. By studying these activity pools intensively, examining market structures and demand patterns, we were able to position ourselves ahead of the trends before they became obvious to the broader market.

For example, this approach played out well in our power infrastructure thesis. For some time, we'd been observing the growing mismatch between existing power infrastructure and today's evolving energy needs – whether from surging AI-driven demand, aging grids struggling with rising temperatures, or the challenges of integrating intermittent renewable energy sources. By connecting the dots across our global analysts, we identified key beneficiaries along the supply chain. Companies like KEPCO, South Korea's state utility provider, and HD Hyundai Electric, a leading manufacturer of power equipment and infrastructure solutions, for example, delivered strong performance as these structural trends began to play out.

We saw similar success in our differentiated approach to digital platform opportunities across Asia. Rather than following the crowd into China's mature digital ecosystem, we found more nuanced opportunities like Tencent Music. In India, where valuations remained stretched and competition intense, we stayed disciplined and instead shifted our focus to ASEAN markets, where digital adoption still had significant runway for growth. This led us to names like Sea Limited, where we saw the potential for strong earnings growth driven by scale advantages and network effects that weren't yet fully appreciated by the market.

What are the key questions for the future?

Despite the strong performance and resilient markets, we are not sitting on our laurels for the remainder of the year. Several key questions are emerging that we think are critical to address.

The first question on everyone's mind is: ***With equity markets showing such resilience YTD, are we due for a meaningful correction?*** Global geopolitical tensions remain elevated, and further conflicts could certainly trigger risk-off sentiment. However, we see several factors that make a severe market downturn less likely:

1. While geopolitical risks are real, we believe a full-blown global conflict is unlikely.

   Recent conflicts like India/Pakistan and Israel/Iran showed us something critical: that a ceasefire was able to be reached within days. When regional supply chains and energy flows were threatened, major powers stepped in quickly, using diplomatic and economic leverage to enforce ceasefires. What we've seen is controlled escalation followed by clear off-ramps for de-escalation.

   Looking at US-China tensions, the economic ties run deep. Take the recent rare earths agreement – China controls over 85% of global processing capacity and produces about 60% of raw materials, a position they've strategically built over decades.[7] Until the US can source 30-40% of rare earths elsewhere, conflict just isn't practical.

   The reality is that China needs US demand for exports, especially given its domestic demand challenges. Meanwhile, the US depends heavily on Chinese supply chains for critical materials. This mutual dependency means disputes are more likely to play out through managed economic channels (e.g., tariffs and trade measures) rather than escalating to military conflict.

   In all, market volatility will be inevitable, especially when you consider that quant funds and retail futures trading represent at least over a third of market volume. But we think the risk of an extended drawdown is unlikely. Unlike the dot-com bubble of 2000, where we saw significant excesses and misallocation of capital, today's challenge is actually underinvestment in critical areas.

[7] Source: Spherical Insights, June 2025

Furthermore, policymakers and central banks have demonstrated both the willingness and ability to act swiftly to address market stresses, making prolonged, large-scale drawdowns less likely.

2. We are in a “Goldilocks scenario” that will lead to higher global investment.

   What many don’t realize is that the global economy is entering a period of increasing investment. The US, in particular, finds itself in a “Goldilocks scenario”, characterized by moderate growth, cooling inflation, and resilient labor markets. While this balance seems fragile, it holds potential for growth, much like the 1930s New Deal era.

   During that time, decisive policy action spurred the development of critical industrial and utility companies, fueling the buildout of US physical infrastructure. Today, the US faces a similar imperative – but this time it’s about rebuilding manufacturing capabilities, modernizing infrastructure, and establishing technological sovereignty. These investments are not just about economic growth but about creating strategic deterrence, ensuring that the nation is prepared to address challenges without escalating to conflict. This push for self-reliance extends to securing domestic control over critical manufacturing capabilities – from rare earth elements and semiconductors to shipbuilding and power generation – ensuring that vital supply chains and industrial inputs remain within US control and access.

   This parallels the late 1930s, when the US invested heavily in its industrial and defense base, enabling the country to maintain a position of strength on the global stage. The post-war era of the 1950s then ushered in a new expansion phase fueled by continued innovation and investment.

   Whether through periods of economic development or geopolitical tension, history shows that investments in infrastructure, manufacturing, and innovation drive market performance. We expect similar dynamics to play out in today’s environment. While there will be regional and sector divergence, growth opportunities remain robust in areas of investment like AI and technological transformation, infrastructure modernization, manufacturing reshoring, and even healthcare, which offers both defensive characteristics and innovation upside. In essence, while risks exist, we’re in a period of strategic rebuilding that historically has created significant investment opportunities across multiple sectors.

The second question we’re often asked is: ***Where should investors find growth in a growth-constrained world?***

While many are taking an increasingly bearish stance on global growth, we see a more nuanced picture. Yes, we’re entering a period of slower aggregate growth, but this masks significant opportunities beneath the surface.

1. Shifting profits make Asia more attractive

   The past few decades of globalization delivered record-high corporate profit margins for US companies, largely driven by access to China’s low-cost manufacturing base. As geopolitical tensions drive supply chain reorganization and new tariff pressures emerge, US corporate profitability will inevitably be impacted. This pressure will drive investors to seek growth opportunities in more dynamic markets, particularly in Asia, where companies are expanding globally and margins have room to expand. Additionally, markets like India, where governments maintain healthy tax revenues and can provide consumer relief, may offer better prospects than the US, where part of the impact will be borne by consumers.

2. Opportunities in AI-driven growth and productivity

The headlines about technological disruption are also impossible to ignore. Microsoft's recent layoff of ~15,000 employees is likely just the beginning, as companies integrate increasingly sophisticated agentic AI tools into their operations. This disruption will be particularly pronounced in advanced economies, where middle-class knowledge workers face the greatest exposure to AI automation.

However, this challenging backdrop creates clear winners and losers. Forward-thinking companies are already leveraging AI to offset margin pressures and enhance productivity. Many of the companies we speak with are sharing anecdotes about gaining comfort with AI applications, transitioning from experimental to production scale. While chips and servers are the immediate beneficiaries, the broader opportunity lies in AI's ability to expand the whole pie across industries. Rather than just redistributing existing value, AI will create new value by enabling new products and services, creating new markets and business models, solving previously intractable problems, and augmenting (not just replacing) human capabilities.

We are interested in leading platform companies and digital natives who are at the forefront of these AI initiatives. Some of these firms already capture over 50% of their sector's market share and are poised for greater expansion as their AI capabilities advance. Examples include leading e-commerce platforms deploying large language models (LLMs) to optimize their supply chain forecasting and logistics networks – areas that were already key differentiators but are now being further enhanced by AI. Another example is in the gaming sector, where companies are using AI to drive greater engagement with sophisticated non-player characters (NPCs) and personalized gaming experiences.

3. Multi-year infrastructure and manufacturing capex

Outside of the AI opportunity, we're particularly interested in sectors requiring multi-year structural investment, such as the reshoring of US manufacturing capabilities and global infrastructure upgrade. These areas benefit from both policy tailwinds and technological transformation. Here, we see significant opportunities in Asian firms that are expanding globally through innovation. Having achieved scale and operational efficiency in their domestic markets, these companies are now capturing global market share across key industrial and manufacturing-related sectors. Their combination of innovation capabilities and cost competitiveness makes them particularly well-positioned in this transition. See section below on “Quarterly Conviction Calls” where we feature this theme in more detail.

What will it take to succeed in the future?

This is something we constantly think about, both from the perspective of our own firm and for the companies we invest in.

Success in today’s rapidly evolving market environment requires organizations to embrace disruptive change. The winners will be those willing to cannibalize their existing business models, shake up their organizations, and maintain a hawk-eye focus on productivity. It’s not enough to just protect the status quo. Management teams need to be radical enough to envision how their business will look 3-5 years out and take the necessary steps to stay competitive over that horizon. This requires stable and focused teams that can execute strategic shifts without being distracted by short-term volatility.

As consumption comes under pressure and market rallies become increasingly narrow, the gap between winners and laggards will widen. The key to navigating this environment lies in understanding where businesses are in their lifecycle and how the market is pricing their potential. In our next section, “Quarterly Conviction Calls”, we outline specific examples of companies that embody this philosophy and explain why they’ve earned a place in our high-conviction portfolio.

Quarterly Conviction Calls

Each quarter, we highlight a select number of companies that showcase exceptional growth potential. Additionally, in this half-yearly edition, we also revisit some previous stock picks to assess their progress and validate our theses.

Stock	Update
Hansoh Pharmaceutical (3692-HK): +72.16% YTD Featured in September 2024 (pg7)	Hansoh’s share price rally YTD validates our long-held thesis about the company’s successful transformation from generics to innovation. Two major business development deals (the out-licensing of HS-20094 (GLP-1/GIP) to Regeneron and HS-10535 (oral GLP-1) to Merck & Co), each worth up to USD 1.9 billion in milestone payments, demonstrate the value of Hansoh’s R&D investments, which we highlighted last year.[8] The company continues to deliver on its pipeline expansion goals, with four new ADC molecules entering clinical stage since Q4 2024. Meanwhile, its flagship product Aumolertinib (43% of 2024 drug sales) is tracking well with our growth expectations following adjuvant therapy approval, with peak sales estimated to reach RMB 8 billion by 2029.[9]

[8] Source: Hansoh Pharmaceutical, UBS, June 2025

[9] Source: Ibid.

Sea Limited (SE-US): +50.54% YTD Featured in December 2024 (pg7)	Sea's strong YTD performance reflects the company's successful transformation from a "growth-at-all-costs" model to one leveraging powerful competitive moats, driving improved profitability across its ecosystem. Shopee's e-commerce margins have strengthened due to a stable competitive environment, operating leverage, and rising ad revenues, while maintaining robust 20% gross merchandise value (GMV) growth guidance.[10] The VIP subscription program has strengthened customer loyalty and driven market share gains across ASEAN, while its logistics improvements in Brazil are bringing it closer to industry leader MELI in terms of delivery times. The gaming division saw exceptional Q1 performance, boosted by successful partnerships like Naruto that expanded both the user base and average revenue per user (ARPU). Meanwhile, the fintech segment continues its calculated expansion into new markets and products, while maintaining stable non-performing loan (NPL) ratios. With improving margins across all segments, strong network effects, and structural cost advantages, Sea is increasingly capitalizing on the competitive moats it has built while maintaining its growth trajectory.
Standard Chartered (2888-HK): +37.00% YTD Featured in December 2024 (pg7)	In a stagnant Hong Kong market where few stocks have shown significant movement, Standard Chartered Bank (SCB) has more than doubled its share price in the past 12-18 months, demonstrating how a great franchise can overcome market skepticism and deliver exceptional returns. The bank's wealth management business is experiencing strong momentum, with Q1 2025 income up 28% y/y and 72,000 new affluent clients added (+14% y/y).[11] With dominant positions in three fast-growing wealth hubs (Hong Kong, Singapore, and the UAE) and a proven distribution model for global assets, SCB is well-positioned to achieve its guided double-digit wealth management income CAGR through 2029. SCB's rally reflects growing recognition of its unique positioning to benefit from two major structural trends: accelerating global supply chain restructuring to boost its cross-border business and rising cross-border wealth management demand. The bank's century-old presence provides it with extensive licensing and deep customer relationships that are difficult to replicate. This network advantage enables SCB to capture corporate banking opportunities while securing low-cost deposits, with minimal exposure to US-China tensions. Despite its strong performance, the stock continues to trade at an attractive 0.78x 2025E P/B.[12]

Note: Returns are year-to-date June 30, 2025, and are shown in the stock's local currency. Source: FactSet, July 2025.

[10] Source: Sea Limited, March 2025

[11] Source: Standard Chartered, May 2025

[12] Source: FactSet, July 2025

Our latest conviction calls focus on the power infrastructure premium. More and more companies on the ground are talking about embracing AI and how AI will be a key differentiator. But energy is often an overlooked enabler of the AI revolution. A significant bottleneck is the nearly two decades of underinvestment in critical infrastructure post-GFC, particularly across developed markets. We see particularly attractive opportunities in this space through two Korean leaders: KEPCO and HD Hyundai Electric.

Korea Electric Power Corporation (KEPCO)

KEPCO is South Korea's state-owned utility giant, controlling ~60% of the country's power generation capacity (84GW) through its network of 31 affiliates.[13] As Korea's population ages and pension funds gain greater influence in market dynamics, there's mounting pressure on KEPCO to maintain fair utility pricing while improving profitability – a balance that's becoming increasingly achievable.

After a decade of monitoring KEPCO, we believe the stock is at an inflection point that could drive a 3-4x return potential over the next few years. Several catalysts are aligning: First, the October 2024 industrial tariff hike (9.7% on average) is expected to generate KRW 3-3.3 trillion in incremental operating profit for 2025, with even higher flow-through to earnings given reduced interest burden.[14] Second, sharp declines in raw material prices should boost margins in 2H25 as these cost savings flow through to earnings. Third, Korean Won appreciation benefits KEPCO as a net importer of coal and LNG.

The company's fundamentals are improving after years of challenges, with recent tariff hikes and stabilizing raw material prices setting a path toward profitability and debt reduction. Trading at just 0.4x P/B, well below its upcycle valuation band of 0.4-0.6x, KEPCO offers compelling value as it transitions from a restructuring story to a profitability recovery play.

HD Hyundai Electric

HD Hyundai Electric, spun off from Hyundai Heavy Industries in 2017, is a leading Korean manufacturer of critical power equipment, including transformers, circuit breakers, and switchgear.

The company's strategic foresight in establishing a US manufacturing presence in 2011 has proven prescient. With over a decade of operational excellence in its Alabama facility, HD Hyundai Electric has built the local track record and reliability credentials that US utilities prioritize when selecting mission-critical transformer suppliers. This established presence, combined with deep technical expertise and proven product reliability, positions the company as a key enabler of US grid modernization rather than just another foreign supplier.

Multiple catalysts support a compelling investment case: First, severe supply-demand imbalances in power equipment (3-4 year lead times for transformers) are driving sustained pricing power. Second, while US grid modernization captures headlines, the company's growing order book from Europe and the Middle

[13] Source: KEPCO, May 2025

[14] Source: Shikhara Investment Management analysis, May 2025

East suggests a broader geographic opportunity. Third, planned capacity expansions, including Alabama facility upgrades, demonstrate strong visibility into multi-year demand.

Trading at reasonable valuations despite a 26% EPS CAGR, with a 40% ROE and a debt-free balance sheet, we believe HD Hyundai Electric offers unique exposure to critical infrastructure modernization, presenting an attractive risk-reward profile.