

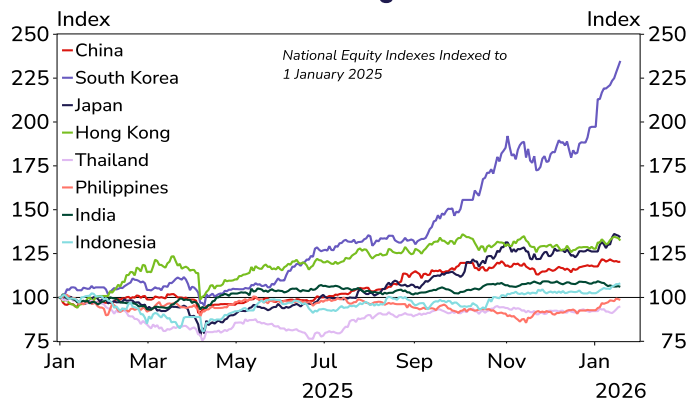
Mapping out Asia

- Investment into Asian equities is bifurcated along the tech divide. Producers of components related to the AI infrastructure build-out are seeing strong growth across assets while more services-oriented economies are seeing smaller gains.
- Exports of electronics across Asia have far outpaced services. We expect this thematic will continue to play out through 2026 and influence broader investment decisions.
- Rising investment into the sector by government and businesses alike is supporting supply capacity, to meet the demand stemming from the AI infrastructure build out across the world.



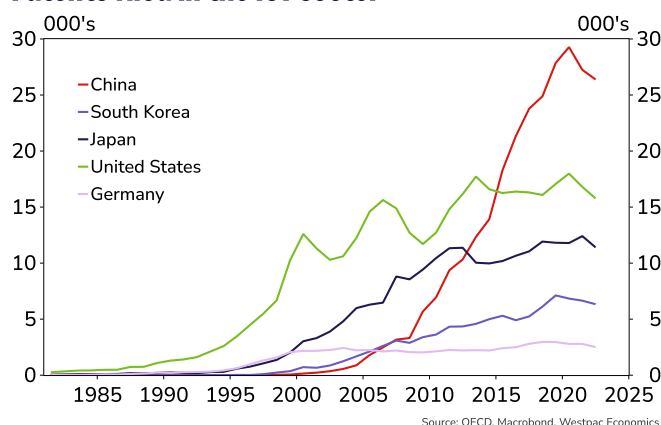
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Tech-divide sees bifurcated growth



Source: BSE, IDX, Nikkei Inc., CSI, STOXX, HSI, KRX, SET, FTSE Russell, PSE, S&P Global, Macrobond, Westpac Economics

Patents filed in the ICT sector

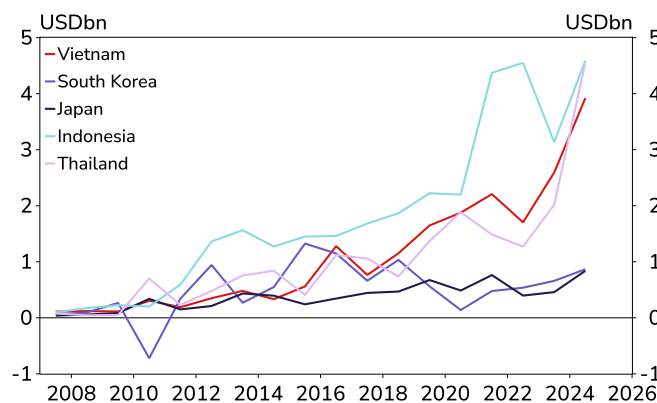


Source: OECD, Macrobond, Westpac Economics

- As investor, Chinese authorities have financed tech-related capital in Asia creating assembly and testing facilities across ASEAN.
- Much of the 'front end' manufacturing occurs in northeast Asia. However, increased collaboration with China, Taiwan, Japan and Korea (including information sharing and foreign direct investment) has seen ASEAN become more prominent in the latter 'back end' stages of production.
- Today, over 80% of US imports of semiconductors come from Asia.
- This cycle of deep investment into producing new technology and financing production across Asia has laid the groundwork for strong investment prospects across most of the region.

- China's role in the AI race is one of both innovator and investor. Firms have progressed from replicating US technology to being a tech leader. After a decade of deep investment, China accounts for around 60% of AI patent filings, far surpassing other countries.
- Innovation, already seen in DeepSeek's AI model that rivals frontier models from US firms, is only set to increase following support measures by authorities.
- This includes a ¥100bn venture fund announced in Dec 2025 aimed at funding companies with valuations of less than ¥500mn. Unlike a typical 10-year fund, this 20-year fund allows for longer research and development cycles.
- China also has the skilled workforce to drive research and production. The more than 47k doctoral STEM graduates in 2022 represented almost 60% of total doctoral graduates.

China continues to invest across Asia

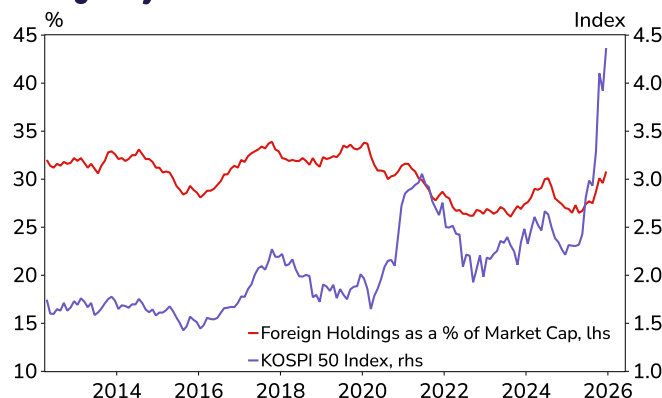


Source: MOFCOM, Macrobond, Westpac Economics

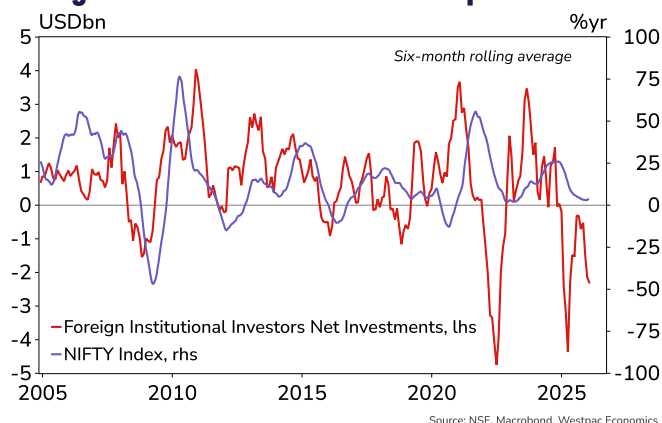
...in charts

- South Korea is perhaps the biggest beneficiary of the windfall of AI-centric capital investment. Demand from foreign buyers, who now account for 31% of the market, supported a 76% increase in the KOSPI.
- Korea's tech sector also has tailwinds. In Dec 2025 President Lee Jae-myung announced a ₩105tril National Growth Fund (4% of Korea's annual GDP) to increase investment into advanced sectors.
- Shortages of memory chips, production of which is dominated by Korea's Samsung and Hynix, alongside corporate governance reforms should also aid investment into equities and the broader sector.
- This should help reverse the impact of the 'Korean Discount' on equity valuations.

Foreign buyers undeterred



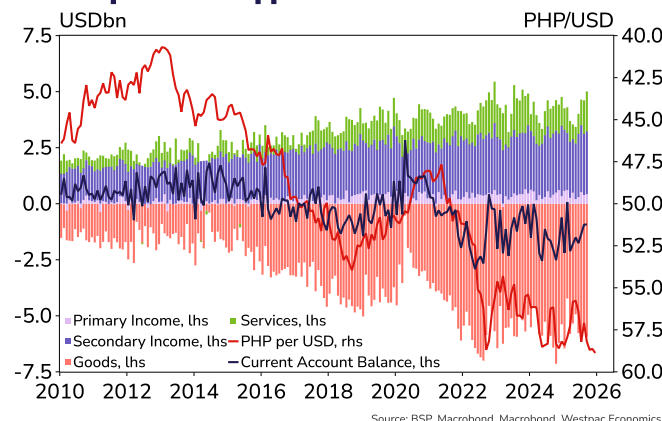
Foreign investors sell out of Indian equities



- Foreign investors sold a net USD22.3bn of Indian equities in 2025 reversing a net gain of USD20.5bn in 2023 and 2024. The outflow came as investors increased their exposure to northeast Asia to capitalise on the AI boom.
- Other factors include unresolved tariff tensions with the US and widening interest rate differentials as the RBI loosens policy in response to low inflation.
- Overvaluations have also been said to play a role in outflow, price-to-earnings ratios for the NIFTY fell from 23.5 in 2023 to 21.6 in 2025 compared to the S&P where the ratio increased from 21.5 to 25.4.
- Pessimism around Indian securities has contributed to a weaker rupee. The INR was the weakest performing currency in Asia in 2025, having depreciated 5%.

- The Philippines' services-oriented economy did not see the same strong foreign investment as its more tech-involved neighbours. 2025 marked the second straight year of net foreign selling on the Philippine Stock Exchange.
- Amidst this, the Peso has depreciated to a record 59.453 against the greenback, depreciating almost 8% since May's low. In part this reflected corruptions scandals. Bangko Sentral ng Pilipinas officials have talked down expectations of intervention. With the BSP on an easing bias, rate differentials will also likely weigh on the currency.
- A weak peso isn't necessarily a bad thing. It will help boost remittance income which equates to 7% of GDP and helps support household consumption. It will also attract more tourists supporting an important pillar of the economy.

A weak peso will support remittances





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