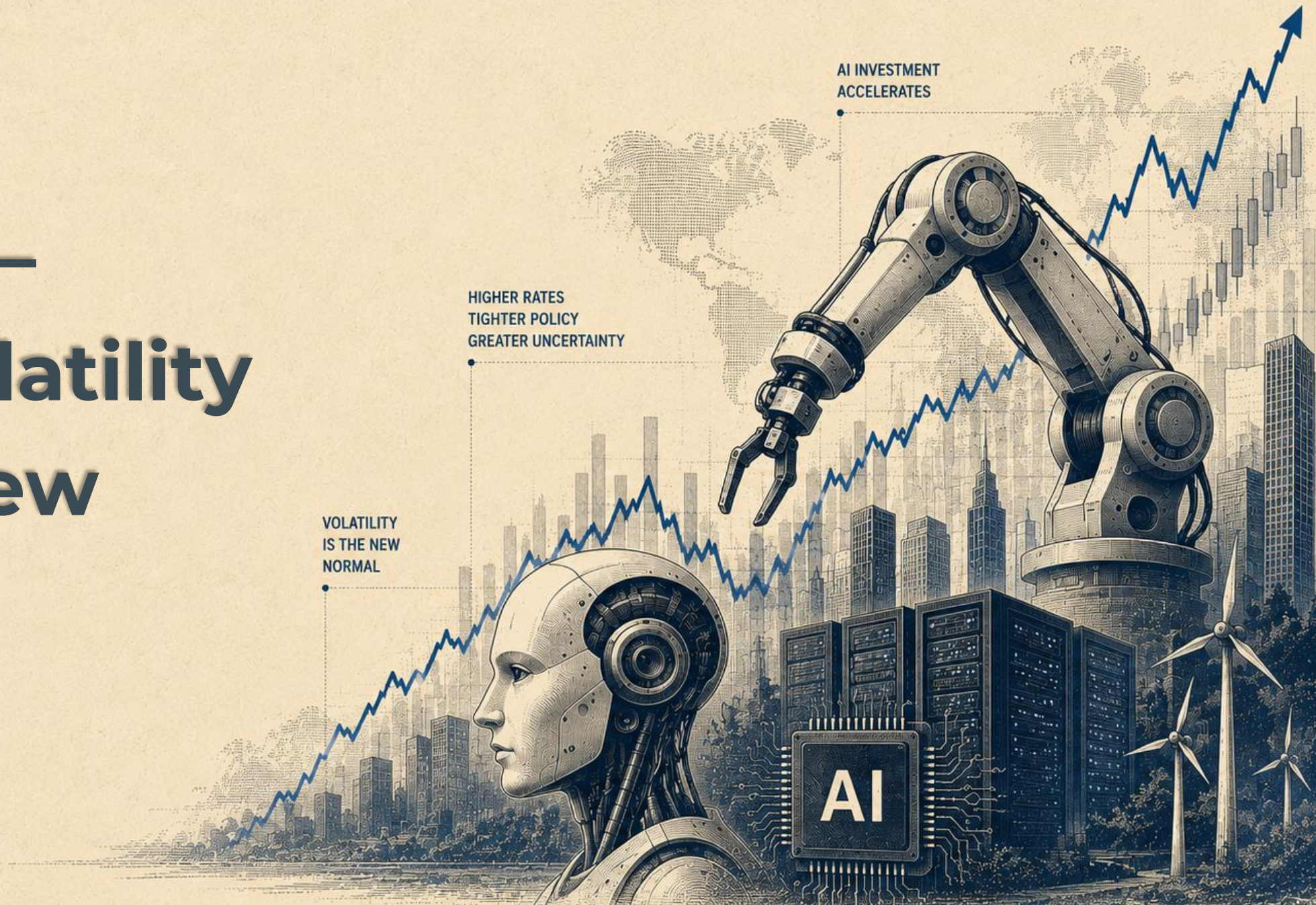


Weekly – Tech Volatility Is the New Normal

29 June 2026



AI INVESTMENT
ACCELERATES

HIGHER RATES
TIGHTER POLICY
GREATER UNCERTAINTY

VOLATILITY
IS THE NEW
NORMAL

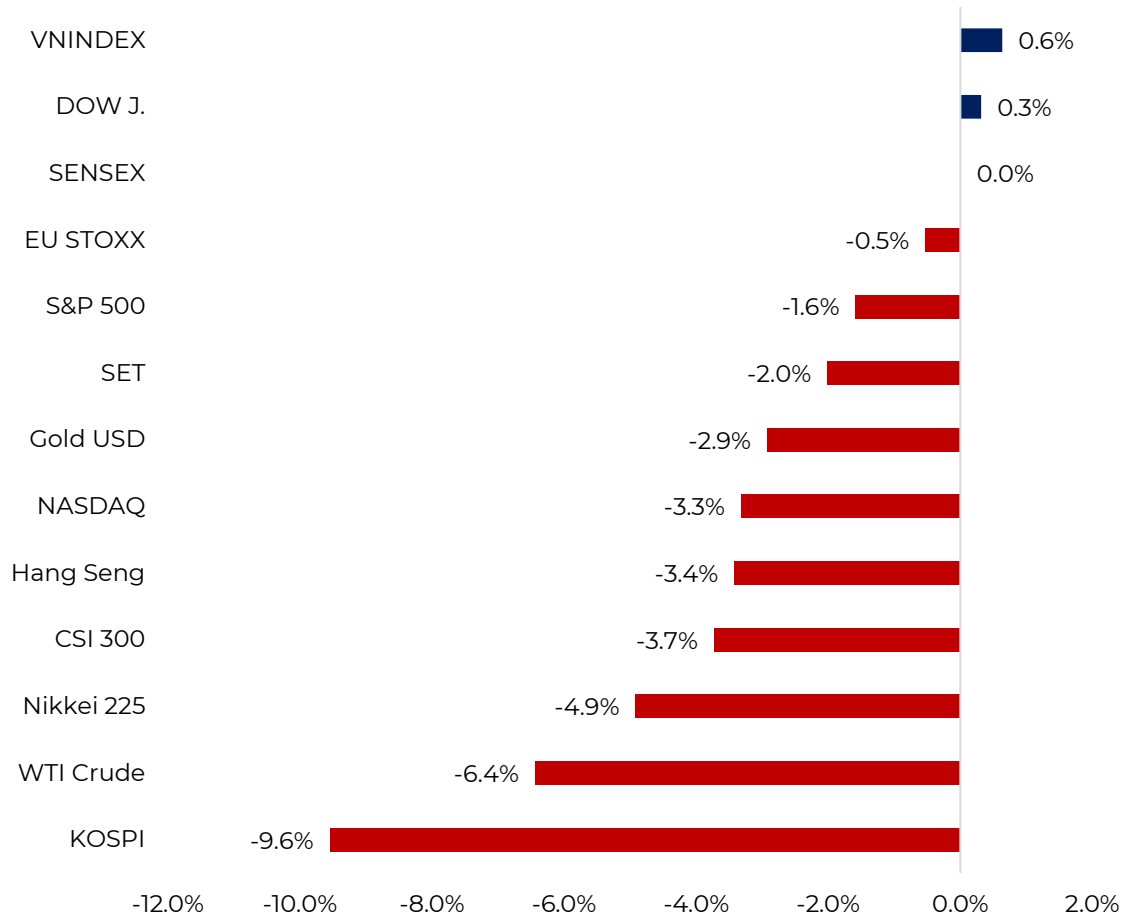
AI

Agenda

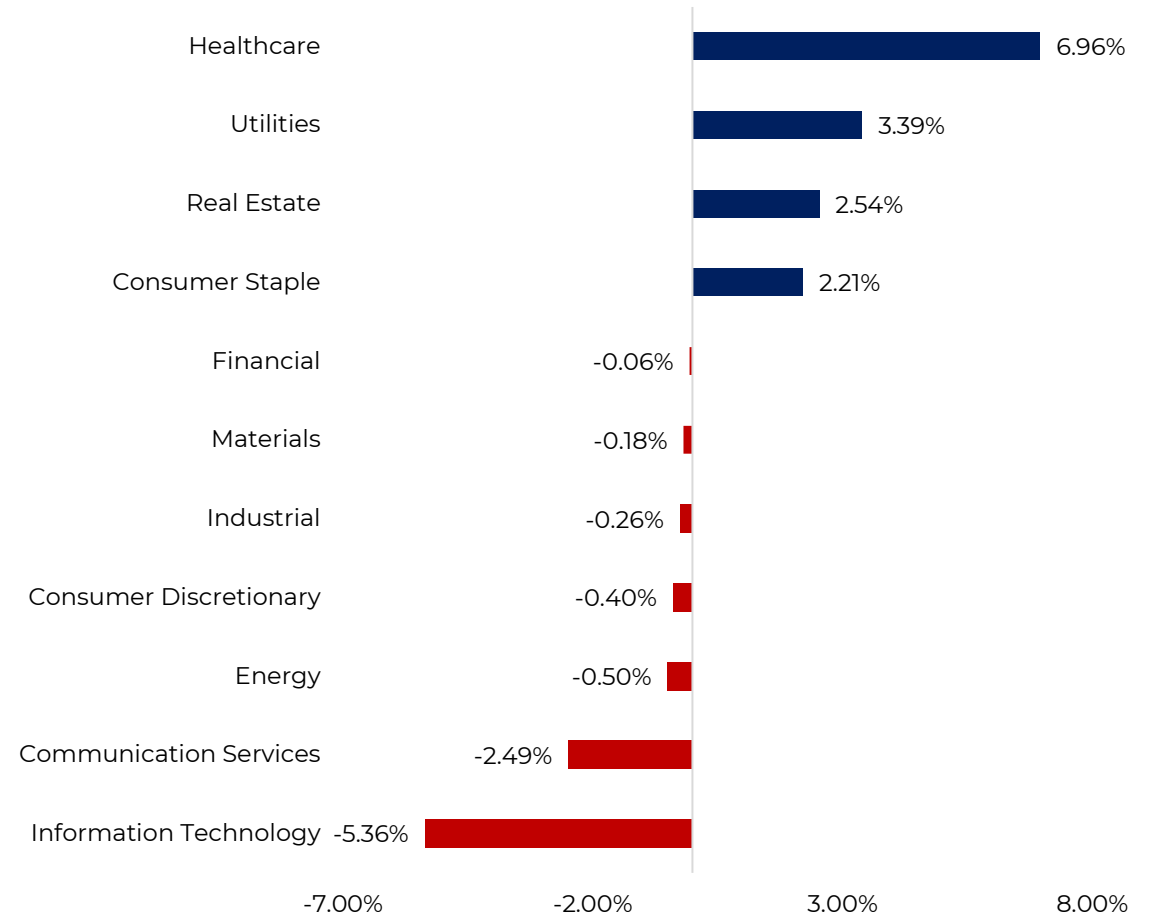
- Weekly Market Performance
- Weekly - Tech Volatility Is the New Normal

Market Performance

Global Market Weekly Performance



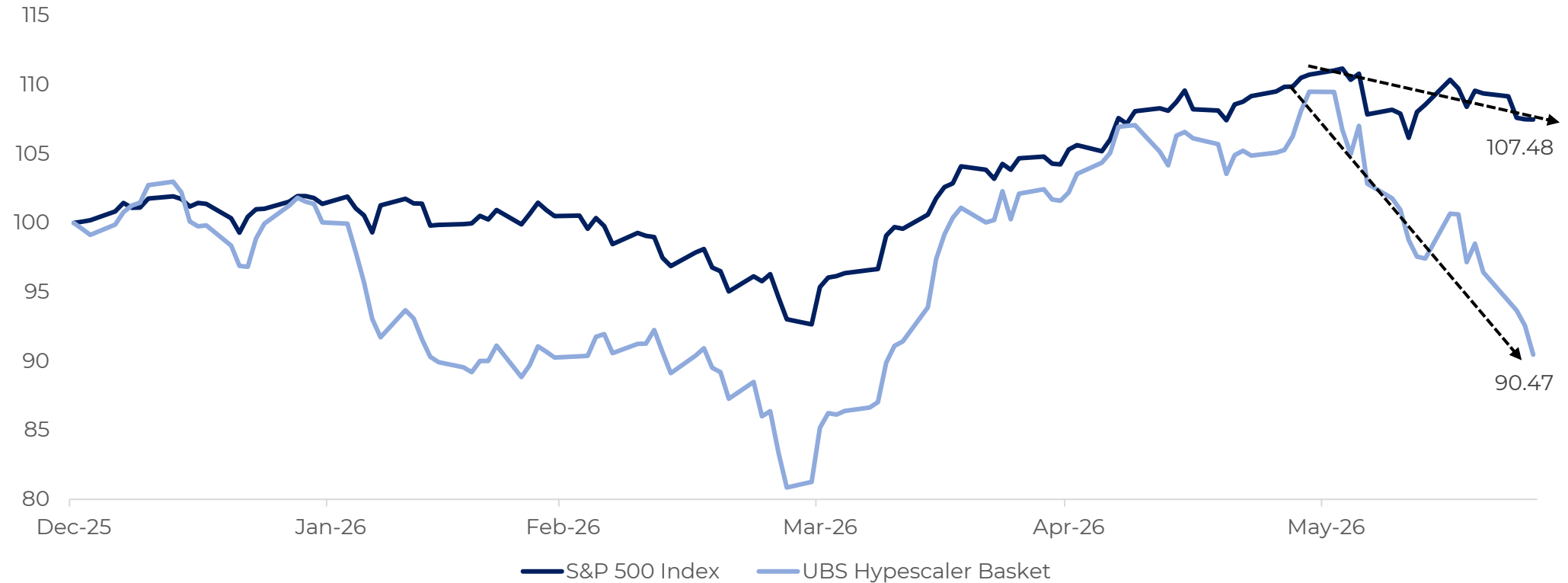
US Market Weekly Performance



Source: Bloomberg, KGI Wealth As of 29 June 2026

Another Volatile Week for Tech as the Market Again Punishes AI Capital Raisers

Performance of S&P 500 and Hyperscaler Index

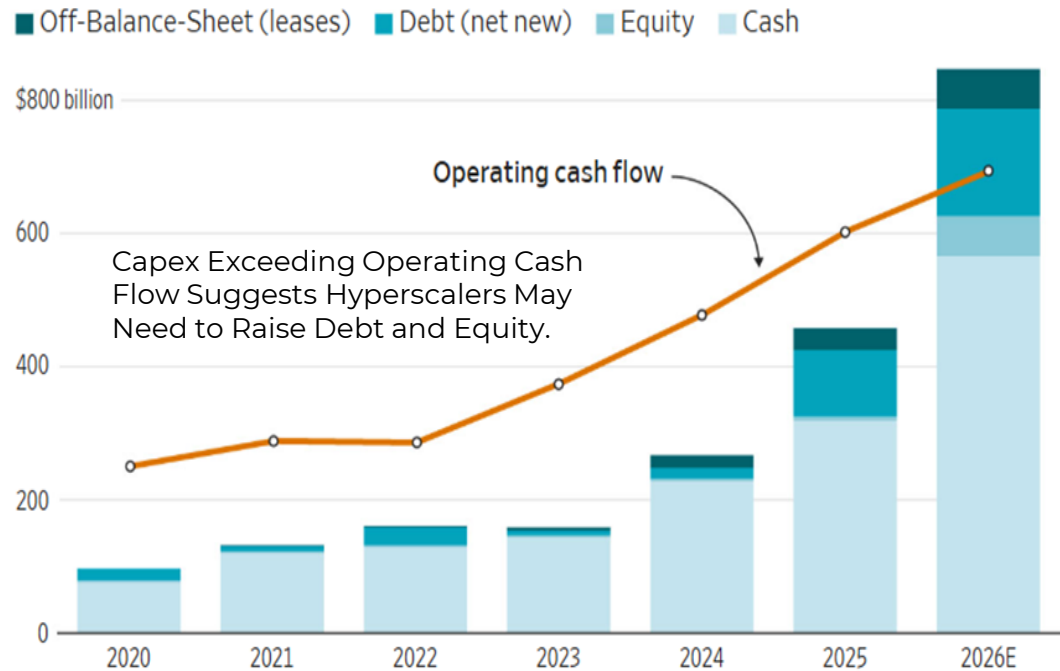


- Over the past week, AI-related stocks were highly volatile, driven primarily by big tech.
- In our view, this was due to two factors: (1) investors again turned cautious on AI capital raisers, and (2) rising memory chip prices raised concerns about whether major customers such as Apple can absorb higher costs.

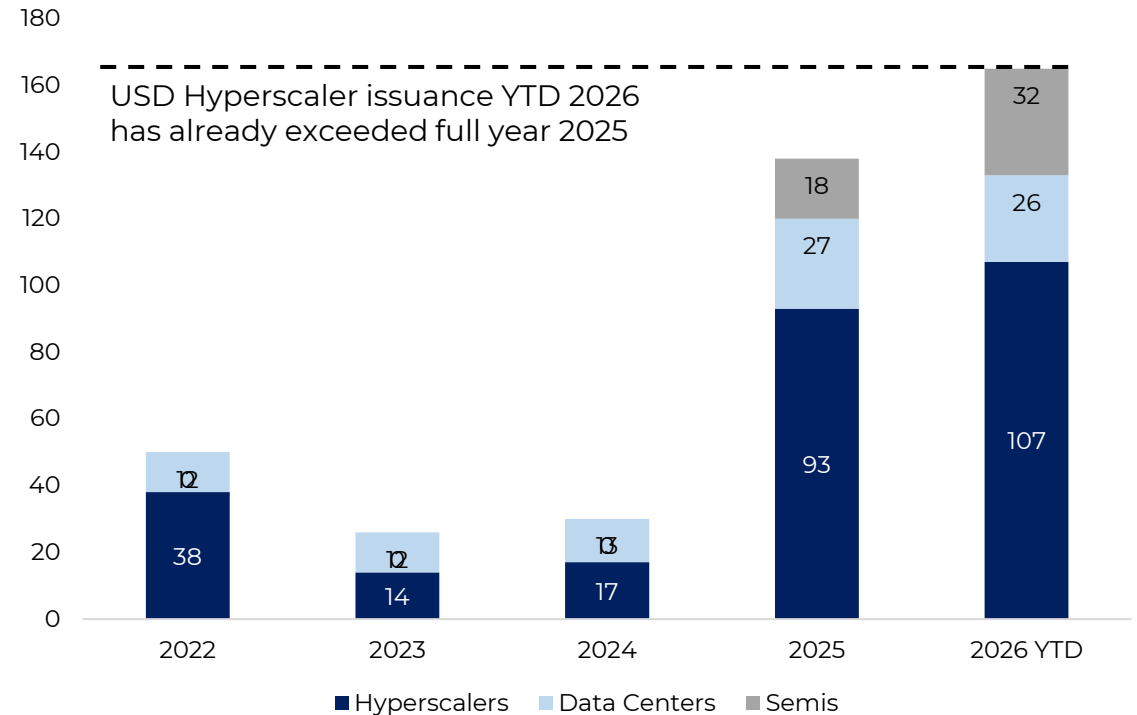
Source: Bloomberg, KGI Wealth, As of 26 June 2026

Markets Remain Concerned That Heavy AI Investment Will Generate Profits

Hyperscaler and Neocloud CAPEX by Funding Source



USD Hyperscaler Issuance (\$bn)

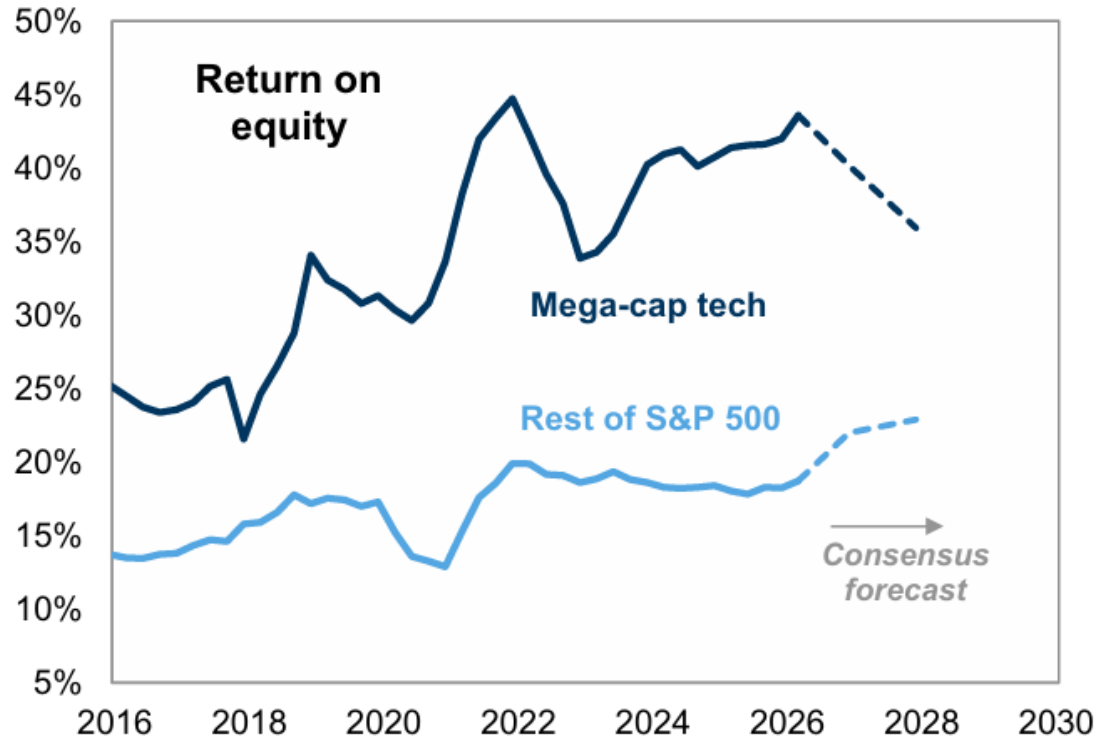


- The Cause for Concern – Big Tech continues to ramp up AI investment with no sign of slowing. As capital needs increase, companies are increasingly relying on the bond market for funding.
- SpaceX has also joined the wave with a planned \$25 billion bond issuance.

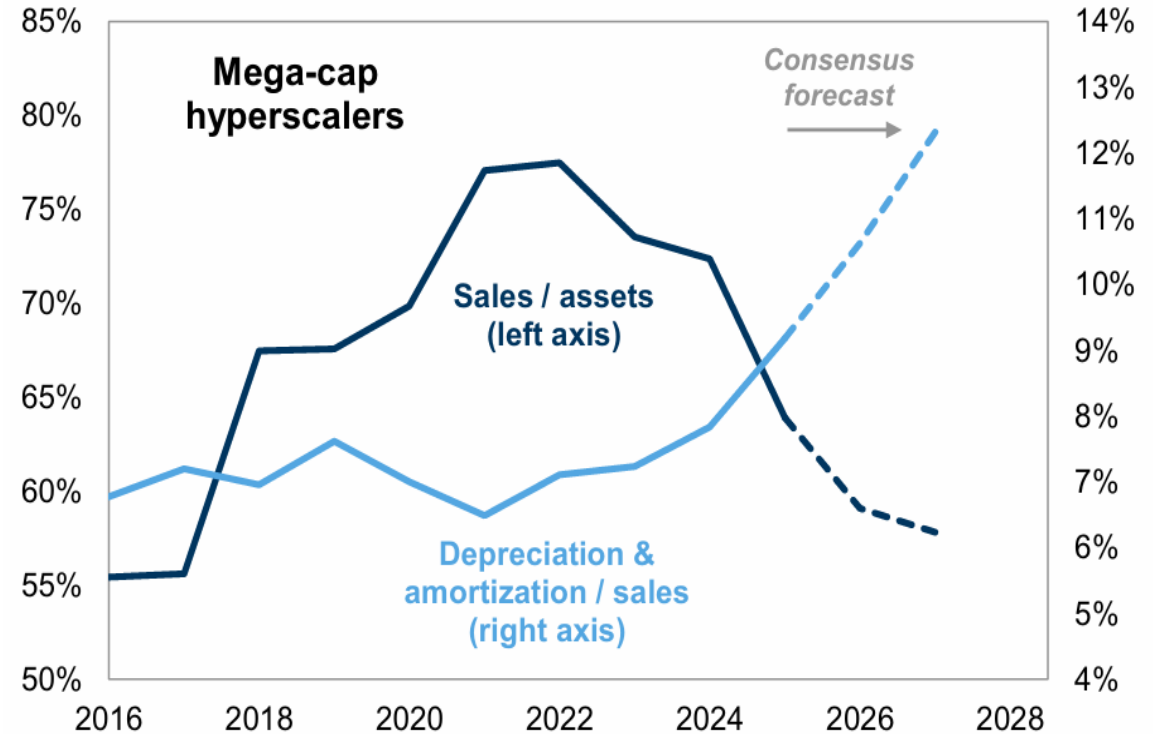
Source: WSJ, JP Morgan, Dealogic, KGI Wealth

The Cause of Further Volatility: Big Tech's Shift Is Pressuring ROE

ROE for Mega-cap Tech and The Rest of S&P 500



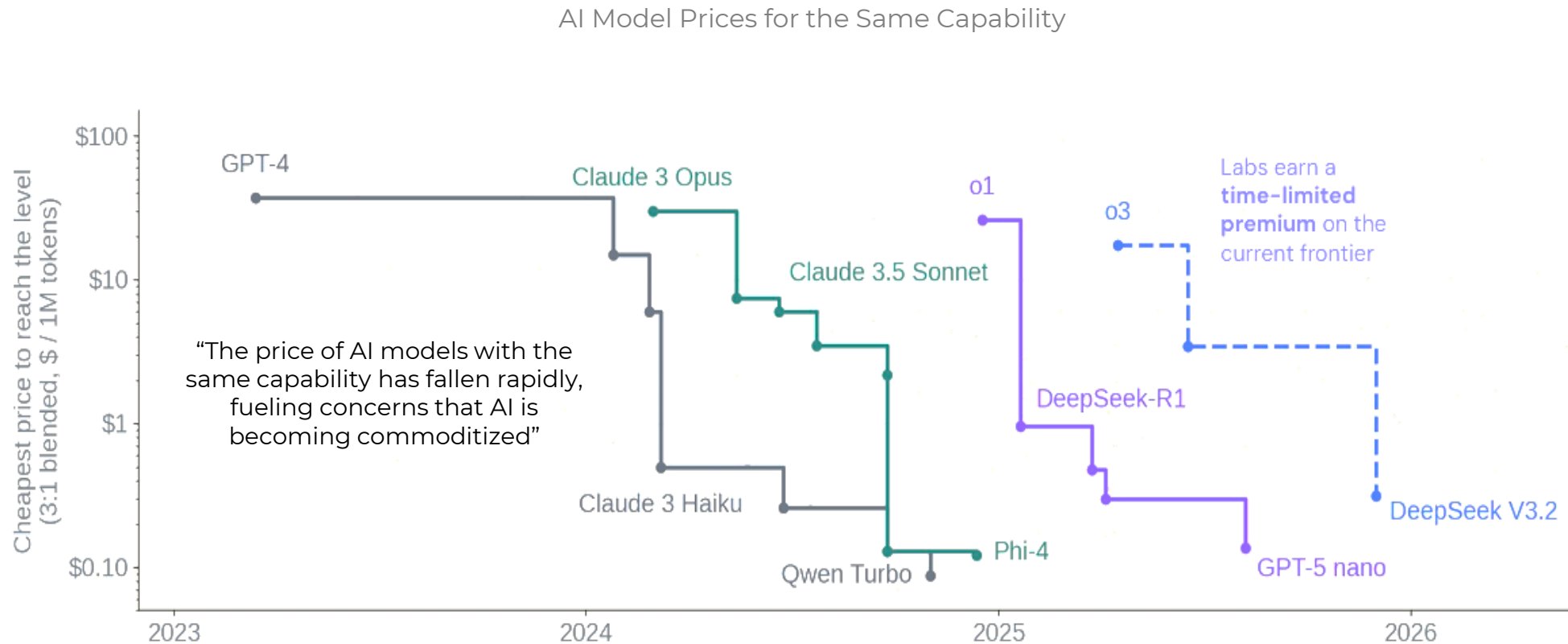
Sales-to-Assets and Depreciation-to-Sales of Mega-Cap Hyperscalers



- Higher AI spending comes with trade-offs.
- AI continues to drive revenue growth, but rising capital intensity is likely to pressure ROE, fewer buybacks, and lower asset efficiency.
 - Given that investors have favored asset-light, high-FCF companies for the past two decades, the market need time to adapt.

Source: Goldman Sachs, KGI Wealth

The Cause of Further Volatility: AI Commoditization Threatens Pricing Power

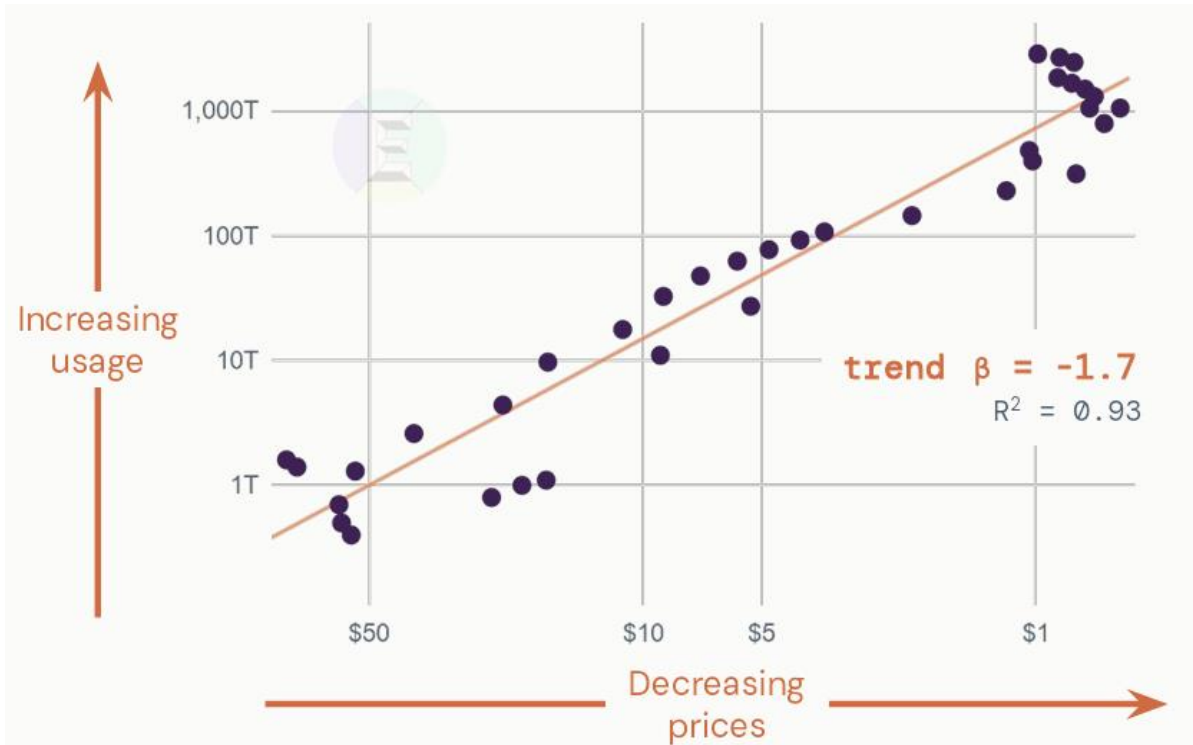


- Moreover, markets are no longer concerned only about heavy AI investment. Investors are increasingly worried that AI models are becoming commoditized, eroding pricing power and potentially reducing the returns on big tech's AI investments.

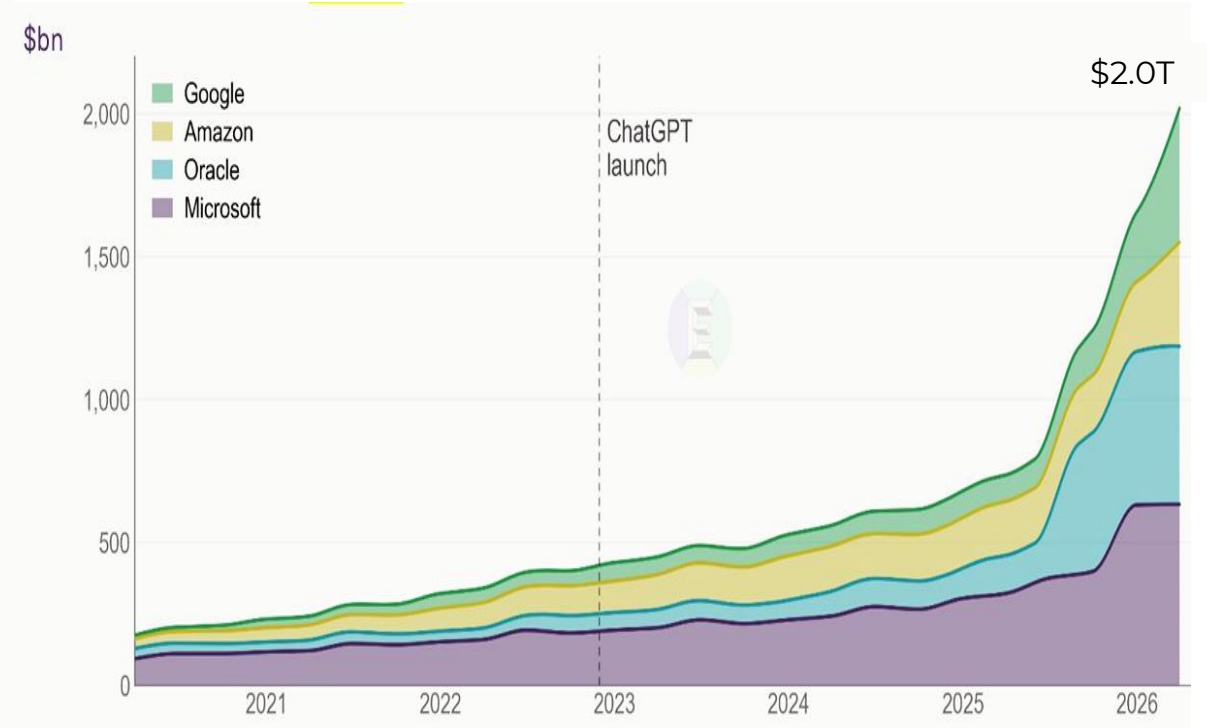
Source: Exponential View, KGI Wealth

Lower AI Costs Are Driving Volume Growth, Supporting Hyperscaler Revenue

Google AI - Price Elasticity (Average Price vs. Volume)



Combined Hyperscaler Backlog (Remaining Performance Obligation)

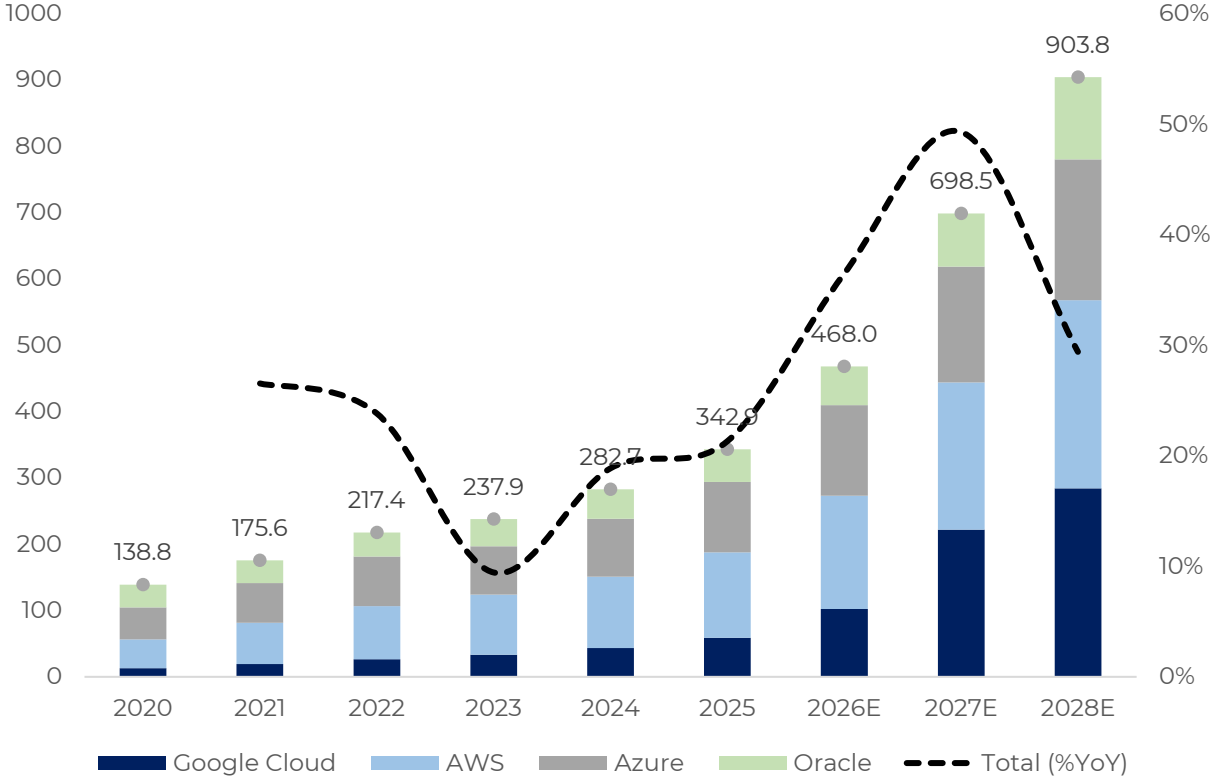


- AI costs (cost per token) pressure AI developers' pricing power, but benefit hyperscalers as lower prices stimulate AI usage and revenue (Jevons Paradox)
 - The increase in AI usage despite falling costs is being driven by two key factors: (1) rapid AI adoption and (2) the rise of Agentic AI.

Source: Exponential, View, KGI Wealth

Despite Market Concerns, Hyperscaler Revenue Remains on the Right Trajectory

Cloud Revenue and Forecasts for Major Cloud Providers



AI Revenue Needed to Meet the Hurdle Rate

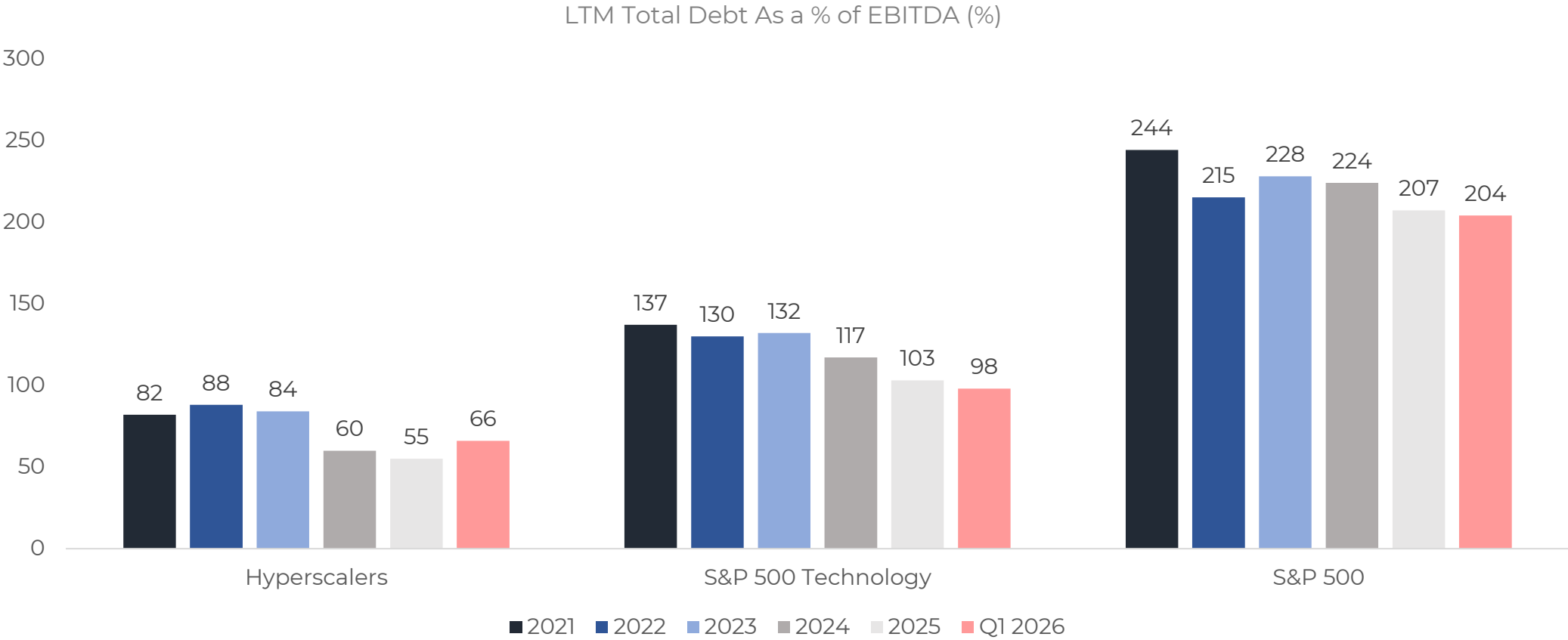
Hyperscaler / Model Developer Cost Savings (\$bn)	Steady State AI Revenue (\$bn)	Implied Return On Capital
200	600	8%
200	700	10%
200	800	11%
200	900	12%
200	1000	13%

“According to J.P. Morgan, AI revenue of approximately \$700 billion represents the break-even level at which the projected \$5.5 trillion of AI investment generates a 10% return on capital—the standard institutional hurdle rate.”

- Based on current cloud revenue growth of 30–40% per year, AI revenue could reach the \$700 billion threshold by 2028. This suggests the target is both achievable and credible, supporting the case for continued AI investment despite the projected \$5.5 trillion in cumulative AI capex

Source: JP Morgan, KGI Wealth

Strong Balance Sheets and AI Demand Continue to Support AI Spending



- Not only can hyperscalers generate sufficient AI revenue to justify continued investment, but they also have the financial capacity to sustain it.
 - Despite increasing debt issuance, their balance sheets remain strong, with leverage well below the S&P 500 average

Source: BCA Research, KGI Wealth

Key Takeaways

- Last week highlighted that elevated volatility in the technology sector is becoming the new normal.

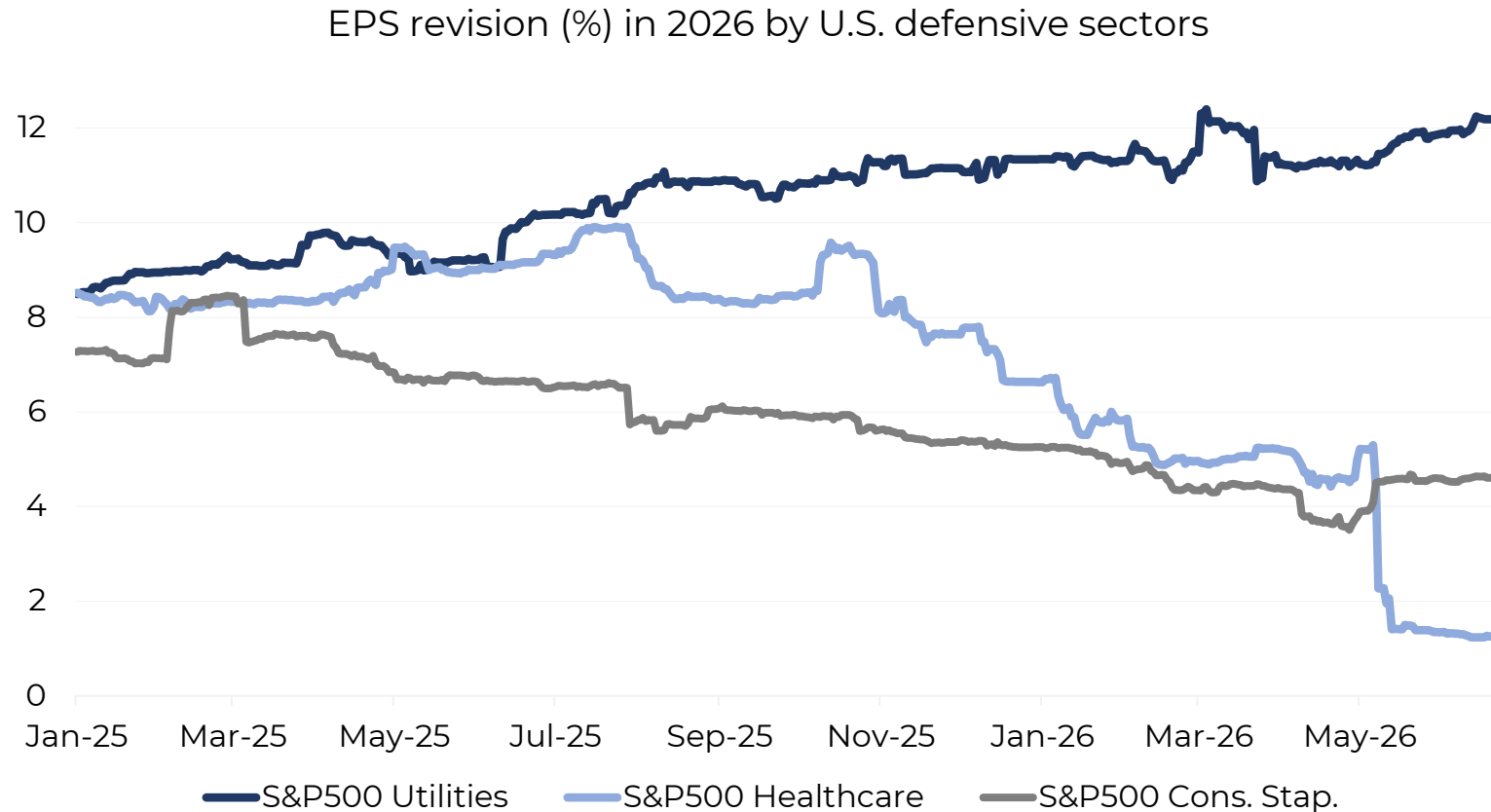
This reflects two structural changes:

- (1) Big Tech is transitioning** from an asset-light, high-ROE model to a capital-intensive AI investment cycle,
 - (2) Concerns over AI commoditization** are weighing on expectations for AI developers' future profitability.
- Nevertheless, we remain constructive on the AI CapEx cycle, supported by lower AI costs driving higher usage, continued AI revenue growth, and the strong balance sheets of hyperscalers, which should sustain AI investment.

Growth Leg – Semiconductors **Defensive Leg – Utilities or Dividend**

- 1) As market leadership rotate toward defensive sectors last week, Utilities emerged as our preferred allocation
- 2) High dividend yields provide downside protection and help cushion portfolio during periods of heightened volatility

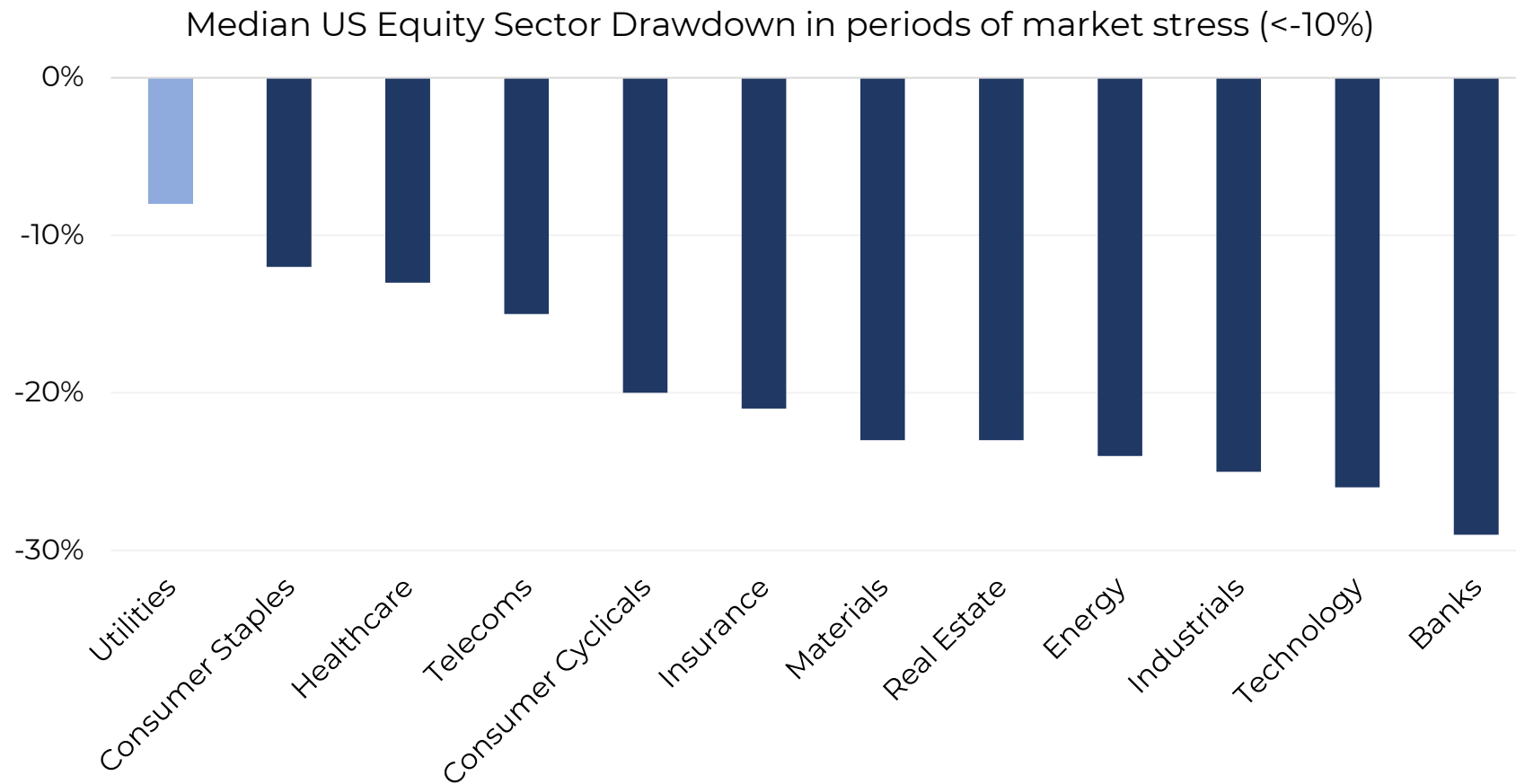
1. Utilities Are Preferred Over Other Defensive Sectors



- Utilities outlooks backed by electricity demand seems favorable
- Healthcare providers & Insurance faces Medicaid & Affordable Care Act coverage cuts
- Consumer staples faces margin compression from high input costs

Source: Bloomberg; data as of 26 June 2026

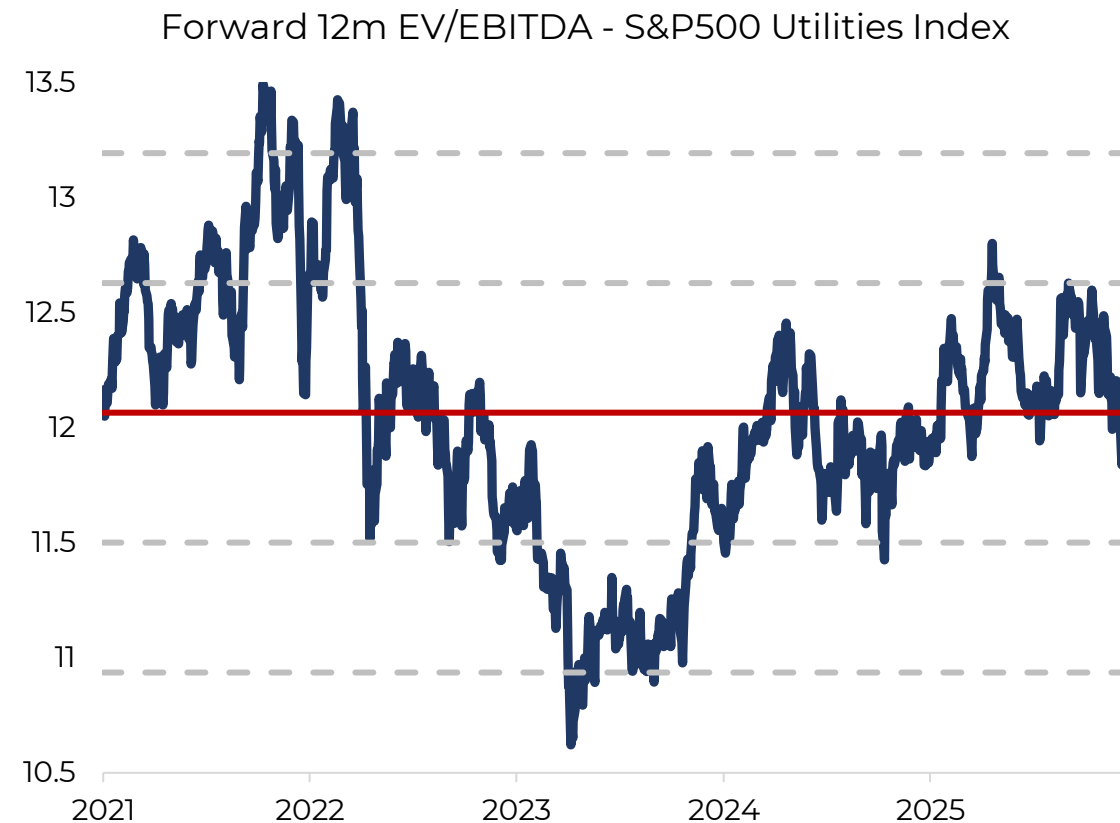
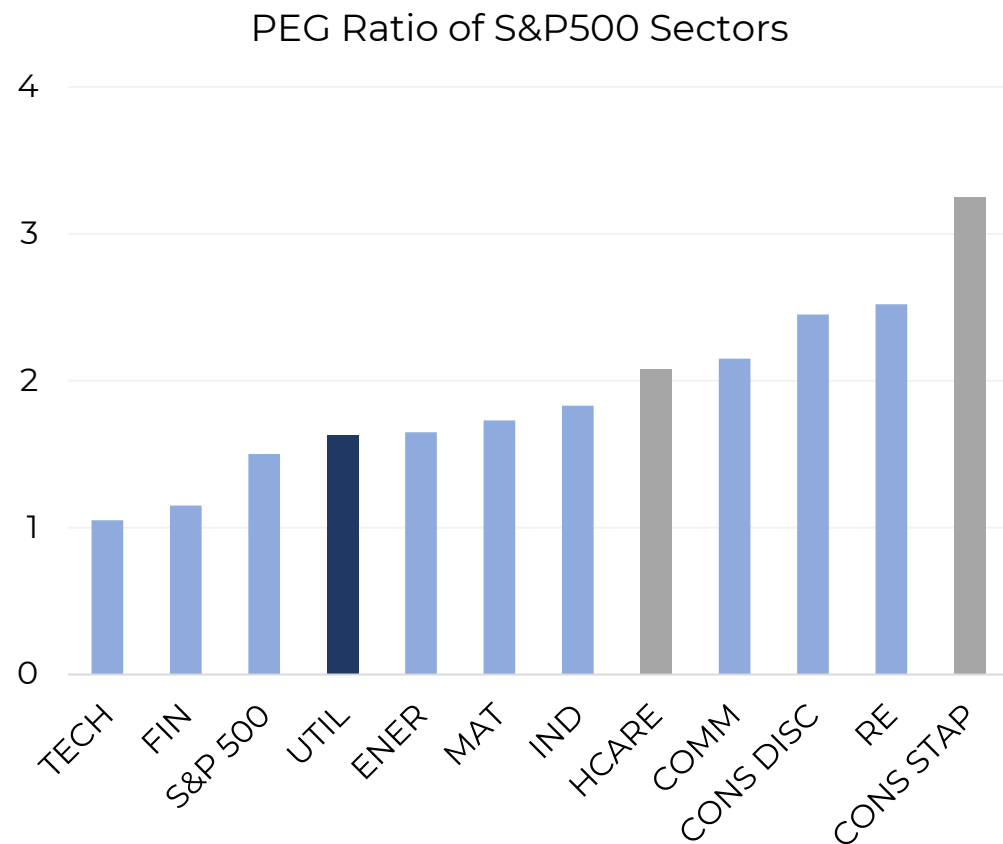
1. Utilities Show the Lowest Drawdown During Market Stress



- The utilities sector's resilient cash flows and 3.1% average dividend yield (5-year) make it the most defensive choice during broad market drawdowns

Source: FactSet and AB. This analysis covers the period from August 1987 to January 2025.

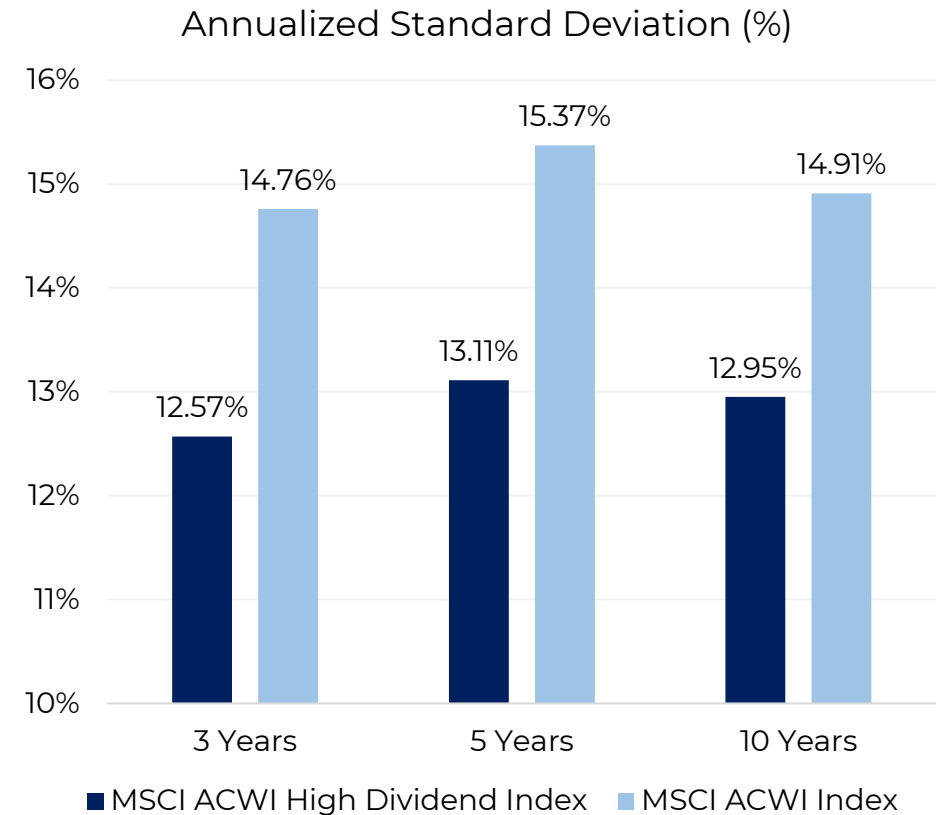
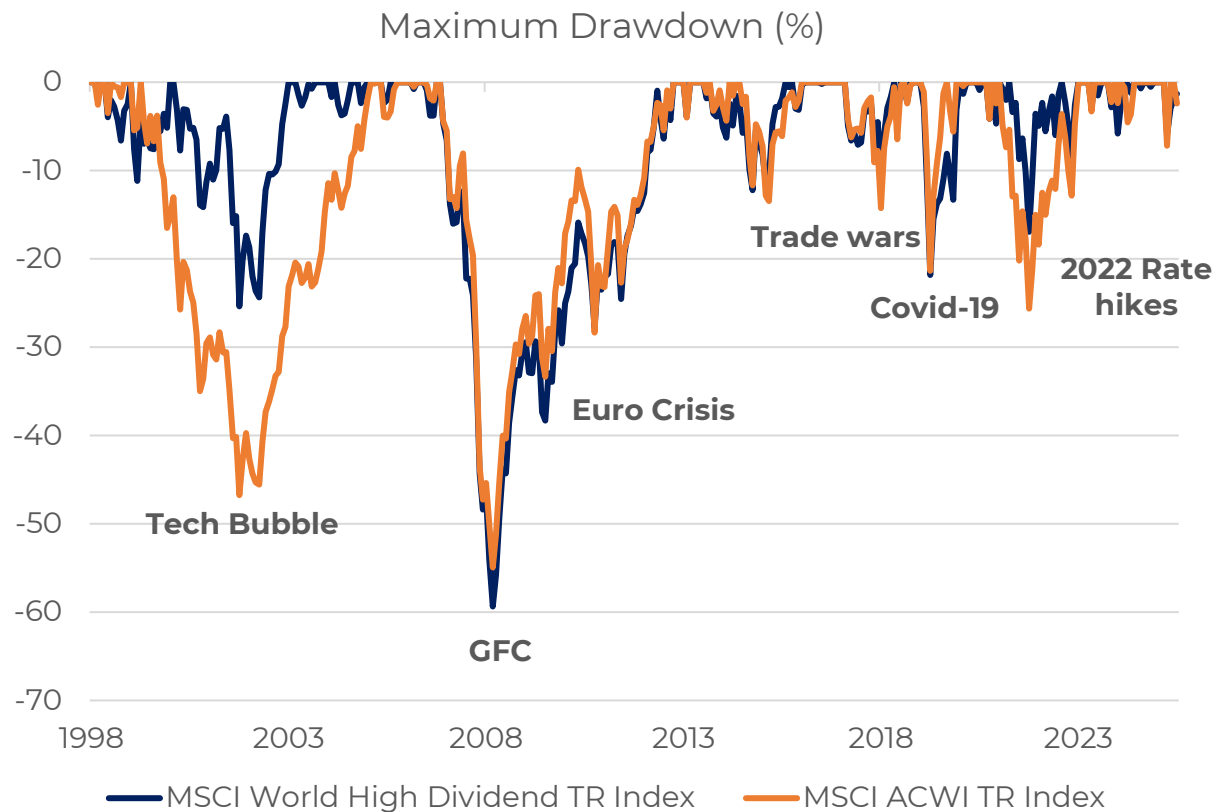
1. Utilities Remain Top Defensive Pick - Cheapest Valuation Among Peers



- Utilities offer the cheapest PEG ratio among defensive sectors, with forward 12 months EV/EBITDA near its 5-year average

Source: FactSet. BCA research. Bloomberg; data as of 26 June 2026.

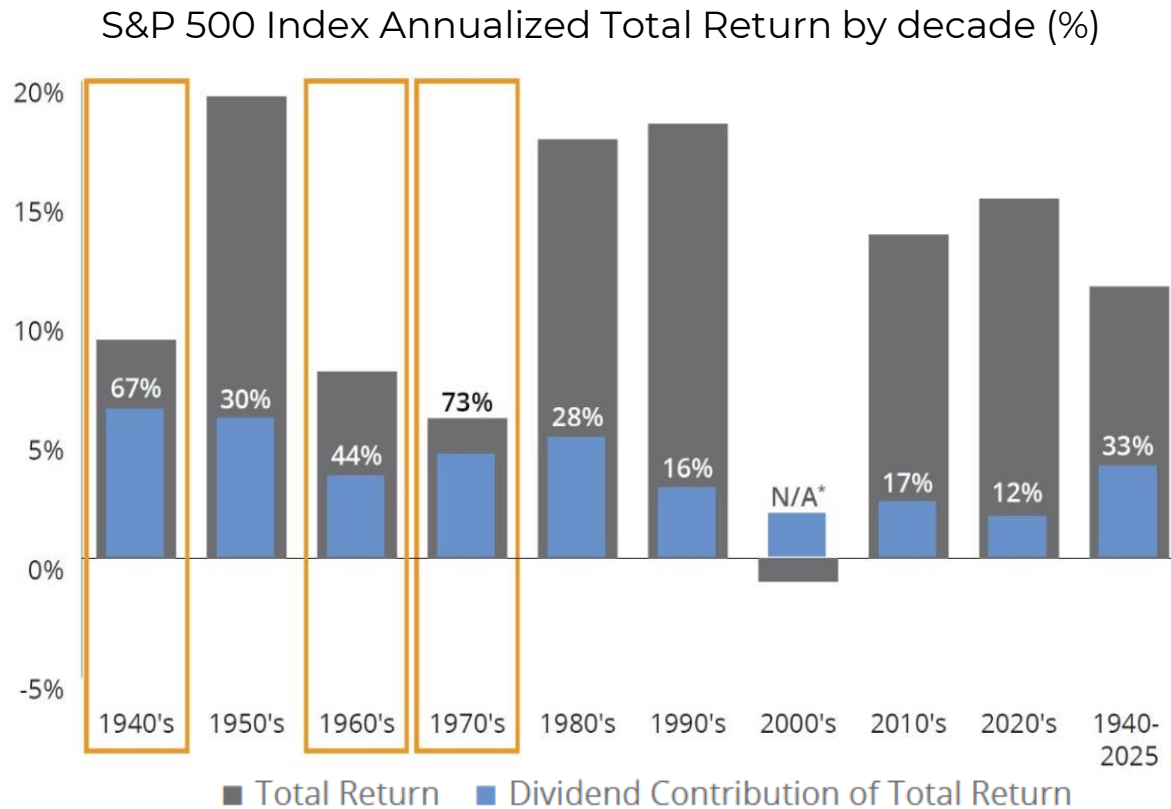
2. Dividend Stocks Show Lower Drawdown and Volatility Through Market Cycles



- High-dividend stocks typically deliver lower volatility and shallower drawdowns, as they are heavily represented by defensive and value sectors.

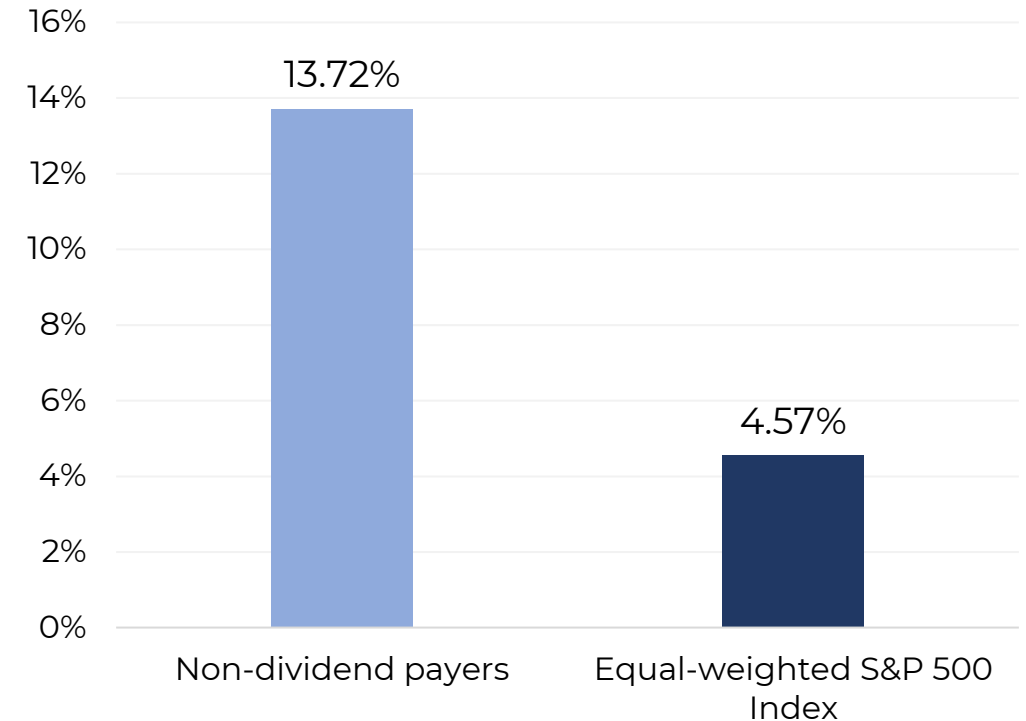
Source: Bloomberg; Data as of 25 June 2026. UOBAM. Fidelity.

2. Dividends Acted as a Cushion in Volatile Markets



- In periods of limited or negative returns, dividend-paying stocks have cushioned portfolios through steady income

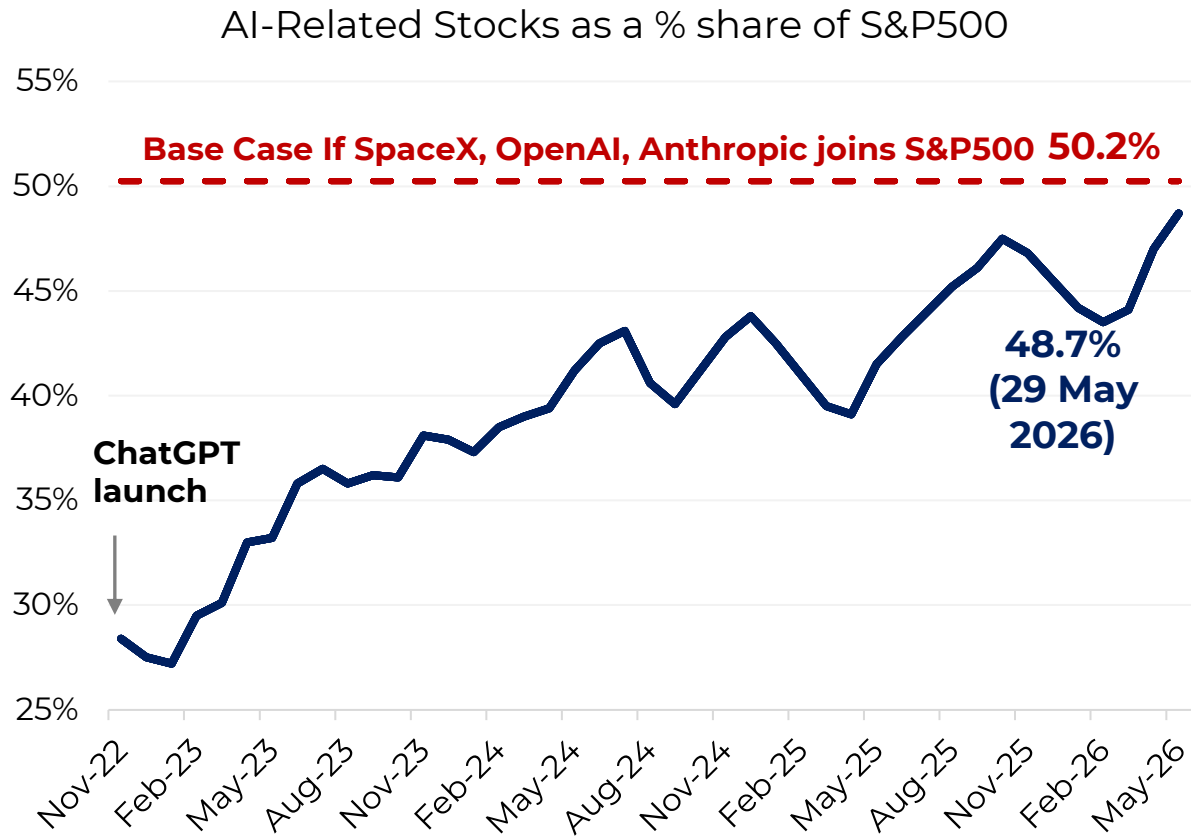
Outperformance of Dividend Stocks During S&P 500 Annual Drawdowns <-10%



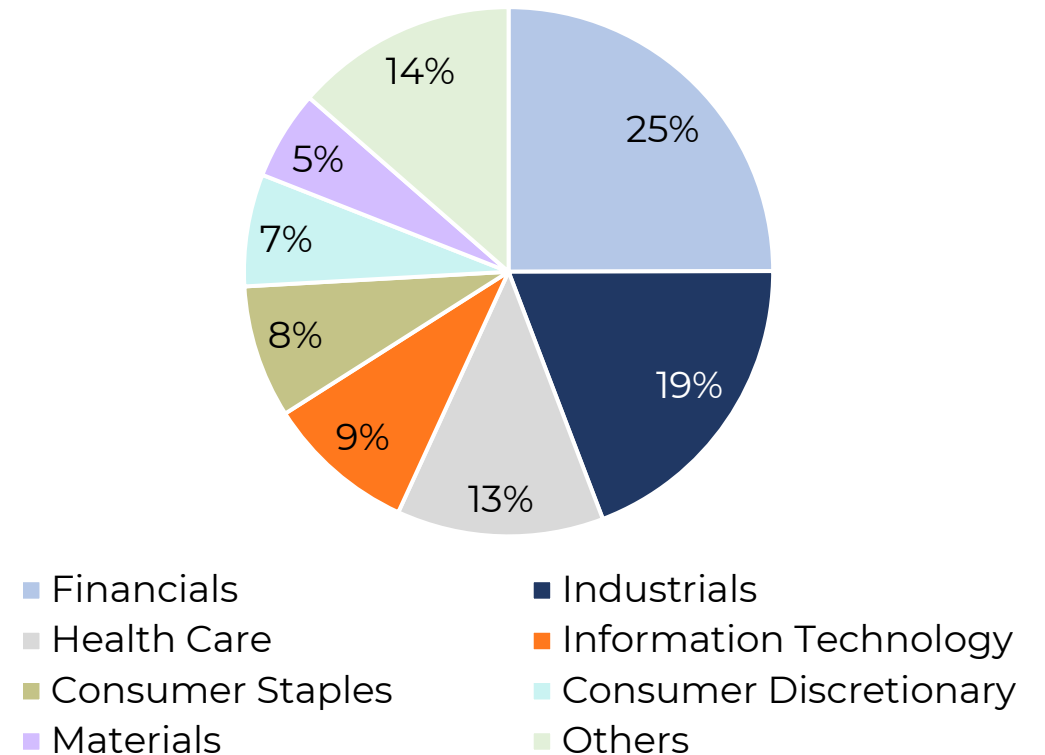
- During S&P 500 drawdowns of 10% or more, dividend-paying stocks have held up better than non-payers

Source: Morningstar and Hartford Funds, 2/26. Chart Data: 1940-2025. * Total return for the S&P 500 Index was negative for the 2000s, but dividends provided a 1.8% annualized return over the decade.

2. Global Dividends Preferred as U.S. Markets Become AI-Driven



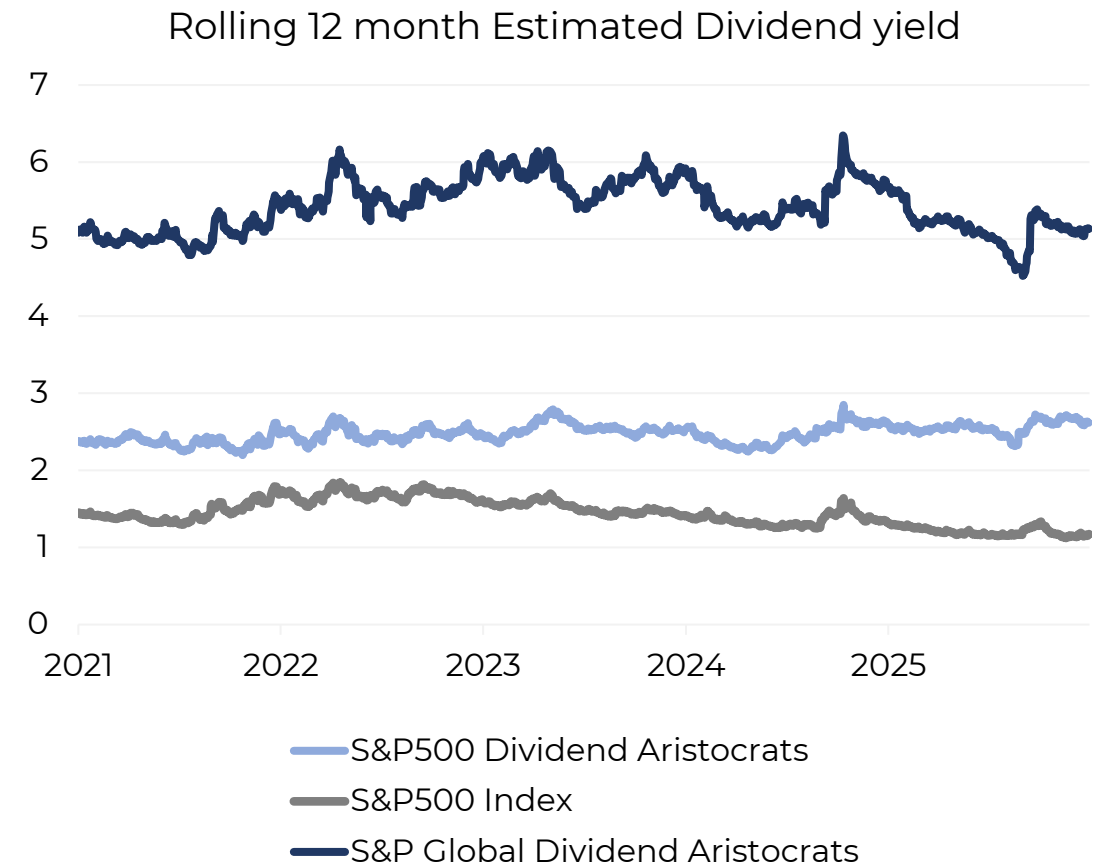
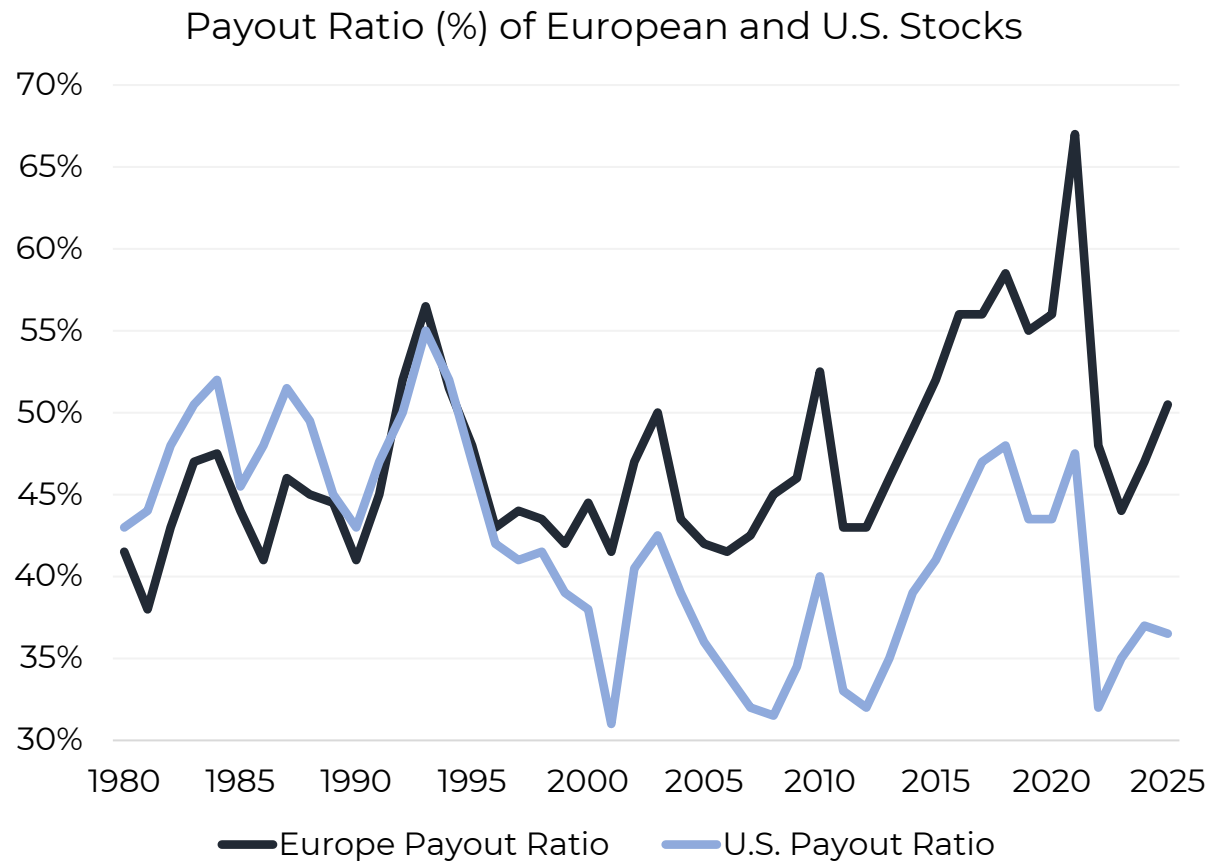
STOXX Europe 600 Index - Sector Weights(%)



- With U.S. markets AI-driven, European equities provide the non-tech diversification that makes global dividends the better choice

Source: Datastream, Goldman Sachs Global Investment Research

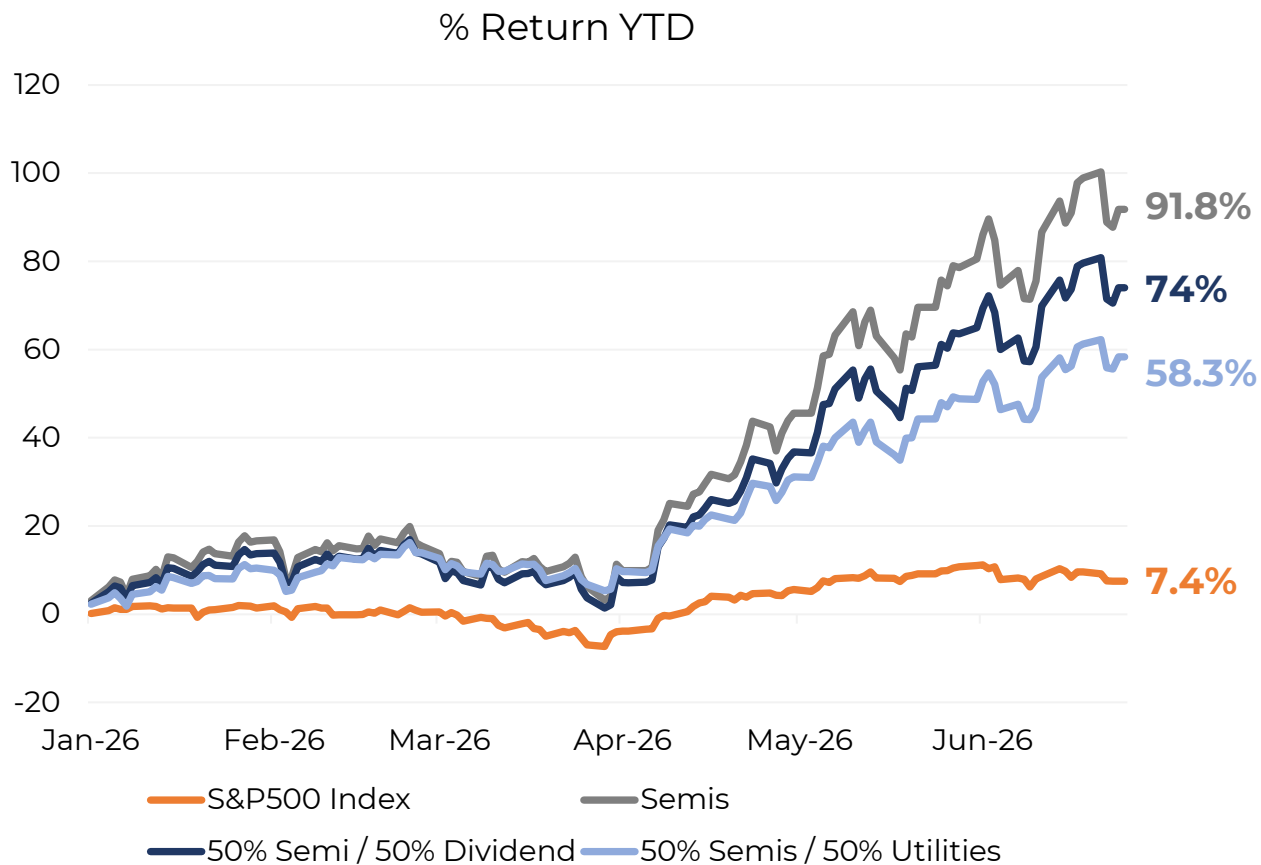
2. Global Dividend Strategies, Led by Europe, Offer Higher Yield Potential



- Blending in European equities enhances yield, with European payout ratios historically exceeding the U.S. — delivering a total yield of 3–4%

Source: Datastream, Goldman Sachs Global Investment Research

Two Blended Strategies, Both Beat S&P 500 on Risk-Adjusted Returns



Portfolio Simulation Statistics Over 5-year period

	S&P500 Index	Semis	50% Semi / 50% Dividend	50% Semi / 50% Utilities
Ann. Return (5Y)	14%	38%	30%	24%
Ann. Std Dev (5Y)	17%	33%	26%	19%
Sharpe Ratio (5Y)	0.64	1.04	0.99	1.07

- While both strategies outperform the S&P 500 on a risk-adjusted basis, each suits a different investor profile

- A. For consistent income, blend in high-dividend stocks
- B. For lower volatility, blend in utilities

Source: Bloomberg; data as of 26 June 2026. *Semi = VanEck Semiconductors UCITS, Utilities = State Street Utilities, Dividend = Fidelity Funds – Global Dividend Plus

Important Disclaimers

KGI Securities (Thailand) Public Company Limited (“KGI” or the “Company”) disclaims all warranties with regard to the information contained herein. In no event shall the Company be liable for any direct, indirect, incidental, or consequential damages whatsoever resulting from loss of income or profits arising from the use of or reliance on this material.

1. General Information & Intended Use Disclaimer

This material has been prepared by KGI for general informational purposes only. It is intended solely for the designated recipient and may not be suitable for public distribution unless expressly approved by the Company.

2. No Representation or Warranty on Information Accuracy

The information contained herein is based on sources believed to be reliable; however, KGI makes no representation or warranty, express or implied, as to the accuracy, completeness, or reliability of such information. Opinions, estimates, and views expressed herein reflect the judgment of KGI as of the date of publication and are subject to change without notice.

3. Not Personalized Investment Advice / Illustrative Fund References

This document does not constitute personalized investment advice, investment research, or a solicitation to buy or sell any securities. Any references to regions, asset classes, or specific funds are provided for illustrative and informational purposes only to demonstrate potential investment themes or market exposures. Such references do not take into account the investment objectives, financial situation, or particular needs of any individual investor. Any investment decision should be made only after a proper suitability assessment and in consultation with a qualified investment advisor.

4. Past Performance & Investment Risk Disclaimer

Past performance is not indicative of future results. The value of investments may fluctuate, and investors may lose part or all of their invested capital. Investments in foreign assets or foreign currencies involve additional risks, including but not limited to market volatility, liquidity risk, counterparty risk, political and economic risks, and currency exchange risk.

5. Forward-Looking Statements Disclaimer

Certain statements contained in this material may constitute forward-looking statements, projections, or expectations, which are inherently subject to risks and uncertainties. Actual outcomes may differ materially from those expressed or implied. KGI does not undertake any obligation to update or revise such statements.

6. Independent Professional Advice Disclaimer

Recipients should seek independent professional advice (including legal, tax, accounting, and investment advice) before making any investment decisions. Any investment decision should be made solely on the basis of the investor's own objectives, experience, financial resources, and risk appetite.

7. Third-Party Information Disclaimer

This material may contain information derived from third-party sources. KGI does not accept any liability for the accuracy, completeness, or reliability of such third-party information, nor for any loss arising from the use of or reliance on this material.

8. Trailer Fee & Conflict of Interest Disclosure

KGI may receive remuneration in the form of trailer fees or other compensation from asset management companies in connection with the distribution of mutual funds referenced in this material. Such compensation forms part of the management fee charged by the fund and is not an additional fee directly charged to investors. KGI maintains policies and procedures to manage conflicts of interest and to ensure that fund selection and recommendations are made in the best interest of investors. KGI Securities PCL is a major of ONE Asset Management. Additional information regarding the Company's conflict of interest management policy is available at www.kgiworld.co.th.

9. Copyright & Distribution Restriction

Copyright © 2026 KGI Securities (Thailand) Public Company Limited. All rights reserved. This document may not be reproduced, distributed, or transmitted, in whole or in part, without the prior written consent of KGI.