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WEEKLY REVIEW

CHINA'S AI ECONOMY

CHINA'S AI ECONOMY - BUILDING THE NEXT AI ECOSYSTEM

Artificial intelligence has largely been viewed through a U.S. lens, with investors focusing on hyperscalers and semiconductor leaders. A parallel AI ecosystem is rapidly emerging in China, driven by cloud infrastructure, domestic semiconductor development, AI commercialization and enterprise adoption. Rather than competing solely in frontier AI models, China is building an integrated technology ecosystem spanning AI infrastructure, cloud computing, enterprise software, industrial automation, and digital platforms. As AI investment expands across the value chain, China's leading technology companies have significant exposure to these structural trends and may benefit as AI adoption continues to expand.

While the Nasdaq has already experienced significant AI-driven price appreciation, Chinese technology equities continue to trade at valuations below many comparable U.S. technology companies as investors remain focused on macroeconomic and geopolitical risks. This has resulted in a notable divergence between the performance of Chinese and U.S. technology equities. Currently AI commercialization in China accelerates and companies demonstrate earnings growth, cloud adoption, and infrastructure expansion.

Nasdaq vs. Hang Seng Index Performance - 5 Years

The following ETFs illustrate two approaches to gaining diversified exposure to China's AI ecosystem.

Ticker	Name	Price	Fund assets
KWEB	KraneShares CSI China Internet ETF	$26.41	$5.30B
CQQQ	Invesco China Technology ETF	$54.77	$3.23B

**** For informational purposes only and should not be interpreted as investment recommendations or valuation opinions.*

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KRANESHARES CSI CHINA INTERNET ETF (KWEB US EQUITY)

The KraneShares CSI China Internet ETF (KWEB) provides exposure to China's leading internet and digital platform companies. The fund focuses on businesses with significant exposure to cloud computing, enterprise software, digital advertising, gaming, e-commerce and digital ecosystems. KWEB provides diversified exposure to companies operating across multiple segments of China's digital economy.

Top 5 Holdings

Ticker	Name	Weight	FWD P/E
700 HK	Tencent Holdings Ltd	10.35%	12.97
PDD US	PDD Holdings Inc	8.47%	8.12
9988 HK	Alibaba Group Holding Ltd	7.76%	15.08
3690 HK	Meituan Class B	6.99%	N.A.
9999 HK	NetEase Inc	6.82%	13.90

Specification

Ticker	KWEB
Exchange	NYSE
Sector	Technology
Price	$26.41
Fund assets	$5.30B
Expense Ratio	0.70%
ISIN	US5007673065

KWEB Price per share, USD - 1Y Chart

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INVESCO CHINA TECHNOLOGY ETF (CQQQ US EQUITY)

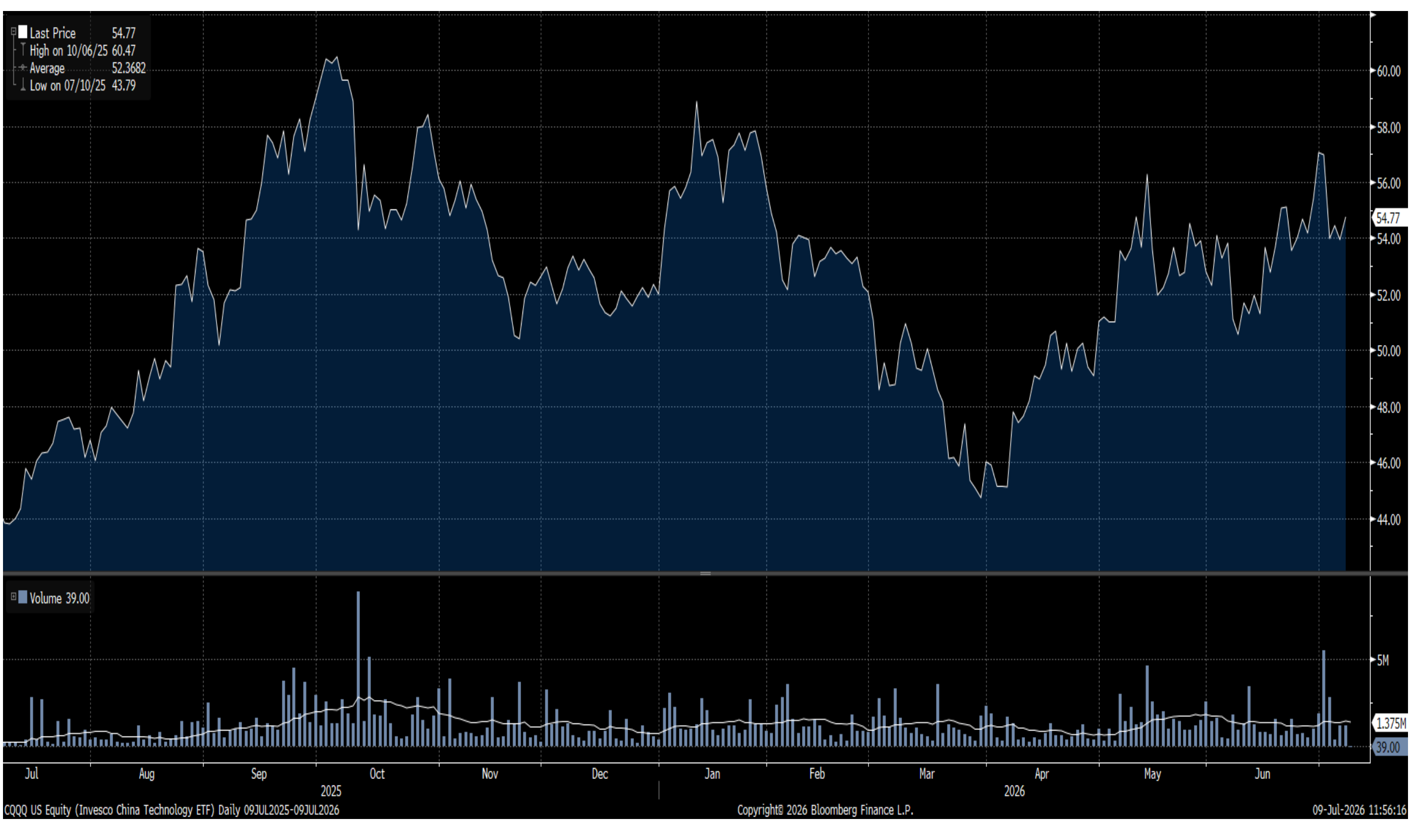
The Invesco China Technology ETF (CQQQ) provides broad exposure to China's technology sector, including semiconductors, electronics, hardware, manufacturing technology, and AI infrastructure. The fund provides exposure to companies involved in domestic semiconductor development, AI infrastructure, industrial automation and electronics manufacturing.

Top 5 Holdings			
Ticker	**Name**	**Weight**	**FWD P/E**
PDD US	PDD Holdings Inc	9.62%	8.12
700 HK	Tencent Holdings Ltd	8.86%	12.97
3690 HK	Meituan Class B	8.65%	N.A.
9888 HK	Baidu Inc Class A	7.96%	14.18
1347 HK	Hua Hong Grace Semiconductor Ltd	4.46%	N.A.

Specification

Ticker	CQQQ
Exchange	NYSE
Sector	Technology
Price	$54.77
Fund assets	$3.23B
Expense Ratio	0.65%
ISIN	US46138E8003

CQQQ Price per share, USD - 1Y Chart



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Key Risks

Key risks include slower-than-expected AI adoption, heightened geopolitical tensions, additional technology export restrictions, regulatory changes, and a weaker macroeconomic environment in China. Increased competition and delays in AI commercialization could also affect earnings growth and the pace at which the investment thesis materializes.

Key Takeaways

China's AI ecosystem continues to evolve across cloud infrastructure, semiconductors, enterprise software and digital platforms, driven by continued investment in cloud infrastructure, domestic semiconductor development, enterprise adoption, and AI commercialization. While market sentiment remains focused on macroeconomic and geopolitical challenges, many leading Chinese technology companies have meaningful exposure to AI related long-term structural trends. KWEB and CQQQ provide exposure to different segments of China's AI ecosystem, including digital platforms, cloud computing, semiconductors and technology infrastructure.

- *Source: Public company filings, Bloomberg, market data providers, and publicly available information as of the date of publication.*
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