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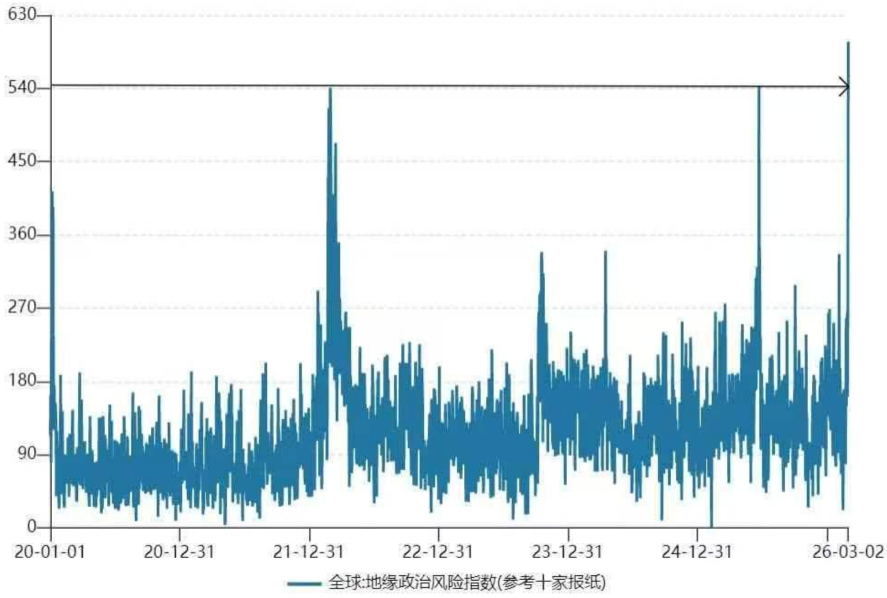
Hold Firm to Strategic Core Positions Amid Transformation and Turbulence

Last weekend, the sudden outbreak of geopolitical conflict in the Middle East once again shattered the fragile calm of global markets. Panic spread like wildfire, with the global geopolitical risk index briefly surpassing levels seen at the onset of the Russia–Ukraine conflict. Markets experienced sharp volatility, while A-shares demonstrated relative resilience.



Global Geopolitical Risk Index (based on ten major newspapers) Source: Wind

As we enter the period of the 15th Five-Year Plan, the once-in-a-century transformation of the global landscape is accelerating. The balance of international power is undergoing profound adjustment. "The world is increasingly marked by intertwined instability and turbulence, with frequent geopolitical conflicts; rising unilateralism and protectionism; growing threats from hegemonism and power politics; severe challenges to the global economic and trade order; and insufficient momentum for global economic growth." The outbreak of the Iran–Israel conflict is a clear manifestation of such underlying geopolitical risks.

As we noted in our New Year message: to align with the times is to respect the cycles. On one side, AI technology is advancing rapidly; on the other, the global environment is becoming increasingly complex. On one side lies the vitality of market economies and entrepreneurial spirit; on the other, the demanding task of deepening structural reforms. **As the opening phase of the 15th Five-Year Plan unfolds, both breakthroughs and frictions are inevitable**. Risk premiums in capital markets may remain low, while AI and the energy revolution compete for dominance—making short-term market volatility unavoidable.

At present, a new geopolitical and macroeconomic paradigm is intertwining with disruptive technological transformation. While geopolitical turbulence may shock capital markets in the short term, markets ultimately revert to their internal logic. **History suggests that periods of maximum pressure are often accompanied by strategic de-escalation, and markets possess an inherent capacity for self-repair amid volatility.**

Strategic optimism must be paired with tactical prudence. In a turbulent cycle, when gold, long-duration bonds, and even the Japanese yen all exhibit high volatility, traditional safe-haven assets may face a scarcity premium. This raises a crucial question: what assets should serve as the strategic "core allocation" in such an environment?

We observe that the upward trajectory of the AI industry remains clear. The evolution of large models continues to exceed expectations, while their commercialization potential is gradually unfolding. The development of AI agents is now well established as a trend. **Global demand for computing power is surging, and China, leveraging strong model performance and cost advantages, is exporting tokens at scale—further driving demand for domestic computing infrastructure**. Overseas, **China's supply chain continues to demonstrate clear comparative advantages,** and opportunities along the technological value chain remain abundant.

The strategic importance of energy is becoming increasingly prominent. According to The Information, over the past few months, the three major U.S. regional power grids have approved a total of USD 75 billion in transmission expansion projects, with a core focus on 765 kV ultra-high-voltage lines. **On the demand side, the combination of AI growth, legacy system upgrades, and grid expansion is giving rise to a supercycle in power equipment**. On the supply side, high-voltage transformers—highly customized products—face hollowed-out production capacity in Europe and the U.S., with limited short-term elasticity. This has driven delivery times and prices to record highs, opening a strategic window for Chinese transformer and key component supply chains.

Innovative pharmaceuticals remain one of the few sectors within healthcare offering both strong growth and relatively clear visibility. Globally, opportunities across new targets, therapies, and frontiers continue to emerge. This trend is expected to persist for years, albeit through a long and winding path, with a clear upward trajectory. **High-quality companies, empowered by platform technologies, are likely to strengthen their leadership**, navigate cycles more effectively, and achieve more resilient and sustainable long-term fundamentals.

In the field of advanced materials, core technological breakthroughs are gradually being realized, challenging the long-standing dominance of developed economies in Europe, the U.S., and Japan. Amid increasing global uncertainty, the process of domestic substitution is accelerating significantly. Meanwhile, Europe continues to face elevated energy costs, while China benefits from rapid development in coal chemical and basic chemical industries, abundant feedstock resources, and well-established power infrastructure. With concentrated capacity additions, **the cost of many chemical materials has already reached globally competitive levels, enhancing international competitiveness** and positioning related listed companies to benefit.

The tourism sector, as part of service consumption, features a mature and high-quality business model. With demand driven directly by end consumers, strong cash flows, and alignment with the policy direction of "investing in people," the sector enjoys robust policy support. Since the pandemic, **the industry has entered a recovery**

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phase from its trough, with valuations of high-quality cultural and tourism assets generally at reasonable to relatively low levels. Supported by policy tailwinds, demand for key tourist destinations is steadily rebounding. During the recent New Year's Day and Spring Festival holidays, visitor traffic at premium destinations surged significantly, with some reaching record highs—indicating that the sector is in an expansionary phase. High-quality domestic tourism resources are inherently scarce and difficult to replicate, forming strong natural barriers. The gradual implementation of more flexible spring and autumn holiday systems is expected to provide additional, predictable growth for leading companies.

Standing at this crossroads of a changing era, we must both confront the challenges brought by global paradigm shifts and remain confident in the intrinsic momentum of technological innovation and industrial upgrading. In this complex game, only by maintaining a long-term perspective and making disciplined choices can we navigate steadily through turbulent markets.

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