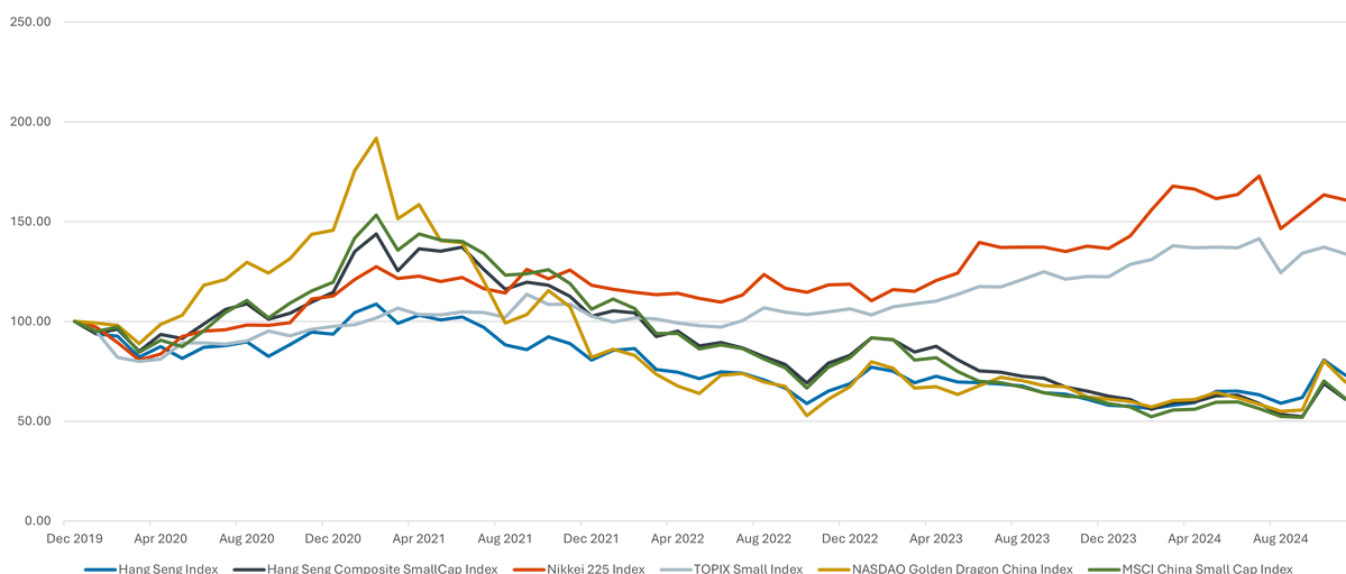


DIVERGING PATHS: ANALYZING LARGE-CAP AND SMALL-CAP TRENDS ACROSS ASIA

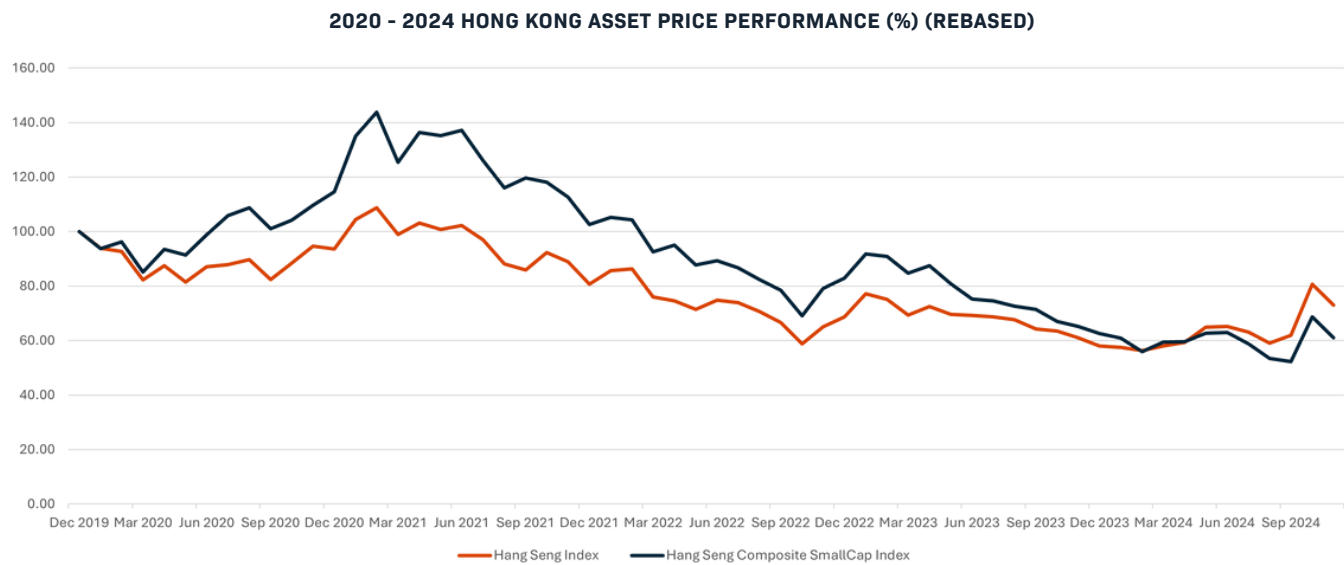
EXECUTIVE SUMMARY

- **Market Performance Overview:** This report examines the performance of large-cap and small-cap companies across Hong Kong, China ADRs and Japan.
 - It analyzes two key aspects: share price performance and IPO capital raising data, including offer size and number of deals.
 - **SHARE PRICE PERFORMANCE:** Both large-cap companies listed in Hong Kong, China ADRs and Japan outperformed small-cap companies in 2020–2024 as large caps benefited from solid fundamentals, global investor interest and greater resilience during economic uncertainties.
 - **Hong Kong IPO:** Large-cap IPOs in Hong Kong peaked in 2020, driven by significant secondary listings such as JD.com (9618 HK) and NetEase (9999 HK), while small-cap IPO activity declined steadily after its earlier peak in 2019.
 - **China ADRs IPO:** China ADR IPOs saw a boom in 2020–2021, with large caps dominating capital raised, but both large-cap and small-cap IPO volumes fell sharply after 2021 due to escalating regulatory scrutiny and geopolitical risks.
 - **Japan IPO:** Japan's IPO market peaked in 2018 with the historic SoftBank Mobile (9984 JP) listing, but activity has since declined, with a modest recovery in 2024 driven by the Tokyo Metro IPO (9023 JP).

2020 - 2024 ASSET PRICE PERFORMANCE (%) (REBASED)



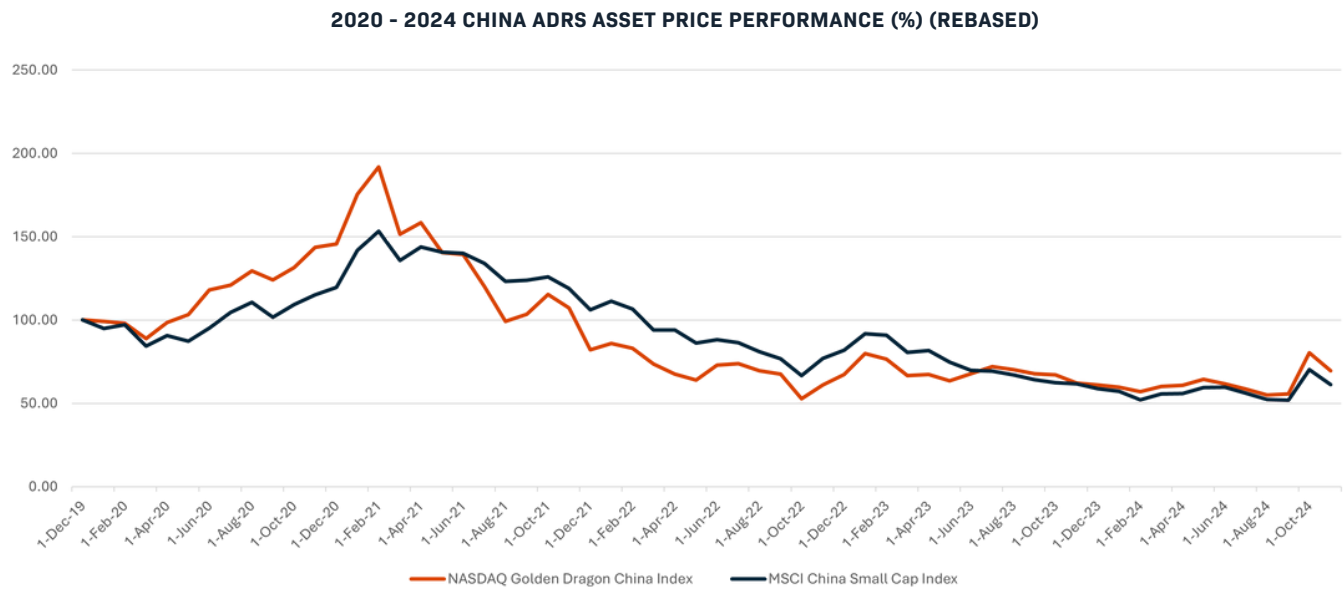
HONG KONG



Between 2020 and 2024, large-cap stocks listed in Hong Kong, represented by the Hang Seng Index, demonstrated more stable performance over the period, supported by the secondary listings of major Chinese companies like JD.com (9618 HK) and NetEase (9999 HK) in 2020. These listings brought significant capital inflows and bolstered market confidence. Although large caps were less volatile, they also faced headwinds from regulatory crackdowns and geopolitical uncertainties, such as the US-China trade tensions. Despite these challenges, their stronger financial stability and ability to attract institutional investment allowed them to outperform small caps over the long term.

Hong Kong's small-cap stocks, represented by the Hang Seng Composite SmallCap Index, initially showed a sharper rebound than large caps following the COVID-19 pandemic-induced market crash in early 2020. The strong recovery in 2020 and 2021 reflected speculative investor interest and the relative agility of smaller companies during the early reopening phase of the economy. However, small-cap stocks faced greater volatility in the years that followed due to weaker fundamentals, liquidity challenges and heightened sensitivity to local economic pressures, ultimately underperforming large caps.

CHINA ADRS

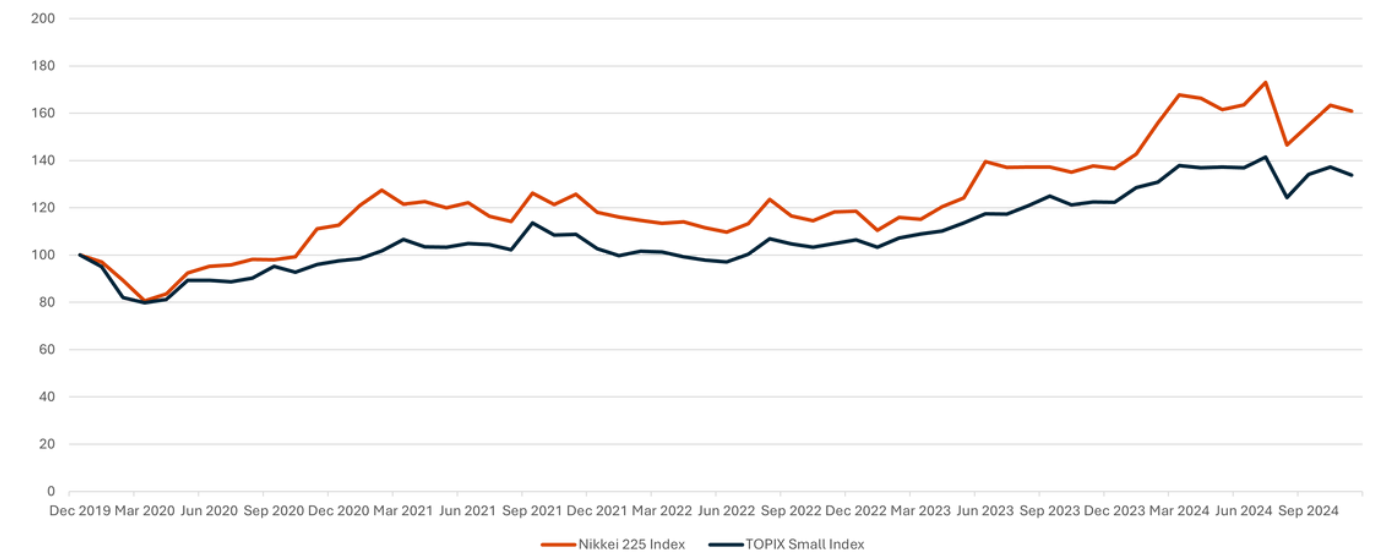


In 2020 - 2024, the performance of China ADRs (American Depositary Receipts) showed a similar trend between large-cap (NASDAQ Golden Dragon China Index) and small-cap (MSCI China Small Cap Index) indices. Large caps initially surged more strongly in 2020 and early 2021, fueled by robust global investor interest in major technology and e-commerce companies such as Alibaba (BABA US), JD.com (JD US) and Baidu (BIDU US). These companies benefited from pandemic-driven demand for digital services and strong revenue growth. However, both large and small caps experienced a significant downturn starting in late 2021, as regulatory crackdowns on Chinese technology companies, increased US-China geopolitical tensions and delisting fears undermined market confidence. While large caps suffered from greater exposure to these pressures, their stronger fundamentals and international investor base helped mitigate the decline relative to small caps.

Small caps showed a more subdued recovery in 2020 and early 2021 and were hit harder during subsequent periods of market stress. This underperformance can be attributed to their lower visibility, limited resources to adapt to geopolitical challenges and heightened sensitivity to economic conditions. Additionally, investor preference toward large and well-established companies during periods of uncertainty, leaving small caps with reduced capital inflows. The persistent challenges for both segments highlight the broader risks, including regulatory oversight and a shifting global investment landscape, though large caps retained relative resilience due to their market dominance and scale.

JAPAN

2020 - 2024 JAPAN ASSET PRICE PERFORMANCE (%) (REBASED)



Between 2020 and 2024, Japan's large-cap stocks, represented by the Nikkei 225 Index, exhibited a robust upward trajectory, particularly from mid-2020 onwards. This growth was driven by strong performances in sectors such as technology and automotive, with companies like Toyota (7203 JP) and Sony (6758 JP) capitalizing on global demand and technological advancements. Additionally, favorable government policies and a supportive monetary environment bolstered investor confidence, contributing to sustained gains in large-cap equities.

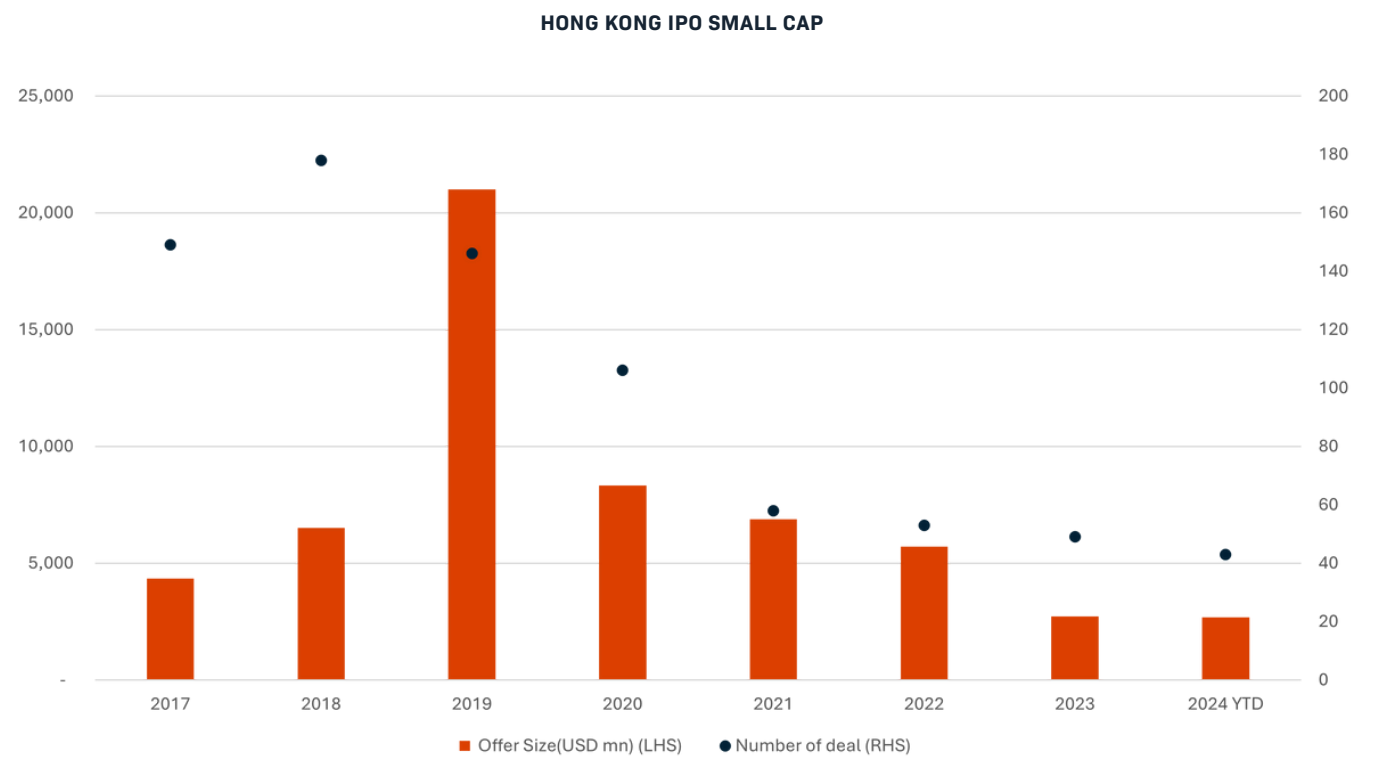
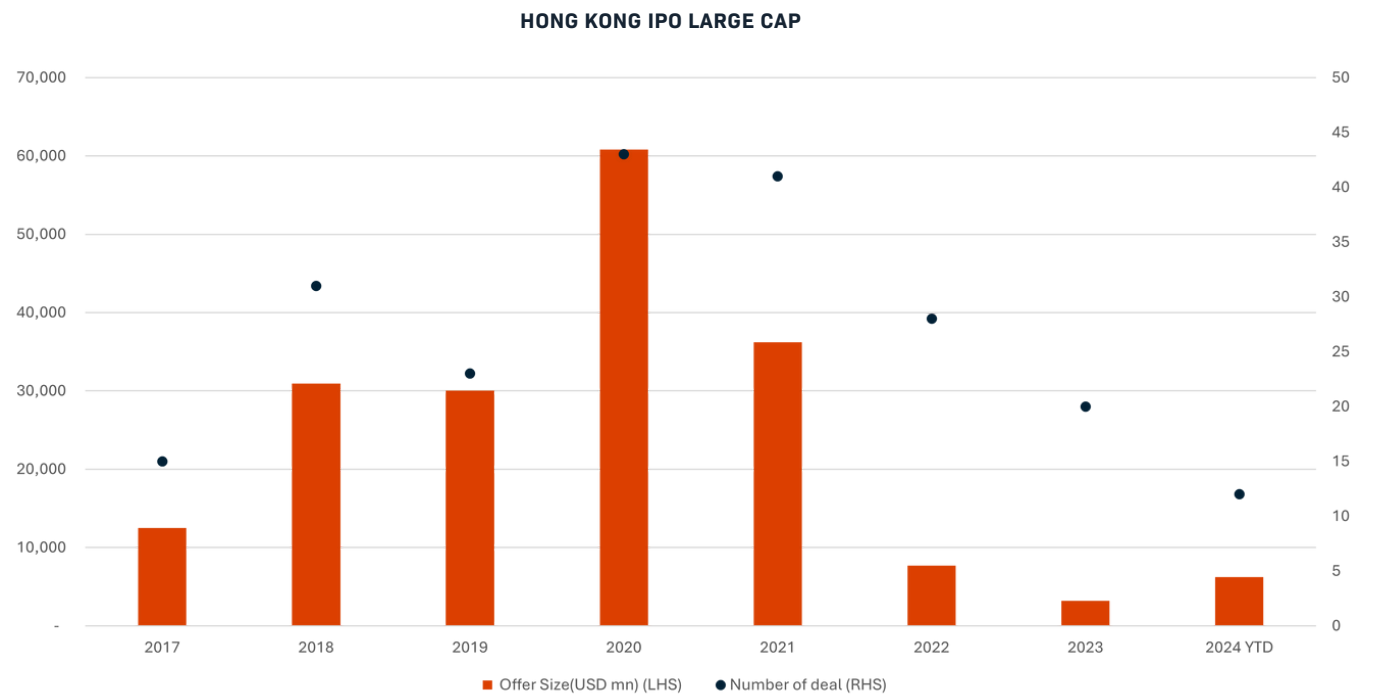
In contrast, small-cap stocks, as tracked by the TOPIX Small Index, experienced a more volatile performance during the same period. While there were periods of growth, small caps were more susceptible to domestic economic fluctuations and had limited exposure to international markets. Challenges such as supply chain disruptions and labor shortages affected smaller companies, leading to a less consistent recovery. Investor preference for the stability and global reach of large-cap companies further contributed to the performance between the two segments.

This pattern of large-cap outperformance and dominance across the three markets, Hong Kong, China ADRs and Japan, reflects the broader market preference for stability, liquidity and proven business models, especially during periods of global uncertainty.

IPO CAPITAL RAISING DATA

In the sections that follow, we will analyze IPO capital raising data and the number of deals across Hong Kong, China ADRs and the Japanese market for both large-cap and small-cap stocks. We define small-cap stocks as those with a market capitalization of less than USD 1 billion.

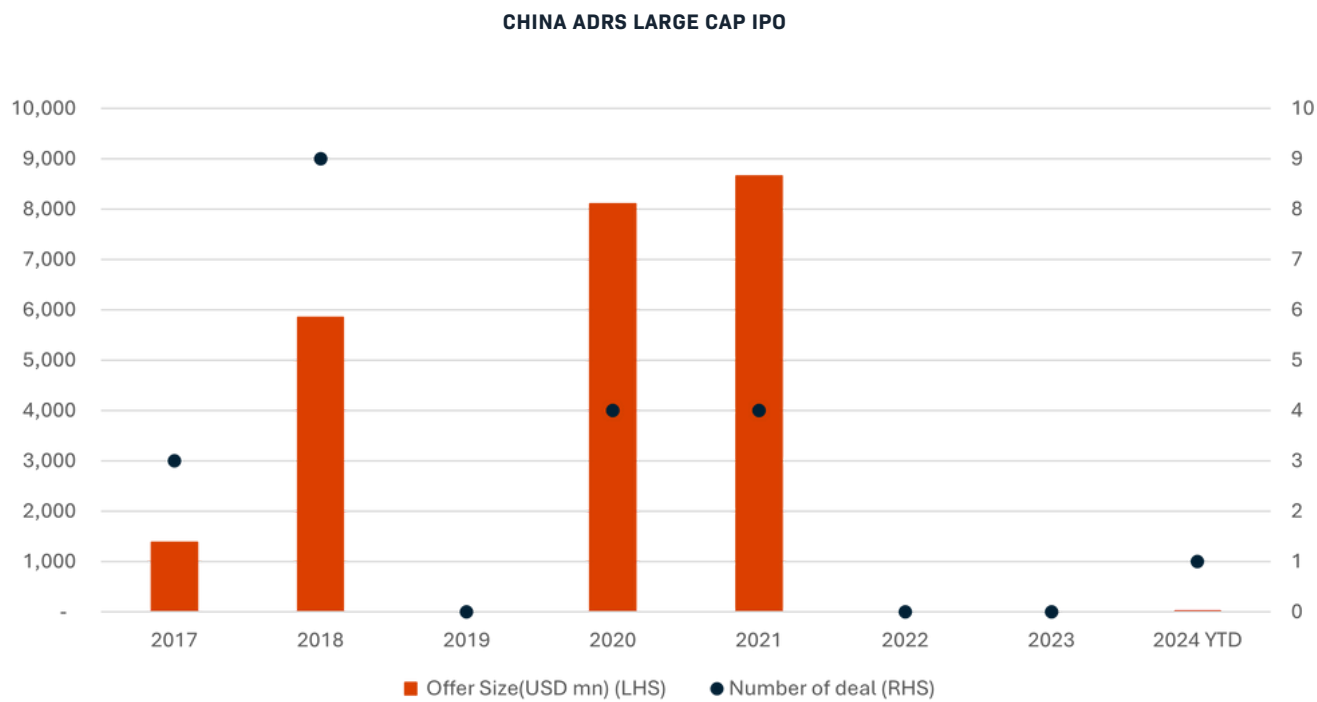
HONG KONG

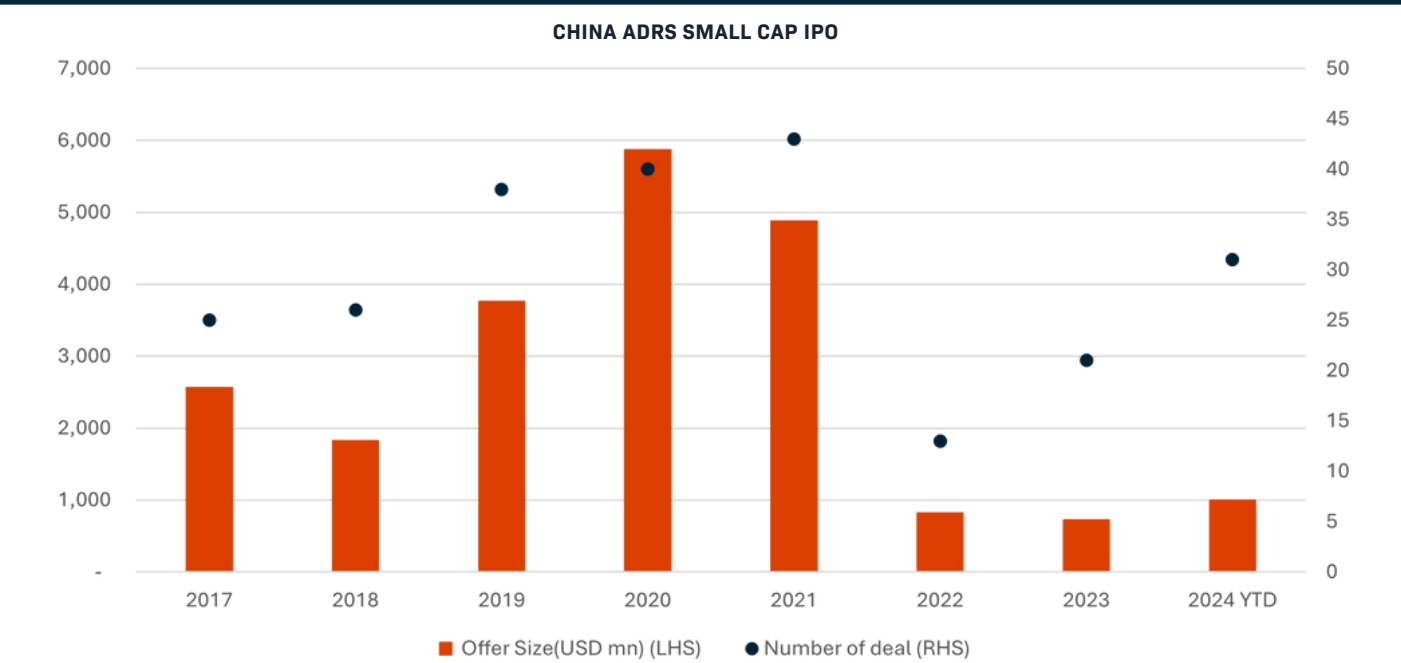


The Hong Kong IPO market shows contrasting trends between large-cap and small-cap listings. Large-cap IPOs have a peak in 2020, where both the offer size and number of deals were exceptionally high, likely reflecting investor confidence. Notable among these were JD.com (9618 HK), JD Health (6618 HK), NetEase (9999 HK), Yum China (9987 HK), ZTO Express (2057 HK). These substantial IPOs contributed to Hong Kong's strong performance, with the city ranking as the second-largest IPO market globally in 2020. Majority of them conducted a secondary listing in Hong Kong in 2020. This move was part of a broader trend where US-listed Chinese firms sought secondary listings closer to their home market amid geopolitical tensions. However, large-cap IPO activity declined sharply post-2020, indicating sensitivity to macro uncertainties and investor caution.

In contrast, small-cap IPOs saw their peak activity in 2018-2019, with a high number of deals and substantial offer sizes, followed by a steady decline, possibly due to shifting market appetite or economic pressures on smaller firms.

CHINA ADRS

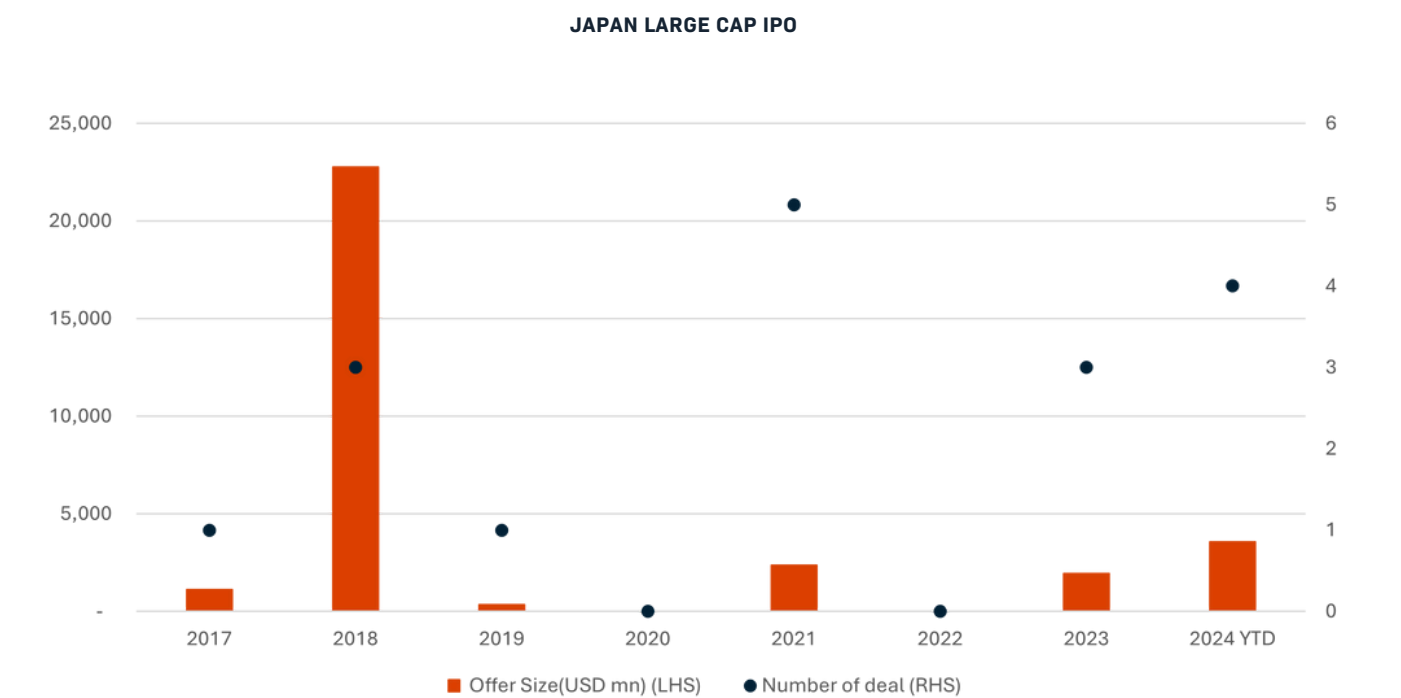


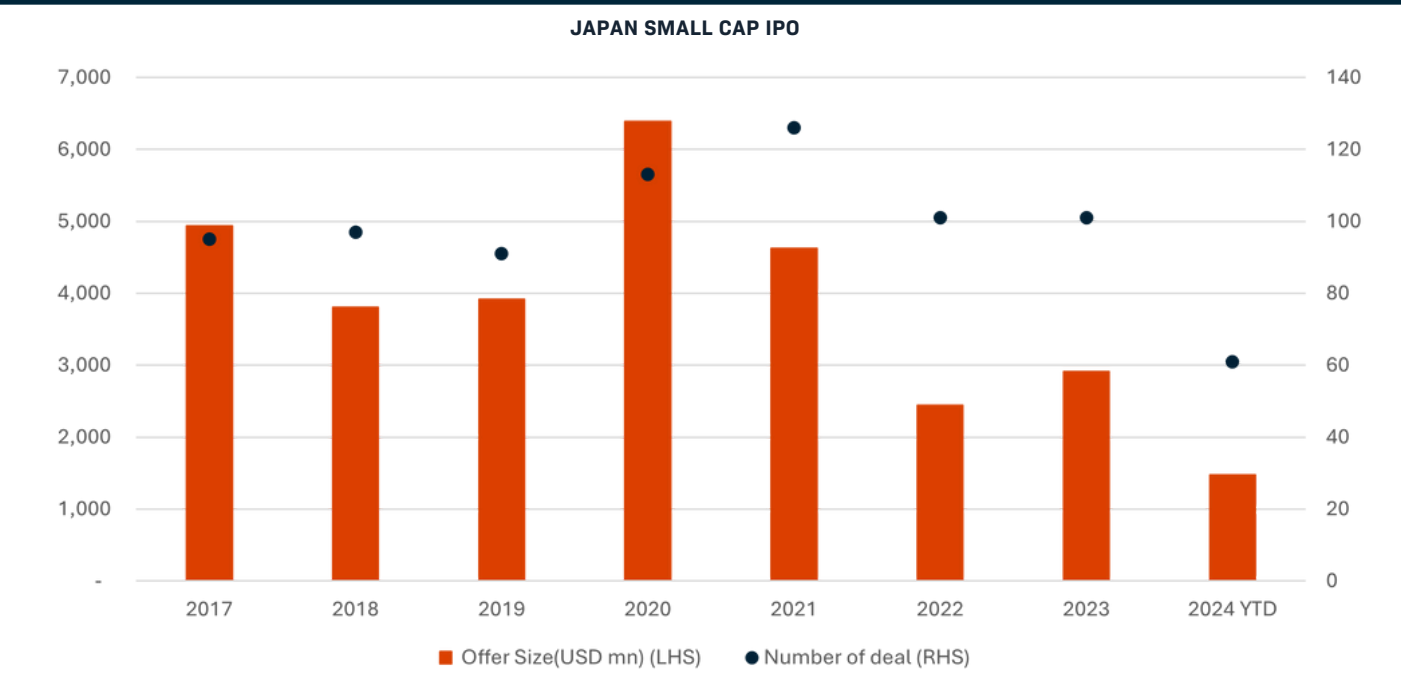


The China ADRs IPO market reflects distinct trends and performance challenges between large-cap and small-cap listings. Large-cap ADRs experienced a significant rise in offer sizes in 2020 and 2021, which suggests strong investor interest in major Chinese companies listing in the US during that period. Since 2021, both deal activity and offer sizes have dropped sharply, likely due to escalating regulatory scrutiny and geopolitical tensions that have hindered Chinese companies' access to US capital markets.

For small-cap China ADRs, both the offer size and number of deals peaked in 2020, reflecting robust demand for smaller listings. However, a steep decline followed in 2021, with fewer deals and smaller offer sizes, likely due to investor caution and increased regulatory hurdles affecting these firms.

JAPAN





The Japanese large-cap IPO market shows an uneven pattern of activity from 2017 to 2024. The most notable spike occurred in 2018, when the total offer size soared to above USD 20 billion, accompanied by a moderate number of deals. This peak was largely driven by the historic IPO of SoftBank Mobile (9434 JP), which was the largest IPO in Japan’s history at the time. The SoftBank listing alone contributed a significant portion of the capital raised, showcasing the market’s capacity to support substantial offerings and underscoring investor confidence in high-profile, large-scale public listings.

However, following 2018, there was a substantial decline, with 2019 and 2020 reflecting minimal activity both in terms of offer size and number of IPOs. A slight recovery is observed starting in 2021, but the market has yet to reach the highs of the SoftBank-led surge. As of 2024 YTD, there is a mild increase due to the IPO of Tokyo Metro (9023 JP), raising around USD 2.3bn, indicating some renewed interest.

Conversely, the Japanese small-cap IPO market displays more consistent activity over the same period, with higher deal volumes and smaller offer sizes. The highest peak in terms of deal numbers occurred in 2020, suggesting strong market engagement with smaller companies during that time. However, despite the robust number of deals, the offer sizes remained moderate, reflecting the smaller scale of these firms. From 2021 onward, the offer size and number of deals have gradually declined, with a slight drop observed in 2024 YTD. This trend indicates that while the market still supports small-cap IPOs, overall activity has tapered off.

To conclude, the IPO markets across Hong Kong, China ADRs and Japan reveal distinct trends and challenges in large-cap and small-cap listings. Large-caps tend to attract substantial investment in fewer, more concentrated deals but larger deal sizes, while small-caps display higher deal frequency but lower individual offer sizes. Despite some standout years, such as 2018 in Japan with the historic SoftBank Mobile IPO (9434 JP) and 2020 in Hong Kong driven by major secondary listings like JD.com (9618 HK) and NetEase (9999 HK), overall activity in these markets has declined in recent years. These trends highlight the varied dynamics and risks investors face.

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