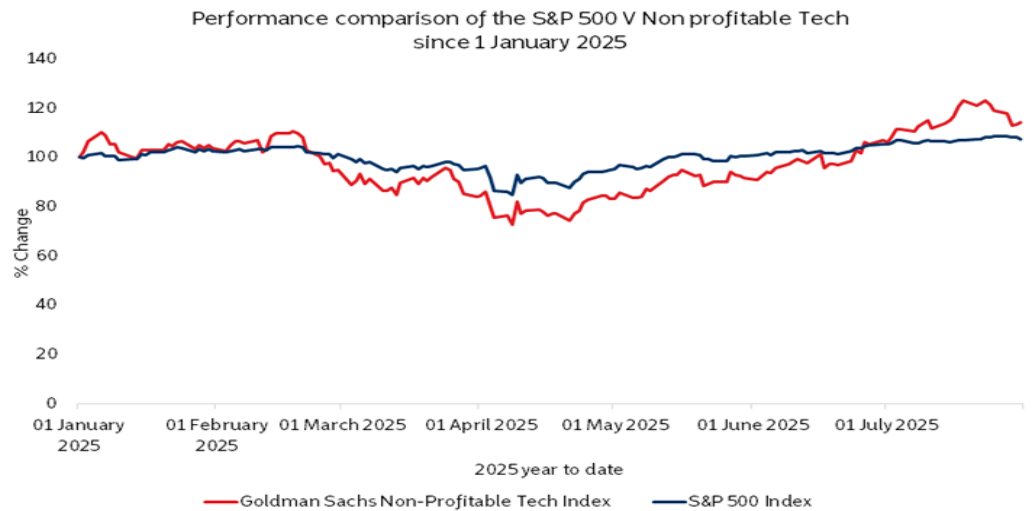


Global Matters Weekly

11 Aug 2025

Equity exuberance

By Simon Price



Source: Bloomberg Finance L.P., data as at 31 July 2025.

What this chart shows

Over the past quarter, we've seen a surprising trend of companies with limited prospects for building sustainable business models have attracted increased investor interest, outperforming higher-quality peers. The Goldman Sachs Non-Profitable Tech Index serves as a useful proxy for this phenomenon, tracking firms with high leverage, weak profitability, or otherwise fragile business fundamentals. The chart illustrates the index's volatile journey through 2025, sharply contrasting with the steadier performance of the S&P 500 Index.

Why this is important

Recognising the current investment environment, where companies with high valuations and questionable growth prospects are thriving, is essential. These firms often rely heavily on capital markets for funding and return little to shareholders. Their recent outperformance has been supported by a low-volatility backdrop and abundant market liquidity, conditions that may not persist indefinitely.

While momentum-driven, non-fundamental trends may be tempting, we remain committed to our long-term investment philosophy: focusing on high-quality companies with proven track records of outperformance across market cycles. Despite strong returns in Q2, some driven by questionable fundamentals, we believe now is an opportune time for investors to rebalance toward quality and durability, especially given the potential for rapid shifts in market leadership amid ongoing macro uncertainty.



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For more information, please contact your adviser or alternatively contact:

Belvest Investment Services Limited
研富投資服務有限公司
9th Floor, Centre Mark II
305-313 Queen's Road Central
Sheung Wan, Hong Kong

Tel +852 2827 1199
Fax +852 2827 0270
belvest@bis.hk
www.bis.hk

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