«Magnificent 7» vs AI-Technology from China

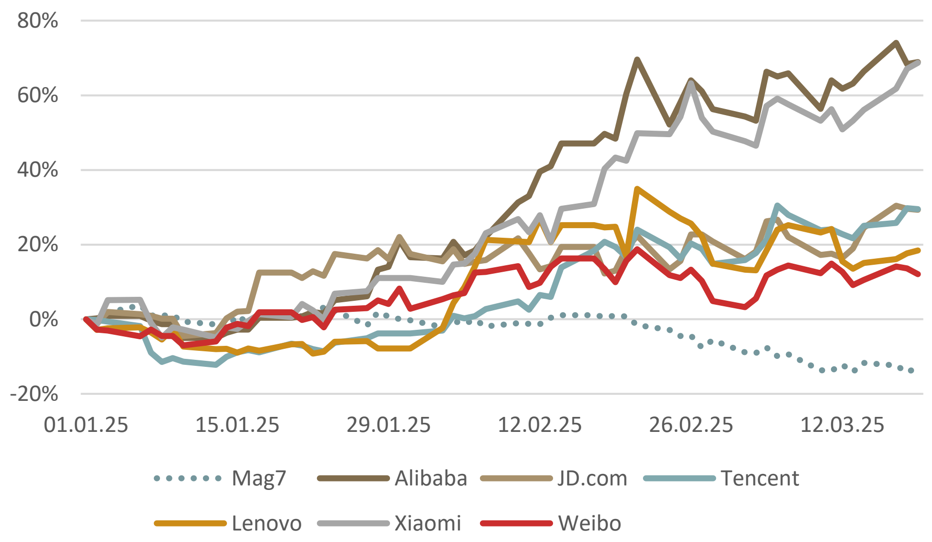
Over the past two years, the U.S. stock market has been clearly dominated by the so-called «Magnificent 7». The exceptionally high market capitalizations of these companies had a significantly positive impact on both U.S. and global equity indices. In 2024, the Mag7 surged by +51%, contributing more than half of the S&P 500's total performance while accounting for one-third of the index's weight.

However, a shift in momentum has emerged since the beginning of the year, with these stocks declining by -13%, prompting the market to coin a new term: «Maleficent 7».

As of mid-March 2025, every single stock within this group has posted negative returns year-to-date. Tesla Inc. has been the worst performer, down -42%, followed by Apple Inc. (-14%), Alphabet Inc. (-13%), and NVIDIA Corp (-12%).

At the same time, the recent trajectory of Chinese AI technology companies could not be more contrasting. The unveiling of the latest DeepSeek version in late January 2025, followed by the launch of other LLM technologies from various providers, has intensified competition for the previous market leaders from the U.S. This development has propelled the stock prices of the leading companies in this segment by as much as +74% since the beginning of the year.

The following chart illustrates the performance of the Mag7 and the most relevant Chinese AI technology firms in 2025:



Notably, all the Chinese companies featured in this chart are part of the convertible bond universe. One standout is Alibaba Group Holding, whose USD 5 billion issuance represents the largest single transaction in the history of this asset class. JD.com Inc.'s convertible bond, with a USD 2 billion issuance, also ranks among the largest.

According to Bank of America, Alibaba's convertible bond is now the most actively traded within this universe, boasting double the trading volume of the six convertible bonds issued by Strategy Inc. (formerly MicroStrategy Inc.) combined. JD.com ranks fifth in terms of trading activity.

The momentum surrounding Chinese AI technology is being experienced firsthand by Daniel Gonzenbach during his annual investor trip to Hong Kong. Reporting directly from the Jefferies Asia Forum 2025, he shares key insights:

«Ultimately, every single presentation revolves around AI, the next push from China, and the resulting transformations across various industries.»

«It's not just Chinese AI experts promoting the technology—its impressive level of advancement is also being validated by independent specialists and former Microsoft executives.»

«You can genuinely feel the pulse of innovation here. It's evident that technological leadership and global disruption are being redefined.»

«Startups in China are demonstrating an unparalleled pace in developing new AI applications and achieving tangible progress.»

Since its launch in 2000, the **H.A.M. Global Convertible Bond Fund** has maintained a globally diversified investment approach, with China playing a crucial role in our strategy and allocation.

We are happy to provide further insights on this topic, please do not hesitate to reach out.

Zurich, 20 March 2025