A tech-tonic shift

Asia's AI revolution can no longer be overlooked.

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The post-financial crisis investment universe has been all about technology, and America's emergence as the world's premier tech hub, helped in no small part by Silicon Valley, has empowered the US market to deliver a decade-plus of outperformance.

These US mega-cap tech stocks have largely eschewed dividends, preferring instead to reinvest a large portion of their revenues back into growing the business, in the hope that they would perpetually reward shareholders not with tangible cash, but with ever-higher share prices.

The artificial intelligence arms race has only embedded that, with the US hyperscalers spending heavily on data centres in an attempt to chase AI nirvana. Many believe that this capital expenditure cycle will extend the period of American exceptionalism unabated.

True, these hyperscalers do pay dividends. Microsoft led as far back as 2003, followed by Google and YouTube owner Alphabet, Apple and then, as recently as 2024, Facebook and Instagram owner Meta Platforms.

However, AI capex has gone from 33% of the hyperscalers' cash flow from operations in 2023 to an estimated 93% in 2026, according to JPMorgan Asset Management (JPMAM). There's a real sense that AI spend is weakening their balance sheets and lessening their ability to keep servicing these dividend payments, unless the pay-offs are almost immediate.

Looking forward, if technology remains the bellwether of stock market growth, we think investors will need to rethink the assumption that America rules, OK, since the US market is no longer the only game in town when it comes to technological innovation.

Asia has burst onto the scene as a real player in AI. Indeed, the information technology sector now accounts for more than half of the weighting of the MSCI AC Asia Ex Japan Index, versus just over 36% of the MSCI USA Index. It's a significant amount, and it seems to us that there's an important shift going on.

Importantly, while a good chunk of the billions of dollars America's hyperscalers are spending each year on data centres is flowing to the likes of NVIDIA and Micron, much of it is finding its way to Asia, where semiconductor firms from Taiwan to Korea are feasting.

Since January, the 2026 earnings per-share (EPS) estimates for Asian semiconductor names have been revised up 89%, versus 22% and 17% for their US and European peers respectively, according to JPMAM.

Governance improvements

The strengthening of Asia's leadership in AI-related technology sectors comes at the same time authorities in some countries are pushing for corporate governance reforms similar to those seen in Japan.

While not specifically targeting dividend payments, Korea's Value Up programme is seeking to tackle a Korea discount that has persisted in the past by improving minority shareholder protections and cash returns play into that.

Indeed, dividends from 694 major Korean companies amounted to c. 48trn won in 2025, up 15.3% from 2025. More than half (371) increased their dividends, while 65 began paying dividends after not doing so in 2024. The KRX Korea Value-up Index is up c. 168%

over the 12 months to 23/07/2026, versus the KOSPI's c. 122% advance.

In China, a series of initiatives have been launched since 2023 to provide better rights to shareholders, clarify board structures, and implement international norms for things like audit committees for listed firms. There has also been an active push for an increase in dividends and share buybacks, which we've started to see improve.

In most markets, dividend payers tend to have stronger balance sheets and better corporate governance, providing investors with exposure to high-quality, financially stable and profitable companies. That's particularly true within emerging market regions such as Asia.

That said, it's important to balance this out with exposure to higher-growth areas of the market, which can and typically does come in the form of companies that pay no or low dividends. This is where active management comes into its own to avoid the low-quality parts of the market.

We think **JPMorgan Asia Growth & Income (JAGI)** is a gold standard in this respect. Robert Lloyd and Pauline Ng have had management responsibilities since 2018 and 2024 respectively and both have more than 20 years' experience in the industry.

The basis of the investment strategy is the idea generation by JPMAM's Emerging Markets and Asia Pacific (EMAP) Equities team, of which Robert and Pauline are members.

The EMAP team includes over 30 sector-specific analysts based across the region, as well as several quant, macro, and country-specific analysts. In total, the team has over 100 investment professionals in nine different locations, providing JAGI with highly experienced management alongside a deep and highly resourced team.

A tech tilt

Robert and Pauline take a bottom-up, long-term approach to investing, identifying high-quality, dynamic businesses, held in a relatively concentrated portfolio that generally consists of between 50 and 80 holdings.

The managers try to ensure there are limited factor or style biases in the portfolio, meaning that valuation, style and market-cap tilts are all close to that of the index.

Robert and Pauline have been able to ride Asia's technology boom successfully, with the sector accounting for 49.7% of the portfolio at 30/06/2026. Overweight positions in Samsung and Delta contributing strongly to performance, while an underweight to SK Hynix (due to pragmatic profit-taking) weighed on relative performance, despite its sizeable position contributing good absolute returns.

They've also been able to avoid AI losers, which has culminated in an underweight position in India, given the prevalence of IT services companies likely to be disrupted combined with high valuations.

JAGI also uses the investment trust wrapper to ensure differentiation with peers, ensuring shareholders receive a high yield alongside heavy exposure to the AI trend, something few US-focused funds or trusts are able to do.

An enhanced dividend policy that pays out 1.5% of net asset value (NAV) each quarter works out to a yield of 5.5% at 24/07/2026, making it the highest yielding trust in JPMAM's range and the second highest yielding of its Asia Pacific peers.

In a world where investors are starting to rethink the long-term winners from the AI revolution, we think Asia can no longer be overlooked and JAGI provides heavy exposure to the potential beneficiaries both on a discount and with an attractive level of income.

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