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MONTHLY NEWSLETTER

SEPTEMBER 2025 | VOLUME 5, ISSUE 9

ALTERNATIVE INVESTMENTS
PHILLIP VENTURES IFSC PVT. LTD.
GIFT CITY

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SEPTEMBER 2025

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COVER STORY | INSIGHTS FROM THE STUDY TABLE

As part of our cover story, we bring detailed insights from a specific area of the financial markets. In this edition, we present select aspects of Semiconductors.

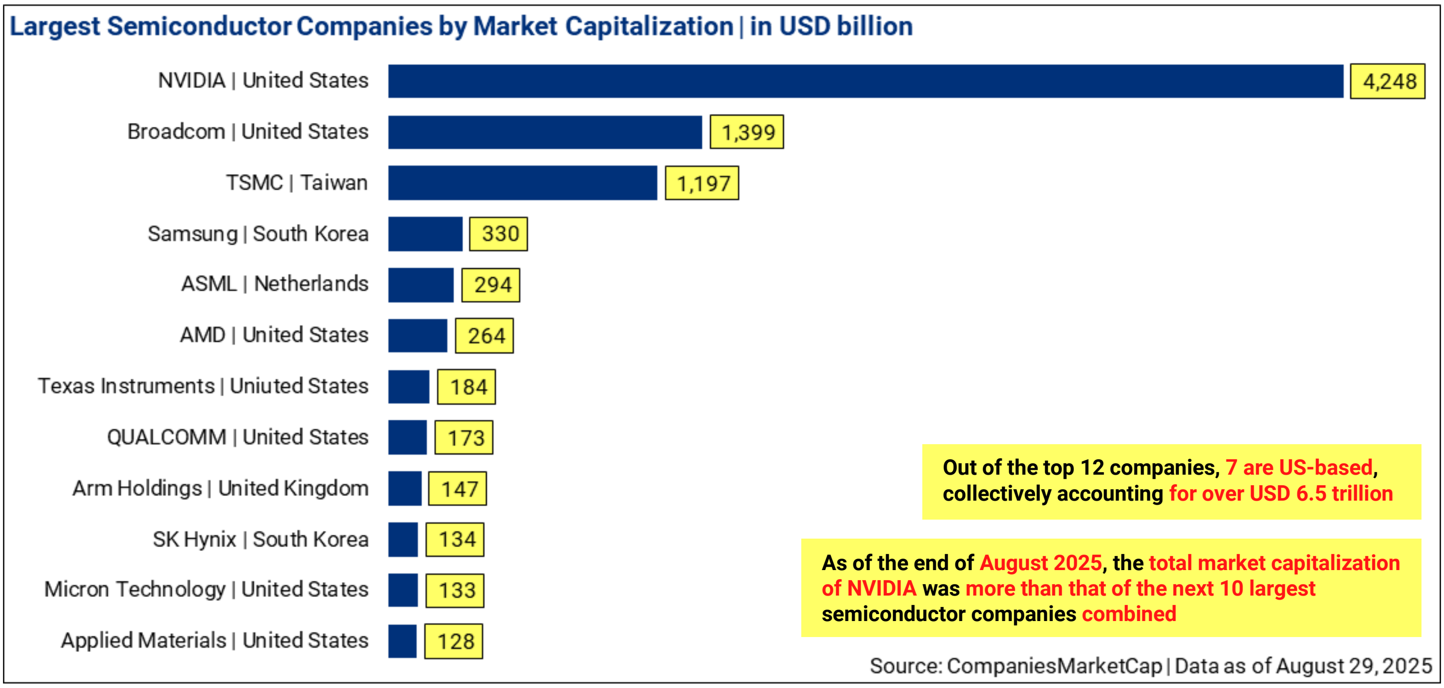
The Great Chip Chessboard | Introduction

The global semiconductor supply chain has become increasingly shaped by geopolitical developments and policy announcements, with notable shifts seen since 2022. The United States unveiled the CHIPS and Science Act in August 2022 to boost domestic semiconductor manufacturing and strengthen supply chain resilience. Along with these policy measures, the US also implemented export controls on the sale of advanced chips and manufacturing equipment to China. On the other hand, China accelerated self-sufficiency initiatives, making substantial investments into its domestic semiconductor sector, increasing government funding, and launching programs to propel research.[1]

Semiconductors form the backbone of modern technology, driving applications across smartphones, artificial intelligence, military systems, and industrial machinery. Nations across the globe are striving for semiconductor self-sufficiency to reduce supply chain vulnerabilities and secure a strategic edge in the technological competition. Thus, while the semiconductor industry is led by the United States, Taiwan, South Korea, China, and the European Union, emerging players like India and Vietnam are also implementing steps such as investment commitments, partnerships, and regulatory measures aimed at boosting local chip production and safeguarding supply chains from disruptions.

Advances in technology, economic strategies, and global alliances will shape the path of the semiconductor industry in the coming decade, while international collaboration will be critical in ensuring geostrategic stability and shared technological progress.

Silicon Colossus | Largest Semiconductor Companies Globally

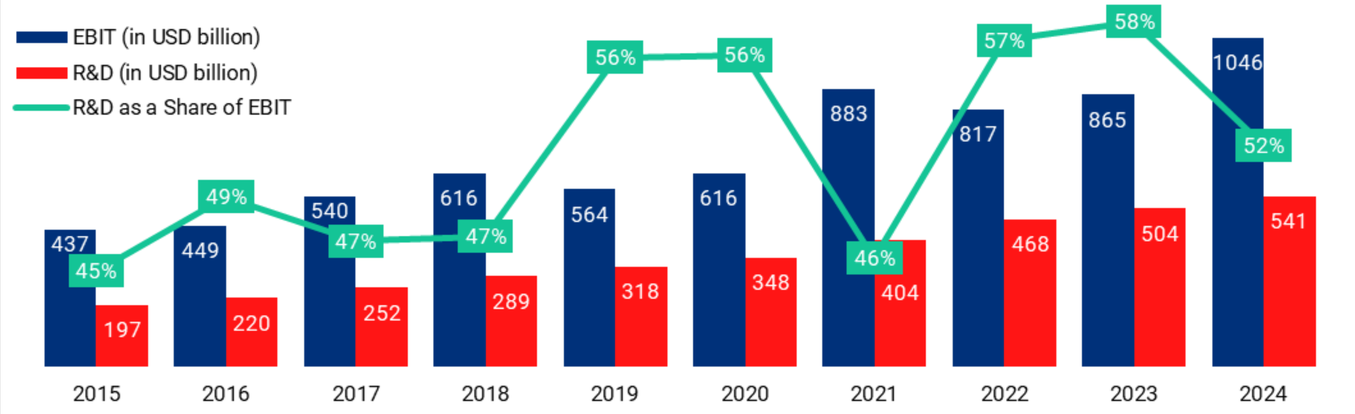


[1] Ahmed, Shahla. (Updated 2025, March 08). *The Geopolitics of Semiconductor Supply Chains.* Modern Diplomacy. Link to Article

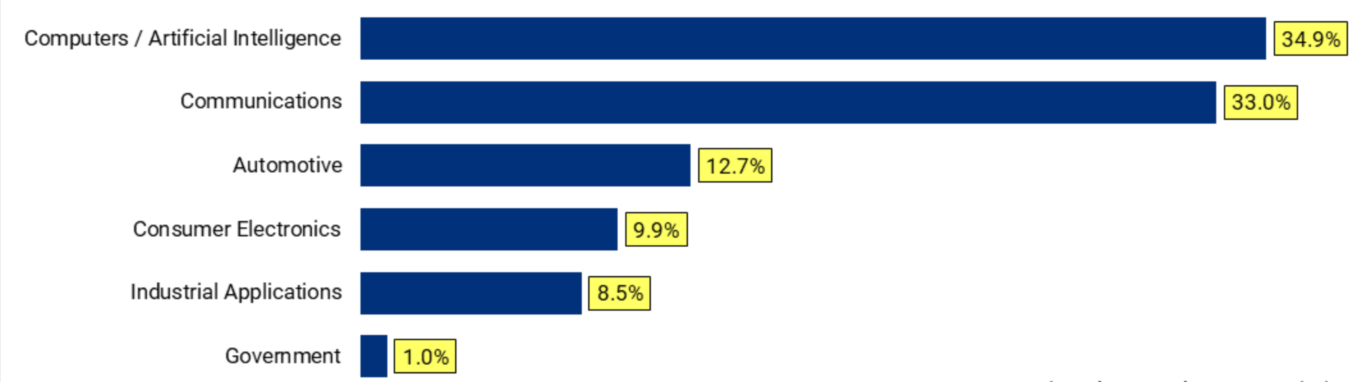
Nanometers of Intelligence | Overview of Artificial Intelligence in Semiconductors

The semiconductor industry is undergoing a seismic shift, with **AI-focused chips** now the primary drivers of growth. Analysts anticipate the demand for AI chips to rise by over 30% in 2025 and comprise 20% of the semiconductor market this year.[2] The global AI chip market is valued at over USD 83 billion in 2025 and projected to reach USD 459 billion by 2032, representing a CAGR of 27.5%.[3] In 2024, semiconductor companies in the United States invested 17.7% of their revenue into research and development[4], with chip design driving the function and value of devices.

Research & Development Outlays in the Semiconductor Ecosystem | Source: Deloitte



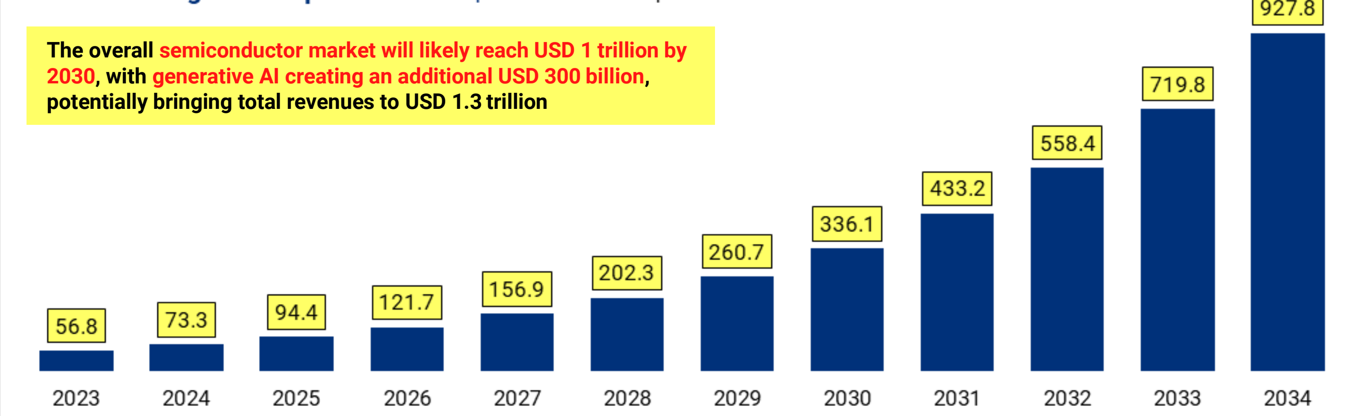
Total Global Demand for Semiconductors | Share by End Use in 2024



Source: Semiconductor Industry Association

Artificial intelligence applications are already fuelling the expansion of the global chip industry, with generative AI accelerator chip sales surpassing USD 125 billion in 2024 and forecasted to exceed USD 150 billion in 2025.[5]

Artificial Intelligence Chip Market Size | in USD billion | Source: Precedence Research



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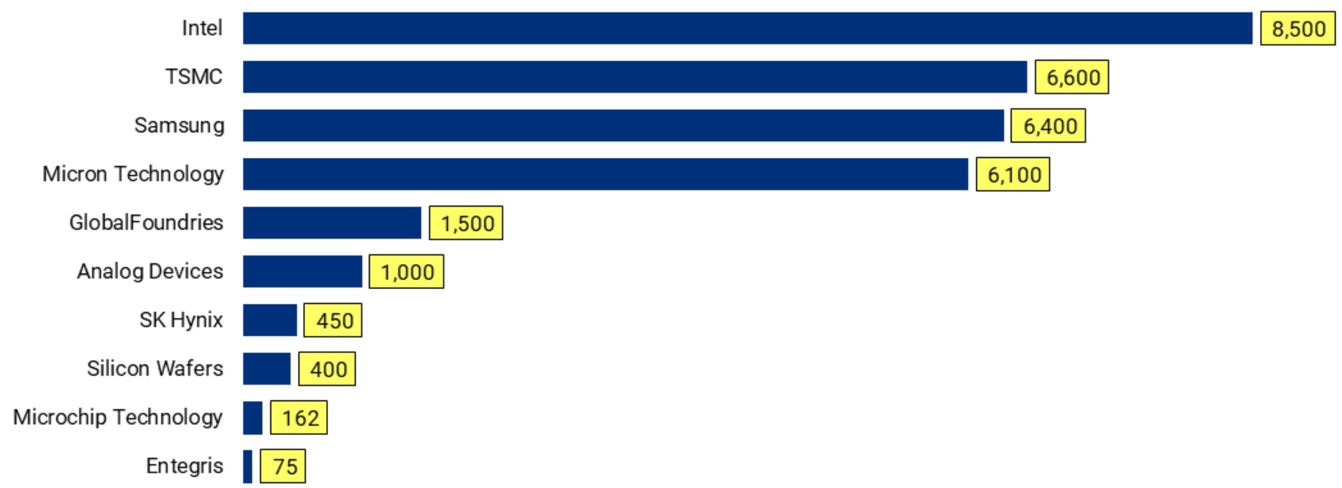
[2] Tran, Attorney. (Updated 2025, August 21). *Semiconductor Industry Growth for 2025: Key Stats You Need to Know.* PatentPC. Link to Article
[3] (Updated 2025, July 11). AI Chips Market Size and Share Analysis – Growth Trends and Forecasts (2025-2032). Coherent Market Insights. Link
[4] 2025 State of the U.S. Semiconductor Industry Report. Semiconductor Industry Association. Link to Source
[5] Kusters, Stewart, Ramachandran. *2025 global semiconductor industry outlook.* Deloitte. Link to Article

The Great Onshoring | The US CHIPS and Science Act of 2022

According to government statistics, the United States currently produces about 12% of semiconductors worldwide, a sharp decline from its 37% share in the 1990s. Also, major US firms depend heavily on chips manufactured abroad, subjecting them to the fragility of the global semiconductor supply chain. For example, the US Department of Commerce estimated that chip shortages during the COVID-19 pandemic had dented US economic growth by nearly USD 250 billion. The **Creating Helpful Incentives to Produce Semiconductors and Science Act (CHIPS and Science Act)** was signed into law in August 2022 in the United States to promote investments in onshore semiconductor manufacturing capacity and to propel R&D and commercialization of leading-edge technologies. The act directs USD 280 billion in spending over the decade for its stated objectives, with the majority share earmarked for research.[6]

Largest Funds Allocation from the US CHIPS and Science Act | in USD billion

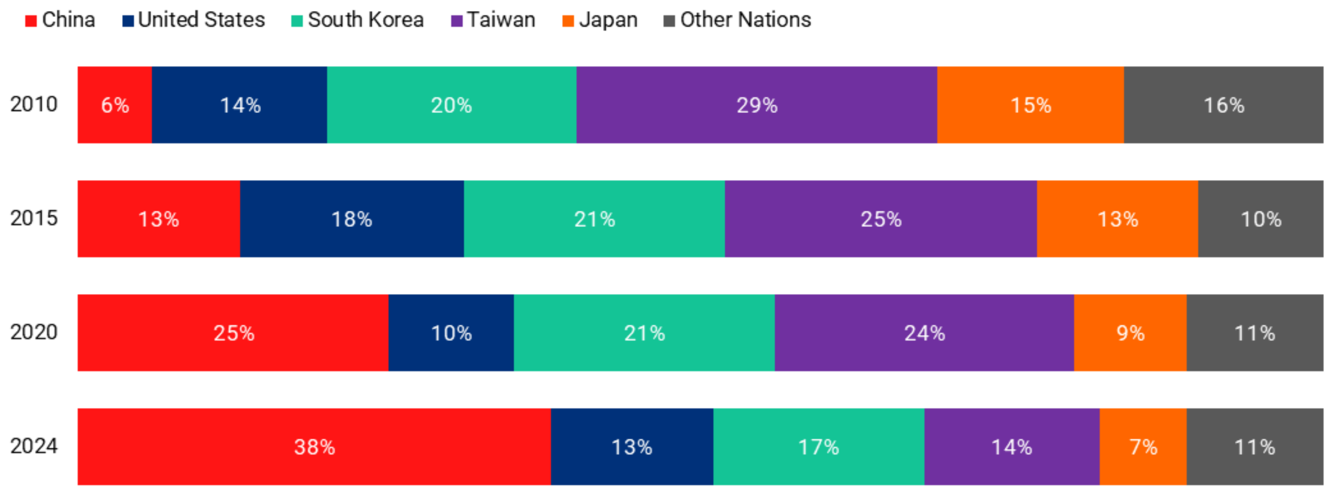


Source: Accelerated Designs | Data as of November 2024

From Dependence to Dominance | The Chinese Road to Self-Sufficiency

With its current semiconductor self-sufficiency at roughly 20%, China has set a roadmap to lift the value to 50-60% by 2030.[7] The share of global foundry capacity of Mainland China is projected to be around 30% by 2030, overtaking that of Taiwan.[8] In May 2024, China launched the third phase of the National Integrated Circuit Industry Investment Fund, also called **Big Fund III,** with a registered capital of CNY 344 billion (USD 47.5 billion), making it the largest-ever dedicated semiconductor investment fund in China. Backed by 19 state-owned investors led by the Ministry of Finance[9], the fund parallels the scale of the US CHIPS and Science Act and potentially mitigates global trade risks.

Share of Nations in Semiconductor Equipment Purchases | Source: McKinsey



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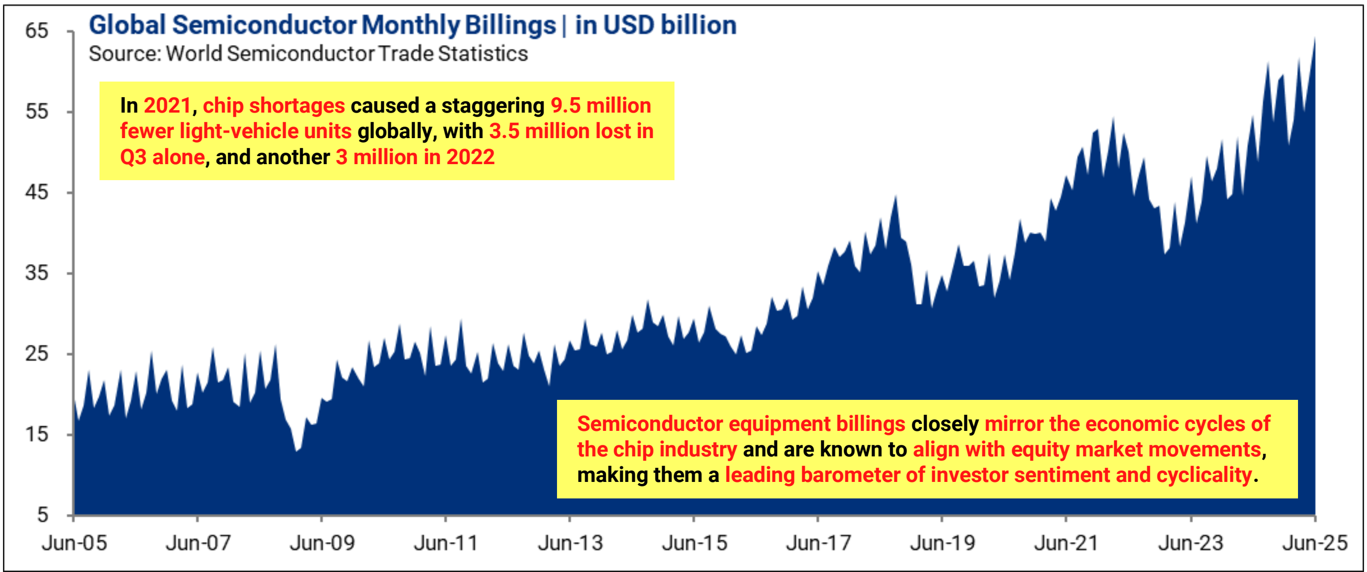
[6] Badlam, Clark, and others. (Updated 2024, May 16). *The CHIPS and Science Act: Here's what's in it*. McKinsey & Company. Link to Article
[7] Keng, Tan, and Au. (Published 2025, June 02). *Regional Industry Focus: China Semiconductor*. DBS Group Research. Link to Source
[8] Cao, Ann. (Updated 2025, July 02). *Mainland China chipmaking capacity to outstrip Taiwan by 2030: report*. South China Morning Post. Link
[9] Min and Wei. (Updated 2024, May 28). *China Piles $47.5 Billion Into 'Big Fund III' to Boost Chip Development*. Caixin Global. Link to Article

The Predictable Unpredictability | The Cyclical Nature of Semiconductors

The global chip industry is known for its cyclical nature, which is clearly observable in **monthly billings data** that track equipment purchases and semiconductor sales over time. These cycles are driven by innovation waves, capacity expansions, inventory corrections, and broader economic trends. Monthly billings in the chip industry display regular periods of growth and contraction, reflecting inventory cycles and investment surges followed by slowdowns. The typical upswing phase lasts around 1.5-2 years, while a full cycle (boom to correction) often spans 3-4 years[10].

The chip shortage during and after the COVID-19 pandemic ballooned into a major global crisis and is said to have impacted more than 169 industries. Chip shortages were notable between 2020–2023 and led to substantial price increases, extended lead times, and production disruptions across sectors. For example, Broadcom Inc., a key player in the global chip supply chains, saw its lead times rise sharply from 12.2 weeks to 22.2 weeks in February 2020[11].

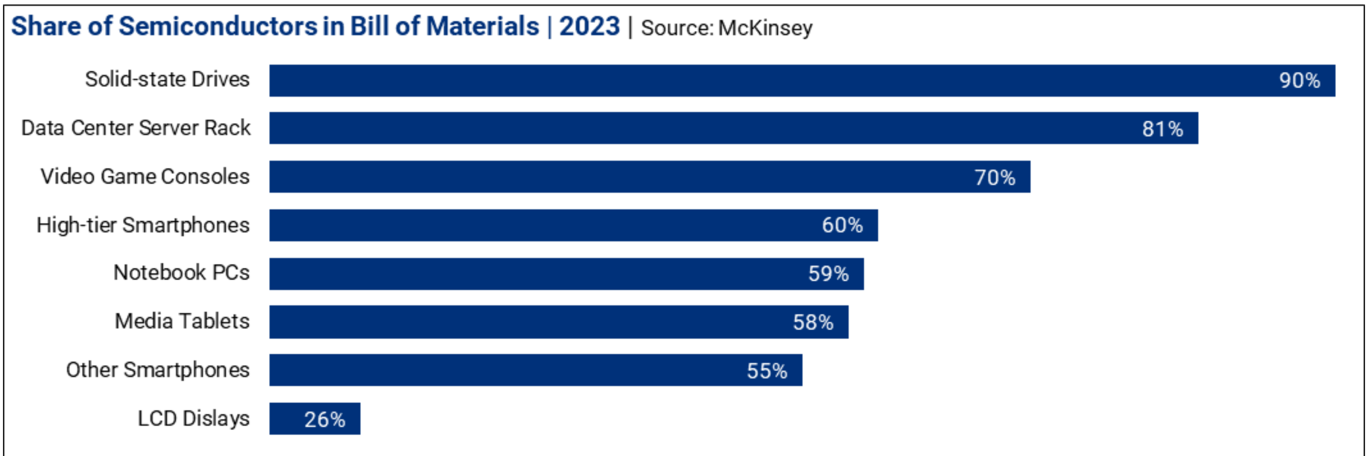


Global Semiconductor Monthly Billings | in USD billion
Source: World Semiconductor Trade Statistics

The Price of Protection | Conclusion

On August 6, 2025, the Trump Administration unveiled its **plans to impose a 100% tariff on imported chips and semiconductors**. The tariffs will apply to foreign-made semiconductors unless manufacturers are building or commit to building production capacity within the United States[12]. This announcement marks one of the most aggressive trade policy moves, reinforcing a broader policy trend aimed at reshoring chip manufacturing in the United States.

A 10% tariff on semiconductors is projected to cause a USD 408 billion cumulative GDP loss over 10 years, equal to about 1.38% of the 10th-year GDP, while a 25% tariff could result in a USD 1.4 trillion loss, or roughly 4.8% of the 10th-year GDP[13]. Such tariffs would also push up the prices as tariff transmissions happen across a range of electronics.



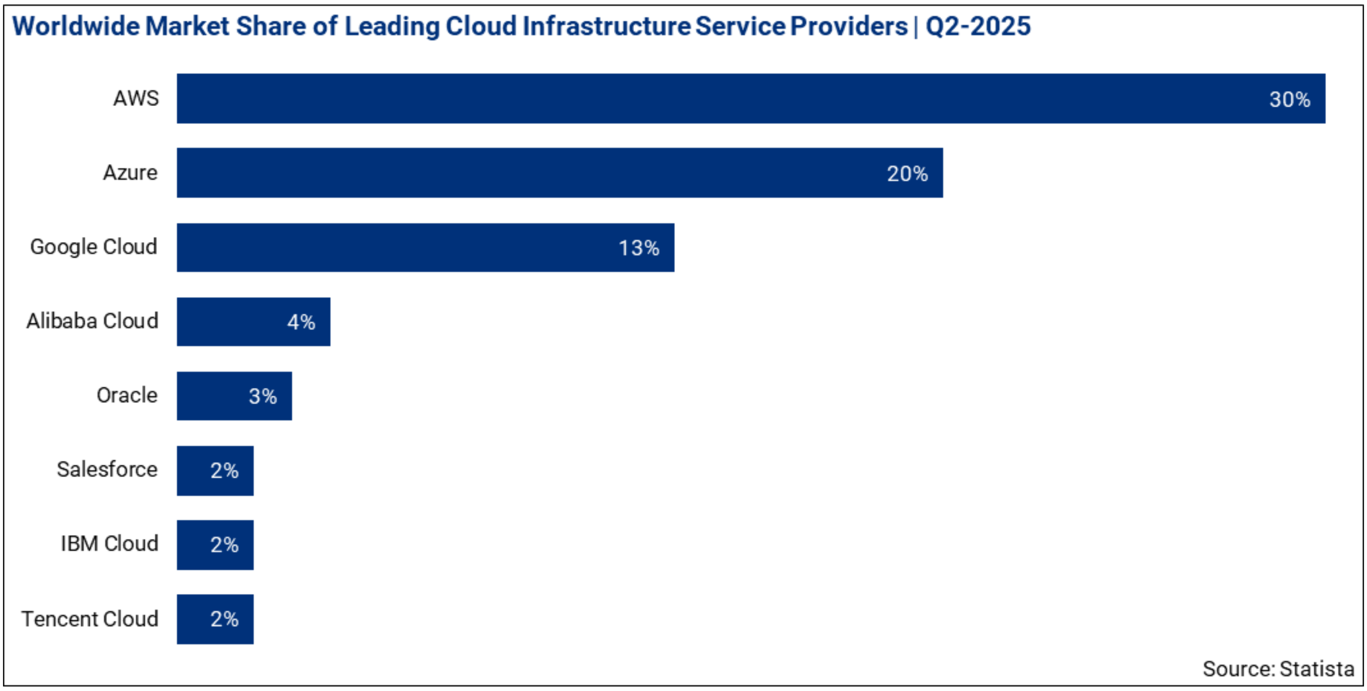
Share of Semiconductors in Bill of Materials | 2023 | Source: McKinsey

[10] (Updated 2024, March 25). *Investing in Semiconductor Stocks: Key Insights in Five Charts*. MacroMicro. Link to Article
[11] King, Wu, and Pogkas. (Updated 2021, March 29). *How a Chip Shortage Snarled Everything from Phones to Cars.* Bloomberg. Link to Article
[12] Shalal, Shepardson, and Bajwa. (Updated 2025, August 08). *Trump says US to levy 100% tariff on imported chips, but some firms exempt*. Reuters. Link
[13] (Updated 2025, May 21). *Short-Circuited: How Semiconductor Tariffs Would Harm the U.S. Economy and Digital Industry Leadership*. ITIF. Link

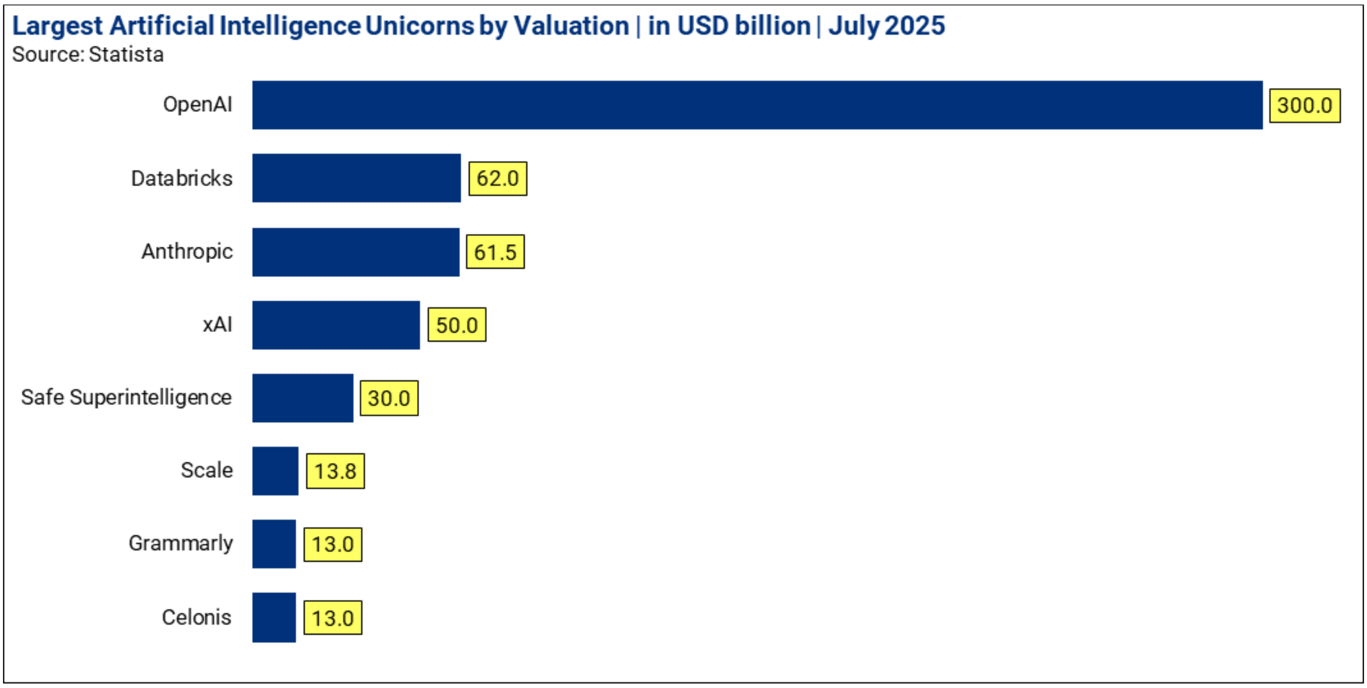
EXPLORATION | DATA-DRIVEN PERSPECTIVES

This section presents data-driven financial and non-financial data insights from global trends monitored by us across businesses, regions, and asset classes.

The Digital Airspace | Leading Cloud Infrastructure Companies



From Algorithms to Unicorns | Largest Artificial Intelligence Companies by Valuation



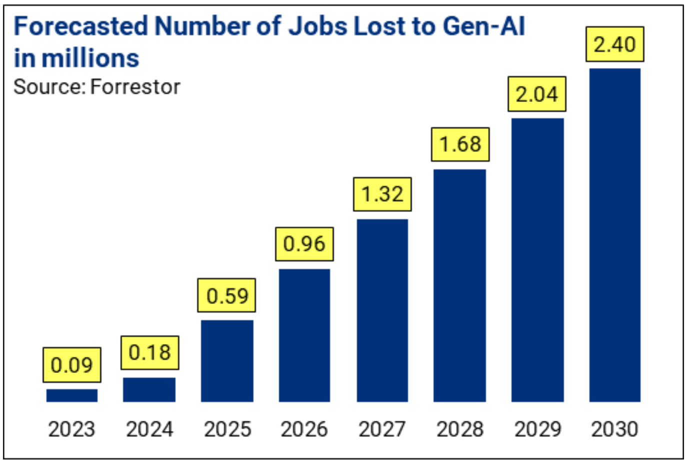
GLOBAL NEWS AND EVENTS

In this section, we bring you updates on some of the unique major events that have happened across the globe in the past month gone by.

Adoption of generative AI is linked to a decline in employment among the younger population of American workers. Sales of Tesla witness yet another month of decline in Europe, while those of BYD witness a surge. Real estate in China continues to reveal signs of stress, with property investment witnessing another month of decline.

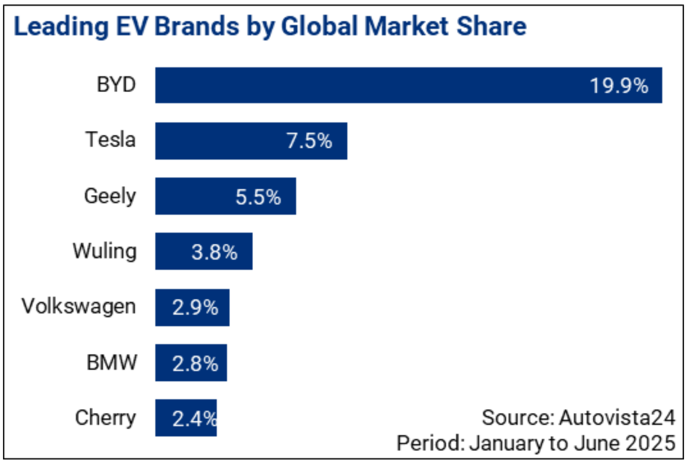
The Vanishing Apprentice

A recent study by **Stanford University** has revealed that the widespread **adoption of generative artificial intelligence** (AI) is linked to a 13% **decline in employment among U.S. workers** aged 22-25 in jobs most exposed to AI, such as software development, customer service, and accounting, since late 2022. In contrast, employment for older, more experienced workers in the same occupations has remained stable or even increased. The study analyzed millions of payroll records and controlled for other factors, highlighting that early-career workers, whose skills rely heavily on codified knowledge from formal education, are being disproportionately affected by AI automation. Meanwhile, employment in fields less exposed to AI, such as healthcare, has grown for young workers. The findings help explain why employment growth for young people has stagnated, while the overall figure remains robust.



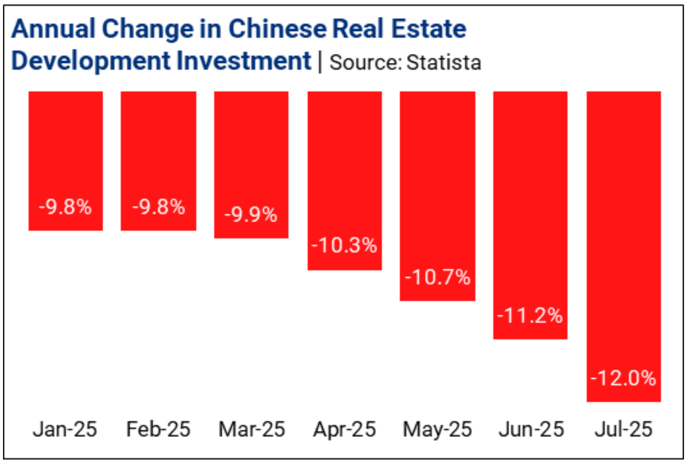
The Silent Overtake

Sales of Tesla in Europe plunged 40% YoY in July 2025, marking the seventh consecutive month of decline, according to statistics from the European Automobile Manufacturers Association. New registrations for Tesla vehicles totaled 8,837, while Chinese electric vehicle maker BYD recorded 13,503 registrations, a 225% annual increase. The overall battery electric vehicle sales in Europe rose by 39% during the month. Tesla faces challenges such as intense competition from Chinese brands, delayed approval of advanced driver-assistance features, brand reputation issues linked to the political rhetoric of Elon Musk, and an aging vehicle lineup. On the other hand, aggressive market expansion and competitive pricing by BYD have enabled it to surpass Tesla in European sales. Meanwhile, established European automakers such as Volkswagen, BMW, and Renault reported monthly sales gains.



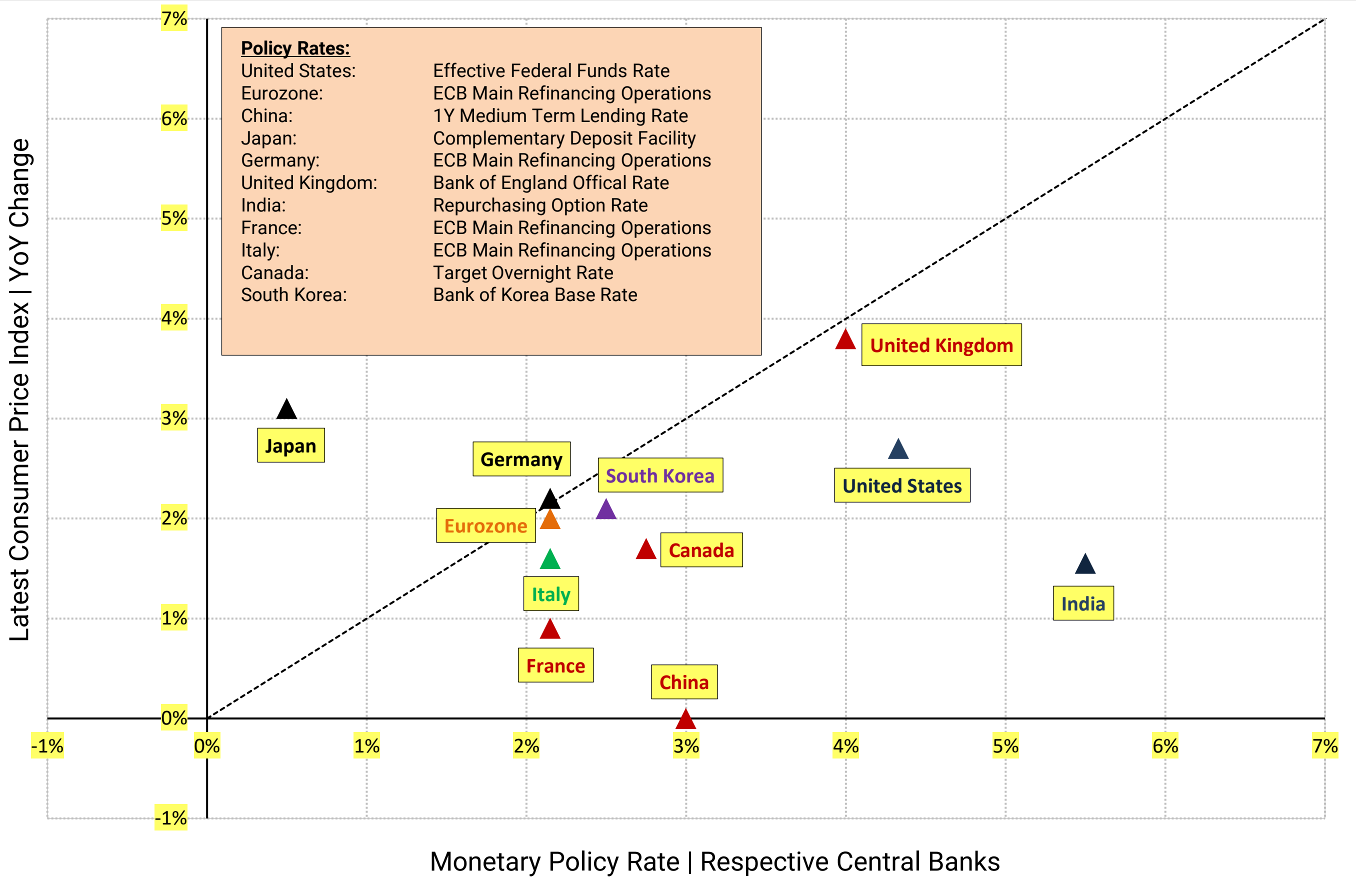
Hollow Towers

The **property investment in China** declined 12% year-on-year to CNY 535.8 billion in the first seven months of 2025, with residential investment dropping 10.9% to CNY 412.1 billion, according to data from the National Bureau of Statistics. The Northeast region experienced the steepest decline, with property investment falling 22.2% and residential investment down 21.6% in July 2025. The floor area of housing under construction decreased by 9.2%, while new housing starts fell by 19.4% compared to the previous year. Sales of newly-built commercial buildings also declined by 6.5%. This ongoing downturn reflects persistent challenges in China's real estate sector, including oversupply and subdued demand. Despite government stimulus efforts, including mortgage rate cuts, the recovery of the real estate sector in China is fragile due to weak buyer confidence, supply glut, and high developer debt.



INFLATION AND MONETARY POLICY WATCH

In this section, we present a snapshot of the Inflation and Policy Rates of the largest economies.



Source: Investing.com and others | Data as of August 29, 2025

WORLD MARKETS

In this section, we share the performance of select broad market Equity benchmarks.

China led global equity returns due to foreign inflows, gains in the technology sector, and optimism around US-China trade negotiations. Equities in Brazil gained, driven by a strengthening Brazilian real and positive sentiment due to a potential change in leadership. Japanese equities gained on robust corporate earnings and a global equities rally.

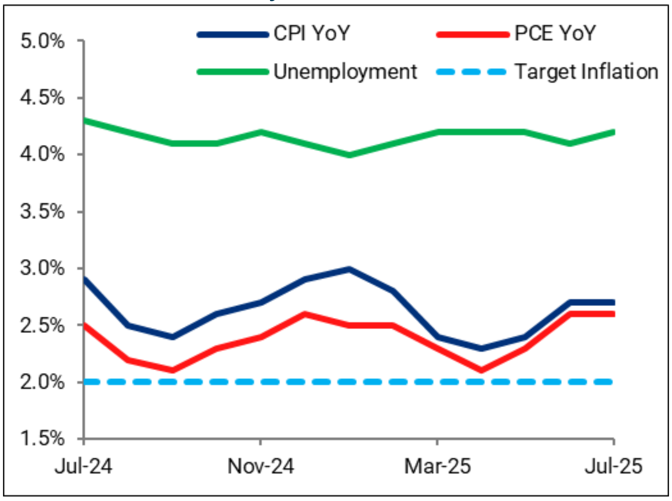
Performance of select World Market Indices | Local Currency Returns as of August 29, 2025

Index	Periodic Returns						Calendar Year Returns				
	1M	3M	6M	1Y	3Y	5Y	2025	2024	2023	2022	2021
S&P/ASX 200	2.63%	6.38%	9.80%	10.89%	8.70%	8.17%	9.79%	7.67%	7.84%	-5.45%	13.02%
Nikkei 225	4.90%	12.52%	14.98%	10.61%	15.00%	13.05%	7.08%	19.22%	28.24%	-9.37%	4.91%
KOSPI Index	-1.83%	18.10%	25.79%	19.13%	8.83%	6.49%	32.78%	-9.63%	18.73%	-24.89%	3.63%
China A50	8.54%	11.98%	13.17%	27.23%	3.31%	-0.99%	10.67%	17.56%	-11.54%	-17.16%	-11.34%
Shanghai Composite	7.97%	15.25%	16.17%	35.74%	6.41%	2.59%	13.44%	14.32%	-3.70%	-15.12%	4.80%
Hang Seng	1.23%	7.68%	9.31%	39.40%	7.92%	-0.08%	24.46%	18.36%	-13.94%	-15.46%	-14.08%
Taiwan Weighted	3.29%	13.52%	5.12%	8.82%	17.09%	13.99%	5.20%	28.61%	26.69%	-22.40%	23.66%
NIFTY 50	-1.40%	-1.31%	10.41%	-3.21%	11.21%	16.49%	3.31%	8.80%	20.03%	4.33%	24.12%
FTSE 100	0.60%	4.73%	4.29%	9.68%	8.04%	9.03%	12.45%	5.65%	3.78%	0.91%	14.30%
DAX	-0.68%	-0.40%	5.99%	26.42%	23.03%	13.05%	20.06%	18.85%	20.31%	-12.35%	15.79%
Bovespa	6.28%	3.21%	15.17%	3.98%	8.89%	7.31%	17.57%	-10.36%	22.28%	4.69%	-11.93%
Dow Jones	3.20%	7.75%	3.89%	9.58%	13.07%	9.88%	6.98%	12.96%	13.70%	-8.78%	18.73%
NASDAQ Composite	1.58%	12.25%	13.84%	21.12%	22.00%	12.75%	10.10%	29.81%	43.42%	-33.10%	21.39%
S&P 500	1.90%	9.28%	8.49%	14.37%	17.77%	13.04%	9.37%	23.84%	24.23%	-19.44%	26.89%

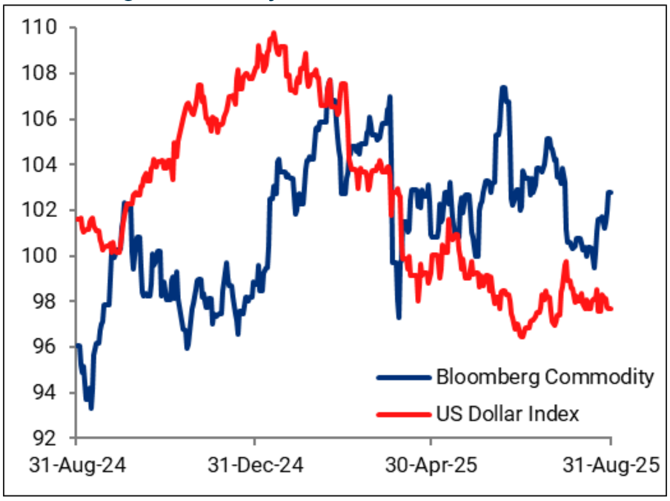
Source: Investing.com | Returns for a period greater than one year have been annualized.

SELECT GRAPHS

The United States | Key Indicators

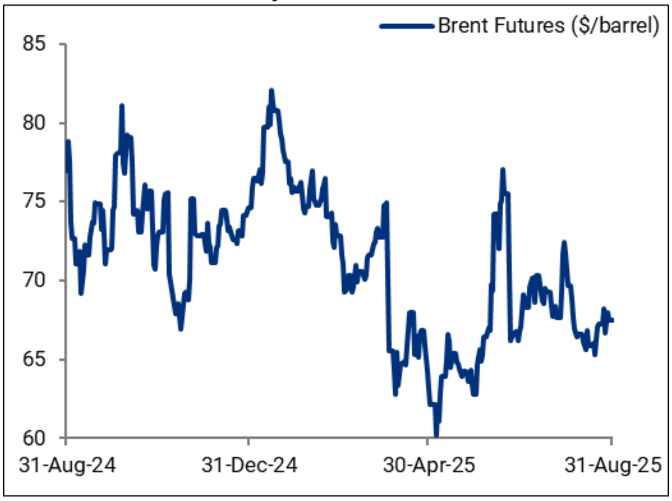


Bloomberg Commodity Index & US Dollar Index

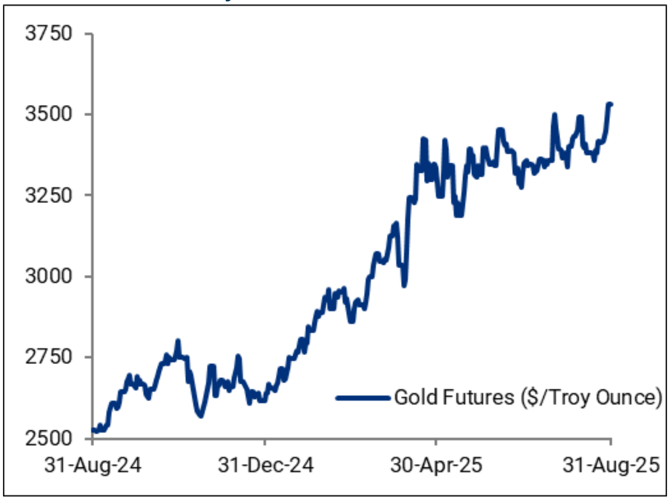


Source: Investing.com

Brent Oil Futures | Daily Close

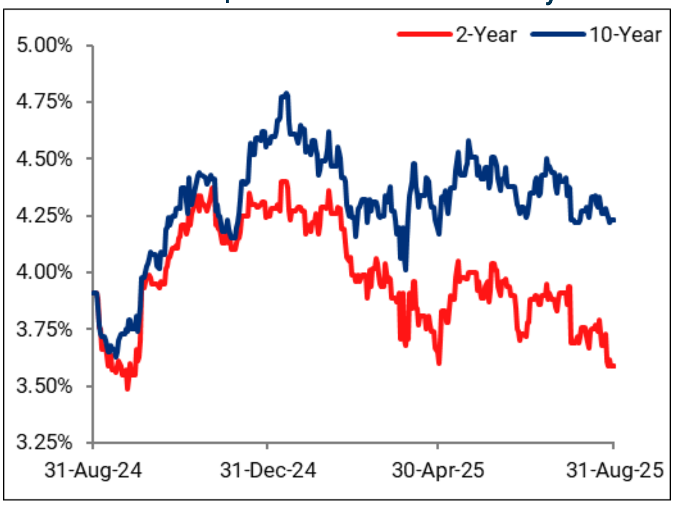


Gold Futures | Daily Close

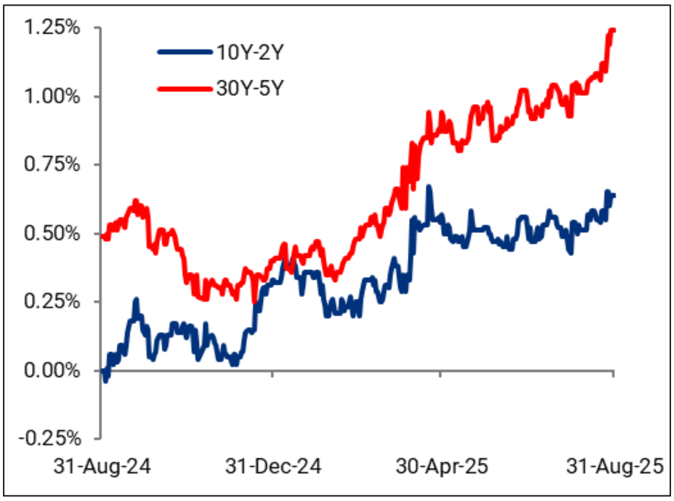


Source: Investing.com

The United States | 2-Year & 10-Year Treasury Yield



United States | Yield Difference



Source: Daily Treasury Yield Curve Rates, U.S. Department of the Treasury

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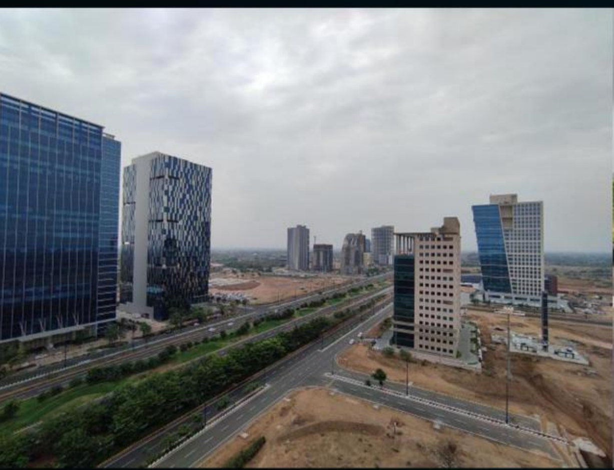
across Countries



Pillars of the Process

Data-driven Approach

Active Monitoring of Trends by Leveraging Data-driven Insights

Focus on Fundamentals

Opportunities across Regions, Businesses, and Asset Classes

Long Term Outlook

Focus on achieving Long-term Investment Objectives

Seamless Implementation

Processes that align with the evolving GIFT City Ecosystem

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