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Abrdn Pacific Equity Fund

<u>Investment and Market Review</u>

Asian equities performed strongly in the 12 months to end June, with the index rising more than 40%. A sustained technology rally led regional gains, as South Korea benefited from record semiconductor exports, while Taiwan rallied on robust demand for AI hardware. Chinese equities lagged, as lacklustre consumer demand and a sluggish property market overshadowed improving industrial activity and rising exports. That said, markets were volatile in February amid the US-Israel-Iran conflict and disruption to the Strait of Hormuz. However, sentiment recovered quickly with extraordinary gains in South Korea and Taiwan in the final quarter.

The Fund returned 47.59% in Singapore dollar terms, ahead of the benchmark's 43.50%. The largest contributor to relative performance was our exposure to the AI value chain across Taiwan and South Korea. This was driven by the hardware-intensive buildout of global AI infrastructure alongside an accelerating shift toward energy security, resulting in strong demand for semiconductors, specialised testing, and critical materials.

In Taiwan, Chroma ATE benefited from rising chip-testing complexity as AI workloads increased. MediaTek delivered solid earnings on accelerating demand for AI and connectivity chipsets. ASE Technology gained on AI-driven demand for advanced packaging and improved growth expectations for its LEAP testing platform. Accton Technology also contributed as AI-related capital expenditure and order momentum remained robust.

Elsewhere, our Korean memory holdings Samsung Electronics and SK Hynix added significantly to returns. Tight supply, rising AI-related demand and improving pricing supported earnings upgrades, with their results exceeding market expectations. These positions reinforced our view that AI adoption is increasing demand across the semiconductor supply chain, from memory and testing to packaging and networking infrastructure.

In China, solid performers included memory interface chip leader Montage Technology and semiconductor equipment provider Naura Technology Group.

Conversely, the key detractor was the Fund's overweight to Tencent, as the stock sold off on concerns over aggressive promotions and weaker China tech sentiment as attention shifted to newer AI players. We view the headwinds faced by Tencent as transient, and we have done the work and remain convinced that Tencent will benefit from AI rather than being disrupted by AI.

India’s HDFC Bank also detracted. Although earnings exceeded expectations, investors remained focused on its elevated loan-to-deposit ratio and the potential impact on future growth. Our discussions with management suggest deposit trends are improving, supporting continued profitability growth.

Elsewhere, Australia’s Cochlear weakened following disappointing results and operational delays.

In portfolio activity, we continued to focus on companies with strong earnings visibility, resilient cash flows and attractive long-term return potential.

In Australia, we initiated positions in Pro Medicus, a global provider of medical imaging software, and increased exposure to resources through Northern Star Resources and Santos. We also added

Commonwealth Bank of Australia, attracted by its market-leading deposit franchise, scale advantages and resilient profitability. We exited Mirvac Group and Cochlear.

Across the region, we found several attractive names in the technology sector. In China, we participated in the H-share IPO of Montage Technology, which ranks among the country's highest-quality provider of high-performance semiconductor solutions. In Taiwan, we invested in Grand Process Technology Corp, a beneficiary of rising semiconductor packaging complexity and industry capital expenditure, and Hon Hai Precision Industry (Foxconn), where we see substantial upside from AI server demand and diversification beyond consumer electronics. In South Korea, we initiated a position in Samsung Electronics' ordinary shares alongside our existing preference-share holding, reflecting a material improvement in its fundamentals. We exited ASE Technology following strong share-price performance.

Across other sectors, we added Chuangxin Industries, a cost-competitive aluminium producer with attractive growth prospects. In financials, we invested in Standard Chartered, which provides attractive exposure to Asian wealth creation and cross-border banking flows at a compelling valuation. In the consumer segment, we added Korean carmaker Hyundai Motor's preference shares at attractive valuations following some market volatility.

Against this, we exited Giant Biogene, Meituan, Trip.com, Shenzhou International, Bank Central Asia, Telkom Indonesia and Midea Group, recycling capital into higher-conviction opportunities.

Market Outlook and Investment Strategy

Global markets remain sensitive to geopolitical developments, particularly in the Middle East, and higher oil prices remain a risk for energy-importing economies such as India. Even so, the outlook for Asian equities remains supportive. Economic growth has proved resilient, supported by technology spending, strong North Asian exports and policy support in China. The AI investment cycle continues to drive earnings across semiconductor, memory and digital infrastructure supply chains, while China offers opportunities in AI, advanced manufacturing and selected consumer segments.

We remain focused on high-quality businesses with strong earnings visibility, competitive advantages and disciplined capital allocation. Market volatility continues to create opportunities to add to high-conviction holdings. We believe company fundamentals, rather than macroeconomic factors, will increasingly drive returns, with stock selection remaining particularly important in China and North Asia

Source: abrdn Asia Limited.

AllianceBernstein Emerging Markets Debt Portfolio Fund

Investment and Market Review

Market Overview

• It was another positive month for emerging-market (EM) debt assets as markets continued to recover from the March sell-off.

• The J.P. Morgan Emerging Market Bond (EMBI) Global Diversified Index1 increased by 0.72%. The interest-rate-sensitive investment-grade portion rose 0.45%, while the high-yield segment gained 0.97%. The sovereign portion of the index increased 0.82%, while quasi-sovereigns (which represent about 20%

of the hard-currency index) posted a gain of 0.24%. Spreads overall tightened by 2 basis points2 (bps) to 235 bps, ending the period with a yield of 6.92%.

• EM corporate bonds, as measured by the CEMBI Broad Diversified Index, rose 0.38% and underperformed the gain among sovereign bonds in the EMBI Global Diversified. There was some divergence between investment grade and high yield, with investment-grade corporates rising 0.27% while the high-yield portion increased by 0.63%. Spreads overall tightened by 6 bps to 213 bps, and the corporate index is now yielding 6.48%.

• EM local-currency sovereign bonds rose 0.20%, with local rates increasing by 1.30%. Currency losses were 109 bps, as the US dollar rose against all developed-market (DM) currencies and most EM currencies.

• As a reference, DM government bonds rose in aggregate by 0.39%, as measured by the Bloomberg3 Global Treasury Index, on a hedged-to-US-dollar basis.

Portfolio Performance

• In June, the AB Emerging Markets Debt Portfolio (Class A) increased in absolute terms and outperformed the EMBI Global Diversified, which returned 0.72%.

• Year to date, the Portfolio increased in absolute terms and outperformed the Benchmark’s return of 3.32%. All returns are stated net of fees and in US-dollar terms.

Market Outlook and Investment Strategy

Portfolio Structure

• We reduced risk somewhat over the month, both in local duration6 and hard-currency assets.

• Over the past few months, we have tactically adjusted our exposure to EM local rates by taking advantage of dislocated valuations in both the local rates and EM currency space. We continued to rotate our local exposure, taking profits and reducing exposure to several local-currency positions while opportunistically adding several EM currency positions.

• In local rates, we reduced our off-Benchmark exposure to Brazilian and South African local rates and added to our off-Benchmark exposure to Colombian local rates prior to the run-off presidential elections at the end of June.

• We then increased our off-Benchmark EM currency exposure high-beta7 EM currencies, including the Brazilian real, Colombian peso and South African rand.

• We also added exposure to the Hungarian forint, funded by the euro, and the Malaysian ringgit, funded by a currency short in the Indonesian rupiah.

• Among hard-currency assets, we reduced exposure to Brazil and Peru via CDS and also reduced exposure to Egypt and Nigeria.

• We increased exposure to Colombia via Colombian oil company Ecopetrol prior to the elections and to sovereign assets in Mexico.

• Portfolio duration decreased to an overweight of about 1.3 years, compared with a Benchmark duration of about 6.3 years.

• Credit quality8 remained at BB, compared with BB+ for the Benchmark.

Outlook

• Since the memorandum of understanding was electronically signed by the US and Iran in the middle of the month, there have been numerous violations of the agreement by both sides. Assuming that there are no major impediments to a peaceful outcome during the 60-day ceasefire extension, the resumption of oil and other critical commodity exports from the Strait of Hormuz should lead to lower headline inflation and limit the negative effects of the energy shock on global economic growth.

• Investors are now pivoting their attention from the inflationary impact of the energy shock to fiscal deficits, government bond issuance and central bank decisions.

• The heavy supply of new overall DM government bond issuance has been met with decreased investor demand and higher drifting yields this year, particularly on the long end of curves.

• In the US, new Fed Chair Kevin Warsh wants to limit forward guidance, which could increase US Treasury volatility and perhaps lead to higher government bond yields in the US and other major DM government bond markets.

• EM fixed-income debt has demonstrated a remarkable resiliency following the Iran conflict.

• Hard-currency sovereign spreads, which widened in March, have since retraced meaningfully.

Source: AllianceBernstein L.P.

AllianceBernstein Emerging Markets Multi-Asset Portfolio

Investment and Market Review

Market Overview

• For the six-month period ending 30 June 2026, the MSCI1 Emerging Markets (EM) Index2 returned 23.85% and outperformed the MSCI World Index, which returned 9.69%, in US-dollar terms.

• Regionally, EM Asia outperformed the broad EM market, including MSCI EM and EM Europe. The Middle East and Africa (EMEA) rose but lagged.

• Sector performance within the MSCI EM for the six-month period was mixed. Technology outperformed, followed by industrials. Consumer discretionary and communication services declined and underperformed.

Portfolio Performance

• During the six-month period ending 30 June 2026, Class A shares of the AB Emerging Markets Multi-Asset Portfolio increased in absolute terms but underperformed the MSCI EM, net of fees.

• During the period, overall allocations to equities, fixed income and currency contributed to absolute returns. Exposure to debt was the key detractor given the asset class lagged the equity market over the period.

Market Outlook and Investment Strategy

• Year to date, we made small additions to our equity exposure, ending the period with the allocation slightly above our long-term average. From a foreign exchange (FX) perspective, we maintained our basket of EMFX exposure, which reduces our strategic US-dollar allocation by approximately 5%, and maintained a tilt toward EM currencies like the South Korean won, Brazilian real, Taiwan dollar and Colombian peso.

• On the equity side, our largest active overweights are to Brazil, Mexico, the United Arab Emirates and Poland, where we are finding attractive opportunities across a range of sectors.

• Within Mexico, two of our larger active positions are FEMSA and Grupo Financiero Banorte. FEMSA is one of Mexico's leading consumer companies, with a portfolio anchored by OXXO, the leading proximity retail franchise in the Americas, and by its stake in FEMSA Coca-Cola, the world's largest Coca-Cola bottler by volume. OXXO Mexico remains the core growth engine, supported by a dense and expanding store footprint, a high-margin financial services offering and an emerging digital ecosystem through the Spin wallet and Spin Premia loyalty program, which is increasingly monetizing store traffic. We expect FEMSA to benefit from a recovery in OXXO Mexico traffic, where recent softness reflected a combination of cyclical headwinds and execution issues that management is addressing. We also see scope for the historical conglomerate discount to narrow over time, providing an additional tailwind to the stock, subject to a continued recovery in OXXO Mexico's operating quality and sustained capital returns to shareholders through buybacks and dividends.

• Grupo Financiero Banorte is a well-established, highly profitable and high-quality banking franchise, benefiting from an affluent customer base, resilient loan growth and a diversified earnings profile. These characteristics make the franchise relatively defensive across economic cycles. The bank is also well positioned to benefit from an expected recovery in the Mexican economy and from improving operating efficiency as it continues to advance its digital banking strategy.

• On the fixed-income side, our largest allocations are in Colombia, Mexico and Turkey in absolute terms.

• In terms of recent underlying positioning changes, we reduced exposure to hard-currency assets in Peru, Egypt and Nigeria. We increased exposure to Colombia through oil company Ecopetrol, and through local rates ahead of the presidential runoff election.

• While we believe that EM assets can continue to deliver good returns in 2026, we recognize that risks remain—both in relation to geopolitics but also as EM becomes increasingly integral to the AI growth story. In this type of environment, a flexible and global approach to EM is vital to capturing opportunities and managing against risk.

Source: AllianceBernstein L.P.

AllianceBernstein Global High Yield Portfolio

Investment and Market Review

Market Overview

• Fixed-income yields were volatile throughout the first half of 2026 as investors reacted to tariff announcements and economic data, with yields falling until the end of February when the conflict in the Middle East started.

• Yields rose until mid-May, when investors factored in that a peace deal could be signed between the US and Iran.

• Throughout the volatility, developed-market (DM) high-yield corporate bonds had positive results and outperformed treasury markets, particularly in the US and eurozone. Emerging-market (EM) hard-currency sovereign bonds solidly outperformed DM treasuries, while EM hard-currency corporate bonds performed well overall.

• In both EM hard-currency indices, returns were supported by the relative outperformance of high-yield debt. EM local-currency bonds increased, even as the US dollar rose against most currencies during the period.

• Overall, developed-market (DM) investment-grade corporate bonds outperformed government bonds. Investment-grade corporates in the US advanced and outperformed US Treasuries, while eurozone investment-grade corporates rose and outperformed benchmark German Bunds and the gain in eurozone treasuries.

Fund Performance

• During the six-month period ending 30 June 2026, the Global High Yield Portfolio (Class A) posted positive absolute performance but underperformed the Bloomberg1 Global High Yield Index2 (hedged to the US dollar), which returned 2.82%, net of fees and in US-dollar terms.

Source: AllianceBernstein L.P.

AllianceBernstein Low Volatility Equity Portfolio

Investment and Market Review

Market Overview

• The MSCI0F1 World Index,2 rose 9.69% for the six-month period ending 30 June 2026, in US-dollar terms.

• Concerns over technology stock valuations weighed on US markets early in the year, and investors rotated into value-oriented sectors and non-US markets to diversify from large-cap technology, sending many international and EM equity indices to all-time highs.

• That changed in March as the conflict with Iran sent energy prices sharply higher and global stocks lower. Equity markets rebounded in April and May as investors looked past surging inflationary pressures and ongoing geopolitical uncertainty, but declined in June as performance among tech stocks diverged.

• As the period ended, rising inflation pressures increased expectations for monetary policy tightening among global central banks.

• Sector performance within the MSCI World was positive, with the exception of consumer discretionary, led by technology and energy.

Portfolio Performance

• During the six-month period ending 30 June 2026, Class A shares of the AB Low Volatility Equity Portfolio increased in absolute terms but underperformed the MSCI World, net of fees.

• During the period, both security and sector selection detracted from relative returns. Security selection within technology and industrials detracted the most, while selection within financials and communication services contributed.

Market Outlook and Investment Strategy

• Defensive quality stocks have had their worst performance in 20 years, while speculative growth has delivered its best performance. Historically, the Portfolio and quality have outperformed following speculative growth-led rallies and periods of quality underperformance.

• We believe the quality companies we own in our Portfolio will smooth the impact of AI risks, capturing much of the upside of the AI investment cycle by avoiding speculative growth companies, while mitigating the downside risk of AI disruption across many industries. Our Portfolio is invested in quality business models, which we believe are resilient or can monetize generative AI. We believe that companies with proprietary data embedded in enterprise work flows that are monetizing AI have been oversold.

• We believe maintaining a balanced exposure in the face of these inflation and growth risks is key to mitigating risk in today’s uncertain environment. We have conviction that quality, stable companies at attractive prices will mitigate risk and outperform in the face of these generative AI and Iran crisis risks in 2026.

• Our Portfolio has been here before, both in terms of the market environment and identifying winners from losers in the face of disruption. Our Portfolio and process have historically delivered stronger performance after these periods of quality headwinds driven by speculative growth.

Source: AllianceBernstein L.P.

AllianceBernstein Sustainable US Thematic Portfolio

Investment and Market Review

Market Overview

• The S&P 5001,2 rose 15.10% in 2Q:26 and 10.01% for the year to date (YTD) in US-dollar terms.

• US equities increased in 2Q:26 as markets bounced back from the March sell-off following the start of the Iran conflict. Technology stocks powered the rebound in April, but persistent concerns over AI-related borrowing and spending weighed on market indices later on.

• Rising inflation pressures during the quarter increased expectations for monetary policy tightening among global central banks.

• Sector performance within the S&P 500 was mostly positive during the quarter, except for energy and utilities, led by technology.

Portfolio Performance

• Class A shares of the AB Sustainable US Thematic Portfolio increased in absolute terms but underperformed the S&P 500 during the quarter and for the year to date, net of fees.

• During the quarter, stock selection detracted from relative performance, while sector selection contributed. Stock selection within healthcare and technology detracted the most, while selection within industrials and communication services contributed.

Market Outlook and Investment Strategy

• Looking beyond the first quarter, the market environment has evolved in a way that reinforces our longer-term positioning while improving the near-term opportunity set. Much of the uncertainty tied to early-year geopolitical shocks and AI-driven disruption has begun to normalize, with equities recovering as earnings growth and underlying economic activity remained intact.

• Market leadership has continued to broaden in certain regards, with the Magnificent Seven essentially flat YTD versus the S&P 493, which is up 16%. Late in the second quarter, tech's leadership gave way to industrials, healthcare and financials, reflecting a more balanced backdrop where earnings durability, margin resilience and exposure to structural growth drivers matter more than ties to a single trade.

• Within healthcare, the investment case continues to strengthen as innovation, funding activity and clinical progress reaccelerate. Biopharma venture capital rebounded meaningfully in late 2025 and remains supportive of early-stage innovation, while regulatory momentum is evident in elevated drug approvals and an expanding clinical pipeline that now includes more than 200 AI-enabled candidates in development.

• Energy Transformation and Infrastructure Development are moving from thematic constructs to tangible investment cycles, as accelerating AI adoption drives a step change in electricity demand. US utilities alone are expected to deploy over US$1 trillion in capex through the end of the decade and, coupled with the multitrillion-dollar backdrop from the One Big Beautiful Bill Act, this creates a sustained runway for investment across power generation, transmission and electrification. One risk heading into US midterm elections is the growing politics around data center build-outs—a dynamic we'll be paying close attention to in the coming months.

• Beyond the market environment, since the start of the year we've been focused on improving our execution in three key areas: achieving a better balance of long-term stock views with short-term catalysts, improved sell discipline and having a more productive new stock research effort. We've seen progress in each of these areas. Mindful of near-term catalysts and improving our sell discipline, we've exited a number of detracting positions, of which over 80% went on to underperform the market through midyear. We've also initiated over 20 new positions YTD, demonstrating a more productive research effort.

• A combination of broader market leadership, expanding thematic opportunities beyond AI and improved investment execution supports a constructive outlook. Our focus remains on disciplined, theme-driven stock selection and high-quality businesses benefiting from secular growth trends.

Source: AllianceBernstein L.P.

Allianz Artificial Intelligence

Investment and Market Review

Global equities advanced over Q2, rebounding from elevated volatility earlier in the year. Performance was supported by resilient corporate earnings and renewed investor enthusiasm surrounding artificial intelligence (AI) related capital expenditure (capex), which continued to benefit Technology and semiconductor-linked sectors. At the same time, geopolitical tensions in the Middle East, which had driven energy price spikes and risk aversion in Q1, began to ease following a ceasefire framework, contributing to improved market sentiment. In addition, capital markets activity was lifted by the high-profile initial public offering (IPO) of SpaceX, which became the largest IPO on record. From a sector perspective within the MSCI ACWI, Information Technology was the strongest performer helped by renewed optimism surrounding AI infrastructure investing. Industrials was another outperformer over the period. In contrast, Energy was the only sector with negative absolute returns. Materials also underperformed as gold fell over the quarter.

From a macroeconomic perspective, the US economic data continues to be healthy. Labour market releases remained resilient, with non-farm payrolls data showing that the U.S. economy added 178,000 jobs in March, 179,000 jobs in April and 172,000 jobs in May, while the unemployment rate held steady at 4.3% over the quarter. The annualised Q1 gross domestic product (GDP) print was revised up to 2.1% from 1.6%, marking a significant uptick from growth of 0.5% the previous quarter. On the monetary policy front, the US Federal Reserve (Fed) maintained the federal funds rate at 3.50%-3.75% in Chair Kevin Warsh's inaugural policy meeting. The Bank of England (BoE) also left the base rate unchanged over the period, while the European Central Bank (ECB) and Bank of Japan (BoJ) raised rates by 25 basis points (bps) over the quarter.

Oil prices fell over the quarter, with Brent crude reversing gains and broadly reverting to pre-war levels following the mid-June announcement of a US-Iran peace deal and the resumption of normalised tanker traffic through the Strait of Hormuz. Gold prices also fell sharply over the quarter, with investors rotating into the US dollar as the Fed commentary fuelled fears that policymakers could keep interest rates higher amid near-term inflation risks. The precious metal closed the quarter just above USD 4,000 an ounce as investors rotated into the US dollar.

Portfolio Review

During the quarter, the Fund in US dollar terms outperformed on a net-of-fees basis versus the custom benchmark (50% MSCI All Country World Index/50% MSCI World Information Technology Index). The Fund continues to outperform over the year-to-date period, spanning the period before the Iran conflict, through the escalation and recent de-escalation recovery that started in April.

From a sector perspective, Information Technology and Industrials were the largest contributors. There were no sector detractors over the quarter. Overall portfolio outperformance was driven by AI infrastructure, with notable strength from our positions in memory, optical networking, and semiconductor manufacturing equipment companies. AI-enabled industries slightly outperformed the blended reference index, helped by positive stock selection in the Industrials and Health Care sectors. On balance, AI applications generated positive absolute returns but slightly underperformed due to our edge computing platform holdings.

Market Outlook and Investment Strategy

Despite recent volatility, we maintain a constructive longer-term outlook for equities. Ongoing negotiations with Iran have helped provide some additional visibility on the potential path towards a full reopening of the Strait of Hormuz, although the timing and outlook remains uncertain. The recent supply chain headwinds from the conflict have prompted central banks to pay closer attention to near-term inflation risks, contributing to market expectations for some additional monetary tightening. At the same time, markets have recently demonstrated a willingness to look through geopolitical uncertainty and refocus on corporate fundamental factors, supported in part by healthy Q1 earnings results. Within this context, we continue to maintain a balanced portfolio of companies benefitting from innovation and favour those better positioned to navigate a more complex environment. There may be opportunities to upgrade select names and add to high conviction ideas amid any market volatility to better position the portfolio for improved performance.

Over the intermediate term, an improved economic and earnings growth backdrop across more sectors should drive a broadening out effect in the equity market. We believe central banks globally should return to an easing bias as inflation risks abate. In the US, the Trump administration's pro-business agenda also provides tailwinds through tax cuts, deregulation, domestic investments, and manufacturing reshoring. These efforts should help stimulate growth for both consumers and corporations across more areas of the economy as the conflict with Iran eases.

While the Technology sector may continue to perform well, we expect improved earnings growth from a wider set of companies across other sectors. This should lead to broader equity market participation, creating a healthier and more balanced environment compared to one dominated by a concentrated group of mega cap stocks. The Fund is designed to invest across a broad spectrum of technologies and industries embracing the disruptive power of AI. This includes sectors such as Financials, Health Care, Consumer, and Industrials that are beginning to see early benefits from AI. As earnings re-accelerate across more companies and sectors, we believe this creates compelling stock selection opportunities for our diversified AI investing approach.

From an innovation perspective, progress with AI development is accelerating as more powerful capabilities become readily available from this robust infrastructure buildout wave. We are beginning to enter the next wave, where AI pilots go into production. The advancements of AI-enhanced products or services can drive new levels of productivity, cost savings and revenue opportunities across industries. Given the transformative potential of AI investments, we believe profit margins may not simply hold steady but could in fact grow, supporting valuations for innovative companies that are investing now to disrupt the status quo.

AI infrastructure: The ongoing expansion of global AI data centres remains stronger than many investors appreciate, and concerns about capital spending are likely to persist as we climb the wall of worry. There are many bottlenecks to this new AI industrial revolution buildout, which continues to provide many compelling opportunities. Some key areas include accelerated computing chips, semiconductor manufacturing equipment, power production and power efficiency, and advanced networking.

AI applications: Over the next few years, AI applications and software will evolve from being helpful tools to a partner that acts on our behalf. We are moving away from the era of "static apps" toward a future of "collaborative autonomous agents" that can reliably act, remember context over time, and adapt to any situation. This new wave of intelligent applications should drive more automation, deliver significant efficiency gains, and open new monetisation opportunities. While the 2025 software spending environment has been mixed, we believe the backdrop could stabilise and improve in 2026.

AI-enabled industries: We are still in early stages of true AI adoption across industries. Innovative companies that have been early AI adopters are moving more pilot projects into production, accelerating financial and competitive benefits compared to their peers. We believe leading AI adopters in the Financial Services, Health Care, Industrials and Consumer sectors are beginning to see the early benefits of AI driving better financial results. These opportunities remain underappreciated by investors and represent an attractive area for alpha generation in our view.

The AI revolution is only beginning, and its trajectory promises to dramatically reshape the global economy. Recent advancements in AI demonstrated its potential, yet we are only in the early chapters of a much larger transformation that will gain momentum as innovation brings us closer to artificial general intelligence – potentially within the next decade. AI is rapidly redefining processes and competitive dynamics in every sector. In the next decade of AI, we believe more alpha generation may come from the companies that help enable AI transformation. The innovators in each industry will be ones that truly embrace AI to significantly boost productivity, reduce costs, and launch new products or services. Stockpicking will be essential to capturing the benefits of this opportunity, especially in an environment characterised by disruption and change. As we have done since the launch of the Fund almost a decade ago, our focus remains on identifying the innovative companies best positioned to leverage AI to deliver the most shareholder value creation over the long term.

Source: Allianz Global Investors

Allianz Income and Growth

<u>Investment and Market Review</u>

Equities, convertible securities, and high yield bonds advanced in Q2 as geopolitical tensions eased, helping stabilise energy prices and temper macro uncertainty. Corporate results during the period were strong, with the S&P 500 delivering its highest earnings growth and surprise rates since 2021, supported by robust capital expenditure (capex) and strong hyperscaler demand. On the economic front, employment was steady and the manufacturing sector expanded alongside the services sector, while inflation accelerated and consumer confidence remained subdued. The US Federal Reserve (Fed) left interest rates unchanged with new Fed Chair Kevin Warsh removing forward guidance and emphasising price stability at the June Federal Open Market Committee (FOMC) meeting. Against this backdrop, the probability of a rate hike increased, and the 10-year US Treasury yield rose.

Equities Market Environment

The S&P 500 Index returned +15.20% for the quarter, bringing year-to-date performance to +10.21%.*

Technology, Industrials, and Consumer Discretionary were the top performing sectors in the period, while Energy, Utilities, and Consumer Staples were the bottom performing sectors.

Equity volatility was lower quarter-to-quarter at 16.45.*.

Convertible Securities Market Environment

The ICE BofA US Convertible Index returned +16.78% for the quarter, bringing year-to-date performance to +21.12%.^

Sector performance was mixed with Technology, Transportation, and Telecoms outperforming, while Materials, Utilities, and Energy underperformed.

Investment grade issues outperformed below-investment grade issues. Equity sensitive issues outperformed yield-oriented (busted) and total return (balanced) issues.

Quarterly new issuance saw 55 issues priced raising USD 62.7 billion in proceeds, the largest quarterly total on record.^

High-Yield Bond Market Environment

The ICE BofA US High Yield Index returned +2.46% for the quarter, bringing year-to-date performance to +1.89%.^

Credit-quality subsector returns for the quarter^:

- BB rated bonds: +2.23%
- B rated bonds: +2.84%
- CCC rated bonds: +2.40%

Spreads narrowed to 275 basis points (bps) from 328 bps, the average bond price rose to 97.11, and the market's yield fell to 7.45%.^

Most industries finished higher with Packaging/Paper, Services, and Real Estate outperforming, while Cable, Transportation, and Energy underperformed.

Trailing 12-month default rates finished the period at 2.67% (par) and 1.76% (issues).**

Quarterly new issuance saw 125 issues priced, raising USD 106.0 billion in proceeds.**

<u>Market Outlook and Investment Strategy</u>

The economic outlook is positive for H2, supported by the AI buildout, high-income consumer, and downstream effects of pro-growth domestic policies as well as sustained labour market stability and easing geopolitical tensions. Conversely, persistent inflation would be a key economic risk.

The earnings outlook is also positive. Bottom-up estimates continue to trend higher, driven by better-than-expected results, earnings breadth expansion, robust AI spend, broadening investment, productivity gains, and durable margins. On the other hand, rising expenses and input costs are profitability headwinds.

Convertible securities' outperformance of equities could expand over the remainder of the year, and high yield bonds are pacing for a positive but below-coupon annual return. Given their defensive characteristics, these asset classes can mitigate market volatility better than equities, which historically average a mid-teens intra-year decline even in annual periods of positive returns.

US convertible securities have an attractive asymmetric return profile, providing upside participation potential when stock prices rise and downside mitigation when stock prices fall. The asset class is on pace to outperform the broad equity market again in 2026, helped by solid earnings growth, expanding market breadth, stable credit spreads, and robust new issuance. After record new issuance in 2025, primary market activity is trending for another unprecedented year with 2026 estimates residing around USD 130-135 billion.# Aside from diversification benefits, new issuance expands the opportunity set of investments with attractive terms and the desired risk/reward characteristics.

The US high yield market, yielding more than 7%^^, offers equity-like returns but with less volatility. The asset class is expected to deliver a positive, but below-coupon return for 2026. The market's attractive total return potential is a function of its discount to face value and higher coupon, which also serves to cushion downside volatility. Credit fundamentals are stable, near-term refinancing obligations remain low, and the market's credit quality composition has improved. In this environment, new issuance is expected to remain steady, spreads can stay tight, and the default rate should continue to reside below the historical average.

A covered call options strategy can be utilised to generate premium income. In periods of elevated or rising equity volatility, premiums collected may translate into more attractive annualised yields.

Collectively, these three asset classes can provide a steady source of income and a compelling "participate and protect" return profile.

The Fund is a client solution designed to provide high monthly income, the potential for capital appreciation, and less volatility than an equity-only fund.

Source: Allianz Global Investors

Amundi Cash USD

Investment and Market Review

As of mid-2026, the US economy presents a mixed picture characterized by resilient growth, moderating inflation pressures, and persistent fiscal challenges. While the economy has demonstrated surprising durability through policy uncertainties and external shocks, growth momentum is expected to moderate in the coming years.

The US economy has shown remarkable resilience throughout 2025 and into 2026, despite significant policy volatility emanating from Washington. According to recent economic forecasts, the US achieved annual average growth of approximately 2.2% in 2025, slightly above initial expectations. Looking forward, economists project a modest acceleration to around 2.3-2.5% in 2026, before moderating to approximately 2.0% in 2027.

This growth trajectory reflects a more constructive policy backdrop than previously anticipated. The fiscal support from major legislative initiatives, combined with diminishing drag from trade policy uncertainty, has created a more favorable environment for economic expansion. However, the Iran conflict that emerged in early 2026 has introduced headwinds that have prompted downward revisions to growth forecasts across most developed economies, with the US experiencing a measurable but manageable impact.

Inflation remains a key focus for policymakers and investors. The US is experiencing elevated headline inflation driven primarily by energy price shocks, with core inflation remaining better contained. Current forecasts suggest headline CPI will remain in the range of 3.2-3.4% year-over-year through early 2027, while core CPI is expected to remain between 2.4% and 2.7% year-over-year through year-end 2026.

Crucially, analysts expect limited pass-through from the current energy crisis into broader US inflation, assuming crude oil and natural gas track their current futures curves. The energy component is expected to be the primary driver of headline inflation, with motor fuels showing the most direct impact. This energy shock has created upside risks to inflation forecasts and downside risks to growth, as higher energy costs reduce real incomes and business profitability. However, crude oil futures are trading around $81 per barrel for December 2026 delivery. The futures curve suggests a gradual normalization of energy prices, with December 2027 crude trading around $75 per barrel and December 2028 around $72 per barrel. This more benign inflation outlook for core measures suggests that underlying price pressures remain relatively contained, providing some relief to policymakers concerned about persistent inflation.

The labor market remains resilient, with unemployment forecasted to remain stable around 4.3% through 2026 and 2027. This relatively low unemployment rate reflects the economy's continued ability to generate employment despite policy uncertainties and external shocks.

The budget situation is deteriorating. Federal debt-to-GDP ratios have grown significantly over recent years, and fiscal imbalances are expected to persist through 2026 and 2027. The current account deficit is projected to remain around -3.4% to -3.5% of GDP, reflecting ongoing structural imbalances in the US economy.

Market Outlook and Investment Strategy

The Federal Reserve has adopted a cautious holding pattern in 2026, maintaining its target range at 3.50-3.75% following 75 basis points of rate cuts delivered in late 2025. This extended pause reflects the Fed's careful balancing act between supporting economic growth and maintaining price stability in an environment characterized by elevated inflation, geopolitical uncertainty, and policy volatility. Despite the Fed's current pause, market participants have priced in expectations for potential rate hikes later in 2026 or in 2027. However, analysts question whether the Fed will ultimately prove as hawkish as markets currently expect. The stickiness of PCE inflation, while concerning, has not reached levels that would clearly necessitate rate increases given the growth headwinds from the Iran conflict and other uncertainties.

The Fed faces a genuine dilemma: headline inflation remains elevated due to energy shocks, but core inflation appears better contained, and growth is moderating. This combination—elevated headline inflation alongside moderating growth—creates a challenging environment for policy decisions. Rate hikes could exacerbate growth slowdown, while maintaining current rates risks allowing inflation expectations to become unanchored if energy shocks persist longer than anticipated.

Source: Amundi

Amundi Funds Pioneer US Bond

Investment and Market Review

During the month, markets were shaped by two defining events: the formal signing of the U.S.-Iran Memorandum of Understanding, including a commitment to reopen the Strait of Hormuz, which sent crude prices sharply lower, and the first FOMC meeting under Chair Kevin Warsh, held June 16–17th. The Fed holding rates at 3.50–3.75% was widely expected, but Warsh signaled a decisive break from Powell-era conventions with a terse 130-word statement and an unambiguous message: "This committee will deliver price stability". The dot plot backed that up, with nine of eighteen participants projecting higher rates by year-end, the median December 2026 dot rising to 3.785%, and the 2027 median jumping 50 basis points to 3.625%. Warsh notably declined to submit his own projection, consistent with his view that markets "perform best when they react to incoming data". Fixed-income markets responded swiftly, the two-year Treasury yield rose 17 basis points on the day to 4.23%, and short- and intermediate-term yields ended the month higher as strong payrolls, 0.7% personal spending growth, and stubbornly elevated core inflation reinforced the hawkish backdrop, even as oil prices continued to fall. The Treasury yield curve bear-flattened in June: two-year yields rose 15 basis points to 4.15% while ten-year yields ended essentially unchanged at 4.44%. The U.S. Aggregate returned 0.24%, slightly trailing Treasuries as investment-grade corporates and agency MBS lagged on heavier supply and hawkish FOMC repricing. Securitized credit and "plus" sectors fared better; U.S. high yield, leveraged loans, and emerging market debt all posted modest gains, with EM outperforming on easing oil-import costs. The DXY extended its May advance, gaining another 2.3% on wider short-term rate differentials. In commodities, WTI continued grinding lower after the US-Iran deal signing, briefly closing below $70, effectively erasing the war premium built over the spring.

Quarter

Three themes shaped fixed income markets in the second quarter: a sharp decline in oil prices as the US-Iran conflict cooled, broad-based corporate earnings strength, and a hawkish repricing of the Fed's rate path, the latter culminating in the Warsh FOMC meeting described above, which bear-flattened the Treasury yield curve with two-year yields rising 36 basis points to 4.15% and ten-year yields up 12 basis points to 4.44%. Despite the rise in yields, fixed income returns were broadly positive: Investment Grade Corporate bonds led spread sectors at +1.40%, outperforming comparable-duration Treasuries by 1.17% as spreads tightened 15 basis points to 74 basis points, while Agency MBS, CMBS, and ABS outperformed comparable Treasuries by 0.30%, 0.37%, and 0.35%, respectively; plus sectors were similarly constructive (US High Yield +2.5%, Leveraged Loans +1.9%) with Emerging Markets Sovereign debt the standout at

+4.2%, as the sustained oil reversal eased fiscal and current account pressures across commodity-importing sovereigns.

Performance Review

The Amundi Funds US Bond Fund topped the Bloomberg U.S. Aggregate Bond Index for the month and the quarter.

Month

Contributors

Our 12% overweight to Financials proved to be slightly beneficial as the sub-sector marginally outperformed duration-adjusted Treasuries for the month.

Detractors

Our 4% overweight to Industrials detracted a bit as the sub-sector lagged comparable Treasuries on heavier corporate supply and cautious investor sentiment.

Quarter

Contributors

Our relative overweights to Financials and Industrials were primary contributors as both sub-sectors comfortably outperformed comparable Treasuries. A 4% allocation to CMO (non-agency) was modestly beneficial for the quarter amidst a backdrop of healthy technicals and still strong housing fundamentals.

Detractors

Our yield curve steepening bias was a modest laggard to relative performance. The curve bear flattened over the quarter, with rates on the belly of the curve rising more than on the long end.

Market Outlook and Investment Strategy

We expect U.S. economic growth to slow modestly during the second half of 2026 as the early-year boosts from elevated tax refunds and last year's Fed rate cuts fade. Even so, growth should still annualize in the low 2% area. Inflation is likely to moderate somewhat as the year progresses, though the pace of improvement will remain uneven. While Fed officials have adopted a more hawkish posture, our base case does not project a hike this year, although the risk of a rate hike has understandably risen following June's dot plot revisions. Yields on short- to intermediate-term Treasuries look attractive relative to our growth outlook. As of early July, the 5-year note yields 4.20% and the 5-year Treasury Inflation-Protected Security (TIPS) offers a 1.95% real yield. We favor a modest duration overweight, focused on this segment of the yield curve. Portfolio exposures to spread risk remain below long-term strategic targets, reflecting historically narrow credit and liquidity spreads across most credit-sensitive sectors. Overall, our positioning emphasizes higher-quality, shorter-duration securities within corporate credit, with diversified securitized credit exposure and sufficient liquidity to respond quickly should conditions turn more turbulent. Agency MBS valuations remain toward the tight end of their 5- and 10-year ranges, but benefit fundamentally by having less geopolitical and supply-chain risk versus the corporate credit universe. Our security selection focus is on specified pools backed by higher coupon mortgages, and we continue to stay active. Meanwhile, securitized credit fundamentals are broadly acceptable, though outcomes remain highly sector- and security-dependent. With valuations only fair, we are not inclined to add exposure unless risk-adjusted compensation becomes materially more attractive.

Source: Amundi

Amundi Funds Pioneer US Equity Fundamental Growth

Investment and Market Review

The second quarter of 2026 delivered one of the strongest performances for U.S. equities in recent memory, with the S&P 500 Index surging 15% and the Nasdaq Composite soaring almost 22%, their best quarterly showings since the pandemic-era recovery of 2020. The rally was anchored by a powerful confluence of forces: a de-escalation in the U.S.-Iran conflict that catalyzed a market bottom in late March, robust corporate earnings growth, and sustained investor enthusiasm for artificial intelligence infrastructure. Semiconductors were a particular standout, with the Philadelphia Semiconductor Index (SOX) posting a record 88% quarterly gain. The energy (-13%) and utilities (-1%) sectors were the only sectors with negative returns for the quarter. The energy sector suffered its worst quarter since 2020 as crude oil prices fell sharply, a dynamic that simultaneously alleviated inflation concerns and freed investor attention to focus on earnings growth.

On a year-to-date basis, the picture is one of dramatic recovery and re-acceleration. After navigating a tariff-driven drawdown in early Q1, the S&P 500 Index is up slightly over 10%, with the Russell 2000 posting its best first half since 1991 and outpacing the S&P 500 by the widest margin since 2003, reflecting a broadening of the market. Inflation remains a watchpoint, with headline CPI running at 4.2% year-over-year in May, elevated largely due to energy price pressures tied to the Iran conflict, while core inflation held at a more moderate 2.9%.

Performance Review

During the second quarter of 2026, the portfolio underperformed the Russell 1000 Growth Index's 16.74% return, an outcome that is consistent with, and indeed reflective of, our disciplined, bottom-up stock selection philosophy, which prioritizes quality and valuation discipline even within a momentum-driven, high-growth market environment. The shortfall stemmed from both stock selection and sector allocation, with consumer discretionary and communication services proving the most meaningful drags. Conversely, information technology stood out as a genuine bright spot, where strong stock selection more than offset the portfolio’s underweight to this sector and drove meaningful outperformance against the benchmark. This is precisely the kind of environment where we believe disciplined, research-driven stock picking can add value even within a richly valued, momentum-heavy sector. The portfolio's absence from consumer staples, one of the benchmark's weaker sectors over the period, contributed positively to relative results, an example of how avoiding areas of weakness can be just as valuable as finding areas of strength.

Benchmark relative performance improved as the quarter progressed. In June, the portfolio handily outperformed the Russell 1000 Growth Index’s -2.70% return, as strong stock selection within information technology drove relative gains, offset by in part by lack of exposure to semiconductor equipment and natural gas turbine manufacturers.

Two of the largest contributors during the quarter were positions in Advanced Micro Devices and ASML Holding. Advanced Micro Devices reported strong Q1 2026 results, with revenue growing meaningfully year-over-year, driven primarily by its Data Center segment which posted particularly robust gains on the back of continued demand for its server processors and AI chips. Client and Gaming revenue also rose solidly, while the Embedded segment delivered modest growth. Margins and free cash flow improved meaningfully, though risks remain from ARM competition in server CPUs and a slower-than-expected MI GPU ramp.

ASML also reported solid Q1 2026 results, with strong net sales, healthy gross margins, and robust net income. Extreme ultraviolet (EUV) lithography systems, which are used to manufacture the most advanced semiconductor chips - as well as a handful of next generation High Numerical Aperture Extreme Ultraviolet (High NA EUV) units, remained the primary revenue drivers, complemented by meaningful non-EUV system sales. The company reaffirmed a constructive full-year revenue outlook and proposed a higher dividend. Intercontinental Exchange and Netflix were among the largest individual detractors for the quarter.

Intercontinental Exchange detracted from performance during the quarter, as CFTC and SEC proposals around tokenized stocks and expanded perpetual futures raised concerns about structural risks to the traditional exchange business model and potential erosion of the company's competitive moat. Intercontinental exchange is countering the threat by integrating tokenized collateral into its clearing houses.

Netflix's Q2 2026 guidance came in softer than expected, with pricing resistance in Europe emerging as a near-term headwind alongside meaningful M&A-related expenses tied to recent acquisition activity. The company is also reportedly in negotiations to acquire a studio property at a steep discount to its prior sale price. Despite these challenges, Netflix projects solid revenue growth for the full year, underpinned by strong advertising momentum and disciplined cost management, with plans to significantly scale its advertising business over the period.

Year to date, the portfolio trails the benchmark, with concentrated AI and semiconductor momentum earlier in the year weighing on active returns, even as the portfolio's broader diversification has provided a measure of resilience during more volatile intervals.

There were no new additions in the quarter. The portfolio exited two positions during the quarter: Intuit and Copart.

Intuit was sold on concerns of structural AI disruption. While the company may successfully defend its moat in tax preparation and small business accounting software over the near term, emerging competition from agentic AI services is creating a meaningful overhang in both segments, one that is likely to limit stock appreciation over the medium term regardless of near-term earnings execution.

Copart, an auto salvage auction company, was also exited. Increased competition from an industry peer has intensified pressure on market share, while vehicle volume from insurance companies is declining as higher insurance costs borne by consumers has resulted in fewer insured vehicles entering the salvage channel, a structural headwind to volume growth.

<u>Market Outlook and Investment Strategy</u>

U.S. equity markets have staged a remarkable recovery from the volatility that characterized the early months of 2026, with major indices reclaiming and extending to record highs in a rally that has been as swift as it has been narrow. While resilient corporate earnings provide a fundamental underpinning, the speed and concentration of the rebound warrant caution. Valuations have returned to historically elevated levels, leaving limited margin for error should earnings disappoint or the macro backdrop deteriorate. The benchmark's continued dependence on a narrow cohort of AI and semiconductor-related names significantly amplifies this risk.

Looking ahead, the Federal Reserve's increasingly hawkish posture (signaled in May's FOMC minutes) suggests the path to rate cuts remains uncertain, removing a key anticipated tailwind. Meanwhile, the AI investment narrative, while structurally compelling over the long term, carries the hallmarks of a momentum-driven cycle in which sentiment has perpetuated near-term earnings reality for many beneficiaries. In this environment, we believe a disciplined, diversified approach that resists concentrating in the highest-momentum areas of the market, semiconductors in particular, is likely to be rewarded over a full market cycle.

Source: Amundi

Architas Flexible Equity Fund

Investment and Market Review

In H1 2026, the fund returned 8.6% (Gross), underperformed MSCI World Index (9.7%) and outperformed Large-Cap Blend peer group (8.0%). The first half of 2026 was characterized by extreme volatility driven by geopolitical conflict in the Middle East, significant shifts in US trade and monetary policy, a continuing AI-driven structural transformation and a dramatic "spike and correction" cycle in energy prices.

In the equity markets, the first half of the year was a rollercoaster of AI-driven optimism and geopolitical fear. January and February saw gains fueled by the AI boom and Japanese fiscal stimulus under Prime Minister Sanae Takaichi, but these were erased by the March crash following the onset of the US-Iran war. Markets rebounded strongly in April and May as ceasefire hopes grew, though June ended on a volatile note due to a tech-led sell-off, despite the historic record-breaking IPO of SpaceX.

The fund's underperformance mainly happened in the first quarter. We started the year with a constructive view on risky asset, with a preference for non-US assets that offered more attractive Valuation. This worked well until the Middle East conflicts happened. We then assessed impact growth & inflation, revised our TAA to a Neutral stance and reversed our regional preference. US was the preferred region, as it is less sensitive to global trade and energy. That was a good decision, helped to protect partially the performance however, we were not moving fast enough, hence the negative TAA effect in March

In that backdrop, TAA was slightly positive, and manager selection was the main detractor, primarily in the US and Global. Some of this was driven by narrow market leadership, extreme outperformance of Momentum and Low quality (non-profitable) factor which affected active managers but also by passive ETFs. This was due to the ESG screens they apply to qualify as article 8 with Energy and Weapons companies outperforming due to geopolitical tensions in the middle east. On a positive note, manager selection in Europe was positive.

Source: Architas

Architas Multi-Asset Balanced Fund

Investment and Market Review

In H1 2025 the fund returned 8.06% (Gross) underperforming its benchmark (8.34%) and outperformed its comparative peer group (7.80%).

In H1 2026, global capital markets experienced notable volatility amid geopolitical tensions and economic shifts. Equity markets saw mixed performance, with US and European indices fluctuating due to inflation concerns and monetary policy adjustments. The Federal Reserve and ECB signaled cautious rate hikes to curb inflation, impacting bond markets and borrowing costs. Commodity prices, especially oil and metals, remained volatile due to supply disruptions and geopolitical uncertainties. Elsewhere, emerging market equities outperformed developed markets driven by concentrated by performance in AI related names, most notably in South Korea.

In H1/2026, manager selection was a negative contributor for the fund. In the US, value manager Robeco BP US Premium underperformed along with Federated Hermes Asia ex-Japan. On a positive note, JPM Asia Pacific Equity and Blackrock Advantage US delivered positive manager contribution. In global aggregate, PIMCO Global Bond ESG was the standout underperformer. Their pro-risk stance hurt performance in March as geopolitical events in the middle east sparked a risk off event.

Asset allocation in H1/2026 was positive, mainly due to an overweight in Global Equities funded by an underweight in Global Agg. This did hurt in March, however, maintaining the overweight helped with the funds recovery in Q2.

Source: Architas

Ascend Asia Global Equity Fund (SGD)

Investment and Market Review

Global equities recovered strongly through the second quarter of 2026 after a volatile start. Following the initial US–Iran energy shock, easing tensions, lower oil prices, resilient earnings and continued AI investment powered a broad rally. AGE captured this recovery well, delivering strong second-quarter returns and bringing year-to-date performance to +9.7%, outperforming its Morningstar Global Flex-Cap peer group over the past one year.

Notably, the Fund continues to achieve broadly comparable returns to the S&P 500 with far greater diversification – while roughly 35% of the S&P 500 sits in just seven megacap names, AGE’s equivalent 35% is spread across ~27 holdings. After the strong rally in semiconductor and memory-chip names left parts of the technology sector looking crowded, we took profit on related segments and rotated towards a broader recovery theme – trimming more tech-heavy US and Emerging Market exposure and reallocating into European equities, which we believe offer more attractive relative value and should benefit from easing geopolitical tensions, lower oil and improving cyclical sentiment.

Market Outlook and Investment Strategy

The overall macro backdrop remains resilient, with tailwinds from AI offsetting the energy supply shock, though sticky inflation and geopolitical tensions remain important sources of uncertainty.

We stay invested with modest overweight to the US, where corporate earnings growth remains resilient, while at the same time diversifying away from crowded Technology names into laggards such as Financials to play the broadening-out theme. We've also added to European equities on better relative valuation and improving cyclical momentum, maintaining a diversified developed-market exposure. We have moderated our allocation to Asia and Korea, reflecting elevated concentration risk within semiconductor-related names. While AI-driven demand remains positive, crowded positioning and the associated risk of a disorderly unwind render the region less compelling on a risk-adjusted basis at this juncture. Our China exposure remains a small, balanced allocation split across onshore and offshore markets, consistent with a measured approach to policy and growth uncertainty.

Through disciplined diversification and active management, AGE remains well placed to capture the next phase of the equity recovery while actively managing concentration risk.

Source: Ascend

Ascend Asia Global Multi Asset Growth Fund (USD)

Investment and Market Review

2026 began with a sharp energy-driven shock before markets staged a powerful second-quarter recovery, as the US–Iran conflict de-escalated, oil prices fell and resilient earnings and continued AI investment restored risk appetite. AGM navigated this environment well, delivering a strong second-quarter return and bringing year-to-date performance to 7.0%. This ranked the fund top quartile within its Morningstar USD Moderate Allocation peer group over the past one year.

Our nimble and agile asset allocation proved additive over the first half of 2026. Ahead of the US–Iran shock, we proactively took profit on portfolio positions, and dampening portfolio volatility through the ensuing drawdown. We subsequently re-risked in April, ensuring the Fund participated fully in the market recovery. This disciplined approach delivered a highly competitive risk-adjusted return relative to comparable strategies on the platform.

Market Outlook and Investment Strategy

We expect global growth to remain resilient, supported by continued AI investment and steady consumption, but with the easier part of the recovery behind us, returns are set to be bumpier and more dependent on earnings delivery and policy stability. Against this backdrop, our approach is to stay invested, but remaining nimble with tight risk management.

Following a period of range-bound market performance, we believe the broader trend for risk assets remains higher, supported by resilient corporate earnings, continued AI adoption, and an anticipated broadening of market leadership beyond concentrated mega-cap technology names. This underpins our decision to upgrade equities from underweight to neutral in July.

Within equities, we maintain a balanced regional exposure rather than chasing the most crowded AI beneficiaries, favouring businesses with clear earnings visibility and durable structural growth drivers. Within fixed income, quality and duration discipline remain important, with a preference for higher-quality, shorter-duration credit. Alternatives continue to play a central role in diversifying the portfolio where equities and bonds can be influenced by the same macro risks, using market-neutral strategies, gold and catastrophe bonds to protect the downside. In a more fragmented and shock-prone world, AGM's active, agile and prudent framework remains well suited to delivering resilient growth through the cycle.

Source: Ascend

Ascend Asia Global Multi Asset Income Fund (USD)

Investment and Market Review

Markets moved from shock to recovery over the first half of 2026. The US–Iran conflict initially disrupted oil flows and revived inflation concerns, placing pressure on both equities and bonds; as tensions eased and oil prices retreated, confidence returned, with resilient corporate earnings and continued AI investment giving the recovery a firmer foundation. Against this backdrop, AGI delivered a strong second-quarter return, bringing year-to-date performance to 5.3%. Encouragingly, this ranked the Fund top-quartile within its Morningstar USD Cautious Allocation peer group over the past 1 year.

Income generation remains a core strength: AGI has paid out consistent distributions, with monthly distributions holding steady at around ~6% annualized even as money-market yields decline over the past year following Fed rate cuts.

Market Outlook and Investment Strategy

We expect growth to remain resilient, but the path ahead is likely to be less smooth, shaped by geopolitics, the sustainability of AI-related capex, and a new Fed leadership that has removed forward guidance. For income investors, the key tension is that total yields remain attractive but the additional compensation for taking corporate credit risk has narrowed, requiring greater selectivity. Our strategy is therefore to harvest good income while reducing risk rather than reaching for the highest yield. We favour shorter duration and higher-quality credit, including select investment grade and securitized segments, to capture attractive income with lower volatility. Within equities, we continue to tilt towards equity income strategies to boost overall portfolio income which provides a cushion for any price volatility. Within alternatives, we continue to maintain exposures to catastrophe bonds which have low correlation to broad equities and fixed income. Overall, AGI remains positioned to deliver stable, resilient income with longer-term capital-growth potential while managing downside risks.

Source: Ascend

AXA World Funds Europe Real Estate

Investment and Market Review/ Outlook

Risk assets rallied as the US and Iran signed a Memorandum of Understanding leading the path to fully reopen the Strait of Hormuz and laying the groundwork for a nuclear deal. A robust US employment led investors to recalculate potential higher rates especially as inflation continues to increase. AI euphoria continued with SpaceX executing a highly anticipated IPO, valuing the company at $2 trillion, while Alphabet raised $85 billion for AI spending via an equity offering. Keir Starmer resigned, leading the way for Andy Burnham as his likely successor. Both the European Central Bank and Bank of Japan increased interest rates.

Within the European property sector, performance was largely positive. Industrial and retail outperformed, returning 9.2% and 2.4%, respectively. Meanwhile, lodging and diversified underperformed, returning -6.2% and -1.2%, respectively. In terms of regions, the US (5.0%) was the strongest, outperforming Europe (0.8%), Australia (-0.7%), and Asia-Pacific (-2.4%) in euro terms. The European real estate index underperformed the broader European equity index with the FTSE EPRA NAREIT Developed Europe Capped 10% returning 0.8% versus 2.6% for the STOXX Europe 600.

Our overweight exposures to Tritax Big Box, Unibail-Rodamco-Westfield, and Grainger contributed. Meanwhile, our overweight exposures to Catena, PSP Swiss Property, and Safestore detracted.

Source: AXA Investment Manager

AXA World Funds – Global Inflation Bonds

Investment and Market Review/ Outlook

June was dominated by geopolitical developments, with markets reacting to rapidly evolving headlines surrounding the US-Iran conflict before an unexpected diplomatic breakthrough at month-end significantly reduced immediate supply concerns. Oil prices experienced exceptional volatility during the month, briefly approaching $100/bbl before retracing below $70/bbl following the reopening of the Strait of Hormuz and improving expectations for global energy supply. As a result, TIPS and inflation breakevens came under sustained pressure despite resilient underlying inflation fundamentals.

Despite this decline in oil prices, underlying inflation remained resilient across major economies. In the United States, Core PCE accelerated to 3.4% year-on-year, its highest reading since late 2023, highlighting persistent services inflation despite some moderation in tariff-related pressures. In the Eurozone, headline inflation slowed from 3.2% to 2.8%, largely driven by lower food and energy inflation, while services inflation surprised to the downside following a temporary normalization in travel-related prices. Core inflation, however, remained broadly consistent with an environment where domestic price pressures continue to normalize only gradually. Meanwhile, UK inflation remained above target despite weaker growth indicators, reinforcing the difficult trade-off facing policymakers.

Economic activity showed increasing regional divergence. The US labor market continued to demonstrate resilience, supported by robust employment data and solid GDP growth, while Eurozone survey data softened, reflecting weaker services activity despite a modest recovery in manufacturing. The UK economy showed further signs of slowing, with disappointing PMI releases and weaker GDP data suggesting a more fragile growth outlook.

Central banks largely maintained their restrictive stance. The Federal Reserve kept interest rates unchanged but adopted a more hawkish tone, emphasizing a data-dependent approach and preserving optionality for further tightening should inflation remain persistent. In Europe, the ECB delivered the widely expected 25bp rate hike while maintaining its meeting-by-meeting approach. The Bank of England held rates unchanged but reiterated its willingness to respond should inflationary pressures become more entrenched, while the Bank of Japan continued its gradual normalization by raising policy rates to their highest level in decades.

All maturities Inflation linked bonds delivered negative returns and below their nominal counterparts. UK indexed gilts were the worst performers due to weaker inflation releases. Real yield curve flattened on the back of lower front end breakevens and more hawkish central banks. Overall, we remain constructive on inflation-linked bonds. Recent weakness in breakeven inflation appears largely driven by lower oil prices rather than a meaningful deterioration in the underlying inflation outlook. Current breakeven valuations have retraced close to pre-conflict levels despite resilient labor markets, still-restrictive monetary policy and persistent structural inflation risks. In our view, this creates an attractive entry point for inflation protection, particularly in shorter maturities where carry and indexation remain compelling while valuation support has improved materially.

Source: AXA Investment Manager

AXA World Funds Europe Small Cap

<u>Investment and Market Review/ Outlook</u>

European indices ended June in the green for the most part. However, there was a significant performance differential between small and large caps in favour of the latter. In terms of sector performance, commodities, used to hedge against inflation risks, fell sharply. The telecoms sector also dipped, threatened by the aggressive penetration of SpaceX solutions in the United States. Unsurprisingly, the energy sector declined. However, financials regained their appeal (banking and insurance). Appetite for semiconductors remained strong.

Over the month in June, the fund outperformed its benchmark, the STOXX Small 200. The stock-picking effect accounted for most of the outperformance in the telecoms, non-cyclical consumer goods and healthcare sectors. Ipsen, Sainsbury, Subsea7 and Inficon contributed positively to the fund's performance. In contrast, RENK, Voestalpine, Indra and Aperam were among the main detractors.

Source: AXA Investment Manager

AXA World Funds - Global High Yield Bonds

<u>Investment and Market Review/ Outlook</u>

The AXA World Funds Global High Yield Bonds fund (USD) slightly outperformed its benchmark, the ICE BofA Developed Markets High Yield Constrained Index (USD hedged), on a gross-of-fees basis, and performed in-line with its benchmark on a net-of-fees basis during the month of June. The fund's relative performance benefited from security selection in the higher yielding segment of the market, partially offset by negative security selection in the short duration segment. The fund's macro and geographic positioning had a broadly neutral impact on relative performance.

From a sector perspective, relative performance benefited from security selection in the Telecommunications and Financial Services sectors. Performance was also positively impacted by the fund's overweight to the Packaging sub-sector. The fund's relative performance was negatively impacted by security selection in the Services sector and an overweight to the Software/Services sub-sector.

The fund finished the month with a yield-to-worst of 7.05% (exclusive of cash), modestly above the benchmark's yield-to-worst of 6.77%. The fund's duration-to-worst of 2.9 (ex-cash) was slightly below the benchmark's level of 3.1. The global developed high yield bond market posted a modest positive total return in June, led by the European portion of the market and supported by further de-escalation in the US-Iran conflict. Central bank actions and commentary, highlighted by an ECB rate hike and a hawkish shift in tone by new US Fed Chair Kevin Warsh, provided a partially offsetting headwind. Despite the recent increase, we continue to believe that the default rate of the global developed high yield bond market is unlikely to increase to a level significantly higher than its long-term average over the next year. In the current environment, we maintain that the global developed high yield market can deliver an attractive return over the next 12 months.

Source: AXA Investment Manager

BlackRock China Fund

Investment and Market Review

Performance Overview:

• The fund outperformed its benchmark, MSCI China 10/40 Index, this month.

• June saw a deepening polarization between onshore vs. offshore, and AI vs. non-AI trades. MSCI China declined -7.6%, while CSI300 / ChiNext / STAR50 rose 1.5% / 7.2% / 25.7% in USD terms. Market leadership narrowed within MSCI China, with IT the only sector posting a positive return. Three factors reinforced the widening divergence: (1) China's domestic activity weakened further, leaving the non-AI trade with a fading fundamental anchor; (2) the liquidity backdrop became less supportive after Warsh's hawkish tilt at the June FOMC, with consensus now projecting at least one rate hike by year-end; and (3) the step-up in cross-border capital controls added another headwind to offshore sentiment. Against this backdrop, AI infra remained the dominant source of alpha, with momentum moving further up the value chain into upstream materials and equipment, as well as memory, power semis, and optics.

Drivers of performance:

• Sector attribution:

• Strong stock selection and an overweight allocation in Information Technology sector continued to contribute to the fund's relative return in June, driven by our holdings in both domestic China tech and Taiwan tech.

• An underweight allocation in Consumer Discretionary, particularly the consumer Internet platforms, further benefited performance.

• Stock picking in Health Care also contributed positively.

• On the other hand, stock picking in Communication Services dragged relative return.

• Stock selection and an underweight allocation in Financials also had a modest negative impact on alpha.

• Stock picking in Materials also dragged performance slightly.

• An off-benchmark bet in Hwatsing Technology was this month's top contributor. Hwatsing is a China-based semiconductor equipment platform with dominant exposure to the domestic memory capex cycle. The stock rallied on memory shortage and strong sentiment towards China's domestic AI advancements.

• Likewise, being overweight Chinese memory company Gigadevice Semiconductor continued to be a strong performance contributor this month, reflecting the strong demand and sentiment on memory.

• Being underweight Alibaba was another alpha source, as the stock slipped by over 20% in June due to a combination of regulatory concerns around the "618" shopping festival, disappointing e-commerce trends, heavy AI investment and cash flow concerns.

• On the other hand, Taiwanese power and thermal company Delta Electronics was this month's top detractor, as the stock fell because of profit-taking and concerns about valuation, margins, and the sustainability of AI infrastructure spending—not because of any deterioration in its business fundamentals.

• Not owning Kingboard Laminates was another detractor for relative performance. Kingboard is the world's largest producer of copper-clad laminates (CCL), a critical material used in printed circuit boards (PCBs). The stock rallied significantly in June as the market broadening out from AI chips into the AI hardware supply chain.

• Our positioning in Shanghai Xizhi Technology, a China-based Co-Packaged Optics (CPO) ASIC designer, also detracted as the stock price pull back after a sharp rally in April post its IPO.

Market Outlook and Investment Strategy

• We are most overweight Information Technology through AI and tech names across domestic China and Taiwan.

• We are also overweight Industrials sector via a cluster of AI-linked and renewable energy names.

• On the other hand, we are most underweight Consumer Discretionary sector due to consumption slowdown amid weak macro environment in China, as well as intensifying competition among consumer Internet companies.

• We are also underweight Financials due to lack of exciting opportunities.

Source: BlackRock (Luxembourg) S.A.

BlackRock Global Allocation Fund

Investment and Market Review

Main Portfolio Changes:

• Global equities declined modestly from recent all-time highs during June, but the more important story was the rotation occurring underneath the index level. Broad market performance was relatively calm compared with the activity taking place across sectors, styles, and individual stocks, as low index-level volatility masked much higher volatility at the security level. Regionally, U.S. equities continued to be supported by stable economic data and still-intact earnings expectations, while international markets reflected a wider range of outcomes tied to sharply lower oil prices – which benefited Europe and China – and some AI-pullbacks following otherwise strong YTD performance in regions such as Japan and Emerging Asia. Sector leadership shifted away from the most crowded Technology and AI-linked areas and toward a broader mix of Healthcare, Financials, other defensive sectors, small caps, and rate-sensitive areas such as homebuilders. This was not a universal rejection of the Technology theme. Semiconductor exposure was still positive for the month at roughly +2%, while a basket of U.S. memory-related stocks rose considerably. However, other AI-linked exposures, particularly hyperscalers, were down approximately -18% in June, marking their weakest month since 2012. Importantly, the rotation did not appear to be driven by a deterioration in earnings fundamentals. Technology earnings expectations remained strong, with expected earnings growth of approximately +44% for 2026 and +27% for 2027, while semiconductor earnings expectations were even stronger at approximately +95% for 2026 and +51% for 2027.

• Fixed income markets generally advanced during the month as sharply lower oil prices, easing interest-rate volatility, and resilient U.S. growth improved the backdrop for bonds. Long-term Treasuries were a key beneficiary of the improved inflation outlook, which created a supportive backdrop for income-oriented assets, even as uncertainty around near-term Fed policy remained a constraint at the front-end of the Treasury curve. U.S. investment grade and high yield bonds benefitted from healthy economic growth and robust corporate earnings. During June, municipal bonds were the bond market’s strongest performing sector, due to much more favourable supply/demand dynamics relative to U.S. Treasuries. A strong economic backdrop across much of the U.S. has also supported the balance sheets of a meaningful percentage of states and municipalities. Meanwhile, international sovereign bonds were generally a laggard, weighed down by a rising U.S. dollar.

• Equity exposure was reduced to 62% from 68%, while remaining overweight relative to the benchmark. The backdrop remained supportive for risk assets, but the market became more uneven as a narrow earnings-led rally began to broaden and the rate of change in growth and capital spending started to normalize. Against that backdrop, we trimmed some of the most crowded exposure, reduced beta, and leaned more heavily on selectivity, while continuing to favour areas with durable cash-flow growth and structural earnings support.

• The investment environment became more balanced beneath the surface. While the AI investment cycle remained real and durable, market leadership started to widen into financials, health care, defensives and selected cyclicals, even as elevated positioning and heavy issuance argued for greater precision in portfolio construction. That reinforced our preference for staying invested, but with a sharper focus on resilience, diversification and risk compensation rather than relying on broad beta alone.

• Industrials exposure had the largest increase overall as the team made selective additions. We continue to favour capital goods, electrification, grid investment, power infrastructure and other beneficiaries of the physical AI build-out, where demand remains supported by long-duration investment needs and a broader infrastructure cycle. The industrials sector remains a meaningful overweight in the portfolio, and an important expression of our view that leadership can broaden beyond the narrowest part of the technology complex.

• Information Technology exposure saw the largest reduction, driven by both active trimming and market effects. Our conviction in the structural AI cycle remains high, particularly across semiconductors, memory, software, cybersecurity, networking and broader infrastructure, but heightened crowding, speculative activity and elevated single-name volatility led us to reduce some exposure and manage risks across the sector more carefully. We remain constructive on the sector’s earnings power, but the path forward is likely to be less linear, which argues for keeping more selective in areas where growth and cash-flow durability remain strongest.

• Consumer Discretionary exposure moved lower, and the decline was trade-led. Within the sector, we rotated selectively toward areas where positioning had become washed out and fundamentals were beginning to stabilize, including housing related activity, travel and value-oriented consumer cyclicals, while remaining cautious to areas where spending trends and fundamentals looked less dependable. That reflects a still-bifurcated consumer backdrop, where aggregate demand has held up better than underlying breadth, making selectivity particularly important across the sector. Consumer Staples exposure declined modestly over the month, largely reflecting market-driven underperformance as investor preference remained tilted toward growth and cyclical sectors, even amid rising volatility. Fundamentally, the team maintains a cautious and selective view, noting resilient demand but ongoing margin pressure and limited pricing power across parts of the sector. Within the portfolio, Consumer Staples serves primarily as a diversification and risk-balancing allocation but remains a lower-conviction exposure in an environment where higher real rates continue to weigh on income oriented equities and capital is being allocated toward areas with stronger earnings momentum and more attractive risk reward profiles.

• Regional positioning remained anchored in a clear U.S. overweight, complemented by selective exposure outside the U.S.

    ◦ United States (Overweight): We continue to favour the U.S. market for its stronger earnings base, deeper exposure to AI-linked growth and more durable corporate fundamentals, while acknowledging that concentration and elevated positioning require a more risk-managed implementation.

◦ Developed Europe (Underweight): We remain underweight at the regional level, but our conviction improved in selective financial and industrial opportunities, supported by reform momentum, improved restructuring stories and themes tied to investment, infrastructure and strategic independence.

◦ Developed Asia (Underweight): We remain selective across Asia, with the strongest conviction in areas linked to Japanese financial reform and parts of the regional AI supply chain, including robotics, electronics and semiconductor-related activity.

◦ Emerging Markets (Overweight): Positioning remains more modest and opportunistic, with selective country exposures rather than a broad regional call, reflecting the wider dispersion in fundamentals and opportunity across EM.

• We maintained an underweight to duration, while keeping fixed income positioned primarily around income generation rather than broad interest-rate exposure. The portfolio finished the month with duration below the benchmark, reflecting our view that policy remained restrictive in the near term even as yields had become more compelling and rates were approaching fair value. That left the team prepared to add risk selectively on weakness but not yet positioned for a full duration shift.

• Regional rates positioning remained selective, with our strongest conviction outside the United States centred on Europe and the UK front end. The opportunity there was grounded in attractive carry and a view that market pricing for further tightening had become too aggressive relative to the likely path of growth and inflation. In the United States, real yields became increasingly attractive, but we remained measured overall given the heavy supply backdrop and the need to manage overall rate exposure carefully. We also remained constructive on selected emerging market local rates, where high real yields and country-specific catalysts continued to create differentiated opportunities.

• Our broader fixed income stance remained anchored in the idea that income, rather than spread compression or outright duration, is the most reliable source of return in the current regime. Higher nominal and real yields continue to provide a meaningful cushion, while slower growth, moderating inflation and more episodic correlations argue for building portfolios around carry, flexibility and active security selection. In that environment, we continue to favour a diversified set of income streams over a narrow reliance on benchmark-style government bond exposure.

• Within credit, we remained overweight corporate risk, with a preference for areas where carry and issuer selection still offer adequate compensation despite tight spreads. The higher-quality end of investment grade looked less compelling on simple spread terms, but demand remained strong and selected long-dated, high-quality issuers still offered value when paired with disciplined security selection. In high yield, we continued to see a more selective income opportunity, with yields still attractive and better value in segments where dispersion remained high, rather than in lower-quality beta exposure. That preference for selective carry also supported our allocations to convertibles, which broaden the portfolio's income sources while preserving flexibility across the capital structure.

• Securitized assets remained one of our highest-conviction areas and an important diversifier within fixed income. We continue to favour the space because collateral quality, structural protections, and carry remain attractive relative to many traditional spread sectors, particularly where underwriting and deal structure can be selected carefully. Within the allocation, our strongest conviction was in higher-quality commercial mortgage exposure, senior non-agency residential structures, while we stayed more selective in areas where issuance was heavy or dispersion was widening. That emphasis on structure, collateral and seniority is central to how we are seeking to enhance income without taking uncompensated risk.

• Emerging market fixed income remained an area of selective opportunity rather than a broad directional call. We continued to find value in local duration and country-specific positions where real yields, technicals and domestic fundamentals were supportive, while staying attentive to the influence of Fed pricing, oil and the dollar on the opportunity set. Overall, the role of fixed income in the portfolio remained clear: harvest income, stay flexible, and be increasingly precise in where we take rate and spread risk as the cycle matures The fund's exposure to gold-related securities was at 3.3% in June, marginally increased from the prior month. We continue to view gold as a strategic diversifier and store of value, supported by structural drivers such as supply constraints and concerns around deficits and currency debasement, but not as a reliable near-term hedge to equity volatility. In the current environment, higher real rates and a stronger dollar have reduced its effectiveness with gold unlikely to provide meaningful protection in the near-term relative to alternatives such as energy.

• Cash exposure increased to 11.1% in June as the team reduced exposure to equities and fixed income. The portfolio continues to rely on a combination of cash, income, derivatives, gold, and FX positioning to manage overall risk and enhance portfolio resilience.

• Portfolio activity within currencies was minimal, reflecting our intention to remain closely aligned with the benchmark. Changes were largely muted with any adjustments driven primarily by the objective of maintaining consistency with benchmark exposures.

• The largest currency overweight remains in the Japanese Yen. Conversely, the largest underweights are to the Euro, Chinese yuan and Hong Kong dollar.

• Across June, derivative positioning shifted toward a more disciplined and risk-aware framework, with reduced directional gamma and a greater focus on tactical volatility harvesting and convexity, reflecting a more mature stage of the cycle and a desire to manage risk after recent volatility.

• Equity derivatives activity focused on managing beta and extracting single-name volatility premium, with the team reducing index gamma exposure, using option overlays and index hedges to lower equity delta, while continuing to harvest elevated implied volatility in high-volatility names, particularly within semiconductors and AI-linked sectors.

• In gold derivatives, positioning remained tactical, with exposure broadly stable and implemented through option structures including short puts, with options used to manage carry and preserve convexity while viewing gold more through a correlation and risk lens rather than a pure diversifier.

• Within fixed income derivatives, activity remained selective, with the portfolio continuing to run underweight duration, while volatility monetization and tactical payer/receiver positioning were used opportunistically, and credit options primarily served as a tool for income generation and risk management rather than expressing directional views.

Market Outlook and Investment Strategy

• Asset allocation (as % of net assets*): Equity: 62%, Fixed Income: 24% Precious Metals: 3%, Cash Equivalents: 11%.

* All exposures are based on the economic value of securities and are adjusted for futures, options, and swaps (except with respect to fixed income securities) and convertible bonds. Numbers may not sum to 100% due to rounding.

Source: BlackRock (Luxembourg) S.A.

BlackRock Global Equity Income Fund

Investment and Market Review

Global equity markets were notably volatile through June, as a strong start to the month gave way to a sharp mid-month correction before settling into month-end. Markets entered June on the back of an extended rally, but with positioning heavily concentrated in technology and semiconductors, leadership had narrowed and conditions were ripe for a pullback.

The macro narrative took centre stage in early June. US economic data remained firm, with the strongest manufacturing reading in four years accompanied by a resilient labour market. For the Federal Reserve, however, the combination of strong employment data and persistent inflation challenged expectations for further rate cuts, prompting markets to price a more hawkish policy path and triggering a sharp equity sell-off, particularly across technology and semiconductor stocks. At the June FOMC meeting, rates were held for a fourth consecutive meeting, but projections remained hawkish, with around half of policymakers signalling at least one further hike this year. Geopolitically, conditions improved mid-month following a US–Iran agreement that helped ease immediate supply concerns, though shipping normalisation remained uneven. The subsequent moderation in oil prices may support a gradual shift back towards more dovish market pricing over time.

Against this backdrop, US headline indices masked a clear shift in market leadership. Technology and AI themes remained in focus, though dispersion within the sector was the defining feature of the month. Investor scrutiny of AI returns, monetisation and hyperscalers spending intensified, with Alphabet's decision to raise fresh capital to support its AI buildout adding to concerns around the scale and timing of expected returns. As a result, mega-cap technology stocks pulled back sharply, with the Magnificent Seven posting their worst month of relative performance against the S&P 500 since October 2022, while the Nasdaq experienced a sharp drawdown before recovering into month-end. In contrast, parts of the AI infrastructure chain where bottlenecks remain tight, notably memory, outperformed. Beneath the surface, market leadership broadened, with small caps outperforming as the Russell 2000 rose on rotation away from mega-cap AI winners. While AI adoption continues to accelerate, earnings impacts remain uneven, highlighting an early-cycle environment with increasing differentiation between beneficiaries and laggards.

European equities edged modestly higher, as resilient corporate earnings and softer UK inflation helped underpin sentiment and supported the Bank of England’s decision to hold rates. UK political headlines also took center stage late in the month, with Prime Minister Keir Starmer announcing his resignation, paving the way for a Labour leadership contest and the UK's seventh prime minister in a decade.

Asia and Emerging Markets were more mixed. Japan continued to outperform, with the Nikkei hitting fresh record highs, supported by ongoing policy accommodation and fiscal measures. The Bank of Japan also raised rates to 1%, the highest level since 1995. South Korea moved the other way, with the KOSPI experiencing several sharp swings as a heavily retail-driven market and euphoric sentiment fuelled volatility in large AI-chip names that account for a significant share of the index. Chinese equities remained under pressure, with domestic AI names weak. Weaknesses across domestic demand, particularly in property and consumption, left growth increasingly reliant on exports.

Commodity markets reflected the broader macro and geopolitical shift. Brent crude fell sharply back toward pre-conflict levels as the war premium unwound following the US–Iran Memorandum of Understanding (MoU) signed on 17 June, allowing shipping flows to begin recovering. Precious metals also came under pressure, as easing geopolitical risk, a more hawkish Fed and a firmer US dollar weighed on safe-haven demand.

Performance Overview

• The A2 share class returned -1.34% over the course of the month (net of fees) underperforming the benchmark by 53bps.

• Security selection in Industrials detracted the most from relative returns. An underweight in Healthcare and an overweight in Consumer Discretionary also detracted.

• Stock selection in Financials, Consumer Staples and Utilities contributed the most to relative returns.

Market Outlook and Investment Strategy

Global equity markets delivered strong gains over the second quarter, supported by continued momentum in technology-related areas linked to artificial intelligence. Fund performance was positive in absolute terms but lagged the benchmark through most of the quarter, with relative performance challenged earlier in the period as growth-oriented sectors like Information Technology led while traditionally higher-yielding sectors such as Consumer Staples lagged. The narrowness of performance remains a challenge, specifically for dividend funds, but for active management in general.

The key debate for investors is no longer whether AI spending remains robust, but where incremental alpha can be generated as expectations rise. While data-centre investment continues to expand, markets are increasingly discounting both volume growth and pricing power. As a result, we believe future excess returns are more likely to come from identifying bottlenecks and second-order beneficiaries rather than simply owning the most obvious winners. With expectations elevated, we continue to participate in the theme in a deliberate and diversified way rather than rely on a single expression of AI. The evolving shareholder return profile of some beneficiaries has also broadened the investable universe for income-oriented strategies. Beyond the largest US heavyweights, we are finding opportunities across the global AI infrastructure ecosystem, including in Emerging Markets, where selected companies provide exposure to semiconductors, batteries and other critical components of the build-out.

Whilst AI continues to be a big driver behind the infrastructure value chain, more broadly Industrial activity has been picking up as evident by improving indicators such as PMIs rebounding. The market response here has been somewhat uneven, and we do expect the recovery will remain as such and accompanied by bouts of volatility, particularly given the concentration of market leadership and the sensitivity of AI-related areas to changes in capex expectations. This drives us to have a prudent approach in how we’re expressing conviction within Industrials, preferring companies with the strong quality attributes which we expect to drive outperformance, especially where there are other structural tailwinds such as increased defence spending.

Geopolitical risk and fragmentation remain central to the outlook, with implications for how we build regional diversification into the portfolio. This last quarter has once again shown incredibly volatile returns, particularly in Asian Emerging Markets which reinforces our prudent approach, leaning into key bottle necks such as memory but balancing this with lower beta of the market which have lagged and provide some portfolio ballast in the case of a momentum reversal. On the geopolitical front, tensions in the Middle East have reinforced our view that energy is increasingly being viewed through the lens of national security, supporting our belief that exposure to the sector should remain deliberate and appropriately sized. Fragmentation is also increasingly visible in trade and supply-chain decisions, as companies seek to reduce dependence on single regions or routes.

US policy risk remains relevant, as we expect further volatility into 2026 and see the United States-Mexico-Canada Agreement as a potential renewed focus for negotiation by the Trump administration More broadly, recent developments in the Middle East highlight what we see as a more multipolar global landscape and a weakening US influence on the international stage. Against this backdrop, we continue to view Mexico as attractive; labour costs remain significantly below those of the US, while geopolitical fragmentation and supply-chain diversification continue to support nearshoring activity.

Looking ahead, we remain constructive but disciplined. AI momentum remains powerful, but valuations and the risk of more moderate capex growth require careful management. At the same time, earnings resilience, improving manufacturing indicators and broader regional opportunities suggest there may be more for investors to do beyond the narrowest parts of the market. We continue to emphasise quality, balance sheet strength, valuation awareness and deliberate risk sizing as we navigate a market shaped by technological innovation, geopolitical fragmentation and elevated uncertainty.

Source: BlackRock (Luxembourg) S.A.

BlackRock World Energy Fund

Investment and Market Review

Performance Overview:

• The BGF World Energy Fund returned -3.9% during June, compared to its benchmark, the MSCI World Energy 30% buffer

10/40 index, which returned -5.9%.

Market:

• Global equity markets fell modestly in June, with notable dispersion at the sector and industry level.

• Whilst US payrolls data saw a higher number of jobs added for May than consensus expectations and an initial negative market reaction (due to interest rate implications), the May payroll report may indicate temporary leisure and hospitality hiring ahead of the FIFA World Cup, hosted by the US.

• US Fed Chair Kevin Warsh chaired his first meeting, which appeared to be viewed as hawkish for interest rates by markets. However, forward guidance was dropped, and a broad policy review was launched.

• Earnings results from large memory and AI tech infrastructure companies continued to be supportive, contributing to market dispersion, particularly within tech, with software-as-a-service (SaaS) companies re-pricing lower given risks from AI coding tools undermining business models.

• SpaceX, the first of several potential mega-cap US initial public offerings this year, raised ~US$85bn in gross proceeds in its IPO during the month, initially valuing the company at ~US$1.8tn.

• At the sector level healthcare, financials and industrials were relative outperformers, whilst communication services, materials and energy sectors lagged.

• The MSCI All Country World Index returned -0.8% in June.

• In terms of energy-specific news, energy markets were dominated by developments surrounding Iran and the Strait of Hormuz. Brent crude oil prices fell sharply following the announcement and partial implementation of a US-Iran interim peace agreement. President Trump announced the reopening of the Strait of Hormuz, while a subsequent US Treasury ruling provided a 60-day sanctions waiver allowing Iran to resume oil and fuel exports through August. These developments, together with OPEC+'s decision to increase July production quotas by a further 188,000 barrels per day, drove a significant decline in near-term oil prices.

• The Brent oil price fell -24.1% while the WTI oil price fell -22.6%, ending the month at $74/bbl and $71/bbl respectively.

• The US Henry Hub natural gas price fell -0.3% during the month to end at $3.0/mmbtu. While spot oil prices weakened, longer-dated oil prices remained resilient, with the 2027 Brent futures strip holding near $78/bbl, indicating continued confidence in medium-term oil demand. In contrast, longer-dated natural gas and coal prices moved lower. Refined product markets were mixed, with gasoline margins strengthening while distillate margins weakened.

• Energy policy developments remained active during the month. OPEC reiterated its view that long-term oil demand remains robust, citing a growing global focus on energy security, while continued debate around production quotas highlighted tensions between member countries. Elsewhere, policy announcements reflected divergent regional priorities, with the US continuing to favour investment in natural gas and geothermal energy, while major clean energy investment initiatives were announced in the UK, Japan and Mexico.

• Within energy equities, integrated oil majors outperformed more oil price-sensitive exploration and production companies, reflecting investor preference for companies with diversified cash flows and stronger balance sheets as commodity prices declined.

Stocks:

• At the sector level, the Fund’s overweight position in distribution companies and oil services companies contributed positively, whilst an overweight to uranium and underweight to E&P companies detracted.

• The Fund’s overweight position in distribution companies **Targa Resources** and **Cheniere Energy** were the largest positive contributors to relative performance, as these names benefitted from a rotation away from oil beta, towards gas demand growth.

• The Fund’s lack of position in the oil services company **Schlumberger** also contributed positively as the stock underperformed on further earnings headwinds from the Middle East disruption.

• On the negative side, the Fund’s lack of position in the distribution company **Oneok** was the largest detractor from relative return as investors responded positively to raised 2026 guidance, and to a strong natural gas and related liquids volume growth.

• The Fund’s overweight position in the integrated oil company **TotalEnergies** detracted, as energy markets reacted to the reopening of the Strait of Hormuz and the associated decline in oil prices. Investor sentiment favoured reducing exposure to larger, more liquid energy names following the easing of geopolitical tensions.

Portfolio Activity:

• During the month, the Fund exited one E&P company, further trimming its exposure to US E&Ps. Capital was rotated into a new oilfield services position reflecting our conviction in a sustained upside cycle for global international engineering and construction companies.

Market Outlook and Investment Strategy

• The huge disruption to oil and natural gas/LNG supplies that has occurred in recent months has materially tightened energy markets near-term, although this tightening has been partially absorbed by inventory drawdowns and policy-driven supply releases. We continue to see a constructive medium-term backdrop for oil and natural gas, supported by resilient demand, tightening inventories, and growing emphasis on energy security, which we do not believe is fully reflected in energy stock prices.

• The Fund is currently overweight distribution companies, integrateds, oilfield services and uranium with a more selective stance on refining and underweight to higher-beta upstream (E&P).

• Energy markets continue to reflect a structural geopolitical risk premium. While medium-term oil balances had previously appeared relatively well supplied absent disruption, recent events highlight how concentrated global supply chains and critical chokepoints can dominate pricing and risk sentiment in the near term.

• Market outcomes are increasingly driven by the duration and persistence of disruption rather than the initial shock. Shortlived events tend to generate volatility, whereas prolonged interference with production, infrastructure or transport routes has the potential to materially reshape supply-demand dynamics and price expectations.

• Regional divergence is likely to persist, in our view. While oil markets are globally diversified, natural gas and LNG markets are more regionally constrained, leaving import-dependent regions more exposed to price spikes and supply disruptions.

• Energy security has re-emerged as a central policy focus and investment theme. Heightened geopolitical uncertainty is reinforcing the strategic importance of secure, resilient energy systems, supporting continued investment across upstream supply, infrastructure, and reliability-focused energy assets.

•Energy equities offer differentiated exposure in a volatile macro environment. The sector combines sensitivity to geopolitical volatility with improving capital discipline and balance sheet strength, allowing company fundamentals and capital allocation decisions to play an increasingly important role in driving returns.

Source: BlackRock (Luxembourg) S.A.

BlackRock World Gold Fund

Investment and Market Review

• The BGF World Gold Fund fell 13.3% in June, outperforming its benchmark, the FTSE Gold Mines Index, which fell 15.5%.

Fund performance in US dollar terms and net of fees for the A-share class.

Market

Gold was volatile in June, falling 12.1% to finish the month at US$4,036/oz. The main drivers behind the pressure were continued U.S. dollar strength, higher bond yields and persistent market expectations that interest rates could remain higher for longer. These pressures were reinforced by stronger-than-expected U.S. payrolls data early in the month and a hawkish Federal Reserve tone later in June.

While geopolitical developments around the Middle East conflict drove several sharp intra-month swings, these moves proved temporary and were insufficient to offset the broader macro headwinds facing gold. Weakness was further amplified by technical selling after bullion broke through a number of key support levels and moving averages, prompting additional systematic and trend-following outflows. Overall, the month was characterized by the market's continued focus on the U.S. dollar and rates, which kept pressure on gold amidst an elevated geopolitical risk backdrop.

Against the challenging environment for gold, gold equities showed relative resilience due to significant easing concerns around operating cost inflation, as the oil price fell 22.6% during the month.

Physically backed gold ETFs recorded modest outflows, with total holdings decreasing slightly from 3,072 tonnes to 3,028 tonnes. Net length in COMEX gold futures rose from 17.2 Moz to 17.4 Moz.

Looking at key macro indicators for gold, the U.S. dollar strengthened by 2.3% during the month, while the U.S. 10-year real interest rate rose from 2.1% at the end of May to 2.2% at the end of June. Among other precious metals, silver fell 22.4%, while platinum and palladium fell 18.6% and 11.8%, respectively.

Stocks

Our off-benchmark position in DPM Metals contributed positively to relative performance, as the intermediate producer benefited from continued exploration success in Serbia and growing confidence in the company's development pipeline. Our off-benchmark positions in royalty and streaming companies, Franco-Nevada and Royal Gold, added to relative returns, as the companies demonstrated defensiveness during the gold sell-off.

Our overweight position in Alamos Gold weighed on relative returns, as the company reduced production guidance for the current and following year, following disruptions at its Young-Davidson mine caused by seismic activity. In addition, our off-benchmark position in Orla Mining detracted from relative performance, following its announced merger with Equinox, which seemed to be more focused on scale than value creation.

Our overweight position in Discovery Silver contributed positively to relative returns, as the company completed its acquisition of the Kidd Creek mill in Ontario, enhancing operational flexibility and strategic optionality across the Timmins district.

Portfolio Activity

We exited our position in Zijin Gold based on growing concerns around the company's exposure in Ghana and regulatory uncertainty surrounding its M&A deal with Allied Gold.

We added to Capricorn Metals following our continued confidence in management quality, operational execution and future growth opportunities, with the recent approval of the company's Mount Gibson project in Australia, strengthening our investment case. We also added to our physical silver exposure given recent weakness in the precious metal, which created an attractive addition opportunity.

Meanwhile, we trimmed our position in AngloGold Ashanti on valuation and Newmont on concerns around strategic execution and capital allocation decisions.

<u>Market Outlook and Investment Strategy</u>

Our outlook for gold remains constructive over the medium term, but we are more measured on the near-term setup. With rates still elevated, a hawkish Fed tone and inflation concerns lingering, we believe gold could remain range-bound over the next three to six months. In that environment, we think it is prudent to remain selective rather than position for a broad-based re-rating across the sector.

Over the longer term, however, we continue to see a supportive backdrop for gold. The structural forces underpinning the metal remain firmly in place, including elevated government debt burdens, rising fiscal outlays and the associated currency-aversion trade, alongside a persistently high level of geopolitical risk. In our view, these conditions should continue to support strategic demand for gold, particularly if growth weakens and interest-rate expectations begin to reverse.

Within equities, our focus is increasingly on margin resilience and company-specific execution. We believe cost inflation is becoming a more important risk for producers, particularly as higher energy prices begin to filter through not only diesel, but also reagents, transport, contractor and labour costs. That leaves us more cautious on parts of the producer universe where margins could compress if gold remains flat, and more constructive on royalty and streaming businesses, which are better insulated from these pressures. This continues to support our preference for companies with disciplined capital allocation, strong asset quality and better protection against rising costs.

Source: BlackRock (Luxembourg) S.A.

BlackRock World HealthScience Fund

Investment and Market Review

Performance Overview:

• The BGF World Healthscience Fund returned +5.4% during the month of June (A2 share class, net of fees in USD), outperforming the MSCI World Health Care Index, which returned +5.0%.

Market:

• Broad equity indices were mixed in June. The MSCI ACWI slipped -0.80% while the Nasdaq 100 was essentially flat, dipping slightly into the red by -0.12% and the S&P 500 fell by -0.95%. Resilience in AI-linked names helped cushion largecap tech, though broader sentiment was tempered by cautious positioning around macro data, rate-path uncertainty, and profit-taking after a strong prior run.

• The broader market saw a pullback in June, with leadership rotating away from the previous month's high-fliers. Communication Services was the worst-performing sector (roughly –7.2%), and Information Technology also lagged (down ~3.3%), as mega-cap tech and AI-infrastructure names cooled. Traditional value and cyclical sectors took the lead, with Industrials rallying +7.19% and Health Care gaining +6.46%. Energy extended its downward trend for a third consecutive month, slipping another 5.14% as Brent crude tumbled ~23% on the month.

The Federal Reserve held interest rates steady in June at 3.50%–3.75%, reflecting continued confidence in the underlying strength of the U.S. economy but persistent concern over elevated inflation. Policymakers struck a firmer tone than in prior meetings, removing language that implied eventual policy easing and emphasizing the need for additional evidence that inflation is moving sustainably toward target. As a result, expectations for near-term rate cuts diminished, reinforcing a "higher-for-longer" policy backdrop.

• Corporate earnings remained broadly supportive in June, while investor attention increasingly shifted toward the durability of the global growth outlook, the path of interest rates, and the potential impact of geopolitical tensions. Although underlying demand trends remained resilient in several areas, markets became more focused on whether elevated valuations can be sustained amid mixed macroeconomic signals, policy uncertainty, and changing expectations for future corporate profitability.

• The EURO STOXX 50 advanced in June as improving risk appetite and resilient earnings supported European equities, though investor focus increasingly shifted toward the economic impact of higher energy prices and geopolitical uncertainty. Conditions continued to support select technology and industrial companies as European markets remained more sensitive than their U.S. counterparts to slowing growth expectations and energy market volatility.

• Asia-Pacific equities remained supported in June by AI-linked semiconductor markets in South Korea and Taiwan, as demand for advanced memory and AI infrastructure benefitted companies across the regional technology supply chain. However, gains were less uniform than in prior months as investors weighed elevated valuations, rising geopolitical tensions, and growing scrutiny over the returns on unprecedented AI-related capital spending.

Sectors:

• Healthcare equities experienced broad growth during the month, as the MSCI World Healthcare Index returned +5.0%. At the subsector level, 4 out of 4 posted positive returns. Biotechnology (+8.6%) led the way, followed by providers and services (+8.1%).

• The STOXX Global Breakthrough Healthcare Index, which tracks smaller-cap, innovation-driven healthcare companies, outperformed broader healthcare equities, returning +6.9% in June. Performance was driven by strong returns for biotechnology companies.

• Clinical innovation stayed front and center in June, with strong obesity data from Lilly's retatrutide and encouraging pancreatic cancer survival data from Revolution Medicines' daraxonrasib. Both reinforced investor interest in high-impact, large-market therapies.

• Oncology M&A remained active during the month, with GSK agreeing to acquire Nuvalent for $10.6 billion to add late-stage lung cancer assets under FDA review.

• Medical devices for diabetes also had meaningful catalysts, including FDA clearance of Dexcom's Stelo as the first over the counter continuous glucose monitor (CGM) for children who do not use insulin.

Stocks:

• At a high level, active positioning within the biotechnology subsector was the largest contributor to active returns. Conversely, active positioning within the providers & services subsector detracted from relative returns.

• An off-benchmark position in Moderna was the largest contributor to relative performance at the individual security level. Shares were driven by improved sentiment around its pipeline, including encouraging vaccine and oncology updates.

• Not holding a position in EssilorLuxottica also contributed to relative performance. The global eyewear company's stock was pressured by concerns on growth expectations, particularly for AI-connected products.

• Elsewhere, an overweight position in Gilead Sciences was the largest detractor from relative performance. The biotechnology company's stock was pressured following disappointing results from an oncology study.

• Finally, not holding a position in Bayer also detracted from relative performance. The company's stock rallied after a favourable legal ruling reduced a key overhang for the firm.

Changes:

• During the month, the fund increased its exposure to the biotechnology subsector. In contrast, the fund reduced its exposure to pharmaceutical companies. At the individual security level, the fund increased its position in biotechnology company AbbVie, on the back of positive pipeline results for an oncology drug. The fund also increased its position in Merck due to positive pipeline progress for multiple drugs across oncology and immunology. Furthermore, the fund increased its exposure to life sciences company Illumina after a less than expected competitive threat and the expectation of solid fundamentals.

• Conversely, the fund reduced its position in Johnson & Johnson, locking in profits after a period of strong performance. The fund also reduced its position in Pfizer, following disappointing results for a late-stage oncology drug candidate. Lastly, the fund reduced its position in Intuitive Surgical due to pricing concerns amidst increasing competition.

Market Outlook and Investment Strategy

We continue to expect a high degree of stock dispersion in the sector driven by increasing scientific innovation, emerging technologies and policy shifts underscoring a flexible approach to investing across the sector while emphasising scientific attributes at the company level.

• We view the direct, portfolio-level impact of conflict in the Middle East as limited, with healthcare exposure primarily transmitted through second-order macro channels—namely energy-driven inflation, interest rate dynamics, and shifts in risk appetite—rather than through direct operational disruption. With the sector still trading at discount to the broader equity market, we believe the risk/reward profile remains attractive.

• Over the long-term, secular drivers for the sector remain in place; firstly, aging demographics in both developed and developing countries and secondly, innovation in medical science and technology. The combination of these secular trends, with favourable valuation creates an attractive long-term investment opportunity.

Source: BlackRock (Luxembourg) S.A.

BlackRock Latin American Fund

Investment and Market Review

Market Review

MSCI Emerging Markets (EM) rose +24.1% in the second quarter, outperforming MSCI World (+13.8%) and the S&P 500 (+14.9%), as EM equities recovered sharply from the volatility seen earlier in the year. The rally was supported by a broad improvement in risk appetite, renewed enthusiasm around AI infrastructure and semiconductors, and a stronger earnings backdrop across parts of the EM technology universe. April set the tone as investors moved back into risk assets, May extended the rebound as AI and memory-chip beneficiaries led the market higher, while June was more mixed as a stronger US dollar, softer commodities and a pause in technology momentum created a more uneven finish to the quarter. The result was a powerful but narrow rally, with leadership concentrated in North Asia and in technology-linked markets rather than a broad rally across the full EM universe.

MSCI Latin America (-3.6%) delivered a more mixed performance, with large differences between markets. Colombia (+5.6%) was supported by a political re-rating following a less disruptive election outcome than investors had feared. Peru (+9.1%) also performed well. By contrast, Brazil (-8.2%) was the worst performer in the Latam complex as weaker commodity prices and domestic political concerns weighed on sentiment.

Performance & Positioning

The BGF Latin America Fund returned -5.3% (A2, USD net) in Q2 2026. Underperforming its benchmark, the MSCI EM Latin America 10/40 Index, which returned -3.6%.

From a country perspective, Brazil was the largest detractor. Exposure to Argentina also hurt. On the other hand, an overweight to Peru helped relative returns.

From a security lens, the largest detractor to returns was IT services firm Globant. The sector sold off globally after Accenture's earnings on 18 June came in weaker than expected, with softer bookings and a more cautious demand outlook. Not owning Mexican mining and transportation conglomerate Grupo Mexico was another detractor. With a big ownership stake in Southern Copper, the stock rallied on the back of rising copper prices, particularly in May. Azzas 2154, the Brazilian footwear retailer, also hurt. The stock was down in Q2 after weak quarter re-priced EBITDA sharply lower, with gross sales down 6% YoY.

On the flipside, an overweight to Peruvian bank Intercorp was the largest contributor to relative returns. The stock rallied on the market-friendly resolution of Peru's presidential election, with Fujimori's narrow win confirmed on 29 June, alongside supportive May system data showing credit growth accelerating, particularly in consumer. Being underweight Brazilian state-owned oil giant Petrobras also helped as oil prices ticked lower over the quarter. Mexican long-haul airline Aeromexico also did well as the sharp fall in oil prices following the US-Iran ceasefire framework in mid-June eased the jet fuel cost outlook and lifted airline sentiment.

We made some changes to the portfolio in Q2. We took down our Mexican consumer exposure by trimming FEMSA. We reduced our exposure to Aeromexico following its strong run. We also reduced our exposure to Chilean SQM, reflecting a more bearish view on lithium going into the second half of 2026. We initiated a position in Brazilian water and sewage utility Copasa, where Equatorial has taken a controlling stake. Given their strong track record of turning around regulated assets, we expect a similar playbook to surprise the market on both costs and capex. We also added to Cyrela as we believe the stock can benefit from falling rates.

The portfolio’s largest overweight exposure is Brazil, where we are most overweight the Consumer Discretionary and Materials sectors. Peru is our second largest overweight. Our largest underweights are Chile and Colombia. At the sector level, we are most overweight Consumer Discretionary and Industrials, while being most underweight Utilities and Energy.

Market Outlook and Investment Strategy

We remain constructive on Latin American equities. The region continues to be supported by a combination of foreign investor interest, attractive valuations, resilient commodity prices and the prospect of further monetary easing across parts of the region. While the global backdrop remains uncertain, Latin America’s relatively limited direct exposure to many geopolitical flashpoints, together with its position as a key commodity-producing region, should continue to support the region’s underlying fundamentals.

As we have previously highlighted, Latin American equity markets have generally been relatively insulated from external geopolitical developments. With limited direct trade exposure to major conflict regions and its status as a net commodity exporter, any impact is more likely to be transmitted through shifts in global risk sentiment, inflation expectations or commodity-price volatility, rather than through a meaningful deterioration in regional fundamentals.

In Brazil, the focus is increasingly shifting toward the 2026 election, the fiscal outlook and the monetary policy path ahead. Since our end-May update, the Central Bank of Brazil cut the Selic rate again in June, taking it to 14.25%, from 14.5% previously. With real rates still elevated, we believe the central bank has scope to continue cutting rates, which should support domestic liquidity over time.

In Mexico, near-term sentiment remains exposed to USMCA-related trade noise ahead of the formal joint review scheduled for July 2026. However, the country's deep integration with U.S. supply chains, the ongoing nearshoring trend and disciplined monetary policy continue to provide structural support. Since the prior update, Banxico held its policy rate at 6.50% in June, after a significant easing cycle, reflecting a more cautious stance as it assesses softer activity, peso moves and inflation risks. We continue to think Mexico's structural supply-chain advantages should prove more important than short-term headline risk, though USMCA uncertainty may weigh on investment sentiment until the review path becomes clearer.

Source: BlackRock (Luxembourg) S.A.

BlackRock World Mining Fund

Investment and Market Review

Performance:

• The BGF World Mining Fund fell 11.8%, outperforming its benchmark, the MSCI ACWI Metals & Mining 30% Buffer 10/40 Index which fell 12.9%.

Fund performance in U.S. dollar terms and net of fees for the A share class

Markets:

The mining sector underperformed broader equity markets in June, with declines across both precious and industrial metals. The broader mining complex was weighed down by increasing expectations of a higher-for-longer interest rate environment, softer Chinese demand heading into a seasonally weaker summer period, and the reversal of geopolitical risk premia across certain commodities.

Gold was volatile but moved lower in June, falling 12.1% to US$4,036/oz by month-end, as continued U.S. dollar strength, higher bond yields and persistent expectations of higher interest rates weighed on sentiment. Weakness was further amplified by technical selling after bullion broke through key support levels and moving averages, prompting additional systematic and trend following outflows. The sell-off across precious metals was broad-based, with silver falling 22.4% over the month.

Aluminium fell 15.4% in June, as supply concerns eased amid a faster-than-expected recovery in Middle Eastern production and growing evidence of additional capacity in China and Indonesia. Copper proved more resilient, falling 1.1% to US$13,349 per tonne. Meanwhile, oil prices moved materially lower following the announcement of a Middle East ceasefire, with WTI crude down 22.6%, helping to unwind some of the inflation and supply-risk concerns that had previously supported parts of the sector, while also easing near-term operating cost pressures for miners.

Bulk commodities also posted losses, with iron ore (62% Fe) falling 6.3 % to around US$99 per tonne. The move reflected softer expectations for Chinese steel demand heading into the summer off-season. Chinese manufacturing momentum slowed, with the Caixin Manufacturing PMI easing to 51.7 in June from 51.8 in May.

Stocks:

Stock selection within the portfolio was a positive contributor to relative performance. Within gold, our off-benchmark position in royalty and streaming company, Franco-Nevada, contributed positively to relative returns, as the company proved more defensive during the gold sell-off.

Our overweight positions in aluminium-linked producers, including Alcoa and Norsk Hydro, detracted from relative performance, as both stocks came under pressure alongside the sharp decline in aluminium prices.

Some of the smaller, off-benchmark positions in the fund added to relative returns. Copper producers, Develop Global and Sociedad Minera Cerro Verde, performed strongly, with the former securing financing for both the Sulphur Springs and Pioneer Dome projects, whilst the latter experienced operational progress at its Peruvian copper asset.

Portfolio activity:

We initiated a new position in Eldorado Gold, as we saw improved visibility around board succession and governance, alongside positive operational momentum at the Skouries project, which we believe is not being fully appreciated by the market.

We reduced our position in Norsk Hydro given continued expected softness in the aluminium market, and trimmed Vale on weaker expected iron ore demand from Chinese steel manufacturers during the summer period. We also reduced Kinross Gold, with capital reallocated elsewhere in the portfolio.

We added to Capricorn Metals, where we continue to see a compelling growth opportunity following the permitting of the Mount Gibson project, with future production expansion supported by existing cash in the balance sheet.

<u>Market Outlook and Investment Strategy</u>

Our outlook for the mining sector remains constructive, particularly relative to broader equity markets. A more fragmented geopolitical world order increases the need for diversification and reinforces the strategic importance of mined commodities.

Governments are increasingly weaponising commodities and prioritising supply security, particularly in critical minerals, which is driving greater investment across the value chain and encouraging the reshoring of refining and processing capacity.

At the same time, accelerating hyperscaler spending on AI infrastructure, alongside electrification, grid expansion and the broader energy transition, is driving demand for both power and materials. Copper sits at the centre of this theme, given its critical role in electrification and power-intensive infrastructure. More broadly, the AI revolution supports the H.A.L.O. trade (Heavy Asset, Low Obsolescence) which involves capital rotating towards companies pairing long-life heavy assets with limited obsolescence risk. We would expect the H.A.L.O. trade to re-emerge once the U.S.-Israel conflict with Iran stabilises.

Supply remains constrained across many mined commodities following years of underinvestment, permitting challenges, operational disruptions and long lead times for new projects. Mining companies generally remain focused on capital discipline, prioritising cost control, free cash flow generation and shareholder returns over aggressive production growth.

Source: BlackRock (Luxembourg) S.A.

BlackRock World Technology Fund

Investment and Market Review

Performance Overview:

• The BGF World Technology Fund returned +1.9% (A2, net of fees) during the month of June, outperforming the MSCI ACWI IT 10/40 Index which returned +0.1%

Market:

• U.S. equities were mixed in June. The MSCI ACWI slipped -0.80% while the Nasdaq 100 was essentially flat, dipping slightly into the red by -0.12% and the S&P 500 fell by -0.95%. Resilience in AI-linked names helped cushion large-cap tech, though broader sentiment was tempered by cautious positioning around macro data, rate-path uncertainty, and profit-taking after a strong prior run.

• The broader market saw a pullback in June, with leadership rotating away from the previous month's high-fliers. Communication Services was the worst-performing sector (roughly –7.2%), and Information Technology also lagged (down ~3.3%), as mega-cap tech and AI-infrastructure names cooled. Traditional value and cyclical sectors took the lead, with Industrials rallying +7.19% and Health Care gaining +6.46%. Energy extended its downward trend for a third consecutive month, slipping another 5.14% as Brent crude tumbled ~23% on the month.

• The Federal Reserve held interest rates steady in June at 3.50%–3.75%, reflecting continued confidence in the underlying strength of the U.S. economy but persistent concern over elevated inflation. Policymakers struck a firmer tone than in prior meetings, removing language that implied eventual policy easing and emphasizing the need for additional evidence that inflation is moving sustainably toward target. As a result, expectations for near-term rate cuts diminished, reinforcing a "higher-for-longer" policy backdrop.

• Corporate earnings remained broadly supportive in June, but investor attention increasingly turned to the sustainability of the AI investment cycle. While demand trends across semiconductors, memory, and infrastructure remained strong, markets became more focused on whether unprecedented hyperscaler spending can generate sufficient returns to justify elevated valuations and continued optimism surrounding AI-driven growth.

• The EURO STOXX 50 advanced in June as improving risk appetite and resilient earnings supported European equities, though investor focus increasingly shifted toward the economic impact of higher energy prices and geopolitical uncertainty. While AI-related enthusiasm continued to support select technology and industrial companies, European markets remained more sensitive than their U.S. counterparts to slowing growth expectations and energy market volatility.

• Asia-Pacific equities remained supported in June by AI-linked semiconductor markets in South Korea and Taiwan, as demand for advanced memory and AI infrastructure benefitted companies across the regional technology supply chain. However, gains were less uniform than in prior months as investors weighed elevated valuations, rising geopolitical tensions, and growing scrutiny over the returns on unprecedented AI-related capital spending.

Sectors:

• Samsung, Micron and SK Hynix pass $1T as AI memory becomes a core infrastructure trade: SK Hynix topped $1T in market value, joining Samsung Electronics, which crossed the threshold earlier in May, and Micron Technology, which reached the milestone in late May. The move underscores how AI data-center demand is repricing the memory market, particularly high-bandwidth memory, as tight supply and rising prices turn memory suppliers into central beneficiaries of the AI infrastructure buildout.

• SpaceX IPO brings the AI-and-space infrastructure trade to public markets: SpaceX completed the largest IPO in history, pricing shares at $135 before opening at $150 and closing its first day around $160, valuing the company at roughly $2.1 trillion. The debut highlighted investor appetite for capital-intensive platforms that combine space, satellite broadband, launch infrastructure and AI data-center ambitions, while also raising questions around valuation, governance and retail participation.

• Oracle's earnings spotlight both the scale and cost of the AI cloud buildout: Oracle reported record Q4 revenue of $19.2 billion, up 21%, with cloud revenue up 47% and cloud infrastructure revenue up 93%. Remaining performance obligations jumped to $638 billion, driven largely by large-scale AI contracts, but the company also reported negative FY2026 free cash flow of $23.7 billion and said it expects to raise about $40 billion in FY2027, highlighting the tension between rising AI demand and the capital intensity required to serve it.

• Intel Foundry showed progress on advanced chip manufacturing roadmap: Intel announced that Intel 18A-P entered risk production, positioning it as a performance-enhanced version of Intel 18A with 9% higher performance at iso-power or 18% lower power at iso-performance, while remaining design-rule compatible with Intel 18A. The update matters for the AI semiconductor supply chain because it shows Intel trying to rebuild credibility in leading-edge foundry manufacturing as demand for AI compute continues to rise.

• Accenture's selloff raises questions about AI's near-term payoff for IT services: Accenture reported Q3 FY2026 revenue of $18.7 billion, up 6% in U.S. dollars and 3% in local currency, but new bookings declined to $19.3 billion and the company narrowed full-year local-currency revenue growth guidance to 3%–4%, down from its prior 3%–5% range. Shares sold off sharply after the report, highlighting investor concern that AI is disrupting the traditional IT-services model faster than it is creating visible revenue upside for consultants.

Stocks:

• An overweight position in Lam Research was a contributor following stronger expectations for AI-related wafer-fab-equipment demand, supported by record March-quarter revenue and EPS, guidance for further growth in the June quarter, and continued demand for its etch and deposition tools used in advanced chip manufacturing.

• An underweight position in Microsoft was a contributor as the stock lagged during the month, with investors focusing on the near-term cost of its AI infrastructure buildout, including elevated capex requirements, pressure on cloud margins, and the time needed for AI investments to convert into incremental free cash flow.

• An overweight position in TSMC was a contributor following continued strength in AI accelerator demand, supported by robust monthly revenue growth, high utilization at leading-edge nodes, and investor confidence that TSMC remains one of the main manufacturing beneficiaries of the AI compute cycle.

• Not holding a position in Applied Materials was a detractor following a rally in semiconductor-equipment stocks, supported by stronger expectations for wafer-fab-equipment spending, demand for tools used in DRAM, HBM and advanced packaging, and optimism around AI-driven capacity expansion.

• An underweight position in Micron was a detractor following very strong AI-memory momentum, supported by tight DRAM and HBM supply, improving pricing, record quarterly results, and guidance that pointed to continued demand from datacenter and AI-server customers.

• An underweight position in ASML was a detractor as the stock benefited from improving confidence in advanced-node semiconductor investment, supported by demand for EUV lithography systems, AI-related capacity expansion, and stronger expectations for customer spending on leading-edge chip manufacturing.

Changes:

In June, the fund initiated a new position in SpaceX, a vertically integrated launch, satellite connectivity and emerging AI infrastructure platform. The investment thesis centers on SpaceX's structurally advantaged launch economics, driven by its reusable rocket fleet and dominant position in global launch capacity, which supports both third-party launch demand and the rapid scaling of Starlink. The fund also sees longer-term upside from Starship, direct-to-device connectivity, satellite broadband expansion and potential AI infrastructure opportunities, where SpaceX's control of launch, satellites and connectivity could become increasingly strategically valuable.

The fund also initiated a position in Micron Technology, a leading memory and storage supplier positioned at the center of the AI memory cycle. The investment thesis centers on the sharp increase in memory intensity across AI servers, where demand for DRAM, high-bandwidth memory, NAND and data-center SSDs is rising materially as model training and inference workloads scale. This is supporting tighter supply, stronger pricing, improved margins and greater earnings visibility, making Micron a direct beneficiary of the AI infrastructure buildout.

A new position in Marvell Technology was also established. Marvell has evolved into a higher-purity AI infrastructure semiconductor company, with exposure across custom AI accelerators, optical interconnect, Ethernet switching and datacenter connectivity. The investment thesis centers on growing demand for 800G and 1.6T optics, high-speed switching, custom silicon and rack-scale connectivity solutions, which are increasingly critical as hyperscalers redesign AI clusters around higher bandwidth, lower latency and more efficient data movement.

In June, the fund exited Advantest, the Japanese semiconductor test-equipment company that had been a strong beneficiary of AI-related demand for advanced logic, high-performance compute and memory testing. The sale reflects profit taking after a significant AI-driven rerating, as well as a reallocation toward areas of the semiconductor supply chain where the fund sees more attractive forward upside. While

Advantest remains well positioned structurally, the risk-reward had become less compelling following strong share-price appreciation.

The fund also exited Cboe Global Markets, a high-quality exchange and market-infrastructure business with leading franchises in options, index derivatives, volatility products and market data. The sale reflects a shift away from lower-beta financial infrastructure exposure and toward more direct beneficiaries of AI infrastructure, memory and semiconductor capital spending. Although Cboe remains a strong business, the fund saw a more compelling opportunity set in companies more directly tied to the current AI investment cycle.

The fund continued to actively manage positions by trimming holdings that have seen strong appreciation, including SK Hynix and Broadcom.

Market Outlook and Investment Strategy

• In June, U.S. equity markets consolidated after April and May's rebound, with the S&P 500 slipping roughly -1% as leadership rotated away from technology, semiconductors, and AI-infrastructure beneficiaries into Industrials, Health Care, and Financials, pressured mid-month by a hot May jobs report, a 4.2% CPI print, and Broadcom's soft AI guidance.

• Technology fundamentals stayed resilient in June, with AI infrastructure demand remaining the dominant growth driver. NVIDIA's Vera Rubin platform ramped into full production on June 1, delivering 10x agent throughput versus Grace Blackwell and reinforcing the shift toward large-scale "AI factory" deployment and agentic workloads. Micron's fiscal Q3 numbers underscored the memory leg of the cycle, with revenue of $41.5 billion and data-center revenue at a $100 billion+ annualized run rate as DRAM and NAND demand continued to outpace supply. Combined cloud backlog at Microsoft, Alphabet and Amazon reached roughly $1.5 trillion, with Big-5 hyperscaler capex now tracking toward ~$725 billion in 2026.

• AI-linked earnings and hyperscaler capex again anchored equity market momentum in June, with semiconductor and AI supply-chain leaders driving the S&P 500 to a new all-time high, though gains began broadening into equal-weight, mid- and small-caps. At the same time, the U.S.–Iran interim agreement and reopening of the Strait of Hormuz unwound most of the wartime risk premium, with Brent falling to the low-$70s — easing the energy headwind, though execution and re-escalation risks remain

• AI markets continued to mature in June, with the focus shifting toward agentic workloads, inference efficiency, and demonstrable ROI. Advanced semiconductors, compute, networking, and power remained foundational — reinforced by NVIDIA's Vera Rubin ramping into full production and Big-5 hyperscaler capex tracking toward ~$725 billion in 2026. Differentiation increasingly centered on the application and agentic layer, while investors sharpened scrutiny of whether elevated AI capex can translate into durable revenue and margin expansion — a debate that weighed on Meta and Microsoft post-earnings even as Alphabet and Amazon rallied on visible cloud monetization.

• Infrastructure and models remain core pillars of our positioning. A backdrop of constructive sentiment, improving earnings visibility, and intermittent volatility strengthens the case for active stock selection. As the AI buildout deepens and competitive moats widen across the ecosystem, we see structural tailwinds that support long-term outperformance for well positioned technology leaders.

• We are selectively increasing exposure to companies with demonstrated AI monetization, durable competitive advantages, and clear pathways to scaled adoption. Opportunities remain compelling where valuations do not fully reflect multi-year growth trajectories, particularly in hardware, infrastructure, and enabling technologies that benefit directly from expanding AI workloads and real-world deployment.

Source: BlackRock (Luxembourg) S.A.

Fidelity Global Financial Services Fund

<u>Investment and Market Review</u>

Market Environment

Global financials, as measured by MSCI ACWI Financials Index, recovered strongly over the second quarter. Market returns were particularly robust in April and June, as investors moved back into risk assets amid resilient corporate earnings, improving sentiment and reduced geopolitical risk following the US-Iran de-escalation. The backdrop was supportive for the sector. Stronger equity markets provided a more favourable revenue environment for asset and wealth managers, while a healthier IPO market, highlighted by the record-sized SpaceX listing, improved the outlook for investment banking activity. Banks also benefited from a constructive US yield-curve backdrop, higher interest-rate expectations and continued demand for credit, which supported expectations for net interest income. On the monetary policy front, central banks remained cautious and data dependent. The Federal Reserve left rates unchanged in June, while the European Central Bank (ECB) raised its key policy rates by 25 basis points (bps) in June in response to inflation risks arising from the Middle East war. The Bank of Japan also continued its gradual normalisation path, raising its policy rate by 25 bps to 1.0% at its June meeting, the highest level since September 1995. At the industry level, banks and consumer finance companies were among the stronger areas, helped by resilient credit trends, healthy employment conditions and an operating environment that remained supportive for lending, capital markets and fee-based revenues.

Fund Performance

Strong stock selection in capital markets and banks added value, supported by robust earnings results, increased capital markets activity, higher customer engagement and trading activities, and improving sentiment towards Asian financials stocks.

Capital markets and platforms led returns

Capital markets holdings were the main contributors to returns. Investment platforms such as Interactive Brokers Group and Robinhood benefited from higher market levels, stronger retail client engagement and elevated trading activity. Morgan Stanley also contributed positively, supported by robust wealth management and investment banking trends.

Banks added value, supported by Asia and wealth management

Bank holdings contributed strongly to performance. Japanese banks, including Mizuho Financial Group and Mitsubishi UFJ Financial Group, performed well as the outlook for domestic rates and net interest income remained favourable. Singaporean bank DBS Group also added value, supported by its strong wealth management franchise and resilient business mix.

Insurance exposure was mixed

Insurance exposure was positive overall, with holdings such as IA Financial and Allianz contributing to returns. However, some re-insurance and insurance-related holdings lagged, including Munich Re, Hannover Re, and Berkshire Hathaway. Investor concerns centred on a potentially weak pricing environment, although we remain confident in these companies' ability to compound over time. We expect a combination of self-help measures and investment returns to support growth in earnings per share and book value per share over time, with relatively low volatility.

Market Outlook and Investment Strategy

Fund Positioning

The portfolio managers design the portfolio to give clients interest rate sensitivity and market sensitivity similar to the index, while owning companies with relatively higher quality and/or long-term growth prospects, while maintaining a valuation discipline.

Key focus areas

The fund is positive on banks as higher interest rates remain helpful for margins, while healthy economic activity and good credit conditions support lending and asset quality. There is preference for large-cap US banks with diversified business models, where GDP growth, regulatory developments and improving returns remain supportive. In addition, the managers also see opportunities in US regional banks, where fundamentals are sound and there is potential for M&A, as well as in Singapore and Japanese banks, where wealth management strength and the rates backdrop are attractive. The fund has overweight positions in asset managers and capital markets businesses. Asset managers are benefiting from stronger equity markets, which is driving higher management fees, more client investment, and brokerage activity. There is also expectation that stronger equity markets, high levels of liquidity, more favourable regulations, and improving corporate confidence will likely support a recovery in M&A, IPOs and advisory activity at the investment banks and capital markets businesses.

Source: FIL Investment Management

Franklin Global Sukuk Fund

Investment and Market Review

Markets: Geopolitical events continued to dominate the second quarter of 2026. However, towards the end of the period, the easing of Middle East tensions and a decline in oil prices helped improve investor sentiment. Global aggregate bond indexes registered small positive total returns in US-dollar terms over the quarter. The US Federal Reserve kept rates unchanged during the period, although rising inflationary pressures have raised the possibility of a rate hike by the central bank before year-end. As widely expected, the European Central Bank raised interest rates by 25 basis points in June, the first hike since the late cycle in 2023 and one year after the last cut, as rising energy-driven inflation outweighed concerns about slowing economic growth. Against this backdrop, the sukuk market was also up.

Contributors: Security selection, yield-curve effects.

Detractors: Asset allocation, currency positioning.

In the second quarter of 2026, the fund's security selection contributed significantly to results, principally in quasi-sovereigns (Saudi Electricity Company and Mamoura), corporate financials (Al Rajhi Bank) and sovereigns (Benin and Sharjah).

Its yield-curve effects lifted fund performance meaningfully, primarily owing to Turkish-lira and Egyptian-pound duration exposure, notably carry. US-dollar duration exposure also helped, particularly to shorter-dated assets, although carry subtracted value.

The fund's asset allocation detracted from returns, particularly through an off-benchmark exposure to treasuries, although an underweight position in supranationals had a positive impact.

Its currency positioning weighed on fund results, owing largely to its exposure to the Turkish lira. Nonetheless, the fund's exposure to the Egyptian pound added value.

Market Outlook and Investment Strategy

The high-quality bias in our portfolio remains appropriate in an environment where uncertainty remains high, volatility is rising and risk premiums are adjusting higher for longer. Historically, higher-quality credit has outperformed high-yield during periods of geopolitical and macro uncertainty, particularly where stagflation risks are increasing.

We will continue to monitor developments closely and adjust positioning as warranted by changes in the macro or geopolitical backdrop. Portfolios will continue to prioritise liquidity and quality.

Global sukuk have demonstrated their defensive characteristics with modest drawdowns and a swift recovery following the geopolitical shock, which, in our view, and considering the recent ceasefire, appears to be longer lasting with an increasing impact on regional and global economies.

Source: Franklin Templeton

Franklin Income Fund

Investment and Market Review

Markets: US equities, as measured by the S&P 500 Index, rebounded strongly during the second quarter of 2026, recovering from a weak start to the year as investor confidence improved despite ongoing geopolitical uncertainty. Sentiment was supported by robust corporate earnings, particularly from companies exposed to artificial intelligence (AI) infrastructure, with continued increases in capital expenditure reinforcing confidence that the AI investment cycle remained intact.

Contributors: Both the fixed income and equity sides of the portfolio contributed to the fund's absolute returns. On a relative basis, underweight positioning and selection within fixed income assisted results, as did an overweight allocation to equities.

Detractors: Stock selection detracted from relative equity performance.

Franklin Income Fund — A (Mdis) USD shares without sales charges — underperformed its benchmark, the Blended 50% MSCI USA High Dividend Yield Index + 25% Bloomberg High Yield Very Liquid Index + 25% Bloomberg US Aggregate Index, for the quarter ended June 30, 2026.

Over the course of the quarter, the fund increased its fixed income allocation and decreased its equity exposure.

Fixed income allocations to health care, industrials and consumer discretionary securities had a positive effect on absolute fund performance. Meanwhile, no sectors hindered results during the period.

On an individual issuer basis, Community Health Systems, Organon & Co. and US Treasuries were leading contributors within the fund's fixed income positioning. In contrast, Tronox Holdings detracted from returns.

In terms of equities, the fund benefitted from positions within the information technology, health care and financials sectors. This positive performance was partially offset by energy, materials and communication services stocks, which detracted from absolute results.

UnitedHealth Group, Cisco Systems and Microchip Technology added value to the fund's equity holdings. However, Accenture, ExxonMobil Holdings and Chevron detracted from returns during the period.

Market Outlook and Investment Strategy

Economy: The outlook for economic growth and inflation continues to be a major area of focus for the fund. The US economy remains resilient, but ongoing uncertainty in monetary and fiscal policy, as well as trade and geopolitical risks, remain sources of volatility. Moreover, while the labour market has incrementally cooled, unemployment levels are still low on a historical basis. We continue to monitor financial conditions as a leading indicator of future economic performance and Fed policy.

Equities: The start of 2026 saw elevated equity market dispersion after an extended period of very narrow market breadth. Amid the recent return to more narrow market leadership, we have found select opportunities within the communication services and financials sectors. Ultimately, given current valuations, we remain selective in engaging with equities and continue to focus on broad diversification across sectors while maintaining flexibility to capitalise on potential dislocations.

Treasuries/Government-Backed Bonds: Government securities continue to provide a compelling investment opportunity, in our view, as yields remain elevated based on recent history. We believe they continue to offer good diversification potential and can serve as a ballast to help hedge portfolios during market volatility.

Investment-Grade Corporate Bonds: Absolute yield levels remain compelling for an income-generating strategy, but credit spreads remain near cycle lows, despite some recent widening. With credit spreads at current levels, we believe future returns may be driven by interest-rate moves and carry rather than from meaningful spread compression.

High-Yield Corporate Bonds: Although we think the high-yield market offers compelling yields, we remain balanced and selective with a focus on strong company fundamentals. We maintain a vigilant approach to security selection within our high-yield portfolio, with our preference for companies that have a greater degree of flexibility to address upcoming maturities.

Source: Franklin Templeton

Franklin India Fund

Investment and Market Review

Markets: Indian stocks fell slightly on prolonged geopolitical tensions.

Contributors: The fund outperformed its benchmark, the MSCI India, for the month, primarily due to stock selection and overweight allocations in Health Care and Consumer Discretionary, and stock selection in Information Technology.

Detractors: Stock selection in Financials, stock selection and an underweight in Industrials, and an underweight in Materials detracted from relative performance for the month.

Indian stocks fell slightly on prolonged geopolitical tensions. Jewellery stocks also fell after the government urged less gold buying. Higher import duties on gold and silver also weighed on returns.

The fund outperformed its benchmark, the MSCI India, for the month, primarily due to stock selection and overweight allocations in Health Care and Consumer Discretionary, and stock selection in Information Technology.

Tata Motors Passenger Vehicles is the third largest car manufacturer in India, and part of conglomerate Tata Group. Its share price rose on a partnership between a US-based automaker and Tata Motors Passenger Vehicles' Jaguar Land Rover (JLR) product line to explore joint car development in the US. This could help the JLR increase presence in the US market. We remain positive on the company based on the improvements in the operational performance of its JLR line.

Stock selection in Financials, stock selection and an underweight in Industrials, and an underweight in Materials detracted from relative performance for the month.

HDFC Bank is India's leading private sector bank. Its shares fell on reports of an investigation over governance concerns.

Market Outlook and Investment Strategy

The US–Iran conflict has made some investors cautious about Indian equities. Many worry that higher energy prices could hurt earnings, push up inflation, and weaken sentiment. However, India is less sensitive than in the past. Its oil use per unit of gross domestic product has fallen over time. This means higher oil prices now have a smaller impact on growth.

India entered 2026 in a strong position. Domestic demand is steady, helped by reforms and rising investment. Spending is broadly stable, although some high-value and non-essential purchases have slowed. Jobs remain stable, especially in tech services. This reflects India's cost advantage and its role in global delivery models.

The India–US trade deal also helps reduce uncertainty. Lower tariffs and closer ties improve visibility for exports. This should support sentiment and earnings in export sectors. It also strengthens India's role in global supply chains.

In the short term, earnings may face pressure. Higher energy costs and macro risks could lead to weaker forecasts. However, growth is likely to recover to the mid-teens in 2027. This will be driven by financials, steady demand, and lower input costs, if energy markets stabilise. Profitability remains solid, with margins and returns still strong versus history and emerging market peers.

For long-term investors, current market swings may offer an entry point. Gradually adding exposure could be attractive after the recent pullback. Even if near-term earnings weaken, valuations still offer good return potential over three years. A phased and disciplined approach can help manage short-term risks while capturing India's long-term growth.

Source: Franklin Templeton

Franklin K2 Alternative Strategies Fund

Investment and Market Review

Markets: Global equities, as measured by the MSCI All Country World Index, rebounded strongly in the second quarter of 2026, recovering from the March energy shock as easing Middle East tensions, lower oil prices and broadly improving investor sentiment restored risk appetite. Growth stocks regained leadership, supported by renewed enthusiasm for artificial intelligence (AI), semiconductors and data centres, although markets declined in June as investors became more selective amid questions around AI spending and higher bond yields. As measured by the MCSI All Country indexes, Asia Pacific and the United States outperformed Europe, while emerging markets outpaced developed markets. Despite US Treasury yields moving higher, narrowing credit spreads helped fixed income spread sectors post positive absolute returns, with high-yield bonds broadly outperforming, as measured by Bloomberg indexes. Broad commodity benchmarks retreated from their 2026 highs during the quarter but finished well above their year-ago levels. Oil futures fell more than 20%, posting their largest quarterly decline since 2020.

Contributors: The Global Macro and Long Short Equity strategies drove the portfolio's quarterly advance, led by Global Macro subadvisors CFM and Graham, as well as Long Short Equity subadvisors Electron and ActusRay. Overall, three of the four primary strategies contributed, with no representation for the Event Driven strategy. Nine of the 10 underlying managers contributed. At the asset-class level, long fixed income positioning made the largest contribution.

Detractors: Long equity positioning weighed substantially on returns. Long credit positioning was a more modest detractor. While all active strategies contributed, subadvisor Athena was the lone subadvisor to detract overall.

On a gross basis, three of the four primary strategies and nine of the ten underlying managers contributed to the portfolio's performance during the quarter. The Global Macro and Long Short Equity strategies were the largest contributors, while Relative Value provided a meaningful boost. The Event Driven strategy had no impact, as the team exited the strategy's lone active subadvisor, Bardin Hill, in September 2025. The Strategic Overlay was a substantial contributor. At the asset-class level, long fixed income positioning was the dominant driver of positive returns, with a modest contribution from currency hedges and short interest rate positioning. Bonds in the information technology (IT) sector accounted for more than half of the portfolio's gains during the period. In contrast, equity positioning, which was long overall, weighed substantially on returns. Overall, positioning in IT was short, and detraction from equities nearly offset the sector's fixed income contribution. Long credit positioning was a modest detractor.

The Global Macro strategy was the month's largest contributing strategy. Long fixed income positioning and long equity positioning led contributors, with additional gains from currency hedges and short interest rate positioning. Only credit positioning, which was long overall, detracted. Fixed income gains were concentrated in emerging market sovereign bonds, while contribution from equities was keyed by longs in South Korean indexes. All three subadvisors contributed, led by CFM and Graham, which trailed only Long Short Equity subadvisor Electron across all strategies. CFM recorded gains all six of its asset classes, led by currency hedges, particularly shorts of the Japanese yen and the euro. Short equity positioning was a modest contributor, as gains from South Korea's KOSPI 200 Index and the S&P 500 Index were offset by hedges from the Russell 2000 Index and FTSE Taiwan Index. Graham's gains were concentrated in equities, primarily long positions in the Nasdaq 100 Index and Nikkei 225 Index. Subadvisor BlueBay's long fixed income positioning, led by sovereigns in Columbia, Argentina and Mexico, drove the subadvisor's contribution. Long equity and credit positioning detracted.

Long Short Equity was a key contributor, falling just a few basis points behind Global Macro. Long equity positioning drove gains, led by the health care, information technology and industrials sectors. Subadvisor Electron was the period's largest overall contributor, while ActusRay ranked fourth and subadvisor Jennison provided a slight boost. Electron's gains, largely due to long equity positioning, were concentrated in the technology hardware and equipment industry and the capital goods industry, where long positioning was broadly supported by continued investment tied to global electrification and energy transition initiatives, as well as rising demand for advanced components underpinning data centre and AI infrastructure. Key contributors included long positions in a Germany-based energy equipment manufacturer, a U.S.-based infrastructure contractor and a Singapore-based global electronics manufacturing services provider. ActusRay recovered from a challenging April to make a substantial contribution, owing largely to European and Asian equities, where the subadvisor's long-book gains sharply outweighed losses from its short book. The discretionary overlay drove contribution, offsetting modest detraction from the quant base. Regionally, South Korea and Italy were key contributors. Financials and IT were among the largest contributing sectors. Jennison's equity and currency positioning detracted, but cash positioning drove the subadvisor's slight contribution.

The Strategic Overlay was a substantial contributor, as its long positioning in the S&P 500 and Nasdaq 100 index futures generated a 28%-plus positive return.

The Relative Value strategy was also a meaningful contributor, as contribution from long fixed income positioning outweighed detraction from short equity positioning. Credit positioning, which was short overall, weighed modestly on returns. Subadvisors Lazard and Apollo were meaningful contributors. In contrast, subadvisor Athena detracted. For Lazard, fixed income gains outweighed losses from short equity positioning, led by gains in information technology, and especially software and services. Apollo's long equity and long fixed income positioning drove contribution, led by communication services and consumer discretionary holdings. Gains were partially offset by detraction from credit hedges. Athena was the quarter's lone detracting subadvisor, weighed down by equity positioning, as shorts in industrials and IT detracted.

During the quarter, the team made no significant adjustments to the portfolio's strategy weights.

Market Outlook and Investment Strategy

As we enter the second half of 2026, the investment landscape remains constructive but increasingly dependent on continued economic resilience and supportive policy expectations. Risk assets have benefitted from improved liquidity, resilient corporate earnings and ongoing investment tied to artificial intelligence (AI) and productivity-enhancing technologies. However, elevated valuations, concentrated market leadership and heightened sensitivity to macroeconomic and geopolitical developments have left markets vulnerable to bouts of volatility and rapid repricing.

While financial conditions remain generally supportive, recent inflation surprises, evolving central- bank expectations and persistent geopolitical tensions have narrowed the margin for policy flexibility. As a result, investors face a backdrop in which optimism remains prevalent, but the tolerance for disappointment appears increasingly limited. We believe this environment is likely to produce greater differentiation across regions, sectors, industries and individual securities.

In this setting, we also believe hedge funds remain well positioned to provide diversification, active risk management and alpha generation. Rising dispersion, uneven fundamental performance and periodic market dislocations are creating attractive opportunities for managers with flexible mandates and disciplined risk frameworks. We continue to favour strategies that emphasise security selection over broad market exposure, capitalise on episodic volatility and can adapt quickly as market leadership, policy expectations and macroeconomic narratives evolve.

During the quarter, we moved to a more constructive, "overweight" outlook for Long Short Equity strategies on the back of solid fundamentals, strong earnings reactions, reduced intra-stock correlation and elevated dispersion across single-stocks, market caps, sectors and geographies. The set of investment opportunities has broadened beyond the mega-cap hyperscalers that have largely driven markets in recent years. Additionally, as the impacts of AI and related technologies permeate throughout the economy, they are likely to create additional cohorts of winners and losers across sectors, thereby deepening the opportunity set on both the long and short sides.

We maintain a neutral outlook for the portfolio's other primary strategies.

The opportunity set remains robust for Global Macro strategies, particularly for tactical approaches that can react to shifts in geopolitics, policy and economic trends. Managers continue to face an environment with multiple opportunities, though sharp reversals remain possible as markets react to macro-driven newsflow. Developed market central banks remain a key focus as policymakers respond to changing growth and inflation data, while emerging market specialists continue to find opportunities from leadership changes and idiosyncratic developments. We maintain our long-term conviction in systematic strategies, as persistent macro trends and asset class dispersion could remain supportive.

Our Relative Value strategy outlook has remained neutral, albeit with modest downgrades at the sub-strategy level. Convertible arbitrage has benefitted from record issuance tied to refinancing needs and AI-related infrastructure spending, though new bonds are often priced richly and competition remains intense. Within volatility, persistent selling has suppressed levels and limited breakouts during market corrections, while central bank issuance, refinancing activity and investor demand have supported fixed income relative value strategies. Despite favourable conditions, risks tied to policy missteps and a fragile, leveraged market backdrop lead us to maintain a balanced outlook.

The outlook for Event Driven remains neutral, though marginally improved from the prior quarter due in part to improvements at the sub-strategy level. First-quarter equity market volatility has largely subsided, releasing pent-up demand for corporate activity. Record levels of mergers and acquisitions, leverage buyouts, activist campaigns, and initial public offering issuance are creating ample opportunities for managers and are expected to remain supportive through year-end. Offsetting some of this optimism are tight event spreads, elevated equity valuations and potential fragility in credit markets.

Source: Franklin Templeton

Franklin Technology Fund

Investment and Market Review

Markets: Global equities delivered robust gains during the second quarter of 2026 (2Q26), buoyed by improving corporate earnings and a decisive rotation into technology-driven growth themes. The de-escalation of geopolitical tensions in the Middle East and the subsequent decline in energy prices provided a constructive backdrop for risk assets, while the AI-driven capital expenditure cycle remained a dominant force, underpinning earnings revisions across sectors.

Contributors: Effective security selection across several core industry allocations, including semiconductors, systems software, tech hardware, application software, and electronic components.

Detractors: A mix of declines or lagging gains in 12 out of 16 off-benchmark industries, with relative returns hindered foremost by interactive media and services, broadline retail, and movies/entertainment holdings.

The fund’s (Class A, net of fees) 2Q26 outperformance versus the MSCI World Information Technology Index was driven almost entirely by security selection, while asset allocation was a minor headwind that reflected the cost of holding non-benchmark sector and industry exposures. A key factor was an overweighting in leading semiconductor and AI infrastructure companies and underweighting in slower-growing legacy IT constituents in the benchmark.

Semiconductor holdings covered 39% of the portfolio and combined for a 66% gain, with results versus the index aided by impressive rallies for overweight or off-benchmark contributors such as Arm Holdings (+133%), Micron Technology (+242%), Marvell Technology (+202%), SK Hynix (+63%; purchased during the period) and Advanced Micro Devices

(+185%). Keeping less than half the index's 19.5% exposure to chipmaking giant NVIDIA further lifted relative returns as NVIDIA's 15% gain trailed the benchmark. Chip stocks notched their best quarter on record despite intermittent selloffs. Aside from robust financial metrics and momentum during the 1Q26 earnings season, AI data centre buildout remained the dominant narrative, with NVIDIA, AMD, Broadcom (also held by the fund) and other GPU/network names setting new highs as hyperscale capex and AI infrastructure orders remained solid. At the same time, the "old economy" side of semis inflected: earnings from analogue and power management names showed evidence that a roughly two-year industrial destocking phase had ended and demand was re-accelerating, especially for industrial and automotive chips.

The fund's limited exposures to mega-capitalisation laggards such as Microsoft (up only 1% in 2Q26) in systems software, and Apple (+14%) in the tech hardware industry, were helpful. When combined, they covered just over 8% of the portfolio while representing more than 28% of the cap-weighted index. Apple and Microsoft still delivered strong earnings and robust forward guidance, even as both navigated supply chain and investor sentiment headwinds.

Other pockets of relative and absolute strength included electronic components, where off-index Samsung Electro-Mechanics (purchased during the period) more than quadrupled in value; and semi materials and equipment, as overweight positions in Applied Materials and Lam Research more than doubled. Samsung reported a sharp earnings inflection and guidance upgrade tied to exploding demand for high-value multilayer ceramic capacitors (MLCCs) and advanced package substrates used in AI servers and accelerators. Anticipation of double-digit MLCC price hikes, alongside structurally tighter supply conditions down the AI hardware supply chain, helped fuel the rally.

Despite a solid combined gain of more than 71% for the fund's pre- and post-initial public offering (IPO) investments in Space Exploration Technologies (SpaceX), communication services sector stocks (comprising about 10% of the portfolio) were the largest single source of allocation underperformance. Off-benchmark interactive media and services industry investments in Meta Platforms and China-based Tencent Holdings failed to advance, while the roughly 23% gain for Alphabet (Google) trailed the benchmark. In contrast to the sharp rally in AI infrastructure and "picks-and-shovels" stocks, all three companies sat on the disadvantaged side of this phase of the AI trade: large, ad-driven platforms with heavy but noisy AI capex, less visible incremental monetisation and persistent regulatory overhangs.

Tech-adjacent e-commerce detractors Amazon.com, Alibaba Group Holding and MercadoLibre posted mixed and relatively weak returns. Investors treated them more as cyclical, macro-sensitive consumer and fintech platforms than as pure AI or infrastructure beneficiaries, making them natural funding sources during the AI-led rally. Ongoing investment in logistics, cloud and fintech, together with regulatory overhangs (notably in China) and near-term margin and valuation concerns, further tempered appetite even as underlying revenue growth remained robust.

Market Outlook and Investment Strategy

We remain positive on technology sector fundamentals heading into July. While the macroeconomic backdrop is not without risk, we see a relatively stable environment ahead as oil prices decline on the expectation of a US-Iran resolution. This, combined with the ongoing AI investment cycle, should support continued positive earnings revisions for the tech sector. Year-to-date, we've seen a 19% increase in 2026 earnings expectations for companies tracked by the MSCI World IT Index, driven largely by semiconductor and data centre hardware companies tied to AI capital investment. We expect strong fundamental performance in these industries to continue into the 2Q26 corporate earnings season (which starts in mid-July), as the demand backdrop for AI compute capacity remains robust. We're also finding opportunities beyond semiconductors, particularly in companies that are enabling or using AI and showing improved growth and/or profitability as a result.

Source: Franklin Templeton

Franklin Templeton Western Asset Asian Opportunities

Investment and Market Review

Markets: The news in June was dominated by the Middle East conflict. Periodic escalations were followed by ceasefire efforts. Investor sentiment improved with the signing of the US-Iran memorandum of understanding. Markets grew hopeful that the Strait of Hormuz would reopen, normalising energy flows and easing stagflation (i.e., stagnant economy and persistently high inflation) concerns.

Contributors: Overweight duration in the Philippines, Thailand, India and Korea; underweight >15 years in Korea, underweight 10–15 years in Indonesia, overweight Singapore >15 years and overweight China 15–20 years; underweight Thai baht and overweight Indian rupee.

Detractors: Overweight duration in Indonesia and underweight duration in Singapore; overweight Malaysian ringgit, Singapore dollar, Chinese yuan and Korean won.

Asian currencies were weaker for the month of June on the back of markets repricing in a more hawkish-sounding US Federal Reserve chair, which resulted in US-dollar strength. Our overweights in select Asian currencies on fundamental current account strength was a detractor, while our underweight in the Thai baht and overweight in the Indian rupee were contributors to performance.

Asian bond yields broadly outperformed bear-flattening moves in US Treasuries for the month. Singapore, China and Thailand were outperformers from which the portfolio benefitted, given our overweights in the long end of the Singapore and China yield curves, though the overall underweight duration in Singapore was a detractor. Indonesia underperformed on concerns over fiscal rectitude, and our overweights there were a detractor.

Market Outlook and Investment Strategy

Global fixed income markets are navigating heightened uncertainty driven by geopolitical tensions in the Middle East, rapid technological change and increased scrutiny of private credit markets. Energy-related supply disruptions have lifted near-term inflation and triggered a sharp reset in market expectations for central bank policy, with investors pricing rate hikes rather than the cuts anticipated earlier in the year.

While near-term inflation pressures are evident, longer-term inflation expectations remain well-anchored, and we believe the magnitude of the recent rate repricing may be somewhat overdone. Global growth is expected to moderate, with the United States remaining relatively more resilient than other regions due to energy independence, fiscal support and strong underlying fundamentals.

Despite tight valuations across spread sectors, credit fundamentals remain supportive. We favour selectively adding short-end duration and taking advantage of high-quality opportunities in corporate new issuance, AI-related financing activity and select areas of securitised credit, including commercial mortgage backed securities and collateralised loan obligations.

Source: Franklin Templeton

Franklin Templeton Western Asset Global Bond Trust

Investment and Market Review

Markets: Market news in June was dominated by the Middle East conflict. Periodic escalations were followed by ceasefire efforts. Investor sentiment improved with the signing of the US-Iran memorandum of understanding. Markets grew hopeful that the Strait of Hormuz would reopen, normalising energy flows and easing stagflation (i.e., stagnant economy and persistently high inflation) concerns.

Contributors: Overweight core European duration added to returns. Overweight Australian and Norwegian government bonds added to returns. Overweight select local-currency emerging market bonds also added to returns.

Detractors: A flatter US yield curve detracted from returns. Allocation to US inflation-linked bonds detracted from returns. Overweight Norwegian krone and Polish zloty also detracted from returns.

In the United States, the US Federal Reserve (Fed) kept the target range for the fed funds rate unchanged at 3.50%–3.75% at incoming Fed Chair Kevin Warsh's first committee meeting. The Fed's post-meeting statement noted expanding economic activity and elevated inflation, with Chair Warsh emphasising a commitment to restore price stability. Data pointed to a resilient job market, and the US yield curve flattened as the market priced in more Fed rate hikes by year-end.

The European Central Bank (ECB) raised interest rates by 25 basis points (bps), taking the deposit rate to 2.25%. ECB President Christine Lagarde provided little forward guidance, instead emphasising data dependence. Growth projections were downgraded, while short-term inflation projections were upgraded. Eurozone headline inflation rose to 3.2% year-over-year (y/y), with some ECB officials commenting hawkishly on the prospect of future rate hikes. A large downward revision to Irish growth in the first quarter led to a notable softening in the area-wide reading. Over the month, core European government bond yields fell.

The Bank of England held the Bank Rate at 3.75%, with two Monetary Policy Committee members voting for a 25-bp hike. Guidance language was unchanged, with the committee indicating it "stands ready to act as necessary" to ensure inflation meets its 2% target. April's contractionary gross domestic product (GDP) reading of -0.1% month-over-month, lower-than-expected headline Consumer Price Index (CPI) inflation of 2.8% y/y and softer private-sector regular pay growth helped to suppress Gilt yields. The political situation intensified as Prime Minister Keir Starmer resigned after challenger Andy Burnham's convincing by-election victory. Despite the political turmoil, UK government bond yields ended the month lower.

In Japan, the Bank of Japan (BoJ) raised rates by 25 bps to 1.0%. BoJ Deputy Governor Shinichi Uchida pointed to strong growth and elevated inflation. Late in the month, Prime Minister Sanae Takaichi laid out Japan's largest-ever spending plan (¥370 trillion by 2040), igniting further concern surrounding the country's fiscal outlook. Japanese government bond yields ended the month broadly unchanged.

The Reserve Bank of Australia held its cash rate target at 4.35%, noting a tightening bias in its statement given caution regarding inflation. The Norges Bank also left its policy rate at 4.25% but signalled possible further rate hikes. However, Australian and Norwegian government bond yields fell.

The National Bank of Poland held its policy rate at 3.75%. The Bank of Indonesia raised its policy rate twice, to 5.75%, to defend against currency weakness and capital flight. Rising inflationary pressures and fiscal credibility issues in both countries added to investor concern. Polish government bond yields fell, whereas Indonesian government bond yields rose.

Spread sectors performed broadly in line with government bonds. Markets navigated crosscurrents of a volatile macroeconomic backdrop and a deluge of corporate issuance amid relatively firm technical factors. Spreads generally remained near year-to-date lows. Meanwhile, the US dollar strengthened.

Overweight core European duration added to returns. Overweight Australian and Norwegian government bonds added to returns. Overweight select local-currency emerging market bonds also added to returns.

A flatter US yield curve detracted from returns. Allocation to US inflation-linked bonds detracted from returns. Overweight Norwegian krone and Polish zloty also detracted from returns.

During the month, the portfolio manager closed a Japanese curve flattening exposure. The portfolio manager closed overweight Mexican peso and underweight Chinese renminbi exposures. The portfolio manager initiated overweight Australian dollar, Japanese yen and Polish zloty positions. The portfolio manager reduced overweight euro position.

Market Outlook and Investment Strategy

Global fixed income markets are navigating heightened uncertainty driven by geopolitical tensions in the Middle East, rapid technological change and increased scrutiny of private credit markets. Energy-related supply disruptions have lifted near-term inflation and triggered a sharp reset in market expectations for central bank policy, with investors pricing rate hikes rather than the cuts anticipated earlier in the year.

While near-term inflation pressures are evident, longer term inflation expectations remain well-anchored, and we believe the magnitude of the recent rate repricing may be somewhat overdone. Global growth is expected to moderate, with the United States remaining relatively more resilient than other regions due to energy independence, fiscal support and strong underlying fundamentals.

Despite tight valuations across spread sectors, credit fundamentals remain supportive. We favour selectively adding short-end duration and taking advantage of high-quality opportunities in corporate new issuance, artificial intelligence (AI)-related financing activity and select areas of securitised credit, including commercial mortgage-backed securities and collateralised loan obligations.

Source: Franklin Templeton

Fullerton Total Return Multi-Asset Advantage Fund

Investment and Market Review

The first half of 2026 was split between a sharp first-quarter risk-off phase and a strong second-quarter recovery. In Q1, the escalation of the Middle East conflict, effective closure of the Strait of Hormuz and surge in oil prices revived inflation concerns and weighed on both equities and bonds, while gold was one of the more effective portfolio hedges.

In Q2, markets rebounded as the initial energy shock became more manageable and macro data and earnings remained resilient. Equities recovered strongly, led by AI-related capex enthusiasm and renewed strength in technology and semiconductor-linked markets, particularly in Asia ex-Japan and Korea. Commodities were more mixed: gold lost momentum as geopolitical fears eased, while oil remained volatile even as the worst of the Middle East shock faded.

Portfolio strategy remained dynamic through the period. We de-risked further into the March escalation, then participated in the Q2 recovery while staying alert to stretched positioning and crowded AI-related trades. By late June, we had again turned more measured, taking some profits in technology, raising cash, lowering portfolio beta and keeping hedges in place as market leadership narrowed and risk appetite became more fragile.

In terms of major asset classes, equities saw a volatile first half. Global and regional markets were hit hard in March as investors de-risked on the back of the Middle East conflict, higher oil prices and renewed inflation concerns, with AI-linked and growth segments particularly exposed to valuation resets and profit-taking. Conditions then improved markedly in the second quarter as the initial energy shock became more manageable and investors regained confidence in resilient earnings and AI-related capex, although by June the rebound had become more mixed as tighter excess liquidity and richer valuations prompted some consolidation. Within Asia, performance remained highly differentiated, with markets more closely tied to AI hardware and export momentum rebounding strongly, while China lagged on weaker domestic sentiment and uneven policy traction.

Fixed income experienced a similarly uneven path. The first quarter saw higher energy prices and geopolitical stress disrupt the benign disinflation narrative, pushing global government bond yields higher and leaving long-duration sovereigns vulnerable to inflation and term-premia concerns. By contrast, Asian investment grade credit proved relatively resilient throughout the half year, supported by carry and still-solid corporate fundamentals, while the second quarter brought a modest recovery in fixed income returns overall even though long-end yields remained sensitive to fiscal spending, inflation expectations and policy uncertainty.

Commodities were central to the macro narrative over the period. Gold was a useful hedge in the first quarter despite a late pullback, as investors sought protection against policy uncertainty, geopolitical escalation and fiscal stress, while Brent crude surged sharply on fears of supply disruption linked to the Strait of Hormuz. In the second quarter, as the immediate war-related energy shock became more manageable, the energy risk premium unwound materially and Brent crude fell back, while gold also weakened as geopolitical anxiety receded, the US dollar firmed and investors rotated back into risk assets.

Market Outlook and Investment Strategy

Our baseline view remains that global growth should stay supportive of risk assets, underpinned by resilient earnings, AI-related investment and still-firm US activity, while Asia ex-Japan continues to benefit from technology export momentum and Singapore from resilient domestic conditions and shareholder-value themes. At the same time, we expect the market environment to remain more selective and volatile than in the earlier part of the rebound, as tighter excess liquidity, elevated valuations, market concentration and lingering geopolitical tail risks create a less forgiving backdrop.

Within equities, we remain constructive yet selective. Technology and industrials remain important drivers of the global rally, but the bar for continued outperformance is now higher after the very strong Q2 move, so our focus remains on identifying durable beneficiaries of AI-related investment and productivity gains while being cautious on areas where expectations and positioning appear stretched. Recent positioning has therefore become more balanced: technology exposure has been trimmed from earlier overweight levels, industrials remain preferred, financials are being added gradually, and we are watching closely for further signs that near-term deleveraging in crowded areas may create better entry points later in the year.

Within fixed income, we continue to emphasise broad diversification, selective credit and high-quality carry, while maintaining caution on longer-term duration given sticky inflation, fiscal pressures and term-premia risk. We remain positive on Asian investment grade credit, where corporate balance sheets and spread compensation remain broadly consistent with resilient fundamentals, while duration is being managed dynamically and only extended gradually where the risk-reward looks more compelling.

Overall, our strategy remains focused on selective and prudent risk-taking. We continue to believe that the medium-term backdrop can still support growth assets, but recent market dynamics underscore the importance of staying nimble, keeping a close watch on liquidity and geopolitics, and using dynamic asset allocation, diversification and robust tail-risk management to navigate a more uneven second half of 2026.

Source: Fullerton

Fundsmith Equity Fund

<u>Investment and Market Review</u>

Our Fund was down by 1.6% in the first six months of the year, 14.3 percentage points less than what is perhaps the most obvious comparator — the MSCI World Index (€ net). (Note we do not hedge currency exposure and so the main difference in performance between the different currency share classes is due to currency movements in the period. These currency movements also impact the performance of the comparator, MSCI World Index.) I have moved the usual analysis of attribution of that performance to an Appendix to this letter as there is another subject I wish to cover first, namely what we are going to do about this performance.

The backdrop to this continues to be a market which is dominated by so-called passive or index funds (of which the majority are ETFs) and the boom surrounding AI which have combined to produce a market dominated by momentum rather than any fundamental factors like profitability, returns on capital and growth — in other words the factors we focus on.

<u>Market Outlook and Investment Strategy</u>

It is against this background that we are implementing some adaption in our fund management process.

But let me begin by stressing what will not change.

Our investment mantra is to seek to:

1. Buy good companies

2. Don’t overpay

3. Do nothing

We have no intention of investing in anything other than good businesses whose characteristics are such that they should compound in value over time better than the market average and at reasonable valuations as well as providing some fundamental support for the value of our investment in the event of a market dislocation.

However, it seems clear that the third leg of our strategy which probably needs the most change and our portfolio turnover hit a high of 52% in the first half of this year as we made significant changes in the portfolio. However, you should not expect that level of turnover to become the norm.

In a market in which share price moves of 33% per day for even large stocks are not uncommon a buy and hold strategy can only work if you are not subject to flows, and we are. Sticking to our current approach may well fall foul of the adage that the market can remain illogical longer than we can remain in business. You should therefore expect that we will be more active in future. I still expect our turnover and its cost to be significantly below that of most active funds, but it may well be higher than our historic average.

Source: Fundsmith

Goldman Sachs Emerging Markets CORE Equity Portfolio

Investment and Market Review

Market Review

The MSCI Emerging Markets Index (USD, NTR) gained 24.05% in the second quarter of 2026.

During the quarter, at a monthly level, the index moved 14.71% in the month of April, followed by 9.69% in May, and finally closing with -1.41% in June.

Among related benchmarks, during the same period, the MSCI EM Asia Index (USD, NTR) gained 30.18%, the MSCI EM LatAm Index (USD, NTR) slipped -3.59%, while the MSCI EM Europe and Middle East Index (USD, NTR) gained 4.06%.

Among countries, on a relative basis, stocks in Korea and Taiwan contributed most positively to benchmark returns, primarily driven by gains from Information Technology and Industrials sectors. On the flip side, stocks in Brazil and China contributed most negatively to benchmark returns, primarily driven by challenged performance in Consumer Discretionary and Communication Services sectors.

In terms of size factor, large caps outperformed small caps significantly, while in terms of style factors, Value underperformed Growth significantly.

Performance Attribution:

The Goldman Sachs Emerging Markets CORE Equity Portfolio Class I Shares (Acc.) (Close) returned -1.63% during the period, underperforming its benchmark, MSCI Emerging Markets (Net Total Return, Unhedged, USD) (-1.41%), by 22 bps on a net basis. The Goldman Sachs Emerging Markets CORE Equity Portfolio Base Shares (Acc.) (Close) returned -1.66% during the period, underperforming its benchmark, MSCI Emerging Markets (Net Total Return, Unhedged, USD) (-1.41%), by 25 bps on a net basis. The bottom-up stock selection detracted from relative performance while the top-down country selection contributed positively to excess returns over the period.

Among investment themes, signals within the Fundamental Mispricings pillar were challenged during the period. Conversely, signals within the Themes and Trends pillar contributed particularly strongly to relative returns followed by the suite of signals within Sentiment Analysis. signals within the High-Quality Business Models pillar remained relatively flat during the period.

The factors looking at relative valuation within the Fundamental Mispricings pillar hurt relative performance. These signals focus on a company's current valuation relative to peers in the market. Moreover, within High-Quality Business Models, signals gauging management quality detracted considerably during the period. On the other hand, within Themes and Trends, industry momentum factors performed significantly well. These factors aim to identify trending industries that have exhibited strong historical performance. Meanwhile, signals gauging analyst & management sentiment within the Sentiment Analysis pillar helped relative performance meaningfully.

Among sectors, holdings within the Industrials sector detracted the most from relative performance, with an underweight position within the Industrial Conglomerates industry being especially challenged. On the upside, holdings within the Information Technology sector contributed the most to excess returns, with an overall overweight position within the Semiconductors & Semiconductor Equipment industry contributing particularly strongly.

At an individual stock level, an underweight position in SK Square Co Ltd, held primarily due to views on Themes and Trends related factors did not do well. Conversely, an overweight position in SK hynix Inc, held primarily due to views around Themes and Trends related factors, performed well.

Among countries, the position in Taiwan detracted the most from relative performance. On the other hand, the positioning in Korea helped relative performance during the period.

Source: Goldman Sachs

HSBC GIF Asia Bond

Investment and Market Review

The Asia credit market has delivered positive returns over the past year, with both Treasury and spread performance contributing. US Treasury yields moved higher across most of the curve, as oil prices rose on

Middle East tensions—lifting inflation risk premia—and markets increasingly priced out near-term policy easing.

The risk-on tone was evident across credit quality, with high yield outperforming investment grade. Within investment grade, Indian utilities and infrastructure, along with Chinese financials, led performance. By contrast, select Chinese and Indonesian consumer credits, as well as Chinese sovereign debt, lagged. Within high yield, some Hong Kong property credits benefited from successful liability management exercises, while Pakistani quasi-sovereigns and Indonesian transport credits also ranked among the top performers. Conversely, the Chinese and Philippine real estate sectors, along with the Chinese consumer sector, were among the weakest performers, weighed down by adverse developments at select issuers.

Market Outlook and Investment Strategy

Asia USD credit has delivered a positive year to date total return, underscoring its resilience despite shocks from geopolitical uncertainty. Direct exposure to the Middle East is limited, and our sector review suggests that the impact is negligible to moderate across most sectors. The main risk is a non-linear economic hit should energy supplies tighten, which we will monitor closely.

At the start of the year, we highlighted our focus on carry and idiosyncratic credit opportunities, given that spreads were already compressed but overall yields remained attractive — and this view remains unchanged. Looking ahead, Asia USD credit should continue to benefit from a resilient macro backdrop, solid credit fundamentals and supportive technicals. Corporate earnings expectations for 2026 remain robust across much of the region, reinforcing issuers' ability to maintain balance sheet strength.

Asian investment-grade corporates have notably enhanced their credit quality, with rating upgrades outpacing downgrades. Fallen-angel risk has moderated, reflecting a decline in borderline credits. Net leverage remains close to its lowest point, with limited debt build-up.

So far this year, Asia USD credit supply is down year on year, as geopolitical uncertainty has weighed on primary market activity. This tighter than expected supply backdrop has helped keep the market balanced and supported technicals.

In terms of positioning, we added senior debt from a high-quality Indian bank and increased exposure to alpha opportunities in leading Japanese technology issuers. China internet exposure was trimmed, as we are more cautious about the competitive environment and earnings trajectory for select names. During June, the fund maintained overweight positions in Indian private NBFCs, Australian and New Zealand corporates, and Japanese corporates. Our constructive view on Indian private NBFCs is supported by resilient domestic fundamentals, a stable regulatory backdrop, and the potential for equity raises to bolster capital and sustain growth. We also remain overweight Australian and New Zealand cyclicals, focusing on issuers we see as well positioned to benefit from long-term structural growth. In Japan, our corporate exposure is concentrated in high-quality TMT and technology names, reflecting our strategy to capture upside from broad-based secular growth across the tech cycle. Conversely, we maintain an underweight in sovereign and quasi-sovereign bonds, where we see a less compelling risk-reward profile. We maintained a modest duration underweight and actively adjusted it using interest-rate futures.

Source: HSBC AM

HSBC GIF Asia Pacific ex Japan Equity High Dividend

Investment and Market Review

MSCI AC Asia Pacific ex Japan gained 43.19% over 1 year end June 2026 (SGD term). In terms of geography, Korea and Taiwan were the best performing countries while Indonesia was the worst performing country. In terms of sectors, information technology was the top performing one while consumer discretionary underperformed.

The fund underperformed against the benchmark on a 1 year basis. Positive stock selection effect in Mainland China and communication services positively contributed to performance, partially offset by the unfavourable stock selection effect in Korea as well and information technology.

In terms of positioning, we are most overweight to Singapore and financials. On the other hand, we are most underweight to Australia and information technology as of end June 2026.

Market Outlook and Investment Strategy

Rising energy prices have increased concerns around inflation and growth across Asia. We're closely monitoring Middle East developments for their duration and implications for oil, inflation and portfolio risk.

We remain constructive on the AI theme, but strong tech-led performance in North Asia in 1H26 makes second-half leadership less certain. We're selective and mindful of volatility as the trade becomes crowded, staying anchored on earnings as the key driver of equity returns.

Governance and capital market reforms are an important tailwind: Korea has led and could see further support in 2026, while China and Singapore are also progressing in shareholder-return initiatives. Regional valuations have de-rated (12.1x end-June from 13.1x end-May; ~-1.2sd vs the 10-year average), and dispersion across markets reinforces the case for alpha over beta.

Earnings growth should drive 2026 returns - some markets (e.g., India) saw cuts after geopolitical shocks, while Korea benefits from the tech cycle; consensus expects a sharp 2026 pickup led by AI and a China profit recovery. Light foreign positioning could amplify upside once headwinds fade. We're positive on medium-term growth in India and ASEAN, while watching USD strength and geopolitics.

Source: HSBC AM

HSBC GIF Global Equity Climate Transition

Investment and Market Review

Global equities delivered strong one-year returns to end-June 2026, but the path was uneven, with markets oscillating between AI-driven optimism and risk-off episodes linked to geopolitics, inflation and energy shocks. After a powerful H2 2025 rally—MSCI World +7.3% in Q3 and +3.1% in Q4—driven by resilient earnings, improving economic conditions and a surge in AI-related capital expenditure and profits in US technology, communication services and consumer discretionary, performance broadened to Europe, China and Latin America, where distressed starting valuations, policy support and tech exposure underpinned outsized gains. Momentum reversed in Q1 2026 as escalating conflict in the Middle East, an oil spike above USD 100 and renewed inflation and rate worries triggered a sharp risk-off phase, with MSCI World down c.3.5% and most regions weaker, before sentiment recovered decisively in Q2 2026 on de-escalation in the Middle East and a rotation back into the AI-led technology trade.

Over the review period, the fund outperformed significantly its market cap index. Our exposure to Styles was the main driver of performance, driven by Value which had a stellar performance in the period across most regions, followed by the industry momentum factor. Quality stocks and Low Carbon characteristics also recuperated in the H2. Finally, our exposures to Size and Low Risk weighed on the fund's performance. On an industry basis, our overweight allocations to Semiconductors & Semiconductor Equipment and Technology Hardware & Equipment contributed to performance. Conversely, our underweight exposures to Energy and Pharmaceuticals, Biotechnology & Life Sciences weighed on performance. At stock level, our overweight exposures to Applied Materials, Lam Research and Micron Technology contributed to performance.

Market Outlook and Investment Strategy

The HGIF Global Equity Climate Transition Fund's investment strategy uses a systematic bottom-up multi-factor investment process, based on five factors (Value, Quality, Momentum, Low Risk and Size), to maximise the portfolio's risk-adjusted return. The strategy seeks to invest in companies on a measurable path to climate transition, aiming to align towards net-zero targets and driving a low carbon future. The fund will also deliver a lower carbon intensity and an enhanced exposure to green solutions (companies that provides tools/solutions to help mitigate GHG emissions) compared to the reference benchmark, the MSCI World index.

The US–Iran Memorandum of Understanding has eased geopolitical tensions, pushing oil prices below late-February levels and loosening supply constraints in non-oil commodities, which reduces tail risks to global growth and inflation. Europe looks set for continued soft growth, while Asia's AI-led industrial upcycle faces energy constraints, shifting trade patterns and intense import competition from China. China's growth is resilient on technology and exports but remains unbalanced. Policy uncertainty is still high, with central banks responding differently to the energy shock and more frequent supply disruptions prompting greater fiscal and industrial policy use, constrained by high government debt. Across Asia, differing exposure to AI and the energy shock is driving a varied pace and scale of policy support.

Source: HSBC AM

HSBC GIF Indian Equity

Investment and Market Review

The MSCI Indian Net Index fell -11.24% over the 1 year end June 2026 (SGD term). In terms of sectors, industrials was the top performing one while information technology underperformed.

India underperformed the region during this period on the back of a softer relative earnings, foreign outflows and tighter macro constraints (oil/imported inflation and rates), while North Asia/parts of ASEAN benefited more from cheaper valuations and tech/export-led tailwinds.

The fund outperformed the benchmark on a 1 year basis. Positive stock selection effect in financials and healthcare were the largest contributors to performance. On the other hand, unfavourable allocation effect from our overweight in real estate was the largest detractor to strategy performance.

The largest stock contributor over the 1Y period was Multi Commodity Exchange India while the largest stock detractor was DLF Ltd.

In terms of sector positioning, we are most overweight to consumer discretionary and real estate, and most underweight to materials as of June 2026.

Market Outlook and Investment Strategy

Overall India's relative returns to regional markets in 1H26 were the weakest in 30 years. As we look ahead into the second half, we see an opportunity for India to recover as lower energy prices have improved growth and earnings prospects, while pressure on INR has eased following RBI's recent measures. Geopolitical events remain a key risk for Indian equities. The duration of the Middle East conflict and the path of energy prices will be central in gauging the impact on inflation, the current account and market sentiment. Despite near-term volatility, we see risk/reward as attractive for investors with a medium- to long-term horizon.

Flows could turn more supportive if macro overhangs ease, with active global fund exposure to India near a two-decade low and domestic institutional inflows continuing. Earnings may face headwinds from higher energy costs via input inflation and softer sentiment; delivery versus expectations will be key for re-rating. Valuations look more balanced, with the Asia premium at ~67% (end-June) and a P/E of 20.3x. We remain constructive on India's structural growth drivers, reforms, and stronger corporate and banking balance sheets.

Source: HSBC AM

HGIF - Global Short Duration Bond

Investment and Market Review

Over the year, the fund's value rose by 4.68%, outperforming the benchmark by 1.03%(gross).

Our overweight to credit contributed to performance over the year as credit spreads generally tightened, despite a sharp risk-off episode in March as oil prices and inflation expectations repriced following the Gulf conflict. The positive impact from Asset Allocation and Security Selection was mainly driven by Corporate Financials and Corporate Non-Financials, with additional support from Securitised Credit and selective Emerging Markets exposure (notably Brazil) and High Yield later in the period.

Rates positioning detracted over the year overall, despite some helpful periods. In Q3 2025 and Q4 2025, rates performance was mixed but negative overall, as gains from long-duration positions were later reversed (e.g., UK/Germany duration helped in October but detracted in November; US duration helped in November but detracted in December, with Australia also detracting). In Q1 2026, our duration overweight contributed in January and February, but March more than offset this as yields rose sharply on the repricing of oil and inflation expectations following the Gulf conflict. Although duration added in

Q2 2026 as yields fell across Europe, the UK and Australia amid easing geopolitical tensions and declining inflation expectations, it wasn't enough to fully offset earlier headwinds.

FX detracted overall. Currency performance was slightly negative in the second half of 2025 and remained a headwind through 2026, with defensive positioning only partially offsetting broader negative contributions.

Market Outlook and Investment Strategy

The Fund maintained an overweight duration position, actively rebalancing as relative value and the macro backdrop evolved. In Q3 2025, we added Canada duration funded by reducing European, US and UK overweights, then trimmed UK risk and switched the Canada position into Australia. In Q4 2025, we kept the overall overweight, cutting Germany/UK/Australia early, then selectively adding back to Australia and the UK; we also rotated part of the Euro 5-year exposure into US 5-year duration. In Q1 2026, we reduced duration in January–February and held it flat in March despite a sharp rise in yields; we closed China duration, reduced Australian and US overweights and closed the US steepener. In Q2 2026, we modestly increased duration by adding to the 3–5 year European curve, ending at 2.6 years.

Our credit overweight remained a core theme, with ongoing rotation within shorter-dated, higher-quality holdings. We sold more fully valued securities and reinvested into positions with better upside or defensive characteristics. In early Q1 2026, we diversified via HY and EMD local, then trimmed corporate credit and EMD in March and early Q2 2026, while maintaining an overall credit overweight.

In FX, we adjusted our USD view versus EUR and JPY in Q3 2025, closed long EUR and GBP versus USD in Q4 2025, stayed long JPY in Q1 2026, and in Q2 2026 remained long JPY and EUR versus USD while adding long NZD versus AUD in June on valuation.

Source: HSBC AM

HSBC Portfolios World Select 5

Investment and Market Review

Despite volatility driven by geopolitical tensions, both equity and bond markets performed strongly over the period. Further rate cuts by the Fed in the second half of 2025 were supportive of risk assets. However, returns were hit by a surge in oil prices in March 2026, from the escalating Middle East conflict. Markets recovered in Q2 2026, after an interim US-Iran cease-fire eased oil prices and moved towards restoring supply disruptions from the closure of Strait of Hormuz. Global equities delivered 24.2% over the period. Emerging markets outperformed developed markets, fuelled by a surge in AI-driven demand for high-bandwidth memory and advanced chips produced in Asia. The UK, Japan and the US also posted strong gains. The US dollar and gold rose on safe-haven demand from geopolitical uncertainty. Global bonds also performed positively, supported by the rate cuts and easing inflation concerns.

As a result of the market performance, all five World Selection Portfolios delivered strong positive absolute returns over the period.

Market Outlook and Investment Strategy

Cautious optimism: Shipping through the Strait of Hormuz is slowly normalising and oil prices have fallen sharply. Strong corporate profits, ongoing AI investment, government spending and deregulation all remain supportive for markets. As a result, we increased equity exposure to move overweight.

We balance portfolio risk by holding a reduced exposure to credit, as well as a lower property allocation. We also maintain a higher allocation to infrastructure and commodities.

Selective cyclical strength: In Europe, we tilt towards higher-profitability sectors, such as banks, insurance and European technology and telecommunications and we are tilted away from weaker areas such as chemicals, industrials and automobiles. In the US, we lean into sector neutral value factor, small caps, quality, energy and communication services. We also added short exposures in healthcare and materials. We remain tilted towards Japan and Japanese banks. Within emerging markets, we favour Brazil and Korean equities. We favour Hong Kong Technology relative to Hong Kong equities, and are tilted away from Australia, South Africa and India.

Navigating the rate cycle: We continue to prefer a diversified government bonds exposure, with tilts towards Gilts, Bunds, Japanese bonds, Canadian bonds and Treasuries. On a relative value basis, we focus our long bond exposure on UK, Australia, France and Canada, and we hold reduced exposure to Japanese and Korean bonds. In currencies, we favour Brazilian Real, Hungarian Forint within emerging markets and Canadian dollar, Norwegian krona relative to short Sterling in developed markets.

Source: HSBC AM

Invesco Asia Consumer Demand Fund

<u>Investment and Market Review</u>

Fund Performance

The Asia Consumer Demand Fund delivered a return of -3.87% in June 2026, underperforming the MSCI AC Asia ex Japan Index (USD), which returned -1.29%. Given the Fund's thematic focus, the overweight allocation to Consumer Discretionary detracted from relative performance during the month, as the sector fell 14.4%, compared with a 1.3% decline in the broader market. Stock selection within IT and Consumer Staples weighed on returns over the month. While Taiwan technology was a key contributor to performance, stock selection within the sector was mixed. A few holdings in the electronics manufacturing, PCB, and components segments underperformed due to profit-taking and company-specific pressures. In consumer staples, our holding in a Chinese hypermarket operator came under pressure amid weak consumer spending trends and ongoing competition within the retail sector.

Fund Positioning

This thematic equity fund captures the increasing opportunities in domestic consumption in Asian economies tapping into the mega consumer trends such as: new Asia Consumers, Digital frontier and also Wellness. We adhere to the bottom-up investment process, focusing on companies with sustainable leadership and competitive advantages that we believe are trading at a discount to their fair values. Our sector positioning tilted towards consumer discretionary and staples, and selected internet names. Our top holdings include e-commerce companies in China, IT companies from Taiwan and electronic company in Korea, financials in India. During the month, we reduced exposure to consumer discretionary and industrials, while increased exposure in financials and IT.

Market Outlook and Investment Strategy

In China, we remain constructive as policy support, continued export growth and stabilizing industrial activity underpin a gradual recovery in growth and earnings. Policymakers are expected to maintain a pro-growth stance, with further targeted measures to support consumption, liquidity and market confidence, creating scope for improved sentiment and potential market re-rating. In India, resilient domestic demand, ongoing infrastructure investment, manufacturing expansion and digitalisation continue to support a robust growth outlook. We remain positive on companies exposed to financial transformation, rising consumption and manufacturing-led growth, while lower oil prices could provide an additional tailwind for inflation, corporate margins and macro stability. In North Asia, the outlook for Korea and Taiwan is expected to be increasingly anchored by the strength of the global technology cycle. The AI-driven upcycle is likely to sustain strong demand for semiconductors, supporting exports, corporate earnings, and broader industrial activity. Korea stands to benefit from continued strength in memory chip demand, while Taiwan's leadership in advanced semiconductor manufacturing positions it at the centre of global AI supply chains. Together, these dynamics should support a sustained recovery in external demand, even as domestic conditions remain more mixed. Across ASEAN, growth is expected to remain positive but increasingly uneven. Export-oriented economies should benefit from improving trade and the technology cycle, while elevated food and energy prices may keep inflation pressures persistent and drive divergence in monetary policy across the region.

Source: Invesco

Invesco Emerging Market ex-China Fund

Investment and Market Review

Fund Performance

The Invesco Emerging Markets ex China Equity Fund delivered a slight positive return in June, outperforming the MSCI EM ex China 10/40 Index which lost ground. Tech stocks contributed strongly to relative performance, supported by continued investment in AI related infrastructure. Yageo and Largan Precision were the biggest single contributors, reflecting positive stock selection in Taiwan, although Hon Hai Precision Industry detracted slightly. Meanwhile, IT services companies EPAM Systems and Infosys continued to lag amid concerns that AI adoption could weigh on future revenues. Stock selection in Korea was notably weaker. Although Samsung Electronics added value, this was more than offset by the impact of not holding the other Korean memory giant SK Hynix (and parent SK Square) which outperformed. Other detractors included Hyundai Mobis, Samsung Electro-Mechanics and LG Electronics which gave back some of their recent gains. Stock selection in financials contributed positively as Indian banks, Kasikornbank and Samsung Fire & Marine Insurance all outperformed, as did Credicorp after a positive election result strengthened sentiment towards Peruvian financials. This helped offset weakness at Indonesian banks. Elsewhere, Petrobras detracted as the oil price weakened while mining stocks Anglo American and Vale were impacted by iron ore price weakness and a late-month broad metals selloff.

Fund Positioning

We remain committed to finding companies that we can invest in whose share prices are trading meaningfully below their intrinsic value. Brazil is the fund's largest overweight position, with exposure spread across energy, financial, consumer and materials stocks. Broadly speaking, we believe valuations remain attractive – below historic averages and with high dividend yields on offer. The fund also has selective exposure to consumer and commodity companies across Asia and LatAm.

Dominant semiconductor companies in Taiwan and Korea also remain well represented given their long-term earnings power. However, tech valuations appear increasingly stretched and we have been gradually taking profits, with the fund now having an underweight position in the sector. The fund is also underweight South Korea, although selective opportunities remain among operationally strong companies with robust balance sheets and a demonstrated ability and willingness to improve shareholder returns over time.

Market Outlook and Investment Strategy

Emerging Market equities have delivered impressive gains so far this year, albeit with narrow market leadership concentrated in tech heavy North Asian markets where there is strong positive earnings momentum for companies in the AI supply chain. Consensus forecasts for the MSCI Emerging Markets index point to earnings growth of 61% in 2026 and 23% in 2027, well ahead of those for developed markets, while valuations remain at a meaningful discount, particularly when compared to the US.

Whilst we remain focused on the sustainability of profits at AI capex beneficiaries, and the multiples the market is awarding them – both of which we fear are at risk – there is scope for a broadening out of performance. Commodity producers, particularly in Latin America, are well positioned to benefit from demand linked to the massive physical requirements for data centres, the energy transition and global supply chain resilience.

Ceasefire in the Middle East has seen energy prices start to normalise, and although geopolitical risks remain, the macro backdrop appears supportive, with room for central banks to cut rates in support of domestic demand. The team remains focused on maintaining a well-balanced and diversified portfolio, favouring businesses with strong balance sheets, attractive valuations and improving shareholder returns.

Source: Invesco

Janus Henderson Fund - Continental European Fund

Investment and Market Review

European equities made further gains in June, as falling oil prices eased concerns about inflation and supported a shift into more economically sensitive sectors. The European Central Bank (ECB) raised its key deposit rate by 25 basis points (bps) to 2.25%, while economic data was mixed, with eurozone GDP shrinking by 0.2% in the first quarter, a downward revision from a prior estimate of 0.1% growth. Optimism about the prospect of peace in the Middle East emerged later in the month when the US and Iran signed a 'memorandum of understanding'. However, the situation remained tenuous, as the two sides exchanged military strikes in late June before a subsequent agreement to halt fighting and resume talks.

Our European banking holdings, including Austrian lender Erste Bank and Spain's Banco Santander, were among the top contributors to relative fund performance. The sector fared well in June as investors turned more positive about the prospects for the European economy and the outlook for bank earnings. Having no position in Deutsche Telekom, one of the larger positions in the benchmark, also proved beneficial. Its shares came under pressure amid concerns that satellite-based services could disrupt the telecoms industry, a risk brought into sharper focus by SpaceX's successful initial public offering (IPO).

Less positively, our holdings in TotalEnergies and Technip detracted amid the fall in oil prices. German defence company Rheinmetall was another notable detractor. Its shares fell following the news that the German government had cancelled its multi-billion-euro frigate programme, for which Rheinmetall had been expecting to sign a contract imminently. While the cancellation will likely have limited impact on actual earnings, the news soured investor sentiment towards the stock, as it raised concerns about the outlook for future orders.

In terms of activity, we established a position in Essilorluxottica, a global leader in eyewear, with strong market share across lenses and frames. Furthermore, the company has been a pioneer in the smart glasses segment, through its partnership with Meta. We had exited the stock earlier this year. Subsequently the shares had come under significant pressure, which from our perspective resulted in a compelling opportunity. The core eyewear business has been solid and growing at a mid-single-digit rate, while there is potential optionality in smart glasses.

Industrial gases company Linde was another new position. The company operates in a market with oligopolistic characteristics, high barriers to entry and historically stable growth, underpinned by take-or-pay contracts (an agreement where a buyer must purchase a minimum agreed quantity of goods or services, or pay a fee). In addition, we think Linde could be well-placed to benefit from favourable structural tailwinds in the space and electronics segments. Rocket launches require substantial volumes of industrial gases, while semiconductor manufacturing plants also depend heavily on gases.

We also added German conglomerate Bayer. The company has essentially been uninvestable for many years due to litigation linked to glyphosate following its acquisition of Monsanto. However, recent developments in the US legal process appear to have significantly reduced the litigation risk and increased the likelihood of a settlement. In light of this, we see Bayer as trading well below the value of its underlying business at the time of writing.

Turning to sales, we exited oil and gas majors Eni and Equinor. As the situation in the Middle East appears to enter a new phase, we wanted to reduce the exposure to oil companies. Elsewhere, we sold the holding in Finnish pulp and paper company UPM-Kymmene. Although there are attractive company specific longer-term elements to our investment case, we see a rising risk that pulp prices are flattening and could potentially roll over, creating a difficult backdrop for UPM-Kymmene's share price.

<u>Market Outlook and Investment Strategy</u>

With the US and Iran having ultimately engaged in negotiations, and the risk of a further escalation in hostilities appearing to recede, peak geopolitical uncertainty seems to be behind us for now. Against this backdrop, inflation expectations have moderated and the prospect of a renewed monetary policy tightening cycle has diminished. Taken together, these developments are supportive of both economic activity and financial markets.

The positive economic signals observed since the start of the year, such as German manufacturing Purchasing Managers' Index (PMI) returning to expansionary territory for the first time in more than three years, have begun to reassert themselves, helping propel European equity indices to fresh all-time highs towards the end of June.

One of the enduring attractions of the European equity market, in our view, is its combination of exposure to powerful global growth themes and meaningful optionality linked to an improvement in domestic economic prospects. After several years of subdued growth, this domestic recovery narrative gained traction throughout 2025, supported by a broad reform agenda encompassing defence spending, industrial policy, power-grid modernisation, digitalisation and financial-sector reforms aimed at mobilising Europe's substantial pool of excess savings.

Following initial enthusiasm and some tangible steps forward, most notably in defence investment and selected areas of deregulation, progress at the EU level has proven uneven and slower than hoped. As momentum behind reform and broader structural change appeared to be fading once again, Germany unveiled a significant reform package in early July, including measures aimed at pension reform, labour-market liberalisation and bureaucratic simplification. While considerably more remains to be done, these latest announcements may signal a renewed commitment to reform. Although this domestic recovery theme warrants close monitoring through the second half of the year, we think the outlook for many of Europe's “global winners” remains highly attractive, particularly in technology and technology-related sectors where underlying demand trends remain robust.

In managing the portfolio, we continue to focus on bottom-up stock selection, maintaining balanced exposure across cyclical and defensive businesses while selectively positioning the portfolio to benefit from both Europe's global champions and areas offering domestic recovery potential.

Source: Janus Henderson

Janus Henderson Horizon Fund - Japan Opportunities Fund

Investment and Market Review

Global equities rose during the reporting year. Optimism about looser monetary policy, improved trade relations, excitement about artificial intelligence (AI) and easing geopolitical tensions helped stock indices around the world hit record highs. Geopolitical hostilities caused significant volatility, particularly in March, when conflict escalated in the Middle East, which led to a sharp rise in energy prices, increased inflation expectations and a slump in global stocks.

In Japan, the benchmark TOPIX index rose strongly due to improved corporate governance, gains in technology stocks and easing global monetary policy. In February, optimism about Prime Minister Sanae Takaichi's landslide general election victory and her pro-growth economic plans also cheered investors, while both the TOPIX and Nikkei 225 indices reached their highest-ever levels in June 2026.

The Bank of Japan (BoJ) raised interest rates twice to a 31-year high of 1.0%, and indicated that more could follow, in line with its interest rate normalisation efforts. The annual core inflation rate, which excludes fresh food prices, remained elevated in most months, albeit slowing from 3.1% in July 2025 to 1.4% in both April and May, partly due to government subsidies, such as support for utility and education costs. Nevertheless, the underlying inflation rate remained above the BoJ's 2.0% target. There was another round of strong wage increases during the annual spring negotiations (Shunto), suggesting that a positive feedback loop in which solid wage growth supports structural price increases may have been established.

The main contributors to the fund's performance were electronic components manufacturer Murata Manufacturing and specialist chemical firm Tokyo Ohka Kogyo (TOK). As the world's leading manufacturer of multilayer ceramic capacitors, Murata was expected to benefit from both volume growth and product mix improvement as demand from AI servers continued to surge. TOK is a leading manufacturer of photosensitive materials used in semiconductor manufacturing. Its share price benefited from a number of earnings upgrades due to robust demand for advanced semiconductor materials.

Pharmaceutical company Daiichi Sankyo and Sony were the top detractors. Projected demand from Daiichi Sankyo’s antibody drug conjugate business failed to materialise as the clinical trial period was extended, which resulted in compensation fees to contract manufacturing organisations. Sony’s share price fell as investors worried about the potential impact of rising chip costs on its gaming division's profits.

The fund initiated several positions, including in Tokyo Electron, a semiconductor equipment manufacturer, and Murata Manufacturing. We believed Tokyo Electron had a strong competitive position across the chip manufacturing process and that a rise in semiconductor infrastructure spending could increase demand for its products. For Murata Manufacturing, we felt investors had underestimated the potential benefits of any cyclical recovery and AI-related demand. Elsewhere, the fund exited Shin-Etsu Chemical as the outlook for its major business lines deteriorated. We also closed the position in real estate developer Mitsui Fudosan, as management’s capital allocation decisions failed to meet our expectations, while underlying earnings faced inflation pressures.

Market Outlook and Investment Strategy

We believe inflation has become more entrenched in the Japanese economy, supported by the BoJ's interest rate hikes and the latest Shunto wage figures. This new norm has shaped corporate behaviour, earnings dynamics and equity performance. While this environment has helped Japanese equity indices reach new highs, rapidly shifting geopolitical developments serve as a reminder of ongoing market volatility. Encouragingly, wage growth is catching up with inflation, supporting real income growth and domestic demand, as part of a broader normalisation of interest rates.

We think that AI remains a durable global investment theme, including in Japan. Although different investment regions focus on particular aspects of the AI trade, there is a wide range of companies across the value chain in Japan. More importantly, we have seen a broadening search for these supply-chain beneficiaries. We remain constructive on the semiconductor theme and continue to maintain a meaningful allocation. However, we are mindful of the sector’s cyclical nature and remain disciplined in our investment approach, ensuring that enthusiasm does not override investment discipline.

Ongoing improvements in corporate governance and shareholder value remain a tailwind for Japanese equities. Revisions to the Corporate Governance Code and Companies Act this year could clarify minority shareholder protections, reinforce board leadership norms, encourage more efficient allocation of cash and strengthen disclosure regimes. We believe these reforms could improve companies' returns on equity and support a re-rating (reassessment) of share prices, as well as further improve Japan's position as a corporate governance leader in Asia.

Overall, we remain positive about Japan's long-term structural outlook. We think valuations remain reasonable, corporate fundamentals are sound and earnings momentum is intact, although we continue to monitor geopolitical risks through the earnings season. We remain confident in the fund's holdings and believe disciplined stock selection will remain a key driver of long-term performance.

Source: Janus Henderson

Janus Henderson Horizon Fund - Pan European Absolute Return Fund

Investment and Market Review

European equities rose over the reporting year, buoyed by easier borrowing conditions, rising defence and infrastructure spending in Europe, and improved trade relations. Investors' enthusiasm for artificial intelligence (AI) was a further tailwind, although software companies came under pressure due to concerns that AI would undermine their business models. Elevated valuations among perceived AI beneficiaries also weighed on sentiment at times. Geopolitical events caused significant volatility, particularly in March, when conflict escalated in the Middle East, which led to a sharp rise in energy prices and increased inflation expectations.

Overall, the long book contributed positively, while the short book detracted, albeit with pockets of success. In the long book, our longstanding holdings of Erste Group and ABN Amro contributed, as prospects for the European economy and the outlook for bank earnings improved. Shares in Spanish construction firm ACS benefited from its strategic pivot to data centre infrastructure, where the company has established itself as a leader in the US market. Exposure to metals and mining also added value, including mining equipment firm Sandvik and copper miner Antofagasta. Surging metal prices and the strategic competition for scarce resources have incentivised global mining companies to increase capital expenditure following years of underinvestment in critical minerals.

Detractors within the long book included defence companies Rheinmetall and Leonardo, as well as German software firm Nemetschek. Defence stocks came under pressure in the second half of the reporting year amid profit-taking and speculation of a de-escalation in the Russia/Ukraine conflict, despite the view that NATO spending commitments will remain intact even if peace in Ukraine were achieved imminently. Nemetschek underperformed due to concerns about possible AI disruption in the future.

In the short book, key contributors came from software businesses expected to be disrupted by AI. These included a virtual experience industrial software company, an online property platform and a legacy travel booking software provider. Conversely, the hedging position in a memory chipmaker detracted, as its earnings benefited from stronger pricing and robust demand. A number of market index hedges also weighed on performance, due to broad equity strength during the year.

Market Outlook and Investment Strategy

At the time of writing in early July, the fund's overall gross and net exposure was towards the higher end of the usual range. Diversification across the long and short books has been deliberate, as we have seen a broadening of participation in the stock market rally, along with many idiosyncratic opportunities on the short side. Recent bouts of sharp, spasmodic factor and sector rotation may be warning signs of elastic bands being stretched and prone to snapping back.

We hold an overall bullish outlook for European equities for the second half of this year. Part of this reflects a generally positive outlook across the global economy and stock markets, although part is also specific to Europe. We believe the broadening of the stock market rally could lead to another period of European stocks outperforming US stocks. Within Europe, we think the DAX Index, a clear laggard versus the wider European market over the past 18 months, has the potential to catch up.

The factors appear to be aligning for Europe. With conflict between the US and Iran subsiding somewhat, we have seen lower oil and gas prices, and we hope this has helped to avoid another European energy crisis. Inflation appears to be contained. In turn, this has eased pressure on central banks to hike interest rates. While the hawks at the European Central Bank are still vocal, it seems the majority in the Governing Council may be tilting towards a ‘one-and-done’ position on future rate hikes, with the increase already executed in June.

Elsewhere, the purchasing managers' index and its forward-looking component of new orders continue their upward trend. To our surprise, German reforms appear to have been pushed back on track ahead of the summer recess after a disappointing nine-month stretch. In particular, we think the pension reform merits recognition as, for the first time, it establishes a meaningful element of capital stock building via investments. Additionally, the German infrastructure spending rollout is expected to accelerate over the remainder of this year.

In conclusion, since European stocks were 'rediscovered' by global investors in late 2024, the Euro Stoxx 50 Index has risen by 44% in US dollar terms. This tops the Nasdaq 100 Index, which gained around 39%, and the S&P 500 Index, which increased by around 24%, over the same period. The US “Liberation Day” trade tariff episode last year, and then the US conflict with Iran this year, temporarily weighed on European equities. However, we think Europe could reaccelerate from here, particularly as global investor positioning seems to have defaulted back to having a very low exposure to European equities. As such, we are optimistic about what we see as the opportunity that may lie ahead.

Source: Janus Henderson

Janus Henderson Horizon Fund - Discovering New Alpha

Investment and Market Review

The period from inception to the end of June 2026 was volatile due to geopolitics, artificial intelligence (AI) disruption and a new US Federal Reserve chairman. A growth-to-value rotation, given uncertainty about interest rates, energy price increases that stoked inflation worries and the 'SaaSpocalypse' of software AI disruption fears, drove market lows in late March as the US/Iran conflict escalated regionally. However, a move towards a ceasefire that resulted in a memorandum of understanding to negotiate a more lasting peace, along with a reopening of the Strait of Hormuz, spurred a rebound in markets in April and May, led by the US, technology and, notably, semiconductors.

While this was a period full of headlines and market noise, we believe many of our key themes remained inexorable through this volatility, such as Longevity and Biotechnology. We think agentic AI progress only accelerates our Smarter Automation, Mobility and Lifestyle 2.0 themes, while recent geopolitical events have put more focus on the desire for greater security and energy independence, benefiting our Sovereignty and New Zero 2.0 themes.

At a stock level, technology companies, notably semiconductor businesses, continued to provide strong positive contributions. Applied Materials was a standout performer as it benefited from the semiconductor industry’s accelerated spending plans to meet growing AI demand, particularly from memory companies. Another strong performer, Taiwan Semiconductor Manufacturing Company, has a near monopoly on the manufacture of advanced microchips, with industry shortages and customers' desire to diversify production globally allowing the company to increase its pricing and margins. Sandisk was buoyed by higher memory prices, along with the industry's drive to sign multiyear contracts locking in higher prices and margins, as well as financial guarantees. Cognex, which was also a strong contributor, is a leader in computing vision and has benefited from the deglobalisation of manufacturing following US tariff increases. This shift has driven higher returns on investment in industrial automation as companies have built new factories in higher-cost locations.

AI disruption concerns and memory price inflation risks impacted our key detractors, such as Prosus, whose key exposure is its investment in Chinese internet company Tencent. Nintendo weighed on returns as it was forced to raise console prices to offset increases in memory prices. Other detractors included Arthur J Gallagher, due to a perceived agentic AI risk to insurance broking, and ServiceNow, which was the only software company held in the portfolio that suffered during the AI disruption SaaSpocalypse.

Beyond our standard practice of incorporating the best ideas from the underlying investment teams into the portfolio, our technology experience has allowed us to avoid key areas of real AI disruption. We addressed some volatility in mid-February to be even more draconian in removing stocks more at risk from AI disruption. As a result, the fund exited Ares Management, Shopify and Iqvia, as well as Nintendo and Universal Display, which were exposed to consumer electronics and memory cost inflation.

We participated in the initial public offering (IPO) of Cerebras Systems as a differentiated AI semiconductor architecture. The share price significantly exceeded our target price on its first day of trading and we exited the position. We re-entered the stock later in the period, when the share price fell below its initial IPO price.

Market Outlook and Investment Strategy

Global markets remain complex, volatile and noisy. We believe that trying to navigate this through the traditional lens of geography, sector or market capitalisation is a somewhat antiquated view and has proved inadequate in recent years. We think a more dynamic approach is required to embrace higher levels of concentration of returns. By harnessing our strongest ideas from experienced thematic stock pickers through disciplined portfolio optimisation, which can help dampen the natural biases of more growth-orientated investors, we seek the best of both worlds. That is, to benefit from the concentration of high-conviction ideas while aiming to maintain diversification by style, factor, geography and sector.

The innovation of AI, deglobalisation, increasingly scarce resources, the return of the cost of capital and an ageing population may create opportunities for companies that can provide solutions to these challenges. By identifying companies in these areas across a diversified range of themes, we believe we are well placed to target long-term capital appreciation and, over time, to seek to outperform global equities.

Source: Janus Henderson

JPMorgan Global Income Fund

Investment and Market Review

• Over the month, we broadly maintained our overall equity exposure, continuing to reflect our pro-risk stance.

• The equity portion of the portfolio contributed to overall performance. Although June witnessed a market rotation out of mega-cap/AI tech and elevated volatility early in the month, our U.S. Equities and Global Equities allocations modestly contributed on the back of our quality-biased posture.

• Contributions from our Emerging Markets Equities were muted as the AI and Semiconductor rally took a breather in the month of June.

• Elsewhere, gains from our European Equities physicals were offset by our short futures position allocation contributed. The region was supported by signs of easing tensions in the Middle East which led to a significant decline in oil prices.

• Within credit, our U.S. High Yield allocation contributed as spreads widened slightly reflecting steady risk appetite. The asset class continues to be backed by solid corporate balance sheets and low default expectations.

• Performance from our duration positioning, expressed via U.S. Treasuries futures was broadly flat. Stronger economic and labor prints led markets to dial back expectations for near-term rate cuts, while term-premium, fiscal worries, and Middle East uncertainty kept the long end capped.

• Our allocation to Emerging Markets Debt contributed, supported by improving fundamentals and attractive all-in yields. Our other allocations to Non-agency Securitized also contributed positively.

• Within hybrids, our allocation to preferred equity contributed.

Market Outlook and Investment Strategy

• The global macro data continues to point to a resilient backdrop, and we remain constructive on equities, particularly US and EM supported by a solid growth outlook, easing Iran-related geopolitical risk, and sustained AI-led momentum underpinning earnings and investment.

• Within credit, all in yields still look attractive and continue to provide strong income cushion. Fundamentals remain solid with healthy leverage and coverage ratios, technicals are supportive with steady issuance and improving flows, and defaults are still low.

• We are monitoring for any re-acceleration in inflation that could reprice rates and tighten financial conditions, as well as signs of an AI inflection—slower demand, softer capital expenditure or renewed valuation pressure.

Source: JPMorgan Asset Management

JPMorgan Greater China Fund

Investment and Market Review

• MSCI Golden Dragon declined in June, driven by weakness in offshore Chinese and Hong Kong listings, while the onshore Chinese and Taiwanese markets delivered positive returns.

• In the Mainland, high-frequency data for June continued to show a widening gap between soft domestic demand and resilient external demand. Consumption momentum cooled: unit auto sales fell 23.5% year-on-year in the first 21 days of June, and travel data over the holiday period was weaker than expected. External demand, however, remained notably strong. The PMI indicated that new export orders were a key support this month, rising 1.5 points versus a 1.3-point increase in overall new orders. The impact of the conflict in the Gulf on energy prices contributed to supply driven inflation. This, combined with ongoing soggy domestic demand, showed up in pressure on industrial margins in second quarter results.

• The Taiwanese market rose modestly as retail sentiment remains upbeat. We have been monitoring retail leverage closely and so far, margin loan balances remain manageable and there are no signs of aggressive leverage products in Taiwan. Valuations are near historical highs, but this is partly explained by the market’s shifting sector mix: semi and electronics names now represent ~82% of the TAIEX, up from ~52% a decade ago.

• Information Technology was the only sector to post a positive return, reflecting continued positive sentiment around the AI supply chain. Consumer Discretionary was the weakest performer.

• Performance in June was more or less flat. From a sector perspective, no exposure to Energy and stock selection within Information Technology supported returns. The leading contributors were primarily technology companies in Taiwan and those linked to Chinese domestic semiconductor investment, including Vanguard, Realtek, Hwatsing Technology, and Anji Microelectronics Technology. On the downside, previously outperforming Taiwanese tech names such as Universal, and the structural underweight to TSMC were among the larger detractors.

• During the month, we initiated positions in an analog IC maker and an optical components maker, both funded by outperforming AI plays. We also added to an existing position in a solar name as we continue to seek ways to diversify risk within the portfolio.

Market Outlook and Investment Strategy

• China remains in something of an economic trough, reflecting the aftermath of the property unwind and industrial overcapacity, though the worst is likely to have passed with early signs of macro stabilization. At the same time, initial progress in AI is improving confidence in China’s technology capabilities and supporting a tech-led rally that is less tied to consumer demand. This is resulting in a two-speed equity market: AI-related areas are outperforming, while much of the broader market—particularly consumer-exposed segments—continues to lag. In Taiwan, technology remains our largest overweight, though we are actively looking for idiosyncratic opportunities with undemanding valuations and underappreciated earnings inflection.

• For all that technology names continue to see earnings upgrades, in the Greater China region – as in so many other markets – the concentration of performance warrants close ongoing scrutiny: nine of the top ten positive contributors over the month were in the information technology sector. We continue to take profit from high flyers and rotate into names with asymmetric risk/reward.

Source: JPMorgan Asset Management

JPMorgan India Fund

Investment and Market Review

• MSCI India 10-40 Index recorded a gain in June in USD terms, outperforming MSCI Asia Pacific ex Japan and EM indices. Performance was driven by a collapse in oil prices (Brent -42% from its April peak), RBI's measures to attract dollars (including removal of interest rate ceilings on foreign currency non-resident deposits for 3-5 year tenors), and the government's removal of LTCG/withholding taxes on FPIs for eligible government securities, alongside a resilient INR (even as DXY rose 2.3%). Foreign institutional investors maintained their selling trend with outflows of $3.1bn, however the pace of outflow slowed materially from $14.2bn/$5.2bn/$4.9bn in Mar/Apr/May, respectively. Domestic institutional investors continued their inflows at $9.0bn. SIP inflows continued at the run rate of $3.3bn. The INR appreciated 0.4%, ending June at 94.67/USD. On macro, the RBI kept policy rates on hold; 4QFY26 GDP growth printed above expectations at 7.8%; and IP surprised to the upside at 4.9% in April. However, June's monsoon was the weakest in a decade (39.8% below LPA). Amongst sectors, Real Estate, Financials and Healthcare were the top performers, while IT was the worst performing sector.

• The portfolio outperformed for the month of June. Underweight allocation to Materials and overweight allocation to Financials added to returns. This was partially offset by stock selection in Industrials and Consumer Staples.

• Overweight allocation to Financials contributed to returns, led by Cholamandalam Investment & Finance Company, which benefited from strong vehicle finance disbursements, continued AUM growth and improving rural demand trends. Bajaj Finance also added value as investors responded positively to continued credit growth and resilient asset quality. The underweight allocation to Materials further supported performance as weaker commodity prices weighed on benchmark holdings such as Hindalco Industries and Tata Steel, which were not held in the portfolio.

• This was partially offset by stock selection in Industrials, where off-benchmark positions in Genpact and EXLService came under pressure following a broader selloff in IT services and business-process outsourcing companies after weaker industry demand signals from Accenture. Stock selection in Consumer Staples also detracted, driven by the overweight position in Varun Beverages, as investors became more cautious on near-term demand expectations amid weather-related uncertainty and concerns over the pace of rural consumption recovery.

• There was limited trading activity in the month.

Market Outlook and Investment Strategy

• Indian equities have faced notable headwinds recently, with the Middle East conflict driving broad-based volatility and raising concerns around oil prices, external balances, and rupee stability. While geopolitical risks remain, easing tensions and a moderation in crude prices have reduced the likelihood of a more severe macro shock. Domestic flows remain resilient, absorbing periods of foreign selling and helping support market stability. Earnings growth expectations have moderated, with margin pressures and softer demand trends weighing on parts of the discretionary and industrial sectors.

• Compared to EM peers, India has lagged in performance, particularly as AI-driven earnings upgrades have benefited Korea and Taiwan, making India's valuation premium harder to justify in the near term.

• Valuations have normalized toward long-term averages, however, presenting selective opportunities for bottom-up stock selection as excess optimism has faded. Macro data points to a gradual recovery in credit growth, consumption, and investment activity, although overall growth remains below the levels investors had become accustomed to in recent years. Supportive policy measures, easing monetary conditions, and government initiatives should provide incremental support, while India's long-term structural strengths—including favorable demographics, formalization, manufacturing expansion, and infrastructure investment—remain intact.

• Although near-term growth is likely to remain uneven and risks persist, the recent correction has improved the risk-reward balance, creating attractive opportunities in high-quality companies and sectors where valuations have become more reasonable.

Source: JPMorgan Asset Management

Mirae Asset ESG Asia Great Consumer Equity Fund

Investment and Market Review

The portfolio returned 3.34% (in USD terms) in June, outperforming than the benchmark by 4.59% (in USD terms).

By country/region, China is the main contributor, with a total effect of 7.27% (in USD terms), mainly driven by the positive selection effect. Meanwhile, Taiwan is the key detractor, with a total effect of -2.04% (in USD terms), mainly due to the negative selection effect.

By sector, Information Technology is the main contributor, with a total effect of 6.06% (in USD terms), mainly driven by the positive selection effect. Meanwhile, Materials is the key detractor, with a total effect of -0.59% (in USD terms), mainly due to the negative selection effect.

Market Outlook and Investment Strategy

Global equity markets experienced a notable increase in volatility in June as investors navigated a shifting macroeconomic and policy landscape, alongside widening performance dispersion across sectors and profit-taking in crowded AI leaders. The appointment of a new Fed Chair and signs of a potential regime shift at the Federal Reserve heightened uncertainty over how the central bank will balance inflation, employment, and financial stability, leaving overall risk sentiment fragile. The evolving backdrop was further complicated by resilient yet mixed economic data. Steady job growth underscored the economy's underlying strength, while geopolitical-driven spikes in oil prices began to ease. Market liquidity was also temporarily strained by several landmark public offerings that absorbed significant institutional capital from broader secondary markets. Meanwhile, the stark divergence between high-performing AI-related sectors and the broader market triggered a wave of short-term profit-taking amid macro uncertainty. We believe the likelihood of a renewed rate-hike cycle remains low, supported by stabilizing energy prices, moderating inflation pressures, and the new Fed Chair's apparent conviction that AI-driven productivity gains could be substantial. Although market volatility is likely to persist at least through the summer, we maintain a constructive outlook on earnings growth among high-quality companies operating in supply-constrained segments of the AI development supply chain.

China's equity market entered a period of consolidation in June after May domestic demand data came in significantly weaker than expected. Consumption remained soft, and property sector adjustments, particularly in lower-tier cities, deteriorated relative to the modest improvement seen in previous months. In contrast, export growth substantially exceeded market expectations, driven by strength in semiconductors and advanced manufacturing–related sectors. The market continues to display a bifurcated dynamic: structurally challenged sectors remain under pressure, while companies aligned with the government's push for technological self-sufficiency and industrial upgrading continue to demonstrate resilience. Investor attention is now turning to upcoming high-level policy meetings, with expectations that they may provide greater clarity on structural reforms and fiscal support. Even though the likelihood of large-scale fiscal stimulus to bolster domestic demand is low in the near term, as robust export performance appears sufficient to support the annual GDP growth target, weak fundamentals seem pretty much priced in current share prices. Having said that, we will continue to reflect new consumption patterns into our portfolio, through more new consumer or AI-related names.

Korea's equity market experienced historic and unprecedented volatility in June, exceeding that of regional peers. This was largely due to the market's heavy concentration in its two dominant memory semiconductor companies, compounded by the late-May launch of leveraged ETFs tied to these single stocks. As seen in similar sectors globally, elevated volatility may persist in the near term. That said, the market is increasingly embracing the view that the memory industry is undergoing a structural transformation, shifting from a highly cyclical, commoditized business model toward a more customized, high-margin growth paradigm. If this re-rating thesis gains broader acceptance, it could unlock meaningful long-term upside. The duration of any near-term correction will likely depend on upcoming quarterly earnings, memory chip pricing trends, and developments among Chinese peers, particularly in the lead-up to a major upcoming IPO.

Taiwan remained at the epicenter of global AI optimism in June. Major industry events throughout the month reaffirmed the island's indispensable role in the global technology supply chain, highlighting accelerated product roadmaps and robust demand for leading-edge foundry services, advanced packaging, and server components. Compared with Korea, Taiwan's technology exposure is more diversified, spanning foundries, fabless designers, OSAT providers, and ODMs, and other segments, resulting in relatively lower market volatility. Tight capacity at advanced nodes and sustained orders from major AI customers continued to support positive earnings sentiment across these subsectors, even as investors became more attentive to potential signs of capex normalization or shifts in order timing. We maintain a constructive but selective stance, focusing on companies with clear technological differentiation and strong balance sheets, while avoiding areas where valuations already reflect overly aggressive growth expectations.

Indian equities delivered a relatively steady performance in June, supported by improving momentum in domestic demand, financials, and public investment. Growth and earnings trends in these areas continued to strengthen, providing a solid underpinning for the broader market. However, elevated valuations remain a key focus for investors, particularly given India's relatively limited direct exposure to the global AI hardware boom that has propelled several peer markets. To justify current multiples, companies will need to execute flawlessly in the upcoming earnings seasons. We continue to view India as a premier structural growth story, but current valuation levels warrant a highly selective, bottom-up approach. Our focus remains on high-quality franchises across financials, consumer discretionary, and health care that possess the pricing power and operational discipline necessary to compound earnings consistently across market cycles.

Source: Mirae

Natixis Loomis Sayles Multisector Income Fund

Investment and Market Review

Portfolio performance

• The Fund underperformed its Reference Index.

• Exposure to convertible securities was positive, particularly technology.

• Our overweight position in investment grade corporate credits contributed as spreads tightened. Security selection was also positive, specifically insurance and aerospace/defense.

• Exposure to non-U.S. dollar-denominated securities was beneficial, particularly Mexican peso and South African rand.

• Overall portfolio duration was shorter on a relative basis, which was beneficial as rates rose. However, curve flattening during the quarter meant that an overweight to the 5-year KRDs and an underweight to the long end detracted from excess performance.

Market environment

Bonds produced a modest gain in the second quarter, with income accounting for the bulk of the total return. Expectations that the lingering effects of the conflict in Iran would cause inflation to reaccelerate prompted investors to price in tighter central bank policy. While in the autumn of 2025 the markets were anticipating that the US Federal Reserve (Fed) would enact as many as five quarter-point interest rate cuts over the coming year, by the end of June expectations had shifted toward the possibility of at least one rate hike in the second half of 2026.

Kevin Warsh replaced Jerome Powell as Fed Chairman in May. While investors speculated that Warsh would have a bias toward lower rates when his name was first floated as a potential Powell replacement in 2025, the new chair's initial comments pointed to a more hawkish tone. Most notably, Warsh indicated a desire to reinstate the Fed's 2% inflation target – a level not reached since before the COVID-19 supply shock in early 2021.

US Treasurys produced tepid total returns in the quarter, reflecting investors' expectation that the US Federal Reserve may be compelled to begin raising interest rates in the second half of the year to head off rising inflation. The changing outlook for Fed policy led to underperformance for the belly of the yield curve, as the five-year bellwether maturity bucket produced the worst returns across the maturity spectrum. The yield on the two-year Treasury note climbed from 3.79% to 4.14% (as its price fell). Still, the two-year finished with a positive total return for the quarter due to the contribution from income. Longer-dated debt, which is less sensitive to Fed policy, held up better. The yield on the 10-year note rose less dramatically, moving from 4.30% to 4.44%. Interest return was more than enough to offset the negative price return, allowing the longer end of the curve record positive total returns. The yield curve flattened as a result of these moves.

Investment-grade corporates produced a healthy total return in the second quarter. Yield spreads experienced a meaningful decline as hopes for an end to the conflict in Iran led to a resurgence in investors' appetite for risk. According to the Federal Reserve Bank of St. Louis, the option-adjusted spread on the ICE BofA US Corporate Index fell from 90 basis points (0.90 percentage points) on March 31 to 76 basis points on June 30. This trend, in combination with the contribution from income, helped corporates outpace Treasurys by a comfortable margin.

High-yield bonds registered robust total returns in the second quarter. Yield spreads declined considerably as movement toward a resolution of the war in Iran fueled a recovery in investors' appetite for risk. According to the Federal Reserve Bank of St. Louis, the option-adjusted spread on the ICE BofA US High Yield Index fell from 328 basis points (3.28 percentage points) at the start of the period to 275 basis points on June 30. This trend, together with the contribution from income, contributed to outperformance for high-yield bonds relative to US Treasurys and the investment-grade market more broadly.

While securitized credit generated positive returns during the quarter, the category lagged corporate bonds. Agency mortgage-backed securities (MBS) posted gains. The category was supported by favorable technicals, with limited net supply and steady demand from government-sponsored enterprises and other market participants. In securitized credit, collateralized loan obligations (CLOs), asset-backed securities (ABS), residential mortgage-backed securities (RMBS), and consumer ABS were the leaders in terms of total returns, while commercial mortgage-backed securities (CMBS) delivered more muted performance.

The foreign developed markets produced a modest gain, but returns were dampened by weakness in non-US currencies against the dollar. Eight of the G-10 currencies lost ground in the quarter, while the Australian dollar and British pound moved modestly higher. Emerging-market bonds registered solid returns, with dollar-denominated debt strongly outperforming the domestic US market. Much of the gain occurred in the first half of April, when higher-risk assets rallied on hopes for a resolution to the conflict in Iran.

<u>Market Outlook and Investment Strategy</u>

Market volatility remained elevated during the second quarter, though fears of a severe economic downturn eased as the conflict involving the U.S., Israel, and Iran proved less disruptive to global energy markets than initially feared. While higher oil prices and geopolitical uncertainty continued to weigh on sentiment, the broader economic backdrop remained resilient. The initial energy shock lifted inflation expectations and contributed to higher interest rates, with the 10-year Treasury yield rising from approximately 4.32% to 4.47% during the quarter. At the same time, credit markets largely absorbed the volatility and investment grade and high yield corporate spreads tightened as investors looked through near-term geopolitical risks and remained focused on resilient economic growth.

Looking ahead through the remainder of 2026, we believe the U.S. will remain firmly in the 'Expansion to Late Cycle' phase of the credit cycle. Our outlook is based on positive wealth effects, supportive fiscal policy, robust corporate profits and a significant capital expenditure cycle tied to artificial intelligence (AI). Manufacturing activity has also remained healthy, order books are strong, and inventories remain relatively lean. Corporate health appears solid, as reflected in healthy earnings, profit margins and corporate balance sheets. After softening in 2025, labor market indicators have improved, with payroll growth, job openings, and unemployment claims also suggesting continued resilience. Globally, growth entered 2026 on more synchronized footing, supported by monetary easing in 2025, improving manufacturing activity, and increasingly supportive fiscal policy. Despite the energy shock and geopolitical tensions that remain, the global economy appears more resilient than it was during the initial energy shock following Russia's invasion of Ukraine.

Inflation across the globe remains a key challenge. The disinflationary progress many investors expected at the start of the year has yet to materialize. While higher energy prices have contributed to inflation pressures, underlying inflation measures have remained stubbornly firm. More importantly, we believe inflation is increasingly being supported by structural factors, including persistent fiscal deficits, demographic pressures, supply-chain reconfiguration, rising defense spending, and substantial investment in AI, energy infrastructure, and industrial capacity. In our view, global central bankers no longer have an easing bias; however, we are not concerned about cycles of aggressive rate hikes either.

The evolving inflation backdrop has led to an important shift in the market's policy debate. Within the U.S., earlier in the year, investors focused primarily on the timing of additional Federal Reserve interest rate cuts. The discussion has now shifted toward whether persistent inflation could ultimately require a more restrictive stance. The policy framework itself is also evolving as newly appointed Chair Kevin Warsh has made it clear that reforming aspects of Federal Reserve communication and decision-making are priorities. Most notably, forward guidance appears likely to play a much smaller role, while policymakers reassess the balance sheet, economic projections, and the potential effects of AI-driven productivity gains. While these reforms may ultimately strengthen credibility, the transition introduces some potential uncertainty and interest rate volatility as investors seek to understand the framework that will guide monetary policy decisions in coming years.

We continue to view the U.S. fiscal deficit as a longer-term concern. Large structural expenditures, particularly related to entitlements and defense, combined with elevated debt-servicing costs, suggest deficits are likely to remain sizable. Persistent fiscal expansion contributes to inflationary pressures and places upward pressure on Treasury supply and long-term interest rates. We continue to estimate fair value for the 10-year U.S. Treasury at approximately 4.25%-4.75%, though rising term premia and the prospect of structurally higher neutral rates could push yields modestly higher over time, in our view.

Within this environment, our cycle-based investment process remains anchored to a long-term horizon and focused on balancing valuation, fundamentals and risk. Credit spreads remain relatively tight by historical standards, but corporate fundamentals continue to justify a constructive stance. Our Credit Health Index (CHIN) framework suggests defaults/losses and downgrades should remain below historical averages for this stage of the cycle, supported by strong profitability, healthy margins, and resilient balance sheets. We believe corporate balance sheets remain well positioned to absorb episodic macro volatility related to geopolitics, energy prices and policy uncertainty.

Given our expectation for a relatively benign loss environment, we believe investors should consider selectively leaning into credit risk to capture incremental carry, while maintaining broad diversification across fixed income sectors. Elevated volatility and evolving macro risks reinforce the importance of flexibility in managing both interest-rate and credit exposure. We remain selective across investment grade and high yield credit, bank loans, and securitized assets, where relative value opportunities continue to emerge. Convergence between public and private credit markets is accelerating, creating additional opportunities for multi-sector investors. Finally, we believe diversification across non-U.S. dollar exposures remains compelling, as the current macro backdrop suggests a sustained flight-to-safety bid for the U.S. dollar is unlikely, allowing investors to seek higher yields and potential currency appreciation outside the U.S. While uncertainty surrounding growth, inflation, and central bank policy is likely to persist, we believe strong corporate profitability, healthy consumers, AI-driven investment, and resilient credit fundamentals should continue to support risk assets through the remainder of 2026.

Source: Natixis

Natixis Mirova Global Sustainable Equity Fund

Investment and Market Review

Market Environment

Into the second quarter, AI remained the dominant market theme. Demand for compute and robust corporate capex provided strong tailwinds. Software partially rebounded, but the semis/memory space outperformed overall. However, the AI theme continued to be scrutinized around monetization/capex ROI, token commoditization, ongoing memory constraints, opensource/ Chinese competition, and an uncertain regulatory backdrop. Market concentration also made the space vulnerable to periodic unwinds during the quarter, particularly as certain names within the space that have outperformed strongly are starting from higher valuations and facing tougher comps from here.

First-quarter corporate earnings were solid with S&P 500 earnings growing 28.6% year-over-year (highest since Q4 2021) and easily beating analysts' estimates, while in Europe we saw narrow Q1 earnings recoveries, with gains concentrated in Energy and Financials.

Hawkish Central Bank pivots (Fed & ECB) on persistent above-target inflation and stabilizing labor markets led to a notable shift. Meanwhile, the US economic picture remained solid overall with nonfarm payrolls coming in above consensus and jobless claims stayed low. Strong retail sales showed that consumers continued to spend, even though high prices dragged consumer sentiment to historic lows in May.

The Iran conflict contributed to market volatility, with an early-quarter escalation that spiked Brent crude prices, creating stagflationary fears. However, news of constructive negotiations, an April ceasefire and a mid-June diplomatic agreement (reopening the Strait of Hormuz) led to reversing oil prices.

The EU and U.S. approved a trade pact in June, capping U.S. tariffs on European goods at 15%, but trade deficits and tensions with China remained highly strained as the EU's overcapacity instrument was delayed until autumn.

In June, after a strong April and May, volatility crept back into equity markets, with the major indexes more mixed, supported by the US-Iran ceasefire, while also facing a surprisingly hawkish tone from the Fed, cracks in the AI narrative, and a selloff in big tech.

In this context, the best performing sector within the benchmark during the second quarter was by far the Information Technology sector, followed by Industrials and Financials, though the IT sector contributed a majority of the index's total return. In a reversal from the first quarter, the traditional Energy sector was the worst performing sector, followed by Utilities, Materials and Consumer Staples.

<u>Market Outlook and Investment Strategy</u>

While global market and economic resilience overall continue to serve as a foundational backdrop for investors, it has masked a degree of underlying volatility, geopolitical risk, and significant market rotations. Markets have been driven by one very important theme in recent history (artificial intelligence), while many other themes have lagged and are now more attractive on a relative basis. We believe that rising market concentration remains a key risk for the market and investors as a heavily concentrated market can challenge active managers if it continues to outperform while passive managers may face challenges if that concentrated portion of the market begins to weaken or pause. Through periods of uncertainty and volatility, we maintain our disciplined investment process, a strong quality bias, and a long-term focus across a well-balanced portfolio while seeking to take advantage of opportunities that these market rotations and heightened volatility may present to us as stock pickers.

Despite this uncertainty, many other important secular themes persist and are well positioned from here, including longevity and the aging population. Additionally, themes like deglobalization and shifting power dynamics have strengthened in the context of rising geopolitical risks, leading to an increased focus on energy, water, cybersecurity, and supply chain security. Similarly, selective investments in renewables and grid infrastructure remain highly attractive in an environment of rising energy prices, especially as they benefit from increased power demand driven by data centers and the essential need for energy security and sovereignty. We also see opportunities related to the K-shaped economy and rising wealth inequalities, leading to potential ideas in the Consumer and Financials sectors that serve either lower-end or higher-end consumers, which are likely to be reinforced by the influence of inflation on value-conscious consumers. As a sustainable investor, we fully integrate long-term environmental and societal implications into our decision-making, using robust corporate engagement to address risks and drive positive change. We believe the sustainable transition continues to be a strong secular trend, and we are increasingly expanding our focus to support transition enablers—companies across traditional industries that may not currently be seen as creating positive impact but can shift to more sustainable business models to support adaptation, leading to incremental financial value creation and positive impact over time.

The team's focus on quality and opportunities associated with grid infrastructure and sustainable transition enablers aligns with the possibility of a potential pause or rotations within the artificial intelligence theme over the medium term. Equity markets could face a big rotation away from highly valued AI infrastructure, such as hardware and compute suppliers, and into the sectors and companies that will deploy and adopt AI profitably. In some areas, we see very strong valuation and fundamental mismatch, as AI infrastructure currently trades at demanding multiples on forward earnings. We consider where different parts of the AI value chain may currently be within the Gartner Hype Cycle: it's possible that highly cyclical hardware, memory, storage, power, and cooling sub-sectors are somewhere near the "Peak of Inflated Expectations" with unsustainable margins, whereas enterprise application software has de-rated so significantly on disruption fears, it may be near the "Trough of Disillusionment", and genuine AI adopters in healthcare, financials, and electrification may be entering the "Slope of Enlightenment" where productivity gains are beginning to show up in margins but not yet in multiples. While there is a timing risk that infrastructure continues to lead over the next year, a mere deceleration in hyperscaler capex growth remains a powerful second-derivative trigger that could spark a sharp de-rating of highly crowded hardware names. By maintaining our disciplined focus on valuation, quality, and the broader opportunities including grid infrastructure powering this computing wave, we believe we remain well-positioned to benefit from continued performance tailwind in the near term, while having the ability to navigate these complex market dynamics.

Source: Natixis

Neuberger Berman Strategic Income Fund

Investment and Market Review

Portfolio Review

The Fund delivered a positive total return for the quarter. From a sector perspective, high yield was the largest positive contributor to absolute returns over the quarter, supported by spread tightening amid resilient corporate fundamentals. Investment grade credit was the second-largest contributor, followed closely by emerging market debt, where hard currency exposures drove the bulk of the gain. Securitized credit also contributed positively to absolute performance, as did senior floating rate loans and CLOs and agency MBS, reflecting the broad-based strength across spread sectors during the period. In contrast, US government securities and US rate derivatives were the primary detractors from absolute returns, reflecting the cost of the portfolio's tactical duration and interest rate positioning as the rates environment offered limited directional tailwind. Global bonds were a modest additional drag. Currency was a marginal positive contributor to overall absolute performance.

During the quarter, we made a number of relative value positioning adjustments. We trimmed exposure to US Treasuries, global government bonds (primarily Japan and select eurozone countries), US investment grade credit, non-agency MBS, IG and non-IG CLOs and certain foreign exchange positions. Within securitized credit, exposure to credit risk transfers and non-agency MBS were reduced as we rotated toward higher-conviction allocations within the asset class. On the addition side, the most material increases were to EM local currency and bonds, agency MBS and non-US developed market investment grade credit, followed by ABS and high yield — across both US and non-US issuers. We also added to TIPS, CMBS, hybrids and bank loans during the period. Overall, the activity reflected a continued rotation within spread sectors toward structures and credits offering more attractive risk-adjusted return potential, while maintaining a disciplined approach to rate sensitivity.

Market Review

Global fixed income markets generated positive returns in June and for the second quarter, supported by resilient risk sentiment, attractive all-in yields and broad spread tightening. U.S. and global investment grade (IG) fixed income delivered positive total returns in June and the second quarter of 0.24% and 0.37% and 5.04% and 4.84%, respectively, as measured by the Bloomberg U.S. Aggregate Index and Bloomberg Global Aggregate Index (USD hedged). June returns were positive across most sectors, with local currency emerging markets debt, hard currency emerging markets debt, pan-European high yield and pan-European investment grade corporates among the stronger performers. For the quarter, hard currency emerging markets debt, pan-European high yield, local currency emerging markets debt and pan-European investment grade corporates led returns, while U.S. Treasuries and securitized sectors posted more modest gains.

Performance leadership (as measured by the indices below), reflected a combination of spread compression, carry and regional rate dispersion. In June, local currency emerging markets debt returned 1.13%, hard currency emerging markets debt 0.72%, pan-European high yield 0.62% and pan-European investment grade corporates 0.58%. For the quarter, hard currency emerging markets debt returned 4.64%, pan-European high yield 3.70%, local currency emerging markets debt 2.84% and pan-European investment grade corporates 2.77%, while U.S. high yield and global investment grade corporates also generated solid positive returns.

Rates were a mixed contributor in June and over the quarter. In June, U.S. Treasury yields rose modestly across the front and intermediate parts of the curve, with the 2-year yield up 17 bps to 4.18%, the 5-year up 9 bps to 4.23% and the 10-year up 3 bps to 4.47%, while the 30-year declined 2 bps to 4.95%. For the quarter, the move was larger: the 2-year rose 38 bps, the 5-year 29 bps, the 10-year 15 bps and the 30-year 4 bps. Outside the U.S., several developed-market 10-year yields declined over the month, led by New Zealand and Mexico, which each fell 15 bps to 4.36% and 9.03%, respectively, followed by Australia down 11 bps to 4.72%, Germany down 8 bps to 2.86%, the U.K. down 5 bps to 4.76%, Canada down 3 bps to 3.38%, Italy down 2 bps to 3.63% and Spain down 1 bp to 3.34%, while Japan's 10-year yield rose 1 bp to 2.67%.

Macro and policy developments remained central to market pricing. The Fed left rates unchanged through June, consistent with our view that policy is likely to remain on hold as disinflation progresses but labor-market resilience and geopolitical risks argue for patience. Outside the U.S., lower European yields supported returns, while Japan remained an outlier as higher yields reflected ongoing policy normalization.

Overall, June capped a constructive second quarter for global fixed income, driven primarily by credit carry, spread tightening and selective sovereign yield declines outside the U.S. The strength of the recovery continued to vary by sector, with higher-beta spread sectors leading and duration-sensitive segments more dependent on regional rate moves. With spreads tighter and policy paths increasingly differentiated, performance remained dependent on sector selection, country-level duration exposure and disciplined risk allocation.

Market Outlook and Investment Strategy

The outlook remains constructive but more differentiated. U.S. growth appears resilient, supported by AI-related capital spending and fiscal tailwinds, but the mix of slowing payroll momentum, still-elevated inflation and moderating consumer activity argues for a measured assessment of the cycle. Outside the U.S., growth and inflation trends are increasingly divergent, with Europe facing softer activity alongside uneven price pressures, the U.K. showing gradual disinflation progress, Japan normalizing policy incrementally and China continuing to recover unevenly.

For the Federal Reserve, the key issue is whether the recent increase in headline inflation remains largely energy-led or broadens into underlying price pressures. Our base case is that the Fed remains on hold through 2026, with easing deferred to 2027. We do not view the current backdrop as one that calls for rate hikes, but we also see limited scope for near-term easing while inflation remains above target and the labor market, though cooling at the margin, remains broadly resilient.

Disinflation remains a high-conviction Neuberger view — with core inflation expected to move toward ~2.6% by end-2026, driven by shelter normalization and anchored expectations — as transitory price pressures have not materially altered the trajectory, in our view, supporting continued Fed patience.

The repricing in rates has improved the opportunity set, particularly at the front end and belly of the curve, where yields appear to discount a more persistent period of restrictive policy. We remain more cautious on broad long-duration exposure, where fiscal, supply and volatility risks continue to matter. This supports a preference for shorter to intermediate duration, disciplined curve positioning and risk deployment where carry and roll are attractive without adding unnecessary term-premium exposure.

Credit markets remain supported by attractive all-in yields and broadly resilient fundamentals, but headline spreads are tight and new issue supply has become a less supportive technical factor. As a result, we continue to favor a constructive but selective approach, emphasizing higher-quality credit, securitized opportunities with attractive structural features and active security selection in areas where issuer, sector and structural dispersion are creating value.

Country and sector differentiation should remain an important source of return. Europe’s fiscal and growth dynamics, elevated sovereign spread dispersion, the divide between commodity exporters and importers in emerging markets and China’s uneven recovery all reinforce the importance of selectivity. Across global fixed income, we believe valuation discipline, quality bias and careful deployment into dislocations remain appropriate as policy divergence, fiscal pressures, supply dynamics and geopolitical risks continue to shape markets.

We remain focused on delivering attractive risk-adjusted returns — generating consistent performance across market cycles by drawing on the diverse alpha sources our investible universe and investment approach afford. We thank you for your continued support and confidence.

Source: Neuberger Berman

Nomura Japan High Conviction Fund

Investment and Market Review

- The Japanese equity market rebounded swiftly in April, following a sharp decline in March, and extended its gains further, reaching a new all-time high. The TOPIX Total Return Index advanced by 14.40% in 2Q2026,as the AI theme continued to dominate and drive the rally. Capital spending by hyperscalers, which build and operate datacentres and provide computational capacity to AI model builders and application users, has continued to expand at a breakneck pace. Moreover, the investable scope of the AI theme has broadened from semiconductor production equipment and materials, which are closely linked to rising production of AI computing semiconductors, to a wider range of electronic components and devices that were previously thought to be beyond the scope of this AI investment boom.

▪ Earnings for the fiscal year ended March 2026 grew by 10% YoY, despite the policy uncertainty caused by the abrupt announcement of US trade tariffs a year earlier. During the US-Japan trade deal negotiations, earnings growth expectations briefly dipped in mid-2025, temporarily indicating a contraction. Earnings prospects have since recovered, and actual results ended up in line with initial expectations before the tariff announcement.

▪ The yen hit a four-decade low against the US dollar. The Ministry of Finance intervened in the foreign exchange market in April, and the yen rallied from JPY160 to JPY155 per US dollar. However, the effect was short lived, and the yen soon resumed its downward path, breaching the JPY162/USD level at the end of the quarter. The Bank of Japan hiked the policy interest rate by 25 basis points to 1.0% in June in line with expectations. Meanwhile, long term Japanese government bond (JGB) yields continue to climb steeply.

▪ Japan's economic recovery is gradually gaining traction. While some caution is still warranted, risks related to geopolitical tensions in the Middle East appear to be abating. Industrial production increased for two consecutive months in April and May. Production of passenger vehicles, chemical products, and petroleum and coal contributed to the increase in May. The outlook for chemical production is also positive. Inventories of naphtha and other raw materials increased, which should help to alleviate concerns about supply chain disruption.

▪ There was a clear performance gap between sector leaders and laggards. The Electronics sector was by far the best performer, led by the Electronics Component sub-sector, which rose by 100% during the quarter, and the Semiconductor/Integrated Electronics sub-sector. The Capital Goods sector also performed well, cable and optical device manufacturers and factory automation equipment manufacturers joined the rally. As a non-AI related sector, Financials managed to outperform somewhat, helped by rising interest rates. In contrast, the Commodities sector fell as energy prices declined. Sectors with defensive characteristics, such as Medical and Communication/Utilities, also fell. Rising long-term interest rates triggered a sharp sell-off among stocks in interest-rate-sensitive industries, including Real Estate within the Infrastructure sector. The Automobiles sector also declined, as its low valuations failed to attract investor interest.

Market Outlook and Investment Strategy

In June, Japanese equities extended their rally for a third consecutive month, supported by receding concerns over the Middle East and expectations for strong earnings at AI-related companies. The Nikkei 225, which carries a heavy weighting in AI and semiconductor stocks, briefly reached the ¥72,000 level, and the NT ratio(Nikkei 225 ÷ TOPIX) surged from 14.6x at end-March to 17.5x at end-June. Our base case had assumed the US-Iran issue would gradually de-escalate, given US wariness over surging gasoline prices and a resurgence of inflation, as well as domestic public opinion opposed to military action. Consistent with the assumption, conciliatory news flow has become prominent, and equity market sentiments has improved.

▪ While the Middle East situation stabilises, market attention is concentrated on AI semiconductors. Given increased capital expenditure by the major US hyperscalers and the widening range of cases where AI is contributing to revenue, we view the AI business as steadily moving toward monetisation. That said, with AI semiconductor stocks trading at elevated levels, investors should be mindful of the risk that the major US hyperscalers alter their capex plans, as well as the risk of regulation governing the release and use of frontier models. Capital expenditure now exceeds 30% of major US hyperscaler revenue, while free cash flow is trending lower, and some have begun raising funds through equity financing. Furthermore, although the AI revenue model will ultimately converge on "unit price x number of users," recovering the enormous capital investment will require broader adoption, not merely higher unit pricing. Should regulation constrain the release of advanced models, progress toward monetisation could be delayed. Because AI has taken on the character of an arms race at the national level, we regard regulation that would materially impair industry growth as limited, positioning it strictly as a risk scenario. We will be monitoring the major US hyperscalers' capex plans and regulatory developments around advanced models going forward.

▪ During the month, the strategy outperformed TOPIX but underperformed the growth index, making it a period that leaves room for reflection. The underperformance relative to the growth index stemmed from our holding in automaker Toyota Motor and from differences in AI/semiconductor stock composition (the growth index has a particularly high weighting in AI/semiconductor names, with a large individual weight in stocks such as memory-chip maker Kioxia Holdings). While this may reflect a short-term shift in market preferences, we will pay close attention to earnings trends. That said, we are not positioned cautiously toward AI.

▪ The strategy invests in a carefully selected group of companies expected to sustain high ROE over the medium to long term and to steadily build shareholders' equity. We will continue to manage the portfolio with attention to an uncertain market environment, while maintaining a balanced approach to stock selection that can also capture upside. Furthermore, while maintaining our investment policy, we will also remain mindful of rebalancing based on the price movements and valuations of our holdings.

Source: Nomura

PGIM Global Total Return Bond Fund

Investment and Market Review

▪ In Q2, geopolitics were once again at the fore, creating a swirl of possibilities for the world’s economies and shockwaves for the markets. The parts of the market most challenged by the Middle East conflict were developed market and emerging-market front end rates, along with risk assets in oil importing economies. Nonetheless, credit products—investment-grade corporates, high-yield corporates, emerging-market bonds, and securitized credits (e.g., CLOs, ABS, CMBS, and MBS)—posted positive total returns as spreads retraced March’s widening and U.S. stocks hit new highs.

▪ Looking ahead, our U.S. base case economic scenario is one of “overheating.” We expect real GDP growth of 2.3% in 2026, extending the above-trend results and exceeding most advanced economies. This will likely be driven by the scale of AI-related capex, wealth-driven consumption, and ongoing fiscal stimulus.

That stated, inflation remains elevated due to higher tariffs, tightening labor supply, fiscal expansion, and the energy shock associated with the Middle East conflict.

▪ In the near term, our view is that PCE inflation, particularly non-services inflation, will remain sticky as subsectors within this category have not shown an impact from higher energy prices in recent months. As a result, they are not expected to show any energy-related relief going forward. In addition, the AI buildout is likely to continue putting upward pressure on a range of goods products— with risks skewed toward these pressures growing rather than receding.

▪ The euro area finds itself in a more vulnerable position due to its energy sensitivity. In June, the ECB raised its three key policy rates by 25 bps, bringing the deposit facility, main refinancing operations, and marginal lending facility rates to 2.25%, 2.40%, and 2.65%, respectively. While headline inflation for the euro area came in at 2.8% per the June EA Flash Report—a meaningful downside print compared to the consensus estimate of 3.0%, the pressure on households due to the combination of higher food and energy prices will likely continue to influence the ECB's inflation expectations going forward. As a result, we anticipate an additional 25-bp rate hike in September.

▪ Higher rates and a squeezed consumer will presumably weigh on domestic demand in the euro area, where economic activity was already expected to be fairly sluggish. These factors feed into our "muddle through" base case for the euro area economy. That stated, fiscal support committed prior to the recent crisis in the Middle East is expected to put a floor under growth, especially in Germany.

▪ In China, we expect policy settings to remain accommodative—with more targeted fiscal and monetary easing to become apparent by the July Politburo meeting—to ensure China does not fall short of its growth target. We believe China will continue to benefit from an industrial-policy mix supporting infrastructure upgrades, AI-related capex, continued strength in advanced sectors (e.g., electric vehicles), and clearer fiscal incentives. The combination of the energy shock, structural domestic challenges, and sizable tailwinds feeds into our "muddle through" base case economic scenario for China.

▪ Yields have remained in a higher, but historically normal, range since 2022. Over the long run, yield is (more or less) destiny. In this context, the Middle East conflict has, in our view, pushed yields up to attractive levels. While it's difficult to know when we've passed the peak of the current crisis in terms of yields and volatility, we are guardedly optimistic that most of the increase in rates is likely behind us. In that event, the market is well poised from current respectable yield levels to deliver solid returns in the years ahead.

▪ While markets have climbed the wall of worry from higher tariffs, geopolitical uncertainty, and stagflation risks, macro and policy uncertainty persist, in addition to a more hawkish Fed. With spreads now at historically tight levels, we prefer to be patient and remain up-in-quality in risk markets. In rates, we have leaned long U.S. Treasuries at the belly of the curve given the attractive carry and roll. We are more cautious at the front and very long ends of the U.S. Treasury curve given a hawkish Warsh-led Fed as well as macroeconomic, inflation, fiscal, and term premium risks.

Market Outlook and Investment Strategy

▪ The Fund outperformed its benchmark, the Bloomberg Global Aggregate Bond Index, by +85 bps (gross).

▪ Overall sector allocation contributed to performance during the period, with overweights to the emerging-market high yield, emerging-market investment grade, and other sovereign credit sectors, along with an underweight to the MBS sector, contributing the most. This was partially offset by overweights to the GBP sovereign credit, other investment-grade corporate, U.S. sovereign credit, and JPY investment-grade corporate sectors, which detracted.

▪ Overall security selection detracted from performance, with selection in emerging-market investment grade bonds, U.S. investment-grade corporates, other sovereign credits, European high-yield corporates, U.S. high-yield corporates, U.S. Treasuries, and emerging-market high yield bonds detracting the most. This was partially offset by selection in European sovereign credits and non-agency MBS, which contributed.

▪ Within credit, positioning in building materials & home construction, banking, and telecom detracted from results.

▪ From a market perspective, having more risk, on average, over the period than the relevant benchmark contributed to results. The Fund's duration positioning, in both emerging and developed markets, contributed to results. Yield curve positioning also contributed to results.

Source: PGIM

Pictet Asian Local Currency Debt Fund

Investment and Market Review

Asian local currency debt returned -0.74% in June, though performance for the second quarter remained positive at 0.29% in USD terms, supported by an improving external backdrop. Easing geopolitical tensions, particularly hopes of a negotiated outcome between the US and Iran, helped support risk sentiment, while increased transit through the Strait of Hormuz contributed to lower oil prices, providing an additional tailwind for emerging market fundamentals. In Asia, India announced a series of measures aimed at attracting foreign investment, including a tax exemption on income and capital gains from government bonds for overseas investors, expanded access to longer-dated sovereign debt, and a planned relaxation of foreign ownership limits in listed companies.

Market Outlook and Investment Strategy

Our central case remains that geopolitical tensions in the Middle East remain contained, resulting in movements in oil prices but leading to a lower average price. In this context, we maintain a medium-term bearish stance on the US dollar, reflecting our view that it is structurally overvalued and increasingly exposed to a cyclical inflexion point. We see peak capital inflows into US assets and early signs of broader diversification as key catalysts for renewed dollar weakness. Despite bouts of near-term volatility, many sovereigns are entering this phase with comparatively solid fundamentals, which should help absorb the impact of commodity shocks and tighter global financial conditions.

Our positioning reflects our assessment that policy constraints remain binding across emerging markets, with recent actions by Asian central banks reinforcing that foreign exchange stability continues to take priority. We maintain a constructive stance on the Chinese renminbi as its strength is less about competing with developed markets and more about reinforcing China's credibility as a stable settlement anchor for the Global South, supporting gradual de-dollarisation over time. Overall, we anticipate a continued environment of elevated dispersion, where disciplined security selection and active positioning in FX and rates will be critical to generating alpha. The portfolio remains invested with the flexibility and optionality to scale exposure efficiently as macro conditions stabilise and become more supportive.

Source: Pictet

Pictet Global Emerging Debt Fund

Investment and Market Review

Emerging-market hard-currency debt delivered positive returns of 0.72% in June, bringing quarterly performance to a robust 4.63% in USD terms for Q2 2026, amid a broad improvement in external conditions. Easing geopolitical tensions, particularly optimism around a negotiated outcome between the US and Iran, underpinned risk sentiment, while increased transit through the Strait of Hormuz led to lower oil prices and provided a further tailwind to EM fundamentals. In this environment, spreads continued to grind tighter across rating buckets, reflecting sustained demand for the asset class. Political developments also played a supportive role, with markets responding positively to Hungary's April 2026 election outcome, which delivered a decisive victory for Péter Magyar's Tisza movement and brought an end to Viktor Orbán's long tenure. In Colombia, election dynamics also evolved more favourably than anticipated, with an Abelardo victory supporting expectations of a near-term relief rally.

Market Outlook and Investment Strategy

Our central case remains that geopolitical tensions in the Middle East remain contained; there continues to be optimism in the markets about the possibility of a negotiated outcome to the US-Iran war, resulting in movements in oil prices but leading to a lower average price. In this context, we maintain a medium-term bearish stance on the US dollar, reflecting our view that it is structurally overvalued and increasingly exposed to a cyclical inflexion point. We see peak capital inflows into US assets and early signs of broader diversification as key catalysts for renewed dollar weakness. Despite bouts of near-term volatility, many sovereigns are entering this phase with comparatively solid fundamentals, which should help absorb the impact of commodity shocks and tighter global financial conditions.

We continue to anchor the portfolio in stories that support reform and valuation, maintaining overweights in Romania as well as in Colombia, where the recent election marks an important inflexion point for credit. We remain structurally overweight in higher-yielding names, favouring BB and single-B issuers over the investment-grade segment of our universe, as we see more attractive compensation for the risks taken. Our stance on duration remains broadly neutral, with the portfolio positioned modestly for further upside and risk deployed selectively, while deliberately preserving ample flexibility to respond to shifting geopolitical and macro conditions across a diversified set of regions, sectors and instruments.

Source: Pictet

Pictet Premium Brands Fund

Investment and Market Review

The second quarter remained under the shadow of the Middle East conflict, which intensified in April before a US-brokered ceasefire in mid-June brought some calm. Oil prices, which had surged sharply earlier in the quarter, pulled back on the news. Equity markets recovered partially into quarter-end, though investors remained cautious, given still-elevated inflation and central banks in no hurry to cut rates. Risk assets advanced during the quarter as investors looked through lingering geopolitical tensions and focused on resilient earnings and the ongoing disinflation trend in major economies. Markets delivered strong gains, fuelled by upward revisions to earnings expectations and optimism around AI-related investment. The luxury and broader consumer sectors navigated a complex demand backdrop, but activity remained resilient overall.

Market Outlook and Investment Strategy

Premium Brands remains well placed for the current environment. Affluent US consumers remain resilient, supported by higher equity markets, enthusiasm around technology and some relief from easing oil prices. In Asia, the picture is more mixed, with Chinese macro data and confidence remaining fragile despite stimulus measures. History suggests that once confidence stabilises in Asia and remains solid in America, Premium Brands tends to benefit disproportionately after periods of demand normalisation. Overall, the Premium Brands strategy tends to do well across consumer cycles, as companies display unique know-how, robust brand reputation, recurring cash flows and solid balance sheets.

The strategy invests in companies with strong brands that fulfil consumers' aspirations. We favour recognised brands with high-quality products, superior services and relevant digital engagement. We evaluate the ability of companies to generate sustainable growth with high profitability and strong cash flow generation.

Source: Pictet

Pictet Security Fund

Investment and Market Review

The MSCI ACWI Index posted a very strong Q2, advancing 14.9% in USD terms, its best quarterly performance since 2020, and bringing its YTD return to 11.2%. Global markets climbed despite persistent geopolitical uncertainty in the Middle East: the start of de-escalation between the US and Iran and the potential for a peace agreement triggered a nearly 40% slump in Brent prices over the quarter. Q1 results were very strong, with approximately 85% of S&P 500 companies beating expectations. Information Technology surged 39.1%, powered by massive cloud infrastructure spending and names in semiconductors and memory, which also drove exceptional gains in markets such as South Korea and Taiwan. Industrials were up 11.7%, while Energy suffered a sharp reversal, down 13.0% over the quarter, the worst-performing sector as falling oil prices weighed on the space.

Market Outlook and Investment Strategy

Given the persistent uncertainties surrounding the current state of the world, we believe that both physical and digital security remain top priorities. The emergence of generative AI heightens the need for protection and drives additional demand across multiple segments of our portfolio. We therefore remain confident about the fund’s ability to outpace the global equity market on earnings and cash flow growth over the next few years.

Given the persistent uncertainties surrounding the current state of the world, we believe that both physical and digital security remain top priorities. The emergence of generative AI heightens the need for protection and drives additional demand across multiple segments of our portfolio. We therefore remain confident about the fund’s ability to outpace the global equity market on earnings and cash flow growth over the next few years.

Source: Pictet

PIMCO GIS Income Fund

Investment and Market Review

Risk assets were mixed in June, as developments surrounding the conflict in the Middle East and subsequent ceasefire announcements drove market sentiment. Following a ceasefire between the U.S. and Iran, oil prices fell sharply, reversing much of the risk premium that had built earlier in the quarter. In the U.S., headline CPI rose to 4.2% year-over-year in May, marking its highest reading since April 2023, while the unemployment rate held steady at 4.3%.

Fixed income markets were mixed globally in June, as the decline in energy prices was counterbalanced by stronger-than-expected economic data and expectations that policy rates may remain restrictive for longer. In the U.S., firm labor market conditions and continued economic resilience pushed the 10-year Treasury yield 3 bps higher to 4.47%. Elsewhere, yields generally moved lower, with the U.K. 10-year Gilt declining 6 bps to 4.76% and Germany's 10-year Bund falling 8 bps to 2.86%, despite a 25 bps rate hike from the European Central Bank. By contrast, in Japan, the 10-year government bond yield rose 2 bps to 2.68% as the Bank of Japan increased its policy rate to 1.00%, its highest level since 1995.

Large-cap equities were weaker over the month, pressured by a late-month selloff in technology and semiconductor stocks. The MSCI World Index declined 0.7%, while the S&P 500 fell 1.0% as investors reassessed AI-related earnings expectations and elevated valuations across large-cap technology companies. Within credit, investment grade spreads widened modestly, with U.S. spreads widening 2 bps to 76 bps while remaining unchanged in Europe at 78 bps. High yield spreads were mixed, with U.S. spreads widening 1 bp to 275 bps and Euro high yield spreads tightening 9 bps to 279 bps.

Market Outlook and Investment Strategy

Strategic Liquidity – The Fund continues to focus on maintaining high levels of liquidity (cash, Treasuries and Agency MBS) to provide additional flexibility and potentially deploy capital opportunistically.

Interest Rate Strategies – The Fund has remained tactical on duration exposure in recent months, with a preference for US rates. The exposure focuses on the front and intermediate segments of the yield curve where we see the most attractive opportunities. We maintain a long exposure to US TIPS to protect the portfolio against elevated inflation risks. Elsewhere, the Fund maintains a modest long position in UK duration and Australian duration.

Mortgage-Backed Exposures – We continue to like non-Agency mortgage-backed securities due to their attractive yields and risk profile. Our exposure is mainly in senior tranches of legacy, well seasoned deals, with very solid underlying fundamentals that should be resilient even in very distressed house price scenarios. We also continue to hold select higher coupon Agency MBS and senior AAA-rated tranches of CMBS indices. Both sectors provide "safe spread" along with an attractive risk profile in the event of a flight to quality. We remain focused on maintaining flexibility and ensuring a high level of liquidity in the portfolio.

Corporates – Within investment grade corporates we continue to like systemically important banks with strong capital positions and direct support from central banks, with a focus on the most senior parts of banks' capital structures. Outside of financials, sector exposure is a function of bottom-up credit selection rather than any specific sector views. The Fund is highly selective in cash High Yield bonds, with a focus on short dated senior and secured bonds, while also maintaining an allocation to high yield CDX, which benefit from superior liquidity versus cash bonds.

Emerging Markets – Exposure to emerging markets remains modest. We still believe that EM assets can be a good source of carry and diversification, but we keep individual country exposures small. We are focused on select regions which provide higher yields and what we perceive is limited potential for long-term financial loss. We are generally focused on sovereigns and quasi-sovereigns, specifically on organizations that have close government ties.

Currency – We remain tactical in our currency positioning, holding long exposure to a basket of higher carry EM currencies, with short positions in select lower carry EM currencies. We also have long exposure to a number of DM currencies we believe are attractively valued while maintaining short positions in other DM currencies where macro momentum is sluggish.

Source: PIMCO

PineBridge Asia ex-Japan Small Cap Equity Fund

Investment and Market Review

The MSCI All Country Asia Pacific ex Japan Small Cap Index reported positive returns of 13.53% in the second quarter. This performance was led by Taiwan and India.

Taiwan delivered strong gains during the period, supported by continued optimism surrounding artificial intelligence and its associated technology supply chain. Investor sentiment remained particularly constructive toward semiconductor companies.

India outperformed regional peers, supported by lower oil prices and an easing of geopolitical tensions in the Middle East. The macro backdrop and domestic demand also continue to be strong.

Korea experienced some sell-offs, as investors took profits in semiconductor and AI-related stocks amid concerns over the sustainability of AI-related capex along with the risk of memory chip oversupply in the medium term.

Indonesia underperformed as slowing manufacturing demand, a weaker rupiah and inconsistent policy weighed on investor sentiment.

China underperformed amid continued domestic demand weakness and uneven economic momentum. While policy support for technology and advanced manufacturing continues, investors are cautious on the pace and sustainability of the broader economic recovery.

Market Outlook and Investment Strategy

AI remains one of the most significant long-term technology shifts underway. While early gains were concentrated among semiconductor and infrastructure providers, the opportunity set is broadening as enterprises increasingly deploy AI to automate workflows, improve productivity and create new digital products and services.

Asia continues to play a pivotal role in this evolution, underpinned by its leadership in semiconductor manufacturing, technology supply chains and industrial innovation.

Strong AI optimism continues to support opportunities in Korea and Taiwan. China remains a market of selective opportunities with durable prospects across automation, robotics and AI-innovation despite the absence of a broad-based economic recovery.

While the long-term outlook remains constructive, investors continue to monitor risks, including a potential re-escalation of geopolitical tensions, higher energy prices, consequent inflationary pressures and slower-than-expected policy easing measures, any of which could weigh on market sentiment.

Our portfolio is built around high-conviction, long-term holdings that we believe can compound earnings through market cycles. We remain focused on businesses with durable competitive advantages, robust balance sheets and the ability to translate structural growth trends into sustainable shareholder value.

Source: PineBridge

Principal Preferred Securities Fund

Investment and Market Review

• The S&P 500 made new highs this month despite the non-resolution of the conflict in Iran, rising interest rates, and elevated energy prices. Equities are already looking beyond the conflict and are focused on the strength in the artificial intelligence (AI) and technology space, with a number of new IPOs from the likes of SpaceX, Open AI, and Anthropic in the offing.

• Interest rates rose sharply in May before easing off towards the end of the month. The 30-year U.S. Treasury (UST) bond hit 5.18% mid-month before closing the month at 4.97%. This was the highest level in the 30-year bond since July 2007.

• Returns in $1000 par preferred and capital securities (IIPS Index) were driven by coupon income, with price return of 0.11% and income of 0.52%. In AT1 CoCos (CDLR Index), price return was negative with a return of -0.31% and coupon income of 0.55%. On the other hand, the most rate sensitive sector of preferreds, namely the $25 par sector with its discounted price and longer duration, was impacted more by the increase in rates with the P0P4 Index having a price return of -1.55% and an income return of 0.63%.

• Spreads on the $1000 par preferred and capital securities sector tightened by 6 basis points (bps), while AT1 CoCos was wider by 7 bps and the $25 par sector widened out by 19 bps.

• On the U.S. economic front, the U.S. labor market continues to shrug off high energy prices and the conflict in Iran. The expectation for the May non-farm payroll number is 86,000, which is slightly lower than the 115,000 in April, but is still quite strong. Markets are pricing in a 50% chance that the Federal Reserve (Fed) raises rates before the end of the year. A strong labor market number could increase these odds.

• Kevin Warsh was sworn in as the new chairman of the Fed in May. Warsh faces a "baptism by fire," as interest rates and inflation are elevated. He does face some political pressure from the White House to preside over a rate cut, but Warsh needs to make a case to the Federal Open Market Committee (FOMC) that would justify a rate cut. Markets currently are pricing in increasing odds of the Fed going the other way. He also has outgoing Fed chair Jerome Powell still on the Board of Governors, which is unprecedented in recent modern history.

• The Financial Times (FT) has reported that government borrowing costs at some maturities have reached their highest level since 2007. The Congressional Budget Office (CBO) baseline 10-year rate from their February 2026 Budget and Economic Outlook is 4.1% for 2026 and 4.3% by Q4 2027. The FT reports that if the 10-year yield remained at 4.5% for 2027 that would add over $30 billion to the interest bill. The CBO's baseline projections show interest payments going from $1 trillion or 3.3% of GDP in 2026 to $2.1 trillion or 4.6% of GDP in 2036. Investors are concerned that this could result in a debt spiral where the U.S. borrows more to pay down interest. This dynamic could continue to put pressure on longer term rates unless we get some political will in D.C. to cut the fiscal deficit.

• Developments in the Japanese Government Bond (JGB) yield curve are also interesting and have implications for USD interest rates. The yield on 30-year JGB hit 4% for the first time since the bond was issued in 1999 and the benchmark 10-year JGB rose to 2.7% mid-month. Analysts are predicting that Japanese yields will continue to rise given the government of Sanae Takaichi has promised higher government spending. Japanese investors hold about $1 trillion of UST debt and could look to cycle out of USD into JPY as rates continue to rise in the JGB curve.

• In terms of continued innovation in coupon structures, we note that Verizon introduced coupon step-ups into the USD corporate hybrid space. Verizon issued $4 billion in corporate hybrids split evenly between a nc7 and a nc10 term. The structure includes coupon step-ups of 25 bps and 75 bps (for the nc7), similar to a European corporate hybrid bond. The issue was met with massive demand with a book that topped out at about $19 billion.

• We show that from a relative perspective, on a risk-adjusted spread basis, $1000 par preferred and capital securities (ICE: IIPS Index) and AT1 CoCos represent good value relative to U.S. high yield and the retail $25 par sector.

Market Outlook and Investment Strategy

• Income: Coupon income in our strategies continued to increase given calls and refunding of lower coupon bonds into higher coupons. The market weighted coupon on IIPS is now at 6.47%. You would need to go back about a decade to find similar coupon income in the index. Historically speaking, 70-80% of the total return is income driven. Therefore, having the ability to clip 6.4%+ coupons is a strong indicator of future total return.

• Spreads: Given the macro environment, AI disruption, private credit stresses, and historically tight spreads, the path of least resistance for spreads appears wider. We saw spreads leaking out in February and March before rebounding in April. We would expect spreads to continue to be under stress given the war in Iran and negative private credit news. If the geopolitical situation continues to fester, we could see the economy slip into an environment where the Fed is on the sidelines with increasing consumer prices, interest rates, and lower asset prices and wider spreads. We are sanguine that the higher coupons that are now prevalent in the $1000 par preferred and capital securities market will help buffet some of this spread volatility and still deliver superior returns relative to IG corporates. The increasing weight of corporate hybrids in preferred indices has also reduced the volatility of preferred indices which supports today's tighter spread environment.

• Supply: Supply in corporate hybrids has been quite robust. This allowed us to diversify our strategies away from financials. The corporate hybrid sector has wider spreads than the financial sector while also having lower spread betas. These are also dated 30nc10 or 30nc5 structures, with coupon floors in most cases, with term certainty given loss of equity credit. Therefore, this remains our best investment opportunity, especially in uncertain times.

• Credit: Large banks remain well-capitalized, with ratios comfortably above regulatory minimums, supported by resilient asset quality. Insurers maintain healthy capital positions and high-quality investment portfolios, though select firms exhibit elevated private and structured asset exposures. Property & casualty (P&C) re/insurers continue to address elevated claims through disciplined underwriting and reserving.

• Geopolitical: The ongoing war with Iran continues to be the big wildcard in markets. We have seen increased volatility in equity markets, a rise in energy prices, and a sell-off in Treasuries due to the implication of higher inflation if high energy prices were to persist. This is still a developing situation, and we are hopeful that this will be a transitory geopolitical event which will not have a lasting impact on global markets.

Source: Principal

Robeco SDG Credit Income Fund

Investment and Market Review

During the second quarter, geopolitical developments in the Gulf region and their implications for energy prices, inflation and monetary policy were among the main drivers of financial markets. Ongoing tensions between the US and Iran, combined with disruptions to shipping through the Strait of Hormuz, created significant volatility in oil markets. While sentiment shifted between optimism and renewed concern throughout the quarter, the agreement reached between the two countries in June led to a sharp decline in oil prices and reduced fears of a prolonged energy shock.

Higher energy prices continued to fuel concerns that inflationary pressures could remain persistent. In the US, core inflation data showed renewed upward pressure, reinforcing expectations that progress towards central bank targets would be slower than previously anticipated. At the same time, economic activity remained resilient and the US labour market continued to perform well, with payroll growth exceeding expectations during the quarter. In Europe, core inflation also moved higher, although the increase was more moderate than in the US. June data showed a modest decline compared with May, but inflation remained well above the ECB's target.

Against this backdrop, central banks adopted an increasingly cautious and, in many cases, more hawkish tone. At the first FOMC meeting chaired by Kevin Warsh, the Federal Reserve left policy rates unchanged but delivered a more hawkish message than markets had expected. The ECB initially remained on hold before raising rates in June, citing broader inflationary pressures across the economy.

Another key theme was the continued acceleration of AI-related investment. Strong demand for AI infrastructure and advanced semiconductors supported technology markets, particularly the semiconductor sector, while bond markets continued to absorb new supply from hyperscalers. In emerging markets, growth remained relatively resilient across Asia despite higher energy prices, supported by strong Chinese manufacturing activity, although consumer spending remained subdued. Latin America continued to deliver modest economic growth.

Credit markets remained resilient throughout the quarter. Strong investor demand and well-absorbed primary issuance supported spread performance despite geopolitical uncertainty and higher rate volatility. Both investment grade and high yield spreads tightened meaningfully, while emerging market corporate credit also performed well. In government bond markets, US yields moved higher over the quarter, whereas German government bond yields declined.

Market Outlook and Investment Strategy

Although tensions in the Middle East have risen again at the time of writing, the risks to economic growth stemming from the Gulf conflict have diminished significantly. Temporary disruptions to oil flows through the Strait of Hormuz may still occur and could lead to periods of energy price volatility. However, economies have demonstrated considerable resilience in an environment characterised by elevated and fluctuating energy costs, reducing concerns about a major energy shock and its impact on global growth. Economic fundamentals remain broadly constructive, supported by ongoing investment in technology and artificial intelligence, as well as expansionary fiscal policies in both the US and Europe. Corporate balance sheets also remain healthy, with no widespread signs of deterioration in leverage, profitability or interest coverage.

Against this backdrop, we continue to favour selectively increasing portfolio carry through exposure to higher-yielding areas of the credit market, particularly subordinated debt and high yield. While the underlying fundamental environment remains supportive, credit spreads across many sectors continue to trade at historically tight levels, limiting the scope for further spread compression. This reinforces the importance of a selective investment approach focused on attractive income generation while avoiding excessive exposure to longer spread-duration assets that may prove more vulnerable should market sentiment weaken.

Inflation remains one of the key challenges for investors. Energy-related pressures, tariffs, persistent services inflation and resilient labour markets have kept inflation above central bank targets, prompting policymakers to maintain a more hawkish stance. As a result, interest rates are likely to remain elevated and potentially more volatile for longer than markets had previously expected. Given the combination of tight spreads and ongoing inflation risks, our preferred positioning remains focused on shorter spread-duration assets and intermediate-maturity bonds. Within credit, subordinated financial debt, including European bank CoCos and selected corporate hybrids, continues to offer attractive carry opportunities, supported by resilient balance sheets, strong underlying fundamentals and favourable valuations relative to other segments of the market.

Source: Robeco

Robeco Global Consumer Trends Fund

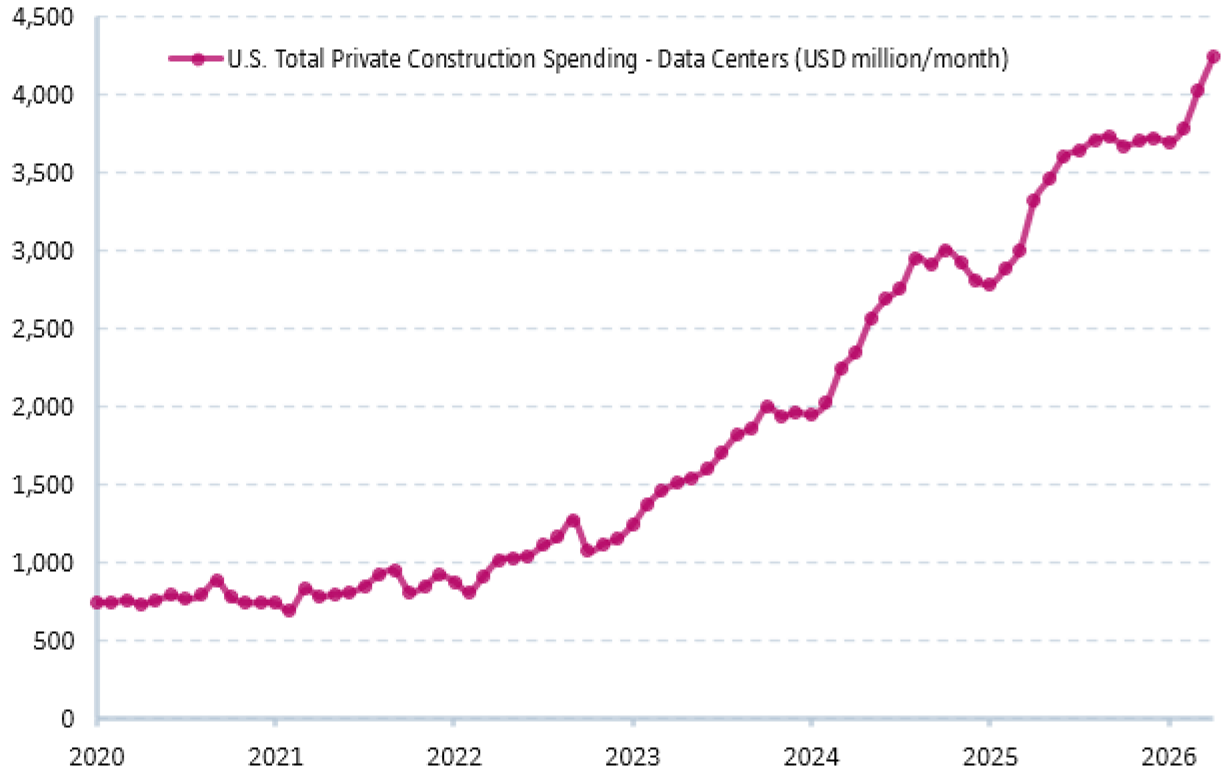
Investment and Market Review

Equity markets largely looked through geopolitics and higher inflation as investors remained focused on the beneficiaries of the artificial intelligence buildout and the improving earnings picture. In general, global equities were volatile but resilient as leadership remained concentrated in technology stocks and semiconductors specifically. Leading indices like the S&P 500 and the Nasdaq reached new records in June as investors grew comfortable that the Middle East disruptions were past the worst.

The dominant equity theme was once again artificial intelligence and semiconductor stocks continued to outperform despite growing concerns about the RoI on the AI-related capital expenditures spending. The Philadelphia Semiconductor Index rose another 11% last month and ended the first half of 2026 with a monstrous 102% gain as demand for AI infrastructure, memory, CPUs, GPUs and cloud capacity remains exceptionally strong.

Inflation, however, is something that needs to be carefully watched. The massive datacenter buildout is pushing up prices on everything from smartphones to electricity. AI factories require the latest and greatest computing equipment, cooling systems, copper and fiber-optic cables, and uninterrupted power supply. Given the strong demand, prices for memory, chips like CPUs and GPUs, and many other components that are used in the AI race, are rising. And because these are used for far more applications, the price increases are spilling over into the broader economy. Consumer electronics products that use memory and storage chips are becoming more expensive as companies from Nintendo to Apple have indicated the need to raise prices.

Figure 1 | Spending on data centers took off in 2022 and is so far showing no signs of stopping



Source: Census Bureau, Bloomberg, Robeco

Perhaps the biggest capital markets event of the month was the long-awaited initial public offering (IPO) of SpaceX. SpaceX successfully completed the largest IPO in history, raising roughly $75 billion and debuting with a valuation exceeding $2 trillion in market capitalization. SpaceX shares rose 19% on the first day of trading and have so far remained resilient. The transaction was widely viewed as a stress test of the market's willingness to fund perceived winners in strategic technologies like AI.

Macro developments were dominated by the evolution of events in the Middle East. While the closure of the Strait of Hormuz had driven oil prices sharply higher, as soon as negotiations progressed toward a more durable agreement, oil prices sharply declined and by the end of June had - somewhat surprisingly - fully reversed the entire rally since the outbreak of the conflict late February. The market shifted its attention to the first Federal Reserve meeting under new Chair Kevin Warsh. Investors expected rates to remain unchanged, but carefully scrutinized any indication of whether the next move would eventually be a hike, given lingering inflation pressures. Markets generally interpreted falling oil prices and a slowdown in the labour market as reducing the urgency for immediate tightening.

Despite the conflict with Iran, stock markets recorded their best quarter in six years. The S&P 500 rose by 15% from April to June, the Nasdaq Composite jumped 21% and in Japan, the benchmark Nikkei 225 recorded its best quarter ever, rising by 37%. Despite the bullish sentiment, the Magnificent Seven struggled last month with shares of Microsoft dropping by 17% in June, the worst monthly return since December 2000. For the month of June, the S&P 500 Index lost 1.1%, while the NASDAQ Composite Index dropped 2.8% led by index heavyweights like Microsoft (-17%), Amazon (-12%) and Meta Platforms (-11%).

For Microsoft specifically, the stock suffered its steepest monthly decline since the dot-com bubble crash, and the share price fall wiped out roughly $570 billion in market value.

In Europe, the EURO STOXX Index was up 2.5%, while in Asia Taiwan's TWSE rose 3.1% to another record high. In Hong Kong, Chinese stocks continue to underperform and the regional Hang Seng Index dropped 9.1% driven by continued outflows in popular large cap stocks like Alibaba (-23%) and BYD (-21%). In Tokyo, the Topix Index rose for the 14th time in the last 15 months to a 17% year-to-date gain.

The MSCI All Country World Index (in EUR) returned 1.2% (-0.8% in USD) last month and is now up a solid 14.3% (11.2% in USD) year-to-date. Robeco Global Consumer Trends slightly outperformed the reference index and returned 1.5% (-0.5% in USD) in May, but unfortunately continues to lag the overall market up 6.3% (3.5% in USD) for the year.

Market Outlook and Investment Strategy

Given the uncertain macro and geopolitical climate, our quality growth style seems well suited for the current investment climate. We believe long term investors should focus on high quality businesses with valuable intangible assets, high margins, and superior returns on capital. Companies with these traits have historically delivered above average returns while offering downside protection. These firms are also poised to deliver healthy revenue and earnings growth, and we expect them to generate attractive long-term returns as a result.

We believe premium valuations for these businesses are justified given the quality of their business models, the high levels of earnings growth and the sustainability of their franchises.

Source: Robeco

Schroder Asian Dividend Maximiser Fund

Investment and Market Review

The fund seeks to provide an income of 7% p.a. via a covered call option overlay and an actively managed equity portfolio, which is primarily invested in equities of Asia-Pacific companies (excluding Japan), which are selected for their income and capital growth potential. The fund continued to deliver on its income target in 2025. In performance terms, while strongly positive, the fund lagged the MSCI AC Pacific ex Japan in 2025; although finished ahead of the MSCI AC Pacific ex Japan High Dividend Yield index.

The underlying equity portfolio ended the year modestly behind the MSCI AC Pacific ex Japan Index (comparator index). Regional stock selection was positive but was offset by allocation effects. Strong stock selection in Australia was the leading contributor to relative performance with lesser selection contributions from Hong Kong, Singapore and Thailand. Stock selection and underweight position in Korea was the most significant drag on relative performance. The Korean market has been the strongest performer in 2025, up almost 100% in US dollar terms, driven by IT companies benefiting from increased AI-related spending. Our holdings have failed to keep pace, with the absence of memory producer SK Hynix accounting for the majority of the negative impact from Korea. There was some positive offset from our Samsung Electronics position. China selection was also a drag on relative performance, notably our lack of exposure to Chinese internet platform companies, which delivered strong returns. These companies typically offer low dividend yields and therefore do not align with the fund's income objective, making them less likely to be included in the portfolio. An additional drag on performance came from our off-benchmark exposure to India. From a sector standpoint, financials and real estate stock selection was strong. Selection and underweight information technology was the most significant area of detraction, reflecting the absence of SK Hynix.

While continuing to deliver the required income enhancement, the options detracted from performance over 2025 in mark-to-market terms (weighing -4.35%). The effect is also negative in net cash terms (reflecting only expired options), weighing -3.38%. A total of 1103 option positions have been sold over the 31 expired tranches, of which 296 have finished in-the-money, requiring a settlement. TSMC, Hon Hai, Samsung Electronics, BOC, Singtel, and ASE Technology have been among the stocks to finish in-the-money, but having had notional decisions in place on all of these names (indicating caution in the overwriting), we were able to capture a greater share of the increase than if the stocks had been fully overwritten.

Market Outlook and Investment Strategy

Continuing the pattern seen through much of 2025, December was a month of healthy gains for the regional index, powered by strength in large-cap semiconductor stocks in Korea and Taiwan. This leaves the Asia ex-Japan index up more than 30% for the full year in US dollar terms – one of the strongest annual returns of the last 30 years. Equity markets have continued to rally, reflecting hopes that the underlying US policy backdrop remains equity-market friendly and that further reductions in local interest rates can be expected, especially as US labour markets weaken.

With growth in the first nine months of 2025 in China close to the official 5% target, there appears to be less urgency for more fiscal measures currently. However, the broader bottom-up growth picture on the ground in China feels a lot more challenging. Activity levels and pricing in the residential property market have deteriorated again recently, and the sector remains a drag on household confidence and broader consumer spending. The employment picture remains weak (particularly for younger workers), wage growth has slowed and continued anti-corruption crackdowns are putting pressure on areas of discretionary spending. In our view, the economic backdrop in China therefore remains fragile and deflationary, the earnings picture is very mixed, and an export slowdown going into 2026 could exacerbate deflationary forces. However, the government's efforts to tackle deflationary problems and excess capacity are being viewed positively at the margin and feeding a healthier narrative on the equity market outlook. The local A-share market also has a history of developing its own strong momentum, sucking in domestic fund flows once it starts to break out on the upside. We have started to see signs of this in recent months, with increased retail trading activity, account openings and margin finance balances. We remain underweight the China market, in part due to our zero exposure to some of the low yielding internet platform companies which are a sizeable part of the benchmark. This underweight to mainland China is partly offset by an overweight to Hong Kong.

The North Asian markets of Korea and Taiwan have been very strong in recent months, led by the technology sector. Confidence has continued to improve in recent weeks on the outlook for AI-related capex and new data centre infrastructure around the world. Earnings revisions for key large-cap technology stocks across these two markets remain positive, and valuations are at marked discounts to US peers, which is helping stock price performance.

With the recent strength in markets, aggregate price-to-earnings multiples for regional equities are now above long-term average levels. In our view, they are not pricing in any real downside risk from a global growth slowdown or more serious tariff impacts. Market performance this year has become increasingly tied to AI, and continued momentum in AI-related capex spending globally therefore remains key to the future performance of Asian equities.

The outlook for US interest rates and the US dollar also will remain very important to regional returns. Rate cuts and a weaker dollar are now a firm consensus view, so anything that disrupts this picture could put pressure on valuations.

Although the macroeconomic backdrop for markets remains volatile and the range of outcomes is wide, we continue to see attractive longer-term opportunities across Asian equities. Despite the strength of the rally this year, global investor participation in China and the broader region remains fairly limited. Continued positive performance, alongside stabilising US-China relations, could help improve perceptions of risk and attract more flows.

Turning to dividends, payout ratios remain reasonable and underlying earnings are looking positive, which could lead to corresponding growth in local dividends. Perhaps a bigger unknown is the outlook for currencies.

We continue with our bottom-up investment approach and look for good companies where we can clearly see a strong income case and the potential for capital growth, while remaining disciplined about valuations. We remain heavily underweight China, although we are overweight Hong Kong which offsets this to some extent. We are also overweight Singapore. Sectorally, our largest overweights continue to be real estate, financials, and consumer staples. The largest underweights are consumer discretionary, industrials, information technology, and health care sectors.

In terms of the option strategy, we continue to employ multiple overlapping option trades (overwriting around 8% of the NAV in any single tranche). This creates regular expiries and hence regular opportunity to trade new options – meaning we can tailor the overlay as markets move and help to smooth through shifts in share prices, volatility and dividend expectations. At present, around 40% of the fund's NAV is overwritten with options, on which the fund can capture upside up to the level of the individual strike prices. ~60% have no options and can therefore rise unconstrained.

Source: Schroder Investment Management Limited

Schroder Asian Growth Fund

Investment and Market Review

2025 marked one of the strongest years of performance for Asian markets, notwithstanding significant volatility. The region has been a principal beneficiary of AI capex, with consolidated industry structures in Taiwan and Korea enjoying attractive returns. These markets dominate foundry, memory, server assembly, power systems and chip testing required for AI to flourish. The region is also seeing improving corporate governance, with Korea the standout market in the region as it also re-rated amid improved dividend payout ratios and minority shareholder protection. Meanwhile, India and select ASEAN markets lagged as economic momentum was more subdued.

In China, with growth in the first nine months of 2025 close to the official 5% target, there appears to be less urgency for more fiscal measures currently. However, the broader bottom-up growth picture on the ground in China feels a lot more challenging. Activity levels and pricing in the residential property market have deteriorated again recently, and the sector remains a significant drag on household confidence and broader consumer spending. The employment picture remains weak (particularly for younger workers), wage growth has slowed, and continued anti-corruption crackdowns are putting pressure on areas of discretionary spending. In our view, the economic backdrop in China therefore remains fragile and deflationary, the earnings picture is very mixed, and an export slowdown going into 2026 could exacerbate deflationary forces. However, the government’s efforts to tackle deflationary problems and excess capacity are being viewed positively at the margin and feeding a healthier narrative on the equity market outlook. The local A-share market also has a history of developing its own strong momentum, sucking in domestic fund flows once it starts to break out on the upside. We have started to see signs of this in recent months, with increased retail trading activity, account openings and margin finance balances.

The North Asian markets of Korea and Taiwan have been very strong in recent months, led by the technology sector. Confidence has continued to improve in recent weeks on the outlook for AI-related capex and new data centre infrastructure around the world. Earnings revisions for key large-cap technology stocks across these two markets remain positive, and valuations are at marked discounts to US peers, which is helping stock price performance.

The Indian market continued to underperform the broader regional index in 2025, coming off a very high base after its relative strength in 2023 and 2024. Domestic fund flows remain very robust, supporting valuations, but foreigners have been net sellers as attention has turned to other regional markets, and high headline multiples remain a headwind. Sentiment has been further undermined recently by the surprise imposition of 50% import duties in the US market due to a falling-out between the two countries over the issue of Indian purchases of Russian oil. Although the listed equity market has very limited direct export exposure, these tariffs, if sustained, could impact employment in certain sectors, while weaker export revenues could also pressure the local currency.

With the recent strength in markets, aggregate price-to-earnings multiples for regional equities are approaching one standard deviation above long-term average levels. In our view, they are not pricing in any real downside risk from a global growth slowdown or more serious tariff impacts. Market performance this year has become increasingly tied to AI, and continued momentum in AI-related capex spending globally therefore remains key to the future performance of Asian equities. Although the macroeconomic backdrop for markets remains volatile and the range of outcomes is wide, we continue to see attractive longer-term opportunities across Asian equities. Despite the strength of the rally this year, global investor participation in China and the broader region remains fairly limited. Continued positive performance, alongside stabilising US-China relations, could help improve perceptions of risk and attract more flows.

Source: Schroder Investment Management Limited

Schroder Asian Income Fund

Investment and Market Review

2025 marked a transformative year for Asian markets, with the region delivering its strongest performance in eight years and significantly outpacing developed markets in the West. The MSCI Asia Pacific ex-Japan Index surged +21.9%, driven by a combination of artificial intelligence breakthroughs, supportive monetary policies, and robust economic growth in the region, despite the external headwinds from trade tensions and geopolitical uncertainties over the year.

South Korea was a standout contributor. A combination of AI excitement, corporate governance reforms and a low entry point after difficult 2024 made Korean equities the top performer in this year. Chinese equities also experienced a strong year, achieving double-digit gains. Advances in homegrown Chinese AI boosted the tech sector, while efforts to diversify trade relationships meant that China's exports were resilient despite US tariffs. On the other hand, markets such as Thailand, Indonesia, and Malaysia underperformed due to domestic policy uncertainties and the looming threat of US tariffs which weighed down these export-depended economies.

The rally in risk assets extended to fixed income, where spreads compressed across the board. This was largely fuelled by a favourable macroeconomic environment, where Federal Reserve interest rate cuts enhanced global liquidity and boosted the appeal of higher-yielding Asian assets. Strong investor demand for all-in yield, coupled with a limited supply of new bond issuance, created strong technical support for the market. The JP Morgan Asia Credit Index (SGD Hedged) returned +5.3%, building on the recovery momentum that began in 2024. Both investment-grade and high-yield segment gained over the year, with high-yield bonds outperforming investment-grade counterpart.

The Fund posted a return of +11.7% for 2025, net of fees, in SGD terms. Equities were the main driver of positive returns, with our tactical overlays in equity index futures and Global ex-Asia allocation contributing positively as well.

Markets experienced a volatile start to the year due to heightened uncertainty, as Trump was re-elected. In particular, the introduction of "reciprocal tariffs" across all trading partners on 2nd April triggered a sharp sell-off in risk assets. We adopted a cautious stance by promptly de-risking the portfolio to manage downside risk, before re-risking when clearer signs of a sustainable recovery emerged. The active decisions to re-risk, underpinned by our positive outlook on equities later in the year as well as our tactical allocations to higher beta markets such as Taiwan, South Korea, and US technology, enabled a strong recovery.

Within equities, returns were mostly attributed to holdings in Technology and Financials mainly in South Korea and Taiwan, as both sectors witnessed broad-based gains in the latter half of the year. The former was helped by sustained enthusiasm towards Artificial Intelligence, while the latter propped up by a dovish macroeconomic environment and resilient technicals. These gains helped mitigate heightened volatility among AI-related names near the end of the year from valuation concerns. Additionally, exposure to China and Hong Kong benefitted in Q3, after China's central bank unveiled the biggest monetary and liquidity stimulus package since the pandemic and progressed in trade negotiations with the US. Lastly, our exposure in high-quality Singapore Banks and Real Estate added value. Investors flocked to the relatively safer Singapore market in the name of diversification, amidst other initiatives such as the Equity Market Development Programme which supported sentiment.

Fixed income returned positively with Hong Kong bonds delivering strong gains, led by insurance, financials, and TMT. Chinese bonds also did well, supported by technology and consumer names in the e-commerce retail space with stronger growth prospects, alongside our exposure to Australian banks and real estate names. From a credit rating perspective, investment grade bonds fared better than high yield names. This benefitted our exposure to high-quality diversified Financials, as select holdings were helped by ratings upgrades.

Within Global ex-Asia, catastrophe bonds and US Energy Infrastructure generated alpha, while providing alternative sources of attractive yields for the strategy. Our position in the US Semiconductor ETF also contributed positively, supported by solid corporate earnings. We retained our exposure to European High Yield and Emerging Market Local Government Bonds, as they were aided by a weaker Dollar and strong fundamentals.

Overall, maintaining our risk-on stance proved beneficial as Asian markets continued to rise in the latter half of the year. This was achieved by raising our index futures exposure by targeting beneficiaries of the abovementioned tailwinds, namely Taiwan, South Korea as well as China and Hong Kong. Correspondingly, we reduced our fixed income exposure as spreads continued to remain tight in general. Meanwhile, we kept our negative outlook on duration through short positions in US 2-year Treasuries bond futures. This contributed earlier in the year when short-term yields increased due to tariffs and fiscal discipline concerns.

Market Outlook and Investment Strategy

A supportive global macro backdrop should continue to support Asian assets going into 2026. Ample liquidity conditions, resilient regional growth and supportive policy stance are among supportive factors. The prospect of an extended Fed cutting cycle, alongside with a weakening US dollar, also creates a tailwind for Asian markets by easing financial conditions and making regional assets more attractive to global investors. With inflation largely subdued across the region, policymakers have greater flexibility to implement pro-growth policies. We also see opportunities that the recovery can broaden out from the tech sector to non-tech sectors, such as easing trade tensions and recovering US domestic demand becoming supportive of external demand recovery, in particular non-tech exports.

While the overall environment for Asian assets remains constructive, we are also aware of a potential diverging landscape where selective opportunities can outweigh broad-market gains. For now, we prefer markets with strong cyclical and structural tailwinds, such as Korea, Taiwan, and China. In contrast, for market such as Indonesia, weaker capex cycle may still a drag on growth, and trade uncertainties could continue to weigh on sentiment. A close watch on the transmission of monetary easing to the real economy and improvements in domestic fiscal policy are warranted. We continue to emphasize that tapping into Asia's resurgence through a Multi-Asset approach remains a compelling strategy at this pivotal point in the cycle.

Source: Schroder Investment Management Limited

Schroder ISF Global Equity Alpha Fund

Investment and Market Review

Global stock markets achieved strong gains in CY2025, supported by resilient economic growth, strong corporate earnings, moderating inflation, and a shift to easier monetary policy in the second half of the year. The AI investment boom was the dominant theme, fuelling infrastructure spending across sectors and regions, as well as investor optimism.

A period of downside volatility in the early part of the year – driven mostly by AI-related news, geopolitics and policy uncertainty – culminating in 'Liberation Day' market lows, was followed by a sharp and prolonged market rally through to the end of the year. This was emblematic of a narrative-dominated market where headlines and themes drove sentiment that, overall, sustained investor risk appetite, particularly during the second half of the year. Strong performance of more speculative areas of the market during the period – notably unprofitable and no revenue tech stocks – was indicative of market exuberance. This market dynamic coincided with a rotation away from quality stocks, which underperformed during the period. High growth stocks benefited in the US while the RoW favoured value stocks as cyclical areas, such as materials, banks and defence, saw the biggest returns, driving greater breadth generally in ex US markets.

In contrast, returns in the US market were particularly concentrated as the technology sector, spurred by the AI investment boom, was a disproportionate contributor to returns. Although this was a tailwind during the year, the US underperformed other major regions as emerging markets and continental Europe led, supported by improving fundamentals, a weaker US dollar as well as a resilient global economy. Conversely, policy uncertainty, fiscal concerns, and geopolitical tensions weighed on US equities.

The portfolio outperformed its comparator index against this backdrop. In aggregate, the decision in the early parts of the year to add to defensive areas of the portfolio while moderating exposure to some of the more richly valued stocks helped insulate the portfolio amidst a volatile beginning to 2025. Despite AI stocks being well-represented in the portfolio, market exuberance in the second half of the year provided a more difficult backdrop as the corresponding underperformance of Quality as a style factor was a significant headwind.

Financials holdings performed particularly well during the year with several banks among the portfolio's top contributors. These stocks benefited from a steepening yield curve, robust credit conditions and a revival in capital markets activity. Our holding in Morgan Stanley was representative of this while positions in Erste Group, BBVA and Intesa Sanpaolo helped drive positive selection effect as European banks had another stellar year.

As mentioned, the AI theme once again dominated the market narrative through the year. Among the largest contributors, semiconductor holdings Broadcom, TSMC and KLA continued to benefit from the significant investment in AI infrastructure. This theme was also a tailwind for Alphabet through its Google Cloud business while the rollout of Gemini 3, which reinforced expectations for meaningful upgrades across search, cloud, and productivity tools, drove a significant re-rating of the stock in the latter parts of the period. There was however greater dispersion of returns within the theme relative to previous years as AI beneficiaries, Microsoft, Arista Networks and Cadence Design Systems, underperformed during the year despite solid fundamentals, positive revisions and strong competitive positions.

Another prevailing theme related to AI was the underperformance of software and related stocks as concerns of potential profitability disruption by AI drove a significant de-rating through the year. This dynamic negatively impacted Adobe, Booking, Salesforce and SAP as each underperformed. In many cases, we believe that the threat of AI disruption is overstated, particularly in enterprise software where these companies have entrenched platforms built upon decades of embedded workflows and proprietary datasets. Indeed, AI enhancement rather than displacement is the base case for many of the holdings we analysed. We did however recognise potential disruption for some positions, namely Adobe and Booking Holdings. While both companies remain high quality with still relatively solid fundamentals, we decided to sell our positions in both companies due to the threat of lower cost AI-derived products and increased indirect bookings from AI trip planners, respectively.

Source: Schroder Investment Management Limited

Schroder ISF QEP Global Quality Fund

Investment and Market Review

The QEP Global Quality strategy lagged the MSCI AC World index over the final quarter of 2025, but remains ahead of the index over 2025 as a whole. Contributors to performance in the quarter were mixed, with preferred attractively priced areas aiding relative returns though this was offset by structural growth pockets.Stock selection across quality cyclical spaces was positive and a key contributor in Q4. Positioning in Financials (Banks, Investment Services) and select higher quality Utilities provided a tailwind. Holdings in Real Estate, a sector we have added to and are now overweight, provided a further tailwind as our favoured names performed strongly. Offsetting these gains were exposure to structural growth names where valuations are reasonable. Detractors were focused in Communication Services (Online Services) and Technology (Application Software) as markets rotated again in the final quarter. A lower exposure to Materials also dragged given the sector's strong end of year performance.

Global equity markets delivered robust returns in 2025 overcoming a challenging start to the year driven by policy uncertainty, elevated valuations and geopolitics. Looking back to the start of year, we had highlighted several defining themes for equity markets, including the dominance of Artificial Intelligence (AI) led growth, elevated market concentration, the likelihood of higher volatility and the importance of focusing on mispricing rather than attempting to forecast short term macro outcomes. As the year concluded, these themes remained highly relevant, albeit they evolved with the environment entering 2026 increasingly pointing to a modest re-acceleration in economic activity. At the forefront of many of these themes was the US economy, which enters the new year with some momentum. Growth remained robust through 2025, supported by a resilient consumer and strong productivity gains. Fiscal stimulus, notably through tax cuts, provides an additional impulse into the coming year. While employment trends softened, they did not deteriorate to levels historically associated with recession, and productivity improvements helped offset labour market cooling without impacting inflation. Monetary policy has also become more supportive, but easing is unlikely to be meaningfully stimulative. The post pandemic environment of structurally higher interest rates appears intact, reinforcing the importance of balance sheet resilience and capital discipline. Companies that can self-fund growth, defend margins and allocate capital efficiently are likely to be rewarded, while those reliant on leverage face greater scrutiny. This environment strengthens the case for a quality focused approach that looks beyond headline growth and instead emphasises returns on capital, financial strength and a growth profile that can be maintained over the longer term.

AI also remains a dominant structural force, but the narrative shifted over the course of the year. During 2025, there was a step change in both the scale and financing of AI related investment, with widespread adoption of investment grade debt to fund data centre buildouts and the associated energy and infrastructure requirements. AI related borrowing now represents a meaningful share of the US investment grade credit market, raising legitimate questions about the sustainability of debt funded capital expenditure into 2026. In the near term, company fundamentals remain supportive. Management commentary was constructive, earnings broadly followed through, and capital expenditure guidance continued to rise. However, as the cycle matures, scrutiny is intensifying around returns on invested capital, monetisation timelines, power constraints and the risk of diminishing marginal returns, particularly for the largest participants.

Source: Schroder Investment Management Limited

Schroder ISF Taiwanese Equity Fund

Investment and Market Review

Taiwan equities saw another strong year as they continued to benefit from technology-driven demand. 2025 marked the third consecutive year that AI was the dominant narrative in the market, with the tech-heavy Taiwan market outperforming most other Asian markets for the full year. During the period, the fund registered robust performance and outperformed the target benchmark. Strong stock selection within technology, materials, and underweight in financials were among the key contributors. Meanwhile, softer selection in industrials and overweight in communications trimmed some outperformance. At the individual stock level, Delta Electronics benefited from optimism around high-voltage direct current adoption, driven by rising power requirements in AI server racks. Circuit board copper clad laminates producer, Taiwan Union Technology, was another notable contributor and rose on the back of semiconductor upcycle. Meanwhile, Gold Circuit also traded higher as a beneficiary of rising AI server penetration and server PCB upgrade. Conversely, underweight in TSMC due to the regulatory single issuer limit at 10% detracted from relative performance as the leading semiconductor foundry name gained. E-paper developer E Ink declined amid slower large-format signage adoption, while market rotated to chase AI-related hardware plays. Elsewhere, Taiwan dollar appreciation and rising price competition for inverters saw lower-than-expected revenue for uninterruptible power system manufacturer Voltronic Power.

Market Outlook and Investment Strategy

In 2025, Taiwan continued to benefit from its pivotal role in the global AI supply chain. Leading foundry and memory players retained their formidable competitive positions amid the formation of the global AI industry. Outside of technology, the export sector has been holding up well despite rising of US tariff risks during the year.

Following the extended market rally since 2023, many AI-related equities are now trading at elevated valuations, prompting concerns of a possible “AI bubble” in the current market. In 2026, Taiwanese markets are likely to experience increased volatility, as the stretched valuations will make them more vulnerable to adverse news – particularly regarding the absence of robust monetisation from hyperscalers' significant capital expenditure. This uncertainty could heighten fears of a pronounced deceleration in AI-related capital spending heading into 2027 and beyond. In addition to elevated valuations and ambiguous future monetisation prospects, shifting expectations for US Federal Reserve rate cuts are also expected to add extra volatility to high-duration growth stocks in the technology sector in the next 6-12 months.

There is limited visibility at present regarding both the AI capex outlook for 2027 and beyond, as well as the long-term monetisation prospects for leading cloud service providers. Against this backdrop, our portfolio strategy remains balanced: we retain holdings in technology firms that continue to benefit from ongoing AI capital expenditure trends, while also maintaining an overweight position in Taiwanese telecommunications companies due to their defensive qualities and attractive dividend yields.

Source: Schroder Investment Management Limited

Schroder Global Emerging Market Opportunities Fund

Investment and Market Review

Market review

Emerging market (EM) equities delivered strong double-digit gains over 2025, ending comfortably ahead of the MSCI World. The first half of the year was characterised by ongoing trade tariff and US policy uncertainty, with significant, albeit relatively short-lived, volatility caused by President Trump's "Liberation Day" tariffs announced on 2 April. The remainder of the year saw various countries progress towards broad trade deals with the US. While there is ongoing uncertainty on end-state tariffs for many countries, tariff risk may have a positive skew. Meanwhile, investor enthusiasm for technology-oriented stocks – driven by artificial intelligence (AI) capital spending – boosted many of the tech-heavy index markets, including Korea and Taiwan, but also China. In addition, monetary policy easing in some EM economies as well as in the US, where the Federal Reserve cut its policy rates three times over the period, as well as a notably weaker US dollar over the year supported EM returns in general.

Colombia was the top-performing index market over the year, on the back of robust returns from index heavyweight Bancolombia. Korea was also notably strong and benefited from the demand for AI related technologies and an improving political environment.

Rising metals prices contributed to the South African index market's returns, as did a weaker US dollar and monetary policy easing as the central bank cut interest rates four times over the year. Greece, Poland, Peru, Chile and Czech Republic also delivered high double-digit returns in US dollar terms. The Mexican index market outperformed against a backdrop of improving terms of trade with the US, ongoing strength in the US economy (which Mexico is closely economically linked to) and a number of interest rate cuts.

The Brazilian market gained, helped by dollar weakness. The central bank raised the policy rate four times in the first half of the year — reaching 15% by mid-June — responding to inflationary pressure. Political uncertainty created some market volatility in the second half of the year.

Taiwan outperformed, driven by the rally in AI-related stocks, although uncertainty about tariffs on the technology sector weighed on the market earlier in the period. China ended the period just behind the EM index. The market performed well for most of 2025, owing largely to investor optimism about its AI capabilities and progress on trade talks with the US. However, the final quarter of the year saw the market give back some gains as investors took profits with softer macro data, limited new policy support and heightened concerns about ongoing weakness in the property market, weighing on sentiment towards the end of the year.

The UAE, Kuwait and Qatar underperformed, against a backdrop of weaker energy prices, while India lagged the EM index by some margin owing largely to ongoing growth concerns, earnings disappointments, high market valuations and uncertainty relating to US trade tariffs.

The Philippines, Turkey, Indonesia and Saudia Arabia all declined in US dollar terms over the year with US-dollar pegged Saudi Arabia particularly hard hit by the combination of weaker energy prices and heightened geopolitical tensions in the Middle East.

Fund performance

The fund outperformed its benchmark over the calendar year. Among the core markets, Taiwan contributed the most to overall performance given strong positive stock selection (off-benchmark Taiwan Union Tech, overweight Delta Electronic, ASE Technology, Unimicron Technology) as well as positive country allocation. Brazil also added to returns on the back of positive country allocation and stock selection (overweight BTG Pactual, zero-weight Petrobras, overweight Itau Unibanco, Sabesp, zero-weight WEG). The country allocation effect in Greece more than offset the small negative impact of stock selection (zero-weight Alpha Services, National Bank of Greece, off-benchmark Metlen) in that market. On the negative side, both Poland and Mexico (which was removed from the core country list in May) detracted as negative stock selection (Poland: off-benchmark Inpost, Grupa Pracuj, Kruk, Mexico: overweight ASUR, Gruma) offset positive country allocation.

Among the non-core markets, our lack of exposure to Saudi Arabia and our choice of stocks in Korea (off-benchmark Wonik, overweight SK Hynix, Naver, Samsung Electronic) added the most to returns. South African stock selection (off-benchmark Motus Holdings, overweight Naspers, Absa Group) was the main detractor.

Market Outlook and Investment Strategy

Global markets appear to have shrugged off the geopolitical disruption caused by President Trump's military action in Venezuela in early January and continue to advance as the supportive themes of 2025 remain in play. These include ongoing progress towards broad global trade deals, investor enthusiasm for technology stocks - driven by AI capex - and monetary policy loosening in some economies.

Ongoing US policy uncertainty and the economy's large twin deficits have contributed to weakness in the US dollar, from richly valued levels. This, together with increased global liquidity, is a tailwind for EM in general – not only should a weaker dollar create a deflationary impulse on domestic inflation, which will allow some loosening of monetary policy in certain economies, but it should also support capital inflows, lower debt-servicing costs and boost corporate earnings. While it is difficult to predict short-term currency moves, our view remains that the dollar will weaken over the medium-term.

Meanwhile, global trade should be supported by ongoing resilience in US demand, and the re-routing of Chinese trade is underway. There is ongoing uncertainty on end-state tariffs for many countries, but tariff risk may have a positive skew.

The technology cycle should provide further support as we expect AI-related capex demand to remain strong during 2026, driven by capex commitments by US hyperscalers. However, markets anticipate this and increased visibility on 2027 capex will be important.

In China, the equity market performed well for much of 2025 helped by improved sentiment, although the final quarter of the year saw some of these gains reverse as investors took profits. The macroeconomic backdrop remains soft, but not weak enough to prompt meaningful policy action. We continue to expect policy support to be incremental and reactive, with the focus on achieving the 5% growth target, and execution will be key. However, the improvement in trade relations with the US has removed a key geopolitical overhang for Chinese assets which, together with China's leading tech and AI development position, should be supportive of the equity market.

Headline EM valuations are expensive across a range of metrics, but the underlying country picture is more nuanced. After strong rallies in north Asia, all the large Asian markets are now expensive; however, parts of Latin America and Emerging Europe remain undervalued. Positive earnings revisions are coming through in market leading areas but need to broaden out to provide a fundamental basis for sustained performance this year. Easier monetary policy should provide space for this to happen.

Near term, the key risks for EM continue to be the policy uncertainty associated with the Trump administration, and its implications for global growth, policy developments in China, and a sooner-than-expected slowdown in AI demand. Geopolitics is a further area to monitor, both in terms of US-China relations, as well as the ongoing conflicts in Ukraine and the Middle East, and US ambitions elsewhere.

Source: Schroder Investment Management Limited

Schroder Multi-Asset Revolution 30 Fund

Investment and Market Review

Market Overview

Throughout 2025, global financial markets demonstrated remarkable resilience in the face of policy changes, geopolitical events, and shifting economic expectations. Early in the year, investors navigated sudden alterations in trade policy, while the second half was characterised by evolving views on fiscal and monetary stimulus. Despite these challenges, strong momentum in Artificial Intelligence, moderating inflation pressures and robust corporate earnings provided crucial support.

Equity markets performed strongly. The MSCI AC World Index delivered a substantial gain of +15.1% in SGD terms for the year, reflecting broad-based advances across global shares. South Korea stood out as the top-performing major equity market, underpinned by leadership in semiconductors and technology. The MSCI South Korea Index soared +88.9%, far outpacing other regions.

In fixed income, bond market sentiment improved notably. The yield on the US 10-year Treasury declined from 4.57% at the start of the year to 4.17% by year-end, as interest rate reductions by the Federal Reserve and easing inflation buoyed both sovereign and credit markets.

Commodities rebounded, overcoming earlier volatility to register a full-year gain of +9.0%, aided by robust demand and disruptions to supply. Gold posted an extraordinary performance, with a surge of +54.9% that was fuelled by heightened geopolitical risk and sustained demand for safe-haven assets.

Currency markets reflected changing global conditions as well. The USD depreciated -9.4% in 2025, with broad-based declines against major peers on the back of softer growth expectations, reduced interest rate differentials and wider geopolitical uncertainty. On the other hand, the SGD appreciated by +5.9% against the greenback, underscoring continued local confidence as investors aimed to diversify from the dollar.

All returns above are quoted in SGD terms, unless otherwise stated.

Performance Commentary

SMART 30 delivered positive returns. Equities were the largest contributors; the decision to increase our overall equity exposure to an overweight position since May proved beneficial as global equities continued their advance amid expectations of monetary easing and strong economic data. Notably, our allocation to Global and US equities delivered a substantial return contribution while our tactical positions in Nasdaq, Asia and emerging market equities, along with an increased allocation to Europe, also added value.

Fixed income detracted from performance, mainly due to holdings in long-dated US Treasuries held during the second quarter as yields at the longer end rose amid concerns over persistent inflation and the sustainability of US government debt. The negative impact was partially offset by our positions in credits and Singapore government bonds which returns positively as spreads tightened and yields fell over the period. Gold added meaningfully to returns, supported by ongoing central bank purchases and heightened fiscal risks, underscoring the portfolio's emphasis on effective diversification.

The Fund outperformed its reference benchmark over the period. Asset allocation was the biggest contributor to relative returns, helped by an overweight in equities, notably in Asia and Emerging Markets. An underweight in fixed income and overweight in Gold were also positive contributors. Within fixed income, allocations to Asian credit and Singapore government bonds added value as they outperformed the FTSE World Government Bond index. Security selection also contributed positive, driven mainly by outperformance in the underlying Global, US and Asia equity strategies although part of the relative was were offset by negative selection in Global bonds.

Market Outlook and Investment Strategy

Recent US economic data support our view that the US consumer remains resilient and labour market conditions are supportive. Looking ahead to 2026, ongoing political headlines, particularly relating to Trump, merit continued monitoring. His pressure on the Federal Reserve Chair has raised medium-term concerns regarding central bank independence and credibility. While this has not materially affected near-term outcomes, the risk of sustained political interference could erode market confidence in monetary policy over time. Combined with our above-consensus outlook on US growth, these factors underpin our continued caution on duration.

With recession risk low and inflation under control, it is difficult to see a catalyst for an equity bear market. Valuations are challenging but we expect corporate earnings to drive returns this year. We remain positive equities with a preference for diversification and value outside the US. Geopolitical risk is impossible to predict but we need to recognise that the international, rules-based order, that has been in place since 1945 is being challenged and gold remains a helpful diversifier in this regard.

We maintain our negative view on the US dollar, especially given risks of a politically induced, dovish Fed, and are constructive on emerging market debt as a means of benefiting from weaker US dollar trends and more disciplined fiscal policy.

In conclusion, we continue to believe that cyclical risks are contained but recognise that valuations are challenging and political risk is heightened. We are managing these risks by combining a long position in equities (with diversifying exposures to Value) with gold and underweight in duration and the US dollar.

Source: Schroder Investment Management Limited

Schroder Multi-Asset Revolution 50 Fund

<u>Investment and Market Review</u>

Market Overview

Throughout 2025, global financial markets demonstrated remarkable resilience in the face of policy changes, geopolitical events, and shifting economic expectations. Early in the year, investors navigated sudden alterations in trade policy, while the second half was characterised by evolving views on fiscal and monetary stimulus. Despite these challenges, strong momentum in Artificial Intelligence, moderating inflation pressures and robust corporate earnings provided crucial support.

Equity markets performed strongly. The MSCI AC World Index delivered a substantial gain of +15.1% in SGD terms for the year, reflecting broad-based advances across global shares. South Korea stood out as the top-performing major equity market, underpinned by leadership in semiconductors and technology. The MSCI South Korea Index soared +88.9%, far outpacing other regions.

In fixed income, bond market sentiment improved notably. The yield on the US 10-year Treasury declined from 4.57% at the start of the year to 4.17% by year-end, as interest rate reductions by the Federal Reserve and easing inflation buoyed both sovereign and credit markets.

Commodities rebounded, overcoming earlier volatility to register a full-year gain of +9.0%, aided by robust demand and disruptions to supply. Gold posted an extraordinary performance, with a surge of +54.9% that was fuelled by heightened geopolitical risk and sustained demand for safe-haven assets.

Currency markets reflected changing global conditions as well. The USD depreciated -9.4% in 2025, with broad-based declines against major peers on the back of softer growth expectations, reduced interest rate differentials and wider geopolitical uncertainty. On the other hand, the SGD appreciated by +5.9%

against the greenback, underscoring continued local confidence as investors aimed to diversify from the dollar.

All returns above are quoted in SGD terms, unless otherwise stated.

Performance Commentary

SMART 50 delivered positive returns. Equities were the largest contributors; the decision to increase our overall equity exposure to an overweight position since May proved beneficial as global equities continued their advance amid expectations of monetary easing and strong economic data. Notably, our allocation to Global and US equities delivered a substantial return contribution while our tactical positions in Nasdaq, Asia and emerging market equities, along with an increased allocation to Europe, also added value.

Fixed income detracted from performance, mainly due to holdings in long-dated US Treasuries held during the second quarter as yields at the longer end rose amid concerns over persistent inflation and the sustainability of US government debt. The negative impact was partially offset by our positions in credits and Singapore government bonds which returns positively as spreads tightened and yields fell over the period. Gold added meaningfully to returns, supported by ongoing central bank purchases and heightened fiscal risks, underscoring the portfolio's emphasis on effective diversification.

The Fund outperformed its reference benchmark over the period. Asset allocation was the biggest contributor to relative returns, helped by an overweight in equities, notably in Asia and Emerging Markets. An underweight in fixed income and overweight in Gold were also positive contributors. Within fixed income, allocations to Asian credit and Singapore government bonds added value as they outperformed the FTSE World Government Bond index. Security selection also contributed positive, driven mainly by outperformance in the underlying Global, US and Asia equity strategies although part of the relative was were offset by negative selection in Global bonds.

Market Outlook and Investment Strategy

Recent US economic data support our view that the US consumer remains resilient and labour market conditions are supportive. Looking ahead to 2026, ongoing political headlines, particularly relating to Trump, merit continued monitoring. His pressure on the Federal Reserve Chair has raised medium-term concerns regarding central bank independence and credibility. While this has not materially affected near-term outcomes, the risk of sustained political interference could erode market confidence in monetary policy over time. Combined with our above-consensus outlook on US growth, these factors underpin our continued caution on duration.

With recession risk low and inflation under control, it is difficult to see a catalyst for an equity bear market. Valuations are challenging but we expect corporate earnings to drive returns this year. We remain positive equities with a preference for diversification and value outside the US. Geopolitical risk is impossible to predict but we need to recognise that the international, rules-based order, that has been in place since 1945 is being challenged and gold remains a helpful diversifier in this regard.

We maintain our negative view on the US dollar, especially given risks of a politically induced, dovish Fed, and are constructive on emerging market debt as a means of benefiting from weaker US dollar trends and more disciplined fiscal policy.

In conclusion, we continue to believe that cyclical risks are contained but recognise that valuations are challenging and political risk is heightened. We are managing these risks by combining a long position in equities (with diversifying exposures to Value) with gold and underweight in duration and the US dollar.

Source: Schroder Investment Management Limited

Schroder Multi-Asset Revolution 70 Fund

Investment and Market Review

"Market Overview

Throughout 2025, global financial markets demonstrated remarkable resilience in the face of policy changes, geopolitical events, and shifting economic expectations. Early in the year, investors navigated sudden alterations in trade policy, while the second half was characterised by evolving views on fiscal and monetary stimulus. Despite these challenges, strong momentum in Artificial Intelligence, moderating inflation pressures and robust corporate earnings provided crucial support.

Equity markets performed strongly. The MSCI AC World Index delivered a substantial gain of +15.1% in SGD terms for the year, reflecting broad-based advances across global shares. South Korea stood out as the top-performing major equity market, underpinned by leadership in semiconductors and technology. The MSCI South Korea Index soared +88.9%, far outpacing other regions.

In fixed income, bond market sentiment improved notably. The yield on the US 10-year Treasury declined from 4.57% at the start of the year to 4.17% by year-end, as interest rate reductions by the Federal Reserve and easing inflation buoyed both sovereign and credit markets.

Commodities rebounded, overcoming earlier volatility to register a full-year gain of +9.0%, aided by robust demand and disruptions to supply. Gold posted an extraordinary performance, with a surge of +54.9% that was fuelled by heightened geopolitical risk and sustained demand for safe-haven assets.

Currency markets reflected changing global conditions as well. The USD depreciated -9.4% in 2025, with broad-based declines against major peers on the back of softer growth expectations, reduced interest rate differentials and wider geopolitical uncertainty. On the other hand, the SGD appreciated by +5.9% against the greenback, underscoring continued local confidence as investors aimed to diversify from the dollar.

All returns above are quoted in SGD terms, unless otherwise stated.

Performance Commentary

SMART 70 delivered positive returns. Equities were the largest contributors; the decision to increase our overall equity exposure to an overweight position since May proved beneficial as global equities continued their advance amid expectations of monetary easing and strong economic data. Notably, our allocation to Global and US equities delivered a substantial return contribution while our tactical positions in Nasdaq, Asia and emerging market equities, along with an increased allocation to Europe, also added value.

Fixed income detracted from performance, mainly due to holdings in long-dated US Treasuries held during the second quarter as yields at the longer end rose amid concerns over persistent inflation and the sustainability of US government debt. The negative impact was partially offset by our positions in credits and Singapore government bonds which returns positively as spreads tightened and yields fell over the period. Gold added meaningfully to returns, supported by ongoing central bank purchases and heightened fiscal risks, underscoring the portfolio's emphasis on effective diversification.

The Fund outperformed its reference benchmark over the period. Asset allocation was the biggest contributor to relative returns, helped by an overweight in equities, notably in Asia and Emerging Markets. An underweight in fixed income and overweight in Gold were also positive contributors. Within fixed income, allocations to Asian credit and Singapore government bonds added value as they outperformed the FTSE World Government Bond index. Security selection also contributed positive, driven mainly by outperformance in the underlying Global, US and Asia equity strategies although part of the relative was were offset by negative selection in Global bonds.

Market Outlook and Investment Strategy

Recent US economic data support our view that the US consumer remains resilient and labour market conditions are supportive. Looking ahead to 2026, ongoing political headlines, particularly relating to Trump, merit continued monitoring. His pressure on the Federal Reserve Chair has raised medium-term concerns regarding central bank independence and credibility. While this has not materially affected near-term outcomes, the risk of sustained political interference could erode market confidence in monetary policy over time. Combined with our above-consensus outlook on US growth, these factors underpin our continued caution on duration.

With recession risk low and inflation under control, it is difficult to see a catalyst for an equity bear market. Valuations are challenging but we expect corporate earnings to drive returns this year. We remain positive equities with a preference for diversification and value outside the US. Geopolitical risk is impossible to predict but we need to recognise that the international, rules-based order, that has been in place since 1945 is being challenged and gold remains a helpful diversifier in this regard.

We maintain our negative view on the US dollar, especially given risks of a politically induced, dovish Fed, and are constructive on emerging market debt as a means of benefiting from weaker US dollar trends and more disciplined fiscal policy.

In conclusion, we continue to believe that cyclical risks are contained but recognise that valuations are challenging and political risk is heightened. We are managing these risks by combining a long position in equities (with diversifying exposures to Value) with gold and underweight in duration and the US dollar.

Source: Schroder Investment Management Limited

Schroder Singapore Fixed Income Fund

Investment and Market Review

Market Review

The latter half of 2025 was marked by a complex and evolving economic landscape, influenced by significant developments in trade policies, central bank actions and geopolitical tensions. These factors played a crucial role in shaping market sentiment and economic performance across major regions, each demonstrating varying degrees of resilience and policy responses.

In the United States, the economy presented mixed signals. While Q3 GDP growth was robust, driven by consumer spending and increased government expenditure, the labour market showed signs of softening, with unemployment rates rising towards the end of the year. The Federal Reserve (Fed) adopted a dovish stance, implementing three rate cuts in the second half of 2025 to support economic growth amid persistent inflationary pressures. This approach reflected a careful balance between fostering growth and managing inflation. Trade tensions, particularly with China, remained a concern, although some easing was noted by October. Political events, including a government shutdown, added to market volatility, impacting economic data releases and sentiment.

China's economy faced persistent deflationary pressures, with consumer prices fluctuating throughout the period. Despite these challenges, GDP growth exceeded expectations, supported by government measures to boost credit availability and stabilise financial markets. The People's Bank of China (PBOC) maintained key lending rates at historic lows, reflecting a cautious approach to support economic momentum amid weak domestic demand and deflationary risks. Market sentiment stabilised with modest recoveries in manufacturing and services, although domestic demand remained subdued and the property sector continued to weigh on overall activity.

Asian economies demonstrated resilience, with strong export performance driven by sectors like Korea's semiconductor industry and Malaysia's trade agreements. However, geopolitical tensions and trade restrictions posed potential risks to export-driven growth. Central banks across the region adopted varied approaches, with some implementing rate cuts to stimulate economic growth, while others maintained or raised rates to manage inflation and currency stability. Political changes and fiscal policies in countries like Indonesia and Thailand influenced economic stability and growth forecasts. The region's ability to navigate global challenges underscored its economic resilience during this period.

In Singapore, economic growth accelerated in late 2025, with Q4 GDP rising 5.7% YoY and capping full-year growth at 4.8%. This was driven by buoyant manufacturing activity, especially in technology and pharmaceuticals, which offset more modest gains in services and construction. Despite a year-end moderation in non-oil domestic exports, tech exports remained strong. Core inflation was steady, sustained by healthcare costs, while core momentum stayed firm. Looking ahead, Singapore’s resilience is balanced by external uncertainties, with policy remaining focused on sustaining stability and long-term growth.

Singapore bonds delivered 1.35% over 2H 2025. The government bonds sector, measured by Markit iBoxx ALBI Singapore Government Total Return Index, returned 1.58%, outperforming the spreads segment, reflected by the Markit iBoxx ALBI Singapore Non-Government Total Return Index, which posted 0.78%.

Performance

The Schroder Singapore Fixed Income Fund outperformed its benchmark, the Markit iBoxx ALBI Singapore over the second half of 2025. The Fund posted 6-month returns (net of fees) of 1.61% (I SGD Acc share class) and 1.41% (A SGD Acc share class), while its benchmark returned 1.35%.

Rates strategies weighed on active returns for the period. Gain from the Fund's tactical long US duration positioning vis US Treasury futures were more than offset by the Fund's underweight Singapore duration stance and tactical SGS curve positioning.

Spreads strategies, on the other hand, contributed to active returns. The Fund's underweight to Singapore Quasi-Sovereign, overweight to SGD credits in the Financial sector as well as allocation to the Asian USD credits space via the Schroder Asian Investment Grade Credit Fund meaningfully aided returns. This was marginally dragged by the underweight to Singapore Real Estate and Utilities.

Market Outlook and Investment Strategy

Singapore enters 2026 on a solid footing, supported by broad-based strength in trade-related services and the tech sector, underpinned by a still-robust global tech cycle. This resilience could translate into a positive output gap and a robust labour market. That said, sharply weaker global growth, a downturn in the tech cycle, and heightened uncertainty around trade policies among major trading partners, represent the key downside risks to growth. Inflation is likely to remain contained, although there are nascent signs of fading disinflationary spillovers from global oil and regional non-oil factors.

We expect the MAS to keep the powder dry, safeguarding policy flexibility in a highly uncertain and volatile global environment. Singapore rates have outperformed last year, and the discount to equivalent USD rates remains sizable. As such, we are underweight duration – particularly at the front-end and long-end of the curve – reflecting, respectively, the feedthrough from the current SGD NEER policy, and a normalization of longer-end rates. We continue to maintain duration exposure in the belly, given the attractive risk-reward from the upward-sloping yield curve. We are also monitoring the risk of a SGD NEER slope steepening amid a still positive output gap.

Against a backdrop of a still growing economy and expectations of stable credit fundamentals among SGD credit issuers, SGD credit spreads are likely to remain relatively tight by historical standards. We see limited room for further tightening and a higher probability of modest widening from current levels. Accordingly, we stay selective and maintain our exposures primarily in Financials sector. The outlook for Singapore banks' asset quality remains healthy, with no major stress observed in small business, trade-reliant, or commercial real estate loans thus far, despite global macro risks. Along with ample capital cushions and provisioning, this positions Singapore banks favourably relative to regional peers.

Source: Schroder Investment Management Limited

Schroder Singapore Trust

Investment and Market Review

Singapore's stock market ended 2025 with its strongest performance in over a decade, as the Straits Times Index (STI) delivered a total return of +28.55% (SGD terms). This outpaced most Asian peers, though it trailed market leaders such as South Korea. The rally was underpinned by resilient blue-chip stocks, supportive policy measures, and Singapore's safe-haven appeal.

Within sectors, industrials led the gains, highlighted by ST Engineering, which benefited from increased defence and aerospace demand and a record order book of S$32.6 billion. Financials followed, as banks like DBS and OCBC reached all-time highs due to robust earnings and attractive dividend yields. Property (UOL, CDL) and telecoms (Singtel) also performed well, supported by asset sales, lower interest rates, and regional recovery, while mid- and small-cap names such as First Resources added breadth to the overall market.

The revitalisation of Singapore's equity market was driven by MAS's major reforms and the staged injection of S$5 billion through the EQDP, which boosted liquidity, IPO activity, and investor interest—leading to strong gains in both the main index and overall trading volumes.

Fund Performance:

The Fund outperformed its benchmark in CY2025, primarily driven by positive sector allocations—namely, an underweight position in Consumer Discretionary, an overweight in Telecom, and strong stock selection within Consumer Staples. This outperformance was somewhat offset by an underweight allocation in Industrials.

At the stock level, several key decisions contributed positively to performance. Our underweight position in UOB benefited the portfolio, following the bank's announcement of a surprise reserve increase for stressed property exposures, which led the market to anticipate slower earnings and dividend growth. In the telecommunications sector, our overweight in Singtel was advantageous, supported by robust third-quarter results, consistent delivery on its shareholder return policy, and optimism regarding a potential data centre acquisition. Within Consumer Discretionary, the underweight in Singapore Airlines added value, as the airline underperformed due to weaker earnings, particularly from losses at its Air India associate.

Conversely, some positions detracted from returns. Our allocation within Industrials was a headwind to performance. Specifically, the underweight in Jardine Matheson weighed on returns as it executed on its restructuring plan. Additionally, the overweight in Yangzijiang Shipbuilding detracted, as concerns around Trump's tariffs and implications for cargo volumes weighed on share price. Furthermore, an overweight position in Mapletree Logistics weighed on performance, reflecting ongoing headwinds in the REIT sector—including foreign exchange depreciation and weaker contributions from China.

In terms of portfolio activity made in 2025, we initiated a position in Keppel DC REIT, recognising its strong potential for sustained rental reversions within the domestic data centre segment. We also initiated exposure in iFAST, supported by ongoing earnings recovery and positive developments across its business lines. We continued to increase our holdings in Mapletree Pan Asian Commercial Trust, driven by signs of stabilisation in the Hong Kong retail market and expectations that a lower interest rate environment would further support earnings. Similarly, we increased our allocation to City Developments, reflecting the company's improving residential sales momentum and proactive capital recycling efforts, both of which are expected to enhance dividend payouts and support a re-rating of the stock. Meanwhile, we exited our position in Genting Singapore in light of increased economic uncertainty and its impact on discretionary spending.

Market Outlook and Investment Strategy

Singapore Equities market has had a stellar run over the past two years, as the combination of economic growth post Covid, and the decision by MAS to revitalize the Singapore Equities market has brought attention back to the local bourse.

Stepping into 2026, we are now entering the main phase of deployment for the remaining c.S$3.9bn by MAS' Equity markets Development Program (EQDP). To recap, MAS announced in Nov'25 that six fund managers will be allocated S$2.85bn to invest in the Singapore Equities market. MAS is expected to review the remaining submissions and expect the next phase of appointments for the remaining S$1.05bn will be announced in Q2 2026. We expect actual cash deployment for S$2.85bn allocation will happen in 1Q 2026 at the earliest, and in 2H 2026 for the remaining S$1.05bn.

An important feature of the EQDP is the expectation that selected fund managers will raise additional third-party capital to complement MAS's allocations. This has the potential to significantly enhance market liquidity and drive greater interest in Singapore equities. The programme's ultimate goal is to attract high-quality, new economy companies to list locally, reversing the decline in listings seen over the past decade. If successful, this will further solidify Singapore's reputation as a preferred listing venue for regional players and reinforce its status as a financial and wealth management hub in Asia.

Despite the phased rollout of the EQDP, the market has already witnessed a notable increase in trading activity. In 2025, SGX daily traded value grew +21% YoY to S$366bn, or an average daily trade value of S$1.51bn. This is the highest turnover achieved in the Singapore Equities market since 2010. There has also been renewed IPO momentum, with seven new mainboard listings in 2025 and more anticipated in the years ahead.

Looking ahead, investor attention is firmly focused on the US interest rate outlook this year, particularly given the upcoming appointment of a new Federal Reserve Chair in May 2026. There is significant market speculation regarding whether the new Chair will adopt a more accommodative stance towards rate cuts than the current Chair, Jerome Powell. President Donald Trump has been vocal in advocating for lower rates to alleviate the burden of fiscal debt interest payments, and should his appointee share this perspective, there may be scope for greater policy easing than the two rate cuts currently anticipated by the market.

In Singapore, the prospect of declining interest rates has already led to a marked decrease in benchmark rates: the 3-month SORA has dropped to 1.18% (from 3.07% at end-2024), and the 10-year government bond yield stands at 2.16% (down from a high of 3.09% in January 2025). At the same time, continued inflows of deposits have reinforced the perceived stability of the Singapore dollar, increasing local liquidity and exerting further downward pressure on rates.

This environment has begun to compress net interest margins (NIMs) for domestic banks, though some have proactively hedged their rate exposures. Importantly, lower interest rates and the upturn in equity market activity create a more favourable backdrop for loan growth and market-making, placing the onus on management teams to adapt strategically to these evolving conditions.

Broadening the view to the overall economy, Singapore posted stronger-than-expected GDP growth of 4.8% in 2025, driven by a rebound in industrial activity. As borrowing costs fall, previously delayed corporate investment plans are being put back on the table. Improvements in earnings and returns on equity among non-financial sectors over the past year further support optimism that a declining rate environment will sustain the current growth trajectory.

Given these developments, our portfolio remains tilted towards companies poised to benefit from lower interest rates, such as property companies and select industrials. We continue to seek out businesses demonstrating robust growth potential and strong fundamentals in this evolving landscape. With additional capital from the EQDP expected to flow into the market, we anticipate better price realisation for well-managed local companies. Our ongoing focus is to identify and add high quality stocks that offer a compelling combination of asset quality and attractive valuations as opportunities arise.

Source: Schroder Investment Management Limited

Templeton China Fund

Investment and Market Review

Markets: Chinese equities fell. Concerns about China's growth outlook and the performance of heavily-weighted internet and consumer firms pressured benchmarks.

Contributors: The fund outperformed its custom benchmark for the quarter, primarily due to stock selection and an overweight in Information Technology, stock selection and an underweight in Consumer Discretionary, and stock selection and an overweight in Communication Services.

Detractors: Stock selection and an overweight in Materials, stock selection in Health Care and stock selection in Industrials detracted from relative performance for the quarter.

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GigaDevice Semiconductor is a fabless supplier. Its share price rallied alongside memory chip stocks as optimism over artificial intelligence (AI) persisted. The stock was also included in the world's most popular memory-focused exchange-traded fund, leading to massive inflows.

Stock selection and an overweight in Materials, stock selection in Health Care and stock selection in Industrials detracted from relative performance for the quarter.

Zijin Gold conducts gold exploration, mining, processing and other related businesses. At the company level, Zijin ranks among the lowest-cost producers globally, and has a solid track record of volume growth and cost optimisation.

Market Outlook and Investment Strategy

A new cycle may be forming in Chinese equities. After a weak period, policy support has stayed strong. This has not yet fully lifted markets, but valuations remain attractive. The property sector shows signs of stabilising, which may help support consumption. Still, it is early.

The government has also made its intent towards AI clear. The country's biggest advantage is energy—with a focus on adding capacity to energy and a shift towards more business-friendly stances, Chinese equities are operating against a positive backdrop.

Over the long term, Chinese stock prices look attractive. In recent years, selected stocks faced heavy pressure and were often ignored. Policy support has started to lift investor interest. This shift is clear among both local and global investors. We follow a bottom-up process supported by our local team. Our network includes companies, supply checks and independent research firms. We also track changes in the market to find new opportunities.

Source: Franklin Templeton

Templeton Latin America Fund

Investment and Market Review

Markets: Equities in the emerging Latin America (LatAm) region declined during the second quarter of 2026. Brazil led regional losses. Mexico was more resilient after its central bank cut interest rates.

Detractors: The fund underperformed its benchmark, the MSCI EM Latin America Index-NR, for the quarter, primarily due to stock selection in Industrials, Utilities and Materials.

Contributors: Stock selection in Consumer Staples and Financials, and an underweight in Energy, contributed to relative performance for the quarter.

Equities in the emerging Latin America (LatAm) region declined as a whole during the second quarter of 2026. Brazil led regional losses. Expectations of higher interest rates for longer and lingering political and fiscal uncertainty ahead of elections also weighed on sentiment. Mexico was more resilient after its central bank cut interest rates, following easing inflation pressures in April.

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Rumo engages in the provision of logistics services in Brazil. The company is also the largest railway operator in the country. Its share price rose in the lead up to its earnings release in early May, where net income beat estimates. However, Rumo’s controlling shareholder experienced a weak first quarter and triggered concerns that this could lead to a forced or poorly-timed sale of Rumo.

Stock selection in Consumer Staples and Financials, and an underweight in Energy, contributed to relative performance for the quarter.

Intercorp Financial Services Incorporated is a Peru-based banking, insurance and wealth management company across the retail and commercial segments. Its share price rose on a combination of factors. A strong set of first-quarter results, an upward revision to full-year return on equity guidance and a favourable macroeconomic backdrop in Peru fuelled investor confidence.

Geographically, stock selection in Brazil and Mexico, and a lack of exposure to Colombia, detracted from relative results for the quarter. Stock selection and an overweight in Peru, and stock selection in Chile, contributed to relative performance.

Market Outlook and Investment Strategy

We continue to be selective. Markets in the LatAm region have held up well despite global shocks. Share prices remain attractive. Many companies have healthy balance sheets and pay strong dividends. Lower interest rates should also support growth, although rate cuts may differ by country.

Brazil was one of the region's strongest markets before this quarter. Low valuations and hopes for lower rates had helped returns. The central bank began to cut rates in March 2026. Since then, global tensions have increased. Inflation may also stay higher than expected. As a result, interest rates may not fall as much as investors had hoped.

• Mexico has benefited from a weaker US dollar, higher commodity prices and nearshoring. Its close links with the United States remain a key strength. Lower interest rates should also help growth and company earnings. Chile and Peru provide exposure to copper and other key minerals. Demand for these materials should remain strong over time.

Overall, LatAm appears well placed to face a less certain global backdrop. Attractive share prices and long-term growth trends continue to create investment opportunities.

Source: Franklin Templeton

Templeton Shariah Global Equity Fund

Investment and Market Review

Markets: Global equities rebounded in the second quarter as the easing of the Middle East conflicts helped restore risk appetite.

Detractors: The fund underperformed its benchmark, primarily due to underweight exposure to the information technology sector.

Contributors: Underweight exposure to the materials sector contributed to relative performance.

Global equities rebounded in the second quarter of 2026. Attempts at a ceasefire and peace talks between the United States and Iran helped ease geopolitical fears, lower oil prices and restore risk appetite. Growth stocks reclaimed leadership after the first quarter's defensive rotation, driven by enthusiasm for companies in the artificial intelligence (AI) complex. By June, however, investors had become more selective as they began to scrutinise the return profile of surging AI-related capital expenditure (capex). Geographically, Asia Pacific was the strongest-performing region and the US market also advanced, but Europe lagged as oil price sensitivity and weaker macro data weighed on sentiment.

The fund underperformed its benchmark, the MSCI AC WORLD ISLAMIC, for the quarter, primarily due to underweight exposure to the information technology sector and stock selection in the consumer discretionary sector.

SK Hynix was the top detractor in the second quarter. The stock performed well during the quarter, but our underweight allocation hurt relative performance. IHI Corp underperformed and was another main detractor. We stay invested, favouring the long-term growth potential of its aerospace, defence and energy businesses.

Underweight exposure to the materials sector and a lack of exposure to the utilities sector contributed to relative performance in the second quarter.

Micron Technology was the top contributor. The memory chip giant is well positioned amid an AI-driven memory supercycle. It recently reported stronger-than-expected revenue growth for its fiscal third quarter (ending on 28 May) and a very bullish demand outlook.

Geographically, overweight exposure to the United Kingdom detracted from relative performance, but stock selection in Switzerland contributed to relative results.

Market Outlook and Investment Strategy

Tensions in the Middle East have eased, but a firm resolution remains elusive. High oil prices, sticky inflation and interest rate tightening are some of the market risks to keep in mind.

We will stay defensive at this juncture. In addition to macro headwinds, we are cautious on hyperscalers' profitability as AI infrastructure capex continues to surge. They may also seek further debt and equity sales to raise cash, possibly impacting shareholder value. Comparatively, the "picks and shovels" of the AI value chain—particularly semiconductor companies—appear more compelling than hyperscalers.

To boost portfolio defensiveness, we may consider trimming our growth and hyperscaler exposure. This will also allow us to rotate some capital to "non-AI" sectors such as health care, consumer staples and utilities. We are interested in high-quality companies that have become oversold in the AI trade, despite their earnings resilience.

Source: Franklin Templeton

United SGD Fund

Investment and Market Review

Investment views are starting to diverge. Risk-on sentiment from US-Iran de-escalation is being tempered by historically tight credit spreads, while heavy primary supply is weighing on market tone. Early signs of potential indigestion are evident in measured order books, reflecting a lack of conviction in new-issue demand. With positioning inherently fragile and spreads (or risk premia) compressed, even a modest catalyst could shift sentiment and prompt a reassessment of investor preferences.

Against this backdrop, the JP Morgan Asia Credit Index (JACI) Investment Grade spreads widened by 3 basis points (bps) in June 2026 to 96 bps, after tightening to an intra-month low of 88 bps, the narrowest level in a decade. Sentiment remains cautious, with investors effectively walking a tightrope amid heightened uncertainty following signals from new Federal Reserve (Fed) Chair Kevin Warsh. His perceived hawkish tilt at the June Federal Open Market Committee (FOMC) meeting, alongside the absence of his dot-plot submission, has prompted a reassessment of the expected policy rate path and raised concerns about reduced transparency in Fed communication. The 2-year and 10-year US Treasuries (UST) yields closed at 4.17 per cent (+17 bps) and 4.46 per cent (+3 bps), respectively.

Despite lingering concerns around Indonesia, June 2026 saw the debut issuance from Indonesia's sovereign wealth fund, PT Danantara Investment Management ("Danantara"), which raised USD1.5 billion across equal 5-year and 10-year tranches. The deal came amid a bumper month for Asia ex-Japan G3 issuance, with total supply reaching USD32 billion (compared with USD18 billion in May 2026 and USD21 billion in June 2025). This brings year-to-date issuance to USD121 billion, up from USD114 billion over the corresponding period last year.

While markets appear inclined to look past the Middle East conflict that began in late February 2026, we believe it is premature to invest as if risks have fully subsided. With geopolitical uncertainty lingering and valuations remaining tight, the risk-reward balance continues to skew to the downside. We maintain a defensive bias, staying nimble and opportunistic to capture more attractive entry levels.

Market Outlook and Investment Strategy

We continue to prioritise coupon returns while aiming to diversify across various markets. Our focus remains on defensive sectors with resilient balance sheets, credits with leading market shares and of systemic importance, such as utilities, telecommunications, consumer goods, insurance, and government-related entities.

The Fund will continue to: 1) Invest in bonds maturing/callable/puttable on rolling three years for the purpose of return enhancement; 2) Focus on companies that have good access to capital markets and have defensive business models; 3) Pursue active relative-value opportunities across diverse currency-denominated bonds; 4) Hedge foreign currency risk to the Singapore Dollar; and 5) Maintain 1-3 per cent cash for liquidity.

Source: UOB AM

United Asian Bond Fund

Investment and Market Review

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Market Outlook and Investment Strategy

We continue to stay up in credit quality while aiming to diversify across various markets, maintaining our preference for defensive sectors with resilient balance sheets, credits with leading market shares and of systemic importance, such as utilities, telecommunications, consumer goods, insurance, and government-related entities.

The Fund will: 1) Assess the relative value of bonds in the portfolio; 2) Focus on companies that have good access to capital markets and have defensive business models; 3) Benchmark duration along the curve relative to the benchmark to capture potential curve steepening; 4) Focus on credit spread compression by selecting corporates with improving fundamentals that have attractive yields/spreads but are not captured in their current pricing.

Source: UOB AM

United Emerging Markets Bond Fund

Investment and Market Review

For the six months to December 2025, the Fund rose 5.90% compared to the benchmark, JP Morgan EMBI Global Diversified (EMBIGD) Composite index (SGD terms), which returned 9.24%.

Key detractors to performance include our positioning in Venezuela, Argentina, Egypt, and South Africa; while Indonesia, Bahrain, Ireland, Peru, Turkey, Senegal, China, etc. were the main contributors to performance.

As of 31 December 2025, the Fund was invested 34% in Americas, 24% in Africa / Middle East, 21% in Europe, 16% in Asia Pacific and 5% in Central Asia. The remainder was held in other regions and a combination of cash and cash equivalents.

High-yield (HY) credit has been the top-performing asset class within emerging markets (EM) during this period. One of the central themes of President Trump’s second term has been the pursuit of potential resolution of ongoing wars and regional conflicts. At the same time, global investors have been discussing a shift away from U.S. assets in response to tariffs and broader economic uncertainties. Together, these dynamics have supported a broad rally in EM bonds across markets such as Venezuela, Bolivia, Lebanon, Ecuador, Ukraine, and Egypt.

Positive global market sentiment and EM hard currency fund flows have also supported a broad range of EM HY credits, particularly in lower-rated sovereigns.

For the six months to December 2025, EMBIGD Composite Index (USD terms) returned +8.19%. The EMBIGD High-Yield Index returned +11.23%, outperforming its investment-grade (IG) counterpart (+5.21%).

From a regional perspective, Africa led performance, delivering +13.2%, ahead of Latin America (+9.7%), Europe (+7.2%), and Asia (+4.8%).

Global EM issuance volumes rose 11% year-on-year, reflecting improved market access and investor appetite. Meanwhile, in the U.S., the 2-Year Treasury yield declined by 25bps to 3.47%, while the 10-Year yield decreased by 6bps to 4.17%, resulting in a steepening of the 2yr-10yr curve by 19bps to +69bps.

Commodity and currency markets also saw notable moves: Brent crude oil prices fell by 8.9%, the U.S. dollar strengthened by 1.5%, while gold surged by 31%, underscoring a shift in investor preference toward safe-haven assets.

Market Outlook and Investment Strategy

Heightened geopolitical risks, ongoing tariff disputes, and volatility associated with unpredictable U.S. policy have enhanced the appeal of IG EM credits, which offer superior stability and downside protection in risk off conditions. Nevertheless, EM assets remain significantly correlated with broader global risk markets, and a deceleration in AI driven global capex could temper growth expectations and contribute to wider credit spreads globally, including within the EM sovereign space.

Our portfolio positioning reflects our preference in EM IG space. While we remain prudent in the current environment, we continue to seek opportunities through relative value trades. Notably, EM yields remain elevated, and carry continues to be a key long-term driver of returns.

Source: UOB AM

United Singapore Bond Fund

Investment and Market Review

Growth indicators remained firm over May's data releases due to healthy global demand for Artificial Intelligence (AI) related products. Singapore's Purchasing Managers Index (PMI) was 51.0 in May 2026 (April 2026: 50.7), with the electronics sector PMI increasing to 51.9 (April 2026: 51.7). New orders continued to rise while inventories remained at the lower end of the recent range. Industrial production remained robust at +13.0 per cent year-on-year (y/y) in May 2026 (April 2026: +16.5 per cent y/y), similarly reflecting sustained strength in electronics manufacturing. Export growth also remained extremely healthy, with the Non-oil Domestic Exports (NODX) growth at +38.4 per cent y/y in May 2026 (April 2026: +24.4 per cent). Inflation remained broadly contained in May 2026 despite elevated commodity prices. Core Consumer Price Index (CPI) remained at +1.4 per cent y/y in May 2026 (April 2026: +1.4 per cent), reflecting softer services and retail inflation. Meanwhile, headline CPI remained at +1.8 per cent y/y in May 2026 (April 2026: +1.8 per cent), suggesting that higher transportation costs continued to be offset by more benign accommodation expenses. The Monetary Authority of Singapore (MAS) - Ministry of Trade and Industry (MTI) continue to guide core and headline inflation to average 1.5–2.5 per cent in 2026.

SGD depreciated against the USD in June 2026 amid more hawkish sentiment with the Federal Open Market Committee (FOMC) of the new Federal Reserve (Fed) Chair Kevin Warsh. USDSGD moved from 1.277 to 1.295 in June 2026. Given firming growth expectations and stable inflation that does not appear to be accelerating, we expect MAS's policy bias to maintain on hold in the later part of 2026.

The SGD primary bond market saw SGD 2.11 billion issued in June 2026, moderating from SGD 4.22 billion in May 2026. Unlike May 2026, issuance from Housing & Development Board (HDB) and foreign financials were on the quieter side in June 2026. In the domestic space, the market saw real-estate issuance coming from the likes of Ho Bee Land Limited (which issued a SGD 150 million 5-Year senior bond at a 3.30 per cent coupon) and Heeton Holdings Limited (SGD 90 million 3.5-year senior bonds at a 5.50 per cent coupon). Mapletree-related entities also issued 7-Year senior bonds in June 2026, with Mapletree Pan Asia Trust and Mapletree Logistics Trust issuing SGD 200 million and SGD 75 million, respectively, at 5.30 per cent and a 2.50 per cent coupon. City Development Ltd issued SGD 300 million 5-Year senior bonds at a 2.50 per cent coupon. Meanwhile, Temasek-Linked Keppel Corp issued SGD 325 million perpetual bonds (perp) NC3 (non-callable for the first 3 years) at a 3.30 per cent coupon, which should be used to refinance SGD 400 million KEPSP (Keppel Limited) 2.9 Perp callable September 2026. Lastly, Nanyang Technological University issued a 15-year senior (Aaa rated by Moody’s) at a 2.42 per cent coupon, flat versus where the existing NTUSP (Nanyang Technological University) 2.185 10/36s were at 2.42 per cent, despite being longer in duration.

After a strong performance in May 2026 (where the SGS yield curve bull flattened), long end (20Year-50Year) SGS yields widened close to 8 basis points (bps) in June 2026, while US Treasury (UST) yields at similar tenors were flat, perhaps on profit-taking given the SGD depreciation. Correlation of the 10-Year SGS versus UST remained low at 0.3265 (0.36 in May 2026). SGD yields should remain range-bound, but Singapore’s safe-haven status, continued fund flows and MAS remaining vigilant on inflation should imply still low correlation even as global bond markets may experience another bout of long-end-led sell-off. Also, given energy-led inflation pressures have tamed off and with recent CPI data being controlled, MAS is likely to hold pat for the rest of 2026 after April’s steepening of the S$ Nominal Effective Exchange Rate Index (S$NEER) slope.

Market Outlook and Investment Strategy

The Fund continues to overweight corporate credits for the purpose of overall yield enhancement and keeps a neutral duration position relative to the benchmark. We will continue to look out for relative-value trades and bonds from good-quality issuers.

SGS bond comprises about 41 per cent of the Fund, and we will hold at this weight (minimum 40 per cent), comprising holdings at the intermediate to long end of the yield curve. This is in line with the strategy to be neutral on duration relative to the benchmark.

Source: UOB AM