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ILP Sub-Funds available for HSBC Life Goal Builder

AB American Income Portfolio (SGD and USD)

Investment and Market Review

In the second half of 2025, the American Income Portfolio (Class A) delivered positive absolute returns but underperformed its Benchmark, the Bloomberg US Aggregate Index, which was up 3.15%. (all returns stated net of fees and in US-dollar terms).

During the six-month period, the Portfolio's off-benchmark allocation to emerging-market (EM) corporates detracted from relative returns. The Portfolio's duration underweight also hurt performance, as yields generally declined. An underweight position in agency mortgage-backed securities (MBS) was another detractor; however, our security selection within the sector helped offset some of these losses. Meanwhile, security selection within investment-grade corporates contributed to returns, as did off-benchmark allocations to high-yield corporates and EM sovereign and quasi-sovereign debt.

The Portfolio management team would like to note that the Portfolio's strategy is Benchmark agnostic, meaning that it is not constrained by its Benchmark.

Fixed-income government bond market yields were volatile as investors reacted to tariff announcements, government budgets and deficits, central bank decisions, Fed independence, economic growth and inflation expectations, and US-dollar weakness. Global developed market (DM) yields generally fell over the period, and government bond returns rose in aggregate. Returns were the highest in Switzerland, New Zealand and the UK, and fell in Japan, Australia and Sweden.

Overall, DM investment-grade corporate bonds outperformed government bonds. Investment-grade corporates in the eurozone advanced and outperformed the gain among eurozone treasuries, while US investment-grade corporates also outperformed US Treasuries. DM high yield corporate bonds had solid results and outperformed treasury markets. High-yield corporates in the eurozone and the US outperformed their respective treasury markets. EM hard-currency sovereign bonds outperformed DM treasuries by a wide margin, while EM hard-currency corporate bonds performed well overall. In both EM hard-currency indices, returns were supported the most by high-yield debt. EM local-currency bonds led other credit risk sectors with strong results as the US dollar was mixed against most DM and EM currencies during the period.

Market Outlook and Investment Strategy

In the US, economic growth held up better than expected in 2025, with 4.3% GDP growth in the third quarter, led by consumer spending and AI capital expenditures. On the fiscal front, the national debt continues to rise, despite record tariff income. Inflation remains elevated, and many companies have warned that further price increases are likely because tariff-free inventories have mostly been exhausted. Consumer confidence remains weak, mainly because of higher prices and job security, as the unemployment rate recently hit a four-year high of 4.6% and as employers pull back on hiring because of tariffs. The US economy is bifurcated with higher-income households holding up consumer spending while lower-income households are struggling—a so-called K-shaped economy. A retrenchment in US stocks could have a dramatic effect on aggregate consumption if higher-income households begin to curb spending. The outlook for monetary policy will likely be determined by labor market weakness and Fed independence, after the new chair is confirmed when Fed Chair Jerome Powell's term ends in May. The

Fed expects GDP growth to be 2.3% next year, with core PCE inflation falling to 2.4% and the unemployment rate at 4.4%. The Fed expects only one rate cut next year, according to median Fed member dot plot projections.

Against this backdrop, a well-diversified barbell approach is critical. We diversify our exposure with credit (high-yield and investment-grade corporates, securitized assets and EM) and government bonds.

We see opportunity within a cohort of BBB rated bonds that we view as having a decent chance of being downgraded to high yield (BB). This cohort of bonds trades cheaply relative to other BBBs and in line with the broader BB space. Historically, fallen angels tend to outperform other BB bonds after being downgraded to high yield. Additionally, these companies are generally in a better fundamental position than existing BB-rated companies. We see an attractive upside/downside opportunity in these potential fallen angels.

As we increased our allocation to investment-grade corporates, our allocation to banking also increased. Our positioning is skewed to larger, national champion banks, which have built up strong credit fundamentals and are well positioned to navigate the current challenging and volatile macro and geopolitical backdrop. In particular, since the global financial crisis, banks have significantly strengthened capital adequacy, liquidity and asset quality metrics, even to the point that despite a turn in the regulatory cycle to somewhat looser (either a simplification or actual deregulation), these metrics should remain solid. This remains supportive of bonds, even as credit spreads approach cyclically tight levels. Given our confidence in the larger, more diversified banks, we continue to look across the capital structure of these for the best residual value opportunities.

We are overweight the energy industry where we see select opportunities, supported by strong fundamentals and a favorable regulatory environment. Our preference is for higher-quality midstream companies that are less sensitive to commodity prices, particularly higher-quality independent energy companies that have stronger balance sheets and scalability. Furthermore, the space has seen significant mergers and acquisitions activity, a trend which can provide a substantial upside for bondholders in the event of a corporate action. We believe recent geopolitical events are unlikely to drive commodity prices meaningfully lower in the coming months, given the long-term capital expenditures needed to increase the supply of crude oil in Venezuela.

During the period, we modestly increased our allocation to EM sovereigns. However, the bulk of our allocation remains focused on EM corporates and quasi-sovereigns. Relative to some of their DM counterparts, EM corporates have attractive risk-adjusted returns as well as strong fundamentals. We favor companies with multinational exposure, or those in defensive sectors with growth potential. We also see value in quasi-sovereigns that may trade at levels similar to corporates but come with government support. We caution against concentrated/idiosyncratic bets and maintain diversification across more than 30 countries.

We maintain our conviction in securitized assets. Our allocation is diversified across agency MBS, collateralized loan obligations (CLOs) and non-agency MBS, with our largest exposures being agency MBS and CLOs.

Agency MBS help to diversify our duration exposure while also offering an attractive value proposition relative to investment grade corporates. In addition, MBS have historically outperformed corporates in risk-off environments. Though the spread pickup over corporates has declined over the last year on the back of their strong performance, we continue to find them attractive. Over the last few months, we have rotated some of our holdings into lower coupons, which are less exposed to prepayment risk.

Within CLOs, we remain focused on the highest-rated tranches (AAA), where we added throughout the quarter. Our allocation benefits from the spread pickup they offer over similarly rated corporates. CLOs have credit enhancements, coverage tests that ensure sufficient funds to meet debt obligations on debt tranches and several restrictions on asset holdings. However, we remain cautious on loan fundamentals given expectations for slower economic growth and the impact that elevated rates have had on company balance sheets. Interest-rate cuts, however, should help alleviate pressure on issuers' interest coverage ratios. Loan downgrades remain of concern and, given the current macro backdrop, we favor lower-risk managers focused on higher quality collateral.

The Portfolio Management Team remains committed to the American Income Portfolio's credit barbell strategy, which we believe has proven resilient through the market dislocations and periods of stress in the more than 30 years since its inception.

Source: AllianceBernstein (Luxembourg) S.à.r.l.

AB International Healthcare Portfolio (SGD and USD)

Investment and Market Review

US, international and emerging-market equity stocks rose during the six-month period that ended on 31 December 2025. Global markets rallied over the summer as investors maintained their enthusiasm for AI-related stocks, but uncertainty over future Federal Reserve rate cuts grew after conflicting data on US employment and inflation. Remarks from Fed Chair Jerome Powell in August clarified the central bank's shifting focus to labor market weakness, and the Fed subsequently lowered interest rates three times in the second half of 2025.

Concerns over technology stock valuations and future Fed monetary policy decisions weighed on US stocks throughout the fourth quarter as investors rotated from growth stocks into the more undervalued sectors of the market. Investors also looked to equity markets outside the US to diversify from large-cap technology. Within large-cap markets, both growth and value stocks gained in absolute terms, with growth outperforming on a relative basis. Both large- and small-cap stocks increased in absolute terms, with small-cap stocks outperforming on a relative basis.

International healthcare stocks, as measured by the MSCI World Health Care Index, increased 13.92% during the six-month period. For the full year, the index is up 14.83% (all returns in US dollar terms). Subindustry performance during the six-month period was positive with the exception of healthcare technology, led by pharmaceuticals.

For the second half of 2025 and the full year, Class A shares of the Portfolio rose in absolute terms but underperformed the MSCI World Health Care, net of fees. During the six-month period that ended on 31 December 2025, both industry and sector selection detracted from relative performance. Selection within healthcare equipment & supplies and life sciences tools & services, while selection within biotechnology and pharmaceuticals contributed.

Clinical studies software maker Veeva Systems detracted during the period. The company posted strong 3Q:25 results, which included a 16.6% rise in adjusted earnings per share (EPS) of US$2.04 year on year (YoY), beating consensus. Revenue came to US$811.2 million, also beating estimates. A continued focus on AI was also highlighted. Veeva Systems updated its financial outlook for the full year 2026 and provided estimates for the fourth quarter of fiscal 2026. Slowing growth and declining return on invested capital raised concerns about the company's competitive edge and valuation, which dragged their share price down.

An overweight position to medical device and equipment manufacturer Stryker—a leading Michigan-based medical technology company that develops innovative orthopedics, medical and surgical equipment, and neurotechnology products and solutions—detracted. The company reported that 3Q:25 revenue grew by 10.2% YoY, while EPS reached US$3.19. Both figures were above consensus estimates. However, investors reacted negatively to the news that the company's operating margin fell to 18.7% versus 19.7% a year ago, which resulted in Stryker's stocks trading lower following the earnings call and fluctuating across the remainder of the quarter.

An underweight position to Merck, a US-based global pharmaceutical leader known for its oncology, vaccine and specialty medicine portfolio, detracted. Shares of the stock rose on the back of earnings beating expectations, pipeline wins, favorable policy development and a market rotation into defensive pharma names. Early in the fourth quarter, the White House granted a three-year reprieve from proposed pharma tariffs, alleviating an overhang for the sector. Merck also has positive pipeline results that demonstrated a clearer earnings path post-Keytruda loss of exclusivity, including results in its phase study on one of its cardiac medications.

Johnson & Johnson was the leading individual stock contributor during the period, driven by strong earnings momentum in 3Q:25 and an increase in guidance. The company also benefited from a recovery in investor sentiment toward the healthcare sector, supported by moderating regulatory risks as the US administration adopted a more balanced approach. Additionally, Johnson & Johnson made progress in streamlining processes after the Kenvue spin-off and reported steady growth in its MedTech segment and boosted pharmaceutical sales.

Regeneron Pharmaceuticals contributed on the back of 3Q:25 results that beat market forecasts, stemming in part from solid demand for the eczema treatment Dupixent and cancer treatment Libtayo. The 3Q:25 report showed that EPS came to US$11.83, higher than the forecast US$9.64. Revenue reached US$3.8 billion, above the estimate of US$3.6 billion. The results sent the company's share price upward. Furthermore, the company announced in November that it had earned approval from the US Food and Drug Administration (FDA) for its high dose Eylea treatment injection for macular edema after retinal vein occlusion (RVO). Eylea is currently the only FDA-approved treatment for RVO. Regeneron later revealed that it was partnering with Tessera Therapeutics in vivo gene-writing program in a US$150 million upfront payment and equity investment. The deal covers Tessera's TSRA-196, a potential one-time treatment aimed at correcting the gene mutation leading to the inherited monogenic disease alpha-1 antitrypsin deficiency.

Biotechnology company Halozyme Therapeutics contributed. The company reported strong 2Q:25 financial results in August which showed revenues rose by 41% YoY, EPS came to US$1.54, reflecting a 69% rise YoY. Halozyme focuses on developing drug delivery solutions rather than launching drugs, particularly its proprietary ENHANZE enzyme technology. The growing adoption of ENHANZE technology across partner products, expanding its network and scaling manufacture and supply were among the key growth factors. The company has raised its fiscal 2025 outlook for all major financial metrics. Halozyme Therapeutics' share price rally continued into the end of the quarter as investors remained confident in the company's growth outlook.

Market Outlook and Investment Strategy

Despite facing several headwinds from policy uncertainty over the past year, the healthcare sector has shown signs of recovery in recent months.

The narrative shifted on 30 September when President Trump and Pfizer's chief executive officer, Albert Bourla, agreed to a framework to address pharmaceutical pricing in the US. From that point, healthcare has been outperforming the wider market, regaining a large part of its year-to-date underperformance.

Furthermore, as investor concerns grew about the sustainability of AI spending and a potential AI bubble, interest in healthcare gained further traction, with investors rediscovering the sector's attractive fundamentals.

Looking ahead, we appear to be through the worst period of policy uncertainty. Impacts of proposed and enacted policy are modest while we believe the healthcare sector continues to offer compelling long-term earnings growth (higher than other non-tech sectors), and much lower earnings volatility than the market. One cannot forget that, compared to other traditionally defensive sectors, we believe healthcare provides significant upside optionality through meaningfully improving patients' quality and quantity of life. Just in 2025 alone, companies in our Portfolio launched a twice-yearly injection that prevents HIV infection (a potential game changer for global public health), and a new class of non-opioid pain medication, offering effective pain relief without the risk of addiction.

Ultimately, we remain confident in our long-held philosophy and process—with the goal of delivering consistent exposure to profitability and growth—that together have proved successful for investors in the past.

Source: AllianceBernstein (Luxembourg) S.à.r.l.

AB Sustainable Global Thematic Portfolio (SGD and USD)

Investment and Market Review

Global equities, as measured by the MSCI All Country World Index (ACWI), increased 11.17% for the second half of 2025, in US dollar terms. Global markets rallied over the summer as investors maintained their enthusiasm for AI-related stocks, but uncertainty over future US Federal Reserve rate cuts grew after conflicting data on US employment and inflation. Remarks from Fed Chair Jerome Powell in August clarified the central bank's shifting focus to labor market weakness, and the Fed subsequently lowered interest rates three times in the second half of 2025. Concerns over technology stock valuations and future Fed monetary policy decisions weighed on US stocks throughout the fourth quarter as investors rotated from growth stocks into the more undervalued sectors of the market. Investors also looked to equity markets outside the US to diversify from large-cap technology. Within large cap markets, both growth and value stocks gained in absolute terms, with growth outperforming on a relative basis. Both large- and small-cap stocks increased in absolute terms, with small-cap stocks outperforming on a relative basis.

For the second half of 2025, Class A shares of the AB Sustainable Global Thematic Portfolio declined in absolute terms and underperformed the Benchmark, the MSCI ACWI, net of fees. Stock selection detracted from relative returns while sector selection was positive overall. Selection within technology and healthcare detracted the most. An overweight to technology and an underweight to consumer staples contributed.

Xiaomi, a diversified consumer technology and electric vehicle (EV) manufacturer, detracted amid negative headlines surrounding its EV business and margin pressures in smartphones. While EV deliveries continued to grow, regulatory delays affecting new factory openings and safety concerns related to the smart driving features of its vehicles dampened sentiment. Rising memory costs added pressure to handset profitability. Although Xiaomi's strategy to drive premiumization and expand its ecosystem supports a constructive long-term view, the memory-driven cost challenges and incremental pressures in the EV landscape will persist near term.

Zebra Technologies, a provider of enterprise asset intelligence and automation hardware, detracted as customers deferred hardware refresh cycles into mid-2026, citing trade policy uncertainty and cautious capital spending. Organic revenue growth slowed meaningfully, prompting downward revisions to near-term expectations. While fundamentals appear challenged in the short run, the company's leadership in AI-enabled mobile computing and automation solutions supports a favorable long-term growth profile. Geopolitical uncertainty and trade policy are likely to remain a headwind near term.

Branded beverage company Primo Brands detracted following disappointing 2Q:25 earnings due to canceled orders and service disruptions in the direct delivery business. Despite operational missteps, management implemented a recovery plan that has seen service rates improve. Leadership changes within Primo Brands have also added to uncertainty. The bottled water segment showed resilience, and we are watching for improving execution for our thesis to stay on track.

Prysmian Group, a global cabling solutions provider contributed on strong secular demand in transmission and distribution infrastructure, winning major contracts during the period. Compared to peers, Prysmian is insulated from tariff risks due to its vertically integrated US operations, enhancing its competitive position. The stock remains attractive compared to historical averages, and management has raised full-year guidance, citing a robust backlog extending through 2028 that reinforces its role in the global energy transition.

Taiwan Semiconductor Manufacturing (TSMC), a premier global semiconductor foundry, contributed, supported by robust fundamentals and optimism around AI-driven demand. Despite some volatility earlier in the quarter tied to a broader sell-off in AI related stocks, shares rallied into year-end as investors anticipated strong capital spending guidance and multi-year revenue growth tied to advanced process nodes. The company's disciplined capacity management and pricing power at leading-edge wafer production reinforce its competitive advantage. With AI adoption driving higher chip production, TSMC remains well-positioned for sustained growth.

Electronics manufacturing services company Flex contributed after reporting solid quarterly earnings. Both revenues and earnings per share exceeded expectations and full-year guidance was raised across all key metrics. Flex is experiencing accelerating momentum in its power and compute segments, particularly tied to data center infrastructure and AI workloads, with management signaling further margin expansion in the coming quarters and beyond. While long-term data center growth forecasts were not formally updated, the company anticipates that its 35% growth estimate for fiscal year 2026 will likely be exceeded. With strong execution and differentiated exposure to AI infrastructure, Flex remains a strategic holding aligned with the global digitization and energy transition.

Market Outlook and Investment Strategy

he year 2025 was dominated by volatile market conditions, with a significant majority of returns driven by a narrow AI-led rally. As a result, our diversified thematic Strategy faced relative headwinds despite continued strong underlying earnings growth. While the market environment was the primary driver of relative performance, we also identified specific areas where more decisive execution could have improved outcomes, and we have taken targeted steps to further strengthen our process without compromising the long-term discipline that defines the Strategy. Though this past year tested patience, it also reinforced the durability of secular themes such as Medical Innovation, Energy Transformation and Infrastructure Development, all of which continued to see meaningful real-world progress.

Looking ahead, we see a more constructive setup for 2026. Valuations across our Portfolio are at attractive levels, and even a partial broadening of market leadership beyond mega-cap AI hardware could materially improve relative outcomes. Importantly, the underlying themes continue to gain traction: the Food and Drug Administration approved 57 novel drugs in 2025, underscoring innovation in healthcare; global clean energy capacity additions exceeded 560 gigawatt, with battery storage deployments up 40% year over year; and over US$190 billion in funds from the bipartisan infrastructure law were put to work in the US in 2025, further supporting the tangible tailwinds behind infrastructure development.

We believe these themes spanning digitalization, clean energy and healthcare innovation are poised to deliver sustainable growth as adoption accelerates globally. With fundamentals intact and expectations reset, we view the coming year as an opportunity for our thematic investing approach to reassert its value and reward disciplined positioning anchored in high-quality businesses tied to secular tailwinds.

Source: AllianceBernstein (Luxembourg) S.à.r.l.

abrdn Pacific Equity Fund (SGD and USD)

Investment and Market Review

Overall, Asian equities proved resilient in 2025, delivering strong gains. The year began on an uncertain note, with persistent concerns about tariff risks, the direction of the US economy, and the US Federal Reserve's policy. The volatility was most extreme in February, when the launch of a low-cost Chinese artificial intelligence (AI) model, DeepSeek, took the world by surprise and led to market swings as investors scrambled to adjust expectations around AI, data centre capital expenditure and technology hardware demand. Thereafter, most markets recovered as the US appeared to be making progress on trade deals with several countries, including China. Support also came from robust returns in the technology sector, underpinned by the continued strength of the AI thematic. There was also growing optimism around subsiding trade tensions and ramped-up expectations of interest rate cuts.

Turning to performance, the Fund returned 17.61% in Singapore dollar terms, underperforming the benchmark index, which rose by 22.75%. Most of this underperformance occurred in the first and second quarters of 2025, when our quality bias hurt performance amid persistent style headwinds. China again proved pivotal as quality underperformed as a style in the first half, with value and state-owned enterprise (SOE) names performing better than privately owned enterprises, driven by a pronounced investor preference for yield, although we saw signs of this reversing in the latter months of 2025.

Stock selection was also a factor; specifically, the Fund's lack of exposure to Alibaba in February proved costly. In China, the DeepSeek announcement drove a sharp increase in AI-related stocks. As a result, the Fund's underweight exposure to **Alibaba** significantly detracted from performance, given that its share price spiked by more than 50% in the first quarter of 2025. To place our Alibaba positioning in context, we exited Alibaba in late 2024 despite its low valuations due to growing concerns about its struggling e-commerce business, which was losing market share to rivals such as PDD. Alibaba subsequently showed signs of turning around this e-commerce segment. As a result, we re-initiated our position in the company in March 2025. The AI theme also buoyed **Tencent**, a core fund holding, which has the second-largest cloud business in the country, behind Alibaba.

Elsewhere, the Fund's overweight exposure to India detracted from returns, as the market experienced profit-taking after buying interest returned in March. **Indian Hotels**, Info Edge India and Tata Consultancy Services (TCS) detracted from returns; we sold out of Info Edge and TCS in view of better prospects elsewhere. The Reserve Bank of India has started its rate-cutting cycle and injected liquidity into the market, and we expect India to continue generating comfortable double-digit earnings growth ahead.

Mitigating the losses was the strength in South Korea. Following the extreme market volatility caused by domestic political turmoil in December 2024, Korean stocks rebounded on optimism over growing political certainty and the new government's economic policies and market reform measures. More recently, we witnessed better-than-expected exports, particularly from the semiconductor sector, supported by strong pricing and sustained AI-driven demand. Our exposure to **SK Hynix** and **Samsung Electronics** benefited from structurally supportive supply-demand dynamics. Prices rose as supply lagged demand growth, underpinned by rising memory needs as AI adoption accelerated. The semiconductor uptrend also spilled over to **Hyundai Electric**, which saw robust order books, extended lead times, and improved pricing in its core power equipment business amid supportive supply-demand dynamics.

The tech-heavy Taiwanese market also rallied due to growth in AI hardware demand, with **Chroma Ate** emerging as the top contributor. Chroma supplies testing equipment to the semiconductor industry, whose demand is closely tied to the rise of AI. There were also positive contributions from AI-exposed names, such as **ASE Technology** and **Accton Technology.**

Turning to portfolio activity, we maintained our discipline around earnings and cash flow visibility.

In China, we introduced a few new holdings across a range of sectors, including **Ping An Insurance**, which continues to demonstrate its ability to leverage on technology to build a robust financial supermarket; **Fuyao Glass**, the country's leading auto glass maker, with over 60% domestic market share and expanding globally; as well as **Xiaomi** on attractive valuations, given its good fundamentals and growth outlook in both the consumer electronics and electric vehicle (EV) markets. Conversely, we exited positions such as Inner Mongolia Yili, Nari Technology and Kweichow Moutai.

Elsewhere, in India, we turned more defensive and reduced our exposure to exporters, cyclicals, and IT services amid geopolitical headwinds, tariffs, slowing growth, and an earnings downgrade cycle. The divestments included Info Edge, TCS, and Power Grid Corp of India. At the same time, we added a new holding in **Mahindra & Mahindra**, which is expected to benefit from a strong SUV model cycle, a new line-up of electric vehicles, and improved capital allocation at the group level.

Turning to Taiwan, we bought **GlobalWafers,** a top-tier silicon wafer manufacturer critical to the global semiconductor supply chain, and **Nien Made**, a global leader in window coverings, given its vertically integrated model and exposure to the US housing market, making it a steady compounder with strong cash flow.

Finally, in Australia, we invested in **Medibank Private**, the best-quality player in the domestic private health insurance sector. We believe that it can maintain its market-leading profitability through the cycle, given its strong franchise and management. We also introduced Australian miner **Rio Tinto**, a proxy for China and the emerging markets' growth story. Its assets are world-class, and management has been disciplined through the cycle, focusing on bolstering the balance sheet, cutting costs and preserving cash.

Market Outlook and Investment Strategy

Looking forward, Asian corporates remain fundamentally sound, supported by low leverage, strong competitive positioning, and a broadly favourable macroeconomic environment with limited inflationary pressures. While challenges persist, the companies we hold are led by dynamic management teams, possess robust financials, and operate with high barriers to entry and globally competitive business models. These attributes have enabled them to navigate past shocks effectively, and we remain optimistic about their long-term growth prospects. We continue to believe that high-quality companies are best positioned to demonstrate resilience, particularly amid heightened volatility and macroeconomic uncertainty.

Source: abrdn Asia Limited.

Allianz China A-Shares (SGD and USD)

Investment and Market Review

The Fund outperformed the benchmark in December. Stock selection in the Information Technology and Industrials sectors was the main contributor.

At a stock level, a key contributor was Zijin Mining, a large mining group engaged primarily in the exploration and development of gold and copper. The share price benefitted from higher commodity prices. Towards the end of the month, Zijin also released a strong preliminary set of results, as well as confirming the production plan for a key copper project which had experienced disruption earlier in the year.

Conversely, a detractor last month was Remegen, a biotech company focused on autoimmune and oncology related drug development. The pullback reflected broader profit taking across the biotech space. We see Remegen as having a number of future share price catalysts given its drug development pipeline. We also expect further out-licensing deals as global pharmaceutical companies look to replenish product portfolios in the face of looming patent cliffs.]

Market Outlook and Investment Strategy

After a punishing period for China's equity markets, 2025 was a comeback year. Not only did both China A- and H-share markets each return close to 30% (USD), but more broadly China started to regain a sense of global leadership after a prolonged stretch when its long-term economic direction was being questioned.

Initially it was the release of DeepSeek's model, timed to coincide with President Trump's inauguration, that showed how China's artificial intelligence (AI) capabilities had advanced more quickly than was widely appreciated. However, through the course of the year, it became clear that China is also developing fast in a range of other technologies. While some of these were already well-known – electric vehicles, high-speed rail and renewable energy – others, such as battery technology, humanoid robots, and the burgeoning biotech space, have increasingly come on to investors' radars this year.

China clearly still has significant economic challenges. Domestic demand remains weak. Property prices continue to edge lower. We do not think this is likely to change much, at least for the time being. With the government prioritising domestic technological development and reducing reliance on Western supply chains, there is little incentive to reallocate resources to the housing market so long as the slowdown does not pose a more systemic risk.

Nonetheless, just as China equities often did not deliver great returns when there was eye-catching gross domestic product (GDP) growth, we also do not see the current environment of slower headline growth being a barrier to future equity upside. One of the lessons we can take from the last year is that the "macro" is not the "market".

This is especially the case given how the structure of China's equity markets has evolved. The MSCI China A Onshore Index has around a 25% weighting in the Tech sector, for example. This weighting has more than doubled in the last decade. In contrast, Real Estate accounts for less than 1% of the index.

Indeed, as we look ahead to the new year, we are optimistic on the outlook for China equities. As well as a supportive policy backdrop – the weaker economic data should lead to continued accommodative monetary and fiscal policy – other key factors include strong domestic liquidity and valuations.

In terms of liquidity, cash levels in China are high. There is an estimated USD 7 trillion of excess household deposit savings accumulated since the end of China's COVID-related policies. We expect these to be incrementally deployed into equities, particularly given the low interest rate environment and muted outlook for other investment options. There is also a push to encourage longer-term "patient" capital into China A-share markets. Insurance companies, for example, are being encouraged to invest 30% of new premiums into equities, significantly higher than current levels.

While valuations are no longer as depressed as they once were, still the equity risk premium remains above long-term average levels. To give some sense from a bottom-up perspective, the market cap of the largest listed Chinese company (Tencent) is USD 700 billion. This is less than half of any of the Magnificent 7 stocks.

Overall, therefore, our base case for 2026 is for another year of decent returns for China equities. And in terms of bull/bear scenarios, the potential for large gains looks to us to be higher than the risk of substantial losses. This is especially the case for China A-shares, where the government has consistently backstopped the market to cushion volatility over the last couple of years.

Against this backdrop, portfolio activity during recent months has focused on taking profits in some previous outperformers – for example related to battery technology – and using the pullback in AI-related names to add to selective positions. This includes areas such as AI servers, printed circuit board (PCB) manufacturers, and semiconductor testing equipment.

The portfolio continues to have relatively close-to-benchmark sector allocations, so that stock selection remains the key relative performance driver. At month-end, the largest sector overweight is Consumer Discretionary (+1.7%), while the largest underweight is Materials (-2.4%).

Source: Allianz Global Investors

Allianz Global Artificial Intelligence (SGD and USD)

Investment and Market Review

Global equities delivered mixed results in December. While the MSCI All Country World Index (ACWI) was modestly higher, helped by Europe and Asia ex-Japan stocks, US equities were slightly lower over the period. This included the Technology-heavy Nasdaq Composite experiencing headwinds in December, as the index faced profit taking in larger Technology names, which had outsized gains earlier in the year. The end of the government shutdown in mid-November allowed for a clearer flow of economic data in December. This included non-farm payrolls rising modestly, retail sales exceeding expectations, and November consumer price index (CPI) coming in below expectations, while unemployment edged slightly higher. Equity markets also saw a continuation of the cyclical rotation, as the Materials, Financials, and Industrials sectors led performance for the MSCI ACWI. Utilities and Real Estate were the weakest performing sectors over the month.

Major central banks around the world were active in December. The US Federal Reserve (Fed) delivered a 25-basis point (25-bps) rate cut, bringing the federal funds rate to 3.5-3.75%, the lowest level in three years. Similarly, the Bank of England (BoE) lowered the base rate by 25 bps to 3.75% – also the lowest in three years. The European Central Bank (ECB) and People’s Bank of China (PBoC) both left their key borrowing rates unchanged. Japan remained an outlier, with the Bank of Japan (BoJ) delivering a 25-bps rate rise to 0.75% – the highest level since 1995 – amid rising inflation and continued Japanese yen weakness.

Brent crude oil prices eased in December, closing at just over USD 61 a barrel to round out their worst year since 2020. Prices hit a 5-year low on supply glut concerns and progress in the US-led Ukraine peace talks, before recovering on fading optimism over a potential ceasefire. This diminished the possibility of sanctioned Russian crude re-entering global markets. Gold prices rose amid heightened expectations of a Fed rate cut at its final meeting of the year and touched a series of fresh highs into month-end, closing the month of December just below USD 4,350 per ounce.

Market Outlook and Investment Strategy

As we look ahead to 2026 and beyond, we maintain a constructive outlook for equities. An improved economic and earnings growth backdrop across more sectors should drive a broadening out effect in the equity market. Many major central banks have cut interest rates or signalled future cuts to keep financial conditions supportive of economic growth. 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.

The topic of an AI bubble has been a key area of focus for the media and many investors. In our view, it is too early to draw a conclusion. We think it is important to highlight that current valuations and capital intensity are materially lower than the dotcom bubble. Also, the AI capital expenditure cycle is being funded by some of the biggest and most profitable companies in the world. There are likely pockets of speculation with some data centre projects and private companies, and we may see period of digestion at some point in a few years.

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 and Voya Investment Management

BlackRock Asian Tiger Bond Fund (SGD and USD)

Investment and Market Review

Asian credit, represented by the JPM Asian Credit Index (JACI), returned 0.30% in December 2025. Of this, 0.41% was from carry, -0.44% was from duration and 0.33% was from credit.
In the US rates space, the curve normalized and steepened as front end rates came down. The Federal reserve delivered three consecutive quarter point rate cuts in four months, bringing the federal funds rate to a target range of 3.50%-3.75%. In the December FOMC meeting GDP forecasts for 2026 were revised up while core PCE projections edged down, reinforcing expectations for a gradual easing cycle. Importantly, the Fed’s forecasts point to a more disinflationary path alongside modest growth improvement, reinforcing a gradual easing bias. This provides external tailwinds for Asia Pacific and gives regional central banks greater flexibility to pursue their own easing cycles without triggering destabilizing currency pressures. This divergence in growth and inflation paths across the Pacific has already allowed regional policymakers greater latitude to act, and we expect this supportive dynamic to persist into 2026.
In China, the December Central Economic Work Conference (CEWC) set the tone for 2026, targeting growth near 5% and emphasizing a shift toward consumption-led expansion, innovation, and property sector stabilization. Liquidity continued to be ample with authorities maintaining stability via measures such as Chinese government bond (CGB) purchases.
The Reserve Bank of India (RBI) cut its key repo rate by 25 bps in December, citing softness in select economic indicators. Alongside the rate move, the RBI announced plans to purchase 1 trillion of government bonds in the open market and execute a three-year $5 billion buy-sell swap between the U.S. dollar and the Indian rupee to bolster liquidity. Despite tariff headwinds and rupee weakness, India’s economy has shown resilience since the imposition of a 50% tariff in August, supported by benign inflation and a series of RBI easing measures throughout the year.

Market Outlook and Investment Strategy

Changes in Positioning

The fund added select INR issuers and smaller diversified additions elsewhere. On the other hand, we trimmed our exposures in INR IG credit, Japan HY credit and others. As the year draws to a close, we have selectively taken profits and maintained a modest cash buffer in anticipation of heavier issuance at the start of the new year. This approach ensures we are well-positioned to deploy capital into opportunities where we have strong bottom-up conviction.

On the rates front, we increased USD duration slightly to 4.57 years mostly in the front and belly of the curve while keeping our exposure to the long-end unchanged. We also made small tweaks to our non-USD duration exposures.

Positioning

Duration: 4.81 years total duration as of end December 2025, with 4.57 years from USD duration and 0.24 years from non-USD duration (tactical opportunities in currencies like INR, AUD, KRW, SGD, CNH, HKD). USD duration exposure is mostly in the short-to-belly parts of the curve which we continue to favor for its balance of yield and volatility, while remaining cautious on the long-end which we see as more vulnerable to term premium repricing and associated rates volatility.

Average IG credit quality: The fund's average rating is firmly IG at BBB, with 62% in IG and cash as of end December. The APAC IG segment, which makes up the largest part of the portfolio, remains a resilient source of carry with a strong presence of sovereign/quasi sovereign issuers, shorter duration than global IG counterparts, and an absorbable issuance pipeline. We have identified many attractive IG opportunities outside the traditional IG market. These include non-USD credit markets diversified across currencies, AUD securitized assets (highly rated floating rate instruments offering attractive spreads), convertible bonds (which offer both equity upside and bond floor downside protection) and more bespoke structures that offer superior spreads and structural seniority versus USD bonds.

Shorter-dated carry: Portfolio yield is 6.16% as of end December 2025, compared to the benchmark's yield of 5.01%. While this is in part from the portfolio's overweight in non-IG, it is worth noting that the majority of that overweight comes from the higher quality BB rated bucket, and also from the very short-dated bucket (71% of the active yield contribution comes from securities maturing or getting called in the next 1 year). This approach focuses on high-conviction names nearing maturity to minimize default risk. Looking toward 2026, Asia high yield continues to offer a compelling risk-reward profile, supported by strong fundamentals, improved credit quality, attractive valuations, and low expected default rates (default rates in Asia HY are expected to fall to their lowest levels since 2019, well below EM, European and US HY defaults). While Asian IG credit trades close to historical tights, Asia's HY spread over IG remains close to multi-year high, offering an attractive spread pick-up. The short duration nature of the asset class adds to its appeal in today's environment of rate volatility.

Diversified geographical and sectoral exposures: The largest countries as of end December 2025 are India and Australia, which are 18% and 12% respectively. We find attractive bottom-up opportunities across the full set of countries in the investment universe. We do not have outsized overweight or underweight positions in most regions and sectors, aside from our underweight in Indonesia and Philippines sovereigns and in China, Korea and Hong Kong IG due to tighter valuations. We use these underweight positions to fund overweight positions in securities with more attractive valuations, with the key buckets being overweight in India HY (supported by a resilient domestic growth story, attractive valuations and strong fundamentals in select renewables, steel companies, infrastructure credits, and non-bank financing companies) and off-benchmark regions in broader APAC (i.e. Australia and Japan which are mostly in high quality financials with attractive carry) and the Middle East (which offers diversification with attractive carry and limited supply risk). Across the APAC region, bank capital stands out as well-capitalized, supported by robust regulatory regimes and benign NPL trends; broadly, we like capital securities over bank seniors for relative value. Finally, it is worth noting that China property is now an immaterial component of the benchmark at ~1%.

Focus on credit selection to optimize reward against risk: The team seeks to allocate to the most attractive opportunities at the security level, even where it concerns the same sector or issuer. The fund also allocates across both straight bonds and convertible bonds, depending on which securities we find the most undervalued. For example, we partnered with a counterparty to create an exchangeable bond that allowed us to capture the equity upside from the issuer’s stock while retaining the credit floor of the counterparty. This is a clear case of us leveraging our expertise to deliver both growth potential and downside protection, and this unique structuring deal was only possible with the depth of our capabilities and strength of relationships with counterparties. In financials, we are underweight a UK-based EM Asia focused bank in the benchmark, and are using that underweight to fund an off-benchmark position in another UK-based Asian focused bank as we saw better fundamentals and more attractive valuations in the latter. The portfolio also invests across currencies, with 24% across USD, AUD, INR, EUR, CNH, SGD, HKD and JPY credit where relative valuations are more attractive – all our FX exposures are hedged back to the base currency of USD, picking up additional yield from FX hedging in the process. Finally, the portfolio also allocates to markets like AUD securitized assets, which are AAA-rated floating rate instruments offering a yield pickup over other IG securities and over securitized assets in other regions. In short, our platform’s breadth and depth allow us to uncover opportunities that go beyond the constraints of a pure JACI-style strategy. This flexibility—combining local market access and rigorous credit selection—underscores our differentiated approach to Asia Fixed Income.

Source: BlackRock (Luxembourg) S.A.

BlackRock European Equity Income Fund (SGD and USD)

Investment and Market Review

European equity markets returned +2.7% in December (MSCI Europe, EUR). The fund performed in line with the rising benchmark over the month (A2 share class, net, EUR).

European equities continued higher in December, reaching an impressive +19% calendar year 2025 return. Market returns remained narrow over the month, with European banks driving most performance.

While December marked the end of a strong year for European beta, 2025 has been an extremely difficult period for alpha. Market gains came on a re-rating of flat earnings growth at the headline index level, as upgrades for European domestic sectors were offset by the export orientated ones, which faced headwinds from US tariffs uncertainty and the impact from a weaker US dollar. On top of that, extremely narrow market leadership laid out a challenging backdrop for portfolio managers running balanced and diversified portfolios. For reference, >60% of market returns were driven by four industries: banks, aerospace and defence, insurance and utilities.

We are constructive on the outlook for European equities going into the year ahead and expect market performance to broaden from here. As income investors, we are encouraged to see a material improvement in the last 3-5 years in the total return regime for the European market, as dividend yield and buybacks have become an increasing and significant component of total return. Importantly, opportunities in Europe have broadened from quality areas of the market to higher yielding income areas, which we believe remain well underpinned and attractively valued. This includes European banks, which remains a key bet of the portfolio as we think it could well be the best performing industry in Europe again for the fifth year in a row. We also see recovery opportunities from easing monetary and accommodative fiscal policies globally underpinning parts of the market where we are just starting to see elements of recovery, such as construction, mining capex and trucks. We retain conviction in several structural thematics which the fund is exposed to including aerospace and defence, power demand, as well as companies playing into the AI capex spend cycle supply chain.

While we are optimistic on the broader outlook for Europe, we think progress is unlikely to touch all areas of the market and reiterate the need for taking a selective approach as the earnings picture evolves. Overall, we continue to avoid industries that we believe to be fundamentally challenged, such as chemicals and autos. We also remain cautious on the consumer areas of the market. While consumer balance sheets are healthy, confidence in spending that wealth has been low, and we are seeing meaningful divergences across categories and brands. This dichotomy between the haves and have-nots, combined with lower valuation support following the strong re-rating this year, favours an active approach to investing in Europe in our view.

Sectors:

Sector allocation effects were positive in December driven by an underweight allocation to Consumer Staples and not owning Energy companies.

Stocks:

Inditex was the single largest positive contributor to relative returns in the month. The Spanish retailer released a strong earnings report where they beat consensus expectations across all lines. Notably, consensus expectations had already been rising ahead of results. Organic sales grew +8.4% in Q3’25, with trading following quarter-end accelerating to +10.6% vs expectations of +7-8% for an important period that includes seasonally large weeks, including Black Friday. The current trading result derisks Q4’25, before Q1’26 follows with easier sales comparables. Having reduced the fund’s position in Inditex over the summer, we had topped it up early in September on evidence from the alternative data sets we monitor that like-for-like sales growth was re-accelerating and are encouraged to see it come through in earnings. In the weak consumer environment of late, Inditex has been a standout, showing strong execution and delivering consistent growth.

European banks – Caixabank, Intesa, UniCredit, Banca Monte dei Paschi and KBC – continued to feature amongst top positive attribution effects during December. Caixabank received analyst upgrades, and the company hosted a sell side meeting that received strong feedback focusing on loan and deposit growth which is already running above company targets and should remain sustainably higher alongside GDP trends.

Shares in Sandvik continued to rise over the month benefiting from rising commodity prices. The company is continuing to gain share in its key mining business, with gold and copper (c. 60% of exposure) driving strong demand in OE and aftermarket. We saw Sandvik’s management over the month at an industrials conference, where they reiterated strong momentum in orders endorsing significant invoicing growth for 2026.

A position in Airbus detracted after news headlines suggested a problem with fuselage panels on several A320-type jets. The company confirmed an issue had been identified with the thickness in panels coming from a supplier and said that they would inspect all aircraft potentially impacted. The majority are aircrafts still at Airbus where they will be inspected before delivery which raised concern that this could slow progress below YE targets which indeed were lowered by the company in the days following. However, the company confirmed there was no change to the financial guide.

Shares in Legrand remained weak, following last month's soft release relative to the market's expectation for a beat and raise.

Changes:

A new position in Knorr Bremse was initiated over the month. With a new management team executing well, Knorr is in a good position to continue to take share on the trains and trucks smart brakes market in our view and should be well underpinned to benefit from a cyclical recovery in Europe and Germany's infrastructure spend commitments.

We added to the portfolio's overweight allocation to European Banks via a new position in BNP Paribas. The French bank trades on an extremely attractive valuation relative to peers (c.30% discount to European Banks). When we look at the 3-year investment case, BNP offers a compelling total return relative to the European banking sector. We see clarity around the Sudan sanctions case as an important catalyst for re-rating; that alongside an acceleration in capital build and returns, as well as improved earnings momentum should underpin the investment case.

New positions in Knorr Bremse and BNP Paribas were funded via exiting lower conviction ideas in Air Liquide (where we see no sign of volumes improvement), Deutsche Telekom (on competition concerns in both US and Germany) as well as Vinci (on worries over near term downgrades to earnings).

We added to the fund's position in Roche, closing the underweight back to a neutral allocation versus the benchmark, ahead of the pharma company releasing a positive read out for a late-stage Phase III trial for adjuvant breast cancer treatment. Novonesis was topped up following strong Q3'25 results. A holding in Siemens was trimmed post a lacklustre Capital Markets Day.

Market Outlook and Investment Strategy

At the end of the month, the largest portfolio overweights were in Industrials, Utilities and European Banks, while the most significant underweights were Consumer Staples, Information Technology and Energy.

Source: BlackRock (Luxembourg) S.A.

BlackRock Global Allocations Fund (SGD and USD)

Investment and Market Review

Global stocks, as measured by the MSCI World Index, advanced +0.8% in December, led higher by European and Chinese shares. Unlike the Fed, the European Central Bank (ECB) elected to hold rates steady following its December meeting, upgraded growth forecasts for the eurozone to +1.4% for 2025, and signaled that inflation was stabilizing near 2%. Meanwhile in China, positive manufacturing data provided a key boost to stocks. Official data showed Chinese manufacturing activity climbing to a 6-month high in December, with overall manufacturing activity returning to expansion for the first time since March. This marked the end of the longest manufacturing slump on record in China, signaling improved industrial momentum and supporting cyclical, export-oriented stocks. U.S. stocks initially rallied following the Fed's rate decision but fell for four consecutive days in the year's final sessions to close the month and the year on a weak note. Nevertheless, despite the absence of a "Santa Claus" rally, most major U.S. stock indexes finished 2025 very close to all-time high levels. From a style perspective, value outperformed growth in December, with cyclical segments such as Financials, Materials, and Industrials performing the best from a sector perspective. Meanwhile, the economy's "defensive" sectors, including Utilities, REITs, Healthcare, and Consumer Staples generally finished the month with negative returns and were the largest underperformers within the major global stock indexes.

Within fixed income, bonds experienced a mixed month as credit rallied while duration weighed. Performance dispersion was quite wide across bond sectors during December, as longer-maturity issues struggled with rising rates at the back end of the Treasury curve, despite Fed rate cuts at the very front-end reflecting lingering concerns about inflation and continued resilience in overall U.S. economic performance. Weakness in long-duration bonds not only weighed on the 10-Year U.S. Treasury Index but also on U.S. investment grade bonds, which tend to possess a material degree of duration exposure. Meanwhile, U.S. high yield bonds enjoyed strong absolute and relative performance due to continued signs of solid U.S. economic strength in several key areas other than the labour market, including U.S. services surveys and durable goods orders. International bonds, including emerging market sovereigns, experienced solid gains in December on signs of stabilizing inflation overseas, coupled with a resumption in U.S. dollar weakness

Our equity exposure rose to 64% in December, up from 63% the previous month, reflecting a modest overweight versus the benchmark level of 60%. Looking ahead, tax rebates, deregulation, and potential rate cuts could support economic growth, though elevated valuations and AI-driven labour disruption risks remain. Overall, we anticipate continued, though slower, gains if AI adoption expands margins and earnings growth beyond the Technology and Communication Services sectors, and therefore remain comfortable with a modest equity overweight.

Equity positioning remains concentrated in large, cash-flow-generative growth companies, particularly those at the forefront of technology and AI. These firms are characterized by robust earnings growth, high returns on equity, and strong profitability, with investments in automation, software, and data infrastructure driving exceptional productivity gains. This positioning is complemented by exposure to Healthcare, Energy, and Financials, with the latter potentially poised to benefit from deregulation.

Financials experienced the largest increase during the month, driven by market gains and purchases within the fund. We expanded sector exposure in anticipation of solid economic growth, a favourable yield curve, and continued regulatory easing. Within financials, additions were made across U.S. and European banks. In the U.S., allocations focused on banks with diverse business models positioned to benefit from a more flexible regulatory environment that could unlock lending capacity, enhance profitability, and support renewed consolidation and competition. Meanwhile, additions to European banks targeted institutions with strong fee-earning power and exposed to growth in net interest income.

The team increased allocation to Information Technology, which saw the highest net purchases among all sectors; however, overall exposure declined month-over-month due to the broader market pullback in tech. Within Technology, we selectively added to semiconductor companies, viewing December's weakness as a valuation-driven opportunity, as we believe sentiment toward AI has become excessively negative. The portfolio's largest overweight remains in software, which is particularly well positioned to benefit from the ongoing acceleration in AI adoption.

We continue to have a constructive outlook across technology and AI, however, as we anticipate an environment of greater dispersion going forward, disciplined stock selection is essential, with a focus on identifying companies best positioned to leverage AI for productivity gains and distinguishing potential outperformers from possible laggards.

Healthcare experienced the largest decrease during the month, though the reduction was modest overall. The team selectively trimmed pharmaceutical exposures, primarily as part of a systematic process, reflecting negative sentiment in the space. This weakness aligns with a broader risk-on environment, where defensive sectors lose relative appeal. We continue to maintain an overweight in medical technology companies positioned at the intersection of health and innovation, benefiting from aging demographics and ongoing technological advancements.

Market Outlook and Investment Strategy

Asset allocation (as % of net assets*): Equity: 64%, Fixed Income: 27% Precious Metals: 4%, Cash Equivalents: 5%.

Source: BlackRock (Luxembourg) S.A.

BlackRock Global Equity Income Fund (SGD and USD)

Investment and Market Review

Global equity markets closed the year with a tone shift. At first glance it may appear that December was dominated by a momentum reversal, whereby some of the best performing assets underperformed. This would be true looking at the softer performance of some of the U.S. AI megacaps and hyperscalers, as with the weakness in Gold. Looking deeper, elsewhere others of the more impressive global equity market stories of the year continued to drive higher – including South Korea, where the index enjoyed the second-best year on record. Indeed the 2025 theme of the emergence of outperformance in pockets of EM and Asia continued to be underpinned by Dollar weakness, as the Federal reserve delivered another 25bps cut early in the month.

In the U.S., softer labour data and cooling inflation reinforced expectations for further rate cuts. Powell's comments suggesting job growth was overstated added to the dovish tone. Markets interpreted the combination of expected rate cuts and strong GDP data (released just before Christmas) as a positive signal. It suggested a supportive backdrop of monetary easing alongside robust economic growth. This pushed the S&P 500 higher led by sectors outside Tech and the AI theme, including Financials and Industrials, while the Nasdaq declined over the month. December's gains capped a strong year for the S&P 500, up 16.4%, though short of the 20% advances seen in both 2023 and 2024.

Whilst the U.S. was propelled by hopes of lower rates, Europe's path is harder to gauge. Early hawkish signals from the ECB and warnings of upside inflation risks tempered expectations, even as fiscal developments in France and Germany offered some support. Still, European markets moved higher with Banks rallying in sympathy with U.S. peers.

Whilst the Fed cut rates and Europe remained on pause, Japan moved in the opposite direction, hiking to the highest level in decades. However, cautious remarks on future hikes created a disconnect between the yield curve and the Yen, which weakened. Markets were led by Financials, benefitting from the curve move, alongside Industrials, particularly robotics. Japan and other Asian markets, including South Korea, were strong, while China ended the year slightly weaker despite an overall solid performance.

Commodities reflected the volatility theme. Oil drifted lower despite geopolitical tensions, while precious metals staged a strong finale: silver surged +10.3% on Dec 26 (its biggest daily jump since 2008, hitting $77/oz) then plunged -9.0% on Dec 29 with further swings into year-end. Gold and silver capped off a historic year up +65% and +148%, respectively - the strongest annual gains since 1979. Crypto markets echoed the turbulence, swinging sharply on shifting Fed expectations.

Performance Overview:

The A2 share class returned 0.82% over the course of the month (net of fees) underperforming the benchmark by 22 bps.

Stock selection in Technology and Industrials detracted the most from relative returns. Additionally, stock selection and an underweight in Materials also detracted.

A combination of stock selection and sector allocation in Financials contributed the most to relative returns over the month. Additionally, stock selection Communication Services also contributed.

Stocks

Equity markets navigated a mixed backdrop in December. Cyclical tailwinds emerged as the Fed began cutting rates amid perceptions of a resilient economy and strong U.S. consumer demand. This helped boost performance in Financials and Industrials. December also saw a bifurcation amidst the Technology sector and AI thematic. Some of the best performing names such as Broadcom and Alphabet underperformed, as part of the broader momentum reversal and profit taking into the end of the year. However, the reversal in Technology was not indiscriminate as Nvidia, TSMC and memory related names outperformed. Elsewhere, financials broadly benefited from a steep yield curve and resilient economic conditions, creating a supportive backdrop for profitability.

Market Outlook and Investment Strategy

We are constructive on the outlook into 2026 and are expecting a broadening out of economic activity. Through 2025 we experienced significant market volatility driven by political uncertainty, tariffs and associated inflationary risks. This occurred against economies collared by high interest rates thus generating low levels of activity. However, we have seen tariffs managed by trade deals and corporate mitigation, and we think inflation has been contained. This has allowed the Federal Reserve to join the European Central Bank in beginning its rate cutting cycle, which we expect to provide support to the global economy going forward.

We expect this drives a resurgence of activity, particularly for large data centre projects budgeted for by large technology companies looking to support their artificial intelligence ambitions. In portfolios we continue to have very high levels of investment in this space as we expect transformational results. We see attractive use cases in customised advertising and expect more to come across our software investments, which we expect to be long-term winners. By investing across the full value chain, we are actively managing the risks inherent in the high levels of capital deployment we are seeing.

On valuations, we are highly cognisant that expectations are high in certain areas of the market: technology shares, in particular. As such we continue to build portfolios with a variety of growth drivers beyond technology and find increasingly rich pickings. Amidst macro concerns, micro trends have remained strong and corporate earnings have thus far broadly indicated resilience in the face of higher barriers to trade. Through 2025 the consumer has been under pressure from slowing, if any, real wage growth and weighed down by general economic uncertainty. This has played out in disappointing growth rates for consumer companies. However ultimately whilst we see that the consumer has been under pressure we view this as largely a confidence issue rather than one of financial distress. Going forward, further support from easing economic policy and rising confidence should enable stronger spending trends into 2026 and so we have started broadening our investments back into the consumer space. Where we have exposure to Consumer, we prefer companies with quality characteristics such as brand equity and advantages of scale and where we have conviction in the idiosyncratic theses which we believe can drive outperformance.

There are, of course, risks abound to navigate. We have been surprised by the scale, speed and scope of the US administration's policies. Whilst the S&P500 has reached record highs, we have increasingly seen the dollar devaluing despite a persistently high US 10Y view reflecting the lack of fiscal discipline shown by the Trump administration. In our view, we may continue to see USD weakness versus other currencies as an 'escape valve' which reconciles high equity valuations with emerging macro risks. This outlook has led us to re-evaluate our regional positioning. Geopolitics, inflationary risks, fragile fiscal positions and continued high absolute levels of interest rates all remain watch items. While we are generally optimistic, we remain diversified, disciplined, and watchful. We continue to prize quality companies able to generate earnings from unshakeable competitive positioning. This continues to characterise both our investment process and our investments in the portfolio.

Source: BlackRock (Luxembourg) S.A.

BlackRock Global High Yield Bond Fund (SGD and USD)

Investment and Market Review

The BGF World Gold Fund rose 8.3% in December, outperforming its benchmark, the FTSE Gold Mines Index, which gained 3.6%.

Gold price rose 3.0% in December, entering the month at US$4,200/oz and closing at US$4,325/oz. Gains were driven by a weaker U.S. dollar, strong physically-backed gold ETF demand, and the Federal Reserve's rate cut of 25bps on December 10th.

Gold peaked at ~$4,550/oz before Christmas, then retreated to ~$4,325/oz due to increased margin requirements and profit taking.

Physically-backed gold ETFs recorded inflows, with total holdings increasing from 3,026 tonnes to 3,063 tonnes.

Silver and platinum posted strong gains of 33.5% and 23.6%, respectively, while palladium rose 8.2%.

Silver market saw significant moves due to robust ETF demand, its designation as a critical mineral in the U.S., new export controls in China, and strong industrial demand.

Portfolio Activity:

Initiated a position in Royal Gold (royalty streaming company) due to attractive valuation and higher free cash flow yield.

Participated in a private placement in Firefly Metals (exploration company developing gold and copper assets).

Exited position in Challenger Gold (small-cap exploration company) due to weak market engagement.

Trimmed position in Agnico Eagle Mines based on valuation, limited near-term growth, and increased execution risks.

Added to OR Royalties, a high-quality royalty company poised to benefit from higher gold prices.

Market Outlook and Investment Strategy

Outlook for gold over the next 12 months is positive, expecting a continued upward trend, albeit at a more moderate pace relative to 2025.

Structural drivers remain: high government debt-to-GDP ratios, currency aversion, elevated geopolitical risks, and strong central bank purchases.

Positive outlook for gold miners, with robust free cash flow margins supported by higher gold prices and slower cost increases.

Share price performance among gold miners will be driven more by company-specific actions (capital allocation, strategic growth, cost control) rather than just gold price sensitivity.

Portfolio positioned to capture companies with sustainable growth, extended mine life, and prioritization of shareholder returns. Maintains exposure to smaller-cap stocks with M&A potential.

Constructive on silver due to its strategic metal status and increasing industrial use cases.

Source: BlackRock (Luxembourg) S.A.

BlackRock World Gold Fund (SGD and USD)

Investment and Market Review

The fund returned 0.81% in December (net), underperforming its benchmark by +0.15%. For the year 2025, the fund returned 8.08% (net), underperforming its benchmark by -0.37%.

Within high yield credit, security selection within Packaging (o/w Kleopatra), Retailers (u/w Saks Global) and Metals and Mining (o/w Samarco) sectors contributed to the performance results over the month of December. For the year 2025, security selection within Technology (o/w Atos SE), Chemicals (u/w Braskem), and Wirelines (o/w Level 3 Financing) sectors contributed to performance.

Conversely, security selection within Cable and Satellite (u/w CSC Holdings), Financial Other (o/w Adler Financing), and Midstream (u/w New Fortress Energy) sectors detracted from performance results over the month of December. For the year 2025, underweight allocation to Foreign Agencies (u/w Petroleos Mexicanos) and security selection within Cable and Satellite (u/w Dish) and Independent Energy (o/w Gran Tierra Energy) sectors detracted from performance.

Main Portfolio Changes:

Broadly, there were no significant changes to the fund's investment themes or positioning in December.

The fund’s portfolio risk remained consistent over the month (beta was 1.06)

Market Outlook and Investment Strategy

The fund’s core issuer/credit biases remain centered on cash-flow views, determination of a specific catalyst, and/or idiosyncratic characteristics; top issuer overweight include Beignet Investor (Media & Entertainment), Hub International (Property & Casualty), and Allied Universal Holdco (Consumer Cyclical Services).

From a credit standpoint, we remain underweight BB-rated credits and overweight B-rated names and select BBB-rated names with improving credit positions or attractive yields.

In addition to credit, we’ve held marginable positions in equity and equity-like (preferred and convertible) instruments to enhance the fund’s total return profile but will tactically implement hedges to mitigate this risk when markets warrant. We also hold a tactical allocation to CLOs.

Generally, the portfolio remained well-diversified with 550+ issuers, an average issuer-level position of roughly 17bps, with the top 25 names constituting 20.61% of the portfolio.

Source: BlackRock (Luxembourg) S.A.

Capital Group Global High Income Opportunities (LUX) (SGD and USD)

Investment and Market Review

- Within emerging markets (EM) debt, US dollar-denominated debt returned 13.5% as measured by the JPMorgan EMBI Global Index. Local-currency debt, as represented by the JPMorgan GBI-EM Global Diversified Index, returned 10.1% in local currency terms and 19.3% in US dollar terms.
- Most EM currencies appreciated against the US dollar, which had its worst year since 2017. The Hungarian forint and the Mexican peso were among the top-performing EM currencies against the dollar, rising 21.5% and 15.6%, respectively. The Argentine peso fell 29% and the Turkish lira fell 17.7%.

- The US Federal Reserve lowered interest rates three times, matching the number of interest rate cuts from 2024. The cuts, which were made at the final three meetings of 2025, amounted to 75 basis points (bps), lowering the overall rate to 3.50%-3.75%.
- US high yield (HY) corporate bonds returned 8.6% over the year. Spreads narrowed by 21 bps to end at 266 bps (as measured by the option-adjusted spread).
- Within EM local currency, South Africa was the strongest contributor. Although bond yields initially rose amid concerns over the country's fiscal outlook in April, the resolution of the ANC–DA legal dispute and the pivotal May budget helped reduce political and fiscal risks. A softer inflation backdrop also enabled the South African Reserve Bank to cut rates. Brazilian local currency debt was another notable contributor. The country's fundamentals have been improving, and investor sentiment recovered from the market turmoil seen at the end of 2024.
- In the hard-currency segment, bonds from Romania and Mexico supported returns. Romanian bonds rebounded after pro-EU centrist candidate Nicușor Dan won the presidential election in May, defeating hard-right rival George Simion following a contentious campaign. Markets expected the new administration to implement sufficient fiscal consolidation to avoid a credit downgrade in the upcoming review cycle.
- Within EM corporates, the communications, electric and energy sectors contributed the most. Mexican telecommunications company América Móvil added the most value within the EM corporate sector, while Braskem was the largest detractor. Braskem's bonds sold off in September amid deteriorating fundamentals, restructuring signals, and technical selling pressure. The credit has recovered slightly since the initial fall due to a combination of legal clarity, governance developments, and tactical liquidity measures. We continue to monitor the position closely, as the Braskem investment thesis remains highly catalyst-driven and market-sensitive, with headlines and idiosyncratic developments generating outsized impacts on valuations.
- High yield corporates further supported absolute returns, with the communications sector providing the largest positive contribution. However, the energy sector weighed on results due to our position in NFE Financing. The bonds have been underperformed since Q2 (despite recovering in Q4) as 2025–2026 represents an execution-heavy phase for the company. While near-term volatility is likely, progress on asset sales, project completions, contract wins and operational improvements could help stabilise the credit. Despite recent setbacks, we believe current valuations overly discount asset value, though limited liquidity and regulatory clarity remain key risks.

<u>Market Outlook and Investment Strategy</u>Source: Capital Group

- Global growth is expected to moderate but remain positive in 2026 on the back of a resilient economy, strong investment in AI, and rate cuts from the Federal Reserve. Although headlines may cite tight spreads, corporate fundamentals appear solid, with profits expected to increase, while AI is poised to boost US productivity. Additionally, all-in yields remain elevated relative to levels seen in the decade following the global financial crisis, pointing to solid return potential. That said, US growth could be challenged, and we remain watchful for factors such as further deterioration in the labour market, political pressures or a re-emergence of inflationary risks that could derail the path to lower rates.
- High-yield fundamentals have improved over the last two decades: average credit quality has increased

(i.e., more than 50% of the universe is BB-rated), defaults have remained low, and balance-sheet management and leverage levels remain in check. While spreads have tightened towards historical tights, much of that historic spread level reflects a market that was less liquid and lower-quality than today's relatively liquid, BB-heavy composition. Spread dispersion remains elevated, and security selection is crucial to capture dislocations. Remaining invested in HY through the cycle pays off over time due to the high carry, and the asset class continues to be attractive on a risk-adjusted basis.

- Emerging markets (EM) debt benefits from robust economies and central banks that have been ahead of their DM counterparts in tackling inflation and therefore have the capacity to ease. This creates a buffer against global growth risks and policy uncertainty.
- In the hard-currency space, valuations across IG and HY are tight, with global risks such as US policy uncertainty or growth concerns potentially weighing on spreads. However, there are still select opportunities that provide value, particularly in parts of Latin America which remain less exposed to tariff-related shocks. Corporate balance sheets are solid, with leverage below developed-market levels. Greater selectivity is crucial, and we remain highly focused on credits with sound fundamentals and attractive spread premia.
- EM local currency is supported by a combination of compelling carry, the onset of monetary-easing cycles, and favourable technical factors. The yield premium offered by many EM local markets remains significant, especially as developed-market rates have plateaued and inflation in emerging economies is generally well contained. High real yields provide a natural buffer against volatility and offer investors a steady income stream. EM currencies could provide an additional source of return versus the dollar, given stretched US valuations, heavy positioning in US assets, the waning of factors that previously drove exceptional US growth, and a diminishing yield advantage for the dollar as the Fed eases.
- The portfolio is cautiously positioned within HY corporates given tight valuations and favours higher-quality credits within the sector. We continue to have a slight preference for EM, favouring local-currency positions that offer a valuation cushion relative to the US. In an environment characterised by tight spreads and high uncertainty, maintaining structural diversification is crucial to managing risks and provides investors with differentiated sources of return across HY and EM debt. Additionally, selectivity across countries, sectors, and issuers remains a key theme in the current market environment where spreads are tight.
- High yield: Cautiously positioned due to overall tight spreads, with a preference for higher-quality credits. From a sector perspective, we are defensive across a broad range of industries, especially tariff-sensitive sectors such as consumer cyclicals and capital goods. Conversely, we are constructive on financials—particularly brokerage/asset managers/exchanges, REITs, and insurance. While HY spreads continue to hover at historical tights, it is important to remain invested for income generation, as fundamentals are sound and supported by a strong technical backdrop. Security selection remains key, and we continue to adopt a selective approach at both the industry and security levels.
- EM local currency: Selectively positioned in higher-yielding LATAM countries such as Brazil and Colombia for their compelling real yields and resilience to global volatility, as well as South Africa for its high real yields and improving fiscal outlook. On the other hand, we are defensively positioned in parts of Asia, including China due to heightened tariff-related risks and slowing domestic growth, and Thailand, which is constrained by structural issues and limited monetary and fiscal flexibility.

- EM hard-currency sovereigns: Constructively positioned in Colombia and Mexico due to attractive valuations. Conversely, we are defensive in Saudi Arabia and the UAE given limited spread-compression potential amid oil-price volatility, as well as Indonesia due to a weaker fiscal backdrop.
- EM corporates: We maintain conviction in LATAM issuers with strong balance sheets, as companies in the region are expected to benefit from lower tariff burdens relative to other regions. Moreover, the issuers and sectors we prefer are generally not overly dependent on the US as an end market for their products.

Source: Capital Group

Capital Group New Perspective Fund (LUX) (SGD and USD)

Investment and Market Review

Global stocks rallied, generating double-digit gains for the third year in a row. Driven by strong returns in international and emerging markets, the MSCI All Country World Index rose more than 22%. U.S. markets lagged other major regions of the world but still posted solid gains above 17%, fueled by investor enthusiasm for artificial intelligence (AI).

Shrugging off worries of a tariff-induced trade war, all sectors of the MSCI ACWI enjoyed positive returns for the year, led by communication services, materials and financials. Banks and computer chip makers were among the top returning stocks. The real estate, consumer staples and consumer discretionary sectors lagged relative to the overall market.

Relative detractors

An above-index position in Novo Nordisk proved costly. Shares plunged 47% after it reported underwhelming late-stage clinical trial results for its next-generation weight-loss treatment CagriSema. It came against worries over intensifying competition in the weight-loss market from rivals such as Eli Lilly. The stock fell again after Novo Nordisk significantly reduced full-year 2025 guidance. The firm cut estimates for sales and operating profit growth, while pointing to slower-than-anticipated US sales momentum for its weight-loss drug Wegovy and diabetes treatment Ozempic. Shares were also down after it revealed Ozempic had failed to slow the progression of Alzheimer’s disease in clinical trials.

A below-index holding in NVIDIA was a drag. Shares rallied 39% on surging demand for its products amid sharply rising investment in AI infrastructure. NVIDIA posted strong year-over-year increases in earnings and revenue for its fiscal second, third and fourth quarters. The chip designer reported rapid uptake of its next-generation Blackwell AI chip and accelerating data centre sales. It announced plans to invest up to US$100 billion in ChatGPT owner OpenAI to build advanced AI data centres housing NVIDIA systems. NVIDIA also unveiled an investment and collaboration deal with chipmaker Intel to co-develop PC and data centre chips.

A below-index stance in Alphabet was another key detractor. Shares rallied 66% on better-than-anticipated second-and third-quarter results alongside positive sentiment around its AI strategy. Alphabet posted strong year-over-year revenue growth from Google Search, Google Cloud, YouTube ads, and Google subscriptions, platforms and devices. There were signs of growing popularity for its generative AI chatbot Gemini as well as excitement around the sales prospects for its new AI chips. Shares were additionally buoyed by favourable antitrust rulings. A US judge ruled Alphabet would not need to sell its Chrome browser and could continue paying for search engine inclusion.

Relative contributors

Rolls-Royce was a plus. Shares soared 105% on pledges to increase UK and European defence spending alongside strong results and guidance. Rolls-Royce posted better-than-anticipated results for 2024 and a sharp increase in underlying operating profit while raising its medium-term guidance. It also resumed dividend payouts and announced a new share buyback plan. The firm subsequently reported better-than-anticipated first-half results and raised its full-year operating profit guidance. Earnings rose sharply year over year amid double-digit organic revenue growth for its civil aerospace and power systems businesses.

An above-index holding in Taiwan Semiconductor Manufacturing Company (TSMC) added relative value. Shares rallied 46% after first-, second- and third-quarter results and guidance beat analysts' forecasts, with profit reaching an all-time high. TSMC said AI-related demand had proved stronger than anticipated as it hiked full-year 2025 revenue growth guidance. The chipmaker emphasised its conviction in an AI megatrend amid accelerating consumer adoption of the technology and highlighted ongoing efforts to substantially ramp up its manufacturing capacity for advanced semiconductors.

UniCredit contributed positively to relative returns. Shares surged 91% on better-than-anticipated results and full-year 2025 guidance alongside hopes of increased shareholder distributions. Results beat analysts' estimates for the first, second and third quarters, buoyed by robust growth in fee and trading income as well as effective cost control. UniCredit hiked its profits outlook for 2025 and targeted an increase in total shareholder payouts as it continued to reap benefits from a transformation programme. Despite a negative impact from interest rate normalisation during 2025, it anticipated rising contributions from fees and insurance products. UniCredit cited improved profitability in Germany and Italy as well as robust revenue growth in Central Europe.

Market Outlook and Investment Strategy

Portfolio managers anticipate that financial markets will assign higher risk premiums, particularly to US equities, due to the prevailing uncertainty and volatility of US policies. US large cap technology stocks, in particular, continue to trade at elevated valuations, fuelled by the continued commitment and spending on artificial intelligence by large hyperscalers.

While AI is one of the most transformative technological developments of this decade with broad investment implications across sectors, portfolio manager recognise that it will take time for companies to incorporate this new technology into their operations and business models. As a result, portfolio managers remain balanced in assessing the true addressable market. They are not only focused on firms involved in AI infrastructure but also companies that are able to embed AI into their products and services meaningfully.

We have seen a broadening of equity market leadership across geography, style, and sector even as some US tech-related companies have continued to do well. We continue to hold the view that a broadening of equity market leadership is likely to continue over the next economic and market cycle. Our conviction lies in the fact that we are still in the early stages of a new macroeconomic environment and geopolitical realignment, with the US shifting away from the free-trade framework that has long supported globalisation and global stability.

It is worth highlighting that the global economy is also experiencing a rare confluence of major structural changes in addition to artificial intelligence, which could drive earnings growth across a wider range of companies. These structural changes include innovation in health care, an industrial renaissance, and changing patterns of the global consumer that could set the stage for a multi-year capital expenditure supercycle. The portfolio was designed for such an environment – identifying companies that are well positioned to benefit from new and evolving long-term trend

Source: Capital Group

First Sentier Bridge Fund (SGD)

Investment and Market Review

Asian equities staged a robust rally in 2025. Yet beneath the headline figure lies a narrow driver of returns, with performance being majorly driven by technology and AI-related companies. Outside of these sectors, many high-quality businesses – particularly in Southeast Asia, India and China's traditional sectors – have not performed despite solid earnings growth, improving governance and attractive valuations.

Asian credit markets stayed resilient in 2025, supported by steady income returns and healthy company fundamentals. Liberation Day tariffs in April triggered a short period of volatility, but sentiment gradually improved as the proposed tariffs were scaled back. India's sovereign upgrade helped its credits perform, and the majority of Asian investment grade issuers maintained solid credit fundamentals, which helped lend stability to Asian investment grade credits. Credit spreads tightened over the rest of the year, helped by strong demand and limited new bond supply in investment-grade Asian USD bonds.

Market Outlook and Investment Strategy

We are optimistic on the outlook for Asian equities. With a rising share of global GDP growth, Asia should continue to benefit from the shift towards higher value services-led growth, digital transformation and the ongoing financialisation across the region. Valuations also look attractive in comparison to developed markets like the US, while low ownership of Asian equities in global portfolios provides a good backdrop for absolute returns.

Our core holdings have continued to deliver good underlying business performance and shareholder returns. Current portfolio valuations remain attractive – as they have been over the last couple of years. Looking forward, we expect earnings to compound at low double-digit rates with circa 20% average returns on equity, while free cash flow yield is at a historic high and companies are returning more cash to shareholders.

While we can't second guess when the AI theme might run its course, our holdings are characterised by strong competitive advantages, and they have historically managed to preserve margins and profitability through the cycles. We are confident that their strong fundamentals will translate into attractive shareholder returns in the long run, as the market broadens, over time, from its narrow focus on AI.

In addition, Asian credit continues to offer attractive income and remains supported by solid fundamentals. With spreads now tighter, we remain selective. The Fund continues to focus on high quality issuers with strong balance sheets and the potential to deliver stable, risk adjusted income for investors.

Source: First Sentier Investors

Franklin Biotechnology Discovery Fund (SGD and USD)

Investment and Market Review

Fixed-income markets were volatile in January, due in part to US policy uncertainty as the Trump administration took office. The President's rhetoric regarding tariffs and protectionist measures contributed to this volatility—especially his announcements related to Mexico, Canada, China and the EU. However, reports suggested that actual policy measures could be milder than the most aggressive options discussed.

March was yet another eventful month as financial markets digested US tariff announcements, geopolitical developments and plans for increased European fiscal spending. Global government bond yields generally ended June lower. Corporate bond spreads narrowed, and the US dollar weakened. Geopolitical tensions in the Middle East escalated as Israel launched an attack on Iran. This saw oil prices spike amid fears of a broader escalation and a significant disruption to global trading.

In September, the US Federal Reserve (Fed) lowered its policy rate for the first time this year, by 25 basis points (bps) to a target range of 4.0%–4.25%. This was widely expected following a series of soft labour market data, which shifted the balance of risks toward the employment side of the Fed's dual mandate.

In December, the Federal Open Market Committee cut rates by 25 basis points (bps) for the third consecutive meeting, bringing the fed funds target rate range to 3.50%–3.75%. The committee added language to its statement linking "the extent and timing" of further policy actions to incoming data and the evolving outlook. The underweight on Japanese duration, Steeper US yield curve, Flatter Japanese yield curve, Overweight US agency mortgage-backed securities and Overweight Australian dollar and Polish zloty added to returns.

Market Outlook and Investment Strategy

Western Asset's outlook remains constructive, though we recognise that growth momentum is tempered by uncertainty in areas such as geopolitics and fiscal sustainability.

US financial conditions are largely supportive, which, alongside proposed fiscal loosening and solid household balance sheets, points towards a positive foundation for growth in 2026. Headwinds remain, including doubts over the state of the US labour market, core inflation lingering above target and the potential lagged impact of tariffs. Having cut rates at three successive meetings since September, the Fed may now moderate its pace of easing and await further signals from the post-shutdown data releases. Fiscal vulnerabilities and persistent inflation may see the yield curve steepen further.

European growth is expected to benefit from German and European Union fiscal support with the ECB judging the eurozone economy to be "in a good place" with growth remaining positive and inflation close to 2%. In Japan, above-trend growth is expected in 2026 with a more expansionary fiscal policy under the new prime minister. The gradual pace of BoJ policy rate hikes is expected to continue. In China, policy is expected to focus on reflation and improving domestic confidence with further fiscal and regulatory support.

While we retain a modest overweight to interest-rate duration, we are concentrated in shorter maturities and biased to select countries and regions such as core Europe, Australia and the United Kingdom. While fundamentals remain positive, spreads are at the tight end of historical ranges in many sectors and warrant caution. We will continue to look for further periods of volatility to add to spread risk.

Source: Franklin Templeton

Franklin Technology Fund (SGD and USD)

Investment and Market Review

Global equities started 2025 on a strong note as they collectively advanced in January amid a generally solid economic backdrop. However, investors expressed concerns about US President Donald Trump’s tariff plans and a potential global trade war, as well as the disruptive emergence of Chinese startup company DeepSeek’s new artificial intelligence (AI) model. Within IT, the hardest-hit industries during the stock selloff were semiconductors and semiconductor equipment as well as technology hardware, storage and peripherals. Several key factors were behind the January weakness in these areas, including (1) a selloff in AI-related stocks as the introduction of China’s DeepSeek-R1; (2) Trump’s tariff threats on imports from Canada and Mexico as well as tariffs implemented on imports from China, including specific levies on semiconductor chips, copper, aluminium and other items that would likely increase costs for tech companies reliant on these materials; and (3) existing concerns about stretched IT stock valuations as the aforementioned events unfolded, which led to increased scrutiny.

After starting 2025 on a strong note, global equities collectively declined during the rest of the first quarter (1Q25) due to investor concerns about US economic growth, President Donald Trump’s trade policy and a broadening trade war. Semiconductor stocks suffered the brunt of the selloff, and while all five other IT-related industries were also out of favour with many investors, there was some resilience in IT services as the group declined modestly compared to the rest.

Global equities collectively rose during 2025’s second quarter (2Q25) after bouncing back from their April lows. Nine out of the 11 global equity sectors advanced; information technology (IT), communication services and industrials produced the highest returns, while energy and health care retreated. The IT and communication services sectors spearheaded the 2Q25 rally in both US and global equity markets despite pockets of ongoing geopolitical and tariff-driven volatility, with semiconductor and software industry stocks leading IT higher.

Global equities delivered solid gains in the third quarter of 2025 (3Q25), buoyed in part by easing trade tensions and optimism surrounding artificial intelligence (AI) advancements. Central bank actions—notably the US Federal Reserve’s (Fed’s) policy interest-rate cut and its signalling of potential further monetary easing—supported market sentiment, while generally robust corporate earnings further bolstered investor confidence. Global information technology (IT) stocks underscored the market’s volatility but ultimately topped all 10 other major equity sectors in 3Q25. Their 12.8% gain (per MSCI) was supported by robust earnings and forward guidance from many IT and tech-adjacent firms—especially those tied to AI, cloud, data infrastructure, semiconductors and software.

US equities delivered solid gains over the fourth quarter of 2025, maintaining their upward trajectory against a backdrop of generally robust corporate earnings, despite some mixed economic signals and investor concerns about stretched valuations in technology-related stocks. Continued monetary easing by the US Federal Reserve, along with a constructive shift in US–China relations, also underpinned investor sentiment. The outperformance of the Magnificent Seven mega-capitalisation technology stocks during the quarter boosted returns for the S&P 500 Index and the Nasdaq Composite Index, while the relatively strong performance of the Dow Jones Industrial Average reflected the enduring strength of blue-chip companies. By investment style, value investing surpassed growth in the large-, mid- and small-capitalisation tiers, with large-cap stocks performing better than their mid- and small-cap counterparts.

The IT sector's underperformance had several overlapping catalysts and contrasted with the surge in AI and cloud-computing momentum, which drove outsized revenue growth among major tech firms, lifting investor expectations despite macroeconomic headwinds. In general, some investors began to question whether lofty expectations for future AI-enabled growth were still justified. Additionally, as 2025 progressed, expectations that the Fed would lower interest rates were scaled back. That "higher for longer" dynamic impacted interest-rate-sensitive growth stocks, many of which populate the IT sector.

Market Outlook and Investment Strategy

We remain positive on technology sector fundamentals heading into 2026 and see the sector's growth durability as deserving of a premium. We believe economic growth and inflation signals point to a supportive environment for growth equities. While tariff uncertainty isn't completely behind us, we think the more pertinent macroeconomic debates will shift towards the pace of monetary easing, the impact of lower US taxes on consumer spending and business investment, deregulation and AI-driven productivity gains. All of these topics hold the potential to be amplified as we approach the US mid-term elections in November. We recognise the growing role of AI-related capital investment in driving economic growth and believe sustained demand will continue to fuel heavy investment in compute capacity and broader IT systems. This megatrend (i.e., a long-term structural shift) positions the IT sector for robust earnings growth well into 2026, according to our analysis.

We think recent "AI bubble" fears are overblown. In 2026, we believe we'll shift from a period of strong AI adoption to one of value creation, which could help alleviate these fears. While market participants are drawing comparisons to the dot-com bubble (which peaked in early 2000), we're less concerned because today's AI era lacks three traits that bubbles typically share: speculative demand, euphoric stock valuations and excessive financial risk-taking. Today, demand for AI compute capacity far exceeds supply, while IT sector valuation at its 2025 peak was roughly half the level seen at the dot-com peak. Additionally, financial strain across the system is lower these days, reflecting the robust cash-flow generation of the largest AI capex spenders. We are watching for any changes to the three factors outlined above, but for now we believe the current AI investment trajectory is sustainable.

We continue to position the portfolio towards durable growth opportunities tied to AI and broader "digital transformation" themes. Our current portfolio exposure to the AI theme is expressed across many different industries, from semiconductors and tech/communications hardware to software, internet and media. While some areas, such as semiconductors and related hardware, are in advanced stages of demand realisation, we believe the market may be underestimating their growth durability as the need for compute (i.e., processing capacity and computational resources) accelerates. Others, like software, are still in the early stages of AI adoption, with enterprises still experimenting and working through implementation, resource and compliance challenges. We expect the list of AI beneficiaries to broaden further as model costs decline and capabilities improve. This dynamic has been unfolding in line with our expectations and is supported by strong earnings from key technology leaders that highlighted robust cloud and AI infrastructure demand.

The latest corporate earnings season (covering 3Q25) offered signs of fairly steady IT investment despite macro uncertainty, with a continued emphasis on both AI infrastructure and applications that drive productivity (similar to what we saw in the first half of 2025). We picked up encouraging demand signals from cloud service providers as their customers build and adopt AI applications and models at a rapid pace. This flowed through to the chipmakers and hardware companies serving the AI data centre market, and growth estimates for 2026 were raised accordingly. Enterprises and government agencies have been contending with policy uncertainty and finite IT budgets, but software companies that drive efficiency, enable more effective use of proprietary data and enable workforce AI adoption are still seeing healthy demand. We will continue to monitor these and other key data points.

GenAI’s return on investment (ROI) should continue to show substantial progress, in our view. For much of the last two years, there has been a lag between AI model “intelligence,” which has advanced rapidly, and the deployment of models for economically useful tasks. Over the next 12 to 24 months, we believe advances in AI agents’ ability to manage long, complex, domain-specific tasks will narrow this gap and unlock significant economic value. This is already visible in software engineering, a high-value discipline that has already been unquestionably transformed by AI. By some measures—including a real-world economic benchmark called GDPval, created by OpenAI’s research team—the latest AI models now surpass industry experts on a series of common tasks performed across 44 different work occupations. While this will take time to diffuse across the economy, we continue to believe the implications are significant for the tech sector and beyond. Increased knowledge worker productivity should also translate to higher demand for compute capacity as software tools bring these AI automation capabilities into the enterprise environment. Beyond knowledge work, we also anticipate progress in “physical AI” categories such as autonomous driving and robotics, with 2026 being a potential inflection year for the former. We also expect advancements in agentic commerce, which applies AI agents to the purchasing of goods and services online.

IT sector valuation multiples have pulled back since October and appear reasonable to us. On a price/earnings basis, at year-end 2025, the MSCI World IT Index was trading at a premium to the broader MSCI World Index that was a standard deviation below its five-year average, reflecting investor concerns about the durability and magnitude of the AI investment cycle. On a price-earnings-growth (“PEG ratio”) basis, the IT sector began 2026 trading at a discount to the broader market. We think IT sector earnings growth is more durable than the market is giving it credit for. This context is important to us, as we believe above-market sector earnings growth has been one of the key contributing factors to IT outperforming the broader global equity market in nine of the last 10 years (2022 was the sole exception).

Potential risks we are monitoring include: (1) GenAI disruption (e.g., incumbent companies that fail to keep up with technological change, new AI model architectures that may change infrastructure requirements, etc.); (2) the balance of supply and demand for GenAI infrastructure and the prospect of increased financial strain (e.g., escalating debt financing, slowing venture financing in the private markets); (3) geopolitical risks, including the ongoing evolution of US tariff policy and potential second-order impacts, along with advanced-technology export restrictions imposed on China—and the extent to which these restrictions accelerate China's homegrown efforts to compete effectively in advanced semiconductors, hardware design and manufacturing; (4) regulatory or societal pushback on AI's advancements, including its consumption of land and energy and its impact on jobs; and (5) ongoing macroeconomic risk, including the possibility of decelerating global gross domestic product growth and/or rising inflationary pressures, and the extent to which they impact technology spending.

We maintain our long-term orientation. The fund remains positioned to potentially benefit from robust long-term secular growth drivers, which we frame across five thematic pillars: AI proliferation, intelligent infrastructure and platforms, digital commerce, fintech, and digital media transformation.

Source: Franklin Templeton

Franklin Templeton Investment Funds – Franklin Income Fund (SGD and USD)

Investment and Market Review

US stocks generally rose in January 2025 amid many companies' strong earnings results and guidance, as well as investor optimism for deregulation and tax cuts under President Donald Trump. Consequently, the S&P 500 Index and the Dow Jones Industrial Average (DJIA) reached new record highs during the month. However, concerns about a Chinese startup's new artificial intelligence (AI) model that rivals US AI models, along with President Trump's threatened tariffs on Canada, Mexico and China, triggered market volatility. Against this backdrop, the S&P 500 Index and the DJIA ended the month off record highs but still posted solid gains, while the technology-heavy NASDAQ Composite Index posted a more modest positive return. Ten out of the 11 S&P 500 sectors rose, led by communication services, health care and financials, while information technology declined. In terms of market capitalisation, mid-cap stocks performed best, followed by large-cap and small-cap equities.

US stocks experienced heightened volatility during 2025's first quarter amid concerns about US President Donald Trump's tariff policies and their impact on economic growth, inflation and the US Federal Reserve's (Fed's) interest-rate path, with some investors fearing a potential recession or stagflation (i.e., economic stagnation and high inflation). Underwhelming earnings reports and guidance from some companies, as well as significantly lower consumer confidence, also hindered sentiment. Despite reaching record highs early in the quarter, the S&P 500 Index and the Dow Jones Industrial Average ended the period with negative returns. The technology-heavy NASDAQ Composite Index suffered a significantly larger decline than the other two indexes as investors remained concerned about the potential effects of a Chinese company's new artificial intelligence (AI) model on US companies' AI spending. Against this backdrop, four out of the 11 S&P 500 sectors posted negative returns; consumer discretionary and information technology (IT) sold off the most, while the energy sector was a bright spot for performance as investors turned more defensive. Small-capitalisation stocks struggled over the quarter, followed by large- and mid-cap equities.

US stocks advanced during the second quarter of 2025 as equity markets rebounded from April's lows and continued to rally through June, despite bouts of volatility. Temporary delays in tariff hikes, reduced fears of a recession, growing expectations of interest-rate cuts later in the year and easing geopolitical tensions helped drive US stocks higher. Major US indexes fluctuated, but each posted positive returns by period-end. The S&P 500 Index trended upwards and ended the quarter with solid gains after facing significant declines in early April and hitting new record highs at the end of June, marking a sharp turnaround from the "Liberation Day" slump. The technology-heavy Nasdaq Composite Index performed strongly during the quarter, bolstered by better-than-expected earnings reports from certain mega-capitalisation, tech-related companies. The Dow Jones Industrial Average also ended the quarter with solid returns despite initial volatility. In this environment, eight out of the 11 S&P 500 sectors rose; information technology (IT), communication services, industrials and consumer discretionary led returns, while energy, health care and real estate retreated. Large-cap equities gained the most, followed by mid- and small-cap stocks

US equities delivered strong performance over 2025's third quarter, buoyed in part by easing trade tensions and optimism surrounding artificial intelligence. The US Federal Reserve's (Fed's) interest-rate cut in September also supported market sentiment, as did robust corporate earnings. Both the S&P 500 Index and the Nasdaq Composite Index ended the quarter at new record highs. Returns for the Dow Jones Industrial Average were more muted, while the small-capitalisation (small-cap) Russell 2000 Index delivered a relatively strong quarterly performance, beating its previous November 2021 peak. Against this backdrop, 10 out of 11 S&P sectors had positive returns, led by information technology (IT), communication services and consumer discretionary, while consumer staples declined during the period. By investment style, small-cap stocks performed better than their large- and mid-cap counterparts.

US equities delivered solid gains during the fourth quarter of 2025, maintaining their upwards trajectory against a backdrop of generally robust corporate earnings, despite some mixed economic signals and investor concerns about stretched technology valuations. Continued monetary easing by the US Federal Reserve (Fed) along with a constructive shift in US-China relations supported investor sentiment. The outperformance of the Magnificent Seven mega-capitalisation technology stocks boosted returns for the S&P 500 Index and the Nasdaq Composite Index, while the relatively strong performance of the Dow Jones Industrial Average reflected the enduring strength of blue-chip companies. Against this backdrop, nine out of 11 S&P sectors delivered positive returns, led by health care and communication services. Conversely, real estate and utilities declined during the period. By investment style, large-cap stocks performed better than their mid- and small-cap counterparts.

Market Outlook and Investment Strategy

Economy: The economic growth outlook continues to be a major area of focus for the fund. The US economy remains resilient, but ongoing uncertainty in monetary, fiscal and trade policy could weigh on investor sentiment and the broader economy. 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. We expect stimulative benefits from 2025 fiscal policy to support growth in early 2026.

Equities: Market breadth in equity markets has narrowed in recent months. While index level valuations are elevated, opportunities continue to evolve below the index levels, which we feel favours active management. Recently, we have found select opportunities within the IT and utilities 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. As income-focused investors, our asset allocation mix is driven primarily by bottom-up security selection, with a focus on company fundamentals as opposed to the direction of the broader equity market. While the capital return story differs by sector, our holdings are focused on businesses that show an ability to support attractive dividend yields and grow them over time.

Treasuries/Government-Backed Bonds: Interest-rate volatility has declined despite continued uncertainty regarding tariffs and concerns about their ultimate impact on growth, inflation and corporate fundamentals. Government securities continue to provide an attractive 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 attractive for an income-generating strategy, but credit spreads have contracted materially over the past year, which has decreased the attractiveness of investment-grade corporate bonds, in our assessment. With credit spreads at historically tight levels, we believe future returns may be driven by interest-rate moves and carry rather than further spread compression.

High-Yield Corporate Bonds: Although we think the high-yield market offers attractive yields, we remain balanced and selective due to the potential for higher refinancing costs impacting companies' fundamentals. We continue to have a vigilant approach to security selection within our high-yield portfolio, with our preference for companies that have a greater degree of flexibility to deal with upcoming maturities.

Source: Franklin Templeton

Franklin U.S. Opportunities Fund (SGD and USD)

Investment and Market Review

US stocks generally rose in January 2025 amidst many companies' strong earnings results and guidance, as well as investor optimism for deregulation and tax cuts under President Donald Trump. Consequently, the S&P 500 Index and the Dow Jones Industrial Average (DJIA) reached new record highs. However, concerns about a Chinese startup's new artificial intelligence (AI) model that rivals US AI models, along with President Trump's threatened tariffs on Canada, Mexico and China, triggered market volatility. Against this backdrop, the S&P 500 Index and the DJIA ended the month off their record highs but still posted solid gains, while the technology-heavy NASDAQ Composite Index posted a more modest positive return. In terms of market capitalisation, mid-cap stocks performed best, followed by large-cap and small-cap equities. By investment style, growth stocks outperformed their value counterparts in the small- and mid-cap tiers, while value outpaced growth in the large-cap space.

US equities experienced heightened volatility during the first quarter of 2025 amid concerns about President Donald's Trump's tariff policies andtheir impact on economic growth, inflation and the US Federal Reserve's interest-rate path, with some investors fearing a potential recession or stagflation (economic stagnation and high inflation). Underwhelming earnings reports and guidance from some companies and significantly lower consumer confidence also hindered sentiment. US stocks collectively declined in the first quarter, with the S&P 500 Index, Dow Jones Industrial Average and NASDAQ Composite Index ending with losses. Small-capitalisation stocks struggled over the quarter, followed by large- and mid-cap equities. In all three market-cap tiers, value stocks outperformed growth, with large-cap value stocks ending modestly positive.

US stocks advanced during the second quarter of 2025. After rebounding from April's lows, equity markets continued to rally through June despite bouts of volatility. The S&P 500 Index and Nasdaq Composite Index closed the period with solid gains after hitting new record highs at the end of June, while the Dow Jones Industrial Average hovered near its all-time high. Temporary delays in tariff hikes, reduced fears of a recession, growing expectations of interest-rate cuts later in the year and easing geopolitical tensions helped drive US stocks higher. Large-capitalisation equities gained the most, followed by mid- and small-cap stocks, and growth stocks outperformed value by a wide margin in all three market-cap tiers.

US equities delivered strong performance over the third quarter buoyed, in part, by easing trade tensions and optimism surrounding artificial intelligence (AI). The US Federal Reserve's (Fed) interest-rate cut in September also supported market sentiment, as did robust corporate earnings. Both the S&P 500 Index and the NASDAQ Composite Index ended the quarter at new record highs, while returns for the Dow Jones Industrial Average were more muted. In this environment, growth investing surpassed value in the large-capitalisation tier while it was the reverse in the mid- and small-capitalisation segments, with small-cap stocks performing better than their large- and mid-cap counterparts.

US equities delivered solid gains over the fourth quarter of 2025, maintaining their upward trajectory against a backdrop of generally robust corporate earnings, despite some mixed economic signals and investor concerns about stretched valuations in technology-related stocks. Continued monetary easing by the US Federal Reserve, along with a constructive shift in US–China relations, also underpinned investor sentiment. The outperformance of the Magnificent Seven mega-capitalisation technology stocks during the quarter boosted returns for the S&P 500 Index and the Nasdaq Composite Index, while the relatively strong performance of the Dow Jones Industrial Average reflected the enduring strength of blue-chip companies.

Market Outlook and Investment Strategy

As we enter 2026, our view on US equities remains positive but selective. In an environment where growth is available but not abundant, our focus is on owning high-quality franchises with durable competitive advantages, often supported by secular tailwinds.

In recent years, a small group of mega-capitalisation innovators—dominated by the "Magnificent Seven"—has driven the majority of index returns, benefitting from scale and AI leadership. The US Opportunities strategy has an active, fundamentally driven quality bias and employs a multi-cap approach to maintain a diversified portfolio. While we own many mega cap leaders, we remain underweight relative to the highly concentrated benchmarks. We view this positioning as balanced and complimentary to many of the concentrated passive indexes.

Looking towards 2026, we believe conditions should favour a broadening of equity market leadership, with opportunities emerging across sectors beyond IT and in companies below the mega-cap threshold, which can offer an advantage for small- and mid-cap companies.

In 2026, we are focused on structural themes shaped by AI and automation, which are now producing measurable productivity gains not only in the IT sector but in the health care, financials, industrials and energy sectors. We are also monitoring potential risks for the US economy, including inflation, regulatory pressures, geopolitical friction, infrastructure bottlenecks and unfavourable policy shifts.

Fiscal and economic conditions appear to be aligning to support growth. We expect continued innovation-led expansion underpinned by quality fundamentals in an environment where we think disciplined, active management has an advantage.

Source: Franklin Templeton

FSSA Dividend Advantage Fund (SGD and USD)

Investment and Market Review

Key contributors to performance included Samsung Electronics, with signs of a turnaround in its foundry business. Its legacy memory business also remains strong. Netease rose after reporting strong earnings results, with gaming revenue and margins both better than expected. Netease plans to release its new games both in China and internationally in future, which will likely help to grow its non-China revenue.

On the negative side, Silergy declined after reporting disappointing earnings results, as uncertainty around US import tariffs affected sales to global customers. However, sales in China continued to grow; and it is launching new products in the automotive and data-centre segments. CSL declined due to unexpectedly weak revenue growth from its Behring division, which focuses on plasma-derived therapies. Behring also suffered from the loss of tender contracts in the UK and Mexico.

The Fund bought shares in H World (formerly Huazhu), a multi-brand hotel group in China. The company has scale, strong brands, advanced IT systems and good cost control. As China's economy continues to shift towards domestic consumption, branded hotels should gain market share and benefit from the growing spend on travel and leisure activities.

The Fund bought back Kotak Mahindra Bank, one of India's leading financial services companies, after valuations became more attractive. The bank has consistently improved the strength of its deposits business and maintained better asset quality than its peers across the business cycle.

The Fund sold CSPC Pharmaceutical on concerns about industry headwinds and potential price cuts. Axis Bank was sold to consolidate the portfolio into higher conviction ideas.

Market Outlook and Investment Strategy

The outlook for Asian equities looks reasonably bright. With a rising share of global growth, Asia should benefit from higher value services, digital transformation and the ongoing financialisation across the region. Valuations also look attractive in comparison to developed markets like the US, while low ownership of Asian equities in global portfolios provides a good backdrop for absolute returns. The Fund's holdings are characterised by strong competitive advantages, and they have historically managed to preserve margins and profitability through the cycles. This should translate into attractive returns in the long run, as the market broadens, over time, from its narrow focus on AI.

Source: First Sentier Investors

FSSA Regional China Fund (SGD and USD)

Investment and Market Review

Key contributors to performance over the past 12 months included Taiwan Semiconductor Manufacturing (TSMC), which continued to see solid revenue growth, with strong demand for its leading-edge chips amid surging artificial intelligence (AI) capital expenditure. Tencent Holdings also rose. The company has delivered impressive results across business segments, with particularly strong growth momentum in online games and advertising revenue, as it incorporates AI technology to improve return on investment.

On the negative side, Shenzhen Mindray fell. The company faces headwinds in its domestic market, including the government's centralised procurement policies for medical equipment, which have put pressure on its pricing. Meituan also declined after its earnings results disappointed. The company is facing intense competition in food delivery from Alibaba and JD.com, but retains key competitive advantages, with better unit economics than its peers.

New purchases included Kanzhun, the leader in China's online recruitment industry. The company has innovated with a recommendation-based direct chat model, which has helped clients hire more effectively. The Fund also bought Yadea Group, a maker of two-wheel electric vehicles, including bicycles, scooters and motorcycles. A leader in an industry that has seen rapid development over recent years, the company enjoys strong economies of scale.

The Fund divested CSPC Pharmaceutical and Advantech to raise cash for better opportunities.

Market Outlook and Investment Strategy

After a challenging few years, pockets of healthy demand are emerging in certain domestically focused sectors in China. The government is continuing its efforts to support consumption, while Chinese companies in areas such as electric vehicles and medical devices are becoming increasingly competitive on the global stage.

On the other hand, while recent US-China trade negotiations have been positive, geopolitical tensions persist. Meanwhile, the enthusiasm for technology stocks is largely being driven by significant capital expenditure (capex) in data centres and other AI-related infrastructure. The Investment Manager is unsure about the sustainability of such capex, and also believes AI spending will broaden over time.

The Fund is invested for the long term, and is aligned with the structural trends shaping China's economy: innovation, sustainability, and increasing shareholder returns. Its holdings in market-leading businesses, led by secular growth trends and underpinned by rising incomes, should remain resilient in different scenarios.

Source: First Sentier Investors

HGIF - Asia Pacific ex Japan Equity High Dividend (SGD and USD)

Investment and Market Review

MSCI AC Asia Pacific ex Japan gained 14.68% over second half 2025 (SGD term). In terms of geography, Korea and Taiwan were the best performing countries while New Zealand was the worst performing country. In terms of sectors, Information Technology was the top performing one while Healthcare underperformed.

The fund outperformed against the benchmark on a 6-month basis. Positive stock selection effect in Mainland China and Consumer Discretionary positively contributed to performance, partially offset by the unfavourable stock selection effect in Korea as well and Energy.

In terms of positioning, we are most overweight to Hong Kong and Financials. On the other hand, we are most underweight to Australia and Healthcare as of end December 2025.

Market Outlook and Investment Strategy

Despite enjoying a strong 2025 outperformance, we continue to be constructive on Asian equities in 2026. US policy support in terms of a more measured tariff policy as well as monetary easing will likely continue in 2026. On the other hand both fiscal and monetary policy support in Asia continue. A weaker US dollar is also mostly good for Asian equities. Although index level valuation is not cheap in absolute terms, the wide variation in valuation between Asian regional markets suggests differing return opportunities within the region and underscores the importance of alpha over beta and benefits active equity managers like ourselves.

Source: HSBC Global Asset Management

HGIF - Global Equity Climate Change (SGD and USD)

Investment and Market Review

In H2 2025, global equities delivered solid gains driven by strong corporate earnings growth, loosening monetary policy and slowing inflation rates. However, new investment risks emerged, including the US government shutdown, concerns on AI valuations and a US-China trade conflict over rare earths. The HGIF Global Equity Climate Change strategy was up +0.3%. The Renewable Energies eco-sector and stocks linked to the AI theme were the most significant contributors to performance. Within Renewable Energies, Prysmian and SSE were the strongest performers, rising 44% and 21% respectively. The excellent performance in Renewable Energies was consistent throughout the year as markets have come to appreciate the long-term growth opportunity in electric networks and the improved return profile of these assets. In the AI bucket, Vertiv, Coherent and TSMC were the key performance contributors. On the negative side, Circular Economy and ICT were laggards. Global trade and growth uncertainty penalized materials companies in the Circular Economy eco-sector, whilst weak discretionary IT spending caused IT services and software companies to be negatively impacted. Defensive companies in the portfolio like Verisk Analytics and Copart also posted weak performance due to a soft insurance market in the US.

Market Outlook and Investment Strategy

The strategy will remain an active, concentrated and thematic global equity fund that invests only in climate solutions. Solving climate change is a long-term, structural growth theme and momentum is building for governments, businesses and consumers to act decisively to reduce emissions. We remain confident that the theme is getting stronger, and the market continues to underestimate the size and durability of the commercial thematic opportunity. The strategy puts theses structural changes at the heart of its exposures and will benefit from doing so over the longer term.

To enhance our investable universe, we are increasingly identifying opportunities that offer the overlap of AI and energy efficiency – over the past year, we have steadily increased exposure to this intersectional theme and will help to neutralize AI factor exposures compared to the MSCI ACWI benchmark.

The outlook for the climate solutions sector is promising, driven by diverse and dynamic opportunities. From advancements in battery storage systems and the expansion of electric grids to upgrades in railway networks and cutting-edge precision farming techniques aimed at reducing food waste, the potential for impactful innovation is truly exciting.

Source: HSBC Global Asset Management

HGIF - Global High Income Bond Fund (SGD and USD)

Investment and Market Review

The strategy delivered positive absolute performance over the period gross of fees. Overall the fund saw positive contribution to return as well as relative outperformance across all asset classes. On an asset class basis EM was the strongest performer followed by US and and Euro Credit with Securitized Credit lagging. On a relative basis EM again performed the best vs its investment universe followed by Securitized Credit and Euro Credit with US Credit delivering the least outperformance.
The period started with a market rally following the volatility caused by the tariff announcements in April that ran through September. October and November saw a shift in market sentiment however as renewed trade tensions, default headlines, worries over the levels of AI investment and a more hawkish Fed saw an increase in volatility. December however saw broadly benign data releases following delays due to the Government shutdown which together with the third 25 basis point cut by the Fed over the period, provided a positive back drop to risk asset into year end.
The US treasury curve steepened over the second half of the year. The 2, 5, 10 and 30 year saw yields move by -0.25%, -0.07%, -0.06% and +0.07% respectively to finish December at 3.47%, 3.73%, 4.17% and 4.84%. At the same time global credit spreads tightened with IG and HY moving lower by -9 and -22 bps respectively.

Market Outlook and Investment Strategy

As we move into 2026 investors have a number of issues to contemplate such as high market valuations, geopolitical tensions, sticky inflation, a new central bank chair and the impact of tax cuts and spending policies to name a few. Despite this, markets seem unperturbed, starting the year with a rally that has seen some equity indices setting record highs and credit spreads tightening. Rates volatility appears more subdued with the markets pricing around 2 further 25 bps rate cuts in 2026.

In the portfolio we maintain a slight overweight to credit beta of approximately 1.1 vs the investment universe as we believe credit markets are well supported by solid fundamentals and a positive macro backdrop. We also maintain a yield advantage over the Universe. From a duration positioning perspective, the strategy is more neutral overall but maintains its steepening bias. In the US the strategy is marginally overweight duration while in EUR, the fund is neutral on duration but maintains a flattener positioning through an underweight of the front end and overweight to the intermediate segment. Sector positioning is underweight basic materials as the sector faces headwinds and we have also started to reduce the overweight to Utilities which have outperformed and have heavy expected supply in the coming months. We continue to favor select EM exposure and remain comfortable with our current level of HY exposure.

Source: HSBC Global Asset Management

HGIF - Global Short Duration Bond (SGD and USD)

Investment and Market Review

Over the 6-month period, the fund’s value rose by 2.90%, outperforming the benchmark by 0.65% (gross).

Rates performance was mixed over the period but is was negative overall. Our overweight to Canada and Brazil contributed positively over the second half of 2025, as well as the UK curve steepener position. However, long duration in Australia and the US detracted, more than offsetting the positives over the period.

Within credit, Asset Allocation was the largest contributor to outperformance, followed by Security Selection. Allocation to Corporate Financials was the main contributor, closely followed by Corporate Non-Financials. Allocation to Securitised Credit was also positive, but to a much lesser extent.

Currency performance was negative mainly driven by long JPY and EUR vs USD positions.

Market Outlook and Investment Strategy

The Fund slightly reduced its overweight duration profile in the first half of the period and maintained its overweight to the end of December. In the first half of the period, we increased duration in Canada by reducing European, US and UK overweight duration and we switched the Canadian duration position into Australian position. In the second half of the period, we lowered duration in Germany, UK and Australia, before adding back some duration to both Australian and UK in November. In December, we switched some Euro 5yr duration into US 5yr duration.

Our overweight to credit was relatively unchanged over the period, despite meaningful changes to geographic, sector and credit quality which included selective high yield and emerging market opportunities as we tailor the fund exposure to the environment. We continue to have an overweight to Securitised Credit, as it provides an additional dimension of returns through high income generation, and a low correlation to traditional fixed income securities -increasing portfolio diversification. Our fundamental analysis and valuation driven investment continues to focus on investment resilience, selling more fully valued securities and replacing these with positions that have better upside potential.

In FX, early in the period we switched the short USD view from JPY to EUR and in August, we re-opened the long JPY vs USD position, and we closed our long EUR and GBP (vs USD) positions towards the end of the period.

Source: HSBC Global Asset Management

HGIF – India Equity Fund (SGD and USD)

Investment and Market Review

The S&P IFCI/India Gross Index lost 1.45% over the second half of 2025 (SGD term). In terms of sectors, Consumer Discretionary was the top performing one while Real Estate underperformed.

India underperformed the region during this period on the back of waning earnings momentum, absence of a US India trade deal, domestic growth concerns and a depreciating rupee.

The fund outperformed the benchmark on a 6-month basis. Positive stock selection effect in Financials and Industrials were the largest contributors to performance. On the other hand, unfavourable allocation effect in Real Estate was the largest detractor to strategy performance.

The largest stock contributor over 2H25 was Multi Commodity Exchange India while the largest stock detractor was DLF Ltd.

In terms of sector positioning, we are most overweight to real estate and most underweight to Utilities as of December 2025.

Market Outlook and Investment Strategy

India's corporate earnings have stabilized and exited the mid cycle slowdown over the last year. Fiscal and monetary policies are now supportive of earnings growth. We continue to expect earnings growth and improving ROE profile to be the primary driver to returns. Relative valuation premium against Asia have fallen to 48% (end December) from recent peak of over 90% and below 5-year average of 60%. Higher absolute P/E is backed by strong fundamentals, strong domestic flows, and should be read in the context of a mid-high teens earnings growth in the coming 2 years
Source: HSBC Global Asset Management

HGIF - Managed Solutions – Asia Focused Income (SGD and USD)

Investment and Market Review

The fund achieved a positive return over the 6-month period against a volatile market backdrop, mainly contributed by our positions in our core Asia ex Japan equities exposures, followed by credits across investment grade and high yield bonds. Our tactical trades into single Asian equity countries were mixed. Exposures to Korea, Japan banks, Singapore were additive, while this was offset by exposures to short Thailand and Taiwan equities. On the fixed income front, overall contribution was positive but was partially offset by core exposures to Asian local currency bonds, while EM local currency and India bonds were broadly flat.

Market Outlook and Investment Strategy

Looking forward, our base case scenario anticipates a gradual convergence of growth rates across developed markets, with Asia and the Global South maintaining a relative edge. While volatility remains—driven by geopolitical developments and policy uncertainty—further dollar weakness and Asia technology boost could have investors "coming together". We remain cautiously optimistic, recognizing that market leadership is broadening and that diversification would be key to navigating the evolving landscape as we move into 2026.

Source: HSBC Global Asset Management

HGIF - Singapore Dollar Income Bond (SGD and USD)

Investment and Market Review

Singapore's inflation held steady in November. Core inflation remains within the Monetary Authority of Singapore's (MAS) target range and is expected to moderate further in 2025 before rising slightly in 2026. MAS anticipates slower declines in imported costs as global oil prices stabilize, while domestic inflationary pressures may increase due to rising labor costs as productivity normalizes. Private consumption remains resilient, supported by strong household finances and relatively favourable interest rate environment. With inflation under control and global recession risks easing, MAS is unlikely to change its monetary policy in the near term. However, risks like geopolitical tensions or shifts in global demand or oil prices could alter the outlook.

Singapore Government Securities (SGS) yields have underperformed US Treasury yields since September, as investors shifted into USD bonds in anticipation of expected Fed rate cuts. However, SGS yields are projected to decline as investors return to this asset class due to its more attractive yields. With a still-growing economy and stable credit fundamentals expected among SGD credit issuers, SGD credit spreads are likely to remain relatively tight by historical standards, though a modest widening from current levels seems more probable.

The fund holds a meaningful proportion of SGD denominated investment grade bonds. At the same time, it also diversifies into the USD Asian credit market which offers a wider selection of bonds across the credit rating spectrum than the SGD bond market. As of December, the fund continued to reduce the overweight in SGD bonds by reallocating some of the SGD credit into USD credit. Meanwhile, the fund remained overweight in duration. From a sectoral standpoint, the fund prefers corporates over sovereigns and agency bonds. The fund has a meaningful allocation to Singapore REITs for their stable income. The fund also favours bank subordinated debt such as that from Europe, North America and the broader Asia Pacific region given their relatively defensive nature and attractive yields. Additionally, the fund has an overweight position in financials, with a preference for Hong Kong and Japan. Moreover, it holds a certain exposure to high quality quasi-sovereign names in Singapore for yield carry.

Source: HSBC Global Asset Management

HSBC Portfolios - World Selection 1 (SGD and USD)

Investment and Market Review

Despite some tariff related volatility and investor fears over an AI bubble persisting going into the second half of 2025, trade tensions eased by the end of the year, with major economies reaching agreements with the US. Additionally, further rate cuts by the Fed supported a recovery in risk assets over the period. Global equities delivered 11.4% over the period, driven by strong performance from the emerging markets, UK, Japan, and the US. The US dollar gained slightly over the second half of 2025, aided by the Fed signalling a cautious approach to further rate cuts in the last quarter of 2025. Gold returns were very strong over the period, due to being safe haven in an environment of geopolitical uncertainty. Global bonds also delivered positive returns, with price gains supported by continued rate cuts in the US and the UK, as well as fiscal policy stimulus in Europe and the UK.

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

Over the medium term we anticipate global asset markets to be driven by three key themes, we have positioned our portfolios to capture these opportunities.

Cautious optimism: Positive market sentiment continues on the back of rate cuts in the US and resilient corporate earnings, which should support economic activity and risky assets, while the AI theme could also continue to drive returns. Against this backdrop, we remain tilted towards equities.

We balance portfolio risk with a higher allocation to gold, defensive currencies such as Swiss Franc, Japanese Yen, and a tilt away from more cyclical assets such as property, high yield credit. We also prefer commodities and US quality equities.

Selective cyclical strength: Within Europe, we remain tilted towards Spain, European banks, European utilities, European travel and European small caps. In the US, we prefer US financials, US communication services, and US healthcare, while being short in the US materials and US consumer staples sectors. We are tilted towards Japan. Within emerging markets, we added a position in South African equities and hold a long China short Indian equities relative value position. We added positions in Hong Kong equities and India local bonds.

Navigating the rate cycle: We continue to prefer a diversified government bonds exposure, with tilts towards Gilts, Bunds, Japanese bonds, Canadian bonds and Treasuries. We also look for relative value opportunities in the bonds space, based on price attractiveness, economic data indicators and interest rates in different regions (e.g. long Australian bonds versus short Canadian bonds).

Source: HSBC Global Asset Management

HSBC Portfolios - World Selection 2 (SGD and USD)

Investment and Market Review

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Navigating the rate cycle: We continue to prefer a diversified government bonds exposure, with tilts towards Gilts, Bunds, Japanese bonds, Canadian bonds and Treasuries. We also look for relative value opportunities in the bonds space, based on price attractiveness, economic data indicators and interest rates in different regions (e.g. long Australian bonds versus short Canadian bonds).

Source: HSBC Global Asset Management

HSBC Portfolios - World Selection 3 (SGD and USD)

Investment and Market Review

Despite some tariff related volatility and investor fears over an AI bubble persisting going into the second half of 2025, trade tensions eased by the end of the year, with major economies reaching agreements with the US. Additionally, further rate cuts by the Fed supported a recovery in risk assets over the period. Global equities delivered 11.4% over the period, driven by strong performance from the emerging markets, UK, Japan, and the US. The US dollar gained slightly over the second half of 2025, aided by the Fed signalling a cautious approach to further rate cuts in the last quarter of 2025. Gold returns were very strong over the period, due to being safe haven in an environment of geopolitical uncertainty. Global bonds also delivered positive returns, with price gains supported by continued rate cuts in the US and the UK, as well as fiscal policy stimulus in Europe and the UK.
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

Over the medium term we anticipate global asset markets to be driven by three key themes, we have positioned our portfolios to capture these opportunities.

Cautious optimism: Positive market sentiment continues on the back of rate cuts in the US and resilient corporate earnings, which should support economic activity and risky assets, while the AI theme could also continue to drive returns. Against this backdrop, we remain tilted towards equities.

We balance portfolio risk with a higher allocation to gold, defensive currencies such as Swiss Franc, Japanese Yen, and a tilt away from more cyclical assets such as property, high yield credit. We also prefer commodities and US quality equities.

Selective cyclical strength: Within Europe, we remain tilted towards Spain, European banks, European utilities, European travel and European small caps. In the US, we prefer US financials, US communication services, and US healthcare, while being short in the US materials and US consumer staples sectors. We are tilted towards Japan. Within emerging markets, we added a position in South African equities and hold a long China short Indian equities relative value position. We added positions in Hong Kong equities and India local bonds.

Navigating the rate cycle: We continue to prefer a diversified government bonds exposure, with tilts towards Gilts, Bunds, Japanese bonds, Canadian bonds and Treasuries. We also look for relative value opportunities in the bonds space, based on price attractiveness, economic data indicators and interest rates in different regions (e.g. long Australian bonds versus short Canadian bonds).

Source: HSBC Global Asset Management

HSBC Portfolios - World Selection 4 (SGD and USD)

Investment and Market Review

Despite some tariff related volatility and investor fears over an AI bubble persisting going into the second half of 2025, trade tensions eased by the end of the year, with major economies reaching agreements with the US. Additionally, further rate cuts by the Fed supported a recovery in risk assets over the period. Global equities delivered 11.4% over the period, driven by strong performance from the emerging markets, UK, Japan, and the US. The US dollar gained slightly over the second half of 2025, aided by the Fed signalling a cautious approach to further rate cuts in the last quarter of 2025. Gold returns were very strong over the period, due to being safe haven in an environment of geopolitical uncertainty. Global bonds also delivered positive returns, with price gains supported by continued rate cuts in the US and the UK, as well as fiscal policy stimulus in Europe and the UK.
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

Over the medium term we anticipate global asset markets to be driven by three key themes, we have positioned our portfolios to capture these opportunities.

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We balance portfolio risk with a higher allocation to gold, defensive currencies such as Swiss Franc, Japanese Yen, and a tilt away from more cyclical assets such as property, high yield credit. We also prefer commodities and US quality equities.

Selective cyclical strength: Within Europe, we remain tilted towards Spain, European banks, European utilities, European travel and European small caps. In the US, we prefer US financials, US communication services, and US healthcare, while being short in the US materials and US consumer staples sectors. We are tilted towards Japan. Within emerging markets, we added a position in South African equities and hold a long China short Indian equities relative value position. We added positions in Hong Kong equities and India local bonds.

Navigating the rate cycle: We continue to prefer a diversified government bonds exposure, with tilts towards Gilts, Bunds, Japanese bonds, Canadian bonds and Treasuries. We also look for relative value opportunities in the bonds space, based on price attractiveness, economic data indicators and interest rates in different regions (e.g. long Australian bonds versus short Canadian bonds).

Source: HSBC Global Asset Management

HSBC Portfolios - World Selection 5 (SGD and USD)

Investment and Market Review

Despite some tariff related volatility and investor fears over an AI bubble persisting going into the second half of 2025, trade tensions eased by the end of the year, with major economies reaching agreements with the US. Additionally, further rate cuts by the Fed supported a recovery in risk assets over the period. Global equities delivered 11.4% over the period, driven by strong performance from the emerging markets, UK, Japan, and the US. The US dollar gained slightly over the second half of 2025, aided by the Fed signalling a cautious approach to further rate cuts in the last quarter of 2025. Gold returns were very strong over the period, due to being safe haven in an environment of geopolitical uncertainty. Global bonds also delivered positive returns, with price gains supported by continued rate cuts in the US and the UK, as well as fiscal policy stimulus in Europe and the UK.
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

Over the medium term we anticipate global asset markets to be driven by three key themes, we have positioned our portfolios to capture these opportunities.

Cautious optimism: Positive market sentiment continues on the back of rate cuts in the US and resilient corporate earnings, which should support economic activity and risky assets, while the AI theme could also continue to drive returns. Against this backdrop, we remain tilted towards equities.

We balance portfolio risk with a higher allocation to gold, defensive currencies such as Swiss Franc, Japanese Yen, and a tilt away from more cyclical assets such as property, high yield credit. We also prefer commodities and US quality equities.

Selective cyclical strength: Within Europe, we remain tilted towards Spain, European banks, European utilities, European travel and European small caps. In the US, we prefer US financials, US communication services, and US healthcare, while being short in the US materials and US consumer staples sectors. We are tilted towards Japan. Within emerging markets, we added a position in South African equities and hold a long China short Indian equities relative value position. We added positions in Hong Kong equities and India local bonds.

Navigating the rate cycle: We continue to prefer a diversified government bonds exposure, with tilts towards Gilts, Bunds, Japanese bonds, Canadian bonds and Treasuries. We also look for relative value opportunities in the bonds space, based on price attractiveness, economic data indicators and interest rates in different regions (e.g. long Australian bonds versus short Canadian bonds).

Source: HSBC Global Asset Management

Janus Henderson Global Technology Leaders Fund (SGD and USD)

Investment and Market Review

The fund rose over the period under review, compared with a return of 11.16% in the TOPIX.

Global equities rose strongly during the reporting period, as trade tensions eased and the US Federal Reserve restarted its interest rate-cutting campaign. The gains, which were supported by continued interest in artificial intelligence (AI), helped stock indices, including the MSCI World Index, hit record highs across the globe. Nevertheless, concerns about elevated valuations pressured the technology sector towards the end of the period.

In Japan, equities rose as they benefited from looser global monetary policy, a Japan/US trade agreement, economic optimism and positive sentiment towards AI. These factors lifted the TOPIX to an all-time high and offset fears of an AI bubble. The pro-growth policies of Prime Minister Sanae Takaichi, who took office in October and announced a huge stimulus package in November, also cheered investors.

The Bank of Japan (BoJ), which maintained its cautious approach for most of the period, raised interest rates by 25 basis points to a 30-year high of about 0.75% in December. Annual core inflation, which excludes fresh food prices, continued to exceed the BoJ’s 2% target. Third-quarter GDP shrank by an annualised 2.3%, marking the first decline in six quarters. The result, which followed 2.1% growth in the second quarter, was partly attributed to a drop in exports due to higher US tariffs earlier in the year.

The yen weakened against the US dollar as trade worries abated, while the BoJ’s incremental approach to policy tightening and uncertainty about the government’s fiscal position also weighed on the currency.

Significant price movements in a small number of AI-related stocks from August to October negatively impacted relative performance. However, we believed that this level of price volatility would be transient and that the fund could benefit when market conditions normalised.

The leading detractors were Nippon Sanso and DMG Mori. Shares in Nippon Sanso, an industrial gas company, fell after it reported weaker quarterly results. In addition, it provided cautious full-year guidance as the industry faced sluggish demand due to macroeconomic and geopolitical uncertainty. DMG Mori, Japan’s largest machine tool company, issued a severe profit warning in the fourth quarter. We exited the position.

Top positive contributors included Shimizu and Tokyo Ohka Kogyo (TOK). Construction firm Shimizu reported strong operating income in its first-half results as it continued to show margin improvements. The company had a healthy order book and maintained its optimistic full-year guidance amid higher corporate and government capital expenditure. Investors also responded positively to its capital management policy. Photosensitive materials producer TOK posted robust quarterly results due to strong demand for generative AI-related semiconductors.

The fund initiated several positions, including TOK and Chugai Pharmaceutical. At the time of purchase, we felt TOK was attractively valued and strongly aligned to the AI theme. For Chugai, we liked the continued sales growth of its core products. In addition, we thought that investors had underestimated the potential royalty payments for orforglipron, a weight-loss pill that Chugai has licensed to Eli Lilly. Elsewhere, we exited Shin-Etsu Chemical as the outlook for its major business lines deteriorated.

Inflation has continued to be a persistent feature in Japan and has prompted changes in both corporate and consumer behaviour. Importantly, inflation has fed through to corporate earnings and equity performance. In the fourth quarter, both the TOPIX and the Nikkei 225 Index reached new highs, supported by companies that have successfully passed on higher costs to consumers and benefited from improved operating margins. Encouragingly, wage growth has begun to catch up with inflation, which has supported domestic demand and added resilience to the economy.

We believe that Prime Minister Takaichi could bring much-needed stability and predictability, which we expect to be positive for the equity market. Moreover, we think her leadership could catalyse a re-rating (where stocks are reassessed by investors) of Japanese equities, as she advocates for a mild 'demand-pull inflation', where demand for goods and services exceeds supply and lifts prices, driven by wage growth.

AI remains a global investment theme and Japan is no exception. Investor interest has largely focused on high-volatility stocks, although we have also seen a broader search for quality AI beneficiaries. This shift has expanded the opportunity set, which has allowed us to add positions in what we have viewed as attractively valued, high-quality companies aligned with the theme.

Market Outlook and Investment Strategy

Source: Janus Henderson

JPMorgan ASEAN Equity Fund (SGD and USD)

Investment and Market Review

The fund marginally outperformed the benchmark in December. Stock selection in Indonesia, materials, and consumer discretionary added value over the month. On the flip side, stock selection in, and the underweight allocations to financials and Malaysia had a negative impact.

On the positive side, at the stock level, off-benchmark exposure to Archi Indonesia was the top contributor. The materials name rose sharply on the back of a sustained upward trend in global gold prices, which helped its revenue and margins. In Thailand, Airports of Thailand did well on better than expected outcome on both duty-free contract renegotiations as well as new passenger services charges. Similarly, Minor International was helped by tourism tailwinds. Share buybacks and decent bookings bolstered stock performance.

On the negative side, in Singapore, Grab Holdings was the biggest detractor as the stock was impacted by competition, and increased costs. Similarly, Sea Ltd. fell as investor sentiment was dampened by margin pressure and an intense competitive landscape. In Thailand, Bumrungrad Hospital fell on underwhelming results, as revenue was impacted by shifting travel patterns. In Malaysia, Gamuda (engineering and property development) was impacted negatively by weak quarterly results and the underperformance from property division.

Market Outlook and Investment Strategy

Tariff rates have been set in ASEAN at lower levels than initially feared on liberation day. The effective increase in tariffs is also lower than headline rates suggest. This means that on a relative basis ASEAN is still an attractive destination for supply chain diversification. While there has been some pull-forward demand, the likelihood of lower rates and a weaker USD could provide a cushion into 2026. Governments are also on conservative fiscal and monetary settings which give them room to maneuverer if required. Overall, valuations are considered reasonable compared to historical levels and other markets, while investor positioning remains minimal.

The positive structural forces that continue to drive ASEAN's growth are still evident, including favourable demographics, a growing middle class, and increasing consumption. There is an accelerating change in consumption behaviour, aided by increasing financial and digital penetration. Both traditional sectors and emerging industries offer investment opportunities for stock pickers.

Active bottom-up picking remains crucial given the wide dispersion in stock fundamentals across ASEAN. In Indonesia, there are increasing growth concerns given policy direction and political instability, and as such we are more carefully managing our exposure. Singapore continues to show a promising outlook supported by the MAS rolling out its Equity Market Development Programme. In Thailand, exposure is more selective, as the macroeconomic environment remains challenging with political uncertainty. Malaysia remains underweight but encouraging signs from the government's initiative to position the country as a regional hub for artificial intelligence infrastructure and technology are creating stock-picking opportunities. At a sector level, Financials continue to offer opportunities both cyclically and structurally albeit we have reduced exposure given the rate cycle. Across ASEAN, we believe a bar-bell approach to long-term growth and yield opportunities will help generate alpha.

Source: J.P. Morgan Asset Management

PIMCO Emerging Markets Bond Fund (SGD and USD)

Investment and Market Review

The primary contributors to performance over the month were the security selection within Ukrainian sovereign debt, overweight exposure to Kenyan sovereign debt, and the tactical exposure to EM FX. Security selection within Ukrainian sovereign debt contributed to performance, as GDP-linked warrants outperformed after Ukraine launched a consent solicitation process seeking to exchange these instruments into bonds. Overweight exposure to Kenyan sovereign debt contributed to performance, as bonds outperformed on expectations of an upcoming staff visit from the IMF to discuss a potential funding program. The tactical exposure to EM FX such as the Colombian Peso and Egyptian Pound contributed to performance, as the currencies offer high positive carry.

Detractors from performance included the security selection within Peruvian quasi-sovereign debt, overweight exposure to Senegalese sovereign debt, and underweight exposure to EM spreads. The security selection within Peruvian quasi-sovereign debt detracted from performance, as a select overweight oil and gas company underperformed following news of potential bankruptcy filings or debt restructuring. The overweight exposure to Senegalese sovereign debt detracted from performance, as bonds continued to underperform on account of the sovereign's ongoing fiscal and debt pressures. The underweight exposure to EM spreads detracted from performance, as spreads tightened on the back of positive broader risk sentiment.

Market Outlook and Investment Strategy

Emerging markets (EM) enter 2026 with a constructive backdrop, supported by resilient growth, easing inflation, and generally healthier fiscal positions compared to many developed markets. Policy divergence is notable: Brazil is set to begin a prolonged easing cycle as inflation expectations fall, while Mexico and Turkey remain more cautious stances, creating opportunities for local duration and FX carry. Importantly, fiscal trajectories between EM and DM are diverging, with many EMs showing discipline and net creditor status. However, upcoming elections in Brazil, Colombia, and Peru introduce uncertainty around fiscal policy and investor sentiment, making risk management around these events essential.

Technical factors reinforce this positive outlook. Investor positioning in EM fixed income remains light compared to historical norms, leaving room for inflows as global liquidity improves. A softer U.S. dollar and declining developed market real rates should support EM local markets and FX performance, while liability management operations and reduced net issuance help mitigate refinancing risk. These dynamics, combined with structural under-ownership of EM assets, suggest a favorable technical environment for both hard and local currency debt.

Valuations across EM fixed income remain compelling relative to developed market alternatives. Sovereign spreads screen tight at absolute levels but for good reasons, with EM countries being upgraded at their fastest pace in 25 years. Local rates continue to offer attractive carry and real yields, especially in Latin America and frontier markets. Opportunities are concentrated in high-carry currencies, steep local curves, and select corporate and quasi-sovereign credits with strong fundamentals. Risks persist around commodity price volatility, geopolitical tensions, and election-driven policy shifts, but the combination of solid fundamentals, supportive technicals, and attractive valuations positions EM debt as a compelling choice for investors seeking diversification.

Source: PIMCO

PIMCO GIS Income Fund (SGD and USD)

Investment and Market Review

2025 was a year of broad-based gains across asset classes, underpinned by renewed easing from the Federal Reserve and diverging global policy paths. U.S. yield curves steepened while corporate credit spreads remained tight. Despite intermittent policy uncertainty—including tariff volatility and a late-year restart of official data—disinflation persisted, labor conditions softened, and long-end yields remained sensitive to term premium dynamics. By year end, risk-on sentiment was widespread, and all major asset classes posted positive returns.

- **Easing resumed at the Fed, while global policy diverged.** After holding rates steady for the first half of the year, the Fed restarted cuts with three 25 bp reductions in the second half. The ECB and BoE eased toward neutral ranges, while BoJ normalization pushed JGB yields to multi-decade highs.
- **Curves steepened and the term premium ended positive across major markets.** Front-end U.S. yields fell as the Fed cut rates, while long-end yields fluctuated with supply, deficit, and trade narratives. Into year end, the 2s/10s spread remained firmly positive at roughly 70 bps (10-year ~4.17%, 2-year ~3.47%).
- **Credit spreads stayed tight amid robust risk appetite.** Global investment grade credit returned 10.5%, despite elevated issuance—particularly from companies financing AI-related infrastructure such as data centers, power, and connectivity. High yield bonds delivered another year of solid returns, supported by continued economic outperformance.
- **Tariffs and policy uncertainty shaped market narratives.** The U.S. raised tariff rates to levels not seen since the 1930s, fueling early-year trade concerns. While an immediate tariff-driven inflation spike did not materialize, fiscal uncertainty contributed to long-end volatility and reinforced term premium sensitivity, supporting curve steepening across major markets.
- **Risk assets enjoyed an "everything rally."** While equities posted strong gains (MSCI World +21.6%; EM +34.4%), fixed income was a key beneficiary of easing and attractive starting yields. Global bonds returned +8.2% in USD terms, supported by carry and rate cuts, with credit sectors outperforming - investment grade +10.5% and high yield +12.1% - delivering solid returns amid tight spreads and improved liquidity. Emerging market debt led with +13.5%, underscoring the value of diversification across global fixed income.

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 modestly reduced duration in recent months as yields have rallied, 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, and a short position to Japanese duration, given the potential for further tightening from the BoJ.

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, as well as select hung loans and restructuring opportunities. The Fund continues to maintain 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 – Currency positions continue to be modest as currencies can be more volatile than other asset classes. We remain tactical in our currency positioning, holding a long exposure to a basket of higher carry EM currencies with short positions in select low 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

Schroder Asian Growth Fund (SGD and USD)

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.

Market Outlook and Investment Strategy

Source: Schroder Investment Management Limited

Schroder ISF Emerging Multi-Asset (SGD and USD)

Investment and Market Review

2025 was a breathless mix of tariffs, fiscal expansion, deregulation, and AI-fuelled ambition, leaving investors torn between excitement and exhaustion. For the Fund, and for markets more broadly, it was a constructive year defined by the power of broadening out. In the US, dramatic shifts in policy, immigration curbs, deregulation, and geopolitical interventions forced a rethink of US exceptionalism, while even megacap tech, once a bastion of stability, faced renewed scrutiny as business models shifted from asset-light to debt-funded and asset-heavy, raising questions about valuations and concentration risk.

Outside the US, the tone was far more encouraging. Europe benefited from a delayed but meaningful fiscal awakening in Germany, improving credit conditions, and gathering momentum in rate cuts, which lifted confidence and lending. Mid caps broke years of underperformance, hinting at a more sustainable recovery. Asia contributed its own transformation: Japan advanced its corporate reform and buyback cycle while maintaining valuations well below US peers, and in China, DeepSeek reignited AI competitiveness as targeted stimulus stabilised sentiment.

The Fund's approach helped the team navigate the noise. Overlooked equity segments, such as European cyclicals and Japanese industrials, regained traction. Fixed income required caution amid razor-tight US spreads, prompting an emphasis on diversification through high-quality securitised credit and selective emerging market debt exposure. As the year progressed, the portfolio moved steadily away from expensive, concentrated market areas and leaned further into international opportunities.

Market Outlook and Investment Strategy

Looking ahead to 2026, the year is already being shaped by Divergence, Dispersion, and Deregulation. Global liquidity remains ample, supported by fiscal expansion in Japan and Europe, accommodative policy stances, and the possibility of further rate cuts in the US. Nonetheless, geopolitical fragmentation suggests considerable regional divergence. Interest rates are expected to rise in Japan, Canada, Australia, and Europe, while the US—despite ongoing stimulus and sticky inflation—is still projected to cut rates two or more times.

Corporate behaviour is undergoing one of the most significant business-model transitions in decades, a shift likely to increase volatility and fuel dispersion. This environment naturally favours a forward-looking, research-driven approach. Deregulation is expected to be a defining feature within financials and, to a degree, healthcare. For Global Multi-Asset Income, the focus will remain on regions where expectations are low and fundamentals are improving. The team will target AI beneficiaries across Korea, Taiwan, and Europe, rather than concentrating on the large AI spenders in the US. Persistent inflation risks will be balanced using markets offering strong real yields and low-duration structures. During periods of volatility—whether triggered by geopolitical shocks, policy missteps, or abrupt market recalibrations—the increased use of overlays is designed to absorb and cushion disturbances within an increasingly fragmented global environment.

Investors should expect a world in which dispersion intensifies, leadership rotates across regions and sectors, and success depends on bridging top-down and bottom-up insights within a total-portfolio framework. The strategy is intentionally built for such a world, one defined by divergence, dispersion, and diversification. Its research-driven, internationally oriented approach significantly broadens the opportunity set.

In 2026, broadening out will not simply be helpful—it is likely to be essential.

Source: Schroder Investment Management Limited

Schroder ISF Global Emerging Market Opportunities (SGD and USD)

Investment and 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.

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

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 ISF Sustainable Multi-Asset Income (SGD and USD)

Investment and Market Review

Markets continued their upward march in June despite ongoing trade and geopolitical tensions. Equities finished sharply higher, with the S&P 500 and the Nasdaq both surging over 5% and reaching new all-time highs, driven by a 90-day tariff pause between the US and China, robust corporate earnings, and optimism around AI-driven growth.

2025's standout, Europe, was relatively flat in USD terms, where emerging equities rallied, led by Asia, fuelled in part by the weaker US dollar.

Returns in credit markets were more muted, albeit positive across the board, led by higher-yielding names in the US.

The fund posted a modest gain over the period, with gains in broader markets offset by its lean towards Europe and a strong euro. The fund's equity allocation managed to capture much of the rally in US technology names, where on the credit side, returns were led by our position in high yield bonds given heightened investor appetite for risk and limited issuance drove spreads increasingly tighter.

Market Outlook and Investment Strategy

Uncertainty over tariffs persists, with limited clarity around both final rates and potential carve-outs. President Trump's extension of the trade agreement deadline from 9 July to 1 August has done little to ease tensions, as it has been accompanied by increasingly aggressive rhetoric toward key trading partners. Notably, market reactions to renewed tariff threats from Trump have become more muted over time, suggesting that investors increasingly treat such announcements as opening bids in a broader negotiation process.

While this interpretation has largely proven correct to date, it does introduce the risk that markets may ultimately underestimate his willingness to implement significantly higher tariffs than currently expected. Our base case remains an effective tariff rate of 12%, but the balance of risks remains skewed to the upside.

Despite these uncertainties, we continue to see a low probability of a near-term US recession. Consumption remains resilient, supported by low energy prices - driven by expectations of rising global oil supply - and a stable labour market, which together provide a solid buffer against external shocks. We remain constructive on equities, with a focus on financials in Europe. Domestic demand trends, stable earnings, and supportive interest rate dynamics underpin our positioning, even as trade policy volatility creates headline risk.

Turning to bonds, we retain a preference for high yield over investment grade on valuation grounds. Spreads continue to narrow, although we recognise continued cyclical improvement, supported by lower yields, a strong labour market, and rising consumer confidence. Elsewhere, we own some non-traditional bonds including a position in Insurance Linked which offer an exceptional level of yield with lower interest rate sensitivity and remain highly attractive from a diversification standpoint.

Source: Schroder Investment Management Limited

Schroder Singapore Trust (SGD and USD)

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:

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.

Market Outlook and Investment Strategy

Within financials, we remain underweight the banks. While the current climate of higher rates should help support margins for banks, there are concerns on how a rate cut scenario coupled with tepid loan growth might impact earnings. There are also slight concerns over recessionary risks that could begin to impact credit cost expectations although asset quality trends thus far remain benign. Outside of banks, we have increased our exposure to SGX, a key overweight position for the fund. Its derivatives business should benefit from the increased market volatility while the recently announced domestic equity market reforms should be a further tailwind for the company. Within real estate, the big debate continues to revolve around where interest rates will land at by year end. Whilst there are growing expectations for Fed to cut rates in 2H25, we see that interest rates in Singapore have moved ahead of that expectations, and are now c. 2% lower than comparable US interest rates across the yield curve. This does point towards low funding costs for REITs going forward as they refinance their higher cost debt into more recent rate levels, but it will take time for the impact to be reflected in earnings numbers given the staggered nature of debt refinancing. Within the REITs space, we continue to have a strong preference for, and are overweight, industrial REITs with good exposure to domestic industrial properties as well as data centres. We believe that the shift in manufacturing patterns towards ASEAN will benefit Singapore, while continued growth in data centre demand given the growth in artificial intelligence computation requirements should keep rents firm.

Within telcos, we continue to be overweight Singtel as management's strategic plan to turn the business around is starting to bear fruit. Earnings growth is improving, driven by a combination of a tourism recovery as well as its their push to grow their technology services operations (through NCS) in the region. In addition, they have announced a new category of dividends, Value Realisation Dividend (VRD) , that will provide additional dividend payouts and return excess capital to investors, which in turn should help support valuations.

Within technology, we continue to maintain our off-benchmark exposure to Sea here. It remains the dominant platform company (including e-commerce/gaming) in the region and an ASEAN consumer proxy, while shares continue to trade at attractive valuation levels. Concerns around increased competition has abated somewhat as peers have raised take-rates in unison, which has flowed through to their bottom line. That said, any increase in the competitive environment remains the biggest concern and remains a key factor we are monitoring.

Within consumer discretionary, we continue to be underweight this sector, largely stemming from our nil position in Singapore Airlines (one of the fund's largest underweight) as we expect rising competition and higher fuel prices to weigh on earnings.

Within industrials, we continue to hold an overweight position in Yangzijiang Shipbuilding, a global leader and beneficiary of the fleet replacement cycle. We expect rising newbuild prices, a lack of shipbuilding capacity, and lower steel prices to allow the company to improve its margin and earnings profile. We continue to maintain our nil weight in Seatrium due to concerns around the pace of earnings recovery for the company.

For utilities, we are currently overweight here. For Keppel, we expect continued capital recycling by management to future growth businesses like fund management and data centre investments. We have further increased our overweight in Sembcorp Industries as we are largely past the company's weak earnings period. Management has been executing well in adding new renewable power capacity to their portfolio which should start contributing positively to earnings over the next two years.

In terms of other portfolio changes, we recently initiated a position in Grab as it continues to experience improving gross merchandise value (GMV) numbers and is also emerging as the main P2P ride hail operator in its markets. We also recently initiated a position in Keppel DC REIT on expectations that positive rent reversions from its domestic data centre business should continue to remain robust. Also within REITs, we continued to increase our position in Mapletree Pan Asian Commercial Trust given signs of stabilisation in the Hong Kong retail space while it should benefit from a lower interest rate environment. We added to our position in Hongkong Land as management is beginning to refocus on shareholder returns while upcoming asset divestments should further streamline the company's portfolio. We have trimmed our position in Yangzijiang Shipbuilding, reducing our exposure to cyclicals given a rising risk of recession on the back of trade tensions, as slower trade flows should reduce demand for new ships. We exited our position in Genting Singapore as given the increased uncertainty in the economic outlook which should weigh on discretionary spending.

If one was to come back from a 3-month hiatus from equity markets and saw that the Straits Times Index (STI) was up +1.8% for Q2 2025, the first impression would probably be that this has been quite a stable quarter for markets. However, this glosses over the fact that we saw a -14.6% drawdown in the STI from the end of March, to 9 April as markets digested the tariff impact from President Trump's 'Liberation Day' announcement. This was in turn superseded by an equally rapid +14.0% rebound in markets to the end of Apr'25, before settling to a +1.8% QoQ return for 2Q 2025.

As the world's largest consumer market, the impact of US tariffs on global trade and manufacturing demand will be significant, especially if they are imposed as per announced on 'Liberation Day'. However, markets have gradually come to realise that there is a large part of 'shock and awe' in the original announcement, and even with the latest iteration of new tariffs levels announced in July, President Trump has indicated that there remains some room for negotiations on rates before the proposed implementation date of 1 August.

From Singapore's perspective, we are less impacted by these tariff measures as we are one of the few countries in the Asia region that actually run a trade surplus with the US, hence putting us in the lowest tax bracket based on how the new tariff rates are being calculated. That said, being a trading hub for the region does mean that if there is a sharp slowdown in goods being shipped into US, Singapore will likely see a reduction of shipping activity and hence an economic slowdown.

Given this backdrop of potentially slower trade flows, it was therefore a positive surprise when Singapore reported advanced estimates of +4.3% GDP growth for 2Q25, which was faster than the +4.1% GDP growth registered in 1Q25, and ahead of consensus estimates. While this is an advanced estimate and subject to final confirmation, it does point towards relatively robust economic activity within Singapore. There is no doubt an element of 'pull forward' demand, as firms try to get ahead by shipping into the US before the full implementation of tariffs, hence MAS continue to expect 2025 GDP growth to be in the range of 0-2%. That said, with the robust growth seen in 1H25, we should see relatively stable employment demand for the near term. Another factor that has tilted in Singapore's favour, is the rapid shift in interest rate expectations. While US Fed continues to hold firm on rates for the year, with market expectations of cuts starting in September, interest rates in Singapore have moved ahead and fallen by c. 2% across the interest rate curve. This shift was not anticipated by the market at the start of the year, and if rates continue to stay depressed, that would have ramifications for earnings outlook for interest rate-sensitive stocks.

Considering the shift in the interest rate environment, and gradual clarity around how the tariff situation will unfold for Asean countries, we have made some shifts in the portfolio to adjust for these changes. We continue to take allocation out of the banks and rotate them into REITs, with the view that the lower interest rate environment will benefit REITs more. We continue to add to positions within the industrials and property names that would benefit from better clarity on Singapore's tariff position with the US, and have added to SGX as the increased volatility caused by the tariff measures is a positive contribution to its derivatives and equities trading platform due to the increased requirement for trading and hedges during Asian hours. Overall, the tariffs will likely strengthen the view that manufacturers will need to accelerate the build-out of their ex-China manufacturing capabilities to countries such as Singapore and we could see the continued growth of regional headquarters being rebased here. Outside of trade, the status of Singapore as a wealth management hub remains robust given existing infrastructure and connectivity advantages, which should allow it to benefit from the increasing flow of private wealth into the country. All things considered, we continue to see scope for well-run companies to outperform in this environment, and will look for opportunities to add to stocks that provide a good balance of asset quality and valuations when opportunities present themselves.

Source: Schroder Investment Management Limited