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HSBC Insurance Asia Equity Fund (SGD)

Investment and Market Review

The Asia Pacific ex Japan Equity High Dividend Equity Fund rose 14.69% (USD, gross) over the year as of Jun 30 2025, while its benchmark, MSCI AC Asia Pacific ex Japan Net rose 15.84% (USD, gross) over the same period. By geography, Singapore, Hong Kong SAR and mainland China were the best performing markets over the 1 year period driven by valuation expansions. Indonesia is the only lagging market with negative return across the period, primarily due to a prevailing sense of uncertainty rather than fundamental economic weaknesses. Investor sentiment remains cautious, impacting market performance despite the country's underlying economic potential. By sector Communication Services and Financials were the best performing sector while Energy and Materials were the worst performing sectors during the month.

Both sector allocation effect and security selection effect were negative during the period. India was the top contributor by geography driven by favorable security selection effect. Followed by Singapore as the second top contributor driven by favorable allocation effect (we were overweight). Mainland China was the biggest detractor driven by unfavorable security selection.

Financials was the top sector contributor driven by favorable security selection effect with our exposure in the India non-bank financials space. Materials was the second largest contributor driven by favorable allocation effect (we were underweight) and favorable security selection effect. Information Technology was the biggest sector detractor across the period driven by semiconductor cyclical correction in South Korea and Taiwan.

Market Outlook and Investment Strategy

While tariff policy uncertainty and the extent of the economic impact of elevated policy uncertainty are a headwind for Asian equity markets in the near term, it will be important for investors to watch how policy trends evolve as evident in the more constructive tariff backdrop since June:

- Valuation: 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.

- Earnings: Focus on sectors and companies that generate most of their revenue in their home markets with disruptions from global trade shocks still in play. Markets such as India, Indonesia and Philippines are considered more domestically oriented markets. Korea and Taiwan on the other hand are more exposed to global demand.

- Policy support: Tariff pressures could open the door for more domestic policy support. For example, India's RBI continued to support liquidity in the system.

The Asian high dividend strategy targets premium dividend yield and growth. We focus on companies with competitive business models resulting in strong balance sheets and the ability to generate free cash flow to reward shareholders through capital management (buybacks and/or dividends). The strategy is concentrated but maintains diversification through exposure to 3 buckets: (i) leading cyclical/value companies with scale/low-cost advantage, (ii) defensive companies preferably with catalysts, and (iii) net cash positive growth companies.

Source: HSBC Global Asset Management

HSBC Insurance Asia Focused Income Fund (SGD)

Investment and Market Review

The fund achieved a positive return over the 1-year period against a volatile market backdrop, mainly contributed by our position in our core Asian equities exposures. Our tactical trades into single Asian equity countries were mixed. Exposures to Singapore and Korea were additive, while this was offset by exposures to Taiwan and Japan. On the fixed income front, main contributors were Asian investment grade bonds, Asian local currency bonds and Asian high yield bonds. This was further supported by contributions from emerging market debt local currency bond.

Market Outlook and Investment Strategy

We expect falling inflation, resilient growth, and robust corporate profits to persist in 2025, allowing the global rate cutting cycle to continue. This supports our base case for a soft landing of the economy, with inflation stabilizing around 2% while economic growth is expected to stay positive, albeit below trend. Further US cuts are in likely in 2025, but policymakers are still in the “wait and see” mode and we expect some further gradual policy easing later this year. In China, officials have pledged a “more-proactive” macro policy - sign of stabilization of property market and expansionary policy- to rebalance the economy.

Global conditions are supportive of further market gains in 2025, but ultra-high policy uncertainty has started to pose potential growth headwinds and is likely to continue to translate to a more volatile market environment. A broadening of global growth gives neglected parts of global stock markets outside the US an opportunity to catch up. Europe and Emerging markets continue to trade at a valuation discount and have the potential to deliver strong returns. For emerging markets, the US dollar outlook is key: it is hard to forecast a materially weaker dollar in 2025, but a stronger dollar may not be guaranteed.

Source: HSBC Global Asset Management

HSBC Insurance Asian Bond Fund (SGD)

Investment and Market Review

Asian credit, represented by the JPM Asian Credit Index (JACI), returned -0.80% in December 2024. Of this, 0.46% was from carry, -1.28% was from duration and 0.02% was from credit. UST yields rose through the month as market expects less rate cuts in 2025.

The Federal Reserve (Fed) cut rates by 25 basis points but signaled a more cautious approach to rate cuts ahead. Persistent inflationary pressures continued to hinder the broader easing cycle that markets had been expecting.

In China, the Politburo meeting was held, which announced the need to implement more proactive fiscal policy and a moderately accommodative monetary policy, along with enriching the policy toolkit, boosting consumption and improving investment efficiency. Promoting technological innovation and stabilizing the real estate market are also top priorities. The Central Economic Work Conference followed the policy guidance set out in the Politburo meeting. Official targets for GDP growth and fiscal deficit will only be confirmed in March next year.

In South Korea, President Yoon Suk Yeol briefly imposed martial law, which was later rescinded, followed by his subsequent impeachment. While stable fundamentals are expected to continue supporting South Korean credits, domestic policy uncertainty now adds to the existing challenges in the external trade environment. Financial regulators have indicated their readiness to implement market stabilization measures if required.

In Frontiers, Moody’s upgraded Sri Lanka’s foreign currency issuer rating to ‘Caa1’ from ‘Ca,’ and Fitch raised its long-term foreign currency rating to 'CCC+' from 'restricted default,' reflecting progress after creditor approval of the country's $12.55 billion debt restructuring plan.

Asian credit, represented by the JPM Asian Credit Index (JACI), returned 3.69% in November 2023. Of this, +0.52% was from carry, +2.15% was from duration and +1.01% was from credit. Asian credit staged a comeback this month due to lower UST yields, news of Chinese policy support and general positive sentiment.

In terms of manufacturing activity, China’s manufacturing Purchasing Managers Index (PMI) slowed in December, though both the official and Caixin figures remained slightly above expansion territory at 50.1 and 50.5 respectively. Elsewhere, Japan, Taiwan, Indonesia and Thailand showed notable improvements in manufacturing performance. In terms of services, China’s Caixin General Services PMI rose to 52.2, up from 51.5 in November, marking the fastest expansion since May 2024.

On the local market front, the Reserve Bank of India (RBI) left rates unchanged at 6.5%, and the policy stance was left unchanged at “neutral”. Sanjay Malhotra was appointed as the new RBI governor, marking a shift in tone with an upcoming rate cut being increasingly likely. Bank Indonesia and Bank of Thailand maintained their policy rates as part of prioritizing currency stability for the former and preserving policy space for the latter. Bangko Sentral ng Pilipinas cut policy rate by 25 bps, though reiterating that any future monetary easing would be “measured” to ensure price stability.

Asia saw 2024 supply amount to around US$162 billion across IG and HY (a 51% year-on-year increase), and 2025 supply is forecasted to remain relatively flat at US$170 billion. The primary market slowed as we headed into the holiday season in December, but issuance is likely to pick up in January which is traditionally a busy month.

Fund Performance

In December, the BGF Asian Tiger Bond Fund (A2 shareclass) returned -1.07% net of fees while its benchmark, the JACI, returned -0.80%.

Active credit returns were close to flat relative to benchmark. Our largest contributors came from select positions in Sri Lanka, security selection in India HY, security selection in Indonesia HY and in Financials. Other notable contributors include off- benchmark Middle East and overweight in China HY Industrials.

On the other hand, select positions in Hong Kong IG detracted slightly due to idiosyncratic issuer news and developments. Other detractors include select positions in China property and underweight in Indonesia sovereigns.

Ex-ante credit beta remains stable at 1.06.

The fund added to select Australian names, off-benchmark middle east, select names in China TMT and smaller additions elsewhere.

On the flip side, reductions were made across credit hedges, off-benchmark convertible bonds, select positions in financials and smaller reductions elsewhere.

On the rates front, we added a small JPY short duration position and increased our USD duration slightly.

Market Outlook and Investment Strategy

USD Duration: Long

Hard Currency Credit:

• The fund has an IG-tilt with 60.7% in IG (including cash) as of end December and a BBB- average rating.

• APAC IG: This segment remains a resilient source of short-dated carry, has a strong presence of sovereign/quasi sovereign issuers, shorter duration than global IG counterparts and absorbable issuance pipeline. We are comfortable with some Indonesia renewable operators in the private utility space, select India names with dominant market positions and strong balance sheets that we expect should weather through near-term inflation and macro headwinds, and select Thai corporates names. We are underweight regions and sectors with tighter valuations.

• China: As of end December, ATBF has a 16.6% allocation to China - a 14.7% underweight compared to its benchmark. At the same time, we still find a number of attractive opportunities in China. The backdrop of (1) stable fundamentals for most of the Chinese companies, coupled with (2) the lack of issuance due to alternative funding channels onshore and (3) strong demand from Chinese investors is keeping volatility for large segments of the market low and the backdrop for Chinese fixed income favourable. In China offshore state-owned enterprises (SOEs), fundamentals are stable overall, and technical are strong due to limited supply and supportive onshore banks. While we are selectively positioned in some strategic SOEs, we have an underweight overall in the sector on the back of tight valuations. Within private-owned enterprises (POEs), we like the technology, media, and telecom sector due to improving credit trends and the sector remains strategic to China's national interests. Within financials, we find select attractive opportunities, reflecting a combination of systemic importance, strong shareholders, strong company fundamentals and event-driven trades. As for the China real estate sector, it is now an immaterial component of JACI (less than 2%).

• Non-China HY: In India HY, we like renewables, steel companies, infrastructure credits and select non-bank financing companies. There has been pickup in growth, improved access to domestic liquidity and stable credit profiles. In Indonesia HY, we like names in energy, renewables and real estate. Macau gaming is another interesting sector, which has been technically well-supported by the increase in travel, improving fundamentals, and stable credit profiles. We like select opportunities in Philippines, Hong Kong, Singapore (including in SGD), and smaller issuing countries on a name-by-name basis. For Frontier sovereigns such as Pakistan, Sri Lanka and Mongolia, we are selectively positioned with a focus on curve selection.

• APAC Financials: Asian financials' profitability has been improving due to the higher rates environment. Asset quality has not shown much deterioration from higher funding costs as economy recovery continues. We are currently underweight names with tighter valuations, mostly in China Hong Kong, and South Korea, but remain comfortable with the fundamentals in the sector overall. For example, Chinese asset management companies' systemic importance has been illustrated through Huarong's bailout led by Citic Group. Other financial holdings in countries such as Hong Kong, Malaysia and Thailand are mostly in top banks with good fundamentals and/or parental/ government support that would help them weather through macro uncertainty.

• Middle East, Japan and Australia: Off-benchmark allocation to Middle East USD credit provides attractive carry and limited supply risk. We have also built-up positioning in Japan, largely in short-dated financials with attractive carry and ESG profiles. We also have Australian bank positions with strong fundamentals, capitalization and profitability ratios.

Source: BlackRock (Luxembourg) S.A.

HSBC Insurance China Equity Fund (SGD)

Investment and Market Review

Chinese equities rose modestly during the quarter but underperformed other Asian markets in aggregate. They slumped early in the quarter as the US announced huge trade tariffs on Chinese imports into the US. However, they soon recovered as the US administration softened its stance and started trade negotiations. By the end of the period, a deal of sorts seemed to be close. The fund produced a positive return and outperformed the benchmark (MSCI China (NDR)) over the period.

At the sector level, stock selection had a positive effect, particularly in communication services and materials, which helped to offset weak returns in information technology. Sector allocation detracted mildly, largely due to the underweight positioning in financials. On a market basis, while selection was weak in China, the off-benchmark position in Hong Kong contributed strongly. Regarding stock contributors, the best relative performance came from positions in Shandong Gold Mining, Innovent Biologics and AIA Group. The greatest detractors were the underweight positions in China Construction Bank and Xiaomi, and the holding in Meituan.

We added to the holding in China Construction Bank owing to its high relative yield in a lowinterest rate environment. We bought shares in CSPC owing to its platform collaborations with multinational corporations, which should provide the basis for a potential re-rating, in our view. We also reduced the underweight exposure to PDD Holdings. − We sold shares in JD.com due to its heightened business risk from increasing competition. We exited the position in East Money Information because of the lack of catalysts resulting from the subdued environment in the onshore market. We also took profits in Innovent Biologics.

Market Outlook and Investment Strategy

The twists and turns in trade developments, tensions in the Middle East and the sharp reversal in the economic outlook for the US led to a very turbulent market in the second quarter.

Following the trade framework agreement signed in London in early June, further details of the bilateral deal between China and the US were discussed. These included an easing of Chinese rare earth exports and a relaxation by the US of certain technology restrictions. Trade negotiations appear to be positive so far, but the level of uncertainty remains high, and the negotiation process may extend beyond 90 days due to the complex trade relationship between China and the US. Tariffs have significantly raised volatility in markets and led to large swings in currencies and uncertainty about corporate strategies; they have also led to question marks over consumers' tolerance of higher tariff-driven costs and their potential preference for alternative products. In addition, they have lowered corporate and investor confidence globally and may continue to cause damage to markets for a prolonged period.

Domestically, the market anticipates additional pro-growth policies from the authorities to stimulate the subdued macroeconomic environment. However, expectations for the July politburo meeting remain low, as economic activity is expected to stay stable in the next quarter or two due to positive trade developments.

Sentiment towards China has improved this year due to advances in AI and electric vehicles, as well as government support for the private sector. However, gains may be limited to these areas until the broader economy and trade tensions stabilise later in the year.

Source: Schroder Investment Management Limited

HSBC Insurance Chinese Equity Fund (SGD)

Investment and Market Review

The Chinese Equity Fund rose 15.76% over the year as of Jun 30 2025 (SGD terms), while its benchmark, MSCI China 10/40 Net Total Return Index rose 26.31% (SGD terms) over the same period.

Market strongly rebounded after a package of policy stimulus measures that span across monetary policy, property and equity market cohorts released by the government in the last week of September. The release of DeepSeek-R1 in January boosted investor sentiment toward China's AI competency amid AI chips and technology exports restrictions from US. Although the Chinese Equity market plunged in early April amid larger-than-expected tariff hikes from the US on April 2 and China's retaliation, the market then recovered all the loss from the April 7 through on the signs of easing US-China tensions

Both sector allocation effect and security selection effect were negative during the period. Our defensive positioning in Energy, Telecom, Construction names and higher cash level dragged the relative performance the most in September. Our underweight position in Utilities and Energy contributed positively to the performance. The sectors lagged on style rotation out of defensive high yielders into cyclical beta plays. On the other side, our underweight position and unfavourable stock selection in Financials hurt our relative performance. Attractive dividend yields and rational policy combo have driven major banks' shares to all-time highs.

Market Outlook and Investment Strategy

Although China has been at the centre of the storm for US tariff, Chinese and Hong Kong equities market has shown strong resilience in the past few months. Uncertainty related to trade tensions has not gone away completely and may create some short-term volatility again when we are approaching to the end of the 90-day-tariff-reprieve in August. However, we believe Chinese government still has more room for stimulus policies if the negotiation between US and China does not go well.

Corporate earnings show signs of stabilization after 3.5 years of downward revision. Structural improvement of ROE, moderate policy support from the government, as well as new Tech leaders will help cushion better against macro shocks and provide better reasons for investors to commit longer-term than before.

We see opportunities in consumer sectors, especially those tied to the service economy, as they are well-positioned to benefit from the supportive policies on demand-side measures and from the potentially improving financial positions of local governments and sector fundamentals. TMT (telecom, media, and technology) is another sector to note as we expect earnings in selective subsegments may grow meaningfully this year due to technology advancement and further monetization enhancements.

Source: HSBC Global Asset Management

HSBC Insurance Emerging Markets Equity Fund (SGD)

Investment and Market Review

Emerging market (EM) equities, as measured by the MSCI EM Index, posted positive returns in June and outperformed developed markets (DM). Optimism about positive progress on trade talks between the US and China proved to be supportive, while the softer US dollar was also beneficial for EM. Although tensions in the Middle East ratcheted up, the response from markets was relatively muted.

Korea was the top-performing index market by far. After months of political instability, sentiment improved as Democrat Party candidate Lee Jae-myung claimed a conclusive victory in the country's presidential election. Taiwan was strong as it continued to benefit from renewed investor optimism about AI. Brazil outperformed amid a stronger local currency against the dollar and hopes that the current tightening cycle was at an end. Both China and India produced positive returns but lagged the index, while Thailand and Indonesia fell in US dollar terms.

The fund produced a positive return but underperformed the MSCI EM Index in the month. Country allocation had a positive effect, with the underweight to Saudi Arabia proving to be beneficial. The fund's cash position weighed as markets rose. Stock selection, however, detracted from returns. It was weakest in China (overweight Trip.com), while it also had a negative effect in India (overweight Bajaj Finance). Conversely, selection contributed positively in Taiwan (overweight Delta Electronics).

Market Outlook and Investment Strategy

While trade tensions between the US and China appear to have de-escalated following the temporary trade deal reached in May, global markets have already recovered, pricing in much of the rationalisation in trade policy. Ongoing policy uncertainty and volatility will negatively affect global growth, which is likely to be further impacted by a slowdown in global trade.

The Chinese authorities have several tools at their disposal to support the economy and to partly mitigate the impact from trade tariffs. Further policy action could drive improved market performance but is likely to continue to be incremental and reactive. Near term, the key risks for EM continue to be the policy uncertainty associated with the Trump administration, policy developments in China and the outlook for AI demand. Geopolitics is a further area to monitor, both in terms of US-China trade relations and the conflicts in Ukraine and the Middle East.

More positively, the trend of a weaker dollar appears to be well set. The US has large twin deficits, a richly valued currency, and policy uncertainty has resulted in less appetite for dollar assets. This is a clear medium-term positive for EM, although well-known in markets. Headline EM valuations appear more in line with their own history while EM's trade at a discount relative to DM across most valuation metrics.

Source: Schroder Investment Management Limited

HSBC Insurance Ethical Global Equity Fund (SGD)

Investment and Market Review

The second quarter of 2025 began with US President Donald Trump's early April announcement of "reciprocal" tariffs that were more severe than expected, leading to significant financial market volatility. However, global trade tensions subsequently eased as the United States delayed planned tariff hikes, reducing investor fears of a global recession. The onset of the Israel-Iran conflict in mid-June had minimal impact on global equity markets, although oil price volatility briefly rose due to concerns of a broadening conflict. Against this backdrop, the MSCI All Country World Index (MSCI ACWI) of stocks generated positive returns in US-dollar terms as nine out of the 11 global equity sectors advanced, led by the information technology (IT), communication services and industrials sectors. Emerging market equities outperformed developed market equities, while global growth stocks outperformed global value stocks.

For the quarter, the fund's A (acc) USD shares returned 10.12%, and its benchmark, the MSCI AC World Islamic Index-NR, returned 12.31%.

The fund underperformed its benchmark in the second quarter of 2025, when stock selection in the IT, consumer discretionary and health care sectors hurt relative returns, offsetting strong contributions from stock selection in the industrials sector. Specifically, our underweight position in Microsoft—which is capped at around 10% of portfolio weighting in compliance with Luxembourg fund rules, versus the benchmark's 16%—again accounted for the bulk of performance detraction, in relative terms. The fund was, however, ahead of its benchmark in June, benefitting from stock selection in the industrials sector. Geographically, Japan was the top-contributing market while the United Kingdom detracted, both in the second quarter and in June.

The second quarter of 2025 was marked by heightened concerns over aggressive US tariff policies, global trade disruption and economic headwinds. In response, we have prioritised risk/reward optimisations during the period, rotating capital out of positions with greater vulnerability to tariff impact or weaker investment theses. Positions that were closed as a result included Stellantis, Albemarle, ExxonMobil, INPEX and Orsted. This in turn gave us the flexibility to selectively add new ideas to the portfolio, such as

Ferguson Enterprises, ASM International and ConocoPhillips. As it is, the portfolio maintains diversified exposures across value, quality and growth stocks, focusing on companies with strong earnings power and profitability, healthy balance sheets and free cash flow growth, as well as favourable shareholder returns. This should give us the resilience to weather external risks without sacrificing growth and return potential, as market and economic conditions continue to evolve.

In attribution terms, the main detracting stocks were Kenvue from the consumer staples sector, as well as ICON and AstraZeneca from the health care sector, in addition to Microsoft. Health care stocks have generally underperformed so far this year due mainly to policy scares. The Trump administration is pushing for several measures that may cut Medicaid spending and lower drug prices in the United States. These changes may affect the outlook of health care services providers and pharmaceutical companies, with potential downstream impact across the broader health care sector. We have yet to see the full details of these policy changes and we think it is premature to make drastic changes to our health care portfolio. At this stage, we stay invested for the sector's defensive growth characteristics, and we are comfortable with the fact that our holdings have strong fundamentals, especially cash flow generation. Meanwhile, we stay invested in consumer health giant Kenvue but have reduced the position on the back of its year-to-date performance. Other detractors included JD.com and BP. We have also trimmed JD.com but the position in BP was expanded in May, reflecting our belief that its share-price underperformance presents potentially significant shareholder value opportunities as its strategic initiatives are gradually realised to support long-term earnings delivery.

On the side of contributors, top 10 holdings IHI Corporation and Micron Technology were accretive to relative performance. IHI, which is also the fund's top-contributing stock over the year-to-date period, is a compelling discounted asset idea with a structurally growing aerospace and defence business portfolio, based on our research. Improving capital allocation discipline and a large Tokyo real estate portfolio that can be divested to unlock shareholder value further enhance IHI's investment case. At the country level, Japan has also consistently topped the contributing markets for the portfolio so far this year. Our conviction in Japan remains firm—the market offers considerable ROE (return-on-equity) enhancement potential as corporate governance reforms continue unabated. Economic and monetary policy normalisation provides the additional tailwinds. In addition to IHI, Toyota Industries and Ebara Corporation—both also among the strongest contributors of the second quarter—are similarly well-aligned with our thesis on Japan. In the IT sector, all four of our semiconductor holdings outperformed, including Micron Technology and newly initiated ASM International. ASM International is a specialised provider of wafer fab equipment (WFE) critical to semiconductor production. Based on our research, the company commands a wide technological moat versus peers and is a key beneficiary of the structural growth in the WFE market, where spending may hit US$160 billion by 2030.

Market Outlook and Investment Strategy

The relative underperformance of the second quarter belied what has been a rewarding first half of 2025 for the fund. Facing heightened volatility caused by investor concerns over US tariffs, economic recession and geopolitical conflicts, the fund outperformed its benchmark over the six-month period ended June 2025. With year-to-date relative returns of 135 basis points, the A (acc) USD share class of the fund now sits in the first quartile among its Morningstar peer group. In our view, this marks an ongoing turnaround for the fund, as its transition from a deep-value tilt to a fully diversified investment approach over the past three years continues to bear fruit. Entering the second half of 2025, we aim to stay the course, leveraging on a balanced strategy that is able to compound long-term returns for our clients through complementary sources of alpha generation, including value, quality, growth, discounted asset and cash flow stocks, based on Templeton's proprietary "Types of Value" framework. Amid the ebb and flow of market rotations, shifting narratives and evolving macroeconomic conditions, a diversified investment framework like ours should offer a surer path to risk-adjusted returns, in our view.

At the same time, we believe that the macro outlook has not changed materially since April. Global trade risks persist as the deadline for the 90-day pause on the "liberation day" tariffs came and went, with the trade talks only having limited progress to show for. Trump is now threatening countries with higher tariffs unless they can reach trade agreements with the US before a new August deadline. Meanwhile, Trump's signature

"One Big Beautiful Bill" has raised concerns surrounding long-term fiscal sustainability, putting the US dollar under pressure. Collectively, these factors have likely resulted in lower earnings growth for the second quarter, with the S&P 500 companies expected to see just 4% of earnings growth compared to 12% in the first quarter, based on analyst estimates.

We are keenly aware of the fact that stock valuations have gained globally against this uncertain backdrop. A "risk-on" approach is thus inadvisable at this juncture, in our view, and we will move forward with a prudent stance that entails diligence in risk/reward optimisation. In recent weeks, we have continued to rightsize positions, cutting our cyclical risk exposure while realising profit where appropriate. This gave us a cash holding of almost 6% as of end-June 2025. In some cases, we have rotated capital to ideas that command a higher research conviction or greater valuation upside. For example, in the energy sector, we have consolidated our exposure to BP, Shell and newly added ConocoPhillips. US-based ConocoPhillips is a global leader in energy exploration and production (E&P). In our view, it is the "go-to" E&P company that stands out with significant scale advantage over its peers and underappreciated long-term free cash flow growth potential. We have also adjusted our industrials sector exposure by decreasing allocations on several outperformers in Japan while initiating a new position in Ferguson Enterprises. We believe the US-based building products distributor is a high-quality compounder with a leading market position, track record of winning market shares through accretive acquisitions, and potential to return to stronger organic growth over the medium term on the back of sustained contributions from non-residential mega projects.

As always, these decisions are closely guided by our valuation discipline, as well as expertise in bottom-up fundamentals research and stock selection. Identifying and investing in a diverse range of companies that are mispriced relative to their intrinsic worth—in terms of earnings power, balance sheet quality and shareholder returns, among other factors—remains a top priority, for both new additions and position adjustments. In fact, our approach should prove all the more pertinent in these uncertain times, as we are likely to gravitate towards companies that are by nature more resilient against macro headwinds and external policy risks. The recent addition of Nike to the portfolio is an example here. While we acknowledge the macroeconomic challenges facing consumer discretionary companies, we think Nike is fundamentally a great company and a great brand grappling with temporary issues. A significant scale advantage over competitors and a renewed focus on product innovations are some of the factors supporting the long-term outlook and valuation upside of this sports footwear giant. We are ready to stay the course and act on further opportunities as they emerge, particularly if market volatility returns and valuations become more appealing. However, as mentioned, this will be balanced with caution as market and policy conditions remain very much in flux. Further allocations will be made selectively and only on the best-in-class ideas, in terms of valuations relative to fundamentals. Short of that, we will stay patient and may maintain a slightly higher level of cash holding, enhancing our defensive cushion against external uncertainties.

Source: Franklin Templeton

HSBC Insurance Ethical Global Sukuk Fund (SGD)

Investment and Market Review

Global aggregate bond indexes registered positive total returns in US-dollar terms over the second quarter of 2025. The US Federal Reserve

(Fed) maintained its target range for the federal funds rate at 4.25%–4.25% over the period, signalling a data-dependent approach in response to the tariff-related turmoil in the aftermath of "liberation day." Headline-related US policy risks magnified the lack of clarity about the growth and inflation outlook, with June's Fed meeting resulting in updated forecasts that suggested widening divisions between policymakers on the Fed rate path. The European Central Bank reduced interest rates by 50 basis points to 2.00% during the period. Policy easing was driven by a significant repricing in the euro since early March, tighter financing conditions and lower energy prices. Against this backdrop, the Sukuk market was also up.

For the quarter, the fund's A (acc) USD shares returned 1.59%, and its benchmark, the Dow Jones Sukuk Index, returned 1.64%.

In the second quarter of 2025, the fund's asset allocation curbed results, primarily through an underweight exposure to sovereigns, an overweight position in corporate financials and an off-benchmark allocation to treasuries. Conversely, a lack of exposure to supranationals added value.

Its currency positioning held back fund returns, owing to an exposure to the Turkish lira. However, the fund's exposures to the Malaysian ringgit and Singapore dollar lifted results.

Security selection contributed to the fund's performance, notably in sovereigns (the Maldives, Egypt and Indonesia), quasi-sovereigns (Mamoura) and financials (Al Miyar Capital, which provides exposure to long-term US rates).

Market Outlook and Investment Strategy

Geopolitical and economic events are unfolding at a rapid pace. Our and the markets' assessments of risks to growth and inflation are under constant review and are creating a material increase in volatility, which we expect to persist over the next few quarters.

While credit (and equity) markets have broadly recovered from the uncertainty associated with recent US policy making, we remain acutely aware of the persistence weaker US-dollar exchange rates and still-fragile demand for long-dated US Treasury bonds.

Valuations, therefore, still favour benchmark rates over credit spreads, and our outlook continues to support an increase in defensive allocations to higher-quality fixed income sectors—such as global Sukuk.

Source: Franklin Templeton

HSBC Insurance Europe Dynamic Equity Fund (SGD and USD)

Investment and Market Review

Not holding the global leader in luxury goods, contributed over the quarter. The company faced a challenging period with a 3% detraction in first quarter 2025 revenue, notably a 5% detraction in its core Fashion & Leather division, driven by weaker Chinese demand and geopolitical uncertainties.

Not holding the global biopharmaceutical company, contributed to returns over the quarter. Despite a 10% revenue growth in the first quarter of 2025, the company reported a 2% sales miss in oncology and Pulmicort due to Medicare Part D redesign and China generics. Additionally, the company navigated ongoing investigations in China, adding uncertainty to its market position.

An overweight position in Shell, the UK-based global oil & gas company, detracted from relative returns. Despite reporting a strong set of first quarter results which exceeded consensus expectations, macroeconomic uncertainties created by tariffs and concerns about over supply led oil prices lower, which weighed on share price performance.

An overweight position in Zalando, the German online fashion retailer, detracted from relative returns. First-quarter results announced at the beginning of May exceeded analysts' expectations on both sales and margins. However, later in the quarter, brokers trimmed earnings estimates, citing slightly softer app traffic, weaker second-quarter demand and increased marketing spend

Market Outlook and Investment Strategy

We are currently most overweight in consumer discretionary distribution & retail and energy. The largest underweight positions are in capital goods and household & personal products.

We added Safran, the French-listed aerospace and defence company to the portfolio. First-quarter results exceeded expectations on sales, driven by excellent performance in the propulsion division. A robust installed base for the CFM 56 and LEAP engines offers visible and predictable earnings growth in the forthcoming years, while management continues to return capital to shareholders through dividends and share buybacks.

We sold out a Dutch-listed payments company. The company announced first-quarter results which were broadly in line with expectations. In the absence of upward revisions to consensus forecasts and with the stock trading at a price-to-earnings ratio exceeding 40 times, we felt there were more compelling opportunities elsewhere.

The rise in military expenditures across Europe, along with substantial financial backing in Germany, is expected to enhance economic growth in the euro area during 2025 and 2026.

Additional factors contributing to this growth include inflation stabilising around the 2% target and the European Central Bank's interest rate reduction cycle nearing its conclusion.

Evolving dynamics in politics, technology and structural changes across industries will require careful navigation and underscore the importance of company-level analysis and stock selection in maneuvering the current market environment.

Source: J.P. Morgan Asset Management

HSBC Insurance Global Bond Fund (SGD)

Investment and Market Review

Global government bond yields generally ended the month 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. A US-brokered ceasefire saw oil prices retrace lower. Government bond yields moderated in unison as concerns subsided that elevated oil prices could stoke inflation. The Federal Reserve (Fed) kept policy rates on hold at 4.25%-4.50%. The latest Summary of Economic Projections (SEP) indicated that the median Federal Open Market Committee (FOMC) member expects two 25-basis-point (bp) cuts by the end of 2025, and one further cut in 2026. May inflation data proved slightly weaker than expected. This, combined with a downward revision to 1Q25 gross domestic product (GDP), saw US Treasury (UST) yields fall and investors discount additional easing from the Fed. As of month end, markets expected 67 bps of policy rate cuts by year end, up from 55 bps at the beginning of the month.

The European Central Bank (ECB) cut its policy rates by 25 bps, taking the deposit facility rate to 2.00%. ECB President Christine Lagarde reiterated that the central bank was "in a good position" in the fight against inflation but did not indicate this would be the end of its rate-cutting cycle. One further 25-bp cut is discounted for December, to 1.75%. German Chancellor Friedrich Merz's cabinet approved the German government's 2025 fiscal budget. The plans include a €46 billion tax break package as well as a commitment to increase defence spending to 3.5% of GDP by 2029. The announcement was accompanied by an increase in expected debt issuance to €118.5 billion during 3Q25; €19 billion higher than the original forecast last December. This saw German bund yields rise and underperform their global counterparts. Country-level preliminary June inflation data across the eurozone was generally in line with expectations.

The Bank of England (BoE) kept Bank Rate at 4.25%, however, three members voted to reduce the policy rate, versus the two expected. This follows weak growth and labour market data released earlier in the month and as services inflation slowed more than expected, leading to investors discounting 22 bps of cuts at the next BoE policy meeting in August.

The Bank of Japan (BoJ) kept policy rates on hold but announced it would slow the reduction of its bond purchases. BoJ Governor Kazuo Ueda suggested that more progress was needed before inflation expectations were anchored at 2%. The Japan Ministry of Finance (MoF) announced it would reduce long-term Japanese government bond (JGB) debt issuance in favour of shorter maturities. This follows a sharp steepening of the local yield curve as the BoJ is reducing its bond purchases. This helped to contain the rise in long-dated JGBs. In Norway, the Norges Bank unexpectedly began its monetary easy cycle by cutting its policy rate by 25 bps to 4.25%, citing that inflation had slowed sufficiently to warrant gradual easing of monetary policy. Local Norwegian government bond yields fell, outperforming their core European counterparts.

The US and China agreed on details of a trade framework that would ease restrictions on US tech and on Chinese rare earth exports. Local emerging market (EM) government bond yields generally ended the month lower, following their US counterparts. The Mexican central bank eased monetary policy by 50 bps, but adjustments to its statement suggested that future cuts could be of a smaller magnitude. The Brazilian central bank hiked its policy rate by 25 bps and indicated that it expects to hold the rate steady while it monitors the full impact of its more restrictive policy.

Global corporate bond spreads narrowed in June. Sentiment was buoyed by easing geopolitical tensions in the Middle East, as well as some positive developments on trade talks in advance of the tariff pause ending. The US dollar weakened, driven by the easing of geopolitical tensions at the end of the month, an increase in the number of policy rate cuts expected from the Fed by year end, and the relative slowing of the US economy versus the rest of the world, particularly Europe. The Japanese yen also weakened as the BoJ looked to be more cautious in tightening monetary policy.

The overweight to UK and Norwegian duration added to returns. The overweight to local currency Mexican government bonds added to returns and the overweight to US agency mortgage-backed securities also added to returns. An overweight to the Polish zloty added to returns. This was offset by an underweight British pound exposure which detracted.

Market Outlook and Investment Strategy

During the month, the portfolio manager closed the overweight to Australian duration and reduced the overweight to core European duration.

US government policy has caused severe volatility in fixed-income markets over the last several months. Global growth is expected to slow given heightened unpredictability but should remain positive. US growth is downshifting due to a myriad of factors including tariff uncertainty, waning benefits from immigration and reduced government spending in recent years. A significant fiscal boost from European defence and German infrastructure spending should support eurozone growth and provide relief from tariff-related uncertainty. Deflationary pressures in China persist and confidence is weak amid property market concerns, but sentiment is improving with fiscal stimulus and policy easing. Overall monetary policy remains restrictive, and we believe that central banks will continue to cut rates. The Fed remains well positioned to provide support if the US economy falters. Public debt levels continue to rise and yield curves may steepen further given concerns over fiscal policies. 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 and the UK. While fundamentals remain positive, spreads are at the tight end of historical ranges in some sectors and warrant caution. We will continue to look for further periods of volatility to add to spread risk.

Source: Franklin Templeton

HSBC Insurance Global Emerging Markets Bond Fund (SGD and USD)

Investment and Market Review

The primary contributors to performance over the month were the overweight exposure to Ecuadorian sovereign debt, security selection within Mexican quasi-sovereign debt, and the tactical exposure to EM FX. The overweight exposure to Ecuadorian sovereign debt contributed to performance, as spreads tightened amid growing optimism that the IMF program will remain on track and Ecuador could re-enter the bond markets in 2026. Security selection within Mexican quasi-sovereign debt contributed to performance, driven by positioning in select electricity and oil and gas quasi-sovereign issuers. The tactical exposure to EM FX such as the Nigerian Naira and the Egyptian Pound contributed to performance, as the currencies continue to have positive carry.

Detractors from performance included the underweight exposure to EM spreads, overweight exposure to Senegalese sovereign debt, and the exposure to Brazilian corporate debt. The underweight exposure to EM spreads detracted from performance, as spreads tightened in line with broader risk-on market sentiment. The overweight exposure to Senegalese sovereign debt detracted from performance, as spreads widened following sharp upward revisions to the country's 2024 government debt to GDP ratio and fiscal deficit. The exposure to Brazilian corporate debt detracted from performance, as a select off-benchmark corporate issuer underperformed the sovereign debt.

Market Outlook and Investment Strategy

We remain excited about the opportunity set in emerging markets, which we believe has the potential to materially outperform developed markets credit. Despite ongoing tariff noise, EM sovereign balance sheets remain resilient – characterized by healthy growth differentials, easing monetary policy, and more disciplined fiscal policy – and we expect zero sovereign defaults for the remainder of 2025. President Trump's increasingly interventionist policy stance is prompting investors to rethink and "risk manage" future US portfolio flows – an adjustment that is already beginning to benefit EM asset returns and attract renewed interest. That said, key headwinds remain around tariff uncertainty and ongoing geopolitical tensions in the Middle East.

While the implied probability of a US recession has declined, signs of softness are emerging across US hard data, keeping both domestic growth and geopolitical risks front of mind for investors. In this context, an orderly evolution of global events – particularly around trade and capital flows – should help sustain a weaker US dollar. EM has benefited from this dynamic, among other non-US assets, as investors diversify away from the US and seek exposure to regions with stronger starting conditions. Many EM countries entered this phase with tight monetary policy, healthy sovereign balance sheets, and no major external imbalances.

The recent tariff shock has had a disinflationary effect for the rest of the world, giving EM central banks room to shift their focus toward supporting growth. With inflation remaining subdued, many EM currencies appreciating versus the US dollar, and global growth moderating, EM central banks have been able to cut rates further. Currently, 60% of major EM economies are easing policy, up from 28% before Liberation Day, highlighting a broad-based shift in policy stance. We believe this marks the beginning of a potentially virtuous, multi-year cycle in which central banks can lower rates and prioritize growth over inflation.

Looking ahead, idiosyncratic factors are likely to become more prominent in 2H25 and into 2026, particularly as a busy electoral calendar unfolds and once the winners and losers of the new global order become clearer. In the meantime, we have already seen positive political developments in countries like Romania (with the win of an anti-corruption candidate) and Bulgaria (which is on the cusp of Eurozone accession). These dynamics bolster the case for solid returns.

Against this backdrop, we remain focused on maintaining high overall portfolio quality, with ample liquidity to take advantage of potential dislocations in a more volatile environment, as well as new issue concessions in the primary market.

Source: PIMCO

HSBC Insurance Global Emerging Markets Equity Fund (SGD and USD)

Investment and Market Review

The JPMorgan Funds – Emerging Markets Equity Fund underperformed the benchmark in June. Stock selection in IT and India contributed to returns. This was partially offset by stock selection in China and financials.

Stock selection in China detracted largely driven by holdings in Midea and Trip.com as well as not owning Xiaomi. In the cases of Midea, the recall of a popular air conditioning unit manufactured by the company negatively impacted sentiment. Meanwhile, Trip.com faced short term headwinds from domestic competition. For Xiaomi, the company has again surprised the market with exceptionally strong demand (300,000+ in 3 days) for its new YU7 EV which has seen the shares rise further.

Stock selection in financials hindered performance with Bank Central Asia and Bank Rakyat Indonesia leading detractors. While there are tentative signs of an improvement in credit demand in Indonesia, shar prices more recently have been negatively impacted by slower fiscal spending and tight domestic liquidity where the latter will likely weigh on interest margins in the short term. Banks have also been cautioning on asset quality; a further headwind. This was partially offset by NU Holdings, which outperformed after industry reporting during the month indicated improving loan growth for the bank in Brazil.

Stock selection in information technology, especially South Korea, contributed to performance. SK Hynix's leadership in the high bandwidth memory segment, a critical technology in the age of AI has driven strong performance recently. Outside of Korea, Delta Electronics and Wiwynn also aided in performance.

Stock selection in India aided performance, with Max healthcare a top contributor to returns. Results for the hospital operator have remained strong, with aggressive expansion plans playing off as revenues grows and occupancy rates remain high. Shriram Finance also contributed positively in June.

Underweight exposure to Saudi Arabia contributed. While oil prices spiked in June following the US attack on Iran's nuclear facilities, they quickly fell back after Iran's limited response and OPEC+'s announcement of a further increase in supply.

Consumer, financial and technology stocks each represent about one quarter of the portfolio. North Asian technology is benefitting from the start of a new, AI driven cycle. We see an attractive combination of growth and value in parts of the semiconductor supply chain. Banks and consumer companies should benefit, as central banks begin to ease rates and support credit and consumption growth.

Market Outlook and Investment Strategy

Reciprocal tariffs present a significant headwind to global growth which will have ongoing implications for US deficits and therefore on the trajectory of the USD, global trade and emerging markets. Recession risks have clearly rise, making data points even more important and keeping volatility elevated.

Until the trajectory of growth and inflation in DM economies becomes clearer, much anticipated interest rates cuts from relatively high levels for EM are likely to be delayed. While tariffs are negative across the board, economies such as China, India and Brazil with large internal markets could be more defensive and are likely better placed to provide domestic stimulus.

Smaller markets which have been beneficiaries of China +1 investment are likely to go through a period of significant adjustment. Latin America and EMEA, particular in financials and consumer related sectors have attractive domestic growth opportunities, where further lowering of interest rates could provide a much needed catalyst.

After a period of consolidation India and having laid the foundations of macro durability over the last decade, looks ready to embark on the next phase of its expansion. Earnings expectations for 2025 are now mid-single digit growth, down from low double digit growth expected previously, but given increased uncertainty may yet be revised lower.

Source: J.P. Morgan Asset Management

HSBC Insurance Global Equity Fund (SGD)

Investment and Market Review

Global equity markets advanced in June, overcoming mid-month volatility driven by geopolitical tensions in the Middle East. The fund outperformed the MSCI World index over the period. Drivers of fund performance

Holdings in communication services, consumer discretionary, and industrials added value, while those in healthcare and information technology weighed on returns. By region, allocations to North America, the emerging markets, and Pacific ex-Japan contributed most to returns. Communication services holdings, Netflix, Spotify, and Meta were among the top performers. Technology holdings KLA, Arista Networks, and TSMC also contributed positively. Nvidia, Haleon, and Visa were among the biggest individual detractors. Our zero-weight allocations to Oracle and Amazon were a headwind over the period.

Market Outlook and Investment Strategy

Our outlook, while broadly unchanged, remains under constant review given the potential for US trade policies to undermine global growth and negatively impact business confidence and consumer sentiment.

The short-term and long-term effects of these measures are uncertain, and markets dislike unpredictability, but we are already seeing downgrades to global growth estimates as companies delay capital investment plans and consumer spending slows in light of increased uncertainty and adverse near-term implications of Trump's proposals. There is likely to be continued volatility in the near1term, which may create shorter-term dislocations and opportunities as an active manager.

Source: Schroder Investment Management Limited

HSBC Insurance Global Equity Volatility Focused Fund (SGD and USD)

Investment and Market Review

Global equities rose in the review period driven by strong performance in the third quarter of 2024 and the second quarter of 2025. In Q3'24, global equities finished on a high after having experienced a roller coaster ride. US equities finished the quarter with strong returns as optimistic jobless claims data calmed markets, further bolstered by the Fed's decisive 50bp rate cut. In Q2'25, global equities also performed strongly and presented double-digit returns, a notable recovery after the sharp drop following 'Liberation Day'. The more defensive stocks showed resilience during the increased volatility.

The fund underperformed its market cap weighted index over the review period. While Styles weighed on performance, our country allocation contributed to performance. In terms of Styles, within alpha factors, our exposure to Industry Momentum contributed to performance the most amidst a continued high-interest rate environment. Our exposures to Low Risk, Quality, Value and Size detracted from performance.

On a country basis, our overweight allocations to United Arab Emirates, mainland China and Spain contributed to performance. Conversely, our overweight allocations to India and South Korea coupled with our underweight exposure to United States weighed on performance.

On a stock level basis, our overweight allocations to Xiaomi, Banco Santander and Gilead Sciences contributed to performance. Conversely, our underweight exposures to Broadcom and Meta Platforms A coupled with our overweight allocation to Regeneron Pharms weighed on performance.

Market Outlook and Investment Strategy

The HSBC GIF Global Equity Volatility Focused Fund's investment strategy follows a proprietary systematic investment process which focuses on risk premia offered by exposure to factors like Value, Quality, Momentum, Low Risk, and Size. The portfolio construction process seeks to maximize the Fund's risk-adjusted return while reducing volatility and drawdowns during periods of market turbulence.

Looking ahead, The Fed is in "wait and see" mode. We expect some further gradual policy easing later this year, as rising growth concerns offset inflation worries. The ECB policy rate should move into accommodative territory. Growth concerns, benign inflation, and recent USD softness aid the case for more monetary easing and fiscal support in EM Asia, but policymakers are likely to remain agile and cautious. Further targeted policy support is expected in China, though the US-China trade truce eases growth concerns. Our house view for equities is that Investors need to follow "New Rules" in an investment landscape defined by an end of US exceptionalism and volatile market narratives – with growth cooling, equity performance broadening out, and a weaker dollar. A defensive approach to managing equities, if properly built and well-diversified, is designed to weather this uncertainty and limit the downside while providing upside equity market returns.

Source: HSBC Global Asset Management

HSBC Insurance 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 across all asset classes with EM the best performing segment followed by Euro Credit and while Securitized Credit lagged was somewhat weaker.

H2 of 2024 saw a combination of weaker economic data and a more dovish Fed tone in July giving way to a shift in sentiment in August, as risk assets sold off while treasury yields moved lower as a weaker than expected jobs report sparked worries about the strength of the economy and the potential for a more serious recession. Q4 saw rates jump as markets reacted to solid US economic data as well as risks associated with the US elections while risk assets rallied post-election. Risk assets sold off in December as markets reacted to weaker US data, higher rates, and a more hawkish Fed tone. 2025 began with markets focusing on weaker marco economic data and concerns around an economic slowdown. Market volatility increased late March and early April predominantly as a result of the Trump administrations Tariff announcements. Market sentiment changed however mid-April as tariff implementation was paused with a number of countries leading to a recovery in risk assets and ultimately a rally through the end of June.

The US treasury curve steepened over the period. The 2, 5, 10 and 30 year saw yields move by -1.03%, -0.58%, -0.17% and +0.22% respectively to finish June at 3.72%, 3.80%, 4.23% and 4.77%.

Market Outlook and Investment Strategy

Following a month that saw markets buoyed by moderating inflation and a more dovish Fed outlook despite escalating tensions in the Middle East and continuing tariff announcements, investors seem be looking though some of the noise resulting in a more positive market sentiment. May CPI report showed little evidence of tariff driven inflation with markets now pricing an additional rate cut over the next 12 months. Corporate credit still looks sound fundamentally, but corporate earnings have been more mixed resulting from the increased uncertainty causing downward revisions to forward guidance. Global Credit yields remain at attractive levels, above historical averages, which should continue to be positive for demand while a seasonal slowdown in issuance is also expected to be supportive over the summer months. Although we have turned less defensive in the short term, we remain positioned with a relatively neutral bias focusing on portfolio carry and ready to take advantage of market weakness to add risk selectively between regions, sectors and issuers based on their fundamentals and relative value.

In global cross-over portfolios, we remain somewhat neutral having incrementally reduced our underweight to HY while also favoring Euro Credit over the US. From a sector perspective we continue to hold an overweight to financials particularly in developed market credit. Generally, we are favoring non cyclicals and, in the US, more domestic focused sectors such as telecoms while remaining more cautious on industrials and consumer related sectors. Duration is slightly long vs the investment universe with a small steepener.

Source: HSBC Global Asset Management

HSBC Insurance Global Multi-Asset Fund (SGD)

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. Drivers of Fund Performance

Against this constructive backdrop, risk assets were the largest contributor to returns, led by equities and high yield bonds. Our core growth and income strategy captured much of the rally in US mega-cap technology companies, which continue to recover from falls earlier in the year. Our position in US banks was also additive. Turning to bonds, European high yield made a meaningful contribution, as did US high yield where the combination of strong investor demand and limited new bond issuance drove spreads tighter over the month. Finally, positive performance in emerging market debt local was also additive and was supported by healthy domestic macroeconomic factors, stable inflation and appealing valuations.

We increased equity exposure over the month, adding to US banks which should benefit from Trump’s deregulation agenda, alongside the tailwind of higher rates. This was funded in part by a reduction to infrastructure held within our alternative’s allocation. Within fixed income, we shifted some investment grade exposure to high yield on valuation grounds. The remainder of the portfolio was broadly stable over the month.

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 both the US and 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. We retain a diversified exposure in credit, including positions in European high yield and Australian investment grade, which offer similar level of yield with slightly higher quality and lower interest rate sensitivity.

Source: Schroder Investment Management Limited

HSBC Insurance Global Sustainable Equity Portfolio Fund (SGD and USD)

<u>Investment and Market Review</u>

Despite an eruption of geopolitical tensions and conflict in the Middle East, global equity markets ended 2Q:25 on a high as the post–Liberation Day rally continued. US markets remained at the forefront as investors were encouraged by the more tempered approach to trade policy by President Donald Trump's administration and rising optimism over the resumption of Federal Reserve rate cuts later this year. In stark contrast to 1Q:25, increasing optimism drove US equities to record highs in the quarter. Global equities, as measured by the MSCI1 All Country World Index2 (ACWI), increased 4.5% in June and 11.5% for 2Q:25, bringing returns for the year to date to 10.1%, in US-dollar terms. US equities climbed higher in 2Q:25 but it wasn't a smooth ride. The tariffs announced early in the quarter on Liberation Day were more aggressive than many had expected and caused a strong sell-off. A calendar week after the initial tariffs were enacted, a 90- day pause was subsequently announced by the US, leading to a broad sharp rebound in equities. This strong performance came in spite of obstacles including rising long-term interest rates in the US, and uncertainty over the legislative outcome of Trump's One Big, Beautiful Bill that outlines future tax and spending policies. Strong returns were also supported by investors' continued enthusiasm for growth and technology stocks as well as a robust 1Q:25 earnings season, which saw nearly 80% of S&P 5003 firms beat analyst estimates and earnings growth overall exceeded 13%. Outside of the US, European markets had a turbulent start to the period prompted by US tariff announcements. This was followed by robust recovery during the rest of the quarter. Despite lingering uncertainties over US policy and escalating conflict in the Middle East, markets across the region gained stability, supported by strong corporate earnings and central bank easing. In Asian markets, the same story repeated, which saw the markets responding to trade and tariff developments from across the region, but between China and the US in particular. Despite volatility, the majority of countries posted strong gains, in part driven by technology heavy markets.

Class A shares of the AB Sustainable Global Thematic Portfolio increased in absolute terms and outperformed the MSCI ACWI during the quarter, though they underperformed the Benchmark for the year to date, net of fees. During the quarter, both security and sector selection contributed to relative returns. Security selection within energy and an overweight to technology contributed the most, while selection in financials and an overweight to healthcare detracted. Our sole traditional energy holding Cameco was the top contributor to performance during 2Q:25. The Canadian uranium fuel producer benefited from positive US energy policy tailwinds and increased demand for nuclear energy, specifically. Higher demand for uranium and higher pricing also buoyed the stock. As one of the only uranium suppliers globally with spare capacity, Cameco is well positioned to address incremental nuclear fuel demand over the next decade driven by the need for more zero-carbon power to meet rising electricity demand. The firm had strong earnings results during the quarter, confirming the favorable backdrop. Outsourced manufacturing firm Flex contributed, continuing to produce strong earnings growth. Shares rallied due to its exposure to both AI and power tailwinds, as well as the benefits of nearshoring trends. Since the Liberation Day tariff announcements, the firm has received significant inbound call volume from customers looking to make supply chain adjustments and leverage the company’s significant US and Mexico manufacturing footprint. On the AI and power side, Flex produces products covering 80% of data centers’ needs in these applications and its continued capacity expansion efforts enable it to capture further demand going forward. MercadoLibre, Latin America's largest e-commerce and fintech platform, contributed during the quarter. MercadoLibre released a strong earnings report highlighting growth ahead of estimates in its e-commerce business. Similarly, the fintech business surprised to the upside with higher-than-expected growth and margins. Fiserv, a global fintech company that enables secure money movement and payment processing worldwide, detracted over the quarter. Clover, the firm’s point-of-sale platform, posted flat volumes—falling short of market expectations after an overly optimistic recovery outlook. We anticipate Fiserv will capture US merchant share, supporting future performance. Two of our top detractors during the quarter were healthcare names, Becton Dickinson and Alcon. Becton Dickinson continued to be pressured by several ongoing headwinds, including policy and funding uncertainty. Government funding cuts and pricing challenges in China put pressure on the life sciences company during 2Q:25. Meanwhile, Becton Dickinson’s planned divestiture of its life sciences division may serve as a positive catalyst for the stock. Alcon is a vision and eye specialist that develops and manufactures surgical equipment and related eye care products. The company declined after it announced relatively weak quarterly results amid macro pressures. However, Alcon has visible product launches across its portfolio and received FDA approval for its new eye drug during the quarter.

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

While short-term geopolitical and macroeconomic challenges have increased near-term uncertainty, the Portfolio is anchored in themes driven by long-term secular trends rather than cyclical fluctuations. These themes continue to demonstrate fundamental resilience, delivering earnings growth that consistently outpaces the broader market. Frustratingly, so far this year, three key uncertainties—tariffs, US Federal Reserve rate cuts, and potential impacts on earnings or guidance—have weighed on relative performance. Encouragingly, these headwinds are beginning to ease, allowing company fundamentals to come back into focus. In early 2025, markets reacted broadly and indiscriminately, as investors lacked clarity on how these uncertainties would affect business performance. However, as earnings season unfolded in April and May, reports from our Portfolio holdings in aggregate reinforced the durability of key thematic tailwinds and the fundamental strength of the Portfolio’s companies. This served as a tangible catalyst that started the Portfolio’s reevaluation higher. We see further room to run in this regard. As the uncertainties continue to fade, there are clear catalysts for unlocking the Portfolio’s relative value. In the meantime, we remain focused on our core strengths: identifying secular growth themes, investing in quality businesses and maintaining disciplined portfolio management.

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

HSBC Insurance India Equity Fund (SGD and USD)

Investment and Market Review

The Indian Equity Fund rose 4.39% (USD, gross) over the year as of Jun 30 2025, while its benchmark, S&P India rose 1.85% (USD, gross) over the same period. The index return underperformed the rest of the geographies in Asia. Positive performance drivers include a de-escalation of India-Pakistan cross border tensions, supportive foreign institutional inflows, and a revival in macro momentum. However, 4Q24 earnings season remained tepid while the 90-day US China tariff truce benefited export-oriented countries more. Valuation (MSCI India) has recovered to 26.7x P/E (end June 2025) and is no longer cheap – however 4Q24 earnings season has concluded with over half of MSCI companies reported to have beat consensus amidst lowered expectations.

Security selection effect was positive, though this was partially detracted by sector allocation effect during the period. Financials was the top sector contributor driven by favorable security selection effect, our diverse exposure in the sector includes private sector banks, non-bank financial companies (exchanges, online insurance platform), as well as structural domestic plays in asset management companies with beta. Favorable stock selection effect in Industrials also contributed to the performance. However, unfavorable stock selection effect in Consumer Staples was the biggest detractor to the performance. Materials is the second biggest detractor to the performance driven by allocation effect.

Market Outlook and Investment Strategy

Earnings growth and improving ROE profile would be the primary driver to returns, and on this we the earnings cycle, which has been underway since 2H24, has been stabilizing (albeit with lower expectations). We expect earnings growth from FY26 driven by favourable base effect, a pick-up in government capex along with strong rural growth. We remain positive in the medium to long term structural growth story in India driven by themes such as favorable demographics and improving per capita income, supply chain diversification led manufacturing and capex boom, as well as already implemented reforms that are working through the economy. The improvement of the balance sheet strength of Indian corporates and the much-improved health of the banking system is another advantage.

The fund employs a well-defined bottom-up investment process to identify businesses capable of earning a return above their cost of capital over full business cycle and are available at reasonable valuations. The bottom-up analysis will entail evaluating companies based on durable competitive advantage, stable earnings, free cash flow generation potential and return on capital higher than cost of capital. Management quality, positive ESG factors and regulatory environment are also important considerations. Various valuation methods are used, and they depend upon nature of the business/sectors.

Source: HSBC Global Asset Management

HSBC Insurance Pacific Equity Fund (SGD and USD)

Investment and Market Review

Asian markets posted decent gains over the review period. Initially, sentiment was guided by the US Federal Reserve's (Fed) dovish policy shift, which supported share prices but also triggered volatility as investors adjusted their expectations. Meanwhile, China's assertive stimulus package in September lifted the mainland market, which had struggled to make meaningful progress due to weak economic momentum and a lack of investor confidence.

Elsewhere, the artificial intelligence (AI)-driven strength in technology stocks boosted markets, particularly in Taiwan, and offset worries about the potential impact of US tariffs. Investors were also worried about the possibility of the Fed slowing its pace of interest rate cuts and the Middle East conflict.

As we entered 2025, such concerns persisted, with volatility peaking in February, when a new low-cost Chinese AI model, DeepSeek, took the world by surprise and led to market swings as investors scrambled to adjust expectations around AI, datacentre capex and technology hardware demand.

Towards the end of the period, stock markets fell sharply after US President Donald Trump imposed unprecedented tariffs globally. Thereafter, most markets recovered, supported by a 90-day pause on the implementation of tariffs. As the US appeared to make progress in trade deals with several countries, including China, risk appetite re-emerged in equity markets.

Turning to performance, the Fund returned 3.27% in Singapore dollar terms, underperforming the benchmark index by 561 basis points. Our exposure to China proved to be the most significant detractor from performance, along with Australia and the non-benchmark allocation to the Netherlands, albeit the losses were mitigated by positive contributions from Korea and Singapore.

In China, the DeepSeek announcement drove a spike in AI-related stocks. There were two key groups of beneficiaries, given how DeepSeek could fundamentally change the entire domestic tech landscape by boosting demand and the use of both domestic tech hardware and software through efficiency gains. The first group included companies with cloud businesses like Alibaba and Tencent, while the second group comprised domestic software firms that would most likely benefit from greater growth and usage of their apps.

The Fund's exposure to Alibaba detracted significantly from performance, given that its share price spiked by more than 50% over the first quarter of 2025. To place our Alibaba positioning in context, we had exited Alibaba in late 2024 despite its cheap valuations because of our growing concerns over its struggling e-commerce business, which was losing market share to rivals such as PDD. More recently, Alibaba 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 thematic also buoyed Tencent, a core Fund holding, which has the second-largest cloud business in the country behind Alibaba. Its social media business holds tremendous potential to continue benefitting from the deployment of AI models. Tencent was among the largest contributors to relative performance. We also saw solid performance from China

Merchants Bank (CMB), which reported better-than-expected quarterly results. However, these gains were offset by the impact of being underweight Alibaba and not holding other stocks, such as Xiaomi, that were also seen as AI beneficiaries.

Elsewhere, our lack of exposure to National Australia Bank and the underweight to Commonwealth Bank of Australia proved costly, as the banking sector was perceived as a safe haven compared to many emerging Asian markets amid global market volatility.

Our holdings in the Netherlands, semiconductor and semiconductor equipment companies ASML and ASM International, proved unhelpful. Both companies were hurt by concerns about delays in Nvidia's new Blackwell chips, the impact of export controls and a potential peak in the semiconductor cycle. We exited these two positions over the period.

Mitigating the losses was the strength in South Korea. Following the extreme market volatility caused by domestic political turmoil in December, Korean stocks rebounded on optimism over growing political certainty, and the new government’s economic policies and market reform measures. HD Korea Shipbuilding was a key contributor, as it rode on the strength of the current global shipbuilding cycle. Samsung Fire & Marine performed strongly as it announced a clear value-up programme and is therefore viewed as a key beneficiary of the country’s drive to bolster valuation multiples and returns of the domestic stock market though a greater focus on initiatives like capital management. Hyundai Electric was additive, benefitting from the strong demand for high-voltage direct current (HVDC) transformers amid tight supply. Memory chip maker SK Hynix did well, too, amid the continued robust demand for its high bandwidth memory (HBM) chips used in applications such as high performance computing (HPC) and data centres, Nvidia’s graphics processing units and Gen-AI large language models.

In Singapore, Singapore Technologies Engineering (STE) was among the top contributors after its fourth-quarter results met expectations, and overall sentiment was positive on the company’s diversification efforts. It secured new contracts worth about S$4.4 billion in early 2025. STE also paid a higher total dividend for 2025 and announced a pay-out of a third of its year-on-year increase in net profit as incremental dividends under a new dividend policy, effective from financial year 2026. DBS Bank was another outperformer. Its second-quarter results were the best out of the three leading local banks, with DBS’s performance driven by a stable net interest margin, strong fees and resilient asset quality. The outlook was also positive, with expectations of mid-to-high single-digit full-year profit growth.

Turning to portfolio activity, we maintained our discipline around earnings and cash flow visibility in terms of key trades.

Regarding our China exposure, we derisked the export-sensitive portion heading into 2025 due to US tariff risks. Subsequently, we started adding back to our exposure, but we have been extremely discriminating in selecting pockets of opportunity where we are seeing a recovery and assessing our top-ups on a stock-by-stock fundamental basis. We have focused on domestically oriented companies that are starting to stabilise after undergoing an earnings revision cycle, as well as segments of the economy, such as consumer-related ones, that stand to benefit from potential stimulus, which is likely to be consumption-focused. Here, our initiations included CMB, the highest-quality lender on the mainland, JD.com, a leading online retailer reaping the benefits of its asset investments in logistics; Meituan, which operates a super app that caters to a wide range of consumer lifestyle needs, especially in food delivery; Midea, a leading home appliance group in China; and Yili, a leading local dairy player.

Elsewhere, we retain our favourable view of India, which is a high-conviction market for us. We further increased our exposure to the country, where we have found quality companies that are well-placed to capitalise on a favourable economic and policy backdrop. Among the new holdings were Cholamandalam Investment and Finance Company (CIFC), a high-quality lender in India's informal lending segment that is well-positioned to benefit from improved liquidity conditions and mid-sized, niche information technology services company Coforge with deep domain expertise in banking and financial services, insurance, travel, transport and hospitality, enabling it to go head-to-head with Tier-1 players. Fortis Healthcare was added given its solid core hospital business and compelling valuations relative to the rest of the sector. Info Edge (India) is one of the strongest domestic internet companies, while NTPC is a state-owned energy enterprise with a clear pipeline of both thermal and renewable energy projects. Phoenix Mills, a leading retail-led developer and operator across the country, has quality malls in top-tier and state capital cities as well as a good pipeline. Torrent Pharmaceutical focuses on branded generic drugs and generates most of its revenue in India, Brazil, Germany and the US, with India being the largest market.

In Taiwan, we invested in Chroma ATE, a strong player that excels in the core power testing industry with high entry barriers; Hon Hai Precision Industry, a key beneficiary of rising AI server demand; MediaTek, a fabless semiconductor company that is the market leader in innovative systems-on-chip products and offers an appealing dividend income story; and Taiwan Mobile, the second largest telco by size in the country, given its defensive attributes that can lend resilience in the current uncertain economic backdrop.

In South Korea, we added Hyundai Electric, a provider of power systems required within the electricity grid for power generation, transmission and transformation, and Samsung Fire and Marine Insurance, which is the highest-quality domestic insurer.

Conversely, we exited Advanced Info Service, Anta Sports, Ayala Land, Budweiser APAC, Delta Electronics, Godrej Properties, Hindustan Unilever, Infosys, Larsen & Toubro, Mahindra & Mahindra, Mirvac, Netease, OCBC, Sands China, Sungrow Power Supply, Ultratech Cement, Woodside Energy and Yageo, given better opportunities elsewhere.

Market Outlook and Investment Strategy

Considering the ongoing uncertainty, we remain vigilant in identifying opportunities across Asian equity markets. We continue to assess the implications of evolving tariff dynamics and potential shifts in monetary policy, while carefully managing growth exposures within our regional portfolios. 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-placed to demonstrate resilience, particularly in the face of heightened volatility and macroeconomic uncertainty.

Source: abrdn Asia Limited.

HSBC Insurance Premium Balanced Fund (SGD)

Investment and Market Review

iFAST-DWS Premier Select Trust's current investment strategy is to invest into 2 ETFs i.e more than 70% of its net asset value into the Xtrackers II Singapore Government Bond UCITS ETF ("SGB-ETF") and less than 30% into the Xtrackers MSCI World UCITS ETF ("MSCI ETF").

By investing into SGB-ETF, the Trust aims track the performance (before fees and expenses) of the underlying reference index (i.e. the FTSE Singapore Government Bond Index) which represents the performance of fixed-rate, local currency sovereign debt issued by the Singapore government.

Similarly, by investing into MSCI-ETF, the Trust aims to track the performance (before fees and expenses) of the underlying reference index (i.e. the MSCI Total Return Net World Index) which was designed to reflect the performance of the shares of certain companies in various developed countries. The companies making up the MSCI Total Return Net World Index are large and medium sized companies based on the combined value of a company's readily available shares as compared to other companies.

Market Outlook and Investment Strategy

Although the intention is to maintain the above asset allocations, we intend to adopt a static allocation of the Trust's investments in each of the underlying ETFs and will re-adjust the investments at least on a semi-annual basis.

As of 30 June 2025, the Trust as is 71.17% invested into SGB-ETF and 28.62% invested into MSCI ETF.

Source: iFAST Financial Pte Ltd

HSBC Insurance Singapore Bond Fund (SGD)

Investment and Market Review

Singapore's economy demonstrated resilience and adaptability amidst varying global economic conditions during the period. In Q3 2024, the economy grew year-on-year, driven primarily by robust performances in the manufacturing, wholesale trade, and finance & insurance sectors. This quarter also saw a decline in unemployment rates and retrenchments, indicating a strengthening labour market. The Consumer Price Index-All Items (CPI-All Items) rose year-on-year, a moderation from the previous quarter's increase, reflecting a stabilizing inflation environment. Moving into Q4 2024, the economy expanded year-on-year and slightly down from the previous quarter's growth. While most sectors experienced growth, retail trade, administrative & support services, and food & beverage services faced contractions. The wholesale trade, manufacturing, and finance & insurance sectors continued to be the main contributors to economic growth. The unemployment rate remained stable, and the CPI-All Items increased year-on-year, further moderating from Q3. In Q1 2025, the economy grew year-on-year, with the same key sectors driving growth. However, there was a slight uptick in unemployment rates, despite a reduction in retrenchments. Inflation pressures eased, with the CPI-All Items rising year-on-year but at a smaller magnitude compared to the preceding quarter. April saw steady headline inflation, while core inflation surprised to the upside, mainly boosted by the jump in health insurance and water prices. In May, both year-on-year headline inflation and core inflation were slightly down from previous prints. Throughout this period, the Monetary Authority of Singapore (MAS) responded to economic conditions by easing monetary policy twice, in January and April 2025, by reducing the slope of the Singapore Dollar Nominal Effective Exchange Rate (SGDNEER) policy band. Meanwhile, the Singapore sovereign yield curve shifted lower during the period.

Market Outlook and Investment Strategy

Singapore Government Securities (SGS) have continued their outperformance against US Treasuries. With their AAA rating, SGD are well-positioned to remain stable despite rising US yields, especially in the absence of fiscal concerns, and potential benefits from safe-haven flows. Based on Monetary Authority of Singapore (MAS)'s recent downward revisions to growth and inflation forecasts for 2025 amid a highly uncertain global landscape, there may still be room for additional easing if economic conditions deteriorate further. However, the recent oil price fluctuations have made the decision between holding or cutting rates more balanced, where MAS could keep policy settings unchanged in the upcoming meeting if oil prices continue to surge higher. We will keep a close eye on the next CPI report, oil prices, growth trends and tariff developments.

Additionally, the MAS has indicated that outstanding SGS are expected to grow at a slightly faster rate in 2025 compared to 2024. The supply outlook remains favourable for SGS, as MAS can adjust the issuance sizes of each bond based on current market demand and liquidity conditions. In the medium-term, we expect SGD yields to move lower due to MAS policy easing and continue to track US Treasury yields closely, albeit with relatively greater stability.

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 June, we have remained overweight in SGD bonds, while turned underweight in Asia USD bonds as we took a more defensive stance. From a sectoral standpoint, the fund prefers corporates over sovereigns and agency bonds. The fund has a major allocation to Singapore REITs for their stable income. We also favour bank subordinated debt such as those from Europe, North America and broader Asia Pacific region given their relatively defensive nature and attractive yields. Also, the fund overweight Japan and Hong Kong financials sectors. Moreover, it holds a certain exposure to high quality quasi-sovereign names in Singapore for yield carry.

Source: HSBC Global Asset Management

HSBC Insurance Singapore Equity Fund (SGD)

Investment and Market Review

Singapore stocks gained ground in Q2 2025, with the Straits Times Index adding 1.88% in SGD terms. A strong showing from telecommunications (+11.37%), industrials (+7.16%), and utilities (+10.80%) supported index performance, while a weak showing in financials (-0.67%) offset this to some degree.

Headline and core inflation for May came in line with market expectations at 0.8% and 0.6% y/y respectively. Industrial production for May grew 3.9% y/y (April: 5.6%), coming in above market expectations. All sectors with the exception of electronics registered a higher pace of growth over the month. Non-oil domestic exports (NODX) dipped 3.5% y/y in May (April: 12.4%), below market expectations as electronics growth slowed while non-electronics exports recorded a contraction.

In Q2 2025, the fund outperformed the index (based on A Dis share class), as positive stock selection within financials and positive allocation to telecoms and utilities (both overweight) contributed value. This was partially offset by weak stock selection within real estate.

Key contributors

Within telecommunications, our overweight position in Singtel (+11.37%) outperformed on expectations of an improvement in market dynamics in the Australian market, while a positive earnings read-through from its associates supported the share price. It also announced higher capital returns (through a higher declared dividend and a buyback programme) which was a positive surprise for the market

Within financials, our overweight position in SGX (+11.99%) also did well given the stock's defensive nature while it was also seen as a direct beneficiary of elevated market volatility and more recently a government-led initiates to encourage offshore capital to increase domestic equity investments. Market expectations for a robust set of H2 FY2025 results also boosted the share price. Within utilities, our overweight position in Keppel (+10.69%) was another key contributor, with the market ascribing an acceleration in asset monetisation (particularly from its real estate and telecom assets) which could potentially drive higher capital returns.

Key detractors

Within real estate, our overweight position in Mapletree Logistics Trust (-8.35%) was a key detractor from relative performance as continued pressure on its China logistics operations weighed on the share price. Our underweight position in Hongkong Land (+26.56%) also detracted value after shares surged on expectations for greater shareholder returns, while lower domestic interest rates were also expected to benefit property names. Within consumer staples, our overweight position in First Resources (-12.35%) did poorly as market concerns over a potential slowdown in consumption on the back of ongoing trade tariffs impacted sentiment on the stock.

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 1 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

HSBC Insurance US Equity Portfolio Fund (SGD and USD)

Investment and Market Review

US equities presented a double-digit return in the review period, making gains in almost every quarter of the past 12 months to June'25, except in Q1'25 when US equities finished slightly below the line. Particularly strong performance was recorded in Q2'25, for US equities, which was a notable recovery after the sharp drop following the 'Liberation Day'. Large caps outperformed small caps, and cyclicals (tech, comm services and industrials) outperformed defensive sectors (health care and consumer staples).

Over the 12-months rolling to June 2025, the HGIF Economic Scale US Equity fund rose significantly. Although the fund does not have an official reference benchmark, when comparing to the S&P 500 Index, the fund underperformed the index. While the effect from sector allocation was broadly neutral, our stock selection weighed on relative performance. On a sector basis, our overweight allocations to Industrials, Financials and Consumer Discretionary contributed to performance. Conversely, our overweight allocations to Energy, Materials and Consumer Staples weighed on performance. In terms of stock positions, our underweight exposure to Apple Inc (Information Technology) coupled with our overweight allocations to Lumen Technologies Inc (Communication Services) and Walmart Inc (Consumer Staples) contributed to performance. Conversely, our underweight exposures to Nvidia Corp (Information Technology), Broadcom Inc (Information Technology) and Meta Platforms Inc-Class A (Communication Services) weighed on performance.

Market Outlook and Investment Strategy

HSBC Economic Scale strategy aims to outperform the market cap index in the long run by using an alternatively weighting scheme which uses the contribution to Gross National Product (GNP). The chosen fundamental measure to weight stocks is "Value added". It is the difference between a company's output (sales) and inputs (its purchases of goods and services from other businesses). It is an intuitive measure generally less affected by accounting standards than many other metrics and is also less affected by economic cycles. The strategy displays tempered Value and Small cap biases compared to a market capitalisation weighting scheme, which tends to have implicit large cap and momentum biases.

Looking at the outlook, as US exceptionalism fades, a regime of G-zero economics is emerging – characterised by a fragmentation of global leadership, along with supply shocks, constrained growth, and high and volatile inflation. Our base case is that tariffs settle close to current levels, but with high policy uncertainty risking a sharper downturn and elevated market volatility. Our house view for equities is that investors need to follow "New Rules" in an investment landscape defined by an end of US exceptionalism and volatile market narratives – with growth cooling, equity performance broadening out, and a weaker dollar. Earnings growth expectations in the US have weakened, with some firms reluctant to issue forward guidance. Risks to the growth outlook include trade policy uncertainty, threats to tech sector dominance, and weaker consumer confidence. Looser fiscal policy, tax cuts and deregulation could be supportive. Rich valuations can also make prices vulnerable to disappointment.

Source: HSBC Global Asset Management

HSBC Insurance US Opportunities Equity Fund (SGD)

Investment and Market Review

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.

For the quarter, the fund's A (acc) USD shares returned 16.63%, and its benchmark, the Russell 3000 Growth Index, returned 17.55%.

The fund outperformed the broader Standard & Poor's 500 Index, which returned 10.94% for the quarter.

The fund modestly lagged the Russell 3000 Growth Index benchmark in the second quarter of 2025 but outperformed the broader S&P 500 Index as the equity market rallied strongly. In the health care sector, the shares of UnitedHealth Group declined in the face of several negative headlines about the health insurer. Among them were the resignation of the company's chief executive officer, the company's decision to withdraw its 2025 outlook and the ongoing investigation by the US Department of Justice into its billing practices. We eliminated our exposure to the company and focused on higher-conviction opportunities in health care that, in our analysis, have clear drivers of growth and less regulatory risk.

Within the information technology (IT) sector, a lower allocation to high-performing NVIDIA shares limited our participation in the stock's appreciation and affected relative returns. NVIDIA reported robust earnings and provided optimistic forward guidance, driven by sustained demand for artificial intelligence (AI). Our strategy maintains broad exposure to AI-related capital expenditures, data centre infrastructure, semiconductors and other beneficiaries within the AI ecosystem.

In contrast, the communication services sector benefitted from a position in Roblox. The online gaming platform reported increased user engagement and revenue growth in the first quarter of 2025. Stronger bookings, sustained cost management and the integration of AI into its platform contributed to market share gains for the company.

Market Outlook and Investment Strategy

While we expect tariff policy to return to the headlines in the coming months and potentially cause near-term disruptions, we expect that the ultimate outcome on the tariff front is likely to be much less severe than feared. We are hopeful that during the second half of the year, financial markets can focus on the potential long-term structural benefits of a Trump 2.0 policy agenda as the recently passed One Big Beautiful Bill is enacted, which we believe should stimulate economic growth through tax reform and deregulation.

While the current environment remains dynamic, active management allows us to pursue alpha by taking advantage of market volatility as a chance to initiate or increase positions in what we believe are high-quality businesses. These businesses have strong balance sheets and market-leading competitive positions, and they are levered to durable secular growth themes.

We continue to have a positive outlook on the IT sector, seeing innovation and growth accelerating. As companies adopt AI in their efforts to lower costs and increase productivity, we believe the growth and profit opportunity is likely to expand. We see significant opportunity for industrials sector companies fuelled by trends that include the reshoring of US manufacturing, electrification and meaningful infrastructure investment. Our outlook for health care remains bullish, even as the sector has struggled in recent years. Wide-ranging innovations (e.g., genomics, robotics, personalised medicine) and meaningful demographic shifts support our conviction that health care offers a distinct combination of growth and stability.

The fund is a high-conviction strategy focused on investing in leading US growth companies across the market-cap spectrum. We apply a disciplined bottom-up fundamental approach—supported by over 30 analysts—that emphasises high-quality franchise businesses with competitive advantages and the ability to generate sustainable above-market earnings and cash flow growth over a three-to-five-year horizon.

Source: Franklin Templeton

HSBC Insurance World Selection 1 Fund (SGD and USD)

Investment and Market Review

During the last year, risky assets continued to gain, despite significant volatility under the surface. In particular, the first half of 2025 was marked by an increase in policy uncertainty and market volatility. Despite this, global markets continued to post positive returns across most asset classes, driven by stable economic growth, falling inflation and robust corporate earnings. Global equities delivered 16.7% in the period, with strong performance across Europe ex UK and UK, as well as Emerging markets, all supported by a move away from US equities in the first part of 2025. Overall, the start of 2025 saw the US Dollar also weaken significantly relative to other DM currencies, further supporting ex US gains. Global bonds have also delivered positive returns, with price gains supported by episodes of risk-off sentiment, and further rate cuts in Europe and 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 next 6 months we anticipate global asset markets to be driven by three key themes, we have positioned our portfolios to capture these opportunities.

Defensive balance: Trade policy remains uncertain, but the latest moves from retaliation to negotiations has been welcomed by markets. Positive sentiment has also picked up, with improvement in economic outlook in the near term, supported by resilient economic data. While the long-term impact remains to be seen, we expect short-term market uncertainty to persist. We therefore maintain a neutral stance in equities and prefer duration.

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 remain diversified and selective on where we take risk, with a focus on positions that can benefit from cyclical economic strength, resilience, and attractive valuations. Regionally, we prefer Emerging markets, UK equities. We are tilted away from the Japanese market.

Selective cyclical strength: Within Europe, we continue to like Spain, European banks. We also prefer German mid-caps, which are domestically focused and should benefit more directly from the fiscal stimulus. Within US, we continue to like Communication Services and have also added US Tech and US Financials. Within Emerging markets, we added a new position in Korean equities, where post-election momentum persists and valuations remain relatively attractive, with corporates able to benefit from policy reform. We also like Mexican equities, where we see a favourable domestic backdrop for investments and growth.

Navigating the rate cycle: We continue to favour government bonds exposure, via US Treasuries, UK Gilts given attractive value and their defensive properties in case of equity market falls. We also remain focused on relative value opportunities based on price attractiveness, economic data indicators and central bank policies in different regions (e.g long Australian short Korean bonds).

Source: HSBC Global Asset Management

HSBC Insurance World Selection 2 Fund (SGD and USD)

Investment and Market Review

During the last year, risky assets continued to gain, despite significant volatility under the surface. In particular, the first half of 2025 was marked by an increase in policy uncertainty and market volatility. Despite this, global markets continued to post positive returns across most asset classes, driven by stable economic growth, falling inflation and robust corporate earnings. Global equities delivered 16.7% in the period, with strong performance across Europe ex UK and UK, as well as Emerging markets, all supported by a move away from US equities in the first part of 2025. Overall, the start of 2025 saw the US Dollar also weaken significantly relative to other DM currencies, further supporting ex US gains. Global bonds have also delivered positive returns, with price gains supported by episodes of risk-off sentiment, and further rate cuts in Europe and UK.

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Market Outlook and Investment Strategy

Over the next 6 months 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 remain diversified and selective on where we take risk, with a focus on positions that can benefit from cyclical economic strength, resilience, and attractive valuations. Regionally, we prefer Emerging markets, UK equities. We are tilted away from the Japanese market.

Selective cyclical strength: Within Europe, we continue to like Spain, European banks. We also prefer German mid-caps, which are domestically focused and should benefit more directly from the fiscal stimulus. Within US, we continue to like Communication Services and have also added US Tech and US Financials. Within Emerging markets, we added a new position in Korean equities, where post-election momentum persists and valuations remain relatively attractive, with corporates able to benefit from policy reform. We also like Mexican equities, where we see a favourable domestic backdrop for investments and growth.

Navigating the rate cycle: We continue to favour government bonds exposure, via US Treasuries, UK Gilts given attractive value and their defensive properties in case of equity market falls. We also remain focused on relative value opportunities based on price attractiveness, economic data indicators and central bank policies in different regions (e.g long Australian short Korean bonds).

Source: HSBC Global Asset Management

HSBC Insurance World Selection 3 Fund (SGD and USD)

Investment and Market Review

During the last year, risky assets continued to gain, despite significant volatility under the surface. In particular, the first half of 2025 was marked by an increase in policy uncertainty and market volatility. Despite this, global markets continued to post positive returns across most asset classes, driven by stable economic growth, falling inflation and robust corporate earnings. Global equities delivered 16.7% in the period, with strong performance across Europe ex UK and UK, as well as Emerging markets, all supported by a move away from US equities in the first part of 2025. Overall, the start of 2025 saw the US Dollar also weaken significantly relative to other DM currencies, further supporting ex US gains. Global bonds have also delivered positive returns, with price gains supported by episodes of risk-off sentiment, and further rate cuts in Europe and 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 next 6 months we anticipate global asset markets to be driven by three key themes, we have positioned our portfolios to capture these opportunities.

Defensive balance: Trade policy remains uncertain, but the latest moves from retaliation to negotiations has been welcomed by markets. Positive sentiment has also picked up, with improvement in economic outlook in the near term, supported by resilient economic data. While the long-term impact remains to be seen, we expect short-term market uncertainty to persist. We therefore maintain a neutral stance in equities and prefer duration.

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 remain diversified and selective on where we take risk, with a focus on positions that can benefit from cyclical economic strength, resilience, and attractive valuations. Regionally, we prefer Emerging markets, UK equities. We are tilted away from the Japanese market.

Selective cyclical strength: Within Europe, we continue to like Spain, European banks. We also prefer German mid-caps, which are domestically focused and should benefit more directly from the fiscal stimulus. Within US, we continue to like Communication Services and have also added US Tech and US Financials. Within Emerging markets, we added a new position in Korean equities, where post-election momentum persists and valuations remain relatively attractive, with corporates able to benefit from policy reform. We also like Mexican equities, where we see a favourable domestic backdrop for investments and growth.

Navigating the rate cycle: We continue to favour government bonds exposure, via US Treasuries, UK Gilts given attractive value and their defensive properties in case of equity market falls. We also remain focused on relative value opportunities based on price attractiveness, economic data indicators and central bank policies in different regions (e.g long Australian short Korean bonds).

Source: HSBC Global Asset Management

HSBC Insurance World Selection 4 Fund (SGD and USD)

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HSBC Insurance World Selection 5 Fund (SGD and USD)

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Source: HSBC Global Asset Management

HSBC Life FlexConcept Fund (USD)

Investment and Market Review

Geopolitics and tariff talks remained driving forces during the second quarter of 2025. The Trump administration kicked off the new quarter with the so-called “liberation day” on April 9th , announcing reciprocal tariffs which exceeded most estimates and raised alarm signals around the globe. The aggressive sell-off in equities and especially US Treasuries that followed the announcement lead the US government to push back the planned implementation by 90 days to July 9th. The following trade talks produced only two high-level deals with UK and China to date which has led markets to anticipate a further pushback of the announced deadline. Overshadowed and primarily influenced by the dominant theme of geopolitical tensions, European markets also looked inwards at increased fiscal spending and the ECB cutting rates by 25 basis points to 2.0% in June. The cut was described as a measured step, with any further cuts depending on evolving data. Notably, Germany launched its €500 billion infrastructure fund outside of the government's debt brake. The Euro Area emerged as the darling of global investors with a significant devaluation of the US Dollar and ongoing uncertainty surrounding US tariffs prompting investors to shift capital away from the US. This led to local bond spreads remaining relatively stable over the quarter despite the announcements of large additional national debt issuances. Equity valuations also experienced an uptick as investors adapted to a more complex outlook on interest rates, spending, and global conflicts. Looking at Japan, the BOJ kept the interest rate at 0.50% during the second quarter of the year, but indicated a more hawkish outlook. Inflation peaked near 4% in January 2025 and although it has eased since, it remains above the BOJ's 2% target with an uncertain decline pace. Meanwhile, the Nikkei 225 Index posted a strong QoQ gain of 13.7% in Q2 2025. Despite these positive developments, Japan continues to face risks from US tariffs, which could put more than $40 billion of annual automotive exports at risk. Looking at China's economy, producer prices fell by 3.6% YoY in June, marking the sharpest decline in nearly two years. However, the tech sector continued to demonstrate resilience, acting as the main driver of the 4.2% QoQ gain in the Hang Seng Index.

The Index closed the quarter with a positive return of 0.60% QoQ. The Fund tracked its benchmark closely with a tracking error of 0.96% over the reporting period. After costs, the Fund posted a gain of 0.54% QoQ. Figure 1 compares the development of Fund and Index. The performance of the Index in Q2 2025 was largely driven by the liberation day shock causing the index to fall roughly 5% beginning of April and the subsequent market recovery pulling Index levels back up towards quarter end. As can be seen in Figure 2, the diversified bond allocation of the Index helped mitigate the drawdown at the beginning of the quarter. For the full quarter, both bonds and equities performed roughly flat, with bonds delivering a slightly better performance than equities. The relative underperformance of US markets, mainly due to the devaluation of the US Dollar, was mirrored in the Index allocation with both US markets S&P 500 and Nasdaq not being part of the Index allocation in April and May, while a more dovish economic outlook in Europe, particularly Germany's fiscal policy, supported continued Index allocation into Euro Stoxx 50 futures through the quarter. Also, Nikkei futures made it back into the Index in June with Japan benefiting from the global capital rotation. China's Hang Seng futures performed strongly and were continuously part of the Index allocation over the quarter, largely due to robust growth in the technology sector with additional investments in Deep Seek enhancing visibility and attracting investor interest. By the end of June finally all equity markets were allocated again by the Index on the back of the recovery of US markets. The Index leverage, which is regularly adjusted to maintain a target volatility of 10% p.a., declined from approximately 180% at the end of March to around 120% by the end of June.

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

The MEAG FlexConcept fund ("Fund") is tracking the performance of the Systematix BEST 10% RC USD Index ("Index"), which applies a rules-based investment strategy on global bond and equity markets, allocating at least 50% of the investments into bond markets. Given positive momentum in equity markets the index would allocate up to 50% in equities, where the remainder is added to the bond portion. The resulting bond-equity mix is leveraged to achieve a target annualized volatility of 10%, where the index leverage is limited to 300%.

Source: Munich Re Investment Partners GmbH