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HSBC Insurance Asia Equity Fund (SGD)

Investment and Market Review

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

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

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

Market Outlook and Investment Strategy

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

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

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

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

Source: HSBC Global Asset Management

HSBC Insurance Asia Focused Income Fund (SGD)

Investment and Market Review

The fund delivered a positive return over the 1-year period despite a volatile market backdrop, driven primarily by core Asia ex-Japan equity exposures, followed by credit positions across investment-grade and high-yield bonds. Within equities, tactical trades were broadly additive, with positive contributions from exposures to Korea, Taiwan, Japan, emerging markets and Hong Kong, partially offset by positions

in Thailand and Malaysia equities. In fixed income, overall contribution was positive, though partly offset by core exposures to Asian local-currency bonds.

Market Outlook and Investment Strategy

Looking ahead, our base case is for global growth to become more evenly distributed as the US cools towards trend and becomes more balanced, bringing it closer to other major economies. The interim US–Iran MOU has eased near-term tail risks by lowering oil prices and relieving some non-oil commodity supply constraints, supporting consumers and helping inflation risks moderate—though the geopolitical backdrop remains fluid. Markets still look set for a “higher for longer” rate environment, with central banks retaining optionality (Fed more inflation-focused, ECB open to another hike, BoE on hold), but lower energy prices could create scope for modest US cuts in 2027. With China supported by macro policy and strong tech/industrial competitiveness (despite ongoing imbalances), we expect profit growth to broaden beyond mega-cap tech—creating catch-up potential across overlooked equities and maintaining a constructive backdrop for attractively valued emerging markets as AI-led capex continues to underpin activity into 2026.

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 0.42% in June 2026. Chair Warsh's first FOMC meeting saw the Fed hold rates while striking a hawkish tone, leading markets to price in a rate hike by year-end. Separately, the U.S.-Iran memorandum of understanding (MOU) reduced near-term tail risks around Hormuz supply disruption, easing pressure on oil prices and inflation expectations.

Over the month, central banks across the region deployed policy tools to address inflationary pressures stemming from the Middle East conflict. The Bank of Japan raised its policy rate by 25bps to 1.0%, its highest level since 1995. The Reuters Tankan survey showed manufacturing sentiment improving on continued strength in the semiconductor cycle, supporting the case for further policy normalization. The Reserve Bank of Australia held rates at 4.35% in a hawkish pause, flagging emerging signs of demand softening but keeping focus on persistent energy-driven inflation risks. In Southeast Asia, tightening continued; notably Bank Indonesia, which raised rates by 25bps to 5.75%, bringing cumulative tightening to 100bps since the onset of Middle East tensions to support the rupiah and anchor imported inflation.

India has taken a different approach, deploying targeted FX measures to stabilize the rupee while preserving monetary policy flexibility. Rather than relying on outright rate hikes, policymakers have leaned on a combination of intervention, liquidity operations and macroprudential adjustments to manage external volatility, allowing the RBI to keep its policy rate anchored amid still-manageable domestic inflation.

In China, policy remained unchanged, with the PBOC maintaining an accommodative stance but refraining from additional easing. The June Lujiazui Forum provided an important structural signal on the direction

of financial reforms, signaling a shift toward a more price-based framework, tighter control of short-term rates around the policy corridor, and greater reliance on market benchmarks such as DR001. More broadly, policymakers made it clear that weaker loan growth should no longer be interpreted as tightening, reflecting a structural shift away from credit-intensive sectors toward capital-market financing. This was reinforced by renewed efforts to deepen RMB market infrastructure and advance internationalization. Taken together, the message was that policy remains accommodative but is evolving toward a more market-driven and transparent framework.

Despite external volatility, manufacturing data and credit fundamentals remain resilient across the region. June Asian PMIs still indicate solid expansion. The median PMI remained near cycle highs at 52.0 and new export orders rebounded, helped by easing concerns around the Hormuz disruption after the U.S.-Iran MOU. Regional divergence remains, with tech-heavy economies (particularly China-related supply chains) continuing to outperform.

Early and credible policy action by central banks is effectively acting as a circuit breaker, helping to anchor inflation expectations and contain spillover risks. In this environment, returns continue to be shaped by navigating duration and volatility, with selective positioning and relative value opportunities more important than broad-based spread compression.

Market Outlook and Investment Strategy

Changes in Positioning

Over the month we added convertible bonds in Japan, diversified new issues, and smaller additions elsewhere. Reductions were small and diversified.

On the rates front, we reduced both USD and non-USD duration (we added a short JPY position) over the month, bringing total duration from about 5 years to about 4.5 years.

Positioning

- Duration: 4.47 years total duration as of end June 2026, with 4.54 years from USD duration and -0.07 years from non-USD duration (tactical opportunities in currencies like AUD, EUR, CNH, INR, SGD, HKD, JPY, IDR, CNY). USD duration exposure is mostly in the short-to-belly parts of the curve which we continue to favor for its balance of yield and volatility, remaining cautious on the long-end which we see as more vulnerable to term premium repricing and associated rates volatility.

- Average IG credit quality: The fund's average rating is firmly IG at BBB, with 61% in IG and cash as of end June. The APAC IG segment, which makes up the largest part of the portfolio, remains a resilient source of carry with a strong presence of sovereign/quasi sovereign issuers, shorter duration than global IG counterparts, and an absorbable issuance pipeline. We have identified many attractive IG opportunities outside the traditional IG market. These include non-USD credit markets diversified across currencies, AUD securitized assets, convertible bonds and more bespoke financing structures that offer superior spreads and structural seniority versus USD bonds.

- **Shorter-dated carry:** Portfolio yield is 6.40% as of end June 2026, compared to the benchmark's yield of 5.26%. The portfolio has an overweight in non-IG, majority in the higher quality BB-rated and short-dated bucket. This approach focuses on high-conviction names nearing maturity to minimize default risk. Asia high yield continues to offer a compelling risk reward profile, supported by strong fundamentals, improved credit quality, attractive valuations, and low expected default rates (default rates in Asia HY are expected to fall to 1.9% in 2026, their lowest levels since 2019 and well below Europe and EM HY defaults).
- **Diversified geographical and sectoral exposures:** The largest countries as of end June 2026 are India and Australia, which are 19% and 14% respectively. We find attractive bottom-up opportunities across the full set of countries in the investment universe. We use underweight positions in sovereigns (primarily Indonesia and the Philippines) and in China, Korea and Hong Kong IG where valuations are tighter, to fund overweight positions in securities with more attractive valuations. Key buckets include our overweight in India HY (supported by a resilient domestic growth story, attractive valuations and strong fundamentals in select renewables, steel companies, infrastructure credits, and non-bank financing companies) and off-benchmark exposure in broader APAC (i.e. Australia and Japan which are mostly in high quality financials with attractive carry) and the Middle East (in high quality issuers offering diversification with attractive carry). Across the APAC region, bank capital stands out as well-capitalized, supported by robust regulatory regimes and benign NPL trends; broadly, we like capital securities over bank seniors for relative value. Finally, it is worth noting that China property is now an immaterial component of the benchmark and fund at ~1%.
- **Capturing relative value through emerging sectors:** our platform's breadth and depth allow us to uncover opportunities that go beyond the constraints of a pure JACI-style strategy.
 - **Local currency credit:** The portfolio invests across currencies, with ~25% across AUD, INR, EUR, CNH, SGD, HKD, JPY and IDR credit where relative valuations are more attractive – all our FX exposures are hedged back to the base currency of USD, picking up additional yield from FX hedging in the process.
 - **Securitized assets:** The portfolio also allocates to AUD securitized assets, which are predominantly AAA-rated floating rate instruments offering a yield pickup versus other IG credit, as well as securitized assets in other regions.
 - **Convertible bonds:** Allows us to capture equity upside from attractive Asian equities and the AI capex theme, while limiting downside with a bond floor.
 - **Bespoke financing solutions:** Non-flow proprietary-sourced financing solutions to large Asian corporates, which offer a significant yield pickup with superior risk-reward: the bonds often come with higher seniority and stronger covenants.
- **Focus on credit selection to optimize reward against risk:** The team seeks to allocate to the most attractive opportunities at the security level, even where it concerns the same sector or issuer. The fund also allocates across both straight bonds and convertible bonds, depending on which securities we find the most undervalued. For example, we partnered with a counterparty to create an exchangeable bond that allowed us to capture the equity upside from the issuer's stock while retaining the credit floor of the

counterparty. This is a clear case of us leveraging our expertise to deliver both growth potential and downside protection, and this unique structuring deal was only possible with the depth of our capabilities and strength of relationships with counterparties. This flexibility—combining local market access and rigorous credit selection—underscores our differentiated approach to Asia Fixed Income.

Source: BlackRock (Luxembourg) S.A.

HSBC Insurance China Equity Fund (SGD)

Investment and Market Review

Despite notable volatility arising from tariffs, evolving expectations regarding Fed rate cuts, and shifts in AI sentiment, 2025 marked the highest annual return for the Chinese equities market since 2017. This performance was primarily driven by innovation breakthroughs across fields such as AI and supported by robust liquidity. Within the context of an otherwise subdued economy, substantial capital inflows were directed toward select sectors, notably technology and healthcare, while pro-cyclical sectors remained largely out of favor among investors.

During the year, the fund posted strong returns and outperformed its benchmark, mainly due to overweight positions in materials, healthcare, and industrials. Positive sector allocation offset negative stock selection, which was impacted by underperformance in consumer discretionary and staples.

At the individual stock level, Zijin Mining and Shandong Gold Mining were leading performers, driven by rising gold prices resulting from a weaker USD and increased geopolitical tensions. Within the materials sector, Yunnan Aluminum also posted strong gains as global supply constraints pushed aluminum prices higher. Conversely, underweighting Tencent negatively impacted results, since the stock rose amid growing excitement about AI in China. Our investment in Meituan further weighed down performance, as intensified competition in both food delivery and quick commerce created uncertainty surrounding the company's margins and profitability. Lastly, garment exporter Shenzhou International underperformed due to tariff concerns during the year.

Market Outlook and Investment Strategy

For 2026, strong liquidity is expected to continue flowing into equities, supported by persistently low local interest rates, limited returns from alternative investment options in China, and the possibility of further rate cuts in the US. However, thematic growth areas such as technology, innovative healthcare, new consumption trends and policy beneficiaries, are likely to remain in favour, whereas traditional demand-driven and property related sectors are expected to stay weak. If popular sectors become overcrowded and valuations get too elevated, the market is likely to experience increased sector rotation and greater volatility, as these sectors become increasingly sensitive and susceptible to shifting news and momentum.

To move beyond this concentrated market trend and achieve a broad-based bull market that includes pro-cyclical and consumer-driven sectors, a genuine economic recovery—accompanied by a return of inflation—is essential. To that end, we believe more effective policy changes are required. These policies should specifically address concerns related to income expectations, social security, and pressures in the

real estate sector, among other key areas. Nonetheless, market expectations for a significant increase in stimulus measures remain muted in the short term, as the government prioritise achieving self-sufficiency, fostering innovation, and supply-side management. This reinforces our views that widespread gains across the market are unlikely in the next few months.

From a technical perspective, valuations in the Chinese markets have reverted to more normalised levels following the rally that commenced in September 2024. Currently, the market is trading at one standard deviation above its long-term average. Further multiple expansion remains possible—particularly if demand for US assets continues to diminish, China-US relations improve, or an unexpected policy shift arises in China. However, a substantial re-rating of the market is improbable at this level and any significant upside in 2026 will need to be supported by a recovery in corporate earnings.

Although we maintain a broadly optimistic view on China's market outlook for 2026, it is important to recognise the risk that a potential reversal of AI-driven trades in US markets could trigger broader volatility across global financial markets. Furthermore, ongoing US-China tensions and uncertainty surrounding the timing and scale of US interest rate cuts are likely to remain significant factors influencing overall market sentiment and dynamics.

Source: Schroder Investment Management Limited

HSBC Insurance Chinese Equity Fund (SGD)

Investment and Market Review

Over the trailing twelve months, the strategy returned 12.89%, well ahead of the MSCI China 10/40 benchmark's -3.24%, for strong relative outperformance. Returns were led by sector allocation and supported by resilient security selection. Information Technology was the clear standout, complemented by a well-judged Industrials overweight and the value-adding underweight in Consumer Discretionary.

The off-benchmark holding in Zhongji Innolight was the largest contributor, as the optical-transceiver maker rode accelerating demand for high-speed modules driven by the global AI data-centre build-out, delivering exceptional earnings growth and record margins. Taiwan Semiconductor added meaningfully, with results comfortably ahead of expectations and management lifting its full-year outlook, underscoring the durability of AI-related demand and the company's entrenched leadership in advanced-node manufacturing. Advanced Micro-Fabrication and Semiconductor Manufacturing benefited from China's semiconductor-localisation drive, while Montage Technology gained on robust demand for AI-server memory-interface chips and CATL contributed as global EV and energy-storage demand stayed firm.

On the detractor side, the exited Pop Mart position was mixed; the designer-toy maker's growth decelerated amid softer consumer enthusiasm and scepticism over its overseas expansion, though the shares later stabilised. Not owning Hua Hong cost ground as the foundry rallied on domestic capacity demand, while the underweights in Lenovo, ICBC and PetroChina also modestly detracted amid a defensive, high-dividend rotation.

Overall, the portfolio's consistent tilt toward quality franchises leveraged to the AI and semiconductor-localisation themes drove strong relative performance over the period.

Market Outlook and Investment Strategy

China enters the second half with a constructive backdrop for active investors: depressed valuations, wide dispersion and clear structural alpha. The re-engagement case rests on three fronts. First, diversification: many portfolios run concentrated AI super-cycle exposure, in some cases at allocation limits, and China offers genuinely differentiated exposure. Second, mean reversion: China has lagged broader EM since October 2025, with multiple names at cycle lows last seen ahead of the DeepSeek moment. Third, policy optionality: softer macro data is reviving stimulus expectations. Valuations support the point — MSCI China ended the half at 9.9x forward earnings, -0.9 standard deviations below its ten-year mean, even as FY26 forecasts held near 14%; recent weakness appears price-led rather than a downgrade to fundamentals.

With dispersion this wide, active selection matters, and we remain bottom-up, concentrating capital in highest-conviction ideas. Thematically, we favour the AI value chain, localisation and export champions, balanced with reasonably valued cyclical. Tactical rotation could persist near term, with consumption, property and non-bank financials seeing catch-up rallies on policy speculation; we view any broadening as tactical, not structural. Potential repatriation of offshore capital also skews towards domestic hard-tech, semis and import substitution.

We remain clear-eyed on risks: tighter global liquidity after a hawkish Fed, cross-border capital controls, US-China friction and narrow AI breadth. Hong Kong also faces sizeable post-IPO lock-up supply; we positioned ahead of this by trimming the most exposed names. Our disciplined, research-driven process leaves the portfolio well positioned into the second half of 2026.

Source: HSBC Global Asset Management

HSBC Insurance Emerging Markets Equity Fund (SGD)

Investment and Market Review

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

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

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

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

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

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

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

Fund performance

The fund outperformed its benchmark with both country allocation and stock selection contributing strongly to relative returns.

The biggest country allocation effect came from the fund's underweight positions in India and Saudi Arabia. The fund also benefited from its overweights to Poland, Brazil, Mexico and Peru, as well as its underweight to Thailand and Malaysia, and zero-weight to Turkey. On the negative side, the off-benchmark position in Argentina (which was sold out of in October), the fund's exposure to China and its cash position detracted.

Stock selection in Taiwan (overweight Delta Electronic, Unimicron Technology, Ase Technology, Elite Material and Accton Technology) and China (overweight Zijin Mining, Sieyuan Electric, Sungrow Power Supply, Innovent Biologics, CATL, Zhejiang Sanhua Intelligent Controls) added the most to returns. Korean

stock selection (overweight Hanwha Aerospace, SK Hynix, Samsung Electronics, zero-weight Celltrion) was also strongly positive. Stock selection in Chile (off-benchmark Antofagasta) also added to returns.

Conversely, stock selection in Brazil (overweight Suzano, XP, Prio, Raia Drogasil) and India (overweight Tata Consultancy, off-benchmark MakeMyTrip, overweight Varun Beverages, Bajaj Finance, Power Grid Corp.) was negative. It also weighed on returns in South Africa (zero-weight AngloGold Ashanti, overweight Shoprite Holdings, Absa Group, Bid Corp., FirstRand), Mexico (overweight Femsa, zero-weight Grupo Mexico and Industrias Penoles) and Indonesia (overweight Bank Central Asia and Bank Rakyat, zero-weight Barito Pacific, underweight Telkom Indonesia).

Market Outlook and Investment Strategy

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

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

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

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

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

Headline EM valuations are expensive across a range of metrics, but the underlying country picture is more nuanced. After strong rallies in north Asia, all the large Asian markets are now expensive; however, parts of Latin America and emerging Europe remain undervalued. Positive earnings revisions are coming

through in market leading areas but need to broaden out to provide a fundamental basis for sustained performance this year. Easier monetary policy should provide space for this to happen.

Near term, the key risks for EM continue to be the policy uncertainty associated with the Trump administration, and its implications for global growth, policy developments in China, and a sooner-than-expected slowdown in AI demand. Geopolitics is a further area to monitor, both in terms of US-China relations, as well as the ongoing conflicts in Ukraine and the Middle East, and US ambitions elsewhere.

Source: Schroder Investment Management Limited

HSBC Insurance Ethical Global Equity Fund (SGD)

Investment and Market Review

Markets: Global equities rebounded in the second quarter as the easing of the Middle East conflicts helped restore risk appetite.

Detractors: The fund underperformed its benchmark, primarily due to underweight exposure to the information technology sector.

Contributors: Underweight exposure to the materials sector contributed to relative performance.

Global equities rebounded in the second quarter of 2026. Attempts at a ceasefire and peace talks between the United States and Iran helped ease geopolitical fears, lower oil prices and restore risk appetite. Growth stocks reclaimed leadership after the first quarter's defensive rotation, driven by enthusiasm for companies in the artificial intelligence (AI) complex. By June, however, investors had become more selective as they began to scrutinise the return profile of surging AI-related capital expenditure (capex). Geographically, Asia Pacific was the strongest-performing region and the US market also advanced, but Europe lagged as oil price sensitivity and weaker macro data weighed on sentiment.

The fund underperformed its benchmark, the MSCI AC WORLD ISLAMIC, for the quarter, primarily due to underweight exposure to the information technology sector and stock selection in the consumer discretionary sector.

SK Hynix was the top detractor in the second quarter. The stock performed well during the quarter, but our underweight allocation hurt relative performance. IHI Corp underperformed and was another main detractor. We stay invested, favouring the long-term growth potential of its aerospace, defence and energy businesses.

Underweight exposure to the materials sector and a lack of exposure to the utilities sector contributed to relative performance in the second quarter.

Micron Technology was the top contributor. The memory chip giant is well positioned amid an AI-driven memory supercycle. It recently reported stronger-than-expected revenue growth for its fiscal third quarter (ending on 28 May) and a very bullish demand outlook.

Geographically, overweight exposure to the United Kingdom detracted from relative performance, but stock selection in Switzerland contributed to relative results.

Market Outlook and Investment Strategy

Tensions in the Middle East have eased, but a firm resolution remains elusive. High oil prices, sticky inflation and interest rate tightening are some of the market risks to keep in mind.

We will stay defensive at this juncture. In addition to macro headwinds, we are cautious on hyperscalers' profitability as AI infrastructure capex continues to surge. They may also seek further debt and equity sales to raise cash, possibly impacting shareholder value. Comparatively, the "picks and shovels" of the AI value chain—particularly semiconductor companies—appear more compelling than hyperscalers.

To boost portfolio defensiveness, we may consider trimming our growth and hyperscaler exposure. This will also allow us to rotate some capital to "non-AI" sectors such as health care, consumer staples and utilities. We are interested in high-quality companies that have become oversold in the AI trade, despite their earnings resilience.

Source: Franklin Templeton

HSBC Insurance Ethical Global Sukuk Fund (SGD)

Investment and Market Review

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

Contributors: Security selection, yield-curve effects.

Detractors: Asset allocation, currency positioning.

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

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

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

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

Market Outlook and Investment Strategy

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

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

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

Source: Franklin Templeton

HSBC Insurance Europe Dynamic Equity Fund (SGD and USD)

Investment and Market Review

- Not holding TotalEnergies, the global integrated oil and gas company, contributed. Despite resilient cash flow and operational growth, expectations of a resolution to the geopolitical conflict in the Middle East led to a significant decline in crude oil prices, which weighed on investor sentiment.
- An overweight in ASML Holding, the Dutch semiconductor equipment manufacturer, contributed. The company benefited from robust demand, capacity expansion and strong financial results, with positive momentum supported by increased guidance and resilient margins.
- An overweight in Ahold Delhaize, the European and US grocery retailer, detracted. Despite solid operational results and resilient margins, the stock was negatively affected by senior management turnover, continued uncertainty surrounding leadership transitions and concerns about intensifying competition in the US grocery market.
- Not holding Infineon Technologies, the European semiconductor manufacturer specialising in automotive, industrial and AI power solutions, detracted. The company delivered solid results with strong

revenue growth, improved margins and robust order momentum, supported by accelerating AI demand and a positive cyclical recovery across key markets.

Market Outlook and Investment Strategy

- We are currently most overweight in commercial & professional services and semiconductors & semiconductor equipment. The largest underweight positions are in pharmaceuticals (biotechnology & life sciences) and capital goods.
- We added a position in Munich Re, the German reinsurance company, after a sharp sell-off left the shares looking attractive on valuation and yield. The fundamentals remain sound, with the majority of earnings well diversified away from property & casualty and showing positive operating momentum. We also like the asymmetry around natural catastrophes as, absent a major event, the company should meet its long-standing targets, while a large event would likely support firmer pricing thereafter. We initiated a smaller-sized position to account for near-term volatility.
- We sold our position in E.ON, the German utility company. The stock has performed strongly over the year to date, supported by its defensive characteristics and broader sector strength, but we no longer see a clear near-term catalyst.
- In a normalised environment, the outlook for corporate profits is healthy, and revisions are trending higher in most regions and industries. Solid economic growth – fuelled by fiscal and monetary stimulus and the AI investment boom– is supportive of earnings.
- Geopolitical escalation has begun to show up in activity data, with recent survey evidence pointing to weaker services momentum across major euro area economies as uncertainty rises.
- The economic outlook for the eurozone is characterised by cautious optimism. Activity in continental Europe is expected to rise, driven in part by the substantial fiscal stimulus announced by Germany in 2025.

Source: J.P. Morgan Asset Management

HSBC Insurance Global Bond Fund (SGD)

Investment and Market Review

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

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

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

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

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

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

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

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

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

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

Overweight core European duration added to returns. Overweight Australian and Norwegian government bonds added to returns. Overweight select local-currency emerging market bonds also added to returns. A flatter US yield curve detracted from returns. Allocation to US inflation-linked bonds detracted from returns. Overweight Norwegian krone and Polish zloty also detracted from returns.

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

Market Outlook and Investment Strategy

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

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

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

Source: Franklin Templeton

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

Investment and Market Review

The primary contributors to performance over the month were the exposure to Colombian corporate and quasi-sovereign debt, the underweight exposure to Saudi Arabian sovereign debt, and the tactical exposure to EM local duration. Exposure to Colombian corporate and quasi-sovereign debt contributed to performance, as spreads on select off-benchmark corporate and quasi-sovereign issues outperformed the broader market. Underweight exposure to Saudi Arabian sovereign debt contributed to performance, as spreads underperformed during the start of the month due to ongoing geopolitical uncertainty in the Middle East. Tactical exposure to EM local duration contributed to performance, particularly the overweight exposure to Colombian local duration, as yields rallied following the presidential election win by the market-friendly candidate.

Detractors from performance included the overweight exposure Venezuelan quasi-sovereign debt, overweight exposure to the Republic of Congo sovereign debt, and the overweight exposure to Angolan

sovereign debt. Overweight exposure to Venezuelan quasi-sovereign debt detracted from performance, as bonds underperformed towards the end of the month following a series of devastating earthquakes that heightened concerns over the country's economic recovery and debt restructuring outlook. Overweight exposure to the Republic of Congo sovereign debt detracted from performance, as spreads widened in line with the broader market. Overweight exposure to Angolan sovereign debt detracted from performance, as spreads underperformed the broader market amid softer oil prices given the country's dependence on oil exports.

Market Outlook and Investment Strategy

Emerging markets have continued to outperform US assets despite geopolitical headwinds and a generally stronger US dollar. This resilience reflects a steady convergence in EM and DM volatility, allowing emerging markets to play a stabilising role within portfolios. Increasingly, markets are repricing individual countries based on their own fundamentals rather than the traditional EM-DM divide – a shift that is gradually recasting the asset class from a source of portfolio risk into a tool for managing it.

The external vulnerabilities that defined earlier crises have given way to more domestic and fiscal risks, which typically evolve gradually rather than erupting abruptly and, in many cases, are underpinned by stronger fiscal positions than those of developed markets. Deep local-rates markets, often funded by domestic savings, have largely removed the currency-mismatch fragilities of the late 1990s, while many central banks reinforced their credibility after COVID by hiking ahead of the Fed and engineering soft landings. Taken together, these shifts argue for structurally lower risk premia than history would imply and support a durable role for EM fixed income in multi-asset portfolios.

Our secular view is that the global economy is being reshaped by two powerful structural forces: a headwind from reconfigured energy markets and a tailwind from AI-driven investment. Crucially, these forces are asymmetric, creating clear winners and losers across both developed and emerging economies. Korea and Taiwan, for instance, have benefited from their AI exposure despite relative energy dependence, while Brazil and many frontier issuers, such as Nigeria, have been supported by commodities. For investors, this widening dispersion is precisely what makes active management the preferred means of improving risk-adjusted returns.

External spreads have reached new five-year tight, leaving limited room for further compression across both EM investment grade and high yield. Nevertheless, underlying fundamentals remain robust, particularly for commodity exporters, and IG sovereigns have retained a spread premium over US IG corporates. The election calendar has so far been constructive, with results generally delivering market-friendly outcomes. Looking ahead, we are watching a handful of catalysts that could reintroduce dispersion and volatility, including the continued US-Iran conflict and Brazil's general election in October. We remain most bullish on local markets. EM duration is supported by prudent central banks and by currency strength that has helped cushion the external inflation shock, even as policy paths diverge – hikes, holds and cuts are all expected across the cyclical horizon. High starting yields, in both real and forward-nominal terms, continue to underpin EM currencies, most visibly among the terms-of-trade beneficiaries such as Brazil, Kazakhstan, Nigeria and Colombia. As global macro uncertainty persists, we expect EM's carry and diversification benefits – and its growing utility as a risk-management tool – to become even more valuable in the years to come.

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

Investment and Market Review

- The portfolio outperformed the benchmark in June. Stock selection in Information Technology was the largest contributor to relative returns, with Financial also aiding performance. This was partially offset by weaker stock selection in Energy and Industrials.
- Stock selection in Information Technology contributed to performance, driven by overweight exposure to SK Hynix, Advanced Micro Fabrication and Montage Technology. SK Hynix benefited from tight DRAM supply, strong HBM demand and investor confidence in its positioning in AI infrastructure. Advanced Micro Fabrication and Montage Technology were supported by semiconductor demand linked to AI workloads, cloud infrastructure spending and China's semiconductor localization trend.
- Stock selection in Financials aided performance, supported by overweight exposure to Credicorp, Bajaj Finance and BBVA. Credicorp benefited from stronger loan growth and deposit expansion, alongside reduced political uncertainty in Peru as the presidential election outcome was viewed as market-friendly, supporting a policy environment anchored in fiscal consolidation and pro-market deregulation. Bajaj Finance, an Indian bank, was supported by resilient loan growth and benign asset quality trends, while BBVA gained from momentum in core growth markets, particularly market share gains in Mexico.
- Stock selection in Energy detracted from performance. The geopolitical risk premium that had driven stocks in the sector sharply higher earlier in the year unwound as markets priced in deescalation in the US–Iran conflict. As a result, YPF and Vista Energy underperformed as investors rotated away from energy after very strong prior outperformance.
- Stock selection in Industrials detracted from performance, with overweight exposure to Sieyuan Electric, Hyundai Rotem Company and XCMG Construction Machinery weighing on returns. Sieyuan Electric was pressured by a near-term earnings dilution concern related to its transformer joint venture. Hyundai Rotem was affected by geopolitical volatility, with weaker sentiment across Korean defence names amid deescalation in the US–Iran conflict, while XCMG was weighed down by soft domestic demand and margin pressure.
- Consumer, financial and technology stocks each represent about one quarter of the portfolio. North Asian technology is benefitting from the significant AI infrastructure buildout and rising hyperscaler capex. We see an attractive combination of growth and value in parts of the semiconductor supply chain. Meanwhile, banks and consumer companies should benefit as central banks begin to ease rates, support credit and consumption growth.

Market Outlook and Investment Strategy

- A multi-year USD bear cycle and deficit spending in major developed economies should continue to provide a supportive structural backdrop for emerging markets (EM) and Asia Pacific (APAC), but near-

term USD strength, interest rates, inflation persistence and geopolitical developments remain key swing factors for sentiment.

- The extended AI and infrastructure capital expenditure cycle continues to underpin earnings momentum, although market leadership remains concentrated and market volatility may be greater than usual.
- North Asia remains central to the AI supply chain, with the memory upcycle intact and hyperscaler capex expectations still being revised upward, reinforcing demand even as valuations across parts of the complex have moved to elevated levels.
- China continues to look two-speed, domestic demand remains subdued, but there is a clearer opportunity set in technology and industrial upgrading (including semiconductor localisation, advanced manufacturing, industrial automation and AI infrastructure).
- India's structural story remains intact, underpinned by reforms and improving relative valuations after the recent correction, with domestic growth areas continuing to offer the clearest earnings visibility.
- Latin America continues to offer supportive valuations, but easing looks on hold as higher energy prices feed through inflation. Mexico faces a softer near-term growth backdrop and United States–Mexico–Canada Agreement (USMCA) renegotiation noise.

Source: J.P. Morgan Asset Management

HSBC Insurance Global Equity Fund (SGD)

Investment and Market Review

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

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

In contrast, returns in the US market were particularly concentrated as the technology sector, spurred by the AI investment boom, was a disproportionate contributor to returns. Although this was a tailwind

during the year, the US underperformed other major regions as emerging markets and continental Europe led, supported by improving fundamentals, a weaker US dollar as well as a resilient global economy. Conversely, policy uncertainty, fiscal concerns, and geopolitical tensions weighed on US equities.

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

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

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

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

Source: Schroder Investment Management Limited

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

Investment and Market Review

Global equities delivered strong one-year returns to end-June 2026, but the path was uneven, with markets oscillating between AI-driven optimism and risk-off episodes linked to geopolitics, inflation and energy shocks. After a powerful H2 2025 rally driven by resilient earnings, improving economic conditions and a surge in AI-related capital expenditure and profits in US technology, communication services and consumer discretionary, performance broadened to Europe, China and Latin America, where distressed starting valuations, policy support and tech exposure underpinned outsized gains. Momentum reversed in Q1 2026 as escalating conflict in the Middle East, an oil spike above USD 100 and renewed inflation and rate worries triggered a sharp risk-off phase, with MSCI ACWI down c.3.2% and most regions weaker, before sentiment recovered decisively in Q2 2026 on de-escalation in the Middle East, a rotation back into the AI-led technology trade and one of the strongest EM quarterly performances in years, led by Asia ex-Japan and particularly Korea and Taiwan's semiconductor and IT hardware exposure.

Over the review period, the defensive fund managed to outperform its market cap weighted index despite the strong upward market conditions, thanks to the diversified exposure to our five alpha factors. Value factor was the strongest performer as it had a stellar performance in the period across most regions, followed by the industry momentum factor. Quality and Low Risk also contributed to performance given the heightened volatility experienced throughout the year, while our exposures to Size weighed on performance. On an industry basis, our underweight exposures to Software & Services, and Media & Entertainment contributed to performance. Conversely, our underweight exposure to Semiconductors & Semiconductor Equipment weighed on performance.

Market Outlook and Investment Strategy

The HGIF Global Equity Volatility Focused Fund's investment strategy follows a proprietary systematic investment process which focuses on risk premia offered by exposure to factors such as 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.

The US-Iran Memorandum of Understanding has helped to ease geopolitical tensions. Oil prices have fallen below late February levels, supply constraints in non-oil commodities have also eased. Surveys point to continued soft European growth Asia's AI-led industrial upcycle faces energy constraints, global trade shifts and intense import competition from China. China's growth remains resilient, aided by technology and export strength, but looks unbalanced. Policy uncertainty remains high. Central banks are adopting differing responses to the energy price shock. More frequent supply shocks encourage greater use of fiscal and industrial policy, but high government debt is a constraint. China's policy support remains focused on balancing short-term macro stability with longer-term structural priorities (innovation & tech self-reliance, energy security, and economic rebalancing). In Asia, relative exposure to AI and the energy shock is driving a varied pace and scale of policy support.

Source: HSBC Global Asset Management

HSBC Insurance Global High Income Bond Fund (SGD and USD)

Investment and Market Review

The last 12 months saw markets shaped by shifting trade policy, central bank expectations and geopolitics. A rally through late summer 2025 followed volatility triggered by April tariff announcements, supported by resilient growth and stabilising risk appetite. Sentiment turned more cautious in autumn as trade tensions resurfaced, default headlines increased, concerns grew around the scale of AI investment, and a more hawkish Federal Reserve pushed volatility higher. Late 2025 improved as delayed US data releases proved broadly benign and the Fed delivered its third 25bp cut, supporting risk assets into year-end. From Feb 2026, Middle East tensions lifted oil prices, adding to inflation pressure and reinforcing “higher for longer” rates. Despite this, global credit was resilient, with spreads recovering after risk-off episodes.

Although initially falling in the second half of 2025 rates have risen in 2026 as a result of the conflict in Iran. Over the 12 month period the 2, 5, 10 and 30 year saw yields rise by 0.45%, 0.43%, 0.24% and 0.18% respectively while Global IG and HY spreads are tighter by 11 and 31 bps respectively.

Overall the fund saw positive contribution to return from all asset class segments of the portfolio. EM was the best performer strongly outperforming the other regions on a asset classes basis. This was followed by Euro Credit while ABS and US Credit lagged. On a relative basis ABS was again the strongest performer followed by EM while US Credit saw the weakest performance underperforming the reference universe.

Market Outlook and Investment Strategy

Looking through the short-term volatility caused by headlines regarding the Iran conflict, underlying credit fundamentals remain broadly stable. This is supported by resilient corporate earnings, and global credit yields that are still attractive by historical standards—helping to sustain investor demand. At the same time, credit spreads remain near their tights of the year. As market sentiment around the Iran situation has generally improved, we’re returning to our medium-term view that any inflationary impact should ease as energy prices fall—while continuing to stay alert to the risk of renewed escalation. We’re also keeping a close eye on company updates for signs of margin pressure, whether from higher input costs, tariffs, or softer demand in sectors outside those benefiting from AI-related growth. Our central expectation remains a “soft landing” over the next 12 months.

The fund continues to be moderately overweight credit risk with a beta of 1.06 vs the investment universe. The portfolio sits at BBB- from an average credit ratings perspective with a IG/HY breakdown of 57%/43%. Portfolio duration sits at 4.55% marginally above that of the investment universe. Looking further into performance factors, what is interesting is the continued strength in industrial and manufacturing complex, especially in the US. Some of the best performing sectors recently have been metals mining, capital goods and technology. This is part of the flow through effect from the AI data center build and capital expenditure in the economy.

Source: HSBC Global Asset Management

HSBC Insurance Global Multi-Asset Fund (SGD)

Investment and Market Review

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

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

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

Market Outlook and Investment Strategy

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

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

Investors should expect a world in which dispersion intensifies, leadership rotates across regions and sectors, and success depends on bridging top-down and bottom-up insights within a total-portfolio

framework. The strategy is intentionally built for such a world, one defined by divergence, dispersion, and diversification. Its research-driven, internationally oriented approach significantly broadens the opportunity set.

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

Source: Schroder Investment Management Limited

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

Investment and Market Review

- Global equities, as measured by the MSCI1 All Country World Index2 (ACWI), rose 11.25% for the six-month period ending 30 June 2026, in US-dollar terms.
- Concerns over technology stock valuations weighed on US markets early in the year, and investors rotated into value-oriented sectors and non-US markets to diversify from large-cap technology, sending many international and EM equity indices to all-time highs.
- That changed in March as the conflict with Iran sent energy prices sharply higher and global stocks lower. Equity markets rebounded in April and May as investors looked past surging inflationary pressures and ongoing geopolitical uncertainty, but declined in June as performance among tech stocks diverged.
- As the period ended, rising inflation pressures increased expectations for monetary policy tightening among global central banks.
- Sector performance within the MSCI ACWI was generally positive during the period, with only consumer discretionary and communication services posting negative returns. Technology and energy outperformed, while healthcare and financials lagged.

Market Outlook and Investment Strategy

- Looking beyond the first quarter, the market environment has evolved in a way that reinforces our longer-term positioning while improving the near-term opportunity set. Much of the uncertainty tied to early-year geopolitical shocks and AI-driven disruption has begun to normalize, with equities recovering as earnings growth and underlying economic activity remained intact.
- Market leadership has continued to broaden in certain regards, with the Magnificent Seven is essentially flat year to date versus the S&P 493, which is up 16%. Late in the second quarter, tech's leadership gave way to industrials, healthcare and financials, reflecting a more balanced backdrop where earnings durability, margin resilience and exposure to structural growth drivers matter more than ties to a single trade.

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

- Beyond the market environment, since the start of the year, we've been focused on improving our execution in three key areas: first, achieving a better balance of long-term stock views with short-term catalysts, improved sell discipline and having a more productive new stock research effort. We've seen progress in each of these areas. Mindful of near-term catalysts and improving our sell discipline, we've exited a number of detracting positions, of which over 85% went on to underperform the market through midyear. We've also initiated over 20 new positions year to date, demonstrating a more productive research effort.

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

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

HSBC Insurance India Equity Fund (SGD and USD)

Investment and Market Review

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

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

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

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

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

Market Outlook and Investment Strategy

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

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

Source: HSBC Global Asset Management

HSBC Insurance Pacific Equity Fund (SGD and USD)

Investment and Market Review

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

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

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

Elsewhere, our Korean memory holdings **Samsung Electronics** and **SK Hynix** added significantly to returns. Tight supply, rising AI-related demand and improving pricing supported earnings upgrades, with their

results exceeding market expectations. These positions reinforced our view that AI adoption is increasing demand across the semiconductor supply chain, from memory and testing to packaging and networking infrastructure.

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

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

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

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

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

In Australia, we initiated positions in **Pro Medicus**, a global provider of medical imaging software, and increased exposure to resources through **Northern Star Resources** and **Santos**. We also added **Commonwealth Bank of Australia**, attracted by its market-leading deposit franchise, scale advantages and resilient profitability. We exited Mirvac Group and Cochlear.

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

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

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

Market Outlook and Investment Strategy

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

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

Source: abrdn Asia Limited.

HSBC Insurance Premium Balanced Fund (SGD)

Market Outlook and Investment Strategy

iFAST-DWS Premier Select Trust's current investment strategy is to invest into two 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 to 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 in 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 is 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.

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 2026, the Trust as is 70.29% invested into SGB-ETF and 29.54% invested into MSCI ETF.

Source: iFAST Financial Pte Ltd

HSBC Insurance Singapore Bond Fund (SGD)

Investment and Market Review

In Q3 2025, the Singapore economy experienced steady growth on a year-on-year basis, driven primarily by the manufacturing, wholesale trade, and finance & insurance sectors. Unemployment rates remained stable overall. Total employment increased from the previous quarter, while there was a slight moderation in the number of retrenchments. Inflation, as measured by the Consumer Price Index-All Items (CPI-All Items), eased compared to the preceding quarter. In Q4 2025, Singapore's economy recorded a stronger year-on-year expansion, with growth supported by broad-based improvements led by manufacturing, wholesale trade, and finance & insurance. Unemployment was largely steady overall and total employment grew, while retrenchments declined slightly. CPI-All Items inflation increased year-on-year and accelerated. In Q1 2026, Singapore's economy continued to grow year-on-year, driven primarily by wholesale trade, manufacturing, and finance & insurance. Unemployment edged up slightly at the overall level and total employment expanded, while retrenchments were broadly stable. CPI-All Items inflation rose year-on-year and picked up pace further, mainly led by health and transport. In April, core inflation eased and undershot expectations, as service prices surprised lower. Meanwhile, headline inflation held steady. In May, core inflation held steady and came in below expectations, indicating broadly stable inflationary conditions. Year-ago headline inflation also remained stable and undershot expectations. During this period, the Monetary Authority of Singapore (MAS) tightened its monetary policy settings in April 2026 by slightly increasing the slope of the Singapore dollar nominal effective exchange rate (S\$NEER) policy band. Meanwhile, the Singapore sovereign yield curve generally shifted lower over the period.

Market Outlook and Investment Strategy

Singapore's macro environment remains broadly supportive for Singapore Government Securities (SGS), with growth expected to stay firm but gradually moderate as the AI-driven electronics surge meets a higher base and more cautious global financial conditions. Softer-than-expected recent inflation readings and easing energy prices have reduced the urgency for further near-term MAS tightening, even as the policy stance stays relatively firm and focused on guarding against upside risks from imported costs and supply-chain disruptions. This combination of resilient activity, contained inflation and a disciplined fiscal framework—where borrowing is not used to fund day-to-day spending—reinforces Singapore's safe-haven status, supporting steady demand for SGS and keeping them relatively attractive versus regional peers as high-quality duration.

SGS yields have outperformed US Treasuries so far in 2026, helped by safe-haven flows and flexible auction sizing, and are likely to remain relatively low and stable with a gentle upward bias at the belly and long end as global rates stay elevated. Against this backdrop of compressed risk premia and elevated rates volatility, SGD credit continues to offer attractive all-in yields and defensive carry, with demand supported by low default risks and quality carry over broad beta.

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 maintained a short duration stance via US Treasury futures amid the Fed's hawkish message. Meanwhile, the fund maintains a long duration bias in

Singapore dollar bonds, as we see the SGD yield curve as one of the most resilient in Asia. From a sectoral standpoint, the fund prefers corporates over agency bonds. The fund has an overweight position in financials, where the overweight is predominantly driven by the exposure to Hong Kong and Japanese insurers' subordinated debt. The fund also favors selective bank subordinated debt in Europe and the broader Asia Pacific region given their relatively defensive nature and attractive yields. Additionally, the fund has a meaningful allocation to Singapore REITs. In the meantime, 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's stock market ended 2025 with its strongest performance in over a decade, as the Straits Times Index (STI) delivered a total return of +28.55% (SGD terms). This outpaced most Asian peers, though it trailed market leaders such as South Korea. The rally was underpinned by resilient blue-chip stocks, supportive policy measures, and Singapore's safe-haven appeal.

Within sectors, industrials led the gains, highlighted by ST Engineering, which benefited from increased defence and aerospace demand and a record order book of S\$32.6 billion. Financials followed, as banks like DBS and OCBC reached all-time highs due to robust earnings and attractive dividend yields. Property (UOL, CDL) and telecoms (Singtel) also performed well, supported by asset sales, lower interest rates, and regional recovery, while mid- and small-cap names such as First Resources added breadth to the overall market.

The revitalisation of Singapore's equity market was driven by MAS's major reforms and the staged injection of S\$5 billion through the EQDP, which boosted liquidity, IPO activity, and investor interest—leading to strong gains in both the main index and overall trading volumes.

Fund Performance:

The Fund outperformed its benchmark in CY2025, primarily driven by positive sector allocations—namely, an underweight position in Consumer Discretionary, an overweight in Telecom, and strong stock selection within Consumer Staples. This outperformance was somewhat offset by an underweight allocation in Industrials.

At the stock level, several key decisions contributed positively to performance. Our underweight position in UOB benefited the portfolio, following the bank's announcement of a surprise reserve increase for stressed property exposures, which led the market to anticipate slower earnings and dividend growth. In the telecommunications sector, our overweight in Singtel was advantageous, supported by robust third-quarter results, consistent delivery on its shareholder return policy, and optimism regarding a potential data centre acquisition. Within Consumer Discretionary, the underweight in Singapore Airlines added value, as the airline underperformed due to weaker earnings, particularly from losses at its Air India associate.

Conversely, some positions detracted from returns. Our allocation within Industrials was a headwind to performance. Specifically, the underweight in Jardine Matheson weighed on returns as it executed on its restructuring plan. Additionally, the overweight in Yangzijiang Shipbuilding detracted, as concerns around Trump's tariffs and implications for cargo volumes weighed on share price. Furthermore, an overweight position in Mapletree Logistics weighed on performance, reflecting ongoing headwinds in the REIT sector—including foreign exchange depreciation and weaker contributions from China.

In terms of portfolio activity made in 2025, we initiated a position in Keppel DC REIT, recognising its strong potential for sustained rental reversions within the domestic data centre segment. We also initiated exposure in iFAST, supported by ongoing earnings recovery and positive developments across its business lines. We continued to increase our holdings in Mapletree Pan Asian Commercial Trust, driven by signs of stabilisation in the Hong Kong retail market and expectations that a lower interest rate environment would further support earnings. Similarly, we increased our allocation to City Developments, reflecting the company's improving residential sales momentum and proactive capital recycling efforts, both of which are expected to enhance dividend payouts and support a re-rating of the stock. Meanwhile, we exited our position in Genting Singapore in light of increased economic uncertainty and its impact on discretionary spending.

Market Outlook:

Singapore Equities market has had a stellar run over the past two years, as the combination of economic growth post Covid, and the decision by MAS to revitalize the Singapore Equities market has brought attention back to the local bourse.

Stepping into 2026, we are now entering the main phase of deployment for the remaining c.S\$3.9bn by MAS' Equity markets Development Program (EQDP). To recap, MAS announced in Nov'25 that six fund managers will be allocated S\$2.85bn to invest in the Singapore Equities market. MAS is expected to review the remaining submissions and expect the next phase of appointments for the remaining S\$1.05bn will be announced in Q2 2026. We expect actual cash deployment for S\$2.85bn allocation will happen in 1Q 2026 at the earliest, and in 2H 2026 for the remaining S\$1.05bn.

An important feature of the EQDP is the expectation that selected fund managers will raise additional third-party capital to complement MAS's allocations. This has the potential to significantly enhance market liquidity and drive greater interest in Singapore equities. The programme's ultimate goal is to attract high-quality, new economy companies to list locally, reversing the decline in listings seen over the past decade. If successful, this will further solidify Singapore's reputation as a preferred listing venue for regional players and reinforce its status as a financial and wealth management hub in Asia.

Despite the phased rollout of the EQDP, the market has already witnessed a notable increase in trading activity. In 2025, SGX daily traded value grew +21% YoY to S\$366bn, or an average daily trade value of S\$1.51bn. This is the highest turnover achieved in the Singapore Equities market since 2010. There has also been renewed IPO momentum, with seven new mainboard listings in 2025 and more anticipated in the years ahead.

Looking ahead, investor attention is firmly focused on the US interest rate outlook this year, particularly given the upcoming appointment of a new Federal Reserve Chair in May 2026. There is significant market speculation regarding whether the new Chair will adopt a more accommodative stance towards rate cuts than the current Chair, Jerome Powell. President Donald Trump has been vocal in advocating for lower rates to alleviate the burden of fiscal debt interest payments, and should his appointee share this perspective, there may be scope for greater policy easing than the two rate cuts currently anticipated by the market.

In Singapore, the prospect of declining interest rates has already led to a marked decrease in benchmark rates: the 3-month SORA has dropped to 1.18% (from 3.07% at end-2024), and the 10-year government bond yield stands at 2.16% (down from a high of 3.09% in January 2025). At the same time, continued inflows of deposits have reinforced the perceived stability of the Singapore dollar, increasing local liquidity and exerting further downward pressure on rates.

This environment has begun to compress net interest margins (NIMs) for domestic banks, though some have proactively hedged their rate exposures. Importantly, lower interest rates and the upturn in equity market activity create a more favourable backdrop for loan growth and market-making, placing the onus on management teams to adapt strategically to these evolving conditions.

Broadening the view to the overall economy, Singapore posted stronger-than-expected GDP growth of 4.8% in 2025, driven by a rebound in industrial activity. As borrowing costs fall, previously delayed corporate investment plans are being put back on the table. Improvements in earnings and returns on equity among non-financial sectors over the past year further support optimism that a declining rate environment will sustain the current growth trajectory.

Given these developments, our portfolio remains tilted towards companies poised to benefit from lower interest rates, such as property companies and select industrials. We continue to seek out businesses demonstrating robust growth potential and strong fundamentals in this evolving landscape. With additional capital from the EQDP expected to flow into the market, we anticipate better price realisation for well-managed local companies. Our ongoing focus is to identify and add high quality stocks that offer a compelling combination of asset quality and attractive valuations as opportunities arise.

Source: Schroder Investment Management Limited

HSBC Insurance US Equity Portfolio Fund (SGD and USD)

Investment and Market Review

US equities delivered strong one-year returns to end-June 2026, but the path was volatile, with markets oscillating between AI-driven optimism and risk-off episodes linked to geopolitics and inflation. After a powerful H2 2025 rally led by technology, communication services and consumer discretionary on the back of AI-related capital expenditure and resilient earnings, the S&P 500 suffered its weakest quarter since 2022 in Q1 2026 amid Middle East conflict, an oil price spike above USD 100 and renewed rate fears, before rebounding strongly in Q2 as the conflict de-escalated, earnings surprised on the upside and

investors rotated back into the AI-led technology trade, supported by growing evidence that the AI build-out is benefiting activity beyond the pure tech sector while the Fed maintained a hawkish hold.

Over the 12-months rolling to June 2026, the HGIF Economic Scale US Equity fund delivered positive returns. Although the fund does not have a benchmark, when comparing to the S&P 500 Index which serves as a proxy for the US equity market, our stock selection and asset allocation contributed to performance.

In comparison with the S&P 500 Index, our overweight allocations to Industrials, Energy and Healthcare contributed to performance. Conversely, our underweight allocation to Information Technology, overweight allocations to Consumer Staples and Financials weighed on performance.

In terms of stock positions, our underweight exposures to Microsoft Corp (Information Technology) and Meta Platforms Inc-Class A (Communication Services) contributed to performance. Conversely, our underweight exposures to Alphabet Inc-Cl A (Communication Services), Micron Technology Inc (Information Technology) and Advanced Micro Devices (Information Technology) weighed on performance.

Market Outlook and Investment Strategy

HSBC Economic Scale strategy aims to outperform the market cap index over the long term by using an alternatively weighting scheme to provide investors with exposure that reflects the economic scale or 'footprint' of companies rather than their respective market capitalisation. This is calculated as the company's contribution to Gross National Product (GNP).

The US-Iran Memorandum of Understanding has helped to ease geopolitical tensions. Oil prices have fallen below late February levels, supply constraints in non-oil commodities have also eased. This should reduce tail risks for global growth and inflation US activity is solid but lopsided. The AI investment boom is offsetting softer conditions elsewhere. Growth should become more balanced as robust profits bolster non-tech capex and lower energy prices support consumption. Surveys point to soft European growth Asia's AI-led industrial upcycle faces energy constraints, global trade shifts and intense import competition from China. China's growth remains resilient, aided by technology and export strength, but looks unbalanced.

Policy uncertainty remains high. Central banks are adopting differing responses to the energy price shock. More frequent supply shocks encourage greater use of fiscal and industrial policy, but high government debt is a constraint. China's policy support remains focused on balancing short-term macro stability with longer-term structural priorities (innovation & tech self-reliance, energy security, and economic rebalancing).

Source: HSBC Global Asset Management

HSBC Insurance US Opportunities Equity Fund (SGD)

Investment and Market Review

Markets: US equities rebounded strongly during the second quarter of 2026, recovering from a weak start to the year as investor confidence improved despite ongoing geopolitical uncertainty. Sentiment was supported by robust corporate earnings, particularly from companies exposed to AI infrastructure, with continued increases in capital expenditure reinforcing confidence that the AI investment cycle remained intact. At its two meetings during the quarter, the US Federal Reserve left interest rates on hold. The easing of Middle East tensions and a decline in oil prices helped alleviate inflation concerns, encouraging a broad recovery in risk assets. The Nasdaq Composite Index outperformed the S&P 500 Index and Dow Jones Industrial Average. By investment style, growth investing surpassed value in each cap segment, while across the overall market, small-cap stocks performed better than their large- and mid-cap counterparts.

Contributors: The fund fared better than its benchmark in the second quarter, with stock selection in the information technology (IT) sector being the overwhelming leading contributor to relative returns. Selection in the communications services and consumer staples sectors was also additive.

Detractors: Conversely, allocation decisions had a negative impact on relative returns. Underweights in the IT, health care and materials sectors all held back relative performance.

The fund's A (acc) USD shares outperformed the Russell 3000 Growth Index benchmark in the second quarter. In the IT sector, Micron Technology was a leading contributor to outperformance. Shares of the memory chipmaker continued to rise sharply during the period as their products are in high demand to support AI applications. The company passed \$1 trillion in market capitalisation during the quarter, supported by long-term chip supply agreements with their customers.

In the communication services sector, an off-benchmark holding in Space Exploration Technologies (SpaceX) contributed positively to relative returns. Our privately-held shares increased in value following the company's IPO, reflecting strong investor demand and optimism regarding the company's future growth potential.

Conversely, Insmed, a commercial-stage biotech focused on rare diseases, held back relative returns in the health care sector. The company's shares fell after narrowly missing revenue projections. Investors have also raised concerns about the launch visibility of Insmed's new lung inflammation drug BRINSUPRI.

Market Outlook and Investment Strategy

Overall, our view on US equities remains positive despite heightened geopolitical risks. The US economy is relatively insulated from rising energy prices, but we are monitoring its potential impact on inflation and consumer spending. In an environment where investors should be selective, our focus is on owning high-quality franchises with durable competitive advantages, often supported by secular tailwinds.

US economic growth and year-to-date market performance has been supported by strong profit margins and corporate earnings growth. We expect earnings growth to remain robust through year-end providing support to valuations and the overall market.

We are closely monitoring the evolving conflict in Iran. While hostilities appear to have settled, the Strait of Hormuz remains a key variable, with any significant disruption to energy supplies potentially impacting the global growth and inflation outlook. We have limited direct exposure to the energy sector but are monitoring how a sustained rise in energy prices could impact the portfolio and impact the broader US economy.

The US Opportunities strategy has an active, fundamentally driven quality bias and employs a multi-cap approach to maintain a diversified portfolio. While we own many mega-cap leaders, we remain underweight relative to highly concentrated benchmarks. We view this positioning as balanced and complimentary to many of the concentrated passive indexes.

In 2026, we are focused on structural themes shaped by AI, and automation, which are now producing measurable productivity gains not only in the IT sector but in the health care, financials, industrials and consumer sectors. We are also monitoring potential risks for the US economy, including inflation, regulatory pressures, geopolitical friction, infrastructure bottlenecks and unfavourable policy shifts. We expect to see an innovation-led expansion underpinned by quality fundamentals in an environment where we believe disciplined, active management has an advantage.

Source: Franklin Templeton

HSBC Insurance World Selection 1 Fund (SGD and USD)

Investment and Market Review

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

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

Market Outlook and Investment Strategy

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

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

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

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

Source: HSBC Global Asset Management

HSBC Insurance World Selection 2 Fund (SGD and USD)

Investment and Market Review

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

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

Market Outlook and Investment Strategy

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

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

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

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

Source: HSBC Global Asset Management

HSBC Insurance World Selection 3 Fund (SGD and USD)

Investment and Market Review

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

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

Market Outlook and Investment Strategy

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

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

Selective cyclical strength: In Europe, we tilt towards higher-profitability sectors, such as banks, insurance and European technology and telecommunications and we are tilted away from weaker areas such as chemicals, industrials and automobiles. In the US, we lean into sector neutral value factor, small caps,

quality, energy and communication services. We also added short exposures in healthcare and materials. We remain tilted towards Japan and Japanese banks. Within emerging markets, we favour Brazil and Korean equities. We favour Hong Kong Technology relative to Hong Kong equities, and are tilted away from Australia, South Africa and India.

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

Source: HSBC Global Asset Management

HSBC Insurance World Selection 4 Fund (SGD and USD)

Investment and Market Review

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

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

Market Outlook and Investment Strategy

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

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

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

Korean equities. We favour Hong Kong Technology relative to Hong Kong equities, and are tilted away from Australia, South Africa and India.

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

Source: HSBC Global Asset Management

HSBC Insurance World Selection 5 Fund (SGD and USD)

Investment and Market Review

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

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

Market Outlook and Investment Strategy

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

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

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

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

Source: HSBC Global Asset Management

HSBC Life FlexConcept Fund (USD)

Investment and Market Review

The second quarter of 2026 saw a significant recovery in market sentiment following the volatility of the previous quarter. Global equity markets rebounded strongly as concerns around a prolonged disruption to global energy supplies eased and investors focused once again on resilient corporate earnings and the continued momentum of the artificial intelligence investment theme. The announcement of a ceasefire framework between the United States and Iran and the reopening of the Strait of Hormuz reduced fears of a sustained energy shock, leading to lower commodity prices and a moderation in inflation expectations. While equities broadly advanced, bond markets delivered a more mixed picture as central banks remained cautious and yields moved modestly higher across several regions.

In the United States, equities rebounded strongly during the quarter, supported by resilient economic growth, robust corporate earnings and continued enthusiasm surrounding AI-related investment. As concerns over a prolonged energy shock faded and inflation expectations moderated, investors became increasingly comfortable with the outlook for both economic growth and monetary policy. Although the Federal Reserve maintained a cautious stance, markets focused on strong earnings growth and improving sentiment, allowing gains to broaden beyond the largest technology companies. Bond markets were more subdued, with yields remaining elevated as investors increasingly questioned whether interest rates would fall as quickly as previously anticipated.

European equity markets also participated in the global recovery, benefiting from improved risk sentiment and easing concerns over energy security following progress toward a US-Iran agreement. Corporate earnings remained resilient despite a softer economic backdrop, while declining energy prices supported confidence in the region's growth outlook. Bond markets were less supportive, with yields remaining under upward pressure as investors reassessed inflation risks and central banks maintained a cautious approach toward policy easing.

Japanese equities continued to perform well during the quarter, supported by strong exposure to global semiconductor and technology supply chains. Continued demand for AI-related infrastructure and electronics benefited many Japanese companies, while improving global sentiment supported broader market gains. Bond markets were comparatively weaker as yields drifted higher alongside global rates and investors continued to price in a gradual normalisation of Japanese monetary policy.

Hong Kong equities remained a notable weak spot within the global equity landscape with the Hang Seng Index continuing to decline and underperforming significantly during the quarter. Reasons being persistent concerns about the domestic growth outlook and the effectiveness of policy support measures.

Market Outlook and Investment Strategy

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