UOB PRIVATE BANK

1H 2026 Investment Outlook

Navigating Global Divergences

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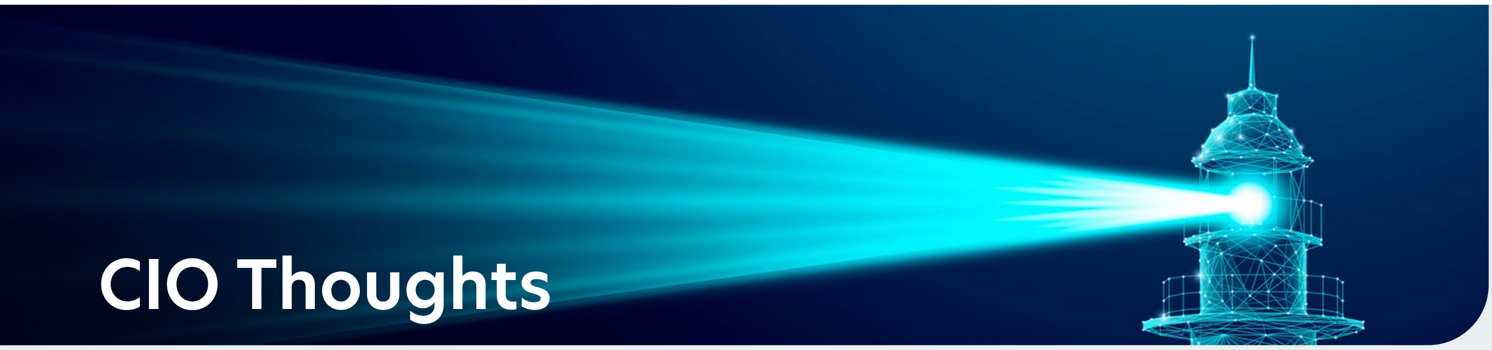


CIO Thoughts

2026 Outlook

Introduction

The global investment landscape is entering a new phase shaped by structural shifts in economic recovery, technological innovation, and market reforms. Investors face a complex backdrop where uneven growth patterns, transformative technologies, and evolving policy frameworks converge to create both opportunities and risks. Our outlook highlights three critical themes: the K-shaped nature of the US recovery, the promises and pitfalls of Artificial Intelligence (AI)—including its next frontier in physical applications—and the case for going global, with emerging markets (EM), China, and Singapore offering differentiated investment prospects.

A K-shaped economy

The US recovery remains distinctly K-shaped, marked by a divergence between booming corporate profits and AI-linked capital expenditure on one hand, and persistent weakness in lower-wage segments on the other. Employment lags pandemic trends by roughly 5%, while wage disinflation has hit the lower-income cohort hardest, deepening sentiment gaps across households. Consumption, however, is supported by high-income earners benefiting from wealth effects.

This dynamic is disinflationary, paving the way for further Federal Reserve rate cuts in 2026 without overheating risks. For investors, this environment favours extending bond portfolio duration and focusing on sectors resilient to uneven demand—such as AI infrastructure and niche consumer plays—while avoiding deep cyclicals tied to global trade or lower-income spending.

AI: From digital to physical

AI continues to dominate headlines, but the narrative is shifting from hype to monetisation. Markets now reward companies that demonstrate tangible profit contributions rather than vague roadmaps, as seen in sharp corrections for firms with aggressive, debt-funded AI capex. While US innovation leads, China's policy-driven AI strategy is accelerating execution across data, compute, and deployment layers.

The most compelling opportunities lie in bottlenecks—AI chips, high-bandwidth memory, and power infrastructure—where supply remains tight. Beyond software, AI's next phase is "Physical Intelligence," embedding cognition into the real world through frictionless interfaces, autonomous systems, and mobility solutions. This hardware renaissance spans semiconductors, sensors, batteries, and robotics, driven by demographics and demand for accentuating human senses. Risks include high capex and regulatory hurdles, but the structural growth potential appears significant.

Going global: EM (China) and Singapore

Global diversification remains critical as competitive dynamics evolve. China's ascent as a manufacturing and innovation hub is underscored by its growing Fortune Global 500 presence and leadership in sectors like EVs and telecoms. Overseas expansion offers Chinese firms margin uplift and reduced sensitivity to domestic cycles, with foreign revenues now exceeding 11% for CSI300 companies. Meanwhile, Singapore's equity market is in early innings of reform-led upside, supported by the Monetary Authority of Singapore's SGD 5 billion Equity Market Development Programme. Measures such as dual listings and market-making incentives aim to unlock value and attract global capital. With undemanding valuations and light institutional positioning, Singapore equities should do well, particularly in banks, REITs, and industrials benefiting from governance reforms and global monetary easing.

Conclusion

Investors should prepare for a world defined by uneven growth, technological disruption, and shifting global flows. The K-shaped US recovery supports a constructive stance on risk assets amid disinflation and policy easing. AI remains a secular driver, but selectivity is key—focus on monetisation leaders and physical AI enablers. Finally, global allocation to China, EM, and Singapore offers diversification and exposure to structural reforms and competitive advantages. In this environment, disciplined portfolio construction—balancing duration, quality, and thematic growth—will be essential to capture upside while navigating volatility.

A K-shaped Economy
Uneven prosperity

The US recovery has been K-shaped

Not enough is said about how K-shaped the US economic recovery is: profits, asset prices and AI-linked capex are booming, while large parts of the consumer economy and lower-wage segments are struggling.

This mix is decidedly disinflationary, sets the foundation for further Fed rate cuts in 2026, and has profound investment implications which will be outlined later.

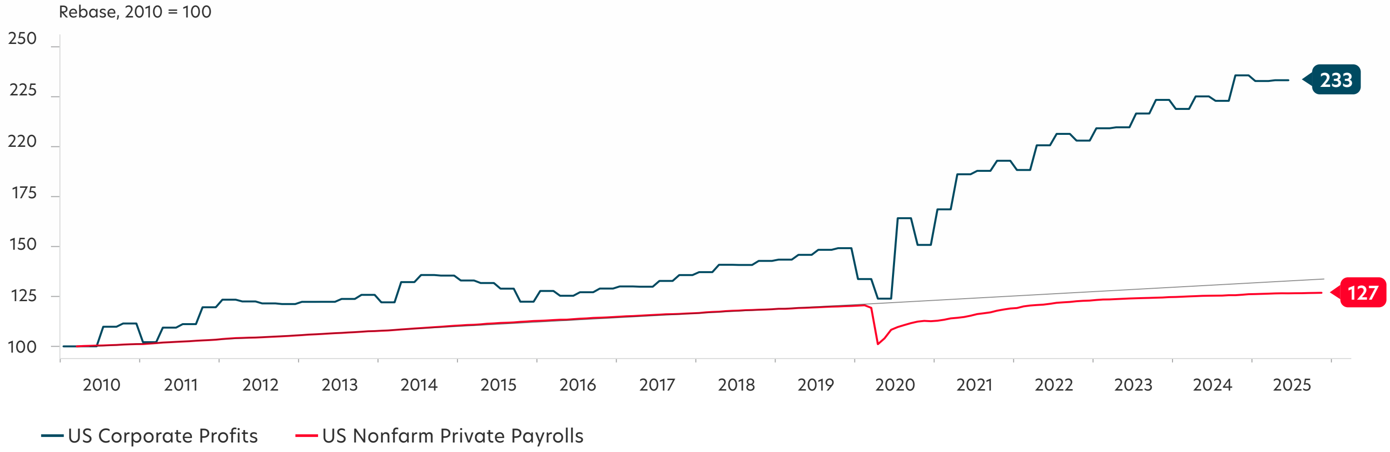
What does K-shape mean?

It is worth noting that rising US corporate profits since the pandemic has been "jobless". Corporate profits saw tremendous growth, but US employment sits ~5% below its pandemic trend.

In addition, the lower-wage sectors saw the steepest wage disinflation after reaping the benefits of post-pandemic shortages. This also manifests as divergences in consumer sentiments between the high- and low-income earners. Against this backdrop, US consumption could be well-supported by high-income earners amid strong wealth effect.

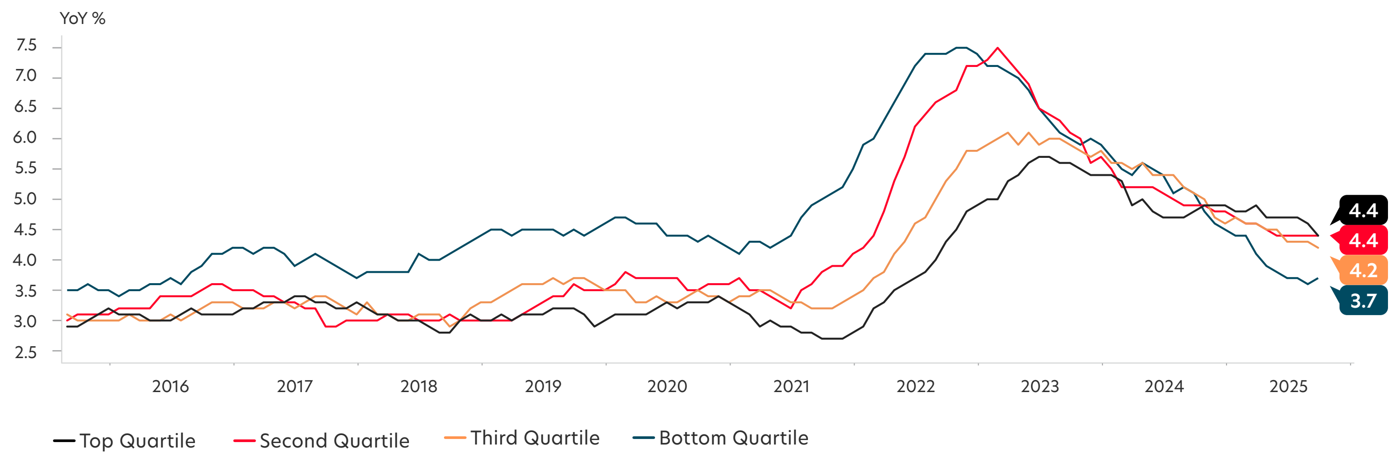
Finally, the economic expansion in the past two years has been unusually reliant on tech investment, which comprises only 4.5% of GDP. For perspective, 69% of US economic activity stems from consumer expenditure. Taken together, the K-shape recovery suppresses broad inflation, rendering it easier for the Fed to ease rates in 2026 without the US economy overheating.

A US jobless boom in profits



Source: Bloomberg, UOB Private Bank

Wage disinflation, with low-income segments feeling it the most



Source: Bloomberg, UOB Private Bank

Policy and rates: K-shape points to easier money

Fed path: Following the 25bps rate cut in December 2025, the Fed dot-plot suggests only one rate cut in 2026, which is shallower than expected. Given the slack in US labour market and continued disinflation, our economics team expects two rate cuts in 2026, bringing the upper-bound Fed Funds Target rate to 3.25% by the end of 3Q 2026.

Extending duration: We recommend increasing average bond portfolio duration to 5-7 years, from 3-5 years previously, especially as long-end yields climb (i.e., as the US 10-year treasury yield rises towards 4.5%).

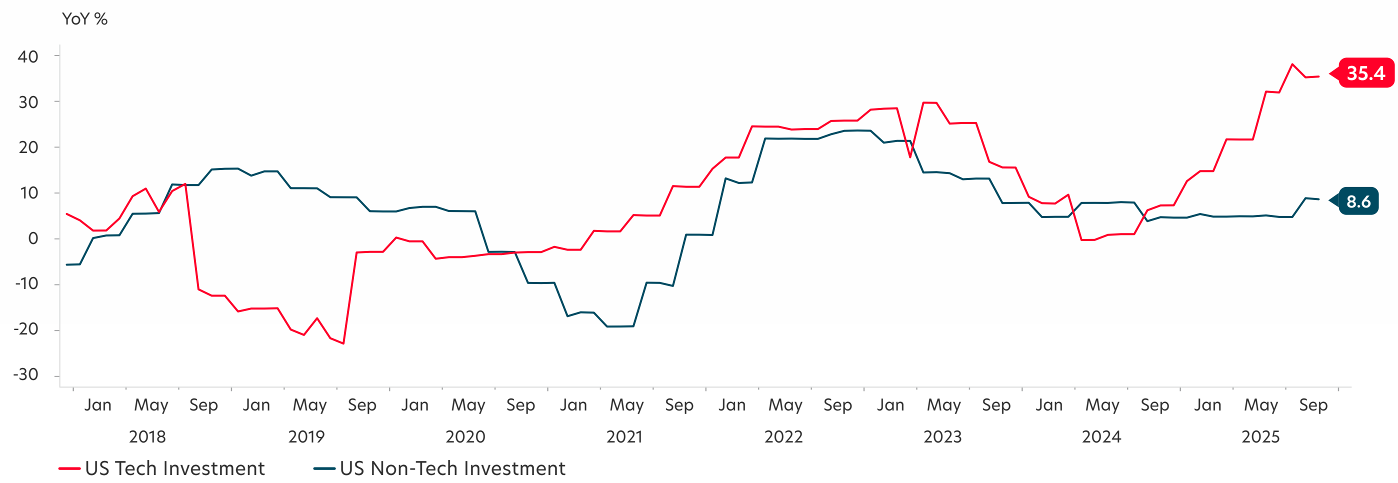
Investment implications

As for investment strategy, lower interest rates raises the odds that the overshoot in AI winners, including utility stocks, could last longer than expected. We favour AI bottlenecks—companies in chip design, memory and lithography. Energy and other AI infrastructure plays with pricing power and clear backlog remain viable.

Certain niche consumer sectors will benefit from lower interest rates and high-income spending on the back of strong wealth effect. We avoid deep cyclicals tied to global trade and tariffs, as well as companies which are highly dependent on lower-income consumer demand.

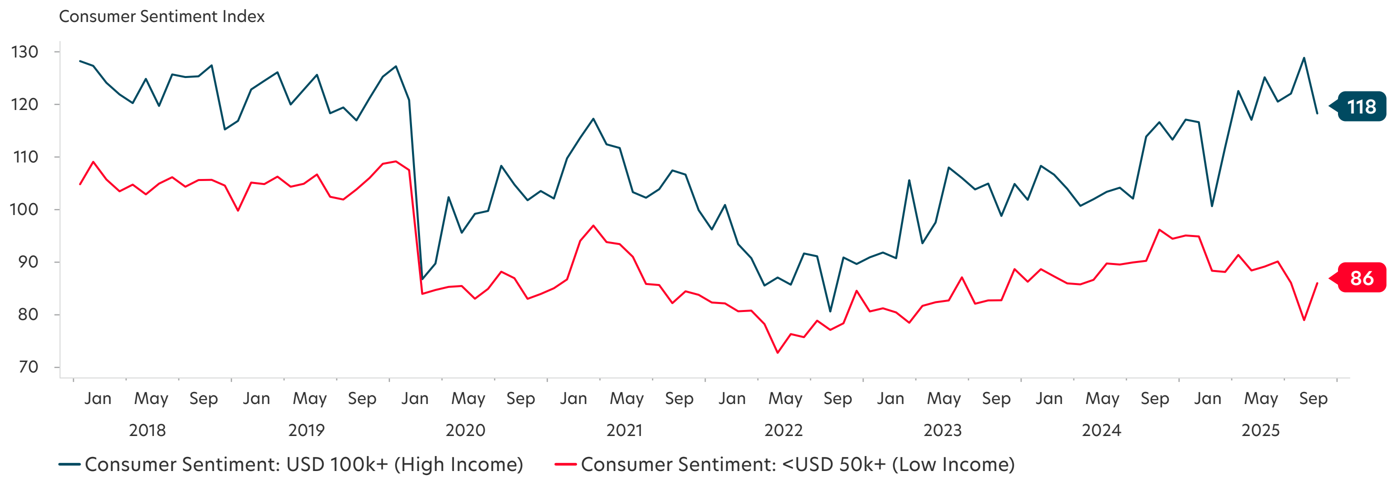
Overall, we remain constructive on risk assets. Inflation may be structurally suppressed amid the US productivity boom. Coupled with a softer US labour market, the Fed has scope to cut interest rates further in 2026.

K-shaped capital spending



Source: Bloomberg, UOB Private Bank

Divergences in US consumer sentiments



Source: US Morning Consult, Bloomberg, UOB Private Bank

AI
Promises and pitfalls

Cycle and discipline

AI is tracking the classic tech cycle: user growth is front-loaded, monetisation back-loaded as network effects and dependency build. Markets have already pivoted from "announce AI" to "prove AI", rewarding companies that quantify profit contribution rather than vague roadmaps. At recent industry forums and in earnings language, monetisation has become the watchword as investors model tangible returns from agentic workflows and productivity gains. Private-market data echo the shift: capital is flowing to teams with scale and operating discipline, not just hype.

Bubble fears beneath the surface

The technology is real; exuberance is mostly financial-driven by unprecedented capex and leverage. Rotation is visible: Meta fell 11% in a single day after lifting 2025 capex to USD 70-72 billion, a sign that investors will not underwrite aggressive spend without clear payback.

Oracle's sharp sell-offs on debt-funded AI data-centre buildouts have turned its story into a "show-me" trade, as the Street questions ROI and margin durability despite a hefty backlog.

"Ready player 2": China

While the US still leads on frontier innovation, China's coordinated, policy-driven push across the AI stack (data, compute, deployment) is improving execution speed and resource allocation—backed by national targets for compute and unified data markets.

We opine risk is higher in the private model cohort than in cash-generative listed incumbents: OpenAI's path implies meaningful profitability only near 2030 amid titanic cash burn, while Anthropic guides to earlier break-even (~2027-28) but still requires heavy funding. We expect markets to tolerate user growth over profitability through 2026, but demand explicit AI profit by 2027 or they will rotate away from unclear stories.

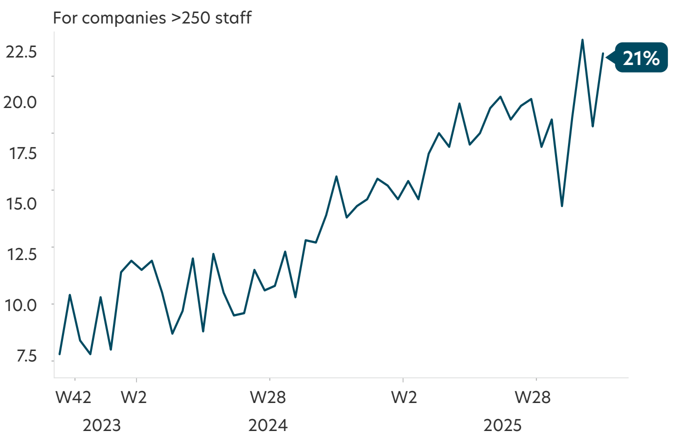
Buy the bottlenecks

The most resilient opportunities sit where supply is tight: AI chips, HBM memory, power/utilities, and equipment/industrials. HBM has become the scarce fuel for accelerators, reshaping DRAM leadership and profit pools. On the infrastructure side, AI data-centre load is now the gating factor: US power demand tied to AI could surge 30× by 2035, making grid capacity, interconnection and on-site generation central to returns.

Conclusion

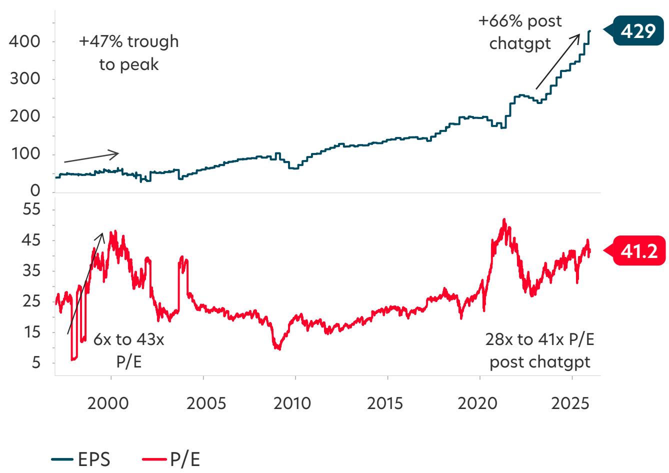
Near-term macro effects look modest: leading work suggests small, cumulative boosts to productivity/GDP over the next decade, meaning AI improves welfare (time saved, service quality) more than it solves sovereign balance-sheet realities—no silver bullet for debt. Portfolio takeaway: overweight bottlenecks (AI chips, HBM, advanced packaging, grid-linked utilities, power equipment), insist on companies reporting AI monetisation metrics, and stay invested in China's coordinated AI strategy.

AI adoption rate next 6 months



Source: US Census, UOB Private Bank

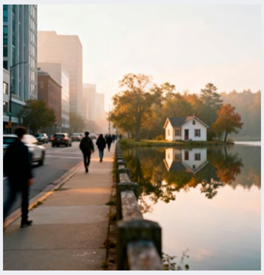
Valuation and earnings growth beats dot-com



The next phase of AI: Physical Intelligence

We foresee AI is moving beyond screens and algorithms into the physical world. This evolution—Physical AI—will redefine how we live, work, and interact with technology. We see three major themes shaping this future:

- **Frictionless Tech:** Tomorrow's interfaces will be auditory, sensory, and intuitive, replacing keyboards and touchscreens with voice, gesture, and environmental cues. Homes, offices, and vehicles will respond seamlessly to human intent. OpenAI terms this the "Third Core Device" where it is "peaceful and calm" productivity without all the noisy notifications we now are bombarded with. This shift will drive demand for advanced sensors, microphones, haptic feedback systems, and edge AI chips capable of real-time processing.



No touch, no screen. OpenAI's 'Third Core Device' is designed to bring peace and calm.

- **Invisible Tech:** Physical AI will take over repetitive, low-value tasks—cleaning, maintenance, and restocking—without human intervention. Robots and autonomous systems will operate quietly in the background, transforming logistics, hospitality, and home automation. Picture finishing dinner and heading straight to the cinema—while AI quietly clears the table, washes the dishes, and resets your home without you lifting a finger. These solutions require high-efficiency batteries, precision actuators, and specialised ASICs (Application-Specific Integrated Circuits) to deliver performance at scale.

Doing the grunt work.

Learn more

- **Mobility Tech:** With ageing populations in developed markets and China, mobility becomes an economic imperative. Physical AI will augment human strength and endurance through exoskeletons, smart wearables, and rehabilitation devices. Industrial applications will reduce injuries and extend an experienced workforce's productivity. This theme demands lightweight materials, power-dense batteries, advanced memory modules, and AI accelerators to enable real-time motion control.

Ageing with power. Companies like Kenqing are enabling seniors to live strong.

Learn more

Investment implications

Physical AI is not just a software story—it's a hardware renaissance. Every theme above relies on a foundation of semiconductors, sensors, batteries, and specialised manufacturing capabilities. Key opportunity sets include:

- **Semiconductors:** ASICs and AI accelerators for edge computing.
- **Energy storage:** High-density batteries for robotics and wearables.
- **Sensors and actuators:** Vision, LiDAR, haptics, and motion systems.
- **Memory and connectivity:** Low-latency modules for real-time AI processing.

Growth drivers: Ageing demographics, labour shortages, and automation demand.

Risks: High capex, supply chain constraints, and regulatory adoption curves.

Physical AI represents a structural shift—from digital convenience to physical empowerment. Investors should focus on companies innovating in robotics hardware, semiconductor design, and advanced energy systems, as these will underpin the next decade of AI-driven growth.

Going Global
China equities

Despite ongoing trade uncertainties, we maintain that global expansion for Chinese companies remains a critical investment theme.

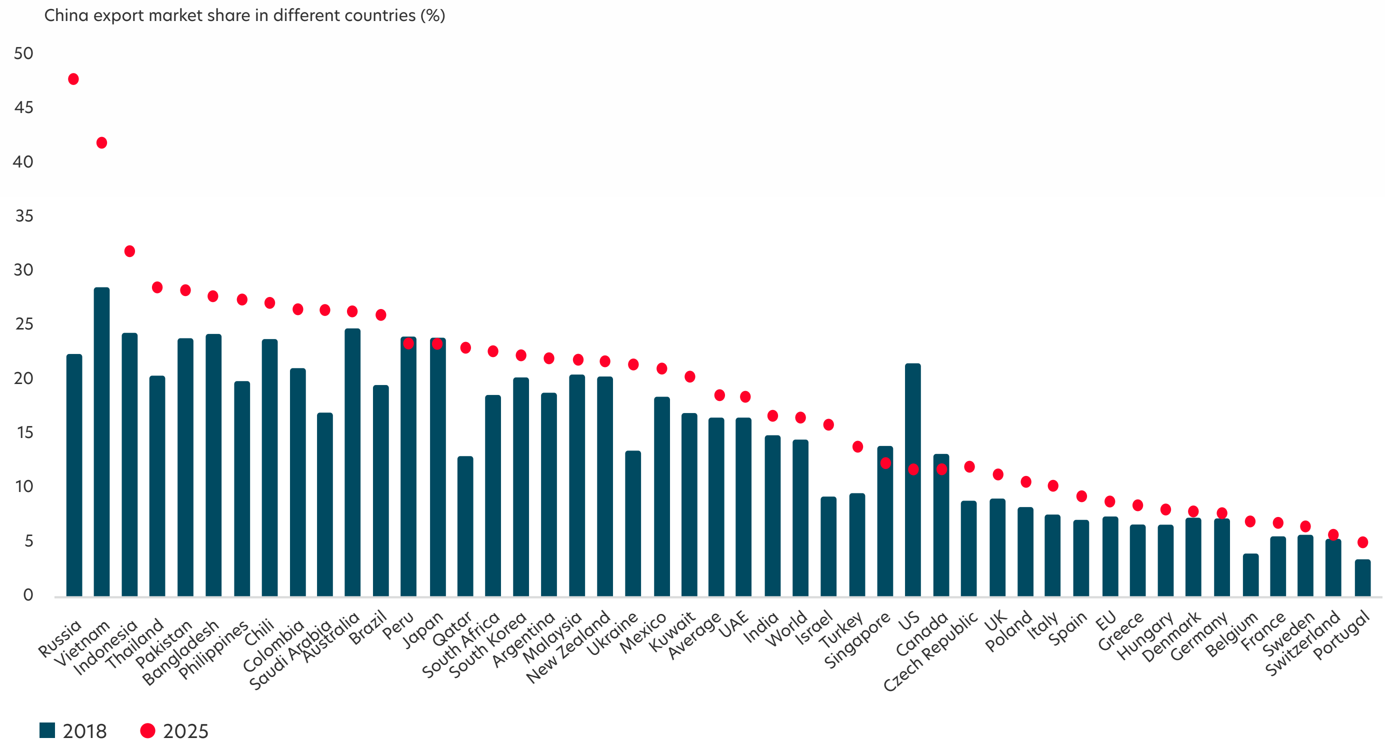
Growth and profitability

Chinese companies are increasingly pursuing international growth, creating opportunities for overseas revenue gains. Overcapacity, intense competition, and persistent disinflation have weighed on corporate earnings in recent years. With domestic demand constrained, pursuing opportunities in less saturated international markets is emerging as a strategic priority for enterprises seeking to preserve overall growth and profitability.

Overseas operations offer revenue streams and cost structures that are less correlated with domestic economic cycles and more aligned with global trends. As foreign revenues grow to a meaningful share, overall market dependence on domestic growth decreases. In a bull-case scenario where overseas margin premiums remain strong, this could unlock re-rating potential for export-oriented firms relative to purely domestic players.

In 2024, overseas revenue accounted for 11.7% of CSI300 companies' total revenue, marking a 1.4% increase YoY. At the industry level, electronics and home appliances recorded the highest share of overseas revenue. Moreover, in most sectors, overseas gross profit margins (GPMs) surpassed domestic margins - particularly in media, health care, computers, and communication services - reinforcing that global expansion contributes to margin enhancement.

China exporters have steadily been increasing their market share across all countries



Note:
- All series are shown as 12-month moving average

Source: Alpine Macro

Growing competitiveness and global reach

Chinese products have evolved significantly over the years, combining cost efficiency with improved quality that strengthens their competitiveness on the global stage. Indeed, China has emerged as a leading producer of technologically advanced goods, including telecommunications equipment, solar panels, and drones, driven by robust investment in research and development. Across multiple sectors, Chinese products offer a compelling value proposition, reflected in the rapid global adoption of Chinese brands.

This growing competitiveness is underscored by corporate scale: in 2024, 130 Chinese companies were listed in the Fortune Global 500, compared to 100 a decade ago. Notably, firms in the automotive, high-tech, and internet sectors continue to demonstrate strong growth momentum, reinforcing China's position as a global manufacturing and innovation hub.

A competitive currency

A highly competitive Renminbi on an effective trade-weighted basis is expected to remain a tailwind for Chinese exporters in the coming quarters. UOB expects a gradual appreciation of the CNY vs USD, driven by expectations of a US-China trade deal and continued USD softness amid the Fed's rate cutting cycle. Our USD/CNY forecasts are at 7.04 in 1Q 2026, 7.00 in 2Q 2026, 6.98 in 3Q 2026 and 6.95 in 4Q 2026. Indeed, policymakers, mindful of lessons from Japan's lost decades, appear inclined to maintain currency competitiveness to support external demand, putting Chinese exporters at a competitive edge for global expansion.

Going Global

Singapore equities reform-led upside in early innings

Policy backdrop: What has changed?

Singapore's equity market is entering a transformative phase, driven by the Monetary Authority of Singapore (MAS) Value Unlock Programme and the broader SGD 5 billion Equity Market Development Programme (EQDP).

These policy initiatives aim to sharpen corporate focus on shareholder value, improve disclosure standards, and deepen investor engagement. Specific measures include an SGD-Nasdaq bridge for dual listing, smaller board lot size as well as market-making incentives.

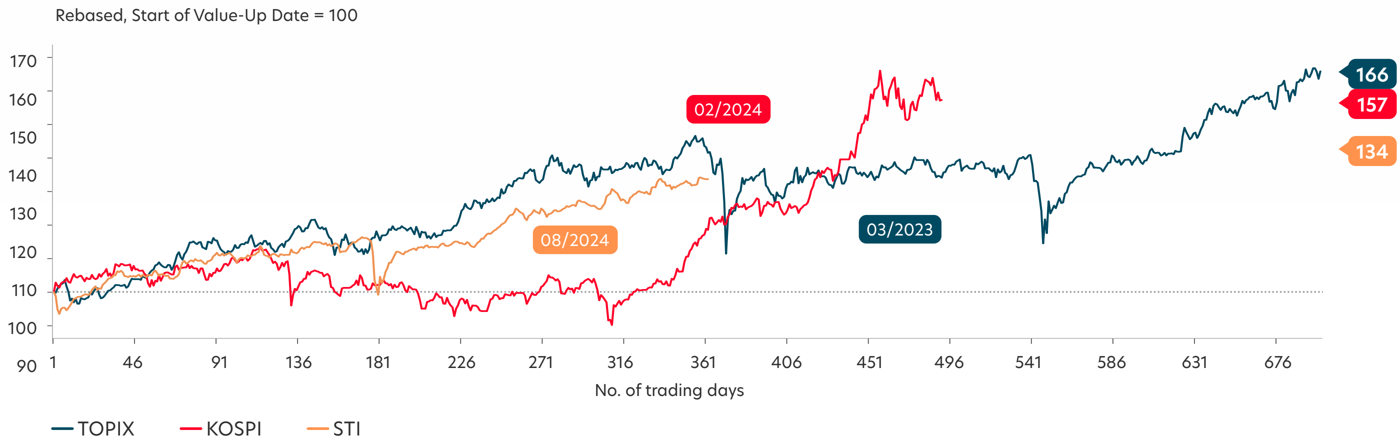
While Singapore endeavors to mirror successful governance/value-up drives in Japan and South Korea, additional details and good execution will be needed for a broad, sustained equity re-rating.

Where markets stand

Since the equities review group was formed in August 2024, the Straits Times Index (STI) has rallied ~30%, outperforming regional peers in Southeast Asia, but still trails Japan/Korea's >55% surge since announcement of the first sets of governance or equity reforms.

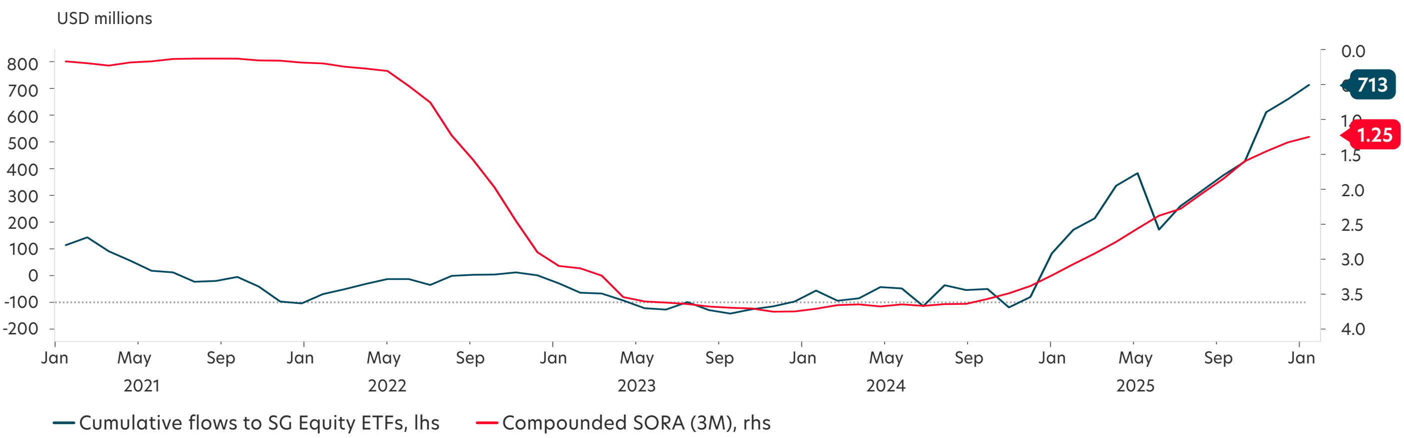
The next leg of upside for Singapore's equities depends on observable corporate actions—such as buybacks, higher dividends, and strategic asset recycling—supported by regulatory clarity and incentives.

STI still trails peers in post-reform gains



Source: Bloomberg, UOB Private Bank

SG equity ETF flows vs. SORA



Source: Bloomberg, UOB Private Bank

Catalysts and macro tailwinds

- **Regulatory initiatives:** EQDP fund allocation (SGD 2.85 billion second tranche) and upcoming asset manager appointments.
- **Global monetary easing:** Low interest rates support valuations and risk-taking.
- **Sector drivers:** Real estate benefits from lower rates and governance reforms; Industrials and telcos positioned for asset recycling and buybacks; Banks committed to capital returns; Utilities supported by energy transition.

Risk and headwinds

- **Execution risk:** Lack of enforcement and incentives may limit corporate participation in reforms, while delay in regulatory clarity could stall momentum.
- **Global uncertainties:** Geopolitical tensions, commodity volatility, or reversal in monetary easing could weigh on sentiments.
- **Domestic challenges:** Labour cost pressures and slower earnings rebound could affect certain sectors. In turn, there may be heavy reliance on banks and property for index performance.

Investment implications

Over the last three years, there has been a net cumulative outflow of SGD 5.2 billion from Singapore's equities by the institutional investors. It is also worth noting that these institutional investors booked profits in Singapore's banks and REITs in 2025.

Against this backdrop of light positioning by global funds, Singapore's equities could play catch-up to Japan and South Korea on signs that the reforms show tangible progress. Rising retail participation and SGD's above-trend deposit growth also adds liquidity for domestic equity flows, supporting further returns.

We expect continued earnings recovery to be supported by domestic strength and global monetary easing. Meanwhile, Straits Times Index's (STI) current valuation (i.e., 12MF P/E at 14.1x as of 18 December 2025) is undemanding relative to global peers.

We favour companies which are likely to be strong beneficiaries of these reforms. Specifically, we like firms with dividend upside supported by strong balance sheets, and improving return on equity (ROE) amid better capital allocation. Finally, REITs with good payout track records backed by fundamentals and banks with strong capital return commitments remain preferred.

Portfolio Strategy

Asset Class Summary

Asset Classes	U/W	N	O/W	Comments
Equities			▲●	**Remain Overweight. The Fed's easing cycle is supportive of risk assets. Use dips to accumulate quality stocks.**
United States			▲●	Stay Overweight. Diversify from mega-cap tech stocks to Financials, Industrials and Healthcare. Rate cuts should cushion valuations.
Europe		■●		Remain Neutral. Selectivity is needed; we favour defence/infrastructure and banks, avoid deep cyclicals.
Japan		■●		Stay Neutral. BOJ tightening is a key risk to watch; we like Financials and Industrials. Avoid exporters with weak pricing power.
EM Asia			▲●	Remain Overweight. We are constructive on China's tech and dividend plays as well as Korea/Taiwan semis. We like SG within ASEAN.
Fixed Income		■●		**Remain Neutral given reasonable all-in yields but tight spreads. Stick to an average duration of 5-7 years.**
DM IG			▲●	Remain Overweight. Carry remains attractive amid gradual Fed easing.
DM HY	▼●			Remain Underweight. Tight spreads and slower growth raise downgrade risk – stay up in quality.
EM IG			▲●	Remain Overweight. Favour Asian quasi-sovereigns/strategic SOEs amid softer USD and benign inflation dynamics.
EM HY		■●		Remain Neutral. Selectivity is needed given idiosyncratic balance-sheet risks.
Alternatives			▲●	**Remain Overweight as less correlated alternatives offer diversification benefits.**
Hedge Funds		■● ←	▲○	Downgrade to Neutral from Overweight. Selected hedge fund strategies can outperform the public markets.
Private Markets		■○ →	▲●	Upgrade to Overweight from Neutral. Prioritise managers with proven track record and disciplined underwriting.
Precious Metals			▲●	Remain Overweight. Gold can thrive on safe-haven demand and continued central bank allocation.
Money Market		■●		**Remain Neutral. Keep dry powder for tactical deployment during the corrective phases.**

▼ Underweight   ■ Neutral   ▲ Overweight   ● Current quarter's position   ○ Previous quarter's position

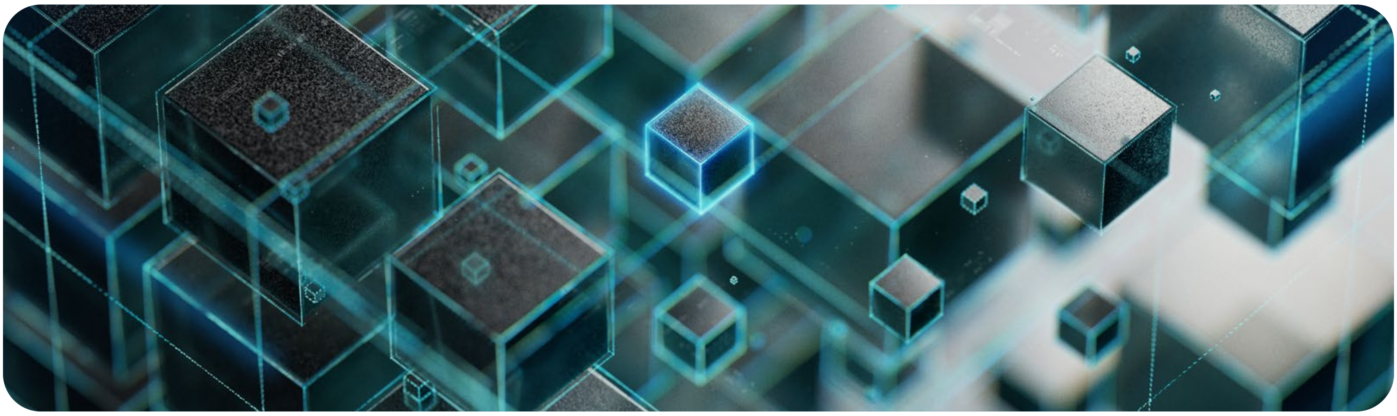
Notes:

- The asset class summary above is based on a "Balanced" risk profile (See next page).
- In the headers, "U/W" represents "Underweight", "N" represents "Neutral", and "O/W" represents "Overweight".
- Each black dot indicates current quarter's position. If any, each clear dot indicates previous quarter's position.

Asset Allocation for 1Q 2026

Asset Classes	Very Conservative (%)		Conservative (%)		Balanced (%)		Growth (%)		Aggressive (%)		Comments
	Now	Chg.	Now	Chg.	Now	Chg.	Now	Chg.	Now	Chg.	
Equities			**30.0**		**50.0**		**65.0**		**75.0**		
United States			18.9	▼ -0.3	31.5	▼ -0.5	41.0	▼ -0.7	47.3	▼ -0.8	
Europe			4.2	▼ -0.3	7.0	▼ -0.5	9.1	▼ -0.7	10.5	▼ -0.8	
Japan			1.8		3.0		3.9		4.5		
EM Asia			5.1	▲ 0.6	8.5	▲ 1.0	11.1	▲ 1.3	12.8	▲ 1.5	
Fixed Income	**90.0**		**65.0**		**30.0**		**10.0**				
DM IG	45.0		27.6		12.8		4.3				
DM HY			4.9		2.3		0.8				Avg. duration: 5 to 7 years
EM IG	45.0		26.0		12.0		4.0				
EM HY			6.5		3.0		1.0				
Alternatives					**15.0**		**20.0**		**20.0**		
Money Market	**10.0**		**5.0**		**5.0**		**5.0**		**5.0**		

Notes:
- "Chg." means changes in asset allocation relative to last quarter. If any, these changes will be reflected accordingly (plus weighting in green, minus weighting in red).
- Figures might not add up due to rounding off to 1 decimal place.



Our View of the World

Economy

- Global GDP rose 2.3% in 2025 despite trade tensions, but imbalances have started to emerge as demand shifts to tech investment while job gains slowed. Growth is expected to strengthen in 1H 2026 from fiscal stimulus, particularly in US and China.
- We have raised our US GDP growth forecast for 2026 to 1.7% (up from 1.5%), reflecting market expectations that Trump's tax cuts and deregulation could offset the tariff fallout. Main risk remains a prolonged government shutdown that could disrupt economic recovery.
- We maintain our forecast for China's GDP growth at 4.7% in 2026, with industrial production and exports to remain key growth drivers in coming years.

Monetary policies

- After the highly anticipated 25bps cut at the December's FOMC, we continue to project a Fed pause early next year before resuming easing with two further cuts in 2026, implying a terminal rate of 3.25%.
- The Bank of Japan (BoJ) remains an outlier in the DM space, with further tightening anticipated. Following the 25bps hike to 0.75% in December, our macroeconomic team expects a final move to 1.00% further out in 3Q 2026.
- For most Asian economies, there remains meaningful scope to cut rates, given still-elevated real policy rates as well as the need to stimulate demand.

Prices

- Fears of global inflation from tariffs proved unfounded, as resilient supply chains and intermediaries absorbed the cost pressures.
- In the US, while there are signs of rising inflation across key food and grocery items overall inflation remained contained.
- Across most ASEAN economies, inflation trajectories remained soft as strong currencies and competitively priced Chinese goods curbed costs.

Asset allocation

- Remain Overweight on Equities as the Fed's easing cycle is supportive of risk assets. We stay Overweight on US and recommend to diversify from mega-cap tech stocks to Financials, Industrials and Healthcare. Stay Overweight on EM Asia; constructive on China tech and dividend plays as well as Korean/Taiwan semis. Prefer SG within ASEAN.
- Remain Neutral on Fixed Income given reasonable all-in yields but tight spreads. Stick to an average duration of 5-7 years. Remain Overweight on DM IG and EM IG.
- Stay Overweight on the less correlated Alternatives given their respectable risk-reward as well as diversification benefits. Upgrade Private Markets to Overweight and downgrade Hedge Funds to Neutral.

Equities

United States

Constructive, but stay selective

Stance: We maintain overweight on US equities into 1H 2026, seeing scope for near-term consolidation while the AI theme remains intact. Looking ahead, alpha will primarily stem from security selection. We continue to advocate buying on the dips. Investors can consider gaining defensive exposure via structured products.

Monetary policy: We expect two 25bps rate cuts in 2026 in the Fed's continued easing; this brings the Fed Funds Target Rate to 3.25% (upper bound) by end-2026.

Macro tone: US real GDP growth is projected to be stable at 1.7% in 2026, driven mainly by labour productivity, fiscal expansion, accelerating capex and lower interest rates. Core PCE inflation is likely to trend lower. Rising US unemployment rate will be the key risk to watch.

Allocation discipline: While US equities remain expensive versus history, valuation itself does not mechanically cap returns. We continue to seek quality growth as well as AI bottlenecks. We also like some cyclicals (e.g., financials and industrials) and defensives (e.g., select healthcare segments/names with durable earnings).

Macro backdrop and rates: Supportive for equities

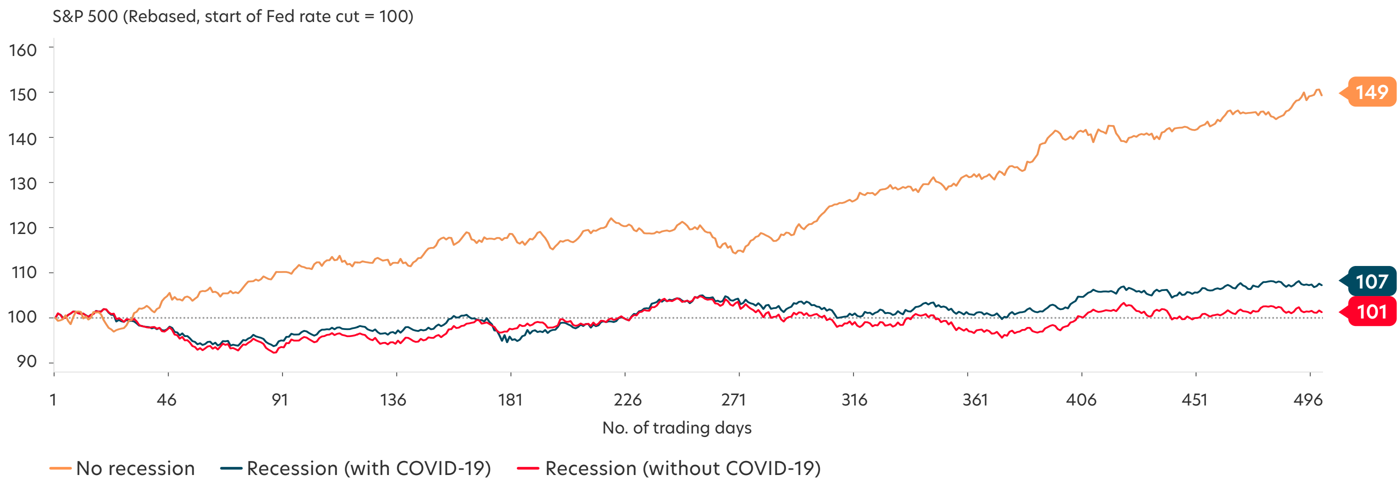
Fed path: Our economics team projects two 25bps Fed rate cuts in 2026, with risk skewed to additional easing if growth or employment softens. This provides cushion on any potential derating of equity multiples and supports the "buy-on-dips" stance.

US growth: US real GDP growth is projected to be 1.7% for 2026, with tariffs and a cooling labour market tempering demand. Overall, we do not foresee a technical recession in our base case.

Notably, the One Big Beautiful Bill Act (OBBBA) is expected to deliver a positive fiscal thrust in 2026 by reducing corporate tax bills by ~USD 129 billion. The fiscal policy impulse is complemented by monetary and regulatory support, effectively cushioning demand lowering recession odds. This reinforces the case for cyclical participation alongside AI-driven growth.

USD and global spillovers: The Fed's ongoing rate-cut cycle is expected to drive further near-term USD weakness; this is typically supportive of flows into global risk assets.

US equities can grind higher amid Fed rate cuts in the absence of a recession



Source: Bloomberg, UOB Private Bank

Earnings and valuations: Profits intact, wider performance dispersion

Earnings trajectory: Against the consensus forecast for low to mid-teens earnings per share (EPS) growth in 2026, US equity returns will likely be respectable. Valuation headwinds should be modest considering the Fed's rate-cut trajectory. Overall, EPS growth is likely to be the core driver of US equity returns in 2026, with the rally broadening to include selected cyclicals.

Magnificent 7's (Mag7) earnings should hold up well unless the US unemployment spikes. The US corporate profits have accelerated while employment remains below pre-pandemic trend; we expect this productivity-led "jobless profit boom" to persist.

Valuations: US firms in the S&P 500 are operating near peak profit margins and currently trade at valuations close to the highest levels seen in the past 20 years. Having said that, US equities will remain as a dominant asset class for a long time. US returns have typically surprised on the upside due to the companies' ability to beat expectations. Given the elevated valuations, it is important to maintain discipline on entry points.

Market dynamics and positioning: While US large-caps remain supported by durable end-markets, fortress balance sheets, and the ability to invest based on strong free cashflows from legacy businesses, the continuation of mega-cap outperformance is far from guaranteed.

This argues for selectivity and diversification: equal-weighted indices, low-volatility factors and disciplined stock-picking. Investors should consider gaining exposure to sectors outside of technology: financials, industrials and healthcare.

The AI cycle: Own the bottlenecks

Cycle status: The AI theme is not over; consolidation is within expectations. Mag7 valuations have retraced to ~29x, and performance dispersion is rising—pick wisely.

What to own: We recommend buying AI bottlenecks—companies in chip design, memory and lithography. Energy/data-centre infrastructure plays with pricing power and clear backlog conversion remain viable. Investors should avoid crowded areas with weak path to profitability. We prefer public markets to private AI exposures given better liquidity and price discovery.

Risk flags: Investors should monitor vendor-financing closely as it can echo patterns seen during the dot-com bubble of late 1990s. While today's tech leaders are profitable with disciplined capex funded by internal cash flows, signs of over-building may emerge.

Investment takeaways

The US equities can continue to grind higher given the imminent fiscal thrust, relatively loose monetary conditions and the lack of extreme external shocks. Having said that, investors should be prepared to hold quality names through any event-driven volatility.

Caution is warranted in AI-related investments, especially in companies facing a squeeze in returns versus the cost of capital, and where monetisation is yet to be determined. Beyond AI, we like some cyclicals (e.g., financials and industrials) and defensives (e.g., select healthcare segments). Investors should maintain portfolio diversification with FX overlays.

While holding up well, Mag7's forward earnings growth has peaked, and the rest is catching up

Source: Bloomberg, UOB Private Bank

Europe

Navigating near-term challenges

Stance: We remain neutral on European equities into 1H 2026 amid slowing growth, with EU fiscal policy support potentially offsetting manufacturing weakness. Given softer global PMIs, we would avoid deep cyclical stocks (e.g., autos and chemicals) and favour quality names riding on EU defence and infrastructure spending plans.

Monetary policy: Our economics team expects the European Central Bank (ECB) to hold EUR refinancing rate at 1.90% through 2026.

Macro tone: Euro area GDP growth is expected to be modest at 1.1% in 2026. Key macro risks include US tariffs, manufacturing headwinds and French political uncertainty, while upside could stem from German fiscal push. Consumer confidence could be tempered by geopolitical tensions, dampening household spending.

Allocation discipline: We continue to seek companies which are set to benefit from EU's paradigm shift to increased defence spending as well as infrastructure resilience. Beyond the industrials, we expect financials to outperform given higher net interest margins from supportive rate environment (i.e., a steeper yield curve) and high capital returns via dividend or share buyback.

Macro backdrop and rates: Neutral to mildly supportive

ECB path: Our economics team expects the ECB to hold rates at 1.90% through 2026. Having said that, a small rate cut could still be on the cards in 1H 2026 if the inflation undershoots target and growth weakens. This policy stance limits downside risk to equity valuations.

EU growth: Euro area GDP growth is projected at 1.1% in 2026, reflecting soft domestic demand, external trade-related headwinds and stiff Chinese competition. Germany's fiscal push is expected to partially offset these challenges.

EUR and global spillovers: A stable ECB policy and anchored inflation outlook point to a relatively firm EUR versus USD, which may weigh on export competitiveness.

However, currency stability could attract global capital flows into European assets, particularly in sectors benefitting from structural themes such as energy transition and industrial automation.

Europe's paradigm shift is grounded on being self-sufficient

Source: MSCI. Goldman Sachs Asset Management. As of November 2025.

Earnings and valuations: Modest growth, selective opportunities

Earnings trajectory: Consensus expects mid to high single-digit EPS growth for 2026, reflecting subdued domestic demand and external trade headwinds. We anticipate "steady but unspectacular" returns, with upside capped by weak macro momentum.

While a multi-decade EU defence and infrastructure investment cycle has begun, the near-term fiscal impulse may be limited. The overall progress may be slow due to institutional inertia and national protectionism amid fragmented governance.

Valuations: The Euro Stoxx 600 trade at levels close to the 10-year average (i.e., ~15.1x 12MF P/E as of 18 December 2025), offering relative value versus US peers. Looking ahead, the valuation dispersion across styles and sectors in Europe could persist. Given expectations for limited earnings acceleration, investors should focus on companies' cashflow resilience.

Market dynamics and positioning: Financials and industrials accounted for much of the strong 2025 rally within Euro Stoxx 50. We continue to favour the sector winners.

Looking ahead, quality and pricing power matter. We expect greater performance dispersion across sectors, driven by divergent margin pressures and regulatory shifts. Export-oriented sectors may face headwinds from a firm EUR and Chinese products, while policy beneficiaries of EU defence spending, energy transition and industrial automation should continue to draw capital flows.

European "Security and Resilience" cycle: Own the capex beneficiaries

Cycle status: Europe is entering a multi-year rearmament and infrastructure renewal phase, with Ukraine reconstruction estimated at USD 500-600 billion across Emergency, Recovery and Modernisation phases; this underpins sustained demand for defence, industrials, infrastructure and energy systems.

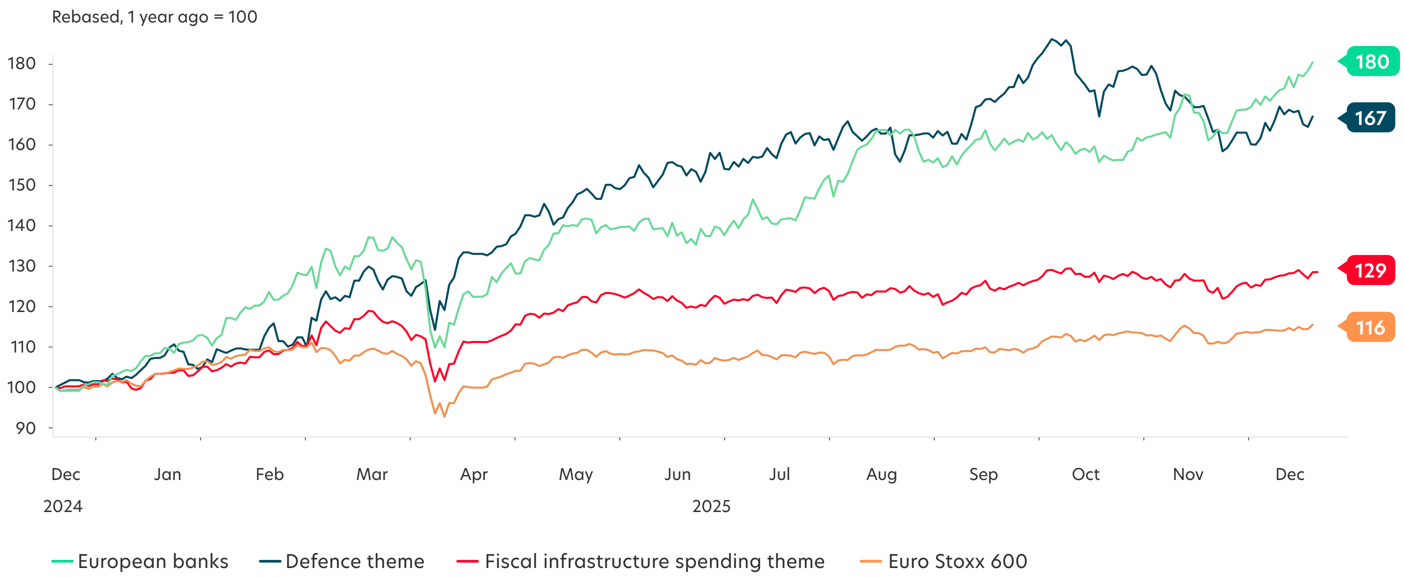
What to own: We like the structural beneficiaries of sovereignty-driven capex. These include defence and dual-use technologies serving both defence and civilian markets. Grid and energy-transition infrastructure also offer exposure to decarbonisation themes. Finally, European banks and quality franchises stand to gain from policy support and electrification initiatives.

Risk flags: Valuations could de-rate if global PMIs worsen or credit spreads widen. Broadly, near-term macro challenges and execution risks related to the EU fiscal stimulus deployment warrant attention.

Investment takeaways

European equities offer some upside from fiscal policy-driven themes while maintaining a valuation discount relative to the US. Selectivity and active management is crucial given the high potential for style or sector rotation going into 2026. Investors should favour capex beneficiaries—such as defence and civil/military technology manufacturers, grid and energy-transition infrastructure, and industrial automation—alongside domestic European banks.

Stick to the winning themes



Source: Bloomberg, UOB Private Bank

Japan

Onwards to policy normalisation

Stance: We maintain neutral on Japanese equities into 1H 2026, balancing Japan's operational leverage to slower global growth and Bank of Japan's (BoJ) policy tightening risks against supportive governance reforms and a cyclical rebound in corporate earnings growth.

Monetary policy: Our economics team expects BoJ to make a final hike in policy rate to 1.00% in 3Q 2026. A steady but shallow policy normalisation should limit multiple compression. Having said that, higher domestic risk-free rates raise equity hurdle rates and weigh on rate-sensitive, high-duration growth names.

Macro tone: Japan's real GDP growth is expected to be modest at 1.3% in 2026 as fiscal stimulus and tech capex offset weak consumption. Key macro risks include BoJ hikes surprising on the upside, weaker aggregate demand due to escalating geopolitical tensions with China, and a stronger-than-expected JPY going into 1H 2026. UBS estimates that each ¥10 of JPY appreciation shaves ~2.5% off corporate profits.

Allocation discipline: We seek companies which benefit from policy themes including defence infrastructure buildout and energy security under the Takaichi administration. We also like firms that can demonstrate rising return on equity (ROE) and strong capital returns, supported by governance reforms. Broadly, domestic equities should benefit from the revamped Nippon Individual Savings Account (NISA)-driven inflows.

We emphasise the importance of sticking to large-cap names with strong pricing power which helps offset increasing wage and input costs. It is worth noting that companies face margins pressure especially with increasing wage growth and weaker export demand. In this vein, we avoid exporters which have low pricing power and are the most vulnerable to JPY volatility as well as China's demand swing.

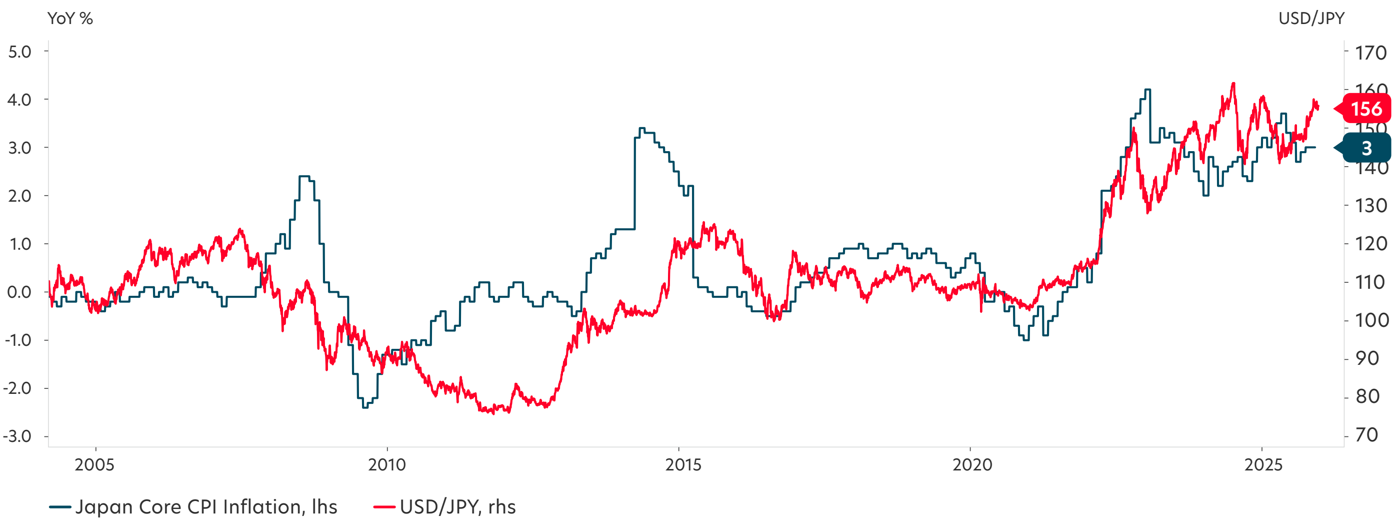
Macro backdrop and rates: Higher rates amid stronger fiscal impulse

BoJ path: Our economics team expects BoJ to make a final hike in policy rate to 1.00% from 0.75% in 3Q 2026. Gradual normalisation should cap valuation upside; earnings need to do the heavy lifting.

JP growth: Notwithstanding trade-related challenges and tighter financial conditions, Japan's real GDP growth is expected to be modest at 1.3% in 2026. This forecast is premised on AI-related spending even as domestic spending remains uncertain. Overall CPI inflation is projected to ease to ~2.0% in 2026 as energy subsidy effects fade and JPY stabilises.

JPY and global spillovers: We expect broad-based USD weakness as the Fed extends its easing cycle into 2026. Recent verbal warnings from Japanese authorities regarding "one-sided and rapid" depreciation also raise the risk of FX intervention should USD/JPY approach 157-162. Against this backdrop, USD/JPY could strengthen to 146 by 4Q 2026.

Firms have lifted prices on goods and services amid higher labour costs and a weaker yen



Source: Bloomberg, UOB Private Bank

Earnings and valuations: Earnings need to do heavy lifting

Earnings trajectory: Consensus projects high single-digit EPS growth for TOPIX in 2026, driven by return on equity (ROE) reforms, governance changes, and domestic flows (NISA 2.0). Looking ahead, we expect steady earnings recovery. Upside hinges on governance reforms and domestic demand resilience, while downside risks stem from elevated wage inflation compressing margins, currency headwinds and trade softness, especially with China exposure as a drag.

Valuations: TOPIX trades ~16x 12MF P/E (as of 18 December 2025), which is above its 10-year average of 14.6x. Slight multiple compression could take its course as BoJ normalises policy rates. We expect exporters and high-duration growth names to face headwinds from rising discount rates and JPY volatility, while financials and industrials with resilient cash flows and ROE uplift from governance reforms should attract flows.

Market dynamics and positioning: Quality and pricing power matter. Wage-led margin squeeze makes pricing power critical; we avoid sectors with weak ability to pass through costs. Investors should favour companies riding on domestic themes linked to governance reform, ROE improvement, and NISA-driven inflows. In addition, we continue to favour policy beneficiaries; defence, infrastructure, and energy security remain structural themes investors should focus on.

Japanese "Reform" cycle: Own the governance and policy winners

Cycle status: Japan is currently in a corporate governance and ROE improvement cycle, reinforced by NISA 2.0 inflows, buyback reforms, and policy support for defence, infrastructure, and energy security. This structural shift aims to unlock shareholder value and modernise industrial capacity, while fiscal initiatives target grid resilience and critical technologies.

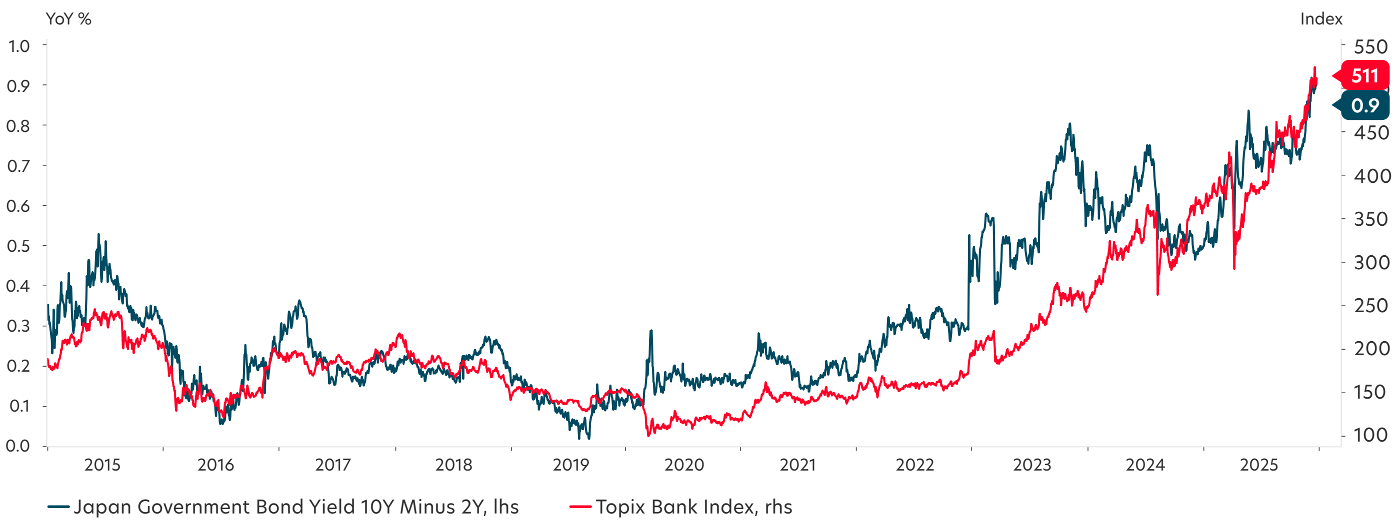
What to own: We like companies implementing true share cancellation, sustaining dividend growth, and improving capital efficiency. Policy beneficiaries riding on defence spending, industrial automation, and energy-transition infrastructure are favoured. Japan's domestic banks' net interest margins (NIMs) should be well-supported amid a steeper JGB yield curve. Finally, machinery, electrical precision instruments, and IT services tied to productivity and automation should perform well.

Investment takeaways

Following PM Takaichi's announcement of the largest stimulus since COVID-19, with JPY 17.7 trillion (USD 112 billion) in general account spending and a total package of JPY 21.3 trillion, higher long-term yields from rising term premium could pressure the growth names. Taken together with a gradual monetary policy normalisation, financials' NIMs should be supported by a steeper JGB yield curve.

Given margin headwinds from wage inflation and expectations for JPY appreciation into 2026, we avoid exporters lacking pricing power. Overall, investors should favour governance improvers with credible capital return strategies as well as policy beneficiaries under the Takaichi administration.

A steepening JGB yield curve has boded well for Japanese domestic banks' performance



Source: Bloomberg, UOB Private Bank

Emerging Asia

Poised for further gains

Stance: We remain overweight on EM Asia equities, with a constructive bias on China into 1H 2026. We expect selective policy easing in China to stabilise growth and earnings, while North Asia's tech cycle (South Korea and Taiwan) remain supportive.

ASEAN is starting the year on a strong base—exports resiliency, firmer FX and benign inflation—but front loading in 2025 implies moderation in early 2026; select economies like Singapore and Malaysia remain robust.

Monetary policy: Our economics team expects incremental PBOC easing to resume as early as 1Q 2026, with 10bps interest rate cut and 50bps RRR reduction on the horizon. Meanwhile, central banks in South Korea and Taiwan will likely keep policy rates on hold, with some odds of modest rate cuts going into 1H 2026.

Macro tone: China's real GDP growth is projected to be 4.7% in 2026 despite geopolitical uncertainties. The 15th Five-Year Plan (2026-2030) focuses on domestic consumption upgrade as well as tech self-reliance. While industrial production and export will remain key growth drivers in the coming years, the share of domestic consumption in the economy is set to rise.

China's deflationary pressures have persisted through 2025 due to intense market competition and weak consumer spending. Going into 2026, these pressures should ease on government policy efforts aimed at boosting domestic consumption.

Allocation discipline: We continue to favour a barbell approach with China tech and dividend plays. Investors should remain focused on platform/AI-enabled consumer tech names with strong free cash flow and disciplined capex, as well as Chinese banks, insurers and telcos with credible capital returns and improving fundamentals.

In addition, we remain constructive on semis/AI-hardware plays in South Korea and Taiwan, focusing on the bottlenecks within the AI supply chain. We continue to like Singapore's equities within ASEAN, emphasising exposure to beneficiaries of the Equity Market Development Programme (EQDP).

Macro backdrop and rates: Neutral to mildly supportive

EM Asian growth: While China's growth slowdown and tariff uncertainty persist, the broader region looks to enter 2026 on a firm footing with resilient exports and disinflation. The primary growth driver would be AI tech exports, while potential downside risks include renewed tariff tensions and China's property slump.

EM Asian currencies and rates: We maintain a constructive medium-term outlook for EM Asian currencies, contingent on sustained de-escalation in global trade frictions, stability in the CNY, and a narrowing yield differential between Asian central banks and the Fed. Meanwhile, many of the EM Asian central banks are likely close to the end of their easing cycles, with some proceeding with calibrated easing in 2026.

China H-shares supported around the 200-day moving average

Source: Bloomberg, UOB Private Bank

Earnings and valuations: Scope for improvement on both ends

Earnings trajectory: Consensus expects low-mid single-digit EPS growth for China's HSCEI over the next 12 months, with 1H 2026 being noticeably weak. Thereafter, the outlook for 2H 2026 is expected to improve meaningfully as domestic consumption improves and inventory headwinds fade.

Valuations: HSCEI trades at 10.4x 12MF P/E (as of 18 December 2025); the valuation remains undemanding relative to global peers. We see room for further multiple rerating amid stronger earnings per share (EPS) visibility as well as discipline in dividends and share repurchases. China's targeted stimulus and incremental policy easing should provide further tailwinds for the broader region.

Market dynamics and positioning: Against a backdrop of US dollar weakness, EM risk appetite should improve as global interest rates fall. We maintain a barbell strategy of China tech and dividend plays. We also favour North Asian AI-hardware/semiconductor plays, emphasising the importance of being disciplined on entry points. For proactive risk management, investors should watch Chinese headlines around tariffs, CPI/PPI prints as well as the property sector.

China equities: Potential upside surprises and risks

Easing headwinds: Pressures from China's property downturn, consumer retrenchment, and trade slowdown are easing. Notably, the China-US rivalry looks set to take a temporary pause. As these key headwinds fade, the resilient strength of China's growth sectors and exports could take the spotlight.

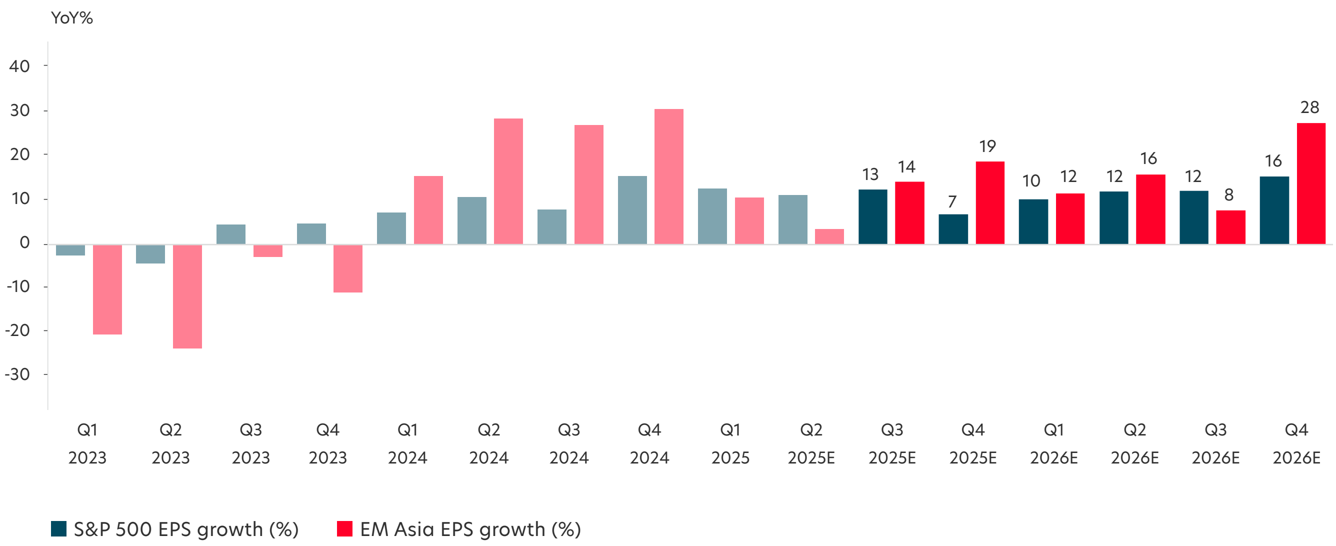
Risk flags: There are three conditions which could upset the Chinese equity rally. They are (1) tightening of fiscal, monetary or regulatory policies; (2) a boom-bust cycle stemming from excess valuations (not currently evident); and (3) extreme external shocks. Given a dearth of speculation as well as easing headwinds on the US-China trade front, the odds of Chinese equities entering a bear market are low.

Having said that, the key downside risk stems from worsening money and credit aggregates. China's monetary policy has been kept overly tight. Meanwhile, Chinese consumers are still scarred by huge losses in their net worth given the continued property slump. Overall, households need to spend more, while the government should deploy more fiscal stimulus for the Chinese economy to be lifted out of quagmire.

Investment takeaways

Investors should stick to investments in China's New Economy which include advanced manufacturing, AI, EVs and batteries. We continue to advocate a barbell strategy of tech and dividend plays. We also like North Asian AI semis/hardware names, particularly the bottlenecks across the AI supply chain. Singapore's equities are favoured for their resilient fundamentals.

Emerging Asia is in a sweet spot with stronger EPS growth and relatively undemanding valuations



Source: Bloomberg, UOB Private Bank

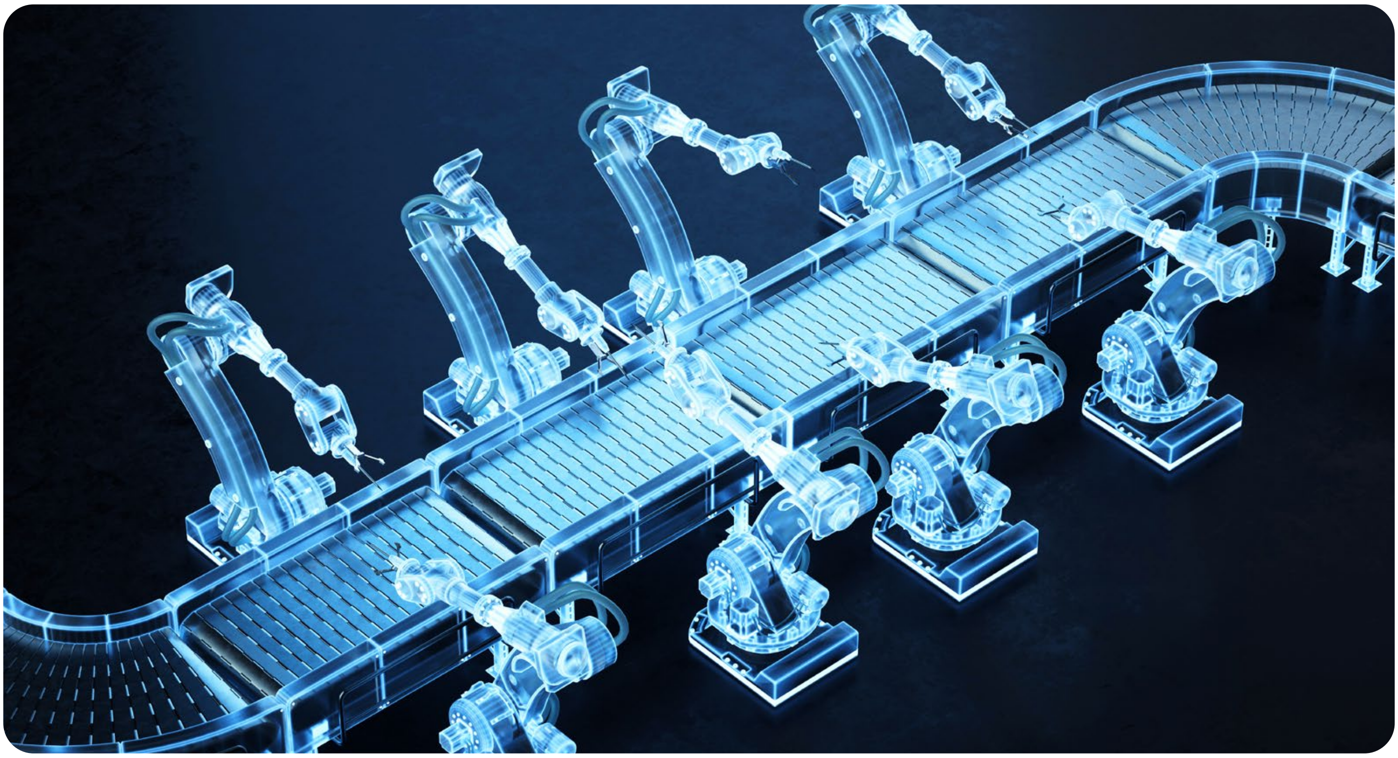
Fixed Income

US Technology
Stay selective

Rapidly rising AI-related capex necessitates selectivity

AI remains one of the most transformative themes in today's investment landscape. At the crux of discussions are accelerating investment requirements for AI infrastructure and its ancillary ecosystems. According to International Data Corp, cumulative AI-related investments between 2026 and 2029 could reach USD 3.5 trillion globally. To frame supply dynamics, IG tech issuers have already raised over USD 200 billion in bonds YTD, nearly double the issuance volumes seen in 2024. Looking ahead, we anticipate bond issuance to remain elevated as tech companies seek to fund three priorities: shareholder returns (buybacks, dividends), upcoming debt refinancing averaging USD 70 billion per annum through 2029, and AI-related capex.

The critical questions for investors are broadly twofold: How quickly can these capex investments translate into monetisation and earnings validation? And can the market comfortably absorb the expected influx of issuance supply without materially widening credit spreads? Observing recent trends, (OAS) credit spreads for US IG tech credits have widened modestly, 17bps from 2025 YTD lows in February 2025., primarily due to idiosyncratic concerns surrounding lower-quality tech credits with aggressive bond issuance and high customer concentration risk amid uncertain AI adoption rates.

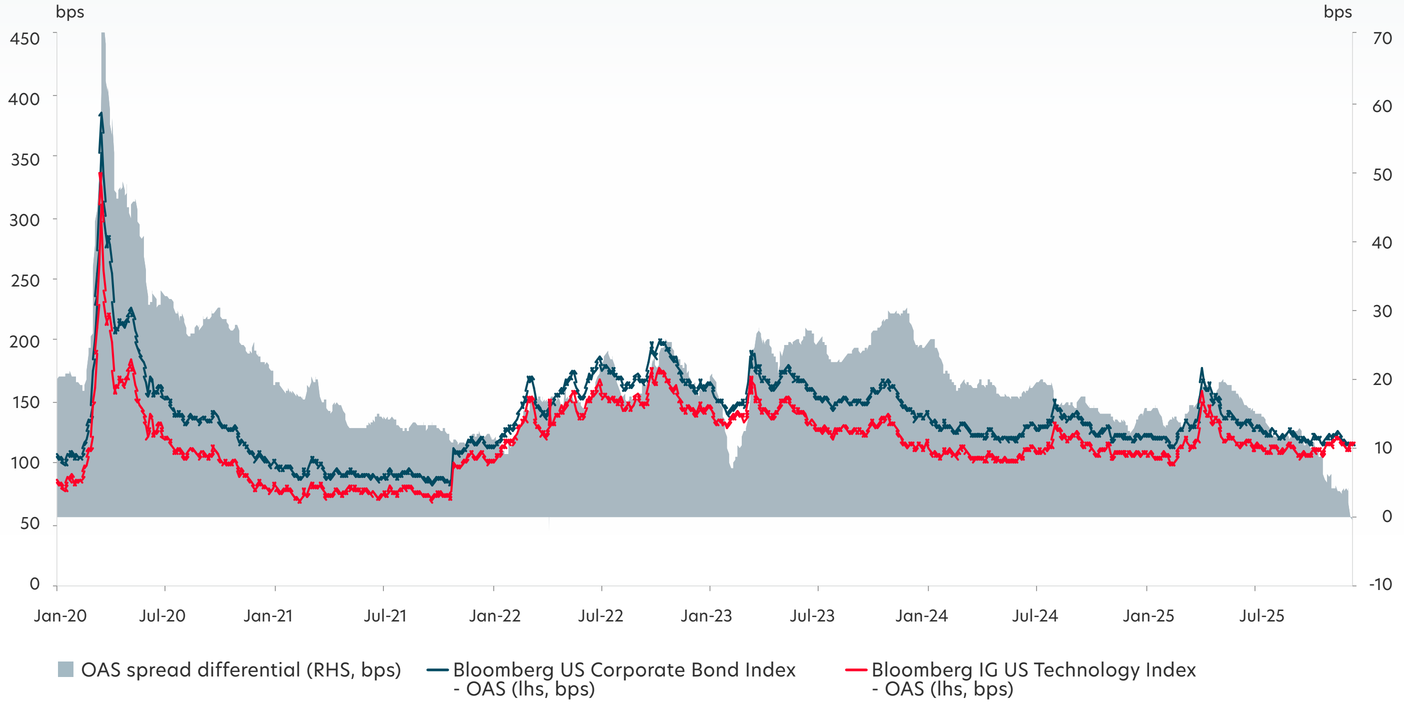


Despite this, US tech credit bonds still trade tighter than most sectors and remain 4bps inside the Bloomberg US Corporate Bond Index. That said, the spread differential between both has compressed to its tightest level since 2007, This creates a compelling opportunity to participate in the secular AI growth theme through higher-quality US tech credits.

From a credit perspective, rising debt-funded capex without a proportionate realised earnings uplift will pressure leverage and erode interest coverage ratios. However, we believe near-term supply headwinds are manageable for select issuers that possess fortress balance sheets. We prefer US tech credits with strong cash positions, robust free cash flow generation ability, and ample credit rating headroom.

For example, US tech credits in the AA credit spectrum exhibit net leverage below 1.0x and a Net Debt/ Enterprise Value ratio under 1%, underscoring exceptional balance sheet strength. Such differentiation will minimise credit rating downgrade risks and position investors to capture excess return from any supply-induced spread widening.

US tech sector offers attractive relative value post recent spread widening



Source: Bloomberg, UOB Private Bank

CIO's recommendation

We prefer US tech credits with strong cash position, robust free cash flow generation ability, and ample credit rating headroom.

Developed Markets Investment-Grade

Optically stretched, fundamentally sound

Developed Markets Investment-Grade (DM IG), represented by the Bloomberg US Corporate Bond Index, delivered a +7.4% return (YTD as of 18 December 2025), marking its third consecutive year of gains. Performance was primarily driven by US Treasury gains. Credit spreads added +1.0% excess return as DM IG (OAS) credit spreads tightened to near decade-tights of 116bps.

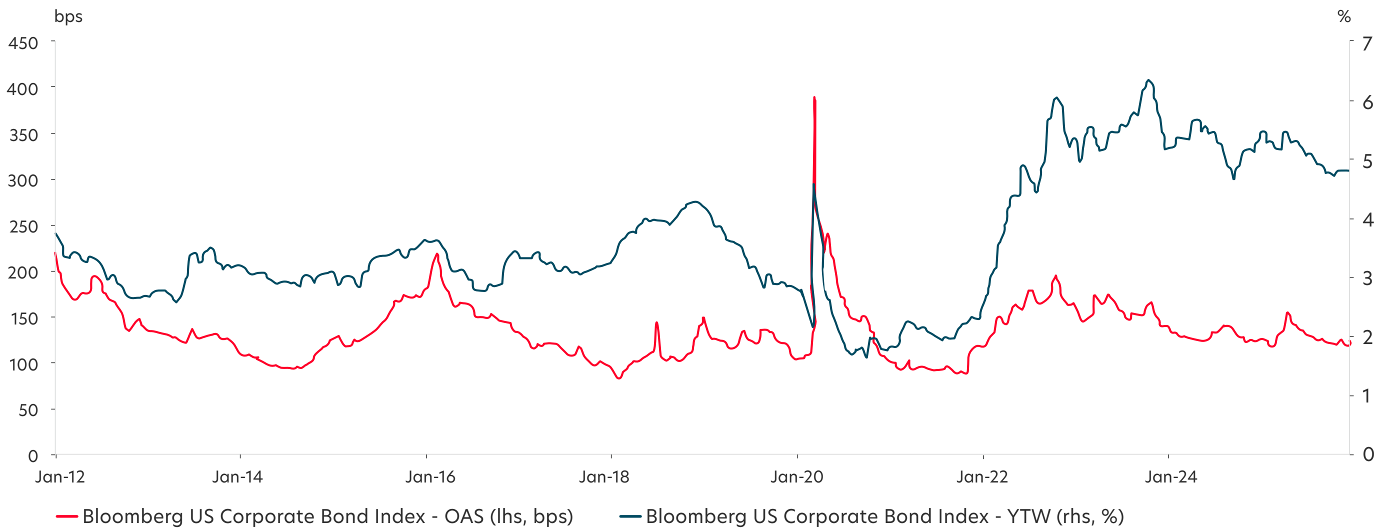
In 2025, US rates benefitted from benign tariff-related inflation and growing concerns over US labour market moderation. Sequential declines in hiring and rising layoffs also shifted the Federal Reserve's (Fed) focus towards its employment mandate, prompting a resumption of rates cuts in September 2025 despite inflation remaining above its long-term target of 2%. Looking ahead, we expect growth and employment downside risks to influence the Fed's reaction function. UOB Global Economics and Markets Research expects a pause in 1Q 2026, followed by two 25bps cut in 2Q and 3Q respectively under the new Fed Chair.

DM IG credit fundamentals remain resilient, evidenced by rating upgrades outpacing downgrades in 2025. However, credit spreads may have a widening bias in 2026 amid heavier issuance form US technology and AI hyperscalers, increased M&A activity, and softer foreign demand. That said, the absence of major economic imbalances should limit the extent of widening.

With valuations appearing optically stretched, we advocate issuer diversification and a bottom-up approach to credit selection. The intermediate part of the curve (5-7-year modified duration) offers an attractive balance of carry and rate risk mitigation if long-term rates prove sticky.

Against a backdrop of modest growth and fading policy rate tailwinds, we favour high-quality credits in defensive sectors. We also expect 2026 returns for DM IG to be driven by carry rather than excess return from credit spread tightening.

DM IG credit spreads are hovering near decade-tights



Source: Bloomberg, UOB Private Bank

CIO's recommendation

We remain Overweight on DM IG and prefer credits higher up the quality spectrum and from defensive sectors.

Developed Markets High Yield

Carry and credit selectivity to returns in 2026

Developed Markets High Yield (DM HY), represented by the Bloomberg US Corporate High Yield Index, delivered a +7.9% return (YTD as of 18 December 2025). DM HY credit spreads performed well and contributed an excess return of +2.1%. (OAS) credit spreads are currently 303bps, which is rich relative to the start of 2025 (312bps) and the trailing 5-year average (363bps). The tightening of credit spreads dovetails with strong corporate earnings and the lack of systematic credit deterioration. As such, credit spreads could trade in a rangebound fashion amid a benign economic backdrop.

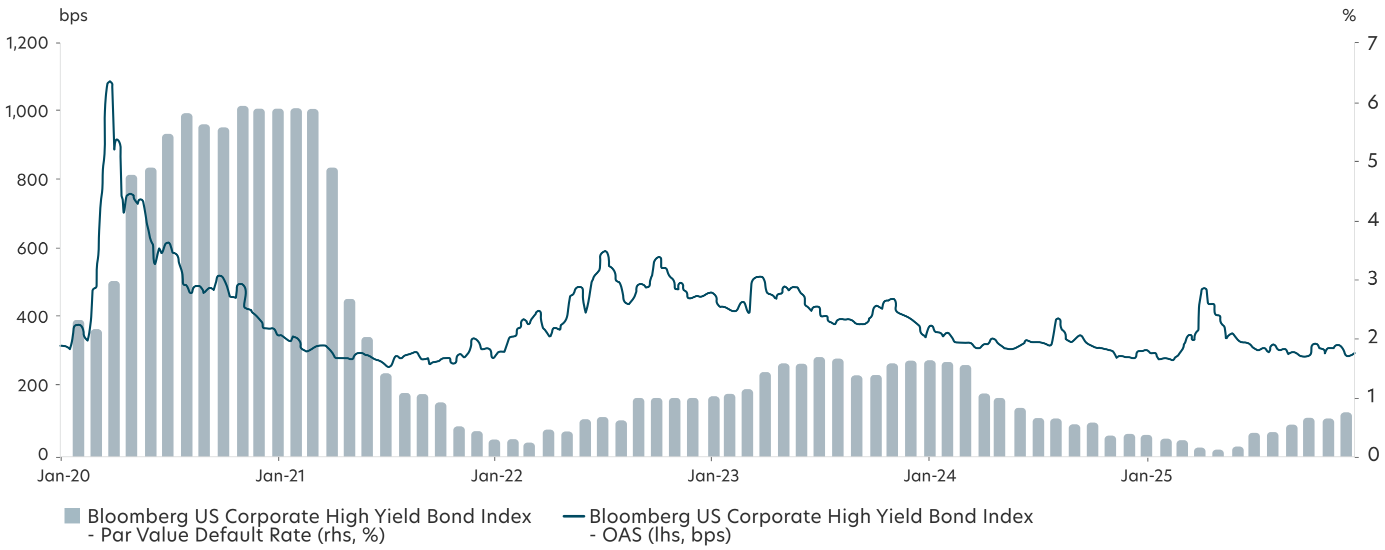
Default rates stayed low at 3.7% in 2025 according to Bloomberg estimates, despite episodic credit events that include First Brands and Tricolor. These events resemble late-cycle dynamics but remain manageable given resilient corporate fundamentals, a lower interest rate environment, and the lack of a material near-term maturity wall. These factors will continue to support technical demand for DM HY.

Refinancing volumes in 2026 should closely mirror those of 2025, though rising M&A and LBO activity could induce opportunistic bond issuance.

Our underweight stance on DM HY for 2026 reflects asymmetric risk-reward concerns based on current valuations and fading US policy tailwinds. The spread differential between DM HY and DM IG has compressed to historical tights (current: 187bps), far below stress levels seen during recent market drawdowns: 318bps during Liberation Day (2025), 413bps during global rate hike cycle (2022), and 709bps during COVID-19 (2020).

In our view, DM HY is priced for perfection, leaving little cushion against a risk-off environment. For these reasons, carry and rigorous credit selection, rather than sector-wide spread compression, will drive returns in 2026.

Tightening credit spreads amid low default rates



Source: Bloomberg, UOB Private Bank

CIO's recommendation

Risk-reward asymmetries and fading US policy rate tailwinds to inhibit strong total return catalysts in 2026.

Emerging Markets Asia Investment-Grade

EM Asia IG offers diversification and compelling income opportunities

Emerging Markets Asia Investment-Grade (EM Asia IG), represented by the Bloomberg Emerging market Asia Index, delivered a +8.3% return (YTD as of 18 December 2025), driven by declining US Treasury yields and a modest spread compression of 20bps.

Despite headwinds from US exceptionalism policies in the early part of the year, EM Asia maintained steady growth in 2025. Looking ahead, we expect EM Asia to benefit from more supportive backdrop underpinned by modest economic growth and accommodative domestic monetary policy environment.

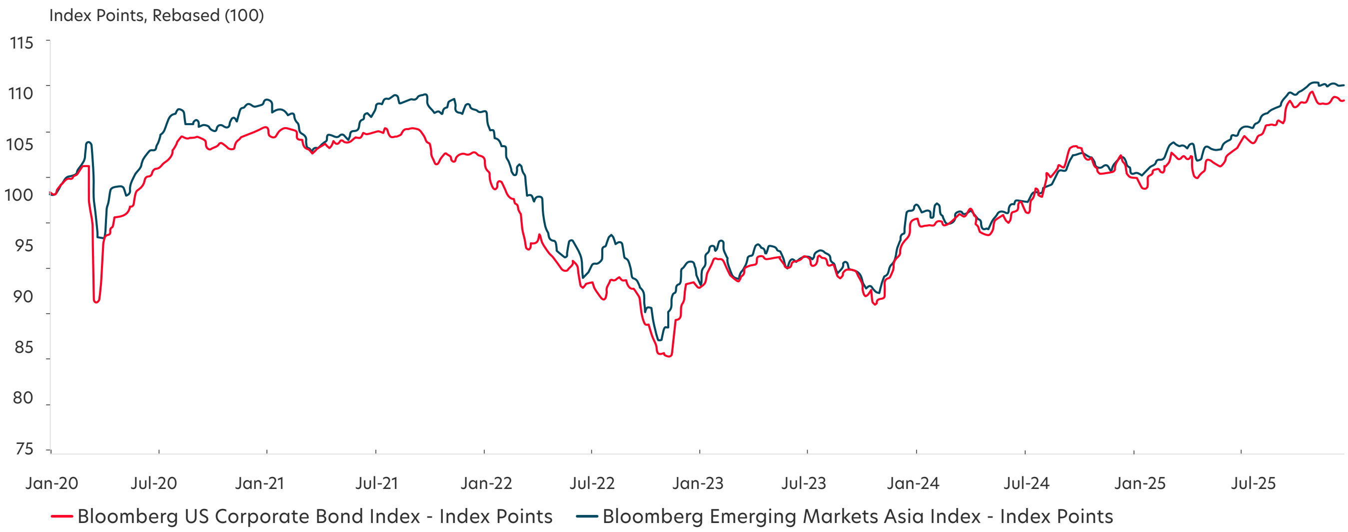
Corporate fundamentals remain robust, with net leverage near cyclical lows (MSCI AC Asia Pacific Index: 1.3x) and positive credit rating migration. Default rates should remain low, though sector-and country-specific risks persist, notably in the China property sector.

Valuations are tight, with EM Asia IG (OAS) credit spreads near decade-lows, but all-in-yields remain attractive: EM Asia IG yield-to-worst: 4.80%.

We expect technicals to remain supportive, driven by manageable net issuance supply, structural under-allocation by global investors, and strong regional demand. While credit spreads may experience bouts of widening as policy rate tailwinds fade, we do not expect this to derail demand.

We expect the key to delivering stable returns with low volatility in 2026 will be diversification and vigilant avoidance of idiosyncratic risks in sectors facing deteriorating fundamentals. By sector, we maintain a constructive view on ASEAN regional champion financials, select Asia-focused insurers, quasi-sovereigns, strategic state-owned enterprises, and defensive consumer credits. Additionally, we see attractive risk-reward in China TMT credits that are positioned to benefit from improving domestic consumption trends.

EM Asia IG consistently delivered lower volatility-adjusted returns



Source: Macrobond, UOB Private Bank

CIO's recommendation

EM Asia IG offers diversification and compelling income opportunities, supported by a regional investor base, stable credit environment and favourable EM trends.

Emerging Markets Asia High Yield

Supportive technicals but beware of complacencies

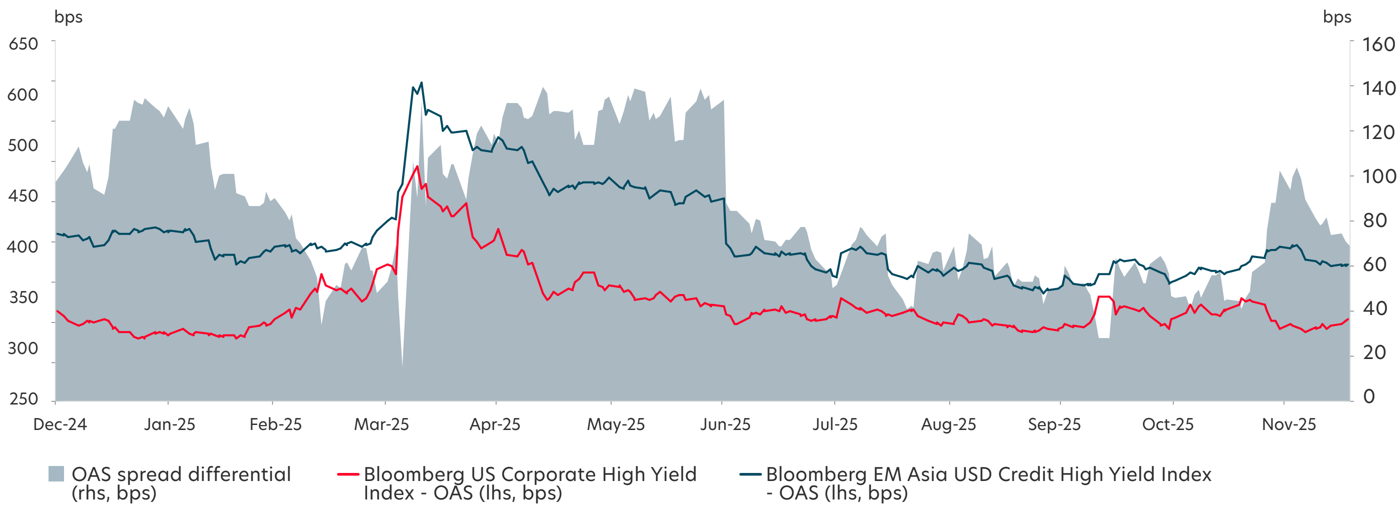
Emerging Markets Asia High Yield (EM Asia HY), represented by the Bloomberg EM Asia USD Credit High Yield Index, produced a return of +9.1% (YTD as of 18 December 2025), driven by significant credit spread compression from special situation events within the lower credit rating spectrum: Vedanta Ltd. Mongolia, Pakistan, Sri Lanka, and Maldives. Elevated government bond yields have also helped crystalise EM Asia HY's carry thesis in 2025.

EM Asia HY's tight spread-high yield conundrum has been topical. As it stands, EM Asia HY (OAS) credit spreads have widened to 372bps from YTD lows observed in September 2025 (336bps) as market recalibrated credit valuations. More calibration may be needed, but tailwinds remain supportive for the asset class. Importantly, corporate fundamentals have been strong, while AI-driven investments have supported global economics growth and productivity. On the monetary policy front, gradual rate-cut cycles in the US and across most Asian economies have supported balance sheets and refinancing activity. The lack of issuance supply in EM Asia post-China HY property shakeup has further reinforced the allocation demand.

With the USD currency regaining ground after weakening in 1H 2025, EM Asia HY credit spreads have since underperformed DM HY. Although EM Asia HY credit spreads now trade almost 69bps wider than their DM HY counterpart, we believe this differential could converge. Our rationale includes softening US labour market, lingering geopolitical risks, and growth overhang. US exceptionalism could also impair business sentiment and curtail investment spending.

Overall, we are mindful of market bumps in 2026 and prefer to stay in quality higher-beta credits. Looking ahead, we do not see a material increase in alpha opportunities due to the absence of idiosyncratic special situation events beyond China HY property credits, which remain cautious on. Pockets of value in EM Asia HY include corporates and bank bonds from the lower part of the capital structure (hybrids, T2, AT1). We also prefer to avoid China HY-unrated LGFVs (local government financing vehicle) and distressed plays.

Emphasise selectivity amid spread tightening



Source: Bloomberg, UOB Private Bank

CIO's recommendation

Pockets of value we see in EM Asia HY are corporates and bank bonds from lower part of the capital structure (hybrids, T2, AT1).

Global Financials and Insurance

Structural strength precedes yield-seeking motives.

AT1 delivered a +10.2% return (YTD as of 18 December 2025), outperforming T2 (+6.5%) and senior bonds (+5.2%). This was driven by 50bps of credit spread compression (T2: 36bps; Senior: 25bps). As seen, credit spreads across the bank capital stack remained stable for most of 2025, barring brief volatility in April 2025 when President Trump announced his Liberation Day policies.

Yield curves steepened in 2025, but front-end rates stayed anchored by Central Banks' gradual policy normalisation. This accommodative policy backdrop supported bank earnings and balance sheet strength, with large European banks maintaining solid credit fundamentals. According to Bloomberg data, the median CET1 ratio stood at 14.2%, with a non-performing loans ratio of 2.3%.

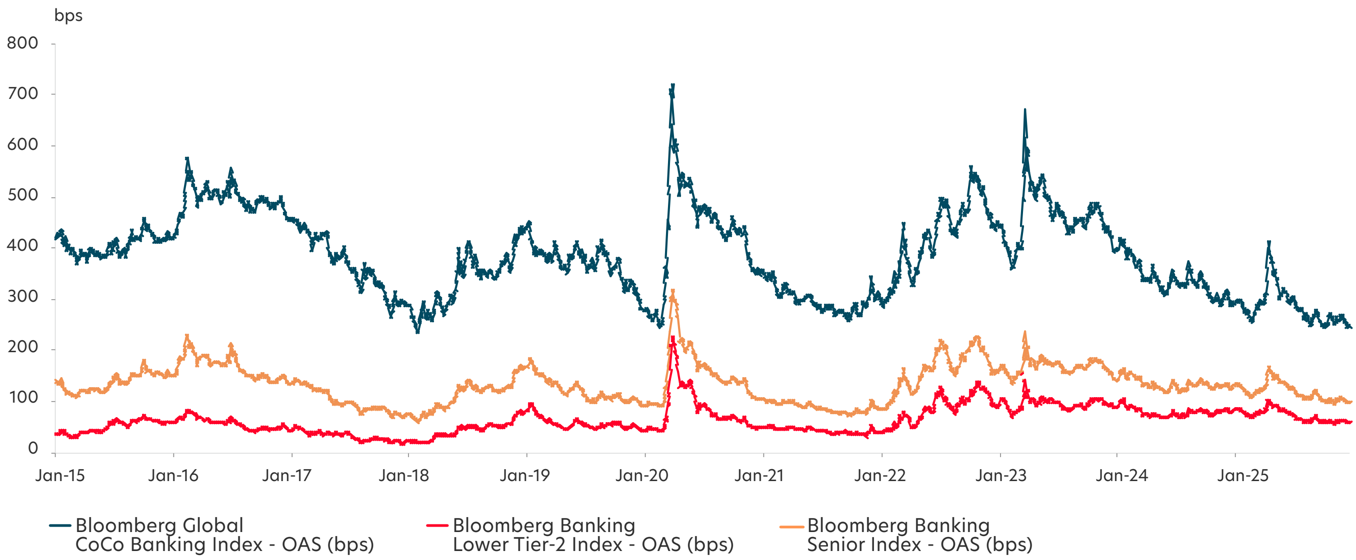
Currently, AT1 (OAS) credit spreads trades at 249bps, close to historical tights of 230bps and 2.5x over T2 (OAS) credit spreads – expensive by historical standards.

We also note that AT1s issued in 2025 had lower reset spreads, reflecting improved fundamentals and yield-driven demand. This leaves little room for further compression and outsized returns in 2026 without additional fundamental or structural catalysts.

Selectivity is critical given AT1's unique loss-absorption features and expensive valuations. To this end, we favour bonds from national banking champions or banks with strong standalone credit profiles. While AT1 continues to offer attractive all-in yields, we are inclined to prioritise structures with above-average reset spreads to mitigate call extension risks. On a risk-adjusted basis, T2 currently trades 37bps or 1.6x over seniors on index level and still offers modest value, in our view.

Beyond banks, we are increasingly constructive on hybrid bonds issued by insurers (both T2 and RT1), supported by robust solvency ratios, stable credit ratings, and the relative non-cyclicality of insurance operations. These insurance hybrid bonds can provide sector diversification and relative insulation from macro headline risk, thereby reinforcing the portfolio-stabilising effects of bonds.

AT1 credit spreads are near historical-tights, leaving little room for error



Source: Bloomberg, UOB Private Bank

CIO's recommendation

Bank T2 offers balanced risk-reward. Insurance subordinated bonds (T2 and RT1) are increasingly appealing for portfolio diversification and stability.

SGD Bond Market

From strength to stability

The SGD bond market displayed remarkable strength in 2025, proving its resilience as an asset class despite episodic volatility and geopolitical tensions throughout the year. On an index level, the Markit iBoxx SGD Overall Index delivered a +7.0% return (YTD as of 18 December 2025), driven by favourable descent in SGD rates.

The SGD SORA-OIS curve bull-steepened, declining sharply by 25 to 105bps across the 2Y-30Y curve, with the front-end being the biggest beneficiary. To contextualise this, the MAS 6-month T-Bill cutoff yield (17 December 2025 auction) came in at 1.48%, distinctly lower than the 3% handle yields seen at the beginning of the year. This aligns with our view that SGD liquidity is flush and technical demand for SGD assets is robust, helping push yields lower.

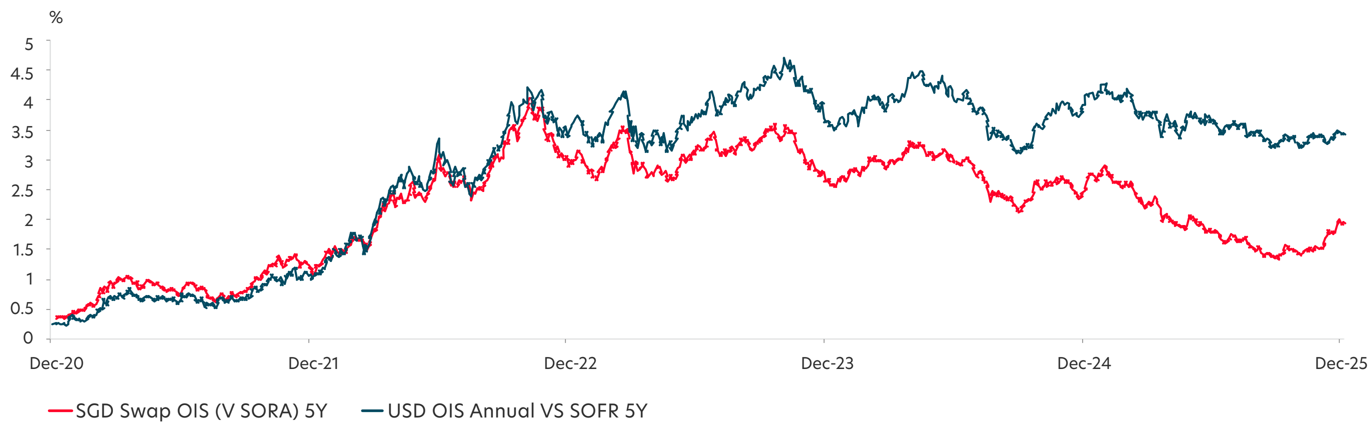
The performance of the SGD currency has been a pleasant outcome for SGD investors as markets turned to SGD in 2025 for shelter amid global uncertainties. Looking ahead, UOB Global Economics and Markets Research expects SORA to move in tandem with upcoming cuts by the Federal Reserve, although the SORA-SOFR discount is currently at historically extreme levels. This could determine relative SGD rates performance against US rates in 2026.

SGD bond primary activity was buoyant in 2025 as issuers, both domestic and foreign, capitalised on the lower interest rate environment to access the SGD bond market. Financials, insurers, and Singapore statutory boards drove the bulk of 2025 issuance volumes. Although primary market activity was affected during Liberation Day (April 2025), issuance picked up in 2H 2025 as geopolitical tensions abated and rates declined. Separately, we also note the growing depth of the SGD bond market, where both repeat and first-time issuers tapped SGD markets, further improving market diversification.

Overall credit fundamentals in our SGD bond coverage universe remain stable despite some credit spread widening. We remain convinced that SGD bonds can play an important role in a global and diversified bond portfolio amid renewed de-dollarisation concerns. SGD bonds will continue to offer stable income and portfolio-stabilising effects for investors. Given our expectations for credit spreads to trade rangebound and for SGD rates to move in tandem with US rates, we see SGD credits' route-to-market to transition from capital appreciation to carry.

For 2026, we prefer to position in quality and capture mispriced credit risk premia in global issuers with investor-base unfamiliarity. By sector, we lean towards T2/AT1 by G-SIB financials, insurer T2, corporate hybrids, and select domestic unrated corporates.

SORA-SOFR discount is currently at historically extreme levels



Source: Macrobond, UOB Private Bank

CIO's recommendation

We lean towards T2/AT1 by global financials, insurer T2, corporate hybrids, and select domestic unrated corporates.

AUD Bond Market

Quality diversifier with attractive carry and steep curve roll-down

AUD credit, represented by the Bloomberg AusBond Credit 0+ Year Index, delivered a return of +4.1% (YTD as of 18 December 2025), driven by credit spread tightening – from 87bps at the beginning of 2025 to 77bps currently. AUD credit performance notably peaked in October 2025 before retracing in November-December on inflation resurgence concerns, which dampened expectations for near-term rate cuts by the RBA and triggered a selloff in Australian rates.

Australia's economy demonstrated resiliency, supported by a diversified economic base, stable population growth, and a robust and well-regulated financial system. Recent date releases highlight moderately tight labour market conditions, which may have supported domestic consumption up to this point. As a result, inflation data have shown signs of upward pressure (October 2025 Australia CPI: +3.8%), cumulating in the RBA holding its policy rate at the December 2025 MPC meeting.

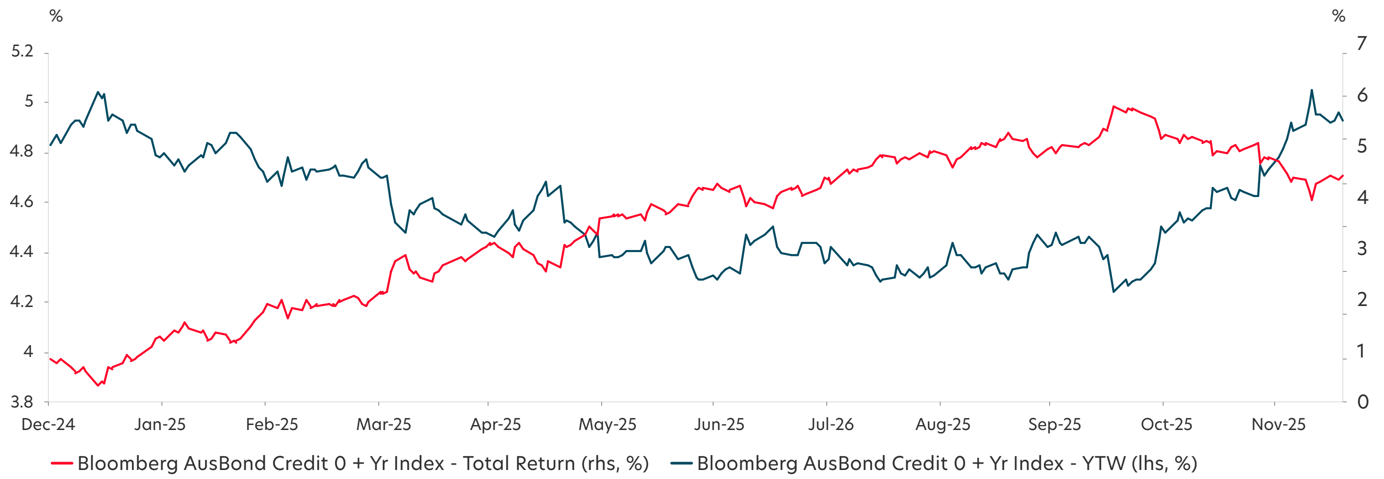
After delivering three cuts in 2025, UOB Global Economics and Markets Research expects the RBA to resume rate cuts in 2026 – one each in 1Q 2026 and 2Q 2026 – considering expectations for softer growth, easing inflation and rising unemployment.

That said, at the projected 3.1% (for 2026), Australia's policy rate would be among the highest in developed economies.This implies AUD currency tailwinds, and hence, a possible source of excess currency returns in AUD bonds.

Looking ahead, AUD credits offers compelling value with its yield (4.93% at the index level) relative to G3 currency bond markets. Structural demand from superannuation funds and improving market depth further enhances AUD credits' value proposition. We highlight that AUD credits, as an asset class, also stand out for their stability (deep local investor base), quality (75% of index rated A and above), and better liquidity relative to other Asia local currency markets, making them an effective portfolio stabiliser.

Within the AUD credit universe, we see value in T2 bonds issued by Australia majors, G-SIBs, and insurers; senior bonds issued by G-SIBs; utility and infrastructure bonds; and foreign issuer corporate bonds. Select opportunities also exist in BBB credits for investor seeking higher beta, but we emphasise stringent selectivity by focusing on credits with an improving fundamental profile. Additionally, increasing issuance activity in the kangaroo bond market provides attractive opportunities to pick up bonds that come with new issuer concessions.

AUD (credit) yields near YTD peak amid RBA policy normalisation



Source: Macrobond, UOB Private Bank

CIO's recommendation

We see value in T2 bonds by Australian majors, G-SIBs and insurers; senior bonds by G-SIBs; utility and infrastructure bonds; and foreign issuer corporate bonds.

Commodities

Precious Metals

Trend-like rally likely to sustain into 2026

At current level of around USD 4,300/oz (as of 18 December 2025), gold has achieved a remarkable year-to-date rally of about 64%. This ranks up there as one of the best annual performances for gold since the late 1970s. Questions are now being asked as to whether this strong rally in gold is sustainable as we head into 2026.

On the other hand, existing positive drivers that have fueled this strong rally in gold remain intact. Safe-haven needs for gold to diversify portfolios remain strong. There is still strong accumulation of gold inventory on key exchanges across the world, such as COMEX and SHFE. Purchases of gold-ETFs remain robust as well. At the sovereign level, the frenzied allocation of gold by global central banks remains unabated. Stablecoins led by Tether have also ramped up their accumulation of gold.

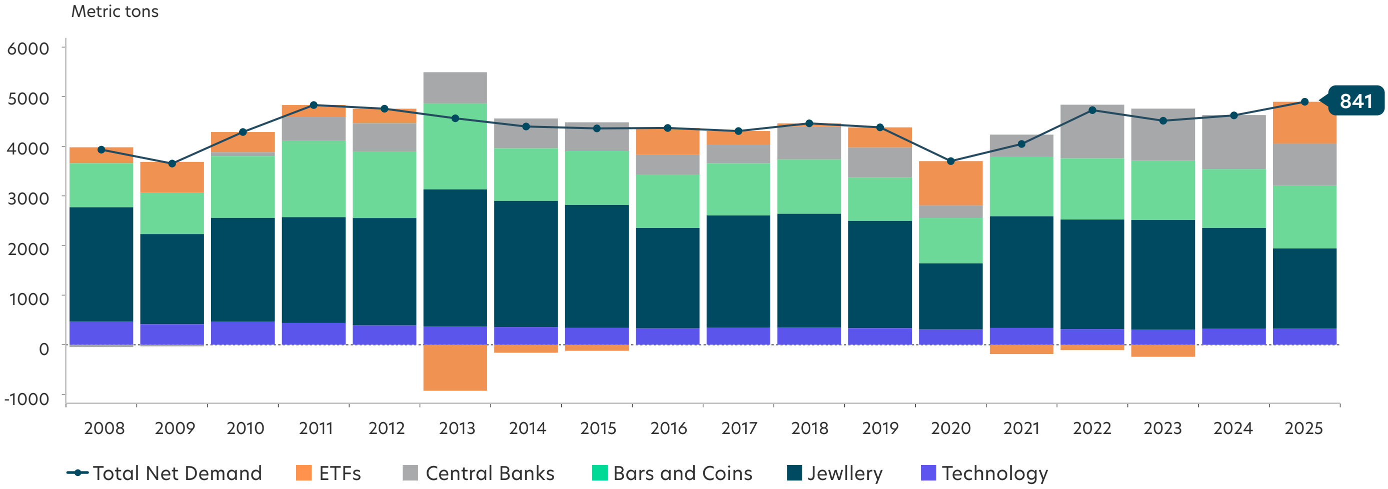
Lastly, gold promptly recovered from its brief consolidation in mid-November, jumping from USD 4,000/oz to around USD 4,200/oz on renewed expectations of a further Fed rate cut in December.

Overall, unless the positive drivers of strong safe-haven demand and robust central-bank allocation change, gold is likely to continue its robust trend-like rally.

Against this backdrop, we maintain our positive outlook and raise the forecast to USD 4,300/oz in 1Q 2026, USD 4,400/oz in 2Q 2026, USD 4,500/oz in 3Q 2026, and USD 4,600/oz in 4Q 2026.

Commodity	1Q26F	2Q26F	3Q26F	4Q26F
Gold (USD/oz)	4,300	4,400	4,500	4,600

Gold: Driven increasingly by central bank and retail demand



Source: Bloomberg, UOB Private Bank

CIO's recommendation

We remain Overweight on Gold as safe-haven demand and robust central-bank allocation will continue to support Gold's upward price trajectory.

Currencies

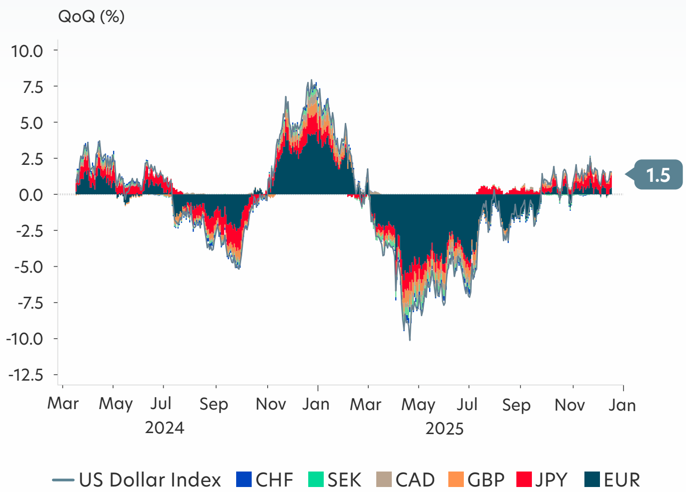
USD

DXY expected to weaken, with further Fed easing as the dominant driver

We maintain a bearish outlook on the USD heading into 2026, driven primarily by expectations of further Fed easing. The Federal Reserve is likely to pivot its policy stance as labour market conditions soften, with unemployment currently at a four-year high of 4.4%, fueling recession concerns. Political risk could add further downside pressure, particularly as Chair Powell's term ends in May 2026. Markets may anticipate a successor aligned with the Trump administration's preference for lower rates, reinforcing expectations for a reduced terminal Fed Funds Rate and prolonged USD weakness. Our DXY forecasts project a gradual decline: 98.2 in 1Q 2026, 97.3 in 2Q 2026, 96.5 in 3Q 2026, and 95.7 by 4Q 2026. However, sticky inflation may temper the pace of depreciation, preventing an accelerated decline.

FX	1Q26F	2Q26F	3Q26F	4Q26F
DXY	98.2	97.3	96.5	95.7

Contributions to the US Dollar Index (DXY)



Source: Macrobond, UOB Private Bank

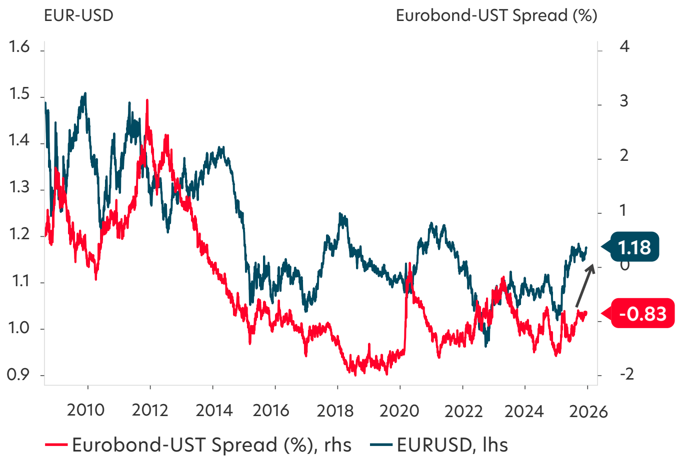
EUR

EUR expected to gradually appreciate through 2026

In 2026, we expect the ECB to deliver a final 25bps rate cut in 1Q 2026, marking the conclusion of its easing cycle that begun in Jun 2024. This move should further compress EUR-USD rate differentials as the Fed continues to ease well into 2026, creating a supportive backdrop for the pair. Additionally, Germany's fiscal stimulus narrative is likely to retain momentum into 2026, albeit with diminishing marginal impact compared to the initial surge in March 2025. We maintain a constructive outlook on EUR/USD, projecting a gradual appreciation through 2026. Our updated forecasts stand at 1.17 in 1Q 2026, 1.18 in 2Q 2026, 1.19 in 3Q 2026, and 1.20 in 4Q 2026.

FX	1Q26F	2Q26F	3Q26F	4Q26F
EUR/USD	1.17	1.18	1.19	1.20

Compression of EUR-USD rate differentials to be supportive



Source: Macrobond, UOB Private Bank

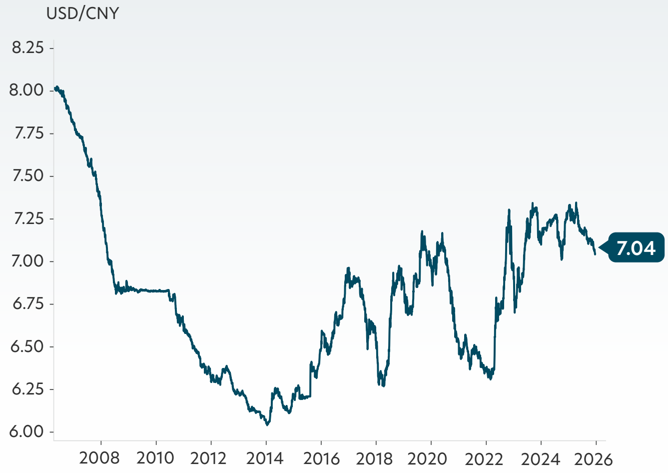
CNY

CNY appreciation pace to moderate on softer growth

The Chinese yuan staged a strong recovery in 2025, reflecting shifts in US-China trade dynamics. USD/CNY spiked to 7.3512 in April—the highest since 2007—amid escalating tariffs, before easing to 7.08 by year-end as tensions subsided and a tariff truce was extended in November. Looking ahead, we expect further gradual downside in USD/CNY, supported by positive sentiment from the trade agreement and continued USD softness as the Fed's rate-cut cycle extends into 2026. Stronger CNY also aligns with China's long-term goal of boosting domestic consumption by enhancing purchasing power. However, appreciation may be tempered by slower growth—our GDP forecast is 4.7% for 2026 versus 5.0% in 2025—and the PBOC's cautious approach to daily fixing and its "moderately loose" stance. Verbal intervention remains possible if volatility rises Overall, our updated USD/CNY forecasts are at 7.04 in 1Q 2026, 7.00 in 2Q 2026, 6.98 in 3Q 2026, and 6.95 in 4Q 2026.

FX	1Q26F	2Q26F	3Q26F	4Q26F
USD/CNY	7.04	7.00	6.98	6.95

Pace of CNY appreciation may be moderated by softer growth



Source: Bloomberg, UOB Private Bank

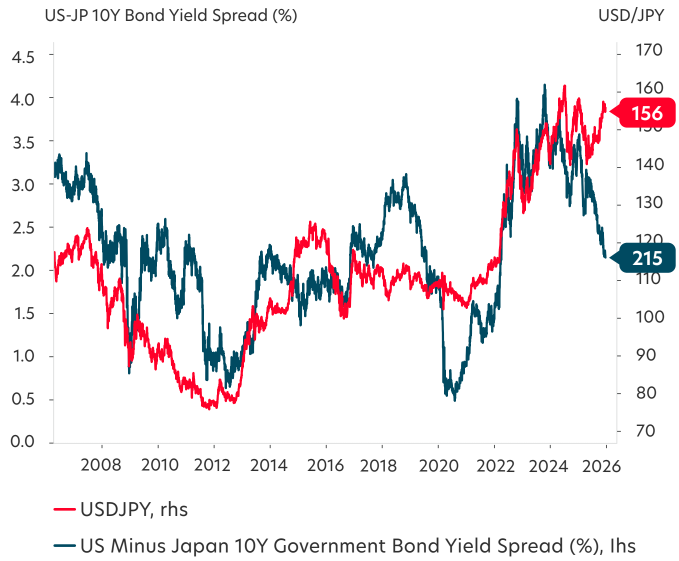
JPY

USD/JPY to gradually appreciate from elevated levels

The JPY was the weakest performer among G-10 currencies in 2025, following the election of Sanae Takaichi as Japan's Prime Minister in October. Markets viewed her victory as signaling a return to aggressive fiscal stimulus and ultra-loose monetary policy, reminiscent of Abenomics under Shinzo Abe. This perception pushed USD/JPY sharply higher. The move widened the disconnect between USD/JPY and the 10-year yield differential, which fell to its lowest since March 2022. The BoJ raised benchmark rates by 25bps in December as widely anticipated. Looking ahead, we expect this gap to narrow mainly through a decline in USD/JPY, driven by broad-based USD weakness as the Fed continues its easing cycle into 2026. Verbal warnings on "rapid depreciation" raise intervention risks near 157–162. Our latest forecasts are 152 in 1Q 2026, 150 in 2Q 2026, 148 in 3Q 2026, and 146 in 4Q 2026.

FX	1Q26F	2Q26F	3Q26F	4Q26F
USD/JPY	152	150	148	146

Expect gradual USD/JPY downside, albeit from a higher starting point given lingering policy concerns



Source: Bloomberg, UOB Private Bank

AUD

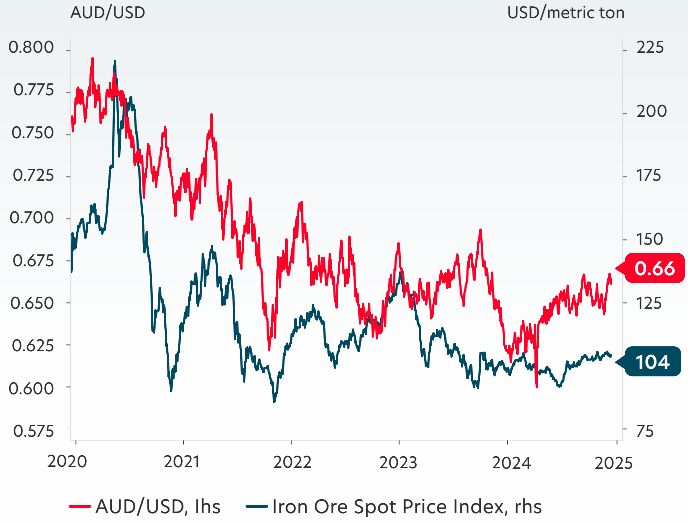
AUD draws support from constructive macro backdrop

Excluding April's tariff shock, AUD/USD has maintained a steady recovery trajectory this year and is on track to register its first annual gain in five years. Key drivers include the easing of global trade tensions, a firmer CNY, and a relatively less dovish stance from the Reserve Bank of Australia (RBA). Recent upside surprises in inflation data are likely to keep the RBA on hold in December, even as we anticipate two more rate cuts in 1H 2026.

Looking ahead, we expect the constructive macro backdrop to persist into 2026, underpinning demand for risk-sensitive currencies such as the AUD. Moreover, the AUD could emerge as a relative high-yielding currency when the global easing cycle eventually concludes, with our forecast for the RBA terminal rate at 3.1% by 2Q 2026 reinforcing this view. We maintain a positive outlook on AUD/USD, with updated projections at 0.67 in 1Q 2026, 0.68 in 2Q 2026, and 0.69 in both 3Q and 4Q 2026.

FX	1Q26F	2Q26F	3Q26F	4Q26F
AUD/USD	0.67	0.68	0.69	0.69

Maintain positive outlook on AUD given constructive macro backdrop



Source: Bloomberg, UOB Private Bank

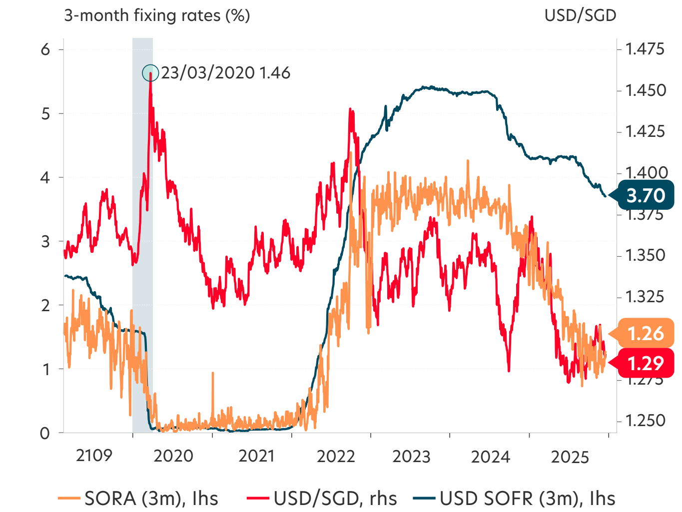
SGD

Expect USD/SGD to resume its weakening trend

USD/SGD tracked the DXY lower in 2025, falling from 1.36 at the start of the year to around 1.29 by early December. On a trade-weighted basis, the S$NEER stabilised near +1% above its policy midpoint in November after retreating from the +2% upper bound since June. This resilience was supported by strong non-oil domestic exports and industrial output, reinforcing upside risks to Singapore's upgraded GDP growth forecast of 4.4% for 2025. With growth constructive and reflation signs emerging, MAS is expected to maintain its modest S$NEER appreciation stance of about 0.5% per year through 2026. Risks have shifted toward potential tightening - via a steeper slope of 1.0% - as early as April 2026 if core inflation normalises. We expect USD/SGD to resume its weakening trend in 2026, in line with a broad-based USD pullback. Accordingly, our latest USD/SGD forecasts are 1.29 in 1Q 2026, 1.28 in 2Q 2026, 1.27 in 3Q 2026. and 1.26 in 4Q 2026. A firmer S$NEER also supports SGD-crosses, with SGD/MYR seen at 3.21 and SGD/CNY at 5.52 by end-2026, while AUD/SGD edges higher.

FX	1Q26F	2Q26F	3Q26F	4Q26F
USD/SGD	1.29	1.28	1.27	1.26

SGD to outperform alongside further Asia FX gains



Source: Bloomberg, UOB Private Bank

Alternatives

Private Equity
Recovery signals and tailwinds

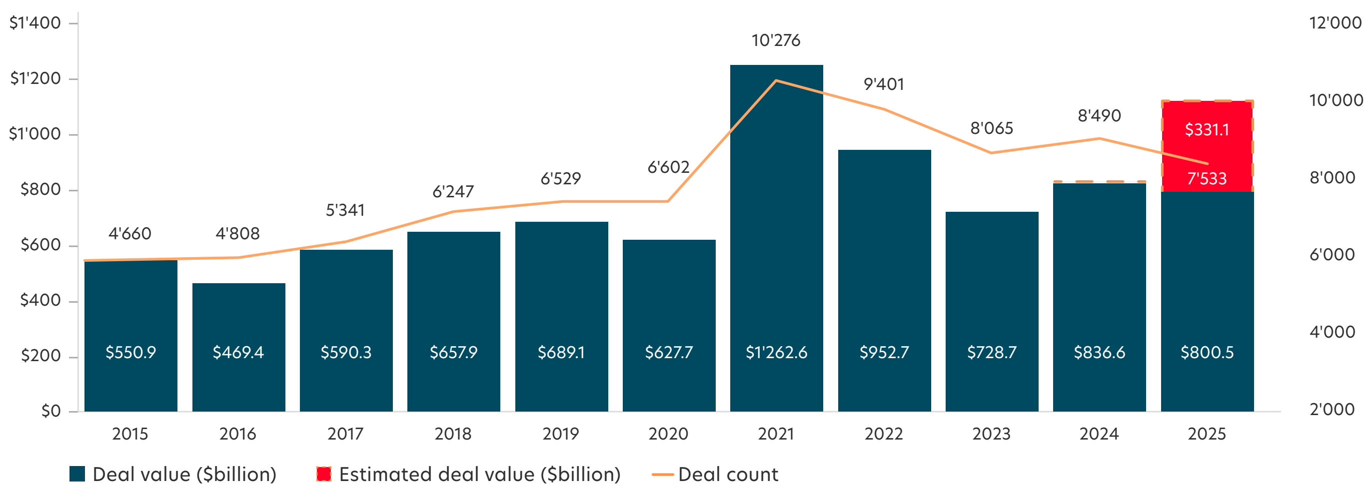
Private equity is entering a new cycle after a prolonged slowdown in exits that began in 2022 amid elevated interest rates and valuation mismatches. Exit markets are gradually reopening, supported by improving macro conditions. US private equity firms are on track to realise more exits in 2025 than in 2024, marking the second consecutive year of improvement.

Momentum is visible across multiple channels. M&A deal volume continued to accelerate in 3Q 2025. Total M&A deal volume in the first three quarters of 2025 increased 34% year on year[1], as sponsors leaned into larger transactions and strategic buyers returned to the market. IPO activity has also revived 20 US PE-backed companies priced IPOs in the first three quarters of 2025[2], already surpassing last year's total, and the market is on pace for its strongest year since 2021. While still far from the 2021 peak, the rebound signals renewed confidence in public listings as an exit route.

The secondaries market remains resilient, with strong demand for LP liquidity and GP-led transactions. Discounts to Net Asset Value have narrowed, but pricing remains selective, favouring high-quality assets.

Looking ahead to 2026, the anticipated easing of policy rates is a critical catalyst. Lower financing costs and discount rates historically amplify private equity returns by improving portfolio company cash flows and lifting exit multiples. Historical data has shown that the strongest PE vintages have coincided with periods of falling rates such as the early 1990s, early 2000s, post-2009, and post-2020 cycles. This dynamic creates a favourable backdrop for capital deployment into dislocated yet recovering markets.

Private equity transaction volumes for the US (USD billion)



Source: Partners Group, PitchBook. Estimated 4Q deal value and volumes based off 3Q results. Actual figures and events may differ and may vary significantly.

Notes:

1 Source: Dealogic/ION Analytics as of 31 October 2025.
2 Source: Pitchbook as of 31 October 2025.

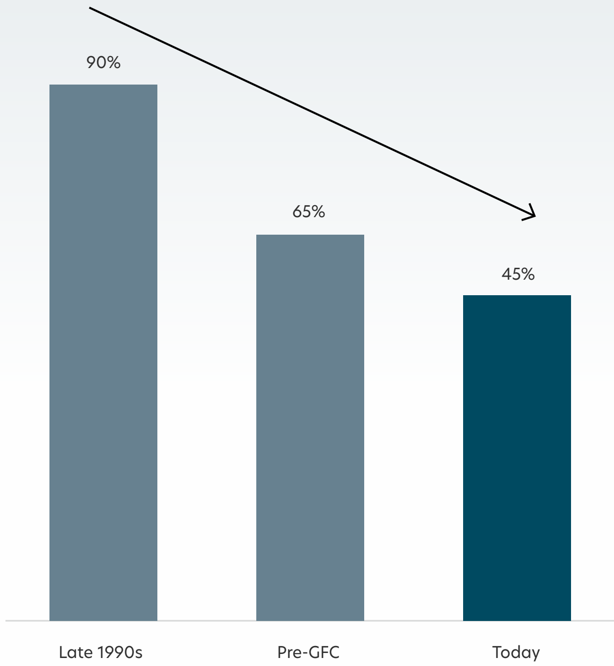
Private Credit
Cutting through the noise

Private credit has benefitted from structural tailwinds: tighter banking regulations, volatility in public credit markets, and borrower preference for bespoke financing solutions. Direct lending has become a critical source of capital for sponsor-backed companies and increasingly for larger corporates seeking speed and certainty of execution.

Recent headlines have raised questions about risk, but fundamentals remain resilient. Average loan-to-value ratios in direct lending today are significantly lower than pre-Global Financial Crisis levels, providing a larger equity cushion before debt is impaired. Non-accruals have ticked up modestly but remain below historical averages, while interest coverage ratios remain at healthy levels, supported by strong sponsor backing and covenant protections.

Despite spread compression and an uptick in defaults, private credit has historically delivered 150-200 basis points of excess spread[3] over leveraged loans, while eliminating return leakage from intermediaries. Defaults remain low at the upper end of the market, where companies with USD 100 million or more in EBITDA show a lower covenant default rate. Experienced managers with significant scale who invest in larger companies are better equipped to perform during periods of macroeconomic uncertainty.

Average Loan-to-Value



Source: Blackstone.

Note: "Late 1990s" LTV refers to the approximate leverage through high-yield bonds utilised to finance major buyouts in the 1990s. "Pre-GFC" LTV refers to the approximate leverage through leveraged loans utilised to finance US buyouts from 2000–2007 based on data from PitchBook LCD. Today refers to the average LTV on mid and upper market M&A deals completed during 3Q 2025 based on data from KBRA DLD.

Note:

[3] Source: KBRA DLD Monthly Insights and Outlook Report as of 31 August 2025.

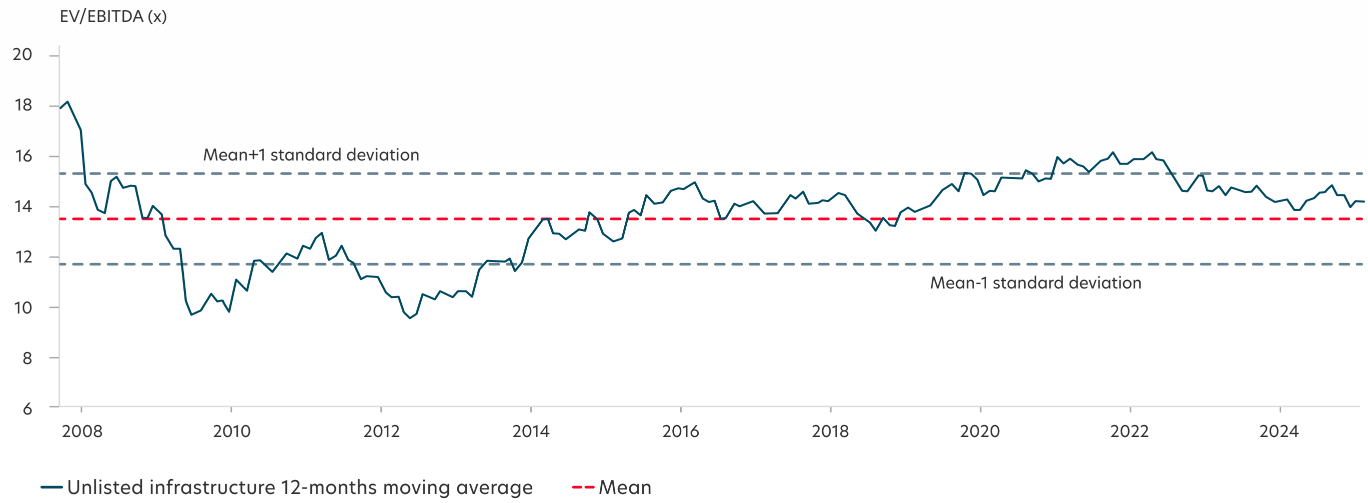
Infrastructure
Powering resilience

Infrastructure has evolved into a strategic pillar of private markets, offering investors exposure to essential services underpinned by long-term contractual cash flows. Across G20 economies, the infrastructure investment gap is projected to widen significantly, underscoring the need for sustained capital deployment to prevent critical shortfalls.

This presents compelling opportunities for infrastructure managers that extend well beyond the prevailing Artificial Intelligence narrative. These opportunities encompass the modernisation of power grids, expansion of sustainable energy systems, and development of resilient transport and water networks. In the US, for instance, much of the power grid dates back to the 1960s and 1970s, underscoring the urgent need for upgrades to support rising electrification and renewable integration. In Europe, regulated networks are accelerating grid investments, while regulators are adopting a constructive stance toward new projects.

Infrastructure's inherent characteristics such as stability, inflation protection, and reliable income, make infrastructure an "all-weather" allocation even amid macro volatility. Current valuation multiples remain below historical peaks, offering an attractive entry point into the asset class. With earnings growth underpinned by structural trends like digitalisation and electrification, the outlook for private infrastructure returns over the next 12 months remains positive.

Private infrastructure EV/EBITDA transaction multiples



Sources: Macquarie Asset Management, Bloomberg (October 2025). Private infrastructure time series is based on 1,222 transaction multiples from January 2008 to June 2025. Past performance is not indicative of future results. For illustrative purposes only.

Real Estate
From reset to recovery

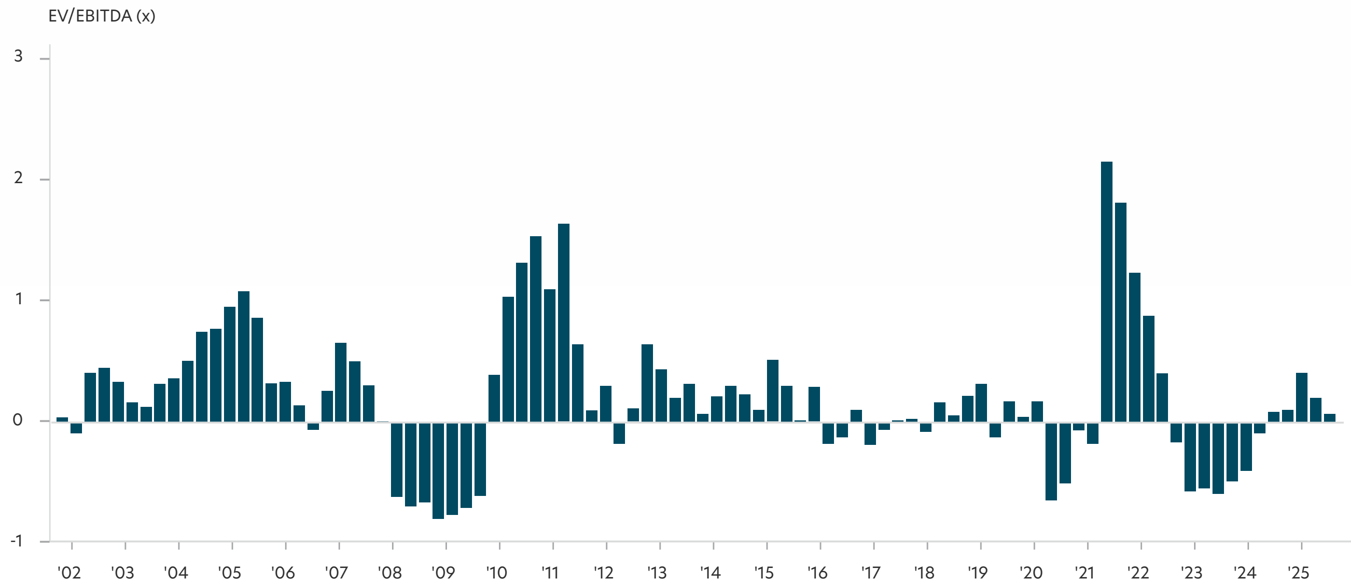
After a multi-year correction, private real estate markets are signs of stabilisation. Transaction activity has picked up meaningfully. Commercial real estate deal volume has increased for five consecutive quarters on a year-over-year basis, marking the most sustained period of growth since the downturn began.

Industrial and logistics assets remain the strongest performers, supported by e-commerce and supply chain resilience. Multifamily fundamentals are stabilising as new construction pipelines contract, easing pressure from the earlier glut of supply. Retail, particularly grocery-anchored and experiential formats, continues to show resilience.

Office remains the most challenged segment. The "flight to quality" dynamic persists—tenants favour newer, well-located, energy-efficient buildings with modern amenities, while older properties face obsolescence risk and potential conversion to alternative uses. This bifurcation underscores the importance of asset selection and repositioning strategies.

With transaction volumes rising and supply pipelines contracting, real estate appears poised for a gradual recovery although risk tied to tariff-driven construction cost and uncertain office demand remain.

US commercial real estate transaction volume (Year-Over-Year and Change)



Source: Real Capital Analytics, Cohen & Steers. As at 31 July 2025.

Hedge Funds
Opportunity in a fragmented world

Hedge funds remain a critical component of diversified portfolios, offering flexibility and alpha generation in an environment marked by policy uncertainty, sector dispersion, and episodic volatility.

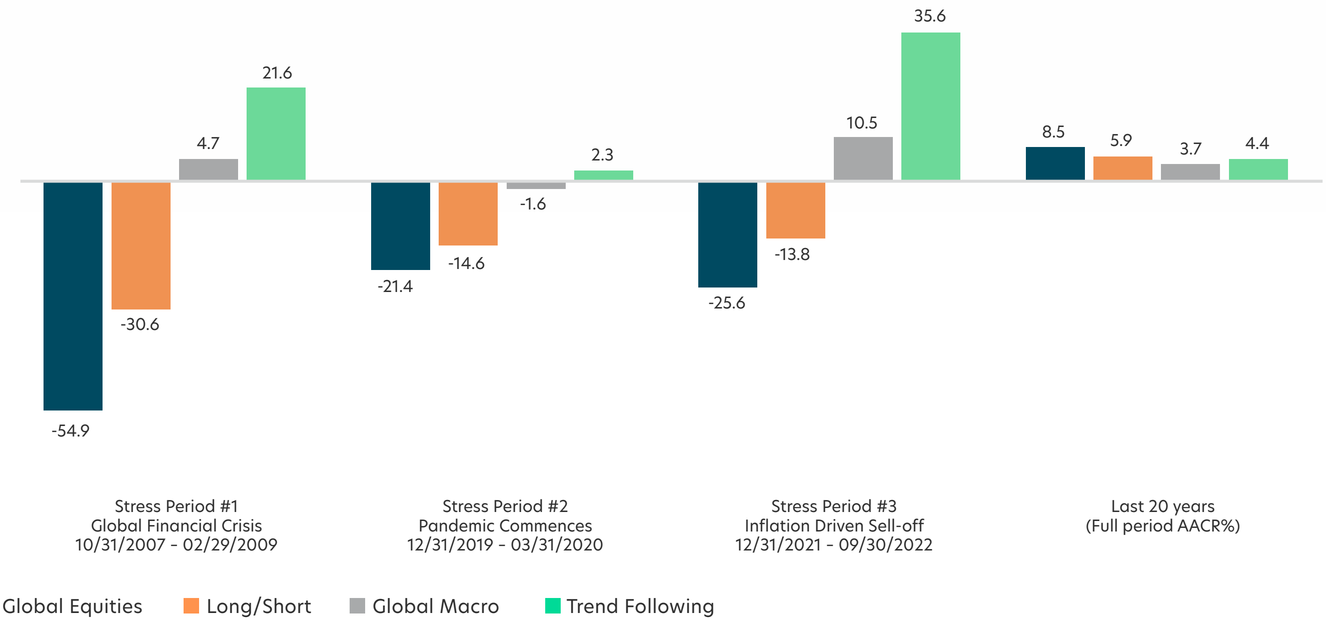
Multi-strategy funds continue to lead the industry, attracting the bulk of new capital. Their ability to allocate dynamically across equities, credit, macro, and arbitrage makes them a preferred choice for institutions seeking "one-stop" diversification.

Equity Long/Short (ELS) funds are well-positioned to exploit widening performance gaps across sectors driven by technological disruption, trade realignments and uneven monetary easing. Historically, ELS strategies have captured about 70% of equity market gains while limiting drawdowns to roughly half of broader markets, making them attractive for investors seeking risk-adjusted returns. This asymmetry stems from their ability to pair long positions in high-conviction names with shorts in structurally challenged companies.

Generally, hedge funds' adaptability and low correlation to traditional assets make them essential in today's fragmented market.

Certain hedge funds have offered better downside protection, but sacrifice upside capture

As of 31 October 2025
Percent (%) US dollars



Source: FactSet Research Systems Inc., Hedge Fund Research, Inc., MSCI Inc., Societe Generale, and Thomson Reuters DataStream.

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