INTRODUCING CIO SIGNALS

Not every signal is a call to action · The investment industry has a peculiar habit. Give it a monthly publication deadline, and it will produce a monthly change of mind. This publication (CIO Signals) aims not to do that.

Markets are noisy, uncertainty is permanent and the evidence is often less conclusive than confident commentary suggests. Our purpose is to identify what genuinely matters for long-term investors, explain why it matters and assess whether it changes anything.

Sometimes the conclusion will be actionable. Sometimes it will challenge a popular narrative. At other times, the intellectually honest answer will be that the signal is interesting, but not yet investable. Patience is not an absence of judgement. Often, it is the result of judgement.

We begin from a constructive long-term position. Markets tend to rise because economies grow, businesses adapt and earnings compound. That does not make every market attractive or every risk harmless. Our responsibility is to monitor the risks to our views without confusing vigilance with constant activity.

CIO Signals is therefore neither a prediction sheet nor a catalogue of monthly trades. It is a record of what we believe deserves attention, what remains noise and what, if anything, investors should do about it.

CIO FOREWORD

Sick of hearing about artificial intelligence? Markets may be, too. The past two odd months have been bruising for anything carrying an AI label, reversing the breathless rally.

At the start of June, we argued that investors should diversify away from AI and resist chasing a market that had gone nearly vertical. That reset is now more complete. But the hurdle for renewed outperformance remains punishingly high: strong earnings are no longer enough when expectations are stronger.

Our Chart of the Month shows that diversification was not merely defensive. It delivered a win. Defence, healthcare, low-volatility strategies and banks all outperformed, alongside "safe and boring" Singapore.

The lesson is not that AI is finished. Far from it. The lesson is that price matters, expectations matter, and concentration eventually collects a bill. With the reset mostly behind us, selective opportunities are returning. Review your portfolio now: rebalance concentration, retain quality, and resist hype.

CHART OF THE MONTH

% returns (1 June to 26 August 2026)

Investing beyond AI proved wise

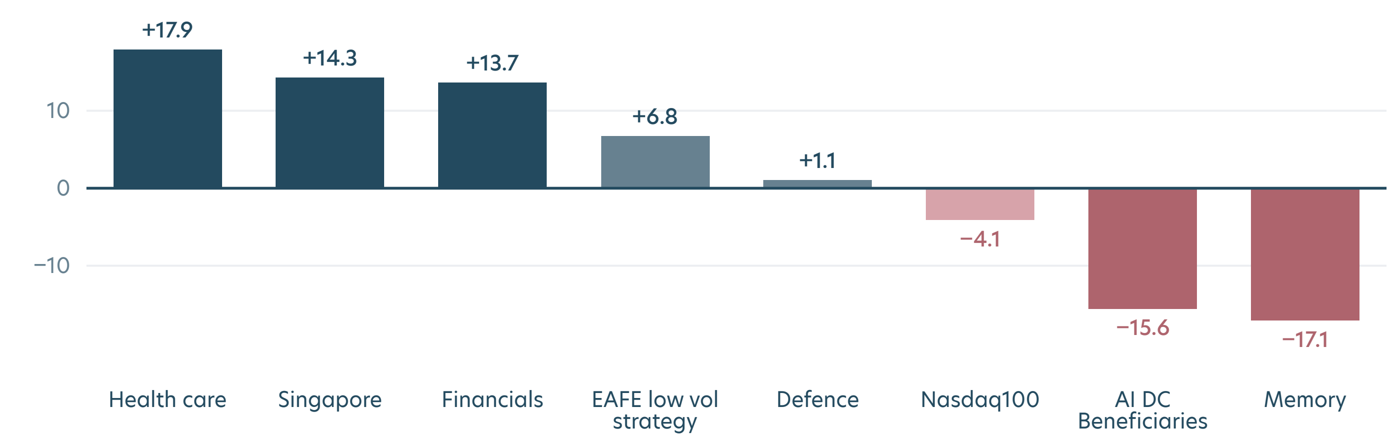


Figure 01 · Source: Bloomberg. Performance from 1 June to 26 August

NUMBER OF THE MONTH

65 homes

By 2027, a single AI server rack could consume as much electricity as 65 US households. AI's next constraint may not be computing power, but access to energy. For investors, the AI story continues to expand beyond semiconductors into power generation, transmission and grid infrastructure.

Inflation is cooling and earnings forecasts are rising. The risk we are watching is long-dated US Treasury yields — and what is driving them.

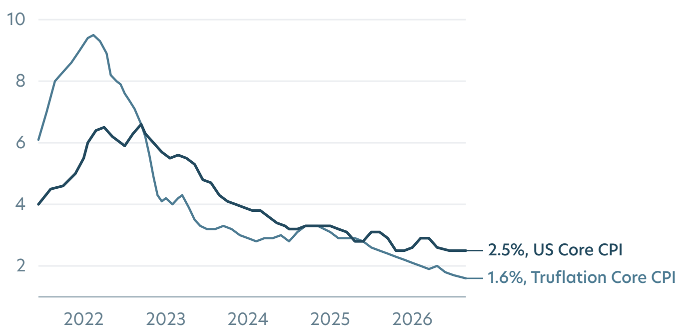


Figure 02 · Source: Bloomberg, UOB Private Bank

ECONOMY

The inflation scare that wasn't

July's US inflation report brought relief. Headline prices rose 0.1% m/m, while core inflation eased to 2.5% y/y, confirming price pressures are cooling. Truflation's real-time core measure, at 1.6%, offered an earlier signal ahead of the release. It complements, rather than replaces, official CPI. Inflation is heading in the right direction, but the path back to target may remain bumpy. We are not convinced of an inflation spike that would lead the Fed to hike in the near term.

MARKETS

S&P500 earnings revisions remain strong

Consensus earnings continue to move higher, providing evidence that equity market gains are being supported by improving fundamentals rather than multiple expansion alone. Forecasts for 2026 have been revised up 17% during the year, while 2027 estimates have risen 15%. The breadth and persistence of positive revisions suggest corporate profitability remains resilient. Stay long equities as earnings prove resilient.

CONSENSUS S&P 500 EPS

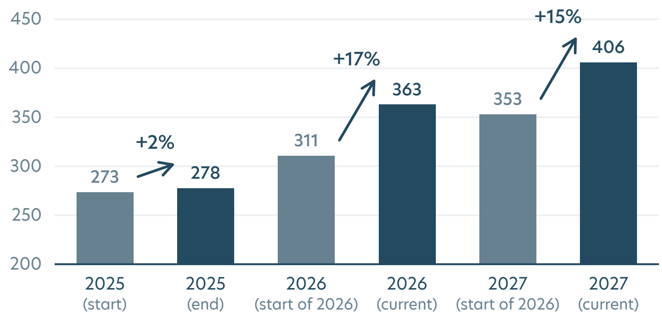


Figure 03 · Source: Bloomberg, UOB Private Bank

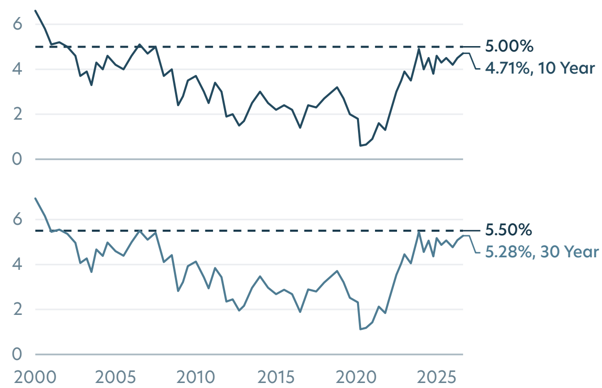


Figure 04 · Source: Bloomberg, UOB Private Bank.

RISK WE ARE MONITORING

When Bonds scare everyone again

Long-term Treasury yields remain a key risk to equity markets. The 10-year yield is approaching the psychologically important 5% level, while the 30-year yield has already moved above 5%. Whether yields break and sustain above these thresholds will matter as much as the reason behind the move. A growth-driven rise may be manageable for equities, but a move driven by inflation concerns or fiscal stress could pressure valuations and increase market volatility. If the US is unable to contain rising bond yields, we expect both fixed income and equities to stumble.

While we advocate diversification, make no mistake that we are bullish AI as the trends point continued adoption, GPU utilisation and cloud revenue growth.

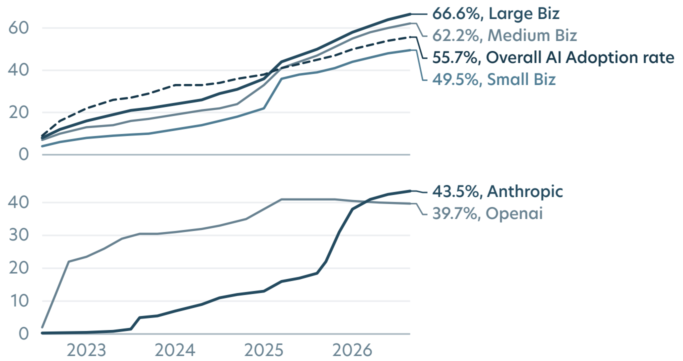


Figure 05 · Source: Bloomberg, UOB Private Bank

ADOPTION

AI adoption rates

AI adoption is moving firmly into the mainstream. Overall adoption has reached 55.7%, led by large enterprises at 66.6%. Among foundation model providers, Anthropic has gained momentum, reaching 43.5% adoption, ahead of OpenAI at 39.7%, underscoring intensifying competition in enterprise AI. Rising adoption rates suggest the AI investment cycle remains in its early stages, with spending increasingly shifting from experimentation to enterprise-wide deployment and productivity gains.

GPU USAGE

Are those GPUs actually being used?

GPU demand remains robust as rental pricing continues to climb across NVIDIA's leading AI accelerators. Hourly rates for the B200/GB200 have risen to USD5.27, while the H100/H200 reached USD2.88 and the older A100 climbed to USD1.65. The broad-based increase across both current and legacy chips suggests AI infrastructure remains heavily utilised, providing tangible evidence that enterprise AI deployment is translating into sustained demand for computing capacity.

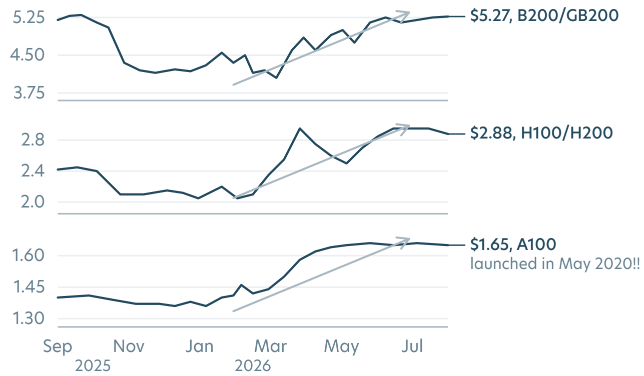


Figure 06 · Source: Bloomberg, UOB Private Bank. Priced as $ / GPU / Hour

AMAZON, GOOGLE, MICROSOFT · Y/Y CLOUD REVENUE GROWTH, %

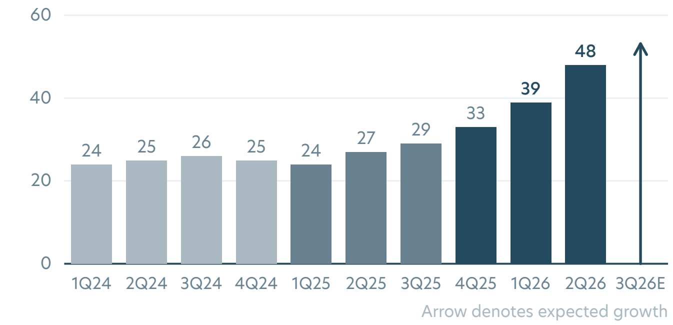


Figure 07 · Source: Bloomberg, UOB Private Bank

CLOUD DEMAND

Go with Growth

Cloud growth among Amazon, Microsoft and Google continues to accelerate, rising from 24% y/y in 1Q25 to 48% in 2Q26, with 3Q26 growth expected to exceed 50%. The sustained reacceleration suggests AI workloads are driving meaningful revenue expansion. Despite heavy capital spending, they remain key beneficiaries of the AI buildout, with growing cloud demand helping to monetise their infrastructure investments. We like the hyperscalers with a path to profitability.

CLOSING THOUGHT

Keep balanced exposure to quality AI across both infrastructure providers and Hyperscalers. However, incremental capital should increasingly be allocated to less correlated opportunities such as healthcare, financials, defence and low-volatility strategies. This improves portfolio diversification while maintaining participation in the AI-driven growth cycle.

Asset class views and sector performance

ASSET CLASSES	U/W	N	O/W
Equities			▲
United States			▲
Europe		■	
Japan		■	
EM Asia			▲
Fixed Income		■	
DM IG			▲
DM HY	▼		
EM IG			▲
EM HY		■	
Alternatives		■	
Hedge Funds		■	
Private Markets		■	
Precious Metals		■	
Money Market		■	

▼ Underweight ■ Neutral ▲ Overweight

Sector performance % (last 30 days)

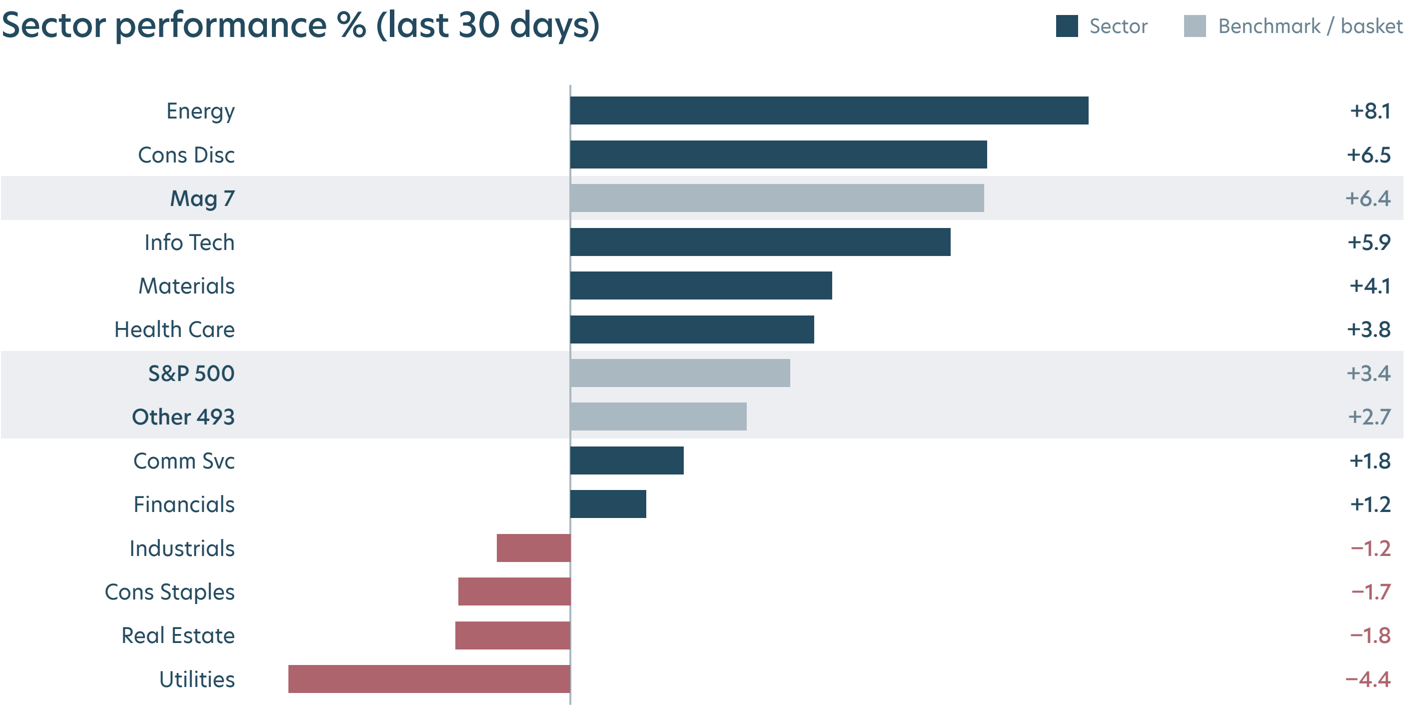


Figure 08 · Source: Bloomberg, UOB Private Bank. Total return over the trailing 30 days.

Tactical views

The S&P 500 has rallied back towards all-time highs, but leadership is starting to rotate. The Magnificent Seven may lose some momentum, while market breadth continues to improve. Rising bond yields are also becoming a greater headwind for both equities and credit.

Jackson Hole added a more hawkish twist to the outlook. Fed Chair Kevin Warsh pushed back against the idea that "3% is the new 2%" and reaffirmed that the Fed remains committed to its 2% inflation target. Markets responded by increasing expectations that rate hikes could return to the conversation in 2026.

Putting in altogether, September may bring an air pocket for markets. Second-quarter earnings season is largely over, the next FOMC meeting looms mid-month, and there are few major IPOs or obvious catalysts to sustain bullish narratives. We do not expect a near-term rate hike as real-time inflation data continues to point to slower price pressures rather than a renewed inflation surge.

With the US mid-term cycle approaching and seasonal volatility typically rising into autumn, investors should prepare for a less forgiving market. For portfolios heavily concentrated in technology, this may be a sensible time to trim exposure, raise some cash and rotate selectively into healthcare, defence and lower-volatility strategies.

In China, we continue to favour a "tribell" approach: with a heavier weight toward dividend stocks for income and resilience while having selective exposure to ChiNext and broad market exposure to participate in any improvement in sentiment. Japan remains tactical and highly policy-sensitive. South Korea and Taiwan remain among the clearest beneficiaries of the AI investment cycle, and we would use periods of weakness to accumulate positions.

Credit markets also warrant close attention. As the US 10-year Treasury yield approaches 5% and hyperscaler debt issuance continues to grow, pressure is building across fixed income markets. If yields move above 5%, the reason will matter more than the level itself. In our view, any temporary overshoot could create an attractive opportunity to add selectively to credit exposure at better valuations.

HOW TO INTERPRET OUR VIEWS

Strategic views indicate the preferred asset allocation relative to the relevant benchmark over the stated horizon. Tactical views determine whether investors should add, maintain, trim or defer exposure under current market conditions. A strategic overweight does not constitute approval to purchase any security or product at any price or time. Individual recommendations remain subject to instrument approval, portfolio suitability, concentration limits and the stated entry approach.

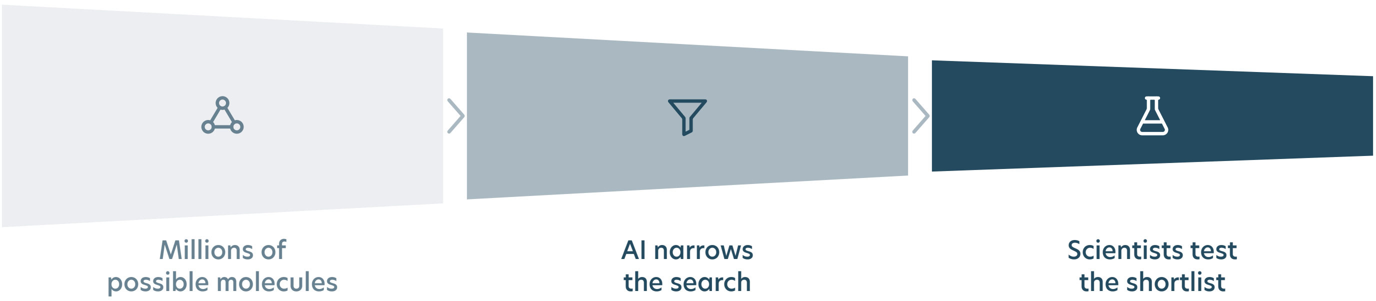
A NOTE ON CIO SIGNALS

Not every observation requires a trade, and not every month requires a new conviction. CIO Signals focuses on what could affect long-term outcomes, while leaving room for uncertainty, competing interpretations and the possibility that patience remains the best response.

AI-driven precision medicine

AI's next opportunity could be in the laboratory

01 Finding a new medicine is like searching for a needle in a haystack



Finding a successful medicine can take many years. Today, scientists must investigate numerous possibilities, most of which will not work. AI can rapidly analyse large amounts of information and highlight the most promising candidates. This could help researchers focus their time and resources more effectively.

02 AI can speed up discovery, but it cannot replace clinical trials

01 Discover
Find promising targets
AI HELPS GREATLY

02 Design
Create possible medicines
AI HELPS GREATLY

03 Test
Study safety and effectiveness
CLINICAL TRIALS REMAIN ESSENTIAL

04 Approve
Seek regulatory approval
REGULATORS DECIDE

AI is most useful at the beginning of drug development. It can help scientists understand diseases and design possible medicines. However, a computer cannot prove that a drug is safe or effective. Every candidate must still pass laboratory testing, clinical trials and regulatory review.

03 The first real-world results are starting to arrive

NUMBER OF AI-ENABLED DRUG CANDIDATES IN THE CURRENT STAGE	117 entered clinical trials	60 drugs completed phase 1	8 drugs completed phase 2	3 drugs are currently in phase 3 testing	0 drugs approved
STAGES OF DRUG DEVELOPMENT	Preclinical	Phase 1	Phase 2	Phase 3	Approval
PURPOSE	Tested in the lab and animals	Is it safe in humans?	Does it appear to work?	Can it prove it works in a large patient population?	Regulators review the evidence
TYPICAL TIMEFRAME	1-2 years	1-2 years	1-3 years	1-3 years	1-2 years

Source: Haque et al., Journal of Clinical Oncology, ASCO 2026. The study identified 117 AI-enabled therapeutic assets entering interventional clinical trials through 1 July 2025. Completion status was assessed on 1 December 2025, when 60 had completed Phase 1 and eight had completed Phase 2. Figures are cumulative milestones, not the number currently active in each phase or phase-by-phase success rates. Definitions of "AI-enabled" vary across industry sources.

AI-enabled drug discovery remains young, but the first major clinical tests are approaching. No fully AI-designed medicine has yet achieved regulatory approval, largely because drug development can take many years. With a small number of candidates now reaching late-stage trials, successful results could validate the technology and unlock new opportunities across drug discovery, biotechnology and pharmaceutical research.

KEY TAKEAWAY

AI could make the search for new medicines faster and more focused. However, it cannot remove the uncertainty of clinical trials or human biology. We favour companies combining AI with strong scientific data, laboratory expertise and proven drug-development capabilities.

Speak to your senior client advisor for the full AI-driven precision medicine publication and how to position for it.

Interest-rate forecasts, %

INTEREST RATES	04 Aug	3Q26F	4Q26F	1Q27F	2Q27F
USD 3M SOFR (compounded)	3.63	3.64	3.65	3.65	3.47
SGD 3M SORA (compounded)	1.13	1.20	1.37	1.53	1.62
10Y US Treasuries Yield	4.68	4.80	4.85	4.85	4.80
SGD 10Y SGS	2.34	2.45	2.55	2.70	2.75

Figure 09 · Source: Bloomberg, UOB Private Bank, as of 04 August 2026.

Currency forecasts

FX	04 Aug	3Q26F	4Q26F	1Q27F	2Q27F
DXY	100.0	100.9	99.2	97.9	96.9
USD/JPY	158	160	157	155	152
EUR/USD	1.15	1.14	1.16	1.18	1.19
AUD/USD	0.70	0.69	0.70	0.71	0.72
USD/SGD	1.28	1.29	1.27	1.26	1.25

Figure 10 · Source: Bloomberg, UOB Private Bank, as of 04 August 2026.

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