“Keep Calm and Carry On”: Our Bullish Outlook under the 4Rs

Fullerton Investment Views - Quarterly report

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FULLERTON FUND MANAGEMENT
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Executive summary

- The war in the Middle East is a significant shock and has dominated investors’ fears over the last couple of months. We still have no clarity on when the war will end, and bouts of high volatility could strike back at any time. Nevertheless, Fullerton will ‘keep calm and carry on’ with a bullish outlook for the year ahead, under our ‘4Rs’ investment thematic, as we see many favourable signposts across global markets.
- Fullerton assesses that the underlying drivers of strong earnings growth will not be derailed because the equity sell-off has been very mild considering the intensity of the war, and how reliant many countries are on imported energy. ‘Global exceptionalism’ can be sustained as across most markets earnings growth expectations continue to be revised up, and valuations have fallen from peaks, which can collectively drive higher investment returns.
- Throughout this war the market has always expected oil prices to fall back over time, and this downward-sloping futures curve is a very positive belief that the global economy can avoid any painful collapse in demand. Fullerton’s analysis suggests that the most productive countries, and those with adaptable energy supply-chains, should continue to navigate this war-driven adverse supply-shock very well. The US, Germany, Japan, South Korea, China, Taiwan, and Singapore all have fundamental strengths that can help them defend growth and avoid stagflation.
- Additional ‘dry-powder’ for investing - which can contribute to higher returns - can stem from very strong balance sheets across households and firms and from on-going policy stimulus across the G4 countries. Combined with investors’ risk appetite holding-up as we have seen, it continues to support the first of our 4Rs thematic where returns on capital can be high. The signal from Fullerton’s Investment Environment Model is maturing into ‘Late Cycle’, but ‘Goldilocks’ is also rising back in its probability. This can be a ‘win-win’ for investors because returns can be very favourable under either regime.
- For the next 12 months, Fullerton is bullish on global risk assets, driven by Asia (i.e Singapore, South Korea, Taiwan, and China) and Developed Market (i.e US, Japan and Germany) equities, with a positive outlook for fixed income returns.

01 Investment Environment and Risk-Asset Outlook

On 21 April 2026 President Trump announced that the US would extend the ceasefire[1], and maintain the economic pressure on Iran with the US Navy's blockade of Iran's seaborne trade flows. President Trump then stated that Iran's latest peace deal offering was not acceptable, without elaborating on its details[2]. That leaves both sides of the two-month old war in the Middle East in a holding pattern while the Strait of Hormuz remains effectively shut.

The war in the Middle East is a significant shock and has driven fear across markets. Fullerton will 'keep calm and carry on' - with a bullish outlook for the year ahead

The war in the Middle East is a significant shock and has driven fear across markets[3]. We have no clarity on when the war will end, and bouts of high volatility could strike back at any time. Nevertheless, Fullerton will 'keep calm and carry on', with a bullish outlook for the year ahead, as we see many favourable signposts for investors[4].

First and foremost, Fullerton believes that the underlying drivers of strong earnings growth will not be overturned because productivity remains strong, higher inflation is expected to be temporary (because of the outlook for oil prices), and the equity sell-off has been very mild considering the intensity of the war. The drivers of 'global exceptionalism' that we have emphasised since last year can continue as earnings growth expectations push higher, and as valuations have fallen back from peaks, which can collectively support higher asset returns.

Even as geopolitical fears surged on 28 February 2026 (see Figure 1) – the start of the war in the Middle East ranks as the worst act since the 11-Sep-2001 terrorist attacks on the US – investors can take significant comfort in that the 'Fear Index' (i.e the S&P500 VIX) has fallen back sharply toward normality (see Figure 2).

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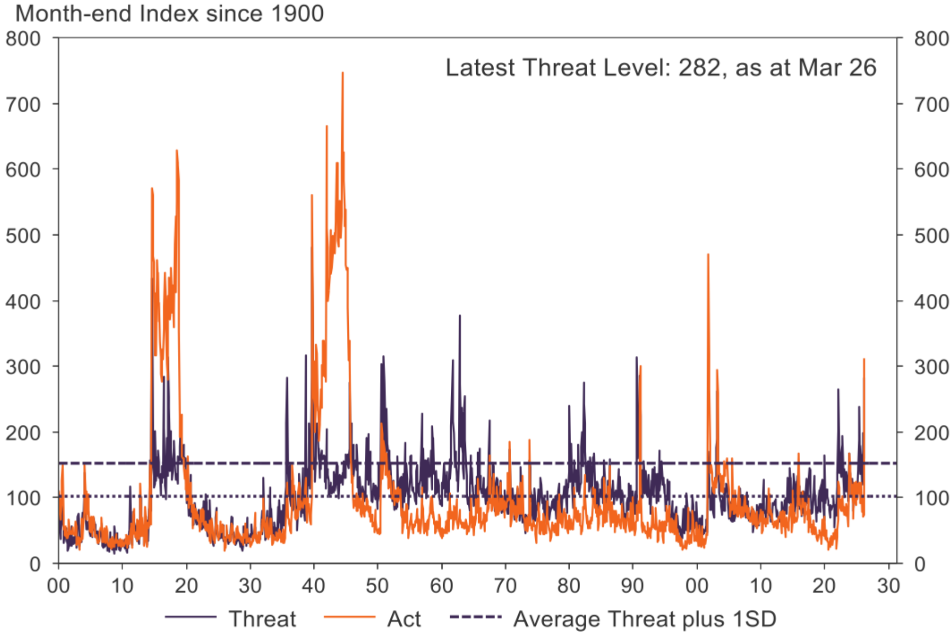
1. On 23 April, Israel and Lebanon also announced they would extend their ceasefire by 3 weeks. However, on 25 April Israeli Prime Minister Benjamin Netanyahu ordered his troops to "forcefully" attack Hezbollah targets in Lebanon, which now brings any ceasefire into doubt. Source: Reuters News, 23 and 25 April 2026.
2. US President Trump cancelled a planned trip by the US envoy to meet with Iranian leaders in Pakistan. President Trump said "the US has all the cards, they have none! If they want to talk, all they have to do is call" Source: Reuters News, 25 April 2026.
3. See Israel-US launches massive military attacks on Iran - Fullerton Fund Management
4. Fullerton's outlook is unchanged from its Fullerton Investment Views (FIV) Q1 2026 published in February, see Global Exceptionalism with the 4Rs - Fullerton Fund Management The Q1 2026 FIV also explains in detail our '4Rs' investment theme that we believe will remain very relevant for investors into 2027 - i.e the AI Revolution, the Return of Capital, with better Risk Appetite, can create potentially strong Returns (on Capital) for investors.

Figure 1: Global geopolitical threats and acts since 1900

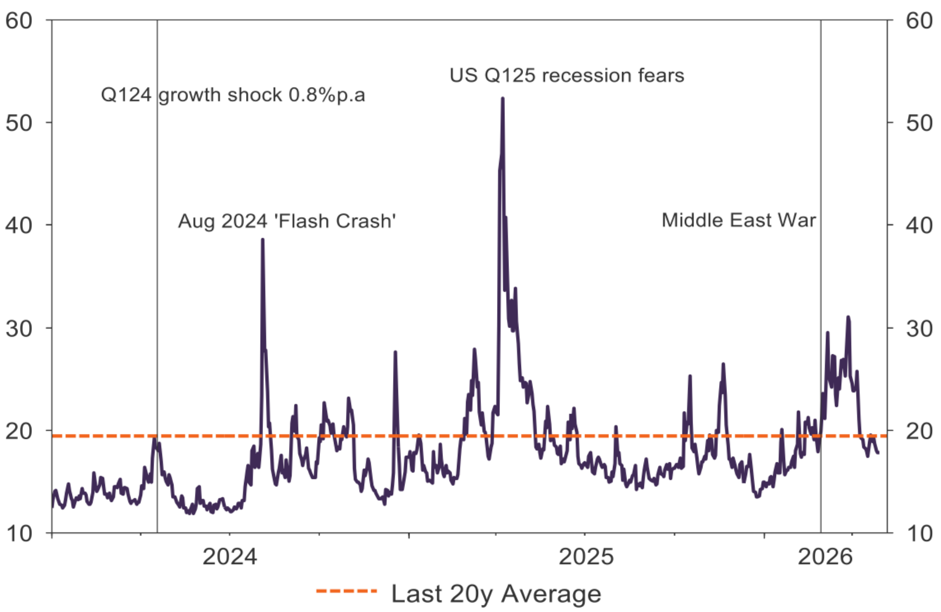
Global Geopolitical Risk



Source: LSEG Datastream, April 2026

Figure 2: The investor fear index has normalised

The US Investor ‘Fear Index’ (the VIX)



Source: LSEG Datastream, April 2026

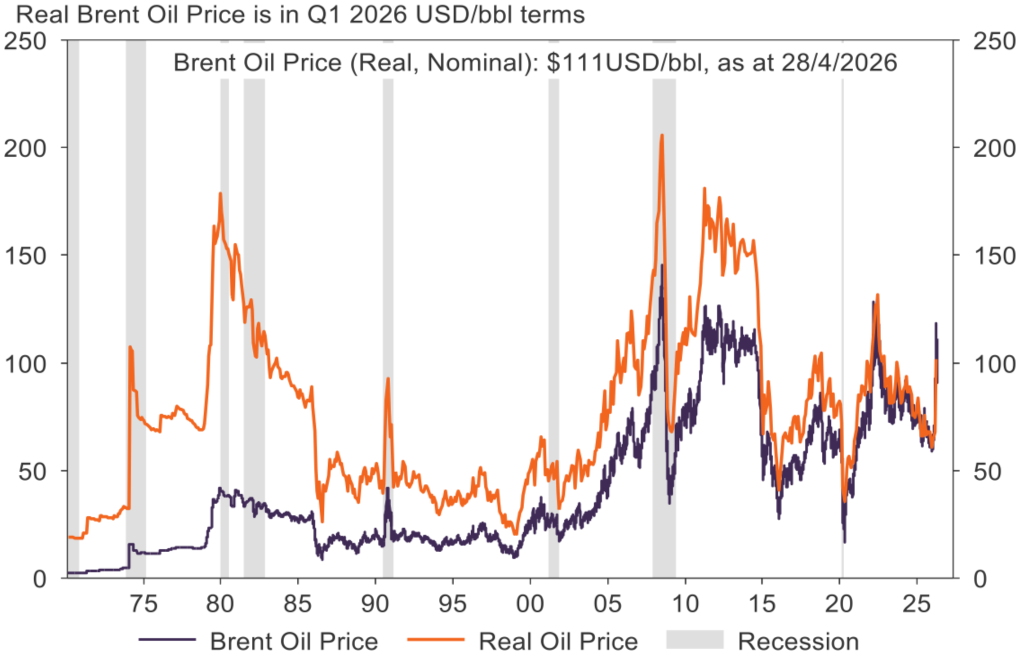
Fullerton does not believe the market is mistakenly ‘pricing-in’ a swift end to the war in the Middle East - rather the market is sanguine because of favourable fundamentals

Throughout this war the market has always expected oil prices to fall back over time, and this downward-sloping futures curve is a very positive belief that the global economy can avoid any painful collapse in demand. Many commentators, notably the IEA, have said that the war in the Middle East is the largest energy crisis in history[5], but in terms of its pricing impacts, that ultimately matter the most to global economic activity and financial markets, it is far from being that painful.

The first-half of 2008, with a peak by July, is the worst oil shock in history as extremely strong energy demand resulted in oil prices soaring to $150/bbl (which is $200/bbl in today’s money. See Figure 3). What also made the 2008 shock much worse was that the forward-looking market never expected oil prices to ever fall back down (see Figure 4). With extremely high oil prices and no price relief expected events certainly contributed to the very painful global recession of 2008. In stark contrast, the forward-looking profile for oil prices today is not that much different from a couple of years ago, especially at horizons beyond six months, which is very positive for economic activity. Longer-term oil prices cannot be too low otherwise the strong economic motivation to diversify more toward cleaner energy will stall.

Figure 3: Inflation-adjusted oil prices: the current shock is not large by historic standards

Nominal and Real Oil Prices

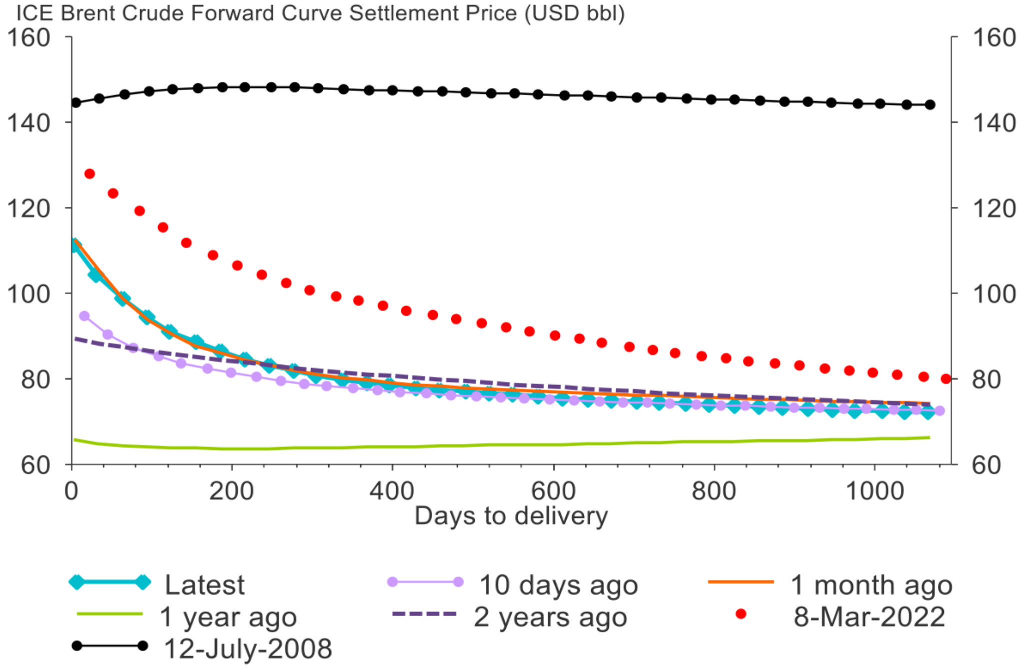


Source: LSEG Datastream, April 2026

5. Source: Reuters News, “War in Iran is causing biggest energy crisis in history, IEA says”, 21 April 2026.

Figure 4: Market pricing of oil by forward-contract delivery date

Oil prices in the forward market



Source: LSEG Datastream, April 2026

There are many reasons not to be pessimistic about the investment environment

Some investors ‘push-back’ and suggest that the market is mistakenly ‘pricing-in’ a swift ending to the war in the Middle East, but that seems unlikely simply because no one has any idea when the hostilities will be resolved. Instead, the market may be sustaining its positive outlook because of the following seven key developments:

1. There is much greater efficiencies in the use of global energy than in the past, along with the rising importance of cleaner energy demand (see Figure 5).

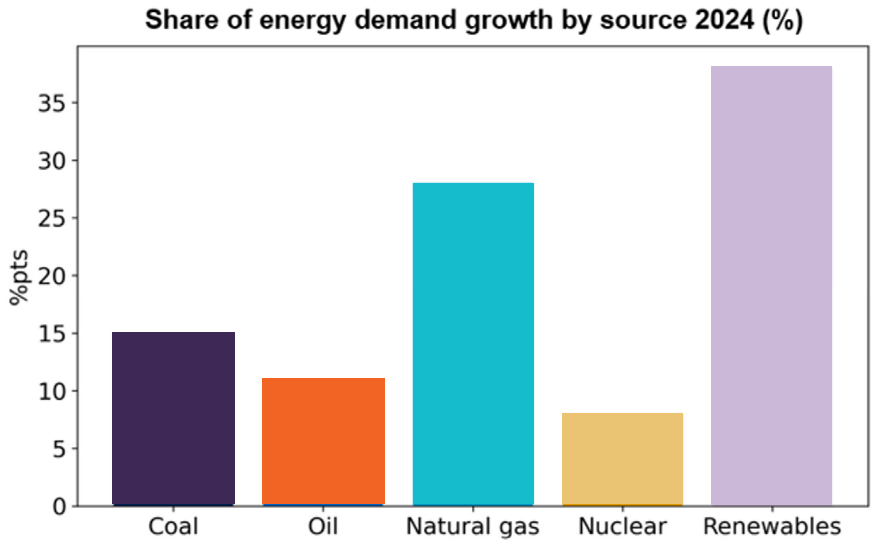
2. Global oil supply growth was much stronger than demand growth before the Middle East war started (see Figure 6).

3. Middle East exports over March 2026 did not fall by as much as many feared because Oman, Saudi Arabia and the United Arab Emirates can bypass the Strait of Hormuz via pipelines and ports. For example, Saudi Arabia, the largest oil exporter in the world, suffered a moderate fall in exports during March of 1.5mbd (compared to March 2025) while maintaining its production at typical levels (around 9mbd[6]).

6. Source: Reuters News (7 April 2026) “Hormuz closure divides the fortunes of Middle Eastern oil states”.

Figure 5: Global shares of energy demand by source: marginal oil demand is much less important than the past

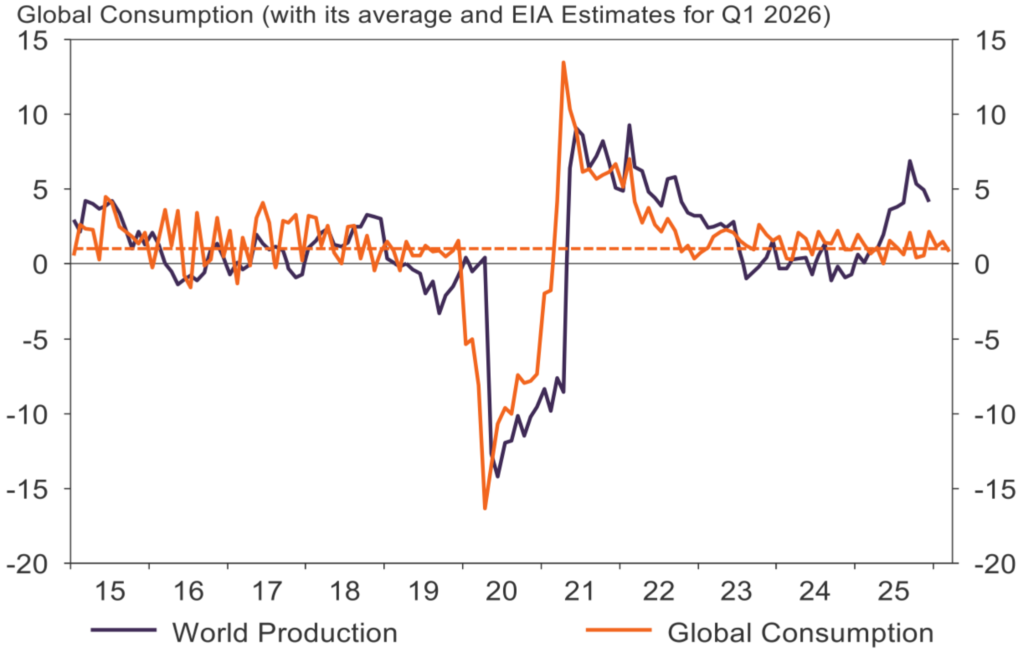
Energy demand growth is more diversified



Source: the IEA (April 2026)

Figure 6: The supply that is 'stuck' in the Middle East is not as painful as many worry about because global excess supply growth was so significant before the war started.

Global Oil Supply and Demand Growth (YoY%)



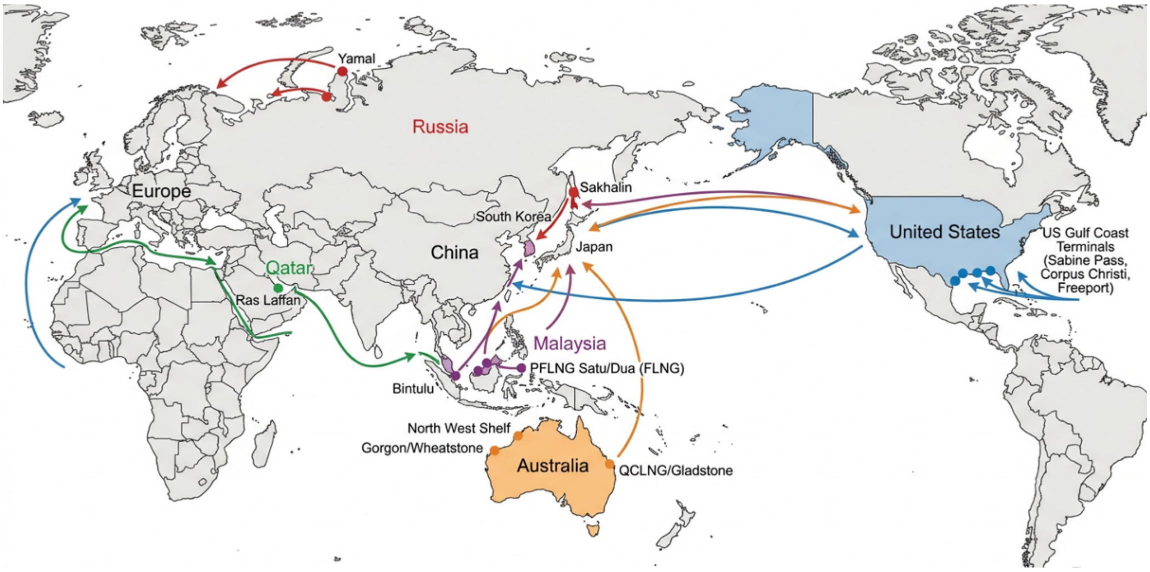
Source: LSEG Datastream, April 2026

4. US total energy product exports have been very strong - as at 23 April 2026 they are 2.9mbd higher than a year ago – which is much greater than the fall in exports from Saudi Arabia. The US is likely to have shifted to become the second largest oil exporter in the world (passing Russia), while maintaining its spot as the most significant global exporter of LNG[7] (see Figure 7). LNG supply is especially important for Asia, and in that regard, some key events since the war in the Middle East began have been positive for markets and investors e.g.

    - The US has been the dominant driver of boosting global LNG capacity[8], and buying LNG from the US could give favourable, and below Asia benchmark prices, because the opportunity cost for a US supplier not to export is very high.
    - As a significant sign of strength, Singapore pledged that it will not ration any of its energy exports. Singapore also signed a 'Protocol on Economic Resilience and Essential Supplies' with Australia to keep the two-way energy trade flowing[9].

Figure 7: Asia is dependent on imported LNG but key flows are still moving

Major Global LNG Export Routes (Top 5 Exporters)



Source: Fullerton Fund Management (April 2026)

5. The threat of significant spillover effects into generalised inflation is much less than the past, and especially much less than the painful stagflation of 2022, because money growth today is much weaker[10]. The prospect that high inflation, driven by oil and gas prices, proves temporary is also supported by inflation expectations across the US bond market i.e key metrics have understandably jumped to 3-3.5%p.a, along with the inflation nowcast, but 1y1y (and 2y2y) forward expectations remain anchored around 2.5%p.a (see Figure 8).

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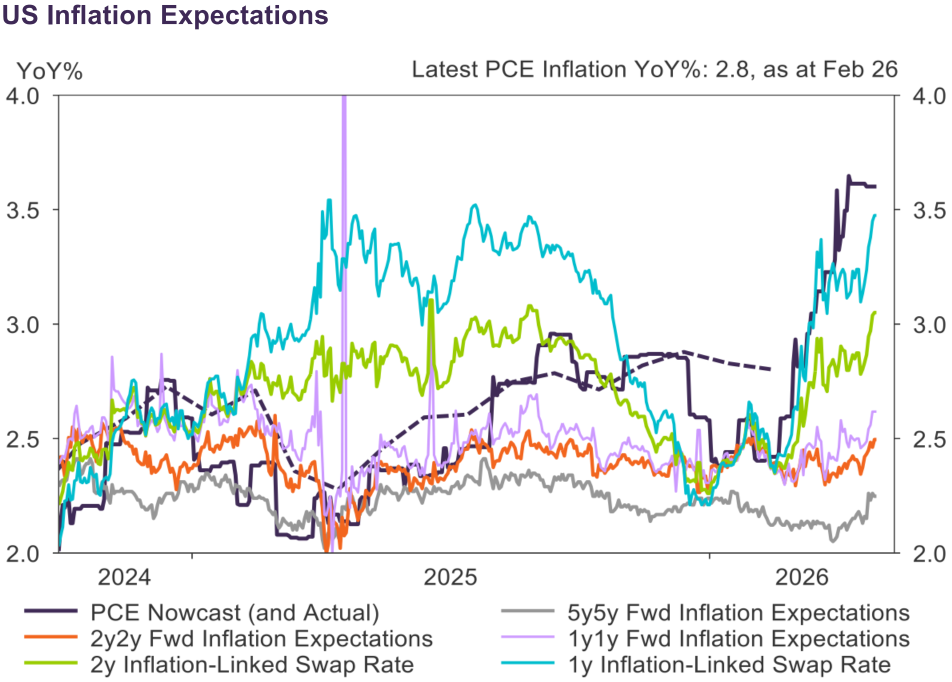
7. Exports from the US and Australia cover almost 50% of global LNG import demand.
8. The US has accounted for more than 55% of the total gains in global LNG capacity since 2019 (source: LSEG, April 2026).
9. Source: The Straits Times (10 April 2026) "Singapore and Australia commit to keep LNG and diesel flowing - working on legally binding agreement".
10. In 2022, with the 'hang-over' from COVID-related policy stimulus, there was far too much money driving massive excess demand chasing goods and services. For the US, M2 money growth had peaked at almost 30%p.a whereas today it is just 4.9%p.a (Source: LSEG as at 26 April 2026).

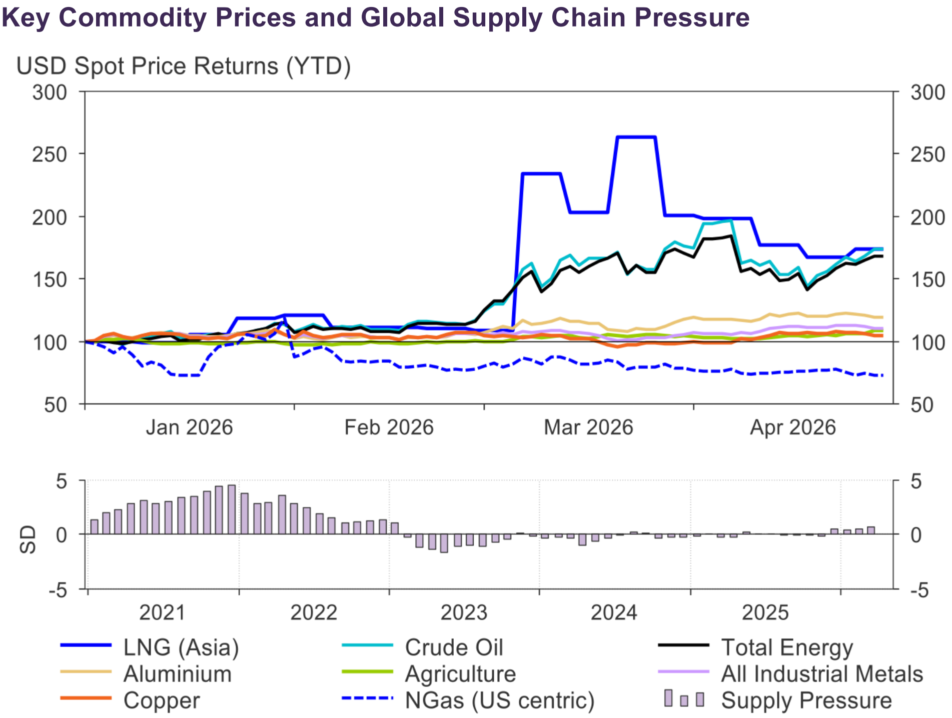
Figure 8: US PCE inflation is likely to be around 3-3.5% over Q2 before falling back as longer-term inflation expectations remain 2.6%p.a (or less)



Source: LSEG Datastream, April 2026

6. The war in the Middle East still remains an energy centric shock and there is limited adverse spillover impacts into other key commodities (especially agriculture prices) nor any significant supply-chain stress so far (see Figure 9). Unlike the very painful global stagflation shock of 2022 global supply-chains are now much more flexible and entered this war scenario with very low stress hurdles and bottlenecks.

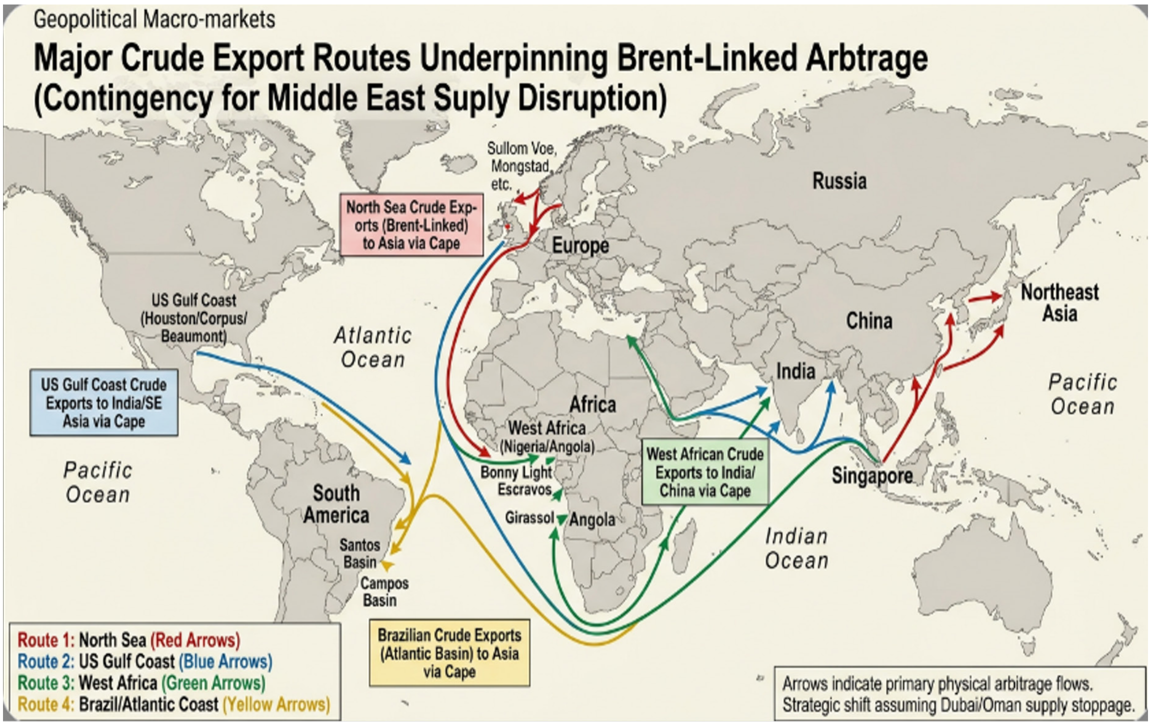
Figure 9: Key commodity price shifts and the global supply-chain stress index



Source: LSEG Datastream, April 2026

7. Lastly, because around 80% of global energy seaborne flows never transit the Strait of Hormuz and are busier than ever[11] (see Figure 10). Aside from driving a boon for US energy exporters, it has also proved beneficial for major Asian refiners, especially across South Korea, Japan, Thailand, Taiwan, and Singapore, as they have been buying significantly more US crude since last year to further diversify feedstock suppliers and to improve margins[12]. With this war in the Middle East investors have been very well rewarded (YTD) with strong alpha gains from exposure to energy sector equities across Japan, China, and the US.

Figure 10: 80% of global seaborne energy exports never transit the Strait of Hormuz



Source: Fullerton Fund Management (April 2026)

In summary, Fullerton's analysis suggests that the most productive countries, and those with adaptable energy supply-chains, should continue to navigate this war-driven adverse supply-shock very well. The US, Germany, Japan, South Korea, China, Taiwan, and Singapore all have fundamental strengths that can help them defend growth and avoid stagflation. Additional 'dry-powder' for investing - which can contribute to higher returns - can stem from very strong balance sheets across households and firms and from on-going policy stimulus (from China, Germany, the US, and Japan[13]).

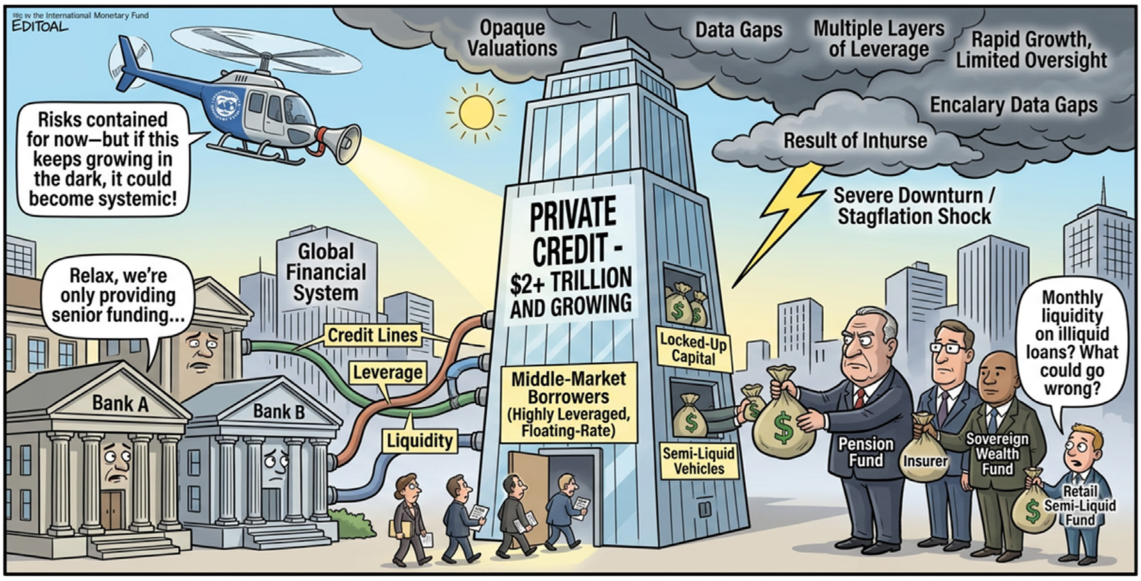
11. Source: Reuters News (30 March 2026).
12. Source: S&P Global (29 Dec 2025) "Asian refiners drawn to US crude imports for economic and diplomatic gains".
13. See Global Exceptionalism with the 4Rs - Fullerton Fund Management for details on the on-going policy stimulus and its impacts.

A key concern for investors is the risk that stress across private markets, especially private credit, could drive a crash in public markets

Fullerton is watching signposts across private markets, especially private credit conditions, very closely. In terms of investment returns, private markets may be past the worst but could still lag public markets. For example, McKinsey has noted that conditions are likely to remain uneven - dealmaking has been tepid, while fundraising across all asset classes hit its lowest levels in almost a decade last year[14]. Fullerton's assessment aligns with that from the IMF - private markets, especially private credit, may become an amplifier of shocks because of tight bank/non-bank linkages, but not a channel for systemic stress[15].

Figure 11: Fullerton's summary of why private credit is concerning

Private Credit Today: Useful Gap-Filler... or Tomorrow's Shock Amplifier?



Source: Fullerton Fund Management (April 2026)

Bouts of high volatility could strike back at any time, so Active management remains critical to defend gains

Just like 'Liberation Day' last year, events continue to be disruptive to global investor confidence - but they have not derailed the bullish investment environment. Furthermore, many events may actually enhance global exceptionalism by building diversification beyond US risk assets and creating new investment opportunities.

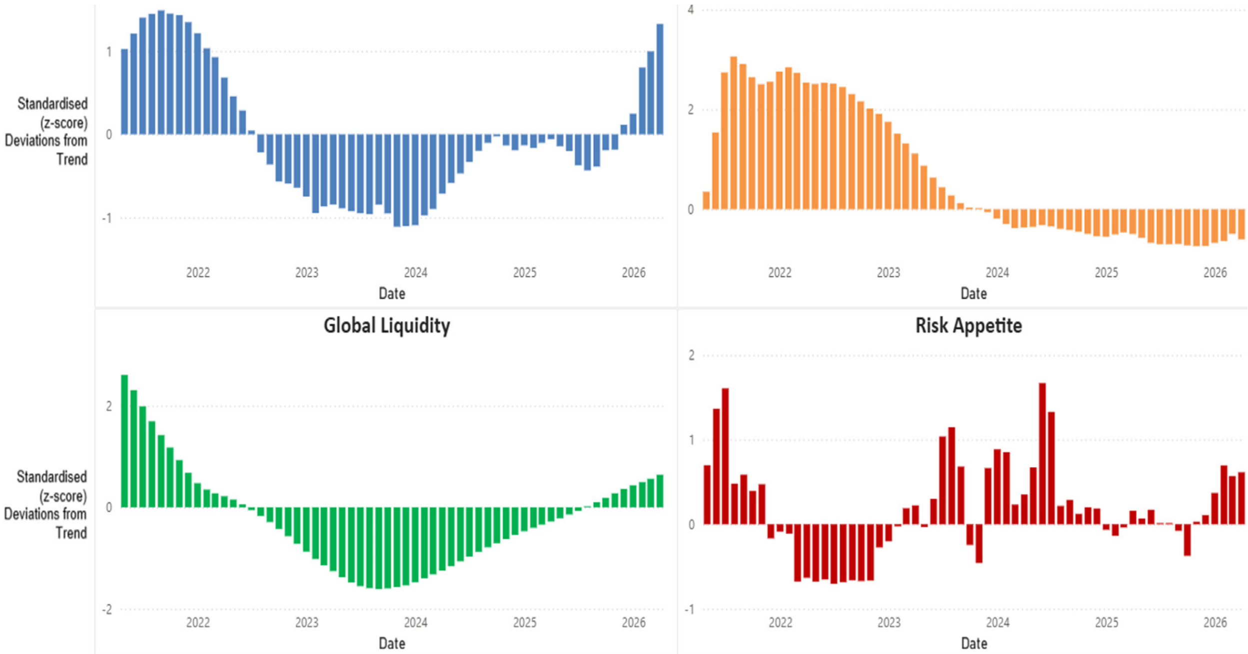
Fullerton has shown evidence before that when geopolitical shocks hit, any adverse impacts can be limited, or in the worst case 'temporary disruptions', before markets return to underlying trends[16]. The optimal way to navigate all potential stresses remains active management of a well-diversified portfolio and to seek downside protection when risks hit.

14. Source: McKinsey Global Private Markets Report 2025, "Braced for Shifting Weather".
15. Source: IMF GFSR Oct 2025 "Shifting Ground beneath the Calm"
16. See Fullerton Investment Views Q4 2023 'Speedbumps in a Goldilocks Environment' pp4

Fullerton's global factors that drive investment returns are bullish

Global growth and liquidity, led by the US and China, remain the strongest above trend for this cycle (see Figure 12). Global growth is very strong and its latest push higher, to more than one-standard deviation above average growth, has been driven by the surge in global exports. At the same time, global inflation is below trend, but we know it is going to jump significantly because of the surge in oil prices. The investment environment can remain bullish for investors as long as global growth remains strong, with risk appetite being solidly positive[17], and with inflation being contained (i.e high inflation should fall back with on-going productivity gains and as the spike in oil prices eventually corrects).

Figure 12: Fullerton's global factors that drive investment returns are bullish



Source: Fullerton Fund Management, April 2026. These global macro factors of growth, inflation, liquidity, and risk appetite, are constructed by Fullerton and expressed as standardised z-score deviations from trend (or average). In turn, they impact the signal from our Investment Regime Model. The information presented in the graphs above are calculated based on Fullerton's internal methodology and subject to changes without prior notice.

Nominal GDP growth, which tends to have a solid correlation with corporate earnings performance, is tracking at least 4-5%p.a for most countries (see Figure 13). Growth in global manufacturing is holding around its trend, while growth in global trade has had a massive surge driven mostly by Asia.

Outside of the pre-buying distortion around the COVID-driven recession, global trade growth into 2026 is its strongest since 2010. This extreme growth in global exports will not be sustained into 2H 2026, but nevertheless, growth is likely to fall back and settle above trend because the demand from DM, coupled with intra-Asia trade, has shifted to a higher gear with the IT and investment boon.

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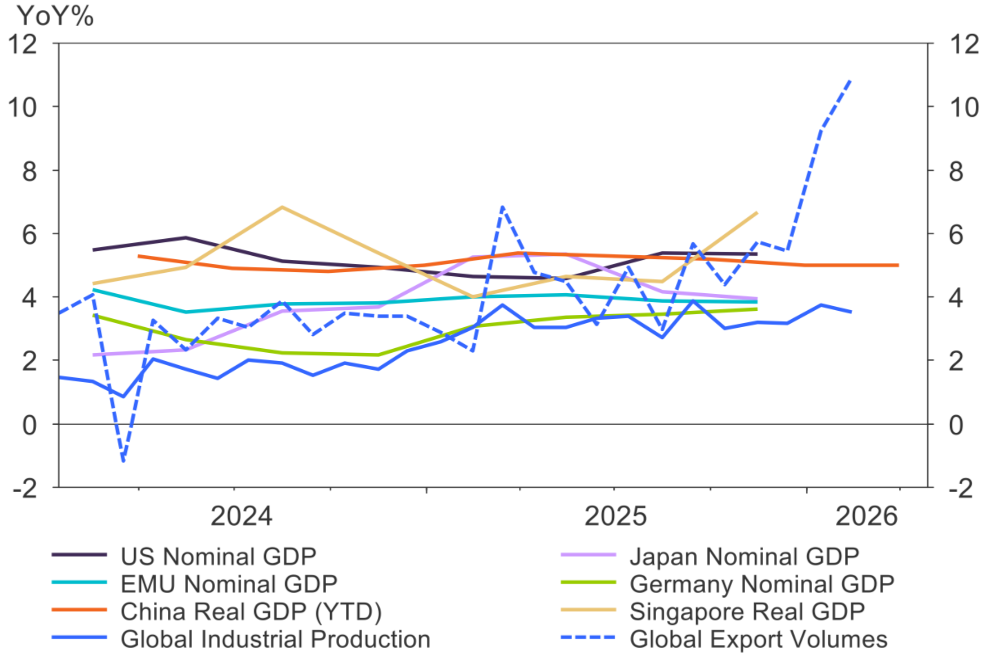
17. Fullerton's proprietary Risk Appetite indicator has been significantly positive and much stronger than over the second half of last year. It is consistent with the US equity S&P500 VIX 'fear index' having fallen back to normal, along with the collapse in demand for downside protection by investors (i.e the put/call ratio).

Figure 13: Exceptionally strong trade, GDP growth, and steady manufacturing

Key Activity Indicators

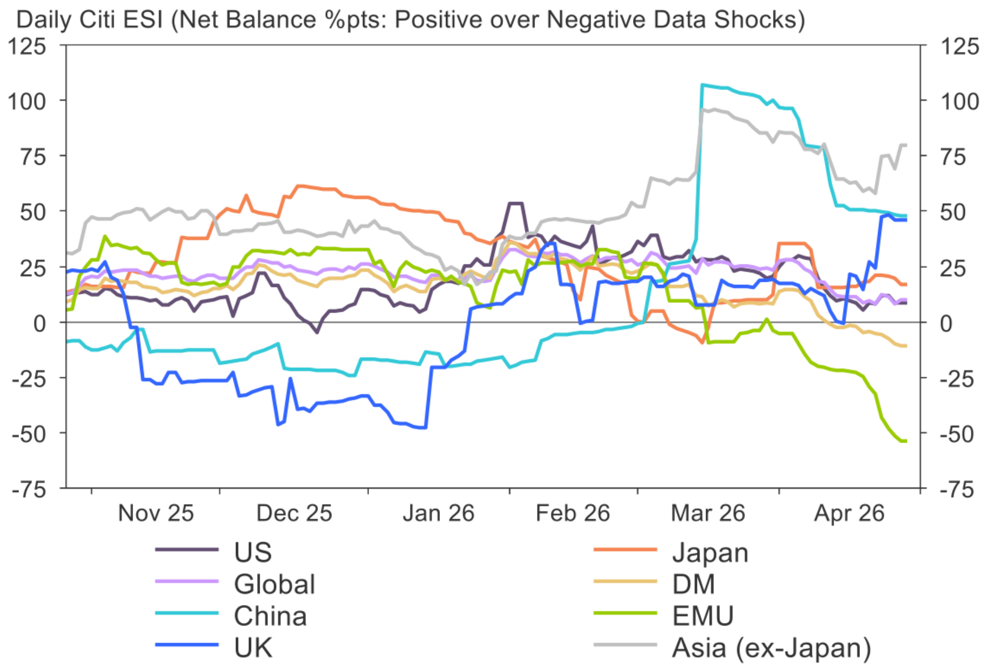


Source: LSEG Datastream, April 2026

Since the war in the Middle East began, significant downward pressures on global growth have not emerged, as daily economic activity data have generally surprised Consensus expectations on the upside (ex-Europe; see Figure 14). This should continue to reduce the risk of stagflation and provide a helpful cushion for earnings growth across key markets going forward.

Figure 14: Economic activity indicators have continued to surprise the Consensus on the upside which reduces stagflation risks

Daily Economic Surprise Index



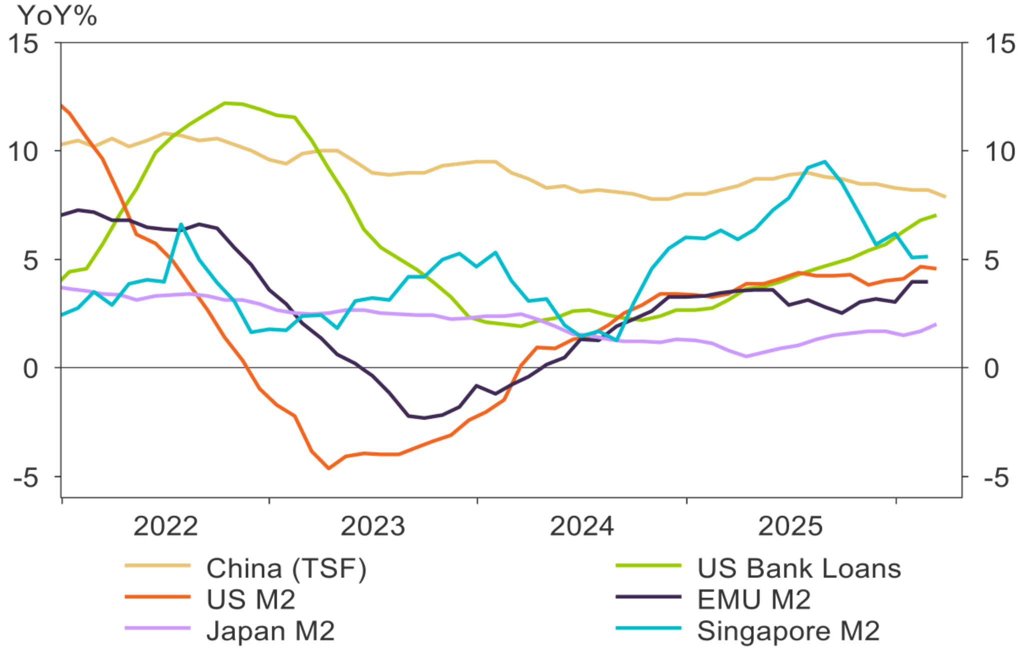
Source: LSEG Datastream, April 2026

Money and liquidity growth, along with bank loans (in the US), remains consistent with strong economic activity and spending across key countries (see Figure 15). However, because of some possible 'crowding-out' from the strength of the 'Main Street' economy, there may be less than otherwise 'excess liquidity' for risk-taking. All that said, as we have emphasised for a while, there may still be significant supports from additional 'dry-powder' for investing given very strong balance sheets across households and firms, and from on-going policy stimulus across the G4 countries.

When we combine the four global macro factors together, Fullerton's Investment Regime Indicator is maturing into 'Late Cycle', but 'Goldilocks' is also rising back in its probability (see Figure 16). This can be a 'win-win' for investors because returns can be very favourable under either regime.

Figure 15: Liquidity conditions are very supportive for economic activity but as a result there may be less 'spare' liquidity for investing

Liquidity Conditions



Source: LSEG Datastream, April 2026

Figure 16: Fullerton's Investment Environment Indicator with Return Distributions

Source: Fullerton Fund Management, April 2026. The Investment Regime Model is calculated based on Fullerton's internal methodology and is subject to change. Past performance may not necessarily be indicative of future performance. The bottom bar chart of potential risk asset returns under 3 of the 5 regimes is the 6mth rolling return (%pts) based on the interquartile range of outcomes for US equities (S&P500), DM equities (MSCI World), US 10y Treasury bonds, the USD dollar (DXY Index), and Commodities (from the BCOM index).

For the 12 months ahead, Fullerton is bullish on global risk assets, driven by Asia and DM equities, with a positive outlook for fixed income returns

Summary of Fullerton's Views (12 months ahead)

	Bearish	Negative	Positive	Bullish
Risk Assets (overall)				✓
Developed Market Equity				✓
Asia ex-Japan Equity				✓
Singapore Equity				✓
Global Sovereign Bonds			✓	
Asia IG Credit			✓	

Source: Fullerton Fund Management, April 2026. Views may be subject to change without prior notice.

02 Equities

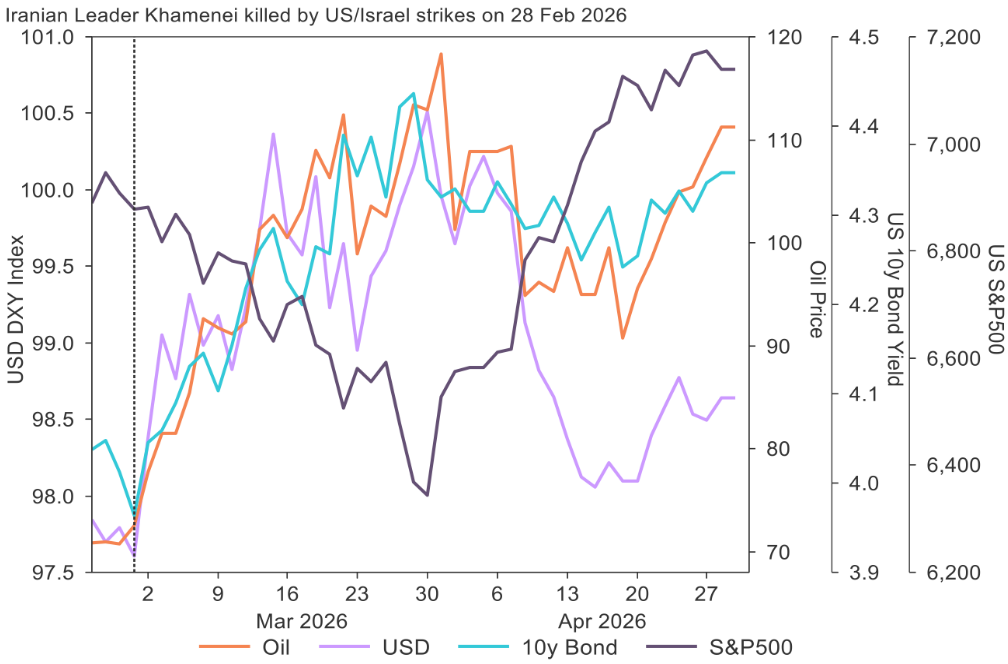
Dennis Lee
Head of Equities
Fullerton Fund Management

The worst is likely past, and global exceptionalism and bullishness are back on track

Investor flows and sentiment have been 'risk-on' since the end of March (see Figure 17) and almost all equity markets have gained back the losses associated with stagflation fears surrounding the war in the Middle East (see Figures 18-19).

Figure 17: Peak stress from the war in the Middle East was 30 March 2026 - when the US 10y bond yield peaked, brent oil prices hit almost $120/bbl, and the US S&P500 bottomed at 6344

Geopolitical Shocks

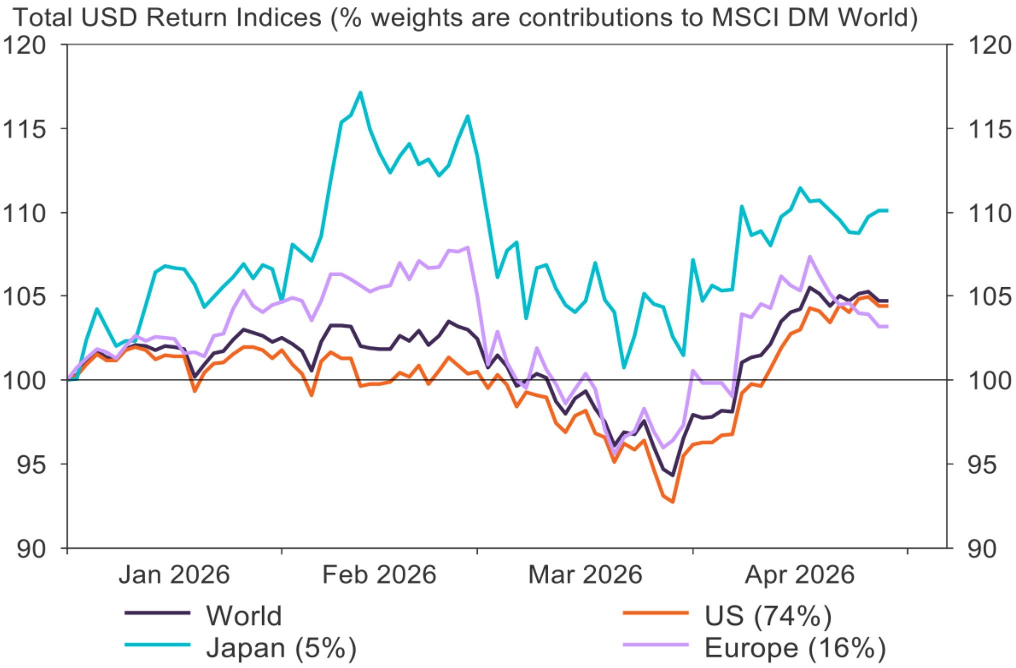


Source: LSEG Datastream, April 2026

Even with some possible slippage from the adverse impacts of the war in the Middle East, Fullerton believes that global GDP and earnings growth should remain strong. The US can lead DM with earnings growth reaching around 20%p.a in 2026 (see Figure 18), while Asia ex Japan is tracking 50%p.a driven by large contributions from South Korea, Taiwan, and China (see Figure 19).

Figure 18: Returns and earnings expectations for MSCI DM (World) markets

MSCI World Equity Returns



Source: LSEG Datastream, April 2026

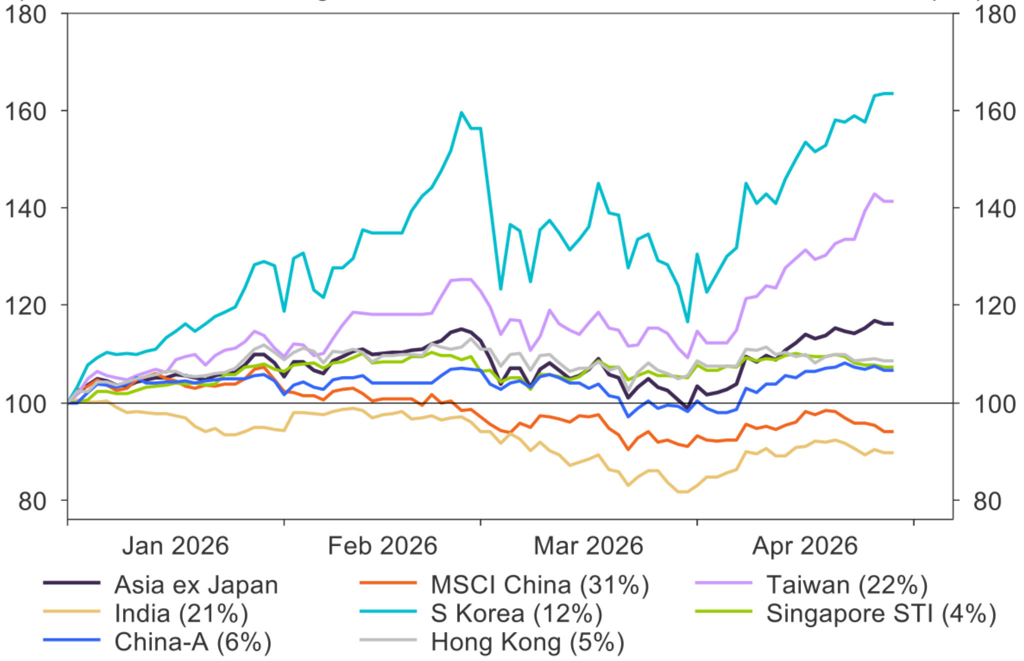
Calendar Year (Blended) Actual/Expected EPS Growth (%p.a)	2024	2025	2026	2027
US S&P500	9	13	**19**	18
Japan Topix	18	11	**7**	13
EuroStoxx50	-9	8	**11**	13
MSCI EMU	0	-4	**19**	13
MSCI Germany	-2	3	**10**	16
MSCI France	-6	-6	**18**	10
MSCI Italy	-13	-36	**79**	11
MSCI Spain	22	3	**12**	11

Source: LSEG, as at 29 April 2026

Figure 19: Equity returns and earnings expectations for Asia markets

MSCI Asia ex Japan Equity Returns

(Total USD Return. % weights in brackets are contributions to MSCI Asia ex Japan)



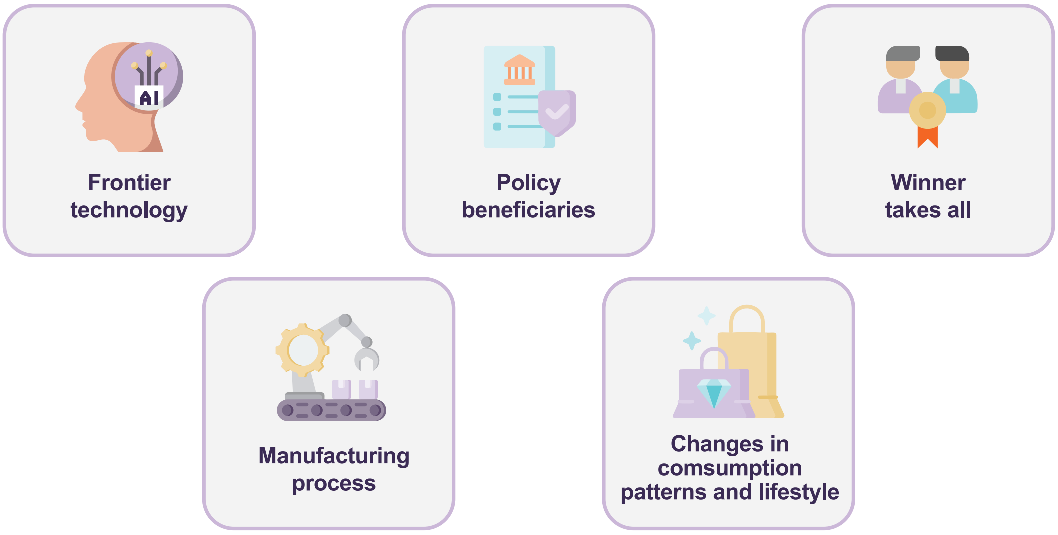
Source: LSEG Datastream, April 2026

Calendar Year (Blended) Actual/Expected EPS Growth (%p.a)	2024	2025	2026	2027
MSCI Asia ex Japan	23	9	**50**	18
MSCI China	15	-1	**13**	15
MSCI China-A	-4	6	**28**	15
MSCI Taiwan	37	21	**33**	24
MSCI India	5	10	**17**	16
MSCI South Korea	89	36	**202**	21
STI Singapore	7	-3	**7**	8

Source: LSEG, as at 29 April 2026

Given our regular global investment themes[18] (see Figure 20), it is critical for investors to appreciate that finding alpha will not be solely about US 'exceptionalism'. Firms rising to the top of their peer group will be driven by productivity-enhanced earnings, rising investment, and sustained demand. These creative leaders will be found across many different sectors and countries.

Figure 20: Fullerton's global investment themes



Source: Fullerton Fund Management, April 2026. Investment themes are developed from our internal methodology and are subject to change.

Most importantly, the leading sources of alpha by sector so far this year continue to align very well with many of Fullerton's investment themes. That is why it is vital for investors to harmonise their top-down strategies with active management and stock selection.

Figure 21: The top sources of alpha have been Utilities, Industrials, Materials, and Energy. Consistent with Manufacturing Prowess, Winners take all, and Policy Beneficiaries

	China	Germany	India	Japan	Singapore	South Korea	Taiwan	US
Utilities	3	21	23		12			1
Industrials	10	10	11	4	7			6
Energy	20			9				16
Materials	9	6	9	12				8
IT	2			8		18	4	
Consumer Staples					23			2
Healthcare	11		5					
Financials	5			4	6			
Real Estate	8							5
Communications		7			4			

Source: Key sources of alpha (%pts) across equity sectors YTD. Green shading is above the cross-country average MSCI Index basis, LSEG as at 21 April 2026

18. More background discussion can be found here FFMC Q3 2025 Investment Views

Frontier Technology and the AI-Revolution remain Fullerton's anchor investment themes and key sources of alpha – but active management across stock selections remains crucial

The impacts from AI and related technologies, along with demands across the metaverse, will have years to run and the transformational impacts could unfold faster than anticipated. Fullerton has done a deep-dive investment research paper into how new technology can feed through the macro economy to increase productivity, lower costs and inflation, and boost earnings[19].

IT sector alpha remains very strong across key Asian markets like South Korea, Japan, and Taiwan - while China's IT alpha contribution is recovering, in reaching 7% by 28 April (from 2% as at 21 April. See Figure 21). Alpha from the US IT sector has faded this year, in part because a lot of good news has been priced-in and US IT sector alpha was so strong in 2025 (+6%) and especially in 2024 (+26%)[20].

We have explained that under our 4Rs investment theme - the AI Revolution - there is a 'balancing act' for seeking sustainable alpha, with positive forces for sector productivity and earnings, but disruptive forces for some sectors that may experience demand destruction and job losses. As a result, active management of stock selections remains crucial because "everything that is AI/IT" may not sustain strong returns.

For example, returns from software-linked companies had sold-off dramatically[21] before staging some recovery, while most recently the demand for CPUs offering AI services has boomed after years of being eclipsed by graphics chips used in AI training. Subsequently, the share prices for several AI-related firms (i.e Oracle, Arm Holdings, CoreWeave, and Japan's SoftBank Group) fell after reports that OpenAI had missed some key revenue targets in recent months, balanced with the announcement that the way was clear for OpenAI to forge new deals with other players beyond Microsoft[22].

***Note:** company specific details provided above for illustration purpose only and does not represent Fullerton's current view of the security or constitute any recommendation.*

There is likely to be more scrutiny surrounding OpenAI for a while as it continues to lay the groundwork for an initial public offering that could value it up to $1tn, amid other blockbuster initial public offerings (IPO) expected this year such as Elon Musk's SpaceX[23]. At the same time, some investors remain concerned about how some key players will fund data-centre aspirations.

***Note:** company specific details provided above for illustration purpose only and does not represent Fullerton's current view of the security or constitute any recommendation.*

As Fullerton has emphasised since last year, the IT sector has become much more competitive, globally interrelated, and interdependent, which has seen extremely high alpha slip and some price actions causing spillover effects across the board (regardless of whether it's warranted or not from the fundamental perspective).

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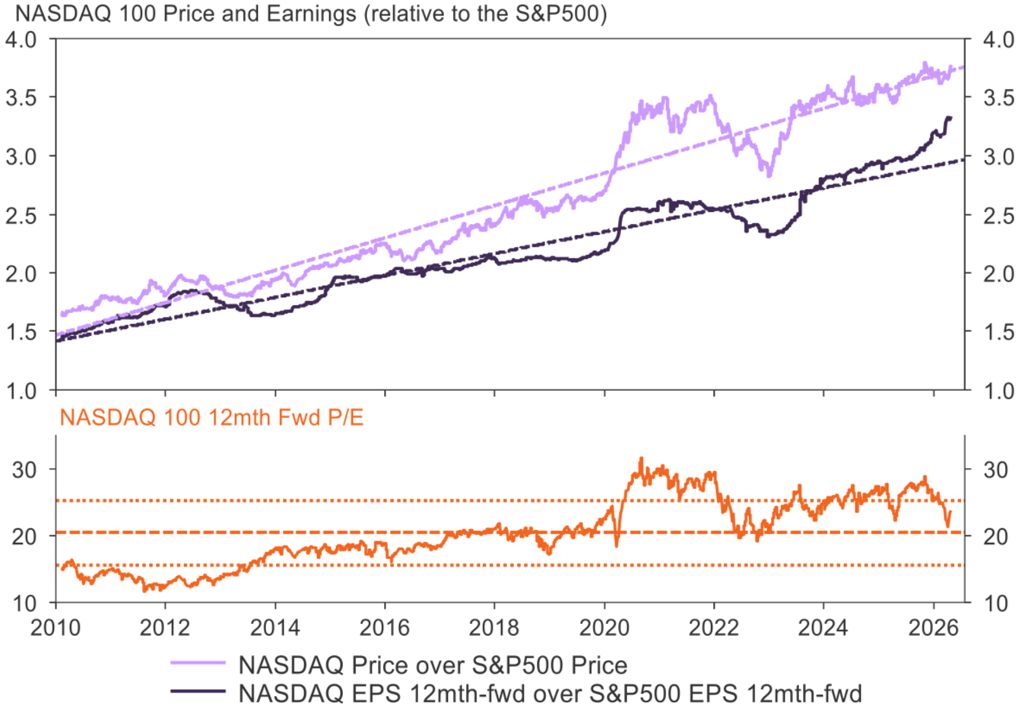
19. See Fullerton Fund Management, Investment-Opportunities-in-the-Age-AI Oct 2023
20. Based on MSCI sector performance in 2025 and 2024, LSEG.
21. See US Software sell-off and rotational plays: February 2026 - Fullerton Fund Management
22. Source: 28 April 2026, Reuters News.
23. Source: Oracle, CoreWeave lead AI selloff on OpenAI growth concerns", 28 April 2026, Reuters News

US IT sector alpha may be coming back because its earnings expectations are now the highest ever above trend (versus the market)

The IT sector remains very dynamic, especially in the US, as realised earnings and growth expectations have surged further while valuations have corrected (see Figure 22). Collectively that is a bullish signal for investment returns ahead, and the market may be starting to price-in another leg-up in alpha e.g over April 2026 US IT sector returns rebounded by around 2x the market move (see Figure 23).

Figure 22: US IT Sector Earnings and Return Performance versus the Aggregate S&P500 Market

US NASDAQ 100 vs S&P500



Source: LSEG Datastream, April 2026

Figure 23: US S&P500 Equity Total Monthly Return (%) by Sector

	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26*
S&P 500	-0.7	6.3	5.1	2.2	2.0	3.7	2.3	0.3	0.1	1.5	-0.8	-5.0	9.4
Information Technology	1.6	10.9	9.8	5.2	0.3	7.3	6.2	-4.3	-0.3	-1.7	-3.9	-3.8	18.0
Energy	-13.7	1.0	4.9	2.9	3.6	-0.4	-1.1	2.5	0.2	14.4	9.4	10.4	-6.4
Industrials	0.2	8.8	3.6	3.0	0.0	2.0	0.5	-0.9	1.3	6.7	7.1	-8.4	5.7
Consumer Discretionary	-0.3	9.4	2.2	2.6	3.4	3.2	2.4	-2.4	0.8	1.7	-5.4	-5.6	10.3
Consumer Staples	1.2	1.8	-1.9	-2.4	1.6	-1.6	-2.3	4.0	-1.6	7.7	7.9	-7.4	1.6
Financials	-2.1	4.4	3.2	-0.1	3.1	0.1	-2.8	1.9	3.1	-2.4	-3.7	-3.5	5.0
Materials	-2.2	3.0	2.3	-0.4	5.8	-2.1	-5.0	4.2	2.2	8.7	8.4	-6.9	2.8
Real Estate	-1.2	1.0	0.2	-0.1	2.2	0.5	-2.6	2.0	-2.2	2.9	6.4	-6.1	7.5
Communication Services	0.8	9.6	7.3	2.4	3.6	5.6	1.9	6.4	-1.0	5.8	-5.1	-7.3	14.2
Health Care	-3.7	-5.6	2.1	-3.3	5.4	1.8	3.6	9.3	-1.4	0.0	3.5	-8.1	-1.9
Utilities	0.1	3.8	0.3	4.9	-1.6	4.2	2.1	1.8	-5.1	1.4	10.4	-3.2	0.8

* Month to Date

Source: As at 29 April 2026. LSEG.

Our themes of Manufacturing Prowess, Winners take all, and Policy Beneficiaries are all key elements of the sustained alpha being generated by global industrials

Commodity-linked equities, especially across Utilities (reflecting energy pricing power) and the Materials sector, have surged across Asia and Germany (see Figure 21). The DM Materials sector, led by Japan, has also benefited from rising market share, pricing-power, robust global trade and manufacturing demands.

We continue to expect that DM equities will benefit further from robust earnings growth, as forward expectations are solid double digits (see Figure 18) – except for Japan, where we are more optimistic than the Consensus. We believe Japan's market can become an even stronger source of alpha for investors, as the corporate sector continues to defend profitability with productivity gains. Consistent with the 'Policy Beneficiaries' thematic, we are bullish on Germany's Industrials, Financials, and Utilities, as they are all key benefactors of the positive sentiment on Germany's very large infrastructure stimulus and productivity rebuild.

The US continues with one of the strongest productivity performances in the world[24], while its real unit production costs are falling, and corporate profits (as a share of GDP) have now reached the highest level ever recorded in US history (and the highest share of GDP in the world[25]). The April 'risk-on' rebound for the US has been led by the sectors that had been lagging the most this year - i.e IT, Consumerism, and Communications (see Figure 23) – and these trends can continue as earnings growth is strong and valuations have become much less of a headwind.

Asia ex Japan equities are outperforming DM (YTD), with very strong contributions from most markets

Across Asia the countries we continue to like the most are Singapore, South Korea, Taiwan, and China, as they are sustaining attractive returns and each market should continue to benefit from robust global demand (especially for IT and higher value-added manufacturing), strong earnings, solid export prices, and rising competitiveness.

In addition, these markets across Asia are competitively valued versus the US (and against other DM. See Figure 24). The main drivers behind the sharp slide in MSCI Asia ex Japan valuation has been the dramatic surge in South Korea's earnings expectations (now tracking over 200%p.a growth for this year), and with China-A at almost 30% (see Figure 19). Strong earnings not fully 'priced-in' by the market and reflected in cheaper valuation can drive more upside for returns over time.

The stellar performance of South Korea's equities continues, having completely dismissed the very poor performance of 2024[26], as companies have benefited significantly from many of the same positive re-rating drivers experienced across Asia - i.e competitiveness gains and rising external demand. India equities may continue to lag the region as they do not benefit to the same degree from the strong external demand for technology and higher-value added industrials. That said, active management can still find rewards because domestic-demand driven sector alpha has been significant (see Figure 21).

We also remain bullish on Singapore equities

We are bullish on Singapore equities as the key fundamentals of growth, liquidity, and credit, collectively remain strong. Earnings growth may come close to double-digits which is significantly higher than average performance, because of very low cost pressures (reflecting Singapore's productivity gains and low inflation) and with higher revenues driven by the global demand boon for high-value added outputs.

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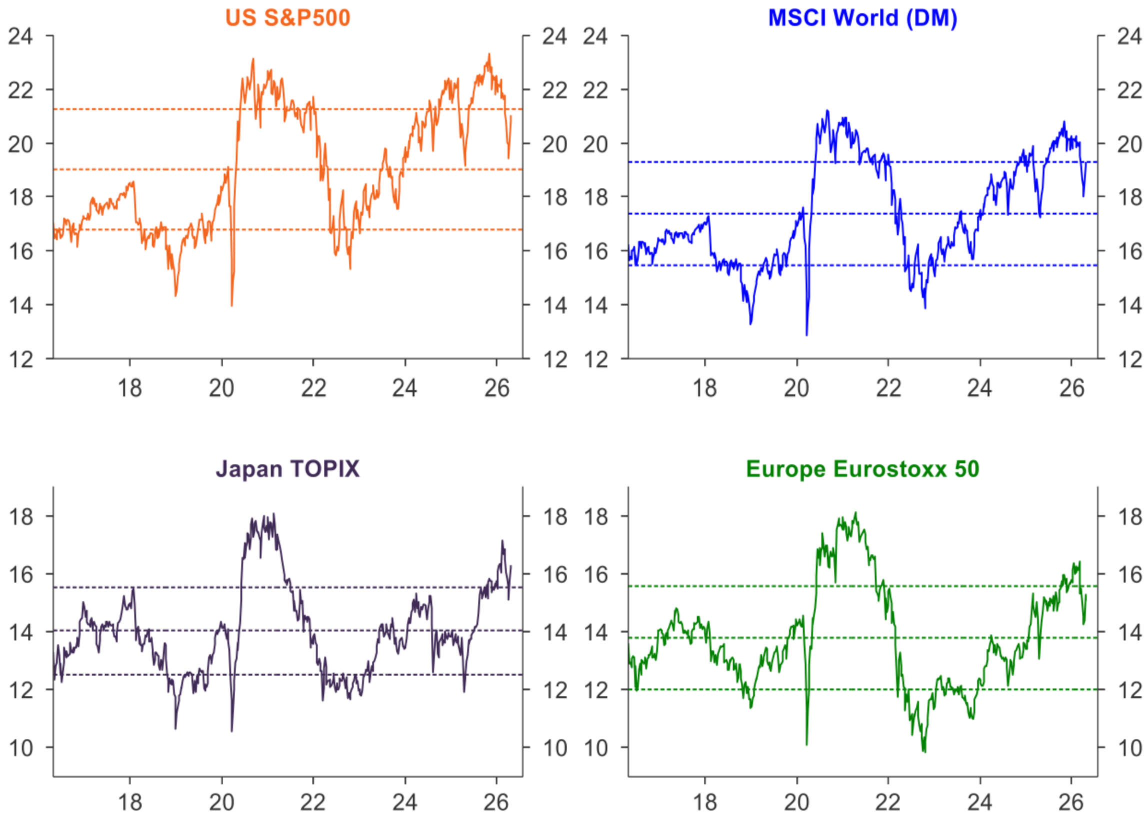
24. Details on this discussion are in Fullerton Investment Views Q1 2025. Source quoted within: 'Investing in Productivity Growth' by McKinsey (March 2024).
25. Source: LSEG as at 29 April 2026.
26. See South Korea's political turmoil - Fullerton Fund Management

Figure 24: Equity valuations have fallen sharply from peaks in DM and Asia ex Japan

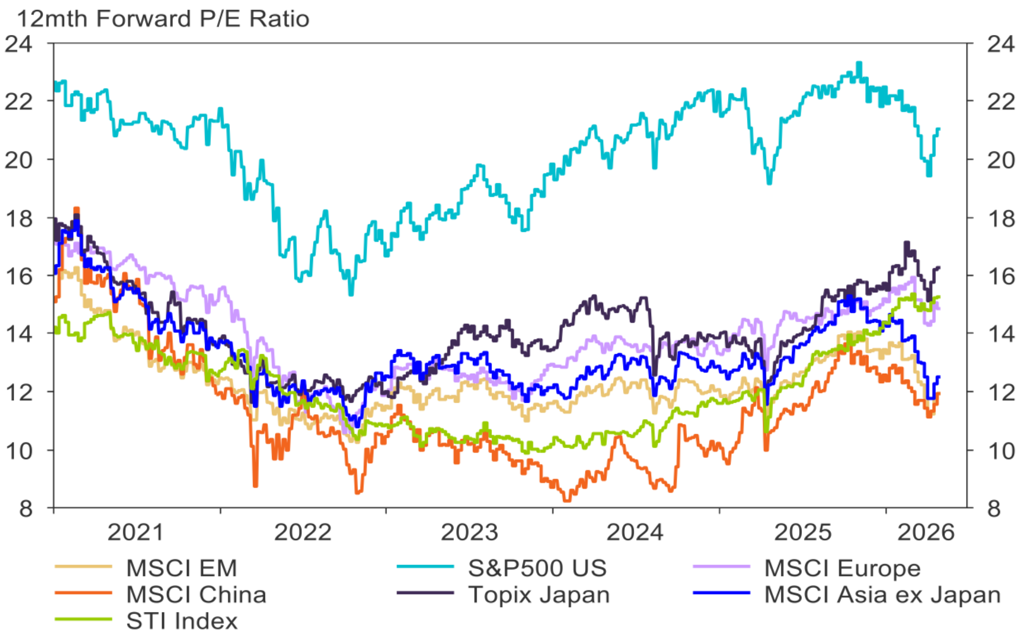
Price/Earnings (P/E) based on 12 Mth fwd earnings expectations

with last 10y average and +/- 1 SD bands



Source: LSEG Datastream, April 2026

Equity Market Valuations

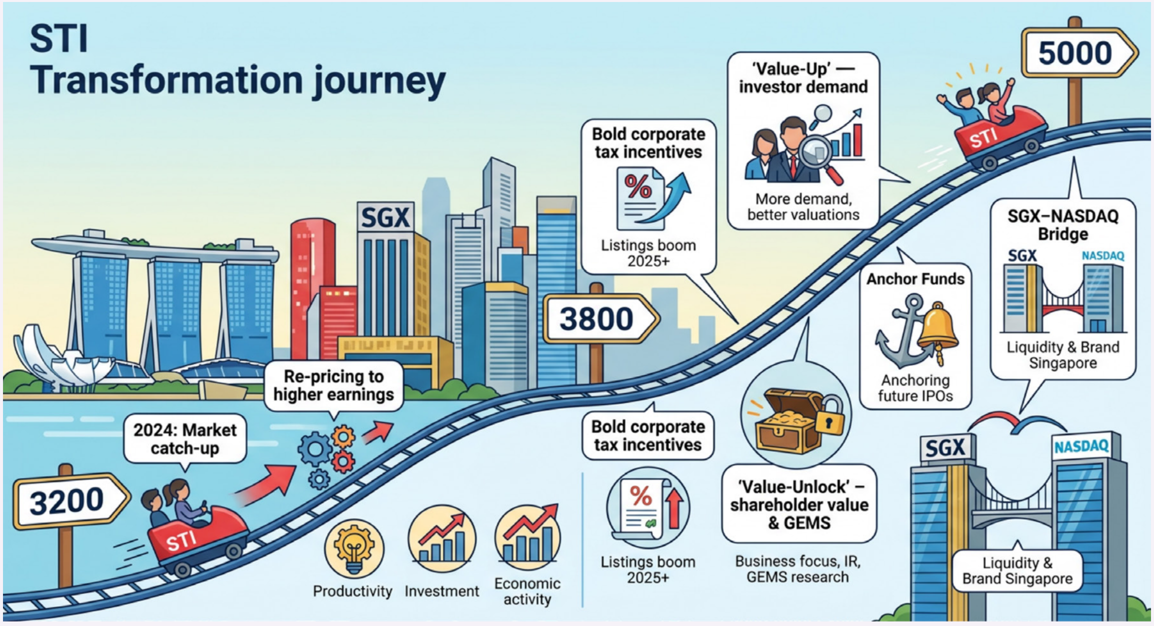


Source: LSEG Datastream, April 2026

Singapore Equities Special

“Let’s Make Singapore Equities Greater Again!” - a 2-year stocktake (2024 to 2026)

Figure 25: Singapore’s STI Transformation Journey since 2024



Source: Fullerton Fund Management (April 2026)

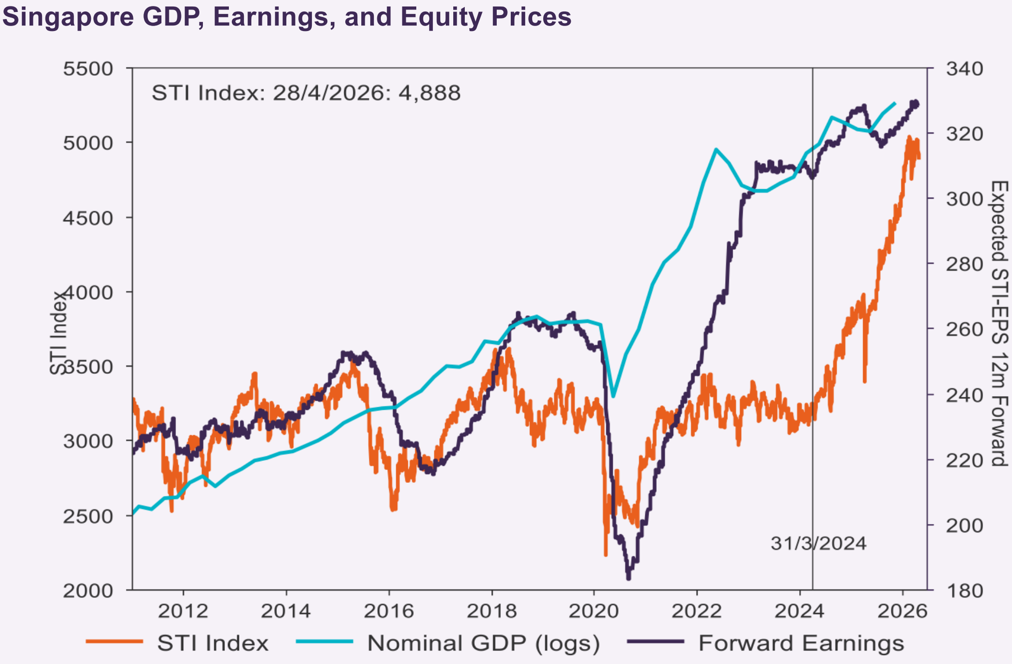
Strong fundamentals ignited the rally

Fullerton was ‘right on the spot’ to read the shifting sentiment of Singapore’s savvy investors, as its Survey of Investors’ Opinion (15 April 2024) revealed that Singapore equities were judged the key (growth-driven) financial asset to invest in[27].

2024 ultimately saw a significant re-pricing by the Singapore equity market - the STI Index surged from 3200 to 3800 (see Figure 26) - as it moved to ‘catch-up’ to higher earnings, dictated by productivity gains, investment, and robust economic activity. These strong fundamentals continued into 2025, as Singapore’s policymakers then launched multiple initiatives designed to further enrich the equity market ecosystem.

27. Source: Fullerton Fund Management (15 April 2024). See Singapore Investors remain active and excited “Singapore investors reported that the three best risk assets to invest in for 2024 were Singapore equities, government bonds, and fixed deposits”.

Figure 26: Singapore GDP, Earnings, and Equity Prices



Source: LSEG Datastream, April 2026

Upside enhanced by three core policy pillars

First, Singapore's Government Budget (18 Feb 2025) passed important tax concessions to 'motivate the supply' of new firms (and fund managers) to list on the SGX, to issue new shares, and to encourage more fund management activities[28] i.e

- A corporate income tax rebate for new primary listings and new secondary listings with share issuance.
- Under the Financial Sector Incentive Scheme, a concessionary tax rate for Asset Managers that list on the SGX.
- A tax exemption on Fund Managers' qualifying fee income for managing funds that invest substantially in SGX-listed equities.

Second, the Equity Market Development Programme (EQDP) allocated capital to select fund managers (with the first batch announced by the Monetary Authority of Singapore (MAS) in July 2025) with the intention to help drive third-party investments, deepen equity market liquidity, and strengthen price discovery.

On 6 Oct 2025 Fullerton Fund Management launched the first retail fund under the EQDP - Fullerton's Singapore Value-Up Fund[29] – which invests exclusively in Singapore listed securities across a portfolio of 20-40 stocks. A key part of Fullerton's investment strategy is to uncover catalytic growth and harvest sustainable alpha. Such opportunities can be found across all market capitalisation tiers, especially mid and small-cap stocks, which are often under-owned segments of the market.

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28. Source: The Straits Times (18 February 2025) "Budget 2025: Tax incentives to get more companies, fund managers to list on SGX" See Straits Times Budget 2025
29. See Fullerton Fund Management launches Fullerton Singapore Value-Up, first retail fund under Equity Market Development Programme (EQDP) - Fullerton Fund Management

Third, to further enhance the EQDP 'Value Up', the Minister for National Development and Deputy Chairman of MAS Chee Hong Tat outlined 'Value Unlock'[30]. The objective is to help Singapore-listed companies enhance shareholder returns by strengthening their capabilities, improving investor communications, and fostering collaborative networks. The Value Unlock initiative harmonised very well with Fullerton's investment focus as it is actively engaged with the Singapore companies that it invests in to help them generate greater shareholder value over time. This may stem from further enhancements of the business model and greater optimisation of the balance sheet. Improved profitability can often unfold from corporate actions such as restructuring, divestments, and share buybacks.

A core enabler of Value Unlock is enhanced research coverage for eligible companies under the Grant for Equity Market Singapore (GEMS) scheme which aims to help firms communicate strategy more proactively to investors. The GEMS scheme also encourages investment research providers to help solve the problem that many fundamentally sound companies, especially across small- and mid-caps, often have little or no research coverage keeping them invisible and often undervalued.

New listings surge

The STI Index had increased from 3800 to end-2025 at almost 4700 (see Figure 26). By the end of 2025 there were 16 new listings on the SGX, and the total deal value reached about S$3.2bn - the highest since 2019[31]. The IPO 'pipe-line' continues to show signs of improvement with at least 20 IPOs expected by analysts this year[32].

The Anchor Fund to focus on fostering IPOs

In its February 2026 Budget, the Singapore Government announced another S$1.5bn for the EQDP taking it to S$6.5bn[33]. On 27 March 2026, The Ministry of Trade and Industry with Temasek announced that Fullerton Fund Management (along with 65 Equity Partners) would be a fund manager for the second S$1.5bn tranche of the Anchor Fund[34].

The intention is that the Anchor Fund will further strengthen the equity market ecosystem by supporting enterprises that are ready to raise capital in Singapore's public market, and to provide growth capital to companies on their path towards eventual IPO. This plays to Fullerton's strengths as a home grown fund manager with over two decades of experience navigating financial markets, and with investor-mobilisation capabilities to participate in the public listings of leading growth enterprises.

Further enhancing 'brand Singapore' - the SGX-Nasdaq dual-listing bridge

The initiative (19 Nov 2025) can boost liquidity and SGX-based stocks, that were already Nasdaq-listed, may gain spillover benefits going forward to the extent that it increases US investors' awareness of Singapore's attractive opportunities. Given the Nasdaq tie-up, direct benefits can unfold if SGX-Nasdaq listed companies seek to raise further capital.

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30. See (12 September 2025) https://www.mas.gov.sg/news/speeches/2025/transformational-directorship-unlocking-shareholder-value-in-singapores-listed-companies
31. As at January 2026, the Singapore exchange hosted 607 listed securities with a total equity market capitalisation of about S$1.1tn, up roughly 26% YoY. Source: SGX Market Statistics Report (Jan 2026) and the Straits Times (30 Dec 2025) See Straits Times.
32. Source: The Straits Times (30 Dec 2025). See Straits Times.
33. Source: The Business Times (12 Feb 2026) "Budget 2026: S$1.5 billion top-up to expand EQDP and to attract high-growth companies".
34. Back in 2022, the first S$1.5bn tranche of the Anchor Fund was launched to try and attract high-quality listings in Singapore. See MTI Newsroom FFMC appointed to manage Anchor Fund

Likewise, Singapore companies interested in an IPO can list on both exchanges concurrently with a more streamlined regulatory process. This is an important advantage because a company may be large by Singapore standards but could be overwhelmed if listing on Nasdaq alone.

Just as Singaporean firms can benefit from this initiative, it can also be a significant drawcard over time for US IT companies – in particular, those that are significant by global standards but perhaps less so relative to their Nasdaq peers. It can also be attractive for US companies that have significant links to Asia through customers or supply-chains. Under the SGX's dual-listing framework with Nasdaq, such US firms can better reach out to capital, liquidity, and investors, in Singapore and across Asia.

2026 can still have more upside for investors

Into 2026 the STI index is touching 5000 (see Figure 26), YTD returns are tracking 8%p.a, and Fullerton maintains its bullish outlook for the next 12 months for Singapore equities[35]. Singapore's average performance since 2010 has been achieving 5%p.a earnings growth, 7%p.a nominal GDP growth, and 9%p.a equity returns[36]. Fullerton believes that over time the sustained upside can come from improved earnings while investor re-rating has always been an important driving factor (i.e as equity returns tend to be significantly higher than earnings growth).

Most importantly, Singapore seems to be navigating the geopolitical stress created by the war in the Middle East very well. For example:

- **Almost all equity sectors are 'firing on all cylinders' for investors in 2026.** Equity market alpha, by end April-2026, had broadened and deepened, with significant contributions from Industrials (benefiting from robust external demand and productivity gains), Financials (gaining from strong loan growth and non-interest incomes), and across Communications and Utilities (where cost controls have been important).
    - Such strength for investors is unprecedented as almost 90% of the market, based on the sum of the broad MSCI sector weights, is generating alpha i.e returns in excess of the aggregate market average.
- **Singapore is also benefiting from significant capital inflows** from foreign investors as the currency is strong and inflation is expected to remain contained.
- **Growth has slowed, but is still strong.** Singapore's GDP growth is estimated to have slowed back significantly in Q1 26 to 4.6%YoY - but an understandable correction given the very strong 5.7%YoY growth for Q4 25[37].
    - **What remains positive for the investment outlook is Consensus earnings growth expectations are a solid 7%p.a this year and 8%p.a in 2027** (see Figure 19).
    - **Reaching high single-digit earnings growth would be a robust achievement for Singapore** as it would be significantly stronger than its GDP growth, is well above the average earnings growth performance from the past, and is consistent with the dominant weight on Financials in the market.

35. Fullerton has maintained a positive outlook on Singapore equities since the start of 2023. For a background reference on Singapore's favourable fundamentals for investors see: Why Invest in Singapore Now? - Fullerton Fund Management
36. Source: LSEG, April 2026.
37. See https://www.mti.gov.sg/newsroom/singapore-s-gdp-grew-by-4-6-per-cent-in-the-first-quarter-of-2026/

03

Fixed Income

Angus Hui
Deputy CIO &
Head of Fixed Income
Fullerton Fund Management

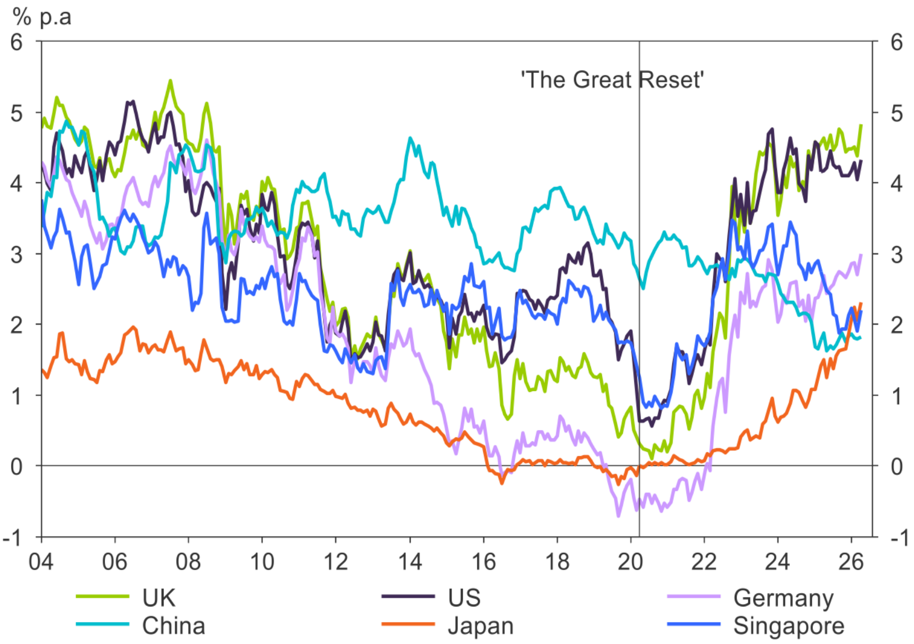
Sustainably higher yields are positive, but the cycle keeps active management more critical than ever

Our core investment theme remains 'the Great Reset'[38] where this Realpolitik World results in the 'discount factor' for all risk asset returns – the bond yield – repricing across key markets to settle at levels not seen since before the GFC 2008/09 (see Figure 27). Such yields are higher than many investors are accustomed to, but they can be rewarding and may be a fairer refection of the risks associated with leverage and geopolitical uncertainties.

With the war in the Middle East bond markets have lurched from worries about high inflation (i.e rising yields, falling bond returns) toward fears that economic activity will fall with the adverse global supply shock (i.e falling yields, rising bond returns). For investors it reenforces just how crucial active management remains because fixed income returns can cycle painfully even if underpinned by higher than otherwise interest rates (see Figure 28).

Figure 27: Key bond yields remain around historic highs

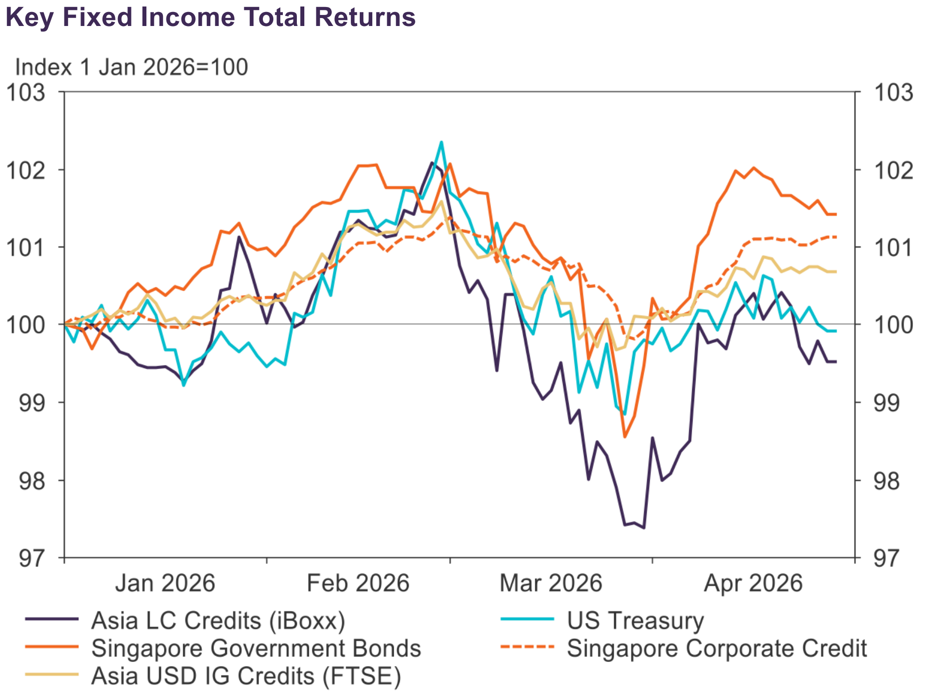
Global 10y Bond Yields



Source: LSEG Datastream, April 2026

38. See: Investing in a 3G environment - Fullerton Fund Management

Figure 28: Key fixed income returns – cycling again with yield dynamics



Source: LSEG Datastream, April 2026

We remain Positive on Global Sovereign Bonds and Asia Credits

For US monetary conditions we believe one rate cut is feasible in 2026, with limited scope for bearish yield curve steepening given the improved US fiscal and current account balances. China remains an anchor of stability for investors across Asia, and some modest RMB appreciation may be accommodated. Macro and 'bottom-up' fundamentals across the region remain resilient and supportive to Asian credits, but opportunities are becoming more expensive. We expect Singapore rates to remain resilient as the slowdown in its liquidity growth has helped ease some downside pressures.

For Singapore credits we anticipate tight supply-side issuance, which should support returns for investors. What also remains an important driver is the on-going safe haven inflows given Singapore's strong currency and very low default risks. For Emerging Market (EM) credit we are neutral and only consider defensive positioning across economies with attractive real rates and less correlation to US macro.

US PCE inflation should peak in Q2 at around 3-3.5%p.a with the surge in oil prices (see Figure 8). The Fed will settle its leadership regime change with Kevin Warsh and then 'data dependent' rate cuts are still much more likely than hikes.

Strong US productivity growth, coupled with investment in AI and technologies, continues to push down real unit production costs. This should continue to give significant cushion against any sustained high inflation, especially if driven by excess demand. We continue to believe the Fed can follow its forward-guidance and 'data dependent' rate cuts are still much more likely than hikes.

The Fed's policy rate is 3.75%p.a and the forward market (as at 27 April) prices-in 3.5% by Dec 2026 through to July 2027. In harmony with Fullerton's expectation, the forward market only expects one rate cut this year, and the global investor fund manager survey by BoA suggests similar expectations[39] (see Figure 29).

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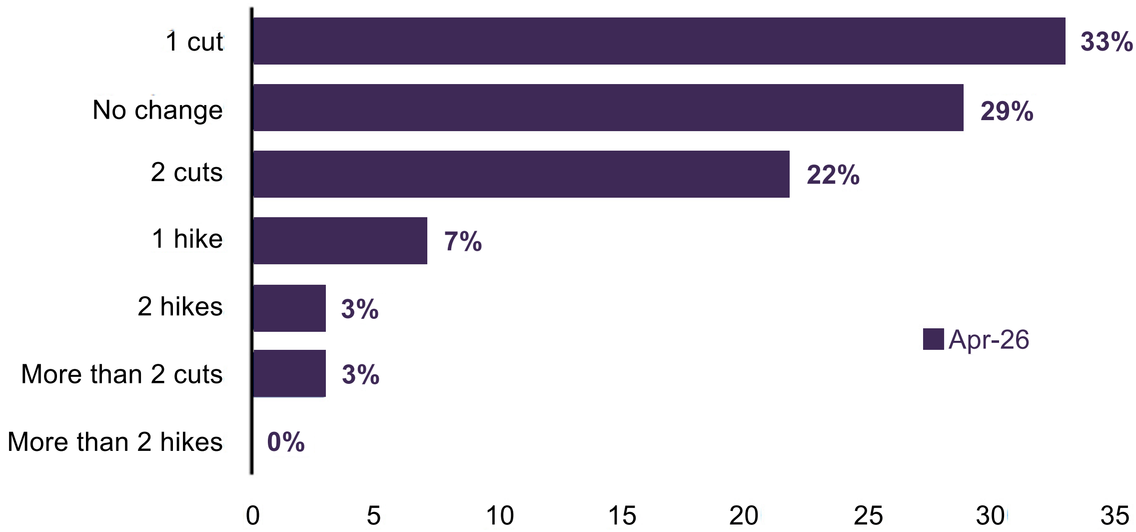
39. Source: The BoA Global Fund Manager Survey, as at 14 April 2026. 58% of investors expect at least one Fed rate cut over the next 12 months versus 29% saying no change (and 10% calling for at least one rate hike).

Figure 29: How global investors expect the Fed to change its policy rate over the next 12 months?

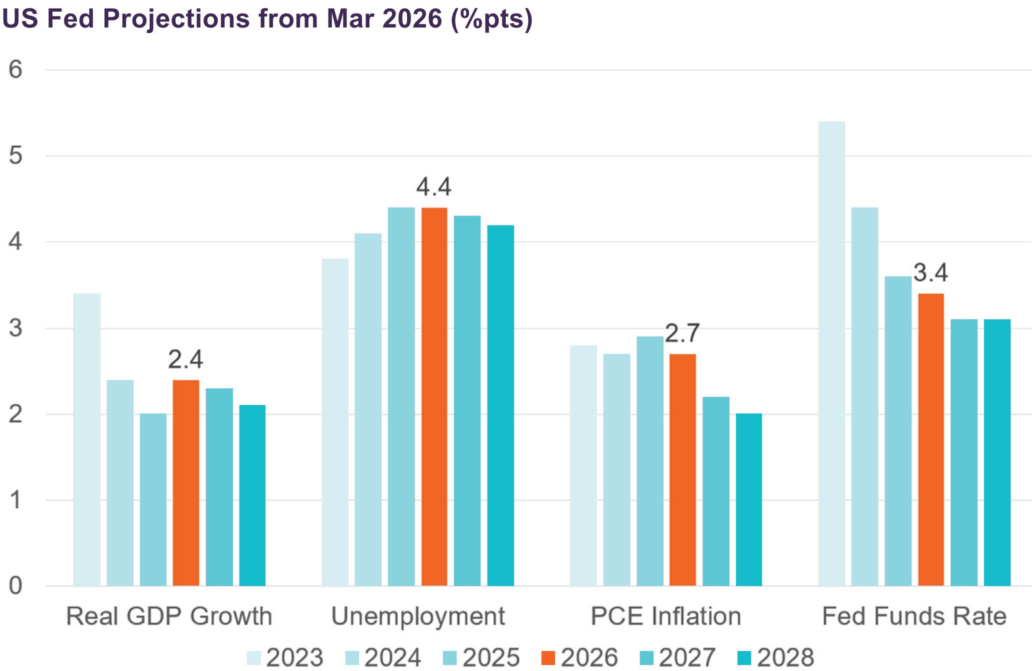


Source: BoA Global Fund Manager Survey, as at 14 April 2026

Most importantly, the Fed signalled that the war in the Middle East would not hurt the US economy, and that view is most likely to remain with the new Fed Chair Kevin Warsh

When the Fed presented its forecasts on the 18 March it did not foresee any significant stress unfolding from the war in the Middle East on the US economy. Even after almost three weeks of fighting, and its own US inflation nowcast surging well above 3%p.a, the Fed did not signal any sustained high inflation - with its outlook showing PCE inflation ending 2026 at 2.7%p.a and then falling further to 2.2%p.a next year (see Figure 30). Under the war scenario the Fed signalled at least one rate cut this year with its assumed policy rate of 3.4% by Dec 2026.

Figure 30: The Fed's US Forecasts (with the war in the Middle East underway)



Source: US FOMC Projections, as at 18 March 2026

The Fed did revise up its 2026 inflation outlook from 2.4%p.a (in Dec 2025) to 2.7%p.a (March 2026) because of the surge in oil prices. However, this shift was not alarming, being on par with Consensus shifts, and the Fed had simply reverted to its inflation outlook from Sep 2025 (suggesting that the cut it had made to the 2026 inflation outlook in December was premature).

The Fed under Chairman Kevin Warsh will likely be a significant regime shift

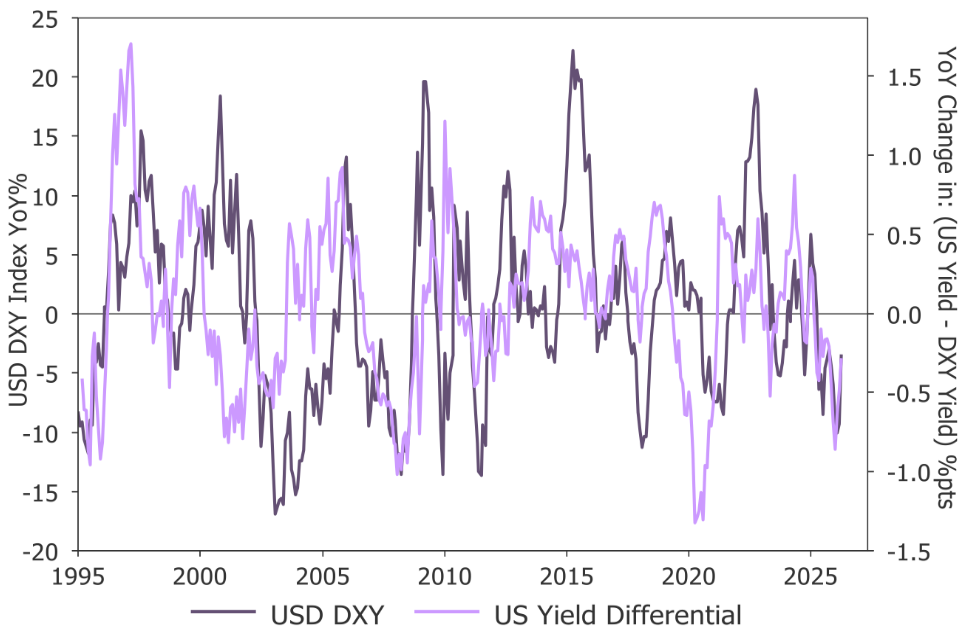
We explained the potential regime shift in Fed policy in detail in our Q1 2026 Fullerton Investment Views[40]. Kevin Warsh, now likely to take the FOMC Chair on 16 May, believes US trend growth is much higher than common assumptions. The enhanced supply-side, especially with falling unit costs of production, potentially extended further with investment and IT/AI, means that inflation can be easier to control than otherwise. As such, the Fed's assumption on its long-term neutral policy rate can be lower than otherwise (it is assumed to be 3.1%p.a in the 18 March 2026 Fed forecasts), and productivity-competitiveness gains can support a gradual trend appreciation in the US dollar – i.e Kevin Warsh's US dollar view is the same as that of Secretary of the Treasury Scott Bessent.

Any further US dollar depreciation may be modest and slow

The unsupportive US yield differential remains well 'priced-in' to the US dollar which suggests any downside may be limited for now (see Figure 31). Fundamental valuation metrics show that the US dollar DXY index is undervalued for the first time this cycle (see Figure 32) largely because significant positive terms of trade effects have not been fully reflected in US dollar strength[41].

Figure 31: The US yield differential remains fully 'priced-in' to the US dollar

USD and 10y Yield Differential (DXY)

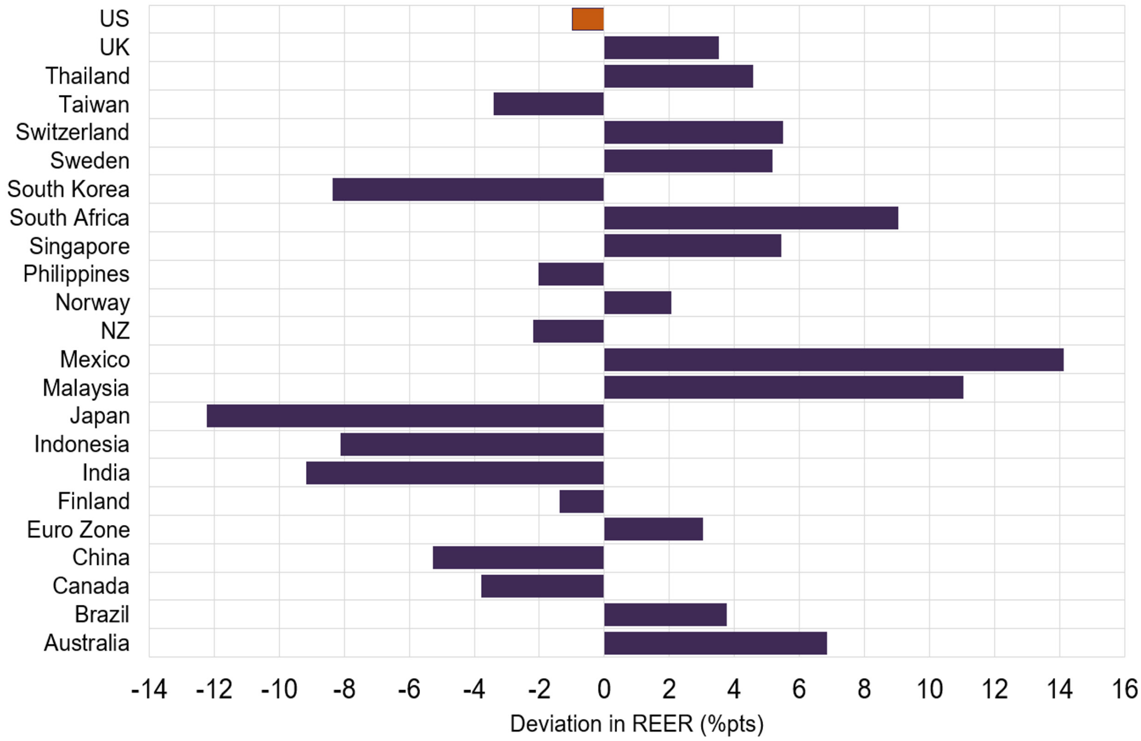


Source: LSEG Datastream, April 2026

40. See Global Exceptionalism with the 4Rs - Fullerton Fund Management
41. In our Q1 2026 Fullerton Investment Views (see Global Exceptionalism with the 4Rs - Fullerton Fund Management) we explained that US imbalances have improved significantly. The US current account deficit has fallen dramatically to just 2.4% of GDP (below its long-term average) suggesting that because the US is living better 'within its means' then the US dollar can be stronger than it is.

Figure 32: The US dollar is slightly undervalued for the first time this cycle

Deviation in the Real Exchange Rate from its Fair Value



Source: FFMC calculations. LSEG, BIS, 10 Apr 2026. This is the %pts deviation in the real exchange rate (REER, CPI-based) from its trend (a 5y moving-average)

The Singapore dollar should remain strong

Fullerton believes that the Singapore dollar can remain strong as it continues its 'cycling' around the top of the Monetary Authority of Singapore's (MAS) policy-band currency basket. Against the US dollar, which has the largest weight in the policy basket, it may remain broadly stable as the MAS is likely to not want policy to be too tight (for too long) such that inflation is too low or that growth falls sharply. The risk of the latter is likely to be more concerning to policymakers at this juncture, as even with the booming global trade backdrop, the Singapore economy contracted in Q1 2026[42].

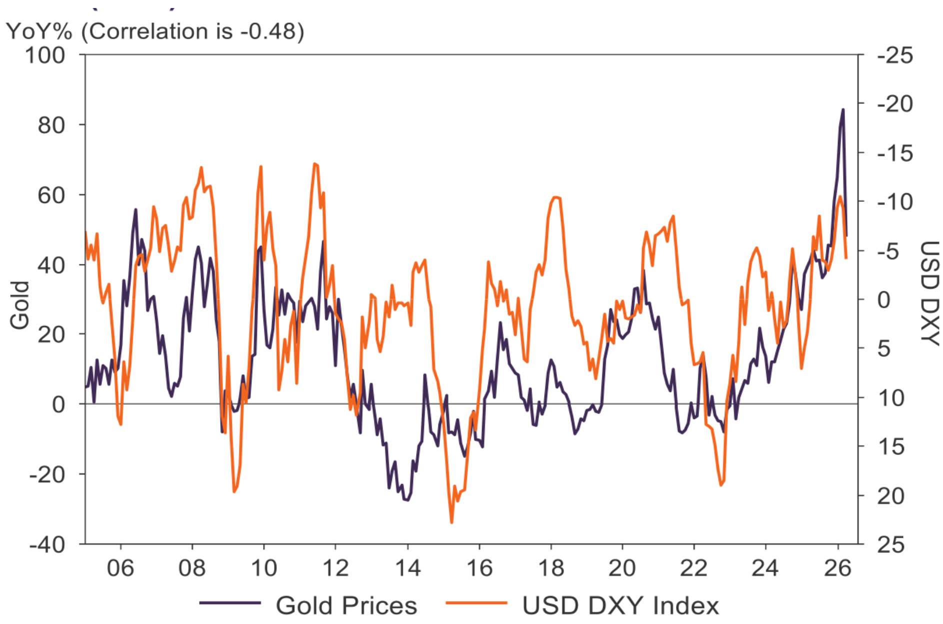
Gold prices have proved a good hedge for geopolitical shocks

Gold has proved a very useful hedge in a balanced portfolio, especially against geopolitical fears – but it often depends on US dollar weakness (see Figure 33). What has been a different driver with the war in the Middle East is that because the value of US energy exports have surged the value of the US dollar will be supported.

42. Based on advance estimates, the Singapore economy grew by 4.6%YoY in the first quarter of 2026, but on a quarter-on-quarter seasonally-adjusted basis, GDP fell. Source: LSEG, 27 April 2026.

Figure 33: Gold prices rally the strongest when the US dollar is depreciating

USD (DXY) and Gold Prices



Source: LSEG Datastream, April 2026