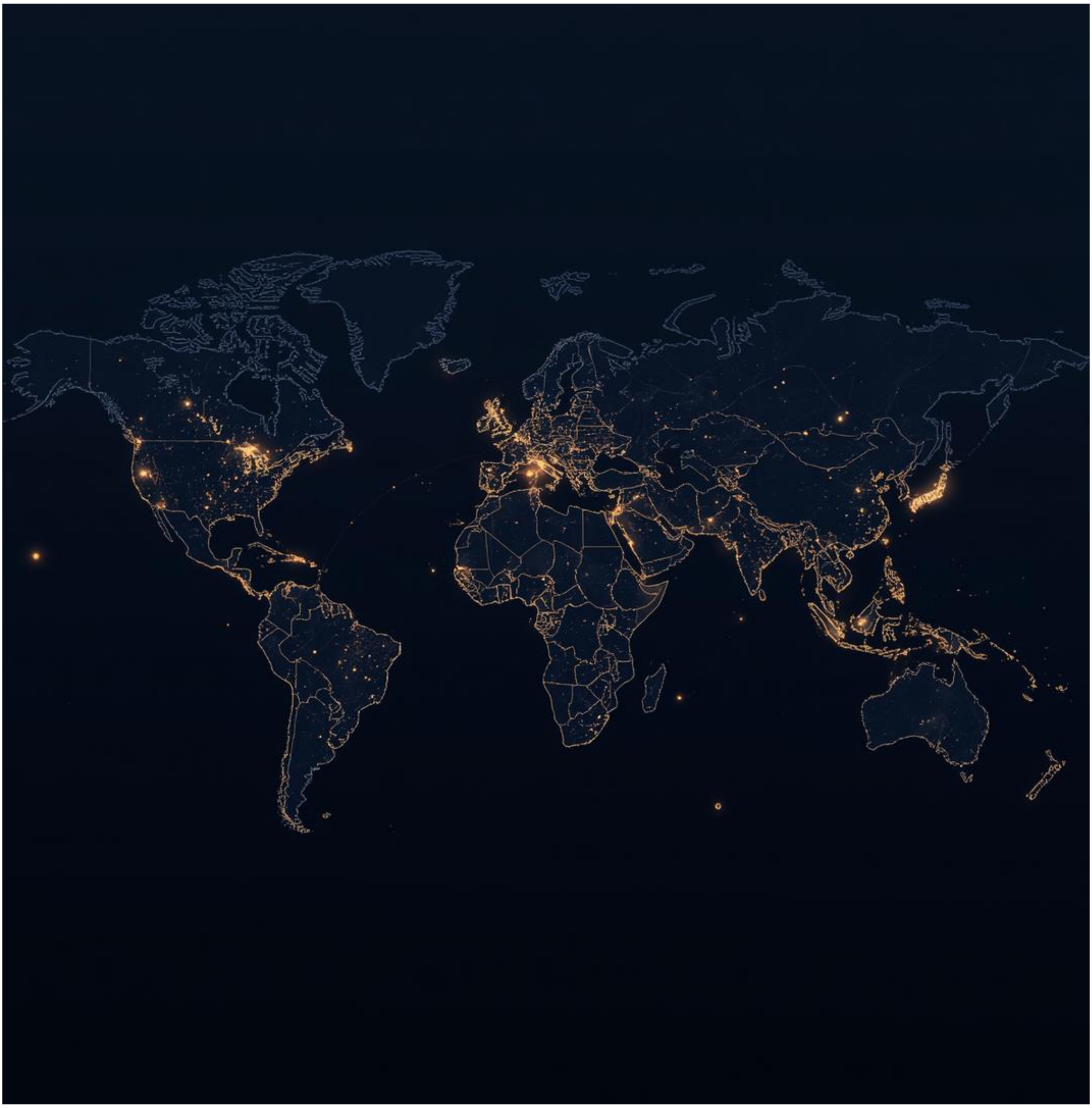


Investment Outlook

Q3 2026

ROCKSTEAD CAPITAL

Contents

Foreword

Dear Valued Clients,

Four months of conflict, a Memorandum of Understanding (MOU), and markets still trying to decide how much to trust it. That, in short, is where we find ourselves as we begin Q3.

The MOU brought the fighting to a close, and markets moved fast to price in the relief. Oil gave back most of its wartime gains and equities recovered. The question now is whether the deal holds. It is a 60-day framework, not a permanent settlement. Iran's nuclear programme is largely untouched. Israel has shown little inclination to stand down, and its next move remains the hardest thing to predict. The Strait of Hormuz is reopening, but clearing the backlog and ramping production back up will take months. Markets have moved on quickly. The situation on the ground has not quite kept up.

Under new Fed Chair Kevin Warsh, the easing playbook has been put away. Forward guidance is gone, and a rate hike before year-end is a possibility. The European Central Bank (ECB) raised rates in June for the first time since 2023. The Bank of Japan is at its highest policy rate in three decades. Inflation proved stickier than expected, and the conflict gave central banks the cover to lean hawkish. Rate cuts, for now, are firmly off the table.

We are noticing a shift in our conversations with clients. For much of the past two years, the question was where to add risk. It is increasingly becoming whether to start locking in some of those gains. That instinct is understandable, and we take it seriously. But we still see meaningful upside in several areas. The AI supercycle has not slowed. Hyper-scalers are still raising capital expenditure budgets, and demand for memory, power and infrastructure shows no sign of peaking. Investing has always been about managing risk, not avoiding it. That remains our approach.

Across this edition, we set out the areas where we see clear and durable opportunity. We hope it gives you a useful sense of where we stand and where we think the better risk-adjusted returns lie.

Shawn Tan
Chief Investment Officer

Macro Overview

US: Short reprieve

We opened the last outlook with a war, and this one with a Memorandum of Understanding between the US and Iran to end it. After roughly four months of hostilities, the US had little to show beyond the reopening of the Strait of Hormuz. Iran's nuclear programme remains largely intact, with only vague commitments on enriched material stockpiles. On the financial side, the US has committed to a reconstruction and development plan of at least $300 billion, with immediate oil export waivers upon signing - front-loaded concessions that have drawn considerable criticism. Although the immediate market reaction was positive and oil prices retreated, the lack of detail and trust, coupled with Israel's inclination to escalate at every opportunity, risk placing the 14-point document in jeopardy.

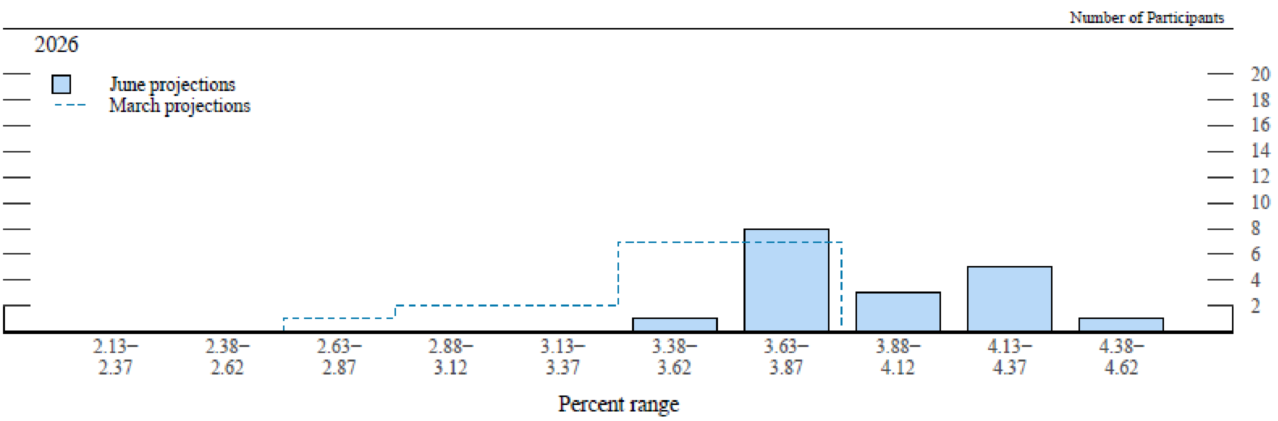
Newly confirmed Federal Reserve Chair Kevin Warsh held his inaugural FOMC meeting, with the committee voting unanimously to keep the federal funds rate unchanged - a widely expected outcome, given inflation running at its highest level in more than three years, even as the labour market has remained relatively resilient. More significantly, Warsh announced that the Fed would no longer offer forward guidance, describing it as "not well-suited to the current policy conjuncture" – a deliberate departure from his predecessor's approach. Nine of his 18 colleagues on the rate-setting committee signalled they could support a rate hike later this year, a sharp reversal from March when no policymakers had pencilled in an increase.

As the country celebrates its 250th birthday and reflects on a remarkable record of economic achievement and global leadership, much of it was built on free markets, competition, and the delayed but transformative productivity gains that followed each wave of technological breakthrough. The recent pivot toward a more interventionist approach – in trade, industrial policy, and capital allocation – threatens to slow that trajectory and generate fresh geopolitical uncertainty.

Come November, the country has an opportunity to restore some balance in Congress, the legislative branch, offering a counterweight to both the executive and judicial branches. A more balanced legislature would likewise give Fed Chair Warsh a sounder institutional footing from which to implement credible monetary policy.

The US economy is expected to continue leading the global economy – not simply because of the outsized capital flowing into AI, but because of the depth and durability of institutions built over two and a half centuries.

Clear shift towards higher rates



Source: Federal Reserve, Jun 2026

Europe: Slower growth, higher inflation

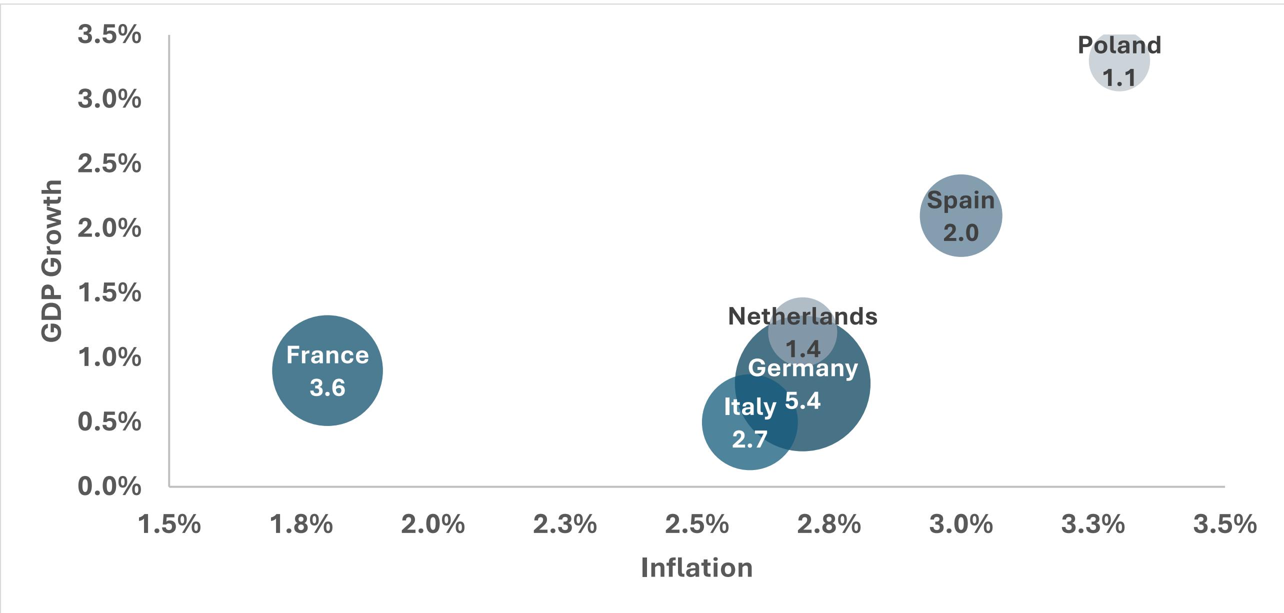
A decade after Brexit, Europe has entered a markedly different political and economic landscape. Political instability in the UK, coupled with the ongoing war in Ukraine and a less engaged US security presence, has prompted Europe to adopt more liberal fiscal and economic policies, increase defence spending, and allow greater state support for strategic industries.

Europe has also accelerated efforts to diversify its trade relationships. Following the trade agreement with Mercosur, the EU signed the Modernised Global Agreement and an interim trade agreement with Mexico to support a partnership worth more than €100 billion in annual goods and services. The EU also signed a Digital Trade Agreement with South Korea to set high-standard digital trade rules, covering a relationship in which more than a third of total trade in services between the two is already delivered digitally.

Based on the latest assessments from the IMF and the ECB, the euro area is contending with a difficult combination of slower growth and higher inflation. The IMF projects growth of just 0.9% for 2026 and headline inflation rising to 2.8%, with risks skewed toward weaker growth and higher inflation still. The primary driver is the energy price shock from the Middle East conflict. Reflecting this deteriorating outlook, the ECB raised its three key interest rates by 25 basis points at its June 2026 meeting – its first increase since 2023 – citing the war as generating persistent inflation pressures. Markets currently expect at least one further rate hike this year.

Emerging economies in Central and Eastern Europe continue to outperform. Poland is still expected to generate faster growth relative to the broader eurozone. And in Hungary, Péter Magyar's Tisza party won a decisive victory in the April 2026 parliamentary election, defeating Viktor Orbán after 16 years in power. A deal between the incoming government and the European Commission to release up to €17 billion in frozen EU funds, roughly 8% of Hungarian GDP, is expected in return for reforms to restore the rule of law, which should provide a meaningful economic lift and bring Hungary back into constructive alignment with its European partners.

Selected European countries (bubbles denote GDP size in Trillions USD)



Source: IMF, Apr 2026

Japan: Status quo

Since becoming Japan's first female prime minister in October 2025, Sanae Takaichi has maintained relatively strong approval ratings, although support has softened in recent months. Public sentiment has been weighed down by rising living costs, a gift-giving scandal in March, dissatisfaction with the government's response to inflation, and concerns over the naphtha shortage.

As a near-total net importer of oil, Japan remains highly exposed to rising energy prices. To cushion the impact, the government has introduced gasoline subsidies, released emergency reserves, and stepped up efforts to diversify crude oil imports away from the Middle East.

While a weaker yen supports its export-oriented economy – including a number of AI and semiconductor-related companies – ordinary households bear the burden of higher import costs. Currency intervention has continued, with the Japanese Ministry of Finance confirming its largest FX intervention during the April–May period, though as is typically the case, its impact on arresting yen weakness has proven short-lived.

The Bank of Japan raised its policy rate by 25 basis points to 1.0% at its June meeting – the highest level since September 1995 – in a 7-1 vote, aiming to prevent the energy-driven inflation shock from feeding broader price pressures while keeping financial conditions broadly accommodative. The framing of the hike was notably about inflation containment rather than directly strengthening the currency. Looking ahead, many analysts anticipate at least one additional 25 basis point hike later in 2026, with median Reuters poll forecasts pointing to a policy rate of around 1.25% by year-end.

On foreign relations, PM Takaichi has navigated the Trump relationship with reasonable deftness. Relations with China, however, remain meaningfully strained following her remarks in November 2025 reiterating that a "Taiwan emergency is a Japan emergency". A tentative thaw came at the APEC trade ministers meeting held in Suzhou, China in May 2026, where Japan's trade minister Ryosei Akazawa initiated a brief conversation with Chinese Commerce Minister Wang Wentao on the sidelines. The talks were not considered formal, but their occurrence was nonetheless seen as a meaningful signal.

Developed Markets Economic Forecasts

	US		Europe		Japan	
Macro indicators	**Q2 2026**	**2026**	**Q2 2026**	**2026**	**Q2 2026**	**2026**
GDP growth	2.4	2.2	0.9	0.8	0.7	0.7
CPI inflation	2.7	3.3	2.6	3.0	2.1	2.2
Unemployment rate	4.4	4.3	6.3	6.3	2.6	2.5

Source: Fed, ECB, IMF, 2026

China: Lumbering on

One of the key developments in the second quarter was the Trump-Xi summit in Beijing, which was President Trump's first visit to China since 2017 and the first by a US president in nearly a decade. While both leaders projected a message of stability and cooperation, the outcomes were mixed, with limited progress on trade and technology.

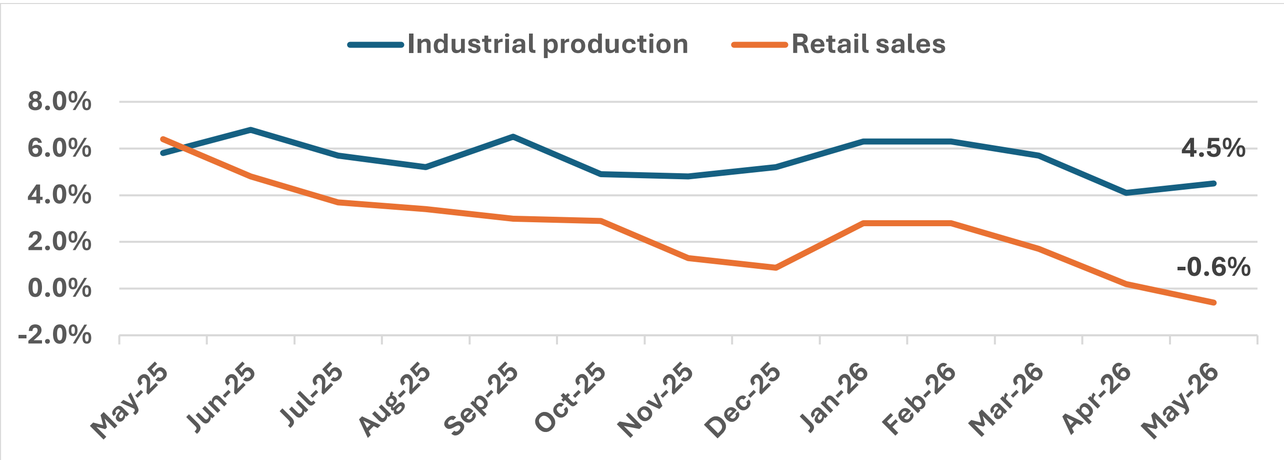
Boeing secured an order for 200 aircraft, its first major Chinese order in nearly a decade, although this fell short of market expectations for up to 500 aircraft. Meanwhile, Nvidia CEO Jensen Huang joined the visit after receiving export approval for the company's H200 chips to selected Chinese firms. However, Beijing subsequently instructed domestic companies to restrict the use of Nvidia chips to overseas operations, underscoring that strategic technology tensions between the two countries remain unresolved.

While the US continues to turn more interventionist under the Trump administration, one-party China appreciates the value of open markets and trade relationships as instruments of influence and geopolitical currency.

On the economic front, retail sales fell 0.6% year on year in May – the first annual decline since December 2022 – as consumer sentiment remained weak and broad weakness across discretionary categories. Industrial production, by contrast, grew 4.5% year on year in May, though it too has been on a decelerating trend over a longer horizon as external headwinds accumulate.

Central bank meetings have become non-events: the People's Bank of China held both the one-year and five-year loan prime rates unchanged for the thirteenth consecutive month in June, keeping them at record lows of 3.0% and 3.5% respectively. To achieve more balanced and sustainable growth, and to reduce an increasingly uncomfortable reliance on exports, China needs to meaningfully stimulate domestic consumption.

China's softening economic print



Source: National Bureau of Statistics, Rockstead Capital, 2026

India: Growth anomaly

On managing geopolitical tensions, India stands out among major economies for the clarity and consistency with which it places its own national interests first – aligning with countries or blocs selectively, depending on the issue at hand. Strategic autonomy, however, does not insulate India from external shocks, yet the economy has absorbed them with notable resilience.

The IMF's April 2026 World Economic Outlook raised India's FY2026–27 GDP growth forecast to 6.5%, underpinned by carryover momentum from strong 2025 performance, robust domestic demand, and improved trade conditions following a reduction in US tariffs. In a report otherwise defined by downward revisions, India's upgrade reflects not just favourable near-term data, but the structural dividend of an economy less exposed to any single geopolitical alignment, and therefore less vulnerable when those alignments fracture.

Korea: Top AI beneficiary

The AI investment supercycle has redrawn Korea's corporate landscape, with SK Hynix overtaking Samsung Electronics to become South Korea's most valuable listed company, driven almost entirely by its dominance in high-bandwidth memory chips supplied to Nvidia and other AI infrastructure builders. As of early 2026, SK Hynix had captured about 60% of the global HBM market, with rest shared between Samsung and Micron.

The AI tailwind, however, has been highly concentrated. Non-AI exports, in particular those facing global oversupply, have stagnated, pointing to an increasingly K-shaped export recovery where IT and AI-adjacent sectors pull away from the rest of the economy.

On monetary policy, the Bank of Korea's easing cycle is effectively over. The BoK held its policy rate unchanged at 2.5% at its May 2026 meeting, as policymakers balanced geopolitical risks against a softer won, a resurgence of inflation pressures, and an overheated housing market. The next policy move – if any – is more likely to be a hike than a cut.

Emerging Markets Economic Forecasts

	China		India		Korea	
Macro indicators	**Q2 2026**	**2026**	**Q2 2026**	**2026**	**Q2 2026**	**2026**
GDP growth	4.5	4.4	6.4	6.5	1.9	1.9
CPI inflation	0.7	1.2	4.0	4.7	1.8	2.5
Unemployment rate	5.1	5.1	4.9	4.9	3.0	2.8

Source: IMF, 2026

Singapore: Taking the lead

In view of rising interventionism and fracturing trade links amidst ongoing conflict in Ukraine and the Middle East, Singapore continues to advocate for adherence to a rules-based global order – building trade relationships with like-minded partners through bilateral and multilateral agreements, and putting the principle of open trade into enforceable practice. Most recently, Singapore and New Zealand signed the Agreement on Trade in Essential Supplies (AOTES) in May, the world's first legally-binding bilateral supply chain resilience agreement, committing both countries not to impose unnecessary export restrictions on essential supplies including food, fuel, healthcare, chemical, and construction products.

On the economic front, the Singapore economy grew 6.0% year-on-year in Q1 2026, extending the 5.7% expansion recorded in the prior quarter. Growth was driven by robust AI-related demand, which fuelled the machinery, equipment and supplies segment within wholesale trade as well as the electronics and precision engineering clusters within manufacturing. MTI maintained its 2% to 4% full-year growth forecast, while flagging that downside risks have risen significantly, given that prolonged disruptions to the global supply of energy and other inputs arising from the Middle East conflict could slow global growth considerably. On the trade side, non-oil domestic exports rose 38% year-on-year in May, with electronics surging 94% on AI-driven demand.

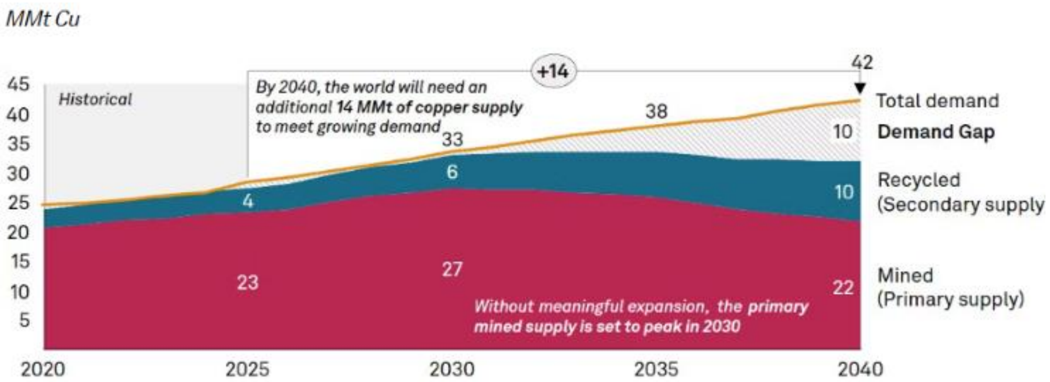
On consumer prices, headline inflation rose 1.8% year-on-year in May, with private transport costs rising above 8% amid higher oil prices linked to the Middle East conflict, while core inflation remained at 1.4%. In response to the changing price environment, MAS slightly increased the rate of appreciation of the S$NEER policy band in April, while raising its full-year forecasts for both CPI-All Items and MAS Core Inflation to 1.5% to 2.5%, from 1.0% to 2.0% previously. With inflation running within the revised forecast range and core inflation contained, MAS is not expected to make further significant adjustments in the near term – though risks remain tilted to the upside should energy disruptions prove more persistent than assumed.

Additional Perspectives

Copper Fever

The Paradigm Shift: The global copper market has permanently exited its historical cyclical framework and entered a structural, multi-year deficit. The convergence of price-inelastic tech capital expenditure with a physically constrained, highly vulnerable supply chain has fundamentally repriced copper as a critical national security asset rather than a basic industrial input.

Total copper market balance



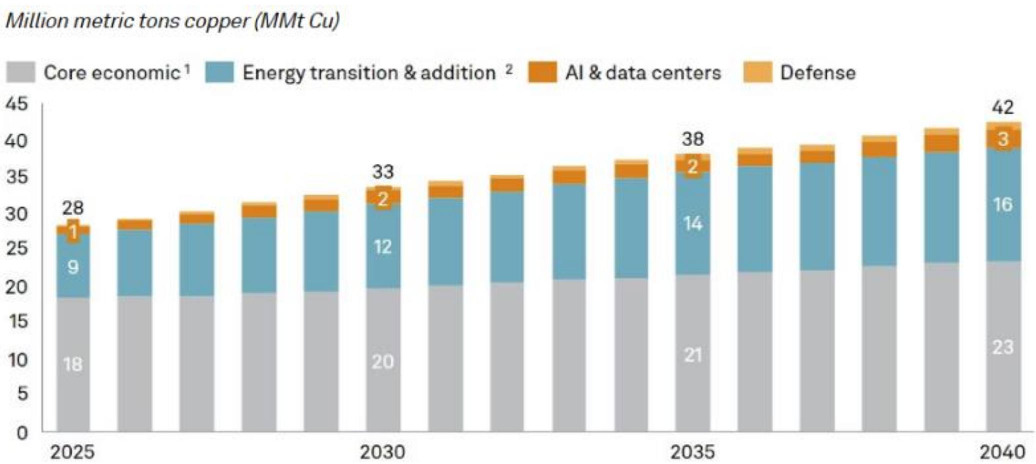
Note: Recycled supply represents end-of-life scrap. Mined supply includes operating production and risked production from committed, probable and possible projects.

Source: S&P Global, 2026

Unprecedented Demand Shock (The Inelastic Vector)

a. The Physical "Connective Tissue" of AI: Hyper-scale cloud infrastructure is creating a distinct, structural demand wave. A single large data center consumes thousands of tons of copper for power supply modules, high-density interconnect cabling, and liquid cooling systems needed for heavy LLM workloads.

Global copper demand by sector

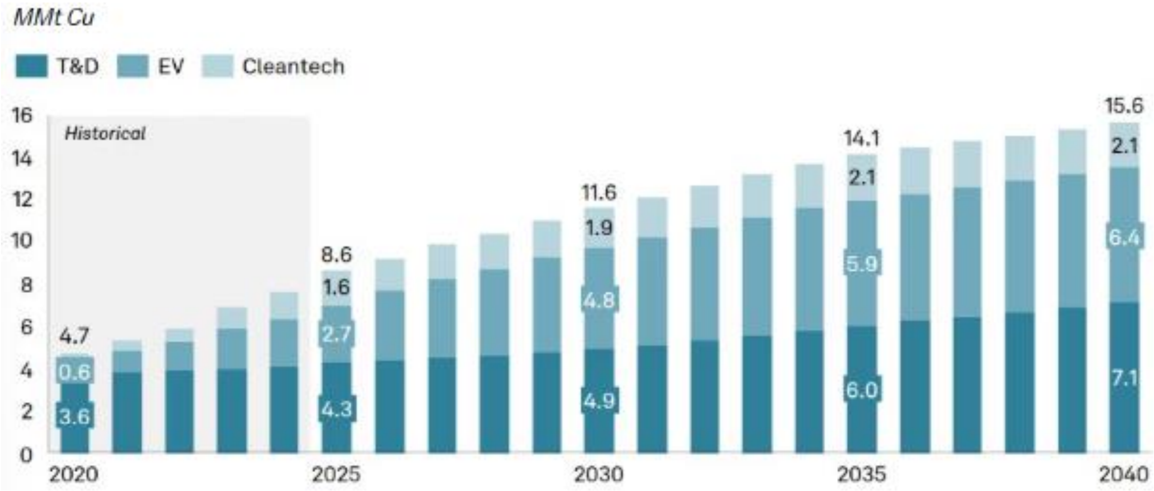


1. Includes copper demand from construction, cooling, appliances, fossil power generation, machinery and internal combustion engine (ICE) vehicles. 2. Includes copper demand from clean energy technologies, transmission and distribution (T&D) and EVs.

Source: S&P Global, 2026

b. Price Inelasticity of Tech Capex: Tech giants (Microsoft, Alphabet, AWS, Meta) cannot pause multi-billion dollar AI infrastructure buildouts over raw material fluctuations. They will absorb extreme price premiums, completely decoupling copper from traditional real estate/GDP cycles.
c. The Greenification Multiplier: The structural clean energy transition remains intensely metal-heavy. Electric vehicles require a 3x to 4x increase in copper intensity (80–85 kg per BEV vs. 20–25 kg for internal combustion engines), compounding the strain on global grids.

Energy transition copper demand by sector



Source: S&P Global, 2026

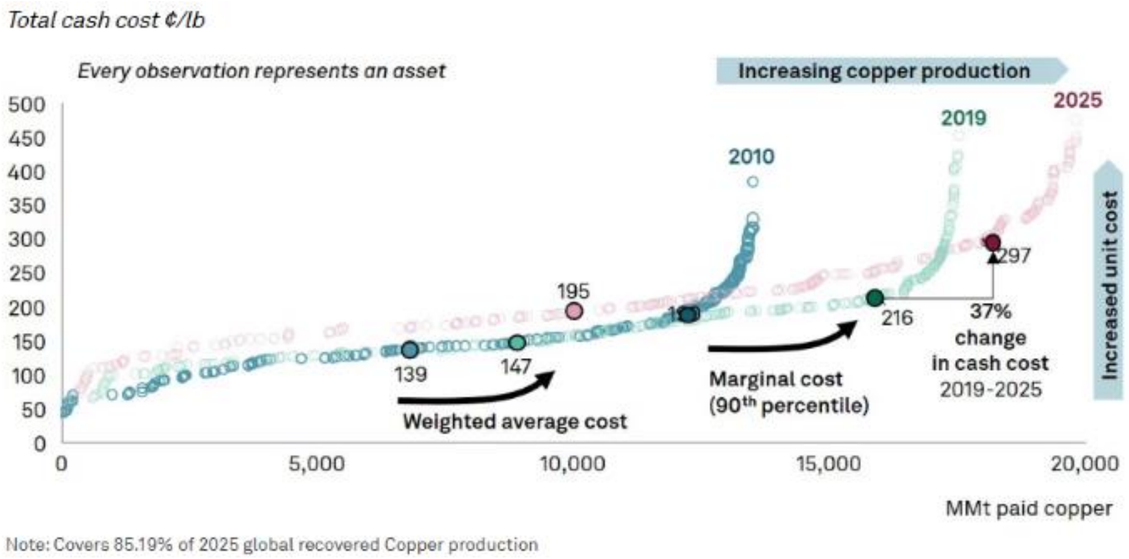
Structurally Broken Supply Chain (The Production Ceiling)

a. Tier-1 Asset Disruptions: The world's largest copper mines are failing to hit baseline targets. Top producer Chile saw Q1 2026 output contract by ~6% YoY. Meanwhile, Freeport's Grasberg mine (the world's second largest) remains heavily underutilized due to groundwater flooding from a prior mudslide, capping H2 2026 capacity at just 65%.

b. Chemical Supply Choke Points: Roughly 15% of global copper extraction relies on sulfuric acid leaching. Geopolitical gridlock around the Strait of Hormuz, combined with severe export restrictions from China and Russia, has doubled international chemical spot prices and starved South American leaching operations.

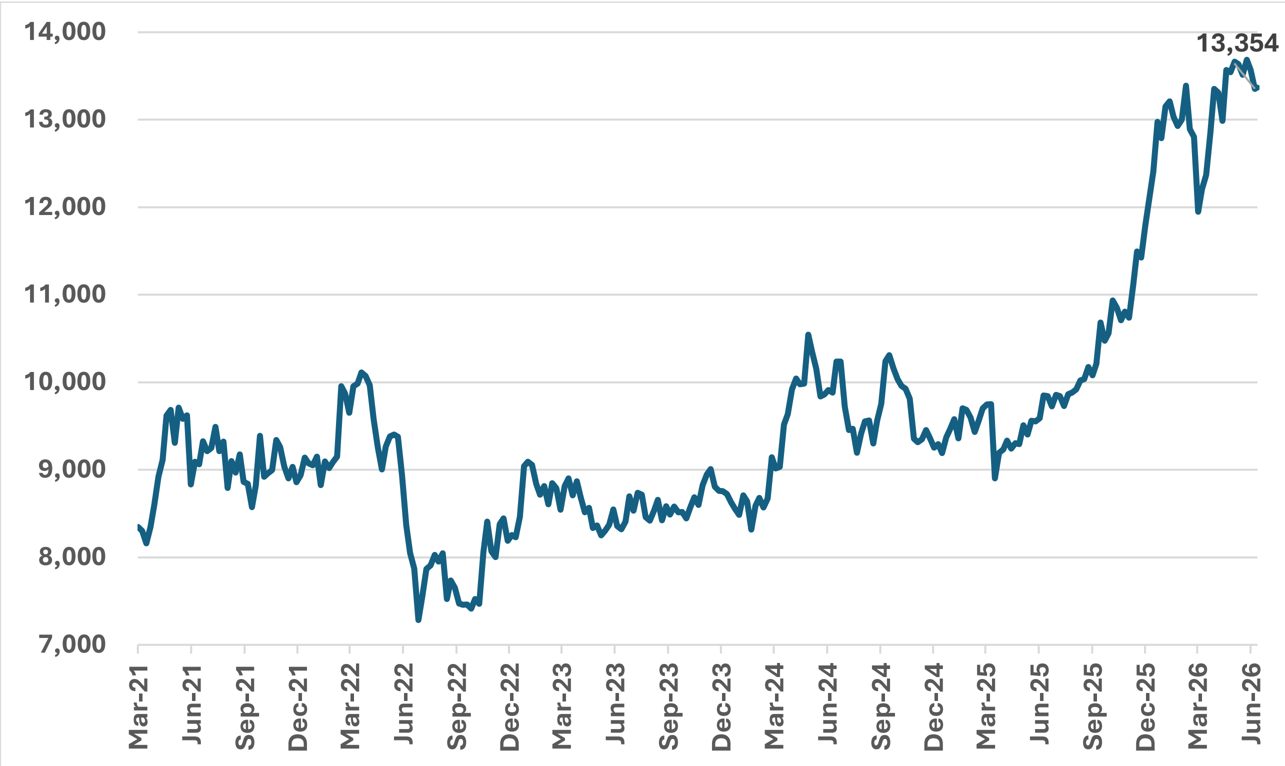
c. The 17-Year Development Bottleneck: Declining global ore grades require exponentially more capital intensity to yield flat output. Greenfield projects take an average of 17 years from initial discovery to commercial production, ensuring no rapid supply-side response can normalize the deficit.

Mine cost curve over time from costed operating mines



Source: S&P Global, 2026

$13,000/tonne copper



Source: Bloomberg, Rockstead, 2026

Factor Investing

Most portfolios are built stock by stock, or simply by buying "the market." Factor investing offers a third way: building around the proven characteristics that drive returns, such as momentum, value, quality and low volatility. Think of factors as the nutrients in your portfolio's diet. Two funds can hold similar companies yet behave very differently depending on which factors they emphasise. The promise is not magic outperformance every year; it is the ability to deliberately shape the trade-off between reward and risk, using transparent, low-cost funds. This briefing shows what that looks like with real data, and how you can put it to work.

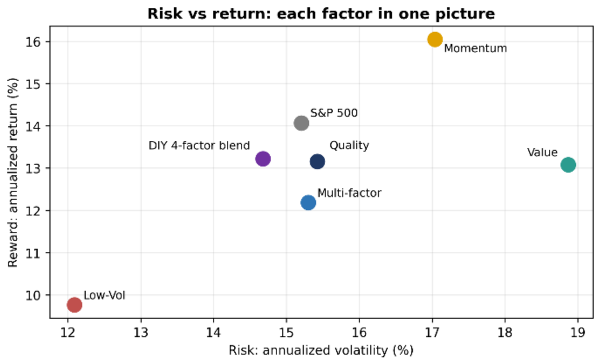
Showcasing evidence

The table below covers eleven years (June 2015 to June 2026) of real, dividend-adjusted performance for the main factor ETFs versus the S&P 500. It is deliberately honest: this was a powerful bull market led by large U.S. growth companies, which made the plain S&P 500 hard to beat.

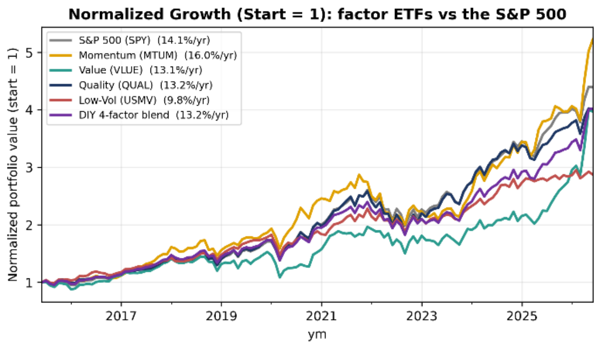
Strategy (ETF)	Ann. return	Ann. vol	Sharpe	Worst drawdown
S&P 500 (SPY) benchmark	14.1%	15.2%	0.80	-23.9%
Momentum (MTUM)	16.0%	17.0%	0.83	-30.2%
Value (VLUE)	13.1%	18.9%	0.63	-29.0%
Quality (QUAL)	13.2%	15.4%	0.74	-27.8%
Low-Volatility (USMV)	9.8%	12.1%	0.65	-19.1%
Multi-factor (LRGF)	12.2%	15.3%	0.69	-22.9%
DIY 4-factor blend	13.2%	14.7%	0.78	-23.8%

Source: Bloomberg, Rockstead

Three things stand out. Momentum (MTUM) led on both raw and risk-adjusted return, but with the deepest drawdown. Low-Volatility (USMV) did the opposite: the lowest return, but by far the calmest path and smallest loss. Value and Quality roughly matched the index in this growth-led decade. This is a reminder that factors are cyclical, not guaranteed. And the simple do-it-yourself blend of four factors delivered a market-like return with the lowest volatility of any diversified option.

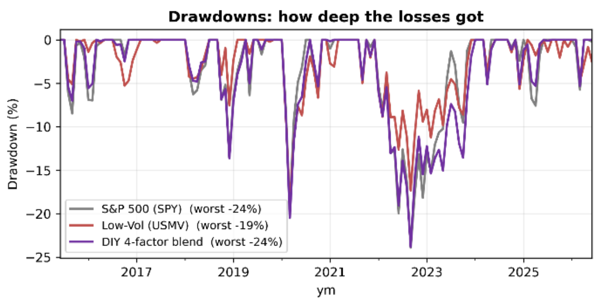


Source: Bloomberg, Rockstead



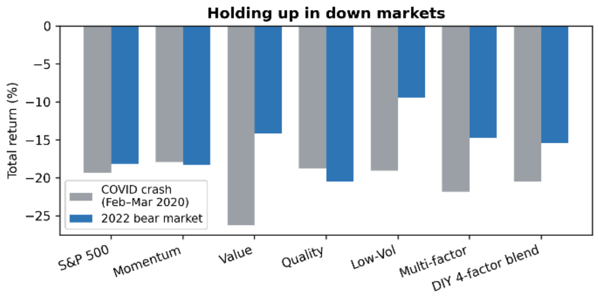
Source: Bloomberg, Rockstead

The clearest, most reliable benefit of factors in this period was not extra return, but rather it was control over risk. This is where they earn their place in a client portfolio. The Minimum-Volatility fund cut the worst drawdown to -19% versus the market's -24%, and the diversified blend produced a noticeably smoother path. When markets fell, the right factors cushioned the blow.



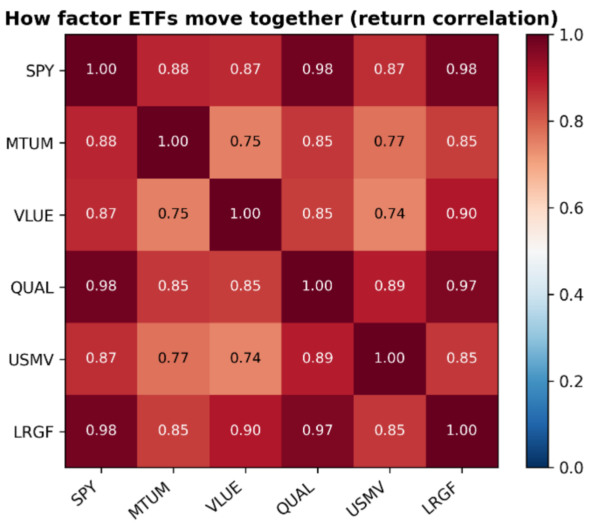
Source: Bloomberg, Rockstead

Stress periods make this concrete. In the 2022 bear market the S&P 500 fell about 18%; Low-Volatility lost only 9%, Value fell 14%, and the multi-factor blend held its loss to roughly 16%. In the sharp COVID crash of early 2020, momentum and quality held up slightly better than the market while value fell harder.



Source: Bloomberg, Rockstead

Because value and momentum, or quality and low volatility, tend to lead at different times, combining them reduces the chance that your whole portfolio is out of favour at once. In our data, the equal-weight four-factor blend matched the broad market's return with the lowest volatility of any diversified choice and a gentler drawdown, showcasing the practical pay-off of diversification.



Source: Bloomberg, Rockstead

One honest caveat is that these are long-only stock funds, so they still move largely with the market (their correlations run high, roughly 0.75 - 0.98). Factor ETFs reshape your risk and tilt your odds, and they do not turn into a separate asset class. The diversification is real but incremental, and it works best when factors are combined and held patiently.

Accessing factors is simple and inexpensive today. Single-factor ETFs express a specific view; multi-factor funds or a blend give a diversified, hands-off tilt.

If the client wants...	Factor / vehicle	Ticker	Approx. cost
To ride trends and growth	Momentum	MTUM	0.15%
To buy cheap, contrarian	Value	VLUE	0.15%
To own durable, profitable firms	Quality	QUAL	0.15%
A smoother ride, less downside	Minimum Volatility	USMV	0.15%
One diversified, set-and-forget fund	Multi-factor	LRGF	0.08%
A low-cost classic value style	Value (broad)	VTV	0.04%

Source: Bloomberg

Consideration

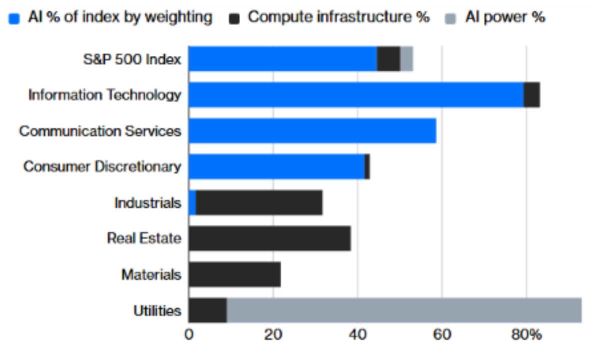
Factors are cyclical. Any factor can lag the market for years; value did so for much of the 2010s. Patience and a multi-year horizon are essential. As our own data shows, several factors merely matched the index over this stretch; their dependable contribution was to risk, not raw return.

As shown in the correlation graph above, the factors are correlated with each other to a certain extent. Given that they are long only funds, the level of diversification that they give will be limited.

Equities

US

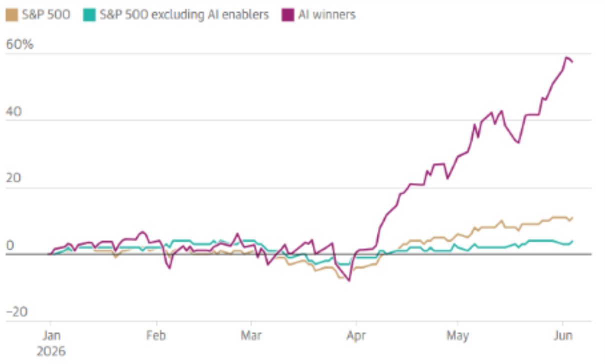
Since the start of the year, the S&P 500 index has become closer to an AI index rather than a broad market index. Around 50% of the index has exposure to the AI theme, including industrials stocks building data centres and energy stocks geared towards the AI power boom.



Note: AI stocks are those appearing in the Bloomberg Intelligence artificial intelligence theme basket. Compute infrastructure stocks are those in that theme basket and not overlapping with the AI theme basket. The AI power list comes from the UBS AI Power basket, and I likewise only counted those not appearing on the other lists

Source: Bloomberg

For the past few months, gains have been driven by AI-linked stocks with the rest of the index remaining flat, reflecting the narrow breadth of leadership in particular sectors or market caps.



Guardian graphic. Source: Bianco Research L.L.C. Note: AI Winners Index tracks 45 US companies that UBS considers to be at the forefront of the AI industry

Investors may be wondering whether this trend can continue. From the 1Q CY26 earnings season, AI demand remains insatiable with hyper-scalers raising their capital expenditure budgets and chipmakers signing multi-year deals.

Looking at valuations, the Nasdaq remains fairly valued at 25x P/E even after a 12% rise year-to-date. This is below the Nov 2021 peak and does not resemble a bubble considering that earnings expansion has helped to contain valuation multiples. AI is supportive for corporate profits as it is a force multiplier for labour productivity.

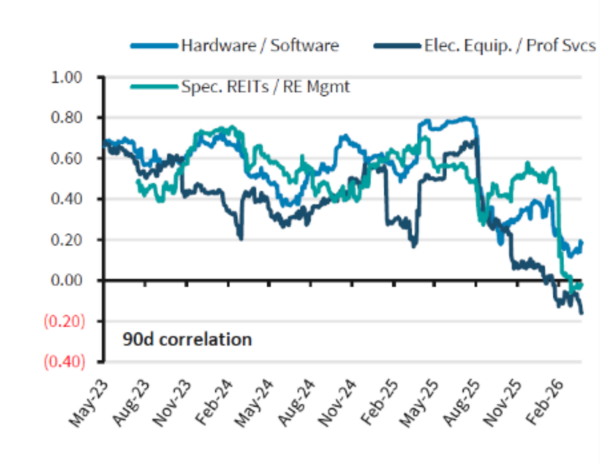
Source: Bloomberg as compiled by Citadel Securities, GMI, as of May 27, 2026. Figures are for illustrative purposes only. Past performance figures do not guarantee future results.

From a technical perspective, US equity positioning is not stretched yet and there could be incremental flows, such as from greater retail participation. Companies have also stepped up share buyback programs this year, acting as a critical vote of confidence against valuation risks.

Equity positioning indicators include CTA portfolio weight, Risk-parity portfolio weight, Volatility-control allocation, L/S HF beta, active MF beta, AAII Bull-Bear spread, cash equity median shorts, ETF short interest, equity futures positions, net call volume, S&P 500 option skew. Source: Bloomberg, DB Research, KKR Global Macro & Asset Allocation analysis.

While the AI revolution continues to pick up steam, there has been an increasing dispersion between so-called AI winners and AI losers globally. AI winners refer to companies involved in building out the AI infrastructure, such as the memory and networking companies. On the other hand, AI losers refer to companies perceived to be disrupted by AI, such as software companies and IT services. For example, India's stock market has declined YTD due to its focus on IT services and labor-intensive outsourcing models.

FIGURE 18. **AI winner/loser narratives are collapsing correlations between industries within the same sector**

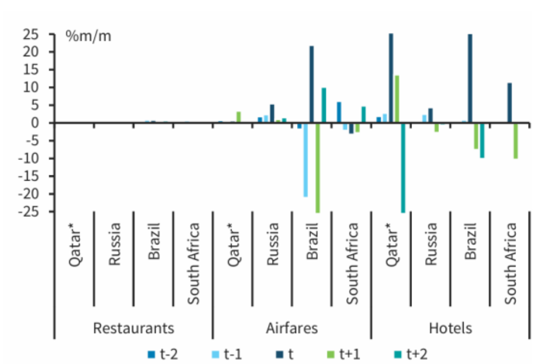


As of 2 Apr 2026.

Source: Bloomberg, Barclays Research

Moving away from the AI theme, there could be short-term opportunities in the US hospitality sector during the quadrennial 2026 FIFA World Cup. Some hotels in host cities have seen stronger-than-expected performance based on early data and hotel chains like Hyatt are optimistic on the World Cup. The World Cup may extend beer-drinking trends and support beverage companies like Anheuser-Busch InBev.

FIGURE 10. **Airfares and hotel inflation price dynamics reflect increased demand during World Cup**

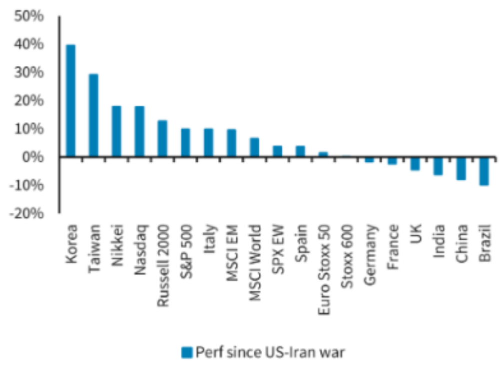


Source: Haver Analytics, Barclays Research, June 2026

Europe

Europe has lagged YTD as the US-Iran war derailed its economic growth and investors fled to other markets with more attractive opportunities.

Figure 1. Europe has been a laggard compared to the US and other major markets in EM/Asia especially since the onset of US-Iran war



Source: Bloomberg, LSEG Data & Analytics, Barclays Research

The US-Iran deal should help to reduce stagflation risks and lift consumer confidence amidst lower oil prices. This pushed up the stocks of luxury groups despite their underwhelming 1Q26 results which dampened hopes of a sector recovery. It remains to be seen whether there will be an improvement in 2Q26 though companies with exposure to Korea may be better positioned.

As for the defence stocks, they have de-rated on easing geopolitical tensions, as well as missed deliveries in 1Q26 mitigated by a strong order backlog. Over a longer term, Europe's strategic industrial and security agenda remains essential and investors will be monitoring the implementation of the €500bn stimulus.

Japan

The Nikkei 225 is set to be one of the top stock markets in Asia this year, stemming from the pro-growth new Cabinet, continued corporate reforms and the AI boom. Several sectors are set to benefit with Japan's economic revival under way. Firstly, financial institutions may see higher profitability in a higher-rate era after years of stagnation in a low-rate era. Japan's capital goods companies have also had greater pricing power, especially those connected to AI and digitisation.

China

With Hang Seng Index giving back almost all the gains in the last twelve months, the stock markets in mainland China and Hong Kong have struggled this year in the face of economic and regulatory pressures, as well as concerns on AI spending. We remain cautious on these two markets.

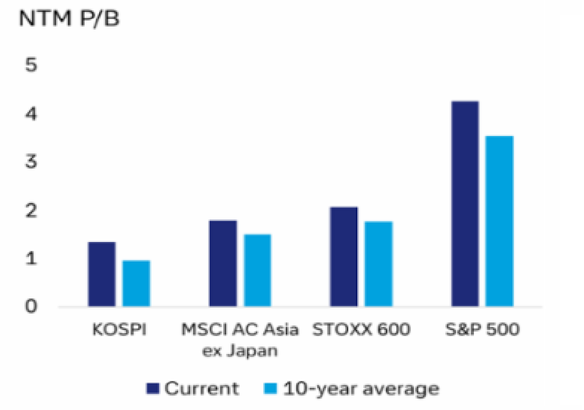
Taiwan

Taiwan is a bright spot owing to its focus on semiconductor manufacturing and contract electronics. Roughly 60% of the Taiwan stock market is made up of four firms in this space, including TSMC which holds the lion's share at over 50%.

Korea

In Korea, the Kospi rose 76% in 2025 and has increased over 90% YTD in 2026, on track to becoming the top equity market for two consecutive years. Samsung and SK Hynix make up around half of the index and rose around 150% and 280% respectively YTD. Many pay attention to these two names but beneath the surface, the Kospi excluding Samsung and SK Hynix still rose 40-50% YTD. This was driven by government reforms such as the 'Value-Up' Program, as well as healthy domestic and foreign inflows aided by tax support measures.

Moderately valued KOSPI trading at a discount



Source: LSEG Datastream, Deutsche Bank AG. Data as of April 14, 2026.

Despite the run-up, KKR estimated that 70% of Korean stocks are still trading below book value and the region has among the lowest P/B ratio globally. Looking beyond the memory names, there could be opportunities in the financials and consumer sector. Korean banks such as KB Financial Group have been moving to expand corporate lending and still have reasonable valuations at 1x P/B. Korean department stores such as Shinsegae have rallied sharply amid strong luxury demand from newly affluent customers and may continue to prosper in line with the stock market.

Singapore

Following the launch of the Equity Market Development Programme (EQDP) in 2025, the Straits Times Index has slowed down this year. Economists recently downgraded Singapore's GDP forecast for 2026, citing the impact of tariffs and inflation. Apart from the banks, industrial companies such as ST Engineering have also performed well on the back of sustained Purchasing Managers' Index (PMI) momentum. On the other hand, real estate companies have been weighed down by global headwinds and an uneven property market in Singapore.

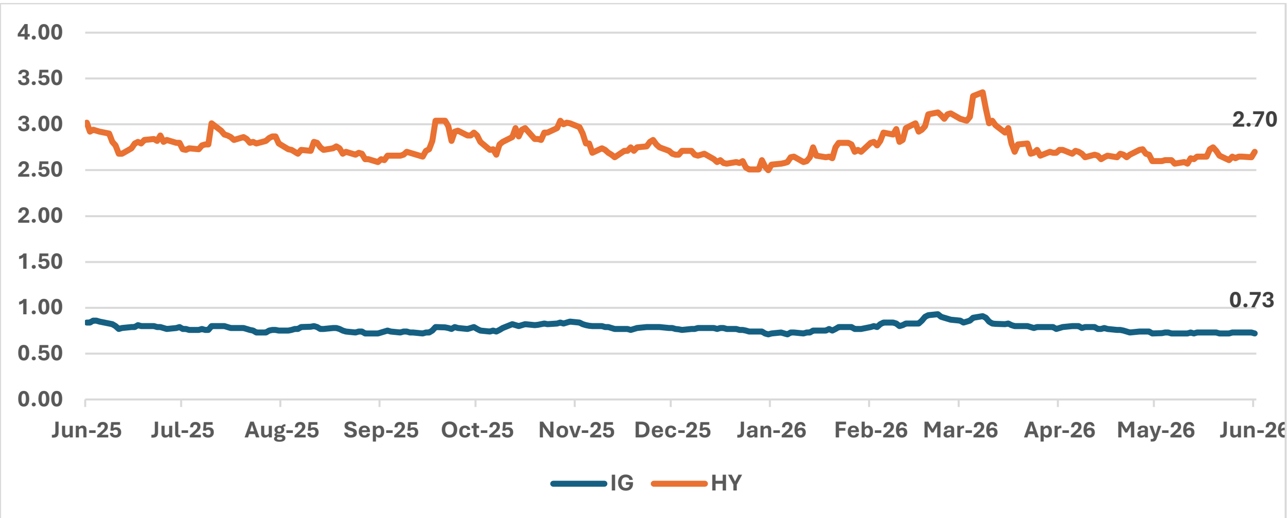
Fixed Income

According to Torsten Slok of Apollo, the US Treasury yield curve is facing upward pressure at all three segments simultaneously, but for distinct reasons: the front end is driven by higher inflation, the belly by the surge in investment-grade bond issuance from the AI hyperscalers, and the long end by structural fiscal concerns.

The hyperscaler dynamic deserves elaboration, as it represents one of the more novel supply-side forces in fixed income markets. The hyperscalers issued approximately $121 billion in US corporate bonds in 2025, more than four times their 2020–2024 annual average of $28 billion, and 2026 projections point to a further 30–50% increase to $130–150 billion in net supply. The credit case for these borrowers, however, remains solid. Post-issuance leverage for the hyperscalers typically runs below 1x, compared to the IG market average of nearly 3x, and new deals have been heavily oversubscribed – often four times or more – suggesting that demand comfortably absorbs the supply at current concessions. So long as the hyperscalers continue to generate sufficient operating cash flow to fund their capital expenditure trajectories and maintain their credit ratings, investors can navigate the duration challenge by concentrating in quality, mid-duration bonds, where the supply-driven concessions are most attractive and the fiscal risk premium at the long end is avoided.

Despite elevated Treasury yields and episodic equity volatility, corporate credit spreads have held remarkably steady. US investment-grade spreads are currently running at approximately 70 basis points over Treasuries, while the broad high yield index trades around 270 basis points – both near historically tight levels, and well within the widening that coincided with the Iran war spike in March. The tightness reflects solid corporate balance sheets and sustained demand. The read-through is clear: in the current environment, investors are expressing more confidence in the corporate sector than in the sovereign. Corporate credit is preferred over sovereign credit of similar duration – a striking inversion of the usual hierarchy, and a direct consequence of the US fiscal trajectory that Slok identifies as the structural weight on the long end of the curve.

US IG and HY spreads remain tight



Source: Bloomberg, Rockstead Capital, 2026

Currencies & Commodities

Currencies

The dollar continues to benefit from a hawkish repricing of Fed expectations. Under new Chair Kevin Warsh, the Fed held rates steady at 3.50%–3.75% in June, but removed its prior easing bias and updated its dot plot to a median year-end rate of 3.8% – signalling at least one hike on the table before year-end. That shift in tone, combined with resilient US employment data, should continue to provide a floor under the dollar in the near term.

In Europe, the ECB and BoE have responded to the inflation shock from the Iran war, but with different conviction. The ECB delivered a 25-basis-point hike in June, lifting its deposit rate to 2.25%, with markets pricing at least one further increase before year-end as eurozone inflation runs above target. That trajectory should provide some support for the euro against a further slide. The BoE, however, struck a more cautious tone. The MPC voted 7–2 to hold bank rate at 3.75% in June, even as two dissenters argued for an immediate hike to 4%. With the BoE firmly in wait-and-see mode and the near-term inflation trajectory dependent on the durability of the Iran ceasefire, the pound is likely to remain range-bound and sensitive to any renewed energy price volatility.

On the yen, the BoJ raised its policy rate by 25 basis points to 1.0% in June – its highest since 1995 – but the move has failed to meaningfully arrest the yen's decline, which has weakened to around 161.5 per dollar. The yen remains under pressure from heavy carry-trade activity, as the interest rate differential with the US stays wide, and verbal intervention from Tokyo has so far failed to reverse the trend. Unless the BoJ commits to a more aggressive normalisation path – which would be historically out of character – the yen's weakness is likely to persist.

Finally, the RBA held its cash rate at 4.35% in June – a unanimous decision – but only after having already hiked three times earlier in 2026, fully reversing last year's easing cycle. With inflation above target, further hikes remain a possibility. The AUD is likely to remain driven by RBA policy, as well as trajectory of commodity prices and the durability of the US–Iran ceasefire.

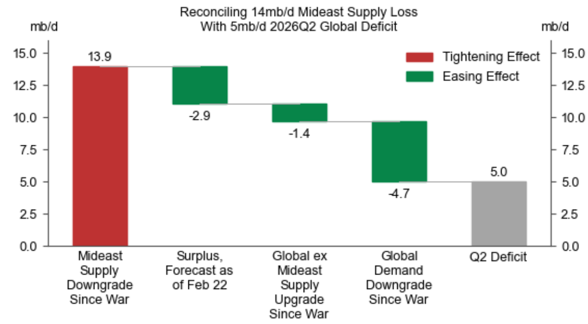
Oil

Since the outbreak of the Iran war on February 28, oil markets have experienced some of the most violent price swings in decades. Brent surged more than 55% from around $72 per barrel before the conflict to an intraday high of $126, while WTI similarly surged past $113, as the near-total closure of the Strait of Hormuz removed over ten million barrels per day from global markets.

Prices have since retreated sharply. Following the US–Iran memorandum of understanding, Brent has fallen to around $77–78 per barrel, with WTI trading near $73–74, as markets front-ran the prospect of Hormuz reopening. Washington has also granted Iran a 60-day licence to sell oil, and traffic through the strait has begun to pick up. Prior to this, various reports of softer Chinese demand and rising non-OPEC exports had partially addressed the global shortfall, pulling prices back from recent highs.

The supply gap will take time to close. The EIA estimates that production shut-ins in the Middle East averaged over ten million barrels per day, expects OECD inventories to fall to their lowest level since 2003 by year-end, even assuming flows through Hormuz gradually resume in the third quarter. Saudi Aramco's CEO warned that even if the strait reopened immediately, full market normalisation would take until 2027 given the backlog of vessels, mine-clearing operations, and the time needed to ramp production back up.

The MOU remains a 60-day framework rather than a binding treaty, and deep disagreements persist over Iran's nuclear programme. Israel introduces a persistent escalation risk that the market cannot price away. Oil is expected to stay elevated above pre-war levels with volatility remaining a feature until the strait is verifiably open and the broader settlement holds.



Source: Goldman Sachs Research, 2026

Gold

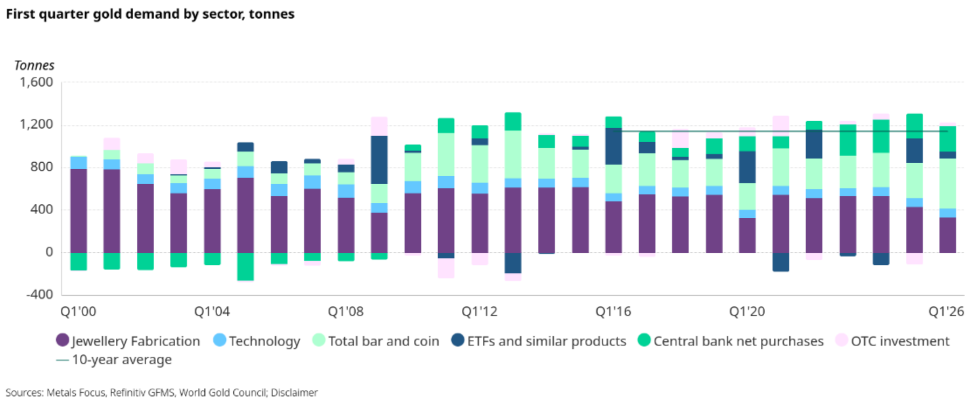
After a remarkable 2025, spot gold surged 64.5% over the year, its best annual performance since 1979, driven by safe-haven demand, tariff uncertainty, easing interest rates, and elevated central bank buying, gold extended its run into early 2026. Prices set an all-time high of $5,595 in January, before correcting sharply as the outbreak of the Iran war in late February paradoxically weighed on gold, driving up inflation expectations and reinforcing the case for central banks to tighten rather than ease. Gold has since retreated to around $4,100–4,200 per ounce, a range it has held through June. The twin headwinds are elevated real yields – which raise the opportunity cost of holding a non-yielding asset – and the partial de-escalation of geopolitical risk following the US–Iran MOU, which has eroded some of the safe-haven premium that drove the earlier rally.

The demand picture, however, remains structurally supportive. According to the World Gold Council's Q1 2026 Gold Demand Trends report, bar and coin demand surged 42% year-on-year to 474 tonnes, led by Asian investors. Central banks added 244 tonnes on a net basis in Q1. The WGC expects central bank buying to remain solid through 2026, with geoeconomic uncertainty providing longer-term support. JPMorgan expects gold prices above $5,000 by year end.

The near-term trajectory for gold depends on two variables that are pulling in opposite directions: the Fed's rate path, and the durability of the Iran ceasefire. A hawkish hike later this year would extend the headwind; a breakdown in the MOU would swiftly restore the safe-haven premium. Either way, the structural case for gold – driven by reserve diversification, de-dollarisation, and persistent fiscal deficits – remains intact, leaving the long-term outlook constructive.

FICC views

	3-month target
Fixed Income	
10Y UST	4.40
Currencies	
DXY	100
EURUSD	1.15
USDJPY	160
USDCHF	0.80
USDSGD	1.28
CHFJPY	200
EURSGD	1.48
CHFSGD	1.61
SGDJPY	124
AUDUSD	0.70
AUDSGD	0.90
Commodities	
Gold	4,500
WTI	90



Source: World Gold Council, 2026

Alternatives

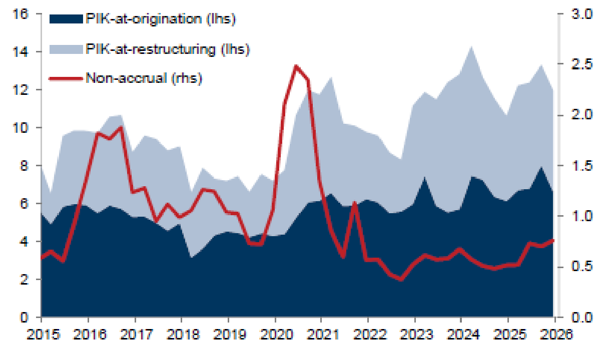
Private Credit: For the long game

The risk-off wave that swept through markets in early 2026 delivered the private credit sector's most serious test since the asset class emerged as a mainstream allocation. The largest private credit managers collectively received more than $10 billion in redemption requests in Q1 2026, with the industry honouring most of those demands, which varied by manager. By Q2, Blackstone had capped withdrawals from its flagship $79 billion BCRED fund at 5% after requests surged to 10%, likewise for Apollo.

The managers' stated rationale – preserving portfolio integrity, avoiding forced selling, and maintaining dry powder for dislocated opportunities – is sound in principle. The harder question is credit quality. More broadly, PIK usage has risen, with regulators and analysts drawing a distinction between PIK structured at origination as deliberate capital management versus PIK triggered by a borrower's inability to pay cash – the latter being a more meaningful stress signal.

While the share of PIK has risen, over half is at origination, and non-accruals remain below historical averages

PIK and non-accrual by fair value, %



Source: PitchBook LCD, company filings, Goldman Sachs GIR.

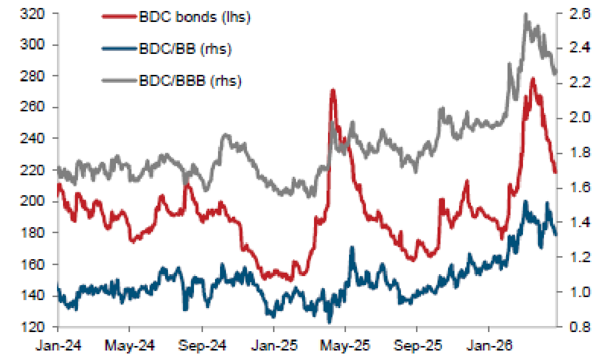
Source: Goldman Sachs Research, 2026

The structural case for the asset class, however, has not dissolved. The retreat of retail capital is already producing a more lender-friendly origination environment – wider spreads, stronger documentation, and less competition from the peak years of early 2020s. Private credit yields are likely to rerate modestly lower as base rates normalise, but the illiquidity premium, lower mark-to-market volatility, and lower correlation to public equities and fixed income remain structural features, not cyclical ones.

What 2026 has clarified is that these attributes come with a corollary – the liquidity terms are real constraints – and that manager selection and LP composition matter as much as the asset class label. For investors with the right time horizon and institutional-grade manager access, private credit remains a compelling allocation.

BDC credit spreads have tightened by 60bp since mid-March

BDC/index spread ratios, bp (lhs), ratio (rhs)

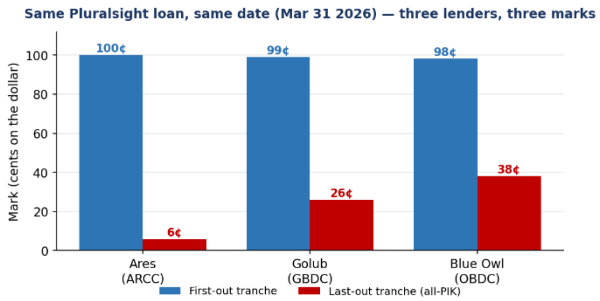


Source: iBoxx, Bloomberg, Goldman Sachs GIR.

Source: Goldman Sachs Research, 2026

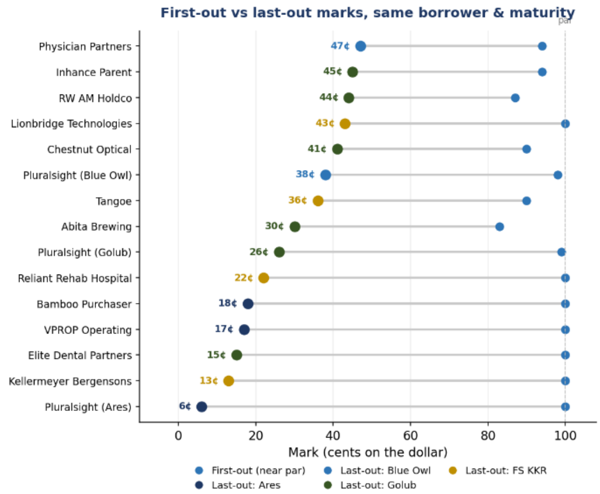
Private Credit: Deep dive

Credit quality, however, is only as trustworthy as the marks that report it, and in private credit those marks are model outputs rather than market prices. Because these loans do not trade, each reported fair value is derived by applying a spreadsheet estimate of enterprise value across the capital structure, not established by a buyer and seller pricing default risk. The clearest evidence is dispersion. As of 31 March 2026, the same loan to Pluralsight was carried at approximately 6 cents by Ares, 26 cents by Golub and 38 cents by Blue Owl, despite identical borrower, maturity and reporting date. Prices set by a market tend to converge; marks set by a model do not.



Source: Ares Capital, Golub Capital and Blue Owl Capital Q1 2026 Form 10-Q filings (period ended 31 March 2026, SEC EDGAR)

The same opacity is present in the labels. A line-by-line review of the Q1 2026 schedules of investments identifies at least sixteen borrowers beyond Pluralsight that appear as two loans both designated "first lien senior secured," with the same maturity, one held near par and the other marked between the low teens and the mid-forties of cents. That gap is the signature of a private first-out and last-out arrangement, in which junior risk is disclosed as senior debt, and in nearly every instance the discounted tranche is the all-PIK piece. This is the precise distinction noted above made visible: not PIK adopted as deliberate capital management, but PIK incurred because the borrower cannot service cash interest.



Source: Ares Capital, Blue Owl Capital, Golub Capital and FS KKR Q1 2026 Form 10-Q filings (SEC EDGAR)

These findings give practical meaning to the principle that manager selection matters as much as the asset class label. The differences are observable to any investor willing to read the schedule of investments from the bottom up. Blackstone's portfolio showed none of these splits, whereas Golub and FS KKR showed the most. The relevant diligence question is therefore no longer limited to the reported non-accrual rate. It extends to how much of the book is valued by model, how much income is non-cash, and how much senior-labelled paper is economically junior.

Proposed Portfolio Allocation

There is no change to the Q3 2026 asset allocation from the previous quarter. While global economic growth remains largely intact, market volatility is expected to persist amidst heightened geopolitical tensions and uncertainties. Equities are expected to benefit from structural AI theme and strong corporate earnings, while alternatives and gold offer meaningful portfolio diversification. Overall portfolio maintains appropriate diversification while positioning for attractive investment opportunities.

Asset	Q2 2026 Allocation	Q3 2026 Allocation
Equities	40%	40%
Fixed Income	20%	20%
Alternatives	25%	25%
Gold	10%	10%
Cash	5%	5%

Key events and risks in Q3 2026

Probability	Low impact	Moderate impact	High impact
High	• No peace deal between Russia and Ukraine	• Delay in addressing oil demand-supply gap, with shipowners unwilling to resume operations in Strait of Hormuz, and/or longer than expected time needed to remove mines in the Strait, and reinstate oil producing and refining facilities	
Medium	• NA	• Drag from non-AI industries outweigh lift from AI industries	• US-Iran MOU fails to hold, resulting in renewed escalation in the Middle East • Fed hikes rates prematurely, resulting in major market correction
Low		• US earnings miss from AI-related companies • Bigger ‘cockroaches’ identified in private credit space	• Erosion of Fed independence

Q3 2026 Investment Themes

Themes	Background	Trade Ideas
Geopolitical Tensions	• Rivalry between US and China, war between Russia and Ukraine and unrest in the Middle East continue to fuel global tensions. • Defence companies have been beneficiaries with Bloomberg Modern Global Defense Aggregate Equal Weight Total Return (BMDAET) Index rising 12% YTD. • Gold is flat over the same period.	• EU's infrastructure and defence players continue to benefit from a renewed focus on growth and national security. • Gold is a good hedge against market risk.
Artificial Intelligence	• The big US tech companies continue to invest heavily in AI which in turn drives demand for power-intensive data centers. • The Chinese government has made technology dominance its priority in its 15th five-year plan.	• While the Magnificent 7 companies remain dominant, there have been spillover benefits to companies in adjacent sectors like utilities. • China's *nongchaoer* benefiting from state emphasis on strategic technologies such as AI and robotics.
Income Opportunity	• Investors continue to seek income-generating portfolios for earlier and longer retirements. Longer term Treasury yields stay elevated as investors demand higher compensation for undertaking risk in uncertain times.	• Short to mid-term Treasuries, developed market investment grade bonds, along with private credit, offer opportunities to earn relatively stable, less-correlated yield.
Aging population	• Governments in both developed and emerging countries continue to face challenges in trying to come up with pro-family policies to encourage having more children to mitigate a declining birth rate and immigration. • Seniors may decide to save more for longer retirement.	• Parents may invest more in childcare, educational and entertainment services. • Pharma companies continue to invest in R&D to develop new drugs to combat old age illnesses such as Alzheimer's to increase health span.
Climate change	• Despite President Trump's reversal from prior climate change commitments, a growing number of countries see the need to invest in climate mitigation and adaptation.	• More investments are expected in cleaner energy sources such as natural gas, and technologies such as carbon capture, nuclear power, smart grids and even geo-engineering.

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