

CIO'S NEWSLETTER

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October 2025

September was a good month for risk-assets with both equities and bonds delivering positive returns as the US Fed delivered on the much-anticipated 25bps rate cut, bringing the Fed funds rate down to 4-4.25%. The market is currently pricing in two further cuts in the Fed funds rate this year at the meetings in October and December. The question is whether these cuts will materialise considering the US economy appears to be relatively strong, with the latest Q2 GDP growth numbers revised up to 3.8%, while inflation remains stubbornly high at around 3% amidst concerns that tariffs could put further upward pressure on prices. One sign of weakness has been the labour market where the private sector ADP report suggests a further deterioration – payrolls declining by 32,000 in September vs estimates for a 50,000 gain. Unfortunately, the current US government shutdown has delayed the release of the official October nonfarm payrolls report. A confirmation of this negative trend would increase the odds of these rate cuts.

Watch the US 10-year Treasury Yield

The US 10-year treasury yield inched lower from 4.23% at the end of August to 4.15% by the end of September, which helped support the bullish sentiment. We are keeping a close eye on this indicator as a spike higher in long term US rates could potentially derail the ongoing market rally.

In commodity markets – gold continued its impressive run this year, rallying over 11% in the month to US\$3,859. This was all-the-more impressive considering the US dollar fluctuated throughout September, but ended the month mostly unchanged. Oil, on the other hand eased back slightly with Brent falling -1.6% to US\$67.

Broad base equity rally

Global equity markets all mostly rallied in September. The S&P500 index ended the month up +3.5%, while the Nasdaq rallied +5.4% driven by a strong month for Mag-7 names – Tesla (+33%), Alphabet (+14%) and Apple (+11%). By comparison the Russell 2000 index, which tracks the performance of the small & mid-cap sector, was a relative laggard, rising just +3%. US equity valuations remain relatively high with the S&P500 index trading at a forward PE of 22.2x, while the Nasdaq trades at a higher multiple of 27x, both of which are above the 5-year average.

Over in Europe, the broad Eurostoxx 600 index ended the month just +1.5% higher. The French CAC40 (+2.5%) index led the gainers, while the UK FTSE100 index (+1.8%) also gained ground. Both the German DAX index and the Swiss SMI index were slightly in the red for September. Valuations remain reasonable with the Eurostoxx 600 index trading at a forward PE of 14.6x, making European equities the cheapest amongst the developed markets.

Asian markets generally led the gainers with the Kospi +7.5%, Hang Seng +7.1%, China H-shares +6.8%, Taiwan +6.6% & Nikkei +5.2% leading the way. The Singapore STI index was a relative laggard in the region (+0.7%). Overall, this was reflected with the MSCI Asia ex-Japan index delivering +5.5% for September. Valuations for Asian equities are still reasonable with the index trading at a forward PE of 15.2x.

New Leader in Japan

In other news, Japan is poised to get its first female Prime Minister as Sanae Takaichi won an election to become leader of the ruling Liberal Democratic Party. A protégé of former PM Shinzo Abe, she is expected to push for higher fiscal spending and easier monetary policy. As a result, the JPY has weakened following her victory, while the longer-term Japanese government bond yield has risen. This could have a ripple effect on global markets with Japanese institutional investors repatriating their offshore investments back to Japan as domestic yields become more attractive. This in turn could cause a selloff in US treasury bonds, hence raising US borrowing rates.

Remain invested, positive on Singapore equities, cautious on USD

To conclude, while market valuations are high in certain markets, we maintain an overall positive stance on risk assets for the rest of the year. Investors have returned to US stocks, especially the tech-related names, over the past few months, reversing some of the outflows earlier this year due to concerns of fading US exceptionalism. With US equities continuing to make new highs, we would not be surprised if we see some pullback. We would take advantage of any such correction in the equity markets to add to positions.

While we would remain invested in US equities, we believe there will be opportunities to gradually rotate to overlooked sectors and markets outside of the US where valuations may be more compelling, over the course of Q4. One such market would be the Singapore market driven by tailwinds such as the Equities Market Development Program, lower interest rates and a construction boom. Valuations of Singapore equities have re-rated higher but remain reasonable in our opinion, with the STI trading at a forward PE of 13.8x. Another high conviction call we maintain is to be cautious with USD exposure, especially for SGD-based investors. The outlook for lower US rates amidst a slowing economy suggests there could be further weakness in the greenback.

PERFORMANCE UPDATES

Global Growth Leaders (GGL)

21.0% (1Y)

COMPOSITE PERFORMANCE (%) as of 30 September 2025^{1,2}



In September 2025, the S&P 500 (+3.5%) and Nasdaq (+5.6%) defied the usual “September Effect.” GGL (+3.2%) lagged slightly but remained ahead YTD (+10.7% vs. S&P +7.4% in SGD). Nasdaq’s outperformance was fuelled by renewed AI momentum from major deals like Oracle–OpenAI and Nvidia’s Intel investment under Trump’s Stargate initiative.

	YTD	1Mth	3Mths	6Mths	1 Yr	Annualised 3 Yrs	Since Incep.
Composite (%)	10.7	3.2	5.0	15.8	21.0	23.4	17.8

In September, markets digested the Fed’s first 25 bps “risk management” cut, with two more projected this year. Powell later struck a hawkish tone, saying future cuts weren’t guaranteed and noting equities were “fairly highly valued.” A positive GDP revision further tempered hopes of aggressive easing, keeping front-end yields firm and the USD modestly stronger (DXY +0.5%; USD/SGD higher). Still, U.S. equities gained on lingering “Fed put” hopes and FOMO inflows, though stretched valuations and geopolitical, trade, and political risks leave uncertainty elevated.

Top Performers:

- **ASML (+30.2%)** – Jumped on a €1.3B investment in AI startup Mistral and optimism from the Nvidia–Intel tie-up boosting lithography demand
- **Alphabet (+14.9%)** – Rose after a court ruling eased antitrust fears, reinforcing confidence in its AI monetization.
- **TSMC (+12.0%)** – Gained on rising AI momentum and stronger chip demand expectations that has been in line with prior upbeat guidance.

Top Detractors:

- **T-Mobile (-6.5%)** – Fell on CEO transition worries, slowing growth, and analyst downgrades.
- **KKR (-6.3%)** – Weighed down by macro uncertainty and concerns higher borrowing costs will curb dealmaking.
- **Intuitive Surgical (-4.7%)** – Declined on margin pressure from the Da Vinci 5 launch, tariff headwinds, and GLP-1 fears reducing obesity procedure volumes.

Despite easing recessionary concerns, the macroeconomic backdrop remains volatile, with elevated valuations and ongoing political uncertainties. We maintain a cautiously optimistic stance and will continue to position the portfolio to capture long-term opportunities across markets, while remaining agile in adjusting allocations as conditions evolve.

Asian Opportunities Equity (AOM)

-2.3% (1Y)

COMPOSITE PERFORMANCE (%) as of 30 September 2025^{1,2}



	YTD	1 Mth	3 Mths	6 Mths	1 Yr	Annualised 3 Yrs	Annualised 5 Yrs	Annualised 10 Yrs	Since Incep.
Composite (%)	3.5	4.5	9.7	4.5	-2.3	-10.8	-8.3	-4.6	0.0

The portfolio gained **4.5%** in September, slightly underperforming its benchmark, the MSCI AC Asia Pacific Index, which returned **+4.79%** for the month. The portfolio's significant overweight in the outperforming semiconductor sector was a key driver of returns, but this was offset by stock-specific weakness in certain Korean and Chinese holdings, leading to the slight underperformance.

Top Contributors:

The month's gains were overwhelmingly driven by the semiconductor supply chain and a rebound in Chinese biotech. **ASML (ASML01)** was the top performer with a remarkable **+27.5%** return, benefiting from its critical role in advanced chipmaking. **Wuxi Biologics (2269 HK)** saw a significant rebound **(+23.4%)**, and **Taiwan Semiconductor (2330 TT)** also contributed positively **(+12.9%)**, reflecting sustained demand for high-end chips.

Top Detractors:

The main detractors were concentrated in specific sectors facing headwinds, which weighed on the portfolio's relative performance. **Total Soft Bank (045340 KS)** was the worst performer with a **-10.2%** loss, impacted by challenges in the Korean software industry. The electric vehicle maker **BYD (BYD-SR)** faced pressure **(-3.7%)**, while **Golden Energy Mines (GEMS IJ)** also detracted **(-3.2%)** as the energy sector saw some profit-taking.

COMPOSITE PERFORMANCE (%) as of 30 September 2025^{1,2}



	YTD	1 Mth	3 Mths	6 Mths	1 Yr	Annualised 3 Yrs	Annualised 5 Yrs	Annualised 10 Yrs	Since Incep.
Composite (%)	33.9	3.4	19.9	28.5	31.7	11.2	8.2	4.5	3.4

This balanced portfolio showed steady resilience through September, extending its positive trajectory into early October. The portfolio marked a strong year-to-date return of **31.7%**, supported by consistent dividend flow and stable earnings. The construction sector continued to benefit from regional infrastructure demand, while selected commodity linked positions maintained profitability despite softer prices. REITs holdings provided steady yield and helped offset broader market volatility.

Despite mixed sentiment around more potential interest rate cuts and short-term market swings, most positions remain in healthy profit. We may take partial profits in selected holdings over the quarter, focusing on preserving gains while maintaining exposure to quality income generating sectors.

Singapore Equity Growth

32.9% (1Y)

COMPOSITE PERFORMANCE (%) as of 30 September 2025^{1,2}



	YTD	1Mth	3 Mths	6 Mths	1 Yr	Annualised 3 Yrs	Annualised 5 Yrs	Annualised 10 Yrs	Since Incep.
Composite (%)	31.7	2.5	20.7	31.5	32.9	15.9	11.3	7.5	5.7

The growth portfolio continued to perform strongly, delivering a robust year-to-date return of **33.9%** as of end September. Gains were driven by strength across construction, industrial services, and selected consumer and technology names that benefited from improving sentiment and earnings visibility.

Despite intermittent market volatility due to uncertain interest rate expectations, most holdings maintained positive momentum, supported by healthy balance sheets and stable cash flow generation.

Looking ahead, we remain constructive on the portfolio’s positioning, expecting continued positive performance from companies with strong order books, and potential re-rating catalysts into year end.

Phillip Smart Portfolio

	3 Months	12 Months	Annualised 3 Years	Annualised 5 Years
SMART Portfolio Income	5.8%	7.9%	6.9%	3.2%
SMART Portfolio Income & Growth	7.2%	10.8%	7.5%	3.1%
SMART Portfolio Growth	8.2%	13.2%	8.9%	4.0%
SMART Portfolio US Equity	5.7%	33.8%	4.6%	NA

SMART 123 delivered strong results in September, led by equity gains in US Tech and Hong Kong. US equities did well as the Fed cut interest rates and corporate earnings remained resilient, with US Tech outperforming on sustained AI momentum and the valuation boost from lower discount rates. Taiwan benefited from robust semiconductor demand and record highs in TSMC, though late month profit taking capped upside. Hong Kong rallied sharply on strong mainland inflows and supportive policy measures. In fixed income, US investment grade bonds edged higher on steady demand for quality credit in a lower rate environment, while Asia high yield provided stable returns, supported by fewer defaults and more attractive yields than developed markets. Singapore government bonds were broadly unchanged amid subdued yields and limited catalysts.

The US portfolio advanced **5.48%** in September, bringing the year-to-date return to **15.5%** as of end September. Performance was supported by renewed interest in high growth innovation sectors, particularly in quantum computing, where our positions continue to reflect strong conviction (we covered \$IONQ since last quarter). Companies in advanced air mobility, space communications, also contributed, though share price volatility remained elevated amid shifting expectations for more potential rate cuts. Despite these market volatilities, we remain confident in the long term outlook for the portfolio. Our strategy remains focused on next-gen industries positioned for secular growth, and early movers shaping the future technological landscape.

References

Notes:

- 1.Source: Phillip Securities Pte Ltd. The Composite Performance is denominated in SGD. Composite Performance returns (the “Composite Returns”) for periods more than 1 year are annualised. The Composite Returns represent past performance and is not indicative of future or current performance which may be higher or lower. The Composite Returns are based on unaudited results of the composite which comprises client accounts with invested portfolios that have been aligned with the investment mandate of this managed account service and include reinvestment of dividends and income and, is net of all fees except performance fees (if any) which are included only at year end. Individual portfolios returns may vary from the Composite Returns. There may be client accounts with portfolios that have not been aligned with this investment mandate and are not included in the computation of the Composite Returns.
- 2.The Account is not benchmarked to any market index.