

CIO'S NEWSLETTER

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Strong Equity Momentum Meets Emerging Divergence

May extended the recovery seen in April, with global equities delivering another month of positive returns, led by the US and North Asia. However, beneath the strong headline numbers, performance dispersion widened across regions and asset classes, signalling that markets are transitioning from a broad-based rebound into a more selective and valuation-sensitive phase. While risk appetite remains supported by stable policy conditions and resilient macro data, geopolitical risk, inflation uncertainty, and uneven growth dynamics continue to define the investment landscape as we move deeper into Q2.

Equities: Momentum Sustains, but Leadership Narrows

US equities enjoyed another strong month. The S&P 500 rose +5.15% in May, while the NASDAQ gained +8.36%, the Dow Jones +2.78%, and the Russell 2000 +4.27%. The rally remained concentrated in large-cap growth and technology, supported by continued capital expenditure trends and strong sector-level momentum. However, this outperformance has further tightened dispersion within US indices while increasing valuation concentration risk, particularly within megacaps. As a result, market performance is becoming increasingly dependent on continued earnings delivery rather than broad multiple expansion. The S&P500 index is trading at a forward PE of 22.3x, in the middle of its historical range five-year range.

European equities delivered more modest gains, partly due to the lower weightage to high growth technology stocks in European indices. The STOXX 600 rose +2.41%, with Germany's DAX (+3.34%), Italy's FTSE MIB (+3.71%), and Spain's IBEX (+3.27%) leading the region. In contrast, UK equities were broadly flat (+0.29%), reflecting weaker domestic momentum. The STOXX600 index trades at a forward PE of 15.3x, below the mid-point of its five-year range.

Asia remained the strongest region overall, though with clear divergence. The MSCI Asia ex-Japan index gained +9.76%, driven by South Korea (+28.45% – Hynix +81% & Samsung +43% were key contributors), Taiwan (+14.92%), and Japan (+11.88%), reflecting continued strength in technology and semiconductors. By contrast, China (+1.76%) and Hong Kong (-2.30%) lagged, while Southeast Asia underperformed more broadly, with Indonesia declining -11.92%. Singapore continued to exhibit defensive and income-oriented characteristics, with the STI rising +2.55%, while S-REITs declined -1.18%. The MSCI Asia ex-Japan index trades at a forward PE of 14.5x.

Commodities: Growth and Geopolitics Pulling in Different Directions

Commodity markets reflected a more mixed macro backdrop. Brent crude declined -19.26% in May, closing the month at US\$92, reversing part of the earlier geopolitical premium on optimism that a peace deal in the Middle East is imminent. While near-term inflation pressure has eased, the situation in the Middle East is far from being resolved and things could escalate again. Meanwhile, gold fell -1.68%, closing the month at US\$4,540, extending its consolidation phase.

The US Dollar strengthened modestly (+0.90%) in the month, contributing to tighter financial conditions at the margin. This reinforces that commodities are increasingly influenced by growth expectations and positioning dynamics, rather than acting as a uniform inflation hedge.

Monetary Policy: Leadership Transition Reinforces “On Hold” Policy Bias

US monetary policy enters a new phase following Kevin Warsh’s appointment as Federal Reserve Chair in May, marking a leadership transition at a time of elevated macro uncertainty. The upcoming June FOMC meeting – the first under Warsh’s leadership – is widely expected to see the Fed maintain rates at 3.50%–3.75%, with markets anticipating a continued wait-and-see approach as policymakers assess inflation dynamics and geopolitical risks.

While the leadership shift introduces uncertainty around the medium-term policy framework, the near-term stance remains clear: policy is restrictive and likely to remain unchanged until inflation shows sustained evidence of moderation. This reinforces that rate cuts are neither imminent nor assured, leaving financial conditions broadly stable but sensitive to inflation surprises. US 10-year treasury yields had a volatile month, spiking up over 4.65% when oil prices surged in mid-May, before easing back to close the month at 4.44%.

Fixed Income: Carry Remains the Core Driver

Fixed income delivered modest positive returns across most segments. Singapore Government Bonds rose +0.88%, while Singapore Corporate Bonds gained +0.12%, and SGD investment-grade bonds rose +0.23%. Credit markets remained stable, with Asia USD high yield (+1.00%) and EM sovereign bonds (+1.00%) delivering consistent carry. This environment reinforces a key theme for 2026: with policy rates remaining elevated and stable, carry continues to dominate total returns, while duration exposure remains sensitive to inflation developments and shifts in policy expectations under the new Fed leadership.

SpaceX Signals a Re-Opening of Equity Capital Markets

The anticipated SpaceX IPO represents a significant inflection point for global equity markets, with the company expected to pursue one of the largest public offerings in history, targeting a valuation of up to ~US\$1.7–1.8 trillion and a capital raise of as much as US\$75 billion. The listing, anchored by exposure to satellite communications, space infrastructure, and artificial intelligence, marks a re-acceleration in large-scale equity issuance following a more subdued IPO environment.

Importantly, the scale of this transaction highlights continued investor appetite for long-duration, structural growth themes, particularly within technology-adjacent sectors. However, it also introduces near-term market implications. Large IPOs of this magnitude can absorb liquidity and drive rotation, depending on where investors choose to fund this new investment from – i.e. selling megacap tech exposure or other holdings.

Taken together, the SpaceX listing both confirms strong underlying demand for growth assets and underscores the need for selectivity, as capital continues to concentrate in market leaders with compelling narratives and earnings visibility. The jury is still out on SpaceX considering the company is loss making and much of its value is dependent on its success in developing “novel and untested” technologies.

Portfolio Implications: Selectivity Over Broad Beta

May’s performance highlights a clear evolution in market dynamics. While equity markets continue to advance, returns are increasingly concentrated, valuation-sensitive, and regionally divergent. The transition to Kevin Warsh’s leadership at the Federal Reserve further reinforces this backdrop of policy uncertainty, supporting a continued emphasis on discipline, income and balance-sheet strength rather than directional macro positioning.

Accordingly, our positioning remains anchored on discipline and selectivity:

- Defensive and dividend-paying equities, particularly in Singapore
- Selective exposure to global growth sectors, while avoiding crowding risk
- Short-duration and high-quality fixed income as core portfolio anchors
- Measured commodity exposure, focused on diversification rather than directional positioning
- Gold and diversifiers as structural hedges
- Maintaining liquidity, preserving flexibility as volatility re-emerges

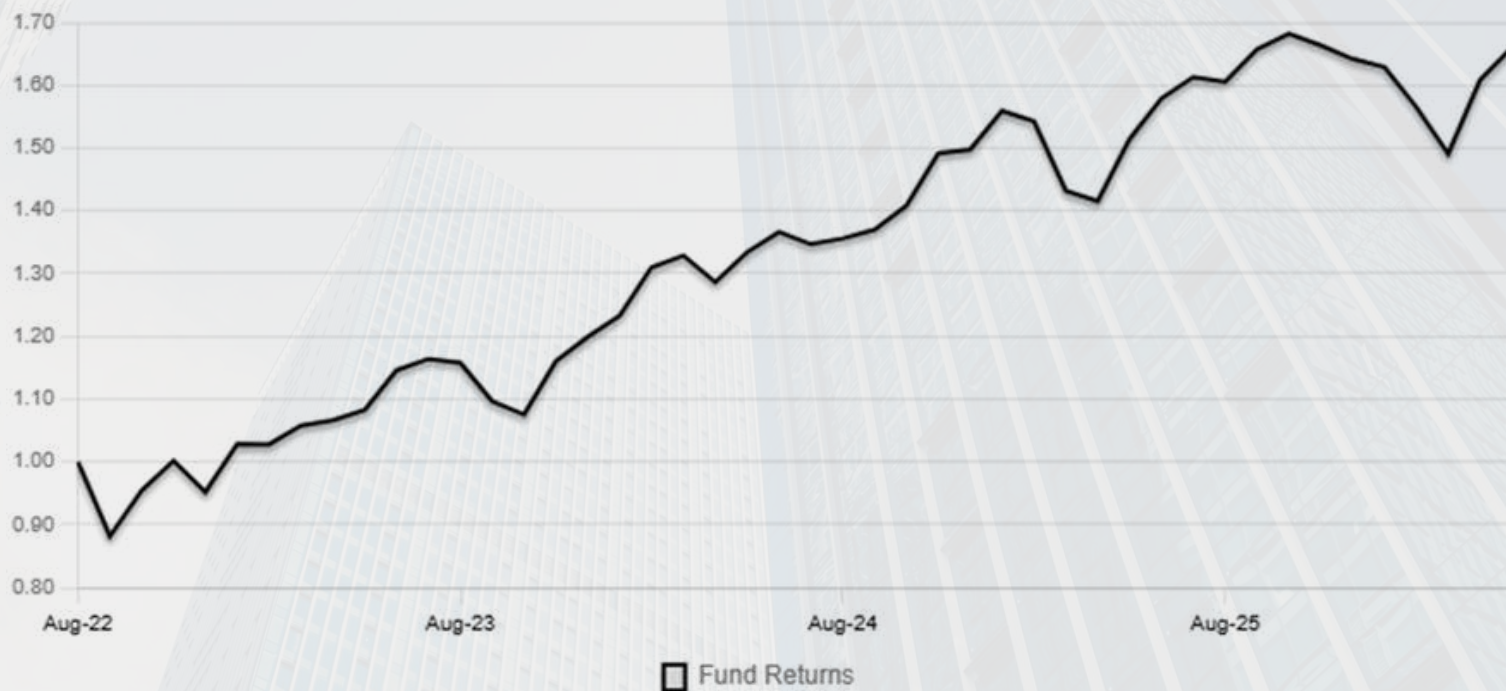
May reinforces that returns in 2026 are unlikely to be driven by broad multiple expansion, but rather by valuation discipline, macro sensitivity, and income generation. In this environment, portfolios anchored in quality, diversification, and cash flow resilience remain best positioned for the period ahead.

PERFORMANCE UPDATES

Global Growth Leaders (GGL)

9.6% (1Y)

COMPOSITE PERFORMANCE (%) as of 31 May 2026^{1,2}



	YTD	1Mth	3Mths	6Mths	1 Yr	Annualised 3 Yrs	Since Incep.
Composite (%)	1.1	3.2	6.1	-0.2	9.6	15.3	14.5

In May, adjusting for an approximate 0.27% appreciation of the U.S. dollar against the SGD, global equity markets extended their gains, supported by stronger-than-expected earnings and forward guidance concentrated primarily within semiconductors and AI-linked technology. Notably, the S&P 500 ex-Information Technology segment was broadly flat (-0.05%), highlighting the narrowness of market leadership. The overall S&P 500 rose 5.42%, the Nasdaq gained 8.63%, and GGL advanced 3.05% in SGD terms.

Performance remained heavily skewed toward high-growth technology segments, with the SOXX Semiconductor ETF rising approximately 23.6%, following a 40% increase in April. This continued momentum was underpinned by sustained hyperscaler capital expenditure, strong demand visibility across AI infrastructure, and upward revisions to medium-term earnings expectations. These gains persisted despite ongoing headwinds, including infrastructure bottlenecks, rising input costs, and geopolitical tensions.

Our diversified positioning enabled the portfolio to participate in the upside while avoiding excessive concentration risk. Key holdings such as Broadcom (+7%+) and Taiwan Semiconductor Manufacturing Company (+10%+) benefitted from structural demand for advanced compute and AI-related semiconductors.

Portfolio Activity

During the month, we exited our position in United Rentals following a strong earnings-led rerating that reduced forward return attractiveness. Capital was reallocated into Hyundai Rotem after a price correction, providing exposure to the structural theme of increasing global defence expenditure amid heightened geopolitical uncertainty.

In light of continued outperformance within the Information Technology sector, we trimmed positions in Nvidia, Broadcom, and Alphabet to manage concentration risk. Proceeds were partially redeployed into more defensive and diversifying exposures across Consumer Discretionary, Financials, and Healthcare, including McDonald's, Mastercard, and Vertex Pharmaceuticals.

Key Contributors:

- **Eli Lilly (+18.59%):** – Performance was driven by sustained momentum in its diabetes and obesity franchise, with strong demand and pricing power supporting earnings visibility. Early prescription data for its oral GLP-1 therapy, Foundayo, continues to trend upward, albeit from a low base relative to injectable alternatives.
- **Naura Technology (+17.4%):** – Shares gained on improving domestic semiconductor equipment demand and ongoing policy support for localisation within China's chip supply chain. Market reactions to incremental easing of export restrictions suggest domestic players continue prioritising indigenous innovation.
- **Microsoft (+10.8%):** – Microsoft benefitted from continued confidence in AI monetisation, with growth across cloud and productivity segments supported by AI integration. Broader resilience across enterprise software peers reinforces the durability of established platforms despite evolving competitive dynamics from generative AI.

Key Detractors:

- **Netflix (-7.99%):** – Shares consolidated as subscriber growth and margin expansion moderated relative to elevated expectations, alongside weaker performance in non-technology sectors.
- **Tencent (-7.53%):** – Performance was impacted by regulatory overhangs and a gradual recovery in China's consumer and gaming segments. While management continues to highlight growth in AI-enabled marketing, near-term profitability in consumer-facing AI applications remains limited.
- **RELX PLC (-7.49%):** – RELX underperformed despite broader strength in AI-related equities. Investor preference remained tilted toward data infrastructure and analytics platforms perceived as more direct beneficiaries of AI adoption, while information services businesses faced continued scrutiny over long-term competitive positioning.

Outlook

As of early June 2026, corporate earnings momentum remains constructive, particularly within technology and AI-linked sectors. However, market leadership remains narrow, with valuations in high-growth segments increasingly dependent on continued earnings delivery.

While structural demand drivers remain intact, risks persist, including AI infrastructure constraints, rising input costs, and geopolitical tensions, particularly around U.S.–China technology competition and broader regional instability.

On the macro front, core inflation remains elevated, suggesting a gradual pace of monetary easing. A higher-for-longer rate environment may limit further valuation expansion and increase market sensitivity to earnings disappointments.

Global Growth Leaders (GGL)

9.6% (1Y)

Looking ahead, we expect a continued transition from liquidity-driven gains toward earnings-dependent performance, with gradual broadening of market participation. Sectors such as defence, industrials, and select healthcare may benefit from structural tailwinds alongside ongoing technology leadership.

We remain focused on selective growth exposure, valuation discipline, and portfolio resilience, emphasising companies with strong earnings visibility, pricing power, and durable competitive advantages as markets navigate an increasingly complex macro and geopolitical environment.

Asian Opportunities Equity (AOM)

1.4% (1Y)

COMPOSITE PERFORMANCE (%) as of 31 May 2026^{1,2}



	YTD	1 Mth	3 Mths	6 Mths	1 Yr	Annualised 3 Yrs	Annualised 5 Yrs	Annualised 10 Yrs	Since Incep.
Composite (%)	-4.5	-1.1	-4.7	-4.9	1.4	-13.3	-11.4	-5.0	-0.4

Executive Summary

As we close out May 2026, the Asian equity landscape remains dynamic and opportunistic. While macroeconomic factors such as shifting energy dynamics and regional policy divergence have led to varied performance across sectors and markets, our focus on high-conviction, bottom-up stock picking remains the bedrock of our strategy.

Market Review

The MSCI Asia Pacific Ex-Japan Index continued to rise in May, following through on its recovery from April, though underlying performance remained highly fragmented. North Asian markets—particularly South Korea and Taiwan, served as the region's main growth engines, aggressively propelled forward by the accelerating structural AI and semiconductor boom, which was further validated by blockbuster Q1 2026 earnings reports.

Contrastingly, China and Hong Kong markets experienced distinct pullbacks, as weak domestic consumption trends and structural real estate headwinds renewed investor caution. Elsewhere, Southeast Asian markets demonstrated underperformance, though Singapore markets exhibited defensive, income-oriented characteristics against broader regional volatility. While a steep decline in crude oil prices offered temporary cost relief to Asian oil-importing economies, the broader reality of sticky global inflation and prolonged Middle East tensions continued to limit central bank flexibility regarding interest rate cuts, cementing a more hawkish policy outlook and higher-for-longer rates across the region.

Portfolio Strategy

Our strategy for the month focused on maintaining exposure to long-term secular growth themes—specifically AI infrastructure and high-end manufacturing—while selectively trimming positions in areas where intensifying competition or weak consumer sentiment posed near-term risks. We are utilizing current market pullbacks to accumulate quality holdings at more attractive valuations. We remain committed to our disciplined, long-term approach, favouring companies that exhibit strong balance sheets and the ability to sustain margins in inflationary environments.

Key Contributors:

- **Samsung Electronics (+43.1%):** – Sustained AI capex spend, demand in memory chip cycles and AI supply chain integration.
- **Naura Technology (+17.3%):** – Beneficiary of China's push for AI sovereignty and localisation.
- **iFast Corp (+5.3%):** – Sustained momentum from late April earnings release that saw surge in net profits.

Key Detractors:

- **GDS Holdings (-18.2%):** – Slower data-centre customer move-ins, lower service revenues and delayed contracts.
- **Hanwha Ocean Co (-6.7%):** – Profit taking combined with headwinds from developments in US-Iran talks.
- **Wee Hur Holdings (-6.3%):** – Fed hawkish pivot, property projects affected by expectedly higher rates.

Singapore Equity Yield

35.4% (1Y)

COMPOSITE PERFORMANCE (%) as of 31 May 2026^{1,2}



	YTD	1 Mth	3 Mths	6 Mths	1 Yr	Annualised 3 Yrs	Annualised 5 Yrs	Annualised 10 Yrs	Since Incep.
Composite (%)	6.5	-0.9	1.0	4.7	35.4	15.3	7.0	4.9	3.7

April inflation surprised to the downside at 1.8%, below consensus and well within MAS's 1.5% – 2.5% target band. This has eased pressure on rate sensitive income holdings. With Singapore's dividend and distribution landscape supported by resilient corporate earnings and a still appreciating SGD anchoring import costs, the Yield Portfolio's income streams remain durable and well defended heading into the second half of 2026.

The portfolio recorded a return of -0.87% in May, underperforming the STI but outperforming the S-REIT index. This was largely driven by a temporary pullback in First Resources. Despite this setback, we remain entirely confident in the portfolio's long term income generating power. The portfolio has achieved a total year-to-date return of +6.48%.

Key Contributors:

- **Valuetronics (+14.7%):** – underlying profitability remained robust with core net profit at HK\$93 million and gross margin expanding from 17.0% to 18.8%.
- **CIVMEC (+8.5%):** – revenue surged 54% year-on-year to A\$244.2 million, NPAT jumped 68%, and its order book hit a record A\$1.3 billion, up 70% from a year ago.

Key Detractors:

- **First Resources (-22%):** – Declined following Indonesia's new single gate export policy, requiring all CPO exports to be channelled through a newly created state entity, PT Danantara Sumberdaya Indonesia, dragging prices down.
- **ValueMax (-9.8%):** - ValueMax's gold trading and pawnbroking business is directly correlated to gold price sentiment, the selloff was a mechanical de-rating rather than a reflection of any operational weakness.

Singapore Equity Growth

41.2% (1Y)

COMPOSITE PERFORMANCE (%) as of 31 May 2026^{1,2}



	YTD	1Mth	3 Mths	6 Mths	1 Yr	Annualised 3 Yrs	Annualised 5 Yrs	Annualised 10 Yrs	Since Incep.
Composite (%)	11.5	-3.5	5.7	7.6	41.2	20.0	9.4	8.5	5.9

Singapore revised its first quarter GDP growth to 6.0%, beating the government's initial 4.6% forecast. This growth was fueled by a 7.9% rise in manufacturing, led by a 57.8% surge in electronics exports as global demand for AI related semiconductors intensifies. Looking ahead, the structural foundations for local stocks remain strong. As the next batch of asset managers under the EQDP initiative rolls out by mid 2026, we expect a steady influx of institutional capital to continue flowing into Singapore's small-to mid-cap companies. This growth portfolio is positioned at the intersection of this strong policy support and AI driven industrial momentum to capture the best opportunities for your capital.

The Growth Portfolio delivered a year-to-date return of 11.52%, even as May saw a modest pullback of -3.53%, a reflection of near term market rotation into large cap rather than any weakness in fundamentals. Small-and mid-cap equities, which form the core of this portfolio, have historically reclaimed leadership once rotation driven selling subsides, and we see no reason this cycle will be any different.

Key Contributors:

- **CIVMEC (+8.5%):** – revenue surged 54% year-on-year to A\$244.2 million, NPAT jumped 68%, and its order book hit a record A\$1.3 billion, up 70% from a year ago.
- **Karin Tech (+4.1%)** – underlying cash-generative IT distribution business, aided by early signs of recovering enterprise IT demand in Hong Kong.
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Key Detractor:

- **Bumitama (-24%); First Resources (-22%):** – Declined following Indonesia's new single gate export policy, requiring all CPO exports to be channelled through a newly created state entity, PT Danantara Sumberdaya Indonesia, dragging prices down.
- **Innotek (-13.8%):** – net profit collapsed 71.7% and gross margins contracted from 15.3% to 13.6% amid weaker office automation, TV/display, and automotive demand. The appointment as a Nvidia recommended vendor is a genuine long term catalyst for the AI server segment.

Phillip SMART Portfolio (ROBO)

MA Services	YTD	3 Months	12 Months	Annualised 3 Years	Annualised 5 Years
SMART Portfolio Income	11.1%	1.6%	23.5%	9.3%	5.4%
SMART Portfolio Income & Growth	21.1%	6.8%	38.4%	14.3%	6.6%
SMART Portfolio Growth	22.2%	7.8%	42.5%	15.6%	7.2%
SMART Portfolio US Equity	-3.1%	4.1%	9.0%	11.3%	NA

Phillip SMART Portfolio (Unit Trusts)

SMART Portfolio (Unit Trusts) delivered a strong return between 4% and 8% in May, led by strong equity gains against a backdrop of an accelerating AI-driven earnings cycle despite the Iran-US conflict remaining largely unresolved.

Our Korea equity exposure was the standout performer, surging +35.67%. The KOSPI has roughly doubled year-to-date, cementing its status as one of the best-performing major indices globally, with Goldman Sachs raising its 12-month target to 12,000. The rally continues to be powered by the memory supercycle — Samsung and SK Hynix posted operating margins in the 70% range in Q1 2026, topping even Nvidia, as insatiable AI-driven demand for High Bandwidth Memory keeps supply fully committed well into next year.

Our US equity exposure returned +5.32%, supported by a strong earnings season where roughly 85% of reporting companies beat consensus estimates, and continued hyperscaler AI infrastructure spending. Sustainable energy delivered +5.11% benefited from the structural demand for scalable, low-carbon power to support AI data centres.

Phillip SMART Portfolio

Our gold allocation gained +1.26%, as bullion consolidated in the mid-\$4,000 range following its sharp retracement from January highs. The longer-term case remains intact, anchored by persistent central bank buying, geopolitical tensions, and inflation concerns.

Fixed income delivered modest but positive contributions across all three positions. Asia High Yield led at +1.44%, underpinned by resilient corporate fundamentals across the region. Global High Yield and US Short Duration High Income returned +0.49% and +0.45% respectively, with shorter-duration positioning providing insulation as rate hike probabilities climbed above 38% by mid-May ahead of Kevin Warsh's confirmation as Fed Chair.

A tentative US-Iran memorandum of understanding emerged at month-end, proposing unrestricted Strait of Hormuz navigation and a 60-day nuclear negotiation window — however, neither side had formally signed off. With the conflict effectively still live, we expect elevated energy prices and geopolitical risk premiums to persist. The portfolio's exposure to AI infrastructure, the memory supercycle, and short-duration credit keeps it well-anchored for the uncertainty ahead.

Phillip SMART US Equities Portfolio (in SGD)

May was a month where macro fear and market reality decisively diverged. The US April CPI surged to a three year high of 3.8%, Kevin Warsh was confirmed as Fed Chair in the most divisive Senate vote in Fed history, and rate hike probability climbed to 57% by year-end, yet the S&P 500 crossed 7,500 for the first time ever.

The SMART US Portfolio commenced a rebalance in May, with our model signalling an overweight shift into both information technology and materials, the two sectors we believe are best positioned to capture the AI infrastructure buildout and the ongoing domestic critical minerals supply chain push. The portfolio recorded a return of +4.98% in May.

Phillip SMART Portfolio

Key Contributors:

- **Riot Platforms, \$RIOT (+57.3%):** - re-rating from Bitcoin miner to AI infrastructure operator. AMD exercised an option to double its contracted capacity at Riot's Rockdale campus to 50MW with an option to upsize to 150MW.
- **Planet Labs, \$PL (+38.3%):** - launched three new generation satellites in May; won new government contracts, including a two years deal with the Czech Republic's agricultural monitoring authority.

Top Detractor:

- **Rush Street Interactive, \$RSI (-9.8%):** - Share price pulled back after completing a 10 million share secondary offering priced at \$26 on 7 May, despite of Q1 2026 results beat estimates on both revenue and earnings, and analysts forecast 47.7% annualised earnings growth over the next three years.
- **Uranium Energy, \$UEC (-7.5%):** - Sector rotation, the sector had a sold off in tandem in mid May as uranium spot prices softened and near-term sentiment shifted.

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.