

CIO'S NEWSLETTER

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July 2026

Rotation and Resilience

June marked a more challenging environment for risk assets. While selected markets continued to advance, leadership narrowed and regional dispersion widened, reinforcing that 2026 remains a year of valuation discipline, policy uncertainty, and selective opportunity.

Lower commodity prices eased inflation concerns, but the combination of higher-for-longer interest rates and slowing liquidity conditions continued to differentiate winners from losers. As we enter Q3, structural growth themes and income generation remain important as part of a barbell strategy in portfolio construction.

Equities: Leadership Narrows Further

US equities delivered mixed results in June. The S&P 500 declined -1.06%, while the NASDAQ fell -2.81%, reflecting profit-taking in technology after a strong first half. In contrast, the Dow Jones gained +2.52% and the Russell 2000 rose +3.60%, signalling a rotation towards value and small cap sectors. US equities continue to trade at relatively high valuations (S&P 500 forward PE of 21.9x; Nasdaq 29.1x).

European equities remained resilient. The STOXX 600 gained +2.51%, supported by Spain (+6.04%), Switzerland (+4.81%), and Italy (+3.29%), while Germany's DAX declined -0.43%. European stocks still are the cheapest of the developed market equities (STOXX 600 forward PE of 15.8x).

Asia was increasingly divergent. Japan (+5.63%) and Taiwan (+3.11%) continued to benefit from semiconductor and AI-related demand. However, Hong Kong (-9.14%) and Indonesia (-7.90%) lagged significantly, while the MSCI Asia ex-Japan Index fell -1.71%. Singapore again demonstrated defensive characteristics. The STI gained +2.64%, outperforming most regional markets, while S-REITs declined just -0.22% despite higher-for-longer rate expectations. Overall, Asian markets are still attractive from a valuation standpoint (MXAPJ 13.7x).

IPO Markets: SpaceX Reinforces the AI Investment Theme

The successful SpaceX IPO, one of the largest public offerings in history, reinforced investor appetite for AI infrastructure, digital connectivity, and other long-duration growth themes. The scale of demand highlights the continued concentration of capital into structural winners, despite broader market volatility.

More importantly, the transaction confirms a broader Q3 theme: private and public capital continue to flow aggressively into AI-related infrastructure. The market is eagerly looking forward to the upcoming IPOs of OpenAI, Anthropic and other leading platforms. While supportive for growth valuations, it also reinforces the importance of valuation discipline as capital becomes increasingly concentrated in a narrow group of market leaders.

Commodities: Growth Concerns Replace Inflation Fears

Commodity markets corrected sharply. Brent crude declined -20.78% to US\$73, while gold fell -11.72% below US\$4,000 and Bitcoin dropped -20.30%. The scale of these declines suggests markets are becoming more concerned about growth than inflation. At the same time, the US Dollar Index rose +2.27%, tightening financial conditions and reducing global liquidity at the margin.

Monetary Policy: Higher for Longer Becomes the Base Case

June marked the first FOMC meeting under Chair Kevin Warsh. While policy rates remained unchanged, the broader message from both the Fed and markets is increasingly clear: rate cuts are unlikely in 2026, and policy may remain restrictive well into 2027. 10 year US treasuries remained relatively stable, ending June around 4.46%, marginally higher than the 4.43% level the previous month.

Sticky services inflation, continued AI-related capital expenditure, and rising global policy rates continue to reduce the urgency for monetary easing. The Q3 outlook now points to a higher-for-longer environment, with even the possibility of an additional 25 basis point rate increase later in the year should inflation remain persistent.

Fixed Income: Carry Remains the Primary Return Driver

Fixed income continued to deliver steady returns. Singapore Corporate Bonds gained +0.48%, SGD Investment Grade Bonds returned +0.65%, while Asia USD High Yield Bonds rose +0.69% and EM Sovereign Bonds gained +0.83%.

As outlined in our Q3 outlook, short-duration fixed income remains preferred, while longer-duration assets remain vulnerable to higher policy rates and rising government bond yields. Carry, rather than duration, remains the dominant source of return.

Portfolio Implications: Q3 Positioning Framework

As we enter Q3, three themes continue to dominate our positioning framework:

AI Infrastructure and Semiconductors

The multi-year AI investment cycle remains intact. Hyperscaler spending, sovereign AI investment and private capital flows continue to support semiconductor, energy, cybersecurity and digital infrastructure beneficiaries.

Singapore Equities and Dividend Income

Singapore remains a preferred allocation given support from higher rates, resilient banking profitability and attractive dividend yields. We continue to favour high-quality dividend-paying companies including selected S-REITs which are trading at attractive valuations (price to book below 1x). We also remain positive on small and mid-cap stocks after the sector corrected following a stellar start to the year. EQDP fund flows focusing on this sector should support prices for the upcoming quarters.

Selective China and Hong Kong Opportunities

Despite recent weakness, valuations remain attractive in China / Hong Kong. We continue to favour a barbell approach combining AI-related growth exposures with high-dividend defensive income strategies.

Consistent with these themes, we continue to emphasise:

- AI infrastructure and semiconductor beneficiaries
- Singapore equities and dividend-paying companies
- Short-duration, high-quality fixed income
- Selective China and Hong Kong opportunities
- Income generation and balance-sheet strength
- Maintaining liquidity for periods of volatility

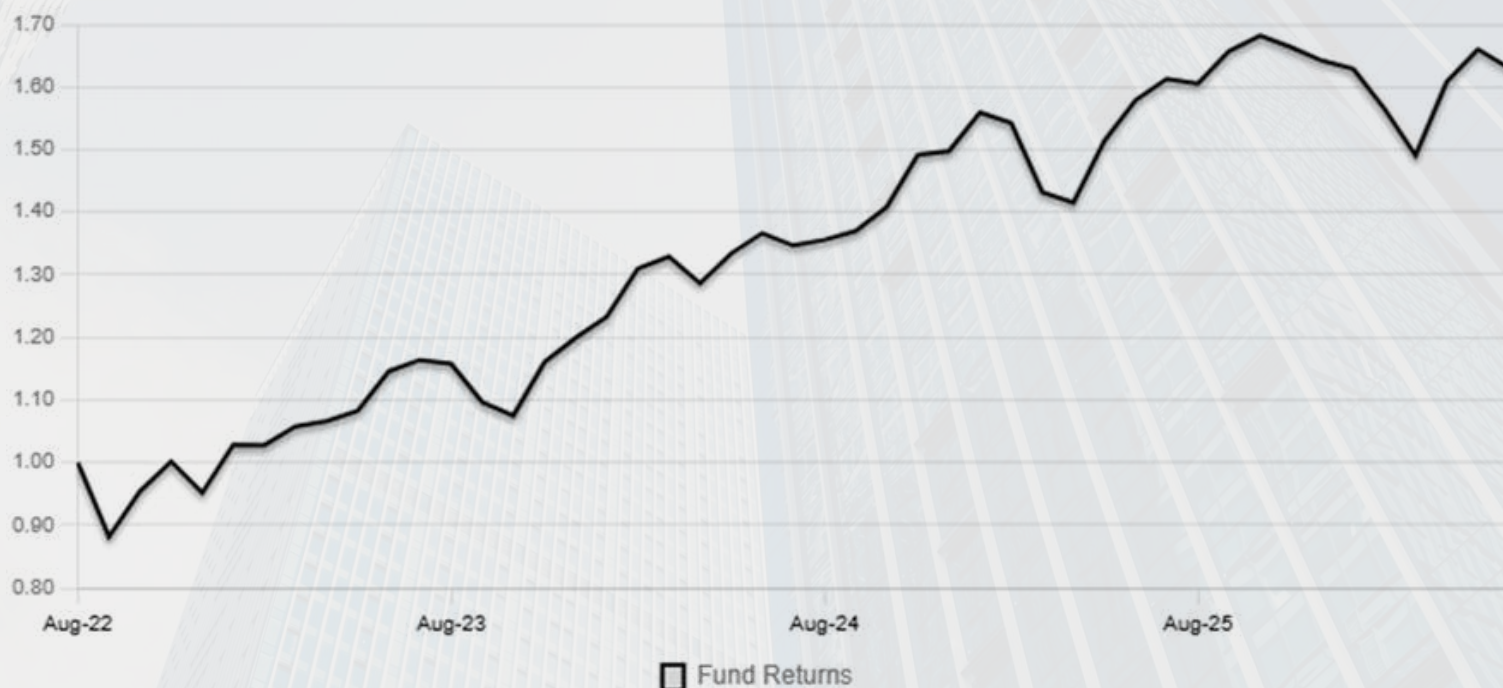
June reinforced that 2026 is increasingly a stock-picker's market. In a world of higher-for-longer interest rates, AI-driven investment, and widening valuation dispersion, portfolios anchored in quality, income and structural growth remain best positioned for the period ahead.

PERFORMANCE UPDATES

Global Growth Leaders (GGL)

3.3% (1Y)

COMPOSITE PERFORMANCE (%) as of 30 June 2026^{1,2}



	YTD	1Mth	3Mths	6Mths	1 Yr	Annualised 3 Yrs	Since Incep.
Composite (%)	-0.7	-1.8	9.4	-0.7	3.3	12.5	13.6

In June, global equity markets retreated as higher-than-expected US Personal Consumption Expenditures (PCE) inflation data and a more hawkish Federal Reserve tone under newly appointed Chair Kevin Warsh prompted investors to reassess the outlook for interest rates. At the June FOMC meeting, policymakers removed language suggesting a bias toward future rate cuts and signalled a greater willingness to keep policy restrictive should inflation remain elevated, leading to higher Treasury yields and a stronger US dollar.

The US dollar appreciated approximately 1.33% against the Singapore dollar during the month. In USD terms, the S&P 500 declined 1.06% while the technology-heavy Nasdaq fell 2.81%. Market weakness was concentrated in growth-oriented sectors, with Information Technology contributing an estimated 1.28% drag on the broader VOO ETF, partially offset by positive contributions from Healthcare and Financials as investors rotated toward sectors perceived to possess greater earnings resilience amid rising discount rates.

Against this backdrop, GGL declined 1.78% in SGD terms. Portfolio performance was primarily affected by weakness across software and consumer-facing media positions as markets reassessed both valuation multiples and the longer-term implications of agentic AI on traditional software business models.

Portfolio Activity

During the month, we increased exposure to Intuitive Surgical, reflecting growing conviction in the durability of its recurring revenue model. Recent operating trends showed Single-Use Product revenue continuing to grow faster than overall company revenue, reinforcing our view that concerns surrounding third-party remanufacturers displacing Intuitive's highly profitable instrument business remain limited. Industry analysis suggests that remanufactured robotic instruments currently represent only a small portion of the market, while hospitals remain incentivised to operate within Intuitive's broader ecosystem given the scale of their robotic surgery investments.

We also increased allocations to Microsoft, Meta Platforms, Netflix, and Tencent amid broader weakness in software and consumer internet stocks.

In Microsoft's case, we believe the market has become overly focused on potential licenced software seat deterioration risks from agentic AI while underappreciating the durability of large enterprise software platforms. The recent decision by Accenture to deploy Microsoft 365 Copilot across approximately 743,000 employees — the largest Copilot deployment announced to date — reinforces our conviction that AI functionality is largely complementary to existing enterprise workflows and may strengthen platform stickiness rather than weaken it.

Within media and consumer internet, we added to Netflix, reflecting confidence in management's ability to further monetise its global audience through advertising. Following advertising revenue exceeding US\$1.5 billion in 2025, management has stated its expectation that advertising revenue could approximately double to around US\$3 billion during 2026, providing a meaningful incremental growth driver alongside its subscription business.

To fund these purchases and maintain portfolio diversification, we trimmed positions in Naura Technology and Taiwan Semiconductor Manufacturing Company (TSMC) following strong appreciation. The reductions were primarily driven by profit-taking and risk management considerations, as individual stock and semiconductor sector exposures had expanded beyond our preferred portfolio limits of approximately 7% and 20%, respectively.

Key Contributors:

- **Naura Technology (+42.01%):** – Naura was the portfolio's strongest contributor during the month. The company benefited from continued momentum in China's semiconductor localisation strategy as domestic manufacturers increased investment in indigenous equipment capabilities. Ongoing technology restrictions stemming from US–China trade tensions and supply-chain security initiatives have reinforced demand for domestic semiconductor equipment vendors as Chinese manufacturers seek to localise critical portions of the semiconductor value chain.
- **Vertex Pharmaceuticals (+12.58%):** – Vertex delivered strong performance as investors gravitated toward companies with highly visible earnings streams and defensive growth characteristics. The company's cystic fibrosis franchise continues to generate substantial cash flows and remains one of the strongest intellectual property positions within global biotechnology.
- **Safran (+12.10%):** – Safran benefited from resilient aerospace demand, particularly within commercial aviation. Improved sentiment toward the sector was supported by lower energy prices, with spot crude retreating toward the US\$70–75/bbl range, easing cost pressures on airlines and reinforcing expectations for continued strength in aircraft utilisation and aftermarket activity. Investor sentiment also improved as diplomatic de-escalation efforts between Iran and the United States reduced concerns over further disruptions to global energy markets and commercial aviation activity.

Key Detractors:

- **Adobe (-19.78%):** – Adobe was the portfolio's largest detractor during the month. Investor concerns intensified around the potential impact of agentic AI on traditional software licensing models, particularly for productivity and creative software providers. In addition, uncertainty surrounding CEO Shantanu Narayen's announced leadership transition came at a time when Adobe is navigating significant changes in the software landscape driven by generative and agentic AI, further weighing on investor sentiment.
- **Microsoft (-15.97%):** – Microsoft declined alongside broader software and cloud-computing peers. While the company remains one of the leading beneficiaries of enterprise AI adoption, investors became increasingly focused on the balance between elevated AI-related investment spending and the pace of future monetisation. Concerns surrounding future software seat growth — reflecting the number of paid enterprise users across Microsoft's software ecosystem — and rising competition within AI-enabled productivity tools also weighed on sentiment, despite Azure continuing to deliver approximately 40% year-on-year revenue growth.
- **Netflix (-15.81%):** – Netflix underperformed as investors became more cautious regarding subscriber growth normalisation following previous pricing increases. Despite maintaining leading engagement metrics and improving advertising monetisation, the stock faced pressure from valuation concerns and broader weakness across consumer-facing growth companies as Treasury yields moved higher.

Outlook

As of early July 2026, corporate earnings remain broadly resilient despite increasing market volatility. However, June highlighted the growing influence of macroeconomic variables on equity markets that have thus far been supported by robust AI-related capital expenditures and infrastructure investment.

While structural growth themes surrounding AI, semiconductor localisation, healthcare innovation, and defence spending remain intact, elevated valuations across certain areas of the market leave investor sentiment increasingly dependent on continued earnings execution. Companies unable to demonstrate clear revenue growth and monetisation pathways may continue to face valuation pressure in a higher-rate environment.

At the same time, opportunities are emerging beyond the narrow group of AI infrastructure beneficiaries that led markets earlier in the year. Healthcare, aerospace, defence, and select consumer platform businesses continue to benefit from favourable secular trends and may provide a broader foundation for earnings growth going forward.

We remain focused on maintaining a diversified portfolio of high-quality companies with durable competitive advantages, strong balance sheets, and visible earnings growth. While near-term market volatility may persist as investors adjust to a potentially higher-for-longer rate environment, we continue to see attractive opportunities in businesses positioned to compound value through innovation, pricing power, and sustainable cash-flow generation.

Asian Opportunities Equity (AOM)

-3.5% (1Y)

COMPOSITE PERFORMANCE (%) as of 30 June 2026^{1,2}



	YTD	1 Mth	3 Mths	6 Mths	1 Yr	Annualised 3 Yrs	Annualised 5 Yrs	Annualised 10 Yrs	Since Incep.
Composite (%)	-9.0	-4.7	-1.5	-9.0	-3.5	-14.5	-11.7	-5.5	-0.6

Asian equities weakened in June as investor sentiment softened amid concerns over regional growth momentum and earnings expectations. The portfolio returned -2.18% for the month. Capital appreciation was led by NAURA Technology Group (+40.4%), supported by continued strength in China's semiconductor and advanced manufacturing themes, while Samsung Electronics (+5.4%) and Digital Core REIT (+2.0%) also contributed positively. Offsetting these gains were declines in Anycolor (-26.7%), Alibaba Group (-21.6%) and Anhui Conch Cement (-14.2%), reflecting continued pressure on consumer and China-related cyclical exposures. Portfolio activity during the month focused on reducing selected underperforming holdings and increasing exposure to broader market opportunities through diversified index positions.

Singapore Equity Yield

27.1% (1Y)

COMPOSITE PERFORMANCE (%) as of 30 June 2026^{1,2}



	YTD	1 Mth	3 Mths	6 Mths	1 Yr	Annualised 3 Yrs	Annualised 5 Yrs	Annualised 10 Yrs	Since Incep.
Composite (%)	6.4	-0.1	3.9	6.4	27.1	15.6	6.8	4.9	3.7

Singapore continued to outperform in 2Q26, with local banks' deposits and loans surging ahead. The dividend and distribution landscape stayed resilient through June, as these financial names increasingly lean on robust wealth management fee growth to offset margin compression.

The Singapore yield portfolio recorded a year-to-date return of 6.4%, with June's performance essentially flat at -0.05%. This steadiness reflects the portfolio's defensive focus, which continue to provide ballast even as broader market rotation plays out.

Key Contributors:

- **First Resources (+17.4%):** – rebounded as Indonesia delayed full implementation of its new state-run export body for palm oil to January 2027, easing near term fears over trading disruption.
- **Civmec (+13.7%):** – continue to outperform on the back of a strong Australian infrastructure and defence order pipeline.

Key Detractors:

- **Hock Lian Seng (-7.9%)** – declined due to the shares softening in thin trade throughout the month.
- **ValueMax (-7.3%)** - came under pressure as gold prices fell sharply through June (and a stronger US dollar), weighing on the value of ValueMax's pawnbroking collateral and gold retail/trading margins.

Singapore Growth

32.7% (1Y)

COMPOSITE PERFORMANCE (%) as of 30 June 2026^{1,2}



	YTD	1Mth	3 Mths	6 Mths	1 Yr	Annualised 3 Yrs	Annualised 5 Yrs	Annualised 10 Yrs	Since Incep.
Composite (%)	11.0	-0.5	3.7	11.0	32.7	20.0	8.9	8.4	5.9

Singapore equities delivered a fourth consecutive quarter of gains, rising 5.8% in 2Q26 and bringing 1H26 gains to 11.3%, the standout performer set against a broader ASEAN market down roughly 2% year-to-date. The STI hit fresh record high in June, shrugging off a mid month wobble triggered by Middle East tensions. Singapore consumer goods & services stocks led the gains for the month, reinforcing the breadth of the rally beyond just the banks. We remain firmly constructive on the portfolio's positioning for 2H26.

The Singapore Growth Portfolio delivered a year-to-date return of 11.8%, even as June saw a marginal pullback of -0.5%. That softness had little to do with fundamentals, as large caps took the spotlight for a stretch. Small and mid-cap names, the portfolio's core focus, have repeatedly proven its resilience once rotation driven selling fades, and we are confident this cycle will follow suit.

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- **Civmec (+13.7%):** – continue to outperform on the back of a strong Australian infrastructure and defence order pipeline.

Key Detractor:

- **Thakral Corp (-9.1%):** – declined due to profit taking after an extended re-rating rather than a fundamental reversal.
- **Sunright Ltd (-8.6%):** – pullback from an overextended rally in its semiconductor segment.

Phillip SMART Portfolio (ROBO)

MA Services	YTD	3 Months	12 Months	Annualised 3 Years	Annualised 5 Years
SMART Portfolio Income	11.2%	11.9%	22.7%	9.3%	5.5%
SMART Portfolio Income & Growth	21.0%	19.8%	36.7%	14.1%	6.5%
SMART Portfolio Growth	21.6%	20.7%	39.4%	15.2%	7.1%
SMART Portfolio US Equity	-11.3%	1.6%	-7.7%	6.0%	NA

Phillip SMART Portfolio (Unit Trusts)

SMART Portfolio (Unit Trusts) delivered flat to slightly negative returns of -0.5% to 0.1% in June. Performance was primarily impacted by a mid-month technology-led sell-off and a deepening correction in gold, though stable fixed income allocations provided essential ballast.

At the start of the month, we executed a strategic portfolio rebalancing. On the equity side, we trimmed our Gold and South Korea allocations to fund a new position in Taiwan, capturing broader Asian semiconductor exposure, while increasing our Sustainable Energy weighting to align with data centre structural demands. Within fixed income, we completely exited US and Global High Yield positions to rotate into higher-quality credit via Emerging Market Government Bonds and Asia Investment Grade.

Phillip SMART Portfolio

In equities, South Korea remained the strongest contributor, rising 3.33% as memory chip heavyweights maintained robust earnings momentum despite overall choppy trading in the KOSPI index. Conversely, our newly initiated Taiwan position slipped -0.50%. While the TAIEX trended higher early on, late-June tech profit-taking—triggered by market anxieties over global chip demand sustainability—weighed on the broader Asian semiconductor complex.

US equities eked out a marginal 0.36% gain. Broad indices faced mid-month pressure following a strong early-June labor report that temporarily cooled near-term Federal Reserve rate-cut expectations, sparking a brief but sharp rotation out of rate-sensitive growth names.

Meanwhile, our Sustainable Energy allocation slid -3.78% amid a broader risk-off rotation into defensive names. Gold and precious metals served as the month's primary detractor, dropping -15.59% and briefly falling below \$4,000 as a stronger US dollar, rising Treasury yields, and liquidity-driven de-risking forced a sharp commodity liquidation.

Fixed income served as a reliable anchor. Our EM Government Bond allocation returned 1.7%, while Asia High Yield contributed 0.62%, both supported by solid regional credit fundamentals. The Asia Investment Grade position remained steady at 0.04%.

With rate pathways and geopolitical factors introducing near-term uncertainty, the portfolio's defensive tilt toward higher-quality credit helps insulate capital while keeping high-conviction exposure intact.

Phillip SMART US Equities Portfolio (in SGD)

US Fed Chair reiterated a hawkish tilt keeping the July 28–29 interest rate hike option live (9 of 19 dots). Fewer post-meeting Fed appearances signal deliberate guidance restraint. June FOMC minutes (8 July) should clarify how deep the hawkish split runs. Any confirmed hike bias would pressure rate-sensitive small caps. Iran's Hormuz closure/reopening cycle keeps oil sensitive names exposed to headline volatility.

Phillip SMART Portfolio

The SMART US portfolio's May rebalancing shifted the model to an overweight in information technology and materials, positioning that reversed in June, resulting in a return of -8.4%. The gap was driven primarily by commodity exposure, as the US-Iran ceasefire unwound the geopolitical risk premium embedded in aluminium and oil prices. We view the portfolio's cash buffer as dry powder for redeployment as small-cap breadth continues to improve into 3Q26.

Key Contributors:

- **Moderna Inc., \$MRNA (+48.4%)** : - Shares surged on renewed pipeline momentum, headlined by an FDA advisory committee's unanimous backing of its mFlusiva flu vaccine and a Science Day showcase of oncology and autoimmune progress, lifting the stock to 52-week highs.
- **Rush Street Interactive, \$RSI (+17.4%)** : - Gains were driven by inclusion in the S&P SmallCap 600 Index, a new \$100 million buyback authorization, and continued momentum from its prediction markets expansion into the CFTC-regulated space.

Top Detractor:

- **Planet Labs, \$PL (-35.2%)** : - Stock tumbled after a Q1 earnings call paired a soft margin outlook with a surprise \$1.5 billion at-the-market equity offering, compounded later in the month by capital rotation into the competing SpaceX IPO.
- **Alcoa Corp, \$AA (-32.8%)** : - Shares gave back much of their 2026 gains as the US-Iran ceasefire unwound the aluminium supply risk premium.

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.

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