

THINK DIFFERENTLY

TO GET DIFFERENTIATED RESULTS

Monthly Investment Update

Executive Summary

August 2025 was another eventful month for global markets, marked by shifting narratives and increasingly divergent signals. The month began on a cautious note, with fresh tariffs and weaker US jobs data triggering a brief risk-off tone. However, sentiment quickly improved following dovish remarks from Fed Chair Powell at the Jackson Hole Symposium, which reinforced expectations for a September rate cut.

Equities pushed to new highs - marking the fourth consecutive monthly gain for the S&P 500 - while safe-haven assets like US Treasuries and gold also rallied in tandem, reflecting renewed hopes for monetary easing. Notably, both risk and safety assets moved together, highlighting the complexity of today's macro environment.

With the Q2 earnings season now behind us, attention turns to the Fed's interest rate policy. While rate cuts are supportive for risk assets, history shows that the market trajectory also depends on the broader economic environment. Sticky inflation with signs of labour market deterioration may complicate the Fed's easing path and introduce greater volatility ahead.

Given this backdrop, we maintain a neutral stance on risk assets in the near term, especially after the strong rally since April. Within our flexible portfolios, we have increased allocations to better-quality assets. In fixed income, we continue to favour select shorter-duration, investment-grade bonds that can offer attractive income with lower sensitivity to rate moves. There is also value in Alternative assets such as Gold and Insurance-Linked Securities that can improve overall portfolio resilience.

Looking ahead, we remain vigilant. With rich valuations and a shifting macro-policy landscape, disciplined risk management and active flexibility will be essential to navigating the road ahead.





MARKET REVIEW

An Eventful August for Global Markets

August 2025 was marked by competing narratives that swung sentiment from initial risk-off to recovery. The month started off with fresh tariffs after the August 1 deadline, compounded by a disappointing US jobs report that stoked slowdown fears. Specifically, the weak July jobs data, including hefty downward revisions of -258k for prior months, triggered a sharp sell-off.

However, markets recovered quickly, with the S&P 500 notching new highs amid a dovish shift from Fed Chair Powell at the Jackson Hole Economic Policy Symposium and fueling expectations for a September rate cut.

In Europe, speculation around a Ukraine ceasefire added volatility, while France's upcoming confidence vote revived sovereign risk worries, making it more expensive for France to borrow.

Which Assets Gained the Most?

Global equities posted solid gains amid resilient data and growing confidence in upcoming Fed cuts. The US S&P 500 advanced 2.0% for a 4th straight monthly rise, joined by Japan (+4.5%) and Emerging Markets (+1.5%).

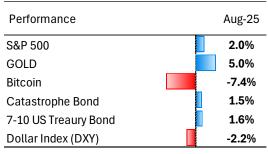
US Treasury bonds also rallied, with the 10-year yield falling 0.15% to 4.23%, leading to a 1.6% total return. Safe-haven Gold surged 4.8%, benefiting from rate cut bets and rising inflation concerns.

Which Assets Struggled the Most?

French assets bore the brunt of fiscal unease ahead of the September 8th confidence vote. The French stock market declined 0.9% in total return terms, underperforming global peers. While noteworthy, these moves are locally concentrated, with limited implications for global investors unless contagion pressures were to spread across the euro area.

Elsewhere, the US dollar index weakened -2.2%, pressured by dovish Fed signals and easing expectations, marking losses against all G10 currencies.

Finally, Bitcoin snapped a four-month winning streak, tumbling -6.3% to below \$110,000.



Source: Bloomberg

Outlook: Neutral on Risk in the Near-Term

Our baseline view remains unchanged that the short-term risk-reward is less attractive – odds of a brief consolidation are higher as the growth-inflation trade-off is more uncertain. Tariff-pass-through inflation pressures could emerge in the coming weeks, potentially squeezing margins and/or boosting inflation. Labour market is also at a stalling speed, providing less support to risk assets.

Considering these near-term headwinds, we've made some tactical adjustments within our more flexible strategies:

Within equities, we've maintained a balanced allocation across regions and sectors that can better tide us through multiple outcomes going forward.

Within fixed income, we've been more cautious on High Yield exposures, and maintaining our preference for better quality Investment Grade credits that can provide good income while being more resilient in periods of higher volatility.

Within Alternatives: reducing volatile assets such as Bitcoin and adding to defensive positions such as Gold. We also favour Insurance-Linked Securities (ILS) within our income portfolios for their high yield and low correlation to traditional equity and bond markets.

Looking ahead, recent adjustments are expected to keep our overall risk-taking measured while capitalizing on earlier strong gains.

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ALL EYES ON THE FED

Tariffs and corporate earnings have taken a backseat as interest rate policy moves to the driver's seat. All eyes are now on the Fed's next move, widely expected to be a 0.25% rate cut in September 2025.

Fed Chair signals upcoming rate cuts

"...with policy in restrictive territory, the baseline outlook and shifting balance of risks may warrant adjusting our policy stance." With these remarks at Jackson Hole, Fed Chair Powell cemented expectations that the Fed is ready to ease policy. Adding weight to this view, Fed Governor Christopher Waller widely seen as a leading candidate to succeed Powell in 2026 - recently suggested that multiple rate cuts could be appropriate if growth continues to cool.

Don't fight the Fed...

The Fed's policy stance is not one to ignore, as it is an important driver for the economy and markets. The aggressive rate-hiking cycle of 2022-2023 helped tame inflation but contributed to slower growth and volatility across equity and bonds. Conversely, the first rate cut in September 2024 played an important role in stabilizing markets and reviving risk appetite. All else equal, lower interest rates stimulate the economy and provide support to markets – underpinning the common Wall Street saying 'don't fight the Fed'. Likewise, a continuation of the easing path acts as a tailwind for risk assets.

...but pay attention to other cycles

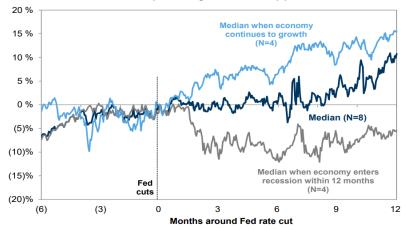
Markets have continued to grind higher on expectations of Fed rate cuts. Still, history shows that subsequent market performance also depends on the growth backdrop, as highlighted in the chart below by Goldman Sachs. While rate cuts amid ongoing economic expansion (light blue line) are favourable for markets, rate cuts delivered into recessionary conditions have coincided with more volatile outcomes (grey line).

While a near-term recession is currently not the base case, the backdrop remains one that is challenging and fluid.

Supportive factors include still resilient corporate earnings – particularly driven by Aldriven growth and productivity gains – as well as a labour market that has softened but not yet signalling an imminent recession.

Risk factors include the potential for stickier inflation, as highlighted earlier, with tariffs still a wildcard. Although tariff headlines have eased in recent months, the 10% baseline tariff remains in place alongside higher levies on specific countries or sectors. The ultimate impact on consumer prices and corporate margins remains uncertain. At the same time, the strong rally in the past few months means that the risk/reward is less favourable in the near term. Against this backdrop, we prudent our positioning, maintaining good diversification across better quality assets while remaining on high alert on economic indicators to guide us on upcoming risks and opportunities.

Market performance around first Fed cut (after being on hold for at least 6 months)



Source: Goldman Sachs. S&P 500 indexed around a Fed rate cut event.

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MIND THE GAP!

Duration Gap: short vs long-term bonds

Can bond markets go up and go down at the same time? That is what is happening as growing expectations of Fed rate cuts fuel a rally in short-dated bonds, while weaker long-term fundamentals are causing long-maturity bond prices to drop. As an indication, one US Treasury bond that was issued in 2020 at \$98 (maturing in 2050) is currently priced at \$47. Such bonds may be deemed 'risk-free', but it has undoubtedly been a painful experience for any investor.



Long-term bonds may be yielding higher than short-dated bonds, but they are also due to concerns over fiscal deficits and reduced central bank demand. Investors need to be mindful of the duration risk and not just go for whichever bond with a higher yield.

Yield Gap: Corporate vs Government

bond investors enjoy income compared to government bonds. The there sufficiently higher income is to compensate investors for taking on companies' credit risk.

That said, the extra 'compensation' has reduced meaningfully with corporate spreads for segments of the market compressing near historic lows. This reflects strong demand and optimism in the economy but offers a lower margin-of-safety for investors in the event of economic deterioration. While there are still good income opportunities today, investors will need to be more selective.

Correlation Gap: Bonds vs Equities

In the past, investors had relied on the low-to-negative correlation between equities and bonds to provide diversification in their portfolios. Today, this dynamic has changed: equity-bond correlations have been rising, meaning the two asset classes are now moving more in tandem – reducing their diversification benefits.

How investors can navigate these gaps:

1. Favour shorter-maturity bonds

Sticking to shorter-duration bonds can help investors reduce exposure to fiscal uncertainty and volatile rate moves, given that shorter-duration bonds carry lower sensitivity to interest rate moves. By doing so, investors can focus on capturing steady income with less interim volatility.

2. Diversify across geographies and segments With global economies at different stages of the cycle, non-US bond exposures can offer diversification across income streams - Emerging Market Debt (EMD) is one such segment that stands to benefit from a softer dollar. Beyond traditional segments, we see value in Alternative income segments such as Insurance-Linked-Securities (ILS), which not only offer high yields but provide rare, low-correlated diversification benefits for portfolios.

3. Be selective

While broad bond markets are richly valued, good opportunities exist for investors with a global and flexible approach. We continue to find attractive value within select Investment Grade (e.g. Agency Mortgage-Backed Securities) and Emerging Market bond segments, where resilient fundamentals and relative mispricing create a yield pickup and better risk/reward for investors.

Together, these levels can help investors generate stable income while navigating an uncertain macro and policy backdrop.



HOW ARE WE POSITIONED?

Equity (Green) Bonds (Blue)

Key Themes	Allocation
Balanced Approach Amid Heightened Uncertainty Adopting a prudent balanced approach as current market conditions present a tug-of-war between lingering tailwinds and mounting risks. Tailwinds come in the form of still supportive corporate earnings, Aldriven productivity optimism, and a resilient US labour market. However, heightened uncertainty stems from tariffs and retaliatory threats from major economies.	US equities Global equities (e.g. Europe, Japan)

Diversification Into Emerging Opportunities

Financial markets operate in cycles. The end of the easy money era means looking beyond popular markets that did well during the previous broad-based growth to find tomorrow's winners. Focus on high-growth markets driven by their own distinctive economic trajectories and coupled with attractive valuations.

Emerging Market equities (e.g. China, India)

Shifting Gears On Income

Having benefitted from the strong performance of high-yield bonds, we are gradually transitioning to higher quality fixed income positions while maintaining attractive yields. Investors can still achieve solid income in today's environment but requires a more careful balance between generating returns and managing volatility.

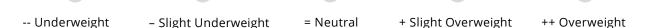
Developed-Market Credit

Asian High-Yield Credit

Emerging Market Credit



ASSET ALLOCATION STRATEGY



Equity: Regions

United States

Continued earnings growth remains supportive but moderated by stretched valuations and policy uncertainty.

Europe

Cheaper valuations and ECB rate cuts are tailwinds but sluggish growth and political risks warrant a balanced approach.

Japan

Given elevated policy uncertainty and currency volatility, a neutral stance on Japan helps manage uncertain outcomes.

Asia Pacific ex Japan

More pro-active stimulus measures embarked by the Chinese government provides better tailwinds for Asia equities on the back of their better valuations.

Emerging Markets

Maintain preference for high-growth markets at attractive valuations e.g. China

Fixed Income

Global

Focus on government bonds' flight to quality characteristic to buffer portfolio volatility during periods of stress.

Investment Grade Corporate

Maintain a diversified exposure and taking advantage of mispricing opportunities in developed-market investment grade bonds.

US High Yield

Maintaining minimal exposure due to as IG bonds offer relatively better risk-reward to obtain income while mitigating default risk.

Asia

While Asia credit continues to offer attractive all-in-yields and supportive fundamentals, we maintain a neutral allocation after realizing strong income and capital appreciation.

Emerging Markets Debt

Hard currency bias to focus on return from credit while limiting exposure to emerging market currencies. Short-duration bonds to mitigate volatility from more uncertain interest rate path.



MARKET INDEX RETURNS

Equity Regional	MTD	YTD	10Y	20Y
Global	2.52	14.67	11.68	8.74
United States	2.03	10.78	14.59	10.81
Europe	3.42	26.15	8.29	6.79
Japan	7.20	19.76	7.62	5.22
Asia Pacific ex Japan	1.46	18.27	7.78	7.19
Emerging Markets	1.46	19.59	7.34	6.59

MTD	YTD	10Y	20Y
1.45	7.21	1.13	2.30
0.55	3.29	2.31	3.30
1.30	6.41	5.39	6.38
1.33	6.00	3.36	3.48
1.33	7.32	3.77	5.50
	1.45 0.55 1.30 1.33	1.45 7.21 0.55 3.29 1.30 6.41 1.33 6.00	1.45 7.21 1.13 0.55 3.29 2.31 1.30 6.41 5.39 1.33 6.00 3.36

Note: (H) Currency Hedged

Equity Markets	MTD	YTD	10Y	20Y
Australia	5.10	19.68	10.36	8.70
Brazil	9.44	33.82	7.33	4.00
China "A"	11.59	19.58	4.14	11.06
China "H"	1.46	25.47	2.77	6.32
Hong Kong	2.07	27.93	5.09	6.24
India	-2.26	0.24	10.00	9.98
Indonesia	5.08	12.60	6.99	10.82
Korea	-1.55	42.88	5.55	5.87
Malaysia	5.17	3.80	3.26	5.97
Singapore	4.94	25.07	9.28	8.24
Taiwan	0.84	15.73	16.19	11.49
Thailand	1.61	-3.06	3.18	7.95
Vietnam	11.49	29.82	11.98	9.91

Currencies	MTD	YTD	10Y	20Y
SGD/USD	1.10	6.36	0.95	1.36
EUR/USD	2.37	12.86	0.42	-0.27
JPY/USD	2.50	6.90	-1.91	-1.41

Commodities	MTD	YTD	10Y	20Y
Gold	4.80	31.38	11.75	10.90
Oil	-7.58	-10.75	2.67	-0.37

As of 31 August 2025. Source: Bloomberg. **Total return in USD**. 10 and 20 year returns are annualized.

Equity Sectors MTD YTD 10Y 20Y Gold 21.73 85.81 17.71 6.09 Energy 3.64 7.49 7.44 6.01 Technology 0.44 13.53 22.00 14.65 Healthcare 5.18 3.24 7.53 8.80 **Financials** 3.12 12.54 13.19 6.35

"In investing, what is comfortable is rarely profitable."

Rob Arnott

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