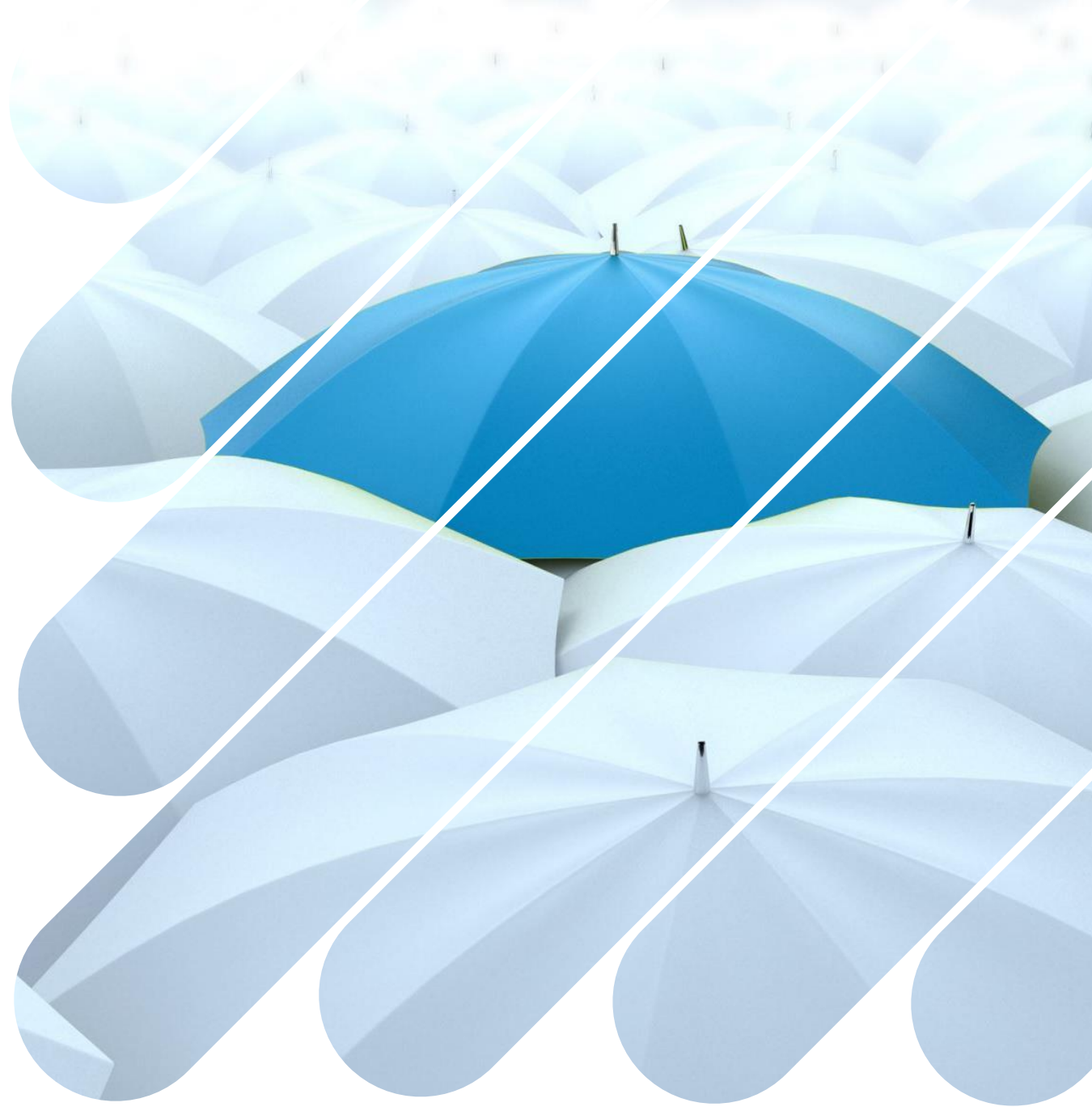


A low-angle shot of numerous windsocks on tall poles, all pointing towards the upper right. The sky is a vibrant blue with scattered white clouds. The windsocks are orange and white striped, and their orientation suggests a consistent wind direction from the lower left. The overall scene conveys a sense of movement and transition.

Quarterly Investment Strategy
First Quarter 2026
Headwinds are turning into tailwinds

Investment Outlook Summary



Key views for 1Q 2026



Our base case outlook

Is for a continued expansion with better fiscal support in 2026 though risks remain elevated



Global Equities

A continued expansion and good earnings growth are supportive of equities, and justify a modest overweight



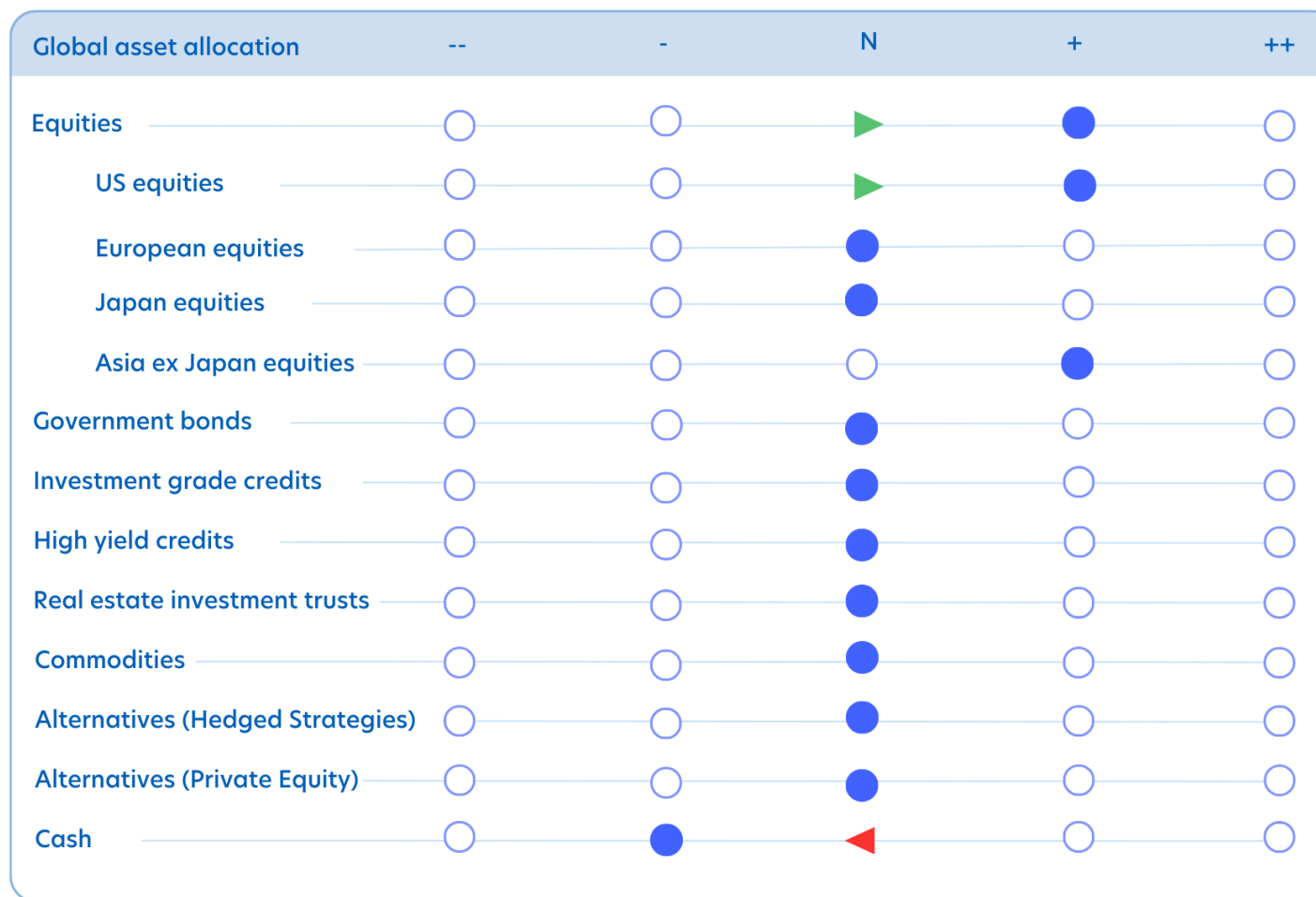
Fixed Income

Should provide reasonable returns driven by good yields and interest rate cuts, albeit with some yield volatility

Conclusion

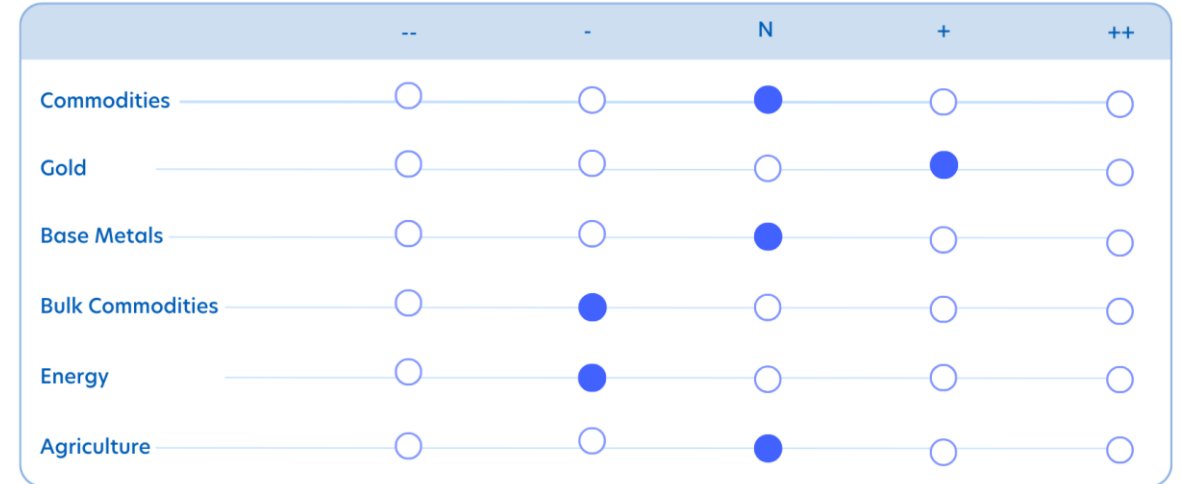
- We expect more Fed rate cuts in 2026 to get the Fed funds rate down to 3.25%
- We expect UST bond yields to range between 4.0% and 4.5%
- We expect the USD to be rangebound with a weakening bias
- We overweight Asian equities

Moderate overweight equities for 1Q26. We think it is still safe to dance while the music is playing, but dance close to the door



++ Strong overweight + Overweight N Neutral - Underweight -- Strong underweight

Fixed income and commodities strategy maintained neutral



++ Strong overweight + Overweight N Neutral - Underweight -- Strong underweight

Source: UOBAM, 24 Nov 2025. Note: *3-6 months horizon. The weights are relative to the appropriate benchmark(s), arrows show change from last quarter

Investing in 2026 requires a view regarding the durability of the secular bull market. We see both upside and downside risks

US secular equity bull & bear markets over past 150+ years



Global Macroeconomic Trends:
The case for the secular bull
market to continue and why stay
invested



Case for bull market durability

1. **Economic expansion likely to continue** as we emerge from the most dangerous part of the cycle
2. We see comparisons to the 1990s but **leverage and debt levels lead us to believe we are closer to 97/98 than to 2000**
3. **Corporate profit margins and earnings** are stunningly strong and provide a basis to expect continued expansion
4. **The best hedge against AI is to own the companies that make the robots.** There are a lot of reasons to think AI and other innovation advancements are revolutionary and will reshape the way we think about productivity and economic progress

GDP Growth - 2025 forecasts stabilising slightly

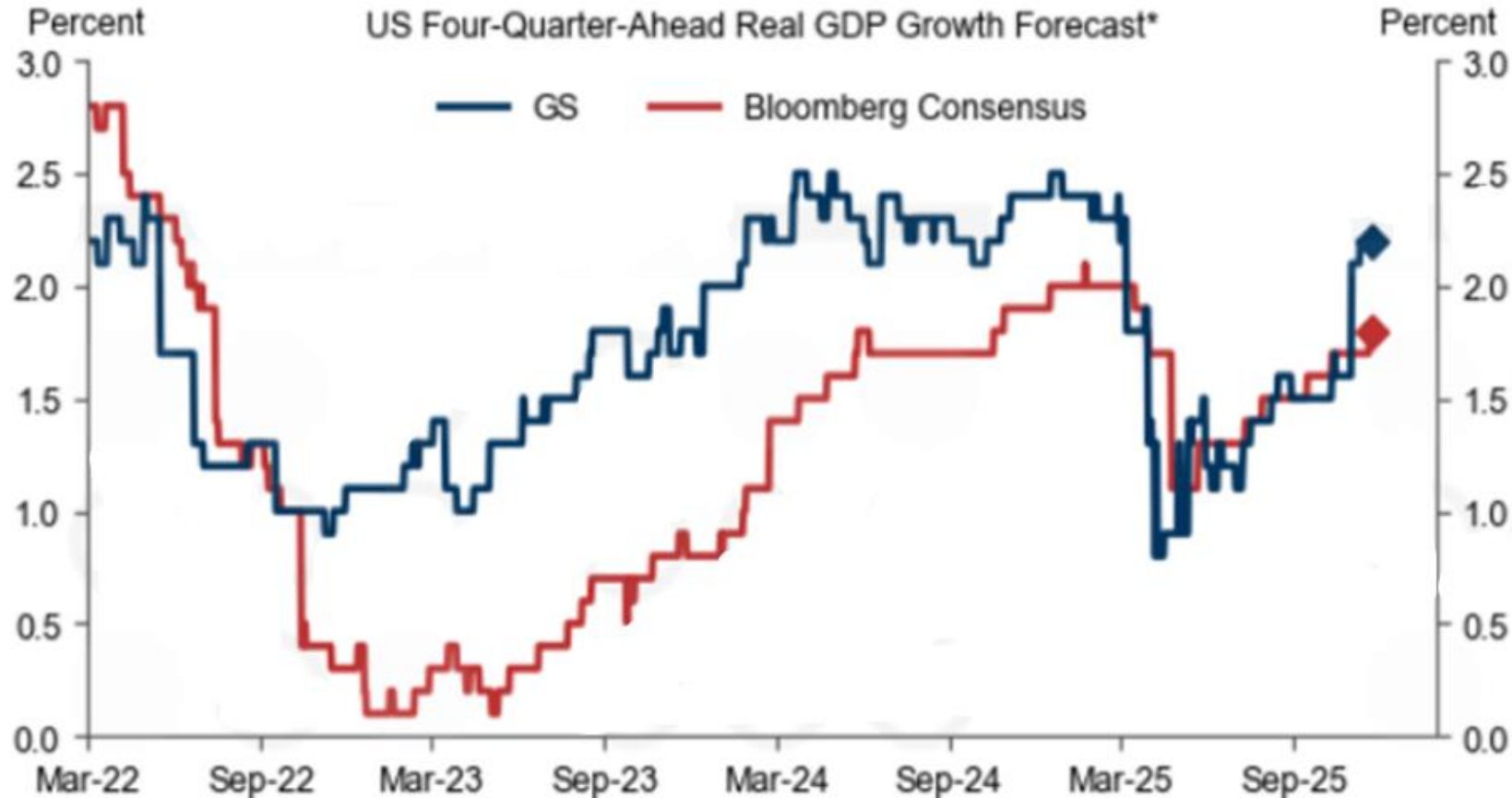
Real GDP Growth Consensus Estimates (%)

	2021	2022	2023	2024	2025F	2026F
Global	6.6	3.8	3.5	3.3	3.0	2.9
United States	6.1	2.5	2.9	2.8	1.9	1.8
Eurozone	6.3	3.6	0.4	0.9	1.3	1.1
Japan	2.7	1.0	1.2	0.1	1.1	0.7
Asia ex. Japan	5.9	4.1	5.1	5.3	4.5	4.3
China	8.4	3.1	5.4	5.0	4.9	4.3

Most regions are slower in 2025 but not collapsing, and many estimates are slightly higher than at the end of the previous quarter.

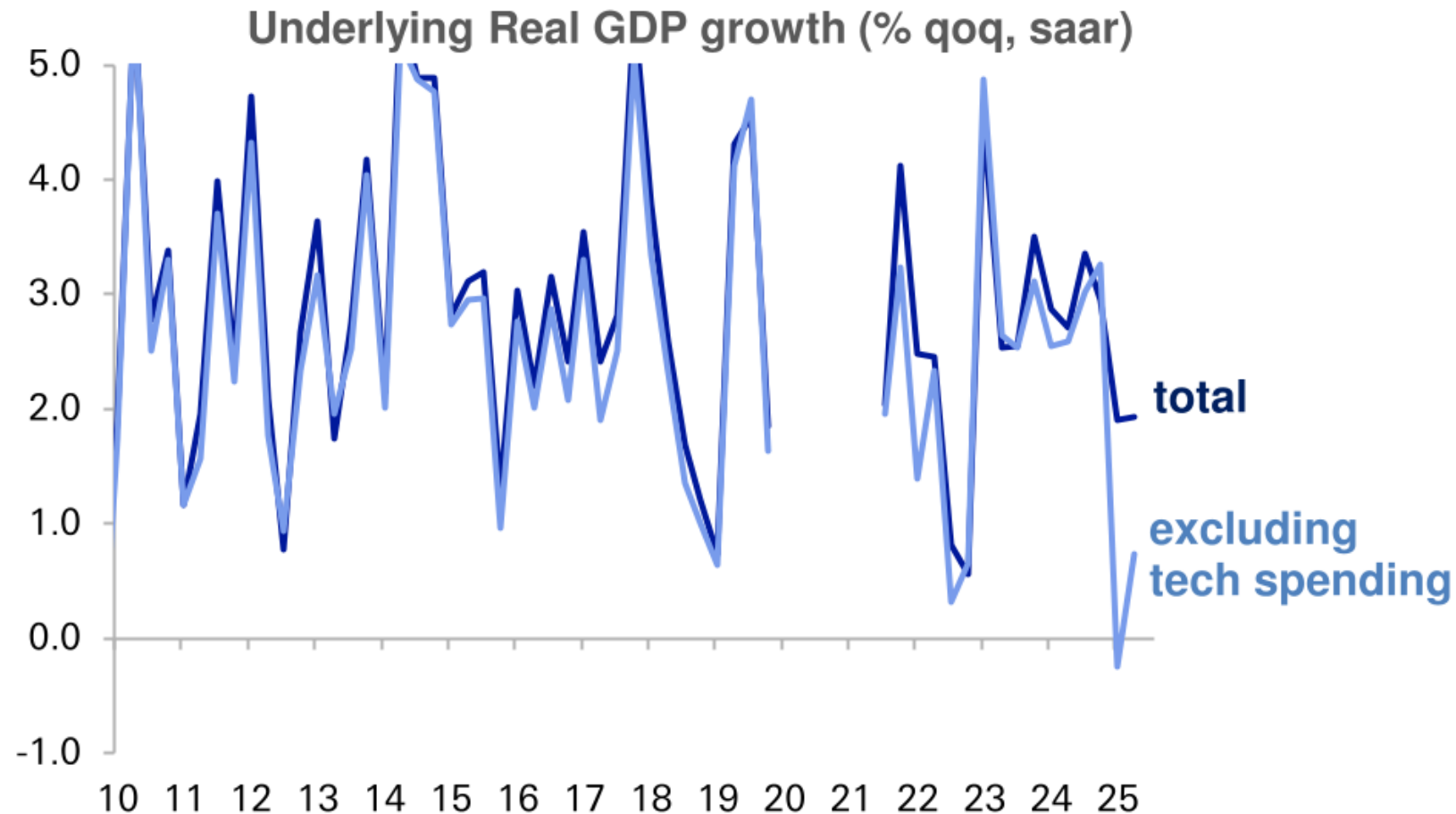
Economic growth has been creeping up in 2025 and should improve further in 2026

US GDP growth outlook looks decent again



SOURCE: BLOOMBERG, GOLDMAN SACHS GLOBAL INVESTMENT RESEARCH

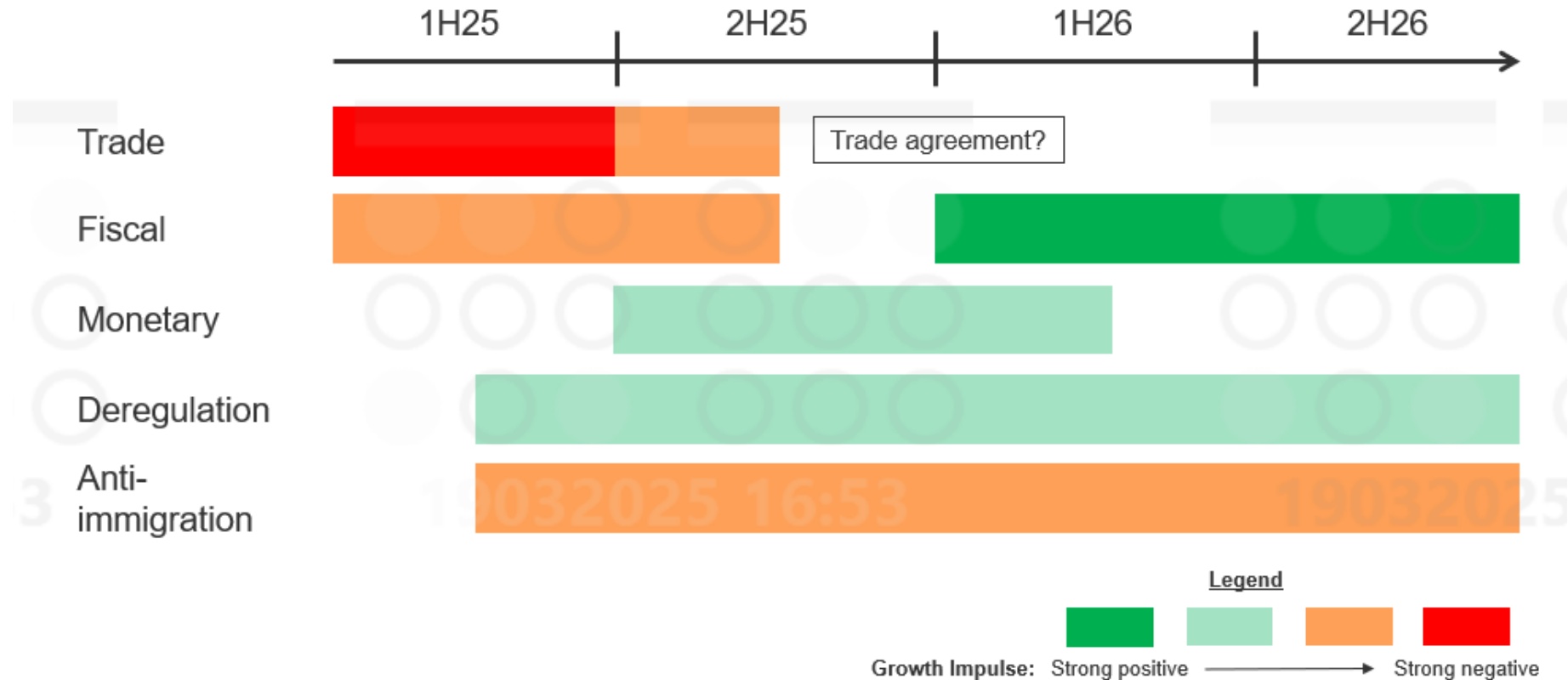
AI spending helped bridge the gap of slowing growth



SOURCE: DEUTSCHE BANK RESEARCH; UNDERLYING GDP MEASURED AS REAL FINAL SALES TO PRIVATE DOMESTIC PURCHASERS; TECH SPENDING INCLUDES THE SOFTWARE AND IT EQUIPMENT COMPONENTS OF FIXED INVESTMENT AND DOMESTIC SALES

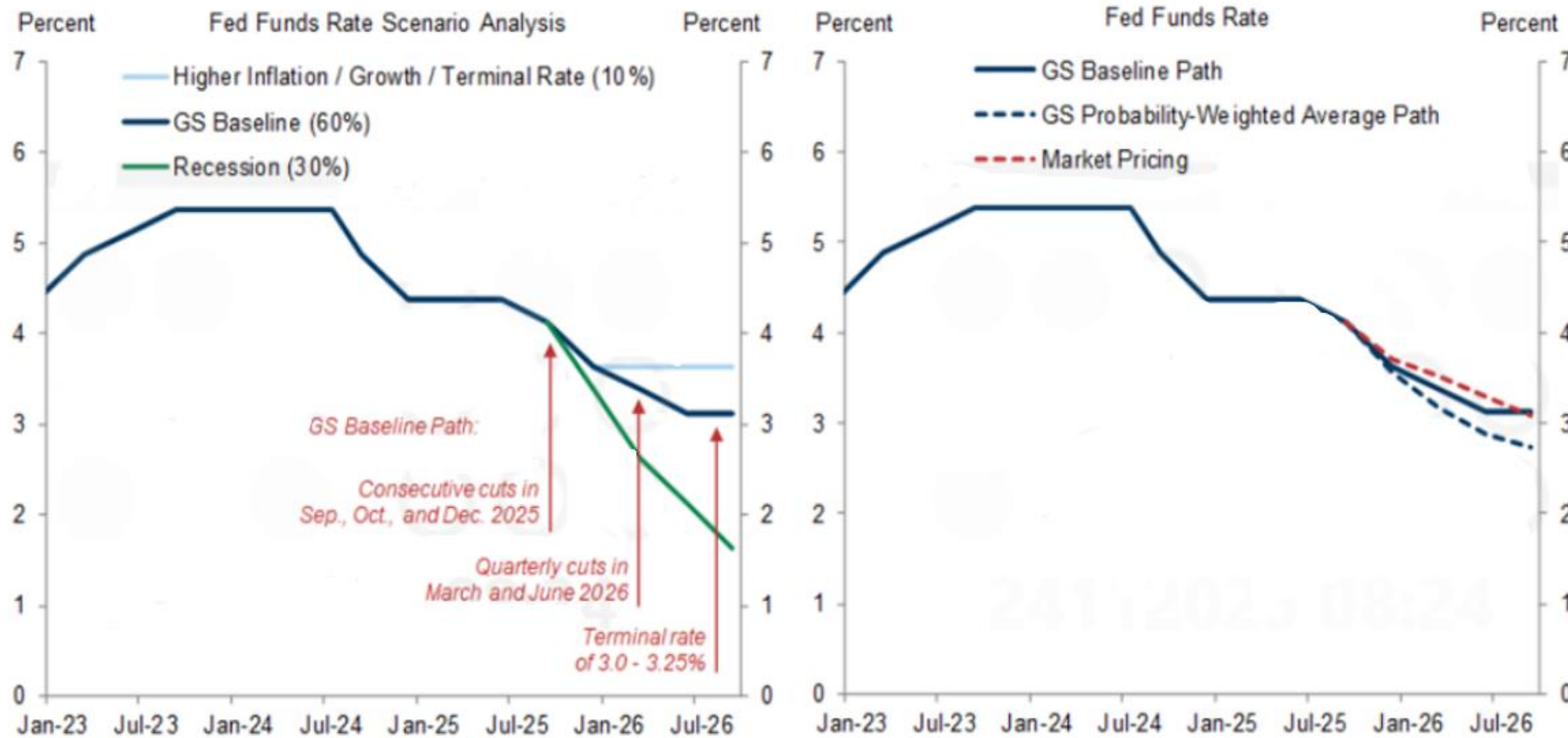
We have almost bridged the gap of the negative policy headwinds

Potential evolution of Trump 2.0 policies



Source: UOBAM. As of Mar 2025.

More rate cuts coming in 2026



Source: Bloomberg, Goldman Sachs Global Investment Research

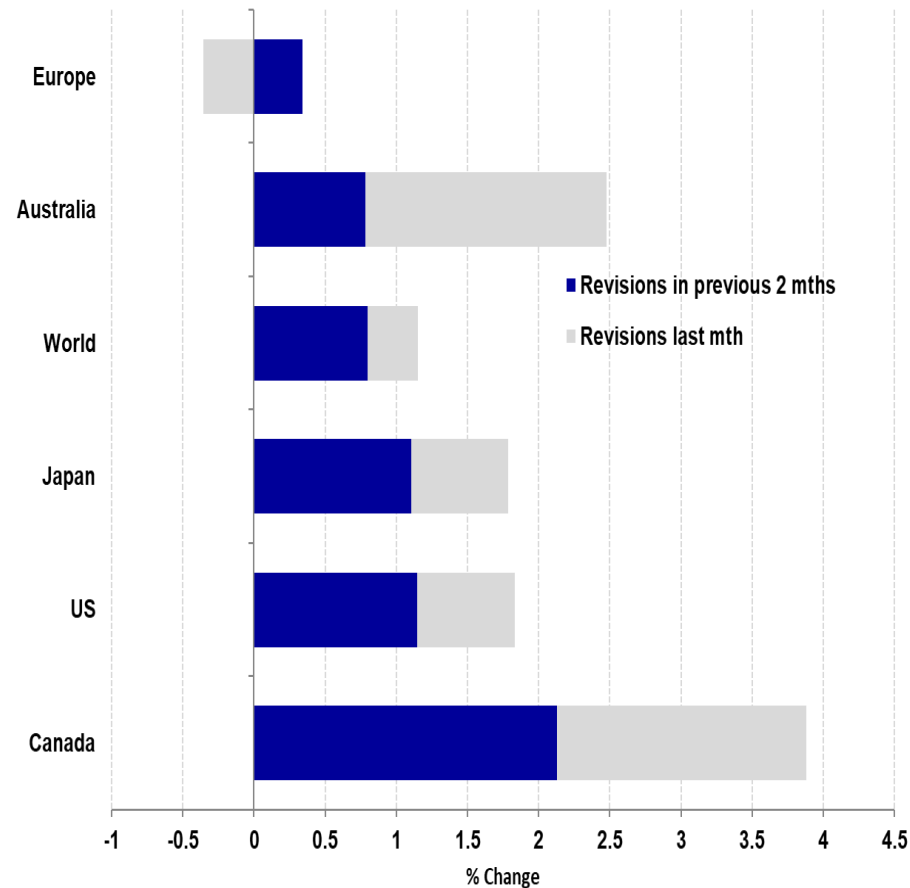
Earnings growth is good for 2025 and great for 2026

Regions	EPS Growth (YoY%)		PER		DVD YLD	PBR		ROE	
	2025E	2026E	2025E	2026E	2025E	2025E	2026E	2025E	2026E
US	11.8	13.2	25.1	22.2	1.4	5.3	4.7	21.1	21.4
Europe	11.3	11.2	15.9	14.3	3.2	2.2	2.0	13.6	14.2
Japan	4.0	10.2	18.0	16.3	2.1	1.7	1.6	9.6	9.9
Asia Ex Japan	9.2	18.0	17.1	14.5	2.3	2.1	1.9	12.1	13.0
China	-3.1	14.3	14.8	12.9	2.4	1.7	1.5	11.4	11.9

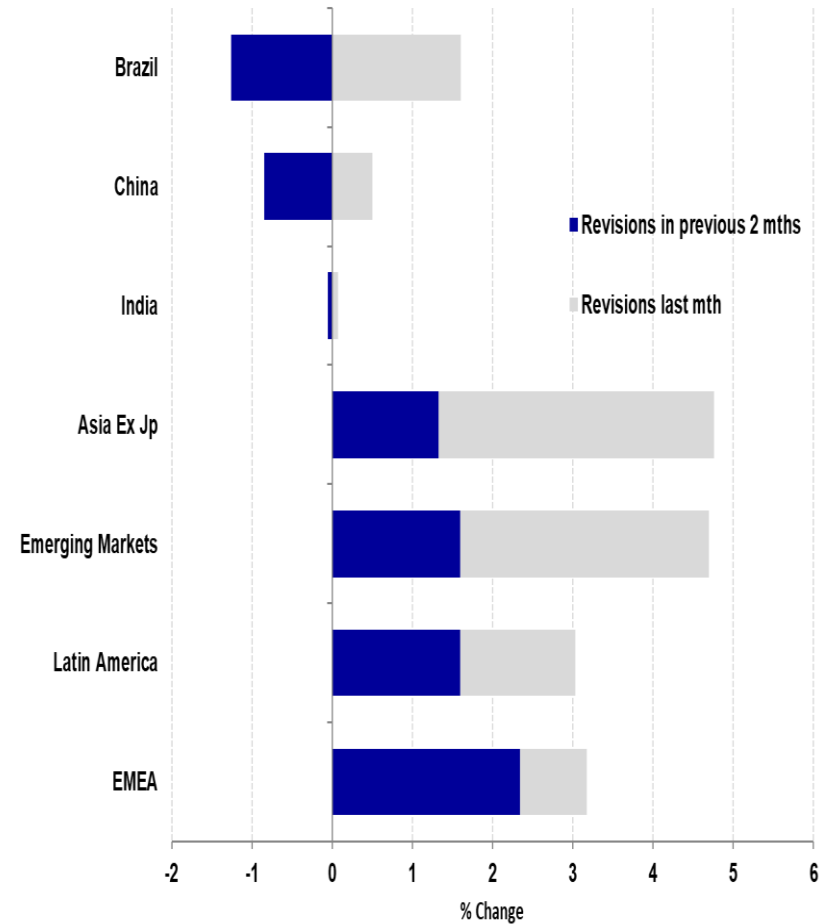
Source: Factset, UOBAM, Nov 2025. Based on Calendar Year.

Earnings Revision: Positive across major regions

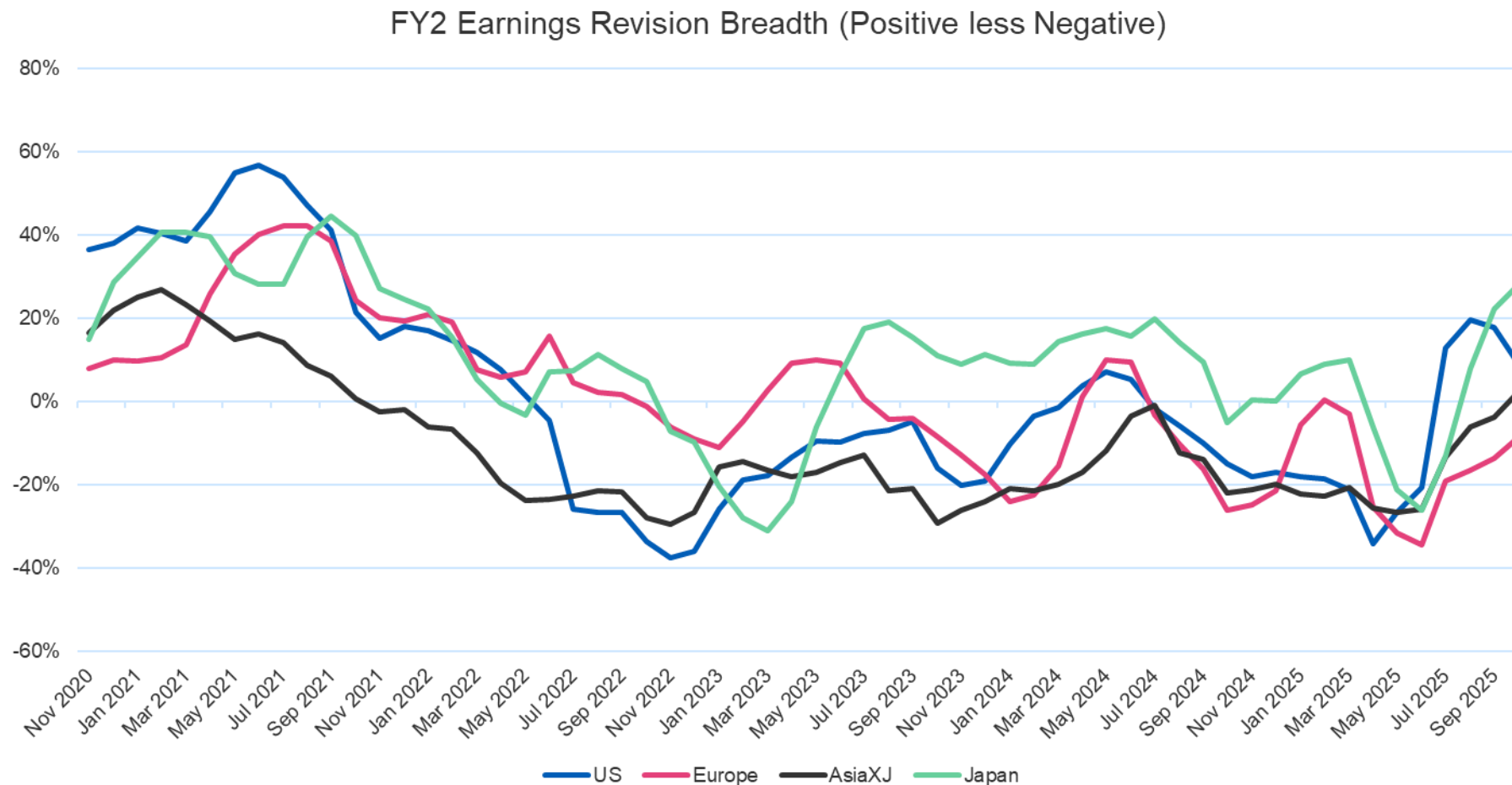
Developed Markets (CY2)



Emerging Markets (CY2)

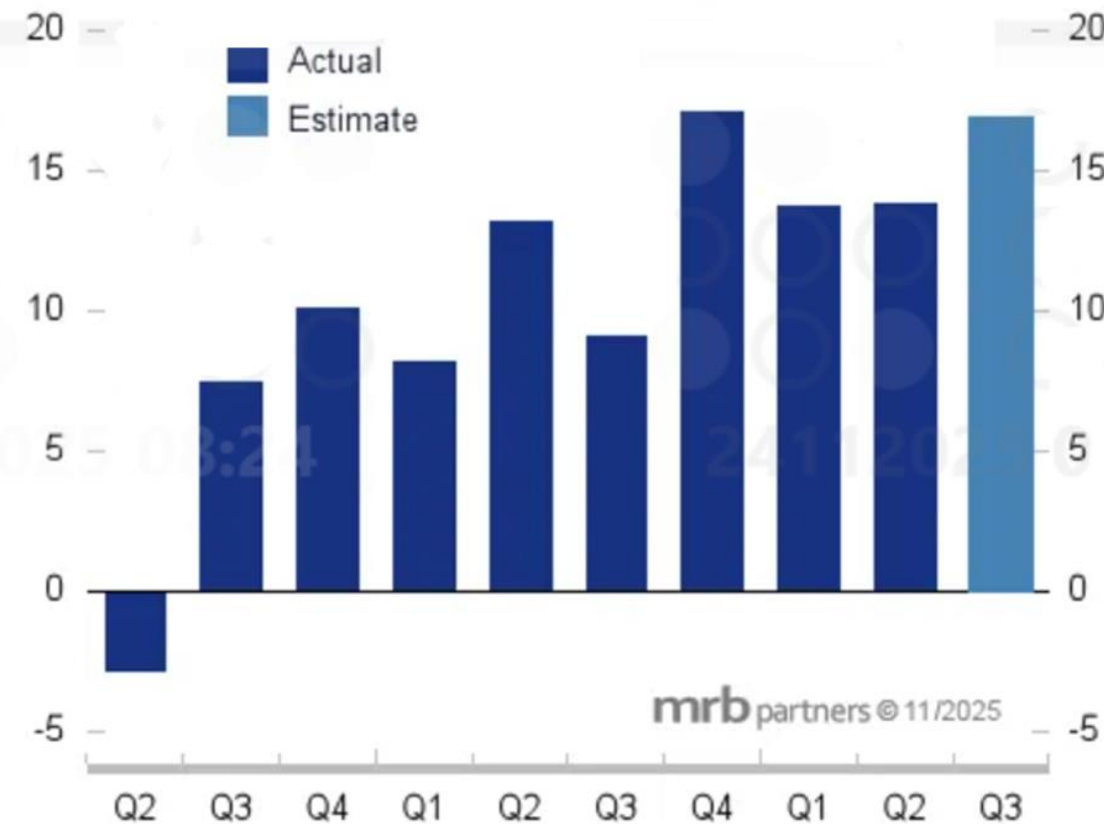


Earnings revision breadth: Picking up for most regions though some tentative signs of rolling over in the US

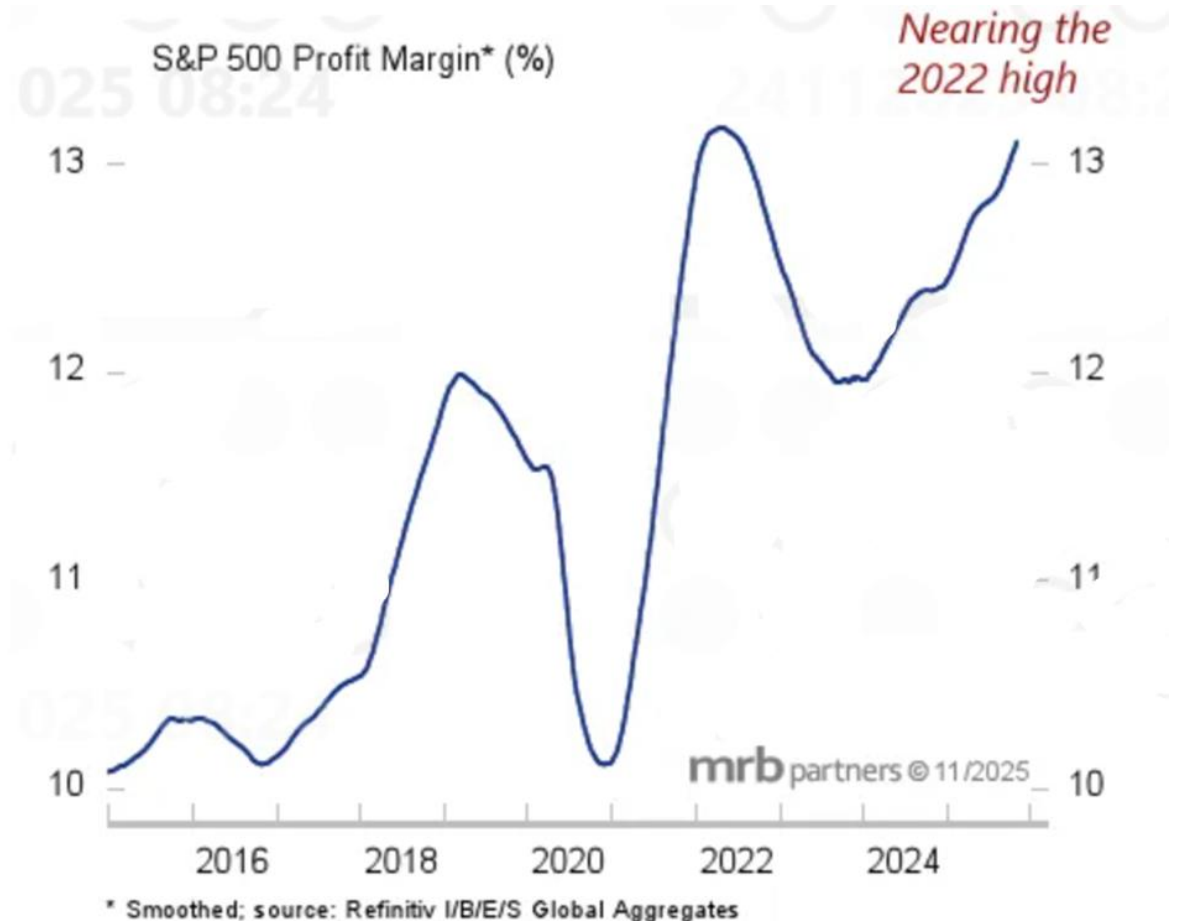


Corporate ability to improve margins and grow profits has been stunning

S&P 500 quarterly earnings growth (%YoY)



Profit margins further expanded in Q3



SOURCE: MRB PARTNERS, NOV 2025

AI facts and thoughts to consider

1. Elon Musk calls AI **the infinite money glitch** (can one afford not to be an owner of these companies?)
2. Open AI has \$1.4trn of investment commitments in the next 6 years (they currently have annual revenues of about \$14bn)
3. Mag 7 market cap is as big as the bottom 449 stocks of the S&P500
4. Mag 7 are larger than the combined sectors of Energy, Materials, Consumer Staples, Healthcare, Financials, Utilities and Real Estate
5. Apple is \$4trn market cap. The iPhone did more revenue in the past 12 months than Bank of America plus Meta. The App Store did more revenues than Target. iPads did more revenue than Starbucks.

Global Macro Risks:
The case for a diversified
approach to investing to balance
the many risks



The risks that justify diversified investment approaches

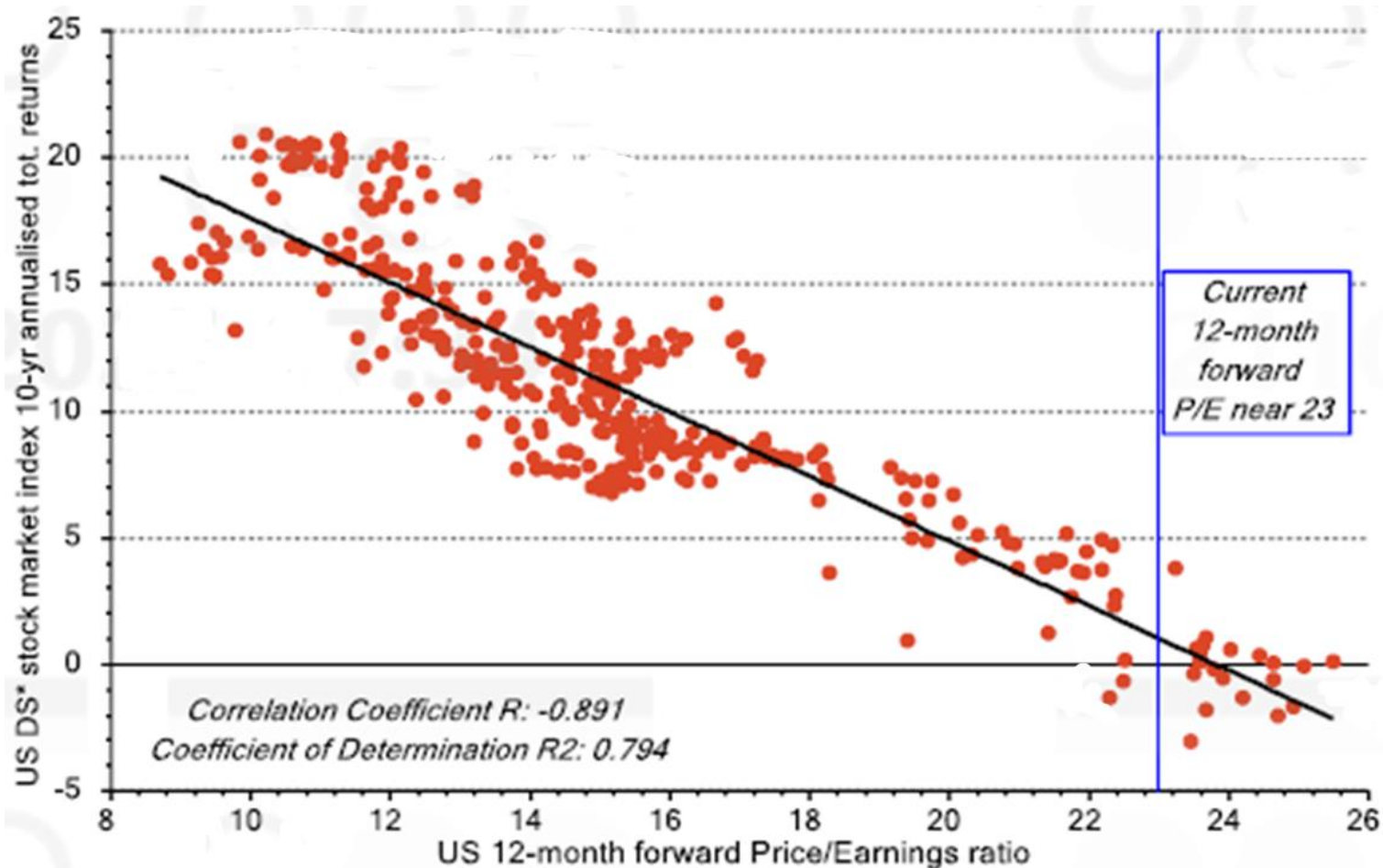
1. **Market valuations** are comparable to other bubbles and current valuations imply lower long-term returns
2. There is a lot of evidence that while Wall Street is very strong, **Main Street is dangerously weak**
3. While AI innovations are likely revolutionary, it is **not clear what the net effects are to the economy and to society**
4. The US fiscal situation risks a **bigger crisis at the next downturn**

US equity valuations are comparable to the 1990s



US equity valuations are comparable to the 1990s

Starting 12-month forward P/E ratio vs ensuing 10-year annualised total US stock market returns

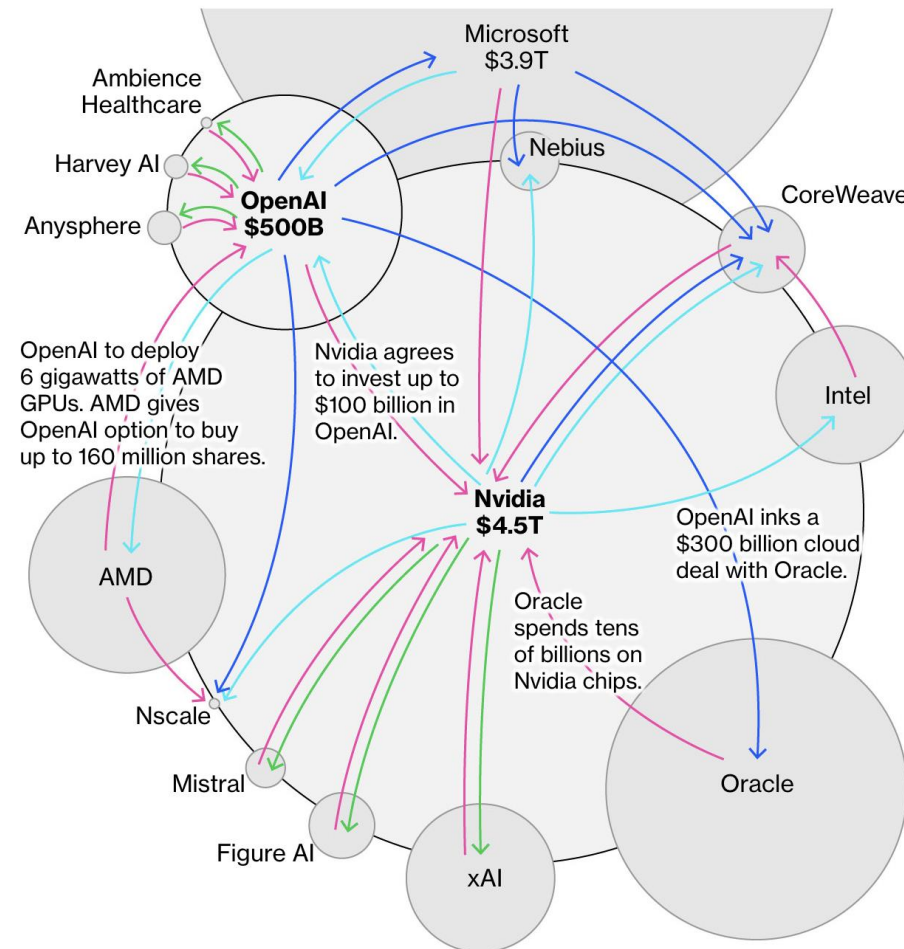


SOURCE: LSEG DATASTREAM/ECR RESEARCH

AI revenues appear circular

How Nvidia and OpenAI Fuel the AI Money Machine

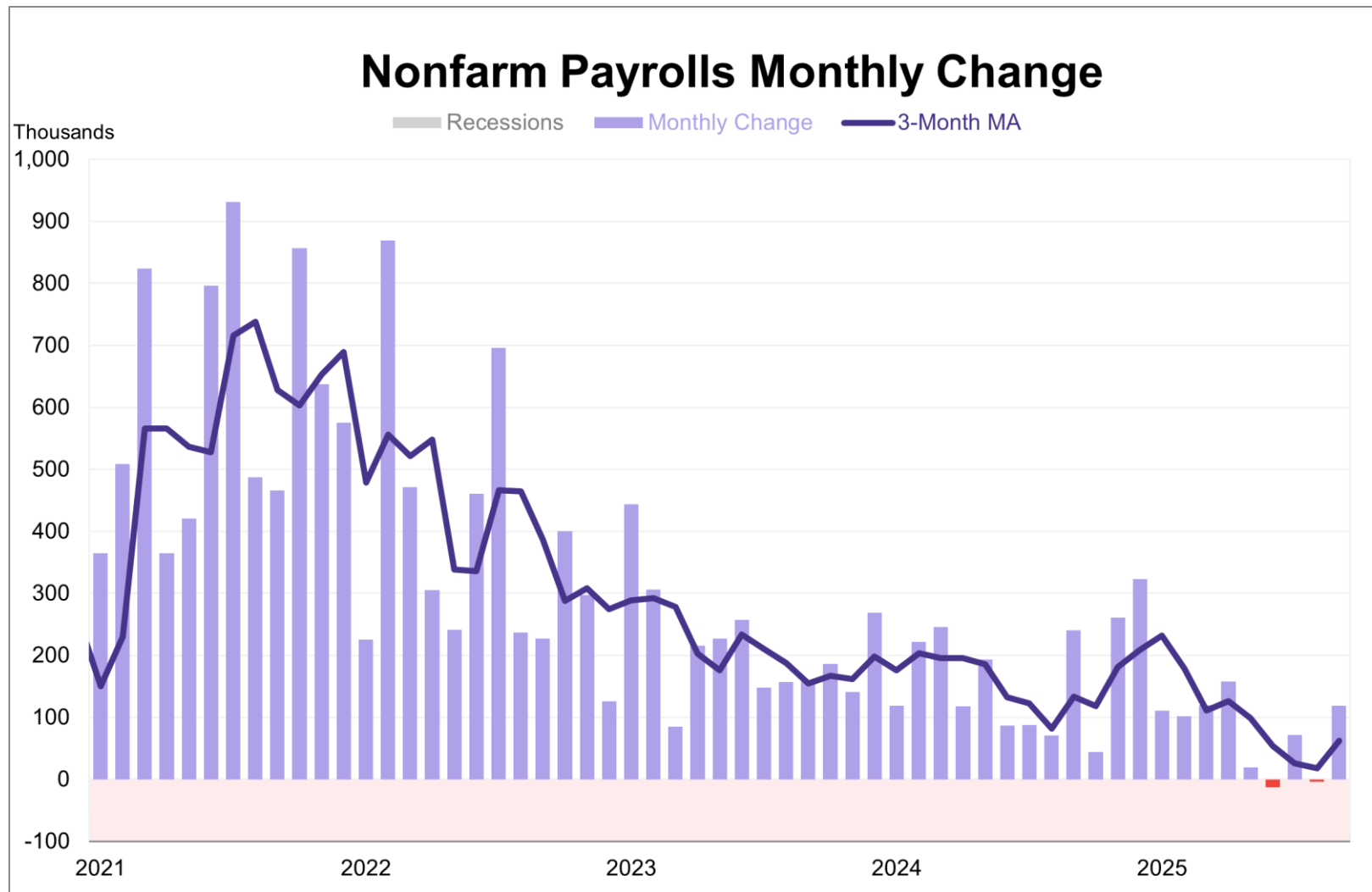
/ Hardware or Software
 / Investment
 / Services
 / Venture Capital
 Circles sized by market value



Concerns:

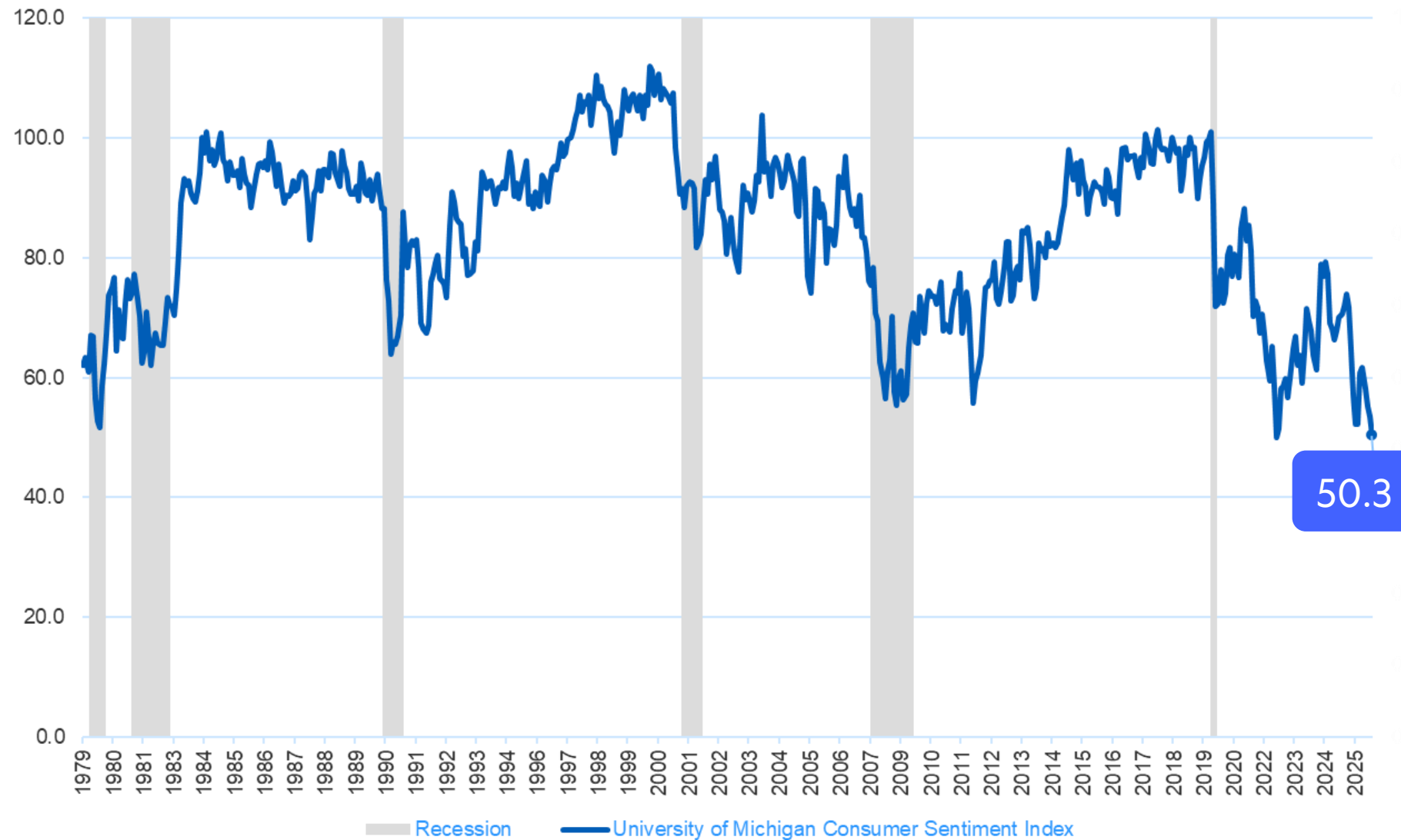
1. This is all about buying chips and chips are not really the product
2. AI isn't really the product - we are still looking for the critical application
3. Nobel Laureate, MIT economist, Daron Acemoglu forecasts much lower GDP growth from AI then his models show from the internet in the 1990's
4. Open AI has \$1.4trn of investment commitments in the next 6 years (they currently have annual revenues of about \$14bn)

Main Street is dangerously weak



SOURCE: VETTAFI, ADVISORS PERSPECTIVES, SEPT 2025

US consumer confidence is at crisis levels



SOURCE: UNIVERSITY OF MICHIGAN CONSUMER SENTIMENT INDEX

Many troubling trends in US housing

Homebuyers Are Getting Older

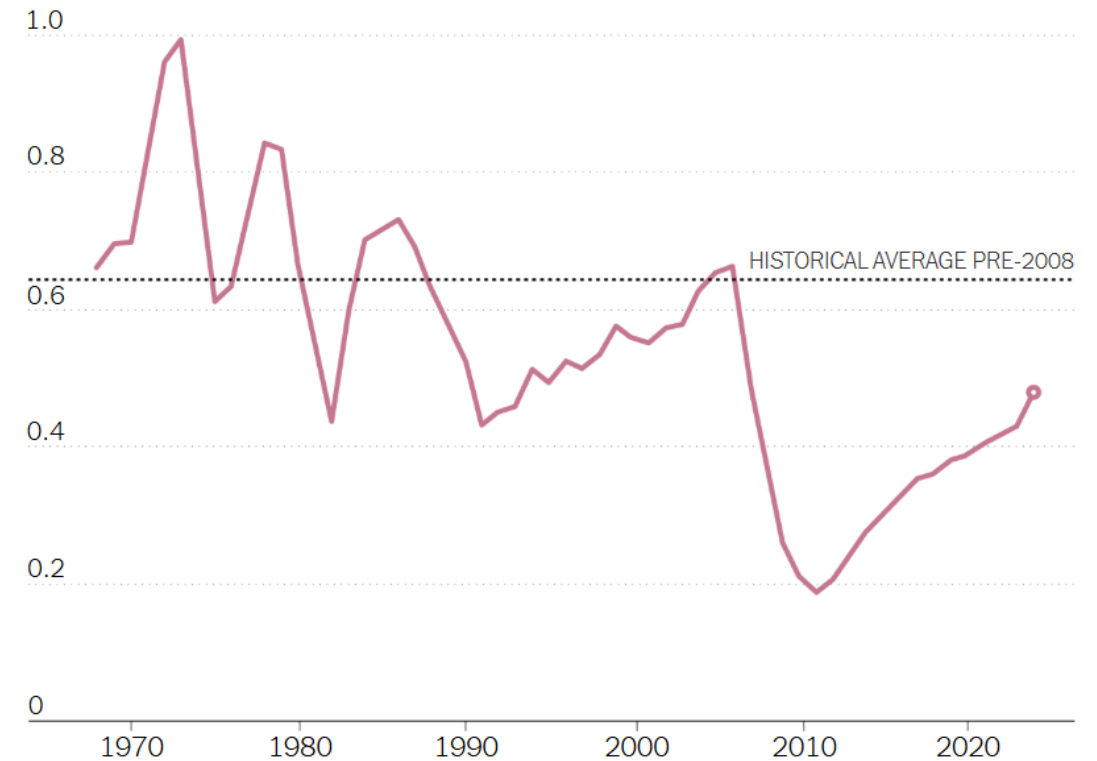
The median age of first-time buyers has reached a historic high as they are edged out of the market by repeat buyers, according to a new report from the National Association of Realtors.

YEAR	Median age of ...	
	Repeat Buyers	First-time buyers
1991	42	28
2019	55	33
2020	55	33
2021	56	33
2022	59	36
2023	58	35
2024	61	38
2025	62	40

Source: N.A.R. The New York Times

America is still building fewer homes than it was before 2008

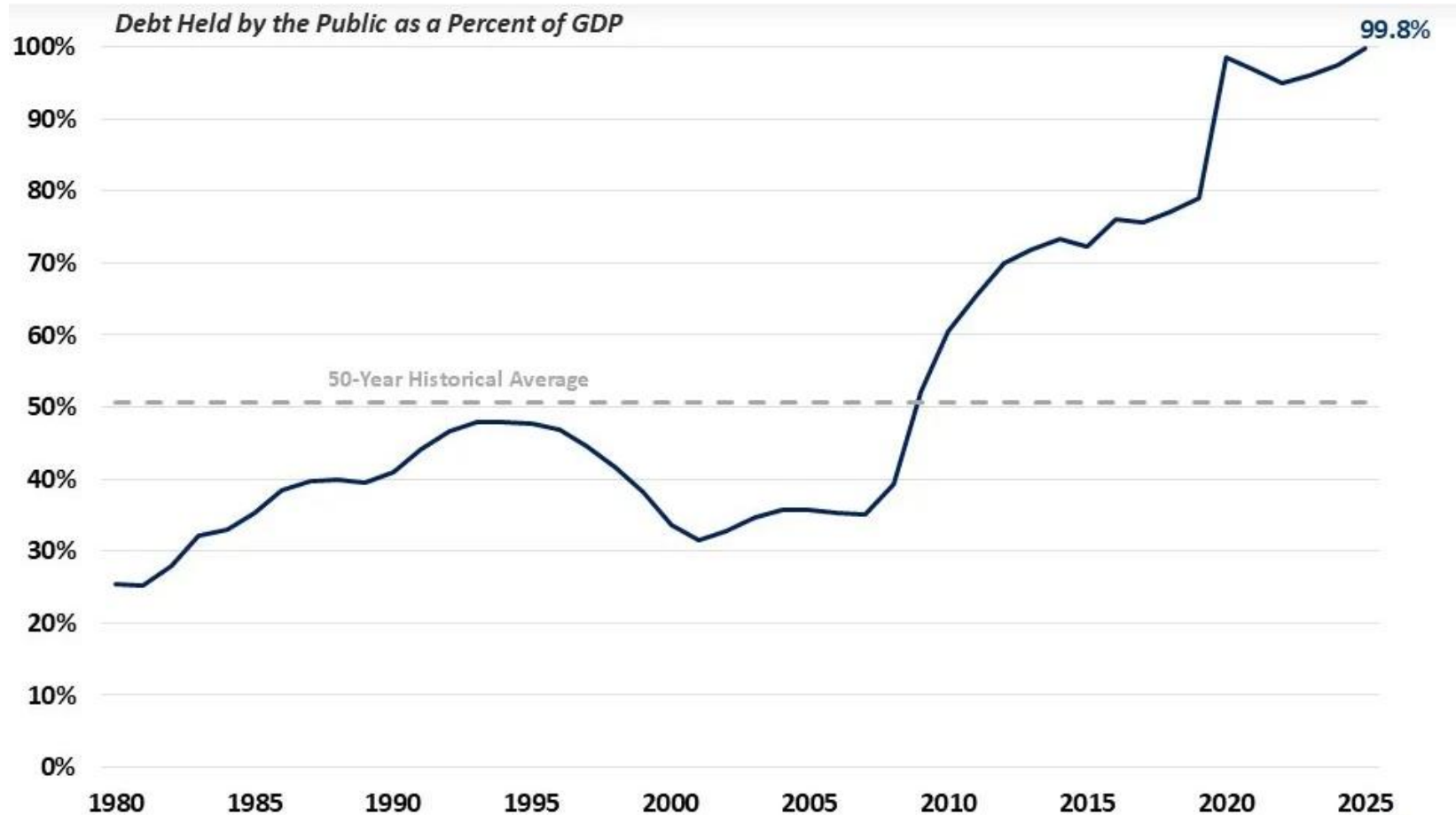
Total housing units built per 100,000 people per year



Source: U.S. Census Bureau

US fiscal health was in great shape in the late 1990s but is terrible now

US FY2025 debt nearly 100% of GDP



SOURCE: CONGRESSIONAL BUDGET OFFICE, NOV 2025

Which is worse?

What if there are 2 potential outcomes:

1. **The AI Bubble bursts.** It slows the economy and leads to job losses and a prolonged market downturn
2. **The bubble doesn't burst.** AI proves so powerful and valuable that these companies continue to soar. This leads to large white collar job loss.

Which is worse?

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