

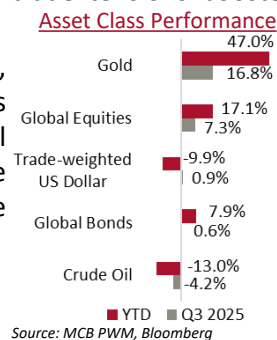
ASSET CLASS OVERVIEW

The second half of the year began on a strong note, extending Q2 momentum. In Q3, most of the major asset classes recorded gains as easing trade tensions boosted investor optimism.

Global equities, as measured by the MSCI All Countries Index, gained 7.3% mainly on the back of strong corporate earnings and the ongoing enthusiasm around AI prospects. Global bonds, as measured by the Bloomberg Global Aggregate Bond Index also registered positive gains supported by the dovish stance from most major central banks.

Crude oil faced another volatile quarter, declining 4.2% after OPEC+ signaled larger-than-anticipated output hikes, with oversupply risks further amplified by the International Energy Agency's projection of a record oversupply for 2026. Gold extended its rally (+16.8%) with sustained strong demand from retail investors and central banks. Recent concerns around an extended US government shutdown also contributed to propel prices to a record high of \$3,800/ounce by quarter-end. Gold remains on track to achieve its strongest annual performance since 1979 with year to-date gains of 47%.

After its 10.7% decline in the first half of 2025, the US Dollar stabilized during the quarter with gains of 0.9%. After an initial rebound (+3.2%) on easing trade tensions, the dollar reversed parts of those gains as investors priced in additional Fed rate cuts and growing fiscal risks.



MARKET OUTLOOK/PORTFOLIO POSITIONING

EQUITIES: Despite the strong rally, we remain neutral on global equities. Our stance is supported by the continued resilience of the global economy with tariff uncertainties easing off, fading US recession fears and clearer guidance on the Fed's rate-cut path. That said, bouts of volatility remain likely in the near term given the possibility that ongoing trade negotiations may stall or there is a sudden deterioration of economic data.

On US equities, we maintain a neutral stance with a positive tilt. We are of the view that further rate cuts by the Fed, expected robust corporate earnings growth (+7.3% for Q4) as well as sustained investors' optimism around AI monetization and its promises of productivity gains should provide further market tailwinds. However, volatility risks persist in the short term, in particular the recent government shutdown which could potentially last longer than what markets expect. Moreover,

the ongoing political interference from Trump regarding Fed independence could also cloud investors' optimism.

With regards to portfolio positioning, we have exited our equal-weighted position and brought the exposure to Technology and Communication Services sector back to neutral to reflect our growing confidence in the AI-related segment on the back of sustained capital expenditure and clearer monetization opportunities. Our favoured picks remain 'Financials' over potential deregulation tailwinds and 'Industrials' in particular the Aerospace & Defense segment which remains underpinned by a robust order backlog amidst NATO countries spending commitments on defense.

On European equities, we keep our previous neutral stance. Whilst the recent US trade deal and positive corporate earnings momentum should support equities, political instability in France and renewed 15% tariffs pressure on Germany's industrial sector continue to weigh on the near-term outlook.

We remain positive on Japanese equities given the improving macro fundamentals, strong household savings, and ongoing corporate reforms. Furthermore, the recent leadership change, with Sanae Takaichi assuming the prime minister's office, has boosted market optimism for more fiscal support, although her party's lack of a parliamentary majority could hinder policy implementations.

Our stance on Chinese equities has shifted to slightly positive as ongoing policy support measures through rate cuts and targeted funding in strategic sectors such as Semiconductors and Biotech should continue to add further impetus to this quarter's rally. Of note is the shift in investor's sentiment with the return of both domestic and foreign flows into the markets. Key areas to watch would be the evolution of the trade negotiations until the expiry of the temporary trade truce mid-November as well as the announcement of policy actions from the Plenum in October.

FIXED INCOME: The outlook for fixed income markets still looks benign for the rest of the year as we expect monetary policy easing to continue. There is limited room for credit spreads to tighten further but they can remain rangebound and any fall in yields should be supportive for bonds. Persistent inflation, geopolitical uncertainty and fiscal indiscipline in select markets remain key risks.

Our exposure to corporate bonds, both in investment grade and high yield segment provided an overall positive return to portfolios. Emerging market bonds and high yield bonds continued to outperform. We continue to gradually increase portfolio duration by taking exposure to good quality corporate bonds while maintaining our selective exposure to high yield bonds on the shorter term.

GLOBAL EQUITIES

The global equities rally was led by the strong performance of both developed and emerging markets equities this quarter, with gains of 7.0% and 10.1% respectively. The relative year-to-date outperformance of emerging markets further widened, primarily led by Chinese equities (+20.1%) on the back of onshore A-share performance rallying 19.8% and Taiwanese equities by 11.3%. On the other hand, developed markets gains were underpinned by the strong run of US (+7.8%) and Japanese stocks (+7.4%).

US: US equities maintained their strong momentum in Q3, with the SP 500 (+7.8%) and Nasdaq Composite (+11.2%) reaching all-time highs. The Magnificent 7 (+17.6%) continued its good run from Q2, with Apple (+24.1%), Nvidia (+18.1%), and Alphabet (+38%) contributing around half of the SP 500's gains.

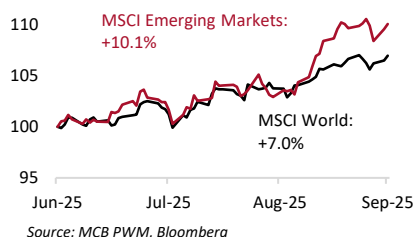
Additionally, the rally leadership shows signs of broadening, with AI-related names such as Broadcom (+19.9%), Oracle (+28.9%), and Palantir (+33.8%) amongst top performers.

Robust corporate results also underpinned the rally, with Q2 earnings growth coming in at 11.7% (vs. estimates of 4.9%), marking another quarter of positive surprises.

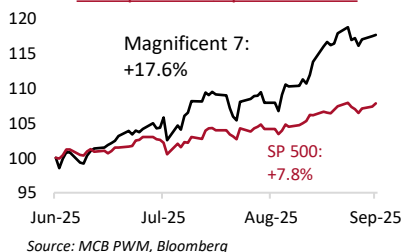
Investor sentiment was boosted in mid September as the Fed delivered its long-anticipated rate cut, citing cracks in the labor market and slowing growth momentum amidst lingering inflation risks. Investors were further reassured by the Fed's guidance for 2 additional cuts this year.

The breadth of the market rally was further evident at sector level with all sectors except Consumer Staples (-2.9%) ending the quarter in positive territory. Information Technology (+13.0%) and Communication Services (+11.8%) were the top quarterly gainers.

Developed vs Emerging markets: Q3 performance



US equities: Q3 performance



SP 500 - sector performance

SP500 Sectors	Q3 2025	YTD
Info.Tech	13.0%	21.7%
Comm. Services	11.8%	23.7%
Cons. Discr	9.4%	4.7%
Utilities	6.8%	15.1%
Energy	5.3%	4.3%
Industrials	4.6%	17.1%
Healthcare	3.3%	1.2%
Financials	2.9%	11.5%
Materials	2.6%	7.7%
Real Estate	1.7%	3.5%
Cons. Staples	-2.9%	2.0%

Source: MCB PWM, Bloomberg

Europe: After a strong first half of 2025, European equities lagged their global peers this quarter with a modest 3.1% gain. Despite easing trade tensions and better-than-expected Q2 earnings, investor sentiment turned cautious as the US-EU tariff deal, which reduced duties to 15% except for steel and aluminum (50%), continued to weigh on key sectors namely: Automobiles and Parts (+1.0%), Healthcare (+0.7%), and Construction and Materials (-1.3%).

The CAC 40 gained 3.0% in Q3 despite political upheaval driven mainly by Industrials (+5.2%) and Consumer Discretionary (+6.1%), with LVMH (+17.1%) and Kering (+53.1%) that surged as trade tariffs eases. However, political uncertainty following the recent resignation of the newly appointed Prime minister may cloud the year-end outlook.

After a strong first half of year (+19.4%), Germany's DAX was muted in Q3, dropping 0.1% dragged by heavyweight SAP (-11.7%) as it faced an EU antitrust probe and an uncertain outlook due to trade uncertainties.

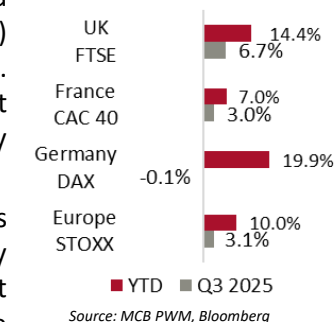
UK equities were amongst the best performing regions (+6.7% in GBP terms), with the FTSE 100 reaching an all-time high (YTD: +14.4%) underpinned by reaching an early deal with the US and another 25bps rate cut in August.

China: Chinese equities delivered a strong performance in Q3 (+19%) as signs of improvement in its current environment and outlook re-ignited investors optimism, both domestic and foreign.

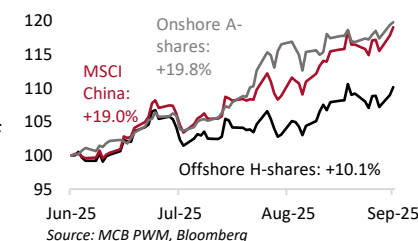
Onshore A-shares (+19.8%) rallied on the back of the surge in semiconductor stocks; Foxconn Industrial Internet and Cambricon Technologies rose 208.7% and 120.2% respectively, as restrictions on Nvidia chips fueled expectations of greater domestic demand and self-sufficiency.

Japan: After a slow start to the quarter marked by political uncertainty after the ruling party lost its House majority, Japanese equities recovered to gain 10% on news of an agreement with US to reduce tariffs from 25% to 15%.

European markets: Q3 performance (in local currency)



Chinese equities: Q3 performance



FIXED INCOME

In Q3, global fixed income markets delivered positive results (+0.6%), bringing the YTD gains to 7.9%. Performance was supported by the dovish shift in monetary policy though weakness in China, Japan, and UK weighed on the aggregate index.

PERFORMANCE OF GLOBAL BOND INDICES						
	Ccy	YIELD		TOTAL RETURNS		DURATION
		30 Jun 2025	30 Sep 2025	YTD	Q3 2025	
Global Aggregate bonds	USD	3.5%	3.5%	7.9%	0.6%	6.5
U.S Treasury bonds	USD	4.0%	3.9%	5.4%	1.5%	5.9
U.S Investment Grade Corporate	USD	5.0%	4.8%	6.9%	2.6%	7.0
U.S High Yield Corporate	USD	7.1%	6.7%	7.2%	2.5%	3.1
Europe Investment Grade Corporate	EUR	3.1%	3.1%	2.8%	0.9%	4.5
Europe High Yield Corporate	EUR	5.5%	5.3%	4.7%	1.9%	2.9
Emerging Markets Aggregate	USD	6.3%	6.0%	8.5%	3.4%	6.2

Source: MCB PWM, Bloomberg

In the US, investment grade (+2.6%) and high yield (+2.5%) bonds outperformed Treasuries (+1.5%) supported by spread tightening amid rising concerns over US fiscal sustainability. European corporates were also positive for the quarter with high yield bonds (+1.9%) outperforming investment grade (+0.9%) bonds helped by a fall in yields. Emerging market debt (+3.4%) once again led performance driven by Latin America and the Middle East where improving macroeconomic conditions and a dovish shift by the Federal Reserve boosted investor appetite.

Credit spreads for High Yield bonds



Source: MCB PWM, Bloomberg

Credit spreads for high yield bonds continued to tighten in Q3 with sustained demand from both developed and emerging markets. After a bout of volatility in April, due to trade tariffs announced by US president Donald trump, the trend resumed towards Q2 and Q3.

Euro high yield bonds saw their credit spreads for tightened the most with 38 basis points (bps), while those of the US and Emerging Markets tightened by 18bps and 19bps, respectively. For the Investment grade segment, spreads also moderated slightly for both USD and Euro bonds during the quarter.

Central banks actions

United States: The Federal Reserve resumed its easing cycle in September with a 25 bps cut, moving rates to 4.00%-4.25%. Analysts are expecting two additional cuts by year-end. To note that the Fed's focus has for now shifted to weakening labour markets despite inflation remaining sticky with the August CPI print of 2.9% coming out, higher than the Fed's 2% target.

Eurozone: After successive rate cuts, the European Central Bank held rates steady in Q3 emphasising a data dependent approach going forward. The ECB expects inflation to trend downwards to 1.7% in 2026 before picking up pace again.

United Kingdom: After a 25 bps rate cut in August to 4.00%, the Bank of England held rates steady during its September meeting. Inflation in August was 3.8%, unchanged from July as growth remains subdued.

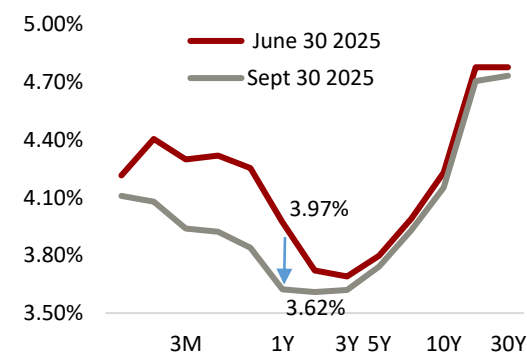
Japan: The Bank of Japan kept its policy rate unchanged at 0.5% and decided to start disposing its ETFs and J-REITs holdings hinting towards policy normalization. Inflation in Japan is trending lower at 2.7% but still higher than its 2% target.

US Treasury Yields

During the quarter, US Treasury yields fell across the curve with the largest decline at the shorter end. The 1Yr dropped from 3.97% to 3.62%.

The longer end saw yields remaining sticky. The 20Yr fell slightly from 4.78% to 4.70%. With investors remaining cautious about the sustainability of US Debt, they are demanding higher premium for longer dated debt.

US Treasury Curve Evolution – Q3 2025



Source: MCB PWM, Bloomberg