

Quarterly Investment Insights  
1<sup>st</sup> Quarter 2026

# Shock, Resilience and Broadening Opportunities

## TABLE OF CONTENTS

02	Iran Conflict Impact
03	Inflation Concern
04	Global Equities – AI Broadening
05	China Resilient Growth
05	What's Next
06	AIA House View
07	Stewardship Insights - BlackRock

## Key Takeaways

- Escalating geopolitical tensions between the U.S., Israel and Iran triggered a brief spike in risk aversion and renewed inflation concerns.
- Fears of supply-driven inflation pushed near-term rate cut expectations lower, reinforcing the importance of policy credibility and data dependency in the current cycle.
- Global equities rebounded strongly in April, recovering losses incurred during the initial conflict period and highlighting investors' continued commitment to long-term fundamentals.
- China's economy demonstrated resilience with first-quarter GDP growth reaching 5%, supported by stable exports, targeted policy measures and improving confidence in selected sectors.
- The Artificial Intelligence (AI) theme continues to broaden, with adoption expanding beyond technology leaders into industrials, healthcare, financials and consumer sectors.



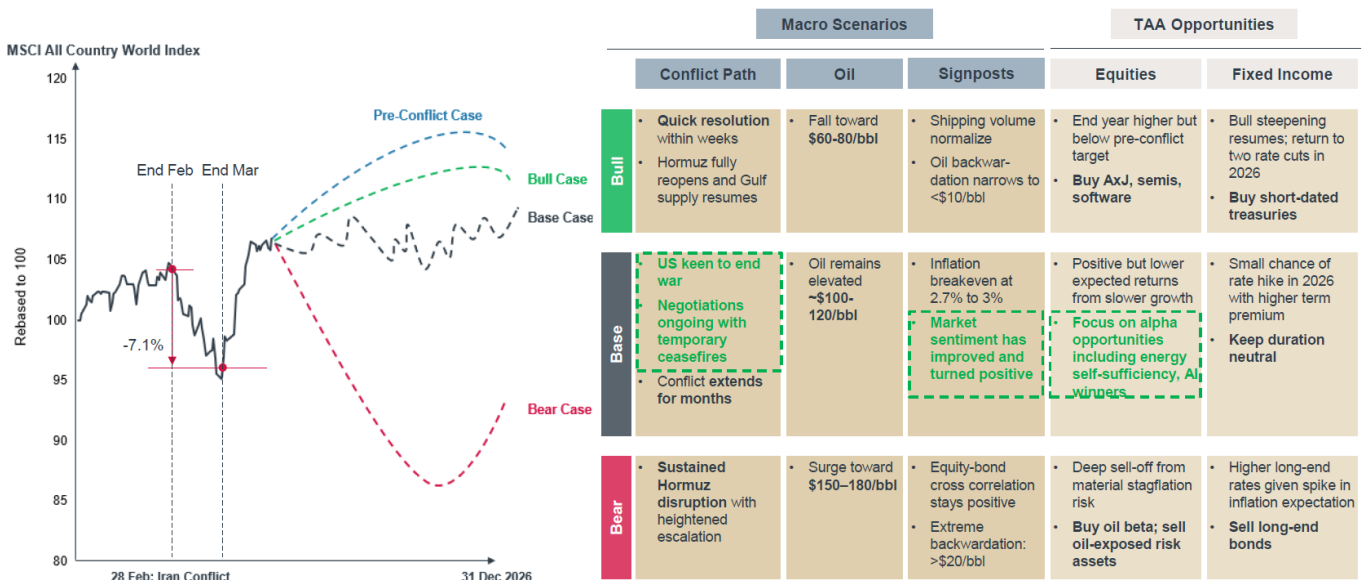
## GLOBAL MARKETS: RESILIENCE AMID GEOPOLITICAL SHOCK

Escalating geopolitical tensions involving the U.S., Israel and Iran introduced a renewed source of uncertainty for financial markets during the quarter, triggering a short-lived spike in volatility and risk aversion. Energy prices rose sharply amid concerns over supply disruptions, while equity markets pulled back as investors reassessed geopolitical risks and inflation implications.

Thus far, market reactions remained measured and orderly. Unlike past episodes of geopolitical stress that resulted in prolonged dislocations, recent price action reflected a rapid reassessment rather than a sustained de-risking. Financial conditions remained broadly supportive, liquidity stayed ample and corporate earnings expectations were largely unchanged. As a result, markets stabilized quickly once worst-case scenarios failed to materialize.

This episode reinforced the market's growing ability to absorb geopolitical shocks, particularly when underlying economic fundamentals remain intact. While geopolitical risks continue to pose headline-driven volatility, their impact on long-term asset pricing has been increasingly shaped by macro fundamentals, earnings resilience and central bank credibility rather than short-term sentiment swings.

### Base case of 'higher oil for longer' remains, however market sentiment has turned positive



Source: AIA. Bloomberg. Solid line represents MSCI All Country World Index (in USD) from 31 Dec 2025 to 30 Apr 2026, rebased to 100.

-7.1% is MSCI All Country World Index total return (in USD) from 27 Feb – 31 Mar 2026. Graph is for illustration purposes only. Any forecasts, projections or forward-looking statements are for illustration only; actual events or results may differ.

## INFLATION CONCERNS AND FEDERAL RESERVE EXPECTATIONS

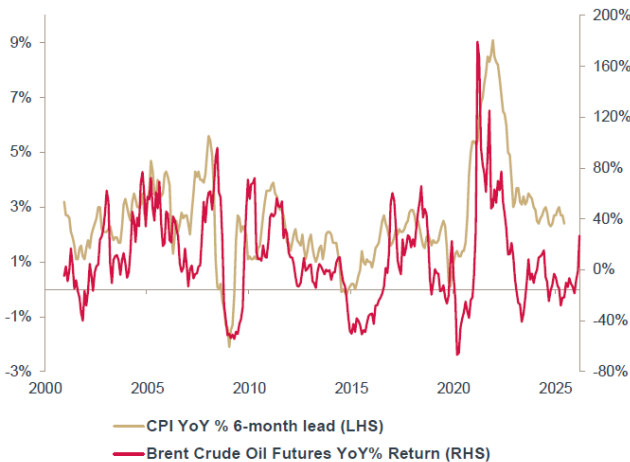
The rise in energy prices following the closure of Strait of Hormuz reignited concerns over supply-driven inflation, particularly after a prolonged period of easing inflation dynamics. Higher oil prices raised the risk of renewed pressure on headline inflation, prompting markets to reassess the near-term trajectory of price stability and monetary policy. Additionally, the risk of stagflation has increased, as rising inflation combines with slowing economic growth, elevating concerns about prolonged economic stagnation alongside persistent price pressures.

As a result, expectations for Federal Reserve rate cuts were pushed further out, with markets pricing a slower and more cautious easing cycle. This repricing reflected growing recognition that while inflation has moderated, central banks remain highly sensitive to upside inflation risks—especially those stemming from energy, wages and supply-side shocks beyond policymakers’ direct control.

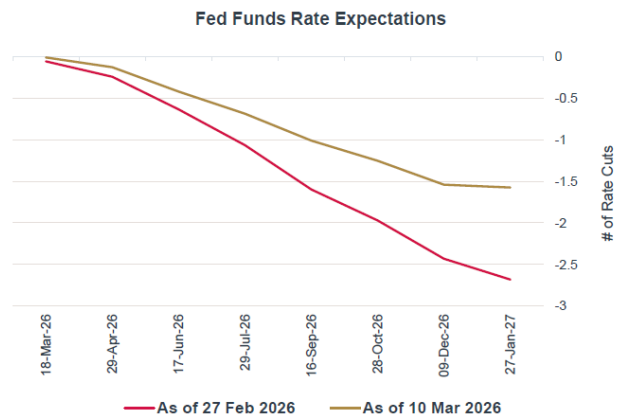
The evolving rate outlook underscores the importance of policy credibility and data dependency in the current cycle. Rather than following a pre-determined easing path, central banks are likely to respond flexibly to incoming data, balancing growth risks against inflation persistence. For investors, this suggests greater dispersion across asset classes and regions, with interest rate sensitivity and inflation exposure becoming increasingly important drivers of performance.

### Rising stagflation pressure complicates Fed’s path

Change in oil prices generally lead CPI change by 6 months



Fed less dovish: 2 rates cut wiped out since the outbreak of the conflict



Source: AIA, Bloomberg. 10 Mar 2026 unless otherwise stated. CPI data as of 27 Feb 2026. Fed Funds Rate expectations based on Bloomberg World Interest Rate Probability – Overnight Index Swaps; pricing as of 27 Feb 2026 and 10 Mar 2026.

*Historical market trend is not necessarily indicative of future market trends.*

## GLOBAL EQUITIES: RECOVERY DRIVEN BY FUNDAMENTALS AND BROADENING AI ADOPTION

Following early-quarter volatility, global equities rebounded strongly in April, recovering losses incurred during the initial conflict period. The swift recovery underscored investors' continued confidence in long-term fundamentals, supported by resilient corporate earnings, healthy balance sheets and improving market breadth.

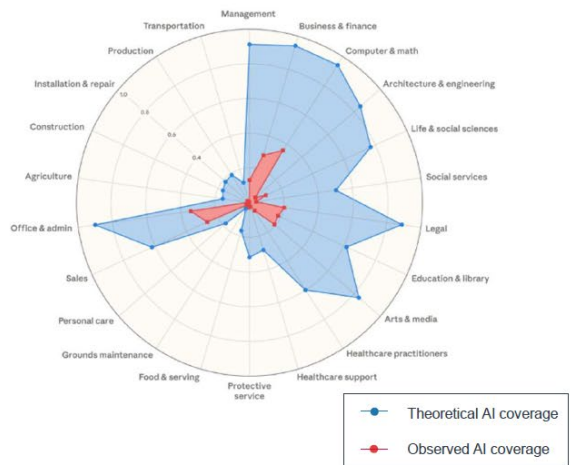
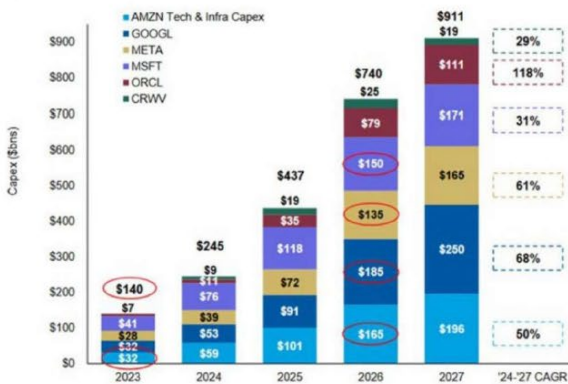
Equity performance was increasingly broad-based, extending beyond a narrow set of mega-cap stocks. Non-U.S. markets and cyclical sectors contributed to the rebound, reflecting a shift in investor focus from defensive positioning toward sustained growth potential. This recovery highlighted the market's willingness to look through short-term shocks as long as underlying economic conditions remain stable.

Within equities, the Artificial Intelligence (AI) theme continued to evolve from concentrated leadership toward broader adoption. While early gains were dominated by technology infrastructure providers, AI integration is now expanding across industrials, healthcare, financials and consumer sectors. This transition from enablers to adopters is reinforcing earnings diversification and supporting a wider opportunity set, placing greater emphasis on active selection rather than exposure to a single concentrated theme.

### AI-driven capex supports productivity, though uneven exposure is driving sector divergence

Hyperscaler AI capex is scaling rapidly, underpinning long-term productivity and earnings durability

AI's theoretical exposure is highest in white-collar sectors, with early signs of disruption materializing



Source: (LHS) Morgan Stanley, 5 Mar 2026. (RHS) Anthropic "Labor market impacts of AI: A new measure and early evidence", 5 Mar 2026.

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## CHINA: RESILIENT GROWTH AMID GLOBAL UNCERTAINTY

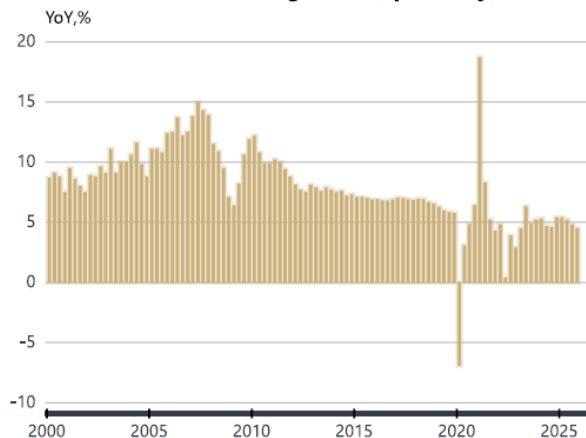
China's economy demonstrated resilience in the first quarter, with GDP growth reaching 5%, supported by stable export performance, targeted policy measures and improving confidence in selected sectors. External demand continued to provide an important offset to uneven domestic consumption, while policy support remained measured and focused on stabilization rather than aggressive stimulus. Notably, China's growth outlook has been relatively less affected by global energy supply disruptions, reflecting its diversified energy consumption mix and ongoing structural shift toward renewable energy sources.

At the March National People's Congress, authorities reaffirmed a pragmatic growth agenda, setting the 2026 real GDP target range at 4.5%–5.0%, while maintaining a broadly unchanged fiscal stance. Against a backdrop of hawkish repricing by global central banks, the People's Bank of China (PBoC) is expected to remain on hold after previous policy easing, prioritizing financial stability and policy coordination over near-term stimulus. With weak wage growth and ongoing property inventory adjustment likely to persist for another one to two years, demand-pull inflation pressures are expected to stay muted, although elevated global energy prices may exert some upward pressure on producer prices.

From an investment perspective, China increasingly represents a selective diversification opportunity rather than a broad-based cyclical driver. A cautious yet constructive stance is warranted, with opportunities concentrated in areas benefiting from export competitiveness, technology upgrading and productivity enhancement. Market implications point toward a preference for bottom-up selection within A-share equities, a stable currency outlook despite U.S. dollar strength, and a gradual bull-flattening bias in China Government Bonds as domestic inflation remains contained and policy credibility anchors expectations.

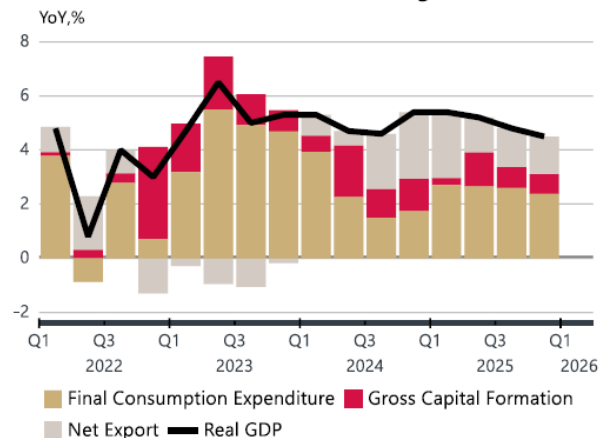
### China GDP Growth Remains Stable Despite Global Uncertainty

China real GDP growth (quarterly)



Source: NBS, Macrobond, AIA Investment  
Data as of Dec 2025

Contributions to real GDP growth



Source: NBS, Macrobond, AIA Investment  
Data as of Dec 2025

## WHAT'S NEXT

Following the initial market reaction to the Iran-related geopolitical escalation, attention is shifting from the shock itself to its second-order implications. While markets have demonstrated resilience, geopolitical developments remain a source of episodic volatility, particularly through their impact on energy prices, global inflation dynamics and policy expectations. The key forward-looking question is no longer whether markets can absorb shocks, but how persistent these pressures may become.

Inflation will remain a critical variable to watch in the coming quarters. Energy-driven cost pressures could slow the pace of disinflation, reinforcing a more cautious and data-dependent approach from central banks. As a result, expectations for policy easing are likely to remain fluid, with markets increasingly sensitive to incoming inflation, labor market and growth data rather than policy guidance alone.

At the same time, underlying macro fundamentals continue to provide important support. Corporate earnings resilience, stable financial conditions and ample liquidity have helped anchor risk assets despite heightened uncertainty. This backdrop suggests a market environment characterized less by directional beta and more by differentiation across regions, sectors and business models.

Looking ahead, market leadership is likely to broaden further as structural themes—such as Artificial Intelligence adoption, supply-chain adaptation and productivity enhancement—move beyond early winners into a wider set of beneficiaries. In parallel, regions with stable policy frameworks and contained inflation pressures may offer diversification benefits amid global policy divergence.

In this environment, effective portfolio construction will depend on disciplined risk management, diversification across sources of return and a focus on long-term fundamentals rather than short-term headline risks. Volatility may persist, but it also creates opportunities for active positioning and selective allocation across asset classes.

## AIA GROUP INVESTMENTS HOUSE VIEW

Asset Class	-	=	+	Comment	Underweight (-)	Neutral (=)	Overweight (+)
Global Equities			+	<p><b>Moderate Overweight</b></p> <ul style="list-style-type: none"> <li>Maintain a moderate overweight in global equities as markets continue to look past Iran-related uncertainties, supported by resilient corporate earnings and improving technical sentiment.</li> <li>While geopolitical risks remain elevated, market reactions have been orderly, reinforcing the case to stay invested. That said, elevated inflation driven by higher energy prices poses a potential risk in the second half of 2026.</li> </ul>			
- Asia Ex-Japan Equities			+	<p><b>Moderate Overweight</b></p> <ul style="list-style-type: none"> <li>Asia ex-Japan equities are supported by semiconductor- and AI-led structural growth though volatility may persist amid global uncertainty.</li> <li>Maintain a moderate overweight in China equities, supported by lower oil dependence and rising alternative energy sources, while growth resilience is offset by moderating fiscal support and credit impulse.</li> </ul>			
Fixed Income		=		<ul style="list-style-type: none"> <li>Maintain a neutral stance on fixed income. Inflation concerns linked to the Middle East conflict have pushed yields higher and led markets to largely price out rate cuts in 2026.</li> <li>While longer term yield have risen, medium-term inflation could ease as productivity gains from AI adoption gradually materialize.</li> </ul>			
Cash		=		<ul style="list-style-type: none"> <li>Maintain neutral cash positioning. Cash provides flexibility to deploy into long-term structural opportunities during periods of volatility.</li> </ul>			

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# Stewardship Insights:

## Exploring Investment Excellence with

# BlackRock®

*Can you walk us through the investment philosophy behind the AIA Global Systematic Equity Fund, and how a systematic approach is implemented in practice compared with traditional bottom up equity investing?*

**BlackRock:** The Strategy is built on the belief that markets are not fully efficient, and that these inefficiencies can be identified and captured through a disciplined, research-driven process. At its core, the philosophy combines human insight with advanced technology to uncover and implement alpha opportunities in a consistent and scalable way.

### Consistent returns

#### Systematic Investment Process

- Risk managed
- Cost managed
- Only compensated risks

### Differentiated alpha

#### Systematic Innovative Research

- Differentiated capabilities
- Differentiated data sources

In practice, this differs from traditional bottom-up investing in several key ways:

- **Research-driven and continuously evolving**

Rather than relying on individual analyst views on specific companies, the strategy is built on a continuous research process that develops and refines investment signals over time.

- **Systematic implementation at scale**

Insights are applied systematically across a broad universe of over 15,000 global stocks, allowing the strategy to identify opportunities that may be difficult to capture through traditional approaches.

- **Consistent, risk-managed portfolio construction**

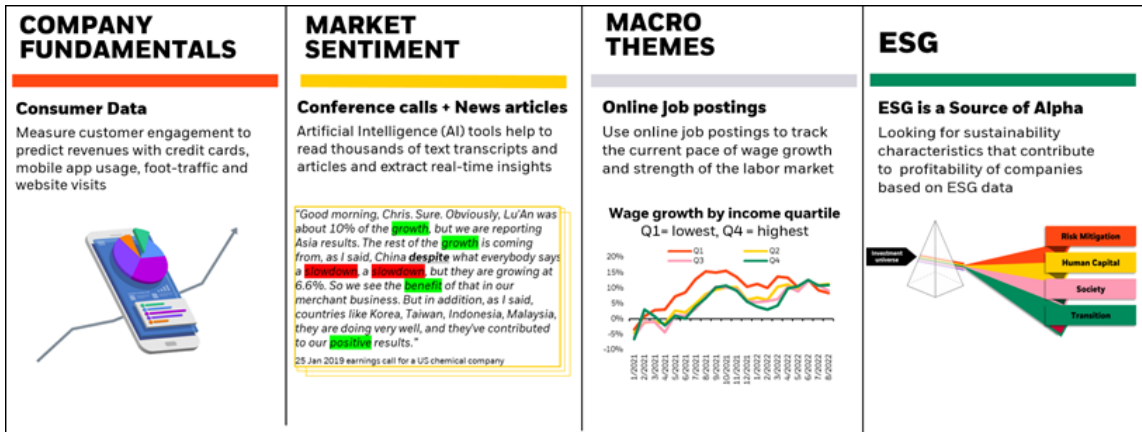
Instead of concentrated, high-conviction stock picking, the strategy builds diversified portfolios where insights are implemented in a

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risk-controlled and cost-aware manner, with the goal of delivering consistent returns over time.

- **Use of diverse and differentiated data**

The process incorporates both traditional financial data and alternative data (including unstructured data), leveraging machine learning and advanced analytics to extract insights.



For illustrative purposes only.

In essence, while traditional bottom-up investing relies heavily on individual stock selection and discretion, this approach seeks to **systematically capture a wide range of smaller, repeatable alpha opportunities across markets**, supported by both human expertise and technology.

**How does the Fund select stocks within its systematic framework? What are the key factors or signals that drive portfolio construction and ongoing portfolio management?**

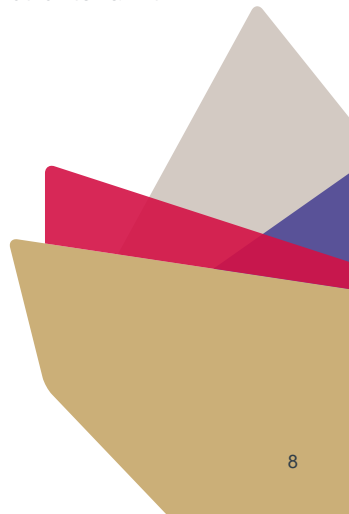
Stock selection follows a structured, multi-step systematic process:

### 1. Generating investment signals

The team develops signals based on a wide range of data sources, combining both qualitative insight and quantitative testing. Each signal must meet strict criteria—it must be:

- Economically intuitive
- Predictive of returns
- Consistent across market environments
- Additive to existing signals

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## 2. Building alpha forecasts

These validated signals are then combined into forecasting models that estimate expected returns (alpha) for each stock in the investment universe.

## 3. Systematic stock ranking

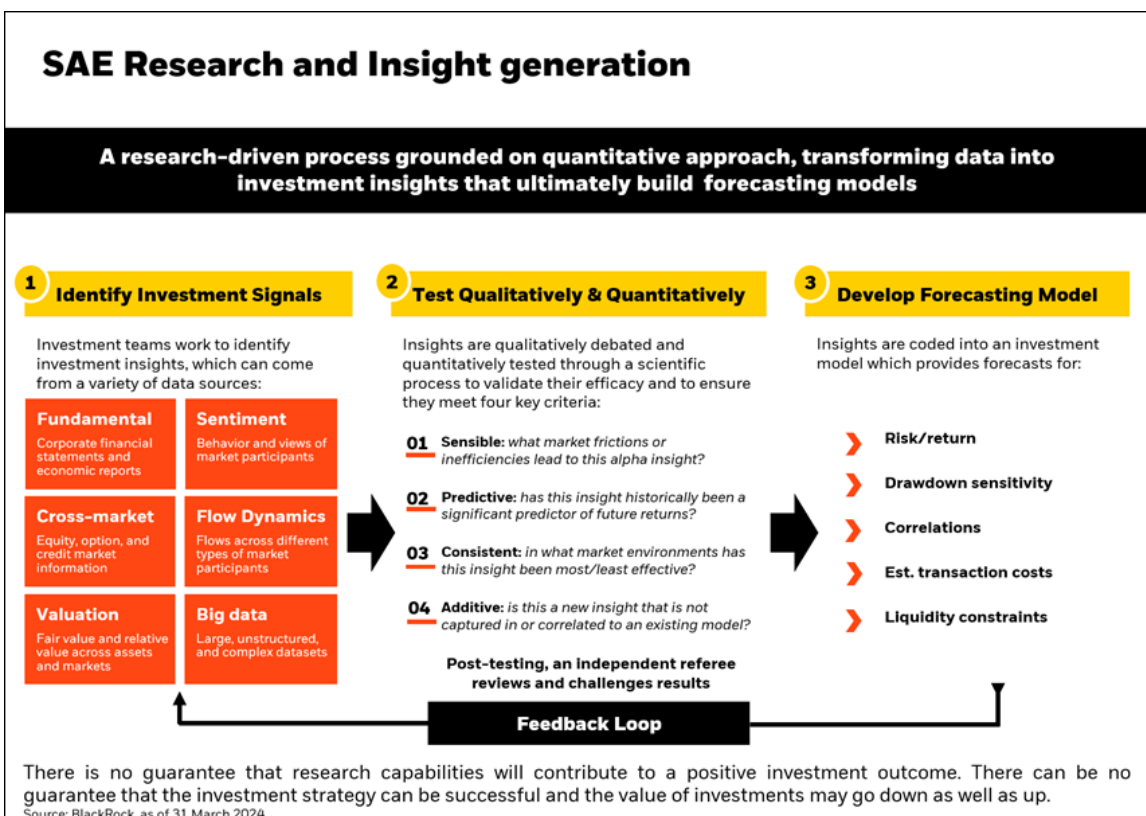
All stocks are evaluated and ranked simultaneously daily, ensuring a consistent assessment across the entire universe.

## 4. Portfolio construction

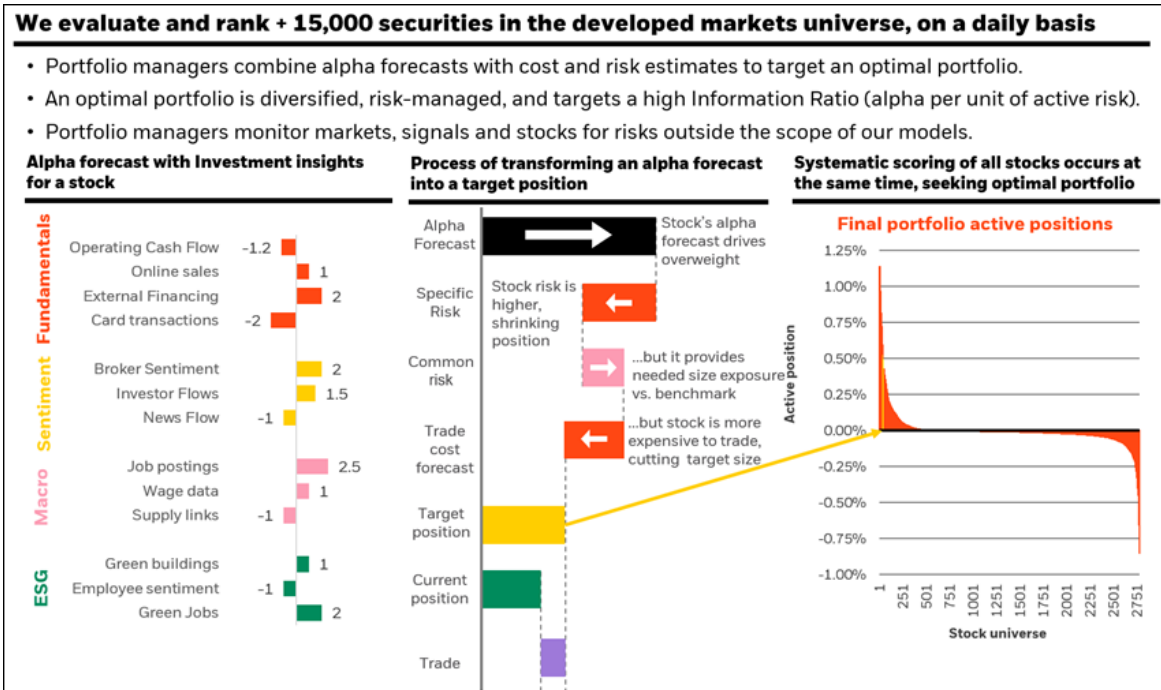
Portfolio managers then combine:

- Alpha forecasts
- Risk estimates
- Transaction costs

to construct an optimal, diversified portfolio that aims to maximise return per unit of risk (information ratio), while remaining risk-controlled.



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## Key signal groups driving the strategy

The strategy is primarily driven by four broad categories of signals:

- **Fundamental signals**  
E.g. value, quality, earnings durability
- **Sentiment signals**  
E.g. analyst expectations, management tone, investor positioning
- **Macro signals**  
Capturing broader economic and market trends
- **ESG signals**  
Identifying sustainability characteristics linked to long-term profitability

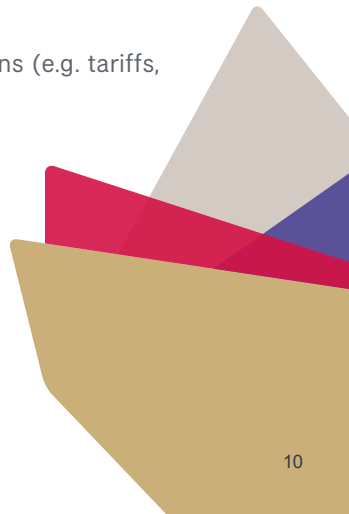
In addition, the strategy increasingly incorporates:

- **Alternative data and machine learning techniques** (e.g. text analysis, product-level data)
- **Tactical/thematic signals** that respond to evolving market conditions (e.g. tariffs, geopolitical developments)

## Ongoing portfolio management

The process is dynamic:

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- Signals are continuously monitored and updated
- New data sources are tested and incorporated
- Portfolio managers oversee risks not captured by models

This ensures the portfolio remains adaptive while staying grounded in a disciplined, systematic framework.

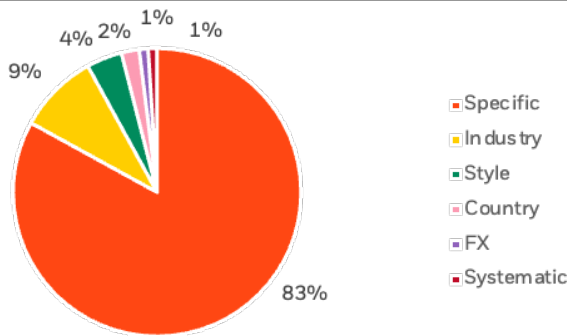
*In periods of heightened geopolitical tension — such as the recent conflict in the Middle East — how does a systematic strategy adapt to rising volatility and uncertainty across markets? Please share some examples of portfolio actions taken in view of the current tensions in the Middle East.*

We adapt in two main ways:

- Risk control

The first line of defense is the set of guardrails embedded in the strategy, such as limits on active country, industry, beta, and style exposures. These ensure that no single dimension dominates the portfolio’s risk budget. During periods of elevated volatility, this framework helps insulate the strategy from unrewarded risks

### Active risk breakdown



- Assessing predictable vs. unpredictable risk

When an event has outcomes that can be assessed using data, it may present an alpha opportunity. In such cases, we aim to capture this through our existing research or by rapidly incorporating new insights.

Conversely, if the outcome is highly uncertain (for example, policy decisions like tariffs), our focus shifts to understanding the exposure and, where appropriate, hedging or reducing risk.

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In this instance, only limited portfolio action adjustments were required:

- Portfolio risk remained within our predefined bounds
- Returns continued to be positive
- Our research framework successfully captured the evolving situation

As a result, the strategy remained aligned with our desired risk and return profile, without an increase in volatility. Notably, our research—particularly sentiment indicators, alongside signals related to stagflation—identified and responded to developments quickly, helping to position appropriately.

### ***How does the Fund balance data driven decision making with human oversight to build resilience during periods of market stress?***

We do this in three key ways:

#### **1. Research**

Every signal or model we use is grounded in economic rationale and human judgment. If we cannot clearly explain why a signal should work, we do not use it. This helps avoid relying on correlations that may not persist over time.

#### **2. Portfolio construction**

Portfolio construction combines machine learning with human insight. The models process large amounts of information to determine optimal risk allocation across ideas and stocks, seeking to bring consistency and scale.

However, models tend to be cautious with newer datasets that have shorter histories. In these cases, human judgment plays an important role in incorporating emerging insights into the portfolio.

#### **3. Managing out-of-model risks**

A key responsibility of the portfolio manager is identifying risks not captured by models or existing research. This includes considering non-linear or unforeseen factors that may affect the portfolio. Proactively managing these risks helps improve resilience, particularly during periods of market stress.

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*For long term investors navigating an unpredictable macro environment, what role can a global systematic equity strategy play in supporting a more stable investment journey within a diversified portfolio?*

Our systematic strategies are designed with two parallel objectives:

- **Deliver differentiated returns**

By leveraging unstructured data and machine learning, we aim to uncover investment insights that are less widely captured. This helps generate return streams that are less dependent on market direction, regional leadership, or prevailing investment styles.

- **Enhance consistency**

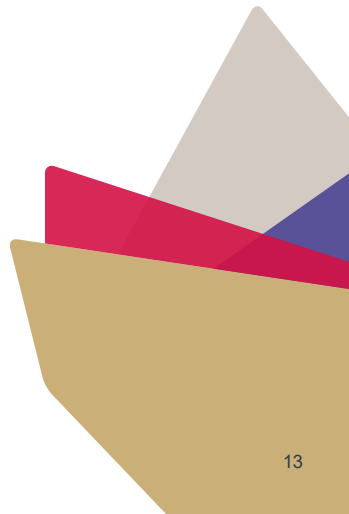
Using differentiated data and technology allows us to build a more stable and repeatable investment process. Relying on the same inputs as others typically leads to similar—and often less consistent—outcomes.

As a result, our strategies often serve as a core component within client portfolios, seeking to offer:

- Consistent risk management across market environments
- Stable and repeatable return profiles
- Diversification relative to traditional managers

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