Singapore Market Outlook | 2H26

KGI

KEY METRICS AT A GLANCE

MACRO & MONETARY	
GDP Growth Forecast (FY2026F)	*2.0%-4.0%*
CPI All-Items Inflation (May 2026)	*1.8% YoY*
MAS Core Inflation (May 2026)	*1.4% YoY*
Policy Rate — SORA (Jun 2026)	*~1.10%*
USD/SGD (29 Jun 2026)	*~1.2940*
S$NEER Policy Bias	*Modest appreciation*
ACTIVITY & TRADE	
Manufacturing PMI (May 2026)	*51.0*
Electronics Sector PMI (May 2026)	*51.9*
NODX (May 2026)	*+38.4% YoY*
NORX (May 2026)	*+33.6% YoY*
Retail Sales (Apr 2026)	*+5.4% YoY*
LABOUR & FISCAL	
Unemployment Rate (Mar 2026)	*2.0% (Resident: 2.9%)*
Wage Growth	*Positive; moderating*
Govt Budget (FY2026 est.)	*S$8.5bn Surplus*
MARKET OUTLOOK	
STI 12M Target	*5,300-5,500 pts*
STI Trailing P/E (Jun 2026)	*16.40x*
STI Distribution Yield	*~3.4%*
EPS Growth Forecast (FY26F)	*Low-to-mid single digit %*

EXECUTIVE SUMMARY

Singapore enters 2H26 from a position of macro resilience, with growth still supported by electronics, wholesale trade, finance, professional services and government policy support. However, the pace of growth is likely to moderate from the strong 1H26 base as external demand normalises, tariff effects become more visible, and outward-facing sectors face a less supportive global backdrop. Inflation remains manageable but has moved higher from the low levels seen in 2025, prompting MAS to maintain a cautious appreciation-bias policy stance. Against this backdrop, we remain constructive on Singapore equities, supported by resilient corporate earnings, dividend yield, capital return potential, and policy-led efforts to deepen local equity market liquidity.

- **Macro View:** Singapore's 2H26 growth outlook remains positive but moderating, with MTI maintaining its 2026 GDP growth forecast at 2.0%-4.0%. Inflation is expected to remain contained within MAS' 1.5%-2.5% forecast range, while monetary policy remains cautiously tight through a modest appreciation path for the S$NEER.

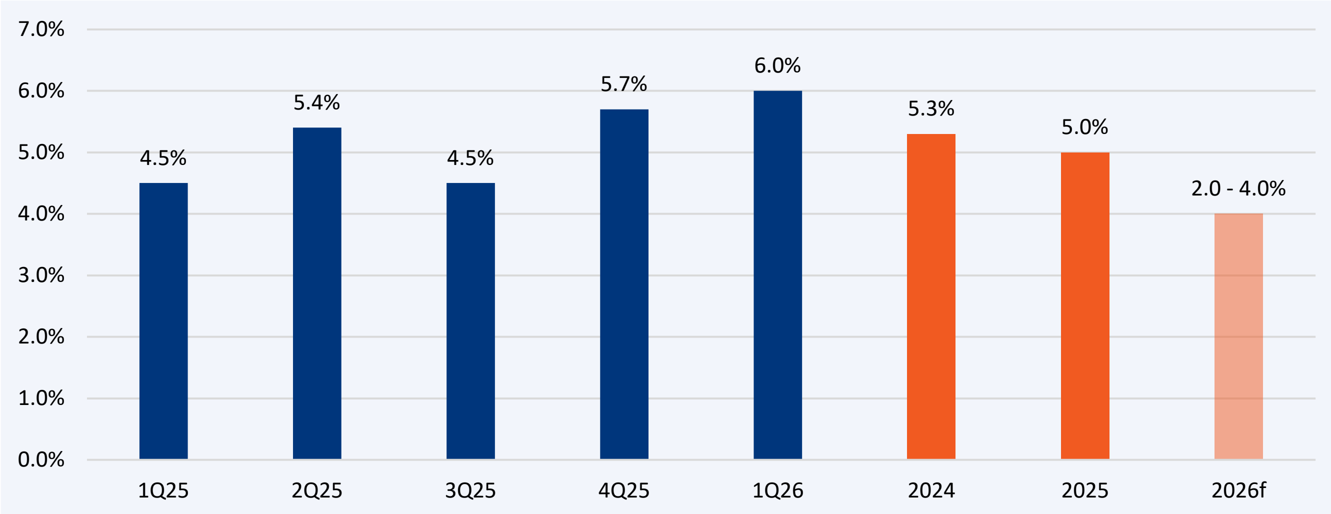
- **Market Stance:** We maintain an Overweight stance on Singapore equities, with a 12-month STI target range of 5,300-5,500, implying approximately 2%-6% upside from current levels (~5,195 as at end-June) and a higher total return when including dividends. While valuation is no longer outright cheap after the strong rally, the market remains supported by earnings resilience, dividend yield, bank capital returns and policy-led liquidity catalysts.
- **Key Investment Themes:** The key themes for 2H26 are: i) AI-led export and manufacturing resilience, with the latest May NODX data showing continued strength in electronics and early broadening into selected non-electronics categories; ii) policy-led market re-rating, supported by MAS' Equity Market Development Programme and broader efforts to deepen Singapore's equity market; and iii) Quality and Yield demand, as investors continue to favour companies with strong balance sheets, visible cash flows and sustainable dividends.
- **Preferred Sectors & Style:** We prefer Financials, Industrials / Infrastructure / Defence, and Quality Mid-Caps, while remaining selective on highly discretionary consumer names and highly levered real estate / lower-quality REITs. From a style perspective, we favour Quality and Yield over pure Growth, with selective exposure to AI-cycle beneficiaries and under-covered mid-caps with improving liquidity.
- **Principal Risks:** The main downside risks are external and earnings-driven: a renewed geopolitical or trade shock could weaken external demand and raise imported cost pressures, while earnings disappointment after the STI's strong re-rating could trigger market consolidation, particularly in banks and other index-heavy names.

ECONOMIC OUTLOOK

GDP & Economic Growth

- **Growth Trajectory:** Singapore's 2H26 growth outlook remains resilient but is expected to moderate from the strong 1H26 base. MTI maintained its 2026 GDP growth forecast at 2.0%-4.0%, after the economy expanded 6.0% YoY in 1Q26 and 1.0% QoQ on a seasonally adjusted basis. Growth should continue to be supported by electronics, precision engineering, wholesale trade, finance, and professional services, but the pace is likely to slow as external demand normalises and the US-Israel-Iran conflict weighs on energy costs and business confidence.
- **Leading Indicators:** External trade momentum has strengthened further, with May 2026 NODX expanding by 38.4% YoY, accelerating from the revised 24.4% growth in April. Electronics remained the key growth driver, with electronic NODX surging 94.8% YoY, supported by robust AI-related demand for integrated circuits, disk media products and PCs. More importantly, non-electronic NODX also improved, rising 17.7% YoY after a 10.9% increase in April, led by pharmaceuticals, specialised machinery and non-monetary gold. This suggests that while the export cycle remains heavily AI / electronics-led, the recovery is beginning to show broader support outside electronics. However, part of the non-electronics recovery was helped by a low base, and 2H26 growth may moderate as base effects become more demanding.
- **Structural Themes:** Singapore remains well positioned as a trusted regional hub for semiconductors, biomedical manufacturing, headquarters, professional services, R&D and wealth management. EDB secured S$14.2bn in FAI commitments in 2025, with manufacturing-related projects contributing the bulk of commitments, particularly in semiconductors. AI adoption is also beginning to reshape the labour market, with early evidence pointing more towards job redesign than broad job displacement.

Figure 1: Singapore's real GDP growth and full-year forecast

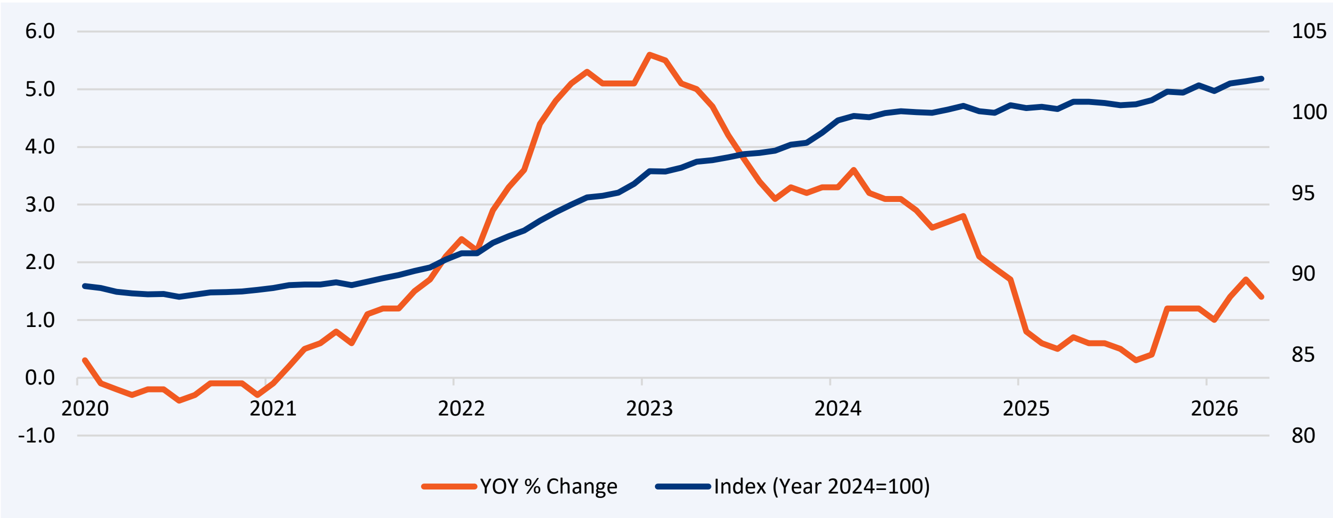


Source: Company, Ministry of Trade and Industry Singapore

Inflation & Monetary Policy

- **Inflation Outlook:** Inflation remained stable in May 2026. MAS Core Inflation came in at 1.4% YoY, broadly unchanged from April, as higher food and retail-goods inflation was largely offset by lower services inflation. CPI-All Items inflation also remained at 1.8% YoY, with higher private transport, accommodation, food and retail-goods inflation offset by softer services inflation. Although the latest readings remain manageable, imported energy and transportation costs continue to present upside risks. MAS and MTI continue to forecast both core and headline inflation at 1.5%-2.5% for 2026.
- **Central Bank Stance:** MAS moved to a slightly tighter stance in April 2026 by increasing the rate of appreciation of the S$NEER policy band, while keeping the band width and centre unchanged. This signals a cautious inflation-management stance rather than an aggressive tightening cycle. For 2H26, the base case is for MAS to keep policy settings stable unless imported inflation broadens further or external growth weakens materially.
- **Leading Indicators:** Leading indicators remain supportive of Singapore's manufacturing outlook. The Singapore Manufacturing PMI (SIPMM) rose by 0.3 point to 51.0 in May 2026, its highest level since December 2024 and its tenth consecutive month in expansion territory. The Electronics Sector PMI increased by 0.2 point to 51.9, marking its twelfth consecutive month of expansion and continuing to outperform the broader manufacturing sector. The stronger electronics reading is consistent with robust AI-related semiconductor demand and the sharp increase in electronic NODX. However, rising input costs, slower supplier deliveries and supply-chain constraints remain potential risks to production and margins.
- **Liquidity Conditions:** Domestic liquidity remains adequate, but financing conditions are less uniformly supportive than in 2024-2025 given higher cost pressures and more cautious external demand. Budget 2026 support, including enhanced corporate tax rebates, household support and energy-related relief measures, should cushion SMEs and domestic demand. However, firms with weaker balance sheets, high rental exposure and limited pricing power may still face margin pressure.

Figure 2: MAS core inflation rate monthly

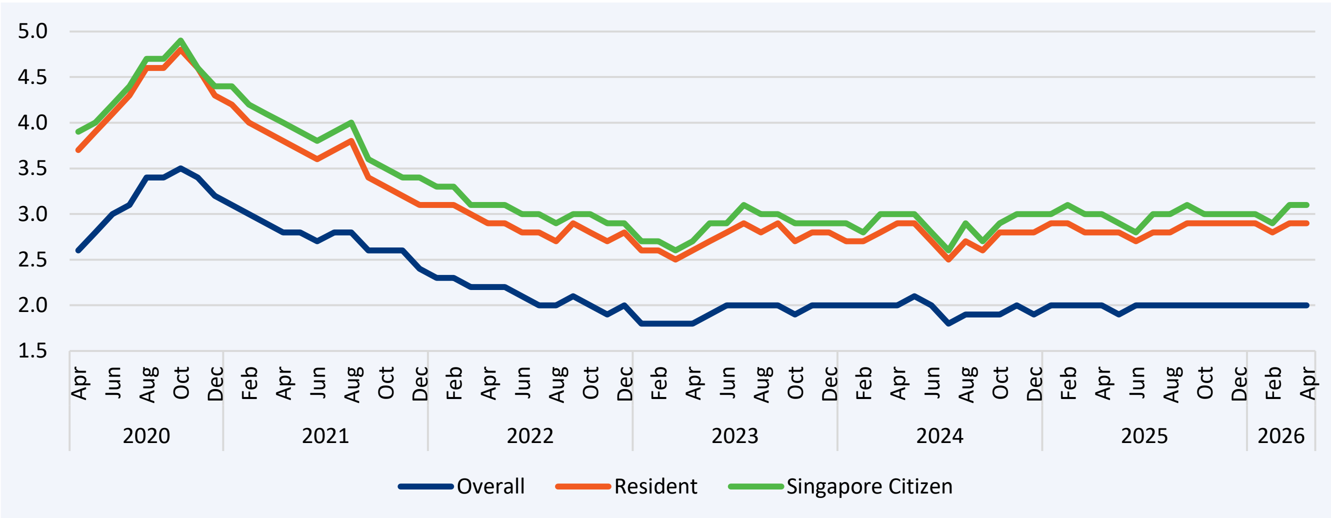


Source: KGI Research, Monetary Authority of Singapore

Employment & Labour Market

- **Unemployment Rate:** Singapore's labour market remains resilient, but the latest release points to a clearer moderation in hiring momentum. Total employment increased by 9,400 in 1Q26, marking the 18th consecutive quarter of expansion since 4Q21, but this was slower than the 17,700 increase in 4Q25. The moderation was mainly due to slower non-resident employment growth, while resident employment growth improved from 3,100 in 4Q25 to 5,400 in 1Q26. Unemployment rates remained low and stable, with overall unemployment at 2.0%, resident unemployment at 2.9% and citizen unemployment at 3.1% in March 2026.
- **Wage Growth:** Wage growth is likely to remain positive but more cautious into 2H26. While resident employment growth improved in 1Q26, firms appear to be turning more selective on hiring and wage increases amid global uncertainty, restructuring activity and higher input costs. Labour demand is still firm, but job vacancies declined from 77,700 in December 2025 to 73,300 in March 2026, while the vacancy-to-unemployed ratio fell from 1.58 to 1.46. This suggests that the labour market remains tight but no longer tightening.
- **Labour Market Tightness:** Labour market tightness is easing, particularly in external-facing and knowledge-intensive sectors. Retrenchments rose slightly from 3,690 in 4Q25 to 3,830 in 1Q26, while retrenchment incidence increased from 1.5 to 1.6 per 1,000 employees. MOM noted that retrenchments remain within non-recessionary norms and were driven largely by restructuring or reorganisation rather than broad cost-cutting. The increase was concentrated in external-oriented sectors such as manufacturing, financial services and professional services. At the same time, short work-week and temporary layoff cases rose from 960 to 1,230, suggesting that some firms are using reduced working hours to manage softer manpower demand.

Figure 3: Unemployment rate (%), seasonally adjusted



Source: KGI Research, Ministry of Manpower

Fiscal Policy & External Accounts

- **Government Spending:** Fiscal policy remains targeted and counter-cyclical rather than broad-based stimulus. Budget 2026 support focuses on easing business cost pressures, strengthening workforce transformation, supporting household consumption and helping firms internationalise. Measures such as enhanced household support, corporate tax rebates and business cost relief should provide a modest cushion to domestic demand in 2H26.
- **Current Account / Trade Balance:** Singapore's external trade position remains a key support for the 2H26 macro outlook. May 2026 NODX grew 38.4% YoY, while NORX rose 33.6% and total merchandise trade expanded 39.7%, extending the strong growth seen in April. The improvement was driven mainly by electronics and AI-related demand, but non-electronics also contributed positively, particularly pharmaceuticals, specialised machinery and non-monetary gold. By market, NODX to Taiwan, the US and China expanded, while exports to Indonesia contracted. Overall, the latest trade data strengthens the case that Singapore's outward-oriented sectors remain resilient, although the export outlook remains exposed to tariff risk, geopolitical uncertainty and possible moderation in 2H26 due to higher base effects.
- **NODX Forecast Revision:** Enterprise Singapore has upgraded its full-year 2026 NODX growth forecast to 3.0%-5.0%, from 2.0%-4.0% previously. The revision reflects stronger-than-expected export performance and continued resilience in AI-related electronics demand. However, Enterprise Singapore continues to highlight high base effects in 2H26, geopolitical uncertainty and the risk of renewed trade tensions as potential constraints on export growth.
- **Currency & FX:** USD/SGD rose from approximately 1.2830 on 15 June to around 1.2940 by 29 June 2026, representing an approximately 0.9% weakening of the SGD against the USD. The move reflected renewed broad USD strength, elevated US yields and geopolitical safe-haven demand. Although MAS' appreciation-bias policy stance remains supportive of the SGD over the medium term, near-term USD/SGD performance is likely to remain sensitive to US rate expectations, energy prices and geopolitical developments.

MARKET OUTLOOK

Index Performance & Valuation

- **Current Valuation:** The STI was trading around 5,195 in late June 2026, after reaching an intraday record high of 5,241.80 on 23 June and closing that session at 5,205.75. The index has therefore moved above the 5,000-5,150 range observed in mid-June. Based on the 12-month STI target range of 5,300-5,500, the latest index level implies approximately 2%-6% price upside, before dividends. While the market remains supported by resilient bank earnings, dividend income and policy-led liquidity initiatives, the stronger year-to-date re-rating reduces the available valuation margin of safety.

- **Price / Index Target (12M):** Base-case 12-month STI target range: 5,300-5,500. This implies mid-single-digit price upside from current levels, with total return supported by dividends. The target assumes low-to-mid-single-digit EPS growth, stable bank earnings, gradual recovery in REITs and property-related names, and partial re-rating of quality mid-caps from policy-led liquidity support. This is our internal forecast, not an official government projection.
- **Earnings Revision Trend:** Earnings revisions are likely to be mixed in 2H26. Banks remain the key earnings anchor, though upside from NIMs may be more limited after the strong FY25-FY26 rally. Industrial, transport, aerospace, defence, technology-services and selected consumer names could see positive revisions, while REITs, property developers and highly discretionary consumer stocks may remain more sensitive to funding costs, rental trends and weaker consumption momentum.

Corporate Earnings Outlook

- **EPS Growth Forecast:** Aggregate STI EPS growth should remain positive but moderate in 2H26. Banks, SGX, ST Engineering, Sembcorp, Keppel, Singtel and selected industrials are likely to drive index-level resilience. REITs and developers may contribute to a lagged recovery if funding costs ease and rental growth stabilises.
- **Margin Outlook:** Margin trends are likely to be mixed. Exporters and manufacturers benefit from AI-related demand and operating leverage, but higher energy, logistics and wage costs could cap margin expansion. Domestic services should remain steady, while SMEs continue to face rental and manpower cost pressure despite fiscal support.
- **Earnings Season Themes:** Key themes to watch include bank credit costs, NIM normalisation, capital return guidance, order book conversion for industrial names, AI/data-centre-linked capex exposure, REIT refinancing spreads, property sales momentum and consumption resilience following government household support measures.

Financials — Key Sector Indicators

Sector view: We remain overweight Financials, but the 2H26 focus should shift from pure NIM expansion to the durability of fee income, wealth AUM growth, asset quality and capital returns. With interest rates moving lower, NIM compression is expected to continue across the banks, making wealth management, treasury customer flows and dividend visibility increasingly important.

Indicator	DBS	OCBC	UOB
1Q26 NIM	1.89%, down 4bps QoQ	1.76%, down 28bps YoY and 10bps QoQ	1.82%, down 2bps QoQ
FY25 NIM / 2026 direction	FY25 NIM at 2.01%, down 12bps; 2026 NII expected to be slightly lower	FY25 NIM at 1.91%; 1Q26 print confirms continued margin compression	FY25 NIM at 1.89%; management guided FY26 NIM of 1.75%-1.80%
AUM / wealth scale	Wealth AUM of S$488bn, up 19% in constant-currency terms; record net new money of S$39bn	Banking wealth AUM of S$342bn in 1Q26, up 12% YoY; FY25 Group wealth AUM of S$343bn	High-net-worth AUM of around S$201bn in FY25; 1Q26 net new money of S$1bn
Wealth / fee momentum	FY25 wealth management fees rose 29% to S$2.81bn; 1Q26 wealth fees reached a record S$907m	1Q26 wealth fees rose 34% YoY to S$422m; wealth income rose 11% YoY to S$1.48bn	1Q26 wealth income rose 6% YoY; UOB targets to double wealth income by 2030
Dividend / capital return	1Q26 dividend of S$0.81/share, comprising S$0.66 ordinary + S$0.15 capital return; FY25 total DPS of S$3.06, up 38%; annualised 1Q26 run-rate of S$3.24	FY25 total DPS of S$0.99, comprising S$0.83 ordinary + S$0.16 special; total payout ratio of 60%; capital return plan targeted for completion by FY26	FY25 ordinary DPS of S$1.56, comprising S$0.85 interim + S$0.71 final, representing around 50% payout; shareholders also received S$0.50 special dividend paid over two tranches in 2025
Asset quality	NPL ratio stable at 1.0%; specific allowances at 14bps of loans in 1Q26	NPL ratio stable at 0.9%; credit costs at 23bps in 1Q26	NPL ratio stable at 1.5%; 1Q26 credit costs at 26bps

DBS remains the strongest capital return story, with the highest NIM, largest wealth AUM base and clearest dividend uplift through its ordinary dividend progression and capital return dividend. OCBC offers the cleanest diversified income story, with strong wealth, insurance and fee contribution helping offset NIM compression. UOB remains the relative catch-up candidate, but execution depends on stabilising NIM, normalising credit costs and proving that ASEAN wealth growth can offset lower spread income.

What to watch in 2H26:

For DBS, monitor whether wealth fees and treasury customer income can offset lower NII while sustaining the S$0.81 quarterly dividend run-rate. For OCBC, watch whether the strong 1Q26 wealth fee momentum continues and whether the S$2.5bn capital return plan provides further dividend support. For UOB, the key swing factors are whether NIM stabilises within the 1.75%-1.80% FY26 guide, whether provisions normalise, and whether wealth income growth accelerates towards its 2030 target.

Sector Positioning & Style Preferences

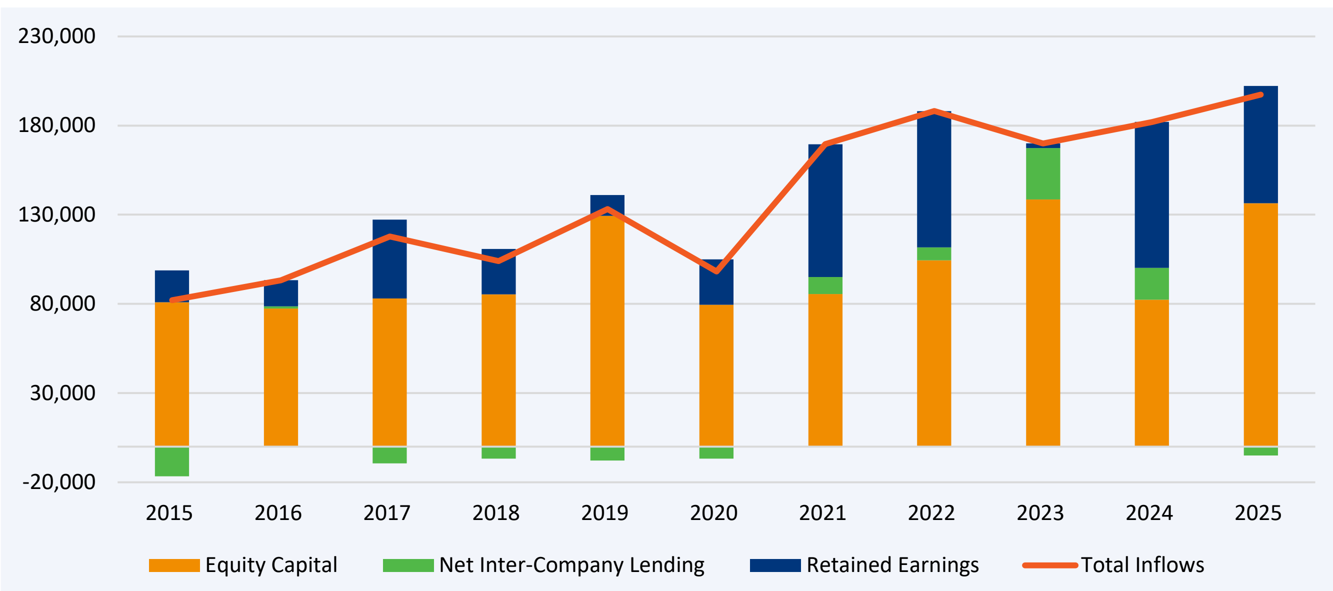
Financials — Overweight

Financials remain our preferred core overweight, with banks and market infrastructure names continuing to anchor Singapore equity returns. For banks, the key indicators are NIM / NII trajectory, AUM and wealth fee growth, credit costs, and dividend / capital return outlook. DBS continues to screen strongest on capital return and wealth scale, OCBC offers diversified earnings support from banking, wealth and insurance, while UOB remains the relative catch-up candidate with ASEAN wealth and loan growth optionality. While NIMs are likely to moderate as rates normalise, the sector remains supported by resilient asset quality, excess capital, attractive dividends and continued regional wealth inflows. For SGX, the key indicators are securities turnover, derivatives volumes, listing activity and liquidity uplift from MAS' Equity Market Development Programme.

Our view:

- Positive: Banks (DBS, OCBC, UOB) and SGX for capital return, wealth, fee growth and policy-led market catalysts.
- Neutral: Insurance-linked names, where earnings remain tied to mark-to-market volatility.
- Negative: Non-bank financials with weak capital ratios or limited dividend visibility.

Figure 4: Foreign direct investment in Singapore (S$'mn)



Source: KGI Research, Enterprise Singapore, Singapore Department of Statistics

Real Estate and REITs — Selective / Underweight Lower-Quality Names

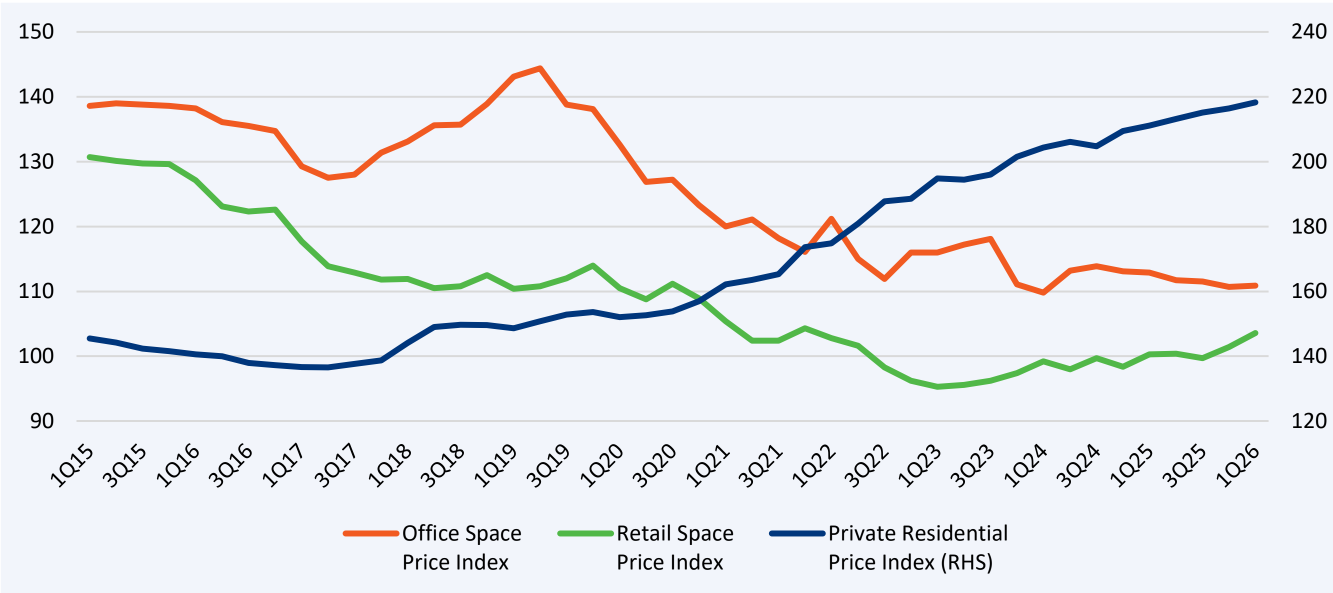
We remain selective on Real Estate and REITs. The sector should not be analysed only through the lens of interest rates, as the key issue is whether rental growth and occupancy can offset refinancing costs, capex requirements and valuation pressure. The strongest sub-segments are likely to be industrial, logistics, data-centre and essential retail REITs, where demand visibility, tenant stickiness and rental reversions remain relatively resilient. Office REITs remain more mixed, with prime Singapore office assets supported by tight supply, but overseas office exposure remains vulnerable to weaker leasing demand and higher cap rates. Hospitality REITs could benefit from tourism recovery and event-driven demand, but earnings remain more cyclical.

Developers are likely to remain range-bound, as residential demand is stable but moderated by cooling measures, land cost discipline and slower asset revaluation gains.

Our view:

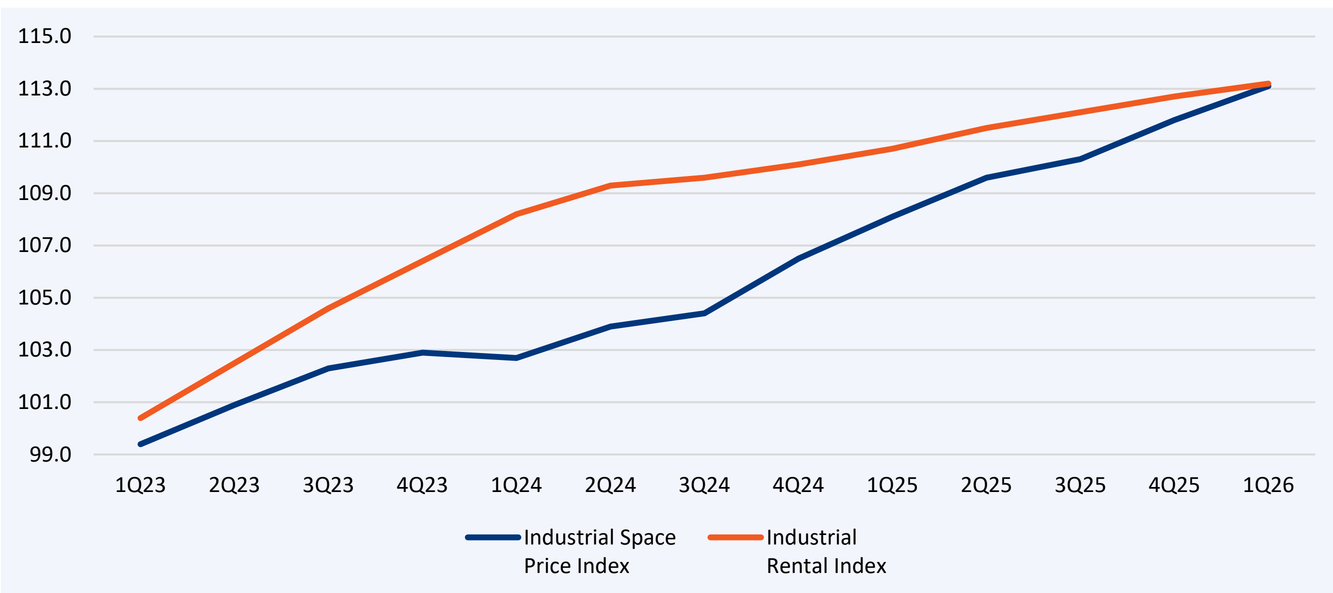
- Positive: Industrial, logistics, data-centre and essential retail assets with strong occupancy and positive reversions.
- Neutral: Prime office and hospitality, where demand is improving but still cyclical.
- Negative: Highly levered REITs, lower-quality overseas office assets and names with weak DPU visibility.

Figure 5: Commercial and Private Residential Property Price Index, Quarterly



Source: KGI Research, URA (Urban Redevelopment Authority)

Figure 6: JTC Industrial Property Price & Rental Indices (Q4 2012 = 100)



Source: KGI Research, JTC Corporation

Figure 7: S-REITS and Business Trusts performance

BB ticker	Company Name	Last Price (local $)	Currency Adj. Market Cap (S$ m)	Trailing 12M Dividend Yield (%)	Forward Dividend Yield (%)	Gearing (%)	P/B (x)	6M Average daily trading volume (S$ '000)	YTD Price Performance (%)	1 Year Price Performance (%)	2025 Price Performance (%)	YTD Total Returns (%)
	RETAIL		**8,631**	**5.4**	**7.6**	**37.6**	**0.7**		(6.3)	**1.5**	**1.5**	**4.7**
BHGREIT SP	BHG RETAIL REIT	SGD 0.45	234	1.0	N/A	36.8	0.7	2	3.6	-3.3	-3.3	2.9
CLCT SP	CAPITALAND CHINA TRUST	SGD 0.65	1,142	7.4	7.1	43.3	0.6	1,488	-16.1	7.6	7.6	-1.6
FCT SP	FRASERS CENTREPOINT TRUST	SGD 2.26	4,605	5.4	5.4	35.3	1.0	11,278	-3.0	10.6	10.6	4.4
LMRT SP	LANDMARK REIT	SGD 0.01	119	0.0	N/A	50.4	0.3	92	-22.2	-31.5	-31.5	-26.3
SASSR SP	SASSEUR REAL ESTATE INVESTME	SGD 0.68	860	9.0	9.1	18.0	0.9	787	0.0	0.0	0.0	16.4
SGREIT SP	STARHILL GLOBAL REIT	SGD 0.55	1,265	6.7	7.0	36.9	0.7	922	-8.4	19.0	19.0	14.1
UHU SP	UNITED HAMPSHIRE US REIT	USD 0.52	406	8.5	9.3	42.2	0.7	145	2.0	8.4	8.4	23.1
	INDUSTRIAL		**40,597**	**5.4**	**6.9**	**48.0**	**1.0**		(4.6)	**6.5**	**6.5**	**7.8**
AAREIT SP	AIMS APAC REIT	SGD 1.60	1,318	6.2	6.3	29.3	1.3	2,701	6.9	20.0	20.0	29.7
SSREIT SP	ALPHA INTEGRATED REAL ESTATE	SGD 0.48	540	7.4	N/A	41.7	0.9	171	0.0	33.3	33.3	31.5
CLAR SP	CAPITALAND ASCENDAS REIT	SGD 2.49	12,438	6.0	6.1	42.2	1.1	51,795	-11.4	10.1	10.1	-2.6
DHLT SP	DAIWA HOUSE LOGISTICS TRUST	SGD 0.48	337	0.0	8.8	43.9	0.7	331	-13.3	-2.6	-2.6	-8.1
DCREIT SP	DIGITAL CORE REIT MANAGEMENT	USD 0.51	847	7.1	7.1	33.3	0.6	1,518	-0.7	-12.1	-12.1	1.9
EREIT SP	ESR-REIT	SGD 2.34	1,891	9.4	9.3	52.1	0.9	2,550	-13.3	6.3	6.3	3.3
FLT SP	FRASERS LOGISTICS & COMMERCI	SGD 0.97	3,668	6.1	6.1	38.2	0.9	11,094	-1.8	13.1	13.1	20.1
KDCREIT SP	KEPPEL DC REIT	SGD 2.24	5,479	4.6	4.9	36.1	1.3	24,505	0.1	3.6	3.6	1.0
MINT SP	MAPLETREE INDUSTRIAL TRUST	SGD 1.92	5,482	6.6	6.3	31.0	1.0	14,470	-7.1	-5.9	-5.9	0.2
MLT SP	MAPLETREE LOGISTICS TRUST	SGD 1.22	6,246	6.0	5.9	44.0	1.0	19,256	-6.5	3.9	3.9	9.5
NTTDCR SP	NTT DC REIT	USD 0.94	1,258	0.0	8.4	0.0	0.8	3,196	-3.2	2.0	2.0	-0.7
UIBREIT SP	UI BOUSTEAD REIT	SGD 0.80	1,093	N/A	N/A	37.0	N/A	N/A	N/A	N/A	N/A	N/A
	OFFICE		**5,553**	**101.8**	**6.9**	**47.3**	**0.5**		(20.1)	**7.6**	**7.6**	**(8.6)**
ELITE SP	ELITE UK REIT	GBP 0.32	340	493.6	9.5	43.5	0.8	118	-12.5	22.0	22.0	7.5
IREIT SP	IREIT GLOBAL	SGD 0.21	276	7.8	7.2	47.4	0.4	144	-28.9	1.8	1.8	-25.1
KREIT SP	KEPPEL REIT	SGD 0.86	4,272	6.1	5.9	38.5	0.7	16,541	-11.8	12.3	12.3	2.8
KORE SP	KORE US REIT	USD 0.18	246	1.4	4.9	46.2	0.3	357	-22.6	14.6	14.6	-16.4
MUST SP	MANULIFE US REAL ESTATE INV	USD 0.05	120	0.0	N/A	62.2	0.3	105	-26.8	-20.2	-20.2	-23.5
PRIME SP	PRIME US REIT	USD 0.16	300	-	-	45.8	0.3	346	-18.3	15.2	15.2	3.2
	HOSPITALITY		**5,709**	**6.0**	**6.6**	**39.3**	**0.5**		(11.9)	**9.2**	**9.2**	**(2.3)**
ARAUS SP	ACROPHYTE HOSPITALITY TRUST	USD 0.19	140	4.6	N/A	44.6	0.3	50	-28.5	30.0	30.0	-27.6
CLAS SP	CAPITALAND ASCOTT TRUST	SGD 0.89	3,404	6.9	6.9	40.8	0.8	6,033	-6.0	9.8	9.8	6.7
CDREIT SP	CDL HOSPITALITY TRUSTS	SGD 0.78	993	6.2	6.6	41.7	0.5	1,084	-6.8	-2.9	-2.9	4.6
EAGLEHT SP	EAGLE HOSPITALITY TRUST	N/A	N/A	N/A	N/A	39.3	N/A	N/A	N/A	N/A	N/A	N/A
FEHT SP	FAR EAST HOSPITALITY TRUST	SGD 0.57	1,173	6.5	6.3	30.1	0.6	631	-6.4	0.0	0.0	7.3
	HEALTHCARE		**3,131**	**6.6**	**7.0**	**39.7**	**1.3**		(7.1)	**8.3**	**8.3**	**(1.7)**
PREIT SP	PARKWAYLIFE REAL ESTATE	SGD 4.05	2,643	3.8	4.4	34.6	1.6	4,487	-0.3	8.8	8.8	2.5
FIRT SP	FIRST REAL ESTATE INVT TRUST	SGD 0.23	487	9.4	9.6	44.8	0.9	462	-13.9	7.8	7.8	-6.0
	OTHERS		**36,900**	**5.7**	**6.4**	**33.7**	**0.8**		(4.6)	**19.5**	**19.5**	**18.9**
CICT SP	CAPITALAND INTEGRATED COMMER	SGD 2.37	18,852	4.9	5.1	37.8	1.1	69,225	-0.7	23.8	23.8	16.7
CAREIT SP	CENTURION ACCOMMODATION REIT	SGD 1.06	1,828	N/A	6.4	0.0	N/A	5,982	-4.5	26.1	26.1	#N/A N/A
LREIT SP	LENDLEASE GLOBAL COMMERCIAL	SGD 0.57	1,896	4.0	6.5	43.3	0.6	9,902	-7.8	12.7	12.7	16.9
MPACT SP	MAPLETREE PAN ASIA COM TRUST	SGD 1.29	6,817	6.2	6.3	37.2	0.7	15,590	-12.0	21.5	21.5	8.5
OUEREIT SP	OUE REAL ESTATE INVESTMENT T	SGD 0.36	1,963	-	-	34.4	0.6	920	-1.4	26.3	26.3	26.5
SERT SP	STONEWEG EUROPE STAPLED TRUS	EUR 1.53	1,253	8.8	8.7	45.2	0.8	436	-6.1	3.2	3.2	9.5
SUN SP	SUNTEC REIT	SGD 1.45	4,290	4.9	5.2	38.3	0.7	15,868	0.7	23.1	23.1	35.4
	S-REITs		**63,621**	**25.1**	**7.0**	**42.4**	**0.778**		(9.2)	6.1	6.1	1.8
	BUSINESS TRUST		**10,729**	**6.5**	**7.5**	**42.3**	**1.0**		**(10.2)**	**8.3**	**8.3**	-
	REAL ESTATE											
CLINT SP	CAPITALAND INDIA TRUST	SGD 1.02	1,517	7.7	7.8	47.2	0.7	5,386	-15.3	4.1	4.1	-
DASIN SP	DASIN RETAIL TRUST	N/A	N/A	N/A	N/A	57.3	N/A	N/A	N/A	-16.7	-16.7	-
	INFRASTRUCTURE											-
APTT SP	ASIAN PAY TELEVISION TRUST	SGD 0.09	157	6.0	N/A	59.7	0.2	73	-17.1	13.0	13.0	-
KIT SP	KEPPEL INFRASTRUCTURE TRUST	SGD 0.54	3,256	4.7	7.5	63.5	2.0	6,407	9.2	13.8	13.8	-
NETLINK SP	NETLINK NBN TRUST	SGD 0.98	3,800	5.6	5.6	31.1	1.7	5,876	1.0	17.5	17.5	-
	PORT AND SHIPPING											-
FSLT SP	FIRST SHIP LEASE TRUST	SGD 0.04	71	N/A	N/A	0.0	N/A	77	-16.7	-7.0	-7.0	-
HPHT SP	HUTCHISON PORT HOLDINGS TR-U	USD 0.17	1,929	8.6	8.9	37.0	0.5	1,218	-22.3	33.6	33.6	-

Source: KGI Research, Bloomberg

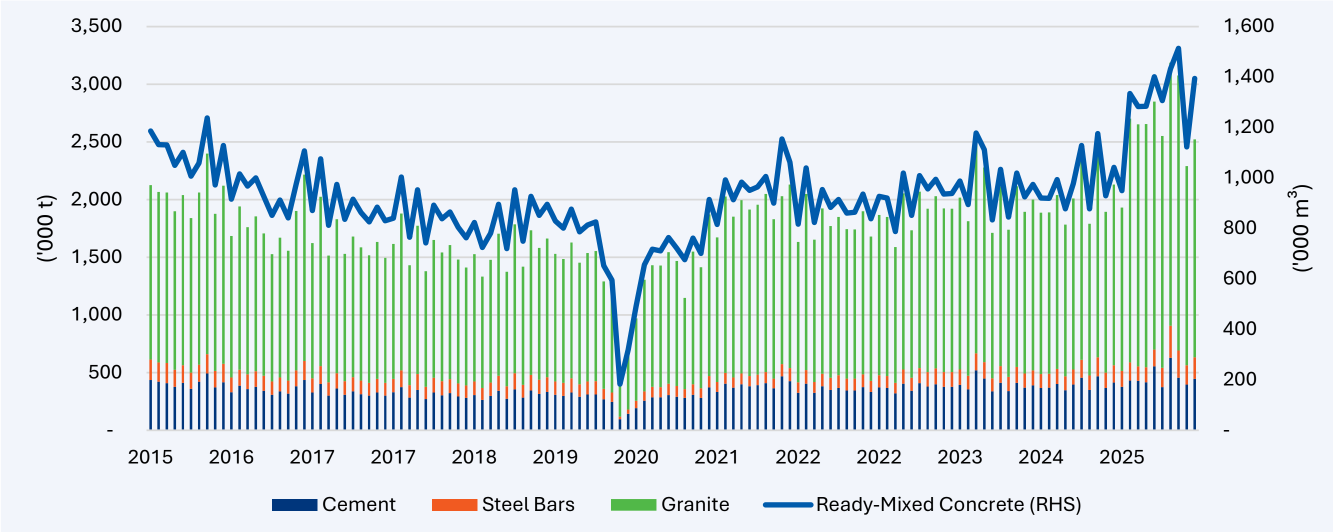
Industrials and Infrastructure Conglomerates — Overweight

We are overweight Industrials and Infrastructure Conglomerates, as the sector offers visible earnings growth from order books, long-cycle capex and recurring infrastructure income. The strongest areas are aerospace, defence, public-sector engineering, utilities, transport infrastructure, data-centre infrastructure and electrification-related work. Aerospace should benefit from travel normalisation, fleet maintenance demand and supply-chain recovery, while defence and public-security spending provide structural support. Infrastructure conglomerates should benefit from data-centre power demand, urban infrastructure, asset management growth and recurring income from utilities or concessions. The main risk is execution, as cost overruns, labour shortages and working capital needs can dilute order book quality.

Our view:

- Positive: Aerospace MRO, defence, public-sector engineering, utilities, electrification and data-centre infrastructure.
- Neutral: General engineering and transport-linked services, where growth is stable but execution-dependent.
- Negative: Project-based businesses with weak cost pass-through or poor working capital discipline.

Figure 8: Demand for Construction Materials, Monthly (June 2015 – March 2026)



Source: KGI Research, Building & Construction Authority (BCA)

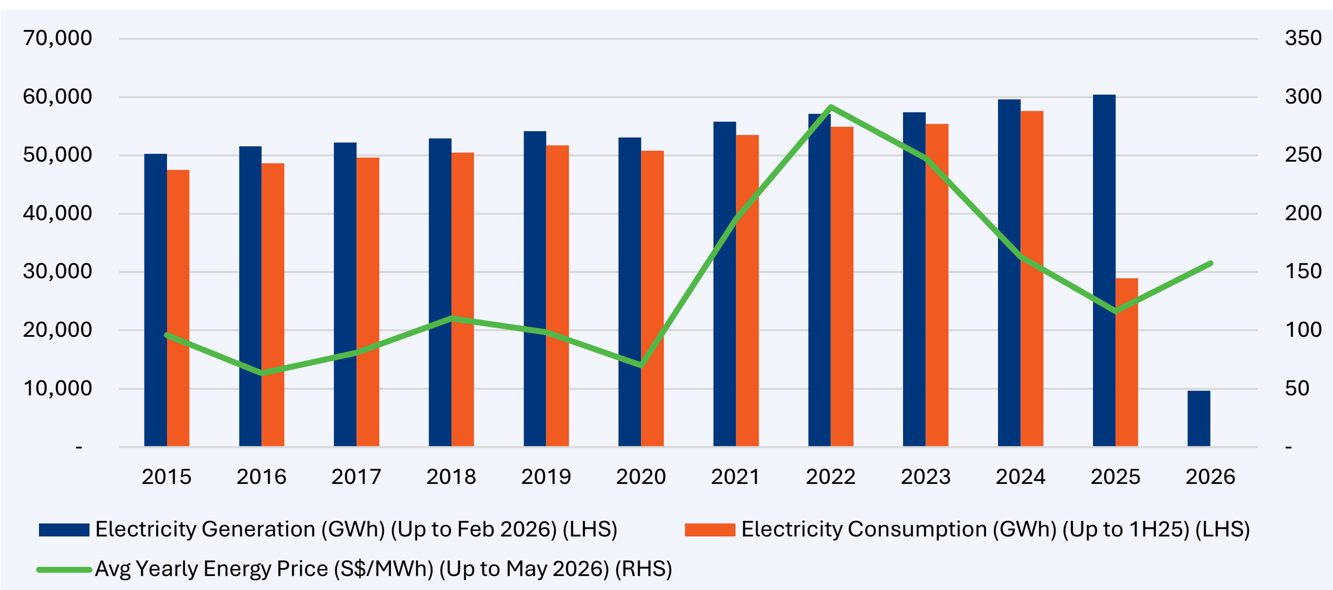
Energy and Commodities — Neutral / Selective

We maintain a neutral but selective stance on Energy and Commodities. The sector has upside from geopolitical risk premiums, regional power demand, data-centre electricity needs and energy transition spending, but earnings remain sensitive to commodity prices and input cost volatility. The preferred exposure is contracted energy infrastructure, where earnings are supported by long-term power offtake, fuel cost pass-through or regulated / infrastructure-like returns. Power and utilities should benefit from rising electricity demand, particularly from data centres and industrial activity. Commodity producers and traders remain more cyclical, with earnings driven by spot prices, production volumes, inventory cycles and working capital swings. Agribusiness should be analysed through crush margins, palm oil / sugar cycles, China demand and hedging outcomes rather than commodity prices alone.

Our view:

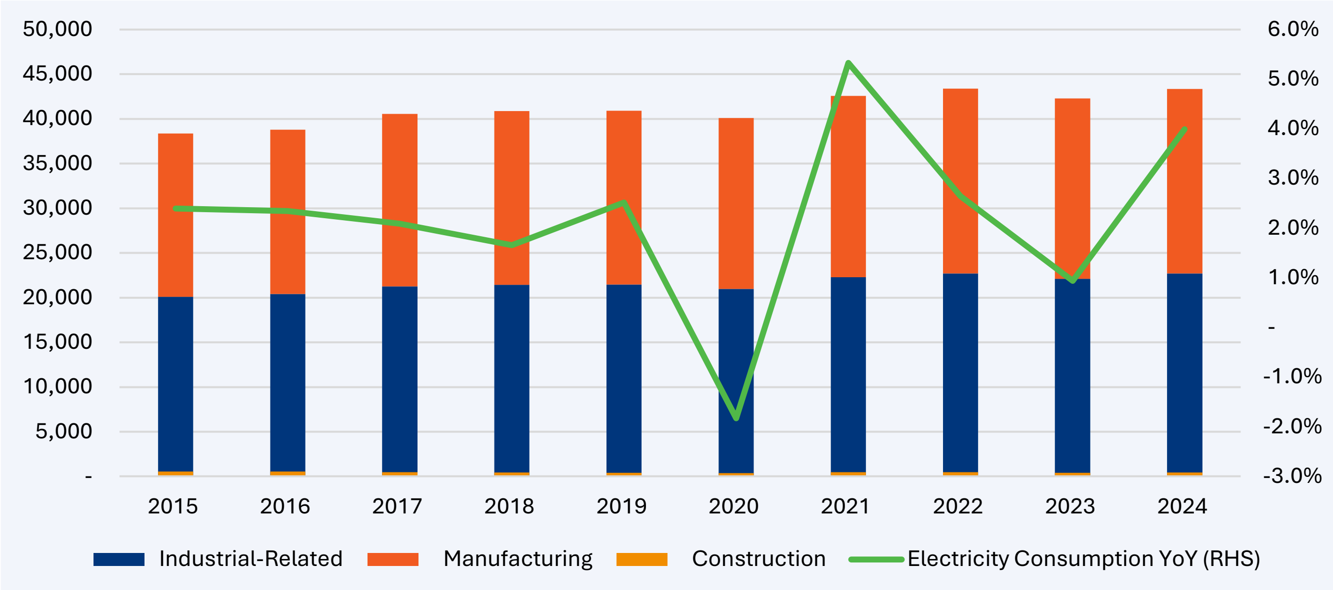
- Positive: Contracted power, utilities, energy infrastructure and data-centre-linked electricity demand.
- Neutral: Agribusiness and diversified commodity traders, where margin cycles are mixed.
- Negative: Pure commodity cyclicals with high spot exposure, weak cost control or large working capital needs.

Figure 9: Electricity Generation and Consumption (GWh) and Average Yearly Energy Price (S$/MWh)



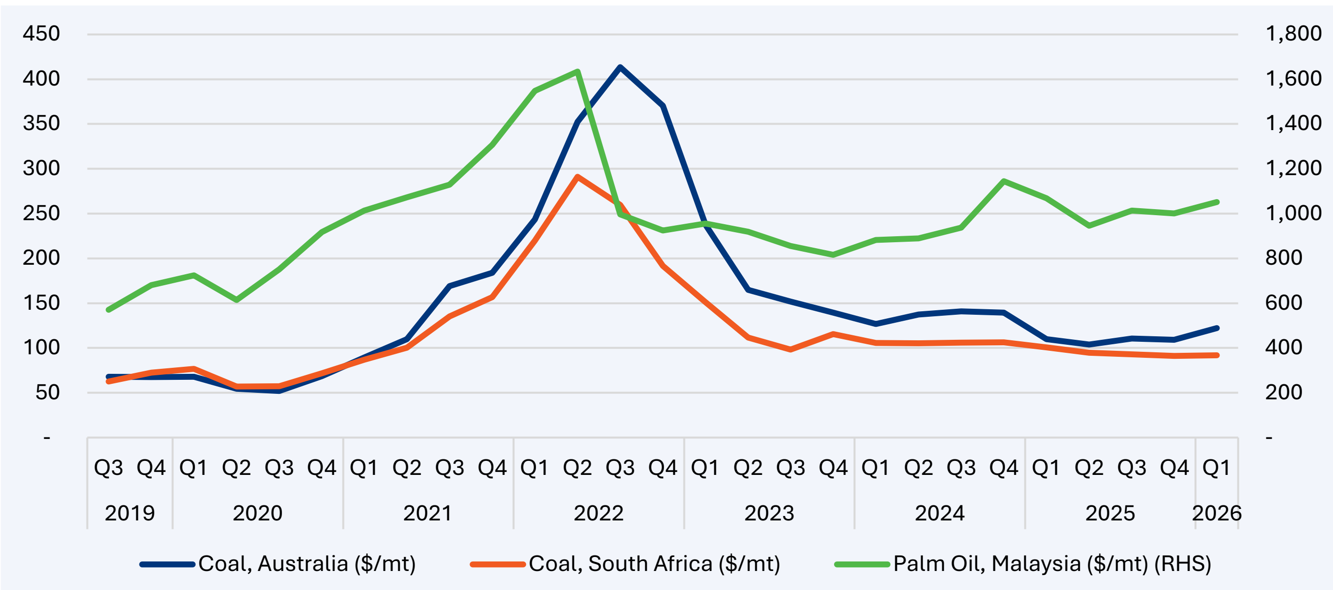
Source: KGI Research, Energy Market Authority (EMA)

Figure 10: Electricity demand by end-use segment, GWh



Source: KGI Research, Energy Market Authority (EMA)

Figure 11: Quarterly averages of commodity prices



Source: KGI Research, World Bank Pink Sheet

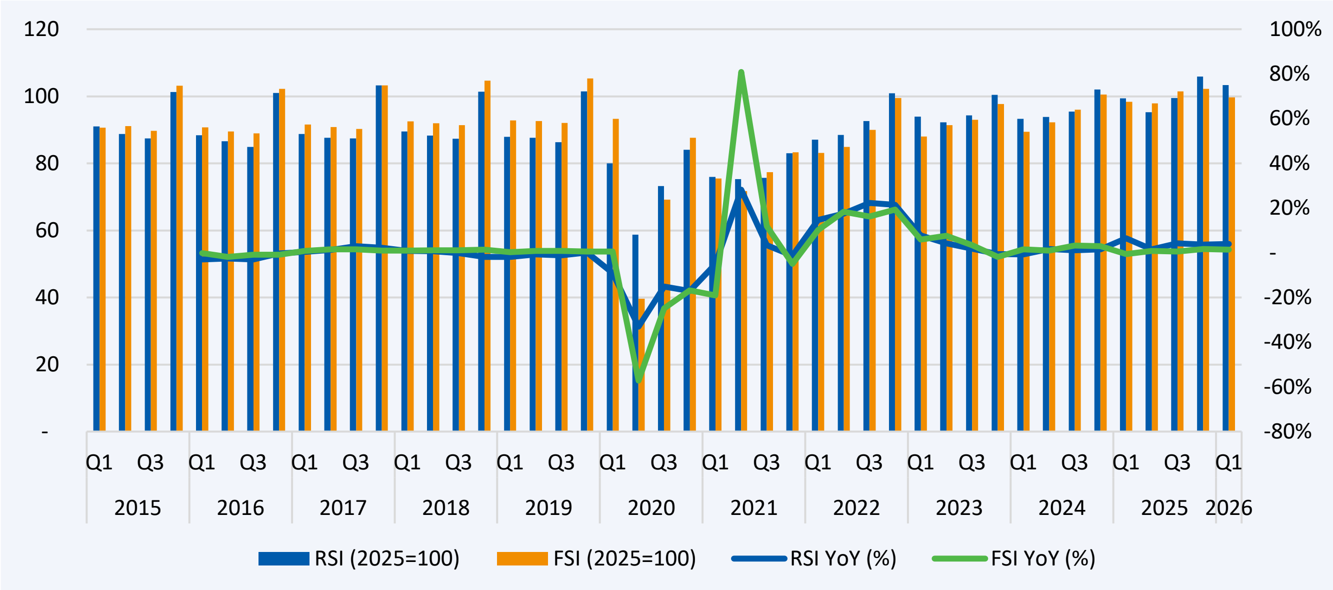
Consumer and Telco — Neutral / Defensive Selectivity

We maintain a neutral stance on Consumer and Telco. Consumer spending should remain steady but not strong, supported by a resilient labour market and government household measures, but external uncertainty and cost pressures may limit discretionary demand. Within consumer, staples and supermarkets remain the most defensive, supported by recurring household demand and better cost pass-through. F&B and retail are more mixed, as footfall may remain healthy but rental, labour and input costs continue to pressure margins. Discretionary retail remains the weakest sub-segment, especially for companies without strong brands or pricing power. For telcos, the sector remains defensive and yield-oriented, but re-rating requires better monetisation from enterprise, cybersecurity, cloud, 5G, data centres or regional associates.

Our view:

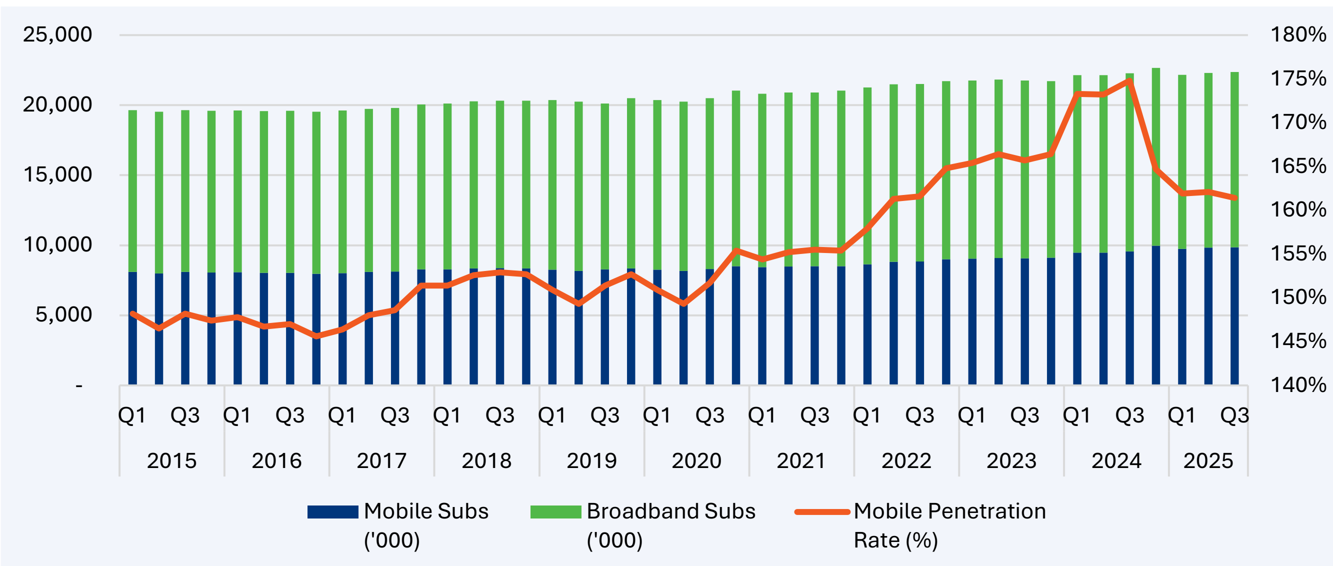
- Positive: Supermarkets, staples, recurring consumer services and telcos with enterprise / digital growth.
- Neutral: F&B and mass-market retail, where demand is steady but margins remain pressured.
- Negative: Highly discretionary retail, weak-margin consumer names and telcos with declining ARPU and limited enterprise growth.

Figure 12: Quarterly Retail Sales & F&B Services Indices (2025=100), 1Q15-1Q26



Source: KGI Research, IMDA

Figure 13: Quarterly Telecommunications Indicators, 1Q15-3Q25



Source: KGI Research, IMDA

Small and Mid-Caps — Selective Overweight

We are selectively overweight Small and Mid-Caps, especially profitable, under-covered companies with visible earnings growth, strong balance sheets and shareholder return potential. The sector should be analysed less by industry classification and more by liquidity, earnings visibility, institutional ownership and catalyst strength. MAS' Equity Market Development Programme should gradually improve market liquidity and research coverage, but the benefits will not be evenly distributed. The strongest candidates are quality mid-caps with positive earnings revisions, scalable platforms, order book visibility, dividend growth or corporate action catalysts. Lower-quality illiquid names without clear earnings drivers may continue to lag despite broader policy support.

Our view:

- Positive: Profitable quality mid-caps with net cash, dividends, scalable platforms or order book visibility.
- Neutral: Cyclical mid-caps with improving earnings but limited liquidity.
- Negative: Illiquid small-caps with weak balance sheets, no dividend support or unclear catalysts.

Figure 14: MAS Equity Market Development Programme (EQDP) allocation progress

Indicator	Latest Data	Read-through
EQDP programme size (original)	**S$5.0bn**	Launched Feb 2025 per Equities Market Review Group recommendations. Structural liquidity support for Singapore equities.
Initial allocation — 1st batch (Jul 2025)	**S$1.1bn**	3 managers: Avanda, Fullerton, JP Morgan Asset Management. Announced 21 Jul 2025 (MAS media release).
2nd batch allocation (Nov 2025)	**S$2.85bn**	6 managers: Amova (fmr Nikko), AR Capital, BlackRock, Eastspring, Lion Global, Manulife. Announced 19 Nov 2025.
Total allocated to date	**S$3.95bn**	Across 9 managers (batches 1+2). Confirmed in MAS 12 Feb 2026 expansion announcement.
Remaining (vs original S$5bn)	**S$1.05bn**	3rd batch expected Q2 2026 / mid-2026. Per MAS Nov 2025 release & Fund Selector Asia.
PROGRAMME EXPANDED (Budget 2026)	**S$5bn → S$6.5bn**	**MAS announced 12 Feb 2026: EQDP expanded to S$6.5bn. Remaining vs new total = S$2.55bn. Next batch mid-2026.**

Source: KGI Research, Monetary Authority of Singapore (MAS)

Style / Factor Tilt

Across sectors, we prefer Quality and Yield over pure Growth. Large-cap dividend compounders remain the defensive core of the portfolio, while the incremental alpha opportunity lies in quality mid-caps, market infrastructure beneficiaries and industrial names with visible order book conversion. We maintain selective exposure to AI-cycle beneficiaries, as the May NODX print reinforces the strength of electronics and semiconductor-related demand. However, we would avoid overpaying for narrow electronics momentum and prefer companies that can benefit from broader export recovery, including precision engineering, specialised machinery, logistics and industrial infrastructure.

Capital Flows & Technical Outlook

- **Fund Flows & Positioning:** Singapore equities should continue to benefit from policy-led liquidity support, higher domestic market attention and improved institutional participation. MAS' Equity Market Development Programme remains the key structural catalyst for improving local equity market depth, research coverage and mid-cap institutional participation. The impact should be gradual rather than immediate.
- **Technical Levels:** The STI has broken decisively above the 5,100-5150 resistance area, reaching an intraday record high of 5,241.80 on 23 June before consolidating around 5,195. The next meaningful resistance is at the 5,300 level and then the upper end of our 12-month target range at 5,500. Near-term support is likely around 5,100-5,150 (the prior resistance now turned support), followed by 5,000 and then 4,850-4,900.
- **Volatility Regime:** Volatility should remain headline-driven, with risks from geopolitics, oil prices, US rate expectations and AI-related equity corrections. Singapore's dividend yield and defensive sector mix should cushion drawdowns, but stretched positioning in banks and index-heavy names raises the risk of sharper rotations if earnings disappoint.

Key Risks

RISK MATRIX	
+ Upside Risk 1: Faster Broadening of Export Recovery	*AI-related electronics demand broadens into precision engineering, specialised machinery, pharmaceuticals and broader re-export activity, supporting stronger-than-expected GDP and earnings growth.*
+ Upside Risk 2: Faster Policy-Led Re-rating	*EQDP deployment, higher turnover, stronger IPO activity and better research coverage lead to faster multiple expansion, especially among quality mid-caps and SGX-linked market infrastructure names.*
- Downside Risk 1: External Shock / Geopolitical Escalation	*A renewed geopolitical shock or energy supply disruption raises imported inflation, pressures margins and weakens external demand, pushing GDP growth towards the lower end of the 2.0%-4.0% forecast range.*
- Downside Risk 2: Earnings Disappointment After Strong Re-rating	*The STI's valuation has re-rated meaningfully. If bank earnings, capital returns or industrial order book conversion disappoint, the market could de-rate despite supportive policy tailwinds.*

KGI TOP 5 STOCK PICKS

Based on our latest company updates and initiation coverage, we highlight five stocks from KGI's Singapore coverage universe as our top picks for 2H26. These names offer a combination of earnings visibility, structural growth tailwinds and attractive risk-reward, and span healthcare, infrastructure, engineering and technology.

Company	Ticker	Sector	Rating	TP (S$)
Q&M Dental Group	QNM SP	Healthcare	Outperform	0.65
OKP Holdings	OKP SP	Construction	Outperform	1.31
CSE Global	CSE SP	Tech Services	Outperform	1.79
Ever Glory United Hldgs	EGUH SP	Industrials	Outperform	1.28
PC Partner Group	PCPG SP	Technology	Outperform	2.54

1. Q&M Dental Group Ltd (QNM SP | OUTPERFORM | TP: S$0.65)

- **Re-fuelled for regional expansion.** Q&M completed a S$130mn MTN issuance in July 2025, giving it the firepower to pursue organic clinic rollouts and tuck-in M&A across Australia, Thailand, Singapore and China. A March 2026 MOU covers the acquisition of an Australian dental platform with 40+ clinics and ~120 dentists for AUD144.5mn, which would be Q&M's most significant international move to date.
- **Core earnings quality better than reported PATMI suggests.** FY25 reported PATMI of S$9.3mn (-35% YoY) was distorted by consolidation-related accounting items and MTN financing charges. Adjusted PATMI excluding these items was stable at S$17.0mn, while core dental revenue grew 12.5% YoY to S$190.8mn. Singapore clinics strengthened in 2H25 and remain the defensive earnings anchor.
- **Defensive healthcare with a growth option.** Singapore private dental demand is structurally resilient and recurring. The expanded platform through Aoxin and the forthcoming Australian deal adds meaningful regional optionality without undermining the defensive core. We reiterate OUTPERFORM with a 12-month TP of S$0.65.

2. OKP Holdings Limited (OKP SP | OUTPERFORM | TP: S$1.31)

- **Largest orderbook in OKP's history underpins multi-year earnings visibility.** OKP's net construction orderbook reached S$760.7mn as at 28 May 2026, representing ~3.4x FY25 revenue and providing contracted revenue coverage through 2031. Recent wins include an S$87.3mn LTA commuter infrastructure contract for the Jurong Region Line and a S$165.3mn LTA contract for commuter infrastructure at pedestrian overhead bridges, both reinforcing OKP's credentials as a preferred public-infrastructure contractor.
- **Public-sector infrastructure upcycle provides a multi-year demand tailwind.** BCA projects total construction demand of S$47-53bn in 2026, sustained by major public works including Changi Airport Terminal 5, MRT extensions, Tuas Port, hospital redevelopments and new HDB BTO construction. OKP's core focus on civil engineering, roads, drainage and transport infrastructure makes it a direct beneficiary of Singapore's long-term public infrastructure spending pipeline.
- **Strong balance sheet provides downside protection and bidding capacity.** Cash and equivalents stood at S$155.9mn (50.8 cents/share) at end-FY25, providing a sizeable liquidity buffer and supporting performance bonding for larger government-backed tenders. We initiate with OUTPERFORM and a DCF-derived 12-month TP of S$1.31, implying ~64% upside from current levels.

3. CSE Global Ltd (CSE SP | OUTPERFORM | TP: S$1.79)

- **Record order momentum into FY26.** CSE delivered a record FY25 order intake exceeding S$1bn, lifting the year-end order book to S$709.5mn and providing strong revenue visibility through FY26-27. The 4Q25 order intake alone reached S$514.7mn, driven by major U.S. electrification wins, a US$143.5mn hyperscaler contract variation and significant LNG-related wins of S$161.7mn.

- **Electrification and data-centre demand are structural, not cyclical.** CSE is positioned at the physical layer of the AI and power infrastructure build cycle, supplying power distribution, electrical control systems, communications infrastructure and integration services for hyperscale data centres and LNG facilities. The group's strategic commercial arrangement with Amazon adds a long-term wallet-share growth vector on top of near-term order visibility.
- **Margin recovery from FY26 as one-off charges normalise.** FY25 EBITDA margin of 8.6% was depressed by ~S$8-9mn of non-recurring items including project provisions and automation write-offs. Excluding these, underlying margins were already near the group's medium-term target of ~10%. We expect EBITDA margins to exceed 10% from FY26, supported by a richer project mix and improved operating leverage. We raise our TP to S$1.79 and maintain OUTPERFORM.

4. Ever Glory United Holdings Ltd (EGUH SP | OUTPERFORM | TP: S$1.28)

- **Guthrie Engineering acquisition structurally re-rated the earnings profile.** The consolidation of Guthrie Engineering from July 2025 drove FY25 revenue up 43% YoY to S$106.7mn and net profit up 85% YoY to S$16.6mn. Guthrie contributed S$78.2mn of revenue in 2H25 alone and generated a S$5.5mn bargain purchase gain, while expanding Ever Glory's M&E engineering capabilities into larger and more complex institutional projects.
- **Record order book of S$732.8mn (~6.9x FY25 revenue) provides exceptional visibility.** The diversified portfolio spans healthcare (hospital redevelopments, MOH's 13,600-bed expansion by 2030), hospitality (Marina Bay Sands expansion), rail infrastructure (JRL, CRL Phase 1) and commercial developments. New contract wins of S$508.0mn in FY25 reflect broad-based demand across Singapore's construction upcycle, with revenue recognition expected to extend through FY27 and beyond.
- **Mainboard transfer and 300% DPS increase signal improved investor access and confidence.** Ever Glory's SGX Mainboard listing in December 2025 removes the liquidity discount associated with Catalist-listed companies and broadens institutional accessibility. The proposed 1-for-4 bonus issue further improves trading liquidity. We raise our TP to S$1.28 (from S$1.20) and maintain OUTPERFORM.

5. PC Partner Group Ltd (PCPG SP | OUTPERFORM | TP: S$2.54)

- **Premium GPU mix strategy insulates margins against volume headwinds.** PC Partner is deliberately repositioning its own-brand VGA portfolio towards high-end and premium SKUs, exiting low-end models below ~US$100 and minimising MSRP cards. The RTX5090 contributed HK$1.69bn (16%) of own-brand VGA revenue in FY25, demonstrating that the high-end customer is relatively price-inelastic even at US$1,999 launch pricing. This positions PC Partner to better monetise scarce Blackwell GPU allocation in FY26.
- **FY25 results landed materially ahead of expectations.** Revenue rose 38.4% YoY to HK$13.95bn, PC Partner's second-highest revenue year on record. Brand VGA revenue grew 67.3% and VGA revenue overall grew 50.0%. Management has guided for FY26 double-digit revenue growth and brand VGA ASP of around US$500, which we view as a floor given the ongoing premium mix upgrade and tighter allocation environment.
- **Next GPU refresh cycle provides medium-term earnings support.** We see lower risk of a 2022-2023 style revenue collapse after FY26, as the next consumer GPU refresh wave is likely to start building again into 2H27 in our base case. We raise our 12-month TP to S$2.54 (from S$1.73) on a blended DCF and DDM valuation framework and maintain OUTPERFORM.

Figure 15: Existing KGI Research Coverage

No.	BBG Ticker	SG Ticker	Company Name	Current Price	Target Price	Latest Update	YTD Performance
1	ASSPH SP	TAP SI	Assembly Place Holdings Ltd/The	$0.220	$0.350	10 Apr 2026	-
2	ATTIKA SP	53W SI	Attika Group Ltd	$0.165	$0.312	30 Jun 2026	(26.7%)
3	CENT SP	OU8 SI	Centurion Corp Ltd	$1.460	$1.850	27 Mar 2026	16.8%
4	CSE SP	544 SI	Cse Global Ltd	$1.340	$1.790	10 Mar 2026	36.0%
5	EGUH SP	ZKX SI	Ever Glory United Holdings Ltd	$0.780	$1.280	17 Mar 2026	19.6%
6	ELITE SP	MXNU SI	Elite Uk Reit	£0.315	£0.407	19 Nov 2025	(12.5%)
7	FEH SP	F03 SI	Food Empire Holdings Ltd	$2.370	$3.700	9 Mar 2026	20.0%
8	FMIL SP	OAJ SI	Fortress Minerals Ltd	$0.250	$0.260	13 May 2026	4.2%
9	GERL SP	RE4 SI	Geo Energy Resources Ltd	$0.465	$1.270	18 May 2026	10.7%
10	IDH SP	ZBA SI	Infinity Development Holdings Co Ltd	$0.405	$0.620	6 Apr 2026	(2.4%)
11	ISO SP	5WF SI	Isoteam Ltd	$0.076	$0.099	16 Oct 2025	(7.3%)
12	KIN SP	KIN SI	Kin Global Pte Ltd	$0.200	$0.280	17 Apr 2026	-
13	LINASC SP	BFT SI	Lincotrade & Associates Holdings Ltd	$0.305	$0.370	12 Jun 2026	48.8%
14	OKP SP	5CF SI	Okp Holdings Ltd	$0.770	$1.310	4 Jun 2026	7.9%
15	OUEREIT SP	TS0U SI	Oue Real Estate Investment Trust	$0.355	$0.360	14 Nov 2025	(1.4%)
16	PCPG SP	PCT SI	Pc Partner Group Ltd	$2.890	$2.540	18 Mar 2026	229.5%
17	QNM SP	QC7 SI	Q&M Dental Group Singapore Ltd	$0.550	$0.650	20 Mar 2026	-
18	RLS SP	NR7 SI	Raffles Education Ltd	$0.119	$0.320	19 May 2026	(11.9%)
19	SASSR SP	CRPU SI	Sasseur Real Estate Investment Trust	$0.680	$0.870	6 Mar 2026	-
20	SCG SP	ZXB SI	Skylink Holdings Ltd	$0.215	$0.580	30 Jun 2026	(27.1%)
21	TOKU SP	TKU SI	Toku Ltd	$0.196	$0.390	7 May 2026	-
22	UHU SP	ODBU SI	United Hampshire Us Reit	US$0.515	US$0.690	6 Mar 2026	2.0%
23	WKS SP	WKS SI	Winking Studios Ltd	$0.220	$0.304	5 May 2026	(8.3%)
24	ZXGH SP	42W SI	Zixin Group Holdings Ltd	$0.032	$0.069	24 Jun 2026	(8.6%)

Source: KGI Research, Bloomberg

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