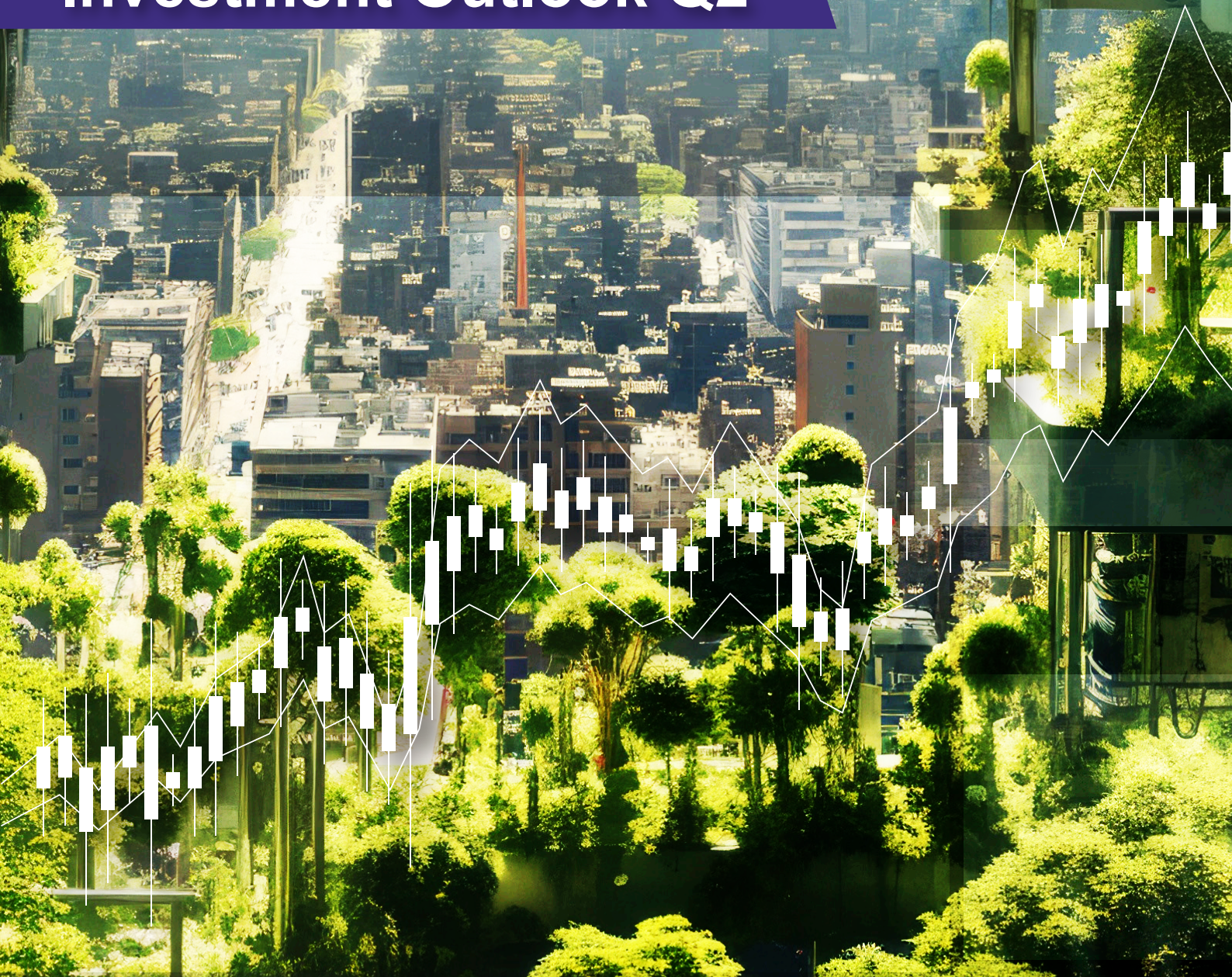




上海商業銀行
SHANGHAI COMMERCIAL BANK

2026

Investment Outlook Q2





Global Market and Currency Outlook

Playing with Perception

The sound bite roulette has settled down a bit recently. The neat narrative of the hyperscalers' capex being easily funded out of operating cash flow is losing weight. As the A.I. threat is not going to magically disappear anytime soon, the greenback may be vulnerable to diversification drive given the scope for catch-up from non-A.I. sectors that were left behind.

Investors are willing to embrace a higher EUR in response to an A.I. positioning unwind. Another eye-popper is the better-than-expected data outturns in the U.K., defying the pessimistic consensus. The scope for further sterling outperformance is however limited, given a non-remote likelihood of a change in Prime Minister this year. Strong foreign security purchases via toshins - boosted by NISA tax benefits and JPY depreciation - are likely to provide headwinds to the yen. Hedging flows could act as a positive driver for the Aussie, considering the commodity currency should soon become the highest yielder in the G7 space.



Source: Shanghai Commercial Bank Limited



Asset Managers' Corner –FIL Investment Management (Hong Kong) Limited

Turning volatility into value: The Multi-Asset Advantage

George Efstathopoulos, portfolio manager, global multi asset strategies

Geopolitical uncertainty, shifting monetary policies and uneven global growth continue to shape the investment landscape. The latest Middle East tensions have added to volatility, raising questions around resilience, diversification and where the most compelling opportunities lie.

This Q&A highlights our current thinking across equities, fixed income and commodities, and illustrates how disciplined risk management and selective positioning help investors navigate ongoing uncertainty while remaining positioned for opportunity.

Question: To what extent have the latest Middle East tensions shaped your commodity outlook, and how to build a resilient portfolio if geopolitical risks remain elevated for an extended period?

George: "Geopolitical shocks have become a structural feature of the backdrop. They raise volatility, make fundamentals more fragile and challenge traditional diversification, which makes spreading risk across multiple return drivers increasingly important.

Within equities, geographic diversification is key. High concentration in the US and the AI theme leaves portfolios exposed, while valuation dispersion and decoupling cycles create asymmetric opportunities across developed and emerging markets. In that environment, investors should focus on the high-conviction ideas, such as structural themes like US reindustrialisation and supply-chain realignment.

In fixed income, bond is a less reliable diversifier despite higher yields, requiring a more selective and flexible approach.

In commodities, gold remains a structural hedge in a fragmented world with unstable bond-equity correlations, and we favour selected real assets such as copper, supported by electrification and AI demand.

From a hedging perspective, when volatility is low, we prefer to use the full toolkit at our disposal — including options — to build protection proactively rather than reactively. Resilience comes from diversification, flexibility and disciplined risk management, not reliance on any single hedge."

Question: Across global regions, which equity markets look most compelling to you right now, and what are the key drivers behind those preferences?

George: "When we look across equity markets, three key themes are shaping our preferences.

First, a focus on domestically driven revenue in a more fragmented global environment. We see that in German and Japan mid-caps, supported by fiscal and wage tailwinds, and in China mid-caps where policy is accommodative. The common thread is earnings resilience driven from within.

Second, we see scope for a renewed era of financials outperformance. Higher cash rates, steeper curves and deregulation are supportive. We favour US financials and bank-heavy Greek equities.

The third theme at play is real assets where demand/supply dynamics are very supportive, driven by green transition, AI infrastructure and rising defence spending globally.

Overall, we prefer targeted exposure through selected quality growth rather than broad market exposure."

Question: Growth forecasts for 2026 remain resilient, supported by AI driven investment and improving fiscal conditions. How does this pro cyclical setup shape your equity and credit views?

George: "Global growth remains on solid footing, although we need to remain watchful of Iran-related developments. China is stimulating, the Fed is easing again, and Germany has ended fiscal austerity. The cycle is underpinned by a resilient US consumer, with activity picking up beyond the US across Europe and parts of emerging markets.

That environment supports maintaining a positive equity stance. Earnings remain resilient and the expansion is broadening, but elevated valuations and concentration risks mean selectivity is key.

In credit, we remain cautious as spreads across both investment grade and high yield markets are tight while the news flow from private debt is increasingly troublesome.

Overall, we're constructive on risk, but disciplined on valuation and hedging."

Question: Given moderating global inflation and wider policy flexibility for rate cuts, which asset classes currently offer attractive income opportunities over the next 3–6 months?

George: "With global inflation moderating and central banks gaining greater flexibility to ease, the income opportunity over the next few months is less about chasing falling yields and more about being selective on where risk is rewarded.

Within fixed income, our highest conviction market is Brazilian government bonds which offers very high nominal and real income and the scope for yield compression. The market has been idiosyncratic, driven by fiscal and inflation concerns, but that volatility has created opportunity. Inflation expectations are easing, the central bank has maintained discipline, and with growth slowing, we see attractive carry alongside potential duration upside.

The second area we favour for income is Asian equities. Across the region, corporate reforms and a stronger focus on returning shareholder value are gaining momentum. Korea's Value-Up programme has helped catalyse this shift, with companies increasing buybacks and improving payout discipline, leading to more stable and attractive income streams. In a more flexible policy environment, that improving quality of income stands out."

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Source: FIL Investment Management (Hong Kong) Limited



Prospects for Hong Kong Stocks in the Second Quarter

Range-Bound Oscillation Endures as Policy Underpins Valuations

In the first quarter of 2026, the Hong Kong stock market continued its range-bound oscillation pattern. The Hang Seng Index reached a four-and-a-half-year high of 28,056 points at the end of January. However, in February, it experienced meaningful retracement, weighed down by weak performance among heavyweight constituents in the Hang Seng Tech Index and heightened geopolitical risks. By the end of February, the three major indices showed divergent trends: the Hang Seng Index rose by a modest 3.9% in the first two months, while the Hang Seng China Enterprises Index and Hang Seng Tech Index declined by 0.6% and 6.9%, respectively—underperforming the major A-share indices in Chinese Mainland.

Looking ahead to the second quarter of 2026, escalating geopolitical tensions may heighten short-term volatility in global markets, with investors likely to adopt a wait-and-see approach amid ongoing developments. On the China front, following the National People's Congress and the Chinese People's Political Consultative Conference in March, the 2026 GDP growth target and detailed fiscal stimulus measures are expected to be progressively implemented during Q2. This period will be crucial for the market's re-rating of Chinese assets. Meanwhile, expectations remain for the US Federal Reserve to continue its rate-cutting cycle in 2026. Although there is limited room for adjustments to Hong Kong's Prime Rate (P), the Hong Kong Interbank Offered Rate (HIBOR) is anticipated to decline further, helping to ease corporate financing costs.

From a valuation perspective, as of the end of February 2026, the Hang Seng Index's forward P/E for 2026 stood at 11.6 times (broadly in line with the 10-year average), with the 2027 forward P/E dropping to 10.3 times—indicating that valuations remain within a reasonable range. On the technical front, the Hang Seng Index has fluctuated between 25,086 and 28,056 points from December last year through January this year. However, rallies have been characterized by frequent pullbacks, raising the possibility that Q2 could see an initial test of lower levels. Should any correction materialize this quarter, it may present attractive opportunities for building positions at lower levels. Taking the full-year 2025 daily average close of approximately 24,077 points as a reference, the key watershed level can be set around 24,000 points.

In terms of sector focus, investors may consider defensive sectors with stable cash flows—such as Chinese Mainland banks, telecommunications, and utilities—to enhance portfolio resilience against risks. In addition, sectors benefiting from the "New Quality Productive Forces" policy, including semiconductors, AI applications, and related hardware/software segments, are expected to maintain their medium- to long-term growth trends and warrant inclusion on the watchlist.

Source: Shanghai Commercial Bank Limited



SCB 2026 Q1 Top 10 Best-Selling Funds*

	Product Risk Rating	Fund Inception Date ¹	Fund AUM ¹ (\$m)	YTD Cumulative Returns ² (%)	2025 Calendar Year Returns ² (%)	2024 Calendar Year Returns ² (%)	2023 Calendar Year Returns ² (%)	2022 Calendar Year Returns ² (%)	2021 Calendar Year Returns ² (%)	3-Year Annualised Volatility ² (%)	3-Year Sharpe Ratio ²
BlackRock Asian Multi-Asset Income Fund -A6 Distributing Monthly -EUR Hedged	3	20/1/2016	USD 454	6.42	15.43	5.57	N/A	N/A	N/A	N/A	1.21
BNP Paribas Funds Multi-Asset Opportunities - Classic MD HKD	3	25/4/2016	USD 282	5.36	14.04	4.69	1.26	-24.51	-8.62	7.45	0.55
Fidelity Funds - Global Dividend Plus Fund -A-MCDIST(G)- USD	3	1/9/1999	USD 2,226	6.51	24.68	8.82	16.2	-11.3	N/A	9.35	1.46
Fidelity Funds - Global Multi Asset Growth & Income Fund -A-MCDIST(G)- HKD	3	30/10/2006	USD 122	6.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Goldman Sachs Funds SICAV - Goldman Sachs Global CORE Equity Portfolio - Other Currency (Acc.) (Close) HKD	3	14/10/2004	USD 7,297	4.64	22.12	19.98	23.14	-20.78	22.11	11.65	1.55
Goldman Sachs Global Multi-Asset Income Portfolio - Other Currency (Gross M-Dist) RMB-Hedged	3	18/3/2014	USD 663	2.89	8.26	4.91	9.7	N/A	N/A	6.16	0.98
HSBC Collective Investment Trust - HSBC Asia Multi-Asset High Income Fund AM2-USD	3	15/1/2021	USD 317	8.38	17.34	10.24	-0.54	-18.83	-8.65	8.01	0.82
HSBC Global Investment Funds - Global Short Duration Bond - AM2HKD	2	27/2/2015	USD 5,720	1.4	5.57	4.97	6.13	-5.47	1.43	2.05	0.78
JPMorgan Asia Equity High Income - mth/HKD	4	15/6/1981	USD 2,088	10.04	28.05	5.97	N/A	N/A	N/A	N/A	N/A
Pictet HK - Pictet Strategic Income - P/ HKD/dm	3	30/9/2016	HKD 18,544	9.7	18.3	13.17	17.56	-22.11	10.77	10.17	1.45

Fund Risk Level is classified into 5 categories (1. Low / 2. Low to Medium / 3. Medium / 4. Medium to High / 5. High).

¹ Source: BlackRock Asset Management North Asia Limited, BNP Paribas Asset Management Asia Limited, FIL Investment Management (Hong Kong) Limited, Goldman Sachs Asset Management (Hong Kong) Limited, HSBC Global Asset Management (Hong Kong) Limited, JPMorgan Funds (Asia) Limited and Pictet Asset Management (Hong Kong) Limited as of 31 Jan 2026.

² Source: Bloomberg.

Remarks

- "SCB 2026 Q1 Top 10 Best-Selling Funds" lists the top 10 best-selling funds among all funds distributed by Shanghai Commercial Bank Limited (the "Bank") during 1 Jan 2026 to 16 Mar 2026, based on the total subscription and switching amount (in HKD or equivalent) for each fund. The Top 10 Best-Selling Funds shown in the table are sorted by ascending alphabetical order, without reference to the total subscription amount involved for each fund. Result of the Top 10 Best-Selling Funds is provided for information and reference only and is not intended to constitute any investment advice or opinion. The funds referred to in this document constitute only a portion of the funds that are available for distribution from the Bank and references to such funds in this document do not constitute recommendations over any other fund available from the Bank.
- The data used to calculate the year to date cumulative returns are as of 27 Feb 2026.
- Fund inception date refers to the fund's first share class inception date.
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- Volatility is a statistical measure of risk. The above 3-year volatility has been annualised for comparison and is calculated by using the annualised standard deviation of the monthly returns during 1 Mar 2023 to 27 Feb 2026.
- Risk relative to return of fund can be measured by 3-year Sharpe Ratio. Sharpe Ratio at the table above is a measure of the fund's performance against the 3-month US Treasury bill rate (risk free investment return), adjusted for risk. A relatively high positive ratio indicates that the fund has a relatively high risk-adjusted return historically. Data is calculated by using the monthly investment returns from 1 Mar 2023 to 27 Feb 2026.
- In respect of each relevant fund, the returns were calculated based on the principle of NAV-to-NAV of the relevant fund, with reinvestment of all dividends (if any). Only the funds that have an investment track record of at least 6 months as of the information captured date will have their percentage returns displayed.
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