Sector Update

Equity strategy: Constructive on 2H26 outlook

Carmen Lee
Head of Equity Research

Andy Wong, CFA
Senior Equity Analyst
Rachel Miu
Senior Equity Analyst
Ada Lim, CFA, CESGA
Equity Analyst
Troy Cheng
Equity Analyst
Samuel Wong
Senior Trading Strategist

Summary Points

- Equities enjoyed stellar gains in 1H26, driven by strong artificial intelligence (AI) earnings and outsized share price gains for the market leaders
- Focus in 2H26 will remain on the broader AI theme, although buying will turn more selective, matching earnings delivery and growth with valuation versus the earlier phase of widespread gains in the sector
- Interest is likely to be on companies which are able to deliver on earnings to justify the current valuations. Maintain Overweight on Singapore equities

Strong 1H26 gains – Equities completed 1H26 on a positive note, despite geopolitical uncertainties and higher oil prices and the resulting inflationary concern. The powerful AI investment theme was at the centre of this rally, pushing US, Japan, Korean and Taiwanese equities higher. Moving forward, the mega AI investment theme remains relevant and will continue to support interest in the market, but focus will shift to earnings and the differentiation among participants. Companies with robust earnings, supported by ongoing investment and expanding revenue, are likely to be favoured. High valuations are likely to persist, though further multiple expansion may be limited.

Overweight on Singapore remains – While equities have surged higher, valuations have remained within reasonable range due to strong corporate earnings of the growth stocks. In Singapore, the narrative remains intact. Strong and stable SGD and supported by companies dishing out good and consistent dividends. This has underpinned the outperformance of the Straits Times Index (STI) in the last two years and will continue to provide support at current level. Our core favourites in Singapore include **Bumitama Agri Ltd, CapitaLand Ascendas REIT (CLAR), CapitaLand India Trust (CLINT), CapitaLand Investment (CLI), CapitaLand Integrated Commercial Trust (CICT), Hong Leong Asia (HLA), Keppel DC REIT (KDCREIT), Keppel Ltd (KEP), NETLINK NBN TRUST (NETLINK), Q&M Dental Group (QNM), Sembcorp Industries (SCI), SIA Engineering Co (SIE), Singapore Technologies Engineering (STE), Singapore Telecommunications (SingTel)** and **UOL Group (UOL).**

Preferred Singapore picks

Ticker	CCY	Last Close	Fair Value	Rating
BAL SP	SGD	1.64	2.20	**BUY**
CLAR SP	SGD	2.49	3.11	**BUY**
CLINT SP	SGD	1.02	1.30	**BUY**
CLI SP	SGD	2.49	3.58	**BUY**
CICT SP	SGD	2.37	2.67	**BUY**
HLA SP	SGD	2.76	4.20	**BUY**
KDCREIT SP	SGD	2.24	2.78	**BUY**
KEP SP	SGD	10.94	13.60	**BUY**
NETLINK SP	SGD	0.98	1.12	**BUY**
QNM SP	SGD	0.55	0.76	**BUY**
SCI SP	SGD	6.35	7.48	**BUY**
SIE SP	SGD	3.46	4.00	**BUY**
STE SP	SGD	10.39	12.50	**BUY**
ST SP	SGD	4.41	5.75	**BUY**
UOL SP	SGD	9.52	12.87	**BUY**

Source: Bloomberg, OCBC Group Research estimates; Last close as at 30 Jun 2026

Investment highlights

Exhibit 1: Our preferred Singapore picks

Security	Last close (SGD)	YTD (%)	Fair Value (SGD)	Upside (%)	Rating	Mkt Cap (USD m)	Sector
Bumitama Agri Ltd	1.64	21.5%	2.20	34.1%	**BUY**	2,277	Consumer Staples
CapitaLand Ascendas REIT	2.49	-11.9%	3.11	24.9%	**BUY**	9,528	Real Estate
CapitaLand India Trust	1.02	-16.4%	1.30	27.5%	**BUY**	1,183	Real Estate
CapitaLand Investment Ltd	2.49	-8.1%	3.58	43.8%	**BUY**	9,525	Real Estate
CapitaLand Integrated Commercial Trust	2.37	-0.8%	2.67	12.7%	**BUY**	14,497	Real Estate
Hong Leong Asia Ltd	2.76	15.0%	4.20	52.2%	**BUY**	1,658	Industrials
Keppel DC REIT	2.24	-0.4%	2.78	24.1%	**BUY**	4,213	Real Estate
Keppel Ltd	10.94	6.6%	13.60	24.3%	**BUY**	15,101	Industrials
NetLink NBN TRUST	0.98	1.0%	1.12	14.9%	**BUY**	2,919	Telecommunications
Q&M Dental Group Singapore Ltd	0.55	0.0%	0.76	38.2%	**BUY**	402	Health Care
Sembcorp Industries Ltd	6.35	5.5%	7.48	17.8%	**BUY**	8,579	Industrials
SIA Engineering Co Ltd	3.46	-3.9%	4.00	15.6%	**BUY**	3,007	Industrials
Singapore Technologies Engineering Ltd	10.39	23.4%	12.50	20.3%	**BUY**	25,751	Industrials
Singapore Telecommunications Ltd	4.41	-3.1%	5.75	30.4%	**BUY**	55,913	Telecommunications
UOL Group Ltd	9.52	8.9%	12.87	35.2%	**BUY**	6,157	Real Estate

Source: Bloomberg, OCBC Group Research; last close as at 30 Jun 2026

After a tumultuous first half, will the market enjoy sunny days ahead? It has been one exciting ride this year, with equities starting off the year on a positive note in January before the US-Iran war in late February led to a sell-down in March. This was followed in quick succession by an equally impressive strong showing in April especially for the key AI leaders. AI remains as one of the strongest structural stories in global markets, benefiting semiconductors and AI infrastructure stocks. The rapid expansion of generative AI has significantly increased demand for advanced chips, data centre infrastructure, and high-performance computing. This dominated the investment theme in 2Q26 which led to the strong double- and triple-digit gains from tech-heavy markets.

Exhibit 2: Performance of key indices in 1H26

Index / Security as at 30 Jun 2026	Last Done	YTD (%)	52W High	52W Low
Philadelphia Stock Exchange Semiconductor Index	14,247	101.1%	14,655	5,418
Bloomberg Global Semiconductor Top 20 Price Return Index	20,046	92.0%	20,641	7,459
S&P 500 INDEX	7,499	9.6%	7,621	6,188
NASDAQ Composite Index	26,214	12.8%	27,190	20,182
Korea Stock Exchange KOSPI Index	8,476	101.1%	9,386	3,032
Taiwan Stock Exchange Weighted Index	46,126	59.3%	48,219	22,190
Nikkei 225	70,062	39.2%	72,832	39,289
Oil	73	19.8%	126	59
Straits Times Index	5,171	11.3%	5,242	3,992
iEdge Singapore Next 50 Index	1,516	4.0%	1,593	1,244

Source: Bloomberg, OCBC Group Research; last close as at 30 Jun 2026

On the geopolitical front, it felt like Groundhog Day, as the situation in the Middle East changed rapidly and regularly and that led to heightened volatility as measured by the CBOE Volatility Index (VIX) which moved from 15 at the start of the year to a high of 35 in March 2026, before stabilising currently at around 16 currently. The Middle East situation led to a sharp spike in oil prices, which hit a recent high of USD126/bbl, before settling recently down to USD73/bbl. Market concerns of an energy crisis have been averted for now, but with AI investments pushing ahead, consumption of energy will continue to rise.

AI-driven earnings upcycle – For a large part of 1H 2026, the strong rally in equities have been largely supported by a powerful AI-driven earnings cycle. This was evidenced by the strong performance of the Philadelphia Stock Exchange Semiconductor Index (SOX), which doubled to 14,247 (+101% year-to-date (YTD)). This has successfully mitigated geopolitical shocks and underpinned strong performance in US and parts of Asia. Investments in semiconductors, data centres, and digital infrastructure continues to drive growth in North Asia, allowing these equity markets outperform amid war-related disruptions. Japan's Nikkei 225 Index surged 39% in 1H26 – an exceptionally strong outperformance over a short period of six months. This was led by the strong performances of several AI-linked names including **Kioxia Holdings Corp [285A JP, +759% YTD], Tokyo Electron [8035 JP, +125% YTD], Advantest Corp [6857 JP, +65% YTD]** and **Murata Manufacturing [6981 JP, +251% YTD]**. Korea Stock Exchange KOSPI Index rallied 101% during the same period led by key AI stocks such as **SK Hynix [000660 KS, +305% YTD]** and **Samsung Electronics [005930 KS, +177% YTD]**. In tech-heavy Taiwan, the Taiwan Stock Exchange Weighted Index (TWSE) surged 59% YTD. This was largely led by **Taiwan Semiconductor Manufacturing Co (TSMC) [2330 TT, +56% YTD], MediaTek [2454 TT, +197% YTD]** and **Delta Electronic [2308 TT, +103% YTD]**.

At the same time, with the stellar performance of the AI leaders, this has led to highly concentrated holdings in these stocks. The S&P 500 is projected to deliver earnings growth of 27.9% in FY26 and 16% in FY27. This is largely driven by high growth stocks, while the broader market growth is likely to be muted. For example, S&P 500 Information Technology Sector is estimated to grow 31% in FY27, while growth for the Consumer Staples sector is pegged at 7.8%. Refer to Exhibit 3 for more details.

Exhibit 3: Forward valuations for S&P 500 are not excessive

Index / Security as at 30 Jun 2026	Last Done	YTD (%)	P/E (x)	P/E FY1 (x)	P/B (x)	P/B FY1 (x)	Growth (FY26)	Growth (FY27)
S&P 500 Index	**7,499**	**9.6%**	**27.5**	**18.8**	**5.7**	**4.5**	**26.9%**	**16.4%**
S&P 500 Communication Services Sector GICS Level 1 Index	454	0.4%	23.9	19.0	5.4	3.9	26.8%	6.2%
S&P 500 Consumer Discretionary Sector GICS Level 1 Index	1,907	-1.1%	31.5	24.6	8.6	6.0	10.1%	12.7%
S&P 500 Consumer Staples Sector GICS Level 1 Index	923	6.7%	23.1	20.7	6.8	5.8	6.1%	7.8%
S&P 500 Energy Sector GICS Level 1 Index	811	18.0%	18.6	13.3	2.2	1.9	70.3%	-11.1%
S&P 500 Financials Sector GICS Level 1 Index	893	-2.1%	17.4	15.0	2.4	2.1	12.2%	6.9%
S&P 500 Health Care Sector GICS Level 1 Index	1,852	2.6%	21.8	16.9	5.2	4.2	1.6%	18.7%
S&P 500 Industrials Sector GICS Level 1 Index	1,569	19.5%	33.7	23.9	7.9	6.4	13.5%	15.9%
S&P 500 Information Technology Sector GICS Level 1 Index	6,788	19.4%	38.4	19.2	13.8	8.0	65.9%	30.8%
S&P 500 Materials Sector GICS Level 1 Index	638	11.1%	25.4	16.7	3.3	2.7	42.8%	9.3%
S&P 500 Real Estate Sector GICS Level 1 Index	280	9.7%	46.7	19.1	3.3	3.2	6.2%	6.4%
S&P 500 Utilities Sector GICS Level 1 Index	461	6.2%	19.9	16.8	2.3	2.0	11.1%	10.5%

Source: Bloomberg, OCBC Group Research; last close as at 30 Jun 2026

Higher for longer rate environment – With the recent pivot by the US Federal Reserve (Fed), rates are likely to stay higher for longer. Inflation, partly driven by higher energy costs, is likely to remain sticky and stays above central bank's target rate for longer. In this environment, the potential winners in the equity market include financials, energy and certain commodities. The potential losers are rate sensitive sectors such as real estate and real estate investment trusts (REITs). As such, the operating environment is likely to become increasingly challenging and could result in slower growth due to higher funding costs.

However, AI will continue to power growth – With the massive investments into AI related infrastructures, AI will continue to remain as a dominant long-term structural investment theme in the equity market. It remains a multi-year growth engine shaping productivity and capital allocation. Taking a look at some of the leading players in the semiconductor space, earnings growth in the coming years remain strong (refer to Exhibit 4 below), with most companies expected to deliver strong double-digit earnings growth. Current valuations appear high for selective stocks, having priced in the growth potential, but valuations are estimated to come off in the coming years. The wider AI related industries include cloud computing, cybersecurity, data centres, payment infrastructure, digital identity systems, financial institutions, robotics, etc. For more information, refer to our report *AI: Enablers win now, adopters next (20 May 2026).*

One key component in this ecosystem is energy, as most AI companies are likely to be amongst the fastest-growing users of electricity demand in the coming years. Data centres (largely driven by AI workloads) are projected to consume roughly 1,000–1,500 TWh globally by 2030 (various estimates from IEA and industry forecasts), up from ~400–500 TWh today, which would put them in the range of a major industrial sector or mid-sized country. AI-driven data centres are expected to account for a disproportionate share of incremental electricity demand, tightening power markets, accelerating grid investment, and influencing energy pricing in specific regions.

Exhibit 4: Comparison of selected key semiconductor leaders

Semiconductor companies	Last Close (Local CCY)	YTD Change	Year End	Period 1 EPS Growth	Period 2 EPS Growth	P/E (x)	Nxt Yr P/E (x)
Advanced Micro Devices Inc	581	171.3%	12/2025	81.0%	34.8%	187.2	41.0
Applied Materials Inc	723	181.3%	10/2025	35.2%	25.9%	65.9	38.8
ARM Holdings PLC	355	224.4%	03/2026	38.0%	28.2%	479.4	111.1
ASML Holding NV	1,721	86.8%	12/2025	35.1%	20.1%	63.4	38.4
Broadcom Inc	378	9.1%	10/2025	66.0%	33.7%	56.8	19.2
Intel Corp	140	278.4%	12/2025	44.5%	53.2%	506.0	81.3
Kioxia Holdings Corp	89,680	759.4%	03/2026	24.2%	12.9%	73.9	6.5
KLA Corp	302	148.3%	06/2025	37.9%	21.2%	73.0	52.1
Lam Research Corp	433	153.1%	06/2025	40.7%	23.8%	73.5	49.0
Marvell Technology Inc	298	250.5%	01/2026	71.1%	34.0%	180.9	39.3
MediaTek Inc	4,245	196.9%	12/2025	91.4%	94.4%	69.1	34.6
Micron Technology Inc	1,154	304.4%	08/2025	109.7%	10.1%	23.2	6.8
NVIDIA Corp	200	7.3%	01/2026	43.7%	26.1%	34.6	15.3
Samsung Electronics Co Ltd	333,000	176.6%	12/2025	40.5%	5.8%	22.7	4.5
SK Hynix Inc	2,640,000	304.9%	12/2025	45.0%	5.9%	20.8	4.9
Taiwan Semiconductor Manufacturing Co Ltd	2,410	55.5%	12/2025	27.2%	23.4%	33.1	19.5
Texas Instruments Inc	298	71.8%	12/2025	19.3%	24.4%	51.2	32.5
Tokyo Electron Ltd	77,150	124.8%	03/2026	29.7%	23.3%	58.5	35.7

Source: Bloomberg, OCBC Group Research; last close as at 30 Jun 2026

Other investable themes focusing on scarcity and risks. While the US–China trade tension has eased off in light of higher energy prices recently (Mar to May 2026), critical technology restrictions and trade issues remain. In addition, geopolitics and national interests will continue to shape global politics and economic outcomes. The move to gradually replace fossil fuels with other forms of energy including renewables, solar, wind and nuclear, is in focus following the recent Middle East situation where the Strait of Hormuz was closed for a few months in 1H26. With AI infrastructures likely to result in greater energy needs, this sector is likely to remain another key theme apart from AI. In addition, El Niño could result in higher fuel prices due to changes in weather conditions, heat waves and drought. Sticky inflation implies higher costs (including energy). In this environment, energy, commodities, infrastructure, and defence-linked sectors could potentially benefit from sustained demand and earnings upgrades in a market that is increasingly driven by scarcity.

US midterm election – Some market moving key events in 2H26 include the US midterm election, as well as US Fed policy and interest rates outlook and guidance. The US midterm elections in November 2026 will be a critical inflection point for both domestic policy and global markets, as voters determine control of Congress halfway through the presidential term. All 435 seats in the House of Representatives and roughly one-third of the Senate will be contested, making the elections a referendum on the administration's handling of key issues such as inflation, economic growth, healthcare costs, immigration, and foreign policy. Historically, midterms tend to result in losses for the sitting president's party, reflecting voter dissatisfaction or a desire for political balance, and this dynamic often raises the probability of divided government. For markets, the outcome matters less for ideology and more for policy trajectory – a split Congress typically leads to legislative gridlock, which can reduce policy uncertainty and be perceived as equity-market positive, while unified control could enable more aggressive fiscal, regulatory, or tax changes. In the current backdrop of sticky inflation, rising fiscal deficits, and ongoing geopolitical tensions, the 2026 midterms will be closely watched not only for the domestic implications but also for the impact on US fiscal policy, defence spending, industrial policy, and trade relations in the years leading up to the 2028 presidential election.

A rising tide lifts all boats – When market conditions are strong, almost all assets perform well. In the last six months, markets have enjoyed strong equity gains, ample liquidity, bullish sentiment, healthy economy growth, manageable inflation and good corporate earnings. However, when conditions reverse, over-leveraged positions will be hit. However, as the famous saying goes, "a rising tide lifts all boats… but when the tide goes out…" and that is the true test of the resilience of a portfolio. We advocate a diversified equity portfolio with Singapore providing the stability of good dividend income.

Risks remain, but fundamentals are intact – As share prices head higher, earnings downgrades or weak earnings guidance is of great concern. Higher interest rate could derail earnings growth. Market focus has stayed on high growth AI investment cycle and earnings monetisation, but if this fails to deliver, it could dent sentiment. The proliferation of AI systems increases the complexity and vulnerability of digital infrastructure, creating a structural need for advanced security solutions. Other AI associated risks include the sustainability of current valuations and concentrated holdings of key AI leaders. Export controls and supply chain disruptions could also derail growth. Companies with significant exposure to a single market could potentially face revenue losses if restrictions tighten further. Supply-side constraints also pose challenges, as shortages of semiconductors, power infrastructure, and data centre capacity could limit the pace of growth even in the presence of strong demand. While adoption is accelerating, monetisation is still evolving. Companies are investing heavily in AI capabilities, but the productivity gains and cost efficiencies are not always immediate. If these returns fall short of expectations, there is a risk that capital expenditure could slow, potentially impacting demand for AI infrastructure.

On the broader front, geopolitical risks and Middle East tensions remain. With scarcity, long term prices for energy and commodities will remain high and this could favour safe havens assets (such as gold) and draw funds away from risky assets (including equities). This could also result in margin compression as cost pressures, including wages and financing costs, head higher.

Impact on equities – Overall, economic outlook is still positive and together with strong corporate earnings, this paints a still positive environment for risk assets including equities. Core structural themes such as AI will continue to drive global equities. Increasingly, the focus will also shift to a company's ability to monetise and create earnings visibility. This is important as the AI-theme space is getting increasingly crowded and consensus-driven. The high concentration in mega-cap stocks could mean that if there are any shocks, be it geopolitical, earnings misses, black swan events, etc., this could heighten the risks of holding risky assets.

The Singapore story – We are positive on the outlook for the Singapore market. Since the Equity Market Development Programme (EQDP) was implemented in Feb 2025, the programme has contributed strongly to the Singapore bourse. Average daily volume of shares traded on the Singapore Exchange rose 24% from 1,380 million units in 2025 to 1,705 million units in 1H26. In terms of average daily traded value, this moved up an impressive 45% from SGD1,451 million in 2025 to SGD2,108 million in 1H26. In addition, both the STI and the iEdge Singapore Next 50 Index (SGN50) have reported good gains. Since Feb 2025, the former gained 34% till end-June 2026, while the latter generated returns of 31%. The STI, which cleared the strong psychological 4,000 level in Jun 2025, went on to shatter the 5,000 level in Feb 2026. This was well supported by strong gains from several key stocks, including **Singapore Exchange [SGX SP, +42% YTD], Singapore Technologies Engineering [STE SP, +23% YTD], Singapore Airlines [SIA SP, +20% YTD], SATS [SATS SP, +18.9%].**

Life beyond the EDQP – While earnings and the strong SGD led the first wave of interest in the Singapore market, this was followed by renewed interest in small/mid-cap (SMID) companies spurred on by the EQDP programme. The broad-based EQDP programme has brought together different stakeholders in the Singapore capital markets, making the ecosystem more robust as various stakeholders and retail investors re-rated the Singapore market. Valuations have improved for previously thinly traded stocks and more initial public offerings (IPOs) are slated to come into the market in the coming months, adding to the breadth and depth of the market. In addition, more regional and global funds are likely to seek out Singapore due to the strong SGD and good dividend payout to broaden their asset holdings.

Singapore offers many attractive advantages – It is less volatile than most developed markets and together with strong infrastructure and governance, its safe-haven status is ideal in times of uncertainty. The market is well-represented by financial and real estate companies. Banks are well-positioned to retain its leading position in the Singapore market, largely supported by consistent and good dividend payouts and share buyback programmes (see Exhibit 5). Within the real estate and REITs space, there are opportunities buying for quality companies due to comparatively lower valuations versus other sectors within the Singapore market.

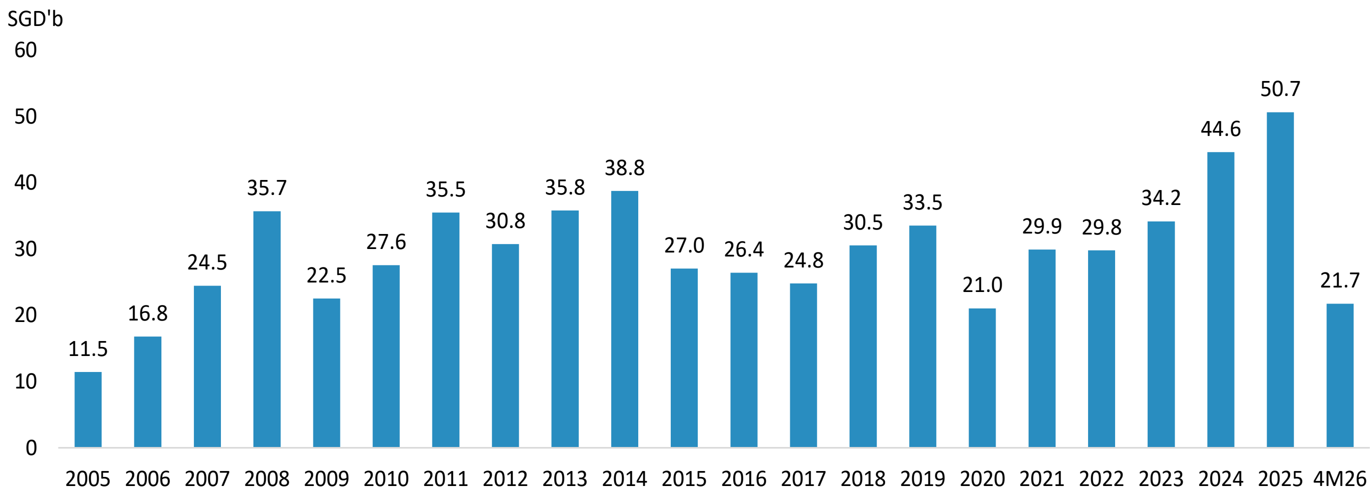
The Singapore construction sector is also enjoying strong growth (see Exhibit 6). Apart from public housing projects, there is also a hive of activities throughout the island from the upcoming Changi Airport Terminal 5 to other key infrastructural projects. Since the recent low in 2022, construction contract value rose almost 70% to SGD50.7b in 2025. The strong pipeline is positive for domestic construction players.

Exhibit 5: DBS share buyback programme

Date of purchase	No. of Shares	Total value (SGD)	Ave Price Per Share (SGD)	High (SGD)	Low (SGD)
01-Apr-25	380,000	17,471,853.59	45.98	46.13	45.51
03-Apr-25	350,000	16,026,625.01	45.79	46.00	45.43
04-Apr-25	800,000	34,944,528.07	43.68	44.55	43.28
07-Apr-25	1,000,000	39,062,732.03	39.06	40.23	**36.31**
08-Apr-25	500,000	19,108,555.65	38.22	38.53	37.86
09-Apr-25	700,000	26,064,038.87	37.23	37.86	36.88
11-Apr-25	700,000	26,735,299.74	38.19	38.43	37.70
22-May-25	400,000	17,627,913.49	44.07	44.20	43.77
04-Jun-24	200,000	8,959,375.09	44.80	44.89	44.62
11-Jun-25	500,000	22,448,892.65	44.90	45.12	44.65
12-Jun-25	300,000	13,470,867.26	44.90	45.00	44.71
13-Jun-25	400,000	17,731,986.82	44.33	44.38	44.22
23-Jun-25	350,000	15,297,481.11	43.71	43.80	43.13
11-Jul-25	350,000	16,164,465.08	46.18	**46.33**	45.79

Source: Company announcements, OCBC Group Research

Exhibit 6: Strong construction contracts awarded



Source: Building and Construction Authority (BCA)

The globally ageing population theme, which Singapore is also experiencing, will also see higher demand for healthcare services and products, and this in turn will benefit several of the healthcare providers listed on the Singapore market.

The base case of no recession for Singapore in 2026 and 2027 remains intact. While there are no major AI firms listed locally, Singapore is still able to participate in the AI upcycle as the country is uniquely positioned within the AI investment cycle. As a regional financial hub and data centre nexus, it sits at the intersection of three structural AI tailwinds: infrastructure demand, financial services adoption, and government-led digitalisation. Singapore hosts one of the highest concentrations of hyperscaler data centre capacity in Asia Pacific, with Google, Microsoft, Amazon, and Meta all having committed to major capacity expansions in Singapore and the surrounding Johor corridor. Some Singapore Exchange listed companies offer direct and investable exposure to the AI infrastructure cycle through data centre REITs and select technology and engineering plays.

Geopolitical tensions and potential inflationary impact from high oil prices remain. However, risk appetite has improved from Mar lows. We are of the view that there are still opportunities to see a further re-rating for the Singapore market, especially as more asset managers under the EQDP programme deploy funds into the market.

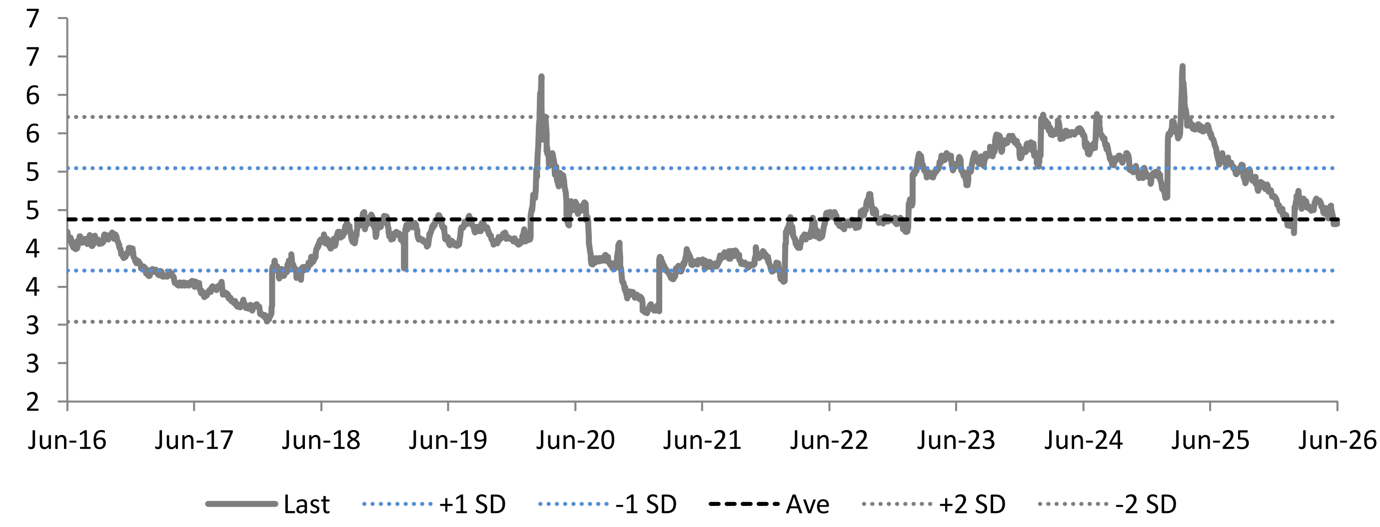
Based on historical trends, the STI has seen compounded annual growth rate of 6.2% in the last 10 years. Together with an average dividend yield of about 4.4% in the last 10 years, this gives an average total return of 10.6% excluding the impact of currency.

Meanwhile, valuations remain undemanding. At current level, the STI is trading at 16.1x current year earnings, just one standard deviation away from the historical average, together with an estimated dividend yield of 4.4%.

Exhibit 7: STI's price-to-earnings (P/E) ratio is not expensive

Source: Bloomberg, OCBC Group Research; data as at 30 Jun 2026

Exhibit 8: STI's dividend yield is still attractive at around 4.4%



Source: Bloomberg, OCBC Group Research; data as at 30 Jun 2026

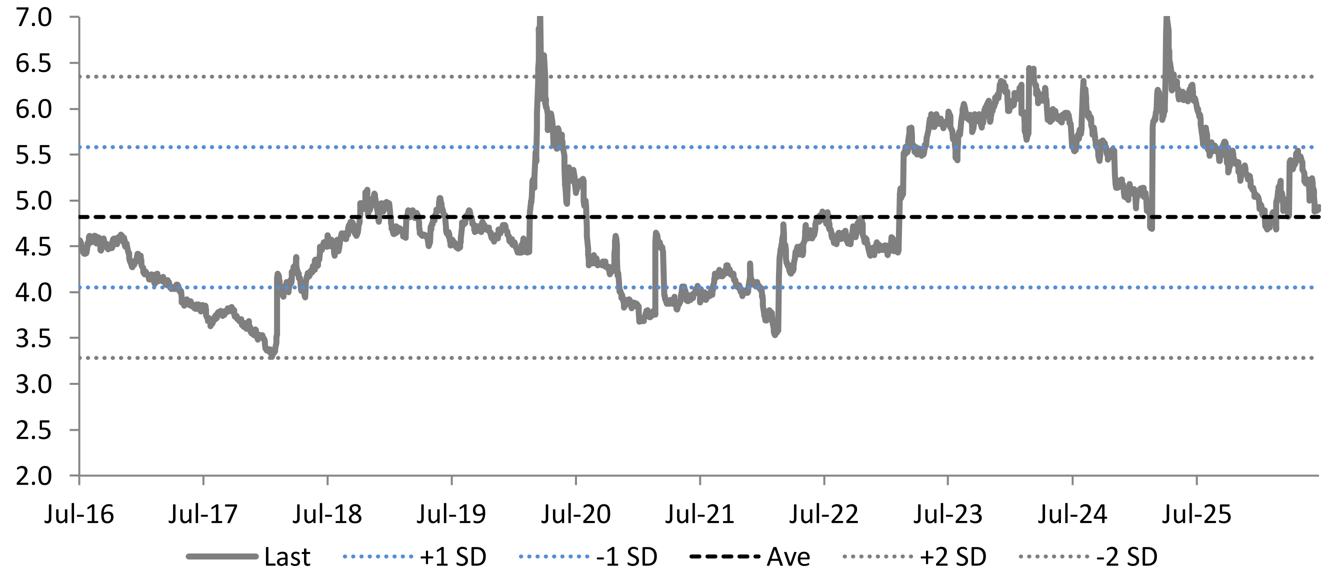
Singapore banks

The Singapore market has transformed in the last 10 years and two key sectors, banks and property, have dominated during this period. As a group, both sectors accounted for almost 67% of the STI. The banking sector accounts for about 53%, while property and REITs make up another 14%. Banks have clearly outperformed since early 2024. Based on the FTSE ST All-Share Financials Index (FSTFN), the sector has almost doubled to 2,213 (+83%) since the start of 2024, contributing significantly to the outperformance of the STI. For this year, the FSTFN index rose 19.4% YTD. Adding in an attractive estimated dividend yield of 4.9%, this sector has already generated returns of more than 20% this year.

Singapore's role as a financial hub is deepening, with continued inflows into wealth management. While banks enjoyed significantly improved net interest margin of about 2% in the last two years, which fattened the contribution of net interest income, fee-based activities also improved due to better wealth and credit card income. Banks are growing the wealth business, and most are aiming to at least double wealth income in the coming four to five years. With this growth rate, it should benefit other business units and result in higher contribution from treasury and other fee-based income as cross-selling intensifies.

Banks have also essentially become giant REITs, offering sizeable dividends which translated to attractive dividend yield of 4-5%. Banking shares have also hit new historical highs in 2026. For example, DBS traded to as high as SGD67 this year (on 23 Jun 2026). Even at higher levels, estimated dividend yields of 4-5% is still highly appealing to long-term investors looking for predictable and steady income streams as well as foreign investors looking for investment opportunities in Singapore. Banks remain as core holdings and together with the strong representation in the STI, banks should form a key part of a well-diversified Singapore or SGD portfolio.

Exhibit 9: Singapore banks' estimated dividend yield of 4.9%



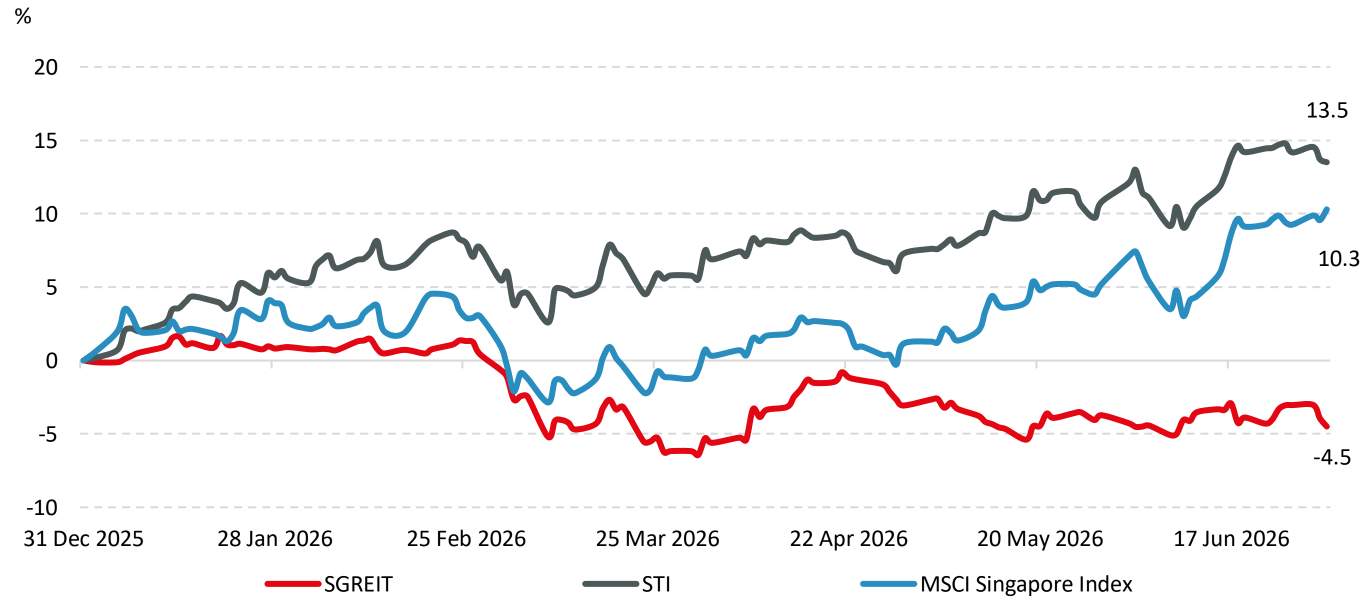
Source: Bloomberg, OCBC Group Research; data as at 30 Jun 2026

Singapore REITs (S-REITs)

Persistent underperformance of S-REITs sector since the start of the year – The S-REITs sector, using the iEdge S-REIT Index (SGREIT Index) as the benchmark, recorded total returns (including distributions) of -4.5% YTD, as at 1 Jul 2026. This was an underperformance as compared to the STI (+13.5%) and MSCI Singapore Index (+10.3%) during the same period. The SGREIT Index had been underperforming the broader Singapore market since the beginning of 2026. Returns diverged further after the start of the Middle East conflict due to concerns over inflationary pressures and significant changes in market expectations over the Fed's policy rate trajectory. Based on the Fed funds futures, the market is now pricing in one Fed rate hike by Oct 2026, as compared to ~2.5 cuts previously expected in 2026 at the end of Feb 2026. Comments by Fed officials have mostly sounded hawkish given inflation risks. Our Rates Strategist recently removed the final 25bps Fed rate cut from our forecast and now expects the Federal Open Market Committee (FOMC) to maintain the target range for the federal funds rate at 3.50% to 3.75% through the remainder of the year.

Besides the Fed, some other major central banks such as the Reserve Bank of Australia (RBA), Bank of Japan (BoJ) and European Central Bank (ECB) are expected to take on hawkish approaches to their interest rate policies. The RBA raised its benchmark rate in May to 4.35%, the third hike of 2026 thus far. The cash rate target has now increased back to its May 2025 level. As for the ECB, it hiked its key interest rate by 25bps to 2.25% and lifted its inflation projection for 2026 from 2.6% to 3.0%. BoJ bumped up its policy rate in mid-Jun to 1% for the first time in more than three decades. Several S-REITs have meaningful exposure to these markets.

Exhibit 10: Total returns trend of SGREIT, STI and MSCI Singapore Index YTD

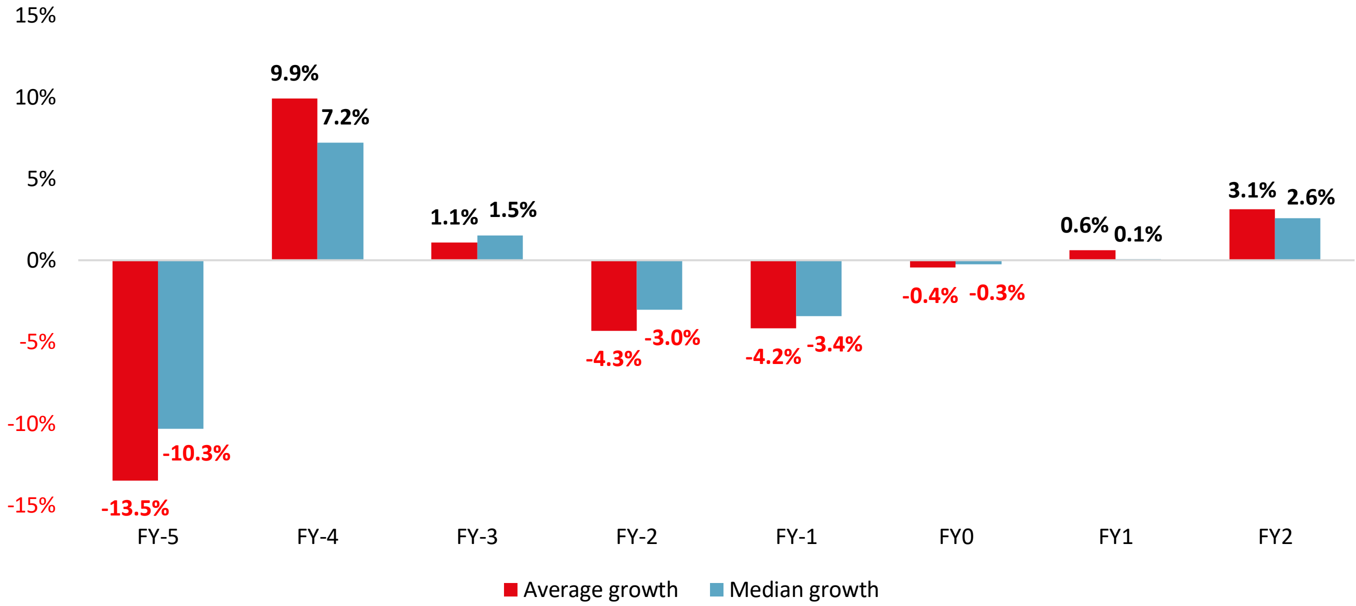


Source: Bloomberg, OCBC Group Research, as at 1 Jul 2026

Distribution per unit (DPU) forecasts trimmed; but we still expect marginal growth for the current financial year – Following the latest reported financial results and business updates, we lowered our DPU forecasts by an average of 1.0% for the current financial year (FY1), and 1.4% for the next financial year (FY2). Based on Bloomberg consensus estimates, DPU forecasts for the same set of S-REITs were trimmed by 1.3%/0.9% on average for FY1/FY2. Following our forecast changes, we now project S-REITs under our coverage to deliver tepid average and median DPU growth of 0.6% and 0.1% for FY1, respectively. For FY2, our projections point to a stronger DPU rebound of 3.1% on average, and 2.6% on a median basis. Although operating trends have been largely healthy, downside risks remain, particularly on the borrowing costs front, as breakeven inflation rates have largely increased since the start of the Middle East conflict.

Most of the REIT managers have said that it remains business as usual with little to no direct operational exposure to the Middle East, while the impact of higher utility costs is also largely buffered given contracts that have already been locked in and/or passthrough mechanisms in place. However, second-order effects are worth monitoring, notwithstanding the recent preliminary peace deal between US and Iran. These include a dampening of leasing sentiment, increasing cost pressures on tenants and adverse impact on profitability due to higher borrowing costs.

Exhibit 11: Historical DPU growth and forecasts of S-REITs and property trusts under coverage (by sector)



Source: REIT Managers, OCBC Group Research estimates, as at 2 Jun 2026. Note: FY-5 to FY0 are historical data; FY1 and FY2 are forecasted figures

Reasonable sector valuations, but that alone is not a trigger for outperformance – Given the weak share price performance of the S-REITs sector YTD and benign rates environment in Singapore, we believe current sector valuations are reasonable. While this could provide some downside support, undemanding valuations alone is unlikely to act as a catalyst for outperformance within the Singapore equities market. There would need to be a change in the rates narrative to drive a re-rating in the sector, in our view. From a forward price-to-book (P/B) perspective, the SGREIT Index is trading at a multiple of 0.88x, as at 1 Jul 2026, which is close to one standard deviation (s.d.) below its 10-year average of 0.97x. Forward distribution yield of 6.2% is 0.2 s.d. above the 10-year average of 6.1%. With the 10-year Singapore government bond yield at 2.07%, or 12bps above the pre-Middle East conflict level of 1.95%, the overall distribution yield spread stands at 416bps. This is 0.4 s.d. above the 10-year average of 392bps and 1.4 s.d. above the 5-year mean of 365bps. However, we caution once again that long-end government bond yields can fluctuate, and spreads can tighten quickly.

In terms of positioning, we continue to recommend investors to be selective. Focus should be on S-REITs that have the ability of delivering sustainable and robust core DPU growth. We would also favour S-REITs that exhibit balance sheet resilience over simply higher yields. Diversification across geographies and sub-sectors should again be considered, but our strongest geographical preference is on Singapore assets, given Singapore's politically stable climate, defensive attributes and healthy local funding costs. Our overall stock picks are **CapitaLand Ascendas REIT [CLAR SP; FV: SGD3.11]**, **CapitaLand Integrated Commercial Trust [CICT SP; FV: SGD2.67]**, **Keppel DC REIT [KDCREIT SP; FV: SGD2.78]** and **CapitaLand India Trust [CLINT SP; FV: SGD1.30]**. We suggest investors scale into positions over time, given the uncertain macroeconomic environment.

Exhibit 12: Preferred S-REIT picks

REIT	Ticker	Last Close (SGD)	Fair Value (SGD)	Distribution Yield FY1	Distribution Yield FY2	P/B FY1 (x)	P/B FY2 (x)	Potential Total Returns	Rating
CapitaLand Ascendas REIT	CLAR SP	2.46	3.11	6.1%	6.3%	1.07	1.07	33%	**BUY**
CapitaLand Int. Comm Trust	CICT SP	2.36	2.67	5.1%	5.2%	1.11	1.11	18%	**BUY**
Keppel DC REIT	KDCREIT SP	2.24	2.78	4.8%	5.0%	1.31	1.30	29%	**BUY**
CapitaLand India Trust	CLINT SP	1.03	1.30	7.5%	8.0%	0.71	0.68	34%	**BUY**

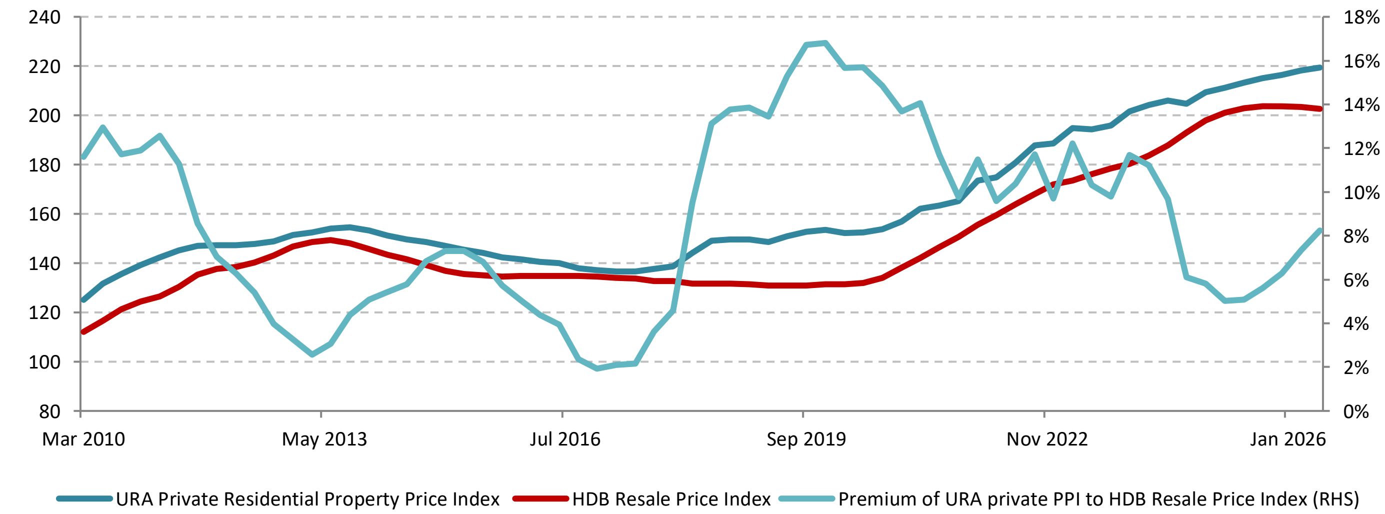
Source: Bloomberg, OCBC Group Research estimates, as at 1 Jul 2026 closing prices

Singapore developers/asset managers

The outlook for Singapore's residential property sector in 2H26 reflects a stable growth trajectory, underpinned by healthy demand and supply dynamics. In 2Q26, the URA Private Residential Property Price Index (PPI) rose 0.5% quarter-on-quarter (QoQ) in 2Q26 (flash estimates), decelerating from the 0.9% increase recorded in 1Q26. This growth was driven primarily by landed properties, which rose 2.6%, while non-landed property prices declined 0.1%. Within the non-landed segment, performance was strongest in the Core Central Region (CCR) at +2.0%, while the Rest of Central Region (RCR) and Outside Central Region (OCR) registered price dips of 1.4% and 0.2% respectively. Cumulatively, private residential property prices increased 1.4% in 1H26 as compared to end-2025 level. This can be broken down into a 2.2% appreciation for the landed property segment and a 1.2% increase for non-landed properties. Meanwhile, public housing prices continued its softening trend, with the HDB Resale Price Index slipping 0.3% QoQ (flash estimates) in 2Q26, marking the second consecutive quarter of decline after 1Q26's mild 0.1% fall. This resulted in an overall decline of 0.4% in 1H26. Consequently, the price premium of private housing over public housing widened to 8.2% in 2Q26.

Looking ahead, private residential property price growth is projected to moderate but remain resilient. We forecast an increase of 1% to 3% in 2026. Although we recently upgraded our Singapore GDP growth forecast to 3.5% on account of AI-related investments and robust trade data, the softening in the public resale market would likely have a dampening impact on upgraders' demand and consequently affect the price appreciation potential in the mass market segment.

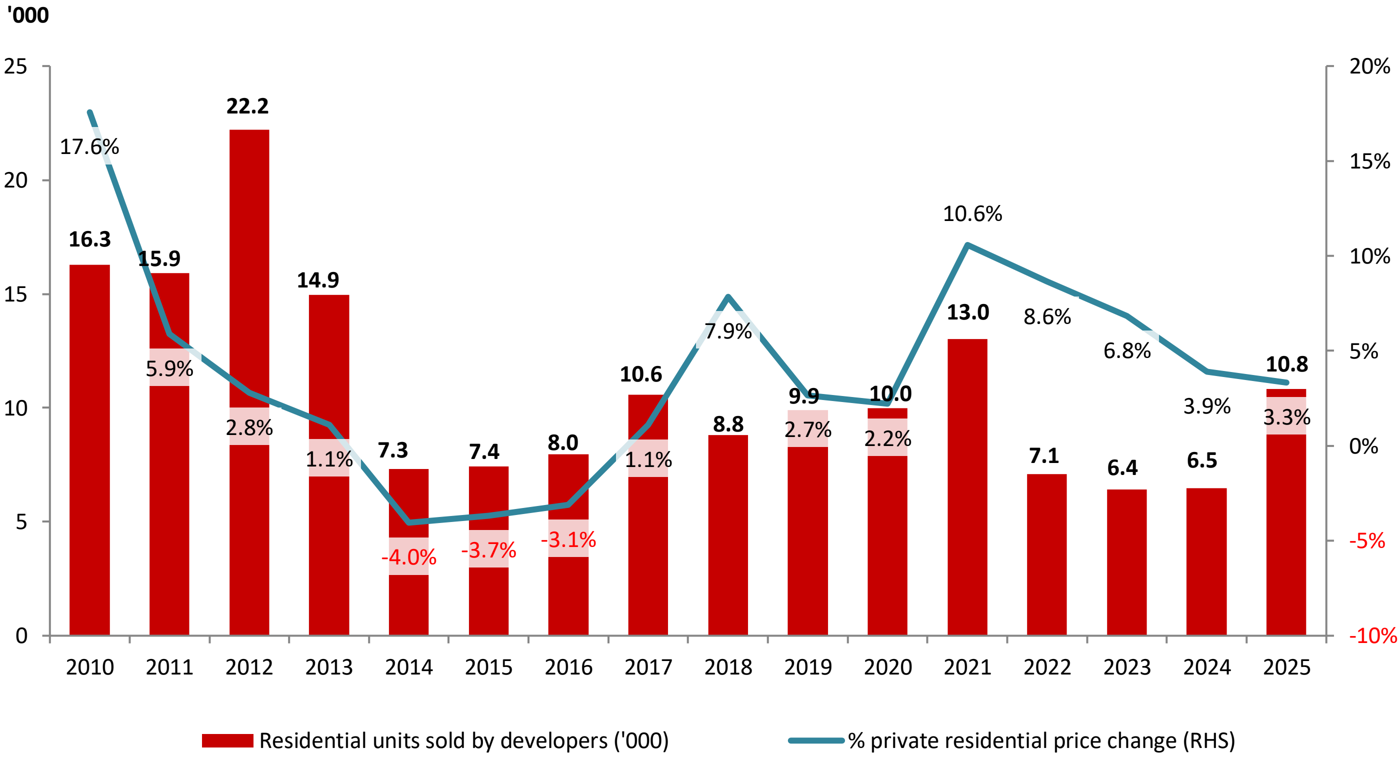
Exhibit 13: Trend between Singapore's private residential property and HDB resale home price growth



Source: URA, HDB, OCBC Group Research

Transaction volumes are also likely to ease in 2026 from the strong performance seen in 2025. New private home sales surged 67.2% in 2025 to 10,815 units, supported by lower interest rates and a significant increase in project launches. However, in 2026, new launches are expected to fall to around 8,500 units (excluding executive condominiums (ECs)), and we project total new home sales to decline to between 8,000 and 9,500 units. This represents a contraction of 12% to 26% compared to 2025 levels. Meanwhile, private resale volumes rose 4.0% to 14,622 units in 2025, moderating from 2024's 24.0% increase, while sub-sales transactions dipped 26.1% to 1,055 units. For 1Q26, new sales/resale/sub-sales transactions fell 40.4/9.5/45.5% respectively.

Exhibit 14: New private residential units (excluding ECs) sold by developers and price trend



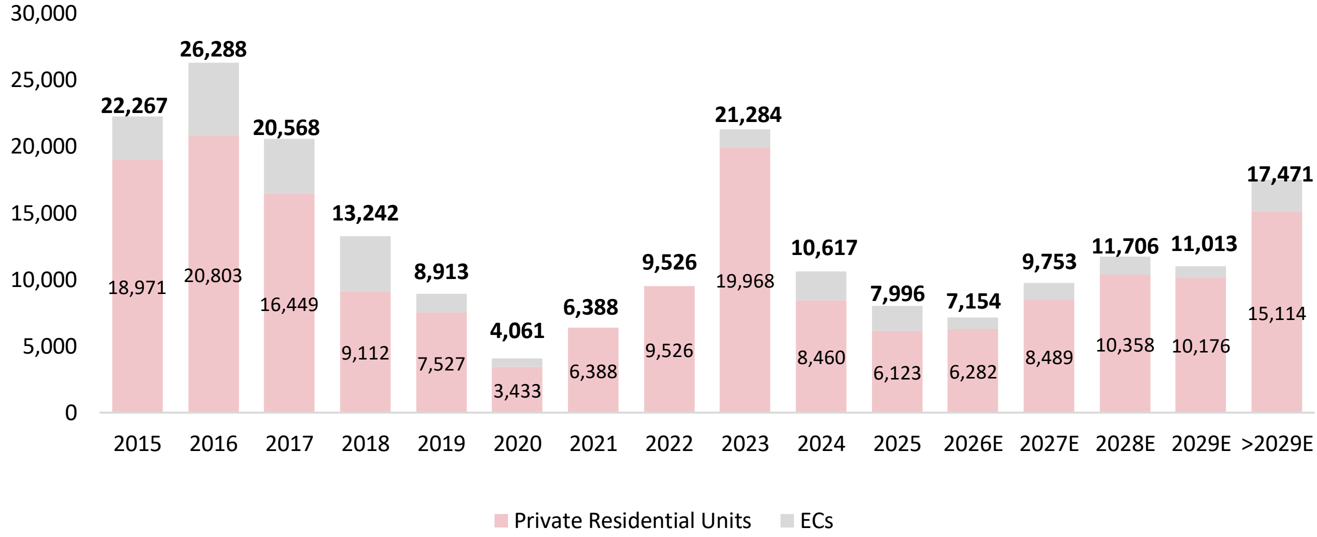
Source: URA, OCBC Group Research

Despite the moderation in sales, underlying demand drivers remain supportive. Household formation increased by 1.6% to 1.49m households in 2025, while median monthly household market income rose 7.7% to SGD12.4k, reflecting solid income growth. Labour market conditions remain stable, with resident unemployment at 2.9% in 1Q26, but retrenchments increased to 3.8k in 1Q26 and was the highest level in almost three years. Household balance sheets remain robust, with net worth reaching SGD3.34t and average loan-to-value (LTV) ratios at a healthy 42.6%, alongside a very low non-performing loan (NPL) ratio of 0.2%, as at 31 Mar 2026.

Financing conditions are expected to remain broadly accommodative, although interest rates may edge higher. SORA is forecasted to rise gradually to 1.40% by end 2026 and to 1.50% by 3Q27. This will likely still support housing demand.

On the supply side, conditions appear well managed in the near-term. Completions are expected to rise modestly by 2.6% to 6,282 units (excluding ECs) in 2026, before increasing more significantly in 2027 and beyond. Unsold inventory rose 8.1% QoQ to 16,219 units in 1Q26, but remains well below historical averages, indicating no immediate oversupply concerns even if demand were to cool. Based on the Government Land Sales (GLS) programme, the confirmed list supply for 2H26 was increased by 3.7% to 4,745 units after four consecutive periods of decline.

Exhibit 15: Pipeline supply (by completion year) of private residential units and ECs



Source: URA, OCBC Group Research

Overall, Singapore's residential property market in 2026 is expected to demonstrate resilience amid global uncertainties. While growth in prices and transaction volumes is expected to moderate, strong household fundamentals, stable supply conditions and prudent policy calibration should support a steady and sustainable market outlook.

Real estate asset managers do not typically carry out property development activities, and are focused on launching new funds and executing on capital recycling. They adopt an asset-light business model which entails recurring fee income (and hence better revenue visibility), as well as less lumpy cash flows. Altogether, this may also position them as prime beneficiaries of SGD6.5b inflows from the EQDP. Given that we are no longer expecting any rate cuts by the Fed and there are risks of a return to rate hikes due to elevated inflation, this may weigh on real estate asset managers' ability to raise funds under management.

Exhibit 16: Valuation metrics of major Singapore-listed property players under coverage

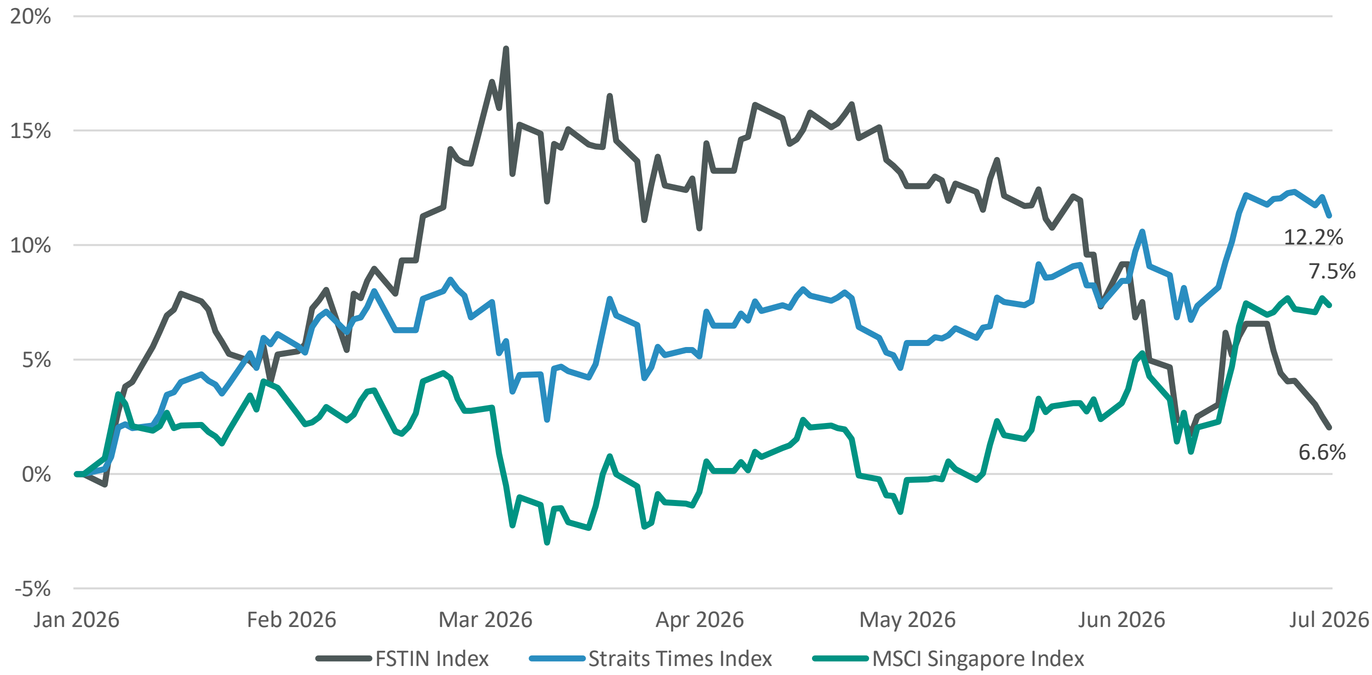
	Ticker	Last Close (SGD)	Fair Value (SGD)	Dividend Yield FY1	Dividend Yield FY2	P/B FY1 (x)	P/B FY2 (x)	Rating
CapitaLand Investment Ltd	CLI SP	2.46	3.58	4.9%	4.9%	1.0	1.0	**BUY**
UOL Group	UOL SP	9.46	12.87	1.9%	1.9%	0.6	0.6	**BUY**

Source: Bloomberg consensus, OCBC Group Research, as at 1 Jul 2026 closing prices

Singapore industrials

YTD, the FTSE ST All-Share Industrials Index (FSTIN) has returned 4.9% in total returns based on the last close price as at 1 Jul 2026, led by **ST Engineering [STE SP; FV: SGD12.50]**. This marks an underperformance versus the STI (+13.5%) and the MSCI Singapore Index (+10.3%). Going into the second half of the year, we see several tailwinds supporting the sector's performance. First, positive developments coming out from the Middle East bode well for Industrial companies, with the opening of the Strait of Hormuz easing supply chain disruptions and providing some relief from energy and raw material input costs – though a recovery to pre-war normalcy may be more gradual than immediate. Second, many Industrial companies are levered to long-term secular trends such as the AI boom and increased defence spending, which remain intact. Finally, the SMID renaissance remains underway. While a rising tide has lifted most boats thus far, we think investors will be more selective in this space going forward, mining for high quality gems with sound fundamentals and/or potential laggard plays. The Industrials sector presents ample opportunities for the discerning investor, in our view, given that it is the third largest sector in the FTSE ST All-Share Index, with a 15.6% weight and 23 constituents as at 2 Jul 2026.

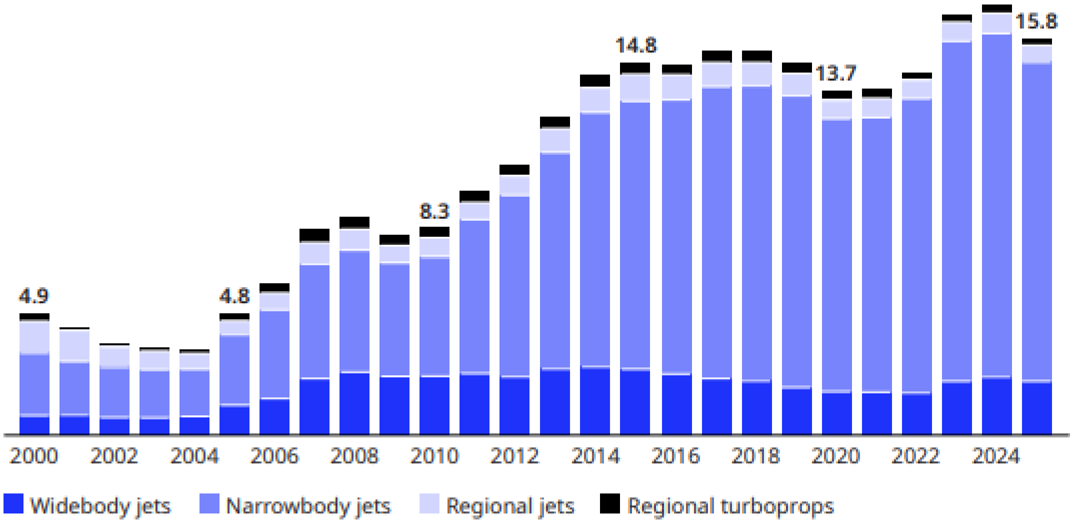
Exhibit 17: The FSTIN has underperformed both the STI and MSCI Singapore Index YTD



Source: Bloomberg, OCBC Group Research; data based on last close as at 1 Jul 2026

Aviation – Within the aviation complex, we prefer **SIA Engineering [SIE SP; FV: SGD4.00]** as we think its continued investments into capacity and geographical expansion position it well to ride the ongoing maintenance, repair and overhaul (MRO) upcycle. Supply chain constraints and delays in new aircraft delivery are also likely to be exacerbated by competition from the defence sector. **SATS Ltd's [SATS SP; FV: SGD4.20]** share price has more than recovered from YTD lows following a strong set of FY26 (financial year ended 31 Mar 2026) results, and we now see risk-reward for the company being balanced. Finally, **Singapore Airlines' [SIA SP; FV: SGD6.65]** financial performance will likely remain under pressure in the near term, in our view, due to a combination of higher jet fuel costs (which will take a longer time to normalise given that it is a refined product) and a longer runway to recovery at Air India. That said, the carrier's commitment to special dividends underscores management's confidence in the strength of its balance sheet, and a proactive approach to increasing direct flight capacity along the Asia-Europe corridor may allow SIA to gain market share as travellers take time to regain confidence in the Middle East as a travel hub.

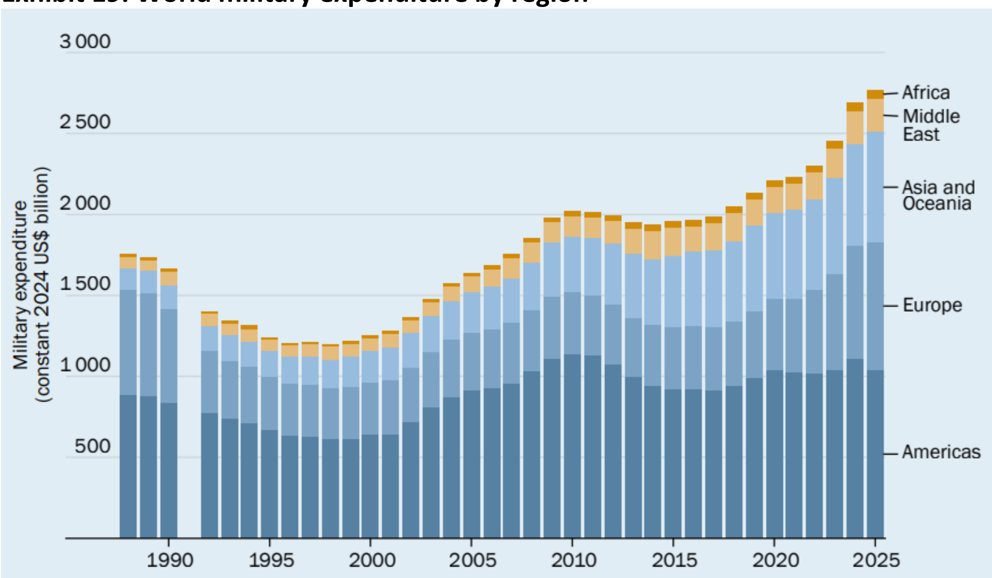
Exhibit 18: Commercial aircraft backlog by aircraft type (in thousands)



Source: Cirium, Oliver Wyman, International Air Transport Association (IATA)

Defence – According to data from the Stockholm International Peace Research Institute (SIPRI), global military expenditure grew 2.9% in real terms to reach USD2.9t in 2025, as a sharp increase in spending by Europe (+14%) and Asia and Oceania (+8.1%) more than offset a decline in US spending. Excluding the US, global military expenditure would have grown 9.2%. Amidst a fragmented world order and heightened geopolitical risks, we expect countries to continue to invest heavily in building up their defence capabilities, regardless of whether existing conflicts are resolved. This will help to support demand, order book growth, and revenue visibility for defence contractors. While the environment today may warrant structurally higher multiples for defence companies going forward, we caution that elevated valuations imply higher investor expectations and greater execution risk; therefore, we like companies with a clear strategy to not only grow their order books, but also to execute successfully on them. In this space, we continue to like **ST Engineering [STE SP; FV: SGD12.50]**. Investors looking for a SMID angle may also wish to consider **Nordic Group [NRD SP; FV: SGD0.60]** given its exposure to mission-critical infrastructure.

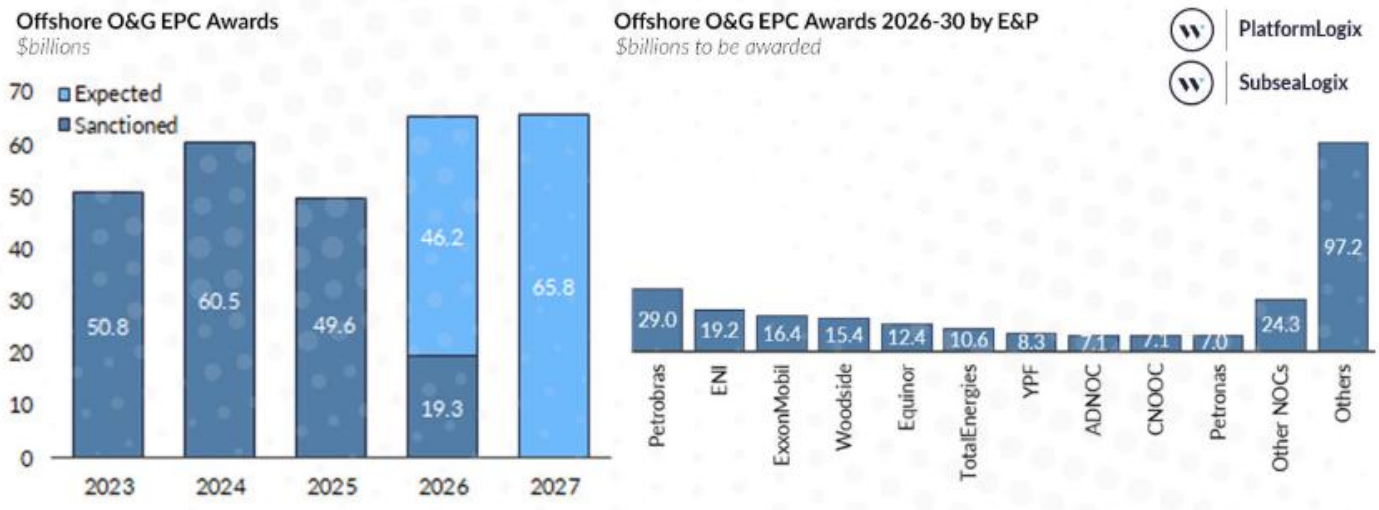
Exhibit 19: World military expenditure by region



Source: SIPRI Military Expenditure Database (April 2026); Note: The absence of data for the Soviet Union in 1991 means that no total can be calculated for that year.

Energy – Although oil and gas (O&G) majors have not significantly increased their near-term CAPEX plans as a result of the Iran war, the conflict has certainly put energy security and energy transition back in focus. This may benefit **Sembcorp Industries [SCI SP; FV: SGD7.48]** as it grows its gross installed renewables capacity from 21.9 Gigawatts (GW) currently (including acquisitions pending competition, and projects secured and under construction) to 25GW by 2028. For **Seatrium [STM SP; FV: SGD2.79]**, a key watchpoint would be the company's ability to convert pipeline opportunities exceeding SGD28b over the next two years into contract wins to replenish its order book. Gross margins have continued to expand over 1Q26 on an improved project mix and cost discipline. Finally, although **Keppel Ltd's [KEP SP; FV: SGD13.60]** divestment of M1 has been terminated, the company's target to monetise SGD2-3b of non-core assets in 2026 remains unchanged and will likely support further special dividends. We believe Keppel is well-positioned to benefit from strong demand for data centres, subsea cables, and power infrastructure amidst the digitalisation and AI wave. The Keppel Sakra Cogen Plant has commenced commercial operations at the end of May 2026, and Keppel has also signed a definitive agreement with a global technology leader for its fourth Bifrost Cable System fibre pair in Jun 2026.

Exhibit 20: Offshore oilfield development



Source: Westwood Global Energy Group; data extracted on 2 Jul 2026

All in all, we continue to advocate for investors to stay selective and stick to quality companies. These are companies with strong balance sheets, a pathway to sustainable earnings growth and shareholder returns, as well as long-term competitive advantages. Our preferred picks are **Keppel Ltd [KEP SP; FV: SGD13.60], Sembcorp Industries [SCI SP; FV: SGD7.48], SIA Engineering [SIE SP; FV: SGD4.00],** and **ST Engineering [STE SP; FV: SGD12.50].**

Exhibit 21: Preferred Singapore Industrial picks

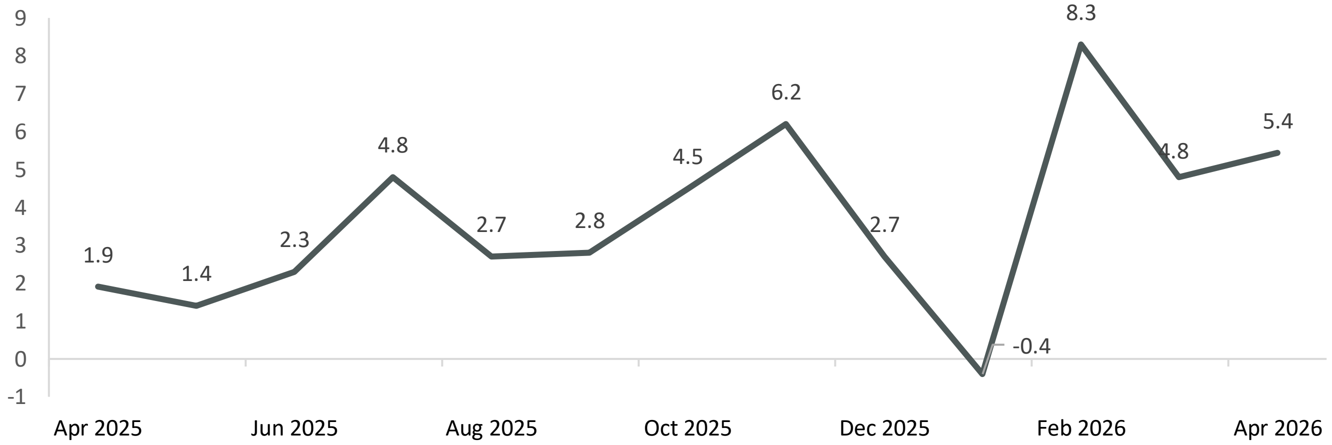
Name	Ticker	Ccy	Market Cap (USD b)	Last Price	Fair Value	Potential Upside (%)	Rating
Keppel Ltd	KEP SP	SGD	15.1	10.84	13.60	25	BUY
Sembcorp Industries Ltd	SCI SP	SGD	8.6	6.23	7.48	20	BUY
SIA Engineering Co Ltd	SIE SP	SGD	3.0	3.46	4.00	16	BUY
Singapore Tech Engineering	STE SP	SGD	25.4	10.56	12.50	18	BUY

Source: Bloomberg, OCBC Group Research; data based on last close prices as at 1 Jul 2026

Singapore consumer

Singapore retail sales surprised to the upside in April 2026, rising 5.4% year-on-year (YoY), supported by strong auto and recreational goods demand, while supermarkets and hypermarkets remained resilient. For the first four months of the year, growth averaged 4.3% YoY (versus 2.8% in 2025). However, OCBC Group Research expects momentum to moderate to 2-3% for the full year, implying a slowdown in 2H26 amid softer consumer confidence, rising cost pressures, and heightened geopolitical risks stemming from the Middle East tensions.

Exhibit 22: Singapore retail sales (%)



Source: Singapore Department of Statistics, OCBC Group Research

Rising geopolitical risks have driven oil prices higher, which has in turn filtered through to increased costs across energy, logistics, and raw materials. While recent indications of a potential Iran-US de-escalation could help stabilise energy markets and ease cost pressures, the timing and speed of any normalisation remain uncertain.

Among consumer subsectors, food & beverages (F&B) remains relatively exposed due to its sensitivity to raw material and energy inputs. That said, **Thai Beverage [THBEV SP; FV: SGD0.55]** has indicated that its major input costs are largely secured for FY26, having locked in key raw material prices. This should provide a buffer against cost volatility, even as demand conditions remain soft.

Meanwhile, higher airfares and a more cautious consumer backdrop could weigh on spending across travel-related segments, including airlines, hotels, duty-free, attractions, and F&B. Singapore's visitor arrivals for the first five months of the year totalled 7.0m, largely buoyed by a strong 1Q26. This is 1.2% lower YoY and tracking at roughly 40% of the Singapore Tourism Board's (STB) target of 17-18m in 2026 (up 6.5% YoY). However, tourism receipts are projected to decline by 1.0-5.5% YoY to SGD31.0-32.5b, reflecting ongoing uncertainty. This could pose some challenges to Singapore's key attractions. **Sheng Siong [SSG SP; FV: SGD3.26]** could see support from the forward disbursement of the SG50 Community Development Council (CDC) vouchers (brought forward to Jun 2026), alongside a continued shift towards value-for-money spending amid persistent cost-of-living pressures.

Separately, SGX-listed plantation names experienced a volatile 1H26. The sector initially rallied, supported by stronger crude palm oil (CPO) prices and improving expectations for biofuel demand. However, gains were later weighed down by Indonesia's proposal to centralise exports of key commodities. Sentiment subsequently recovered after the government scaled back the plan, opting instead to tighten export monitoring. As discussed in our report *Watching Where the Rubber Meets the Road (4 June 2026)*, the pace and unpredictability of regulatory changes in Indonesia continue to raise concerns, pointing to an elevated regulatory risk environment. Within our coverage, **Bumitama Agri**

[BAL SP; FV: SGD2.20] remains our top pick among plantation names. As a pure upstream player, it is well-positioned to benefit from our constructive outlook on CPO prices, while also offering an attractive dividend yield of ~6%.

Exhibit 23: OCBC Group Research's CPO price forecast

MYR/mt	3Q26	4Q26	1Q27	2Q27	3Q27
MY CPO	4,400	4,450	4,450	4,500	4,500

Source: Bloomberg, OCBC Group Research; Forecasts last updated on 2 Jul 2026.

Communication Services

Singapore Telecommunications' [ST SP; FV: SGD5.75] share price has given up most of its YTD gains over the past two months, weighed down by lingering reputational overhang from the Mar outage and investor disappointment following its full-year results, particularly the lack of upgrades to asset monetisation targets and the value realisation dividend (VRD) programme. Sentiment has been further dampened by management's relatively cautious outlook, reflecting heightened geopolitical uncertainties. That said, we remain constructive on Singtel's longer-term outlook. We believe Singtel's growth opportunities in AI and data centres, alongside monetisation optionality, remain intact and should continue to support earnings growth and shareholder returns over time.

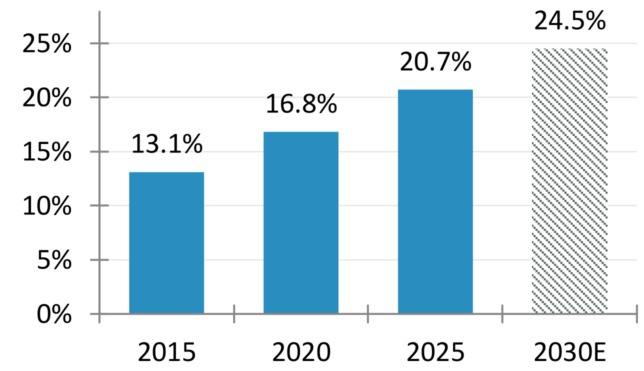
We believe **NetLink NBN Trust [NETLINK SP; FV: SGD1.12]** will continue to deliver stable DPU in FY26 and FY27, supported by resilient operating cash flows. Its track record of maintaining stable distributions despite weaker net profit growth over the past three years underscores management's commitment to delivering steady and sustainable dividends. We continue to view the stock as a defensive yield play, offering an attractive forward dividend yield of around 6%.

Singapore healthcare

The silver wave potentially drives sustained demand – We remain slightly bullish on the Singapore healthcare sector going into 2H26, as earnings are structurally anchored in demographics rather than cyclical forces. Based on the National Population and Talent Division's (NPTD) *Population in Brief 2025*, citizens aged 65 and above now make up 20.7% of the population, up from 13.1% in 2015, with a median age of 43.7 years. As cohorts age, chronic disease prevalence rises, driving sustained demand for dental, ophthalmology, oncology, and long-term care services. Policy support is also building ahead of this shift. The Ministry of Health (MOH) plans to expand nursing home capacity from 20,000 to 31,000 beds by 2030, while long-term subsidies will increase to as much as 80% from Jul 2026, alongside a higher income eligibility ceiling, reducing out-of-pocket costs as demand accelerates. This domestic orientation is by design, as Singapore stepped back from positioning itself as a medical tourism hub in the 2010s amid scrutiny that public resources were being disproportionately diverted to this patient segment. Inbound medical tourism remains a modest contributor to providers' earnings and has yet to fully recover post-pandemic, with demand remaining predominantly domestic and chronic healthcare needs largely non-deferrable.

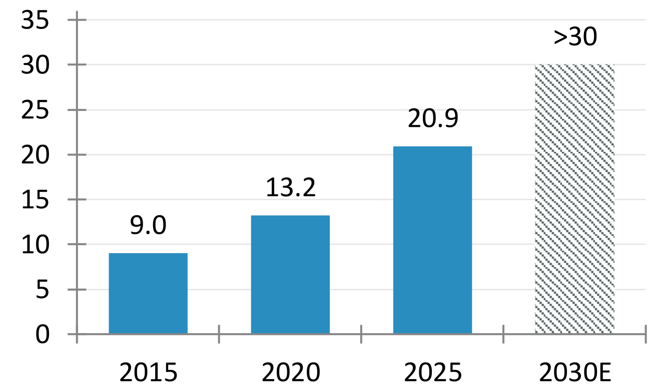
Private operators support system capacity needs – A widening gap between healthcare demand and physical supply continues to emerge. Public hospital bed occupancy remains persistently high, with longer emergency department waiting times. Although public sector expansion plans are substantial, construction timelines mean new supply will lag underlying demand. The government's pragmatic response has been to increasingly rely on private sector capacity through outsourcing, subsidised placements, and right-siting initiatives, effectively positioning private providers as an extension of the public system at the margin. For listed healthcare operators, this creates a structurally supportive backdrop. A capacity-constrained system underpins occupancy, supports pricing power, and enhances revenue intensity per patient, while the marginal payor is increasing the government rather than households. This shift is reinforced by rising public healthcare expenditure, with spending budgeted at SGD20.9b in 2025 and projected to approach SGD30b by 2030, as shown in Exhibit 25. We plan to follow up with a deeper assessment of Singapore's healthcare capacity pipeline and identify listed operators best positioned to capitalise on the shortfall.

Exhibit 24: Citizens aged 65 and above as a percentage of citizen population



Source: NPTD *Population in Brief 2025*, OCBC Group Research

Exhibit 25: Government healthcare expenditure (SGD b)



Source: MOH, Singapore Budget documents, OCBC Group Research

Two themes accruing to listed healthcare providers through different parts of the patient journey – Q&M Dental [QNM SP; FV: SGD0.76] is the cleanest expression of heartland demand, with its islandwide network of over 100 dental clinics sitting where ageing-driven volumes are being re-routed, whilst chronic-care MediSave flows deepen revenue intensity per visit. **Raffles Medical (unrated)** captures the capacity crunch from the acute end, as public hospital occupancy of 85% supports private overflow volumes and specialist throughput, according to MOH, and its integrated general practitioner (GP)-to-hospital network internalises referrals that standalone operators leak. Meanwhile, **Thomson Medical (unrated)** is building into the shortage, with its expansion beyond obstetrics into fertility, specialist outpatient and regional capacity repositioning the group towards recurring, demographics-driven demand pools. The common thread across all three is exposure to patients that state is increasingly subsidising into the system, through we remain mindful of manpower cost inflation outpacing fee growth and valuations partly reflecting the sector's defensive premium.

Analyst Declaration

The analyst(s) who wrote this report and/or his or her respective connected persons hold financial interests in the following above-mentioned issuers or companies as at the time of the publication of this report: CapitaLand Ascendas REIT, CapitaLand Investment, CapitaLand Integrated Commercial Trust, NetLink NBN Trust, Singapore Telecommunications, Advanced Micro Devices, ASML, Marvell Technology, Micron Technology and NVIDIA Corp.

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