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Sector Update

Singapore Small/Mid-Cap Equities: A watershed moment

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Summary Points

- Singapore's equity markets have historically recovered over longer periods after an initial knee-jerk reaction to geopolitical events
- Small/mid-cap (SMID) stocks can capitalise on Singapore's structural growth through strategic value unlocking and by offering income opportunities to investors
- Preferred SMID picks are **BOCS SP, CLINT SP, CAO SP, HLA SP, ITSL SP, NRD SP, OUEREIT SP, PREIT SP and SERT SP**

Preferred SMID picks

Ticker	Last Close (SGD)	Fair Value (SGD)	Rating
BOCS SP	1.97	2.45	BUY
CLINT SP	1.03	1.37	BUY
CAO SP	2.14	2.48	BUY
HLA SP	2.91	4.20	BUY
ITSL SP	1.01	1.30	BUY
NRD SP	0.52	0.60	BUY
OUEREIT SP	0.36	0.40	BUY
PREIT SP	3.97	4.83	BUY
SERT SP (EUR)	1.49	1.88	BUY

Source: Bloomberg, OCBC Group Research
As at 9 Apr 2026 closing prices
Note: For stocks with market cap <SGD3b

Macroeconomic overview: Singapore's equity markets are broadly resilient in the face of geopolitical shocks

Macroeconomic uncertainties have built up, but this too shall pass – The ongoing Middle East conflict and disruptions to energy supply have driven a sharp repricing of macro risks, with Brent crude prices surging by more than 50% at one point to above USD100/bbl and reigniting concerns around stagflation. These developments have also cast uncertainties over the interest rate outlook for major central banks. The Federal Reserve (Fed) raised its 2026 PCE inflation forecast by 20bps to 2.7% at its Mar Federal Open Market Committee (FOMC) meeting, and the Fed funds futures briefly priced out any rate cuts for the remainder of 2026. The recently agreed two-week ceasefire between the US and Iran has helped to ease immediate market tensions and temper near-term energy price risks. This could help lift sentiment for SMID stocks, which are typically perceived as more vulnerable to economic shocks and higher interest rates. OCBC Group Research recently maintained its GDP growth forecasts for most of the major economies, although that of the Euro Area was shaved by 0.2ppt to 0.9% for 2026. Our 2026 inflation projections have been most revised upwards, but we are keeping to our one 25bps rate cut by the Fed. We expect this to happen in 3Q26, versus 2Q26 previously. On the energy front, our house view assumes that Brent crude prices would hold up at around USD100/bbl through mid-year. That said, the ceasefire introduces downside risks to this assumption, but reinforces our expectation that prices will gradually ease towards our USD70/bbl projection by the end of 2026, provided supply routes remain open and the pause in hostilities evolves into a more resolute de-escalation.

Historically, Exhibit 2 shows that the performance of the Singapore equity market following major geopolitical events has been highly uneven across time horizons and market segments. However, there is a general tendency for Singapore equities to recover over longer periods after the initial knee-jerk reaction, barring any prolonged oil shock impact. There is limited data availability for earlier episodes, but from the 9/11 attacks onwards, the pattern becomes clearer: initial market reactions within three months are mixed or negative, with the FTSE ST Fledging Index (benchmark micro-cap index) registering the lowest median returns. Six-month returns on a median basis were positive across the Singapore benchmark indices, except for the FTSE ST Fledging Index. Extending this further out, 12-month median returns were positive and broad-based, with the Straits Times Index (STI) and iEdge Singapore Next 50 Index (SGN50) raking in double-digit returns, although the latter had a smaller sample size. However, events such as the Arab Spring and the Russian-Ukraine war were associated with more prolonged weakness, particularly among small-cap and micro-cap stocks, highlighting their greater vulnerability to sustained geopolitical uncertainty and/or higher interest rates trajectory. Overall, the average and median returns underscore that while geopolitical shocks can cause short-term volatility, Singapore's equity markets have historically tended to recover within a year, provided that underlying macroeconomic and liquidity backdrop remain supportive.

Exhibit 1: Growth and inflation forecasts

	GDP (as at 1 Apr 2026)		GDP (as at 2 Mar 2026)		Change (ppt)		Inflation (as at 1 Apr 2026)		Inflation (as at 2 Mar 2026)		Change (ppt)	
(% YoY)	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F
United States	2.2	2.0	2.2	2.0	0.0	0.0	3.5	2.2	2.9	2.4	0.6	-0.2
Euro Area	0.9	1.1	1.1	1.1	-0.2	0.0	2.5	2.0	1.8	2.0	0.7	0.0
Japan	0.8	1.0	0.8	1.0	0.0	0.0	2.5	2.1	2.5	2.2	0.0	-0.1
United Kingdom	1.2	1.8	1.4	1.7	-0.2	0.1	2.8	2.0	2.5	2.0	0.3	0.0
Australia	2.2	2.2	2.2	2.2	0.0	0.0	3.5	2.7	3.3	2.7	0.2	0.0
New Zealand	2.4	2.6	2.4	2.6	0.0	0.0	2.3	2.1	2.3	2.1	0.0	0.0
China	4.7	4.5	4.7	4.5	0.0	0.0	2.0	2.0	1.8	2.0	0.2	0.0
Hong Kong	2.2	2.8	2.6	2.5	-0.4	0.3	1.9	2.2	1.6	1.9	0.3	0.3
Macau	2.8	3.3	3.0	3.0	-0.2	0.3	1.0	1.1	0.6	0.9	0.4	0.2
Taiwan	5.2	1.9	5.8	3.5	-0.6	-1.6	2.0	1.9	1.7	1.9	0.3	0.0
South Korea	2.0	2.0	2.0	2.0	0.0	0.0	2.1	2.0	2.0	2.0	0.1	0.0
India	7.5	6.4	7.5	6.4	0.0	0.0	1.7	4.0	1.7	3.5	0.0	0.5
Indonesia	5.0	5.0	5.0	5.0	0.0	0.0	3.0	2.5	2.7	2.5	0.3	0.0
Malaysia	4.4	4.2	4.4	4.2	0.0	0.0	2.0	2.0	1.5	2.0	0.5	0.0
Philippines	4.8	5.5	5.5	5.5	-0.7	0.0	3.9	3.0	2.5	3.0	1.4	0.0
Singapore	3.0	2.5	3.0	2.5	0.0	0.0	2.2	2.0	1.3	1.6	0.9	0.4
Thailand	1.5	2.0	2.0	2.0	-0.5	0.0	2.1	1.0	0.6	1.0	1.5	0.0
Vietnam	7.3	8.0	7.5	8.0	-0.2	0.0	4.5	4.0	3.7	4.0	0.8	0.0

Source: OCBC Group Research estimates, as at 2 Apr 2026

Exhibit 2: Total returns in the months following selected geopolitical events (%)

		Straits Times Index			iEdge SG Next 50 Index			FTSE ST Mid Cap Index			FTSE ST Small Cap Index			FTSE ST Fledging Index		
Event	Start date	3M	6M	12M	3M	6M	12M	3M	6M	12M	3M	6M	12M	3M	6M	12M
Yom Kippur War	06 Oct 1973	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Iran hostage crisis	04 Nov 1979	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Soviet invasion of Afghanistan	24 Dec 1979	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
First Gulf War	02 Aug 1990	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
9/11 attacks	11 Sep 2001	5.6	18.9	-6.8	N.A.	N.A.	N.A.	0.0	18.2	-5.0	2.0	26.5	-12.2	-2.5	17.6	1.5
Iraq War	20 Mar 2003	18.1	22.9	39.6	N.A.	N.A.	N.A.	18.5	41.5	54.8	23.9	76.8	86.6	27.9	67.0	73.7
Arab Spring (Egypt)	25 Jan 2011	0.7	1.1	-6.4	N.A.	N.A.	N.A.	-3.7	-6.3	-17.1	-6.7	-11.7	-25.5	-4.8	-10.6	-23.3
Russian invasion of Ukraine	24 Feb 2022	-0.7	2.0	4.4	1.7	0.2	-4.7	2.4	1.2	-1.4	-1.6	-1.9	-10.3	0.6	-3.6	-8.6
Israel-Hamas war	07 Oct 2023	1.0	2.9	19.7	6.0	1.9	11.6	4.7	2.7	17.2	9.8	6.2	17.5	-1.8	-2.5	4.9
Israel-Iran airstrike	01 Oct 2024	6.5	12.1	26.8	-3.6	-0.7	18.8	-5.4	-5.9	9.9	-2.9	1.2	23.7	-1.8	-1.5	28.3
12-day Israel-Iran conflict	13 Jun 2025	12.9	20.0	N.A.	20.5	21.1	N.A.	18.0	19.8	N.A.	23.1	21.4	N.A.	23.9	23.9	N.A.
US intervention in Venezuela	03 Jan 2026	6.7	N.A.	N.A.	-0.6	N.A.	N.A.	-1.3	N.A.	N.A.	3.5	N.A.	N.A.	3.1	N.A.	N.A.
Average returns (%)		**6.3**	**11.4**	**12.9**	**4.8**	**5.6**	**8.6**	**4.1**	**10.2**	**9.7**	**6.4**	**16.9**	**13.3**	**5.6**	**12.9**	**12.7**
Median returns (%)		**6.0**	**12.1**	**12.1**	**1.7**	**1.0**	**11.6**	**1.2**	**2.7**	**4.3**	**2.7**	**6.2**	**3.6**	**-0.6**	**-1.5**	**3.2**

Source: Bloomberg, OCBC Group Research

Note: 3M, 6M, and 12M refer to cumulative total returns over 3, 6, and 12 months following the event start date. N.A.: Data not available for the specified period.

Is the current environment reminiscent of 2022? – Current developments have stirred up fears over a possible repeat of events that unfolded in 2022. As with the onset of the Russia-Ukraine war, the initial shock has been characterised by a surge in oil prices and a renewed hawkish shift in interest rate expectations. Nevertheless, we believe there are important distinctions between 2022 and now. In 2022, central banks entered the Russia-Ukraine conflict already facing an inflation problem of significant proportion, as the annualised US CPI reading was above 7% at the start of the year, well above the Fed's target. Against this backdrop, the energy shock associated with the war did not change the policy direction but rather intensified the urgency to tighten. With policy rates still anchored near zero then, following a prolonged delay in tightening, central banks were forced into an aggressive hiking cycle. That abrupt adjustment ultimately proved damaging for equities. The starting point today is notably different. Inflation has eased considerably from its peak, even if it remains above target in many economies, while policy rates are already much higher. In the US, for example, the fed funds rate at 3.50-3.75% is modestly restrictive relative to the FOMC's estimate of a long-run neutral rate of around 3.00%. Moreover, the nature of inflation in 2022 was a mix of demand-pull (due to the release of pent-up demand following the opening of economies and borders post-pandemic) and cost-push (due to lingering supply chain disruptions), whereas the inflation today is largely caused by supply shocks due to the closure of the Strait of Hormuz. Rate hikes are generally considered a more effective tool when inflation is driven by excess demand rather than supply shortages.

Singapore equity market reforms: A bold shot in the arm

Unloved and forgotten no more – While SMIDs have long been overlooked by investors, the narrative has reached a turning point amidst ongoing equity market reforms. We have summarised in Exhibit 3 key developments and measures announced by the Monetary Authority of Singapore (MAS) and Singapore Exchange (SGX) to revitalise the Singapore equities market.

Exhibit 3: Timeline of key initiatives to reform the Singapore equities market

2 Aug 2024	The MAS establishes the Equities Market Review Group to recommend measures aimed at strengthening Singapore's equity market development.
21 Feb 2025	The Equities Market Review Group announces the first set of comprehensive measures, adopting a broadly pro-enterprise regulatory stance: • Equity Market Development Programme (EQDP) – SGD5b will be disbursed to fund managers with capabilities to implement investment mandates with a strong focus on Singapore stocks and to crowd in third-party capital. • Tax incentives – (i) Tax exemption on fund managers' qualifying income derived from funds investing substantially in Singapore-listed equities. (ii) 20% corporate income tax rebate for new primary listings and 10% tax rebate for new secondary listings (with share issuance). (iii) Enhanced 5% concessionary tax rate on qualifying income for new fund manager listings in Singapore. • Global Investor Program (GIP) – New applicants investing under the Family Office option are required to establish a Single-Family Office (SFO) with assets under management (AUM) of at least SGD200m, of which SGD50m must be deployed into qualifying investment categories (i.e. equities listed on approved Singapore exchanges). • Grant for Equity Market Singapore (GEMS) – Research Development Grant Scheme will be expanded.
15 May 2025	The MAS puts out a consultation paper seeking feedback on proposals to streamline prospectus disclosures for initial public offerings (IPOs), to simplify the process for secondary listings, and to provide greater flexibility and scope for issuers to gauge investor interest earlier in the IPO process.
29 May 2025	The Corporate Governance Advisory Committee (CGAC) is set up to review the Code of Corporate Governance.
21 Jul 2025	The MAS appoints three asset managers for the first SGD1.1b tranche under the EQDP. Additionally, it commits SGD50m to boost equity research coverage, with the aim of promoting higher quality analysis on companies and narrowing the information gap. It also outlines a proposal to enhance investor recourse.

22 Sep 2025	The SGX launches two new indices – the SGN50 and iEdge Singapore Next 50 Liquidity Weighted Index – to track the performance of the 31st to 80th largest companies listed on the SGX Mainboard by market capitalisation.
19 Nov 2025	The Equity Market Review Group completes its review and releases its final report. Key measures include: • The establishment of a dual listing framework with Nasdaq; • The launch of a SGD30m "Value Unlock" program to help listed companies strengthen investor engagement and sharpen their focus on shareholder value creation; • The appointment of six additional asset managers under the second SGD2.85b tranche of the EQDP; and • Other measures to enhance market infrastructure and trading efficiency – notably the reduction of board lot size for securities above SGD10m from 100 to 10 units.
16 Jan 2026	The SGX clarifies on a column that the Singapore Exchange Regulation (SGX RegCo) strongly encourages issuers to provide forward guidance to inform shareholders of their strategic direction and business targets, so long as forward guidance is carefully prepared, realistic, defensible, and based on credible methodologies and assumptions.
12 Feb 2026	The EQDP will be expanded from SGD5b to SGD6.5b. Thus far, SGD3.95b has been allocated across nine appointed asset managers, with the next batch of managers to be announced around mid-2026.

Source: MAS, SGX, Bloomberg, OCBC Group Research

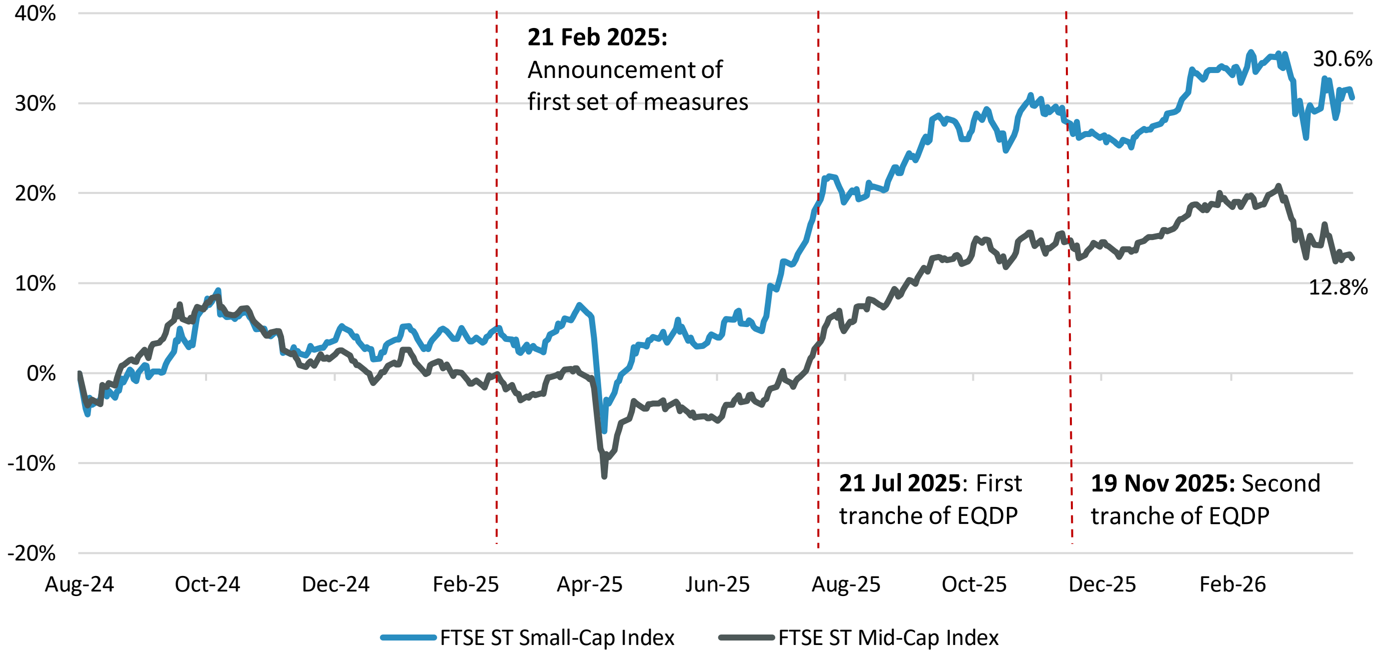
EQDP is starting to bear early fruits – According to report by the SGX, the SMID segment excluding REITs[1] attracted close to SGD470m of net institutional inflow in 1Q26, of which more than SGD200m went to the Industrials sector. Combined average daily trading turnover (ADT) also accelerated to nearly SGD670m, signalling broader participation and improved price discovery beyond the large cap names. GEMS Research produced more than 60 initiations on 40 stocks, out of a cohort of almost 240 SMIDs.

In terms of price performance, the FTSE ST Mid-Cap Index (FSTM) and FTSE ST Small-Cap Index (FSTS) returned 12.8% and 30.6%, respectively, for the period between 2 Aug 2024 (when the Equities Market Review Group was first set up) to 31 Mar 2025, lagging the STI at 44.5%. Nonetheless, barring major systematic shocks, both indices have broadly trended upwards since EQDP-related announcements, as can be seen from Exhibit 4. The Singapore market's defensive characteristics and attractive dividend yield, alongside the strength of the SGD, have gained greater appreciation in recent years, but we think the positive re-rating prior to the deployment of EQDP funds was likely primarily driven by investors taking pre-emptive positions in SMIDs.

More importantly, SMIDs have enjoyed an improvement in liquidity (see Exhibit 5). Mid-cap stocks led the fore immediately after the Equities Market Review Group was established, with daily turnover up 7.9% on average versus 7M24. However, small-cap stocks have seen the greatest overall improvement, with daily turnover jumping 25.8% and 43.3% on average after the launch of the EQDP and the appointment of the asset managers for the first tranche, respectively. Notably, the improvement in average daily turnover across SMID stocks was most pronounced following the announcement of the first tranche of asset managers – though the muted performance after the announcement of the second tranche of asset managers may also be attributed to seasonality, as investors traded less going into the year-end holiday season and amidst global macro uncertainties with US's invasion of Venezuela and the subsequent Iran war. Liquidity is key in facilitating more effective price discovery, enhancing investor confidence by mitigating extreme price impact and volatility, and improving ease of execution such that investors can better manage risk or capitalise on short-term opportunities.

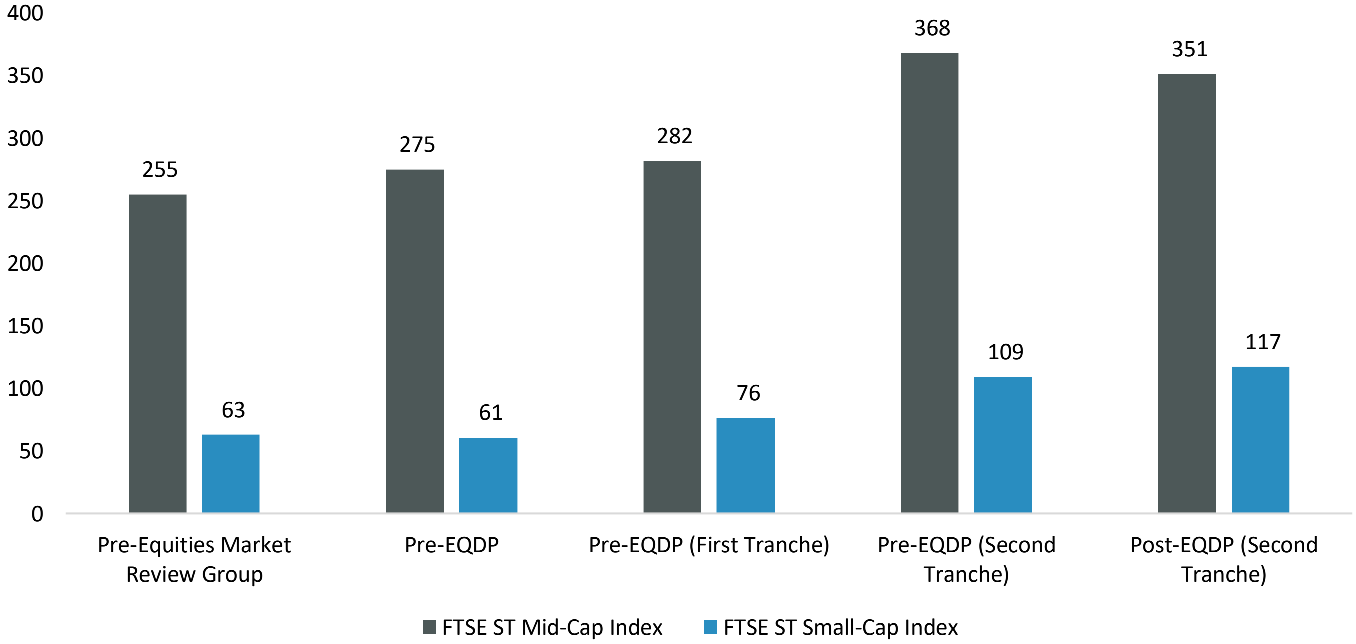
[1] Defined by the SGX as having a market capitalisation of between SGD100m to SGD10b

Exhibit 4: Barring major global events such as Liberation Day tariffs and the Middle East Conflict, EQDP-related developments have prompted a positive re-rating of Singapore SMIDs



Source: Bloomberg, OCBC Group Research; Note: Data from 2 Aug 2024 to 31 Mar 2026. Price performance rebased as of 2 Aug 2024.

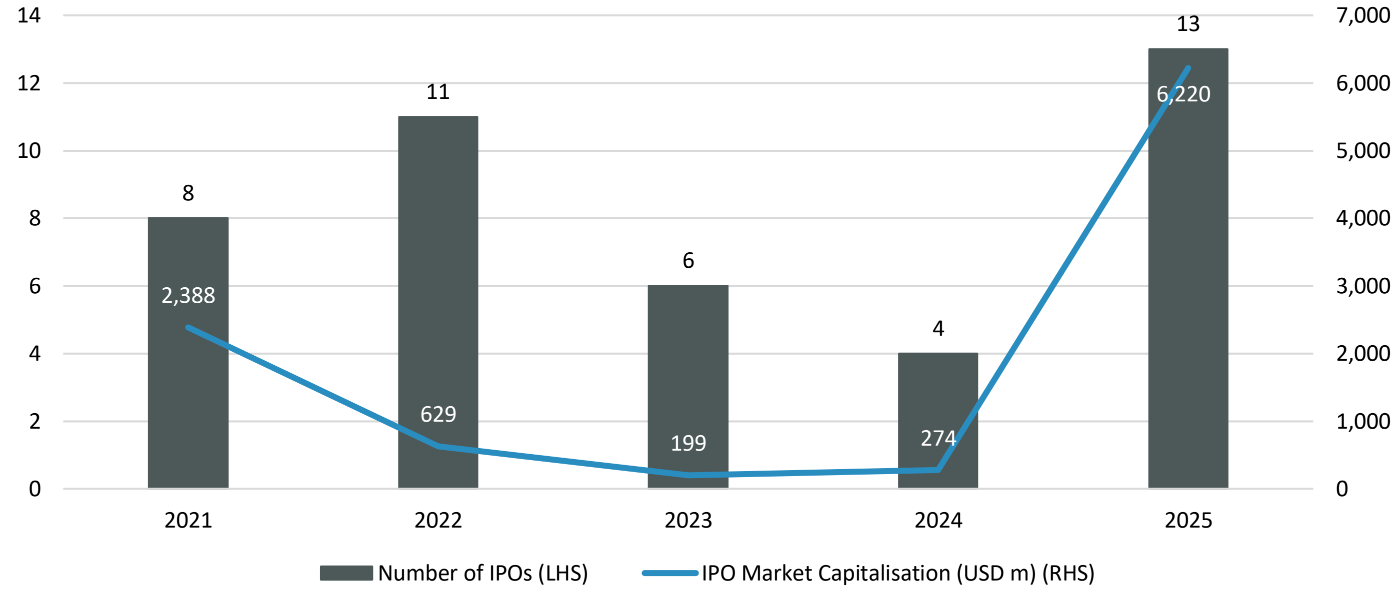
Exhibit 5: Initiatives to revitalise the Singapore equities market have had a noticeable impact on daily turnover of Singapore SMIDs (SGD k)



Source: Bloomberg, OCBC Group Research; Note: Pre-Equities Market Review Group refers to the period between 1 Jan to 1 Aug 2024. Pre-EQDP refers to the period between 2 Aug 2024 to 20 Feb 2025. Pre-EQDP (First Tranche) refers to the period between 21 Feb 2025 to 20 Jul 2025. Pre-EQDP (Second Tranche) refers to the period between 21 Jul to 18 Nov 2025. Post-EQDP (Second Tranche) refers to the period between 19 Nov 2025 to 31 Mar 2026.

Not quite apple to apple – Many comparisons have been drawn between Singapore's equities market review and recent reforms in Japan and Korea. All three have enjoyed varying degrees of success, albeit in different market conditions. We posit that while all three countries faced a similar challenge of low price-to-book (P/B) ratios, Singapore suffers from unique conditions: (i) a high concentration of Financials and Real Estate companies; (ii) a dearth of IPOs; and (iii) low liquidity. As a result, the substance of its proposed remedy is significantly different.

Exhibit 6: Singapore's equities market suffers from unique conditions, such as a dearth of IPOs



Source: Deloitte (Jan 2026)

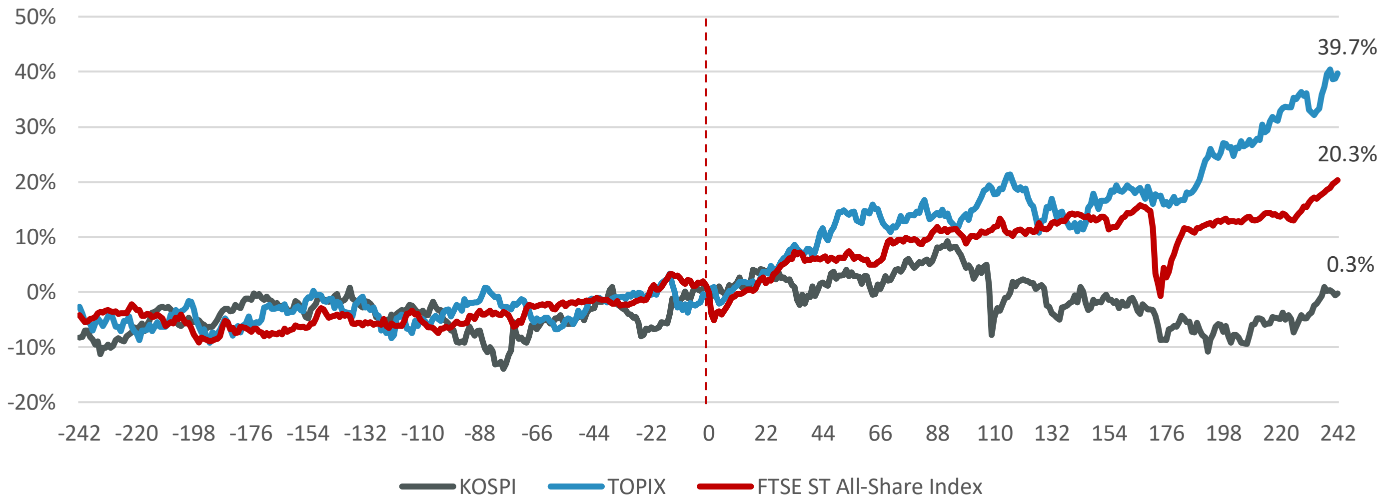
First, Singapore – traditionally known for its rigorous regulatory approach – is now focusing on streamlining pre-existing requirements and shifting towards a less prescriptive, more market-friendly disclosure-based regime, to encourage companies to list and remain listed on the SGX. On the other hand, Korea and Japan are stepping up on disclosure requirements for listed companies, whether it be on a voluntary or mandatory basis. Second, a key focus of the Equities Market Review Group has been on attracting fund managers and deploying EQDP capital through them to enhance liquidity – a dimension that is absent from Korea and Japan's initiatives. Finally, while value unlocking is a theme that has been gaining traction in the Singapore market, it may not have been pursued as aggressively as in some other Asian markets, in our view. This is likely because benchmark Singapore companies already have relatively high dividend payout ratios (Singapore real estate investment trusts (S-REITs), for instance, are required to pay out at least 90% of their taxable income to unitholders as distributions in order to enjoy tax transparency), with the STI offering an attractive dividend yield of around 4.5% at the time of writing. On the other hand, improving shareholder returns has been a centrepiece of Korea and Japan's corporate reforms, arguably because increasing dividends and share buybacks is a relatively lower hanging fruit for these markets. The form or method of value unlocking may therefore look very different in the Singapore context, and we will discuss this in the next section of the report.

Exhibit 7: Comparison between Singapore's Equities Market Review, Korea's Value Up Programme, and Japan's Corporate Governance Reforms

	Singapore's Equities Market Review	Korea's Value Up Programme	Japan's Corporate Governance Reforms
Objective	To strengthen market vibrancy and liquidity, and to enhance attractiveness to quality listings	To reduce the "Korea discount" by boosting corporate valuations and shareholder returns	To boost capital efficiency, lift P/B ratios, and enhance sustainable, long-term corporate value
Companies in scope		All companies listed on the KOSPI and KOSDAQ	All companies listed on the Prime and Standard Markets
Capital commitment	SGD6.5b capital commitment through EQDP	No direct capital commitment from the government	No direct capital commitment from the government
Tax incentives	(i) Tax exemption on qualifying income from fund managers and concessionary tax rate on qualifying income for new fund manager listings (ii) Tax rebates for new primary and secondary listings	(i) Additional tax credits for firms meeting specific voluntary value up criteria (ii) Separate, lower tax rate on dividend income for companies with a payout ratio exceeding 40% (iii) Inheritance tax reforms	Not a primary focus
Listing and disclosure requirements	Streamlined IPO prospectus requirements, shift to disclosure-based and market-driven regime, and removal of financial watchlist	Companies are encouraged to voluntarily formulate and disclose plans to improve corporate value, including targets for return on equity (ROE), dividend payout ratios, and CAPEX	Companies are required to disclose their capital efficiency and specific plans for improvement, cross-shareholdings, board diversity and sustainability, shareholder engagement, etc., and provide mandatory English disclosures
Market structure changes	Launch of SGN50 and iEdge Singapore Next 50 Liquidity Weighted Index in Sep 2025; proposed SGX-Nasdaq dual-listing bridge; board lot sizes reduced for shares trading above SGD10	Launch of the Korea Value-Up Index in Sep 2024, which comprises 100 top-performing companies based on profitability, shareholder returns, and capital efficiency	Encouragement to reduce minimum investment size to JPY100k to improve accessibility and attract retail investors
Corporate governance code	Review of Code of Corporate Governance announced in May 2025	Active review and updating of corporate governance frameworks	Active review and updating of corporate governance frameworks
Penalty		No penalty; program is incentive-based and voluntary	Exchange-mandated with "name-and-shame" campaign

Source: Bloomberg, various news sources, OCBC Group Research

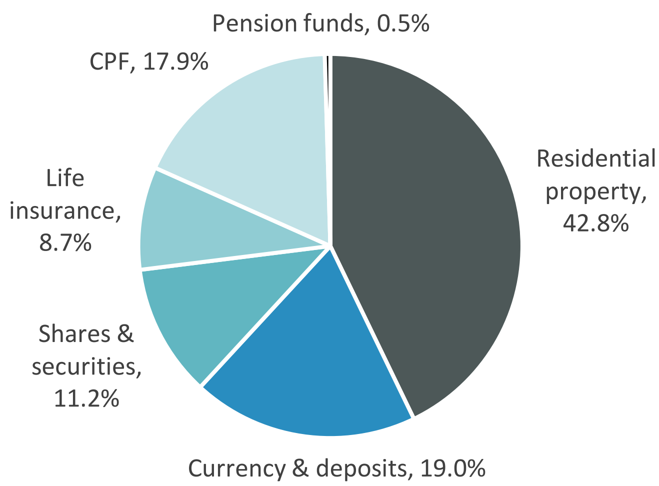
Exhibit 8: Percentage change of Japan, Korea and Singapore market indices one calendar year before and after the first announcement of market reforms



Source: Bloomberg, OCBC Group Research; Note: 26 Feb 2024, 31 Mar 2023, and 2 Aug 2024 taken as day 0 for the KOSPI, TOPIX, and FTSE ST All-Share Index, respectively.

A multi-year upcycle – While the Equities Market Review Group has delivered its final report, we think the journey for Singapore equities (and SMIDs) is just beginning. The appointment of fund managers for the remaining SGD2.55b under the EQDP and progressive deployment of EQDP capital by existing managers will likely support market liquidity going into 2027. A new Growth Capital Workgroup, chaired by Minister Chee Hong Tat, will now focus on developing strategies to position Singapore as a leading centre for private capital, and to support companies across their growth cycle by enhancing deal origination, facilitating capital raising and mobilisation, and enabling effective capital recycling – perhaps driving improved shareholder returns as per Korea and Japan's reforms, but with a Singapore twist. Starting in 2028, Singapore's Central Provident Fund (CPF) will offer a panel of simplified, low-cost equity investment schemes. Although the schemes have yet to be defined, we think they may support additional, long-term capital flows into Singapore equities, complementing the EQDP.

Exhibit 9: Deployment of a greater proportion of CPF monies and overall household wealth can provide a significant boost to Singapore's equity market



Source: SingStat, OCBC Group Research; Data as at 4Q25.

Three key themes for the Singapore SMID sector

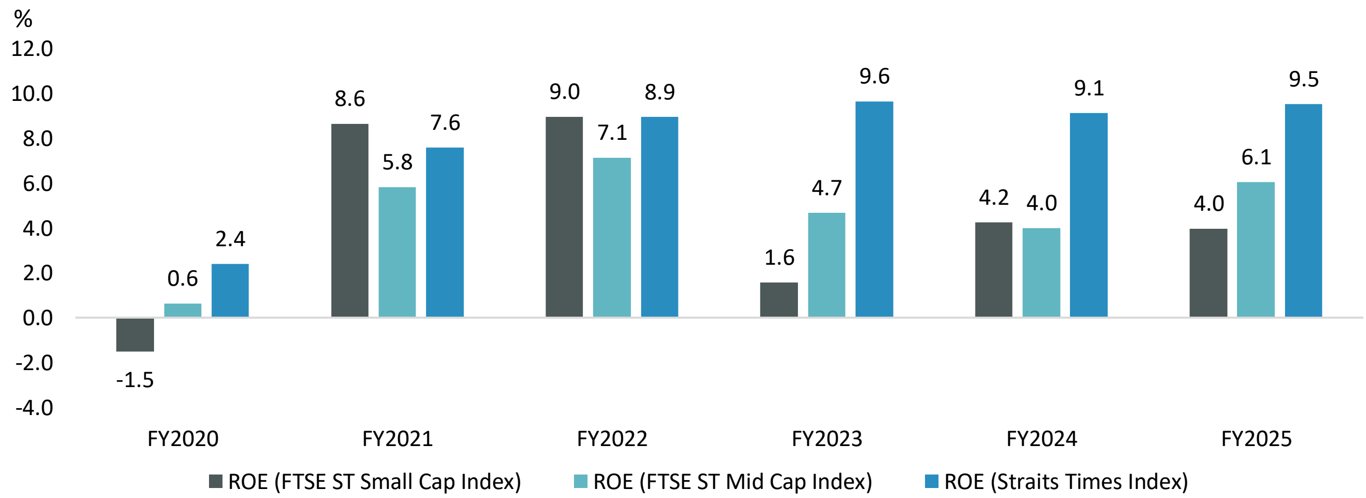
With this policy backdrop in place, we see three key themes underpinning the outlook for the Singapore SMID sector.

1) Value unlocking amidst strategic capital allocation and investor engagement – Founders/senior management of SMID companies may hold meaningful equity stakes in their companies. This creates a strong alignment of interest with minority shareholders, which consequently incentivises them to seek value-unlocking opportunities. We believe there are several levers that SMID companies can pull to unlock value for shareholders, and this is supported by policy tailwinds.

Capital recycling involving divestments, spin-offs or bolt-on acquisitions will be one area of focus as companies and S-REITs pursue the monetisation of non-core or mature assets to redeploy capital into higher-growth areas. Net proceeds can be used for share buybacks and/or be distributed to shareholders in the form of special dividends for corporates or capital distributions in the case of S-REITs. Higher dividend payouts and a reduction to the number of shares outstanding via share buybacks can help to improve capital efficiency and consequently provide an uplift to ROE. This can act as a catalyst for share prices to be re-rated. While several S-REITs and asset managers have been actively pursuing capital recycling to rejuvenate their portfolios since 2H25 amid the resumption of rate cuts by major central banks, the start of the Middle East conflict has put such activities on the back burner given weaker investor sentiment. The two-week ceasefire that was announced could provide a boost to capital market activities again, although clearer signs of a longer-term or permanent de-escalation to the conflict would still be needed for companies to commit to their plans.

Another important step for SMID stocks would be to strengthen investor engagement and awareness, as these stocks tend to be under the radar of most investors. Should funds from the EQDP be directed to the uptake of sizeable stakes in SMID stocks, this can help to increase investor engagement and create a positive feedback loop to drive improvements in operational improvements, disclosures and corporate governance. Increased analyst coverage of SMID stocks due to enhancement in the GEMS Scheme can help raise the profile of more stocks, thus helping to improve trading liquidity. Overall, as actions to improve transparency, shareholder engagement and profitability take centre stage, this can create a virtuous cycle of facilitating price discovery and potentially helping SMID stocks to narrow their valuation discount over time.

Exhibit 10: ROE uplift needed from value unlocking initiatives as a catalyst for SMID re-rating



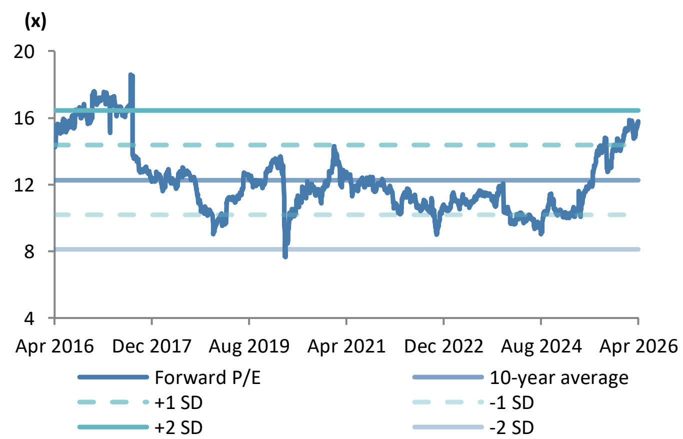
Source: Bloomberg

2) Valuations have re-rated, but attractive income opportunities remain – Singapore's equity market has seen an uplift in valuations, and this has coincided with the various equity market reforms as highlighted earlier. Share prices of SMID stocks have also been buoyed by this improvement in sentiment. FSTS is currently trading at a 12-month forward price-to-earnings (P/E) multiple of 16.1x (as at 9 Apr 2026), which is 1.9 standard deviations (s.d.) above its 10-year average of 12.3x. FSTM's 12-month forward P/E multiple of 17.7x comes in at a more reasonable 0.9 s.d. above its 10-year mean of 16.4x. On the other hand, STI is trading at a 12-month forward P/E multiple of 15.0x, which is 1.6 s.d. above its 10-year average of 12.7x. Despite higher-than-average P/E multiples, ongoing structural market reforms and deployment of funds from the EQDP could help to improve the liquidity of SMID stocks, thus narrowing their equity risk premium and providing justification for a valuation premium relative to historical average levels.

From a book value perspective, FSTS and FSTM are trading at a trailing P/B multiple of 0.89x and 1.06x respectively, which are 0.2 and 0.3 s.d. above their respective 10-year averages of 0.87x and 1.03x. Meanwhile, STI's trailing P/B ratio of 1.59x is 3.2 s.d. above its 10-year average of 1.18x. As such, value seeking investors may look to SMID stocks for alpha generating opportunities, particularly for companies that have the potential to increase their ROE. Looking ahead, the next stage of re-rating may be driven less by P/E multiple expansion and more by earnings and cash flows growth.

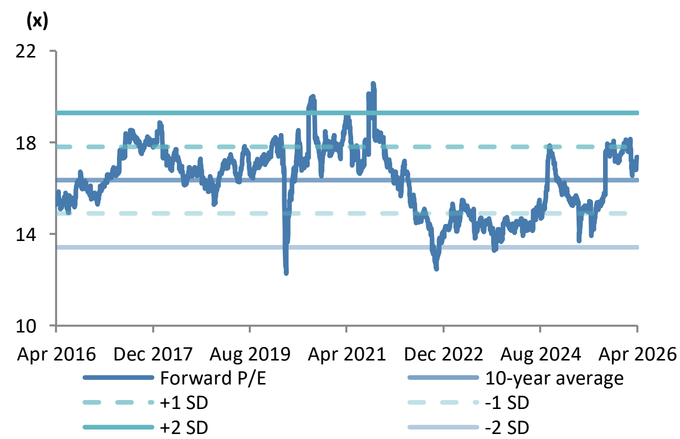
Given relatively low returns from SGD-denominated instruments such as the 6-month Singapore Treasury bills and Singapore Government Securities (SGS) bonds, we expect investors to pivot towards selective income opportunities where yields are supported by healthy balance sheets and robust free cash flow generation. The SGN50, which is 42% weighted to the real estate sector, offers a trailing 12-month dividend yield of 4.6%, as at 31 Mar 2026. Approximately 51% of revenue is derived from Singapore, which provides some mitigation against foreign exchange (FX) fluctuations.

Exhibit 11: 12-month forward P/E of FSTS



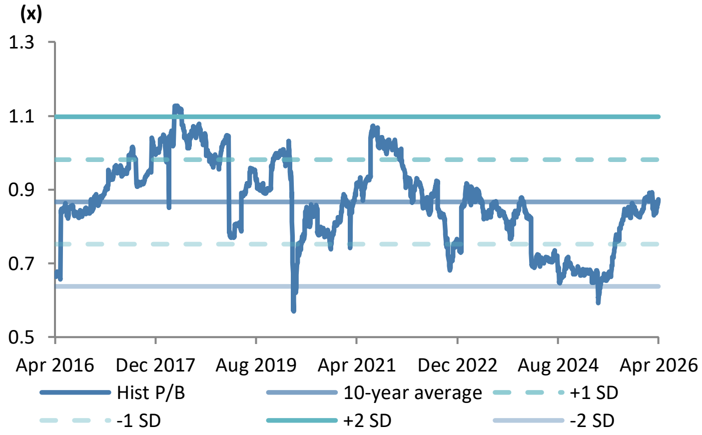
Source: Bloomberg, OCBC Group Research, as at 9 Apr 2026

Exhibit 12: 12-month forward P/E of FSTM



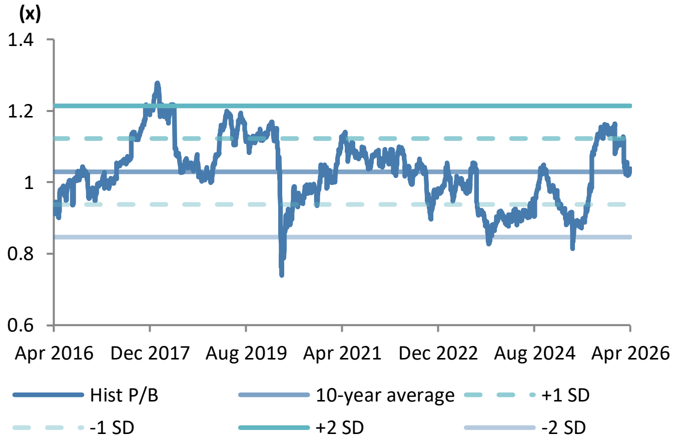
Source: Bloomberg, OCBC Group Research, as at 9 Apr 2026

Exhibit 13: Trailing 12-month P/B of FSTS



Source: Bloomberg, OCBC Group Research, as at 9 Apr 2026

Exhibit 14: Trailing 12-month P/B of FSTM



Source: Bloomberg, OCBC Group Research, as at 9 Apr 2026

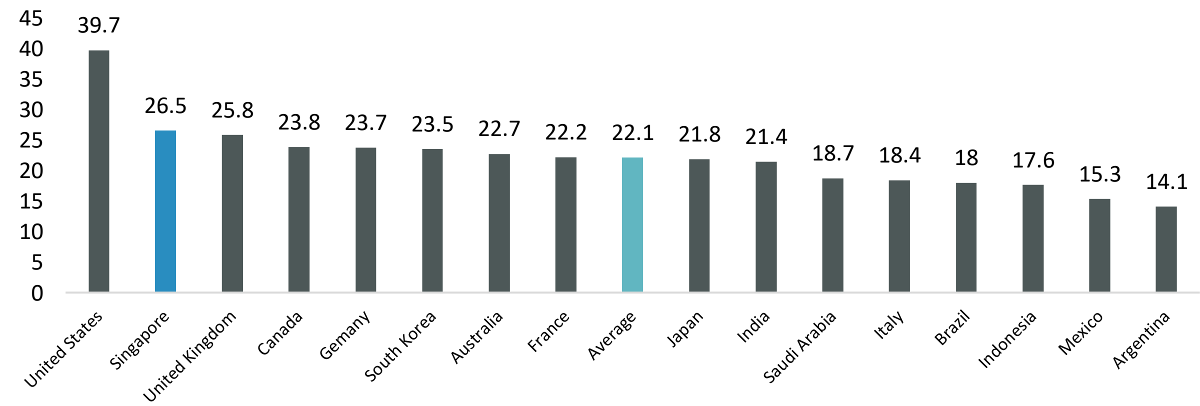
3) Beneficiaries of Singapore's structural growth story – We believe SMID companies can look to leverage on Singapore's structural growth story, particularly in the fields of digital transformation and defence.

<u>Artificial Intelligence (AI)</u>

Singapore's AI investment is anchored in infrastructure. Singapore is increasingly positioning itself as a key hub for AI and digital innovation, supported by its political stability, expanding technology ecosystem, and pro-innovation policies. In contrast to the US and China, where AI exposure is largely software and platform-driven, Singapore's AI opportunity is more closely tied to infrastructure. Growing adoption of AI, cloud computing, and enterprise digitalisation are driving demand for fibre connectivity, data centres, power generation, grid infrastructure and semiconductors.

According to a recent Salesforce study, Singapore ranks second globally in AI readiness across five pillars – governance, diffusion, innovation, investment, and talent – reinforcing its position as a leading AI hub and validating the effectiveness of National AI Strategy 2.0. In 2025 alone, multiple AI hubs and centres of excellence have been established by both local and international enterprises, underscoring a concerted push to drive enterprise adoption, deepen talent pools, and accelerate the development of AI applications and solutions across the economy.

Exhibit 15: Singapore ranks second in AI readiness globally



Source: Salesforce

Singapore was among the earliest countries to launch a National AI Strategy in 2019, providing a clear framework to guide the use of AI in driving economic transformation. The National AI Strategy aims to position Singapore as a global leader in developing and deploying scalable, high-impact AI solutions in sectors that deliver meaningful value to both businesses and citizens by 2030. In 2023, the government launched National AI Strategy 2.0, reframing AI as an economic and societal "necessity" rather than a discretionary capability. The National Productivity Fund received SGD3b top-up in Budget 2025, following earlier top-ups of SGD2b in Budget 2024 and SGD4b in Budget 2023, to support AI and quantum computing investments. Additionally, the government will be committing more than SGD1b to AI research and development (R&D) over five years from 2025 to 2030. This is the second tranche of government funding for public R&D in AI, after the first investment of over SGD500m from 2019 to 2023 under Research, Innovation and Enterprise (RIE) 2020 and 2025.

AI remained a key theme in Budget 2026. Prime Minister Lawrence Wong will chair a newly established National AI Council to provide strategic direction and advance Singapore's AI agenda, with a particular focus on four priority sectors - advanced manufacturing, connectivity, finance, and healthcare. This underscores a coordinated national effort to fully harness the potential of AI while proactively addressing challenges such as potential job displacement. Additionally, the Productivity Solutions Grant (PSG) will be expanded to support all firms, regardless of size, to access AI tools to work smarter and compete more effectively.

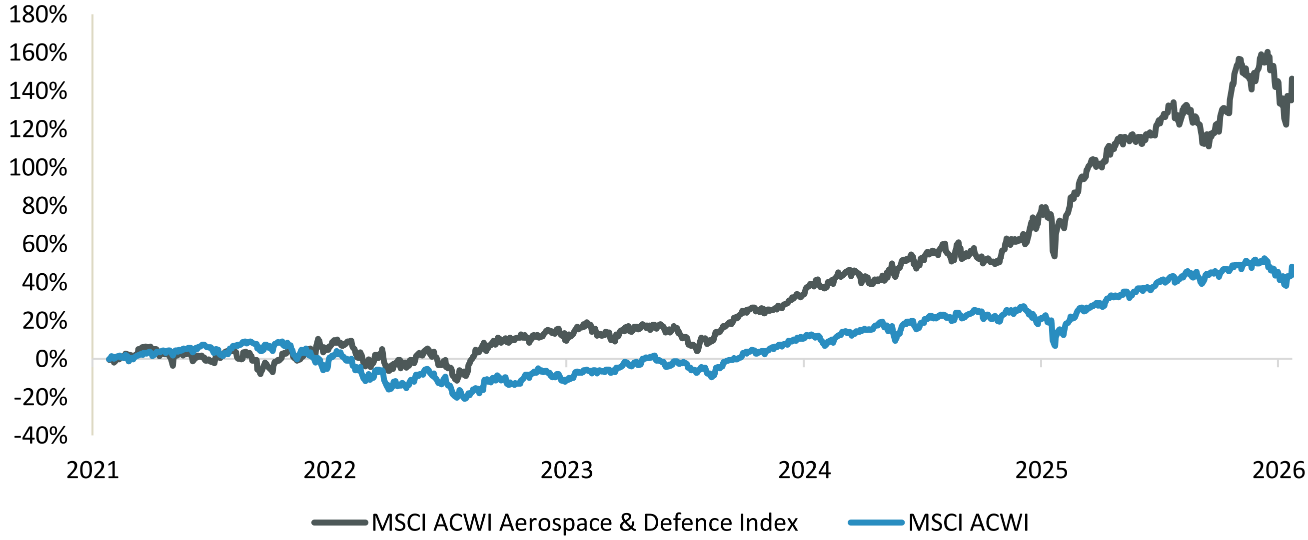
We believe the global AI expansion, alongside the Singapore government's focus on innovation and technology upgrading, will continue to create investment opportunities in two key areas: (i) **infrastructure**, including data centres, telecommunications, energy providers and semiconductors, which we view as AI enablers and early beneficiaries; and (ii) **AI adopters**.

<u>Defence</u>

Heightened geopolitical risks, both in the Middle East and globally, are driving a structural increase in global defence spending, supporting demand growth, record order books, and improved revenue visibility across the defence sector. At the same time, the nature of warfare is evolving rapidly, with greater deployment of drones and unmanned systems, increased integration of AI, and a sharp rise in the scale, speed, and sophistication of cybersecurity threats.

Global defence equities have meaningfully outperformed broader markets over the past five years, with the Russia–Ukraine war marking a clear inflection point. Importantly, this is not a one-off conflict-driven effect. Instead, it reflects a long-term reset in defence spending priorities as governments prepare for a more contested, fragmented, and unpredictable global order. We believe the current defence upcycle is structural rather than cyclical, underpinned by sustained geopolitical budget reprioritisation and a fragmented world order. Within the Singapore market, there are companies that are strongly leveraged on this theme, namely **ST Engineering [STE SP; FV: SGD12.50]** and **Nordic Group [NRD SP; FV: SGD0.60]**.

Exhibit 16: Global defence stocks have outperformed broader equities over the past five years



Source: Bloomberg, OCBC Group Research; Data as at 8 Apr 2026

Despite the sector's strong performance, we continue to see scope for further re-rating, supported by earnings growth and potential P/E multiple expansion. Rising defence budgets and improved operating leverage should translate into visible and durable earnings per share (EPS) growth, while elevated geopolitical risks may justify a structurally higher valuation multiple relative to history, even though current valuations are no longer cheap. The MSCI ACWI Aerospace & Defence Index is trading at 31.6x forward P/E, around 2 s.d. above its 10-year average at the time of writing, implying that execution is increasingly critical. Companies must therefore demonstrate the ability to convert record order backlogs into revenue efficiently and on schedule.

Opportunities are increasingly emerging in Asia, which is fast becoming the next major growth engine for the global defence industry. This shift is being accelerated by changes in US strategic doctrine. The 2026 US National Defence Strategy places greater emphasis on burden-sharing, effectively pushing allies to assume higher responsibility for their own defence capabilities. As a result, self-sufficiency and supply-chain security have become key priorities. Asian countries are scaling up domestic defence manufacturing, while the region is also emerging as a credible alternative supply base amid capacity constraints in Western markets, with Singapore positioned as a potential beneficiary.

Singapore is expected to continue investing decisively in critical defence capabilities, particularly in (i) unmanned systems across multiple domains, and (ii) cybersecurity, as cyberattacks by both state-sponsored and non-state actors grow increasingly frequent, coordinated, and complex. Under Budget 2026, defence spending is targeted to remain at around 3% of GDP, with flexibility to increase allocations should the security environment warrant it.

Preferred picks

All things considered, we screen for companies under our coverage with market cap below SGD3b. Our preferred Singapore SMID bottom-up picks are: **Boustead Singapore Ltd [BOCS SP; FV: SGD2.45], CapitaLand India Trust [CLINT SP; FV: SGD1.37], China Aviation Oil [CAO SP; FV: SGD2.48], Hong Leong Asia Ltd [HLA SP; FV: SGD4.20], Info-Tech Systems Integrators [ITSL SP; FV: SGD1.30], Nordic Group Ltd [NRD SP; FV: SGD0.60], OUE REIT [OUEREIT SP; FV: SGD0.40], Parkway Life REIT [PREIT SP; FV: SGD4.83]** and **Stoneweg Europe Stapled Trust [SERT SP; FV: EUR1.88]**.

Exhibit 17: Preferred Singapore SMID bottom-up picks

Name	Ticker	CCY	Last Close	Fair Value	P/E FY1 (x)	P/E FY2 (x)	P/B FY1 (x)	P/B FY2 (x)	Div Yld FY1 (%)	Div Yld FY2 (%)	Potential Upside	Rating
Boustead Singapore Ltd	BOCS SP	SGD	1.97	2.45	13.1	11.6	N.A.	N.A.	3.8	4.0	24%	BUY
CapitaLand India Trust	CLINT SP	SGD	1.03	1.37	12.4	11.3	0.8	0.6	8.0	8.6	33%	BUY
China Aviation Oil	CAO SP	SGD	2.14	2.48	11.8	11.0	1.2	1.2	3.8	4.2	16%	BUY
Hong Leong Asia Ltd	HLA SP	SGD	2.91	4.20	15.3	13.5	1.8	1.7	1.8	1.9	44%	BUY
Info-Tech Systems Integrators	ITSL SP	SGD	1.01	1.30	13.1	12.3	5.1	4.2	3.9	4.3	29%	BUY
Nordic Group Ltd	NRD SP	SGD	0.52	0.60	9.6	8.7	1.3	1.3	4.2	4.6	15%	BUY
OUE REIT	OUEREIT SP	SGD	0.36	0.40	17.1	16.4	0.6	0.6	6.4	6.9	11%	BUY
Parkway Life REIT	PREIT SP	SGD	3.97	4.83	21.7	21.1	1.5	1.5	4.5	4.6	22%	BUY
Stoneweg Europe Stapled Trust	SERT SP	EUR	1.49	1.88	10.8	10.3	0.7	0.7	8.9	9.2	26%	BUY
Average					**13.9**	**12.9**	**1.6**	**1.5**	**5.0**	**5.4**		
Median					**13.1**	**11.6**	**1.3**	**1.2**	**4.2**	**4.6**		

Source: Bloomberg consensus, OCBC Group Research estimates, as at 9 Apr 2026 closing prices

Featured companies

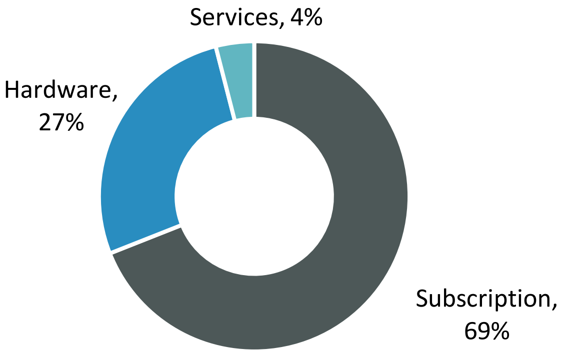
Info-Tech Systems Ltd [ITSL SP; FV: SGD1.30]
Analyst: Ada Lim

Info-Tech Systems (ITL) is a quality provider of cloud-based human resource management software (HRMS) designed for small and medium enterprises (SMEs) in Singapore, Malaysia, Hong Kong, India, and Dubai – Its main product lines – HRMS and Info-Tech Accounting Software – are deployed via a software-as-a-service (SaaS) model. HRMS, which was launched in 2016, had 970k users as at the end of FY25. The offering is modular, and customers can choose to subscribe to either the full or tailored suite of HRMS modules to suit their requirements, with the flexibility to seamlessly add modules as their needs change. Meanwhile, Info-Tech Accounting Software has grown to service 1,700 customers since its launch in 2022. It complements HRMS by providing customers with a real-time picture of their financial situation. It is localised to each jurisdiction in which the company operates, and is integrated with various third-party business tools and sources (e.g. bank feeds) for direct data entry. The company also offers an Academy for Singapore Workforce Skills Qualifications (WSQ) training courses; an AI driven jobs portal, Jobs Lah; access control and data collection hardware systems; and payroll processing and related services.

Well positioned to capture a growing share of a growing pie, given strategic focus on SMEs and customer-centric approach – Companies globally are moving towards SaaS offerings, but SMEs in particular have a strong preference for cloud-based HRMS due to the ease of implementation, cost-effectiveness, and ability to scale as compared to legacy on-premise solutions. There is also policy support for digital transformation in the markets ITL operates in. For instance, the recently announced expansion of the PSG to support all firms to access AI tools at the Singapore Budget 2026 will likely promote adoption of ITL's offerings, while the Johor-Singapore Special Economic Zone (JS-SEZ) presents opportunities for the company to grow with existing customers expanding their operations across the causeway given its presence in both countries. ITL's competitive advantage lies in its comprehensive after-sales service and customer support; according to Converging Knowledge, ITL offers an industry-leading turnaround time of four hours in Singapore (versus the industry norm of one to three working days) from the time an enquiry is made. Additionally, the company has implemented a customer feedback collection system from which it considered frequently suggested enhancements to improve its software, so that its platform evolves in alignment with customers' expectations.

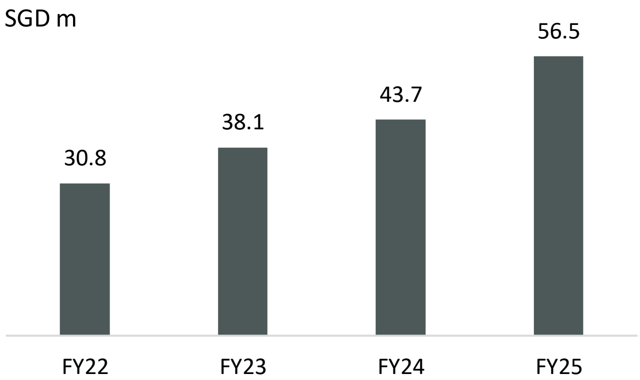
Attractive earnings growth profile underpinned by recurring revenue and industry-leading margins – ITL's business model benefits significantly from the recurring nature of its subscription revenue, which grows with its customer base and provides the company with a stable and predictable income stream. Majority of its customers pay upfront for a subscription period; coupled with low inventory needs, this results in strong cash flow generation and a highly efficient cash conversion cycle. Additionally, ITL's support hub model – where support staff based in India and Malaysia are strategically employed to handle after sales technical support, administrative tasks, etc. – helps to optimise its cost structure and to drive high and sustainable margins. The company's attractive earnings growth profile is reflected in the 46% increase in its FY25 adjusted profit after tax (PAT), exceeding our expectations due to strong take-up of its Academy courses and a 3.7ppt expansion in PAT margins. We lifted our FY26 and FY27 EPS projections by 12.5% and 14%, respectively, after ITL's results release. **We have a fair value (FV) estimate of SGD1.30 – which is pegged to 16x FY27E P/E – and a BUY rating on the counter.** Key risks include a slower-than-expected ramp-up of the company's Dubai operations, and failure to attract new customers or retain existing ones amid weak business sentiment, especially if the Middle East conflict persists.

Exhibit 18: Revenue by major product/service lines



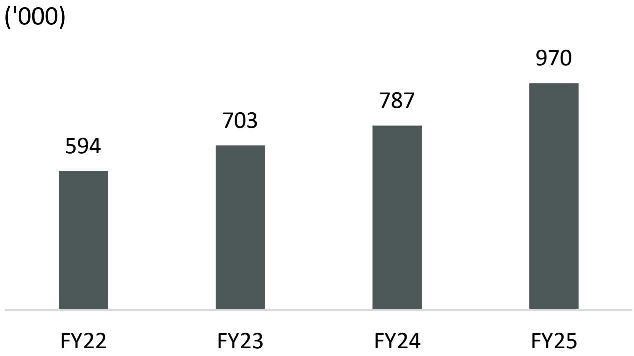
Source: Company, OCBC Group Research

Exhibit 19: Strong and accelerating revenue growth...



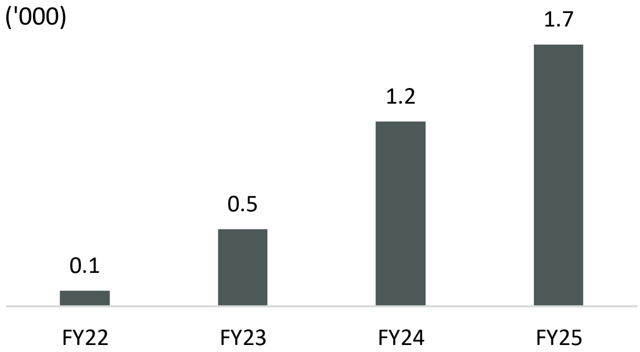
Source: Company, OCBC Group Research

Exhibit 20: … underpinned by an increase in the number of HRMS users…



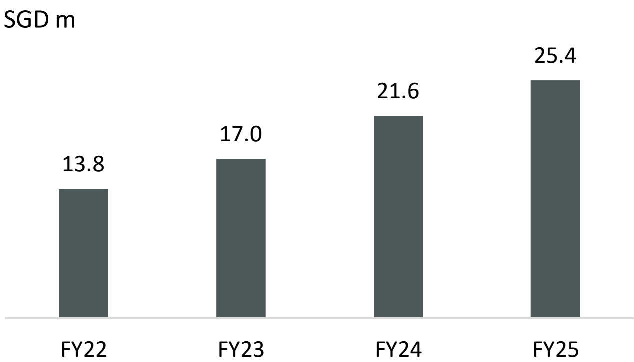
Source: Company, OCBC Group Research

Exhibit 21: … as well as the number of accounting customers



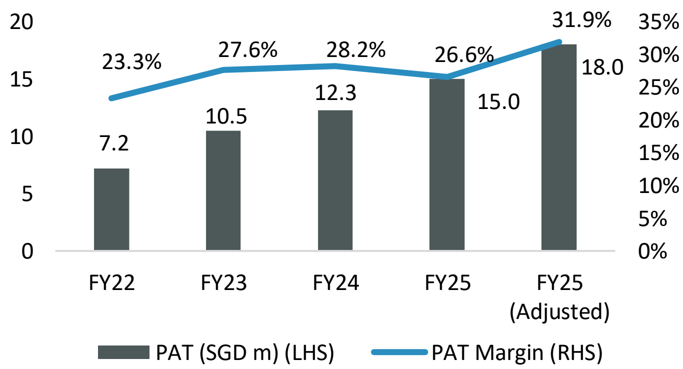
Source: Company, OCBC Group Research

Exhibit 22: Rising annual recurring revenue provides a stable and predictable income stream



Source: Company, OCBC Group Research

Exhibit 23: Support hub model supports high and sustained PAT margins



Source: Company, OCBC Group Research

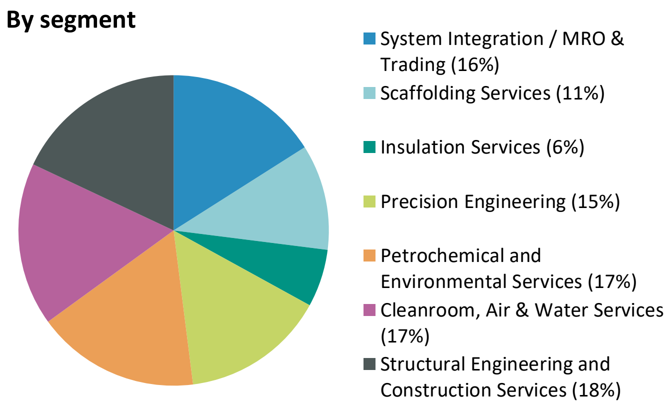
Nordic Group [NRD SP; FV: SGD0.60]
Analyst: Troy Cheng

Exposure to several ongoing upcycles underpins multi-year earnings visibility – Nordic Group (Nordic) is a diversified industrial solutions provider, delivering essential – and at times mission-critical – capabilities across system integration; scaffolding; insulation; precision engineering; maintenance, repair, and overhaul (MRO) services; cleanroom and environmental systems, and specialist structural engineering. Its client base spans diversified end-markets including the marine, offshore, petrochemical, pharmaceutical, and semiconductor industries, which demand a high level of service reliability and execution quality, as well as low downtime risk. Nordic's offerings are levered to various ongoing upcycles such as those in the semiconductor, MRO, and defence industries, pointing to a solid multi-year revenue outlook. At the same time, its strong industrial foundation positions it well to capture growing demand, translating to sustained order win momentum. FY25 contract wins of SGD119m lifted its order book to SGD201.9m, with deliveries extending through 2028. A rising share of maintenance contracts enhances revenue visibility and earnings stability, as the company boasts an improved book-to-bill ratio of 1.32x.

Envipure platform and long-standing semiconductor relationships anchor upside in upcoming expansion cycle – We believe Nordic has established a deep and defensible foothold in the semiconductor industry, which is entering a renewed expansion phase. Micron has committed to invest USD24b in its Singapore wafer fabrication facilities, underscoring Singapore's importance as a global semiconductor hub and strengthening the demand outlook for engineering service providers like Nordic. Industry fundamentals are also turning supportive, as the ongoing shortage of NAND flash, firm DRAM demand, and steady increases in DDR5 prices create a healthier environment for suppliers across the value chain. Recovery is being led by the machinery and systems segment on stronger semiconductor-related orders, even as players in the precision components sector remain cautious. Against this backdrop, Envipure positions Nordic well to capture both new project awards and recurring maintenance opportunities for its hydraulic and water treatment systems, which are essential to advanced semiconductor fabs. Although Micron's new facility will begin operations only in 2H28, the improving demand backdrop is already enhancing Nordic's visibility and strategic relevance, even as the expansion will only have an earnings impact in the medium term. While there are near-term uncertainties, we expect Nordic to benefit from structural uptrends related to digitalisation, automation and advanced manufacturing.

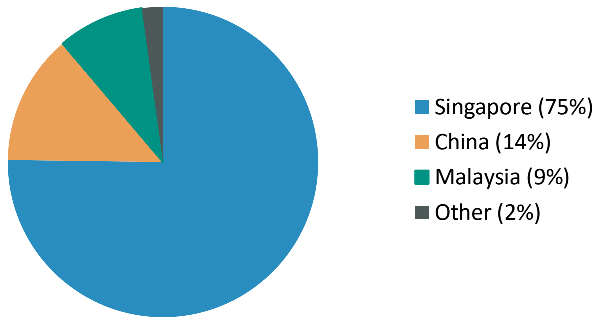
Singapore's defence budget is a structural tailwind – Singapore's defence budget for 2026 has been set at SGD24.9b, representing a 6.4% increase over the revised 2025 allocation and reaffirming the government's prioritisation of national security amidst a more fragmented world order. The budget is pegged to around 3% of GDP, though the government is prepared to increase this should security conditions warrant. The 2026 defence budget also includes SGD1.6b of development expenses. The 19% increase signals a continued focus on capability expansion and defence infrastructure investment, rather than operating spend. We view this as particularly relevant for Nordic, given its exposure to specialised defence infrastructure through its subsidiary, Starburst. Starburst specialises in the design and maintenance of shooting ranges for military and law enforcement clients. As the Singapore Armed Forces (SAF) expands training capacity and upgrades its facilities in line force modernisation plans, demand for purpose-built training infrastructure is expected to rise. Recurring maintenance contracts with public sector clients provide Starburst with government-backed, defensive cash flows. At the same time, Nordic does not bear execution risk and the heavily levered balance sheet of a typical prime defence contractor. We have maintained our **BUY** rating with a FV estimate of SGD0.60. This implies ~15% upside from the last close price of SGD0.52 as at 9 Apr 2026, alongside a projected FY26 dividend yield of 4.0%.

Exhibit 24: Revenue profile across primary service lines



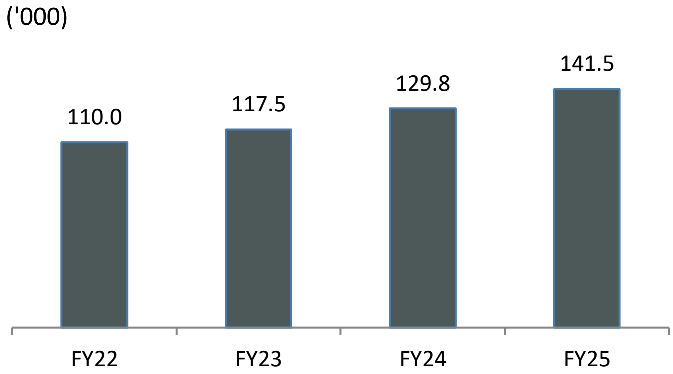
Source: Company, OCBC Group Research

Exhibit 25: Singapore anchors industrial revenue performance



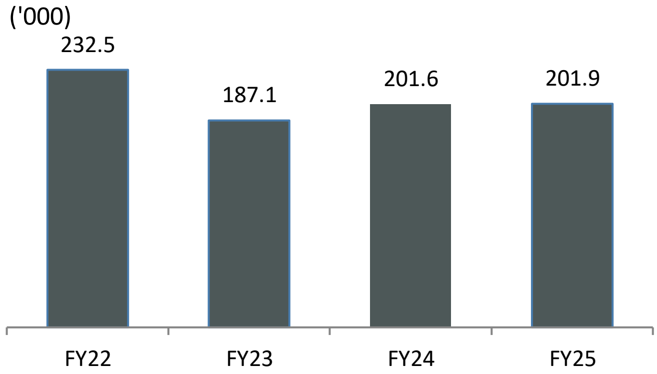
Source: Company, OCBC Group Research

Exhibit 26: Steady net asset value expansion backed by earnings strength and debt reduction



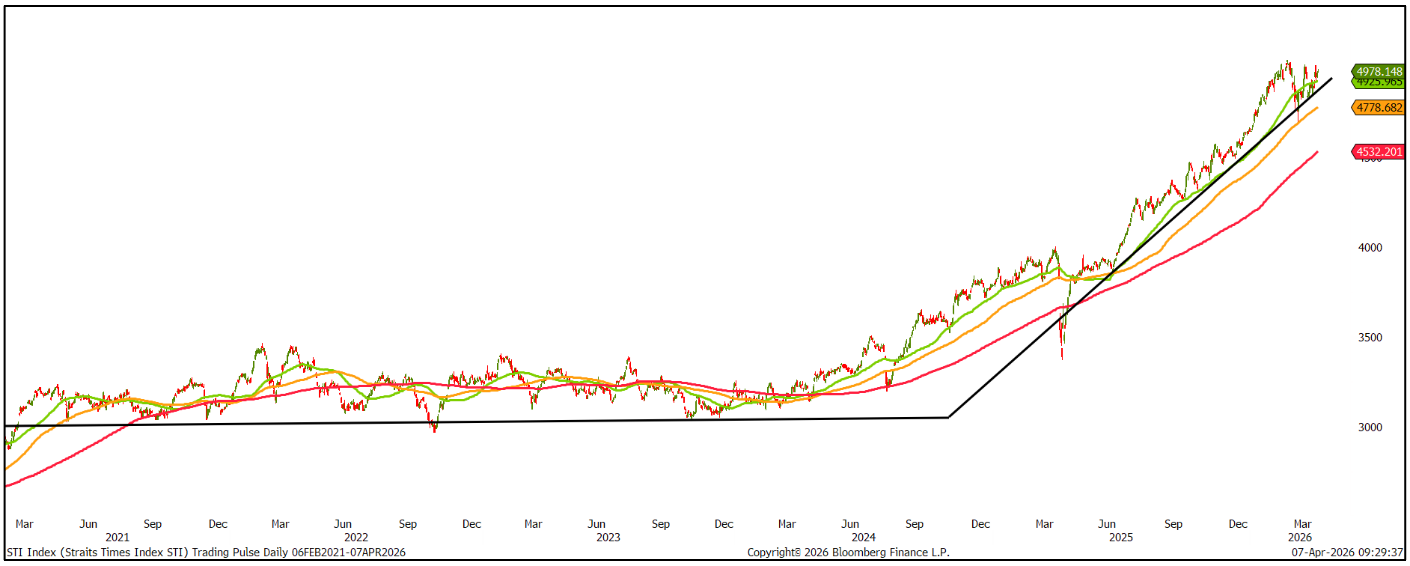
Source: Company, OCBC Group Research

Exhibit 27: Stable order book position maintained



Source: Company, OCBC Group Research

Trading strategy insights
Analyst: Samuel Wong



Source: Bloomberg; Data as at 7 Apr 2026

Straits Times Index

Technical Outlook: The STI maintains a clear bullish trajectory, consistently registering higher highs and lows since its 2023 breakout. From Jan to Apr 2026, price action has remained range-bound between 4,800 and 5,000, demonstrating disciplined consolidation. Market breadth is supported by robust average daily turnover of SGD1.65b, up 13% year-over-year (YoY), indicating potential institutional participation. The index is well-supported above its positively sloped 20-Day, 50-Day and 200-Day moving averages, confirming strong trend alignment. Key support between 4,600 and 4,750 underpins structural integrity. Despite near-term extension around 4,900–5,000, momentum remains constructive, with 5,200 as the next upside target.

iEdge Singapore Next 50 Index

Source: Bloomberg; Data as at 7 Apr 2026

Technical Outlook: As of 7 Apr 2026, the SGN50 stood at 1,468.07, up 38% from its September 2025 low of 1,392.27. After an 8% pullback from its peak of 1,532 on 24 Feb 2026, strong buying near 1,400 has created a range between 1,400 and 1,480. Key contributors like Sheng Siong (+17%), Keppel Infrastructure Trust (+10%), Golden Agri (+8.8%), Sunningdale (+8.6%), and Hutchison Port (+7.6%) supported the index year-to-date (YTD). It faces resistance at 1,500 and the 52-week high of 1,529, with immediate support near the 20-day moving average at 1,457 and additional support at 1,450–1,413. Momentum remains positive, aiming for a test of 1,500–1,530.

Info-Tech Systems Integrator

Source: Bloomberg; Data as at 7 Apr 2026

Technical Outlook: Info-Tech Systems Integrators is exhibiting a bullish trend reversal, breaking out decisively from its prolonged base around SGD0.75-0.85 with strong momentum above SGD0.95. The price is consolidating within SGD1.00-1.05, forming higher lows that indicate accumulation and healthy digestion post-rally. It remains above the upward-trending 20-, 50-, and 200-day moving averages, confirming positive alignment. Support has shifted bullish as momentum holds above breakout levels. A sustained break above SGD1.05-1.10 resistance may drive a continuation toward SGD1.15, reflecting a strengthening technical base and controlled volatility.

Nordic Group

Source: Bloomberg; Data as at 7 Apr 2026

Technical Outlook: Nordic is firmly ascending within a well-defined rising channel that has been building since mid-2023, with the lower trendline providing solid support near SGD0.42-0.43. Price has convincingly reclaimed all key moving averages the short-term (green line in chart), medium-term (orange), and the long-term 200-day moving averages (red, now curling upward near SGD0.425), a bullish alignment signalling sustained momentum. The channel's upper band projects toward SGD0.55-0.60, offering meaningful near-term upside from current levels, while strong support anchors the downside around SGD0.46.

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: Nil

The analyst(s) does not receive compensation directly or indirectly related to the inclusion of specific recommendations or views in this report.

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