



## Navigating Market Volatility Through Multi-Asset Allocation

Geopolitical risks remain a dominant investment theme, consistent with our earlier forecasts. In late February, conflict erupted in the Middle East as joint military actions by the U.S. and Israel against Iran drew other regional nations into the fray. As the standoff persists, security concerns regarding the Strait of Hormuz—a critical global energy gateway—have intensified. Any disruption to this supply chain would not only drive energy prices higher but also trigger global cost-push inflation, placing significant pressure on Asia and other energy-dependent economies.

Beyond geopolitics, the market faces several additional risk factors. First is the uncertainty surrounding trade tariffs: following a Supreme Court ruling, President Trump invoked statutory authority to impose a 15% tariff on all global imports for 150 days. As the administration proceeds with a "Section 301 investigation," market volatility is expected to spike. Second is monetary policy uncertainty: the hawkish leanings of Federal Reserve Chair-designate Kevin Warsh, coupled with the oil price surge caused by the Middle East crisis, could result in stickier inflation and an unpredictable interest rate trajectory.

In such a high-volatility environment, relying on a single asset class is no longer sufficient to withstand extreme market swings. A Multi-Asset Strategy that combines global equities—offers long-term growth potential—with high-quality, investment-grade bonds for short-term stability. Historical performance demonstrates that during equity market downturns, the coupon income and price stability of bonds provide an effective hedge, reducing overall portfolio volatility and helping investors achieve steady, long-term capital appreciation.

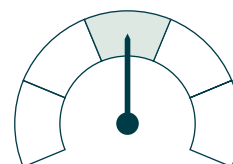
Source: Bloomberg

## 12-Month Outlook



Slightly Positive

ESG (Low Carbon)



Neutral

US Equity

Asian Equity

Global Bond

European Equity

China/HK Equity

Cash



Neutral  
US Equity

#### No Change

- US labor market unexpectedly deteriorated in Feb 2026. This decline, coupled with rising oil prices, intensifies stagflation fears, complicating the Federal Reserve's policy decision in the future
- Corporates have solid earnings and profit margin, supported by fiscal policies and CapEx. Sector rotation has been seen from growth-tilt big tech names to small/mid-cap and cyclicals like industrials
- High volatility is expected, at least in the short-term, as the US-Iran conflict still at the eyes of investors



Neutral  
European Equity

#### No Change

- Driven by robust domestic demand, consumption, and a tentative recovery in German industrial orders, the Eurozone recorded Q4 2025 GDP growing by 0.3%, exceeding expectations
- Despite the solid and resilient growth of European economy, its outlook is sensitive to the US-Iran conflict outcomes as it is a net energy importer

## Equities



Neutral  
Asian Equity

#### No Change

- We view AI as a structural growth theme in Asia. South Korea and Taiwan, in particular, are capitalizing on robust hardware demand, which remains a primary catalyst for short-term earnings growth
- Over 80% of crude oil and condensate transit through the Strait of Hormuz has been destined for Asia, with China and India as the leading importers. The current blockade stemming from the US-Iran conflict poses a significant downside risk to these economies should the standoff persist
- The trajectory of the USD is expected to remain a key source of short-term volatility across the region



Neutral  
China/HK Equity

#### No Change

- 80% of Iran's shipped oil going to China. A prolonged conflict threatens this supply
- China set a GDP growth target of 4.5%-5%, the lowest in decades, signaling a clear shift toward growth quality over sheer pace. An expansionary fiscal stance is expected to persist, aiming to stimulate consumption, stabilize the housing market, and mitigate deflationary risks
- Market dynamics show a rotation from high-growth technology sectors into undervalued, high-dividend stocks. A "barbell strategy" can balance structural risks while delivering stable returns. On one side of the barbell, focus should remain on the "AI+" theme, which is poised to become a key engine driving "New Quality Productive Forces" and the commencement of the "15th Five-Year Plan"



Slightly  
Positive  
ESG  
(Low Carbon)

#### No Change

- Governments reached a landmark consensus at COP30, pledging to significantly scale investment in clean energy and the low-carbon transition
- In an increasingly volatile market, low-carbon strategies are demonstrating superior resilience, offering stronger downside protection and more attractive risk-adjusted returns compared to traditional equity strategies

## Thematic Equities



Neutral  
Global Bond

#### No Change

- While US core inflation has moderated, it could remain sticky due to potential supply shocks. The Federal Reserve has paused its rate-cutting cycle, yet it may still take ad-hoc measures to ensure market liquidity
- Corporate credit valuations are currently high, though fundamentals are expected to remain benign. We believe allocating to high-quality, investment-grade bonds will enhance portfolio risk management

## Fixed Income & Cash



Neutral  
Cash

#### No Change

- With expectation of market jitters continuing in the near term, cash remains as a defensive asset

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