

Singapore’s equity market is undergoing an important regime change that offers compelling investment opportunities for investors. The Equity Market Development Programme (EQDP) is a policy-driven initiative to structurally enhance the market’s profile by improving its depth, liquidity and capital efficiency, as well as investor participation. Furthermore, Singapore’s political stability, strong regulatory framework and currency strength will continue to offer safe-haven appeal amidst volatile global markets.

Evidence from value-up initiatives in other Asian markets (e.g. Japan and Korea) suggests that such reform cycles are not instantaneous. Yet, when traction is gained, they are a powerful force in enhancing the long-term investment ecosystem.

Based on the potential transformation of the Singapore equity landscape, our Singapore Equities team has identified five key investment themes offering compelling investment opportunities that will realise the Strategy’s dual investment objectives of providing income and capital appreciation under the context of EQDP’s policy support.

EQDP in Context: Key Implications for the Market

EQDP aims to revitalise the market by addressing key structural headwinds:

- Enhancing market quality and liquidity;
- Broadening participation in small- and mid-cap equities;
- Encouraging capital efficiency and shareholder returns;
- Improving governance, disclosure, and accountability;
- Supporting structural growth sectors aligned with Singapore’s economic strategy.

Importantly, EQDP is not a pure cash injection into the capital market, but rather the construction of a long-term ecosystem to drive change in corporate and investor behaviour, thus attracting investor

interest toward fundamentally sound yet underappreciated investment opportunities.

The five key themes we believe offer compelling investment opportunities to capture income and growth.

Chart 1: Top five key market themes in Singapore equities¹

	Key value drivers	
	Income	Growth
Market Reforms and Spotlight on SMIDs	Income	Growth
Singapore’s Structural Growth Drivers	Income	Growth
Value Enhancing Corporate Restructuring	Income+	Growth
Overcapitalized and Deep Value Plays	Income+	-
Capturing Alpha from Interest Rate Downcycle	Income	Growth

¹ Source: Manulife Investment Management.

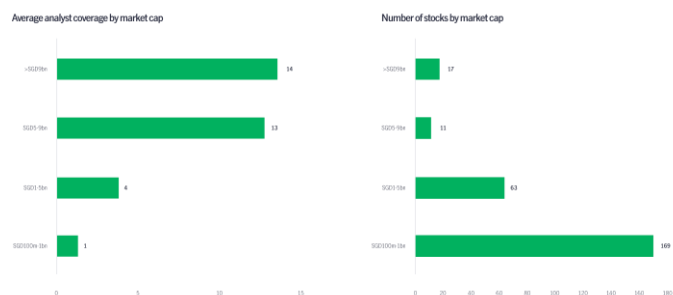
Theme 1: Market Reforms and a Spotlight on Small- and Mid-Cap (SMID) Companies

Where re-rating typically begins

Like other equity markets in Asia, Singapore's SMID companies have broadly underperformed the broader market index over the last decade, attributable to a lack of investor interest, research coverage, and market liquidity, as well as limited transparency.

Most firms on the Singapore Exchange (SGX) have a smaller market capitalisation, some of which are young, growing firms with potential, yet are not extensively covered by sell-side research analysts (Chart 2).

Chart 2: SMID names are relatively undercovered on the SGX²



We believe EQDP could serve as a re-rating catalyst among SMID opportunities with resilient fundamentals and visible catalysts by:

- Improving liquidity in under-researched stocks;
- Drawing institutional and domestic capital into SMIDs;
- Encouraging better disclosure and capital allocation.

Active opportunities abound among SMID names

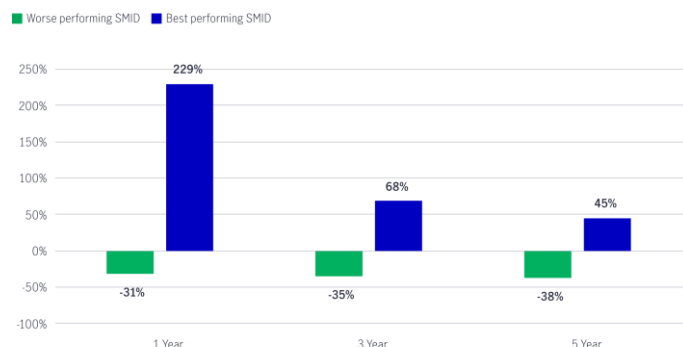
Active management is paramount to executing this strategy, as opportunities in the SMID segment are arguably more plentiful but carry a higher risk profile.

² Source: Bloomberg, as of March 31, 2026.

The investment universe is generated from Bloomberg <EQS>. It includes common stocks with market capitalization above USD 100 million which are listed on the Singapore Stock Exchange.

Active management can also assist with another traditional issue in the SMID space: volatility. While the segment is known for wide dispersion in returns, choosing the top performers can lead to a significant advantage over underperformers.

Chart 3: Active stock selection can help mitigate risk in the volatile SMID space³



Theme 2: Singapore's Structural Growth Drivers

Beyond banks and property

Looking through the investment universe, we see that emerging secular growth trends are further expanding Singapore's equity opportunity set beyond its traditional index heavyweights.

Companies supported by the structural growth themes are expected to benefit from earnings durability and multiple support, especially when combined with recurring revenue models and long-term contracts.

Key structural pillars include:

- **Digitalisation:** ASEAN's digital economy is expected to double by 2030, with Singapore positioned as the region's financial, regulatory, and technological hub. This supports continued growth in fintech, e-commerce, and enterprise digital adoption.
- **Data Centres:** Data centres have become the backbone of the new economy. Singapore's emerging role as a regional data centre hub creates investment opportunities across the value chain—from construction and engineering to systems integration and operations.

³ Source: Manulife Investment Management, FactSet, as of March 31, 2026. Small and Mid-Cap stocks were defined as names under SGD 9 billion in market cap during the period noted within the FTSE ST All shares Index. Performance greater than one year is annualised.

- **Energy Transition:** The economy's shift from "brown" to "green" is structural, not cyclical. Companies which reposition their asset bases and earnings streams toward cleaner energy solutions stand to benefit from both policy alignment and better capital efficiency.

Portfolio Example: A SMID Industrial Player

A structural growth portfolio example would be a SMID industrial player that provides system integration and information technology solutions.

The company has a strong track record of delivering system integration solutions to a diverse client base.

Management leveraged its core competency and expanded to take on data centre workloads in recent years, striking a deal with a major hyperscaler to secure a sizeable billion-dollar contract.

This pivot is expected to reduce earnings volatility by reducing its exposure to the highly cyclical oil and gas business and increasing its recurring earnings base. This should provide significant earnings visibility in the next few years and act as a catalyst for a re-rating.

Chart 4: Total return from investment in the theme⁴



Theme 3: Value-Enhancing Corporate Restructuring

Unlocking trapped value

⁴ Source: Manulife Investment Management, Bloomberg, as of May 5, 2026.

Among Singapore's conglomerates, complex corporate structures and cross-holdings have historically weighed on valuations due to a persistent conglomerate discount.

EQDP and the government's capital market reform initiatives are strengthening corporates' incentives towards restructuring and simplifications to unlock value:

- Greater focus on cost of capital;
- Unwinding of non-core assets and cross-holdings;
- Increasing shareholder engagement and activism;
- Clearer capital allocation discipline.

We are already seeing greater willingness among Singapore companies—beyond just government-backed firms—to pursue strategic reviews, spin-offs, divestments, and improved payout policies.

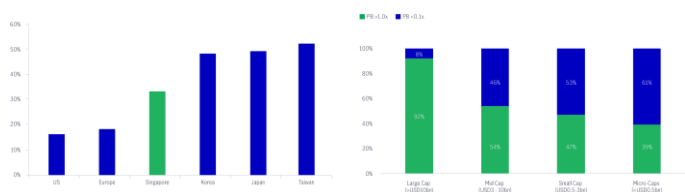
Corporate restructuring is expected to act as a self-help catalyst, offering upside that is less dependent on macro conditions and more driven by management execution and governance improvement.

Theme 4: Overcapitalised and Deep Value Plays

Capital efficiency as alpha

Approximately one-third of Singapore-listed companies are net-cash, with many—especially SMIDs—trading below book value. In a reform-driven environment, overcapitalisation becomes an opportunity rather than a drag, as excess capital is put to work through shareholder value enhancement, e.g. higher dividends and buybacks, earnings-accretive acquisitions, and balance-sheet optimisation.

Chart 5: Net cash position and valuation discount present opportunities⁵



Meanwhile, we believe selectivity is vital—identifying potential catalysts for change while avoiding value traps.

The team’s Growth, Cash Generation, Management, and Valuation (GCMV) investment framework focuses on companies with transparent balance sheets, alignment between management and shareholders, and those with clear catalysts.

Portfolio Example – A Major Jet Fuel Supplier

The company is overcapitalised, with a significant net cash hoard, compared with the average net gearing of 1.2 times for its peers.

The potential for a significant uplift in payout ratio from its current low payout policy is just 30%. As a key player in China’s civil aviation industry, it benefits from strong market traffic trends. The liberalisation of visa requirements is driving a rebound in inbound traffic to China, while outbound travel is underpinned by structural growth trends.

Chart 6: Total return from investment in the theme⁶



⁵ Source LHS: Bloomberg, J.P. Morgan. Note: based on non-financials stocks. November 2025.

Theme 5: Capturing Alpha from the Interest Rate Downcycle

Macro tailwind meets reform

Despite the uncertainty in the global interest rate environment into 2026, Singapore’s local rates have sustained their declines and marked one of the sharpest drops compared with global markets, where rates have dropped by approximately 200 basis points (bps) since 2025 and approximately 280 bps since the mid-2023 peak, bringing rates down from 3.8% to 1.0%⁷.

Such a macro tailwind coincides with EQDP’s reform, which is expected to accelerate capital flows into income-generative and rate-sensitive sectors, e.g., REITs and property developers, which represent one of the largest sectors in the Singapore market.

Lower interest rates are expected to open two avenues of growth for the REIT asset class.

(1) Organic growth – lower local rates should drive interest cost savings among REITs, supporting bottom-line DPU (distribution per unit) growth amidst healthy net property income.

(2) Inorganic growth – lower local rates should revive property transaction activity and drive more DPU-accretive capital recycling among REITs. Similarly, for non-REIT real estate companies, a pick-up in transaction activity and lower financing costs enable companies to divest non-core assets for portfolio enhancement, balance sheet restructuring, and capital redeployment, which serve as key re-rating catalysts for the sector.

Our Differentiation: Why Our Approach Has a Structural Advantage Under EQDP

While EQDP is expected to revitalise the broad-based opportunity set for Singapore equities, we believe investment outcomes will be highly differentiated by managers’ approaches.

⁶ Source: Manulife Investment Management, Bloomberg, as of May 5, 2026.

⁷ Source: Bloomberg, as of April 28, 2026. Note: Reference rate is 1-month SORA (Singapore).

Structural reform environments tend to reward investors with local insight, flexibility across market capitalisation, and the ability to combine income with growth—areas where our Singapore equity platform is differentiated from peers.

1. Deep local experience with proven cycle navigation

Our Singapore Equities team brings an average of 18 years of industry experience and has been actively investing in the Singapore market since 2007. This matters because EQDP is not a short-term policy response, but a multi-year reform cycle. The team has developed a repeatable investment framework for identifying when policy intent translates into investment opportunities with justifiable risk/reward.

2. Proven track record across market conditions

Our Singapore Core Alpha Equity Composite has outperformed its benchmark, the MSCI Singapore Index, in 5 of the past 8 years, demonstrating both consistent upside capture in rising markets and effective downside protection during periods of stress. This is achieved not through static factor exposure but via active stock selection and dynamic positioning, supported by rigorous risk budgeting.

3. All-cap approach with dynamic allocation

Unlike many Singapore equity strategies that are anchored to the Straits Times Index (STI)-heavy large caps, we possess an all-cap approach with dynamic allocation, which enables us to capture mispriced opportunities across market caps by:

- Maximising returns through SMID allocations in favourable markets;
- Pivoting into large caps when defensiveness or liquidity is required;
- Actively sizing positions based on stock selection and portfolio construction, not solely referencing index weight.

4. Income + Growth, Not Income or Growth

Many Singapore equity strategies fall into one of two traps:

- Pure income portfolios, which risk long-term capital erosion, or
- Pure growth portfolios, which often ignore the market's natural yield advantage

Our strategy is positioned with dual investment objectives of providing both income and capital appreciation. This approach aligns naturally with EQDP's emphasis on capital efficiency, payout discipline, and shareholder returns, while still participating in structural growth themes.

Meanwhile, the Singapore Equity Team also possesses a proven track record in managing income-focused strategies and realising returns to supplement the distributable income of the strategy

Conclusion

Singapore equities are entering a new phase, as structural reform under the EQDP intersects with improving macro tailwinds and long-standing valuation disconnects. While the reform journey will be gradual, history suggests that markets undergoing sustained improvements in capital efficiency and governance, and increased market participation, can deliver meaningful re-rating opportunities over time.

We believe a disciplined, bottom-up approach that integrates income durability with growth and value-unlock catalysts is best positioned to capture the benefits of EQDP.

With deep local experience, flexibility across market capitalisations, and a proven ability to navigate cycles, our Singapore equities strategy aims to deliver resilient income alongside long-term capital appreciation as the reform story continues to unfold.

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