

Not for Retail distribution: This marketing communication is intended exclusively for Professional, Institutional or Wholesale Clients / Investors only, as defined by applicable local laws and regulation. Circulation must be restricted accordingly. This marketing communication does not constitute a solicitation or investment, legal or tax advice. This material does not contain sufficient information to support an investment decision.

OPTIMAL INCOME STRATEGY

Fundamentals Shine Through the Geopolitical Noise

- o Geopolitical turbulence failed to disrupt markets Despite headline-grabbing events.
- o Strong Economic Fundamentals Still Leading the Story.
- o Rising Global Rates Are Back on Investors' Radar.

Laurent Ramsamy
Portfolio Manager, Optimal Income Strategy

What's happening?

After a record-breaking 2025, global markets continued their upward trajectory in 2026, reaching new highs in the middle of January in what was a volatile month. Markets around the world rose, some in spectacular fashion, as the rotation out of the US continued, amid increasingly unpredictable policy from the White House. This included the arrest of Venezuelan President Nicolas Maduro, threats to intervene in Iran should the slaughter of protestors continue, and threats to takeover Greenland with punitive trade levies promised for eight European countries, including the UK, that opposed US President Donald Trump taking action – although he later climbed down after talks with NATO. Trump made waves again at the end of the month with the appointment of Kevin Warsh as successor to US Federal Reserve (Fed) chair Jerome Powell. Stocks tumbled at the end of the month on the appointment of dovish Warsh, with expectations for aggressive rate cuts causing a flash crash in soaring gold and silver.

Global government bonds were hit by bouts of volatility over the month, with a steepening of yield curves driven by fresh geopolitical concerns, including conflict over Greenland, sticky inflation, and large moves in the Japanese government bond market. Yields, which move inversely to price, softened early in the month but moved higher towards month-end as central banks were more cautious on interest rate cuts.

The yield on US 10-year treasuries rose from 4.17% at the end of December to 4.23% at the end of January.

Portfolio positioning and performance

	GLOBAL OPTIMAL STRATEGY			OPTIMAL STRATEGY			DEFENSIVE OPTIMAL STRATEGY		
	Dec-24	Dec-25	Jan-26	Dec-24	Dec-25	Jan-26	Dec-24	Dec-25	Jan-26
Net Equity	87,9%	84,3%	99,1%	76,3%	80,7%	82,4%	34,6%	44,5%	44,5%
Equities	79,7%	72,9%	73,1%	72,9%	67,4%	65,2%	37,0%	36,8%	36,6%
Equities derivatives	13,9%	13,3%	29,2%	5,2%	15,8%	19,3%	-2,4%	7,7%	7,9%
Risk Mitigation Strategies	-5,7%	-1,9%	-3,2%	-1,8%	-2,5%	-2,1%	0,0%	0,0%	0,0%
Fixed Income	5,0%	10,8%	10,5%	23,6%	24,8%	24,2%	62,9%	53,2%	53,2%
Govies	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,2%	0,3%	0,3%
Bond Derivatives	45,0%	11,8%	9,1%	27,4%	7,7%	6,0%	10,4%	1,7%	1,9%
High Yield Credit	1,0%	1,0%	1,3%	5,6%	4,6%	4,3%	16,3%	18,4%	20,4%
Investment Grade	3,9%	9,6%	9,0%	17,6%	20,1%	19,7%	46,0%	33,7%	31,7%
Emerging Debt	0,1%	0,2%	0,2%	0,3%	0,2%	0,2%	0,5%	0,8%	0,8%
Diversification	11,6%	8,9%	11,3%	2,2%	2,1%	2,1%	5,9%	6,8%	9,2%
Cash & Money Market	-4,4%	-4,0%	-20,8%	-1,9%	-7,7%	-8,7%	-3,4%	-4,5%	-6,9%

Equity markets began the year with resilience despite a barrage of unsettling geopolitical headlines. Events ranging from the abduction of Venezuelan president Nicolás Maduro to renewed tensions with Iran, political frictions within NATO regarding Greenland, and even a criminal probe involving Federal Reserve Chair Jerome Powell briefly weighed on sentiment. However, the economic backdrop remains the dominant driver, and it continues to resemble a “Goldilocks” environment: US inflation is cooling, the labour market is stabilizing, and GDP growth remains robust.

Within equities, we remain long risk but with broader diversification. Our early preference for Europe proved timely, as the region outperformed. With that view now priced in, we have begun to fade the overweight and expand our allocation. We increased exposure to Emerging Markets, supported by improving earnings revisions across Asia, and added Japan. There, we expect Prime Minister Sanae Takaichi to secure a mandate for her fiscal expansion agenda in the February Lower House elections, reinforcing an accommodative policy setting. Tactically, we also re-engaged with the Nasdaq at month-end, anticipating that Big Tech earnings will help restore confidence after their late-2025 underperformance.

In fixed income, we maintain a neutral duration stance while monitoring Japan closely. The yield curve is steepening as markets price in a consolidated LDP majority and a potential relaxation of fiscal discipline. Higher long-dated JGB yields could reduce Japanese demand for foreign bonds, with implications for global fixed income markets. US yields are drifting toward levels historically associated with the “Danger Zone” for risk assets, even without meaningful changes to Fed cut expectations.

Finally, we continue to favour gold as a strategic hedge within multi-asset portfolios. A weaker US Dollar and increasingly erratic policy messaging from Washington continue to support the metal. We maintain exposure both directly and through gold miners, which offer attractive operating leverage amid improving fundamentals.

Outlook

The year began with a cacophony of unsettling headlines from Washington, ranging from the abduction of Venezuelan president Nicolás Maduro and renewed threats against Iran, to the criminal probe involving Federal Reserve Chair Jerome Powell and tensions within NATO over the sovereignty of Greenland. These developments contributed to an atmosphere of uncertainty, with geopolitical events proving as unpredictable as they are disquieting. Yet, from a financial-market perspective, reactions have thus far been limited. Episodes such as

Venezuela or heightened tensions with Iran briefly lifted oil prices, but crude enters 2026 amid a persistent supply-demand imbalance that continues to weigh on the barrel.

From a macroeconomic standpoint, it remains essential to distinguish between transient geopolitical noise and events that fundamentally reshape cost structures or supply chains. Only the latter tend to have lasting impact on asset pricing dynamics through the cycle. Today's sensationalist policy environment increases the risk that long-term investors become distracted from underlying economic fundamentals.

Those fundamentals currently paint a clear picture: real US GDP growth in the fourth quarter of 2025 likely accelerated above 5% annualised, disinflation remains broadly intact, and the AI-driven technological revolution continues to progress. Market participation has broadened meaningfully, both within and outside the United States, extending beyond the Technology sector. In the US, this has been visible through strong performance in high-beta and lower-quality segments, while Big Tech has eased back on a relative basis amid concerns over a potential "capex hangover."

This broadening rotation is occurring alongside a significant macro policy backdrop. The Federal Reserve's recent "insurance cuts," coupled with fiscal support from President Trump's "Big Beautiful Bill," are contributing to a cyclical uplift in earnings across a wide range of sectors. At the same time, the administration's focus on affordability—partly driven by the upcoming November mid-term elections—continues to support consumer-oriented areas of the economy.

On the rates front, market attention remains fixed on Japan and the implications of higher domestic yields. The repricing of JGBs carries significance far beyond Tokyo, as seen repeatedly over the past year. Japanese yields, despite their recent move, remain low relative to other developed markets. Further upward adjustment could reduce demand for overseas duration and contribute to upward pressure on US and European long-term rates. This matters because several of the equity-market leaders year-to-date—rate-sensitive segments, speculative growth, and smaller capitalisations—tend to benefit from lower discount rates and looser financial conditions.

Current estimates suggest that the "Danger Zone" for US duration begins around 4.40% on the 10-year Treasury, a level nearing the current trading range. Continued steepening—whether driven by Japan's curve dynamics, firmer inflation readings, or renewed political scrutiny of the Federal Reserve—could push long-dated US yields back toward or above 5%. Such a move would likely weigh on a broad range of asset prices and trigger some degree of consolidation across risk assets. Credit-market spreads also remain a crucial indicator, given their historically tight levels and sensitivity to expectations around future monetary policy.

Stock/company examples are for explanatory/illustrative purposes only. They should not be viewed as investment advice or a recommendation from BNP Paribas Asset Management. These examples do not represent all of the securities purchased, sold or recommended for the client's accounts. No representation is made that these were or will be profitable.

No assurance can be given that the Optimal Income Strategy will be successful. Investors can lose some or all of their capital invested. The Optimal Income strategy is subject to risks including; Equity; Capital Loss; Emerging markets; Investments in specific sectors or asset classes; Global investments; Investment through the Stock Connect program; Investments in small and/or micro capitalisation universe; ESG.

Not for Retail distribution: This marketing communication is intended exclusively for Professional, Institutional or Wholesale Clients / Investors only, as defined by applicable local laws and regulation. Circulation must be restricted accordingly. This marketing communication does not constitute a solicitation or investment, legal or tax advice. This material does not contain sufficient information to support an investment decision.

Due to its simplification, this document is partial and opinions, estimates and forecasts herein are subjective and subject to change without notice. There is no guarantee forecasts made will come to pass. Data, figures, declarations, analysis, predictions and other information in this document is provided based on our state of knowledge at the time of creation of this document. Whilst every care is taken, no representation or warranty (including liability towards third parties), express or implied, is made as to the accuracy, reliability or completeness of the information contained herein. Reliance upon information in this material is at the sole discretion of the recipient. This material does not contain sufficient information to support an investment decision.

Before making an investment, investors should read the relevant Prospectus and the Key Investor Information Document / scheme documents, which provide full product details including investment charges and risks. The information contained herein is not a substitute for those documents or for professional external advice.

The products or strategies discussed in this document may not be registered nor available in your jurisdiction. Please check on the local web sites (available here: <https://funds.axa-im.com/>), where the funds and share classes published are filtered according to country of registration and investors' profile. In particular units of the funds may not be offered, sold or delivered to U.S. Persons within the meaning of Regulation S of the U.S. Securities Act of 1933. The tax treatment relating to the holding, acquisition or disposal of shares or units in the fund depends on each investor's tax status or treatment and may be subject to change. Any potential investor is strongly encouraged to seek advice from its own tax advisors.

For more information on sustainability-related aspects please visit: <https://www.axa-im.com/important-information/sfdr>

For investors located in the European Union :

Please note that the management company reserves the right, at any time, to no longer market the product(s) mentioned in this communication in the European Union by filing a notification to its supervision authority, in accordance with European passport rules.

In the event of dissatisfaction with BNP PARIBAS ASSET MANAGEMENT Europe products or services, you have the right to make a complaint, either with the marketer or directly with the management company (more information on the complaints policy is available in English: Complaints management policy - BNP Paribas Asset Management - Corporate EN). If you reside in one of the European Union countries, you also have the right to take legal or extra-judicial action at any time. The list of consumer dispute resolution entities in the Member States, Norway and Iceland and their contract data is available here: <https://consumer-redress.ec.europa.eu/dispute-resolution-bodies> and information on available means of redress are available at: https://consumer-redress.ec.europa.eu/index_en

Summary of investor rights in English is available on BNP PARIBAS ASSET MANAGEMENT Europe website <https://www.axa-im.com/important-information/summary-investor-rights>

In France, this document has been edited by BNP PARIBAS ASSET MANAGEMENT Europe, a company incorporated under the laws of France, having its registered office located at 1 boulevard Haussmann - 75009 Paris, registered with the Paris Trade and Companies Register under number 319 378 832, and a Portfolio Management Company, holder of AMF approval no. GP 96002, issued on 19 April 1996.

UK - The fund is recognised by the UK Financial Conduct Authority and is available for sale in the UK.

Singapore: This document and the information contained herein are intended for the use of Professional, Institutional and/or Accredited Investors / Clients only and should not be relied upon by retail investors. They have been prepared and issued for private informational and educational purposes only at the sole request of the specified recipients, and not intended for general circulation. They are strictly confidential, and must not be reproduced, circulated, distributed, redistributed or otherwise used, in whole or in part, in any way without the prior written consent of AXA IM Asia. They are not intended for distribution to any persons or in any jurisdictions for which it is prohibited.

To the maximum extent permitted by law, AXA IM Asia makes no warranty as to the accuracy or suitability of any information contained herein and accepts no responsibility whatsoever for errors or misstatements, whether negligent or otherwise. Such information may be subject to change without notice. The data contained herein, including but not limited to any back testing, simulated performance history, scenario analysis and investment guidelines, are based on a number of key assumptions and inputs, and are presented for indicative and/or illustrative purposes only.

The information contained in this document is not an indication whatsoever of possible future performance and must be considered on this basis. Where information, contents or materials are provided by or quoted from any third party ("Third Party Information"), AXA IM Asia does not accept any responsibility or liability for such Third Party Information, and cannot and does not provide, and shall not be taken to provide, any warranty as to the accuracy, suitability, completeness or correctness of such Third Party Information. Any views, opinions or recommendations (if any) that may be contained in such Third Party Information, unless otherwise stated, do not reflect or constitute views, opinions or recommendations of AXA IM Asia.

This document has been prepared without taking into account the specific personal circumstances, investment objectives, financial situation or particular needs of any particular person. Nothing contained within this document shall constitute an offer to enter into, or a term or condition of, any business, trade, contract or agreement with the recipient or any other party. This document shall not be deemed to constitute investment, tax or legal advice, or an offer for sale or solicitation to invest in any particular fund. If you are unsure about the meaning of any information contained in this document, please consult your financial or other professional advisers. The data, projections, forecasts, anticipations, hypothesis and/or opinions herein are subjective, and are not necessarily used or followed by AXA IM Asia or its affiliates who may act based on their own opinions and as independent departments within the organization.

Investment involves risks. You should be aware that investments may increase or decrease in value and that past performance is no guarantee of future returns, you may not get back the amount originally invested. Investors should not make any investment decision based on this material alone. If any fund is highlighted in this communication (the "Fund"), its offering document or prospectus contains important information on selling restrictions and risk factors, you should read them carefully before entering into any transaction. It is your responsibility to be aware of and to observe all applicable laws and regulations of any relevant jurisdiction. AXA IM Asia does not intend to offer any Fund in any country where such offering is prohibited.

This document is issued by AXA Investment Managers Asia (Singapore) Ltd. (Registration No. 199001714W) and is intended for the use of Institutional Investors and/or Accredited Investors only as defined in Section 4A of the Securities and Futures Act (Cap. 289) and must not be relied upon by retail investors. Circulation must be restricted accordingly.

As an exempt financial adviser under the Financial Advisers Act ("FAA"), AXA IM Asia is exempted from complying with certain business conduct rules (including but not limited to Sections 25, 27 and 36 of the FAA) when providing financial advisory services to Accredited Investors or Expert Investors, each as defined in the Financial Advisers Regulations.

Korea: In Korea, AXA Investment Managers Asia (Singapore) Ltd is a registered Cross Border Investment Advisor/Discretionary Investment Management Company under the Financial Investment Services and Capital Markets Act (the "Act"). The activities referenced under the Act are 5-2-2 Investment Advisory Business and 6-2-2 Discretionary Investment Management Business, respectively. Its financial services are available in Korea only to Professional Investors within the meaning of Article 10 of Enforcement Decree of the Financial Investment Services and Capital Markets Act.

To the extent that any fund is mentioned in this document, neither the fund nor AXA IM Asia is making any representation with respect to the eligibility of any recipients of this document to acquire the units/shares in the fund under the laws of Korea, including but without limitation the Foreign Exchange Transaction Act and Regulations thereunder. The units/shares have not been registered under the Financial Investment Services and Capital Markets Act of Korea, and none of the units/shares may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to applicable laws and regulations of Korea.

Japan: AXA Investment Managers Japan Ltd., whose registered office and principal place of business is at NBF Platinum Tower 14F 1-17-3 Shirokane, Minato-ku, Tokyo 108-0072, Japan, which is registered with the Financial Services Agency of Japan under the number KANTOZAIMUKYOKUCHO (KINSHO) 16, and is a member of Japan Securities Dealers Association, Type II Financial Instrument Firms Association, Investment Trust Association of Japan and Japan Investment Advisors Association to carry out the regulated activity of Financial Instrument Business under the Financial Instrument Exchange Law of Japan. In Japan, none of the funds mentioned in this document are registered under the Financial Instrument Exchange Law of Japan or Act on Investment Trusts and Investment Corporations. This document is purely for the information purpose for use by Qualified Institutional Investors defined by the Financial Instrument Exchange Law of Japan.

In Korea, AXA Investment Managers Asia (Singapore) Ltd is a registered Cross Border Investment Advisor/Discretionary Investment Management Company under the Financial Investment Services and Capital Markets Act (the "Act"). The activities referenced under the Act are 5-2-2 Investment Advisory Business and 6-2-2 Discretionary Investment Management Business, respectively. Its financial services are available in Korea only to Professional Investors within the meaning of Article 10 of Enforcement Decree of the Financial Investment Services and Capital Markets Act.

In Taiwan, this document is issued by AXA Investment Managers Asia Limited (SFC License No. AAP809), which is authorized and regulated by Securities and Futures Commission. This document and the information contained herein are intended for the use of professional or institutional investors and should not be relied upon by retail investors. They have been prepared and issued for private informational and educational purposes only at the sole request of the specified recipients, and not intended for general circulation. They are strictly confidential, and must not be reproduced, circulated, distributed, redistributed or otherwise used, in whole or in part, in any way without the prior written consent of AXA IM Asia. They are not intended for distribution to any persons or in any jurisdictions for which it is prohibited.

If any fund is highlighted in this communication (the "Fund"), its offering document or prospectus contains important information on selling restrictions and risk factors, you should read them carefully before entering into any transaction. It is your responsibility to be aware of and to observe all applicable laws and regulations of any relevant jurisdiction. AXA IM Asia does not intend to offer any Fund in any country where such offering is prohibited.

The offer, distribution, sale or re-sale of fund units/shares in Taiwan requires approval from and/or registration with Taiwanese regulatory authorities. To the extent that any units/shares of the Funds are not so licensed or registered, such units/shares are made available in Taiwan on a private placement basis only to banks, bills houses, trust enterprises, financial holding companies and other qualified entities or institutions (collectively, "Qualified Institutions") and other entities and individuals meeting specific criteria ("Other Qualified Investors") pursuant to the private placement provisions of the Rules Governing Offshore Funds. No other offer or sale of such units/shares in Taiwan is permitted. Taiwanese purchasers of such units/shares may not sell or otherwise dispose of their holdings except by redemption, transfer to a Qualified Institution or Other Qualified Investor, transfer by operation of law or other means approved by the Taiwan Financial Supervisory Commission.

For Malaysian investors: as the recognition by the Malaysian Securities Commission pursuant to Section 212 of the Malaysian Capital Markets and Services Act 2007 has not been / will not be obtained nor will this document be lodged or registered with the Malaysian Securities Commission, the shares referred to hereunder (if any) are not being and will not be deemed to be issued, made available, offered for subscription or purchase in Malaysia and neither this document nor any other document or other material in connection therewith should be distributed, caused to be distributed or circulated in Malaysia.

For Thailand investors: nothing in this document shall constitute in any manner whatsoever a proposal to make available, offer for subscription or purchase or to issue an invitation to purchase or subscribe for any securities in Thailand or a proposal to implement any of the foregoing in Thailand nor has this document been approved by or registered with the Securities and Exchange Commission of Thailand ("SEC"). No person receiving a copy of this document may treat the same as constituting an invitation or offer to him in Thailand and such person shall not distribute or make available this document in Thailand. The issuer of this document shall not be liable in any manner whatsoever in the event this document is distributed or made available to any person in Thailand receiving a copy of this document. Since no application for approval has been or will be made to the SEC for the offering of the securities, or for the registration of this document, the securities shall not be offered for subscription or purchased or made available, whether directly or indirectly, in Thailand. It is the sole responsibility of recipients wishing to take any action upon this document to satisfy themselves as to the full observance of the laws of Thailand, to comply with all relevant government and regulatory approvals, and to comply with all applicable laws, including but not limited to exchange control laws.

For Investors in People's Republic of China (PRC): this document does not constitute a public offer of the product, whether by sale or subscription in the PRC. The product is not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC. Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the product or any beneficial interest herein without obtaining all prior PRC's governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this document are required by the issuer and its representatives to observe these restrictions.

For Brunei investors: This document has not been delivered to, licensed or permitted by Autoriti Monetari Brunei Darussalam. Nor has it been registered with the Registrar of Companies. This document is for informational purposes only and does not constitute an invitation or offer to the public. As such, it must not be distributed or redistributed to and may not be relied upon or used by any person in Brunei other than the person to whom it is directly communicated and who belongs to a class of persons as defined under Section 20 of the Brunei Securities Market Order, 2013.

For Filipino investors: The shares or units referred to in this document (if any) have not been registered with the Securities and Exchange Commission under the Securities Regulation Code. Any future offer or sale thereof is subject to registration requirements under the Code unless such offer or sale qualifies as an exempt transaction.

For Vietnam investors: This document does not contemplate an offer to sell the interests in any funds in Vietnam. The document has not been approved by the State Securities Commission of Vietnam or any other competent authorities in Vietnam which takes no responsibility for its contents. No offer to purchase the interests in any funds will be made in Vietnam and this document is intended to be read by the addressee only and must not be passed to, issued to, or shown to the public generally. The value of the interests in any funds, the possibility of gaining profit and the level of risk stipulated in this document is purely for reference purposes only and may change at any time depending on market status. Investment in fund(s) does not carry any assurance that investors will make a profit. Investors should themselves carefully balance the risks and the level of those risks before they make any decision to invest in any funds. It is investors' responsibilities to ensure that they are eligible to make investment in any funds. Investors are responsible for obtaining all applicable approvals and complying with requirements under Vietnamese laws.