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UEN No: 202203979D

21 January 2026

Re: 7th Investor Newsletter – January 2026 (Jul-Dec 2025 Market Observations & Annual Update)

Dear Investors,

We're pleased to share an overview of our observations, strategies, and performance for 2025.

Market Observations in 2nd Half 2025

July 2025: The Hong Kong and Singapore markets broke a new high after emerging from a consolidation phase earlier. The rally in the Singapore market was more broad-based, focusing on quality mid-cap stocks. In the event we are unable to allocate to the market due to a strong rally, we will suspend new subscriptions when we have accumulated a cash float of 5-10% of NAV.

August 2025: The start of the month saw the US market losing over 1 trillion dollars in market capitalization within two days. The Nasdaq index also posted its largest four-month decline. We believed this was due to two consecutive months of revisions of non-farm payroll data in the US, which showed a reduction of around 260,000 jobs from earlier estimates for May and June. We continue to avoid the US market due to its stubbornly high valuation and are monitoring the situation.

By the end of August, the US market appears to be pricing in a possible rate cut by central banks due to the weak numbers reported earlier. We continue to see market misalignment, and we are seeing PE expansion on weak data from the US. We will refrain from entering the US market unless we are quoted better odds.

September 2025: Market pricing indicates a near 100% likelihood of a 25bps cut by US central banks this month. Additionally, US long-dated bond yields have reached multi-year highs, mirroring similar trends in Japan and the Eurozone. With this in mind, there is a stronger reason not to buy stocks at any valuation, serving as a yet another reminder, as the risk-free rate normalizes. This may also reflect expectations of higher inflation going forward. In any case, the margin of safety needs to be wider for stock selection moving forward. It will be harder to navigate moving ahead.

US Fed cut rates by 25bps to 4–4.25%, its first move since December 2024. Policymakers penciled in two more cuts this year, one more than June's projection, though Powell stressed a "meeting-by-meeting" approach. We are mindful that the actual rate cuts are only 25bps, with an additional two more being just a projection.

Moving ahead, we begin to shift our thinking that the higher-for-longer interest rate thesis might not continue, though we need further data for confirmation. Thus, we will be monitoring the central bank's movement next. What is more concerning is that it seems to us that the economy may not be as vibrant moving forward, potentially requiring interest rates to come down to maintain a higher employment rate. In turn, the new world should see higher inflation moving forward. If this thesis were to materialize, asset prices would have higher mark-to-market values moving forward, not necessarily due to real

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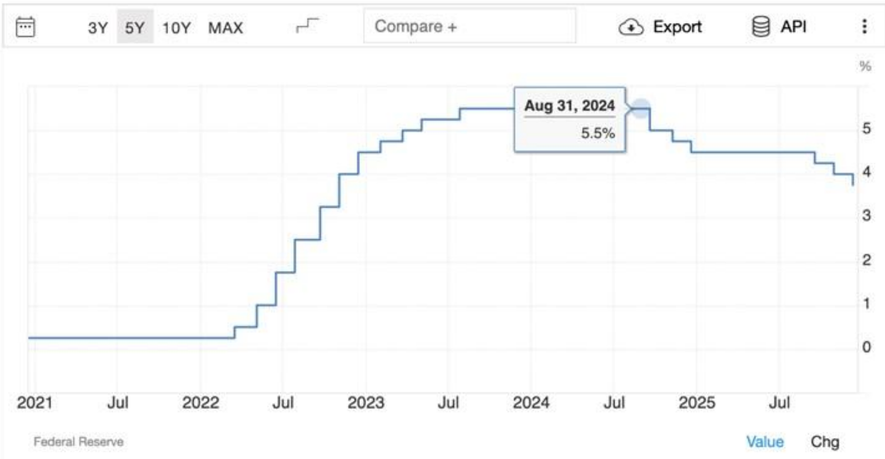
appreciation, but rather due to the erosion of money's purchasing power.

October 2025: The re-escalation of the trade war led to a one-day decline in the US, reported as the largest in the last 6 months. The magnitude of this trade war's decline was nothing like that of the initial one. We are actively monitoring our portfolio; the current drawdown is approximately one-fifth of the initial drawdown caused by the tariff war in the early part of the year.

December 2025: We saw a final rate cut from the Federal Reserve this year. The target fed funds rate stood at 3.75%. Moving forward, Fed officials say they are now around neutral and expect only one cut in 2026. In total, there has been 175bps cut since September 2024 and a 75bps cut in 2025. Current risk-free rates are pointing to a "higher for longer" environment; however, we are adjusting our view. We think rate cuts may be more frequent due to greater uncertainty, and we are moving toward a more defensive allocation in 2026.

Fed Fund Rate



December 2025: We are seeing some deregulation by the OCC (Office of the Comptroller of the Currency) and FDIC (Federal Deposit Insurance Corporation) on December 5th, 2025, with the withdrawal of the 2013 leverage lending guidance, which should primarily benefit leveraged loans and related corporate credit products by removing prescriptive regulatory constraints. We view this as a sign that US market continues to be very buoyant, but we will continue to shun away from it unless valuations become less demanding.

<u>**Reporting Season and Initial Privatization Offering**</u>

One of the financial stocks we hold, listed in HK, received a privatization offer. We have approximately 3% of our assets in the stock, and our holding period was less than 9 months before the offer came in. Total return during our holding period was about 60%. We are likely to reallocate the cash once the deal is finalized. Currently, the market is trading at 97-98% of the initial offer price, based on daily market quotations.

One of the financial stocks listed in Singapore has reported its interim results, and we have trimmed our

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initial position by around 40% based on the new figures. We are seeing a slight jump in the NPL ratio, the financial institution has also set aside additional buffers for its general provision. After trimming down our holdings, the position delivered a gross total return of around 65%. With the divestment, our yield on cost should be 6-8% based on our initial allocation, after factoring in a possible dividend cut on this holding, barring a difficult period ahead. We will be monitoring this position closely over the next few quarters to decide whether to rebuild it or reduce it if the condition worsens

Allocations

We have been operating for a period of 39 months since inception of the Arkenomics Provident Fund. The fund has generated an average annual dividend yield of around 5% during this period. We continue to view the US market as highly valued and are facing difficulties in increasing our weightage to it.

Arkenomics Provident Fund Performance in 2025 & Since Inception

Arkenomics Provident Fund Class A shares generated a net total return of approx. 15.55% in SGD terms in 2025 and approx. 63.04% in SGD terms for the 39-month period since inception Oct'22 to Dec'25. This translates to a compounded annual growth rate of 16.23% SGD / year.

Arkenomics Provident Fund Class B shares generated a net total return of approx. 15.61% in SGD terms for 2025 and approx. 63.41% in SGD terms for the 39-month period since inception Oct'22 to Dec'25. This translates to a compounded annual growth rate of 16.31% SGD / year.

While Arkenomics Provident Fund's performance outperformed its benchmark weighted by the markets its invested in since inception, we recognize it trails behind the MSCI ACWI index, which has a heavy US focus. Nevertheless, we remain confident in our portfolio's positioning.

Outlook for 2026

Looking ahead, we begin to shift our thinking to the view that the higher-for-longer interest rate thesis might not continue, while we wait for a market neutral stance from central banks. We need additional data for confirmation; as such, we remain focused on acquiring assets at the right price and getting paid while we wait. We will cap new subscriptions if we cannot deploy new funding due to dividends received and unfavorable market quotations. We look forward to the AGM, which we plan for March, and will share further details in due course.

Sincerely,

Lum Shuncai, Peter
Portfolio Manager
Arkenomics Provident Fund