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SCA REPORT
1Q 2026

Markets

Asian Markets (local currency)	*Mar 2026 % Chg*	**1Q 2026 % Chg*	*FY 2025 % Chg*	*Other Markets*	*Mar 2026 % Chg*	**1Q 2026 % Chg*	*FY 2025 % Chg*
Korea	-19.1%	19.9%	75.6%	Brent Crude	63.3%	94.5%	-18.5%
Thailand	-5.2%	15.0%	-10.0%	WTI Crude	51.3%	76.6%	-19.9%
Taiwan	-10.4%	9.5%	25.7%	Brazil	-0.7%	16.3%	34.0%
Singapore	-2.2%	5.1%	22.7%	Gold	-11.6%	8.1%	64.6%
Japan Topix	-11.2%	2.6%	22.4%	FTSE	-6.7%	2.5%	21.5%
Malaysia	-1.5%	0.6%	2.3%	MSCI Europe	-8.0%	-1.5%	16.3%
MSCI Asia Pacific	-13.3%	-0.5%	25.3%	MSCI World Index	-7.4%	-3.5%	20.6%
MSCI Asia ex Jap	-13.5%	-1.0%	26.8%	Dow Jones	-5.4%	-3.6%	13.0%
Philippines	-10.0%	-1.7%	-7.3%	EuroStoxx 50	-9.3%	-3.8%	18.3%
Australia	-7.8%	-2.7%	6.8%	Russell 3000	-5.1%	-4.3%	15.7%
Hong Kong	-6.9%	-3.3%	27.8%	S&P 500	-5.1%	-4.6%	16.4%
CSI 300 (A-shrs)	-5.5%	-3.9%	17.7%	Nasdaq	-4.8%	-7.1%	20.4%
Vietnam	-10.9%	-6.2%	40.9%	DAX	-10.3%	-7.4%	23.0%
MSCI China	-7.5%	-8.3%	28.3%	Bitcoin	2.2%	-22.2%	-6.5%
India (Nifty)	-11.3%	-14.5%	10.5%				
Indonesia	-14.4%	-18.5%	22.1%				

**Table sorted by 1Q2026*

Commentary

War! Five weeks into the war between US/Israel/Iran, global markets are filled with anxiety and confusion. All parties seem to have different goals, and this "asymmetry" shapes both the violence and lack of an endgame. At its core, the US seems to be running in a sprint while Iran is running a marathon.

The original goal may have been regime change, but that was quickly dashed when no viable replacement arose. America's current goal can be best described as degrading Iran's nuclear, missile, and proxy capabilities enough to restore deterrence, accomplishing all this as quickly as possible without putting energy prices at prolonged risk. On the flip side, Iran's goals are to preserve the regime, keep some deterrent capacity, impose significant economic costs, forcing Washington and its allies to back off. The asymmetric chess board becomes 3-dimensional if we factor in Israel's fears/desires, and 4-dimensional if we include those of Saudi/UAE/Qatar.

The obvious solution is a "false victory". US can happily claim it "mowed the grass" cripplingly IRGC, but in reality, leaving the regime unchanged. Though battered, Iran survives an onslaught from the world's largest power, retains control of oil assets, and opens Strait of Hormuz. Ultimately, oil flows again and markets would cheer such an outcome. But could such an agreement be acceptable to Israel or Gulf neighbors who cannot sleep easy at night knowing Iran is now only angrier and more determined. Does Trump have an obligation to see the war through for the parties involved who have contributed heavily to him professionally and personally? Lastly, Iran is a marathon runner who is prepared to suffer long-term pain, it doesn't have to stop unless a credible real deal on the table.

The less desired solution would be "boots on the ground". With reports of so many US troops transferring to the region, this option feels more and more possible. Markets will certainly not like Trump taking oil assets and Hormuz by force. Troops on the ground as the region approaches summer temperatures cannot be a good idea. This story has played out many times: invasion is easy, holding the position is hard.

In our part of the world, Asia is very weary as we depend more on Gulf energy than the West. So far, Beijing's restrained reaction is consistent and expected. It is a calculated strategy of "strategic patience" designed to protect its economic interests, while avoiding being a global policeman. China has been a friend of Iran (one

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of few countries with economic ties) but also has strong relationships with other key Gulf states, relating not just to energy, but technology, infrastructure and renewable builds, and financial links.

Japan and Korea are in a slightly worse position than China. Japan has approximately 90% of its oil imports pass through the Strait of Hormuz, South Korea 70%, and China 40%. China over past decade has diversified its supply with more and more overland pipelines from Russia and Central Asia. The past weeks saw Iran seemingly to be open for business, to let tankers pass if paid a fee.

The equity market performance chart on the first page shows how well markets were doing Jan & Feb when Mar dramatically reversed performance. Despite double digit loses in Mar, half of Asian countries still ended positive YTD. Oil price above $100/barrel does not help inflation. If the war goes awry, a global recession becomes very feasible. With some energy assets already damaged by bombings, production volume will already be affected for next 2-3 years. While tech and AI are popular investment themes, we all forgot how oil is a fundamental building block in so many everyday materials.

Let's not forget that 1Q saw some other major events that have significant impact for investors, in particular: the arrest of Maduro and de facto seizing of oil reserves in Venezuela, Supreme Court striking down Trump's tariffs, nomination of Warsh for Fed Chair, and almost $300 billion of capital was announced to invest in AI.

Portfolio

Our equity portfolios varied in performance in 1Q. We did well in our Asian portfolios. Far East was up +4.4% vs MXFEJ +2.2%. Asia was up over +7% vs MXAP -0.5%. China was up +1.3% vs MXCN -9.0%. Our underperformance came in the Global book which was -4.6% vs MSCI ACWI -3.5%. We held a big position in gold thinking it would be a hedge, yet it fell more than the broader equity markets. In times of war, capital flows back to dollar, and gold usually trades inverse to dollar.

In the private markets, the gating of private credit funds at Blue Owl, Blackrock, Blackstone, etc. did not come as a surprise. We had exited our liquid private credit positions by summer 2025. However, private credit will have an effect on private equity, as portfolio companies face refinancing risk if credit supply becomes less available. Yet, mangers of private equity and private credit are two sides of the same coin, motivated to help each other to avoid contagion and find restructuring solutions.

Miscellaneous

Whether it is war, tariffs, budget cuts, or immigration, Trump continues to find ways to create self-inflicted wounds to damage his presidency. We can debate the right or wrong of his initiatives, but his execution has been arrogant, mismanaged and sometimes downright bizarre -- leading to chaos rather than results. Case in point, while most of us are pro fiscal and immigration discipline, the introduction of DOGE and ICE felt so brutal. Everyone can easily agree Iran's IRGC is troublesome and should never own nuclear weapons, the sudden attack without any consultation with allies or Congress seem reckless.

A recurring recent conversation topic was whether China sees an occupied and stretched US military as an opening to invade Taiwan? Our answer remains very unlikely. First and foremost, both US and China would like to avoid physical conflict. Given the difficulty seen defending a tiny Strait of Hormuz, one can only imagine the challenges of China attacking or US defending an entire island like Taiwan. If anything, Hormuz justifies why Beijing believes it must control the South China Seas which is its lifeline to rest of the world. We do think Beijing prefers the option to negotiate regarding Taiwan and multiple other topics from trade to natural resources; at the same time falling back on the option of not negotiating has worked in Beijing's favour so far. Despite all the tough-talk, Trump is the biggest China dove in Washington. He has no ideology and is transactional. But whether you are Beijing or Tehran, you must wonder: is any deal with this President, who constantly changes his mind, worth anything?