



**SEVIORA**

# **Revolution, Resilience and Reform**

**2026 Mid-Year Investment Outlook  
Seviora Group**

For Institutional and Accredited Investors Only

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# Executive Summary

The investment landscape is becoming more demanding. The era of easy gains is likely behind us, as higher for longer interest rates and geopolitical fragmentation narrow the margin for error. Even so, growth remains resilient, corporate earnings are supported by powerful capex cycles, and risk assets continue to offer opportunities.

At Seviaora, our stance is constructive but selective. The US remains supported by a robust AI investment cycle, productivity gains, resilient consumption and balanced labour markets. Asia presents a differentiated opportunity set, with Taiwan and Korea benefiting from AI demand, while Japan and Singapore are supported by structural reforms.

Three themes frame our investment outlook.

The first is the AI revolution. Agentic AI is driving broader adoption, and the investment cycle is extending beyond technology, into infrastructure, power, data centres and the physical economy, widening the opportunity set for long-term investors.

The second is resilience and security. In a more fragmented world, governments and companies are reassessing supply chains, energy access, strategic capacity and digital infrastructure, unlocking new areas of investment tied to national and corporate resilience.

The third is Asia corporate transformation, where governance reform, balance-sheet discipline and shareholder-return initiatives are creating a differentiated source of alpha.

In this more volatile regime, traditional stock-bond diversification may be less reliable, and investors need a broader asset allocation toolkit.

Alternative assets can play a larger role in portfolio construction, providing a source of income, diversification and targeted alpha.

Across public markets, private equity, private credit and hedge funds, the priorities are disciplined underwriting, active selection and exposure to structural themes where earnings, cash flow and operational improvement can drive returns.

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# Macro Outlook

## Resilient growth and moderate inflation outlook is constructive for risk assets

### Stronger-for-longer growth outlook

The US remains the anchor of global resilience: activity continues to run above potential with a balanced labour market and improving productivity. As household and corporate balance sheets are healthy entering this investment cycle, we do not foresee this changing materially in the near future.

This is a constructive macro backdrop for risk assets, but not one in which broad beta should be relied upon. Equities have been underpinned by robust earnings, driven by margin expansion and strong capex demand, linked to AI and resilience. Bonds have struggled in relative terms as inflation and rates remained stickier than expected.

We favour exposure where earnings, cash flow and pricing power can absorb a higher cost of capital.

### US Real Output Gap as a % of GDP



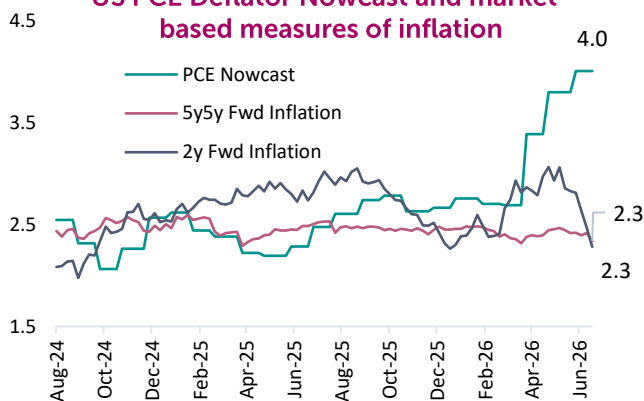
Source: Bloomberg

### Inflation spike should prove temporary but might settle at a higher floor

Renewed energy price pressure has interrupted the earlier disinflationary trend. Inventory and reserves drawdown and shifts in demand have absorbed part of the shock, and normalisation of energy supply is key to easing the inflationary pressure. Inflation expectations in the US remain well-anchored, and we expect the recent inflation spike to be temporary.

However, the energy supply shock is colliding with a capital-intensive investment cycle in AI infrastructure, energy security and strategic capacity. The result is a firmer inflation floor, a higher hurdle for policy easing and a narrower margin for error for risk assets.

### US PCE Deflator Nowcast and market-based measures of inflation



Source: Bloomberg

### Rates stay higher for longer

Central banks' monetary policy paths are diverging, and most have less room to ease. In the US, economic activity, labour and inflation data may persuade the Fed to remove its easing bias. After its recent hike, the data-dependent ECB needs to calibrate the inflation – growth trade off, while the BOJ continues its gradual normalisation. China remains accommodative via targeted policy support. Overall, rates are unlikely to provide the same tailwind to asset prices as they did before.

### Growth is uneven: Asia offers differentiated opportunities

Taiwan and Korea are large beneficiaries of the global AI demand cycle. More domestically driven markets such as India and most of ASEAN have strong medium-term supply chain and infrastructure prospects, but face transient drag given higher sensitivity to energy and policy uncertainty. In China, targeted government support for innovative sectors across tech, AI and robotics offer distinct pockets of opportunities.

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# Investment Themes

# Investment Theme 1: AI Revolution

## The AI revolution is broadening from models to infrastructure, power and enterprise adoption

### AI has become a significant investment cycle

What began as a breakthrough in model capability has become a multi-year capex and adoption cycle with growing macro relevance.

### Hyperscalers and neo-clouds capex is scaling

Combined capex has risen sharply since 2023 and is estimated to exceed US\$1.1tn by 2027. The scale of spending is significant enough to influence economic growth, financial markets, policy and capital allocation.

### We have crossed into the agentic AI era

Agentic AI can plan, execute and coordinate complex, multi-step tasks across workflows. This raises compute intensity, with greater demand for processing, memory, connectivity and data movement.

### Adoption is also broadening

Usage is rising, but most organisations remain early in the journey, moving from pilots and limited use cases toward fully embedded workflows with clearer productivity gains and return-on-investment potential.

### The bottlenecks are moving into the real economy

AI deployment requires electricity, land, cooling, transmission and grid capacity. IEA projects global data-centre electricity demand to roughly double by 2030 to about 945 TWh, just under 3% of global consumption. This creates opportunities beyond digital infrastructure, into power generation, grid modernisation, thermal management, energy storage, construction and engineering.

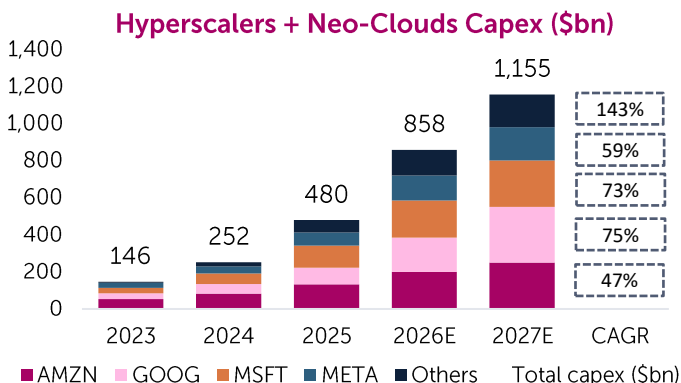
### The opportunity set is increasingly multi-asset

In equities, we favour companies that capture value from current bottlenecks, deliver durable earnings growth and use AI to strengthen competitive positions. In credit, AI is creating a financing cycle across data centres, power assets and enabling infrastructure, as the buildout is too large to be funded solely through internal cash flow.

Venture capital also offers an access point to the theme, as much of the innovation is occurring at the infrastructure and application layers of the AI stack.

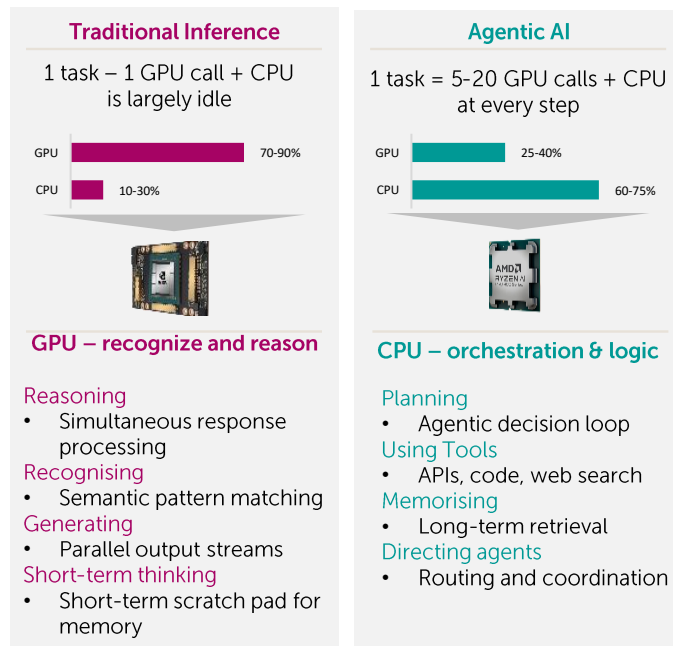
### Rising risks reinforce the need for disciplined underwriting

The sheer scale of investment raises the risk of overbuild if adoption or monetisation fall short. At the same time, AI-driven disruption could erode pricing power and compress margins. Our view remains constructive on the AI theme, but selective.



Source: Company disclosures. Others include Oracle, neo-clouds and SpaceX. CAGR are calculated for 2023–27E. Seviora Macro and Investment Strategy estimates

### Agentic AI requires more compute



Source: NVIDIA, AMD estimates, Seviora Macro and Investment Strategy



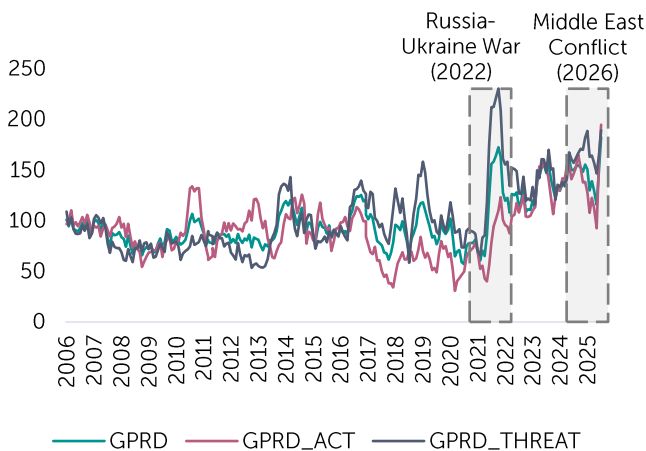
# Investment Theme 2: Resilience and Security

## Geopolitical fragmentation is turning resilience and security into a structural capex cycle

### Resilience and security are becoming structural sources of investment demand

The prior cycle rewarded efficiency, global integration and just-in-time models. This cycle is shifting toward reliability, redundancy and control. COVID-19, the Russia-Ukraine war and renewed stress around energy and trade chokepoints reinforce the vulnerability of a tightly connected global economy. For investors, resilience is no longer only defensive. It is becoming a multi-year capex theme.

### Global Geopolitical Threats and Acts



Source: Matteoia Coviello

### From just-in-time to just-in-case

Governments and corporates are paying for backup capacity, diversified suppliers, secure energy, grid capacity and stronger digital protection. The objective is to build alternative routes and redundancy where disruption costs are high. This is driving investment in automation, logistics, semiconductors, critical minerals, specialised industrial equipment and regional manufacturing capacity.

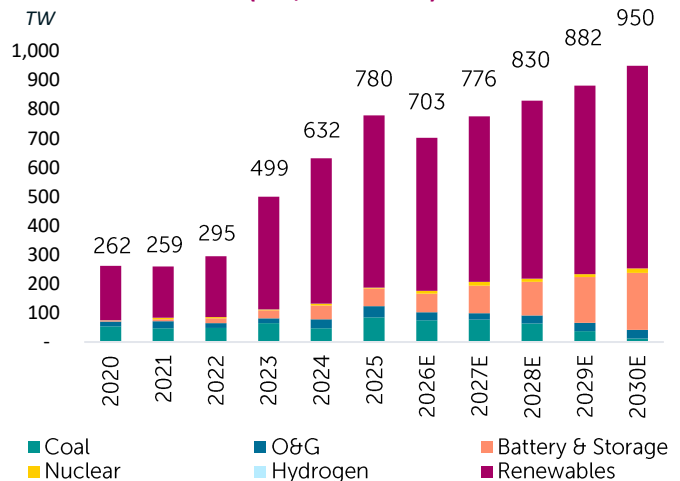
Asia sits at the centre of this shift. Regional capex is projected to grow at a 7% CAGR through 2030, reaching a \$16tn annual run rate.

### Energy security is becoming a strategic priority

This is especially relevant for import-dependent economies, where energy demand is large and exposure to external supply is high.

As countries reassess access to reliable energy sources, investment is moving into LNG, nuclear restarts, renewables, energy storage, grid upgrades and electrification. AI adds a new layer of demand, with data centres emerging as a major source of power demand. We see energy security as both a macro constraint and an investable opportunity.

### Annual Power Capacity Additions by Technology/Fuel (ETS, 2020–2030)



Source: Bloomberg BNEF

### Digital resilience in an AI world

As AI expands digital activity, vulnerabilities also increase. As a result, cybersecurity and operational resilience are becoming core investment priorities for maintaining business continuity.

### We favour scarce, difficult-to-replicate assets

The most attractive opportunities are in critical infrastructure and enabling technologies where capacity is difficult to build quickly and providers have pricing power.

Across equities, private markets and credit, we are focused on durable order books, contracted cash flows, balance-sheet strength and exposure to resilience spending that can persist even if the macro cycle slows.

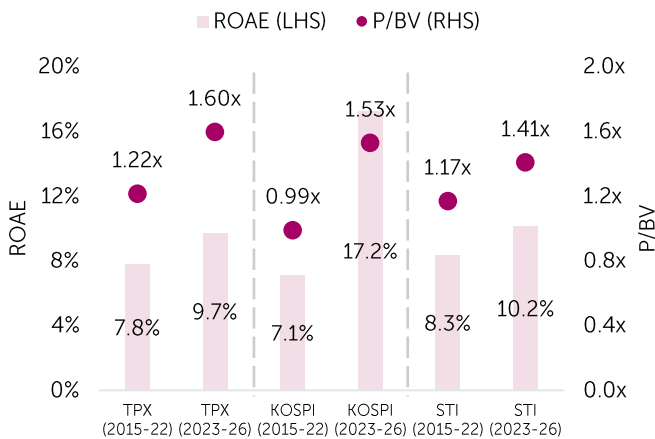
# Investment Theme 3: Asia Corporate Reform

Asia Corporate Reform creates a multi-asset alpha opportunity, distinct from the AI cycle

## A structural re-rating theme

Across the region, some companies are placing greater emphasis on governance, capital efficiency and shareholder returns. This creates a compelling starting point for investors. Valuations remain attractive, cash balances are meaningful, and corporate behaviour is improving.

## Market P/BV vs ROAE Japan, Korea & Singapore



Source: Bloomberg, Sevia Macro and Investment Strategy estimates

## Japan is the clearest proof point for reform-led value creation

Tokyo Stock Exchange reforms have moved from policy pressure to broader corporate adoption. Companies are increasingly focused on ROE, shareholder returns, cross-shareholding reduction and non-core asset divestment. With strong cash positions and support from improving nominal growth, wage gains and Prime Minister Takaichi's growth-oriented policies, the conditions for a sustained market re-rating are in place.

## Korea is earlier in the journey

The Corporate Value-Up programme aims to narrow South Korea's valuation discount through stronger shareholder returns and better capital allocation. Many KOSPI companies still trade below book value, creating scope for re-rating if ROE improves. The direction of travel for Korea is clear.

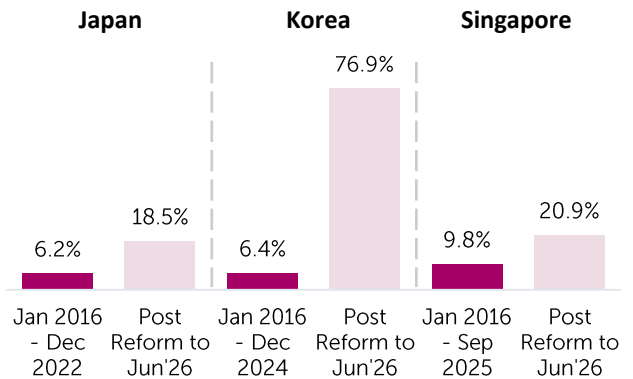
## Singapore's reform agenda is focused on market development

The Equity Market Development Programme is designed to improve liquidity, broaden investor participation and revitalise local capital markets. It channels capital to improve price discovery and listing quality, with potential upside in undervalued small-mid cap companies and larger corporates that adopt stronger capital discipline.

## A distinct alpha opportunity beyond the AI cycle

These reform drivers are structural and value-accretive. They offer a differentiated return driver and broaden the portfolio opportunity set. By shifting the focus to governance, cash flow and shareholder alignment, rather than global technology leadership alone, this reduces dependence on narrow market leadership and improves diversification within Asia.

## Annualised Total Shareholder Returns (TSR) (%)



Notes: TSE Cost of Capital Directive (Jan'23). Korea Value-Up Program (Jan'24), SG Value Up (Nov'25). Source: Bloomberg, Sevia Macro and Investment Strategy estimates

## Multi-asset investment opportunities

Public equity investors can benefit from improving ROE, dividends, buybacks and capital allocation. Private capital can partner with listed companies through carve-outs, asset monetisation, structured equity and hybrid capital solutions. These structures can help corporates simplify portfolios, improve balance-sheet efficiency and unlock value.





# Asset Allocation

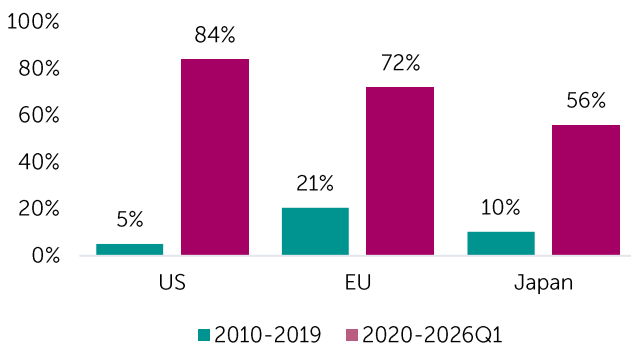
# Asset Allocation

## A broader toolkit for active diversification is important as traditional 60/40 diversification becomes less reliable

### The case for a broader allocation toolkit has strengthened

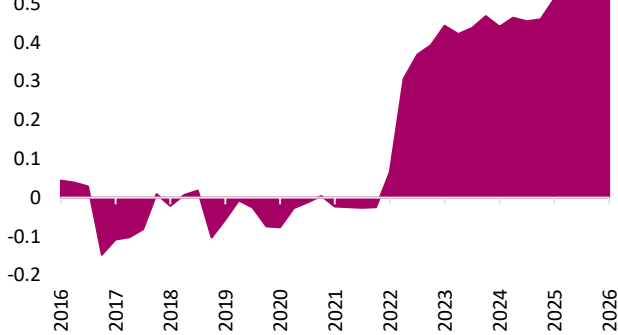
The traditional "60/40" asset allocation remains useful, but it is less reliable when inflation and policy uncertainty make equities and bonds move together. Stock-bond correlations began to turn positive in 2022, and higher-inflation regimes tend to weaken the effectiveness of duration as an equity-portfolio hedge.

### Share of Quarters in which Inflation Overshot Central Bank Targets



Source: Bloomberg

### Equity-Bond Price 5y Rolling Correlation



Source: Bloomberg, Sevia Macro and Investment Strategy estimates. Equities proxied by MSCI World Index; bonds by Bloomberg Global Aggregate Treasuries Index.

### Equity risk should be more active and thematic

Broad beta is less compelling when index returns rely on narrow leadership and higher rates put weaker balance sheets at risk. We favour companies with strong pricing power, healthy balance sheets, capital discipline and exposure to major thematic tailwinds.

### Asia is central to this diversification

The region offers less synchronised policy cycles, idiosyncratic reform momentum and exposure to AI supply chains, advanced manufacturing and domestic demand. Opportunities exist in select markets and companies where the AI, resilience and reform themes can coexist, creating return drivers less dependent on global market beta.

### Private markets should play a larger role, but with strict underwriting

While the prior cycle rewarded access and illiquidity, the next should reward entry price, structure and patience. Slower exits and constrained distributions make returning capital to investors harder, raising the value of liquidity. Value creation is key as scope for multiple expansion is more limited. We maintain conviction in primaries, particularly in the mid-market where alpha generation remains most compelling and a wider range of exits are available, complemented by select venture exposure riding on AI tailwinds. We also favour secondaries and structured equity, for offering earlier cash-flow visibility, while co-investments provide greater fee efficiency.

### In private credit, selection and underwriting are key differentiators

Higher base rates generate more income but also expose fragile borrowers. We favour seniority, collateral, cash-flow visibility and sponsor alignment. Asia private credit can offer attractive tailored solutions, especially where capital is scarcer and dispersion is wider.

### Hedge funds have a portfolio role

They are not replacements for equities or bonds, but a way to reduce dependence on both. We favour relative value and multi-strategy funds for diversification, macro funds for drawdown mitigation, and selective long/short where dispersion creates opportunities.

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# Public Equity

## Thematic selection is increasingly critical to public equity alpha generation

### Public equities remain attractive, but selection matters more

Equity returns have become increasingly concentrated around structural themes and companies able to compound earnings despite a higher cost of capital. We remain constructive on public equities, but not on broad beta. The priority is to identify businesses with pricing power, strong balance sheets, disciplined capital allocation and exposure to AI, resilience and Asia corporate reform. With dispersion rising across sectors, regions and companies, active stock selection is becoming a primary driver of returns.

### AI is driving an investment cycle, productivity and earnings growth

In the US, the equity outlook remains constructive, supported by a strong earnings trajectory extending into 2027. AI continues to act as an alpha catalyst across IT, industrials and energy, while margin expansion and resilient consumption provide additional support. In Asia, Korea and Taiwan remain key beneficiaries through their leadership in semiconductors, memory and broader technology supply chains.

### Resilience and security are reshaping sector leadership

In Europe, we are most constructive in Germany as its €500bn infrastructure programme provides a structural tailwind for industrials, materials and financials, although the pace of fiscal disbursement and weak auto demand warrant monitoring. We are selective on the rest of Europe.

### Asia offers differentiated opportunities with strong earnings growth and corporate reform

Japan, Korea and Singapore continue to benefit from improving governance, greater balance-sheet discipline and a stronger focus on shareholder returns, while China presents selective opportunities where valuations and fundamentals align.

MSCI Asia's estimated EPS growth is robust at 39% in 2026 and 20% in 2027 year-on-year, driven largely by Korea and Taiwan. Asia valuations remain relatively supportive, with MSCI Asia trading at approximately 14x forward P/E relative to the S&P 500, which trades at around 21x.

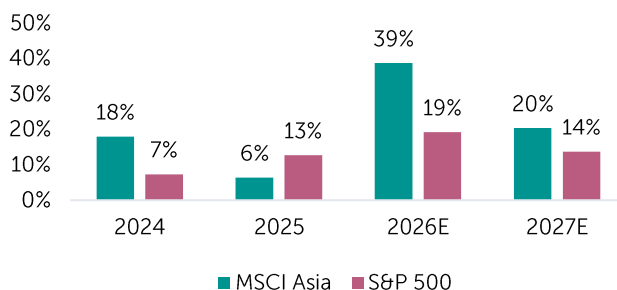
### Our sector focus remains on AI enablers and adopters

We favour opportunities across IT, industrials, materials, energy and financials. We focus on businesses aligned with our core themes, reinforcing a preference for active stock selection over broad market exposure.

### Risks call for discipline, not wholesale de-risking

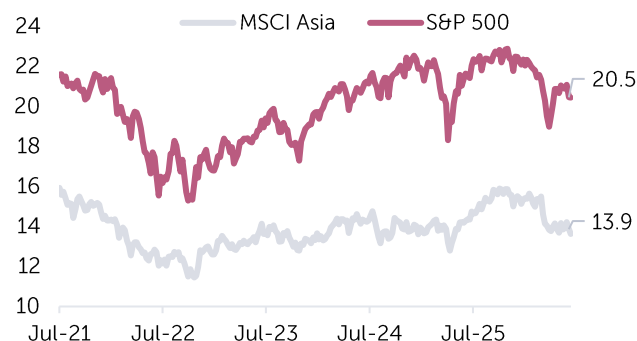
A sharp slowdown in AI momentum, a prolonged energy supply shock or policy missteps could challenge returns. We would use volatility opportunistically, to add selectively to companies with balance-sheet strength, durable earnings and structural exposure.

#### MSCI ASIA vs S&P 500 EPS Growth (%)



Source: Bloomberg

#### S&P 500 vs MSCI Asia: Forward 12M PE (X)



Source: Bloomberg

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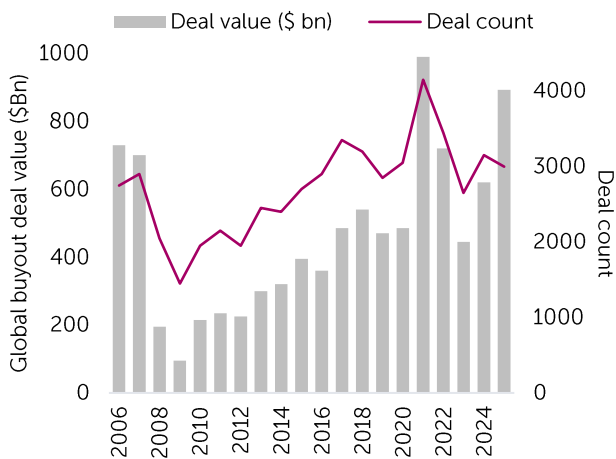
# Global Private Equity

Private equity exits are improving, and forward returns depend more on operational value creation

## The global private equity industry is recovering, but liquidity remains a constraint

According to Bain, deal activity picked up in 2025, where buyout deal value rose 44% to \$904bn in 2025, while exit value rose 47% to \$717bn. The rebound was narrow: megadeals accounted for a large share of the improvement, while overall deal count declined 6%. This is consistent with the broader market backdrop: the cycle remains intact, but the environment is more demanding, and broader beta is less likely to be sufficient.

### Second-highest deal value despite declining deal count



Source: Bain & Company's Global Private Equity Report 2026

## Exit value has improved, but distributions have not fully normalised

A backlog of unsold assets continues to weigh on the system. Distributions as a share of NAV have remained below 15% for four consecutive years, while the industry continues to hold roughly 32,000 unsold companies with US\$3.8tn of unrealised value. Investors should expect a selective exit market: high-quality assets can clear, with continuation vehicles providing an additional liquidity pathway, but weaker companies may remain harder to monetise. In this environment, returns should come from alpha, structure and access rather than a simple increase in exposure.

## The return playbook has changed

Lower-cost leverage and multiple expansion are less reliable than in the last cycle. Today's deals require stronger EBITDA growth to achieve similar outcomes, making entry price, margin resilience and operational execution more important.

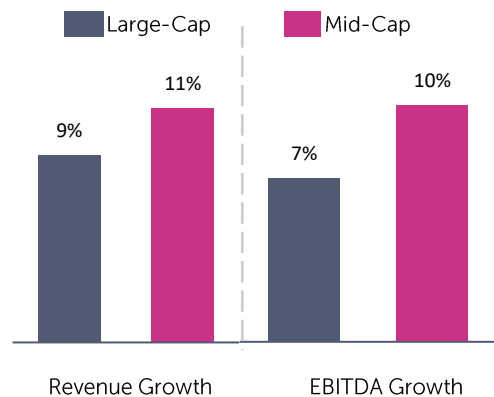
We favour managers and structures that can underwrite value creation through revenue growth, productivity improvement, cash-flow discipline and clearer exit pathways.

## Mid-market remains one of the more attractive areas

Mid-market companies often have greater scope to professionalise management, improve systems, expand go-to-market capabilities and execute add-on acquisitions. They are also less dependent on IPO markets for exit, with a broader universe of strategic and sponsor buyers.

Dispersion is wide, and the gap between strong and weak managers can be significant. We focus on specialist GPs with repeatable sourcing advantages, sector depth and a demonstrated ability to create value through growth and operational improvement, rather than leverage alone.

### Median Revenue & EBITDA Growth



Source: Pantheon Perspectives: The Mid-market. How Private Equity's 'Engine Room' Can Drive Alpha (August 2024)

# Global Private Equity

## Secondaries and co-investments can improve liquidity and access in a more selective market

### Secondaries can play a larger portfolio role

In a constrained exit environment, secondaries can help investors improve visibility, reduce blind-pool risk and shorten the path to distributions. LP-led transactions can provide access to seasoned portfolios at attractive entry points, while GP-led continuation vehicles can offer exposure to known assets where the sponsor has conviction and a clear plan for further value creation. We prefer quality assets with remaining compounding potential over purely discount-driven opportunities. Alignment, governance and valuation discipline are critical, particularly in GP-led deals.

### Co-investments can enhance returns and sharpen exposure

Co-investments can offer a more targeted way to deploy capital. They provide access to high-conviction companies, often with lower fee drag than traditional commingled funds.

They also allow portfolios to lean more deliberately into structural themes such as AI adoption, resilience and security, healthcare services and Asia reform. The trade-off is concentration and adverse-selection risk, so disciplined underwriting is key.

### We favour access with underwriting control

In this environment, how investors access deals is just as important as what they invest in. The best co-investment opportunities are likely to come alongside tested sponsors, where investors can form an independent underwriting view and structure appropriate downside protection. Executed well, co-investments and secondaries can enhance returns while helping to build more deliberate, transparent and resilient private equity exposure.

### The same emphasis on selectivity and access also supports a measured allocation to venture capital, particularly in AI

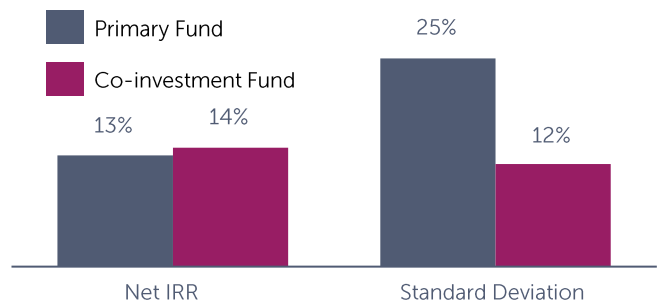
AI is benefiting from powerful tailwinds, including rising adoption, falling model and compute costs, and accelerating innovation across the stack.

That is showing up in capital formation: as of Q1 2026, AI and machine learning accounted for over 80% of global deal value in the venture and growth ecosystem.

A measured allocation to venture can complement this approach, particularly where AI exposure is accessed through established, capacity-constrained sponsors, with persistent track records, where access is privileged and manager selection remains the key to consistent outperformance.

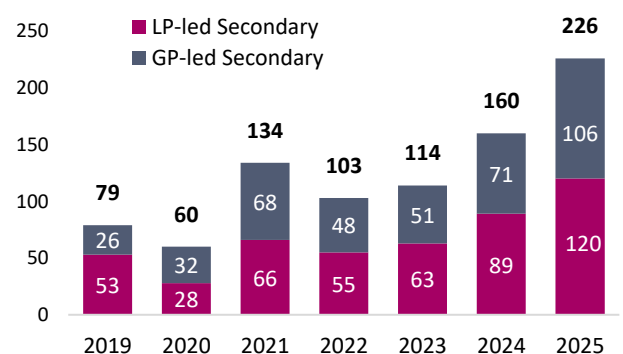
The implication is clear: broad exposure alone is no longer enough. Returns will increasingly be determined by manager selection, underwriting discipline and access to structures that improve liquidity, asset visibility and control over entry points.

### Co-investment funds have generally outperformed PE primary funds with lower return variance



Source: Preqin, Latest available net performance data. Pooled 20-year return from 1999 - 2018, data retrieved as of 29 Sep 2025

### Secondary Market Transaction Volume (US\$ bn)



Source: Evercore Private Capital Advisory 2025 Secondary Market Review, February 2026

# Asia Private Equity

Reform, succession and ownership change are creating selective private equity opportunities in Asia

## Asia private equity is becoming a reform-led ownership-change opportunity

The clearest opportunity is where corporate reform, balance-sheet discipline and succession needs create demand for new ownership, operational improvement and patient capital.

## Japan remains the clearest proof point

Tokyo Stock Exchange reforms have encouraged Japanese companies to reassess capital allocation, cross-shareholdings and portfolio complexity. This is creating a more active market for corporate restructuring and private capital partnerships. We expect to see rising deal activities, supported by governance reform, carve-outs and privatisation opportunities.

## Succession is another important driver

Many founder- and family-owned businesses are facing generational transitions, often under significant tax pressures. Japan and Korea has among the highest inheritance tax rates globally, at 55% and 60% respectively, far above the OECD average of 25%. This financial strain is creating demand for private equity as a partner to provide liquidity, continuity and professional management.

## The opportunity extends beyond Japan

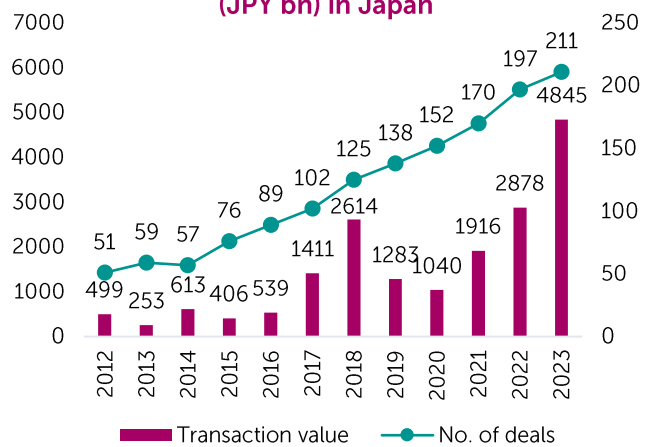
In Korea, opportunities are emerging in semiconductors, corporate restructuring and succession-led transactions. In Greater China, the opportunity set is in innovation, healthcare and advanced manufacturing. In Southeast Asia and India, we see opportunities in domestic consumption, healthcare and business-services platforms with clearer earnings and exit routes.

## We prefer differentiated transactions and operational value creation

Asia's private equity recovery remains uneven, even as exits and distributions have improved.

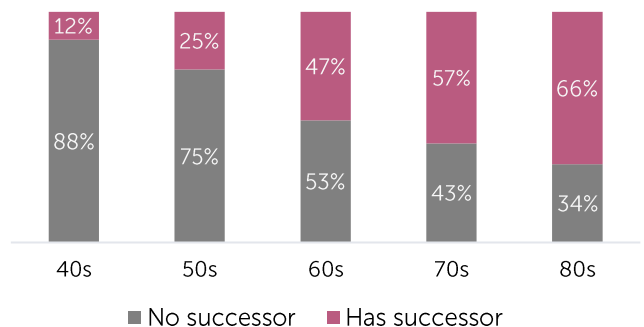
This favours managers who can source proprietary or complex transactions, underwrite operational improvement and create value through growth, governance and portfolio simplification.

No. of buyout deals and transaction value (JPY bn) in Japan



Source: AVCJ

Share of SMEs without successors based on CEO's age



Source: Teikoku Databank. Based on a survey of 276k SMEs by Teikoku

# Private Credit

Private credit can finance the capital-intensive investment cycle, with Asia offering underpenetrated, collateral-backed opportunities

## Private credit is well placed for a capital-intensive investment cycle

AI infrastructure, supply-chain resilience, energy security, advanced manufacturing and Asia corporate reform all require significant capital. At the same time, banks remain selective and public markets are not always suited to the bespoke financing these projects require. This creates a strong backdrop for private credit, particularly where lenders can provide flexible capital with clear downside protection.

## The attraction is not simply yield

Private credit offers borrowers flexible, negotiated structures while providing lenders with attractive income and downside protection. In a higher-for-longer rate environment, that combination is increasingly valuable. The focus should be on lending where spreads genuinely compensate for risk and terms are well structured with clear repayment sources.

## Asia remains central to the opportunity

Private credit is structurally underpenetrated in Asia. Credit in the region has been largely bank-led and is less crowded than North America. It is also less concentrated in software and LBO-related lending, with more opportunities tied to operating businesses, hard-asset collateral and sponsor or promoter relationships. This makes Asia a differentiated and diversifying source of income, especially where capital is scarce and dispersion is wider.

## Structure as a source of strength

In Asia, structure is a key advantage. Asian private credit often combines shorter duration, cash-paying loans with closed-end fund structures, reducing the mismatch between investor liquidity and underlying assets. Transactions are typically bespoke, with collateral, covenants and corporate guarantees that improve a lender's ability to create value.

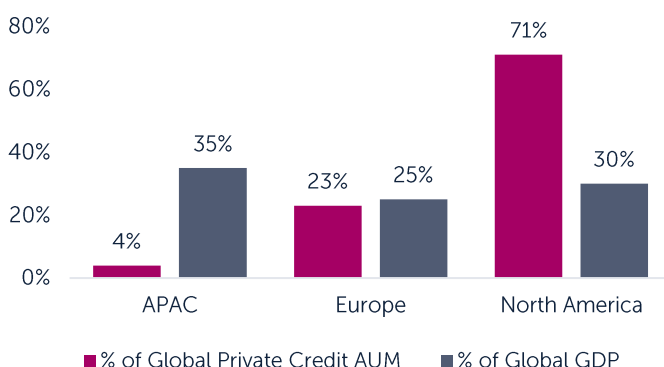
## Higher rates cut both ways

Elevated rates provide more income for investors but also place more strain on fragile borrowers.

Recent concerns in more mature markets, including software-heavy loan books, show that pressure can emerge when leverage, growth assumptions or liquidity structures are stretched. We do not see this as a systemic issue today, but it reinforces the need for strong underwriting.

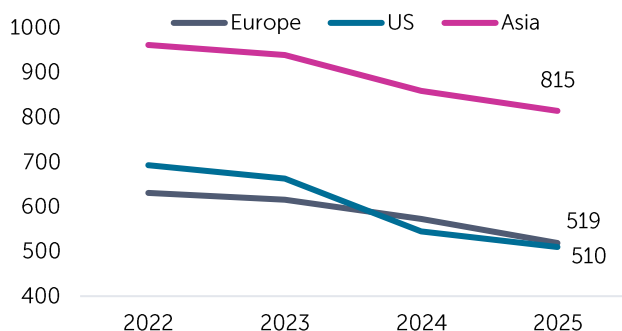
In Asia, we favour collateral-backed lending to operating businesses where terms are robust, repayment is visible and capital scarcity supports lender economics.

Share of Private Credit AUM vs Global GDP by Region



Source: Preqin Private Debt 2026, December 2025. IMF, October 2025 World Economic Outlook

Private Credit Spreads Over Base Rates by Region (bps)



Source: Pitchbook LCD (December 2025), JP Morgan, Bloomberg



# Early Growth and Venture Debt

Capturing value requires focus on the right innovation-led pockets in an uneven landscape

## Global venture conditions remain uneven in 2026.

Capital is concentrating in larger AI and deep tech platforms, while broader funding markets remain selective and exit conditions remain mixed. The US continues to lead in capital formation, and Europe has remained resilient despite a less certain macro backdrop. Within that global context, Asia Pacific warrants a more selective lens, with opportunities increasingly shaped by local market depth, policy support and commercial pathways.

## Asia-Pacific outlook remains selective rather than uniformly positive

Investor preference is increasingly skewed toward high-quality thematics across the region. In India, despite the near-term caution, appetite for opportunities in AI, deep tech, advanced manufacturing and robotics remains intact. In China, AI is emerging as a key tailwind. ASEAN remains weak in aggregate, though select opportunities are emerging in AI, solar, EVs and storage, particularly where linked to energy resilience.

## China's next wave: "embodied AI"

China's next phase of AI is taking shape, as capital moves from model-centric investment toward real-world deployment. "Embodied AI," combining robotics with AI, is emerging as a major growth driver, backed by national policy support and a deep manufacturing ecosystem. Under its 15th Five-Year Plan, robotics sits at the core of its modern industrial system, and this creates a strong pipeline of innovation-led companies and a supportive backdrop for venture debt as companies scale production while managing dilution.

Fundraising in the "Embodied AI" theme has expanded nearly fivefold year-on-year from RMB 6.9bn in 1Q 2025 to RMB 35.7bn in 1Q 2026. The opportunity is no longer limited to humanoid robots but spans across components, dexterous hands, motion control, simulation, perception and vertical scenarios where China's manufacturing depth creates a practical path to commercialisation.

## Deal volume and exits are robust in China

China's primary equity funding was active this year, tracking 25% higher year-on-year on an annualised basis. Its landscape is being reshaped by three dominant national tools: a venture capital guidance

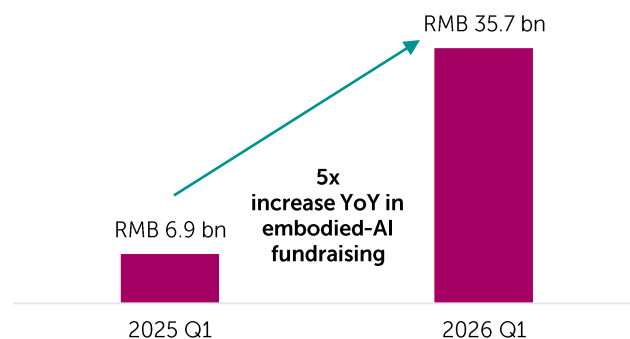
fund targeting RMB 1tn, a RMB 60bn national AI industry fund, and a national M&A fund to mobilise RMB 1tn.

In contrast, India and Southeast Asia are seeing more stable but less accelerated activity. Exit conditions are not too dissimilar: Indian IPOs have slowed, while Hong Kong's strong IPO market offers a viable near-term pathway for exits.

## Embodied AI Fundraising Momentum (RMB bn)

### 2025 China AI fundraising deal-count allocation

41%	AI Application Vertical software & agents	12%	AI Infrastructure Compute, chips, edge
39%	Embodied AI Robotics & physical AI	8%	Foundation Model LLMs & training



Source: China PE/VC databases

## The investment case for early venture debt remains differentiated

The strategy combines debt-like downside protection with innovation-led, equity-like upside participation, which can provide more stable returns across a variety of market conditions while preserving participation when market conditions improve.

Strong relationships with VC and PE investors in the region also improve the ability to identify emerging trends early and create additional strategic value through market intelligence, co-lending and referral opportunities.

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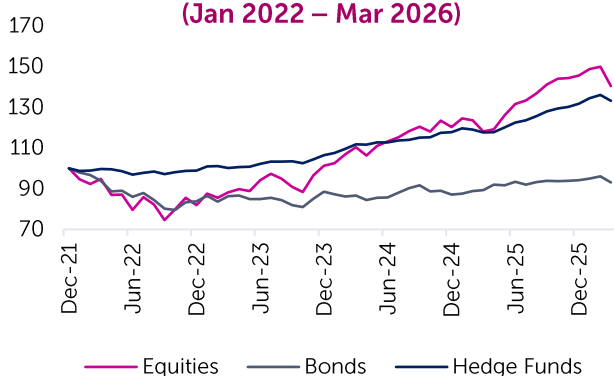
# Hedge Funds

Hedge funds can add diversification and targeted alpha as traditional stock-bond diversification becomes less reliable

## Hedge funds can play a larger role in portfolio diversification

Since 2022, higher inflation and greater policy uncertainty have pushed stock-bond correlations into positive territory, reducing the effectiveness of the traditional 60/40 portfolio. In an environment where bonds may not consistently hedge equity risk, hedge funds can provide differentiated return streams, less dependent on market direction.

## Bonds, equities and hedge fund cumulative returns (Jan 2022 – Mar 2026)



Source: Bloomberg. Hedge Funds are represented by PivotalPath Hedge Fund Composite Index, Bonds are represented by Bloomberg Global Aggregate and Equities are represented by MSCI World Index.

## Cross-asset dispersion is creating a richer opportunity set

Markets are becoming more fragmented. Geopolitical tensions, AI-driven disruption, divergent policy cycles and pockets of stress in private credit are widening performance gaps across asset classes and securities. This favours active managers that can exploit dislocations rather than rely on a single market direction.

## Strategies positioned to benefit from this backdrop

**Macro:** Captures opportunities arising from divergence in rates, currencies, commodities and monetary policy.

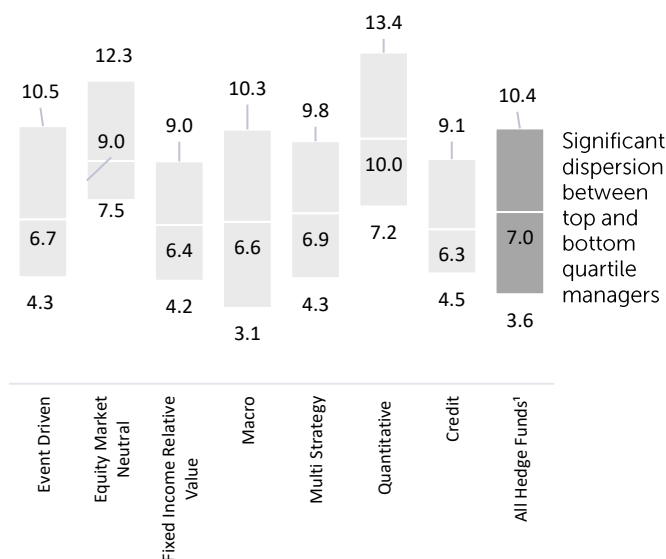
**Multi-Strategy:** Provides flexibility to rotate capital across relative value, arbitrage and tactical opportunities as market conditions evolve.

**Equity Long/Short:** Benefits from growing dispersion between AI winners and losers, companies with and without pricing power, and firms with strong versus weaker balance sheets.

**Quantitative:** Can exploit shorter market cycles, higher volatility and broader dispersion, particularly where models are adaptive and supported by disciplined risk controls.

## Hedge Fund Manager Returns Dispersion (5 years from Apr 2021 – Mar 2026)

Each bar spans bottom- to top-quartile annualised return (%); midpoint = median



Significant dispersion between top and bottom quartile managers

Note: <sup>1</sup> HFRI Fund Weighted Composite Index  
Source: HFR as of 31 Mar 2026. Seviora Macro and Investment Strategy.

## Manager selection remains critical

Return dispersion across hedge funds remains wide, making strategy allocation alone insufficient. We favour managers with a repeatable edge, strong risk management, sensible capacity and a clearly defined role within the portfolio.

Taken together, hedge funds can improve portfolio resilience by adding return streams driven more by dispersion, dislocation and manager skill than by market direction.



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## Macro

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## Theme 1: AI Revolution

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3. **NVIDIA; AMD. (2026)**, used for the chart and adjacent compute-intensity framing.

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2. **Matteo Iacoviello. (Jun, 2026)**, Geopolitical Risk index.
3. **BloombergNEF. (Jun, 2026)**, Bloomberg BNEF data pull on 26 Jun 2026.

## Investment Theme 3 : Asia Corporate Reform

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## Asset Allocation

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## Public Equity

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## Global Private Equity (2/2)

1. **Preqin. (Sep, 2025)**, latest available net performance data. Pooled 20-year return from 1999 - 2018, data retrieved as of 29 Sep 2025.
2. **PitchBook. (Jun, 2026)**, used for illustrating that Q1 2026, AI and machine learning accounted for over 80% of global deal value in the venture and growth ecosystem.
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4. **AVCJ (2023)**, used for no. of buyout deals and transaction value (JPY bn) in Japan.

## Private Credit

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3. **PitchBook LCD. (Dec, 2025)**, US Private Credit & Middle Market Quarterly Wrap.
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## Venture Debt

1. **China PE/VC databases (2026)**, used for Embodied AI Fundraising Momentum (RMB bn).
2. **PitchBook. (Jun, 2026)**, used for illustrating capital concentrating in larger AI and deeptech platforms.

## Hedge Funds

1. **Bloomberg. (2026)**, Bloomberg Terminal data pull on 26 Jun 2026. Hedge Funds are represented by PivotalPath Hedge Fund Composite Index, Bonds are represented by Bloomberg Global Aggregate and Equities are represented by MSCI World Index.
2. **HFR. (Mar, 2026)**, HFRI Fund Weighted Composite Index data.

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