



Nomura Asset Management Investment Outlook Summer 2026

July 2026

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Summer 2026

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Note: In Nomura Asset Management Investment Outlook Summer 2026, Nomura Asset Management's senior investment professionals offer their views of the investment strategy and market prospects as of middle to late June 2026. The commentaries are based on personal views and do not entirely match Nomura Asset Management's house view, except for Investment Environment Outlook and Global Financial Market Forecast that are based on Nomura Asset Management's house view.

In the April-June 2026 quarter, stock markets rose on improved earnings expectations for semiconductor companies, supported by growing investment in artificial intelligence (AI)-related sectors. In the bond market, U.S. long-term interest rates rose amid inflation concerns driven by higher energy prices and a resilient economy. Interest rates also moved higher after the June FOMC meeting, the first under new Federal Reserve Board Chairman Kevin Warsh, was viewed as hawkish. In the foreign exchange market, the U.S. dollar strengthened on lower crude oil prices amid easing tensions in the Middle East and growing expectations of a future U.S. rate hike, despite rate increases by the Bank of Japan and the European Central Bank.

Fig. 1. Major Equity Markets

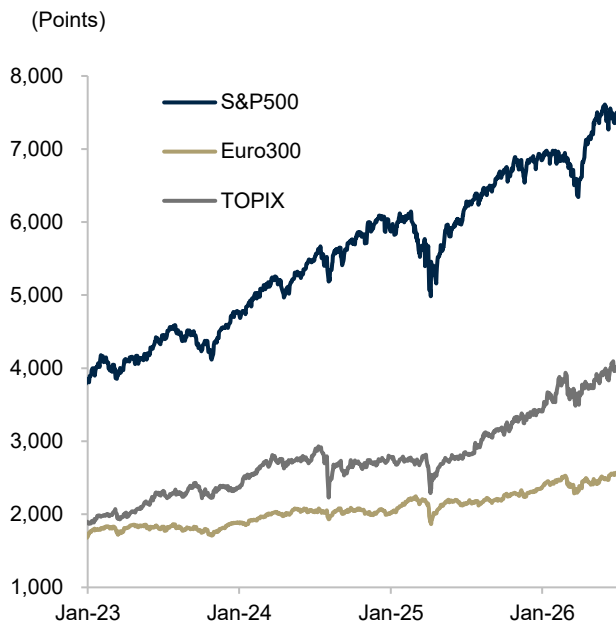


Fig. 2. 10 Year Bond Yields in Major Countries

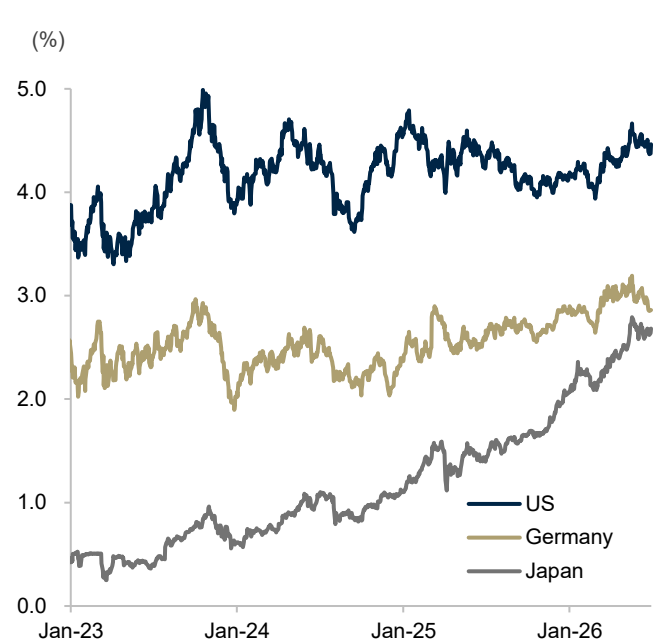


Fig. 3. Yen and Euro against the U.S. dollar

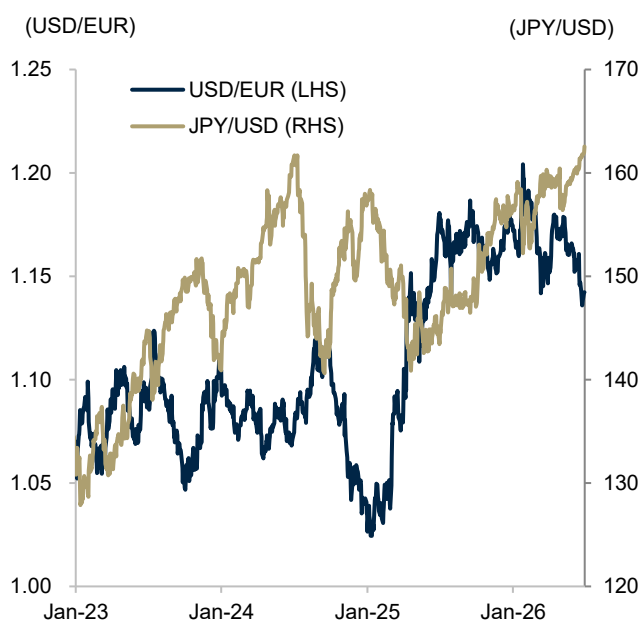
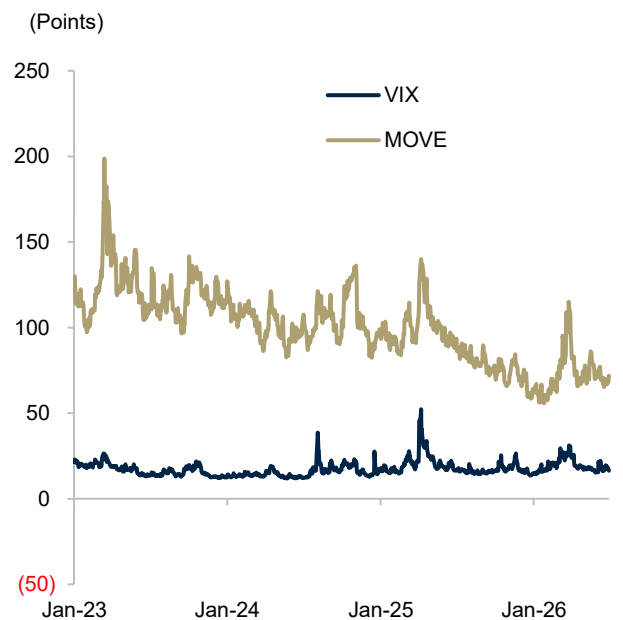


Fig. 4. Trends in VIX and MOVE



Note: (Fig. 4) The VIX and the MOVE are indexes that show the risk of future volatilities of U.S. stocks and U.S. bonds, respectively.

Source: (Fig. 1-4.) Nomura Asset Management based on Bloomberg data. Daily data from January 3, 2023 to June 30, 2026.

If the situation in the Middle East becomes more stable, the economy may gradually recover in the second half of the year.



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Near-Term Investment Outlook:

Continued caution regarding the situation in the Middle East

On June 17, the United States and Iran signed a memorandum aimed at ending the conflict. Whether logistics in the Strait of Hormuz can recover quickly and help stabilize energy prices will be a key issue for the global economy and financial markets.

Even if the Strait of Hormuz is reopened, tensions could rise again if ceasefire talks falter. Moreover, even if the situation stabilizes, concerns about navigation risks are expected to persist. In addition, energy-importing countries and regions may seek to rebuild depleted inventories, suggesting that crude oil prices are likely to remain elevated for some time.

When considering the investment environment in the second half of the year, attention will also be focused on Middle East developments, demand related to artificial intelligence (AI), the U.S. midterm elections, and the outlook under the new leadership of the Federal Reserve Board (Fed).

For the global economy, escalating tensions in the Middle East have been a drag, while strong AI-related demand has provided support. If concerns arise over the profitability of AI-related businesses and stock markets correct, it could weigh on global economic growth. On the other hand, if AI-related demand remains firm, it is expected to continue driving economies in countries and regions with a high concentration of related industries.

Macroeconomic Outlook:

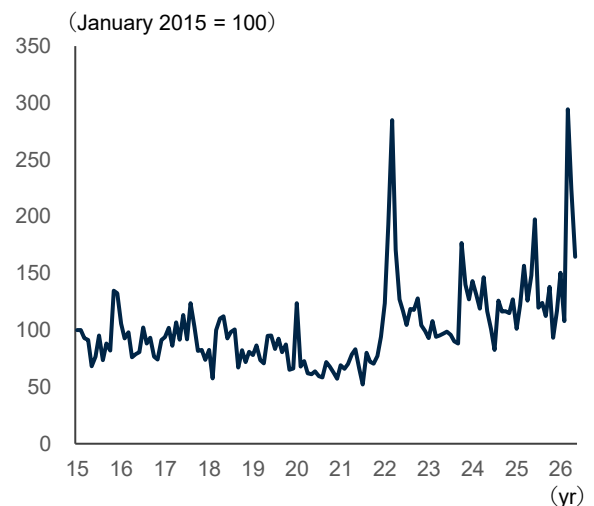
A gradual recovery is expected from the second half of the year.

Although energy prices are expected to remain elevated for the time being, we believe the economy will gradually recover in the second half of the year, assuming that prices fall from their recent peak and the risk of supply disruptions recedes.

As higher energy prices are passed through into inflation, real income conditions are likely to deteriorate for the time being. However, if our assumptions prove correct, the upward pressure on prices is expected to ease in 2027, and real income conditions should recover.

Accordingly, we expect the negative impact of developments in the Middle East to gradually diminish in the second half of the year as uncertainty subsides, and in 2027 as real income conditions improve.

Figure 1. Geopolitical Risk Index Trend
(Monthly data from Jan. 2015 to May 2026)



Monetary Policy Outlook: For the time being, caution is warranted regarding upside risks to prices.

Major central banks have turned more hawkish, watching for second-round effects in which rising energy prices are passed through to a broad range of goods and services, pushing up inflation expectations. Looking at the median year-end 2026 policy rate forecast among FOMC participants, it shifted from one rate cut in March to a half-rate hike in June (9 participants projected hikes, 8 no change, and 1 a cut). This means that the view that the next move will be a rate cut has receded significantly. The European Central Bank (ECB) and the Bank of Japan (BOJ) also decided to raise rates by 0.25 percentage point in June.

Under the economic outlook described above, we believe concerns about upside risks to inflation will remain for the time being. We therefore expect the ECB and the Bank of Japan to implement one more rate hike this year, while the FRB is likely to keep rates unchanged.

Interest Rate Outlook: Expectations of a rate hike as the next move are exerting upward pressure on interest rates.

In the U.S., concerns about upside risks to inflation are likely to persist, driven by rising energy prices and the economic recovery. We expect the policy rate to remain unchanged over the forecast period, but the possibility of future rate hikes as the next move is likely to keep exerting gradual upward pressure on long-term interest rates.

In the Eurozone, the view that the ECB does not need to continue raising rates is gaining ground, and the rate cuts we expect next year come into view, there may be periods when long-term interest rates decline.

In Japan, the rate hike we anticipate has largely been priced in, but long-term interest rates are expected to rise gradually against the backdrop of the BOJ's balance sheet reduction and concerns over fiscal deterioration.

Figure 2. Policy Interest Rates in Japan, the U.S., and Eurozone, and Nomura Asset Management Forecasts (Actual daily, from Jan. 3, 2022 to Jun. 22, 2026)

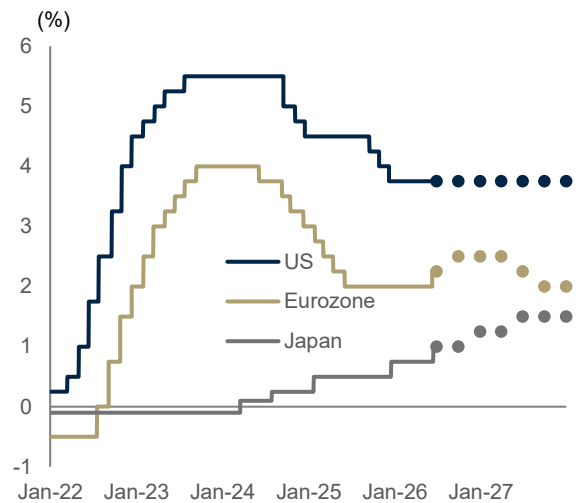
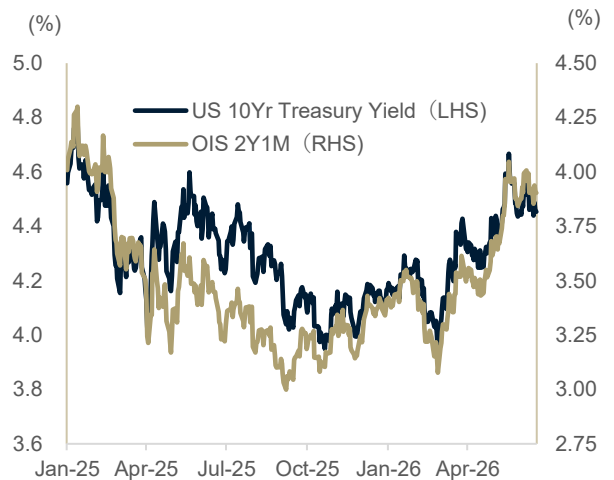


Figure 3. Market Price-in of the U.S. Policy Rate (Daily, from Jan. 2, 2025 to Jun. 19, 2026)



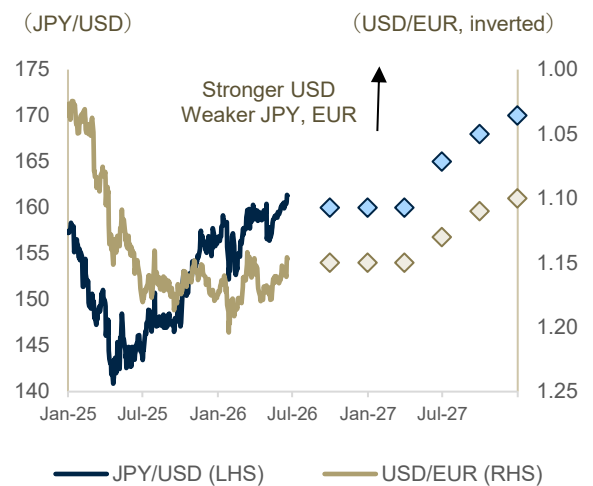
Note: (Fig. 2.) The dots from June 2026 onward represent our forecasts as of the end of each quarter (as of June 22, 2026) (Fig. 3.) U.S. Two-Year-Ahead Policy Rate Expectations and Long-Term Interest Rates
Source: (Fig. 2.&3.) Prepared by Nomura Asset Management, based on data from Bloomberg.

Currency Outlook: For the time being, upward and downward factors for the U.S. dollar are roughly balanced, but the dollar is expected to strengthen eventually.

We expect the foreign exchange market to lack a clear direction in the second half of the year. On the monetary policy front U.S. policy rates are expected to remain unchanged, while the policy rate in Europe and Japan are expected to rise. This divergence in policy direction is likely to weigh on the U.S. dollar. That said, the U.S. benefits from being a net exporter of energy and from its exposure to AI-related investment, so perceptions of its relative economic strength should help limit dollar weakness. In Japan, concerns about foreign exchange intervention may also limit yen fluctuations.

In 2027, the euro is likely to come under pressure as the ECB shifts toward rate cuts, while the yen may weaken as the Bank of Japan's rate-hike cycle comes to an end, making FX markets more prone to move in favor of a stronger U.S. dollar.

Figure 4. JPY and EUR Exchange Rates against the U.S. Dollar
(Actual daily data, from January 1, 2025 to June 19, 2026)



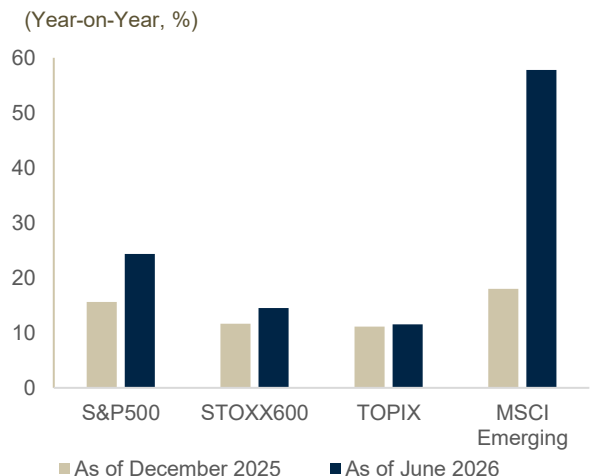
Equity Market Outlook:

AI-related companies' earnings drive the continued rise in stock prices.

Stock prices in the first half of the year rose mainly on improved corporate earnings expectations. Although higher energy prices had a negative impact, AI-related companies, which account for a large share of major stock indices, significantly lifted overall earnings expectations. Looking ahead, earnings expectations are likely to remain heavily influenced by AI-related companies, and expectations surrounding AI, are unlikely to fade in the near term.

From a valuation perspective, concerns over monetary tightening could weigh on stock prices. However, because policy rates are already at a high level, we believe that a sharp decline in price-to-earnings ratios, such as the one seen in 2022, is unlikely. We expect stock prices to continue rising in line with corporate earnings expectations.

Figure 5. Profit Growth Forecast



Note: (Fig. 4) Note: Dots from September 2026 onward indicate our forecasts as of June 22, 2026, for each quarter-end (Fig. 5) The U.S., Europe, and emerging markets are on a calendar-year basis, while Japan is on a fiscal-year basis. Data for June 2026 are as of June 18, 2026.

Source: (Fig. 4) Nomura Asset Management, based on data from Bloomberg. (Fig. 5) Nomura Asset Management, based on data from LSEG Datastream.

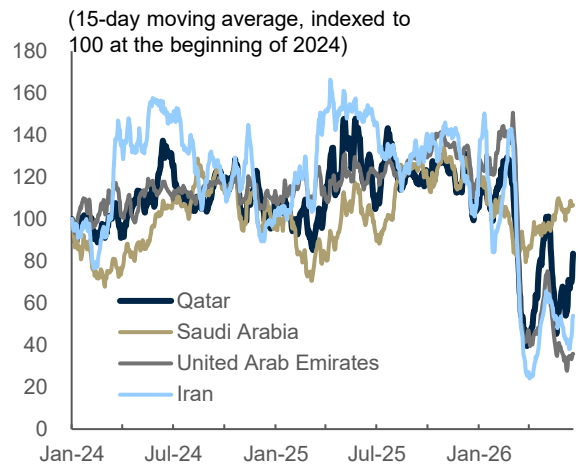
Upside Scenario: Early recovery in logistics or an acceleration in investment

In our baseline scenario, energy prices are expected to ease somewhat, but we do not assume that they will quickly return to pre-attack levels.

Relative to this baseline, if shipping through the Strait of Hormuz recovers rapidly under a ceasefire agreement and energy prices return to their previous levels, this would have a positive effect on economies in net energy-importing countries and regions.

Moreover, if lessons learned from the current situation lead to accelerated investment in strengthening supply chains from the perspective of economic security, this could temporarily boost global economic growth.

Figure 6. Daily Departures from Middle Eastern Countries (Daily, from January 1, 2024 to June 19, 2026)



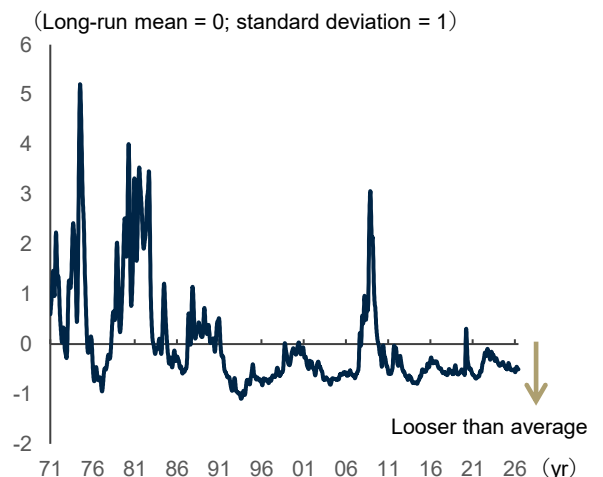
Downside Scenario:

An escalation in Middle East tensions or a sharp upside surprise in inflation

If future negotiations between the United States and Iran break down, there is a risk that tensions will rise again. In that case, the closure of the Strait of Hormuz could be prolonged. If energy prices rise sharply again, contrary to our assumptions, the economy and prices could move closer to a stagflationary environment.

Moreover, if the pass-through of earlier energy price increases to consumer prices becomes substantial and second-round effects push inflation expectations higher, central banks may be forced to raise rates rapidly. In this case, tighter financial conditions would slow growth, but as inflation expectations are re-anchored, economic and price conditions could gradually stabilize.

Figure 7. Chicago Fed Financial Conditions Index (Weekly, from January 8, 1971 to June 12, 2026)



Source: (Fig. 6.) Nomura Asset Management based on data from CEIC. (Fig. 7.) Nomura Asset Management based on the data from Federal Reserve Bank of Chicago.



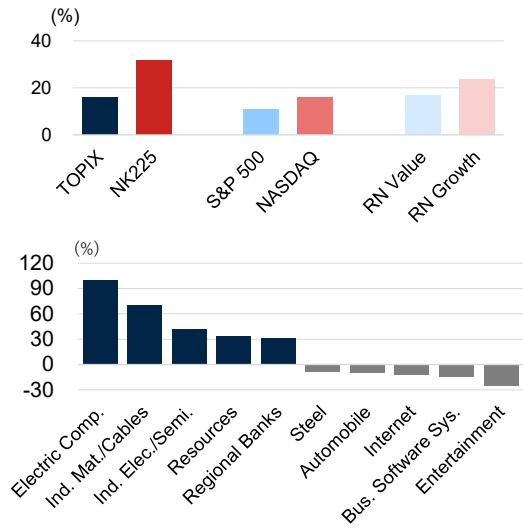
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2026 Market Outlook : Review of the Current Market Position

Japanese equity market trends in the first half of 2026

In 2026 as well, the Japanese equity market has remained firm, with the Nikkei 225 continuing its upward trend and even surpassing 70,000. While positive factors such as political developments in Japan and solid corporate earnings have persisted, uncertainty in the Middle East has yet to be fully resolved, though the situation is gradually improving. Among these factors, AI-related semiconductor stocks have consistently led the market. Looking at major stock indices, the Nikkei 225, which includes many high-priced AI-related names, has significantly outperformed the TOPIX. In addition, the Growth Index, which had remained sluggish since the COVID-19 pandemic, has begun to outperform. By sector, electronic components stocks, which had lagged behind semiconductors and wire and cable stocks, have been very strong, while IT, information services, and entertainment stocks have been relatively weak.

Figure 1. Monthly Performance of Major Stock Indices and Japanese Equity Sectors (Monthly, from end-December 2025 to end-May 2026)



FY2025 earnings results and FY2026 forecast

Fig. 2 summarizes Nomura Securities' aggregate earnings data for fiscal 2025 results and fiscal 2026 forecasts. Excluding Toyota Motor, SoftBank Group, and Kioxia Holdings, which have large absolute earnings levels and changes, all industries recorded 15.6% earnings growth in fiscal 2025, exceeding expectations. Fiscal 2026 earnings are expected to rise by 6.2%, modestly below the consensus forecast of 10.7%. This suggests a cautious view on foreign exchange assumptions and rising raw material costs. However, as in the previous fiscal year, earnings are likely to be revised upward gradually with each quarterly results release, increasing the probability of an eventual low-double-digit earnings growth outcome. The share of companies expected to increase dividends at the start of the fiscal year is 44%, above last year's 36%.

Figure 2. Fiscal 2025 Results and Fiscal 2026 Forecasts (Year-on-Year,%)

	FY 2025 Results (Growth Rate, %)		Pre-Fiscal End Consensus Forecast (Mar 20)		Difference	
	Revenue	Recurring Profit	Revenue	Recurring Profit	Revenue	Recurring Profit
All Industries	3.5	18.7	3.0	13.5	0.5	5.2
All Industries (excl. Toyota, SBG and Kioxia)	3.3	15.6	2.7	12.5	0.6	3.1
Manufacturing	3.4	3.3	2.5	1.3	0.9	2.1
Non-Manufacturing (ex Financials)	3.7	17.5	3.7	10.1	0.0	7.4
	Company Forecast FY26 (Growth Rate, %)		FY26 Consensus Forecast		Difference	
	Revenue	Recurring Profit	Revenue	Recurring Profit	Revenue	Recurring Profit
All Industries	5.2	1.4	5.2	7.7	0.0	-6.3
All Industries (excl. Toyota, SBG and Kioxia)	5.3	6.2	4.8	10.7	0.6	-4.5
Manufacturing	4.8	9.0	5.4	23.1	-0.6	-14.0
Non-Manufacturing (ex Financials)	5.8	-9.6	4.9	-9.1	0.9	-0.5

Note: (Fig. 1) RN Value refers to the Russell/Nomura Total Value Index, and RN Growth refers to the Russell/Nomura Total Growth Index. Japanese equity sectors are classified according to our own methodology.

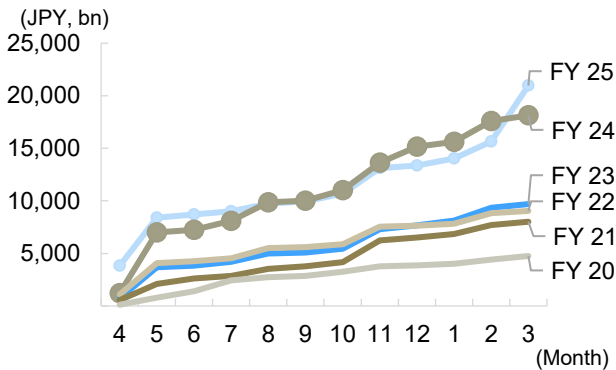
Source: (Fig. 1.) Nomura Asset Management based on the data from Bloomberg (Fig. 2.) Nomura Asset Management based on Nomura Securities data.

Shareholder returns and Corporate Governance Code revisions

Share buybacks at times fell below FY2024 levels during FY2025, raising concerns about a slowdown in pace. However, they expanded again toward the end of the fiscal year, and the strong underlying trend has been maintained. In addition, revisions to the Corporate Governance Code are scheduled for this fiscal year, and listed companies will be required to explain the appropriate allocation of management resources. As investors, we are

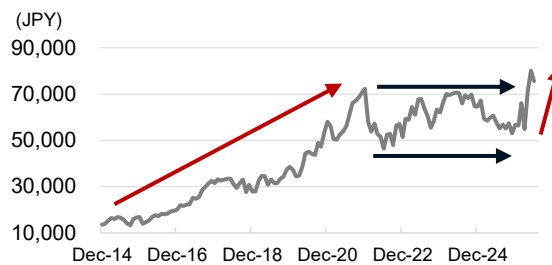
seeking an appropriate balance sheet strategy, while also expecting a certain level of returns from cash-rich companies. Keyence, a representative company in this area, is now able to conduct share buybacks following an amendment to its articles of incorporation, and its stock price has recently moved beyond its range-bound trading pattern of the past few years.

Figure 3. Share Buyback Trends (Annual, from FY2020 to FY2025)



Source: Nomura Asset Management based on QUICK data.

Figure 4. KEYENCE Share Price (Monthly, from end-Dec 2014 to Jun 15, 2026)



Note: The inclusion of individual securities does not constitute a recommendation to buy or sell any specific security, nor does it imply any increase or decrease in price or other market indicators.

Source: Nomura Asset Management based on QUICK data.

Japanese equity market current valuations

As shown in the chart on the right, since the Lehman shock, TOPIX's PER has generally traded within a range of 12x to 16x, but it has recently broken above that range. PBR has also been approaching 2.0x, making it difficult to say that the market is cheap compared with the past 10-plus years. On the other hand, Japan's ROE (return on equity) has risen to around 10%, and if this level is sustained and further improvement can be expected, a PBR of 2.0x, as in major European countries, could be considered reasonable. We would like to see further progress in corporate balance sheet improvement, supported by revisions to the Corporate Governance Code and related measures.

Figure 5. TOPIX, PER Band, and BPS (Book Value per Share) Trends

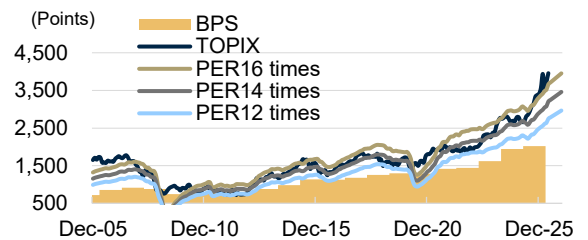
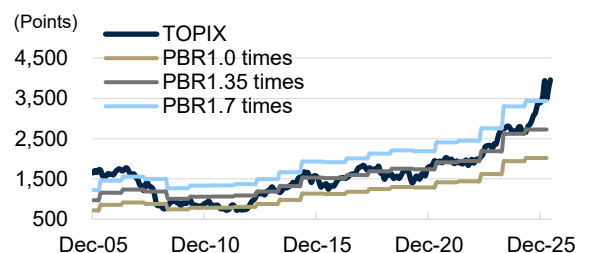


Figure 6. TOPIX and PBR Band Trends



Note: (Fig. 5) The forecast portion of the PER (price-to-earnings ratio) from the end of June 2026 onward is calculated using the 12-month forward EPS (earnings per share) forecast (Bloomberg, as of June 1, 2026). Some parts of the chart are hidden for clarity.

Source: Nomura Asset Management based on the data from Bloomberg and Nomura Securities. (Fig. 5) BPS: FY2005–FY2025, annual; others: monthly data from Dec. 2005 to Dec. 2026; TOPIX: through May 2026. (Fig. 6) PBR: annual data for FY2005–FY2025; TOPIX: monthly data from Dec. 2005 to May 2026

Is the AI semiconductor rally sustainable?

The current market environment remains highly volatile. In early June, U.S. long-term interest rates rose after U.S. employment data for May came in stronger than expected, and markets also sold off sharply, especially among AI-related stocks that had risen rapidly, partly because major U.S. semiconductor companies did not revise their forecasts upward in their earnings announcements. On the other hand, Japanese markets jumped sharply on June 15 following reports of a June 14 ceasefire agreement between the United States and Iran, and the Nikkei 225 later surpassed 70,000.

This kind of market, in which prices swing sharply from day to day, is likely to continue for the time being, but views remain divided on the sustainability of the AI semiconductor rally. Figure 7. shows the year-on-year change in the SOX Index, with the bottom marked by a white circle. Figure 8. shows the same data indexed to 100 at the bottom. The olive line represents the pattern during the IT bubble, while the red line shows the current cycle. As this chart suggests, the current pace of gains is comparable to that of the IT bubble, but there may still be room for further upside.

That said, in previous cycles the rally tended to peak after 12 to 24 months, and even during the IT bubble it topped out after 19 months. The current cycle has already lasted 15 months, so one could argue that only a few months may remain in this market phase. The lower-right chart shows the NT ratio, which is currently at 17 times, well above the 10-year average of around 14 to 15 times. Since valuations are not as stretched as they were during the IT bubble, some also take the view that further upside is still possible. In any case, however, it appears to be a phase that has already passed the third turn of a racetrack. While staying invested in the long-term potential of AI semiconductors, this may also be a time to maintain appropriate diversification.

Figure 7. SOX (Philadelphia Semiconductor Index) Performance (Monthly, from end-Jan 1990 to June 15, 2026)

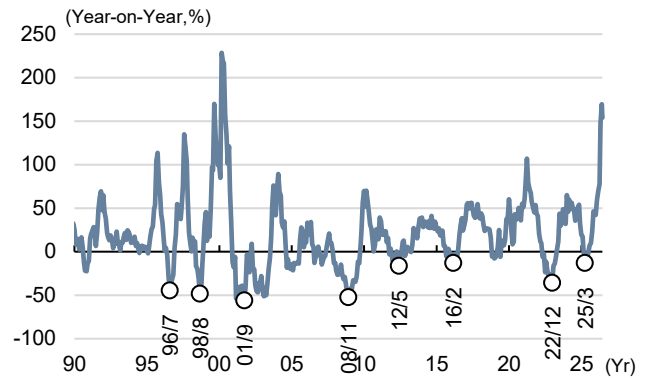


Figure 8. SOX Index Cumulative Value from Its Bottom (Monthly, from end-Jul 1996 to June 15, 2026)

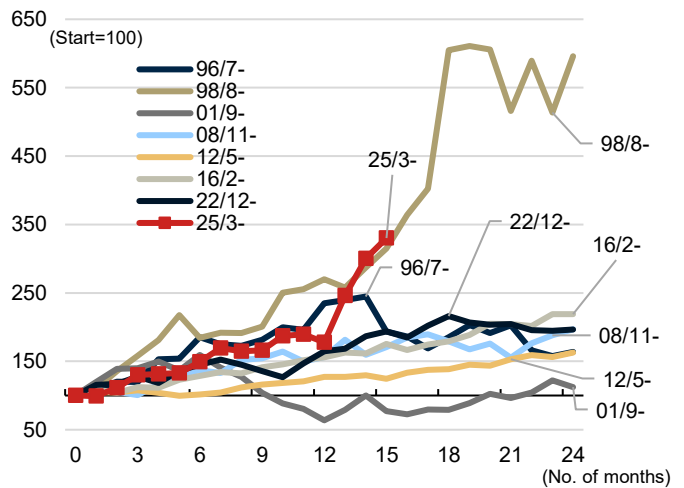


Figure 9. Nikkei/TOPIX (NT) Ratio (Monthly, end-Jan 1985 to June 15, 2026)





Senior Corporate Managing Director, Chief Investment Officer, Head of Investment and Research Unit



Yoshiaki Saito Chief Portfolio Manager

Corporate earnings have been at their strongest since the first quarter of 2021, supported by the steady progress of the AI revolution. The U.S. economy remains resilient amid rising geopolitical risks.

Robust investment in AI continues to exceed market expectations.

Hyperscaler capital expenditures are expanding at a pace that is outstripping market expectations, supported by the medium-term outlook for AI demand. As of the first quarter of 2026, the combined annual capex of the four major hyperscalers is expected to reach US\$720 billion in 2026, up more than 70% year on year, according to our estimates. The strength of AI demand is also reflected in the rental price of Nvidia's H100 GPU. Although the H100 is a two-generation-old product launched in 2022, its rental price has risen by more than 30% since last December, underscoring robust AI demand. In assessing the sustainability of capex expansion driven by strong AI demand, it is important to monitor the operating cash flow and debt levels of the hyperscalers making these investments. At present, most hyperscalers have core businesses that generate substantial operating cash flow over the long term, and their net debt levels remain low, suggesting they have sufficient room to sustain capex in the near term.

Figure 1. H100 GPU Rental Price (USD/hour) (Daily, from Oct. 1, 2025 to May 31, 2026)

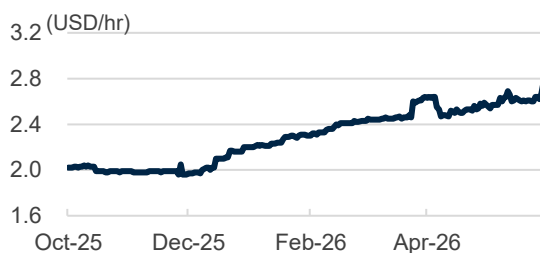
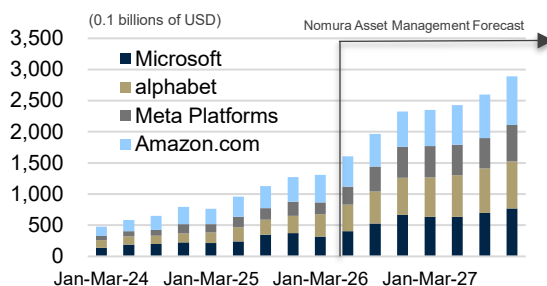


Figure 2. Hyperscaler capital expenditures (Quarterly, from Q1 2024 to Q4 2027)

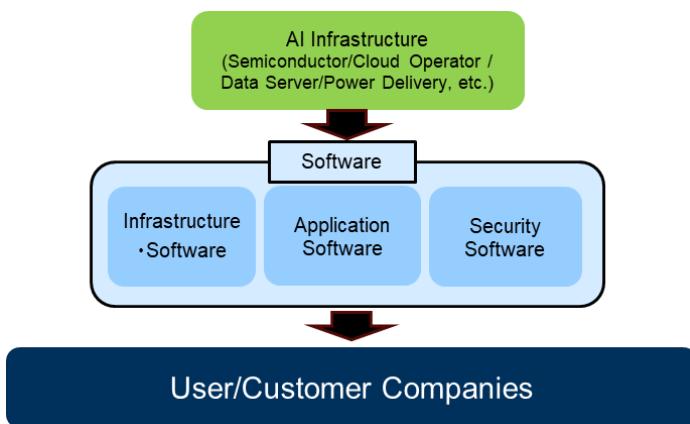


Source: Nomura Asset Management based on the data from Bloomberg.

Advances in the AI revolution.

As AI demand increases, the stock market is focusing on companies that stand to benefit from the buildout of AI infrastructure, including semiconductor and data server companies involved in constructing data centers, as well as power supply-related companies that are essential to their operation. Going forward, as the AI revolution continues to advance, benefits are also expected to broaden to infrastructure software companies that handle companies' core data, application software companies that can gain traction within enterprise backbone systems, and security-focused software companies. In addition, the changes that the adoption of AI is expected to bring to the broader economy are likely to be substantial, and ultimately are expected to improve the profitability of a wide range of companies.

Figure 3. AI Revolution Progress Overview

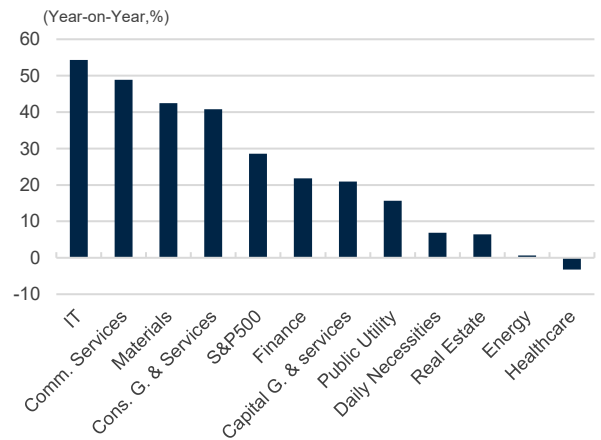


Source: Prepared by Nomura Asset Management

Strong corporate performance and a resilient U.S. economy

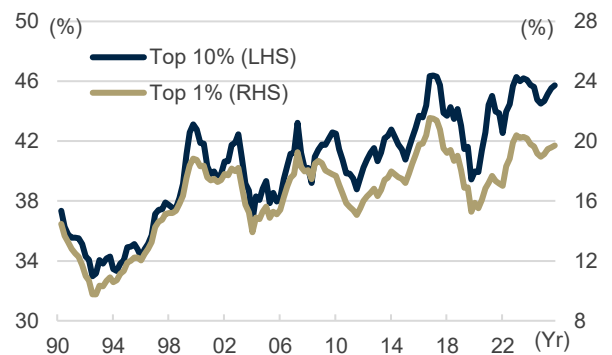
U.S. corporate earnings for the first quarter of 2026 are expected to post 29% year-on-year EPS growth as of May 29, 2026, the largest increase since the fourth quarter of 2021, when earnings were boosted by the post-pandemic rebound. This strength is being driven by robust AI demand, which is supporting strong results among large technology companies and lifting the broader market. For full-year 2026, earnings growth of 23% is expected. Alongside strong corporate earnings, private consumption also remains resilient. The current U.S. consumption environment is often described as a “K-shaped economy,” reflecting increasingly polarized spending patterns. In the United States, consumption accounts for roughly 70% of GDP, and the top 1% and top 10% of households account for about 20% and nearly 50% of total consumption, respectively. Spending by the top 10% is supported not only by wage income but also by asset income. Accordingly, sustained consumption among high-income households, supported by rising asset prices such as equities, could continue to underpin U.S. GDP growth. Indeed, despite headwinds from tariff policy, immigration policy, and a government shutdown, real GDP growth in 2025 reached 2.2%, above the estimated potential growth rate of around 1.8%. In 2026, while risks to growth and inflation stemming from developments in the Middle East bear watching, resilient high-income consumption and tax-cut support could help keep the U.S. economy on a firm footing.

Figure 4. S&P 500 Sector EPS Growth (Q1 2026, as of May 29, 2026)



Source: Nomura Asset Management based on Factset data.

Figure 5. U.S. Consumption Share by Income Group (Quarterly, from Q2 1990–Q4 2025)



Note: Using income-group data, disposable income and savings were estimated and allocated across income groups, and consumption was estimated as disposable income less savings. Source: Prepared by Nomura Asset Management

U.S. Mid-term Election

The Trump administration’s approval ratings have remained on a downward trend and are currently around 40%. One possible reason is that, following heightened tensions in the Middle East, higher gasoline prices and other rising living costs have increased dissatisfaction among middle- and lower-income households. The next U.S. midterm elections are scheduled for November 2026. Historically, the president’s party tends to lose

House seats in midterm elections, and discontent with the administration often provides tailwinds for the opposition. In a K-shaped economy, even if equity markets and some areas of employment remain resilient, attention should also be paid to middle- and lower-income households, whose budgets are being squeezed by rising rents, utility bills, and food prices.

Emerging Equities: Attention to stock markets typical of emerging economies

Since the mid-2010s, emerging-market equity returns have lagged developed-market returns by a wide margin despite solid economic growth in many countries. The performance was so poor that some investors questioned the very rationale for emerging-market equities as an asset class. However, emerging-market stocks outperformed developed-market stocks in 2025 and have continued to lead through May this year.

In fact, the strong performance has been driven largely by a sharp rally in three stocks—TSMC, Samsung Electronics, and SK Hynix—which together account for more than 25% of the MSCI Emerging Markets Index as of end-May 2026. While these companies are leaders in semiconductor and memory technology, their earnings are being driven mainly by massive AI-related investment by U.S.-based hyperscalers. As such, this differs from the traditional investment case for emerging-market equities, which is to benefit from the early stages of economic development in emerging economies.

Among emerging markets, we see Eastern Europe—more specifically, Central Europe, since Russia is not investable—as the most attractive based on valuation metrics such as a forward P/E of less than 11x and a dividend yield of around 4%. Poland has delivered stable, above-average growth supported by low taxes and its large domestic market, and we expect GDP growth to remain around 3%. In Hungary, the pro-EU opposition won a landslide victory in the April general election, raising the likelihood that frozen EU support funds will be released. This could provide a boost to corporate earnings. If Ukraine and Russia agree to a ceasefire, both countries—and Central Europe more broadly—could also benefit from a peace dividend.

Finally, India remains the most emerging-market-like equity market, supported by strong growth prospects and favorable demographics. Although higher energy prices have weighed on the market, we expect stocks to recover once those pressures ease and the AI-related rally cools.

Figure 6. Year to Date Equity Market Return (in U.S. Dollars: Total Return Index) (As of May 29, 2026)

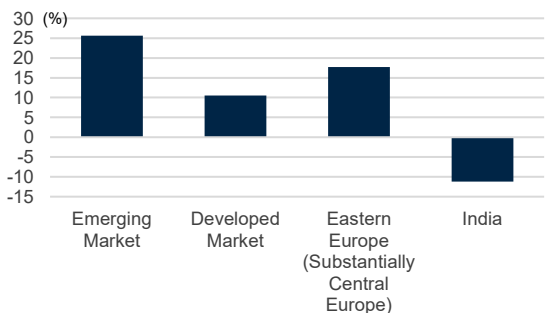
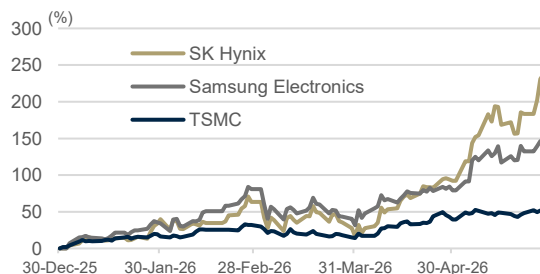


Figure 7. TSMC, SK Hynix, and Samsung Electronics Share Price Returns (in U.S. Dollars: Total Return Index) (December 30, 2025 - May 29, 2026)



Note: (Fig. 6&7.) Emerging markets: MSCI EM (Emerging Markets) Index; developed markets: MSCI World Index; Eastern Europe: MSCI Eastern Europe Index; India: MSCI India Index

Source: Prepared by Nomura Asset Management based on MSCI and Bloomberg data

The stock examples are provided for illustrative purposes only and are not intended as a commitment to invest in those companies. This does not constitute a recommendation to buy or sell any particular security, nor does it imply any prediction or guarantee of future price movements.

Bond yields in the U.S. and Europe are expected to move in different directions.



Wataru Kato
Senior Portfolio Manager

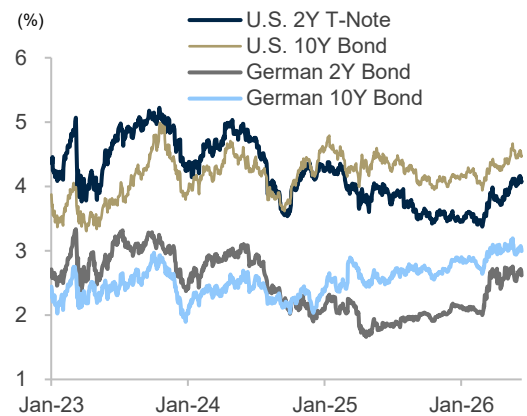


Yuji Maeda
Senior Managing Director,
Chief Investment Officer,
Active Global Investments

Bond yields rise as tensions in the Middle East escalate.

In 2026, bond yields in major economies began the year on a downward trend, with prices rising, against the backdrop of a modest slowdown in the U.S. economy. However, when the U.S. and Israel launched military strikes against Iran at the end of February, yields turned higher, driven by inflation concerns amid surging crude oil prices. In addition, stronger employment growth in the U.S. and generally robust economic conditions also pushed yields upward. The Federal Reserve's pause in rate cuts and the European Central Bank's early shift toward rate hikes led to a flattening of the global yield curve, narrowing the spread between short- and long-term interest rates.

Figure 1. Trends in Government Bond Yields



Central banks across countries and regions are moving toward more flexible monetary policy responses.

Deterioration in Middle East conditions is likely to lift inflation via higher oil prices, while also restraining corporate and consumer activity amid heightened uncertainty about the outlook. In light of the recent global experience of inflationary pressure, central banks across regions have generally maintained a strong focus on inflation containment. However, in economies where underlying growth remains weak, monetary policy has become increasingly difficult to manage.

It has also signaled readiness to deliver further rate increases should the inflation outlook warrant such action.

The Fed has continued its rate-cutting cycle, but the June FOMC projections indicated that nearly half of the participants expect that at least one rate hike may be required before year-end. The European Central Bank ("ECB") raised rates at its June meeting in response to the risk of second-round effects from surging oil prices and to prevent inflation expectations from becoming unanchored.

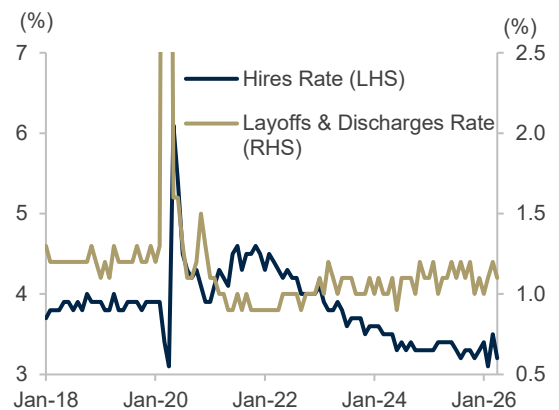
Despite the market's increasingly aggressive pricing of rate hikes, we do not expect major central banks to enter a sustained hiking cycle, even if elevated oil prices persist. A recent example of conflict-driven inflation is Russia's invasion of Ukraine in 2022, which forced central banks to implement sharp rate hikes. However, the macroeconomic backdrop at that time was materially different: aggressive monetary easing, fiscal expansion, and the post-pandemic recovery supported strong demand, creating an environment where inflation could accelerate more easily. By contrast, given the current slowdown, particularly in Europe, we believe monetary tightening will remain limited to precautionary rate hikes.

The U.S. economy is in a precarious equilibrium.

The U.S. economy has remained firm despite rising crude oil prices amid heightened tensions in the Middle East. However, this resilience is being supported by a limited set of factors: namely consumption by affluent households amid higher equity prices and investment in AI-related equipment in response to stronger demand. Moreover, although the unemployment rate has remained broadly stable, we believe the labor market is currently in a highly unstable equilibrium under a low-hiring, low-layoff regime.

If labor market conditions deteriorate further as household purchasing power erodes amid higher oil prices and other headwinds, the risk of a sharp deceleration in economic activity would increase.

Figure 2. U.S. Employment Indicators
(Monthly data from Jan. 2018 to Apr. 2026)



Bond yields in major countries have been mixed.

We expect the Fed to keep policy rates unchanged and maintain a wait-and-see stance amid uncertain inflation and economic conditions. Although persistently high gasoline prices are likely to weigh on private consumption, the Fed is likely to remain on hold as inflation shows signs of reacceleration.

Should geopolitical tensions in the Middle East ease and the Fed confirm a slowdown in inflation before resuming rate cuts, downward pressure on bond yields would likely intensify. That said, if prolonged crude oil price spikes raise concerns over destabilizing inflation expectations, a material shift in the Fed's policy stance could not be ruled out, leaving U.S. bond yields with little clear direction.

By contrast, bond yields in Europe, including

Germany, are likely to turn lower in the near term. In addition to higher energy prices, tighter monetary policy is expected to dampen economic activity, prompting the ECB to pivot back toward rate cuts. As expectations for ECB easing build, European bond yields are expected to decline, unlike those in the U.S.

Note: To make the graph easier to read, the dismissal rate is up to 2.5%.

Source: Compiled by Nomura Asset Management based on Bloomberg data.

FX markets have been driven by trends in commodity prices.

In the foreign exchange market in the first half of 2026, commodity price trends had a material impact on currency performance. Movements of major developed-market currencies against the U.S. dollar were mixed: while the Japanese yen and the euro, both of which are heavily reliant on imported energy, have posted lackluster returns, commodity-linked currencies such as the Norwegian krone and the Australian dollar strengthened against the U.S. dollar.

Since tensions in the Middle East escalated, the U.S. dollar has tended to appreciate in periods of rising crude oil prices, reflecting the market's increasing focus on the United States' role as an oil producer. Going forward, however, as market attention shifts toward other factors such as monetary policy, we expect this linkage to gradually weaken.

The U.S. dollar is expected to decline.

We continue to expect the U.S. dollar to trend lower. Under a U.S. economic structure that relies heavily on foreign capital to finance robust funding needs amid persistent twin deficits, the dollar is likely to remain under structural downward pressure. A slowdown in the U.S. economy is also expected to weigh on the currency.

Following the Trump administration's introduction of reciprocal tariffs in April 2025, market concerns over a gradual shift away from U.S. assets have become more pronounced. Moreover, amid President Trump's remarks in the first half of 2026 regarding U.S. claims to Greenland and U.S. military actions involving Venezuela and Iran, geopolitical risk has become more prominent in financial markets than it was in the past. As the U.S. itself increasingly serves as a source of geopolitical risk, the traditional "risk-off" bid for the U.S. dollar may become less reliable than before.

Figure 3. USD Index and WTI Crude Futures

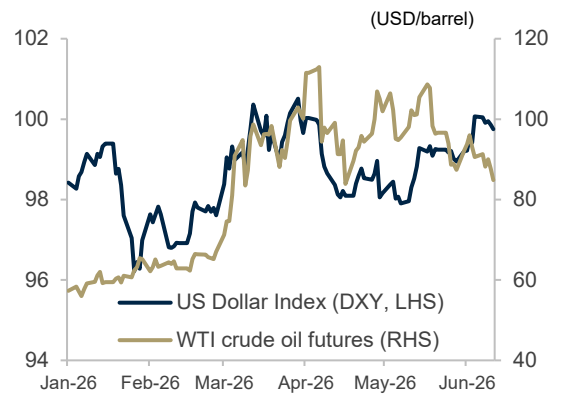
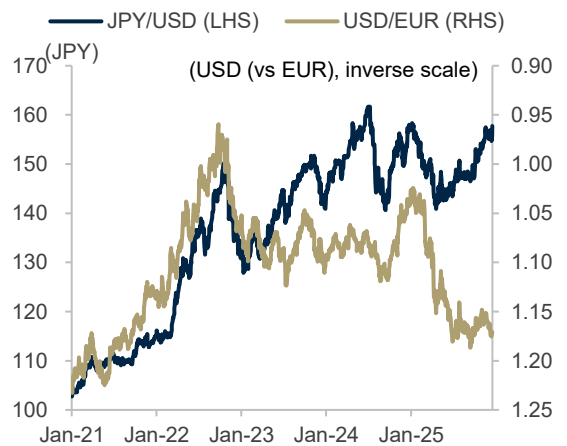


Figure 4. USD/JPY and EUR/USD movements



Source: (Fig 3. and Fig. 4.) Nomura Asset Management based on Bloomberg data. (Fig. 3.) From January 2, 2026 to June 12, 2026, daily. (Fig.4) From January 2, 2023 to June 12, 2026, daily.

An accelerated rise in interest rates weighs on the J-REIT market.

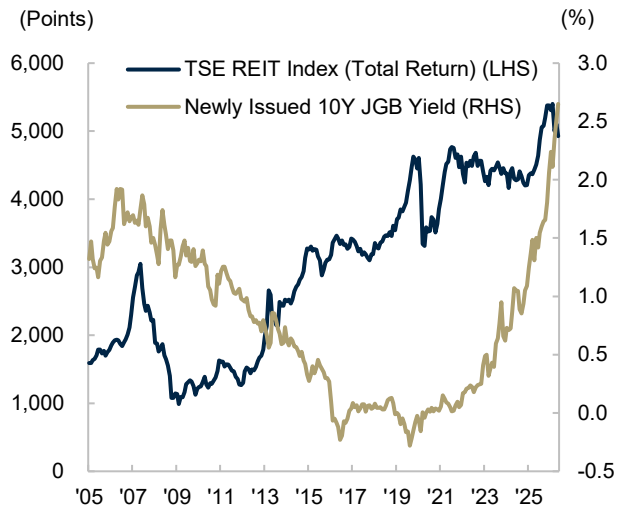


Tomoyuki Nobuhara
Chief Portfolio Manager

The J-REIT market has corrected amid accelerating interest rate increases.

The J-REIT market performed strongly in 2025 when domestic long-term interest rates rose but rents for REIT-owned properties increased, particularly in the office sector. In early 2026, however, the market underwent a correction as concerns over Japan's worsening fiscal condition and interest rate increases accelerated amid inflation worries driven by soaring energy prices and heightened tensions in the Middle East. Going forward, income growth is expected to continue, and rising office and residential rents are expected to support solid medium- to long-term returns.

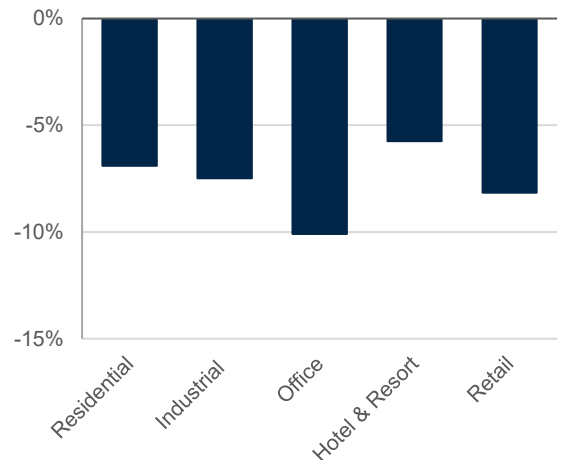
Figure 1. TSE REIT Index and Newly Issued 10 Yr JGB Yield (Monthly data from end-Jan,2005 to end-May 2026)



Limited dispersion observed in sector returns in 2026.

Year to date in 2026, returns have been negative across all sectors, with little dispersion among them. The office sector has declined slightly more, as it includes many large-cap names held by a broad range of investors, particularly foreign investors, and is therefore more sensitive to changes in interest rates and stock market trends. Meanwhile, improving fundamentals, such as lower vacancy rates and rising rents, are expected to offset the negative impact of higher interest rates going forward.

Figure 2. J-REIT Sector Return (2026 YTD, from Dec. 31, 2025 to May 29, 2026)



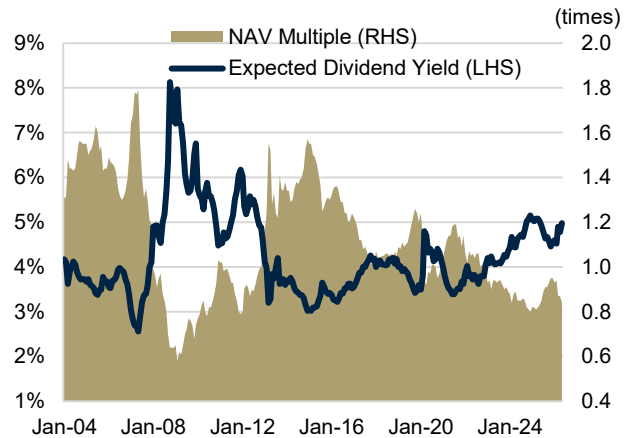
Note: Market capitalization weighted average, industry classification by GICS industry subsector classification., Source: (Fig. 1.) Nomura Asset Management based on QUICK data. (Fig. 2.) Nomura Asset Management based on Bloomberg data.

NAV multiples have fallen back again.

As the J-REIT market recovered in 2025, the NAV multiple also trended upward after bottoming out. However, it has recently declined again alongside lower investment unit prices. Although rising interest rates can weigh on property values through higher borrowing costs and discount rates, accelerating rent growth points to solid cash flow growth ahead. If market conditions stabilize, the discount of investment unit prices relative to NAV is likely to draw renewed attention, and the NAV multiple is expected to rise.

Note: NAV is calculated as net assets plus unrealized gains or losses on properties held.

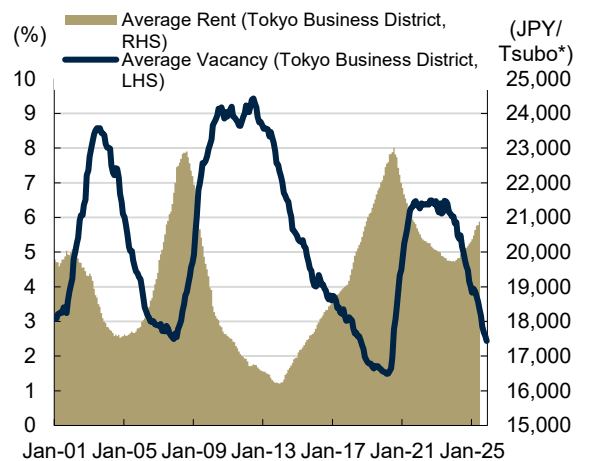
Figure 3. J-REIT Expected Dividend Yield and NAV Multiple
(Monthly data from end-Jan. 2004 to end-May 2026)



The recovery in the office market is accelerating further.

As labor shortages become an increasingly serious issue, the idea is spreading that rents for high-quality offices required to secure talent should be viewed as an investment rather than a cost. In addition, labor shortages and higher development costs are causing more office projects to be delayed or canceled, pointing to a decline in new office supply. Amid rising expectations for higher office rents in an inflationary environment and a shortage of office space, more proactive tenants are acting early to secure relocation space. The improvement in the office market is accelerating further, and rent levels above pre-pandemic levels are now within reach.

Figure 4. Tokyo Business District Office Market
(Monthly data from Jan. 2001 to Nov. 2025)

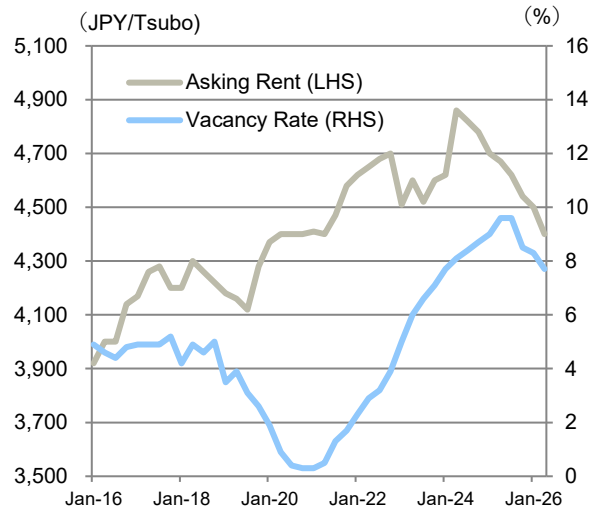


Note: (Fig. 3) The market capitalization-weighted average value of the NAV multiple (investment unit price ÷ NAV per unit) for all J-REITs. (Fig. 4) 1Tsubo ≈ 3.3²m. Source: (Fig. 3.) Nomura Asset Management based on data from the Association for Real Estate Securitization <https://www.ares.or.jp/en/>. (Fig. 4) Nomura Asset Management based on Miki Shoji data.

Logistics facility vacancy rates are expected to fall.

In the logistics facility sector, vacancy rates had been trending upward after new supply surged in response to strong demand driven by e-commerce and corporate supply chain restructuring, temporarily weakening the balance between supply and demand. However, as demand remains robust, vacancies have continued to be absorbed, and vacancy rates have recently started to decline. Although rents have generally been slightly soft during the vacancy absorption phase, some areas, especially central urban locations, have begun to see rent increases, and individual properties owned by logistics REITs have also shown solid rent growth.

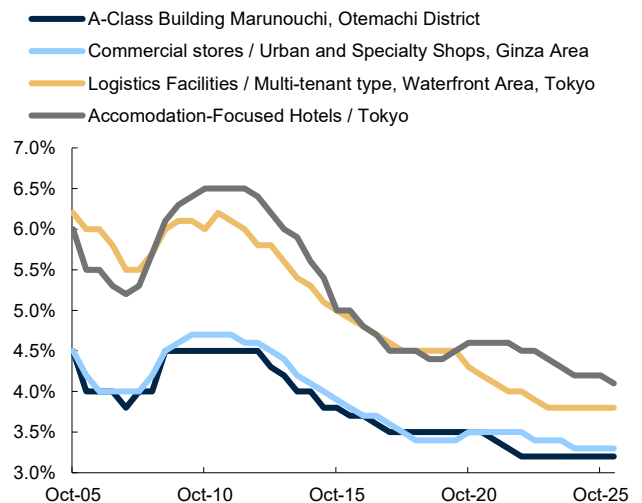
Figure 5. Logistics Facility Market Conditions in the Tokyo Metropolitan Area
(Quarterly data from Jan. 2016 to April 2026)



Property prices have remained stable.

While rising interest rates can weigh on real estate prices by pushing up expected investment yields, expected yields have remained stable since the start of 2026. This likely reflects the continued attractiveness of income-producing real estate relative to borrowing costs, as well as the possibility that anticipated future cash flow growth is already partly priced in. As a result, real estate prices are expected to remain stable, which should help support the appraised values and NAV of REIT-held properties and, in turn, provide support for the J-REIT market.

Figure 6. Real Estate Expected Cap Rate
(Semiannual data from Oct. 2005 to Apr. 2026)



Note: This material contains personal views and does not necessarily reflect Nomura Asset Management house view.

Source: (Fig. 5.) Nomura Asset Management, based on data from Ichigo Real Estate Service. (Fig. 6.) Nomura Asset Management based on data from Japan Real Estate Institute.

Major Economic and Market Forecast

				2026				2027		2024	2025	2026	2027
				Q1	Q2	Q3	Q4	Q1	Q2				
					F	F	F	F	F		F	F	
Real GDP (qoq, ann, %)	World	*1,*4	2.6	2.3	2.1	2.3	2.2	2.3	2.9	2.7	2.3	2.3	
	Developed	*2	1.1	1.2	1.2	1.4	1.6	1.7	1.8	1.8	1.3	1.6	
	Emerging	*1,*3	4.3	3.9	3.9	3.7	3.6	3.7	4.6	4.3	3.9	3.7	
	United States		1.6	1.8	2.0	1.9	2.0	2.1	2.8	2.1	2.0	2.0	
	Eurozone		-0.9	0.9	1.1	0.9	1.0	1.3	0.9	1.5	0.4	1.1	
	Japan		1.8	0.3	0.7	1.0	1.0	1.6	-0.2	1.1	0.6	1.0	
	China	*1	5.0	4.4	4.5	4.3	4.4	4.4	5.0	5.0	4.5	4.3	
CPI (yoy, %)	World	*4	2.7	3.6	3.7	3.6	3.3	2.5	3.0	2.6	3.4	2.6	
	Developed	*2	2.5	3.5	3.7	3.7	3.5	2.4	2.7	2.6	3.4	2.5	
	Emerging	*3	3.1	3.6	3.7	3.4	3.1	2.8	3.6	2.7	3.5	2.8	
	United States		2.7	4.1	4.1	4.2	3.8	2.6	3.0	2.7	3.7	2.8	
	Eurozone		2.0	3.1	3.0	2.9	2.6	1.9	2.4	2.1	2.8	2.0	
	Japan	*5	1.8	1.6	2.2	2.5	3.0	1.5	2.5	3.1	2.0	1.8	
	China		0.9	1.3	1.1	0.5	0.5	0.9	0.2	0.1	1.0	1.1	
Policy Interest Rate (%)	United States	*6	3.75	3.75	3.75	3.75	3.75	3.75	4.50	3.75	3.75	3.75	
	Eurozone	*6	2.00	2.25	2.50	2.50	2.50	2.25	3.00	2.00	2.50	2.00	
	Japan	*6	0.75	1.00	1.00	1.25	1.25	1.50	0.25	0.75	1.25	1.50	
	China	*6	3.00	3.00	3.00	3.00	3.00	3.00	3.10	3.00	3.00	3.00	
10-Year GB Yield (End of Period, %)	United States		4.32	4.47	4.40	4.40	4.50	4.60	4.57	4.17	4.40	4.70	
	Germany		3.00	2.86	2.90	2.90	2.80	2.80	2.37	2.86	2.90	3.00	
	Japan		2.35	2.68	2.70	2.80	2.90	3.00	1.10	2.07	2.80	3.10	
Equity Index (End of Period, Point)	S&P500		6,529	7,499	7,660	7,900	8,120	8,370	5,882	6,846	7,900	8,890	
	EURO300		2,328	2,572	2,590	2,630	2,670	2,710	2,016	2,360	2,630	2,790	
	TOPIX		3,498	3,995	4,110	4,220	4,310	4,530	2,785	3,409	4,220	4,880	
	MSCI EM (\$)		1,397	1,723	1,800	1,850	1,900	1,950	1,075	1,404	1,850	2,030	
Currency (End of Period)	USD/EUR		1.15	1.14	1.15	1.15	1.15	1.13	1.04	1.17	1.15	1.10	
	JPY/USD		159.1	162.5	160.0	160.0	160.0	165.0	157.2	156.7	160.0	170.0	
	JPY/EUR		183.3	185.8	184.0	184.0	184.0	186.0	162.7	184.1	184.0	187.0	
	RMB/USD		6.91	6.79	6.70	6.70	6.70	6.70	7.30	6.99	6.70	6.80	

Emerging FX and Policy Interest Rate Forecast

		2024	2025	2026	2027
				F	F
Currency (Per USD, End of Period)	INR	85.6	89.9	95.0	98.0
	IDR	16,095	16,675	18,000	19,000
	BRL	6.2	5.5	5.2	5.4
	MXP	20.8	18.0	17.3	17.8
	ZAR	18.9	16.6	16.5	17.2
	TUR	35.4	43.0	51.0	60.0
Policy Interest Rate (%)	India	6.50	5.25	5.25	5.25
	Indonesia	6.00	4.75	5.75	5.75
	Brazil	12.25	15.00	13.25	13.25
	Mexico	10.00	7.00	6.50	7.00
	S. Africa	7.75	6.75	7.00	7.00
	Turkey *6	48.13	38.00	37.00	37.00

Note: Forecast as of June 22, 2026 (economic indicators are based on the latest available data as of the previous day).

1) Year-on-year comparison. 2) GDP-weighted average for the United States, Eurozone, Japan, the United Kingdom, Canada, and Australia. 3) GDP-weighted average for China, India, Brazil, South Korea, Taiwan, Indonesia, Thailand, Malaysia, the Philippines, Hungary, Poland, Russia, Turkey, Mexico, and South Africa. 4) GDP-weighted average of 2) and 3). 5) Core consumer price index. 6) Interest rates: for Japan, the uncollateralized overnight call rate target; for the United States, the upper limit of the Federal Funds target range; for the Eurozone, the central bank deposit facility rate; for China, the 1-year loan prime rate; and for Turkey, the weighted average funding rate from the central bank. The outlook for Japan is based on the assumption that a 1% consumption tax on food and beverages will be introduced in April 2027. *As for forecast columns, actuals are prioritized if available.

Source: Oxford Economics, Bloomberg, and Nomura Asset Management

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