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Singapore's S$5 Billion Equity Market Development Programme – Impact and Analysis

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A brighter horizon for Singapore's stock market: MAS's S$5 billion initiative sets the stage for revitalization.

Introduction

Originally announced in February 2025 as part of MAS's broader capital markets strategy, the S$5 billion Equity Market Development Programme (EQDP) reached a major milestone in July 2025 with the appointment of its first batch of fund managers — Avanda, Fullerton, and J.P. Morgan Asset Management — and the commencement of actual capital deployment. This initiative – unprecedented in scale for Singapore – will channel government-linked investments into domestically listed stocks through professional fund managers, with a special focus on small- and mid-cap companies. The EQDP is one pillar of a broader MAS effort to strengthen the equity ecosystem, alongside measures to enhance research coverage, streamline listing rules, and bolster investor protections. By increasing liquidity and visibility for undervalued local stocks, policymakers hope to narrow the gap between Singapore's market and more active regional peers. Similar to past interventions elsewhere (for example, Malaysia's 2002 ValueCap fund to support undervalued stocks), the MAS's program represents a proactive attempt to catalyze market activity outside of a crisis scenario. We will examine the details of this initiative, evaluate analysts' views and additional perspectives, profile the fund managers involved, and analyze which sectors or stocks could benefit. Quantitative context – such as the scale of these flows relative to market size and historical trading patterns – is included to gauge the potential impact. Finally, we discuss the anticipated timeline of the program and how investors might position themselves in light of these developments.

Overview of MAS's S$5 Billion Market Boost Programme

Programme Rationale: The EQDP was conceived following an Equities Market Review in early 2025 to address Singapore's lagging trading volumes and slow pace of new listings compared to markets like Hong Kong and the US. Singapore's equity market has long been seen as stable and dividend-rich, but it has struggled with lower liquidity and less participation in smaller-cap stocks. The MAS's goal is to *"increase investor interest…improve the ecosystem's attractiveness to quality listings, and adopt a more pro-enterprise regulatory stance while strengthening investor confidence"*. In essence, the program is designed to *"boost market vibrancy"* through both demand-side interventions (injecting capital via fund managers) and supply-side reforms (improving research, listings, and investor trust).

Funding Allocation: MAS has earmarked **S$5 billion** under the EQDP, with an **initial S$1.1 billion** now being deployed by a first batch of asset managers. The remaining ~S$3.9 billion will be allocated in subsequent phases, with the next batch of manager appointments expected by **4Q 2025**. By staggering the deployment, MAS aims to speed up capital infusion without overwhelming the tight liquidity of Singapore's market. Each selected fund manager receives a mandate to invest MAS's funds in Singapore-listed equities, and importantly, they are expected to *"crowd in"* additional **third-party capital** alongside MAS's investment. This co-investment approach means the eventual fund inflows could exceed S$5 billion if private investors join in, magnifying the program's impact. MAS reportedly received interest from over 100 global, regional, and local asset managers to participate, reflecting strong industry appetite to deploy capital in Singapore given the backstop of MAS involvement.

Small/Mid-Cap Focus: A core stipulation is that the fund strategies have a *"clear focus on improving liquidity and broadening participation in Singapore equities, with significant allocation to small- and mid-cap stocks"*. In practice, this means the managers are not simply ploughing money into blue-chip Straits Times Index (STI) components (which already enjoy heavy institutional ownership), but rather targeting the under-followed segment of the market. By directing capital "off-benchmark," the EQDP explicitly aims to shine a light on **under-researched, undervalued smaller companies**. These stocks have historically traded at lower valuations and higher dividend yields than large-caps, partly due to poor liquidity and scant analyst coverage. For context, many Singapore mid/small-cap companies trade below book value or at mid-single-digit P/E ratios despite stable earnings, and dozens of such firms have dividend yields well above the STI average of ~4–5%. This suggests substantial room for **re-rating** if increased demand and research attention reveal their true fundamentals.

Complementary Measures: Alongside the fund placements, MAS announced a **S$50 million commitment (through end-2028)** to enhance the **Grant for Equity Market Singapore (GEMS)** scheme for research and new listings. This includes higher monetary incentives for brokerage research reports (up to S$6,000 per report, versus S$4,000 previously) especially for initiation coverage on small/mid caps or pre-IPO companies. There are also new grants to fund digital dissemination of equity research (to engage younger, online-savvy investors) and even to support research on private companies, building a pipeline of future IPO candidates. On the listing front, MAS will subsidize **Singapore Depository Receipts (SDRs)** and foreign Depository Receipts at S$40,000 per issuance, and has more than doubled grant funding for new **ETF listings** (from S$100k to S$250k, with S$180k for cross-listed or feeder ETFs). These incentives aim to broaden the *"listed product ecosystem"* – i.e., to encourage more ETF products and cross-border listings in Singapore, giving investors greater choice and bringing

global exposure to local counters. Finally, MAS is also consulting on **investor recourse** enhancements, such as facilitating class-action style suits for market misconduct (through legal provisions, representative organizations like SIAS, and grants to fund such lawsuits). This focus on investor protection is meant to *"bolster confidence"* by assuring investors that abuses can be effectively addressed, which is crucial if we want more retail participation without fear of being caught in fraud or manipulation.

Timeline: The EQDP is part of an ongoing review slated to produce a final report by **end-2025**. The first fund deployments (S$1.1B) are beginning now (mid-2025), and additional tranches will be rolled out over the next 12–18 months. While MAS has not given a hard end-date for deploying the entire S$5B, the expectation is that by 2026 the bulk of the funds will be invested via a "broad range of fund managers employing varied strategies". The committed research and listing grants run until **2028**, indicating a multi-year horizon for the program's full effects to materialize. This is not a one-off stimulus, but rather a sustained market development effort. We can infer the MAS funds will remain under management for the long term, subject to performance – MAS explicitly notes it does *not guarantee* the fund performance, implying the managers bear the investment risk as they would with any private capital.

Global Context: Globally, it is relatively rare for a regulator to directly allocate public funds to boost equity markets outside of crisis periods. One precedent was **Malaysia's ValueCap**, a RM10 billion (S$3.3B) government-funded vehicle set up in 2002 to invest in Malaysian stocks deemed undervalued, which was credited with stabilizing the market during a downturn. Another example is Japan, where the **Bank of Japan's ETF purchase program** (part of quantitative easing) resulted in the central bank becoming a top shareholder in many Japanese companies – owning an estimated 7% of the Tokyo stock market via ETFs by 2021. However, the BOJ's aim was macroeconomic (to reduce equity risk premia) rather than explicitly to develop capital markets. Singapore's EQDP is more akin to a *market modernization* initiative seen in some emerging markets, but executed within a developed market context. It combines funding with structural reforms. MAS officials have stressed that this is *"not just about injecting funds… we're really looking at how to develop our fund-management industry"* as well. In that sense, the programme serves dual purposes: (1) **Catalyzing market demand** for local equities, and (2) **Anchoring top-tier asset managers** in Singapore (with mandates that encourage them to expand their local investment teams and research capabilities). If successful, the long-term payoff would be a virtuous cycle of more capital and talent devoted to Singapore's market.

Market and Analyst Reactions – Do We Agree?

The announcement of the S$5 billion program has generally been welcomed by market participants and analysts, who see it as a strong signal of support for Singapore's financial markets. Key views expressed in the media include:

- **Boost to Undervalued Small Caps:** Analysts widely expect the injection of funds to lift the prices of *"undervalued, small-cap stocks"* that have been overlooked. The *Business Times* noted the initiative is *"set to lift undervalued, small-cap stocks"*, and local brokerage commentary echoed that improved liquidity should help close the valuation gap for quality

companies outside the STI heavyweights. We agree with this view: many Singapore small/mid-caps have been trading at depressed valuations largely due to a lack of investor attention. An infusion of S$1–5B targeted at this segment could indeed be a **game-changer for price discovery**. By some estimates, the total market capitalization of Singapore-listed firms outside the STI 30 is on the order of a few hundred billion SGD; a few billion of new capital focused on this pool (perhaps 2–3% of its value) can meaningfully move the needle, especially if concentrated in stocks with low float. We expect price-to-earnings multiples for solid mid-caps to expand as demand increases. For example, if a mid-cap currently at 8x earnings re-rates to 12x (closer to larger peers) due to new institutional buying, that implies a 50% stock price gain, all else equal.

- **Improved Liquidity and Trading Interest:** There is consensus that the program will **increase trading activity** on the SGX. Immediately after MAS confirmed the first S$1.1B allocation in July, Singapore's market saw a noticeable uptick – the Straits Times Index (STI) climbed modestly (around +0.3% intraday) and breadth improved with **356 gainers versus 221 losers** on the day. While a 0.3–1% STI move is not dramatic by itself (the STI is dominated by banks and REITs which were not the program's main targets), **smaller-cap indices rallied more strongly**, according to traders, as speculation grew about which stocks the funds might buy. Market turnover was "steady" to higher than usual, indicating increased participation. We agree that liquidity should improve – not just from MAS's capital, but from **copycat investors** who may start rotating into the small/mid-cap space anticipating the MAS-backed funds' involvement. Over time, if the program succeeds, one would expect bid-ask spreads on many thinly traded stocks to tighten and daily trading volumes to rise, reducing the illiquidity discount that has plagued such stocks.

- **Enhanced Research Coverage:** The commitment of $50M to subsidize research and analyst coverage was highlighted as a crucial complement. Local market commentators noted that lack of research is a key reason investors avoid small caps; thus, funding more research reports (with bonuses for initiations on new companies) can *"boost investor awareness and trading interest in under-researched segments"*. We concur – better information flow should help correct mispricings. This is essentially a demand-side measure (investors are more likely to buy what they understand) that works hand-in-hand with the supply of liquidity. We might add that international investors often cite limited research as a deterrent in smaller markets. With this program, not only are stocks getting funding, but they'll also get **noticed** more, which could attract foreign funds that previously stuck only to STI names.

- **Development of Local Fund Management Industry:** MAS and government spokespeople emphasized that the program is as much about industry development as about market prices. Minister Chee Hong Tat pointed out that the aim is to cultivate Singapore's asset-management ecosystem, not just do a one-time market pump. For instance, the three initial fund managers are expected to base more investment professionals in Singapore and potentially launch new funds (for local and foreign investors) focusing on Singapore equities. This could have a multiplier effect: if several global managers establish Singapore-focused funds due to EQDP, the city could become a hub for ASEAN/small-cap investment expertise, drawing in regional mandates. We agree with this long-term vision – it addresses a structural issue: historically,

few specialized funds targeted Singapore's smaller companies, as most local equity funds benchmark to the STI (skewed to banks and large-caps). By seeding specialist strategies, MAS is effectively **incubating new "Singapore alpha" vehicles**. Over time, these could attract capital well beyond MAS's seed money. The success of this approach will hinge on performance – if the MAS-seeded funds deliver attractive returns, other institutional investors (pensions, family offices, etc.) may allocate to them, amplifying fund flows into the market. This *"crowding-in"* is explicitly sought by MAS.

- **Investor Confidence and Participation:** Another view from officials and analysts is that the program could stimulate greater **retail investor participation**, which has been relatively low in Singapore's stock market. Chee Hong Tat urged that Singaporeans should view the local stock market as a place for *"longer-term investments, not just short-term punting"*, to build wealth for retirement. By making the market more vibrant and trustworthy (via stronger enforcement and recourse for misconduct), the hope is to break the cycle of retail apathy. We largely agree – a more dynamic market with success stories in the mid-cap space could indeed re-engage the public. Singapore retail investors often focus on a few high-yield blue chips or property stocks; if they see a broader set of companies performing well (backed by institutional interest), their confidence to diversify could grow. However, we would caution (as an additional viewpoint) that the **proof will be in sustained performance**. Retail investors have been disappointed before by speculative rallies that fizzled. It's crucial that the companies benefiting from this program truly improve in fundamentals or recognition, such that gains are durable. Otherwise, if stocks spike only to crash later, it could *undermine* confidence. Therefore, both MAS and the fund managers carry responsibility to act prudently – the managers must avoid simply chasing momentum and instead invest in companies with solid fundamentals that can deliver long-term returns.

Overall, we **agree with the positive views** that the EQDP can unlock value in small/mid-caps, improve liquidity, and foster a healthier market structure. These outcomes are supported by both academic understanding (e.g. increased analyst coverage tends to lower the cost of capital and improve valuations) and historical precedent (markets with broader investor participation and sector diversity are more robust). At the same time, we offer a few **additional perspectives** not heavily emphasized in the media coverage:

- **Risk of Market Distortion:** One concern is whether government-directed capital could distort market pricing. By empowering external fund managers and not directing specific stock picks, MAS has wisely mitigated the risk of politicized investments – the managers have full autonomy and MAS is effectively a passive investor in their funds. Nonetheless, with a sizeable war chest, these funds could become *kingmakers* in certain small stocks. A sudden accumulation by a MAS-backed fund might drive a stock's price up sharply (a boon for existing shareholders), but if too abrupt it could overshoot fair value. Other investors might then pile in or front-run, leading to **volatility spikes**. It will be important for the managers to build positions gradually and possibly even act as market makers providing liquidity (some strategies might involve block trades, etc.). Liquidity injection is good, but **volatility management** is also key to sustain investor trust. On balance, this risk is manageable and is outweighed by the benefits, but it is a point to monitor. Over the longer term, if these funds

eventually withdraw (say after several years), there needs to be enough genuine private investor interest to avoid a void that could hurt prices. MAS appears aware of this, hence the push to crowd-in others and only withdraw once a "commercially viable segment of the market has been attained" (an approach similar to how ValueCap was eventually wound down after the market normalized).

- **Global Market Conditions:** The success of this program will also depend on external market conditions. If global equity sentiment is positive (as it has been in 2023–2024 for U.S. tech stocks, for example), funnelling money into Singapore equities could attract attention and yield strong returns. Conversely, if a global downturn or risk-off phase hits, the injection might at best stabilize local stocks but not produce major rallies. In a severe bear market scenario, even S$5B may not prevent declines – Singapore's market capitalization is large (~S$900B+) and highly correlated with global trends. Thus, one should temper expectations that MAS's move will decouple Singapore from global cycles. It's more about improving *relative* performance and attractiveness. For instance, in recent years Singapore underperformed regional peers in IPOs and valuations; this program could help it catch up when conditions are favourable. But it is not an all-weather shield. Investors will still need to hedge macro risks and not assume Singapore equities are a one-way bet due to government support.
- **Comparison with Other Markets:** It is insightful to compare MAS's approach with how other financial centers tackle similar issues. Hong Kong, for example, has not directly injected government funds to boost stocks (except in the 1998 crisis); instead, it leans on structural initiatives like the Stock Connect with mainland China which brought in massive liquidity from Chinese investors. Singapore does not have an equivalent large hinterland of retail investors, hence the need to innovate differently. In the US or Europe, direct public market support is also uncommon outside of quantitative easing. However, governments do provide *indirect* support – e.g., the U.K. and others have tried loosening listing rules, providing tax incentives for investing in domestic stocks (e.g., UK ISAs), or funding tech start-ups that eventually IPO. Singapore's EQDP is a more direct intervention and will be a fascinating case study. If it succeeds, it might serve as a model for other mid-sized markets looking to jump-start equity interest. Already, the World Bank noted that ValueCap's model from Malaysia has parallels in some U.S. and Korea crisis measures, though those were bond-focused funds. Singapore's experiment might inform emerging markets on how to combine *fund seeding + market reforms* in a non-crisis context.

In summary, the views expressed in various articles are largely justified. We endorse the optimism that the EQDP can **"provide a lift"** to Singapore's equity scene, while adding that careful execution and external factors will play determining roles. With the MAS and industry stakeholders aligned on improving market dynamics, the initiative's multi-pronged nature (funding + research + regulatory tweaks) has a solid chance of achieving its goals.

The Three Asset Managers: Mandates & Investment Styles

A distinctive feature of the EQDP is that MAS is **outsourcing the stock selection and portfolio management** to experienced fund managers rather than managing the money itself. This aligns incentives with market-based performance and brings in diversified expertise. The first **S$1.1 billion** tranche has been split among **three asset managers** chosen by MAS:

- **Avanda Investment Management** – a Singapore-based boutique firm,
- **Fullerton Fund Management** – a home-grown fund house backed by Temasek, and
- **J.P. Morgan Asset Management** – the global asset management arm of U.S. banking giant JPMorgan.

Each of these firms comes with different strengths and investment philosophies, and their participation is contingent on contributing to EQDP's objectives. Below, we profile each manager and consider how their **investment style or mandate** might influence market impact, including what investors should watch for as these funds deploy capital:

1. Avanda Investment Management: Co-founded in 2015 by former GIC investment veterans (including ex-GIC CIO Ng Kok Song), Avanda is a relatively young firm with a pedigree in sovereign wealth-style investing. It has experience in global multi-asset portfolios and manages money for institutional clients. Under EQDP, Avanda is launching a **Singapore-only equity strategy** and has been notably transparent about its approach. Avanda stated that its EQDP fund will be *"fully allocated to Singapore-listed companies with a strong focus on the small- and mid-cap segment"*, and that being *"highly active and benchmark-agnostic"* will allow it to *"invest outside of the Straits Times Index constituents"*. This implies Avanda will **deviate significantly from the index**, likely building a high-conviction portfolio of off-the-radar stocks. Investors should look out for Avanda taking sizable positions in companies outside the STI – possibly in the **S$300 million to S$2 billion market cap range** – that they deem undervalued or poised for growth. Avanda's leadership's background suggests a fundamental, long-term perspective (consistent with GIC's style), coupled with macro-awareness. They might favour companies with strong balance sheets and cash flows (a sovereign wealth trait is capital preservation), and they will not shy away from lesser-known names since they do not intend to track any index. **Market effect:** When Avanda identifies a target stock, its "active" style means it could accumulate a meaningful stake. We might see filings of substantial shareholdings (above 5%) by Avanda in certain companies over time. Such accumulation can both raise the stock price and improve liquidity (if they buy from willing sellers or via placements). Avanda's moves could also serve as a *signal* to other investors – if this respected institutional player is buying a particular small-cap, others may follow ("smart money" effect). For example, if Avanda were to invest in a mid-cap tech manufacturing firm that had been ignored, one could expect renewed interest and perhaps the stock's daily volume doubling as a result. Because Avanda is benchmark-agnostic, they might also hold a concentrated portfolio (maybe 20–30 stocks, rather than hundreds). This concentration means their top picks will get a significant boost.

2. Fullerton Fund Management: Fullerton is a well-established Singapore fund manager (founded in 2003) with about US$40B AUM, known for its expertise in Asian equities and fixed income. It is a

subsidiary of Seviora (Temasek's asset management arm) and has both institutional and retail offerings. Fullerton was chosen for its *"strong focus on Singapore listed equities"* and its ability to *"broaden investor participation beyond large-cap stocks"*, according to MAS's criteria. As a **"home-grown investment specialist"**, Fullerton is highly aligned with MAS's objectives. The firm announced it will **launch a dedicated Singapore equities unit trust** as part of the mandate, aiming to *"crowd-in investor assets from various segments locally and abroad"*. This suggests Fullerton's approach will be to use MAS's seed money to create a fund product that can be marketed to other investors (e.g., high-net-worth, retail, foreign institutional). Fullerton's style is typically active fundamental investing, with a team of analysts covering Singapore companies. They may have a slightly more diversified or income-oriented bent given many of their existing funds emphasize stable returns (Fullerton manages some balanced and income funds, and being owned by Temasek/NTUC Income influences a somewhat conservative culture). That said, Fullerton explicitly noted its intent to foster a *"more vibrant ecosystem – linking the buy-side and sell-side, supporting corporates, deepening liquidity… especially in the mid-cap space"*. This implies Fullerton might take a *networking approach*: working closely with sell-side brokers for research, engaging company managements, possibly even helping to underwrite deals or placements for mid-caps. **Investing tendencies:** Fullerton might favour mid-cap companies with solid fundamentals that can appeal to both local and foreign investors – for example, companies with strong governance or dividend track records that are just below the radar of global funds. It would not be surprising if Fullerton's new unit trust holds a mix of high-quality mid-caps *and* a few large-cap anchors. They might include a bank or REIT or two for liquidity management and yield, while allocating a good portion to true mid/small caps for alpha. For investors watching the market, **signs of Fullerton's activity** could include increased volume in mid-sized **blue-chip adjacents** – companies that are one tier below STI. Fullerton's mandate to broaden participation also suggests they could be active in investor outreach (e.g., publishing thought pieces or doing seminars on Singapore stock opportunities). Stocks with strong ESG or governance might attract them (since they have global clients to answer to). We expect Fullerton to take a balanced approach: providing growth exposure through smaller companies but also managing downside with some defensives. The net effect should still be more liquidity for mid-caps – if Fullerton's fund becomes popular, it will continuously add new inflows to the segment.

3. J.P. Morgan Asset Management: JP Morgan AM is one of the world's largest asset managers, managing over US$2.5 trillion across asset classes. Its inclusion in the EQDP first batch is significant, signalling global investor buy-in. JP Morgan has a presence in Singapore and manages regional funds, but historically international managers have underweighted Singapore (owing to its small index weight). Under EQDP, JP Morgan is likely setting up (or using an existing vehicle for) a **Singapore equities mandate**. While they have not publicly disclosed details, MAS's criteria apply equally – so JP Morgan's strategy must also focus on improving liquidity in Singapore stocks, particularly small/mid-caps. JP Morgan AM has a variety of equity strategies: some are value-oriented, some growth; they also leverage a large analyst pool across Asia. We suspect JP Morgan will deploy a more **quantitative and process-driven approach** compared to the other two. They might use screens to identify undervalued stocks, incorporate ESG factors (as global institutions increasingly do), and apply risk controls to avoid too much concentration in very illiquid names. Their mandate may be managed by their Asia ex-Japan Small Cap or Emerging Markets team. **What to look for:** JP Morgan's involvement could draw **foreign capital** into Singapore. They have the distribution network to sell a "Singapore

Opportunities Fund" to overseas clients, marketing the Singapore market's high dividend yield and stability (as highlighted in an OCBC report: Singapore offers *"attractive dividend yields and defensive qualities during uncertainty"*). If they succeed, we might see sustained inflows that are not just MAS money but also from global institutions co-investing. JP Morgan is also likely to engage on corporate governance – big global funds often push for better shareholder returns (through higher dividends, buybacks, etc.). This could positively pressure some mid-cap companies to be more investor-friendly, thereby raising their appeal. On style, JP Morgan Asset Mgmt is known for fundamental research with a quality bias. They may lean towards companies with strong competitive positions in their niches (even if small). For example, a Singapore mid-cap that is a regional leader in its industry but thinly traded could be an ideal target. **Market effect:** Because JP Morgan will act as a fiduciary to external investors, they might initially be cautious in deployment (to ensure they buy at good entry prices). Their trades might be less visibly abrupt. However, once positions are built, having JP Morgan on the shareholder register is a confidence booster. One should watch SGX filings or fund fact sheets for which stocks JP Morgan funds are accumulating. Furthermore, JP Morgan's involvement might eventually lead to *index inclusion effects*. If some mid-caps rise enough in value/volume to join the MSCI Singapore indices, that can pull in passive flows – a secondary effect that JP Morgan (and the other managers) could trigger by elevating certain companies.

In summary, **the three managers bring complementary approaches**: Avanda (nimble, concentrated bets in off-index names), Fullerton (deep local insight and balanced portfolios, mobilizing local investor base), and JP Morgan (global perspective, systematic research, access to foreign capital). All three share the mandate to emphasize small/mid-caps, so we anticipate heightened activity in that segment from multiple angles – stock picking, corporate engagement, and marketing to new investors.

From an investor's standpoint, key things to **look out for include**:

- *Disclosure of portfolio moves:* Keep an eye on SGX announcements of substantial shareholdings (>5%) or market talk about certain funds accumulating stakes. If, for instance, Avanda or Fullerton crosses the 5% ownership threshold in a company, they must file a notice – such filings will effectively reveal some of their stock picks.
- *New fund launches:* Fullerton's Singapore equities unit trust will be launched publicly, which means a prospectus or fact sheet will list its investment objective and possibly top 10 holdings over time. Avanda might also eventually list their fund on platforms or provide updates since they answered media queries (their fund name/PMs were hinted at in The Edge article). JP Morgan might incorporate this mandate into an existing product (e.g., a new share class of a regional fund) – if so, tracking that may be trickier, but any commentary from their Asia team on Singapore is worth noting.
- *Style impact on market:* Avanda's trades could cause *short-term pops* in smaller stocks (given their active style), so one might see unusual volume/price action in some small-caps without obvious news – a clue that institutional accumulation is underway. Fullerton's broader approach might support prices more gradually and provide liquidity (they may participate in block trades, placement exercises for companies raising capital, etc.). JP Morgan's impact might be seen in *relative performance*: for instance, if they overweight certain sectors, those could start outperforming peers.

- *Commitment to small-caps:* All managers are required by MAS to stick to the spirit of the program (small/mid-cap focus). MAS will monitor them, though it is not micromanaging picks. If a manager drifted and put, say, half the money into DBS and OCBC (large banks), that would defeat the purpose. We doubt that will happen given the selection criteria. However, one can monitor the general allocations – e.g., if the unit trust fact sheets show >50% in mid-caps, then the mandate is being followed.

One more factor: MAS wanted managers who *“expand or contribute to growth of asset management and research capabilities in Singapore”*. This implies we might see **hiring and team expansion** news – for example, Avanda or JP Morgan hiring more analysts in Singapore, or partnering with local research firms. This soft aspect will not directly move markets, but it will ensure a more sustainable effort (more people on the ground doing research = better coverage for investors).

In conclusion, the trio of asset managers, with their diverse yet complementary styles, should collectively provide a **significant infusion of both capital and professional scrutiny** into Singapore’s equity market. Each will influence the market in slightly different ways, but all are aligned in lifting the profile of Singapore’s small and mid-sized companies. For investors, these activities present opportunities to identify *which stocks are gaining institutional interest early* and to possibly co-invest in those names, though one should always do independent due diligence rather than blindly follow. The presence of heavyweights like JP Morgan also adds credibility to Singapore’s market – a point not lost on international observers.

Sectoral and Thematic Beneficiaries – Where Will the Money Flow?

A critical question for investors is **which segments of the market are poised to benefit most** from MAS’s S$5B initiative. Given the program’s design, we can anticipate certain **sectors, themes, or types of stocks** to see disproportionate positive impact. Below we analyze these likely beneficiaries and provide examples:

1. Small & Mid-Cap Equities – The Prime Targets: By definition, the program is geared toward small/mid-cap stocks, so this broad category is the obvious winner. But within it, we can refine the focus to *quality companies that are fundamentally sound but liquidity-starved*. Fund managers will be hunting for stocks that offer good value or growth but have been overlooked.

- **“Undervalued Value” Plays:** These are companies trading at low valuations (low P/E, P/B) relative to their earnings or assets, often due to poor sentiment or lack of coverage. Many belong to traditional sectors like industrials, manufacturing, or consumer services. For instance, **ComfortDelGro Corp (SGX: C52)**, a transport conglomerate, has been tipped as a beneficiary. It delivered solid earnings growth in 2024 (net profit +16.6%) and raised dividends, yet its stock has languished. With the new liquidity, value investors like Avanda might accumulate such a stock, expecting a re-rating from (hypothetically) ~12x earnings to maybe 15x. Another example is **Hong Leong Asia (SGX: H22)**, an industrial conglomerate, which doubled its dividend in 2024 amid profit growth. It remains at a modest valuation. Such cyclical/value stocks could see renewed interest as funds rotate into laggards with improving

fundamentals. We expect sectors like **land transport, industrial conglomerates, manufacturing, and some financial services** (excluding the big banks) to get attention. Many of these companies also have significant assets (e.g., property holdings or cash) on their balance sheets, making them attractive to value-oriented funds if priced below book.

- **Growth Mid-Caps:** These include firms in sectors like technology, fintech, healthcare, or consumer tech that have higher growth trajectories but perhaps were ignored due to their smaller size or earlier-stage nature. A prime example is **iFAST Corporation (SGX: AIY)**, a fintech wealth management platform. iFAST has been growing rapidly (1Q2025 net profit +31% YoY) and even operates a newly profitable digital bank. Despite robust growth, its stock has been volatile. Under EQDP, growth-focused managers (e.g., those at JP Morgan who might seek secular growth stories) could target such companies. Increased institutional ownership can stabilize these stocks' performance and push valuations higher (akin to how U.S. small-cap growth stocks rally when they attract fund interest). Another growth mid-cap to consider is **AEM Holdings (SGX: AWX) or UMS Holdings (SGX: 558)** (semiconductor equipment suppliers) – they have strong long-term demand drivers and had been darlings of local tech investors, but saw pullbacks due to cyclical downturns. Fresh capital could position for the next upcycle. **Healthcare and biotech** small-caps (of which SGX has a few) might also gain if research coverage expands or some Catalist-listed life sciences firms could be on the radar once more analysts look at them.

- **Under-researched Gems:** MAS specifically wants to boost "under-researched segments". This implies companies that have few or no brokerage analysts covering them currently. Many Singapore companies under ~$500M market cap have zero analyst coverage. The EQDP funds, armed with MAS research grants, will shine light on some of these. For example, a mid-cap like **SIA Engineering Company (SGX: S59)** – an aircraft MRO provider – was historically covered, but interest waned during COVID. Now it is recovering (FY2025 net profit +44% YoY). It yields a decent dividend and stands to benefit from the aviation rebound. We might see analysts re-initiate coverage and funds accumulate SIAEC. Other examples: **Venture Corporation (SGX: V03)** – fairly well-known but could see expanded ownership due to its tech exposure; or companies in niche sectors such as **Bumitama Agri (SGX: P8Z)** with steady profits but scant following, which could become targets for diversification.

- **Strategic Block Acquisitions:** In addition to broad-market accumulation, a possible scenario where EQDP-backed funds may negotiate *block acquisitions* of equity from major shareholders in under-researched small-cap firms with limited free float. Candidates such as **MoneyMax (SGX: 5WJ)**, **OKP Holdings (SGX: 5CF)**, and **Credit Bureau Asia (SGX: TCU)** stand out: each presents a compelling blend of strong fundamentals, stable cash generation, and insider-dominated shareholder registers. A carefully structured stake acquisition—be it via off-market cross or private placement—would not only boost institutional ownership but also send a signal of strategic re-rating potential to the broader market.

  The table below shows how a 5% equity stake acquisition by an EQDP fund could materially boost the public float of small-cap companies like MoneyMax, OKP Holdings, and Credit Bureau Asia. This translates into a meaningful increase in available float, which could:

- Enhance stock liquidity, making them more investable for institutional portfolios.
- Broaden analyst coverage, as increased ownership draws attention.
- Support a valuation re-rating, due to improved trading dynamics and market confidence.

Company	Mkt Cap (S$M)	Current Float (%)	Float Value (S$M)	5% Stake (S$M)	New Float Value (S$M)	Float Increase (%)
MoneyMax	280	13.3%	37.2	14.0	51.22	37.6%
OKP Holdings	300	30.3%	91.0	15.0	105.98	16.5%
Credit Bureau Asia	320	29.7%	95.1	16.0	111.12	16.8%

Table 1: Modelled impact of 5% block stake acquisition

As evidence of which specific stocks could benefit, *The Smart Investor* identified *"five Singapore stocks that could benefit"* from the MAS programme: the aforementioned ComfortDelGro, iFAST, Hong Leong Asia, SIA Engineering, and **Parkway Life REIT**. We have covered the first four; the inclusion of Parkway Life REIT (PLife) is interesting and leads to the next category.

2. Mid-Cap and Specialized REITs: Singapore's REIT sector is a major component of the market, but most institutional money goes into the largest REITs (like CapitaLand, Ascendas, Mapletree group). Some **mid-cap REITs and property trusts** are relatively under-owned and could benefit from the EQDP indirectly. The OCBC research commentary explicitly noted that *"S-REITs are also positioned to benefit from this initiative"*. Why REITs? A few reasons:

- REITs offer attractive yields, and Singapore REITs (S-REITs) often yield 5–7%. In a low-rate environment, global investors crave yield, so if market vibrancy improves, they might revisit S-REITs.
- Improved liquidity and research can help smaller REITs that own niche assets or overseas portfolios.
- Some EQDP managers might include REITs in their portfolios as stable dividend contributors, enhancing their fund's appeal to yield-conscious co-investors.

Parkway Life REIT (SGX: C2PU), for example, is a healthcare REIT with 75 properties (hospitals, nursing homes) across Asia and a long record of growing dividends. It is a mid-sized REIT (~S$2.5B AUM) and not part of STI, but it is high-quality and defensive. The Smart Investor piece implies PLife REIT could gain as investors look for safe, growing yield plays in Singapore's market revival. Other REITs that could see interest are those on the cusp of large-cap, or with unique growth stories: e.g., specialized ones like **Digital Core REIT (SGX: DCRU)**(data center focused) or **Prime US REIT (SGX: OXMU)**(US office exposure at distressed valuations). MAS's listing grant enhancements for cross-listed and feeder ETFs might also encourage more ETFs tracking REIT indices or high-yield Singapore stocks, which could indirectly pump liquidity into the REIT sector.

Additionally, Singapore property developers (non-REIT) that are mid-sized could be in play. Many trade at large discounts to NAV. If the funds take stakes, these stocks might rerate or even attract privatization interest. For instance, **Wing Tai Holdings (SGX: W05)** or **Ho Bee Land (SGX: H13)** – both mid-cap developers with regional assets – have been trading at 50% of book value. A deep-value fund might see an opportunity there, especially if improved market conditions could narrow those valuation gaps (perhaps to 70-80% of book, implying substantial upside).

3. "New Economy" and Catalist-Board Stocks: One objective of the overall market development plan is to attract **quality new listings**, especially in growth sectors. Measures like funding pre-IPO research and streamlining IPO prospectus rules are being rolled out. While the S$5B fund will invest in existing listed stocks, its presence could indirectly benefit companies *planning* to list. A more robust market with higher valuations makes IPOs more appealing. The sectors likely targeted are technology, digital economy, biotech, and sustainability (since Singapore has lagged in listings in these areas). If the program succeeds, we can anticipate more IPOs or secondary listings of such firms on SGX in coming years – **and the EQDP managers might invest in them early.** MAS even hinted at Singapore Depository Receipts (SDRs) for foreign companies; if those launch, the EQDP funds could participate in SDR offerings, benefiting the underlying companies and adding diversity for local investors.

On the Catalist (Singapore's junior board for growth companies), many stocks are very small and speculative. We do not expect the MAS-funded managers to heavily buy micro-caps with weak fundamentals. However, some Catalist companies that graduate to the mainboard or those with genuine growth could get a lift. For example, **Nanofilm Technologies (SGX: MZH)** (a high-tech coating firm) listed on the main board but is small enough (~S$1B) to fit the mid-cap focus; it had hype then a share price slump – renewed institutional interest could revive it if its earnings recover. Essentially, any *"fallen angels"* from earlier IPOs that have good business prospects but saw their stock slide due to lack of follow-through interest might be resurrected by this wave of liquidity.

Thematic plays aligned with Singapore's strategic growth areas might also benefit. Singapore is pushing in areas like fintech, green energy, and digital infrastructure. A company like **Sembcorp Industries (SGX: U96)** (a large mid-cap and STI member now) is transforming into a green energy player – it is already well-followed, but smaller peers in clean energy or environmental solutions might catch some investor interest as side beneficiaries of the broader narrative that Singapore Inc. is being revitalized.

4. Financial Services & Market Infrastructure: Interestingly, the programme's success could also benefit **Singapore Exchange (SGX: S68)** itself and related financial plays. Higher trading volumes and more listings mean SGX earns more revenue (from trading fees, listing fees). SGX (the stock) could thus indirectly gain if the market turnover rises notably – although SGX is a large-cap, improved sentiment can certainly push its stock up. Likewise, local brokerage firms (if any are listed) or finance companies may see a pickup in business. For instance, **UOB Kay Hian (SGX: U10)** (a listed broker) or **iFAST** (as mentioned, which operates an investment platform) stand to gain from greater investor participation. In iFAST's case, it already saw nearly **S$1 billion net inflows in 1Q2025**; a bull market in Singapore equities could accelerate its inflows and assets under administration. So, certain finance sector small-caps – whether brokerages, asset managers, or fintech platforms – have a self-reinforcing

upside: they benefit from market activity and could themselves be investment targets for the EQDP funds, doubling the effect.

5. Family Office-Linked Investments: Another measure (outside the EQDP per se, but related from the Feb 2025 review) is requiring some **family offices to deploy a portion of their assets in local equities**. If implemented, this could channel additional private wealth into the market over time. Family offices often invest in blue-chips, but under such rules, they might explore broader sectors or even private placements. This could benefit the **high-end mid-caps** – companies that have the size and story to attract wealthy investors' interest (for example, a fast-growing healthcare company or a tech firm where a family office might take a strategic stake). While not a direct part of the S$5B fund flow, this thematic shift reinforces that **fund flows into SGX are likely to increase from multiple avenues** – public funds, private wealth, and potentially foreign institutional reallocation.

In providing **examples of stocks/groups that might benefit**, we lean on both the sources and our analysis. Summarizing a few:

- *Transportation & Mobility*: **ComfortDelGro** – strong cash-generative business, undervalued, yield ~6% thesmartinvestor.com.sg. EQDP funds could see it as a stable value play thesmartinvestor.com.sg.
- *Financial Technology*: **iFAST** – high-growth fintech, benefiting from digital bank and platform expansion thesmartinvestor.com.sg. Fits a growth theme for managers seeking tech exposure in Singapore.
- *Industrial/Manufacturing*: **Hong Leong Asia** – cyclical but with improving profits, asset-rich; a value pick with growth optionality in its divisions thesmartinvestor.com.sg.
- *Aerospace Recovery*: **SIA Engineering** – proxy to post-pandemic air travel rebound, good balance sheet, and now returning to profit growth thesmartinvestor.com.sg.
- *Healthcare & REITs*: **Parkway Life REIT** – defensive, long lease profile, consistently rising DPU thesmartinvestor.com.sg. Also, **First REIT** or **Far East Hospitality Trust** might attract interest as higher-yield small-cap trusts that could rerate if tourism/healthcare improves.
- *Tech Manufacturing*: **AEM, UMS, Frencken** – these hardware/semiconductor-linked firms were once popular with funds; they could see renewed accumulation ahead of the next tech cycle upswing, given their regional exposure and R&D investments.
- *Consumer/Retail*: Singapore doesn't have many listed new-economy consumer names, but **Sheng Siong (supermarket chain)** or **Thai Beverage (F&B)** are mid/large caps that might see incrementally more local fund ownership as part of diversification (though they are fairly well-owned already by regional funds).
- *Real Estate Developers*: **GuocoLand, Wing Tai, Ho Bee** – each has a unique angle (GuocoLand with integrated mixed developments, Wing Tai fashion retail plus property, Ho Bee global office portfolio). If the market assigns a bit less pessimistic discount to RNAV for these, their stocks could climb significantly. Institutional investors may take positions if they foresee catalysts (e.g., asset sales, privatisation, or recovery in office/residential segments).

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One could also consider **clusters that benefit from structural tailwinds** that Singapore is promoting. For instance, Singapore is positioning to be a hub for digital assets and fintech – any listed company in that space (if one emerges) would be favourably viewed. Or, the push for sustainability might benefit companies in renewables or carbon trading.

It is worth noting that not **every** small-cap will benefit. The managers will be selective – companies with poor governance, weak financials, or obsolete business models likely will not see much love despite the extra liquidity sloshing around. In fact, by contrast, some *relative underperformers* might be those large-caps that funds trim to rotate into smaller names. For example, big bank stocks or Singtel might see a tiny bit of outflow if local funds rebalance. But given banks are held for yield and safety, we do not expect any major negative impact on them; they are just less sensitive to this program's direct effects.

In conclusion, the **thematic beneficiaries** span a diverse range – from value cyclicals to growth tech, from REITs to industrials – united by the common thread that they are **mid-cap Singapore listed entities that are fundamentally sound but not fully valued by the market**. The MAS initiative essentially acts as a tide lifting these boats. We have seen early speculation and identification of such candidates (as cited above), and we anticipate more names will surface as the funds commence investing. For investors, a prudent approach is to identify baskets of such stocks (perhaps by screening for low analyst coverage + decent earnings growth + acceptable liquidity) and then conduct in-depth research on them, because those are the likely hunting ground for the EQDP managers.

Quantitative Context – How Big an Impact?

To gauge the quantitative impact, let us put the S$5 billion in perspective. Singapore's total equity market capitalization is around **S$900 billion** (rough estimate as of mid-2025 for SGX-listed companies). Thus, S$5B is roughly **0.6%** of the market's cap. However, since the program targets mainly the non-STI stocks, which collectively might be on the order of S$200–300B in market cap, the injection could be around **2%**+ of the capitalization of the target segment. Two percent of a market cap might sound small, but consider that many small/mid-cap stocks have low free float and low trading turnover. A 2% ownership increase across the board is significant, and in practice the funds will not spread it evenly – they will concentrate in perhaps the top 50–100 opportunities. If, say, S$5B were eventually spread over 100 stocks, that is an average of S$50M per stock. For a company with a S$500M market cap, a S$50M position would mean owning 10% of the company – a substantial stake for an institutional investor, and enough to influence the price. Even a more conservative deployment across 200 stocks would be S$25M each on average – still a notable holding for companies that size.

In terms of **trading flow**, SGX's average daily trading value in the equity market has been in the range of S$1.0–1.3B in recent years. The initial S$1.1B allocation, if invested over (for instance) 6 months, would average roughly S$9 million of buying per trading day by these funds. That is less than 1% of daily turnover, which is gentle enough not to shock the market as a whole. But zooming into specific stocks: many small caps trade less than S$1M a day in value. An extra S$9M spread among a handful of them could double or triple their daily traded value. So we anticipate **micro-level impacts** in liquidity to be much larger than the macro-level percentage suggests.

Historical fund flow patterns show that Singapore has often experienced net outflows or only modest inflows in the equity segment, as global funds chased higher growth markets or larger markets. This S$5B program effectively guarantees a baseline inflow (from MAS/FSDF) regardless of global sentiment. If global sentiment is neutral to positive, this inflow can *tilt the balance* to net positive flows, something Singapore has not seen in size in a while. Furthermore, if the managers successfully crowd-in external capital at, say, a 1:1 ratio (MAS hinted at wanting co-investment), the total could become ~S$10B. That would be **5% of the small/mid-cap segment's market cap** – a significant figure likely to re-rate that segment.

A quantitative look at valuations: Singapore's small/mid-caps have traded at lower P/E and P/B multiples than regional peers. Pre-program, many mid-caps were at single-digit P/Es and <1x book. If the program is effective, we could see a multiple expansion of a few turns (e.g., from 8x earnings to 10–12x for value stocks, or from PEG ratio of 0.5 to 0.8 for growth stocks). That could translate to a **double-digit percentage uplift in stock prices** on average for targeted stocks. Meanwhile, large-cap valuations (like banks at ~10–11x earnings, REITs at ~5–6% yield) likely remain anchored by global investors' views. So one expected outcome is a **compression of the valuation gap** between small and large caps. This is healthy for the market's breadth.

We can also consider volatility: With more institutional ownership, small-cap volatility should *decrease* over time (as trading is less one-sided or retail-driven). The bid-ask spreads could narrow. One way to quantify success in a year or two will be: Has the average daily traded value of the bottom half of stocks increased significantly? Has the number of stocks with virtually zero volume decreased? Early signs are promising – in the days after the announcement, some typically dormant stocks saw spikes in volume as speculative interest grew in "what might the funds buy". For instance, company XYZ (hypothetical) might normally trade 50,000 shares a day, but suddenly traded 500,000 shares the day after – such patterns were observed in a few counters, indicating traders positioning ahead of expected fund activity.

From a **fund performance** angle: If the EQDP funds succeed in lifting small-cap prices, their performance could be strong. A hypothetical model: assume they buy a basket of 50 small/mid stocks with average P/E 10 and over 2 years those move to P/E 13 due to re-rating, and meanwhile earnings grew 5% annually – that basket's price could rise ~40–50% over 2 years, excluding dividends. Add typical dividend yields of 3–5%, and total returns might be ~50–60%. This is speculative, but not unrealistic considering the starting undervaluation. That kind of performance would far outstrip STI (which might grow slower). Such numbers underscore why MAS wants to demonstrate that **Singapore stocks can be attractive investments** – it is trying to dispel the notion that local stocks are stagnant. If the fund managers achieve even half of that hypothesized return, it will attract a lot more private money following their strategies.

Finally, a note on **period and pace**: Based on MAS statements, the initial S$1.1B is being deployed starting now (2H 2025). Additional tranches will likely come in late 2025 and into 2026, depending on how quickly MAS reviews and appoints more managers. It is reasonable to expect the full S$5B to be allocated by the end of 2026 or so. The investments themselves are not necessarily fully drawn down on day one – managers will take some time to build positions (they are not likely to deploy a billion in the market overnight). Thus, the **fund flow will be staggered**, providing a tailwind over multiple

quarters. This extended timeframe is actually beneficial: it avoids sudden price distortions and sustains positive momentum. It also means investors still have time to get involved – the train is just getting ready to leave the station.

In summary, quantitatively, the MAS fund flows are sizable relative to the segment they target, and history suggests such incremental demand can have outsized effects on smaller assets. We should track metrics like small-cap index performance vs STI, changes in trading volume, number of research reports published (the MAS grants could increase that count significantly from 2024's baseline), and any improvement in IPO fundraising statistics. These will validate the program's impact in numbers.

Outlook and Strategies for Investors

For investors evaluating Singapore's market, the EQDP initiative presents both **opportunities and strategic considerations**. Here we outline how investors could better manage or adjust their investment approach to the Singapore bourse in light of these developments:

1. Position for Structural Tailwinds: The EQDP essentially creates a structural tailwind for Singapore equities, especially the long-neglected tier of stocks. Investors should consider **overweighting Singapore small/mid-caps** in their portfolios relative to benchmark allocations. This does not mean indiscriminately buying all small stocks, but rather selectively increasing exposure to those likely beneficiaries we discussed. One could construct a **thematic basket** of 20–30 Singapore mid-cap stocks that meet certain criteria (solid fundamentals, low valuation, potential to be bought by EQDP funds) and allocate a portion of Asia ex-Japan or ASEAN portfolio to that basket. Given the still modest valuations, downside risk appears limited, while upside could be catalyzed by the program.

2. Utilize Funds and ETFs: Not every investor has the capacity to pick individual mid-caps, so using funds is a smart way to get exposure. With Fullerton and Avanda launching Singapore equity funds, institutional allocators (like fund-of-funds or private banks) might consider investing in those **new funds** once available. These managers will effectively do the stock-picking on your behalf with MAS as a cornerstone investor. There are also a few **ETFs** that track Singapore equities, though existing ones like the STI ETF (tracking the STI 30 index) will not capture the full small-cap effect since STI is large-cap focused. However, if overall sentiment and liquidity in the market improve, even STI constituents could grind higher, so an ETF like the SPDR Straits Times Index ETF could be a low-cost way to gain general Singapore exposure (with the bonus of ~4% dividend yield). More interestingly, MAS's push for more ETFs might result in new **Singapore mid-cap or sector ETFs** coming to market. Investors should watch for such product launches – for example, an ETF tracking a Singapore Mid-Cap Index or a "SME Leaders Index". If those appear (possibly facilitated by the enhanced listing grants), they can serve as convenient vehicles to ride the small-cap rally without taking single-stock risk.

In the interim, some regional ETFs or funds might indirectly give exposure: e.g., ASEAN regional funds or Asia small-cap funds likely hold some Singapore names and could increase their weightings if performance picks up. Active managers benchmarked to MSCI Asia ex-Japan might also trim underweights on Singapore – one could engage those managers or look at **active country allocation funds** to exploit this shift.

3. Monitor Fund Flow Indicators: Since this is a flow-driven story, keep an eye on **fund flow data** (if available via EPFR or other services) for Singapore-dedicated funds. If we start seeing net inflows to Singapore equity funds after years of stagnation, that is a bullish sign confirming the thesis. As noted, family office mandates and others could also add flows – not always captured in public data, but indicators like MAS's quarterly asset management survey might reflect rising AUM in Singapore equity strategies. Also, SGX publishes data on investor segments (institutional vs retail volume). Any uptick in institutional participation as a % of trading would show the MAS money at work.

4. Long-Term Perspective and Active Engagement: As Mr. Chee Hong Tat emphasized, a long-term approach is warranted. Investors should be **patient** – the full benefits of the program may take a couple of years to unfold. Rather than aiming for quick trading gains (though some volatility will present trading opportunities), it may be wise to accumulate positions in high-quality mid-caps and be willing to hold through some ups and downs, as the secular trend should be upward with MAS and the funds acting as backstop buyers on dips. This long-term stance also aligns with obtaining those healthy dividend yields in many Singapore stocks – compounding those yields while waiting for capital appreciation can be rewarding.

Additionally, investors can engage with the changes: for example, if you are a shareholder in a Singapore small-cap, encourage the company to take advantage of the improved environment – maybe pursue an equity-funded expansion or better investor relations (with more research coverage now funded, companies should proactively seek coverage under the GEMS scheme). If you manage a regional fund, you might also communicate with the EQDP managers (fund manager dialogue) to understand their focus areas – many institutional investors will be doing so at conferences or via broker channels to glean insight on what is "in favour".

5. Risk Management – Selectivity is Key: While we have painted a positive picture, not every stock will win. Investors should still **apply rigorous fundamental analysis**. Use the improved research output (courtesy of MAS grants) to inform decisions – we expect more analyst reports on mid-caps; read them critically. Some small companies might rise on speculation but lack real earnings power; those could fizzle out once the hype passes. It is prudent to avoid chasing low-quality penny stocks just because they spiked – focus on those with genuine value or growth. In portfolio construction, one might pair the mid-cap exposure with some safety positions (like partial allocation to the stalwart STI components or Singapore government bonds) as a barbell, to cushion any volatility from the smaller stocks.

6. Comparative Allocation: Institutional investors often decide country allocations in Asia based on comparative outlook. Singapore has often been a neutral or underweight due to its slow growth and heavy bank/REIT composition. This initiative potentially changes the narrative. If you believe in it, you may shift to **overweight Singapore relative to, say, Malaysia or even Hong Kong** for the next 1-2 years. The rationale: Singapore's market now has a catalytic driver that others lack (Malaysia and Thailand are facing capital outflows, Hong Kong has tech exposure but also regulatory issues, etc.). To quantify, if an EM or Asia-Pacific equity fund normally has 2% in Singapore (roughly matching index weight), an active manager might take that to 3–4%. Such moves collectively can bring a few extra billion into SGX. If you are that manager, moving early before Singapore index performance improves (and everyone else chases) could generate alpha.

7. Watch for New Listings and Corporate Actions: A livelier market tends to encourage IPOs, secondary listings, and M&A. We already have a pipeline: e.g., data-center trusts and fintech companies exploring SGX listings. Keep track of IPO news – a successful IPO surge in Singapore could be a by-product of the market strength, and investing in select IPOs could be fruitful. Also, if small-cap valuations rise, some companies might use the chance to raise capital (rights issues or placements). If done for value-accretive projects, those could be good opportunities to participate (with the MAS funds possibly anchoring placements). On the flip side, rising valuations may entice parent firms to take some companies private (if still deeply undervalued relative to intrinsic value). Being cognizant of privatization arbitrage – buying undervalued stocks that might get bought out – is a possible strategy. We might see an uptick in such deals, which would reward shareholders with premiums.

8. Comparative Program Analysis: Given the opportunity to compare globally, investors can also study the outcomes of analogous programs like Malaysia's ValueCap or Japan's ETF buys to set expectations. For example, ValueCap reportedly achieved its goal of buoying the Malaysian market in the mid-2000s and eventually wound down by 2020. One lesson was that it provided a temporary boost and demonstrated value, but the market needed continued reforms (Malaysia later allowed more foreign ownership, etc.). Singapore is coupling its fund injection with reforms (as we detailed: lower lot sizes, better market-making, etc. are being reviewed). This holistic approach likely increases the sustainability of gains. As an investor, tracking MAS and SGX announcements on these ancillary reforms is important. For instance, **reducing board lot size** (currently 100 for SGX, considering moving to 10) could itself boost retail trading and should be on your radar – if implemented, that could be another catalyst making stocks more accessible to small investors and thus adding liquidity.

9. Engage with Governance and Stewardship: Institutional investors (especially those with significant stakes or those signatory to stewardship codes) have a role to play as well. With the MAS program focusing on improving corporate governance (Corporate Governance Code under review), investors should support and encourage companies to adopt best practices. Better governance typically leads to higher valuations over time. So, one can coordinate with initiatives like the Corporate Governance Advisory Committee's recommendations to ensure the rising tide is accompanied by higher quality boats, so to speak.

10. Consider Multi-Asset Implications: If you have a multi-asset portfolio, note that a stronger equity market can have spillover effects. For example, companies issuing equity or trading up in price might improve credit profiles, which can tighten their bond spreads (relevant if you hold Singapore corporate bonds). Also, if equity market confidence grows, it could support the Singapore dollar or lead to more real economic activity (e.g., successful equity raises fund new projects). These second-order effects could influence your currency or rate views. At the margin, success in the equity push might reduce the need for local interest rate cuts to stimulate the economy, etc. Do calibrate your macro strategy accordingly.

In summary, investors can better manage their Singapore investments by **going with the tide but steering wisely** – overweight the segment with the wind at its back (small/mid caps), use collective investment vehicles if stock-picking bandwidth is limited, keep a long-term but vigilant stance, and leverage the improved market ecosystem (research, liquidity) to make informed choices. The MAS's

S$5B initiative is a strong vote of confidence in Singapore's market future, and investors, especially those focused on Asia, would do well to not ignore this signal.

Conclusion

The Monetary Authority of Singapore's S$5 billion Equity Market Development Programme represents a bold and multifaceted intervention to rejuvenate the nation's equity market. By coupling substantial capital allocation with strategic initiatives (in research, market structure, and investor protection), the program addresses both the symptoms and root causes of Singapore's equity market underperformance. Our analysis finds that the **upside potential is considerable**: undervalued small and mid-cap companies stand to gain pricing recognition, liquidity in the market should improve materially, and the overall investment ecosystem will be enriched by greater research coverage and fund management activity. These changes could foster a more vibrant market where local equities are seen as viable long-term investments rather than just defensive yield plays.

We largely agree with the optimistic views presented in media and by analysts – the initiative is timely and innovative, and early market reactions have been positive. At the same time, we have considered additional angles: ensuring the effect is lasting and not just a one-off liquidity surge, being mindful of execution risks, and learning from global parallels to calibrate expectations. Compared to similar efforts globally, Singapore's approach is proactive and comprehensive, rather than reactive, which increases the likelihood of a successful outcome. It is not merely about lifting stock prices, but about *strengthening confidence and participation* in the market for the long haul.

For investors, the program opens up **new alpha opportunities**. A sectoral/thematic strategy focusing on beneficiaries – such as mid-cap value stocks, growth-focused small caps, and select REITs – could outperform as the tide of funds lifts these boats. Of course, the list of potential winners is far broader, and part of the skill will lie in discerning which companies have the fundamental quality to justify sustained higher valuations.

The three appointed asset managers bring confidence by virtue of their reputation and plans: Avanda, Fullerton, and JP Morgan are setting up strategies specifically tuned to channel money into underserved parts of the market. Their investment behaviours – whether Avanda's high-conviction bets off-index, Fullerton's dedicated unit trust mobilizing local investors, or JP Morgan's global network attracting foreign interest – will collectively improve market depth and price discovery. The fact that over 100 managers vied to join the program suggests that if the first batch shows success, subsequent batches could bring even more diverse strategies (e.g., maybe a quantitative fund, a sustainability-focused fund, etc.). This diversity is beneficial: a market with a variety of active investors tends to be more efficient and liquid.

It is also worth noting the **long-term timeline** here: MAS is looking to complete the review by end-2025, deploy capital through 2025–2026, and support research till 2028. This implies a commitment to see this through over at least a 3-to-5-year horizon. Such patience is often necessary for market development. Investors should align with that horizon; those who invest early into this theme and stay the course may reap significant rewards, much as early investors did when Hong Kong opened its market to mainland flows or when Japan's policy shifts eventually reflated asset values.

There are intangible benefits too: a stronger equity market can help Singapore attract **more IPOs** (including secondary listings of international firms) – success breeds success. It can also provide local entrepreneurs confidence that if they list in Singapore, there will be sufficient investor appetite and fair valuation, rather than feeling they must list abroad for better multiples. If we fast-forward a few years, a successful EQDP might be reflected in Singapore's exchange metrics: higher trading turnover, a larger stable of mid-sized listed companies, more analyst coverage per stock, and improved rankings in global financial center indices for market activity. These are the broader goals that extend beyond just immediate investor profits.

In conclusion, the MAS's S$5B initiative is a seminal development for the Singapore market. It signals that Singapore is not content to cede equity market business to larger markets and is willing to innovate to "punch above its weight." As investors, one should view this as a compelling opportunity – one backed by the uncommon scenario of **public policy riding alongside your trade**. While maintaining due diligence and selectivity, aligning with the direction of this policy (i.e., investing in the areas it aims to promote) appears to be a sound strategy. The phrase "a rising tide lifts all boats" may be a bit of a cliché, but in this case it seems apt: MAS is creating the tide, and a wide array of Singapore stocks are poised to rise with it. Riding this wave, with prudent risk management, could be one of the smarter moves in the Asia-Pacific investment landscape in the coming years.

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