

REAL ASSETS



Developed Markets Property Securities

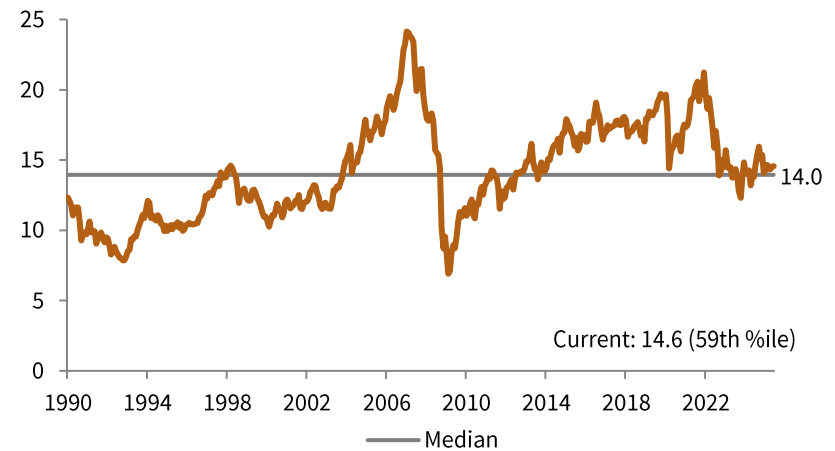
Facts & Figures Second Quarter 2025

DM property securities delivered a return of 4.7% in USD terms during 2Q. Year-to-date, DM property securities returned 6.7%, underperforming broader DM equities by 2.8 ppts. Among sectors, office led performance for the quarter with a return of 10.1%, while the industrial sector lagged, posting a decline of -2.3%. Year-to-date, all sectors have had positive returns with the office sector leading (6.8%) as markets outside the US are showing more robust signs of recovery.

- DM property securities trade at 14.6x normalized funds from operations, which is higher than 59% of historical data going back to 1990. Furthermore, property securities offer a yield spread of just 0.5% over government bonds, well below the long-term median of 1.7%. Spreads were unchanged over the quarter, as yields for both developed markets property securities and government bonds experienced slight declines.
- The global economy is expected to grow 2.6% in 2025, according to analysts surveyed by Bloomberg in June. This is 40 bps lower than the forecast at the beginning of the year. DM forecasts have also been revised lower as policy uncertainty has weighed on growth outlooks. The US, UK, and Japan have all seen their 2025 growth forecasts lowered as the impact of potential tariffs has negatively weighed on estimates.
- A key concern for property investors is the pandemic's long-term impact on consumer and business preferences. For instance, while funds from operations of broad DM property securities have recovered from the pandemic, some sectors such as offices, hotels, and retail, remain below 2019 levels. Conversely, other sectors, such as industrials and residential, have fared better growing funds from operations.
- Real estate is a capital-intensive business, which uses debt to finance its growth to a greater degree than other sectors. Still, developed property securities' leverage has fallen since the GFC, with net debt as a percentage of total assets at 40% at the end of 2Q 2025 relative to the 46% at the beginning of 2009. The current level of leverage is below the average over the last two decades and reflects more discipline in capital markets.

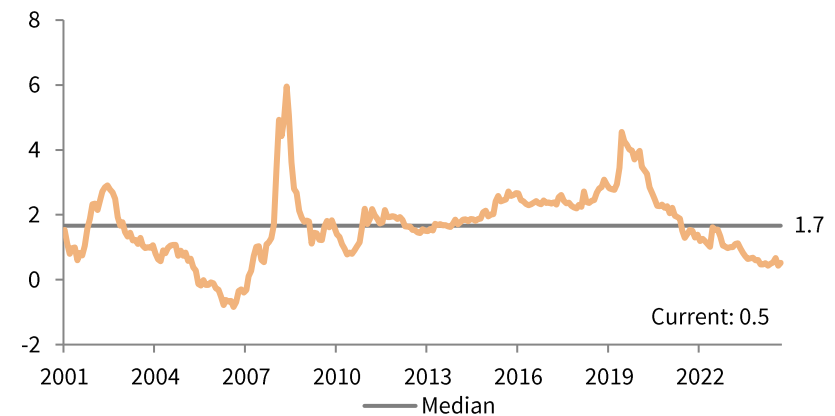
NORMALIZED PRICE-TO-FUNDS FROM OPERATIONS MULTIPLE

Jan 31, 1990 – Jun 30, 2025



SPREAD BETWEEN DY AND GLOBAL GOVT BONDS

Oct 31, 2001 – Jun 30, 2025



Sources: EPRA, FTSE International Limited, J.P. Morgan Securities, Inc., National Association of Real Estate Investment Trusts, and Thomson Reuters Datastream.

US Private Property

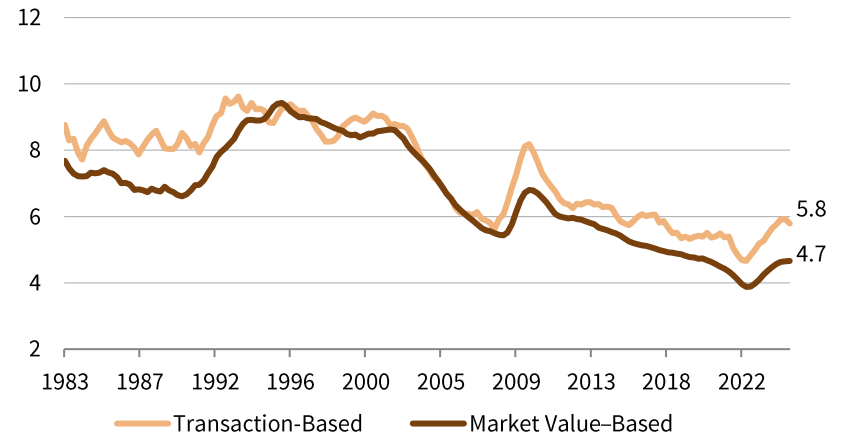
Facts & Figures Second Quarter 2025

US property sequentially declined and returned -2.1% annualized over the last three-year period at the asset level, according to NCREIF Property Index data as of 1Q. Returns have broadly weakened as tighter financial conditions, ongoing trend of working-from-home and supply/demand dynamics weighed on the sector.

- Considerable return dispersion among sectors remains, with hotels returning 8.5% annualized over the trailing three-year period ending 1Q, while office returned -9.8%. Industrials, which had meaningfully outperformed in aftermath of the pandemic, have seen returns soften sharply to 1.0%.
- Capitalization rates, or cap rates, have steadily fallen since the end of the GFC. While levels remain relatively low, cap rates are sharply higher than the 2022 low as tighter financial conditions weighed on the sector. Across sectors, cap rates are lowest within industrial (4.12%) and highest within office (6.06%).
- NOI growth rate, at an aggregate level, has also trended down since 2022. First quarter NOI showed a tentative improvement to 1.9%, although this remains below the trailing ten-year median of 4.6%. All sectors, except for office, saw an improvement in growth rates in 1Q, with industrials posting the highest rate at 6.48%. Office NOI worsened to -7.52% in the quarter.
- Most major central banks have begun monetary easing as inflation has moderated. However, tariffs have weighed on forecasts for US inflation and economic growth, muddying the outlook of the future path of US policy rates. Real GDP expectations for the global economy fell 30 bps QOQ to 2.6% for 2025, according to analysts surveyed by Bloomberg in June. Forecasts for the US were revised 40 bps lower QOQ to 1.5%, albeit this still leads other developed markets in terms of growth expectations.
- New commercial real estate construction has been on an upward trend in recent years, but activity is starting to soften. YOY total non-residential construction ending in May declined 1.1% from the same period in 2024.

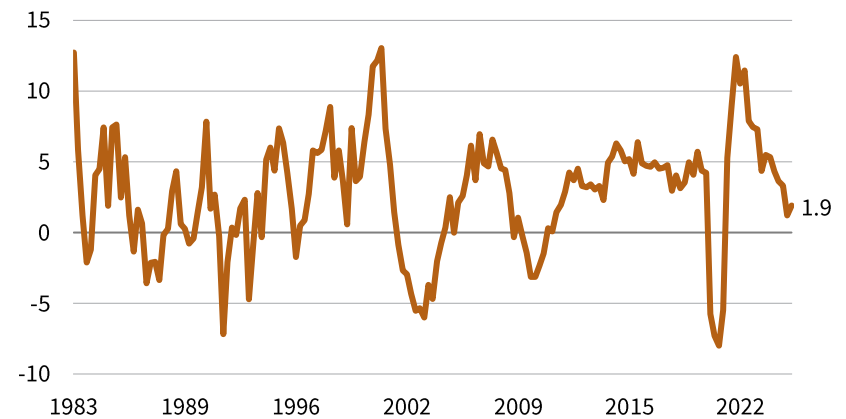
ALL PROPERTY CAP RATES

Second Quarter 1983 – First Quarter 2025 • Percent (%)



FOUR-QUARTER ROLLING NOI GROWTH

First Quarter 1983 – First Quarter 2025 • Percent (%)



Source: National Council of Real Estate Investment Fiduciaries.

UK Private Property

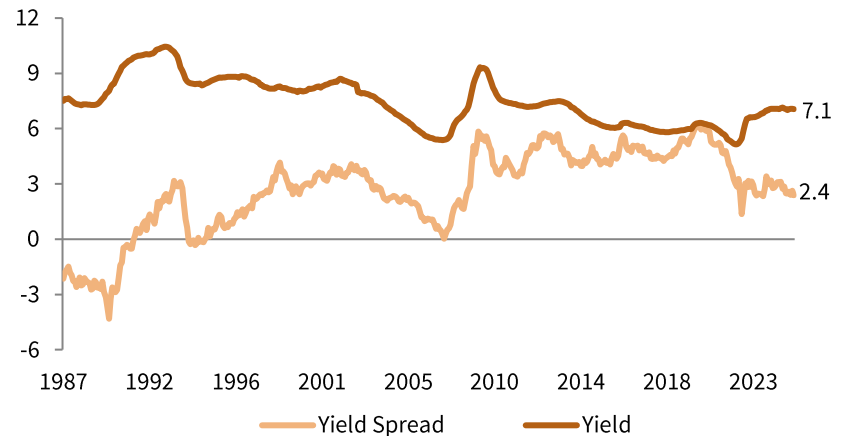
Facts & Figures Second Quarter 2025

UK private property declined by 2.7% on an annualized basis over the last three-year period at the asset level, according to the unlevered MSCI UK Quarterly Property Index as of 1Q in GBP terms. Lower returns highlight the impact from tight monetary policy. Office lagged considerably, with trailing three-year returns at -7.0%, while retail outperformed, albeit gains were modest at 0.3%.

- After dipping to a low of 5.1% in mid-2022, yields across all UK investment properties increased to 7.1% as the BOE monetary policy remained restrictive. Although monetary easing has begun, it is still early in the cycle and moving slowly, amidst heightened trade uncertainty and domestic considerations. According to data from the UK government, seasonally adjusted YOY non-residential monthly transactions were 5% lower in May 2025 compared to the prior year, and 11% lower compared to three years ago. Vacancy rates have inched higher to 9.8% as affordability remains a concern.
- Property yields can be sensitive to changes in government rates. As government rates have increased, property's yield spread has fallen to 2.4 ppts. The current spread is lower than the ten-year average (4.2 ppts), which suggests the asset class's attractiveness relative to gilts has declined.
- Most major central banks have begun monetary easing as inflation has moderated. However, US tariffs have weighed on forecasts for inflation and economic growth, muddying the outlook for policy rates. Real GDP expectations for the global economy fell 30 bps QOQ to 2.6% for 2025, according to analysts surveyed by Bloomberg in June. Expectations are more modest for developed markets at 1.3%. In comparison, UK GDP is expected to grow 1.1% in 2025, slightly trailing broad developed markets, but in line with growth from 2024 levels (1.1%).
- As of 2023, the UK commercial real estate market is estimated to be roughly \$937B, according to MSCI Real Estate—\$56B higher YOY. It is the largest market in Europe and is followed by Germany's roughly \$777B market (down \$16B YOY). The UK commercial real estate market is composed primarily of retail, office, and industrial properties, with the industrial sector being the largest sector in the country.

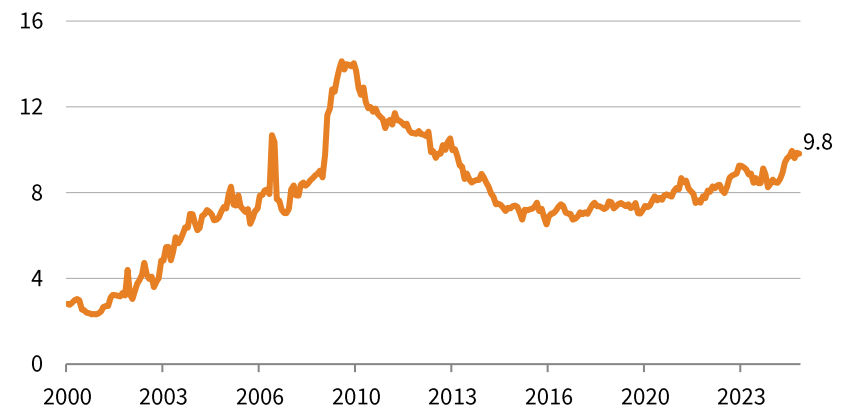
ALL PROPERTY EQUIVALENT YIELDS AND SPREADS

Dec 31, 1987 – May 31, 2025 • Percent (%)



VACANCY RATE

Jan 31, 2000 – May 31, 2025 • Percent (%)



Sources: MSCI Real Estate and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: The MSCI Real Estate index measures returns to direct investment in commercial property. Initial yield is current net income divided by gross capital value.

Europe ex UK Private Property

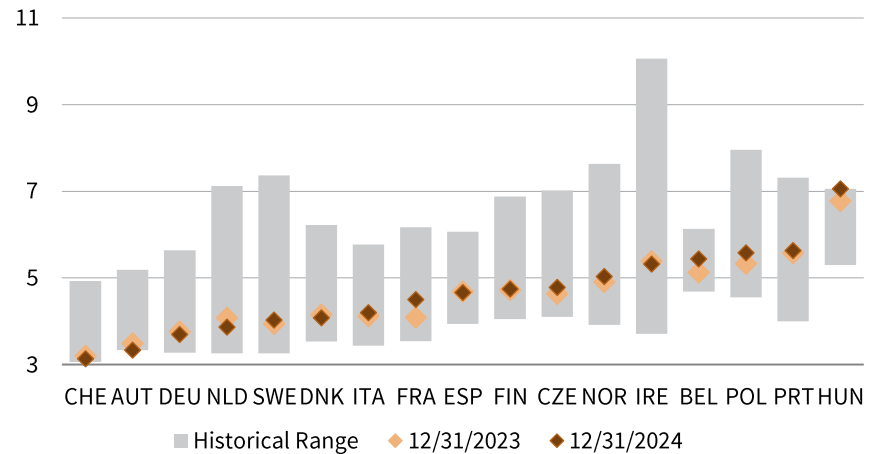
Facts & Figures Second Quarter 2025

Europe ex UK property recorded an annualized return of -7.0% at the asset level over the past three years, based on unlevered MSCI Global Property Fund Index data as of 4Q 2024 in LC terms. Sector performance was also negative across the board; retail properties returned -1.2%, while residential, industrial, and office sectors saw even steeper declines of -3.2%, -8.4%, and -8.1%, respectively.

- Property yields across most of Europe have steadily decreased over the last decade. Top markets, such as Germany and France, have property yields near the lowest level for which data are available, according to MSCI Real Estate.
- Most major central banks have begun monetary easing as inflation moderated. However, US tariffs have weighed on forecasts for inflation and economic growth, muddying the outlook for policy rates. Real GDP expectations for the global economy fell 30 bps QOQ to 2.6% for 2025, according to analysts surveyed by Bloomberg in June. Expectations are more modest for developed markets at 1.3%. In comparison, Eurozone GDP is expected to grow at 1.0% in 2025, slightly trailing broad developed markets, but still reflecting an improvement in activity from 2024 levels (0.9%).
- European commercial real estate investment grew by 6% YOY in 1Q 2025, according to CBRE. Over the trailing 12 months, investment is up 25% from the prior period. All sectors posted strong double-digit growth over the TTM period except for healthcare (-15%). The top six countries in the region (Germany, France, Spain, Sweden, Italy, and Netherlands) also enjoyed strong growth.
- The top two largest commercial real estate investment markets across Europe, excluding the UK, are Germany and France. MSCI estimates the size of all commercial real estate in 2023 in those two markets to be roughly \$777B and \$617B, respectively. German market fell by \$16B, while France grew by \$7B. Offices make up a large portion of both Germany and France's commercial real estate markets. Indeed one-year rents in these countries have led and outpaced three-, five- and ten-year growth rates.

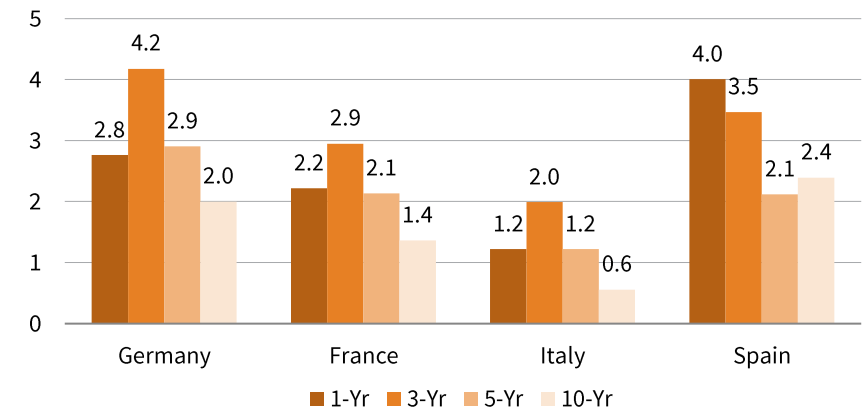
EUROPEAN PROPERTY NET OPERATING INCOME YIELDS

As of Dec 31, 2024 • Percent (%)



ANNUALIZED RENT GROWTH

As of Dec 31, 2024 • Percent (%)



Source: MSCI Real Estate. MSCI data provided "as is" without any express or implied warranties.

Asian Private Property

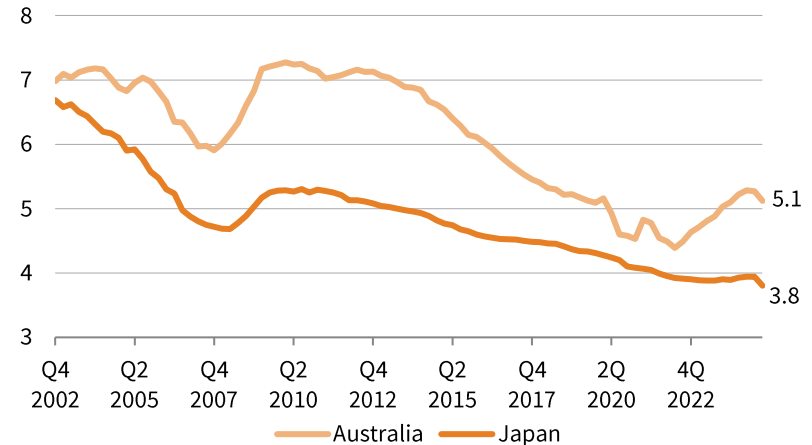
Facts & Figures Second Quarter 2025

Asian property returned 3.3% annually over the last three-year period at the asset level, according to MSCI Global Property Fund Index data as of 4Q 2024 in USD terms. At a sector level, retail delivered the best results, returning 4.2%, whereas industrials had one of the lowest returns of 2.8%, over the same period.

- Property yields in many markets have steadily decreased since the GFC. Within two top markets, Japan continues to see property yields at the lowest level for which data are available, according to MSCI real estate data. Yields in Australia, which had marched up since 2022, are starting to fall as the RBA pivoted to policy easing.
- Vacancy rates in Asia differ across countries and sectors but mostly held steady through the pandemic given the multi-year nature of many property leases. In some geographies with higher frequency data, higher office and retail vacancy rates have been observed, in part given substantial new supply.
- Most major central banks have begun monetary easing as inflation as moderated. However, US tariffs have weighed on forecasts for inflation and economic growth, muddying the outlook for policy rates. Real GDP expectations for the global economy fell 30 bps QOQ to 2.6% for 2025, according to analysts surveyed by Bloomberg in June. Across major economies, growth expectations are highest for Asia ex Japan at 4.4%, although this is weaker than the 5.3% growth seen in 2024. GDP growth forecasts for Australia and Japan are more modest at 1.7% and 0.8%, respectively, although activity in both countries are expected to improve from 2024.
- Asia-Pacific real estate investment volume in 1Q was relatively flat from their prior quarter (-1%). On a YOY basis, investment volume expanded 11%. First quarter volumes were driven by Japan and Korea, while activity in mainland China continued to weaken on a YOY basis. Office sector investment continued to outpace retail and industrial, both of which declined in 1Q.
- The primary locations for Asia Pacific property investments are China, Japan, Australia, South Korea, and Singapore. The focus as it relates to Asian properties (ex Australia) has been primarily from investors within Asia.

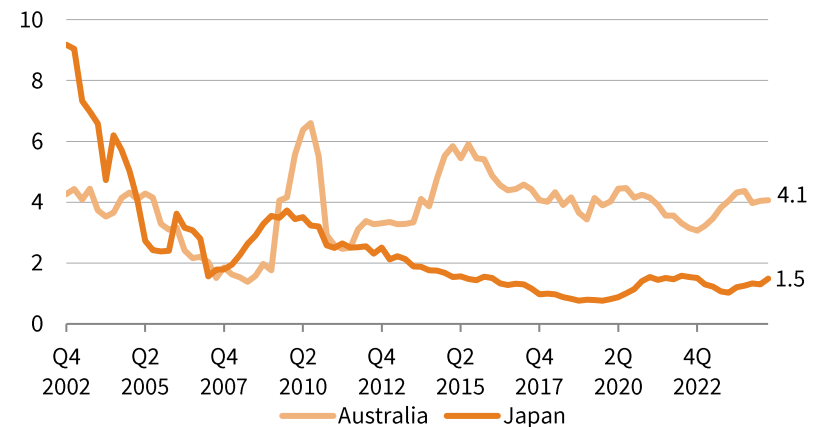
PROPERTY YIELDS

Fourth Quarter 2002 – First Quarter 2025 • Percent (%)



VACANCY RATES

Fourth Quarter 2002 – First Quarter 2025 • Percent (%)



Source: MSCI Real Estate. MSCI data provided "as is" without any express or implied warranties.

Note: Japan first quarter 2025 data are as of February 2025.

Private Infrastructure

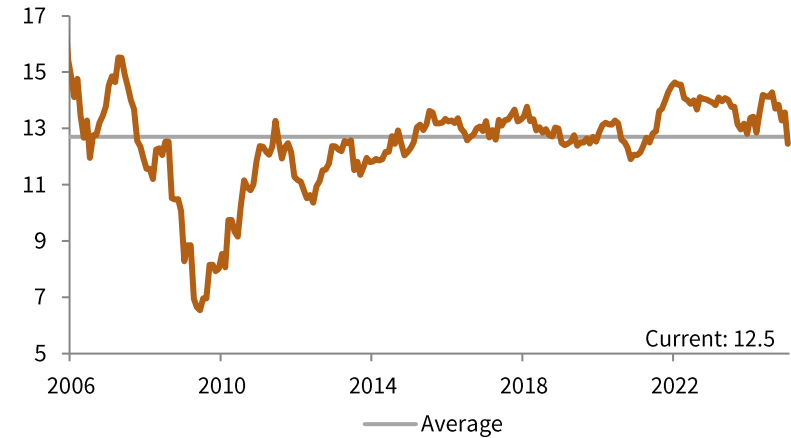
Facts & Figures Second Quarter 2025

Private infrastructure returned 8.2% annualized over the last three-year period, according to the Cambridge Associates Infrastructure Index as of 4Q 2024. This index, which calculates horizon internal rates of return, net of fees, expenses, and carried interest, returned 10.2% annualized over the last ten-year period. The industry has benefited from stable demand, policy support, and increased interest among institutional investors.

- Infrastructure companies transacted at 12.5 times EBITDA over the prior 12-month period, which is almost at par with the industry's long-term average level. Broadly speaking, institutional investors have been increasingly attracted to brownfield infrastructure investments, as an effort to generate portfolio income and protect against inflation.
- Most major central banks have begun monetary easing as inflation has moderated. However, the threat of higher tariffs from new US trade policies weighed on forecasts for inflation and economic growth, muddying the outlook for policy rates. Real GDP expectations for the global economy fell 30 bps QOQ to 2.6% for 2025, according to analysts surveyed by Bloomberg in June. Among major global economies, growth expectations for 2025 are highest for Asia ex Japan (4.4%). Expectations are modest for developed markets at 1.3%, led by the US at 1.5%, and contrasted by Japan at 0.8% on the low-end. 2025 global earnings growth were also revised 2.6 ppts lower in the quarter to 7.5%, below 2024 levels of 10.5%.
- Global infrastructure transaction values expanded more than 19% in 2024 from 2023 levels, although 2025 YTD annualized flows point to a modest slow down in activity. Data through 2Q shows global refinancing, greenfield, and brownfield deals accounted for 23%, 28%, and 48% of deal volume, respectively. Renewables and telecommunications were the top two sectors for investment, accounting for 28% and 22%, respectively, of deal volume.
- Direct investments by pension funds and sovereign wealth funds in infrastructure assets have increased in recent years. Direct investments can offer attractive return potential, given fees are generally lower, and they allow investors to build custom exposures.

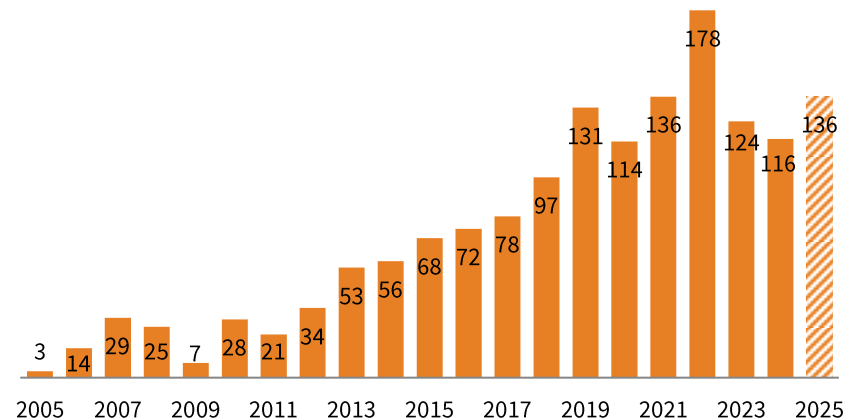
PRICES OF TRANSACTIONS (EV/EBITDA)

Jun 30, 2006 – Jun 30, 2025 • Rolling 12M Average



GLOBAL CAPITAL COMMITMENTS TO INFRASTRUCTURE PE FUNDS

2005–25 (Jun 30) • US\$B



Sources: Dealogic and InfraDeals.

Notes: Data are monthly and represent the trailing 12-month average EV/EBITDA for all infrastructure transactions. Historical data revise.

Natural Resources Equities

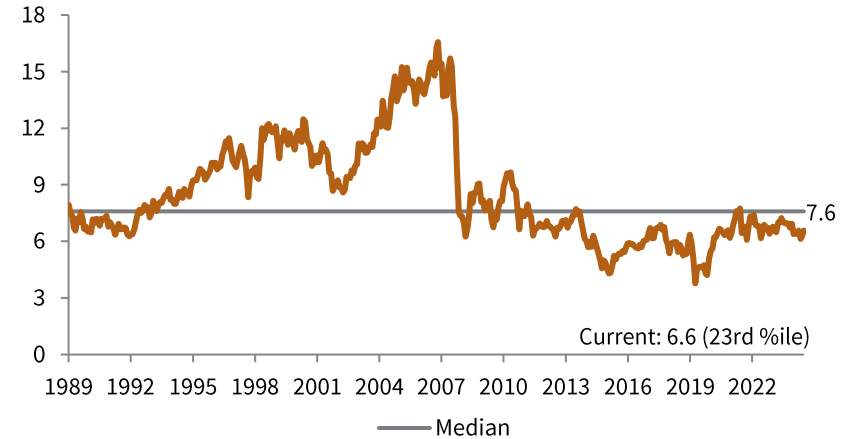
Facts & Figures Second Quarter 2025

Natural resources equities declined 2.3% in 2Q according to the MSCI World Natural Resources Index in USD terms, reversing some of the strong gains seen in 1Q. Concerns of slowing global demand amid tariff-related uncertainty weighed on the outlook for oil and industrial metals producers in the quarter. Year-to-date, however, natural resources equities remain up 6.8%.

- Natural resources firms trade at 6.6 times cyclically adjusted price-to-cash earnings, which ranks in the 23rd percentile of month-end observations dating back to 1990. Valuations remain rangebound and below the median level of 7.6x. Concerns of demand destruction from lowered trade prospects dampened the outlook for oil companies and industrial metals producers in 2Q. However, heightened geopolitical and macro uncertainty has supported a continued rally in gold prices and the performance of gold mining companies.
- Low investment levels contributed to the rise in oil & gas prices in recent years, with capital expenditures hitting at trough of 4.5% of total assets in 2021. However, as prices have recovered, capital expenditures have rebounded to levels not seen since late 2016. Increased spending resulted in the number of rotary rigs operating around the world in 2023 to increase by nearly 4% versus 2022 and 34% versus 2020. However, the rig count decreased by 4% in 2024, whereby international rigs were unchanged, but North American rigs fell by 9%. Spending levels remain lower than those that led to a severe glut in energy commodities and the rig count remains far lower than the ~3,000 rigs that operated on average between 2010 and 2016.
- A key consideration for investors is the extent that renewable energy could undercut future hydrocarbon demand. Indeed, the recent COP29 reaffirmed the goal of tripling renewables capacity by 2030. Some long-term energy analyses, such as the US Energy Information Administration's 2025 Annual Energy Outlook reference case, highlight that oil and natural gas may continue to be an important energy source for decades. Still, long-term energy forecasts have wide confidence intervals, and investors would be wise to carefully consider how different future energy scenarios may impact their portfolios. On the other hand, natural resources equities may attract more investor interest, as weaning off fossil fuels supports demand for certain metals to facilitate the transition to net zero.

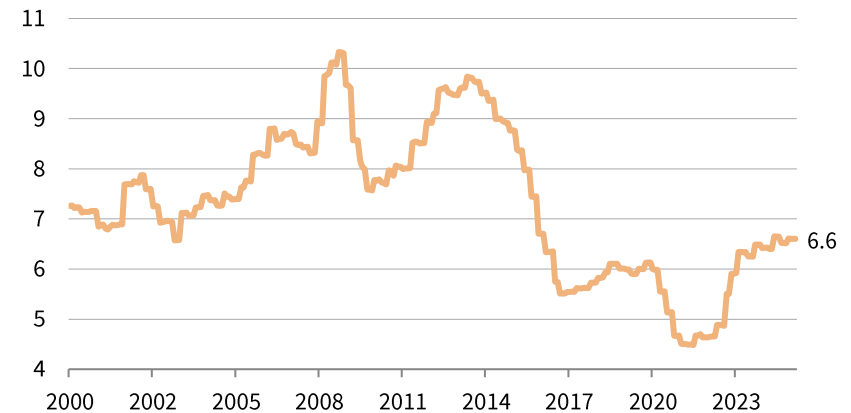
CYCLICALLY ADJUSTED PRICE-TO-CASH EARNINGS

Dec 31, 1989 – Jun 30, 2025



CAPITAL EXPENDITURES

Jan 31, 2000 – Jun 30, 2025 • Percent (%) of Total Assets



Source: Thomson Reuters Datastream.

Notes: Natural resources equities are made up of constituents in the Datastream World Energy Index and the Datastream World Basic Resources Index, weighted on a market-capitalization basis. Historical data revise.

Commodity Futures

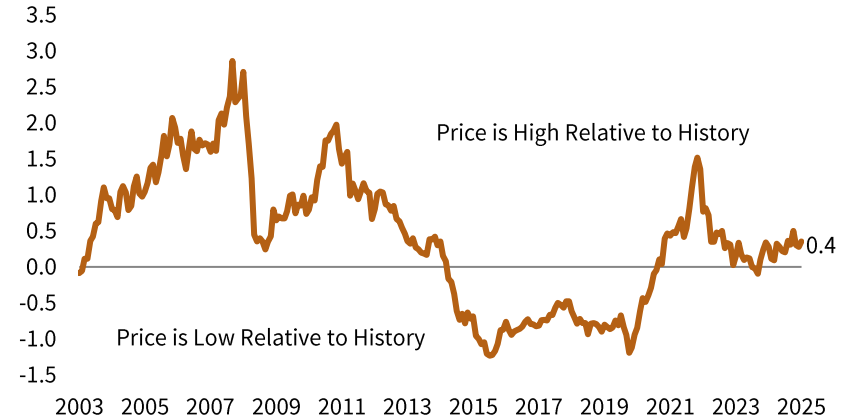
Facts & Figures Second Quarter 2025

The Bloomberg Commodity Index declined 3.1% on a total return basis in 2Q in USD terms, weighed by weaker energy prices. YTD, the index remains up 5.5%, supported by higher gold and industrial metals prices.

- Commodity spot prices are above the ten-year inflation-adjusted mean, using the constituents and weights associated with the Bloomberg Commodity Index. Prices reflect supply/demand issues unique to commodities. Gold has gained YTD on heightened macro and geopolitical uncertainty, while copper surged as investors front-run anticipated tariffs. Oil prices briefly spiked in June amid the Israel-Iran conflict. However, prices subsequently eased as the conflict de-escalated. Expectations of softer global growth and increased production by the OPEC+ group further weighed on oil prices.
- US tariffs added uncertainty to the global growth outlook in 2Q. Real GDP growth expectations for the global economy fell 30 bps QOQ to 2.6% for 2025, according to analysts surveyed by Bloomberg in June. Tariffs also added uncertainty to the US inflation outlook, with the June US CPI starting to reflect a pass through of higher prices.
- The performance of commodity futures consists of the returns linked to spot price changes, rolling a futures contract forward as it comes due, and the cash used to collateralize the contracts. When the markets are in contango, meaning near-dated contracts are cheaper than contracts dated farther out, the roll return can detract from commodity index returns. After being in backwardation since late 2020 markets are in contango again, reflecting expectations of economic uncertainty and weaker demand in the near term, albeit a high cash yield today is helping to add to returns.
- Two frequently referenced commodity benchmarks are the Bloomberg Commodity Index and the S&P GSCI™. The former is a world production- and liquidity-weighted index, with restrictions on individual commodity and commodity subsector sizes to promote diversification. The latter is a world production-weighted index of liquid futures contracts, which has most of its exposure in energy. While both indexes only hold near-month futures contracts, many active managers have the capability to buy contracts all along futures curves.

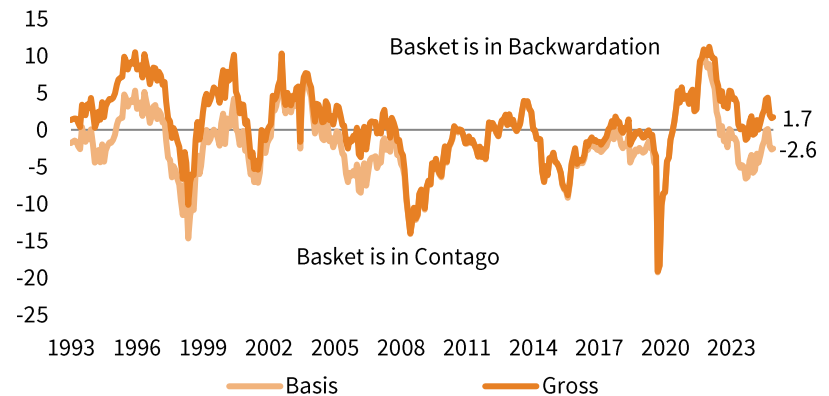
COMMODITY FUTURES BASKET PRICE DEVIATION

Jun 30, 2003 – Jun 30, 2025 • Z-Score



COMMODITY FUTURES BASKET INDICATIVE ROLL YIELD

Jul 31, 1993 – Jun 30, 2025 • Percent (%)



Sources: Bloomberg L.P. and Thomson Reuters Datastream.

Notes: Exhibits are based on the current futures and weights of the Bloomberg Commodity Index. Price deviation is the weighted z-score of commodity futures using ten years of trailing data. Basis is the roll yield's weighted percentage difference of front month contract relative to contracts one year later. Gross is the roll yield plus cash yield.

Gold

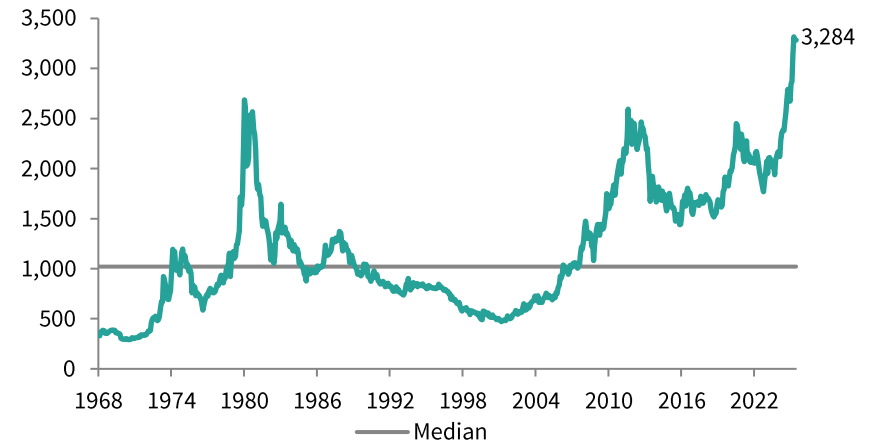
Facts & Figures Second Quarter 2025

The price of gold rose 5% in 2Q, ending the quarter just below its all-time high price. Gold advanced 41% in the past 12 months.

- Gold's sustained outperformance has been driven by heightened geopolitical uncertainty, increased market volatility, and weakness in the US dollar. More specifically, President Trump's volatile tariff policy this year has complicated the outlook, raising concerns about potential economic weakening and higher inflation. This, in turn, has boosted demand for gold as a safe haven.
- The US dollar fell 7% in 2Q on a trade-weighted basis. The performance of the dollar has typically had a negative correlation to that of gold, as investors may turn to gold as a hedge against currency depreciation. Since 2000, when the dollar has declined by more than 3% in a quarter, gold has averaged a 7% return. In addition, the escalation of the trade war may be catalyzing an increase in global de-dollarization efforts, which could help boost gold demand as countries seek to move away from the greenback.
- There are several low-cost, physically backed gold ETFs that track the price of gold without requiring physical storage. While these "paper gold" products offer liquidity, they also carry counterparty risk. Physical gold, which provides investors with a tangible asset, is subject to purchase premiums and storage fees. However, these fees are typically in the low-single digit basis point range.
- Gold has a low expected real return over the long term, which makes it problematic for institutions tasked with meeting a real spending objective. However, it provides a hedge against conditions that are hostile to capital markets.

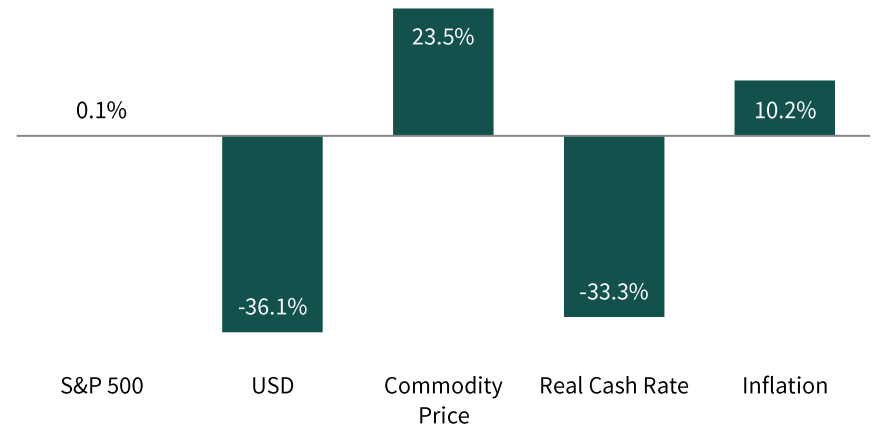
GOLD BULLION REAL PRICE

Jan 31, 1968 – Jun 30, 2025 • US Dollars per Troy Oz



LONG-TERM CORRELATION VS GOLD PRICES

Dec 31, 1970 – Jun 30, 2025



Sources: Intercontinental Exchange, Inc., Standard & Poor's, and Thomson Reuters Datastream. Third-party data are provided "as is" without any express or implied warranties.

Notes: Real prices are inflation adjusted to today's dollar. Data for CPI-U are through May 31, 2025.