# Asset Class Facts & Figures

Third Quarter 2025

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## Facts and Figures

# Equities

# Developed Markets Equities

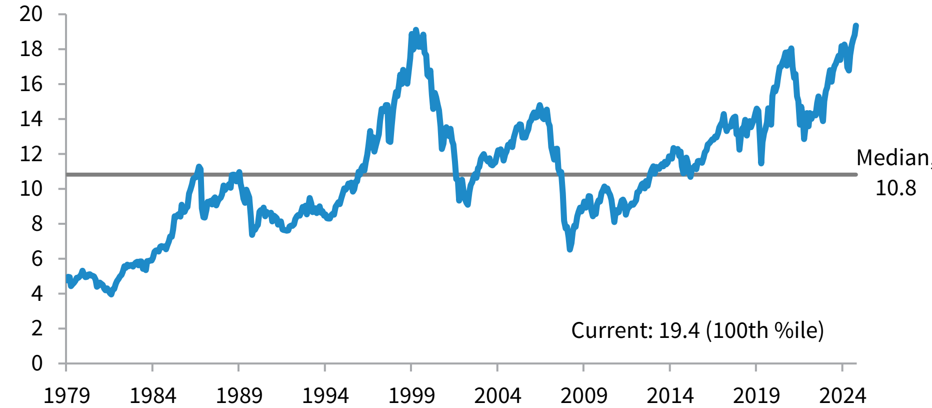
Facts & Figures Third Quarter 2025

**DM equities returned 7.3% in 3Q and 17.2% in the trailing 12-month period for USD investors. Equity markets rallied as US President Trump secured multiple trade deals, reducing uncertainty around future tariff levels. This shift allowed markets to refocus on the AI theme, driving outperformance in the developed markets technology sector during 3Q.**

- The bloc trades at 19.4x cyclically adjusted cash earnings, which ranks higher than all month-end data dating back to 1979. The high valuation level masks dispersion across major DM blocs, with the US trading at levels higher than DM ex US.
- The global economy is expected to grow by 2.9% in 2026, according to analysts surveyed by Bloomberg at the end of September. Developed economies, which tend to grow at a slower rate than emerging economies, are expected to collectively grow by 1.6%. While modest, this 2026 growth forecast is broadly consistent with recent trends. Among major countries, the US is expected to lead with growth of 1.8%, followed by the UK at 1.2%, the euro area at 1.1%, and Japan at 0.7%.
- Developed corporate earnings are expected to grow by 13.0% in 2026, outpacing the expected 7.7% increase in 2025. More than half of that growth is expected to come from profit margin expansion, with the remainder driven by sales growth. Among major markets, the euro area is expected to see the fastest earnings growth at 14.6%.
- Expectations for policy interest rates are a key risk for equities. Major DM central banks increased policy rates by considerable amounts in 2022 and 2023, prior to cutting in 2024. Looking ahead to 2026, markets anticipate that many central banks will either lower rates or keep them stable. However, inflation may not moderate as expected, especially given ongoing uncertainty around the impact of US tariffs. This could prompt central banks to diverge from market expectations.

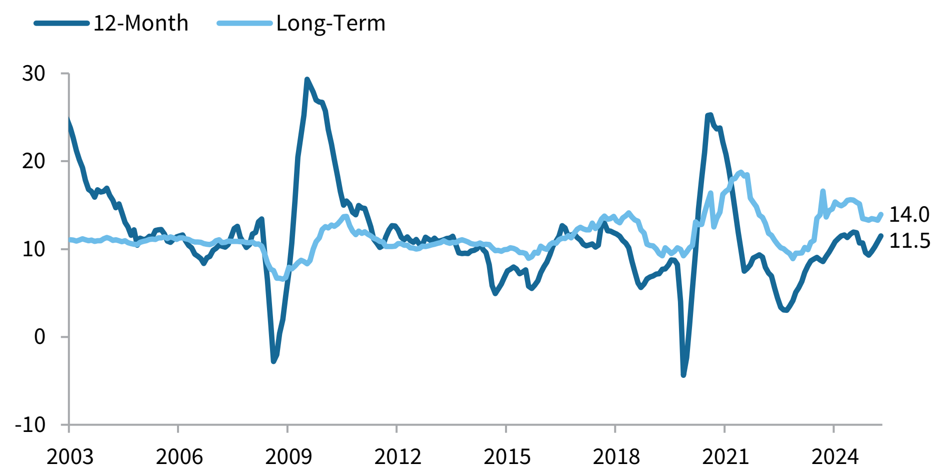
### Cyclically adjusted price-to-cash earnings

Dec 31, 1979 – Sep 30, 2025




### Corporate earnings growth expectations

Jun 30, 2003 – Sep 30, 2025 • Percent (%)




Sources: I/B/E/S, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Note: Data are based on the MSCI World Index.

# US Equities

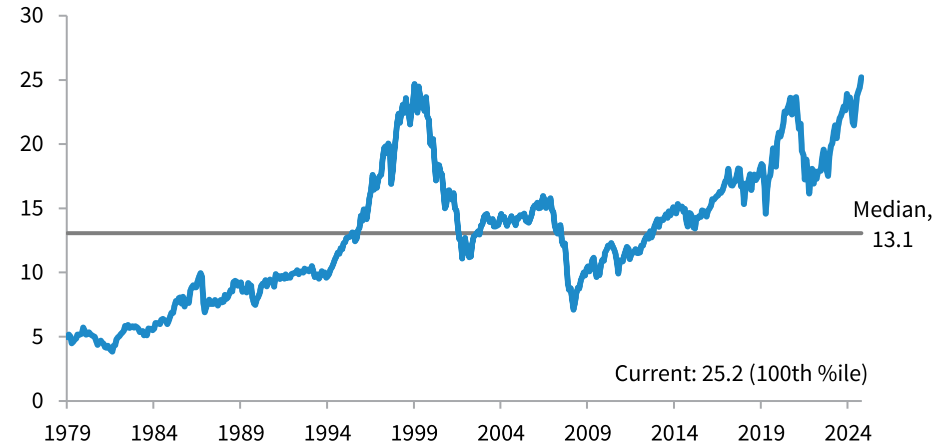
## Facts & Figures Third Quarter 2025

**US equities returned 8.0% in 3Q 2025, outperforming DM ex US equities, which returned 5.3%. Gains in 3Q were supported by an easing of tariff uncertainty alongside still resilient US economic data and the prospect of further Fed rate cuts. On a TTM basis, US equities returned 17.7%, modestly outperforming DM ex US equities which returned 16.0%.**

- US equities' cyclically adjusted price-to–cash earnings multiple rose in 3Q to 25.2x, which is at a record high based on historical data from 1979. Relative valuation with DM ex US equities, which trade at 11.5x, are also near record highs. The gap in equity valuations remains stark even after adjusting for sector differences.
- US real GDP growth accelerated to 3.8% in 2Q 2025 after a 0.6% contraction in 1Q, as the surge in imports from tariff frontrunning eased while consumer spending and business investments remained resilient. Consensus forecasts expect US GDP will grow at 1.8% for full-year 2025, a moderation from 2024 levels but nevertheless at a quicker pace than most other major developed markets.
- The initial impact of US tariffs on earnings has been less bad than feared, with US corporates delivering strong 2Q earnings results. Amid an easing of tariff uncertainty and still resilient economic data, analysts' expectations for US 12-month forward earnings growth were revised higher in 3Q to 13.3% and remain above earnings growth forecasts for DM ex US equities at 8.5%. On a long-term basis, or over the next three to five years, analysts expect US corporates to deliver robust earnings growth of 15.2%, above the historical trend estimate of 12.1%.
- The softening US labor market is a key risk to US economic growth and corporate earnings growth, although continued Fed rate cuts may mitigate some of the downside risk. US equity market concentration in AI-related names present another risk, particularly given very elevated valuations in this segment.

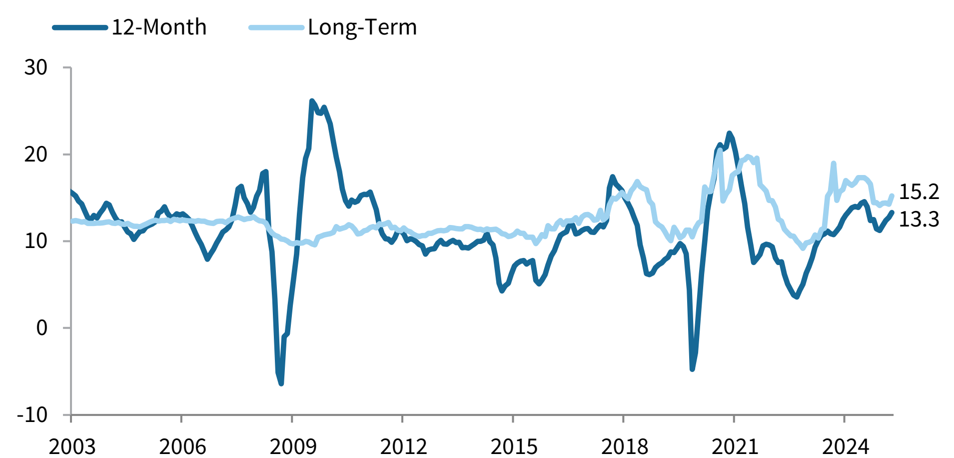
**Cyclically adjusted price-to–cash earnings**

Dec 31, 1979 – Sep 30, 2025




**Corporate earnings growth expectations**

Jun 30, 2003 – Sep 30, 2025 • Percent (%)




Sources: I/B/E/S, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Note: Data are based on the MSCI US Index.

# Developed Markets ex US Equities

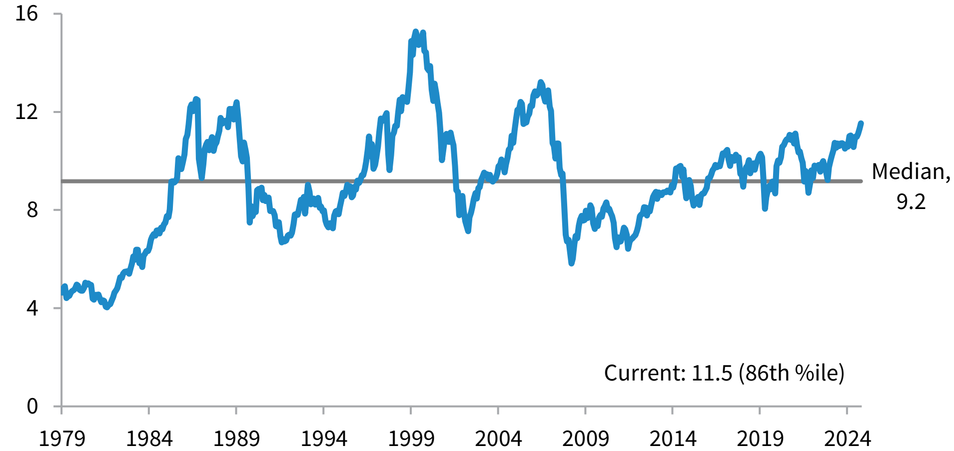
Facts & Figures Third Quarter 2025

**DM ex US equities returned 5.3% in USD in 3Q 2025, lagging the 7.3% return of broader DM. Over the trailing one-year, the bloc has returned 16.0% versus DM's return of 17.2%. Relative performance has recently been weighed down by lower AI-related exposure and a softer domestic economic backdrop, resulting in weaker EPS growth. While EPS growth is forecast to continue lagging, a large valuation discount persists.**

- Valuations for DM ex US equities have risen in absolute terms, with the bloc now trading at 11.5x cyclically adjusted cash earnings (86th percentile since 1979), 26% above the long-term median of 9.2x. Still, relative valuations remain attractive given that broader DM trades at a 19.4x CAPCE (due to a CAPCE of 25.2x for US equities). This relative valuation is in the 1st percentile of the historic data and represents a discount of nearly 29% to the median relative valuation.
- The global economy is forecast to grow by 2.9% in both 2025 and 2026, representing upward revisions of 0.2ppts and 0.1 ppts, respectively, over the past quarter. A hiatus in tariff escalations, easing monetary policy and a resilient US economy have driven this improved forecast. While the US is still expected to outperform major DM ex US components in 2025, the gap has generally narrowed this year. Significant fiscal easing in Germany and 2 ppts of rate cuts from the ECB may be a tailwind for the Eurozone in particular.
- Earnings growth has been weaker in DM ex US, with trailing 12-M EPS growing by 3.2% over the past 12 months compared to 7.9% for broad DM. Lower weights in the IT and Comms sectors, and lower profitability for the region within those sectors, accounts for much of this lag. Analyst consensus forecasts expect earnings to grow by 8.5% in the coming 12 months, compared to expected growth of 11.5% in broad DM. Growth is expected to be driven more by profit margin expansion (from 10.1% to 10.7%) than by sales growth (2.5%), which would put margins above the 3Q 2022 record (10.3%) but still below US levels (13.1%).

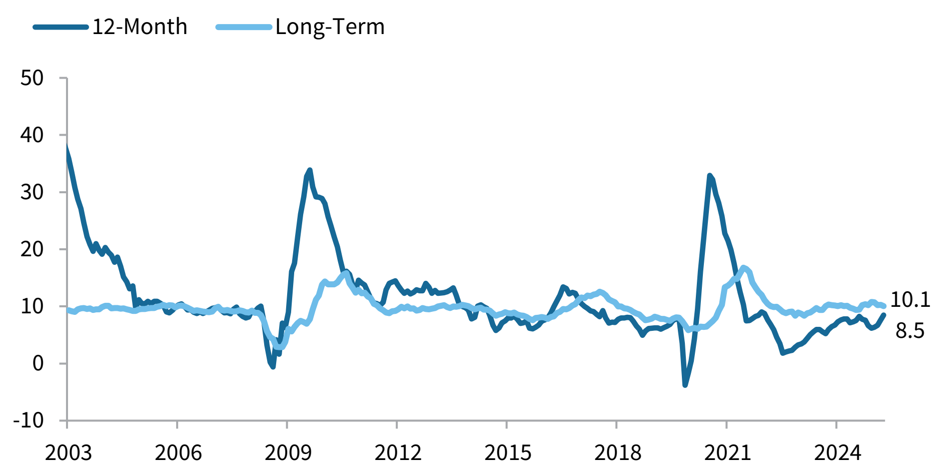
### Cyclically adjusted price-to–cash earnings: MSCI World ex US

Dec 31, 1979 – Sep 30, 2025




### Corporate earnings growth expectations

Jun 30, 2003 – Sep 30, 2025 • Percent (%)




Sources: I/B/E/S, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Note: Data are based on the MSCI World ex US Index.

# UK Equities

Facts & Figures Third Quarter 2025

**UK equities returned 5.9% in USD terms in 3Q 2025, moderately lagging the 7.3% return of broader DM. Over the trailing one-year the bloc has slightly outperformed, returning 17.7% versus DM's return of 17.2%. The concentration of DM appreciation in a handful of IT and related stocks was a headwind to the UK's relative performance in 3Q. UK economic growth has led amongst peers YTD, though fiscal and monetary challenges remain.**

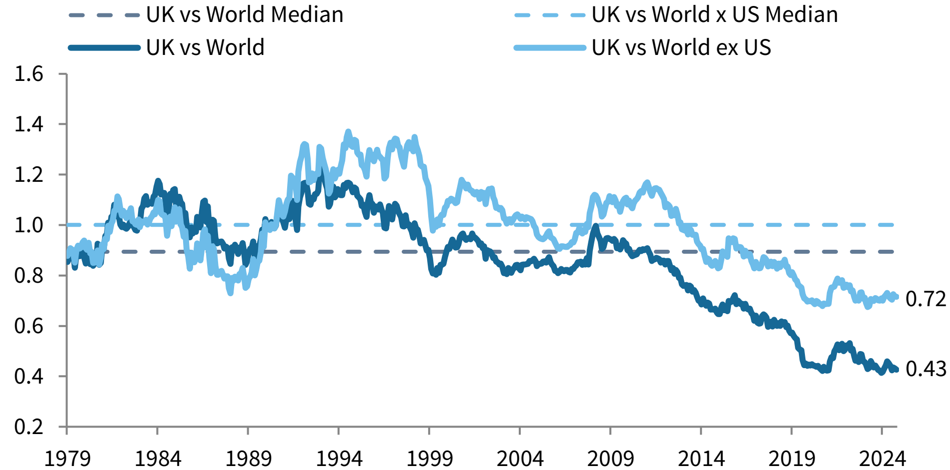
— UK valuations remain deeply discounted versus peers. The UK's CAPCE ratio stands at 8.2, placing it in the 41st percentile of historical observations. However, the ratio of the UK's CAPCE to broad DM is just 0.43 (2nd percentile). Adjusting for substantial sectoral differences between the indexes, the relative CAPCE rises to 0.61. However, when weaker-than-expected earnings are also considered—by looking at forward P/Es—the ratio of sector-neutral forward P/Es is 0.76. These figures collectively underscore the persistent valuation gap between UK equities and broader DM.

— UK GDP grew by 0.9% through the first two quarters of the year, the highest amongst the G7. Nonetheless, the economic backdrop remains challenging. UK GDP is forecast to underperform DM in 2025 (1.3% vs 1.5%) and 2026 (1.2% vs 1.6%). How well the US continues to weather tariff impacts will be a significant determinant of relative growth. Sticky inflation is slowing the BOE's desired pace of rate cuts, while the government faces challenges in meeting their fiscal rules.

— Corporate fundamentals are also lagging. Trailing 12-month EPS contracted by 0.9% over the past 12 months compared to growth of 7.9% for broad DM, due largely to the UK's sectoral tilts. UK EPS are forecast to underperform DM by 2.7 ppts over the next 12 months (8.8% vs 11.5%), with growth primarily driven by margin expansion (10.7% to 11.4%) and a more modest contribution from sales growth (2.7%). If fundamentals improved, depressed sentiment could prove supportive for UK risk assets.

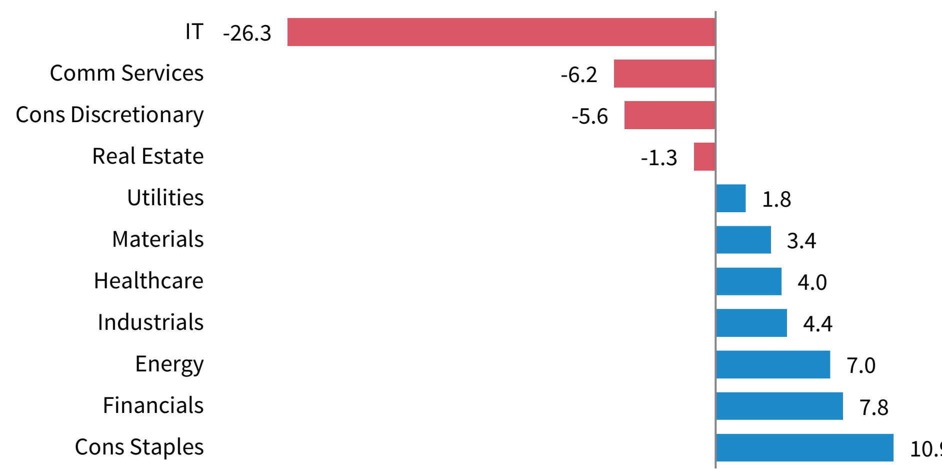
**Relative CAPCE: MSCI UK vs World**

Dec 31, 1979 – Sep 30, 2025




**Relative sector weights: UK minus World**

As of Sep 30, 2025 • Percentage Points




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

**Europe ex UK equities returned 3.0% in USD in 3Q 2025, underperforming broader DM which returned 7.3%. Over the trailing one-year, the bloc has returned 14.3% versus DM's return of 17.2%. A lower exposure to the dominant tech and AI-related stocks has been a headwind to relative EPS growth recently, while anemic growth in Germany has also hindered relative performance.**

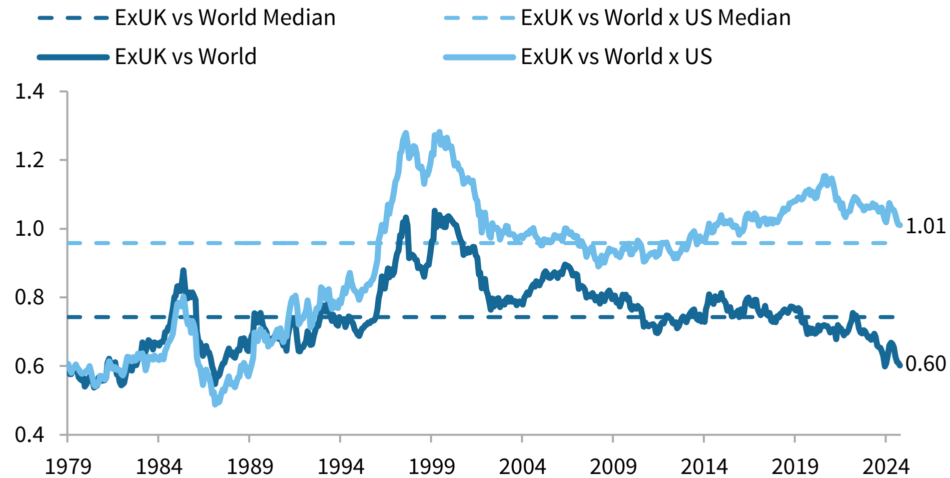
— In absolute terms, the valuation increased modestly with the CAPCE rising from 11.4 to 11.6, which represents the 85th percentile of data going back to 1979. However, relative valuation continued to decline. The CAPCE of the region relative to broad DM declined to 0.60, well below the long-term median of 0.74, with much of this apparent cheapness due to the comparative richness of the US market. CAPCE relative to DM ex US edged down to 1.01, now at the 67th percentile of historical observations and 5.4% above its long-term median of 0.96.

— The economic backdrop has improved modestly, with consensus Eurozone GDP growth for 2025 rising 25 bps over the quarter to 1.3%. This still lags the 1.5% growth expected in DM more broadly, though the gap has narrowed. German growth weakness, because of competition from China and still-elevated energy costs, has been partially offset by stronger peripheral performance. Still, a significant fiscal easing will be forthcoming in Germany in the coming quarters. Combined with a cumulative 2 ppts of rate cuts delivered by the ECB, this should help underpin growth in Europe next year.

— Longer-term underperformance versus DM is driven by lower underlying profitability, with the region's ROE at 0.85x DM, reflecting both lower tech exposure and sectoral ROEs that lag in eight of 11 GICS sectors. Still, ROE exceeds that of DM ex US. Earnings growth is expected to be 9.6% over the next 12 months, behind DM's 11.5%. Sales growth is forecast at 3.3%, with margins rising 60 bps to 10.4%.

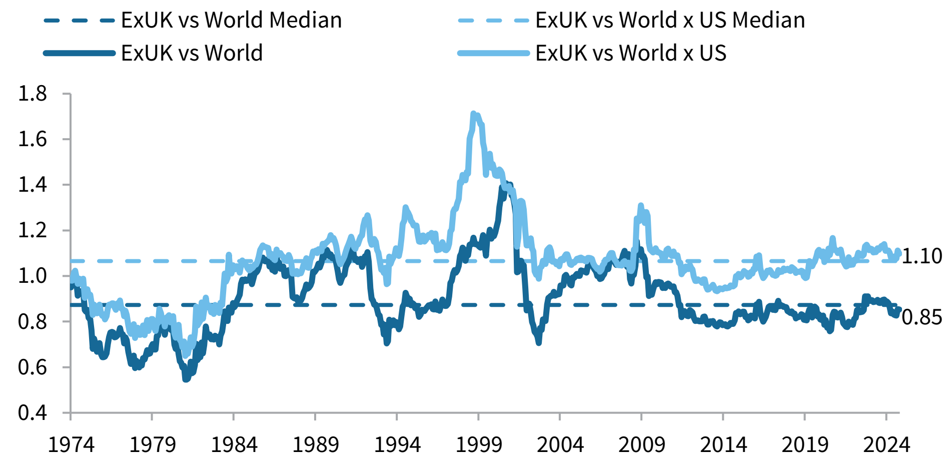
**Relative CAPCE: MSCI Europe ex UK vs World and World ex US**

Dec 31, 1979 – Sep 30, 2025




**ROE: MSCI Europe ex UK vs World and World ex US**

Dec 31, 1974 – Sep 30, 2025 • Percent (%)




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

# Japanese Equities

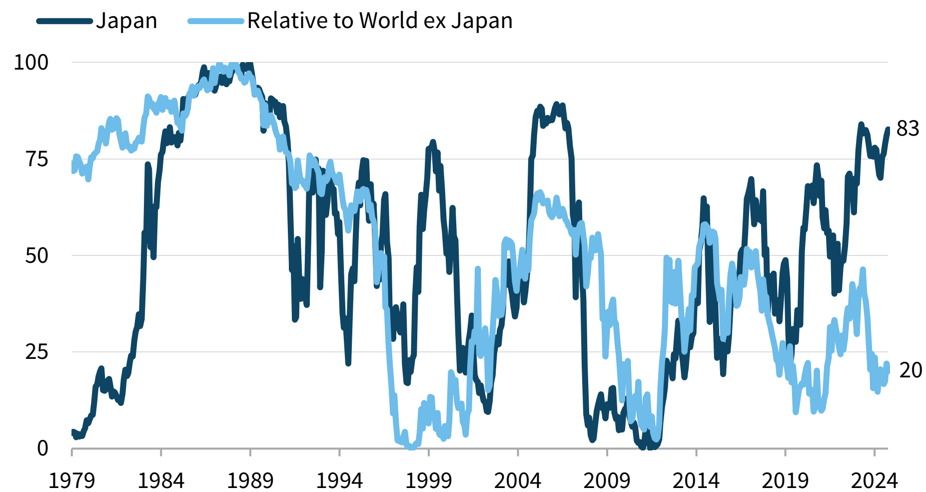
Facts & Figures Third Quarter 2025

**Japanese equities returned 8.0% in 3Q 2025 in USD terms, modestly outperforming DM equities (7.3%), and was supported by an easing of US tariff uncertainty following the US-Japan trade deal. On a TTM basis, Japanese equities gained 16.4%, compared to DM equities, which gained 17.2%.**

- Japanese equity valuations moved higher in 3Q and remain elevated. As of September 30, the market trades at 12.8x cyclically adjusted cash earnings, which ranks as the 83rd percentile of historical observations since 1979. Relative to other developed markets, however, Japanese equities trade lower at the 20th percentile of historical observations.
- Japan's real GDP growth expanded by 1.7% in 2Q, surprising to the upside and supported by stronger domestic consumption and business investments. Resilient economic momentum and persistent inflationary pressures have led to increased expectations that the BOJ will continue to normalize policy, albeit at a gradual pace, with futures markets pricing in 50 bps of rate hikes over the next 12 months.
- Analysts' expectations of 12-month forward earnings growth in Japan were revised higher over 3Q to 6.7% as of September 30, although this trails estimates for DM peers at 11.5%. The cooler pace of earnings growth forecasts likely reflects the market's dependency on US and global trade, which continues to face headwinds given US tariffs. Expectations of continued BOJ policy tightening and a stronger yen have also dampened the positive currency translation impact on earnings, which had been a driver of Japanese equity performance in LC terms over the trailing three years.
- The ROE on Japanese equities currently stands at 9.8%, which is above the historical median. Japan's ROE has been improving relative to its own history amid an increased focus on corporate governance and shareholder returns in Japan, although it remains lower compared to that of DM peers.

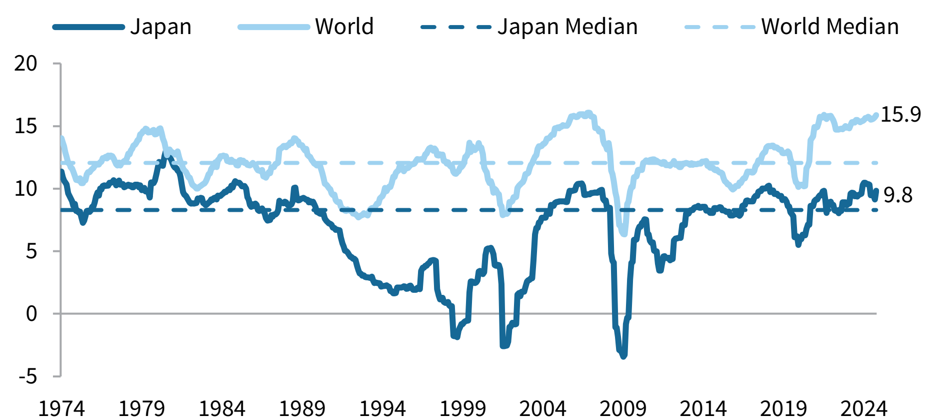
**Cyclically adjusted price-to–cash earnings**

Dec 31, 1979 – Sep 30, 2025 • Percentile (%)




**ROE: MSCI Japan vs World**

Dec 31, 1974 – Sep 30, 2025 • Percent (%)




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

# Emerging Markets Equities

Facts & Figures Third Quarter 2025

**EM equities gained 10.6% in USD terms in 3Q and 17.3% over the TTM period. Recent performance has been supported by a weaker US dollar, a global tech rally, and resilient economic growth. All major EM regions delivered solid gains YTD. Latin America (43.1%) was largely spared from the brunt of US tariffs and benefits from cheap currency and equity valuations. Tech-heavy EM Asia (26.4%) has been bolstered by AI updates and a Chinese equity rally. EMEA (26.8%) has been led by the European bloc given prospects for increased defense and infrastructure spending. EM topped DM by 3 ppts in 3Q and 10 ppts YTD.**

— EM valuations are elevated, driven by larger Asian countries such as Taiwan, India, China, and Korea. Valuations for Latin America appear relatively cheap, particularly Brazil and Mexico. EM trades at a 34% discount to DM, although this has narrowed in recent quarters.

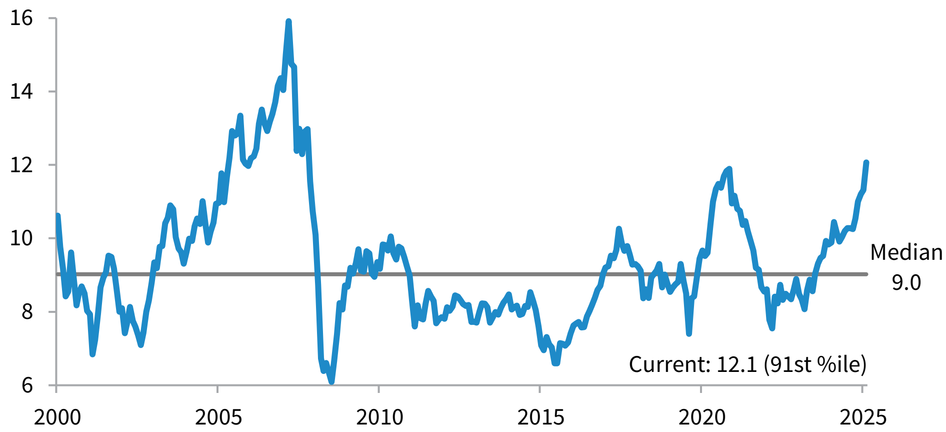
— Consensus expectations call for EM GDP growth of 4.1% and 4.0% in 2025 and 2026, respectively. While tariff front-running has supported growth this year, 2026 faces elevated downside risks as trade volume growth is expected to slow. This would disproportionately impact the export-heavy Asia region. However, policymakers retain ample room to stimulate in EM, particularly as the Fed has resumed interest rate cuts.

— Analysts expect EPS growth of 9.7% in 2025 and 14.6% in 2026. Like the economic outlook, EPS growth faces downside risk if trade flows moderate, given lofty expectations for Asia EPS growth in 2026 (15.9%). EM EPS growth averaged 2.3% per year over the past 20 years.

— Despite recent outperformance, EM still lags DM by more than 5 ppts annualized on a trailing three-year basis. Longer-term underperformance since 2010 was driven by USD appreciation, subpar earnings growth, and a narrowing economic growth differential. Several of these factors have shifted in favor of EM in 2025, namely a sharp weakening of the US dollar and mounting headwinds to DM growth.

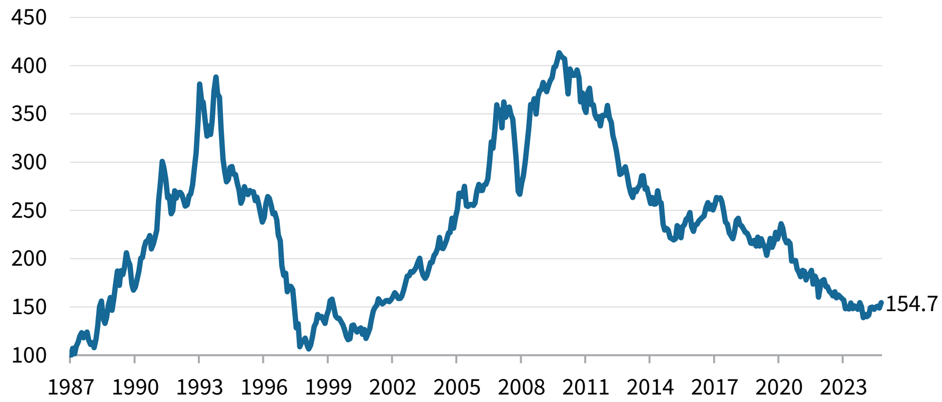
**Cyclically adjusted price-to–cash earnings: MSCI EM**

Aug 31, 2000 – Sep 30, 2025




**EM/DM equity relative cumulative wealth**

Dec 31, 1987 – Sep 30, 2025 • US Dollars




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

Notes: EM CAPCE based on five-year average real cash earnings. Total returns are gross of dividend taxes prior to January 2001 and net thereafter. EM and DM equities based on the MSCI Emerging Markets Index and MSCI World Index, respectively.

# Asia ex Japan Equities
## Facts & Figures Third Quarter 2025

**Asia ex Japan equities returned 10.8% in 3Q 2025 in USD terms, outperforming global equities by 3.1 ppts. 3Q performance was driven by a strong rally in China following an extension of the US-China trade truce, as well as gains in tech-heavy Taiwan and South Korea stocks which benefited from continued AI-related optimism. However, Indian equities meaningfully detracted amid an escalation in US-India trade tensions. On a TTM basis, Asia ex Japan equities returned 17.2%, on pace with global equities which returned 17.3%.**

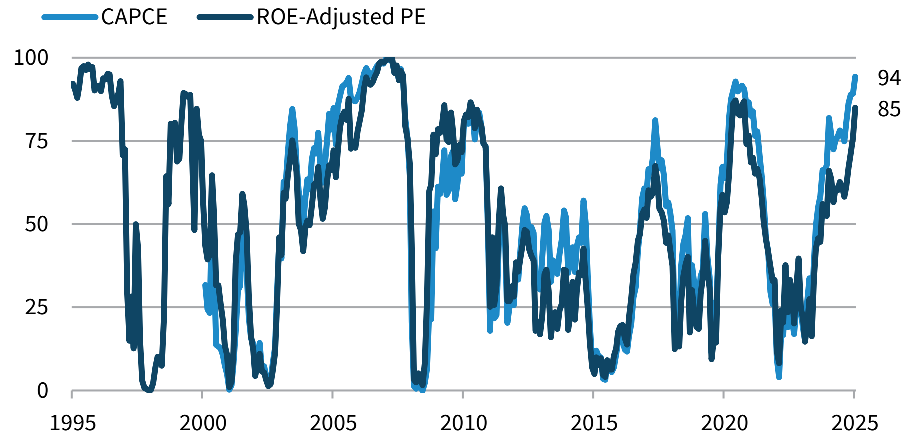
— Asia ex Japan valuations continued to rise in 3Q and are elevated relative to history. As of September 30, the index's ROE-adjusted P/E ratio is the 85th percentile of historical observations. The cyclically adjusted price-to–cash earnings (CAPCE) ratio, which excludes banks and insurance companies, is higher at the 94th percentile. Absolute valuations are mixed across countries and are elevated in Taiwan, Singapore, and India, but low to fairly valued elsewhere. Relative to DM equities, however, the MSCI AC Asia ex Japan Index trades lower at the 28th percentile of historical observations.

— Asia ex Japan real GDP growth expanded by 5.3% YOY in 2Q, supported by strong exports demand ahead of anticipated US tariffs. Latest consensus forecasts expect 2025 full-year growth to moderate to 4.4% as economic momentum cools in key markets such as China and India, although these forecasts are subject to change given uncertainty over the impact of US tariffs.

— Analysts' expectations of forward 12M EPS growth for Asia ex Japan were revised higher over 3Q to 13.1% as of September 30, compared to estimates for global peers at 11.7%. However, given the export-oriented and cyclically sensitive nature of most Asia ex Japan markets, a key risk to these earnings estimates is if prolonged US tariffs begin to weigh on global trade and growth, although this may be offset to a degree if China releases more aggressive stimulus in response.

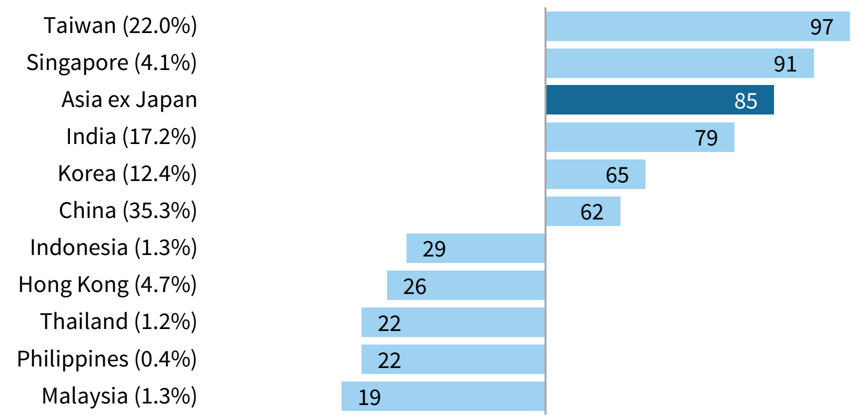
**MSCI All Country Asia ex Japan Valuations**

Sep 30, 1995 – Sep 30, 2025 • Percentile (%)




**Country P/B Percentile: MSCI AC Asia ex Japan**

As of Sep 30, 2025 • Index Weight in Parentheses




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

Notes: CAPCE based on five-year average real cash earnings. CAPCE data begin October 31, 2000. Totals may not sum to 100% due to rounding.

# Chinese Equities

Facts & Figures Third Quarter 2025

**Chinese equities rallied sharply in August and September following an extension of the US-China trade truce and returned 20.5% in 3Q 2025 in USD terms, outperforming global equities by 12.8 ppts. On a TTM basis, Chinese equities returned 25.3%. Offshore Chinese equities (30.8%) outperformed onshore A-shares (20.6%) over this period, supported by a rally in Chinese technology stocks.**

— As of September 30, the composite P/E ratio for the MSCI China All Shares Index was at the 89th percentile, up from the 12th percentile in August 2024. Absolute valuations have risen to elevated levels given the market's recent rally, with offshore Chinese equities looking more expensive than onshore A-shares. However, valuations for both segments remain low relative to global equities.

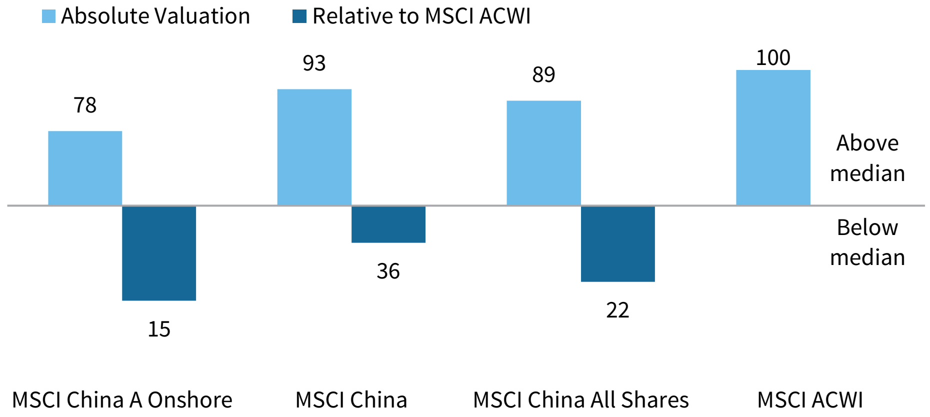
— China's real GDP growth expanded by 5.2% YOY in 2Q 2025, although this was boosted by strong exports ahead of anticipated US tariffs. While consensus forecasts still expect growth of 4.8% for full-year 2025, these forecasts may be subject to change given weak domestic activity and US tariffs on China that still amount to 55% as of September 30.

— Chinese equities consist of mainland China-listed A-shares, Hong Kong-listed Chinese companies, and US-listed Chinese companies. The MSCI China All Shares Index combines both onshore and offshore markets and is composed of 54% Hong Kong-listed equities, 3% US-listed equities, and 43% A-Shares.

— Active China-dedicated managers have historically demonstrated an ability to add value over the A-share index, given the retail-driven nature of the market. However, the A-share market is overweight cyclicals and underweight tech, with most Chinese tech companies listed offshore in Hong Kong or the US. Managers with flexible "All China" mandates can offer exposure across the China equity universe.

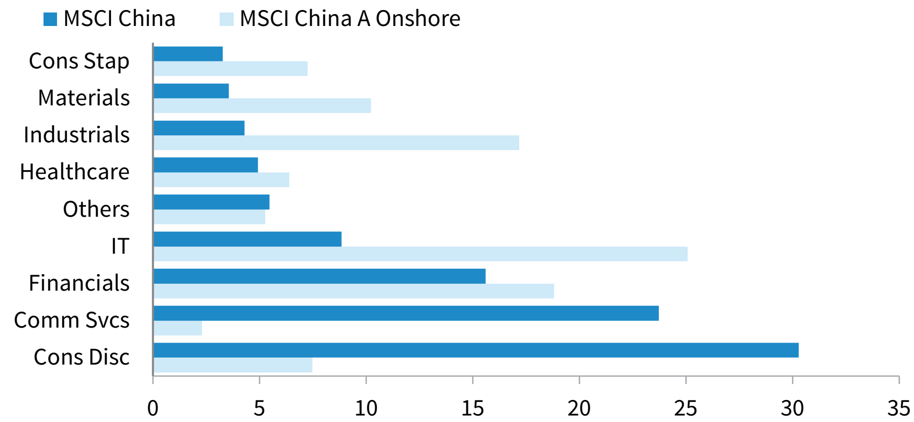
## Composite P/E: Percentile

Feb 28, 2010 – Sep 30, 2025




## Sector weights

As of Sep 30, 2025 • Percent (%)




Sources: FactSet Research Systems, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Composite P/E reflects the harmonic average of the 5-year cyclically adjusted P/CE, forward P/E, and ROE-adjusted P/E ratios. Sector weight for "Others" consists of Real Estate, Utilities, and Energy. Totals may not sum to 100% due to rounding.

# US Small-Cap Equities

Facts & Figures Third Quarter 2025

**US small-cap equities topped mid- to large-cap stocks by 0.8 ppts in 3Q, but have lagged by nearly 10 ppts over 12 months, as mega-cap tech has dominated equity market performance. Small caps remain deeply discounted on normalized P/CE basis, with sector underweights in tech and overweights in cyclicals shaping performance.**

— Relative valuations between US small caps and mid-/large-cap peers are sharply discounted; small caps have never been cheaper on a normalized P/CE basis since 1999. Historically, small caps traded at a median 7% premium to large caps, but now trade at a 28% discount.

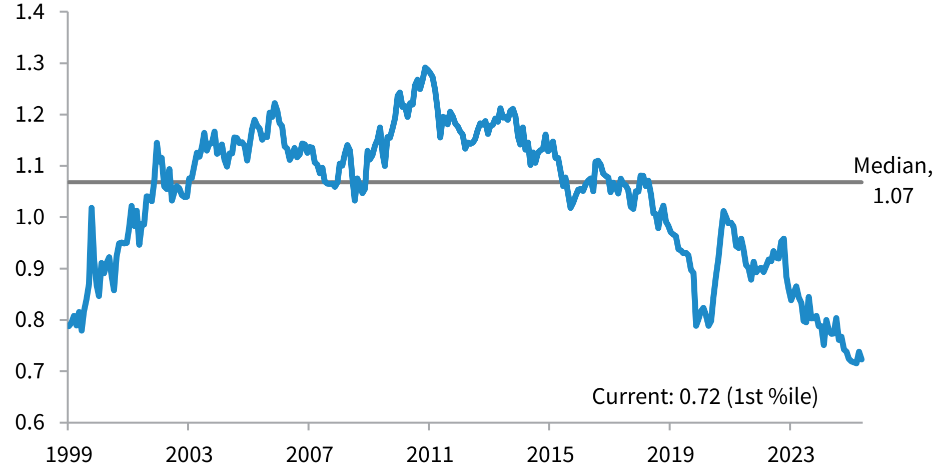
— Both large- and small-cap equities initially stumbled in 2Q as tariff announcements unsettled markets, but performance rebounded after 90-day tariff pauses and continued through 3Q. The rally in large-cap tech, with the Mag 7 resuming leadership after a weak 1Q, drove sector gains—these stocks returned 17.7% in 3Q on an equal-weighted basis.

— The US small-cap segment is overweight cyclicals and underweight tech relative to mid-/large-cap peers, making small caps more sensitive to the economic cycle and typically better performers during recovery phases. However, the recent rally favored tech-heavy large caps, leaving small caps behind.

— Momentum and technicals favored large caps, while small-caps' underperformance was compounded by sector tilts and limited tech exposure. Key risks include ongoing tariff policy uncertainty and macro headwinds, but small caps could benefit if the Trump administration eases tariffs or adopts more pro-growth policies. The recent US tax and spending bill may also support small-cap companies, which are generally more domestically focused.

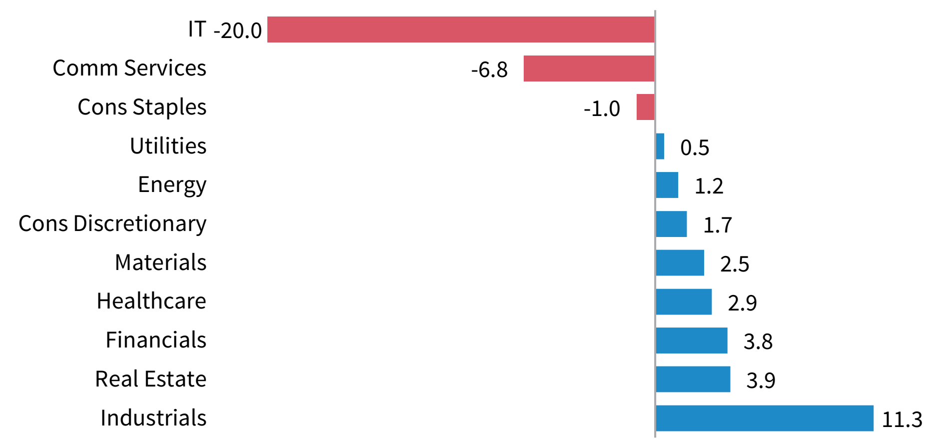
**Relative 5-YR CAPCE: MSCI US SC vs US LC/MC**

May 31, 1999 – Sep 30, 2025




**Relative Sector Weights: US SC minus US LC/MC**

As of Sep 30, 2025 • Percentage Points




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

Note: CAPCE ratios based on five-year average inflation-adjusted earnings.

# Developed Markets ex US Small-Cap Equities

Facts & Figures Third Quarter 2025

**Developed ex US small-cap equities returned 7.3% in USD for 3Q and outperformed mid-/large-caps by 1.9 ppts. Over the past 12 months, they have outperformed by 3.3 ppts. Performance was driven largely by the strength of the materials sector.**

— Developed ex US small-cap valuations increased in 3Q but remain sharply discounted relative to large-cap peers. As of September 30, DM ex US small caps traded at a 10.3x CAPCE ratio, in the 48th percentile of historical observations. On a relative basis, valuations are in the 18th percentile versus large-/mid-caps, at a ratio of 0.90—near the steepest discount in over 20 years.

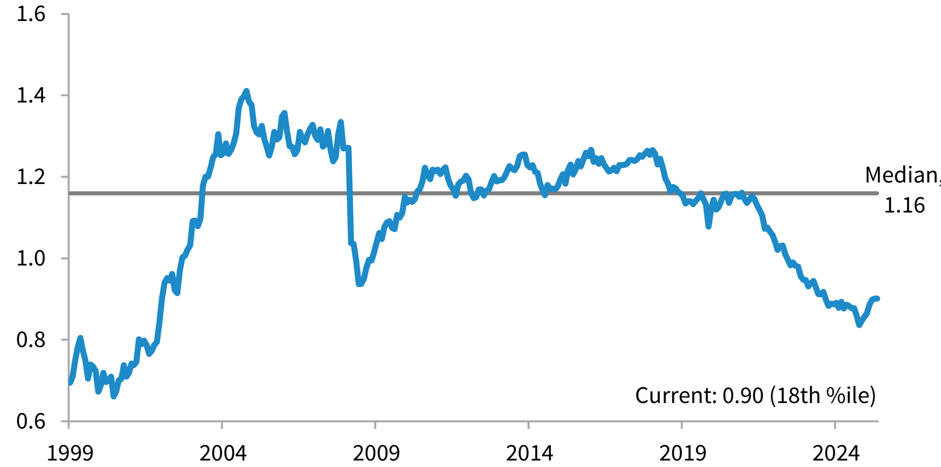
— From a sector exposure standpoint, DM ex US small caps are overweight cyclicals—particularly real estate and industrials—vis-à-vis their large-/mid-cap counterparts, partially offset by a large underweight to financials. In 3Q, the materials sector accounted for one-third of the index's performance. Defensive and higher-quality sectors, such as consumer staples and healthcare, are meaningfully underrepresented in the small-cap universe.

— Superior long-term earnings growth has helped DM ex US small caps outperform large-/mid-caps over time. Over the last 15 years, world ex US small-caps real cash EPS grew by 5.0% per annum, while real EPS for large-/mid-caps was just 0.9%. During that period, small caps returned 9.8% annualized in LC terms, compared to 8.9% for large-/mid-caps.

— The DM ex US small-cap universe is regarded as less efficient than the larger-cap space due to lower analyst coverage, limited institutional ownership, and greater return dispersion. These inefficiencies create opportunities for skilled active managers to identify mispriced securities and generate alpha, but success requires expertise to navigate higher volatility, liquidity constraints, and elevated transaction costs.

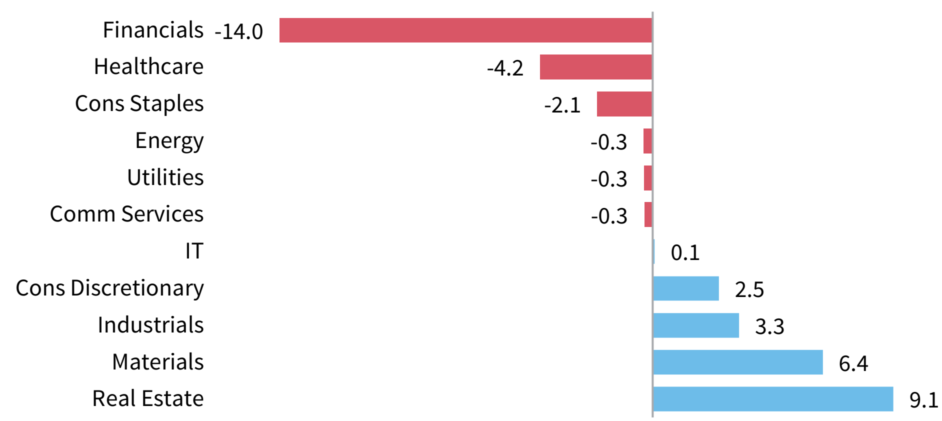
**Relative 5-yr CAPCE: MSCI World ex US SC vs LC/MC**

May 31, 1999 – Sep 30, 2025




**Relative Sector Weights: MSCI World ex US SC minus World ex US LC/MC**

As of Sep 30, 2025 • Percentage Points




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

Note: CAPCE ratios based on five-year average inflation-adjusted cash earnings.

# US Growth and Value Equities

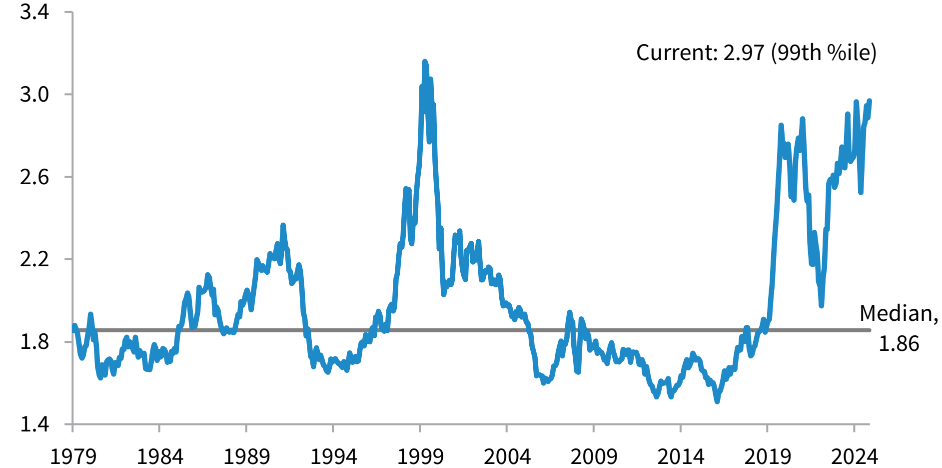
Facts & Figures Third Quarter 2025

**US growth stocks gained 10.7% in 3Q, besting value by 6 ppts. Growth has returned 27% over 12 months and has outperformed by nearly 20 ppts during that time. Performance was again driven by the Magnificent 7, which extended its momentum from a strong 2Q, returning 17.7% in 3Q on an equal-weighted basis.**

- Valuations for US growth stocks reached a new peak, with the MSCI US Growth Index trading at 41.2x normalized cash earnings. It trades at 3.0x the CAPCE ratio of the value index—99th percentile historically—a ratio only surpassed in late 1999 and early 2000. The price-to-forward earnings multiple for growth is 32x, or 1.8x that of value, 31% above the 20-year median. Investors continue to assign a premium to expected earnings for growth-oriented names.
- Growth stocks initially reacted negatively to the Trump Administration's tariff announcements in early 2Q, but sharply reversed course after a 90-day pause. Growth concerns faded, risk-on sentiment returned, and growth resumed its leadership over value. The US Fed also cut its benchmark policy rate by 25 bps, for the first time in almost a year, which helped boost investor sentiment.
- Corporate fundamentals remain strong for growth, which has traditionally generated higher ROE than value. The current wide ROE spread is driven by sector exposures, especially tech and financials, and helps explain the valuation gap between growth and value indexes.
- The Mag 7 accounts for nearly 60% of the growth index. Technicals reflect continued investor preference for growth, but key risks include elevated valuations and sensitivity to policy shocks.

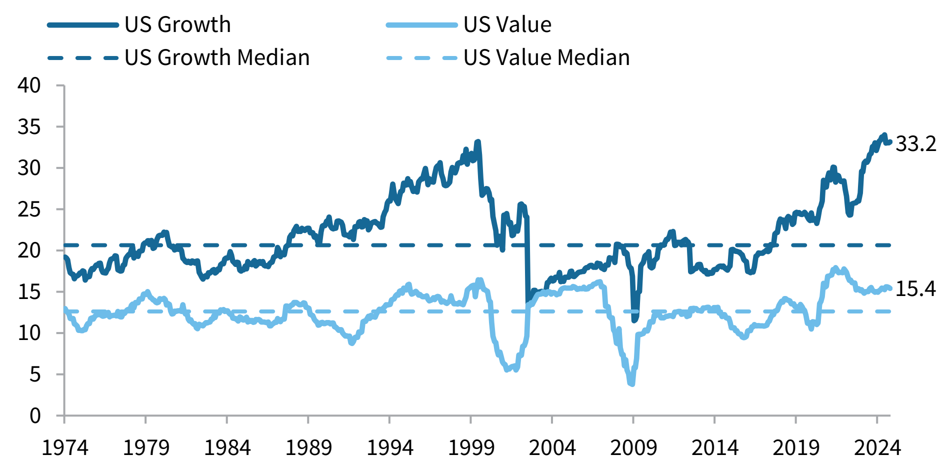
**Relative 5-YR CAPCE: MSCI US Growth vs US Value**

Nov 30, 1979 – Sep 30, 2025




**ROE: MSCI US Growth vs US Value**

Dec 31, 1974 – Sep 30, 2025 • Percent (%)




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

# Developed Markets Equity Factors

Facts & Figures Third Quarter 2025

**Most major factors underperformed developed markets equities (+7.5%) in 3Q, particularly min vol (+0.9%), as risk-on sentiment and continued upward momentum in AI-related stocks pushed growth-oriented names to new highs. Over 12 months, momentum was the top-performing factor (+20.4%).**

— Valuations moved higher during the quarter, with quality commanding the highest premiums across valuation metrics. The P/B ratio tends to have the strongest relationship to subsequent five-year returns across factors, though the link is weak for momentum, given its focus on recent outperformers and high turnover.

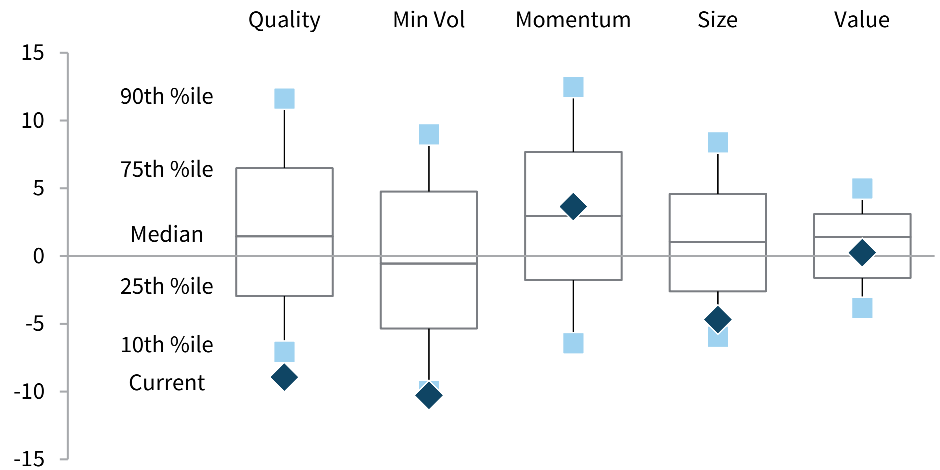
— Equity markets saw a continuation of their 2Q resilience, boosted by optimism on AI developments and a 25-bp Fed rate cut. This risk-on environment supported solid gains for momentum, quality, and value-weighted equities, while min vol lagged, as it typically outperforms in higher volatility periods. Indeed, momentum has continued to benefit as AI-related stocks have continued their dominance since the brief tariff-related market disruption in early 2Q.

— Excess returns across several strategies have low or negative correlations with each other. Combining these factors can add a diversification benefit and smooth out the pattern of portfolio performance over time. For example, value and momentum had strongly negative correlations over the trailing five-year period.

— Quality, minimum volatility, momentum, size, and value are five equity market factors commonly cited in academic research as sources of return, or "market premiums." These factors have historically demonstrated superior risk-adjusted returns compared to broad-market benchmarks over long periods, though performance can vary across different market environments. While growth is a widely used investment style, it is not typically considered a distinct academic factor premium.

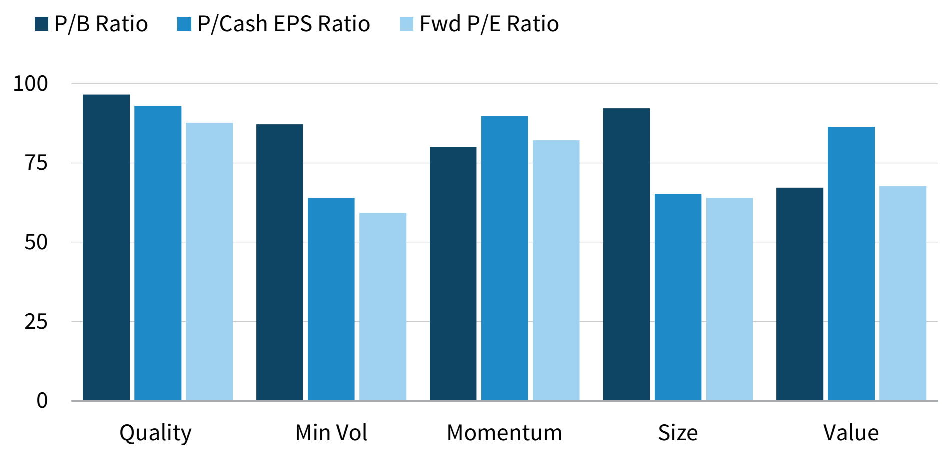
**Factor returns in excess of developed markets equities**

As of Sep 30, 2025 • Rolling 12M • Percent (%)




**Current valuation percentile ranking by factor**

As of Sep 30, 2025




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

# Hedge Funds

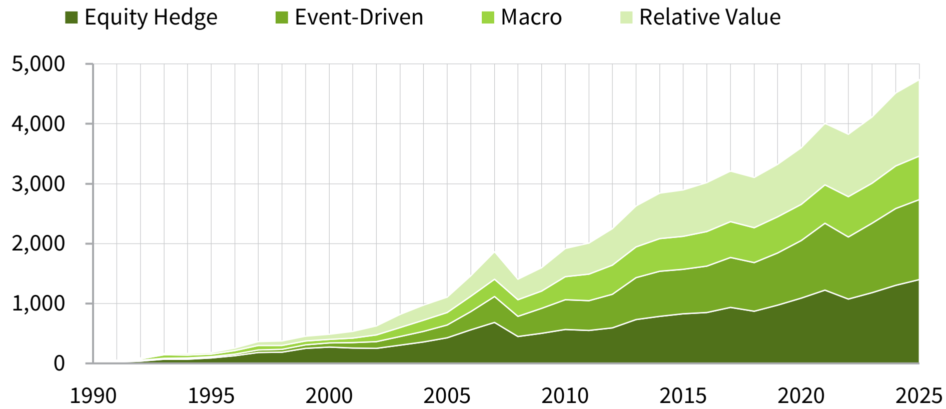
Facts & Figures Third Quarter 2025

**Notably, all major hedge fund strategies generated positive performance in 3Q 2025, consistent with strong returns for most risk assets globally.**

- Relative value (RV) hedge funds, as measured by the HFRI Relative Value (Total) Index, posted another positive quarter (+2.6%). The asynchronous pace of central bank rate cuts, combined with ongoing uncertainty around inflation and tariffs, has continued to create arbitrage opportunities. After a challenging first half, macro managers rebounded with a 4.7% quarterly increase in the HFRI Macro (Total) Index; similarly, quantitative strategies bounced back with the HFRI Systematic Diversified Index returning 5.0%. Trend-following strategies staged a notable comeback in September, rebounding from a challenging 12-month period. The Barclay BTOP50 Index returned 4%, moving back into positive territory for the year, with gains primarily driven by price action in precious metals, currencies, and equities.
- Long/short equity strategies largely kept pace with equity markets in 3Q as a favorable stock picking environment led to alpha generation opportunities on both sides of the portfolio; the HFRI Equity Hedge (Total) Index gained 7.2%, while the HFRI Equity Market Neutral Index gained 2.9%. While investment themes tied to the AI value chain continued to dominate results, long/short and long-biased healthcare and biotech sector-focused strategies also participated to the upside as a flurry of deal activity reignited excitement in the sector.
- The HFRI Event-Driven (Total) Index returned 4.2% in 3Q, bringing YTD gains to 8.7%. Managers remain constructive on the opportunity set, citing robust convertible debt issuance, a significant pickup in deal activity, and abundant opportunities for activist value-unlocking initiatives—particularly in the current "AI versus everything else" environment, with notable activity in Japan and Korea. Although tight spreads have limited the attractiveness of credit generally, defaults have been ticking up and situations like First Brands and Tricolor may presage additional credit stress for funds to process.

**HFRI historical asset growth breakout**

1990–2025 (Jun) • US$B

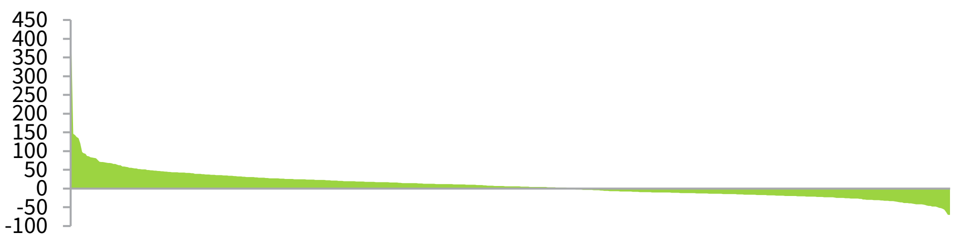



**Equity dispersion: Total returns for the S&P 500 constituents**

As of Sep 30, 2025

**Trailing 3-Month Returns (%)**


**Trailing 12-Month Returns (%)**




Sources: Hedge Fund Research, Inc., FactSet Research Systems, and Standard & Poor's.

# Fixed Income

# US Bonds

Facts & Figures Third Quarter 2025

**Core US bonds returned 2.0% in 3Q and 2.9% over the past year, aided by falling yields and tighter credit spreads. The resumption of Fed easing supported returns, while healthy credit fundamentals and high government exposure cushioned risk. Duration has come down but remains a vulnerability if persistent inflation causes the Fed to rethink expected easing.**

— The Bloomberg US Aggregate Bond Index returned 2.0% in 3Q, taking its YTD return to 6.1%. The five-year return remains slightly negative given lagged impacts from Fed rate hikes in 2022–23.

— Valuation for the Bloomberg US Aggregate Index is looking stretched, with the index yield declining to 4.37%, the lowest since 3Q 2024. Corporate credit—around 25% of the index—has spreads which are bottom quintile.

— The Fed resumed easing with a 25-bp cut in September and is expected to cut rates further over the next year. The Fed's path is not guaranteed as labor data is deteriorating, growth and inflation have been resilient, and tariff impacts remain uncertain.

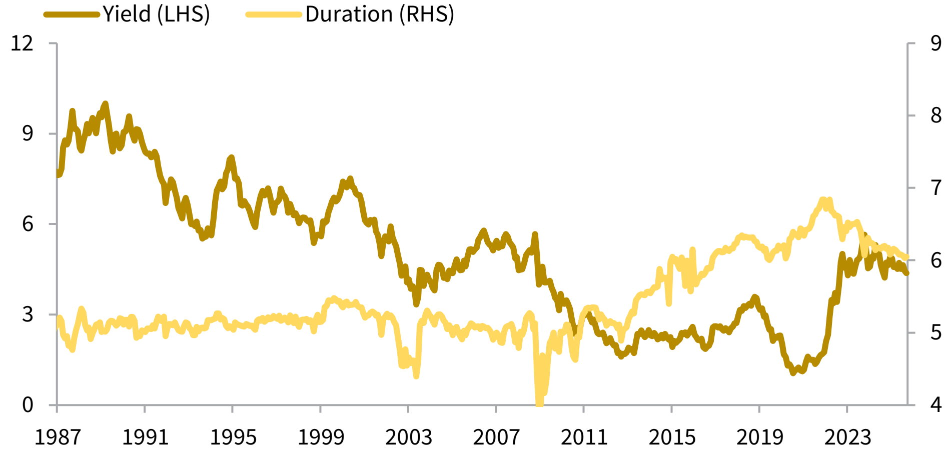
— Credit fundamentals look sound. Over 70% of the Bloomberg Aggregate Index is rated AA or higher, much of this is direct or indirect obligations of the US government. This will protect investors if US economic growth weakens but also presents a vulnerability if large deficits continue to mean elevated US Treasury supply.

— Around 25% of the index is corporate bonds. Credit spreads are expensive—in their bottom quintile—and offer little cushion if growth weakens. However, US IG corporate fundamentals have been healthy and borrower leverage has remained low for several years.

— The six-year duration of the Bloomberg US Aggregate Index leaves it vulnerable to unexpected spikes in long-term yields.

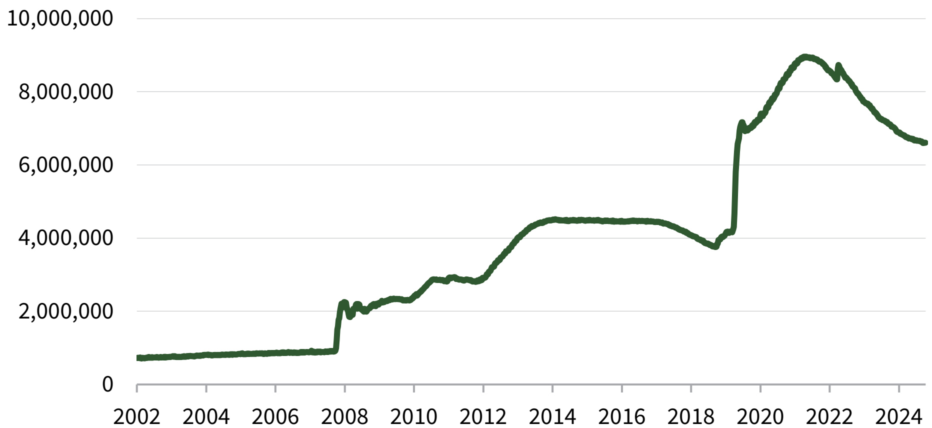
### Yield vs duration: BBG US aggregate bond index

Jan 31, 1987 – Sep 30, 2025




### Fed balance sheet total assets

Dec 18, 2002 – Sep 30, 2025 • US$M




Sources: Bloomberg Index Services Limited, Federal Reserve Bank of St. Louis, and Thomson Reuters Datastream.

Notes: Fed balance sheet assets are weekly and not seasonally adjusted. Total assets are less eliminations from consolidation.

# US Treasuries

## Facts & Figures Third Quarter 2025

**US Treasuries returned 1.5% in 3Q and 2.1% over the trailing 12 months. Yields declined in 3Q amid growth concerns and shifting Fed policy expectations, despite inflation and fiscal risks.**

— US Treasury valuations appear fair, with ten-year yields at 4.2% as of September 30 (down from 4.6% at the start of the year), slightly below the implied fair value of 4.4% based on nominal GDP growth.

— US economic activity has moderated this year amid tariff uncertainty and a notable softening in the labor market during 3Q. Inflation pressures have edged higher—core CPI rose from 2.8% in May to 3.1% in August—and higher tariffs are expected to keep inflation elevated.

— Consensus forecasts see US real GDP growth at 1.8% and headline CPI at 2.8% for 2025, compared to 2.1% and 2.5% in December 2024.

— The Fed cut rates by 25 bps in September, the first move since last December, lowering the target range to 4.00%–4.25% in response to labor market concerns. Both the Fed and markets expect another 75 bps–100 bps of cuts by the end of 2026, though this may be optimistic if inflation remains sticky.

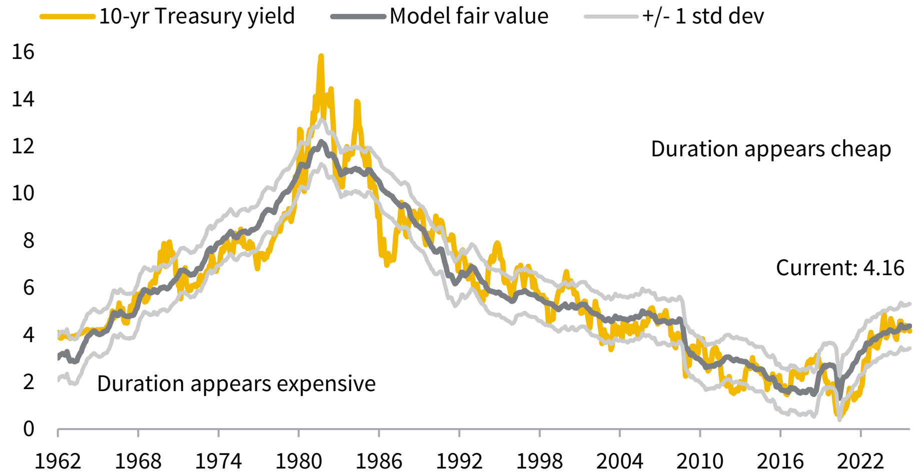
— Price momentum has improved from 2022 lows but stalled this year as yields have traded in a tight range amid macro uncertainty.

— The yield curve has steepened with Fed cuts—the ten-year/two-year spread widened from 15 bps to 56 bps over the past year—and the term premium for holding ten-year bonds over cash remains elevated at 0.6% compared to recent years.

— This higher-term premium reflects several factors, including Fed easing, increased uncertainty, and fiscal concerns. The recently passed One Big Beautiful Bill will keep the US deficit at 6%–7% of GDP, well above the historical average (4%), creating supply-demand challenges as more Treasury issuance must be absorbed by the private sector.

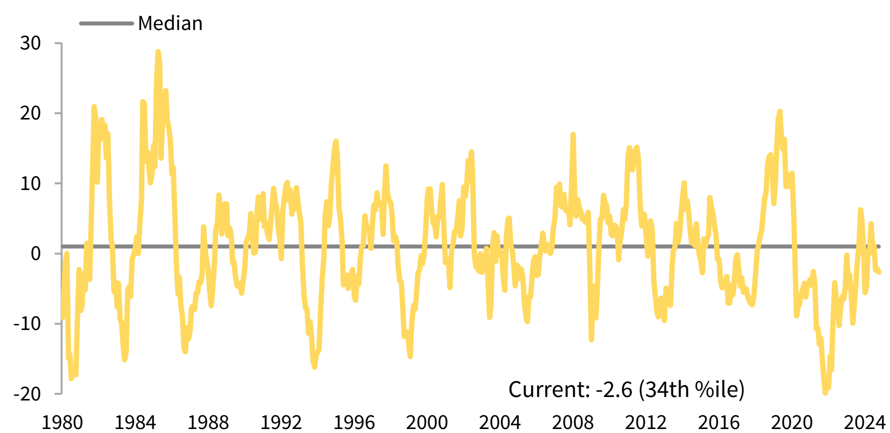
**Valuations: 10-yr Treasury**

Jan 31, 1962 – Sep 30, 2025 • Percent (%)




**12-month price momentum: 10-yr Treasury**

Dec 31, 1980 – Sep 30, 2025 • Percent (%)




Sources: Federal Reserve and Thomson Reuters Datastream.

Notes: The Model Fair Value is the predicted range of ten-year yields based on a multiple linear regression model that includes trailing ten-year real GDP and CPI change. CPI data are as of August 31, 2025.

# US Cash

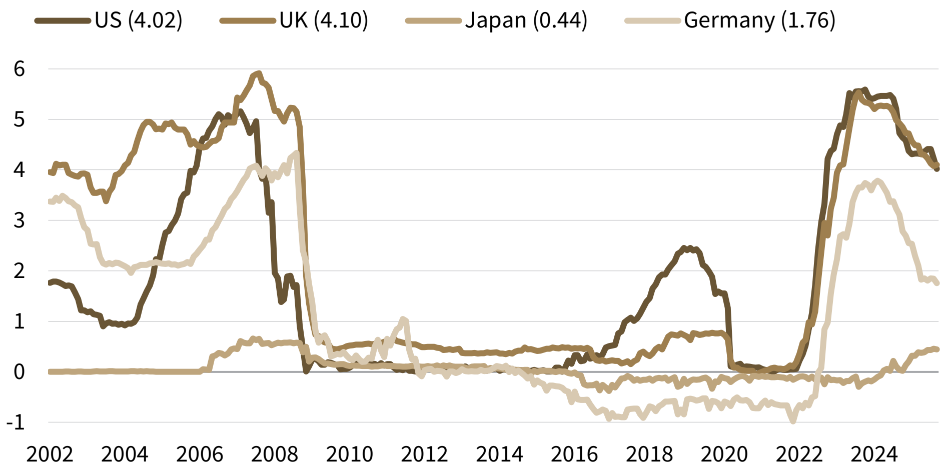
Facts & Figures Third Quarter 2025

**Cash remained a stable source of returns in 3Q (1.1%) and over the trailing 12 months (4.5%). Elevated short-term yields and flat curves have been supportive, but the outlook is less favorable as central banks cut rates and yield curves steepen.**

- Short-term yields remain elevated compared to the previous decade but are under downward pressure as the Fed, ECB, and BOE have cut policy rates. There is likely room for yields to fall further with markets anticipating 1 to 4 additional cuts over the next year in most regions.
- Cash yields, which outpaced sovereign yields in recent years, have begun to lag as yield curves steepened since mid-2024. Continued rate cuts by DM central banks should push cash yields further below sovereign yields, raising the opportunity cost of holding cash.
- Cash remains essential for liquidity and stability—key priorities in today's environment, especially for investors with high spending needs, unfunded commitments, or hedging overlays.
- US investors should focus on secure instruments like T-bills, while Eurozone investors should keep cash in core country banks within prudent limits. Treasury and government money market funds are preferred over prime funds, which carry greater credit risk and gating potential.
- Holding cash long-term carries risks: inflation erodes real value, opportunity costs rise as other assets offer higher expected returns, and reinvestment risk increases as rates fall and the curve steepens.

**T-Bill rates**

Jan 31, 2002 – Sep 30, 2025 • Percent (%)




**Market expectations for future central bank rates**

As of Sep 30, 2025 • Percent (%)

| | Current | 3M | 6M | 1Y | 2Y |
|---|---|---|---|---|---|
| UK | 4.00 | 3.96 | 3.81 | 3.63 | 3.65 |
| Japan | 0.50 | 0.69 | 0.78 | 0.98 | 1.22 |
| EMU | 2.00 | 1.99 | 1.94 | 1.92 | 2.11 |
| US | 4.13 | 3.61 | 3.39 | 3.03 | 2.99 |

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

Notes: ECB data represented by the ECB overnight deposit rate. Feds funds target range is 4.00%–4.25%. The mid-point of 4.13% is used for future market expectations.

# US Corporate Bonds

Facts & Figures Third Quarter 2025

**US investment-grade (IG) corporate bonds returned 2.6% in 3Q and are now up 3.6% over the past 12 months, driven by declining spreads and lower benchmark yields. Credit fundamentals remain solid, with stable leverage and strong coverage, and stand to benefit from further Fed easing.**

— The Bloomberg Corporate Investment-Grade Index returned 2.6% in 3Q and is now up 6.9% YTD, as declining spreads and lower benchmark yields boosted returns.

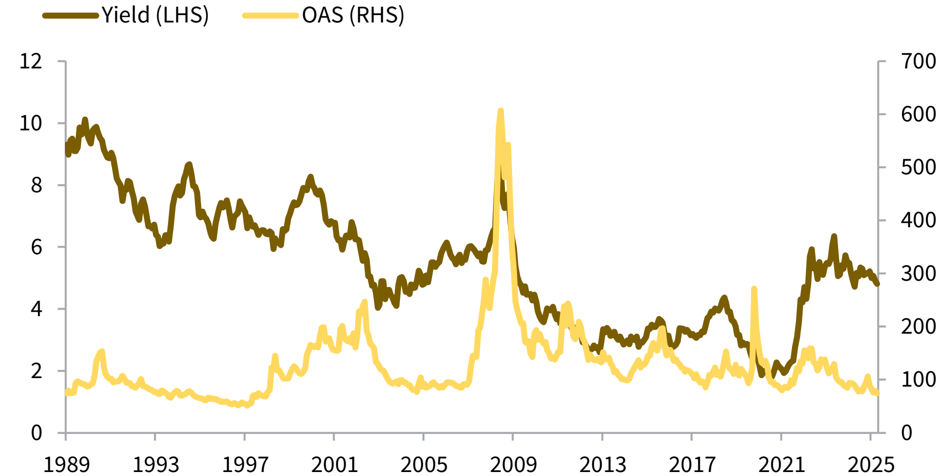
— Valuations for IG corporate bonds look stretched, with the current 74-bp OAS in the bottom quintile and the index yield at 4.81%, its lowest since 3Q 2024 and about 50 bps lower than where it began 2025. Despite this, IG yields remain above ten-year averages, which might continue to attract some investors.

— Economic conditions have been supportive, as underlying Treasury yields have moved lower in 2025 and both inflation and growth moderated, allowing the Fed to resume easing. Additional rate cuts are expected over the next year, though the impact on intermediate-term benchmark yields is uncertain given larger deficits and wavering foreign demand amid a weakening US dollar.

— IG corporate fundamentals remain healthy, providing a cushion if growth deteriorates. Gross leverage for IG issuers has been stable at around 2.4x Ebitda for several years, and the median interest coverage ratio is around 10x. Ebitda growth decelerated to around 5% YOY in 2Q, but expected Fed rate cuts could offer some upside for credit metrics.

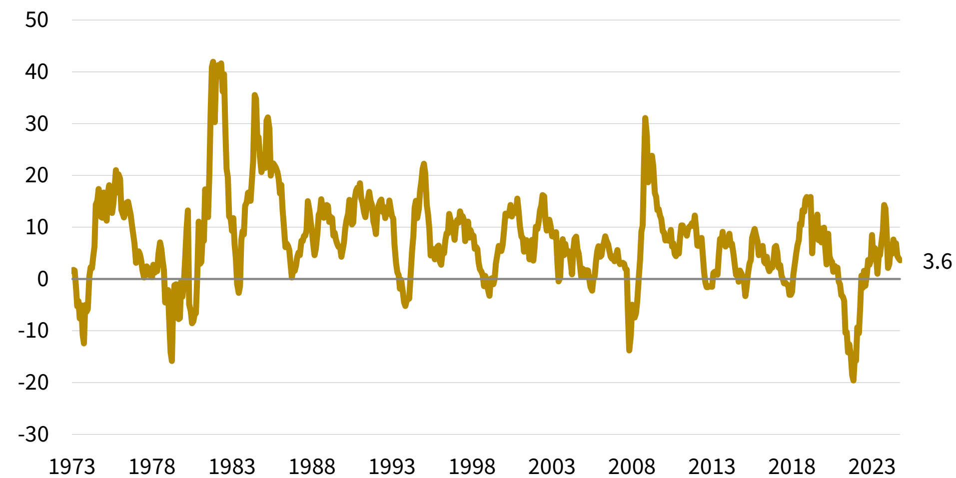
**Yield and option-adjusted spread: US investment-grade corporates**

Jun 30, 1989 – Sep 30, 2025 • Percent (%)




**Trailing 12-month return: US investment-grade corporates**

Dec 31, 1973 – Sep 30, 2025 • Percent (%)




Sources: Bloomberg Index Services Limited and Thomson Reuters Datastream.

# US Tax-Exempt Bonds

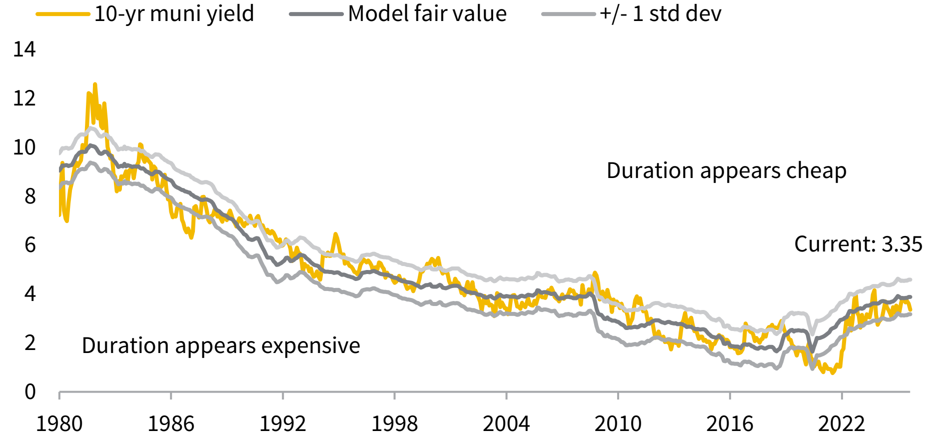
Facts & Figures Third Quarter 2025

## US muni bonds returned 3.0% in 3Q and 1.4% over the trailing 12 months. Performance was buoyed by a strong September due to the resumption of Fed easing and strong fund inflows.

- Muni valuations appear fair in absolute terms, with ten-year muni yields at 3.4% (down from 3.5% at the start of the year). Yields remain slightly above their 20-year median of 2.8% but are slightly below their implied fair value of 3.9% based on their relationship with the trailing ten-year nominal GDP growth adjusted for the average muni/Tsy yield ratio.
- Munis spreads tightened in 3Q and the muni-to-Treasury yield ratio fell to 0.81 (24th percentile). For high tax bracket individuals, ten-year munis still offer a significant yield advantage over taxable-equivalents after taxes (+187 bps vs Treasuries and +100 bps vs corporates).
- US growth has slowed this year, with labor market softness and tariff uncertainty weighing on activity. Inflation remains elevated, and higher tariffs are expected to keep price pressures up.
- The Fed cut rates by 25 bps in September, bringing the target range to 4.00%–4.25%. Looking ahead, both the Fed and markets anticipate another 75 bps–100 bps of cuts by end-2026, though persistent inflation could limit the pace and extent of easing.
- US policy changes have introduced uncertainty to the muni market. The One Big Beautiful Bill raised the SALT cap deduction, potentially reducing muni demand, while deregulation may encourage some buyers to increase muni holdings. Cuts to Medicaid, Medicare, and federal funding could pressure state finances and issuance.
- Supply/demand dynamics have improved recently: issuance has slowed, while demand picked up in 3Q, with $36B flowing into muni ETFs and funds this year—over half in the last quarter.
- Default risk among high-quality muni issuers remains low, supported by strong credit fundamentals and ample state rainy day funds, leaving the sector well positioned for a potential economic slowdown.

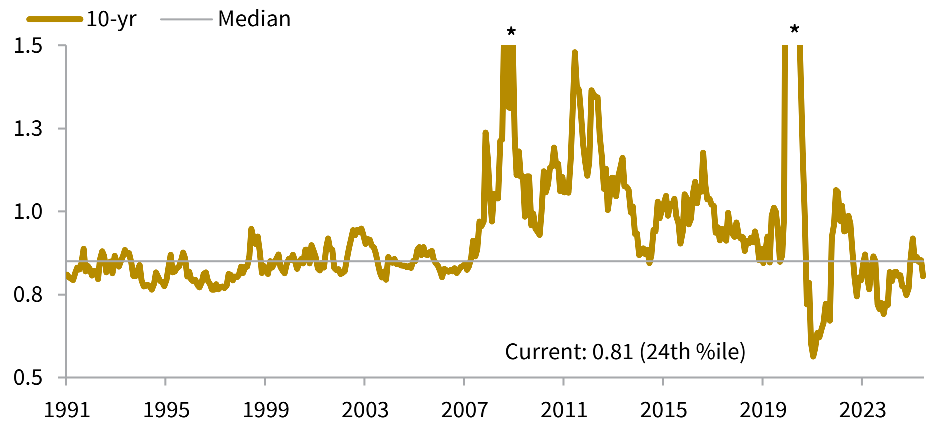
### Valuations: 10-yr muni

Jan 31, 1980 – Sep 30, 2025 • Percent (%)




### Ratio of 10-yr muni yields to Treasury yields

Apr 30, 1991 – Sep 30, 2025




* Axis is capped for scaling purposes. Ratio hit a high of 3.16 on 4/30/2020.

Sources: Bloomberg Index Services Limited and Thomson Reuters Datastream.

Notes: The Model Fair Value is the predicted range of ten-year yields based on a multiple linear regression model that includes trailing ten-year real GDP and CPI change. CPI data are as of August 31, 2025.

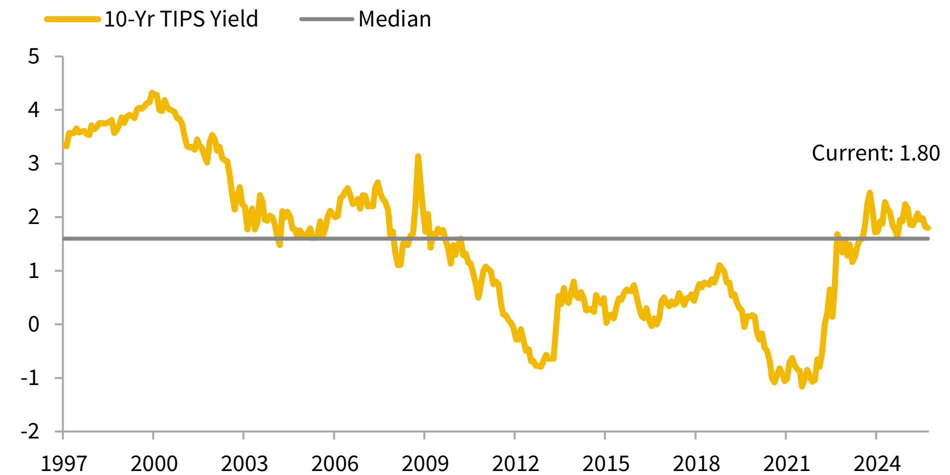
# US Inflation-Linked Bonds
Facts & Figures Third Quarter 2025

**US TIPS returned 2.1% in 3Q and 3.8% over the trailing 12 months, outperforming nominals as growth concerns have lowered real yields and tariffs have raised inflation expectations.**

- US TIPS remain somewhat attractive, with ten-year real yields at 1.8% as of September 30 (down from 2.2% at the start of the year), above both the 1.6% median and the implied fair value of 1.3% based on trailing real GDP growth.
- US economic activity has moderated this year amid tariff uncertainty and a softer labor market in 3Q. Inflation pressures have increased—core CPI rose from 2.8% in May to 3.1% in August—and higher tariffs are expected to keep inflation elevated.
- Consensus forecasts project US real GDP growth at 1.8% and headline CPI at 2.8% for 2025, versus 2.1% and 2.5% in December 2024.
- The Fed cut rates by 25 bps in September, the first move since last December, lowering the target range to 4.00%–4.25% in response to labor market concerns. Both the Fed and markets expect another 75 bps–100 bps of cuts by the end of 2026, though this may be optimistic if inflation remains sticky.
- Persistent inflation has pushed inflation expectations higher. The ten-year breakeven inflation rate has risen from 2.1% to 2.4% over the past year, above the median and near the top of its three-year range.
- There is a risk that tariffs have less of an impact on inflation if businesses absorb costs rather than pass them to consumers, which could weigh on inflation expectations and TIPS performance versus nominals.
- TIPS, which are CPI-linked and less liquid than Treasuries, tend to underperform when inflation falls or during market stress. However, they offer protection against unexpectedly high inflation and may provide more value if inflation proves stickier than expected, given elevated real yields.

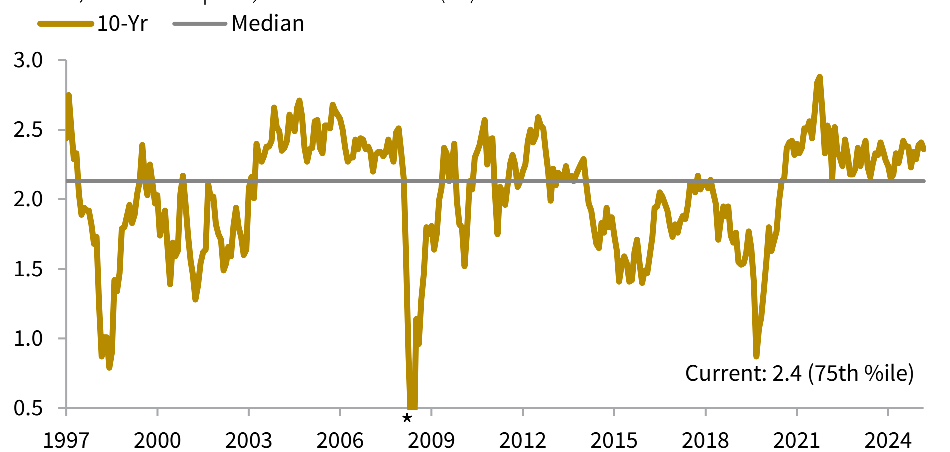
**Historical yield: 10-yr TIPS**

Jan 31, 1997 – Sep 30, 2025 • Percent (%)




**10-yr breakeven inflation**

Jul 31, 1997 – Sep 30, 2025 • Percent (%)




* Capped for scale purposes. 10-yr BE Inflation hit a low of 0.11% on 12/31/2008.

Sources: Bloomberg Index Services Limited, Global Financial Data, Inc., and Thomson Reuters Datastream.

# Global Inflation-Linked Bonds

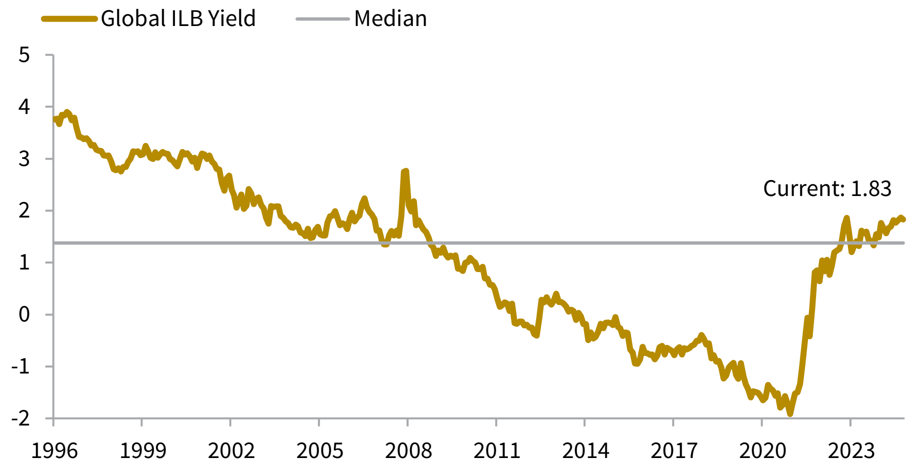
Facts & Figures Third Quarter 2025

## Global linkers returned 0.3% in 3Q and 1.3% over the trailing 12 months, outperforming nominals as real yields have been flat, and persistent inflation has raised inflation expectations.

- Global linkers remain somewhat attractive, with ten-year real yields at 1.8% as of September 30 (unchanged from the start of the year). Yields are slightly below the post-COVID high of 1.9%, but about 40 bps above the median and more than one standard deviation above implied fair value based on trailing real GDP.
- Global economic activity is relatively stable, while inflation pressures have eased in most countries but remain persistent in the US and UK. Tariffs complicate the outlook, likely weighing on global growth and lifting US inflation, with varying effects by country.
- Consensus forecasts project DM real GDP growth at 1.5% and headline CPI at 3.3% for 2025, versus 1.7% and 3.0% in December 2024.
- Major central banks (BOE, ECB, Fed) have lowered policy rates over the previous years and most continue to guide toward further rate cuts, with futures markets forecasting 0 bps–100 bps in the next 12 months.
- Rate cuts, fiscal concerns, policy uncertainty, and persistent inflation in some countries have contributed to steeper yield curves and higher term premiums, which have kept real yields elevated despite lower policy rates and growth concerns.
- While inflation expectations have fallen in most markets, persistent inflation and tariff risks have pushed inflation expectations higher in the US, which account for a little less than half of the global linkers' universe.
- Linkers, which are inflation-linked and less liquid than nominals, tend to underperform when inflation falls or during market stress. However, they offer protection against unexpectedly high inflation and may provide more value if inflation remains stickier than expected, given elevated real yields.

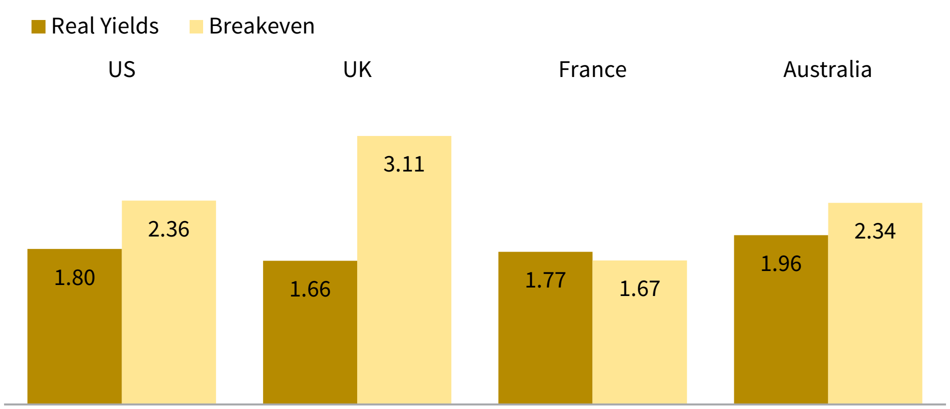
### Historical index yield: BBG global linkers

Dec 31, 1996 – Sep 30, 2025 • Percent (%)




### 10-yr real yields and breakeven inflation

As of Sep 30, 2025 • Percent (%)




Sources: Bloomberg Index Services Limited and Thomson Reuters Datastream.

Notes: France data are based on the underlying securities within the Bloomberg Global Agg Treasuries and Bloomberg World Govt Inflation-Linked indexes. All other data are based on the Bloomberg real yield and breakeven series.

# UK Gilts

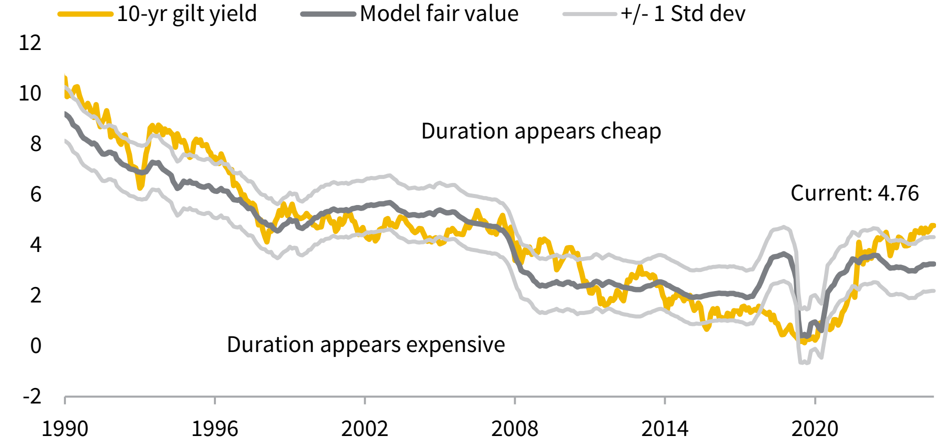
## Facts & Figures Third Quarter 2025

**UK gilts returned -2.4% in 3Q and -1.3% over the trailing 12 months. UK gilts have lagged other majors due to ongoing fiscal and inflation concerns.**

- UK gilt valuations stand out as cheap among major markets, with ten-year yields at 4.8% as of September 30 (up from 4.6% at the start of the year). Yields are near their highest since 2008, well above the 20-year median of 2.7%, and more than 1 standard deviation above the implied fair value of 3.2% based on nominal GDP growth.
- UK economic activity has improved modestly this year, but inflation remains elevated—core CPI was 3.6% in August. US tariffs are a headwind given the UK's trade exposure, though the UK secured a favorable deal, locking in a 10% tariff rate and greater market access.
- Consensus forecasts project UK real GDP growth at 1.3% and headline CPI at 3.4% for 2025, versus 1.4% and 2.5% in December 2024.
- The Bank of England began cutting rates in 2024, lowering its policy rate by 125 bps to 4.0%, with another 25 bps–50 bps of cuts expected over the next year.
- The yield curve has steepened with BOE cuts—the ten-year/two-year gilt spread widened from 15 bps to 92 bps over the past year. Supply/demand fundamentals have also contributed to curve steepening and weighed on price momentum further out the yield curve.
- Gilt issuance is likely to remain elevated due to large public debt and deficits. The OBR projects the UK's net debt-to-GDP ratio could exceed 270% by the mid-2070s under current policy assumptions. Quantitative tightening and reduced demand from major holders, such as pensions, have further exacerbated the supply/demand imbalance.
- The upcoming budget negotiation in November will test whether the UK can make hard choices to avoid a debt spiral and may contribute to volatility in gilt markets.

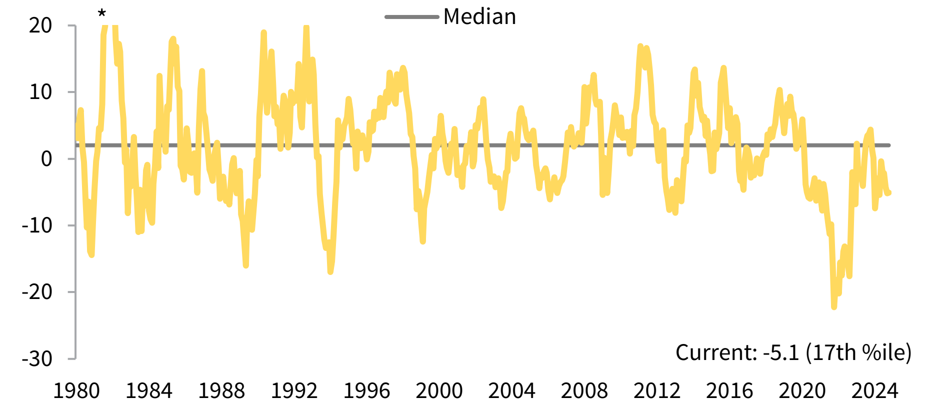
**Valuations: 10-yr gilts**

Jan 31, 1979 – Sep 30, 2025 • Percent (%)




**12-month price momentum: 10-yr gilts**

Dec 31, 1980 – Sep 30, 2025 • Percent (%)




* Capped for scale purposes. The rolling 12-M Momentum was 44.5% in October 1982.

Source: Thomson Reuters Datastream.

Notes: The Model Fair Value is the predicted range of ten-year yields based on a multiple linear regression model that includes trailing ten-year real GDP and RPI/CPI change. CPI data are as of August 31, 2025.

## UK Corporate Bonds
Facts & Figures Third Quarter 2025

**Sterling IG corporate bonds returned 0.8% in 3Q and 3.9% over the past year, driven by carry and falling yields. Valuations are expensive and growth is lackluster, but positive technicals and Bank of England rate cuts are underpinning returns.**

— Sterling investment–grade corporate bonds returned 0.8% in 3Q, bringing their YTD return to 4.2%.

— Valuations for Sterling IG corporate bonds are expensive, with the option-adjusted index spread declining in 3Q to 86 bps, placing it in the bottom quintile of observed values. Spreads are rich but like those in other markets.

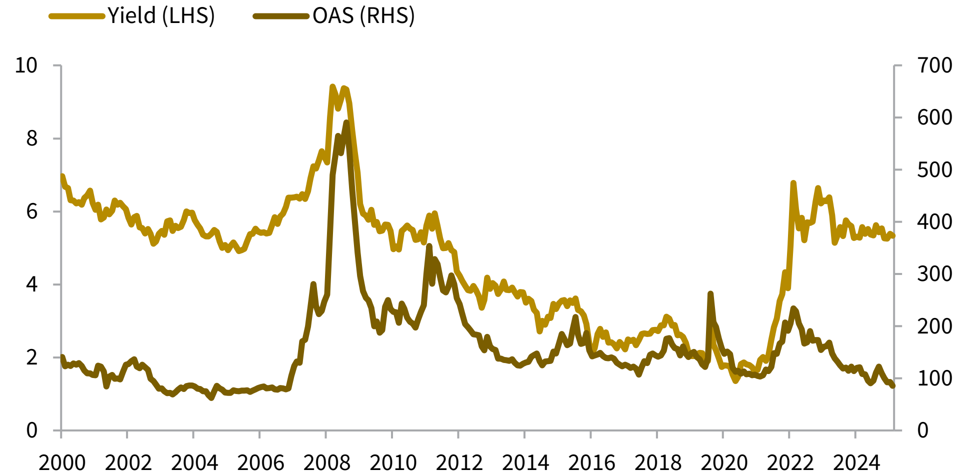
— Carry has driven most of the YTD return, though yields have fallen around 20 bps YTD to 5.33%. Despite the decline, current yields remain nearly 200 bps above their ten-year average and may continue to underpin returns.

— The macro backdrop is mixed for Sterling credit. Economic growth has been lackluster, with the consensus expecting real GDP growth of just 1.3% in 2025. The flipside is that the BOE Is cutting rates to stimulate growth, which in turn lowers refinancing costs for borrowers. However, core CPI of 3.6% in August remains above the BOE's target, which may limit its ability to cut further.

— Technicals are supportive, with 2025 YTD seeing just £3.4B of net issuance, including less than £1B in 3Q, underpinning valuations.

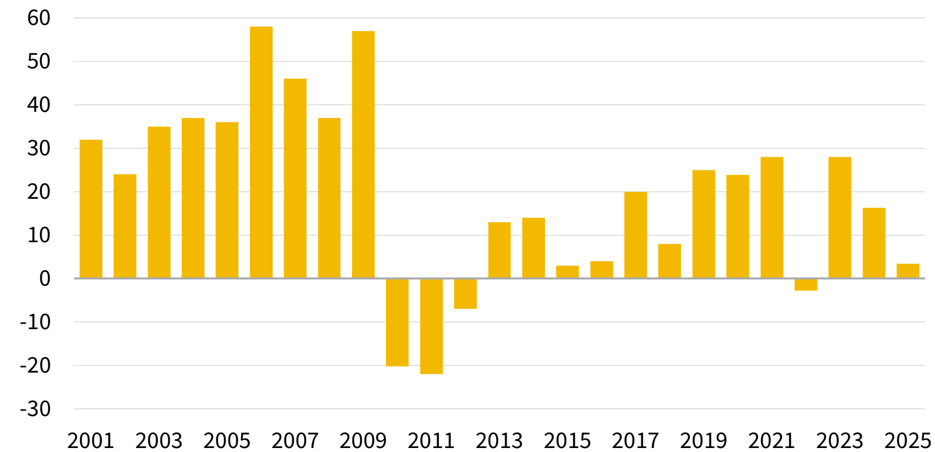
**Yield and option-adjusted spread: Sterling corporates**

Aug 31, 2000 – Sep 30, 2025 • Percent (%)




**Net annual issuance: Sterling corporates**

2001–25 • Sterling (Billions)




Source: Bloomberg Index Services Limited.
Note: Issuance data for 2025 are through September 30.

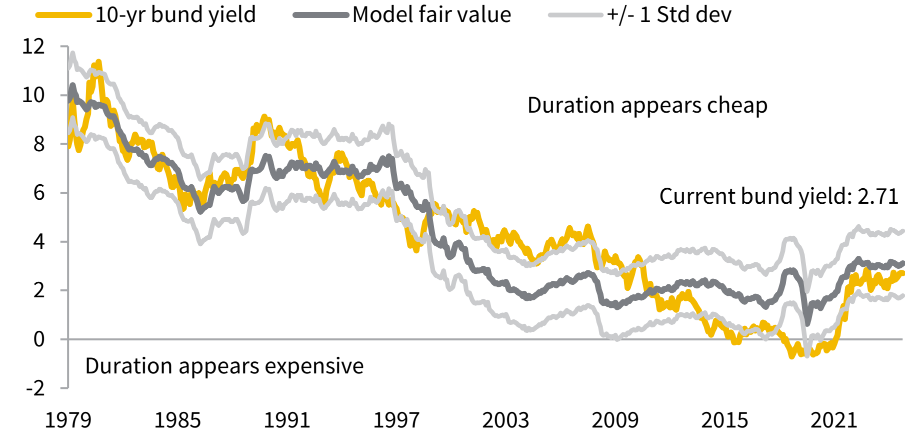
# Euro Area Sovereign Bonds
Facts & Figures Third Quarter 2025

## Core EA sovereigns (German bunds) returned -0.2% in 3Q and 3.8% over the trailing 12 months. EA bonds lagged US bonds in 3Q due to new fiscal stimulus and improved growth sentiment.

- EA sovereign valuations appear fair, with ten-year bunds yielding 2.7% as of September 30 (up from 2.4% at the start of this year). Yields are above the 20-year median of 1.7%, but slightly below the implied fair value of 3.1% based on nominal GDP growth.
- EA economic activity has picked up this year, while inflation has largely normalized—core HICP was 2.4% in September. US tariffs present a headwind given the EA's trade exposure, but monetary easing and planned fiscal stimulus have supported the growth outlook.
- Consensus forecasts project EA real GDP growth at 1.3% and headline CPI at 2.1% for 2025, versus 1.0% and 2.0% in December 2024.
- The ECB led major central banks by cutting rates 200 bps since 2024, but further easing appears unlikely. Markets remain uncertain whether the ECB will cut rates again in the coming year.
- The yield curve has steepened with ECB cuts—the ten-year/two-year bund spread widened from 6 bps to 69 bps over the past year.
- Planned fiscal stimulus in Germany and across the EA—targeting infrastructure, defense, and relaxed fiscal constraints—has bolstered growth prospects and contributed to curve steepening due to fiscal concerns.
- Germany retains ample fiscal space, and recent reforms and increased coordination have reduced debt crisis risks and tightened peripheral spreads. However, France's debt dynamics are more challenging, and recent political turmoil over budget negotiations has increased volatility in local bond markets.
- OATs-bunds yield spreads have widened to 82 bps, well above the 20-year median of 36 bps and one of the highest since the 2011–12 debt crisis.

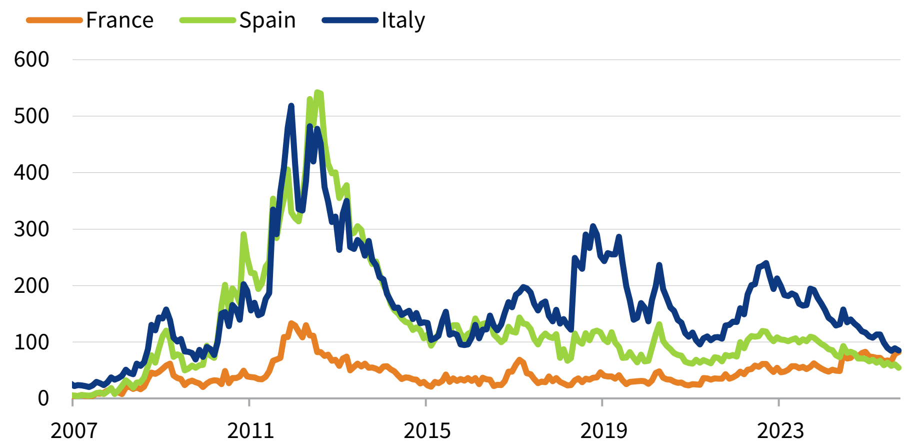
### Valuations: 10-yr bunds

Dec 31, 1979 – Sep 30, 2025 • Basis points (bps)




### Historical 10-yr spreads over bund yields

Jan 31, 2007 – Sep 30, 2025 • Basis points (bps)




Source: Thomson Reuters Datastream.

Note: The Model Fair Value is the predicted range of ten-year yields based on a multiple linear regression model that includes trailing ten-year real GDP and CPI change.

# Euro Area Corporate Bonds

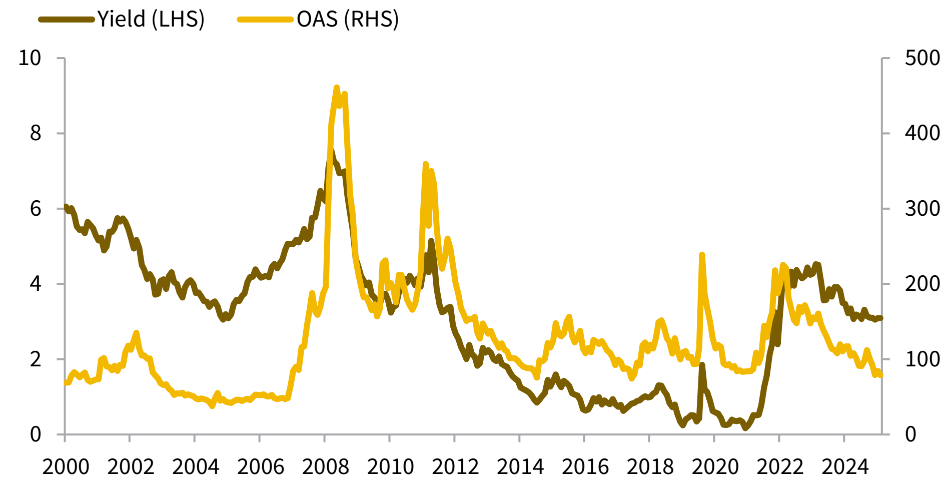
Facts & Figures Third Quarter 2025

**The Bloomberg Euro-Aggregate Corporate Index returned 0.9% in 3Q and 3.6% over the past year, driven by carry and spread compression. Valuations are full, but stable fundamentals and supportive ECB policy have aided returns.**

- The Bloomberg Euro-Aggregate Corporate Index returned 0.9% in 3Q and 2.8% YTD. Returns were driven by carry and some spread compression.
- Valuations for euro corporate bonds remain full, with Bloomberg Euro-Aggregate Corporate Index OAS falling 13 bps in 3Q to 79 bps, near the bottom quintile historically. The current 3.09% yield has declined slightly since the start of 2025 but remains attractive versus recent averages.
- The macro backdrop is supportive, as Eurozone economic growth has accelerated and expected 2025 GDP growth of 1.3% should be in line with developed peers. Inflation has dropped to around 2%, enabling the ECB to steadily lower its benchmark rate to 2.15% since mid-2023, which has allowed companies to refinance at lower rates. Ebbing inflationary pressures may provide further flexibility.
- Corporate fundamentals are stable, with net leverage for euro investment-grade issuers at 2.4x at 2Q-end, slightly below US levels.
- However, economic growth has not yet translated into stronger earnings growth, partly due to currency appreciation and rising trade tensions. Government spending on defense and infrastructure may provide offsetting tailwinds for growth in the years ahead.
- Technicals are strong, as Eurozone corporate bonds issuance has increased in 2025 to €183B through 3Q, ahead of last year's pace, and declining spreads suggest increased supply has been easily absorbed.

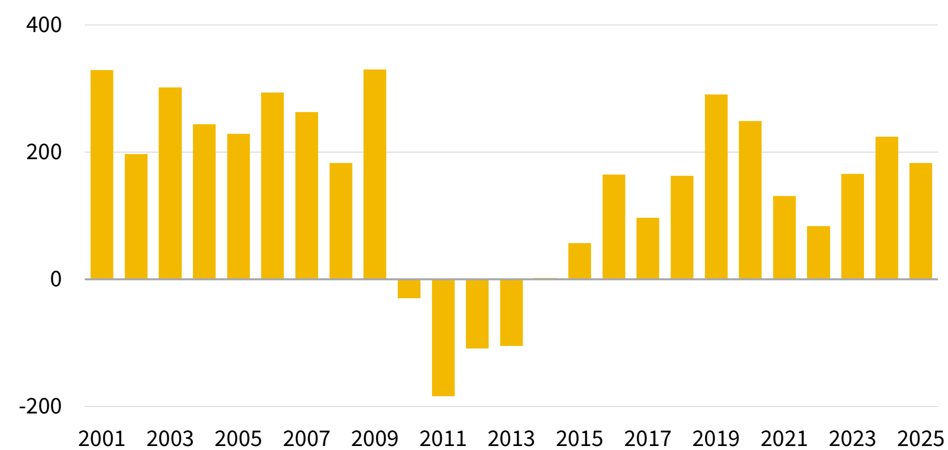
### Yield and option-adjusted spread: European corporates

Aug 31, 2000 – Sep 30, 2025 • Percent (%)




### Net annual issuance: European corporates

2001–25 • Billions (EUR)



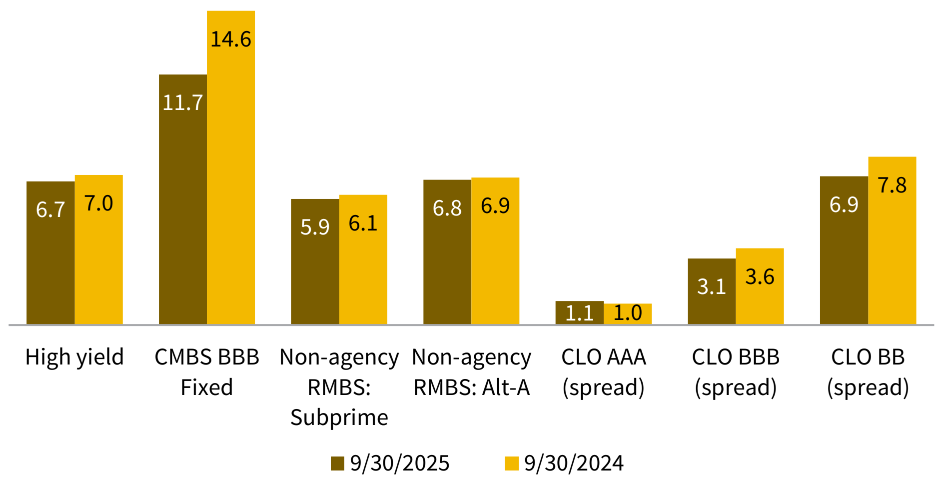

Source: Bloomberg Index Services Limited.

Note: Issuance data for 2025 are through September 30.

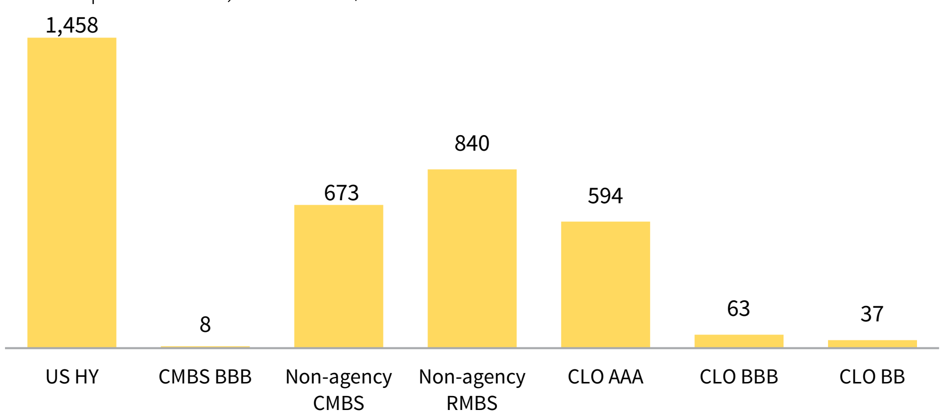
**Structured credit markets posted positive returns in 3Q, led by US CMBS BBBs (1.7%) and US CLO BBs (3.4%). Performance was driven by spread compression, supportive fundamentals, and central bank easing, though liquidity and refinancing risk persist in some sectors.**

- Structured credit indexes posted positive returns in 3Q, led by assets like US CMBS BBB-rated bonds (1.7%) and BB-rated CLO debt (3.4%). YTD returns have been positive across sub-asset classes.
- Valuations for structured credit remain reasonable relative to other credit markets, though spreads and yields have compressed for many assets. For example, subprime RMBS yields have fallen around 100 bps in 2025, and BB-rated CLO spreads have compressed almost 40 bps.
- The economic backdrop has been supportive, with recent GDP growth beating expectations and tariff-related uncertainty fading. Central banks have lowered rates in response to weaker labor markets and lower inflation, improving corporate metrics like interest coverage. The flipside is that rate cuts lower the coupons on floating-rate assets like CLO bonds.
- Corporate fundamentals are generally supportive, with CMBS bonds benefiting from healthy cash flows in sectors like industrial, multi-family, and retail, though some underlying collateral may be hard to refinance as valuations have dropped. CLO bonds have been supported by low default rates on underlying loans.
- Some structured credit assets are less liquid than corporate equivalents and often require specialized systems to analyze. Many also have indefinite maturities given amortizing loan pools. The result is a spread premium to similarly rated corporate debt.

**Yield: Select structured credits**
Percent (%)




**Market cap: Select structured credits**
As of September 30, 2025 • US$B




Sources: Bloomberg Index Services Limited, ICE BofA Merrill Lynch, J.P. Morgan Securities, Inc., Securities Industry and Financial Markets Association(SIFMA), and Thomson Reuters Datastream.
Notes: CLOs yield data are represented by discount margins. Non-Agency CMBS and Non-Agency RMBS market-cap data are as of December 31, 2021.

# US High-Yield Bonds

Facts & Figures Third Quarter 2025

**US high-yield (HY) bonds returned 2.5% in 3Q and 7.4% over the past 12 months, outperforming loans and shorter-duration assets. Performance was driven by carry and spread compression, as the index yield fell to 6.7%. Fed easing and stable economic growth supported demand, as did resilient fundamentals.**

— The Bloomberg High-Yield Index returned 2.5% in 3Q, bringing its YTD return to 7.2%. HY bonds have outperformed leveraged loans in 2025 as their higher duration benefits from falling yields.

— Valuations look expensive for HY bonds. Performance during the quarter was driven by carry and the index OAS falling another 23 bps to 267 bps, a level in the bottom 5% of observed values. Lower spreads mean the index yield fell around 35 bps to 6.7%, its lowest level since early 2022.

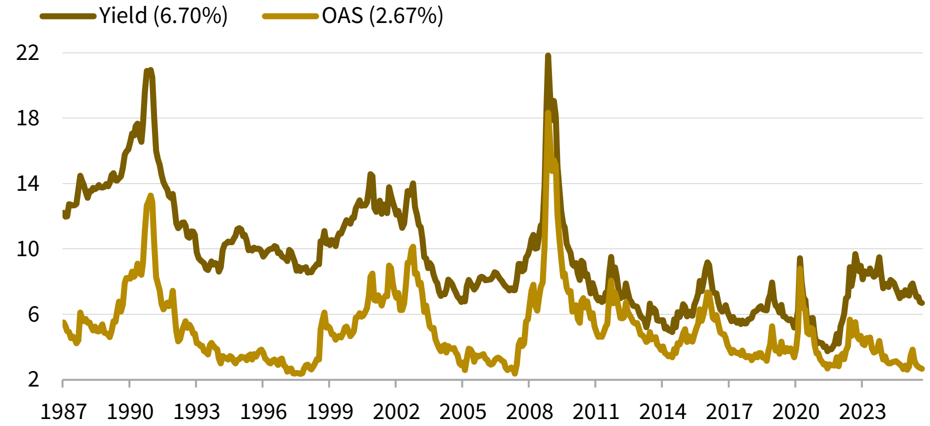
— Economic growth forecasts have stabilized and inflation has moderated, supporting risk assets. The Fed cut its target rate by 25 bps in September and is expected to ease further over upcoming meetings, which could continue to underpin demand for HY bonds.

— Corporate fundamentals are solid. HY borrowers have slowly grown earnings and kept leverage contained, with net leverage at 3.9x EBITDA at the end of 3Q, only a slight increase from last year. Expected rate cuts may further boost metrics like interest coverage ratios, though an unexpected slowdown in growth could see earnings deteriorate.

— Decent earnings growth and healthy interest coverage mean default rates are below historical averages; Moody's reported a speculative-grade default rate of 1.9% at the end of August, below its long-term median of 2.2%. The current distressed ratio (4.4%) is well below its historical median and indicates the market is not expecting a further rise in defaults.

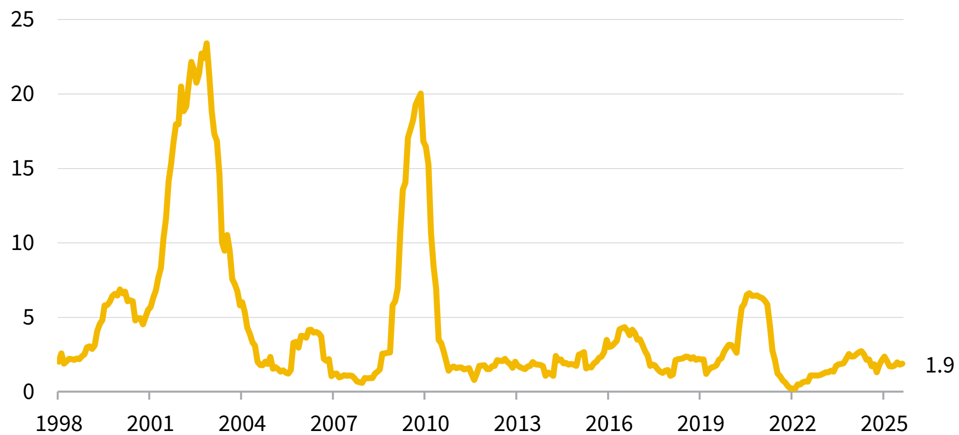
**Yield and option-adjusted spread: US high-yield index**

Jan 31, 1987 – Sep 30, 2025 • Percent (%)




**Par default rates: US high-yield**

Jan 31, 1998 – Aug 31, 2025 • Percent (%)




Sources: Bloomberg Index Services Limited, Deutsche Bank Credit Strategy, and Moody's Investors Service.

Notes: Data prior to June 30, 2017, are represented by Moody's default rates as provided by the Deutsche Bank US Credit Strategy Chartbook. All default rate data on and after June 30, 2017, are sourced from the Moody's Investor Services Default Report.

# Leveraged Loans

Facts & Figures Third Quarter 2025

**US leveraged loans returned 1.7% in 3Q and 7.1% over the past 12 months, with carry driving returns as prices were stable. Loans lagged HY bonds due to lower coupons from Fed rate cuts. Credit fundamentals remain stable and should receive a boost from the resumption of Fed easing.**

— Leveraged loans returned 1.7% in 3Q and have now returned 4.7% YTD. Loans have underperformed US high-yield (HY) bonds in recent quarters as rate cuts have lowered their coupons and bonds have benefited from a decline in underlying Treasury yields.

— Valuations for leveraged loans remain reasonable, with the current discount margin of 451 bps below its historical median but well above the OAS on HY bonds. The lower quality of the loan index partially explains its higher spreads as less than 40% of the index carries a BB rating.

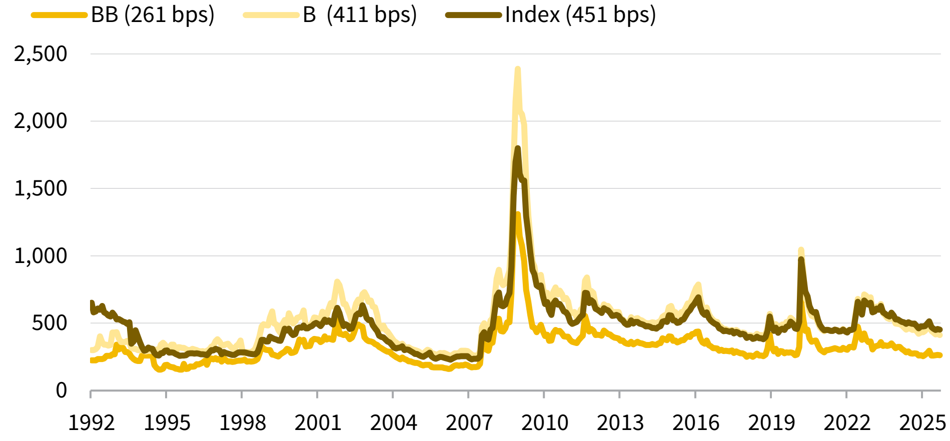
— Following tariff-related uncertainty earlier in 2025, economic growth forecasts are being marked up and inflation is moderating. Reduced price pressures and weaker labor markets prompted the Fed to resume easing in September, lowering base rates and causing the yield on leveraged loans to drop below 8%.

— Credit fundamentals are stable, with Morgan Stanley reporting that the median interest coverage ratio for loan issuers stood at 4.1x at the end of 2Q, up 0.2x from a year ago.

— J.P. Morgan reports the trailing default rate for leveraged loans was 3.5% at the end of 3Q when liability management exercises are included, above its 25-year average but down 100 bps from January. Ongoing rate cuts should further support credit fundamentals, but lower coupons could impact demand for loans relative to other credit assets.

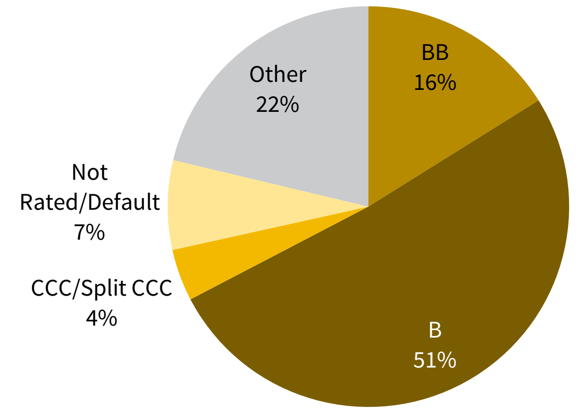
**Discount margin: CS leveraged loan index**

Jan 31, 1992 – Sep 30, 2025 • Basis points (bps)




**Ratings breakdown: CS leveraged loan index**

As of September 30, 2025




Source: Credit Suisse.

Notes: Discount margin assumes a three-year life, assuming all loans are paid off at par with no defaults. Other category includes Split BBB, Split BB, and Split B. Not Rated/Default includes CC, C, and Not Rated/Default loans.

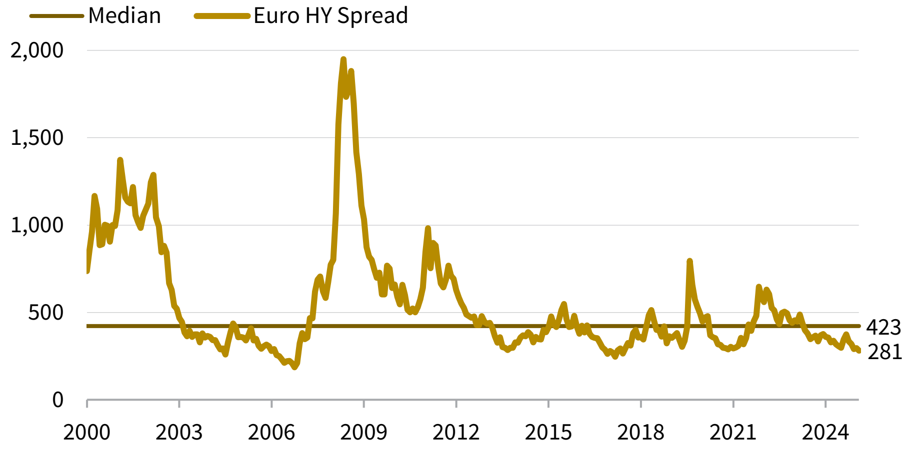
# Pan-European High-Yield Bonds
## Facts & Figures Third Quarter 2025

**The Bloomberg Pan-European HY Index returned 1.8% in 3Q and 6.3% over the past 12 months, boosted by carry and spread compression. Valuations are expensive, but stable fundamentals, supportive technicals, and improving macro conditions have underpinned returns.**

- The Bloomberg Pan-European High-Yield Index returned 1.8% in 3Q and 4.2% YTD 2025. Returns have been driven by a combination of carry and spread compression.
- Valuations are expensive, with the average OAS at 281 bps, placing it in the bottom quartile of historical values and presenting a headwind for returns.
- The macro backdrop for European HY issuers has been mixed but is improving, as European growth forecasts have held up better than in some other regions, supported by expected stimulus in countries like Germany. Declining inflation has allowed central banks in Europe to ease rates, underpinning demand for higher-yielding fixed income assets.
- Fundamentals have remained stable in recent quarters. European HY borrowers had a median interest coverage ratio of 4.3x at the end of 3Q, close to their ten-year average, and leverage ratios have fallen and stand at under 4x Ebitda.
- Defaults have risen in recent years, mainly due to well-telegraphed struggles at some large issuers, but the trailing 12-month European HY default rate was 3.3% at the end of 3Q, unchanged from one year ago. The current distressed ratio—around 5%—does not suggest an imminent increase in defaults.
- Technicals have been supportive. Recent supply—which included a record-setting 2Q for new HY issuance—has been easily absorbed by the market.

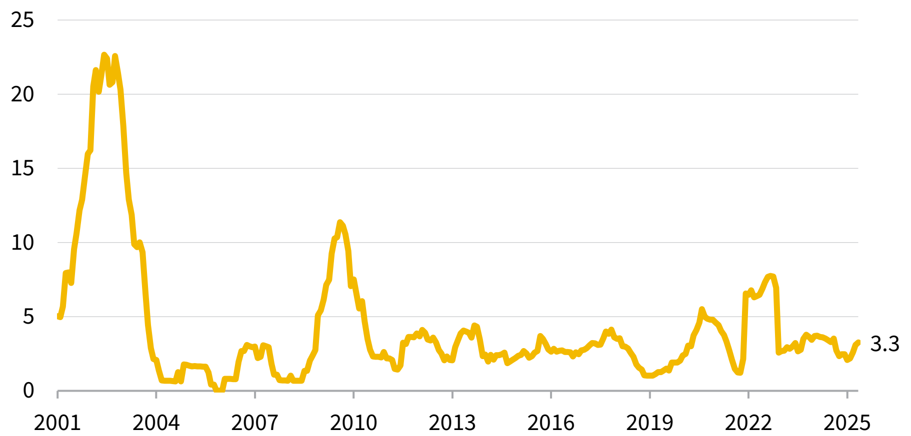
**Option-adjusted spread: European high yield**

Aug 31, 2000 – Sep 30, 2025 • Basis points (bps)




**Par default rates: European high yield**

Apr 30, 2001 – Aug 31, 2025 • Percent (%)




Sources: Bloomberg Index Services Limited and Moody's Investor Services.

Notes: The European high-yield option-adjusted spread peaked in December 31, 2008, at 1,949 bps. The European high-yield default rate peaked on January 31, 2003, at 58.2%.

# Distressed Investing: Non-Control

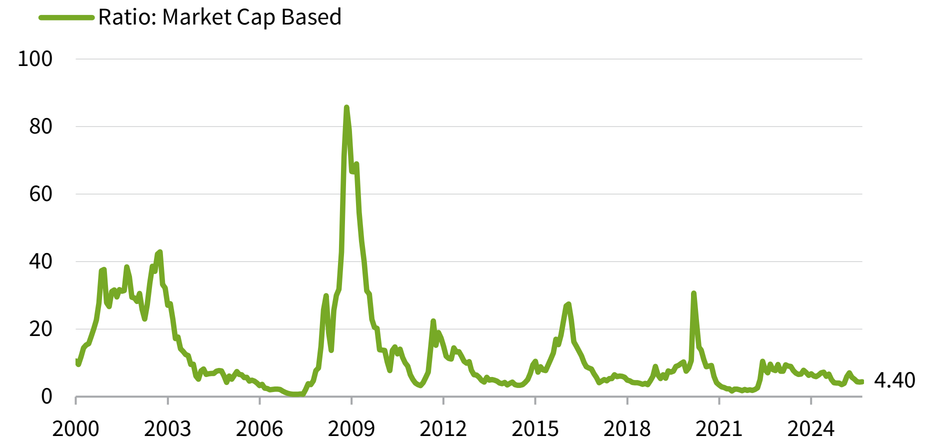
Facts & Figures Third Quarter 2025

**Distressed hedge funds posted high returns in 3Q and have outperformed most other hedge fund categories. Managers face headwinds including low distressed ratios and rate cuts that ease pressure on borrowers, but credit markets are expanding and skilled funds have an expanded opportunity set to provide rescue finance to struggling companies.**

- The HFRI Event Driven: Distressed/Restructuring Index returned 4.2% in 3Q and 10.4% over the past 12 months. Distressed hedge funds have outperformed fund-of-funds and many other hedge fund categories over the past 12 months.
- Valuations are a headwind for distressed funds, as spreads on CCC-rated bonds have risen to 604 bps at the end of 3Q but remain in the bottom quintile historically.
- Technicals are a headwind for distressed funds. Only 4% of the $1.4 trillion face value HY index trades with a spread above 1,000 bps. The flipside is that the combined US HY and leveraged loan market has more than doubled in size since the GFC, and private credit markets have soared in size, so the overall opportunity set is larger.
- Corporate fundamentals are weak, with lackluster earnings growth and previous rate hikes pushing the proportion of loan borrowers with weak interest coverage ratios (i.e., under 1.5x) to around 13%, above historical averages. However, the resumption of a rate cuts by the Fed will ease pressure on these borrowers, as would a pick-up in economic growth.
- Distressed investing can be accessed via a variety of vehicles including hedge funds but also lock-up vehicles with longer fund lives. The opportunity set for the latter, given their ability to provide new debt or equity investments to struggling companies, is currently greater.

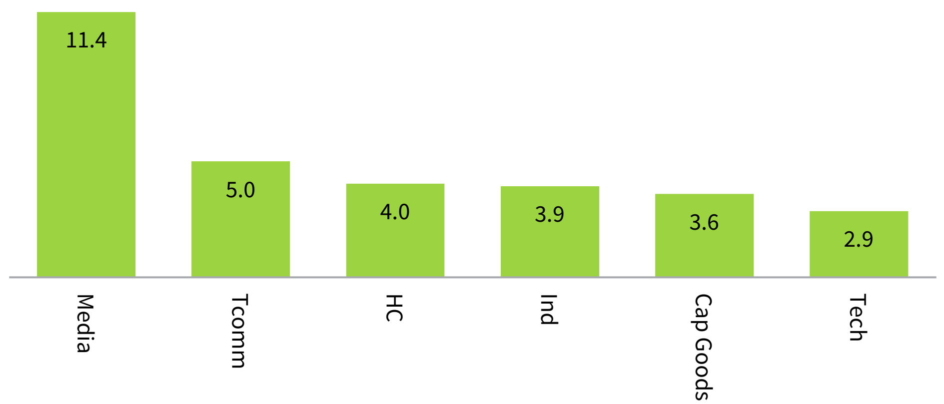
**Distressed ratio: BofA ML high yield master II index**

Jan 31, 2000 – Sep 30, 2025 • Percent (%)




**Market value of distressed paper for select industries**

As of September 30, 2025 • US$B




Source: ICE BofA Merrill Lynch.

Notes: Bottom chart represents the ICE BofA Merrill Lynch US High Yield Index universe. Distressed bonds are defined as bonds with option-adjusted spreads greater than 1,000 basis points. Only industries with a market value equal or greater than $2 billion are shown.

**Prior to Hurricane Melissa making landfall in the Caribbean on October 28, it has been a calmer Atlantic hurricane and Japanese typhoon season, which contributed to a low-loss 3Q, resulting in strong performance across all market segments. Therefore, the insurance-linked securities (ILS) asset class is on track to deliver double-digit positive returns in 2025 for the third consecutive year, reflecting the sustained elevated premium environment during this period.**

— The third quarter in the reinsurance and ILS industry is marked by the onset of conference season, when investors/protection sellers, brokers, and protection buyers come together to discuss premium expectations. These discussions focus on assessing supply/demand dynamics ahead of the upcoming renewal season at year-end.

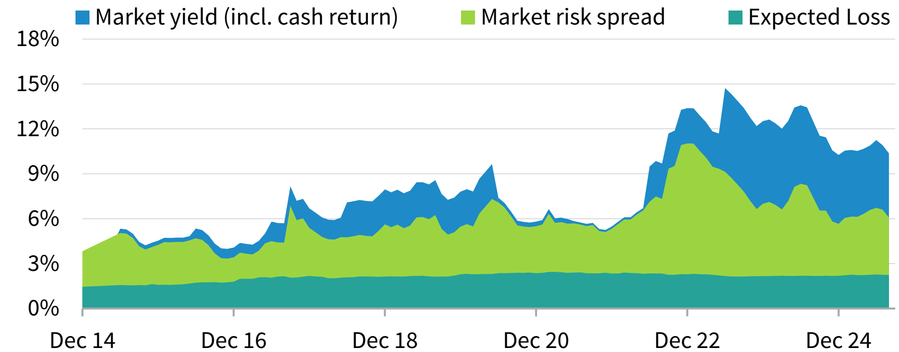
— The primary focus will be on the pricing cycle in the natural catastrophe reinsurance business and the importance of maintaining a disciplined underwriting approach going forward, especially in light of the excess capital that has accumulated over the past three years of strong performance.

— Despite Hurricane Melissa, the Atlantic hurricane season has been exceptionally calm—both relative to long-term expectations and the initial forecast for 2025. As a result, in 3Q 2025, strategies earned gross returns ranging from 5% to 6.1%, depending on their risk profile.

— Looking ahead to 2026, the outlook remains cautiously optimistic. While the industry anticipates that the attractive premium environment will begin to soften—likely more quickly in the tradable ILS market segment (such as catastrophe bonds), and to a lesser extent in the private ILS segment—premiums across the asset class are still expected to remain above the long-term average.

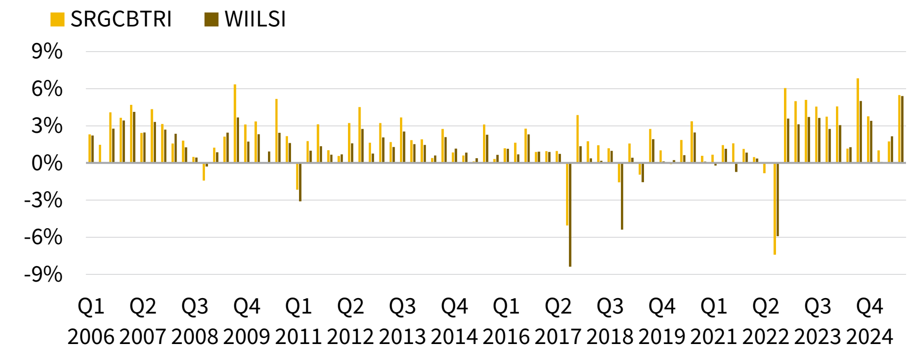
### Development of the risk premium and expected loss from Cat bonds

December 31, 2014 – August 31, 2025




### Swiss Re Global Cat Bond Total Return Index (SRGCBTRI) & With Intelligence ILS Index (WIILSI) realized returns

First quarter 2016 – Third quarter 2025 • US dollars




Sources: Artemis, Bloomberg L.P., and With Intelligence.
Notes: The SRGCBTRI is a synthetic benchmark designed to represent the performance of the outstanding catastrophe bond market. Its values do not incorporate bid-ask spreads, trading costs, management fees, or the cash drag typically present in actual funds. Additionally, the index assumes optimal allocation to new issuances, which is not achievable in practice due to the realities of book-building and subscription processes. The WIILSI is an equally weighted performance index designed to provide a broad measure of the performance of underlying funds who explicitly allocate to ILS and have at least 70% of their portfolio invested in natural catastrophe risks.

# USD-Denominated Emerging Markets Debt

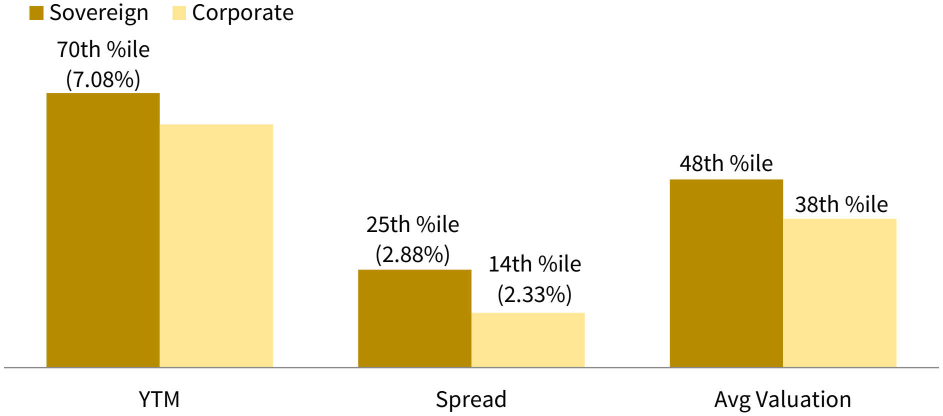
## Facts & Figures Third Quarter 2025

**EM debt gained in 3Q, bringing TTM performance for the (sovereign) JPM EMBI Global Diversified and (corporate) CEMBI Broad Diversified indexes to 8.5% and 6.5%, respectively. Performance in 3Q was supported by a decline in both yields and spreads, owing to cooling inflation, central bank rate cuts, an easing of trade policy uncertainty, and capital inflows. Recent gains have built on strong returns in 2023 and 2024 for both the sovereign and corporate segments, which returned 12% and 10% annualized over the past three years.**

- EM debt yields and spreads have generally compressed over the TTM period. Sovereign yields are down more than 40 bps, while spreads have tightened 77 bps. Third quarter saw several sovereign credit rating upgrades, including India's upgrade by S&P. Corporate yields held relatively flat in 3Q, with spreads down around 25 bps. While yields look mildly elevated from a historical perspective, spreads have compressed to bottom-quartile levels, matching trends seen across credit markets.
- Investors should be aware that the asset class faces unique risk factors. For example, following Russia's invasion of Ukraine, EM index providers responded to the uninvestable nature of Russian assets by eliminating them from many indexes (from their prior 3% weight). In addition, debt from Ukraine and surrounding countries also plunged.
- Broader EM debt index stats disguise wide variation in underlying fiscal health across borrowers. For example, the main EM sovereign index includes several CCC-/CC-rated borrowers (Argentina, Ukraine, Sri Lanka, etc.) whose optically cheap debt will only prove attractive if coupons and principal payments are repaid.
- About 50% of the sovereign index has an investment-grade rating, which is similar for corporates. The wide dispersion of fundamentals and possible political outcomes suggests an active management approach to these assets may generate more successful outcomes.

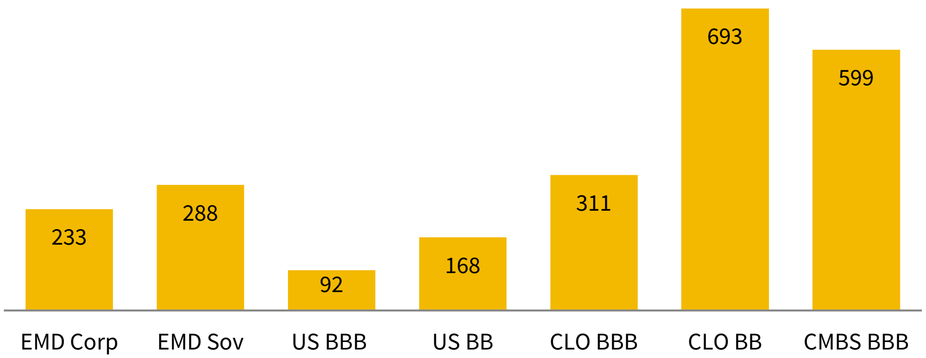
**Percentile rank: USD EM debt**

As of Sep 30, 2025 (Based on Post-2003 Data)




**Percentile rank: option-adjusted spread**

As of Sep 30, 2025




Sources: Bloomberg Index Services Limited, J.P. Morgan Securities, Inc. and Thomson Reuters Datastream.
Notes: Composite Valuation Indicator is the average of YTM percentile and spread percentile. Asset classes represented by J.P. Morgan Emerging Market Bond Index (EMD Sov), J.P. Morgan Corporate Emerging Markets Bond Index (EMD Corp), Bloomberg US Corporate Investment Grade BBB Index (US BBB), Bloomberg US High Yield BB Index (US BB), J.P. Morgan CLOIE BBB Index (CLO BBB), J.P. Morgan CLOIE BB Index (CLO BB), and Bloomberg US CMBS Baa Index (CMBS BBB).

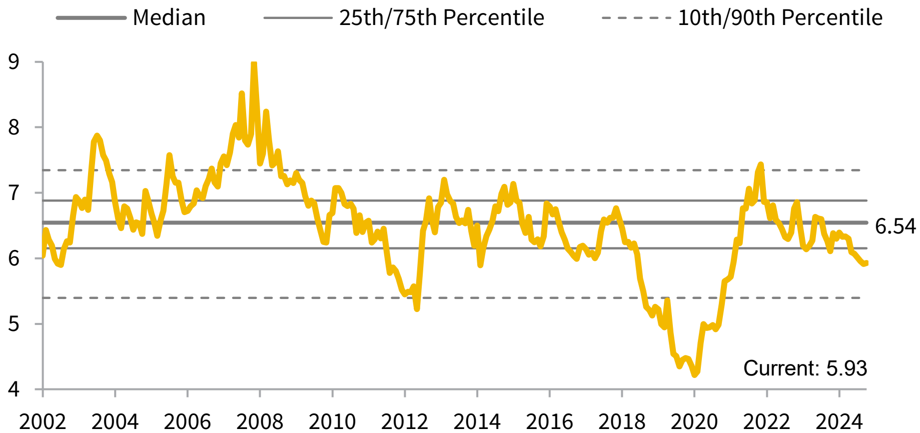
# Local Currency Emerging Markets Debt
## Facts & Figures Third Quarter 2025

**EM local currency debt returned 2.8% in USD terms in 3Q 2025, majority driven by fixed income performance, with a 0.4-ppt uplift from currency. For the trailing one-year period that brings performance to 7.4%. Declining yields and carry were the primary drivers of performance, with a limited impact from currency.**

- The yield on the GBI-EM Global Diversified index declined by 9bps in 3Q, to 5.93%. Fixed-income valuations for EM local currency bonds have risen, with this yield level standing at the 17th percentile of historical observations. Furthermore, the spread to the Global Agg narrowed once more. At 2.45%, this now stands at the very low end of the historical range once again. Therefore, going forward we would expect EM currencies to be the larger driver of returns for unhedged investors. While EM FX valuations have risen this year, they remain relatively depressed overall.
- The economic backdrop has favored EM over DM this year from a fixed income perspective, as tariffs have had a disinflationary impact on EM markets, allowing some easing to be priced in. On the currency side, fears of a US-centered growth slowdown have also weighed on the dollar. EM currencies remain highly sensitive to global growth prospects, however. Still, more recently, the relatively greater impact of US tariff policy on US sentiment has offset worries about a global slowdown for EM FX.
- On a medium-term outlook, EM currencies should be well placed to appreciate. Global growth should eventually improve further relative to the US, helped by greater policy room to support it. Narrowing growth and interest rate differentials and improved global economic sentiment should all contribute to a decline in the dollar. Headwinds could appear from further unexpected fiscal easing in the US or a materials re-escalation of tariff disputes. The level of dispersion between the underlying countries suggests there are opportunities for active managers with broad mandates to add value.

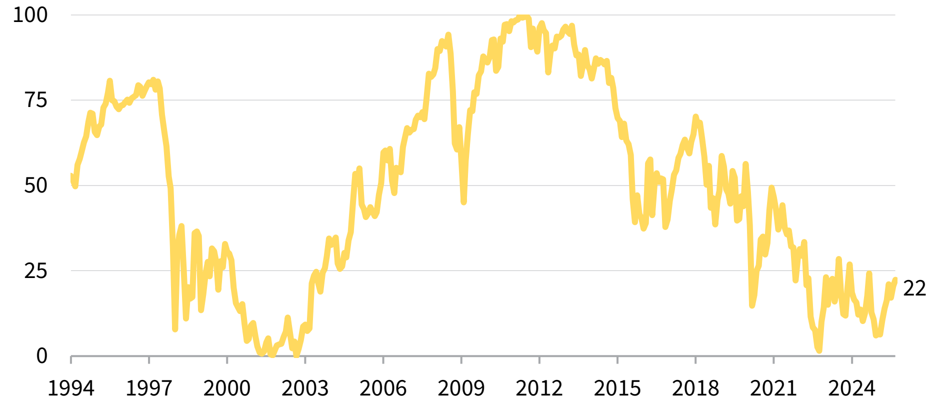
**Nominal yield: JPM GBI-EM Global Diversified Index**

Dec 31, 2002 – Sep 30, 2025




**FI-weighted EM real exchange rate vs US: Percentile**

Jan 31, 1994 – Sep 30, 2025




Sources: Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan; INE - National Institute of Statistics, Chile; International Monetary Fund; J.P. Morgan Securities, Inc.; MSCI Inc.; National Bureau of Statistics of China; Thomson Reuters Datastream; and US Department of Labor - Bureau of Labor Statistics. MSCI data provided "as is" without any express or implied warranties.

# Private Equity/Venture Capital

# US Private Equity

Facts & Figures Third Quarter 2025

**US PE returned 3.9% YTD through 2Q and 8.7% over the past year. Returns trailed public markets in recent years, but the US PE index has outperformed public markets over longer time periods. Distributions have recovered slowly but are still below long-term averages, which in turn has weighed on fundraising. Exit activity has also picked up slightly in 2025, but the recovery has been narrowly driven by a small number of large transactions.**

— Fundraising activity has moderated, due in part to slow capital distributions from existing commitments. US-based PE funds raised $164B YTD, on pace for the weakest year since 2020. This compares to an average of roughly $550B raised between 2021–24. Fundraising has been highly concentrated, with "mega funds" of $5B or more accounting for almost half of capital raised over the past five years. Ten such funds remained open as of 3Q-end. US funds secured two-thirds of global PE capital raised YTD, which is elevated compared to the average (60%) in the five-years ended 2024.

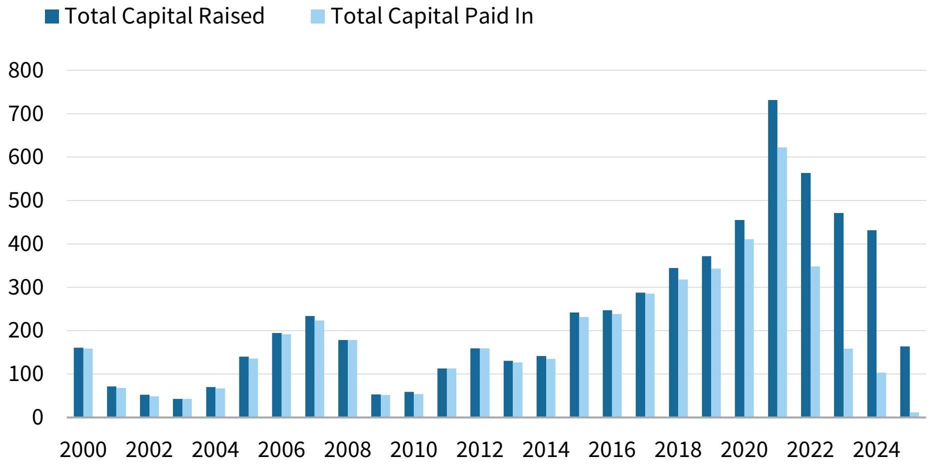
— Deal activity has increased, coinciding with expectations for lower interest rates and more clarity on tariff impacts. Capital invested in US buyout and growth equity deals was $403B YTD, tracking ahead of the prior two years. IT companies have attracted around one quarter of investment YTD, in-line with recent averages

— According to PitchBook LCD data, EBITDA purchase price multiples for large buyout transactions have leveled off at around 11.0x in 2025. For revenue multiples, valuations were roughly halved in 2023 relative to their peaks in 2021–22 (1.7x vs 3.0x) but have risen to 2.3x as of 3Q.

— Exit activity has improved, albeit driven by a handful of large transactions. US PE-backed exit value reached $516B YTD, but the largest deals ($1B+) accounted for 77% of total value, suggesting a narrow recovery. Indeed, as of 3Q-end, PitchBook noted that US PE inventory has grown to a new high of nearly 13,000 companies.

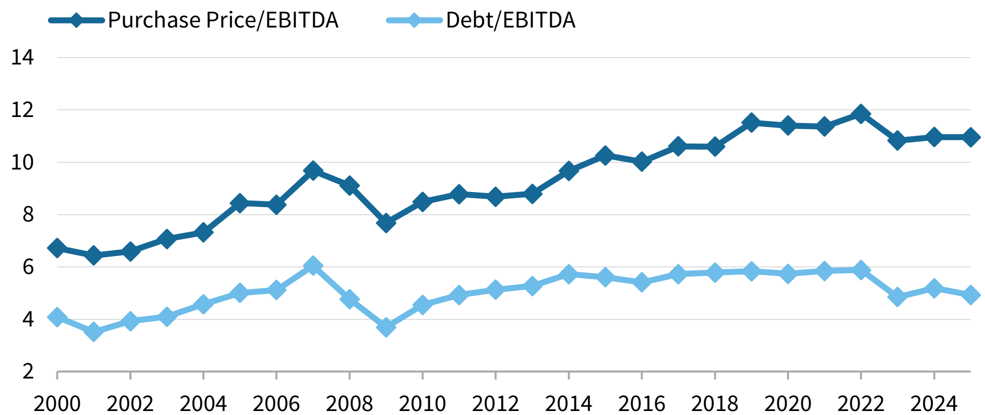
**Fundraising and paid-in capital: US PE**

Vintage Years 2000–25 (Sep 30) • US$B




**Average purchase price and debt multiples: US PE**

2000–25 (Aug 31)




Sources: Cambridge Associates LLC and PitchBook Data Inc.

Note: Historical fundraising and paid-in capital data revise. 2025 Paid-in capital data are through March 31.

**US VC returned 6.4% YTD through 2Q and 11.4% over the past year. Returns trailed public markets in recent years, narrowing the longer-term outperformance over listed equities, particularly tech-heavy benchmarks given the AI-driven rally. Liquidity challenges have weighed on fundraising activity. Recent improvement in deal activity has been driven, in part, by AI and machine learning, which accounted for roughly half of invested capital in the first half of the year.**

— Fundraising activity has moderated, due in part to slow capital distributions from existing commitments. US-based VC funds raised $49B YTD, on pace for the weakest year since 2017. This compares to an average of nearly $200B raised during the peak years of 2021 and 2022. Fundraising has been concentrated, with funds larger than $500M accounting for nearly 60% of capital raised in the past five years.

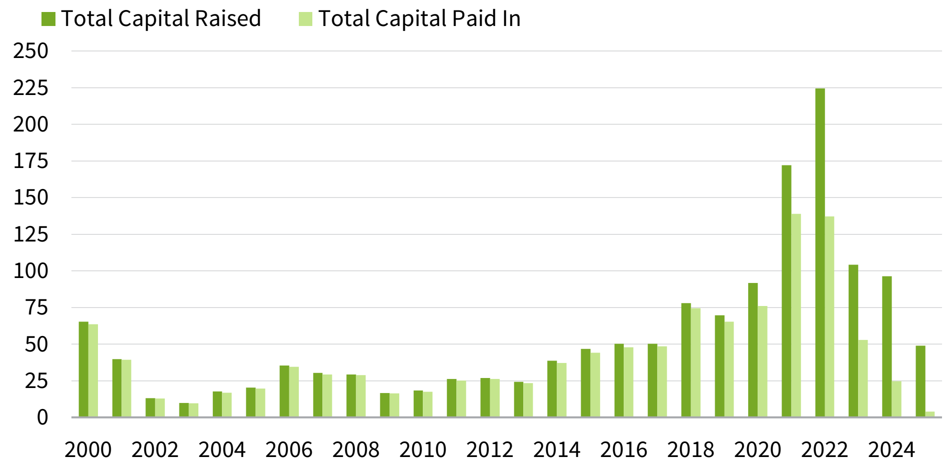
— Deal activity has increased, coinciding with improving macro conditions and new highs for pre-money valuations. US VC deal value hit $250B YTD and has already exceeded the prior three years. 76% of deal activity was concentrated in the IT and healthcare sectors YTD, tracking ahead of their trailing five-year average (68%). Notably, AI deals comprised nearly two-thirds of overall activity. Late-stage deals accounted for their largest share of total activity in the past decade.

— US VC valuations have risen sharply YTD, with new highs seen across seed through series C deals. The YTD increase was most acute for series D+ deals, where median pre-money valuations are up 63%.

— Exits have improved, bolstered by strong IPO activity. In total, US VC-backed exit value reached $205B YTD, already eclipsing the value generated in the years 2022–24, with IPOs accounting for 45%of exit value. Still, IPO exits have been concentrated, with average IPO exit value increasing to the highest level in the past decade (ex 2021).

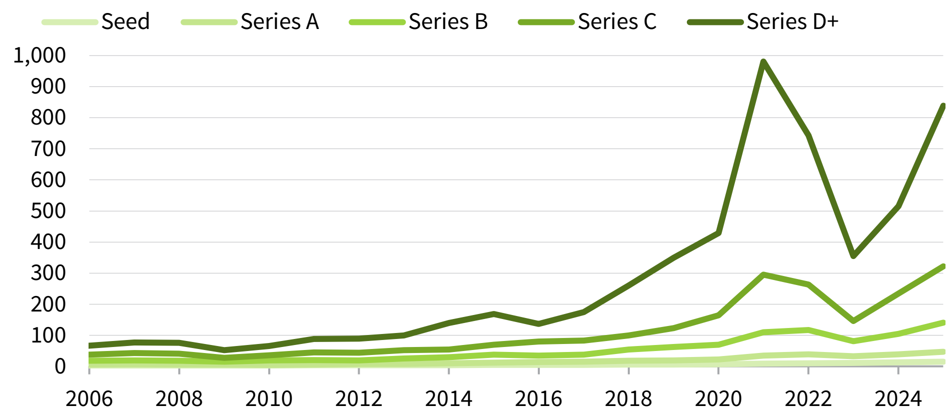
**Fundraising and paid-in capital: US VC**

Vintage Years 2000–25 (Sep 30) • US$B




**Median pre-money valuations by series: US VC**

2006–25 (Sep 30) • US$M




Sources: Cambridge Associates LLC and PitchBook Data Inc.
Note: Historical data revise. 2025 Paid-in capital data are through March 31.

# European Private Equity
## Facts & Figures Third Quarter 2025

**European PE returned 13.8% YTD through 2Q and 15.9% over the past year in USD terms. A weaker US dollar accounted for much of the gains, with European PE returning 0.4% YTD and 5.8% over the past year in euro terms. Performance trailed public markets in recent years, but the European PE index has outperformed public markets over longer time horizons. Fundraising has slowed in 2025, while commitments made in 2021–24 have fueled deal activity, and exits have held steady.**

— Fundraising activity has moderated, due in part to muted LP distributions from existing commitments. Europe-based PE funds raised €82B YTD, on pace for the weakest year since 2022. This compares to an average of more than €130B raised between 2021–24. Fundraising has been concentrated, with "mega funds" of €5B or more accounting for 40% of capital raised over the past five years. Fundraising among first-time GPs has slumped at just €2B YTD. European funds secured one-quarter of global PE capital raised YTD, which is roughly in-line with the average (23%) over the five years ended 2024.

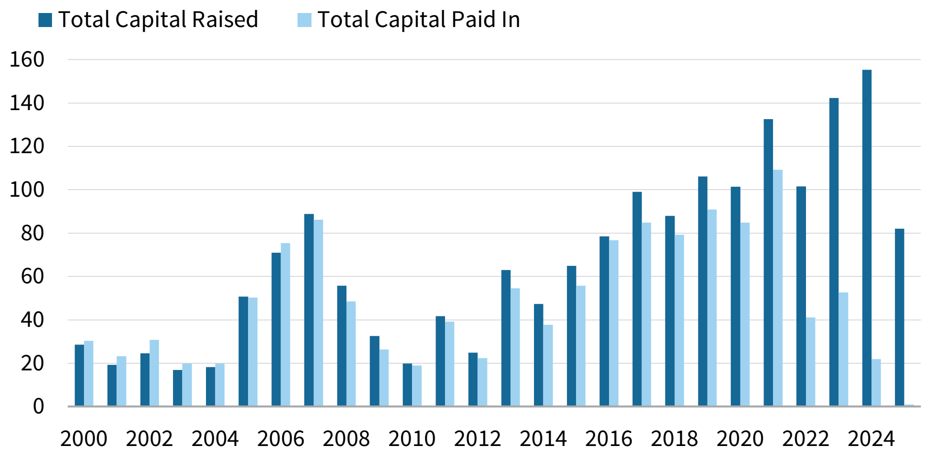
— Deal activity has increased, coinciding with lower interest rates and reduced policy uncertainty. Deal value reached €460B YTD, on pace for one of the strongest years in the past decade. Larger deal sizes have bolstered activity, with deals of €1B+ accounting for 32% of YTD activity, which is up from 2023 (21%) and 2024 (28%).

— According to PitchBook LCD stats, purchase price multiples for transactions larger than €500M are on track to decline for a fifth straight year to 8.1x EBITDA, the lowest since the early 2000s. Leverage multiples have stabilized at just under 5x, while equity contributions (44%) are in-line with recent averages.

— Exit activity has held steady, although IPOs remain limited. European PE-backed exit value was €215B YTD, tracking in-line with the prior three years. Corporate acquisitions and secondary buyouts continue to account for the majority of exit value, which is the usual exit route for European PE.

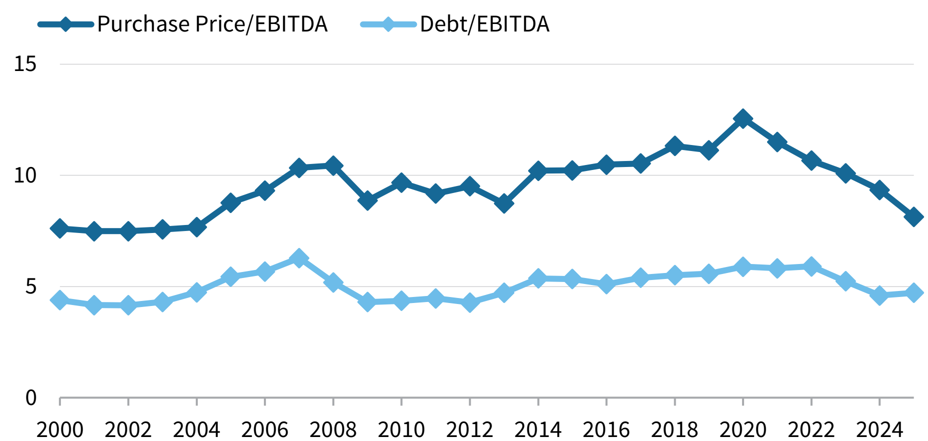
**Fundraising and paid-in capital: European PE**

Vintage Years 2000–25 (Sep 30) • Euro (Billions)




**Average purchase price and debt multiples: European PE**

2000–25 (Aug 31)




Sources: Cambridge Associates LLC and PitchBook Data Inc.

Note: Historical fundraising and paid-in capital data revise. Paid-in capital data for 2025 are through March 31.

# European Venture Capital
## Facts & Figures Third Quarter 2025

**European VC returned 11.2% YTD through 2Q and 14.6% over the past year in USD terms. A weaker USD accounted for much of the gains, with European VC returning -1.9% YTD and 4.6% over the past year in euro terms. Performance trailed public markets in recent years, but the European VC index has outperformed public markets over longer time horizons. Fundraising has largely stalled in 2025. By value, deal activity and exits have held up, due in part to increasingly larger transactions, higher valuations, and well-funded vintages leading up to 2025.**

— Fundraising activity has moderated, due in part to low levels of LP distributions from existing commitments. Europe-based VC funds raised €8B YTD, on pace for the weakest year since 2014. This compares to an average of nearly €27B raised between 2021-24. While large fund closes have bolstered activity in recent years, that dynamic has shifted in 2025. European funds secured 10% of global VC capital raised YTD, squarely in-line with their average share over the past decade.

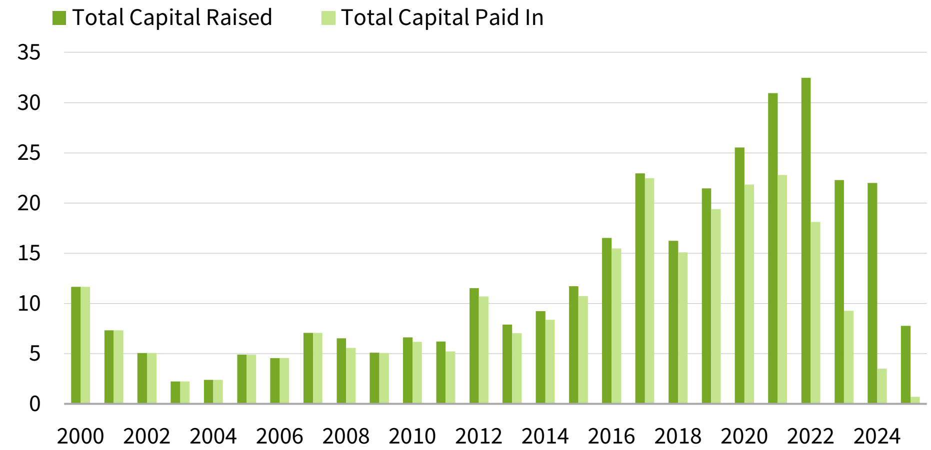
— Deal activity has held steady, coinciding with lower interest rates and reduced policy uncertainty. Deal value reached €44B YTD, tracking in-line with the prior two years. Larger deal sizes of €10M+ have accounted for a record share of count and value YTD, bolstered by deals in the AI space. IT accounted for nearly half of deal flow YTD.

— Valuations have climbed to new highs YTD after seeing a modest correction relative to US peers. Valuations for later stage companies have risen the most, up 10% YTD, compared to 3% for seed and 2% early stage.

— Exit activity continued to pick up in 2025, albeit driven by a handful of large transactions. European VC-backed exit value reached €53B YTD, with the Klarna IPO alone accounting for one-quarter of the total. Still, exit activity is on pace for its strongest year on record, excluding 2021. M&A accounted for two-thirds of exit value YTD.

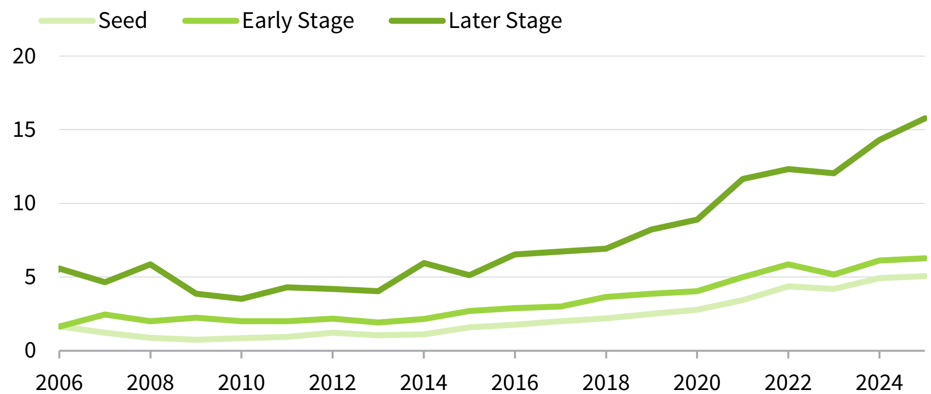
**Fundraising and paid-in capital: European VC**

Vintage Years 2000–25 (Sep 30) • Euro (Billions)




**Median pre-money valuations by stage: European VC**

2006–25 (Sep 30) • Euro (Millions)




Sources: Cambridge Associates LLC and PitchBook Data Inc.

Notes: Valuations are shown by stage (as defined by PitchBook) rather than by series due to small sample sizes. Historical fundraising and paid-in capital data revise. Paid-in capital data for 2025 are through March 31.

# Asian Private Equity
Facts & Figures Third Quarter 2025

**Asian PE returned 5.5% in USD terms YTD through 2Q and 7.7% over the past year. Performance trailed public markets in recent years, but Asia PE has outperformed public markets over longer time periods. Strong public equity returns and a relatively muted exit environment have weighed on performance. Fundraising and deal activity for Asia PE has cooled in 2025, while exits have held steady but generally lagged global peers.**

— Fundraising activity has moderated, due in part to low levels of distributions to LPs. Asia-based PE funds raised $22B YTD, on pace for the slowest year since 2013. This compares to an average of more than $80B raised between 2021-24. Fundraising has been concentrated, with funds of $1B+ accounting for two-thirds of capital raised over the past five years. However, there were no fund closes greater than $5B YTD, suggesting that trend has cooled. Asian PE funds secured just 6% of global PE capital raised YTD, which is among their lowest share in the past two decades.

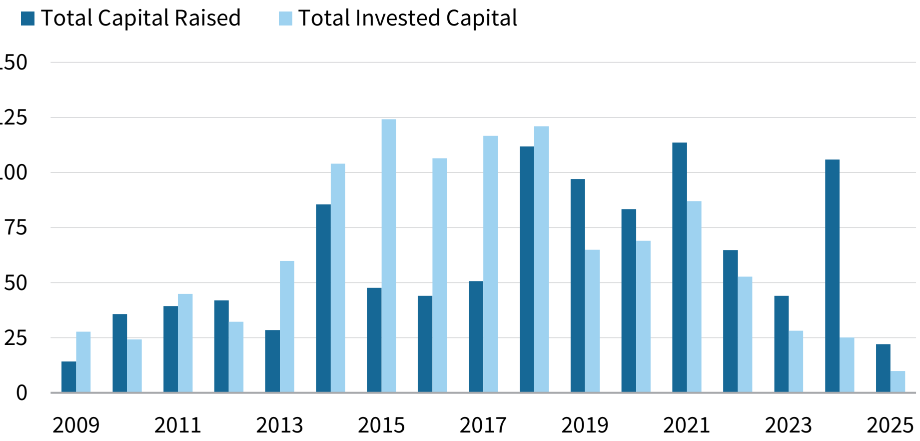
— Deal activity has cooled, coinciding with heightened geopolitical uncertainty. Deal value for Asia-based businesses totaled $111B YTD, on pace for the lowest since 2020. According to PitchBook, Japan-based companies received 27% of deal flow YTD, followed by Australia (16%), China (12%), and India (10%). Japan and India have gained in terms of share of overall investment over the past five years.

— Buyout strategies have historically been more prevalent than growth equity in Australia, Korea, and Japan, while the reverse has been true in China. Regardless of strategy, leverage has historically been modest or low, while valuations, especially in growth sectors, have been as high as those in other regions.

— Exit activity has largely held steady. Asia PE-backed exit value reached $109B YTD, roughly on pace with the prior three years. On a global scale, Asia accounted for 13% of all PE-backed exit value generated YTD. This was tracking below the five-year average of 18%.

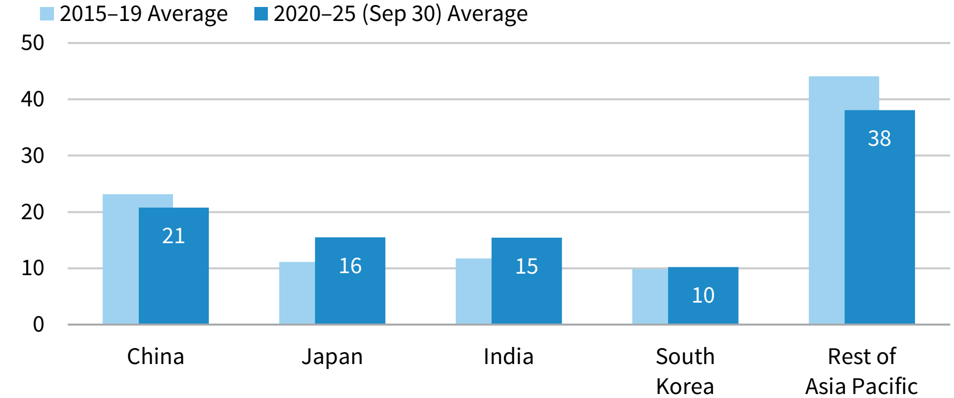
**Fundraising and invested capital: Asia-Pacific PE**

2009–25 (Sep 30) • US$B




**Percent (%) of invested capital by country of target company**

As of Sep 30, 2025




Source: PitchBook Data Inc.

Notes: Total Capital Raised does not include Softbank Vision funds. For the top chart, invested capital includes deals where the investor is an Asia-based PE fund. For the bottom chart, invested capital includes PE deals where the target company is headquartered in Asia; data may not sum to 100 due to rounding. Historical data revises.

# Asian Venture Capital
## Facts & Figures Third Quarter 2025

**Asian VC returned 3.8% in USD terms YTD through 2Q and 2.3% over the past year. Performance trailed public markets in recent years, but Asia VC has outperformed public markets over longer time periods. Strong public equity returns and a soft exit environment have weighed on performance. Broader activity in the region has continued to slow YTD amid a shifting geopolitical landscape, while valuations remain under pressure.**

— Fundraising activity has moderated, due in part to low levels of distributions to LPs. Asia-based VC funds raised $26B YTD, on pace for the weakest year since 2014. This compares to an average of nearly $130B raised between 2021-24. While fund sizes have pushed higher—with funds $1B+ accounting for 20% of all capital raised over the past five years—that segment has slowed, comprising just 5% of fundraising YTD. Asia VC funds secured 30% of global VC capital raised YTD, which would mark the lowest share since 2013.

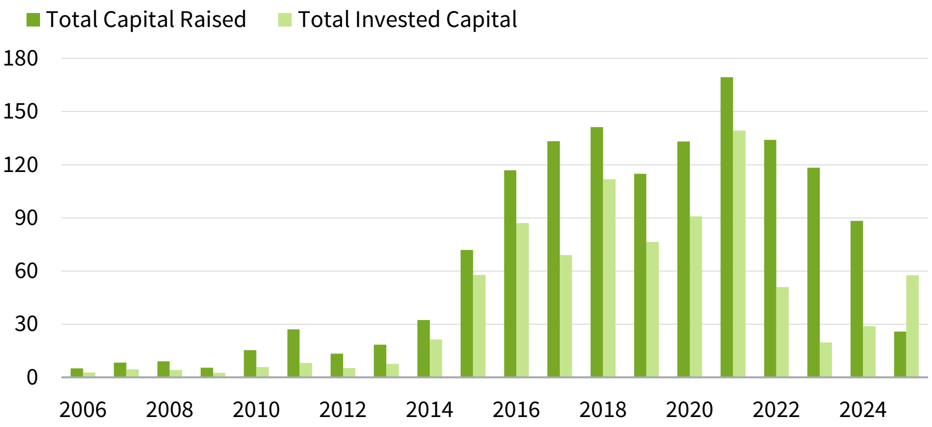
— Deal activity in the region has slowed, coinciding with heightened geopolitical tensions. Global investors closed deals valued at nearly $50B in Asia-based venture companies YTD, on pace for the lowest deal value in the past decade. Notably, Asian VC deals accounted for just 13% of global VC deal value. Chinese companies received 53% of capital YTD, followed by India and Japan. IT accounted for 44% of deal activity, with roughly half deployed in the AI segment.

— Asia VC valuations have yet to recover prior highs, unlike US and European peers. Although early- and late-stage pre-money valuations have increased YTD, they remain 20% and 47% off their peaks, respectively. Notably, seed valuations are down 10% YTD.

— Exit activity has held steady YTD, but remains relatively subdued compared to prior years. Asia VC-backed exits generated $83B of value YTD, tracking ahead of 2024 but below the levels seen from 2020-23. Asia accounted for less than one-quarter of global YTD exit value, its lowest share since 2019.

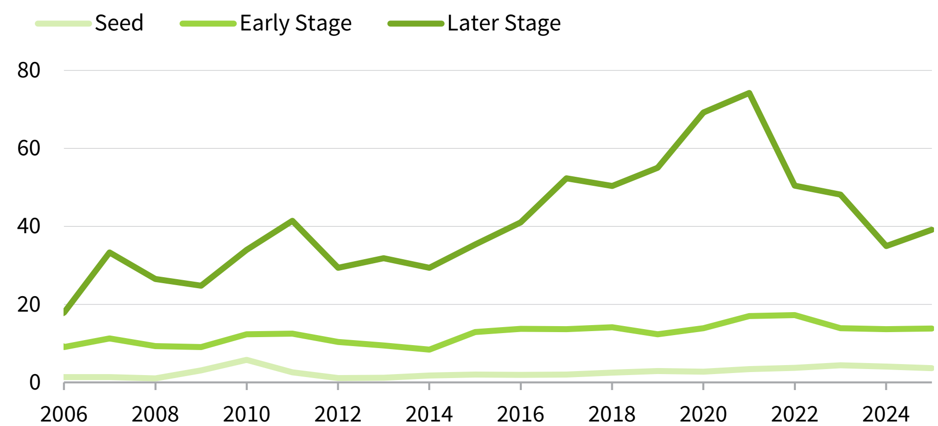
**Fundraising and invested capital: Asia-Pacific VC**

2006–25 (Sep 30) • U$B




**Median pre-money valuations by stage: Asia-Pacific VC**

2006–25 (Sep 30) • U$M




Source: PitchBook Data Inc.

Notes: Total Capital Raised does not include Softbank Vision funds. Invested capital includes deals where the investor is an APAC-based VC fund. Valuations are shown by stage (as defined by PitchBook) rather than by series, due to small sample sizes. Historical data revises.

# Real Assets

# Developed Markets Property Securities

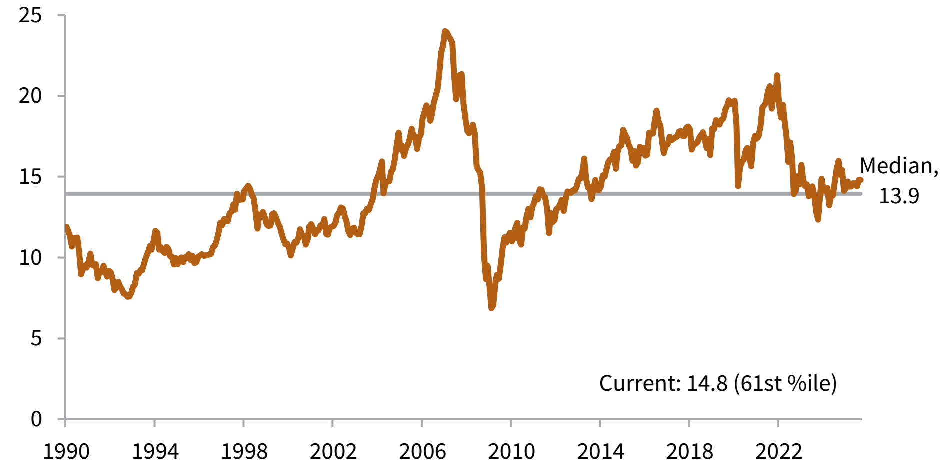
Facts & Figures Third Quarter 2025

**DM property securities delivered a return of 4.3% in USD terms during 3Q. Year-to-date, DM property securities returned 11.3%, underperforming broader DM equities by 6.2 ppts. Among sectors, retail led performance for the quarter with a return of 7.8%, while the residential sector lagged, posting a decline of -5.1%. Year-to-date, all sectors have posted positive returns except for the residential sector, which has declined -2.4% due to concerns over excessive supply in US apartments.**

- DM property securities trade at 14.8x normalized funds from operations, which is higher than 61% of historical data going back to 1990. Furthermore, property securities offer a yield spread of just 0.3% over government bonds, well below the long-term median of 1.6%. Spreads compressed to a post-GFC low during the quarter, as yields for DM property securities fell 12 bps and government bond yields increased 9 bps.
- The global economy is expected to grow 2.9% in 2025, according to analysts surveyed by Bloomberg in September. This is 20 bps higher than the forecast at the beginning of the quarter but remains close to the 3.0% estimate at the start of the year. DM forecasts were also revised 20 bps higher during the quarter, reflecting resilient economic activity and the diminishing impact of tariff uncertainty.
- Property investors remain concerned about the pandemic's lasting effects on consumer and business preferences, as recovery in funds from operations varies across sectors—offices, hotels, and retail lag 2019 levels, while industrial and residential sectors have shown growth. Despite real estate's capital-intensive nature and reliance on debt, developed market property securities have demonstrated greater financial discipline since the GFC, with leverage declining to 39% of total assets as of 3Q 2025, below both the 2009 level and the two-decade average.

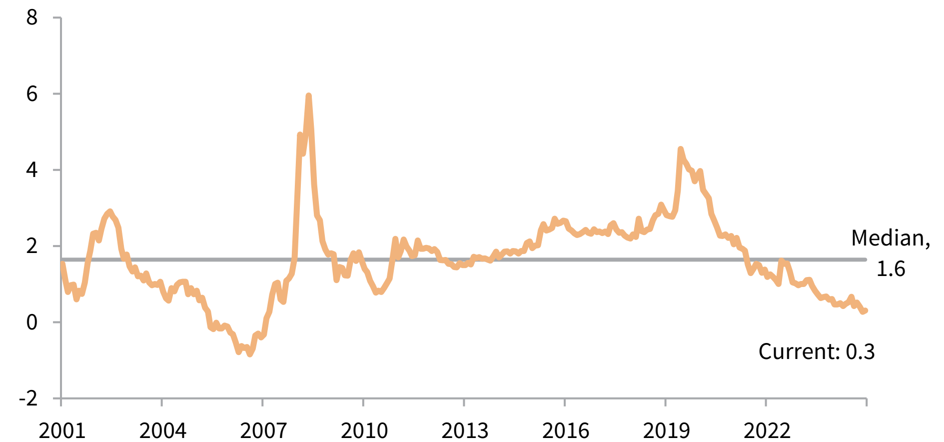
**Normalized price-to–funds from operations multiple**

Jan 31, 1990 – Sep 30, 2025




**Spread between DY and global govt bonds**

Oct 31, 2001 – Sep 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 Third Quarter 2025

**US property returned 1.2% in 2Q and 4.3% over the trailing four quarters ending June 2025, according to NCREIF Property Index data. However, longer period returns remain under pressure as tighter financial conditions, ongoing trend of working-from-home and supply/demand dynamics weighed on the sector, with the index returning -2.7% annualized on a trailing three-year basis. Considerable return dispersion among sectors remains, with hotels returning 7.8% annualized over this period, while office returned -9.8%.**

— 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 (4.21%) and highest within office (5.96%).

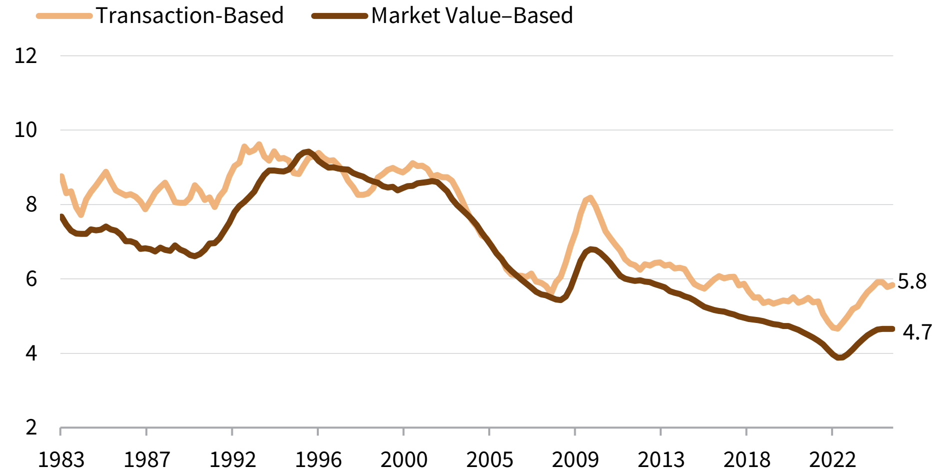
— US real GDP growth accelerated to 3.8% in 2Q 2025 after a 0.5% contraction in 1Q, as the surge in imports from tariff frontrunning eased while consumer spending and business investments remained resilient. Consensus forecasts expect US GDP will grow at 1.8% for full-year 2025, a moderation from 2024 levels but nevertheless at a quicker pace than most other major developed markets.

— NOI growth rate, at an aggregate level, has trended down since 2022 but is starting to improve. Second quarter NOI grew at 2.8%, although this remains below the trailing ten-year median of 4.6%. Across sectors, NOI growth rate remains the strongest for the industrials at 6.32%. Office sector NOI growth remains negative at -3.8% but is showing a tentative improvement.

— 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 July declined 1.1% from the same period in 2024.

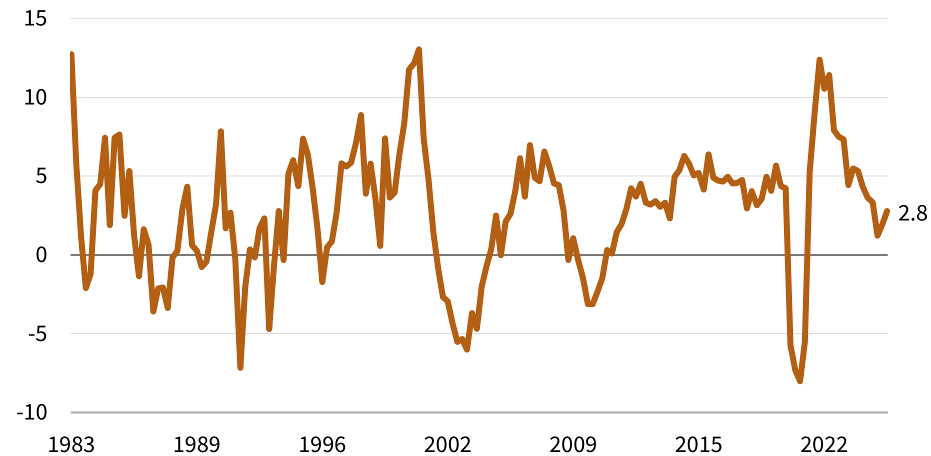
**All property cap rates**

Second quarter 1983 – Second quarter 2025 • Percent (%)




**Four-quarter rolling NOI growth**

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




Source: National Council of Real Estate Investment Fiduciaries.

# UK Private Property

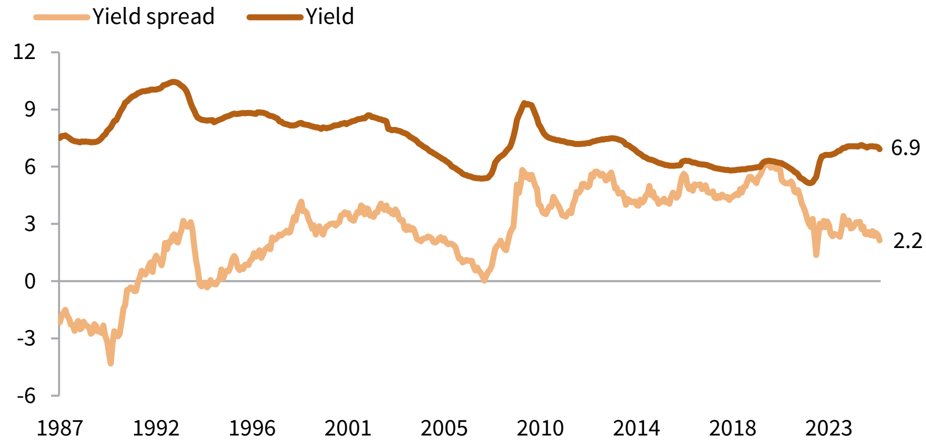
Facts & Figures Third Quarter 2025

**UK private property returned 1.4% in 2Q and 6.7% over the trailing four quarters ending June 2025, according to the unlevered MSCI UK Quarterly Property Index in GBP terms. However, longer period returns continue to reflect the impact from tight monetary policy, with the index returning -3.2% annualized on a trailing three-year basis. Office lagged considerably over this period, declining -7.2% annualized, while retail outperformed, albeit was flat (-0.1%).**

- After dipping to a low of 5.1% in mid-2022, yields across all UK investment properties rose as the BOE monetary policy remained restrictive, although these are starting to stabilize. As government rates have increased, property's yield spread has fallen to 2.2 ppts. The current spread is lower than the ten-year average (4.5 ppts), which suggests the asset class's attractiveness relative to gilts has declined.
- UK real GDP grew by 0.9% through the first two quarters of the year, the highest amongst the G7. However, the economic backdrop remains challenging amid tariff risks and given sticky domestic inflation is slowing the BOE's desired pace of rate cuts. Consensus forecasts expect UK GDP growth to underperform DM peers in full-year 2025 (1.3% vs 1.5%) as well as in 2026 (1.2% vs 1.6%).
- According to data from the UK government, seasonally adjusted YOY non-residential monthly transactions were 2% lower in August 2025 compared to the prior year, and 4% lower compared to three years ago. Vacancy rates have inched higher to 10.9% as affordability remains a concern.
- As of 2024, the UK commercial real estate market is estimated to be roughly $891B, according to MSCI Real Estate—or flat YOY. It is the largest market in Europe and is followed by Germany's roughly $675B market (down $64B 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.

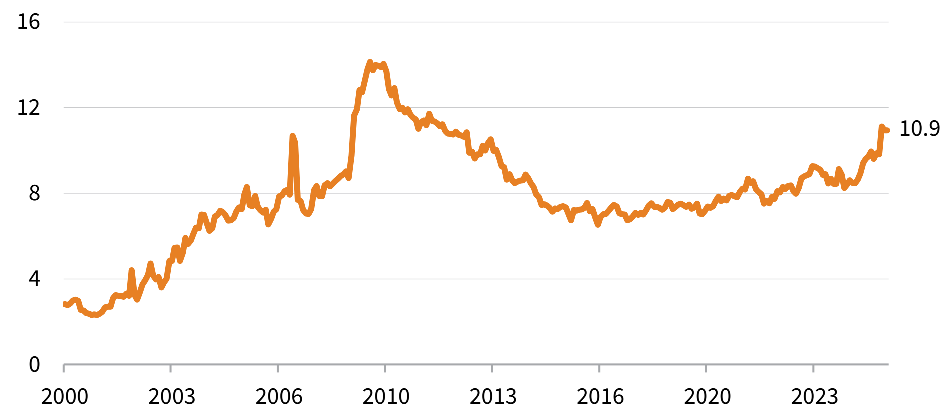
**All property equivalent yields and spreads**

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




**Vacancy rate**

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




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

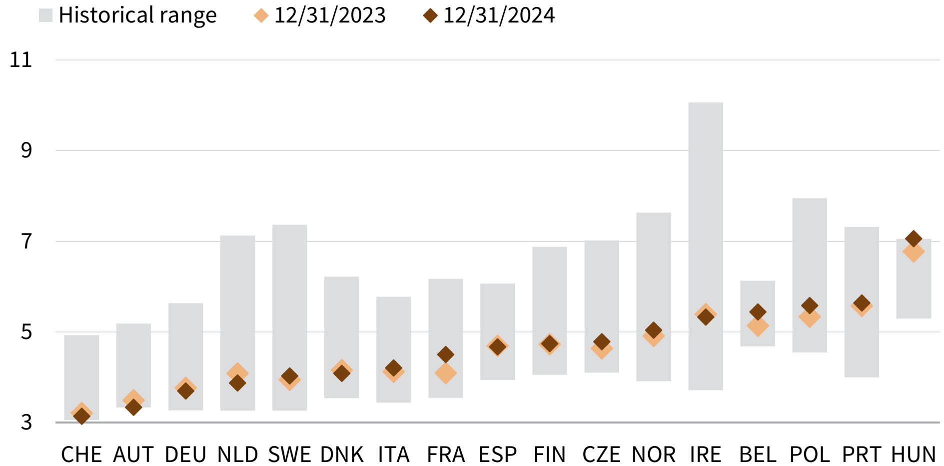
Notes: The MSCI Real Estate index measures returns to direct investment in commercial property. Initial yield is current net income divided by gross capital value.

# Europe ex UK Private Property
Facts & Figures Third Quarter 2025

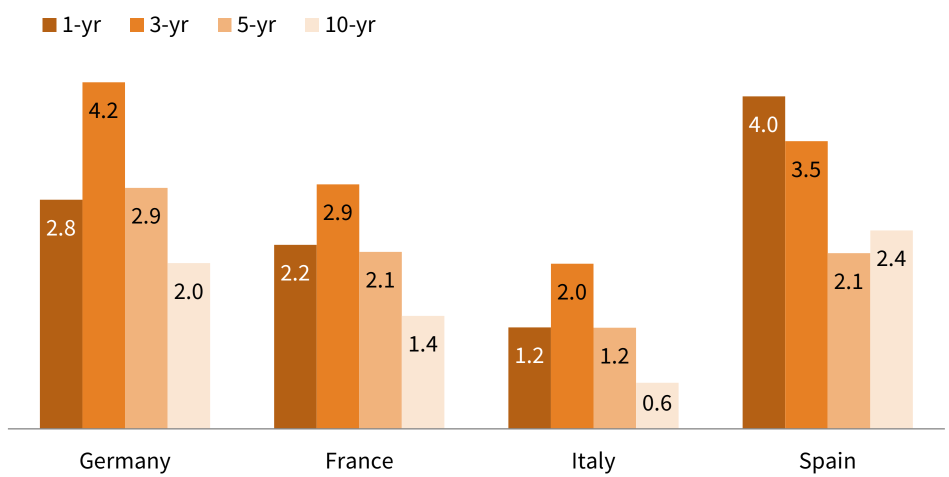
**Europe ex UK property returned 1.4% in 2Q and 6.2% over the trailing four quarters ended June 2025, based on unlevered MSCI Global Property Fund Index data in LC terms. However, longer period returns remain under pressure given the lagged impact of tight monetary policy, with the index delivering -2.1% annualized on a trailing three-year basis. Retail properties outperformed over this period, returning 1.6% annualized, while the office sector lagged (-5.4% annualized).**

- Property yields across most of Europe have steadily decreased over the last decade, although yields are up from their record lows in 2021. Across the top markets, property yields in Germany remain low relative to their historical range, while those in France trade closer to average.
- The economic backdrop for the Eurozone has improved modestly. Consensus forecasts for the region's growth were revised upward in 3Q to 1.3%. While this still lags the 1.5% growth expected for DM more broadly, the gap has narrowed amid an easing of tariff uncertainty, aggressive monetary policy easing by the ECB, and expectations of increased fiscal stimulus in Germany.
- European commercial real estate investment declined 6% YOY in 2Q 2025, according to CBRE. Over the trailing 12 months, however, investment is up 19% from the prior period. All sectors saw a growth in activity over the TTM period except for hotels, for which investment was flat (-1%). 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 2024 in those two markets to be roughly $675B and $555B, respectively. Rental growth in these countries have started to cool, although the one-, three-, and five-year growth rates continue to outpace that on a ten-year basis.

## 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 property returns picked up in 2Q, returning 1.4% for the quarter and 4.1% on a trailing four-quarter basis, according to MSCI Global Property Fund Index data. However, longer period returns remain under pressure given the impact of monetary policy tightening over 2022–23. On a trailing three-year basis, Asian property delivered modest gains of 0.6% annualized. Sector performance over this period was mixed, with industrials delivering the best results at 4.0% annualized, while office detracted (-2.8% annualized).**

— Property yields in many markets have decreased since the GFC and remain low relative to history. While yields rose over 2022–23, they are starting to stabilize as most Asian central banks began monetary easing in response to moderating inflation. Within two top markets, yields in Australia have modestly declined as a result. In contrast, Japan continues to stand out and see property yields near record low levels given a slower pace of policy normalization by the BOJ.

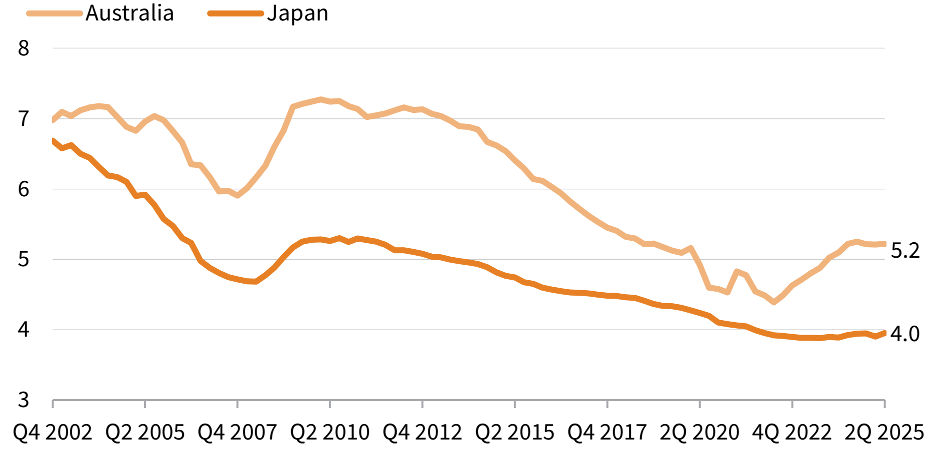
— Growth expectations for Asia-Pacific economies held steady over 3Q following an easing of US tariff uncertainty, with consensus forecasts still expecting the region's real GDP to grow by 3.8% in 2025. However, these forecasts are subject to change given US tariff risks and cooling economic momentum in key markets, such as India and China.

— 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.

— Asia-Pacific real estate investment volume fell 17% in 2Q but remained up 22% on a YOY basis. The cooler pace of activity seen over 2Q was primarily driven by Japan and South Korea, as well as that for the office sector, where investment volumes declined after a strong first quarter.

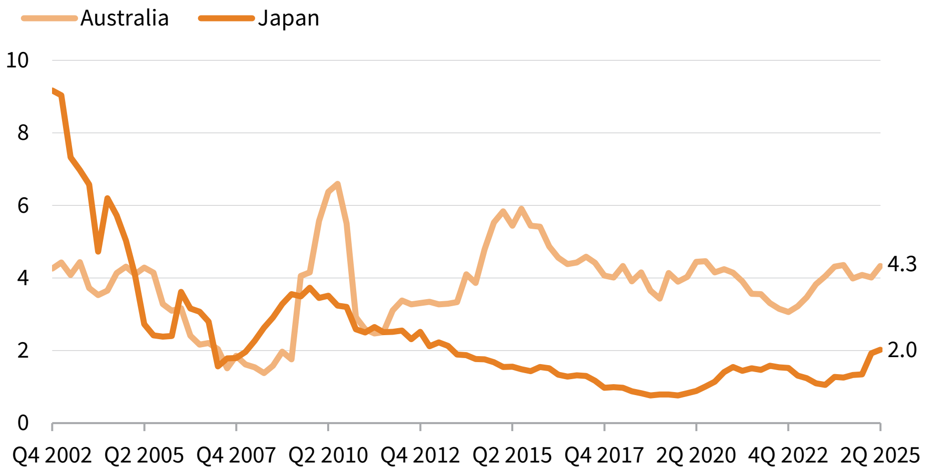
**Property yields**

Fourth quarter 2002 – Second quarter 2025 • Percent (%)




**Vacancy rates**

Fourth quarter 2002 – Second quarter 2025 • Percent (%)




Source: MSCI Real Estate. MSCI data provided "as is" without any express or implied warranties.
Note: Japan second quarter 2025 data are as of May 2025.

# Private Infrastructure

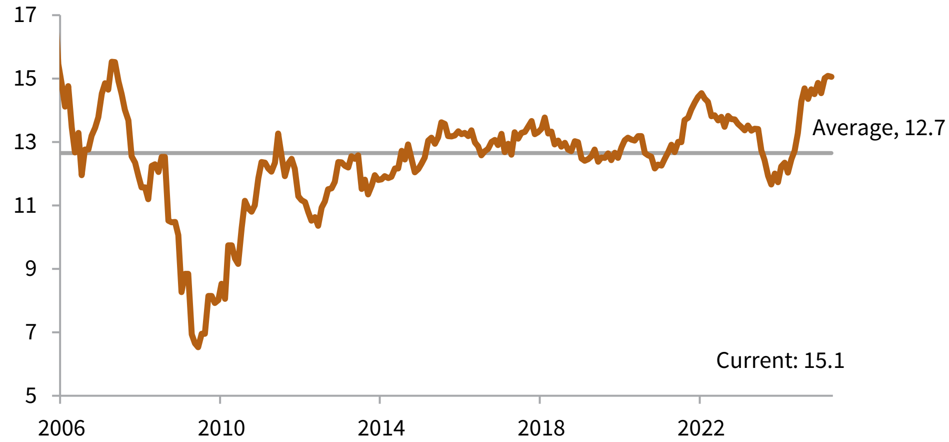
Facts & Figures Third Quarter 2025

**Private infrastructure returned 2.6% over 1Q and 7.1% over the trailing four quarters ending March 2025, according to the Cambridge Associates Infrastructure Index. On a trailing three-year basis, the index returned 7.8% annualized. The industry has benefited from stable demand, policy support, and increased interest among institutional investors.**

- Infrastructure companies transacted at 15.1 times EBITDA over the prior 12-month period, above the industry's long-term average and near record high levels. Broadly speaking, institutional investors have been increasingly attracted to brownfield infrastructure investments, as an effort to generate portfolio income and protect against inflation.
- Real GDP expectations for the global economy were revised higher over 3Q to 2.9% following an easing of US tariff uncertainty and still resilient US economic data. Among major global economies, growth expectations for 2025 are highest for Asia ex Japan (4.4%). Expectations are more modest for developed markets at 1.5%, led by the US at 1.8%, and contrasted by Japan at 1.0% on the low-end.
- Global infrastructure transaction values grew by more than 19% in 2024 from 2023 levels, and 2025 YTD annualized flows point to a continued expansion in activity. Data through 3Q shows global refinancing, greenfield, and brownfield deals accounted for 25%, 32%, and 44% of deal volume, respectively. Renewables and telecommunications were the top two sectors for investment, accounting for 25% and 23%, 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.

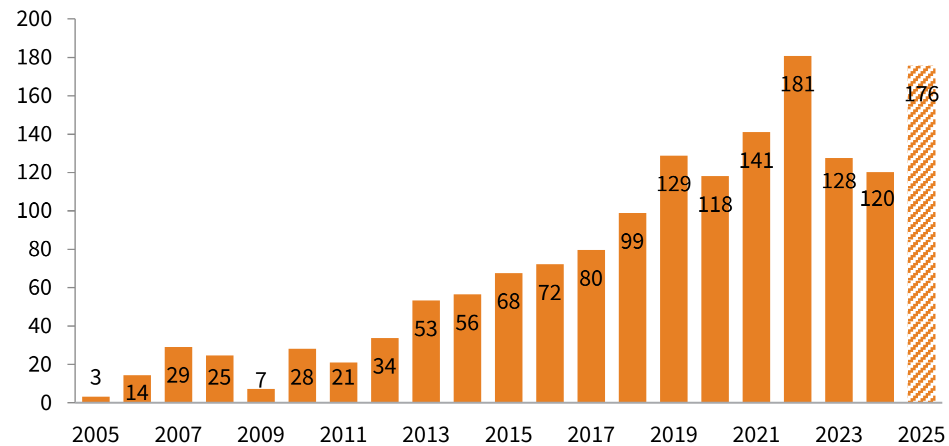
**Prices of transactions (EV/EBITDA)**

Jun 30, 2006 – Sep 30, 2025 • Rolling 12M average




**Global capital commitments to infrastructure PE funds**

2005–25 (Sep 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.

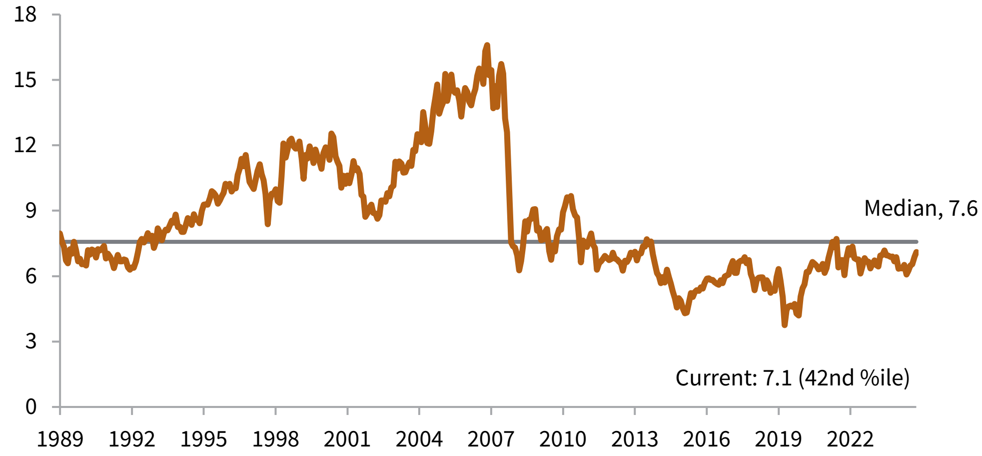
# Natural Resources Equities
Facts & Figures Third Quarter 2025

**Natural resources equities gained 10.6% in 3Q in USD terms, according to the MSCI World Natural Resources Index, bringing TTM returns to 10.0%. A pause in US tariff escalation supported the performance of industrial metals producers in the quarter, while gold mining companies continued to benefit from the strong rally in the precious metal.**

- Natural resources firms trade at 7.1 times cyclically adjusted price-to–cash earnings, which ranks in the 42nd percentile of month-end observations dating back to 1990. Valuations moved higher over 3Q but remain rangebound and below the median level of 7.6x.
- Amid an easing of tariff uncertainty and still resilient US economic data, real GDP growth expectations for the global economy were revised upward over 3Q to 2.9% for full-years 2025 and 2026, but this reflects a modest cooling from 2024's growth of 3.3%. However, tariffs continue to add uncertainty to the US inflation outlook, although the impact so far has been less bad than feared.
- Low investment levels contributed to the rise in oil & gas prices in recent years, with capital expenditures hitting a trough of 4.5% of total assets in 2021. However, as prices have recovered, capital expenditures have rebounded, albeit they remain lower than during the recent 2014 peak which subsequently led to a severe glut in energy commodities.
- A key consideration for investors is the extent that renewable energy could undercut future hydrocarbon demand. While some long-term energy analyses highlight that oil and natural gas may continue to be an important energy source for decades, these forecasts tend to have wide confidence intervals, and investors would be wise to carefully consider how different future energy scenarios may impact their portfolios. At the same time, some segments of natural resources equities may attract more investor interest given the demand for certain metals to facilitate the transition to net zero.

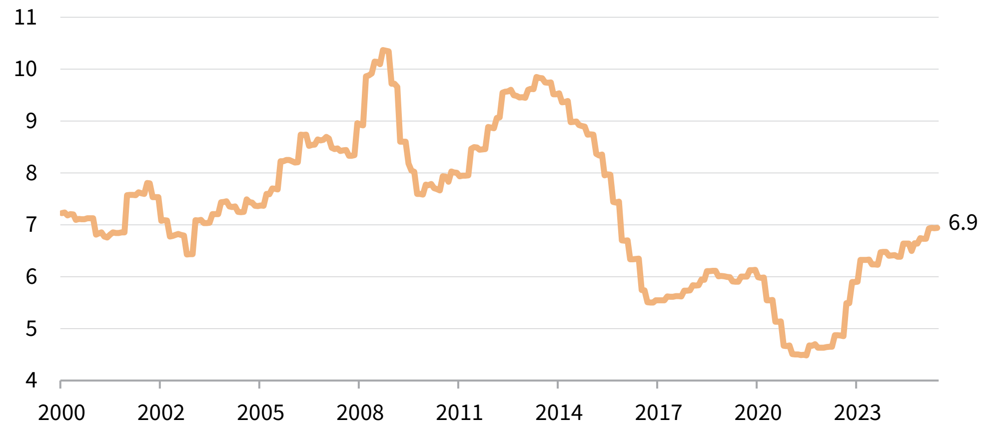
**Cyclically adjusted price-to–cash earnings**

Dec 31, 1989 – Sep 30, 2025




**Capital expenditures**

Jan 31, 2000 – Sep 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 Third Quarter 2025

**The Bloomberg Commodity Index returned 3.6% on a total return basis in 3Q as a continued rally in precious metals helped to offset weaker energy prices. On a TTM basis, the index is up 8.9%, albeit with mixed performance across underlying commodity subindexes. Precious metals (44.7%) led, while energy (0.8%) and industrial metals (0.0%) were flat, and grains declined (-9.9%).**

— Commodity spot prices trade at 0.5 standard deviation above the ten-year inflation-adjusted mean, using the constituents and weights associated with the Bloomberg Commodity Index. Real prices are mixed across commodity groups and are very elevated relative to history for precious metals but below historical median for energy and grains.

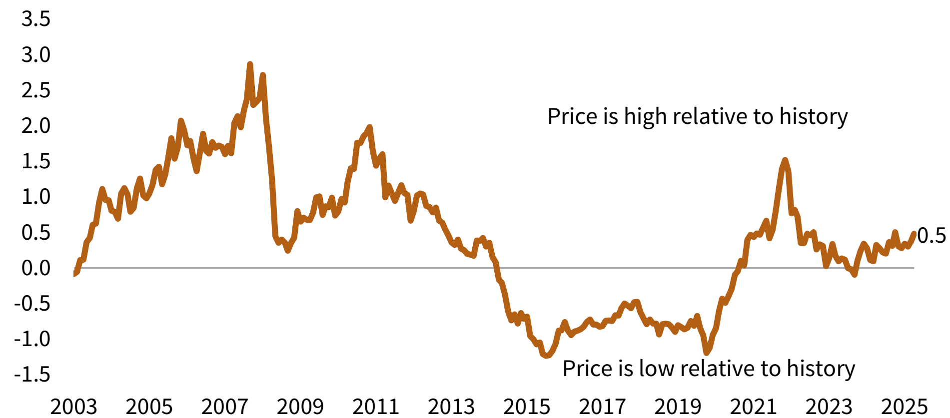
— Amid an easing of tariff uncertainty and still resilient US economic data, real GDP growth expectations for the global economy were revised upwards over 3Q to 2.9% for full-years 2025 and 2026, a modest cooling from 2024's growth of 3.3%. However, tariffs continue to add uncertainty to the US inflation outlook, although the impact so far has been less bad than feared.

— 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. Commodity markets are in contango today, 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 commodities and subsectors sizes for diversification. The latter is a world production-weighted index and has more exposure to energy. While both indexes only hold near-month futures contracts, many active managers have the capability to buy contracts all along futures curves.

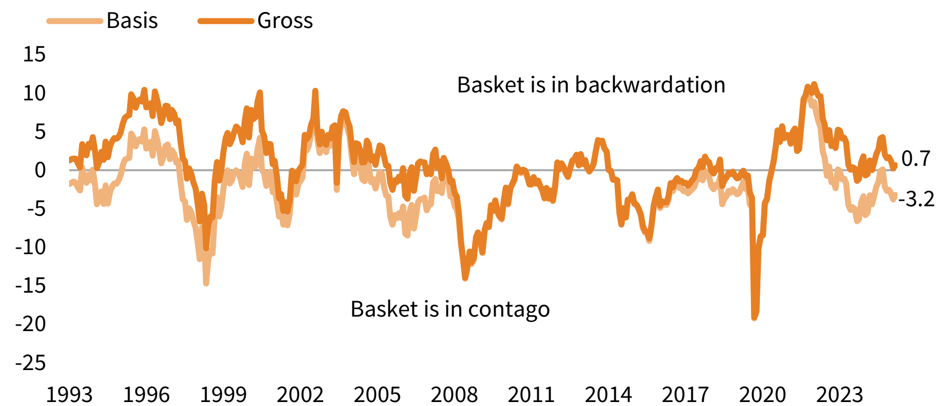
**Commodity futures basket price deviation**

Jun 30, 2003 – Sep 30, 2025 • Z-score




**Commodity futures basket indicative roll yield**

Jul 31, 1993 – Sep 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

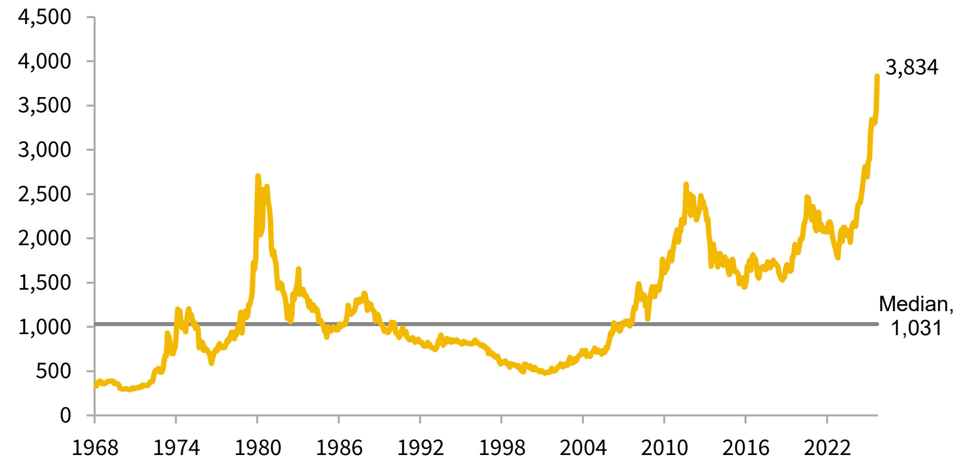
Facts & Figures Third Quarter 2025

**Gold gained 17% in 3Q and 46% over the trailing 12 months, underpinned by geopolitical uncertainty, expectations for easier US monetary policy, and technical momentum.**

- Gold continued its exceptional rally in 3Q, reaching a new all-time high, with its real price now 271% above its long-term median. A primary catalyst for its recent price appreciation was the expectation of further US Federal Reserve policy easing in 2025. The Fed reduced its benchmark policy rate by 25 bps in September, and signs of a cooling labor market prompted expectations of several more cuts this year. Additionally, concerns about the politicization of the Fed contributed to gold's appeal as a safe-haven asset.
- While the US dollar rose modestly on a trade-weighted basis during 3Q, it has weakened over the course of the year. A weaker dollar typically boosts gold prices, as gold becomes less expensive for holders of other currencies and more attractive as an alternative store of value. The ongoing trade war may be accelerating global de-dollarization efforts, further supporting gold demand as countries seek to reduce reliance on the greenback.
- Despite these supportive factors, gold presents key risks for long-term investors. Its expected real return over the long term is low, making it a problematic asset for institutions with real spending objectives, even though it can provide a hedge against adverse capital market conditions.
- From an implementation perspective, investors can access gold through low-cost, physically backed ETFs, which offer liquidity and track the price of gold without requiring physical storage, though they do carry counterparty risk. Physical gold provides a tangible asset but comes with purchase premiums and storage fees, typically in the low single-digit bp-range.

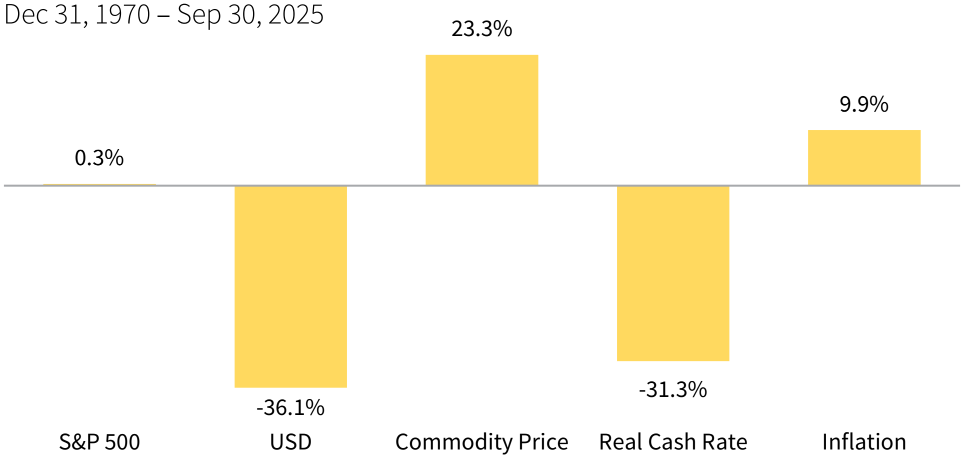
**Gold bullion real price**

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




**Long-term correlation vs gold prices**

Dec 31, 1970 – Sep 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 August 31, 2025.

# Currencies

# USD vs Developed Markets Currencies

Facts & Figures Third Quarter 2025

**The US dollar rose 0.9% in 3Q 2025 in trade-weighted terms, bringing its trailing one-year performance to -1.3%, though it remains 8.4% below its end-2024 peak. This weakening was driven by tariff announcements and resultant growth and rate differential narrowing, in addition to reduced foreign asset purchases. Further USD weakness is possible as these themes persist, aided by a still-elevated valuation.**

— The US dollar remains richly valued, with its real effective exchange rate at the 92nd and 89th percentiles for the equity- and trade-weighted series, respectively. This elevated valuation suggests scope for further depreciation over a multi-year horizon as several cyclical and secular trends reverse.

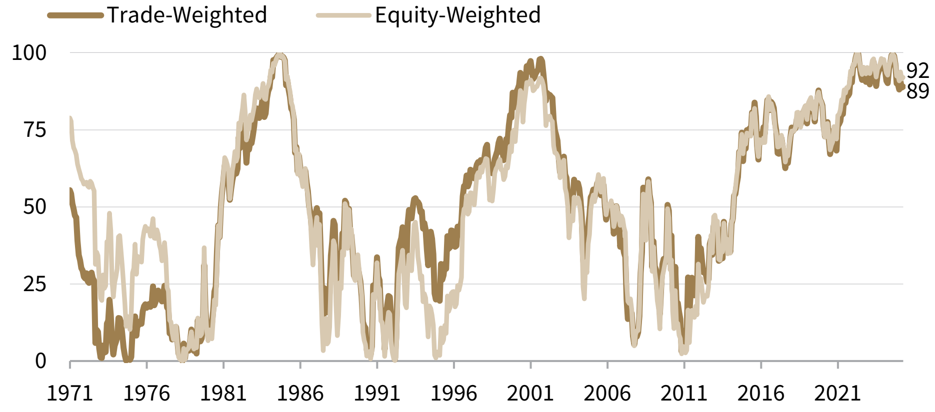
— A widening in interest-rate differentials—driven by earlier US inflation and a more hawkish Fed—was the main driver of dollar strength since mid-2021. Most of this had played out by October 2022, leading to a period of range trading since then. By the start of the year, we were back toward the top of that range, as proposed US tariff, tax, and immigration policies were expected to boost US growth and inflation in the short term.

— We have returned to the bottom of that range as markets focused on the growth-negative impacts of tariffs for the US. Declining growth and interest rate differentials between the US and its peers has underpinned this move lower, with both developments having further room to run. The Fed is likely to cut rates more aggressively than peers, with the BOJ in fact hiking, while fiscal easing may support euro area growth. Non-US investors have also turned somewhat more cautious on US investments.

— A key risk to this view is whether the US economy, despite a softening labor market, may reaccelerate because of stimulus from the OBBB and potential tariff rebate stimulus. Additionally, while elevated equity valuations and concentration in tech/AI are a risk factor for a dollar, persistence of that sectoral theme could offer some support.

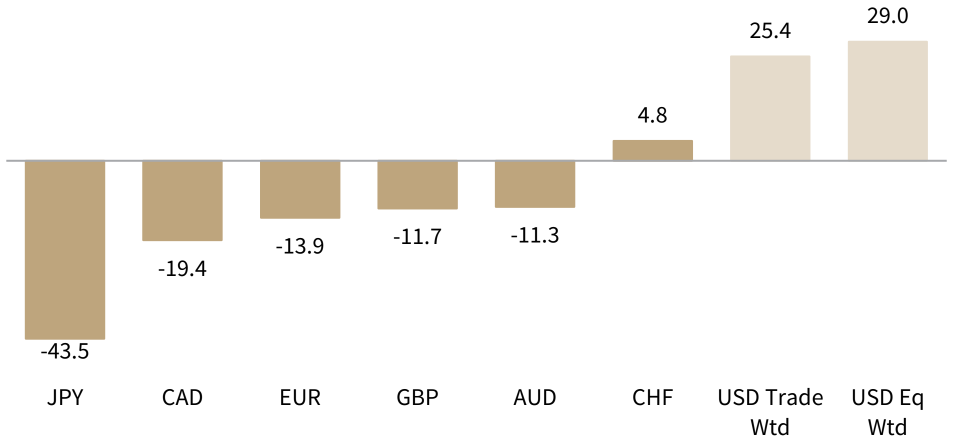
**USD basket real exchange rate percentile**

Jun 30, 1971 – Sep 30, 2025




**Real exchange rate vs the USD: % from median**

As of Sep 30, 2025




Sources: MSCI Inc., National Sources, OECD, Refinitiv, Thomson Reuters Datastream, and US Federal Reserve. MSCI data provided "as is" without any express or implied warranties.

Notes: Australian inflation data are quarterly and as of June 30, 2025. All other inflation data are as of August 31, 2025.

# Emerging Markets Currencies

Facts & Figures Third Quarter 2025

**EM currencies declined by 0.6% in 3Q 2025 in equal-weighted terms, bringing the trailing one-year performance of the same basket to nearly flat (+0.1%). In a continuation of last quarters' theme, Eastern European and LatAm currencies generally outperformed, while Asian FX lagged. Tariff and policy risks remain, but further USD softness and central bank actions support the medium-term outlook.**

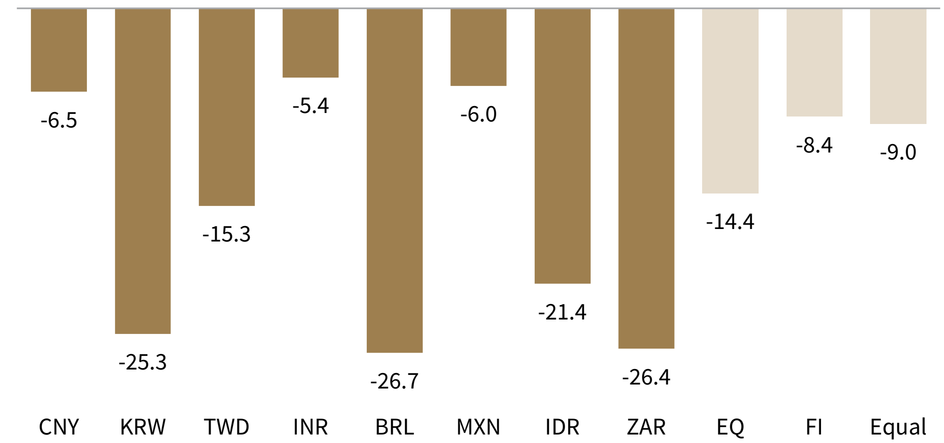
— EM currencies remain sensitive to global growth prospects, with post-COVID factors such as impaired supply chains, geopolitical risks, and fears of policy-induced slowdown having impacted performance in recent years. More recently, while US tariff policy has posed a risk to global growth, it has also weakened the dollar, thereby lifting EM FX up from its low at the end of 2024.

— Asian inflation has generally been lower than peers, resulting in Asian bonds and currencies in modern times trading with a lower beta during risk-on and risk-off periods. However, Asia's greater integration into global supply chains has seen the region impacted to a relatively greater extent than peers due to current US tariff policy. As a result of this, the Asian-heavy, equity-weighted index has lagged both the debt-weighted index and the equal-weighted index. The traditionally higher-beta EM currencies of LatAm have performed strongly in the recent risk-on environment, while widening interest rate differentials have supported Eastern European currencies.

— While the carry of EM currencies has been in long-term decline as the differential between EM and DM interest rates has narrowed, there has been an increase more recently as DM central banks have delivered rate cuts and some further easing has been priced in. Hedging FX exposure in EM equities currently offers a minor carry pick-up for USD-based investors, while hedging EM local bonds costs 1.8%, reflecting the higher yield of currencies in that index.

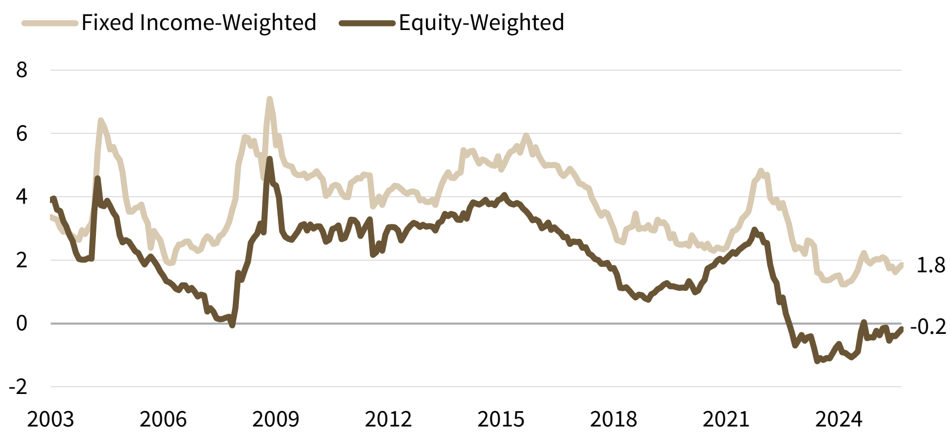
**EM real exchange rate vs USD: % from median**

Jan 31, 1994 – Sep 30, 2025




**EMFX implied carry**

Jan 31, 2003 – Sep 30, 2025 • Percent (%)




Sources: Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Taiwan; INE - National Institute of Statistics, Chile; International Monetary Fund; J.P. Morgan Securities, Inc.; MSCI Inc.; National Bureau of Statistics of China; Refinitiv; Thomson Reuters Datastream; and US Department of Labor - Bureau of Labor Statistics. MSCI data provided "as is" without any express or implied warranties.

# GBP vs Developed Markets Currencies

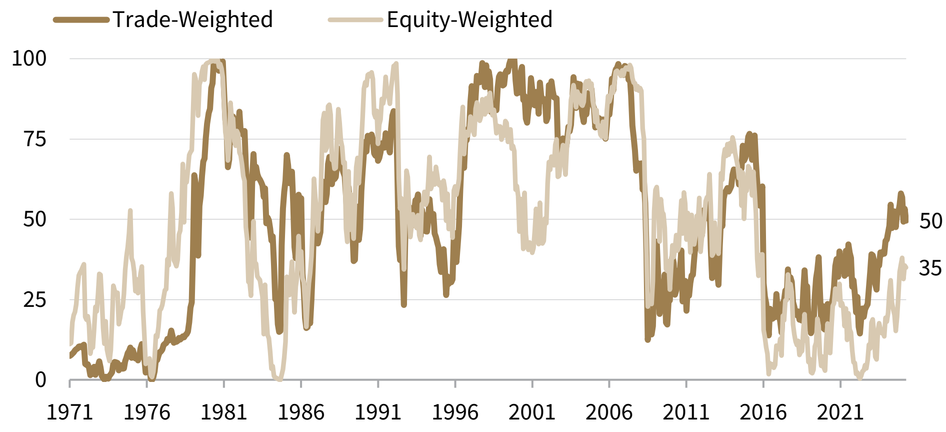
Facts & Figures Third Quarter 2025

**Sterling declined 1.7% in trade-weighted terms in 3Q 2025 bringing its trailing one-year performance to -2.6%. The trailing one-year performance is primarily a function of a rising euro, while in 3Q a small rebound in the dollar was also a headwind. Domestically, activity has decelerated, the BOE cut interest rates, while the upcoming budget led to some volatility in bond markets.**

- Sterling remains near fair value in trade-weighted terms but is still cheap relative to the dollar. The USD dominates the equity-weighted index with a weight of 77%, while the euro has a weight of 56% in the trade-weighted index. An expectation of further weakness in the dollar should support sterling going forward, particularly on an equity-weighted basis
- The economic backdrop is somewhat mixed in the UK. While the UK has had the fastest economic growth in the G7 YTD, the pace of expansion slowed to 0.3% in 2Q, down from 0.7% in 1Q. Likewise, the S&P Composite PMI has declined to 50.1, a level which is consistent with a weak expansion. Consensus 2025 GDP growth for the UK stands at 1.3%, up two-tenths on the quarter but still lagging the 1.5% expected for broader DM.
- The BOE cut their base rate by 25 bps to 4% during the quarter. They would like to do more to support activity, but sticky inflation is restraining them. Nonetheless, further, gradual rate cuts are likely, especially if activity remains weak. Continued rate cuts should bring down currently high levels of household saving, underpinning domestic conditions.
- The UK's structural current account deficit and the prevalence of cyclical sectors in its asset markets give sterling a risk-on/risk-off profile. Sentiment toward UK risk assets remains depressed, which could prove supportive if fundamentals improve. Recent fiscal concerns, while likely over-amplified, do maintain some potential to disrupt markets as we approach the November budget.

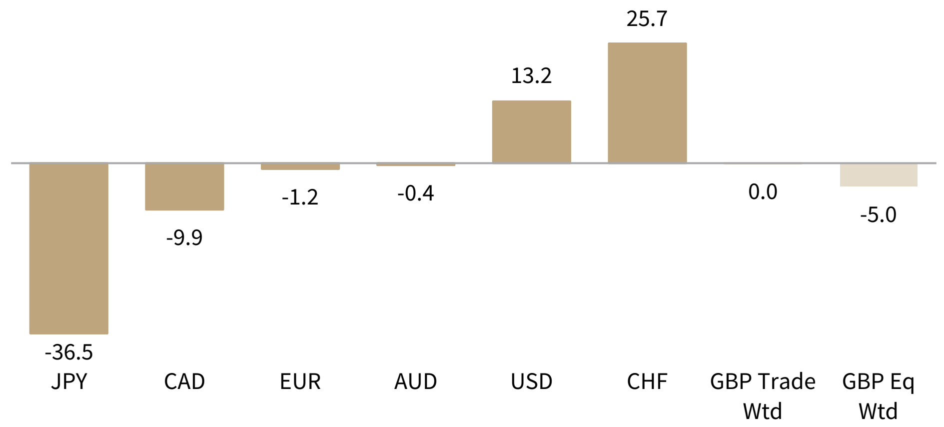
**GBP basket real exchange rate percentile**

Jun 30, 1971 – Sep 30, 2025




**Real exchange rate vs the GBP: % from median**

As of Sep 30, 2025




Sources: Bank of England,MSCI Inc., National Sources, OECD, Refinitiv, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Australian inflation data are quarterly and as of June 30, 2025. All other inflation data are as of August 31, 2025.

# EUR vs Developed Markets Currencies

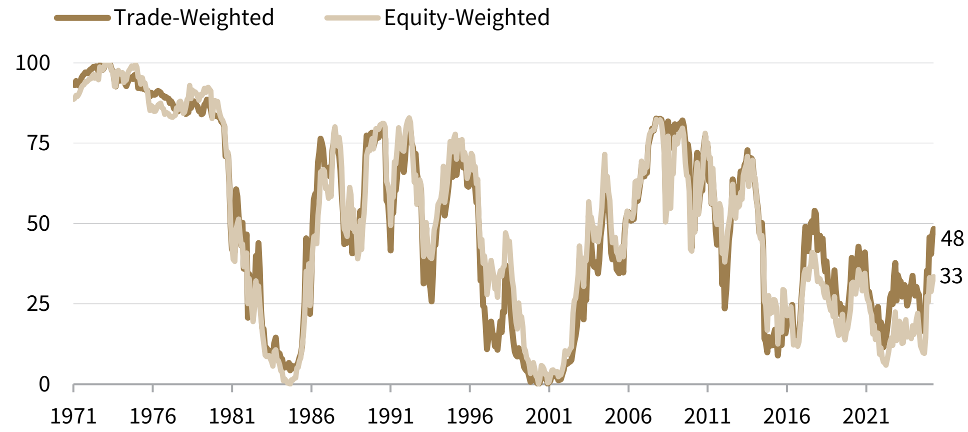
Facts & Figures Third Quarter 2025

**The euro rose 0.7% in trade-weighted terms in 3Q 2025 bringing its trailing one-year performance to 4.2%. The euro's rise has been supported both by dollar weakness and broad strength for domestic reasons. ECB rate cuts, announced German stimulus, and strong peripheral growth were key drivers of regional optimism, while US policy uncertainty and concerns around the impact of tariffs have weighed on the dollar.**

- On a valuation basis, the euro's REER stands at the 33rd percentile on an equity-weighted basis and the 48th percentile on a trade-weighted basis, 8.0% and 0.5% below median, respectively. While the rise of the trade-weighted index to near its median reflects improved expectations of domestic circumstances, the direction of the dollar remains a key driver for the equity-weighted index (81%) and explains the remaining undervaluation on that measure.
- Despite improving growth expectations, the economic backdrop is somewhat mixed. Eurozone GDP growth has been positive for several quarters, supported by strong periphery performance. The cumulative 200 bps of rates cuts delivered by the ECB, an untroubling inflation environment and planned German fiscal stimulus are all supportive of future growth. These factors have contributed to a rise in real rates, which supported the euro's climb. Nonetheless, Germany's growth impulse is anemic currently as it battles competitiveness issues, while French activity indicators are also weak. Eurozone growth is expected to be 1.3% this year, up from 1% at year end, compared to 1.5% for DM.
- To further materially drive domestically generated euro appreciation, greater fiscal and regulatory convergence between the periphery and the core is likely needed to boost potential growth. Completing the capital markets union and expanding jointly issued bonds would also contribute to the financial resilience of the region. While expecting further appreciation against the dollar, risks include growth acceleration in the US due to fiscal support, a more decisive growth drag from tariffs, and an escalation of French political instability.

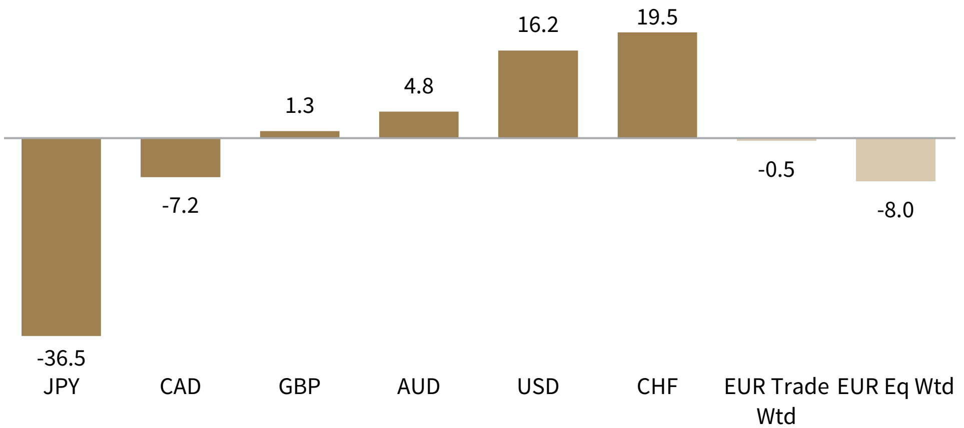
**EUR basket real exchange rate percentile**

Jun 30, 1971 – Sep 30, 2025




**Real exchange rate vs the EUR: % from median**

As of Sep 30, 2025




Sources: European Central Bank, MSCI Inc., National Sources, OECD, Refinitiv, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Australian inflation data are quarterly and as of June 30, 2025. All other inflation data are as of August 31, 2025.

**Bitcoin rose 6% in 3Q and 80% over the past 12 months (USD), while the S&P Cryptocurrency Broad Digital Market Index gained 16.2% and 63.5%, respectively. Performance was driven by risk-on sentiment and expectations for lower interest rates.**

— Given bitcoin's unique characteristics and limited history, there are few reliable valuation metrics. One metric is price-to-transactions per coin (P/TC), which can capture bitcoin's utility as a medium of exchange. Bitcoin's current P/TC ratio is highly elevated relative to history, which signals speculative pricing compared to transaction volume.

— The market backdrop in 3Q was strong for risk assets, boosted by expectations of lower US policy rates. Bitcoin has tended to appreciate in such environments. Since the tariff-related volatility that weighed on bitcoin in April, it has traded near its all-time high price for several months. However, a resurgence of tariff-related tensions could weigh on bitcoin.

— Momentum was strong across digital assets, with bitcoin leading a pronounced rally and the S&P Cryptocurrency Broad Digital Market Index also posting returns. Technicals were supported by broad-based gains and increased investor interest.

— Key risks remain elevated, as digital assets continue to exhibit much higher price volatility than equities. Over the past three years, bitcoin's standard deviation was nearly five times greater than that of equities, and less established cryptoassets are likely to be even more volatile. While volatility has moderated with broader acceptance and liquidity, it remains a defining feature.

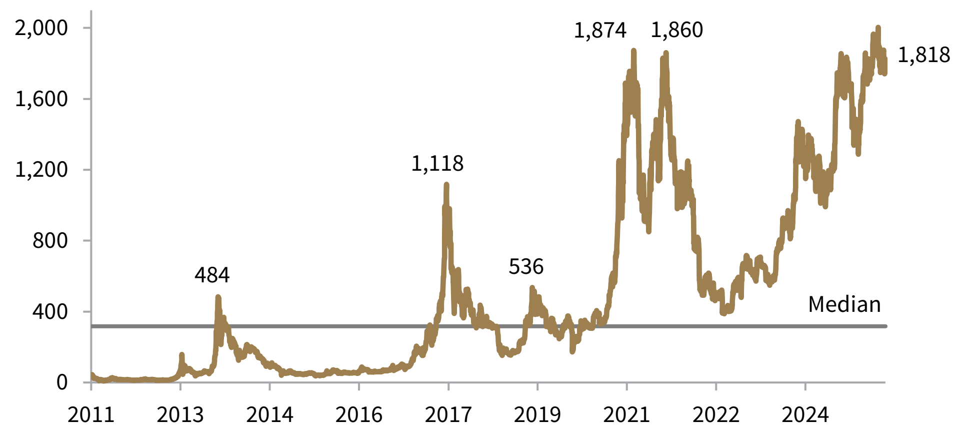
— Implementation options have expanded, with both passive and active vehicles now available, including custodians, cryptoasset trusts, and VC and hedge funds, providing a range of access points to the broader universe.

**Bitcoin price**

Dec 31, 2015 – Sep 30, 2025 • US Dollars


**Ratio of bitcoin price to transactions per coin**

Aug 31, 2011 – Sep 30, 2025




Sources: Blockchair.com and Thomson Reuters Datastream.

Notes: Bottom chart represents the USD price of bitcoin divided by the number of transactions per coin outstanding. All data are daily.

# Notes on Data
Third Quarter 2025

## Note on CA House Views

- All performance data is quoted in US dollars unless otherwise noted.

## Notes on Our Cyclically Adjusted Price-to–Cash Earnings Calculations

- For most equity markets, we construct a cyclically adjusted price-to–cash earnings (CAPCE) ratio. The cyclically adjusted price-to–cash earnings (CAPCE) ratio is calculated by dividing the inflation-adjusted index price by trailing ten-year average inflation-adjusted cash earnings. Cash earnings are defined as net income from continuing operations plus depreciation and amortization expense. MSCI does not publish cash earnings for banks and insurance companies and therefore excludes these two industry groups from index-level cash earnings.
- EM is cyclically adjusted by trailing five-year data.
- On our equity valuation charts, we use a consistent approach to our median and percentile calculations for valuation ratios across all regions. All charts are labeled to indicate the current valuation's percentile versus the historical median. We typically consider the range from the 25th to the 75th percentile as fairly valued. Valuations in the 75th to 90th percentile are typically overvalued relative to history, and in the 10th to 25th percentile, undervalued. The top 10th and bottom 10th percentiles generally represent very overvalued and very undervalued relative to history, respectively. An asset class's valuation call takes into account valuations, fundamentals, momentum, sentiment, and other factors, and calls do not mechanistically change with percentiles; rather these ranges are used as guides for our valuation calls.

## Notes on the 12-Month Absolute and Relative Price Momentum

- The 12-month absolute momentum is the trailing 12-month index price return in local currency terms.
- The 12-month relative momentum is calculated as the geometric difference between each market's trailing 12-month price return in local currency terms.

## Notes on Specific Data Providers

- Dealogic updates its database on a regular basis; therefore, historical data may change.
- Hedge Fund Research data are preliminary for the preceding five months.
- Total return data for all MSCI indexes are net of dividend taxes.
- US CPI data lag by one month.