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.

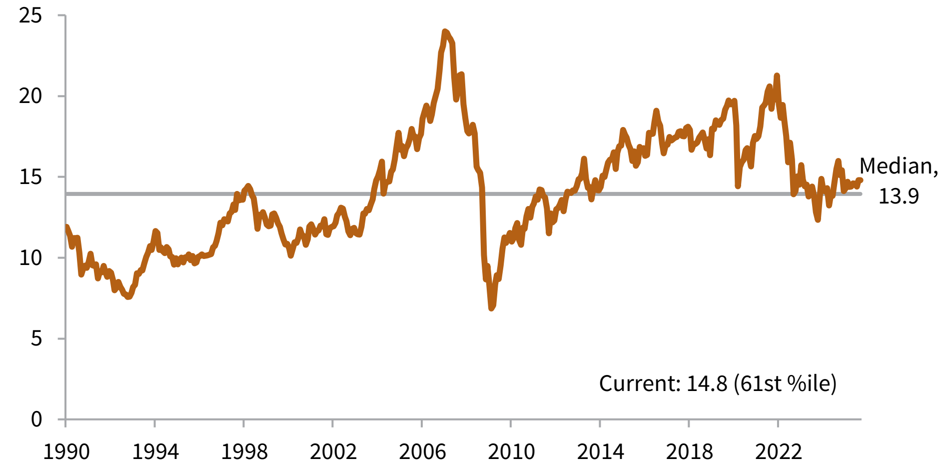
— DM property securities trade at 14.8x normalized funds from operations, which is higher than 61% of historical data going back to 1990. Furthermore, property securities offer a yield spread of just 0.3% over government bonds, well below the long-term median of 1.6%. Spreads compressed to a post-GFC 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.

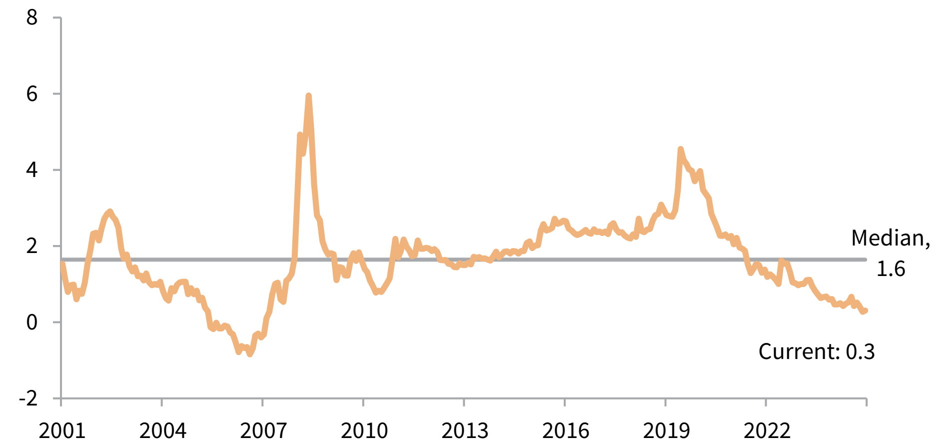
Normalized price-to-funds from operations multiple

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%).

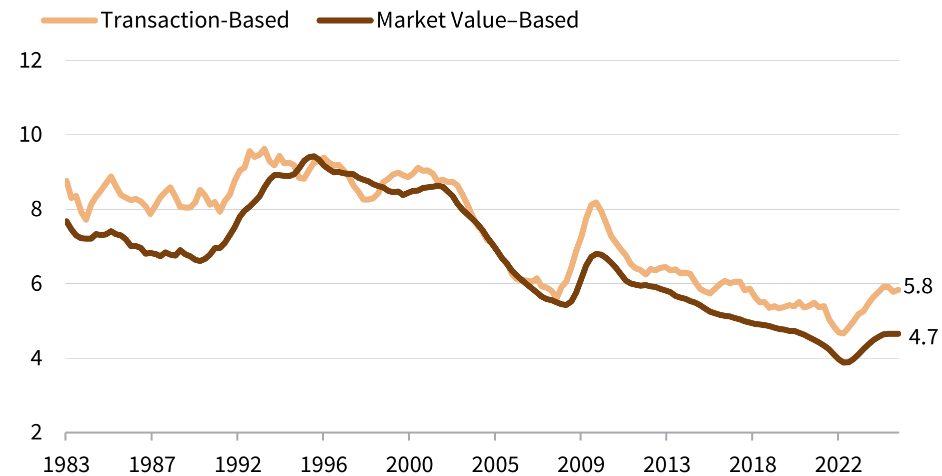
— US real GDP growth accelerated to 3.8% in 2Q 2025 after a 0.5% contraction in 1Q, as the surge in imports from tariff frontrunning eased while consumer spending and business investments remained resilient. Consensus forecasts expect US GDP will grow at 1.8% for full-year 2025, a moderation from 2024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

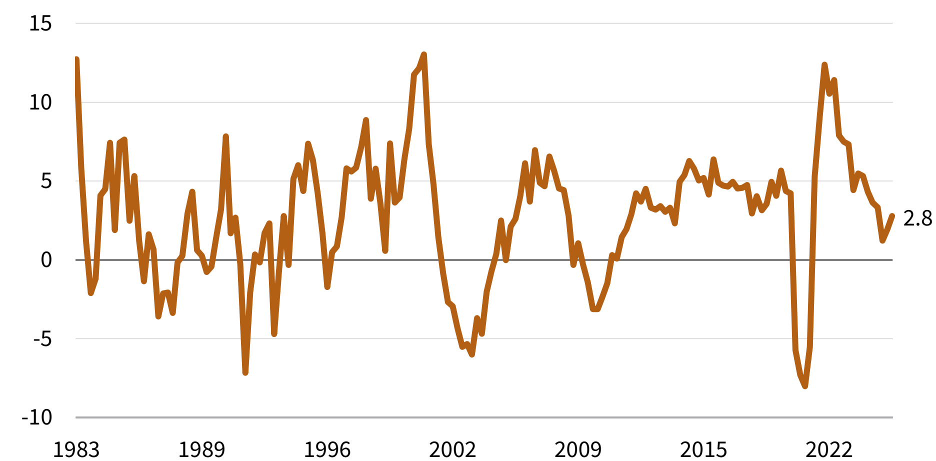
All property cap rates

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.

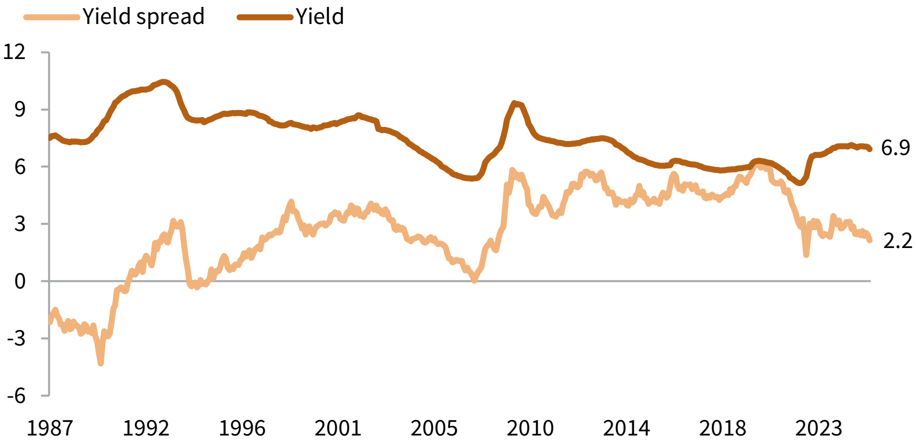
— UK real GDP grew by 0.9% through the first two quarters of the year, the highest amongst the G7. However, the economic backdrop remains challenging amid tariff risks and given sticky domestic inflation is slowing the BOE's desired pace of rate cuts. Consensus forecasts expect UK GDP growth to underperform 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.

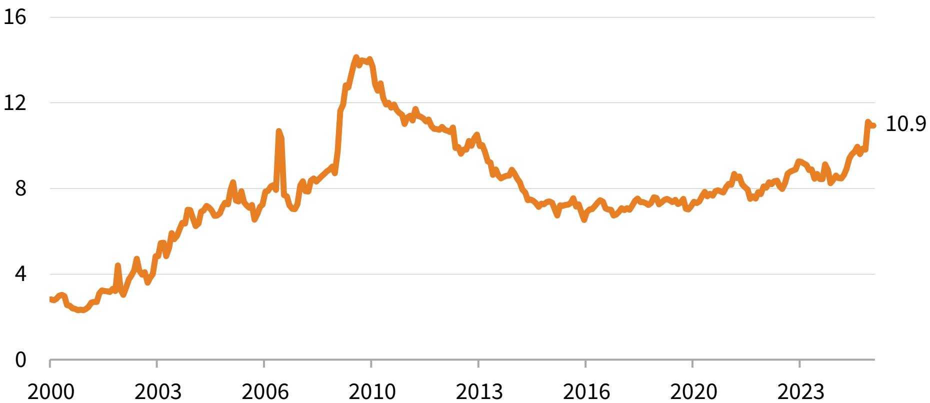
All property equivalent yields and spreads

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.

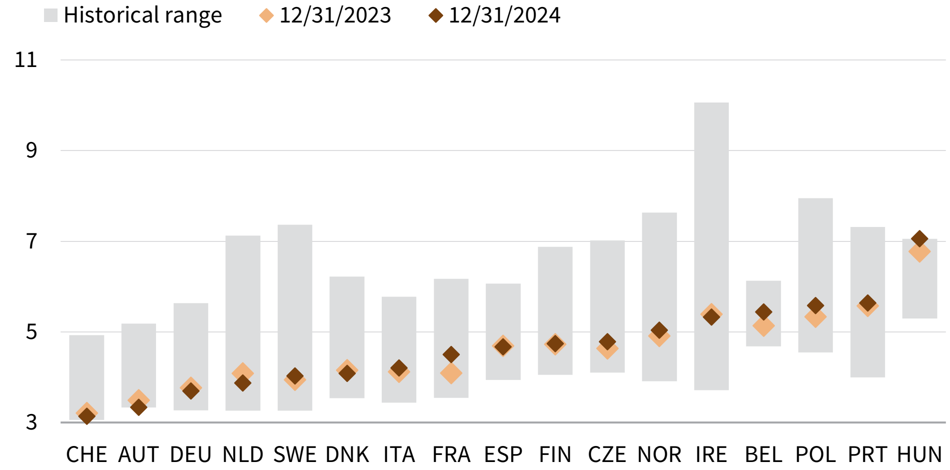
— The economic backdrop for the Eurozone has improved modestly. Consensus forecasts for the region's growth were revised upward in 3Q to 1.3%. While this still lags the 1.5% growth expected for DM more broadly, the gap has narrowed amid an easing of tariff uncertainty, aggressive monetary policy easing 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.

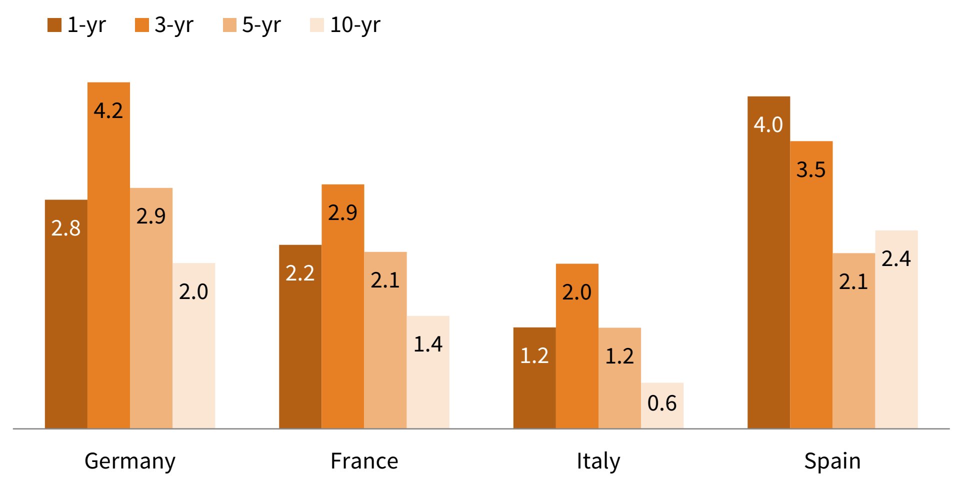
European property net operating income yields

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 Private Property

Facts & Figures Third Quarter 2025

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.

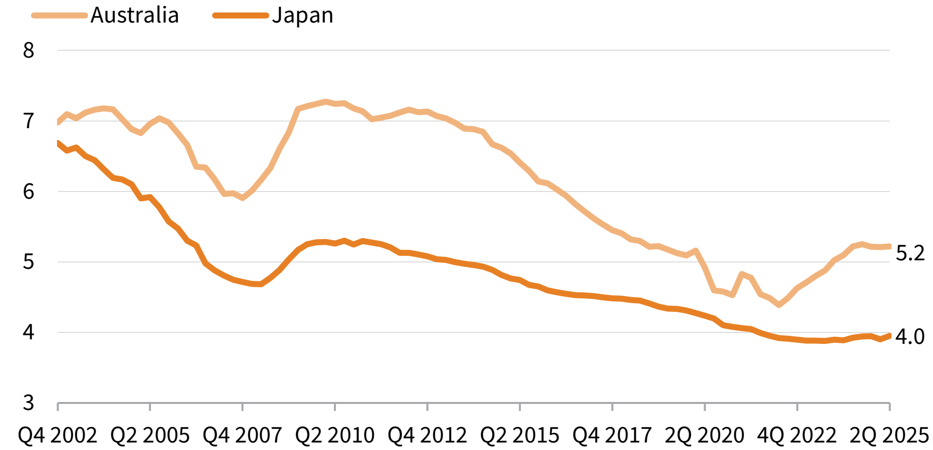
— Growth expectations for Asia-Pacific economies held steady over 3Q following an easing of US tariff uncertainty, with consensus forecasts still expecting the region's real GDP to grow by 3.8% in 2025. However, these forecasts are subject to change given US tariff risks and cooling economic momentum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

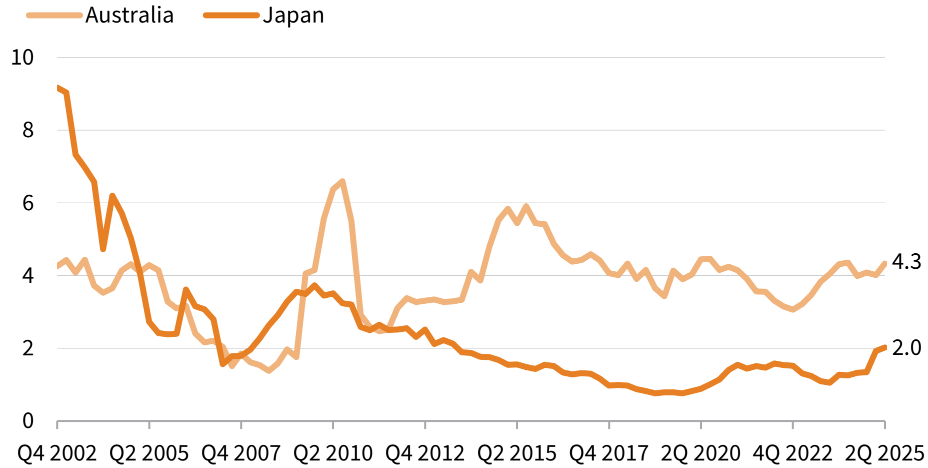
Property yields

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.

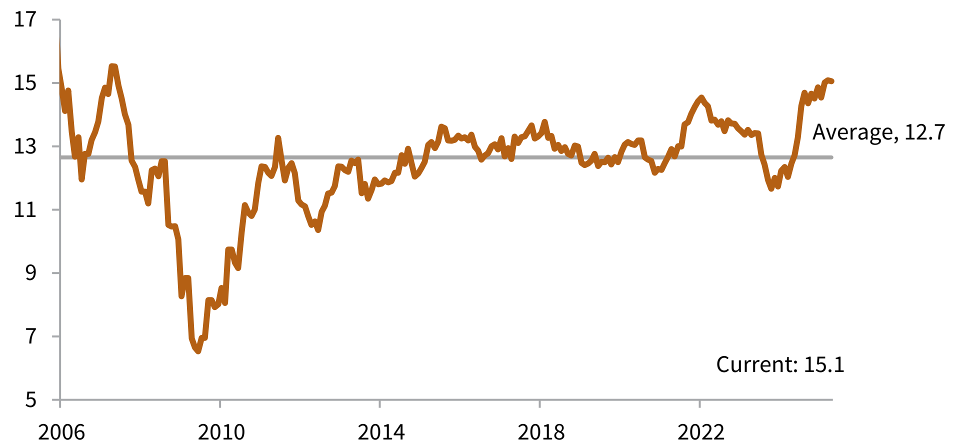
— Real GDP expectations for the global economy were revised higher over 3Q to 2.9% following an easing of US tariff uncertainty and still resilient US economic data. Among major global economies, growth expectations for 2025 are highest for Asia ex Japan (4.4%). Expectations are more modest for developed 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.

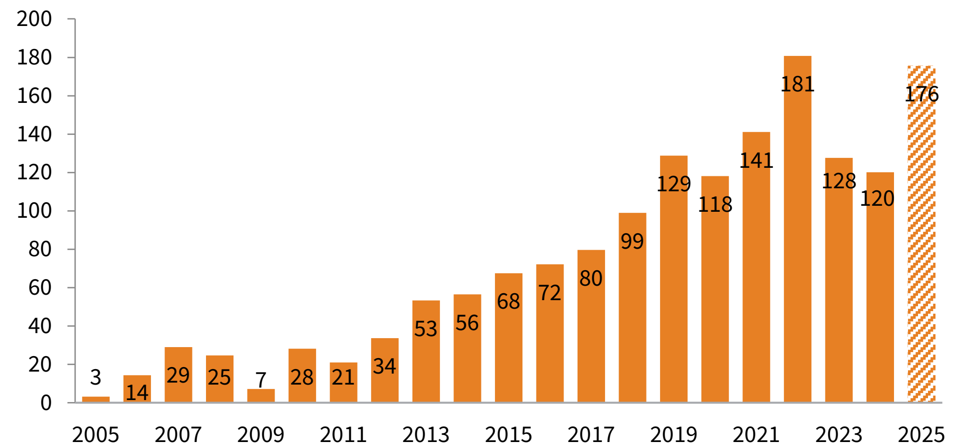
Prices of transactions (EV/EBITDA)

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.

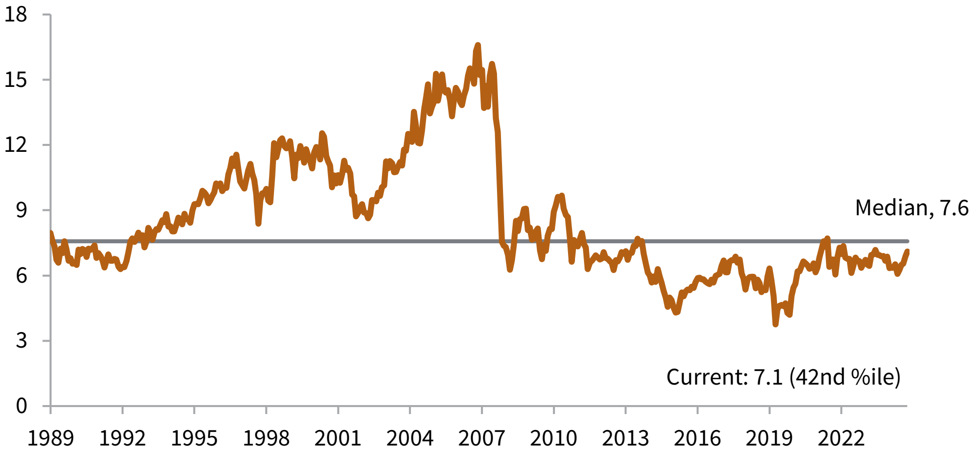
Natural Resources Equities
Facts & Figures Third Quarter 2025

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.

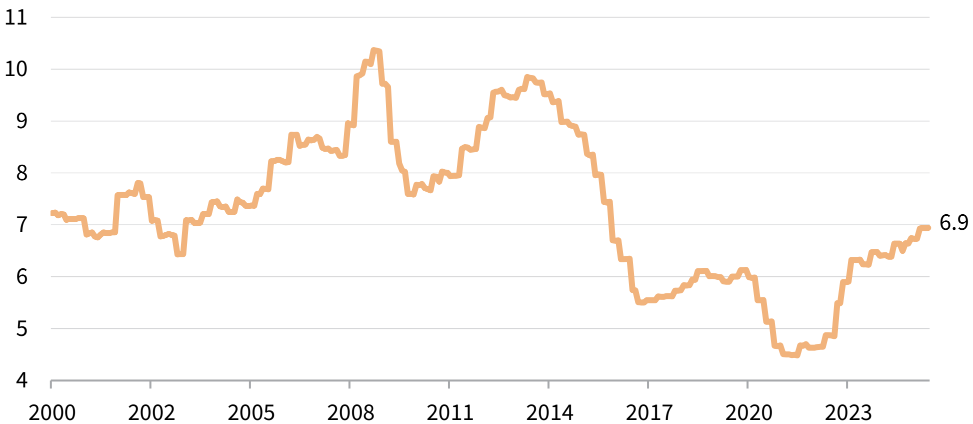
Cyclically adjusted price-to–cash earnings

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.

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.

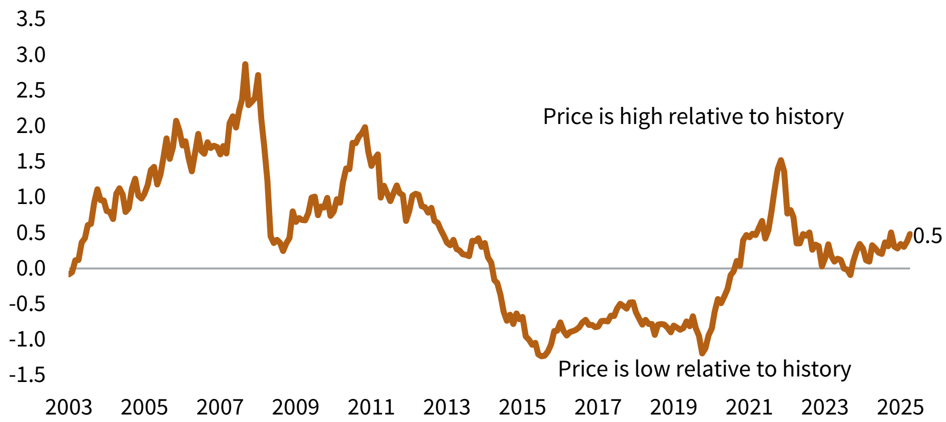
— Amid an easing of tariff uncertainty and still resilient US economic data, real GDP growth expectations for the global economy were revised upwards over 3Q to 2.9% for full-years 2025 and 2026, a modest cooling from 2024's growth of 3.3%. However, tariffs continue to add uncertainty to the US inflation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

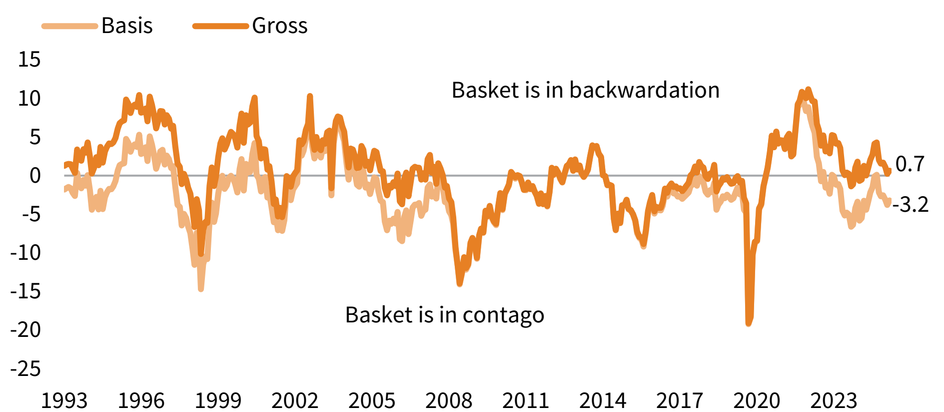
Commodity futures basket price deviation

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.

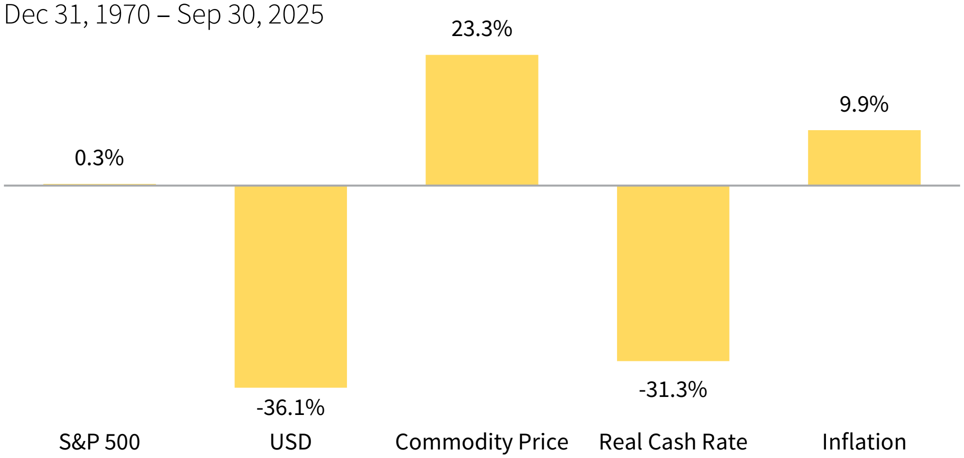
- Gold continued its exceptional rally in 3Q, reaching a new all-time high, with its real price now 271% above its long-term median. A primary catalyst for its recent price appreciation was the expectation of further US Federal Reserve policy easing in 2025. The Fed reduced its benchmark policy rate 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.