



Asset Class Facts & Figures

Fourth Quarter 2025

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Equities

Global Equities

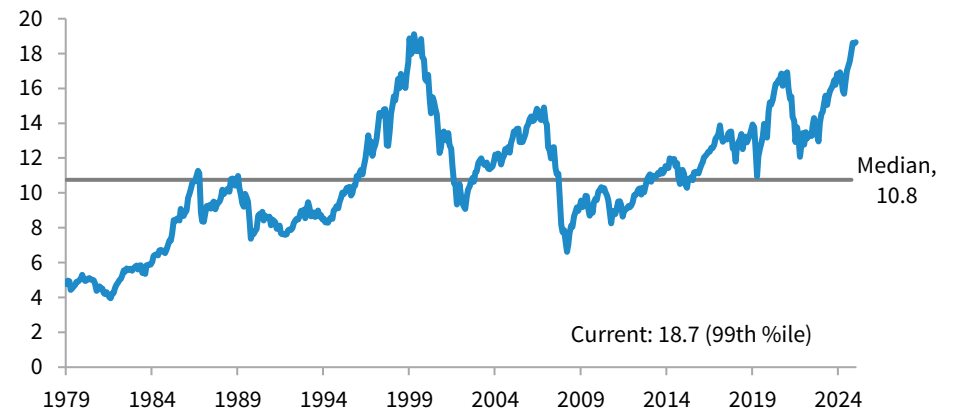
Facts & Figures Fourth Quarter 2025

Global equities returned 3.3% in 4Q and 22.3% in 2025 for USD investors. The quarter's gains, came as steady inflation alleviated concerns about a potential spike due to US tariffs. At the same time, economic data generally surpassed expectations. This combination of stable prices and stronger economic activity, along with continued AI enthusiasm, supported higher earnings growth expectations and improved risk sentiment, driving markets higher.

- Global equities trade at 18.7x cyclically adjusted cash earnings, which ranks higher than nearly all month-end data dating back to 1979. The high valuation level masks dispersion across major blocs, with the US trading at levels higher than others.
- The global economy is expected to grow by 2.9% in 2026, according to analysts surveyed by Bloomberg in December. Developed economies are expected to grow by 1.7%, and emerging markets by 4.2%, with both figures broadly in line with anticipated growth rates for 2025. Among key developed blocs, the US is expected to lead with growth of 2.0%, followed by the euro area at 1.2%, the UK at 1.1%, and Japan at 0.8%.
- Global corporate earnings are expected to grow by 14.7% in 2026, outpacing the projected 10.1% increase in 2025. The stronger outlook is driven by higher expected earnings growth in the euro area, from -2.2% in 2025 to 14.9% in 2026, and in emerging markets, from 12.7% to 18.0%. Continued strong growth expectations for US equities at 15.9% further reinforce the positive outlook.
- 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.

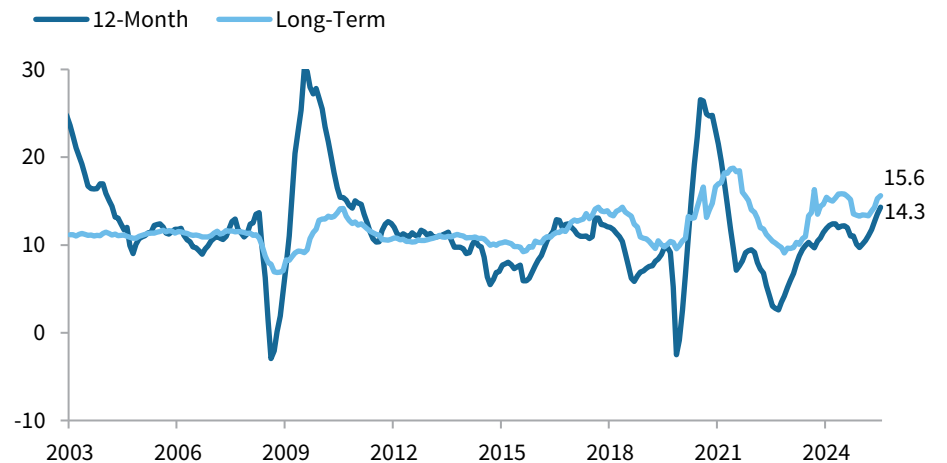
Cyclically adjusted price-to-cash earnings

Dec 31, 1979 – Dec 31, 2025



Corporate earnings growth expectations

Jun 30, 2003 – Dec 31, 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: CAPCE data is based on the MSCI World Index from Dec 31, 1979 - July 31, 2005 and on MSCI All Country World Index thereafter.

US Equities

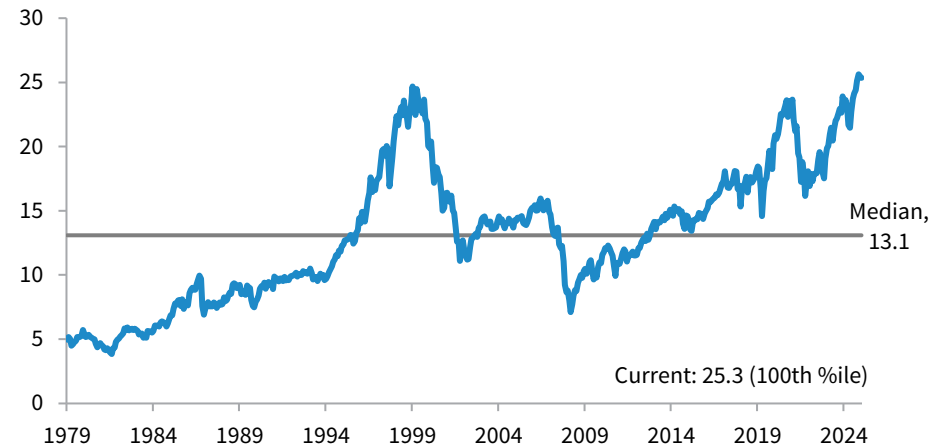
Facts & Figures Fourth Quarter 2025

US equities returned 2.3% in 4Q 2025, trailing DM ex US equities, which returned 5.2%. The moderation in US performance during the quarter was driven by volatility related to the government shutdown, concerns over elevated AI valuations, and signs of a slowing labor market. On a TTM basis, US equities returned 17.3%, underperforming DM ex US equities which returned 31.9%.

- US equities' cyclically adjusted price-to-cash earnings (CAPCE) multiple rose in 4Q to 25.3x, which is at a record high based on historical data from 1979. The relative valuation gap with DM ex US equities, which trade at 12.2x, is also near historic extremes, and this disparity remains pronounced even after adjusting for sector composition differences.
- US real GDP growth accelerated to 4.4% in 3Q 2025, the strongest growth in almost two years, supported by robust consumer spending. Consensus forecasts expect US GDP grew at 2.0% for full-year 2025 and is expected to grow at a similar clip in 2026.
- The initial impact of US tariffs on earnings has been less bad than feared, with US corporates delivering strong earnings results. Amid an easing of tariff uncertainty and still resilient economic data, analysts' expectations have continued to improve. Expectations for 2025 earnings growth have climbed to 14%, and analysts have revised their 2026 earnings up to 15.9%. Over the next three to five years, analysts expect US corporates to deliver robust earnings growth of 17.2%, above the historical trend estimate of 12.1%.
- The Fed cut its benchmark policy rate twice in 4Q, responding primarily to continued softening in the US labor market. Downside risks to employment remain a key risk to US economic growth and corporate earnings growth. US equity market concentration in AI-related names present another risk, particularly given very elevated valuations in this segment.

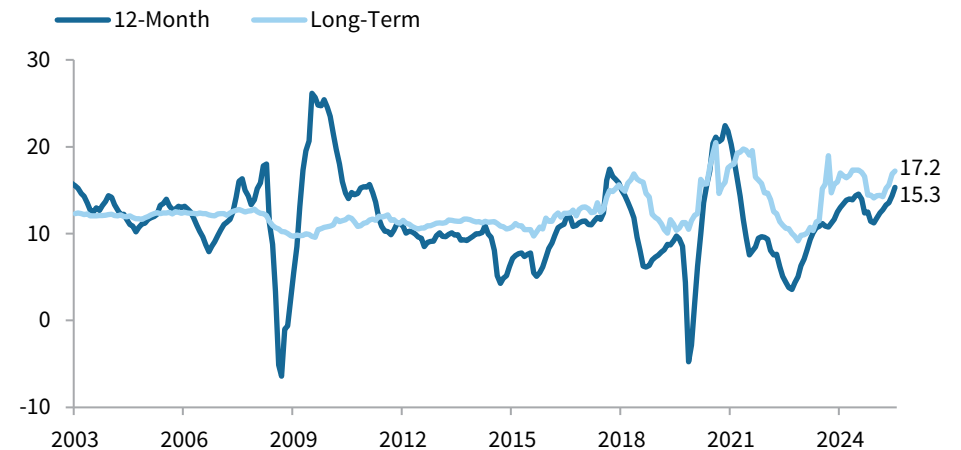
Cyclically adjusted price-to-cash earnings

Dec 31, 1979 – Dec 31, 2025



Corporate earnings growth expectations

Jun 30, 2003 – Dec 31, 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

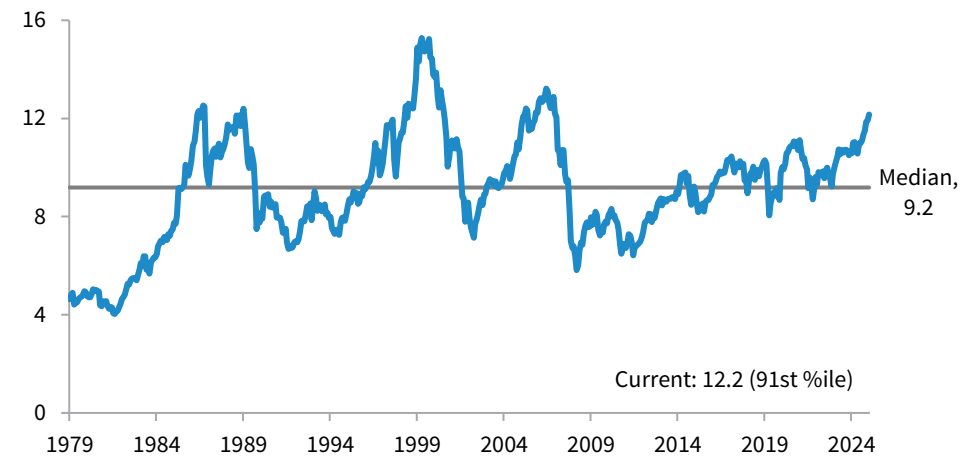
Facts & Figures Fourth Quarter 2025

DM ex US equities returned 5.2% in USD in 4Q 2025, beating the 3.1% return of broader DM. Over the trailing one-year, the bloc has returned 31.9% versus DM's return of 21.1%. Relative performance has recently been supported by sectoral composition, with old-economy sectors recently outperforming as some concerns have emerged around the AI complex, in addition to softness in the US dollar. 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 12.2x cyclically adjusted cash earnings (91st percentile since 1979), 32% above the long-term median of 9.2x. Still, relative valuations remain attractive given that broader DM trades at a 19.8x CAPCE (due to a CAPCE of 25.3x for US equities). This relative valuation is in the 2nd percentile of the historic data and represents a discount of nearly 27% to the median relative valuation of 0.84.
- The DM economy is forecast to grow by 1.7% in 2026, representing an upward revision of 0.1 ppt over the past quarter. A softening of the US tariff backdrop, 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 2026, other economies prospects are also expected to improve. Significant fiscal easing in Germany and 2 pts 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 10.6% over that period compared to 12.1% 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 11.1% in the coming 12 months, compared to expected growth of 13.8% in broad DM. Growth is expected to be driven more by profit margin expansion (from 10.3% to 11.0%) than by sales growth (3.5%), which would put margins above the 3Q 2022 record (10.3%) but still well below US levels (13.4%).

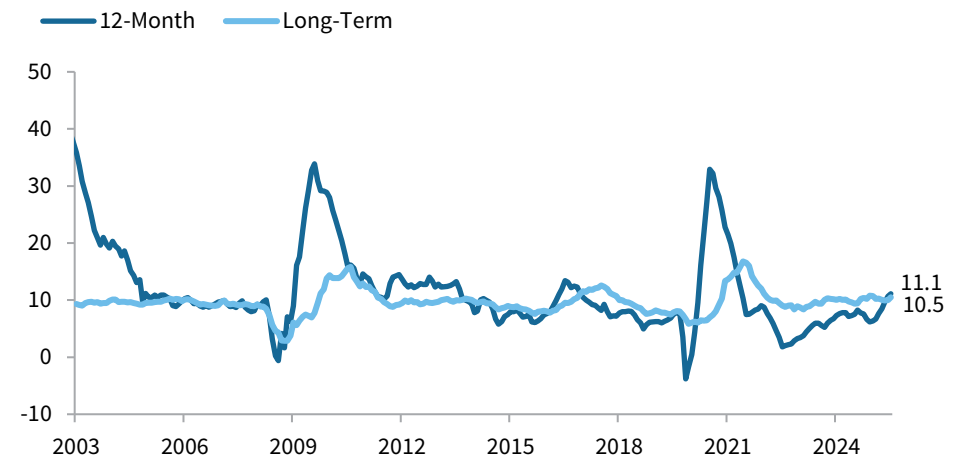
Cyclically adjusted price-to-cash earnings: MSCI World ex US

Dec 31, 1979 – Dec 31, 2025



Corporate earnings growth expectations

Jun 30, 2003 – Dec 31, 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

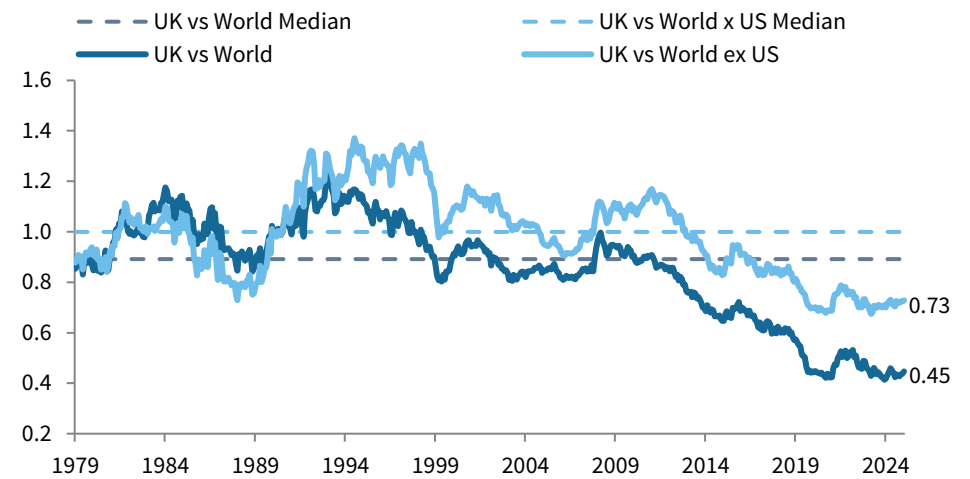
Facts & Figures Fourth Quarter 2025

UK equities returned 7.0% in USD terms in 4Q 2025, outperforming the 3.1% return of broader DM. Over the trailing one year, the bloc has materially outperformed, returning 35.1% versus DM's return of 21.1%. Outperformance has been approximately equally driven by idiosyncratic outperformance on one hand, and the weakening dollar on the other. UK economic growth has slowed versus peers, though this should allow further monetary easing.

- UK valuations remain deeply discounted versus peers. The UK's CAPCE ratio stands at 8.8, up from 8.3 in 3Q, placing it in the 60th percentile of historical observations. However, the ratio of the UK's CAPCE to broad DM is just 0.45 (6th percentile). Adjusting for substantial sectoral differences between the indexes, the relative CAPCE rises to 0.62. However, when weaker earnings growth is also considered—by looking at forward P/Es—the ratio of sector-neutral forward P/Es is 0.77. These figures collectively underscore the persistent valuation gap between UK equities and broader DM.
- While UK GDP growth outstripped peers in 1H25, there has been a marked deceleration more recently. UK GDP is forecast to underperform DM in 2026 (1.1% vs 1.7%). However, there are some positives in the pipeline for the UK. Inflation is slowing allowing the BOE to deliver further rate cuts, while business sentiment should improve with the uncertainty of the budget out of the way.
- Corporate fundamentals in the UK lag their peers. Trailing 12-month EPS contracted by 1.2% over the past 12 months compared to growth of 12.1% for broad DM, due largely to the UK's sectoral tilts. UK EPS are forecast to underperform DM by 3.3 pts over the next 12 months (10.6% vs 13.8%), with growth primarily driven by margin expansion (11.0% to 11.9%) and a more modest contribution from sales growth (2.6%). If fundamentals improved, depressed sentiment could prove supportive for UK risk assets.

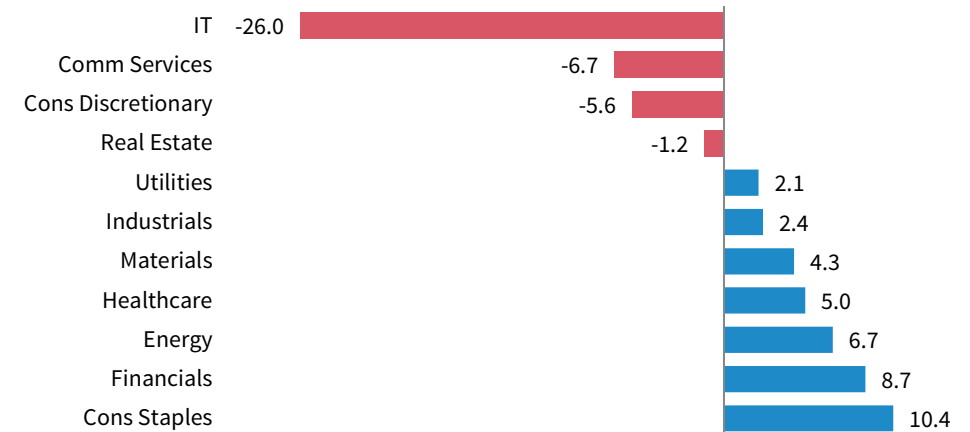
Relative CAPCE: MSCI UK vs World

Dec 31, 1979 – Dec 31, 2025



Relative sector weights: UK minus World

As of Dec 31, 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

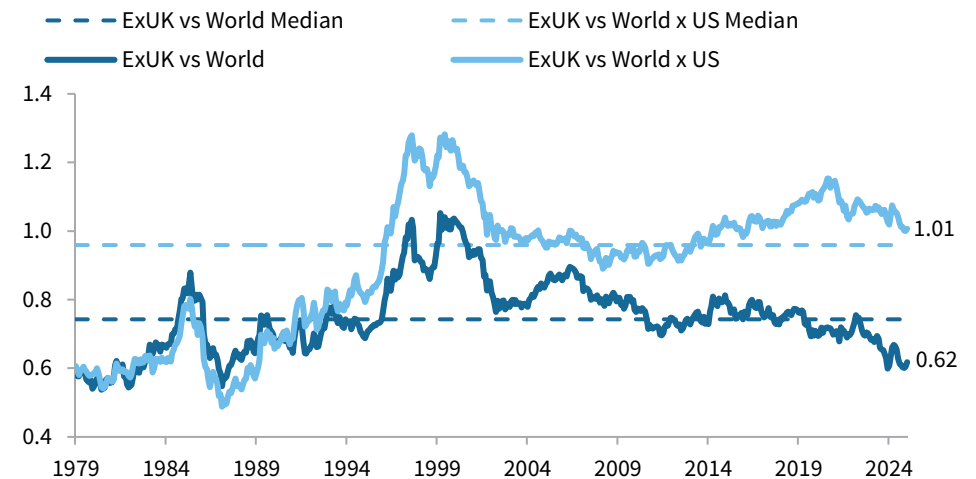
Facts & Figures Fourth Quarter 2025

Europe ex UK equities returned 6.0% in USD terms in 4Q 2025, outperforming broader DM which returned 3.1%. Over the trailing one-year, the bloc has returned 35.5% versus DM's return of 21.1%. Performance was similar in local currency terms, albeit with different drivers, while the weaker dollar drove the USD differential. A lower exposure to the dominant tech and AI-related stocks has been a headwind to relative EPS growth recently.

- In absolute terms, the valuation increased with the CAPCE rising from 11.6 in 3Q to 12.2 in 4Q, which represents the 89th percentile of data going back to 1979. Relative valuation increased a little, with the CAPCE of the region relative to broad DM rising to 0.62, still 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 remained at 1.01, now at the 66th percentile of historical observations and 5.0% above its long-term median of 0.96.
- The economic backdrop has improved modestly, with consensus Eurozone GDP growth for 2026 now standing at 1.2%, up one-tenth on the quarter. This still lags the 1.7% growth expected in DM more broadly, which also rose by a one-tenth. 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 0.84x, 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 13.0% over the next 12 months, behind DM's 13.8%. Sales growth is forecast at 3.8%, with margins rising 90 bps to 10.6%.

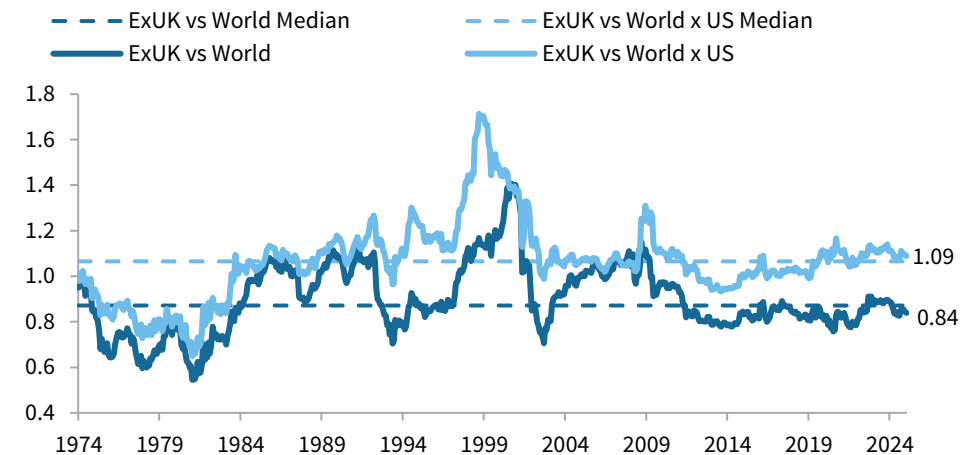
Relative CAPCE: MSCI Europe ex UK vs World and World ex US

Dec 31, 1979 – Dec 31, 2025



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

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



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

Japanese Equities

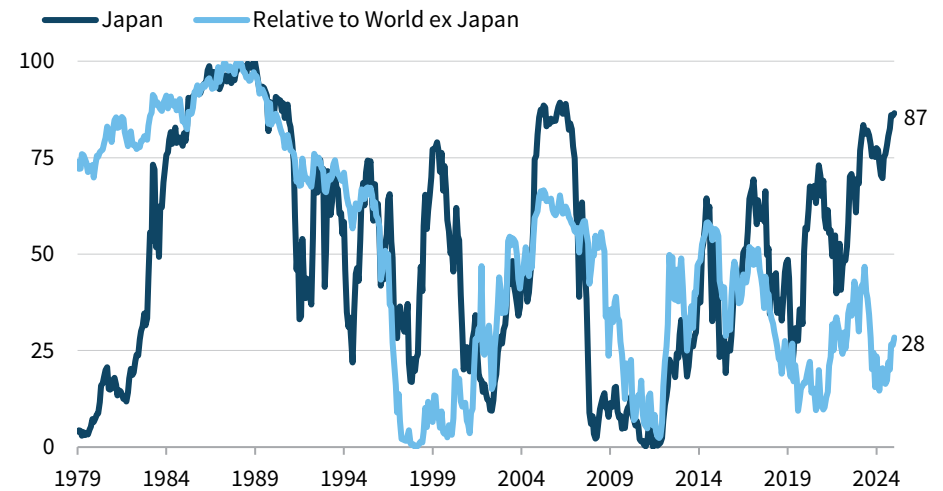
Facts & Figures Fourth Quarter 2025

Japanese equities returned 3.2% in 4Q 2025 in USD terms, modestly outperforming DM equities, which returned 3.1%. Yen-based investors, insulated from currency depreciation, earned even higher returns. For the full year, Japanese equities delivered a 24.6% return in USD, surpassing developed peers.

- Japanese equity valuations rose in 4Q and remain elevated. As of December 31, the cyclically adjusted cash earnings ratio stands at 13.8x, ranking in the 87th percentile of historical observations since 1979. However, compared to other developed markets, Japanese equities trade at a lower valuation, in the 28th percentile historically.
- The macro backdrop is supportive. Real GDP growth has been modest, but the upcoming general election could cement Prime Minister Takaichi's position and allow her to roll out more fiscal stimulus.
- More importantly, deflation is firmly in the rearview mirror and recent inflationary pressures have been welcomed by companies seeking to raise prices and earnings. The Bank of Japan's December rate hike to 0.75% raises few concerns around corporate debt affordability.
- Earnings estimates for 2025 and 2026 have risen sharply in recent months to 7.1% and 9.0%, respectively. Uncertainty around the impact of US tariffs has faded. Currency volatility remains a consideration, with yen weakness more than halving USD returns over the past five years. Still, narrowing rate differentials given Fed cuts should support the yen's valuation.
- The ROE on Japanese equities currently stands at 10.1%, 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, though it remains below that of DM peers.

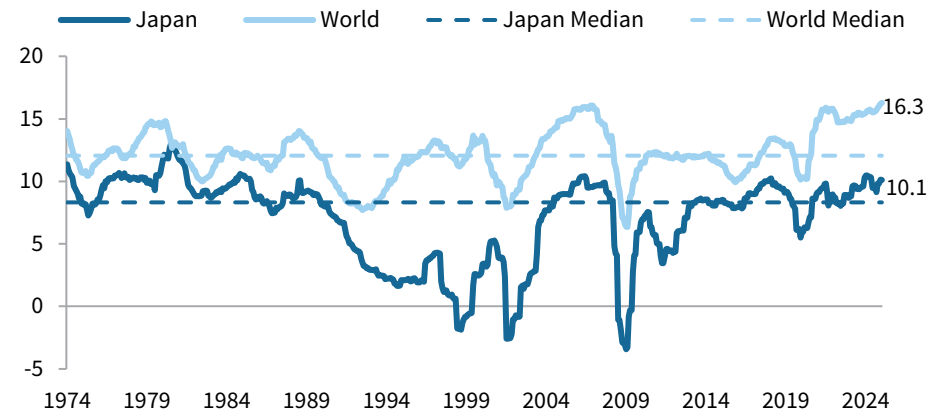
Cyclically adjusted price-to-cash earnings

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



ROE: MSCI Japan vs World

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



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

Emerging Markets Equities

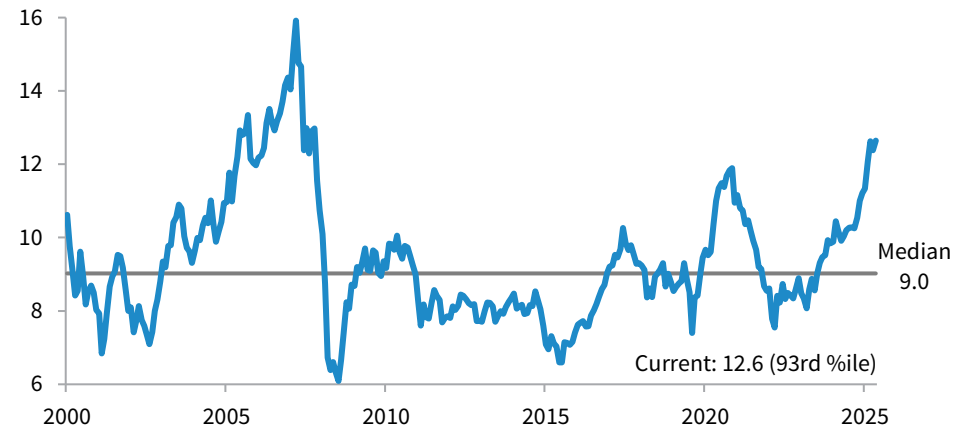
Facts & Figures Fourth Quarter 2025

EM equities gained 4.7% in USD terms in 4Q and 33.6% 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 (55.7%) was largely spared from the brunt of US tariffs and benefits from cheap currency and equity valuations. Tech-heavy EM Asia (32.1%) has been bolstered by AI updates and a Chinese equity rally. EMEA (31.8%) has been led by the European bloc given prospects for increased defense and infrastructure spending. EM topped DM by 1.6 ppts in 3Q and 12.5 ppts YTD.

- EM valuations are elevated, driven by larger Asian countries such as Taiwan, India, and Korea. Valuations for Latin America appear relatively cheap, particularly Brazil and Mexico. EM trades at a 32% discount to DM, although this has narrowed in recent quarters.
- Consensus expectations call for stable EM GDP growth of 4.2% in both 2025 and 2026. While tariff front-running supported growth in 2025, 2026 faces headwinds from slowing growth in China and India, as well as any pull back in global exports. This would disproportionately impact the export-heavy Asia region. However, policymakers retain ample room to stimulate in EM, particularly if the Fed resumes rate cuts.
- Analysts expect EPS growth of 12.7% in 2025 and 17.9% in 2026. Like the economic outlook, EPS growth faces downside risk if global growth slows, especially given lofty expectations for Asia EPS growth in 2026 (20.4%) driven by AI-related exports. EM EPS growth averaged 2.3% per year over the past 20 years.
- Despite recent outperformance, EM still lags DM by 4.8 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 and 2026, namely a sharp weakening of the US dollar and mounting headwinds to DM growth.

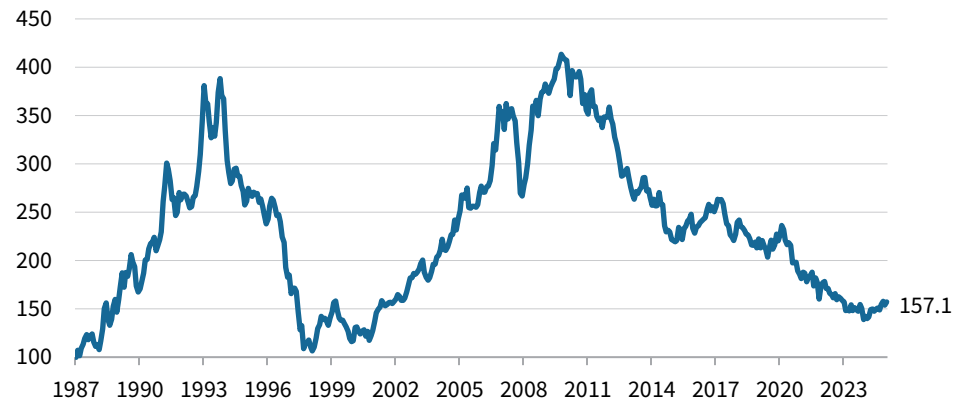
Cyclically adjusted price-to-cash earnings: MSCI EM

Aug 31, 2000 – Dec 31, 2025



EM/DM equity relative cumulative wealth

Dec 31, 1987 – Dec 31, 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

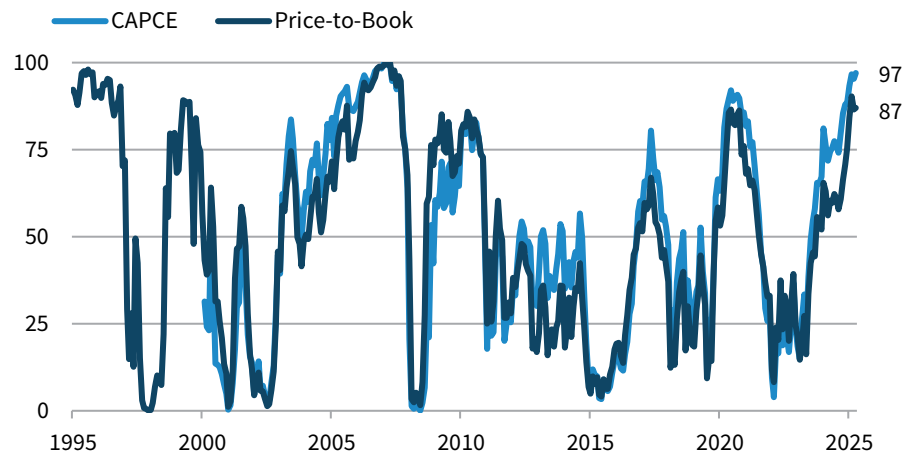
Facts & Figures Fourth Quarter 2025

Asia ex Japan equities returned 4.3% in 4Q 2025 in USD terms, outperforming global equities by 90 bps. Performance in 4Q was driven by continued gains in tech-heavy Taiwan and South Korea stocks, which benefited from continued AI-related optimism. On a TTM basis, Asia ex Japan equities returned 33.0%, outperforming global equities which returned 22.9%.

- Asia ex Japan valuations continued to rise in 4Q and are elevated relative to history. As of December 31, the index's ROE-adjusted P/E ratio is the 87th percentile of historical observations. The cyclically adjusted price-to-cash earnings (CAPCE) ratio, which excludes banks and insurance companies, is higher at the 97th percentile. Relative to DM equities, however, the MSCI AC Asia ex Japan Index trades lower at the 38th percentile of historical observations.
- Absolute valuations are mixed across countries and are elevated in Taiwan, Singapore, Korea, and India, but low to fairly valued elsewhere. Semiconductor and AI-related stocks in Taiwan and Korea are having a large impact on valuations at the overall index level.
- Asia ex Japan real GDP is forecasted to slow from 5.1% in 3Q to 4.6% in 4Q and grow 4.7% for all of 2026 as economic momentum cools in key markets, such as China and India.
- Analysts' expectations of forward 12-month EPS growth for Asia ex Japan were revised higher over 4Q to 18.7% as of December 31, compared to estimates for global peers at 14.3% driven by increases in Taiwan and Korea on the back of continued demand for AI-related hardware. However, given the export-oriented and cyclically sensitive nature of most Asia ex Japan markets, a key risk is slowing global growth and demand for AI hardware.

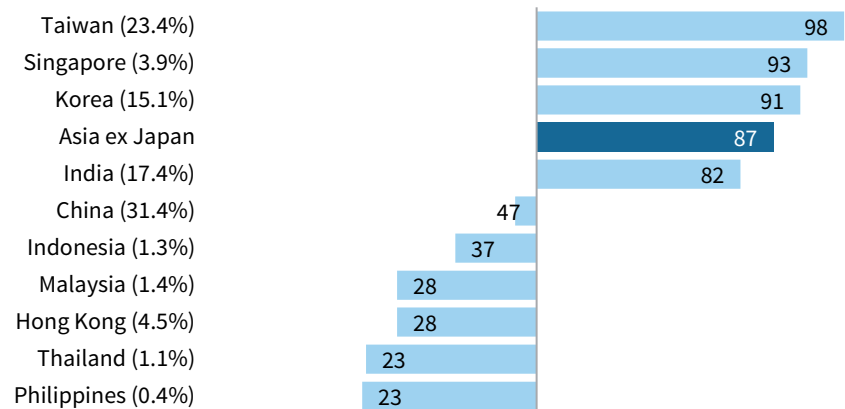
MSCI All Country Asia ex Japan Valuations

Sep 30, 1995 – Dec 31, 2025 • Percentile (%)



Country P/B Percentile: MSCI AC Asia ex Japan

As of Dec 31, 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. Totals may not sum to 100% due to rounding.

Chinese Equities

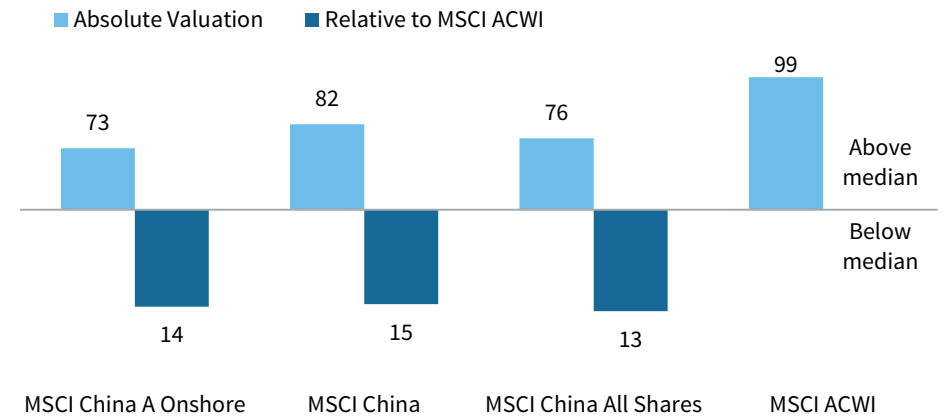
Facts & Figures Fourth Quarter 2025

Chinese equities returned -4.2% in 4Q, as markets sold off following the strong run-up ahead of the easing of US-China tensions in October. On a TTM basis, Chinese equities returned 29.2%. Offshore Chinese equities (31.4%) outperformed onshore A-shares (25.9%) over this period, supported by a rally in Chinese technology stocks.

- As of December 31, the composite P/E ratio for the MSCI China All Shares Index was at the 76th 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 slowed to 4.4% YOY in 4Q 2025. Growth in 2025 was boosted by strong exports ahead of anticipated US tariffs, which helped to offset sluggish consumption and a still weak real estate market. Policy makers are expected to set a growth target of 4.5%–5.0% for 2026 and refrain from additional stimulus, highlighting that officials are comfortable with the current state of the economy.
- 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 52% Hong Kong-listed equities, 3% US-listed equities, and 45% 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.

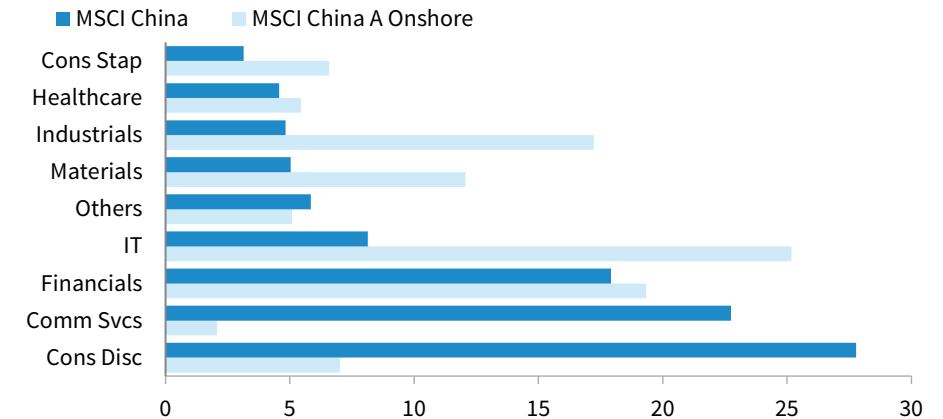
Composite P/E: Percentile

Feb 28, 2010 – Dec 31, 2025



Sector weights

As of Dec 31, 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.

Global Small-Cap Equities

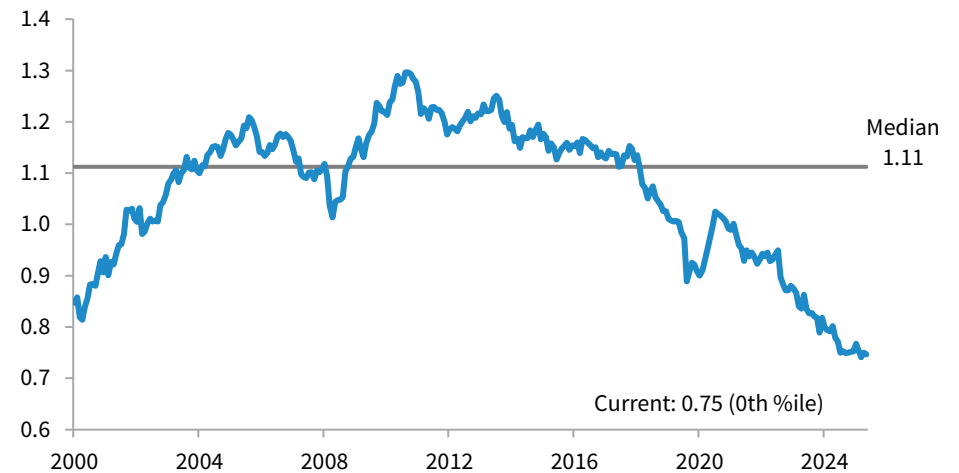
Facts & Figures Fourth Quarter 2025

Global small-cap equities returned 2.7% in 4Q, lagging their mid- to large-cap peers by 0.6 ppts, and trailed by 2.6 ppts over 12 months, as mega-cap tech stocks dominated equity market performance. Small caps remain deeply discounted on a normalized P/CE basis relative to their mid- to large-cap counterparts, with sector underweights in tech and overweights in cyclicals shaping performance.

- US small caps gained 2.4%, slightly outpacing their larger counterparts by 6 bps in 4Q, but lagged by almost 6 ppts in CY 2025. The rally in large-cap tech drove this differential. Indeed, an equal-weighted basket of the Magnificent 7 stocks, which make up one-third of the mid- to large-cap MSCI US Index, returned 24.8% in 2025.
- Developed ex US small-cap equities returned 3.5% for 4Q and underperformed mid-/large caps by 1.7 ppts. However, in CY 2025, they outperformed by 2.2 ppts. Performance was driven largely by the strength of the materials and industrials sectors, which were influenced by the Trump Administration's 2025 tariff policies; heightened trade tensions led countries to prioritize domestic supply chains, benefiting some locally focused small-cap companies even as others faced increased input costs.
- Emerging markets small caps rose 1.6% in 4Q, lagging larger caps by 3.1% and extended their relative underperformance for CY 2025 to 15 ppts. The EM SC index has a large exposure to India, which was the worst-performing major country in the index for the year. Moreover, South Korean mid- to large-caps, gained nearly 100% for the year, besting their smaller counterparts by almost 40 ppts.
- Small-caps are regarded as less efficient than the larger-cap space due to lower analyst coverage, limited institutional ownership, and greater return dispersion, particularly outside the US. These inefficiencies create opportunities for skilled active managers to generate alpha, but success requires expertise to navigate higher volatility, liquidity constraints, and elevated transaction costs.

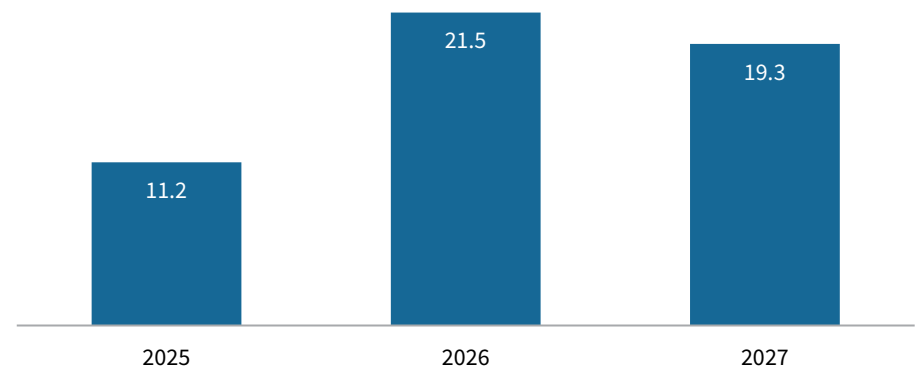
5-yr CAPCE: MSCI ACWI SC vs MSCI ACWI LC/MC

Aug 31, 2000 – Dec 31, 2025



Consensus earnings growth estimates

As of Dec 31, 2025 • Percentage points



Sources: MSCI Inc., Bloomberg L.P., 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.

Global Growth and Value Equities

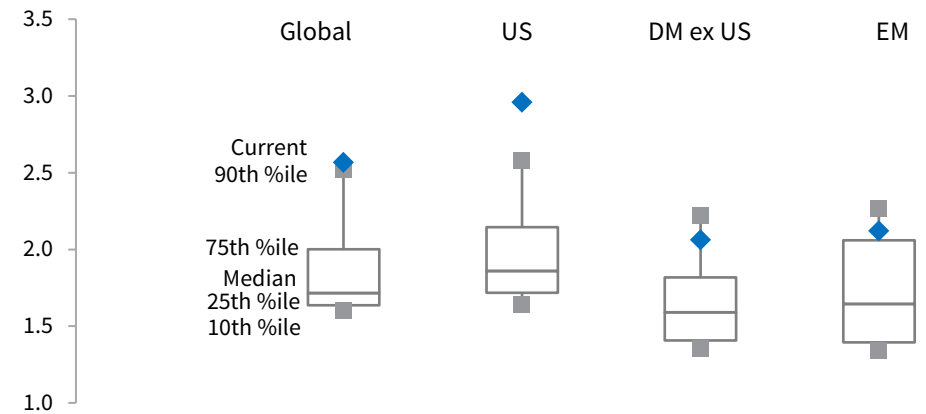
Facts & Figures Fourth Quarter 2025

Global growth stocks gained 2.8% in 4Q (USD terms), lagging the 3.7% increase for value stocks. For 2025, performance was roughly similar, with growth and value returning 22.4% and 22.0%, respectively. In 4Q, concerns about the scale of infrastructure investment required to support future AI development tempered enthusiasm for growth equities, while resilient economic activity and multiple expansion drove value stocks higher.

- Since the COVID pandemic, growth equities have traded at a significantly higher valuation than value equities. Currently, global growth equities command a 2.6x premium to value, a level that exceeds 92% of historical observations. This elevated valuation gap is primarily concentrated in the US, while relative valuations outside the US appear less pronounced.
- Global value equities outperformed growth in 4Q, driven by resilient economic activity, improved earnings visibility, and multiple expansion. In contrast, growth stocks faced valuation headwinds and more selective investor sentiment, as concerns over the significant infrastructure investment required for future AI development dampened investor enthusiasm after a period of outperformance.
- Corporate fundamentals remain strong for growth, which has traditionally generated higher ROE than value. The current wide ROE difference is driven by sector exposures, especially tech and financials, and helps explain the valuation gap between growth and value indexes.
- Global growth equities exhibit greater sector concentration than value equities, with roughly two-thirds of the growth index allocated to tech (IT and communication services) and consumer discretionary. In contrast, the value index is more evenly distributed. This concentration has benefited growth equities in recent years, as large-cap tech stocks have driven equity markets higher. However, such concentration could become a headwind if momentum in the tech sector wanes.

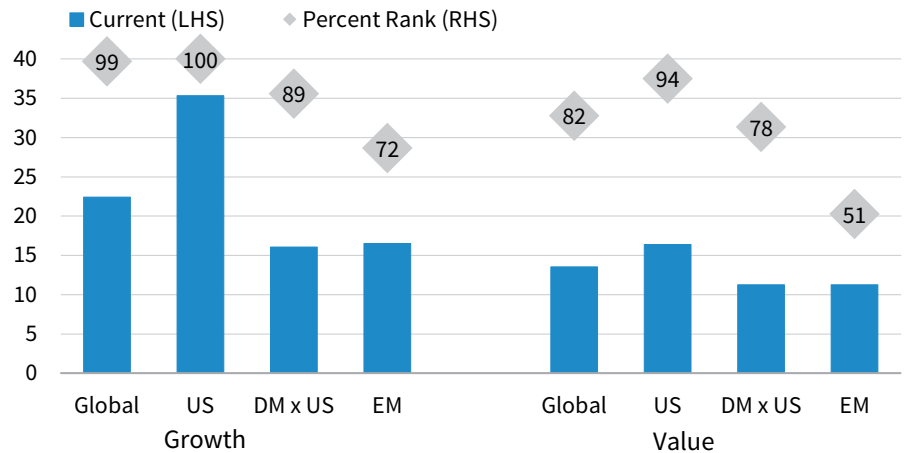
Relative CAPCE for select regions: Growth vs Value

As of Dec 31, 2025



ROE and percentiles for select regions: Growth & Value

As of Dec 31, 2025



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.

Hedge Funds

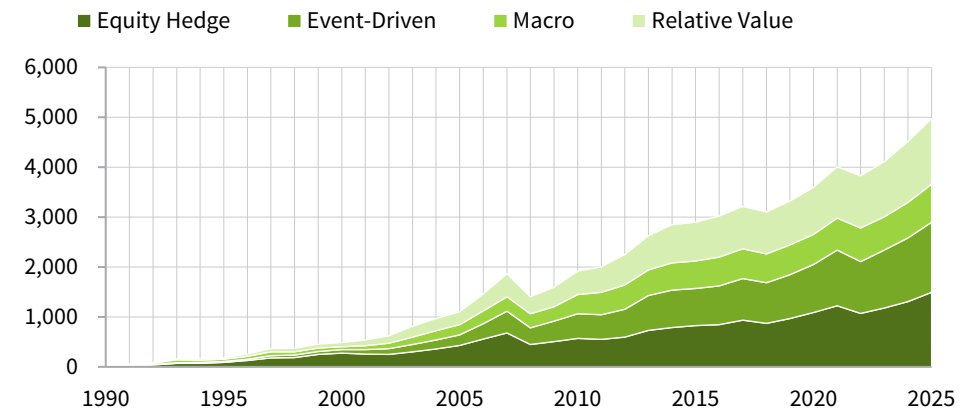
Facts & Figures Fourth Quarter 2025

Major hedge fund strategies generated positive returns in 4Q, capping a year of solid performance in line with strong returns for risk assets globally.

- Relative value (RV) hedge funds, as measured by the HFRI Relative Value (Total) Index, gained 1.5% in 4Q (+7.6% YTD). Evolving interest rate expectations created episodic opportunities across rates and credit, while broadly compressed spreads constrained return potential. Global macro funds had a strong quarter, with the HFRI Macro (Total) returning 3.6% (7.1% YTD), reflecting opportunities across FX, commodities, and volatility linked to geopolitical turbulence. Quantitative strategies performed well in 4Q, as the HFRI Systematic Diversified Index returned 5.0%; however, the index declined by 0.6% for the full year, reflecting weak performance in 1H 2025.
- Long/short equity strategies gained 3.0% in 4Q, based on the HFRI Equity Hedge (Total) Index, wrapping up a strong year in which the index returned 17%, matching the return of broader US equities. The HFRI Equity Market Neutral Index gained 2.7% in 4Q (11.2% YTD). Exposure to the AI theme continued to be a major driver of results, and both strategies benefited from increased equity market dispersion.
- The HFRI Event-Driven (Total) Index returned 2.1% in 4Q, bringing YTD gains to 10.9%. Managers are increasingly optimistic, highlighting a surge in compelling merger arbitrage opportunities, a revival in global M&A activity, and the emergence of more bespoke capital solutions for complex transactions. Elevated dispersion is providing a richer environment for differentiated returns, but managers remain mindful that overall deal volumes are still below long-term averages and that elevated equity valuations and tight credit spreads continue to pose challenges.

HFRI historical asset growth breakout

1990–2025 (Sep) • US\$B



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

As of Dec 31, 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

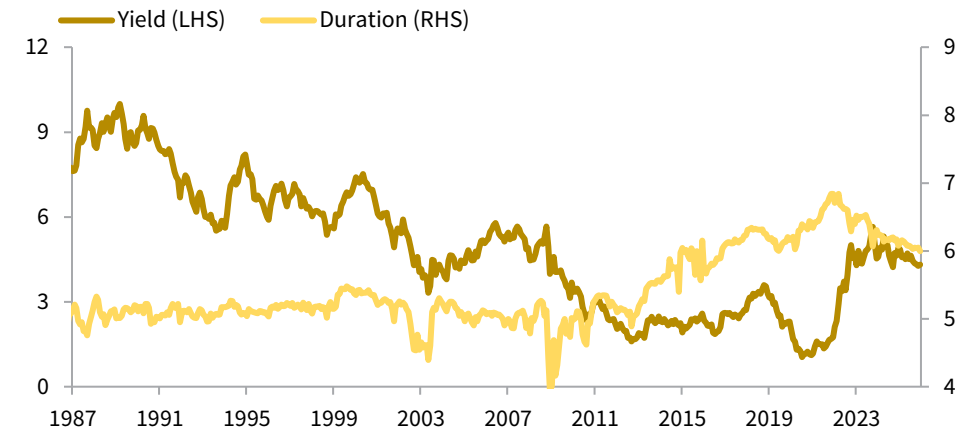
Facts & Figures Fourth Quarter 2025

Core US bonds returned 1.1% in 4Q and 7.3% in calendar year 2025, aided by falling yields and tighter credit spreads. The resumption of Fed easing and healthy economic environment and credit fundamentals supported returns, particularly for MBS (8.6%), which matched high-yield returns in 2025.

- Valuations for the Bloomberg US Aggregate Index appear stretched. The index yield stands at 4.3%—still high versus the prior cycle, but down about 135 bps from its recent peak and now slightly below its post-1990 median.
- Spreads have compressed sharply. The index OAS is just 27 bps, its lowest level since the late 1990s. Spreads are tight across major sectors: both corporate credit and agency MBS—each comprising roughly 25% of the index—are in their bottom quintile.
- Tight spreads are supported by easier monetary policy and a resilient macro backdrop, both expected to persist into 2026. Forecasts call for 2.0% US real GDP growth in 2026, with the Fed projected to cut rates by another 69 bps after a 75-bp reduction in 2025.
- In addition, credit fundamentals remain strong. US IG corporates continue to show healthy balance sheets and low leverage, and over 70% of the index is rated AA or higher—much of it direct or indirect US government obligations—offering downside protection if growth slows.
- The Fed's trajectory is uncertain amid two-way risks. Labor market data is softening, but growth and inflation are supported by AI-driven investment and resilient consumer spending, while tariff effects are still unclear. Credit spreads are expensive and offer little cushion if growth weakens.
- The six-year duration of the Bloomberg US Aggregate Index has come down but remains elevated, which leaves it vulnerable if large deficits and heavy Treasury issuance push long-term yields higher.

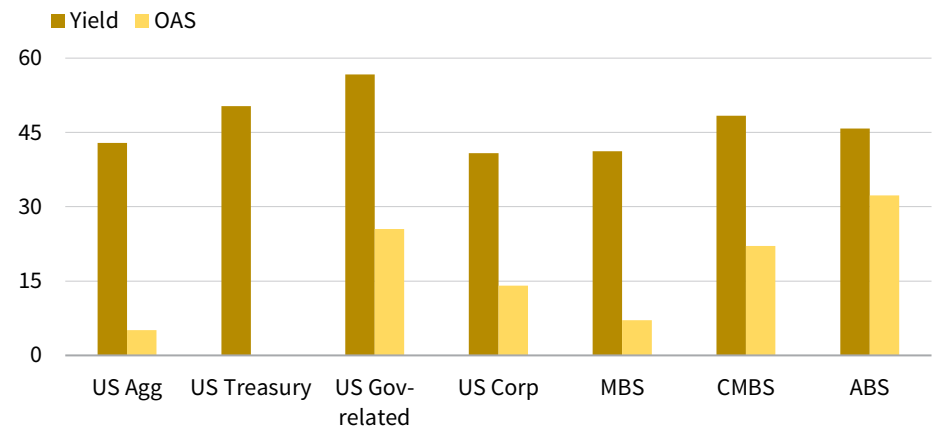
Yield vs duration: BBG US aggregate bond index

Jan 31, 1987 – Dec 31, 2025



Current Percentile: Yield and OAS for selected US bond indexes

Jan 31, 1990 – Dec 31, 2025



Notes: Data are monthly. Asset class values represented by the Bloomberg US Aggregate Index (US Agg), Bloomberg US Treasury Index (US Treasury), Bloomberg U.S. Aggregate: Government-Related Index (US Gov-related), Bloomberg US Corporate Investment Grade Index (US Corp), Bloomberg US MBS Index (MBS), Bloomberg CMBS Investment Grade (CMBS), and Bloomberg US Asset-Backed Securities Index (ABS).

US Treasuries

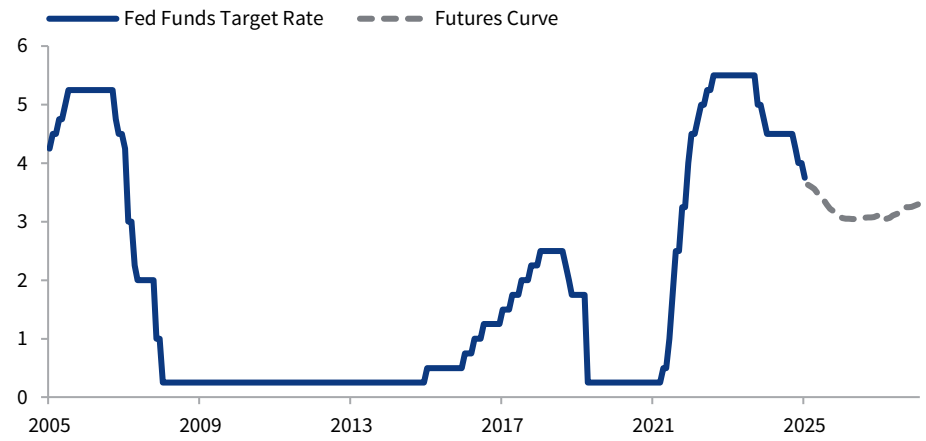
Facts & Figures Fourth Quarter 2025

US Treasuries returned 0.9% in 4Q and delivered a 6.3% return for 2025. Yields declined over the course of the year, supporting performance, as concerns about tariffs, the labor market, and the government shutdown prompted the Fed to resume rate cuts, despite lingering inflation and fiscal risks.

- US Treasury valuations aren't overly compelling, with ten-year yields at 4.2% as of December 31. While they remain well above the 20-year median (2.7%), they are down from 4.6% at the start of 2025 and nearly half a standard deviation below the implied fair value of 4.6%, which has been steadily rising given stronger US nominal GDP growth.
- Yields declined last year amid growing concerns about US economic activity tied to tariffs and a notable softening in the labor market. This environment allowed the Fed to resume rate cuts in the second half of the year, with the target policy rate moving 75 bps lower to 3.75%.
- However, the growth outlook has improved, with economic activity accelerating into year-end, and inflation remains above the Fed's 2% target—annual core CPI rose 2.6% in December. Consensus forecasts project US real GDP growth at 2.0% and headline CPI at 2.8% for 2026. This environment may limit how much further the Fed can cut rates. Roughly three additional 25-bp cuts are expected in 2026.
- As the Fed has cut rates, the yield curve has steepened—the ten-year/two-year spread widened from 33 bps to 71 bps over the past year—and increased the opportunity cost of holding cash.
- Fiscal dynamics have also likely added to upward pressure on the yield curve. The One Big Beautiful Bill will keep the US deficit at 6%–7% of GDP—well above the historical average of 4%—for the foreseeable future, creating supply-demand challenges as more Treasury issuance must be absorbed by more price-sensitive buyers.
- Reflecting these headwinds, the estimated term premium for holding bonds over cash is 0.6%, which is elevated compared to recent years.

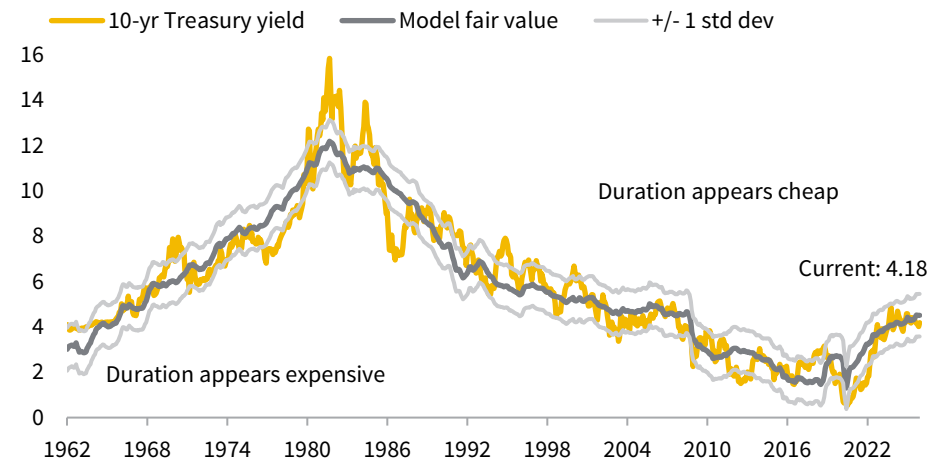
Fed funds target rate and future curve

Dec 31, 2005 – Dec 31, 2028 • Percent (%)



Valuations: 10-yr Treasury

Jan 31, 1962 – Dec 31, 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 November 30, 2025.

US Corporate Bonds

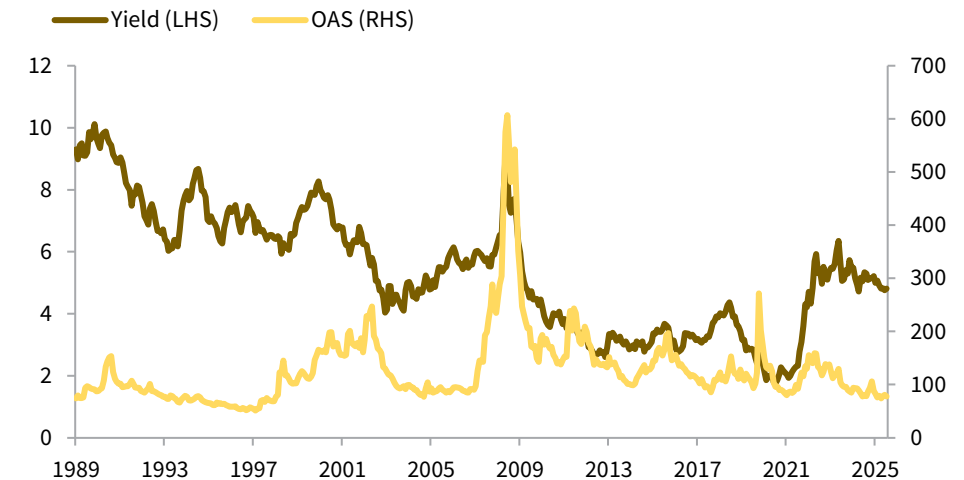
Facts & Figures Fourth Quarter 2025

US investment-grade (IG) corporate bonds returned 0.8% in 4Q and 7.8% in calendar year 2025, driven by declining spreads and lower benchmark yields. Credit fundamentals remain solid and stand to benefit from the healthy macro backdrop and further Fed easing, but tight spreads and rising issuance are headwinds.

- Valuations for IG corporate bonds look stretched, with the current 78-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.
- Conditions should remain supportive in 2026, with US real GDP growth forecast at 2.0% and the Fed expected to cut rates by another 69 bps after a 75-bp reduction in 2025. However, the outlook for intermediate yields is clouded by persistent inflation, rising deficits, and uncertain foreign demand amid a weaker dollar.
- IG corporate fundamentals are solid, offering a buffer if growth slows. Gross leverage has held steady near 2.4x EBITDA, median interest coverage is around 10x, and while annual EBITDA growth has slowed to 5% this year, consensus expects a rebound toward 10% in 2026.
- Issuance is a potential headwind. The credit cycle is accelerating, with an expected surge in high-quality supply—especially from tech/AI capex. Morgan Stanley projects IG net issuance to rise by \$1T in 2026, about 10% of the index's starting level.
- Overall, this points to a slightly less supportive environment for credit spreads than in the previous two years, especially with valuations remaining close to multi-year lows.

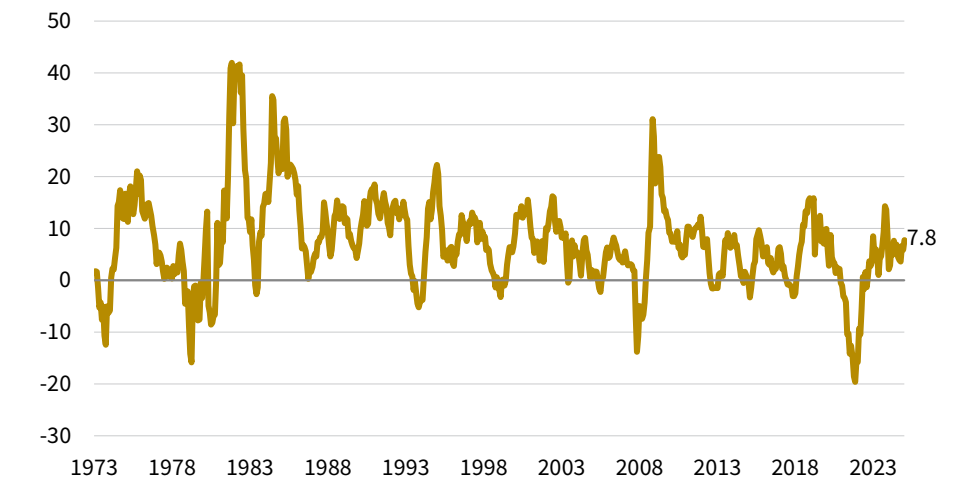
Yield and option-adjusted spread: US investment-grade corporates

Jun 30, 1989 – Dec 31, 2025 • Percent (%)



Trailing 12-month return: US investment-grade corporates

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



Sources: Bloomberg Index Services Limited and Thomson Reuters Datastream.

US Tax-Exempt Bonds

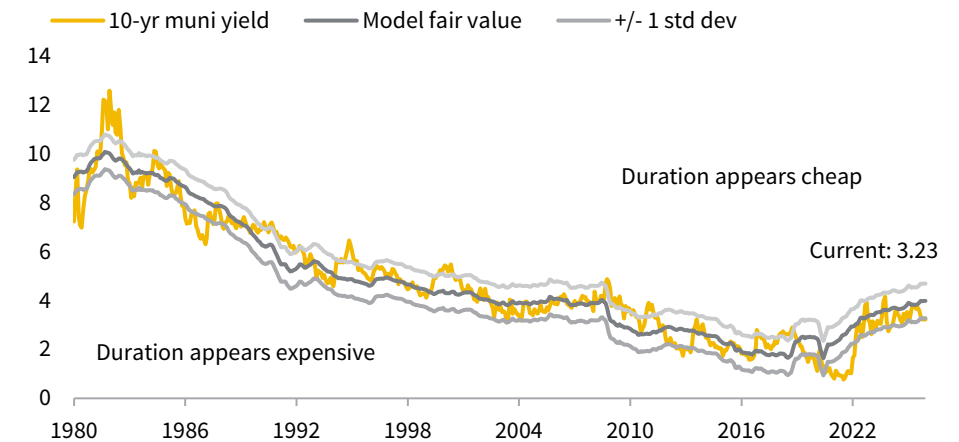
Facts & Figures Fourth Quarter 2025

US tax-exempt municipal bonds (munis) capped off a strong second half of the year by returning 1.6% in 4Q before taxes, but trailed taxable bonds over the full year, returning 4.2%. Several factors buoyed performance late in the year, including attractive valuations and strong demand from retail investors.

- Ten-year munis finished 2025 yielding 3.2%, down from 3.5% at the start of the year. While yields remain above the 20-year median of 2.8%, muni valuations have become less attractive in absolute terms before taking taxes into account. Yields are more than 1 standard deviation below their implied fair value of 4.0% based on trailing ten-year nominal GDP growth adjusted for the average muni/Tsy yield ratio.
- Munis also appear rich versus Treasuries before considering taxes. The muni/Tsy yield ratio has fallen from a high of 0.92 (70th percentile) earlier last year to 0.77 (11th percentile).
- However, neither of these metrics take munis tax advantage into account. For high tax bracket individuals, ten-year munis still offer a significant yield advantage over taxable-equivalents after taxes (+182 bps vs Treasuries and +90 bps vs corporates).
- Recent fiscal policy changes have been a headwind, with the Trump Administration targeting federal support for states and other sectors. Still, the broader municipal credit picture remains in good shape. State and local governments total budget balances and rainy-day fund balances remain elevated, and public pension funding ratios have improved for a third consecutive year.
- The pullback in federal funds is, however, putting upward pressure on issuance, and supply is likely to remain elevated as municipalities seek to fund growing capital needs. Despite these challenges, attractive after-tax yields, sound fundamentals, a healthy macro backdrop should continue to support robust demand. Inflows into mutual funds accelerated in the second half of 2025, nearing \$40B for the full year.

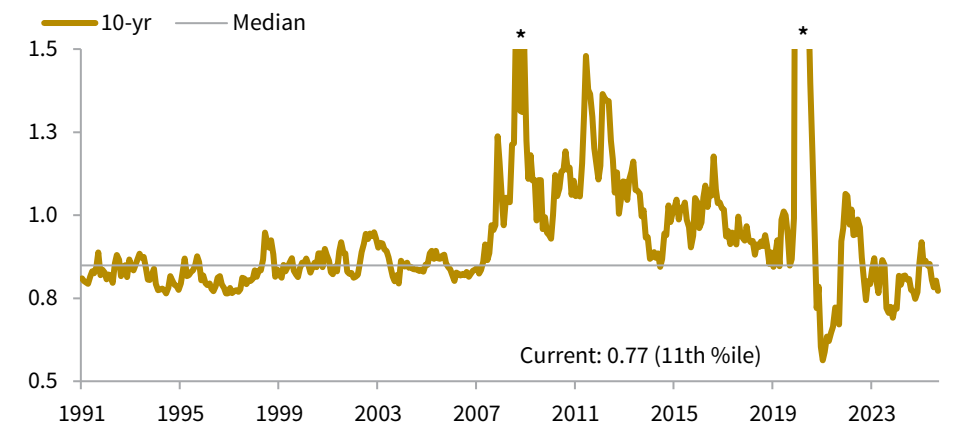
Valuations: 10-yr muni

Jan 31, 1980 – Dec 31, 2025 • Percent (%)



Ratio of 10-yr muni yields to Treasury yields

Apr 30, 1991 – Dec 31, 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 November 30, 2025.

Global Inflation-Linked Bonds

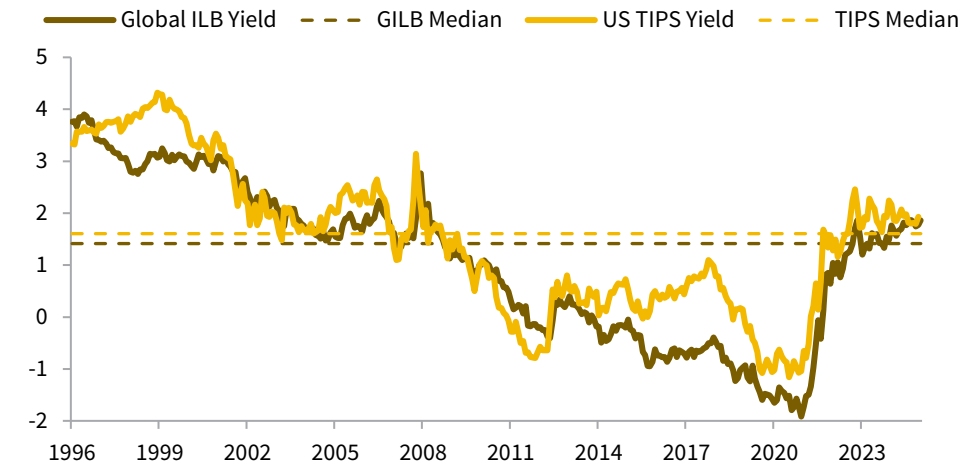
Facts & Figures Fourth Quarter 2025

Global linkers outperformed nominal bonds, returning 0.7% in 4Q and 8.8% in 2025, with global linkers outperforming US TIPS for the year in USD terms but trailing in local currency terms given divergent macro and policy environments across regions.

- Real yields for both the global and US index finished the year at 1.9%, above their respective long-term median of 1.4% and 1.6% and implied fair value of 0.7% and 1.4% based on the trend in real GDP growth.
- While both indexes finished the year offering similar yields, they took divergent paths to get to that point. Real yields in the US declined 31 bps during the year, while real yields in several regions outside the US increased, with yields on the global index rising 9 bps.
- Similarly, while breakeven inflation expectations fell in most markets last year, they were stickier in the US, falling just 9 bps to 2.3%. Breakeven inflation rates remain above central bank targets in most regions.
- These trends were driven by divergent macro and policy conditions across regions. In the US, growth was more moderate, policy rates were lower, and inflation remained persistent. Outside the US, easing inflation, signs of a cyclical upswing in regions like the euro area, and fiscal risks in markets such as the UK contributed to higher real yields and lower inflation expectations.
- Consensus forecasts project these trends to mostly continue in 2026, with tighter real GDP growth between the US and DM ex US, stickier inflation in the US, and the Fed projected to cut policy rates by more than most other major central banks.
- 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.

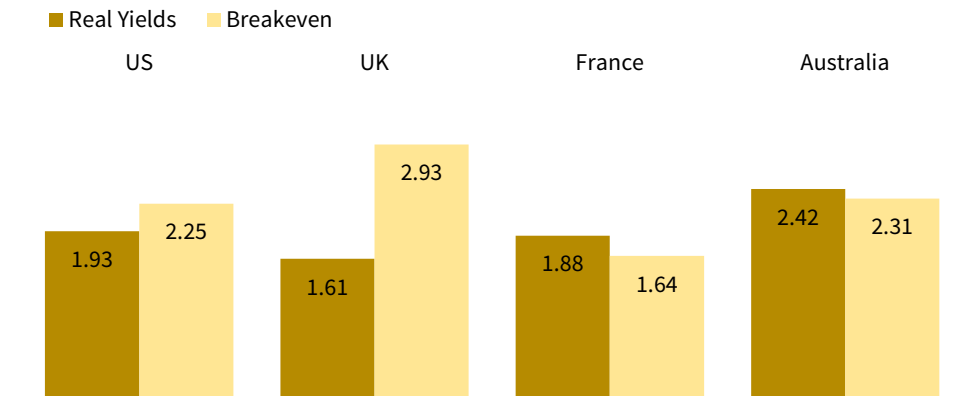
Historical index yield: BBG global linkers

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



10-yr real yields and breakeven inflation

As of Dec 31, 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

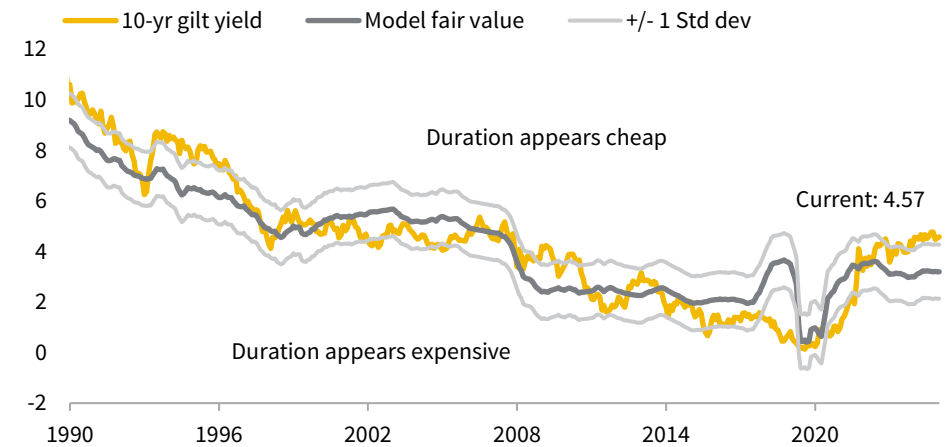
Facts & Figures Fourth Quarter 2025

UK gilts outperformed in 4Q, returning 3.1%, as economic data showed signs of weakening and the government’s budget outcome was viewed favorably by bond markets. The 2025 return was 12.8% in USD terms and 5.0% in local currency terms.

- UK gilt valuations remain cheap among major markets, with ten-year yields at 4.6% as of December 31. For much of 2025, yields were rangebound near their highest levels 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.
- While UK inflation remains elevated—core CPI was 3.2% in November—there are signs that a disinflationary process has begun. The economy unexpectedly contracted in October (-0.1% MoM), and consensus forecasts project UK real GDP growth at 1.5% for 2025, below the 1.7% expected across DMs. The unemployment rate has risen over 2025 to 5.1% (up from 4.4% at the start of the year), further indicating a cooling economy, while headline CPI is expected to fall to 2.4% over 2026.
- This environment has allowed the BOE to cut interest rates further in 4Q, with the policy rate moving 150bps lower to 3.75% since cuts began in 2024. Two additional 25-bp cuts are expected in 2026.
- The yield curve has steepened, reflecting increased expectations of BOE rate cuts—the ten-year/two-year gilt spread widened from 37 bps to 94 bps over 2025. Supply/demand fundamentals have also contributed to curve steepening and weighed on price momentum further out the yield curve.
- Fiscal dynamics remain a prominent theme in the market, with gilt issuance likely to stay elevated due to large public debt and deficits. The government’s Autumn Budget in November provided some reassurance to the market, helping yields move lower on the quarter, with a focus on building buffers against self-imposed deficit limits and a concerted effort to adjust issuance towards shorter maturities.

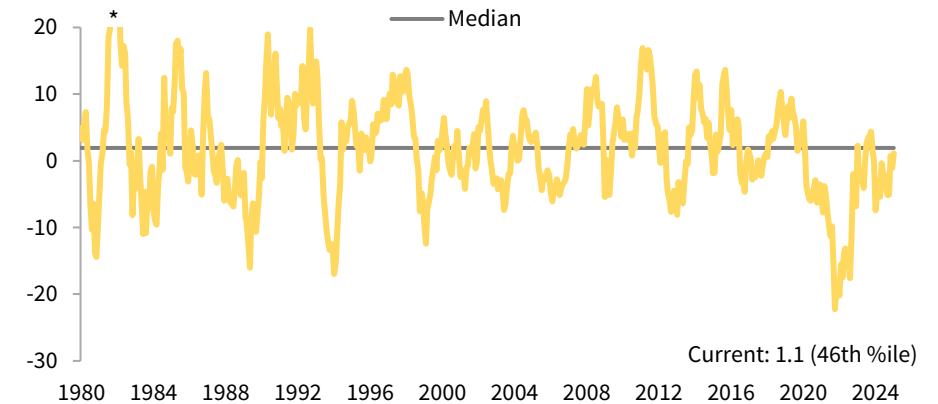
Valuations: 10-yr gilts

Jan 31, 1979 – Dec 31, 2025 • Percent (%)



12-month price momentum: 10-yr gilts

Dec 31, 1980 – Dec 31, 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 November 30, 2025.

Euro Area Sovereign Bonds

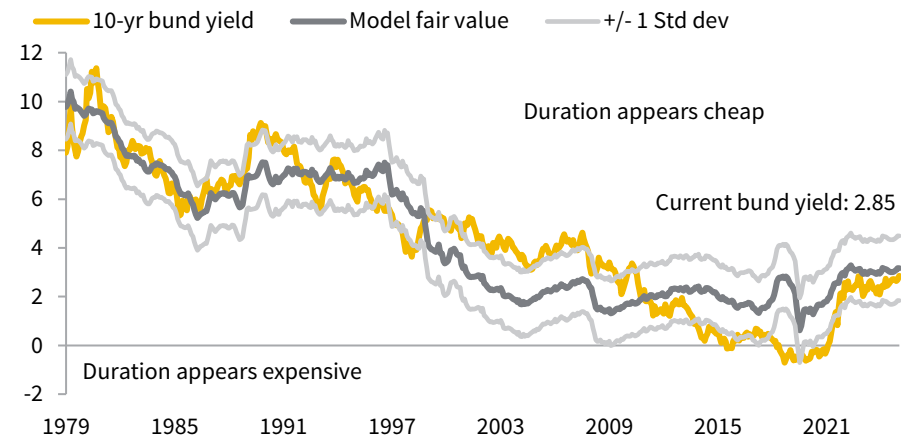
Facts & Figures Fourth Quarter 2025

Euro area sovereign bonds (German Bunds) returned -0.4% in 4Q and -1.3% over 2025 in local currency terms. A stronger euro has aided outperformance in USD terms (12.0% for 2025 versus 6.2% for US Treasuries). Euro area bonds lagged US bonds due to focus on fiscal stimulus and improved growth sentiment.

- Valuations appear fair, with ten-year bunds yielding 2.9% as of December 31 (up from 2.4% at year-end 2024). Yields are above the 20-year median of 1.7%, but slightly below the implied fair value of 3.2% based on nominal GDP growth.
- Euro area economic activity picked up in 2025, supported by a recovery in manufacturing and services activity data, while inflation has normalized. US tariffs continue to present a headwind given the euro area's trade exposure and China's redirected trade exports.
- A strong rebound in periphery economies (Spain, Portugal, Greece) have driven the 2025 growth picture, while planned fiscal stimulus in Germany and across the euro area—targeting infrastructure, defense, and relaxed fiscal constraints—has bolstered 2026 growth prospects and contributed to curve steepening due to anticipated bond issuance.
- Consensus forecasts project 2025 real GDP growth at 1.4%, above the 1.0% expected at the start of 2025, while the 2026 figure is forecast at 1.2%.
- Markets view it as unlikely that the ECB will move to change policy in the coming year, especially with inflation projected close to the 2% target (2.1% for 2025 and 1.8% forecast for 2026).
- The yield curve has steepened with ECB cuts—the ten-year/two-year bund spread widened from 27 bps to 74 bps over the past year.
- France's debt dynamics remain challenging. Without a fresh house or presidential election, accompanied by agreement for fiscal restraint, the budget deficit will remain a concern for markets. The OATs-bunds yield spread was 70 bps as of December 31, well above the 20-year median of 37 bps and marginally above its Italy-German equivalent (65 bps).

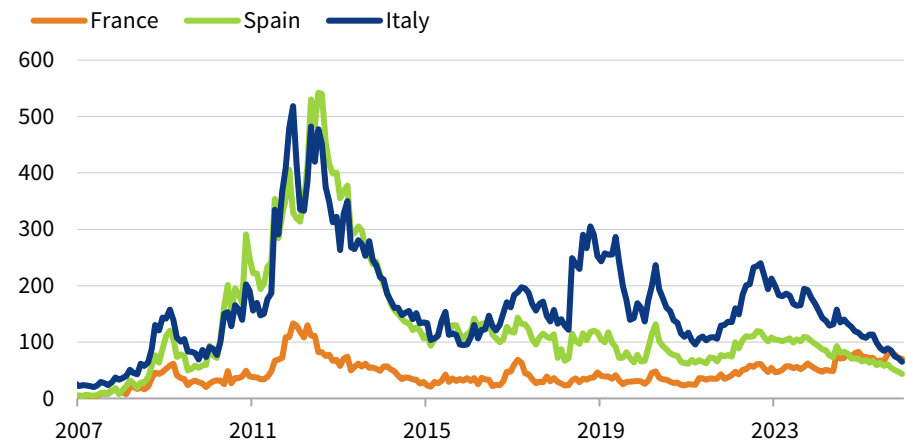
Valuations: 10-yr bunds

Dec 31, 1979 – Dec 31, 2025 • Percent (%)



Historical 10-yr spreads over bund yields

Jan 31, 2007 – Dec 31, 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.

European Corporate Bonds

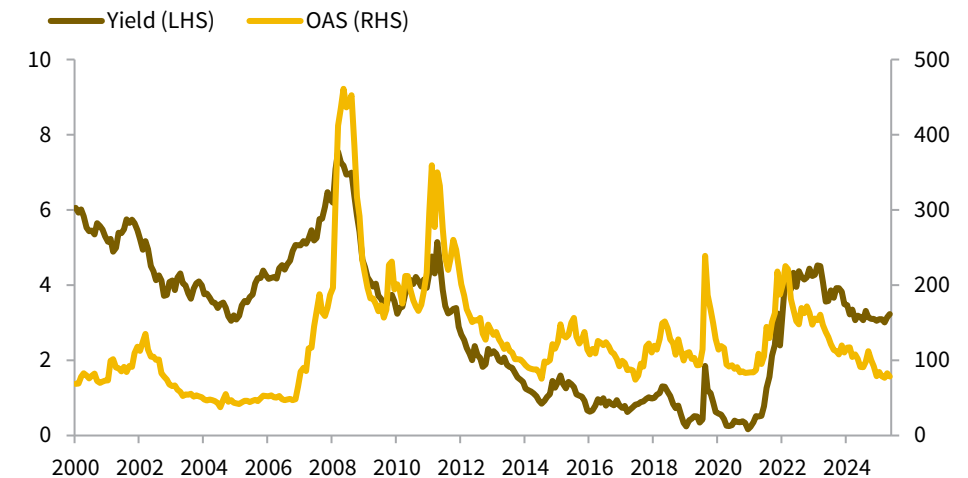
Facts & Figures Fourth Quarter 2025

The Bloomberg Euro-Aggregate Corporate Index returned 0.2% in 4Q, as rising bund yields offset carry and spread compression benefits over the quarter. The index returned 3.0% over 2025 in euro terms and 16.8% in USD terms. Valuations remain full, but stable fundamentals in mainland Europe and supportive monetary policy have aided returns.

- The Bloomberg Euro-Aggregate Corporate Index OAS fell to 78 bps—the lowest level since 2018 and near the historical bottom quintile. The yield, however, has increased slightly since start-2025 (to 3.23%) and remains attractive relative to longer-term averages.
- The macro backdrop is supportive: Eurozone economic growth has recovered and expected 2025 GDP growth of 1.4% should be in line with developed peers. Inflation has dropped to around 2%, enabling the ECB to lead major central banks by cutting rates 200 bps since 2024. This environment, along with reduced policy uncertainty, has allowed companies to refinance at lower rates.
- Valuations are similarly expensive in the sterling IG market (with OAS declining in 4Q to 83 bps), although the macro backdrop is more mixed. Economic growth data released in 4Q slowed more than expected; however, this has increased expectations of BOE rate cuts and has aided a decline in yield.
- Technicals have been supportive in 2025: record combined net issuance across euro IG, sterling IG, and euro HY (€212B, £17B, and €36B, respectively) has been accompanied by declining spreads, suggesting the increased supply has been well absorbed.
- Fundamentals are stable, with net leverage for euro IG issuers at 2.7x at 3Q-end (toward the middle of the recent range) and earnings growth of 1.1% QOQ. While the euro HY default rate (3.2%) has remained above historic averages through 2025—mainly due to well-telegraphed struggles at some large issuers—there are signs it has stabilized.

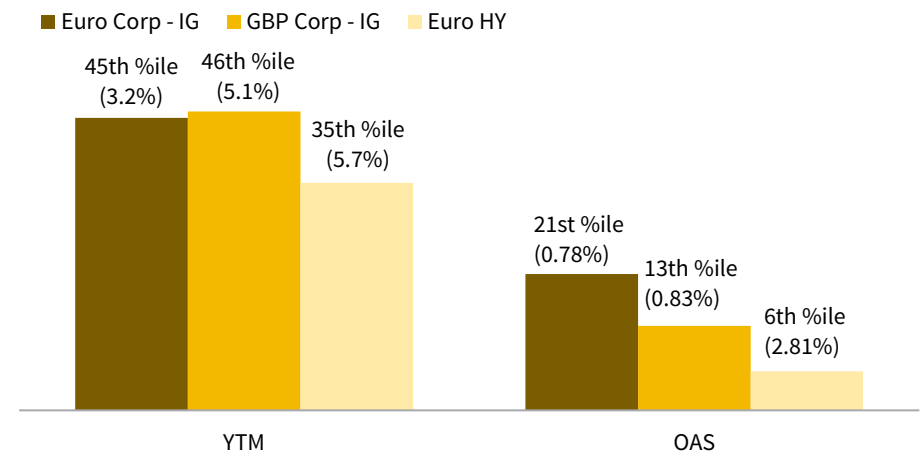
Yield and option-adjusted spread: European corporates

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



Percentile Rank: European Corporates

Aug 31, 2000 – Dec 31, 2025



Source: Bloomberg Index Services Limited.

Structured Finance

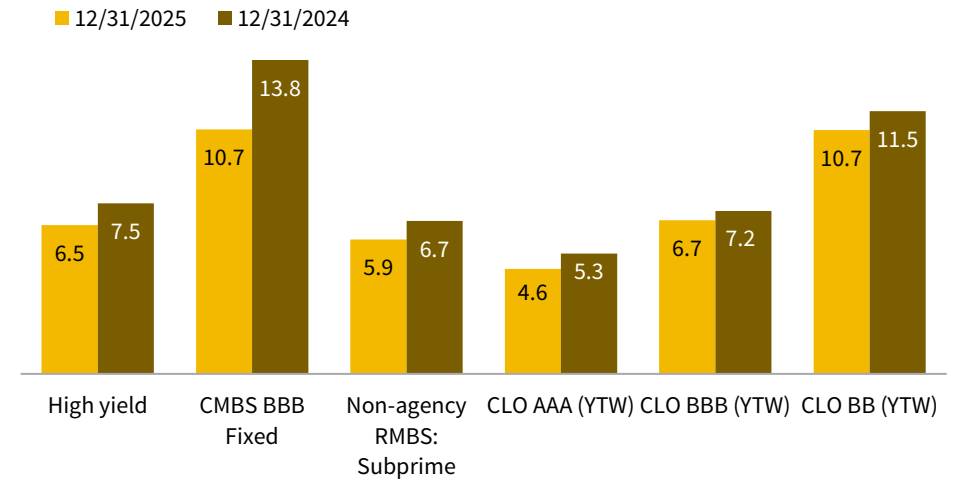
Facts & Figures Fourth Quarter 2025

Structured credit markets posted positive returns in 4Q, led by US CMBS BBB-rated bonds which returned 2.2%. Performance was driven by carry for many assets, though spreads compressed for some assets given a supportive macro and micro backdrop.

- Structured credit indexes posted positive returns both in 4Q and for full-year 2025. US CMBS BBB-rated bonds led the quarter (2.2%) but their 2025 full-year return (9.2%) was nearly matched by other assets like BB-rated CLO debt (9.1%).
- Valuations remain reasonable, though spreads and yields compressed in 2025, like in other credit markets. For example, yields on subprime RMBS and BB-rated CLO spreads each tightened by around 80 bps during the year.
- 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 ratios on leveraged loans and, by extension, the underlying assets in CLOs.
- Defaults on structured credit assets remain low, both in absolute terms and relative to similarly rated corporate credit. However, many have indefinite maturities given amortizing loan pools, which limits the investor base and causes them to trade at wider spreads despite these stronger fundamentals.
- Some structured credit assets are less liquid than corporate equivalents and often require specialized systems to analyze. However, the launch of products such as CLO debt ETFs reflects improving liquidity and should help narrow their spread premiums relative to corporate bonds.

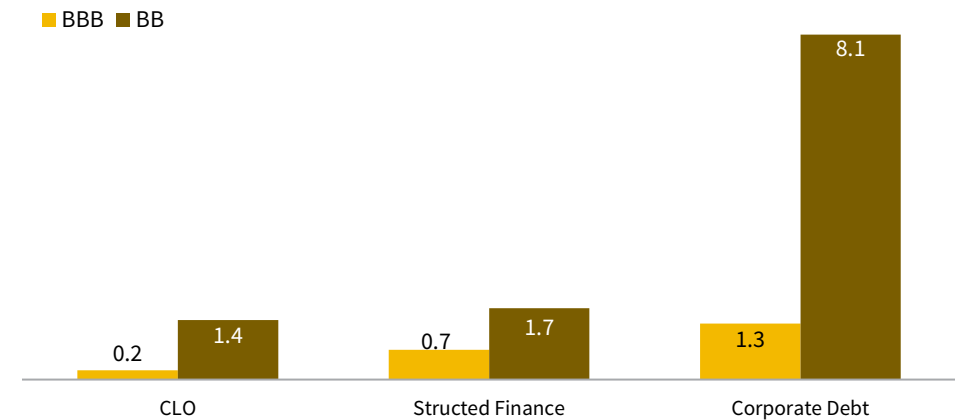
Yield: Select structured credits

Percent (%)



US Structured Finance: Default rate

As of December 31, 2024 • Percent (%) • Cumulative 5 year



Sources: Bloomberg Index Services Limited, ICE BofA Merrill Lynch, J.P. Morgan Securities, Inc., Guggenheim Investment, Morningstar DBRS and Thomson Reuters Datastream.

Note: Default rates represent five-year cumulative average aggregate rates, categorized by credit rating.

US High-Yield Bonds and Leveraged Loans

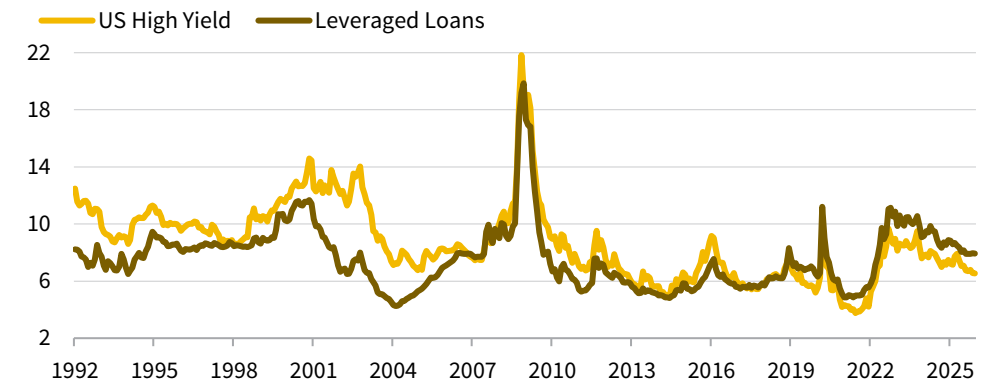
Facts & Figures Fourth Quarter 2025

US high-yield (HY) bonds and leveraged loans returned 1.3% and 1.2%, respectively in 4Q, capping a strong year for both asset classes. Returns were driven by carry as spreads remained relatively stable. While Fed easing acts a headwind to loan returns, lower rates may improve issuer fundamentals.

- The Bloomberg High-Yield Index outperformed the UBS Leveraged Loan index in 4Q and for full-year 2025 (8.6% vs 5.9%). HY bonds, as fixed rate assets, benefit from ongoing Fed rate cuts which conversely present a headwind to floating-rate loans.
- HY bond valuations appear more expensive than those of leveraged loans. The HY index OAS stands at 266 bps, in the bottom 5% of observed values. The loan index OAS is 455 bps, closer to its historical median, with the important caveat that the loan index is lower quality.
- The economic backdrop for both assets is improving. Growth forecasts have stabilized, and inflation has moderated. The Fed cut its target rate by 75 bps in 2025 and is expected to ease further in 2026, supporting demand for HY bonds in particular.
- Corporate fundamentals are solid. HY borrowers have steadily grown earnings in recent quarters, with their median interest coverage ratio rising to 4.8x EBITDA. Loan borrowers have grown earnings more slowly, but their median coverage ratio has benefited disproportionately from rate cuts and stands at 4.2x, according to Morgan Stanley.
- Default rates for both assets are well below historical averages. However, this masks the impact of liability management exercises, which, while preventing defaults, can reduce economics for investors.
- Technicals may pose a greater threat to returns than fundamentals but near term look fine. US HY issuance rose to \$328B last year, though this remains well below levels seen during the 2020–21 buyout boom.

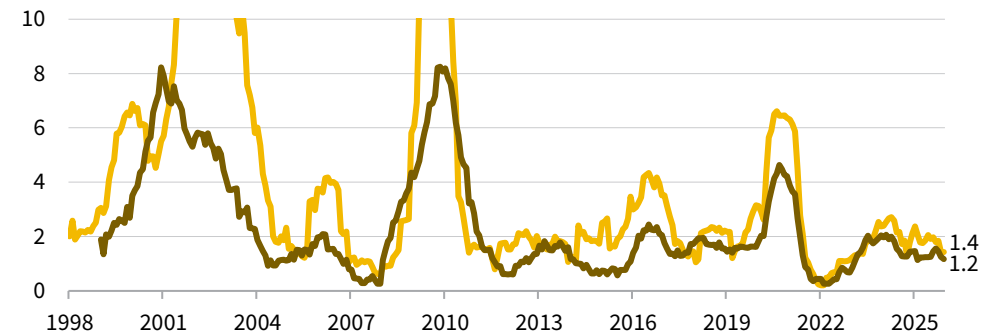
US high-yield and leveraged loan indexes: Yields

Jan 31, 1992 – Dec 31, 2025 • Percent (%)



US high-yield and leveraged loan indexes: Default rates

Jan 31, 1998 – Dec 31, 2025 • Percent (%) • TTM



Sources: Bloomberg Index Services Limited, Moody's Investors Service, PitchBook | LCD, Standard & Poor's and Thomson Reuters Datastream. Third-party data provided "as-is" without any express or implied warranties. Notes: Data are monthly. High-yield data are represented by the yield-to-worst for the Bloomberg US Corporate High Yield Index. Leveraged loans are represented by the S&P UBS Leveraged Loan Index. Yields for leveraged loans are represented by 3-month Libor plus the 3-yr discount margin. The 3-yr discount margin combines the loans' yield with the price appreciation that would occur if the loans prepay at par in three years, consistent with historical average prepayment levels. 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. US High Yield Default Rate is as November 30, 2025.

Insurance-Linked Securities

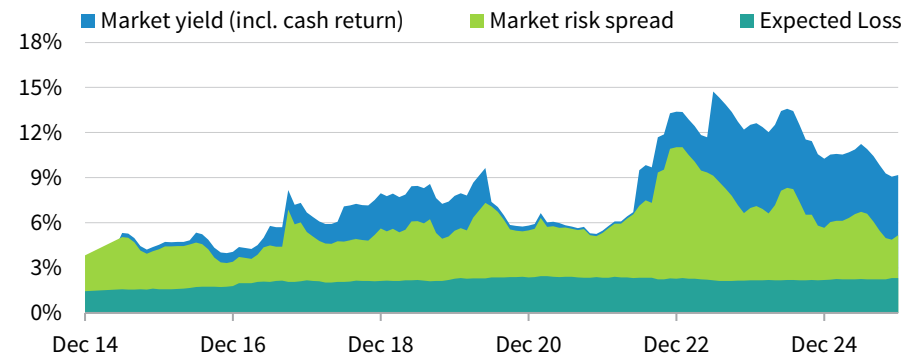
Facts & Figures Fourth Quarter 2025

During 4Q 2025, several notable natural events occurred globally, including Hurricane Melissa in the Caribbean and a magnitude 7.6 earthquake off the East coast of Japan. Encouragingly, these events had minimal—if any—impact on ILS portfolios, underscoring the resilience of the strategies in place. As a result, strategies in 4Q 2025 generally achieved the full seasonally expected gross risk premium for this time of the year, ranging from 3% to 5% and 10% to 20% for 4Q and the whole year of 2025, respectively, depending on their liquidity and risk profile.

- The fourth quarter is a dynamic period for the reinsurance and ILS industry, highlighted by the year-end renewal season. This is when capital supply and protection demand, together with recent underwriting experience and investment outcomes, shape the pricing landscape for the coming year.
- After three years of double-digit returns in the ILS industry, capital now exceeds demand for insurance protection, rebalancing pricing as we enter 2026, with risk-adjusted premia expected to be 10%–15% lower than in 2025.
- The current observed “market rebalancing” is in line with similar market dynamics observed in the past, especially following pricing peaks and return patterns as seen during the last three years.
- Looking forward to 2026, the outlook for the industry remains attractive, especially compared to historical averages. The overall premium environment is anticipated to stay above the long-term average for 2026.

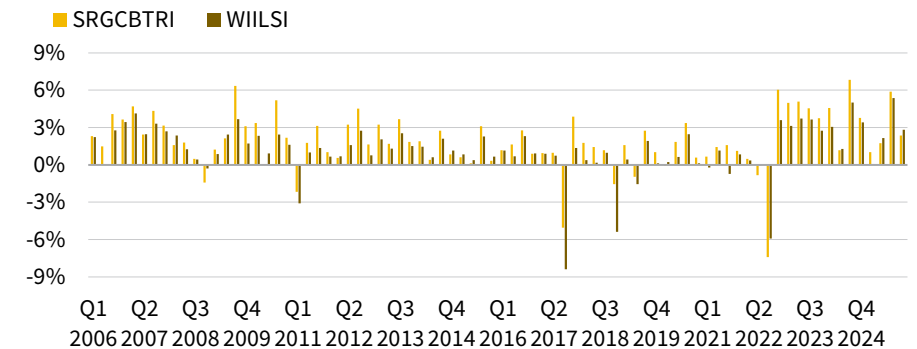
Development of the risk premium and expected loss from Cat bonds

December 31, 2014 – December 31, 2025



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

First quarter 2016 – Fourth 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.

Emerging Markets Debt

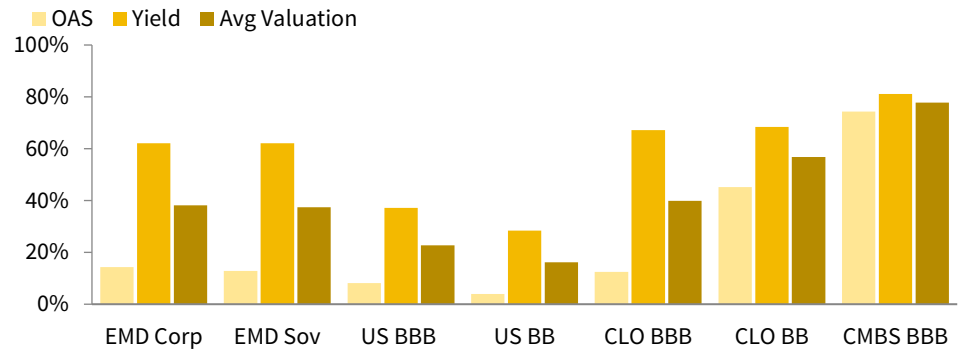
Facts & Figures Fourth Quarter 2025

EM debt markets gained in 4Q, bringing calendar year 2025 performance for the JPM EM-GBI Global Diversified (LC sovereign), JPM EMBI Global Diversified (USD sovereign), and CEMBI Broad Diversified (USD corporate) indexes to 19.3%, 14.3% and 8.7%, respectively.

- Performance in 2025 was supported by a decline in both yields and spreads—owing to cooling inflation, central bank rate cuts, and capital inflows—as well as the appreciation of EM currencies versus the US dollar, which support LC sovereign performance in dollar terms.
- LC sovereign and USD corporate yields have fallen roughly 50 bps in 2025 to 5.9% and 6.4%, respectively, and USD sovereign yields are down more than 100 bps to 6.8%, while spreads have tightened 65 bps for USD sovereigns.
- While EM USD debt yields remain slightly elevated versus history, spreads have compressed to bottom-quartile levels, mirroring trends across broader credit markets.
- EM LC sovereign valuations are expensive, with yields now at the 16th percentile and the spread to global sovereigns narrowing to a record low of 2.6%. Therefore, going forward we would expect EM currencies to be the larger driver of returns.
- The economic backdrop has favored EM over the past year, with softer inflation allowing for some easing and concerns about US growth weighing on the dollar. While EM FX valuations have recovered somewhat, they remain relatively depressed and are well positioned to appreciate further if narrowing growth and rate differentials, along with improved global sentiment, continue to pressure the dollar.
- Although most issuers in EM debt indexes are investment grade, the asset class carries unique risks, and index-level statistics can mask significant differences in fiscal health among borrowers. Given the wide dispersion in fundamentals and political outcomes, active management may be better positioned to capture opportunities and manage risks.

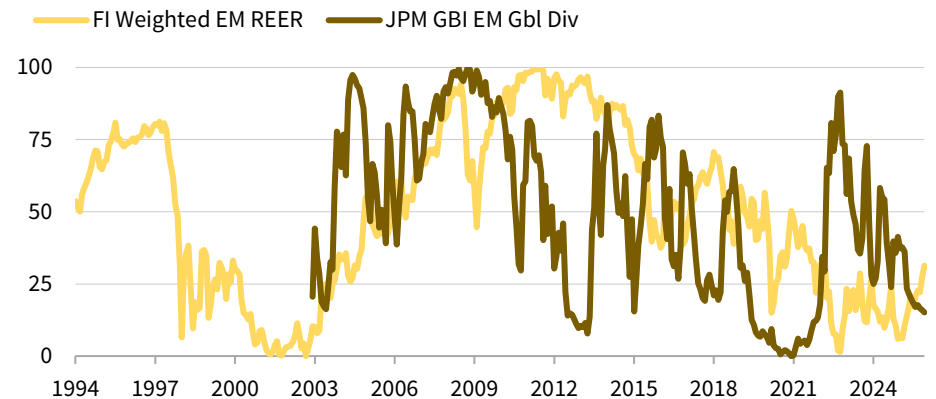
Percentile rank of various indexes

As of Dec 31, 2025



FI-weighted EM real exchange rate vs US: Percentile

Jan 31, 1994 – Dec 31, 2025



Sources: Bloomberg Index Services Limited, International Monetary Fund, J.P. Morgan Securities, Inc., MSCI Inc., National Sources, and Thomson Reuters Datastream. Third party data provided "as is" without any express or implied warranties.

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).

Private Equity/Venture Capital

US Private Equity

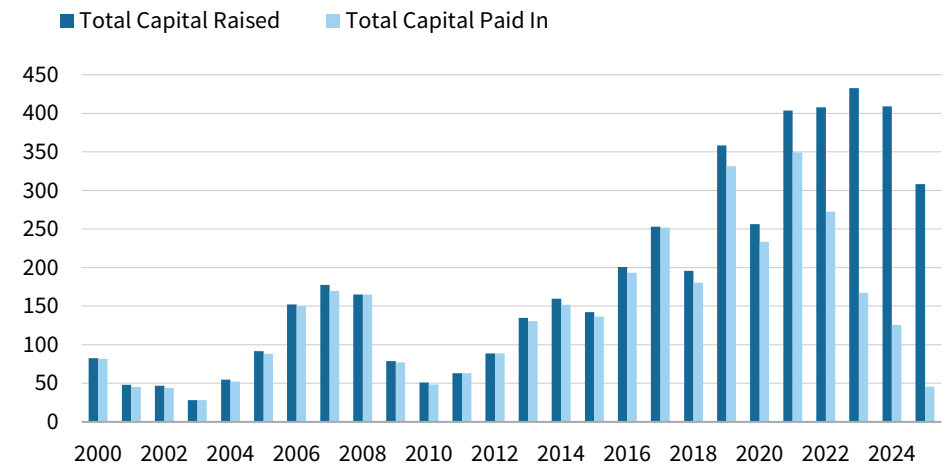
Facts & Figures Fourth Quarter 2025

US PE funds returned 2.1% in 3Q and 8.3% 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 also picked up slightly in 2025, but the recovery has been narrowly driven by a small number of large transactions.

- Fundraising activity has picked up for US PE funds in recent months as economic and policy uncertainty subsides. Still, with many LPs waiting for greater distributions, the \$308B raised was the least since 2020 and well below recent averages. Fundraising continues to be highly concentrated, with “mega funds” of \$5B or more accounting for almost half of capital raised.
- Deal activity has increased, coinciding with expectations for lower interest rates and more clarity on tariff impacts. The \$1.1 trillion invested in US buyout and growth equity deals represented a 28% increase over the prior year. Deal activity like fundraising was concentrated, with deals greater than \$1B represented over 50% of the total.
- According to PitchBook LCD data, EBITDA purchase price multiples for large US buyout transactions continued to level off at around 11.0x in 2025. Revenue multiples ticked back up to around 2.6x though this remains below their 2022 peak (3.0x).
- Exit activity improved significantly as 2025 came to a close. US PE firms sold \$682B of investments in 2025, a 78% increase from the prior year. Activity was driven by a handful of large transactions. The largest deals (\$1B+) accounted for 73% 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.

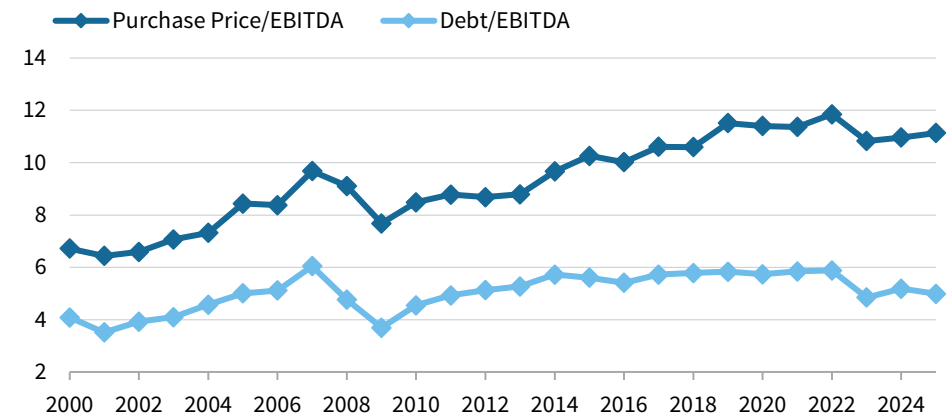
Fundraising and paid-in capital: US PE

Vintage Years 2000–25 (Dec 31) • US\$B



Average purchase price and debt multiples: US PE

2000–25 (Dec 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 June 30.

US Venture Capital

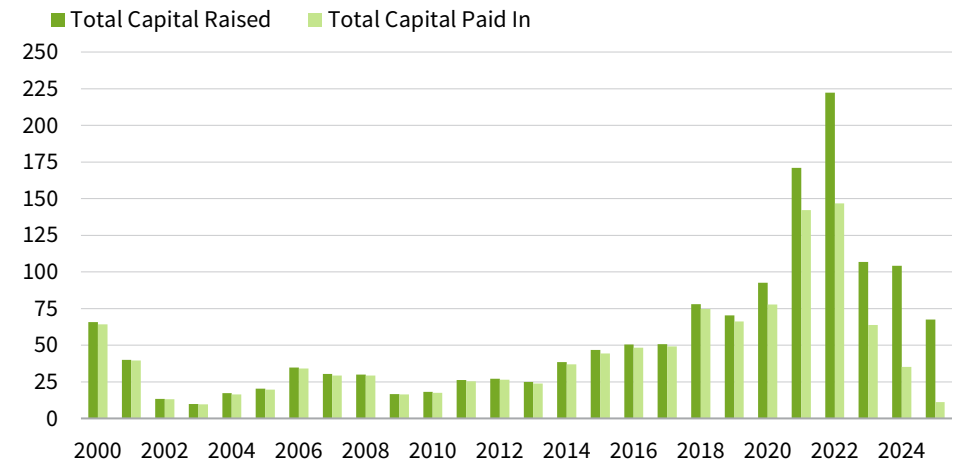
Facts & Figures Fourth Quarter 2025

US venture capital generated a pooled net internal rate of return of 16.2% over the past year and 13.7% over the prior ten-year period, according to our index as of 3Q. The index has benefited from its strongest performance in the past couple of quarters since 2021, following a period when a significant spike in fundraising and valuations weighed on returns. The recent gains also reflect the prominence of AI, which has accounted for a large portion of incremental exposures.

- Fundraising activity moderated in 2025, due in part to slow capital distributions from existing commitments. US VC funds raised \$68B in 2025, which is the lowest annual total since 2017. This compares to an average of nearly \$200B raised during the peak years of 2021 and 2022. The difficult fundraising environment has disproportionately benefited established managers rather than new managers.
- Deal activity rose to just under \$340B in 2025, marking the highest annual total since 2021. Artificial intelligence (AI) and machine learning continued to dominate the landscape, accounting for over half of all deal value. Nearly 70% of total deal value came from corporate VC firms, representing their highest share in a decade, and much of this was allocated to later-stage AI companies.
- The median pre-money valuation rose sharply in 2025, with increases observed across all stages from seed rounds to series D+ compared to 2024. This surge pushed valuations for all but series D+ deals to new annual highs. Notably, valuations for AI-related deals have generally exceeded those of non-AI deals.
- Exit activity improved in 2025, bolstered by better IPO activity. In total, US VC-backed exit value reached \$298B in 2025, eclipsing the value generated in the years 2022–24. Still, IPO exits have been concentrated, with average IPO exit value increasing to one of the highest levels in the past decade.

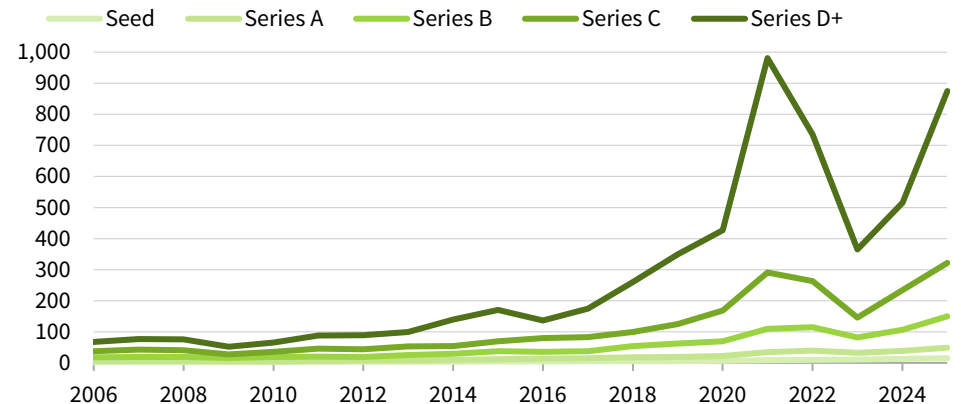
Fundraising and paid-in capital: US VC

Vintage Years 2000–25 (Dec 31) • US\$B



Median pre-money valuations by series: US VC

2006–25 (Dec 31) • US\$M



Sources: Cambridge Associates LLC and PitchBook Data Inc.

Note: Historical data revise. 2025 Paid-in capital data are through June 30.

European Private Equity and Venture Capital

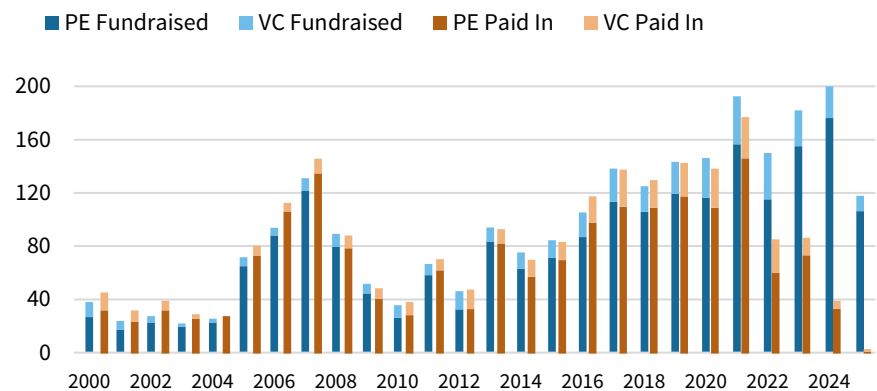
Facts & Figures Fourth Quarter 2025

European PE and VC returned a respectable 16.0% and 16.8%, respectively in USD terms through the first three quarters of 2025. However, the dollar was the overwhelming driver of this performance, with much more meager returns in euros (2.2% and 2.9%). Performance of both sectors have trailed public markets in recent years; however, they have outperformed over longer horizons. While fundraising has slowed, deal activity and exits have increased, with purchase multiples ticking higher.

- Fundraising activity has moderated, due in part to muted LP distributions from existing commitments. Europe-based PE funds raised €106B in 2025, while VC raised €12B, on pace for one of the weakest years in the last decade. These figures compare to averages of €150B and €30B in the prior 4 years. Fundraising remains more concentrated in PE than in recent years, with 155 funds raising an average of €0.69B. European PE funds secured just over one-fifth (22%) of global PE capital raised in 2025, while for VC the figure was 11%, both in line with the averages over the five years prior.
- After bottoming in 2023, deal activity continued to increase, aided by lower interest rates and reduced policy uncertainty. Deal value reached €650B in 2025 for PE, a new record, and €66B for VC. Financial services and healthcare have seen PE flows increase in 2025, while the same is true of AI and crypto/blockchain for VC.
- According to PitchBook LCD stats, purchase price multiples for transactions larger than €500M increased to 9.9x EBITDA in 2025, the first increase since 2020. Leverage multiples also ticked up to 5.2x. VC valuations also showed strong gains, particularly within later-stage.
- Exit activity continued to increase gradually, though IPO activity remained limited. European PE-backed exit value was €300B in 2025, while VC was €68B, the strongest year for each, excluding 2021. Secondary buyouts accounted for most of the PE exit value (54%), which, along with corporate acquisitions, is the usual exit route for European PE.

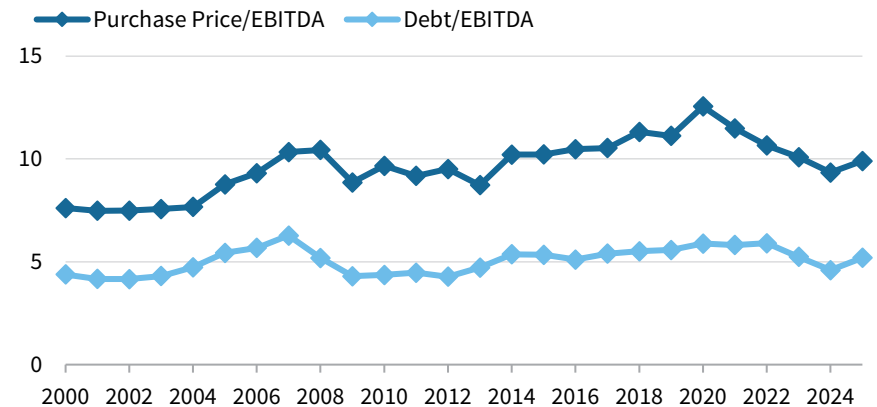
Fundraising and paid-in capital: European PE and VC

Vintage Years 2000–25 (Dec 31) • Euro (Billions)



Average purchase price and debt multiples: European PE

2000–25 (Dec 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 June 30.

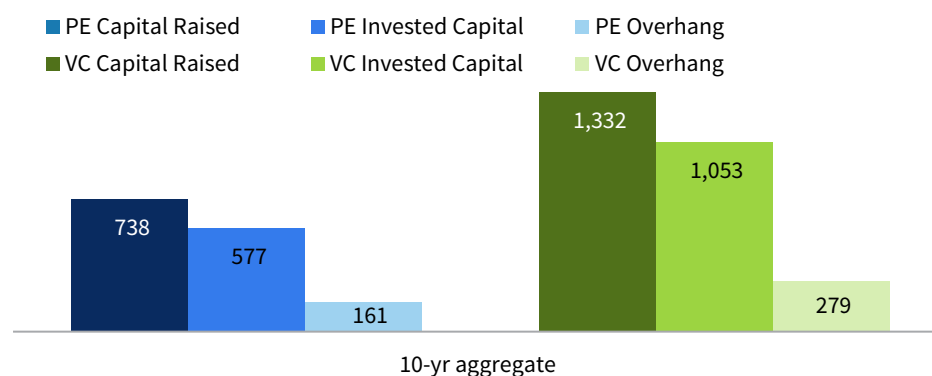
Asian Private Equity and Venture Capital

Facts & Figures Fourth Quarter 2025

Asian PE and VC returns improved in 2025 but continue to trail public markets. Fundraising and deal activity for Asia PEVC cooled in 2025, while exits held steady. Managers see increased opportunity in Japan and India, while appetite for investments in China and Southeast Asia remain tepid.

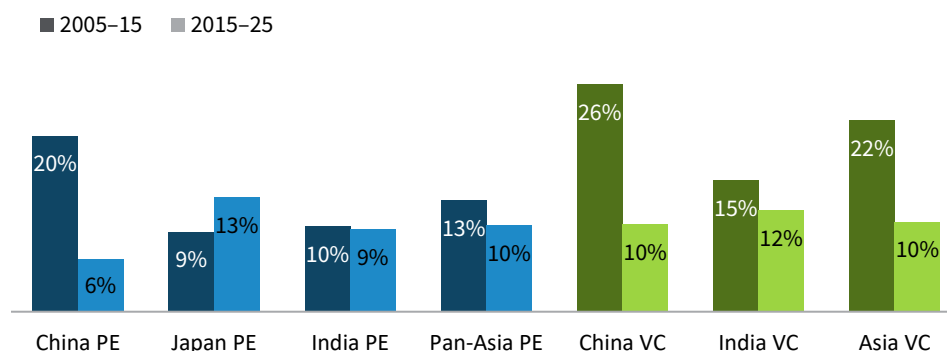
- Returns have begun to recover in Asia, albeit ten-year IRRs ending in 2Q 2025 remain lower than the preceding ten years (2005–15). This is particularly the case for China PEVC, which have faced headwinds from a slowing economy and geopolitical tensions. In contrast, Japan PE has fared better over the past decade, aided by the corporate governance theme and increased M&A.
- Within PE, buyout strategies have historically been more prevalent in Australia, Korea, and Japan, while growth equity has been dominant in China, India, and Southeast Asia.
- Asia PE deal activity has cooled to \$128B YTD, the lowest year since 2020. Japan and India have gained in terms of share of overall investment over the past five years. Similarly, fundraising activity has slowed to \$34B, on pace for the slowest year since 2013. This compares to an average of more than \$80B raised between 2021–24.
- Asia VC activity remain concentrated in China and India, and to a much lesser extent Southeast Asia. Global investors closed deals valued at nearly \$84B in Asia-based venture companies in 2025, the lowest deal value in the past decade. Similarly, fundraising activity has slowed sharply to only \$39B in 2025, compared to an average of \$122B over the previous three years, and the lowest level of fundraising since 2014 given the geopolitical headwinds facing investing in China.
- Exit activity has largely held steady. Asia PE-backed exit value reached \$137B YTD as of October 31, while Asia VC exits reached \$96B. While both are like last year, VC exits remain much lower than the 2020–23 period. With that said, robust IPO activity in Hong Kong and India should support exits and hopefully distributions for Asia PEVC funds.

Fundraising, invested capital, and overhang: Asia-Pacific PE and VC
2016–25 (June 30) • US\$B



Asia PE & VC performance by region

Trailing 10-yr net pooled IRR to LP (%) • 3Q05–2Q15 & 3Q15–2Q25 • US\$



Sources: PitchBook Data Inc. and Cambridge Associates LLC.

Notes: Data reflect cumulative overhang. PE includes buyout and growth equity funds. Estimate based on the percent paid into funds tracked by Cambridge Associates LLC by vintage year. Vintage year is defined based on first cash flow, rather than legal inception date. Cumulative overhang value includes the past six vintages. Assumes a 10-yr life span with a 1.5% fee decreasing linearly over the life of a fund, and no re-investment of capital. Vintage year 2025 paid-in capital is a trailing 5-yr average of the most recent vintage's paid-in capital. Capital raised does not include Softbank Vision funds. Invested capital includes deals where the investor is an Asia-based PE fund. "Asia VC" includes China, India, Southeast Asia, and Pan-Asia funds.

Private Credit

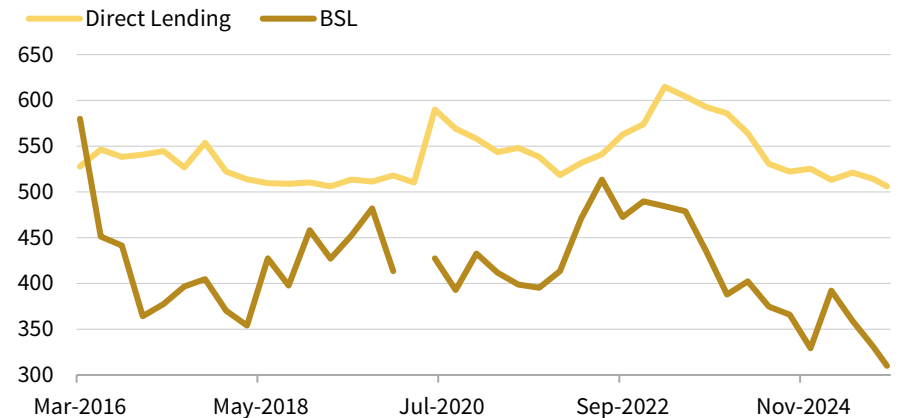
Facts & Figures Fourth Quarter 2025

Private credit strategies have generated a healthy premium over public market equivalents in recent years, a trend we expect to continue. However, certain categories are attracting significant capital inflows, which may compress excess returns, dilute investor protections, and increase downside risk.

- Private credit strategies have outperformed public market equivalents over most timeframes. Through the end of 3Q, the Cambridge Associates Private Credit Index had generated a 7.7% IRR over the prior year and 10.3% annualized IRR over the past five years.
- Major private credit categories include senior (or direct) lending, asset-based lending, and credit opportunities. Lending to troubled credits or investing in subordinated debt has the potential to earn higher returns but there is considerable dispersion across manager returns, making careful manager selection essential. Trailing three-year pooled returns for the Cambridge Associates Credit Opportunities Index are below those of the Senior Debt Index, though five-year returns are higher.
- Private credit investors can increase their odds of success by allocating to strategies where less capital has been raised and where there are higher barriers to entry. While managers have thus far successfully limited portfolio defaults, significant inflows of capital into US direct lending has compressed the spread premium over syndicated loans and resulted in weaker loan documentation.
- Timing private credit allocations is challenging as many drawdown funds have up to seven- to ten-year legal maturities. However, the current fundraising environment and uncertain macro backdrop suggests strategies like asset-based lending, insurance-linked securities, and royalties may generate relatively attractive returns while insulating investors against some of the weakening protections in other categories.

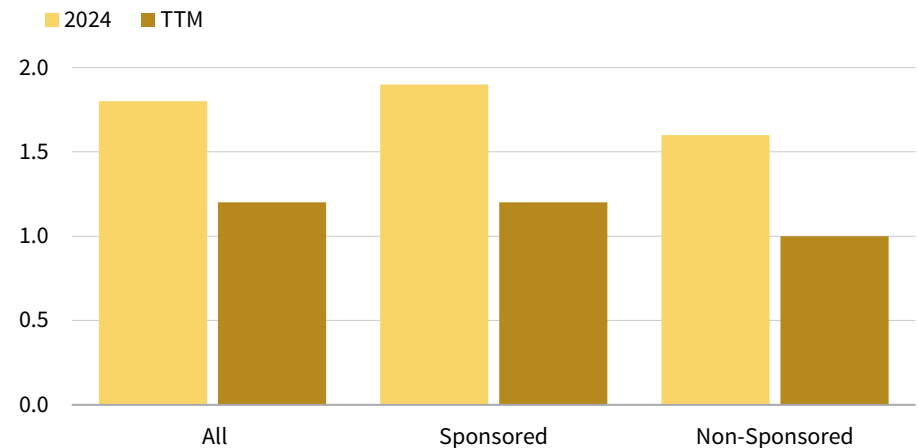
US direct lending and leveraged loan spreads

March 31, 2016 – November 30, 2025 • Basis points



Private credit default rates

As of November 30, 2025 • Percent (%)



Sources: ICE BofA Merrill Lynch and KBRA Analytics.

Notes: Leveraged Loan (BSL) and DL spreads are discount margins. March 2020 data are not available for BSL spreads. Direct lending and BSL spreads data come from ICE BofA prior to March 31, 2025, afterwards, data is sourced from KBRA.

Real Assets

Global Property Securities

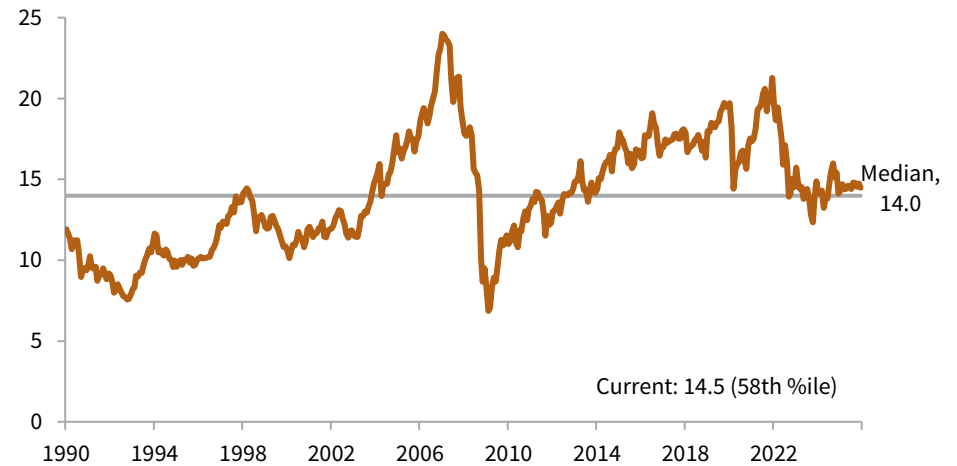
Facts & Figures Fourth Quarter 2025

DM property securities posted minor losses (-0.5% in USD) during 4Q, underperforming both other real asset categories and broader DM equities. Weakness in the office (-6.8%) and apartment sectors (-3.1%) offset strong performance in industrial assets (8.4%). For full-year 2025, DM property securities returned 10.7%, driven by gains in industrial and healthcare assets, though this lagged the MSCI World's 21.1% return.

- Valuations range from fair to expensive, subject to the metric used. DM property securities trade at 14.5x normalized funds from operations, above its historical median. However, property securities currently offer just a 0.3% yield pick up over government bonds, well below the long-term median of 1.6%. Recent central bank rate cuts have had limited impact on yield differentials as curves have steepened in many countries.
- Income growth for property securities was weak in 2025, dampened by rising debt costs and increased supply in certain categories like apartments, which put downward pressure on rents. While cash earnings for the index were largely flat, the impact on performance was limited.
- Global economic growth in 2026 is expected to be similar to 2025, supporting demand for various real estate assets. Easing inflationary pressures could allow for additional rate cuts by central banks such as the Fed, potentially enhancing the attractiveness of property dividends.
- 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 4Q 2025, below both the 2009 level and the two-decade average.

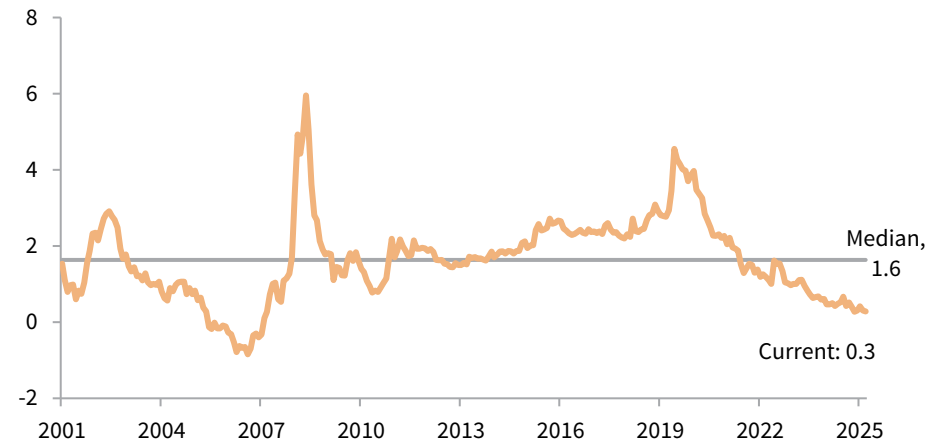
Normalized price-to-funds from operations multiple

Jan 31, 1990 – Dec 31, 2025



Spread between DY and global govt bonds

Oct 31, 2001 – Dec 31, 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

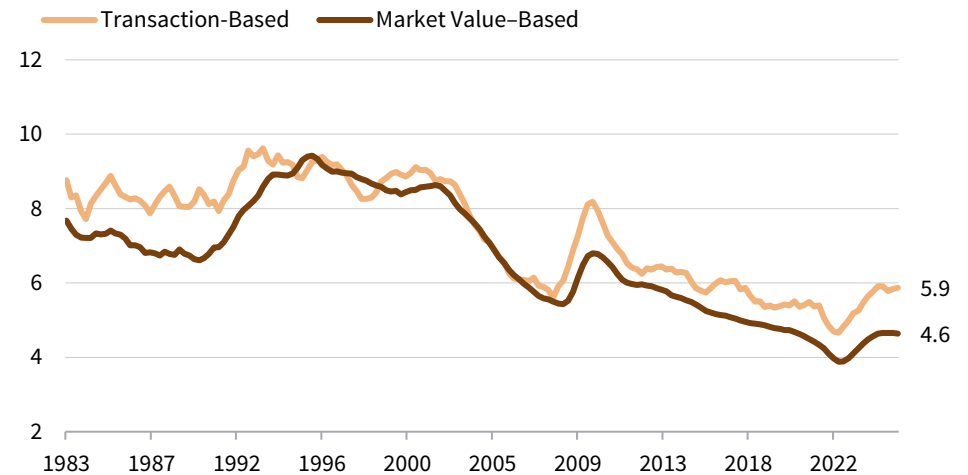
Facts & Figures Fourth Quarter 2025

US property returned 1.2% in 3Q and 4.7% over the trailing four quarters ended September 2025, according to NCREIF Property Index data. However, longer-term returns have suffered from tighter financial conditions and supply/demand dynamics across asset types. The index posted a -2.5% annualized return over the trailing three-year period. Return dispersion across sectors remains significant, with hotels returning 7.6% annualized and office returning -9.3% over the same period.

- Private property cap rates declined following the Global Financial Crisis but have increased in recent years. Although still relatively low relative to benchmarks like the ten-year US Treasury yield, the current market value-based 4.6% cap rate has risen around 80 bps since the start of 2022. Among sectors, cap rates are lowest within industrial (4.2%) and apartments (4.4%).
- Commercial real estate transactions volumes fell sharply in 2023–24 due to uncertain fundamentals and rising interest rates, which pressured valuations and increased leverage costs. While this raised questions over valuations, activity rebounded in 2025 and is expected to accelerate in 2026 as fundamentals improve, the Fed continues to ease, and economic forecasts stabilize.
- NOI growth has declined in recent years amid weak underlying fundamentals. Four-quarter rolling NOI grew just 1.5% through the end of 3Q, well below the trailing ten-year median of 4.5%. Sector dispersion is notable, with industrials posting strong growth (5.4%) and office continuing to lag (-5.2%).
- New commercial real estate construction has declined in recent years, which should serve to help rebalance supply and demand, supporting prices. For example, US office development is at an all-time low, with completions expected to drop 75% in 2026, according to JLL.

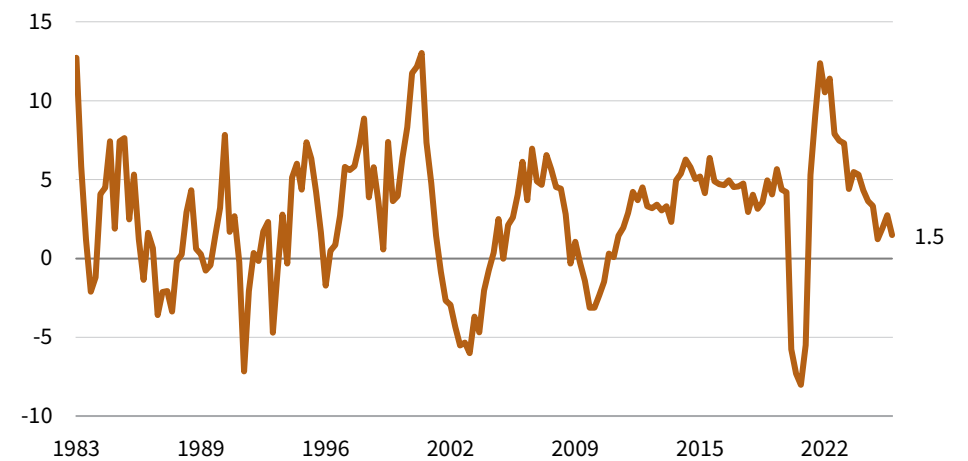
All property cap rates

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



Four-quarter rolling NOI growth

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



Source: National Council of Real Estate Investment Fiduciaries.

European Private Property

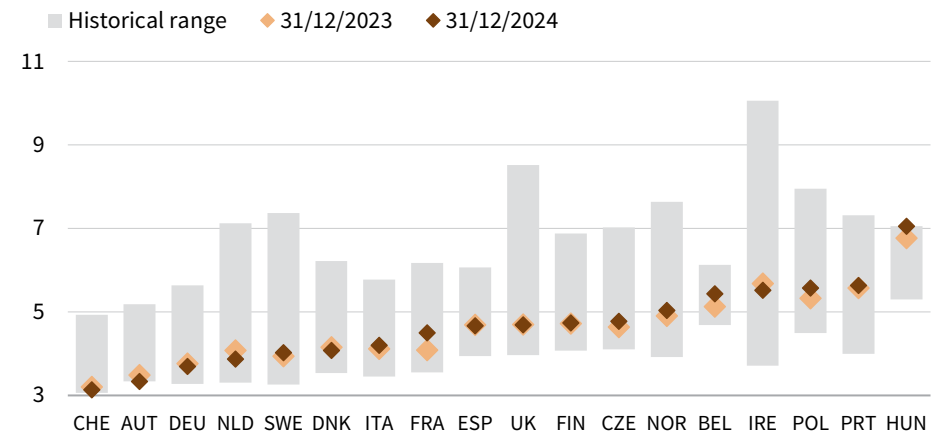
Facts & Figures Fourth Quarter 2025

UK private property returned 1.3% in 3Q and 6.5% over the trailing four quarters ending September 2025, according to the unlevered MSCI UK Quarterly Property Index. However, longer period returns continue to reflect the impact from tight monetary policy and changes in working patterns, with the index returning -1.8% annualized on a trailing three-year basis. Europe ex UK follows a similar trend, with office continuing to lag considerably while retail outperformed (3.2% and 7.0%, respectively over the trailing four quarters as of 2Q).

- Property yields across most of Europe have steadily decreased over the last decade, although have remained broadly stable over 2024 despite monetary policy rate cuts by central banks. Yields in Germany remain low relative to history, while those in France trade closer to average. Spreads are also lower than their ten-year averages (UK 2.4 ppts compared to 4.5 ppts), which suggests the asset class's attractiveness relative to government bonds has declined in recent years.
- In the UK, growth outturns in recent months have disappointed, allowing the BOE to cut rates—the policy rate moving 150 bps lower to 3.75% since cuts began in 2024—which has been supportive for valuations. Consensus forecasts expect 2025 UK GDP growth of 1.4%, and 1.1% for 2026, both slightly below the DM average. Despite a rise in taxes on the industrial sectors because of the Autumn Budget, the retail and hospitality sectors will benefit from lower tax rates.
- In the Eurozone, economic growth has recovered, with expected 2025 GDP growth of 1.4% in 2025 and 1.2% in 2026. This environment, along with reduced restrictiveness of monetary policy and fiscal stimulus led by Germany, should provide a constructive backdrop for investment.
- In the UK—the largest commercial real estate market in Europe—3Q investment was £8.8B, the lowest figure since 2Q 2023. European commercial real estate has seen stronger investment growth, with a 19% TTM increase, led by retail, especially in Spain and Germany.

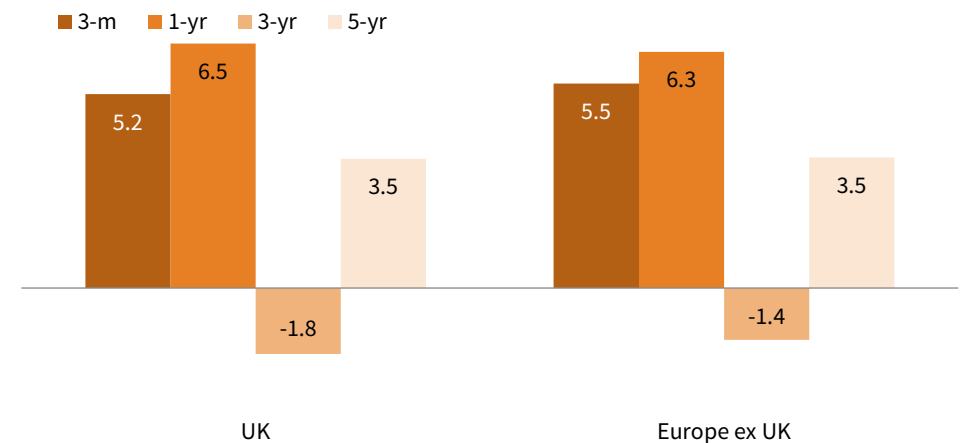
European property net operating income yields

As of Dec 31, 2024 • Percent (%)



Annualized index performance

As of Sept 30, 2025 • Percent (%)



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

Notes: Income yield figures are presented in local currency.

Asian Private Property

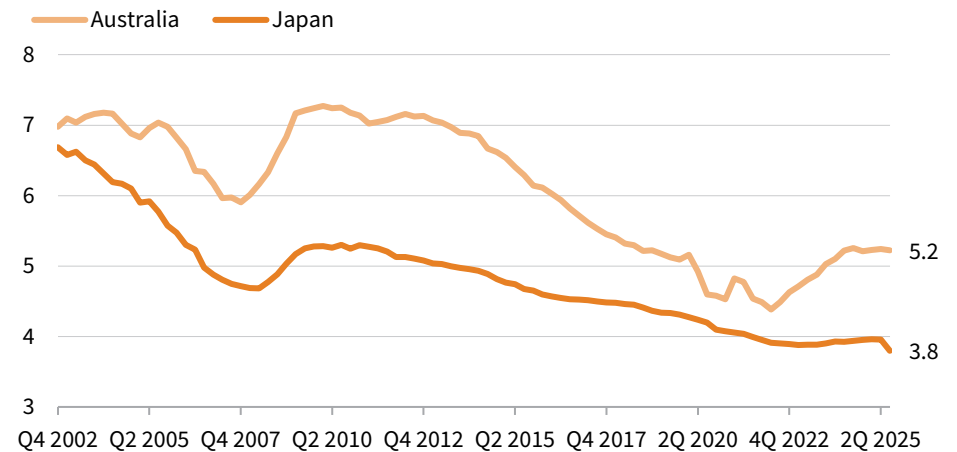
Facts & Figures Fourth Quarter 2025

Asian private property returns picked up in 3Q, returning 1.6% for the quarter and 5.3% in USD terms 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 and retail returning 3.1% and 3.0% annualized, while office detracted (-3.3% 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 been relatively stable around 5%, while property yields in Japan have ticked down to near record lows of 3.8%, given a slower pace of policy normalization by the BOJ.
- Growth expectations for Asia-Pacific economies have firm up following an easing of US tariff uncertainty, with consensus forecasts expecting the region's real GDP to grow by 5.1% in 2025 and 4.2% in 2026. 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 rebounded in 3Q following a decline in 2Q, led by a jump in Japan and Korea. Overall investment volume is up 15% over the past 4 quarters, after being largely flat over most of 2024–25, perhaps spurred on by falling interest rates across the region.

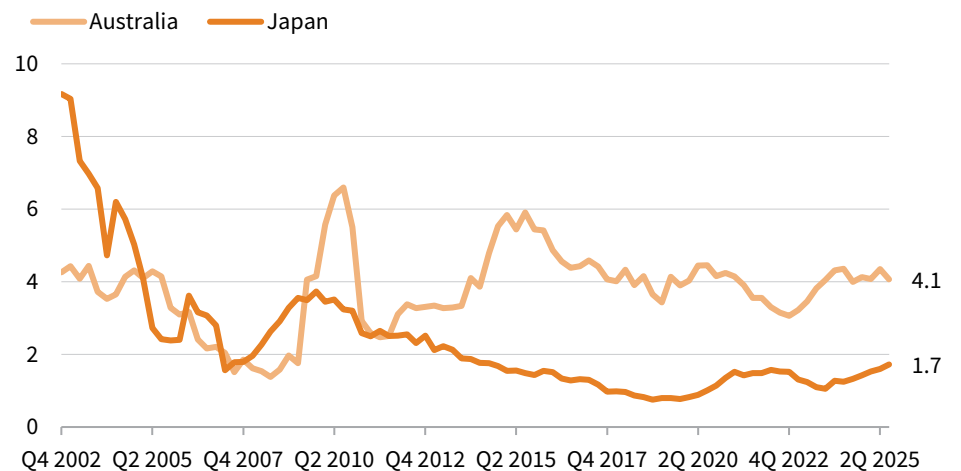
Property yields

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



Vacancy rates

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



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

Private Infrastructure

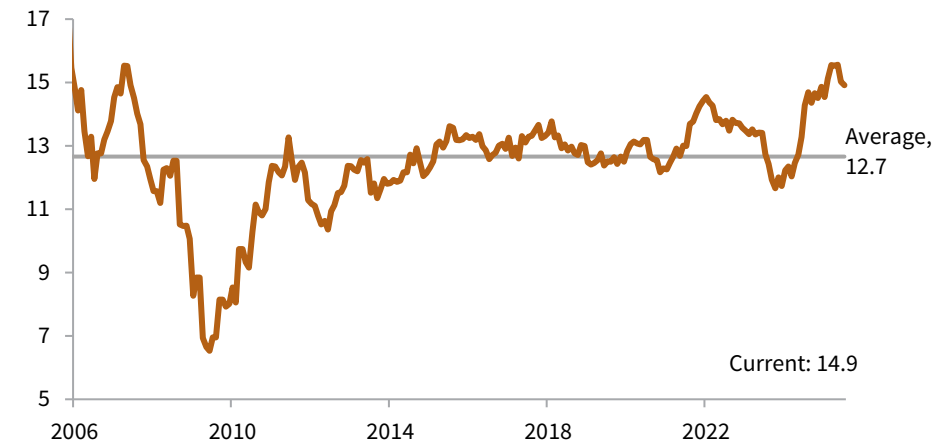
Facts & Figures Fourth Quarter 2025

Private infrastructure returned 4.39% over 2Q and 10.46% over the trailing four quarters ended June 2025, according to the Cambridge Associates Infrastructure Index. On a trailing three-year basis, the index returned 9.46% annualized. The industry has benefited from increased energy and data center demand due to AI advancements, policy support, and increased interest among institutional investors.

- Infrastructure companies transacted at 14.9 times EBITDA over the prior 12-month period, above the industry's long-term average and near record high levels.
- Broadly speaking, data center proliferation and the related secular growth in energy demand have been the biggest trend in the market in 2025. The renewable energy transition continues to be a structural theme and should be durable to any short-term policy shifts given their lower cost advantage.
- Real GDP expectations for the global economy were revised higher over 4Q to 3.0% for 2025 and 2.9% for 2026 following a resumption of easing of US monetary policy and reduced tariff uncertainty. This should provide a tailwind for infrastructure investment.
- Global infrastructure transaction values grew by more than 54% over the last four quarters. Data shows that power and transmission was the most active sector on a dollar valuation basis, followed by digital infrastructure.
- Private infrastructure investments are touted as providing cyclical diversification benefits, inflation protection, and an alternative AI-related exposure compared to stretched public market valuation.
- Direct investments by pension funds and sovereign wealth funds in infrastructure assets have increased notably in recent years. Direct investments can offer attractive return potential, given fees are generally lower, and they allow investors to build custom exposures.

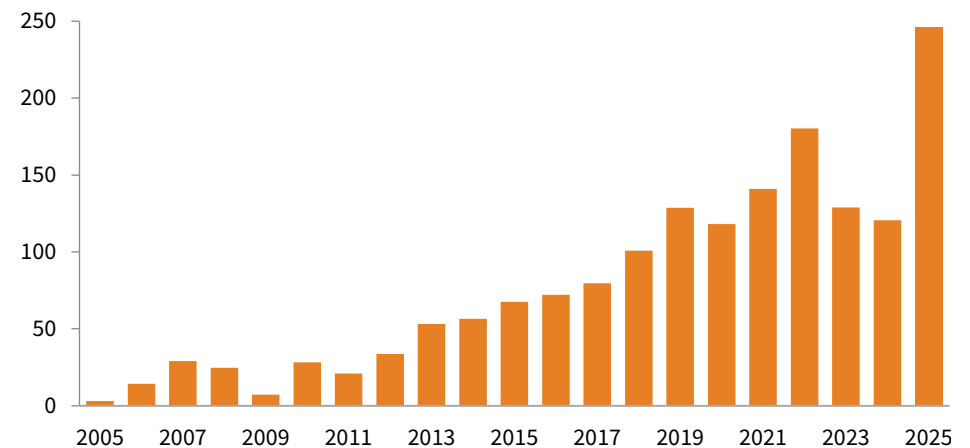
Prices of transactions (EV/EBITDA)

Jun 30, 2006 – Dec 31, 2025 • Rolling 12M average



Global capital commitments to infrastructure PE funds

2005–25 • 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

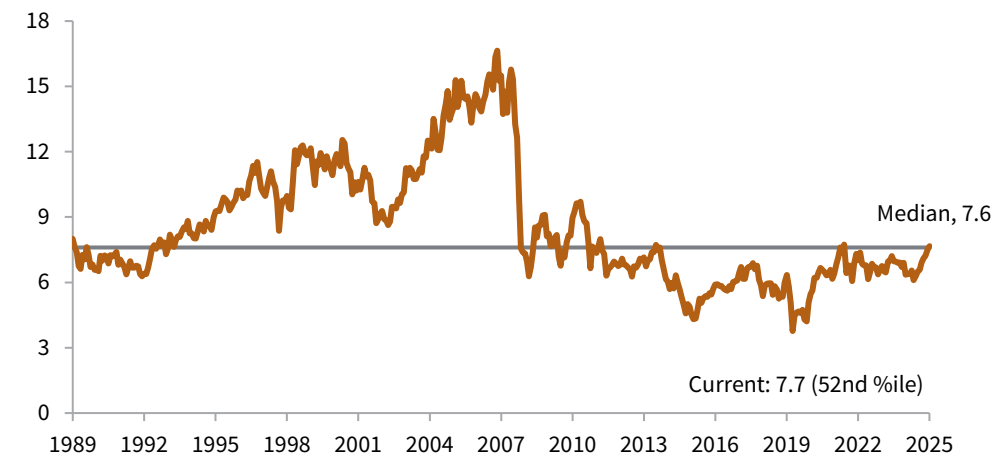
Facts & Figures Fourth Quarter 2025

Natural resources equities gained 5.8% in 4Q (USD terms), according to the MSCI World Natural Resources Index, bringing 2025 performance to 25.0%. Metals and mining equities were the main driver of return for the quarter and 2025, gaining 15.3% and 64.8%, respectively. Performance was supported by stronger global industrial demand, supply constraints in key metals, and increased investor interest in energy transition themes.

- Natural resources firms trade at 7.7 times cyclically adjusted price-to-cash earnings, which ranks in the 52nd percentile of month-end observations dating back to 1990. Valuations are now above the median for the first time since the inflation spike in summer 2022, reflecting the substantial increase in industrials and precious metals demand seen in 2025.
- Amid resilient US economic data, global real GDP growth expectations were revised slightly upward in 4Q to 3.0% for 2025. This is broadly in line with the 2.9% growth expected in 2026 and close to the ten-year average of 3.1%.
- Investment levels bottomed following COVID, with capital expenditures reaching a trough of 4.5% of total assets in 2021. While investment has since recovered, capital expenditures remain below levels observed prior to the shale bust of 2016.
- 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.

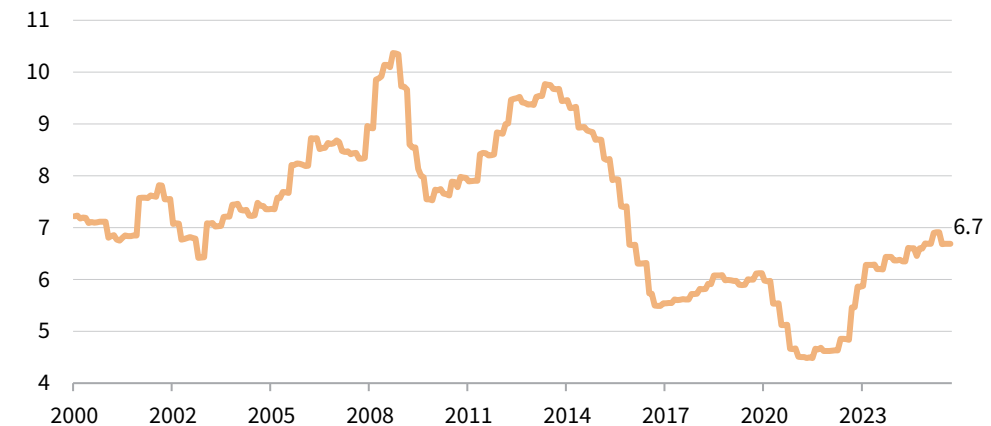
Cyclically adjusted price-to-cash earnings

Dec 31, 1989 – Dec 31, 2025



Capital expenditures

Jan 31, 2000 – Dec 31, 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

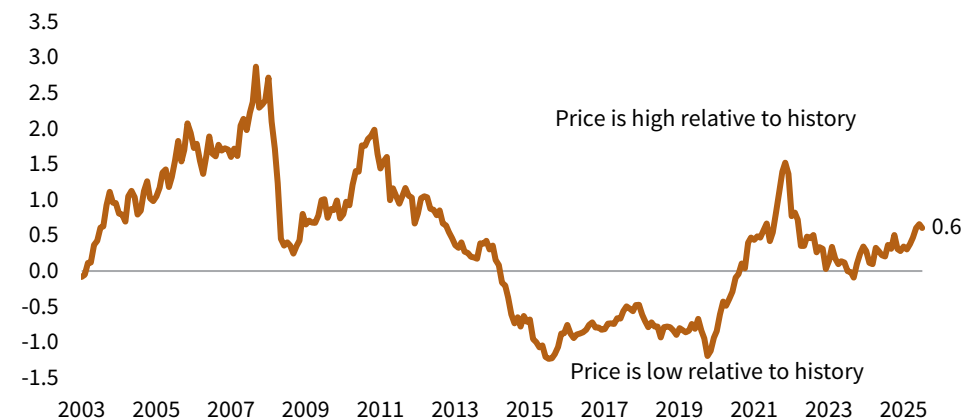
Facts & Figures Fourth Quarter 2025

The Bloomberg Commodity Index returned 5.8% on a total return basis in 4Q as a continued rally in precious metals helped to offset another quarter of weaker oil prices. On a TTM basis, the index is up 15.8%, albeit with mixed performance across underlying commodity subindexes. Precious metals (80.2%) led, followed by industrial metals (21.4%), while energy (-10.4%) and grains (-6.5%) declined.

- Commodity spot prices trade at 0.6 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.
- The global economy is expected to grow by 2.9% in 2026, according to analysts surveyed by Bloomberg in December. 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.

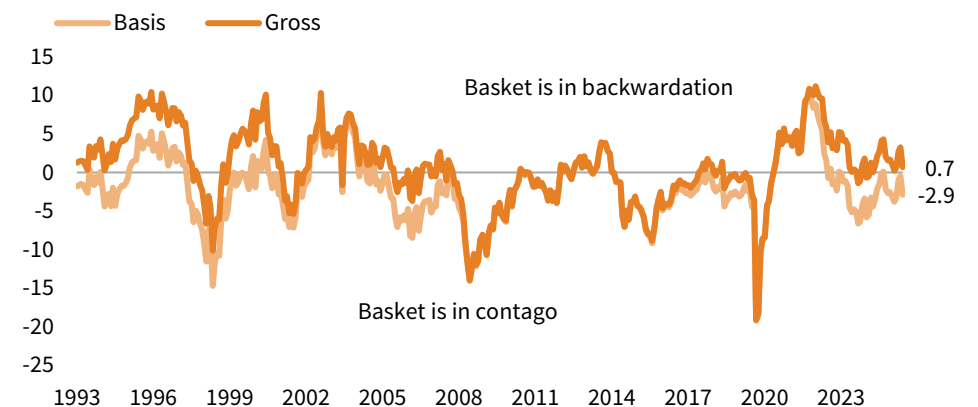
Commodity futures basket price deviation

Jun 30, 2003 – Dec 31, 2025 • Z-score



Commodity futures basket indicative roll yield

Jul 31, 1993 – Dec 31, 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

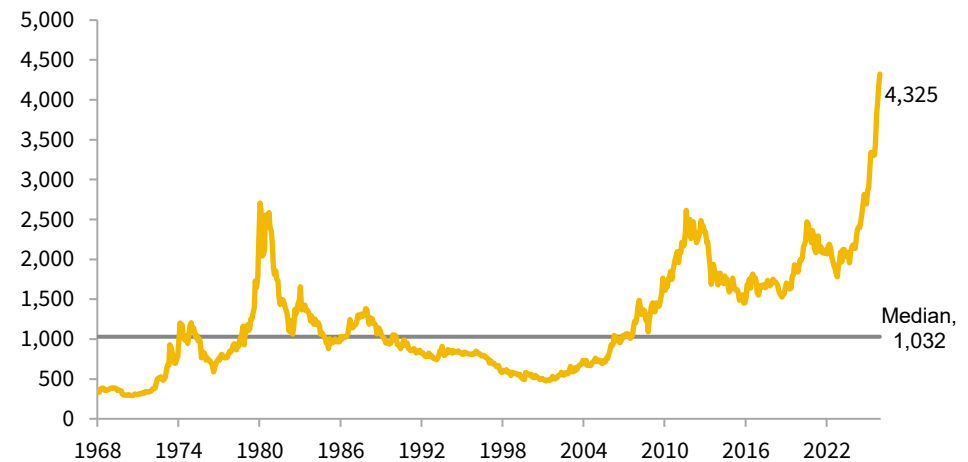
Facts & Figures Fourth Quarter 2025

Gold gained 12.8% in 4Q and 64.7% over the trailing 12 months, underpinned by geopolitical uncertainty, easier US monetary policy, central bank purchasing, and retail momentum.

- Gold kept rising in 4Q, reaching a new all-time high, with its real price having risen 2.5x from its late-2022 low. Several factors have supported gold. First, the Fed cut its policy rate twice in 4Q due to a weaker labor market. Lower rates reduce the cost of holding gold instead of yield assets. Second, the US government shutdown increased uncertainty about the economy and government finances, making gold more attractive as a safe haven. Third, demand from gold ETFs rose and became the main new source of buying in 2025. Central banks remained steady buyers, but it was the extra ETF demand at the margin that gave gold an added boost this year.
- While the US dollar stabilized in the latter half of 2025, it was broadly weaker for the year, falling 9% on a trade-weighted basis. 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 markets 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.

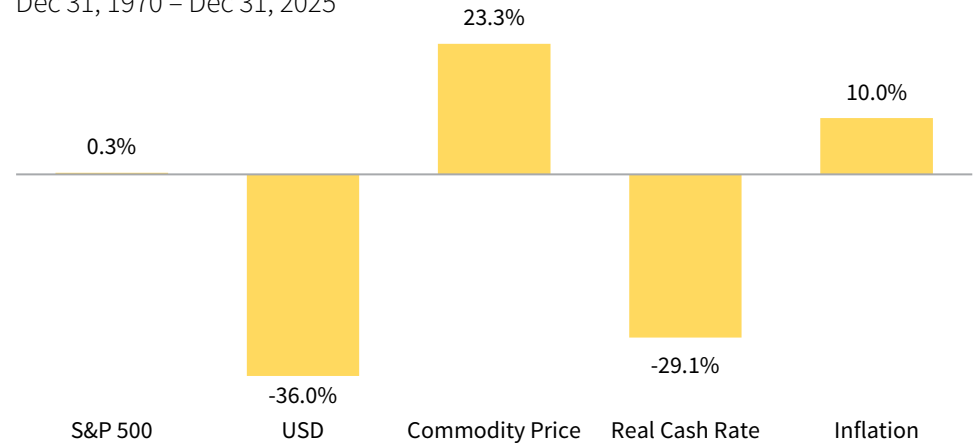
Gold bullion real price

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



Long-term correlation vs gold prices

Dec 31, 1970 – Dec 31, 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 November 30, 2025.

Currencies

USD vs Developed Markets Currencies

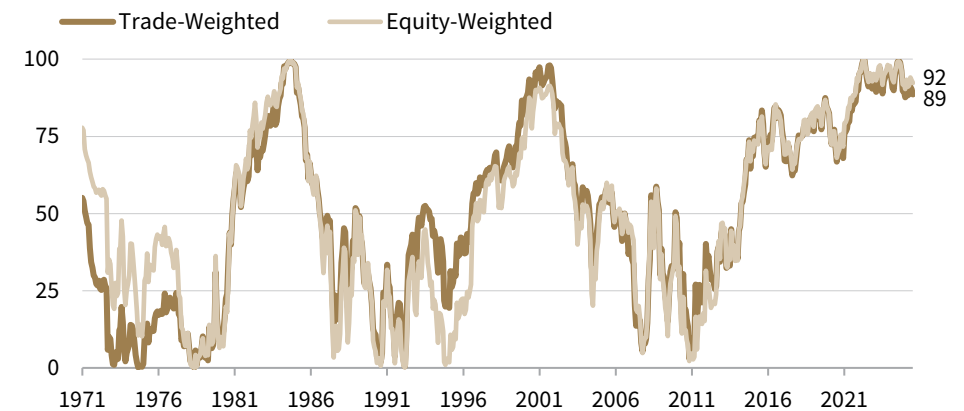
Facts & Figures Fourth Quarter 2025

The US dollar rose 0.2% in 4Q 2025 paring its calendar year loss to -8.2%. The weakening during 2025 was initially driven by tariff announcements and resultant uncertainty and expected growth impact, in addition to foreign hedging of US assets. Rate differentials have since narrowed and 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 2025, 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 than most 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 USD-denominated investments, hedging their currency exposure.
- A key risk to this view is whether the US economy, despite a softening labor market, may reaccelerate because of fiscal easing from the OBBB and other potential forms of 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.

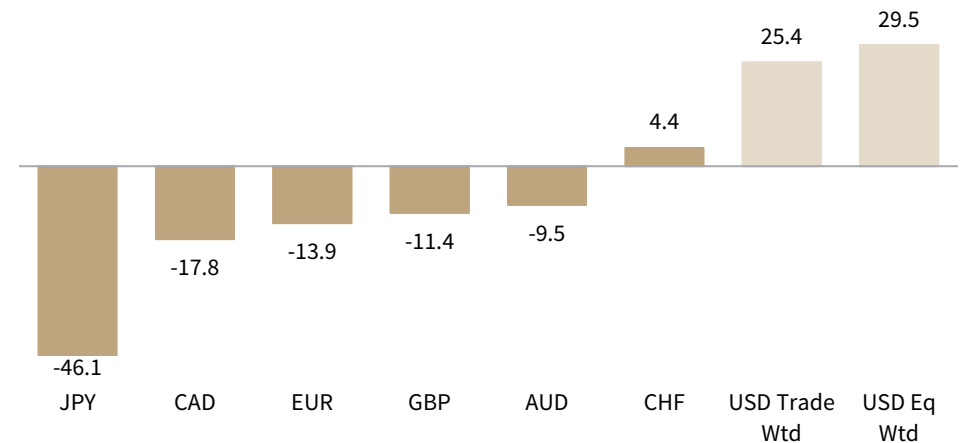
USD basket real exchange rate percentile

Jun 30, 1971 – Dec 31, 2025



Real exchange rate vs the USD: % from median

As of Dec 31, 2025



Sources: MSCI Inc., National Sources, OECD, and Thomson Reuters Datastream. MSCI data provided “as is” without any express or implied warranties.

Notes: Australian inflation data are quarterly and as of September 30, 2025. All other inflation data are as of November 30, 2025.

GBP vs Developed Markets Currencies

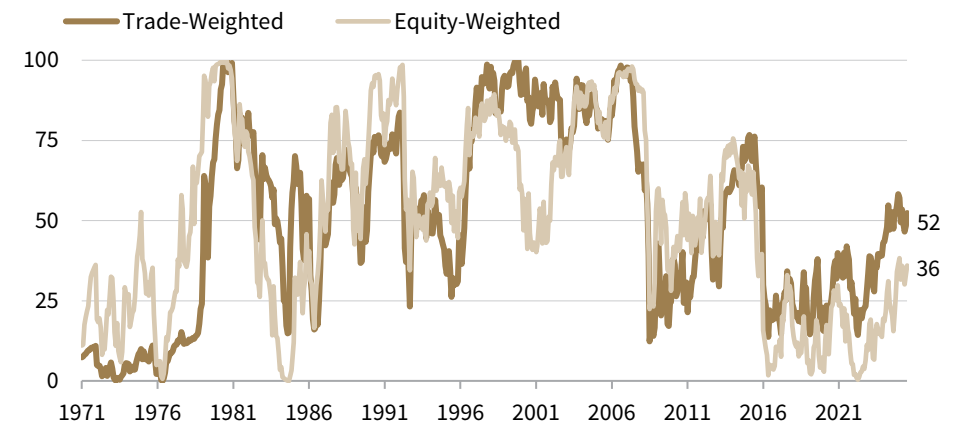
Facts & Figures Fourth Quarter 2025

Sterling was flat in trade-weighted terms in 4Q 2025 bringing its trailing one-year performance to -1.2%. The trailing one-year performance is primarily a function of a rising euro, while a decline in the dollar provided some offset. Domestically, activity has decelerated, the BOE has cut interest rates, and the budget was passed, placating the market.

- 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 76%, 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
- Economic growth in the UK has decelerated. While the UK had the fastest economic growth in the G7 during 1Q 2025, at 0.7%, by 3Q that had slowed to a meagre 0.1%. Consensus 2026 GDP growth for the UK stood at 1.1% at year end, slower than the 1.4% expected for 2025 and the 1.7% expected for broader DM this year. Still, the composite PMI has stood above 51 for the past three months, indicative of a slightly firmer expansion, while the budget has helped to lift the uncertainty that had pertained in the run up.
- The BOE cut their base rate by 25 bps to 3.75% during the quarter. Sticky inflation has restrained the bank from easing further to support growth. However, inflation seems likely to ease further, making additional rate cuts 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 in light of global debt-load concerns.

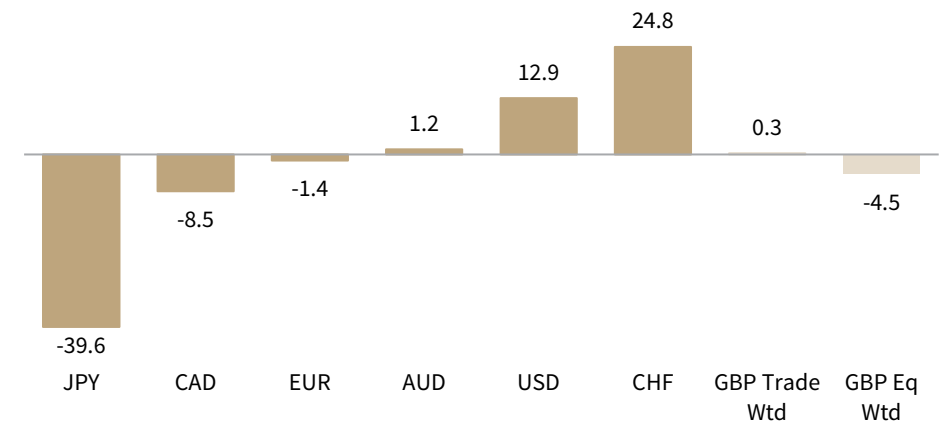
GBP basket real exchange rate percentile

Jun 30, 1971 – Dec 31, 2025



Real exchange rate vs the GBP: % from median

As of Dec 31, 2025



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

Notes: Australian inflation data are quarterly and as of September 30, 2025. All other inflation data are as of November 30, 2025.

EUR vs Developed Markets Currencies

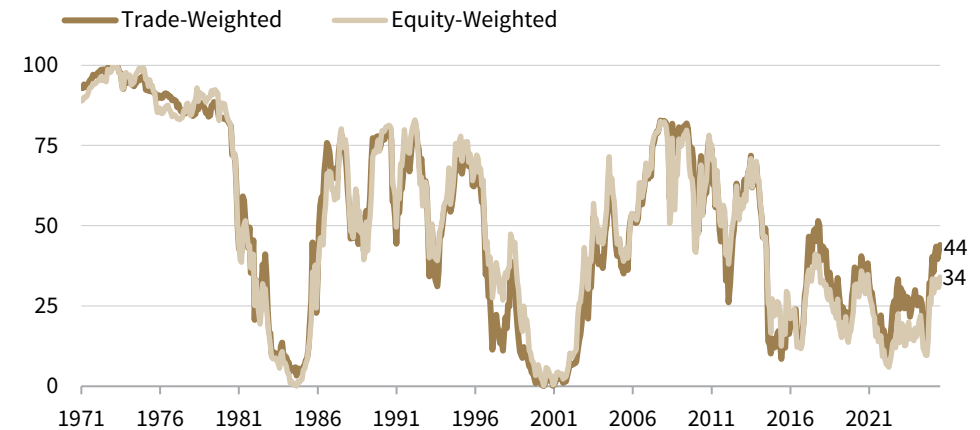
Facts & Figures Fourth Quarter 2025

The euro rose 0.2% in trade-weighted terms in 4Q 2025 bringing its trailing one-year performance to 7.6%. 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 Fed rate cuts have weighed on the dollar.

- On a valuation basis, the euro's REER stands at the 34th percentile on an equity-weighted basis and the 44th percentile on a trade-weighted basis, 7.7% and 1.6% 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 additional 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 cuts delivered by the ECB, untroubling inflation 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, there are only tentative signs that Germany's growth impulse has bottomed as it battles competitiveness issues, while France faces political gridlock. Eurozone growth is expected to be 1.2% in 2026, up from 1.1% expected a quarter ago, compared to 1.7% 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 further policy support, a moribund German economy, and an escalation of French political instability.

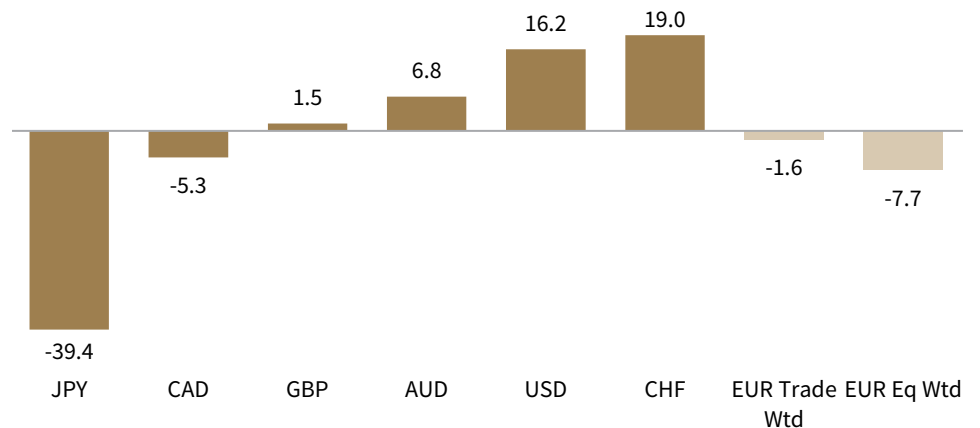
EUR basket real exchange rate percentile

Jun 30, 1971 – Dec 31, 2025



Real exchange rate vs the EUR: % from median

As of Dec 31, 2025



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

Notes: Australian inflation data are quarterly and as of September 30, 2025. All other inflation data are as of November 30, 2025.

Digital Assets

Facts & Figures Fourth Quarter 2025

Bitcoin fell 23.3% in 4Q as negative sentiment rippled across digital assets. For full-year 2025, bitcoin dropped 6.3%. The S&P Cryptocurrency Broad Digital Market Index also fell, losing 26.8% in 4Q and 15.4% for the year.

- The macro backdrop in 4Q was relatively stable, and most risk assets posted positive performance. This type of environment has typically been supportive for digital assets, but bitcoin suffered its worst quarter since 2022 after reaching an all-time high price of \$126,000 in October. The sharp decline was driven by a mix of factors: renewed regulatory uncertainty in the US and Europe, stress in crypto derivatives markets that led to forced selling, and a sharp rise in caution among investors toward digital assets.
- Measures of crypto market sentiment, such as the CMC Fear and Greed Index, indicated that investors turned extremely fearful of crypto investments in November. Such measures could be used as contrarian indicators, given the large sentiment-driven aspects of crypto assets generally.
- 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.
- Digital assets remain far more volatile than stocks. Over the past three years, bitcoin's price swings were nearly 5x larger than those of equities, and smaller cryptoassets are likely even more volatile. While volatility has eased somewhat as acceptance and liquidity have grown, it is still a key feature of the asset class.
- 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.

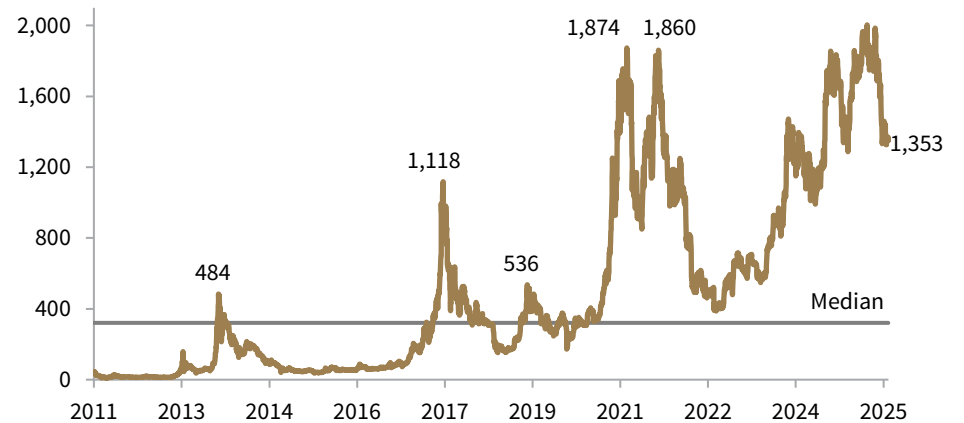
Bitcoin price

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



Ratio of bitcoin price to transactions per coin

Aug 31, 2011 – Dec 31, 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

Fourth 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 mechanically 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.

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