

Equities

Global Equities

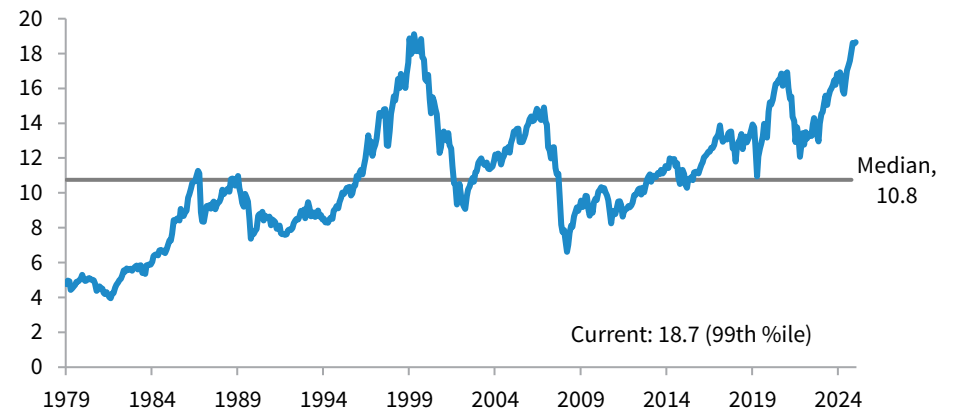
Facts & Figures Fourth Quarter 2025

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.

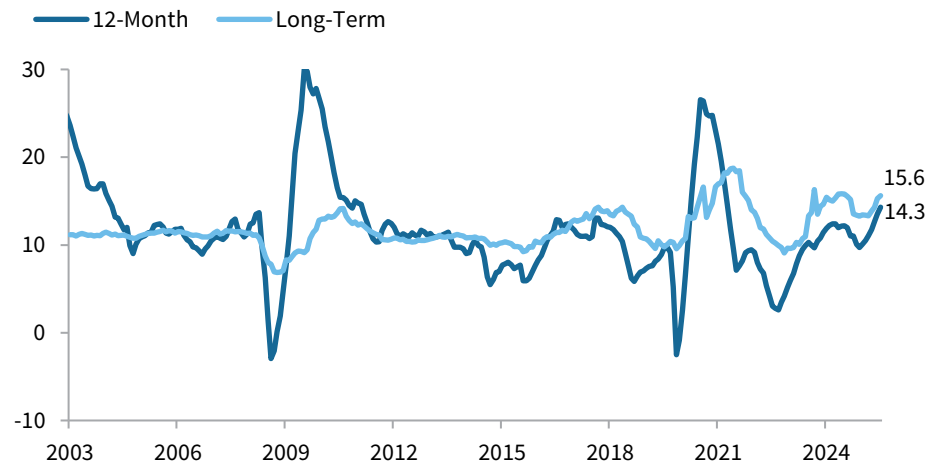
Cyclically adjusted price-to-cash earnings

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

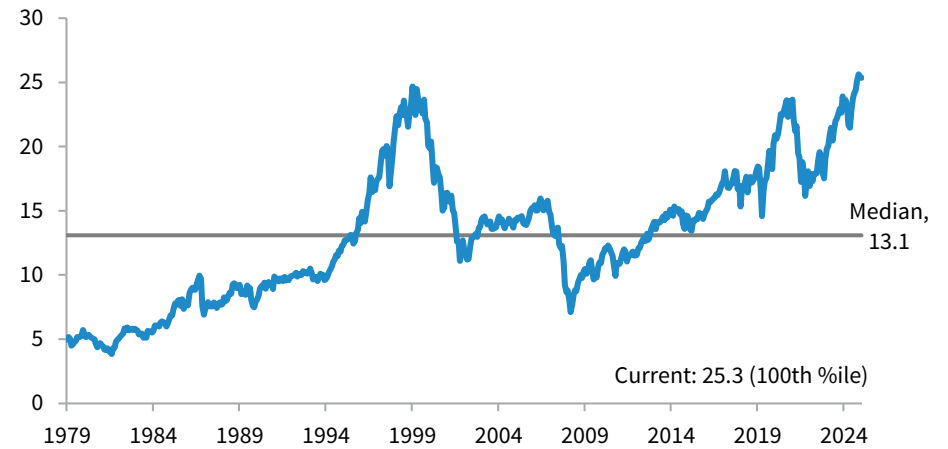
Facts & Figures Fourth Quarter 2025

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.

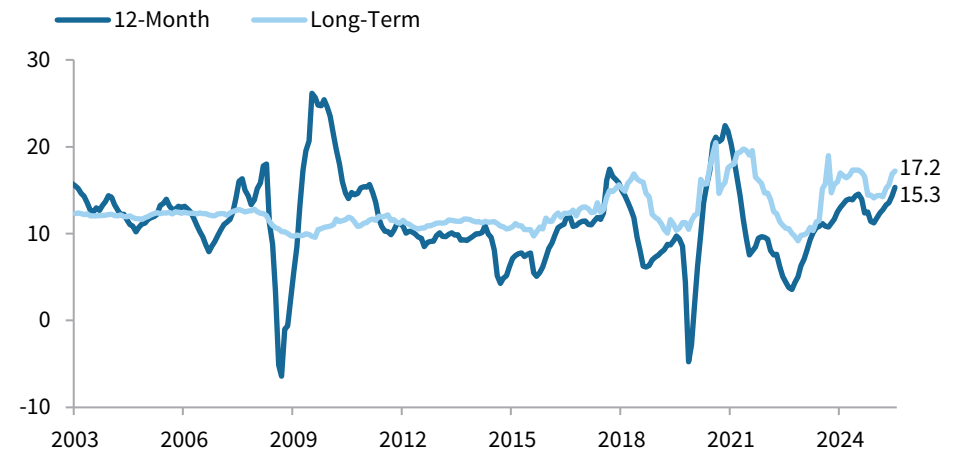
Cyclically adjusted price-to-cash earnings

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

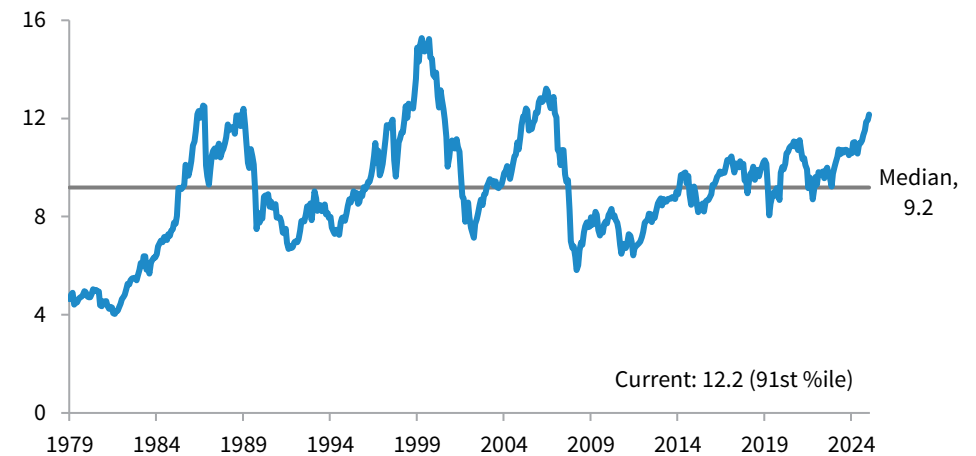
Facts & Figures Fourth Quarter 2025

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 ppts of rate cuts from the ECB may be a tailwind for the Eurozone in particular.
- Earnings growth has been weaker in DM ex US, with trailing 12-M EPS growing by 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%).

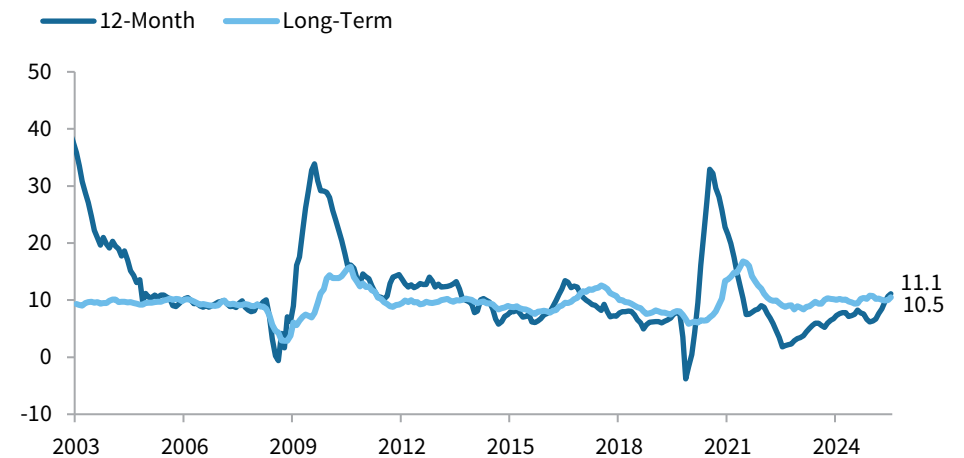
Cyclically adjusted price-to-cash earnings: MSCI World ex US

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

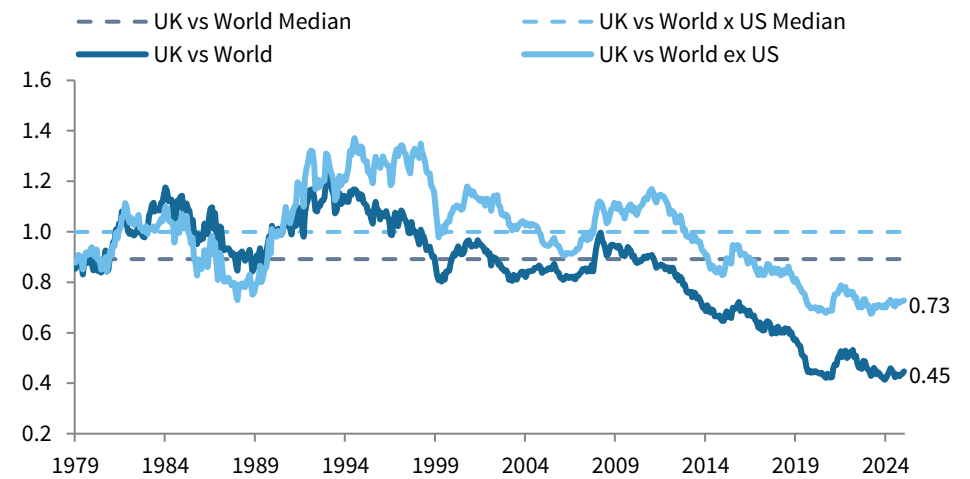
Facts & Figures Fourth Quarter 2025

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.

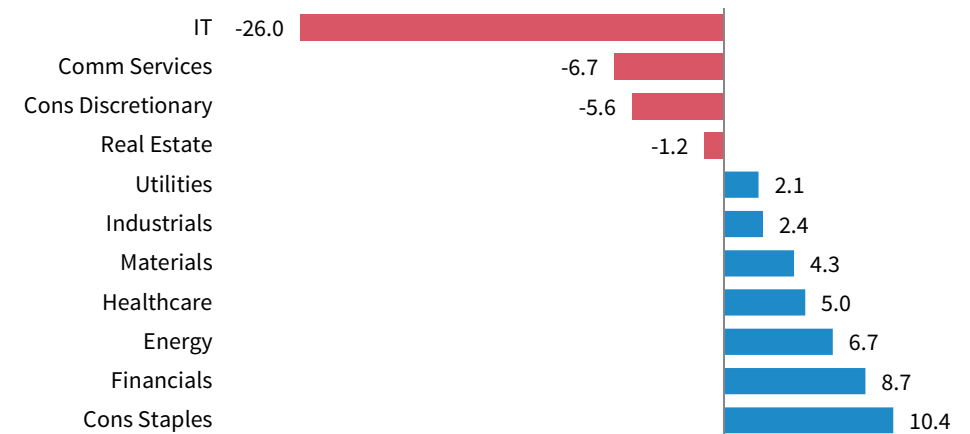
Relative CAPCE: MSCI UK vs World

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

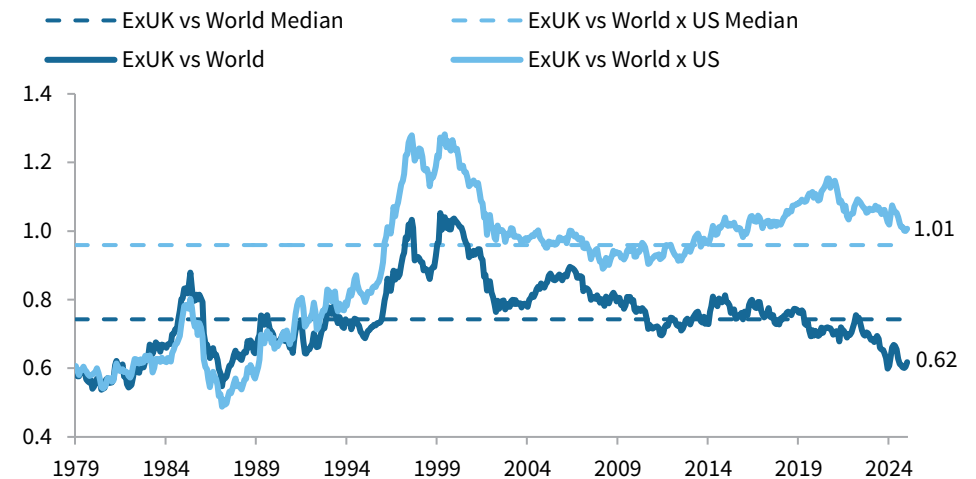
Facts & Figures Fourth Quarter 2025

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%.

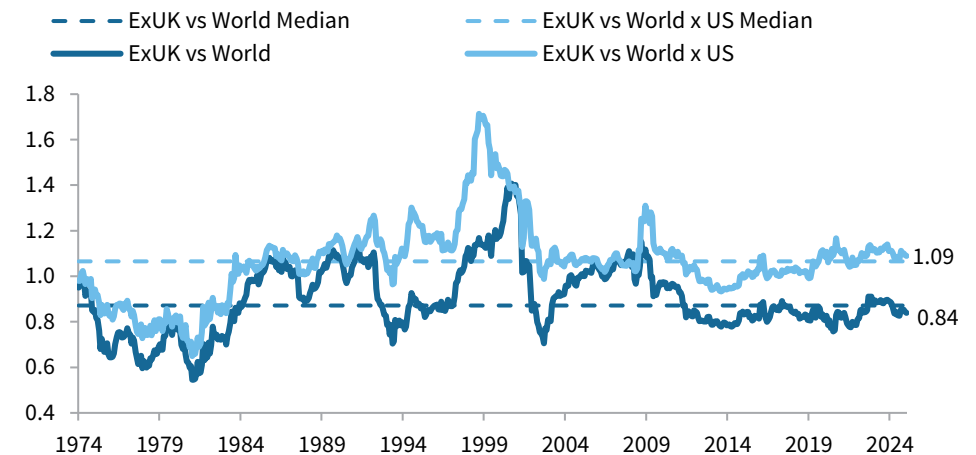
Relative CAPCE: MSCI Europe ex UK vs World and World ex US

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

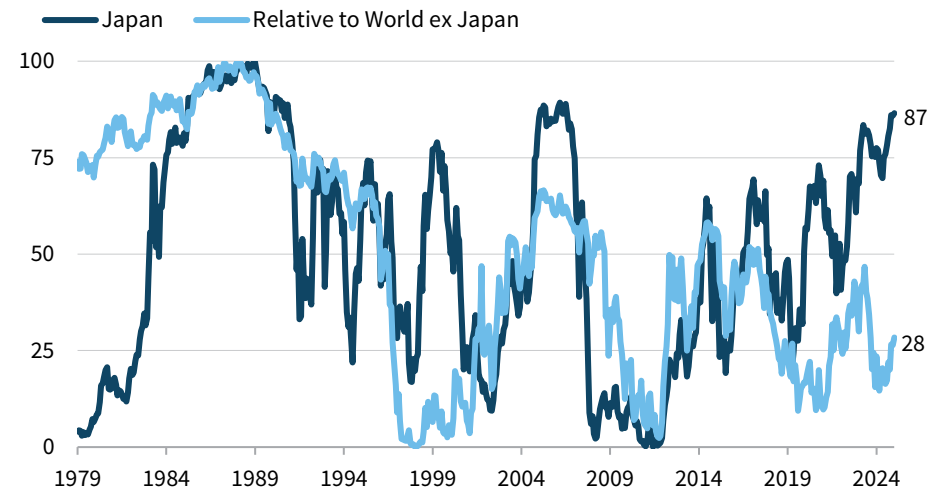
Facts & Figures Fourth Quarter 2025

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.

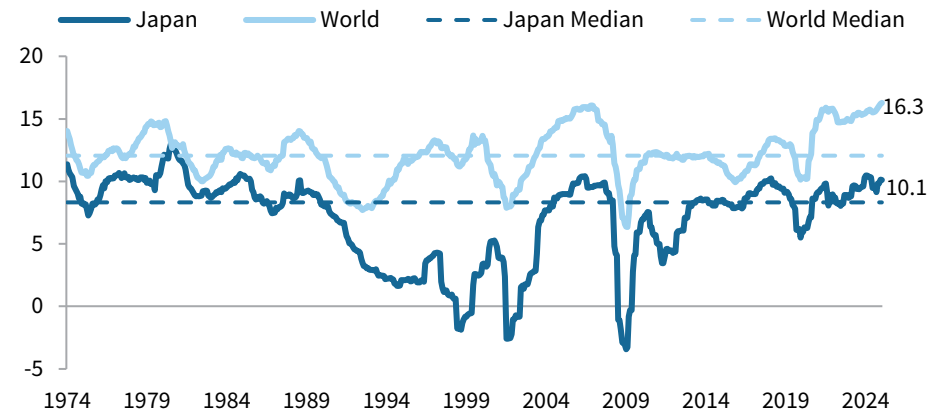
Cyclically adjusted price-to-cash earnings

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

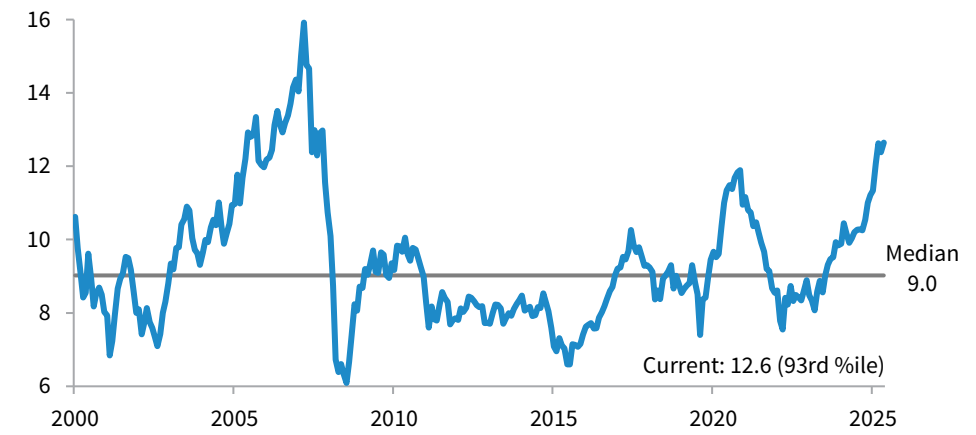
Facts & Figures Fourth Quarter 2025

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.

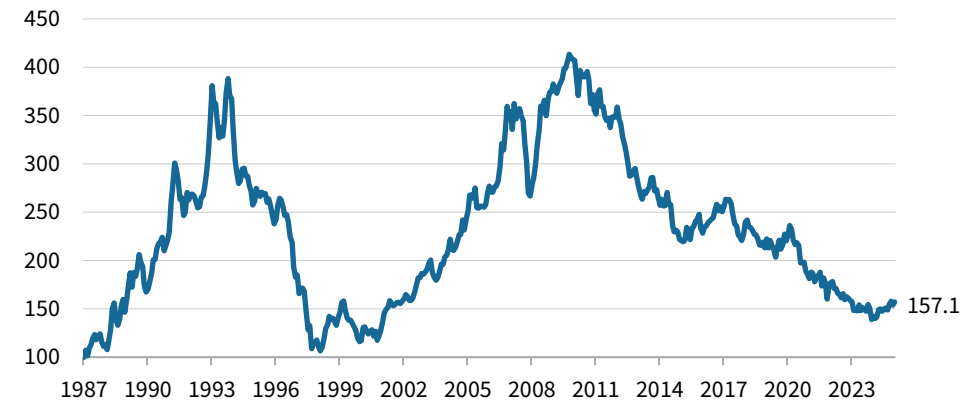
Cyclically adjusted price-to-cash earnings: MSCI EM

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

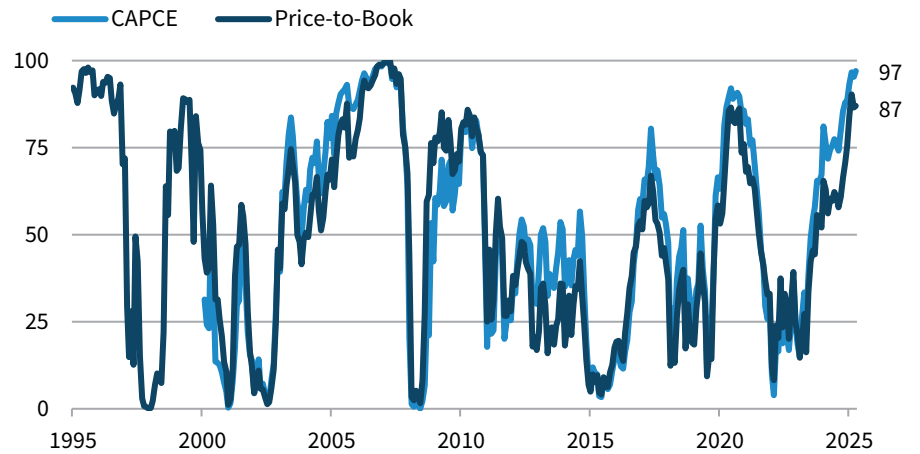
Facts & Figures Fourth Quarter 2025

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.

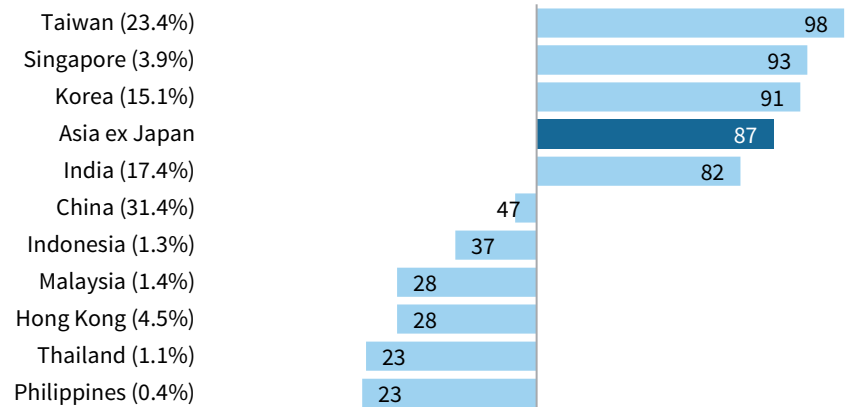
MSCI All Country Asia ex Japan Valuations

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

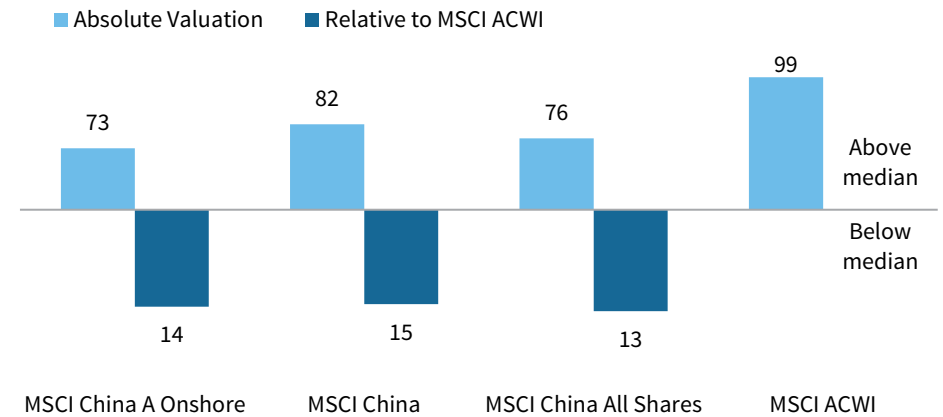
Facts & Figures Fourth Quarter 2025

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

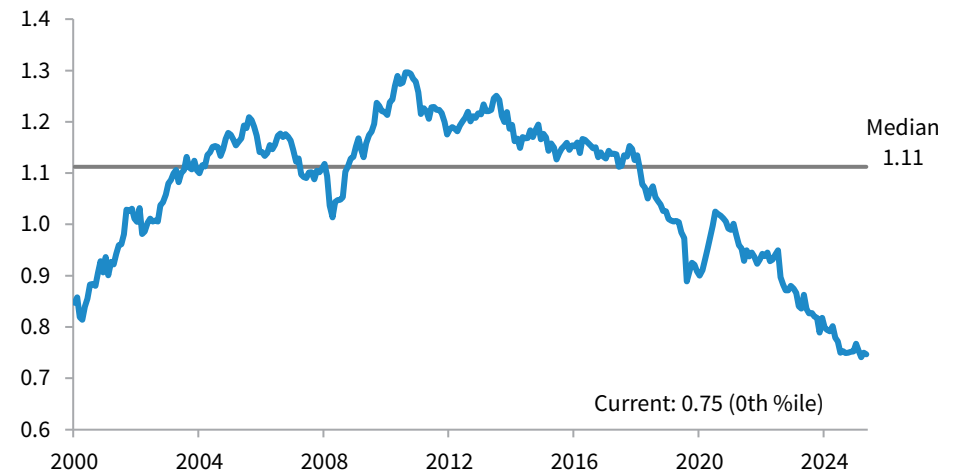
Facts & Figures Fourth Quarter 2025

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.

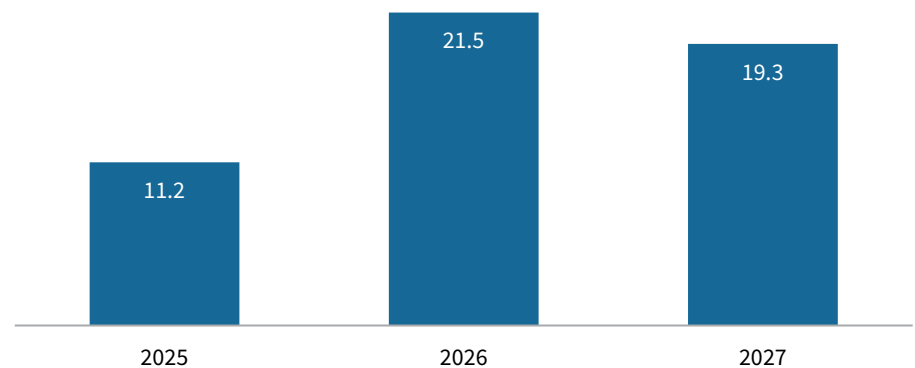
5-yr CAPCE: MSCI ACWI SC vs MSCI ACWI LC/MC

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

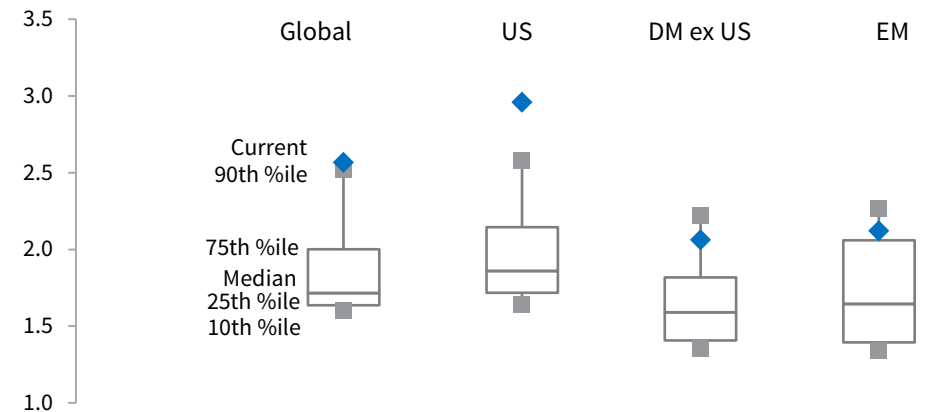
Facts & Figures Fourth Quarter 2025

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.

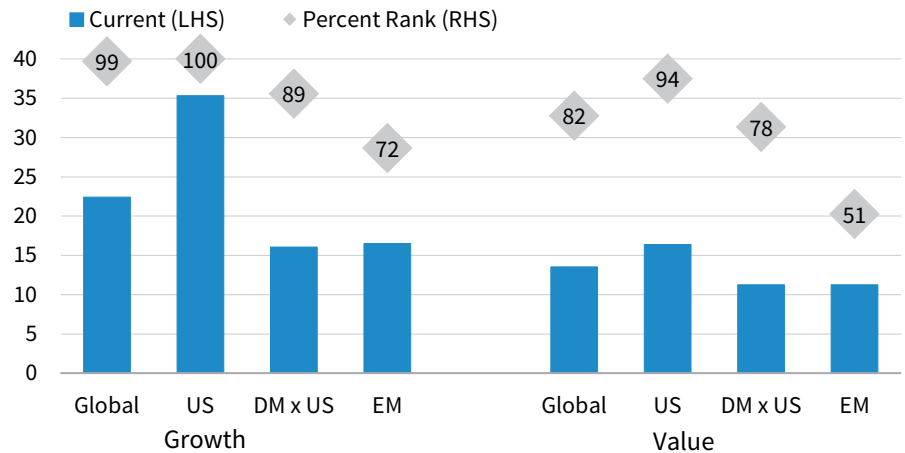
Relative CAPCE for select regions: Growth vs Value

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

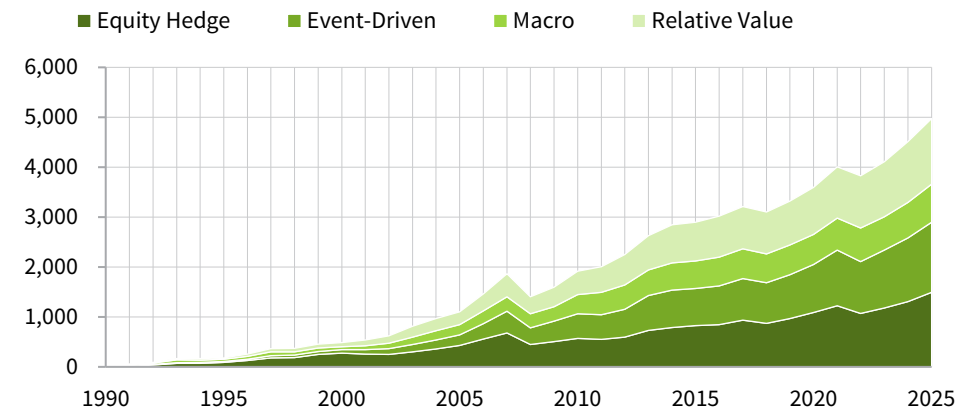
Facts & Figures Fourth Quarter 2025

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

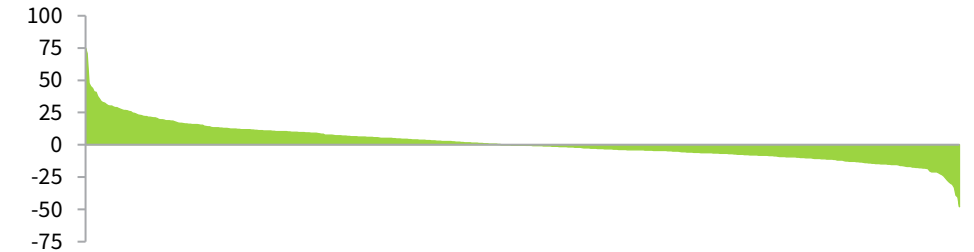
1990–2025 (Sep) • US\$B



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.