



Asset Class Facts & Figures

First Quarter 2026

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Equities

Global Equities

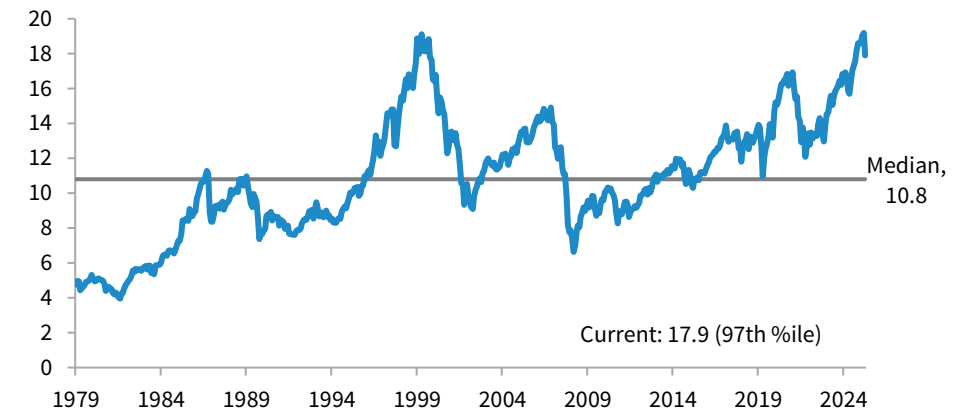
Facts & Figures First Quarter 2026

Global equities returned -3.2% in 1Q and 22.3% in 2025 for USD investors. The quarter's losses came as the Iran War contributed to a sharp rise in oil prices and raised concerns about a reacceleration of inflation in many countries. More growth-sensitive areas of the market, such as consumer discretionary and technology, performed the worst during the quarter.

- Global equities trade at 17.9x 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 3.0% in 2026, according to analysts surveyed by Bloomberg in March. Developed economies are expected to grow by 1.8%, and emerging markets by 4.4%, with both figures broadly in line with anticipated growth rates for 2025. The impact of the war on economic growth expectations depends on its duration and scope, and so far, market participants expect it is more likely that it will conclude by summer than not.
- Global corporate earnings are expected to grow by 19.7% in 2026, outpacing the projected 10.0% increase in 2025. The stronger outlook is driven by higher expected earnings growth in the euro area, from -4.1% in 2025 to 17.8% in 2026, and in emerging markets, from 11.5% to 37.1%. Continued strong growth expectations for US equities at 18.5% further reinforce the positive outlook.
- Expectations for policy interest rates are a key risk for equities. Major developed markets central banks had been expected to keep policy rates stable or ease them modestly. The Iran War has raised the possibility of higher inflation, leading market participants to believe that central banks may be reluctant to ease and could even need to raise rates modestly.

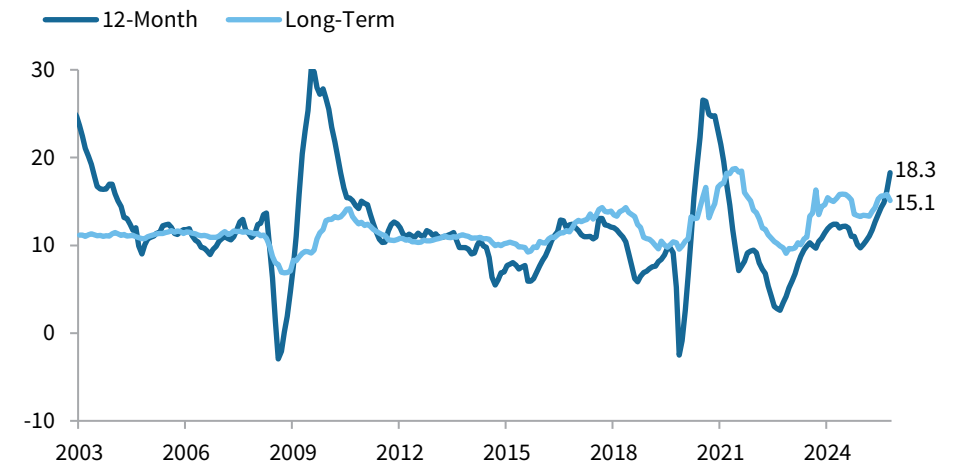
Cyclically adjusted price-to-cash earnings

Dec 31, 1979 – Mar 31, 2026



Corporate earnings growth expectations

Jun 30, 2003 – Mar 31, 2026 • 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

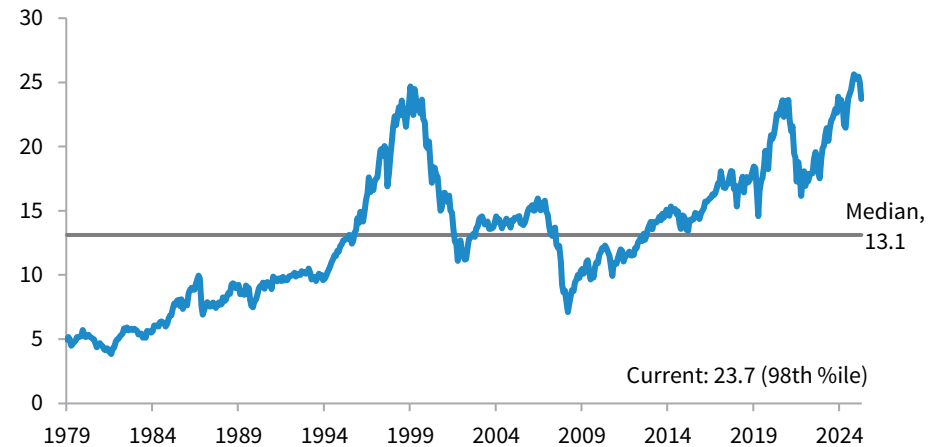
Facts & Figures First Quarter 2026

US equities declined 4.6% 1Q 2026, trailing DM ex US equities, which fell 0.9%. Stretched valuations, tariff uncertainty, and a sharp sell-off in large-cap tech weighed on US markets throughout the quarter, with rising energy prices from the Iran War adding further pressure in March. On a TTM basis, US equities returned 17.3%, underperforming DM ex US equities which returned 23.0%.

- US equities' cyclically adjusted price-to-cash earnings (CAPCE) multiple fell in 1Q to 23.7x, slightly below its record high based on historical data from 1979. The relative valuation gap with DM ex US equities, which trade at 12.1x, is also near historic extremes, and this disparity remains pronounced even after adjusting for sector composition differences.
- The Iran war caused a historic disruption to the energy supply in the Middle East and rattled equity markets. Global stocks and bonds sold off in March, though US assets held up better than their non-US counterparts as the dollar rallied. The conflict complicates the economic outlook, and 2026 US real GDP growth has been slightly downgraded to 2.3%, while inflation expectations have been increased to 3.0%.
- Sector level market dispersion was also a key theme in 1Q. The IT sector, which accounts for around one-third of the broader index, fell nearly 10%. Software stocks fell 24% as the AI-disruption fears triggered a sharp derating of high multiple SaaS names. The energy sector—driven by the largest oil supply disruption in history and a surge in oil prices—rose almost 40%.
- Rising inflation expectations related to the Iran War energy supply shock have pushed out expectations for rate cuts, with futures now signaling that the Fed will hold its policy rate at the current target range of 350-375 this year. These expectations could change if the economic outlook is further dampened by the impact of the Iran War.

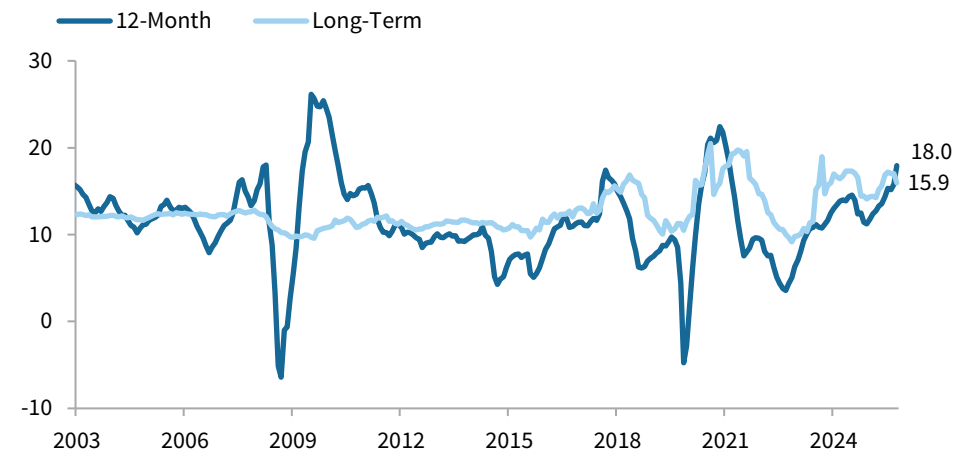
Cyclically adjusted price-to-cash earnings

Dec 31, 1979 – Mar 31, 2026



Corporate earnings growth expectations

Jun 30, 2003 – Mar 31, 2026 • 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

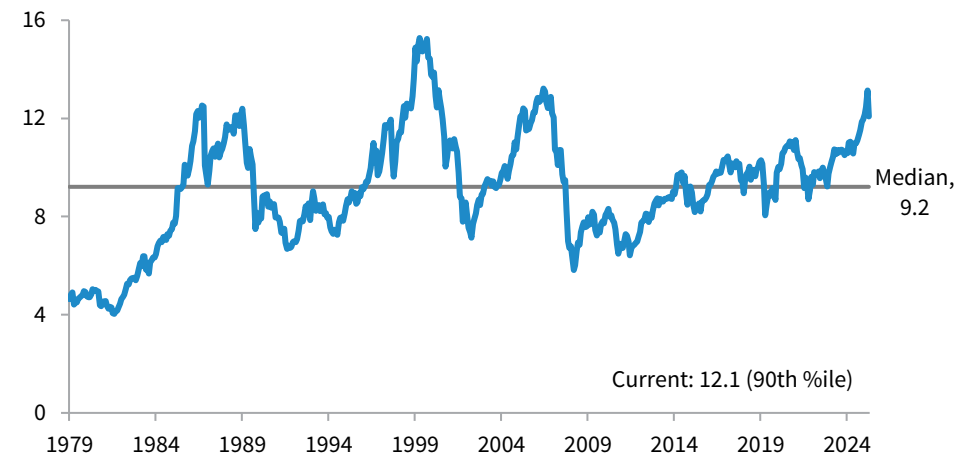
Facts & Figures First Quarter 2026

DM ex US equities returned -0.9% in USD in 1Q 2026, beating the -3.6% return of broader DM. Over the trailing one year, the bloc has returned 23.0% versus DM's return of 18.9%. Relative performance has 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 declined modestly last quarter, with the bloc now trading at 12.1x cyclically adjusted cash earnings (90th percentile since 1979), 31% above the long-term median of 9.2x. Still, relative valuations remain attractive given that broader DM trades at a 18.9x CAPCE (due to a CAPCE of 23.7x for US equities). This relative valuation is in the 7th percentile of the historic data and represents a discount of nearly 24% to the median relative valuation of 0.84.
- The DM economy is forecast to grow by 1.8% in 2026, representing an upward revision of 0.1 ppt over the past quarter. A softening tariff backdrop, easing monetary policy, and a resilient US economy have driven this improved forecast. Other economies prospects had been improving, even as the US was still expected to outperform. However, the supply shock of the attacks on Iran presents some risk of further US outperformance due to its greater degree of energy independence.
- Earnings growth has been weaker in DM ex US, with trailing 12-M EPS growing by 7.5% over that period compared to 10.5% for broad DM. Lower weights in the IT and comms sectors, and lower profitability within those sectors in the region, accounts for much of this lag. Analyst consensus forecasts expect earnings to grow by 12.6% in the coming 12 months, compared to expected growth of 16.1% in broad DM. Growth is expected to be driven more by profit margin expansion (from 10.5% to 11.4%) than by sales growth (4.4%).

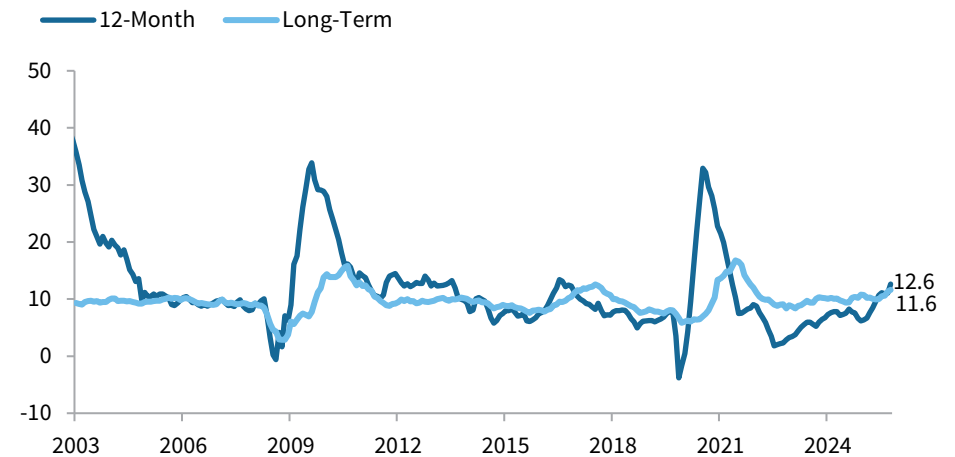
Cyclically adjusted price-to-cash earnings: MSCI World ex US

Dec 31, 1979 – Mar 31, 2026



Corporate earnings growth expectations

Jun 30, 2003 – Mar 31, 2026 • 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

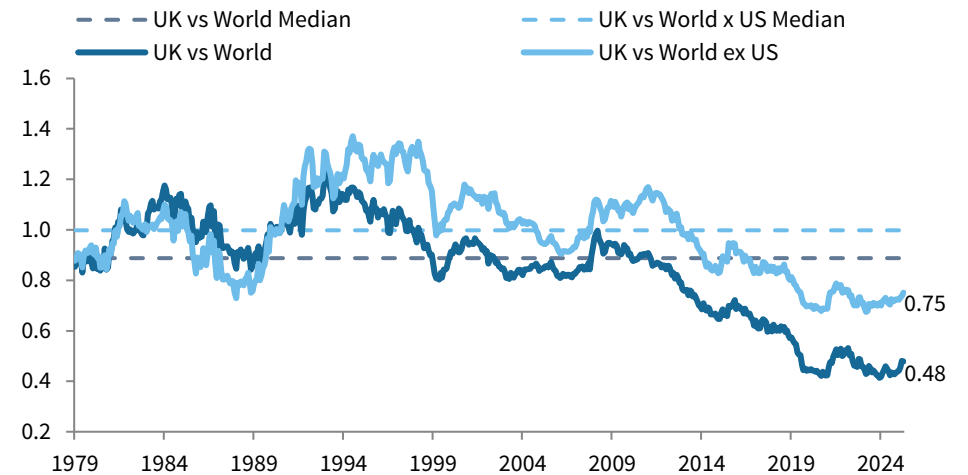
Facts & Figures First Quarter 2026

UK equities returned 2.0% in USD terms in 1Q 2026, outperforming the -3.6% return of broader DM. Over the trailing one year, the bloc has similarly outperformed, returning 25.7% versus DM's return of 18.9%. Outperformance has been approximately driven by sectoral tilts and a weakening dollar, in addition to idiosyncratic outperformance. UK economic growth has slowed versus peers, albeit was showing some signs of picking up before the onset of the Iran War.

- UK valuations remain deeply discounted versus peers. The UK's CAPCE ratio stands at 9.1, up from 8.8 in 4Q, placing it in the 63rd percentile of historical observations. However, the ratio of the UK's CAPCE to broad DM is just 0.48 (9th percentile). Adjusting for substantial sectoral differences between the indexes, the relative CAPCE rises to 0.63. However, when weaker earnings growth is also considered—by looking at forward P/Es—the ratio of sector-neutral forward P/Es is 0.78. These figures collectively underscore the persistent valuation gap between UK equities and broader DM.
- UK growth has slowed after leading the G7 in early 2025, with GDP expanding just 0.1% in both 3Q and 4Q and 2026 consensus growth revised down to 1.0%, below broader DM expectations of 1.8%. Still, activity indicators were rising before the Iran War, supported by reduced post-budget uncertainty. While the BOE held rates at 3.75%, we expect inflation to moderate further, enabling additional rate cuts to support weak economic activity.
- Corporate fundamentals in the UK lag their peers. Trailing 12-month EPS grew by 5.6% over the past 12 months compared to growth of 10.5% for broad DM, due largely to the UK's sectoral tilts. UK EPS growth is forecast to underperform DM by 5.3 ppts over the next 12 months (10.7% vs 16.1%), with growth primarily driven by margin expansion (11.4% to 12.1%) and a more modest contribution from sales growth (3.9%). If fundamentals improved, depressed sentiment could prove supportive for UK risk assets.

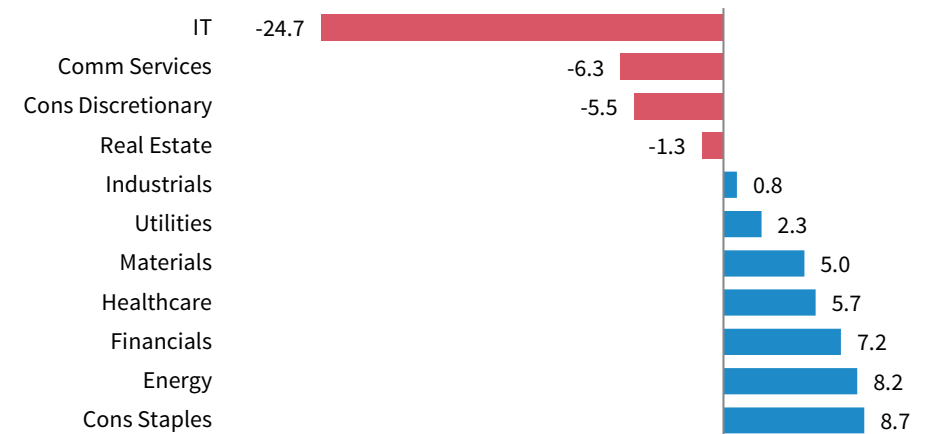
Relative CAPCE: MSCI UK vs World

Dec 31, 1979 – Mar 31, 2026



Relative sector weights: UK minus World

As of Mar 31, 2026 • Percentage Points



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

Europe ex UK Equities

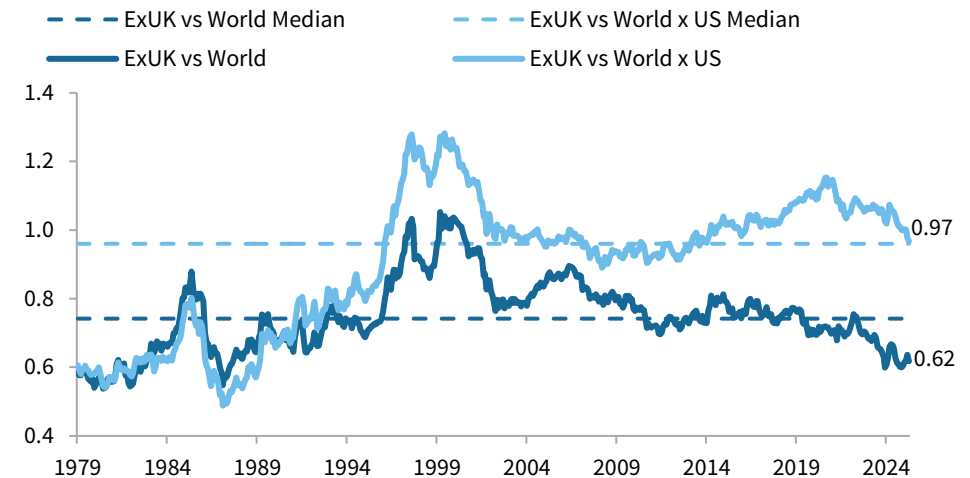
Facts & Figures First Quarter 2026

Europe ex UK equities returned -4.2% in USD terms in 1Q 2026, modestly underperforming broader DM which returned -3.6%. Over the trailing one-year, the bloc has returned 17.3% versus DM's return of 18.9%. Relative performance has been weaker in LC terms over the past year, reflecting the EPS growth impact of having a lower exposure to the dominant tech and AI-related stocks.

- In absolute terms, the valuation declined last quarter with the CAPCE falling from 12.2 at year end to 11.7 at the end of 1Q, which represents the 84th 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 declined to 0.97, now at the 53rd percentile of historical observations and less than 1 ppt above its long-term median of 0.96.
- Economic uncertainty has increased with the onset of attacks on Iran. This has contributed to a one-tenth decline in the consensus Eurozone GDP growth forecast for 2026 to 1.1%. This lags the 1.8% growth expected in DM more broadly. 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 in the coming quarters.
- Longer-term underperformance versus DM is driven by lower underlying profitability, with the relative ROE at 0.83x, 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 14.2% over the next 12 months, behind DM's 16.1%. Sales growth is forecast at 4.4%, with margins rising 93 bps to 10.9%.

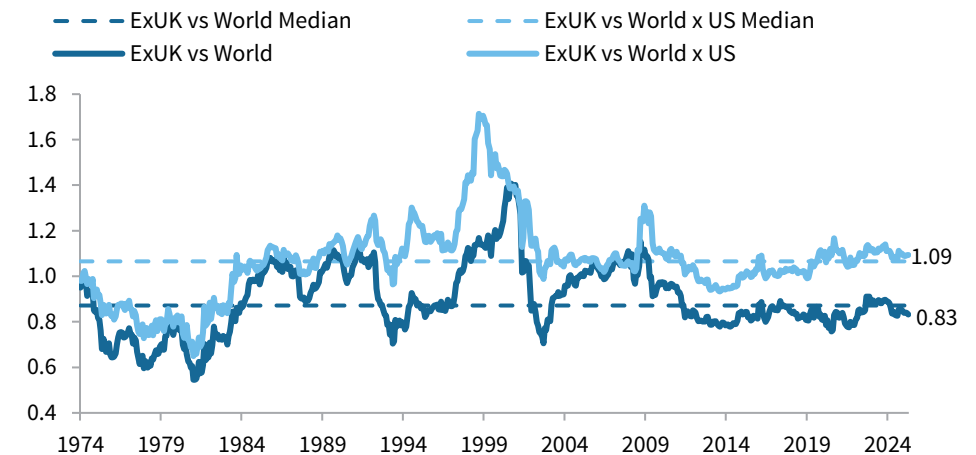
Relative CAPCE: MSCI Europe ex UK vs World and World ex US

Dec 31, 1979 – Mar 31, 2026



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

Dec 31, 1974 – Mar 31, 2026 • Percent (%)



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

Japanese Equities

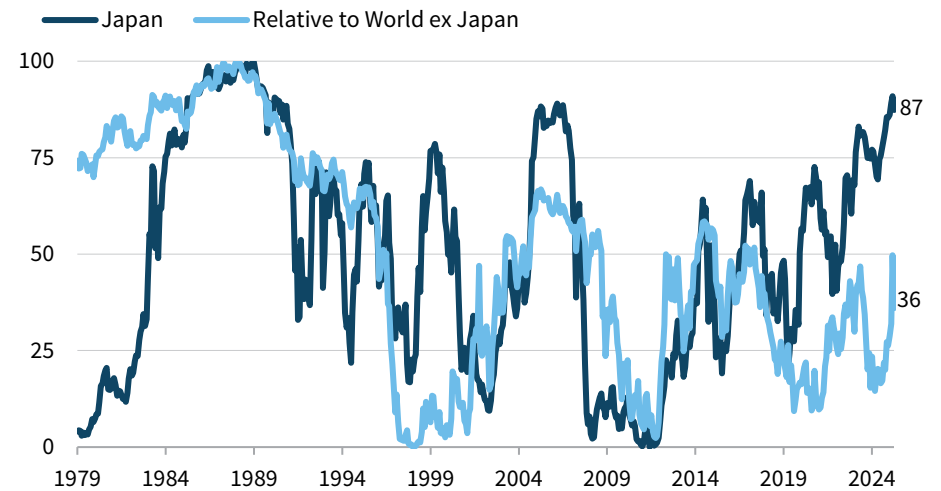
Facts & Figures First Quarter 2026

Japanese equities returned 1.4% in 1Q 2026 in USD terms, significantly outperforming DM equities, which returned -3.6%. Yen-based investors, insulated from currency depreciation, earned even higher returns. Over the last 12 months, Japanese equities delivered a 25.9% return in USD, surpassing developed peers.

- Japanese equity valuations have steadily risen over the past 12 months. At the end of 1Q, the cyclically adjusted cash earnings ratio stood at 14.0x, 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 36th percentile historically.
- The macro backdrop is supportive. Real GDP growth has been modest, but the recent decisive Lower House elections—which resulted in a supermajority for Prime Minister Takaichi’s LDP party—should provide several years of political stability and a mandate for more fiscal stimulus.
- More importantly, deflation is firmly in the rearview mirror and CPI is expected to average around 2% in 2026. 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 have risen in recent months and stand at 11% for 2026. Uncertainty around the impact of US tariffs has faded, though the evolving Iran War merits close watching. Currency volatility remains a consideration, with yen weakness more than halving USD returns over the past five years.
- The ROE on Japanese equities currently stands at 9.5%, 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.

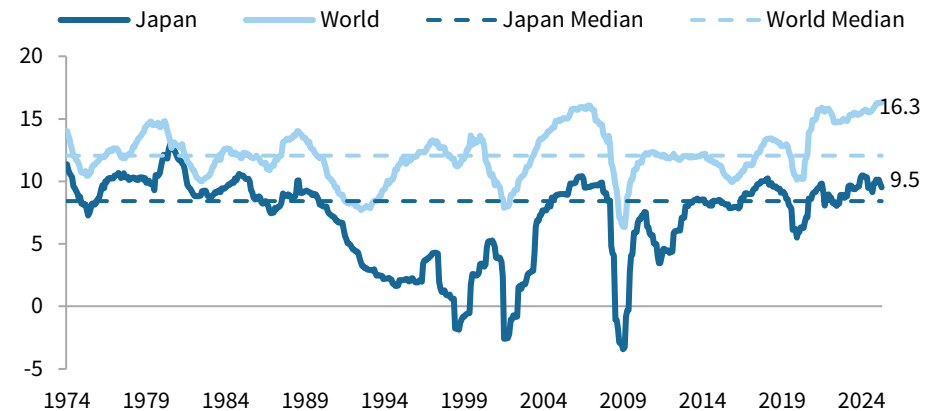
Cyclically adjusted price-to-cash earnings

Dec 31, 1979 – Mar 31, 2026 • Percentile (%)



ROE: MSCI Japan vs World

Dec 31, 1974 – Mar 31, 2026 • Percent (%)



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

Emerging Markets Equities

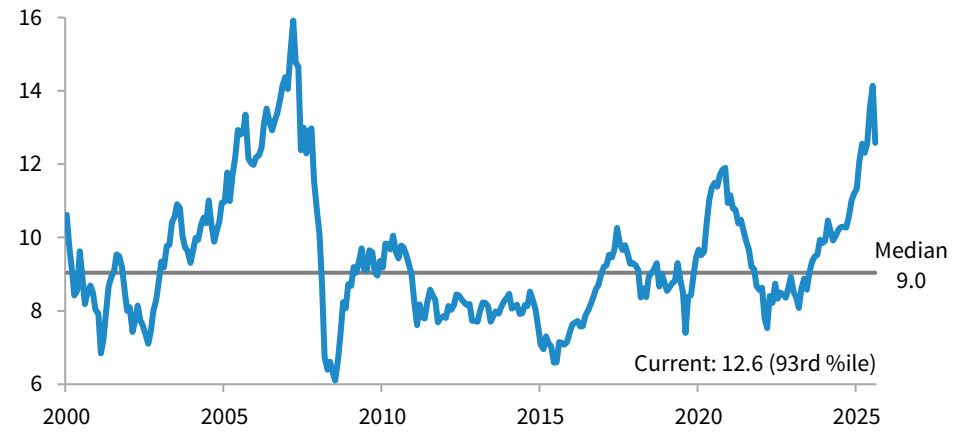
Facts & Figures First Quarter 2026

EM equities returned 0.1% in USD terms in 1Q, as a -13% tumble in March wiped out earlier gains. Returns over the past TTM remain robust at 30.3%, with EM outperforming DM equities by 11 ppts.

- EM valuations have run up sharply over the past year, driven by strong performance by all regions, but most notably by the AI-related markets of Taiwan and Korea in particular, as well as a rebound in China and Brazil. Absolute valuations had reached the 98th percentile by the end of February before the March sell-off triggered by the Iran War. Despite the recent pullback, valuations remain above the 90th percentile. Nevertheless, EM trades at a 34% discount to DM, although this has narrowed in recent quarters.
- There remains regional and country level valuation dispersion. Valuations are elevated in Aisa, driven by countries such as Taiwan and Korea. Valuations for Latin America appear relatively cheap, particularly Brazil and Mexico.
- Consensus expectations call for stable EM GDP growth of 4.4% in 2026. Yet, the impact of higher energy prices may disproportionately fall on emerging markets economies, increasing the risk of growth disappointment.
- Indeed, analysts expect outsized EPS growth of 37% in 2026, likely driven by the IT sector on the back of global AI-buildout demand. Yet, such numbers are likely to be revised down given the high dependency of Asia on middle eastern energy imports.
- Despite recent outperformance, EM still lags DM over the decade. 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.

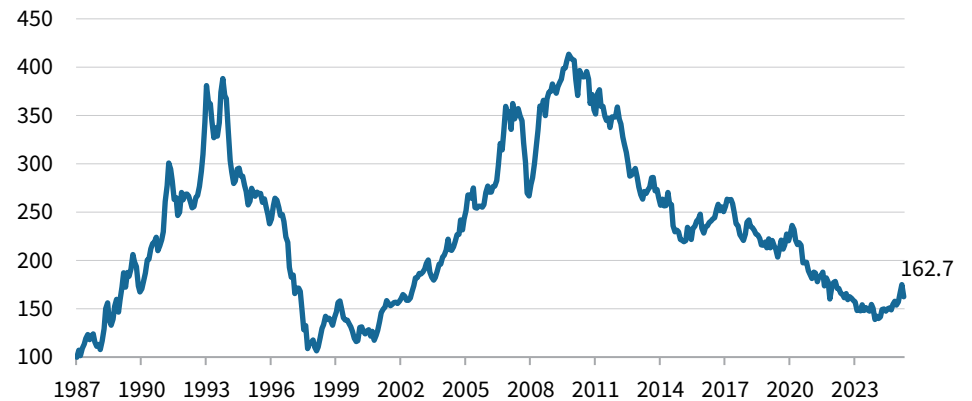
Cyclically adjusted price-to-cash earnings: MSCI EM

Aug 31, 2000 – Mar 31, 2026



EM/DM equity relative cumulative wealth

Dec 31, 1987 – Mar 31, 2026 • 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 First Quarter 2026

Asia ex Japan equities returned -1.1% in 1Q 2026 in USD terms, outperforming global equities by 198 bps. Performance in 1Q was impacted by the Iran War, which saw Asian equities hit particularly hard, down 13.7% for the month of March. However, on a TTM basis, Asia ex Japan equities returned 29.1%, outperforming global equities which returned 20.5%.

- Given the strong rally over the past year, Asia ex Japan valuations have become elevated relative to history. Even after the sell-off in March, the index's P/B ratio is in 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 42nd percentile of historical observations.
- Absolute valuations are mixed across countries and are elevated in Taiwan, Korea, and Singapore 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.
- Real GDP growth in Asia ex Japan is forecast at 4.9% in 2026, but the outlook is subject to downside risks from higher energy prices resulting from the Iran war, given the region's reliance on oil and gas imports from the Gulf.
- Analysts' expectations of forward 12-month EPS growth for Asia ex Japan were revised higher over 4Q to 36.5% as of December 31, compared to estimates for global peers at 19.3% 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.

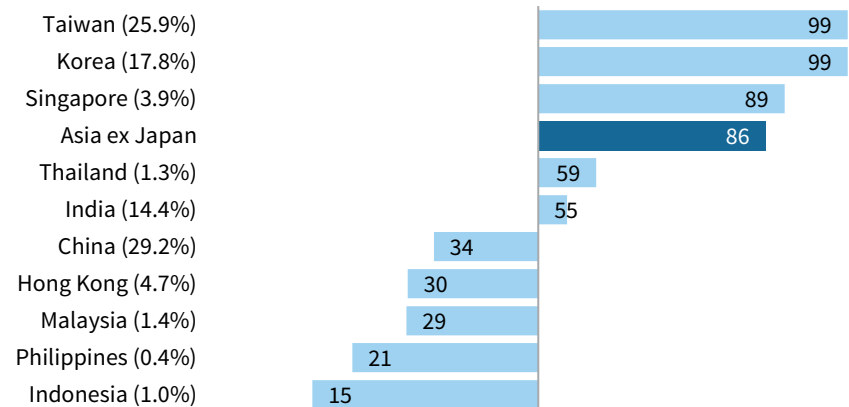
MSCI All Country Asia ex Japan Valuations

Sep 30, 1995 – Mar 31, 2026 • Percentile (%)



Country P/B Percentile: MSCI AC Asia ex Japan

As of Mar 31, 2026 • 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

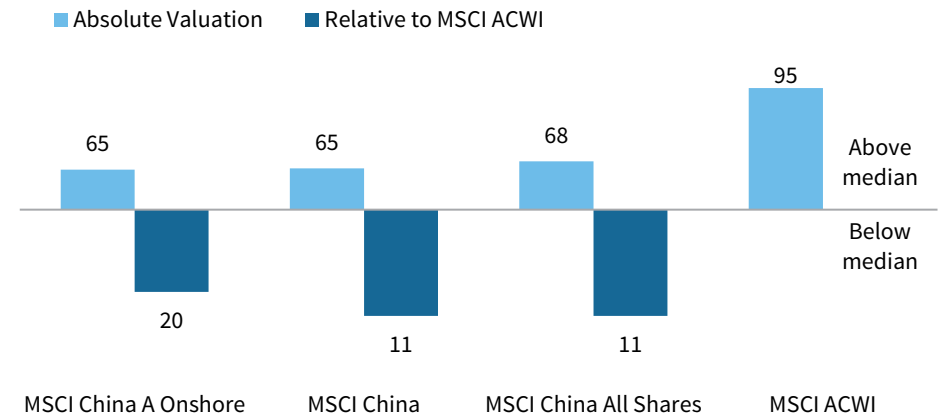
Facts & Figures First Quarter 2026

Chinese equities returned -6.5% in 1Q, as markets sold off following the outbreak of the Iran War. On a TTM basis, Chinese equities returned 10.6%. Offshore Chinese equities (4.0%) have lagged onshore A-shares (27.3%) by a wide margin over this period as the rally in Chinese technology stocks stalled. As a result, Chinese equities have underperformed both broader EM and Global equities.

- As of March 31, the composite P/E ratio for the MSCI China All Shares Index was at the 68th percentile, up from the 12th percentile in August 2024. Absolute valuations have risen but still seem reasonable for both offshore Chinese equities and onshore A-shares. However, valuations for both segments remain low relative to global equities.
- Consensus forecasts expect China real GDP growth of 4.6% in 2026, which is at the lower end of the government’s official target of 4.5%–5.0%. Recent growth has been boosted by strong exports despite US tariffs, which helped offset sluggish consumption and a still weak real estate market. So far policymakers have refrained from additional stimulus, highlighting that officials are comfortable with the current state of the economy, even in the face of higher energy costs due to the Iran War, given China’s build out of renewable energy sources.
- 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 49% Hong Kong-listed equities, 3% US-listed equities, and 48% 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 – Mar 31, 2026



Sector weights

As of Mar 31, 2026 • 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

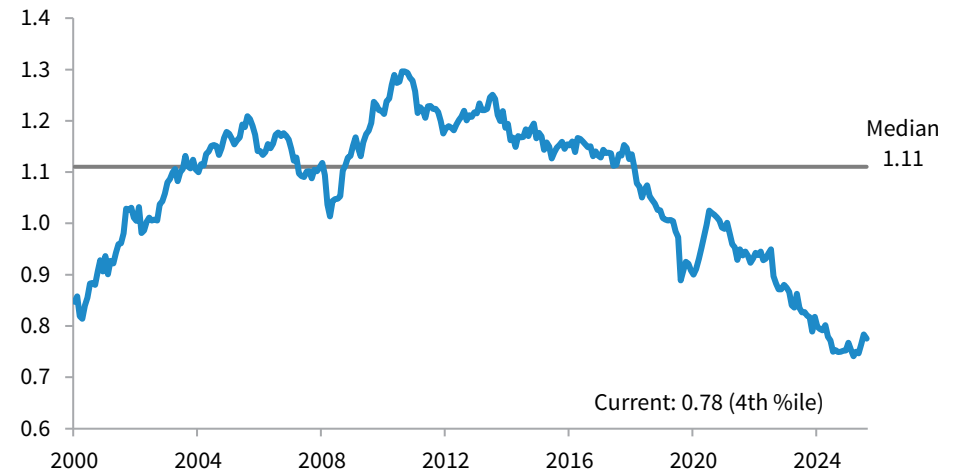
Facts & Figures First Quarter 2026

Global small-cap equities returned 1.1% in 1Q, besting their mid-to large-cap peers by 4.3 ppts, and have outperformed by 6.0 ppts over 12 months, as AI-related concerns and tariff-uncertainty drove a rotation out of mega-cap tech stocks. However, small caps saw greater losses in March as the Iran War sparked higher volatility and uncertainty across equity markets.

- US small caps gained 2.5%, trouncing their larger counterparts by 7.1 ppts in 1Q. The decline 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, declined 12.1% in 1Q.
- Developed ex US small-cap equities fell 0.4% for 1Q and outperformed mid-/large caps by 56 bps. However, on a TTM basis, they outperformed by 6.2 ppts. Performance over that period has been driven largely by the strength of the industrials and materials sectors. 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 fell 0.7% in 1Q, lagging larger caps by 57 bps and extending their relative underperformance for the TTM period to 5 ppts. The EM SC Index underperformance over the TTM period has been driven largely by South Korean mid- to large caps, which have gained 122% during that time, besting their smaller counterparts by nearly 50 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.

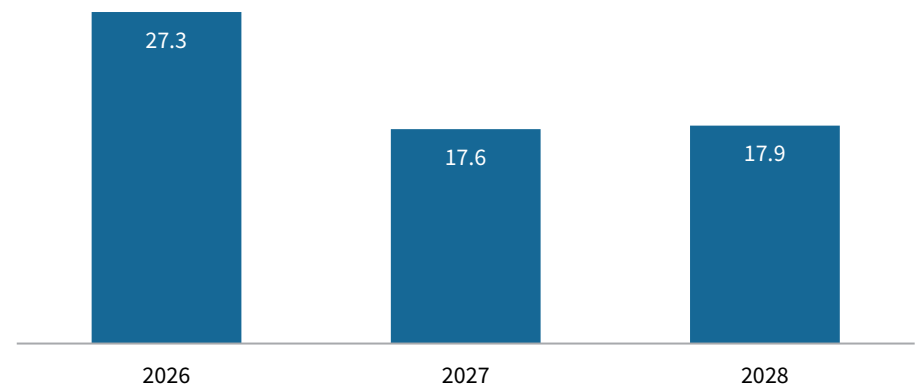
5-yr CAPCE: MSCI ACWI SC vs MSCI ACWI LC/MC

Aug 31, 2000 – Mar 31, 2026



Consensus earnings growth estimates

As of Mar 31, 2026 • 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

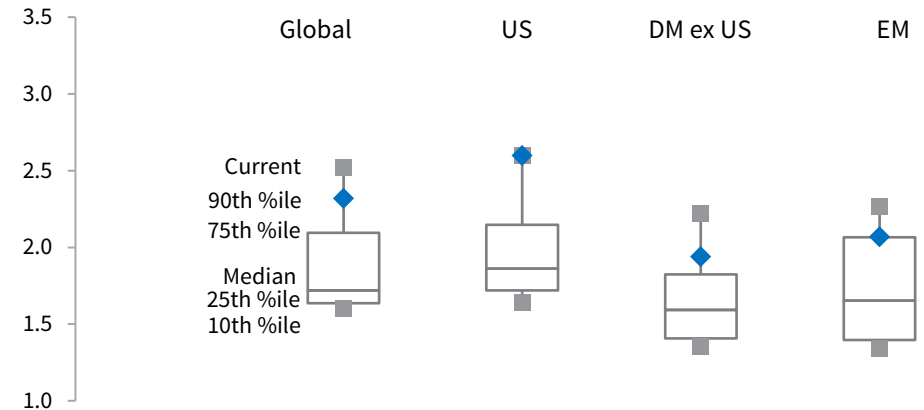
Facts & Figures First Quarter 2026

Global growth stocks lost 7.7% in 1Q (USD terms), lagging the 1.2% increase for value stocks. Over the trailing year, however, growth outperformed value, returning 21.3% versus 17.8%, largely due to a sharp rally in growth stocks last summer. The 1Q shift toward value was driven by renewed investor preference for more attractively valued stocks and commodity-producing sectors, while elevated valuations, higher rate expectations, and weakness in AI-exposed software stocks weighed on growth.

- Since the COVID pandemic, growth equities have traded at a notably higher valuation than value equities. Currently, global growth equities command a 2.3x premium to value, a level that exceeds 80% of historical observations. This elevated valuation gap is primarily concentrated in the US, while relative valuations outside the US appear less pronounced.
- Global growth lagged value in 1Q as investors rotated toward cheaper value stocks. Elevated valuations, higher rate expectations, and a sharp sell-off in software and other AI-exposed companies weighed on growth, while strength in energy and materials provided a meaningful tailwind to value.
- 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.

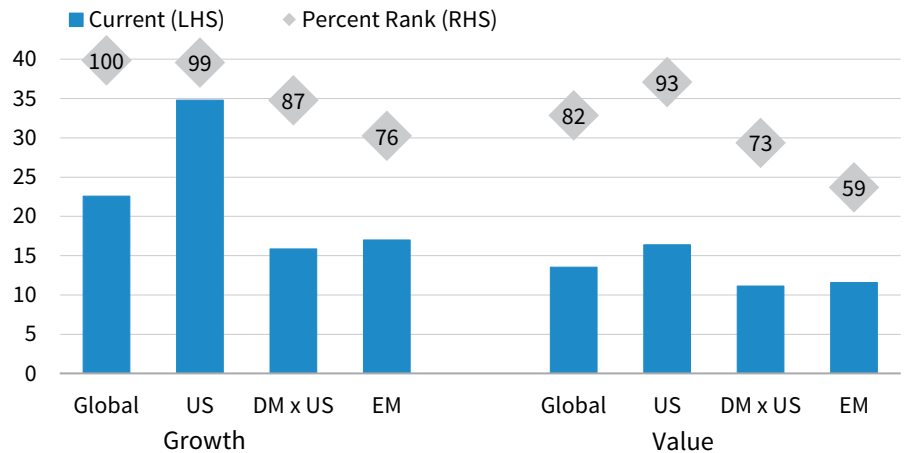
Relative CAPCE for select regions: Growth vs Value

As of Mar 31, 2026



ROE and percentiles for select regions: Growth & Value

As of Mar 31, 2026



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

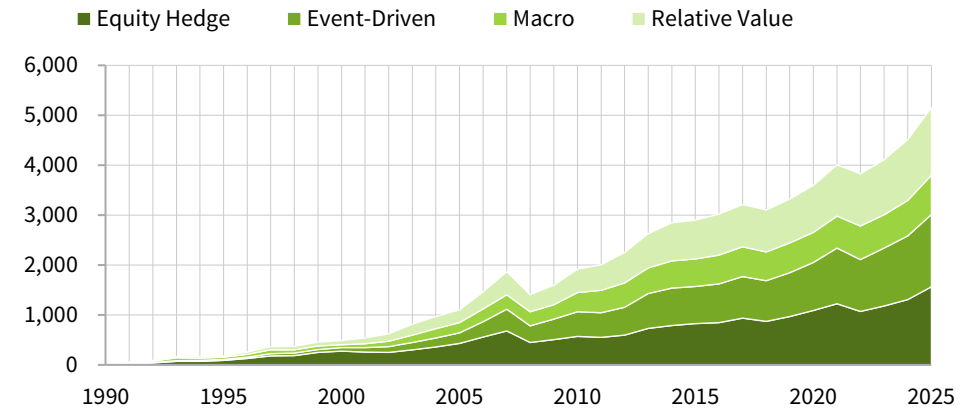
Facts & Figures First Quarter 2026

Hedge funds delivered mixed returns in 1Q as managers navigated a challenging environment marked by heightened risk asset volatility amid the Iran War and its historic disruption to the global energy supply.

- Relative value hedge funds, as measured by the HFRI Relative Value (Total) Index, gained 1.4% in 1Q. Solid early quarter performance was partially offset by a downturn in March, when the Iran War drove an oil-led rates reprice that impacted sovereign and convertible arbitrage strategies. Global macro funds had a strong quarter, with the HFRI Macro (Total) returning 4.9%, reflecting opportunities across FX, commodities, and volatility linked to geopolitical turbulence. Quantitative strategies were the strongest performers in 1Q, as the HFRI Systematic Diversified Index returned 7.0%.
- Long/short equity strategies fell 0.2% in 1Q, based on the HFRI Equity Hedge (Total) Index, given the more difficult environment for broader risk exposure, but higher dispersion and sector stress presented alpha opportunities for selective managers. The HFRI Equity Market Neutral Index held up well given the increased volatility and finished the quarter with a 1.3% gain.
- The HFRI Event-Driven (Total) Index declined 0.2% in 1Q. Managers have remained optimistic given the pickup in corporate activity, as rising M&A volumes have expanded the opportunity set for merger arbitrage and related strategies. 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 (Dec) • US\$B



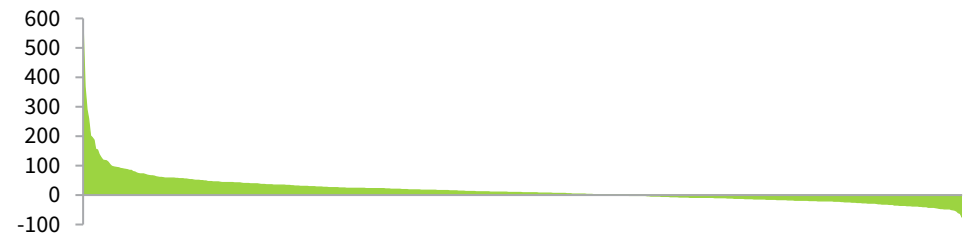
Equity dispersion: Total returns for the S&P 500 constituents

As of Mar 31, 2026

Trailing 3-Month Returns (%)



Trailing 12-Month Returns (%)



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

Fixed Income

US Bonds

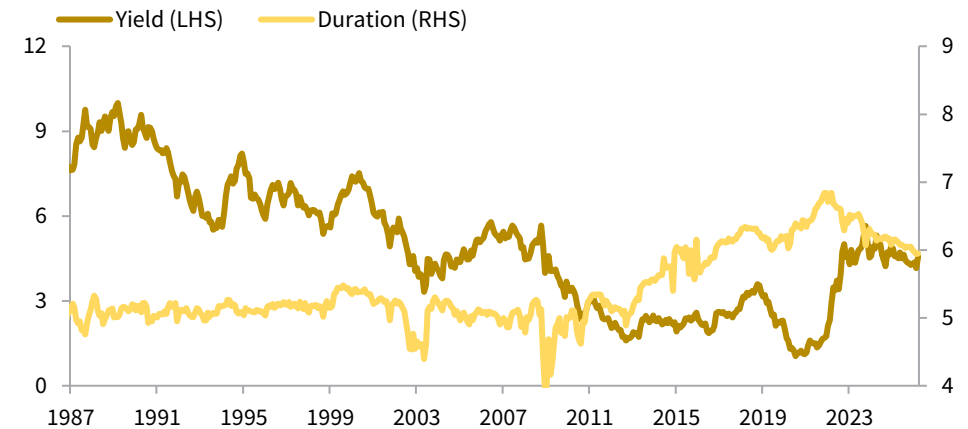
Facts & Figures First Quarter 2026

Core US bonds returned 0.0% in 1Q, following a 7.3% return in 2025. Higher Treasury yields and wider credit spreads in March were headwinds, as the US- Israel attack on Iran contributed to great macro and policy uncertainty and market volatility.

- The yield for the Bloomberg US Aggregate Index stands at 4.6%—still high versus the prior cycle, but down about 100 bps from its recent peak and now slightly below its post-1989 median.
- Valuations remain stretched, as spreads have compressed sharply in recent years. The index OAS is just 30 bps, slightly above 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 have been supported by easier monetary policy and a resilient macro backdrop, both of which have been challenged by the Iran War. Consensus forecasts for 2026 US real GDP growth have fallen 0.2 ppts to 2.3%, while headline CPI projections have risen 0.3 ppts to 3.0%. This backdrop may limit further Fed easing, with the median policy rate expected to remain at 3.625% through year-end.
- 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 the outcome of the Iran War remains unclear.
- Credit fundamentals remain strong. US IG corporates continue to show healthy balance sheets and low leverage, and over 70% of the Agg index is rated AA or higher—much of it direct or indirect US government obligations—offering downside protection if growth slows. However, credit spreads for riskier segments like IG corporates offer little cushion if volatility rises.
- The six-year duration of the Bloomberg US Aggregate Index has come down but remains elevated, which leaves it vulnerable if inflation concerns or persistently large deficits push long-term yields higher.

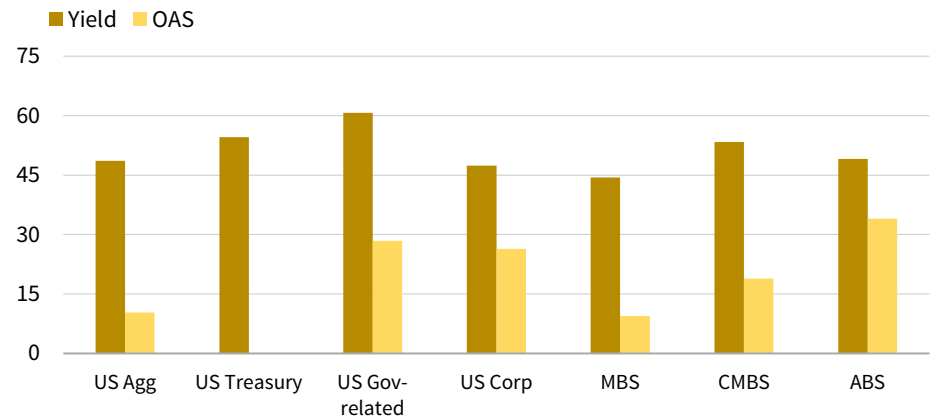
Yield vs duration: BBG US aggregate bond index

Jan 31, 1987 – Mar 31, 2026



Current Percentile: Yield and OAS for selected US bond indexes

Jan 31, 1990 – Mar 31, 2026



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

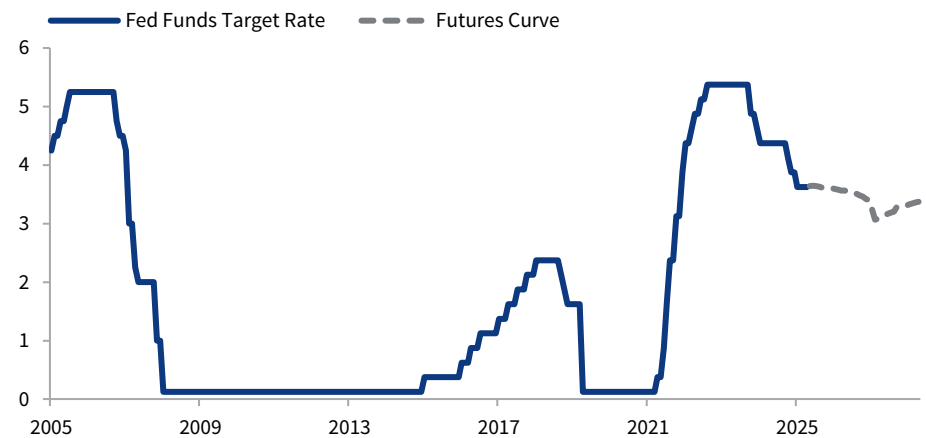
Facts & Figures First Quarter 2026

US Treasuries returned -0.04% in 1Q, following a 6.3% return in 2025. Yields backed up in March after the US-Israel attack on Iran amid concerns that the war would keep both inflation and policy rates elevated.

- US Treasury valuations aren't overly compelling, with ten-year yields at 4.3% as of March 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 4.7%, 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 Iran War has complicated the outlook. Consensus forecasters have lowered their 2026 US real GDP growth projections by 0.2 ppts to 2.3% and raised 2026 headline CPI projections by 0.3 ppts to 3.0%. This environment may limit how much further the Fed can cut rates, with the Fed projected to keep the median target policy rate at 3.625% for the remainder of the year.
- As result, ten-year US Treasury yields rose 12 bps in 1Q, and the yield curve has flattened—the ten-year/two-year spread narrowed from 71 bps to 51 bps over the past three months—lowering the opportunity cost of reducing duration risk.
- In addition to elevated macro and policy uncertainty, fiscal dynamics have also likely been a headwind for Treasuries. The One Big Beautiful Bill will keep the US deficit at 6%–7% of GDP—well above the historical average of 4%. The Iran War could further expand fiscal spending, adding to supply/demand challenges as more Treasury issuance must be absorbed by more price-sensitive buyers.
- Reflecting these challenges, the estimated term premium for holding bonds over cash is 0.6%, which is elevated compared to recent years.

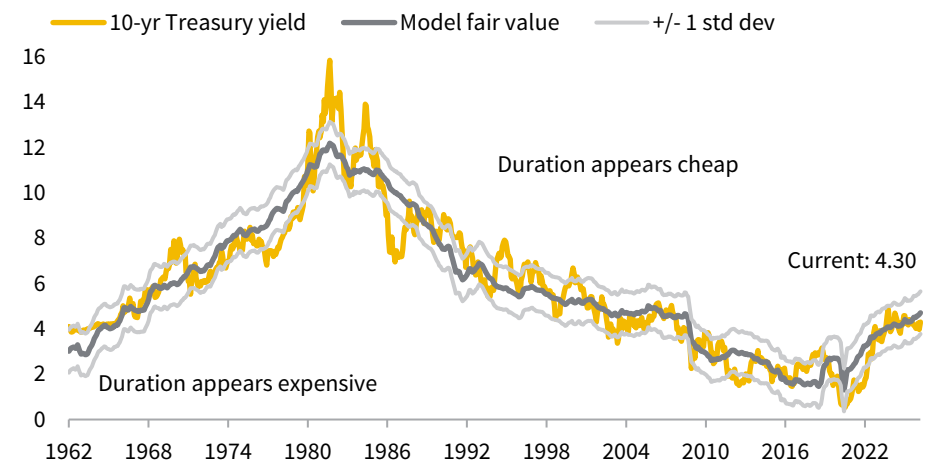
Fed funds target rate and future curve

Dec 31, 2005 – Mar 31, 2029 • Percent (%)



Valuations: 10-yr Treasury

Jan 31, 1962 – Mar 31, 2026 • Percent (%)



Sources: Chicago Board of Trade, 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 March 31, 2026.

US Corporate Bonds

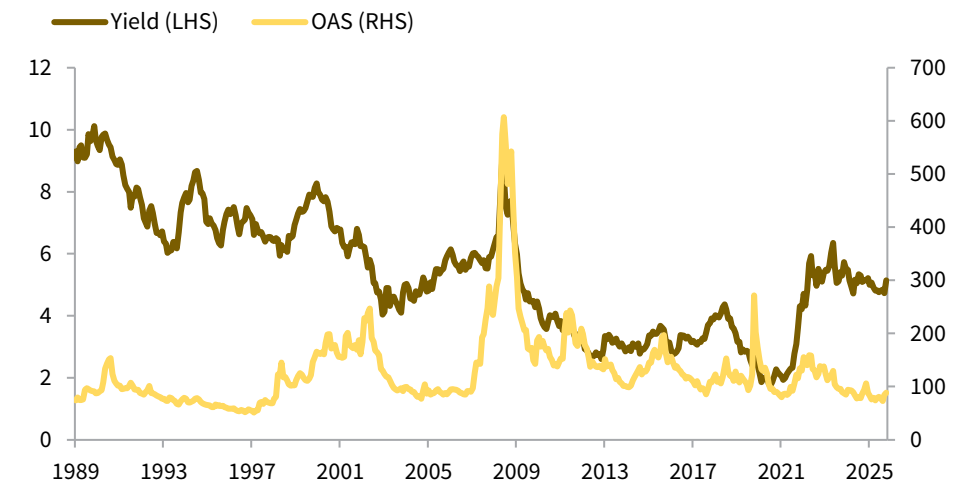
Facts & Figures First Quarter 2026

US investment-grade (IG) corporate bonds returned -0.5% in 1Q, following a 7.8% in 2025. Higher Treasury yields and wider credit spreads in March were headwinds, as the US-Israel attack on Iran contributed to great macro and policy uncertainty and market volatility.

- IG corporate bond yields and spreads both rose in 1Q, with yields rising 33 bps to 5.1% and spreads 11 bps wider at 89 bps.
- Still, valuations remain stretched. The OAS is in the 27th percentile and the index yield is in the 33rd percentile of historical observations. Despite this, IG yields remain above ten-year averages, which might continue to attract some investors.
- Economic conditions were supportive in 2025, as underlying Treasury yields moved lower and both inflation and growth moderated, allowing the Fed to resume easing.
- However, the Iran War has complicated the outlook. Consensus forecasters have lowered their 2026 US real GDP growth projections by 0.2 ppts to 2.3% and raised 2026 headline CPI projections by 0.3 ppts to 3.0%. This environment may limit how much further the Fed can cut rates, with the Fed projected to keep rates on hold through 2026.
- IG corporate fundamentals are solid, offering a buffer if growth slows. Gross leverage has held steady near 2.3x EBITDA, median interest coverage is around 10.2x, and while annual EBITDA growth slowed to 5% in 2025, a rebound toward 10% is expected in 2026.
- Issuance is a potential headwind. The credit cycle is accelerating, with an expected surge in high-quality supply driven by 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.

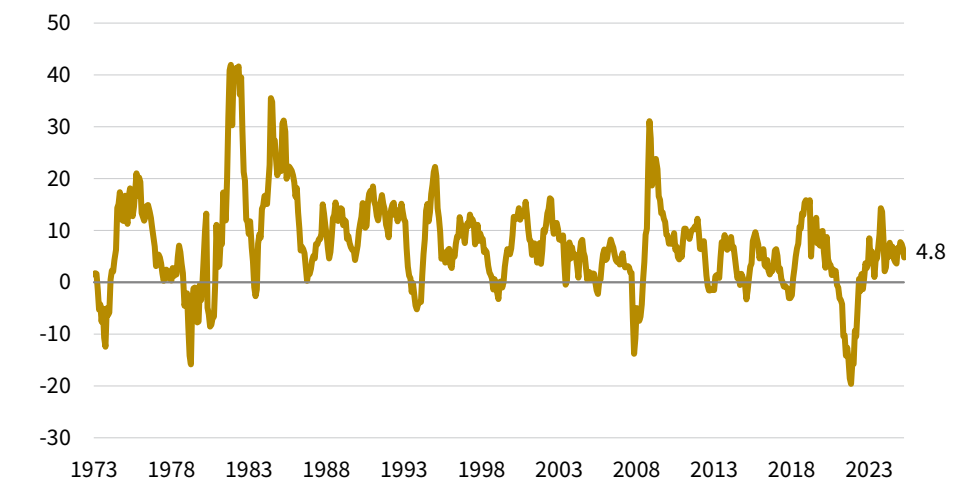
Yield and option-adjusted spread: US investment-grade corporates

Jun 30, 1989 – Mar 31, 2026 • Percent (%)



Trailing 12-month return: US investment-grade corporates

Dec 31, 1973 – Mar 31, 2026 • Percent (%)



Sources: Bloomberg Index Services Limited and Thomson Reuters Datastream.

US Tax-Exempt Bonds

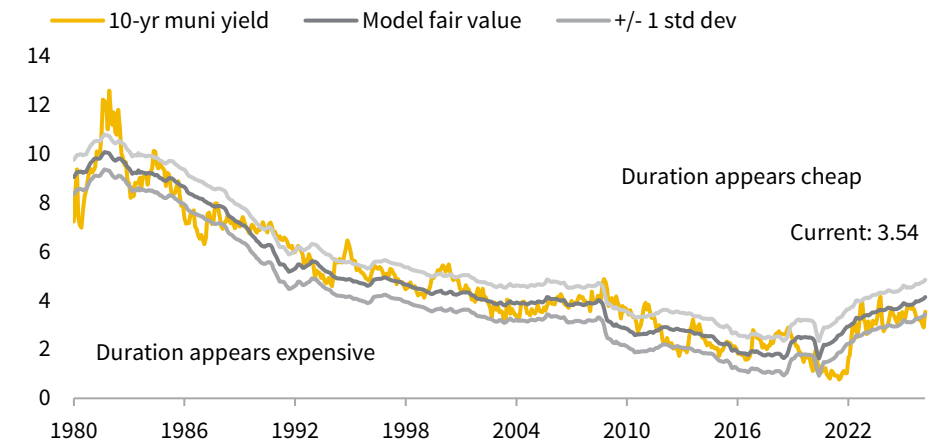
Facts & Figures First Quarter 2026

US tax-exempt municipal bonds (munis) returned -0.2% in 1Q before taxes, following a 4.2% return in 2025. Munis struggled amid the broader bond sell-off as higher Treasury yields reflected rising inflation and policy expectations tied to the Iran War, though they held up relatively well versus Treasuries.

- Ten-year munis finished 1Q with yields about 30 bps above where they were to start the year, at 3.5%. While yields remain above the 20-year median of 2.8%, muni valuations are not overly compelling before taking taxes into account. Yields are nearly 1 standard deviation below their implied fair value of 4.1% 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 is currently 0.82 (36th percentile), down from a recent high of 0.92 (70th 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 (184 bps vs Treasuries and 84 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.
- 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 \$13B for the full year, and flows in 1Q (\$17B) outpaced total flows for all of 2025 despite the rise in market volatility.

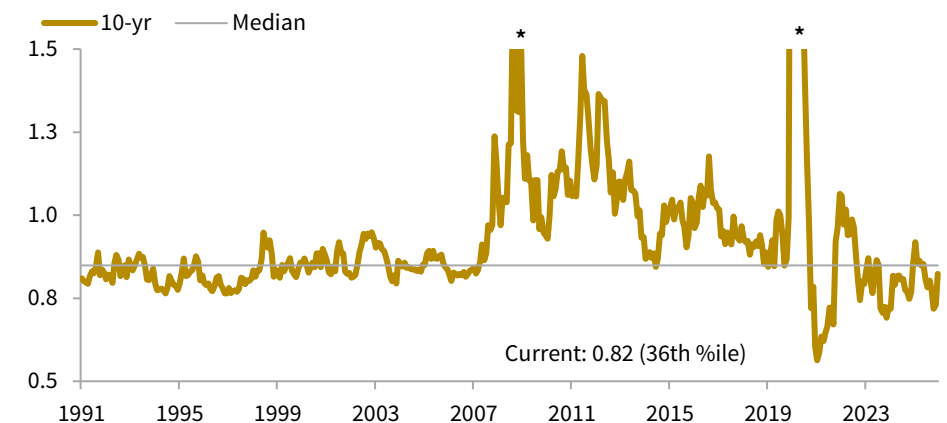
Valuations: 10-yr muni

Jan 31, 1980 – Mar 31, 2026 • Percent (%)



Ratio of 10-yr muni yields to Treasury yields

Apr 30, 1991 – Mar 31, 2026



* 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 March 31, 2026.

Global Inflation-Linked Bonds

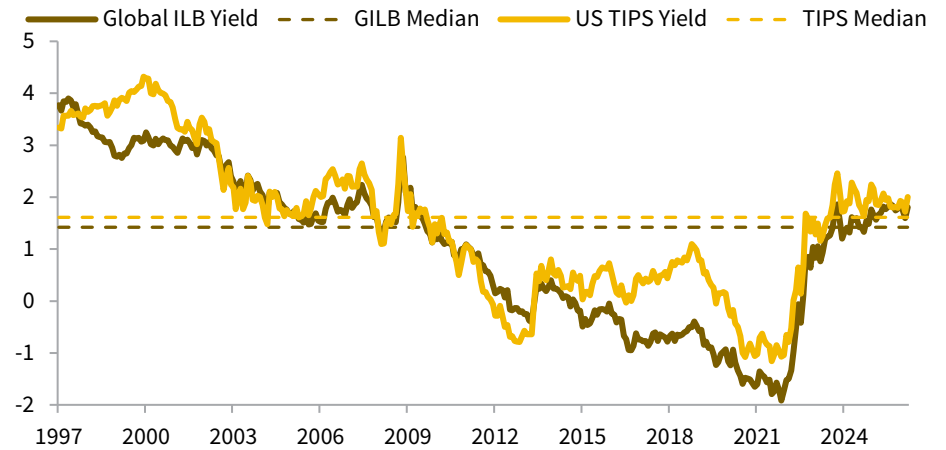
Facts & Figures First Quarter 2026

Global linkers returned -0.2% in 1Q, following an 8.8% return in 2025, while US TIPS returned 0.3% (7.0% in 2025). Inflation-linked bonds outperformed nominal bonds in 1Q as the Iran War pushed both real rates and short-term inflation expectations higher in March.

- Real yields for both the global and US index changed little during 1Q, but they rose sharply in March by 20-30 bps to 1.8% and 2.0%, above both their respective long-term medians of 1.4% and 1.6% and implied fair value of 0.7% and 1.4% based on the trend in real GDP growth.
- Similarly, breakeven inflation expectations also rose across major regions in 1Q, particularly in Europe, with ten-year UK breakeven rates surging more than 60 bps during the quarter. Breakeven inflation rates remain above central bank targets in most regions.
- These moves were largely triggered by the Iran War, which has pushed up energy prices and led to both higher inflation and rate expectations across most regions. These dynamics have been more acute for net energy importers in Europe and Asia, while net commodity exporters, such as the US and Australia, have experienced more limited effects.
- This is reflected in consensus economic forecasts, which are projecting headline CPI to rise back above 3% for both the US and across DMs broadly, while real GDP growth projections have been revised down slightly across major regions in March.
- Additionally, most major central banks are expected to maintain a more restrictive policy stance for the remainder of the year, with most central bankers expected to hike rates, while the Fed will likely remain on hold.
- 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 continue to provide complimentary diversification benefits to nominal bonds if inflation remains elevated, given attractive real yields.

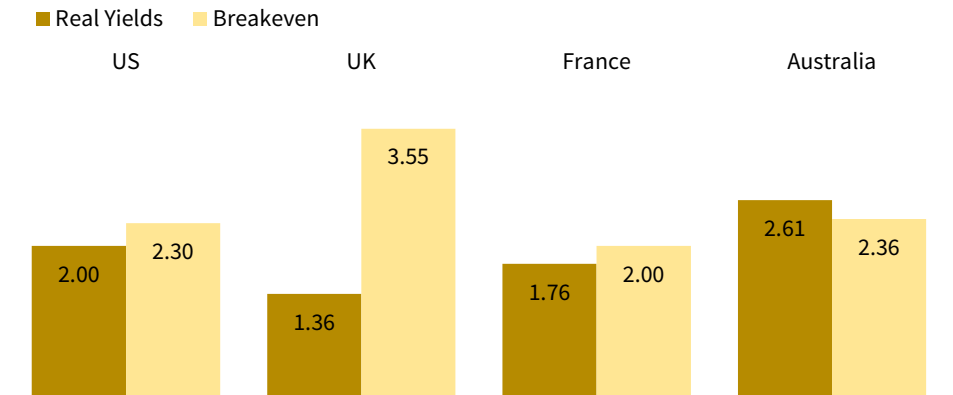
Historical index yield: BBG global linkers

Jan 31, 1997 – Mar 31, 2026 • Percent (%)



10-yr real yields and breakeven inflation

As of Mar 31, 2026 • 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

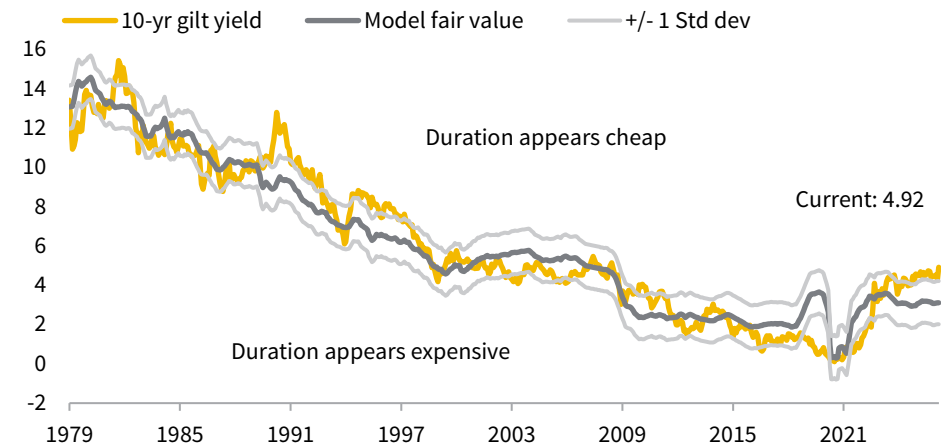
Facts & Figures First Quarter 2026

UK gilts underperformed in 1Q, returning -2.0% in LC terms, with the UK particularly exposed to external supply shocks, such as the Iran War. The trailing 12-month return was 4.9% in USD terms and 2.4% in GBP terms.

- UK gilt valuations remain cheap among major markets, with ten-year yields at 4.92% as of March 31 (moving 44 bps higher on the quarter). The ten-year yield hit its highest level since 2008 in 1Q —well above the 20-year median of 2.6% and more than 1 standard deviation above the implied fair value of 3.1%, based on nominal GDP growth.
- The Iran War has increased inflation expectations for the UK given its status as a net energy importer. Consensus forecasts project 2026 inflation at 2.7%. That environment has increased expectation for interest rate hikes by the Bank of England, with between one and two 25-bp hikes expected by markets in 2026. Prior to the war, market pricing had implied two cuts for 2026.
- Domestically, the UK economy showcased further signs of weak demand in 1Q. There have been continued signs of economic slack, with January unemployment remaining at 5.2%, its highest level since 2020, and GDP printing below expectations. Consensus forecasts project UK real GDP growth at 1.0% 2026, falling 0.2% on the quarter. That provides a notably different economic backdrop compared to Russia's invasion of Ukraine.
- The yield curve has flattened slightly, reflecting increased expectations of BOE rate hikes in response to the Iran War—the ten-year/two-year gilt spread narrowed 22 bps to from 76 bps to 54 bps over 1Q.
- Fiscal dynamics remain a prominent theme in the market, with gilt issuance likely to stay elevated due to large public debt and interest expense. The government's self-imposed deficit rules are seen to limit the extent the government can spend to support cost-of-living initiatives because of higher energy prices.

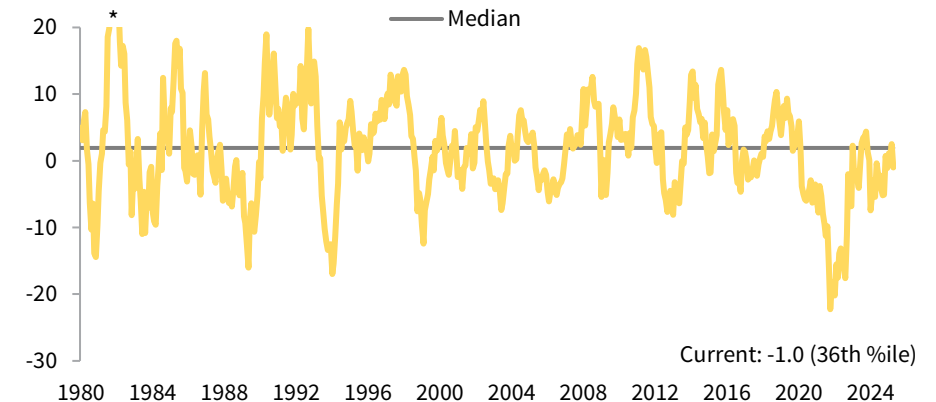
Valuations: 10-yr gilts

Jan 31, 1979 – Mar 31, 2026 • Percent (%)



12-month price momentum: 10-yr gilts

Dec 31, 1980 – Mar 31, 2026 • 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 February 28, 2026.

Euro Area Sovereign Bonds

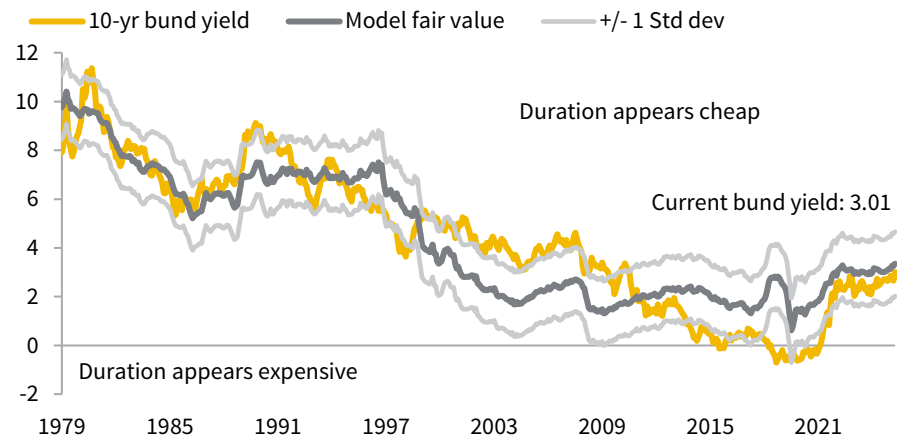
Facts & Figures First Quarter 2026

Euro area sovereign bonds (German Bunds) returned -0.3% in 1Q in LC terms. A weaker euro caused underperformance in USD terms (-2.2% for 1Q vs 0.0% for US Treasuries). The euro area's status as a net energy importer meant greater inflationary impetus to rising oil & gas prices due to the Iran War than the United States.

- Valuations appear fair, with ten-year bunds yielding 3.0% as of March 31 (up from 2.9% at year-end 2025). Yields are above the 20-year median of 1.7%, but slightly below the implied fair value of 3.3% based on nominal GDP growth.
- The euro area is particularly exposed to higher energy prices, with most European countries importing over 90% of their oil & gas consumption. The OECD have updated their 2026 forecasts, downgrading euro area growth by 0.4 ppts to 0.8% and increasing the inflation estimate by 0.7 ppts to 2.6%.
- Domestically, the euro area economy had been showing signs of a pickup in activity, supported by a recovery in manufacturing and services data.
- Given the outlook for renewed inflationary impetus, markets now view the ECB as likely to raise interest rates 50 bps over 2026. On the fiscal side, political pressure to implement cost-of-living spending initiatives has grown across the euro area. Together, those factors have seen rising yields across the curve, with the bund curve flattening 35 bps.
- European country yield spreads to bunds increased in March as investors move to relative safe-haven assets amid ongoing geopolitical uncertainty. The French OAT-bund yield spread was little changed on the quarter, however, with French government bonds rallying earlier in the quarter on news that the 2026 budget had passed through parliament. Without a fresh house or presidential election, accompanied by agreement for fiscal restraint, the French budget deficit will remain a concern for markets.

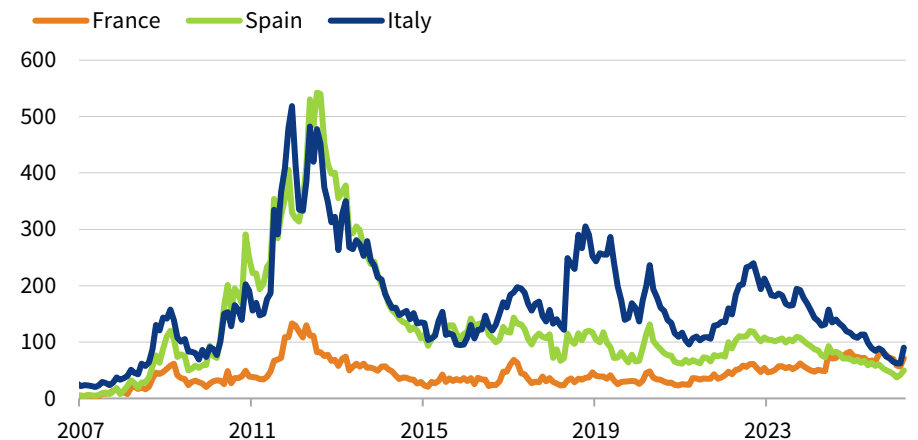
Valuations: 10-yr bunds

Dec 31, 1979 – Mar 31, 2026 • Percent (%)



Historical 10-yr spreads over bund yields

Jan 31, 2007 – Mar 31, 2026 • 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

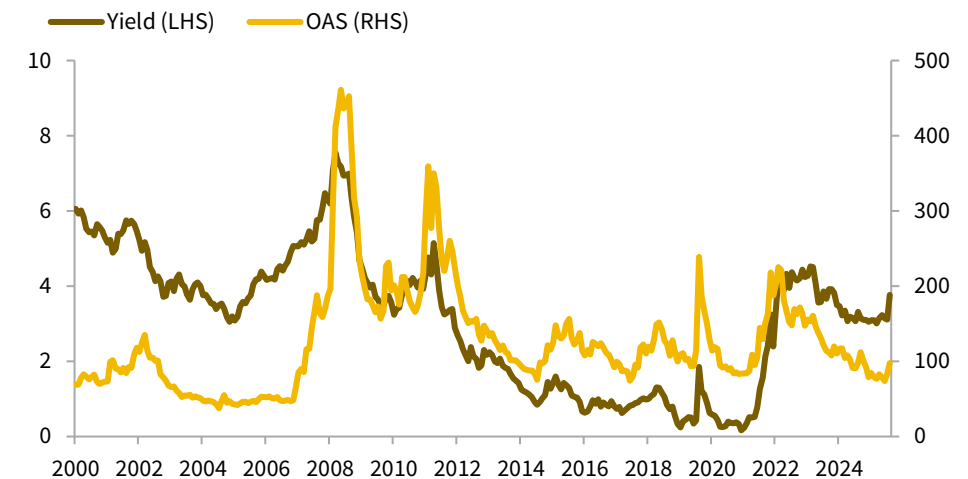
Facts & Figures First Quarter 2026

The Bloomberg Euro-Aggregate Corporate Index returned -1.0% in 1Q, as rising inflation expectations say bund yields and spreads move higher. The index returned 2.0% over a trailing 12-month period and 8.8% in USD terms. Valuations have fallen since the Iran War commenced, with the market seeing reduced supply and fund outflows in March.

- The Bloomberg Euro-Aggregate Corporate Index OAS rose to 97 bps—the largest quarterly increase since 2Q 2022. The yield increased 53 bps to 3.76%, becoming more attractive relative to longer-term averages.
- Higher commodity prices owing to the Iran War have challenged the macro backdrop. Most European countries are particularly exposed to higher energy prices as net importers, with the OECD downgrading their 2026 euro area growth forecast by 0.4 ppts to 0.8% and increasing the inflation estimate by 0.7 ppts to 2.6%. Higher input prices and refinancing rates, as well as weaker consumer confidence, have hit valuations.
- Sterling IG valuations have fallen to a greater extent (primarily due to rising gilt yields), as the index yield rose 64 bps in 1Q. Economic growth data released in 1Q showed weak growth and above target inflation even prior to the onset of the Iran War. The BOE is now expected to hike interest rates once in 2026.
- Technicals were mixed in 1Q: net euro IG issuance totaled a strong €66B, although this was concentrated in January and February and in higher rated issuers. Net euro IG issuance was negative in March, reflecting heightened uncertainty and market volatility. Funds saw outflows in March but modest net inflows on the quarter overall.
- Fundamentals are stable, with net leverage for euro IG issuers at 2.8x at 4Q-end (toward the middle of the recent range). Earnings growth, however, contracted 2.3% QOQ. While the euro HY default rate (3.1%) remains above historic averages—mainly due to well-telegraphed struggles at some large issuers—there are signs it has stabilized.

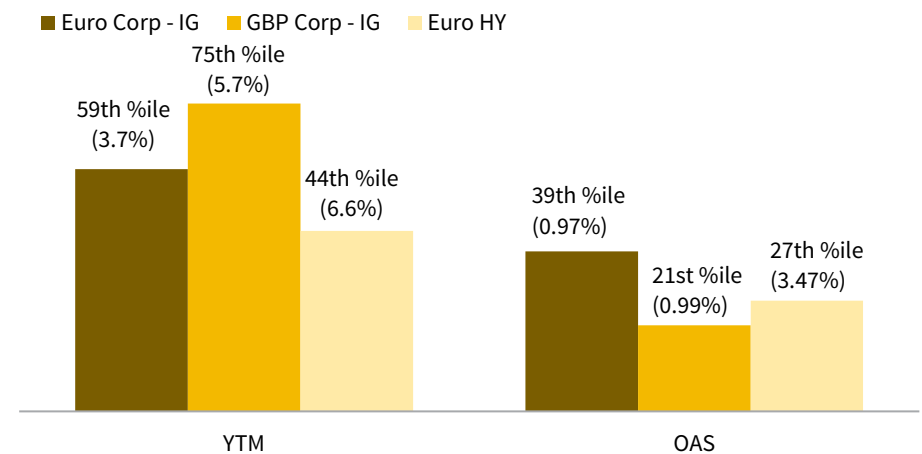
Yield and option-adjusted spread: European corporates

Aug 31, 2000 – Mar 31, 2026 • Percent (%)



Percentile Rank: European Corporates

Aug 31, 2000 – Mar 31, 2026



Source: Bloomberg Index Services Limited.

Structured Finance

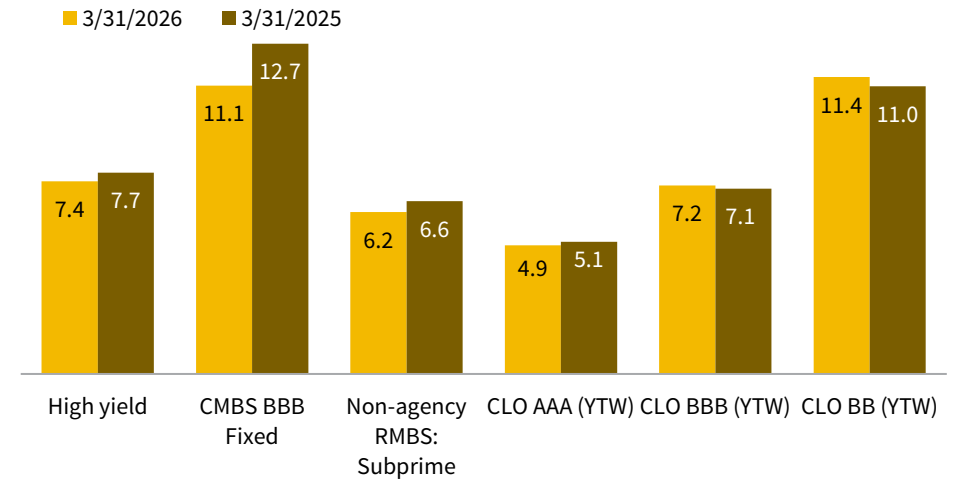
Facts & Figures First Quarter 2026

Structured credit markets saw cross-currents in 1Q. Some CLO indexes posted negative returns as underlying loans were hit by concerns over both software exposure and the Iran war's expected impact on growth and inflation. In contrast, real US estate-backed debt, driven more by domestic growth, posted healthier returns.

- Structured credit indexes posted mixed returns in 1Q. US CMBS BBB-rated bonds returned 0.5% for the quarter, lifting their trailing four-quarter return to 6.3%. In contrast, BBB and BB-rated CLO debt returns of -0.2% and -3.2%, respectively, for the period, lowered 12-month returns.
- Valuations remain reasonable, especially when looked at from the perspective of yields. For example, 7% yields on Alt-A non-agency US RMBS are around 66th percentile. BB-rated CLO yields, at 11.4%, look even more attractive at 77th percentile and have risen since the start of 2025 despite Fed rate cuts.
- The economic backdrop has been supportive, with recent GDP growth beating expectations and tariff-related uncertainty fading. The Iran War creates near-term headwinds but its lasting impact on inflation and growth is uncertain. Corporate fundamentals have been improving, though there are question about the impact on AI on sectors like software, to which CLOs have significant exposure.
- 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.

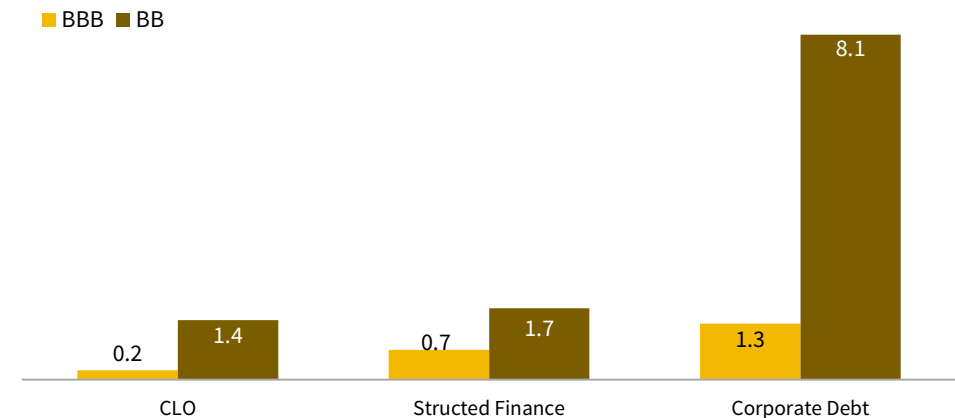
Yield: Select structured credits

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

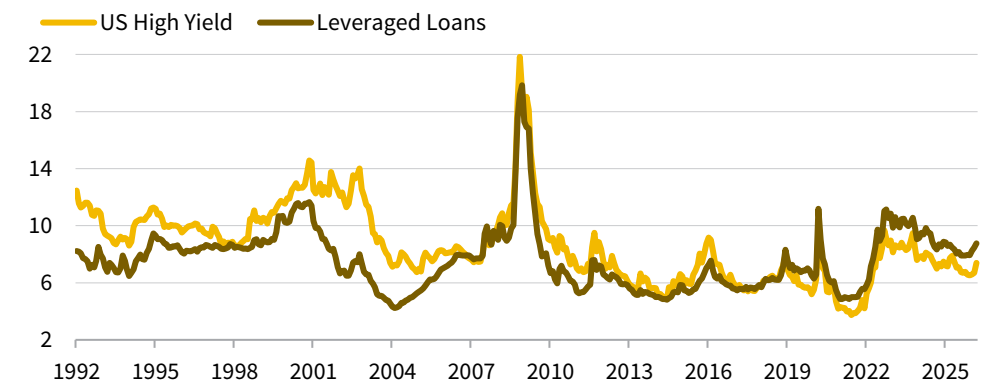
Facts & Figures First Quarter 2026

US high-yield (HY) bonds and leveraged loans posted minor losses in 1Q, as yields and spreads moved higher given concern that the Iran War would boost inflation and curb economic growth. Fundamentals remain healthy, however, and a quick resolution of the conflict could ease some concerns, though the impact of AI on software loans remains an open question.

- The Bloomberg High-Yield Index and UBS Leveraged Loan Index each returned -0.5% in 1Q. Over the trailing 12-months, HY bonds have returned 7.0%, outperforming loans (4.8%), which have been impacted by a higher allocation to the software sector.
- HY and loan valuations cheapened during the quarter though HY remains more expensive than leveraged loans. The HY index OAS rose to 317 bps but remains in the bottom 20% of observed values. Meanwhile, the loan index discount margin is 514 bps, around 40 bps above its historical median.
- The economic backdrop for higher yielding credit had been improving but the Iran War presents headwinds. While there are encouraging signs that a resolution may occur within weeks, there may be lingering inflation impacts and growth forecasts are being trimmed. Additional Fed cuts, should they occur, would lower coupons on loans but ease interest burdens.
- Corporate fundamentals are solid. HY borrowers saw weak earnings growth in 2025, but their median interest coverage ratio is healthy at 4.7x EBITDA. Loan borrowers grew earnings at a faster pace and have seen metrics boosted by rate cuts; their median coverage ratio rose 0.5x YOY to 4.5x, 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 look supportive in the near term. US loan issuance fell 13% in 2025 to \$439B, and volumes are down further in 1Q.

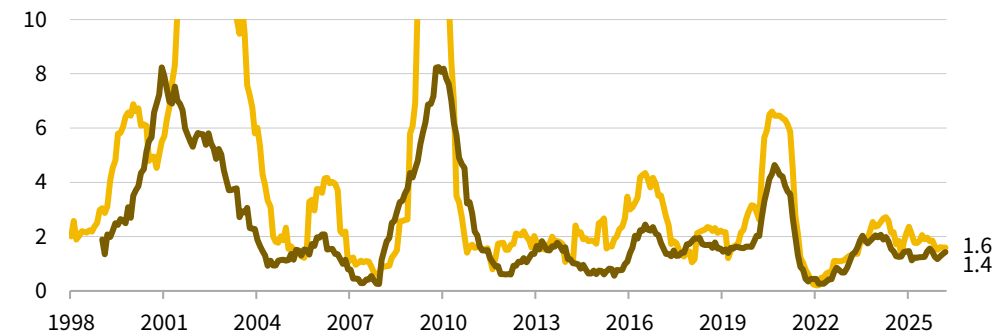
US high-yield and leveraged loan indexes: Yields

Jan 31, 1992 – Mar 31, 2026 • Percent (%)



US high-yield and leveraged loan indexes: Default rates

Jan 31, 1998 – Mar 31, 2026 • 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. Moody's default rates have been sourced directly and indirectly. US High Yield Default Rate is as February 28, 2026.

Insurance-Linked Securities

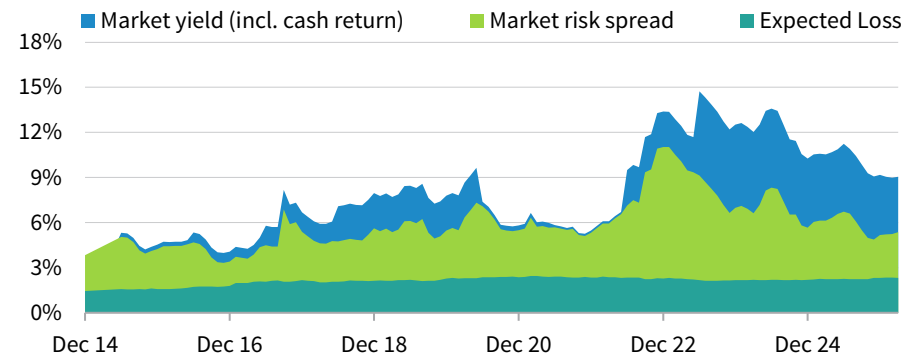
Facts & Figures First Quarter 2026

With no major natural catastrophe events globally in the first quarter of 2026, total insured losses were approximately \$20 billion, significantly below the historical long-term average of \$26 billion. Accordingly, broader ILS strategies generated positive returns in each of the first three months of 2026, with 1Q performance ranging from 1% to 3%, depending on liquidity and risk profile.

- As anticipated in 4Q 2025, ILS market premiums continue to move closer to long-term average levels. Compared with the beginning of 2025, the risk-adjusted premium environment has compressed by approximately 10% to 15%.
- For the reinsurance market and the ILS industry, the focus during the first quarter of the year is on incorporating year-end renewal transactions and adjusting portfolio profiles accordingly.
- In line with market conditions, expected returns for 2026 are down by roughly 10%, driven primarily by lower total yield potential. That said, the upcoming renewal seasons for Asian business in April 2026 and for US-exposed risks in June and July 2026 are expected to continue the premium softening trend observed at the beginning of the year.
- At the same time, the catastrophe bond market—the most liquid segment of the ILS universe and often viewed as an early indicator of broader market conditions—saw spreads stabilize in the final weeks of the first quarter and into the start of the second quarter.
- Overall, the outlook for the industry remains attractive in 2026, particularly relative to historical averages.

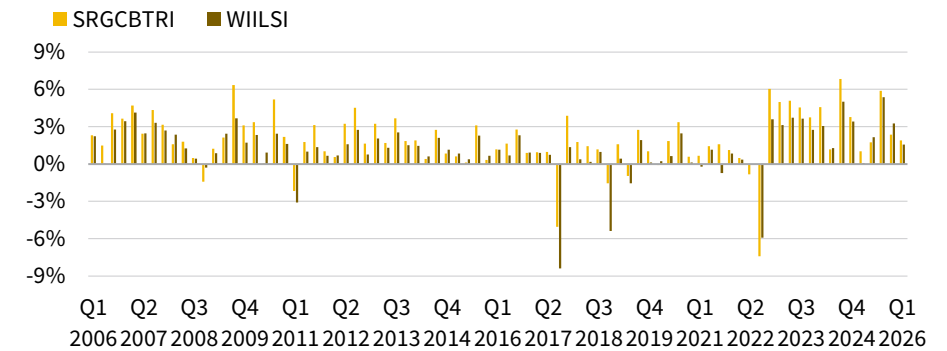
Development of the risk premium and expected loss from Cat bonds

December 31, 2014 – March 31, 2026



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

First quarter 2016 – First quarter 2026 • 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

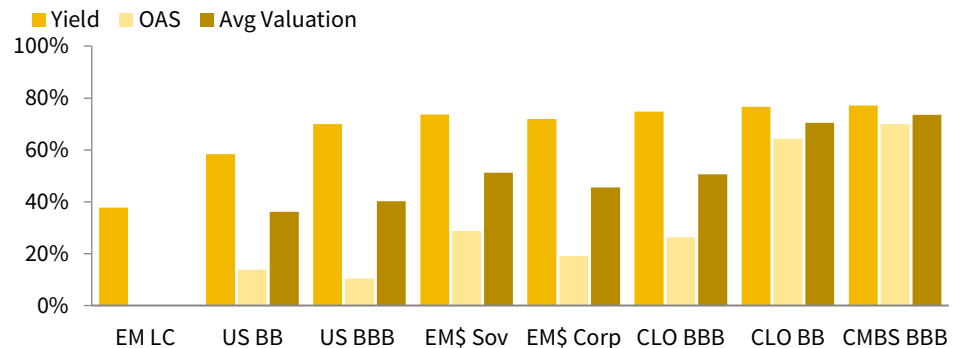
Facts & Figures First Quarter 2026

EM debt markets struggled in 1Q following a strong 2025 amid the risk-off move in markets caused by the Iran War—the JPM EM-GBI Global Diversified (LC sovereign), JPM EMBI Global Diversified (USD sovereign), and CEMBI Broad Diversified (USD corporate) indexes returned -2.2%, -1.3%, and -0.2%, respectively.

- Strong 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.
- This carried over into the first two months of 2026 but reversed in March with the Iran War. Yields rose roughly 30-50 bps across indexes in 1Q, to 6.4% for LC sovereign, 7.3% for USD sovereigns, and 6.7% for USD corporates, and spreads widened for USD-denominated debt.
- EM debt valuations are mixed. EM USD debt yields are slightly elevated versus history, but spreads remain tight, mirroring trends across broader credit markets. While EM LC debt yields have risen to their highest level in over a year, they remain well below their long-term median, with the spread to global sovereigns still tight below 300 bps. Therefore, we still expect EM FX to be a big driver of returns.
- The economic backdrop has favored EM over the past year, but the Iran War has clouded the outlook, with the potential for higher inflation to limit how much some central banks can lower rates. Still, EM FX valuations remain cheap versus the USD and have room to rise further with a de-escalation in the war and if narrowing growth and rate differentials, along with improved global sentiment, pressure the USD as they did in 2025.
- 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.

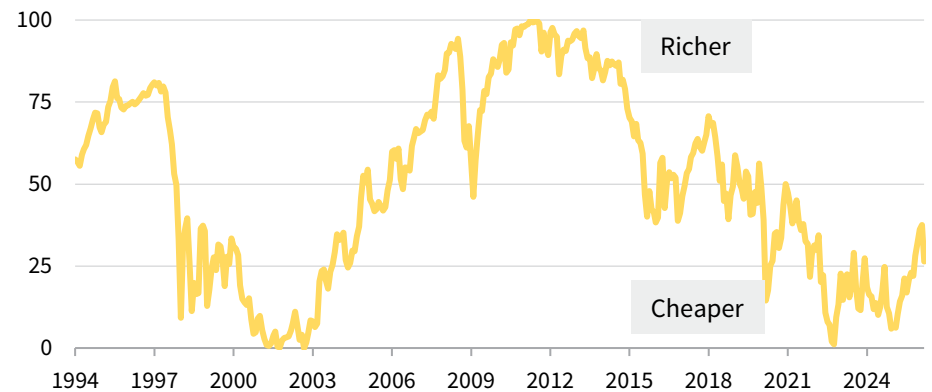
Percentile rank of various debt indexes

Dec 31, 2003 – Mar 31, 2026



FI-weighted EM real exchange rate vs US: Percentile

Jan 31, 1994 – Mar 31, 2026



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

Notes: Composite Valuation Indicator is the average of YTM percentile and spread percentile. Asset classes are represented by J.P. Morgan Emerging Market Global Diversified Government Bond Index (EM LC), J.P. Morgan Emerging Market Bond Index (EM\$ Sov), J.P. Morgan Corporate Emerging Markets Bond Index (EM\$ 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

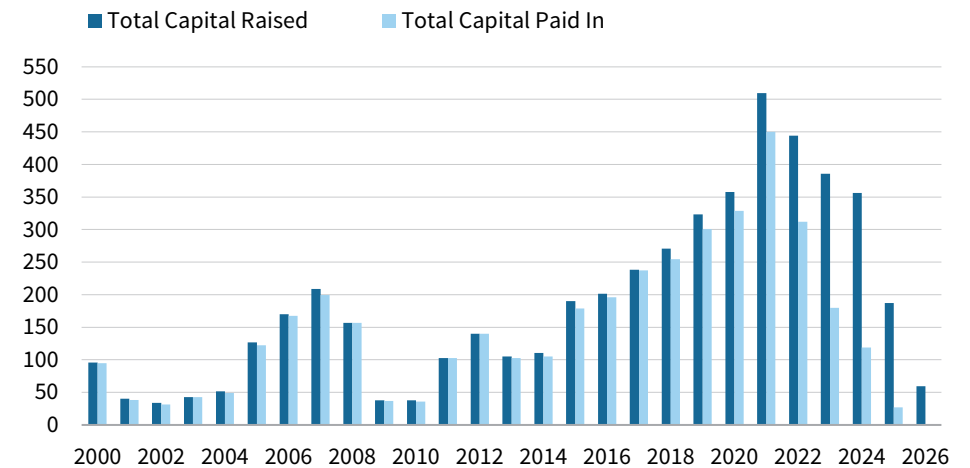
Facts & Figures First Quarter 2026

US PE funds have returned 8.3% and 8.2% over the past one- and three-year periods, respectively, trailing public equity market returns. Over long time periods, the US PE index has outperformed. 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 slowed dramatically for US PE funds in recent years as investors waiting for greater distributions slowed commitments. LPs allocated \$336B to new funds in 2025, well off the pace seen between 2019–24. Fundraising last year was highly concentrated, though funds of \$5B or more have accounted for a smaller share of 2026’s volume.
- Deal activity has increased, coinciding with expectations for lower interest rates and easing regulatory scrutiny. After \$1.1T of US buyout and growth equity deals in 2025, another \$260B of deals were inked in 1Q. Deal activity, like fundraising, was concentrated, with deals greater than \$1B representing nearly 50% of the total.
- According to PitchBook LCD data, EBITDA purchase price multiples for large US buyout transactions decreased in 1Q to 9.6x, below the five-year average of 10.9x.
- Exit activity has improved in recent quarters. US PE firms sold \$676B of investments in 2025, a 77% increase from the prior year, and exited another \$131B in 1Q. Activity continues to be driven by a handful of large transactions, with 77% of Q1 activity accounted for by \$1B+ deals. Indeed, as of 1Q 2026, PitchBook noted that US PE inventory has grown to a new high of over 13,300 companies.

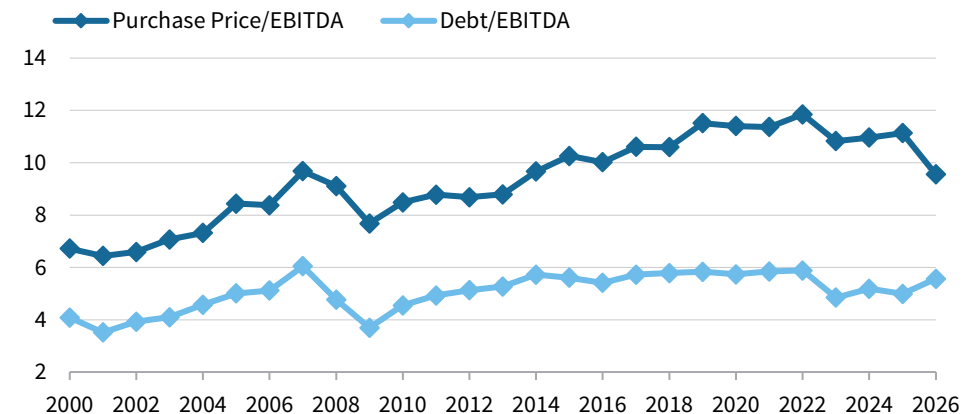
Fundraising and paid-in capital: US PE

Vintage Years 2000–26 (Mar 31) • US\$B



Average purchase price and debt multiples: US PE

2000–26 (Mar 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 September 30.

US Venture Capital

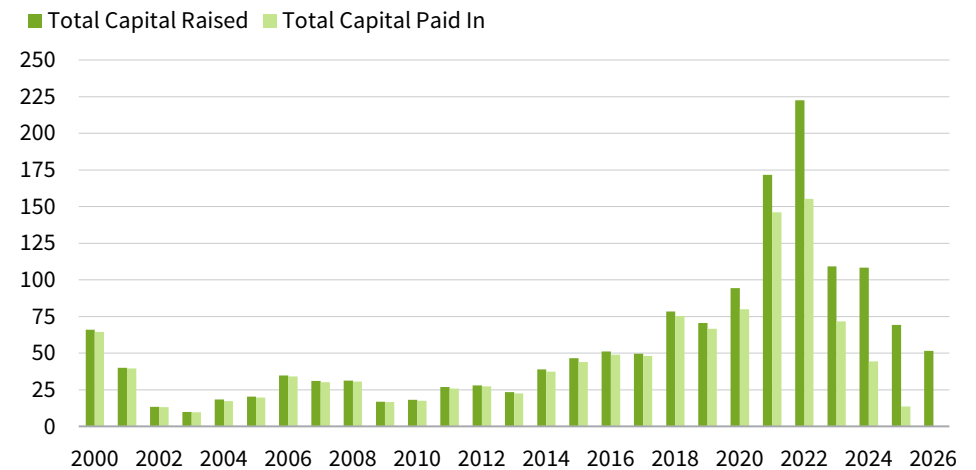
Facts & Figures First Quarter 2026

US venture capital (VC) 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 \$69B 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. 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.

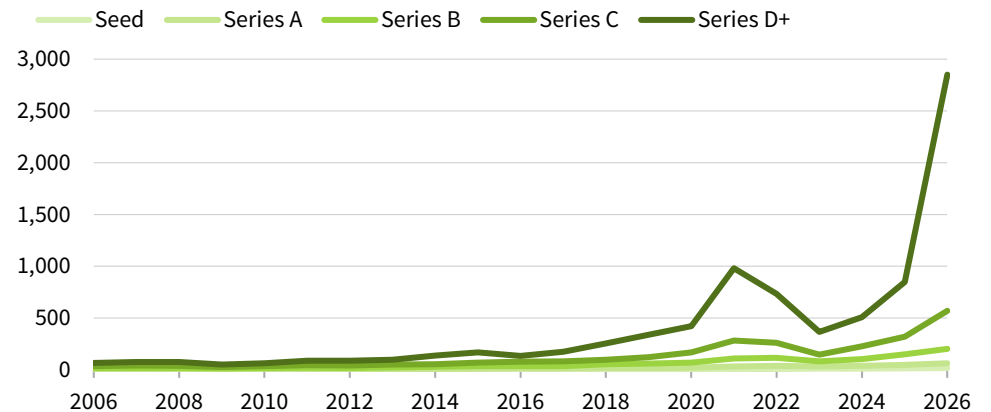
Fundraising and paid-in capital: US VC

Vintage Years 2000–26 (Mar 31) • US\$B



Median pre-money valuations by series: US VC

2006–26 (Mar 31) • US\$M



Sources: Cambridge Associates LLC and PitchBook Data Inc.

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

European Private Equity and Venture Capital

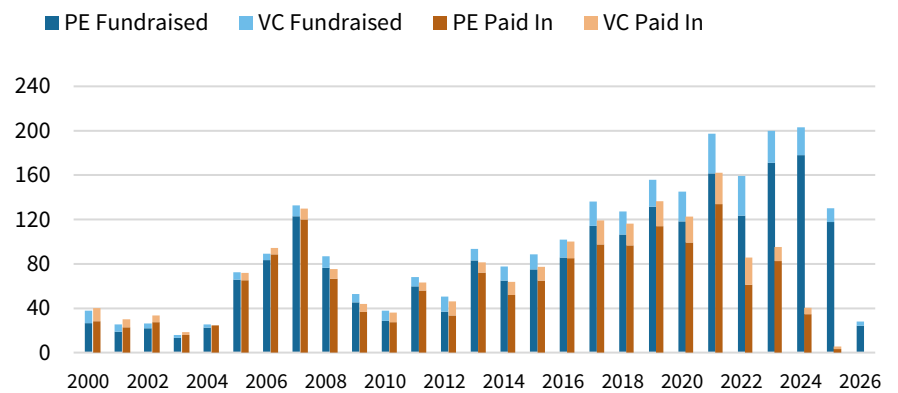
Facts & Figures First Quarter 2026

European PE and VC returned 16.5% 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 (2.7% and 2.9%). Performance of both asset classes have trailed public markets in recent years; however, private investments 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. In 2025, Europe-based PE and VC funds raised €118B and €13B, respectively—one of the weakest years in the last decade, with 1Q 2026 seeing a similarly weak trend. 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 trended up during 2024 and 2025, aided by lower rates and reduced policy uncertainty, reaching a record high of €650B in 2025. However, 1Q 2026 has seen a slowdown, led by a decline in the SaaS space, with activity impacted by the sector's softness in public markets.
- According to PitchBook LCD stats, purchase price multiples for transactions larger than €500M held steady at 9.9x EBITDA early in 2026, after 2025 saw the first increase since 2020. Leverage multiples declined a tenth to 5.1x. VC valuations also showed strong gains, particularly within later-stage.
- Exit activity moderated a little further in 1Q 2026 from its 3Q 2025 high, with the slowdown in the number of exits more notable than the slowdown in exit value, indicating activity has been concentrated amongst large caps. Secondary buyouts continued to account for a growing proportion of PE exit value (76% in 1Q), which along with corporate acquisitions, is the usual exit route for European PE.

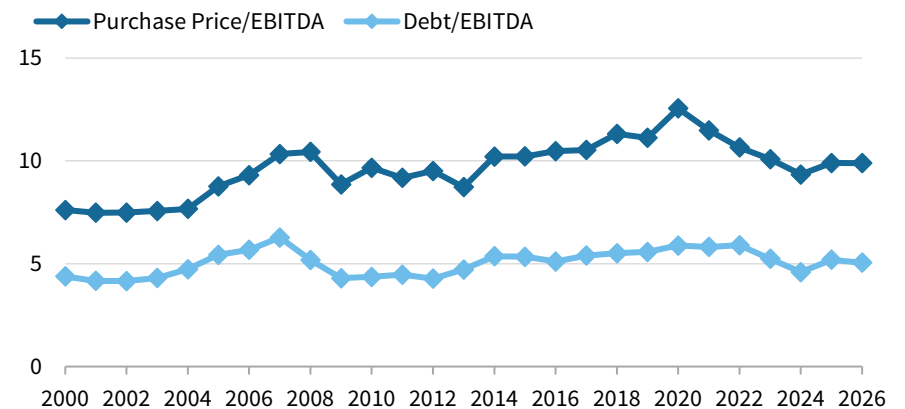
Fundraising and paid-in capital: European PE and VC

Vintage Years 2000–26 (Mar 31) • Euro (Billions)



Average purchase price and debt multiples: European PE

2000–26 (Mar 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 September 30.

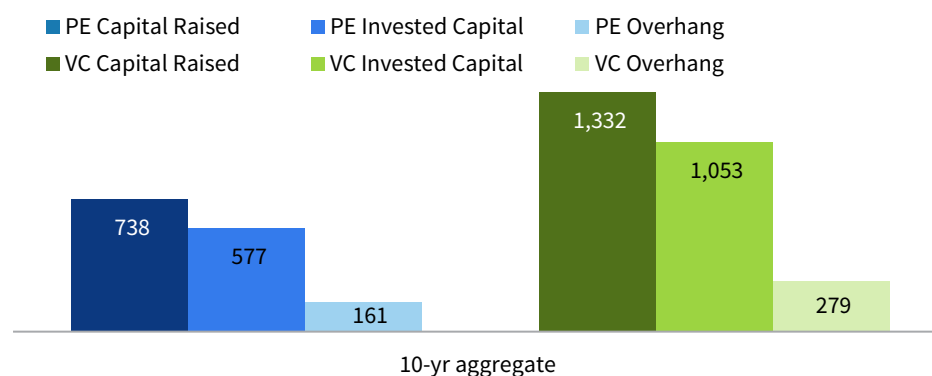
Asia Private Equity and Venture Capital

Facts & Figures First Quarter 2026

Asian PE/VC returns improved in 2025 but continue to trail public markets. Exits picked up sharply at the end of 2025, which should help returns and distributions. Fundraising remains depressed relative to the past. Managers see increased opportunity in Japan and India, while appetite for investments in China and Southeast Asia remain tepid.

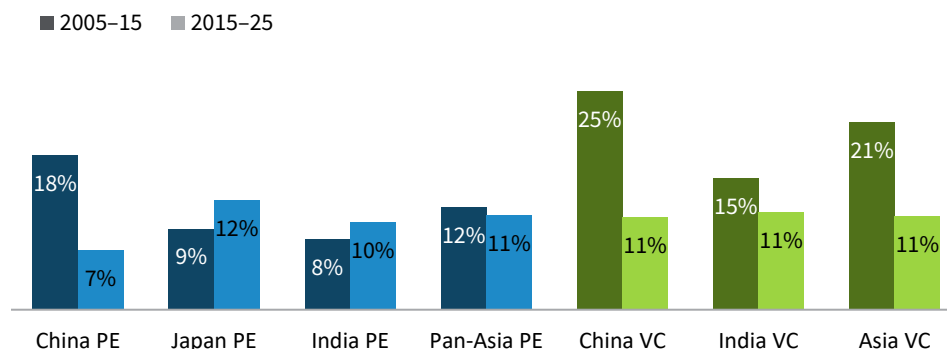
- Returns have begun to recover in Asia, albeit ten-year IRRs ending in 3Q 2025 remain lower than the preceding ten years (2005–15). This is particularly the case for China PEVC, which have faced headwinds from a slowing economy and geopolitical tensions. In contrast, Japan PE has fared better over the 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 reached \$188B in 2025, up slightly from the previous year. Japan and India have gained in terms of share of overall investment over the past five years. Similarly, fundraising activity has slowed to \$31B, the slowest year since 2013. This compares to an average of more than \$74B raised between 2021–24.
- Asia VC deal activity reached nearly \$86B in 2025, the lowest deal value in the past decade. Similarly, fundraising activity has slowed sharply to only \$42B in 2025, compared to an average of \$113B over the previous three years, and the lowest level of fundraising since 2014 given the geopolitical headwinds facing investing in China.
- Exit activity surged in 4Q 2025. According to Pitchbook, Asia PE-backed exit value reached a record \$139B in 4Q, taking full-year exit value to \$244B. Asia VC exits reached \$77b in Q4 and \$165B for the year. While both full-year numbers are the highest since 2021, 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

4Q05–3Q15 & 4Q15–3Q25 • Trailing 10-yr net pooled IRR to LP (%) • 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

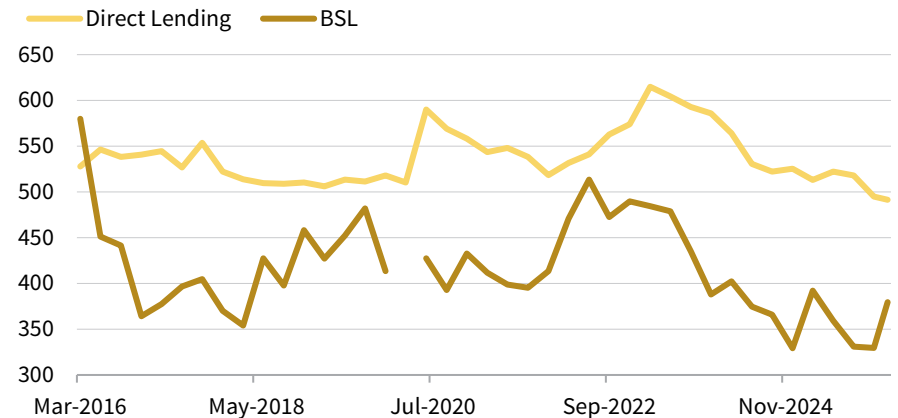
Facts & Figures First Quarter 2026

Private credit strategies have generated a healthy premium over public market equivalents in recent years, a trend we expect to continue. However, certain categories have attracted 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, documentation and terms remain attractive, and there are higher barriers to entry. Recent redemption requests for retail-targeted direct lending vehicles highlight the importance of vehicle and manager selection.
- Recent headlines have sounded the alarm about private credit’s exposure to software companies which may be threatened by AI, but most companies show healthy operating fundamentals and defaults have been limited. This said, some borrowers will be impacted by AI, underscoring the importance of choosing both skilled managers and those with resources to handle troubled loans.
- The current fundraising environment and uncertain macro backdrop suggests strategies like asset-based lending, insurance-linked securities, and royalties may generate attractive returns while insulating investors against some of the weakening protections in other categories.

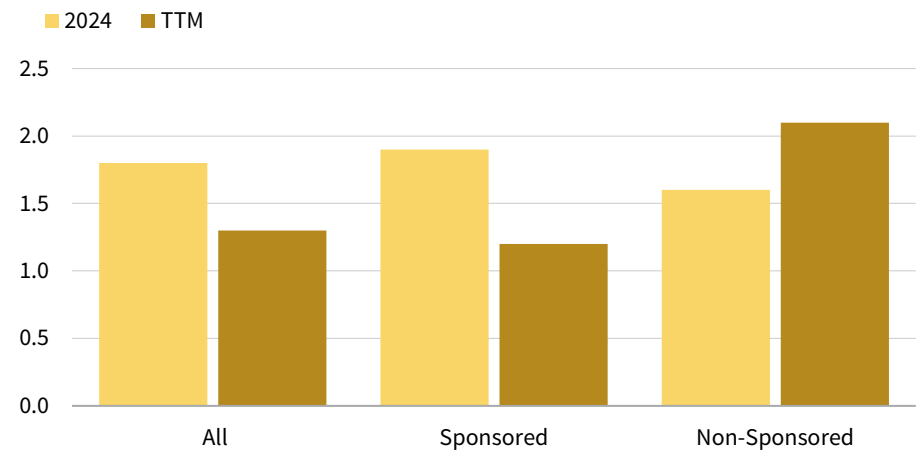
US direct lending and leveraged loan spreads

March 31, 2016 – February 28, 2026 • Basis points



Private credit default rates

As of February 28, 2026 • 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

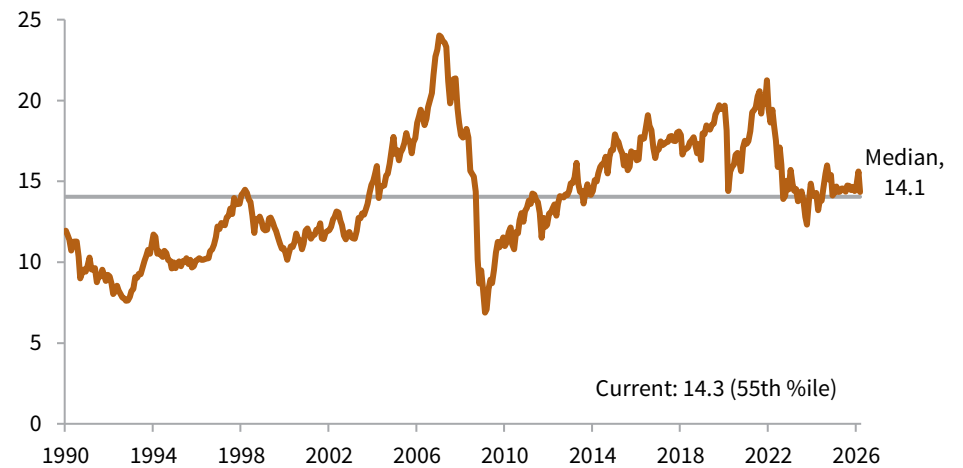
Facts & Figures First Quarter 2026

DM property securities posted a small gain (1.3% in USD) in 1Q, underperforming real assets like energy equities that were boosted by the Iran War but outperforming broader DM equities. Their 10.1% trailing 12-month return is well below that of global stocks, as sectors like office (-5.2%) struggle with reduced demand and residential (-14.1%) digests increased supply.

- Valuations range from fair to expensive, subject to the metric used. DM property securities trade at 14.3x normalized funds from operations, above its historical median. However, property securities currently offer just a 5-bp yield pick up over government bonds, close to a historical low and 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. 1Q data suggests cash earnings growth has turned negative, which could weigh on performance.
- 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, enhancing the attractiveness of property dividends, but the outbreak of war in the middle east is a potential headwind.
- 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 40% of total assets as of 4Q 2025, below both the 2009 level and the two-decade average.

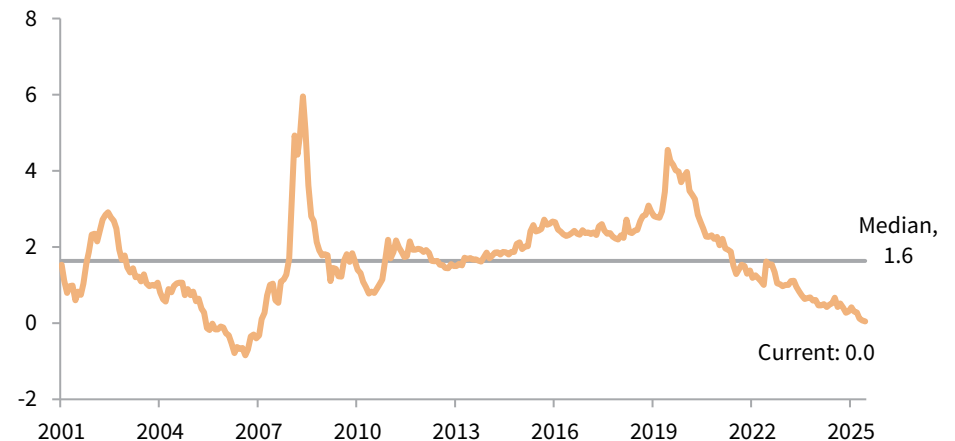
Normalized price-to-funds from operations multiple

Jan 31, 1990 – Mar 31, 2026



Spread between DY and global govt bonds

Oct 31, 2001 – Mar 31, 2026



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

US Private Property

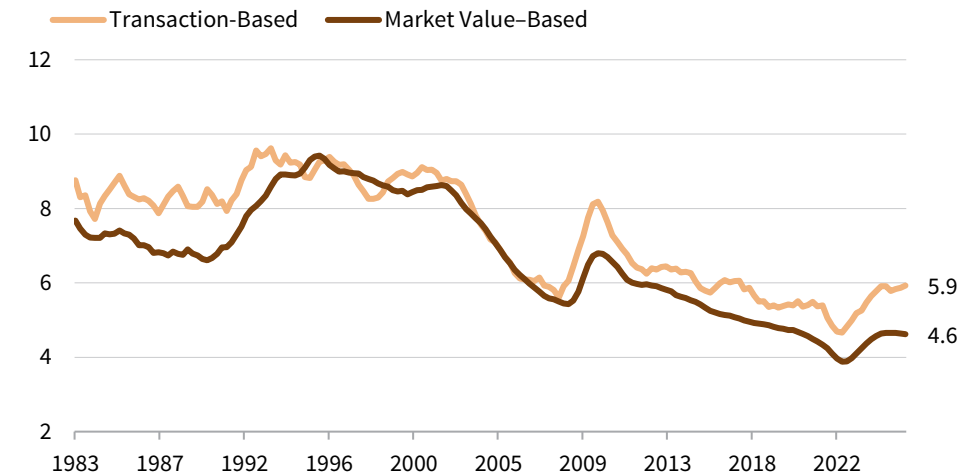
Facts & Figures First Quarter 2026

US property returned 1.1% in 4Q and 4.9% in 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 -1.0% annualized return over the trailing three-year period. Reflecting underlying income growth, return dispersion across sectors is significant. Hotels have returned 6.9% annualized, while office returned -7.6% over the past three years.

- Private property cap rates have been stable 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 is identical to where it was at the end of 2020. Cap rates have fluctuated across sectors and dispersion has risen, with a large current gap between the lowest (industrial at 4.2%) and highest (office at 5.9%).
- Commercial real estate transaction 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, drawing closer to pre-pandemic averages.
- NOI growth has decelerated in recent years amid weak underlying fundamentals. Four-quarter rolling NOI grew just 2.0% through the end of 4Q, less than half the ten-year median of 4.5%. Sector dispersion is notable, with industrials posting strong growth (5.0%) and office continuing to lag (-5.4%).
- 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.

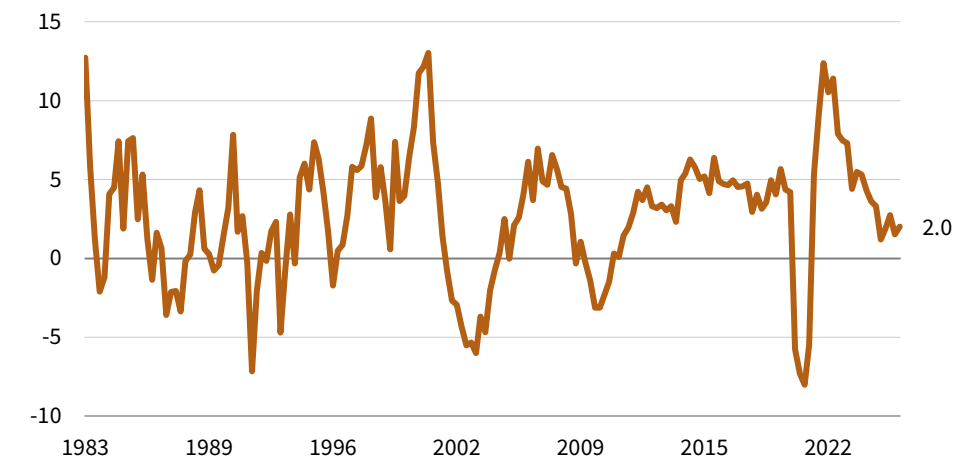
All property cap rates

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



Four-quarter rolling NOI growth

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



Source: National Council of Real Estate Investment Fiduciaries.

European Private Property

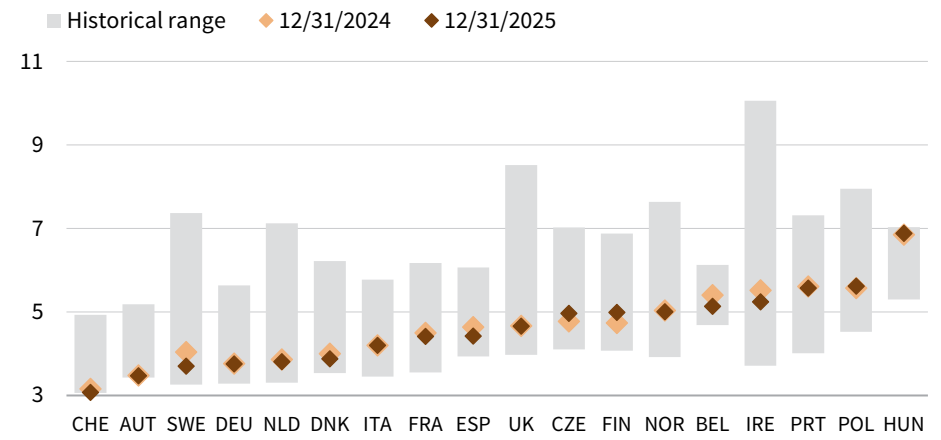
Facts & Figures First Quarter 2026

UK private property returned 1.2% in 4Q and 5.7% over the trailing four quarters ending December 2025, according to the unlevered MSCI UK Quarterly Property Index. Longer period returns continue to reflect the impact from tight monetary policy and changes in working patterns, with the index returning 3.1% annualized on a trailing three-year basis. Europe ex UK follows a similar trend, with office continuing to lag considerably while retail outperformed (3.1% and 7.3%, respectively over the trailing four quarters as of 4Q).

- Property yields across most of Europe have steadily decreased over the last decade, although remained broadly stable over 2025 despite monetary policy rate cuts by central banks. Yields in the UK and Germany remain low relative to history, while those in France trade closer to average.
- Spreads are set to narrow due to the Iran War, with rising government bond yields reflecting near-term inflationary pressures. Reduced consumer real incomes will hit sectors such as retail hardest, although economic uncertainty and rising rate expectations will likely slow the new investment pipeline and thus reduce supply. Property can be a good inflation hedge if rental growth can adjust accordingly.
- Economic growth forecasts have been downgraded in the UK and the eurozone over the quarter, with consensus forecasts for 2026 showing 1.0% and 1.1%, respectively, both below the DM average. Both the BOE and ECB are expected to vote for one or two 25-bp interest rates hikes through 2026 in response to rising inflation expectations.
- In the UK—the largest commercial real estate market in Europe—4Q investment was £30.4B, the largest quarterly figure on record. European commercial real estate in total saw 15% investment growth for 2025, led by growth in Spain and Italy, as well as the healthcare sector.

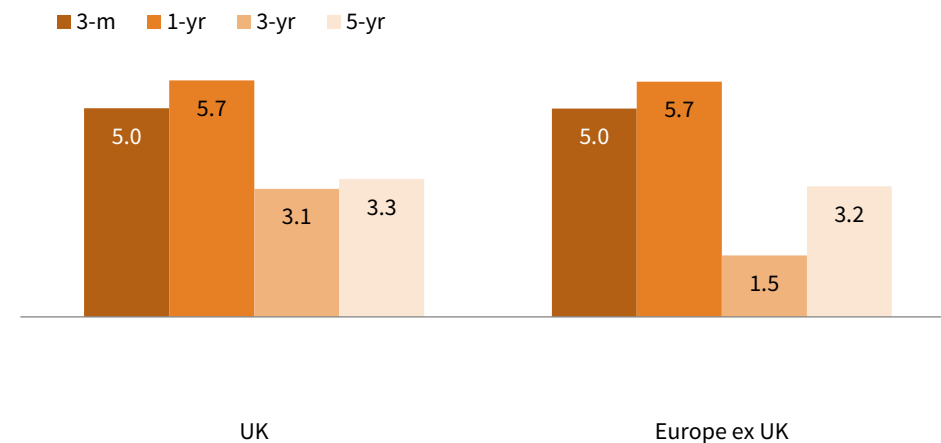
European property net operating income yields

As of Dec 31, 2025 • Percent (%)



Annualized index performance

As of Dec 31, 2025 • Percent (%)



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

Note: Income yield figures are presented in local currency.

Asian Private Property

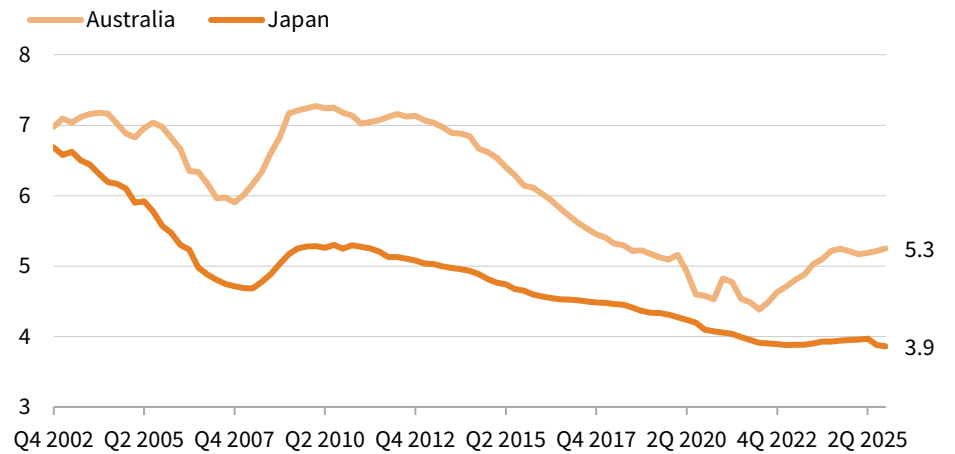
Facts & Figures First Quarter 2026

Asian private property returns picked up in 4Q, returning 1.8% for the quarter and 6.5% 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 1.0% annualized. Sector performance over this period was mixed, with industrials and retail returning 3.9% and 3.6% annualized, while office detracted (-2.1% 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 risen to 5.3%, while property yields in Japan have ticked down to near record lows of 3.9%, given a slower pace of policy normalization by the BOJ.
- Growth expectations for Asia-Pacific economies have firmed up following an easing of US tariff uncertainty, with consensus forecasts expecting the region’s real GDP to grow by 4.4% in 2025 and 3.9% in 2026. However, these forecasts are subject to change given the rise in energy prices following the onset of the Iran War in March.
- 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 and 4Q, reaching its highest levels since 2021. Overall investment volume is up 22% over the past four quarters, perhaps spurred on by falling interest rates across the region, after being largely flat over most of 2022–24.

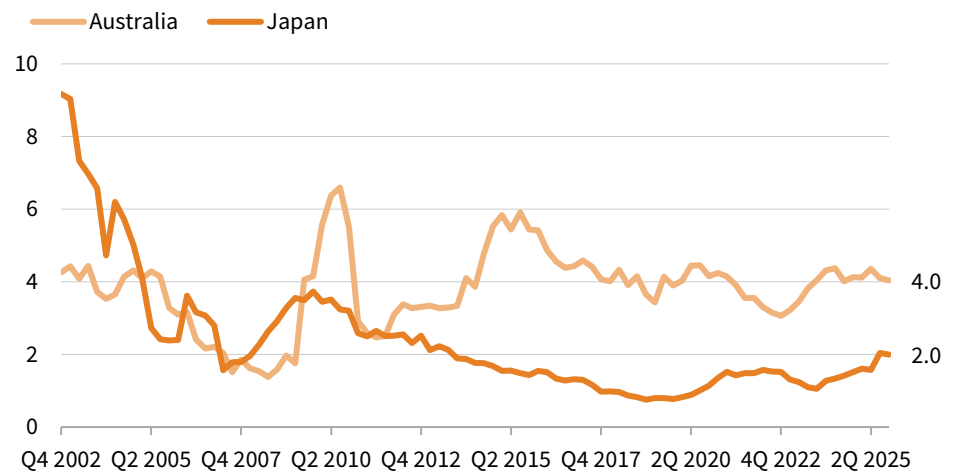
Property yields

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



Vacancy rates

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



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

Private Infrastructure

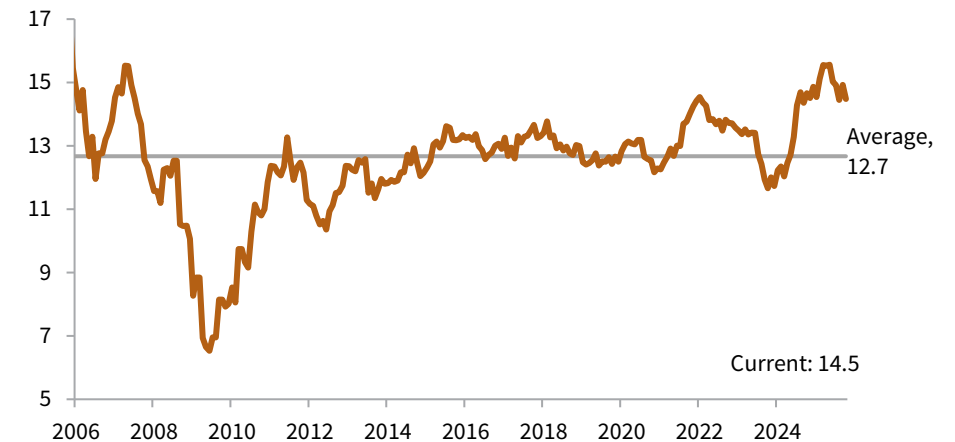
Facts & Figures First Quarter 2026

Private infrastructure returned 1.9% over 3Q and 8.6% over the trailing four quarters ended September 2025, according to the Cambridge Associates Infrastructure Index. On a trailing three-year basis, the index returned 10.2% 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 14.5 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 over the last 12 months. 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 slightly higher to 3.0% for 2026 and 3.1% for 2027 despite supply chain disruption as a result of the Iran War. This should provide a tailwind for infrastructure investment. Global inflation expectations also moved higher (to 3.6% for 2026) due to higher energy prices.
- Global infrastructure transaction values grew by more than 35% over the last four quarters. Data shows that digital infrastructure and the transport were the most active sector on a dollar valuation basis, followed by power & transmission.
- 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.

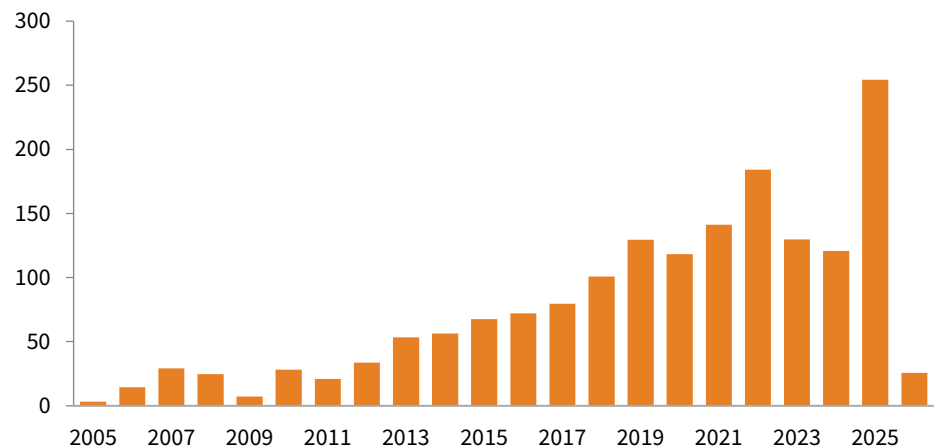
Prices of transactions (EV/EBITDA)

Jun 30, 2006 – March 31, 2026 • Rolling 12M average



Global capital commitments to infrastructure PE funds

2005–26 • 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. 2026 data for global capital commitments to infrastructure PE fund are as of April 13, 2026.

Natural Resources Equities

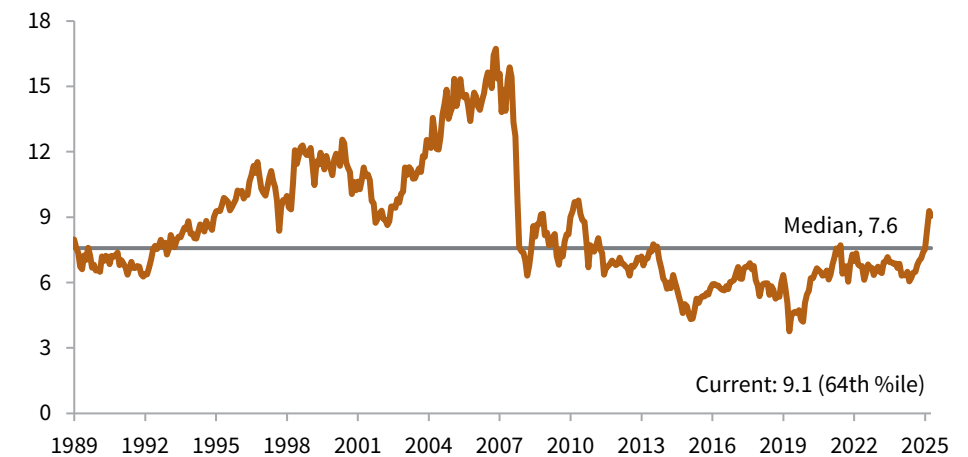
Facts & Figures First Quarter 2026

Natural resources equities gained 28.5% in 1Q (USD terms), according to the MSCI World Natural Resources Index, bringing one-year performance to 46.9%. Both energy and metals & mining equities had very strong performance in 1Q returning 36.9% and 10.8%, respectively. Energy and metals & mining equities outperformed due to a sharp rise in commodity prices driven by tight supply channels caused by the Iran War.

- Natural resources firms trade at 9.1 times cyclically adjusted price-to-cash earnings, which ranks in the 64th percentile of month-end observations dating back to 1990. Valuations increased and remained above median for all 1Q, the first time that has happened in over a decade.
- Although heightened geopolitical tensions from the Iran War weighed on sentiment, 2026 global real GDP growth expectations remained broadly unchanged in 1Q at around 3.0%. At the same time, supply chain bottlenecks stemming from the closure of the Strait of Hormuz drove a material rise in commodity prices, benefiting natural resources equities.
- 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.

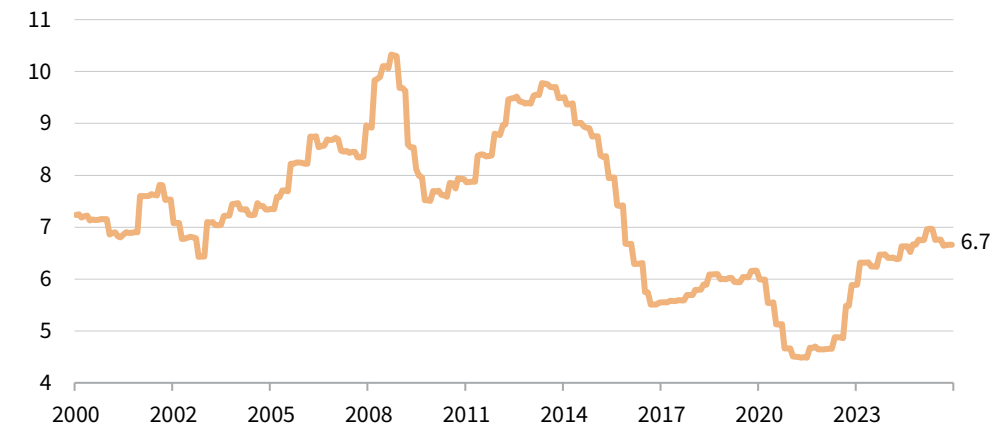
Cyclically adjusted price-to-cash earnings

Dec 31, 1989 – Mar 31, 2026



Capital expenditures

Jan 31, 2000 – Mar 31, 2026 • 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

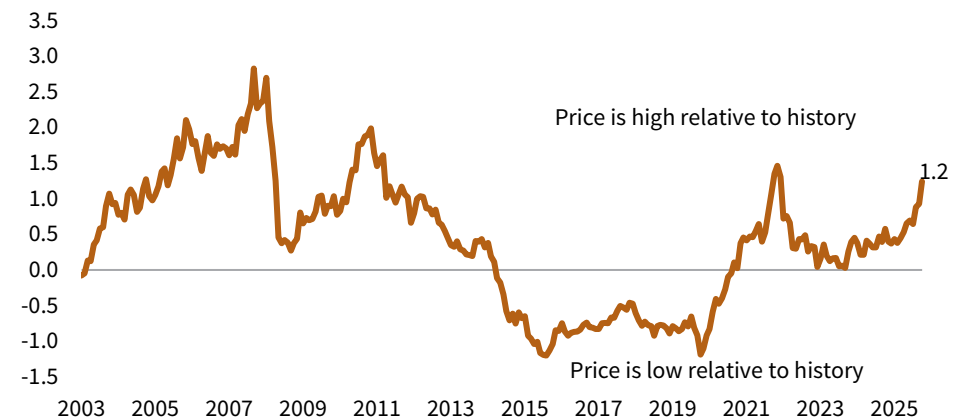
Facts & Figures First Quarter 2026

The Bloomberg Commodity Index returned 24.4% on a total return basis in 1Q as the Iran War caused a historic disruption to energy supply in the middle east. On a TTM basis, the index is up 32.3%. During that time, precious metals (65.3%), energy (29.2%), livestock (22.0%), and industrial metals (16.9%) posted double-digit returns, while softs (-14.4%) lagged.

- In 1Q, the rise in commodity prices pushed spot prices to 1.2 standard deviations above their ten-year inflation-adjusted mean, based on the index's constituents and weights. Across commodity groups, real prices were mixed: precious metals remained notably elevated relative to history, energy moved above its historical median, while grains and softs stayed below their historical medians.
- Commodity prices in 1Q were heavily influenced by the Iran War, primarily through its effect on energy markets. Closure of the Strait of Hormuz, the world's most vital energy chokepoint, sent oil & gas prices soaring. The 60% increase in the energy subcomponent during 1Q was its largest quarterly price gain since the index's inception 35 years ago.
- Commodity futures returns reflect three components: changes in spot prices, roll yield as expiring contracts are replaced, and interest earned on cash collateral. Commodity markets in aggregate are now in backwardation—especially oil, where the curve is steeply inverted—suggesting that roll yield may provide support for returns.
- Two widely used commodity benchmarks are the Bloomberg Commodity Index and the S&P GSCI™. The Bloomberg index is weighted by world production and liquidity, with caps on commodities and subsectors to promote diversification. The S&P GSCI™ is weighted by world production and has greater energy exposure. Both indexes hold only near-month futures, while many active managers can invest across the full futures curve.

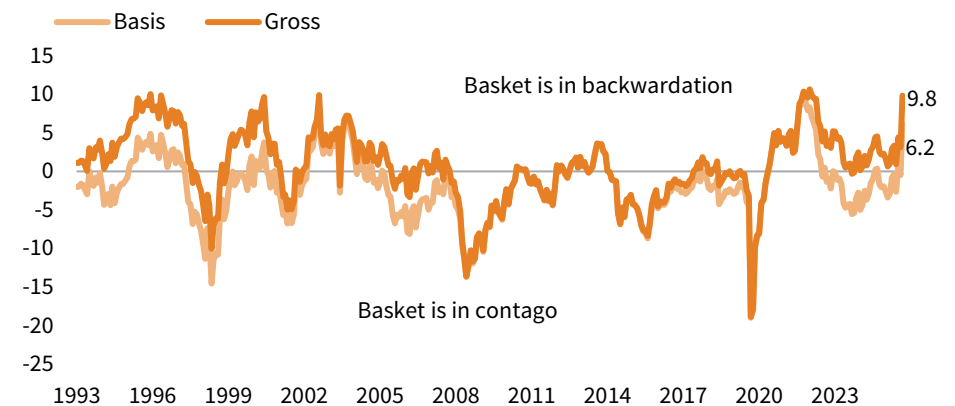
Commodity futures basket price deviation

Jun 30, 2003 – Mar 31, 2026 • Z-score



Commodity futures basket indicative roll yield

Jul 31, 1993 – Mar 31, 2026 • 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

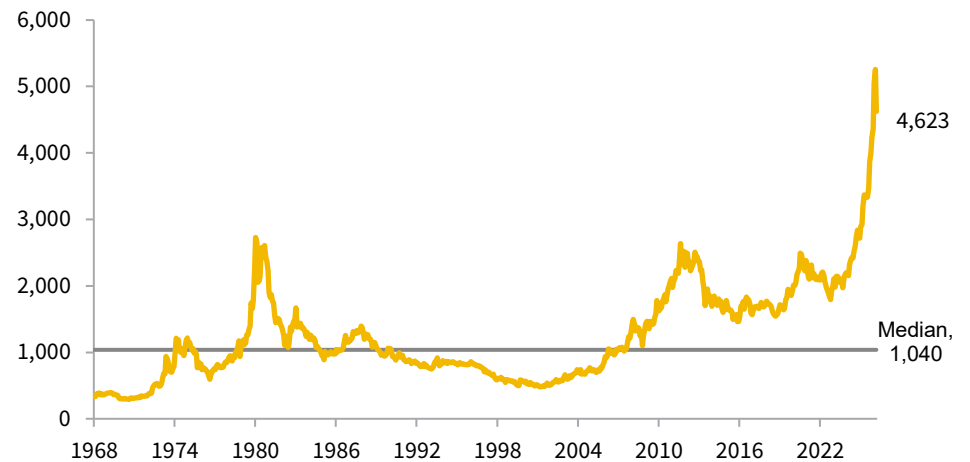
Facts & Figures First Quarter 2026

Gold gained 6.9% in 1Q and 47.9% over the trailing 12 months, underpinned by policy uncertainty, retail momentum, and dollar/fiscal concerns. First quarter gains were largely front-loaded, as the Iran War became a headwind for gold.

- Gold rose for a fifth consecutive quarter in 1Q, climbing above \$5,000 during the period and ending March at nearly three times its late-2022 low. Several factors have supported gold in recent quarters. First, the Fed cut rates over that span, and markets had been anticipating further rate reductions. Lower interest rates generally increase gold's appeal from an opportunity cost standpoint, because it does not generate income. Second, the dollar has broadly declined since early 2025, and gold tends to move inversely to the dollar. Third, demand from gold ETFs increased and became a key source of incremental buying in 2025.
- However, those themes shifted in the latter part of 1Q. The Iran War, which began at the end of February, became a headwind for gold by reversing the key supportive themes for gold: higher rate and inflation expectations offset safe-haven demand, the dollar strengthened, and investors appeared willing to take profits after gold's historic run. These factors led to gold posting its steepest monthly decline in more than a decade in March. Gold-backed ETF buying continued in 1Q but slowed versus the prior four quarters.
- 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 basis point range.

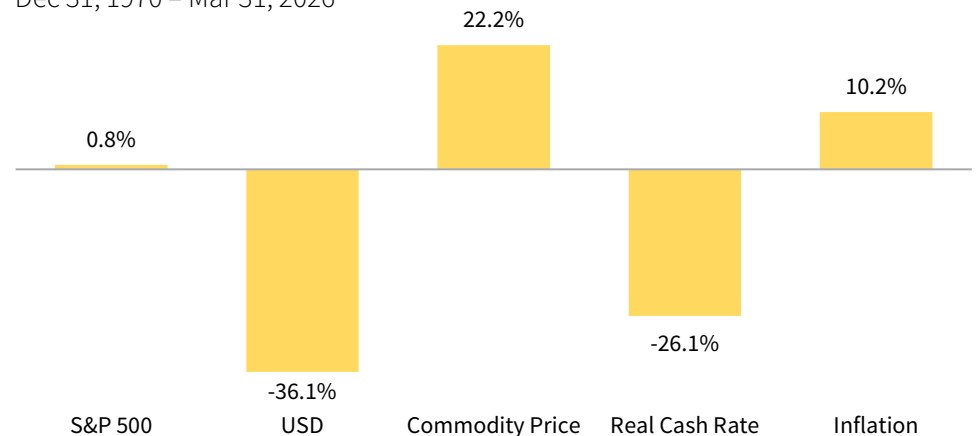
Gold bullion real price

Jan 31, 1968 – Mar 31, 2026 • US Dollars per Troy Oz



Long-term correlation vs gold prices

Dec 31, 1970 – Mar 31, 2026



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 February 28, 2026.

Currencies

USD vs Developed Markets Currencies

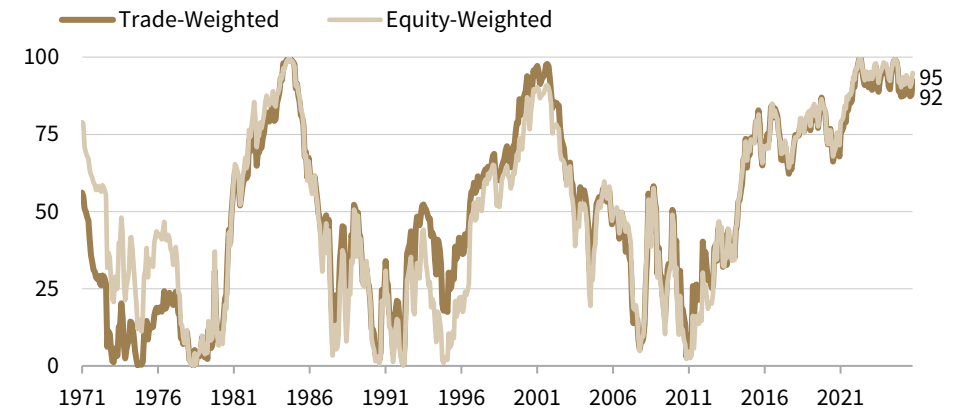
Facts & Figures First Quarter 2026

The US dollar rose 1.7% in 1Q 2026 bringing its trailing one-year performance to -4.1%. Israeli-US attacks on Iran have seen some recent support for the dollar. Bigger picture, US policy uncertainty, narrowing rate differentials, and foreign hedging of US assets have driven the dollar's decline over the past year. 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 95th and 92nd 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.
- Since mid-2021, widening interest-rate differentials, driven by earlier US inflation and a more hawkish Fed, were the main driver of dollar strength. Most of that move had played out by October 2022, leaving the dollar largely rangebound. By early 2025, it was back near the top of that range as markets expected proposed US tariff, tax, and immigration policies to support US growth and inflation. Subsequently, however, the dollar fell back toward the bottom of that range as policy uncertainty and tariffs weighed on the US outlook.
- This decline was reinforced by narrowing US rate differentials versus peers, with room for further compression. The Fed will likely end up easing policy when compared to peers, with the BOJ tightening further, while fiscal easing may support euro area growth. Non-US investors have also become more cautious on dollar assets and increased currency hedging, though dollar demand during the attacks on Iran has provided what we expect to be temporary support.
- Key risks to this view include a reacceleration of the US economy whether due to stimulus or other reasons, a continuation of the conflict in Iran impacting peers to a greater extent than the United States, or a persistence in the theme of tech/AI outperformance attracting foreign inflows despite elevated valuations.

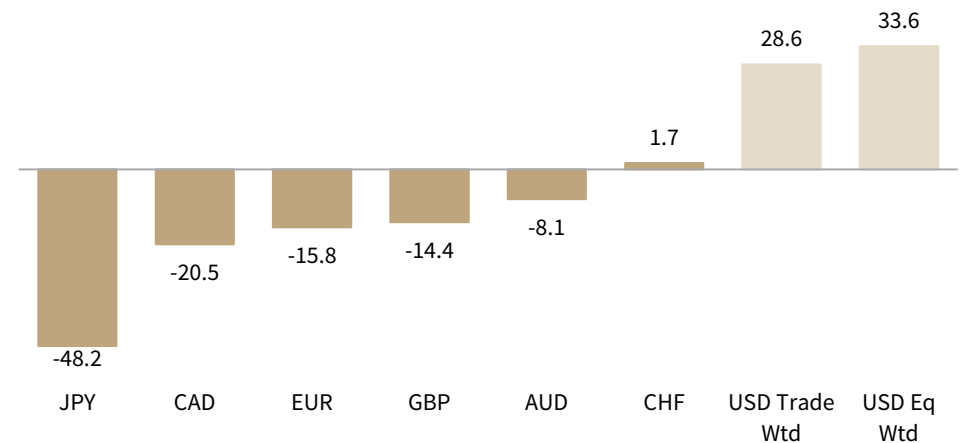
USD basket real exchange rate percentile

Jun 30, 1971 – Mar 31, 2026



Real exchange rate vs the USD: % from median

As of Mar 31, 2026



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 December 31, 2025. Canada, UK, and Japan inflation data are as of February 28, 2026. All other inflation data are as of March 31, 2026.

GBP vs Developed Markets Currencies

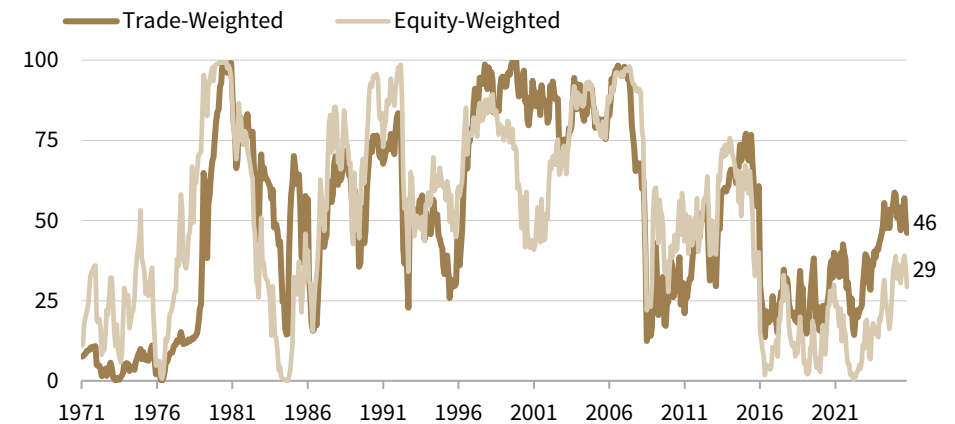
Facts & Figures First Quarter 2026

Sterling was down 0.7% in trade-weighted terms in 1Q 2026 bringing its trailing one-year performance to -2.0%. The trailing one-year performance is primarily a function of a rising euro, while a decline in the dollar provided some offset. Domestically, there had been signs of a firming in activity, however the impact of the Iran War represent a headwind.

- 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 55% 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%, 3Q and 4Q each recorded a meager 0.1% expansion. Consensus 2026 GDP growth for the UK stood at 1.0% at quarter end, 0.2 ppts below that expected at the start of the year and below the 1.8% expected for broader DM this year. Still, the composite PMI has stood at 53.7 prior to the Iran War, while monthly GDP was estimated to have risen 0.5% in February, all likely helped by the lifting of uncertainty after the budget.
- The BOE kept rates at 3.75% during the quarter, with sticky inflation restraining them from easing further to support growth. However, inflation seems likely to ease further provided the Iran War remains contained, making additional rate cuts likely, especially if activity remains weak. This 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.

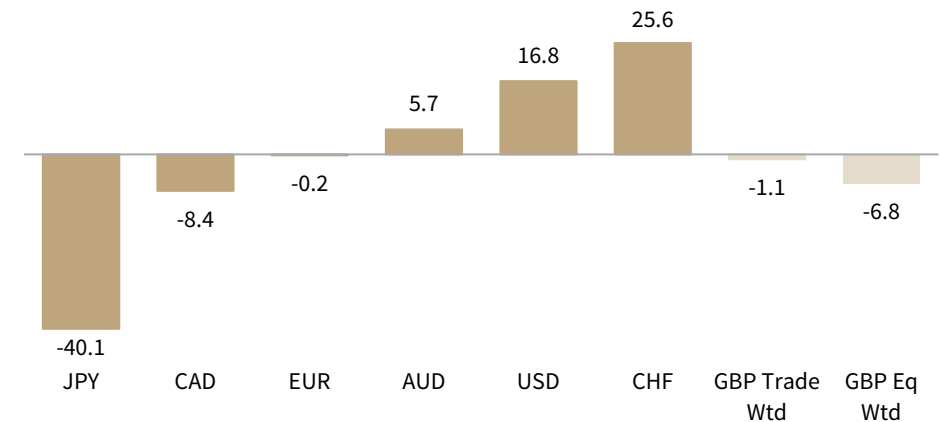
GBP basket real exchange rate percentile

Jun 30, 1971 – Mar 31, 2026



Real exchange rate vs the GBP: % from median

As of Mar 31, 2026



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 December 31, 2025. Canada, UK, and Japan inflation data are as of February 28, 2026. All other inflation data are as of March 31, 2026.

EUR vs Developed Markets Currencies

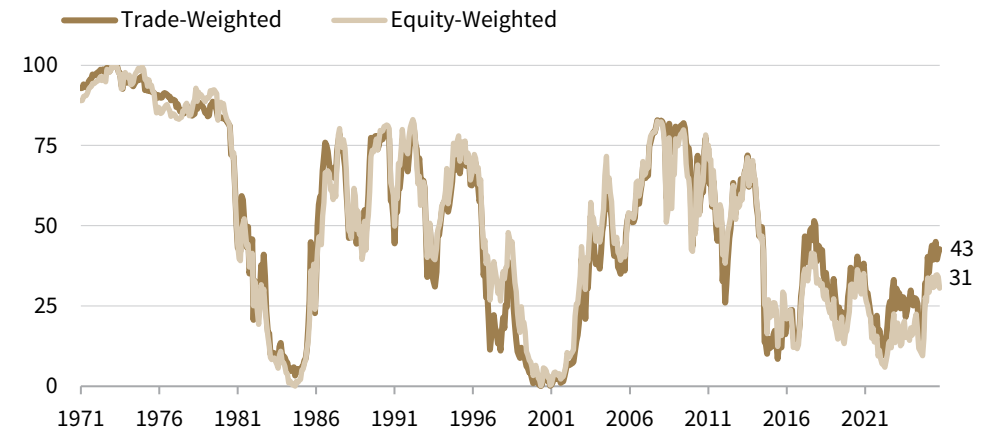
Facts & Figures First Quarter 2026

The euro fell 0.9% in trade-weighted terms in 1Q 2026 bringing its trailing one-year performance to 4.4%. 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. Rising energy prices because of the attacks on Iran have resulted in some recent softness.

- On a valuation basis, the euro's REER stands at the 31st percentile on an equity-weighted basis and the 43rd percentile on a trade-weighted basis, 8.8% and 1.8% 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 (80%) and explains the additional undervaluation on that measure.
- Despite improving growth expectations, the economic backdrop is 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 and planned German fiscal stimulus are both 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. The Iran War also represents a supply shock.
- 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, a moribund German economy, an escalation of French political instability, and an extended war in Iran.

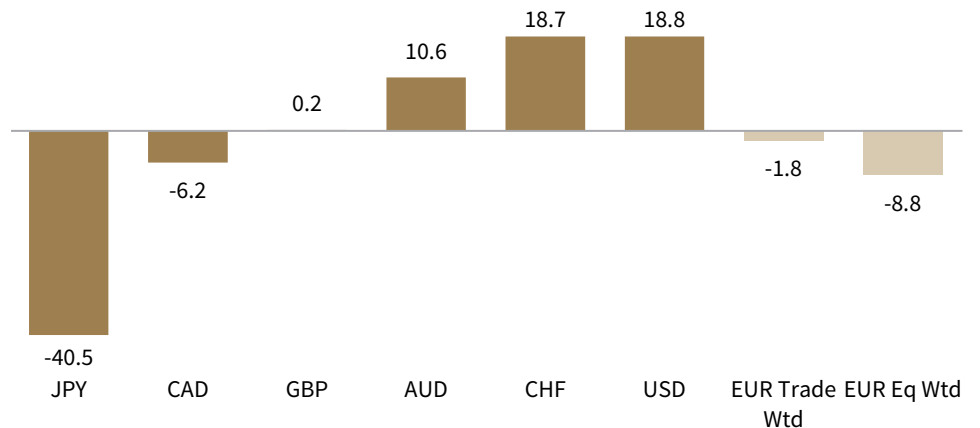
EUR basket real exchange rate percentile

Jun 30, 1971 – Mar 31, 2026



Real exchange rate vs the EUR: % from median

As of Mar 31, 2026



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 December 31, 2025. Canada, UK, and Japan inflation data are as of February 28, 2026. All other inflation data are as of March 31, 2026.

Digital Assets

Facts & Figures First Quarter 2026

Bitcoin fell 22.0% in 1Q as negative sentiment rippled across digital assets. For the trailing TTM period, bitcoin dropped 17.4%. The S&P Cryptocurrency Broad Digital Market Index also fell, losing 23.6% in 1Q and 17.9% for the year.

- The macro backdrop in 1Q was challenging, as the Iran War contributed to economic uncertainty and higher volatility across risk assets. However, bitcoin's decline during the quarter was driven primarily by factors that predated the conflict, including tighter-for-longer Fed expectations, stalled crypto policy momentum, and heavy ETF outflows. By contrast, after the outbreak of the war, bitcoin held up relatively well versus other risk assets in March. Still, at quarter-end bitcoin remained 46% below its all-time high price of \$126,000 reached in October.
- Measures of crypto market sentiment, such as the CMC Fear and Greed Index, have shifted back to neutral after having reached extreme fear territory in early February. 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.

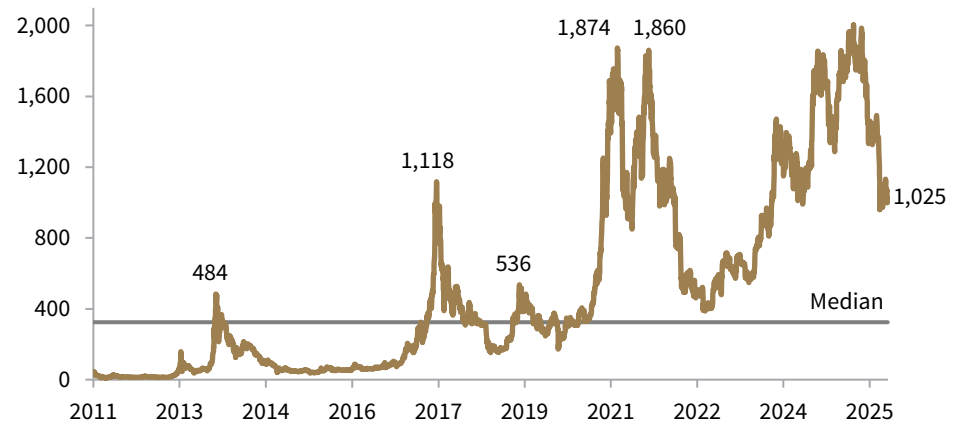
Bitcoin price

Dec 31, 2015 – Mar 31, 2026 • US Dollars



Ratio of bitcoin price to transactions per coin

Aug 31, 2011 – Mar 31, 2026



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

First Quarter 2026

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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