Review of Market Performance

Fiscal Year 2026

August 2026

Key points

The commodity supply shock slows global growth mildly, with regional divergence

- While the Iran War catalyzed a material supply shock and renewed geopolitical uncertainty, 2026 global growth is expected at 2.9%. Net energy importers—including many European and Asian countries—saw their growth prospect hit hardest due to the war.
- Renewed inflation concerns resulting from higher commodity prices saw central banks pivot towards tighter monetary policy, while in the United States and parts of Asia, robust investment in AI-related infrastructure provided an additional boost to economic activity.

Global equities delivered another fiscal year (FY) of strong gains across a range of regions

- Emerging markets (50.2%) and Japan (45.3%) gained the most, although that outperformance reduced somewhat in dollar terms given domestic currency depreciation. Developed markets (21% in dollar terms) also posted strong performance, aided by multiple expansion.
- The artificial intelligence (AI) buildout, and related market sentiment, became a clear driver of relative performance, particularly in first half 2026. US and Asian technology names became increasingly prominent weights in indexes, driven by material earnings per share (EPS) growth.

The dollar appreciated modestly, with the US relatively insulated from Middle East developments

- Recovering from a period of weak performance due to US-centered trade policy uncertainty, the dollar became a relative safe haven at the onset of the Iran War, given the US' energy self-sufficiency.
- Higher relative interest rates—based on reduced expectations of Fed rate cuts as the labor market showed resilience, and capital inflows driven in part by AI-related market sentiment—also helped the dollar regain some of its strength.

Bond market returns lagged upon renewed inflationary impetus

- Bond yields rose on heightened inflation concerns and central bank interest rate hike expectations resulting from the Iran War. Despite the macroeconomic shock, corporate fundamentals broadly remained intact as credit spreads stayed close to historically tight levels.
- Japanese government bond yields rose the most on renewed fiscal easing and monetary tightening, while Treasury yields also increased as economic resilience shifted expectations from Fed easing toward interest rate hikes in FY 2027.

Real assets posted strong gains as global supply shock bites and AI buildout demand strengthens

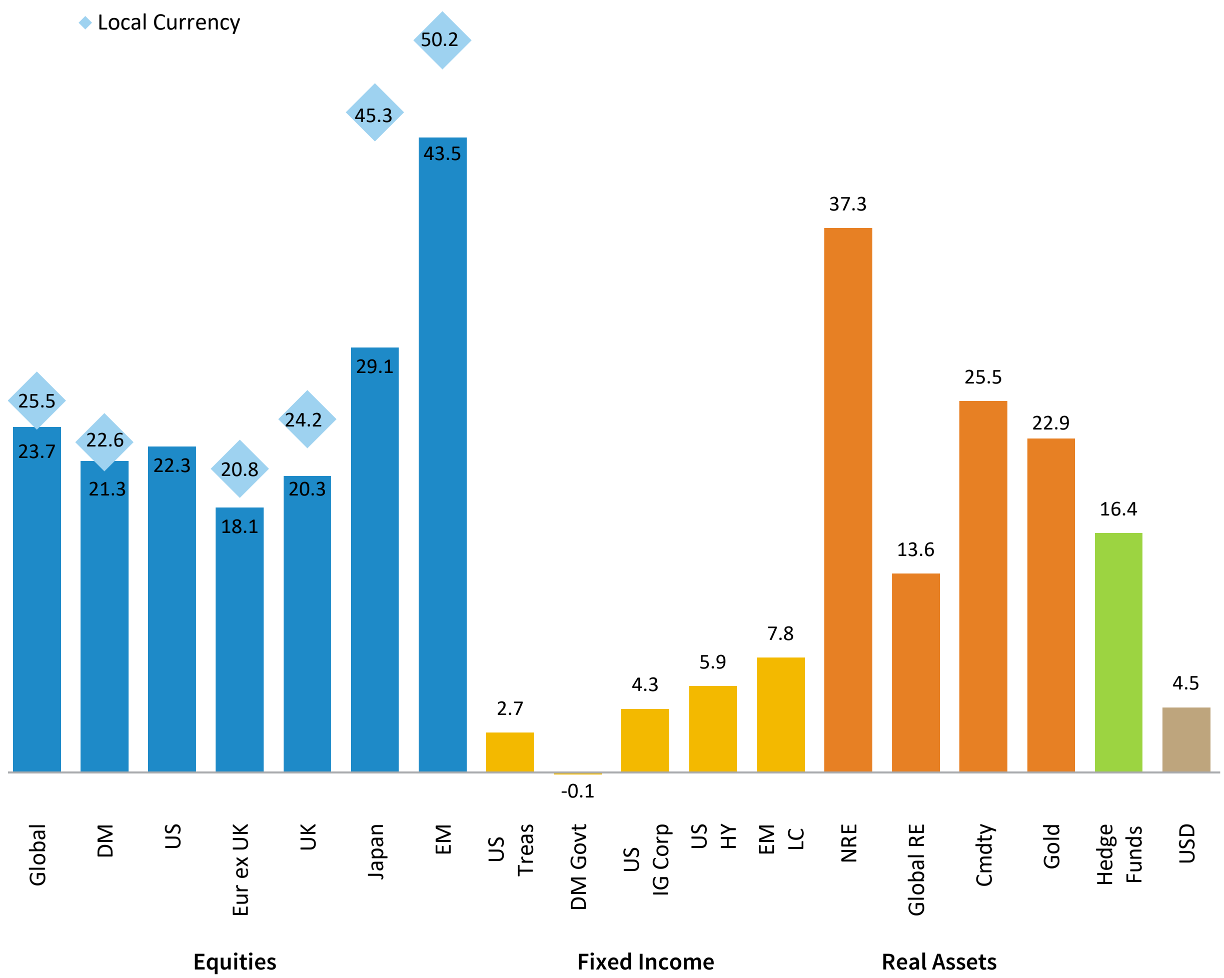
- Natural resource stocks saw the largest move higher, driven in part by higher energy prices as the flow of ships through the Strait of Hormuz became materially impaired. Around 20% of global oil and gas supply transits through the strait.
- Gold exhibited strong net performance of 22.9% in FY 2026, supported by official institution reserve diversification and retail participation. Those tailwinds reversed, with gold down 23% since the Iran War started.
- Rising AI and energy transition demand, against a backdrop of constrained supply, also drove several base metal prices higher.

Equities and real assets enjoyed strong performance in FY 2026 as bonds lagged

Equities and real assets enjoyed strong positive returns in FY 2026 despite fresh inflation concerns and geopolitical uncertainty.

- Global equities performed strongly, driven by notably elevated earnings growth, as well as multiple expansion in some regions. A drawdown in March driven by Iran War concerns was more than overcome by AI momentum and war de-escalation rallies.
- Sovereign fixed income underperformed as higher energy prices renewed inflation concerns and central bank rate hike expectations, pushing yields higher. Credit spreads tightened modestly to boost investment-grade (IG) and high-yield (HY) bonds returns.
- Real assets rallied on both the AI build out and the global supply shock, with energy and base metals the standout performers. Momentum was a tailwind for some categories of hedge funds.

Global asset class performance: FY 2026
As of June 30, 2026 • Total return (%) • US dollar

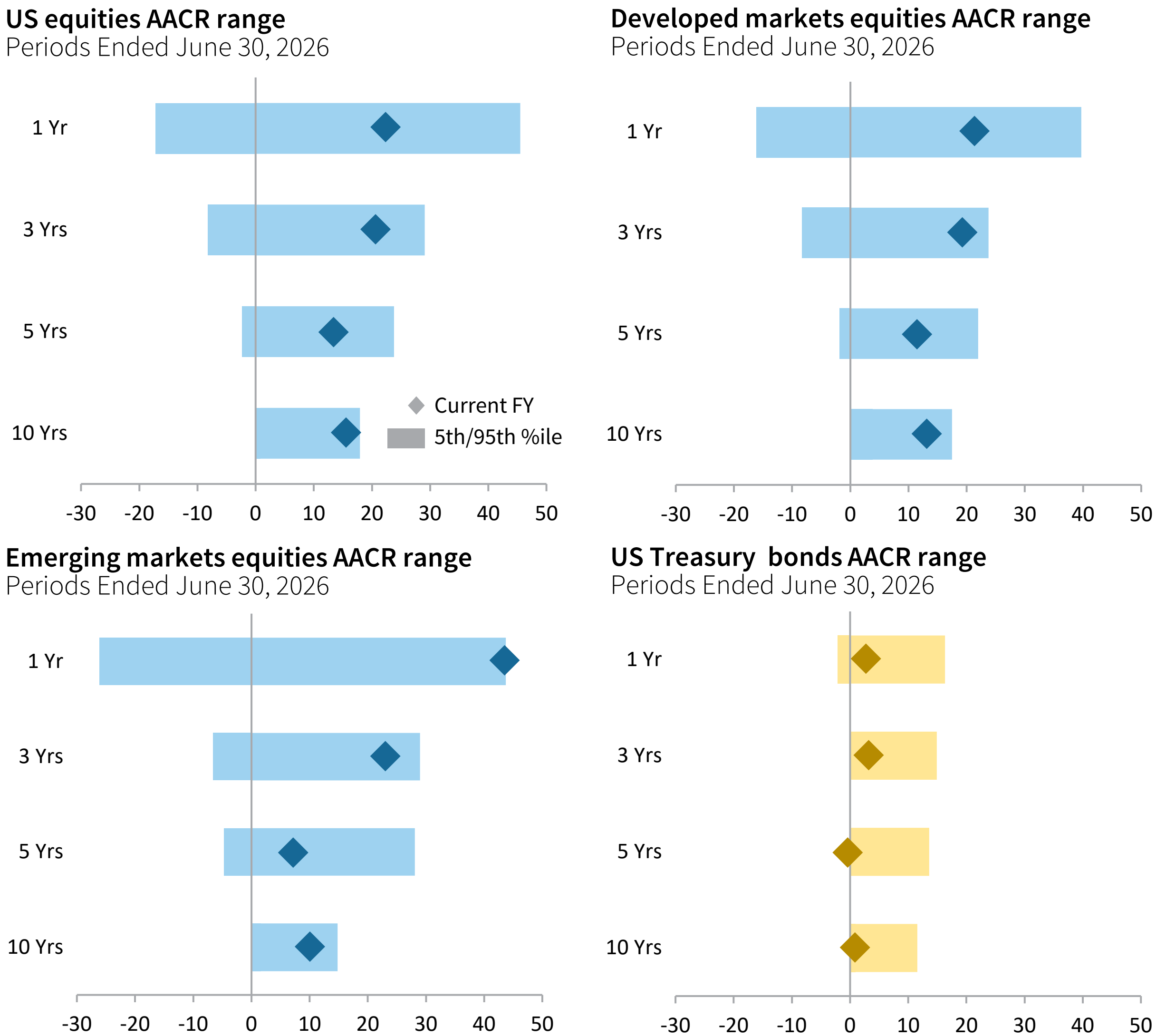


Sources: Bloomberg Index Services Limited, Bloomberg L.P., EPRA, Federal Reserve, FTSE Fixed Income LLC, FTSE International Limited, Hedge Fund Research, Inc., Intercontinental Exchange, Inc., J.P. Morgan Securities, Inc., MSCI Inc., National Association of Real Estate Investment Trusts, Standard & Poor's, and Thomson Reuters Datastream. Third-party data provided "as is" without any express or implied warranties.
Notes: For asset class representation see page 32. Total return data for all MSCI indexes are net of dividend tax withholdings. Hedge Fund Research data are preliminary for the preceding five months. Gold performance is based on spot price returns.

Equities have delivered above-average returns, while the opposite is true for bonds

Equities continue to post strong performance relative to historic norms, while bonds struggle.

- While US and developed markets (DM) returns were strong in FY 2026, they were not in the top quintile of one-year returns. However, with three consecutive strong years, returns are approaching the top of the historical three-year range. US and broader DM returns have largely been comparable over a multi-year horizon.
- Emerging markets (EM) equities notably outperformed in FY 2026, returning 43.5% in USD terms. This represented the 95th percentile of annual FY returns. Longer horizon returns remain depressed versus DM, while volatility has historically been greater.
- US Treasury bonds delivered weak returns, in the bottom 35th percentile of historic one-year returns. Longer lookback periods show a similar trend, with persistently above target inflation meaning that five- and ten-year returns remain depressed.



Sources: Bloomberg Index Services Limited, Global Financial Data, Inc., MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. Third-party data provided "as is" without any express or implied warranties.
Notes: For asset class representation see page 32. Ranges reflect the 5th and 95th percentile of calendar year returns. Total returns are in US dollars.

Macro

Events in the Middle East have contributed to expectations of below average GDP growth for FY 2026

Global GDP growth in FY 2026 is expected to slow somewhat. Divergence across countries has emerged, based on net energy importer status and level of AI-related exposure and investment.

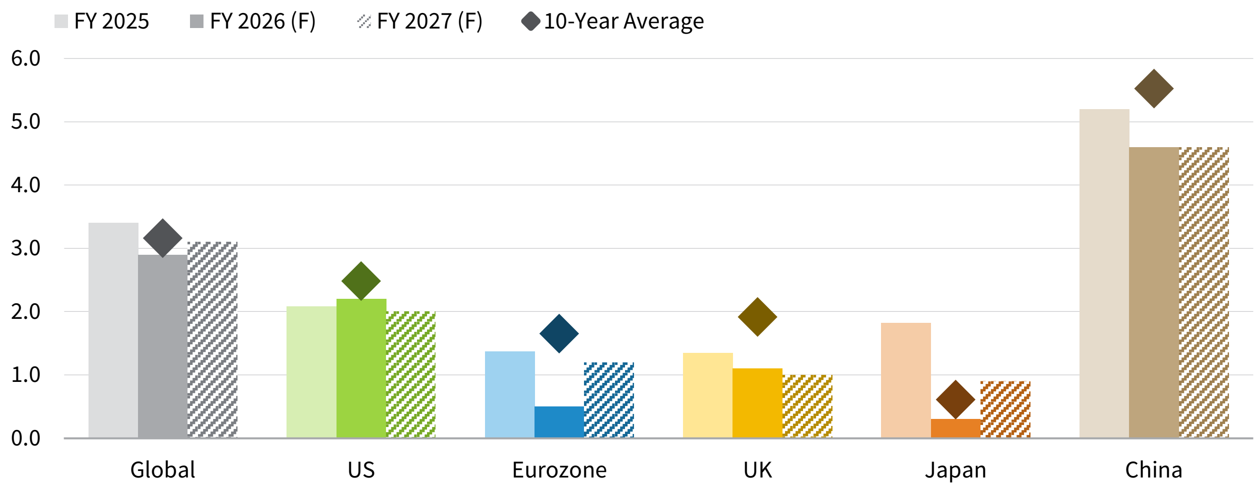
— FY 2026 GDP growth looks likely to moderate further below trend rates across developed economies and, for most, below FY 2025. The US economy is set to outstrip DM peers, aided by continued labor market resilience and receding tariff headwinds.

— Divergence in the relative growth outlook across regions has in large part been correlated with each country's status as net energy importer and thus exposure to the supply chain disruption from the Iran War. Many European and Asian countries are expected to fare the worst because of the war.

— Private sector investment in the AI buildout has been a notable contributor to growth momentum in the US and some Asia Pacific countries.

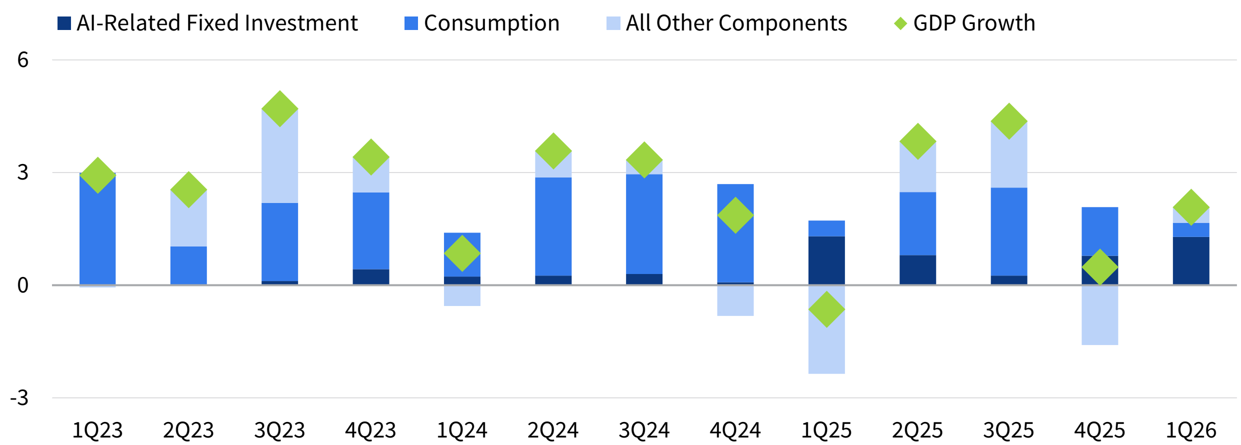
Real GDP growth

As of June 30, 2026 • Percent (%)



Contribution to US real GDP growth

First Quarter 2023 – First Quarter 2026 • Percent (%)



Sources: Bloomberg L.P., Bureau of Economic Analysis (BEA), and Thomson Reuters Datastream.
Notes: Real GDP growth are seasonally adjusted for all economies except China, and reflect data for fiscal years ending June 30. Ten-year average reflects calendar years from 2016 through 2025. Global GDP data refers to calendar years ending December 31. AI-related fixed investment refers to the software & information processing equipment categories within the business fixed investment component of GDP, while GDP growth figures are reported at the seasonally adjusted annual rate (SAAR). "All Other Components" includes net trade, private inventories, non-AI-related fixed investment, and government spending.

Renewed near-term inflationary pressures are not expected to last

Inflation momentum reignited in FY 2026, driven by the global commodity supply shock, although domestic core inflation continued to moderate back toward the 2% target.

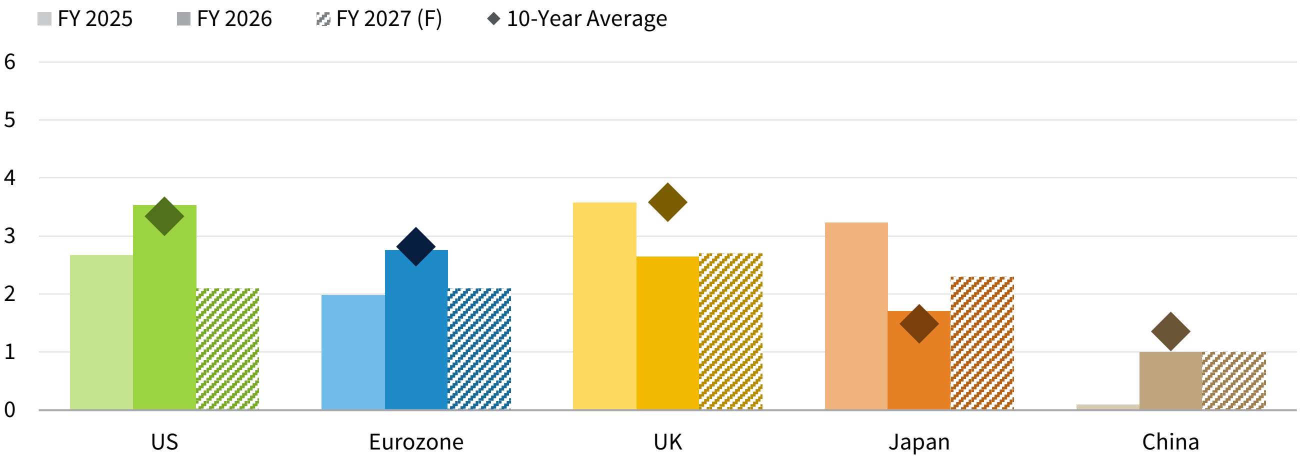
— The rise in commodity prices, resulting from the effective closure of the Strait of Hormuz, has increased headline inflation above central bank targets. That impact has been asymmetric, with a greater relative impact in net energy importing countries, notably in Europe and Asia.

— That shock is expected to be temporary, with inflation returning toward target in 2027. A combination of weaker labor markets and interest rate hikes has so far stopped higher commodity prices spreading to the wider economy, with core inflation continuing to moderate.

— The large Asian economies bucked this trend somewhat. In Japan, wage-growth driven inflation moderated in FY 2026 after reemerging in recent years, though it is expected to pick up in FY 2027. Meanwhile in China, inflation ticked higher from near deflationary levels.

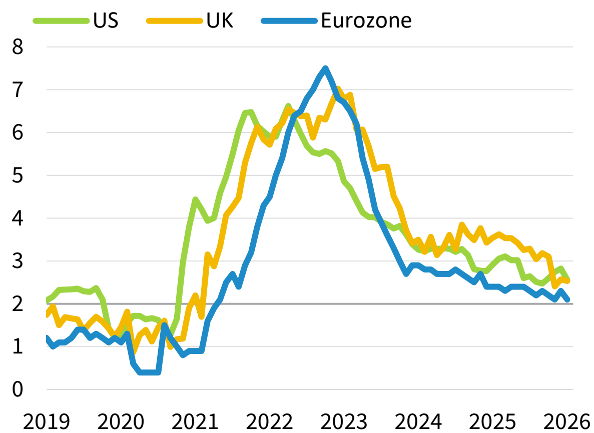
Headline inflation

As of June 30, 2026 • Percent (%)



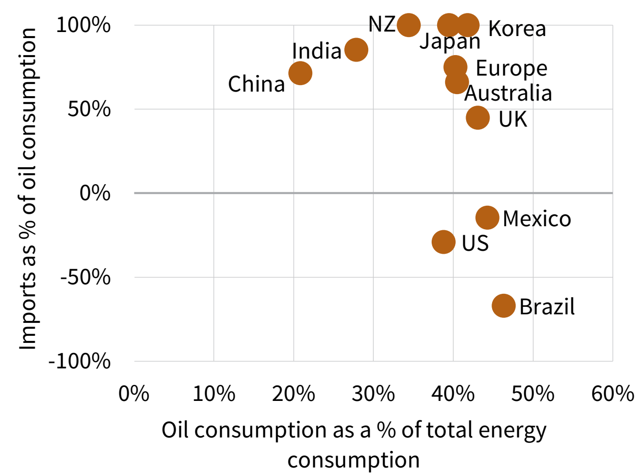
Core consumer price inflation

June 30, 2019 – June 30, 2026 • YOY Percentage Change (%)



Exposure to oil supply disruption

2025



Sources: National Sources, Oxford Economics, Energy Institute, and Thomson Reuters Datastream.

Notes: Ten-year average inflation reflects the annual fiscal year (i.e., periods ended June 30) inflation from 2017 through 2026. All CPI data are not seasonally adjusted, except for US forecasts, which are seasonally adjusted. US CPI data for September 2025 has been carried forward to represent October 2025. Net energy exporters are excluded from the bottom-right chart. Total energy consumption is proxied by total energy supply for each respective country.

Central banks adopted hawkish tones amid near-term inflationary pressures

Most major central banks halted monetary easing cycles due to higher commodity prices, although the inflationary impact is expected to be temporary.

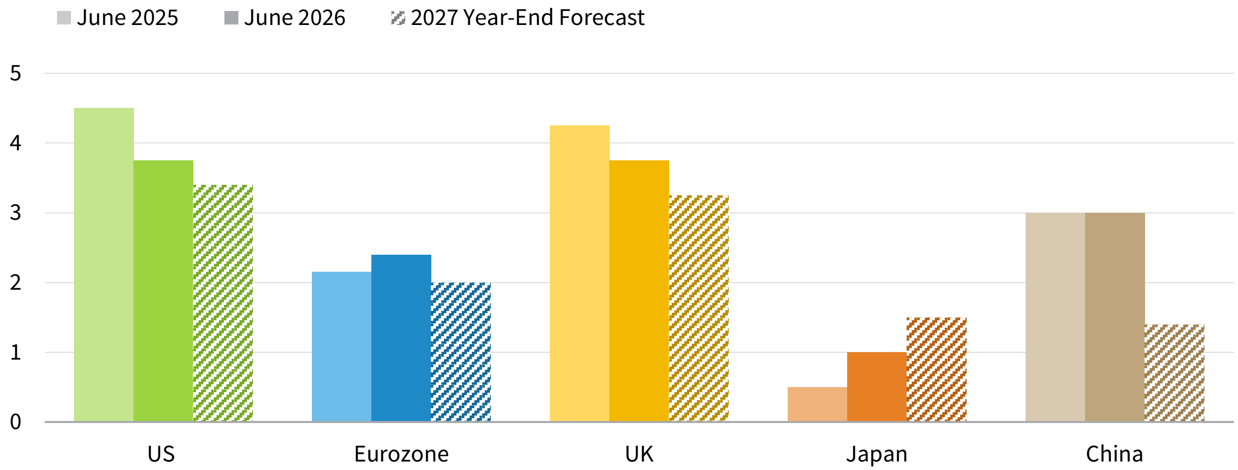
— After an easing bias from central banks in 2025—with many major central banks cutting policy rates, most notably in the US and UK—central bank rhetoric turned toward a relatively tighter stance after the onset of the Iran War. The ECB, for example, increased its policy rate by 25 basis points (bps) in June 2026.

— The likelihood that higher commodity prices feed through into broader price increases is seen as lower than in the 2022 global inflation episode. That, and continued tentative optimism that the war tensions and supply shock would ease, drove expectations for cutting cycles to recommence in 2027.

— Japan again stands out in this regard. With the return of sustained domestic inflation, the Bank of Japan (BOJ) is expected to continue rate hikes after an extended period of low rates.

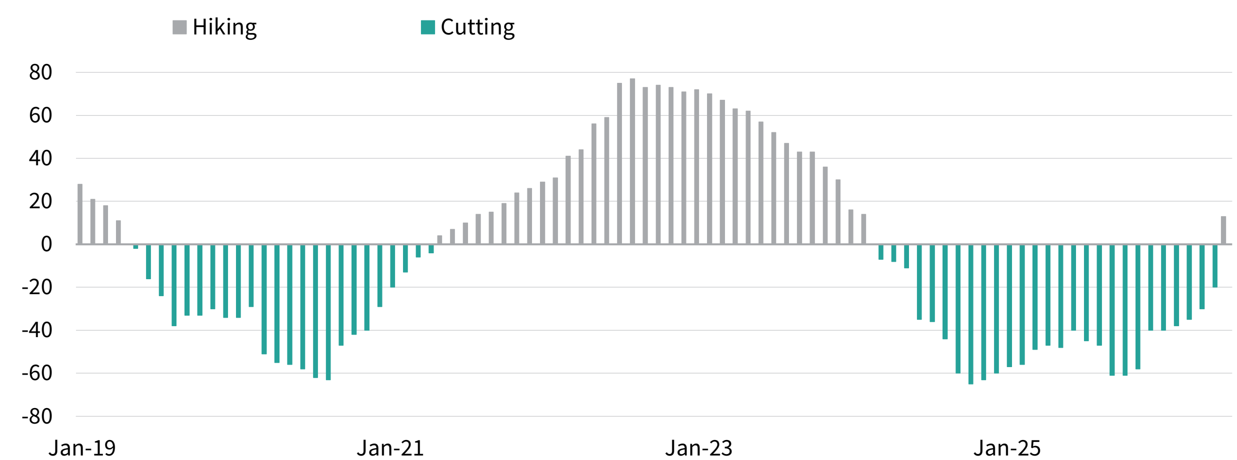
Central bank policy rates

2024–27 (F) • Percent (%)



Net number of central banks cutting rates

January 31, 2019 – June 30, 2026 • Percent (%)



Sources: FactSet Research Systems, National Sources, and Thomson Reuters Datastream.
Notes: Central bank policy rate estimates are based on median broker forecasts sourced from FactSet and are as of July 17, 2026. China's policy rate is represented by the one-year loan prime rate. Net cutting represents the number of central banks cutting policy rates minus the number of central banks hiking policy rates, calculated based on changes in interest rates over the trailing six-month period. Data are based on available interest rates across 91 global central banks.

Equities

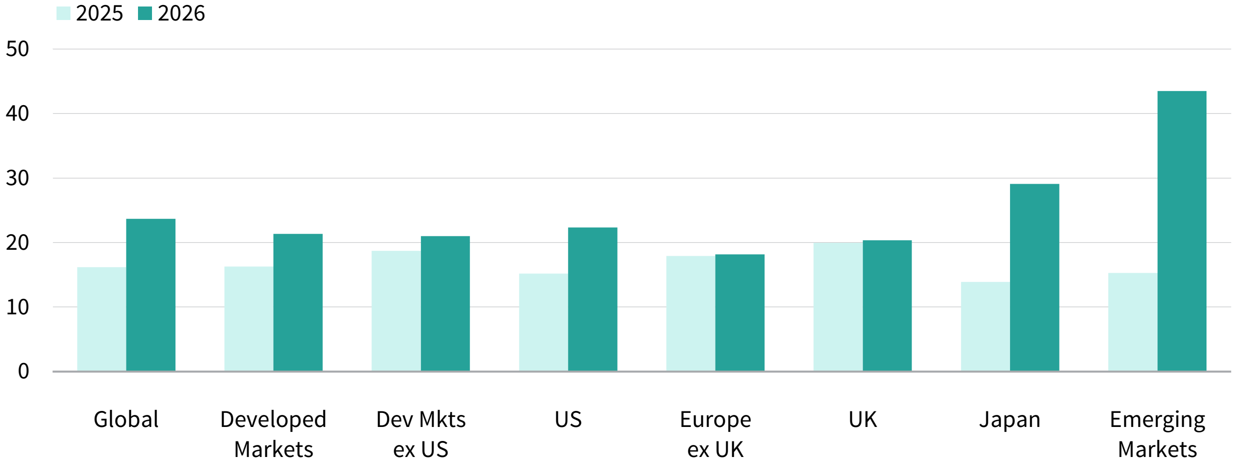
Global equities recorded high double-digit returns, notably beating already strong FY 2025 returns

Strong earnings growth, most notably in the US and EM, and multiple expansions elsewhere, were core drivers of robust equity returns.

- Despite a notable drawdown in March in response to the onset of the Iran War, equities provided strong returns across a broad range of markets. The AI buildout was a key theme behind market returns, with momentum leadership swinging between AI-related stocks and market broadening.
- Regions most exposed to the AI complex, including US and EM Asia markets, continued to grow EPS well above ten-year average levels and at a faster rate than most peers.
- While that is true, EPS growth strengthened across most regions, aided by central bank policy rate cuts and resilient economic data.
- EPS growth momentum is expected to pull back over the next year as bottlenecks in the AI buildout fade and the economic effects of the Iran War become more apparent.

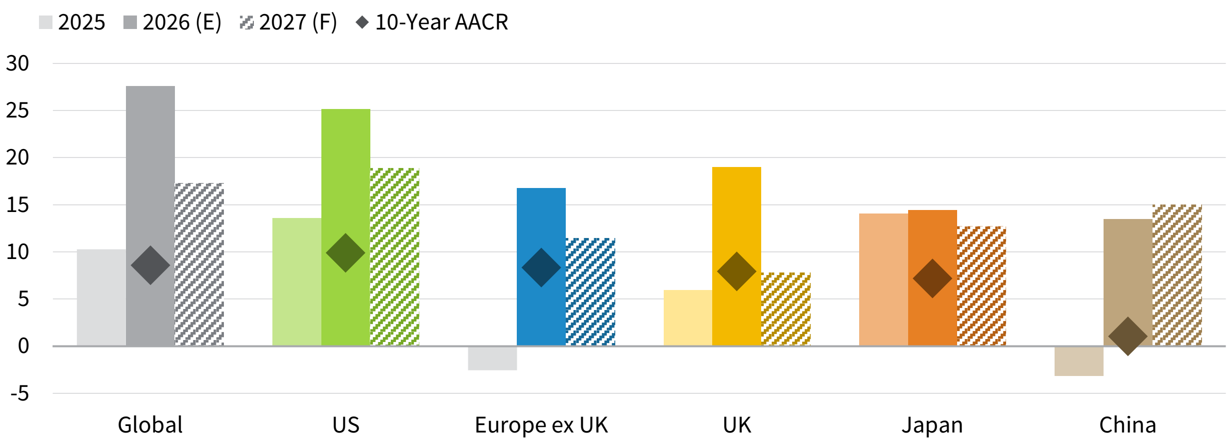
Global equity performance

Total Return (%) • US Dollar



Corporate earnings per share growth

As of June 30, 2026 • Percent (%)



Sources: I/B/E/S, MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. Third-party data provided "as is" without any express or implied warranties.
Notes: For asset class representation see page 32. Total return data for all MSCI indexes are net of dividend tax withholdings. EPS data are based on calendar years ending December 31, except for Japan which are based on fiscal years ending the following March 31. EPS growth estimates are in local currency terms, except for Global and Europe ex UK which are in USD terms. EPS data are estimates for 2026 and forecasts for 2027. Ten-year AACR reflects the annualized earnings growth rate from fiscal year 2016 through 2025. EPS individual year data are based on IBES earnings, and ten-year average based on MSCI earnings.

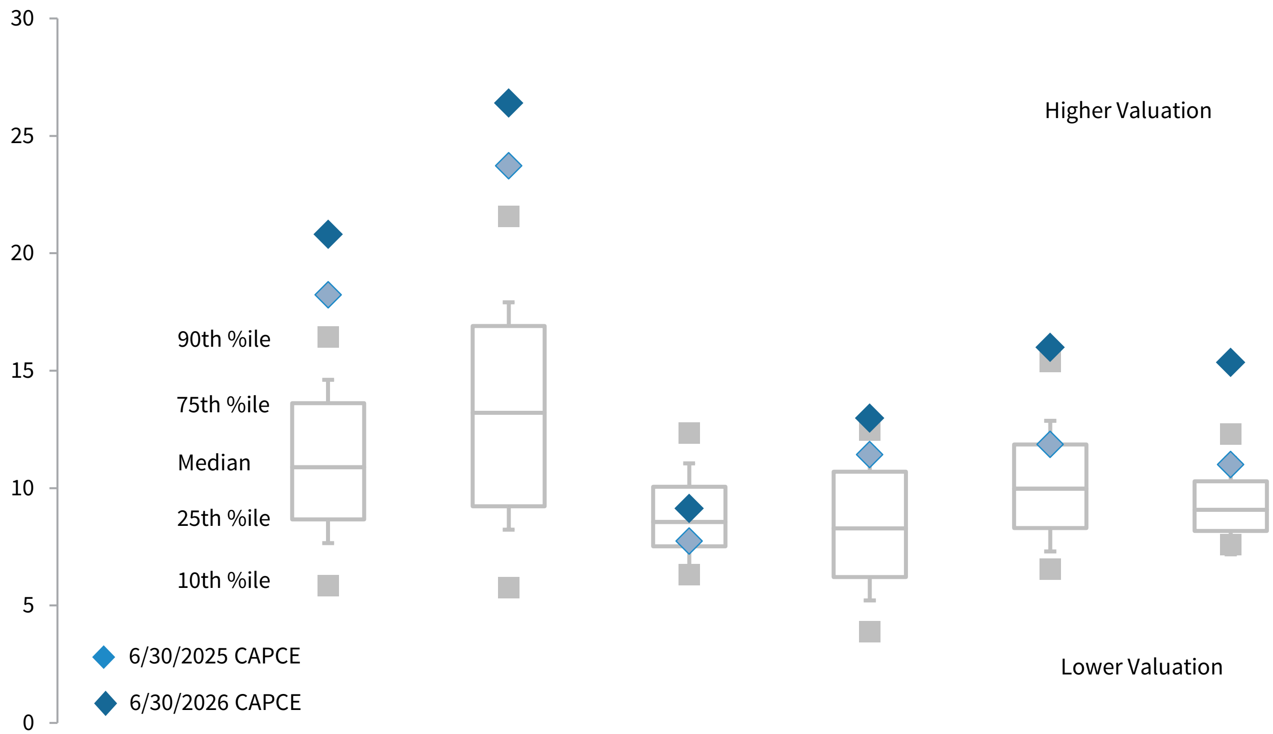
Multiple expansions were broad based among regions in FY 2026

Despite the CAPCE ratio expanding in all major regions in FY 2026, the US continued to enjoy a material valuation premium.

- In the US, the cyclically adjusted price-to-cash earnings (CAPCE) ratio expanded by 2.7 to 26.4, representing the 99th percentile of historical observations going back to 1979. This multiple expansion was aided by market enthusiasm toward the US as an early beneficiary of the AI buildout.
- Other markets also benefited from region-specific drivers, such as easier monetary and fiscal policy in the Eurozone and ongoing corporate reform in Japan, while Asian AI-hardware producers drove expansion in EM.
- The valuation of DM equities reached a fresh all-time high of 20.9 in May, boosted by multiple expansion in the US and other markets.
- In percentage terms, the strongest valuation increases were in EM and Japan, at 40% and 35%, respectively.

Cyclically adjusted price-to–cash earnings (CAPCE) ratios by region

As of June 30, 2026



% Change	DM	US	UK	Europe ex UK	Japan	EM
to 50th %ile	-47.7	-50.0	-6.3	-36.1	-37.7	-40.9
to 25th %ile	-58.4	-65.1	-17.7	-52.1	-48.1	-46.7
to 10th %ile	-71.9	-78.2	-30.7	-70.1	-59.0	-50.5

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

Very strong earnings growth was the primary driver behind robust returns

Total returns in FY 2026 were materially above their 20-year average, driven primarily by EPS growth via margin expansion, and supplemented by valuation uplift.

— Last year's unusually strong earnings growth—broad-based but centered in the US and EM—was driven primarily by an 8.4 percentage point (ppt) expansion of profit margins. That builds on strong FY 2025 margin expansion of 14.5 ppts. This was aided by the high operational leverage of the major tech companies, while sales growth was also more than double the historical average.

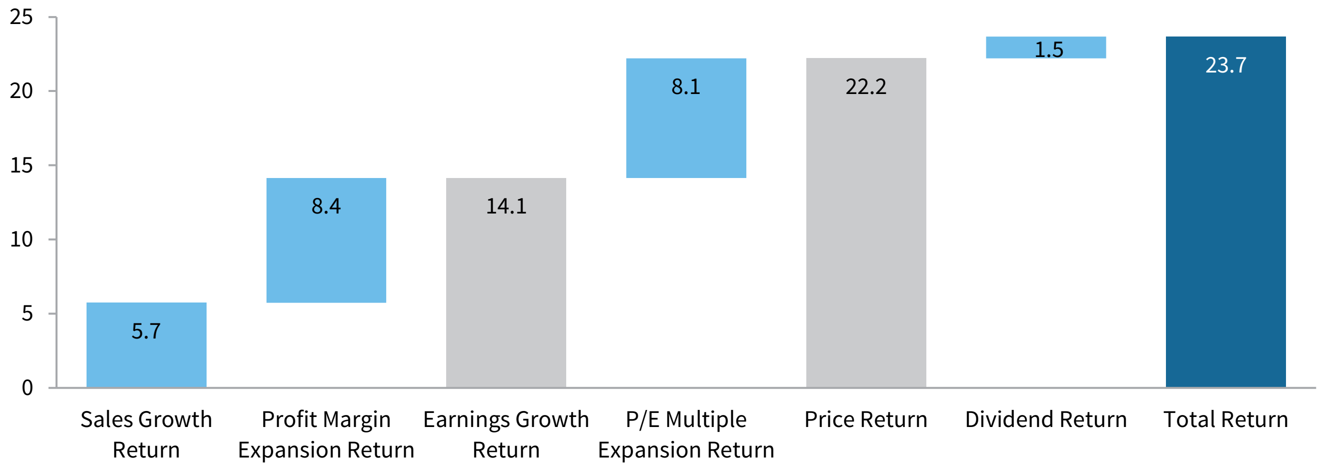
— Multiple expansion also contributed more to total returns than has been typical over the past 20 years.

— One side effect of current elevated valuations is that the dividend yield available has compressed somewhat.

— Consensus expectations for calendar year 2026 show further expansion of global EPS growth (27.6 ppts), again attributed mainly to profit margin expansion (15.7 ppts).

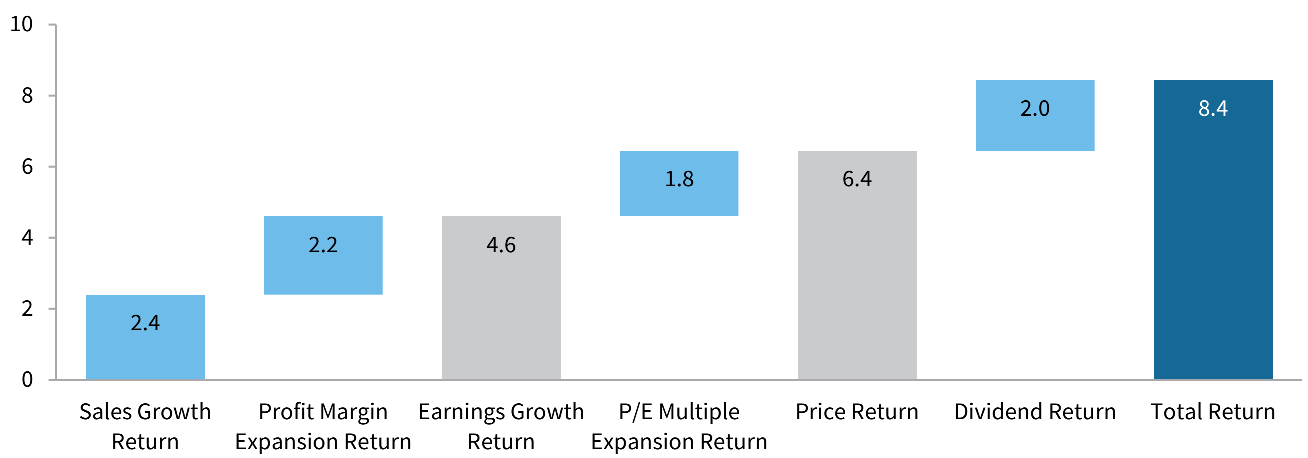
Global equity return decomposition: FY 2026

As of June 30, 2026 • Percent (%) • US dollar



Global equity return decomposition: FY 2007 – FY 2026 Aggregate AACR

As of June 30, 2026 • Percent (%) • US dollar



Sources: Bloomberg L.P., MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: Data are based on the MSCI All Country World Index and in annualized terms. Component returns may not match official sources due to proprietary attribution and smoothing techniques. Numbers may not sum due to rounding. Total returns and dividend returns are net of dividend tax withholdings.

Performance dispersion amongst factors increased in FY 2026, led by momentum

Momentum was the big winner in FY 2026, with DM small caps and EM large caps also performing strongly.

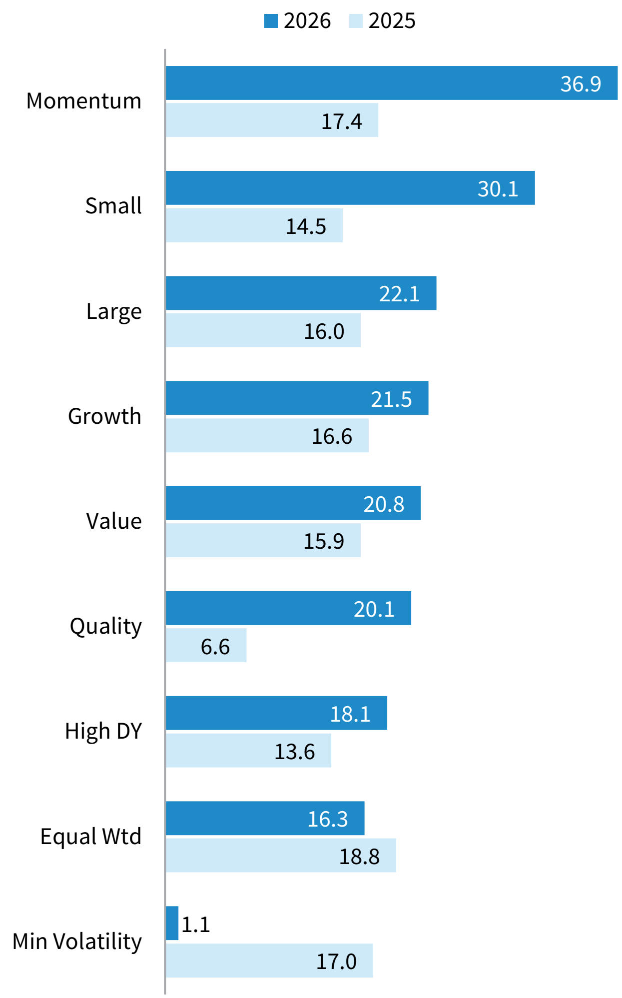
— Momentum, most prominently influenced by AI development and sentiment, exhibited material market leadership in FY 2026, including from semiconductor and memory stocks. That outperformance was most stark in EM, within which the large Asian AI hardware producers delivered persistent price outperformance. The top 3 largest constituents in the index contributed to 61% of overall EM index returns.

— By contrast, quality stocks lagged, with lower exposure to AI build out beneficiaries and more to potential AI disruption targets.

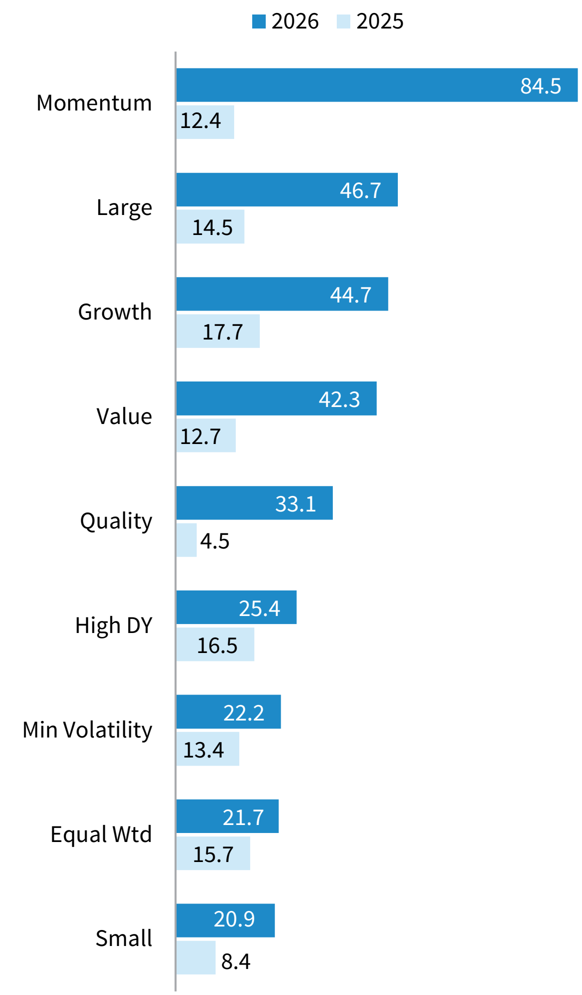
— In DM, lower central bank policy rates and resilient economic growth broadened market performance from large to small caps, which tend to be more levered.

— Similarly, more stable and broadening growth helped to lift value stocks, in addition to policy shifts outside the US, resulting in a negligible growth/value differential in FY 2026.

Developed markets equity performance
As of June 30, 2026 • Percent (%) • US dollar



Emerging markets equity performance
As of June 30, 2026 • Percent (%) • US dollar



Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: Factors are based on the MSCI World Index and MSCI Emerging Markets Index. Total return data for all MSCI indexes are net of dividend tax withholdings.

Sectors linked to the AI buildout were clear outperformers in FY 2026

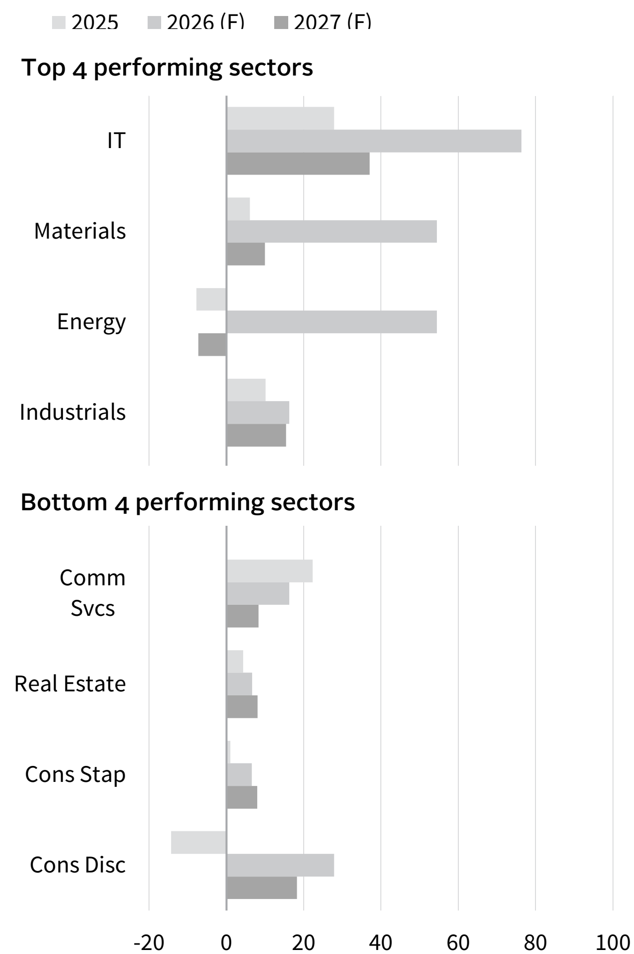
The technology sector was a runaway outperformer, while other sectors linked to the AI buildout also provided concrete returns.

- IT returned as the top-performing equity sector for FY 2026, with the sector expected to deliver EPS growth of 76.3% in 2026.
- Other sectors central to the AI buildout—materials and energy—also saw notably strong EPS growth led returns. Rising commodity prices provided additional impetus for the energy sector. EPS expansion for both sectors improved substantially year-over-year (6.1% to 54.5% and -7.7% to 54.5%, respectively).
- There was, though, broad sectoral participation in last year's rally. Eight sectors delivered double-digit returns, with all sectors expanding.
- At the other end of the spectrum, the "K-shaped" economy was a headwind for consumer staples. Concerns that low-end software services can already be replicated by AI saw communication services become a laggard, in stark contrast to recent years.

Global equities performance by sector
2024–26 • Percent (%) • US Dollar

FY24	FY25	FY26
IT 37.7	Financials 33.0	IT 50.5
Comm Svcs 32.2	Comm Svcs 25.5	Materials 26.3
Financials 22.0	Industrials 23.5	Energy 25.7
Energy 16.6	Utilities 22.5	Industrials 22.9
Industrials 15.1	Cons Disc 15.9	Utilities 16.3
Healthcare 10.7	IT 14.9	Healthcare 15.3
Cons Disc 9.0	Real Estate 13.0	Financials 14.1
Utilities 6.4	Cons Stap 11.0	Comm Svcs 12.8
Materials 5.9	Materials 3.7	Real Estate 5.8
Real Estate 4.0	Energy -1.6	Cons Stap 4.2
Cons Stap 1.3	Healthcare -4.9	Cons Disc 3.5

FY earnings growth forecasts
As of June 30, 2026 • Percent (%) • US Dollar



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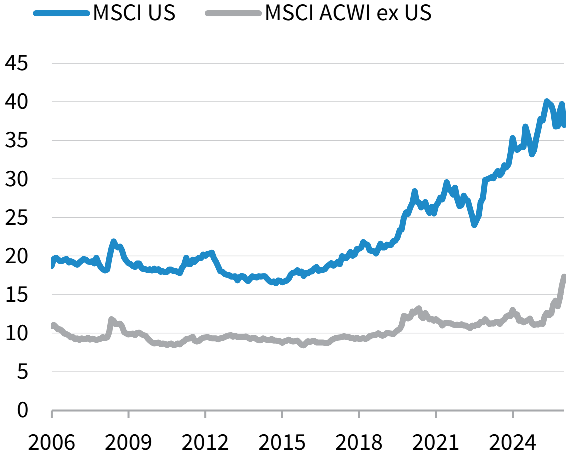
Notes: Global equities are represented by the MSCI All Country World Index. Total return data for all MSCI indexes are net of dividend tax withholdings.

Concentration became an increasingly prominent theme in markets last year

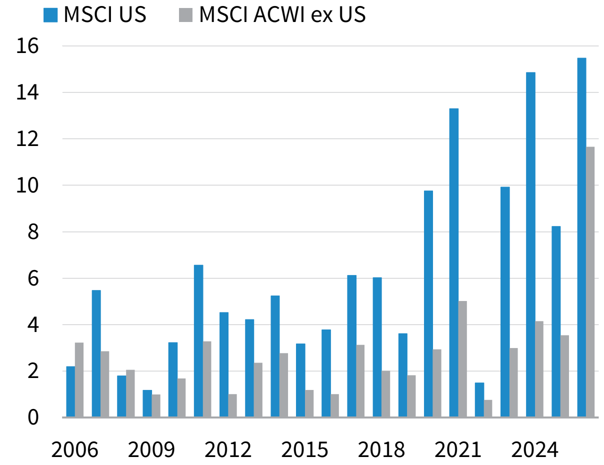
Equity market concentration rose to a fresh high in FY 2026.

- The top ten largest firms in the MSCI All Country World ex US Index now account for more than 17% of the index, up 6.2 ppts over the fiscal year. Concentration in US stocks remains substantially higher and near record levels.
- That story dovetails with the record contribution made by the largest stocks to overall index returns on the year, at 15.5% and 11.7% for US and global ex US stocks, respectively.
- The largest contributors to returns across both indexes are beneficiaries of the AI buildout—namely semiconductor producers, memory, and hyperscalers—driven by strong EPS growth.
- Despite rapid price gains, forward valuations of the top ten ACWI weights fell 4.2 in FY 2026, driven by exceptional EPS growth. Consensus expects this earnings growth to recede somewhat next year, with underlying valuations expected to remain elevated compared to overall indexes.

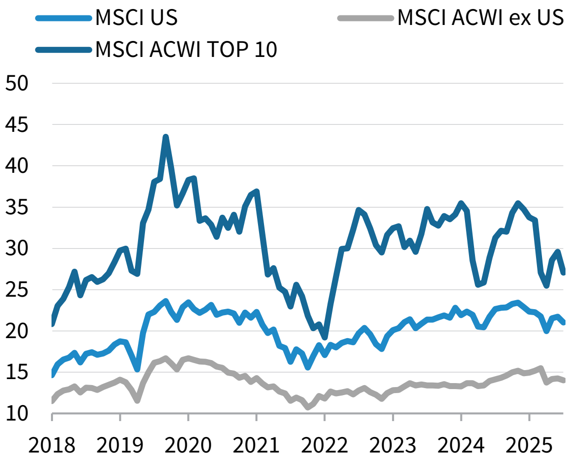
Top 10 stocks' weight
June 30, 2006 – June 30, 2026 • Percent (%)



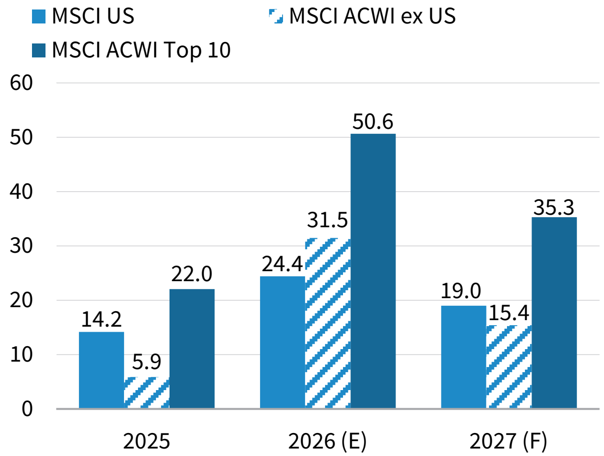
Top 10 stocks' contribution to return
2006–26 • As Percentage of Total (%) • Local Currency



Forward P/E ratios
December 31, 2018 – June 30, 2026



Fiscal year EPS growth forecasts
As of June 30, 2026 • Percent (%) • US dollar



Sources: FactSet Research Systems, I/B/E/S, and MSCI Inc. MSCI data provided "as is" without any express or implied warranties.
Notes: Alphabet Class A and C shares are combined. Forward P/E ratios are market-cap-weighted harmonic averages. EPS growth for the top 10 MSCI ACWI holdings is calculated from YOY aggregate earnings growth, with FY 2027 based on consensus estimates. Each year uses that year's top 10 market-weighted constituents, and membership changes over time.

Fixed Income

Fixed income performance weakened last year compared to FY 2025 on rising inflation concerns

A spike in inflation expectations and a move to a tighter monetary policy stance by central banks provided notable headwinds for fixed income.

— Bonds exhibited weaker returns across a broad range of indexes, underperforming their prior year returns.

— The Iran War triggered a commodity supply shock that pushed inflation expectations higher, prompting central banks to drop easing biases and, in some cases, hike policy rates.

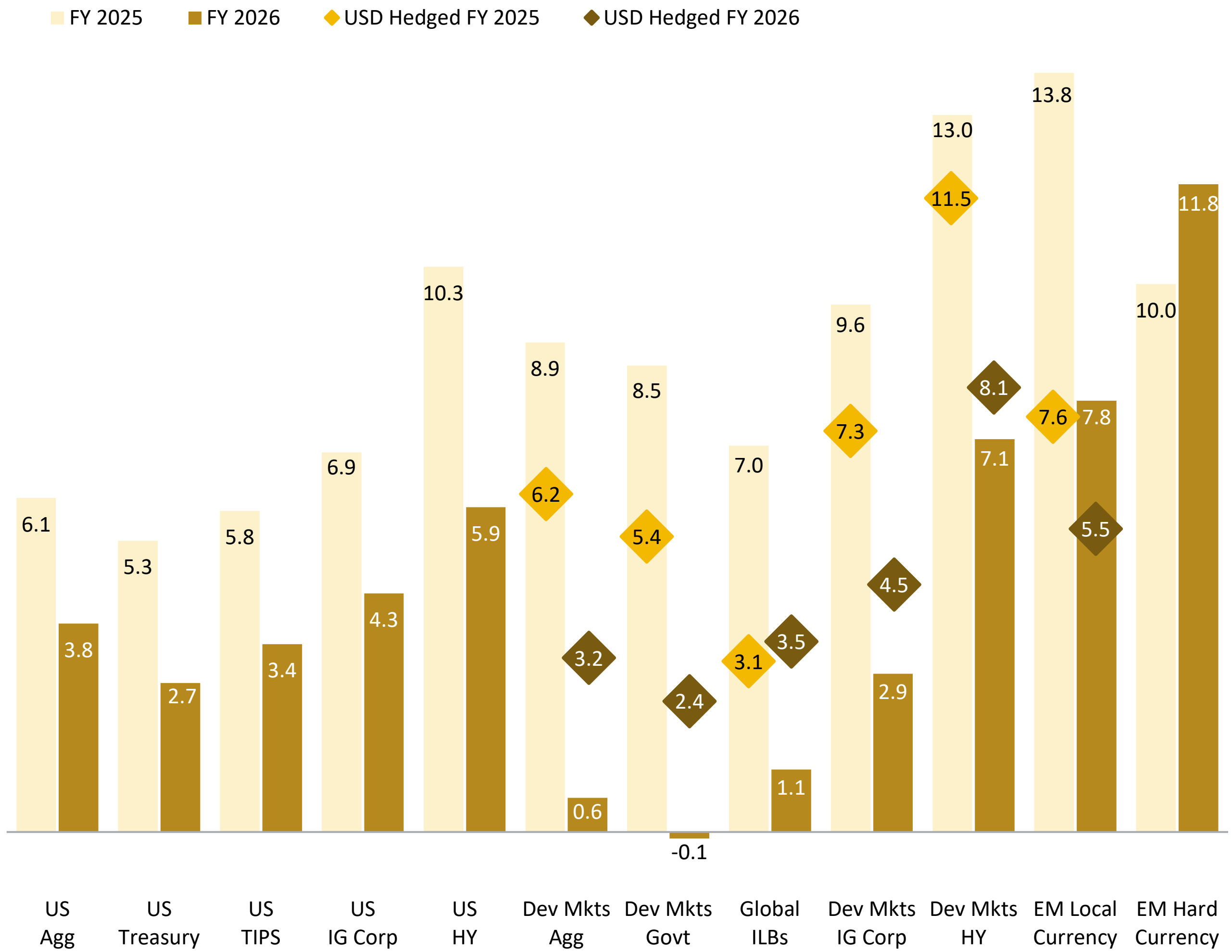
— US returns fared somewhat better than other developed markets, in part because of the country's energy self-sufficiency. Some further cooling of labor market conditions and subsequent Fed cuts in 2H 2025 provided relative support.

— While benchmark yields moved higher, both IG and HY credit spreads had minor declines, adding to outperformance against government bonds.

— EM LC performed well but underperformed the substantial returns of FY 2025. Marginal dollar strength was a headwind.

Global bond performance: FY 2026 vs FY 2025

Total return (%) • US dollar



Sources: Bloomberg Index Services Limited, FTSE Fixed Income LLC, J.P. Morgan Securities, Inc., and Thomson Reuters Datastream.
Note: For asset class representation see page 32.

Yields moved higher in response to the global inflation shock

FY 2026 saw yields rise across the curve. Curves flattened, led by expectations of central bank tightening, though focus on fiscal expansion in Japan saw steepening.

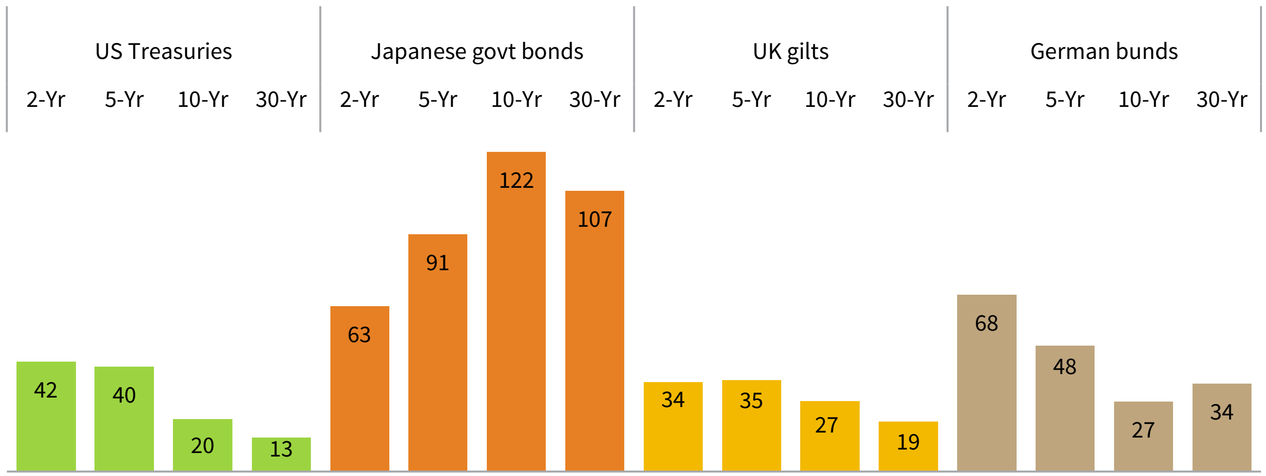
— Range bound yields in 2H 2025—with focus on loosening labor market conditions in the US and UK—gave way to a notable rise in yields during March and April 2026 as a spike in energy prices saw a reassessment of central bank policy rate expectations. The ECB has subsequently raised interest rates, and the Fed is expected to hike twice over FY 2027.

— While yield curves flattened in response, the move was orders of magnitude smaller than the post-COVID episode, with spillover of inflationary pressures into the wider economy seen as unlikely.

— The largest yield moves were in Japan, where the BOJ delivered 50 bps of hikes as it continues "normalizing" policy after an extended period of low rates. Japanese yields moved higher as a result, with the rise in the long end aggravated by an expectation of fresh fiscal easing from PM Sanae Takaichi.

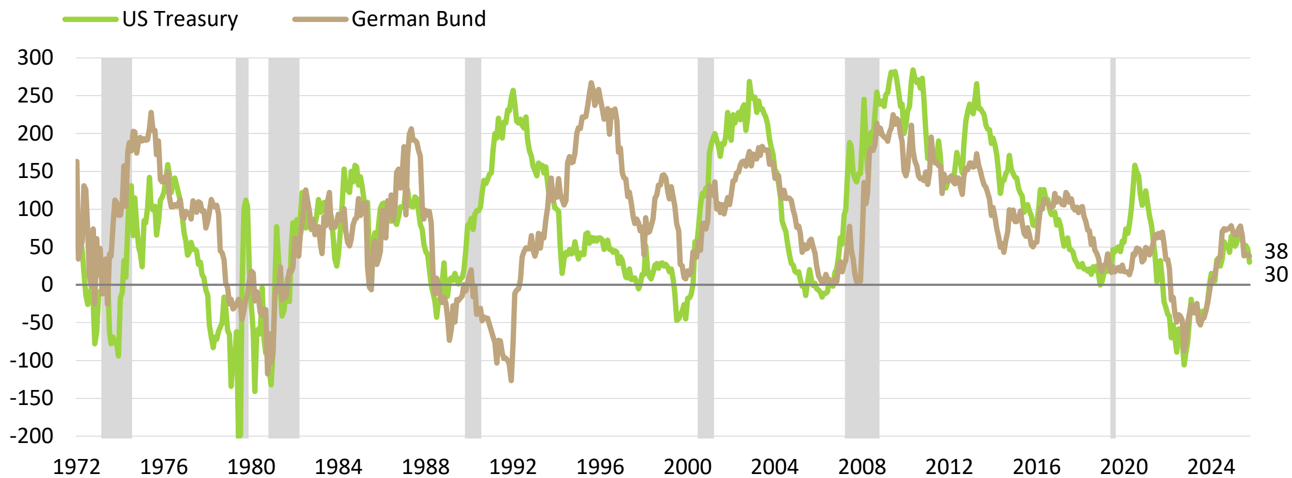
Change in yields vs June 30, 2025 for various government bond maturities

As of June 30, 2026 • Basis points (bps)



10-yr/2-yr yield curve spreads

September 30, 1972 – June 30, 2026 • Basis points (bps)



Sources: Deutsche Bundesbank, Federal Reserve, Global Financial Data, Inc., NBER, Refinitiv, and Thomson Reuters Datastream.
Note: Grey bars in the bottom chart represent NBER-defined US recessions.

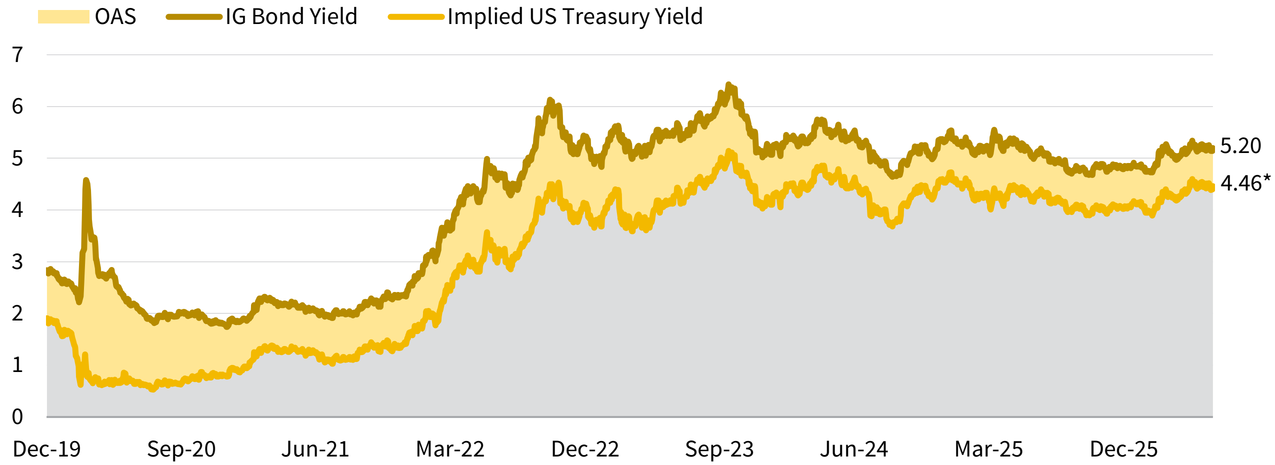
Carry and modest spread tightening were the main driver of US corporate bond returns

US corporate bond indexes outperformed versus government bond equivalents, aided by greater starting carry and modest spread declines.

- Carry from higher starting yields was the primary driver of incremental returns for credit on the year. Overall yields moved marginally higher for both IG (+21 bps) and HY (+10 bps) as rising Treasury yields more than offset modest spread compression (9 bps and 20 bps for IG and HY, respectively).
- Spreads remain near historically tight levels, 74 bps for IG and 270 bps for HY, and are in the 1st and 4th percentile of observed values since 2000, respectively.
- Fundamentals remained strong despite macro and political uncertainty acting as headwinds. Domestic economic resilience, healthy balance sheets and low leverage are all supportive, with FY 2026 seeing another year of strong earnings growth. HY default rates remain well below historic averages.

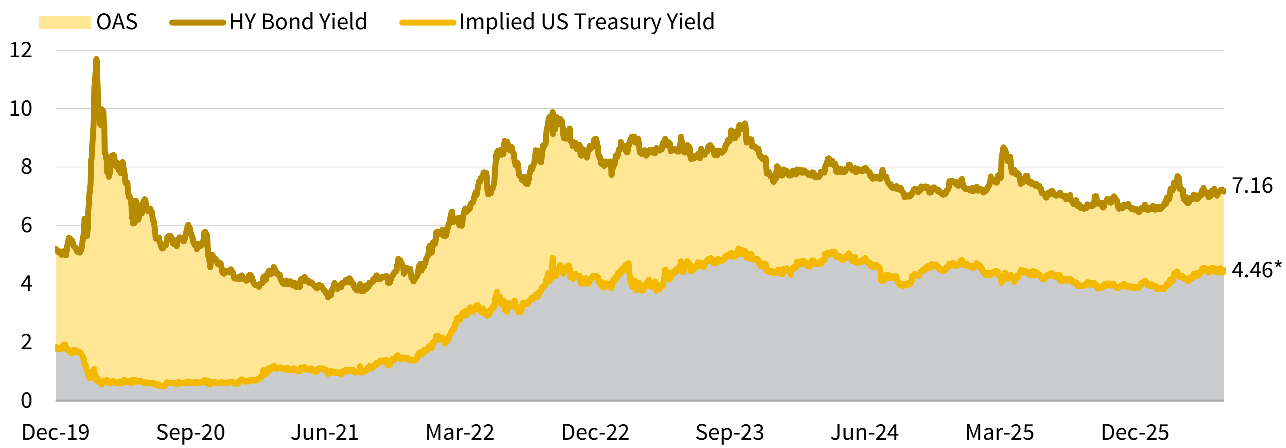
US investment-grade corporate bonds option-adjusted spreads

December 31, 2019 – June 30, 2026 • Yield-to-Worst (%)



US high-yield corporate bonds option-adjusted spreads

December 31, 2019 – June 30, 2026 • Yield- to-Worst (%)



Sources: Bloomberg Index Services Limited and Thomson Reuters Datastream.
Notes: Data for US investment-grade (IG) corporate bonds are represented by the Bloomberg US Corporate Investment Grade Bond Index, and data for US high-yield (HY) corporate bonds are represented by the Bloomberg US High Yield Bond Index. Data are daily. * US Treasury yields are calculated by subtracting the IG and HY OAS from the IG and HY bond yields, respectively.

Private Investments and Hedge Funds

US private market strengthened, though private equity once again underperformed public markets

Private market performance improved compared to FY 2025, with venture capital (VC) benefiting from AI enthusiasm. Still, overall performance has lagged public market equivalents in recent years, though long-run returns remain superior.

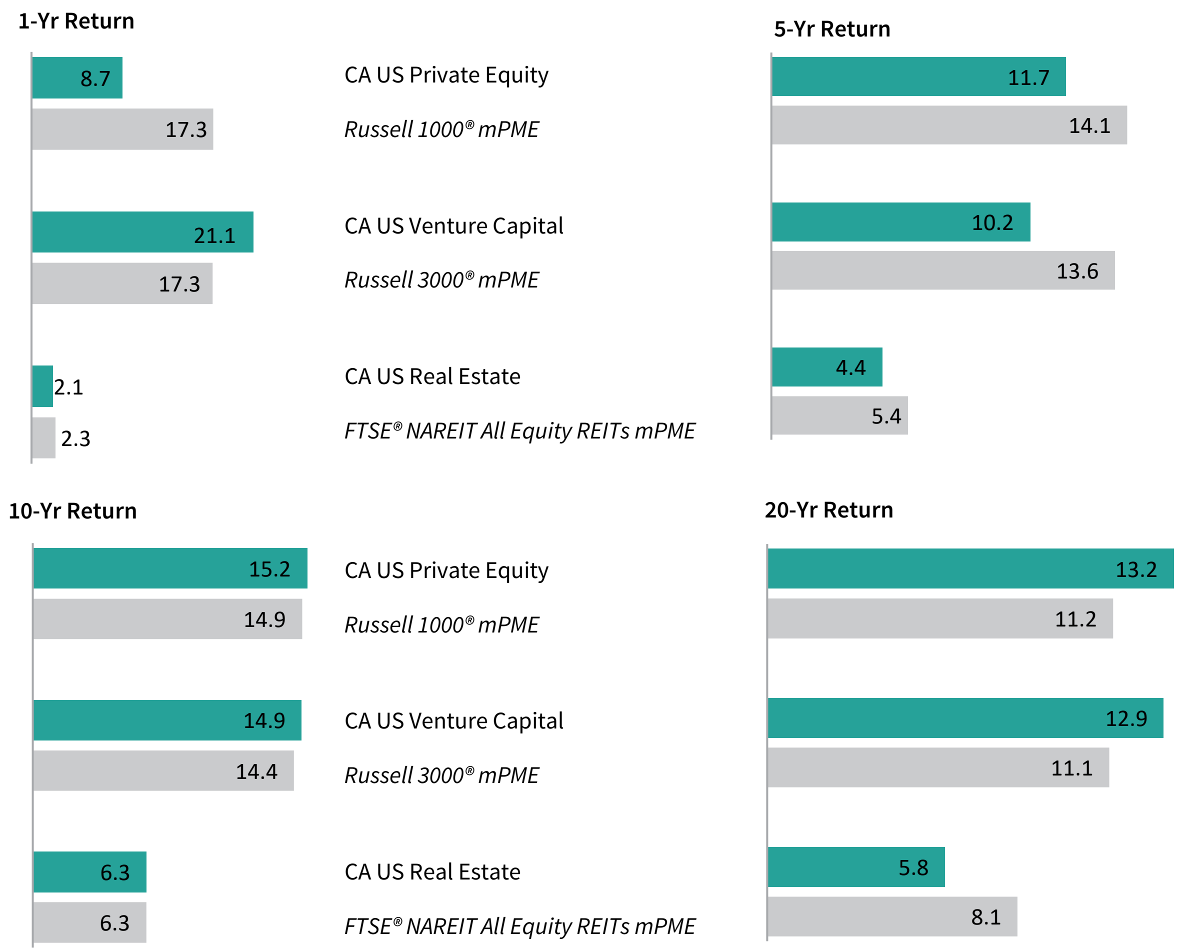
— VC witnessed the largest annual return improvement (15ppts) and surpassed its public market equivalent, in part due to the prominence of AI, which has accounted for a large portion of incremental exposure.

— At 8.7%, US private equity (PE) returns lagged its public market equivalent by 9 ppts, with the strong absolute performance of public equities being one factor behind this.

— Elevated interest rates have weighed, albeit with declining effect, on financing for new deals, in addition to refinancings. It has also challenged the elevated valuations that were prevalent earlier this decade. These prior valuations, which were also a function of a spike in fundraising, have contributed to a reluctance to distribute.

Performance of select Cambridge Associates private investment indexes vs public equivalents

As of Fourth Quarter 2025 • Percent (%)



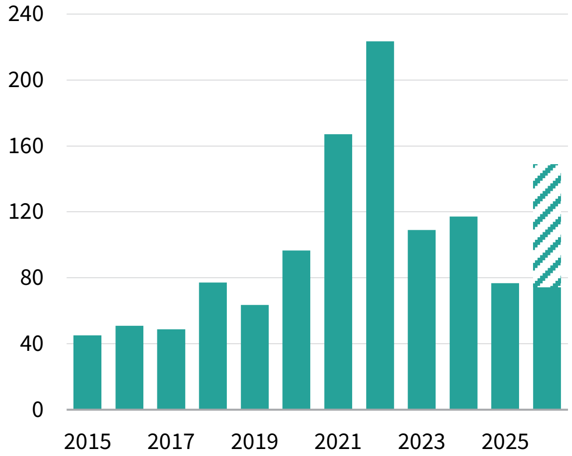
Sources: Cambridge Associates LLC, FTSE International Limited, National Association of Real Estate Investment Trusts, and Thomson Reuters Datastream.
Notes: Private index returns are pooled horizon internal rate of returns, net of fees, expenses, and carried interest. The CA Modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions. The public index's shares are purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund, and mPME net asset value is a function of mPME cash flows and public index returns.

Private market fundraising remains muted, but deal activity has substantially improved

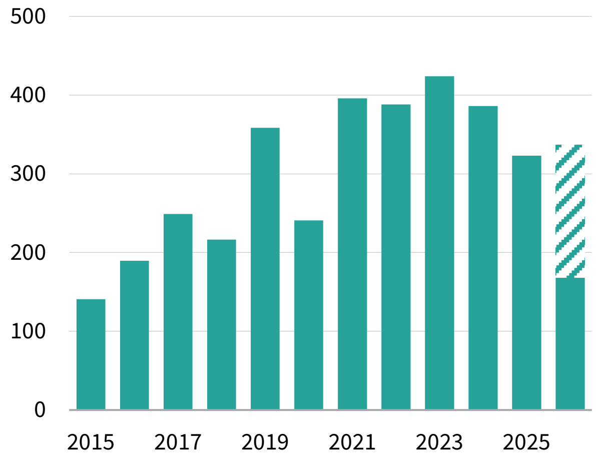
The AI theme has notably boosted dealmaking, focused on VC, while fundraising remains below early decade peaks.

- With many limited partnerships waiting for greater distributions, the $323B raised for US PE was the least since 2020 and well below recent averages. Fundraising continues to be highly concentrated within "mega" funds. A similar pattern emerges in VC, although 1H 2026 data suggest fundraising already rebounded after the $74B raised in 2025 was the lowest since 2019.
- Deal activity has increased, especially in VC where 1H 2026 surpassed the entirety of 2025. Deals in AI and machine learning—focused on AI-enabled software and healthcare platforms and AI infrastructure—accounted for 86% of total VC activity. While the overall dollar volume of deals increased, the number of deals remained broadly flat as activity was concentrated in larger ticket deals.

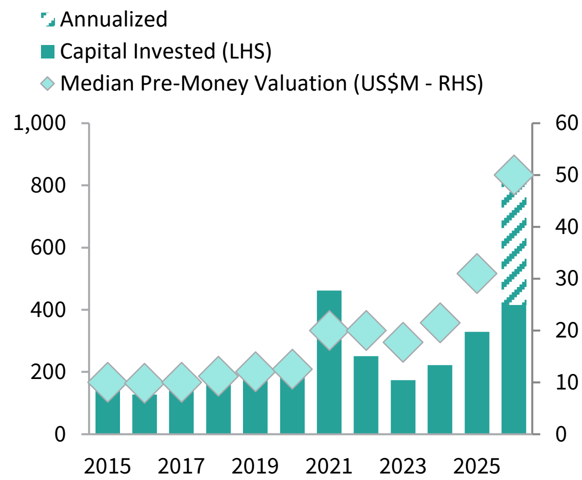
Venture capital fundraising
As of June 30, 2026 • US$ Billion



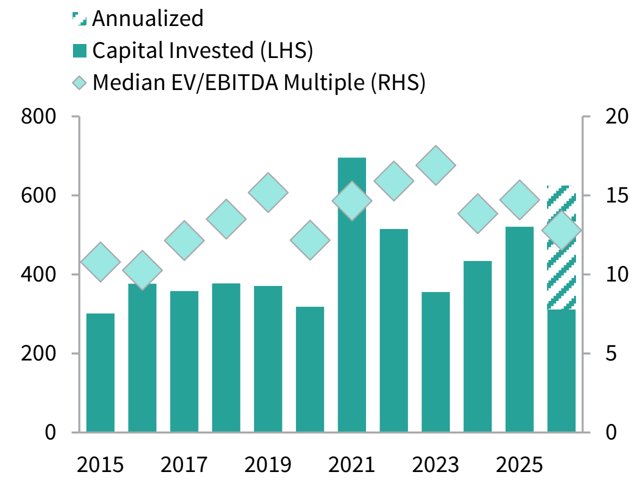
Private equity fundraising
As of June 30, 2026 • US$ Billion



Venture capital deal activity
As of June 30, 2026 • US$ Billion



Private equity deal activity
As of June 30, 2026 • US$ Billion



Source: PitchBook.
Note: PitchBook data subject to historical revisions.

Hedge funds delivered strong returns in FY 2026

Long-biased equity hedge funds delivered particularly strong returns, while performance among systematic diversified funds rebounded notably from last year.

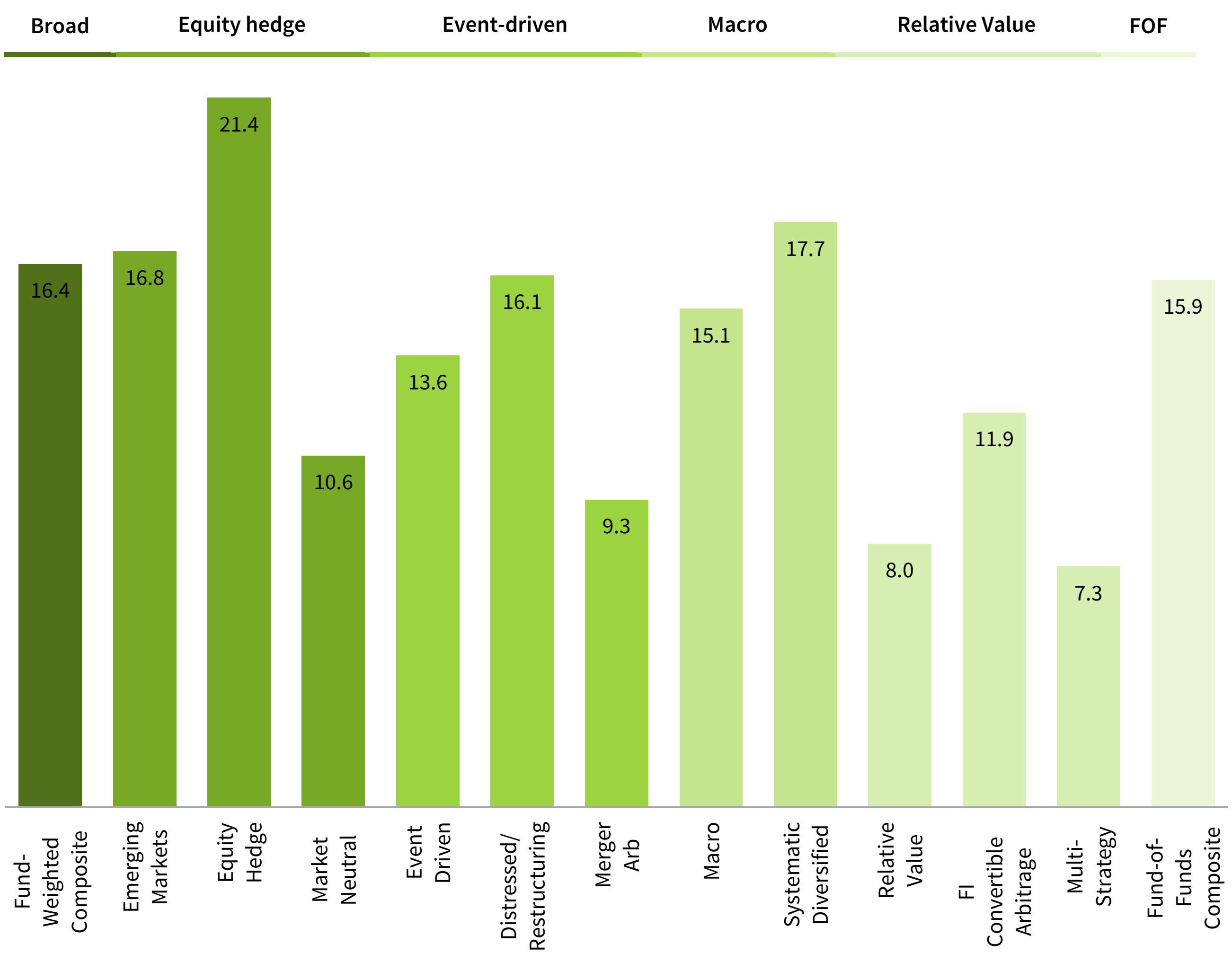
— Another year of strong returns for the broad equity markets proved a performance tailwind for hedge funds with a long bias.

— Systematic diversified saw returns 28.7 ppts higher than in FY 2025, driven by a sustained AI-momentum led rally in global equities.

— An increasing degree of divergence between the monetary policy trajectories of various regions, in addition to the resultant impact on currencies, was an environment that allowed macro funds to deliver solid returns.

— Sharp style and sector rotations, based on geopolitical volatility and evolving enthusiasm for AI, including an ongoing evaluation of buildout winners and losers, provided a supportive backdrop for fund-of-funds as manager selection became increasingly important.

Hedge fund performance: FY 2026
Total Return (%) • US dollar



Source: Hedge Fund Research, Inc.
Note: Hedge Fund Research data are preliminary for the preceding five months.

Currencies

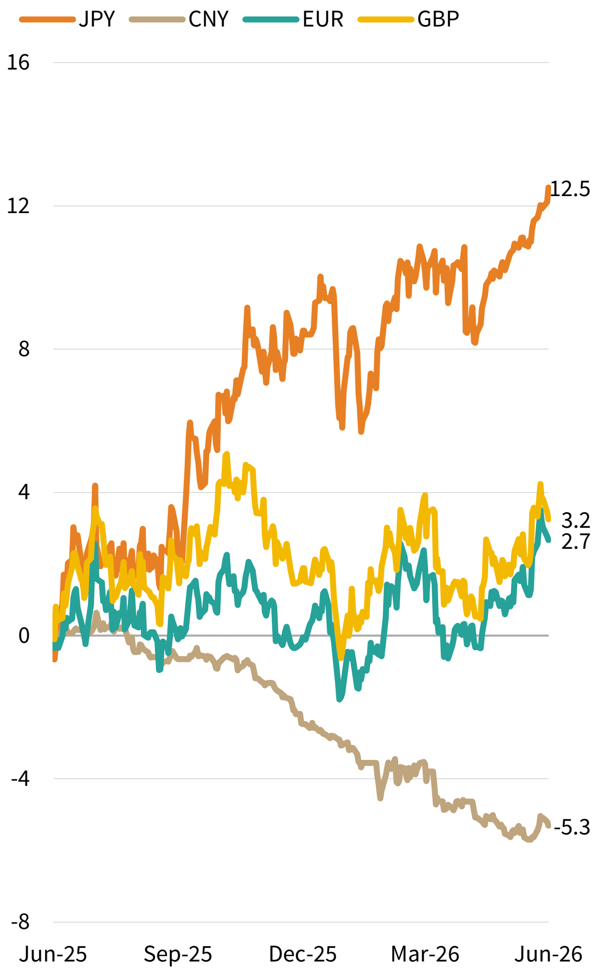
The US dollar gained against most peers in FY 2026

Relative insulation from higher energy prices, AI enthusiasm, and relative economic resilience all contributed to modest US dollar strength.

- The US dollar index traded in a tight range for much of the fiscal year, as tariff-related uncertainty subsided and interest rate differentials remained broadly stable.
- The dollar benefited after the onset of the Iran War, with US energy self-sufficiency and continued labor market strength contributing to greater growth resilience than peers.
- Capital inflows to US equities, in large part a result of AI momentum, provided an additional boost, helping the US dollar index rise 4.5% in FY 2026. The dollar remains expensive by historical standards.
- Dollar appreciation was greatest against the yen, as Japan's signaling of material fiscal expansion and elevated exposure to higher energy prices weakened the currency to multi-decade lows against the dollar. This occurred even as the BOJ continued raising interest rates amidst a return of domestic inflation.

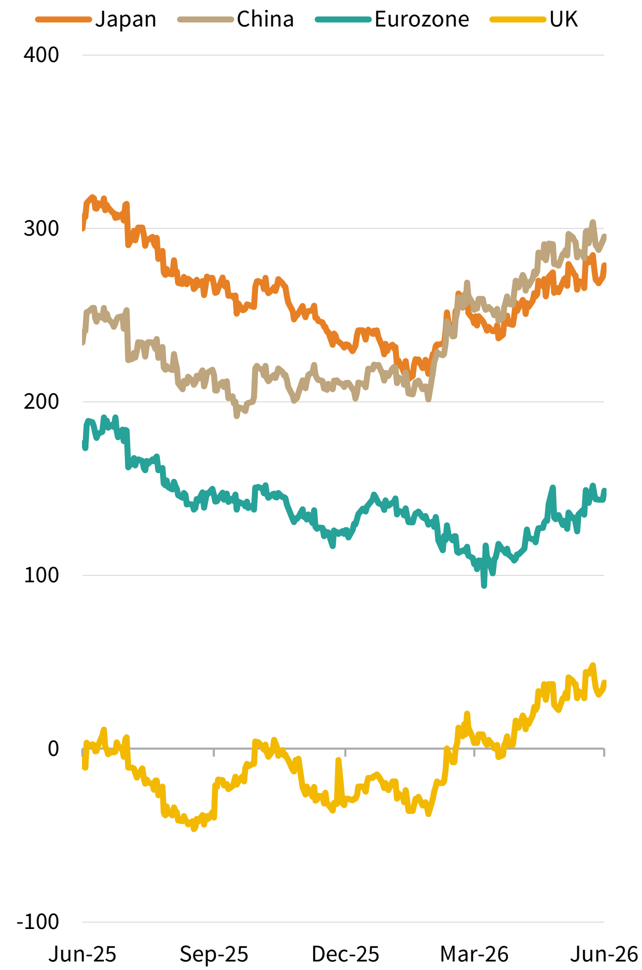
FY 2026 USD cumulative performance vs select currencies

June 30, 2025 – June 30, 2026 • (%)



US vs select countries 2-yr govt bond interest rate differentials

June 30, 2025 – June 30, 2026 • (bps)



Sources: Federal Reserve, Refinitiv, and Thomson Reuters Datastream.
Notes: Data are daily. Two-year yields for the Eurozone reflect the median bond yield across France, Germany, Italy, and Spain.

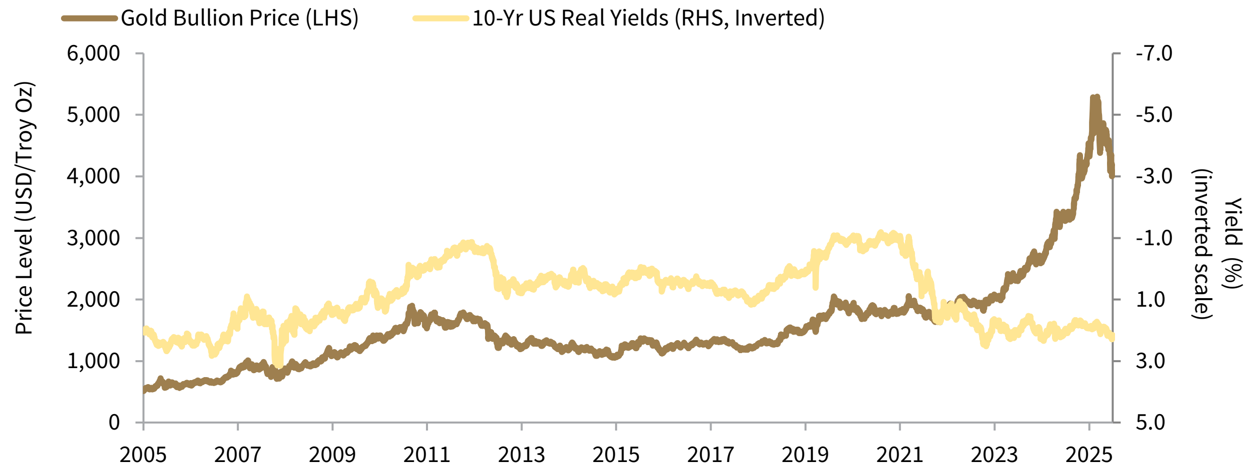
Gold strengthened overall, though momentum turned negative into 2026

Geopolitical developments in 2026 halted gold's multi-year surge higher, with rising real yields a headwind. Retail and official institutions' demand also showed signs of slowing down.

- Gold appreciated by 23% last year, following a rise of 41% in FY 2025, as it reached all-time highs in January.
- While gold is often seen as safe-haven asset, it fell 24% from March 2026 as the Iran War pushed oil prices and inflation expectations higher. That in turn increased real yields, a move that has historically been negative for the precious metal.
- Strong central bank demand in recent years, as they built their reserve diversification strategy, helped push gold to all-time highs. However, data suggest that impetus weakened from 4Q 2025.
- Retail buyers contributed to the latter stages of the rally in a significant fashion, although their demand has also dried in recent months.

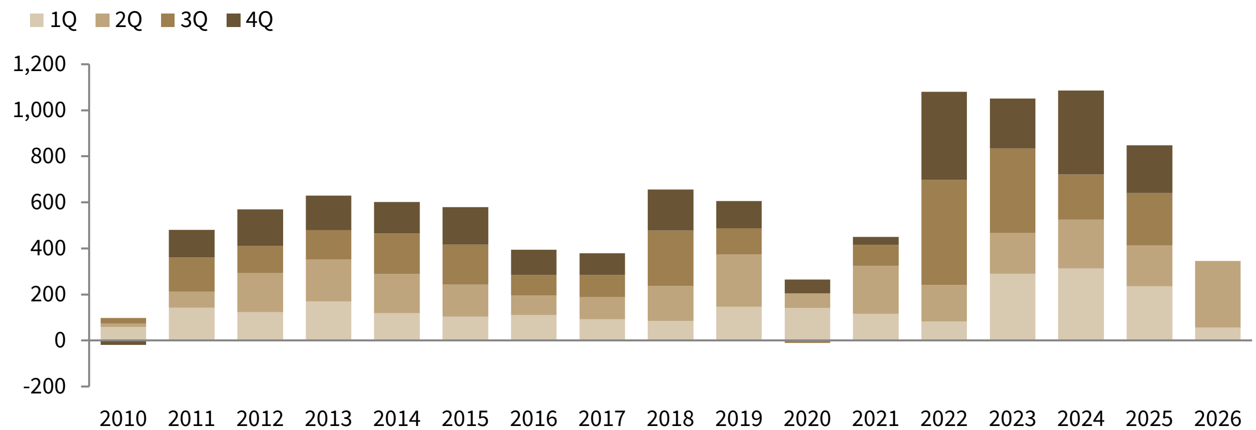
Gold bullion price vs 10-yr US real yields

December 31, 2005 – June 30, 2026



Global central banks gold demand

2010–26 (1Q) • Tonnes



Sources: Federal Reserve, Intercontinental Exchange, Inc., Thomson Reuters Datastream, and World Gold Council.
Notes: Ten-year US real yields reflect the US ten-year TIPS yield. Data in top chart are daily. Historical global central bank gold demand data may revise.

Bitcoin entered a deep drawdown as it decoupled from continued momentum in broad risk assets

Bitcoin ended the fiscal year down 53% from record levels witnessed in early 4Q, and down 45% for FY 2026 as a whole.

- Bitcoin finished the year trading at less than half of its early October peak of about $125,000, ending June below $60,000.
- While broad risk assets rallied notably on the year, bitcoin struggled as speculative capital gravitated toward AI-linked equities, which were supported by strong earnings momentum. Expectations for tighter monetary policy and a stronger dollar added further pressure.
- Though the digital asset's drawdown was large in dollar terms, there have been three prior drawdowns of about 80% at approximately four-year intervals from 2014 to 2022.
- US President Trump's threat of 100% tariffs on China in October catalyzed a liquidation of leveraged positions, cascading down into further selling of crypto ETFs from 4Q onwards.

Bitcoin price

December 31, 2013 – June 30, 2026 • Logarithmic Scale • US Dollar

Sources: Bitstamp Ltd and Thomson Reuters Datastream.
Note: Data are daily.

Real assets

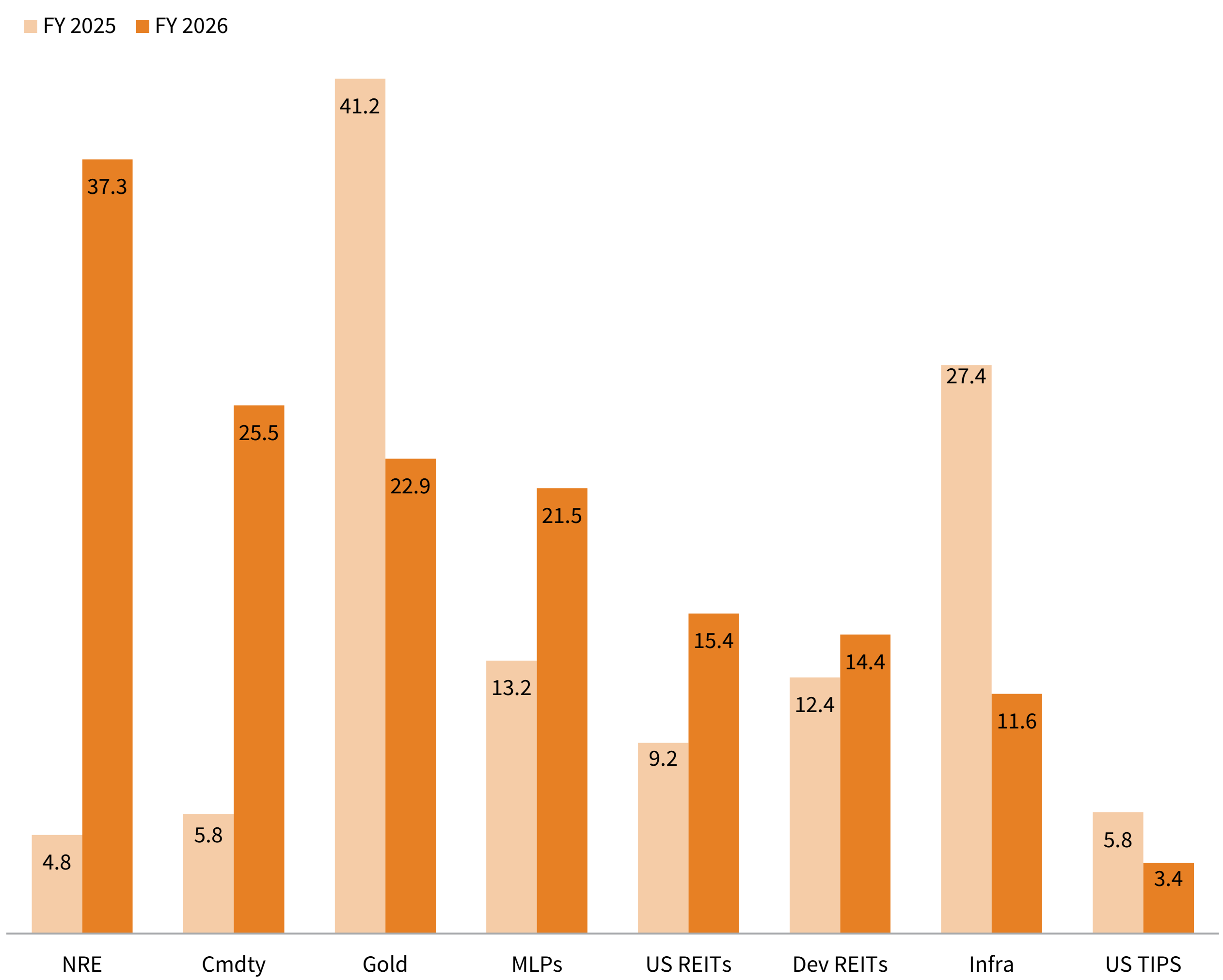
The global commodity supply shock and AI buildout provided tailwinds for real assets

Real and inflation-linked assets generally improved on FY 2025 performance, in part because of rising inflation expectations due to the Iran War.

- Basic resource commodities, and their equities, performed strongly in FY 2026 as many of these materials are operating with a structural undersupply. This was met by increased demand as investment in the green transition and infrastructure renewal ramps up. The energy price spike also contributed to material outperformance in NREs.
- Infrastructure returns moderated in FY 2026 despite a strong rally in 1Q 2026 as AI buildout–related demand for electric power and data centers saw EPS expansion. Higher commodity prices and interest rates were headwinds.
- US TIPS performance weakened despite higher near-term inflation expectations, as a resilient US economy pushed yields higher.
- REITs returns improved as the office sector gained positive momentum after years of negative returns.

Real asset and inflation sensitive performance: FY 2026 vs FY 2025

Total Return (%) • US dollar



Sources: Alerian, Bloomberg Index Services Limited, EPRA, FTSE International Limited, Intercontinental Exchange, Inc., MSCI Inc., National Association of Real Estate Investment Trusts, Refinitiv, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: For asset class representation see page 32. All returns are total returns, except those for gold, which are based on spot price returns. Total return data for all MSCI indexes are net of dividend taxes.

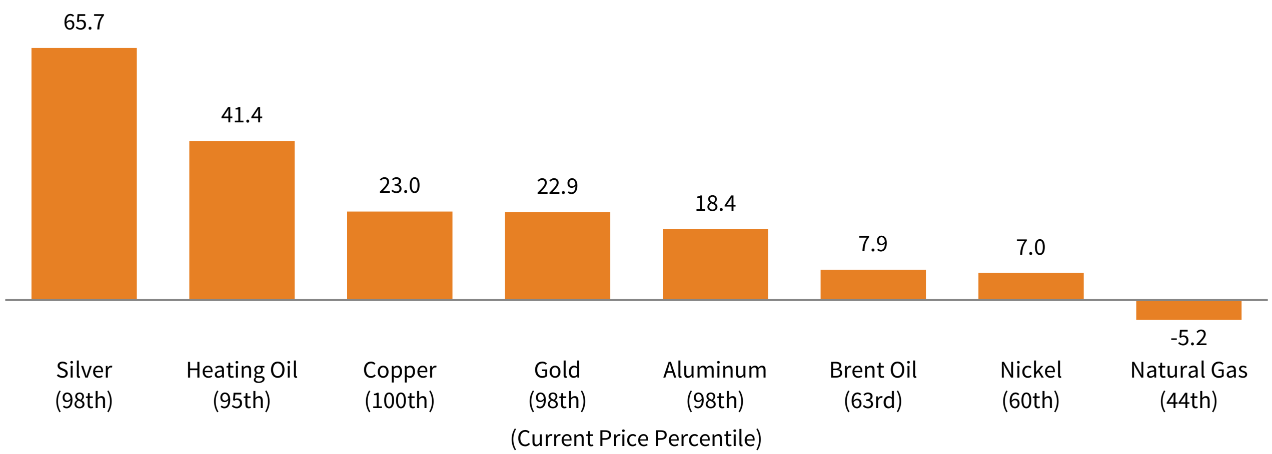
Commodities were particularly volatile in FY 2026, with some reaching all-time highs

AI- and energy transition–related demand supported the commodity complex in FY 2026. Geopolitical developments saw notable volatility in energy prices, while precious metals saw another strong year of net gains.

- Within the precious metals space, gold and silver reached record levels in 1Q 2026 before retracing somewhat amid higher real interest rates. Silver provided the largest net gain, aided by its additional value in use as a conductor of electricity.
- Energy price volatility spiked as the effective closure of the Strait of Hormuz constrained supply. A material degree of oversupply going into the Iran War helped price pressure subside quickly upon ceasefire news in June 2026, although the situation remains fragile.
- Copper and aluminum, key to the energy transition, climbed on stronger demand from AI data centers and grid upgrades.

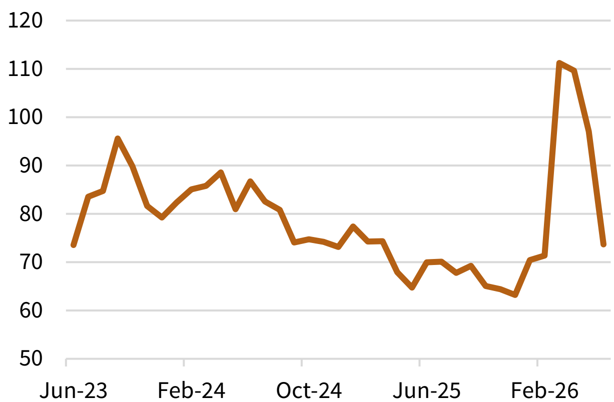
Select commodity spot performance: FY 2026

As of June 30, 2026 • Percent (%) • US dollar



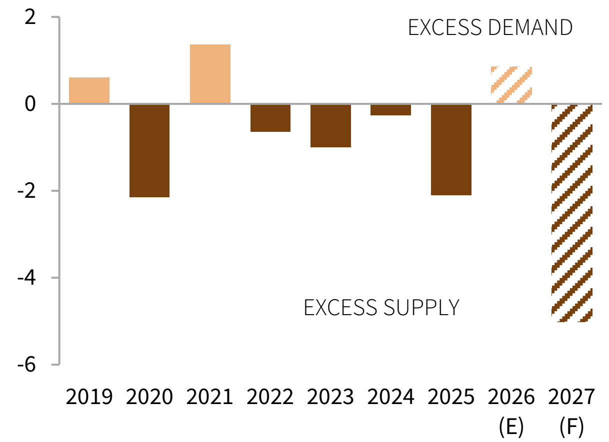
Brent oil price

June 30, 2023 – June 30, 2026 • U$/bbl



Global oil supply and demand

2019–27 (F) • Millions Barrel Per Day



Sources: Bloomberg L.P., Energy Information Administration, and Thomson Reuters Datastream.
Notes: Spot returns reflect changes in near-month futures contracts as reported by Bloomberg L.P. except for gold, which is based on the LBMA gold price. Current valuation for commodities reflect the percentile of the closing price relative to historical prices in nominal terms, calculated using data from July 31, 1997, to June 30, 2026. Excess oil is calculated as annual oil supply minus annual oil demand.

Real estate delivered positive returns across all major sectors over the trailing four quarters

Total returns in real estate picked up across most sectors in the trailing one-year period compared to recent trends, with industrials the exception.

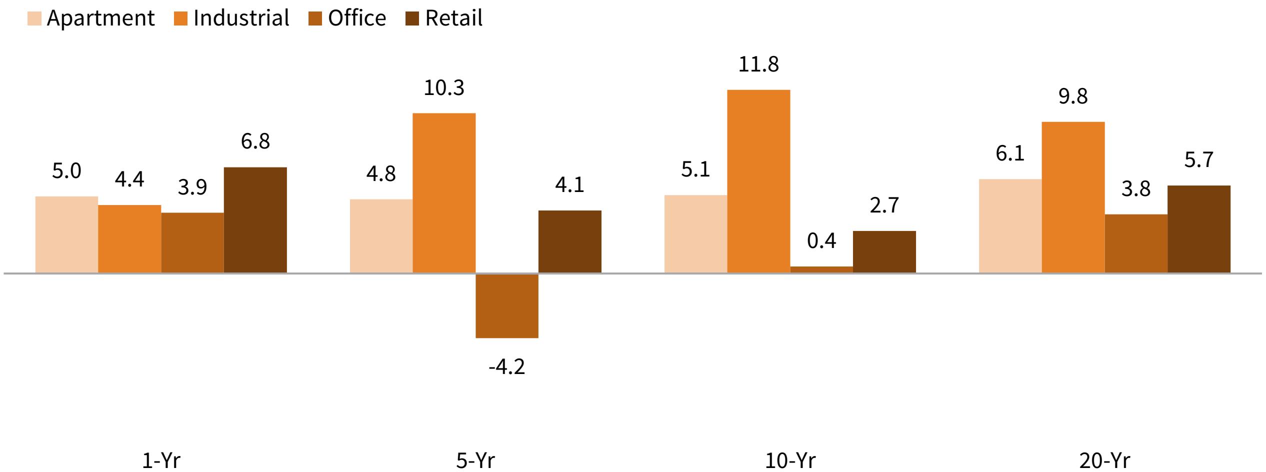
— The overall property index rose 4.8% in the four quarters ended 1Q 2026. Retail continued to provide strong growth due to supply constraints—past weakness has meant minimal construction and material amounts of conversions and demolitions. Industrials performance normalized after frenetic e-commerce demand stabilized.

— Office has continued its recovery, and its returns have turned positive, with 4Q 2024 marking an apparent bottom. Greater return-to-office demands have helped, though a notable dispersion remains between Class A performance and the rest.

— Net operating income (NOI) growth slowed further in the last four quarters, as expenses rose, including rising refinancing rates. NOI growth for offices remains negative as vacancy rates stay persistently above historical averages and other sectors.

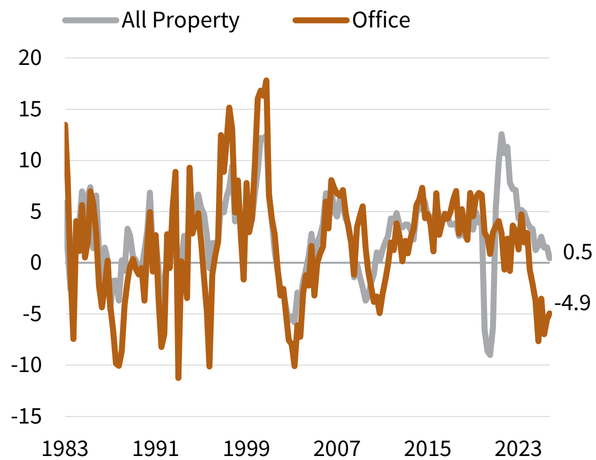
Returns by property type

As of First Quarter 2026 • AACR (%) • US dollar



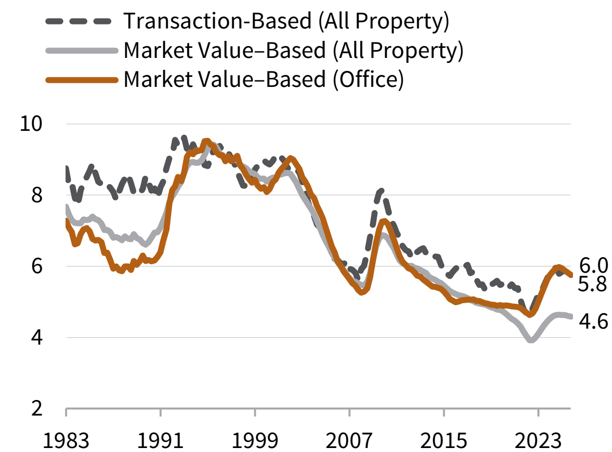
Net operating income growth

2Q 1983 – 1Q 2026 • Percent (%)



Property capitalization rates

1Q 1983 – 2Q 2026 • Percent (%)



Source: National Council of Real Estate Investment Fiduciaries.

Notes: Values are total return figures, reflecting property price appreciation and income return. Transaction-based capitalization (cap) rates are from sold properties, and market value–based cap rates are from properties that were revalued during the quarter. All net operating income growth data and cap rate data are based on a fourth-quarter moving average.

Max English, Investment Director

Andres Marin and Mark Sintetos also contributed to this publication.

Notes on Data

Figure 3

Asset classes represented by: MSCI All Country World Index ("Global"), MSCI World Index ("DM"), S&P 500 Index ("US"), MSCI UK Index ("UK"), MSCI Europe ex UK Index ("Europe ex UK"), MSCI Japan Index ("Japan"), MSCI Emerging Markets Index ("EM"), Bloomberg US Treasury Index ("US Treasury"), FTSE World Government Bond Index ("Dev Mkts Govt"), Bloomberg US Corporate Investment Grade Bond Index ("US IG Corp"), Bloomberg US High Yield Bond Index ("US HY"), J.P. Morgan GBI-EM Global Diversified Index ("EM LC"), market cap-weighted Datastream World Energy Index and Datastream World Basic Resources Index blend ("NRE"), FTSE® EPRA/NAREIT Global Real Estate Index ("Global RE"), Bloomberg Commodity TR Index ("Cmdty"), LBMA Gold Price ("Gold"), Hedge Fund Research Fund Weighted Composite Index ("Hedge Funds"), and Nominal Trade Weighted US Dollar Index: Broad ("USD").

Figure 4

Asset classes are represented by the following indexes: S&P 500 Index ("US Equities"), MSCI World Index ("Developed Markets Equities"), Bloomberg US Treasury Index ("US Treasuries"), and MSCI Emerging Markets Index ("Emerging Markets Equities"). Total returns for all MSCI indexes are net of dividend taxes. Total returns for the MSCI Emerging Markets Index are gross of dividend taxes prior to calendar year 2001. The first full calendar-year periods are 1901 for S&P 500, 1970 for MSCI World, 1973 for Bloomberg US Treasury, and 1988 for MSCI Emerging Markets. Data prior to 1968 for the S&P 500 Index are sourced from Global Financial Data, Inc.

Figure 10

Asset classes represented by the following: MSCI All Country World Index ("Global"), MSCI World Index ("Developed Markets"), MSCI World ex US Index ("Dev Mkts ex US"), S&P 500 Index ("US"), MSCI UK Index ("UK"), MSCI Europe ex UK Index ("Europe ex UK"), MSCI Japan Index ("Japan"), MSCI Emerging Markets Index ("Emerging Markets"), and MSCI China Index ("China").

Figure 17

Asset classes represented by Bloomberg US Aggregate Bond Index ("US Agg"), Bloomberg US Treasury Bond Index ("US Treasury"), Bloomberg US TIPS Index ("US TIPS"), Bloomberg US Corporate Investment Grade Bond Index ("US IG Corp"), Bloomberg US High Yield Bond Index ("US HY"), Bloomberg Global Aggregate Bond Index ("Dev Mkts Agg"), FTSE World Government Bond Index ("Dev Mkts Govt"), Bloomberg Global Inflation Linked Bond Index ("Global ILBs"), Bloomberg Global Aggregate Corporate Bond Index ("Dev Mkts IG Corp"), Bloomberg Global High Yield Bond Index ("Dev Mkts HY"), J.P. Morgan Government Bond Index - Emerging Markets Global Diversified Index ("EM Local Currency"), and J.P. Morgan Emerging Markets Bond Index - Global Diversified Index ("EM Hard Currency").

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