CAMBRIDGE ASSOCIATES

Asset Class Facts & Figures

Third Quarter 2026

Contents

Facts and Figures

- Equities
- Fixed Income
- Private Equity/Venture Capital
- Real Assets
- Currencies
- Notes on Data

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Equities

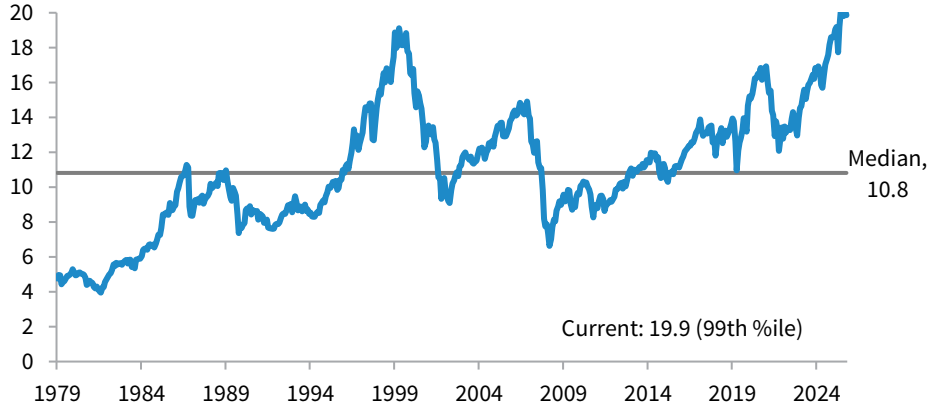
Global Equities
Facts & Figures Third Quarter 2026

Global equities returned 1.6% in 3Q and 16.8% for the trailing one year in USD terms. The quarter's gains were driven by strong 2Q earnings results, which led to upgrades to future earnings forecasts. A return of higher energy prices acted as a headwind to this positive earnings picture, via a run up in interest rates. Software stocks rebounded strongly as their earnings showed no meaningful negative impacts from AI.

- Global equities trade at 19.9x cyclically adjusted cash earnings, reaching a fresh all-time high on this valuation metric during the quarter based on 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 the median analyst estimate as surveyed by Bloomberg in September. This represents an upgrade of one-tenth over the last quarter as economies have proven resilient in the face of the impact of the Iran War, despite a rise in crude oil prices of more than $30/barrel. Developed economies are expected to grow by 1.7%, and EM by 3.7%.
- Global corporate earnings are expected to grow by an extremely robust 36% in 2026. The stronger outlook is driven by higher expected earnings growth in all major regions, though the consensus expectation of 74% growth in EM stands out, driven by AI-led demand for semiconductors and memory, and up from an expectation of 61% at the end of 1Q. The US is also expected to generate strong earnings growth, with consensus currently standing at 34%.
- Expectations for policy interest rates are a key risk for equities. To begin the year major DM central banks had been expected to keep policy rates stable or ease them modestly. The Iran War has driven inflation higher however, with most major central banks having now delivered some tightening. Markets expect further tightening to be necessary to prevent inflation becoming entrenched. The global market is also now deeply concentrated, with exposure to the AI theme at elevated levels.

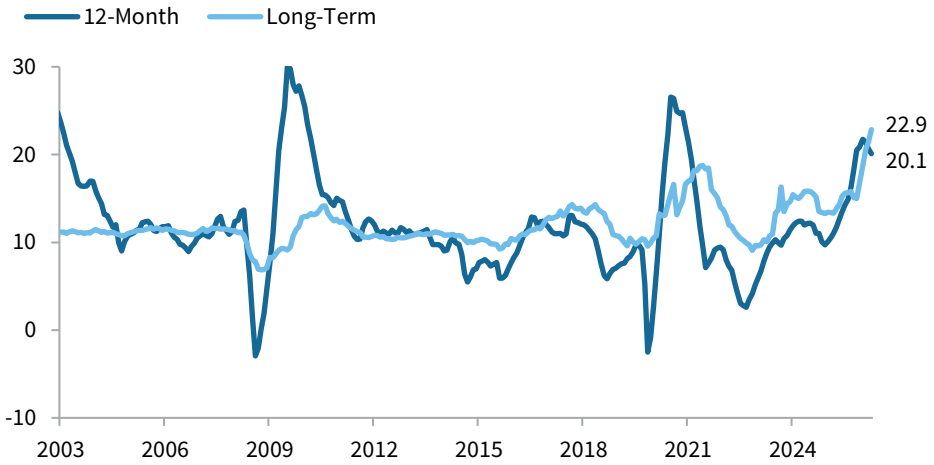
Cyclically adjusted price-to–cash earnings

Dec 31, 1979 – Sep 30, 2026



Corporate earnings growth expectations

Jun 30, 2003 – Sep 30, 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.

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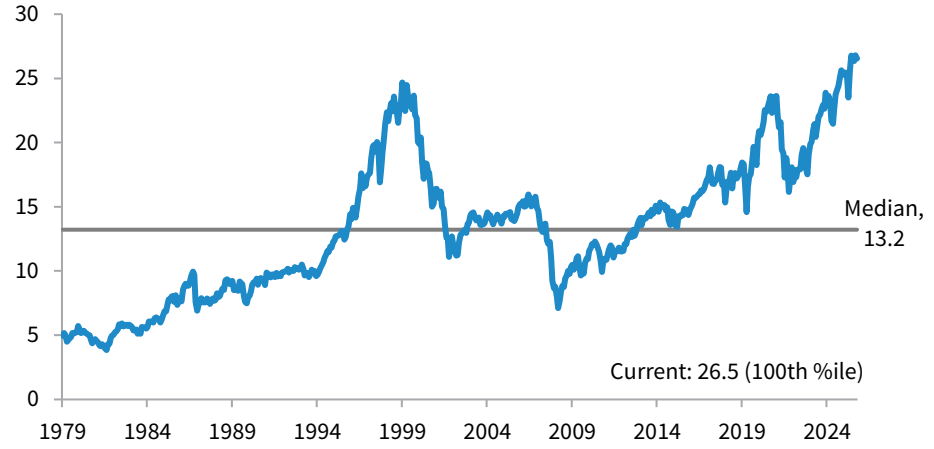
US Equities
Facts & Figures Third Quarter 2026

US equities gained 2.3% in 3Q, outperforming DM ex US equities by 1.3 ppts, supported by solid economic activity and strong corporate earnings. Over the trailing 12 months, however, US equities returned 15.3%, versus 16.5% for DM ex US equities.

- US equities' cyclically adjusted price-to–cash earnings (CAPCE) multiple edged up to 26.5x in 3Q, a record high based on historical data since 1979. The relative valuation gap with DM ex US equities, which trade at 12.8x, is also near historic extremes, and this disparity remains pronounced even after adjusting for sector composition differences.
- The US economy remained resilient in 3Q despite renewed US–Iran hostilities and higher interest rates. Economic activity benefited from the scale of the AI-related buildout, particularly in the US. Consensus forecasts put 2026 US real GDP growth at 2.2%, above broader developed markets, while high energy oil prices have kept US inflation expectations elevated at 3.4%.
- S&P 500 earnings grew an estimated 52% YOY in 2Q 2026, the fastest pace since 2Q 2021, though investment gains at Alphabet and Amazon boosted the headline figure. IT strength was broad, as 93% of the sector's companies beat estimates, and all six IT industries reported earnings growth, led by a 142% gain in semiconductors and semiconductor equipment. Analysts expect nearly 30% YOY earnings growth in 3Q; if realized, it would mark the third consecutive quarter of growth above 25%.
- The IT sector was again the primary contributor to overall index performance in 3Q. However, there was some clear intra-sector rotation, as software stocks bounced back with a 30% gain for the quarter after lagging semiconductors in previous quarters. The energy sector jumped nearly 17% amid renewed pressure on energy prices in the Middle East.

Cyclically adjusted price-to–cash earnings

Dec 31, 1979 – Sep 30, 2026



Corporate earnings growth expectations

Jun 30, 2003 – Sep 30, 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.

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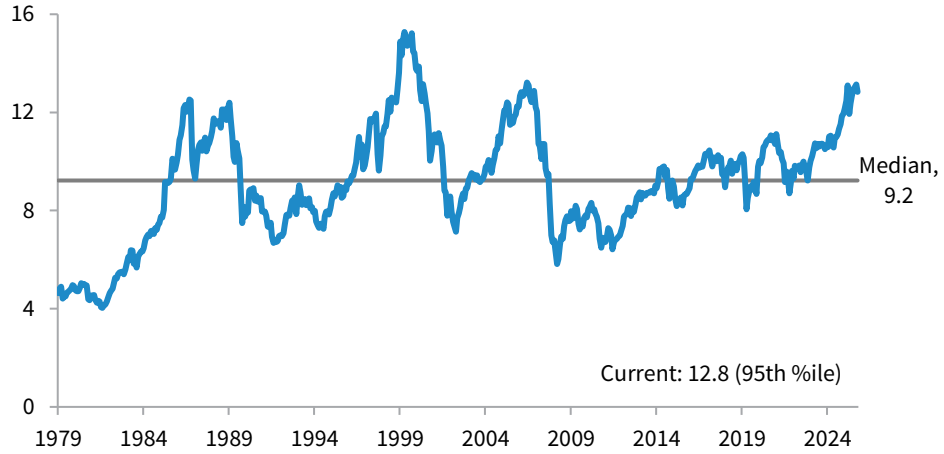
Developed Markets ex US Equities
Facts & Figures Third Quarter 2026

DM ex US equities returned 0.9% in USD terms in 3Q 2026, slightly lagging the 1.9% return of broader DM. Over the trailing one year, the bloc has returned 15.9%, comparable to broader DM's return of 15.2%. EPS growth is forecast to lag broader DM going forward, due to a lower IT weight, yet a large valuation discount persists.

- Valuations for DM ex US equities declined modestly last quarter, with the bloc now trading at 12.8x cyclically adjusted cash earnings (95th percentile since 1979), 39% above the long-term median of 9.2x. Still, relative valuations remain attractive given that broader DM trades at a 20.9x CAPCE (due to a CAPCE of 26.5x for US equities). This relative valuation is in the 3rd percentile of the historic data and represents a discount of over 26% to the median relative valuation of 0.84.
- The DM economy is forecast to grow by 1.7% in 2026, representing an upward revision of 0.1 ppts over the past quarter. The upward revision reflects a smaller-than-feared drag on economic activity from the Iran war, particularly through higher energy prices. Notably, these forecast upgrades span all major regions, including net energy importers such as the UK, euro area, and Japan. These regions remain the most exposed should energy prices remain elevated for an extended period.
- Earnings growth has been weaker in DM ex US, with trailing 12-month EPS growing by 12.1% over the trailing one year compared to 22.4% for broad DM. Lower weights in the IT and comms sectors, particularly in the semiconductor industry more recently, in addition to much lower profitability within those sectors in the region, accounts for much of this lag. Analyst consensus forecasts expect earnings to grow by 12.3% in the coming 12 months, compared to expected growth of 17.5% in broad DM. Growth is expected to be driven more by profit margin expansion (from 11.2% to 12%) than by sales growth (4.4%).

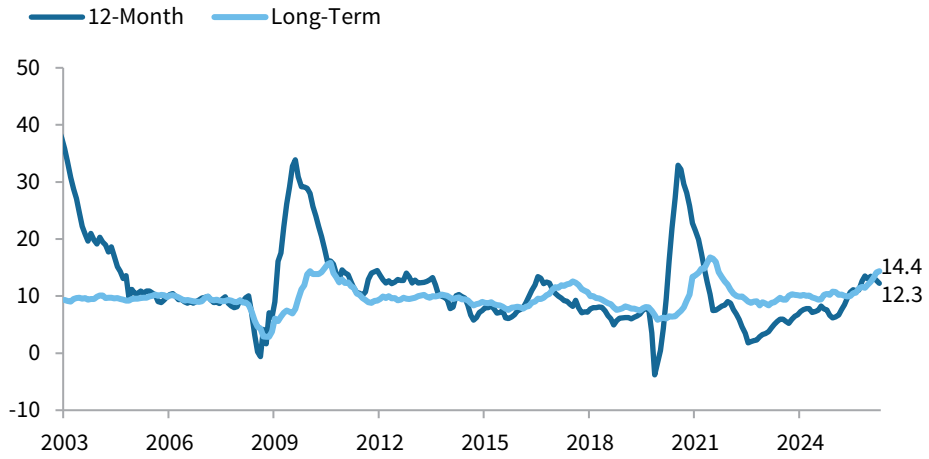
Cyclically adjusted price-to–cash earnings: MSCI World ex US

Dec 31, 1979 – Sep 30, 2026



Corporate earnings growth expectations

Jun 30, 2003 – Sep 30, 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.

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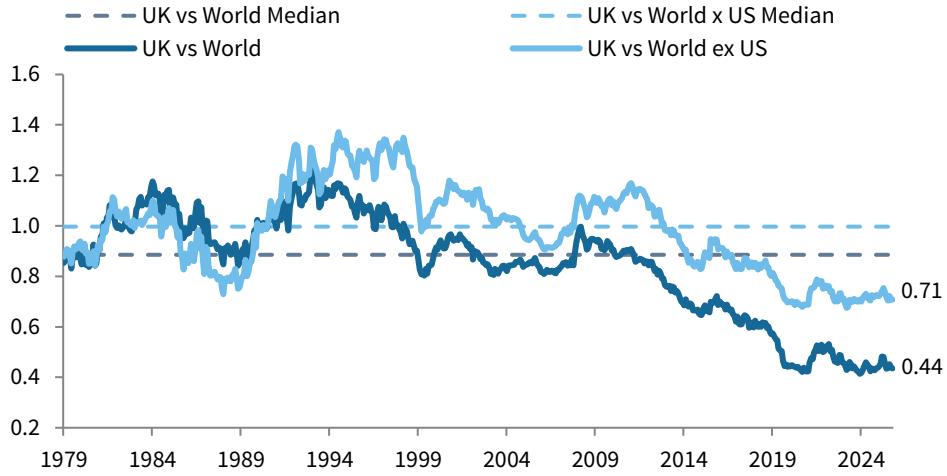
UK Equities
Facts & Figures Third Quarter 2026

UK equities returned 1.9% in USD terms in 3Q 2026, exactly in line with the return of broader DM. Over the trailing one year, performance is similarly comparable, with the UK returning 15.8% versus DM's 15.2%. While the UK has lagged in prior periods due to an IT underweight, its overweight to energy and materials has been a tailwind recently.

- UK valuations remain deeply discounted versus peers. The UK's CAPCE ratio stands at 9.1, placing it in the 63rd percentile of historical observations. However, the ratio of the UK's CAPCE to broad DM is just 0.44 (4th percentile). Adjusting for substantial sectoral differences between the indexes, the relative CAPCE rises to 0.58. However, when weaker earnings growth is also considered—by looking at forward P/Es—the ratio of sector-neutral forward P/Es is 0.81. These figures collectively underscore the persistent valuation gap between UK equities and broader DM.
- The UK's consensus GDP growth forecast has held up for 2026 (at 1.2%, up three-tenths on the quarter) despite the rise in energy prices, due to an unexpectedly strong 1H, though it remains below broader DM expectations of 1.7%. Activity indicators, such as the composite PMI are also signaling an expansion, albeit weaker than for peers. The BOE is reluctant to hike rates in response to the recent rise in energy prices due to a softening labor market. A durable decline in energy prices should, in time, allow them to cut rates.
- Corporate fundamentals in the UK lag their peers, albeit have been helped by a surge in energy prices. Trailing 12-month EPS grew by 18.7% over the past 12 months compared to growth of 22.4% for broad DM. UK EPS growth is forecast to underperform DM by 8.7 ppts over the next 12 months (8.8% vs 17.5%), with growth primarily driven by margin expansion (12.0% to 12.8%) and a more modest contribution from sales growth (2.0%). If fundamentals improved, depressed sentiment could prove supportive for UK risk assets.

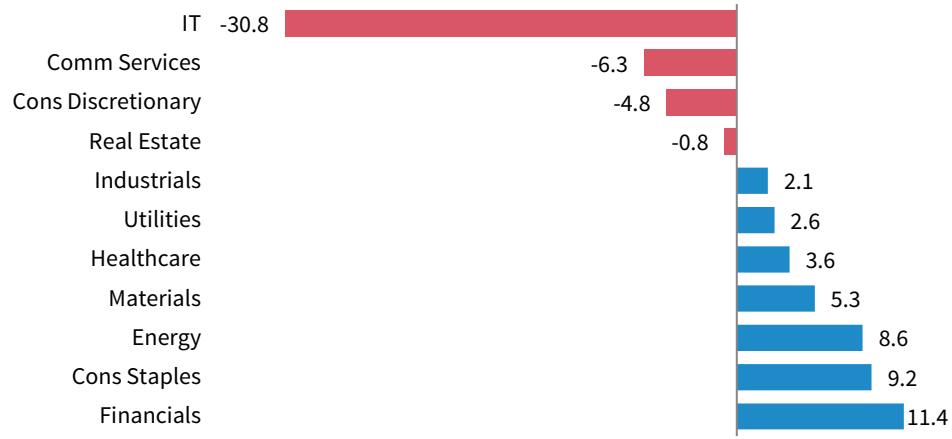
Relative CAPCE: MSCI UK vs World

Dec 31, 1979 – Sep 30, 2026



Relative sector weights: UK minus World

As of Sep 30, 2026 • Percentage Points



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

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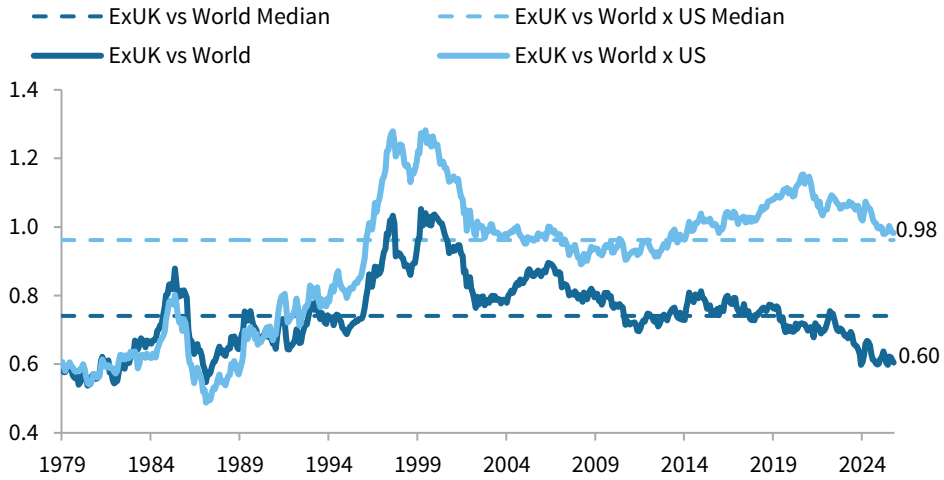
Europe ex UK Equities
Facts & Figures Third Quarter 2026

Europe ex UK equities returned -2.6% in USD terms in 3Q 2026, underperforming broader DM which returned 1.9%. Over the trailing one-year, the bloc has returned 11.7% versus DM's return of 15.2%. While a lower exposure to semiconductors and AI more broadly has been a headwind, more recent underperformance has resulted from a greater exposure to rising energy prices.

- In absolute terms, index valuation declined last quarter, with the CAPCE falling from 13.0 at end of 2Q to 12.6 at the end of 3Q, which represents the 90th percentile of data going back to 1979. Relative valuation also declined a little, with the CAPCE of the region relative to broad DM reaching 0.60, 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 a touch to 0.98, now at the 58th percentile of historical observations and just 2 ppts above its long-term median of 0.96.
- Economic uncertainty has increased with the onset of attacks on Iran. This has contributed to a Eurozone GDP growth forecast for 2026 now being three-tenths lower than it was pre-war, via higher energy prices. Nonetheless, the current projection of 0.9% is three-tenths higher than three months ago. This lags the 1.7% growth expected in DM more broadly. German growth weakness remains a regional headwind, albeit has been partially offset by stronger peripheral performance recently. Still, the significant fiscal easing in Germany has helped to improve business sentiment. Despite the recent ECB hike, lower interest rates than in recent years should also help support growth in Europe in the coming quarters.
- Longer-term underperformance versus DM is driven by lower underlying profitability, with the relative ROE at 0.80x, reflecting both lower tech exposure and sectoral ROEs that lag in eight of 11 GICS sectors. Still, ROE exceeds that of DM ex US. Earnings growth is expected to be 13.2% over the next 12 months, behind DM's 17.5%. Sales growth is forecast at 5.0%, with margins rising 83 bps to 11.4%.

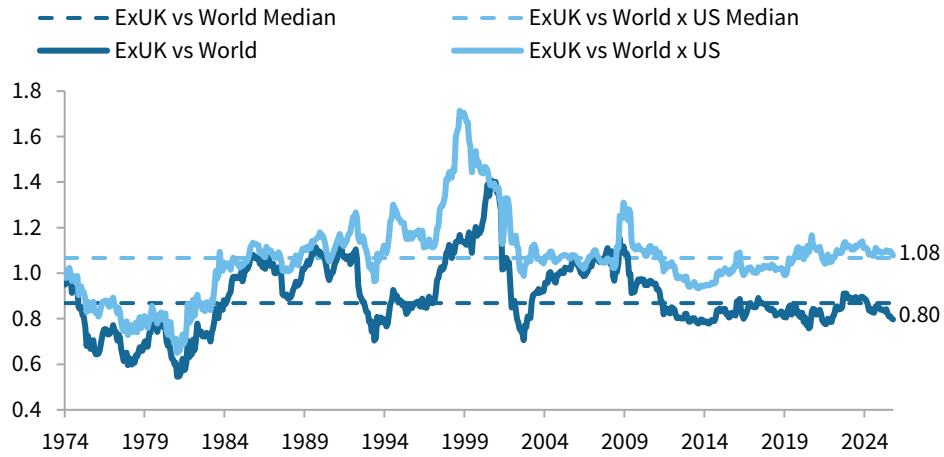
Relative CAPCE: MSCI Europe ex UK vs World and World ex US

Dec 31, 1979 – Sep 30, 2026



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

Dec 31, 1974 – Sep 30, 2026 • Percent (%)



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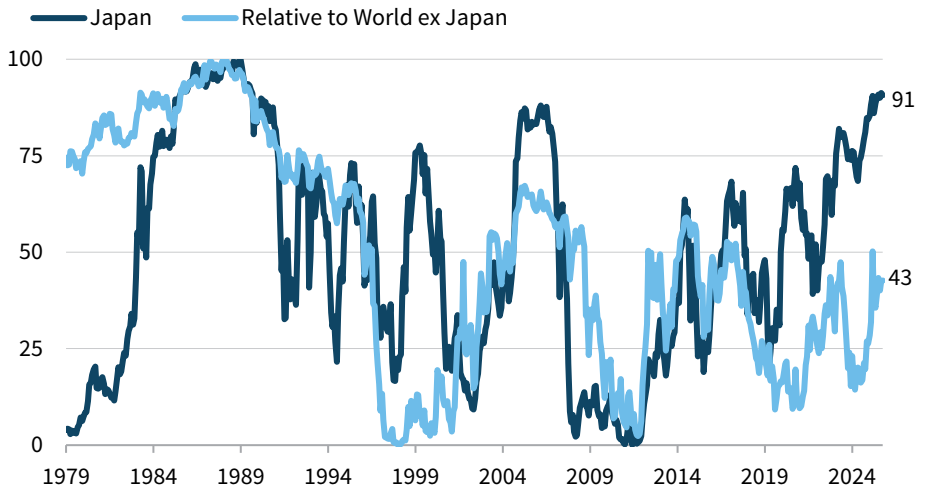
Japanese Equities
Facts & Figures Third Quarter 2026

Japanese equities returned 6.0% in 3Q 2026 in USD terms, well above the 1.9% return for DM equities. Yen-based investors earned lower returns given JPY appreciation. Over the last 12 months, Japanese equities delivered a 26.6% return in USD, well above that of developed peers.

- Strong returns have led Japanese equity valuations to steadily rise in recent quarters. At the end of 3Q, the cyclically adjusted cash earnings ratio stood at 15.9x, ranking in the 91st percentile of historical observations. Relative to other developed markets, Japanese equities trade at a lower valuation, in the 43rd percentile historically.
- The macro backdrop is supportive. Real GDP growth has been modest, but 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 hiked rates by another 25 bps in September, yet the low absolute level of rates raises few concerns around corporate debt affordability.
- Earnings estimates have risen sharply in recent months and now stand at 22% for 2026. Earnings have been supported by several drivers, including yen depreciation, higher interest rates boosting financials, and the global AI buildout, which benefits sectors like semis and industrials. Yen depreciation is a two-edged sword for offshore investors. Five-year returns in USD for Japanese stocks have been roughly half the level as in yen.
- The ROE on Japanese equities currently stands at 10.3%, 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.
- Rising exposure to IT stocks—whose index weight has doubled over the last decade—increases Japanese markets to a reversal in sentiment around AI investment.

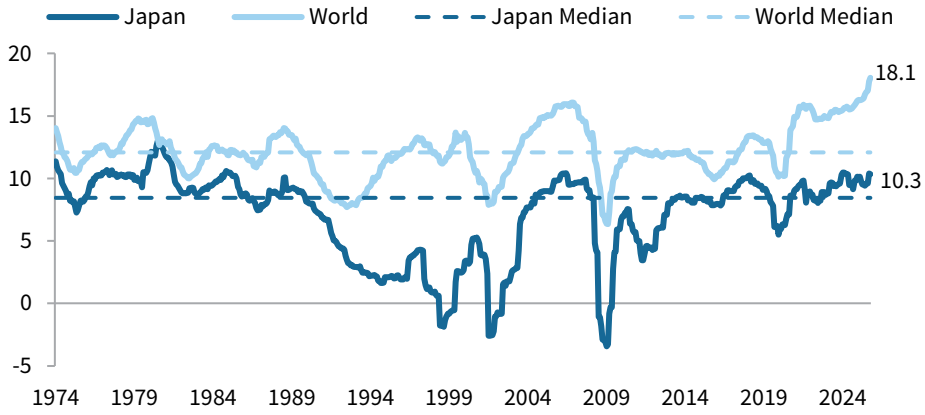
Cyclically adjusted price-to–cash earnings

Dec 31, 1979 – Sep 30, 2026 • Percentile (%)



ROE: MSCI Japan vs World

Dec 31, 1974 – Sep 30, 2026 • Percent (%)



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

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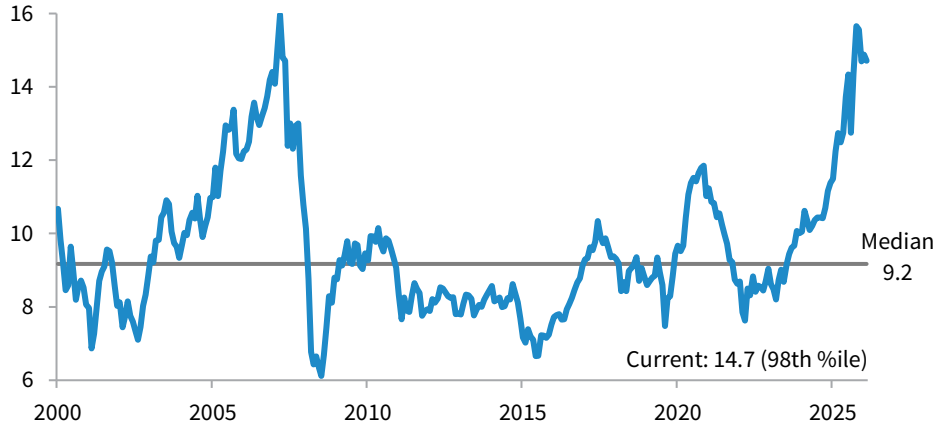
Emerging Markets Equities
Facts & Figures Third Quarter 2026

EM equities returned -0.2% in USD terms in 3Q following strong returns in 2Q, as the rally in semiconductor stocks cooled. Returns over the TTM remain strong at 29.7%, with EM outperforming DM equities by 14 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. Absolute valuations have reached the 99th percentile, nearing the 2007 peak, and have only marginally softened. Nevertheless, EM trades at a 24% discount to DM equities, which is inline with historical average discount.
- There remains regional and country level valuation dispersion. Valuations are elevated in Asia, 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 3.7% 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 74% in 2026 and 24% in 2027 driven by the IT sector on the back of global AI-buildout demand. Yet, such numbers are vulnerable to disappointment, especially if energy prices soar again due to renewed conflict in the Strait of Hormuz.
- 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.

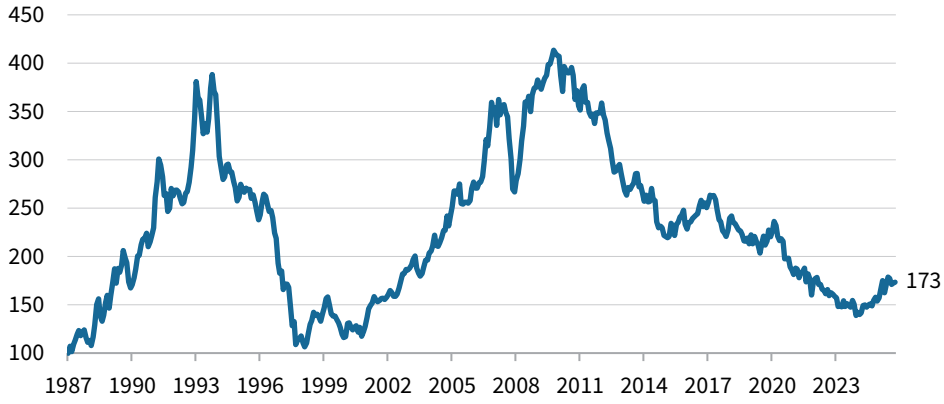
Cyclically adjusted price-to–cash earnings: MSCI EM

Aug 31, 2000 – Sep 30, 2026



EM/DM equity relative cumulative wealth

Dec 31, 1987 – Sep 30, 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.

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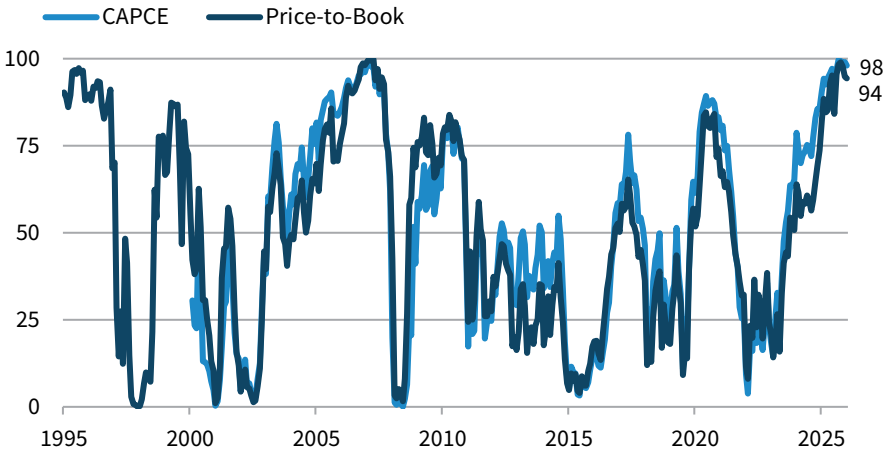
Asia ex Japan Equities
Facts & Figures Third Quarter 2026

Asia ex Japan equities returned 0.2% in 3Q 2026 in USD terms, lagging global equities, as the rally in semiconductor stocks cooled. On a TTM basis, Asia ex Japan equities have returned 31.5%, outperforming global equities, which returned 17.2%.

- Given the strong rally over the past year, Asia ex Japan valuations have become extreme relative to history. Both the index's P/B ratio and cyclically adjusted price-to–cash earnings (CAPCE) ratio, which excludes banks and insurance companies, reached the 99th percentile at the end of June and have only pulled back modestly in 3Q. Relative to DM equities, however, the MSCI AC Asia ex Japan Index trades at a 16% discount and a more reasonable 54th 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 4.8% 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 60% as of September 30, compared to estimates for global peers at 31% 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.

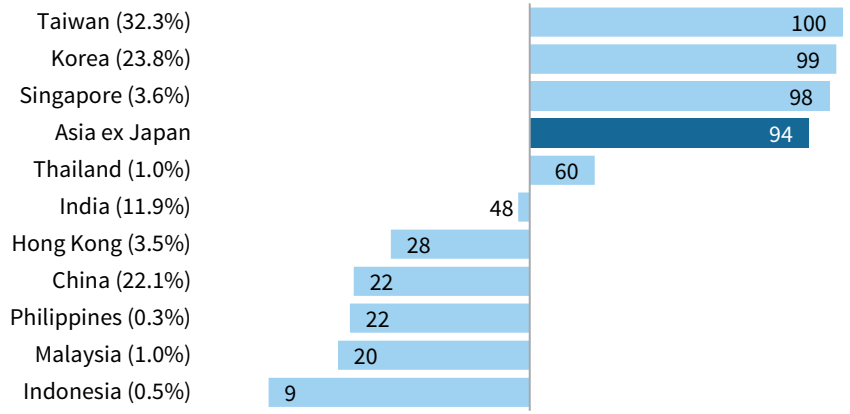
MSCI All Country Asia ex Japan Valuations

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



Country P/B Percentile: MSCI AC Asia ex Japan

As of Sep 30, 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.

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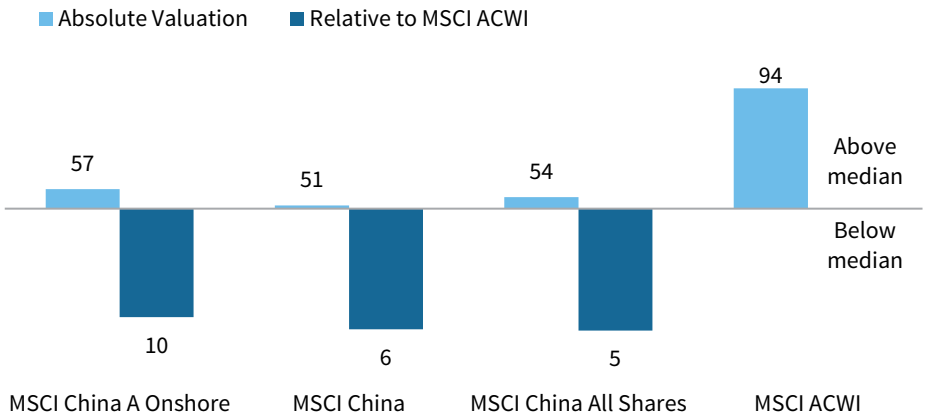
Chinese Equities
Facts & Figures Third Quarter 2026

The MSCI China All Shares Index returned -2.7% in 3Q as a sharp 13.3% decline in A-shares, driven by a sell-off in semiconductor stocks, offset the modest 2.6% return for offshore Chinese equities. Over the past 12 months, Chinese equities have returned -11.5%, dramatically lagging both EM and Global equities.

- 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 46% Hong Kong-listed equities, 2% US-listed equities, and 52% A-Shares.
- Historically, the offshore market was home to China's tech giants, while the A-share market was overweight legacy "old economy" stocks. However, this has rapidly shifted, with the A-share market now home to China's leading "hard tech" and AI companies, including semiconductors. As a result, IT now makes up 30% of the A-share index.
- As of September 30, the composite P/E ratio for the MSCI China All Shares Index was at the 54th percentile, up from the 12th percentile in August 2024. While both onshore and offshore equities seem fairly valued, last quarter A-share valuations were at the 86th percentile, highlighting the sharp decline in 3Q. Given weak performance, 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%. 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.
- Active China-dedicated managers have historically demonstrated an ability to add value over the A-share index, given the retail-driven nature of that market. Meanwhile, managers with flexible "All China" mandates can offer exposure across the China equity universe.

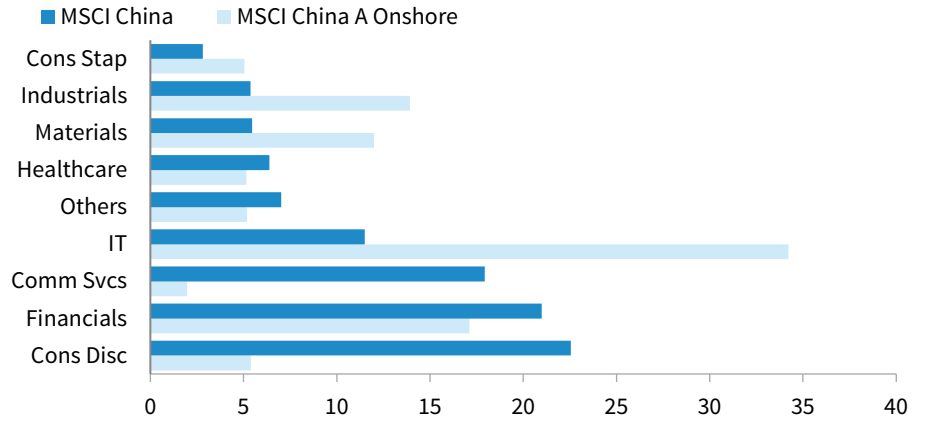
Composite P/E: Percentile

Feb 28, 2010 – Sep 30, 2026



Sector weights

As of Sep 30, 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.

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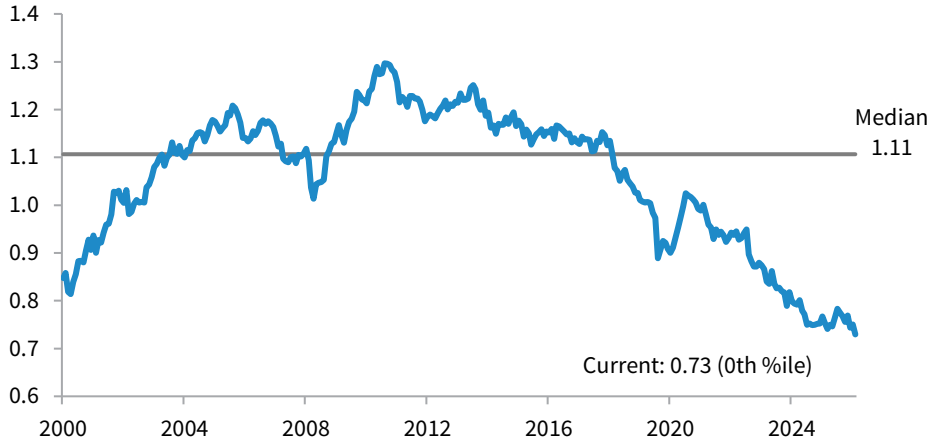
Global Small-Cap Equities
Facts & Figures Third Quarter 2026

Global small-cap equities declined 3.2% in 3Q, lagging their mid- to large-cap peers by 4.8 ppts. They have trailed by 1.3 ppts over the past 12 months. There were notable regional divergences in 3Q, with US small caps lagging their larger counterparts by nearly 10 ppts, while non-US small caps outperformed large caps by 2 ppts.

- US small caps fell 7.4% in 3Q, their first decline in six quarters. Mid- and large-caps gained 2.2%, making this the first quarter of the year in which US small caps trailed. A rebound in large-cap AI-related stocks and rising interest rates, which appeared to weigh more heavily on small caps, contributed to the reversal. Even so, small caps have outperformed large caps by 1.1 ppts over the past 12 months.
- Developed ex US small caps gained 2.9% in 3Q, outperforming mid- and large-cap stocks by 2.0 ppts. Over the trailing 12 months, however, they have lagged by 1.4 ppts, partly reflecting stronger performance from the information technology and financials sectors in the larger-cap index.
- Emerging markets small caps gained 0.2% in 3Q, edging mid- and large-cap stocks by 0.6 ppts. Over the past 12 months, however, they have lagged by more than 14 ppts. Much of that gap reflects strong returns from South Korean and Taiwanese mid- and large-cap stocks, which rose 152% and 88%, respectively. Semiconductor companies including TSMC, Samsung, and SK Hynix—key suppliers of advanced chips and memory for the AI buildout—led those gains.
- 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.

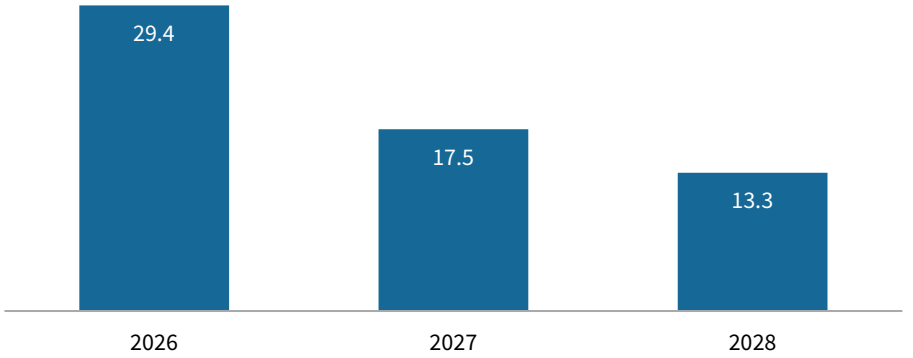
5-yr CAPCE: MSCI ACWI SC vs MSCI ACWI LC/MC

Aug 31, 2000 – Sep 30, 2026



Consensus earnings growth estimates

As of Sep 30, 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. Consensus earnings growth estimates are based on the MSCI ACWI Small Cap Index.

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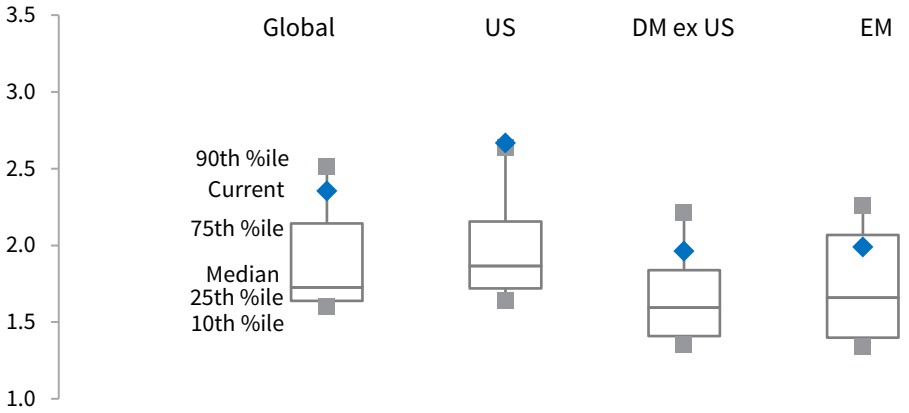
Global Growth and Value Equities
Facts & Figures Third Quarter 2026

Global value stocks gained 3.7% in 3Q (USD terms), outpacing growth stocks' -0.5% return. Value also leads YTD, returning 16.1% versus 10.1% for growth. Value benefited from its greater energy exposure as constrained supply from the Middle East drove oil prices higher during the quarter. Meanwhile, higher bond yields and concerns around the returns on AI investments added pressure to richly valued growth stocks leading to their underperformance.

- Since the COVID-19 pandemic, the valuation gap between growth and value equities has been wide relative to history. Currently, global growth equities command a 2.4x 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 value outperformed growth in 3Q as higher rate expectations compressed growth stock valuations and investors rotated away from crowded AI-related positions. Elevated oil prices boosted value-oriented energy stocks, further supporting value's relative outperformance.
- Corporate fundamentals remain strong for growth, which has traditionally generated higher ROE than value. The current wide ROE difference is driven by sector exposures, especially tech and financials, and helps explain the valuation gap between growth and value indexes.
- Global growth equities exhibit greater sector concentration than value equities, with roughly two-thirds of the growth index allocated to tech (IT and communication services) and consumer discretionary. In contrast, the value index is more evenly distributed. This concentration has benefited growth equities in recent years, as large-cap tech stocks have driven equity markets higher. However, such concentration could become a headwind if momentum in the tech sector wanes.

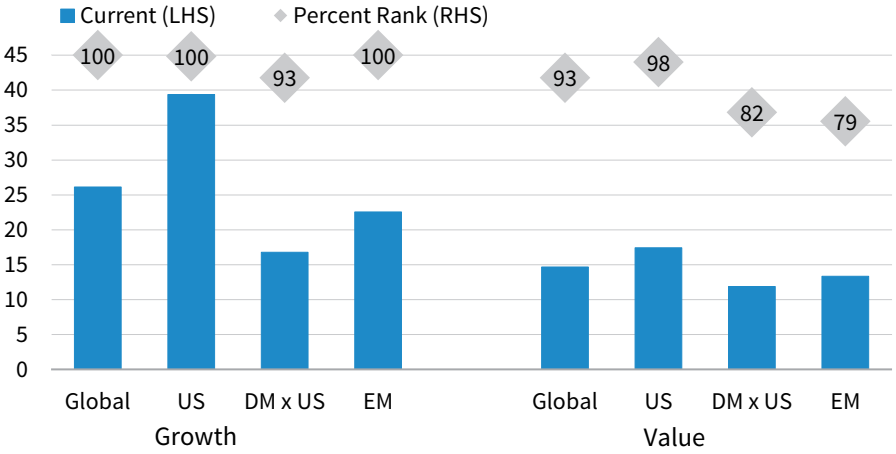
Relative CAPCE for select regions: Growth vs Value

As of Sep 30, 2026



ROE and percentiles for select regions: Growth & Value

As of Sep 30, 2026



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

Note: CAPCE ratios are based on five-year average inflation-adjusted earnings; growth and value are represented by the MSCI ACWI Growth and MSCI ACWI Value indexes, respectively.

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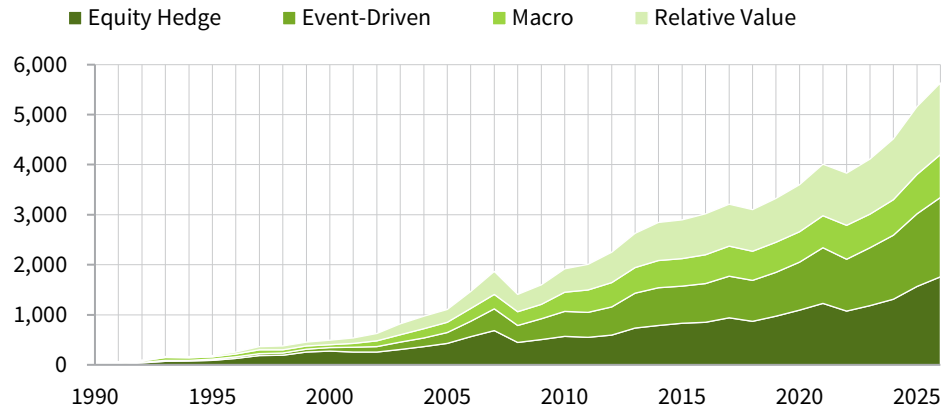
Hedge Funds
Facts & Figures Third Quarter 2026

Hedge funds declined 1.4% in 3Q, as measured by the HFRI Fund of Funds Composite Index, marking the index's first decline after five consecutive quarters of gains. Performance diverged across strategies: macro managers benefited from trends in oil prices and interest rates, while equity-oriented and interest rate–sensitive strategies faced headwinds. Despite the quarterly setback, the composite index gained 10.4% over the TTM period.

- Global macro hedge funds gained 4.3% in 3Q, according to the HFRI Macro (Total) Index. Systematic trend-following CTAs and commodity managers benefited from concurrent increases in oil prices and interest rates, particularly in September, when global bond markets came under renewed pressure. Inflation concerns and uncertainty surrounding the Iran War provided a backdrop for these moves. The quarterly gain brought the index's year-to-date return to 10.8%.
- Relative value hedge funds declined 0.5% in 3Q, with surging interest rates weighing on the HFRI Relative Value (Total) Index's fixed income–sensitive strategies. Results varied within the category, however, as asset-backed strategies led sub-strategy performance with a 0.8% gain. Their positive return underscored that the challenging rate environment did not affect all fixed income–based approaches equally.
- Long/short equity strategies, based on the HFRI Equity Hedge (Total) Index, declined 2.1% in 3Q. Against a backdrop of rising interest rates and surging energy prices, volatility in AI and technology stocks weighed on performance despite support from strong corporate earnings and continued AI infrastructure investment. Equity market neutral strategies proved more resilient, with the HFRI EH: Equity Market Neutral Index gaining 1.3%.
- The HFRI Event-Driven (Total) Index declined 1.9% in 3Q as volatility in the technology market created a challenging backdrop for merger arbitrage and special situations strategies, outweighing support from continued M&A activity and corporate restructuring catalysts.

HFRI historical asset growth breakout

1990–2026 (Jun) • US$B



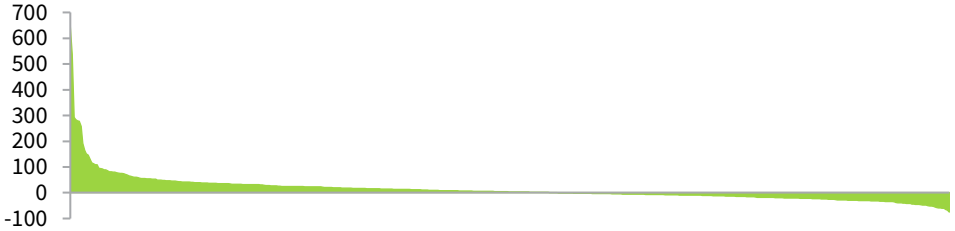
Equity dispersion: Total returns for the S&P 500 constituents

As of September 30, 2026

Trailing 3-Month Returns (%)



Trailing 12-Month Returns (%)



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

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Fixed Income

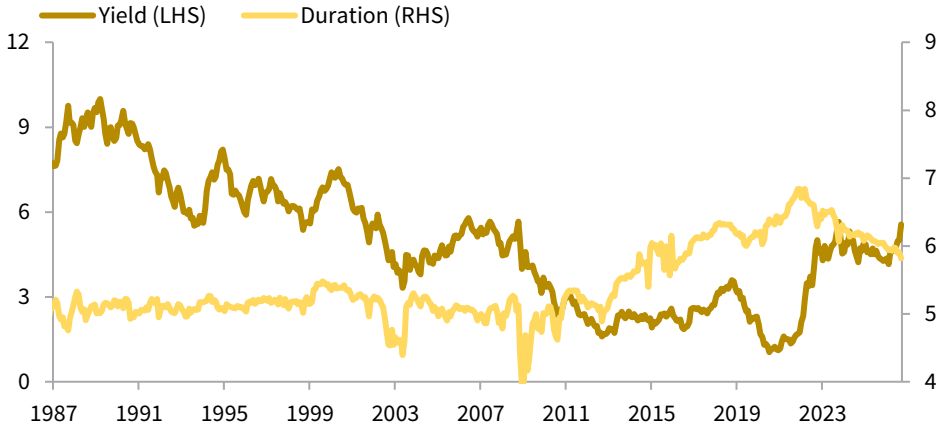
US Bonds
Facts & Figures Third Quarter 2026

Core US bonds returned -3.5% in 3Q and -1.8% over the trailing 12 months. A backup in Treasury yields remained a headwind in 3Q, while credit spreads widen modestly from tight levels due to elevated geopolitical tensions and AI-driven market volatility.

- The yield for the Bloomberg US Aggregate Index stands at 5.6%. Yields rose nearly 100 bps during the quarter and are back near their cyclical highs, but they are still below their post-1989 average of 6.2%.
- Valuations remain stretched. Spreads widened modestly in 3Q—the index OAS is 31 bps, which is its highest level in over a year but still in the bottom quartile of observations since the late 1990s. Spreads are tight across major sectors, excluding agency MBS (roughly 20% of the index) which are in the 40th percentile.
- Tight spreads have been supported by a resilient macro backdrop. Consensus forecasts for 2026 US real GDP growth have increased 0.2 ppts to 2.2%, while headline CPI projections have risen 0.6 ppts to 3.4%.
- Geopolitical tensions and sticky inflation have heightened rate volatility and expectations for tighter policy. The Fed's 25-bp September hike brought the target range to 3.75%–4.00% and the market now expects the Fed to hike rates three more times by the end of next year.
- 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 continue to push long-term yields higher.

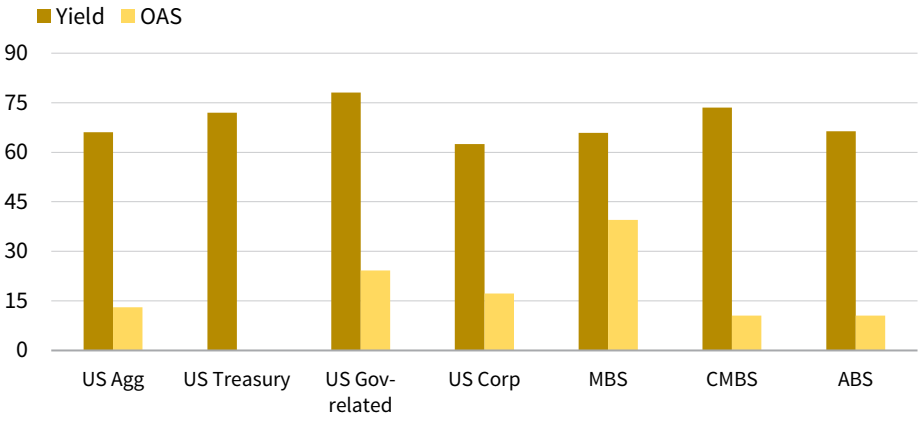
Yield vs duration: BBG US aggregate bond index

Jan 31, 1987 – Sep 30, 2026



Current Percentile: Yield and OAS for selcted US bond indexes

Jan 31, 1990 – Sep 30, 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 Investmen Grade (CMBS), and Bloomberg US Asset-Backed Securities Index (ABS).

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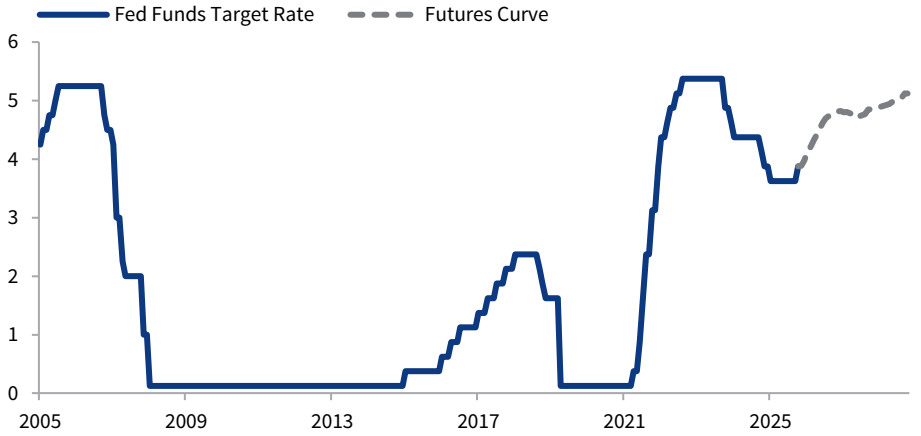
US Treasuries
Facts & Figures Third Quarter 2026

US Treasuries returned -3.0% in 3Q and -1.9% over the TTM. Yields rose sharply as economic activity has remained resilient despite the continuation of the Iran War, which has complicated the inflation and policy outlook.

- US ten-year Treasury yields rose 85 bps in 3Q to 5.3%, their highest level since 2001.
- Since the start of the year, consensus forecasters have raised 2026 US real GDP growth projections by 0.2 ppts to 2.2% and raised 2026 headline CPI projections by 0.6 ppts to 3.4%.
- Under Chair Kevin Warsh, the Fed has maintained a commitment to restoring price stability. The September meeting reinforced its hawkish stance, with policymakers raising the federal funds target range by 25 bps to 3.75%–4.00%, the first increase since 2023.
- Expectations have shifted toward further tightening, with markets anticipating another increase before year-end, increasingly viewed as likely in December rather than October.
- These dynamics have also contributed to a flatter yield curve. The ten-year/two-year spread narrowed from 71 bps to 41 bps so far this year—lowering the opportunity cost of reducing duration risk.
- Despite these pressures, Treasuries offer more value at current yields. Ten-year yields are nearly half a standard deviation above their implied fair value of 4. 8%, and well above the 20-year median (2.7%),
- Fiscal pressures and increased competition for capital are also likely adding to upward pressure on yields, at the margin. The US deficit is projected to remain around 6%–7% of GDP—well above the historical average of 4%—while investment-grade bond issuance is projected to top $2.0 trillion this year driven primarily by AI-capital expenditures.
- Reflecting these challenges, the estimated term premium for holding bonds over cash is 0.9%, which is elevated compared to recent years but closer to its long-run median of 1.4%.

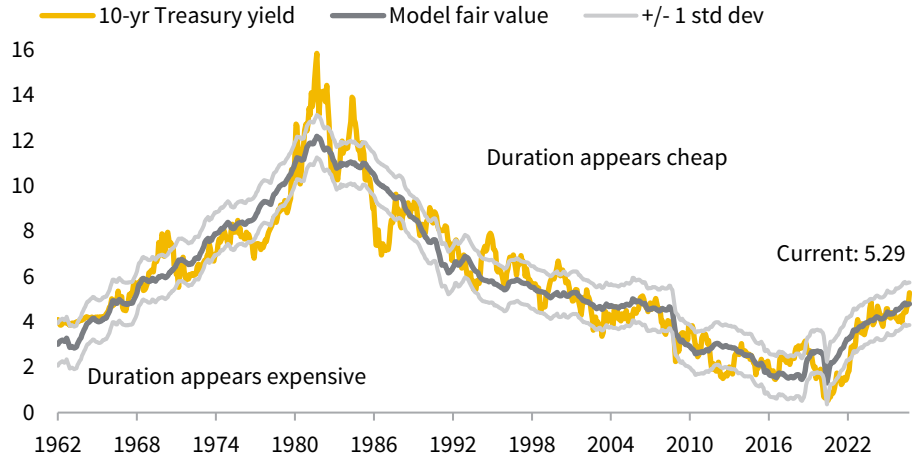
Fed funds target rate and future curve

Dec 31, 2005 – Sep 30, 2029 • Percent (%)



Valuations: 10-yr Treasury

Jan 31, 1962 – Sep 30, 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 August 31, 2026.

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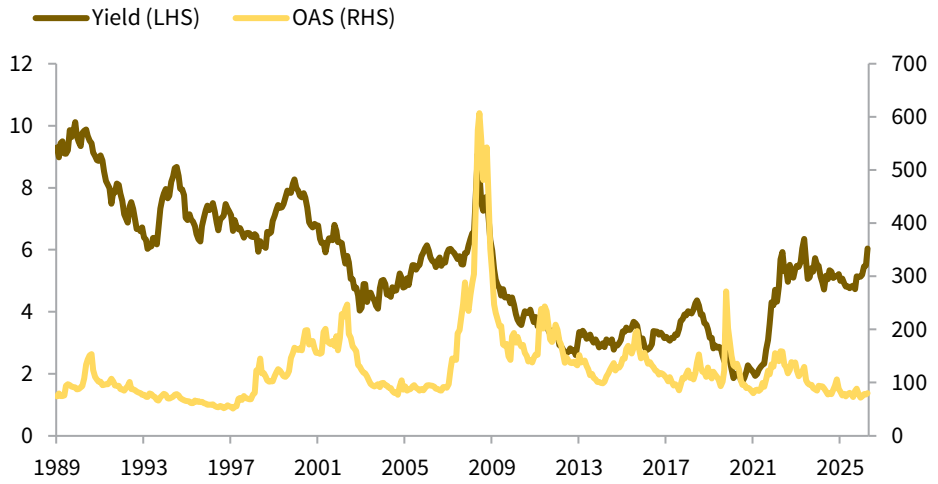
US Corporate Bonds
Facts & Figures Third Quarter 2026

US investment-grade (IG) corporate bonds returned -3,9% in 3Q and -2.3% over the trailing 12 months. A back-up in Treasury yields remained a headwind in 3Q, while credit spreads widened modestly from tight levels due to elevated geopolitical tensions and AI-driven market volatility.

- IG corporate bond yields ended 3Q at 6.0%. Yields rose more than 80 bps during the quarter and are back near their cyclical highs, but they are still below their long-term median of 6.6%.
- While all-in yields remain elevated compared to recent years, which might continue to attract some investors, valuations remain expensive. The OAS rose modestly in 3Q to 80 bps and remains near the bottom decile of historical observations.
- Tight spreads have been supported by a resilient macro backdrop. Consensus forecasts for 2026 US real GDP growth have increased 0.2 ppts to 2.2%, while headline CPI projections have risen 0.6 ppts to 3.4%.
- Geopolitical tensions and sticky inflation have heightened rate volatility and expectations for tighter policy. The Fed's 25-bp September hike brought the target range to 3.75%–4.00% and the market now expects the Fed to hike rates three more times by the end of next year.
- IG corporate fundamentals are solid, offering a potential buffer for tight spreads. EBITDA and leverage improved in 2Q. Median gross leverage has held between 2.2x–2.4x for 20 quarters, net leverage fell 0.1x to 1.7%, and median interest coverage improved 0.4x to 10.7x.
- Issuance is a potential headwind. The credit cycle is accelerating, with an expected surge in high-quality supply driven by tech/AI capex. According to Morgan Stanley, YTD issuance currently stands at $1,854B (+28% YOY), as of September.
- Overall, strong fundamentals but weaker technicals point to a slightly less supportive environment for credit spreads than in the previous two years, especially with valuations remaining close to multi-year lows.

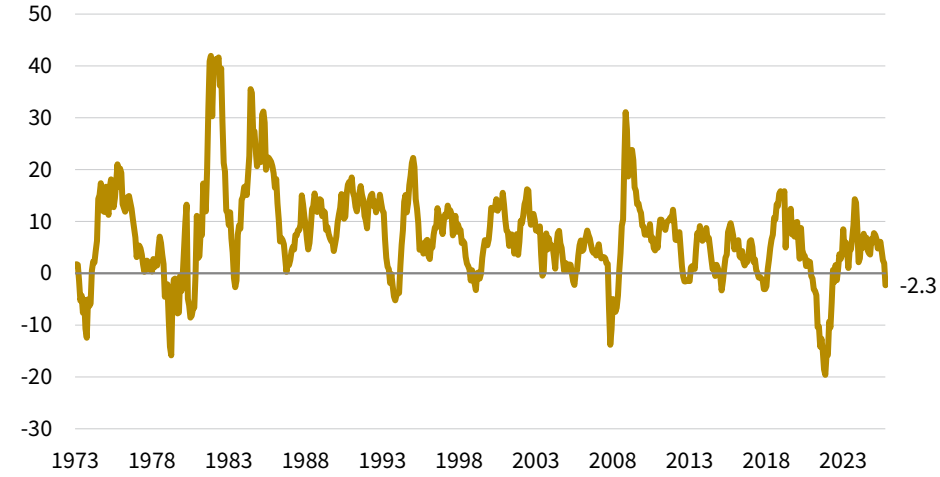
Yield and option-adjusted spread: US investment-grade corporates

Jun 30, 1989 – Sep 30, 2026 • Percent (%)



Trailing 12-month return: US investment-grade corporates

Dec 31, 1973 – Sep 30, 2026 • Percent (%)



Sources: Bloomberg Index Services Limited and Thomson Reuters Datastream.

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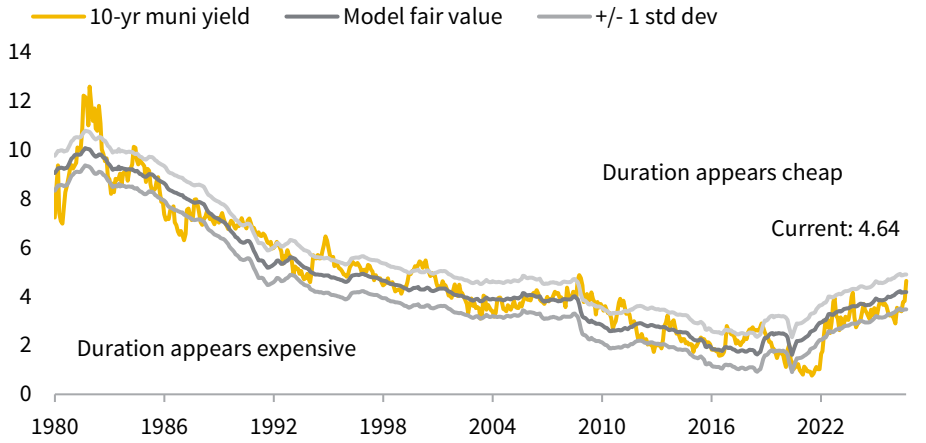
US Tax-Exempt Bonds
Facts & Figures Third Quarter 2026

US tax-exempt municipal bonds (munis) underperformed in 3Q, returning -6.3%, and are down 2.7 over the trailing 12 months. Munis performed poorly amid a sell-off in global bonds and higher interest rate volatility.

- Ten-year muni yields reached 4.6% at the end of 3Q, their highest level since 2008. Yields are now over half a standard deviation above their absolute implied fair value of 4.2%.
- The ratio of ten-year muni yields to Treasury yields increased 12 bps during the quarter, their widest level since April 2025. The muni/Tsy yield ratio is currently 0.88 (62nd percentile).
- For long-term, high tax bracket individuals, ten-year munis provide a compelling yield advantage over taxable-equivalents after taxes (155 bps vs Treasuries and 98 bps vs corporates).
- Retail demand has been strong this year. Year-to-date inflows into muni mutual funds totaled +$34B through September 18 and have remained relatively resilient amid the increased volatility in 3Q ($5.2B).
- Recent fiscal policy changes have created some uncertainty for some sectors, but municipal credit fundamentals remain sound overall. While the peak in credit quality is likely behind us, upgrades still outpace downgrades, defaults remain low, and state rainy-day reserves remain elevated.
- The pullback in federal funds is, however, putting upward pressure on issuance—year-to-date gross issuance was $463B through September. Supply is likely to remain elevated as municipalities seek to fund growing capital needs. Barclays expects 2026 issuance to exceed 2025's record issuance of $587B.
- Despite these challenges, attractive valuations and after-tax yields, sound fundamentals, and a relatively healthy macro backdrop should continue to support strong demand for munis.

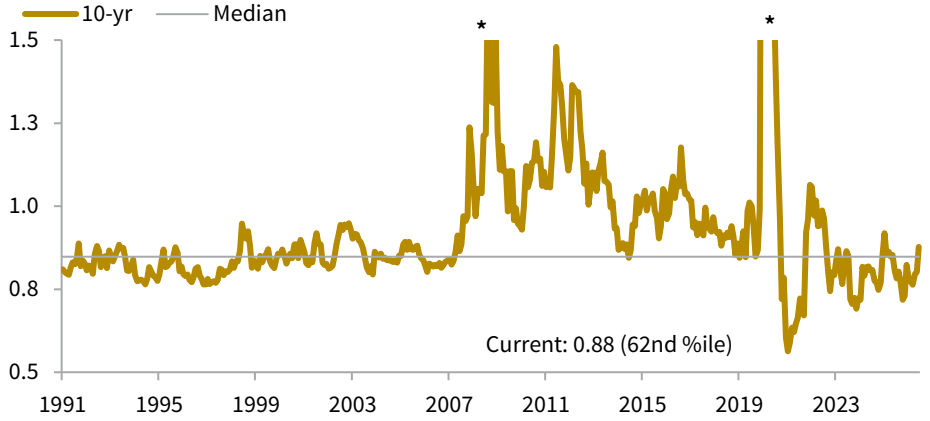
Valuations: 10-yr muni

Jan 31, 1980 – Sep 30, 2026 • Percent (%)



Ratio of 10-yr muni yields to Treasury yields

Apr 30, 1991 – Sep 30, 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 August 31, 2026.

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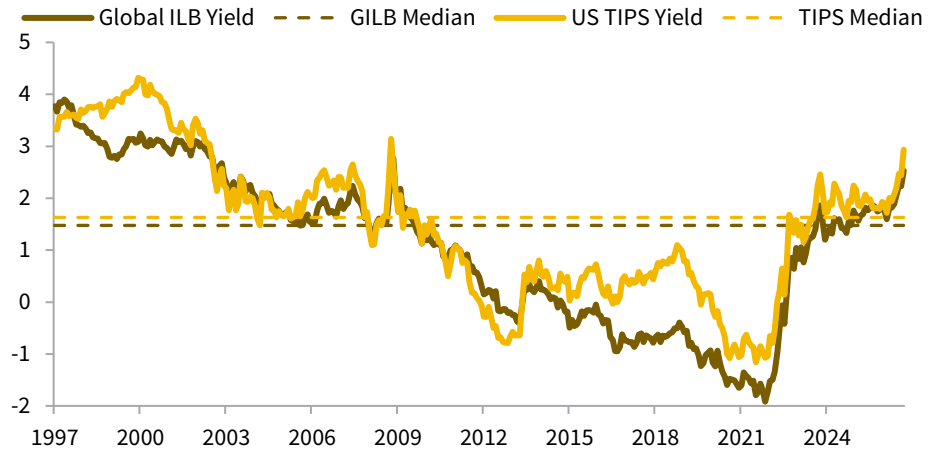
Global Inflation-Linked Bonds
Facts & Figures Third Quarter 2026

Global linkers returned -2.8% in 3Q and -0.7% over the trailing 12 months, while US TIPS declined -3.2% and -2.0%, respectively. Rising real yields weighed on performance, as expectations for further monetary tightening pushed yields higher.

- Global real yields increased nearly 50 bps to 2.5% in 3Q, while US real yields rose nearly 75 bps to 2.9%.
- Both have reached their highest point this cycle and are now well above their respective long-term medians of 1.5% and 1.6% and implied fair value of 0.7% and 1.5%, based on the trend in real GDP growth.
- Breakeven inflation rates (the spread between nominal and real yields) were less volatile than real yields, but they also increased to varying degrees across most regions and remain above central bank targets.
- These moves were driven primarily by a repricing in monetary policy expectations. Most major central banks have raised policy rates this year and are expected to maintain a more restrictive policy stance.
- This shift in policy is largely a response to the ongoing conflict in the Middle East, which has kept energy prices and inflation elevated, while economic activity has been more resilient than expected.
- This is reflected in consensus economic forecasts, which project headline CPI above 2% in the US and across DMs broadly through 2027, while real GDP projections have remained relatively stable.
- While these pressures have driven a sharp sell-off in inflation-linked bonds, they appear more attractive today given elevated real yields and relatively subdued inflation expectations for the current geopolitical environment.
- 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.

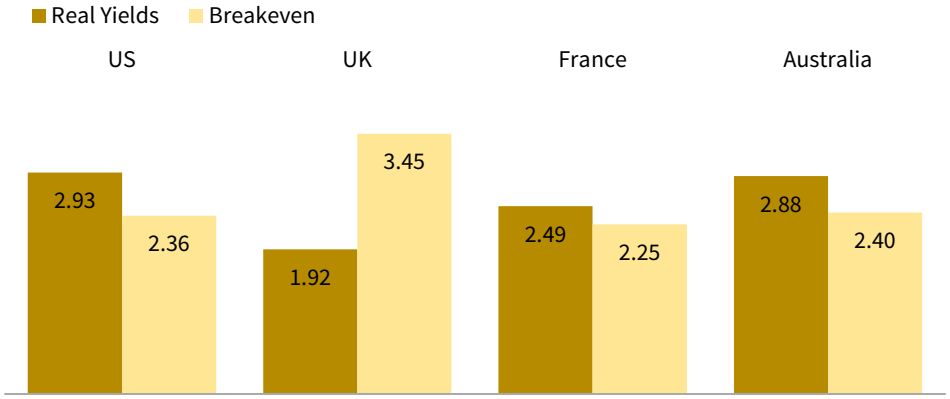
Historical index yield: BBG global linkers

Jan 31, 1997 – Sep 30, 2026 • Percent (%)



10-yr real yields and breakeven inflation

As of Sep 30, 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.

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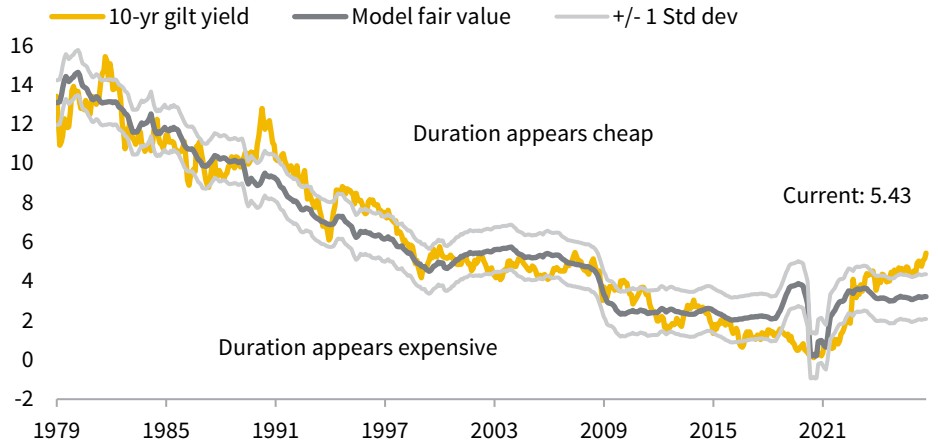
UK Gilts
Facts & Figures Third Quarter 2026

UK gilts returned -2.7% in local currency terms, as persistently high energy prices have increased expectations for further monetary policy tightening. The trailing 12-month return was -0.9% in USD terms and 0.4% in GBP terms.

- UK gilt valuations remain cheap among major markets, with ten-year yields at 5.43% as of September 30 (moving 67 bps higher on the quarter). The ten-year yield hit its highest level since 2007 in 3Q—well above the 20-year median of 2.6% and more than 1 standard deviation above the implied fair value of 3.2%, based on nominal GDP growth.
- The Iran War has increased inflation expectations for the UK given its status as a net energy importer, with consensus forecasts projecting 2026 inflation at 3.1%. With no end to hostilities in the Middle East in sight, expectations for hikes by the Bank of England (BOE) have risen, with markets now reflecting an expectation of four 25-bp hikes over the next year.
- The UK economy has proved more resilient to this year's energy price shock than previously expected. However, growth prospects for 2027 remain subdued relative to developed markets peers, with persistent labor market weakness indicating continued economic slack. Consensus forecasts project UK real GDP growth of 1.2% in both 2026 and 2027.
- The yield curve shape was little changed on the quarter, as changing expectations of BOE rate hikes in response to the Iran War was the main driver of yields across the curve—the ten-year/two-year gilt spread flattened 6 bps to 54 bps over 3Q.
- Fiscal dynamics came under greater scrutiny across developed markets in 3Q as yields reached multi-year highs. UK gilts performed well relative to some European peers, partly reflecting the government's commitment to its self-imposed fiscal rules. Nevertheless, gilt issuance will remain elevated given high public debt and debt-servicing costs.

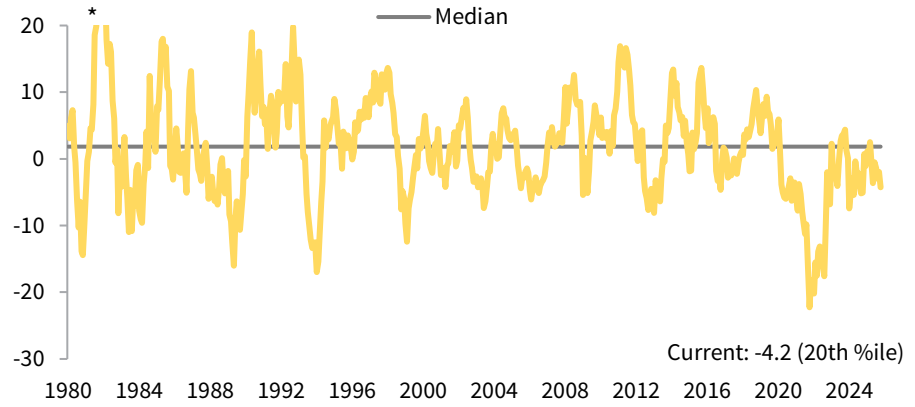
Valuations: 10-yr gilts

Jan 31, 1979 – Sep 30, 2026 • Percent (%)



12-month price momentum: 10-yr gilts

Dec 31, 1980 – Sep 30, 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 August 31, 2026.

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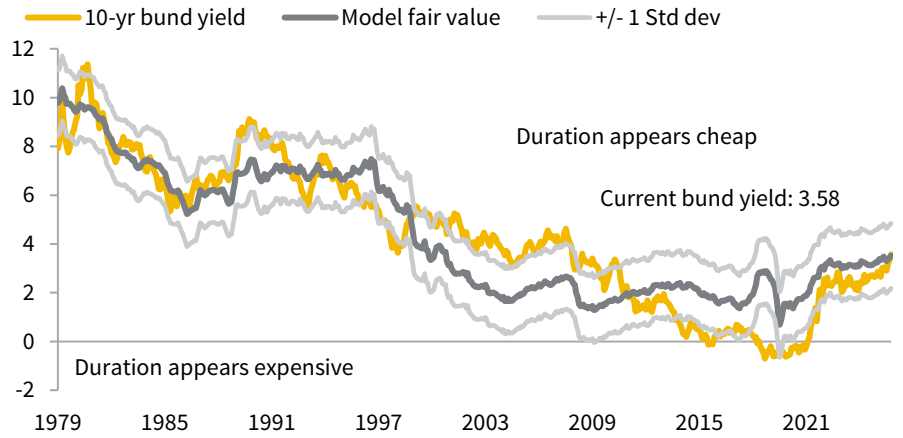
Euro Area Sovereign Bonds
Facts & Figures Third Quarter 2026

Euro area sovereign bonds (German Bunds) returned -3.2% in 3Q in local currency terms. A weaker euro dampened performance further in USD terms (-5.5% over 12 months versus -1.9% for US Treasuries). The ongoing Iran War has kept energy prices heightened, rising ECB hike expectations and bond yields.

- Valuations appear fair, with ten-year bunds yielding 3.58% as of September 30 (notably higher than 2.91% at the end of 2Q). Yields are above the 20-year median of 1.7% and in line with the implied fair value of 3.52% based on nominal GDP growth.
- The ECB increased its target policy rate in the quarter (Deposit Facility Rate rose to 2.5%) as the Iran War energy shock proved more persistent, seeking to prevent broader inflation spillovers. Consensus inflation expectations for the euro area remained heightened at 2.9% for 2026 and 2.5% for 2027, above the ECB's target. Markets now price two further ECB hikes by June 2027, taking the deposit rate to 3.0%, versus an expected 2.5% at the end of 2Q. This has been the main factor driving yields, with the curve shape largely unchanged.
- Economic growth has so far provided more resilient to the Iran War energy shock than previously expected. Consensus from forecasts suggests euro area 2026 growth is now expected at 0.9%, compared to 0.6% at the end of 2Q. Growth prospects remain subdued compared to developed markets, with most euro area nations particularly vulnerable to elevated energy price given their net importer status.
- Rising yields this quarter have increased focus on fiscal dynamics, particularly in France. The country's political gridlock has made high-budget deficits hard to reduce, with the OAT-bund yield spread moving 52 bps higher on the quarter (to 126 bps), back to levels last seen in the euro sovereign debt crisis in 2012. Euro area sovereign yield spreads have risen in other countries, albeit to a lesser extent than in France. The bund's status as a relative safe-haven asset aided the spread widening.

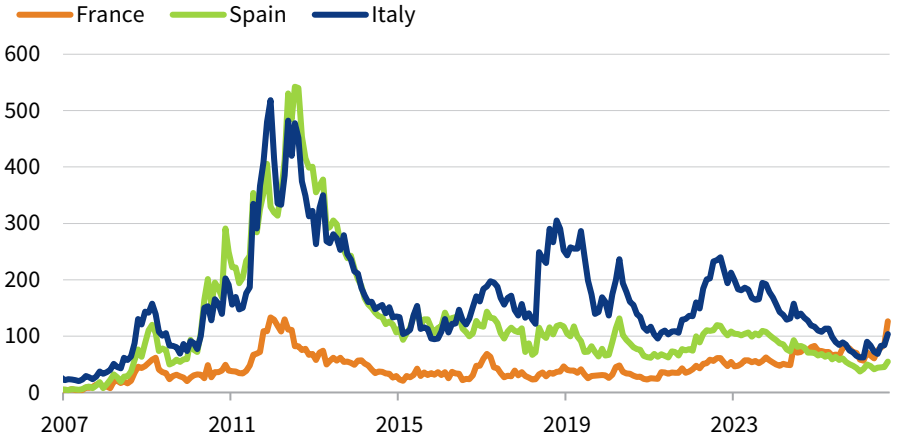
Valuations: 10-yr bunds

Dec 31, 1979 – Sep 30, 2026 • Percent (%)



Historical 10-yr spreads over bund yields

Jan 31, 2007 – Sep 30, 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.

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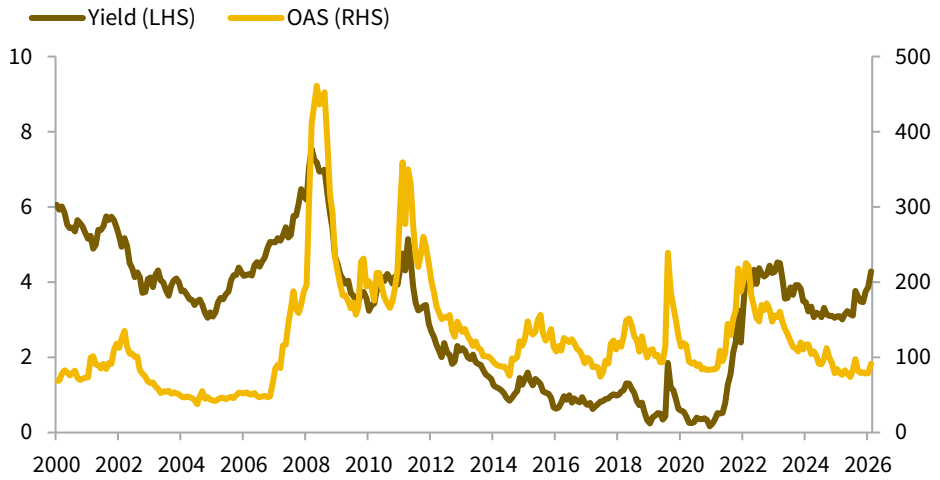
European Corporate Bonds
Facts & Figures Third Quarter 2026

The Bloomberg Euro-Aggregate Corporate Index returned -2.5% in 3Q, as benchmark yields rose on continued tensions in the Middle East. Spreads remained compressed. The index returned -0.9% over a trailing 12-month period and -4.2% in USD terms. Valuations now reflect a more persistent energy price shock and heightened monetary policy hike expectations.

- The yield on the Bloomberg Euro-Aggregate Corporate Index rose 82 bps on the quarter to 4.28%, its highest level since 2023, driven primarily by rising benchmark government bond yields. The OAS widened slightly to 91 bps from 80 bps—returning toward levels seen in the immediate reaction to the Iran War.
- The ongoing conflict in the Middle East, and the subsequent heightened energy prices, have increased inflation and reduced growth expectations for the eurozone (2.9% and 0.9%, respectively, for 2026) relative to pre-war levels.
- Sterling IG valuations have also fallen in 3Q, with the index yield 103 bps higher YTD, primarily due to higher gilt yields over 3Q (67 bps). Economic growth has been somewhat more resilient than previously expected, although weaker overall than pre-war expectations.
- Technicals remained mixed in 3Q. While gross euro IG issuance volumes was the highest 3Q on record, much of this was refinancing activity with net issuance of €174B YTD around average. The TMT sector has seen a 52% increase in issuance over the last year. Fund flows have been soft, with notable outflows in September as fixed income volatility and yields rose.
- Fundamentals are stable, with net leverage for euro IG issuers at 3.0x at the end of 2Q (toward the middle of the recent range). Earnings were strong, producing their largest YOY expansion since 2021, growing 17%, while EBITDA margins expanded to a new record 21.3%, driven in a large part by the energy sector. The euro HY default rate rose slightly to 1.9% in 3Q up from 1.4% in 1H.

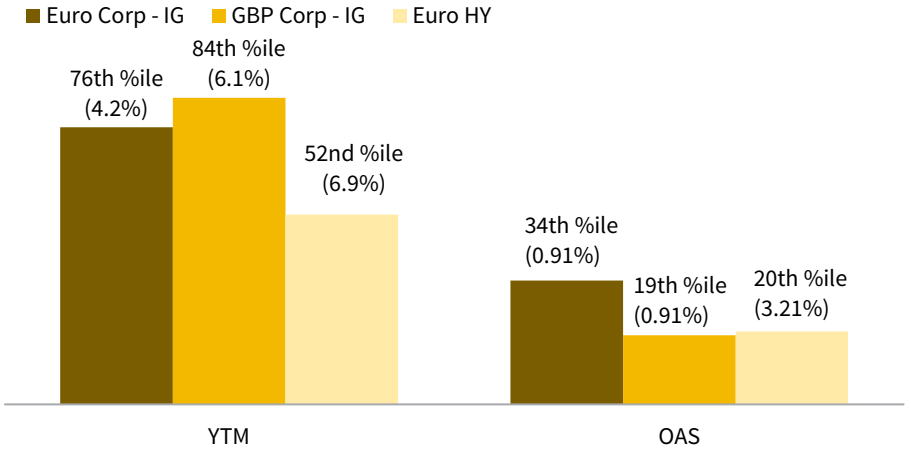
Yield and option-adjusted spread: European corporates

Aug 31, 2000 – Sep 30, 2026 • Percent (%)



Percentile Rank: European Corporates

Aug 31, 2000 – Sep 30, 2026



Source: Bloomberg Index Services Limited.

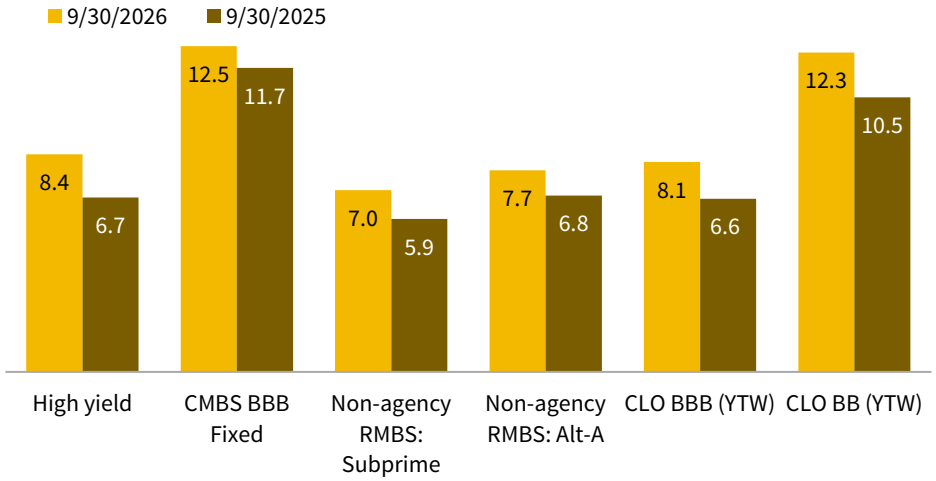
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Structured Finance
Facts & Figures Third Quarter 2026

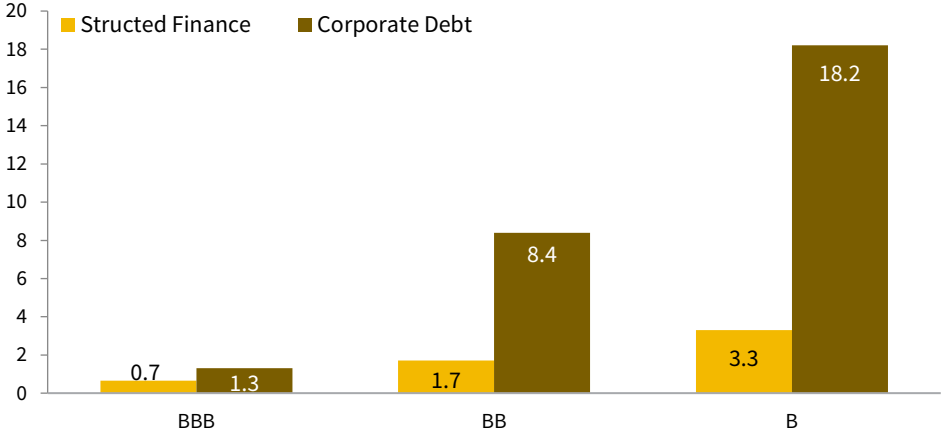
Structured credit markets posted mixed returns in 3Q. Geopolitical tensions and rate hikes weighed on some fixed-rate assets such as US real estate-backed bonds, though floating-rate assets like CLO indexes fared better.

- CLO indexes had another strong quarter in 3Q. BB-rated CLO debt returned 3.3%, lifting their YTD return to 5.1%; BBB-rated CLOs returned 2.1%. YTD high-quality CLO debt has significantly outperformed the Bloomberg Aggregate Bond Index, which is down nearly 3%.
- It was a different story in 3Q for fixed-rated bonds as the Fed hiked and yields sold off. US CMBS BBB-rated bonds returned -0.5% for the quarter and are now up just 1.2% YTD.
- The flipside of recent poor returns for fixed-rate assets is that yields look more attractive. For example, Alt-A non-agency US RMBS now yield around 7.7%, and BBB-rated CMBS yield 12.5%. Floating-rate CLO debt looks especially attractive given elevated spreads and benchmark rates, which are again rising. BB-rated CLO now yields 12.3%, around the 86th percentile of observed values.
- The economic backdrop has been supportive from a growth perspective, yet the Iran War is creating inflationary pressures and pushing rates higher, in turn weighing on real estate values. The Fed hiked by 25 bps in 3Q and is expected to hike again by the end of 2026.
- Corporate fundamentals have been improving, though there are questions about the impact of AI on sectors like software, to which a typical US CLO has around 12% exposure. Software loan prices have recovered in recent months, in turn boosting metrics like OC.
- 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.

Yield: Select structured credits
Percent (%)



US Structured Finance: Default rate
As of December 31, 2025 • 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.

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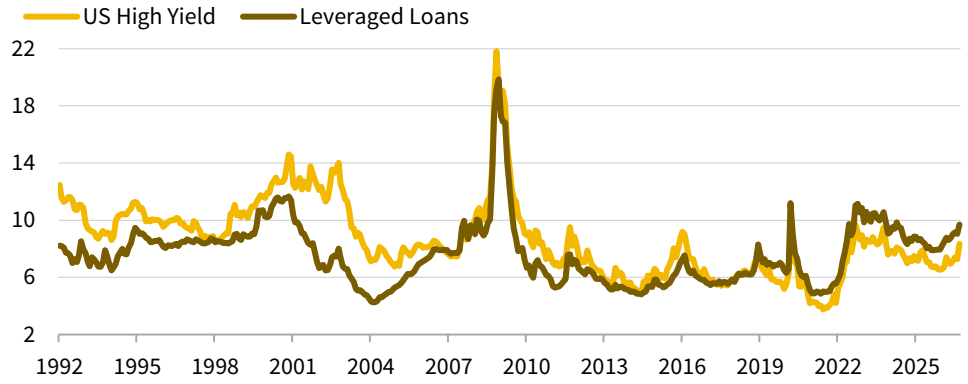
US High-Yield Bonds and Leveraged Loans
Facts & Figures Third Quarter 2026

US high-yield (HY) bonds and leveraged loans returns diverged in 3Q, as fixed-rate assets suffered from concerns that resilient growth and inflation would force central banks to embark on an extended hiking cycle. Fundamentals remain healthy, though the impact of AI on software loans remains an open question.

- The Bloomberg High-Yield Index and UBS Leveraged Loan Index returned -1.8% and 2.0%, respectively in 3Q. YTD, HY bonds have barely broken even (0.1%), trailing loans (3.4%) despite concerns for the latter over a higher allocation to the software sector.
- HY and loan spreads rose during the quarter. The HY index OAS of 311 bps still looks expensive (16th percentile) relative to its history, in part due to the higher credit quality of the index. Meanwhile, the loan index discount margin fell during the quarter but remains above its historical median at 461 bps.
- The economic backdrop for higher yielding credit had been improving as growth remains resilient. However, the Iran War presents challenges as high energy costs may translate into inflationary pressures across the economy. The Fed hiked in 3Q and is expected to do so again before the end of 2026.
- Corporate fundamentals are mostly solid. HY borrowers have seen their median interest coverage ratio grow steadily in recent quarters to 4.6x. The ratio for loan borrowers (4.1x) had been improving but will see headwinds from recent rate hikes.
- One open question for loan investors is the threat of AI to software loans. The sector sold off sharply earlier in the year but has recently regained much of those losses.
- 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.

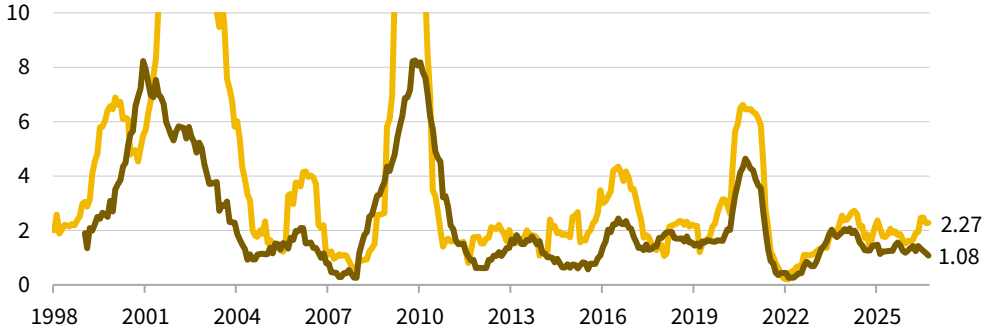
US high-yield and leveraged loan indexes: Yields

Jan 31, 1992 – Sep 30, 2026 • Percent (%)



US high-yield and leveraged loan indexes: Default rates

Jan 31, 1998 – Sep 30, 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. Yields for the S&P UBS Leveraged Loan Index are represented by 3-year swap SOFR rate 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. Leveraged loan default rate is represented by the Morningstar LSTA US Lev Loan Index. Moody's default rates have been sourced directly and indirectly. US High Yield Default Rate is as August 31, 2026.

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Insurance-Linked Securities
Facts & Figures Third Quarter 2026

ILS portfolios continued to generate positive returns in 3Q 2026, supported by a very benign North Atlantic hurricane season and steady premium income across both liquid cat bonds and private ILS transactions.

— The primary market for cat bonds remained typically very quiet during 3Q, as the formation of a major storm system significantly impacts the successful placement of a new cat bond transaction. Year-to-date, roughly $19B of new cat bonds were issued, representing a new record and bringing the outstanding market volume to close to $65B.

— The continued inflow of new capital into the cat bond market has led to a further normalization of spread levels from the exceptional environment seen after Hurricane Ian (2022).

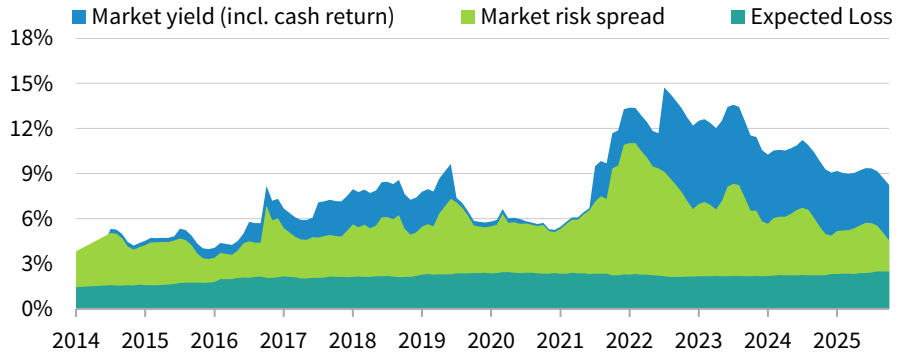
— The private ILS market (i.e., reinsurance and retrocession programs) has delivered strong returns during the peak season for US hurricanes especially in September and continues to exhibit a slightly higher-than-expected return than cat bonds.

— While reinsurance capital has strengthened significantly since 2022, demand for reinsurance cover in the form of cat bonds and private ILS transactions remains high, especially for peak zone risks such as tropical storms and earthquakes in the US, Europe, and Japan.

— Overall, return expectations for both cat bonds and private ILS transactions remain attractive for 2026 and into 2027, although manager selectivity and disciplined portfolio construction are becoming increasingly important as spreads and premiums move closer to long-term average levels.

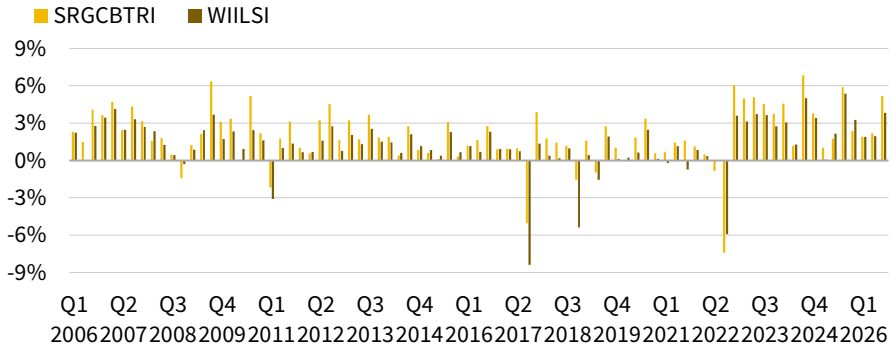
Development of the risk premium and expected loss from Cat bonds

December 31, 2014 – September 30, 2026



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

First quarter 2016 – Third 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.

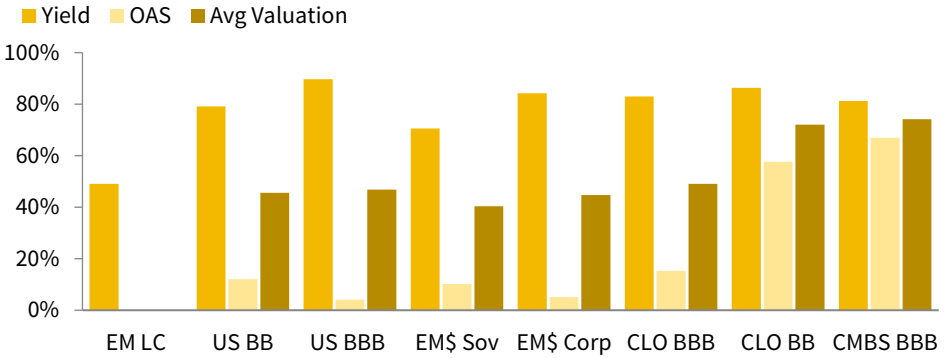
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Emerging Markets Debt
Facts & Figures Third Quarter 2026

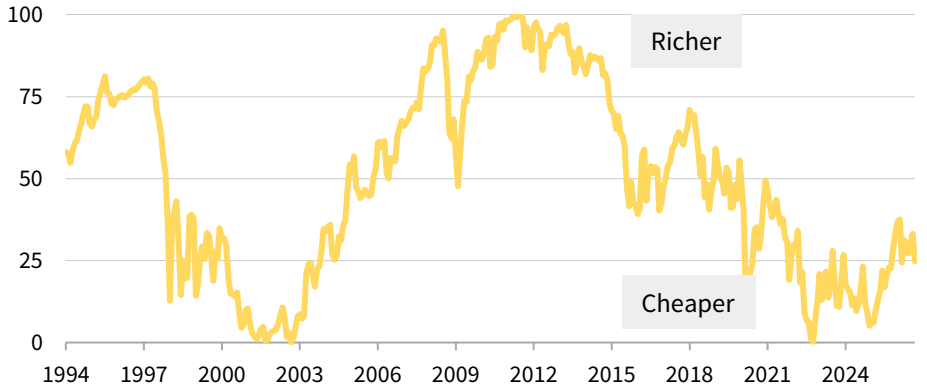
EM debt markets softened in 3Q, with the JPM EM-GBI Global Diversified (LC sovereign), JPM EMBI Global Diversified (USD sovereign), and CEMBI Broad Diversified (USD corporate) indexes returning -0.9%, -3.9%, and -1.8%, respectively, in 3Q.

- 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 early 2026 but was interrupted by the Iran War. Geopolitical concerns resurfaced in 3Q, adding to volatility in bond markets, which lifted both yields and spreads—though corporate spreads tightened.
- Yields ended 3Q at 6.5% for LC sovereign debt, 7.1% for USD sovereign debt, and 7.0% for USD corporate debt, with spreads between 180 bps to 250 bps for USD-denominated debt.
- EM debt valuations are mixed. EM USD debt yields are elevated versus history, but spreads remain tight, mirroring trends across broader credit markets. Despite the recent rise in EM LC debt yield, yields remain below their long-term median, and the spread to global sovereigns set another all-time low of 238 bps.
- The economic backdrop has favored EM over the past year, but the outlook remains mixed, with higher inflation and policy uncertainty potentially limiting how much some central banks can lower rates. Still, EM FX valuations remain cheap versus the USD (bottom quartile) and have room to rise if the USD weakens and global sentiment improves.
- 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 – Sep 30, 2026



FI-weighted EM real exchange rate vs US: Percentile
Jan 31, 1994 – Sep 30, 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).

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Private Equity/Venture Capital

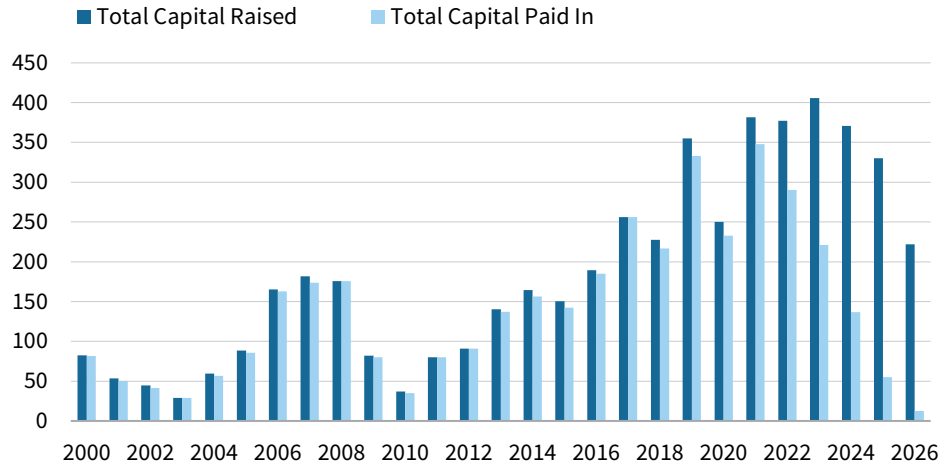
US Private Equity
Facts & Figures Third Quarter 2026

US PE funds have returned 7.5% and 7.2% over the past three- and five-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. Meanwhile, exit activity has been steady throughout 2026 but is on track for a large YOY decline, further adding to swollen PE firm inventories.

- Fundraising activity has slowed dramatically for US PE funds in recent years as investors have reduced commitments while awaiting greater distributions. LPs allocated $222B to new funds during the first nine months of 2026, well off the pace of recent years. Fundraising has also become more concentrated, with around 350 funds raised YTD compared to around 2x this amount for FY 2025.
- Deal activity has been steady despite geopolitics, higher rates, and AI-related uncertainty. After $1.1T of US buyout and growth equity deals in 2025, activity totaled a similar pace—$730B YTD through 3Q. Activity has become less concentrated, with almost 60% of YTD deals under $1B compared to around 50% in 2025.
- According to PitchBook, EBITDA purchase price multiples for US buyout transactions have ticked down to 10.7x YTD, close to their ten-year average of 11x. Meanwhile, software deal value totaled just $59B YTD after exceeding $200B in 2025.
- Exit activity has been steady in 2026 but is on track for a large YOY decline. Exits by US PE firms have totaled around $400B YTD through 3Q compared to $725B for full-year 2025.
- Reduced activity means PE inventories remain bloated. As of 3Q 2026, PitchBook reports PE firms are sitting on a record 13,600 unsold companies.

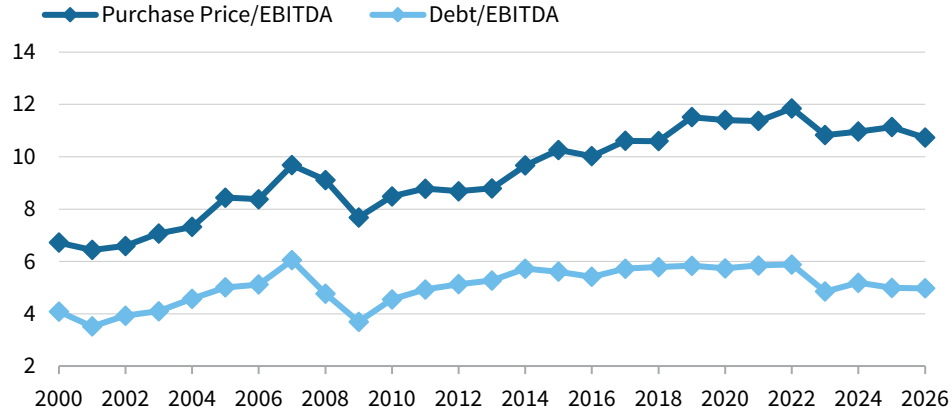
Fundraising and paid-in capital: US PE

Vintage Years 2000–26 (Sep 30) • US$B



Average purchase price and debt multiples: US PE

2000–26 (Sep 30)



Sources: Cambridge Associates LLC and PitchBook Data Inc.
Note: Historical fundraising and paid-in capital data revise. Paid-in capital data are through March 31, 2026.

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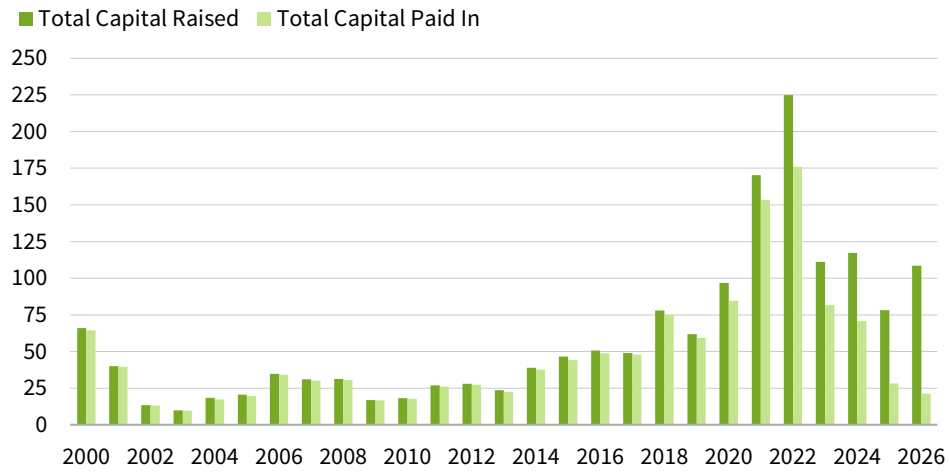
US Venture Capital
Facts & Figures Third Quarter 2026

US venture capital (VC) has generated pooled net internal rate of returns of 8.3% and 17.6%, respectively, over the past five and ten years as of 2Q. Strong recent performance follows a period when a significant spike in fundraising and valuations weighed on returns. Recent gains and activity reflect the prominence of AI, which has accounted for a large portion of incremental exposures.

- Fundraising activity has picked up after slowing in 2025 despite reduced capital distributions from existing commitments. US VC funds have raised $108B YTD through 3Q, already surpassing the full-year 2025 figure but below the pace set during the peak years of 2021 and 2022. The current fundraising environment has disproportionately benefited established managers rather than new managers.
- Deal activity is picking up. North American volumes have reached a record $515B through the end of 3Q. Over 80% of this deal value focused on AI and machine learning Deal sizes are also getting larger, driven by AI-related investment. The median Series D or later deal size was $150M YTD through 3Q, up 50% since 2025.
- Median pre-money valuations are rising across all stages, but the increases have been most pronounced for late-stage deals. The median pre-money valuation for series D+ deals reached $1.8B YTD through 3Q, more than 2x the level seen in 2025. Valuations for AI-related deals have generally exceeded those of non-AI deals.
- Exit activity is improving across all regions. US exits have soared YOY and reached a new record, boosted by the SpaceX IPO. However, even excluding public listings, exits through sales YTD are already over 2x last year's levels. The flipside is that IPO exits have been concentrated, with average IPO exit value increasing to one of the highest levels in the past decade.

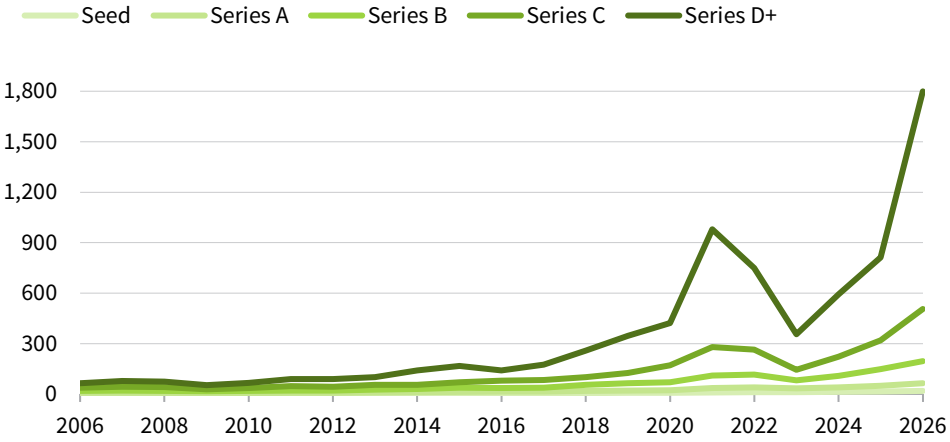
Fundraising and paid-in capital: US VC

Vintage Years 2000–26 (Sep 30) • US$B



Median pre-money valuations by series: US VC

2006–26 (Sep 30) • US$M



Sources: Cambridge Associates LLC and PitchBook Data Inc.
Note: Historical data revise. Paid-in capital data are through March 31, 2026.

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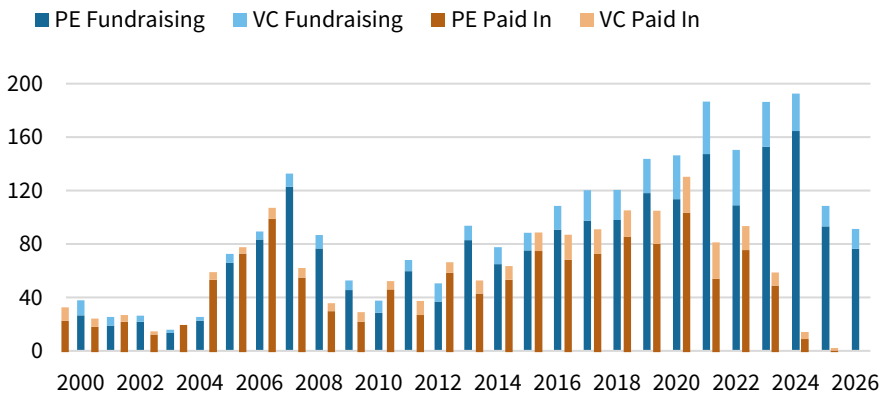
European Private Equity and Venture Capital
Facts & Figures Third Quarter 2026

European PE and VC returned 2.7% and 12.4%, respectively, in USD terms over the four quarters ended 2Q 2026. US dollar strength weighed on these returns; in euro terms, PE and VC returned 5.4% and 15.4%, respectively. Performance of both asset classes have trailed public markets in recent years; however, private investments have outperformed over longer horizons. While fundraising has slowed, PE and VC deal value has risen, with purchase multiples ticking higher.

- Fundraising activity has slowed, due in part to muted LP distributions from existing commitments. So far in 2026, Europe-based PE funds have raised $76B, putting fundraising on track to match 2025—one of the weakest years of the past decade. VC fundraising activity has been slightly firmer, with $15B raised so far in 2026, on course to be somewhat greater than 2025's weak outturn. Europe-based fundraising accounted for 21% and 10% of global PE and VC fundraising, respectively, through 3Q.
- After bottoming in 2023, PE deal activity trended up during 2024 and 2025, aided by lower rates and reduced policy uncertainty. A record high number of deals were completed in 2025, while deal value was just shy of 2022's record of €654B. 2026 is tracking to top last year's deal count albeit at a slightly lower value, while the reverse is true for VC.
- PitchBook data shows price multiples for transactions larger than €500M increased to 11.5x EBITDA in 2026, back to levels just below the record levels of 2020. Leverage multiples inched higher to 5.3x. VC valuations have also risen, particularly within later-stage companies.
- Exit activity has slowed in 2026, in terms of the number of exits, from its 2H 2025 high, though total exit value is tracking a similar path, indicating activity has been concentrated amongst large caps. Exits of greater than €2.5B in size grew to account for nearly half total exit value so far in 2026, nearly twice last year's share and the highest share of the last decade. The share of secondary acquisitions in exits by value has slowed in 2026, with a small uptick in public listings also seen.

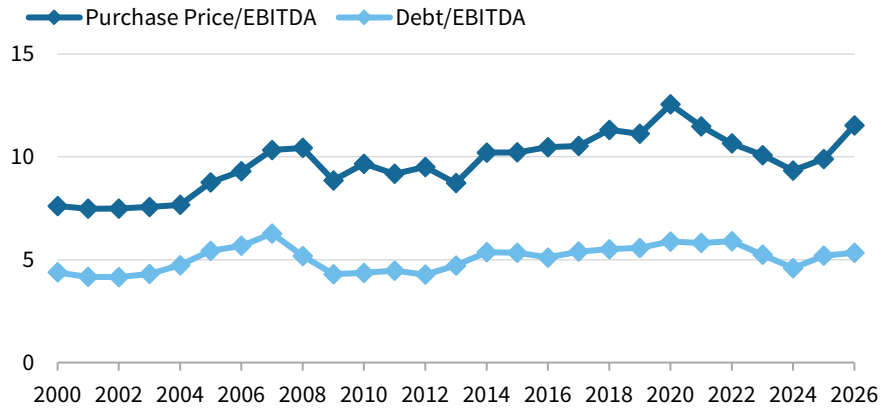
Fundraising and paid-in capital: European PE and VC

Vintage Years 2000–26 (Sep 30) • US$ (Billions)



Average purchase price and debt multiples: European PE

2000–26 (Sep 30)



Sources: Cambridge Associates LLC and PitchBook Data Inc.

Note: Historical fundraising and paid-in capital data revise. Paid-in capital data are through June 30, 2026.

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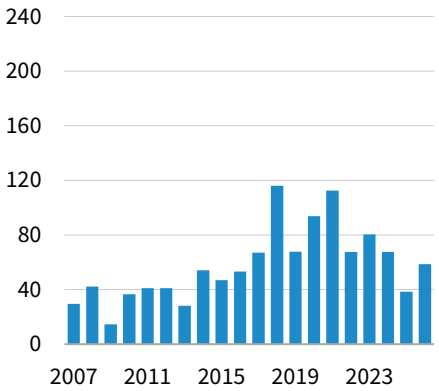
Asia Private Equity and Venture Capital
Facts & Figures Third Quarter 2026

Asian PE/VC returns have improved but continue to trail public markets. Exits picked up in 2025 and remain robust in 2026, which should help fund distributions. Fundraising remains depressed relative to the past for VC, but recovering for PE. Managers see increased opportunity in Japan and India, while appetite for investments in China and Southeast Asia remains tepid.

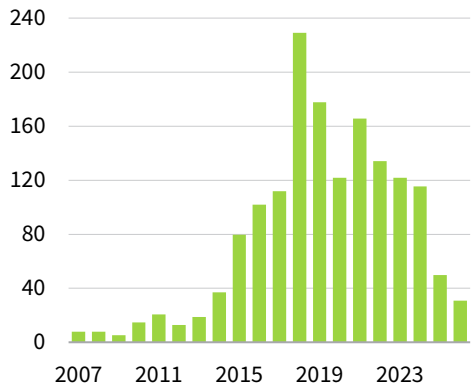
- Returns have begun to recover for Asia PE, particularly for Japan, aided by the corporate governance theme and increased M&A activity. While India PE has also performed better of late, the same cannot be said for China PE, given headwinds from a slowing economy and geopolitical tensions. Asia VC returns also remain muted, both in China and India.
- 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. Japan and India have increased their shares of overall investment over the past five years.
- Asia PE deal activity remains robust despite uncertainty due to the Iran War, with trailing four-quarter deal activity at $211B compared to $182B last year. Similarly, fundraising has jumped in 2026, reaching $59B as of 3Q, exceeding the $38B raised in 2025.
- Asia VC deal activity has also picked up, reaching $141B over the past four quarters, the highest level since 2023. However, fundraising remains muted at only $31B so far in 2026, compared to $50B for 2025, which itself was the lowest level in the past ten years, given the geopolitical headwinds facing investing in China.
- Exit activity continues to improve. While exits have slowed a bit so far in 2026, trailing four-quarter exits for both PE ($379B) and VC ($242B) continue to rise and are at levels not seen since 2022, but still below 2021 peak levels. Robust IPO activity in Hong Kong and India should support exits and distributions for Asia PE/VC funds.

Asia Private Equity & Venture Capital fundraising

PE • 2007 – Q3 2026 • Annual • US$B

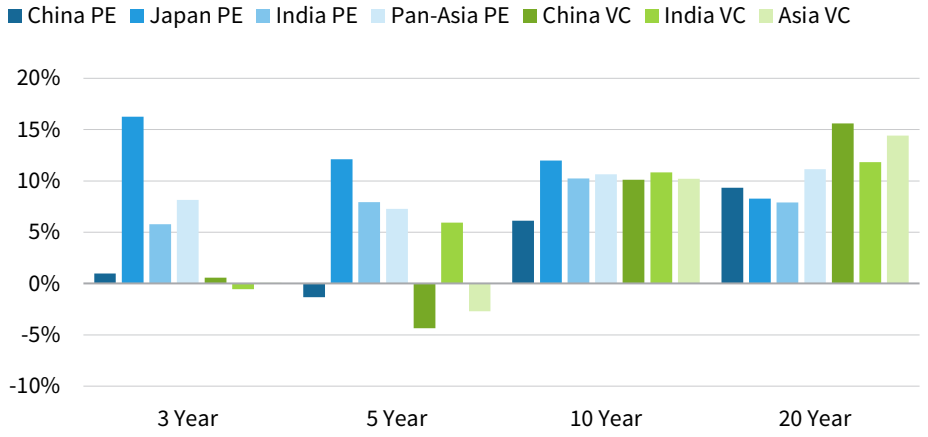


VC • 2007 – Q3 2026 • Annual • US$B



Asia Private Equity & Venture Capital performance by region

As of Q1 2026 • Net pooled IRRs over 3-, 5-, 10-, and 20-year horizons (%) • US$



Sources: Cambridge Associates LLC and PitchBook Data Inc.

Notes: Top charts includes annual figures except 2026 YTD. Top left chart includes Asia and Oceania VC fundraising, while the top right chart includes Asia VC fundraising. Bottom chart "Asia VC" includes China, India, Southeast Asia, and Pan-Asia funds.

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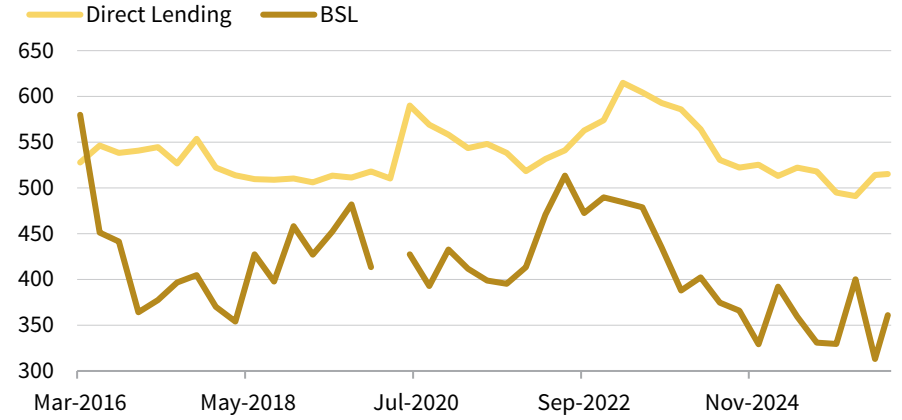
Private Credit
Facts & Figures Third Quarter 2026

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 2Q 2026, the Cambridge Associates Private Credit Index had generated an 8.1% annualized IRR over the past five years, roughly 340 bps above the mPME.
- High dispersion across returns in private credit means careful manager selection is essential. The top quartile of managers in the Cambridge Associates Credit Opportunities Index posted a 12.9% pooled five-year return, 450 bps above the overall pooled return. Even in senior debt, dispersion is nearly as high, with roughly a 250-bp annualized differential over five years between top-quartile and pooled returns.
- 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. Selecting managers with both skilled underwriting teams but also strong origination capabilities is important. Recent deal flow in direct lending has declined significantly (e.g., -40% in 2Q YOY) as questions persist around how AI will impact software companies.
- Most companies show healthy operating fundamentals and default forecasts for private loans are limited (e.g., KBRA expects 2.5% in 2026). This said, rising stress in the form of loans paying PIK, loan extensions, and valuations underscore 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.

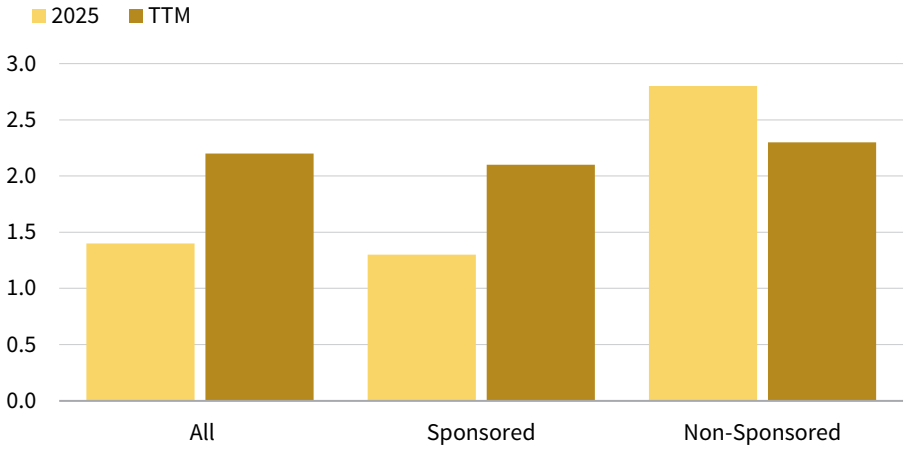
US direct lending and leveraged loan spreads

March 31, 2016 – August 31, 2026 • Basis points



Private credit default rates

As of August 31, 2026 • Percent (%)



Sources: ICE BofA Merill 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.

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Real Assets

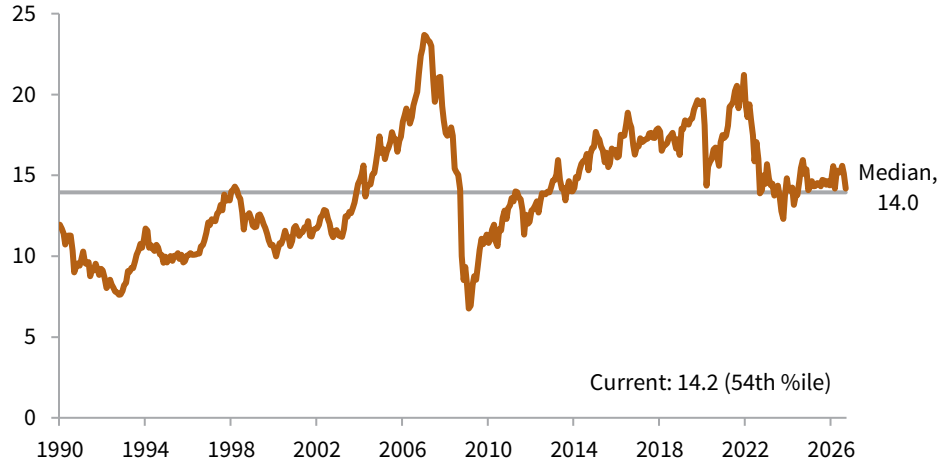
Global Property Securities
Facts & Figures Third Quarter 2026

DM property securities returned -5.8% in USD in 3Q, cutting their TTM return to 4.9%. Performance was impacted by persistent inflationary pressures, which forced developed central banks to start a tightening cycle. US REITs have outperformed global peers over the past 12 months, given less exposure to office and higher weightings to perceived AI beneficiaries like data centers.

- Valuations range from fair to very overvalued, subject to the metric used. DM property securities trade at 14.0x normalized funds from operations, close to their historical median. However, property security yields are currently 60 bps less than those on government bonds, close to a historical low and over 200 bps below the long-term median of 1.6%. Inflationary concerns and rate hikes in some countries have pushed sovereign yields higher and put pressure on this differential.
- Income growth for property securities has been weak over the past couple years, weighing on performance. Rising debt costs have been a headwind, as has increased supply in certain categories like apartments, which put downward pressure on rents.
- Global economic growth in 2026 has been resilient, but elevated inflationary pressures are forcing central banks to become more hawkish. Several central banks hiked in 3Q and are expected to do so again in 4Q. Higher rates reduce the attractiveness of property dividends, but investors may be hoping they provide inflation protection.
- 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.

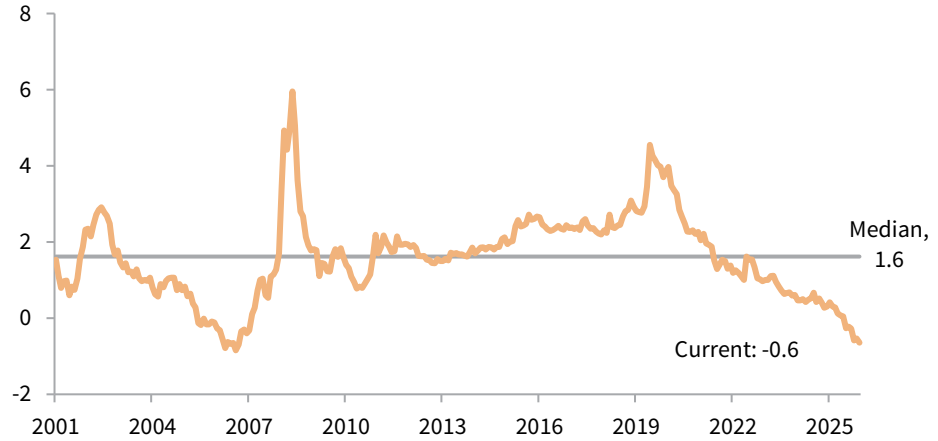
Normalized price-to-funds from operations multiple

Jan 31, 1990 – Sep 30, 2026



Spread between DY and global govt bonds

Oct 31, 2001 – Sep 30, 2026



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

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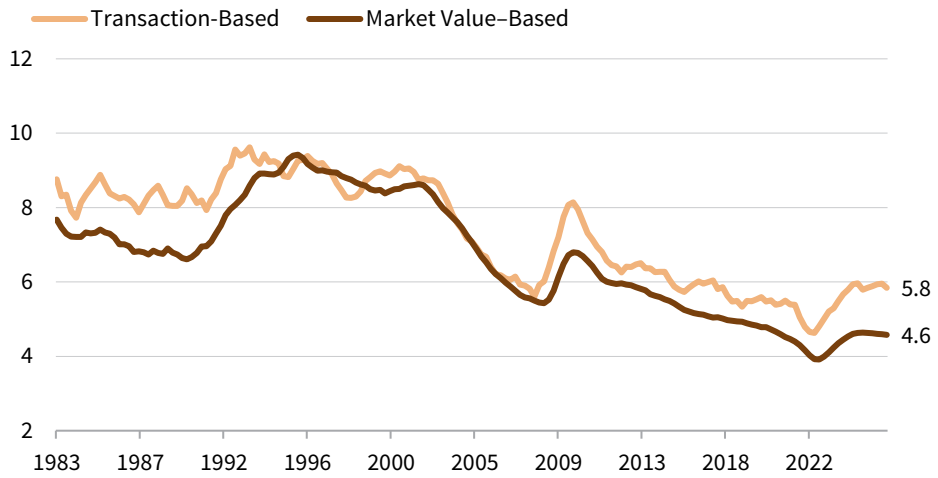
US Private Property
Facts & Figures Third Quarter 2026

US property returned 1.3% in 2Q and 5.0% over the last 12 months, according to NCREIF Property Index data. Returns have been weighed down by tighter financial conditions and supply/demand dynamics across asset types; the index has returned just 1.2% annualized over the trailing three-year period. Reflecting underlying income growth, return dispersion across sectors is significant. Over the past three years, retail has returned 4.8% annualized, while office returned -3.7%.

- 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 5.8%).
- Commercial real estate transaction volumes have recovered as economic growth remains resilient, but Fed tightening and higher rates could present headwinds. In 2Q, US volumes rose 7% QOQ led by strong growth in office and retail, but YOY volumes are basically flat.
- NOI growth has decelerated in recent years amid weak underlying fundamentals. Four-quarter rolling NOI grew 2.2% through the end of 2Q, well below the ten-year median of 3.8%. Sector dispersion is notable, with industrials posting reasonable NOI growth (2.6%) but office continuing to lag (-4.9%).
- 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 in central business districts is at an all-time low (0.2% of existing stock), down more than 60% from a year ago.

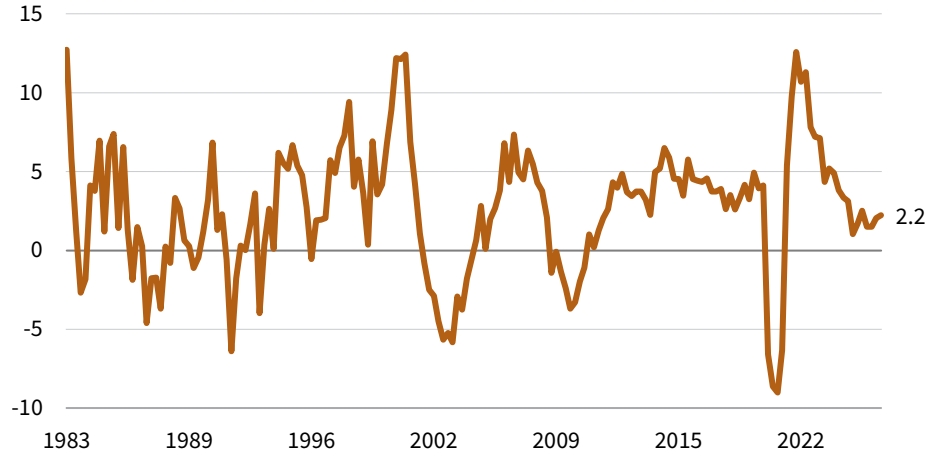
All property cap rates

Second quarter 1983 – Second quarter 2026 • Percent (%)



Four-quarter rolling NOI growth

First quarter 1983 – Second quarter 2026 • Percent (%)



Source: National Council of Real Estate Investment Fiduciaries.

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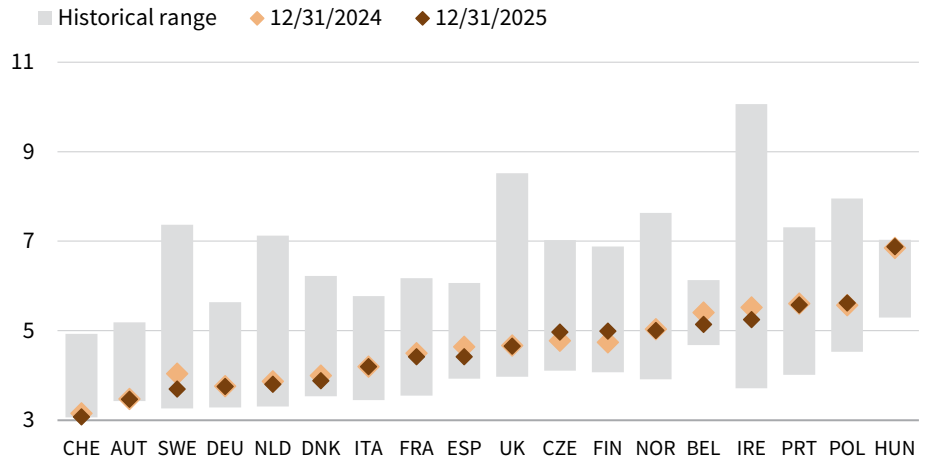
European Private Property
Facts & Figures Third Quarter 2026

UK private property returned 0.5% in 2Q and 3.8% over the trailing four quarters ending June 2026, 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 3.6% annualized on a trailing three-year basis. Europe ex UK follows a similar trend, with office continuing to lag considerably while retail outperformed (2.9% and 6.9%, respectively, over the trailing four quarters as of 2Q).

- 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.
- Higher government bond yields are narrowing spreads and putting upward pressure on property yields, weighing on capital values. Energy-related inflation also raises operating and construction costs, while higher financing costs constrain new development. Property can provide inflation protection where rental growth keeps pace with rising costs, although this depends on lease terms and tenant affordability.
- Economic growth forecasts remain subdued in the UK and eurozone, with 2026 consensus forecasts at 1.2% and 0.9%, respectively, below the DM average of 1.7%. Modest growth is expected to constrain occupier demand and rental growth. Offices continue to face structural headwinds from remote working, although demand for well-located, high-quality space remains more resilient.
- European real estate investment reached €59.1B in 2Q 2026, up 10% year-over-year but 8% below the ten-year 2Q average. France and Spain led growth among major markets, while offices attracted €11.5B in 2Q and €22.6B in 1H 2026, the latter up 13% year-over-year.

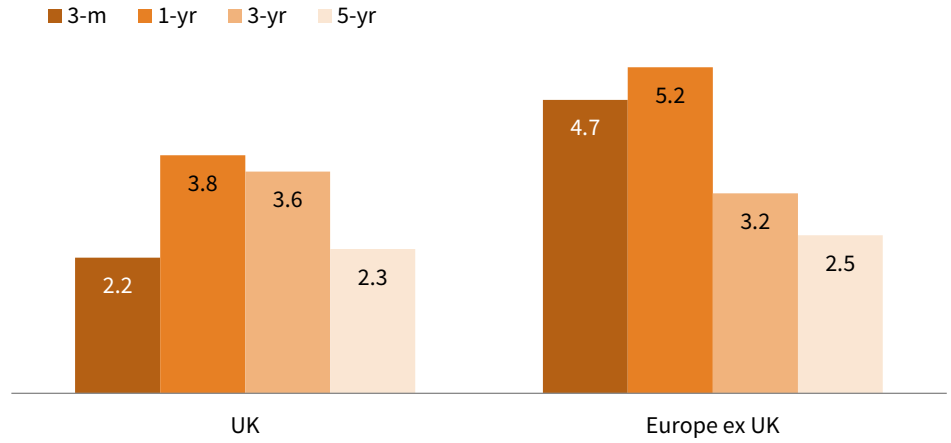
European property net operating income yields

As of Dec 31, 2025 • Percent (%)



Annualized index performance

As of Jun 30, 2026 • 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.

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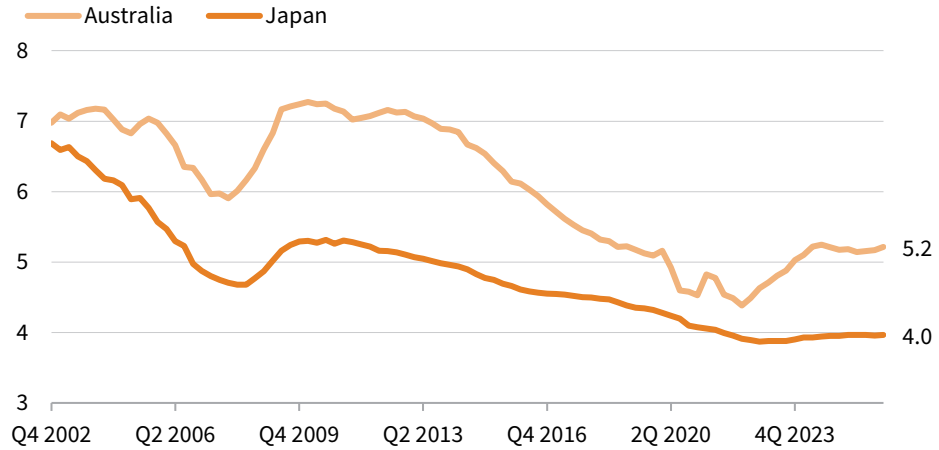
Asian Private Property
Facts & Figures Third Quarter 2026

Asian private property returned 2.1% for 2Q and 8.3% on a trailing four-quarter basis in USD terms, 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 2.8% annualized. Sector performance over this period was mixed: office returned -0.1%, while retail and industrials both returned 5.4% annualized.

- Property yields in many markets have decreased since the GFC and remain low relative to history. Yields have been drifting higher as central banks resume tightening given rising oil prices and inflation in the aftermath of the Iran War. Within two top markets, yields in Australia have risen to 5.2%, while property yields in Japan have remained at 4.0%, given a slower pace of policy normalization by the Bank of Japan.
- 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 4.3% in 2026 and 4.0% in 2027. 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 fell in 2Q by 9% but remains up 32% over the past four quarters and remains at levels not seen since 2021. Yet, investment is likely to cool in the quarters ahead given the sharp rise in yields in the second half of 2026.

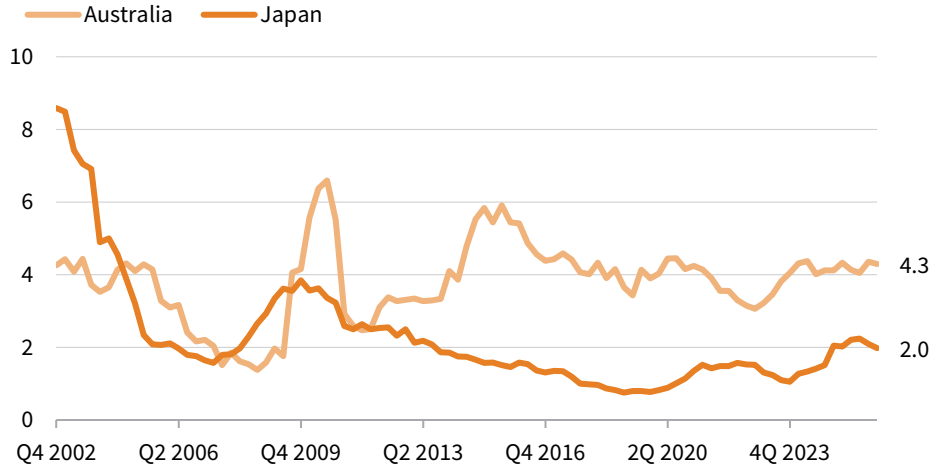
Property yields

Fourth quarter 2002 – Second quarter 2026 • Percent (%)



Vacancy rates

Fourth quarter 2002 – Second quarter 2026 • Percent (%)



Source: MSCI Real Estate. MSCI data provided "as is" without any express or implied warranties.
Note: Japan second quarter 2026 data are as of May 2026.

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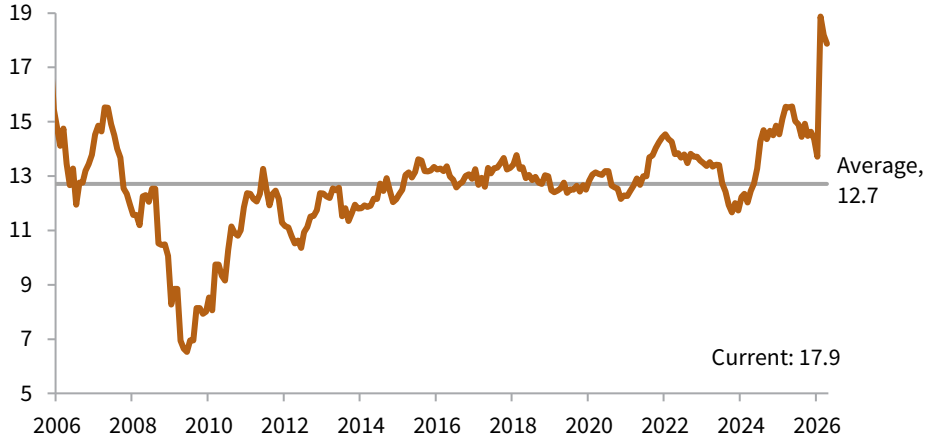
Private Infrastructure
Facts & Figures Third Quarter 2026

Private infrastructure returned 1.2% over 1Q and 8.9% over the trailing four quarters ended March 2026, according to the Cambridge Associates Infrastructure Index. On a trailing three-year basis, the index returned 8.2% 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 17.9 times EBITDA over the prior 12-month period, driven by one unusually high multiple. Excluding that transaction, the average was 11.7 times.
- Private markets have underperformed public markets in recent years, including in infrastructure; over the trailing three years, the Cambridge Associates Infrastructure Index generated -8.6% of value add versus a comparable public-market investment adjusted for the timing of private-market cash flows.
- AI-related data center development and rising electricity demand remain key infrastructure investment themes, creating opportunities across generation, transmission, and storage. The energy transition continues to support long-term investment, underpinned by competitive renewable generation costs and the need to expand and modernize electricity networks.
- Global infrastructure transaction values were broadly unchanged YOY, with power & transmission, utilities, and transport the most active sectors by deal value.
- Global capital commitments to infrastructure funds reached a record $254B in 2025, more than double the 2024 total. Commitments totaled $94B YTD.
- Private infrastructure investments are touted as providing cyclical diversification benefits, inflation protection, and an alternative AI-related exposure compared to stretched public market valuation.

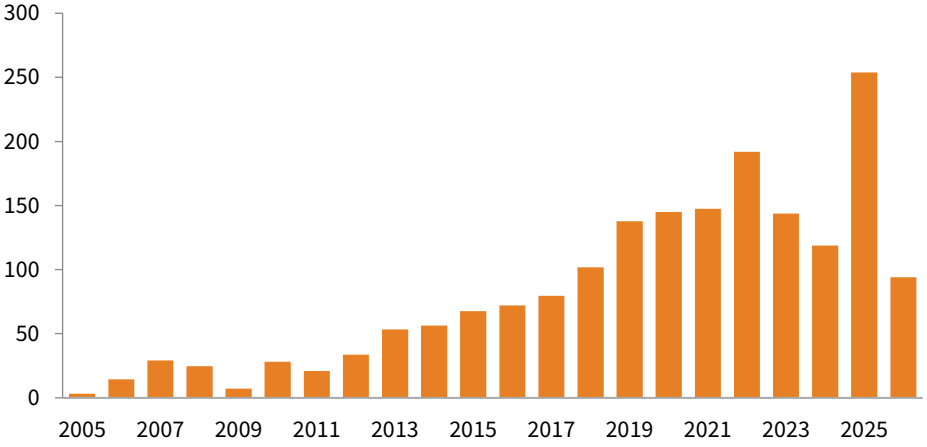
Prices of transactions (EV/EBITDA)

Jun 30, 2006 – Sep 30, 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 October 5, 2026.

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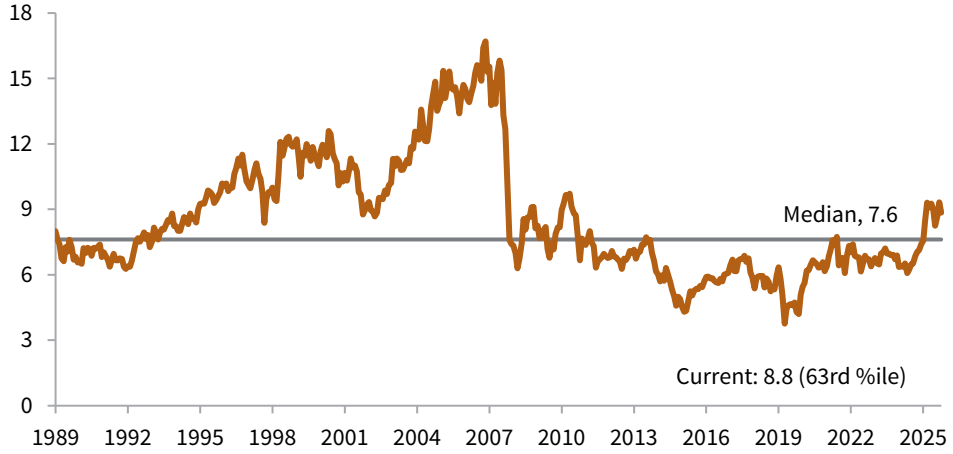
Natural Resources Equities
Facts & Figures Third Quarter 2026

Natural resources equities gained 13.1% in 3Q (USD terms), bringing YTD returns to 30.6%, according to the MSCI World Natural Resources Index. Energy equities led the advance as attacks near the Strait of Hormuz and Houthi strikes on Saudi oil facilities disrupted supply, pushing Brent crude prices up more than 40% during the quarter. Metals & mining equities also posted solid gains, led by precious metals miners and, to a lesser extent, copper miners.

- Natural resources firms trade at 8.8 times cyclically adjusted price-to–cash earnings, which ranks in the 63rd percentile of month-end observations dating back to 1990. Valuations rose during the quarter as renewed disruptions to Middle Eastern commodity flows pushed prices higher.
- Global real GDP growth expectations for 2026 have edged up from 2.9% to 3.0% since the start of the year. Increased demand from the AI buildout has been supportive for growth and commodity prices. Supply-chain disruptions in the Middle East have provided an additional tailwind for natural resources equities' strong performance in 2026.
- 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 – Sep 30, 2026



Capital expenditures

Jan 31, 2000 – Sep 30, 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.

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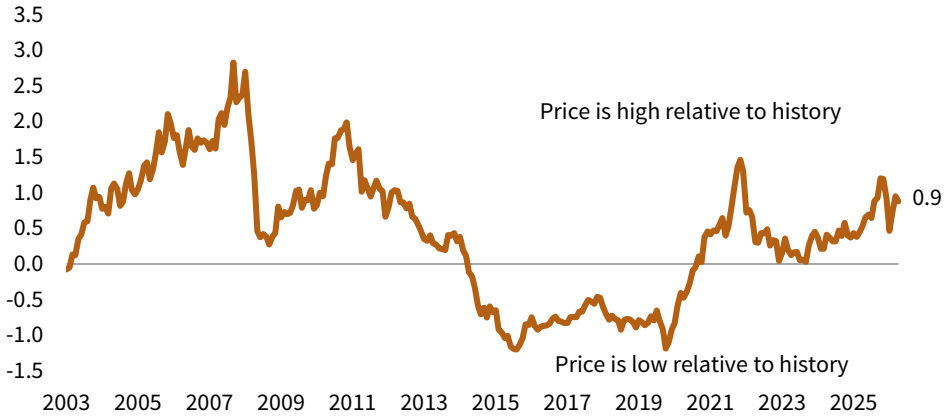
Commodity Futures
Facts & Figures Third Quarter 2026

The Bloomberg Commodity Index gained 16.2% on a total return basis in 3Q, as a resurgence of geopolitical tensions amplified concerns over supply disruptions. On a TTM basis, the index is up 40.6%. Energy (74.7%) has driven most of that gain.

- In 3Q, commodity spot prices increased to 0.9 standard deviations above their ten-year inflation-adjusted mean, based on the index's constituents and weights. The elevated index price has been driven mainly by the sharp increase in energy prices. The energy subsector traded 32% above its historical real average price on September 30, but still well below its previous 2022 highs.
- Supply disruptions from the Iran War were the key driver of higher oil prices during the quarter. A partial agreement between the US and Iran in June briefly eased supply fears and kept prices contained in July, but renewed hostilities, as well as Houthi attacks on Saudi oil infrastructure, pushed prices sharpy higher again through August and September.
- 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.

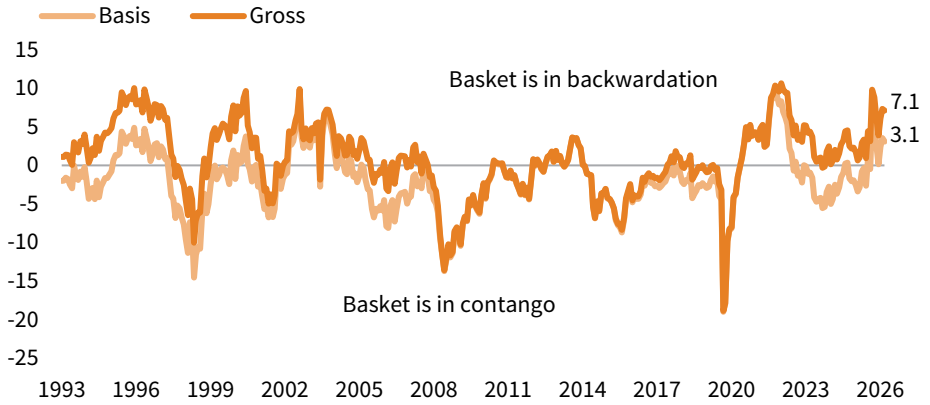
Commodity futures basket price deviation

Jun 30, 2003 – Sep 30, 2026 • Z-score



Commodity futures basket indicative roll yield

Jul 31, 1993 – Sep 30, 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.

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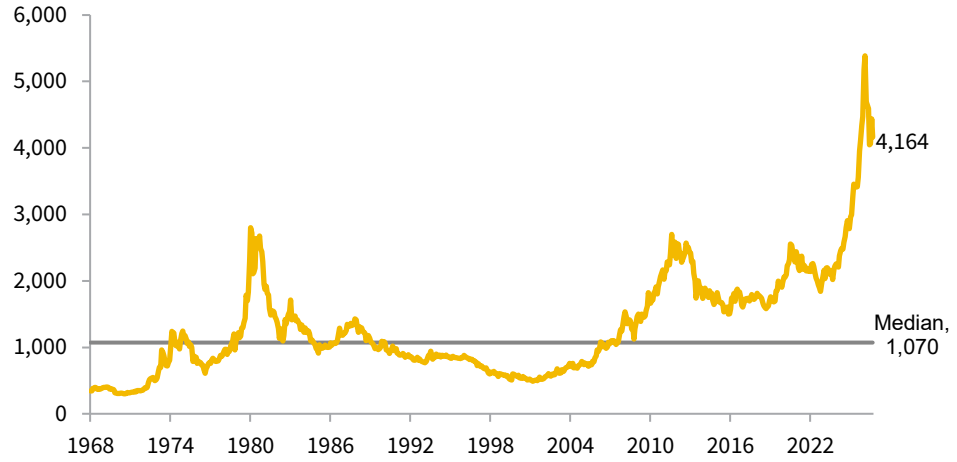
Gold
Facts & Figures Third Quarter 2026

Gold rose 3.2% in 3Q, but the modest gain masked a volatile quarter. Prices initially surged 16% through late August, before retreating amid rising yields and inflation expectations. Still, over the past 12 months, gold has gained 8.6%.

- Gold reached a third-quarter high of nearly $4,700 per troy ounce in late August, supported by strong ETF inflows and a weaker dollar. However, yield dynamics subsequently turned less favorable as higher oil prices linked to the Iran War intensified inflation concerns, helping push Treasury yields higher and shifting expectations toward tighter monetary policy. Gold declined 10% from its late-August peak through quarter-end, with the Federal Reserve raising rates by 25 basis points in September—its first hike since July 2023. Higher yields increased the opportunity cost of holding non-interest-bearing gold.
- Investment demand for gold held up well in 3Q 2026, with record ETF inflows and broad-based buying across Europe, North America, and Asia. Demand remained resilient even as prices fell in September, an unusual outcome that highlighted a divergence between strong ETF inflows and sharp COMEX futures liquidation, which likely weighed on prices.
- Gold's low expected long-term real return limits its appeal for institutions with real spending objectives. Although it can offer protection during adverse market conditions, its diversification benefits do not eliminate the risks of a substantial allocation.
- 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.

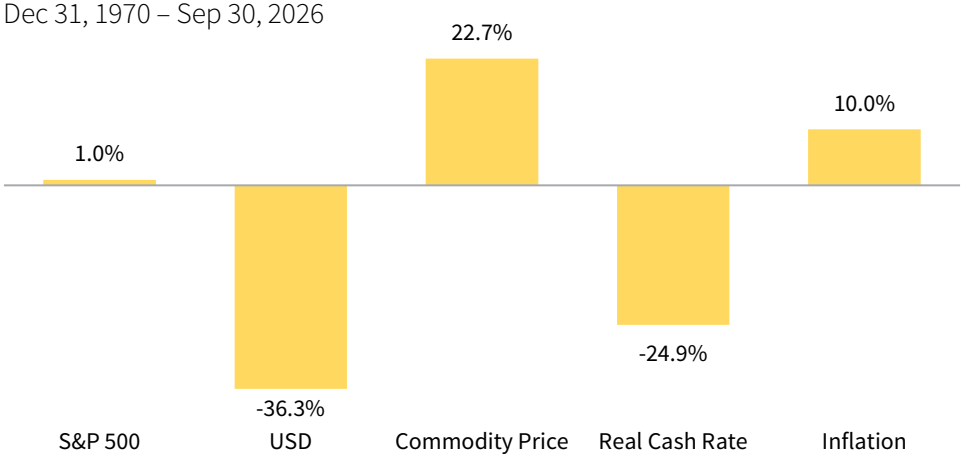
Gold bullion real price

Jan 31, 1968 – Sep 30, 2026 • US Dollars per Troy Oz



Long-term correlation vs gold prices

Dec 31, 1970 – Sep 30, 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 August 31, 2026.

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Currencies

USD vs Developed Markets Currencies

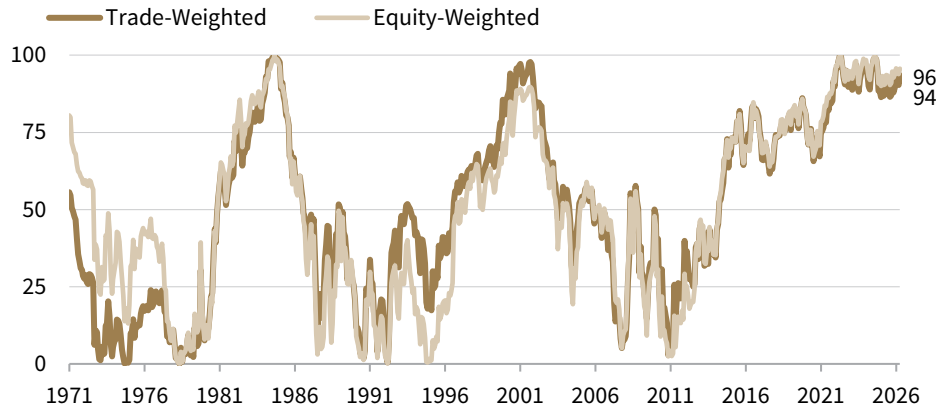
Facts & Figures Third Quarter 2026

The US dollar rose 0.2% in trade-weighted terms in 3Q 2026 bringing its trailing one-year performance to 3.0%. An escalation in the Iran War has delivered some support for the dollar via an increase in energy prices. Meanwhile, widening interest rate differentials have also helped lift the dollar above its prior range. Bigger picture the dollar's still-elevated valuation points to a weaker currency over time, aided by subsiding support from growth differentials and capital flows.

- The US dollar remains richly valued, with its real effective exchange rate at the 96th and 94th 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.
- The dollar peaked for this cycle in late 2022 and reapproached those levels in early 2025 as markets expected proposed US tariff, tax, and immigration policies to support US growth and inflation. Subsequently, however, the dollar began a decline as policy uncertainty and tariffs weighed on the US outlook, seeing non-US investors increasing their dollar hedges. More recently, the uncertainty engendered by war, uneven impact of higher energy prices, and widening interest rate differentials have given the dollar some renewed support.
- With nearly four hikes priced in by late next year, the support from interest rate differentials now looks mature. Support derived from the uncertainty and energy impact of recent conflicts should also subside in time. Risks from concentration, valuation and geopolitics should also mean that persistent support from capital inflows is unlikely to endure. The global policy backdrop should also be a headwind, including continued BOJ hiking and increased fiscal spending in Germany.
- Key risks to this view include a reacceleration of the US economy on the back of AI investment, a continuation of the Iran War which impacts peers more than the United States, or persistent outperformance of tech/AI attracting foreign inflows despite elevated valuations.

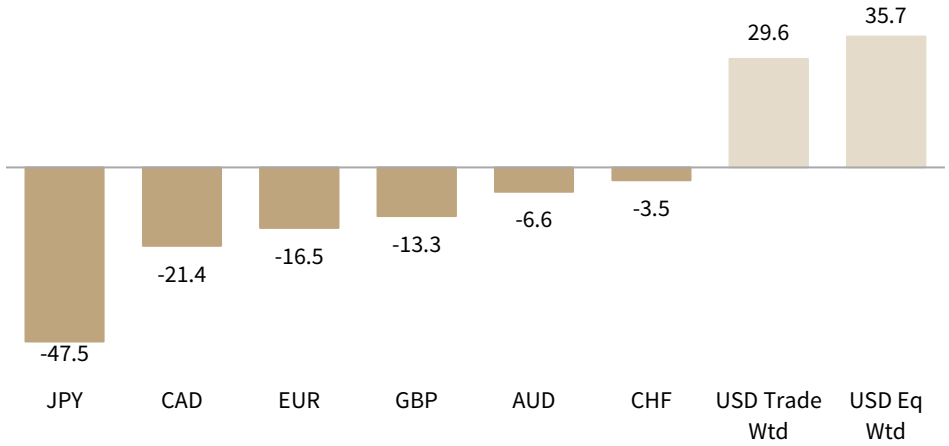
USD basket real exchange rate percentile

Jun 30, 1971 – Sep 30, 2026



Real exchange rate vs the USD: % from median

As of Sep 30, 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 June 30, 2026. Canada, Japan, and UK inflation as of August 31, 2026. All other inflation data are as of September 30, 2026.

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GBP vs Developed Markets Currencies

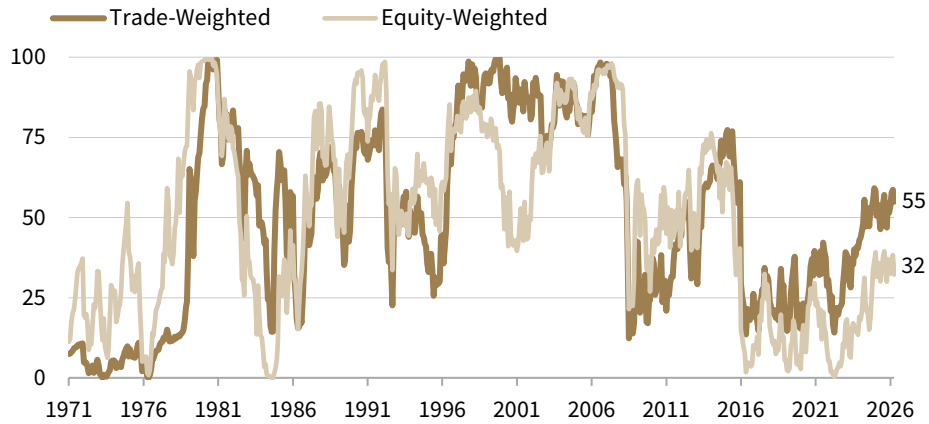
Facts & Figures Third Quarter 2026

Sterling was up by 0.6% in trade-weighted terms in 3Q 2026 bringing its trailing one-year performance to 1.1%. While sterling's strength over the last year has been relatively broad-based, euro softness was the main driver of trade-weighted performance. Domestically, there are signs of a firming in activity, however, the labor market remains soft, and the impact of the Iran War continues to 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 77%, while the euro has a weight of 55% in the trade-weighted index. Our expectation of further weakness in the dollar should support sterling going forward, particularly on an equity-weighted basis
- The UK's consensus GDP growth forecast has inched up during 2026 (now at 1.2% with upside ahead) despite the rise in energy prices, due to an unexpectedly strong 1H, though it remains below broader DM expectations of 1.7%. The monthly GDP prints for July and August show some continuing strength, though a composite PMI of 52 is consistent with moderate growth. Furthermore, the labor market continues to appear soft, albeit there are some signs of bottoming.
- The BOE kept rates at 3.75% during the quarter, despite the increase in energy prices. With core inflation now firming some hikes may be forthcoming, however pricing of nearly 4 hikes still appears excessive. Cuts should eventuate once energy price volatility subsides. This would bring down currently high levels of household saving, helping to support domestic demand.
- 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. The upcoming budget may be a source of some volatility, in light of global debt-load concerns and recent UK fiscal concerns, though the latter is likely overstated.

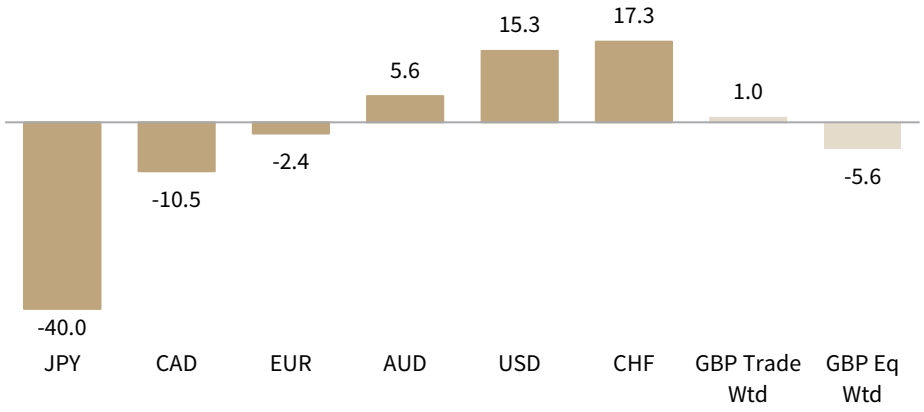
GBP basket real exchange rate percentile

Jun 30, 1971 – Sep 30, 2026



Real exchange rate vs the GBP: % from median

As of Sep 30, 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 June 30, 2026. Canada, Japan, and UK inflation as of August 31, 2026. All other inflation data are as of September 30, 2026.

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EUR vs Developed Markets Currencies

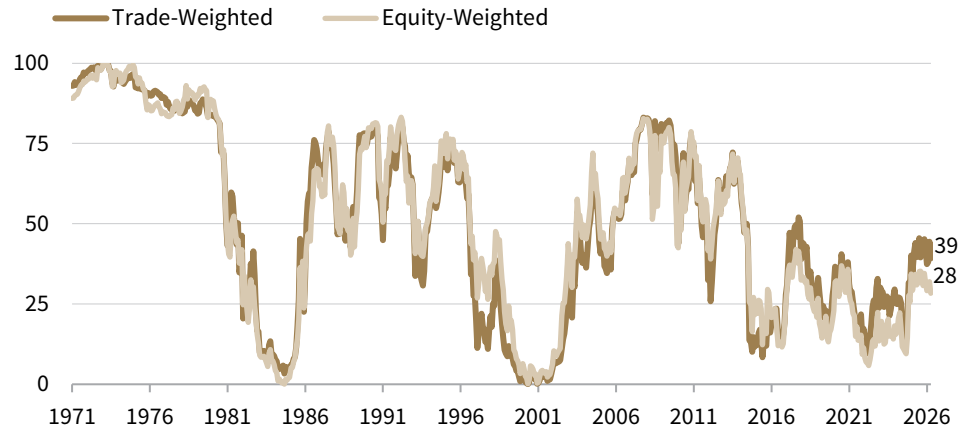
Facts & Figures Third Quarter 2026

The euro fell 0.2% in trade-weighted terms in 3Q 2026 bringing its trailing one-year performance to -1.5%. The euro's softness reflects the impact of higher energy prices and widening rate differentials versus the US, while French political gridlock has challenged fiscal credibility. On a longer horizon, the euro should be supported by German stimulus, stronger peripheral growth, and a US dollar that should decline from an elevated valuation.

- On a valuation basis, the euro's REER stands at the 28th percentile on an equity-weighted basis and the 39th percentile on a trade-weighted basis, 9.6% and 1.9% below median, respectively. While the rise of the trade-weighted index to near its median reflects improved expectations of domestic circumstances, the direction of the dollar remains a key driver for the equity-weighted index (81%) and explains the additional undervaluation on that measure.
- The economic backdrop is mixed in the Eurozone. GDP growth forecasts have been revised down since the outbreak of the Iran War, due to the region's greater reliance on energy imports in the face of higher energy prices. Yet, activity is showing resilience in the face of this headwind with GDP growing 0.6% in 2Q and the PMI in solidly expansionary territory. Once the conflict ultimately de-escalates, monetary stability, and likely easing, in addition to German fiscal stimulus, should be supportive of future growth. Nonetheless, there are only tentative signs that Germany's growth impulse has bottomed as it battles competitiveness issues, while France faces political gridlock.
- 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 French political instability undermining fiscal credibility, stronger US growth, German stagnation, and an extended war in Iran.

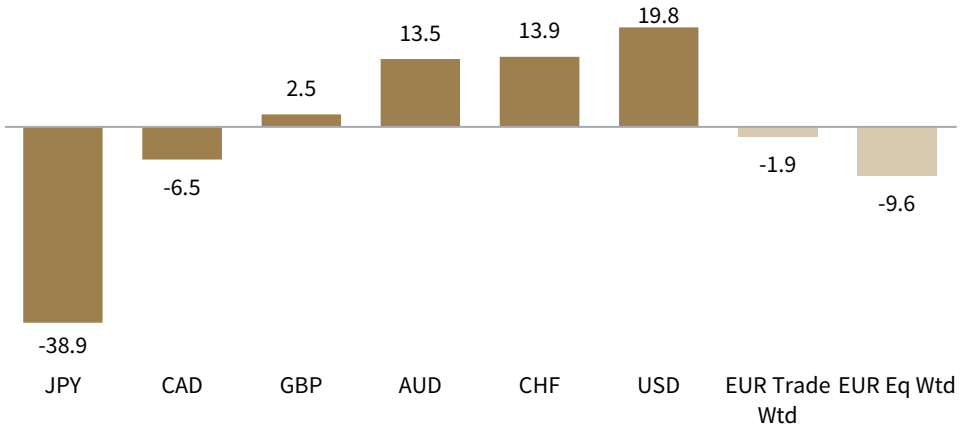
EUR basket real exchange rate percentile

Jun 30, 1971 – Sep 30, 2026



Real exchange rate vs the EUR: % from median

As of Sep 30, 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 June 30, 2026. Canada, Japan, and UK inflation as of August 31, 2026. All other inflation data are as of September 30, 2026.

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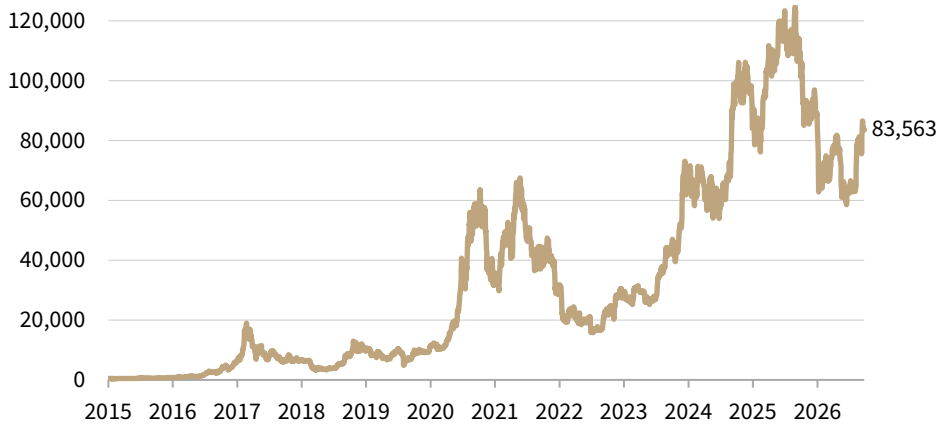
Digital Assets
Facts & Figures Third Quarter 2026

Bitcoin rose 42.8% in 3Q as investor confidence improved, while the S&P Cryptocurrency Broad Digital Asset ex Bitcoin Index gained 50.2%. Despite the rebound, trailing 12-month returns remained negative for bitcoin (-26.7%) and the broader digital asset index (-37.5%).

- Bitcoin rebounded after three consecutive quarterly declines. A sharp rally in late August followed the Treasury's announcement of expanded long-dated bond buybacks, which revived concerns about dollar debasement; short covering may have amplified the move. Spot bitcoin ETFs attracted nearly $6.4B in net inflows during the quarter.
- Crypto market sentiment improved sharply, with the CMC Fear and Greed Index briefly reaching "extreme greed" in late August. Sentiment moderated by quarter-end but remained moderately bullish and well above 2Q lows. Given crypto assets' sensitivity to investor sentiment, such measures may serve as contrarian indicators.
- 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.

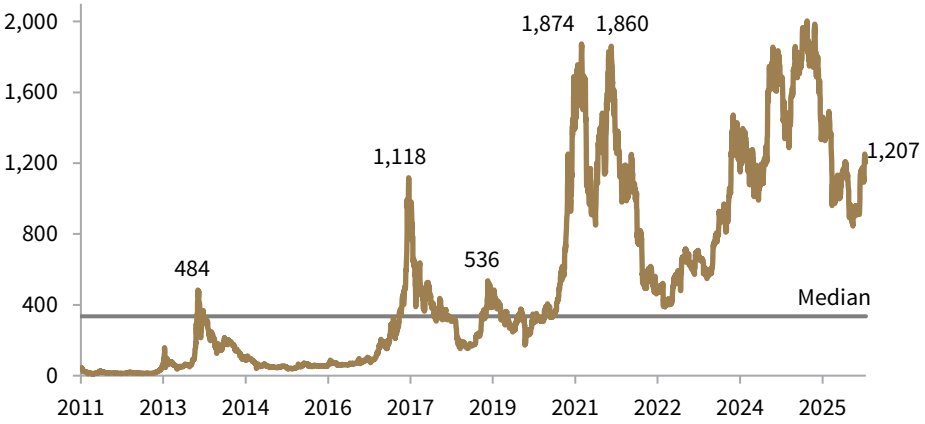
Bitcoin price

Dec 31, 2015 – Sep 30, 2026 • US Dollars



Ratio of bitcoin price to transactions per coin

Aug 31, 2011 – Sep 30, 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.

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Notes on Data
Third 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 mechanistically 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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