Equities

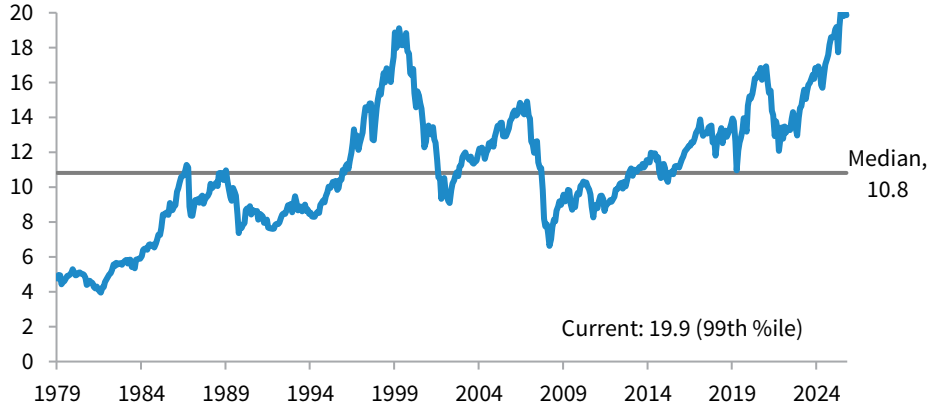
Global Equities
Facts & Figures Third Quarter 2026

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.

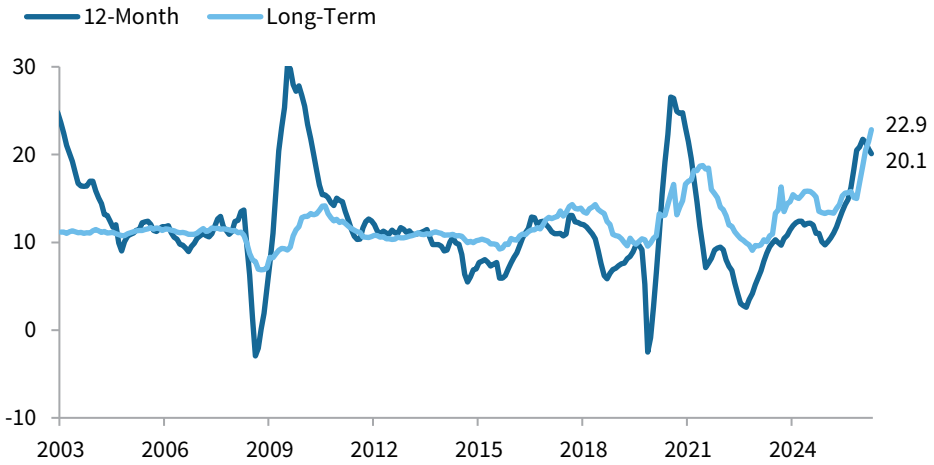
Cyclically adjusted price-to–cash earnings

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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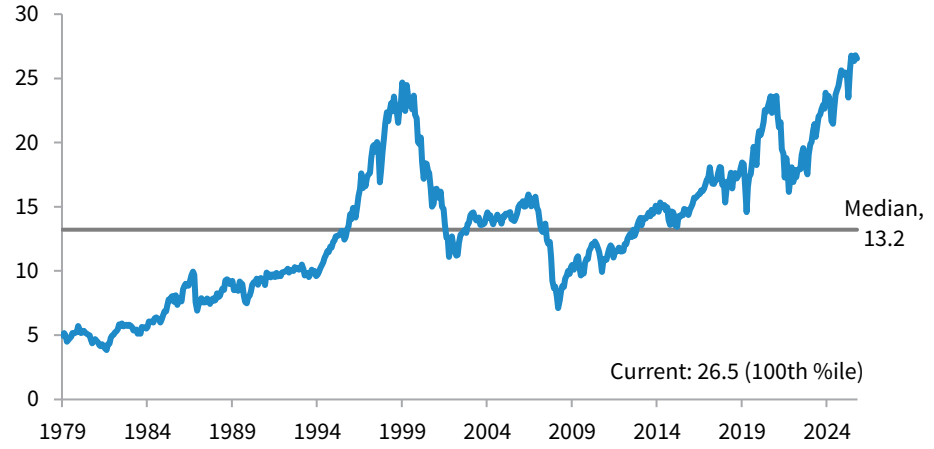
US Equities
Facts & Figures Third Quarter 2026

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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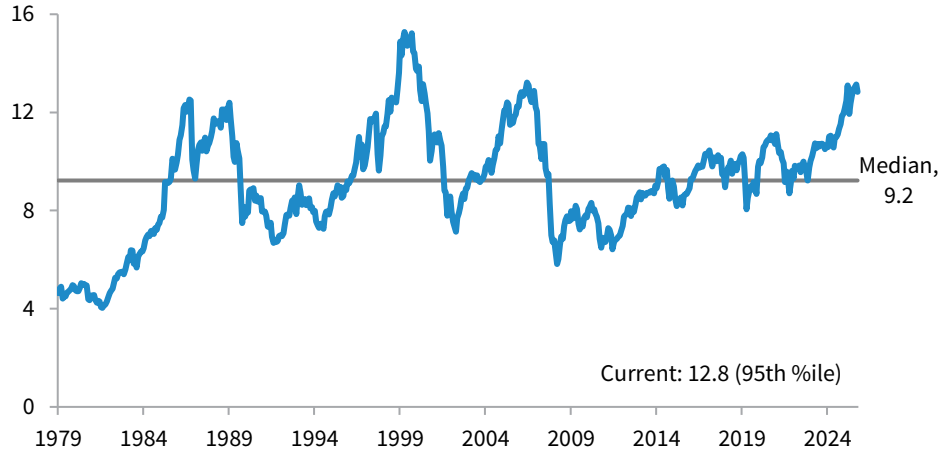
Developed Markets ex US Equities
Facts & Figures Third Quarter 2026

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%).

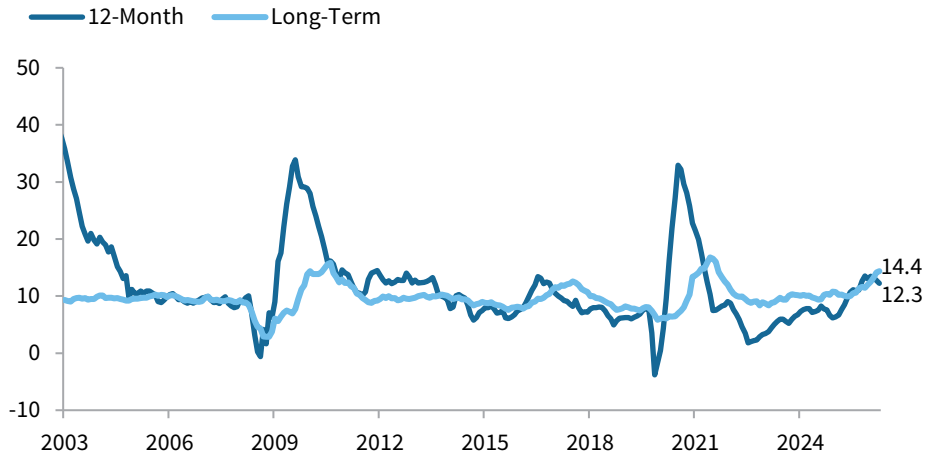
Cyclically adjusted price-to–cash earnings: MSCI World ex US

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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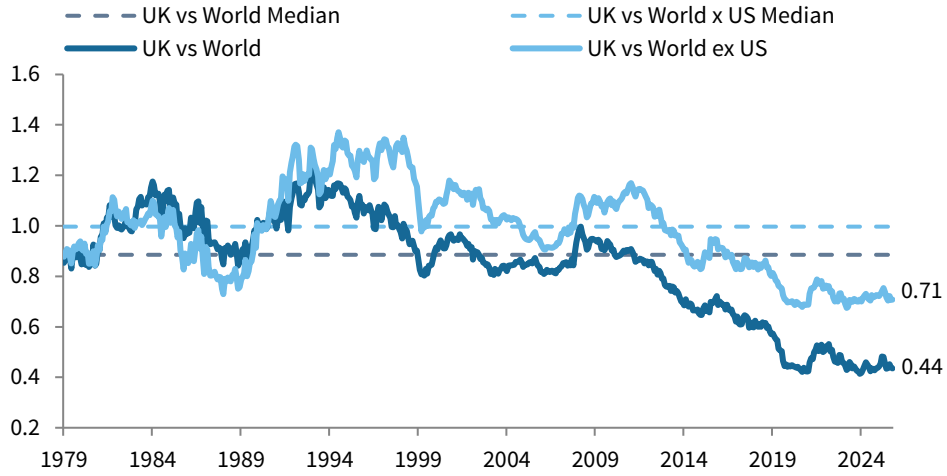
UK Equities
Facts & Figures Third Quarter 2026

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.

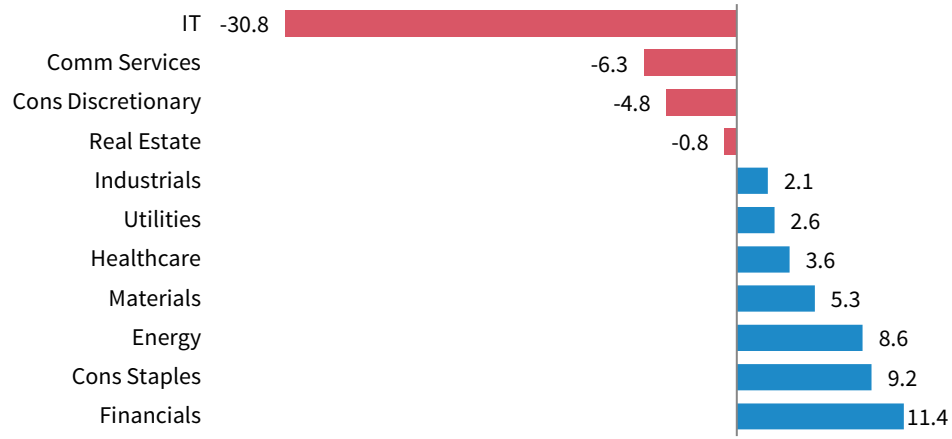
Relative CAPCE: MSCI UK vs World

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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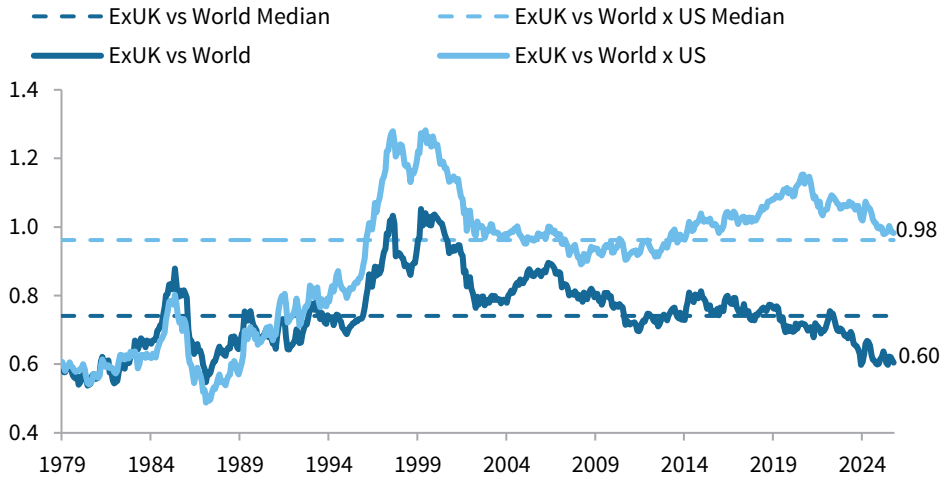
Europe ex UK Equities
Facts & Figures Third Quarter 2026

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%.

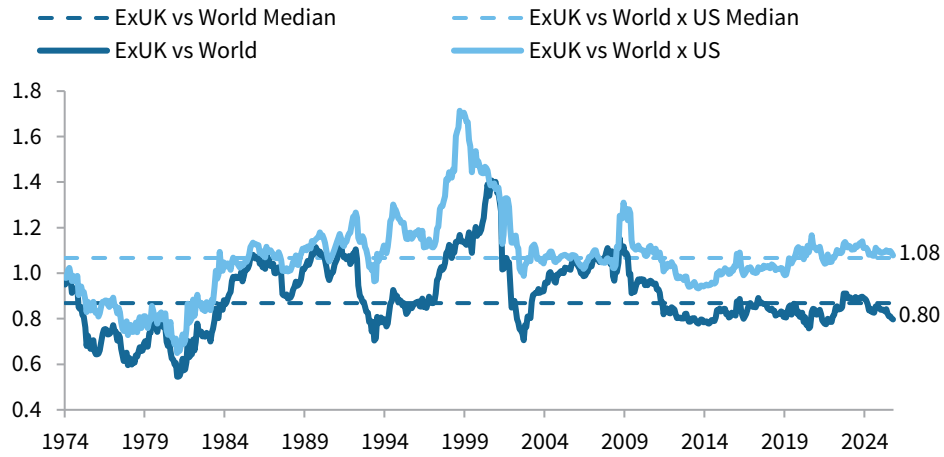
Relative CAPCE: MSCI Europe ex UK vs World and World ex US

Dec 31, 1979 – Sep 30, 2026



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

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



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

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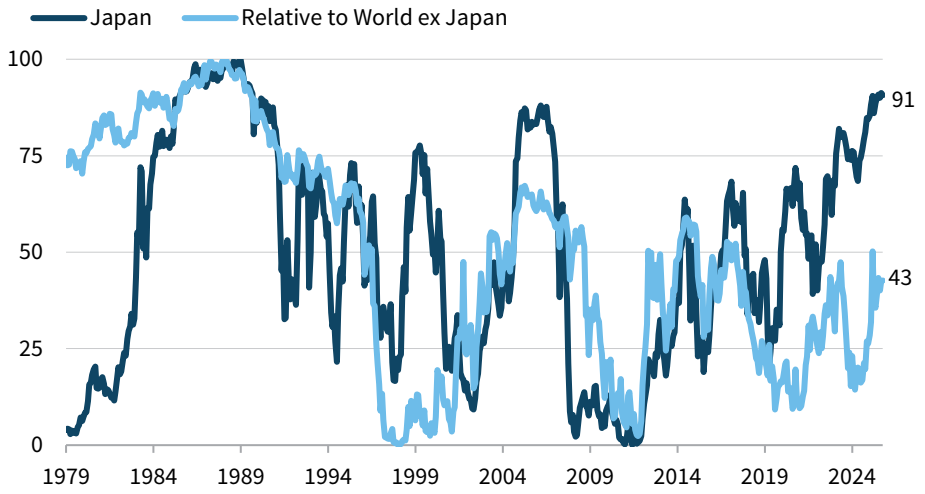
Japanese Equities
Facts & Figures Third Quarter 2026

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.

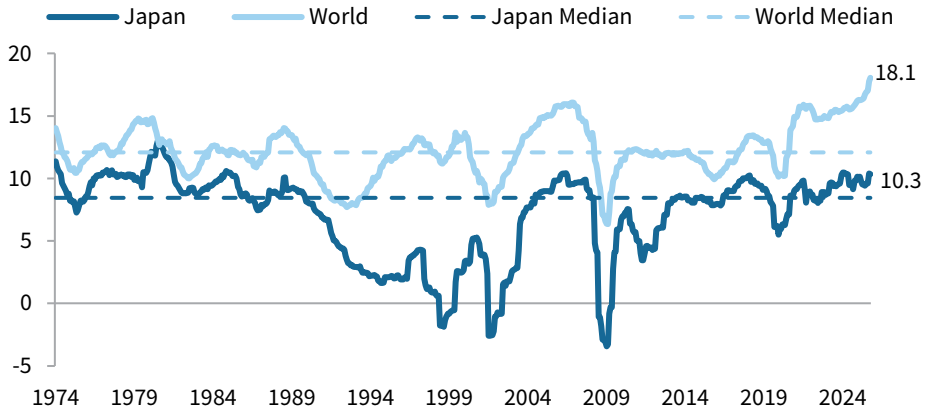
Cyclically adjusted price-to–cash earnings

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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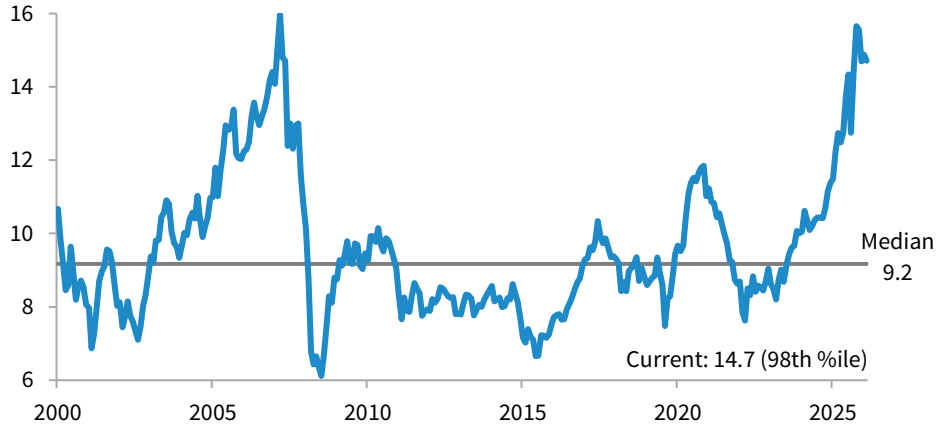
Emerging Markets Equities
Facts & Figures Third Quarter 2026

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.

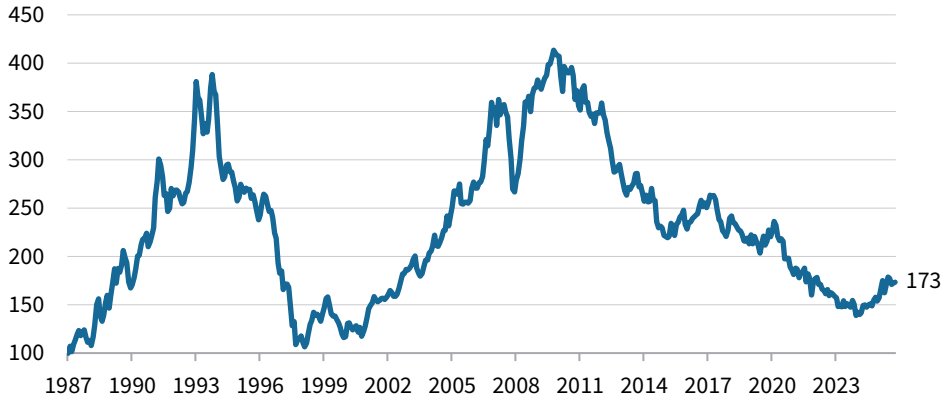
Cyclically adjusted price-to–cash earnings: MSCI EM

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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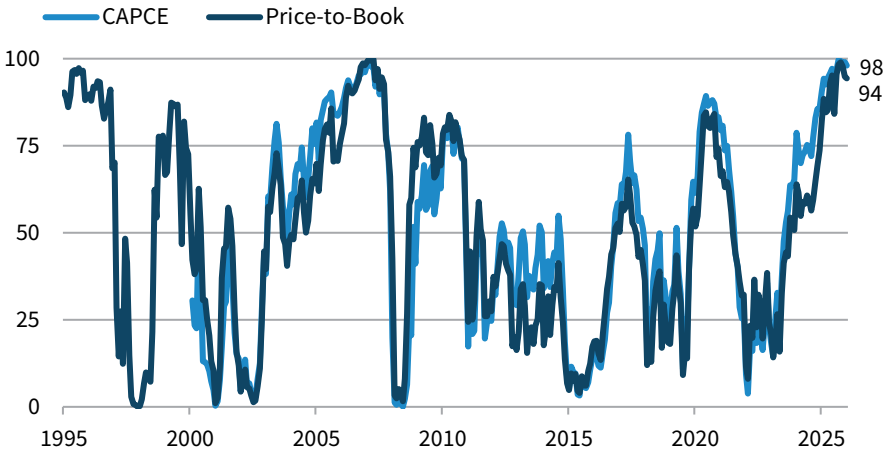
Asia ex Japan Equities
Facts & Figures Third Quarter 2026

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.

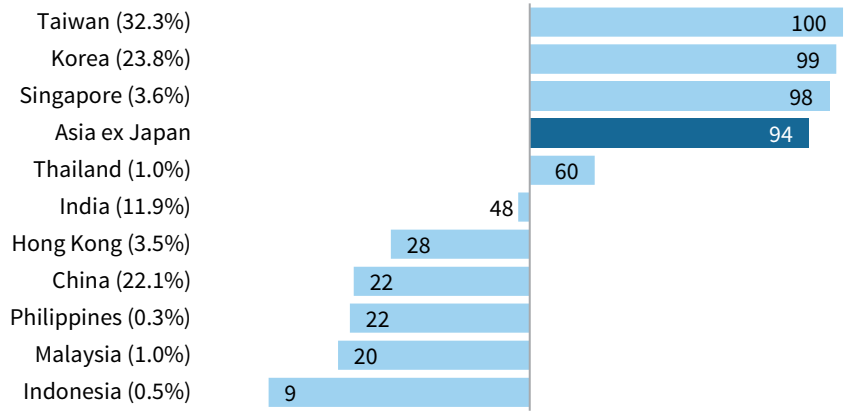
MSCI All Country Asia ex Japan Valuations

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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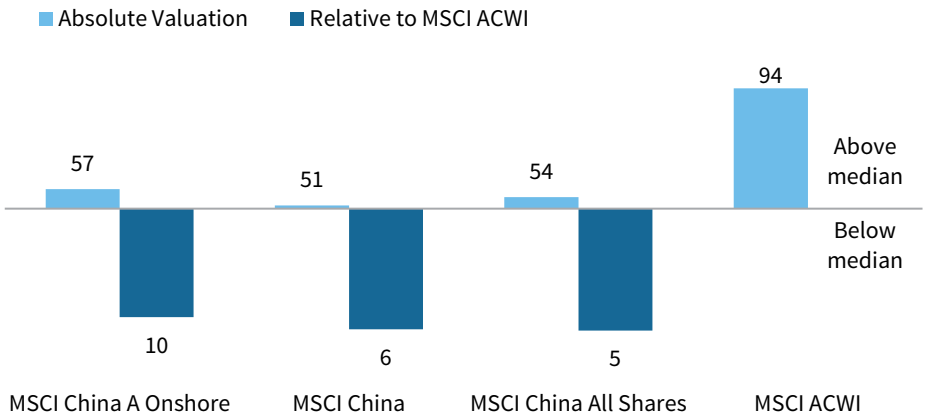
Chinese Equities
Facts & Figures Third Quarter 2026

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.

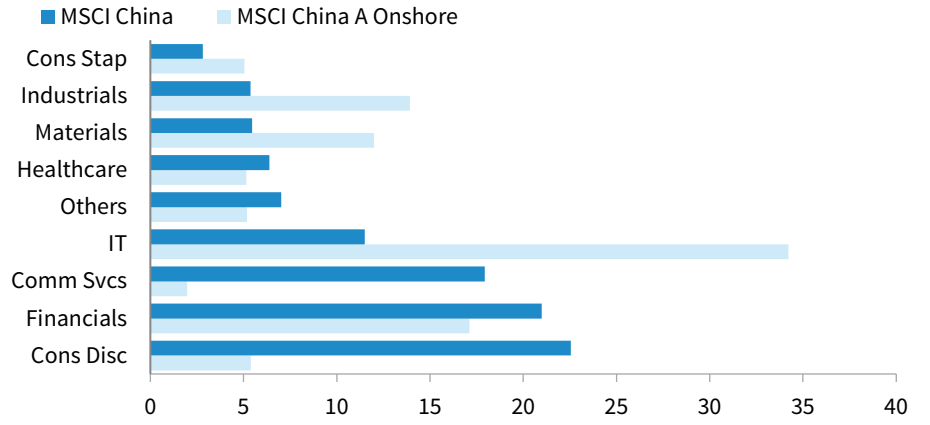
Composite P/E: Percentile

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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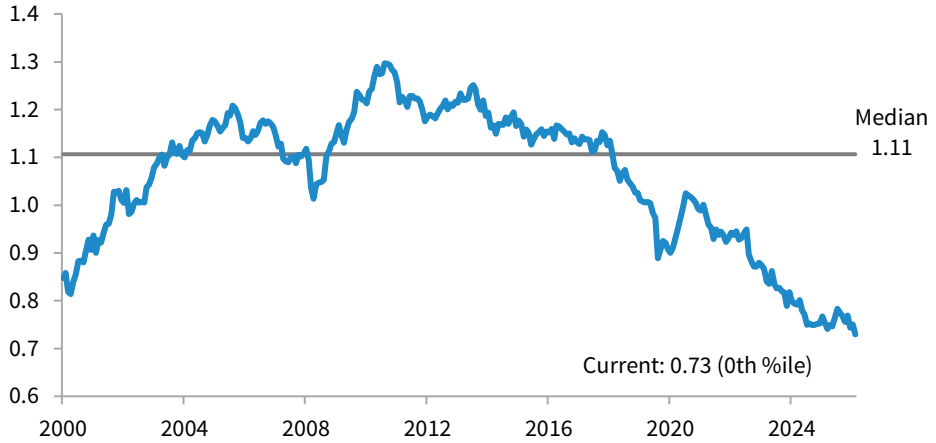
Global Small-Cap Equities
Facts & Figures Third Quarter 2026

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.

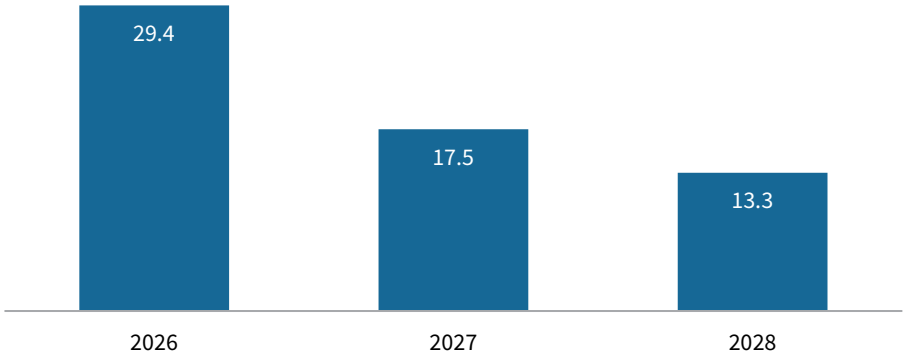
5-yr CAPCE: MSCI ACWI SC vs MSCI ACWI LC/MC

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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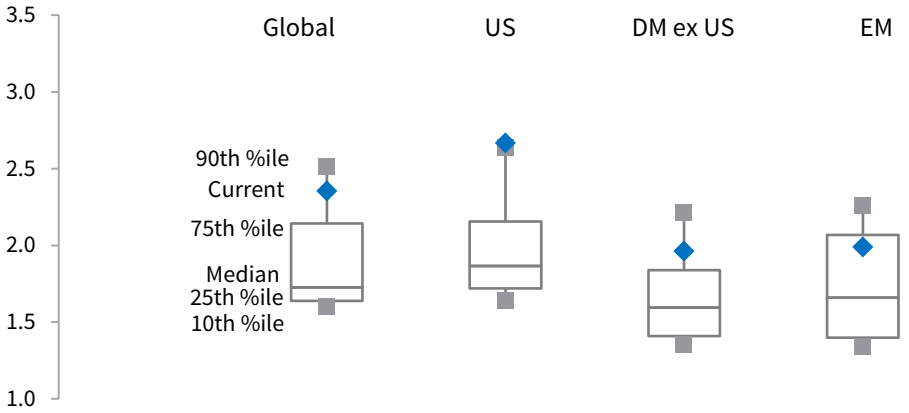
Global Growth and Value Equities
Facts & Figures Third Quarter 2026

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.

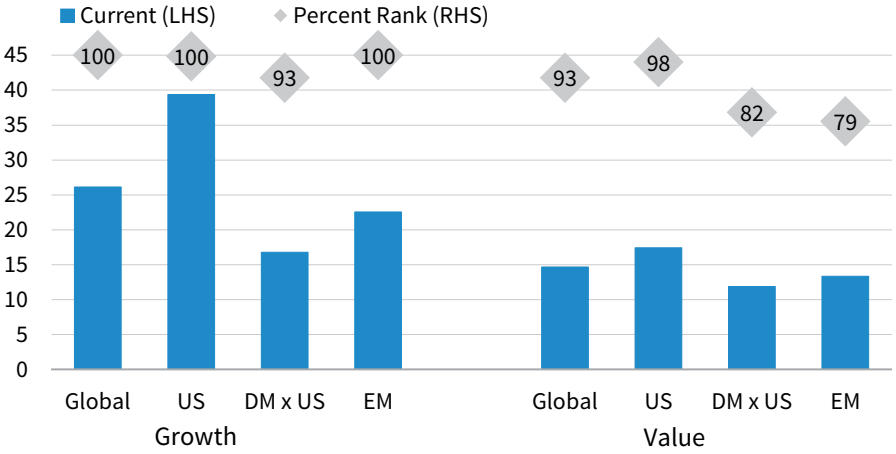
Relative CAPCE for select regions: Growth vs Value

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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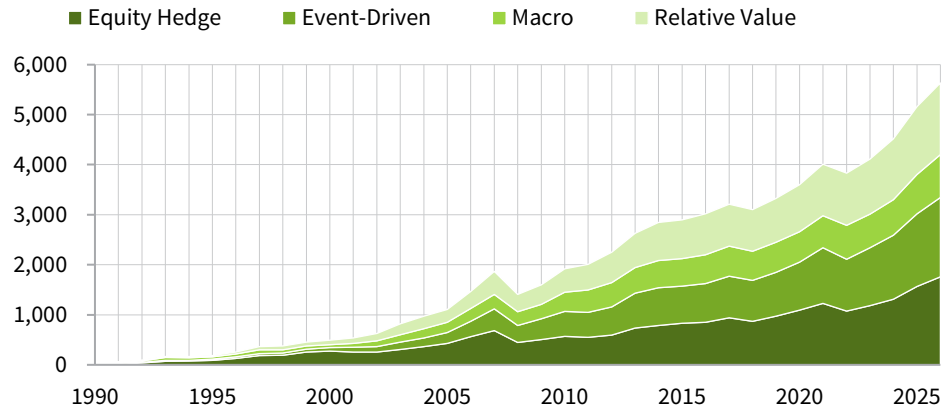
Hedge Funds
Facts & Figures Third Quarter 2026

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

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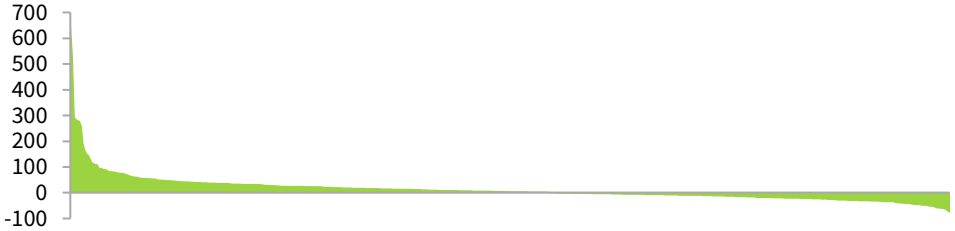
Equity dispersion: Total returns for the S&P 500 constituents

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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