

2026 OUTLOOK

Finding Value Amid the Hype



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INSIGHTS

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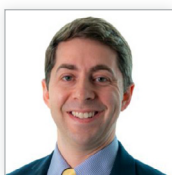
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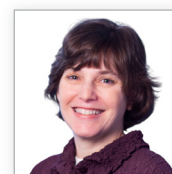
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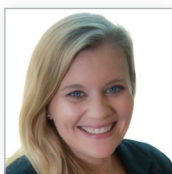
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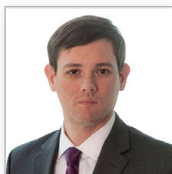
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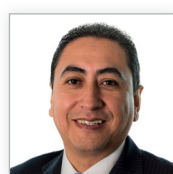
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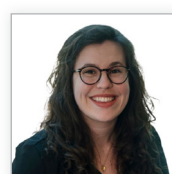
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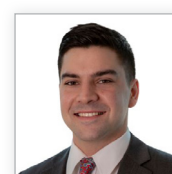
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This outlook provides our perspective on the global economic environment and presents 15 key views across asset classes for 2026. These insights are designed to inform strategic discussions and guide portfolio decision making. Given the diversity of investor objectives and constraints—regarding risk tolerance, investment horizon, liquidity needs, currency exposure, and tax considerations, for example—each view should be assessed in the context of specific circumstances and current portfolio exposures. In an environment where hype often overshadows fundamentals, investors who remain focused on value are best positioned to outperform.

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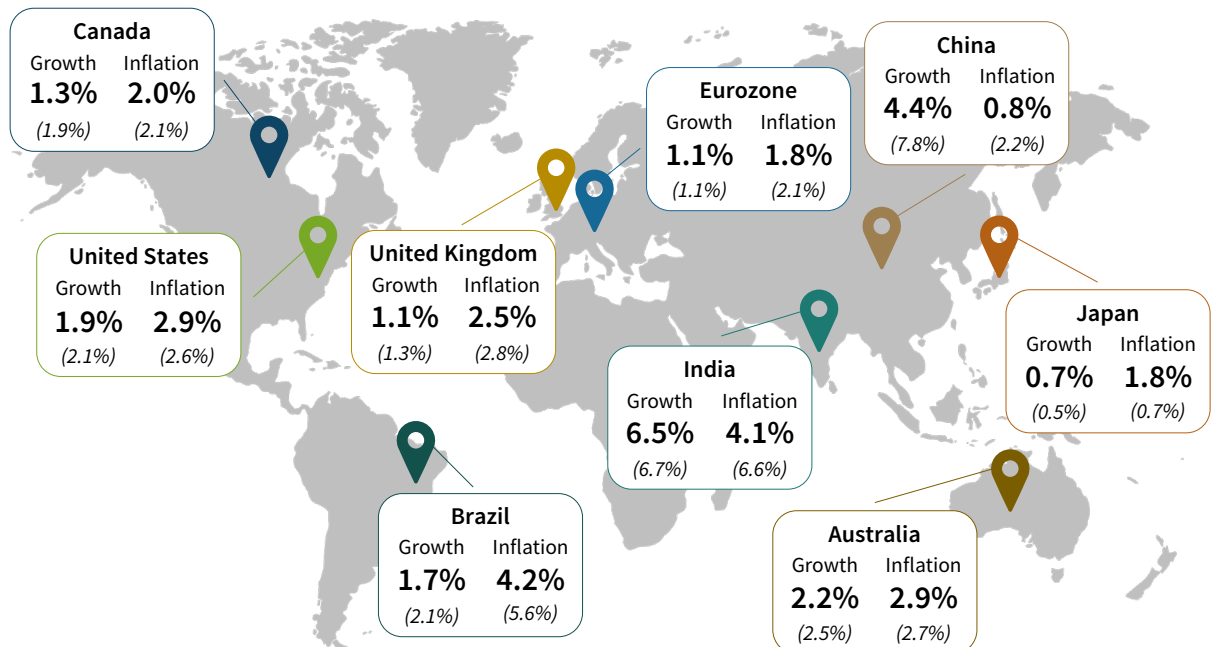
The global economic backdrop in 2026

Our investment views are shaped by the expectation that global growth will be slightly below trend in 2026, consistent with the consensus forecast for global real GDP growth of 2.9%, compared to the ten-year average of 3.1%. The likelihood of upside growth surprises is low, given a softening US labor market and the lagged effect of tariffs, while the risk of a sharp recession appears limited. We expect inflationary pressures to diverge across regions. In the United States, inflation will likely be temporarily elevated as tariffs push prices higher, especially as inventories are drawn down and firms pass on costs to consumers. Outside the United States, tariffs should dampen demand and moderate price pressures. This divergence may constrain the Federal Reserve's ability to cut rates as aggressively as markets expect, while giving other central banks greater flexibility to adjust policy.

Our economic outlook is anchored by several key drivers. First, easing global financial conditions and reduced tariff uncertainty should support consumer and business activity worldwide. Second, increased investment in artificial intelligence (AI) infrastructure, along with moderate fiscal stimulus in the United States, euro area, and potentially China, should further bolster growth. Third, offsetting these positives, a weaker US labor market, slowing economic momentum in China, and the fading boost from tariff front-running are likely to limit upside surprises. Key risks to our outlook include a meaningful deterioration in the US labor market—though this appears unlikely—AI enthusiasm fading, and potential reductions in US tariff rates resulting from US Supreme Court decisions.

Expected rates of real economic growth and inflation in key markets

As of November 30, 2025 • Bloomberg consensus estimates for 2026



Sources: Bloomberg L.P., International Monetary Fund, National Sources, and Thomson Reuters Datastream.

Note: Numbers in parentheses reflect the 20-year annualized growth rate through the end of 2024.

Investors should embrace diversification in 2026

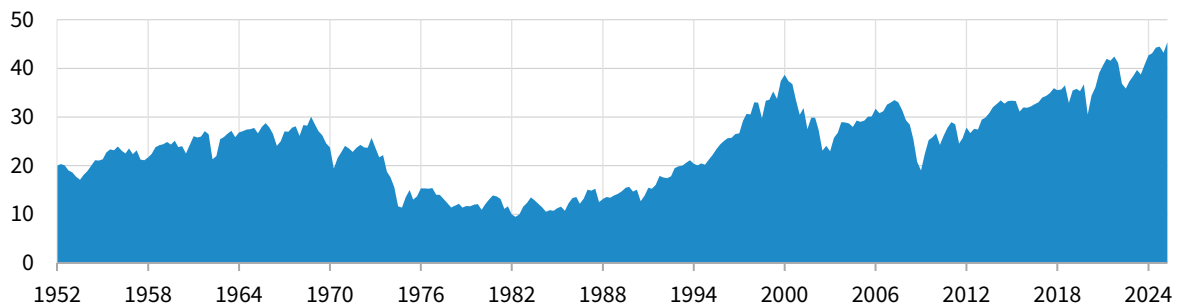
by Kevin Rosenbaum

Many investors have seen the share of their portfolios invested in equities—both public and private—increase over the past decade. This shift was fueled partly by the maturation of private investment asset classes, the growth of passive investing, and low bond yields that accompanied extraordinary fiscal and monetary stimulus, all of which contributed to robust equity returns and reinforced higher allocations. However, the landscape has changed meaningfully in that time. Elevated valuations, increased market concentration, and mediocre macroeconomic conditions underpin our view that equity risks are heightened. For investors whose equity allocations are at elevated levels, 2026 presents a timely opportunity to reassess policy allocations and embrace greater diversification.

The upward shift in equity allocations is apparent across different investor types. For example, our analysis of a consistent group of 247 US endowments and foundations reveals that their average allocation to public and private equity increased from 51.7% in June 2015 to 64.8% in June 2025.¹ This pattern is echoed among US households, who, according to the latest Fed data, held a record proportion of their financial assets in equities as of second quarter 2025. The magnitude of these changes suggests that many portfolios globally may now be less resilient to adverse market events.

The share of US household financial assets invested in equities has increased

First Quarter 1952 – Second Quarter 2025 • Percent (%)



Source: Federal Reserve.

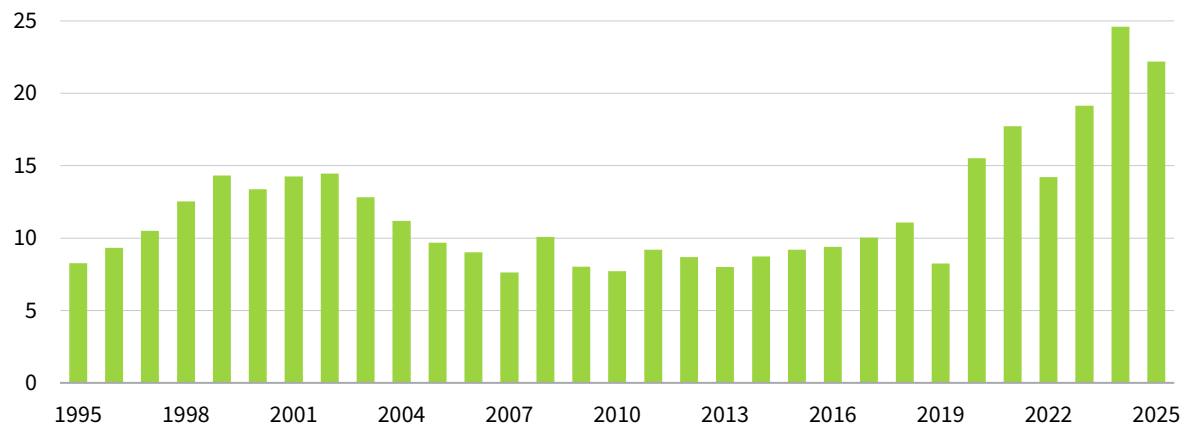
Note: The data reflect the percentage share of financial assets invested in equities by US households and nonprofit organizations.

This shift has occurred as the likelihood of such an event has increased. Valuation measures across equities signal caution in virtually any way you look at them, reflecting both years of strong performance and the recent surge of enthusiasm around AI. The excitement surrounding AI has also contributed to greater market concentration, with the ten largest US companies now representing 22.2% of total global equity exposure—one of the highest levels on record. At the same time, recent data trends suggest that labor markets may be more likely to weaken than strengthen in the coming months, a development that often serves as a key indicator of the global economy's direction. Collectively, these factors point to elevated idiosyncratic and systemic risks compared to historical norms.

¹ Please see William Prout, "Endowments Quarterly: Second Quarter 2025," Cambridge Associates LLC, September 2025.

Top 10 US companies account for a high share of global equity market value

December 31, 1995 – November 30, 2025 • Percent (%)



Sources: MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. Third-party data provided "as is" without any express or implied warranties.

Notes: Data reflect the aggregate market capitalization of the ten largest companies in the S&P 500, expressed as a percentage of the total market capitalization of the MSCI ACWI. Figures are measured at each year-end and as of November 30, 2025.

To be sure, the future is uncertain. That uncertainty is why we seek diversified exposure rather than allocating solely to the next best-performing investment. While we cannot predict the future, we can assess the factors likely to shape the range of potential outcomes. In today's environment, these factors point to a distribution of expected equity returns with a lower median than typical and greater negative skewness. Still, the possibility of an equity rally remains within that distribution, despite heightened risks. For long-term investors able to withstand volatility, or those facing substantial tax implications from reducing equity exposure, maintaining current allocations may be appropriate. However, for investors sensitive to drawdowns—due to spending needs, risk tolerance, or other constraints—now may be an opportune time to reassess equity allocations if they are currently elevated.

Any shifts in policy allocations should reflect not only the outlook for equities, but also the relative attractiveness of other asset classes. Assessing these opportunities requires weighing how new exposures align with portfolio constraints, enhance diversification, and offer potential for manager value add—considerations that are often unique to each portfolio. One area that merits consideration in the current environment is hedge funds. They can provide differentiated sources of return and help reduce drawdown risks, particularly as many strategies are adept at navigating market inefficiencies and macroeconomic uncertainty. In addition to the potential for compelling returns, a thoughtfully constructed sleeve of hedge funds, or broader diversifying strategies, can also deliver substantial value add. We explore our hedge fund perspective, along with considerations across other asset classes, throughout the rest of this publication.

Once policy allocations are set, investors may also identify tactical opportunities that further diversify risks and support value add. By broadening diversification and thoughtfully adjusting policy allocations, investors can strengthen portfolio resilience and better navigate changing market environments. As risks shift, so should our thinking.

Investors should lean into AI thoughtfully in 2026

by Celia Dallas

Artificial intelligence is rapidly emerging as one of the most significant disruptive transformations to the technology ecosystem, with the potential to reshape business models, drive productivity, and address demographic headwinds.² The sector's promise is substantial, but the current investment environment is marked by exuberance, with capital flowing into AI infrastructure and applications at an unprecedented scale. Investors must balance optimism with caution, seeking exposure that is both strategic and disciplined.

The four largest hyperscalers (Alphabet, Amazon, Meta, and Microsoft) are projected to spend \$350 billion in capital expenditures in 2025, with cumulative investment reaching trillions over the next five years. This capex boom echoes historical technology revolutions—railroads, telecom, dot-com—where transformative innovation led to overinvestment, excess capacity, and ultimately poor shareholder returns for the builders. Today's AI leaders are shifting from asset-light, high-ROIC models to asset-heavy, capital-intensive businesses, a transition historically associated with deteriorating fundamentals and lower free cash flow.

Valuations for core AI infrastructure stocks are elevated, and the competitive arms race among Big Tech resembles a prisoner's dilemma: firms feel compelled to overspend to avoid losing market leadership, even at the expense of collective profitability. The risk is that inflated multiples and massive capex may not be justified by future growth, echoing the dot-com bust. Asset lifecycles are shortening, with rapid depreciation of AI hardware requiring faster returns and exposing investors to higher risk if growth slows. Funding quality is shifting, with more reliance on private credit and securitized finance. Additionally, the ecosystem's "circularity"—where companies are simultaneously customers, suppliers, and investors in one another—can mask underlying demand and profitability issues.

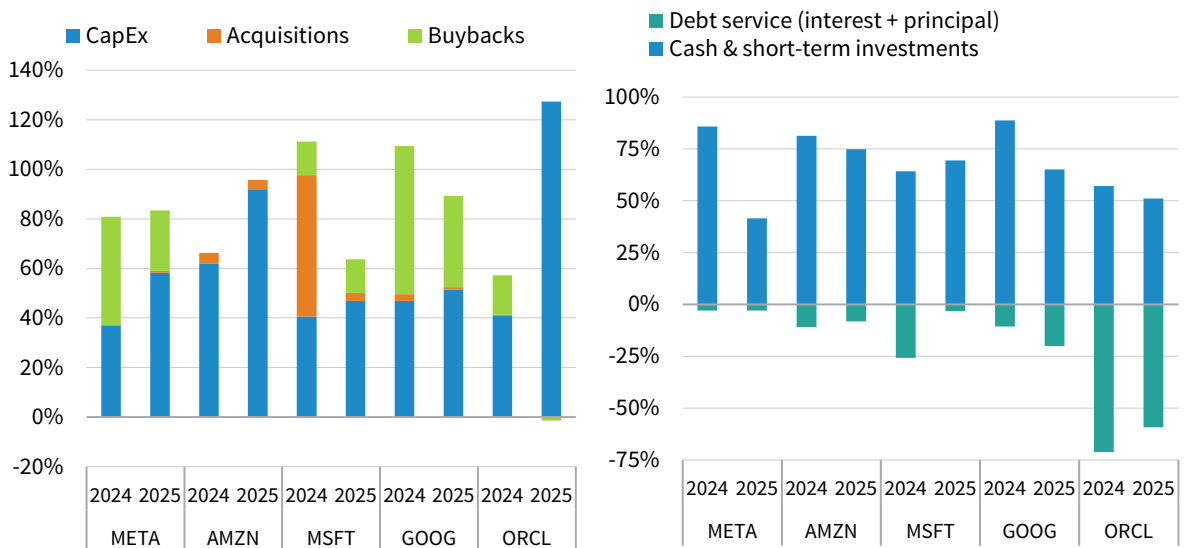
For now, most of the large public AI players have been living within their means, but operating cash flows are increasingly consumed by capex, share buybacks (in part to offset dilutive effects of share-based compensation), and acquisitions, all of which are strategic investments to remain competitive in this race to dominate the AI landscape. On average, capex accounts for 75% of cash flow from operations across these five companies, up from 45% in 2024.

Beyond the mega-cap tech firms, for companies broadly able to leverage the technology, AI is not just a source of top-line growth but also a powerful lever for cost reduction and margin expansion. Such opportunities are difficult to recognize at this stage of AI development, giving skilled managers with appropriate insights the potential to invest in such companies at relatively attractive valuations.

² Please see "Navigating the AI Revolution: A Three-Part Series," Cambridge Associates LLC, July 2025.

Most hyperscalers appear to be living within their means even as capex is rising

As of November 30, 2025 • Operating cash flow ratios • TTM Q3 2024 & Q3 2025



Source: FactSet Research Systems Inc.

Notes: Data reflects the most recent reporting available for each company. Each data point is presented as a percentage of trailing 12-month (TTM) operating cash flow. Microsoft acquired Activision Blizzard for \$68.7 billion in an all-cash transaction in October 2023.

The buildout of AI physical infrastructure is creating new opportunities in power generation, grid modernization, and energy efficiency.³ As data centers and AI workloads drive up electricity demand, companies focused on improving access to power—whether through renewables, grid upgrades, or distributed energy solutions—stand to benefit. Even if AI promises are delivered more slowly than anticipated, such investments would still benefit from other electricity demand drivers like electrification of transportation and digitalization trends. These segments are essential to the sustainable scaling of AI and may provide more stable, diversified returns than the core technology providers.

Venture capital plays a critical role in the AI ecosystem, serving as the engine for innovation and disruption. Many of the most transformative companies of the internet era—such as Amazon and Uber—were venture-backed disruptors that redefined entire industries. Today, venture capital is fueling the next generation of AI innovators. These companies are often the source of breakthrough technologies and new business models that can reshape markets and create outsized value. However, the surge of interest in AI has led to a dramatic escalation in venture capital valuations requiring discipline to separate hype from legitimate opportunity.

AI's investment frontier is rich with potential but fraught with complexity. The sector's productivity and economic impact may take longer to materialize than current capex and valuations imply. Thoughtful AI exposure requires diversification beyond the largest AI-exposed names. Success will require partnering with skilled managers, maintaining price discipline, and staying adaptive as the landscape evolves. By eschewing hype, focusing on fundamentals, and diversifying exposure—especially toward asset-light early adopters, power and energy efficiency themes, and innovative venture-backed disruptors—investors can position themselves to outperform as the AI era unfolds.

3 Please see Celia Dallas, "VantagePoint: Electrifying Returns in the AI Era," Cambridge Associates LLC, October 2025.

Investors should invest across the electricity transmission food chain in 2026

by Simon Hallett

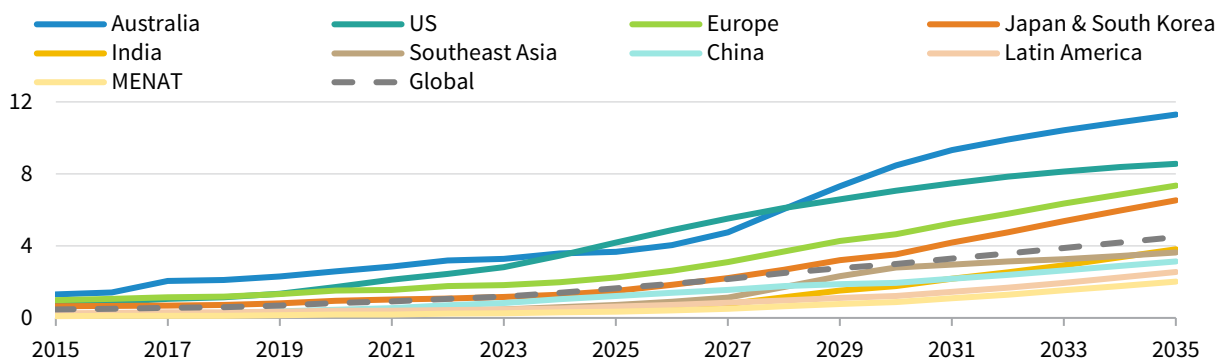
Much attention has been given to AI's growing appetite for electricity and the resulting demands on grid capacity to support new, power-intensive data centers. However, AI is just the icing on the cake for an industry that, until now, was considered mature but is now poised for multi-year growth. Investors should prioritize cross-asset exposure to the expansion and modernization of electricity grids.

Grid operators need to build capacity and connect different locations at a pace not seen since the 1960s. This rapid expansion is straining supply chains for equipment and materials, leading to growing order backlogs and firm pricing for equipment manufacturers. At the same time, technological solutions are essential for operating smarter, more efficient grids that maximize existing capacity and seamlessly integrate multiple distributed and intermittent power sources.

Twin sustainability trends essential to a low-carbon transition are (1) the build out of renewables on global power grids, and (2) the expansion and redesign of grids to integrate this distributed power from new locations. This includes the addition of storage, load balancing, and “smart grid” technologies necessary to maintain stability with intermittent generation. These trends are deeply interconnected. As noted in a 2023 International Energy Agency (IEA) report, “Grids need to both operate in new ways and leverage the benefits of distributed resources, such as rooftop solar, and all sources of flexibility.”

Data centers' share of total power demand is set to surge across many markets

As of April 15, 2025 • 2015–35 Forecast Period • Percent (%)



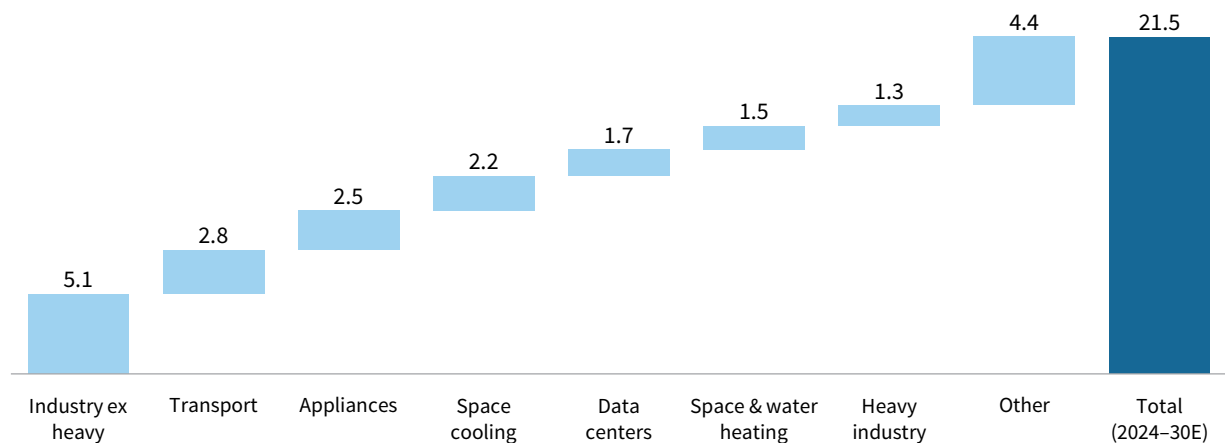
Source: BloombergNEF.

Notes: MENAT refers to the Middle East, North Africa, and Turkey. Figures indicate the proportion of total power demand attributable to data centers in each market.

The changing nature of electricity supply is a major driver of grid investment, but rising demand is reinforcing this need. After years of flat growth—when efficiency gains largely offset increased usage—global electricity demand is now accelerating as more activities, such as transportation (notably electric vehicles), heating, and industrial processes, become electrified. The most widely discussed theme is the AI-driven surge in data centers, which require not only more power but also new connections to the transmission system in previously unserved locations. While there is some risk that advances in technology and efficiency could eventually render certain data centers surplus to requirements, the growth in electricity demand extends well beyond AI alone.

Various sources to drive global electricity demand growth

As of October 2025 • Global electricity demand estimates (%)



Source: IEA.

Note: Global electricity demand estimates are based on IEA clean energy transition forecasts for 2024-30.

Meanwhile, electricity grids worldwide have suffered from years of underinvestment. According to the IEA, while investment in renewables has doubled since 2010, capital expenditure on grids has remained largely flat. As a result, grid operators are now playing catch-up. Both the IEA and BloombergNEF estimate that grid capex must double by 2030, requiring an additional \$300 billion in annual spending.

This is good news for a range of players. Utilities can expand their regulated asset bases at an unprecedented pace. Equipment makers and contractors are building order backlogs several years long, as are gas turbine makers. The situation for wind turbine makers is less clear, given political and regulatory changes have caused a swath of project cancellations, but growing demand outside the United States is underpinning recovery. For us, the clearest and most robust opportunity from electrification is in the grid itself rather than generation, considering the combination of historic underinvestment, new technologies and the need to “re-wire” many developed countries to cope with a completely different pattern of supply/demand.

Investors can access this opportunity through thematic strategies spanning a wide range of assets, from infrastructure to venture capital. Public equity managers focused on the energy transition may invest in large industrial companies supplying grid equipment, as well as the utility operators building out the grid. Similar opportunities exist in private markets, including private infrastructure funds and select buyout managers. Venture and growth equity managers with transition expertise are also active, targeting grid-enhancing technologies and unlocking the potential of demand response and energy storage through digitalization. One risk to note is the recent surge in public market valuations for some large industrial stocks tied to grid spending. Public market investors may benefit from waiting for a pullback or being highly selective.

The expansion and modernization of electricity grids is a broad theme with several distinct, independent drivers. It is not solely about AI or renewables; rather, it encompasses a range of factors shaping demand and investment. Additionally, the long timescales for infrastructure investments and equipment lead times suggest this will remain a multi-year opportunity.

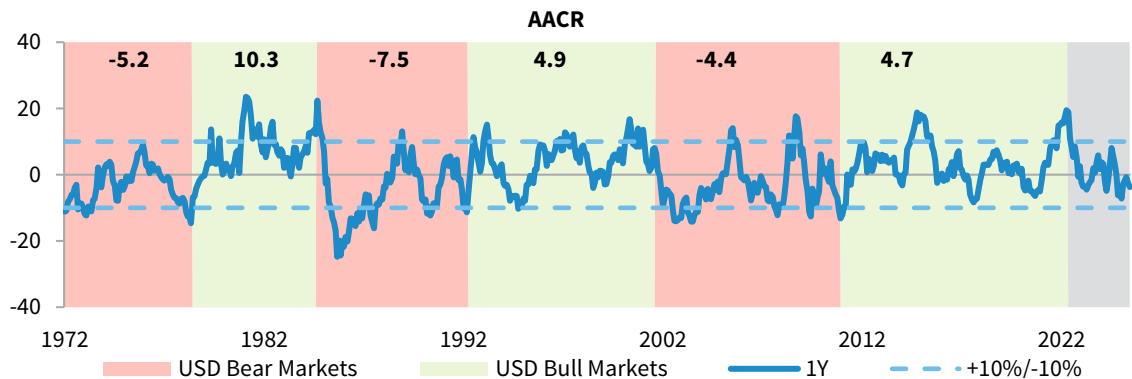
Investors should underweight the US dollar in 2026

by Aaron Costello

After experiencing a decade-long bull run that started in 2011, the US dollar (USD) weakened sharply in 2025, falling by 10% at one point. We believe the US dollar has begun a multi-year bear market,⁴ but given recent oversold momentum, we expect the dollar will rally at some point in 2026. This is consistent with historical trends, whereby the US dollar tends to stage a rebound after experiencing declines of 10% or more. However, we do not think investors should try to market-time any USD rebound, due to the inherent uncertainty in the duration of any such rally and the fact that the US dollar remains overvalued, with ample scope to decline over the coming years. Instead, investors should underweight the US dollar relative to policy targets and use any rebound as an opportunity to initiate or add to USD underweights, with non-US equities and unhedged non-US sovereign bonds as two potential implementation options.

USD can appreciate during bear markets

June 30, 1972 – November 30, 2025 • Rolling 1-yr real return (%)



Sources: MSCI Inc., National Sources, OECD, and Thomson Reuters Datastream. MSCI data provided “as is” without any express or implied warranties.

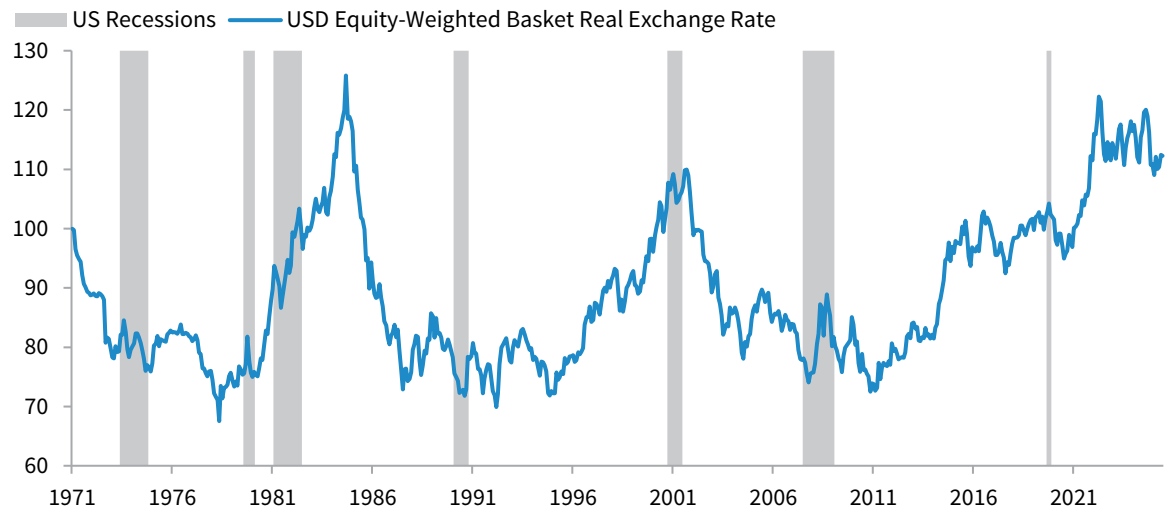
Notes: The equity-weighted currency basket includes the Australian dollar, Canadian dollar, euro, Japanese yen, Swedish krona, Swiss franc, and UK sterling, weighted by each country’s equity market capitalization in the MSCI World Index. Australian inflation data are quarterly as of September 30; US inflation data are also as of September 30 due to a delayed release from the government shutdown; all other inflation data are as of October 31. USD bear markets run from basket peak to trough, bull markets from trough to peak. AACR calculations reflect returns across these cycles. Past performance is not a reliable indicator of future results. All financial investments involve risk. Depending on the type of investment, losses can be unlimited.

For 2026, the US dollar could strengthen if US economic growth remains resilient relative to elsewhere. Indeed, non-US economic growth faces headwinds in 2026 as the boost from tariff front-running fades. Relatively stronger economic momentum in the United States would also place less pressure on the Fed to cut rates, resulting in higher US rate differentials versus elsewhere and lending support to the US dollar, a dynamic that has already started to play out in late 2025. Conversely, the US dollar has historically rallied at some point during a US recession, albeit sometimes only briefly. While a recession is not our base case, the US dollar could still jump amid a growth scare in the United States triggered by further weakness in the US labor market spilling over into lower consumption and investment.

4 Please see Celia Dallas and Aaron Costello, “VantagePoint: What to Do About the US Dollar?,” Cambridge Associates LLC, July 2025.

The USD is expensive and typically moves in prolonged trends

June 30, 1971 – November 30, 2025 • Real equity-weighted index • June 30, 1971 = 100



Sources: MSCI Inc., National Sources, OECD, and Thomson Reuters Datastream. MSCI data provided “as is” without any express or implied warranties.

Notes: The equity-weighted currency basket includes the Australian dollar, Canadian dollar, euro, Japanese yen, Swedish krona, Swiss franc, and UK sterling, weighted by each country’s equity market capitalization in the MSCI World Index. Australian inflation data are quarterly as of September 30; US inflation data are also as of September 30 due to a delayed release from the government shutdown; all other inflation data are as of October 31.

But investors should not chase any such rally. This is because we expect the dollar to remain in a downtrend over a multi-year horizon. The US dollar still faces headwinds from economic policy uncertainty, overvalued assets, and fiscal sustainability concerns, factors that dampen the attractiveness of US assets relative to elsewhere and therefore demand for the US dollar. The US dollar has benefited from equity-related portfolio inflows and given the growing froth in US equity markets, anything that shakes confidence in the AI theme could see reduced flows and a weakening US dollar. While the US dollar has benefited recently from a reduction in Fed rate cut expectations, this could change over the course of 2026 as a new Fed chair (and potentially two other Fed governors) will be appointed by the Trump administration. These upcoming appointments may bias the Fed toward more aggressive easing and narrowing of interest rate support for the US dollar. Regardless of who chairs the Fed, lower interest rates and a weaker US dollar are a stated goal of the Trump administration to help narrow the US trade deficit and spur a revival of US industry.

Overall, we expect the US dollar will weaken. Counter-trend rallies are common amid multi-year USD bear markets and despite the recent decline, the US dollar remains 32% overvalued in equity-weighted terms. Non-US equities and unhedged non-US sovereign bonds have typically outperformed during USD bear markets, especially when relative valuations are in their favor, making them effective potential options for implementing a dollar underweight. While we acknowledge the likelihood of a USD rally at some point in 2026, investors should remain underweight the US dollar because of the scope for continued USD weakness over a multi-year horizon.

Investors should maintain exposure to high-quality sovereigns and avoid duration bets in 2026

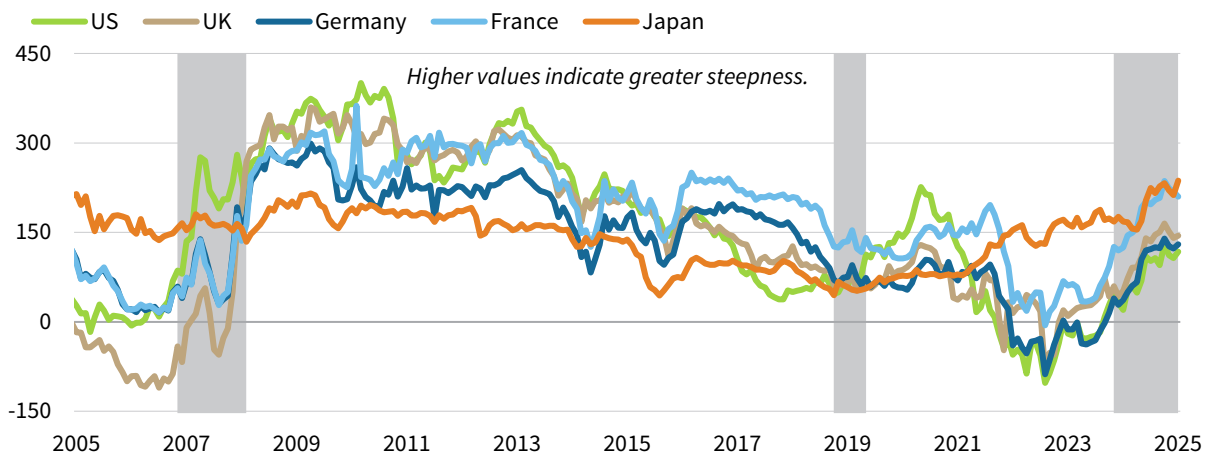
by TJ Scavone

Yields on most major developed market (DM) sovereign bonds reached a multi-year high in 2023 and have since held just below those highs, trading in a relatively narrow range. We expect this pattern to persist into 2026, supported by a resilient yet uncertain economic and policy backdrop, fair valuations in most markets, and ongoing yield curve pressures. Investors should keep allocations to high-quality sovereigns closely aligned with policy guidelines.

Looking ahead to 2026, the environment for most high-quality sovereigns remains broadly supportive. Economic growth is healthy but slowing—DM real GDP is projected to rise 1.7% in 2025, down from 1.9% in 2024, with most of the deceleration in the United States. While US consumer spending remains supportive, the labor market has softened, and the full impact of tariffs remains uncertain. These dynamics are likely to keep the Fed and other major central banks biased toward modestly easing in 2026, despite persistent inflation concerns. Overall, softer labor markets, tariff headwinds, and resilient but softer growth—supported by healthy consumer spending, AI capex, and easier policy—should limit both recession and inflation risks, resulting in modestly lower policy rates in many markets and rangebound sovereign bond yields in 2026.

Yield curves across many markets have steepened in recent years

November 30, 2005 – November 30, 2025 • 30-yr and 2-yr yield spread • Basis points



Sources: National sources and Thomson Reuters Datastream.

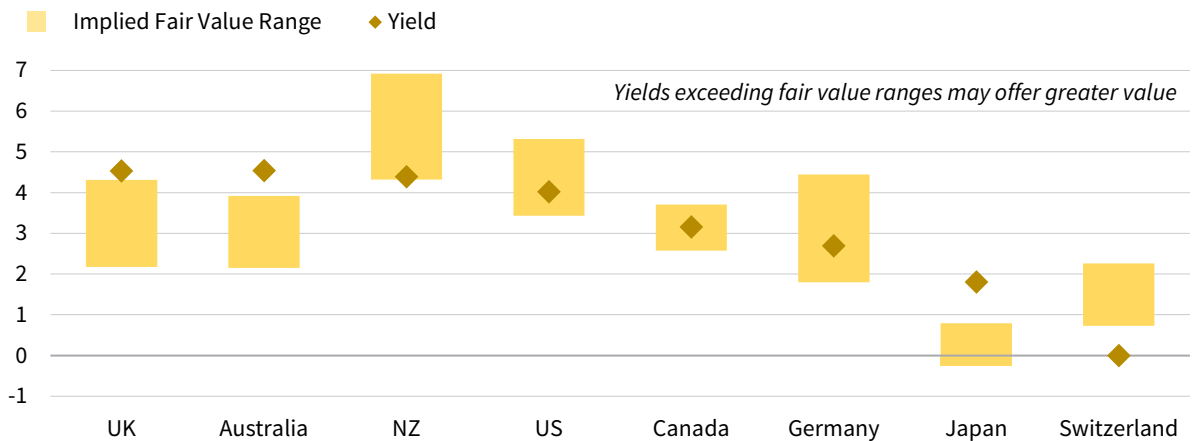
Note: Shaded areas denote periods of Fed easing.

Given this backdrop, we recommend maintaining exposure to high-quality sovereign bonds, with duration risk kept in line with benchmarks. The case for a short-duration stance has weakened as short-term rates have declined and yield curves have steepened, raising the opportunity cost of holding cash. Likewise, the case for adopting a long-duration stance is not compelling. Long duration typically outperforms when growth slows and central banks ease, but we anticipate only limited monetary easing. The European Central Bank and Bank of England have already delivered

most of their anticipated cuts and markets are pricing in around 75 basis points (bps) of Fed cuts in 2026—a scenario that looks optimistic, considering current risks. Additionally, sovereign bond yields in key markets, like the United States and euro area, are currently in the bottom half of what we consider their fair value ranges, leaving little room for further declines absent a recession.

Ten-year yields are not notably above fair value in key markets

As of November 30, 2025 • Percent (%)



Sources: National Sources and Thomson Reuters Datastream.

Note: The implied fair value range shows the range (i.e., ± 1 standard deviation) around the predicted yield, which is based on a multiple linear regression model that includes trailing ten-year real GDP and CPI change.

There are risk factors that warrant close attention. We have recently seen longer-duration sovereigns underperform as a range of influences—including fiscal concerns, elevated macro volatility, and cyclical factors—have put upward pressure on yields further out the curve. Fiscal pressures in particular have repeatedly made headlines in recent years, with many DM countries facing challenging fiscal outlooks and heightened volatility around budget stand-offs. While fiscal pressures warrant monitoring, market pricing does not signal imminent fiscal crisis,⁵ nor are they the sole driver. Elevated macro volatility, structural headwinds, and cyclical factors like monetary policy have also contributed. Many of these influences should reverse in a growth shock, allowing bonds to rally and provide portfolio ballast, as seen at points this cycle. However, with these cross-currents, investors should demand more attractive yields before adding exposure. For context, yields would need to rise another 130 bps–180 bps to reach the upper end of their implied fair value range in the United States and Germany. Some regions offer more value, but domestic and currency risks need to be considered. In most cases, we recommend waiting for more attractive US Treasury valuations—given global spillover effects—before extending duration risk.

Overall, we anticipate that bonds will outperform cash in most major markets—supported by steeper yield curves—and should maintain their defense role in a downturn. However, since current bond yields are not especially attractive relative to our fair value estimates, we recommend maintaining allocations at policy levels, and keeping duration risk closely aligned to benchmarks.

⁵ Please see Thomas O'Mahony, "Long Bond Performance Does Not Signify an Impending Debt Crisis," Cambridge Associates LLC, October 2025.

Investors should overweight global ex US equities in 2026

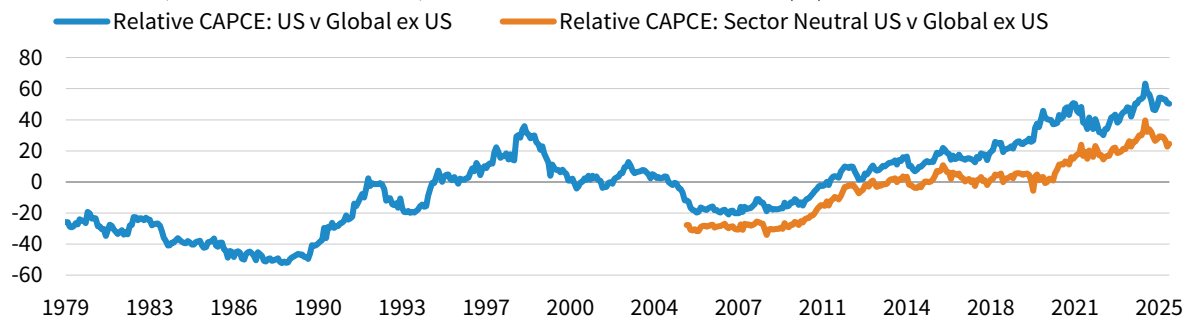
by Thomas O'Mahony

Global ex US equities have outperformed US equities by 4.4 percentage points (ppts) in local currency terms so far in 2025 and by 11.2 ppts in USD terms. We believe that conditions are in place to see that outperformance trend continue in 2026 and we recommend that most investors modestly overweight global ex US equities from US equities. This view is founded on attractive relative valuations, improving regional growth catalysts outside the United States, and rising concentration within US equities.

There are two facets to the valuation proposition of overweighting global ex US equities from US equities, the first of which is the still-elevated valuation of the US dollar. As detailed earlier in this outlook, we expect the dollar to decline further in 2026. Despite some depreciation in 2025, the dollar remains 32% above its median real valuation based on current equity weights. While a declining dollar does provide some earnings uplift for US equities via the translation impact on their non-US earnings, the overall net impact should still be a headwind for the performance of USD-denominated assets when translated into other base currencies.

Valuations of US equities are toward historical highs

December 31, 1979 – November 30, 2025 • Deviation from median (%)



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

Notes: Global ex US is represented by the MSCI World ex US Index from December 31, 1979, through September 30, 2005, and by the MSCI ACWI ex US Index thereafter. 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. Sector-neutral valuations assign equal sector weights to both the US and global ex US regions.

The second leg of the valuation argument rests on the historically rich relative valuation of US equities. As of the end of November, the cyclically adjusted price-to-cash earnings (CAPCE) ratio of the MSCI US Index was 2.2x greater than that of the MSCI ACWI ex US Index, representing a 50% premium above their long-run median relative valuation. Of course, a portion of this is attributable to the greater weight of more profitable tech stocks in the US index, which justifies a higher valuation. However, the broad valuation point remains valid even when looked at from an equal-sector weighted basis, whereupon the relative CAPCE is 25% higher than its median value. Valuations are powerful predictors of returns in the long run. Though their usefulness in forecasting short-run returns is weaker, they nonetheless succinctly express where pockets of both opportunity and risk may lie.

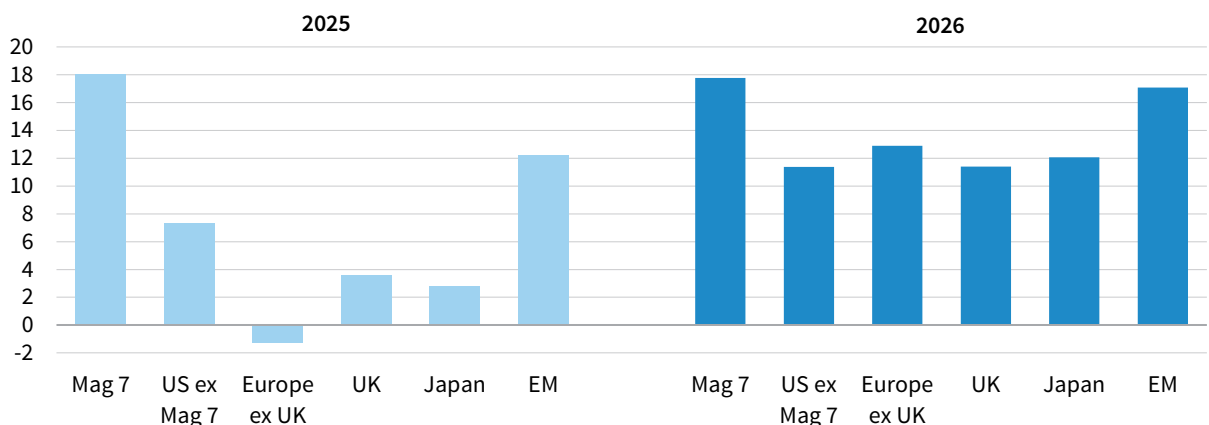
The global ex US category is not, of course, a monolith, but rather a diverse grouping of countries with distinct drivers. In Europe, while underweights to the high-performing IT and communications services sectors were a headwind to performance, financials—the region’s largest weighting—outperformed every sector of the ACWI. This outperformance was significantly aided by rate cuts delivered in the region and the resultant steepening of yield curves. Nonetheless, a significant valuation discount persists versus the United States. With lending data to both the household and corporate sectors picking up, this outperformance should have further to run in 2026. Indeed, the intention of Germany, Europe’s recent laggard, to materially increase fiscal spending should lift all boats to an extent in 2026, even as certain peripheral economies, such as Spain, have performed strongly.

Meanwhile, in Japan a coordinated push for enhanced corporate governance is ongoing, led by the Tokyo Stock Exchange (TSE). Its initiatives emphasize improving capital efficiency, pushing companies with low price-to-book ratios to disclose credible improvement strategies, and unwinding legacy cross-shareholdings. This has prompted an increase in shareholder returns through share buybacks and dividends. Concurrently, the nation appears to be emerging from its multi-decade disinflationary environment, with a virtuous wage/price dynamic gaining traction. This, alongside a tight labor market, is bolstering nominal wage growth, providing a tailwind for domestic consumption and nominal equity prices. Expectations of further fiscal easing from new Prime Minister Sanae Takaichi should also support these themes.

Emerging markets (EM) economies stand to particularly benefit from a continued decline in the dollar. A weaker greenback generally eases EM debt burdens, creating space for governments to use fiscal policy to support growth. Stronger local currencies also curtail imported inflation, allowing domestic central banks to run less restrictive monetary policy. Emerging markets should also benefit from a likely continued, if gradual, decline in trade tensions.

Analysts expect EPS growth outside the US to rebound in 2026

As of November 30, 2025 • EPS growth estimate (%)



Sources: Bloomberg L.P., I/B/E/S, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided “as is” without any express or implied warranties.

Notes: “Mag 7” and “US 500 ex Mag 7” reflect earnings growth estimates for the Bloomberg Magnificent 7 and Bloomberg 500 ex Magnificent 7 indexes, with EPS growth estimates sourced from Bloomberg. All other regions and countries are based on MSCI indexes, using IBES EPS growth estimates. Japan calendar year growth estimates represent data from March through the next 12-month period.

The earnings per share (EPS) growth of the US equity market is on course to thoroughly outstrip that of most other global equity markets in 2025, aided especially by the growth generated by the Magnificent 7 companies. It is perhaps unsurprising that a wide valuation differential can persist in such an environment. However, if the currently forecasted convergence in EPS growth rates across regions occurs in 2026, valuations outside the United States will look much more appealing by comparison and price pressures will emerge to narrow the value gap. EPS growth in 2025 also highlights the potential vulnerability of US equities to weakness in the tech sector (and tech-adjacent industries), with concentration risk having increased significantly, as discussed earlier in this outlook. As a result, earnings disappointment could result if headwinds impact just a handful of firms. Furthermore, the exposure of US equities to a narrow slate of sectoral drivers, particularly the AI story, increases the idiosyncratic vulnerability of the index to a dampening of enthusiasm toward that theme.

Of course there are risks surrounding this view. In the first instance, it could transpire that the US economy proves more resilient than we expect. Secondly, leading US companies in high-growth industries could maintain strong financial and competitive positions, particularly if optimistic projections regarding AI adoption are validated, attracting further investor capital. Nonetheless, we view the cumulative probability of these scenarios as being less likely than the alternatives. As a result, we expect global ex US equities to outperform US equities in 2026.

Investors should overweight developed markets small-cap equities in 2026

by Sean Duffin

Both US and non-US DM small-cap equities are positioned to outperform their larger-cap counterparts in 2026, supported by a convergence of attractive valuations, solid fundamentals, and favorable macro and policy dynamics—though the relative influence of these factors varies between the two blocs.

The outlook for small-cap equities is shaped by several key macroeconomic trends, most notably the ongoing realignment of the international trade order. The US tariff policy introduced in 2025 has primarily affected trade between the United States and other countries, rather than trade among non-US economies. The United States now runs an average effective tariff rate of 17%, compared with a rate around 2% at the start of 2025. With these barriers in place, small-cap companies in non-US markets may be better positioned to grow earnings, as their limited reliance on US consumers makes them less vulnerable to the potential negative effects of US tariffs than their large multinational counterparts.

Recent and ongoing policy actions further bolster the case for small-cap equities. In the United States, anticipated policy rate cuts could loosen credit conditions, benefiting small-cap companies that typically carry more debt than large caps. Newly enacted tax legislation—including more favorable interest expense deductions—could also support small-cap earnings. The 2025 One Big Beautiful Bill Act reverts the interest expense deduction calculation to EBITDA for all companies

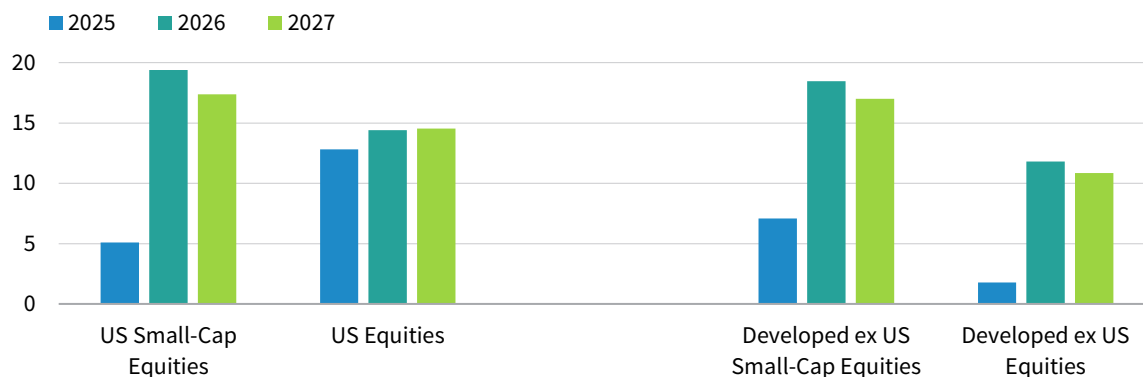
subject to the interest limitation rule, allowing most US small caps to deduct more interest expense. While the bill also raises the small business exemption threshold, this exemption applies only to the very smallest firms and does not affect the majority of US small-cap stocks, which are much larger by revenue. Efforts to revive domestic production may also favor small caps, depending on the success of these initiatives.

Outside the United States, recent policy initiatives also look supportive. In Europe, fiscal stimulus measures—such as those passed into law by Germany earlier in 2025—are expected to boost domestic demand and support smaller companies. Japan, which has a sizable number of small-cap companies, is implementing major industrial policy initiatives, including the Green Transformation plan and strategic support for semiconductors and supply chain resilience, and could also benefit from its shift to a more pro-business leadership regime.

Small-cap equities in both the United States and developed markets outside the United States are also trading at multi-decade discounts relative to mid- and large-cap peers, based on normalized price-earnings ratios. Despite these steep discounts, small-cap companies have not experienced the kind of fundamental deterioration that would warrant such low valuations. In fact, small caps have delivered resilient earnings growth compared to large caps, particularly outside the United States. Looking ahead, consensus estimates point to a meaningful acceleration in small-cap earnings growth across regions in 2026 and 2027, outpacing their larger-cap counterparts. This robust outlook suggests that current valuation discounts are not justified by fundamentals.

Small caps are expected to post healthy earnings growth in 2026

As of November 30, 2025 • Consensus earnings growth estimates (%)



Sources: Bloomberg L.P., I/B/E/S, MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. Third-party data provided "as is" without any express or implied warranties.

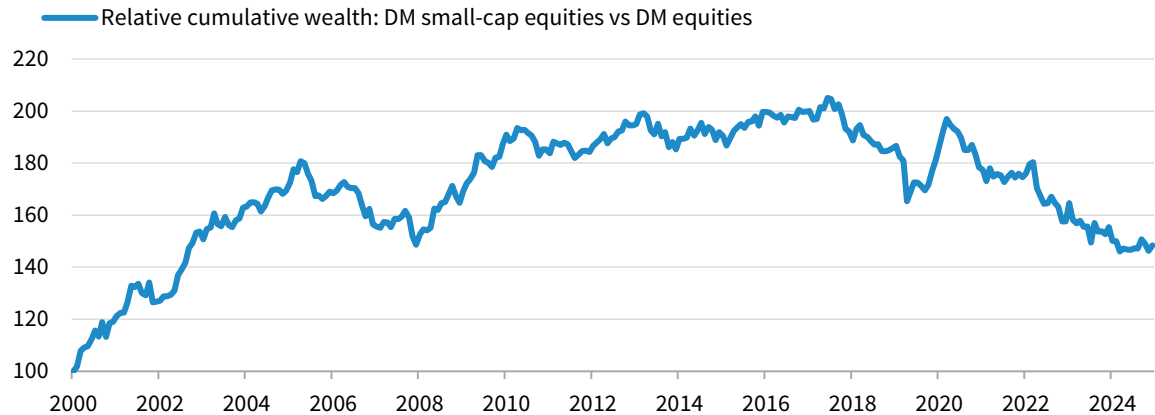
Notes: Asset classes are represented by the following indexes: S&P Small Cap 600® Index (US small-cap equities), S&P 500 Index (US Equities), MSCI World ex US Small Cap Index (Developed ex US small-cap equities), and MSCI World Index (Developed ex US equities).

Over the past 25 years, in aggregate, DM small caps have delivered an average annual excess return of 1.7 ppts over large caps, primarily driven by strong performance from the end of the tech bubble in 1999 through 2011. This period was marked by robust performance in the industrials, materials, and financials sectors. After a prolonged era of mega-cap tech dominance, investor appetite could very well broaden. Small caps' greater representation in sectors, such as

industrials and materials, positions them to benefit from trends like reshoring, supply chain diversification, and industrial policy—particularly in Europe and Asia. The higher domestic revenue exposure of small caps, which previously insulated them from global trade frictions and currency volatility, remains a relevant advantage amid ongoing geopolitical uncertainty.

Small caps have not sustainably outperformed in more than a decade

December 31, 2000 – November 30, 2025 • US Dollar • Rebased to \$100



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

Notes: DM small-cap equities are represented by the MSCI World Small Cap Index (Net), while DM equities are represented by the MSCI World Index (Net). Past performance is not a reliable indicator of future results. All financial investments involve risk. Depending on the type of investment, losses can be unlimited.

Taken together, the outlook for US and non-US DM small-cap equities is compelling. Wide and unjustified valuation discounts, prospects for stronger earnings growth and multiple expansion, supportive macro and policy tailwinds, and favorable sector dynamics all point to significant outperformance potential in the coming year.

Investors should overweight Latin American equities in 2026

by Capital Markets Research

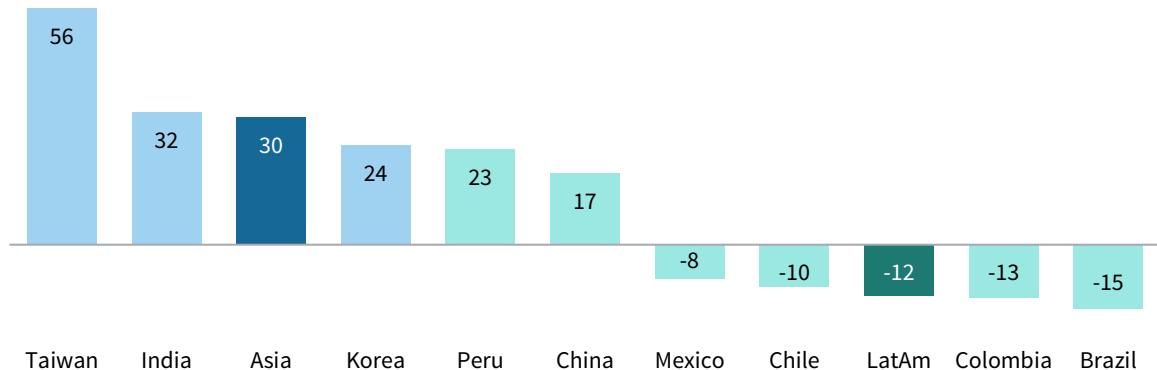
EM equities have performed strongly in 2025 and are on track to outperform developed markets for the first time in five years. While gains have been broad-based, Latin America (LatAm) stands out, delivering a 53% year-to-date return and outpacing other major EM regions. We expect LatAm offers further outperformance potential, supported by deeply discounted equity and currency valuations, solid momentum, and improving macroeconomic conditions.

The broader EM equity outlook is more constructive than in recent years, driven by two key factors: a weakening US dollar and the Fed’s renewed rate-cutting cycle. Although the US economy is slowing and the labor market has softened, a recession is not our base case. Historically, non-recessionary rate-cutting cycles have provided a favorable backdrop for EM stocks. This environment supports our recommendation to overweight global ex US equities (including emerging markets) relative to the United States, with a particular preference for LatAm within emerging markets.

LatAm has been underappreciated for many years, with absolute valuations near 20-year lows. Relative to broader EM equities, LatAm now trades at a near record 51% discount, largely due to a sharp divergence from Asia, where valuations have climbed significantly. This de-rating in LatAm reflects factors such as currency depreciation, commodity price weakness, slower economic growth, and political volatility. However, improvements in these areas could set the stage for stronger performance in LatAm equities.

LatAm equities trade at steep discounts relative to their history

As of November 30, 2025 • Percent deviation from 20-yr median



Sources: I/B/E/S, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: The composite valuation measure represents the average percent deviation from the 20-year median for the P/B ratio, 12-month forward P/E ratio, cyclically adjusted price-to-cash earnings (CAPCE), and cyclically adjusted price-earnings (CAPE). CAPCE and CAPE are based on the trailing five-year average of real earnings per share. Cash earnings are defined as net income from continuing operations plus depreciation and amortization. Inflation data are as of October 31, 2025. Past performance is not a reliable indicator of future results. All financial investments involve risk. Depending on the type of investment, losses can be unlimited.

LatAm currencies are attractively valued, with real exchange rates versus the US dollar 11% below their 20-year median. This provides a potential tailwind as global capital seeks undervalued assets amid a weakening US dollar. Additionally, technological innovation—particularly the buildout of AI infrastructure—is likely to increase demand for raw materials, benefiting commodity exporters. As the most commodity export-oriented region within emerging markets, we believe LatAm stands to gain from this trend.

Regional policy dynamics further support economic activity. While interest rates remain elevated, inflation is moderating toward central bank targets, and leading indicators point to continued cooling. As the US Fed eases monetary policy, LatAm central banks may soon follow, which could further stimulate growth. Looking ahead, major elections in 2026—most notably Brazil's presidential race—could bolster fiscal policy, as spending typically rises in election years.

Performance momentum also makes the region's entry point compelling. Relative equity performance momentum has rebounded from oversold levels in late 2024, and since then, LatAm equities have outperformed broader EM equities by 11 ppts. Historically, in the six previous cycles of LatAm outperformance, the region has exceeded emerging markets by a median of 84 ppts cumulatively, with cycles typically lasting about three years. If this marks the start of a new cycle, further upside may lie ahead.

The balance of risks to the earnings outlook continues to favor LatAm. The region is relatively insulated from US trade policy, benefiting from some of the lowest effective US tariff rates, unlike EM Asia, where large trade surpluses have attracted scrutiny from the Trump administration. Additionally, LatAm companies generate a greater share of revenues from markets outside the United States compared to their Asian peers.

The tariff front-running tailwind that boosted global trade in 2025 is expected to fade, with the World Trade Organization projecting global merchandise volume growth to slow to just 0.5% in 2026. This poses a significant downside risk to Asia's earnings outlook, where analyst expectations for EPS growth of 19% appear elevated. In contrast, the consensus for LatAm is more measured, with analysts forecasting EPS growth of 5%, compared to a 9% average annualized rate over the past decade. Increasing LatAm exposure within a broader EM allocation can help mitigate Asia's vulnerability to policy-driven headwinds.

Slowing global trade volumes will weigh on EM Asia EPS growth

As of November 30, 2025 • Percent (%)



Sources: CPB - Netherlands Bureau for Economic Policy Analysis, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Trade volume data are as of September 2025. The chart shows trade growth, measured by the CPB World Trade Balance Index, as a leading indicator of MSCI EM Asia Index EPS growth. For example, the December 2024 data point reflects year-over-year trade volume growth through December 2024, compared to year-over-year EPS growth for June 2025.

Risks remain, including political uncertainty, fiscal and debt pressures, limited exposure to technology and AI, and the potential for weaker remittances if US growth slows more than expected. However, shifts in some of the structural themes that have hampered LatAm equities in recent years suggest that current valuations offer a compelling margin of safety, already reflecting many of these concerns.

Investors should revisit private portfolio exposures amid a morphing market in 2026

by Andrea Auerbach

While the last year has been one of recovery for the private markets, the aftershocks of the 2021 era continue to reverberate, with both the distribution drought and concomitant fundraising slowdown expected to extend their four-year runs into 2026. We believe the private markets have now troughed and the recovery phase is underway amid an evolving market structure that demands fresh thinking from institutional investors and sophisticated families.

Let's start with the secondary market, which we believe will continue to develop in 2026. Why? Because in this extended distribution drought, investors from all sides have been taking liquidity matters into their own hands. Many limited partners (LPs) have entered the secondary market as first-time sellers and general partners (GPs) have expanded the use of continuation vehicles (CVs). In fact, CVs are estimated to represent at least 20% of distributions in 2026 as LPs overwhelmingly opt for the "sell" option rather than roll. Manufacturing liquidity is one reason secondaries transaction activity has hit an all-time high in 2025, and we expect this trend to continue into 2026. Secondaries activity makes up less than 5% of all private market activity, which leaves a lot of room for expansion. With a pattern of earlier distributions and an early return bump, secondaries are likely to become a base layer in private market portfolios to offset unexpected primary fund investment return (and cash flow) volatility like we have recently experienced.

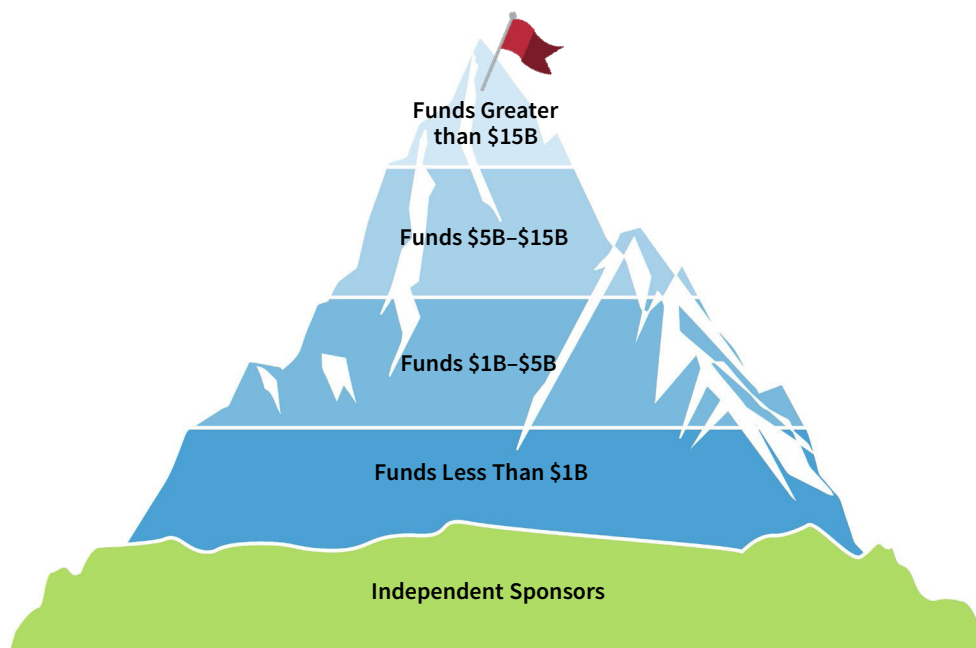
Individual investor capital will continue to replace or augment institutional capital in 2026. The institutional fundraising drought, which troughed in 2025 at a mere one-third of 2021 volumes, may have even been an unwitting accelerant in efforts to open the private markets to individual investors through varying outlets—including fund investment platforms, evergreen funds, interval funds, and defined contribution or similar program inclusion—as managers seek to diversify away from institutional sources of capital. The emerging individual investor class is participating through vehicles that imperfectly overlap with institutional investor structures yet invest in the same securities. Investment outcomes and implications will continue to reveal themselves in the coming year, and institutional investors and sophisticated families could benefit from positioning exposures to benefit from this surge or, at the very least, be somewhat insulated based on where capital is being collected.

The rise of the individual investor is accelerating the market bifurcation we first observed in 2019. Mega-managers, namely those who have expanded, acquired, or partnered to offer a range of private market investment options, are best positioned to capture the flag in the race for retail capital. These mega-managers, many of which are publicly traded, may indeed amass the lion's share of aggregate investor capital, and, as a consequence, their role in a private investment portfolio will likely morph into something different as they manage multiples more capital than the rest of the market; institutional investors and sophisticated families will need to rethink the megas' role in portfolios.

By our estimate, the institutional private market is only in its fifth decade, and many of the changes and shifts echo the evolution of other investment markets, with much of the morphing happening in the upper elevations as fund sizes continue to climb. The key in 2026 is to begin to

adapt to these changes in market structure. Actively consider the use of secondaries in a portfolio, determine how to invest advantageously around or into the individual investor wave, and tier private market exposure to capitalize on both return and diversification, given the concentration of returns in other markets.

The race to the retail investor summit is on



Source: Cambridge Associates LLC.
For illustrative purposes only.

Investors should moderate commitments to seed-focused venture capital strategies in 2026

by Zach Gaucher

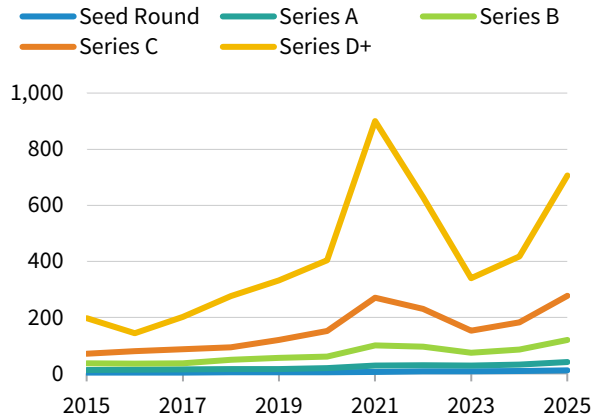
Early-stage-oriented venture capital programs have historically delivered the asset class's best risk-adjusted returns, and we expect that to continue. However, for most investors in 2026, we advocate for limiting new commitments to exceptional pre-seed and seed-stage-focused strategies, given the maturation of the seed asset class, heightened early-stage valuations, and the elevated bar to go public.

As has been clear for some time, venture is no longer a cottage industry. More than 4,200 venture funds have been raised in the United States since 2022, many of which are pre-seed and seed-stage funds with less than \$100 million of committed capital, according to Pitchbook. Even as mega funds—those larger than \$1.0 billion—make up 40% to 60% of the total commitments raised over the same time period according to Cambridge Associates, there continues to be a proliferation of smaller seed funds.

The growth of seed funds has helped to support a thriving ecosystem resulting in more than 5,000 seed stage rounds each year since 2022.⁶ However, this activity—combined with larger, multi-stage firms moving into the ecosystem—has pressured valuations. While valuations are heightened across stages, seed valuations did not reset following the activity in 2020 and 2021 and have marched steadily upward.

VC valuations broadly march upward, early-stage valuations have risen above 2021 peak

2015–25 • US\$M

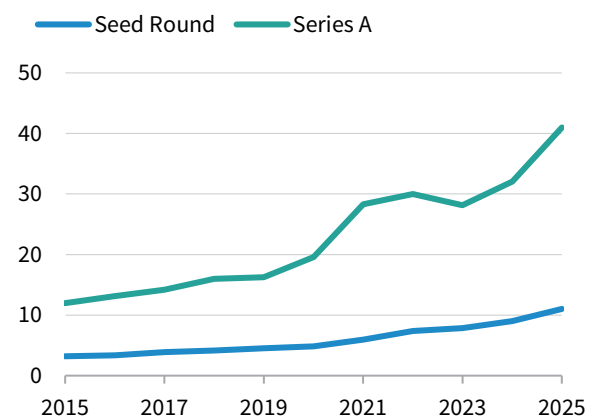


Source: PitchBook Data, Inc.

Note: Data for 2025 are through November 30.

Pre-money valuations continue to rise in earlier stages

2015–25 • US\$M



The “private for longer” dynamic compounds the challenges facing current seed-stage investors. As average hold periods extend, and the bar to go public or achieve significant M&A becomes more elevated, winners may become rarer and more consequential for the asset class. Of note, in the 21 recent venture-backed technology IPOs we track, these companies had median last 12-month (LTM) revenue of \$537 million, LTM revenue growth of 31.4% and scored 32.6% on the Rule of 40.⁷ Of course, we would be remiss to ignore that the majority of realizations for the asset class have been driven by M&A, but a healthy IPO market is the barometer by which the asset class is often judged.

For a seed manager investing in ten to 20 companies per year, allocating to a company that will reach today’s IPO scale reflects an out of the money option, given the more than 5,000 inception stage rounds that have occurred annually in recent vintages. Even getting to Series A remains an uncertain endeavor—just 15.5% of seed companies funded in first quarter 2023 had raised a Series A as of first quarter 2025.

The industry’s Power Law dynamic, which denotes that a small percentage of outcomes carry the industry’s returns, continues to play out in real time. Indeed, according to Cambridge Associates data, nearly 90% of the asset class’s value has been driven by the top 10% of companies. With

⁶ According to third quarter 2025 Pitchbook data, an average 5,997 seed and pre-seed deals were completed each year between 2022 and 2024.

⁷ The Rule of 40 is defined as the LTM revenue growth rate plus the LTM EBITDA margin.

these odds, allocators should be judicious in manager selection—pre-revenue, AI-focused seed funds may capture the zeitgeist but may not capture the Power Law. Allocators should commit to only exceptional seed managers and recognize that many new funds have similar profiles, with GPs often having strong operating or founding experience or spinning out of established firms resulting in a highly competitive, if somewhat undifferentiated dynamic.

LPs should be mindful that “missing” the Power Law winners can result in a venture program that underperforms expectations. While we are cautious on seed funds today, they have a role in venture programs. In other words, investors would be best served by thoughtfully committing to funds across the spectrum of stages, particularly when exceptional opportunities exist. Doing that will increase the odds that LPs can capture Power Law winners that slip through the grasp of earlier-stage managers.

Investors should lean into hedge funds in 2026

by Sean Duffin

Hedge funds remain a vital part of diversified portfolios, and building resilience requires a thoughtful mix of strategies. In today’s environment—marked by elevated dispersion, low correlations, and ongoing policy uncertainty—equity long/short (ELS) managers are especially well positioned. Advances in AI and persistent tariff-related disruptions have driven pronounced outperformance in select sectors, notably technology and communication services, resulting in significant gaps between winners and laggards. Skilled ELS managers can exploit these market inefficiencies and others through both long and short positions, offering the potential for attractive risk-adjusted returns. Given these considerations, investors should consider leaning more than typical into ELS—either through portfolio rebalancing or by adding a new position—as part of a well-diversified hedge fund strategy mix.

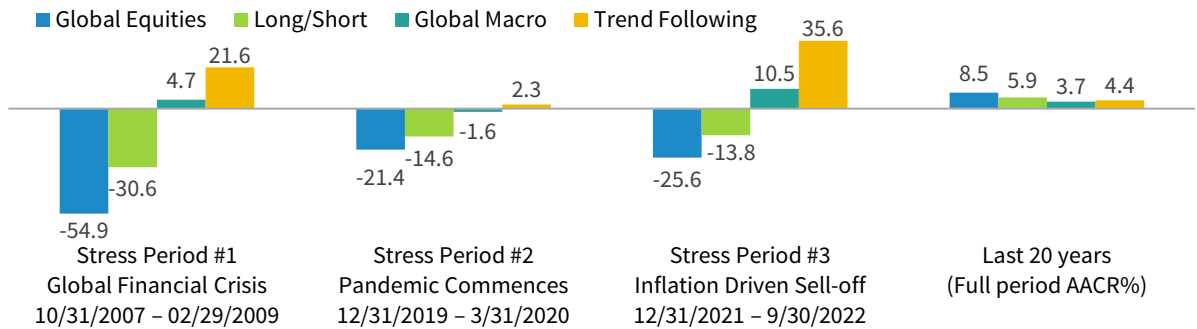
The investment landscape is being shaped by a complex interplay of macroeconomic and geopolitical forces, including tariff-related uncertainty, sticky inflation, and evolving labor market dynamics. These crosscurrents are creating opportunities for nimble hedge fund managers. Global macro and other absolute return strategies are well positioned to navigate these challenges, given their flexibility across asset classes and regions. Yet, what distinguishes the current environment is the pronounced sector dispersion and volatility driven by technological innovation and policy shifts—conditions that are particularly favorable for ELS managers, who can capitalize on both broad market trends and stock-specific inefficiencies.

Hedge fund strategies offer distinct trade-offs for investors navigating the uncertainties of 2026. While a recession is not our base case scenario, the potential for episodic volatility and policy-driven market disruptions remains elevated. ELS approaches provide a practical way to position for this environment, offering reasonable defensiveness without sacrificing significant growth potential. Over the last 20 years, ELS strategies have captured about 70% of the equity market’s total gain but have lost roughly half as much as broader equity markets during major drawdowns. In contrast, more defensive hedge fund strategies such as trend-following and global macro have excelled during sustained market stress, providing diversification and crisis alpha, though these

strategies have significantly lagged equity markets over the long term. By combining ELS with these and other defensively oriented strategies in a diversified hedge fund allocation, investors can position portfolios to participate in market upside, while maintaining robust protection against extended periods of volatility or unexpected downturns.

Certain hedge funds have offered better downside protection, but sacrifice upside capture

As of October 31, 2025 • Percent (%) • US dollars



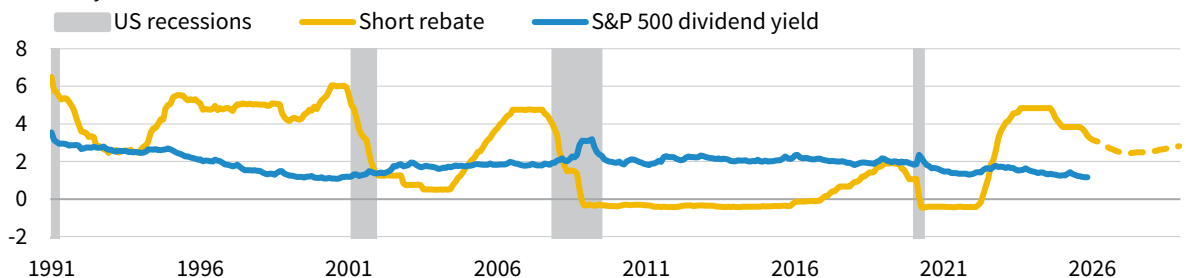
Sources: FactSet Research Systems Inc., Hedge Fund Research, Inc., MSCI Inc., Societe Generale, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Asset classes are represented by the following indexes: MSCI ACWI Index (Net) (Global equities); HFRI Equity Hedge (Total) Index (long/short hedge funds); HFRI Macro (Total) Index (global macro hedge funds); and Societe Generale Trend Index (trend following). Crisis periods reflect cumulative returns during three episodes when global equities declined at least 20% (peak-to-trough, monthly data). Last 20 years shows annualized returns. Past performance is not a reliable indicator of future results. All financial investments involve risk. Depending on the type of investment, losses can be unlimited.

Another supportive factor for hedge funds that short securities is the current level of interest rates, which has increased the short rebate—the interest earned on cash collateral from short sales. While this is a structural feature of the strategy rather than a source of manager alpha, it does provide a tailwind for funds employing short positions, boosting baseline returns compared to the low or negative rate environment of 2010–21. As long as rates remain elevated, this dynamic should continue to benefit hedge funds with meaningful short exposure.

Short rebate should remain favorable, even if anticipated rate cuts materialize

January 31, 1990 – December 31, 2028 • Percent (%)



Sources: CBOT, Federal Reserve, and Thomson Reuters Datastream.

Notes: The short rebate is calculated as the effective fed funds rate less a 50-bp spread. Short rebate and dividend yield figures represent rolling monthly averages. The dashed line indicates short rebate expectations derived from Fed funds futures.

While we recommend leaning into ELS strategies, given current market dynamics, it remains essential to prioritize manager quality and ensure each allocation fits within the broader portfolio. Investors should avoid over-concentration in any single strategy or style and align allocations

with overall portfolio risk and objectives—whether adding risk or protecting capital. For taxable clients, selecting managers that actively consider tax implications and demonstrate a track record of tax-aware trading can further enhance after-tax outcomes.

Leaning into hedge fund strategies in 2026 is prudent for investors seeking both performance and protection. ELS strategies are especially well positioned, given current market dynamics, but a diversified approach that includes other defensive hedge fund strategies remains critical for portfolio resilience. By focusing on high-quality managers and strategic fit, investors can harness the diversification benefits that hedge funds provide—helping portfolios remain resilient and adaptable amid today’s market uncertainties.

Investors should underweight public corporate credit in 2026

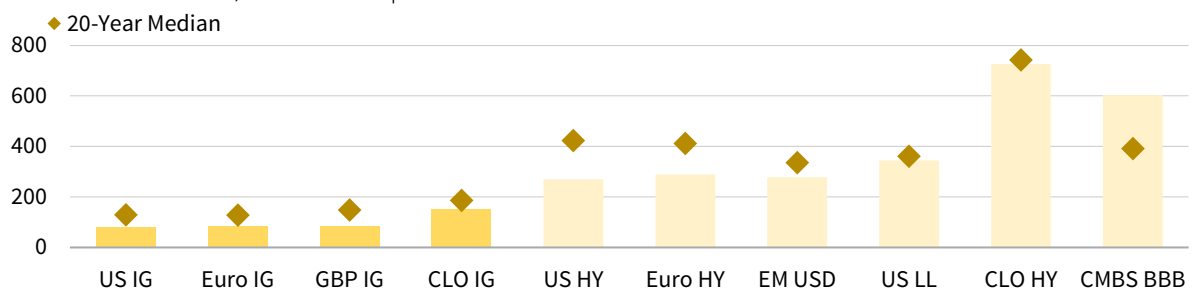
by TJ Scavone

At present, the public credit universe offers few compelling opportunities. While returns have been solid and fundamentals remain sound, public credit is increasingly a one-sided trade. Spreads for both investment-grade and high-yield corporates are near historic lows, and the economic backdrop is turning less supportive. We see potential for spreads to widen in 2026 and beyond, and as a result, we favor higher-quality spread products that offer better relative value and more diversified return streams.

US investment-grade corporate bonds returned 6% annualized over the trailing three years as of November 30, and US high-yield bonds returned 10%. These strong returns were driven by high starting yields and a significant narrowing in credit spreads—down 52 bps for investment-grade and 179 bps for high-yield. The tightening in spreads, a pattern that was evidenced across most regions and instruments, was justified by robust economic and earnings growth, resilient corporate fundamentals, and subdued issuance, but yields are now less compelling, and spreads are historically tight across public credit.

Option-adjusted spreads are tight across public credit

As of November 30, 2025 • Basis points



Sources: Bloomberg Index Services Limited, J.P. Morgan Securities, Standard & Poor’s, and Thomson Reuters Datastream. Third-party data provided “as is” without any express or implied warranties.

Notes: Asset classes are represented by the following indexes: Bloomberg US Agg Corp (US IG); Bloomberg Pan-Euro Agg Corp (Euro IG); Bloomberg Sterling Agg Corp (GBP IG); J.P. Morgan CLOIE IG (CLO IG); Bloomberg US Corp HY (US HY); Bloomberg Pan-Euro HY (Euro HY); J.P. Morgan EMBI Global Diversified (EM USD); S&P UBS Leveraged Loan (US LL); J.P. Morgan CLOIE HY (CLO HY); and Bloomberg US CMBS BBB (CMBS BBB). CLO IG and CLO HY data begin December 2011.

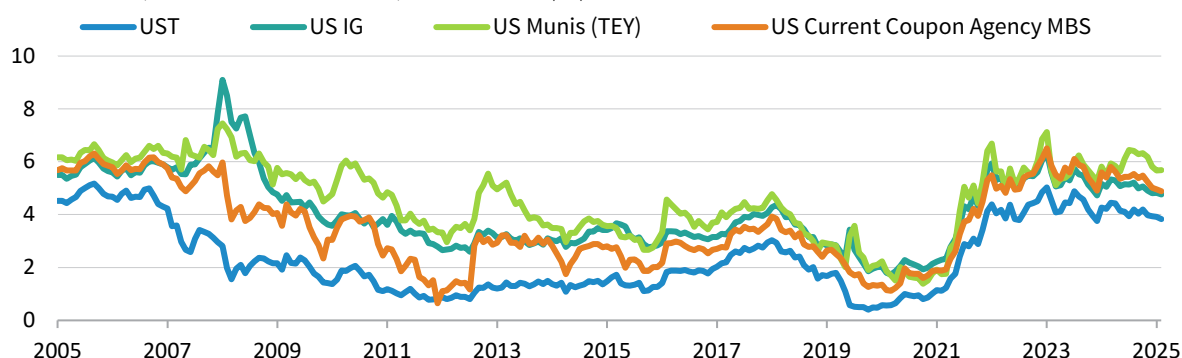
While spreads could drift lower in the near term, upside for public credit is limited and downside risks have increased. The environment is more fragile, with slowing growth and emerging stress in the labor market and among low-income consumers and select corporate borrowers, highlighted by recent high-profile defaults. Riskier assets look increasingly vulnerable after the sharp run-up in equity valuations, as discussed earlier in this outlook, and the potential for slower growth and elevated costs could pressure corporate earnings and margins. Although material spread widening is not our base case, the credit cycle is maturing and risks favor wider spreads, supporting an underweight stance in public corporate credit within core fixed income.

Despite expensive public credit markets, select spread products offer compelling relative value. We favor US agency mortgage-backed securities (MBS)—particularly higher-yielding current coupons—and US municipal bonds (munis). We believe current coupon MBS are higher quality and well positioned to outperform if spreads widen, providing defense without sacrificing yield. Notably, current coupons (4.9%) now yield more than corporates (4.8%). Historically, at these levels, current coupons have outperformed corporates 62% of the time over the next two years, with returns ranging from -3% to 11% per year. Their spreads, unlike corporates, remain above historical lows with room to tighten as rate volatility subsides. Although rate volatility has declined since its recent peak, it remains somewhat elevated. With quantitative tightening ending and further modest rate cuts likely once tariff-related inflation pressures ease, there is scope for both volatility and MBS spreads to compress further, supporting returns.

Munis also offer attractive relative yields for taxable investors. For high-tax-bracket US families, munis have consistently delivered stronger after-tax returns than Treasury bonds and corporates. After adjusting for taxes, the yield advantage for munis is unusually wide—currently about 185 bps versus Treasury bonds and 93 bps versus corporates, among the widest taxable-equivalent spreads since the Global Financial Crisis, excluding isolated stress periods. Many taxable investors reduced muni holdings over the past decade, favoring Treasury bonds or, in some cases, even reaching for yield in credit, as low yields limited their tax advantage and valuations were less compelling. That is no longer the case, and the current environment favors shifting back toward munis at the margin.

Select higher-quality spread products have offered higher yields than IG corporates

October 31, 2005 – November 30, 2025 • Yield (%)



Sources: Bloomberg Index Services Limited, ICE BofA Merrill Lynch, and Thomson Reuters Datastream.

Notes: Asset classes are represented as follows: Bloomberg US Treasury Index (UST), Bloomberg US Corporate Investment Grade Index (US IG), Bloomberg US Municipal Bond Index [US Munis (TEY)], and ICE BofA US Current Coupon UMBS Index (CC Agency MBS). TEY denotes taxable-equivalent yield, which adjusts the municipal bond yield to reflect the historical income tax rate applicable to high tax bracket individuals.

Against this backdrop, it is important to recognize that public credit markets overall offer limited upside and heightened downside risk as spreads remain tight and the economic outlook softens. In this environment, we recommend a defensive posture within core fixed income, emphasizing higher-quality, more resilient sectors, with attractive relative value. US current coupon agency MBS and municipal bonds stand out for their relative yield advantage and diversification benefits. For those investors for whom these investments are appropriate, focusing on them may help position portfolios for more balanced risk-adjusted returns in 2026.

Investors should lean into private asset-based finance strategies in 2026

by Wade O'Brien

In 2026, credit investors face challenges such as expensive valuations, moderating growth and falling yields. Recent bankruptcies like First Brands and Tricolor also highlight the risk of weaker underwriting in at least some segments.⁸ We believe the solution is focusing on less correlated private credit strategies such as asset-based finance (ABF), insurance-linked securities, and litigation funding. Some of these strategies can be accessed via semi-liquid vehicles, freeing up illiquidity budgets for other parts of the portfolio.

Less correlated private credit strategies are attractive relative to expensive public credit assets. Strong demand has pushed spreads on assets like US high-yield and investment-grade bonds near the bottom decile of historical data, as we discuss elsewhere in this outlook. While demand across products is likely to be underpinned by yields near historical medians, returns are vulnerable if the pace of expected Fed cuts disappoints.

ABF funds offer investors the ability to diversify portfolios away from cyclical and expensive corporate lending. These funds lend against a variety of assets including consumer loans, real estate, and equipment leases. Underlying loans are less economically sensitive and have shorter maturities, allowing lenders to reprice them more quickly as conditions change. Accelerated cash return can also help investors concerned about slower distributions in other parts of their private portfolios. Recent bankruptcies have drawn attention to the ABF market, but were idiosyncratic, given the fraud and business practices involved. Still, they highlight the importance of careful manager selection, as both cases involved red flags that were ignored by markets. Fundraising by dedicated ABF funds has picked up but remains a fraction of the volumes seen in other private credit strategies.

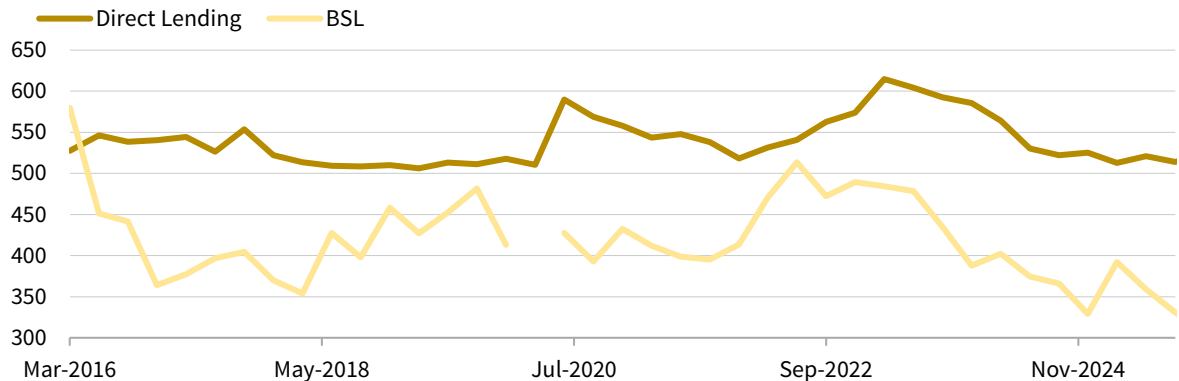
While direct lending funds are currently less attractive in our view than less correlated private credit strategies, they remain attractive relative to comparable public credits. Fed rate cuts and lower spreads will impact returns, but fundamentals have been stable and defaults limited. The biggest near-term challenge for direct lending funds is competition from both the syndicated

⁸ Please see Tom Stack, "Do the Recent Bankruptcies of First Brands and Tricolor Suggest Trouble Ahead in Private Credit?," Cambridge Associates LLC, November 2025.

loan market and retail-targeted vehicles. Semi-liquid retail funds, including private business development corporations (BDCs) and interval funds, had accrued around \$350 billion in assets by year-end 2024, a 60% increase in just two years. Reduced buyout volumes have cut supply and added to pressure on spreads, but resurgent M&A activity as rates decline and tariff uncertainty clears may help. Lower middle market lending funds, which offer higher spreads and better protections for lenders, are preferred to upper middle market.

Direct lending spreads have fallen but still offer premium over BSLs

March 31, 2016 – October 31, 2025 • Basis points

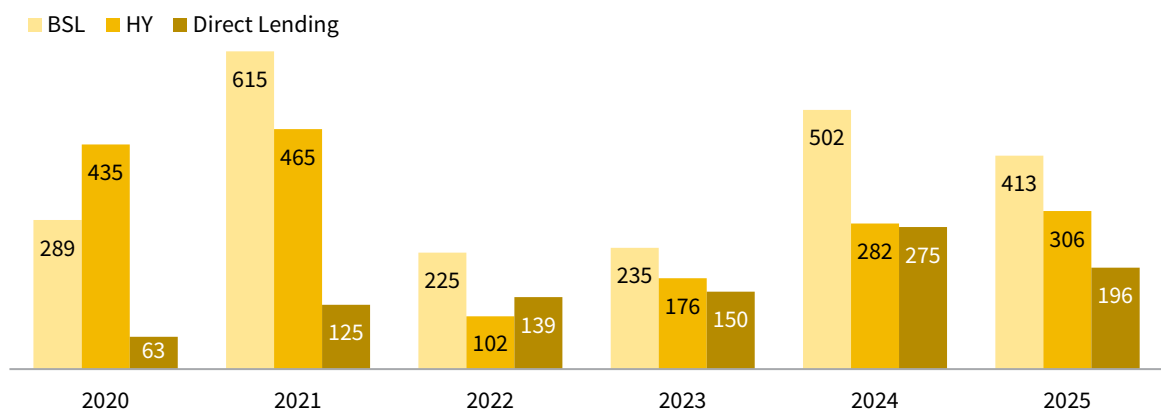


Sources: KBRA Analytics and ICE BofA Merrill Lynch.

Notes: Leveraged loan (BSL) and direct lending spreads are presented as discount margins. Data for BSL spreads is unavailable for March 2020. Direct lending and BSL spreads are sourced from ICE BofA prior to March 31, 2025; thereafter, data are sourced from KBRA. Spread data are reported quarterly, except for the most recent value, which are as of October 31.

2025 direct lending volumes are below last year's pace

2020–25 • USD billions



Sources: PitchBook | LCD and Standard & Poor's. Third-party data provided "as is" without any express or implied warranties.

Notes: BSL and HY data are as of November 26, 2025. Direct Lending data are as of October 31, 2025.

Investors can access direct lending and ABF via open-ended vehicles as well as traditional closed-end funds. Private BDCs and interval funds may charge higher fees but offer investors the ability to more frequently adjust exposures. Investors that can access lower fee institutional ever-green funds may find them an attractive substitute for liquid credit assets featuring low spreads and yields.

Other private credit strategies—such as royalties, litigation finance, and insurance-linked securities—also have appeal. They tend to have resilient income streams insulated from the economic cycle and less sensitive to corporate fundamentals. Returns for these strategies have compared favorably with other types of private credit in recent years. These markets require highly specialized expertise, making their return streams less vulnerable to rising competition or surging demand from retail-targeted offerings.

In summary, with public credit markets offering limited value and increased competition, investors should look to private credit—especially ABF and specialized strategies—for better diversification, resilience, and risk-adjusted returns in 2026.

Investors should lean into real asset secular themes in 2026

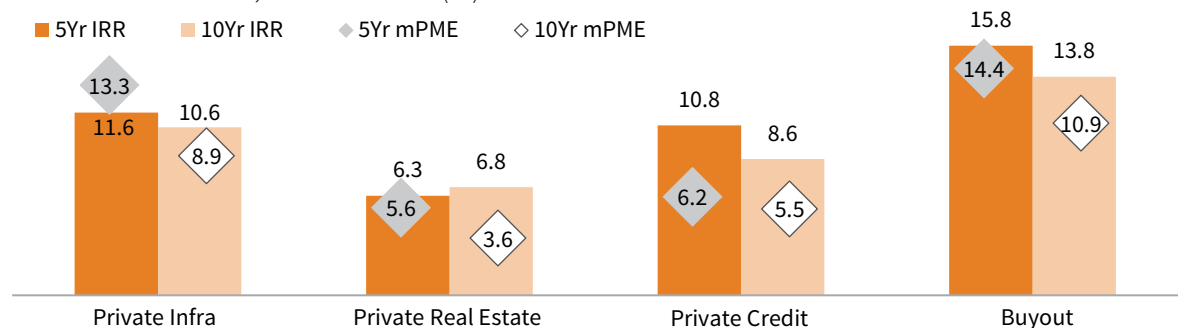
by Wade O'Brien

In 2026, investors should favor real assets that benefit from secular themes like digitalization, decarbonization, and demographics. However, as competition for these assets has driven up pricing, choosing skilled value-add managers who can develop projects and look beyond traditional plays is essential to unlocking high returns. Secondaries funds in both infrastructure and real estate are also attractive given access to high-quality assets at often favorable pricing.

Recent returns for infrastructure funds underline the dual role they can play both in generating absolute returns as well as protecting against inflation. Private infrastructure funds have generated annualized internal rates of return (IRRs) of around 11% over the last five and ten years. Returns have been even higher for skilled managers who capitalized on these secular themes, with value-add funds investing in areas like energy transition and data centers often outperforming generalist infrastructure funds and even some buyout strategies.

Private infrastructure returns have been strong

Periods Ended June 30, 2025 • Percent (%) • US dollars



Sources: Bloomberg Index Services Limited, Cambridge Associates LLC, FTSE International Limited, MSCI Inc., and Standard & Poor's. Third-party data is provided "as is" without any express or implied warranties.

Notes: **Past performance is not indicative of future results. All investments involve risk, including the potential for unlimited loss.** Private index returns are global and based on pooled horizon IRR calculations, net of fees, expenses, and carried interest, with IRR reflecting the timing and magnitude of fund cash flows. CA's Modified Public Market Equivalent (mPME) analysis models private investment performance using public market data by matching private fund cash flows to public index transactions. Asset classes are represented by the following indexes: S&P Global Infrastructure Index (Infra); FTSE® EPRA/NAREIT Developed Real Estate Index (Real Estate); FTSE® High Yield Market Index (Private Credit); and MSCI All Country World Index (Buyout).

Infrastructure valuations have risen for many assets, reflecting demand that has exceeded forecasts. For example, last year Grid Strategies predicted that US power demand could increase by 8% over the next five years, given surging data center demand, almost 3x the pace it had modeled just two years prior. Even when strong demand growth is well telegraphed, supply can struggle to respond. An aging US population will require between 35,000 and 45,000 new senior living units per year, but supply has fallen well short in recent years, given rising labor and financing costs.

Rising price tags for certain infrastructure assets favor funds developing new projects over those acquiring existing assets, though in some markets—such as US renewables—distressed sales will present opportunity. As partners in developing new projects, investors should carefully search for managers that bring specialized toolkits to the table. Developing complex assets like data centers requires navigating challenges like permitting, power supply, cooling, and scaling traditional designs to meet today's massive compute needs. Underwriting tenant risk is also important, as long-term contracts with deep-pocketed hyperscalers may prove more secure than short-term rentals with more speculative players. Diversified private infrastructure funds also can have an edge in identifying related plays, for example in the case of data centers identifying companies that generate and store power or help upgrade grids to connect these assets.

Global infrastructure funds are an attractive choice, given the diverse opportunities and varying valuations across markets. For example, publicly traded utilities in the United States fetch higher valuations than those in other markets, reducing their attractiveness as take-private candidates. Also, while data center capacity is expected to experience almost uniformly rapid growth across the United States, Europe, and Asia in future years, renewable growth in the United States may be slower due to recent policy shifts.

In real estate, as in infrastructure, we favor value-add managers focused on secular themes. Elevated valuations for core real estate assets limit the potential for price appreciation and reduce the appeal to lock-up capital. Instead, value-add strategies targeting themes such as demographics (e.g., senior housing) and digitalization (e.g., cell towers) are more compelling.

For investors seeking to accelerate portfolio deployment, secondary funds are worth considering, though the rationale for doing so varies across asset classes. Infrastructure secondaries can provide immediate access to cash-flowing assets, though at modest discounts. In contrast, real estate secondary stakes can offer substantial discounts, offering a margin of safety for assets with deteriorating fundamentals.

Looking ahead to 2026, real asset investors should stick with secular winners. While valuations have risen for some of these assets, partnering with private infrastructure and real estate funds that add value through design and operation can enhance return potential. Should economic growth disappoint or inflation surprise to the upside, these strategies should be supported by strong long-term fundamentals.

Investors should overweight California Carbon Allowances in 2026

by Celia Dallas and Justin Hopfer

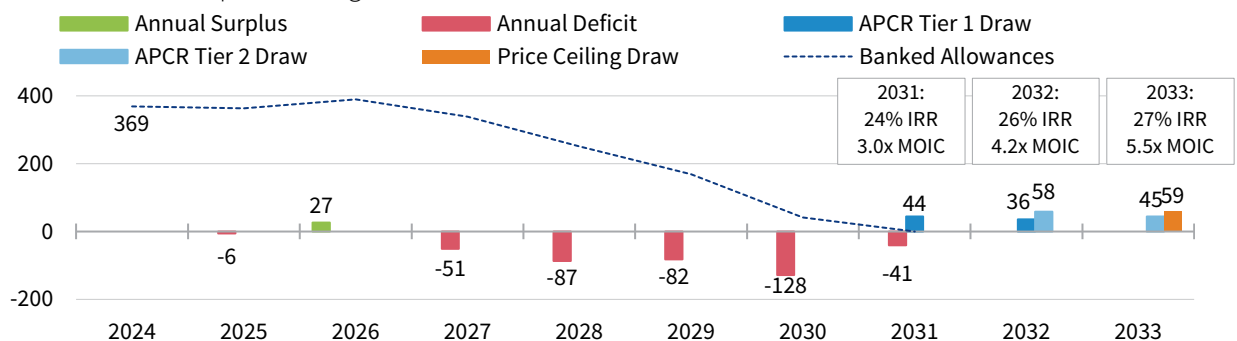
California's Carbon Allowances (CCAs)—permits issued under the state's cap-and-invest program—present an attractive investment opportunity relative to global equities. CCAs offer an asymmetric return profile: the program's price floor limits downside risk, while tightening supply, linkage with Washington state, and regulatory changes create significant upside potential. As the market transitions from annual supply surpluses to persistent deficits, we believe CCA prices are poised for accelerated appreciation. Current pricing offers an attractive entry point, with prices near the price floor, whereas global equities remain constrained by elevated valuations and index concentration.

California's cap-and-invest program, run by the California Air Resources Board (CARB), requires entities to surrender allowances equal to their emissions in three-year compliance cycles. Allowances are distributed through free allocation and quarterly auctions, with auction prices supported by a price floor and the Allowance Price Containment Reserve (APCR). The cap, a state-set limit on emissions, declines each year to meet climate targets by reducing free and auctioned allowances. Once prices reach containment tiers, CARB releases additional allowances from the APCR at set prices. After APCR units are depleted, CCAs can rise to the price ceiling. Price tiers rise annually by inflation plus 5%. Entities may “bank” allowances for future use and use carbon offsets, credits earned from emission-reduction projects, to meet part of their compliance.

Since 2019, the cap has decreased by 4% annually, while emissions have declined by 2%–3%, tightening supply relative to demand. Prices remain subdued, given the large bank of allowances, but as the cap tightens and these are depleted—projected by the early 2030s—prices should rise sharply. CARB's proposal to accelerate the annual cap decline would remove 118 million allowances from 2027 to 2030. This would likely drive the market into persistent annual deficits starting in 2027, ultimately exhausting banked supply by 2031 and supporting higher prices. Even without accelerated cap declines, deficits are projected to emerge by 2034.

Price pressures build as banked allowances are depleted

2024–33 • Annual draws from banked allowances, allowance price containment reserve (APCR) tiers 1 and 2, and price ceiling • Millions of allowances



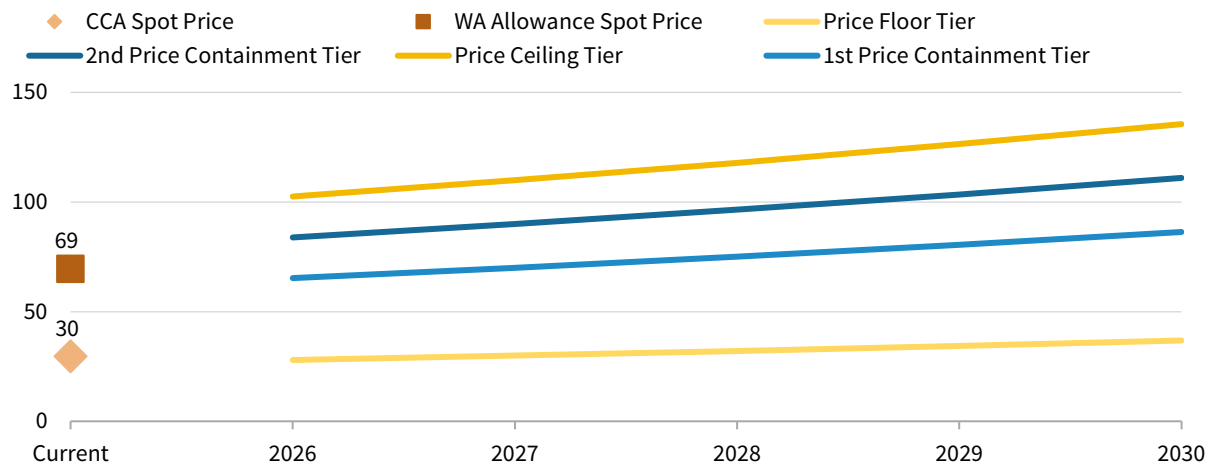
Source: Aetos Capital.

Notes: Banked allowances are the estimated cumulative surplus of CCAs in circulation, excluding APCR and price-ceiling instruments. Annual Surplus/Annual Deficit are net program balances for each year, defined as total available allowances minus expected compliance demand. APCR is a threshold at which additional allowances are made available as a hedge against higher costs. Price tiers increase by 5% plus inflation per year. It is assumed that 118 million allowances will be removed from 2027–30 budgets, in line with CARB's proposal on October 29, 2025.

Asset manager Aetos' base case scenario, with 118 million allowances removed through 2030, indicates the program could hit the first containment tier in 2031 and the second in 2032. Current CCA prices are \$30, with Tier 1 and Tier 2 prices estimated at \$96 and \$134 in those years, implying annualized returns of 24% over the next six to seven years. Across four managers, expectations range from banked allowances being depleted from 2031 and 2034, with projected IRRs of 24% to 14%, respectively. Furthermore, the anticipated linkage with Washington state's program, expected by 2027, would likely drive price convergence and support higher prices. Even in bearish scenarios, returns remain positive, as the price floor rises annually. This underscores CCAs' attractive, asymmetric risk/reward profile, especially compared to global equities, which face subdued return expectations as outlined earlier. For US taxable investors, CCAs also benefit from long-term capital gains treatment, enhancing after-tax return potential.

CCA prices trade near their floor, presenting an asymmetric risk/reward profile

As of November 30, 2025 • US dollars



Sources: Bloomberg L.P. and Thomson Reuters Datastream.

Notes: Spot prices are based on near-month futures contract prices. Price tiers increase annually by 5% plus inflation, as measured by the US TIPS 10-year breakeven rate. Price containment tiers are thresholds at which additional allowances are released to mitigate higher costs.

Despite compelling return potential, the thesis faces regulatory, political, and market volatility risks. An immediate concern is further implementation delay, especially after the program extension to 2045 took longer than expected. Next steps—Initial Statement of Reasons (ISOR) publication and rulemaking—must be completed before the October 2026 issuance of free allowances to enable accelerated allowance removals and deplete banks allowances. Recent federal executive orders have also prompted legal challenges, creating ongoing litigation and regulatory uncertainty as a tail risk. Nevertheless, the program has withstood past legal challenges and enjoys strong state support, reinforced by its fiscal contributions—\$33.7 billion since inception.

The investment case for overweighting CCAs remains strong as the market shift from surplus to persistent deficit. Prudent position sizing is essential, given political and regulatory risks, lower liquidity, and event-driven volatility. Overall, CCAs offer differentiated return and diversification potential, with significant upside relative to global equities if anticipated catalysts are realized. ■

INDEX DESCRIPTIONS

Bloomberg 500 ex Mag 7 Index

The Bloomberg 500 ex Mag 7 Index is a market capitalization-weighted equity index that tracks the performance of the largest 500 US companies, excluding the so-called “Magnificent 7” stocks (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla). The index is designed to provide a representation of the broader US equity market, while removing the outsized influence of these seven large-cap technology companies.

Bloomberg Magnificent 7 Index

The Bloomberg Magnificent 7 Total Return Index is an equal dollar-weighted equity benchmark consisting of a fixed basket of seven widely traded companies classified in the United States and representing the communications, consumer discretionary, and technology sectors as defined by the Bloomberg Industry Classification System (BICS).

Bloomberg Pan-European Aggregate Corporate Index

The Bloomberg Pan-European Aggregate Corporate Index is a market capitalization-weighted index that measures the performance of investment-grade corporate bonds denominated in European currencies (primarily EUR, GBP, and other European currencies). The index includes fixed-rate, investment-grade corporate debt issued in the pan-European region, and is designed to provide a broad representation of the European corporate bond market.

Bloomberg Pan-European High Yield Index

The Bloomberg Pan-European High Yield Index measures the market of non-investment-grade, fixed-rate corporate bonds denominated in the following currencies: euro, pound sterling, Danish krone, Norwegian krone, Swedish krona, and Swiss franc. Inclusion is based on the currency of issue, and not the domicile of the issuer.

Bloomberg Sterling Aggregate Corporate Index

The Bloomberg Sterling Aggregate Corporate Index measures the performance of the investment-grade, fixed-rate, GBP-denominated corporate bond market. The index includes securities issued by industrial, utility, and financial companies that meet specific eligibility criteria for inclusion in the GBP-denominated investment-grade universe.

Bloomberg US Aggregate Corporate Index

The Bloomberg US Aggregate Corporate Index measures the performance of the investment-grade, fixed-rate, taxable corporate bond market in the United States. The index is a component of the broader Bloomberg US Aggregate Bond Index and includes USD-denominated securities issued by industrial, utility, and financial companies.

Bloomberg US CMBS BBB Index

The Bloomberg US CMBS BBB Index measures the performance of the lower investment-grade, fixed-rate, commercial mortgage-backed securities (CMBS) market in the United States, specifically those securities rated BBB. The index is a subset of the broader Bloomberg US CMBS Index and is designed to represent the performance of BBB-rated tranches within the US CMBS market.

Bloomberg US Corporate High Yield Bond Index

The Bloomberg US Corporate High Yield Index measures the US corporate market of non-investment grade, fixed-rate corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

Bloomberg US Corporate Investment Grade Bond Index

The Bloomberg US Corporate Investment Grade Bond Index measures the investment-grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility, and financial issuers.

Bloomberg US Municipal Bond Index

The Bloomberg US Municipal Bond Index measures the performance of the US municipal bond market. The index includes investment-grade, tax-exempt municipal bonds issued by state and local governments and agencies across the United States.

Bloomberg US Treasury Index

The Bloomberg US Treasury Index measures the performance of public obligations of the US Treasury. The index includes US Treasury bonds and notes across the full spectrum of maturities and is a widely recognized benchmark for the US government bond market.

FTSE® EPRA/NAREIT Developed Real Estate Index

The FTSE® EPRA/NAREIT Developed Real Estate Index is designed to measure the performance of listed real estate companies and REITs in developed markets worldwide. The index is jointly managed by FTSE, EPRA (European Public Real Estate Association), and NAREIT (National Association of Real Estate Investment Trusts), and is widely used as a benchmark for global listed real estate investments.

FTSE® High Yield Index

The FTSE® High Yield Index measures the performance of USD-denominated, non-investment-grade (high-yield) corporate bonds. The index is designed to provide a representative benchmark for the US high-yield corporate bond market.

HFRI Equity Hedge Index

Equity Hedge strategies maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios. Equity Hedge managers would typically maintain at least 50%, and may in some cases be substantially entirely invested in equities, both long and short.

HFRI Macro (Total) Index

The HFRI Macro (Total) Index includes macro investment managers, which trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency, and commodity markets. Managers employ a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom-up theses, quantitative and fundamental approaches, and long- and short-term holding periods. Although some strategies employ RV techniques, macro strategies are distinct from RV strategies in that the primary investment thesis is predicated on predicted or future movements in the underlying instruments, rather than realization of a valuation discrepancy between securities.

ICE BofA US Current Coupon UMBS Index

The ICE BofA US Current Coupon UMBS Index tracks the performance of newly issued, agency mortgage-backed securities (MBS) in the United States, specifically Uniform Mortgage-Backed Securities (UMBS) with current coupon characteristics. The index is designed to represent the performance of the most recently issued, pass-through MBS backed by Fannie Mae and Freddie Mac.

J.P. Morgan Collateralized Loan Obligation Index (CLOIE) High Yield Index

The J.P. Morgan Collateralized Loan Obligation Index (CLOIE) High Yield Index measures the performance of US broadly syndicated, arbitrage CLO tranches that are rated below investment grade (high yield). The index is designed to provide a representative benchmark for the US high-yield CLO market.

J.P. Morgan Collateralized Loan Obligation Index (CLOIE) Investment Grade Index

The J.P. Morgan Collateralized Loan Obligation Index (CLOIE) Investment Grade Index measures the performance of US broadly syndicated, arbitrage CLO tranches that are rated investment grade. The index is designed to provide a representative benchmark for the US CLO market, focusing on investment-grade tranches.

J.P. Morgan Emerging Markets Bond Index (EMBI) Diversified Index

The J.P. Morgan Emerging Markets Bond Index (EMBI) Diversified measures the performance of USD-denominated sovereign bonds issued by emerging markets countries. The index uses a diversified weighting methodology to limit the influence of the largest issuers, providing a more balanced representation of the emerging markets sovereign debt universe.

MSCI All Country World Index (ACWI)

The MSCI ACWI captures large- and mid-cap representation across 23 developed markets (DM) and 24 emerging markets (EM) countries. With 2,511 constituents, the index covers approximately 85% of the global investable equity opportunity set. DM countries include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States. EM countries include: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Peru, the Philippines, Poland, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey, and the United Arab Emirates.

MSCI ACWI ex US Index

The MSCI ACWI ex US Index captures large- and mid-cap representation across 22 of 23 DM countries (excluding the United States) and 24 EM countries. With 1,966 constituents, the index covers approximately 85% of the global equity opportunity set outside the United States.

MSCI EM Asia Index

The MSCI Emerging Markets Asia Index captures large- and mid-cap representation across EM countries in Asia. The index provides broad exposure to Asian emerging economies by including securities from key markets such as China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan, and Thailand. It is designed to reflect the performance of the equity universe in this dynamic region, offering investors insights into the economic growth and market developments within Asian emerging markets.

MSCI World Index

The MSCI World Index represents a free float-adjusted, market capitalization-weighted index that is designed to measure the equity market performance of developed markets. It includes 23 DM country indexes.

MSCI World ex US Index

The MSCI World ex US Index captures large- and mid-cap representation across 22 of 23 DM countries—excluding the United States. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI World Small Cap Index

The MSCI World Small Cap Index captures small-cap representation across DM countries. The index covers approximately 14% of the free float-adjusted market capitalization in each country.

MSCI World ex US Small Cap Index

The MSCI World ex USA Small Cap Index captures small-cap representation across 22 of 23 DM countries (excluding the United States). With 2,192 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country.

S&P 500 Index

The S&P 500 Index includes 500 leading companies and covers approximately 80% of available market capitalization.

S&P Global Infrastructure Index

The S&P Global Infrastructure Index is designed to track the performance of 75 companies from around the world that represent the listed infrastructure industry. The index includes companies from three distinct infrastructure clusters: utilities, transportation, and energy.

S&P SmallCap 600® Index

The S&P SmallCap 600® Index seeks to measure the small-cap segment of the US equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

S&P UBS Leveraged Loan Index

The S&P UBS Leveraged Loan Index measures the market value-weighted performance of the investable universe of USD-denominated leveraged loans.

Société Générale Trend Index

The Société Générale Trend Index is equal-weighted and reconstituted annually. The index calculates the net daily rate of return for a pool of trend following based hedge fund managers.

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