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# State of the Market

Hamza El-Gomati

November 2026

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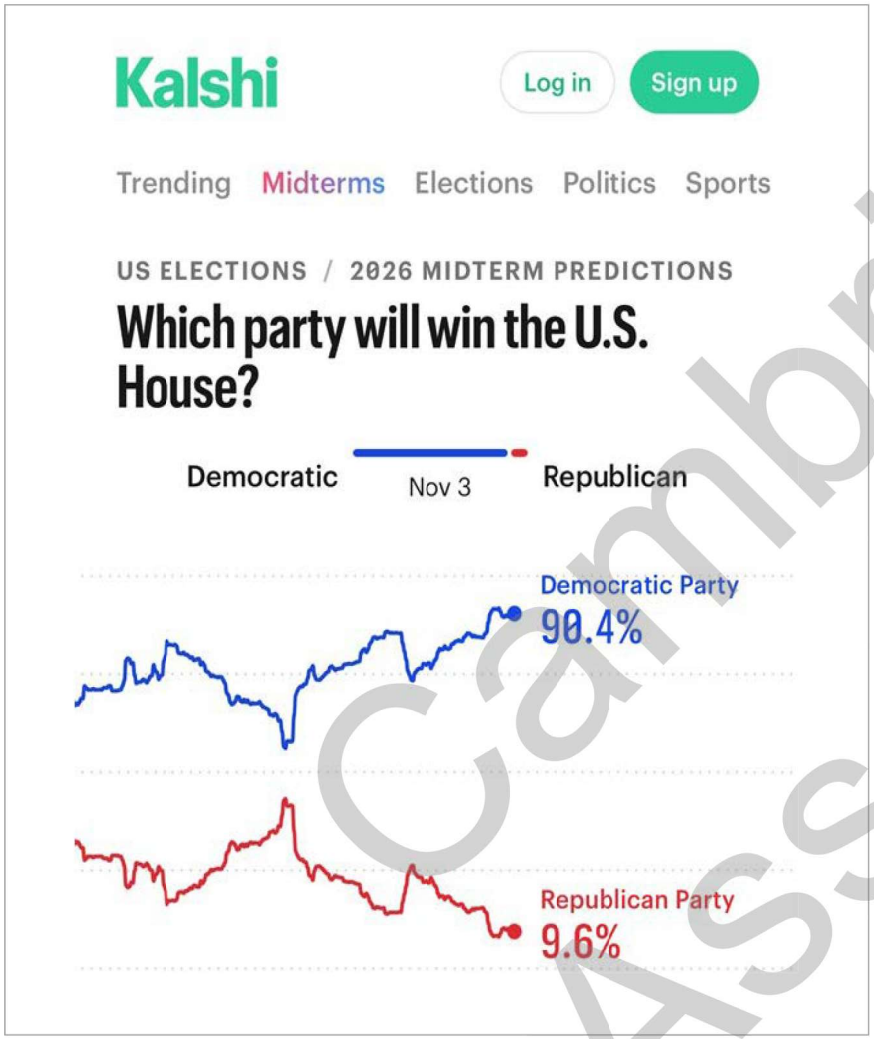
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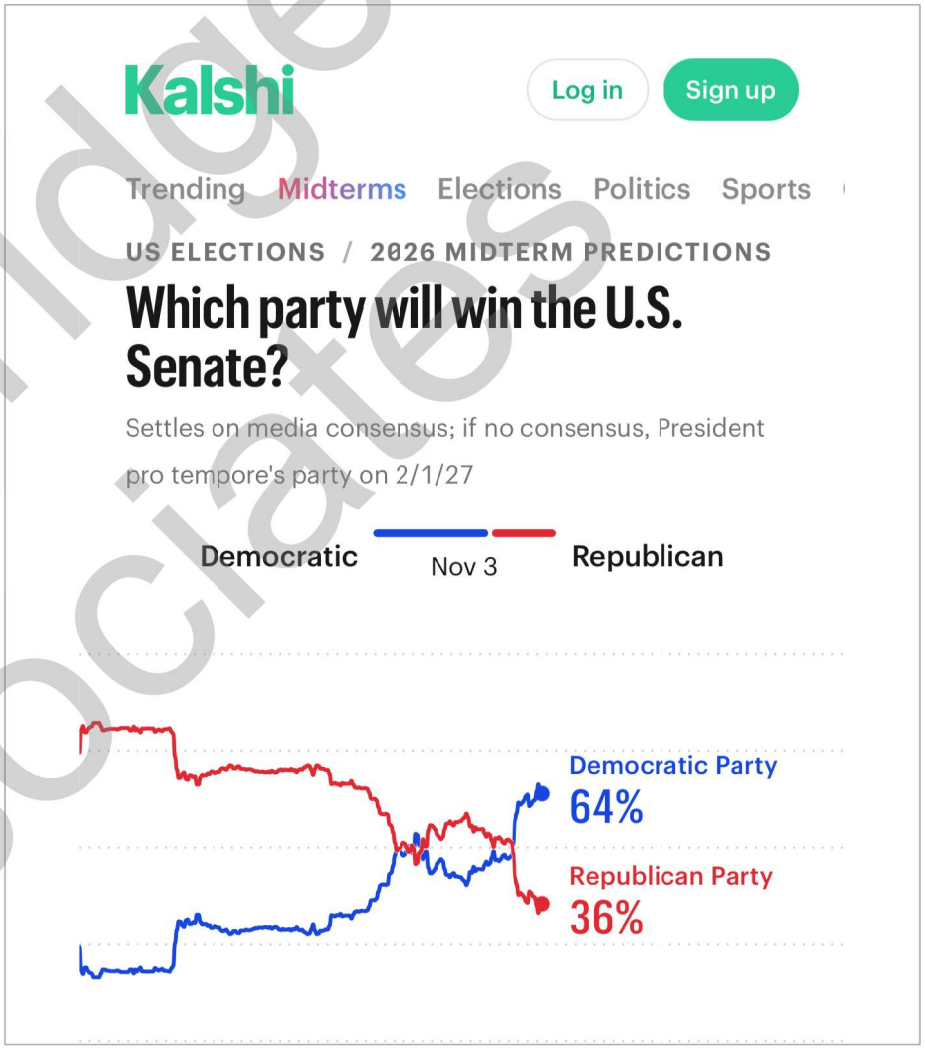
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# Market Context

# Did prediction markets get it correct?




Source: Kalshi. Note: Period shown is November 8, 2024 – October 26, 2026.

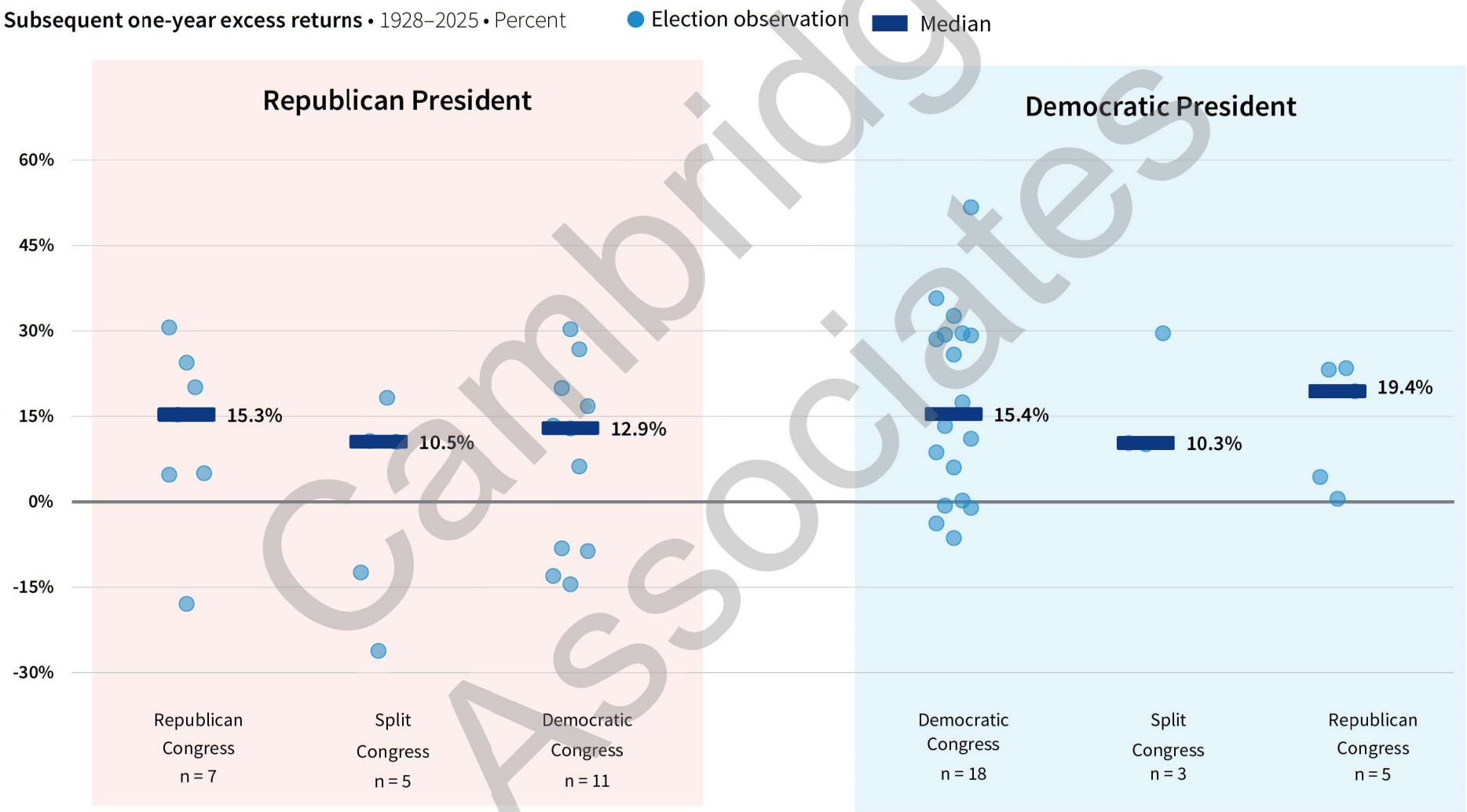
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# Market performance following US elections is hard to generalize; policies and market conditions drive returns

Positive medians across all six outcomes, with wide variation and small samples in some categories.

**Subsequent one-year excess returns** • 1928–2025 • Percent

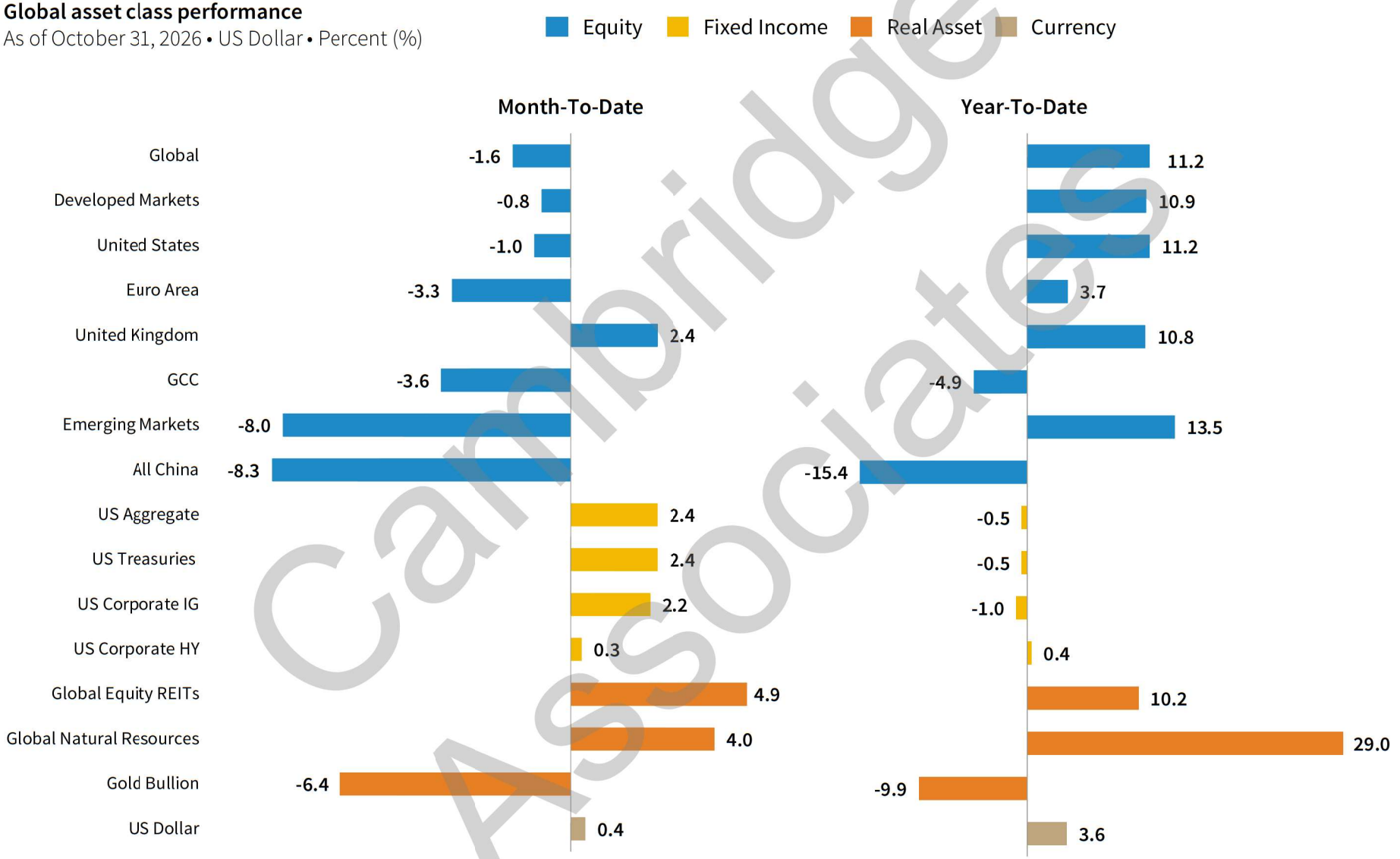



Source: Fama and French data library. Notes: 49 federal elections, including midterms. Each observation is the subsequent 250-trading-day excess return. Excess return is total market return minus the one-month Treasury bill rate. Split Congress means different parties control the House and Senate. Sample counts from the raw Data sheet.

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# Equity rally has stalled amid rising rates, geopolitical uncertainty, and AI capex concerns

**Global asset class performance**
As of October 31, 2026 • US Dollar • Percent (%)




Sources: Bloomberg Index Services Limited., ICE Benchmark Administration Ltd., MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.Notes: All data are in US dollar terms. Equity data are total returns net of dividend taxes of MSCI indexes. Fixed income data are total returns of Bloomberg indexes. MSCI Global Equity REIT Index, the MSCI ACWI Commodity Producers Index, and LBMA gold prices are used to calculate real asset performances. The US Dollar Index (DXY) is used to calculate US Dollar performance.

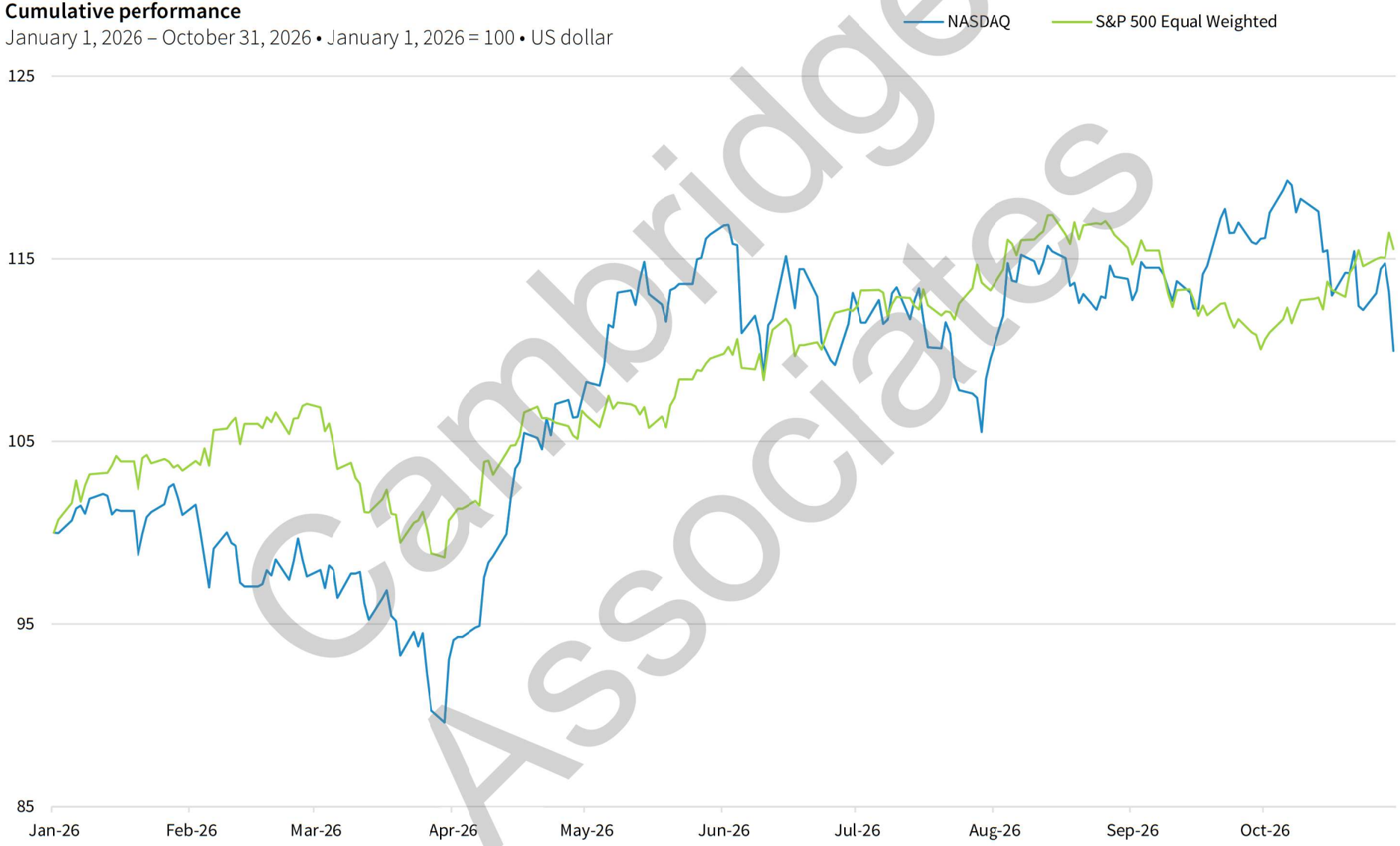
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# Market Rotation away from AI leaders explains relative calm in index level returns; we expect rotation from AI builders to AI adopters to continue

**Cumulative performance**

January 1, 2026 – October 31, 2026 • January 1, 2026 = 100 • US dollar



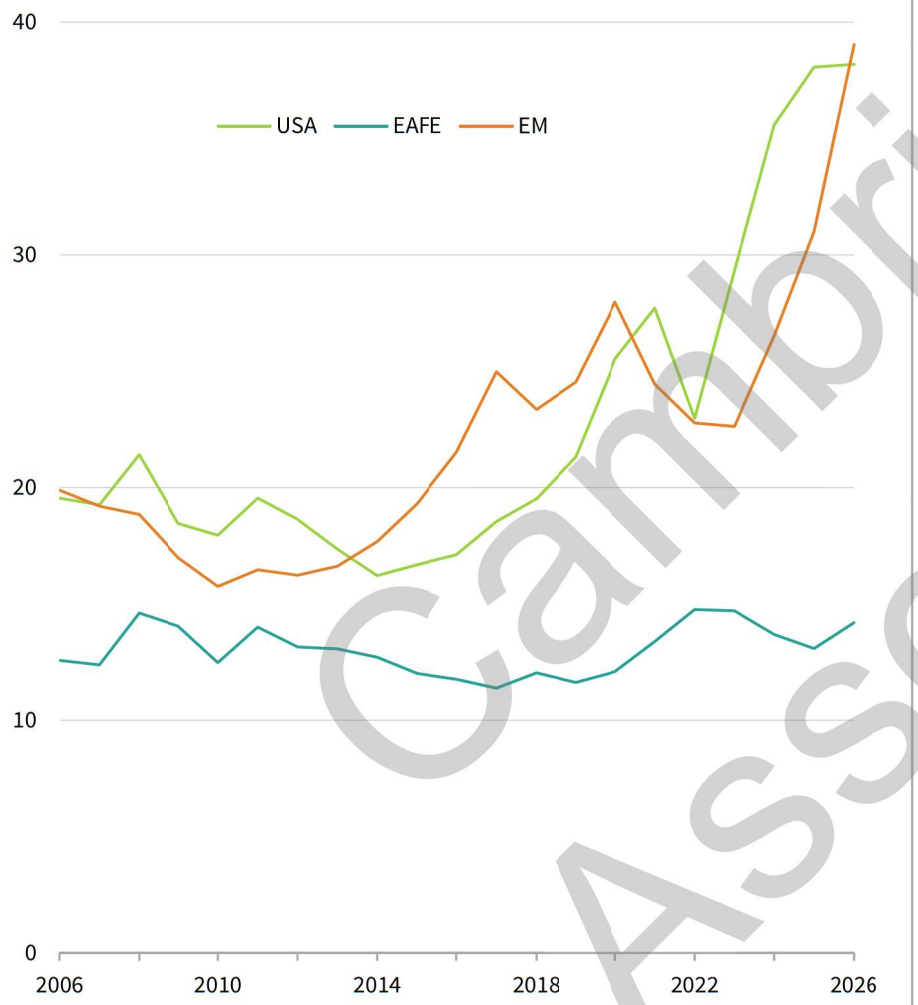

Source: Thomson Reuters Datastream.

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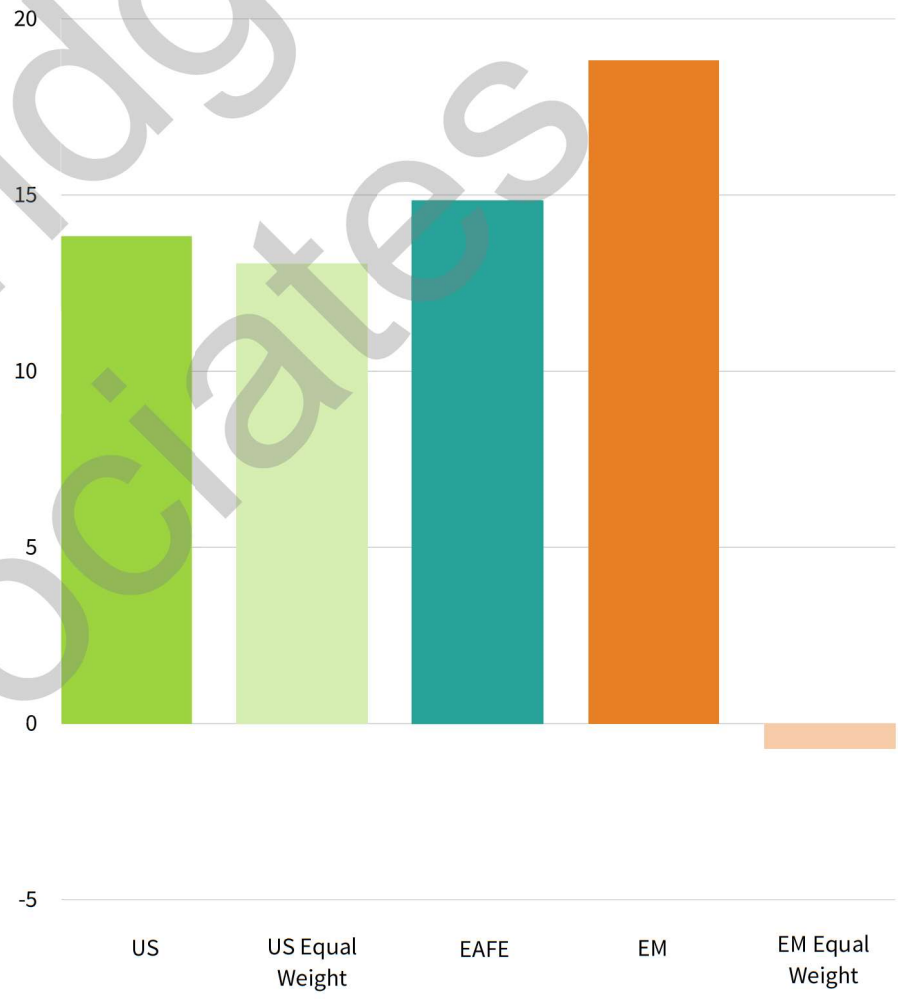
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# Non-US equity market is less concentrated and has had better breadth than US and EM

**Weight of top 10 stocks in MSCI indexes**
December 31, 2006 – September 30, 2026




**Trailing 12-month return of select MSCI indexes**
September 30, 2025 – October 31, 2026 • Percent (%)




Sources: FactSet Research Systems, MSCI Inc., and Thomson Reuters Datastream. MSCI data are provided "as is" without any express or implied warranties. Notes: Top 10 stock weights in the MSCI indexes are shown annually; 2026 data are through September. Total returns are net of dividend taxes.

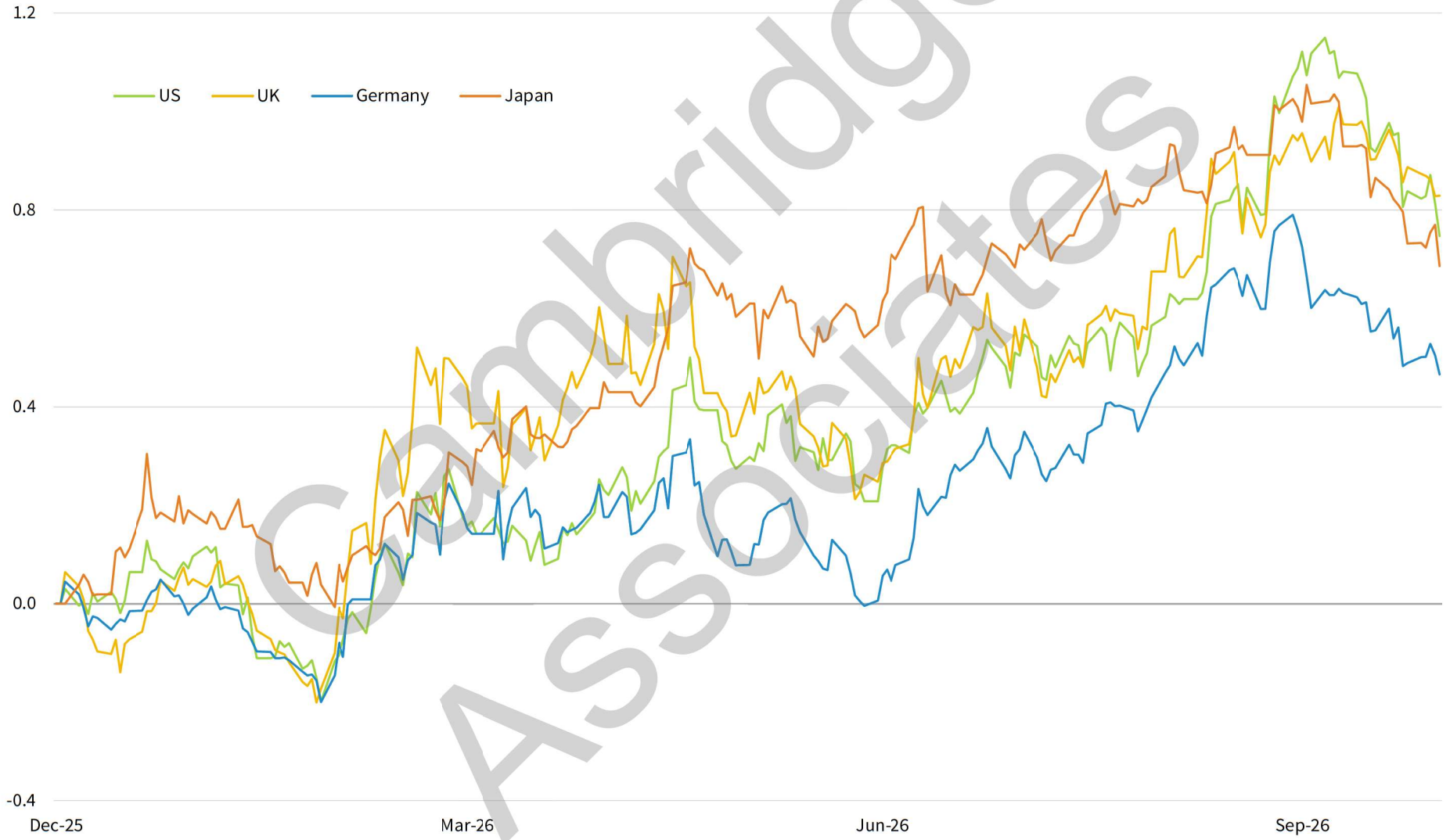
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# Yields have risen in synchrony, but now stabilizing amid AI growth worries

**Change in 10-yr yields**

December 31, 2025 – October 31, 2026 • December 31, 2025 = 0 (ppts)




Sources: National Sources and Thomson Reuters Datastream.

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# Higher stock-bond correlations challenge traditional diversification

**Rolling 36-month correlation between global equities and global bonds**
January 31, 1993 – October 31, 2026

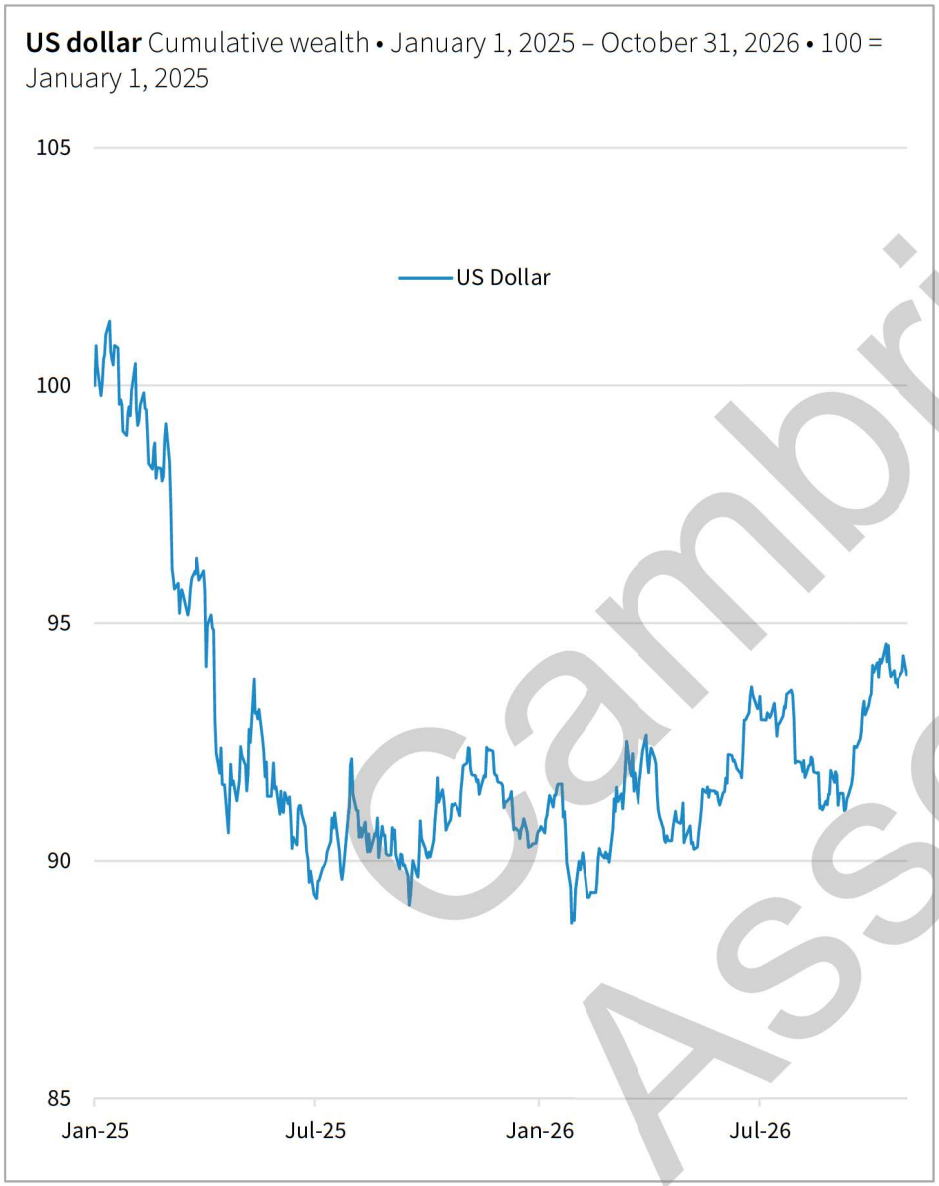


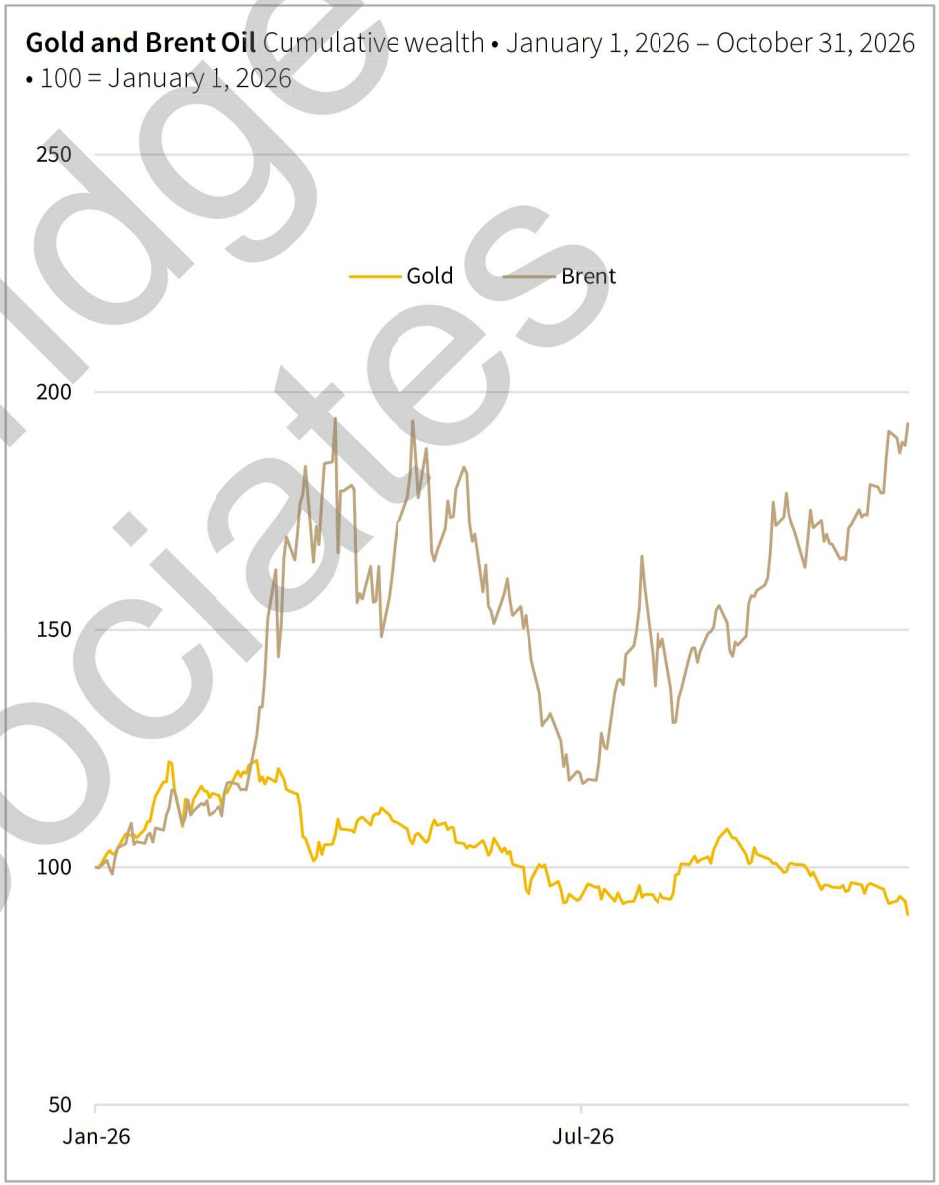

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Sources: MSCI Inc, Bloomberg Index Services Limited and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties. Notes: Equities are represented by the USD total return series of the MSCI ACWI index. Global Aggregate Bonds are represented by the USD hedged total return of the Bloomberg Global Aggregate. Global Treasury Bonds are represented by the USD hedged total return of the Bloomberg Global Treasury Bond Index.

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# Traditional hedges are not working: USD has been range-bound while gold has not protected




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Source: Thomson Reuters Datastream. Note: US dollar based on DXY Index while Gold and Brent are based on spot prices.

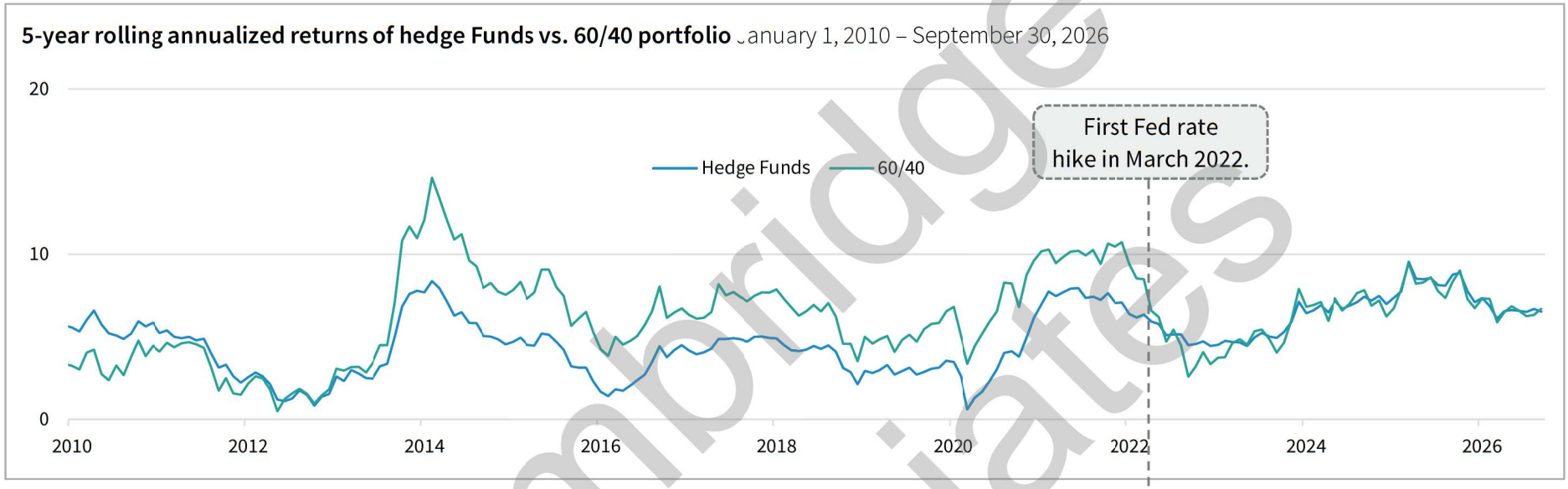
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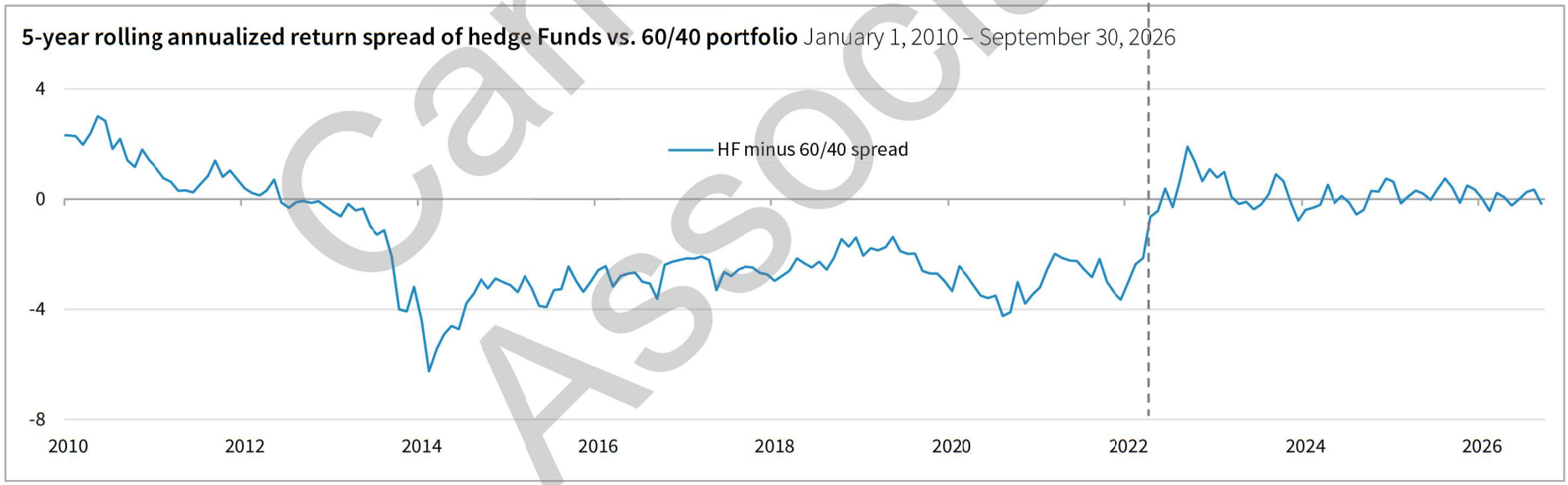
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# Building Portfolio Resiliency with Hedge Funds

# Hedge fund relative performance has improved in the higher-rate regime



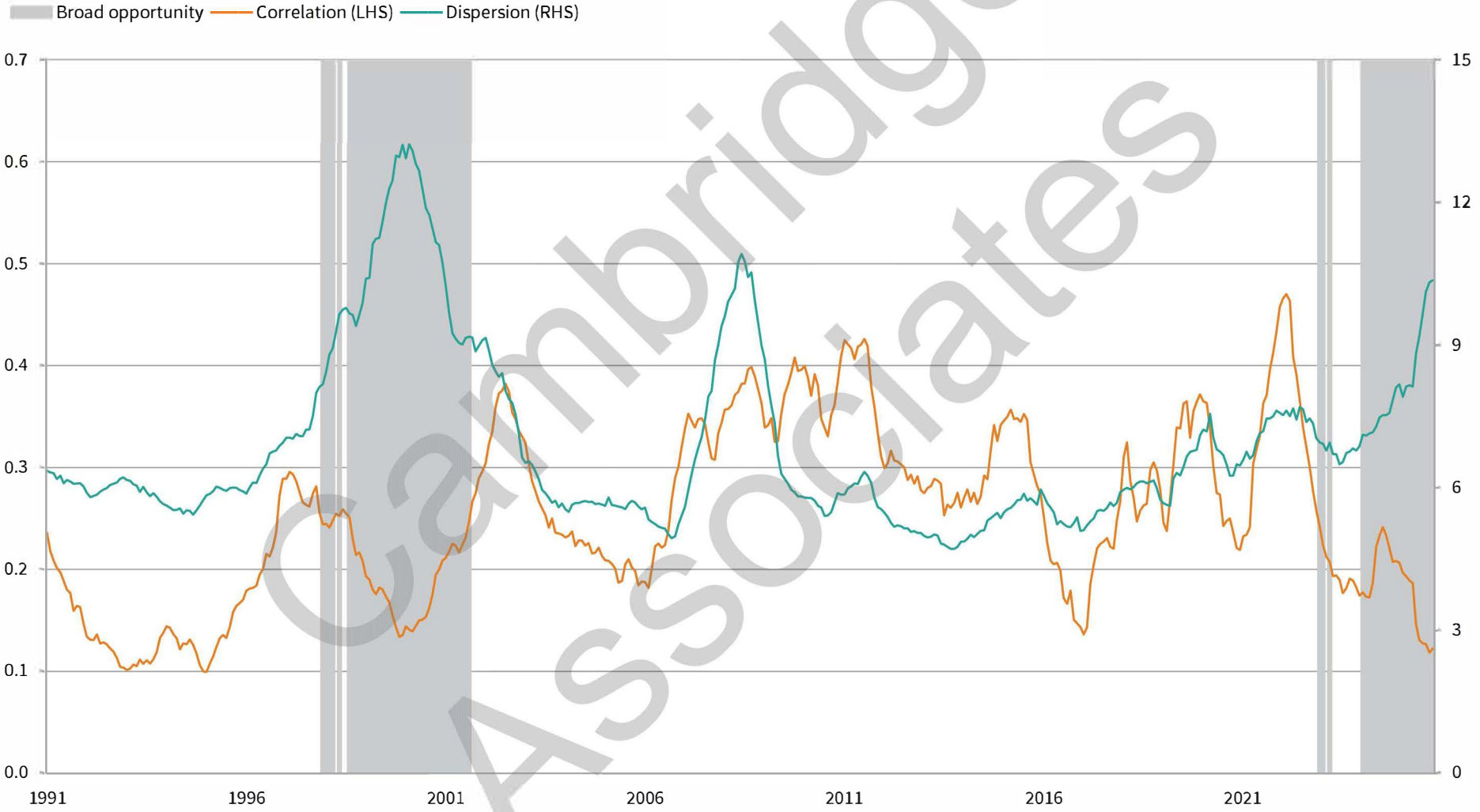

Sources: Thomson Reuters Datastream, MSCI Inc., and HFRI. MSCI data provided "as is" without any express or implied warranties. Notes: Indexes used include HFRI Fund Weighted Composite Index, MSCI World Index, and Bloomberg Global Aggregate Bond Index.

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# High dispersion and low correlations create a compelling environment for long/short equity

**Rolling 12-month S&P 500 correlation and dispersion**
December 31, 1991 – September 30, 2026




Source: Standard & Poor's. Notes: Correlation is calculated as the weighted average pair-wise correlation across the stocks in the index over one month. Dispersion is calculated as the weighted cross-sectional standard deviation of the performance of stocks within the index during one month. Lines are 12-month moving average. "Low" and "High" as related to correlation and dispersion are based on whether the observations are above or below long-term historical average correlation and dispersion (0.3 and 6.9%, respectively) at each respective point in time.

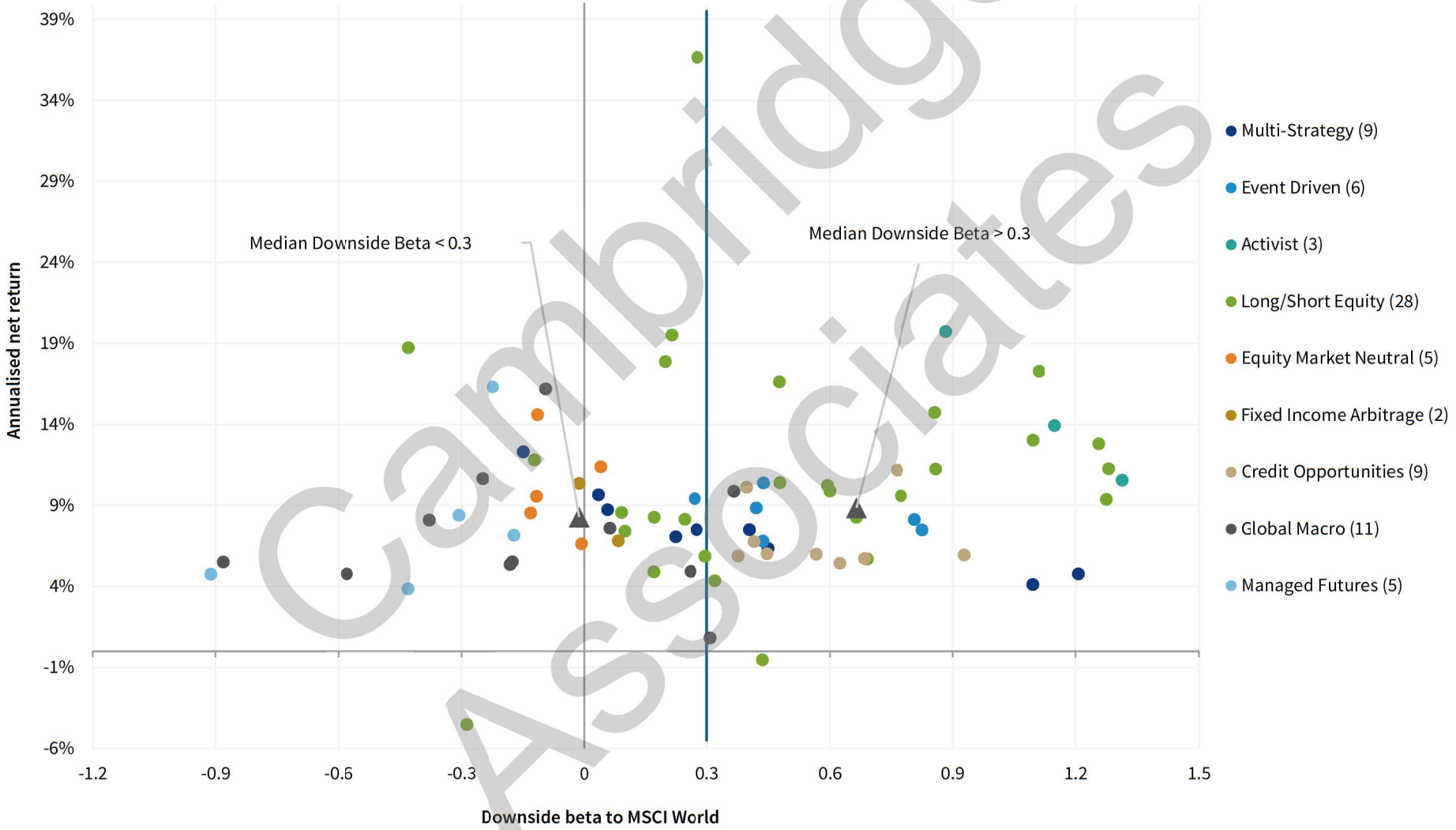
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# Defensive, low downside beta HFs can provide portfolio diversification while still generating returns

**Downside beta versus annualized net return**

78 anonymized funds rated high conviction by Cambridge Associates • January 2020–March 2026




Cambridge Associates

Notes: **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.** Source: Cambridge Associates.
Note: The MSCI World had 26 down months out of 75 observed periods.

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# Building Portfolio Resiliency with Venture Capital

## How do we define “Resiliency”?

Technologies that increase the security, capacity, redundancy or productivity of critical systems + foundational industries

### Sense + Decide

Applied AI, sensing, autonomy, simulation

### Make + Move

Robotics, manufacturing, supply chains, transportation + logistics

### Power + Connect

Energy, chips, compute, AI infrastructure

### Protect + Project

Defense, aerospace, space, biosecurity

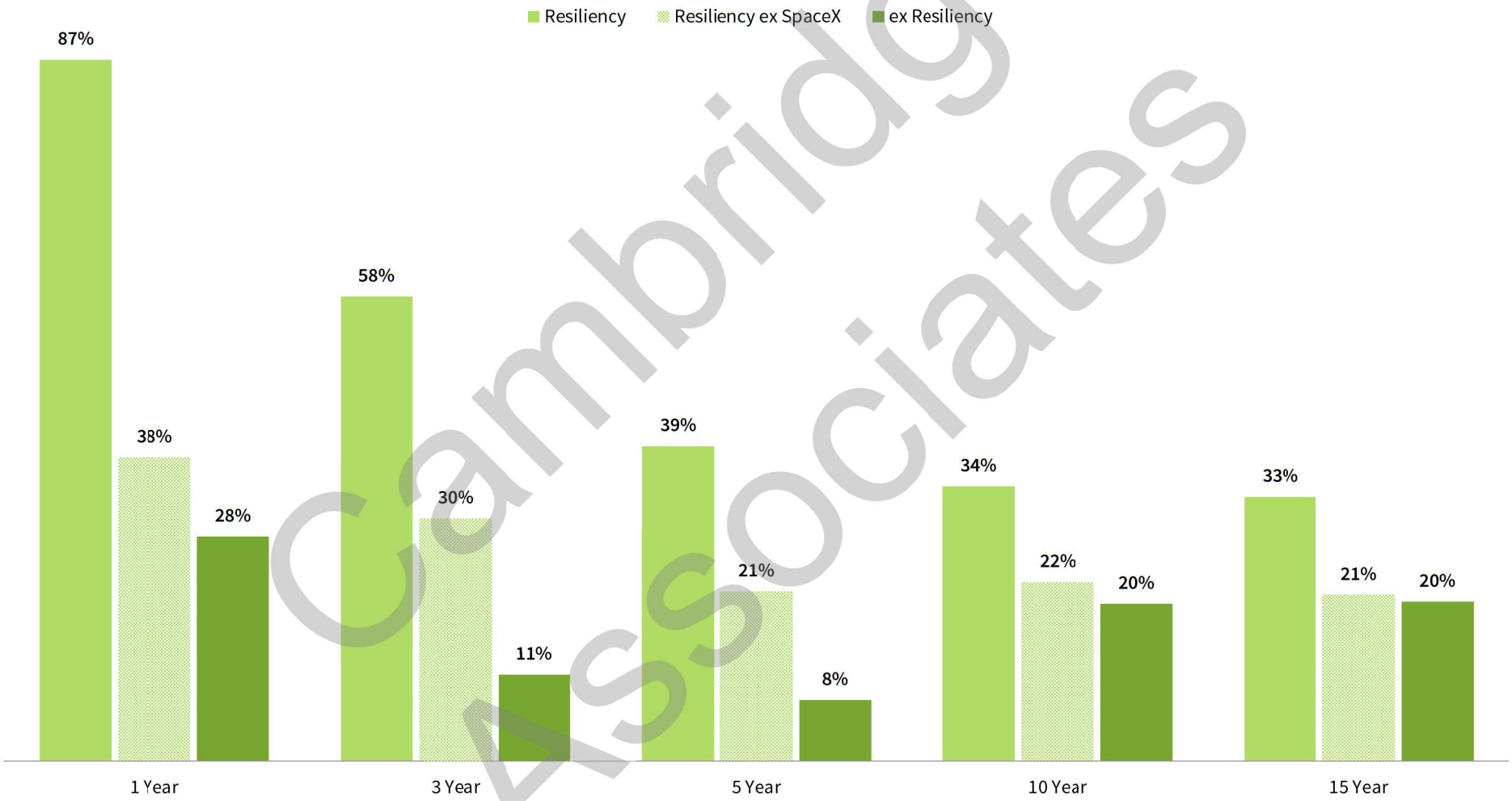
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# Resiliency value creation begins to take shape in CA's US VC Benchmark

**US Venture Capital: Gross Horizon Internal Rates of Return** As of March 2026




Source: Cambridge Associates LLC, PitchBook Data, Inc. Notes: **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.** As of March 31, 2026. All returns are gross of fees and based on investments made by US venture capital funds. Multi-year annualized returns are generated for time periods ending on the as of date for this analysis. Data are from Cambridge Associates and resiliency sample is based on coding from PitchBook . "Resiliency" is defined as USVC companies with technologies that increase the security, capacity, redundancy or productivity of critical systems and foundational industries.

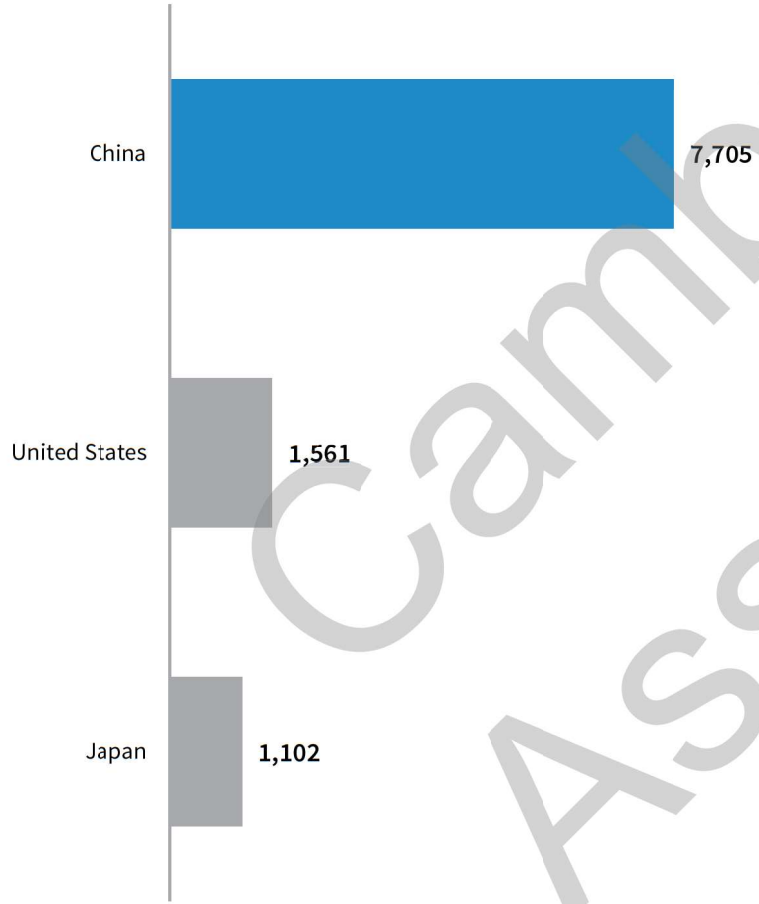
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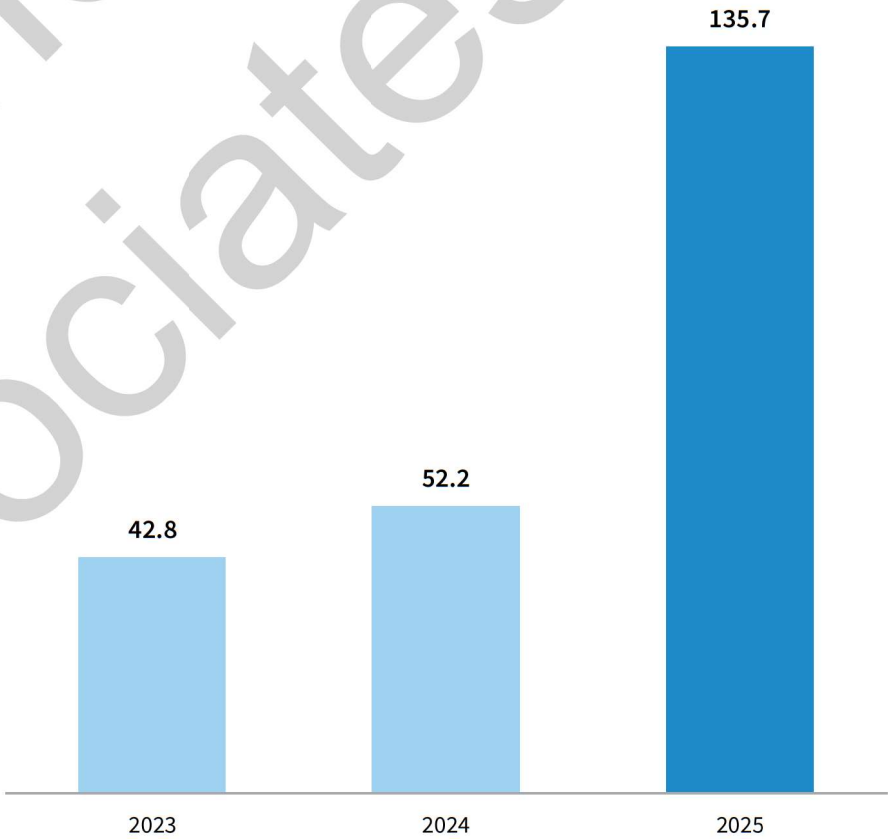
# China's Innovation is Broadening: An Opportunity for Non-US Investors

Manufacturing depth and faster innovation are strengthening China's competitiveness.

**AI and robotics**
Humanoid-related patent filings, past five years (count)




**Biotech**
China biopharma out-licensing deal value (US$bn)




Sources: Morgan Stanley "Humanoid Horizons for 2026" and PharmCube. Notes: Patent filings measure activity, not commercial success. Announced deal value is not realized revenue or cash receipts.

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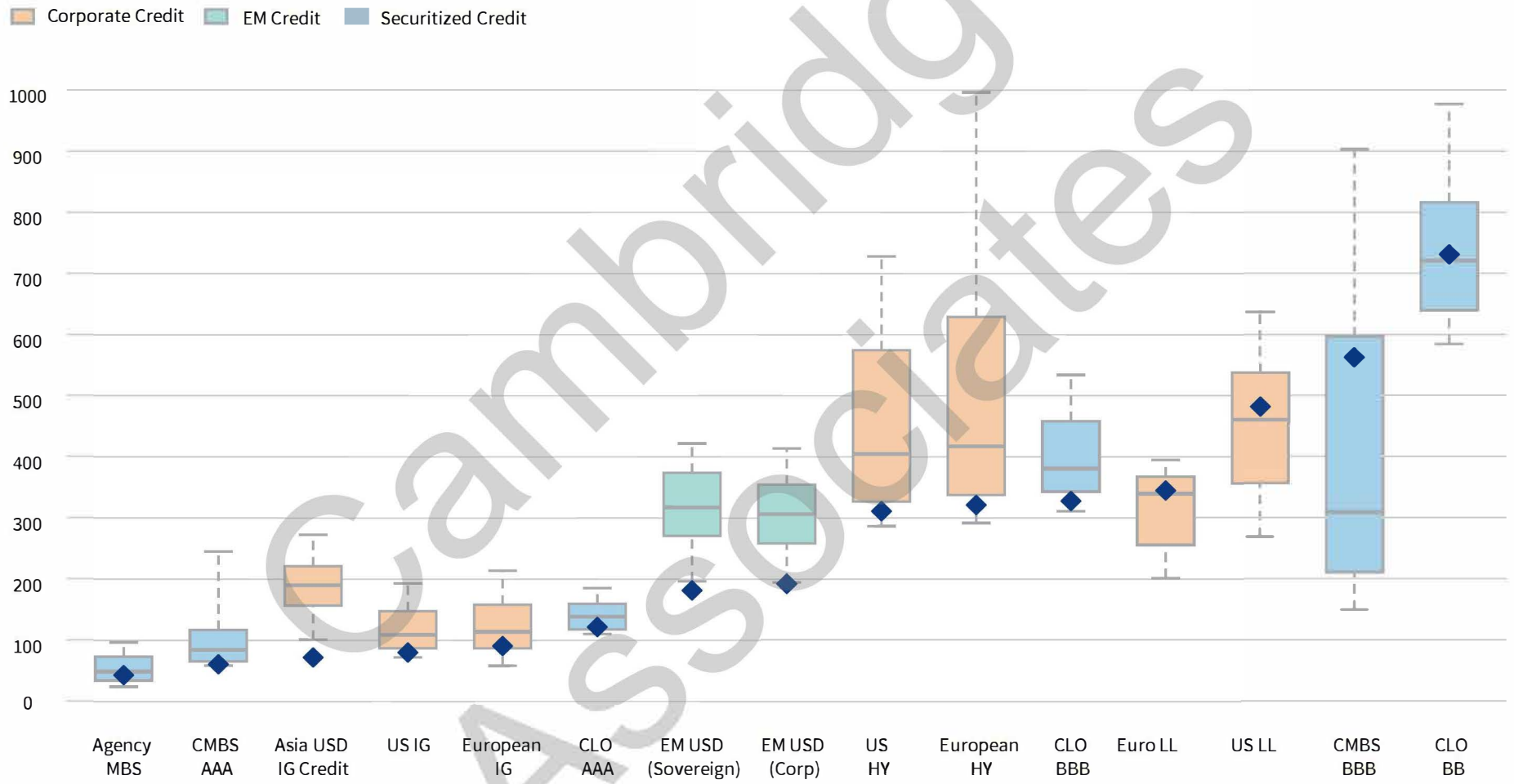
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# Building Portfolio Resiliency with Credit

# Spreads are tight for most credit asset classes

**Credit option-adjusted spread by asset class**

As of September 30, 2026 • basis points (bps) • diamond = current spread



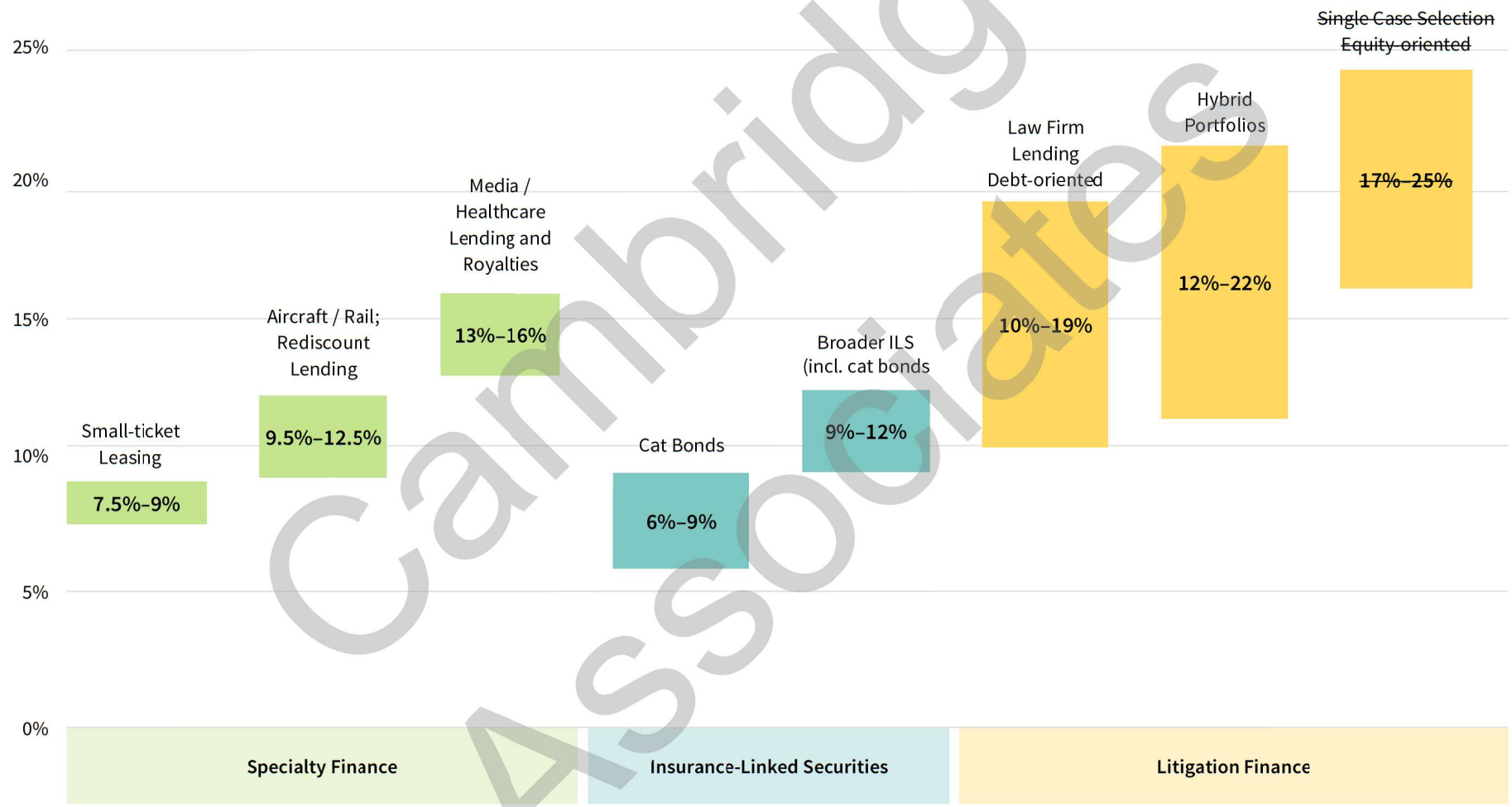

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Sources: Bloomberg Index Services Limited, Standard & Poor's, and J.P. Morgan Securities. Notes: Boxes show IQR from 25th-75th percentile, and whiskers show 10th-90th. Indexes, ratings, and start dates are: BB US MBS (AA1, Jun-89), BB US MBS AAA (AAA/AA, Aug-00), JPM JACI IG (A3, Sep-05), BB US Corp IG (A3/BAA1, Jun-89), BB Pan-European IG (A3/BAA1, Aug-00), JPM CLOIE AAA (AAA, Dec-11), BB EM USD Sov (BAA3/BA1, Feb-03), JPM CEMBI Div (BAA3, Dec-01), BB US Corp HY (BA3/B1, Jan-94), BB Pan-European HY (BA3/B1, Aug-00), JPM CLOIE BBB (BAA2, Dec-11), S&P UBS West Eur Lev Loan (B2, Jan-98), S&P UBS Lev Loan (BA2, Jan-92), BB US MBS BBB (BAA2/BAA3, Aug-00), JPM CLOIE BB (BA2, Dec-11).

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# Spectrum of Specialty Finance, ILS, and Litigation Finance Strategies

**Indicative internal rate of return target ranges (%)**




Sources: Cambridge Associates; Howden; Swiss Re Sigma; With Intelligence. Notes: **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.** Specialty-finance ranges are investment-level underwriting targets (net IRR). ILS ranges are expected 2026 returns based on data as of Dec. 31, 2025, and are not explicitly specified as net of fees; returns depend on losses, and fees and costs reduce investor returns. Broader ILS includes cat bonds, private reinsurance, retrocession contracts and industry loss warranties (ILWs). Litigation-finance ranges supplied by user; return basis not specified. Figures are directional. There is no guarantee that the potential return will be achieved.

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# Building Portfolio Resiliency: Offense and Defense

# Balance Offense and Defense for Portfolio Resilience

This investment environment requires a balance of offense and defense in portfolios to build resilience amid elevated energy costs, inflation risk, and uncertain growth.

## Offense: Pursue durable, differentiated returns

- We expect the rotation from AI enablers to AI adopters to continue. Retain growth businesses whose earnings prospects and valuations support long-term returns.
- Invest selectively in defense, aerospace, robotics, and advanced manufacturing, with disciplined attention to valuations.
- Seek distinct return drivers through skilled equity long/short managers and specialty strategies, including litigation finance, insurance-linked securities, and royalties

## Defense: Preserve funding capacity

- Stress-test assets alongside spending, capital calls, and liabilities; reduce exposures that could weaken together.
- Hold dependable liquidity for obligations; shorter-duration and inflation-linked sovereign bonds can help manage rate and inflation risks.
- Select hedge funds with limited equity and interest-rate sensitivity where underlying liquidity and redemption terms match funding needs.

**CA recommends this balanced approach which may enhance return potential in the current environment, with less reliance on any single market outcome.**

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