

Investment Committee Review

Outlook Q4 2025

ALPS Advisors, Inc.

Laton Spahr, CFA
President, Portfolio Manager

Eric Hewitt
Co-Chief Investment Officer, Portfolio Manager

Alex Hagemeyer, CFA
Co-Chief Investment Officer,
Senior Director Quantitative Research

Multi-Asset Research Team



Robert McClure
Director of Research
robert.mcclure@sscinc.com



Chris Proctor, CFA
Director of Research, Fixed Income
chris.proctor@sscinc.com



Richard Baker, CAIA
Director of Research, Real Assets
and Alternatives
richard.baker@sscinc.com



Warren Beth, CFA
Chief Equity Strategist
warren.beth@sscinc.com



Jimmy Wenger, CFA
Real Assets Strategist
jimmy.wenger@sscinc.com



Andrew Drummond
VP, Portfolio Manager
andrew.drummond@sscinc.com

Asset Class Reviews

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SS&C ALPS Advisors is an open architecture boutique investment manager offering portfolio building blocks, active insight and an unwavering drive to guide clients to investment outcomes across sustainable income, thematic and alternative growth strategies.

Robert McClure
Director of Research
robert.mcclure@sscinc.com

Introduction

Q3 2025 Review

Global Equities rose 8% in Q3 2025 while Core Bonds gained 2%, supported by improving US economic data and easing trade policy concerns, though labor market weakness persisted. The Federal Reserve (Fed) lowered rates in response to slowing job growth, fueling optimism in large-cap equities and tight credit spreads despite modest liquidity headwinds. Inflation picked up modestly over the summer due to tariff-related price pressures, but both headline and core inflation are still expected to stabilize between 2% and 3% as 2025 progresses. Although artificial intelligence (AI)-driven investment continues to buoy US growth and corporate profits, rising capital intensity, a cooling labor market and concentrated market leadership highlight the need for greater portfolio diversification going forward.

Executive Summary

After a strong third quarter across risk assets, we believe that maintaining a diversified portfolio will continue to be important. With equities near record highs and valuations higher than normal, a focus on valuation is paramount. We would stick with prudent active management in fixed income and Real Estate Investment Trusts (REITs) and remain cautious in commodities given the strong performance in the first nine months of 2025.

Equities

US equities extended their rally in Q3 2025, with major indices hitting new highs as investors looked past trade uncertainty and anticipated lower interest rates. Growth and small-cap stocks led performance, while defensive factors lagged amid a rotation toward riskier assets, and international markets continued to benefit from US dollar weakness and attractive relative valuations. Looking ahead, opportunities in cyclical sectors have largely normalized, prompting a more balanced and slightly defensive positioning focused on valuation discipline. Health Care stands out as an undervalued sector with strong fundamentals, while a weaker dollar and subdued oil prices are expected to support international and emerging market performance into year-end.

Fixed Income

Bond markets performed strongly in Q3 2025, supported by the Fed's first rate cut in over a year as softening labor data signaled growing economic slack. Despite persistent inflation and uneven growth—buoyed by AI-related investment but offset by consumer weakness—policy support and investor demand for income fueled broad fixed income gains, with core bonds, credit sectors and inflation-linked securities all delivering positive returns. Fiscal risks, including budget uncertainty and debt sustainability concerns, have overtaken monetary policy as key drivers of volatility, contributing to a steepening yield curve and favoring intermediate maturities. Looking ahead, the environment supports active, income-focused strategies emphasizing quality, diversification and tactical duration management as investors seek stability amid late-cycle dynamics and fiscal uncertainty.

Real Estate

REITs rebounded in Q3 2025, with the FTSE NAREIT All Equity REITs Index gaining 2.67% for the quarter and 4.51% year-to-date (YTD), led by strong performance in Health Care, Diversified, Retail and Industrial sectors. While Infrastructure, Residential, and Self Storage REITs lagged, overall valuations remain attractive relative to public equities, supported by stable fundamentals and conservative leverage. Looking ahead, easing Fed policy, resilient sector dynamics and discounted valuations point to gradual recovery potential, though tariff pressures, labor market softness and uneven growth may sustain near-term volatility.

Commodities

Commodities gained in Q3 2025, with the Bloomberg Commodity Index up 3.65% for the quarter and 9.38% YTD, driven by a 19.2% surge in Precious Metals amid record gold prices, inflation concerns and policy uncertainty. Energy, Agriculture and Industrial Metals lagged due to rising supply, weaker global growth and tariff-related disruptions, including China's suspension of US soybean purchases. Looking ahead, while lower rates could support commodities over time, persistent trade frictions, ample supply and slowing demand underpin an overall cautious outlook for the asset class.

Private Markets

Mergers and acquisitions (M&A) activity strengthened in Q3 2025, with higher deal volumes and values supported by stable private valuations and a wide gap between private and elevated public market multiples. Fundraising trends were mixed—private equity and venture capital weakened, while private credit and infrastructure reached near-record levels and real estate showed signs of recovery—amid regulatory momentum to expand access to alternatives in retirement plans. With performance dispersion across private markets remaining wide, manager selection remains critical, as top quartile managers continue to significantly outperform both median peers and public benchmarks.

Alex Hagemeyer, CFA
 Co-Chief Investment Officer,
 Senior Director Quantitative
 Research
 alexander.hagemeyer@sscinc.com

Macro Summary

Liquidity Cycle

Global Equities returned +8% in Q3 2025 while Core Bonds gained +2%. US economic data improved modestly during the period as the uncertainty from the Trump administration’s trade policies became background noise, clearing a path for investors to add risk back into their portfolios. The labor market, on the other hand, continued to slow as revisions in the data have begun to show contractionary impulses in recent months.

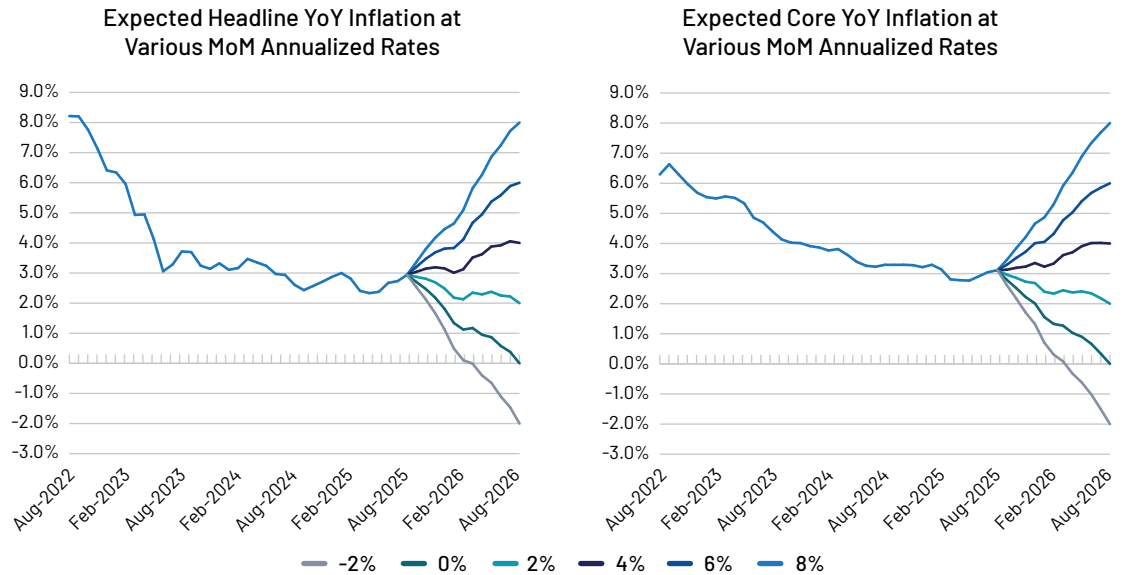
US financial conditions remained loose but have still not reached their all-time loose conditions made in February 2024. The Fed finally relented in response to labor market signals, bringing forward their expectations for rate cuts. Enthusiasm for lower rates allowed US large capitalization stocks to enjoy 22 all-time highs while credit spreads remained tight. The US Treasury had a small negative effect on liquidity as they reloaded the General Account with T-Bill issuance, while the Fed’s ongoing quantitative tightening and Reverse Repurchase Facility held steady.

The US dollar and Oil prices remained weak during the quarter, creating a buffer against the tight financial conditions from the second quarter. While Global money supply continued its expansion from its cyclical low in October 2022, its rate of change has started to decrease, moderating this positive liquidity impulse.

Inflation Cycle

August brought hotter headline inflation of 0.38% month-over-month, breaking the year-long streak of gradual cooling. The annualized average inflation for the last three months is now 3.5% and 3.6% for headline and core inflation, respectively.

Our 2025 outlook maintains both headline and core inflation between 2% and 3%, with less downside than previously expected due to the choppy demand impulses created by the stop-and-go US trade policy. Recent inflation readings appear to be affected by both volatile trade policy and tariffs, as the spike in container rates in May and June caused by the tariff deadline extension translated to markedly higher reported prices in both the Purchasing Managers Index (PMI) and Consumer Price Index (CPI) readings in June, July and August. Nonetheless, the broadly softer price and economic conditions have led to more than a year’s worth of expected core bond returns in just nine months in 2025.

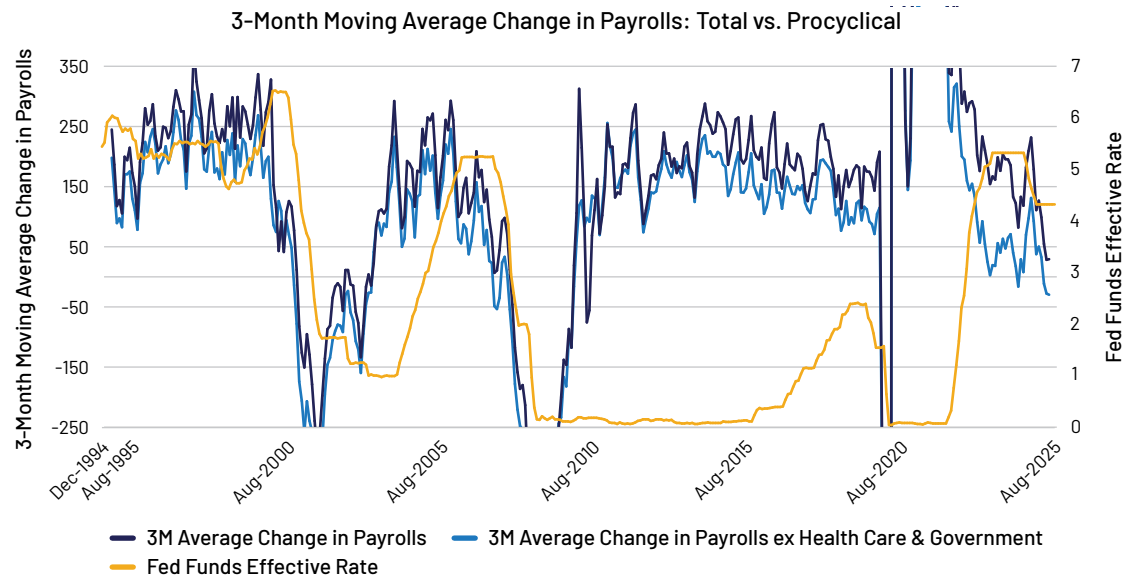


Source: Bloomberg, 8/31/2022 - 8/31/2026
 Headline Inflation represented by the Consumer Price Index (CPI) and Core Inflation represented by the Personal Consumption Expenditures Price Index (PCE).

Growth Cycle

Over the last year, we’ve highlighted signs of economic moderation in the United States: cooling housing investment, decelerating manufacturing construction and weakening labor market indicators. However, we increasingly believe the US economy is experiencing a dichotomy of exponential growth in AI investment on one hand and a slowing of economic conditions in non-AI adjacent sectors on the other. One research provider noted in July that the total AI-related capital expenditures, which they defined as information processing equipment plus software, added more to US GDP growth in the first half of 2025 than consumer spending.⁽¹⁾

We continue to focus on jobs to understand how the growth environment will unfold. In our last two quarterly reports we discussed the negative job revisions in 2024 and continued low job growth in procyclical segments in 2025. As we update the data from the last few months, we can see from the chart below that procyclical jobs have now been in contraction for three months in a row. The 3-month moving average of monthly procyclical jobs added to the economy is trending at 165,000 jobs below the historical median, while total monthly jobs added are trending at 145,000 jobs below the historical median. The labor market appears to be flatlining amid one of the greatest infrastructure booms of all time.



Source: Bloomberg, SS&C ALPS Advisors Proprietary Research, 12/31/1994 - 8/31/2025

Profit Cycle

S&P 500 Index earnings per share estimates for the coming year are 6.7% higher compared to year-ago forecasts, down from 7% in Q2 2025 and 9% in Q1 2025. While global liquidity conditions are positive and investors have become relatively numb to disruptive trade and immigration policies, the profit cycle may be vulnerable to increasingly high investor expectations.

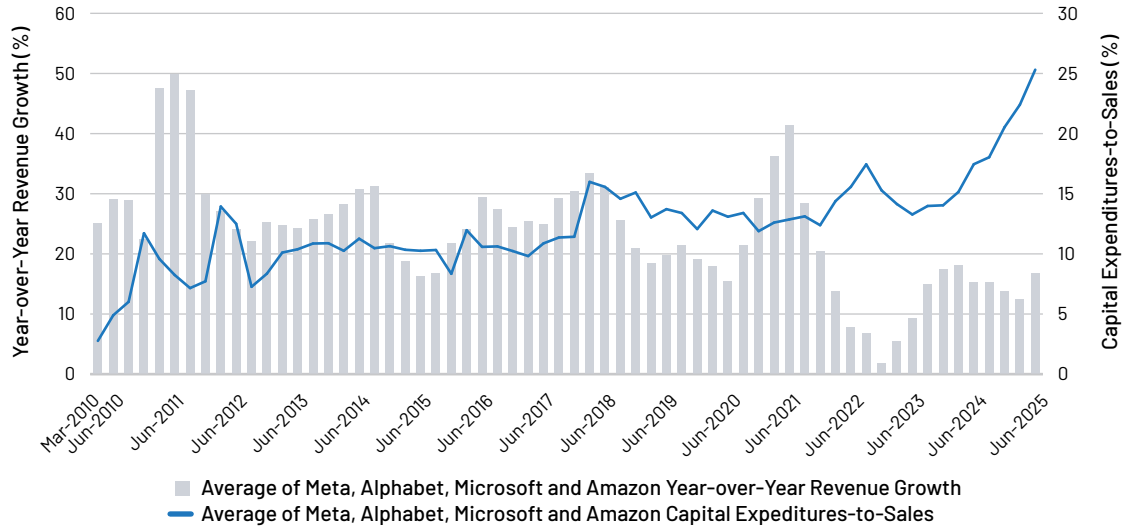
We continue to focus on monetization of recent AI investments and AI-adjacent themes. While demand has been robust for previously bottlenecked AI chips, orchestration software and workplace co-pilots, there is a risk that a progression of the AI capital cycle could lead to a disappointment in index-weighted realized profits.

Michael Cembalest, chairman of market and investment strategy at J.P. Morgan, recently stated, “AI related stocks have accounted for 75% of S&P 500 returns, 80% of earnings growth and 90% of capital spending growth since ChatGPT launched.”

While the mega cap hyperscalers pursuing exponential growth in capital expenditures are some of the highest quality businesses ever, their forward-looking return profile may be fundamentally changing as they become more capital-intensive in a more competitive and commoditized market compared to the other paradigm shifts from which they originated: personal computers, the internet, digital advertising and cloud computing.

Between the rapid cooling in the US labor market, the slowing rate of earnings revisions and the concentration of a single investment theme driving the equity market's earnings and returns, we continue to believe now is a good time to be vigilant about portfolio diversification.

Hyperscalers: Revenues & Capital Expenditures



Source: Bloomberg, SS&C ALPS Advisors Proprietary Research, 3/31/2010 - 6/30/2025

Warren Beth, CFA
 Chief Equity Strategist
 warren.beth@sscinc.com

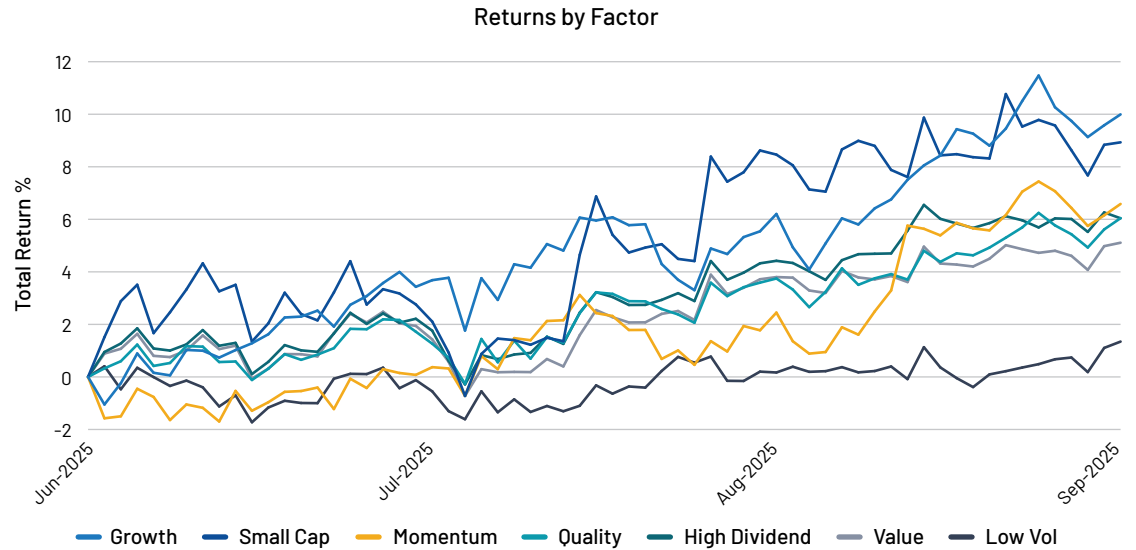
Equities Summary

Q3 2025 Review

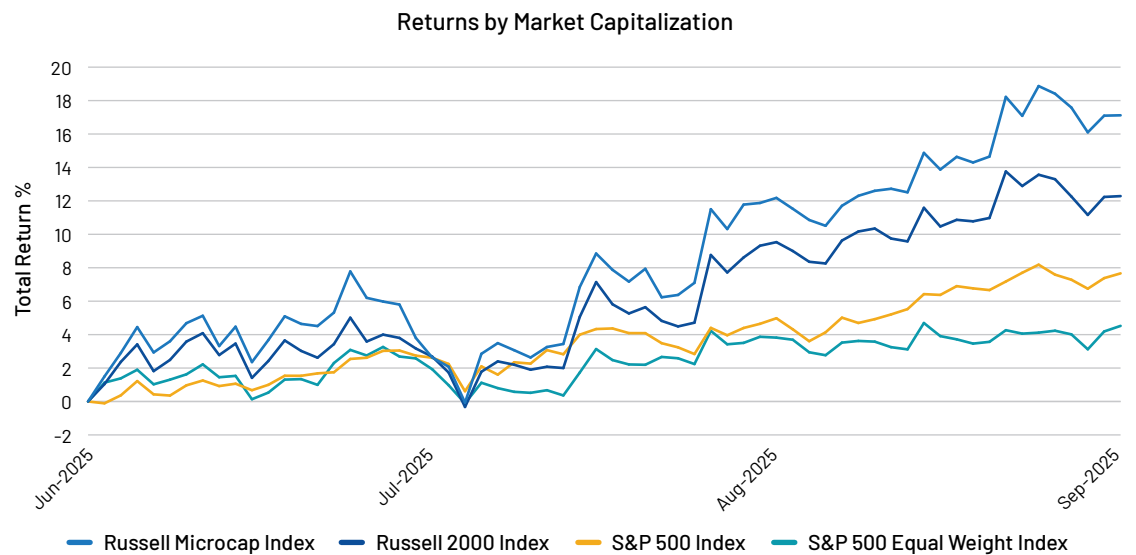
The third quarter of 2025 extended the momentum of the previous period, with major US equity indices reaching fresh all-time highs. Market leadership came from growth and small-cap stocks, as investors increasingly priced in expectations of lower interest rates and looked past lingering tariff-related macro uncertainty.

The S&P 500 advanced 8.11% during the quarter. The Nasdaq 100 Index outperformed the major benchmarks with a gain of 9.01%, while the Dow Jones Industrial Average posted a more modest increase of 5.67%.

As the charts below illustrate, defensive market factors underperformed their cyclical and higher-beta counterparts, reflecting a rotation away from stability and into riskier assets. Earlier in the year, the flight to defensives created a valuation premium; we interpret the recent shift as a reversion driven by the narrowing of that gap in the aftermath of "Liberation Day."



Source: Bloomberg, 6/30/2025 - 9/30/2025
Past performance is no guarantee of future results.



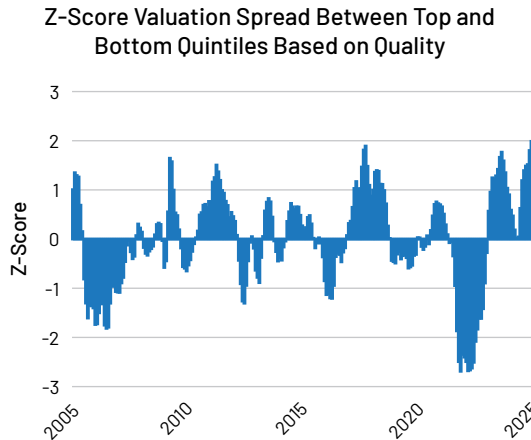
Source: Bloomberg, 6/30/2025 - 9/30/2025
Past performance is no guarantee of future results. One may not invest directly in an index.

We have consistently highlighted the relative opportunity in international equities, supported by our expectation of a weakening US dollar and the historically wide valuation gap between US and non-US markets. This view has continued to play out, with both developed international and emerging markets delivering solid performance in the quarter.

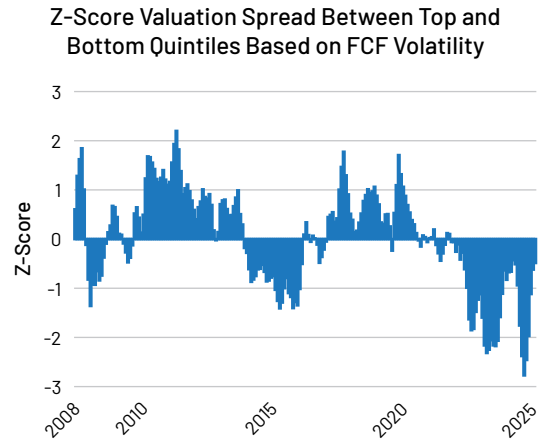
While headline risks around global trade and regional political developments remain, the valuation discount of international equities relative to US peers continues to offer a compelling risk/reward profile. In our view, this structural gap—combined with US dollar weakness—positions international markets to remain an important driver of portfolio diversification going forward.

Q4 2025 Outlook

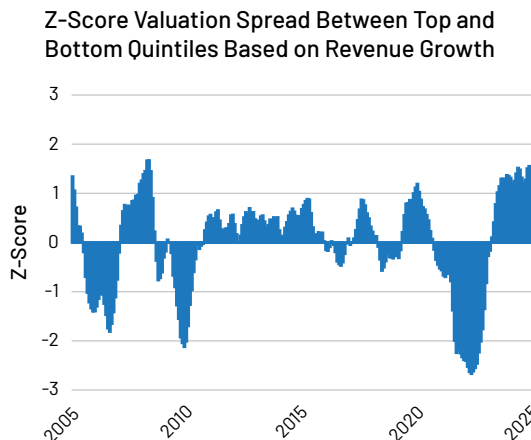
Last quarter, we highlighted the opportunity in cyclical sectors that had emerged following the flight to stability around “Liberation Day.” Much of this relative gap has since closed, and we no longer view the opportunity as especially pronounced. Quality and Growth remain expensive relative to historical levels, while the increasing reliance on concentration raises concerns about market breadth and sustainability. Besides underweighting the more expensive factors, in the absence of clear asymmetries, we prefer to maintain a slightly more defensive tilt and exercise patience until more compelling entry points present themselves.



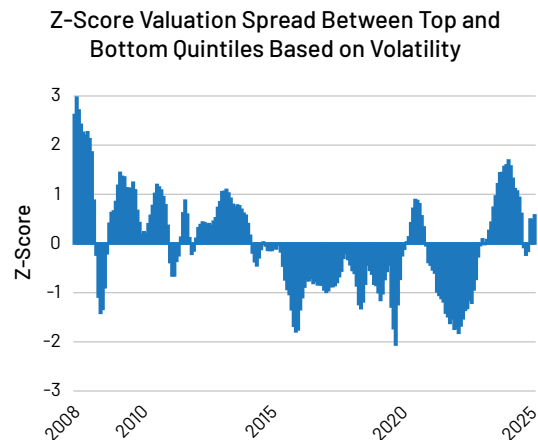
Source: Bloomberg, Bloomberg US 1000 Index, 2/28/2005 - 9/30/2025; quality is the trailing twelve month return on invested capital (ROIC)



Source: Bloomberg, Bloomberg US 1000 Index, 4/30/2008 - 9/30/2025; free cash flow volatility is the standard deviation of last twelve quarters of free cash flow

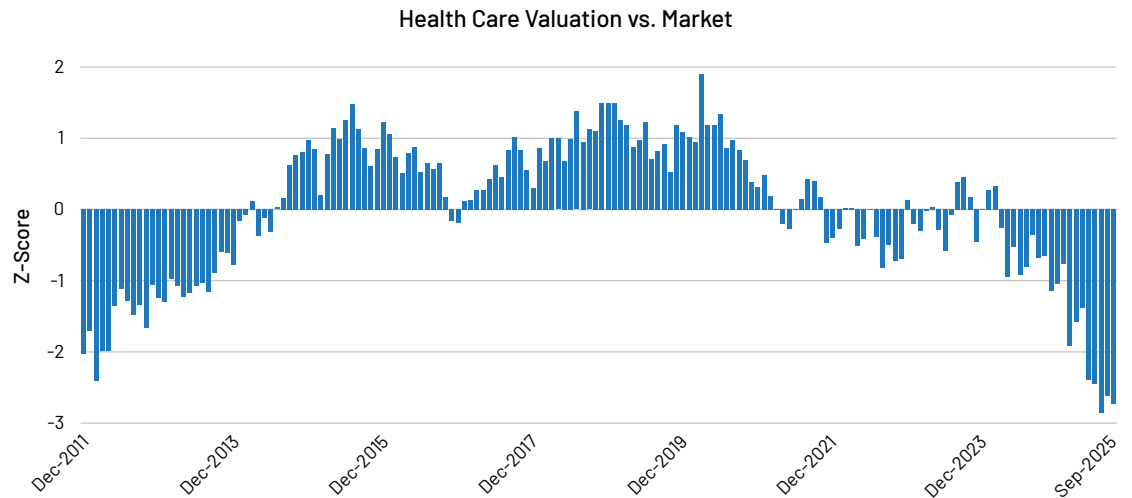


Source: Bloomberg, Bloomberg US 1000 Index, 2/28/2005 - 9/30/2025; revenue growth is the last twelve months revenue growth



Source: Bloomberg, Bloomberg US 1000 Index, 1/31/2008 - 9/30/2025; volatility is the standard deviation of last 36 months stock price

Health Care stands out as a notable exception, with an asymmetric valuation gap. The sector's underperformance appears tied to lingering post-COVID-19 distortions and uncertainty surrounding the policy agenda of the new administration. Despite these headwinds, Health Care remains a fundamentally strong, high-margin and traditionally defensive sector. We see parallels to 2012, when the sector last traded at a comparable discount and subsequently staged a meaningful recovery. In our view, this presents an overlooked opportunity in a segment with durable long-term fundamentals and asymmetric upside potential.



Source: Bloomberg, Bloomberg US 1000 Index, 12/31/2011 - 9/30/2025

On the macro side, we continue to anticipate downward pressure on the US dollar, driven by structural shifts in global trade, questions around Fed independence and a deteriorating US fiscal trajectory. The long-standing headwind of dollar strength appears to be reversing, which should provide a more favorable backdrop for international markets. At the same time, the combination of soft oil prices and a weaker dollar creates fertile conditions for emerging market economies to outperform.

As we progress through the remainder of the year, our focus remains on disciplined risk management, identifying asymmetric opportunities and maintaining broad diversification in an increasingly dynamic market environment.

Chris Proctor, CFA
 Director of Research,
 Fixed Income
chris.proctor@sscinc.com

Fixed Income Summary

Q3 2025 Review

Bond markets delivered strong performance both during the quarter and YTD, buoyed by the Fed's decision in September to lower short-term rates for the first time in over a year. While the Fed has restarted its preemptive easing cycle, the broader economic reality remains shaped by persistent inflation and relatively strong growth. Recent signs of labor market softness ultimately pushed the Fed toward action, with the number of unemployed now exceeding job openings for the first time this cycle.

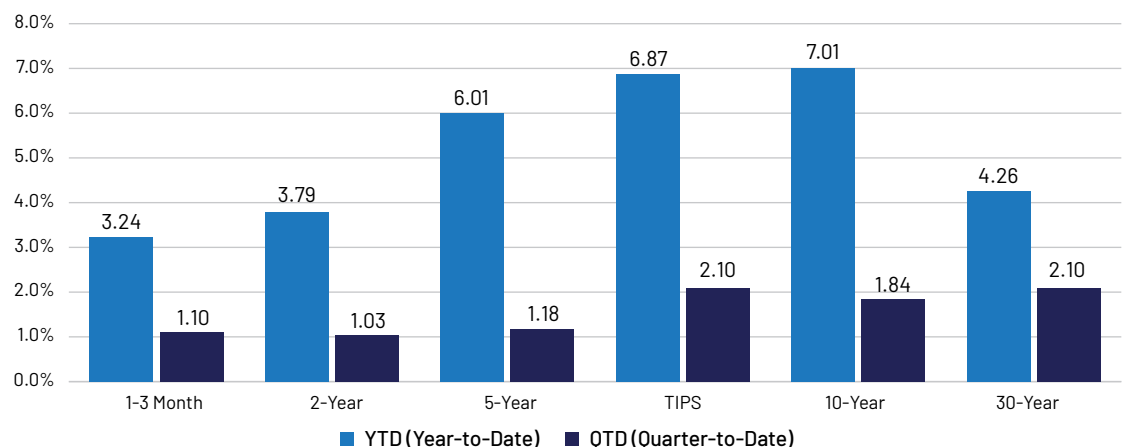
Business investment related to AI continues to be an economic growth engine, but significant weakness is emerging in certain consumer segments—like auto and student loan lending. Against this backdrop of uneven momentum, fiscal policy has moved to the forefront. Concerns over impacts of government shutdown, ongoing budget priorities, immigration policy and tariff shifts add a layer of uncertainty. Unsurprisingly, “stagflation” positioning—a trade that benefits from both higher inflation and weaker growth as a realistic outcome—has generated some of the strongest flows and returns.

Still, nominal and real yields remain relatively compelling for income-focused investors. Policy continues to tilt supportive, and demand for diversification against a highly valued equity backdrop has fueled ongoing inflows. While fixed income has not resumed its mantle as a superior hedge against equity volatility, within the context of potential returns versus volatility, fixed income has relatively increased its standing based on longer term capital market expectations.

Performance Highlights (See Nearby Charts)

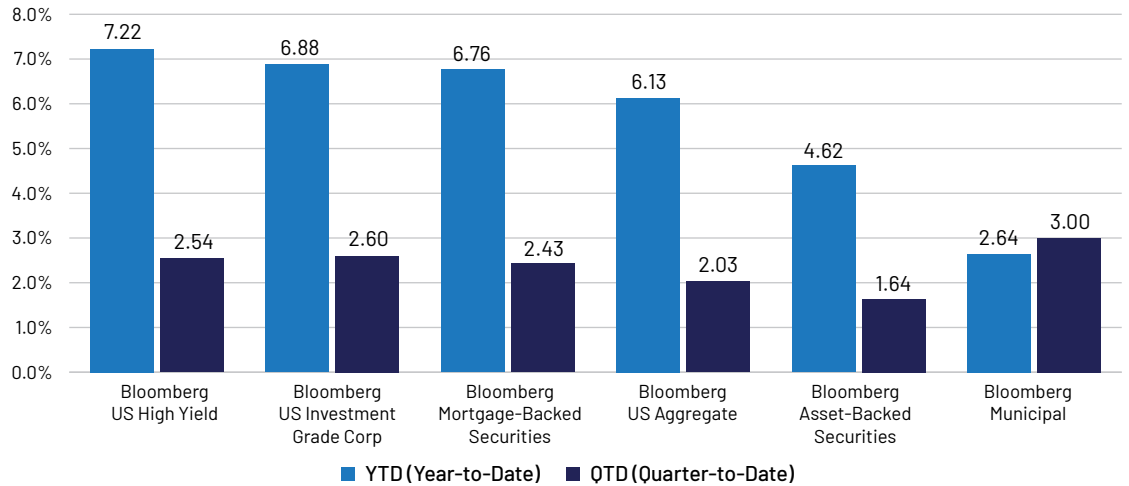
- The Bloomberg US Aggregate Bond Index returned 6.1% YTD, underscoring the above-average demand for traditional core fixed income allocations and a lower inflationary environment relative to a year ago.
- All duration segments generated positive returns. Intermediate maturities benefited most from Fed cuts, while longer bonds lagged due to US Treasury borrowing and refunding concerns.
- Credit sectors delivered strong excess returns, supported by robust demand, healthy coverage ratios and low current default rates.
- Treasury Inflation-Protected Securities (TIPS) and Mortgage-Backed Securities (MBS) outperformed as investors leaned into the stagflation trade.
- Municipal bonds rebounded strongly in the quarter but remain pressured by record new issuance tied to post-COVID-19 funding needs.

US Treasury Performance - YTD and QTD
 (Total Return, Sorted by Index Duration)



Source: Bloomberg, total returns as of 9/30/2025
Past performance is no guarantee of future results.

US Core Bond and Credit Sector Performance - YTD and QTD
(Sorted by Total Return)



Source: Bloomberg, total returns as of 9/30/2025
Past performance is no guarantee of future results. One may not invest directly in an index.

Policy Landscape

Monetary Policy: Skew Positive

The Fed's September rate cut marks the re-emergence of its preemptive easing stance, even amid sticky inflation and tariff-related risks. Both the Fed and markets now anticipate up to 50 basis points (bps) in cuts by year-end, conditional on softer labor and inflation data. While supportive overall, the key risk lies in a policy error—easing too far if inflation fails to moderate.

Fiscal Policy: Skew Negative

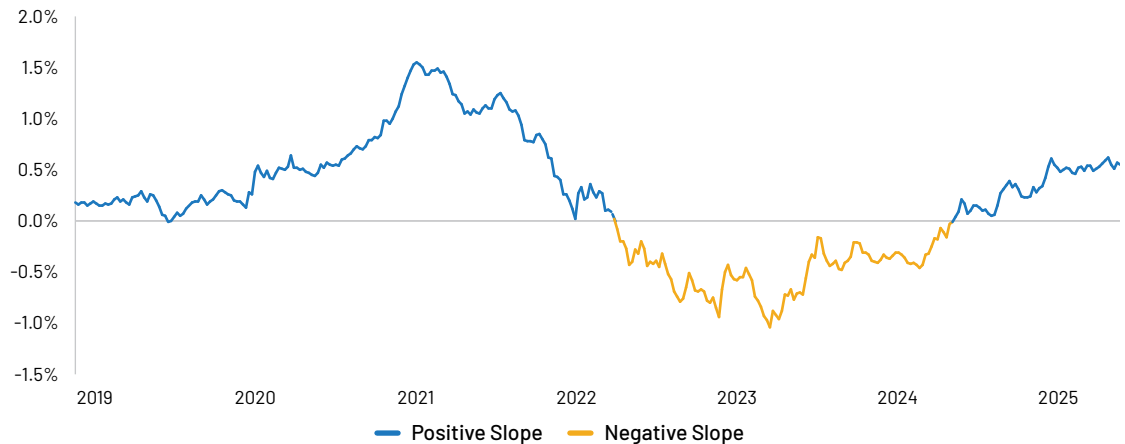
Fiscal dynamics are the primary driver of volatility now, not monetary policy. Debt sustainability concerns remain elevated, and the lack of a budget resolution raises uncertainty. A government shutdown could prove constructive if it forces credible spending reforms, but absent progress, markets should expect above-average volatility in Treasury auctions and credit spreads.

Market Dynamics: Yield Curve Neutral/Normalizing

The yield curve has continued to steepen, with the 10-year to 2-year spread now above 50 bps. If short-term cuts continue, the "bull steepening" phase should persist until fiscal clarity emerges. Current curve positioning favors intermediate to longer maturities, where income opportunities outweigh short maturity instruments that risk delivering negative real returns.

Slope of the Yield Curve

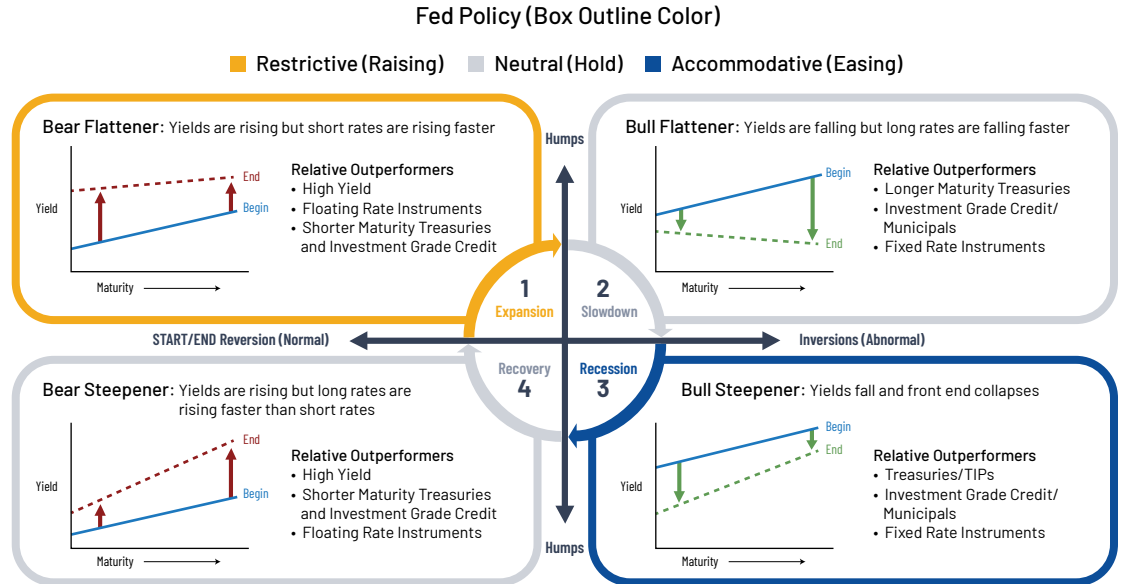
Constant 10-Yr Maturity Treasury Minus Constant 2-Yr Maturity Treasury



Source: Federal Reserve Economic Data-FRED, 10-Year Treasury constant maturity minus the 2-Year Treasury constant maturity yield, 1/23/2019 - 9/30/2025

Positioning: Positive

Historically, high-quality fixed income performs well late in the business cycle. Today, resilience in growth and inflation leaves active managers cautious, keeping duration positioning closer to neutral. It remains too early to declare the current cycle over and reset expectations for a full recovery. That said, any meaningful Fed easing would strengthen the case for intermediate/core exposure as investors rotate away from cash and very short-term rates. Current positioning with extreme overweights in short duration sectors are a positive catalyst for traditional fixed income investments.



Source: SS&C ALPS Advisors Proprietary Research
For Illustrative Purposes Only

Recommendation: Income Focus and Active Management

Heightened volatility and diverging policy paths are creating fertile ground for active opportunities. With large parts of monetary easing already priced in, managers must look beyond Fed policy alone to enhance returns. A steep yield curve, shifting credit dynamics and fiscal uncertainty are tailwinds for a more tactical, risk-aware approach.

Key Recommendations

- **Extend out the curve for income and value** – Short-duration sectors have underperformed; scaling toward intermediates and selecting longer maturities offers higher yields in attractive credit sectors such as high-grade financials and health care.
- **Avoid unnecessary yield chasing** – Upgrade quality in high yield. Single-B and below credits face limited upside until a new growth phase develops.
- **Stay active and diversified** – Avoid benchmark-constrained allocations. Consider Agency MBS, AAA-rated Asset-Backed Securities (ABS), Commercial Mortgage-Backed Securities (CMBS) and municipal bonds (in taxable accounts) for diversified, high-quality income.

Overall, the environment favors active fixed income strategies, where disciplined credit selection, yield-curve positioning and sector rotation can turn volatility into opportunity.

Richard Baker, CAIA
 Director of Research, Real
 Assets and Alternatives
 richard.baker@sscinc.com

Real Estate Summary

Q3 2025 Review

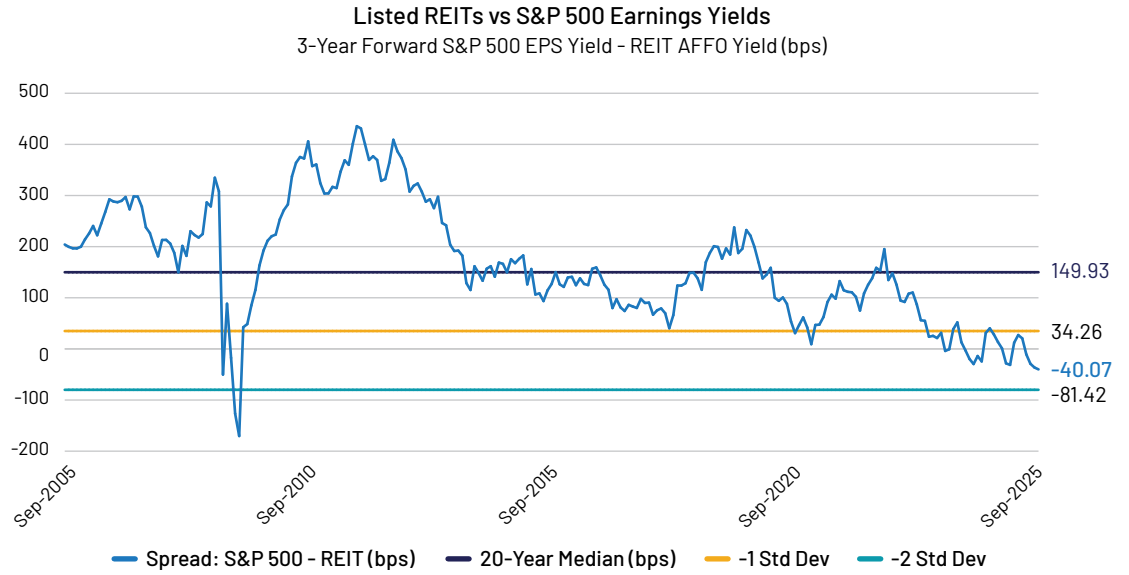
REIT performance rebounded in Q3, with the FTSE NAREIT All Equity REITs Index returning 2.67% and 4.51% YTD as the expected rally from the September Fed rate cut failed to materialize. However, most sectors were positive for the quarter, including Health Care (14.82%), Diversified (9.86%), Retail (8.05%), Industrial/Warehouse (7.44%), Office (7.03%), Lodging (6.10%) and Specialty (2.48%). Negative contributors included Infrastructure/Cell Towers (-11.12%), Residential (-4.30%), Self Storage (-1.80%) and Data Centers (-0.59%).

REIT Indices	QTD 7/1/2025 - 9/30/2025	YTD 1/1/2025 - 9/30/2025	1 Year 10/1/2024 - 9/30/2025
FTSE NAREIT All Equity REITs	2.67	4.51	-4.00
Residential			
FTSE NAREIT Equity Residential	-4.30	-5.91	-9.83
Retail			
FTSE NAREIT Equity Retail	8.05	6.94	3.30
Lodging			
FTSE NAREIT Equity Lodging/Resorts	6.10	-9.01	-6.21
Office			
FTSE NAREIT Equity Office	7.03	-1.02	-1.69
Industrial Warehouses			
FTSE NAREIT Equity Industrial	7.44	6.88	-11.00
Technology - Cell Towers and Data Centers			
FTSE NAREIT Infrastructure REITs	-11.12	6.23	-14.71
Technology - Cell Towers and Data Centers			
FTSE NAREIT Equity Data Centers	-0.59	-9.57	-2.25
Health Care			
FTSE NAREIT Equity Health Care	14.82	26.70	18.67
Self Storage			
FTSE NAREIT Equity Self Storage	-1.80	-1.77	-18.52
Diversified			
FTSE NAREIT Equity Diversified	9.86	20.10	6.49
Specialty			
FTSE NAREIT Equity Specialty	2.48	4.27	-5.91

Source: Morningstar, as of 9/30/2025, returns presented are total return

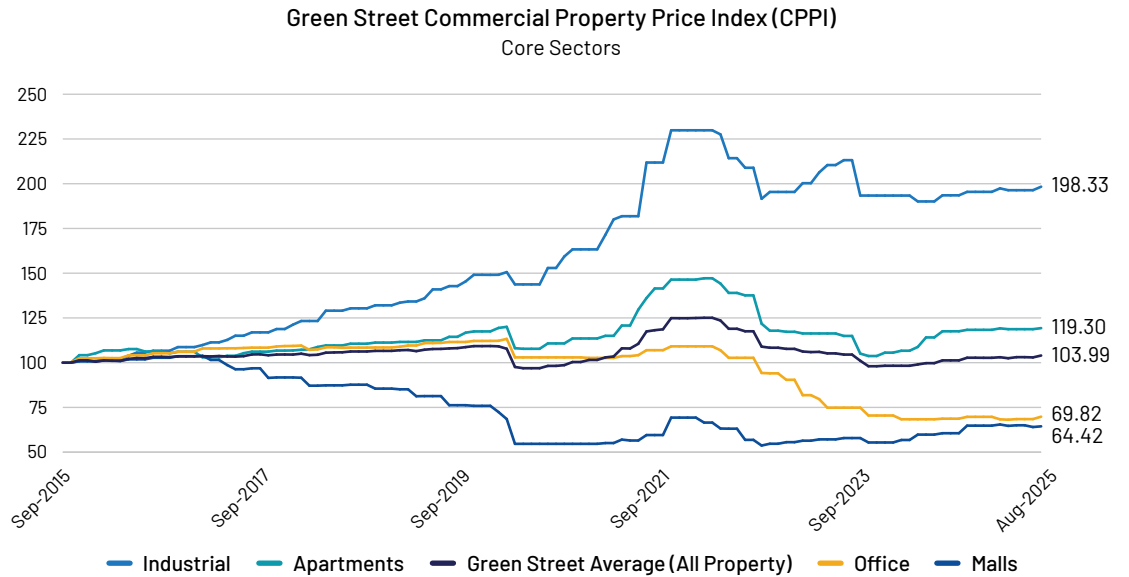
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On an earnings yield basis, REITs continue to be historically attractive when compared to the S&P 500.



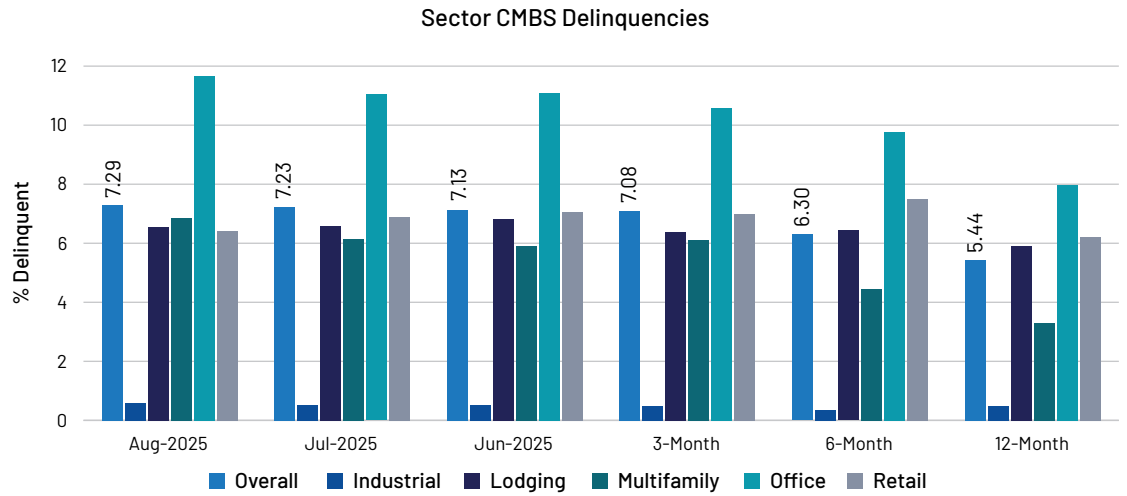
Source: Green Street, as of 9/1/2025

As illustrated below, valuations for core sectors continue to stabilize with improving fundamentals.



Source: Green Street, as of 8/1/2025

US CMBS delinquencies climbed slightly, reaching 7.29% in August 2025, up 185 bps from 5.44% in August 2024. Office and Retail continue to measure the highest core sector delinquencies over the past three-, six- and 12-month periods.



Source: Trepp, as of 8/31/2025

Q4 2025 Outlook

Market conditions remain supportive for improved fundamentals in Q4 2025, with REITs still trading at attractive discounts to public equities while benefiting from conservative leverage and predominantly fixed-rate, well-laddered debt. As the Fed’s easing cycle progresses and funding markets expand, we expect a gradual pickup in transaction activity, with selective M&A and possible public-to-private transactions where discounts are more persistent.

Sector fundamentals remain broadly resilient: Industrial appears to have normalized, Apartments are moving past peak deliveries toward a stronger 2026 and Retail occupancy is tight given limited new supply. Data Centers face power-access and grid constraints while Office remains bifurcated with a clear flight to quality.

Key monitoring points include tariff-driven cost pressures, the pace of Fed cuts, a slowing labor market, the rate and persistence of economic growth and consumer spending trends—factors that can elevate near-term volatility even as the longer-term outlook improves.

We continue to believe much of the negative sentiment has been priced in and maintain a neutral/market weight outlook for REITs.

Jimmy Wenger, CFA
Real Assets Strategist
jimmy.wenger@sscinc.com

Commodities Summary

Q3 2025 Review

Strong demand for Precious Metals (19.20%), including record gold prices, outpaced weaker Energy (-3.33%), Industrial Metals (0.20%) and Agriculture (-0.81%) sectors as the Bloomberg Commodity Index returned 3.65% for Q3 and 9.38% YTD 2025.

Precious Metals were up sharply from higher inflation expectations, policy uncertainties and limited supply growth. Supply increases tempered Energy prices, while weaker global growth and tariff distortions and uncertainties—particularly soybeans and aluminum—were headwinds for both Agriculture and Industrial Metals.

Sector	QTD 7/1/2025 – 9/30/2025	YTD 1/1/2025 – 9/30/2025	1 Year 10/1/2024 – 9/30/2025
Broad Commodities	3.65	9.38	8.88
Energy	-3.33	-4.45	0.81
Precious Metals	19.20	47.87	44.71
Industrial Metals	0.20	8.34	-0.03
Agriculture	-0.81	-2.87	-4.01

Source: Morningstar, as of 9/30/2025, returns presented are total return

Past performance is no guarantee of future results. One may not invest directly in an index.

Sector	Q3 Conditions/Key Points
Energy	<ul style="list-style-type: none"> Market balance shifted toward a mild surplus as OPEC+ unwound voluntary cuts and non-OPEC supply stayed resilient. US natural gas storage ended Q3 above five-year norms, and Europe's inventories plus LNG access stabilized shorter-term prices into autumn.
Precious Metals	<ul style="list-style-type: none"> Gold set successive records on sustained central bank purchases and renewed investor interest. Supply growth remained incremental.
Industrial Metals	<ul style="list-style-type: none"> Gold set successive records on sustained central bank purchases and renewed investor interest. Supply growth remained incremental.
Agriculture	<ul style="list-style-type: none"> China retaliated against US tariffs and eliminated purchase of US soybeans during Q3. Record US corn production enhanced supply and offset regional wheat shortages, muting overall grain increases.

Q4 2025 Outlook

Except for Precious Metals, the structural backdrop for commodities remains weak.

The potential for rate cuts could be constructive as they typically provide tailwinds over longer periods—they lower real and nominal rates, weaken the dollar and reduce inventory financing costs.

However, tariff uncertainties and related market distortions, along with lower expected growth, are likely to persist as the largest index sectors—Energy (~30% of index), Agriculture (~35%) and Industrial Metals (16%)—are highly sensitive to these key factors. In addition, if rate cuts are reflective of a weakening growth/demand environment or if supply surpluses persist, commodity prices could face headwinds.

Given the second condition is more likely, we maintain an unfavorable outlook for broad commodities.

All performance data sourced from Morningstar.

The commodity asset class proxy used for this analysis is the Bloomberg Commodity Index. The Energy sector proxy is the Bloomberg Energy Subindex Total Return. The Precious Metals proxy is the Bloomberg Precious Metals Subindex Total Return. The Industrial Metals sector proxy is the Bloomberg Industrial Metals Subindex Total Return. The Agriculture sector proxy is the Bloomberg Agriculture Subindex Total Return.

Richard Baker, CAIA

Director of Research, Real Assets and Alternatives
richard.baker@sscinc.com

Chris Proctor, CFA

Director of Research, Fixed Income
chris.proctor@sscinc.com

Andrew Drummond

VP, Portfolio Manager
andrew.drummond@sscinc.com

Private Markets Summary

Summary

M&A activity gained momentum in Q3, with both rising deal volume and values, and supportive macro conditions. Private valuations appear stable and in line with recent norms while spreads vs. current elevated public valuations are near historic highs. Fundraising is mixed: private equity and venture capital are down sharply, private credit and infrastructure are at near historic levels and real estate is gradually improving. Recent regulatory signals favoring broader access to alternatives in retirement plans could increase interest in retail-oriented vehicles such as interval and tender offer funds.

The wide manager performance dispersion in private markets persists.⁽²⁾ Over the past five years:

- Top quartile managers materially outperform their respective public counterpart indices.
- Median managers generally match public indices.
- Bottom quartile managers materially underperform public counterpart indices.

Current Conditions

Mergers & Acquisitions (M&A)⁽³⁾

- M&A activity continues to recover with material increases in both deal value and volume YTD.
- Total deal value reached \$2.0T+ across 24,000+ transactions in H1 2025 with year-over-year (YoY) increases of 13.6% and 16.2%, respectively.
- Sponsor-backed deals are on pace to match recent 2022 and 2024 peaks.
- An expected rate cut of 50 bps and lower rate environment could provide significant tailwinds for activity.

Valuations⁽⁴⁾

- Valuations continue to stabilize with US M&A at 11X EV/EBITDA.
- M&A valuations vs public equities, on EV/EBITDA basis, continue to be in line with recent history.
- Public valuations are trading near all-time highs (14.4X), while the spread between public and private valuations (9.3X) is also near all-time highs.

Fundraising⁽⁵⁾

- **Private Equity:** Q2 down ~50% vs. longer-term quarterly averages, 32% of total private vs. 41% for the last three years.
- **Venture Capital:** Through Q2, lowest in 10 years on an annualized basis, highly concentrated (~25%) in the 10 largest funds; over 60% in dry powder in funds 2-5 years old.
- **Private Credit:** On pace to match last of each three years, which were three of the four best years ever. Over \$500B in dry powder.
- **Private Infrastructure:** Through Q2, on pace to double 2024 and positioned to become the best year ever.
- **Real Estate:** Generally improving after several difficult years; on pace to eclipse and become the best year since 2022.

Regulatory

- August 7, 2025: Trump Executive Order to “democratize” access to alternative assets in 401(k)s by directing the Department of Labor and SEC to ease regulatory, access and litigation barriers within 180 days.
- The level of news headlines and potential changes will likely increase interest and allocations in available retail structures (i.e., interval funds, tender offer funds).

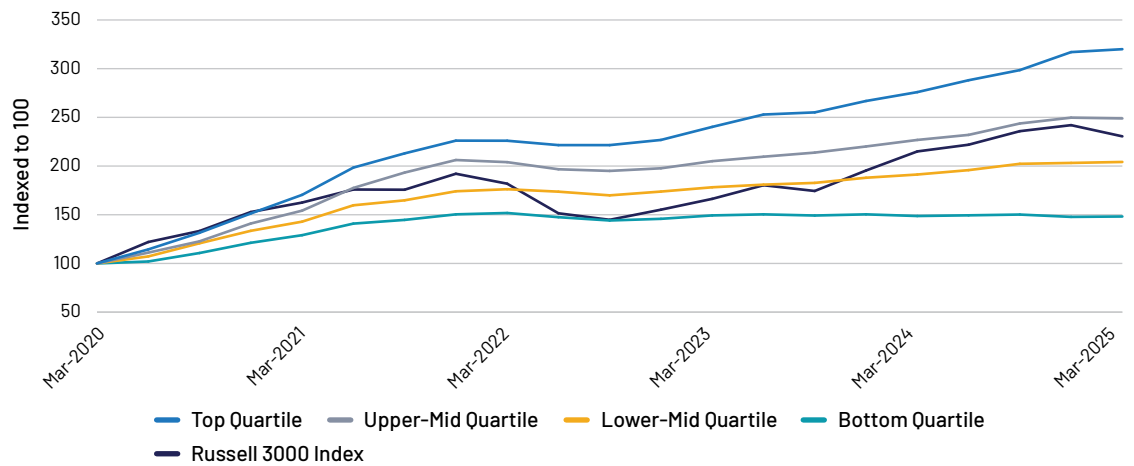
Performance Review

The wide manager performance dispersion persists across all private market categories. Manager selection continues to be paramount for investors to achieve investment objectives.

Over the past five years:

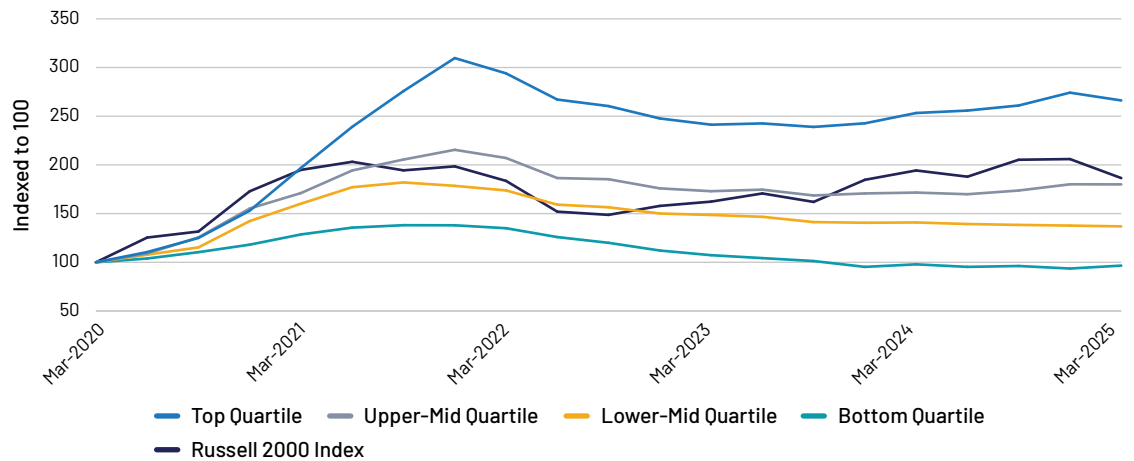
- Top quartile managers materially outperformed their respective public counterpart indices.
- Median managers generally matched public indices.
- Bottom quartile managers materially underperformed public counterpart indices.

Private Equity Quartile Performance vs Public Markets



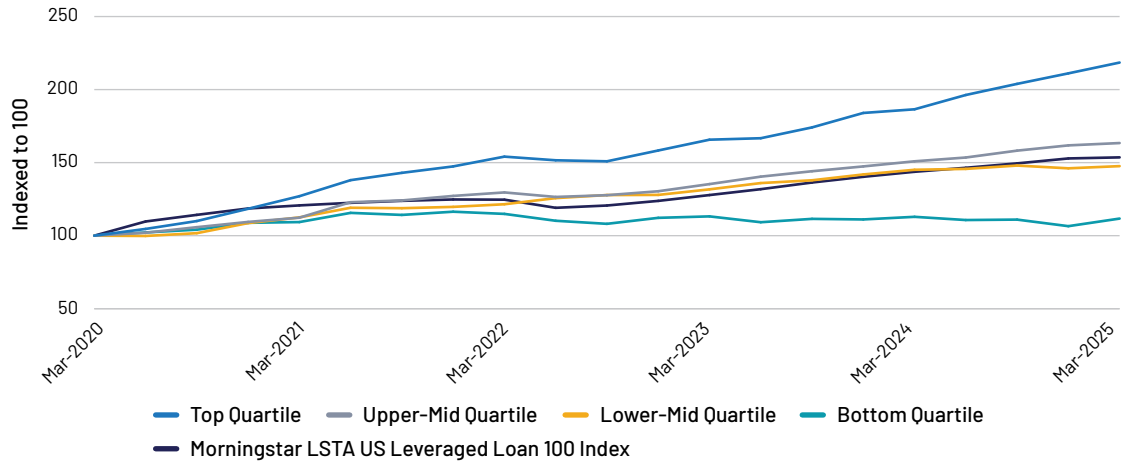
Sources: Pitchbook Private Equity Index, Morningstar, as of 3/31/2025. Latest information available. See endnotes for reference indices. **Past performance is no guarantee of future results. One may not invest directly in an index.**

Venture Capital Quartile Performance vs Public Markets



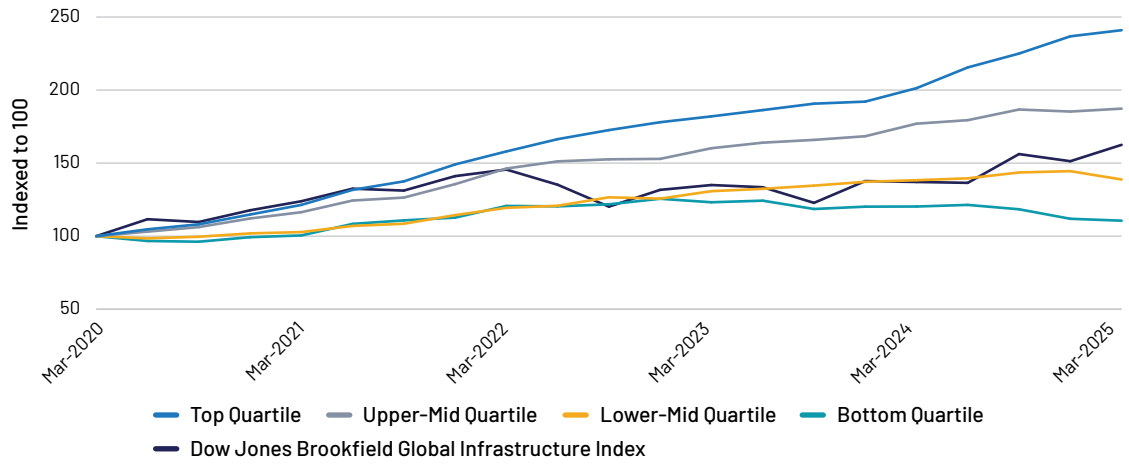
Sources: Pitchbook Venture Capital Index, Morningstar, as of 3/31/2025. Latest information available. See endnotes for reference indices. **Past performance is no guarantee of future results. One may not invest directly in an index.**

Private Credit Quartile Performance vs Public Markets



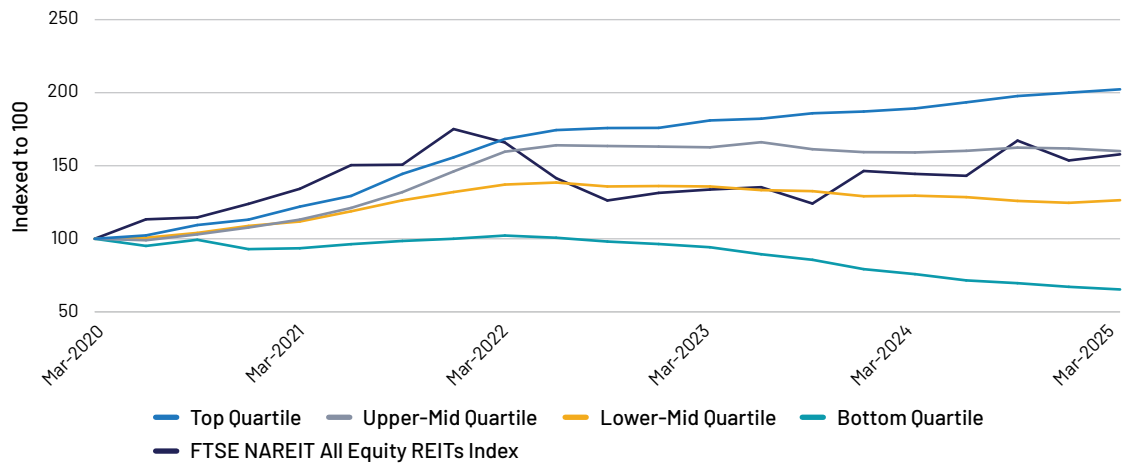
Sources: Pitchbook Private Debt Index, Morningstar, as of 3/31/2025. Latest information available. See endnotes for reference indices. **Past performance is no guarantee of future results. One may not invest directly in an index.**

Private Infrastructure/Real Assets Quartile Performance vs Public Markets



Sources: Pitchbook Private Real Assets Index, Morningstar, as of 3/31/2025. Latest information available. See endnotes for reference indices. **Past performance is no guarantee of future results. One may not invest directly in an index.**

Private Real Estate Quartile Performance vs Public Markets



Sources: Pitchbook Private Real Estate Index, Morningstar, as of 3/31/2025. Latest information available. See endnotes for reference indices. **Past performance is no guarantee of future results. One may not invest directly in an index.**

Outlook Q4 2025

Category	Positive Factors	Negative Factors and Risks	Outlook
Private Equity	<ul style="list-style-type: none"> Increased M&A activity and momentum. Expected lower interest rate environment. Accommodative regulatory environment. Relatively healthy debt and capital market conditions. Deal capacity. 	<ul style="list-style-type: none"> Rate cuts do not materialize. Tariff uncertainty. Slowing economy and M&A environment. Persistent lack of exits. 	Neutral to Favorable
Venture Capital	<ul style="list-style-type: none"> Continued momentum around AI-related start-ups and valuation growth. Continued growth of secondary environment and liquidity improvements. Some optimism from strong IPO exits in September. 	<ul style="list-style-type: none"> Continued lack of diversification—AI-dominated investment themes and massive compute costs for product development. Although recovering, IPO/exit environment continues to lag historic averages. Tariff policy uncertainty. 	Unfavorable to Neutral
Private Credit	<ul style="list-style-type: none"> Demand for private credit continues to increase with expansion into retail and potentially into retirement plans. Current low default rates and relatively attractive yields. Actual losses are running lower than pre-COVID-19 while yields and EBITDA coverage have increased and yields versus Treasuries remain attractive. Diversification increasing into more asset-backed lending. Generally, this is lower risk and more retail versus corporate lending. High Yield loan refinancing and M&A are large opportunities. Each year \$160B+ for next five years. Slight uptick in M&A with lower rates would be large opportunity to deploy dry powder. 	<ul style="list-style-type: none"> Deal competition is creating pricing pressure and lower spreads. All in yields are lower than public CCCs. Potential for rising default risk in downturns as smaller companies have less flexibility. Regulatory scrutiny is increasing as private credit growth and banking sector exposure make private credit a systematically important risk. Increase in payment-in-kind (PIK), recaps and secondary funds are all signs that actual credit quality is not as strong as advertised and potentially weaker than public traditional high yield. 	Favorable but not for all sectors
Private Infrastructure	<ul style="list-style-type: none"> Global urbanization and demographic shifts driving demand. Shortage of public funding—McKinsey estimates investments of \$106T by 2040 to meet basic global demand.⁽⁶⁾ Significant and sustained demand for energy, grid infrastructure, digital/data centers, water and transportation projects. Availability of capital with record fundraising levels for infrastructure funds. Availability of favorable government partnerships. 	<ul style="list-style-type: none"> Political and regulatory uncertainty. Rising construction and financing costs. Supply chain and energy availability for projects. 	Favorable
Private Real Estate	<ul style="list-style-type: none"> Continuation of valuation stabilization. Favorable demographic supply/demand imbalances. Inflation protection. Expected lower interest rate environment. Relatively healthy debt and capital market conditions. Robust demand for select sectors—data centers, health care, senior housing and residential. 	<ul style="list-style-type: none"> Tariff-sensitive sectors, primarily retail, warehouse and data centers. Obsolescence—heavy tilt of operating asset to “Old” real estate assets (office, retail, apartments) vs “Modern” assets (data centers, storage, health care, senior housing). Continued real estate weakness narrative (e.g., office weakness). Expected rate cuts do not materialize. 	Unfavorable

Endnotes

- ⁽¹⁾ Renaissance Macro Research [@RenMacLLC]. (2025, July 30). So far this year, AI capex, which we define as information processing equipment plus software has added more to GDP [Image attached] [Post]. X.
- ⁽²⁾ Pitchbook. (2025, March 31). Q1 2025 Private Capital Indexes Report.
- ⁽³⁾ Pitchbook. (2025, June 30). Q2 2025 Global M&A Report.
- ⁽⁴⁾ Pitchbook. (2025, June 30). Q2 2025 VC Valuations and Returns Report.
- ⁽⁵⁾ Pitchbook. (2025, June 30). Q2 2025 Global Private Market Fundraising Report.
- ⁽⁶⁾ McKinsey & Company. (2025, September). The Infrastructure Moment: Investing in the Expanding Foundations of Modern Society.

Definitions

Basis Point (bps): a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

Beta: a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market or a benchmark. The beta of the market or benchmark is 1.00 by definition. An investment with a beta above 1 is more volatile than the overall market, while an investment with a beta below 1 is less volatile.

Bloomberg Agriculture Subindex (BCOMAGTR Index): formerly known as the Dow Jones-UBS Agriculture Subindex (DJUBAGTR), the index is a commodity group subindex of the Bloomberg CTR. The index is composed of futures contracts on coffee, corn, cotton, soybeans, soybean oil, soybean meal, sugar and wheat. It reflects the return on fully collateralized futures positions and is quoted in USD.

Bloomberg Commodity Index: an unmanaged index used as a measurement of change in commodity market conditions based on the performance of a basket of different commodities.

Bloomberg Energy Subindex (BCOMENTR Index): a commodity index composed of futures contracts on crude oil, heating oil, unleaded gasoline and natural gas. It reflects the return of underlying commodity futures price movements only and is quoted in USD.

Bloomberg Industrial Metals Subindex (BCOMINTR Index): reflects the returns that are potentially available through an unleveraged investment in the futures contracts on industrial metal commodities.

Bloomberg Intermediate US High Yield Index: measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The intermediate duration segment of the index includes bonds with maturities of 1 to 10 years.

Bloomberg Municipal Index: serves as a benchmark for the US municipal bond market.

Bloomberg Precious Metals Subindex (BCOMPTR Index): reflects the returns that are potentially available through an unleveraged investment in the futures contracts on precious metals commodities. The Index currently consists of two precious metals commodities futures contracts (gold and silver).

Bloomberg US 1000 Index: a float market-cap-weighted benchmark of the 1000 most highly capitalized US companies.

Bloomberg US Aggregate Bond Index: a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, fixed-rate agency MBS, ABS and CMBS (agency and non-agency).

Bloomberg US Asset-Backed Securities Index: a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index only includes ABS securities.

Bloomberg US Corporate Bond Index: measures the investment grade, fixed-rate, taxable corporate bond market.

Bloomberg US Corporate High Yield Bond Index: measures the USD-denominated, high yield, fixed-rate corporate bond market.

Bloomberg US Treasury US TIPS Index: measures the performance of the US treasury inflation-linked bond market.

Cash Flow: the net balance (inflows minus outflows) of cash moving into and out of a business at a specific point in time.

Consumer Price Index (CPI): a measure of the average change over time in the prices paid by urban consumers for a representative basket of consumer goods and services.

Core Inflation: a measure of the change in the costs of goods and services, excluding the costs of energy and food sectors.

Credit Quality: the risk of default, often in reference to a debt instrument.

Dow Jones Brookfield Global Infrastructure Index: designed to measure the performance of pure-play infrastructure companies domiciled globally.

Dow Jones Industrial Average: a stock market index of 30 prominent companies listed on stock exchanges in the United States. The DJIA is one of the oldest and most commonly followed equity indexes.

Dry Powder: the amount of committed, but unallocated capital a firm has on hand. In other words, it's an unspent cash reserve that's waiting to be invested.

Easing Cycle: a period when a central bank, like the Federal Reserve, lowers its benchmark interest rates to stimulate economic activity by making borrowing, investment and spending cheaper. This policy aims to boost growth during a sluggish economy by increasing the money supply and encouraging consumers and businesses to spend and invest more.

Enterprise Multiple (EV/EBITDA): a ratio used to determine the value of a company by considering the company's debt. The enterprise multiple is the enterprise value (EV) (market capitalization + total debt - cash and cash equivalents) divided by EBITDA (earnings before interest, taxes, depreciation and amortization).

Federal Funds Rate: the target interest rate set by the Federal Open Market Committee (FOMC). This target is the rate at which the Fed suggests commercial banks borrow and lend their excess reserves to each other overnight.

FTSE NAREIT All Equity REITs Index: a free-float adjusted, market capitalization-weighted index of US equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

FTSE NAREIT Equity Data Centers Index: a subsector index of the FTSE NAREIT US Real Estate Index containing all Data Center REITs in the parent index.

FTSE NAREIT Equity Diversified Index: a subsector index of the FTSE NAREIT US Real Estate Index containing all Diversified REITs in the parent index.

FTSE NAREIT Equity Health Care Index: a subsector index of the FTSE NAREIT US Real Estate Index containing all Health Care REITs in the parent index.

FTSE NAREIT Equity Industrial Index: a subsector index of the FTSE NAREIT US Real Estate Index containing all Industrial REITs in the parent index.

FTSE NAREIT Equity Lodging/Resorts Index: a subsector index of the FTSE NAREIT US Real Estate Index containing all Lodging/Resorts REITs in the parent index.

FTSE NAREIT Equity Office Index: a subsector index of the FTSE NAREIT US Real Estate Index containing all Office REITs in the parent index.

FTSE NAREIT Equity Residential REIT Index: a subsector index of the FTSE NAREIT US Real Estate Index containing all Equity Residential REITs in the parent index.

FTSE NAREIT Equity Retail Index: a subsector index of the FTSE NAREIT US Real Estate Index containing all Retail REITs in the parent index.

FTSE NAREIT Equity Self Storage Index: a subsector index of the FTSE NAREIT US Real Estate Index containing all Self Storage REITs in the parent index.

FTSE NAREIT Equity Specialty Index: a subsector index of the FTSE NAREIT US Real Estate Index containing all Specialty REITs in the parent index.

FTSE NAREIT Infrastructure REITs Index: a subsector index of the FTSE NAREIT US Real Estate Index containing all Infrastructure REITs in the parent index.

Green Street Commercial Property Price Index (CPPI): a time series of unleveraged US commercial property values that captures the prices at which commercial real estate transactions are currently being negotiated and contracted. Features that differentiate this index are its timeliness, its emphasis on high-quality properties, and its ability to capture changes in the aggregate value of the commercial property sector.

Headline Inflation: the raw inflation figure reported through the Consumer Price Index (CPI) that is released monthly by the Bureau of Labor Statistics which is derived from the cost to purchase a fixed basket of goods.

Headwind: an external factor that negatively impacts a company, industry or the economy, resisting growth and hindering performance.

High Yield: commonly referred to as "junk" or "junk bonds," fixed income securities rated below investment grade (below BBB). High yield bonds pay higher interest rates because they have lower credit ratings than investment-grade bonds.

Investment Grade (IG): a rating that signifies that a municipal or corporate bond presents a relatively low risk of default. To be considered an investment grade issue, the company must be rated at 'BBB' or higher by Standard and Poor's or Moody's. Anything below this 'BBB' rating is considered non-investment grade.

Liquidity: the degree to which an asset or security can be bought or sold in the market without affecting the asset's price.

Morningstar LSTA US Leveraged Loan 100 Index: measures the performance of the 100 largest facilities in the US leveraged loan market.

Mortgage-Backed Securities (MBS): bonds secured by home and other real estate loans. They are created when a number of these loans, usually with similar characteristics, are pooled together.

Municipal Bond: a debt security issued by a state, municipality, or county to finance its capital expenditures, including the construction of highways, bridges, or schools. They can be thought of as loans that investors make to local governments. Municipal bonds are often exempt from federal taxes and most state and local taxes (for residents), making them especially attractive to people in higher income tax brackets.

NASDAQ 100 Index: one of the world's preeminent large-cap growth indexes. It includes 100 of the largest domestic and international non-financial companies listed on the Nasdaq Stock Market based on market capitalization.

Nonfarm Payroll (NFP) Industry Diffusion Index: the percent of industries with employment increasing plus one-half of the industries with unchanged employment, where 50 percent indicates an equal balance between industries with increasing and decreasing employment.

Personal Consumption Expenditures Price Index (PCE): a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. The PCE is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior.

Pitchbook Private Debt Index: a quarterly return benchmark for private credit built from Pitchbook's cash flow and NAV data. The indexes provided are meant to be estimates of asset class performance, hypothetically creating a return if one had access to all active funds in the category on a capital-weighted basis. Constituent funds are bucketed into quartile rankings based on their fund categorization and vintage year. Quartiles are determined by Total Value Paid In (TVPI) as of the most recent available data.

Pitchbook Private Equity Index: a quarterly return benchmark for private equity built from Pitchbook's cash flow and NAV data. The indexes provided are meant to be estimates of asset class performance, hypothetically creating a return if one had access to all active funds in the category on a capital-weighted basis. Constituent funds are bucketed into quartile rankings based on their fund categorization and vintage year. Quartiles are determined by Total Value Paid In (TVPI) as of the most recent available data.

Pitchbook Private Real Assets Index: a quarterly return benchmark for private real assets/infrastructure built from Pitchbook's cash flow and NAV data. The indexes provided are meant to be estimates of asset class performance, hypothetically creating a return if one had access to all active funds in the category on a capital-weighted basis. Constituent funds are bucketed into quartile rankings based on their fund categorization and vintage year. Quartiles are determined by Total Value Paid In (TVPI) as of the most recent available data.

Pitchbook Private Real Estate Index: a quarterly return benchmark for private real estate built from Pitchbook's cash flow and NAV data. The indexes provided are meant to be estimates of asset class performance, hypothetically creating a return if one had access to all active funds in the category on a capital-weighted basis. Constituent funds are bucketed into quartile rankings based on their fund categorization and vintage year. Quartiles are determined by Total Value Paid In (TVPI) as of the most recent available data.

Pitchbook Venture Capital Index: a quarterly return benchmark for venture capital built from Pitchbook's cash flow and NAV data. The indexes provided are meant to be estimates of asset class performance, hypothetically creating a return if one had access to all active funds in the category on a capital-weighted basis. Constituent funds are bucketed into quartile rankings based on their fund categorization and vintage year. Quartiles are determined by Total Value Paid In (TVPI) as of the most recent available data.

Purchasing Managers Index (PMI): an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting.

Quantitative Tightening: a monetary policy strategy used by central banks where they reduce the pace of reinvestment of proceeds from maturing government bonds in an attempt to raise interest rates, decrease the supply of money, and reduce lending to consumers and businesses.

Real Estate Investment Trust (REIT): companies that own or finance income-producing real estate across a range of property sectors. Listed REITs have characteristics of both the income potential of bonds and growth potential of stocks.

Return on Invested Capital (ROIC): a calculation used to assess a company's efficiency in allocating capital to profitable investments.

Russell 2000 Index: measures the performance of the small-cap segment of the US equity universe.

Russell 3000 Index: measures the performance of the largest 3,000 US companies representing approximately 97% of the investable US equity market.

S&P 500 Index: widely regarded as the best single gauge of large-cap US equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

Standard Deviation: a statistical measure that indicates the extent of deviation for a group as a whole.

Tailwind: a certain situation or condition that may lead to higher profits, revenue or growth.

US Dollar Index: measures the value of the US dollar relative to a basket of foreign currencies.

Yield Curve: a graphical representation of the yields (y-axis) on debt instruments with different maturities (x-axis).

Z-Score: a numerical measurement that describes a value's relationship to the mean of a group of values, measured as standard deviations from the mean. If a Z-score is 0, it indicates that the data point's score is identical to the mean score. A Z-score of 1.0 would indicate a value that is one standard deviation from the mean.

One may not invest directly in an index.

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