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In the second quarter of 2025, alternative investments ("alternatives"), on average, had mixed returns and significantly underperformed global equity markets. Economic data continues to show slower growth, a softer job market, yet stubborn inflation. The policy volatility of tariffs is making the economic data more diffuse than normal and therefore harder to draw definitive conclusions as to the direction of the overall economy. The Federal Reserve (the "Fed") made no changes to the Fed Funds rate, but there has been a more visible division amongst the members with regards to future cuts. The dovish members have become more vocal than in the recent past, citing the need for cuts to sustain the economic growth amidst tariff disruptions and an inflationary environment that, while not at the Federal Reserve's target of 2%, has remained manageable. The executive branch has made it no secret that they want lower interest rates, a weaker dollar, and lower taxes while not directly addressing any potential resurgence in inflation. Equities, for their part, have clearly embraced both the current waning of a draconian tariff/trade war along with the hope of significantly easier financial conditions. As a result, equity valuation metrics have rebounded to historically elevated levels (see Figure 1).

Alternatives delivered positive performance in six out of ten categories during the second quarter, although trend following and real assets struggled. Equity Long/Short led all categories with a gain of 6.53%, followed by Equity Market Neutral, which returned 3.83%. Managed Futures was the weakest performer, declining 6.71%. Despite some pockets of strength, all alternatives categories underperformed the S&P 500® Index, which returned 10.94% for the quarter. On average, alternatives underperformed the S&P 500® Index by 1,053 basis points. However, four out of ten alternatives categories outperformed the Bloomberg U.S. Aggregate Bond Index ("BB Agg"), with an average underperformance of 80 basis points (see Figures 2 and 3).

**Figure 1**
**U.S. Equity Valuation Ratio Percentile**

| U.S. Equity Valuation Ratio Percentile | S&P 500® Index 6/30/2025 | S&P 500® Index 12/31/2024 | Russell 2000® Index 6/30/2025 | Russell 2000® Index 12/31/2024 | Nasdaq-100® Index 6/30/2025 | Nasdaq-100® Index 12/31/2024 |
|---|---|---|---|---|---|---|
| Price to Sales | 99.10% | 96.20% | 84.60% | 88.80% | 99.70% | 96.80% |
| Price to Earnings | 87.60% | 88.40% | 90.30% | 92.10% | 84.90% | 85.10% |
| Price to EBITDA | 96.00% | 95.40% | 82.00% | 87.20% | 92.20% | 92.00% |
| Price to Book Value | 99.30% | 98.50% | 32.90% | 38.90% | 94.90% | 92.90% |
| Price to Cash Flow | 98.40% | 98.40% | 82.10% | 49.50% | 93.90% | 94.60% |
| Price to Free Cash Flow | 83.40% | 83.00% | 62.30% | 58.20% | 95.40% | 94.50% |

**Figure 2**
**Alternatives Performance**

| Alternatives Performance | Q2 2025 | YTD |
|---|---|---|
| Equity Long/Short | 6.53% | 4.13% |
| Equity Market Neutral | 3.83% | 8.50% |
| Multi-Strategy | 2.92% | 10.36% |
| Fixed Income Arbitrage | 2.48% | 4.89% |
| Event Driven | 1.17% | 2.92% |
| Convertible Arbitrage | 0.40% | 1.65% |
| Real Estate | -0.44% | 3.03% |
| Global Macro | -3.00% | 2.79% |
| Commodities | -3.08% | 5.53% |
| Managed Futures | -6.71% | -9.01% |

**Figure 3**
**Alternatives Performance (Over/Under) Q2 2025**

| Alternatives Performance (Over/Under) Q2 2025 | vs S&P 500® Index | vs BB Agg |
|---|---|---|
| Equity Long/Short | -4.41% | 5.32% |
| Equity Market Neutral | -7.11% | 2.62% |
| Multi-Strategy | -8.02% | 1.72% |
| Fixed Income Arbitrage | -8.47% | 1.27% |
| Event Driven | -9.77% | -0.04% |
| Convertible Arbitrage | -10.54% | -0.81% |
| Real Estate | -11.39% | -1.65% |
| Global Macro | -13.94% | -4.21% |
| Commodities | -14.02% | -4.28% |
| Managed Futures | -17.65% | -7.91% |
| Average | -10.53% | -0.80% |

***Past performance is not indicative of future results.*** Source for all charts: Bloomberg. As of 6/30/2025.

Commentary Continued on Next Page

Traditionally, managed futures and macro strategies are viewed as having lower correlations to equities because they are diversified across a variety of markets and often employ shorting as part of their approach. Strategies that had lower 2-year correlations to U.S. equities (less than .60), on average, underperformed those strategies that had a higher correlation with U.S. equities. The spread was 450 basis points (Figure 4). Two of three real asset categories were negative, as concerns over rates and global growth likely weighed on real estate and commodities (energy in particular). Gold continued its positive run helped by a weakening U.S. dollar and worries about sticky inflation, while still serving as a quality haven asset (Figure 5).

**Figure 4**
**Correlations (2yr) & Returns**

| Correlations (2yr) & Returns | Correlation to S&P 500® Index | Q2 Return |
|---|---|---|
| Equity Long/Short | 0.89 | 6.53% |
| Real Estate | 0.75 | -0.44% |
| Convertible Arbitrage | 0.66 | 0.40% |
| Fixed Income Arbitrage | 0.27 | 2.48% |
| Event Driven | 0.26 | 1.17% |
| Global Macro | 0.12 | -3.00% |
| Managed Futures | 0.03 | -6.71% |
| Equity Market Neutral | 0.02 | 3.83% |
| Commodities | (0.10) | -3.08% |
| Multi-Strategy | (0.12) | 2.92% |
| Lower Correlation Avg TR (≤0.60) | | 1.56% |
| Higher Correlation Avg TR (>0.60) | | 3.03% |

Correlation of monthly returns over 24 months.

**Figure 5**
**Real Assets Returns**

| Real Assets Returns | Q2 2025 | YTD 2025 |
|---|---|---|
| Gold | 5.75% | 25.86% |
| Real Estate | -0.44% | 3.03% |
| Commodities | -3.08% | 5.53% |
| Average | 0.74% | 11.47% |

Cryptocurrencies rode the "risk on" rally and moved sharply higher in the second quarter. Bloomberg Galaxy Crypto Index rose +29.16%. Bitcoin was up +30.56%, while Ethereum performed even better, up +37.61%. Ripple and Litecoin trailed the big gainers but still posted strong returns of 10.03% and 3.76%, respectively (Figure 6). Despite the rally, losses in the space due to hacks, fraud and other illicit activity totaled over $800 million. The current administration has embraced the cryptocurrency market, loosening SEC regulations, with President Trump openly promoting his own meme coin, $TRUMP. Meanwhile, several companies have begun pursuing what is informally known as a bitcoin treasury strategy, in which a portion of the company's cash is directed towards the purchase of bitcoin rather than held in reserve as cash or other liquid short-term investments. Some analysts worry that such speculative use of cash is reminiscent of behavior seen in the dot-com era and, by extension, the market in general may face a similar unpleasant resolution.

**Figure 6**
**Cryptocurrency Returns**

| Cryptocurrency Returns | Q2 2025 | YTD 2025 |
|---|---|---|
| Ethereum | 37.61% | -25.18% |
| Bitcoin | 30.56% | 14.82% |
| BB Galaxy Crypto Index | 29.16% | -11.74% |
| XRP (Ripple Digital Assets) | 10.03% | 9.56% |
| Litecoin | 3.76% | -16.57% |

***Past performance is not indicative of future results.*** Source for all charts: Bloomberg. As of 6/30/2025.

Commentary Continued on Next Page

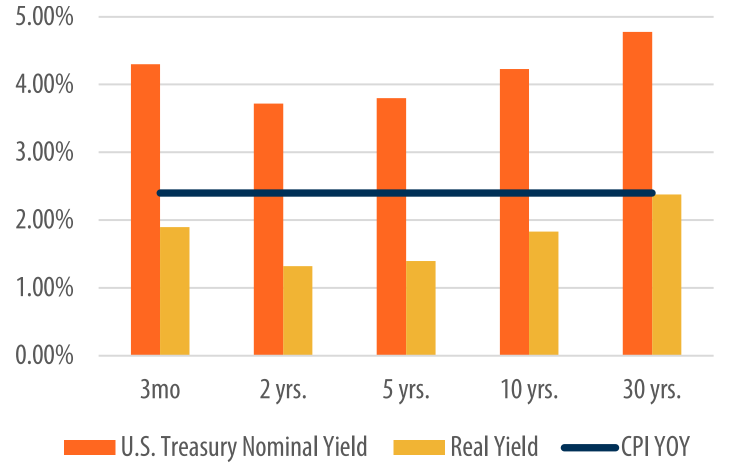
Returns for major asset classes were mostly positive in the second quarter of 2025, with both domestic and international equities posting double digit returns. High yield bonds participated in the risk rally and had a solid return (+3.76%). The U.S. dollar continued to decline (-7.04%) likely due to uncertain trade policies, expectations of a series of rate cuts and waning demand for the dollar as a haven asset. Despite a falling dollar, commodities were down, (-3.08%) as concerns over short-term global growth weighed on the sector. Long-duration U.S. Treasuries (20+ years) also fell (-1.95%), despite a more dovish tone from the Fed (which helped the short end of the curve rally). Global investors seemed less interested in the safety of U.S. bonds, while retaining some concern that continued deficit spending will put increasing pressure on Treasury supply at the long end of the curve (Figure 7). Real interest rates remained in positive territory and rose across the curve, primarily driven by a decrease in the Consumer Price Index ("CPI") (Figure 8). Lower real rates generally point toward easing financial conditions, while higher real rates are indicative of tightening financial conditions.

**Figure 7**

| Asset Class Returns | Q2 2025 | 2025 |
|---|---|---|
| Bitcoin | 30.56% | 14.82% |
| Emerging Markets | 11.99% | 15.27% |
| International Developed | 11.78% | 19.45% |
| U.S. Equities | 10.94% | 6.20% |
| High Yield Bonds | 3.76% | 4.65% |
| U.S. Aggregate Bonds | 1.21% | 4.02% |
| Real Estate | -0.44% | 3.03% |
| U.S. Treasury | -1.95% | 2.72% |
| Commodities | -3.08% | 5.53% |
| U.S. Dollar | -7.04% | -10.70% |

**Figure 8**

**US Treasury Yields and CPI**




Source for all charts: Bloomberg. As of 6/30/2025.

Alternatives have historically provided significant diversification benefits when paired with a portfolio of traditional assets, in addition to both competitive absolute returns and attractive risk-adjusted returns. Please Note: Alternative investments may employ complex strategies, have unique investment and risk characteristics, and may not be appropriate for all investors.

*References to specific companies or securities should not be construed as a recommendation to buy or sell any such security, nor should they be assumed profitable.*

*All charts shown herein are for illustrative purposes only and not indicative of any investment. The performance illustrations exclude the effects of taxes and brokerage commissions or other expenses incurred when investing.* ***Past performance is not indicative of future results*** *and there can be no assurance past trends will continue in the future. An investor cannot invest directly in an index. See last page for definitions of asset class indexes and other terms discussed herein.*

## Definitions

**Bitcoin:** A digital currency using encryption techniques created for use in peer-to-peer online transactions Introduced in 2008 by a person or group using the name Satoshi Nakamoto.

**Bloomberg Galaxy Crypto Index (BB Galaxy Crypto):** The BGCI is designed to measure the performance of the largest cryptocurrencies traded in USD.

**Commodities:** The Bloomberg Commodity Index is made up of exchange-traded futures on physical commodities and represents 20 commodities, which are weighted to account for economic significance and market liquidity.

**Consumer Price Index (CPI):** A measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living.

**Convertible Arbitrage:** The Credit Suisse AllHedge Convertible Arbitrage Index is a subset of the Credit Suisse AllHedge Index that measures the aggregate performance of convertible arbitrage funds. Convertible Arbitrage is a strategy that involves taking simultaneous long and short positions in a convertible bond and its underlying stock.

**Correlation:** A statistical measure that quantifies the extent to which two or more data series fluctuate together. Values run from -1.0 to +1.0.

**Cryptocurrency:** A digital or virtual currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend.

**Emerging Markets:** The MSCI Emerging Markets Index captures large and mid cap representation across Emerging Markets (EM) countries. The index covers 85% of the free float-adjusted market capitalization in each country.

**Equity Long/Short:** The Credit Suisse AllHedge Long/Short Equity Index is a subset of the Credit Suisse AllHedge Index that measures the aggregate performance of long/short equity funds. Long/short equity funds typically invest in both long and short sides of equity markets, generally focusing on diversifying or hedging across particular sectors, regions or market capitalizations. Managers typically have the flexibility to shift from value to growth; small to medium to large capitalization stocks; and net long to net short. Managers can also trade equity futures and options as well as equity related securities and debt or build portfolios that are more concentrated than traditional long-only equity funds.

**Equity Market Neutral:** The Credit Suisse AllHedge Equity Market Neutral Index is a subset of the Credit Suisse AllHedge Index that measures the aggregate performance of equity market neutral funds. Equity market neutral funds typically take both long and short positions in stocks while seeking to reduce exposure to the systematic risk of the market (i.e., a beta of zero is desired). Equity Market Neutral funds typically seek to exploit investment opportunities unique to a specific group of stocks, while maintaining a neutral exposure to broad groups of stocks defined for example by sector, industry, market capitalization, country, or region. The index has a number of subsectors including statistical arbitrage, quantitative long/short, fundamental long/short and index arbitrage. Managers often apply leverage to enhance returns.

**Ethereum:** Ethereum is a platform that offers programming code of any decentralized application. It has been linked to payment style transactions. Ether is the cryptocurrency issued through open-source code executed on thousands of nodes.

**Event Driven:** The Credit Suisse AllHedge Event Driven Index is a subset of the Credit Suisse AllHedge Index that measures the aggregate performance of event driven funds. Event driven funds typically invest in various asset classes and seek to profit from potential mispricing of securities related to a specific corporate or market event. Such events can include: mergers, bankruptcies, financial or operational stress, restructurings, asset sales, recapitalizations, spin-offs, litigation, regulatory and legislative changes as well as other types of corporate events. Event driven funds can invest in equities, fixed income instruments (investment grade, high yield, bank debt, convertible debt and distressed), options and various other derivatives. Many managers may use a combination of strategies and adjust exposures based on the opportunity sets in each subsector.

**Fixed Income Arbitrage:** The Credit Suisse AllHedge Fixed Income Arbitrage Index is a subset of the Credit Suisse AllHedge Index that measures the aggregate performance of fixed income arbitrage funds. Fixed income arbitrage funds typically attempt to generate profits by exploiting inefficiencies and price anomalies between related fixed income securities. Fixed income arbitrage funds seek to limit volatility by hedging out exposure to the market and interest rate risk. Strategies may include leveraging long and short positions in similar fixed income securities that are related either mathematically or economically. The sector includes credit yield curve relative value trading involving interest rate swaps, government securities and futures; volatility trading involving options; and mortgage-backed securities arbitrage (the mortgage-backed market is primarily U.S.-based and over-the-counter).

**Global Macro:** The Credit Suisse AllHedge Global Macro Index is a subset of the Credit Suisse AllHedge Index that measures the aggregate performance of global macro funds. Global macro funds typically focus on identifying extreme price valuations and leverage is often applied on the anticipated price movements in equity, currency, interest rate and commodity markets. Managers typically employ a top-down global approach to concentrate on forecasting how political trends and global macroeconomic events affect the valuation of financial instruments. Profits can be made by correctly anticipating price movements in global markets and having the flexibility to use a broad investment mandate, with the ability to hold positions in practically any market with any instrument. These approaches may be systematic trend following models, or discretionary.

**Gold:** The return of the gold spot price as quoted as U.S. dollars per Troy Ounce.

**Inflation:** Is the decline of purchasing power of a given currency over time.

**High-Yield Bonds:** The Bloomberg US High Yield Very Liquid Index (VLI) is a component of the US Corporate High Yield Index that is designed to track a more liquid component of the USD-denominated, high yield, fixed-rate corporate bond market. The US High Yield VLI uses the same eligibility criteria as the US Corporate High Yield Index, but includes only the three largest bonds from each issuer that have a min amount outstanding of USD500mn and less than five years from issue date.

**International Developed:** The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The index is a free-float weighted equity index.

**Litecoin:** A peer-to-peer cryptocurrency and open source software project similar to Bitcoin, Litecoin uses blockchain technology to process transactions. Litecoin, referred to as an alt-coin can process blocks faster than Bitcoin, uses a different mining algorithm and has larger supply.

**Managed Futures:** BarclayHedge US Managed Futures Industry Top 50 (BTop 50) Index. The Index seeks to replicate the overall composition of the managed futures industry with regard to trading style and overall market exposure.

**Multi-Strategy:** The Credit Suisse AllHedge Multi-Strategy Index is a subset of the Credit Suisse AllHedge Index that measures the aggregate performance of multi-strategy funds. Multi-strategy funds typically are characterized by their ability to allocate capital based on perceived opportunities among several hedge fund strategies. Through the diversification of capital, managers seek to deliver consistently positive returns regardless of the directional movement in equity, interest rate or currency markets. The added diversification benefits may reduce the risk profile and help to smooth returns, reduce volatility and decrease asset-class and single-strategy risks. Strategies adopted in a multi-strategy fund may include, but are not limited to, convertible bond arbitrage, equity long/short, statistical arbitrage and merger arbitrage.

**Nasdaq-100 Index®** includes 100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization.

**Nominal Yield:** Is the annualized rate of return on a bond without accounting for inflation or expenses.

**Real Assets** are physical and/or tangible investments such as real estate, commodities (including gold, oil, and natural resources) and infrastructure whose intrinsic value is derived from their use.

**Real Estate:** The Dow Jones US Real Estate Index is designed to track the performance of real estate investment trusts (REITs) & other companies that invest directly or indirectly in real estate through development, management or ownership, including property agencies.

**Real Yield:** or Real Interest Rate has been adjusted to remove the effects of inflation to reflect the real cost of funds to the borrower and the real yield to the lender or to an investor.

**Ripple Digital Assets:** Known as XRP, Ripple is a cryptocurrency that can be used on open source distributed ledger created by the company Ripple. It is built upon the principles of blockchain as an on-demand option for faster cross border payments.

**Russell 2000® Index** is comprised of the smallest 2000 companies in the Russell 3000® Index.

**Trend Following** is an investment strategy that identifies and invests in assets that are showing a consistent directional market trend (either upward or downward) over a set period of time via a systematic approach.

**U.S. Aggregate Bonds:** The Bloomberg US Aggregate Bond Index is a broad-based benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

**U.S. Equities:** The S&P 500® Index. An unmanaged index of 500 companies used to measure large-cap U.S. stock market performance.

**U.S. Dollar:** The U.S. Dollar Index (USDX) indicates the general international value of the U.S. dollar. The USDX does this by averaging the exchange rates between the USD and major world currencies. The ICE US computes this by using the rates supplied by some 500 banks.

**U.S. Treasury:** ICE US Treasury 20+ Years Bond Index consists of publicly-issued U.S. Treasury securities that have a remaining maturity greater than 20 years and have $300 million USD or more of outstanding face value, excluding amounts held by the Federal Reserve System.

**U.S. Treasury Yield:** Yield of U.S. Treasury securities maturing in approximately 3 months, 2 years, 5 years, 10 years, or 30 years.

**Year-over-Year (YoY):** is a calculation that helps compare growth over the previous 12 months and automatically negates the effect of seasonality.