Forecast
Multi-Asset Solutions

Q1 2025

Long-Term Asset Class Forecasts

Our longer-term asset class forecasts are forward-looking estimates of total return and risk premia, generated through a combined assessment of current valuation measures, economic growth, inflation prospects, sustainability considerations, yield conditions as well as historical price patterns. We also include shorter-term return forecasts that incorporate output from our multi-factor tactical asset allocation models. Outlined below is the process we use to arrive at our return forecasts for the major asset classes.

For a copy of the latest quarterly investment commentary from the Investment Solutions Group, please reach out to your State Street representative.

Inflation

The starting point for our nominal asset class return projections is an inflation forecast. We incorporate both estimates of long-term inflation and the inflation expectations implied in current bond yields. US Treasury Inflation-Protected Securities (TIPS) provide a market observation of the real yields that are available to investors. The difference between the nominal bond yield and the real bond yield at longer maturities furnishes a marketplace assessment of long-term inflation expectations.

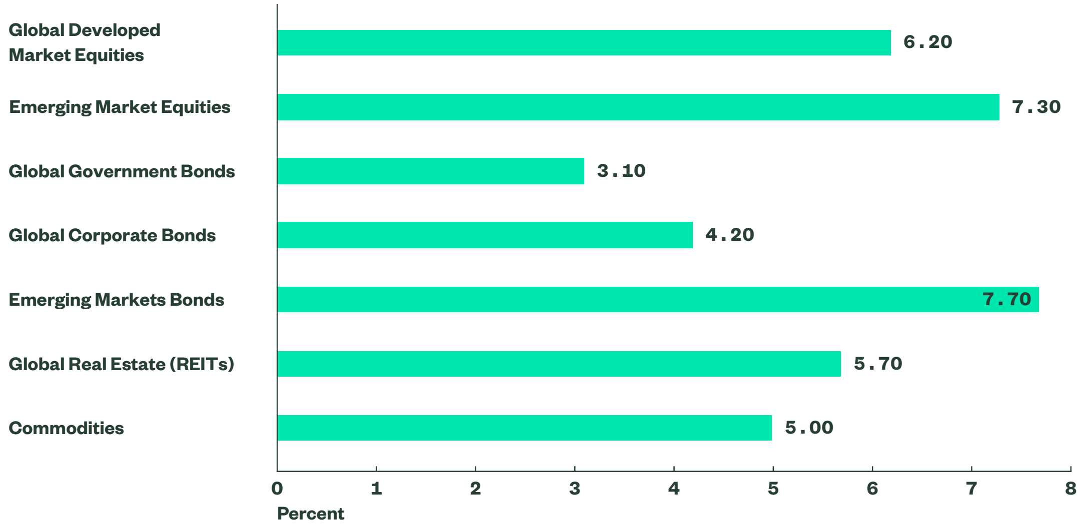
Cash

Our long-term forecasts for global cash returns incorporate what we view as the normal real return that investors can expect to earn over time. Historically, cash investors have earned a modest premium over inflation but we also take current and forward-looking global central bank policy rates into consideration in formulating our cash forecast.

Bonds

Our return forecasts for fixed income are derived from current yield conditions together with expectations as to how real and nominal yield curves will evolve relative to historical precedent. We then build our benchmark forecasts from discrete analysis of relevant maturities. For corporate bonds, we also analyse credit spreads and their term structures, with separate assessments of investment grade and high yield bonds. We also take into account the default probability for high yield bonds in the foreseeable future.

Figure 1
Forecasted Long-Term Annualised Return
Long-Term (10+ Years)



Source: State Street Global Advisors Investment Solutions Group as of 12/31/2024.
Forecasted returns are based upon estimates and reflect subjective judgements and assumptions. These results were achieved by means of a mathematical formula and do not reflect the effect of unforeseen economic and market factors on decision-making. The forecasted returns are not necessarily indicative of future performance, which could differ substantially.

Equities

Our long-term equity market return forecasts combine estimates of real return potential, derived from historical and current dividend yields, forecasted real earnings growth rates, expected share issuance or buyback yield, and potential for expansion or contraction of valuation multiples. Our way of estimating real earnings growth rates incorporates forecasts of GDP levels. Across both developed and emerging markets, variations in labour, capital and productivity levels result in region-specific differences in the GDP estimates, allowing for more region-appropriate forecasts for both developed and emerging market equities.

Another important feature of our equity forecasts is that they include elements of sustainability through leveraging State Street Global Advisors' R-Factor scores. Improvements in a country's aggregated and normalised R-Factor scores are used to incrementally reduce its risk expectations within the forecast and the other way around.

Smart Beta

Smart Beta forecasts are developed using MSCI World index forecasts as a starting point and adding expected alpha and beta adjustments as appropriate.

Private Equity

Our long-term forecast for private equity is based upon past performance patterns of private equity funds relative to listed equity markets and our extrapolation of these performance patterns on a forward basis. According to several academic studies[1,2,3] the annual rate of return of private equity funds over the long term appears to be largely in line with that of listed equities after appropriate adjustments for leverage are made. Private equity funds seem to have been outperforming relative to listed equities before fees, but generally in line with them (on a leverage-adjusted basis) after fees.

REITs

Real Estate Investment Trusts (REITs) have historically earned returns between bonds and stocks due to their stable income streams and potential for capital appreciation. Hence, we model it as a blend of two approaches. The first approach is to apply the average historical spread of the yields over Treasuries to forecast the expected return. The second approach is to account for inflation and long-term capital appreciation with the current dividend yield.

Commodities

Our long-term commodity forecast is based on our forecasts of US Inflation and Dollar Index. Since the exposure to commodities is primarily held through Futures market, rolling the futures would be a source of return. For this, we use the long term roll return along with the latest positioning of commodities futures. We also consider that collateral held for maintaining the exposure to futures shall generate a return.

Long Horizon Risk

We believe that over the long term, prices are anchored to some sort of a slow-moving, fundamentals-anchored process, while in the short term, these same prices cycle quasi-randomly around such anchors. Thus, the returns on most financial assets can be effectively separated into a long-term component linked to economic fundamentals and a transient part linked to “excess volatility” or other noise. Such property of asset returns rhythms nicely with the investors’ need to balance strategic portfolio optimality with the short-term risk control. With that in mind, we expanded our Long-Term Return Forecasts to include long-horizon risk estimates alongside ordinary, short-horizon ones.

Figure 2
State Street Global Advisors Asset Class Return Forecasts
As of December 31, 2024

Asset Class	Benchmark	Short Term 1 Year (%)	Intermediate Term 3–5 Years (%)	Long Term 10+ Years (%)	Long-Horizon Risk (Std Dev) (%)	Long-term Risk (Std Dev) (%)
Global Equities (ACWI)	MSCI ACWI	6.9	6.7	6.3	4.7	14.6
Global Equities (ACWI) ex US	MSCI ACWI Ex USA	7.3	7.1	6.8	4.7	14.2
Global Developed (World)	**MSCI World**	**6.7**	**6.6**	**6.2**	**4.6**	**14.8**
Global Developed ex US	MSCI World ex USA	6.7	6.8	6.6	4.7	14.5
Global Developed ex US Small Cap	MSCI World ex US Small Cap	8.4	7.5	7.4	5.6	16.3
US Large Cap	S&P 500	6.7	6.5	6.1	4.7	15.5
US Mid Cap	S&P MidCap 400	6.9	6.7	6.3	5.1	18.8
US Small Cap	S&P Small Cap 600	7.2	7.0	6.6	5.4	20.6
Europe	MSCI Europe	7.4	7.5	7.3	4.6	15.2
Euro	MSCI Euro	6.7	7.3	7.1	5.3	18.1
Developed Pacific	MSCI Pacific	5.5	5.6	5.5	5.4	15.9
Australian Equities	MSCI Australia	7.1	7.2	7.4	4.4	15.2
New Zealand Equities	MSCI New Zealand	1.2	4.8	4.6	4.3	14.4
Canadian Equities	S&P/TSX 60	6.1	6.5	6.5	4.1	14.7
Global Value Tilted	MSCI World Value Weighted	6.5	6.3	6.0	5.1	15.9
Global Quality Tilted	MSCI World Quality	6.8	6.7	6.4	3.9	13.8
Global Momentum Tilted	MSCI World Momentum	7.9	7.7	7.3	5.2	15.3
Global Minimum Variance	MSCI World Minimum Vol	7.1	6.9	6.6	3.3	10.8
Emerging Markets (EM)	**MSCI EM**	**8.6**	**7.8**	**7.3**	**5.7**	**16.3**

Asset Class	Benchmark	Short Term 1 Year (%)	Intermediate Term 3–5 Years (%)	Long Term 10+ Years (%)	Long-Horizon Risk (Std Dev) (%)	Long-term Risk (Std Dev) (%)
EM Asia	MSCI EM Asia	8.1	7.2	6.7	6.0	17.5
EM EMEA	MSCI EM EMEA	8.6	9.4	8.9	5.8	17.4
EM Latin America	MSCI EM Latin America	16.2	13.4	13.5	5.3	19.3
Global Government Bonds	**BofA Global Government Bond Index**	**2.7**	**3.1**	**3.1**	**1.2**	**4.4**
Global Corporate	**Barclays Global Aggregate Corporate**	**6.0**	**4.0**	**4.2**	**2.3**	**8.5**
Canadian Government Bonds	FTSE Canada Non-Agency Bond	**3.1**	**3.1**	**3.0**	**1.3**	**5.1**
Canadian Corporate Bonds	FTSE Canada All Corporate Bond	**3.7**	**3.7**	**3.6**	**1.4**	**5.0**
Canadian Universe bonds	FTSE Canada Universe Bond	**3.3**	**3.2**	**3.2**	**1.3**	**5.4**
Non-US Government Bonds	Citi WGBI NonUSD	2.3	2.5	2.5	1.3	4.3
Non-US Corporate Bonds	BofA Merrill Lynch Global Large Cap Corporate Ex/ Barclays Global Agg x — Corporate	3.1	3.4	3.3	3.1	11.9
US Government Bond	Barclays US Aggregate Government	3.6	4.6	4.5	1.4	5.2
US Investment Grade Bond	Barclays US Agg Bond	5.2	5.1	4.8	1.4	5.1
US High Yield Bond	BofA US High Yield	8.1	5.7	5.4	3.3	9.6
US TIPS Bond	Barclays US Treasury Inflation Protected Notes (TIPS)	3.8	4.4	4.2	1.7	6.9
US Long Treasury STRIPS Bond	Barclays Treasury US STRIPS 20Y+	2.6	5.5	6.0	5.6	25.3
Euro Government Bonds	BofA Euro Government	2.7	2.8	2.8	1.7	5.8
Euro Corporate Bonds	BofA Merrill Lynch Euro Corporate	2.7	2.8	2.8	1.6	5.2
Euro High Yield Bonds	BofA Euro High Yield	4.1	3.9	4.2	4.0	10.6
Australian Government Bonds	BofA Merrill Lynch Australia Government	4.0	4.6	4.3	1.6	5.6
Australian Corporate Bonds	BofA Merrill Lynch Australia Corporate	4.7	5.0	4.7	1.2	3.6
New Zealand Government Bonds	BofA Merrill Lynch New Zealand Government	2.6	3.7	4.0	1.6	5.1
Japanese Government Bonds	Citi Japanese GBI JPY	0.9	1.2	1.3	0.8	3.1
Japanese Corporate Bonds	BofA Japan Corporate	0.8	1.0	1.1	0.4	1.4
UK Government Bonds	Citi UK GBI GBP	4.0	5.1	5.1	2.4	8.9
UK Corporate Bonds	BofA UK Corporate	4.7	5.5	5.2	2.5	8.8
Emerging Markets Bonds	**JPM EMBI Plus**	**5.7**	**6.4**	**7.7**	**3.1**	**10.0**

Asset Class	Benchmark	Short Term 1 Year (%)	Intermediate Term 3–5 Years (%)	Long Term 10+ Years (%)	Long-Horizon Risk (Std Dev) (%)	Long-term Risk (Std Dev) (%)
Global Real Estate (REITs)	**FTSE EPRA/NAREIT Developed**	**4.9**	**5.8**	**5.7**	**6.6**	**18.0**
Commodities	**Bloomberg Commodity**	**5.6**	**5.2**	**5.0**	**5.7**	**16.9**
Hedge Funds	HFRI Fund of Funds Composite Index	5.5	5.0	4.8	2.2	5.5
Private Equity	Burgiss Private Equity	8.2	8.4	7.9	7.4	11.0
Core Private Credit	Burgiss Private Senior Debt	—	—	6.9	4.6	7.7
Opportunistic Private Credit	Burgiss Private Distressed Debt	—	—	12.2	6.7	11.0
Direct Real Estate — US	Burgiss Real Estate	—	—	8.3	9.3	11.2
US Cash	BofA 3 Month T-Bill	4.1	3.2	3.1	0.5	0.7
UK Cash	JPM UK Cash Index	4.2	3.0	2.9	0.6	0.8
EMU Cash	JPM EUR Cash Index	2.3	1.9	1.9	0.5	0.6
Canada Cash	JP Morgan Cash Index Canada (3 M)	2.5	2.5	2.5	0.4	0.6
Australia Cash	JP Morgan Cash Index Australia (3 M)	3.9	3.0	2.6	0.6	0.7
New Zealand Cash	JP Morgan Cash Index New Zealand (3 M)	3.6	3.1	3.1	0.7	0.8
US Inflation	—	—	2.1	2.0	—	—
UK Inflation	—	—	2.4	2.2	—	—
EMU Inflation	—	—	1.9	2.0	—	—
Canada Inflation	—	—	2.0	1.9	—	—
Australia Inflation	—	—	2.0	2.3	—	—
New Zealand Inflation	—	—	2.0	2.0	—	—

Source: The forecasted returns are annual arithmetic averages based on State Street Global Advisors' Investment Solutions Group December 31, 2024 forecasted returns and long-term standard deviations. The forecasted performance data is reported on a gross of fees basis. Additional fees, such as the advisory fee, would reduce the return. For example, if an annualised gross return of 10% was achieved over a five-year period and a management fee of 1% per year was charged and deducted annually, then the resulting return would be reduced from 61% to 53%. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in the local (or regional) currency presented. It does not take into consideration currency effects. The forecasted performance is not necessarily indicative of future performance, which could differ substantially.
Please reach out to your representative in case of any further questions on our forecasts or methodologies.
Note: Forecasts apply to the listed primary benchmarks and other asset class benchmarks as long as they are substantially similar.
Note: Private asset forecasted returns are Net of Fees, Public asset forecasted returns are Gross of Fees.

Endnotes

1 L'Her, Jean-Francois, Rossita Stoyanova, Kathryn Shaw, William Scott, and Charissa Lai. "A Bottom-Up Approach to the Risk-Adjusted Performance of the Buyout Fund Market." *Financial Analyst Journal,* Vol. 72, No. 4, pp. 36–48 (2016).

2 Phalippou, Ludovic. "Performance of Buyout Funds Revisited." *Review of Finance,* vol. 18, no. 1 (January): 189–218 (2014).

3 Alexander Rudin and Daniel Farley. February 2022. "Public and private equity returns: different or same?" *Journal of Portfolio Management,* Volume 48, No.3.

About State Street Global Advisors

For over four decades, State Street Global Advisors has served the world's governments, institutions, and financial advisors. With a rigorous, risk-aware approach built on research, analysis, and market-tested experience, and as pioneers in index and ETF investing, we are always inventing new ways to invest. As a result, we have become the world's fourth-largest asset manager* with US $4.73 trillion† under our care.

* Pensions & Investments Research Center, as of December 31, 2023.
†This figure is presented as of September 30, 2024 and includes ETF AUM of $1,515.67 billion USD of which approximately $82.59 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated. Please note all AUM is unaudited.

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Marketing communication.

Information Classification: General

Glossary

Bloomberg U.S. Corporate High Yield Index A fixed-income benchmark of US dollar-denominated, high-yield and fixed-rate corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays' emerging markets country definition, are excluded.

Commodities A generic, largely unprocessed, good that can be processed and resold. Commodities traded in the financial markets for immediate or future delivery include grains, metals, and minerals.

Credit Spreads The spread between Treasury securities and non-Treasury securities that are identical in all respects except for quality rating.

Dividend Equities and Dividend Yield Equity securities that pay dividends. A dividend is a distribution of a portion of a company's earnings, decided by the board of directors, to a class of its shareholders. Dividends can be issued as cash payments, as shares of stock, or other property. Equity, also known as stock, is a type of security that signifies ownership in a corporation and represents a claim on part of the corporation's assets and earnings. The dividend yield is the ratio of the dividend paid per share of issued equity over the share price.

Inflation An overall increase in the price of an economy's goods and services during a given period, translating to a loss in purchasing power per unit of currency. Inflation generally occurs when growth of the money supply outpaces growth of the economy. Central banks attempt to limit inflation, and avoid deflation, in order to keep the economy running smoothly.

MSCI World Index The MSCI World Index is a free-float weighted equity index. It includes about 1,600 stocks from developed world markets, and does not include emerging markets.

Nominal Bond Yield The annual income that an investor receives from a bond divided by the par value of the security. The result, stated as a percentage, is the same as the rate of interest the security pays.

Private Equity An umbrella term for large amounts of money raised directly from accredited individuals and institutions and pooled in a fund that invests in a range of business ventures.

Real Interest Rates, or Real Yields An interest rate that takes into consideration the actual or expected inflation rate, which is the actual amount of yield an investor receives. The real rate is the calculation of the "nominal" interest rate minus the inflation rate as follows: Real Interest Rate = Nominal Interest Rate – Inflation.

REITs (Real Estate Investment Trusts) Publicly traded companies that pool investors' capital to invest in a variety of real estate ventures, such as apartment and office buildings, shopping centers, medical facilities, industrial buildings, and hotels.

Tactical Asset Allocation Models Illustrate a dynamic approach to asset management that emphasises exposure to asset classes that are designed to enhance returns or control drawdowns.

Yield Curve (e.g., US Treasury Curve) A graph or line that plots the interest rates or yields of bonds with similar credit quality but different durations, typically from shortest to longest duration. When the yield curve is said to be "flat," it means the difference in yields between bonds with shorter and longer durations is relatively narrow. When the yield curve is said to be "steep," it means the difference in yields between bonds with shorter and longer durations is relatively wide.

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Investments in small and mid-sized companies may involve greater risks than in those of larger, better known companies, but may be less volatile than investments in smaller companies.

Companies with large market capitalisations go in and out of favour based on market and economic conditions. Larger companies tend to be less volatile than companies with smaller market capitalisations. In exchange for this potentially lower risk, the value of the security may not rise as much as companies with smaller market capitalisations.

Hedge funds are typically unregulated private investment pools made available to only sophisticated investors who are able to bear the risk of the loss of their entire investment. An investment in a hedge fund should be viewed as illiquid and interests in hedge funds are generally not readily marketable and are generally not transferable. Investors should be prepared to bear the financial risks of an investment in a hedge fund for an indefinite period of time. An investment in a hedge fund is not intended to be a complete investment program, but rather is intended for investment as part of a diversified investment portfolio.

Foreign investments involve greater risks than U.S. investments, including political and economic risks and the risk of currency fluctuations, all of which may be magnified in emerging markets.

The views expressed in this commentary are the views of the SSGA Investment Solutions Group through the period ended December 31, 2024 and are subject to change based on market and other conditions. The opinions expressed may differ from those of other SSGA investment groups that use different investment philosophies.

Equity securities may fluctuate in value and can decline significantly in response to the activities of individual companies and general market and economic conditions.

A Smart Beta strategy does not seek to replicate the performance of a specified cap-weighted index and as such may underperform such an index. The factors to which a Smart Beta strategy seeks to deliver exposure may themselves undergo cyclical performance. As such, a Smart Beta strategy may underperform the market or other Smart Beta strategies exposed to similar or other targeted factors. In fact, we believe that factor premia accrue over the long term (5–10 years), and investors must keep that long time horizon in mind when investing.

The value of the debt securities may increase or decrease as a result of the following: market fluctuations, increases in interest rates, inability of issuers to repay principal and interest or illiquidity in the debt securities markets; the risk of low rates of return due to reinvestment of securities during periods of falling interest rates or repayment by issuers with higher coupon or interest rates; and/or the risk of low income due to falling interest rates. To the extent that interest rates rise, certain underlying obligations may be paid off substantially slower than originally anticipated and the value of those securities may fall sharply. This may result in a reduction in income from debt securities income.

Increase in real interest rates can cause the price of inflation-protected debt securities to decrease. Interest payments on inflation-protected debt securities can be unpredictable.

Investing in REITs involves certain distinct risks in addition to those risks associated with investing in the real estate industry in general.

Equity REITs may be affected by changes in the value of the underlying property owned by the REITs, while mortgage REITs may be affected by the quality of credit extended. REITs are subject to heavy cash flow dependency, default by borrowers and self-liquidation. REITs, especially mortgage REITs, are also subject to interest rate risk (i.e., as interest rates rise, the value of the REIT may decline).

Investing in commodities entails significant risk and is not appropriate for all investors.

Commodities investing entail significant risk as commodity prices can be extremely volatile due to wide range of factors. A few such factors include overall market movements, real or perceived inflationary trends, commodity index volatility, international, economic and political changes, change in interest and currency exchange rates.

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Past performance is not a reliable indicator of future performance.

Investing involves risk including the risk of loss of principal.

Diversification does not ensure a profit or guarantee against loss.

Asset Allocation is a method of diversification which positions assets among major investment categories. Asset Allocation may be used in an effort to manage risk and enhance returns. It does not, however, guarantee a profit or protect against loss.

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The returns on a portfolio of securities which exclude companies that do not meet the portfolio's sustainable strategy criteria may trail the returns on a portfolio of securities which include such companies. A portfolio's sustainable strategy criteria may result in the portfolio investing in industry sectors or securities which underperform the market as a whole.

R-Factor scoring is designed by State Street to reflect certain sustainability factors and does not represent investment performance. Results generated out of the scoring model are based on sustainability dimensions of a scored entity.

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