Invesco

2026 Invesco Capital Market Assumptions

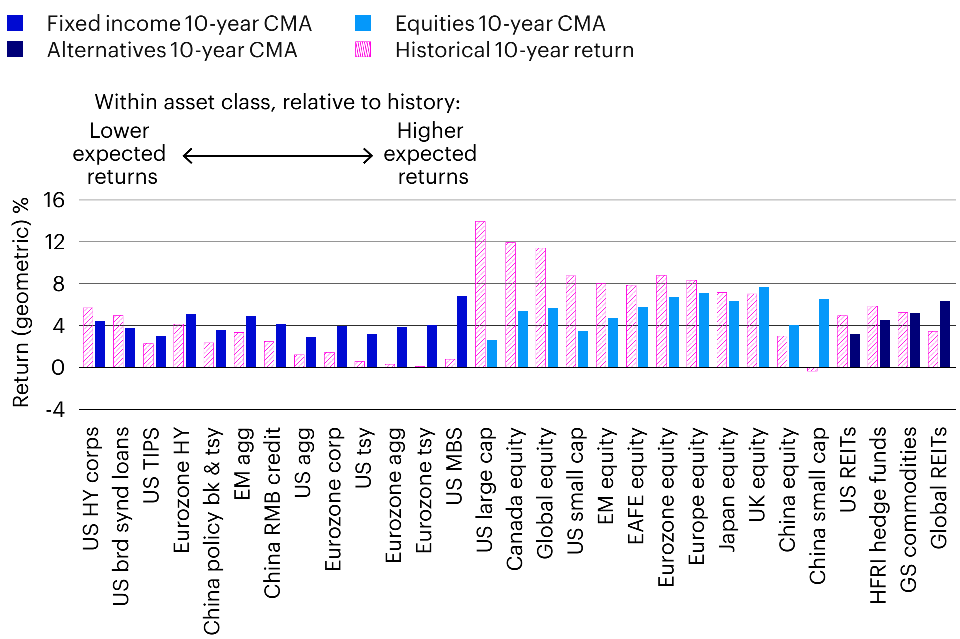
Invesco Solutions I Euro (EUR) I Q1 Update

1

Executive Summary

- Global financial markets have experienced a broad decline driven by rising geopolitical tensions involving Iran. Global equities have fallen 4.3% from their high before the conflict[1] and oil prices have surged (65% at its peak)[2], influencing inflation expectations and potentially altering the anticipated path of interest rate cuts in 2026. Emerging markets, in particular, have been significantly affected, with their equity indices around 10% lower than before the conflict as a consequence of their dependence on oil. As part of this broader picture, consumer spending is anticipated to be squeezed, weighing on the economic growth outlook.
- Before these developments, market attention was centered on the AI narrative. There remains uncertainty about how the diffusion of AI across industries will reshape operations, and skepticism persists around the scale of investment in AI. At the same time, the rapid adoption of AI has the potential to lift profit margins, primarily for those companies that can use automation to reduce costs and enhance productivity. This margin expansion has been a key support for US equities but has also reinforced the concentration of market gains in tech-heavy sectors. This is evident in comparing US equity performance to other regions, which are less dominated by tech and tech-related stocks, as well as within the US when contrasting broader US equity indices to their tech-heavy peers. Large-cap US equities are 1.0% lower YTD while eurozone equities are flat, and the NASDAQ is 2.5% behind where it began the year.[3]
- Coming into 2026, expectations pointed to a softer US dollar; however, the conflict in the Middle East may put this view on pause, with any adjustment dependent on how the situation progresses. Key drivers of the expected US dollar weakness included relative slowing in the US economy, rate cuts and a growing investor preference for non-US dollar assets.

Figure 1: Expectations relative to historical average (EUR)



Source: Invesco, estimates as of Dec. 31, 2025. Proxies listed in **Figure 6**. These estimates are forward-looking, are not guarantees, and they involve risks, uncertainties, and assumptions. Please see page 11 for information about our CMA methodology. These estimates reflect the views of Invesco Solutions; the views of other investment teams at Invesco may differ from those presented here.

1. Source: Bloomberg L.P., as of Mar. 9, 2026. Global equities as measured by the MSCI ACWI Index. The peak ahead of the conflict was Feb. 25, 2026.
2. Source: Bloomberg L.P., as of Mar. 9, 2026, from Feb. 26, 2026, to Mar. 9, 2026.
3. Source: Bloomberg L.P., as of Mar. 11, 2026. US Large-cap equities are represented by the S&P 500, Eurozone equities are the MSCI Eurozone Index.

Invesco Solutions provides forecasts for 170+ assets in over 20 currencies, including 10 private assets. For additional CMA data, views, or analysis, please reach out to your Invesco representative.

2

Asset Allocation Insights

For further details on our process for defining scenarios and adjustments, please refer to our CMA Methodology paper.

Strategic perspective

Our CMA data relies on long-term projections that account for economic cycles over several years, capturing structural trends, not just immediate market swings. Taking inflation as a pertinent example, the recent spike in the oil price has a limited impact on our forecasts, reflecting the fact that our estimates are anchored to long-term inflation expectations sourced from the IMF, rather than near-term price dynamics. While oil price volatility influences short-run inflation outcomes, longer-horizon measures – including 5y5y inflation swaps – suggest that expectations for inflation over the medium to long term remain broadly stable. As a result, the current oil price shock does not materially alter our inflation outlook at this stage, though it may be reflected in future reports should long-term expectations shift. This would be seen in the CMA's inflation building block, with potential spillover effects pressing on real earnings growth as revenue expectations would be shaped by the length of the war and the specific region. Should price volatility extend beyond what we have already seen, this would be a relative positive contribution to overall expected return because valuations would improve as risk premiums widen.

The yield on 10-year US Treasuries has averaged 4.1% since the beginning of 2026[1], showing variability driven primarily by shifting growth and inflation expectations. At the start of the year, with core CPI proving sticky but headline inflation steadily falling from September 2025[2], hopes had grown for rate cuts from the Fed. This was bolstered by President Trump's nomination of Kevin Warsh as the next chair of the Fed. Warsh advocates for a leaner Fed balance sheet, arguing that scaling back asset holdings would help keep inflation disciplined and create room for rate cuts. The focus in fixed income markets has since shifted, with surging oil prices due to escalations in the Middle East influencing inflation expectations, underscoring the Treasury markets' sensitivity to oil prices. With yields being the primary driver of our fixed income CMAs, the impact of these developments on yields is crucial. Should the market become less confident about rate cuts, short-term yields could rise, directly impacting the fixed income CMAs focused at the near end of the curve. Both a leaner Fed balance sheet and renewed inflation pressures could push term premiums higher, lifting the long end of the curve, contributing positively to roll yield but negatively impacting CMA valuations for assets focused on this segment of the curve.

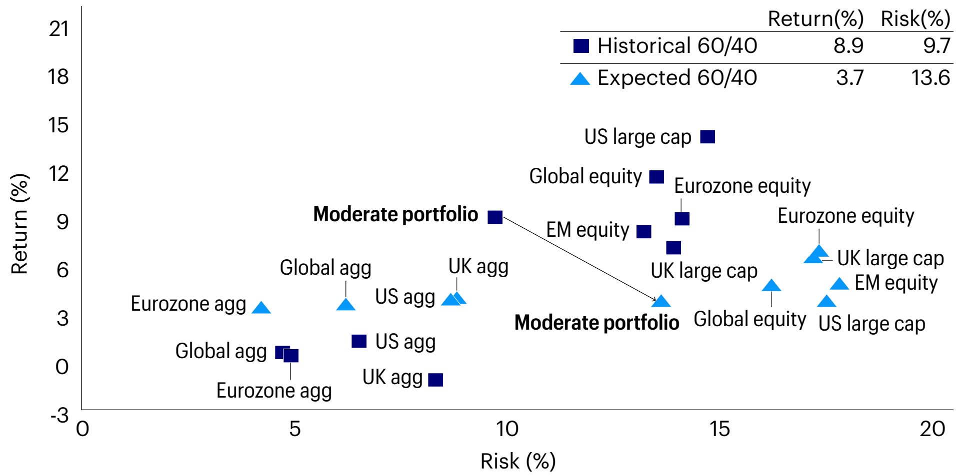
Alongside these financial market factors, we have also revised our methodology for calculating the CMA equity returns. Under the revised framework, expected equity returns are higher, primarily due to the inclusion of buybacks across regions and a modified earnings growth component through the modeling of profit margins, but remain at fairly low levels compared to their long-term average globally. Previously, the CMAs had only applied buyback yields to US equities, reflecting the prevalence of share repurchases in that market. Over the past decade, however, corporate buybacks have become more common outside of the US, prompting us to expand the buyback yield building block to all regions, most positively affecting DM ex-US.

We've enhanced earnings forecasts by modeling profit margins alongside using a geographic breakdown of revenues, giving greater accuracy of where the summary asset's (index) exposure lies. Finally, valuations are now based on the CAPE ratio and their interest rate environment, as we believe this metric and approach provides stability when estimating both current and forward valuations.

1. Source: Bloomberg L.P., as of Mar. 11, 2026.

2. Source: Bloomberg L.P., as at Mar. 11, 2026.

Figure 2: Comparing historical and expected risk and return for a moderate 60/40 portfolio (EUR)



Source: Invesco Solutions, as of Dec. 31, 2025. Proxies listed in **Figure 6**. These estimates are forward-looking, are not guarantees, and they involve risks, uncertainties, and assumptions. Please see page 11 for information about our CMA methodology. These estimates reflect the views of Invesco Solutions; the views of other investment teams at Invesco may differ from those presented here. The 60/40 Portfolio is a blend of 60% S&P 500 Index and 40% Bloomberg US Aggregate Index.

1Q26 CMA Observations (10Y, USD)

Equities: Global equities are estimated to return 6.0% over the forecast horizon. Cognizant of the methodology changes that have been implemented, this is a 1.8% increase on the previous quarter and a 0.2% uplift year-over-year. This increase was anticipated with the modeling of a profit margin component to the earnings building block, driving much of the increase in equity returns. Given that the US, which represents 62%[1] of global equities, is a key driver of these trends, this region continues to be of particular influence.

US large-cap equities are forecast to return 5.0% (1.5% quarter-over-quarter) driven by a 1.8% improvement in nominal earnings and the strongest real earnings growth amongst the regions. Valuations remain a significant drag on US large caps, falling 1.5% in the quarter. That said, negative valuation changes were observed across most equity categories, capturing a broad-based downward trend for equities.

Mostly an increase in real earnings, but also higher inflation expectations, are pushing up nominal earnings in the UK, leading to higher expected returns for UK equities, 9.1% (+4.8% QoQ). UK real earnings are exhibiting an increase of over 4% both QoQ and YoY with the current period estimated at 6.1%. This significant change is due to the improvements made to the methodology in how earnings are modelled. UK equities also benefit from the inclusion of a 1.0% buyback yield with the dividend component remaining comparatively strong at 3.5%. A similar dynamic is playing out for Japanese equities, with an expected return of 7.2% (+5.4% QoQ). Eurozone equities are estimated 2.2% higher this quarter at 8.1% as the anticipated lower valuations are more than compensated for with the gain in earnings.

Emerging markets as a group are expected to return 6.1% over the forecast horizon, 1.5% lower than what was estimated in the previous quarter. The most significant factor is valuations, which reduce returns by 2.1%. When adjusting against the US dollar, Chinese equities are expected to benefit from the largest tailwind, with a 2.3% boost driven by exchange rate effects, the largest beneficiary of currency adjustments across emerging markets.

1. Source: Bloomberg L.P., as of Mar. 11, 2026. US equities are 61.5% of the MSCI ACWI Index.

There are many considerations for investors beyond CMAs when it comes to asset allocation decisions. To learn more about our investment process or discuss your own portfolio needs, please reach out to your Invesco Solutions representative.

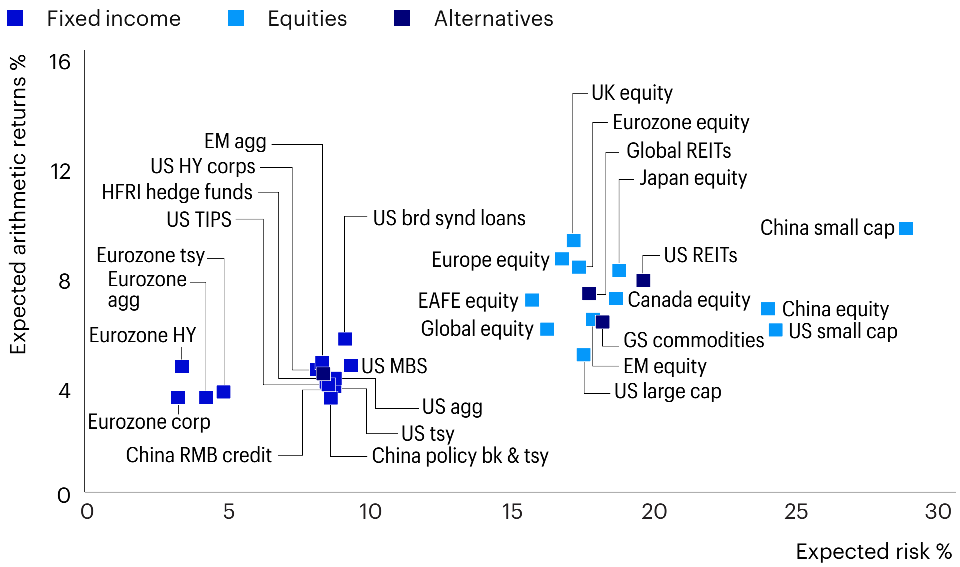
Fixed income: Anticipated returns in fixed income are anchored in today's yield environment. Global aggregate bonds are higher this quarter at 4.9% (4.6% prior quarter) as US aggregate is 0.3% higher this quarter at 5.1%. Through the start of 2026, the short end of the US yield curve has risen with expectations that the Fed is less likely to cut rates by the end of the year due to potential trade disruptions and spikes in the price of oil with tensions in the Middle East. While we have seen some widening as of late with recent geopolitical volatility, US credit spreads remain tight as ultimately borrower fundamentals remain solid despite private credit headlines. Estimated currency movements across G7 markets, excluding the UK, are expected to impose a headwind on USD-based returns over the next 10Y, benefiting non-USD currencies. In line with historical patterns, broadly syndicated loans offer the most attractive returns within fixed income, 6.5% (+0.5% QoQ) due to tight, but attractive spreads, and elevated base rates.

Alternatives: Global REITs, hedge funds, and commodities remain attractive elements of a diversified portfolio. Hedge funds continue to be the most efficient allocation of risk-taking capital with a return-to-risk ratio of 1.3. REITs persist in demonstrating relatively strong ratios of 0.46 in the US and 0.48 globally, in comparison to US large-cap equities (0.39). Our 10Y-return estimates show a slight improvement QoQ of expected returns for REITs, as well as commodities, while hedge funds are expected to be mildly moderate QoQ after an exceptional performance in 2025.

3

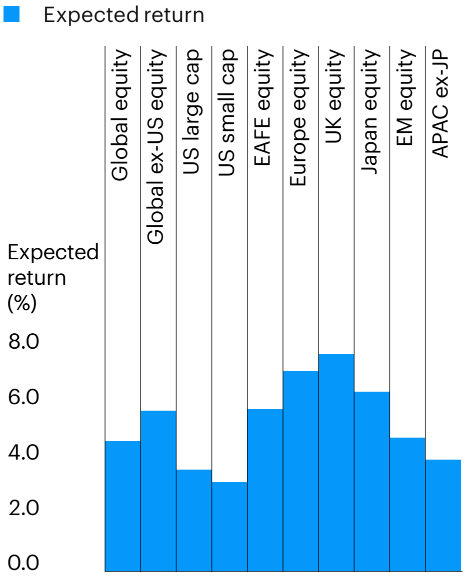
2026 Capital Market Assumptions

Figure 3: 10-year asset class expectations (EUR)



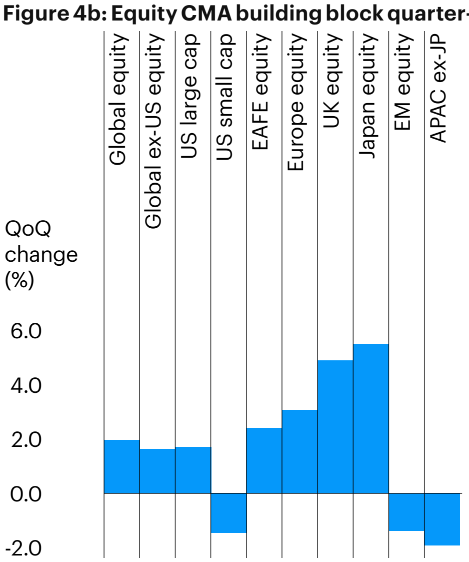
Source: Invesco, estimates as of Dec. 31, 2025. Proxies listed in **Figure 6**. These estimates are forward-looking, are not guarantees, and they involve risks, uncertainties, and assumptions. Please see page 11 for information about our CMA methodology. These estimates reflect the views of Invesco Solutions; the views of other investment teams at Invesco may differ from those presented here. **Past performance is not a guarantee of future results.**

Figure 4a: Equity CMA building block contribution (EUR) (%)



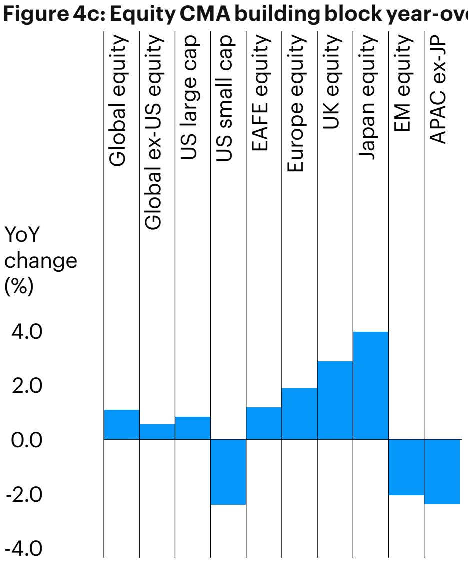
	Dividend yield	Buyback yield	LT earnings growth	Expected inflation	Valuation change	Currency adj. (IRP)
Global equity	1.84	1.01	3.92	2.14	-3.30	-1.00
Global ex-US equity	2.39	0.13	3.82	1.97	-2.16	-0.44
US large cap	1.34	1.84	4.01	2.19	-4.50	-1.31
US small cap	1.24	0.99	2.43	2.19	-2.37	-1.31
EAFE equity	2.68	0.56	3.97	1.89	-3.12	-0.21
Europe equity	2.75	0.54	4.24	1.79	-1.82	-0.36
UK equity	3.45	0.82	6.06	2.24	-3.26	-1.62
Japan equity	2.04	0.89	4.30	2.00	-3.64	0.79
EM equity	2.11	-0.31	3.73	2.24	-2.18	-0.86
APAC ex-JP	2.15	-0.35	2.57	2.22	-1.66	-0.96

Figure 4b: Equity CMA building block quarter-over-quarter change and contribution (EUR) (%)



	Dividend yield	Buyback yield	LT earnings growth	Expected inflation	Valuation change	Currency adj. (IRP)
Global equity	0.18	0.35	1.84	0.15	-0.67	0.09
Global ex-US equity	-0.29	0.13	1.76	0.52	-0.54	0.00
US large cap	0.23	0.82	1.91	-0.10	-1.33	0.13
US small cap	-0.04	0.05	-0.84	-0.10	-0.64	0.13
EAFE equity	-0.21	0.56	2.54	0.69	-1.21	-0.03
Europe equity	-0.33	0.54	2.70	-0.08	0.11	0.08
UK equity	0.11	0.82	4.38	0.25	-1.13	0.37
Japan equity	-0.07	0.89	3.53	3.19	-1.83	-0.29
EM equity	-0.26	-0.31	0.29	0.44	-1.65	0.09
APAC ex-JP	0.11	-0.35	-0.51	0.38	-1.57	0.02

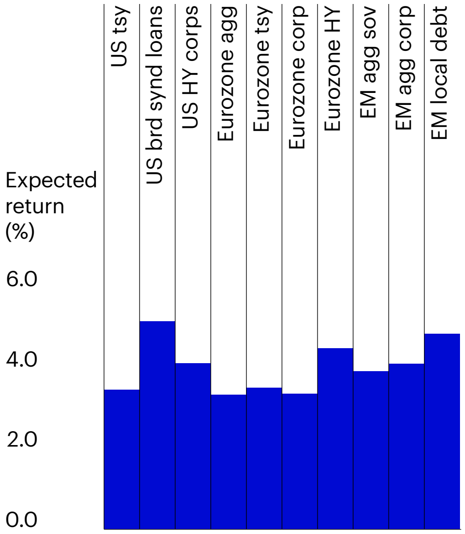
Figure 4c: Equity CMA building block year-over-year change and contribution (EUR) (%)



	Dividend yield	Buyback yield	LT earnings growth	Expected inflation	Valuation change	Currency adj. (IRP)
Global equity	0.04	0.30	1.71	0.10	-1.81	0.70
Global ex-US equity	-0.55	0.13	1.65	0.49	-1.44	0.23
US large cap	0.10	0.78	1.77	-0.13	-2.63	0.91
US small cap	-0.12	0.03	-1.11	-0.13	-1.95	0.91
EAFE equity	-0.43	0.56	2.51	0.63	-2.16	0.02
Europe equity	-0.57	0.54	2.69	-0.13	-0.84	0.15
UK equity	-0.39	0.82	4.32	0.13	-2.71	0.60
Japan equity	-0.15	0.89	3.41	3.03	-2.83	-0.47
EM equity	-0.52	-0.31	-0.02	0.44	-2.31	0.65
APAC ex-JP	-0.23	-0.35	-0.74	0.34	-1.98	0.58

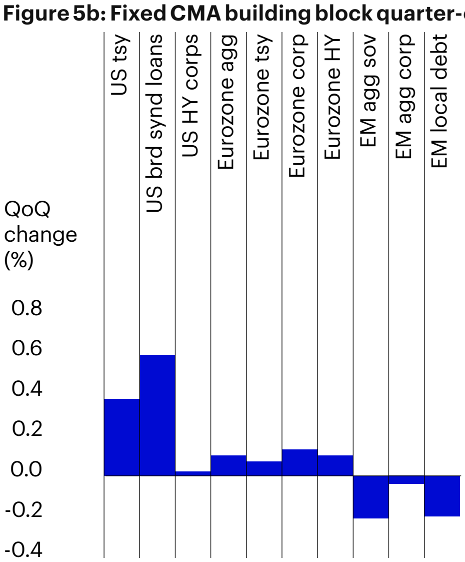
Source: Invesco, estimates as of Dec. 31, 2025. Proxies listed in **Figure 6**. These estimates are forward-looking, are not guarantees, and they involve risks, uncertainties, and assumptions. Please see page 11 for information about our CMA methodology. These estimates reflect the views of Invesco Solutions; the views of other investment teams at Invesco may differ from those presented here. **Past performance is not a guarantee of future results.**

Figure 5a: Fixed CMA building block contribution (EUR) (%)



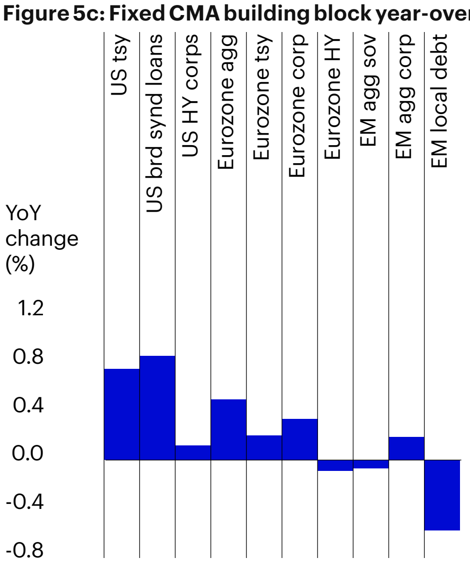
	Average yield	Roll return	Valuation change (yield curve)	Valuation change (OAS)	Credit loss	Currency adj. (IRP)
US tsy	3.86	0.89	0.03	0.00	0.00	-1.31
US brd synd loans	7.70	0.00	0.00	-0.29	-0.92	-1.31
US HY corps	7.54	0.21	0.02	-0.65	-1.68	-1.31
Eurozone agg	2.95	0.50	0.31	-0.26	-0.17	0.00
Eurozone tsy	2.66	0.47	0.39	0.00	0.00	0.00
Eurozone corp	3.37	0.38	0.22	-0.29	-0.31	0.00
Eurozone HY	6.17	0.14	0.10	-0.62	-1.30	0.00
EM agg sov	6.60	0.82	0.03	-1.08	-1.12	-1.31
EM agg corp	6.62	0.51	-0.01	-0.82	-0.88	-1.31
EM local debt	5.18	0.37	0.67	0.00	0.00	-1.36

Figure 5b: Fixed CMA building block quarter-over-quarter change and contribution (EUR) (%)



	Average yield	Roll return	Valuation change (yield curve)	Valuation change (OAS)	Credit loss	Currency adj. (IRP)
US tsy	-0.06	0.29	0.02	0.00	0.00	0.13
US brd synd loans	0.40	0.00	0.00	0.07	0.00	0.13
US HY corps	-0.15	0.06	-0.02	0.01	0.00	0.13
Eurozone agg	0.06	-0.03	0.07	-0.03	0.02	0.00
Eurozone tsy	0.01	-0.04	0.09	0.00	0.00	0.00
Eurozone corp	0.09	-0.01	0.05	0.00	0.00	0.00
Eurozone HY	0.07	0.00	0.01	0.00	0.00	0.00
EM agg sov	-0.22	0.06	0.03	-0.22	0.00	0.13
EM agg corp	-0.18	0.03	-0.04	0.08	-0.05	0.13
EM local debt	-0.23	-0.10	0.16	0.00	0.00	-0.04

Figure 5c: Fixed CMA building block year-over-year change and contribution (EUR) (%)



	Average yield	Roll return	Valuation change (yield curve)	Valuation change (OAS)	Credit loss	Currency adj. (IRP)
US tsy	-0.34	0.44	-0.26	0.00	0.00	0.91
US brd synd loans	-0.10	0.00	0.00	0.05	0.00	0.91
US HY corps	-0.61	0.04	-0.18	-0.04	0.00	0.91
Eurozone agg	0.30	0.27	-0.05	-0.10	0.08	0.00
Eurozone tsy	0.22	-0.02	0.00	0.00	0.00	0.00
Eurozone corp	0.30	0.10	-0.08	-0.08	0.09	0.00
Eurozone HY	0.01	0.14	-0.14	-0.10	0.00	0.00
EM agg sov	-0.63	0.27	-0.25	-0.41	0.05	0.91
EM agg corp	-0.58	0.12	-0.30	0.06	-0.02	0.91
EM local debt	-0.75	-0.12	0.21	0.00	0.00	0.07

Source: Invesco, estimates as of Dec. 31, 2025. Proxies listed in **Figure 6**. These estimates are forward-looking, are not guarantees, and they involve risks, uncertainties, and assumptions. Please see page 11 for information about our CMA methodology. These estimates reflect the views of Invesco Solutions; the views of other investment teams at Invesco may differ from those presented here. **Past performance is not a guarantee of future results.**

Figure 6: 10-year asset class expected returns, risk, and return risk (EUR)

	Asset class	Index	Expected geometric return %	Expected arithmetic return %	Total yield %	Expected risk %	Arithmetic return to risk ratio
Fixed income	US tsy short	BBG US tsy short	1.9	2.2	2.3	8.2	0.27
	US tsy IM	BBG US tsy IM	2.7	3.0	2.3	8.2	0.37
	US tsy long	BBG US tsy long	4.5	5.4	3.5	13.5	0.40
	US TIPS	BBG US TIPS	3.7	4.0	2.8	8.4	0.47
	US brd synd loans	CSFB leverage loan	5.2	5.6	6.4	9.1	0.61
	US agg	BBG US agg	3.8	4.1	3.0	8.7	0.47
	US IG corp	BBG US IG	3.9	4.2	3.5	8.7	0.48
	US MBS	BBG US MBS	4.2	4.6	3.3	9.3	0.50
	US preferred stocks	BOA ML fixed rate pref securities	4.3	4.6	5.2	8.4	0.55
	US HY corps	BBG US HY	4.1	4.4	5.2	8.1	0.55
	UK linker	BofA ML UK inflation-linked gilt	3.8	4.6	2.9	12.9	0.35
	UK gilts	BBG sterling agg gilts	4.0	4.4	2.8	9.1	0.48
	UK corp	BBG sterling agg non-gilts corp	3.5	3.8	3.5	8.3	0.46
	Global agg	BBG global agg	3.5	3.7	2.8	6.2	0.60
	Global agg ex-US	BBG global agg ex-US	3.4	3.5	2.7	4.9	0.72
	Global tsy	BBG global tsy	3.4	3.6	2.6	6.2	0.59
	Global sov	BBG global sov	3.6	3.9	3.3	7.2	0.54
	Global corp	BBG global corp	3.9	4.1	3.4	6.5	0.64
	Global IG	BBG global corp IG	3.9	4.3	3.5	8.2	0.52
	Eurozone corp	BBG euro agg credit corp	3.4	3.4	3.2	3.2	1.07
	Eurozone tsy	BBG euro agg gov tsy	3.5	3.6	2.9	4.8	0.76
	Asian dollar IG	BOA ML AC IG	3.5	3.8	3.3	8.2	0.47
	EM agg	BBG EM agg	4.4	4.7	4.4	8.3	0.57
	EM agg sov	BBG EM sov	3.9	4.3	4.6	8.7	0.50
	China policy bk & tsy	BBG China PB tsy TR	3.0	3.4	2.7	8.7	0.39
	China RMB credit	BBG China corporate	3.5	3.9	3.2	8.5	0.46
Equities	Global equity	MSCI ACWI	4.7	5.9	1.3	16.2	0.37
	Global ex-US equity	MSCI ACWI ex-US	5.8	6.9	2.2	15.6	0.44
	US broad market	Russell 3000	3.8	5.3	0.9	17.8	0.30
	US large cap	S&P 500	3.7	5.1	0.8	17.5	0.29
	US mid cap	S&P 400	6.9	8.6	1.4	19.2	0.45
	US small cap	S&P 600	3.2	5.9	0.9	24.3	0.24
	EAFE equity	MSCI EAFE	5.8	7.0	2.6	15.7	0.44
	Europe equity	MSCI Europe	7.2	8.5	2.6	16.7	0.51
	Eurozone equity	MSCI euro ex-UK	6.8	8.2	2.9	17.3	0.47
	UK large cap	MSCI UK Large Cap	6.4	7.8	1.6	17.2	0.45
	UK small cap	MSCI UK Small Cap	6.2	8.0	2.6	20.4	0.39
	Canada equity	S&P TSX	5.4	7.0	1.6	18.6	0.38
	Japan equity	MSCI JP	6.5	8.1	2.8	18.7	0.43
	EM equity	MSCI EM	4.8	6.3	1.5	17.8	0.35
	China equity	MSCI China	4.1	6.7	3.4	24.0	0.28
	Pacific ex-JP equity	MSCI pacific ex-JP	7.0	8.4	2.1	17.7	0.47
Alternatives	US REITs	FTSE NAREIT equity	6.0	7.7	2.6	19.6	0.39
	Global REITs	FTSE EPRA/NAREIT developed	5.8	7.2	2.9	17.7	0.41
	HFRI hedge funds	HFRI HF	4.0	4.3	-	8.3	0.52
	GS commodities	S&P GSCI	4.7	6.2	-	18.2	0.34
	Agriculture	S&P GSCI agriculture	3.6	5.1	-	18.0	0.28
	Energy	S&P GSCI energy	8.0	12.2	-	31.5	0.39
	Industrial metals	S&P GSCI industrial metals	1.0	2.7	-	19.2	0.14
	Precious metals	S&P GSCI precious metals	-8.7	-7.4	-	15.6	-0.48

Source: Invesco, estimates as of Dec. 31, 2025. These estimates are forward-looking, are not guarantees, and they involve risks, uncertainties, and assumptions. Please see page 11 for information about our CMA methodology. These estimates reflect the views of Invesco Solutions; the views of other investment teams at Invesco may differ from those presented here. Agg = Aggregate, Infra = Infrastructure, Corp = Corporate, DJ = Dow Jones, HY = High Yield, Muni = Municipals, Tsy = Treasury, IM = Intermediate, ML = Merrill Lynch, Sov = Sovereign, EM = Emerging Markets, IG = Investment Grade, APAC = Asia Pacific, Gov = Government, MBS = Mortgage-Backed Securities, TIPS = Treasury Inflation-Protected Securities.

Figure 7: 10-year correlations (EUR)

- Greater than 0.70
- 0.30 to 0.70
- Less than 0.30

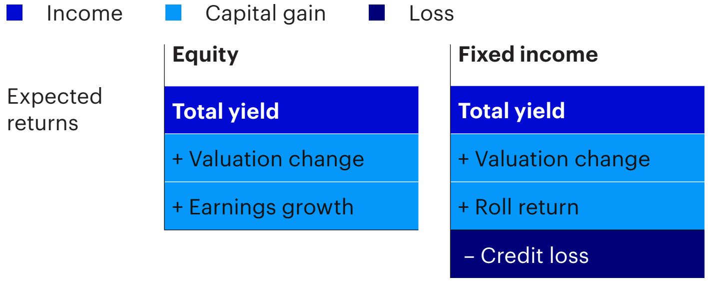
		Fixed income												Equities										Alternatives		
	Asset class	US tsy IM	US TIPS	US brd synd loans	US agg	US IG corp	US HY corps	US muni	US HY muni	Global agg	Global agg ex-US	EM agg	China RMB credit	Global equity	China equity	US large cap	US mid cap	US small cap	EAFE equity	UK large cap	Canada equity	Japan equity	EM equity	Global REITs	GS commodities	HFRI hedge funds
Fixed income	US tsy IM	1.00																								
	US TIPS	0.70	1.00																							
	US brd synd loans	-0.25	0.26	1.00																						
	US agg	0.88	0.80	0.09	1.00																					
	US IG corp	0.64	0.77	0.42	0.89	1.00																				
	US HY corps	0.09	0.53	0.81	0.43	0.69	1.00																			
	US muni	0.58	0.62	0.28	0.78	0.77	0.51	1.00																		
	US HY muni	0.36	0.56	0.52	0.61	0.68	0.59	0.85	1.00																	
	Global agg	0.75	0.76	0.17	0.86	0.83	0.52	0.67	0.54	1.00																
	Global agg ex-US	0.64	0.68	0.18	0.74	0.73	0.51	0.57	0.46	0.98	1.00															
	EM agg	0.36	0.66	0.62	0.65	0.83	0.82	0.65	0.67	0.71	0.67	1.00														
	China RMB credit	0.33	0.32	0.09	0.39	0.36	0.23	0.32	0.28	0.50	0.52	0.33	1.00													
Equities	Global equity	0.05	0.43	0.62	0.36	0.58	0.81	0.40	0.45	0.52	0.53	0.72	0.30	1.00												
	China equity	0.02	0.16	0.26	0.17	0.28	0.33	0.16	0.21	0.26	0.27	0.36	0.33	0.42	1.00											
	US large cap	0.03	0.39	0.58	0.33	0.53	0.76	0.37	0.42	0.43	0.43	0.63	0.23	0.97	0.34	1.00										
	US mid cap	0.00	0.39	0.65	0.32	0.55	0.81	0.38	0.44	0.43	0.43	0.66	0.24	0.94	0.35	0.94	1.00									
	US small cap	-0.03	0.31	0.59	0.26	0.46	0.73	0.31	0.37	0.35	0.35	0.56	0.22	0.86	0.33	0.87	0.95	1.00								
	EAFE equity	0.09	0.42	0.58	0.37	0.57	0.78	0.39	0.44	0.57	0.60	0.72	0.33	0.94	0.40	0.85	0.84	0.76	1.00							
	UK large cap	0.00	0.35	0.60	0.27	0.48	0.73	0.32	0.41	0.47	0.51	0.65	0.30	0.88	0.39	0.79	0.79	0.72	0.95	1.00						
	Canada equity	0.02	0.42	0.65	0.32	0.55	0.78	0.34	0.44	0.49	0.52	0.68	0.27	0.89	0.40	0.83	0.87	0.80	0.85	0.85	1.00					
	Japan equity	0.12	0.35	0.47	0.35	0.51	0.66	0.36	0.36	0.47	0.48	0.60	0.30	0.80	0.33	0.73	0.71	0.68	0.85	0.73	0.67	1.00				
	EM equity	0.06	0.39	0.57	0.33	0.54	0.72	0.37	0.44	0.53	0.57	0.74	0.40	0.83	0.58	0.70	0.70	0.64	0.82	0.77	0.78	0.68	1.00			
Alternatives	Global REITs	0.19	0.53	0.61	0.49	0.67	0.80	0.48	0.54	0.60	0.59	0.74	0.31	0.85	0.31	0.80	0.85	0.77	0.84	0.79	0.80	0.67	0.71	1.00		
	GS commodities	-0.30	0.11	0.53	-0.14	0.08	0.46	-0.02	0.20	0.06	0.14	0.31	0.06	0.48	0.16	0.42	0.45	0.42	0.48	0.57	0.59	0.34	0.47	0.37	1.00	
	HFRI hedge funds	-0.09	0.34	0.72	0.23	0.51	0.78	0.32	0.47	0.38	0.40	0.66	0.26	0.89	0.46	0.83	0.88	0.85	0.83	0.81	0.88	0.71	0.80	0.76	0.59	1.00

Source: Invesco, estimates as of Dec. 31, 2025. Proxies listed in **Figure 6.** These estimates are forward-looking, are not guarantees, and they involve risks, uncertainties, and assumptions. Please see page 11 for information about our CMA methodology. These estimates reflect the views of Invesco Solutions; the views of other investment teams at Invesco may differ from those presented here.

About our capital market assumptions methodology

We employ a fundamentally based "building block" approach to estimating asset class returns. Estimates for income and capital gain components of returns for each asset class are informed by fundamental and historical data. Components are then combined to establish estimated returns (Figure 9). Here, we provide a summary of key elements of the methodology used to produce our long-term (10-year) estimates. Five-year assumptions are also available upon request. Please see Invesco's Capital Market Assumptions: Methodology update whitepaper for more details.

Figure 8: Our building block approach to estimating returns



For illustrative purposes only.

Fixed income returns are composed of:

- **Average yield:** The average of the starting (initial) yield and the expected yield for bonds.
- **Valuation change (yield curve):** Estimated changes in valuation given changes in the Treasury yield curve.
- **Roll return:** Reflects the impact on the price of bonds that are held over time. Given a positively sloped yield curve, a bond's price will be positively impacted as interest payments remain fixed, but time to maturity decreases.
- **Credit adjustment:** Estimated potential impact on returns from credit rating downgrades and defaults.

Equity returns are composed of:

- **Dividend yield:** Dividend per share divided by price per share.
- **Buyback yield:** Percentage change in shares outstanding resulting from companies buying back or issuing shares.
- **Valuation change:** The expected change in value given the current cyclically adjusted price/earnings (P/E) ratio and the assumption of reversion to the long-term average P/E ratio.
- **Long-term (LT) earnings growth:** The estimated rate of the growth of earnings based on geographic revenues and margins adjusted for inflation.

Currency adjustments are based on the theory of interest rate parity (IRP), which suggests a strong relationship between interest rates and the spot and forward exchange rates between two given currencies. Interest rate parity theory assumes that no arbitrage opportunities exist in foreign exchange markets. It is based on the notion that, over the long term, investors will be indifferent between varying rates of returns on deposits in different currencies because any excess return on deposits will be offset by changes in the relative value of currencies.

For volatility estimates for the different asset classes, we use rolling historical quarterly returns of various market benchmarks. Given that benchmarks have differing histories within and across asset classes, we normalize the volatility estimates of shorter-lived benchmarks to ensure that all series are measured over similar time periods.

Correlation estimates are calculated using trailing 20 years of monthly returns. Given that recent asset class correlations could have a more meaningful effect on future observations, we place greater weight on more recent observations by applying a 10-year half-life to the time series in our calculation.

Arithmetic versus geometric returns. Our building block methodology produces estimates of geometric (compound) asset class returns. However, standard mean-variance portfolio optimization requires return inputs to be provided in arithmetic rather than in geometric terms. This is because the arithmetic mean of a weighted sum (e.g., a portfolio) is the weighted sum of the arithmetic means (of portfolio constituents). This does not hold for geometric returns. Accordingly, we translate geometric estimates into arithmetic terms. We provide both arithmetic returns and geometric returns, given that the former informs the optimization process regarding expected outcomes, while the latter informs the investor about the rate at which asset classes might be expected to grow wealth over the long run.

Contributors

Jeff Bennett
CFA®
Co-head of Asset Allocation,
Invesco Solutions

Meirambek Idrissov
Senior Analyst,
Investment Research,
Invesco Solutions

Jared Greenberg
Analyst,
Investment Research,
Invesco Solutions

Joseph Hubner
Research Analyst,
Investment Research,
Invesco Solutions

Drew Thornton
CFA®
Head of Solutions & Alternatives Research,
Strategy & Insights

Emma McHugh
CFA®
Analyst,
Solutions & Alternatives Research, Strategy & Insights

Invesco Solutions

Invesco Solutions is an experienced multi-asset team that seeks to deliver desired client outcomes using Invesco's global capabilities, scale and infrastructure. We partner with you to fully understand your goals and harness strategies across Invesco's global spectrum of active, passive, factor, and alternative investments that address your unique needs. From robust research and analysis to bespoke investment solutions, our team brings insight and innovation to your portfolio construction process. Our approach starts with a complete understanding of your needs:

- We help support better investment outcomes by delivering insightful and thorough analytics.
- By putting analytics into practice, we develop investment approaches specific to your needs.
- We work as an extension of your team to engage across functions and implement solutions.

Assisting clients in North America, Europe, and Asia, Invesco's Solutions team consists of over 75 professionals with 20+ years of experience across the leadership team. The team benefits from Invesco's on-the-ground presence in 25 countries worldwide, with over 150 professionals to support investment selection and ongoing monitoring.

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations), and investors may not get back the full amount invested.

Invesco Solutions develops CMAs that provide long-term estimates for the behavior of major asset classes globally. The team is dedicated to designing outcome-oriented, multi-asset portfolios that meet the specific goals of investors. The assumptions, which are based on 5- and 10-year investment time horizons, are intended to guide these strategic asset class allocations. For each selected asset class, we develop assumptions for estimated return, estimated standard deviation of return (volatility), and estimated correlation with other asset classes. This information is not intended as a recommendation to invest in a specific asset class or strategy, or as a promise of future performance. Estimated returns are subject to uncertainty and error, and can be conditional on economic scenarios. In the event a particular scenario comes to pass, actual returns could be significantly higher or lower than these estimates.

Important information

This document is intended for Professional Clients in Continental Europe (as defined below); for Professional Clients in Dubai, Ireland, the Isle of Man Jersey and Guernsey, and the UK; for Professional Clients, Financial Advisers, Qualified Clients/Sophisticated as defined in the important information at the end); for Sophisticated or Professional Investors in Australia; for Institutional Investors in the United States; in Canada, this document is restricted to investors who are (i) Accredited Investors as such term is defined in National Instrument 45-106, and (ii) Permitted Clients as such term is defined in National Instrument 31-103.; for Qualified Institutional Investors in Japan; for certain specific Institutional Investors in Malaysia upon request, in New Zealand for wholesale investors (as defined in the Financial Markets Conduct Act); for Professional Investors in Hong Kong, for Institutional Investors and/or Accredited Investors in Singapore, for certain specific sovereign wealth funds and/or Qualified Domestic Institutional Investors approved by local regulators only in the People's Republic of China, for certain specific Qualified Institutions and/or Sophisticated Investors only in Taiwan, for Qualified Professional Investors in Korea, for certain specific Institutional Investors in Brunei, for Qualified Institutional Investors and/or certain specific Institutional Investors in Thailand, for certain specific Institutional Investors in Indonesia and for qualified buyers in the Philippines for informational purposes only. It is not intended for and should not be distributed to or relied upon by the public or retail investors.

For the distribution of this document, Continental Europe is defined as Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Liechtenstein, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden and Switzerland. This does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial professional before making any investment decisions.

By accepting this document, you consent to communicate with us in English, unless you inform us otherwise. This overview contains general information only and does not take into account individual objectives, taxation position or financial needs. Nor does this constitute a recommendation of the suitability of any investment strategy for a particular investor. It is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any trading strategy to any person in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it would be unlawful to market such an offer or solicitation. It does not form part of any prospectus. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. As with all investments, there are associated inherent risks. Please obtain and review all financial material carefully before investing. Asset management services are provided by Invesco in accordance with appropriate local legislation and regulations. The opinions expressed are those of the Invesco Solutions team and may differ from the opinions of other Invesco investment professionals. Opinions are based upon current market conditions, and are subject to change without notice. **Past performance is not a guarantee of future results.** Diversification and asset allocation do not guarantee a profit or eliminate the risk of loss.

Unless otherwise stated, all information is sourced from Invesco, in USD and as of Dec. 31, 2025.

Further information is available using the contact details shown on the overleaf.

This document is issued in:

- **Australia** by Invesco Australia Limited (ABN 48 001 693 232), Level 26, 333 Collins Street, Melbourne, Victoria, 3000, Australia, which holds an Australian Financial Services Licence number 239916.
- **Canada** by Invesco Canada Ltd., 16 York Street, Suite 1200, Toronto, Ontario, M5J 0E6.
- Issued in **Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Liechtenstein, Luxembourg, Norway, Portugal, Spain** and **Sweden** by Invesco Management S.A., President Building, 37A Avenue JF Kennedy, L-1855 Luxembourg, regulated by the Commission de Surveillance du Secteur Financier, Luxembourg.
- **Dubai** by Invesco Asset Management Limited, Index Tower Level 6 - Unit 616, P.O. Box 506599, Al Mustaqbal Street, DIFC, Dubai, United Arab Emirates. Regulated by the Dubai Financial Services Authority.
- **Hong Kong** by Invesco Hong Kong Limited 景順投資 管理有限公司, 45/F, Jardine House, 1 Connaught Place, Central, Hong Kong.
- **Japan** by Invesco Asset Management (Japan) Limited, Roppongi Hills Mori Tower 14F, 6-10-1 Roppongi, Minato-ku, Tokyo 106-6114; Registration Number: The Director-General of Kanto Local Finance Bureau (*Kin-sho*) 306; Member of the Investment Management Association of Japan and the Japan Securities Dealers Association, and/or Invesco Global Real Estate Asia Pacific, Inc., Roppongi Hills Mori Tower 14F, 6-10-1 Roppongi, Minato-ku, Tokyo 106-6114. Registration Number: The Director-General of Kanto Local Finance Bureau (Kin-sho) 583; Member of the Investment Management Association of Japan and Type II Financial Instruments Firms Association.
- **New Zealand** by Invesco Australia Limited (ABN 48 001 693 232), Level 26, 333 Collins Street, Melbourne, Victoria, 3000, Australia, which holds an Australian Financial Services Licence number 239916.
- **Singapore** by Invesco Asset Management Singapore Ltd, 9 Raffles Place, #18–01 Republic Plaza, Singapore 048619.
- **Switzerland** by Invesco Asset Management (Schweiz) AG, Talacker 34, CH-8001 Zurich, Switzerland.
- **Taiwan** by Invesco Taiwan Limited, 22F, No.1, Songzhi Road, Taipei 11047, Taiwan (0800–045–066). **Invesco Taiwan Limited is operated and managed independently.**
- **Israel, the Isle of Man, Jersey, Guernsey** and **the United Kingdom** by Invesco Asset Management Limited which is authorised and regulated by the Financial Conduct Authority. Invesco Asset Management Ltd, Perpetual Park, Perpetual Park Drive, Henley-on-Thames, RG9 1HH, UK.
- **The United States of America** by Invesco Advisers, Inc., 1331 Spring Street NW, Suite 2500, Atlanta, GA 30309.

II-ISCMAEUR-BRO-1-E 04-26 GL5336232

Notes

Contact

Peter Miller, CFA®
Head of Institutional Client Solutions
617 345 8281
peter.miller@invesco.com