

NEPC MARKET OUTLOOK

CAN THE REST OF THE MARKET
CATCH THE **WAIVE**?

OCTOBER 16, 2025

NEPC Asset Allocation



PROPRIETARY & CONFIDENTIAL

NEPC MARKET OUTLOOK AS OF OCTOBER 2025



An accelerated path for Fed rate cuts in 2026 provides a supportive market backdrop, but adjustments to expectations pose risks to pricing



A dark period for data may fuel volatility as it complicates near-term Fed decision-making and the understanding of labor market dynamics



With equity markets posting strong returns, we recommend investors consider rebalancing to maintain exposures in-line with strategic policy targets



We recommend investors have appropriate safe-haven fixed-income exposure and sufficient portfolio liquidity for cash flow needs

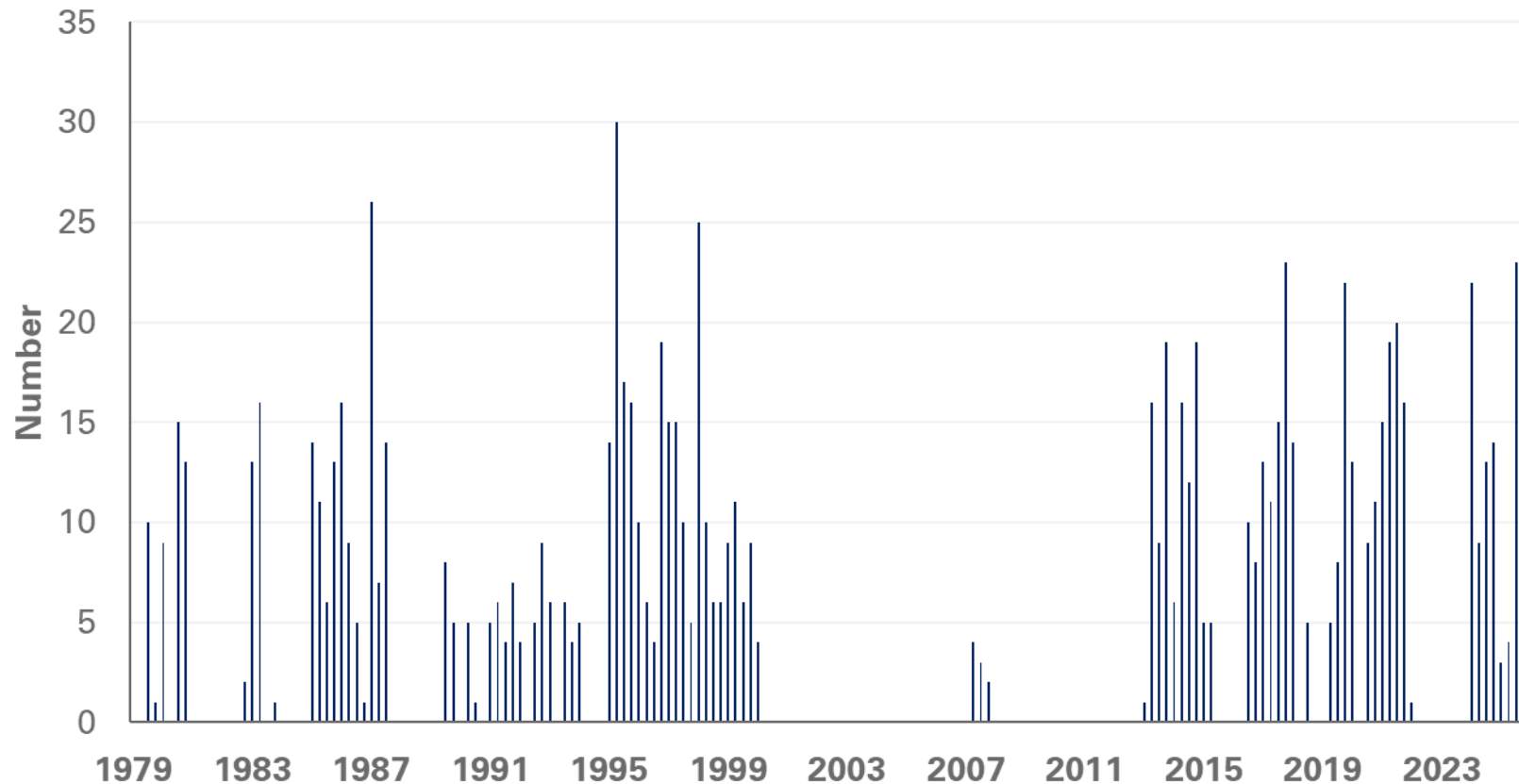


We recommend underweighting high yield corporate bonds given current spreads and potential risks flagged by recent economic data

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U.S. LARGE-CAPS KEPT MOVING ON UP

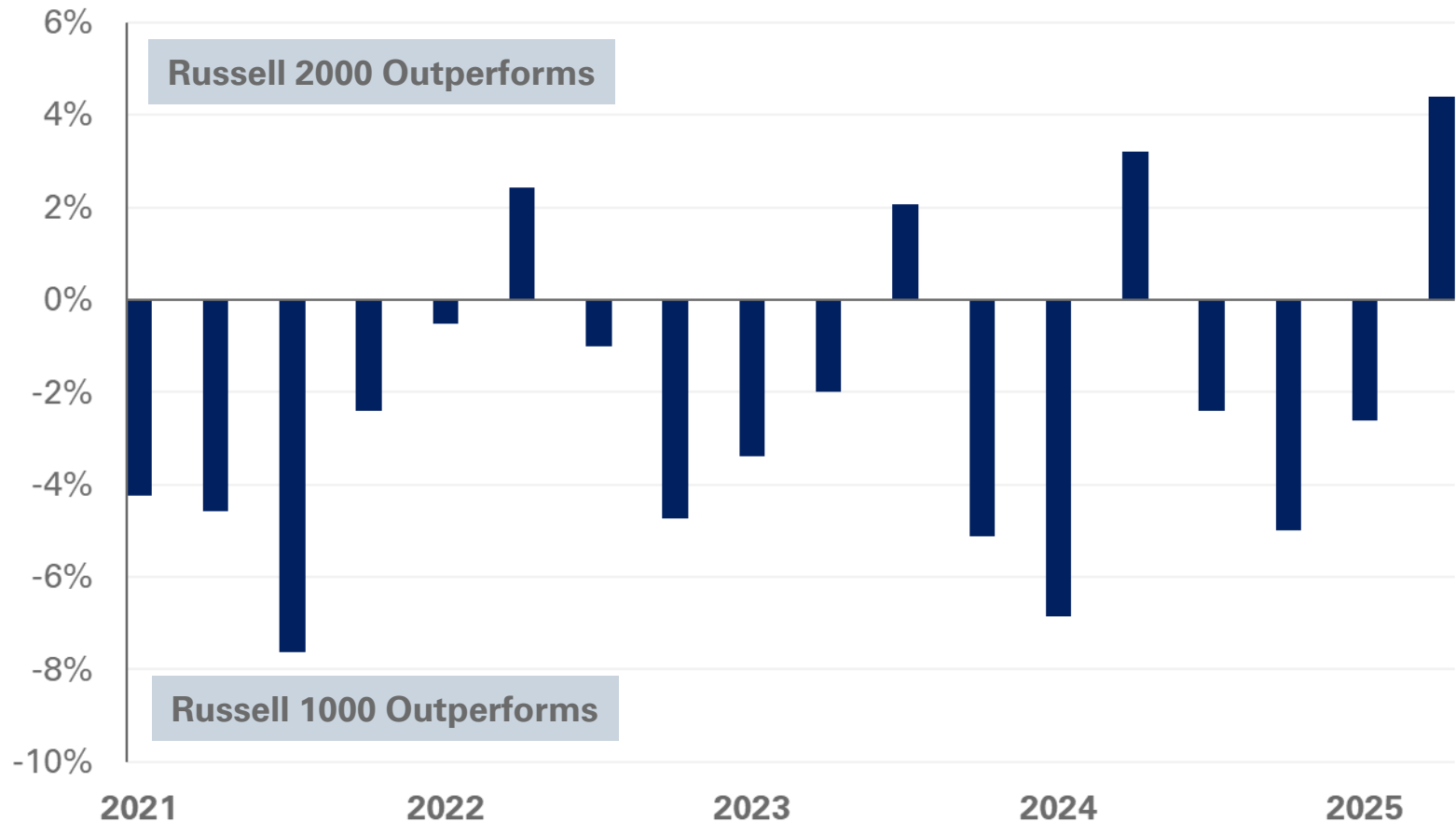
S&P 500 INDEX: NUMBER OF ALL-TIME HIGHS PER QUARTER



Note: Reflects S&P 500 price data from 1979 to present
Sources: S&P, FactSet, NEPC

SMALL CAPS BENEFITTED FROM LOWER RATES

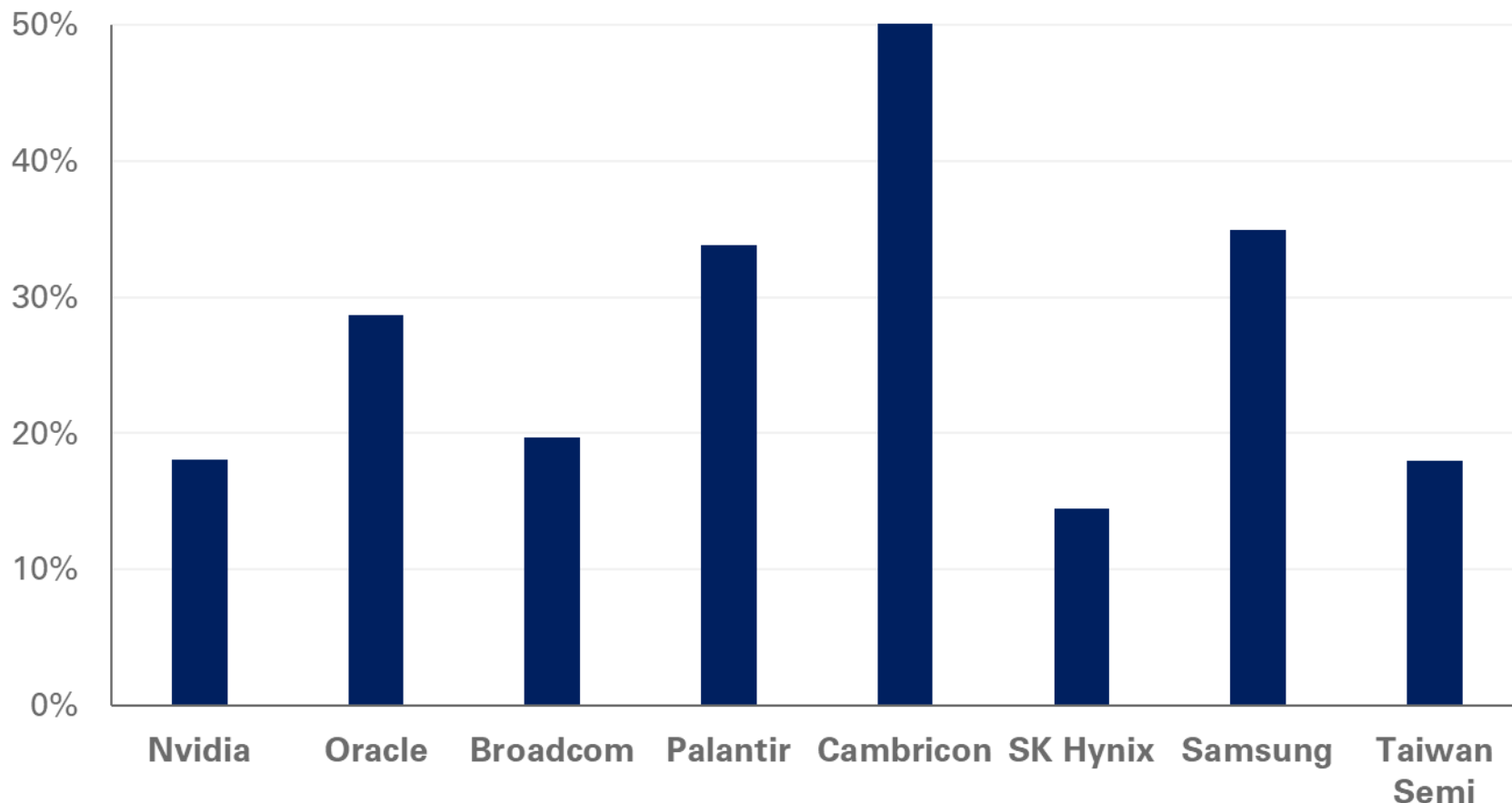
RUSSELL 2000 - RUSSELL 1000 QUARTERLY RETURN DIFFERENTIAL



Note: Chart reflects the quarterly historical return differential for the Russell 2000 Index minus the Russell 1000 Index
Sources: Russell, FactSet

THE A.I. RALLY WAS FELT AROUND THE WORLD

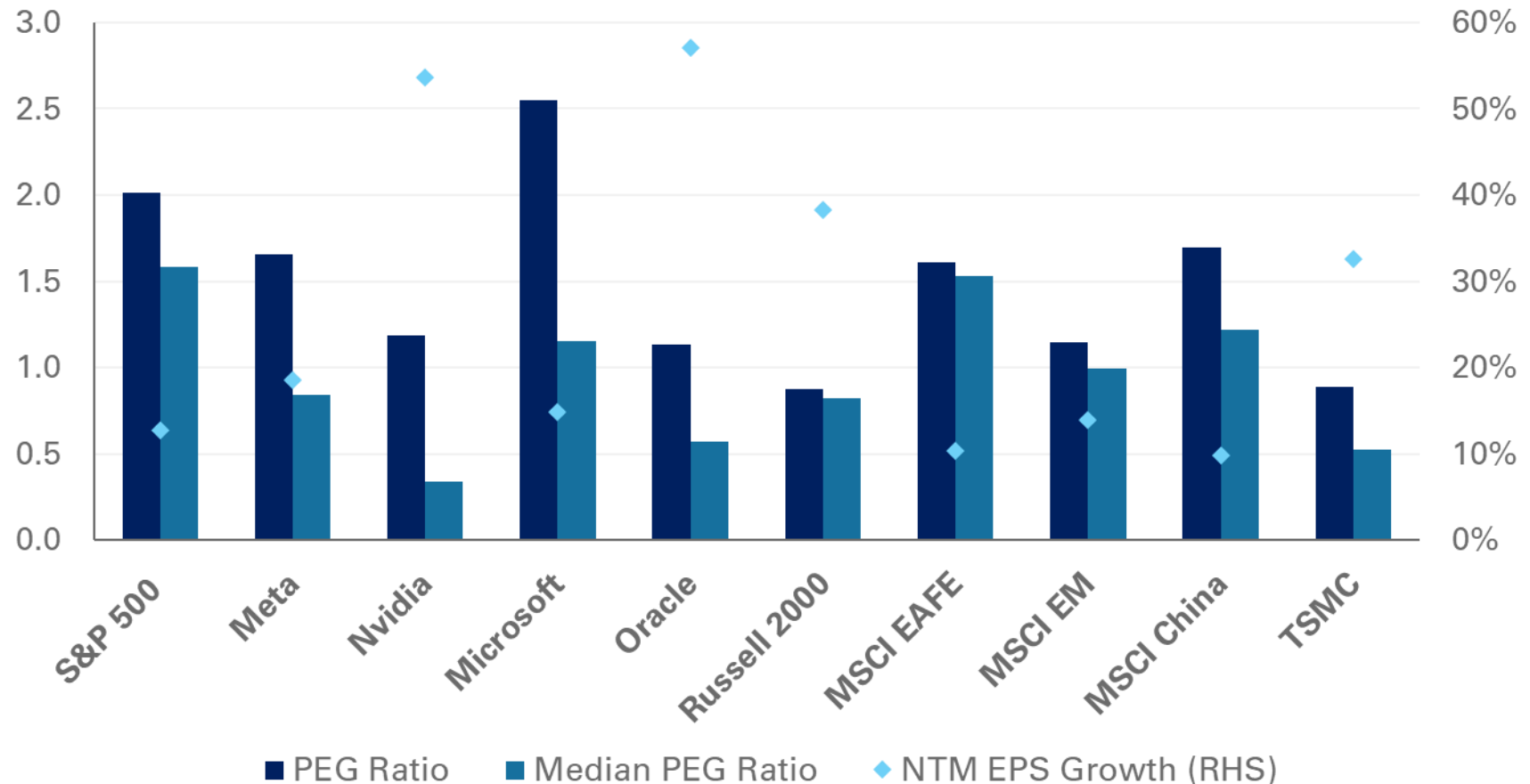
THIRD QUARTER 2025 RETURNS ACROSS THE A.I. COMPLEX



Note: Reflects price returns in USD for 06/30/2025-09/30/2025. Chart truncated at 50% - Cambricon quarterly return was 121.7%.
Source: FactSet

GROWTH-ADJUSTED MULTIPLES ARE LESS EXTREME

PRICE-TO-EARNINGS / GROWTH (PEG) RATIOS

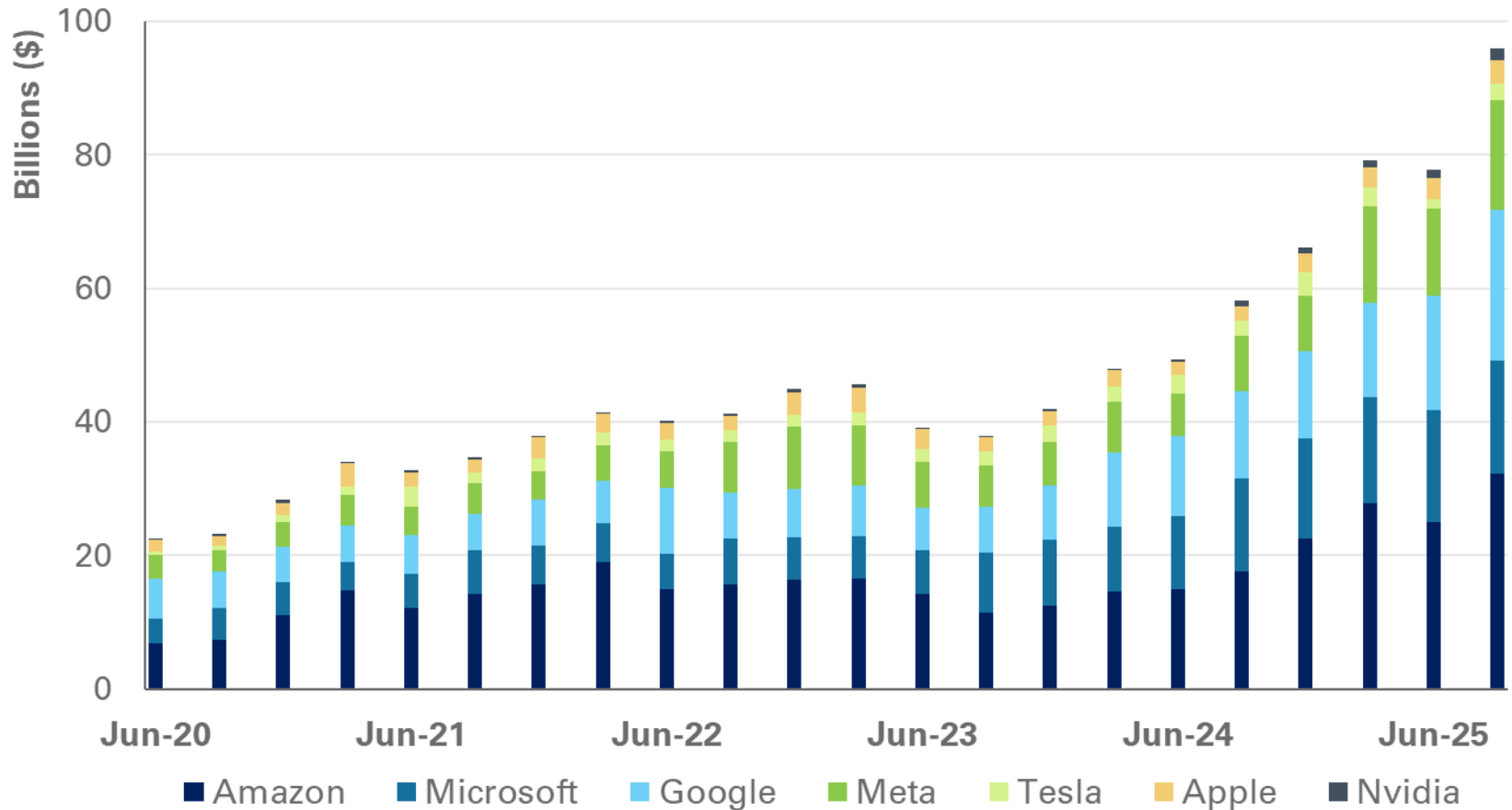


Note: PEG Ratio reflects the price-to-earnings ratio divided by the next 12 months expected EPS growth as of 09/30/2025. Median PEG ratio calculated over last 25 years. Meta median calculated 2012-2025.

Sources: S&P, Russell, MSCI, FactSet, NEPC

CAPEX SPENDING RAMPED UP SIGNIFICANTLY

QUARTERLY CAPITAL EXPENDITURES BY MAG-7 COMPANIES



LEVERAGE LEVELS SUGGEST MORE CAPEX RUNWAY

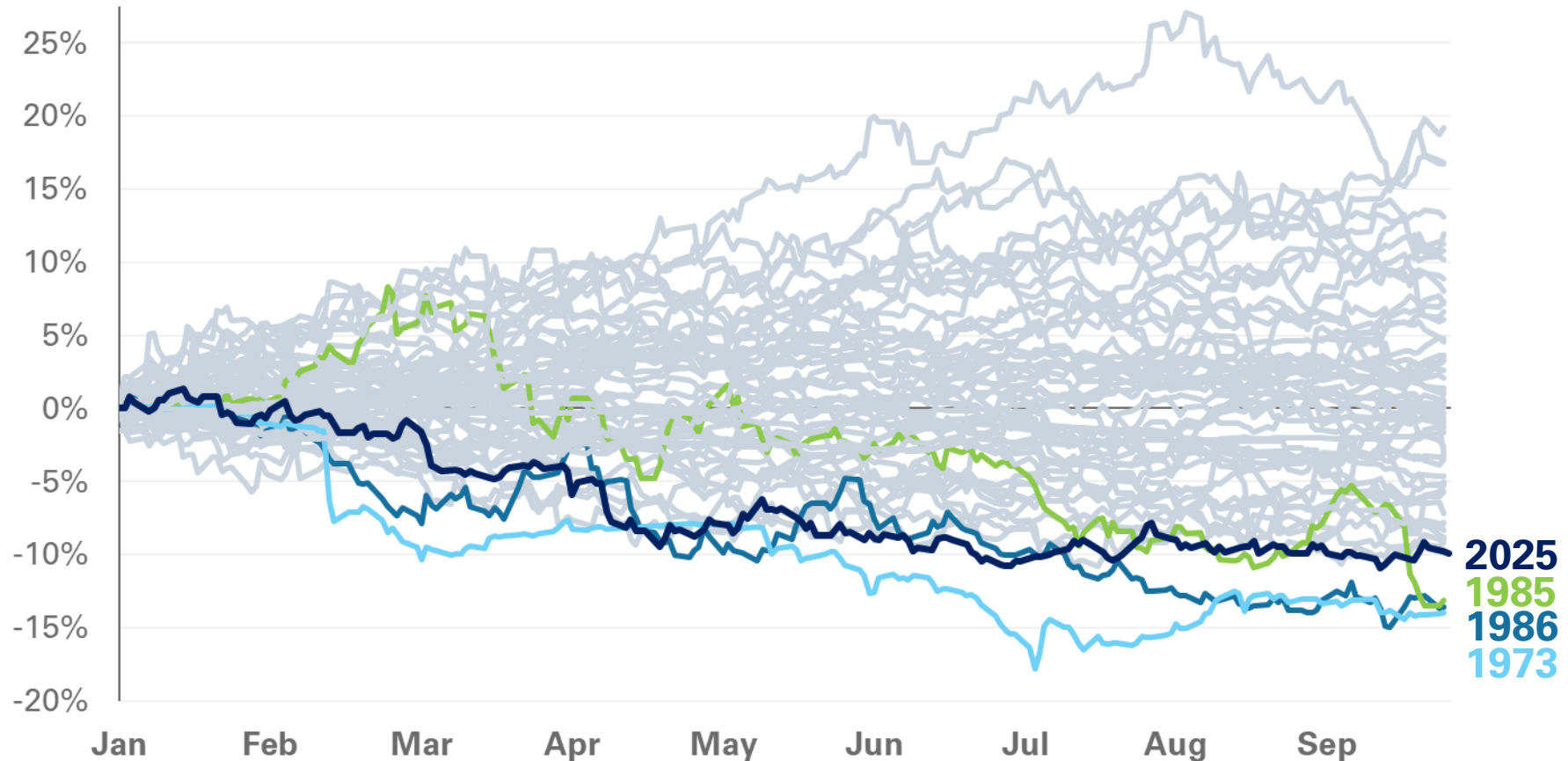
S&P 500 NET LEVERAGE LEVELS



Note: Net Leverage defined as Net Debt / EBITDA
Sources: S&P, FactSet, NEPC

USD WEAKNESS STILL A TAILWIND FOR NON-U.S.

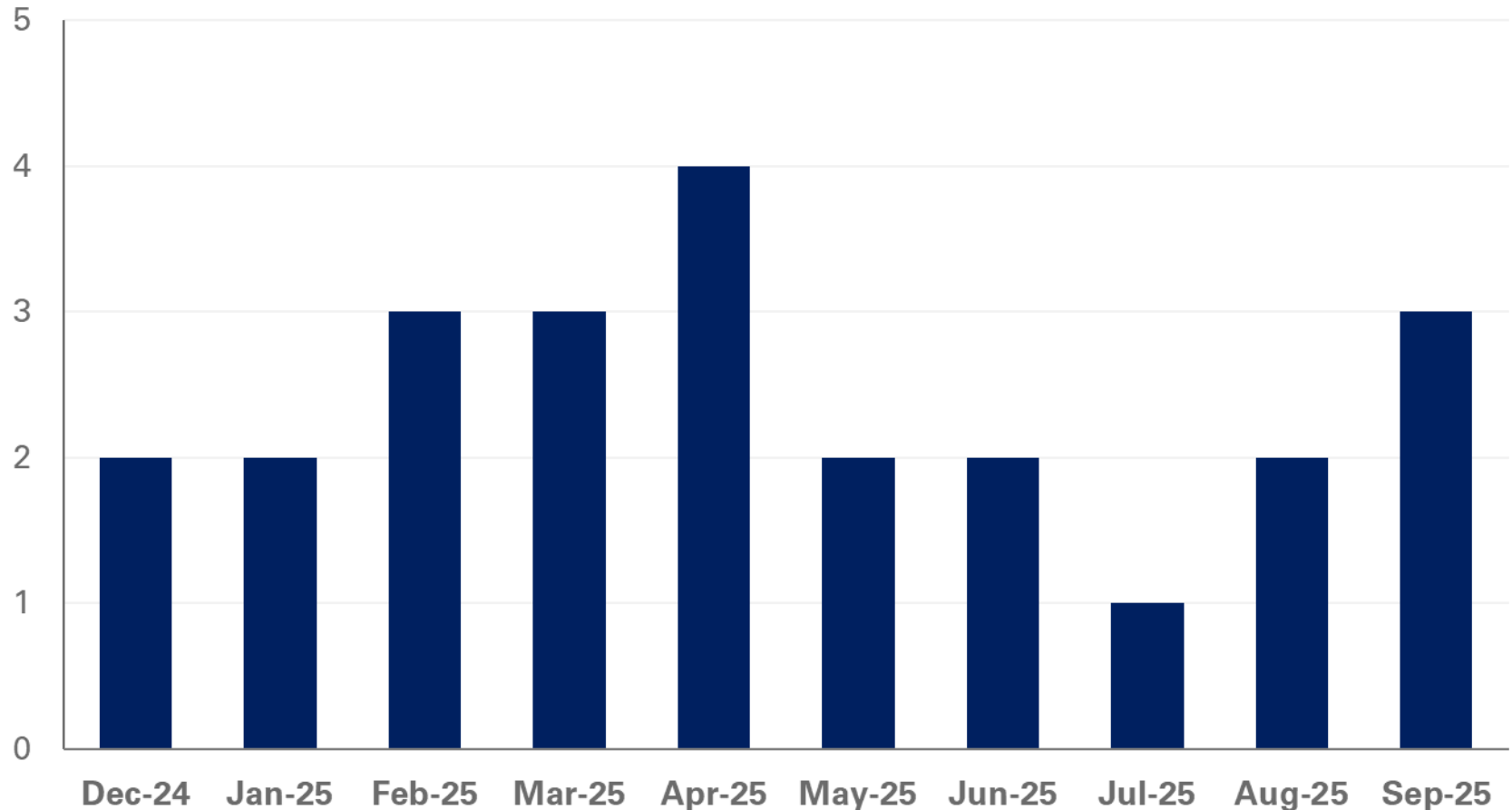
CHANGE IN USD YEAR-TO-DATE THROUGH SEPTEMBER 30TH



Note: Data reflects changes in the DXY Index for 12/31 – 09/30 since 1971
Sources: FactSet, NEPC

FED RATE CUT EXPECTATIONS ACCELERATED

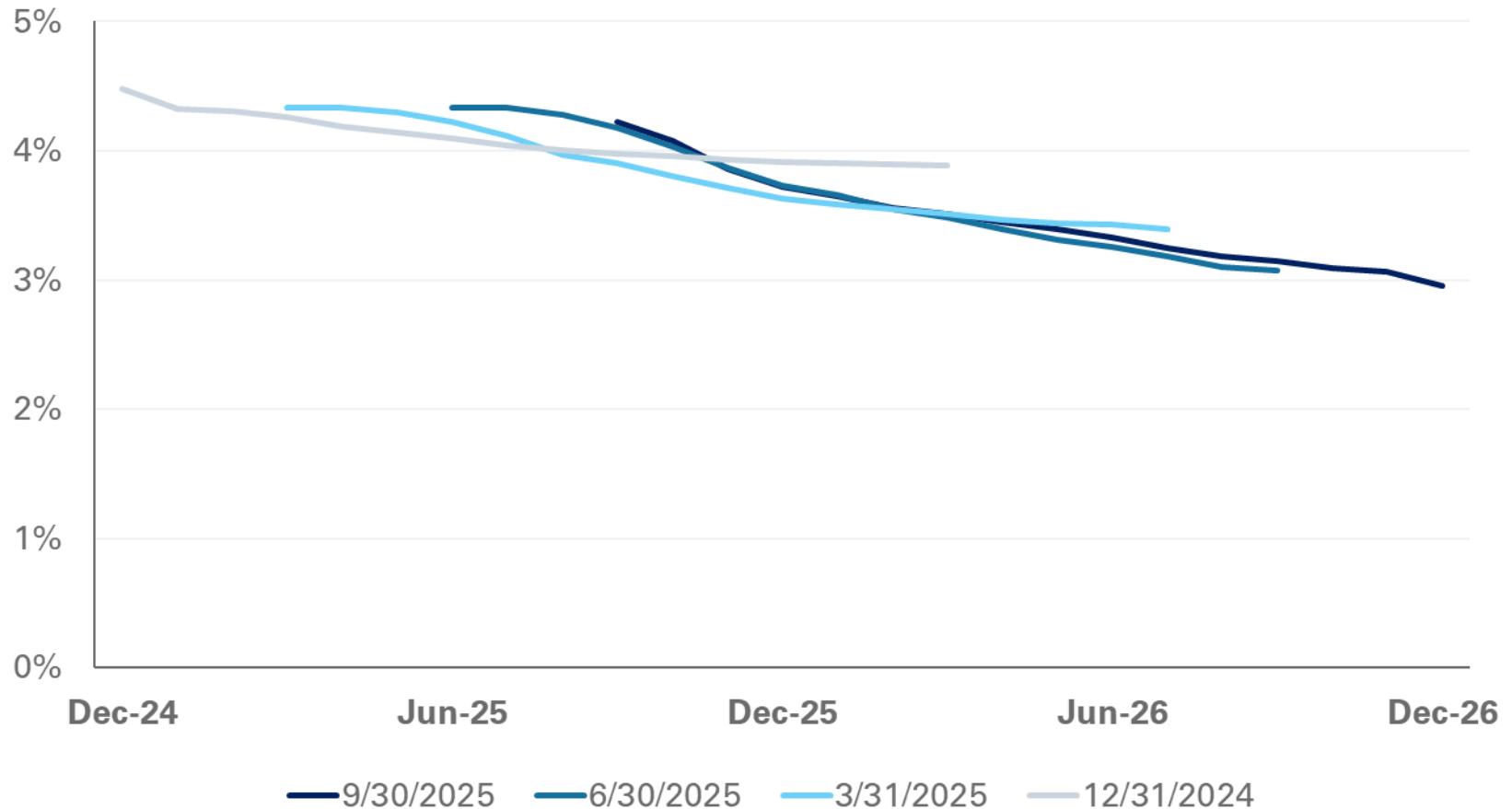
NUMBER OF IMPLIED FED INTEREST RATE CUTS IN 2025



Notes: Based on Fed Funds Futures pricing at the end of each month.
Sources: FactSet, NEPC

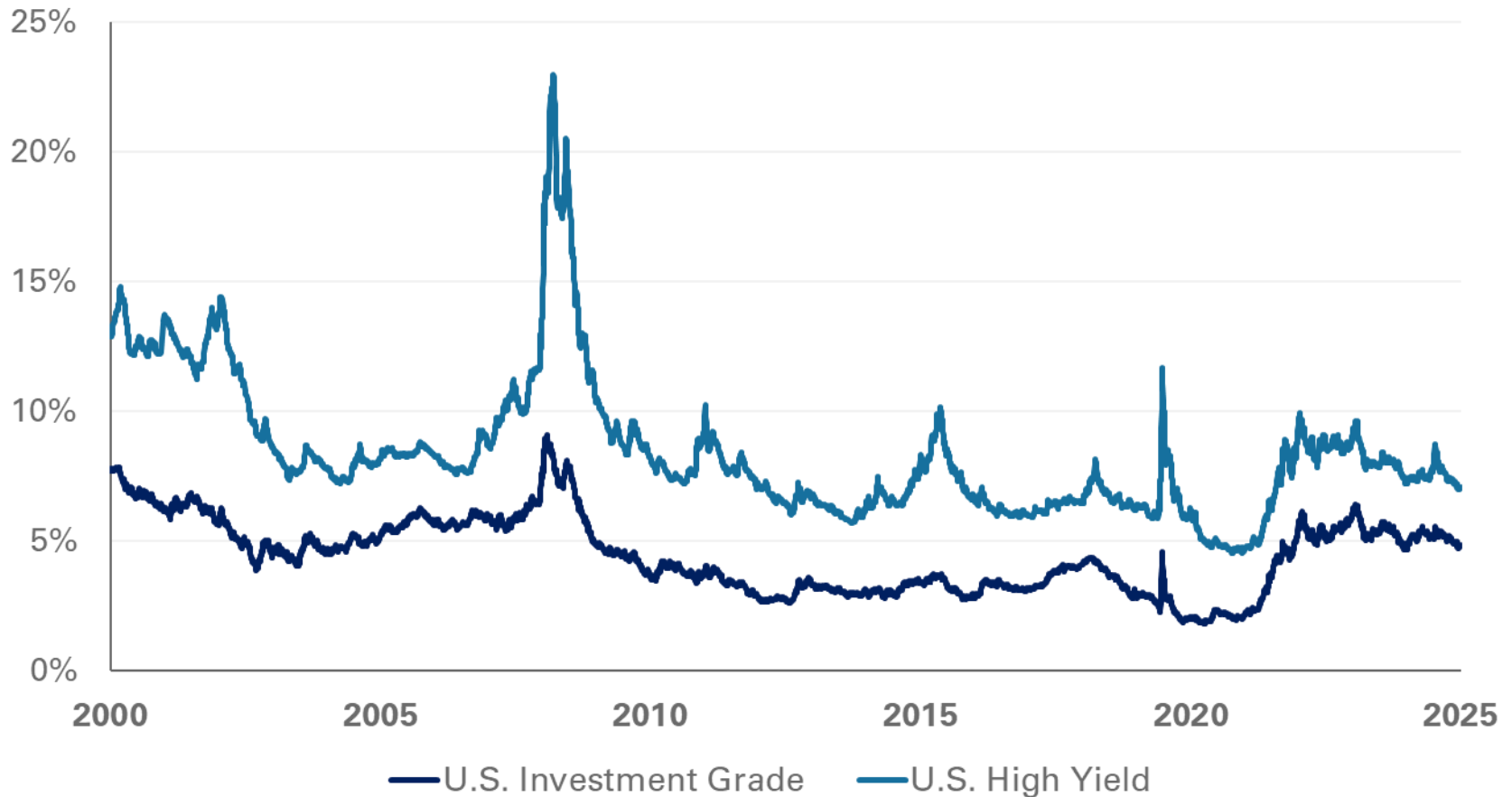
PRICING REFLECTS A STEEP CUTTING PATH IN 2026

FED FUNDS FUTURES EXPECTATIONS



ALL-IN YIELDS ON CREDIT HAVE DECLINED

YIELD ON U.S. CORPORATE INVESTMENT GRADE & HIGH YIELD



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