Ninety One

Investing for a world of change

Capital Market Assumptions

October 2026

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Overview

Ninety One's Capital Market Assumptions framework focuses on the key drivers of long-term performance. We do this to better understand possible future returns, enriching discussions with our clients.

Our framework emphasises income payments across asset classes, as they are both readily measured and pivotal in determining returns. In addition, long-term history is available, and income is less subject to manipulation than accounting metrics.

We divide returns into three components. The first – income – is a tangible, known entity, but the others are subject to material misestimation:

1 **Income**

Yield is historically the single most important explanatory factor for income-generating assets

2 **Growth**

The extent to which income is expected to change over time

3 **Revaluation**

The price per unit of income likely to apply at the end of the period (typically, 10 years)

Key takeaways

> The starting point matters for future returns. After a period of dramatic performance divergence, global equity and global bond markets are starting from opposite ends of the track.

A historic bull run in equity markets means that expected global equity returns today appear to be as low as any time in recent history. Our confidence in this view comes from centuries of evidence linking high starting valuations to low subsequent returns over the medium term. The path that has brought equity markets to these lofty heights owes much to the tremendous period of technological innovation through which we have been living. The fact that artificial intelligence seems set to transform markets, economies and the workplace does not invalidate this central claim. Indeed, it is probably a necessary requirement for equity valuations to have risen so far that they have been supported by a similarly transformative phase of innovation and investment in future prosperity.

The bear market in developed government bonds has arguably been even more dramatic when viewed through the lens of that asset class's history. Again, the starting point for this bear market was all-important. For an investor in US 30-year government bonds to suffer a drawdown in total returns of more than 50% was only possible from a position of extreme overvaluation and indiscriminate central bank buying. Yields on developed market government bonds have returned to levels that are not especially elevated in a longer historical context, but they are now back towards the upper end of the ranges experienced in the modern era of inflation-targeting central banking. As a result, expected returns are the highest they have been in at least 20 years.

We anticipate that a traditional 60% global equity, 40% global government bond portfolio, hedged into US dollars, will deliver an annualised nominal return of 3.8% (3.9% in March 2026) over the next decade. That outcome would place it just above the bottom decile of historic 10-year returns.

In an environment of low expected returns, the ability to add value through asset allocation and security selection becomes increasingly important. At the same time, we are also in a period of profound technological innovation, creating opportunities both to identify exceptional businesses and to invest in areas of structural growth.

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Forecasts are inherently limited and modelling involves risks, assumptions and uncertainties, they are forward looking and are not guarantees nor a reliable indicator of future results. Actual returns could be materially higher or lower than projected. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise of future performance.

Source: Ninety One proprietary Capital Market Assumptions as at 30 September 2026. These estimates are gross of fees (returns can be reduced by management fees and other expenses incurred) and reflect the view of Ninety One's multi-asset team, whilst the views of other teams across Ninety One may differ. Details on our Capital Market Assumptions methodology available upon request.

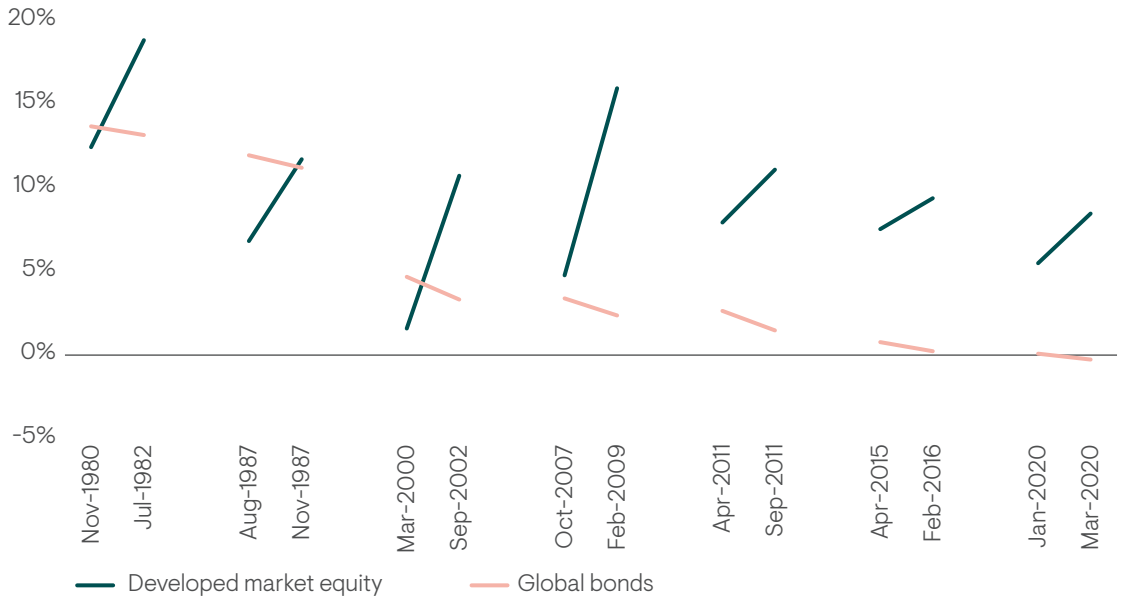
Historical effectiveness

> We tend to evaluate effectiveness in terms of getting the direction of travel correct.

Long-term predictions are fraught with uncertainty and open to error. We can, however, retrospectively apply our framework to assess its historical effectiveness. Because we focus on contextual information, we tend to evaluate effectiveness in terms of the reliability of the direction of the signal at market peaks or troughs; getting the broad direction of travel correct over a decade is a critical factor in an overall investment outcome.

The figure below identifies a variety of market peaks and subsequent troughs, stretching back to 1980, for each of developed market equity and global bonds.[1] We then show the subsequent 10-year predicted returns at those points.

Figure 1: Expected returns can vary significantly depending on the point of the cycle



Source: Ninety One. Data is global since 2000; prior dates based on US outcomes. Bonds based on 10-year tenor.

1. Developed market equities = MSCI World and global bonds = FTSE WGBI.

For example, the first point on the previous chart corresponds to November 1980 (roughly a market peak) followed by a trough in July of 1982. The relevant 10-year forecasts in each instance were:

	Peak	Subsequent trough
Developed market equity	12.4%	18.8%
Global bonds	13.7%	13.2%

Indeed, global equities tripled in the decade from November 1980, and rose fourfold from July 1982. The chart illustrates the desired pattern — riskier assets tend to have lower anticipated 10-year returns at peak than they do at the subsequent trough; conversely, the more defensive bond asset tends to do better at the peak than the trough. Interestingly, although this pattern is repeated over time, it appears to be getting more compressed – perhaps due to the expansive liquidity provision over this period.

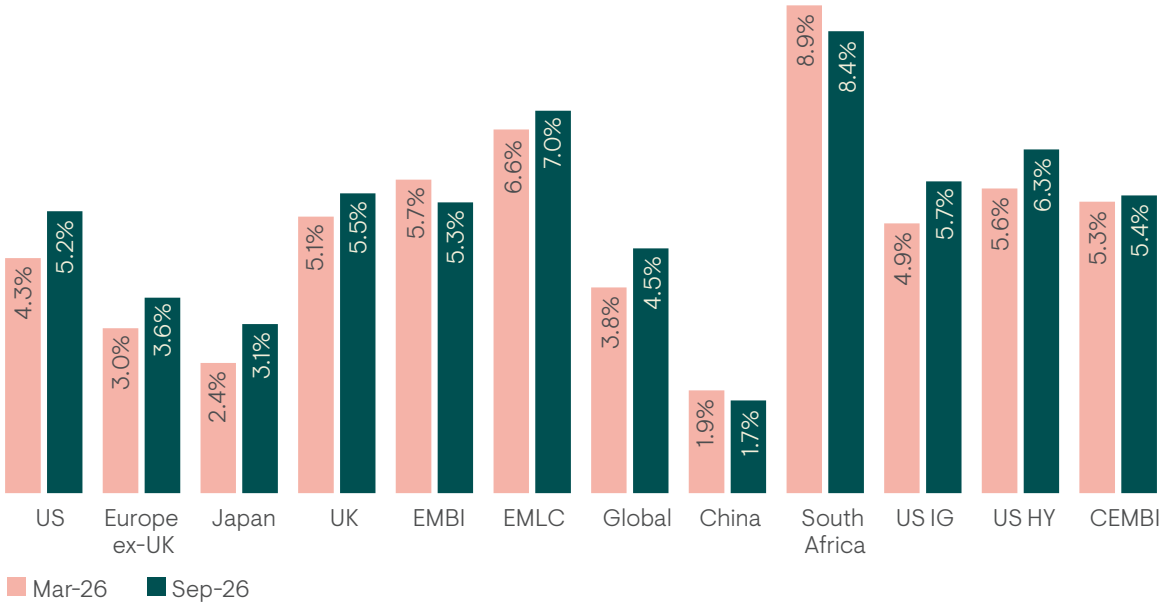
Fixed income

> Prospective returns from fixed income assets have improved as government bond yields have moved up sharply over the last six months.

The following chart presents our forecasts for fixed income assets in nominal, local currency terms as at 30 September 2026 alongside our last update six months ago.

Figure 2: Developed market bond yields have moved significantly higher

10-year local currency, return forecast



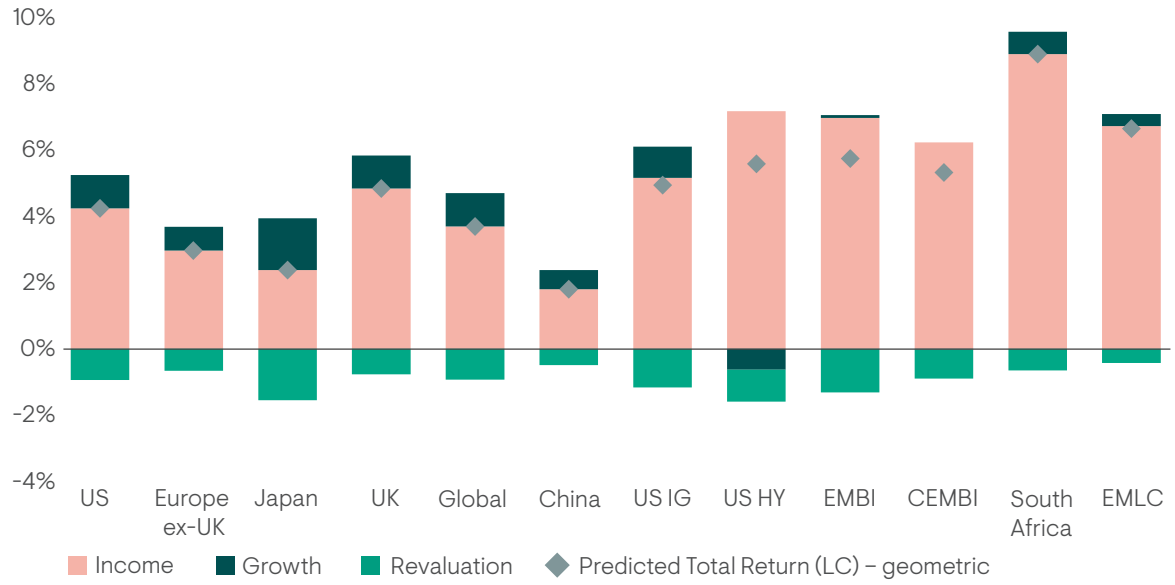
Source: Ninety One (internal calculations based on Bloomberg, JP Morgan and Moody's data).
EMBI = Emerging Markets Bond Index, **EMLC** = Emerging markets local currency debt; **US IG** = US investment grade; **US HY** = US high yield; **CEMBI** = Corporate Emerging Markets Bond Index.

Prospective returns from government bonds have increased, with the largest rises in yields seen in developed markets, while emerging market bonds have experienced less volatility and yields have even declined in a number of key countries. Yields on US government bonds increased the most, while Chinese and South African yields fell modestly over the period. Credit spreads tightened over the period, particularly in emerging markets, and remain well below long-term average levels. The combination of higher US Treasury yields but tighter spreads has increased prospective returns from both US and EM corporate bonds, while EM HC returns are slightly lower.

Risk-free yields remain consistently lower than those implicit in forward yield curves, leading to negative revaluation effects across the board. Yield curves have flattened but remain upward sloping, with modestly positive prospective roll returns.

The following chart provides more detail on our return forecasts, dissecting fixed income regions in the context of our Capital Market Assumptions framework pillars: income, growth, and revaluation.

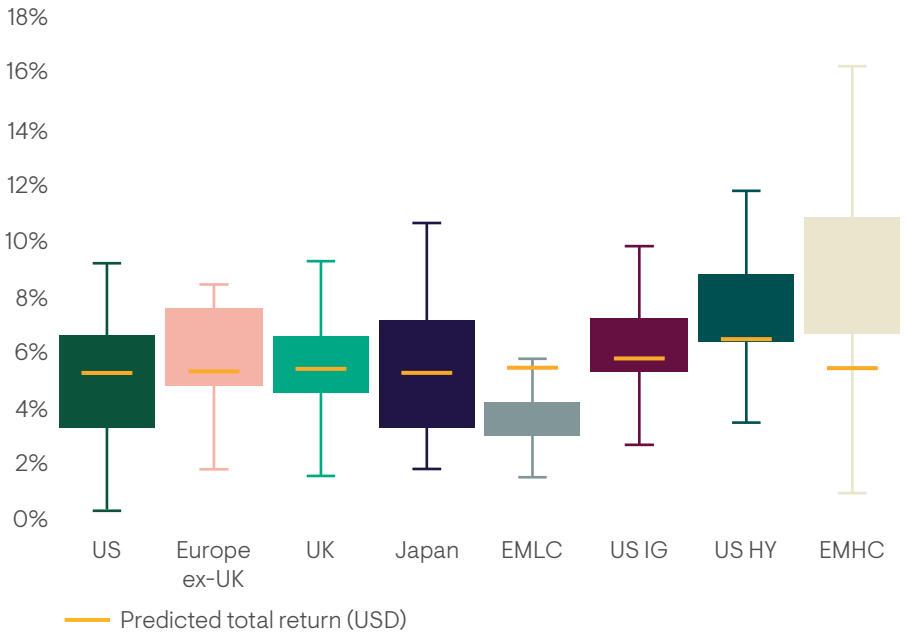
Figure 3: Income accounts for the bulk of return potential across fixed income



Source: Ninety One (internal calculations based on Bloomberg, JP Morgan and Moody's data).
US IG = US Investment Grade; **US HY** = US High Yield; **EMBI** = Emerging Markets Bond Index; **CEMBI** = Corporate Emerging Markets Bond Index; **EMLC** = Emerging Market Local Currency.

To better understand the relative attractiveness of prospective returns across fixed income markets, it is helpful to consider our return forecasts in the context of each market's historical range of outcomes.

Figure 4: Return distribution of 10-year rolling historic returns



Source: Ninety One proprietary Capital Market Assumptions as at 30 September 2026.[2]

- The chart above shows the distribution of historic 10-year rolling geometric returns, hedged into USD, for the assets (in the box-and-whisker plot) versus the current forecast (yellow bar).
- The body of the box represents the interquartile range, while the 'whiskers' extend to the maximum and minimum historic rolling 10-year returns.
- Developed market government bond returns are now near the centre of the historic return distribution, but returns on US high-yield and EMHC are firmly below average and EMLC forecasts are near the top of the range of historic outcomes.

2. Based on monthly data from December 1987 to September 2026. Estimates are nominal, hedged into USD, gross of fees and ignore alpha. Modelling involves risks, assumptions and uncertainties. These estimates reflect the view of Ninety One's multi-asset team, while the views of other teams across Ninety One may differ. Performance does not guarantee future results. Actual returns could be materially higher or lower than projected. For information on our Capital Market Assumptions methodology, please see Important information.

EMLC = Emerging Market Local Currency; **EMHC** = Emerging Market Hard Currency; **US HY** = US High Yield; **US IG** = US Investment Grade.

Equities

> Further rapid price appreciation has pushed prospective global equity returns down to some of the lowest levels in recent decades.

Five years ago, in October 2021, we published US and global equity return forecasts of 2.2% and 2.8% respectively, the lowest values we had ever predicted for either market at the time. Capital Market Assumptions are not a market-timing tool but, as it happened, global equities peaked the very next month and went on to suffer a -27% peak-to-trough drawdown in 2022. In the October 2026 update, both figures have fallen to new lows: just 1.7% for US equities and 2.2% for the global market. The only other time in recent history when our approach would have implied a comparable return outlook for equities was in 1999–2000.

We are the first to acknowledge that the error bands on 10-year forecasts are wide. However, as we discuss in the historical effectiveness section of this report, we believe that our process provides a useful guide to periods when the medium-term return outlook is unusually strong and unusually weak. If you accept our premise that the price paid for an asset is an important determinant of its expected return, it is hard to avoid the conclusion that expected returns from global equities today are approaching the lower end of their historical range.

The most encouraging aspect of recent equity market performance is that it has been underpinned by historically strong growth in corporate earnings, cash flows and dividends. Within our process, this has led to upward revisions in the underlying trend growth rate of dividends and means that our cyclically adjusted measure of valuations has risen by less than would normally be expected during a six-month period in which the MSCI AC World index returned 17%.

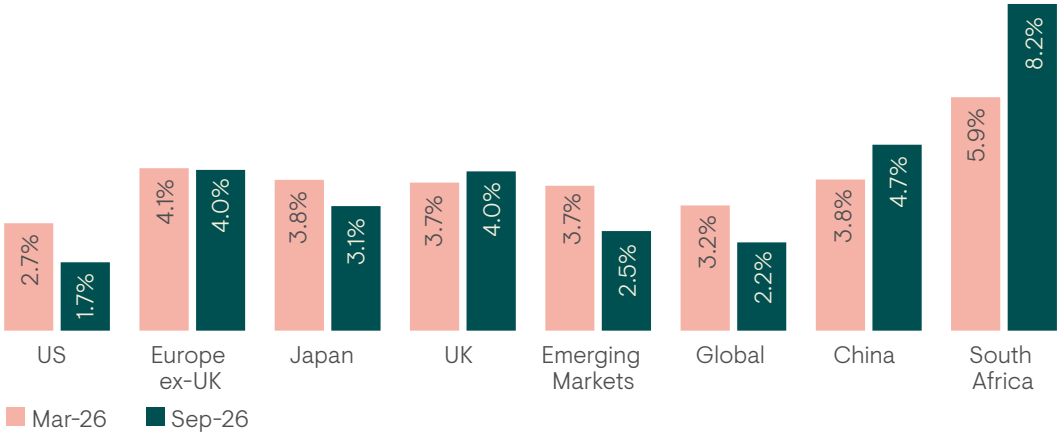
This strong underlying growth picture is broad-based across all regions, including those that underperformed over the period. The markets with the weakest price performance, namely the UK, China and South Africa, all saw return forecasts increase as a result. For Europe ex-UK, price appreciation and strong fundamental growth almost exactly offset one another, leaving the forecast unchanged.

The most likely scenario where equity returns over the next ten years substantially outperform the CMA figures presented here is one where growth ends up significantly higher than implied by historic trend growth rates. Artificial intelligence has the potential to provide a significant boost to productivity and could be the source of this sort of upward inflection in trend growth. This scenario should be taken seriously and is certainly not one we should rule out. At the same time, even if productivity growth were to accelerate to levels in line with the strongest 10-year outcomes in history this would only imply an increase in the underlying growth rate of around 1 percentage point per annum with productivity growth moving up to 3% from current level of around 2%.[3]

3. In the Bank of England's A millennium of macroeconomic data for the UK, growth in total factor productivity in the UK did not exceed 3% per annum over any ten year period since 1760. In the US, the 10 year productivity growth rate reached 3% or close to it on three occasions since 1870 based on data from John W. Kendrick's study, Productivity Trends in the United States, and more recent Bureau of Labor Statistics figures.

The following chart shows forecast returns for equity markets in nominal, local-currency terms, as at 30 September 2026, compared with those in our last update, six months ago.

Figure 5: Equity: 10-year local currency return forecast

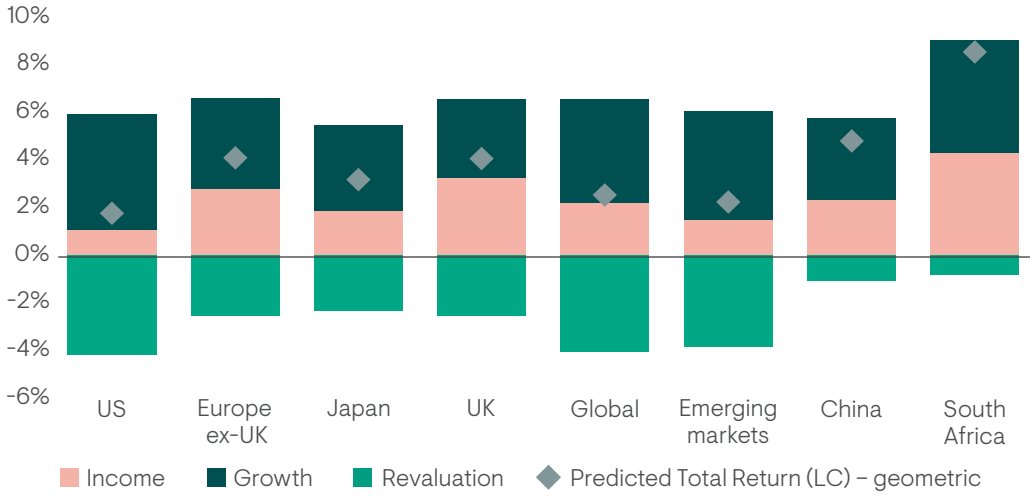


Performance does not guarantee future results. Actual returns could be materially higher or lower than projected.

Source: Ninety One (internal calculations based on Bloomberg data).

All equity markets remain expensive on our estimates, with the most negative revaluation impact expected in the US and global emerging markets. Within emerging markets, however, there are substantial divergences, with China and South Africa closest to fair value and therefore offering the highest expected returns.

Figure 6: Growth dominates return expectations, with revaluation uniformly negative



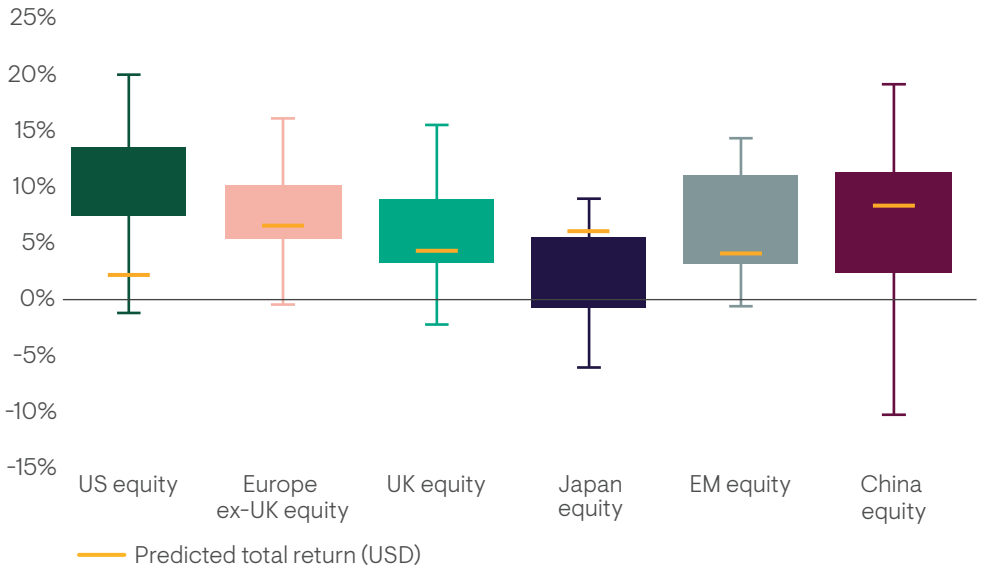
Performance does not guarantee future results. Actual returns could be materially higher or lower than projected.

Source: Ninety One (internal calculations based on Bloomberg data). Estimates are nominal, gross of fees and ignore alpha.[4]

4. The final total returns are converted from logarithmic to geometric estimates. This means that the components of the return breakdown may not sum to the total return. Judgmental overrides may apply where deemed necessary – for example as currently applied to China where we expect growth over the next ten years to be slower than that implied by historic trend GDP per capita growth. Modelling involves risks, assumptions and uncertainties. These estimates reflect the view of Ninety One's multi-asset team, while the views of other teams across Ninety One may differ. For information on our Capital Market Assumptions methodology, please see Important information. Return breakdowns in local currency.

To give a further understanding of the relative attractiveness of prospective returns across equity markets, it is helpful to consider our return forecasts in the context of the historic range of outcomes for each market.

Figure 7: Return distribution of 10-year rolling historic returns



Source: Ninety One proprietary Capital Market Assumptions as at 30 September 2026.[5]

- The chart above shows the distribution of historic 10-year rolling geometric returns, hedged into USD, for the assets (in the box-and-whisker plot) versus the current forecast (yellow bar).
- The body of the box represents the interquartile range, while the 'whiskers' extend to the maximum and minimum historic rolling 10-year returns.
- While forecast equity returns do not generally appear attractive in absolute terms, Japan stands out, with expected returns in the top quartile of recent history. By contrast, the US, Europe ex-UK and emerging markets are in the lowest quartile, while other markets rank in the second quartile of their historical ranges.

5. Based on monthly data from December 1987 to September 2026. Estimates are nominal, hedged into USD, gross of fees and ignore alpha. Modelling involves risks, assumptions and uncertainties. These estimates reflect the view of Ninety One's multi-asset team, while the views of other teams across Ninety One may differ. Performance does not guarantee future results. Actual returns could be materially higher or lower than projected. For information on our Capital Market Assumptions methodology, please see Important information.

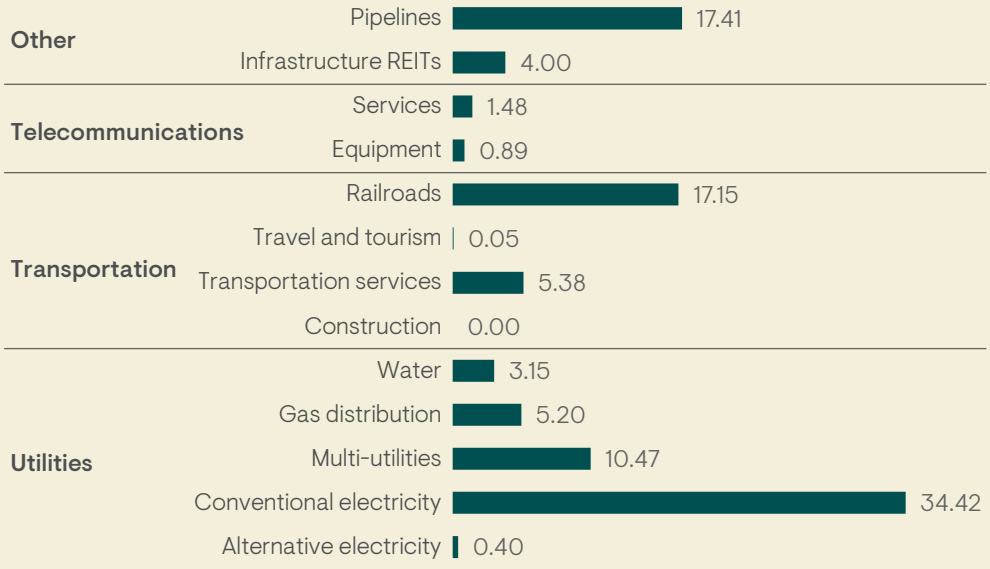
Case study: Forecasting property and infrastructure returns

We are extending the coverage of our Capital Market Assumptions to include forecasts for property and infrastructure. In keeping with the broader approach, we focus on the liquid, listed equity component of these markets. Global property is represented by the FTSE EPRA Nareit Global Index and global infrastructure by the FTSE Global Core Infrastructure 50/50 Index.

Property and infrastructure equities have distinctive characteristics that have seen increased investor interest in recent years, leading some investors to treat them as distinct asset classes rather than equity sectors. They are often described as 'real assets' because these companies own physical assets, such as buildings and networks, whose value is based on their physical existence and practical use, as opposed to purely financial assets that are simply claims on future cash flows. Their returns are also thought of as 'real' because the cash flows these assets generate are often directly linked to changes in the price level, offering some degree of inflation protection.

> FTSE Russell defines infrastructure as 'involving the development, ownership, operation, management and/or maintenance of structures or networks used for the processing or moving of goods, services, information/data, people, energy or necessities from one location to another.' This means that the listed equity infrastructure investment universe is primarily made up of businesses operating across utilities, telecoms, transport and construction.

Figure 8: FTSE Global Core Infrastructure 50/50 sector weights

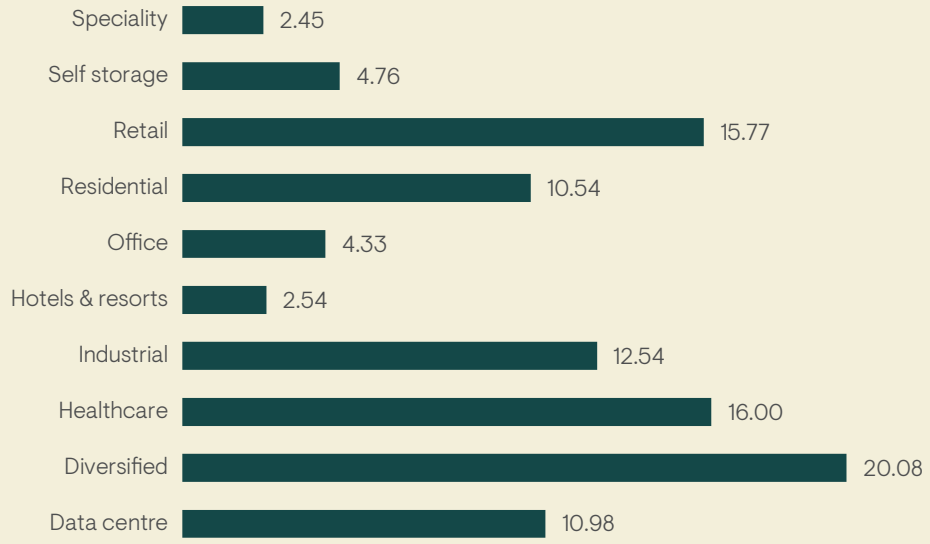


Source: FTSE Russell Industry Classification Benchmark, as at 30 September 2026.

The businesses within the infrastructure universe are relatively diverse, ranging from industries where end demand is relatively constant, such as water utilities, to cyclical industries, such as travel and tourism or construction. The universe includes highly regulated monopoly utilities alongside fiercely competitive transport subsectors where pricing power is relatively limited.

Companies included in the EPRA Nareit property indices must derive most of their revenues from 'the ownership, trading and development of income-producing real estate'. Most but not all of the securities in the index are classified as Real Estate Investment Trusts (REITs), which in most jurisdictions exempt the companies from corporate income taxes and require the distribution of the vast majority of income to shareholders.

Figure 9: More than offices and shops: the many kinds of listed property



Source: FTSE EPRA Nareit Index, as at 30 September 2026.

Methodology

For consistency with the rest of the Capital Market Assumptions process, we apply the existing equity framework almost unchanged. The one open question is how to model growth, because the link between dividend growth and nominal GDP per capita, which holds for the listed corporate universe, may not apply to the more specific drivers of the property and infrastructure sectors.

Case study

Three building blocks, one framework: how we forecast property and infrastructure

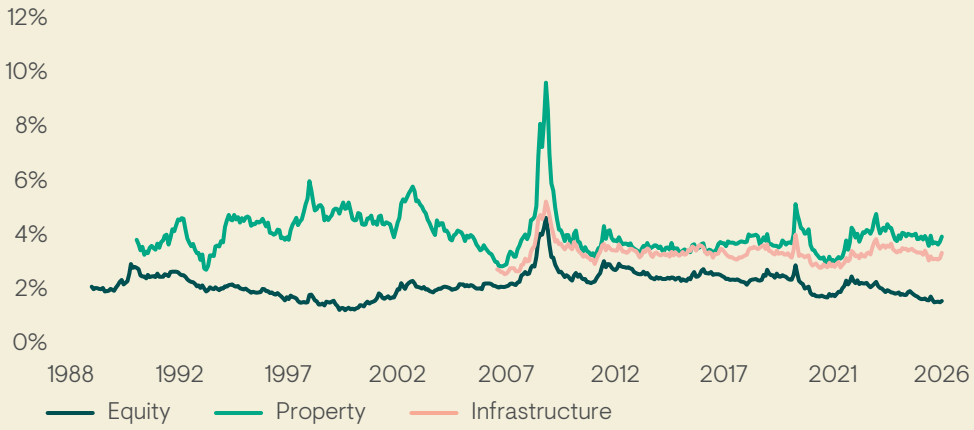
Income (Known – but the primary explanatory factor historically)	Current dividend yield
Growth (Estimated – the extent to which income will likely change over time)	??? plus Market composition impacts (IPOs, M&A etc) (Each based on a 15-year historic trend)
Valuation (Estimated – the estimated price per unit of income, at the end of the forecast period)	Reversion to a cyclically adjusted price-to-dividend ratio (based on 15-year trend dividends per share)

Income

Income is a more important source of return for property and infrastructure than for broad equity markets. As for other equity indices, the income forecast is the current dividend yield.

The fact that property and infrastructure have significantly higher income returns than the overall equity markets means that they are viewed by some investors as an alternative to fixed income securities and as a result they tend to be more sensitive to changes in bond yields than other parts of the equity market.

Figure 10: Income does the heavy lifting: property and infrastructure yields versus global equities



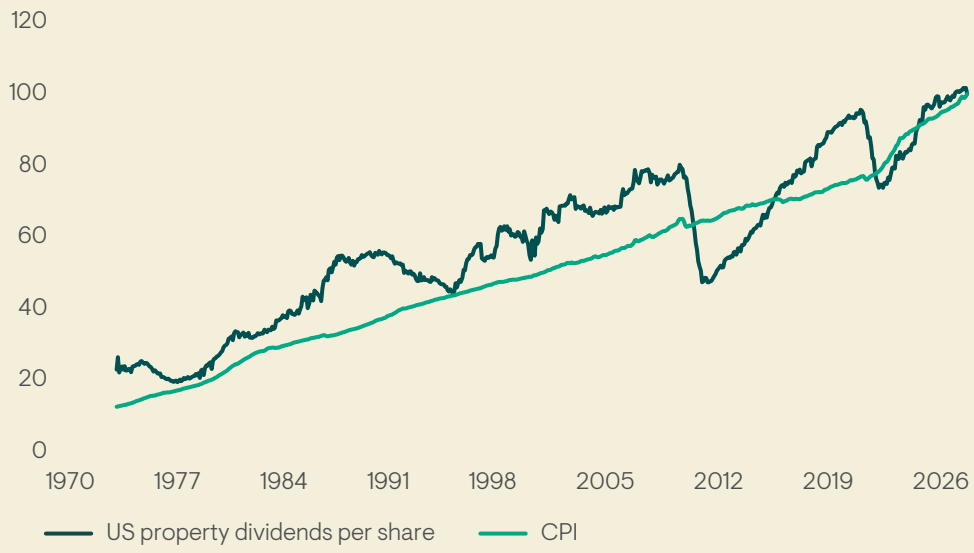
Source: Ninety One. FTSE EPRA Nareit Global Index, FTSE Global Core Infrastructure 50/50 Index, MSCI ACWI, as at 30 September 2026.

Growth – Property

The intuition that rental income from property investments should rise in line with consumer prices over the long term is supported by a significant body of academic research. The evidence is strongest for residential property, where Jordà, Knoll, Kuvshinov, Schularick and Taylor have compiled data for 16 advanced countries over 150 years.[6] Residential property makes up only around 10% of the listed property universe with the remainder spread across different commercial property markets. Commercial leases often include some direct inflation indexing. However, the link between profits and inflation is tempered by the cyclical nature of both the supply of and demand for commercial property. Vacancies can rise sharply during economic downturns, and rents can over- and undershoot broader price indices. The use of leverage by property companies also tends to exacerbate the underlying cyclicality.

Data for the US REIT market goes back over 50 years and allows us to examine the historic relationship between dividends and inflation. The progression of dividends over this period demonstrates the significant cyclical volatility in the sector and further supports the view that growth in property income over the medium to long term can reasonably be proxied by growth in consumer prices. The growth forecast for global property is therefore forecast inflation.

Figure 11: Bumpy but anchored: US REIT dividends and consumer prices



Source: FTSE EPRA Nareit Global Index, Bureau of Labor Statistics and Bloomberg, as at 30 September 2026.

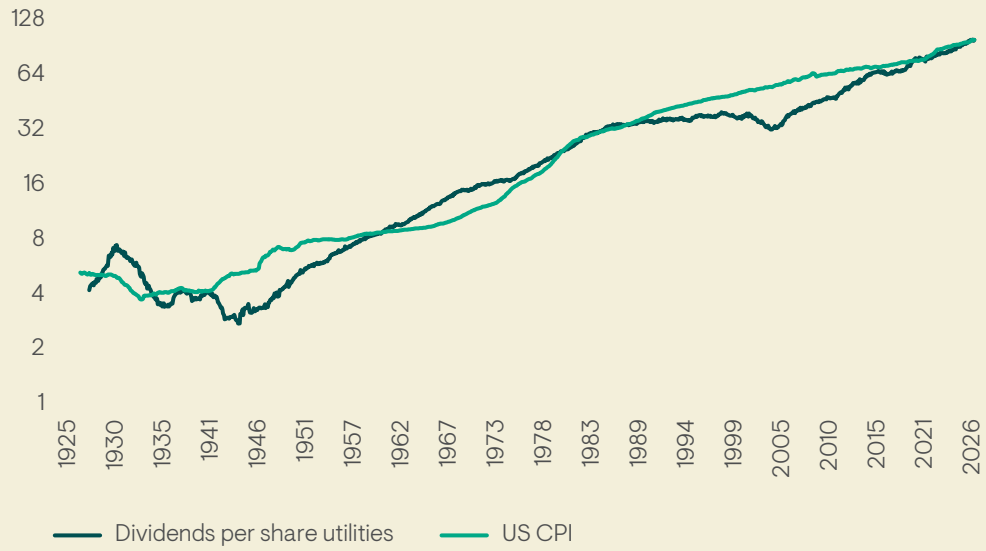
6. https://www.frbsf.org/wp-content/uploads/wp2017-25.pdf.

Growth – Infrastructure

Given the diversity which exists within the infrastructure index, a somewhat more granular approach is required.

Utilities make up half of the infrastructure index. For this industry group, we would expect a strong link between cash flow growth and consumer inflation, because regulatory frameworks tie utility profits to the costs of building and maintaining their assets. Using US sector level data from Eugene Fama and Kenneth French[7] we can test this relationship in the US over a 100-year period. Over this full period, growth has been very similar although even here there have been extended periods of divergence. Dividend growth is much more stable than for property as expected and the inflation linkage appears at least as strong.

Figure 12: Keeping pace: a century of US utility dividends and inflation

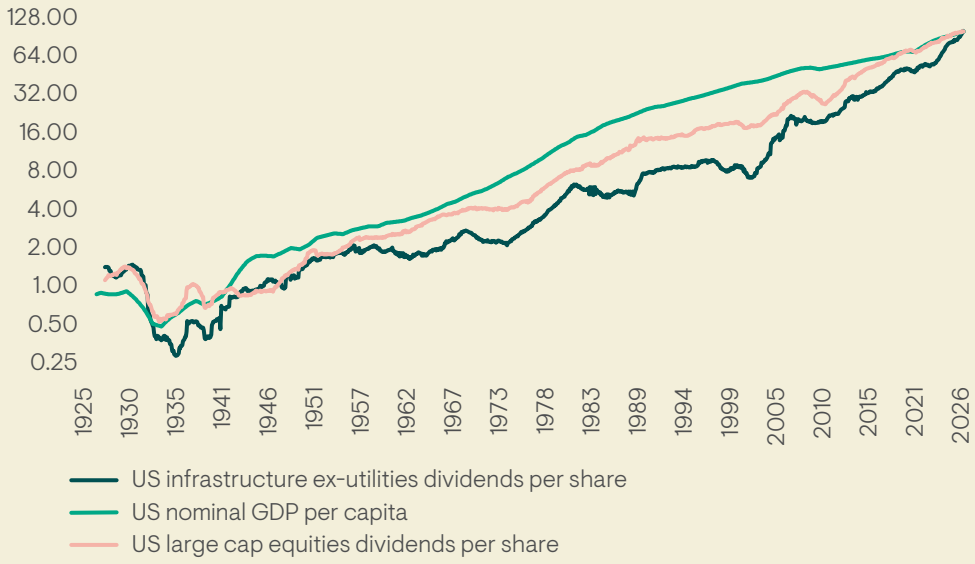


Source: Eugene Fama and Kenneth French, as at 31 August 2026.

7. https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html.

The other half of the infrastructure index covers a relatively diverse group of industries across construction, transportation and telecoms. While physical assets play an important role in all these businesses, profits are subject to a much broader set of drivers than for the property or utilities sectors. Constructing a long-run dividend history for this group from the same Fama–French sectoral data, bears this out. For infrastructure ex-utilities, dividend growth resembles the broad US equity market albeit, with some additional volatility given the more specific risk factors present in a less diversified universe. This suggests that the nominal GDP per capita assumption used for growth in broad equity markets is also applicable to this portion of the infrastructure universe.

Figure 13: Following the market: US infrastructure ex-utilities dividends grow like US equities



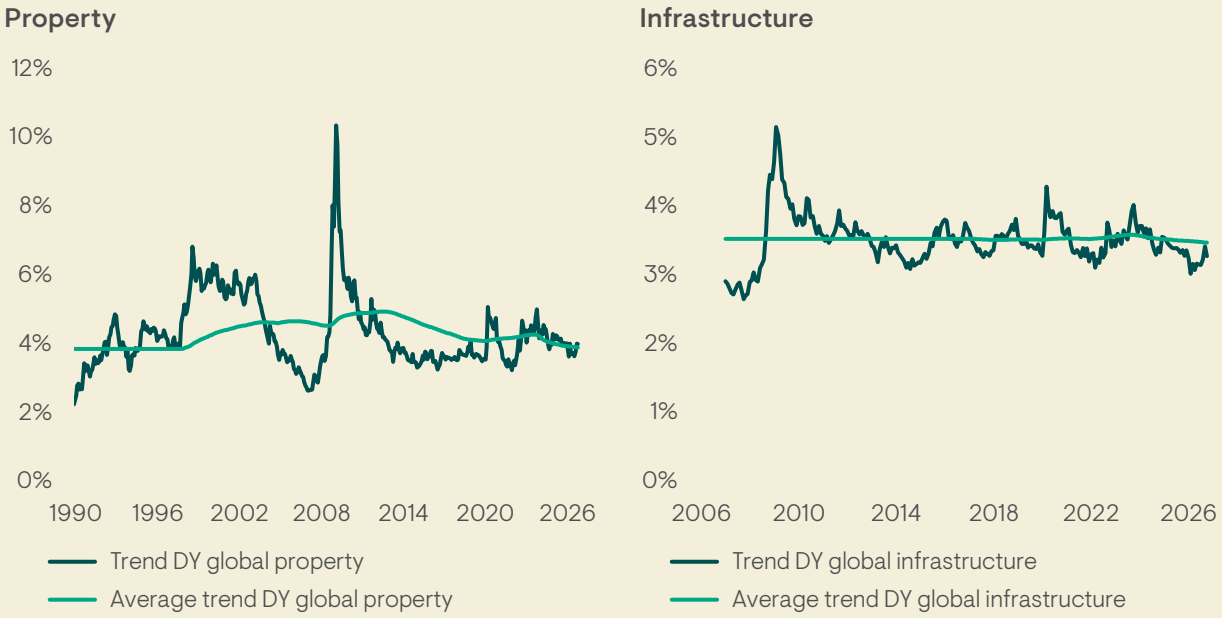
Source: Eugene Fama and Kenneth French, as at 31 August 2026.

The growth forecast for Global Infrastructure is therefore the average of forecast inflation and trend nominal GDP per capita growth.

Valuation

Our revaluation estimates for equities assume that price to income reverts to a cyclically adjusted level over the course of the next 10 years. Applying this methodology to property and infrastructure, we find that current dividends per share for property and for infrastructure sit close to their 15-year historic trend levels. Furthermore, the trend dividend yields of the markets are both close to their long-run averages, leaving valuations near to our estimate of fair value.

Figure 14: Close to fair value: property and infrastructure yields near their long-run average



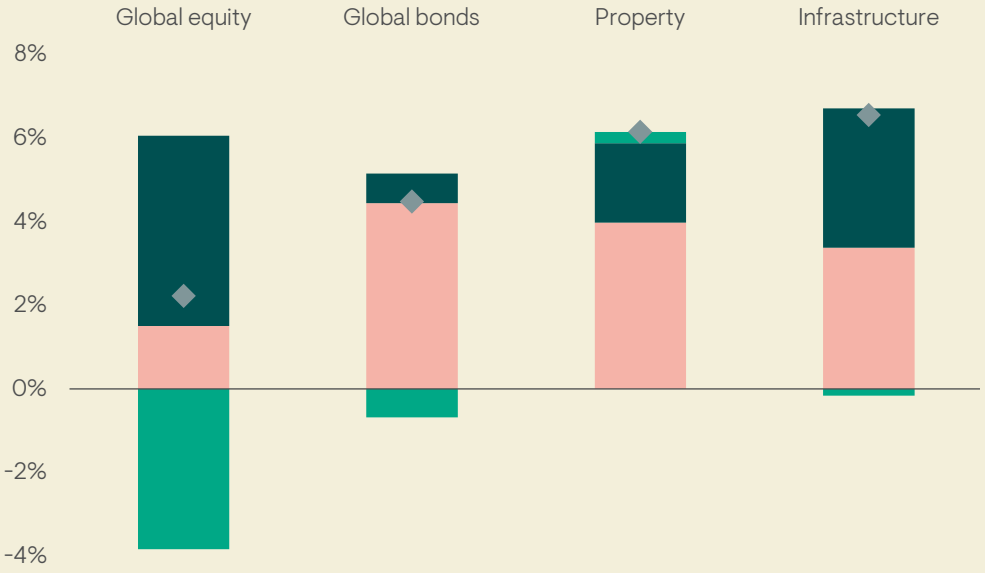
Source: FTSE EPRA Nareit Global Index, the FTSE Global Core Infrastructure 50/50 Index, as at 30 September 2026.

Current forecasts

With figures for each of the three components of returns, we can build up the return forecasts as at 30 September 2026.

With higher income and valuations close to fair value, both property and infrastructure returns look attractive relative to global equities and offer somewhat higher returns than global bonds, albeit with significantly higher volatility of returns.

Figure 15: Where the return comes from: expected 10-year returns by component



	Global equity	Global bonds	Property	Infrastructure
Income	1.5%	4.4%	4.0%	3.4%
Growth	4.6%	0.7%	1.9%	3.3%
Revaluation	-3.8%	-0.7%	0.3%	-0.2%
Total return (LC)	**2.2%**	**4.5%**	**6.1%**	**6.5%**

Source: Ninety One, as at 30 September 2026.

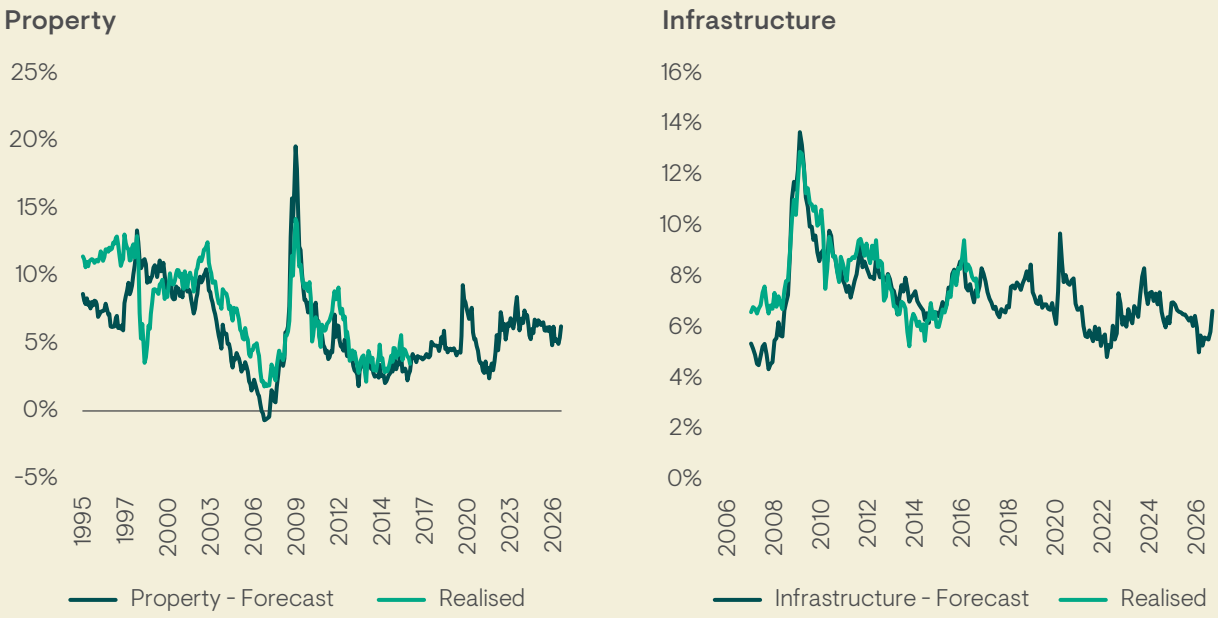
Historical efficacy

We can recreate these forecasts at every month end since the inception of the global property and infrastructure indices and compare them to the subsequently realised outcomes. This suggests that the approach would have provided a good guide to the return opportunities in these asset classes over time.

For global property, the largest forecast errors would have been for 10-year periods starting in the late 1990s. A large part of this is due to the property boom of the 2000s which initially drove returns to higher levels than would have been expected but was followed by a major market crash in 2008, at which point 10-year returns dropped well below the expected level.

Available history for the infrastructure index is much shorter but suggests that the methodology would also have been a helpful guide over this smaller historic sample.

Figure 16: A guide to the return opportunity: our forecasting approach tested against history



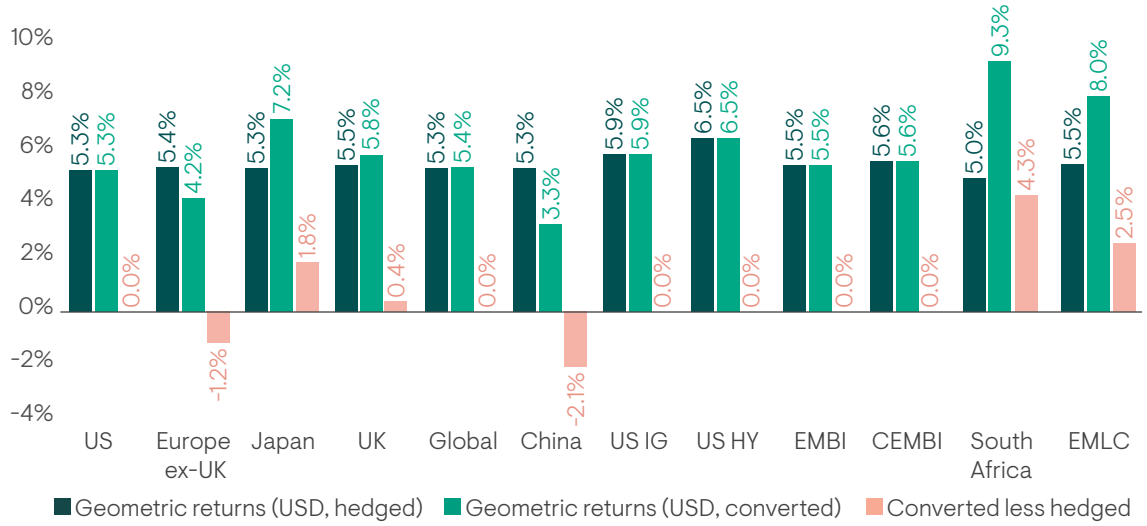
Source: Ninety One, as at 30 September 2026.
Forecasts are inherently limited and modelling involves risks, assumptions and uncertainties, they are forward looking and are not guarantees nor a reliable indicator of future results. Actual returns could be materially higher or lower than projected. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise of future performance.
Ninety One proprietary Capital Market Assumptions. These estimates are gross of fees (returns can be reduced by management fees and other expenses incurred) and reflect the view of Ninety One's multi-asset team, whilst the views of other teams across Ninety One may differ. Details on our Capital Market Assumptions methodology available upon request.

Currency

> The currency decision – particularly whether to use 'hedging' or 'conversion' – can have a material impact on the outcome.

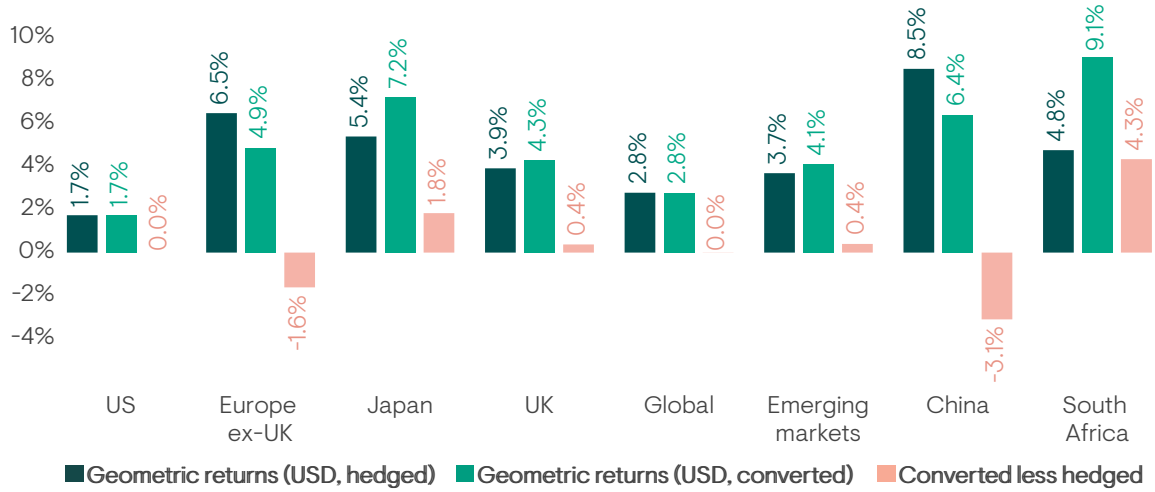
While we calculate our expected returns on a 'local currency' basis, we appreciate that clients need to make a currency decision – whether to hedge or not. We therefore present each of our equity and fixed income assumptions on two bases: hedged (using interest rate parity) and unhedged/converted (based on real exchange rate reversion).

Figure 17: Fixed income expectations



Source: Ninety One (internal calculations based on Bloomberg and JP Morgan data).
US IG = US Investment Grade; **US HY** = US High Yield; **EMBI** = Emerging Markets Bond Index; **CEMBI** = Corporate Emerging Markets Bond Index; **EMLC** = Emerging Market Local Currency.

Figure 18: Equity expectations



Source: Ninety One (internal calculations based on Bloomberg data).

Methodology

> We focus on fundamentals. We divide returns into three components. The first is known and widely available, but the other two are subject to material misestimation.

Predicting long-term returns is fraught with difficulty; market values are not only determined by fundamentals, but also sentiment and exogenous events. We aim to keep things as straightforward as possible, and therefore focus on fundamentals. We:

- Favour **simplicity** to capture the key drivers and accept wide uncertainty bands
- Strive for **consistency** with the investment process, focusing on cash flows
- Aim to be **comprehensive** across asset classes, with the ability to extend within

We divide returns into three components. The first is known, more readily measured and widely available in the public domain, but the other two are subject to material misestimation:

1. **Income** – yield is the single most important explanatory factor for income-generating assets
2. **Growth** – the extent to which income will likely change over time
3. **Revaluation** – the price per unit of income likely to apply at the end of the period

By default, we assume a 10-year investment horizon, to reflect the fact that we are long-term stewards of client capital. We do not consider tax, given different requirements pertaining to different mandates. The approach we outline is our baseline estimate; we may make judgemental adjustments to the underlying drivers if warranted.

Our approach mimics that of a systematic investor, buying the entire market.

Here we set out our methodology for equities, fixed income and currencies:

	Equities	Sovereign debt and credit
Income	Current dividend yield	Current yield on notional bond[10]
Growth	Nominal GDP per capita[8] growth plus Market composition impacts (IPOs, M&A, index inclusion events etc)[9] (Each based on a 15-year historic trend)	Anticipated change in yield based on market-inferred future risk-free yields[11] plus Roll-yield on the risk-free curve[12] less Credit losses based on a 15-year historic average[13]
Revaluation	Reversion to a cyclically adjusted price-to-dividend ratio (based on 15-year trend dividends per share)	Reversion to the market-inferred future risk-free yields plus Reversion of credit spread to 15-year average
Currency	'Hedging' – based on current interest rate differentials on 10-year zero-coupon bonds or 'Conversion' – based on a reversion of the real exchange rate to the 15-year average, with an allowance for differences in inflation targets	

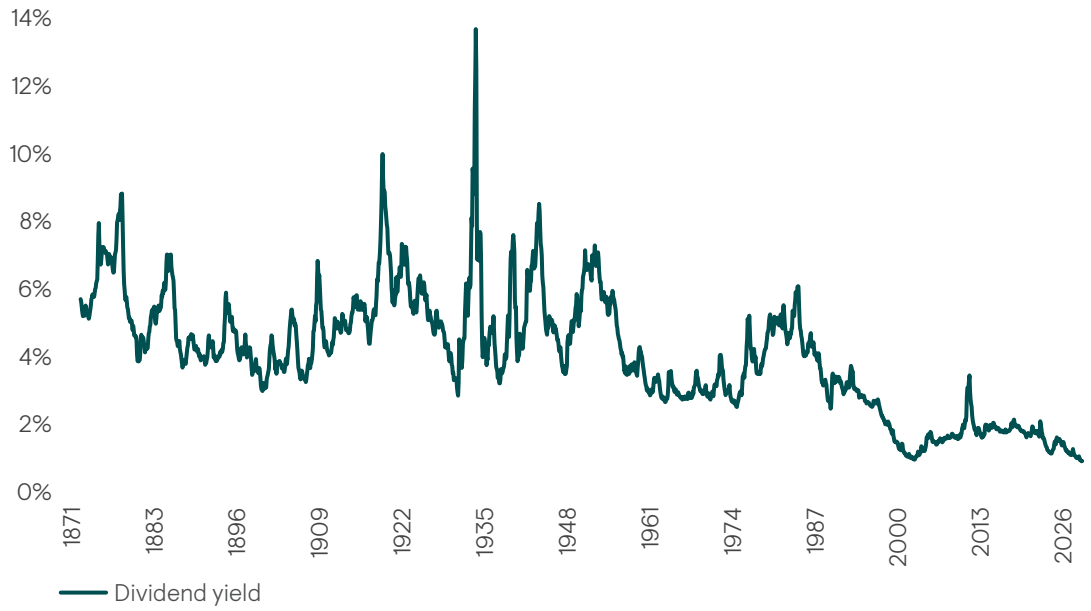
8. Where a market has a high proportion of overseas sales, we use the average of the local and global nominal GDP per capita trend growth rates.
9. Uses the average of local and global issuance trends given lower predictability for more specific universes and a belief in global convergence. Overrides may also be applied where local figures are volatile.
10. Yield to Maturity based on notional 10-year bonds (except in the case of High Yield and EM Corporate, where 5-year bonds are used). For EM Hard Currency, US High Yield and EM Corporate, we use the underlying risk-free curve plus spread-to-worst to construct the initial yield.
11. Credit spread curve data tends to be unreliable; we presume because the notion of quality changes with tenor. We therefore assume a constant spread.
12. This is an implicit allowance for rebalancing of the constant maturity bond.
13. Based on Moody's default data.

Equities

Equities are assumed to be purchased on a buy-and-hold basis. We use relevant MSCI indices to reflect the regions.

We proxy **income** with dividends. While many equity investors prefer to focus on earnings, we regard dividends as being less subject to manipulation – these distributions are a tangible payment, and the information is publicly disclosed – and therefore more reflective of the long-term fundamental cash-generating properties of the broad market. While other metrics (e.g. free cash flow) have evolved, they do not yet have a similarly long history.

Figure 19: The history of US dividends stretches back over a century

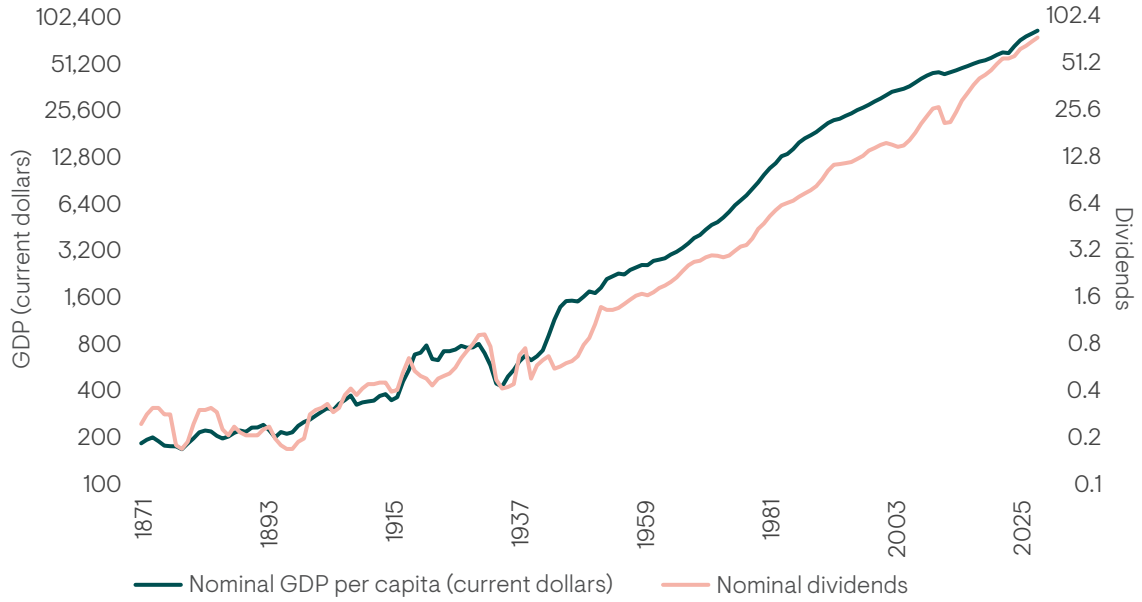


Source: Shiller, U.S. Stock Markets 1871-Present and CAPE Ratio.

In this context, **growth** primarily relates to an equity market's ability to increase dividends over time. GDP per capita has historically proven to be a reasonable proxy for dividend growth – and a closer match than GDP itself, as illustrated in the next chart. We simply allow for the global effects of growth based on the extent of non-domestic revenue exposure, assuming developed market growth is an average of local and global growth, while emerging market growth is wholly determined locally.[14] Growth is proxied based on trailing 15-year trend growth, a period that captures the secular effects of a couple of cycles. We apply a market adjustment factor – which includes changes in market composition relating to primary and secondary issuance, M&A activity, buybacks, new index inclusions etc. In each case, an owner of the market would have to either inject or remove capital to remain fully invested.

14. Based on the Morgan Stanley Global Exposure Guide 2022, Developed Markets tend to average c. 40% foreign exposure, while Emerging Markets are roughly 25%.

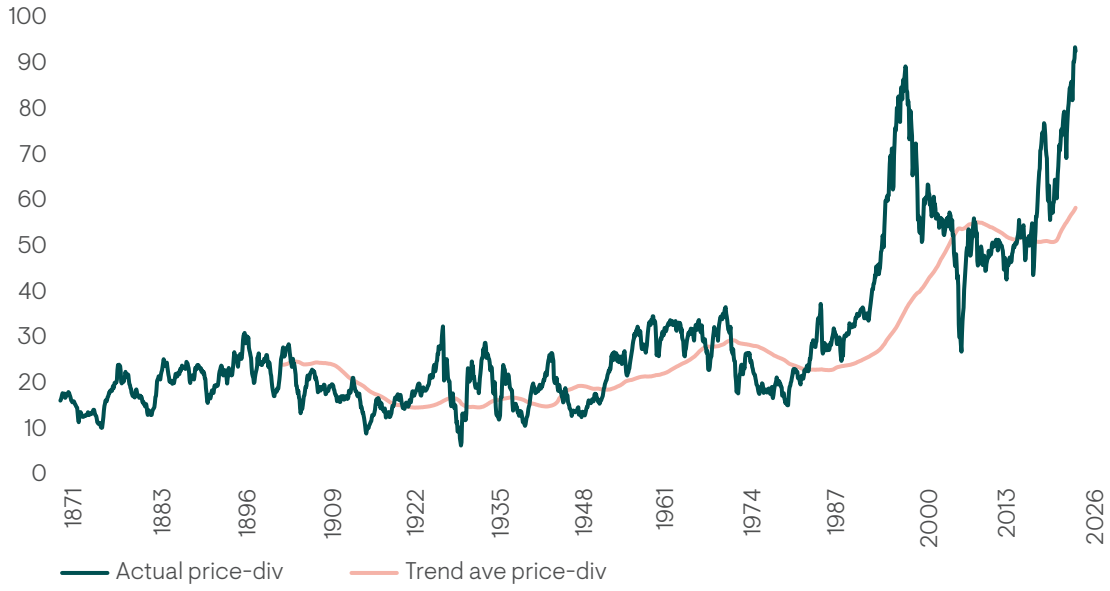
Figure 20: Nominal GDP per capita has proved a useful proxy for dividend growth



Source: Shiller, U.S. Stock Markets 1871-Present and CAPE Ratio; Louis Johnston and Samuel H. Williamson, "What Was the U.S. GDP Then?" MeasuringWorth, 2025.

Lastly, we factor in an adjustment for revaluation. We believe that valuation acts as a gravitational pull over long periods; however, changes in market composition and dynamic means that this is not a static metric. We use the price-dividend ratio and trend dividend yield as our valuation metric, assuming this reverts to a long-term (15-year) average. This allows us to both maintain consistency with our income-focused framework and smooth out the cyclical nature of dividends. While we acknowledge full reversion is unlikely – prices tend to overshoot both on the upside and the downside – this simplification remains conceptually sound on average, as can be seen in Figure 21.

Figure 21: The actual price-dividend reverts reasonably neatly to the trend average over time



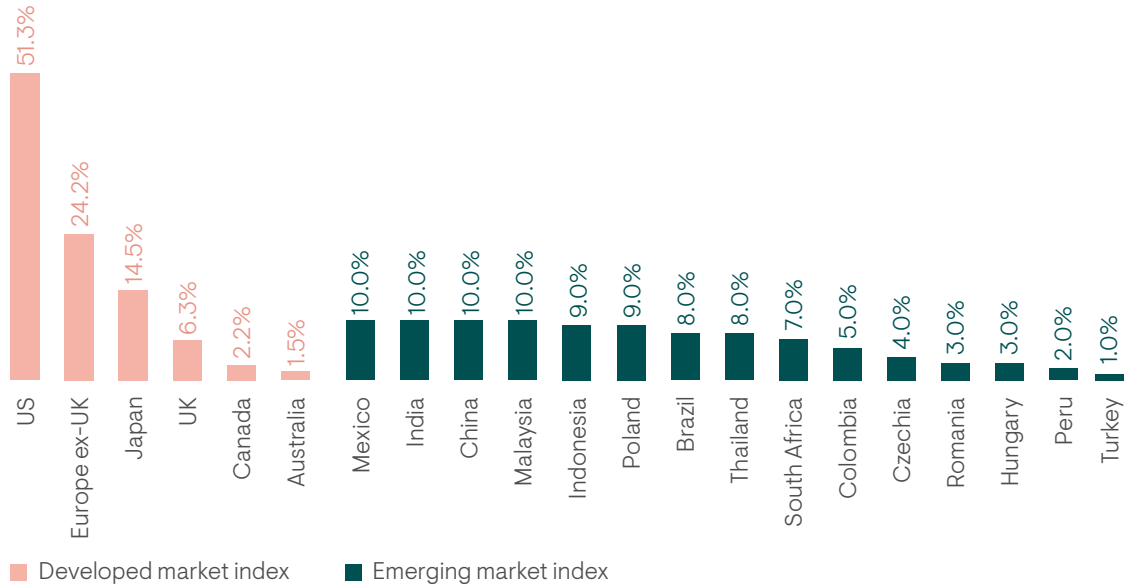
Source: Shiller, U.S. Stock Markets 1871-Present and CAPE Ratio, internal calculations.

Fixed Income

Our portfolios target specific duration contributions when allocating to bonds; therefore, we feel it appropriate to use constant maturity bonds as the basic building block. We further deconstruct bonds into risk-free and spread components, enabling us to cover both sovereign and corporate debt.

Income assumes the par yield of the bonds, typically for a notional 10-year bond. Regional indices are then generated by using the weighted average of the relevant market inclusions, as illustrated below.

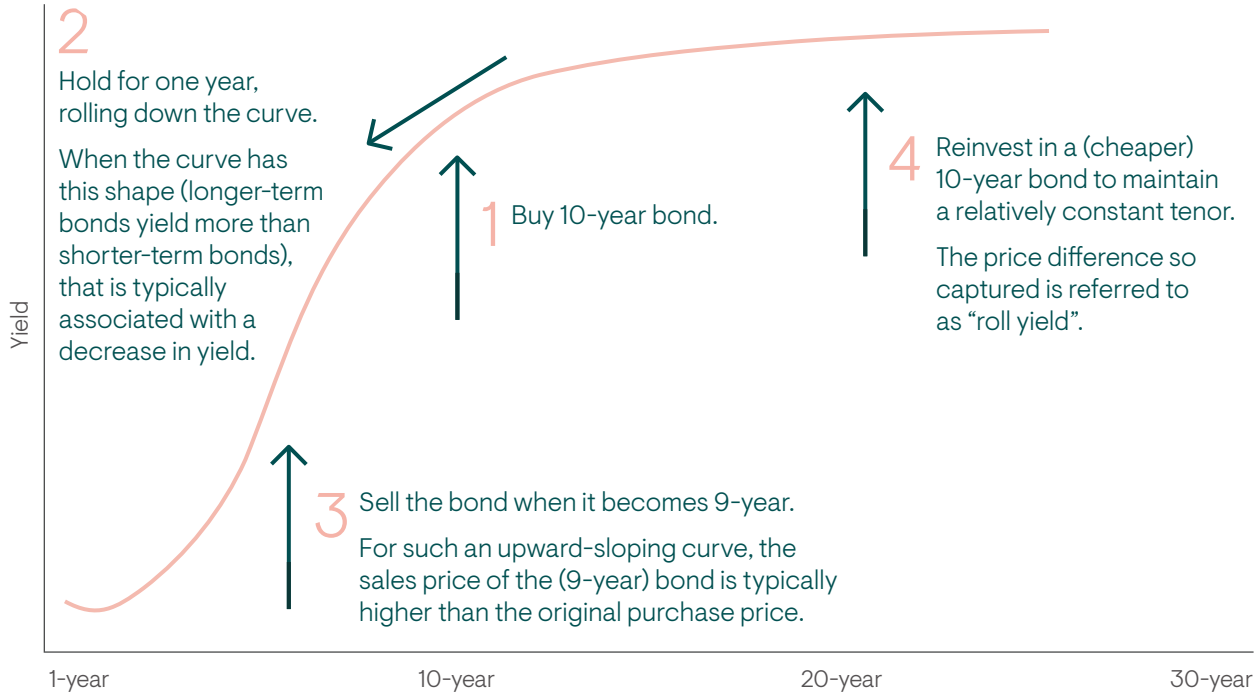
Figure 22: Regional indices are generated using a weighted average of the relevant countries



Source: Ninety One calculations. Weights based on JP Morgan indices.

We define growth as being the roll yield obtained from consistently rebalancing the portfolio to maintain a constant maturity. So, for example, with a typical contango yield curve where the longer-term price is higher than the short-term, after one year the bond holder would sell the lower yielding, higher priced nine-year bond to buy a higher yielding, lower priced 10-year bond. Implicit in this view is a belief that the shape of the yield curve remains relatively consistent (including a constant spread component for credits).

Figure 23: Growth is the roll yield from consistently rebalancing the portfolio to maintain a constant maturity



Source: Ninety One. This graphic is for illustrative purposes only.

Revaluation is easier for government bonds than corporates; the former typically have liquid, traded markets enabling us to infer the forward market expectation of pricing. The implicit belief that markets converge to these expectations seems reasonable as a baseline for active management decisions.

Currency

We calculate currency returns in local currency. As explained in the currency section, we then adjust on two bases:

Hedging

Since it is common practice to hedge currency risk, and these costs are largely known at the date of investment, we use this as our base case. We assume that the position is hedged at inception for the 10-year horizon (essentially ignoring the small cash-flow differences that might occur), using covered interest rate parity. We derive the relative hedging cost from the zero-coupon bond yields corresponding to the investment horizon.

Conversion

Many investors are willing to bear the currency risks, and therefore hold their assets unhedged. To proxy this, we use real effective exchange rates – i.e. adjusting the currency cross rates for relative inflation movements. We assume these exchange rates revert to their 15-year averages with an allowance for the difference in inflation targets, thereby allowing some currency mean reversion.

General risks. Forecasts are inherently limited and modelling involves risks, assumptions and uncertainties, they are forward looking and are not guarantees nor a reliable indicator of future results. Actual returns could be materially higher or lower than projected. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise of future performance. The value of investments, and any income generated from them, can fall as well as rise. Costs and charges will reduce the current and future value of investments. Where charges are taken from capital, this may constrain future growth. Past performance is not a reliable indicator of future results. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations. Investment objectives and performance targets are subject to change and may not necessarily be achieved, losses may be made. Environmental, social or governance related risk events or factors, if they occur, could cause a negative impact on the value of investments.

Frequently asked questions

To foster a sense of dialogue, we include a curated list of questions we have received from various stakeholders and our responses. We will continue adding to this section over time.

In equities, why have you used GDP per capita and not GDP itself?

GDP per capita has historically proven to be a reasonable proxy for dividend growth. This is even though the relationship between fundamental company growth, in aggregate, and country-level economic growth is weaker than might otherwise be expected due to compositional mismatches. For example, GDP includes both private and public sector outputs; however, only the former are captured in aggregate via listed equities. Similarly, economic growth tends to be locally focused whereas listed companies often have substantial global operations.

What assumptions do you make for credit defaults?

We make allowances for credit defaults with the bond growth rate, using Moody's long-term default histories. We use the Moody's country rating for specific country sovereign debt, and the ratings banding for credit indices. By assuming that a 'AAA' rating has similar meaning in both sovereign and corporate contexts, we can reasonably proxy a wide array of indices. (Based on history, we have applied an additional default factor for sub investment grade sovereign debt).

Why nominal (and not real) returns?

Inflation is notoriously difficult to predict; so much so, that our work suggested that nominal forecasts were often more reliable than real forecasts.

Why two currency bases – hedged and converted?

Both are common approaches to international exposure – some prefer hedging, whereas others are prepared to bear the resultant currency risk. We therefore thought it appropriate to include both so, irrespective of preference, the assumptions would be useful.

How are Capital Market Assumptions used within the Multi-Asset process?

Capital Market Assumptions are a framework for thinking about reasonable client outcomes and providing broad market context. These figures do not directly result in individual investment decisions.

Importantly, the Capital Market Assumptions represent the view of the Multi-Asset Capability within Ninety One; other investment teams are free to disagree.

Are the assumptions purely systematic?

We wish the framework to be consistent over time to help sharpen thinking on asset-level drivers; therefore, where possible, we prefer to use set assumptions.

We do, however, reserve the right to override specific assumptions where there is a strong market-specific reason to do so.

Why do you not predict macro-economic variables within the Capital Market Assumptions?

We wish to understand potential client outcomes over the long-term; therefore, our focus is on identifying those drivers which best explain and predict such outcomes. As can be seen in our framework, that can be done without specific macro- economic views.

Why do your growth assumptions look so much more pessimistic than the last twenty years of equity and/or dividend growth?

For corporate cash flows to continue growing at a significantly faster rate than the broad economy, one of three things needs to occur:

- Revenue grows faster than the broad economy – e.g. via the launch of new products which are far superior to competitors, or through the capture of new market segments. The former should not make a difference at the aggregate market level (one competitor's revenue growth comes at the expense of another) but the latter may occur through, for example, internationalisation. That is why we link growth to a mixture of local + global GDP.
- Costs fall (or, equivalently, margins increase) – e.g. via lower tax rates, more efficient use of resources, economies of scale, or regulatory capture. We think further margin expansion is challenging as tax decreases have likely reached their nadir, while regulatory capture cannot happen indefinitely. Since we have not yet found a reasonable long-term (10-year) predictive proxy, we prefer not to forecast this element, i.e. assuming that margins remain roughly constant.
- Business reinvestment increases (when returns are higher than the cost of capital) – if businesses are prioritising their investment, marginal investments will offer a decreasing rate of return, such that ultimately returns converge to cost of capital. If not, we'd expect competitors to enter. In the absence of a reliable predictive proxy, we essentially assume that pay-out ratios remain constant.

In short – because we focus on variables that have been historically predictive and have a sensible fundamental interpretation, we continue to favour GDP as a predictor (implicitly, of revenue). We continue to actively research appropriate variables for margins and pay-out ratios; however, in an environment where we think each faces headwinds, we are comfortable to continue with our simplifying assumption.

How often are your assumptions updated?

We intend to update the Capital Market Assumptions twice each year – after the March and September quarter-ends.

We may also provide intra-period updates if we believe a market event is significant enough to materially change the 10-year outlook. For example, we released an internal update in late March 2020 to highlight the potential upside from equities and credit after the initial COVID-induced market collapse.

What is an index divisor and what causes this value to change?

The index divisor is defined as:

Index divisor = Index market cap/Index price

The index divisor is central to the calculation of equity indices because there are corporate actions and compositional changes which affect the aggregate value or market capitalisation measured by the index, but which do not impact the performance of the index. When the market value of the index increases or decreases because of one of these events, the index divisor is adjusted to ensure that the price of the index remains unchanged.

The impact of specific corporate actions or compositional changes can be either positive or negative for future returns, but they are aggregated into a single overall value.

A non-exhaustive list of some of the corporate actions which impact the index divisor is given in the table below.

Corporate action	Impact on index divisor	Impact on index returns
Share repurchase (buyback)	Negative	Positive
Rights issue	Positive	Negative
Stock-based compensation	Positive	Negative
IPO	Positive	Negative
Cash acquisition (of index constituent)	Negative	Positive
Spin-off (where spin co is not an index constituent)	Negative	Positive

In addition, the composition of the index can change as a result of index rebalancing events where index rules determine that existing companies be added to or removed from an index or that the proportion of a company's shares which are included in the index changes. For regional indices, whole countries may also be added or removed from the index.

Items such as buybacks tend to be stable – their attractiveness is based on the regulatory and taxation basis applicable at a point in time, which tend to change infrequently. Other sources may be more volatile – for example, market changes due to M&A activity, views on the appropriateness of stock-based compensation, or even secondary issuance due to market stress. We infer the market adjustment impact from the change in MSCI Index Divisor over time.

Have you considered the impact of issuance or other corporate activity on the growth of income within equities?

Broad economic growth drives the growth generated by the listed corporate sector over the long run. However, it is accepted that corporate action, including mergers, acquisitions, research, and innovation ensure that the corporate sector is dynamic, undergoing compositional changes over time.

Our process starts with an assessment of the aggregate growth of the dividends paid by this dynamic mix of businesses. The next step is to make a market adjustment to capture all the corporate actions and index composition changes which directly increase or decrease the total value of equity measured by the market index.

As defined, the market adjustment factor is important as it changes the participation in the aggregate dividend growth of the entire market for an ongoing investor in the index. Market adjustments at the index level are analogous to but not identical to the way that equity issuance and repurchases affect returns for a single stock. To understand this, we must first recognise that to receive the index return, an investor must build a portfolio which holds every stock in the index in their index weights and which adjusts these holdings over time as index composition and weights change.

Any corporate action or index composition change which adds new equity capital into the index therefore dilutes future index returns in the same way that a company making a rights issue dilutes returns for holders of that stock. In both cases, if an investor does nothing, their ownership of the index or of the stock declines and the proportion of future value creation which flows to their shares falls. On the flipside, any corporate action or index composition change which removes equity capital from the index is accretive to future returns in the same way that a company repurchasing and retiring existing shares is accretive.

Importantly, these effects only directly impact an investor who seeks to own the entire market as defined by the index provider. For an active investor who does not hold the companies which launch these corporate actions there is no direct impact on their returns although there may be indirect impacts because of related capital flows or changes in the competitive environment.

How effective have your Capital Market Assumptions been?

As can be seen in this analysis, the Capital Market Assumptions have shown clear differences between market troughs and market peaks.

Given that Capital Market Assumptions have so much associated uncertainty, what is the benefit of even attempting?

We see two key benefits:

- A clear understanding of return drivers enables sharper thinking about potential asset class outcomes, including under various scenarios.
- Insight into the likely direction and possible magnitude of returns helps our clients understand what outcomes may be reasonable.

Why use dividends/price-dividend rather than earnings and the more conventional price/earnings?

Dividends, being physical payments to shareholders, are less subject to manipulation than earnings (which are only book profits). We believe that results in stronger conclusions.

In addition, data sets tend to have a longer history of dividend payments, enabling us to consider the approach in a broader variety of historic contexts.

What key factors are not considered in your approach?

Our Capital Market Assumptions assume that the fundamental market drivers remain unchanged. They therefore ignore exogenous shocks – e.g. climate risks and geopolitical events (although we may update our assumptions in the event of a material shock).

We currently focus on single-asset return outcomes; therefore, we make no comment about potential changes in cross-asset correlations or asset-specific volatilities.

We do not adjust for individual client circumstances either: client tax status may impact the relative attractiveness of asset classes.

Why a 10-year horizon?

As long-term custodians of our clients capital, our focus is on helping our clients achieve suitable outcomes.

In addition, we require a timeframe long enough for fundamental drivers to be expressed, despite cyclical noise.

Important information

Source: Ninety One proprietary capital market assumptions as at 30 September 2026.

These estimates are gross of fees (returns can be reduced by management fees and other expenses incurred) and reflect the view of Ninety One's multi-asset team, whilst the views of other teams across Ninety One may differ. Details on our Capital Market Assumptions methodology available upon request.

Our expected returns estimates are for illustrative purposes only, are not a guarantee of performance and are subject to change. They are provided merely as a framework to assist in the implementation of an investor's own analysis and an investor's own view on the topic discussed herein. They should not be relied upon as recommendations to buy or sell securities. Forecasts of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. The outputs of the assumptions are provided for illustration/discussion purposes only and are subject to significant limitations. Expected return estimates are subject to uncertainty and error. Expected returns for each asset class are conditional on an economic scenario; actual returns in the event the scenario comes to pass

could be higher or lower, as they have been in the past, so an investor should not expect to achieve returns similar to the outputs shown herein. Because of the inherent limitations of all models, potential investors should not rely exclusively on the model when making a decision. Unlike actual portfolio outcomes, the model outcomes do not reflect actual trading, liquidity constraints, fees, expenses, taxes and other factors that could impact the future returns. Note that these asset class assumptions are passive, and do not consider the impact of active management. All estimates in this document are in US dollar terms unless noted otherwise. The final total returns are converted from logarithmic to geometric estimates. This means that the components of the return breakdown may not sum to the total return. While useful for modelling and calculation purposes, the logarithmic return is theoretical (assumes continuously compounding returns) whereas the geometric estimate reflects practical experience (reflects discrete periods of compounded returns).

Indices

Indices are shown for illustrative purposes only, are unmanaged and do not take into account market conditions or the costs associated with investing. Further, the manager's strategy may deploy investment techniques and instruments not used to generate Index performance. For this reason, the performance of the manager and the Indices are not directly comparable.

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Global equities = MSCI All Countries World; Developed equities = MSCI World; US equities = MSCI USA; Continental Europe equities = MSCI Europe ex UK; Japan equities = MSCI Japan; UK equities = MSCI UK; Emerging equities = MSCI EM; China equities = MSCI China; Global sovereign bonds = Country-weighted composites, based on the JP Morgan Global Bond Index, of our regional estimates*; US, Europe, Japan, UK, China sovereign bonds = Notional 10-year bond; Emerging (Local Currency) bonds = Country-weighted composites, based on the JP Morgan GBI-EM Global Diversified, of our regional estimates*; US Investment Grade = Notional 10-year bond, using Bloomberg US IG Yield Curve; US High Yield = Notional 5-year bond, using ICE BAML US High Yield index for OAS; Sovereign Emerging (Hard Currency) = Notional 10-year bond using JP Morgan EMBI Global Diversified Index spread; Emerging Investment Grade = Notional 5-year bond using JP Morgan CEMBI Global Diversified Index spread.

*Not all of which are shown here.

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