Fourth Quarter 2025

Portfolio Insights

Let The Good Times Roll

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In Brief

The fourth quarter of 2025 was a good end to a great year that will long be remembered for having witnessed an artificial intelligence (AI) explosion that affected virtually every sector of the U.S. economy. In addition, the Federal Reserve cut interest rates by 75 basis points over the course of the year while earnings growth for the S&P 500 Index was forecasted to be north of 10% for the full year. There were pockets of outstanding performance, including gold and mining stocks, as well as biotechnology stocks over the year's second half.

Our key areas of focus for 2026 include:

- **AI differentiation:** In 2025, there was a massive amount of capital expenditure invested in AI-related technology and venture capital financing was robust for AI-native startups. This year, we believe investors will focus intently on determining the ultimate return on this invested capital that could lead to winners and losers across the AI landscape.

- **Cost of capital:** The Fed's "dot plot," its own prediction of future rate cuts, shows just one rate cut on the docket for 2026. This would put the federal funds rate in the mid 3% range, which is near the long-run average. The bond market, on the other hand, is pricing in two rate cuts for 2026. How this plays out will have a big impact on asset prices.

- **Fiscal policy:** The consensus expectation is for an accommodative fiscal policy backdrop for markets, including tax refunds and financial deregulation. If this comes to pass, it would be generally supportive to risk assets and provide support for another good year in the market.

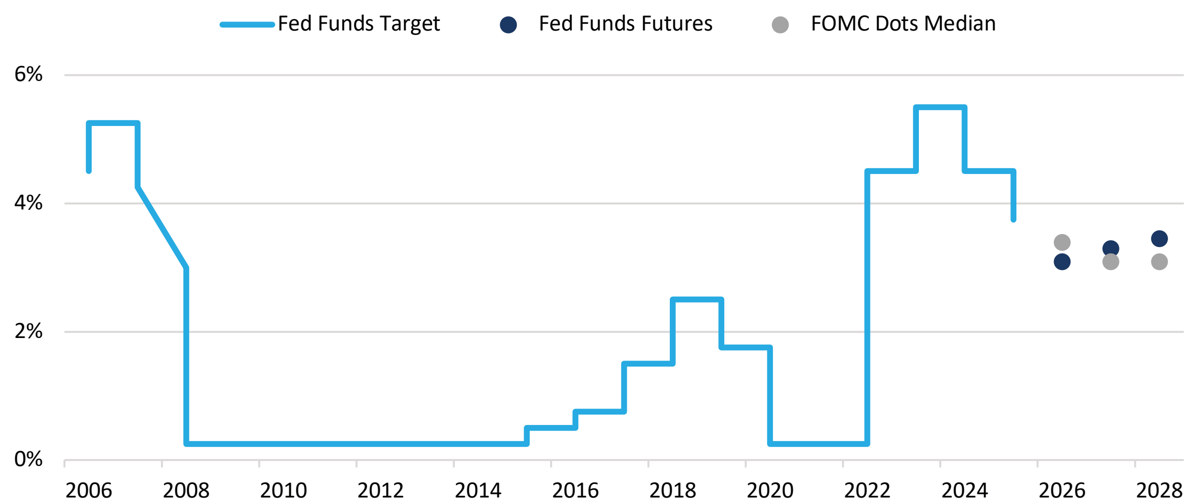
The good times have rolled on for investors over the past three years. It seems reasonable to assume there might be a pause or outright pullback in 2026. This may very well occur. However, there are reasons to believe that a variety of factors could support a fourth year of positive or even strong market performance. Markets can trend longer than we expect, but they can also reverse course on a dime. As prudent investors, we must be ready for any and all trajectories.

Public Markets Overview
Cautious Optimism, with Fundamentals Back in Focus

Public markets closed 2025 on firm footing, extending a multi-year advance supported by easing financial conditions, resilient economic activity, and sustained enthusiasm around AI. Risk assets benefited from the U.S. Federal Reserve's pivot toward accommodation, with cumulative rate cuts lowering the cost of capital and reinforcing investor confidence that the expansion could persist into 2026. While headline economic data and equity indices continue to suggest stability, the underlying picture remains uneven, with cooling labor dynamics and lingering inflation pressures creating a more complex backdrop than index-level performance alone would imply.

From a policy standpoint, monetary and fiscal forces are broadly aligned. Both markets and the Federal Open Market Committee (FOMC) expect some additional easing, even if the pace and endpoint remain uncertain, while recently enacted fiscal measures are expected to provide incremental stimulus in 2026.

The Fed Sees Fewer Rate Cuts Than The Market in 2026

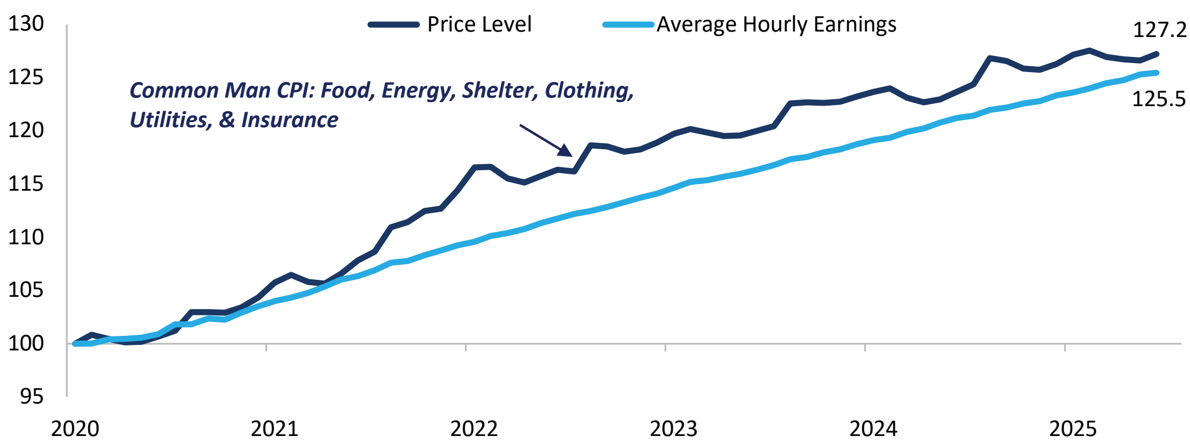


Source: FactSet, J.P. Morgan; data as of December 31, 2025.

This policy mix has helped sustain equity valuations despite inflation remaining above the Fed's long-run target, particularly in non-discretionary categories that continue to pressure lower-income consumers. The result is a K-shaped economic environment—one in which higher-income households and asset owners remain relatively insulated, while affordability challenges persist elsewhere.

Consumers Continue To Face Affordability Issues

Strategas' Common Man CPI vs. Hourly Earnings, Indexed to 100, June 2020

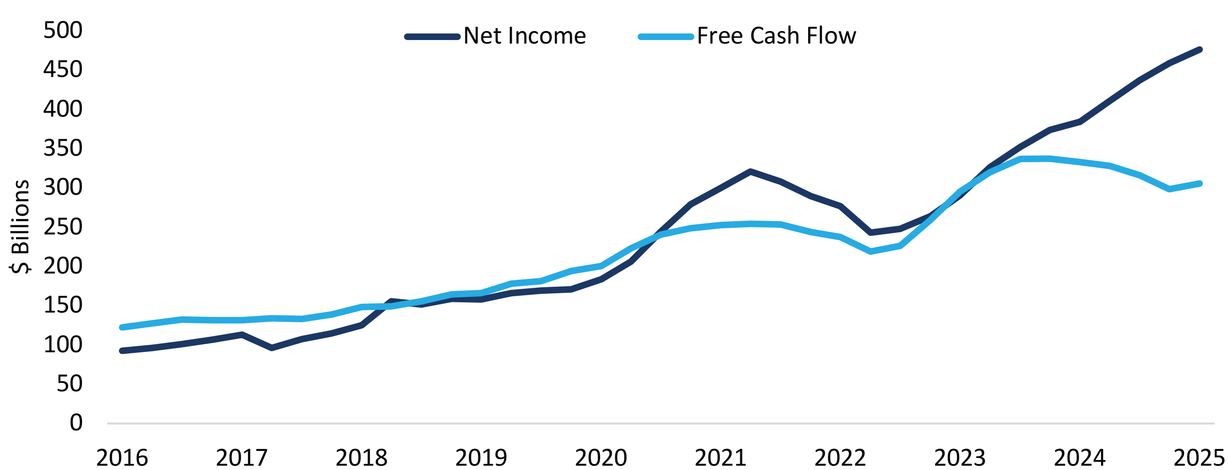


Source: Strategas Research Partners, BLS, Haver; data as of December 31, 2025.

AI remains central to the market narrative, but the nature of investor scrutiny is changing. The current phase is increasingly defined by an extraordinary capital expenditure cycle rather than early-stage speculation. Hyperscalers are deploying vast sums toward computional power, data centers, and supporting infrastructure, funding much of this investment through internally generated cash flow while selectively turning to the debt markets to accelerate buildouts. Balance sheets across most large technology firms remain strong, yet declining free cash flow margins and rising capital intensity underscore a critical point: markets will require tangible economic returns from this spending to justify current valuations.

Leading U.S. Technology Firms Have Ample Income and Cash Flow for Investment

Net Income and Free Cash Flow, Four Quarter Rolling Totals for Alphabet, Amazon, Apple, Meta and Microsoft

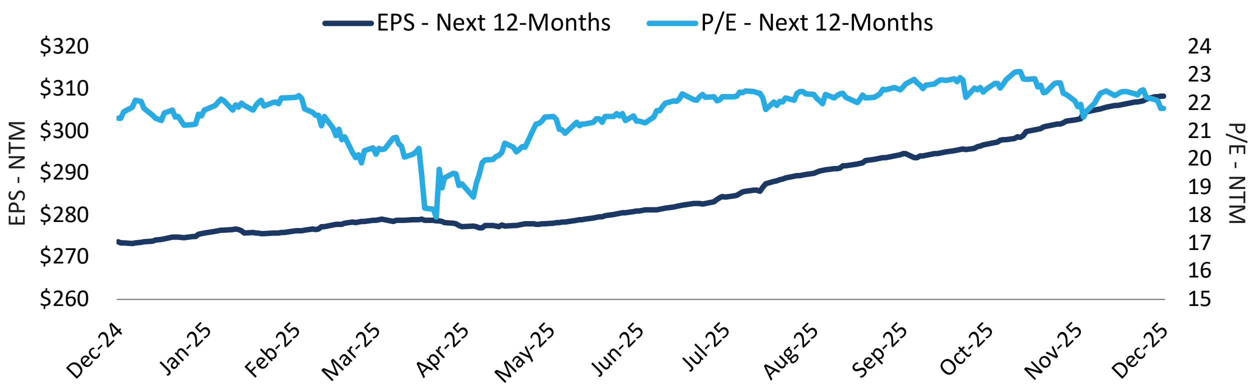


Source: FactSet; data as of December 31, 2025.

This dynamic places earnings growth at the center of the market's next chapter. With equity valuations already elevated by historical standards, further appreciation is more likely to be driven by growth in profits rather than additional multiple expansion. Technology earnings expectations remain robust and continue to outpace the broader market, but convergence between the largest AI beneficiaries and the rest of the index is expected over time. Whether the substantial investment in AI infrastructure translates into durable revenue growth, margin expansion, and productivity gains will likely be a key determinant of market sustainability.

Continued Earnings Growth Is Imperative In An Expensive Market

S&P 500 Index, Price-to-Earnings and Earnings-per-Share, Next Twelve Months (NTM)



Source: FactSet; data as of December 31, 2025.

History suggests that technological revolutions often unfold in waves, with economic value eventually migrating from hardware and platforms toward applications and productivity-enhancing use cases. While the current buildout has supported near-term growth across multiple sectors, it also raises execution risk if capital spending outpaces realized demand. As a result, market leadership may continue to broaden, and differentiation across companies and regions is likely to increase as investors focus more intently on cash flow generation, balance-sheet discipline, and return on invested capital.

In this environment, FEG continues to approach public markets with cautious optimism. The macro and policy backdrop remains broadly supportive, but elevated valuations leave less room for disappointment, reinforcing the importance of diversification and of emphasizing fundamentals over narrative alone.

Global Equity

A Broad Advance, with Growing Investor Selectivity

Global equity markets finished 2025 on a constructive note, capping a strong calendar year for most major regions. Investor sentiment was supported by Fed rate cuts, improving earnings trends, and reduced trade-related uncertainty, though elevated valuations in some sectors and markets, along with episodic volatility, tempered enthusiasm late in the quarter.

U.S. equities advanced modestly in the fourth quarter, marking the third consecutive quarterly gain and a third straight double-digit positive year. Large cap stocks continued to lead, with the S&P 500 Index posting a low single-digit gain, though returns were more muted as investors digested lofty valuations and increasingly differentiated fundamentals beneath the surface. Small cap equities delivered positive but more subdued returns in the quarter. The Russell 2000 Index gained modestly, while micro-cap stocks outperformed, extending the leadership they established earlier in the year. Lower interest rates and improving risk appetite supported smaller companies, though performance was driven disproportionately by lower-quality and higher-beta segments.

Market breadth remained a key theme. Although the “Magnificent Seven” (Microsoft, Amazon, Apple, Meta, Alphabet, Nvidia, and Tesla) continued to exert an outsize influence on index-level returns, performance dispersion within the group widened meaningfully. Alphabet and select consumer-oriented mega-cap names outperformed, while several high-profile AI infrastructure and software beneficiaries lagged as investors scrutinized capital intensity, margins, and return on investment. This shift underscored a possible gradual transition away from indiscriminate growth exposure toward more earnings- and cash flow-driven stock selection.

The Biggest Index Components Have Carried U.S. Markets in Recent Years

Annual S&P 500 Contribution of Ten Largest Weights During Positive Performance Years

Year	Top 10 as % of Total	S&P 500 Index Performance
2007	78.7%	3.5%
2023	68.4%	24.2%
2024	68.1%	23.3%
2020	58.9%	16.3%
2025	57.3%	16.4%
1999	54.5%	19.5%
2021	45.0%	26.9%
1998	36.8%	26.7%
1996	33.9%	20.3%
2017	33.3%	19.4%
2019	32.8%	28.9%
1991	28.6%	26.3%
2006	27.6%	13.6%
2016	26.6%	9.5%
2003	23.6%	26.4%

Source: Strategas Research Partners; data as of December 31, 2025.

Sector performance in the United States reflected a balance between defensive resilience and selective cyclical exposure. Health care was a standout, supported by strong pharmaceutical and biotechnology performance. Communication services also outperformed, aided by strength in interactive media and select AI beneficiaries. Financials posted moderate gains amid improving capital markets activity and stable credit conditions. In contrast, real estate and utilities lagged as longer-term interest rates remained volatile, while parts of the consumer discretionary and software sectors faced pressure from valuation compression.

International equities generally outperformed U.S. markets during the quarter. Developed markets benefited from attractive relative valuations and improving earnings momentum. Japan continued to be a notable bright spot, with the country's Nikkei 225 Index reaching multi-decade highs supported by corporate governance reforms, shareholder-friendly policies, and an accommodative monetary backdrop despite a December rate hike by the Bank of Japan. A weaker yen further supported exporter earnings, though currency volatility increased late in the quarter.

Broadening market leadership, improving participation from smaller companies, and sustained earnings delivery will be important to extending the current bull market.

European equities posted solid gains, led by value-oriented sectors such as financials and utilities. While economic growth remained uneven across the region, easing inflation pressures and improving sentiment toward banks helped offset political uncertainty in select countries. Europe continues to trade at a valuation discount to the United States, reflecting lower exposure to high-growth technology sectors but offering diversification benefits in a more balanced global equity environment.

Emerging markets finished the quarter higher, though performance varied significantly by region. Asian equities were mixed, with South Korea a clear outperformer as semiconductor and AI-related demand drove strong gains in technology heavyweights. Chinese equities lagged, as the sharp rally earlier in the year stalled amid softer economic data, profit-taking, and lingering concerns around property markets and domestic demand. Elsewhere, several Southeast Asian markets delivered solid returns, supported by resilient growth and improving trade dynamics.

While economic growth remained above trend, investors grew more sensitive to signs of slowing momentum and the potential implications of elevated equity valuations. Historically high U.S. equity valuations may suggest that future returns will likely be driven more by earnings growth than multiple expansion. Broadening market leadership, improving participation from smaller companies, and sustained earnings delivery will be important to extending the current bull market.

Fixed Income

A Changing Rate Backdrop

The yield curve remained upward sloping through the fourth quarter of 2025, with the 10-year/2-year Treasury spread widening into year-end and finishing the quarter at 69 basis points, up from roughly 54 basis points at the end of the prior quarter.[1] The continued steepening reflected front-end yields falling alongside growing confidence in a sustained easing cycle, while longer yields stayed comparatively higher amid persistent inflation sensitivity and term-premium concerns.

The Federal Reserve lowered its benchmark interest rate twice during the quarter, in October by 25 basis points and again at its December meeting, bringing the federal funds target range down to 3.50%–3.75%. The December “dot plot” projections signaled a slower pace ahead, with the median path implying only modest additional easing in 2026.[2]

Fixed income markets outside the U.S. were mixed. In Europe, fiscal and political uncertainty kept risk premia elevated, particularly in France, where the spread between the 10-year French government bonds (Obligations Assimilables du Tresor, or OATs) versus German Bund spread hovered around the low 80s.[3] UK long-end yields remained elevated after reaching multi-decade highs earlier in the year, reflecting ongoing inflation and debt-supply concerns.[4] In Japan, government bond yields moved higher as expectations for further Bank of Japan (BOJ) tightening and fiscal concerns persisted.[5]

High-yield corporate bonds generated a positive but more modest return for the fourth quarter, with the Bloomberg U.S. High Yield Bond Index gaining 1.3%, and finishing the year up 8.6%. Technicals remained supportive even as issuance stayed active; market data cited by Pitchbook/Leveraged Commentary and Data (LCD) showed $65 billion of issuance from October 1 to December 15, the largest Q4 since 2021.[6] High-yield spreads remained tight at 2.8% due primarily to continued demand from investors for what they deem to be a persistently available yield and a general view on the asset class as being of higher quality than in recent years.

Bank loan returns were roughly similar during the quarter, with the S&P/Loan Syndications and Trading Association (LSTA) Leveraged Loan Index gaining 1.2%. Bank loans were carry-driven during the quarter, as policy rates moved lower and investors focused more on idiosyncratic credit risk. Late-quarter headlines around First Brands (including ongoing fraud investigations and liquidity stress during its Chapter 11 process) reinforced concerns that weaker credits may face sharper refinancing pressure as the cycle matures.[7]

1 Vetta Fi, “Treasury Yields Snapshot: January 9, 2026.”
2 Federal Reserve, December 10, 2025.
3 MNI, September 10, 2025.
4 Amundi, September 9, 2025.
5 Reuters, January 6, 2026.
6 Pitchbook, December 19, 2025.
7 Reuters, January 7, 2026.

Real Assets

Headwinds for Real Estate, with Energy Market Volatility

U.S. real estate investment trusts (REITs) declined modestly in the fourth quarter of 2025, as investors remained focused on mega-cap technology stocks, and two 25-basis-point interest rate cuts by the Federal Reserve in October and December failed to ignite interest in the broad real estate sector. While real estate securities generally benefit from lower interest rates, borrowing costs remain stubbornly high, creating ongoing headwinds for property investors. Sentiment around real estate remains muted, as investors reassess the broader opportunity set relative to other areas of the market. Most U.S. REIT property sectors fell during the quarter, with office REITs posting the sharpest declines, while industrial REITs rose on expectations of stabilizing global trade. For the quarter and for the year, global REITs posted significantly higher returns, benefiting from weakness in the U.S. dollar.

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Oil prices continued to decline during the quarter, reflecting uncertainty around oversupply, as U.S. production reached record highs. Geopolitical conflicts (Russia/Ukraine and Venezuela), along with Organization of Petroleum Exporting Countries (OPEC) decision to pause the unwinding of its production cuts, were overwhelmed by concerns of a supply glut heading into 2026. The total U.S. oil rig count fell to its lowest level in four years. Natural gas prices reached a multi-year high in early December, before falling sharply into year-end, due to mild weather in December. Natural gas has emerged as the fuel of choice for data centers, driving higher production and an increase in the number of rigs. Heading into 2026, expectations are for continued growth in demand from liquefied natural gas (LNG) exports and the power sector.

Looking ahead, publicly listed real estate offers potential for accelerating earnings growth, take-outs/privatizations, and healthy balance sheets across most property sectors. As rates decline, REITs' dividend yields become more attractive on a relative basis. After four consecutive years of relative underperformance, public real estate could be poised for a recovery. A slowdown in the domestic economy, however, remains the key risk in 2026.

Warmer winter weather and excess production are likely to continue putting downward pressure on natural gas prices into early 2026; however, the long-term secular demand story, driven by LNG exports and growing power demand, remains intact.

Diversifying Strategies
Hedge Funds Keep Climbing

Hedge fund performance accelerated in the fourth quarter, concluding a strong 2025 and delivering the best calendar-year return, since 2009. Hedge funds successfully navigated the quarter, despite shifting risk sentiment driven by AI-related market dynamics and interest rate uncertainty.

Macro strategies delivered the highest performance, supported by both discretionary and systematic managers. Gains were driven by strong positioning in commodities and currencies, particularly as geopolitical risks escalated.

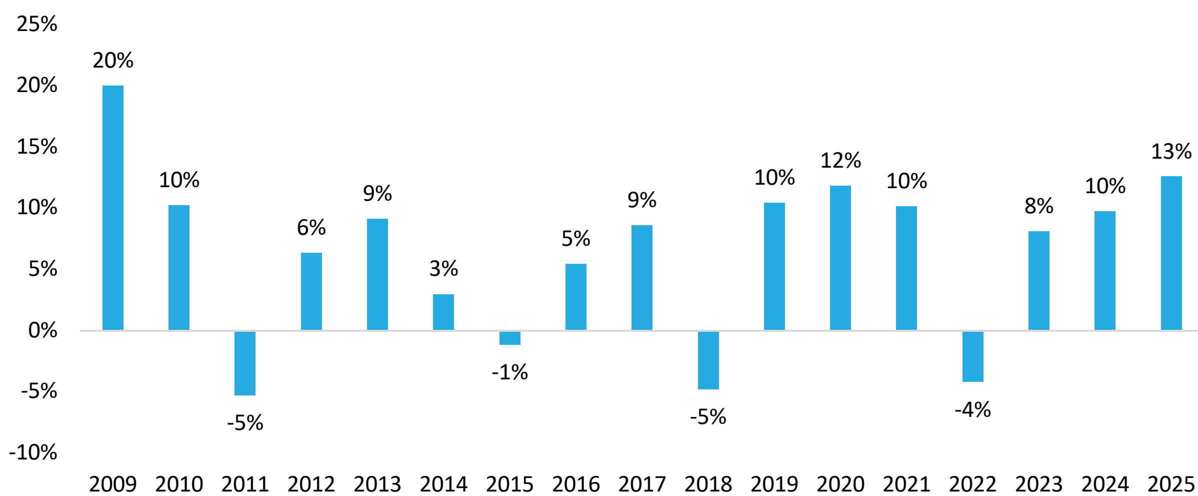
Equity hedge strategies also performed well, led by a surge in healthcare-focused funds, with energy and basic metals managers also contributing. Technology-oriented funds posted the lowest gains, while quantitative strategies posted slight losses.

Event-driven strategies generated positive results, with activists leading performance, followed by credit arbitrage, distressed, and merger arbitrage approaches.

Relative value funds posted broad-based gains, driven primarily by fixed income and rates trading, with additional contributions from convertibles and volatility strategies.

Hedge Funds Post the Best Calendar Year Returns in 16 Years

Measured by the HFRI Fund Weighted Composite Index



Source: Hedge Fund Research; data as of December 31, 2025.

Private Markets

AI Disruptions Continue

The dominant storylines in private capital markets, including performance, liquidity, and AI, continued into the fourth quarter, and recent returns underscore the need for the benefits of some diversification. Private capital, and private equity (PE) funds specifically, struggled to perform as well as the public markets, particularly when compared to the S&P 500 Index. The slow exit market over the last three years has elongated hold periods, which puts pressure on the net internal rate of return (IRR) and distributions. We still see some valuation pressure in certain pockets due to AI disruption as the buyer and seller expectations need to be adjusted.

The exit markets, particularly in the United States, are improving and early data suggests 2025 could be the biggest year for monetization events since 2021.

The exit markets, particularly in the United States, are improving and early data suggests 2025 could be the biggest year for monetization events since 2021. According to *Pitchbook*, exits in the fourth quarter more than doubled the value of exits in the third quarter, providing investors with some much-needed liquidity. Exits improved across all pathways—acquisitions, public offerings, and sales to other PE firms. We expect the exit markets to continue improving due to the more stable capital markets and lower interest rates combined with a desire for liquidity and dry powder in PE funds. PE funds are holding significant value in existing portfolio companies. The key challenge is whether the exit markets will prove robust enough to absorb the net asset value currently held by PE funds, and at what price these assets will sell.

AI continues to dominate nearly all asset classes in some fashion. The real asset sector benefitted from increased AI usage. The need for energy is significant. In simple terms, one ChatGPT question uses roughly 10–30x more energy than one Google search. Power generation companies and data centers continue to attract attention with real asset funds benefiting from the higher demand for these assets. Consequently, the credit markets remain an important component to financing the AI infrastructure buildout.

As an investment theme, AI is not only concentrated in the large language models (LLMs) such as ChatGPT, and it goes well beyond data centers and power generation plants. AI applications across sectors continue to emerge and gain traction in the market. If history is a guide, the application wave is likely to be larger and more lasting than the buildout of the platforms and infrastructure. The application wave is also more likely to have winners and losers as companies compete for revenue across economic sectors and use cases.

Private Equity
Activity Rebounds

Buyout

U.S. buyout fundraising remained sluggish as limited partners (LPs) continued to contend with constrained allocation budgets and slower distribution activity. Through the third quarter 2025, 244 funds raised $214 billion, marking a drop in aggregate capital despite a larger number of vehicles in the market. Capital raising remained heavily skewed toward the largest, most established managers, while smaller and emerging firms faced a tougher fundraising landscape. Still, around 75% of funds closed at a size larger than their predecessor, and the median fund size reached a record $183 million, highlighting the durability of established platforms.

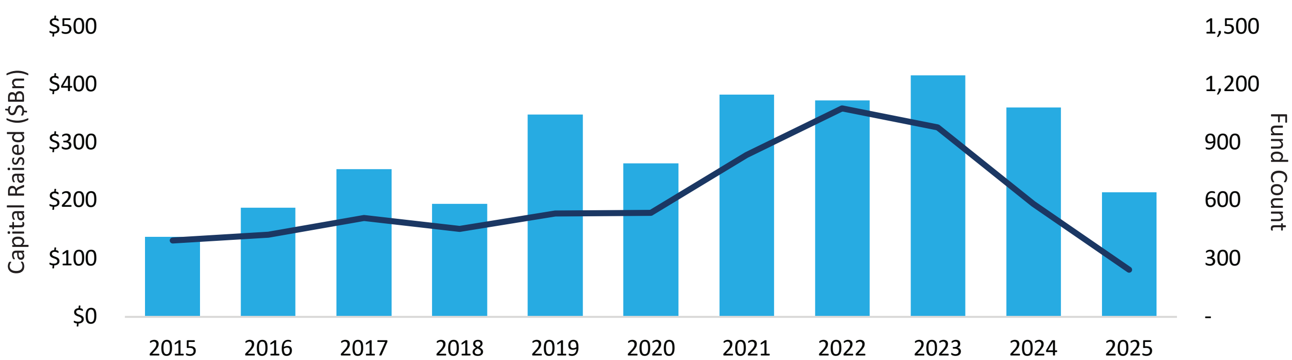
Buyout activity gained significant traction in the third quarter. Year-to-date transaction value reached $451 billion, nearly 50% higher than the same period last year, fueled by a surge in take-privates, renewed megadeal activity, and improved credit availability. The third quarter alone generated $191 billion in buyout value—an almost 60% quarter-over-quarter increase—as sponsors re-engaged in larger transactions with greater clarity around financing. Although the overall deal count remains below 2024 levels, the rebound in large-scale deals signals a strengthening of sentiment as the industry moves toward 2026.

Exit trends were more uneven. Exit count rose 22% from the previous quarter, but exit value dropped nearly 30% amid weaker corporate M&A appetite. Even so, the total exit value for 2025 surpassed last year, supported by several sizable exits and a more active IPO market earlier in the year. Private equity performance has also stabilized, with a one-year IRR of 9.7%, driven by managers prioritizing the sale of higher-quality assets and benefiting from a more favorable market backdrop.

We recommend that investors stay highly selective, focusing on lower- and middle-market managers with strong operational skill sets and well-established value-creation playbooks. Today's sluggish fundraising environment may also open the door to accessing high-quality managers that were previously difficult for new investors to access.

PE Fundraising Was Sluggish for the Year

U.S. Private Equity Fundraising Activity ($B) by Year



Source: FEG; PitchBook "Q3 2025 U.S. PE Breakdown Summary"; most recent data available.

Venture Capital

Venture capital fundraising remained weak, with just $46 billion of capital raised through the third quarter—tracking toward the lowest annual total since 2017. Despite improving public markets, LPs remain hesitant amid a prolonged liquidity drought. Capital is increasingly concentrated in larger, established funds and AI-focused managers, leaving many emerging managers struggling to secure commitments.

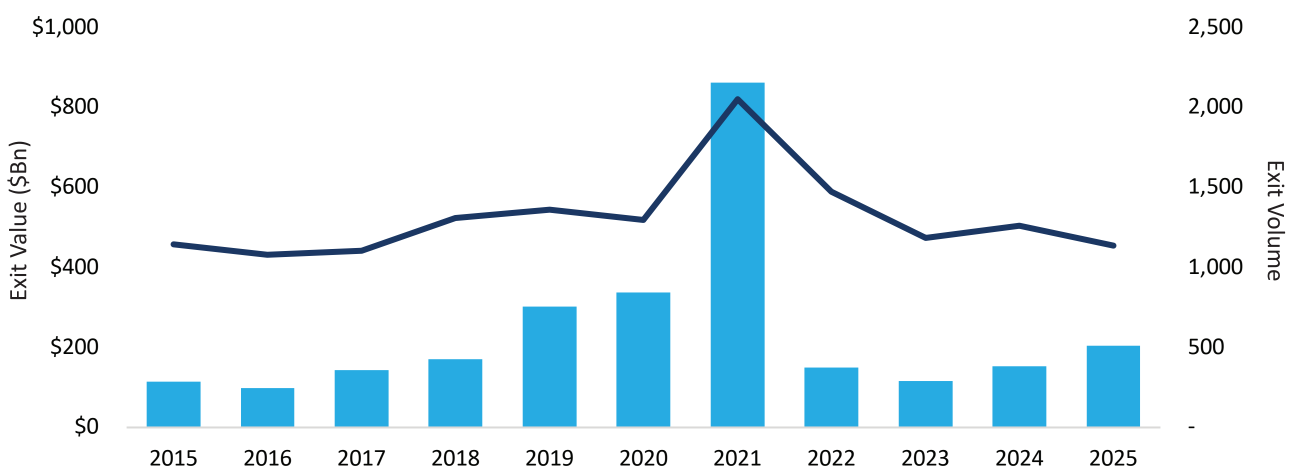
Dealmaking reached $81 billion in the third quarter, across roughly 4,200 financings, driven largely by AI and machine learning (ML), which accounted for approximately 64% of year-to-date deal value. Megadeals regained momentum, with nine rounds of at least $1 billion making up nearly 40% of the quarter's total. Still, activity remained highly selective. Financing rounds of less than $5 million hit a decade low, underscoring a widening divide between well-capitalized breakout companies and startups facing a tougher fundraising environment.

Venture exit volumes are on pace for a strong year; however, exit value has been concentrated in a few large IPOs and billion-dollar acquisitions, resulting in overall dollar volume being below the peaks seen earlier in the cycle. Mergers and acquisitions (M&A) continue to drive most realizations, particularly at early stages, with 75% of acquisitions occurring at Series A or earlier—reflecting buyers' focus on companies with solid products but constrained long-term growth trajectories.

We are approaching venture commitments with prudence, prioritizing managers who demonstrate clear investment conviction, differentiated deal access, and a consistent track record of disciplined execution. For investors with a long-term mindset, the current backdrop—marked by more reasonable valuations and a more selective flow of capital—could create attractive opportunities to enter strong companies at healthier pricing levels.

Exit Volumes Rise While Overall Value Declines

U.S. Venture Capital Exit Activity ($B) by Year



Source: FEG; PitchBook "Q2 2025 PitchBook-NVCA Venture Monitor Summary"; most recent data available.

Private Debt

All-in Cash Yields Could Drift Lower in Some Segments

Spreads stayed tight in the fourth quarter, keeping the upper middle market (UMM) highly competitive. Convergence with the broadly syndicated loan (BSL) market continued as syndicated private deals and covenant-lite terms remained common amid resurgent BSL issuance and a busier merger and acquisition pipeline. Even with the Fed easing, unlevered yields remained compelling, though all-in cash yields should gradually drift lower as floating-rate coupons reset over time. As floating rates reset, the relative appeal of fixed-rate mezzanine carry continues to improve.

With sponsors and lenders focused on structure versus headline coupons, mezzanine debt pricing was broadly steady, and many borrowers continued to manage cash interest burdens via PIK (pay-in-kind) toggles and documentation adjustments while waiting for exit markets to normalize.

FEG favors strategically allocating to private lending strategies to exploit the persistent illiquidity premium. In the event of a recession, a new wave of distressed investment opportunities could emerge, supporting a case to favor both private lenders and distressed managers.

Private Real Assets

Real Estate Stabilization, High Demand for Natural Gas

Private real estate continues to stabilize

Private market real estate values saw a slight increase in the third quarter of 2025 (the latest available data). According to the NCREIF Property Index, real estate values rose slightly, led by hotels and senior housing properties. Senior housing continues to benefit from strong demographic tailwinds driven by the aging population in the United States. The higher mortgage rate environment continues to present headwinds for property owners; however, values appear to have stabilized following the downturn that began in 2022 when the Fed began raising interest rates.

Looking ahead, looming debt maturities in private real estate continue to be a concern. Real estate could make more gains if interest rates remain at a manageable level. Despite a potential boost from lower interest rates, real estate may still face headwinds from inflation and slower economic growth in the coming quarters.

AI remains a key driver of power demand

Concerns about a potential supply glut in the oil market continue to weigh on oil prices, as U.S. production shows no signs of slowing down and the current administration remains committed to affordable gas prices for consumers. Meanwhile, the demand picture for natural gas remains more favorable, but risks of oversupply are emerging. Liquid natural gas (LNG) exports, combined with power demand from data centers, should provide a floor for natural gas prices, with weather as the wild card. While the supply/demand outlook for oil remains uncertain, natural gas should benefit from abundant domestic supplies, which can be exported to meet global demand.

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Spending on AI infrastructure is projected to grow, which should continue to support power demand. We believe this will directly benefit the midstream energy infrastructure sector, with natural gas positioned as the most readily available source of power for data centers.

Looking Ahead
Fundamentals matter

A focus on earnings, free cash flow, and prudent levels of debt financing will, as always, be important features of our investment framework going forward. AI was a key support for U.S. growth and corporate earnings over the past year, and may continue to support high levels of capital expenditure. One could almost hear the market singing along with Ray Charles in *Let The Good Times Roll;* “don’t sit there mumbling, talkin’ trash, if you want to have a ball, you gotta to go out and spend some cash”. We are looking for areas where there will be a reasonable return on that cash spent and doing our best to avoid money pits where the cash goes in and never comes back.

While the market generated robust returns in 2025, and there are pockets of bubble-like behavior beginning to form, we generally maintain a risk-on posture. The economy and corporate fundamentals are strong, and there are potential tailwinds that could extend the market’s run. That said, we are aware of risks forming, and in areas of strong growth, valuations are not cheap. On balance, we are cautiously optimistic. We aren’t leaning too far in any direction and working hard to build diversification into portfolios. While we want exposure to AI, you can take any good idea too far. Being front footed is the goal: Keep a rational mind and be ready to react quickly, but not overreact to the inevitable opportunities and challenges that we are confident will occur.

Disclosures

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All data is as of September 30, 2025 unless otherwise noted.

Indices

The HFRI Monthly Indices (HFRI) are equally weighted performance indexes, compiled by Hedge Fund Research Inc., and are utilized by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 37 different categories by strategy, including the HFRI Fund Weighted Composite, which accounts for over 2000 funds listed on the internal HFR Database. The HFRI Fund of Funds Composite Index is an equal weighted, net of fee, index composed of approximately 800 fund of funds which report to HFR. See www.hedgefundresearch.com for more information on index construction.

The FTSE Gold Mines Index Series is designed to reflect the performance of the worldwide market in the shares of companies, the revenues of which are primarily derived from the mining of gold. A company's eligibility is based on it being able to consistently produce a minimum quantity of gold per annum, and on a minimum percentage of its revenues being derived from mined gold.

The S&P 500 Index is a capitalization-weighted index of 500 stocks. The S&P 500 Index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Information on any indices mentioned can be obtained either through your advisor or by written request to information@feg.com.