

Market Update: December**International**

The global investment landscape in 2025 proved broadly constructive, despite being marked by episodes of elevated volatility and a series of political, fiscal, and geopolitical shocks. Overall, most major asset classes delivered strong returns, supported by resilient global economic growth, monetary easing across major economies, and sustained enthusiasm around artificial intelligence, even as concerns over valuations and margin sustainability became more pronounced toward year-end.

Equity markets recorded another strong year. The S&P 500 advanced approximately 18% on a total return basis, outperforming its long-term historical average, albeit falling short of the exceptional gains observed in 2023 and 2024. Performance was driven primarily by earnings growth, with a more modest contribution from multiple expansion, indicating that markets continued to move higher despite starting from already demanding valuation levels. Outside the United States, European and Asian markets stood out. The STOXX 600 rose more than 20%, European banks delivered exceptional returns, and Japan and Korea benefited from structural reforms, fiscal stimulus, and strategic positioning within technology- and defense-related supply chains.

After several challenging years, **global fixed income** delivered a surprisingly constructive performance. U.S. Treasuries generated positive total returns, supported by interest rate cuts during the second half of the year and a gradual cooling of the labor market. The traditional 60/40 portfolio regained relevance, posting solid performance after years of underperformance. In contrast, German sovereign bonds recorded negative returns, reflecting the announcement of a sizable fiscal stimulus package and increased defense spending, which triggered the largest single-day increase in yields since German reunification.

Emerging market assets experienced one of their strongest years of the past decade, with both equities and hard-currency debt posting robust gains. The MSCI Emerging Markets index rose by more than 30%, supported by U.S. dollar weakness, resilient

Chinese growth, and more accommodative global financial conditions.

Within **commodities**, precious metals were the clear outperformers. Gold and, in particular, silver recorded their strongest annual gains since the late 1970s, reflecting the combination of lower interest rates, long-term fiscal concerns, heightened geopolitical tensions, and ongoing reserve diversification by central banks. In contrast, oil posted another negative year, pressured by expectations of ample supply and a global growth mix less intensive in energy consumption.

The **U.S. dollar (DXY)** ended the year with its weakest annual performance since 2017, depreciating against all other G10 currencies. Despite this decline, there was no disorderly capital outflow from U.S. assets following tariff-related shocks earlier in the year, underscoring the structural resilience of U.S. financial markets.

The **hedge fund industry** delivered solid performance over the year, with meaningful contributions across a range of strategies. Equity hedge and quantitative strategies stood out by effectively monetizing volatility, elevated cross-asset dispersion, and persistent market trends, with stronger results among more adaptive and diversified managers, despite increased performance heterogeneity. Multi-strategy funds led both inflows and performance, with isolated cases of exceptionally high returns. Macro strategies also delivered solid results, benefiting from an environment characterized by economic policy uncertainty, tariffs, and geopolitical risks, albeit with wide dispersion across managers. Within the relative value universe, strategies such as convertible arbitrage benefited from yield-curve adjustments, a normalization of volatility punctuated by episodic spikes, and a high volume of new issuance, near record levels. Event-driven strategies advanced more moderately, supported primarily by merger arbitrage amid increased M&A activity throughout the year.

Private markets continued to undergo a process of structural adjustment, marked by greater selectivity in capital allocation and the growing relevance of alternative liquidity solutions. In venture capital, the IPO market remained constrained, with exits concentrated in profitable companies or those exposed to

strategic themes such as artificial intelligence and defense. As a result, liquidity continued to be generated primarily through M&A, secondaries, and private transactions, leading companies to remain private for longer periods. In private equity, investment and exit activity in the United States gained traction over the course of the year, albeit with extended holding periods. Continuation vehicles consolidated their role as a relevant liquidity alternative, while the use of NAV-based financing remained selective, primarily to support follow-on investments with expected returns exceeding the cost of debt. The secondaries market remained active, supported by strong fundraising through 40-Act vehicles and expectations of elevated levels of dry powder, particularly from the emerging retail channel. In private credit, especially direct lending, recent idiosyncratic events—such as the bankruptcies of First Brands and Tricolor—highlighted vulnerabilities within the segment, reinforcing a more cautious stance toward aggressive origination, opaque structures, and underestimated operational risks amid the asset class's rapid growth.

In retrospect, 2025 will be remembered as a year of elevated and broadly distributed returns across asset classes. The combination of resilient growth, monetary easing, and technological innovation supported markets, while political and fiscal shocks reinforced the view that the global investment environment remains structurally more volatile. This backdrop provides a constructive, albeit more demanding, foundation for asset allocation decisions in 2026.

Domestic (Brazil)

Within this constructive global backdrop, Brazil stood out particularly positively in 2025. Domestic markets experienced a classic asset repricing regime, driven by an exceptional performance in equities.

In **fixed income**, floating-rate instruments linked to the CDI fulfilled their defensive role, delivering returns of around 13%, reflecting the elevated level of the policy rate throughout the year. However, they materially underperformed higher-risk asset classes. Long-duration fixed-rate bonds benefited from yield curve compression, while inflation-linked bonds delivered more modest returns. The central bank's

hawkish stance and the decline in current inflation—alongside lower breakeven rates—meant that only long-dated NTN-Bs outperformed the CDI in 2025.

Multi-strategy funds delivered intermediate performance, reflecting a year characterized by large directional moves as well as episodes of heightened volatility, which penalized overly tactical or leveraged strategies. Dispersion among managers remained elevated.

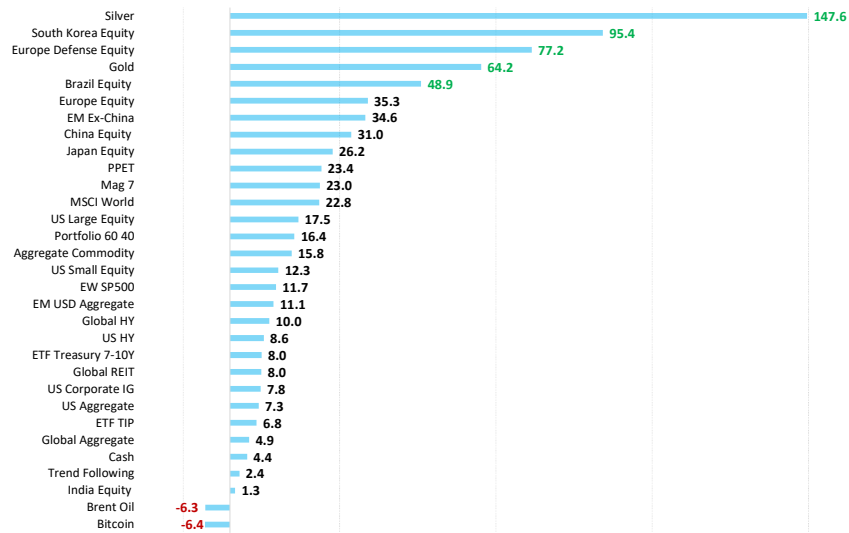
Listed Real Estate funds posted a meaningful recovery, with returns close to 17%, supported by stabilization in real interest rates and improved income flows, although the repricing process remains incomplete when compared with deeper interest-rate easing cycles.

Brazilian equities were the clear standout asset class of the year. Equity market gains were both strong and broadly distributed: small-cap stocks rose more than 35%, the financial sector advanced by approximately 50%, utilities gained over 60%, and listed real estate appreciated by more than 30%. Performance reflected a sharp compression in risk premia, renewed appetite for domestic assets, and multiple expansion, rather than structural earnings growth.

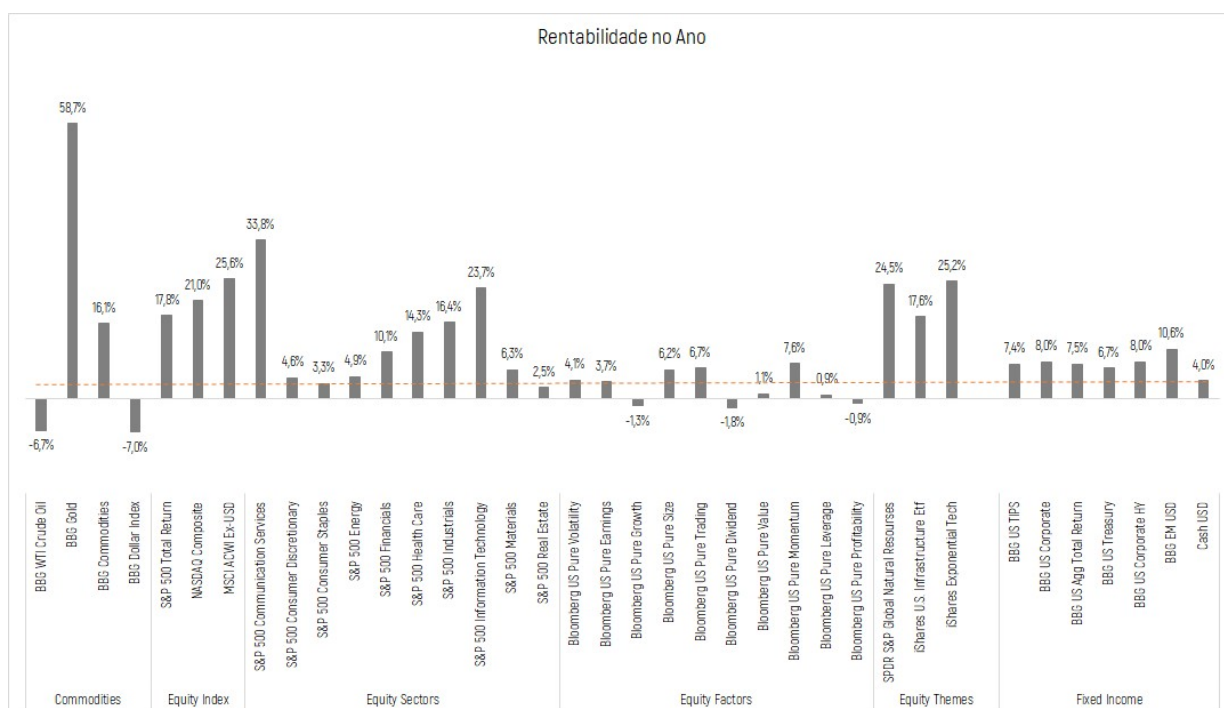
In **FX markets**, the Brazilian real was among the best-performing currencies globally, with USD/BRL declining by nearly 20% over the year. This move was supported by a wide interest rate differential, renewed flows into emerging markets, and broad U.S. dollar weakness, reinforcing the opportunity cost of maintaining non-structural FX exposures throughout the year.

Looking back, 2025 was a year in which excessive defensiveness proved costly, while balanced strategies—combining exposure to equities and duration—were broadly rewarded.

Figure 1: Annual Returns of Major Asset Classes (2025). Source: Tera/BBG



Global Assets	1m	3m	6m	12m	24m	36m
Commodities						
BBG WTI Crude Oil	-3,10%	-5,74%	5,09%	-1,03%	0,18%	3,83%
BBG Gold	5,89%	21,18%	27,77%	56,94%	103,25%	136,12%
BBG Commodities	3,20%	8,47%	12,71%	17,33%	19,10%	9,95%
BBG Dollar Index	-0,25%	1,42%	0,16%	-4,48%	-1,70%	-4,09%
Equity Index						
S&P 500 Total Return	0,25%	6,34%	16,57%	15,00%	53,97%	75,28%
NASDAQ Composite	-1,51%	8,90%	22,25%	21,58%	64,24%	103,75%
MSCI ACWI Ex-USD	-0,16%	5,21%	11,72%	23,05%	35,62%	44,23%
Equity Sectors						
S&P 500 Communication Services	6,34%	14,18%	29,68%	38,50%	94,77%	164,40%
S&P 500 Consumer Discretionary	-2,44%	2,97%	11,52%	7,03%	43,26%	68,95%
S&P 500 Consumer Staples	3,94%	-0,57%	-3,83%	-2,08%	18,53%	9,70%
S&P 500 Energy	1,76%	0,03%	10,86%	-5,17%	7,07%	-1,10%
S&P 500 Financials	1,74%	-1,22%	4,69%	3,94%	48,81%	47,00%
S&P 500 Health Care	9,14%	14,73%	18,79%	6,99%	20,07%	13,27%
S&P 500 Industrials	-1,01%	1,13%	7,55%	6,98%	43,81%	51,33%
S&P 500 Information Technology	-4,36%	8,90%	25,99%	25,04%	74,16%	140,32%
S&P 500 Materials	3,97%	-3,61%	3,38%	-5,30%	8,87%	8,35%
S&P 500 Real Estate	1,84%	-1,07%	0,29%	-6,87%	12,58%	6,72%
Equity Factors						
Bloomberg US Pure Volatility	-1,23%	0,40%	3,04%	3,80%	6,36%	6,29%
Bloomberg US Pure Growth	-0,27%	-2,71%	-2,81%	-1,00%	1,03%	0,84%
Bloomberg US Pure Size	-0,62%	1,83%	3,01%	6,74%	7,49%	12,67%
Bloomberg US Pure Dividend	-0,44%	-1,29%	-0,96%	-1,70%	-2,34%	-4,11%
Bloomberg US Pure Value	0,62%	-0,87%	0,43%	0,44%	0,58%	2,55%
Bloomberg US Pure Momentum	-0,42%	3,30%	3,42%	6,41%	16,25%	15,68%
Equity Themes						
SPDR S&P Global Natural Resources	3,88%	5,15%	16,65%	15,77%	18,37%	13,25%
iShares U.S. Infrastructure Etf	1,96%	3,62%	13,27%	5,97%	47,97%	49,18%
iShares Exponential Tech	-1,01%	9,13%	21,96%	21,63%	35,64%	48,35%
Fixed Income						
BBG US TIPS	0,18%	0,98%	3,63%	5,74%	12,36%	12,52%
BBG US Corporate	0,65%	2,56%	5,60%	5,90%	15,07%	19,15%
BBG US Agg Total Return	0,62%	2,35%	4,89%	5,70%	12,97%	14,30%
BBG US Treasury	0,62%	2,10%	4,06%	5,02%	10,89%	11,05%
BBG US Corporate HY	0,58%	1,56%	5,19%	7,55%	21,22%	31,74%
BBG EM USD	0,24%	3,09%	7,44%	9,32%	22,87%	29,73%
Cash USD	0,30%	1,04%	2,15%	4,42%	10,10%	15,72%



Brasil	1m	3m	6m	12m	24m	36m
Pós-Fixado						
Brazil CETIP DI Rate Accumulat	1,05%	3,59%	7,30%	13,98%	26,34%	43,14%
Anbima IMA-S	1,06%	3,63%	7,38%	14,13%	26,89%	43,96%
Anbima Debentures Index IDA DI	1,10%	3,41%	7,29%	14,56%	30,25%	47,19%
Prêmio de Crédito	0,05%	-0,18%	-0,00%	0,50%	3,09%	2,83%
Pré-Fixado						
Anbima IRF-M 1	1,07%	3,60%	7,29%	14,25%	25,31%	42,29%
Anbima IRF-M	1,67%	4,36%	8,29%	15,91%	21,83%	41,93%
Anbima IRF-M 1+	1,93%	4,70%	8,65%	16,59%	20,02%	42,09%
Indexado Inflação						
Anbima IMA-B 5	1,08%	2,78%	4,77%	10,29%	19,13%	32,89%
Anbima IMA-B	2,04%	3,66%	5,04%	9,87%	13,10%	27,49%
Anbima IMA-B5+	2,80%	4,35%	5,24%	9,42%	8,67%	23,22%
Anbima Debentures Index ID	1,47%	3,25%	6,25%	13,28%	22,14%	32,87%
Prêmio de Crédito (s/ média B5 e B)	-0,08%	0,02%	1,28%	2,91%	5,19%	2,06%
Inflação IPCA*	0,09%	0,46%	1,23%	4,68%	9,66%	14,95%
Imobiliário						
Bovespa Real Est In Fund	1,86%	5,29%	5,73%	16,67%	15,23%	27,66%
Hedge Funds*						
Anbima Hedge Funds Index	1,38%	4,45%	8,07%	15,12%	24,54%	33,14%
Renda Variável						
BRAZIL IBOVESPA INDEX	6,37%	12,48%	16,09%	26,58%	24,93%	41,42%
BOVESPA Dividend Index	5,31%	10,21%	14,65%	21,85%	33,37%	55,68%
BM&FBOVESPA Small Cap	6,03%	8,16%	8,34%	24,94%	8,78%	15,43%
BRAZIL Financial Index	8,47%	13,26%	14,63%	46,03%	37,16%	71,94%
BOVESPA Utilities Index	9,74%	20,75%	25,12%	54,66%	61,98%	76,73%
BM&FBOVESPA REAL ESTATE	13,38%	19,15%	32,32%	68,45%	51,70%	105,44%
BM&FBOVESPA Consumption	7,05%	9,13%	5,83%	22,33%	8,28%	3,52%
BOVESPA INDUSTRIAL INDEX	2,81%	7,93%	8,19%	4,91%	32,34%	36,16%
BOVESPA Basic Mat Index	-0,53%	7,97%	13,54%	-3,68%	-3,48%	-5,18%
BRAZIL ELECTRIC.ENERGY IX	9,42%	17,90%	21,99%	49,40%	37,83%	51,82%
FX						
USD-BRL Carry Return	-1,48%	-4,00%	-11,02%	-18,11%	-4,73%	-15,67%

