

# QiM Fact(or) sheet



Christmas bargains, not Christmas cheer:  
Valuation discipline returns.



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- Equities finished modestly higher as firmer expectations for gradual Federal Reserve (Fed) easing offset **rotation away from the crowded artificial intelligence (AI) trade**.
- The **U.S. economy remained resilient**, with consumer spending holding up and disinflation continuing unevenly.
  - **Outside the U.S., economic growth remained subdued:** China's recovery remained fragile, in Germany manufacturing weakness persisted, while the U.K. was stuck with persistently high inflation and low investment.
- Sector: **Health Care rose on reduced uncertainty around U.S. drug pricing** and a rotation away from expensive AI-linked stocks; **Materials gained from a record precious metals rally**, while Financials were supported by easing rate risks, lower credit concerns, and strong earnings.
- Country: Taiwan remained dominated by TSMC; Switzerland and Canada benefited from large health care names and miners respectively, with banks adding further support.
- Factor: **Value outperformed**, helped by both **unwinding of the AI-trade** and **exposure to economically sensitive stocks** benefiting from easing Fed and policy uncertainty.

## Factor families

**Exhibit 1: Investable factor proxies versus respective capitalization weighted indexes**

	3 Months Excess Return				31-Dec-25				12 Months Excess Return				
	Value	Momentum	Quality	Low Vol		Value	Momentum	Quality	Low Vol		Value	Momentum	Quality
AC World Large RN	2%	0%	-2%	-3%	AC World Large RN	2%	9%	-9%	-10%	AC World Large RN	2%	9%	-9%
US Large	2%	0%	-1%	-4%	US Large	-3%	7%	-6%	-10%	US Large	-3%	7%	-6%
EAFE Large	3%	1%	-4%	-1%	EAFE Large	14%	13%	-14%	-3%	EAFE Large	14%	13%	-14%
EM Large	2%	-1%	-1%	-1%	EM Large	9%	2%	-17%	-21%	EM Large	9%	2%	-17%
UK Broad	2%	3%	-4%	-1%	UK Broad	5%	11%	-15%	-6%	UK Broad	5%	11%	-15%
Canada Broad	4%	4%	-6%	0%	Canada Broad	7%	25%	-23%	-9%	Canada Broad	7%	25%	-23%
US Small	1%	-2%	-1%	-1%	US Small	-3%	2%	-8%	-8%	US Small	-3%	2%	-8%
EAFE Small	2%	0%	-2%	-1%	EAFE Small	7%	3%	-8%	-4%	EAFE Small	7%	3%	-8%

Source: SEI, using data from FactSet, Axioma, MSCI and FTSE Russell. As of November 30, 2025. The table highlights the excess returns of top-tercile factor-proxy portfolios versus respective capitalization-weighted benchmarks for each region, and rebalanced quarterly. All Country World RN factor-proxy return is a capitalization weighted average of USA, Developed World ex USA, and Emerging Markets factor proxy returns. The factor families are composites of underlying ratios that SEI has determined to be appropriate.

# Outlook

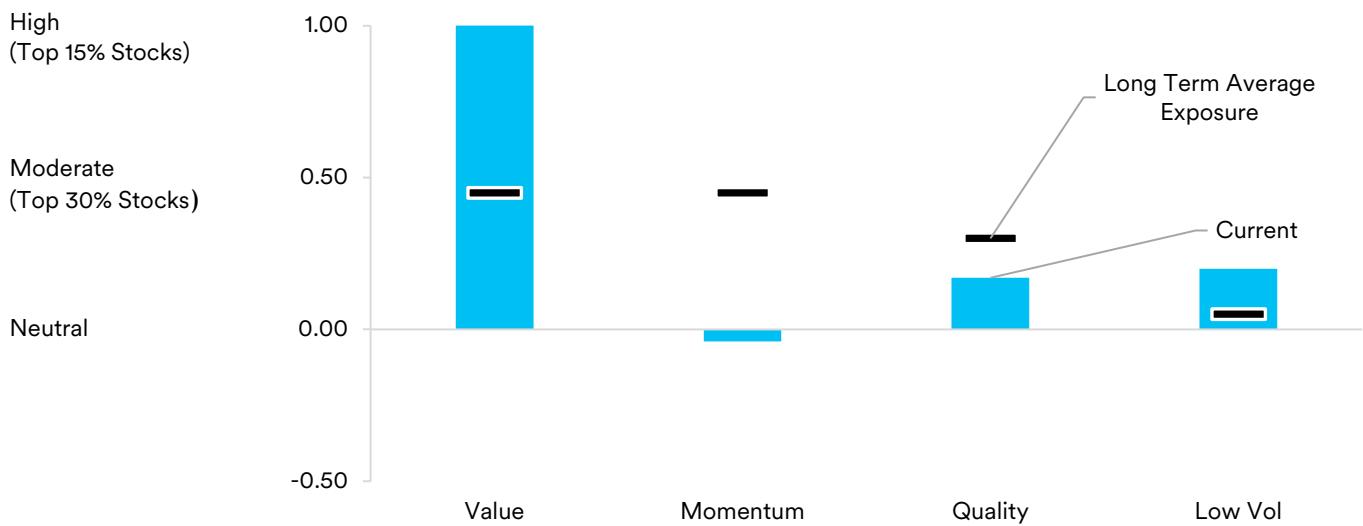
Emphasizing **Value** family of factors based on:

- Wide valuation spread.
- Higher long-term interest rates (versus long-term average).

Over the quarter we have:

- Maintained strong value exposure.

## Exhibit 2: Active factor family positioning



Source: SEI, the axis displays z-score exposure versus benchmark, as of December 31, 2025. Benchmark: MSCI World Index.

# Economic Indicators

**U.S.:** Economy remained resilient, with labor holding up and disinflation continuing unevenly

**Jobs:** Firm, cooling at the margin

- Non-Farm Payrolls: at 64K, well above expectations and prior quarter.
- Unemployment Rate: 4.6%, above expectations and prior quarter.
- Initial Jobless Claims: 219K monthly average, below previous quarter average of 229K.
- JOLTS jobs openings: 7,670K above expectations and prior quarter 7,208K.
- ADP employment survey: -32K below expectations and prior quarter.

**Inflation:** Disinflation ongoing, uneven progress

- Core CPI: 2.6% (YoY), below expectations and prior quarter.
- Core PCE Deflator: 2.8% (YoY), in line with expectations but below prior quarter.
- Hourly Earnings (preliminary): 3.5% (YoY), slightly below expectations and prior quarter.

**Consumer:** Spending flat, sentiment weak

- Retail Sales: 0.0% (MoM, SA), below expectations and prior quarter.
- Michigan Sentiment (preliminary): 53.3, above expectations but below prior quarter.
- Consumer Confidence: 89.1, below expectations and prior quarter (pre-pandemic levels: 120-140).

**Manufacturing and Services:** Remained strong and in the expansion territory

- Markit PMI Manufacturing SA (preliminary): 51.8, in line with expectations and prior quarter.
- Markit PMI Services, SA (preliminary): 52.9, below expectations and prior quarter.
- Empire State Index, SA: -3.9, below expectations but above prior quarter.

**The rest of the world**

**China:** Slowing recovery, deflationary pressures persist

- Industrial Output: 4.8% (YoY), below expectations and prior quarter.
- Exports: 5.9% (YoY), well below expectations and prior readings.
- PMI manufacturing: 50.1, in line with expectations and prior quarter.
- PMI services: 52.1, in line with expectations and prior quarter.
- Retail sales: 1.3% (YoY), well below expectations and prior quarter.
- CPI: 0.7% (YoY), in line with expectations and above prior quarter.
- GDP: 4.8% (YoY), below expectations and prior quarter (last data point oct).

**Japan:** Inflation firm, growth subdued

- CPI Core National: 3.0% (YoY) in line.
- GDP: -0.6% (QQ), below expectations and prior quarter.
- Industrial Production: -2.3% (YoY) in November, first drop in three months.
- Manufacturing PMI: 49.7 in line.
- Services PMI: 52.5 below expectations and prior quarter.

**Germany:** Manufacturing contraction persists

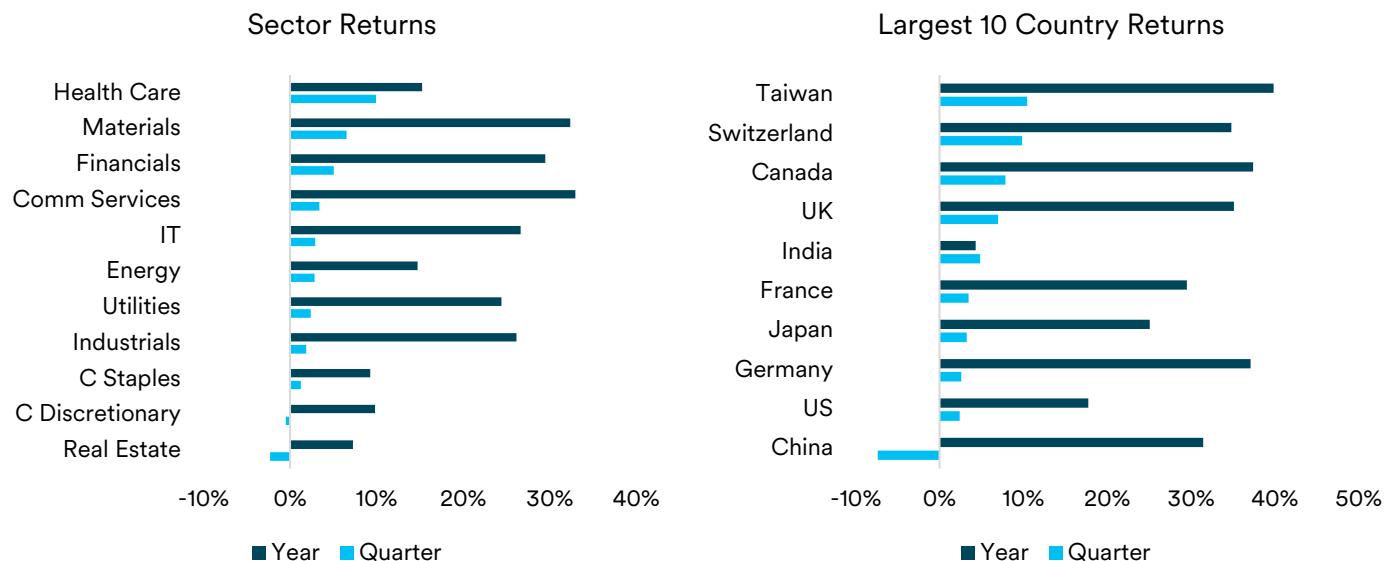
- CPI EU Harmonized: 2.6% (YoY), in line with expectations and above prior quarter.
- Industrial Production: 1.8% (MoM), above expectations and prior quarter.
- Markit Manufacturing PMI: 42.5, below expectations and prior quarter.
- Markit Services PMI: 52.5, in line with expectations and above prior quarter.

**U.K.:** Inflation sticky, activity holding up

- CPI: 3.8% (YoY), slightly below expectations and prior month.
- PMI manufacturing: 51.2, above expectations and prior quarter.
- PMI services (preliminary): 52.1, in line with expectations and prior quarter.

# Sector and country returns

Exhibit 3: MSCI ACWI Index



Source: SEI, MSCI. As of December 31, 2025.

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For financial term and index definitions, please see: <https://www.seic.com/ent/imu-communications-financial-glossary>

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