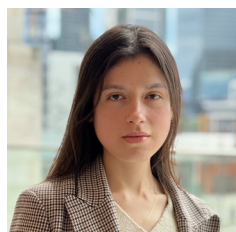


QIM Fact(or) sheet



Christmas bargains, not Christmas cheer:
Valuation discipline returns.



Alejandra Munoz,
Investment Associate
QIM

- 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	
AC World Large RN	2%	0%	-2%	-3%	AC World Large RN	2%	9%	-9%	-10%	
US Large	2%	0%	-1%	-4%	US Large	-3%	7%	-6%	-10%	
EAFE Large	3%	1%	-4%	-1%	EAFE Large	14%	13%	-14%	-3%	
EM Large	2%	-1%	-1%	-1%	EM Large	9%	2%	-17%	-21%	
UK Broad	2%	3%	-4%	-1%	UK Broad	5%	11%	-15%	-6%	
Canada Broad	4%	4%	-6%	0%	Canada Broad	7%	25%	-23%	-9%	
US Small	1%	-2%	-1%	-1%	US Small	-3%	2%	-8%	-8%	
EAFE Small	2%	0%	-2%	-1%	EAFE Small	7%	3%	-8%	-4%	

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

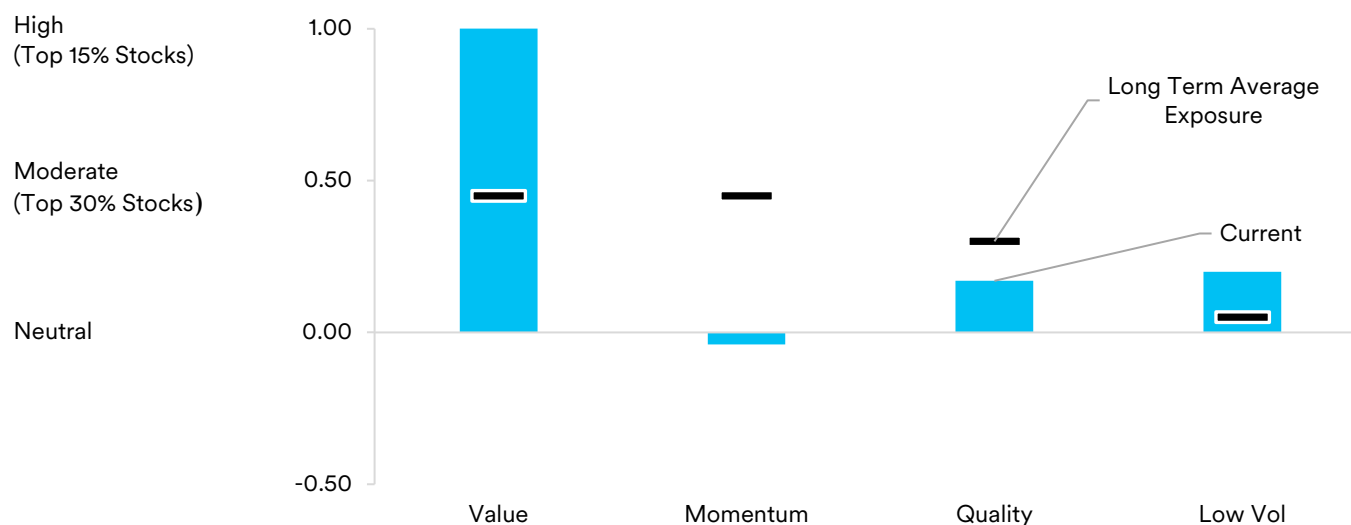
Emphasizing [Value](#) family of factors based on:

- 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

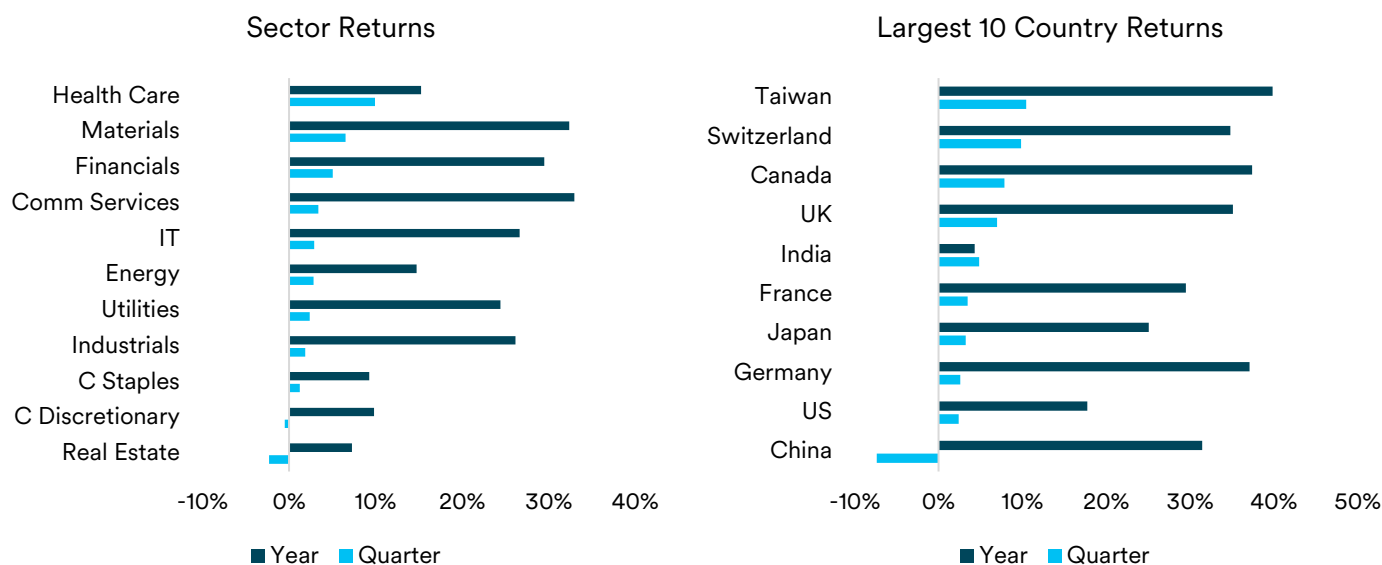
- CPI EU Harmonized: 2.6% (YoY), in line with expectations and above prior quarter.
- Industrial Production: 1.8% (MoM), above expectations and prior quarter.
- Markit Manufacturing PMI: 42.5, below expectations and prior quarter.
- Markit Services PMI: 52.5, in line with expectations and above prior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

ABOUT QIM



QIM is a specialist quantitative investment management team within SEI's Investment Management Corporation (SIMC). The team is responsible for the research, development, and management of quantitative investment portfolios. QIM employs a disciplined, active investment process that targets companies demonstrating robust fundamentals and positive performance trends, with a particular emphasis on value, quality, and momentum factors. The team operates from offices in London, UK, and Oaks, PA, USA.

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GLOSSARY AND INDEX DEFINITIONS

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

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