

# PCF Strategies Summit 2025

## Prescience Assessment: Six Months On

Prepared by InvestSense | January 2026

### Executive Summary

The PCF Strategies Summit in August 2025 featured a range of high-conviction investment propositions under the theme “Time to Make a Move.” Six months later, we assess which predictions proved prescient and which missed the mark. Overall, the conference’s key themes—the end of US exceptionalism, the rotation to international markets, and the case for emerging markets—have been substantially vindicated by subsequent market performance.

### Key Findings Summary

Prediction	Assessment	Outcome
✓ International over US	PRESCIENT	Ex-US +29.2% vs S&P +16.4%
✓ Germany/Europe opportunity	PRESCIENT	DAX +23%, Spain +49%
✓ Japan value story	PRESCIENT	Nikkei +26.7%
✓ USD weakness	PRESCIENT	Dollar Index -9.4%
✓ EM valuation opportunity	PRESCIENT	EEM +30%, Korea +76%
✓ European private credit	VALIDATED	Structural tailwinds persist
✓ Value over growth	VALIDATED	EAFE Value outperformed
✗ No Fed cuts in 2025	INCORRECT	Fed cut 3 times
✗ Core CPI above 4%	INCORRECT	CPI at 2.7%

# One

Ron Temple (Lazard)

“An Investment Era is Ending”

## August 2025 Thesis

Temple argued that US equity valuations were stretched at nearly 23x forward earnings, with economic reality and policy shifts diverging from market pricing. He recommended reallocating capital away from the US to markets with better valuations and structural reforms, particularly Germany and Japan.

## What Actually Happened

### ✓ International vs US Markets – **HIGHLY PRESCIENT**

- S&P 500 returned +16.4% in 2025
- MSCI All Country World ex-USA gained +29.2%, outperforming US by ~13 percentage points
- Germany's DAX climbed +23%, best year since 2019, driven by defense and infrastructure spending
- Japan's Nikkei 225 gained +26.7%, marking third consecutive annual gain
- Spain's IBEX 35 surged +49%, best year since 1993
- Italy's FTSE MIB gained +32%, best year since 1998
- UK's FTSE 100 gained +21.5%, briefly breaking 10,000 points for the first time ever

### ✓ US Dollar Weakness – **PRESCIENT**

- Temple predicted peak USD within 6–9 months followed by decline
- US Dollar Index fell ~9.4% in 2025, its worst year since 2017, providing tailwind for international returns

### ✓ Value over Growth – **VALIDATED**

- Temple emphasized valuation discipline for the first time in his 12-year PCF tenure
- MSCI EAFE Value has delivered comparable 5-year returns to MSCI USA Growth; value-oriented international markets significantly outperformed

### ✗ Fed Rate Cuts – **INCORRECT**

- Temple predicted no Fed rate cuts in 2025
- Fed cut rates three times (September, October, December), reducing fed funds from ~5% to 3.5–3.75%

### ✗ Core CPI Above 4% – **INCORRECT**

- Temple predicted core CPI would exceed 4% by early 2026
- November CPI came in at 2.7% headline; core PCE near 2.8% – elevated but nowhere near 4%

## Two

### Emerging Markets

#### Orbis & Infinity

##### **August 2025 Thesis**

The EM thesis centered on historically wide valuation discounts (11–12x vs 18x for DM), US dollar overvaluation, and structural growth engines. Orbis highlighted the opportunity to “quadruple” EM allocations from typical sub-5% levels. Korea was specifically flagged as an opportunity due to “Value Up” corporate governance reforms.

##### **What Actually Happened – HIGHLY PRESCIENT**

- iShares MSCI Emerging Markets ETF (EEM) returned ~30% YTD through December 2025
- Hong Kong’s Hang Seng led global markets with +30.6% return
- South Korea’s Kospi soared +76%, best year since 1999 – precisely vindicating the “Value Up” thesis
- Weaker USD (-9.4%) provided significant tailwind as predicted
- EM currency volatility reached multi-decade lows, reflecting stronger fundamentals
- \$44.8 billion entered EM portfolios in August 2025 alone per IIF data

##### **Verdict**

The EM thesis has been substantially validated. Those who increased EM allocations as recommended would have significantly outperformed US-centric portfolios.

## Three

### European Private Credit

#### BNP Paribas

##### **August 2025 Thesis**

Stephane Blanchoz argued that European private credit offers 50+ basis points premium over US deals for equivalent risk, with lower leverage and better covenant protection. The structural bank retreat in Europe was creating a sustained opportunity in the lower-to-mid market segment.

## What Actually Happened – VALIDATED

- European private credit AUM growth has outpaced US at +14% vs +11% CAGR
- Bank disintermediation trend has continued and accelerated
- European spreads remain at premium vs US (411bps vs 359bps for single-B credits as of April 2025)
- ELTIF regulation has facilitated broader investor access as predicted

### Verdict

The structural thesis remains intact. While private credit returns are harder to track in real-time, the favorable conditions highlighted continue to persist.

## Four

## Scenario Framework Assessment

### The Four Scenarios

- Scenario 1 (Bearish): “Market Storm Ahead” – US core inflation toward 6%, severe macro shocks
- Scenario 2 (Moderately Bearish): “Managed Slog” – muddle-through growth, sticky inflation ~3–3.5%
- Scenario 3 (Moderately Bullish): “Resilient Rebound” – system adapts, AI productivity gains, moderate positive outlook
- Scenario 4 (Bullish): “Aggressive Re-risking” – strong earnings, policy tailwinds, inflation controlled

### Outcome Assessment

Markets have largely tracked between Scenarios 3 and 4. The “Resilient Rebound” thesis has played out: AI investment continued to drive growth, inflation moderated (though remaining above target), policy coordination improved sufficiently, and global risk assets reached new highs. The S&P 500’s +16.4% return, while trailing international markets, remained solidly positive. The Mag 7 concentration concerns flagged have proven valid – market breadth improved globally.

## Five

## What the Conference Missed or Got Wrong

- Fed Policy Path: Most presenters underestimated the Fed’s willingness to cut rates. The hawkish stance assumed by many did not materialize – the Fed cut three times in 2025.
- Inflation Overshoot: Fears of inflation re-acceleration to 4%+ did not eventuate. Disinflation proved more persistent than bears anticipated.

- US Market Resilience: While international outperformed as predicted, US markets still delivered strong double-digit returns. The bearish case for US was directionally right on relative performance but too pessimistic in absolute terms.
- Magnitude of International Outperformance: The degree of outperformance from EM and European markets (+76% Korea, +49% Spain) exceeded most projections.

## Six

# Conclusions and Portfolio Implications

### Validated Themes for 2026

- International diversification away from US concentration remains warranted
- EM allocations deserve strategic attention – structural thesis intact
- Value factor exposure, particularly in EAFE, continues to offer diversification
- European private credit structural tailwinds persist
- Corporate governance reforms (Japan, Korea) are producing tangible results

### Themes Requiring Reassessment

- Fed policy path – more dovish than bears expected; reassess duration positioning
- Inflation trajectory – disinflation proving more durable; adjust tactical positioning
- CAPE ratios – market has tolerated elevated valuations longer; fundamental analysis still matters

### Overall Assessment

The PCF Strategies Summit 2025's core themes of geographic diversification, EM opportunity, and the end of US exceptionalism proved highly prescient. Investors who acted on these recommendations would have generated meaningful outperformance. The conference's macro forecasting on Fed policy and inflation levels was less accurate, highlighting the persistent difficulty of predicting central bank actions.