BBVA
Corporate &
Investment Banking

BBVA Global Risk Premia Strategy

London, 18 November 2025

QIS Thematics

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Shifting Paradigms

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- QIS Risk Premia Outlook – 6 November 2025
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- Risk Premia: Keep calm and carry on! – 10 June 2025
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- QIS Thematics: Sell in May? – 8 May 2025
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- QIS Tactical: De-dollarisation – 13 May 2025
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Podcasts

- Podcast: Thematics - Defense Moment(um) – 21 May 2025
- Podcast: Risk Premia - After Liberation Day – 24 April 2025
- Podcast: Risk Premia – 24 March 2025
- QIS Thematic – Podcast: Risk Premia Outlook for 2025 (Feb) – 27 February 2025
- QIS Thematic - Podcast: Risk Premia Outlook for 2025 – 29 Jan 2025

BBVA QIS Trade Tracker

BBVA Corporate & Investment Banking

BBVA QIS TRADE TRACKER

Source: Bloomberg and BBVA Global Markets Strategy

Title	Publication		Performance 1-month	3-month	6-month	year-to-date	1-year	Since Launch	Launch date	Close Date	Comments
BBVA EM vs. DM FX carry	QIS Tactical	BBXTEDLU	2.0	3.8	6.0	5.7	5.4	2.2	07 Oct 25		FX carry remains our highest conviction idea currently
BBVA Small Cap Index	QIS Thematics	RUTF40V	6.7	23.5	41.4	-4.1	-24.1	-1.4	18 Sep 25		We expect small caps to outperform as the Fed continues on its rate-cutting cycle
BBVA De-Dollarisation Index	QIS Tactical	BBXTDDLU	-0.7	-2.1	0.5	6.3	3.6	0.2	13 May 25		The BBVA FX strategy team still believes in a weak USD, particularly given the recent US shutdown
BBVA FX Latam Carry	QIS Risk Premia Outlook	BBFXLCRU	2.0	4.1	8.7	10.7	10.0	10.6	23 Apr 25		FX carry remains our highest conviction idea currently
BBVA FX Global Carry	QIS Risk Premia Outlook	BBFXGCRU	1.6	3.6	6.5	6.3	6.2	8.6	23 Apr 25		FX carry remains our highest conviction idea currently
BBVA Long Europe vs. US Equity	QIS Tactical	BBXTEUSU	0.2	0.4	-4.8	1.5	3.6	-5.3	31 Mar 25		European equities are once again starting to look undervalued and underowned despite significant fiscal spending in the years to come
BBVA Long Europe vs. US FX	QIS Tactical	BBXTEFLU	-0.6	-0.9	1.5	9.2	6.5	4.0	31 Mar 25		The BBVA FX strategy team still believes in a weak USD, particularly given the recent US shutdown
BBVA Long Europe vs. US Credit	QIS Tactical	BBXTUICU	-0.7	-0.6	-0.4	-1.6	-1.7	-0.1	31 Mar 25	07 Oct 25	Closed
BBVA Global Infrastucture	QIS Thematics	SBVGINUN	0.6	-0.3	3.8	13.1	9.3	7.2	18 Mar 25		Global fiscal spending has helped this theme, which we expect to continue into next year
BBVA Credit Trend	QIS Risk Premia Outlook	BBCITRUS	0.7	1.0	1.3	-2.2	-2.4	-2.4	11 Mar 25	23 Apr 25	Closed
BBVA Cybersecurity Index	QIS Thematics	SBVCYBEN	5.4	15.8	28.2	16.4	17.5	16.3	31 Dec 24		Long technology sector remains our highest conviction equity thematic view for 2025. Recent earnings momentum supports the fact that this theme should to continue to outperform
BBVA AI and VR Index	QIS Thematics	SBVAVREN	1.4	8.4	17.3	2.0	2.9	1.9	31 Dec 24		

1. Summary

Shifting Paradigms

US growth is showing signs of resilience amid a lack of macro data: US economic sentiment remains resilient despite a lack of macro data to provide a complete picture. US earnings estimates for the current fiscal year continue to be revised higher, suggesting that US corporates are doing well despite tariff uncertainty and signs of labour market weakening. The PMI data remains in healthy territory, which again points to room for corporate resilience. **BBVA FCI – False spike or early warning?** Over recent weeks we have seen our BBVA Financial Conditions Index (FCI) indicator jump from -0.56 in mid-September to -0.29 last week. The recent rise in the FCI begs the question: is this an early warning of difficult market conditions ahead, or just a false spike? Given strong earnings and a still-strong US growth outlook, we see the recent rise in the FCI as idiosyncratically driven, which would suggest that it could be a good opportunity to sell the spike in equity volatility. Albeit equity volatility has already started to subside post the end of US shutdown.

Earnings the one true barometer: Amidst macro uncertainty driven by trade wars and geopolitics and data uncertainty driven by weak labor markets and strong PMIs, we see earnings as the one true barometer for fundamental performance for equity markets. Global equities started the year on a weaker footing with earnings revised lower across the board. The second half of the year has favored US equities, benefitting from a weak US dollar helping margins and offsetting the impact of tariff related margin pressure. In Europe, Financials have been the best performing sector YTD followed by Utilities. These two were also the sectors with the highest positive earning revisions relative to the US. In the US, tech sector and communication services were the best performing with only the later delivering positive earnings revision this year. Tech sector marginally underperformed the lofty expectations for this year.

Trade idea - Cybersecurity is no more optional but essential to business continuity: Throughout the past year, cyber-threats have surged across industries and geographies, exposing vulnerabilities in retail, manufacturing, aviation, and infrastructure. The global cybersecurity market is set for substantial expansion as organisations across sectors confront an escalating threat environment. According to market estimates, the cybersecurity spending was valued at approximately USD 245.62 billion in 2024 and is projected to reach USD 500.70 billion by 2030, implying a compound annual growth rate (CAGR) of around 12.9% from 2025-2030. The Solactive BBVA Cybersecurity index selects companies on the front lines of digital security, providing data protection and cyber-risk insurance, creating secure online transaction platforms and heeding the call for cyber defence, thanks to the low-latency network infrastructure and components.

Shifting Paradigms - BBVA Cycle based factor allocation: Our Macro Indicator is a six-stage cycle indicator and our FCI Indicator is a two phase Financial condition cycle index. Combining the two we have created a new eleven phase cycle approach to asset allocation. Using the eleven-phase approach, we improve the FCI-based QIS allocation performance from 6% annualised in the last ten years to 7.4%. In the process, this improves the Sharpe ratio of the strategy (see QIS Risk Premia Outlook – 6 November 2025). In this note we share results of doing a similar exercise for factor allocation in the US equity markets. Our results show significant outperformance of our resultant 11 phase approach vs. the US equity benchmark index.

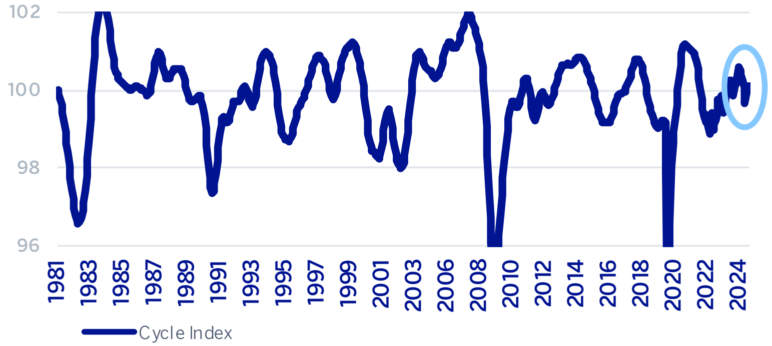
Global macro outlook

US growth is showing signs of resilience amid a lack of macro data: US economic sentiment remains resilient despite a lack of macro data to provide a complete picture. US earnings estimates for the current fiscal year continue to be revised higher, suggesting that US corporates are doing well despite tariff uncertainty and signs of a weakening labour market. The PMI data is still in healthy territory, which again points to room for corporate resilience.

BBVA FCI – False spike or early warning? Over recent weeks we have seen our BBVA Financial Conditions Index (FCI) indicator jump from -0.56 in mid-September to -0.29 last week. This phenomenon is a repeat of last year, when the Financial Conditions Index troughed in mid-September before the Fed's jumbo cut and then rose until April of this year. The recent rise in the FCI begs the question: is this an early warning of difficult market conditions ahead or just a false spike? Given the solid earnings reported and a still-strong US growth outlook, we see the recent rise in the FCI as idiosyncratically driven, which would suggest that it could be a good opportunity to sell the spike in equity volatility, even though equity volatility has already started to subside after the end of the US shutdown.

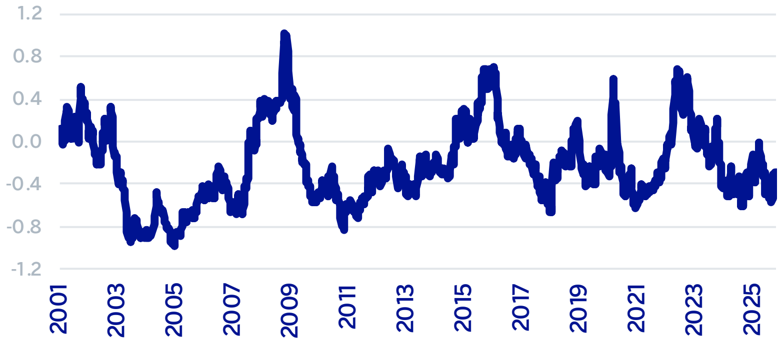
BBVA US MACRO CYCLE INDICATOR (BBRIMAUS)

Source: Bloomberg and BBVA Global Markets Strategy



BBVA US FINANCIAL CONDITIONS INDEX (BBRIFCUS)

Source: Bloomberg and BBVA Global Markets Strategy



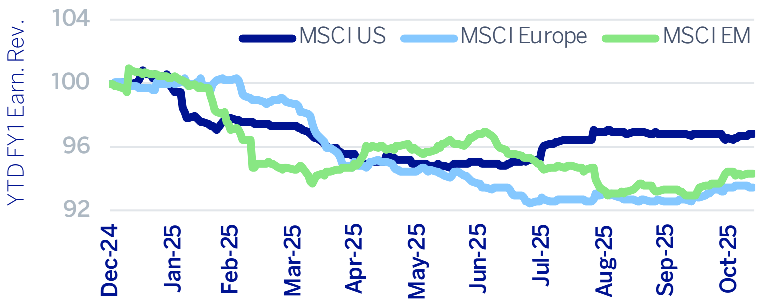
Earnings Dashboard

Earnings the one true barometer: against a backdrop of macro uncertainty driven by trade wars and geopolitics and data uncertainty driven by weak labour markets and strong PMIs, we see earnings as the one true barometer of fundamental performance in the equity markets. The charts below show YtD earnings revisions for 2025 fiscal year earnings. Global equities started the year on a weaker footing with earnings revised lower across the board. The second half of the year has favoured US equities, benefitting from a weak USD helping margins and offsetting the impact of tariff-related margin pressure.

Sector difference: Financials in Europe have seen the best performing sector YtD followed by Utilities. These two were also the sectors with the highest positive earning revisions relative to the US. The Consumer discretionary sector in Europe has had the weakest earnings trend driven by concerns regarding Chinese consumers and structural challenges facing the automotive sector. Industrials in Europe have returned over 20% YtD but earnings were still revised lower showing investor optimism regarding the fiscal package impacting future earnings of this sector. In the US, the tech sector and communication services were the best performing with only the latter delivering positive earnings revisions this year. The Tech sector marginally underperformed the lofty expectations for this year.

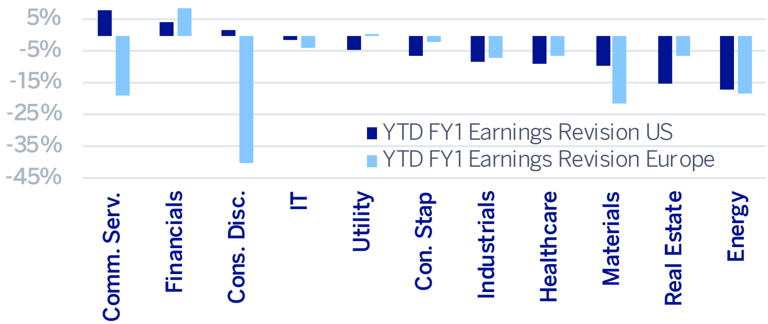
POSITIVE US EARNINGS REVISIONS DRIVEN BY A WEAK USD

Source: Bloomberg and BBVA Global Markets Strategy



EU FINANCIALS OUTPERFORMED US EARNINGS REVISIONS

Source: Bloomberg and BBVA Global Markets Strategy

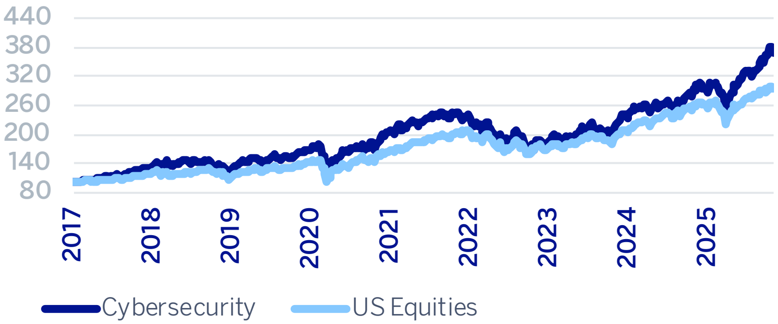


Trade of the month: CyberSecurity

- **Cybersecurity is not optional but essential to business continuity:** throughout the past year, cyber-threats have surged across industries and geographies, exposing vulnerabilities in retail, manufacturing, aviation, and infrastructure. In the retail sector, companies such as Marks & Spencer (UK) were hit by sophisticated ransomware attacks, resulting in online service shutdowns and an expected profit hit of c.£300mn. In manufacturing, the cyberattack against Jaguar Land Rover disrupted production, closed plants in the UK and abroad, and led to ripple effects across its supply chain – with an estimated cost to the UK economy of around £1.9bn. Critical infrastructure and technology platforms were also affected: about 50% of ransomware attacks in 2025 targeted critical sectors such as manufacturing, healthcare and energy. Industrial Cyber Retail-sector ransomware disclosures jumped 58% in 2Q25 compared to 1Q. The landscape is further complicated by highly active adversary groups (e.g., Scattered Spider and ShinyHunters) deploying social engineering, cloud/SaaS platform exploits and ransomware-as-a-service tactics. The breadth and cost of these attacks underline that cyber-resilience is no longer optional - it is foundational to business continuity. The Solactive BBVA Cybersecurity index selects companies on the front lines of digital security, providing data protection and cyber-risk insurance, creating secure online transaction platforms and heeding the call for cyber defence, thanks to the low-latency network infrastructure and components.

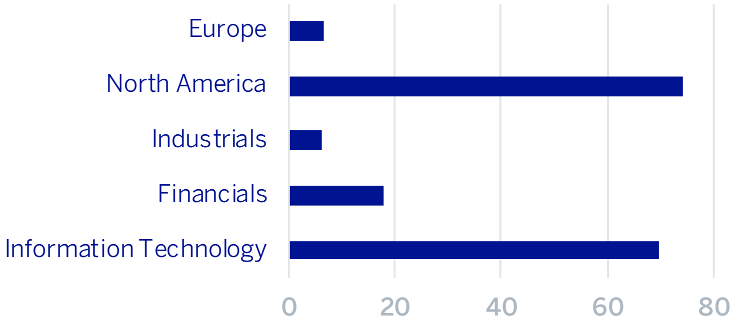
CYBERSECURITY STOCKS HAVE OUTPERFORMED THIS YEAR

Source: Bloomberg and BBVA Global Markets Strategy



KEY REGION AND SECTOR EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy

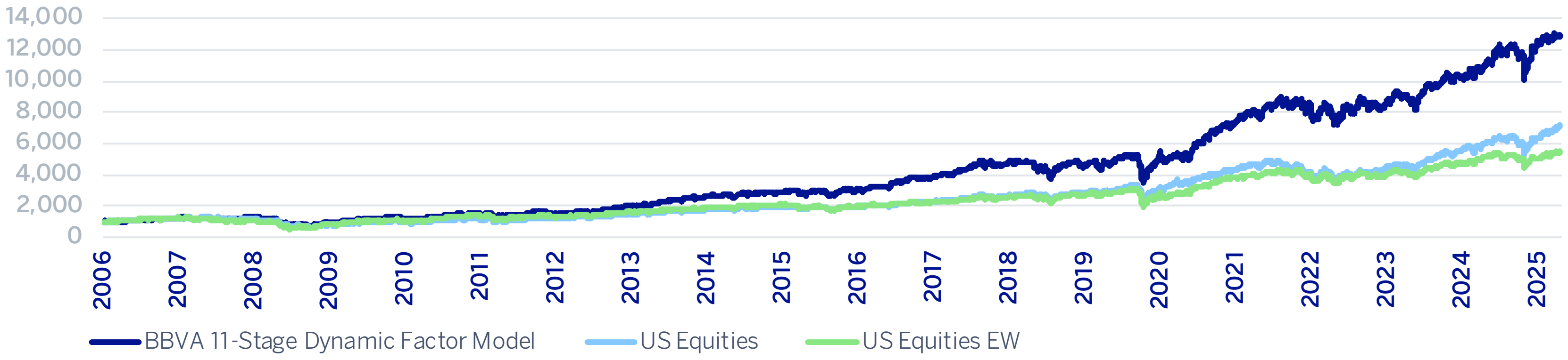


Shifting Paradigms - BBVA Cycle Allocation

- **Shifting Paradigms - BBVA Cycle based factor allocation:** in the previous slides we highlighted our BBVA US Macro Indicator and BBVA US Financial Conditions Indicator. Our Macro Indicator is a six-stage cycle indicator and our FCI Indicator is a two-phase Financial condition cycle index. Combining the two we have created a new eleven-phase cycle approach to asset allocation. We believe that within each growth/inflation phase, accounting for monetary policy could further enhance investment portfolios by incorporating the prevailing financial conditions. For example, during COVID-19 the Global economy was in recession for most of 2020, but the asset performance in the first half of the year was markedly different from the second half. Defensive leadership during 1H changed to cyclical leadership during 2H. Similarly, during 2022, when the economy was still in an expansion phase, Fed tightening drove significant sector rotation over the course of the year. Using the eleven-phase approach, we improve the FCI-based QIS allocation performance from 6% annualised in the last ten years to 7.4%. In the process, this improves the Sharpe ratio of the strategy (see QIS Risk Premia Outlook – 6 November 2025). In this note we share results of carrying out a similar exercise for factor allocation in the US equity markets. Our results show significant outperformance of our resultant eleven-phase approach vs. the US equity benchmark index.

BBVA'S ELEVEN-STAGE FACTOR ALLOCATION MODEL OUTPERFORMS US EQUITIES BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy



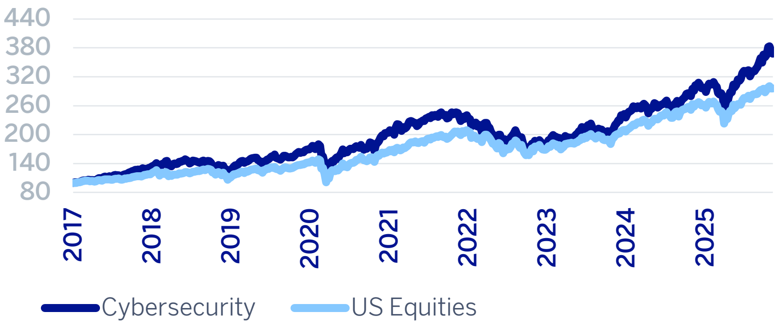
2. Trade of the month: CyberSecurity

Trade of the month: CyberSecurity

- **Cybersecurity is no more optional but essential to business continuity:** cyber-threats have surged across industries and geographies over the past year, exposing vulnerabilities in retail, manufacturing, aviation, and infrastructure. In the retail sector, companies such as Marks & Spencer (UK) were hit by sophisticated ransomware attacks, resulting in online service shutdowns and an expected profit hit of around £300mn. In manufacturing, the cyberattack against Jaguar Land Rover disrupted production, closed plants in the UK and abroad, and led to ripple effects across its supply chain - at an estimated cost to the UK economy of around £1.9bn. Critical infrastructure and technology platforms were also affected: about 50% of ransomware attacks in 2025 targeted critical sectors such as manufacturing, healthcare and energy. Industrial Cyber Retail-sector ransomware disclosures jumped 58% in 2Q25 compared to 1Q. The landscape is further complicated by highly active adversary groups (e.g., Scattered Spider and ShinyHunters) deploying social engineering, cloud/SaaS platform exploits and ransomware-as-a-service tactics. The breadth and cost of these attacks underline that cyber-resilience is no longer optional - it is foundational to the continuity of businesses. The Solactive BBVA Cybersecurity index selects companies on the front lines of digital security, providing data protection and cyber-risk insurance, creating secure online transaction platforms and heeding the call for cyber defence, thanks to the low-latency network infrastructure and components.

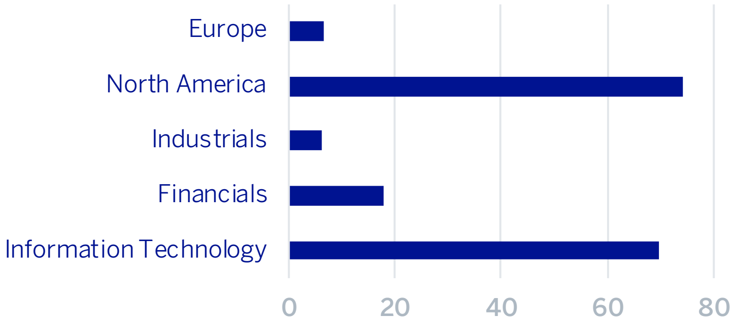
CYBERSECURITY STOCKS HAVE OUTPERFORMED THIS YEAR

Source: Bloomberg and BBVA Global Markets Strategy



KEY REGION AND SECTOR EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy

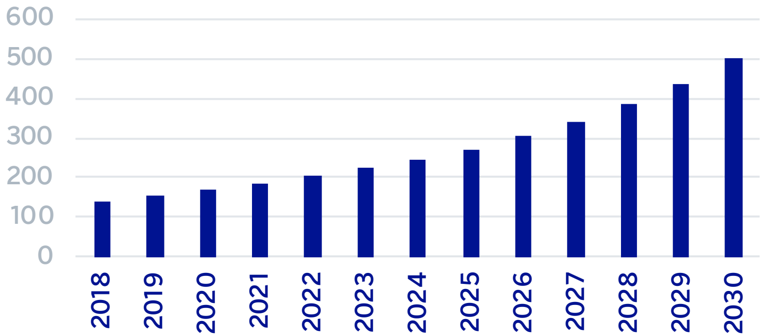


CyberSecurity: growth accelerated by AI

- **CyberSecurity: growth accelerated by AI:** the global cybersecurity market is set for substantial expansion as organisations across sectors confront an escalating threat environment. According to market estimates, cybersecurity spending was valued at approximately USD245.62bn in 2024 and is projected to reach USD500.70bn by 2030, implying a compound annual growth rate (CAGR) of around 12.9% from 2025-2030. The drivers behind this surge include proliferation of IoT and connected devices, widespread cloud migration, the rise of AI-enabled attacks, and increasingly stringent regulatory/compliance demands. Furthermore, adjacent sub-segments such as zero-trust security and AI-powered threat detection are forecast to grow at even higher rates (16-26%+ CAGR) reflecting both rising demand and technological innovation. These dynamics point to a multi-year structural growth opportunity - cybersecurity is evolving from a cost centre into a critical, recurring line item for businesses worldwide. Importantly, the non-discretionary nature of security spend offers resilience even during economic downturns, enhancing its appeal as a strategic investment theme.

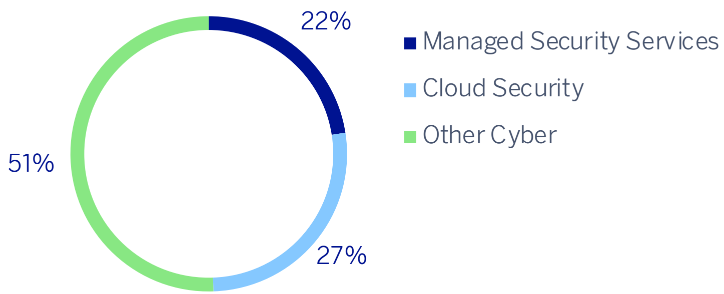
CYBERSECURITY MARKET EXPECTED TO GROW BY 12.9% ANNUALISED TO 2030 (US$M)

Source: Bloomberg and BBVA Global Markets Strategy



CLOUD SECURITY LIKELY TO BECOME A KEY PART OF CYBERSECURITY BY 2032

Source: Bloomberg and BBVA Global Markets Strategy

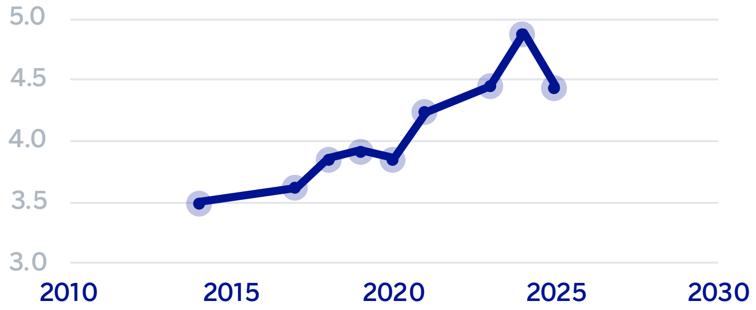


CyberSecurity incidents are expensive

- **The United States has broken a breach cost record in 2025:** average breach costs in the United States reached a record USD10.22mn, a 9% increase over last year, driven in part by higher regulatory fines and detection and escalation costs. Most countries or regions recorded a decrease, due to lower detection and escalation costs. For the first time in five years, the global average cost of a data breach dropped, reaching USD4.44mn. Globally, shorter breach investigations are pushing down detection and escalation costs, which can include assessment and audits, crisis management, and communications to executive leadership and boards. Nonetheless, the cost of cybersecurity incidents remains high and drives a further reputational damage on top of any financial loss.
- **Regulatory fines aggravates reputational damage:** reporting a breach to regulators and other government agencies has become a common part of post-breach responses. An IBM report focused on cybersecurity found that a third of organisations paid a regulatory fine because of breaches. The study looked at the size of fines, which varied across countries and regions. Organisations in the United States paid the highest fines, which, in turn, drove up total United States breach costs.

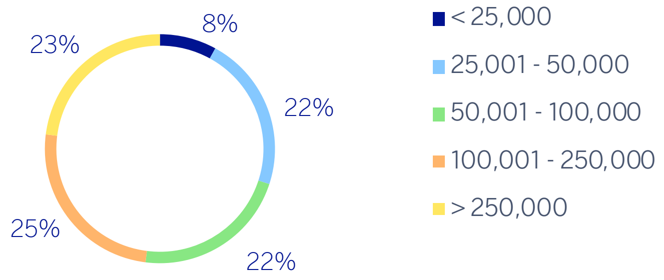
GLOBAL AVERAGE COST OF CYBERSECURITY BREACHES ON THE RISE

Source: IBM, Bloomberg and BBVA Global Markets Strategy



FINES AFTER A SECURITY INCIDENT FURTHER AGGRAVATES REPUTATIONAL DAMAGE

Source: IBM, Bloomberg and BBVA Global Markets Strategy



CyberSecurity: growth at a reasonable price

- **CyberSecurity stocks have outperformed this year:** CyberSecurity stocks have outperformed both US equities and US technology sectors this year. These stocks currently trade at a 17% discount to the broader US equity market and 35% discount to the technology sector. In addition, we see a similar valuation discount on an EV/EBITDA basis. Our BBVA CyberSecurity Index generates a similar ROE (of nearly 20%) as the broader US equity market. Although the profitability of this theme is lower than that of the tech sector dominated by a handful of stocks. That said the 1-year forward earnings growth of this CyberSecurity index is similar to that of the US tech sector. We see CyberSecurity theme as a way to access similar earnings growth as the tech sector with a much lower valuation.

- **Exposure:** the BBVA CyberSecurity has a 75% exposure to US equities and 70% exposure to the technology sector. While CyberSecurity is a global theme, US tech stocks still seem to dominate the solution to the problem.

CYBERSECURITY: FUNDAMENTAL COMPARISON VS. BENCHMARK S

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Cybersecurity	US Equities	US Tech
Price chg (1M)	5.0	4.6	5.6
Price chg (3M)	13.5	6.6	8.9
Price chg (YtD)	29.9	17.7	27.0
12m FWD PE	18.8	22.7	29.2
EV / EBITDA	14.3	15.6	21.1
12m RoE (%)	19.5	19.6	33.3
Net debt/ EBITDA	0.4	1.1	-0.2
1Y fwd Earnings Growth	35%	15%	33%
2Y fwd Earnings Growth	8%	12%	15%
Earnings Mo 1M (%)	14.1	1.1	4.8
Earnings Mo 3M (%)	22.7	2.2	10.0

3. BBVA Cycle-based Factor Allocation

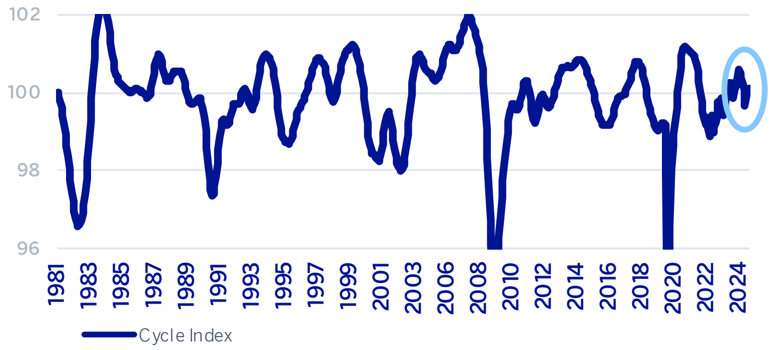
BBVA US Macro Indicator

BBVA Corporate & Investment Banking

BBVA US Macro Indicator: asset performance is driven by the confluence of different factors, but one of the most relevant is, without doubt, the business cycle. Cyclical fluctuations have a direct impact on asset performance because two of the key determinants of asset prices (earningsgrowth and discount rates) are a direct function of GDP growth. But bearing in mind how relevant inflation has become over the last two years, we propose a new six-phase asset cycle, vs the traditional four-phase cycle (see - A six-stage asset cycle based on a proprietary leading cyclical/inflation index – 3 February 2023). Our analysis shows that the effect of accelerated inflation growth is more noticeable when the strength of the cyclical signal is weaker, notably in the downturn and expansion phases. For this reason, we have also created an inflation acceleration indicator based on moving averages. Our results prove that cycle theory based on these six stages is even more profitable and produces superior portfolio returns than the equivalent four-stage strategy. In addition, we found that the influence of inflation is more aggressive for corporates and high yield than for equities. Our US Macro Indicator shows that the US remains resilient despite a lack of macro data to provide a complete picture. US earnings estimates for the current fiscal year continue to be revised higher, suggesting that US corporates are doing well despite tariff uncertainty and signs of labour market weakening. The PMI data is still in healthy territory, which again points to room for corporate resilience.

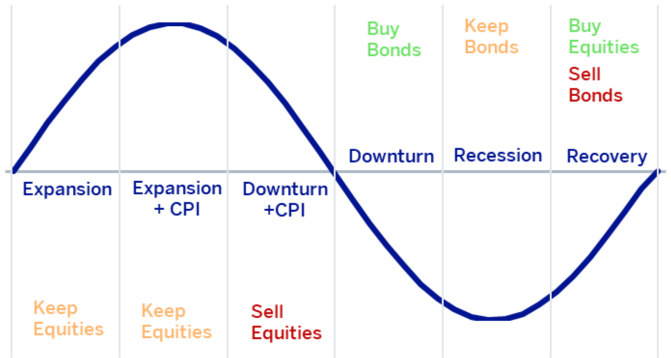
BBVA US MACRO CYCLE INDICATOR (BBRIMAUS)

Source: Bloomberg and BBVA Global Markets Strategy



BBVA US MACRO CYCLE STAGES

Source: Bloomberg and BBVA Global Markets Strategy



BBVA US Financial Conditions Indicator

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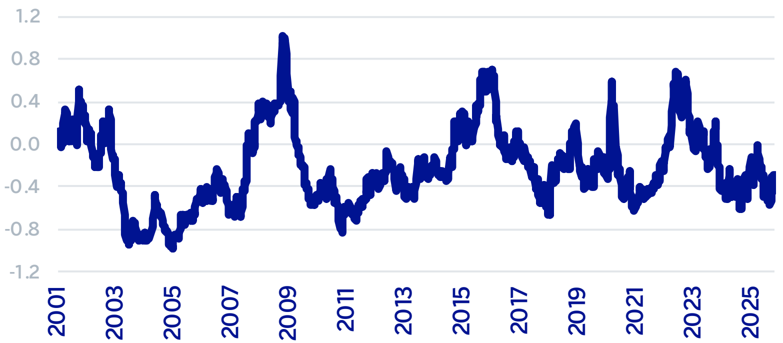
BBVA US Financial Conditions Indicator: the concept of financial conditions has increasingly been in the spotlight since the GFC as a relevant indicator to make informed investment decisions, as it captures multiple channels of transmission from financial variables to the economy. During the pre-GFC era, central bank policy was primarily and almost exclusively driven by policy rates. Central bank benchmark rates have traditionally been the key driver of financial conditions as a result. Since the GFC, however, we have seen the central bank use its balance sheet and public communication to manage policy and thus financial conditions. Financial conditions have, therefore, become a key predictor of inflation expectations. As a result, cycles of financial conditions have been strongly linked to global markets, with periods of loose financial conditions creating an environment for new borrowing, stronger economic activity, higher inflation and more risk taking. On the other hand, tighter financial conditions have been associated with less growth and the relative outperformance of bonds vs. equities. (see Introducing BBVA FCI – 16 September 2025). Over recent weeks we have seen our BBVA Financial Conditions Index (FCI) indicator jump from -0.56 in mid-September to -0.29 last week. This phenomenon is a repeat of last year, when the Financial Conditions index troughed in mid-September before the Fed's jumbo cut and then rose until April this year. The recent rise in the FCI begs the question: is this an early warning of difficult market conditions ahead or just a false spike?

BBVA US FINANCIAL CONDITIONS INDEX

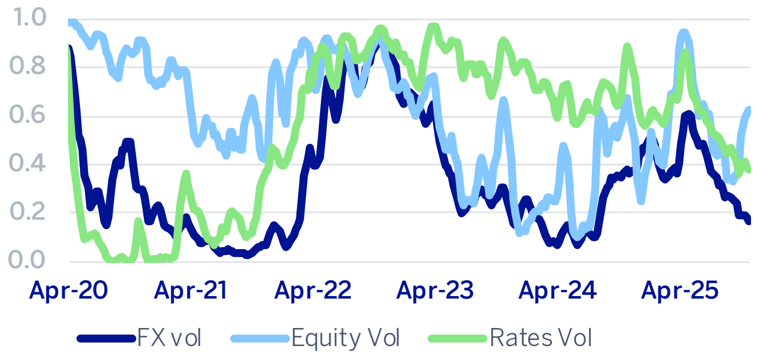
(BBRIFCUS)

Source: Bloomberg and BBVA Global Markets Strategy



MACRO VOLATILITY ON A DOWNTREND

Source: Bloomberg and BBVA Global Markets Strategy



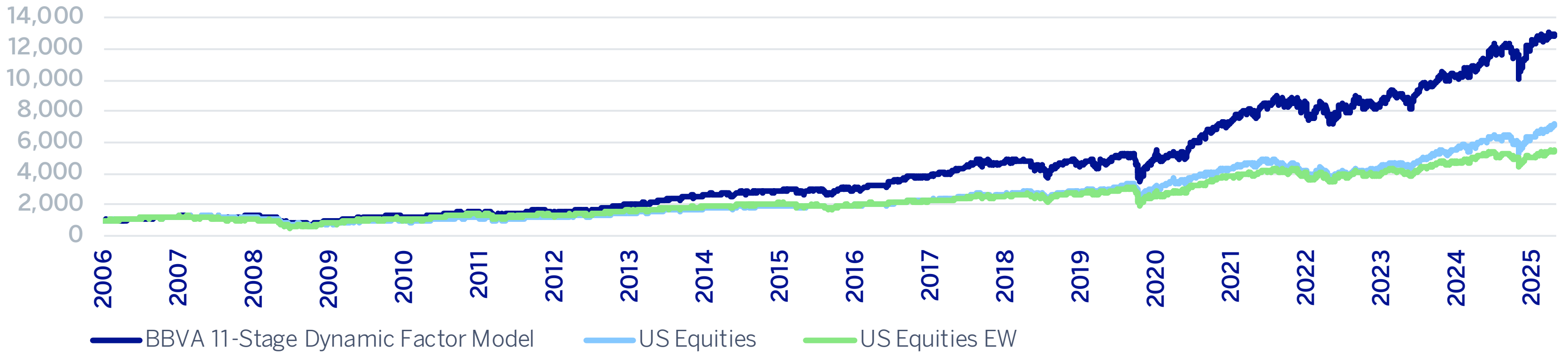
Combining Macro with FCI

BBVA Corporate & Investment Banking

Combining Macro with FCI: In the previous slides we highlighted our BBVA US Macro Indicator and BBVA US Financial Conditions Indicator. Our Macro Indicator is a six-stage cycle indicator and our FCI Indicator is a two-phase Financial condition cycle index. Combining the two we have created a new eleven-phase cycle approach to asset allocation. We believe that within each growth/inflation phase, accounting for monetary policy could further enhance investment portfolios by incorporating the prevailing financial conditions. This is because we might be in recession or expansion territory, but central bank actions could shift investor expectations and then impact asset performance. For example, during Covid-19 the Global economy was in recession for most of 2020, but the asset performance during the first half of the year was markedly different from the second half. Defensive leadership during 1H changed to cyclical leadership during 2H. Similarly, during 2022, when the economy was still in an expansion phase, Fed tightening drove significant sector rotation over the course of the year. Using the eleven-phase approach, we improve the FCI-based QIS allocation performance from 6% annualised in the last ten years to 7.4%. In the process, this improves the Sharpe ratio of the strategy (see QIS Risk Premia Outlook – 6 November 2025). In this note we share results of carrying out a similar exercise for factor allocation in the US equity markets. Our results show significant outperformance of our resultant eleven-phase approach vs. the US equity benchmark index.

BBVA 11-STAGE FACTOR ALLOCATION MODEL OUTPERFORMS US EQUITIES BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy



Methodology

BBVA Corporate & Investment Banking

- **Factor scoring:** we score each stocks in the US equity benchmark based on their individual factor characteristics. We score the stocks based on following factors and fundamental metrices
  - **Growth score:** Historic and forward expected growth of the following fundamental metrices a) sales; b) EBITDA; c) EBIT; d) EPS; e) EBITDA margin; f) EBIT margin; and g) FCF margin. We select different metrices for financials as appropriate. We normalise and generate z-score cross sectionally across sector and across the market.
  - **Financial health score:** quick ratio, cash ratio, current ratio, interest coverage, net debt / (EBITDA – capex – leases), debt-to-equity and debt-to-asset. We select different metrices for financials as appropriate. We normalise and generate z-score based on this history of the data for the stock and cross sectionally across sectors and the market.
  - **Quality score:** return on assets, returns on equity, returns on capital employed, return on invested capital, EBITDA margin, EBIT margin, free cash flow margin and free float. We select different metrices for financials as appropriate. We normalise and generate z-score based on this history of the data for the stock and cross sectionally across sector and across the market.
  - **Valuation score:** price/ earnings ratio, dividend yield, price-to-book, free cash flow yield, and EV/EBITDA. We select different metrices for financials as appropriate. We normalise and generate z-score based on the history of the data for the stock and cross sectionally across sectors and the market.
  - **Momentum score:** Based on 12-month performance. We normalise and generate z-score based on the history of the data for the stock and cross sectionally across sectors and the market.
- **Macro Indicators:** We calculate our BBVA US Macro Cycle Index and BBVA US Financial Condition Index
- **Stock Score:** we score each stock based on its fundamental score and factor weighting appropriate for each of the eleven phases. See the next page for the details on weighting. We calculate these weights based on historic performance of the factors during the eleven phases. We keep these weightings static given the recent performance as out-of-sample.
- **Stock selection:** We select the top 100 stocks based on the scores above and we create an equally weighted basket.

Factor weights based on an eleven-phase cycle

BBVA Corporate & Investment Banking

BBVA 11-STAGE FACTOR ALLOCATION MODEL OUTPERFORMS US EQUITIES BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

	Growth	Financial Health	Quality	Value	Momentum
Recovery with Loose FCI	0.0%	25.0%	25.0%	50.0%	0.0%
Recovery with Tight FCI	0.0%	66.7%	33.3%	0.0%	0.0%
Recession with Loose FCI	15.8%	15.8%	15.8%	52.6%	0.0%
Recession with Tight FCI	33.3%	33.3%	33.3%	0.0%	0.0%
Downturn with Loose FCI	0.0%	66.7%	0.0%	33.3%	0.0%
Downturn with Tight FCI	0.0%	33.3%	33.3%	33.3%	0.0%
Expansion with Loose FCI	28.6%	28.6%	28.6%	14.3%	0.0%
Expansion with Tight FCI	28.6%	28.6%	28.6%	14.3%	0.0%
Downturn with inflation and with Loose FCI	33.3%	33.3%	33.3%	0.0%	0.0%
Downturn with inflation and with Tight FCI	20.0%	20.0%	20.0%	0.0%	40.0%
Expansion with inflation and with Loose FCI	0.0%	0.0%	50.0%	50.0%	0.0%
Expansion with inflation and with Tight FCI	16.7%	16.7%	16.7%	50.0%	0.0%

Portfolio Statistics

BBVA Corporate & Investment Banking

Portfolio statistics: the eleven-stage factor allocation model has delivered nearly a third higher annualised return than the broader US equity benchmark. The volatility of our portfolio is slightly higher than the benchmark, primarily driven by a narrower selection of stocks and an equal-weighted basket. Our proposed index has 100 equal-weighted stock vs. 500 in the benchmark index. A wider stock selection typically increases diversification and reduces volatility. In addition, our index provides a higher weighting to small and mid-cap stocks at 1% each. The SPY US ETF for example has less than 15 stocks with weightings of or more than 1%. During episodes of a broad equity rally and over a longer timeframe we find that our eleven-phase cycle outperformed US equities with nearly a 20% higher Sharpe ratio. Even though when the US equity rally is driven by just a handful of large-cap stocks as in 2023 and 2024, we see some risk of underperformance. For 2026 we believe that the Mag-7 stocks are finally seeing some chinks in their armour and their valuations have reached “bubble” territory. Growth and capex expectations from AI stocks look hard to meet given the limited earnings growth potential from the use of generative AI for US large-cap stocks other than Nvidia. Our Factor model has continued to outperform the US equally-weighted equity index, which supports our view that a broad-based rally will drive our model to outperform without concerns of concentration risk in just a handful of AI names.

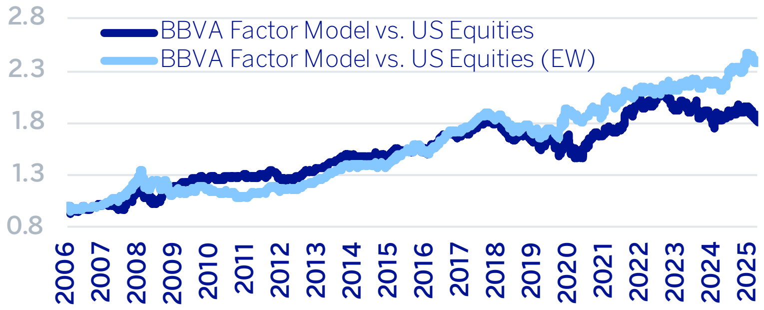
BBVA 11 STAGE FACTOR ALLOCATION PERFORMANCE

Source: Bloomberg and BBVA Global Markets Strategy

Key Statistics	BBVA 11-Stage Dynamic Factor Model	US Equities	US Equities EW
Cumulative Return	1196%	612%	446%
Annualised Return	14.2%	10.7%	9.2%
Standard Deviation	21.4%	19.7%	20.9%
Sharpe Ratio	0.66	0.54	0.44
Downside Deviation	17.2%	16.4%	17.4%
Sortino Ratio	0.82	0.65	0.53
Maximum Drawdown	-52.6%	-55.1%	-58.4%
Skewness	- 0.12	- 0.20	- 0.25
Excess Kurtosis	10.8	12.7	11.7

RELATIVE PERFORMANCE OF OUR INDEX VS BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy



4. BBVA Fundamental Framework

BBVA Fundamental Framework: key highlights

Key takeaways:

- **CyberSecurity: growth accelerated by AI:** the global cybersecurity market is set for substantial expansion as organisations across sectors confront an escalating threat environment. According to market estimates, the cybersecurity spending was valued at approximately USD245.62bn in 2024 and is projected to reach USD500.70bn by 2030, implying a compound annual growth rate (CAGR) of around 12.9% from 2025-2030. CyberSecurity stocks have outperformed both US equities and US technology sectors this year. These stocks currently trade at a 17% discount to the broader US equity market and a 35% discount to the technology sector. In addition, we see a similar valuation discount on an EV/EBITDA basis. Our BBVA CyberSecurity Index generates a similar ROE (of nearly 20%) as the broader US equity market, although the profitability of this theme is lower than that of the tech sector dominated by a handful of stocks. That said the 1-year forward earnings growth of this CyberSecurity index is similar to that of the US tech sector. We see CyberSecurity theme as a way to access similar earnings growth as the tech sector with a much lower valuation. Exposure: the BBVA CyberSecurity index has a 75% exposure to US equities and 70% exposure to the technology sector. While CyberSecurity is a global theme, US tech stocks still seem to dominate the solution to the problem.
- **Is AI a bubble?** Rising concerns regarding valuations around AI stocks is driving dispersion between technology stocks. While our tech-heavy CyberSecurity and Next Generation Network indices delivered solid returns over the last month, our AI and VR index lagged behind in terms of performance. In terms of growth prospects, AI stocks are still the best scoring index in our universe of Thematic strategies. We believe delivering of growth expectation will be crucial for the rally in these stocks to continue.
- **Small things matter:** our small-cap theme ranking has worsened since our last publication. As US economic growth remains robust, we see a better outlook for US small-cap stocks, which are typically more linked to domestic economic growth. The small-cap stocks have suffered from higher-for-longer interest rates. As the Fed restarts its cutting cycle, we would expect corporate lending conditions to improve, helping to boost earnings for small-cap stocks. Looking back at 40 years of history, the “soft-landing” Fed cuts tend to lead to an outperformance of small caps.
- **Eurozone banks:** the European banking sector ranks at the top of our fundamental sector screen. This has mainly been driven by strong earnings momentum and price technicals. The sector has finally recovered from the lost decade on the back of the European financial crisis. The continued earnings momentum and lofty shareholder renumeration is helping the sector to remain the best performer for the second consecutive year.

BBVA thematics: multi-factor ranking

BBVA THEMATICS SCORECARD

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Performance (USD)				Factor Score						Composite Factor Score
	1M	3M	YtD	1Y	Price Mo.	Valuation	Quality	Growth	Earnings Mo.	Technicals	
Cybersecurity	5.0	13.5	29.9	27.4	1.9	-0.3	2.2	-0.4	3.3	0.6	1.2
Next Generation Networks	3.8	9.5	28.1	25.7	1.3	-0.5	0.6	1.3	1.0	0.4	0.7
ixESG Global Leaders	5.0	8.4	20.4	15.1	0.9	0.1	-0.4	-0.1	0.1	1.0	0.3
ixG Global Gover. & Board Diversity	5.3	7.3	19.6	14.7	0.8	0.7	-0.6	-0.5	0.1	1.3	0.3
Top Trends SIC	4.5	7.6	14.8	9.9	0.4	0.4	0.3	-0.1	-0.2	0.2	0.2
AI and VirtualReality	1.5	7.3	14.5	11.1	-0.2	-2.1	1.5	2.3	-0.1	-1.0	0.1
Climate Action CTB Europe	1.4	5.0	20.2	18.4	0.1	1.0	-0.3	-0.1	-0.7	0.5	0.1
Health and Wellness	3.5	9.2	6.8	0.1	-0.3	-0.1	1.0	-0.3	-0.5	0.8	0.1
Energy Transition SIC	2.8	5.2	22.4	17.0	0.4	0.6	-0.7	0.3	-0.9	0.3	-0.0
Resource Scarcity	2.3	1.7	12.0	6.3	-0.7	0.8	-0.1	0.3	-0.3	-0.5	-0.1
Climate Action PAB Europe	1.7	5.2	20.7	19.0	0.2	1.0	-0.2	-1.7	-0.6	0.5	-0.1
ixS Global Inclusive Growth	1.4	3.1	10.2	5.9	-0.8	-1.0	-0.0	1.0	-0.4	-0.6	-0.3
Global Infrastructure	1.4	0.4	13.9	11.1	-0.7	0.6	-1.5	-1.2	-0.2	0.3	-0.5
US Small Caps Select	1.5	-2.3	1.9	-2.8	-1.7	0.9	-0.4	0.1	-0.3	-2.2	-0.6
US REITs	1.4	1.9	1.5	-3.1	-1.5	-1.9	-1.4	-0.9	-0.3	-1.6	-1.3

BBVA sector: multi-factor ranking

BBVA SECTOR SCORECARD

Source: Bloomberg and BBVA Global Markets Strategy

	Performance (LOC)				Factor Score						Composite Factor Score
Theme	1M	3M	YtD	1Y	Price Mo.	Valuation	Quality	Growth	Earnings Mo.	Technicals	
Euro Banks	9.6	8.3	77.5	78.7	2.3	0.8	1.3	-1.2	0.8	1.2	0.9
US Technology	5.3	10.2	27.6	28.5	0.2	-1.8	2.2	1.6	1.8	-1.1	0.5
Europe Basic Resources	5.7	22.0	19.0	15.2	0.6	0.3	-0.7	-0.1	0.8	0.6	0.3
Europe Energy	8.8	10.8	18.6	17.3	0.4	0.7	-0.5	-1.0	0.2	1.1	0.1
Europe Automotives	8.9	4.0	2.1	3.5	-0.5	1.7	0.3	1.6	-1.8	-1.0	0.0
US Healthcare	7.6	18.2	11.8	3.4	0.3	-0.3	-0.5	0.1	-0.5	1.5	0.1
US Industrials	4.5	5.3	22.8	13.1	-0.6	-1.1	-0.7	0.7	-0.0	-0.4	-0.4
US Energy	5.7	7.7	7.3	-1.3	-0.7	0.1	-0.9	-0.3	-0.7	-0.6	-0.5
Europe Health Care	2.1	13.6	5.7	-0.5	-0.9	-0.4	0.0	-0.6	-0.8	-0.4	-0.5
US Financials	3.0	3.4	13.0	9.5	-1.1	-0.1	-0.5	-0.9	0.2	-0.8	-0.5

BBVA equity strategy views

Equity sectors	-		0		+
US					
Energy					
Materials					
Industrials			←	←	
o.w. Aerospace & Defense				←	
Consumer Discrectionary					
Consumer Staples					
Health Care					
Financials					
o.w. Large Cap Banks					
IT					
o.w. Software					
Communication Services				←	
Utilities					
Real Estate			→		

Equity sectors	-		0		+
Europe					
Energy					
Materials					
Industrials			←		
o.w. Aerospace & Defense			←		
Consumer Discrectionary					
o.w. Luxury					
Consumer Staples			→		
Health Care					
Financials					
IT				←	
o.w. Software					
Communication Services					
Utilities				←	
Real Estate					

Equities	-		0		+
Developed					
US					
Europe					
Germany			←		
UK					
France					
Spain					

Equities	-		0		+
Emerging					
Asia					
China					
LatAm					
Brazil					
Mexico					
Chile					
Colombia					
Peru					

[BBVA Equity Strategy: Equity views for the remainder of 2025 and beyond]

BBVA Fundamental Framework: ranking methodology

BBVA Fundamental Framework: in this publication, we update our framework to analyse BBVA thematic indices and BBVA European and US sector indices based on fundamental, price and technical factors. We use a blend of price momentum, valuations, quality, growth, earnings momentum and technical factors to rank various BBVA thematic strategies. The final ranking on the previous slide is the average of the individual factor score. We take the simple average in an attempt to not overfit the results.

Composite factor score: the average of price momentum, valuations, quality, growth, earnings momentum and technical factor scores.

- **Price momentum score:** we calculate the price momentum score based on the one-month, three-month, year-to-date and one-year returns of each thematic.
- **Valuation score:** we calculate the valuation score based on the 12m forward P/E, price-to-book, PE/G and EV/EBITDA ratios.
- **Quality score:** we calculate the quality score based on 12m forward ROE, profit margin, net debt/EBITDA and net debt to equity book value.
- **Growth score:** we calculate the growth score based on long-term growth estimates and earnings growth one year, two years and three years ahead.
- **Earnings momentum score:** we calculate the earnings momentum score based on the one-month, three-month and six-month change in EPS estimate for each thematic.
- **Technical score:** this is based on 14-day RSI, price vs. 50-day moving average and price vs. 52-week highs.

5. Thematic monitor

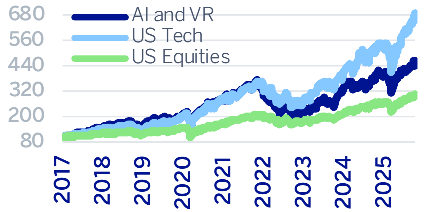
AI & Virtual Reality

Artificial intelligence is emerging as the next evolutionary leap. This refers to the exponential expansion of the predictive, problem-solving and interactive capacities of information processors built on massive data analysis capabilities. These interactions are furthered by the parallel development of virtual reality and augmented reality environments and devices, through which users can experience highly reactive cyber domains offering endless social and commercial possibilities.

The Solactive BBVA Artificial Intelligence and Virtual Reality index selects companies shaping the traits of this new generation of digital systems, creating the core infrastructure and components, enhancing their accessibility and design, and ensuring their suitability for data management.

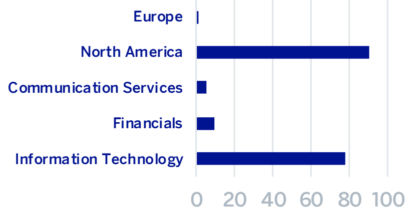
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	AI and VR	US Tech	US Equities
Price chg (1M)	1.5	5.6	4.6
Price chg (3M)	7.3	8.9	6.6
Price chg (YtD)	14.5	27.0	17.7
12m FWD PE	29.7	29.2	22.7
EV / EBITDA	19.5	21.1	15.6
12m RoE (%)	15.1	33.3	19.6
Net debt/ EBITDA	0.3	-0.2	1.1
1Y fwd Earnings Growth	28%	33%	15%
2Y fwd Earnings Growth	19%	15%	12%
Earnings Mo 1M (%)	0.2	4.8	1.1
Earnings Mo 3M (%)	2.3	10.0	2.2

Cybersecurity

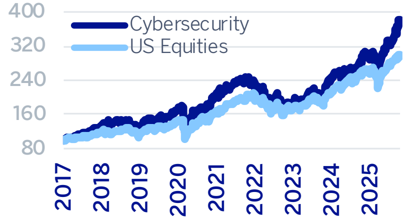
The global cybersecurity market is projected to achieve a 12.9% CAGR in 2024-30e, growing from USD245.6bn in 2024 to USD500.7bn.

The fastest-growing market subsegment is **cloud security** (estimate of 25.9% CAGR growth) due to the growing popularity of using non-PC devices to interact with core business processes.

The Solactive BBVA Cybersecurity index selects companies on the front lines of digital security, providing data protection and cyber-risk insurance, creating secure online transaction platforms and heeding the call for cyber defence, thanks to the low-latency network infrastructure and components.

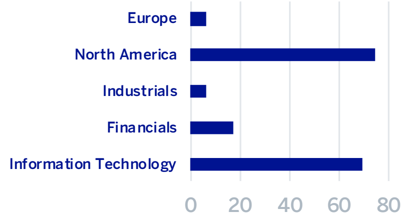
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

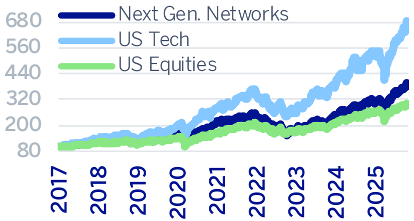
Theme	Cybersecurity	US Equities	US Tech
Price chg (1M)	5.0	4.6	5.6
Price chg (3M)	13.5	6.6	8.9
Price chg (YtD)	29.9	17.7	27.0
12m FWD PE	18.8	22.7	29.2
EV / EBITDA	14.3	15.6	21.1
12m RoE (%)	19.5	19.6	33.3
Net debt/ EBITDA	0.4	1.1	-0.2
1Y fwd Earnings Growth	35%	15%	33%
2Y fwd Earnings Growth	8%	12%	15%
Earnings Mo 1M (%)	14.1	1.1	4.8
Earnings Mo 3M (%)	22.7	2.2	10.0

Next Generation Networks

The true potential of 5G lies in the increased densification of the network that will service millions of intelligent devices for the Internet of Things (IoT), in addition to the installation of new fiber-optic sections that enable the speed and response characteristics of the new network. This should promote new business models in several industries.

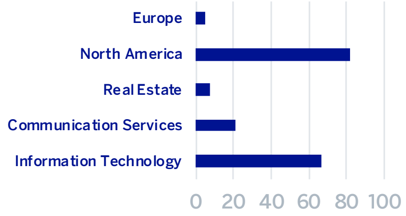
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



The Solactive BBVA Next Generation Networks index selects the leading global companies in the deployment of the 5th (and subsequent) generation of telecommunications networks.

FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Next Gen. Networks	US Tech	US Equities
Price chg (1M)	3.8	5.6	4.6
Price chg (3M)	9.5	8.9	6.6
Price chg (YtD)	28.1	27.0	17.7
12m FWD PE	21.8	29.2	22.7
EV / EBITDA	12.1	21.1	15.6
12m RoE (%)	19.4	33.3	19.6
Net debt/ EBITDA	1.5	-0.2	1.1
1Y fwd Earnings Growth	26%	33%	15%
2Y fwd Earnings Growth	16%	15%	12%
Earnings Mo 1M (%)	4.8	4.8	1.1
Earnings Mo 3M (%)	8.5	10.0	2.2

Top Trends

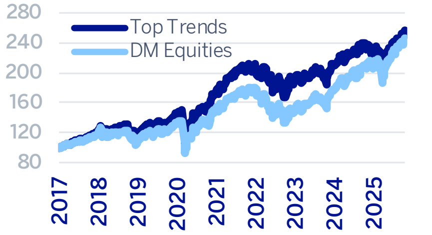
Megatrends are transformative movements and drivers that will change societies and economies in the upcoming years.

The Solactive BBVA Top Trends index selects the leading global companies from the most relevant revolutions:

- ESG revolution
- Energy Transition revolution
- Technological Breakthrough revolution
- Future Health Care revolution
- Urbanisation revolution

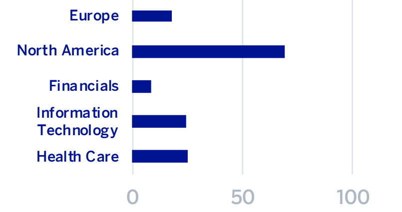
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Top Trends	DM Equities
Price chg (1M)	4.5	4.3
Price chg (3M)	7.6	6.6
Price chg (YtD)	14.8	21.0
12m FWD PE	17.6	20.4
EV / EBITDA	10.4	13.8
12m RoE (%)	14.7	16.2
Net debt/ EBITDA	1.2	1.4
1Y fwd Earnings Growth	14%	13%
2Y fwd Earnings Growth	12%	11%
Earnings Mo 1M (%)	1.4	0.9
Earnings Mo 3M (%)	0.6	2.1

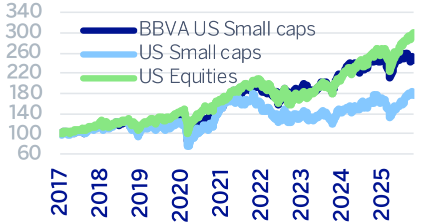
US Small Caps Select

Small-cap stocks tend to outperform large caps over time given their ability to grow more rapidly than larger companies. Moreover, most academic research finds small high-quality companies tend to significantly outperform their large-cap equivalents in a variety of economic conditions and over different time periods.

The Solactive BBVA US Small Caps Select index picks the largest highly liquid small-cap companies by sector in the US with a focus on balance sheet quality and profitability.

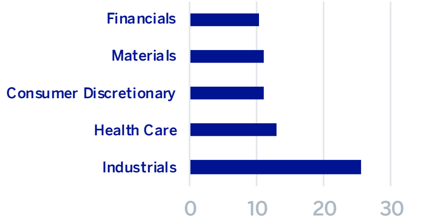
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	BBVA US Small caps	US Small caps	US Equities
Price chg (1M)	1.5	2.4	4.6
Price chg (3M)	-2.3	7.7	6.6
Price chg (YtD)	1.9	11.1	17.7
12m FWD PE	15.6	29.6	22.7
EV / EBITDA	8.8	13.1	15.6
12m RoE (%)	15.6	5.4	19.6
Net debt/ EBITDA	1.7	3.5	1.1
1Y fwd Earnings Growth	11%	-311%	15%
2Y fwd Earnings Growth	13%	-2890%	12%
Earnings Mo 1M (%)	-0.9	-12.2	1.1
Earnings Mo 3M (%)	-1.1	-13.5	2.2

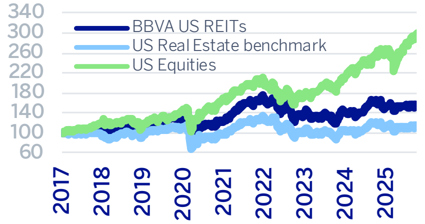
US REITs

Real Estate Investment Trusts present an opportunity to gain exposure to the real estate sector through a liquid, diversified and tax-efficient vehicle. US REITs tend to behave particularly well in periods of high inflation, acting as a safe haven, as rental fees tend to be CPI-linked.

The Solactive BBVA US REITs index selects the best-positioned US REITs that offer a recurrent dividend income source, avoid excessive financial leverage in their undertakings and provide a critical hedge against raging inflation.

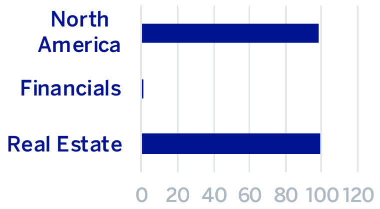
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	BBVA US REITs	US Real Estate	US Equities
Price chg (1M)	1.4	3.0	4.6
Price chg (3M)	1.9	5.0	6.6
Price chg (YtD)	1.5	4.2	17.7
12m FWD PE	32.0	36.9	22.7
EV / EBITDA	16.4	16.8	15.6
12m RoE (%)	7.6	5.0	19.6
Net debt/ EBITDA	4.9	5.1	1.1
1Y fwd Earnings Growth	5%	5%	15%
2Y fwd Earnings Growth	9%	9%	12%
Earnings Mo 1M (%)	-0.3	0.4	1.1
Earnings Mo 3M (%)	-0.3	-0.3	2.2

Health & Wellness

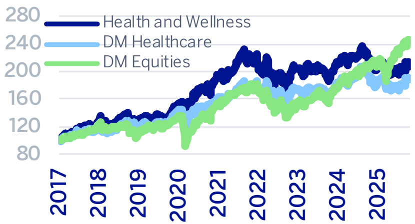
The COVID-19 pandemic impacted people's lives in every way, although it mainly prompted **global awareness about the importance of health.**

In a society long concerned with aging and health care affordability, renewed interest in disease "prevention" over "treatment" is growing rapidly, paving the way for innovative therapies and major advancements in biopharmaceuticals, medical technology and consumer care products and services.

The Solactive BBVA Health & Wellness index selects companies with human health at their core, leading the fight against infectious and chronic diseases, serving the needs of the elderly, refining health care management and favouring healthy lifestyles and well-being.

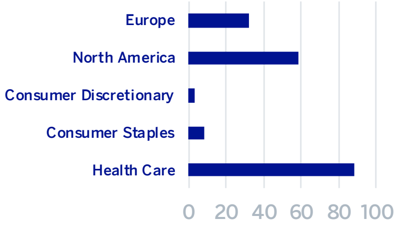
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Health and Wellness	DM Healthcare	DM Equities
Price chg (1M)	3.5	5.9	4.3
Price chg (3M)	9.2	14.9	6.6
Price chg (YtD)	6.8	13.5	21.0
12m FWD PE	16.9	17.6	20.4
EV / EBITDA	12.0	12.7	13.8
12m RoE (%)	18.5	18.9	16.2
Net debt/ EBITDA	0.9	0.9	1.4
1Y fwd Earnings Growth	9%	11%	13%
2Y fwd Earnings Growth	10%	10%	11%
Earnings Mo 1M (%)	0.1	-0.5	0.9
Earnings Mo 3M (%)	0.0	-0.6	2.1

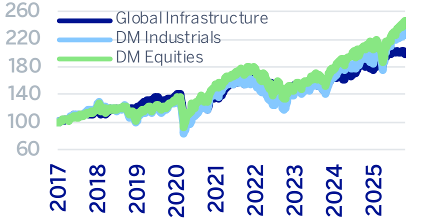
Global Infrastructure

Infrastructure companies have proven to be stable and predictable cash generators, even during economic recessions, when countries have resisted by relying on networks managed by experienced operators. These companies have been able to cover society's main sanitation, commerce and communication needs, while consolidating the cash flow obtained from their fundamental services.

The Solactive BBVA Infrastructure index selects companies that ensure the proper functioning of nations' infrastructure, optimising water and waste management, and facilitating transport flow and connectivity.

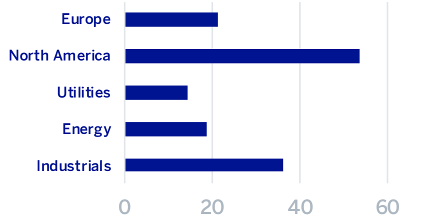
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Global Infrastructure	DM Industrials	DM Equities
Price chg (1M)	1.4	2.4	4.3
Price chg (3M)	0.4	3.0	6.6
Price chg (YtD)	13.9	24.5	21.0
12m FWD PE	18.2	22.5	20.4
EV / EBITDA	10.3	13.8	13.8
12m RoE (%)	11.2	17.1	16.2
Net debt/ EBITDA	3.4	1.3	1.4
1Y fwd Earnings Growth	11%	13%	13%
2Y fwd Earnings Growth	7%	13%	11%
Earnings Mo 1M (%)	-0.1	-0.4	0.9
Earnings Mo 3M (%)	-0.6	-1.3	2.1

Resource Scarcity

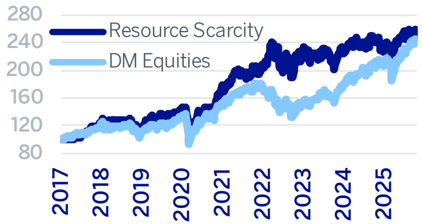
The unmatched level of human development and prosperity achieved in the last few decades has run parallel with the overuse and erosion of natural resources. These valuable resources now appear more critical than ever to the needs of a global society increasingly concerned with the effects of rapid population growth and climate change.

In this context, some firms are actively gearing their businesses to ensure the flow of these natural assets and promote maximum efficiency in their usage.

The Solactive BBVA Resource Scarcity index selects the companies harnessing nature's most unscattered riches, easing water and food supply, improving forestry and mineral harvesting, managing urban physical space and providing the energy of tomorrow.

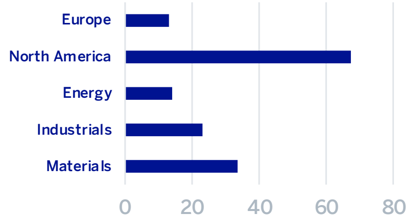
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

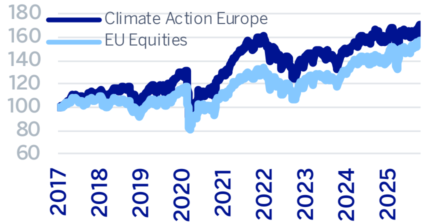
Theme	Resource Scarcity	DM Equities
Price chg (1M)	2.3	4.3
Price chg (3M)	1.7	6.6
Price chg (YtD)	12.0	21.0
12m FWD PE	20.1	20.4
EV / EBITDA	9.4	13.8
12m RoE (%)	10.6	16.2
Net debt/ EBITDA	1.4	1.4
1Y fwd Earnings Growth	17%	13%
2Y fwd Earnings Growth	13%	11%
Earnings Mo 1M (%)	0.9	0.9
Earnings Mo 3M (%)	0.7	2.1

Europe Climate Action

Solactive BBVA Climate Action PAB Europe index is a Paris-Aligned Benchmark (PAB) that invests in companies at the forefront of the climate transition based on the EU Climate Benchmarks. Complying with the minimum requirements set by the EU, our strategy goes much further. Our goal is to leverage transitional opportunities, avoiding environmental risks, and targeting an average temperature increase well below 2ºC, which is the most demanding scenario.

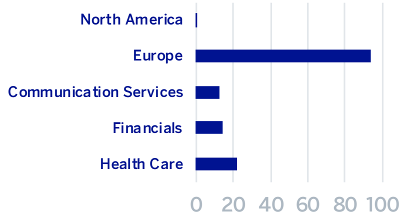
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Climate Action	EU Equities	US Equities
Price chg (1M)	1.2	4.1	4.7
Price chg (3M)	5.4	7.4	7.4
Price chg (YtD)	7.1	19.2	5.1
12m FWD PE	16.6	15.1	22.7
EV / EBITDA	9.7	10.3	15.6
12m RoE (%)	12.7	13.3	19.6
Net debt/ EBITDA	1.6	2.4	1.1
1Y fwd Earnings Growth	9%	9%	15%
2Y fwd Earnings Growth	10%	10%	12%
Earnings Mo 1M (%)	-0.6	0.4	1.1
Earnings Mo 3M (%)	-2.3	0.4	2.2

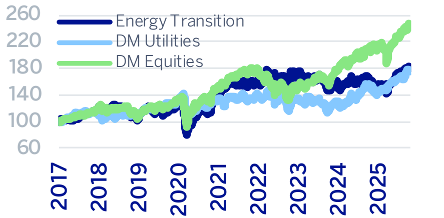
Energy Transition

The path to net-zero emissions and the growing concern about energy security are triggering a transformation in the energy system worldwide.

The cumulative investment in the energy transition and related sectors over the next three decades is expected to exceed USD190trn, with a projected +80% capex increase from 2022 to 2050 (BNEF).

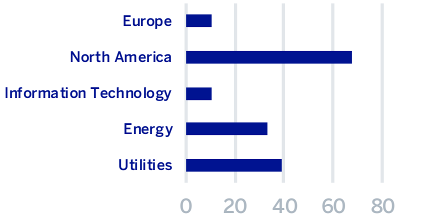
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



The Solactive BBVA Energy Transition index selects companies on the front lines of energy resources, energy generation, its distribution and storage, and enabling efficiency along the entire value chain from production to consumption.

FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Energy Transition	DM Utilities	DM Equities
Price chg (1M)	2.8	2.1	4.3
Price chg (3M)	5.2	6.9	6.6
Price chg (YtD)	22.4	29.0	21.0
12m FWD PE	18.8	17.2	20.4
EV / EBITDA	9.3	11.0	13.8
12m RoE (%)	12.1	11.1	16.2
Net debt/ EBITDA	2.3	4.7	1.4
1Y fwd Earnings Growth	13%	8%	13%
2Y fwd Earnings Growth	13%	8%	11%
Earnings Mo 1M (%)	0.5	-0.2	0.9
Earnings Mo 3M (%)	-2.7	0.4	2.1

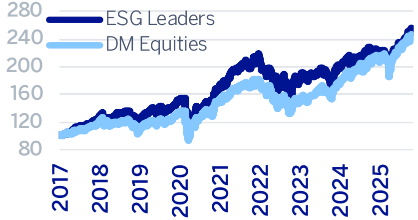
ixESG Global Leaders

The Solactive BBVA ixESG Global Leaders index offers **investors the opportunity to achieve their ESG investment goals by selecting the leading companies in ESG according to their Sustainalytics ESG rating, and includes two innovative features:**

- **Innovative dynamic exclusion of controversial activities:** thresholds for activity exclusions decrease over time (in particular for nuclear and thermal coal power generation) to 0% by 2035.
- **Fast exit rule:** companies that lose their ESG quality are excluded in a monthly review.

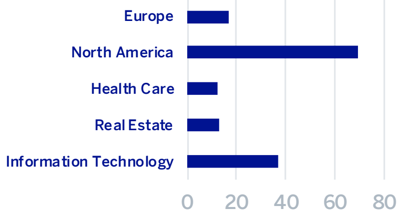
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	ESG Leaders	DM Equities
Price chg (1M)	5.0	4.3
Price chg (3M)	8.4	6.6
Price chg (YtD)	20.4	21.0
12m FWD PE	18.5	20.4
EV / EBITDA	13.7	13.8
12m RoE (%)	14.1	16.2
Net debt/ EBITDA	2.1	1.4
1Y fwd Earnings Growth	15%	13%
2Y fwd Earnings Growth	10%	11%
Earnings Mo 1M (%)	2.4	0.9
Earnings Mo 3M (%)	3.1	2.1

ixG Global Governance & Board Diversity

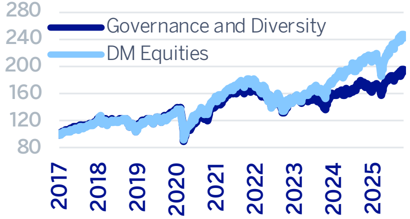
The Solactive BBVA ixG Global Governance & Board Diversity index selects the global leaders in corporate governance, according to their Sustainalytics G rating. Moreover, it overweights companies with a better diversity board score.

The components are selected according to the best Sustainalytics G rating, preserving the sectoral and country weight of its parent index.

The thresholds for activity exclusions decrease over time (in particular for nuclear and thermal coal power generation) to 0% by 2035. Companies that lose their G quality are excluded in a monthly review.

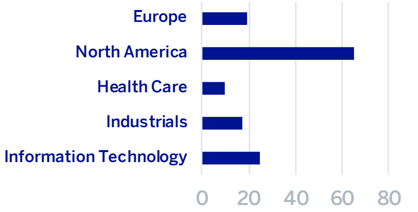
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Governance and Diversity	DM Equities
Price chg (1M)	5.3	4.3
Price chg (3M)	7.3	6.6
Price chg (YtD)	19.6	21.0
12m FWD PE	17.3	20.4
EV / EBITDA	10.9	13.8
12m RoE (%)	13.6	16.2
Net debt/ EBITDA	2.1	1.4
1Y fwd Earnings Growth	10%	13%
2Y fwd Earnings Growth	10%	11%
Earnings Mo 1M (%)	2.4	0.9
Earnings Mo 3M (%)	3.5	2.1

ixS Global Inclusive Growth

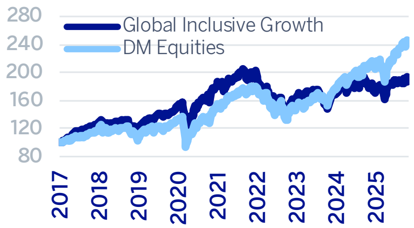
The Solactive BBVA ixS Global Inclusive Growth index offers investors the opportunity to invest in leading growth companies at a reasonable price, together with a social focus according to the UN Sustainable Development Goals with a global scope.

The index seeks firms poised for sustained, above-average earnings growth, not yet fully reflected in the stock's price, based on PEG, EV/EBITDA to EBITDA growth metrics. We emphasise companies that secure future growth through the investment cycle.

The social tilt is included in both the exclusion and weighting processes. Social UN SDGs are considered as per the ICMA Social Bond Principles Mapping (1 - 11).

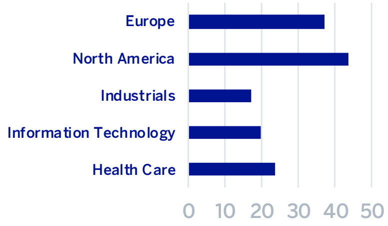
PERFORMANCE VS. BENCHMARK (s)

Source: Bloomberg and BBVA Global Markets Strategy



TOP SECTOR AND REGIONAL EXPOSURE

Source: Bloomberg and BBVA Global Markets Strategy



FUNDAMENTAL COMPARISON VS. BENCHMARK

Source: Bloomberg and BBVA Global Markets Strategy

Theme	Global Inclusive Growth	DM Equities
Price chg (1M)	1.4	4.3
Price chg (3M)	3.1	6.6
Price chg (YtD)	10.2	21.0
12m FWD PE	25.6	20.4
EV / EBITDA	15.4	13.8
12m RoE (%)	13.9	16.2
Net debt/ EBITDA	1.9	1.4
1Y fwd Earnings Growth	14%	13%
2Y fwd Earnings Growth	16%	11%
Earnings Mo 1M (%)	0.1	0.9
Earnings Mo 3M (%)	0.2	2.1

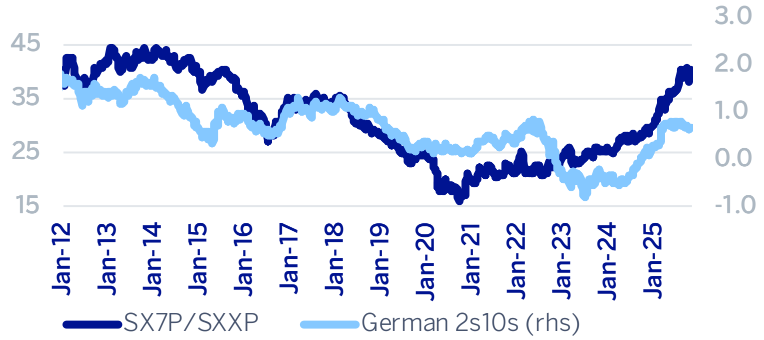
6. Sector monitor

Euro Banks

Higher-for-longer rates support the outperformance of banks: since the global financial crisis (GFC), eurozone banks have consistently underperformed European equities as Japanisation risks in the eurozone drove long-term rates lower and the yield curve flatter (until 2020). A deflationary environment tends to make it difficult for banks to generate double-digit returns on equity (ROE), as we saw in Japan previously, and in Europe post the European sovereign crisis. Since the COVID-19 crisis and the return of inflation, banks have been generating double-digit ROEs again, which have recently continued to rise above 12%. This is the first time in 15 years that banks have managed to sustain a double-digit ROE. Despite the ECB's rate cuts, we believe the era of NIRP is behind us. A positive rate environment is supportive for banks generating a healthy ROE and trade at a price-to-book above 1x sustainably. European growth has remained weak over the last two years, despite banks having managed to generate healthy profits. We believe the normalisation of European growth on the back of new fiscal spending announced in Europe should see banks continue to re-rate. The recent bond sell-off and the US election outcome have driven European banks to recuperate most of its European equity underperformance of the past decade. The continued earnings momentum and lofty shareholder renumeration is helping the sector remain the best-performing sector for the second consecutive year.

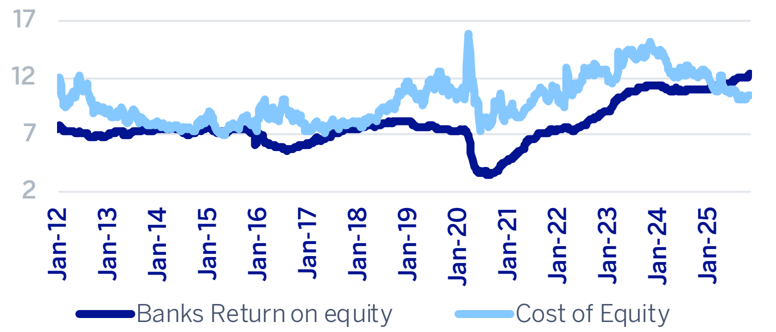
BANKS' OUTPERFORMANCE LINKED TO STEEPER YIELD CURVE

Source: Bloomberg and BBVA Global Markets Strategy



BANKS ROE HIGHER THAN COE AND LIKELY TO REMAIN

Source: Bloomberg and BBVA Global Markets Strategy

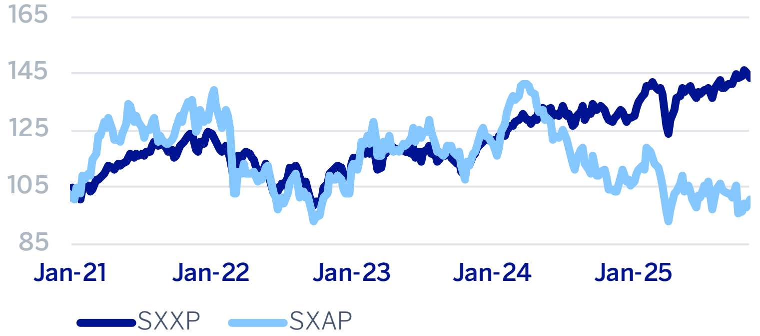


European Autos

European autos struggling from tariff threat and Chinese competition: the European autos sector has continued to underperform since 2Q last year mainly due to losing grounds to Chinese EV producers, tariff risks and a higher EURUSD. The sector has seen its 12-month forward EPS expectations halve over the last 18 months. With EPS expectations already at decade lows, the valuations have started to normalise. We believe the discounted valuation for the sector was already reflecting some of these structural earnings risks facing the sector. Since the latest earning season, EPS expectations have now started to stabilise. The sector is expected to see earnings growth next year after undergoing an EPS reset over the past two years. The fiscally supportive environment in Germany should translate into further positive EPS revisions in the medium term. In addition, the stabilisation of Chinese growth expectation should provide an additional boost for the automotive sector, which continues to generate a significant proportion of revenue from the region. Finally, BBVA's FX strategy team sees EURUSD at 1.19 by June 2026, which suggests that the bulk of FX-related headwinds could be behind us. The auto sector in Europe has the highest sensitivity to FX moves given the global nature of the supply chain. The sector has seen margin compression on the back of a higher EURUSD, the bulk of which should be behind us if EURUSD remains below 1.20.

THE EUROPEAN AUTO SECTOR HAS LAGGED MARKETS

Source: Bloomberg and BBVA Global Markets Strategy



THE EUROPEAN AUTO IS RE-RATING AFTER WEAK EARNINGS

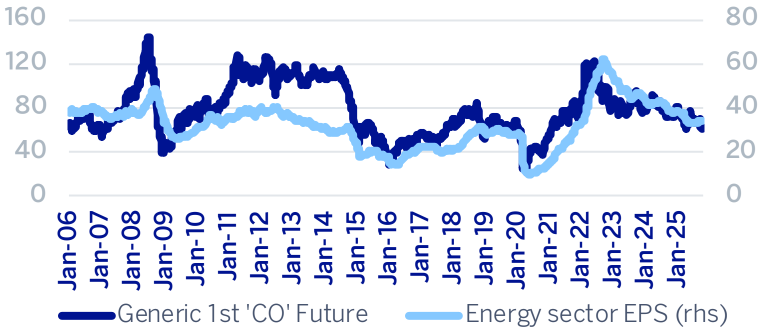
Source: Bloomberg and BBVA Global Markets Strategy

European Energy

This unloved sector could drive right tail risks: EPS in the Energy sector have been under pressure for the past three years on the back of the correction in oil prices. Energy sector earnings tend to track oil prices closely, for obvious reasons, and these then drive the relative performance of the sector vs. the market. Despite continued downward revisions in earnings, the sector has outperformed broader European equities this year. This suggests that the initial discounted valuation was already pricing in an oil price reset. The sector's relative valuation is still near its average of its 20-year history. That said, valuations are hardly a compelling argument for the sector unless we see a rebound in energy prices. The global growth outlook is particularly important for oil demand. Our US macro indicator suggests that the US economic growth remains robust. This, combined with fiscal spending in Europe and a potential growth rebound in Emerging Markets stemming from a weak USD, should drive a demand recovery in the energy sector. The positioning towards the sector remains under-owned, which makes it vulnerable to right tail risks. BBVA's Equity strategy team has a positive outlook for the European energy sector.

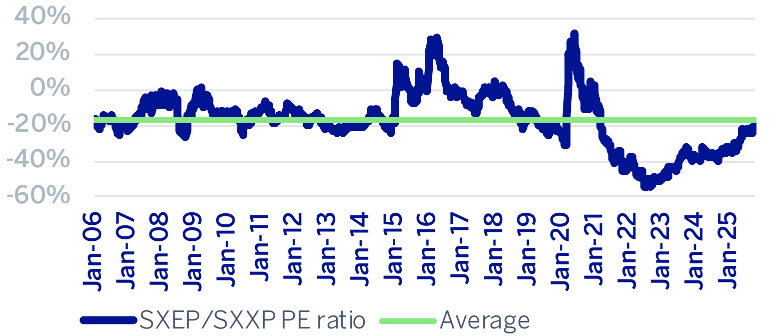
ENERGY SECTOR EARNINGS HAVE BEEN UNDER PRESSURE

Source: Bloomberg and BBVA Global Markets Strategy



THE SECTOR TRADES AT A DISCOUNT VS. EUROPEAN EQUITIES

Source: Bloomberg and BBVA Global Markets Strategy

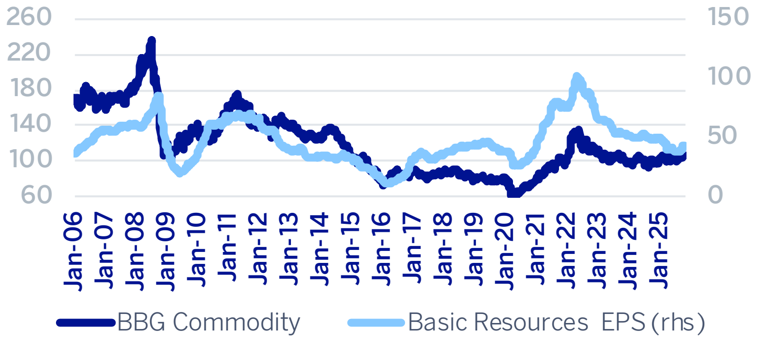


European Miners

An EPS reset leaves room for recovery: the European basic resources sector has seen a phenomenal 62% drop in EPS expectations since it peaked in 2022. The valuations gap with European equities has now normalised on the back an EPS reset, which suggests that the discounted valuations were already pricing in this reset that could be now behind us. The sector underperformed at the start of the year on the back of trade tensions. More recently, as tariff risks normalized, we have started to see the sector outperform again. With the EPS reset behind us, the sector is expected to see earnings grow again for the next two years. The global growth outlook is particularly important for the sector outlook. Our US macro indicator suggests that the US economic growth remains robust. This, combined with fiscal spending in Europe and a potential growth rebound in Emerging Markets stemming from a weak USD, should drive a demand recovery. The positioning towards the sector remains under-owned, which makes it vulnerable to right tail risks. The sector is finally seeing M&A come back with the recent deal between Anglo American and Teck, which should drive investor interest back into this sector. The sector has suffered from a lack of capex in the high-rate environment, as interest rates normalise we should start to see capex and M&A activity return. We have already seen signs of capex increases this year. The increase in Capex and M&A combined with a weak USD could reverse the sector underperformance seen over the last three years.

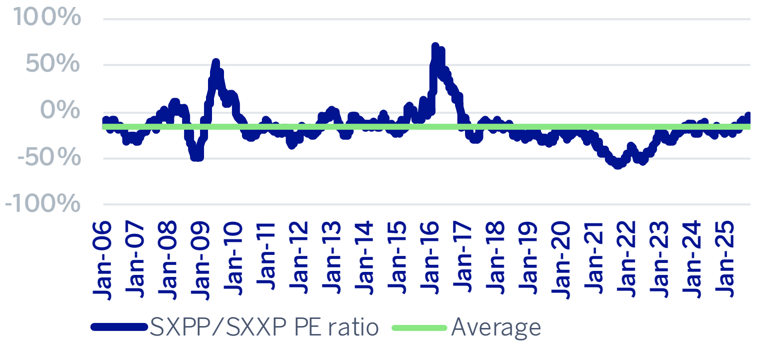
BASIC RESOURCES' EPS HAVE BEEN UNDER PRESSURE

Source: Bloomberg and BBVA Global Markets Strategy



THE SECTOR TRADES AT A DISCOUNT VS. EUROPEAN EQUITIES

Source: Bloomberg and BBVA Global Markets Strategy

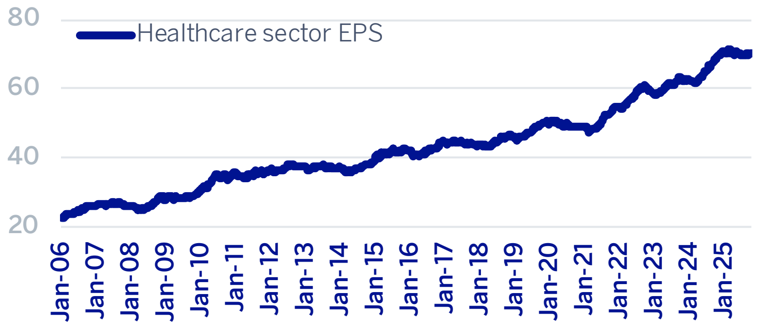


European Health Care

Quality defensive growth: European health care sector provides stable earnings growth over long periods. The sector has historically always traded at an average valuation premium of c.20% to broader European equities on the back of its defensive earnings growth potential. The valuation premium of the sector vs. broader European equities has recently fallen near its historic low levels. During the course of 2025, a stronger USD has weighed on profit margins in the sector. Furthermore, tariff risks and drug pricing risks associated with the new US administration have led to a de-rating in the sector over the past year. This is one of the sectors where our Equity Strategy team has an overweight view, both in Europe and the US. The relative valuation of the sector suggests that a lot of the political uncertainty has already been embedded into the price. Given that we expect the bearish momentum in the USD to slow compared to 1H this year, we believe margin risks stemming from FX should subside. The sector remains one of the key beneficiaries of aging demographics, particularly in Europe. Recent regulatory concerns have weighed on valuations, but high margins in this sector are necessary to fund innovation for the years to come. The sector is expected to resume earnings growth next year and, given the attractive valuations, we believe the health care sector could be one of the leading sectors in 2026.

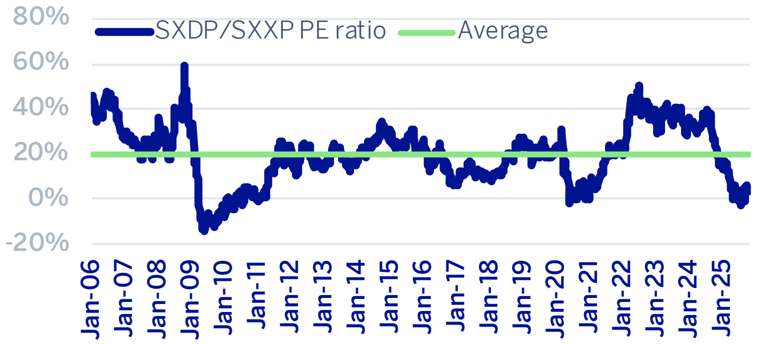
THE HEALTH CARE SECTOR DELIVERS STABLE EPS GROWTH

Source: Bloomberg and BBVA Global Markets Strategy



THE SECTOR TRADES AT ITS LOWEST RELATIVE VALUATION

Source: Bloomberg and BBVA Global Markets Strategy

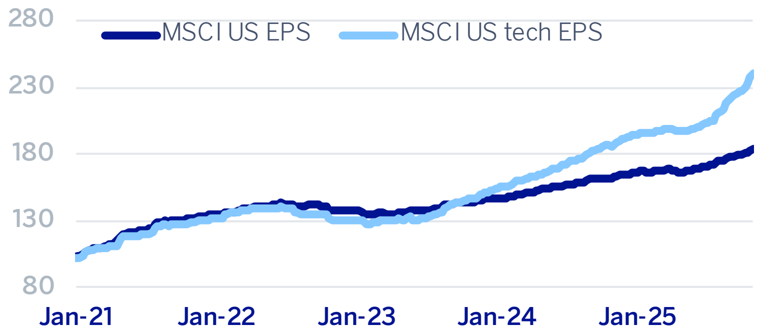


US Technology

Winner of AI boom: the US tech sector has delivered 150% EPS growth since the end of 2020 which is 2x the earnings growth in MSCI US equity. With the sector weighting currently at 33%, it has been responsible for two-thirds of the US equity earnings growth since the end of 2021. The start of AI momentum has led the sector to becoming the main beneficiary of the theme. These stocks are trading near all-time-highs with current valuations driving comparison with the late '90s tech bubble. The key difference between now and then is the fact that all the key beneficiaries are profitable and that actual tech spending continues to grow. Forrester research forecasts US tech spending will climb to USD2.7trn this year. While we expect the tech momentum to continue, the positioning and valuation in the space makes them susceptible to a higher Beta to the downside during equity market corrections. The top spenders on AI capex, such as Microsoft, Meta and Amazon, all suggest AI capex is likely to continue throughout 2025 and continue in the years to come. Given lofty valuation and over-crowded positioning, the sector remain susceptible to a correction, that said the fundamentals remain strong and the growth outlook remains robust for the sector. Missing lofty earnings growth expectations is a key risk, although so far the sector has delivered and even outperformed these lofty investor expectations.

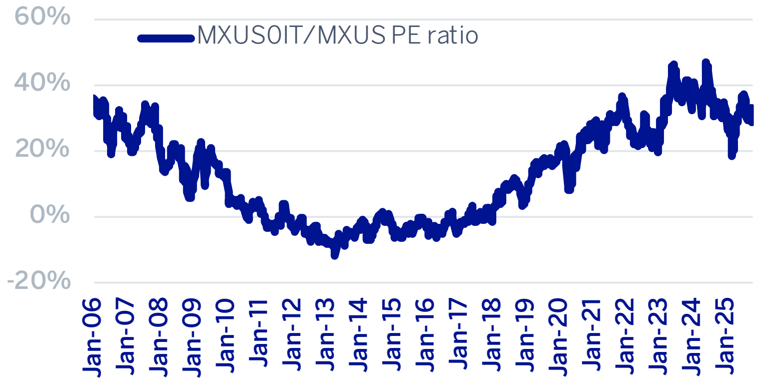
THE US TECH SECTOR HAS DELIVERED 2X US EQUITY EPS GROWTH

Source: Bloomberg and BBVA Global Markets Strategy



THE SECTOR TRADES AT LOFTY VALUATIONS

Source: Bloomberg and BBVA Global Markets Strategy

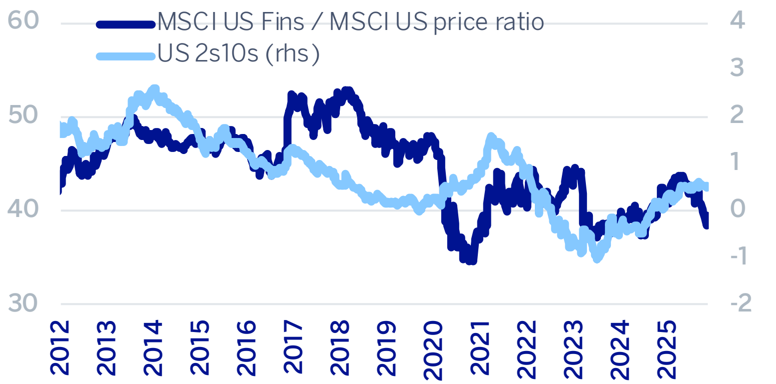


US Financials

Steeper curve helps financials: US financials have outperformed despite the US equity rally largely being considered as almost entirely driven by the tech sector. The steepness of the yield curve tends to be a leading indicator for financial sector outperformance. We see US curves remaining steep, and getting even steeper as the Fed continues on its rate cut journey. The BBVA US Macro Indicator is highlighting that the US economic growth remains robust and, in addition, our FCI indicator suggests that financial conditions remain loose. Combining both these factors, the environment is suited for an improvement in US credit growth, which in turn tends to be a healthy environment for profit growth in the banking sector. Lastly, the new US government has taken a favourable approach to banking sector regulation. For example, US treasury secretary, Scott Bessent, has emphasised that the US large-cap banks are over-regulated, which is driving a rise in private-credit markets. A supportive regulatory environment helps US financials to compete globally and generate higher profitability over the long run. The recent sector underperformance could be attributed to higher default risks, although absent economic shocks we believe US credit markets should remain healthy in 2026.

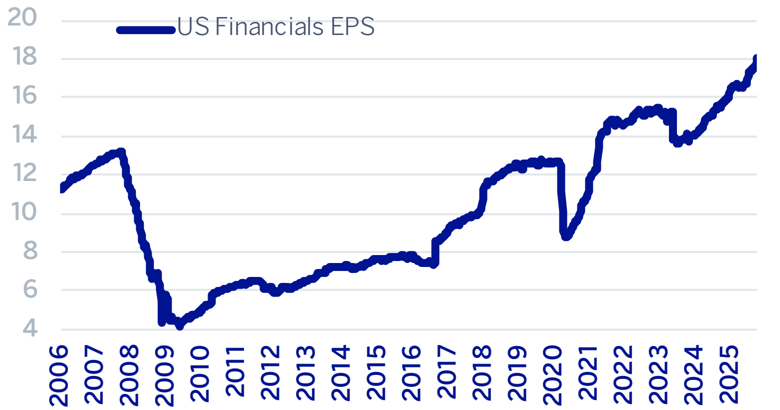
US FINANCIALS HAVE OUTPERFORMED RECENTLY

Source: Bloomberg and BBVA Global Markets Strategy



A RALLY DRIVEN BY EARNINGS

Source: Bloomberg and BBVA Global Markets Strategy

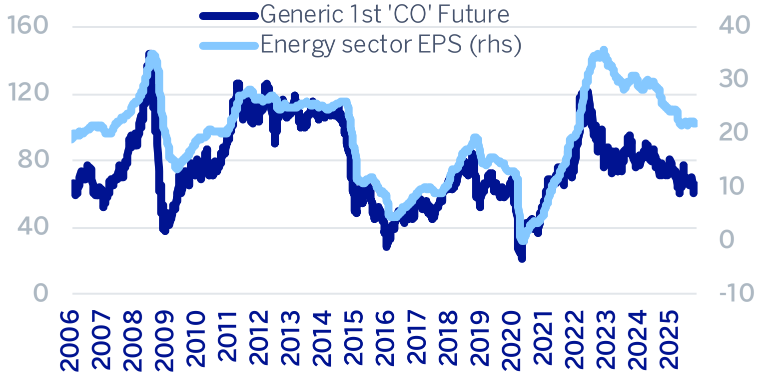


US Energy

An unloved sector could drive right tail risks: similar to their European counterparts, Energy sector EPS have been under pressure over the last three years due to the correction in oil prices. Energy sector earnings tend to track oil prices closely, for obvious reasons, and these then drive the relative performance of the sector vs. the market. The sector relative valuations remains near two-decade lows, although more driven by the re-rating of the Mag-7, which have been the main driver of US equity returns over the last three years. Valuations are hardly a compelling argument for the sector unless we see a rebound in energy prices. The global growth outlook is particularly important for energy demand. Our US macro indicator suggests that the US economic growth remains robust. This, combined with fiscal spending in Europe and a potential growth rebound in Emerging Markets stemming from a weak USD should drive a demand recovery in the energy sector. The positioning towards the sector remains under-owned, which makes it vulnerable to right tail risks. BBVA's Equity strategy team has a positive outlook for the US energy sector.

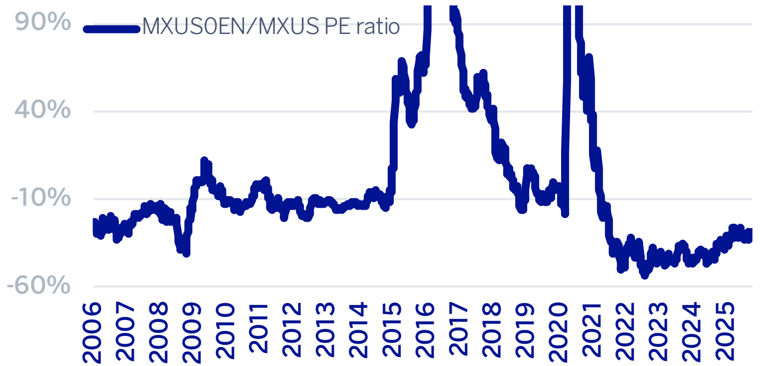
ENERGY SECTOR EARNINGS HAVE BEEN UNDER PRESSURE

Source: Bloomberg and BBVA Global Markets Strategy



THE SECTOR TRADES AT A DISCOUNT VS. US EQUITIES

Source: Bloomberg and BBVA Global Markets Strategy

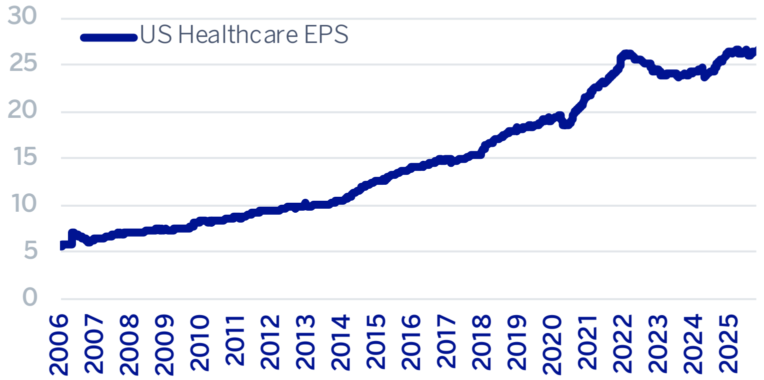


US Health Care

Quality defensive growth: similar to their European counterparts, the US health care sector provides stable earnings growth over long periods. The sector offers almost recession-proof earnings exposure, as health care needs are relatively immune to economic cycles. The valuation premium of the sector vs. broader US equities has recently fallen to near its historic low levels. During the course of 2025, the tariff risks and drug pricing risks associated with the new US admiration have led to a de-rating in the sector. This is one of the sectors where our Equity Strategy team has an overweight view, both in Europe and the US. The relative valuation of the sector suggests that a lot of political uncertainty has already been embedded into the price. The sector remains one of the main beneficiaries of aging demographics. Recent regulatory concerns have weighed on valuations, but high margins in this sector are necessary to fund innovation in the years to come. The sector is expected to resume earnings growth next year and, given the attractive valuations, we believe the health care sector could be one of the leading sectors in 2026.

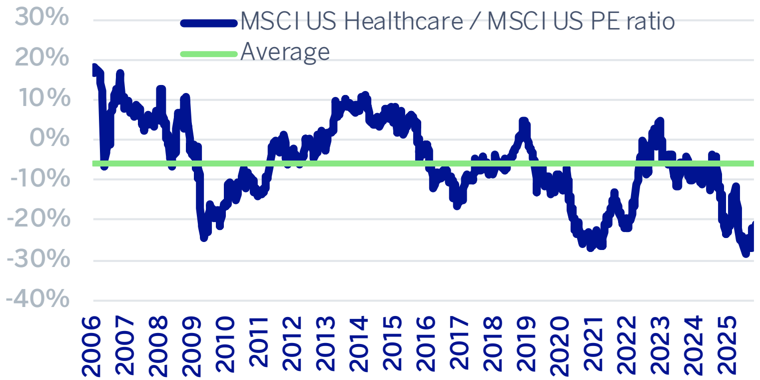
THE HEALTH CARE SECTOR DELIVERS STABLE EPS GROWTH

Source: Bloomberg and BBVA Global Markets Strategy



THE SECTOR IS TRADING AT ITS LOWEST RELATIVE VALUATION

Source: Bloomberg and BBVA Global Markets Strategy

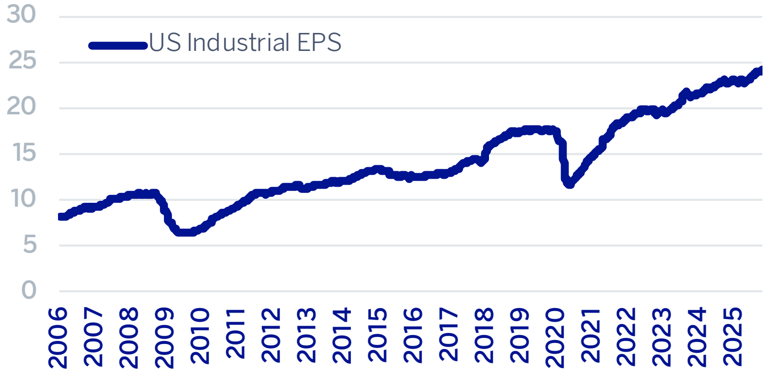


US Industrial

Cyclical exposure suited for the prevailing US macro outlook: the BBVA US Macro Indicator is highlighting that the US economic growth remains robust. Furthermore, our FCI indicator suggests that financial conditions remains loose. Combining both these factors, the environment is suited for a higher cyclical exposure to US equities. Our model suggests a high allocation to technology and the industrial sector in the current environment. The valuation premium of the sector vs. broader US equities has normalized recently from a near 15-year highs. That said, the earnings momentum in the sector is still strong, which suggests that the rally in the sector has likely been driven by fundamental earnings growth rather than valuation re-rating, and the US PMIs entering expansionary territory should help. Finally, the US government's focus to bring manufacturing back into the US should drive higher capex spending in the country, which could be another positive catalyst for the sector. The higher-for-longer tariff scenario could lead to corporate America focusing on manufacturing locally, which could also help boost industrial sector earnings.

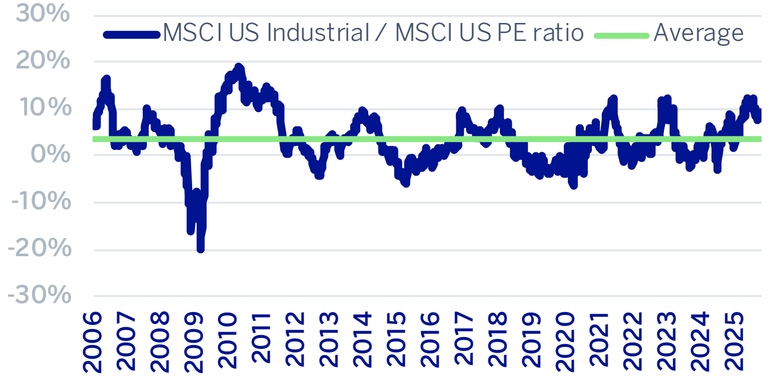
THE INDUSTRIAL SECTOR DELIVERS CYCLICAL EPS GROWTH

Source: Bloomberg and BBVA Global Markets Strategy



THE SECTOR TRADES AT HISTORICALLY HIGH VALUATION PREMIUM

Source: Bloomberg and BBVA Global Markets Strategy



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