

# 2026 Global Investment Outlook

---

# A message from Steve Peacher

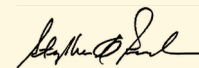
I am pleased to present our 2026 Global Investment Outlook, during a time of considerable opportunity across fixed income and alternatives. The 2025 calendar year was one of heightened uncertainty, with concerns over geopolitical conflicts, world trade and the general macroeconomic environment pervasive throughout those 12 months. These issues continue to persist now, with inflation, employment, tariffs and global security still top of mind. But we have also witnessed signs of remarkable resilience in 2025, which in my view position us well in the new year.

At the macro level, many major central banks adopted a more dovish approach toward rates in response to inflation and growth indicators. Credit spreads remained fairly tight in both the United States and Canada, due in part to sound fundamentals. Yet, yields remained high, driven by supply–demand dynamics in the markets.

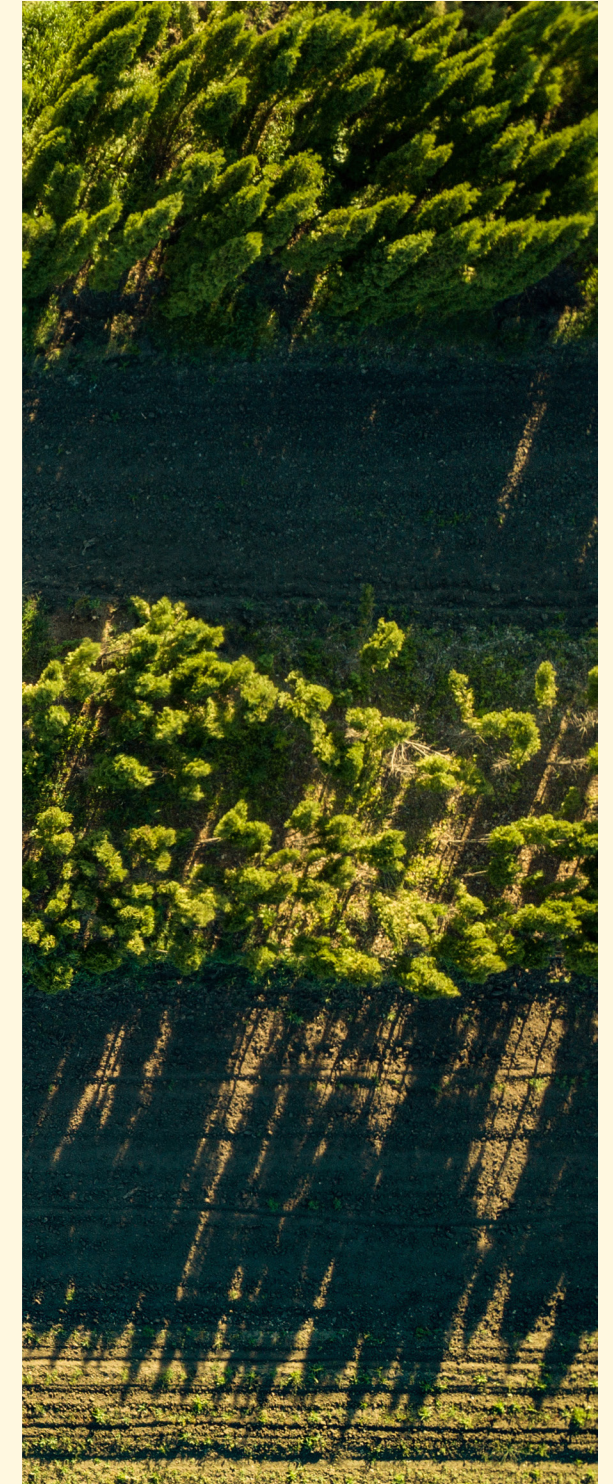
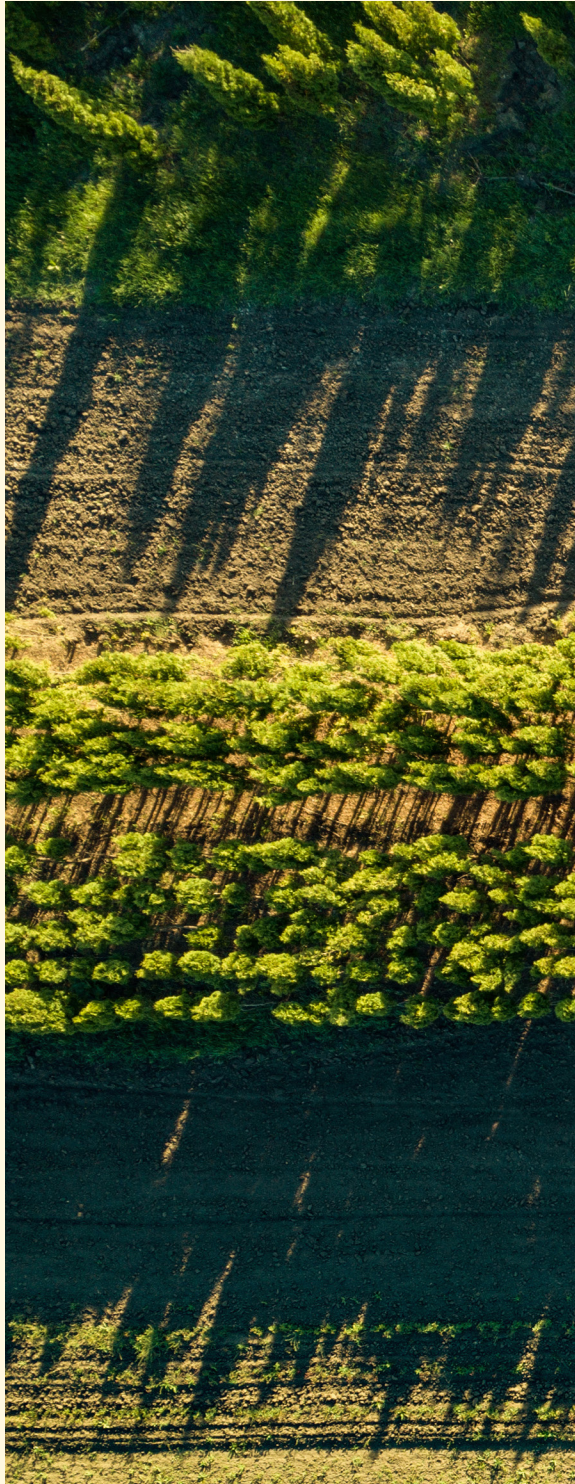
Against this backdrop, much remains unclear as we head deeper into 2026. Macroeconomic conditions may not be as conducive to further rate decreases. Corporate fundamentals may weaken. A shift in the supply–demand balance could impact spreads in credit sectors. And as in past years, unpredictable geopolitical events could significantly change the investment landscape.

I believe that whatever the new year holds for institutional investors, it has the potential to create opportunities within a variety of asset classes. Investment grade and non-investment grade fixed income, private credit, real estate and infrastructure each have their own unique strengths and resiliency no matter market conditions, which is why I'm particularly excited to share our collected insights for 2026. Our investment specialists provide their unique perspectives in this report, which I hope you will find valuable in your own approach to investing in the months ahead.

Best wishes for 2026,



Steve Peacher  
Executive Chair, SLC Management



# Macroeconomic outlook

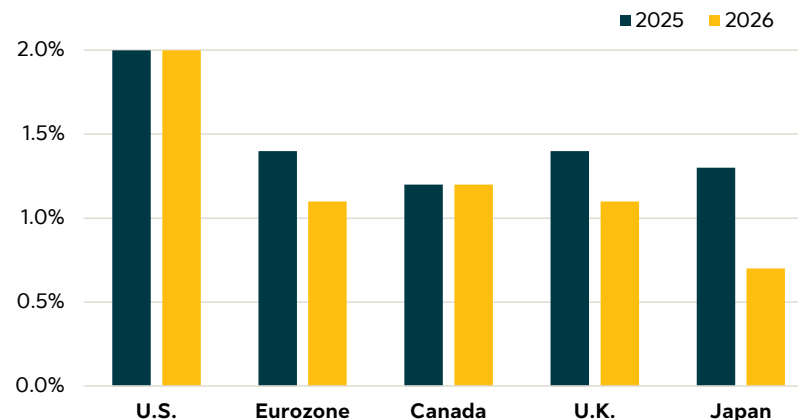
Economic uncertainty to be a theme for 2026, with central banks contending with competing pressures

## Amid cracks, growth to hold up

If there is one word to describe what we generally saw across the world last year, it was “resilience.” And forecasters are banking on much of the same in 2026. In the face of tariffs and growth scares, countries, businesses and households found ways to manage and mitigate several shocks last year. But this year we are in a more fragile state.

This is true particularly in the U.S., where hiring is slowing, wages are cooling and layoffs are starting to pick up. Part of the layoff pressure is from companies who over-hired during COVID. Some of it is from those trimming headcount to offset tariffs, and some of it is from AI productivity, or its promise. For example, workforce analysis from Revelio Labs estimates that entry level jobs that require some college education are down 35% from January 2023. A big part of that is AI challenging the need for those jobs, or at least is forcing companies to rethink and wait on hiring decisions.

## GDP growth outlook for major economies



Source: Bloomberg monthly survey, 2025. The above forecast is based on estimates and there is no guarantee that the estimate will be achieved.

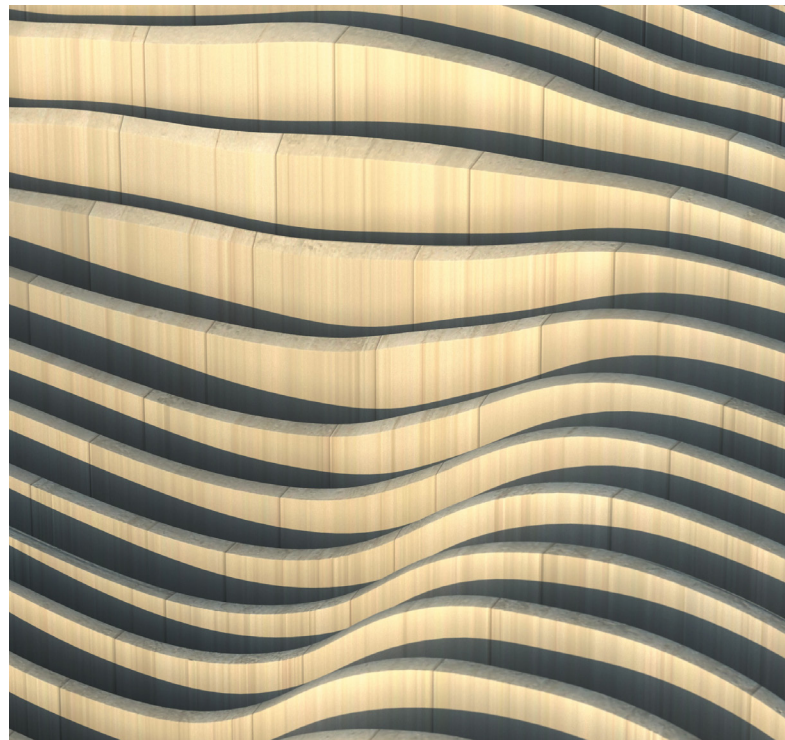


Dec Mullarkey

Managing Director, Investment Strategy and Asset Allocation

However, despite some of this deterioration there is some stimulus in the works. The softening labor market is pushing the U.S. Federal Reserve to cut rates even as inflation stays high. And benefits from tax cuts and less onerous regulations should start to kick in next year. Household and company balance sheets are in good shape. And markets generally remain optimistic about growth and earnings.

The U.S. economy is a mixed dashboard with a lot of solid fundamentals. But policymakers need to remain attentive to the health of the labor market and stubborn inflation, and act as needed to keep things in balance.



## U.S. has an inflation problem, China a deflation challenge

Across North America, 2026 GDP growth is expected to hit 2%, with Canada delivering around 1.2%. Canada has made a lot of progress in arresting inflation, while the U.S. is still struggling to contain it and will likely take well into 2027 to get closer to its target.

Meanwhile, the eurozone is expected to post growth of around 1.4% with China delivering 4.5%. Inflation is well contained in the eurozone. In China, prices are falling and have been for a while, as large government perks have led to overproduction while domestic demand remains weak.

However, China’s exports have proven more robust than anticipated as the country persuades the U.S. to hold off on tariff threats and continue negotiating. While China’s exports to the U.S. are down over the year, its global exports are up as it increases trade to other areas, particularly Africa. Nevertheless, we expect China’s domestic demand and inflation to remain relatively muted this year.

## Eyes on the Fed while the BoC and ECB are more settled

Markets expect the Fed to cut rates twice this year and then stall. While the Fed wants to cut rates to a level that is more consistent with sustaining long-term growth, stubborn inflation complicates any rush to get there. Inflation is running hot while job creation cools. With both moving in opposite directions, the Fed is conflicted – helping one may potentially exacerbate the other. But for now, it seems more concerned about labor weakness.

Meanwhile the Bank of Canada has made steady progress on bringing inflation under control. While Canadian growth has slowed, as tariff policy still hangs over markets, expectations are for a return to more normalized growth levels in the second half of the year. The European Central Bank also finds itself in a comfortable place as inflation stabilizes and overnight rates settle close to target.

# Macroeconomic outlook (cont.)



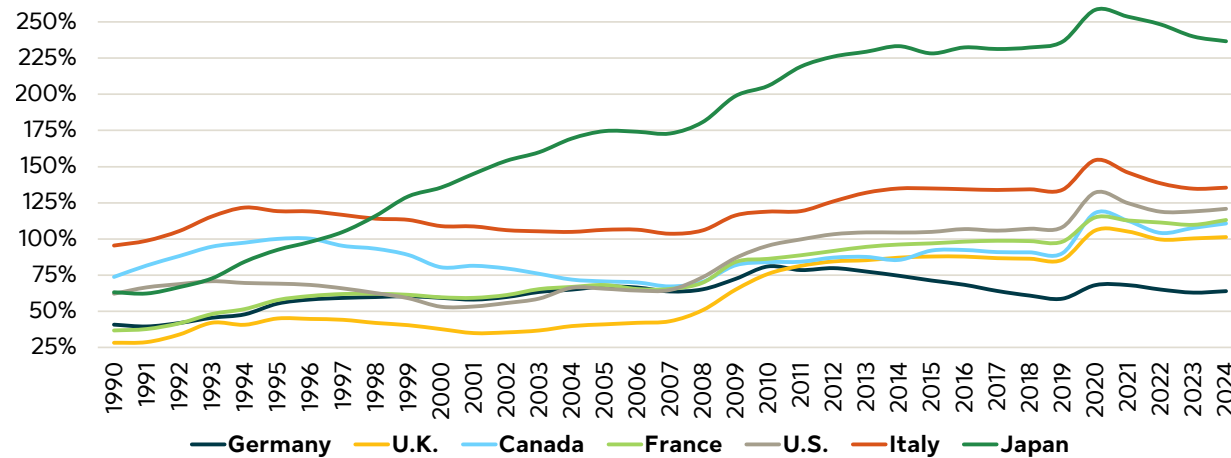
**Dec Mullarkey**  
Managing Director, Investment Strategy  
and Asset Allocation

## Sovereign debt levels running high

The global debt burden keeps growing as politicians continue to win elections by touting populist agendas and increasing spending. Japan is the most recent case. Here, the traditional party that had held sway for decades lost ground to parties that promised tax breaks and perks.

While that playbook may win elections, bond investors see it as troubling, with debt levels continuing to grow. Japan is not alone. Its global peers, including the U.S., are in the same boat. Markets are already reacting. Rates on 30-year debt across the G7 are high. And governments now need to be more tactical when issuing bonds as investors are showing less appetite for longer term debt, in our view. There is no definite debt level at which markets lose confidence in a developed economy. But the longer deficits persist and governments lack fiscal discipline, the more expensive borrowing becomes and starts to hamper economic growth.

## Gross government debt to GDP %



Source: International Monetary Fund, 2025.

## Key takeaways

- Following a resilient 2025, the new year could see some lingering macroeconomic concerns come to the fore.
- The Fed might find itself caught between inflation and growth, but for now seems to be leaning toward stimulating a weak labor market.
- Public debt levels remain a concern for 2026 and beyond.



Sources: Bloomberg, Revelio Labs, Financial Times, 2025–6.

# Fixed income: investment grade

Credit markets to feel effects from strategic growth shift, market volumes and corporate fundamentals

## Spreads could widen on increased issuance

Strong fundamentals and technicals drove credit spreads to their tightest levels in decades in 2025. Despite the uncertainty of tariffs, corporate revenue and growth in earnings before interest, taxes, depreciation and amortization (EBITDA) remained strong in 2025, giving support to tight spreads for most of the year. Investment grade (IG) companies have also been strengthening their balance sheets since 2021, with many companies reducing their debt and practicing constraint with capital expenditures, mergers and acquisitions and shareholder returns.

Growth in debt levels has been modest over the last couple of years as a result. We expect earnings growth to remain strong in 2026 amid a relatively stable macro environment. However, with many companies achieving their debt reduction targets, the focus will turn to strategic growth through investment and mergers and acquisitions (M&A). While we don't expect significant degradation of credit metrics, debt issuance may surprise to the upside, possibly exceeding street research estimates of close to US\$1.8 trillion, increasing from around US\$1.6 trillion in 2025. This will be largely driven by hyperscalers' investments in AI and M&A activity. Some street estimates show issuance from AI investments will increase 100%–150% in 2026 from the approximate US\$120 billion of supply in 2025. Meanwhile, supply from M&A deals could increase 25% in 2026 from 2025's levels of close to US\$175 billion. The increase in supply could be a significant catalyst for credit spreads to push wider as investors demand more compensation to absorb the higher supply and for weaker balance sheets.

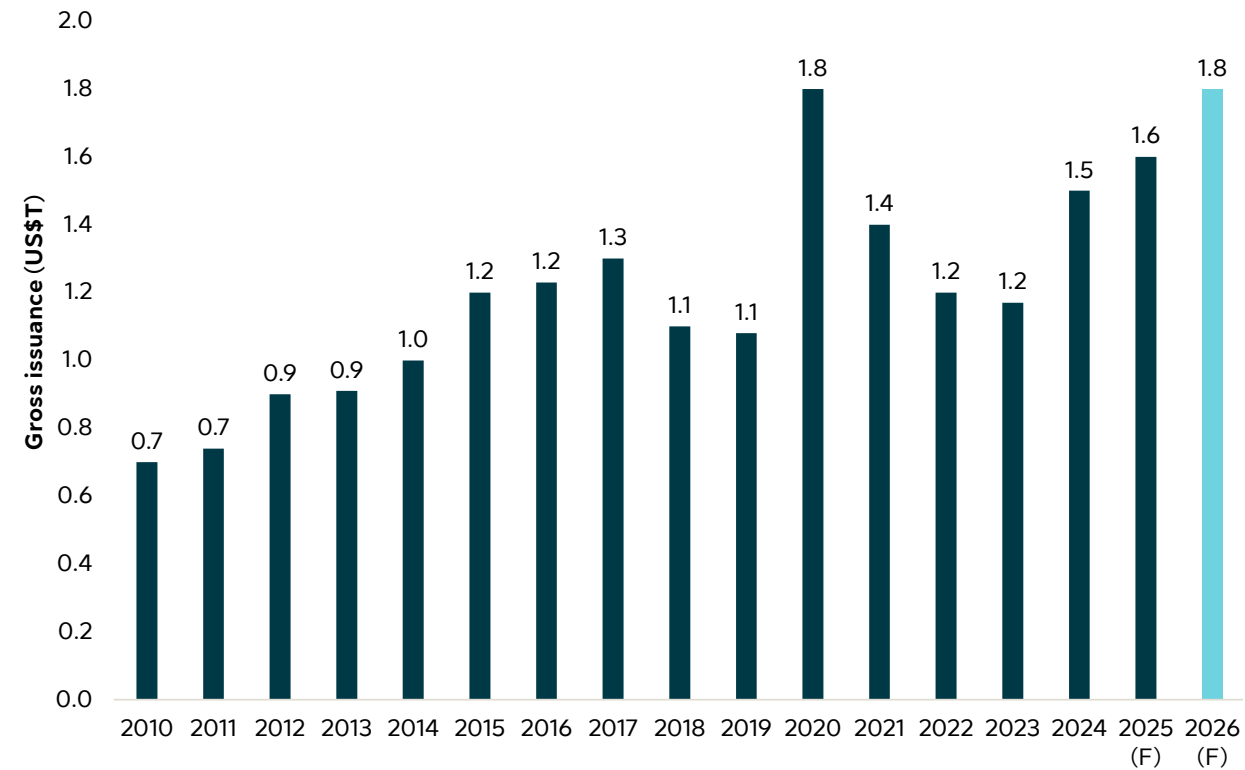


**Rich Familetti**  
CIO  
U.S. Total Return Fixed Income



**Shera Abella**  
Senior Director and Credit Analyst,  
Asset Management

**Gross issuance expected to rise in 2026**



Sources: J.P. Morgan, Dealogic, 2025. The above forecast is based on estimates and there is no guarantee that the estimate will be achieved.



# Fixed income: investment grade (cont.)



**Rich Familetti**  
CIO  
U.S. Total Return Fixed Income



**Shera Abella**  
Senior Director and Credit Analyst,  
Asset Management

## Institutional, foreign investors should stabilize IG demand

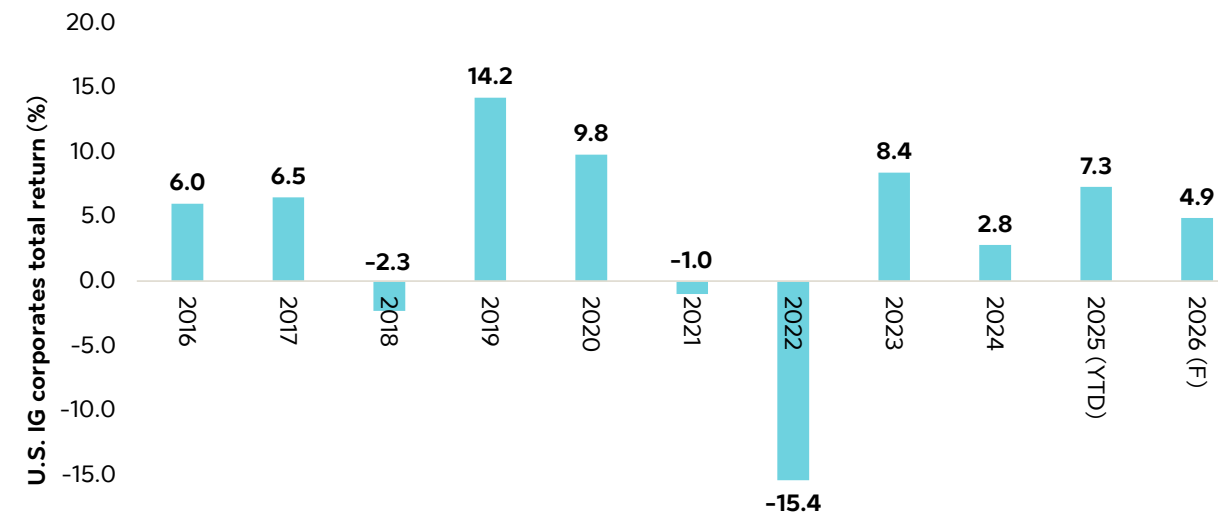
Investor demand for IG credit was very robust in 2025 as yields remained high at around 5% or more. In recent months, yields have slightly declined as the U.S. Federal Reserve continued to cut interest rates in September and October. The outlook for 2026 includes another 2–3 rate cuts, which could contribute to a steeper spread curve as the long-end yields remain elevated. This could lead to lower hedging costs for foreign investors, possibly leading to growth in demand. That could depend on yields looking more attractive than what foreign investors can earn from other sovereign bond yields.

Domestic institutional demand should be stable in 2026 as long-end yields remain attractive. We expect high all-in yields to continue to support annuity sales, as it has for the last couple of years, creating a positive technical for the IG market as proceeds from annuities are typically invested in IG credit. As for retail demand, this may be lower compared to 2025, as spreads prevail at their historically tight levels and will limit returns for 2026. Street estimates predict a lower total return in 2026 compared to 2025, possibly resulting in slightly lower retail inflows into the IG market. Generally, we expect investor demand to be resilient, albeit moderately weaker compared to 2025.

We expect a relatively stable macro environment in 2026, with many of the concerns that worried investors in 2025 fading. However, we expect credit spreads will likely widen in 2026 from currently tight levels, driven by weakening fundamentals, substantial growth in bond issuance and stable investor demand. This should be balanced by continued high all-in yields and positive total returns.

Some risks to our outlook include weaker than expected growth and/or employment figures that may precipitate more Fed cuts and lower yields overall, possibly leading to much wider credit spreads and lower demand for fixed income.

### 10-year Treasury yield forecasts U.S. IG total return for 2026



Sources: BofA Global Research, ICE Data Indices, LLC, November 2025, with measurements and forecasts based on the ICE BofA U.S. Corporate Index. The above forecast is based on estimates and there is no guarantee that the estimate will be achieved.

## Key takeaways

- Amid solid fundamentals, corporations may shift to strategic growth investment in 2026.
- Credit spreads could widen on increased issuance and weakening balance sheets.
- IG credit demand should remain stable on inflows from foreign investors and the domestic institutional market.

# Fixed income: non-investment grade

Policy moves create credit-friendly conditions, but sovereign debt levels a concern

## Rate cuts in inflationary environment could have impact

The U.S. Federal Reserve resumed rate cuts in 2025 even as inflation has remained stubborn. Amid the justified macro concerns over these policy moves, we believe there is potential for lending markets to get a major boost from the resultant easing environment. This could be especially pronounced when policy meets the effects from other stimulative actions, such as the One Big Beautiful Bill, a lighter regulatory backdrop and potential growth in merger-and-acquisition activity.

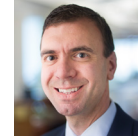
In our view, the ingredients are in place for an extended credit cycle and a growth-friendly landscape. Factors such as AI-driven productivity gains, possible resilience in the Chinese economy and supportive technicals could combine with policy and stimulus for a promising scenario for fixed income investors.

## Long-term interest rates sensitive to debt

However, the bias of major economies around the globe toward increasing debt remains a concern that echoes across bond markets. To gauge how sensitive long-term interest rates are to rising levels of government debt, the International Monetary Fund (IMF) recently analyzed U.S. fiscal history.

Their findings suggest that during periods of weakened fiscal discipline, a 10% increase in the debt-to-GDP ratio is associated with a 20–30-basis point (bp) rise in long-term interest rates. With U.S. debt-to-GDP projected to increase by roughly 20% over the next decade, this relationship implies as much as 60 bps in additional borrowing costs.

How quickly this premium emerges depends largely on how inevitable markets believe the fiscal trajectory to be. Efforts to restore discipline could help stabilize rates, while policy inaction may prompt investors to demand higher yields more quickly.

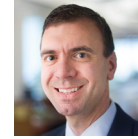


John Fekete

Managing Director and Head of Tradeable Credit



# Fixed income: non-investment grade (cont.)



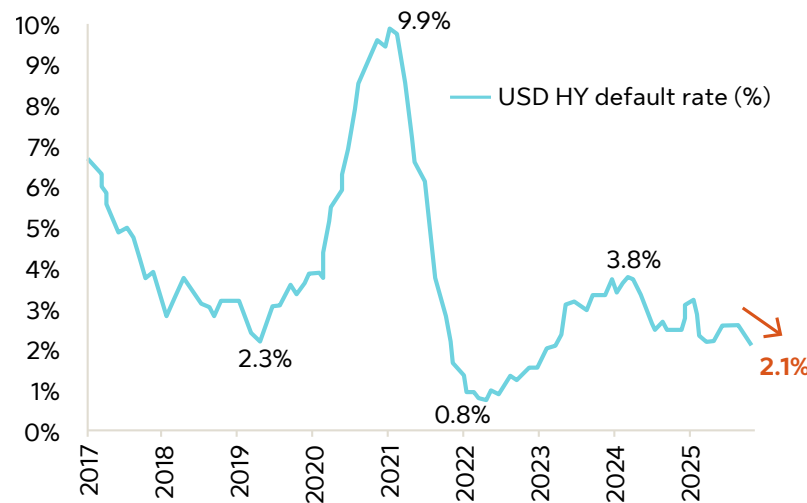
**John Fekete**  
Managing Director and Head of Tradeable  
Credit

## Fundamentals, technicals remain supportive

Low net supply and relatively high yields continue to provide strong technical support for private credit, high-yield bonds and syndicated senior loans. Most borrowers maintain healthy cash flows, allowing them to remain current on their obligations. The Federal Reserve Bank of Atlanta's GDPNow model tracked a robust +3.9% growth rate in December 2025, reinforcing the strength of the broader economy.

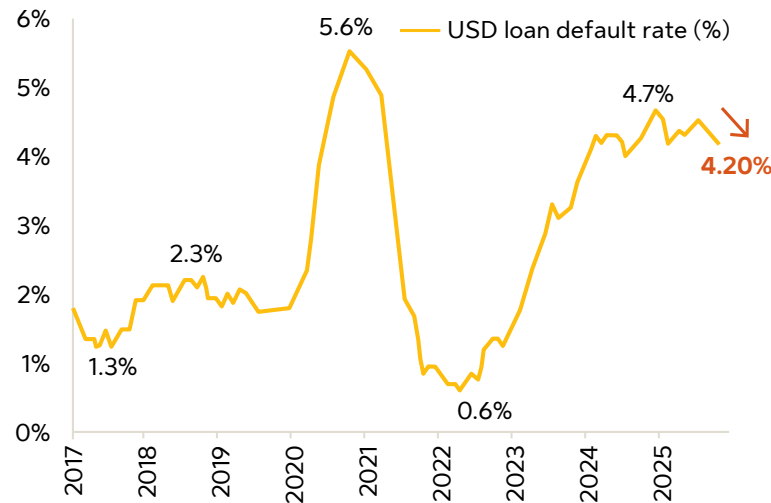
Consequently, signs of stress across credit markets remain limited. Default rates for both high-yield bonds and syndicated loans have declined in 2025. Should the Fed acknowledge what appears to be a weakening labor market, growth could accelerate further, extending the current credit cycle expansion.

### Lowest high yield issuer default rate in over two years



Sources: BofA Macro Credit Daily Comment (HY October Recap, Loan October Recap), 2025.

### Loan issuer default rate saw another tick down



## Key takeaways

- The Fed's rate cuts, amid stubborn inflation, could combine with other stimulative factors to boost credit markets.
- Sovereign debt levels remain a concern, with historical data indicating sensitivity of long-term rates to debt increases.
- Market conditions at the beginning of 2026 were favourable for private credit, high-yield bonds and syndicated senior loans.

Sources: IMF, BofA, Bloomberg, 2025-6.

Crescent makes this document available for informational purposes only and should not be used for any other purpose. The information contained herein does not constitute and should not be construed as an offering of advisory services or an offer to sell or solicitation to buy any securities or related financial instruments in any jurisdiction. Nor is the information intended to be nor should it be construed to be investment advice.

Certain information contained herein concerning economic trends and performance may be based on or derived from information provided by independent third-party sources. The author and Crescent believe that the sources from which such information has been obtained are reliable; however, neither can guarantee the accuracy of such information nor have independently verified the accuracy or completeness of such information or the assumptions on which such information is based.

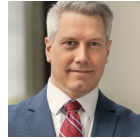
# Private credit: investment grade

Deal pipeline looks to remain robust, with potential opportunities across IG sectors

## Primary market sets record, secondary steps up

The 2025 investment grade (IG) private credit market was another record year of new investment activity despite ongoing macro uncertainty around tariff- and policy-related headlines. Following 2024's record volume of US\$125 billion, 2025 primary IG private credit activity is estimated at US\$170 billion, reflecting a notable 36% year over year increase. It was an interesting year characterized by the U.S. Federal Reserve's prolonged rate cut pause in early 2025 then shifting to a cumulative 75 basis points in rate cuts in the second half of the year. At the same time, public corporate spreads saw continued compression, hovering near all time lows. Meanwhile, private credit spreads offered attractive liquidity and complexity premiums while still providing attractive all in borrowing costs, supporting borrower deferred refinancing activity, capital investment and acquisition financings among high quality issuers.

Once again, the IG private credit market proved capable of facilitating large financings. Overall, there were more than 39 transactions raising over US\$1 billion dollars each, surpassing last year's 19 deals. The largest transactions were in the digital infrastructure space, with proceeds used to support the build out of mega data center campuses. We also saw stronger demand for delayed funding tranches, which increased by ~88% to roughly US\$20 billion in 2025, showcasing the flexibility that the private market can offer. Beyond digital infrastructure specifically, industrials had another strong year, leading the charge in issuance with financials and utilities having similarly strong years. Fund financing strategies such as net asset value (NAV) and subscription-line facilities played an increasingly central role for general partners, becoming a core liquidity and execution tool to bridge liquidity or fund accretive growth.



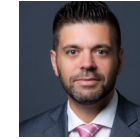
**Andrew Kleeman**

Senior Managing Director,  
Co-Head of Private Fixed Income



**Elaad Keren**

Senior Managing Director,  
Co-Head of Private Fixed Income



**Valter Lourenco**

Managing Director, Private Fixed  
Income

While materially smaller than the primary issue market, the secondary market has become an increasingly active part of the broader IG private credit ecosystem. This market is increasingly used by investors to rebalance portfolios, manage liquidity and access new opportunities. Secondary trade volumes from the largest brokers have typically been estimated at US\$3 billion to US\$4 billion annually. In 2025, a new broker entered the investment grade private credit secondary market, pushing estimated total annual volume to about US\$5 billion.

## 2026's outlook – momentum and duration demand

The 2025 calendar year was a marquee period in many ways for the IG private credit market. As we look ahead, 2026 is well positioned to build on 2025's momentum, in our view. This is despite the market possibly continuing to experience broad, periodic volatility driven by global geopolitical risk and economic policy uncertainty. The pipeline for new deals is expected to remain strong as issuers seek to take advantage of refinancing windows and favorable yield conditions. We expect the expansion of the IG private credit market to continue benefiting from several structural tailwinds. Borrowers are increasingly focused on diversifying funding sources while prioritizing execution certainty. At the same time, bank balance sheets remain constrained by higher capital and liquidity requirements, making the IG private credit market an attractive alternative – particularly for longer dated, fixed rate financing solutions.

Sector leaders for volume in 2026 should again include industrials and financials, with digital infrastructure (data centers, cell towers and fiber) remaining a key growth driver as the data center build out accelerates alongside associated capital investment. Demand for fund finance structures and asset backed securitizations is anticipated to remain robust, particularly among high quality, non-cyclical borrowers seeking to broaden and diversify their access to various funding markets.

Barring any unforeseen macroeconomic shock, public spreads are anticipated to remain under pressure, while IG private credit markets are expected to continue providing excess spread over the public market. We believe attractive risk adjusted returns available to experienced investors with scale and deep sector expertise are expected to continue to anchor the growth of IG private credit activity in 2026.

## Key takeaways

- The 2025 calendar year saw another record in new investment, with notable results in large financings.
- Digital infrastructure was the source of the largest transactions, driven by the build out of data centers.
- We expect the new deal pipeline to remain robust in 2026.

Source: Private Placement Monitor, 2025–6. Investment grade credit ratings of our private placements portfolio assets are based on a proprietary, internal credit rating methodology that was developed using both externally purchased and internally developed models. This methodology is reviewed regularly. More details can be shared upon request. There is no guarantee that the same rating(s) would be assigned to portfolio asset(s) if they were independently rated by a major credit ratings organization.

# Private credit: non-investment grade

Navigating private credit with discipline in a divided market

## A promising investment backdrop, requiring diligence and discernment

As we head deeper into 2026, the U.S. private credit market – particularly the core and lower middle market direct lending segments – continues to demonstrate resilience and relevance. In a macro environment still defined by elevated interest rates, geopolitical uncertainty and structural shifts in capital formation, private credit remains an attractive source of risk-adjusted returns. However, success will increasingly hinge on discernment, selectivity and a disciplined approach to underwriting and manager selection, in our view.



## Resilience in core and lower middle market direct lending

We believe the current environment plays squarely to the strengths of the private credit asset class. With base rates still elevated relative to historical standards and volatility across public markets persisting, private credit can offer investors an attractive yield premium with reduced market-to-market risk. Core and lower middle-market strategies in particular can continue to deliver:

- Elevated all-in yields, supported by floating-rate structures and modest leverage.
- Robust creditor protections and tighter documentation.
- Strong information rights, enabling more active monitoring and engagement.
- Premiums to broadly syndicated loans and public credit, without sacrificing structure or transparency.

These structural advantages are reinforced by a market we see as continuing to favor scaled, relationship-driven lenders capable of delivering certainty of execution to financial sponsors.



Chris Wright  
President

## Deal flow normalization continues; quality remains bifurcated

After a prolonged period of dislocation and suppressed merger-and-acquisition activity, deal volumes meaningfully rebounded in the back half of 2025, and the pipeline remained active heading into 2026. A resurgence in sponsor-backed activity, driven by ample dry powder and improved valuation alignment, is fueling growth in direct lending opportunities.

However, credit quality is increasingly bifurcated. The best-in-class borrowers, those with strong recurring revenue, cash flow visibility and defensible market positions, continue to attract competitive terms. In contrast, second-tier credits are struggling to clear without structural enhancements or pricing concessions. Sector-wise, technology, health care and services remain some of the most active and attractive verticals, benefiting from secular trends such as digitization, value-based care and outsourcing.

The secular shift in capital formation toward private credit remains intact. Private equity sponsors appear to increasingly prefer the speed, certainty and flexibility of direct lenders over traditional syndicated channels, further reinforcing the strategic role private credit plays in middle-market lending.



Chris Wang  
Managing Director

## Macro and geopolitical headwinds – known unknowns

While fundamentals remain strong, investors must navigate an increasingly complex set of macro and geopolitical risks:

- Policy shifts in the era of Donald Trump, including trade tariffs, tax reform and deregulation, are impacting underwriting across sectors.
- Geopolitical tensions, including in Eastern Europe and the Middle East, are adding risk to global supply chains and business sentiment.
- The regulatory environment continues to evolve, introducing new variables into underwriting and risk assessment.

Amid this uncertainty, credit managers must invest with intention and underwrite to downside scenarios, focusing on cash generative businesses with pricing power and strong sponsors capable of supporting their portfolio companies through market dislocations.

# Private credit: non-investment grade (cont.)



Chris Wright  
President



Chris Wang  
Managing Director

## Rising dispersion; growing importance in manager selection

Perhaps the most important theme for 2026 is the growing dispersion across manager performance. As beta-driven strategies come under pressure, performance is increasingly being driven by manager-specific factors: sourcing depth, underwriting discipline and portfolio construction rigor.

Recent dislocations – ranging from some highly publicized, idiosyncratic defaults to increasing non-accruals and payment-in-kind (PIK) interest income in private credit portfolios – have exposed weaknesses in risk controls, underwriting discipline, loose documentation and non-sponsored lending. The era of passive credit beta is over: we believe 2026 is a stockpicker's market. In this environment, limited partners are placing greater emphasis on:

- Cycle-tested track records, with proof of performance across vintages.
- Scalable platforms, with deep origination networks and robust underwriting processes.
- Alignment and transparency, particularly around conflicts, governance and reporting.

Manager selection is no longer a check-the-box exercise – it is a key driver of risk-adjusted return in today's maturing private credit landscape.

## Disciplined capital wins in 2026

The opportunity set in private credit remains promising, but the path forward demands differentiated sourcing, discipline, selectivity and deep credit expertise. In a market shaped by structural tailwinds but complicated by macro risk and rising dispersion, we believe success will favor those who stay grounded in fundamentals, have invested through cycles and maintain a sharp focus on risk management.



## Key takeaways

- Private credit continues to offer attractive, risk-adjusted returns amid higher-for-longer rates, supported by conservative structures, creditor protections and higher yields.
- Deal activity is rebounding, but quality remains bifurcated – requiring disciplined underwriting, credit selectivity and relationship-driven sourcing.
- With rising performance dispersion, manager selection is critical; scale, cycle-tested credit discipline and sourcing depth are key differentiators in 2026.

Sources: Bloomberg, Private Placement Monitor, 2025-6.

Crescent makes this document available for informational purposes only and should not be used for any other purpose. The information contained herein does not constitute and should not be construed as an offering of advisory services or an offer to sell or solicitation to buy any securities or related financial instruments in any jurisdiction. Nor is the information intended to be nor should it be construed to be investment advice. Certain information contained herein concerning economic trends and performance may be based on or derived from information provided by independent third-party sources. The author and Crescent believe that the sources from which such information has been obtained are reliable; however, neither can guarantee the accuracy of such information nor have independently verified the accuracy or completeness of such information or the assumptions on which such information is based.

# Real estate

## Silver linings and resilience in an uncertain CRE landscape



Ryan Severino

Chief Economist, Head of U.S. Research

### Signs of real estate strength

As of the beginning of 2026, commercial real estate continues to face significant uncertainty. As investors, we have just come out of a period in which the market underwent a substantial pricing adjustment, largely attributed to global monetary policy changes. And uncertainty in today’s environment continues to stem from those policy moves, which include shifts in the global trade order and related effects on monetary and fiscal policies worldwide. Despite moving further from pandemic-induced challenges and high inflation, the market is still grappling with the aftermath of these exogenous shocks.

However, we are seeing some “silver linings” against this backdrop. In particular, real estate is showing signs of notable resilience. While the asset class as a whole is still dealing with the challenges of the past five years, there have been key indicators of strength in the market, including solid income returns and space-market fundamentals, as well as improvements on the capital market side.

### Capital markets boosted by policy shifts

It is on the capital markets side where we’ve observed some of the most positive changes at the beginning of 2026, and it has been mostly due to monetary policy around the world shifting from tightening to neutral to easing. This is particularly true in the U.S., where an easing of rates has had a stimulative effect on the world’s largest commercial real estate market. Recovery may take some time, and it may take between 12–24 months to see significant progress. However, the combination of an expanding economy, strong fundamentals and central banks loosening policies creates a potentially powerful environment for real estate returns. This unique confluence of factors – economic growth, decelerating inflation and rate cuts – hasn’t been seen since the 1980s, which marked a golden age of sorts for commercial real estate returns. We expect that investors could witness such a convergence of positive drivers at some point over the next few years.



# Real estate (cont.)



**Ryan Severino**  
Chief Economist, Head of U.S. Research

## Global trends and divergences across sectors

Commercial real estate is a broad, pervasive and, above all, global asset class. And as a result, there are both cross-border commonalities and regional dynamics shaping expectations around certain sectors.



### Industrial

Increased focus on supply chain resilience is boosting demand for warehouses and manufacturing facilities globally, with the scope of new investment increasing as well. We have identified areas of opportunity across the world, from North America to the U.K. and continental Europe to the Asia-Pacific region.



### Data centers

Continued development in artificial intelligence and machine learning is increasingly representing a structural change in the worldwide economy. And it's proving to be a secular driver in real estate, driving investment particularly in the U.S., but with Europe and the Asia-Pacific region ramping up as well.



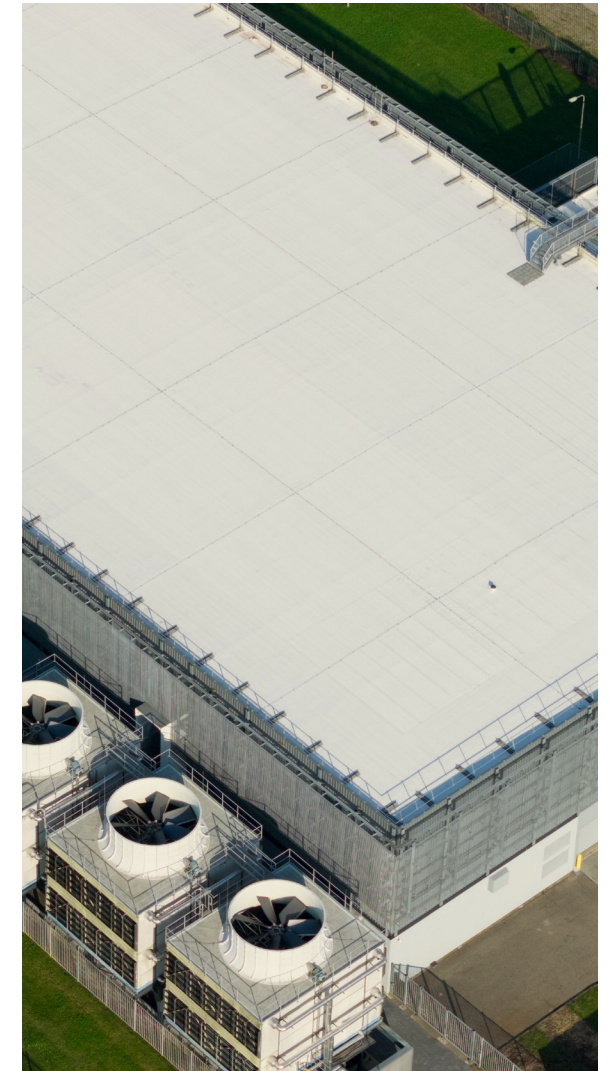
### Housing

Structural undersupply in most developed markets is creating sustained investment opportunities across North America, Europe, and Asia-Pacific. Demand is outgrowing supply in practically every major market globally.

While these commonalities are global, regional variations persist. For instance, office markets are progressing at different rates worldwide, with tight markets in Asia contrasting with more resistance to return-to-office mandates in North America. This combination of consistent structural factors and local nuances makes real estate an intriguing and dynamic asset class for investment ideas as we go deeper into 2026.

## Key takeaways

- Global uncertainty continues to affect real estate, with issues of world trade, monetary and fiscal policies continuing to provide challenges to the market.
- Yet, there are notable silver linings to this outlook, including solid income returns and space-market fundamentals, as well as improvements on the capital market side.
- A shift in monetary policy around the world toward a more easing bias has been a boon to real estate, especially in the U.S.



Sources: CoStar, RCA, 2025-6.

# Infrastructure

Resilient performance as capital flows accelerate and energy, digital convergence unlocks growth opportunities



**Jack Paris**  
Chief Executive Officer



**Edward Hunt**  
Partner, Head of Core Income Funds



**Stephane Kofman**  
Partner, Head of Capital Gain Funds

## Momentum of 2025 poised to continue

The 2025 calendar year marked an annual period of resilience and renewed capital flows in infrastructure. Investor confidence held firm as digital infrastructure and power-linked themes outperformed expectations. Looking further into 2026, we anticipate continued momentum in infrastructure investment. While macro uncertainty persists, infrastructure continues to offer potential for diversification, stability and long-term growth, underpinned by growing demand for digital networks, energy and transport connectivity.

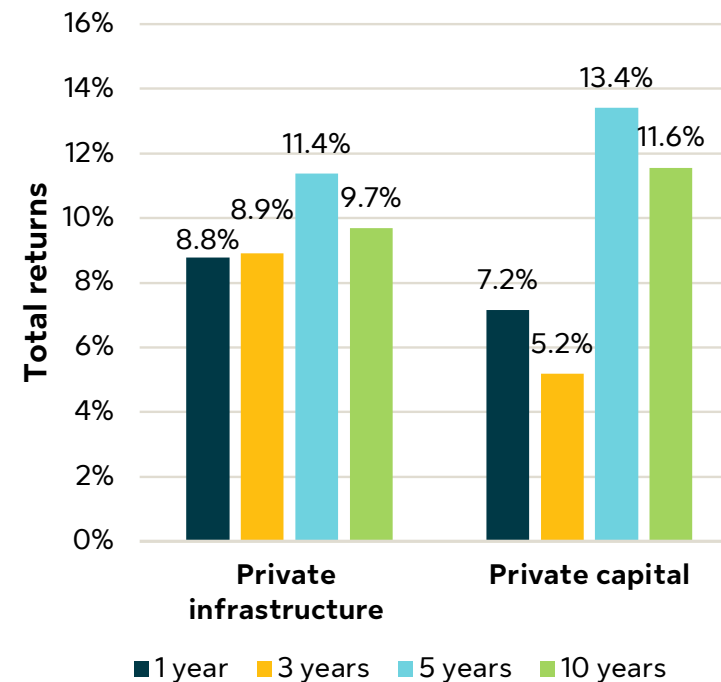
## Inflation, long-term yields may ease further in 2026

Economic growth across North America and Europe was more resilient than expected in 2025 – supported by easing monetary policy and selective fiscal stimulus – despite higher tariffs weighing on global trade. In the U.S., data center investment was a key contributor to economic growth. Inflation continued to trend lower in Europe but remained stickier in the United States. Long-term government bond yields remained elevated but now appear to be gradually easing across the eurozone, U.K. and U.S.

Within this macroeconomic context, infrastructure demonstrated performance resilience across all sectors, including energy, digital, utilities and transportation. This was supported by inflation pass-through and positive earnings growth driven by secular tailwinds, particularly across digital and energy. Infrastructure continued to outperform other private capital strategies in the near term and liquidity remained robust, with an improvement in the ratio of capital distributed to capital called. Historically, infrastructure distributions have consistently exceeded 65% of capital calls, highlighting the asset class's resilience (source: Preqin, 2025).

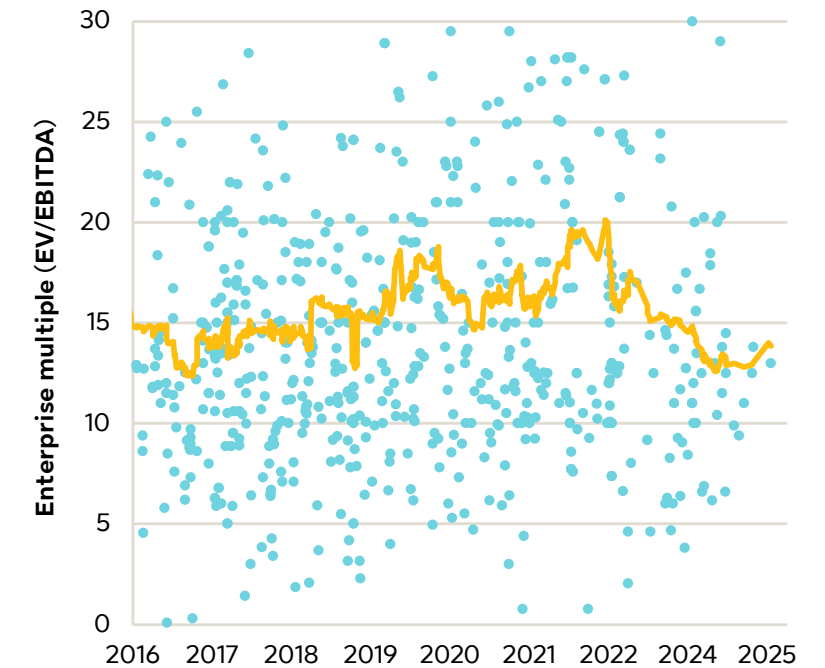
In the previous year, the asset class appeared to have largely absorbed the impact of higher interest rates on valuations, with median secondary market discounts narrowing to approximately 4%, down from 7% in 2024, and valuations showing signs of a rebound (source: Infracore, 2025), a trend that we anticipate continuing in 2026, providing an opportunity for capital appreciation to existing portfolios.

## Infrastructure vs. private capital (total returns)



Source: Preqin, Private Capital Quarterly Index, as of June 2025. Past performance is not indicative of future returns.

## Infrastructure transaction multiples trending upward



"EV/EBITDA" is the valuation metric for enterprise value over earnings before interest, taxes, depreciation, and amortization. Source: InfraRed Capital Partners, Infracore, November 2025. Past performance is not indicative of future returns.

# Infrastructure (cont.)



**Jack Paris**  
Chief Executive Officer



**Edward Hunt**  
Partner, Head of Core Income Funds



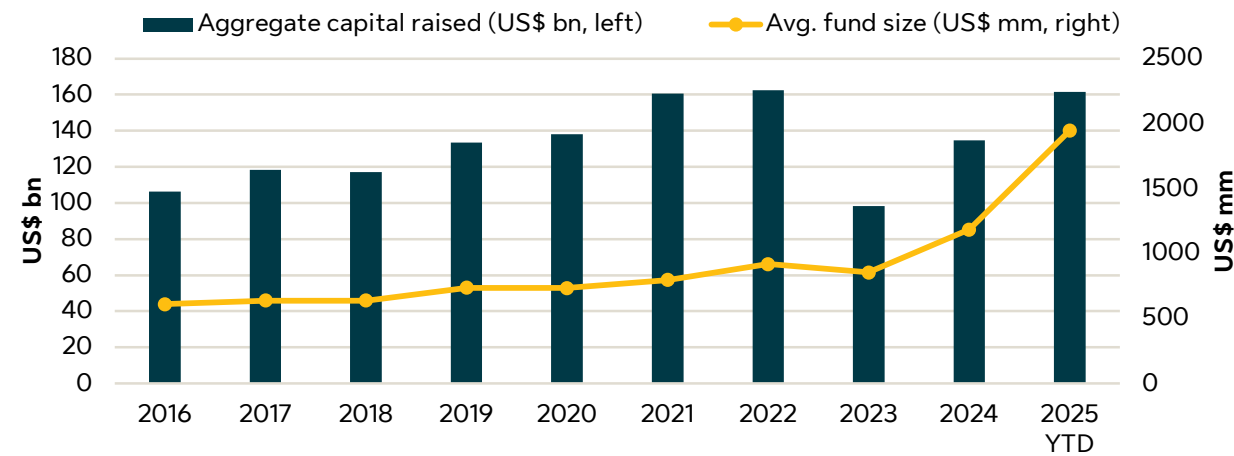
**Stephane Kofman**  
Partner, Head of Value Add Funds

## Capital and deal activity regain strength

Infrastructure allocations rebounded to US\$161 billion as of November 2025, positioning 2025 to be the strongest fundraising year on record for the asset class. We observed core and value-add infrastructure strategies proving particularly attractive among investors. Yield-oriented investors allocated to core infrastructure in 2025, supported by attractive entry returns and the prospects of lower long-term government bond yields providing an opportunity for further capital appreciation. At the same time, value-add infrastructure has increasingly represented a key strategy for investors focused on capturing the growth provided by megatrends, in our view.

For 2026, as the asset class continues to be favorably positioned toward the secular tailwinds of energy transition, energy security and digitalization, we anticipate fundraising to remain strong. In 2025, fundraising continued to concentrate, with average fund size rising to US\$1.9 billion from US\$850 million in 2023 – underscoring investors’ preference for managers with proven track records. In 2026, we expect investors to increasingly target the mid-market to enhance portfolio diversification and capture the upside from megatrends.

### Infrastructure fundraising rebounds with larger managers (US\$ bn)



Source: Preqin, as of November 2025. Past results are not indicative of future results.

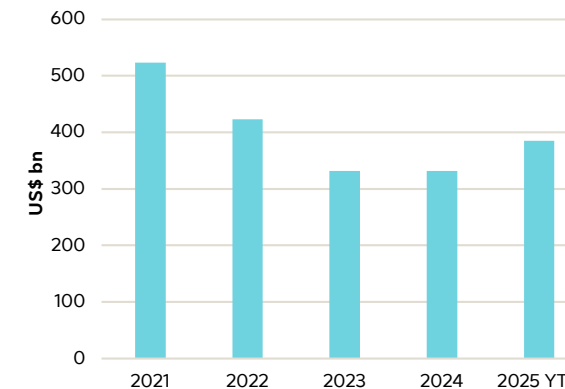
## Energy transition, digitalization boost mid-market activity

In 2025, infrastructure transaction volumes showed signs of recovery, with aggregate deal value reaching US\$400 billion as of November 2025 and positioned to exceed the transaction volume recorded in 2022. In 2025, transactions in Europe accounted for approximately 38% of total volumes, with North America at 28% and Asia at 15%. Regionally, North America and Europe remain the most active markets, with Europe recently overtaking North America amid policy volatility, but both represent the key focus of diversified infrastructure portfolios (source: Preqin, 2025).

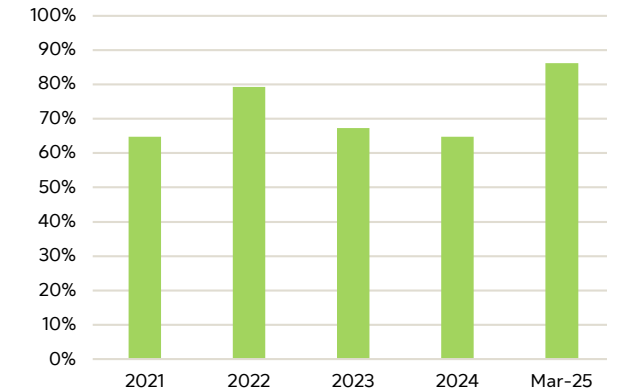
Despite the trend toward larger fundraising vehicles, the average transaction size remained below US\$400 million and continued a gradual decline in recent years. In 2025, 47% of infrastructure transactions were below US\$100 million, while 19% ranged between US\$100 million and US\$250 million – highlighting that most activity was concentrated in the mid-market, where deal volumes continued to accelerate underpinned by a growing pipeline of transactions.

For 2026, we expect the mid-market to remain the most active market segment, supported by the abundance of transaction opportunities, its alignment with infrastructure megatrends and value-creation strategies, comparatively lower entry prices and the sector’s stronger exit optionality helping facilitate capital rotation – a factor of growing importance for infrastructure investors.

### Infrastructure transactions by aggregate deal value (US\$ bn)



### Infrastructure capital distributed as % of capital called



Source: Preqin, as of November 2025. Past results are not indicative of future results.

# Infrastructure (cont.)



**Jack Paris**  
Chief Executive Officer



**Edward Hunt**  
Partner, Head of Core Income Funds



**Stephane Kofman**  
Partner, Head of Value Add Funds

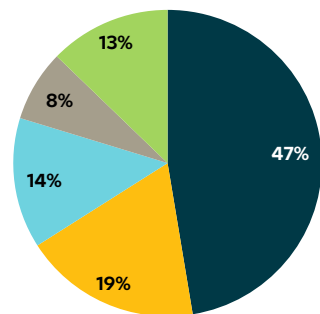
## Megatrends broadening investment gap beyond 2026

As energy transition, digitalization and AI accelerate, these forces are reshaping infrastructure markets – expanding the scale of opportunities, deepening the investment universe and unlocking new pathways for growth. In 2025, energy transition continued to dominate the market, accounting for over 50% of transactions – including renewables, battery energy storage systems (BESS), utilities and other energy subsectors. Energy generation has accelerated alongside rising power demand driven by growing data center capacity – a trend we expect to strengthen in 2026, as digitalization and electrification increasingly converge. The electrification of heat continues to represent a growing market trend.

One additional trend shaping the pipeline is the topic of energy security, driven by geopolitical uncertainty, supply-chain vulnerabilities and the need for resilient power systems – a theme we expect to gain further prominence in 2026, particularly across Europe.

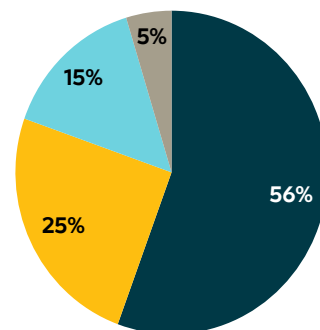
Digital infrastructure represented roughly 25% of transactions in the infrastructure space in 2025, supported by robust growth in data centers underpinned by AI adoption, which is set to expand further across industries in the medium term. Transportation and logistics account for approximately 15% of deal volume, a smaller but accelerating segment, as electrification, supply-chain reconfiguration and automation broaden the opportunity set.

**Breakdown of deals by size (2025)**



■ Less than US\$100M  
■ US\$250M–US\$499M  
■ US\$1B–US\$4.9B  
■ US\$100M–US\$249M  
■ US\$500M–US\$999M

**Breakdown of deals by theme (2025)**



■ Energy transition  
■ Digitalization  
■ Transportation & logistics  
■ Demographics

Source: Preqin, as of November 2025. Past results are not indicative of future results.



In recent years, investors (limited partners) have meaningfully grown their exposures to digital infrastructure and are now increasingly seeking differentiation and diversification across other sectors. Policy uncertainty has introduced pockets of caution for regulated assets and U.S. renewables. Nevertheless, renewables and battery storage remain attractive, in our view, and are expected to continue to provide ample market opportunities. The pipeline remains strong, as infrastructure has increasingly taken center stage, aligning with political, economic and megatrend tailwinds – underpinned by the need to modernize existing assets and build next-generation infrastructure – with asset class allocations continuing to grow.

## Key takeaways

- We have observed infrastructure remaining a preferred allocation for diversification, stability and long-term growth, underpinned by growing demand for digital networks, energy and transport connectivity.
- Infrastructure performance is expected to remain resilient, supported by structural megatrends driving earnings growth, with valuations likely to improve in 2026 as government bond yields soften.
- Capital flows and deal activity surged in 2025, marking the strongest fundraising year on record, driven by investor preference for proven managers. Momentum is expected to remain strong into 2026.
- The mid-market remains a cornerstone of investment activity, accounting for over 75% of deal flow, driven by structural megatrends like energy transition and digitalization.

Sources: Macrobond, Preqin, Infracore, Infrastructure Investor, 2025.

# Insurance asset management

Ample opportunities exist to add durable income and grow surplus

## Insurance industry operating backdrop supportive for pulling investment risk levers

Any conversation involving potential changes in insurance asset allocation should begin with consideration of the insurance operating environment. In property and casualty (P&C) insurance, pricing is slowing across many lines of business following years of insurance rate increases. Yet, the industry still boasts healthy margins and strong capital positions. In life insurance, capital relief from continued growth in offshore reinsurance platforms and sidecar vehicles is supporting greater new business capacity. All of this means that insurers broadly have the capacity to pull risk levers to boost returns.

## Favorable macroeconomic environment could remain for insurance portfolios

Within fixed income, the steepening of the yield curve may present insurers with the opportunity to add durable investment income to their portfolios. Additionally, despite corporate spreads nearing historical tights, there are areas within the bond market that can offer attractive risk-adjusted expected returns, notably from securitized sectors.

Within risk assets, as allocations to alternatives such as private credit have accelerated in recent years, so have concerns surrounding the underlying risk in these investments. This underscores the importance of stringent underwriting and managers with long track records. For insurers, these alternative investments represent attractive options within their risk asset allocation given their equity-like risk premiums, income focus and diversification benefits.



**Peter Cramer**

Senior Managing Director, Head of Insurance Portfolio Management & Trading



**Nitin Chhabra**

Managing Director, Head of Insurance Solutions



**Louis Pelosi**

Managing Director, Client Solutions

## Aligning investment opportunities with insurance company goals

Different types of insurers have different goals, and it's important that their investment portfolios are constructed in a way that aligns with those objectives. For publicly traded insurers, the overarching goal is to create shareholder value, which can be done in two ways in our view.

1.

By growing book value per share, given the relationship between long term book value growth and stock price appreciation

2.

By improving operating return on equity, given its strong correlation with the valuation multiple



# Insurance asset management (cont.)



**Peter Cramer**  
Senior Managing Director, Head of Insurance Portfolio Management & Trading



**Nitin Chhabra**  
Managing Director, Head of Insurance Solutions

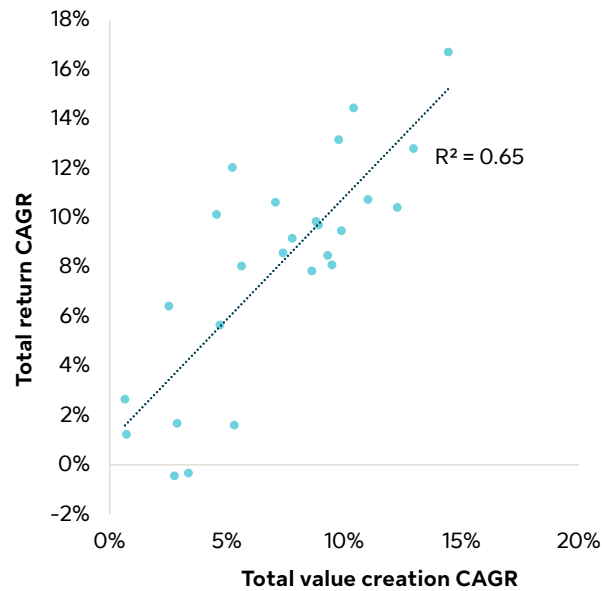


**Louis Pelosi**  
Managing Director, Client Solutions

While shareholder value creation for insurers tends to be largely driven by underwriting, changes in the investment portfolio can help as well. Adding risk assets can help improve total return performance, and in turn, book value per share growth. Improving the durability of investment income via changes in the fixed income portfolio can help operating return on equity and, in turn, the valuation multiple. And in this market environment, we believe income-oriented alternatives such as private credit and real estate can contribute to both of these goals.

## Adding risk assets can help drive book value growth

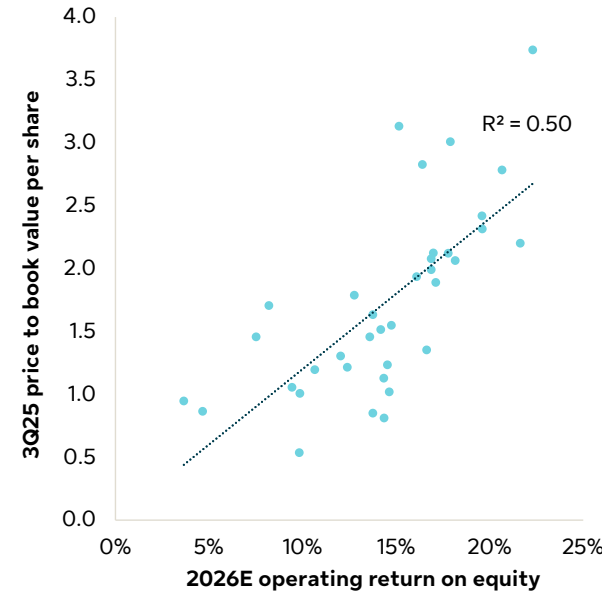
P&C insurance industry long-term stock price appreciation vs. book value per share growth



Source: S&P Global Market Intelligence, SLC Management analysis from 12/31/14–12/31/24. Total value creation = growth in book value per share plus dividends; Total return = growth in stock price.

## Improving the durability of investment income can help drive operating ROE

P&C insurance industry 3Q25 price to book value per share vs. expected 2026 operating ROE



Source: S&P Global Market Intelligence, SLC Management analysis from 12/31/14–12/31/24. Total value creation = growth in book value per share plus dividends; Total return = growth in stock price.

## Keeping an eye on insurance investment regulatory updates

Recent insurance investment regulatory developments continue to emphasize a principles-based approach to bond classification, requiring insurers to demonstrate robust internal governance and documentation to justify appropriate treatment of investments according to issuer credit obligations and asset backed securities. While the guidance is exhaustive, there might be some gray areas requiring further consultation, along with potential capital impact from reclassification of securities especially from Schedule D to Schedule BA.

In structured credit, collateralized loan obligation risk-based capital (CLO RBC) remains a hot topic with the National Association of Insurance Commissioners' Structured Securities Group (SSG) and the American Academy of Actuaries ("Academy"), each coming up with their own modeling and RBC requirements. Both methodologies recommend CLO AAA–A should receive lower capital charges while CLO BBB and lower would receive higher RBC charges. The capital impact on below-IG CLO RBC could be significant, making the asset class less attractive to insurers. The Academy anticipates releasing final factors, at the earliest, by April 30, 2026.

Additionally, the use of private letter ratings remains under heightened review, with regulators reinforcing that such ratings must meet standards of independence and methodological rigor to avoid conflicts of interest and maintain

consistency with public rating practices. Private valuations are also in the crosshairs, with insurers increasing allocations to private markets and illiquid investments in which valuations may not be as frequent and transparent.

## Key takeaways

- The steepening of the yield curve could present insurers with the opportunity to add durable investment income.
- In the current environment, income-oriented alternatives that offer attractive yields and expected returns align well with insurance company goals.
- Insurance investors should be aware of potential regulatory changes impacting CLOs and private credit.

Source: Bloomberg, 2025–6.

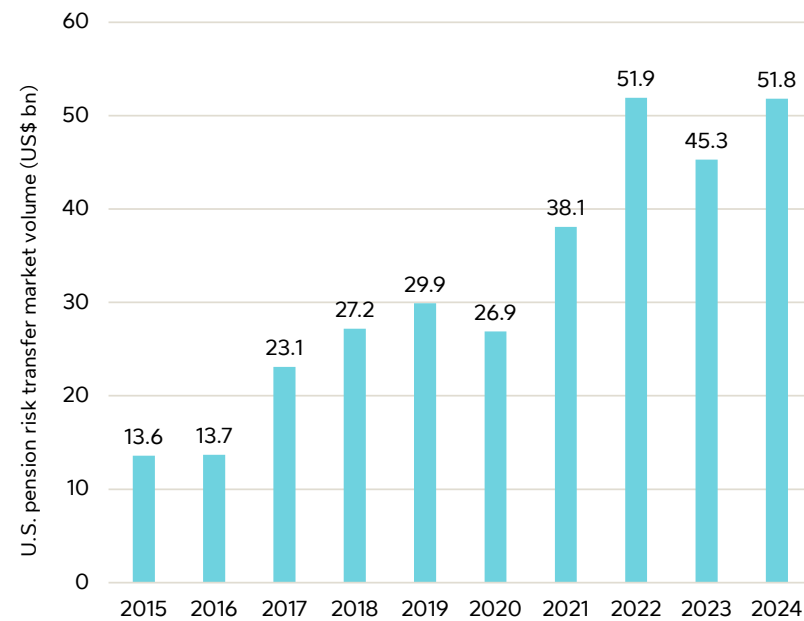
# Retirement plan solutions

Improved plan health, tight credit spreads drive plan strategy; total portfolio approach gains momentum

## High funded statuses cause divergence in plan investment strategies

Consistent with trends observed post-pandemic, plan funded statuses continued to improve over 2025 with strong equity performance and stable interest rates. With plans becoming better funded, pension risk transfer (PRT) has become more feasible for many plan sponsors as an option for de-risking, as evidenced by the rapid growth in PRT transaction volume over recent years.

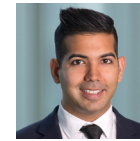
### Evolution of the U.S. pension risk transfer market



Source: LIMRA Secure Retirement Institute Group Annuity Transfer Survey, as cited in Legal & General Retirement America Pension Risk Transfer Monitor – HY 2025.



**Tim Boomer**  
Senior Managing Director, Head of Client Solutions



**Ashwin Gopwani**  
Managing Director, Head of Retirement Solutions



For sponsors with remaining plan liabilities, we have observed a division into two broad groups of thinking in response to improved funded status.

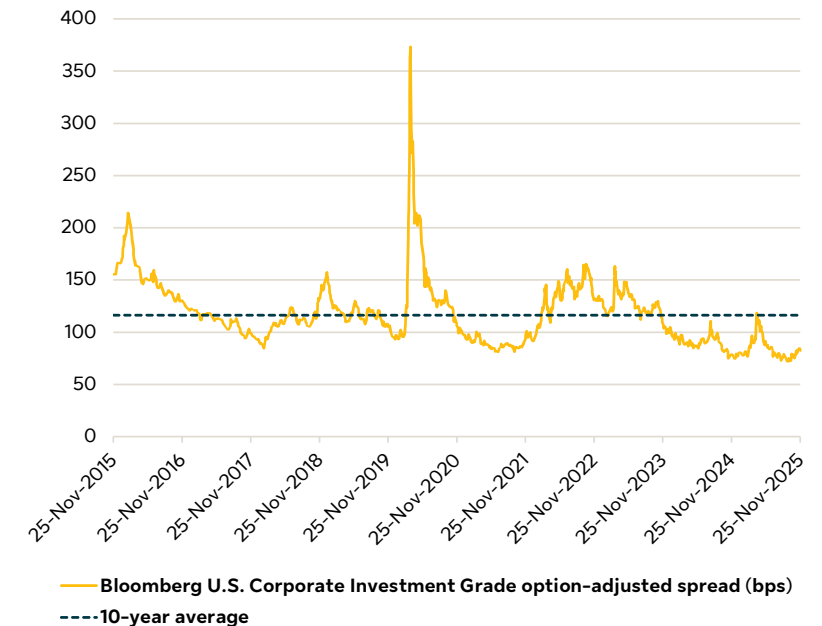
The first group of plan sponsors has tended to keep their investment strategies in a steady state, seeing little reason to change the strategies that have worked well for them up to this point. Some of these plans have taken steps toward de-risking their portfolios by increasing their allocations to fixed income but otherwise making minimal changes to their overall approach.

The second group has tended to be more proactive in considering larger changes to investment strategy to further enhance asset-liability management. These plans are contemplating items such as how to improve portfolio yield relative to rising liability discount rates or how to manage additional liability risks beyond overall duration risk (such as key rate duration risk or credit spread risk).

## Credit assets: potential opportunity at the short end

Corporate credit spreads have compressed meaningfully, with the option-adjusted spread of the Bloomberg U.S. Corporate Investment Grade Index reaching 10-year record-tight levels over 2025, closing the year at approximately 34 basis points below the 10-year average level. As such, conditions have become more challenging for sourcing value from public credit assets, and there has been heightened focus on seeking the most fruitful areas of the market to obtain credit exposure.

### Public corporate credit spreads have compressed

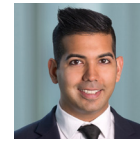


Source: Bloomberg, daily data time series, as of November 2025.

# Retirement plan solutions (cont.)



**Tim Boomer**  
Senior Managing Director, Head of Client Solutions



**Ashwin Gopwani**  
Managing Director, Head of Retirement Solutions

In the current environment, potentially compelling credit opportunities exist at the short end of the curve which have garnered interest amongst some plan sponsors. In choosing to spend their credit risk budget at the short end of the curve, many of these plans are reducing their emphasis on hedging corporate credit spread exposure at the long end, instead focusing on hedging long interest rate exposure using instruments such as long credit and Treasury separate trading of registered interest and principal securities (STRIPS).

We have seen short credit and securitized strategies gain traction with many U.S. pension plan investors looking to fill the role of a short-duration actively managed portfolio component. These asset classes have garnered interest as options that can provide attractive yield potential in addition to favorable downside protection and diversification attributes.



## TPA takes the spotlight

In November, the California Public Employees' Retirement System (CalPERS) became the first U.S. pension plan to officially adopt the total portfolio approach (TPA) model to portfolio construction, replacing the strategic asset allocation (SAA) model that it previously used to guide investment decision-making. In making this transition, CalPERS joins a list of several other large investors across the world that have already adopted TPA, including Canada Pension Plan Investments, Australia's Future Fund and Singapore's GIC (sovereign wealth fund).

This begs the question: what is TPA, and how does it differ from the traditional SAA framework? The TPA model treats the overall investor portfolio as a single unified entity, with investment decisions evaluated on their ability to improve the return and risk profile of the portfolio. This contrasts with the SAA approach, which typically allocates investor funds across distinct asset class buckets, each having performance measured against its own asset class benchmark. Proponents of the TPA model believe that it is a more flexible approach than SAA, enabling investors to quickly respond to changing market dynamics without the need to consider pre-set allocation targets for each asset class.

It remains to be seen whether CalPERS's transition to TPA may spur similar moves from other large plans. Although the concept of a TPA model is appealing to many investors, formal adoption involves significant changes to governance and culture which could prove challenging.

## Key takeaways

- PRT has grown in popularity as a de-risking option as plans improve their funded status.
- Identifying fixed income opportunities has become more challenging amid tight spreads, but the short end of the curve could contain promising investment ideas.
- The use of TPA in model portfolio construction is gaining momentum, but would also need to contend with governance and culture factors among pension plans.

# Disclosure

This document is intended for institutional investors only. It is not for retail use or distribution to individual investors. The information in this document is not intended to provide specific financial, tax, investment, insurance, legal or accounting advice and should not be relied upon and does not constitute a specific offer to buy and/or sell securities, insurance or investment services. Investors should consult with their professional advisors before acting upon any information contained in this document.

Sun Life Capital Management (Canada) Inc. is a Canadian registered portfolio manager, investment fund manager, exempt market dealer and, in Ontario, a commodity trading manager. Sun Life Capital Management (U.S.) LLC is registered with the U.S. Securities and Exchange Commission as an investment adviser and is also a Commodity Trading Advisor and Commodity Pool Operator registered with the Commodity Futures Trading Commission under the Commodity Exchange Act and Members of the National Futures Association. In the U.S., securities are offered by Sun Life Institutional Distributors (U.S.) LLC, an SEC registered broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA").

BentallGreenOak (BGO), InfraRed Capital Partners (InfraRed), Crescent Capital Group (Crescent) and Advisors Asset Management (AAM) are also part of SLC Management.

BGO is a global real estate investment management advisor and a provider of real estate services. In the U.S., real estate mandates are offered by BentallGreenOak (U.S.) Limited Partnership, who is registered with the SEC as an investment adviser, or Sun Life Institutional Distributors (U.S.) LLC, an SEC registered broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA"). In Canada, real estate mandates are offered by BentallGreenOak (Canada) Limited Partnership, BGO Capital (Canada) Inc. or Sun Life Capital Management (Canada) Inc. BGO Capital (Canada) Inc. is a Canadian registered portfolio manager and exempt market dealer and is registered as an investment fund manager in British Columbia, Ontario and Quebec.

InfraRed Capital Partners is an international investment manager focused on infrastructure. Operating worldwide, InfraRed manages equity capital in multiple private and listed funds, primarily for institutional investors across the globe. InfraRed Capital Partners Ltd. is authorized and regulated in the UK by the Financial Conduct Authority.

Crescent Capital Group is a global alternative credit investment asset manager registered with the U.S. Securities and Exchange Commission as an investment adviser. For over 30 years, the firm has focused on below investment grade credit through strategies that invest in marketable and privately originated debt securities, including senior bank loans, high yield bonds, as well as private senior, unitranche and junior debt securities. Crescent is headquartered in Los Angeles with offices in New York, Boston, Chicago and London with more than 200 employees globally.

AAM is an independent U.S. retail distribution firm that provides a range of solutions and products to financial advisors at wirehouses, registered investment advisors and independent broker-dealers.

The information provided is intended for informational purposes only and represents the views and opinion of the author(s), which may differ from those of other investment teams at SLC Management and its affiliates. The material does not consider the suitability or needs of any person or entity, and is not a recommendation in any asset class or strategy. Diversification and asset allocation do not protect against loss nor guarantee returns. Any financial indices referenced as benchmarks are provided for illustrative purposes only. The use of benchmarks has limitations because portfolio holdings and characteristics will differ from those of the benchmark(s), and such differences may be material. You cannot make a direct investment in an index. All referenced indexes are shown for illustrative purposes only. Factors affecting portfolio performance that do not affect benchmark performance may include portfolio rebalancing, the timing of cash flows, credit quality, diversification, and differences in volatility. In addition, financial indices do not reflect the impact of fees, applicable taxes or trading costs which reduce returns. No representation is being made that any investor will or is likely to achieve profits or losses in any asset class described or based on any benchmark. Past performance is not necessarily indicative of future results.

The information provided may present materials or statements which reflect expectations or forecasts of future events. Such forward-looking statements are speculative in nature and may be subject to risks, uncertainties and assumptions and actual results which could differ significantly from the statements. As such, do not place undue reliance upon such forward-looking statements. Any hypothetical data provided is for illustrative purposes only and does not represent actual client portfolios. Efforts have been made to ensure that the information contained in this report is obtained from sources believed to be reliable and accurate at the time of publication. However, SLC Management does not guarantee its accuracy or completeness. All, opinions, commentary and information is subject to change and SLC Management accepts no responsibility for any losses arising from any use of or reliance on the information provided herein. SLC Management does not provide tax, legal or investment advice and the information within does not consider the reader's investment objectives or needs. Investors should consult a professional based on their unique situation. All opinions and commentary are subject to change without notice and are provided in good faith without legal responsibility.

Unless otherwise stated, all figures and estimates provided have been sourced internally and are as of December 31, 2025.

Unless otherwise noted, all references to "\$" are in U.S. dollars.

All data are subject to change.

No part of this material may, without SLC Management's prior written consent, be (i) copied, photocopied or duplicated in any form, by any means, or (ii) distributed to any person that is not an employee, officer, director, or authorized agent of the recipient.

© 2026, SLC Management

SLC-20260120-5137562