

Navigate new pathways

Outlook 2026

Foreword

As we enter a new year, an investment landscape is emerging that requires a combination of vigilance and ambition. The US – long a crucial engine of global growth – faces institutional challenges and potentially stretched asset valuations. While AI-related stocks remain an essential part of portfolios, investors should be selective to mitigate the risks of any fallout. In this environment, Europe, China and India may offer broader, more diversified and attractively priced opportunities. Diverging inflation trends – rising in the US but subdued elsewhere – and contrasting monetary policies underscore the importance of regional diversification, especially for those seeking resilient income in a more volatile world. Emerging market central banks have greater policy flexibility, which, combined with potential further weakness in the US dollar, could support emerging market debt.

Private markets are no longer merely “alternative” – they have become foundational to long-term portfolio construction. Within this space, private credit and infrastructure stand out as powerful drivers of long-term value creation, financing the real economy, bridging infrastructure gaps, and enabling structural transformations such as deglobalisation, decarbonisation and digitalisation. Success will hinge on careful manager selection and disciplined underwriting.

We think charting a course through 2026 will require a variety of tools across a range of asset classes, public and private. We are pleased to share the insights of our experts, who outline their key ideas and opportunities for 2026 – designed to help guide you towards new pathways in a rapidly evolving investment landscape.



**Michael
Krautzberger**
CIO Public Markets



Edouard Jozan
Head of Private
Markets

Contents

MACRO VIEW

Trade war echoes

EQUITY STRATEGY

Strategic autonomy in action

FIXED INCOME STRATEGY

Diversified and active for resilience

MULTI ASSET STRATEGY

A tale of two realities

PRIVATE MARKETS STRATEGY

Zeroing in on opportunities

OUTLOOK 2026

Navigate new pathways

Key takeaways

- Global growth is proving resilient, with the boom in AI helping to offset problems stemming from tariffs and trade wars. Yet valuations in US tech stocks are richly priced with extreme levels of concentration – careful selection will be critical.
- A broadening of tech spend outside the US could sustain growth and usher in a truly global AI revolution. We believe European equities are currently more attractively priced than many US counterparts.
- Though dynamics vary across regions, inflation is generally under control in key markets. Most central banks are normalising interest rates, with room for more accommodation. This benign outlook remains supportive of carry and could favour well-diversified portfolios.
- Stagflationary risks and a potentially weaker dollar may prompt global investors to rethink high exposures to US assets. While it is premature to forecast the dollar's demise, there is potential upside for fixed income issued in Europe and Asia, as well as for gold.
- Problems in US non-bank lending have shone a light on private credit. While recognising that credit spreads are historically tight, we do not see systemic risks and continue to forecast strong growth driven by higher interest rates and investor demand.
- Funding the energy transition and digital infrastructure will create opportunities across asset classes, including for investors with the ability to hold long-term and illiquid assets.

MACRO VIEW

Trade war echoes



Christian Schulz
Chief Economist

The global economy enters 2026 navigating the lingering aftershocks of the trade wars. While tariff escalation has largely plateaued, additional sector-specific measures may continue to disrupt supply chains. The result is fragmentation of trade and capital flows as a smaller supply of foreign goods and rising prices weigh on growth in the US (supply shock), while less US demand for imports leads to overcapacity across much of the rest of the world (demand shock).

Despite these headwinds, global GDP growth is expected to slow only moderately. We forecast growth of around 2.7%¹ supported by the ongoing AI-driven investment cycle and proactive policy responses in key regions. Inflation dynamics will diverge: US inflation is set to rise above 3%, while Europe and Asia will see more subdued price pressures, allowing for a lowering in interest rates (see Exhibit 1, page 7).

Geopolitical risks remain elevated, particularly around Russia and East Asia. Tentative de-escalation in the Middle East offers a rare bright spot. The US and China continue to lead the AI revolution, with spillovers to other regions accelerating from low bases.

Valuations in tech and pockets of under-regulated finance warrant vigilance, but lower interest rates and moderate private sector leverage reduce the risk of systemic financial instability.

US economy: bending not breaking

The US economy is expected to remain resilient, though growth will slow to around 1.5-2%, slightly below potential. The AI investment boom and a modest fiscal stimulus – likely front-loaded ahead of the November 2026 mid-terms – will partially offset the drag from tariffs on real incomes and conventional business investment.

Inflation is forecast to remain sticky, averaging above 3%, with upside risks stemming from tariffs. The US Federal Reserve (Fed), under political scrutiny, is expected to continue cutting rates in 2026, bringing the federal funds target range to 3.25-3.50%. **The Fed's reaction function has become more dovish – meaning it is more likely to cut rates even in the face of above-target inflation – but its institutional independence may be tested by legal challenges and political pressure.**

¹) In purchasing power parity-weighted terms

In our view, tail risks are significant:

- Upside risks include AI breakthroughs that could broaden the investment boom, raise productivity, and allow rate cuts in a goldilocks scenario where economic conditions are “just right”.
- Downside risks include labour market weakness spilling over to consumer spending, foreshadowing a recession, with stagflationary dynamics amplified by tariff aftershocks.
- Key event risks include Supreme Court rulings on Donald Trump’s attempt to dismiss Fed Governor Lisa Cook (expected in January) and on reciprocal tariffs. The US mid-term elections are another important event to watch. To bolster political support, the administration may seek to cut taxes or boost spending (or both). This could be accompanied by intensified attacks on democratic institutions, weighing on investor confidence.

Europe: boring is beautiful

Europe is poised for a moderate cyclical recovery, with GDP growth expected at 1-1.5% in 2026. Rising real incomes and low unemployment should support consumer spending, offsetting industrial weakness linked to global trade tensions.

Inflation is projected to remain below 2%, enabling the European Central Bank (ECB) to cut rates by 25 basis points to 1.75% in the first half of the year. Fiscal policy will provide a modest boost, lifting growth by 0.4-0.5%, led by Germany.

The UK faces a more challenging path. The likelihood of higher taxes and lower spending – amounting to a fiscal consolidation of just up to 1% of GDP – may depress growth below 1%.

But the improved macro stability should pave the way for Bank of England (BoE) rate cuts to 3%. The ECB and BoE are major central banks not under the yoke of heavy political pressure, strengthening the euro and sterling relative to their peers.

With no major elections scheduled in the region, Europe can press on with a decisive response to geoeconomic challenges – Russia’s war in Ukraine and the fragmentation of global supply chains due to tariffs, to name just two. However, political gridlock in France ahead of the 2027 presidential election casts a large shadow over the continent’s ability to act.

Growth in Europe may prove stronger than expected if households start spending rather than saving. Other upside risks include a potentially bigger-than-anticipated lift to growth from government spending and productivity gains if the tech wave reaches European shores.

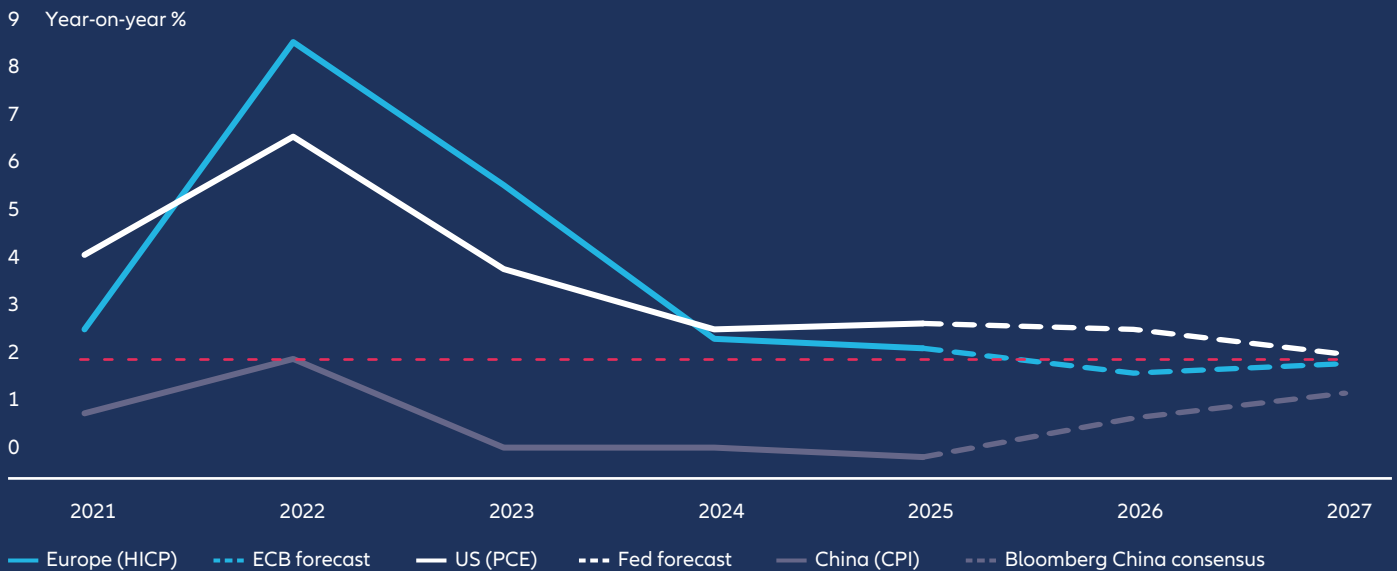
Asia: divergent dynamics

In Asia, both growth and inflation remain under pressure. Conventional trade is facing headwinds from US tariffs, but the tech cycle is supporting investment and intra-regional trade. Inflation may rise modestly, but driven by base effects only rather than by demand.

Many central banks have already eased policy, and further limited rate cuts are expected in the first half of 2026, including in China. Further support could come from targeted fiscal stimulus.

China’s growth is likely to moderate under pressure from US tariffs and still-subdued domestic demand. Anti-involution policies – designed to address excessive and damaging competition – may help alleviate deflation, but overall price pressure is muted. The government

Exhibit 1: Inflation contrasts – US too high, Europe and China too low



Sources: Bloomberg, US Federal Reserve Board (Fed), European Central Bank (ECB) and AllianzGI Economics & Strategy team (data as at 23 October 2025). HICP = harmonised index of consumer prices. PCE = personal consumption expenditures. CPI = consumer price index.

will encourage consumer spending, but high-tech manufacturing will still be prioritised as the key growth driver.

Japan continues its path of orderly reflation, whereby it seeks to bolster growth through government stimulus. But headline inflation is likely to ease towards 2% as temporary factors fade. The Bank of Japan will likely face political pressure not to raise interest rates too much to risk choking off the recovery. We think one or two hikes may be sufficient. However, Abenomics-like fiscal expansion under Prime Minister Sanae Takaichi could add to medium-term price pressures.

Resilience in a more fragmented world

Despite the disruptive legacy of trade wars, global growth in 2026 should remain resilient, supported by the AI revolution and proactive policy responses. Inflation will diverge – rising in the US, while staying subdued in Europe and

Asia – shaping a landscape of asynchronous monetary policy. The year ahead will test institutional resilience, policy flexibility, and the global economy's ability to adapt to a more fragmented world.



WHAT IS THE ONE THING INVESTORS SHOULD LOOK OUT FOR IN 2026?

Rapid technological advances could spread investment from the tech sector in the US and parts of Asia to other industries and economies. This boost, alongside monetary and fiscal easing in many places, should help sustain the global economy's resilience amid sustained challenges to its key pillars, such as central bank independence and liberal trade.

EQUITY STRATEGY

Strategic autonomy in action



**Michael
Heldmann**
CIO Equity

currently offers a broader and more diversified set of investment opportunities. Alongside this, we believe European equities are, across sectors, currently more attractively priced than many US counterparts, giving them appeal in terms of both value and growth.

With Europe undergoing notable transformation as it seeks to reassert itself in the wake of geopolitical shifts, its equity market is once again positioning itself as a key part of the global landscape. In its quest for increased strategic autonomy, the region is embracing a more expansive fiscal policy, and significant spending initiatives – especially in Germany – are acting as a stimulus that is not just about defence and military hardware, but also revitalising the continent’s industrial base, infrastructure, and capacity for innovation. Alongside fiscal developments, monetary policy also continues to be supportive. With inflation under control, we are expecting dovish stances from both the Bank of England and European Central Bank to continue, further supporting valuations and positive sentiment.

Europe favoured over US

Looking at market structure, we currently see a more favourable situation in Europe than the US, primarily due to lower concentration risks. Unlike the US, where relatively few mega-cap stocks dominate the main indices, Europe

While US equities have rebounded significantly since the sharp declines in the wake of “Liberation Day”, underlying economic data suggests a more fragile economic environment. Indeed, with inflation likely to rise due to the continued effects of elevated tariffs, alongside a subdued growth forecast, the US faces stagflationary risks going into 2026. And while the US Federal Reserve is expected to continue cutting rates, concerns around political pressure on monetary policy decisions still have the potential to undermine market confidence.

In terms of valuations, we currently view US equities as richly priced. Combined with near record levels of concentration, a selective investment approach is required, focusing on companies that justify their premium while reducing exposure to those that lack fundamental support. While the US certainly retains long-term strengths – in particular in AI, a space that still offers ample opportunities for investors while also still dominating stock market related news flow – its current equity landscape demands caution and selectivity.



Indian equities: diverse and liquid

In Asia, India currently stands out as a market with high potential due to multiple tailwinds. Alongside extremely favourable demographics, India's digital infrastructure is burgeoning – the country accounted for 46% of global real-time digital payments in 2023² – and it is the world's largest supplier of vaccines and generics, with the US accounting for approximately a third of its pharmaceutical exports.³ It is also perfectly situated to continue to benefit from “China + 1” strategies as global companies seek to diversify their supply chains and manufacturing bases.

India's equity market is highly diverse and liquid, sharing many traits with more developed economies. With over 200 stocks exceeding market caps of USD 5 billion, valuations are also low compared to global benchmarks. Consensus estimates for GDP and earnings-per-share growth place India ahead of other emerging markets, reflecting its strong fundamentals, policy stability and vibrant entrepreneurial scene. Despite some potential bumps in the road due to ongoing tensions with the US, we thus expect India to remain an attractive destination for active management for some time to come. Recent setbacks due to US tariffs are also contributing to attractive entry points.

2) Source: **The Hindu**, 4 March 2024

3) Source: **Reuters**, 4 September 2025

China: hope for stability

In China, the equity outlook is being shaped by a complex mix of head- and tailwinds. On the one hand, we are seeing foreign capital outflows as the future trade relationship with the US remains unclear, alongside some regulatory uncertainty in tech and property, as well as demographic pressures from a rapidly ageing population. However, the Chinese government is responding to these challenges with targeted stimulus, including rate cuts, government-backed purchases of exchange-traded funds (ETFs), and supportive liquidity measures. With these initiatives, we will hopefully see a return of consumer confidence, unlocking high household savings and greater stability in the economy.

China's equity market remains deep and attractively priced, as well as under-owned by foreign investors, presenting contrarian opportunities for long-term capital flows.

The country's innovation power, particularly in the AI field, remains underappreciated, while the potential for large pension reforms and significant strategic alliances away from the US also contribute to the country's current appeal to investors. While performance has been volatile – and further news-driven volatility is to be expected – local Chinese



equities have performed well in 2025, and the long-term trajectory remains positive, especially for investors focused on innovation, domestic consumption and strategic sectors (see Exhibit 2).

Three regions offer compelling framework

Taking a comparative outlook, Europe offers a structural revaluation opportunity, driven by fiscal expansion, defence spending and supportive monetary policy; India represents a long-term growth engine, combining demographics, digital expansion and further integration into global supply chains; and China represents a long-term opportunity, with deep market potential, leadership in innovation and policy support. Together, these three regions form a compelling equity allocation framework for navigating the shifting global order. With

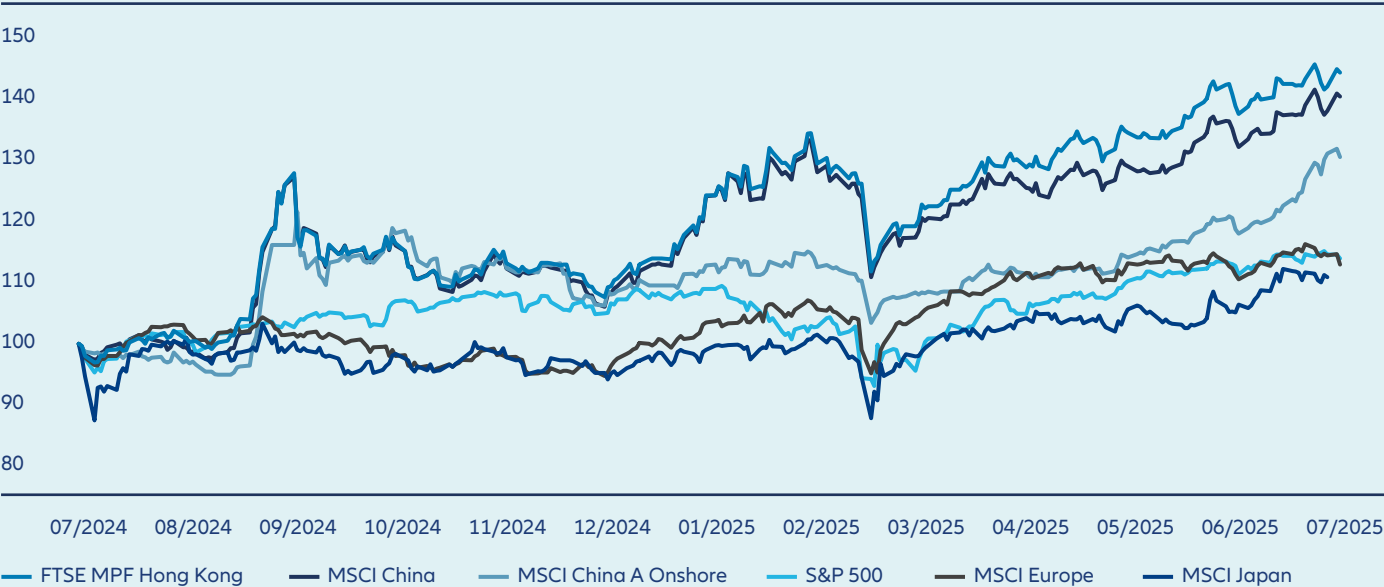
the US facing valuation and policy headwinds, Europe, China and India offer diversified, resilient, and forward-looking investment opportunities.



WHAT IS THE ONE THING INVESTORS SHOULD LOOK OUT FOR IN 2026?

The complexities of the Chinese market should not detract from the long-term opportunities presented by this energetic, dynamic and innovation-led economy. Deep and attractively priced equity markets, alongside significant policy support, mean the country remains a compelling part of any forward-looking equity allocation framework.

Exhibit 2: Chinese equities have performed strongly since mid-2024 (USD, rebased to 100)



Source: LSEG Datastream, Wind, Allianz Global Investors, as at 31 July 2025

FIXED INCOME STRATEGY

Diversified and active for resilience



Jenny Zeng
CIO Fixed Income

Global growth in 2026 should remain resilient, underpinned by largely pro-growth policy settings in the major economies. Central banks in developed markets are likely to have normalised policy rates towards neutral levels, following the aggressive tightening cycle of prior years. Fiscal policy continues to lean towards an accommodative stance, with governments prioritising infrastructure and strategic investment to counter lingering trade and geopolitical uncertainties. We think inflation will continue to be asynchronous – likely to rise in the US, remain moderate in the euro area, and be subdued in Asia and major emerging market countries.

This growth and inflation combination underpins an overall benign environment for fixed income. We expect some divergence in growth and inflation dynamics, as well as policy trajectories, which will create opportunities for selective duration and credit positioning in active portfolios.

Nonetheless, volatility is likely to rise amid tight valuations. We think institutional resilience and policy flexibility will continue to be tested – as will the global economy's ability to adapt to a more fragmented world. This calls for vigilance, not indulgence, quality over imbalances, active over passive, and liquid over illiquid.

Policy support counters growth pressure

Growth remains under pressure, but targeted fiscal and monetary policy and investments in technology provide support. Developed economies are expected to grow close to their trend pace, while emerging markets maintain a clear growth premium, led by India and parts of South East Asia. This divergence creates opportunities for selective duration and credit positioning across regions.

In monetary policy, we also see divergence, especially between developed and emerging markets.

- **Developed markets:** Policy rates are expected to fall further, with the US Federal Reserve cutting towards 3% and the European Central Bank below 2%. We think the Bank of England may cut more than currently priced against a very tight fiscal stance. In Japan,



meanwhile, pressure to normalise policy continues to grow given heightened inflation risks.

- **Emerging markets:** Despite the disinflation momentum slowing, several central banks retain room for more easing, given positive real rates. A number of countries, including Brazil, Mexico, India and South Africa, are positioned for incremental cuts, which should support the performance of local currency debt.

Tight credit spreads call for vigilance

In credit, spreads remain historically tight, reflecting resilient fundamentals and strong technicals amid increasing investor demand. However, we see cracks emerging given late-cycle dynamics, and these warrant caution.

There are signs of stress in sectors that are highly interest-rate sensitive, with lower-quality issuers that are more aggressive, more stretched and (potentially) fraudulent starting to fail.

At this point, we believe the systemic risk is small. Banks' exposure to these kinds of sectors – in terms of total loans and capital – seems manageable and across the banking system we see broadly solid fundamentals. In general, public credit remains in good shape. While fundamentals are moderating from high levels, and dispersion is rising across sectors, leverage is lower than in prior cycles, interest coverage is healthier and the high-yield index quality has improved as weaker issuers are taken out (partially by private markets).

Nonetheless, valuations leave little cushion against macro shocks. This is an environment that calls for vigilance, but we think it is too early to give up on carry.

Active, diversified, risk-controlled

In this complex environment, we believe there are several tangible takeaways for fixed income investors.



- Active management is critical. Tight spreads and asymmetric risks demand rigorous credit selection and dynamic allocation.
- Diversification across regions. Developed markets duration offers resilience, while emerging market debt can provide yield enhancement and diversification.
- Liquidity and risk controls. We think it's important to maintain flexibility and liquidity to navigate potential dislocations from policy surprises or geopolitical shocks.

Looking ahead into 2026, our key insight is that the environment offers a supportive yet nuanced backdrop for fixed income investors.

While global policy remains accommodative and growth expectations tilt in a positive direction, tight valuations and emerging credit stresses underscore the need for vigilance, diversification, selectivity and active risk management.

As far as diversification goes, we continue to see emerging markets and Asia as excellent mid- to long-term investment destinations given structurally improving macro fundamentals.

Meanwhile, investors should also consider diversifying portfolios using different instruments. For example, we see a good case to selectively add floating rate notes, high-quality securitised credits and convertible bonds as diversifiers to multi-sector, income-generating portfolios. As corporate credit spreads compress, securitised credits remain relatively more attractive on a duration and rating-adjusted basis. In general, we believe a truly globalised, diversified and high-quality portfolio with active duration management is strongly positioned to generate income with resilience in today's macro backdrop.



WHAT IS THE ONE THING INVESTORS SHOULD LOOK OUT FOR IN 2026?

We continue to monitor credit event developments in major credit markets, both in public and private markets, particularly in the US. That said, at this point, while it is highly likely we will see increasing signs of stress, any broader shakeout in the system seems likely to be contained thanks to banks' solid fundamentals, which allow them to absorb hits. We need to watch whether such blowups will make lenders more cautious, which may then lead to tightening overall credit conditions in the system.

MULTI ASSET STRATEGY

A tale of two realities



Gregor MA Hirt
CIO Multi Asset

As we look ahead to 2026, the global investment landscape continues to be shaped by a complex interplay of geopolitical tensions, economic readjustments and technological disruption. The year promises to be one of contrasts – where optimism and caution coexist, and where markets may dance between resilience and recalibration.

The geopolitical environment remains fraught with uncertainty. But markets have grown accustomed to the rhythm of confrontation and compromise – particularly in the ongoing tango between President Donald Trump and his global counterparts. The balance of power, especially in trade and strategic resources like rare earths, has shifted. China, having this time anticipated and prepared for renewed tensions, has forced a reassessment of US policy, leading to a more balanced global dynamic.

Surprising resilience – for now

But despite the tax burdens and protectionist policies of the Trump administration, the global economy has shown surprising resilience. Traditional industrial growth metrics in the US

remain subdued, but technology and AI continue to be powerful engines of expansion. However, the question is how long this momentum can be sustained.

Especially in an environment like this, an agile approach can be an effective way to negotiate the uncertainty. That means drawing on the strengths of a well-diversified investment mix and placing greater emphasis on active portfolio management.

Monetary policy is already acting as a tailwind for global liquidity. We anticipate further rate cuts from both the US Federal Reserve (Fed) and the European Central Bank (ECB), particularly in the first quarter. In Europe, inflation data could surprise to the downside, prompting an even more dovish stance from the ECB. Meanwhile, fiscal policy in the US is expected to be most impactful in the early part of the year, though its long-term effectiveness remains less clear.

Correction risks amid US stock market strength

US equity valuations remain elevated, but strong earnings growth, especially in the tech sector, provides a rationale for continued market strength. Importantly, investor positioning is not yet overstretched, suggesting room for further upside. We expect many market participants to take advantage of short-term pullbacks to re-enter the market, particularly over the next three to six months. Looking further ahead, the



picture becomes more nuanced. We do not foresee a “Minsky moment” driven by financial overleverage – a key difference from 2008. Still, there is a growing risk of a correction if earnings were to disappoint.

As markets begin to recognise that valuations of AI and related technologies may already reflect their true earnings potential, a normalisation phase could follow.

To prepare for any potential swings in stock prices, we will continue to take a robust approach to stock selection and overall AI exposure – built on the combined strength of our fundamental and quantitative analysis.

We maintain a constructive view on emerging markets as a complex. Despite significant differences between countries, the asset class remains under-owned, attractively valued, and supported by a weaker dollar. China continues to stimulate its economy and favour the AI/tech segment, adding to the appeal of the world’s second-biggest economy.

Strategically, we remain a touch more cautious on US equities due to market concentration, high valuations and underestimated stagflation risks – particularly in the latter half of 2026. Europe presents a more favourable outlook. Earnings momentum is improving, and Germany’s fiscal support should provide a meaningful boost. However, France is likely to remain in a holding pattern until the 2027 presidential elections – a source of uncertainty to watch closely in the coming quarters.

Emerging market debt set to benefit

In fixed income, we favour euro zone bonds – especially German Bunds – where inflation is under control and fiscal stimulus is set to expand market breadth. Our top pick remains emerging market debt, which benefits from a weaker dollar, growing domestic demand, and relatively disciplined fiscal and monetary policies compared to developed markets.

We continue to like investment grade credits and crossovers (bonds rated between investment grade and high yield), but see limited potential in further spread tightening, so it becomes

pretty much a carry story. High yield spreads are expensively priced in our view, though absolute yield may remain attractive for retail clients. But we stay neutral and, as multi asset investors, prefer equities, which are easier to exit in times of crisis.

Opportunity to reconsider US dollar exposure in portfolios

Currency markets are set to play a pivotal role again in 2026. **We expect renewed weakness in the US dollar – though likely on a more moderate trajectory than in 2025 – driven by inflation differentials favouring Europe and political pressure on the Fed.** This environment calls for a reassessment of large US dollar exposures in portfolios. In equities, investors rarely hedge their dollar positions, even though US-listed stocks typically represent more than 70% of major indices. Similarly, bond allocations often lean heavily towards US issuers, with some indices exhibiting significant dollar concentration.

We think a more measured level of US exposure may be warranted, complemented by the benefits offered by other currencies and regional bonds. The Japanese yen, for instance, could further consolidate its safe-haven status – supported by political stability and the Bank of Japan's shift in response to higher core inflation – especially if confidence in the dollar erodes further.

Gold remains a key diversification tool for us, though it may have reached near-term peak levels. We continue to hold positions but are also exploring alternatives such as silver and gold miners. The latter remain attractively priced relative to the rise in the yellow metal and benefit from lower interest rates, which ease the burden of their capital-intensive operations.

Elevated single-security volatility

Volatility remains a central theme in our investment strategy – we consider it as a separate asset class. Indeed, the past two years have seen below-average index volatility punctuated by sharp spikes during market corrections. This environment has allowed us to stay invested in equities even after phases of strong upside swings, while tactically taking profits during periods of disruption. However, beneath the surface, single-security volatility is elevated, and low correlations between securities are masking broader risks. This fragile dynamic could act as a catalyst for a more sustained correction if market breadth narrows or macro shocks emerge.



WHAT IS THE ONE THING INVESTORS SHOULD LOOK OUT FOR IN 2026?

The dollar's correlation with US equities has shifted. In past corrections, it typically moved opposite to stocks, acting as a hedge. However, since Donald Trump's second term, that relationship has weakened, reducing its reliability during market downturns. If the trend continues into 2026, some investors – especially the more risk-based ones – may begin to reduce US exposure.

Zeroing in on opportunities



Marta Perez
CIO Infrastructure



Sebastian Schroff
CIO Private Credit &
Private Equity

As we move into 2026, private markets continue to drive long-term portfolio performance. Global alternative assets are expected to reach USD 30 trillion by 2029, up from USD 18 trillion in 2024, making private markets a mainstream part of diversified portfolios.⁴ The next phase of the development of private markets will be shaped by slower exits, evolving liquidity dynamics, broader investor participation and new investment opportunities.

We see five key trends driving markets in 2026:

1. Secondaries mature into a core allocation

With limited options available to exit markets and a lagging in the payment of returns, investors are looking for other ways to realise

profits and improve portfolios. In the current environment, secondaries trading of existing investment fund shares and continuation vehicles (that extend the holding period of assets) are evolving from emergency liquidity tools into core portfolio management instruments.

Investors increasingly use secondaries to rebalance vintages, manage concentration risk, and gain access to seasoned portfolios. For general partners (GPs), continuation funds allow extended ownership of key assets and give liquidity to early investors. The secondaries market now plays a crucial role in adding flexibility to private markets. Private equity remains the most scalable and established part of the secondaries market. Looking ahead to 2026, secondaries, especially in private debt and infrastructure, present strong investment potential.

2. Diversification across strategies and regions

Allocators are expanding beyond traditional buyout strategies to include infrastructure, private credit, trade finance and real assets. Each of these asset classes is expected to grow at a high single-digit pace through the decade. Geographical diversification is also accelerating as Asia captures a larger share of inflows, supported by stronger local markets and maturing regulation. Attractive investment opportunities are emerging in Asian private

4) Source: AllianzGI, Preqin (Private Markets in 2030 | Preqin)

credit as traditional lenders withdraw and demand for tailored non-dilutive capital rises.

Specialist funds in sectors such as climate technology, energy transition and digital infrastructure are gaining traction as investors seek targeted expertise and differentiated return drivers.

3. Managing volatility takes disciplined underwriting

In uncertain markets, strict underwriting and thorough due diligence are essential to mitigate risk and capture opportunities. Outperformance depends on rigorous analysis, transparency, disciplined underwriting and alignment with long-term objectives – principles that should guide allocation decisions and remain core to our strategies.

4. Private wealth participation accelerates

We see an acceleration in participation by individual investors as the asset class becomes more accessible thanks to semi-liquid fund structures and regulations like the European Long-Term Investment Fund (ELTIF) 2.0 in Europe. By the end of the decade, individuals may account for a quarter of private markets assets under management. This shift brings managers more long-term capital and new demands for liquidity, reporting and product innovation.

5. Macroeconomic and geopolitical realignment

Reshoring, energy security and the regionalisation of production are shifting capital flows. By 2030, infrastructure and real asset strategies could double in size as private capital finances the energy transition, digital independence and logistics. Private markets are increasingly supporting companies as they grow – as traditional bank lending declines.

Infrastructure: energy and digital trends

Infrastructure remains a cornerstone of institutional portfolios, providing long-term contracted cashflows, inflation protection, low correlation to traditional asset classes and strong policy support globally. **Europe, in particular, is set to capture a leading share of global growth as governments mobilise public and private capital to advance decarbonisation, energy security and competitiveness.**

In 2026, two themes dominate:

- **Energy transition.** Huge demand for capital to fund projects may create more investment opportunities for private investors to step in. Strong policy support in Europe, and environmental, social and governance (ESG) targets in the private sector, continue to drive the energy transition. Energy infrastructure assets usually have long-term, inflation-indexed contracts, making them appealing in today's market. Additionally, energy transition infrastructure has little correlation with traditional assets, helping bring diversification to portfolios.
- **Digital infrastructure.** Data centres, fibre networks and 5G connectivity form the backbone of Europe's digital sovereignty, supported by national and EU funding initiatives, as well as the digitalisation megatrend, including the push to provide reliable, fast services in the cloud. We continue to see opportunities, both within equity and debt, going into 2026.

Energy transition and digital infrastructure are increasingly intertwined. The rise of decentralised renewable energy systems depends on smart grids and real-time data management, while the rapid expansion of data centres – key enablers

of digitalisation – drives significant electricity demand, reinforcing the need for clean, resilient energy sources.

Private credit: attractive yields and diligent underwriting

Global private credit is projected to more than double to USD 4.5 trillion in assets under management by 2030, up from USD 2.1 trillion in 2024, driven by higher interest rates, investor demand and capital market shifts.⁵ North America is expected to remain dominant while Europe and Asia continue to expand their private credit markets.

Despite macro headwinds, direct lending remains compelling thanks to attractive yields and the critical role of disciplined underwriting. We expect its growth to continue as private credit further replaces banks in financing companies.

As investors diversify beyond direct lending, we see increasing interest in infrastructure debt, liquidity solutions such as credit secondaries and trade finance, offering differentiated returns and low correlation.

Impact investing and blended finance – which mobilise capital for underserved projects and ensure measurable, transparent and lasting societal and environmental outcomes – remain in focus for many investors.

Private equity: rebound in exits?

The slowdown in mergers and acquisitions and initial public offerings has reduced exit opportunities and distributions to limited partners (LPs), shifting the focus to secondaries and continuation funds to address liquidity issues.

LPs increasingly seek lower fees and greater control over their investment decisions.

Co-investments enable LPs to invest directly, offering enhanced transparency, influence and potential for higher returns – often with minimal fees and better IRR than traditional fund investments. In the current challenging environment, GPs offering co-investments can build stronger LP relationships and position themselves for market recovery.

We expect a progressive rebound in exits in the coming years, which will allow private equity fundraising to restart. This could be supported by further retail investor demand through evergreen or semi-liquid funds.



WHAT IS THE ONE THING INVESTORS SHOULD LOOK OUT FOR IN 2026?

As we enter 2026, private markets are no longer niche – they are foundational. From secondaries offering flexible portfolio management to the rise of private wealth participation and regional diversification, 2026 marks a turning point. Private credit and infrastructure stand out as powerful drivers of long-term value. These asset classes are not just diversifying portfolios – they're financing the future.

⁵) Ibid.

Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested.

Past performance does not predict future returns. If the currency in which the past performance is displayed differs from the currency of the country in which the investor resides, then the investor should be aware that due to the exchange rate fluctuations the performance shown may be higher or lower if converted into the investor's local currency.

This is for information only and not to be construed as a solicitation or an invitation to make an offer to buy or sell any securities. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. The data used is derived from various sources and assumed to be accurate and reliable at the time of publication. but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or willful misconduct. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted, except for the case of explicit permission by Allianz Global Investors.

This material has not been reviewed by any regulatory authorities.

This document is being distributed by the following Allianz Global Investors companies: In Australia, this material is presented by Allianz Global Investors Asia Pacific Limited ("AllianzGI AP") and is intended for the use of investment consultants and other institutional/professional investors only, and is not directed to the public or individual retail investors. AllianzGI AP is not licensed to provide financial services to retail clients in Australia. AllianzGI AP is exempt from the requirement to hold an Australian Foreign Financial Service License under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order (CO 03/1103) with respect to the provision of financial services to wholesale clients only. AllianzGI AP is licensed and regulated by Hong Kong Securities and Futures Commission under Hong Kong laws, which differ from Australian laws; in the European Union, by Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and is authorized and regulated in South Africa by the Financial Sector Conduct Authority; in the UK, by Allianz Global Investors (UK) Ltd. company number 11516839, authorised and regulated by the Financial Conduct Authority (FCA); in Switzerland, by Allianz Global Investors (Schweiz) AG, authorised by the Swiss financial markets regulator (FINMA); in HK, by Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; in Singapore, by Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; in Japan, by Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424], Member of Japan Investment Advisers Association, the Investment Trust Association, Japan and Type II Financial Instruments Firms Association; In mainland China, it is for Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations and is for information purpose only. in Taiwan, by Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan; and in Indonesia, by PT. Allianz Global Investors Asset Management Indonesia licensed by Indonesia Financial Services Authority (OJK).

November 2025