



2026 2H Outlook:

The Metallica Market

New Edge Office of the CIO

METALLICA



1H trading was Metallica-esque, with a delayed appreciation of earnings strength resembling Metallica's slow rise to rock royalty.

But the story of Metallica also gives us important lessons for 2H: we must find ways to turn market challenges into great opportunities, just as Metallica turned personal pain into thrash metal art.

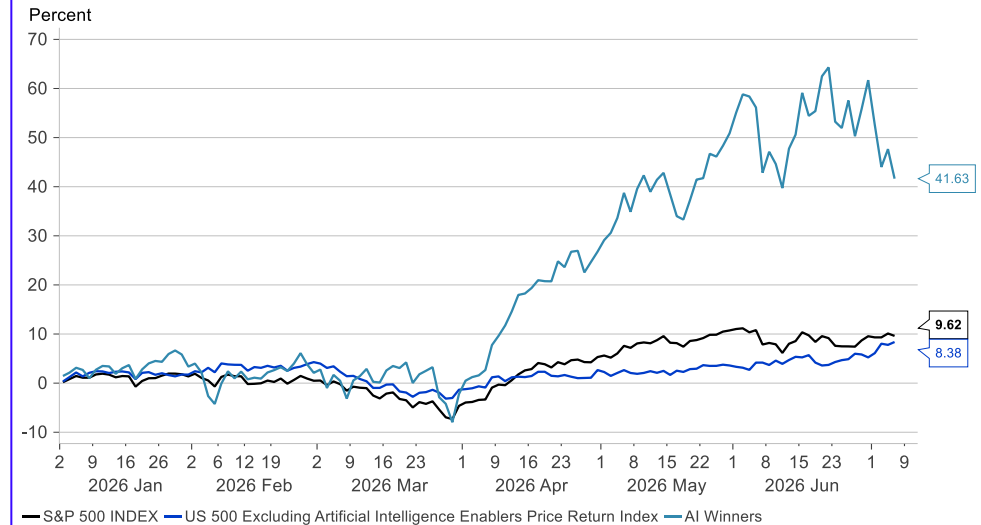


NOTHING ELSE MATTERS

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The AI Infrastructure trade dominated markets in 1H26, with both strong price action and earnings driven by AI infrastructure stocks (which themselves were driven by huge capex budgets from hyperscalers).

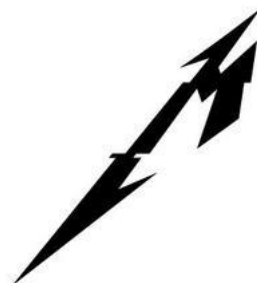
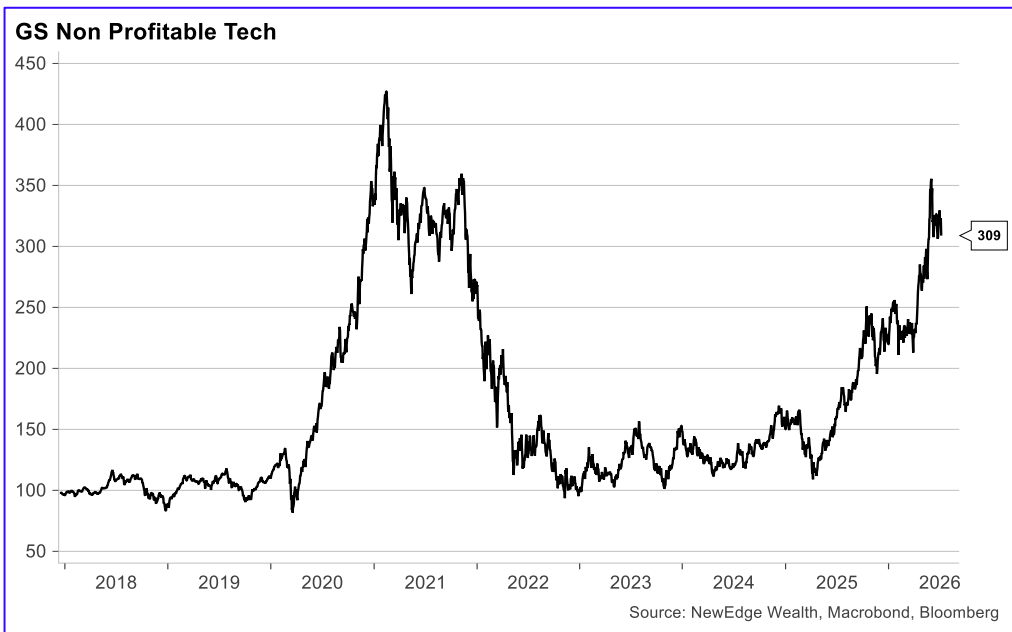
S&P 500, S&P 500 without AI, AI Winners



Source: NewEdge Wealth, Macrobond, Bloomberg

MOTH INTO FLAME

1H26 was characterized by a surge in risk-on, speculative, high momentum trading. Liquidity remained abundant and supportive of high valuation capital raises.



MOTH INTO FLAME

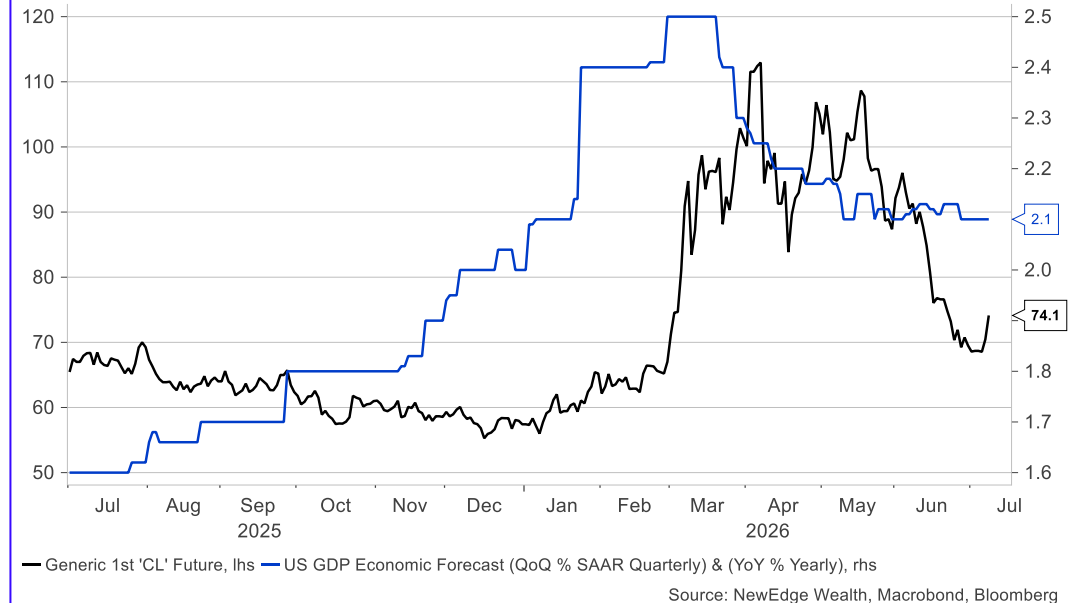




THE DAY THAT NEVER COMES

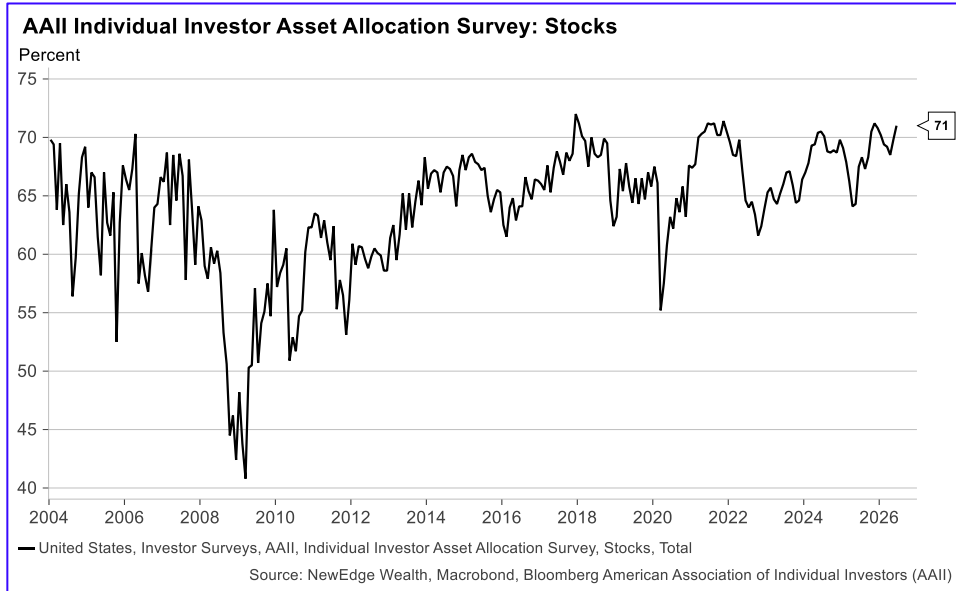
Geopolitical events do not result in as extreme of an energy price shock as expected, with no impact to earnings and muted impact to economic growth.

Crude Oil and 2026 US GDP Forecast



MASTER OF PUPPETS

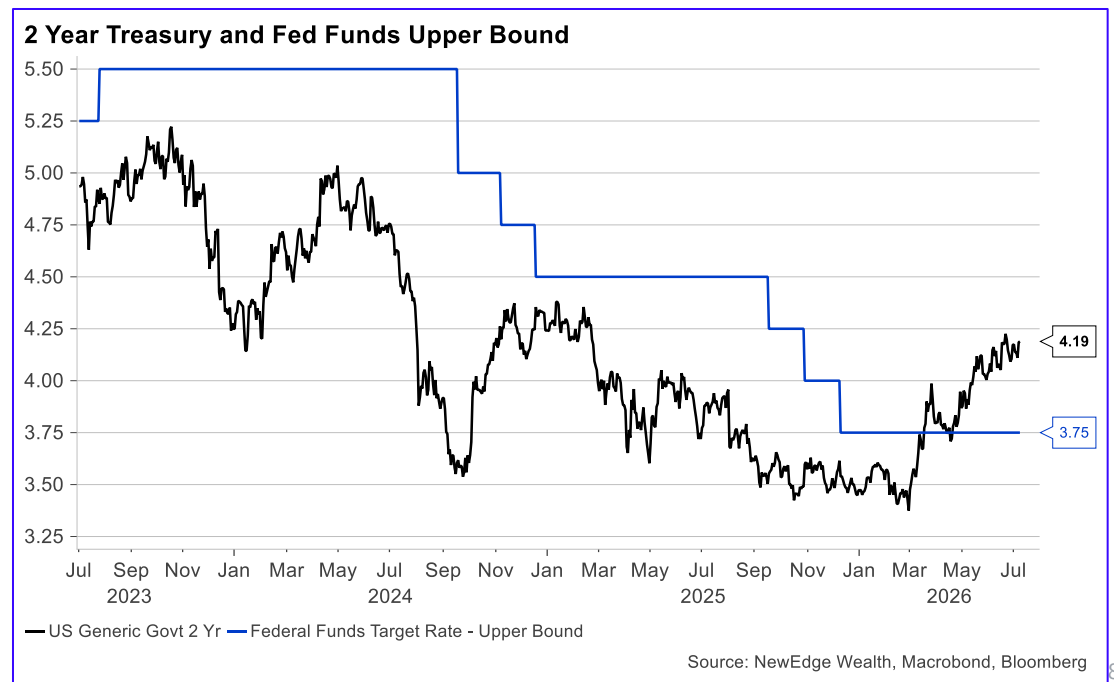
Our theme of “Don’t Fight the White House” persists. “Don’t let the stock market go down” as an unspoken policy priority remains important given the wealth effect’s large impact on resilient consumer spending.





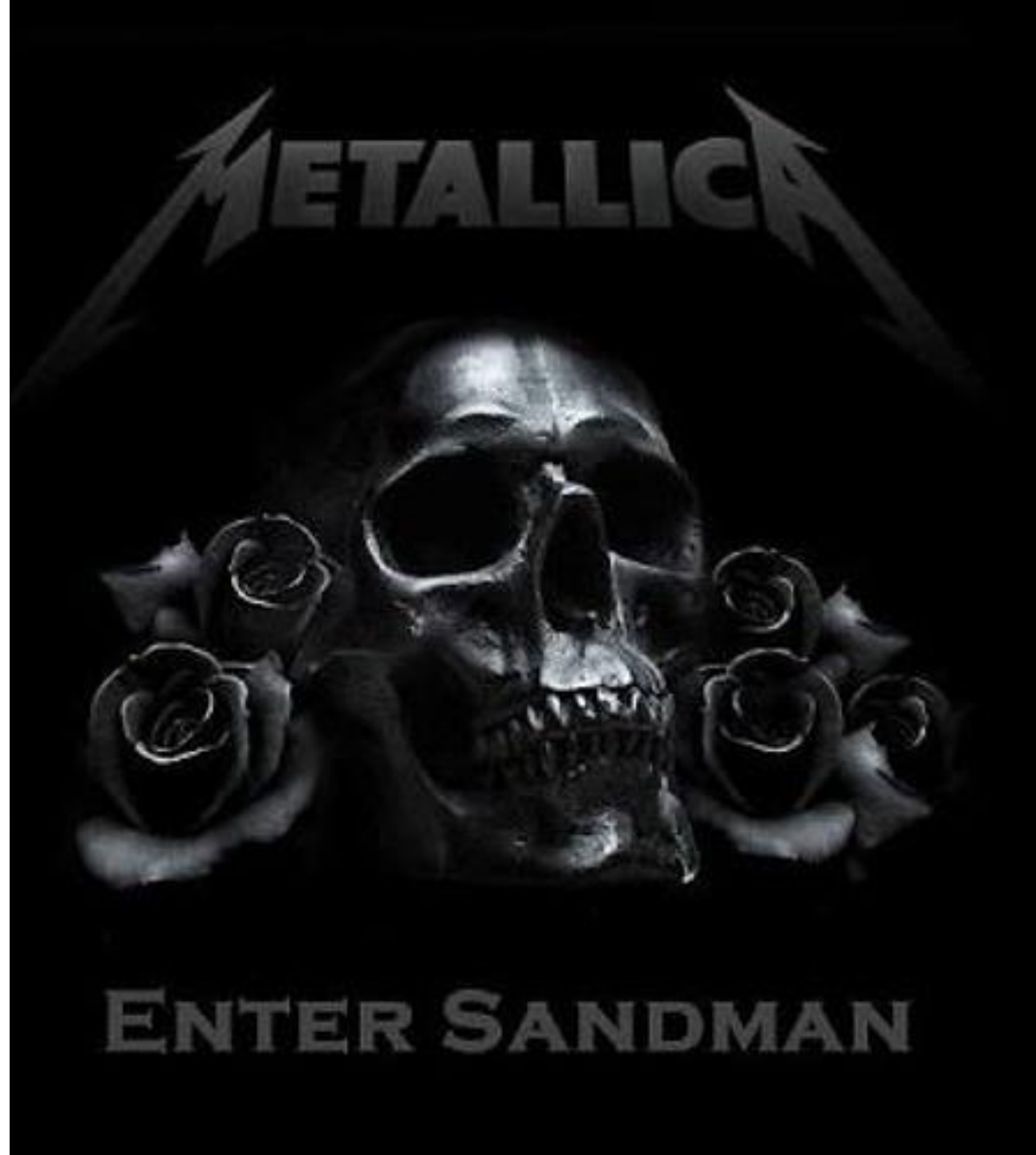
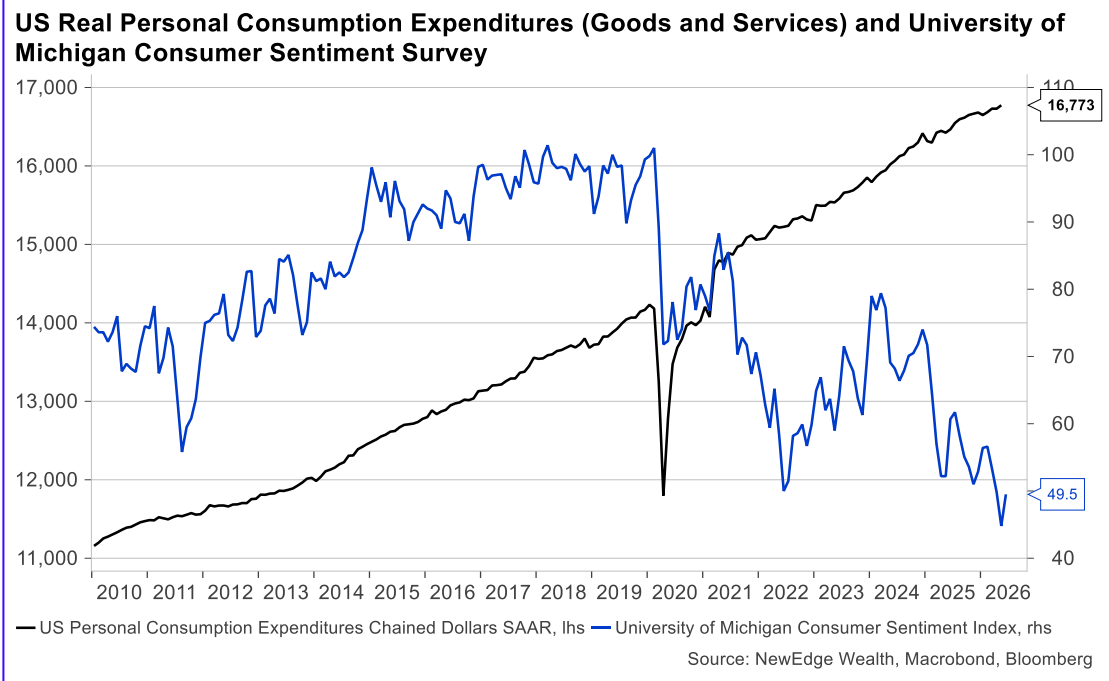
FIGHT FIRE WITH FIRE

The new Fed Chair Warsh sounds hawkish in his vow to fight inflation, but promises big changes in communication style and Fed functioning (with his new “Task Forces”). This creates new uncertainty in the future policy path, but markets responded by pricing in hikes.



ENTER SANDMAN

Consumer's nightmarish sentiment doesn't translate to weaker spending (despite falling real wages).



AGENDA

1. **1H26 Review and 2H26 Summary: The Memory Remains**
 - a) What surprised consensus about 1H16
 - b) Where consensus stands going into 2H26
 - c) Where consensus could be surprised the most in 2H26
 - d) Our “boring” predictions
2. **Equity: Ride the Lightning**
 - a) **AI Trade:** Can the Momentum Continue?
 - b) **Everything Else:** What Sustains a Rotational Catch Up?
 - c) **The Mullet Portfolio:** Business in the Front, Party in the Back
3. **Fixed Income: Hero of the Day**
 - a) **Short Term Cash:** Cool Again?
 - b) **Munis:** The Encore Performance?
4. **Alternatives: Eye of the Beholder**
 - a) **Volatility Strategies:** Taking Advantage of Uncertainty
 - b) **Private Credit:** Picking Spots Amidst Headline Risk
 - c) **Private Equity:** Disruption Creates Opportunity



SUMMARY OF 2H26 EXPECTATIONS

U.S. Economy

- **GDP:** We expect trend GDP growth (~2%). The fiscal boost from OBDD in 1H (i.e., tax refunds) should fade in the 2H but tech infrastructure demand remains a key growth driver; non-tech investment (i.e., housing) remains flat, and consumers are getting squeezed by falling real wages.
- **Jobs:** We expect relatively stable unemployment, but weaker net hiring compared to the first half. We expect wage growth to remain subdued.
- **Inflation:** Moderates on a headline basis thanks to falling oil (unless the Strait of Hormuz shuts again); a big/broad surge in inflation less likely due to soft wage growth and housing.

U.S. Policy

- **Fed Policy:** Moderating headline inflation and a softening labor market creates little urgency for the Fed to deliver rate hikes, meaning June was the peak in hawkish Fed expectations, barring another surge in oil/gas prices. Larger Fed framework changes have little impact on markets in the near term (other than sparking more bond market volatility), with the true test of changes in the next crisis.
- **Fiscal Policy:** The likely midterm results (Democrats at least taking the House) won't produce any landmark legislation but could lead budget negotiations to resolve in favor of higher discretionary spending, as they did after the 2018 midterms.

U.S. Fixed Income

- **10 Year:** A retest of recent highs 4.6-4.8% possible given short-term uptrend in yields, which would create an attractive entry point for those looking to position for weaker economic growth.
- **2 Year:** In the absence of Fed forward guidance, yields remain above the Fed Funds rate (current 3.75%), pricing in hikes; reversal is possible if inflation moderates faster than expected or UE rate spikes.
- **Credit Spreads:** HY spreads don't push much lower but could spike higher if economic or earnings growth data disappoints.
- **Muni Dynamics:** Expect income and carry to be the primary drivers of return with active sector, credit, and maturity selection becoming increasingly important.

Equities

- **The aging bull continues** but with potential for volatility as 1H's big earnings reset (driven by capex increases at hyperscalers flowing to AI infrastructure plays) is unlikely to repeat in 2H.
- **S&P 500 Upside:** 8000 (20x \$400 in 2027 EPS); driven by continued strength in earnings and ample liquidity supporting risk; large weights in index remain resilient; institutional positioning chases up
- **S&P 500 Downside:** 7000 (200 day moving average); driven by continued unwind in large weights in index (semis or Mag 7) if AI narrative shifts; leverage and crowded bullish sentiment adds to the unwind; inflation scare could spark volatility

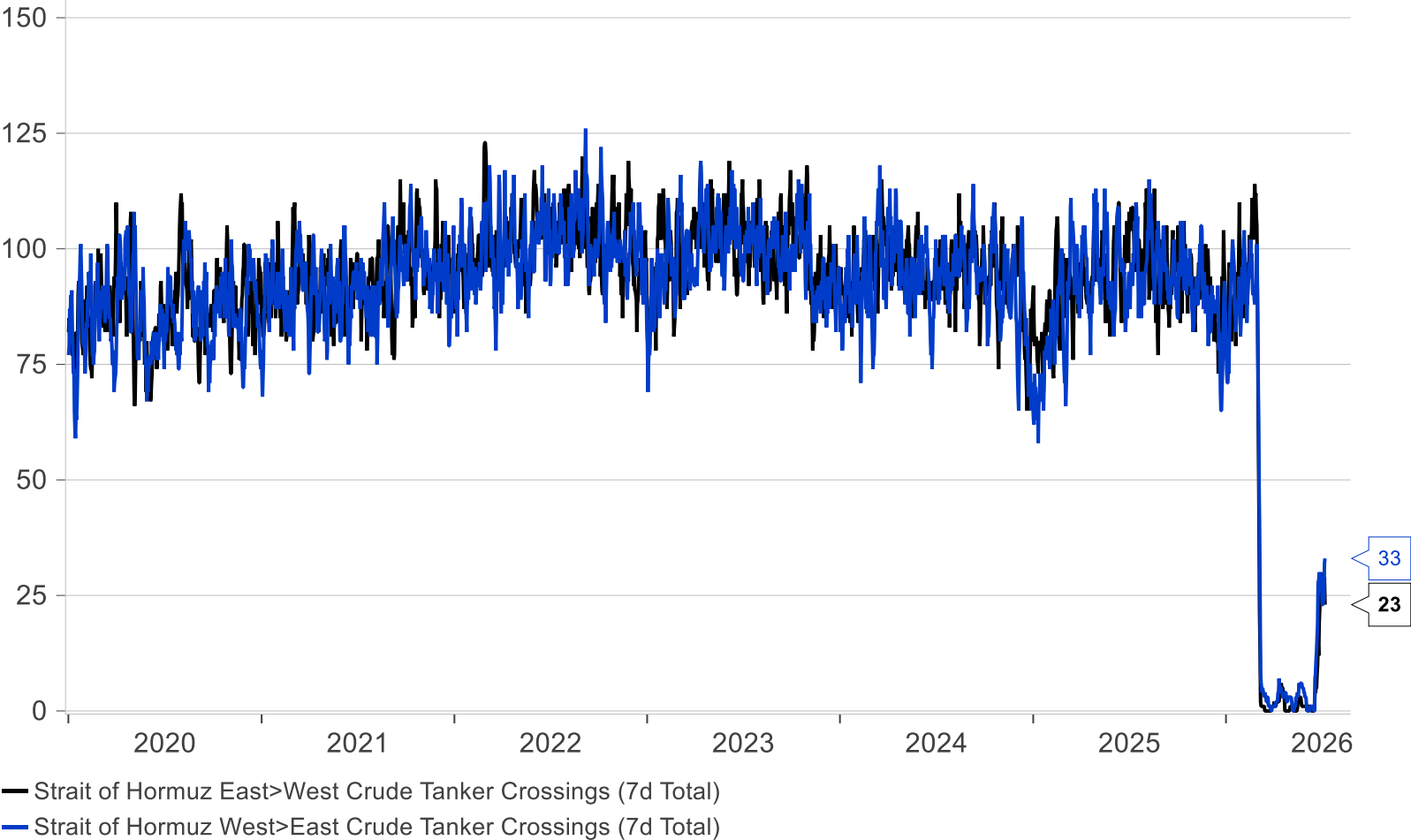


Surprises from the First Half of 2026



Shutting Down the Strait of Hormuz Hasn't Broken the Global Economy (Yet)

Oil Tankers Passing Through Strait of Hormuz (Daily)



Source: NewEdge Wealth, Macrobond, Bloomberg

Economic Data (Especially on the Labor Market) Has Surprised to the Upside

10-year Treasury Yield & Labor Market Data Surprises



— U.S. 10-year Treasury Yield, rhs — Bloomberg ECO US Labor Market Surprise Index, lhs

Source: NewEdge Wealth, Macrobond, Bloomberg

The Treasury Yield Curve Bear Flattened (Short Rates Rose More Than Long Rates)

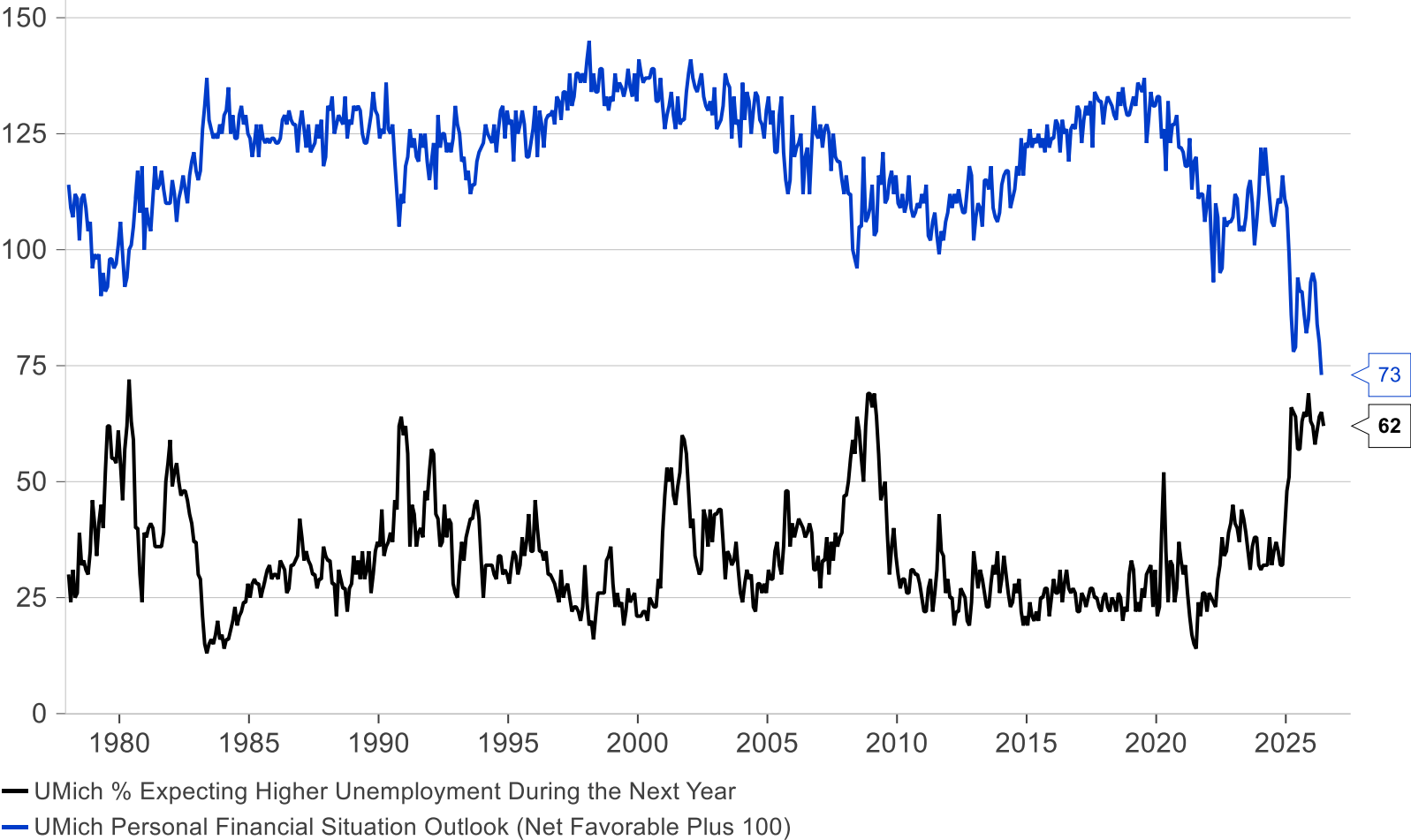
U.S. Treasury Yield Curve Slope (2y10y)



Source: NewEdge Wealth, Macrobond, Bloomberg Citi

Despite Historically Bad Consumer Sentiment...

U. of Michigan Consumer Sentiment Readings



Source: NewEdge Wealth, Macrobond, Bloomberg University of Michigan

...2026 Consumption Forecasts are Still Solid

2026 Household Consumption Forecast



— United States Household Consumption Economic Forecasts (2026 YoY%)

Source: NewEdge Wealth, Macrobond, Bloomberg



Where Consensus Stands

 NewEdge.
WEALTH

Where Consensus Stands

US GDP

REAL GDP
2026: 2.1%

2027: 2.1%

US INFLATION

CORE PCE
2026: 3.3%

2027: 2.5%

US UNEMPLOYMENT

U6
2026: 4.3%

2027: 4.3%

S&P 500 PRICE

Top Down 2026: 7,746.82
Range: 7,100-8,250
Bottom Up 12M: 8,920

S&P 500 EARNINGS

2026: \$344.25 (+24%)

2027: \$399.21 (+16%)

FED POLICY

WIRP 2026: 1.4 hikes
WIRP 2027: cuts in 2H27

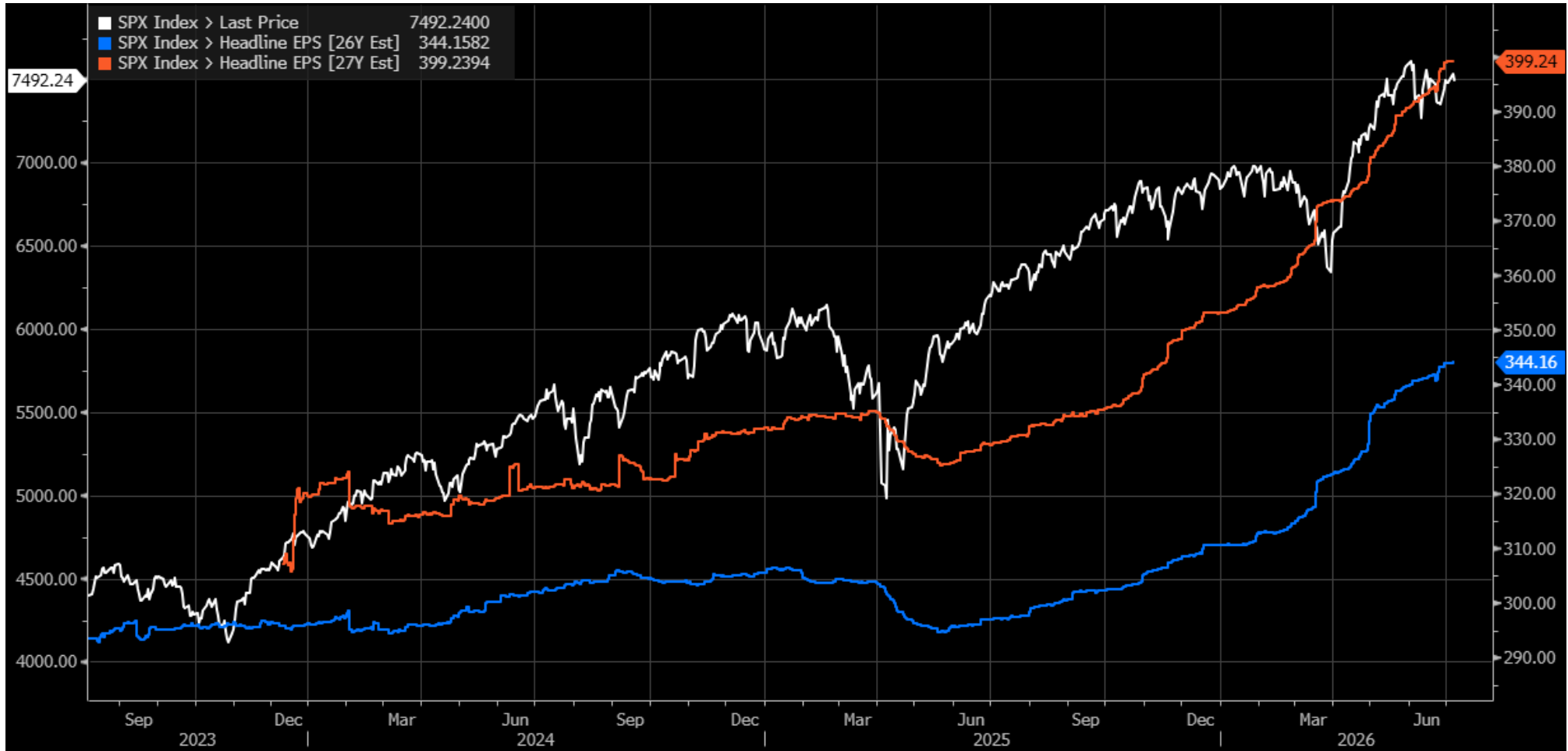
Bottom-Up Consensus is Most Bullish it Has Been Outside of Corrections



Source: Bloomberg

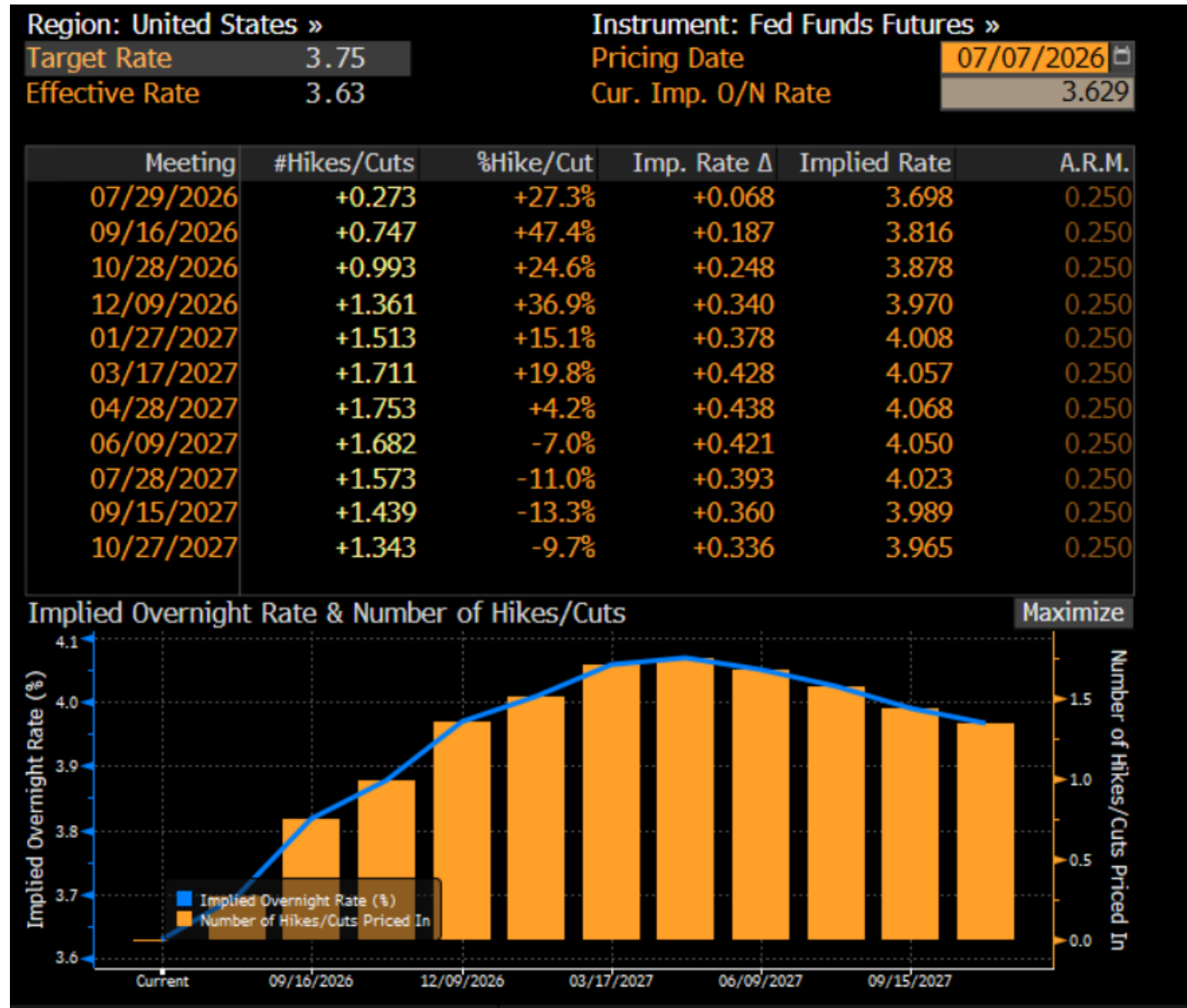
2026 and 2027 EPS Estimates Up Significantly

S&P 500 2026 and 2027 EPS Estimates



Source: Bloomberg

Fed Expectations: Hike Now, Cut Later



Source: Bloomberg

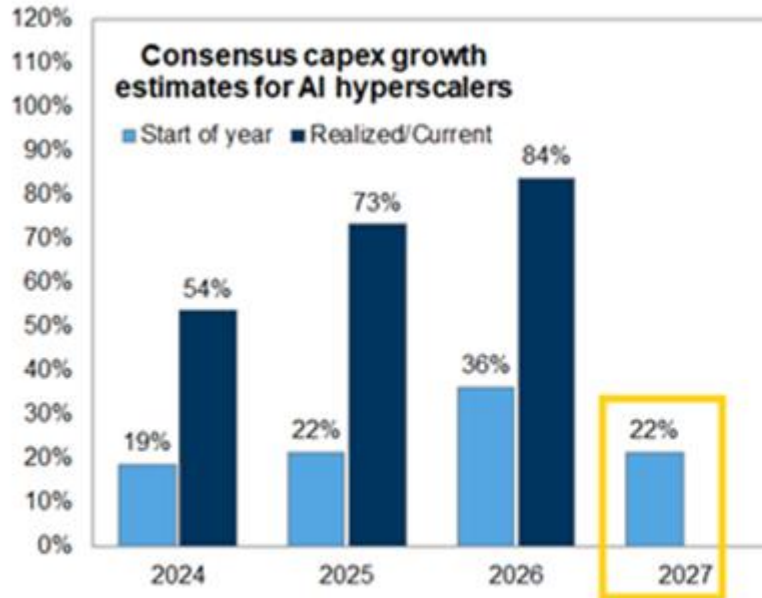
Data as of: 7/8/2026



Risks to the Consensus Thinking

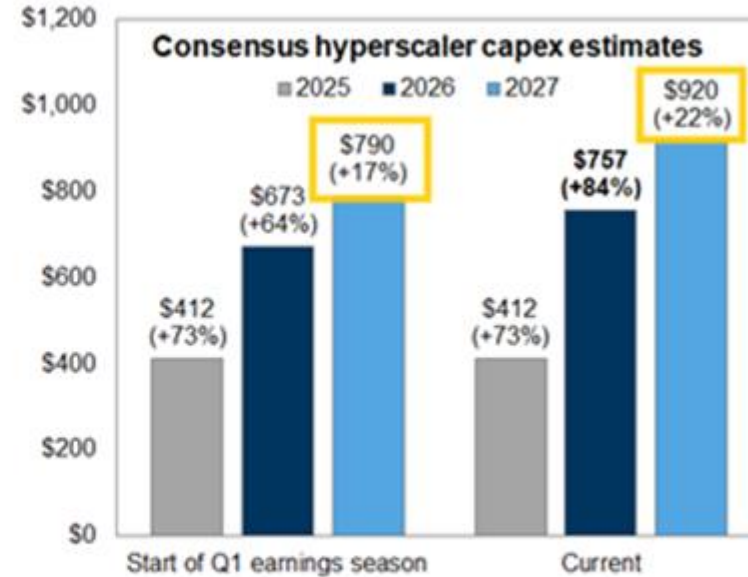
Are The Big 2026 and 2027 EPS Upward Revisions Behind Us?

Exhibit 6: Consensus hyperscaler capex estimates versus realized capex



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 7: Recent consensus hyperscaler capex estimate revision:

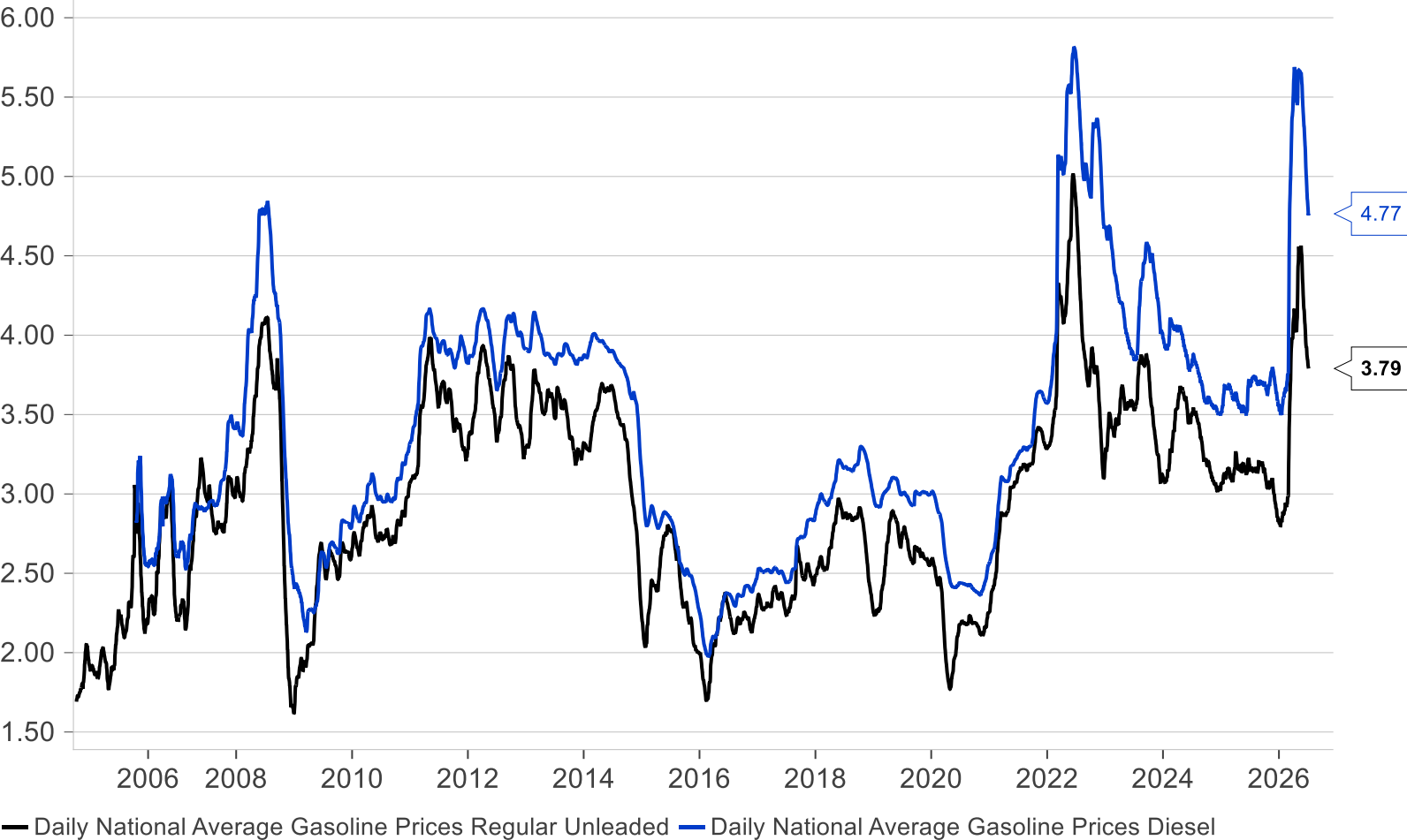


Source: FactSet, Goldman Sachs Global Investment Research

Goldman Sachs via @neilsethnew

Gas Prices Could Fall Faster Than Expected...or Move Higher Again

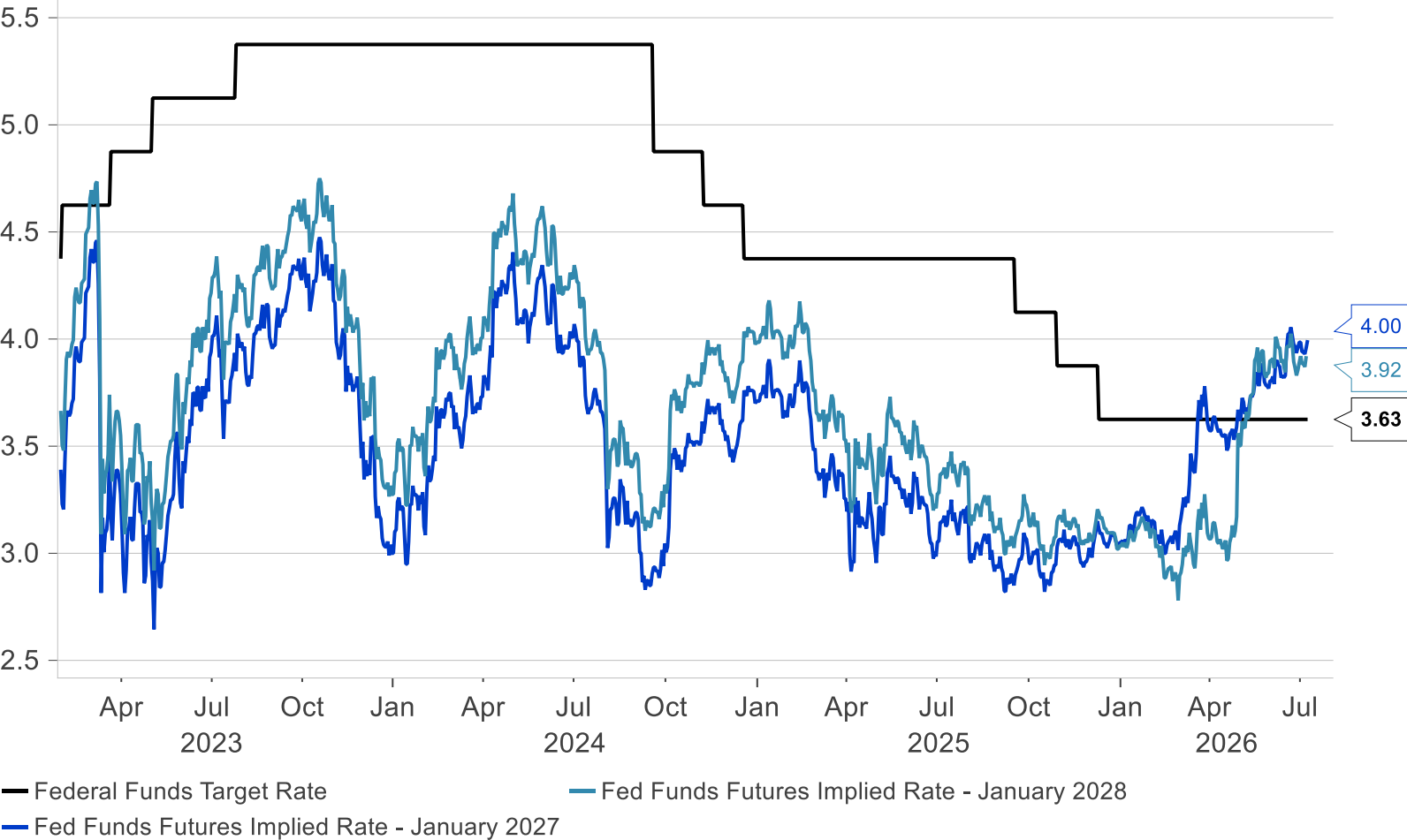
U.S. Average Gasoline and Diesel Prices



Source: NewEdge Wealth, Macrobond, Bloomberg

Rate Hikes Could Be Priced Out as Quickly as They Were Priced In

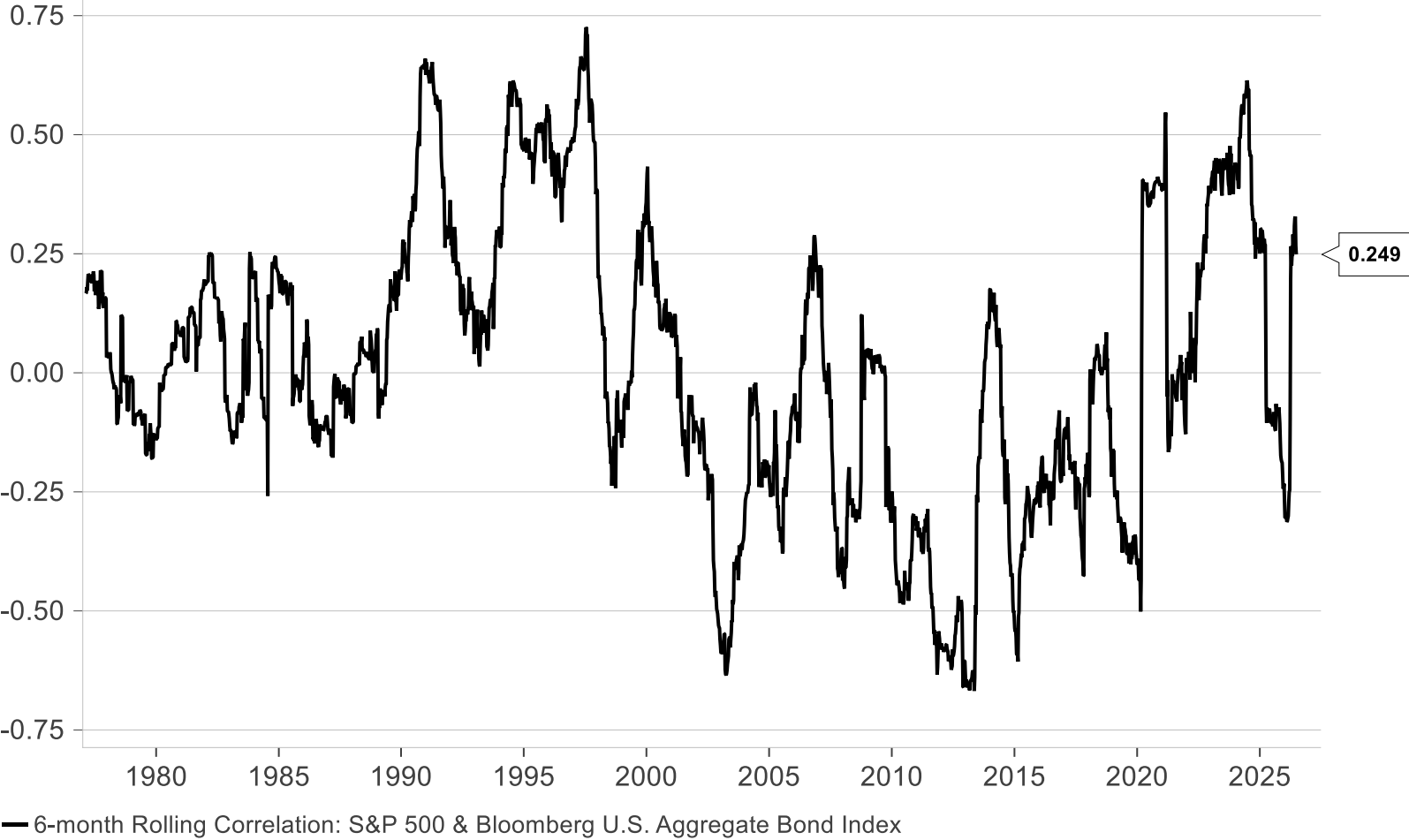
Fed Funds Rate With Market Projections for 2026 & 2027



Source: NewEdge Wealth, Macrobond, Bloomberg

Disinflation Could Drive Stock-Bond Correlations Lower Again

Rolling 6-month Correlation: Stocks vs. Bonds



Source: NewEdge Wealth, Macrobond, Bloomberg S&P Global

A dark, textured sphere, possibly a planet or moon, is mounted on a stand. The sphere is the central focus, with a blue semi-transparent circle overlaid on it. The background is black.

Our Somewhat Boring Outlook for the Rest of 2026

Consensus Has GDP Growth Just About Right (Maybe Slightly Too High)

Bloomberg Consensus 2026 U.S. Real GDP Growth Forecast



Source: NewEdge Wealth, Macrobond, Bloomberg

The Bond Market Still Thinks the Fed Will Get Inflation Under Control...Eventually

5y5y Forward TIPS Breakeven Inflation Rate



Source: NewEdge Wealth, Macrobond, Bloomberg Federal Reserve

The U.S. Labor Force Shrinks in 2026

U.S. Civilian Labor Force Size

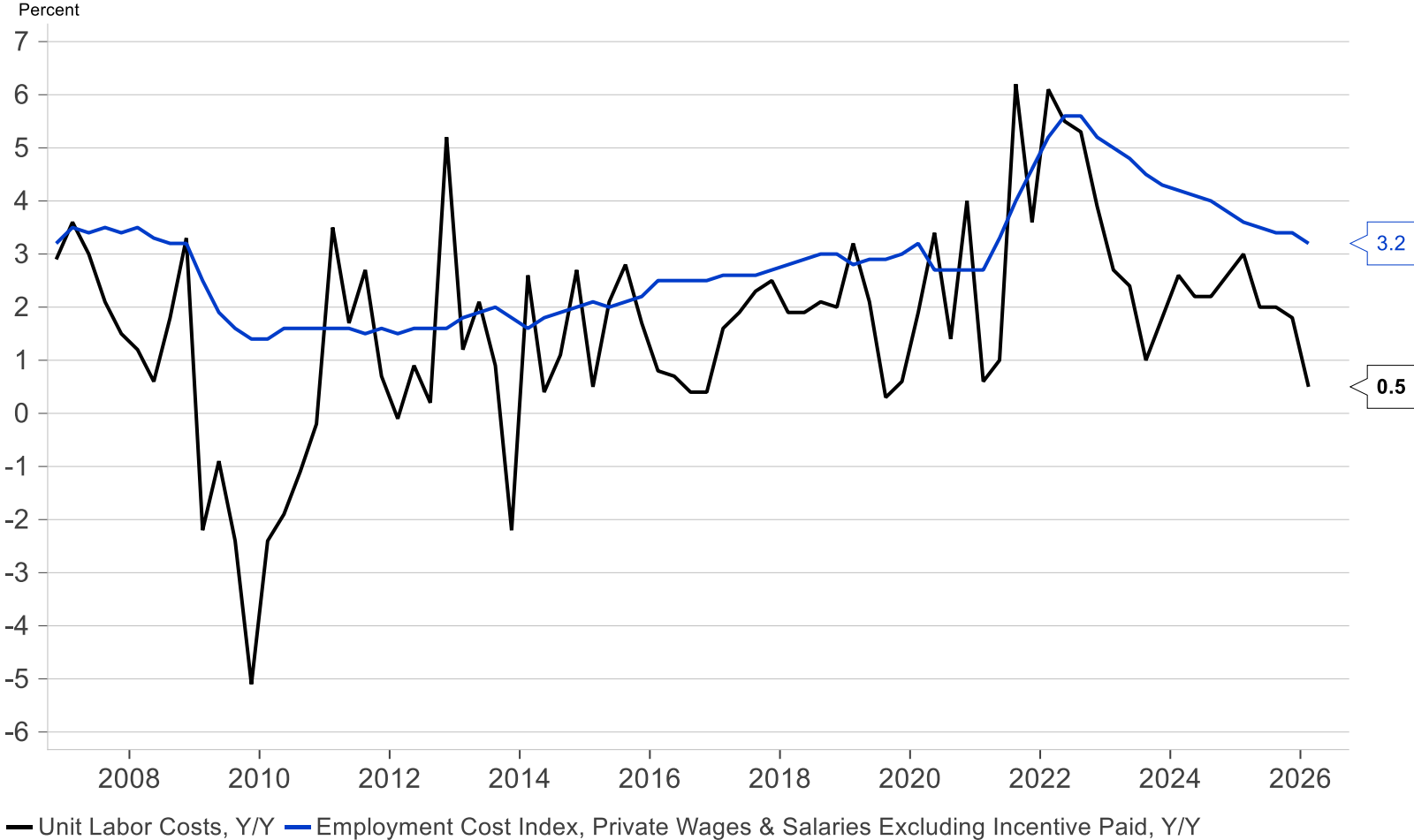


— United States, Labor Force Statistics, Civilian Labor Force, Women & Men, 16 Years & Over, SA

Source: NewEdge Wealth, Macrobond, Bloomberg U.S. Bureau of Labor Statistics (BLS)

If Inflation is Sticky, It Won't Be Because Wage Growth is High

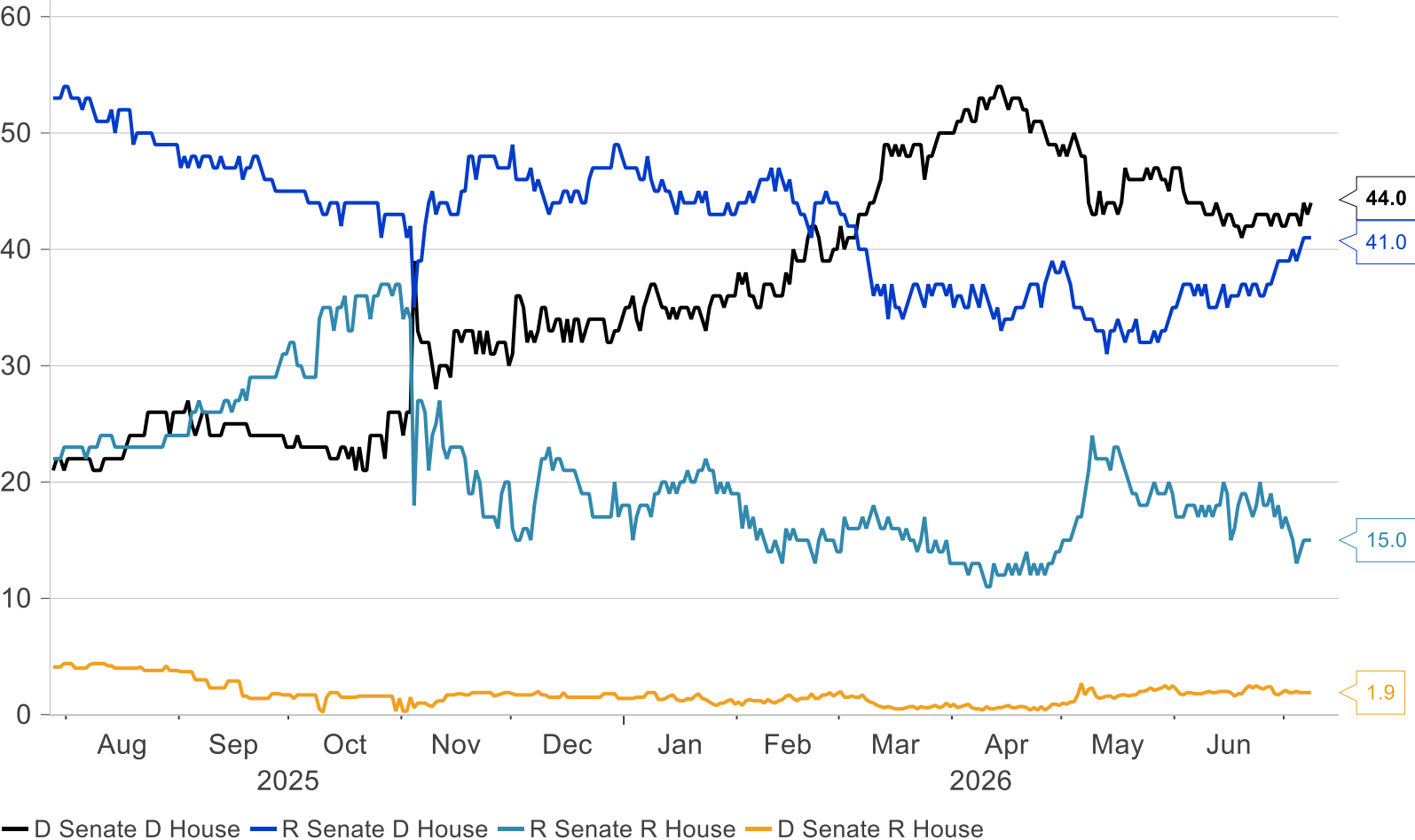
Employment Costs & Unit Labor Costs



Source: NewEdge Wealth, Macrobond, Bloomberg U.S. Bureau of Labor Statistics (BLS)

The Midterm Elections Will Go the Way Most People Think They Will

Polymarket Balance of Power: 2026 Election Result Prediction



Source: NewEdge Wealth, Macrobond, Bloomberg



Portfolio Priorities



Strategic Portfolio Priorities for 2H 2026

Strategic Priority	Call to Action	Portfolio Implementation
<p>Assume Inflation and Rates Stay Elevated</p>	<p>Preference for private real assets and inflation-sensitive strategies with pricing power over rate-sensitive fixed income and speculative inflation hedges</p>	<ul style="list-style-type: none"> • Private Infrastructure • Private Real Estate • High Quality U.S. Large Cap Stocks
<p>Diversify Return Drivers and Income Streams</p>	<p>Build a diversified mix of income streams that can perform across market environments, while adding credit risk opportunistically when market dislocations improve valuations.</p>	<ul style="list-style-type: none"> • IG and HY Municipal Bonds • Structured Notes • Agency MBS • Emerging Market Bonds • Private Real Assets
<p>Don't Fight the White House... Stay Risk-On as Higher Stock Prices Fuel the Economy</p>	<p>Use volatility to increase exposure to high-quality U.S. equities, while selectively participating in long-term AI investment trends.</p>	<ul style="list-style-type: none"> • High Quality U.S. Large Cap Stocks • Durable AI Infrastructure Beneficiaries



Equities – Ride the Lightening

Equity Market Outlook – H2 2026

- **We Remain Constructive on Global Equities:** Earnings momentum continues to be the dominant driver and key pillar of support for global equities, market performance in the coming quarters is likely to continue to follow this trajectory (as it has for the past several years)
- **AI Capex Cycle:** No imminent end in sight (given rising AI adoption trends, surging compute demand and constrained supply). However positive revisions to expectations and overall capex growth are likely to moderate – leading to periods of volatility and requiring heightened discipline from investors. We expect prices to eventually peak before fundamentals.
- **Valuations, Sentiment, Positioning:** We expect some consolidation following a historic Q2 for certain segments, a result of rebalancing and some mean reversion in the most extended areas. While we see some pockets of excess and crowding (mainly in more speculative areas), overall conditions are supportive for a continuation of the bull market.
- **Positioning:** Heightened discipline and risk management are essential in an aging bull market, especially when powerful AI capex trends are likely to moderate and come under greater scrutiny. In this environment prioritize durable growth and profitability over more speculative plays, utilize diversification and rebalancing to provide insulation from increased volatility and momentum unwinds, all of which can allow investors to be more opportunistic in periods of heightened stress.
 - We maintain our balanced stance between value and growth, prefer large caps over more economically and interest rate sensitive small caps, and prefer U.S. over international equities given the relative earnings power.

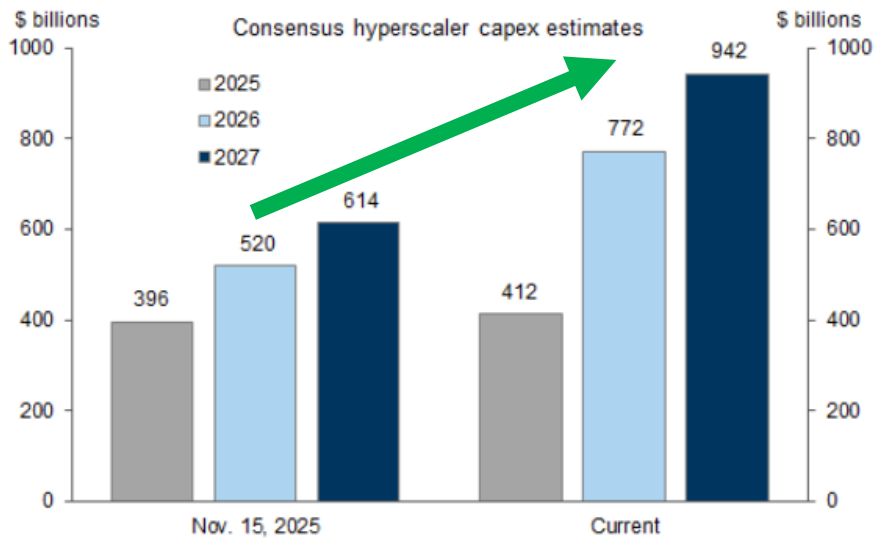
Second Quarter & First Half 2026 - Performance Recap

The AI infrastructure beneficiaries powered a historic quarter for equity markets, but recent crowding, narrowness, and elevated sentiment bring added risks that require heightened discipline going forward.

Performance of Broad Indices & Various Market Segments					
Broad Index	Q2	YTD	Segment	Q2	YTD
MSCI Emerging Markets	24.1%	24.0%	Semiconductors	88.0%	101.7%
Russell 2000	21.6%	22.7%	GS AI Data Centers	70.3%	115.0%
Russell 1000 Growth	16.7%	5.3%	S&P500 (AI Winners)	65.5%	62.0%
S&P500	15.2%	10.2%	GS-Non Profitable Technology	43.7%	48.5%
MSCI ACWI	15.1%	11.5%	GS High Beta/ High Momentum	31.5%	56.7%
Russell 1000 Value	13.9%	16.2%	Bloomberg Magnificent 7	11.7%	-1.7%
S&P500 Equal Weight	11.4%	12.1%	S&P500 (Hyperscalers only)	10.0%	-6.2%
MSCI EAFE (Foreign Developed)	11.1%	9.9%	S&P500 (excluding AI Winners)	7.2%	6.0%

The AI Trade: Can the Momentum Continue

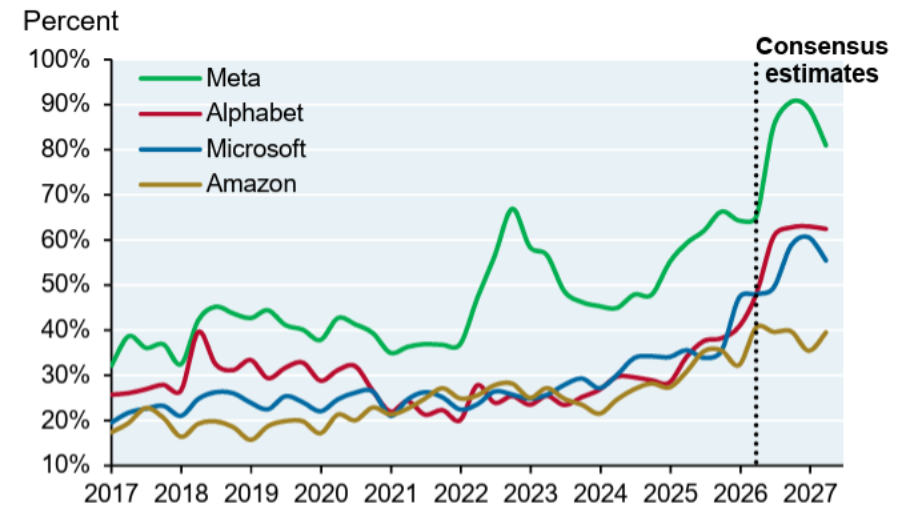
Hyperscaler Capex Trends: Rising capex estimates help explain H1 equity market performance and capex trends remain a key quarterly watch item



Source: FactSet, Goldman Sachs Global Investment Research as of 6/1/26

- Consensus expects YoY capex growth of 88% in 2026 and 22% in 2027, while annual capex estimates have risen nearly 50% since November
- GS estimates that annual AI Capex will exceed \$1.5T by 2030 (a cumulative total of \$6T+ over the 2026-2030 period, which dwarfs the \$700B spent over the last 3 years 2023-2025)

Increased Capital Intensity: Hyperscalers are spending a record amount of revenues on capex and R&D, weighing on valuations and relative performance. Will we see a peak in H2?



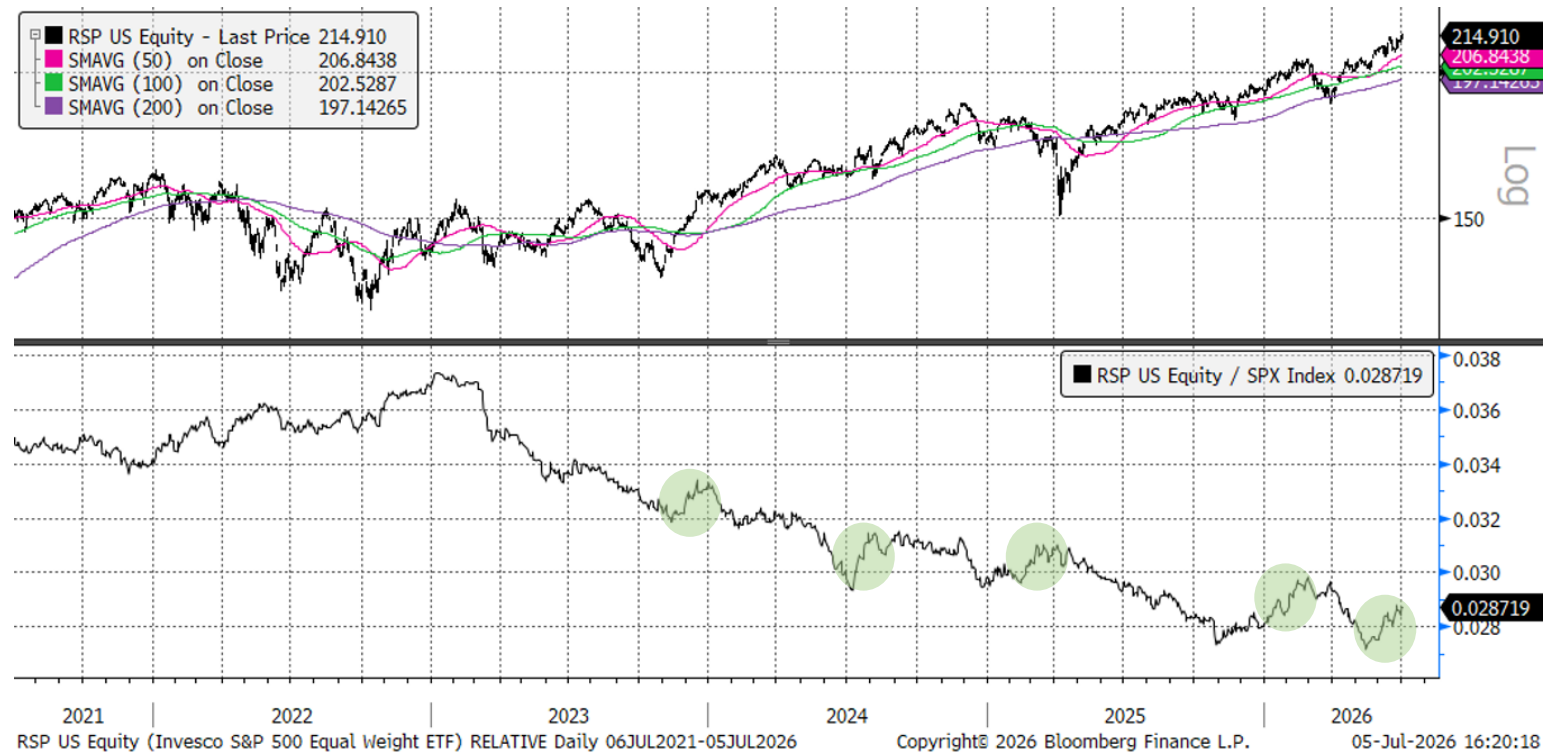
Source: Bloomberg, JPMAM, June 15, 2026

- Declining FCF margins, rising debt and equity market issuance, combined with concerns about long-term ROI have weighed on hyperscaler valuations
- We are likely witnessing a peak in YoY capex growth rates, yet spending can likely continue to grow alongside operating income. A healthy development for the cycle but a potential headwind to more speculative areas

The Everything Else Trade: Another Head Fake or a More Durable Rotation

The Broadening/Rotation Trade: Enticing once again, but lacking a clear catalyst for sustained outperformance

Equal Weight S&P 500 Absolute and Relative



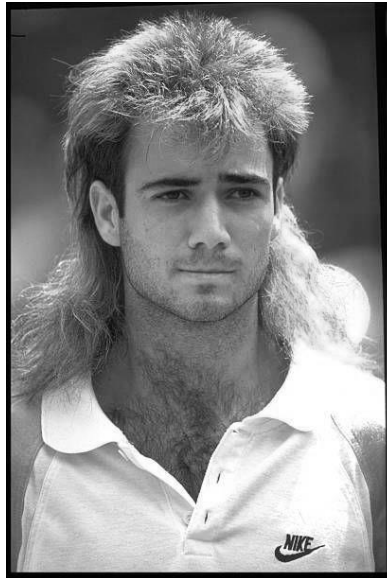
- Once again we are seeing renewed appetite and strategist calls for a broadening and market rotation into areas outside the AI ecosystem
- We have seen several head fakes over the years where the average S&P500 company outperforms, not have marked the ultimate turn in relative performance
- Ultimately relative earnings growth, a sluggish macro environment and less accommodative Fed remain well entrenched headwinds
- Segments like healthcare, energy, and consumer discretionary remain attractive hedges to volatility and any unwind in the AI segment

The Mullet Strategy: Business in the Front, Party in the Back

Our positioning for the second half is analogous to a mullet, essentially a barbell of durable/quality growers and select higher momentum plays. Ultimately allowing for continued participation in the AI investment cycle, yet providing some insulation from increased volatility, capex uncertainty, and benefitting from any further rotation under the surface.

Business in the Front


- Functional, Durable, Defendable
- Mainly those companies and segments that may lack excitement today, but can provide stability, consistent growth, and insulation from periods of market turbulence and volatility in the AI segment.
- **Examples:** Quality factor, large caps, dividend payers, diversification. AI plays where growth is driven by volumes as opposed to price and supported by backlogs



Andre Agassi: Early Adopter of the Mullet Strategy

Party in the Back

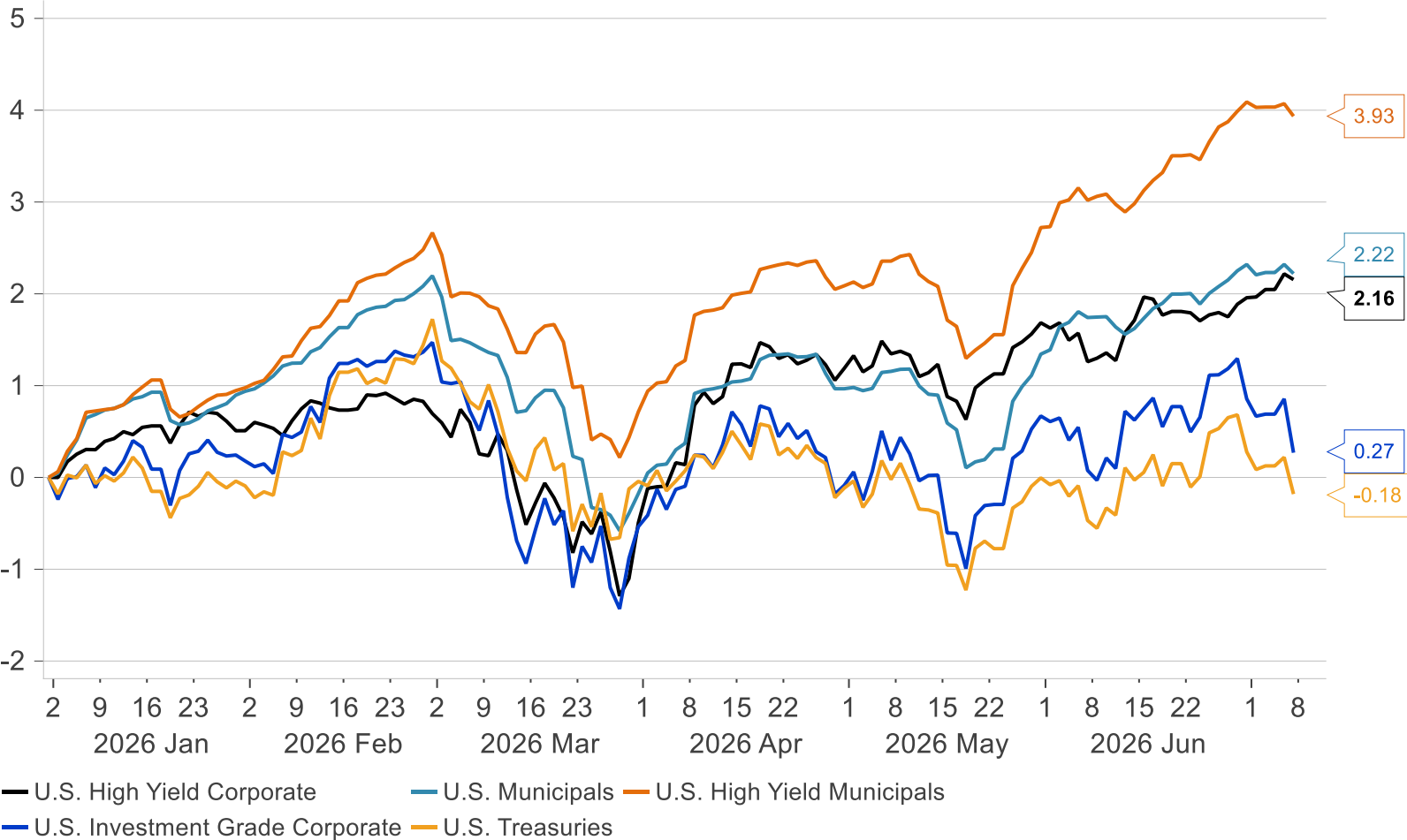
- Speculative, not necessarily an enduring style but can be popular at times
- Not all AI plays are speculative, however lofty expectations and crowded positioning leave many in this group exposed to any unexpected turns in capex trends and sentiment
- As a result exposure should be oriented around more durable segments (like semi equipment and power generation)
- **Examples:** Semiconductors, technology hardware, data center infrastructure, high growth/high momentum factor



Municipals- The Memory Remains

From Headwinds to Tailwinds – Munis Outperform

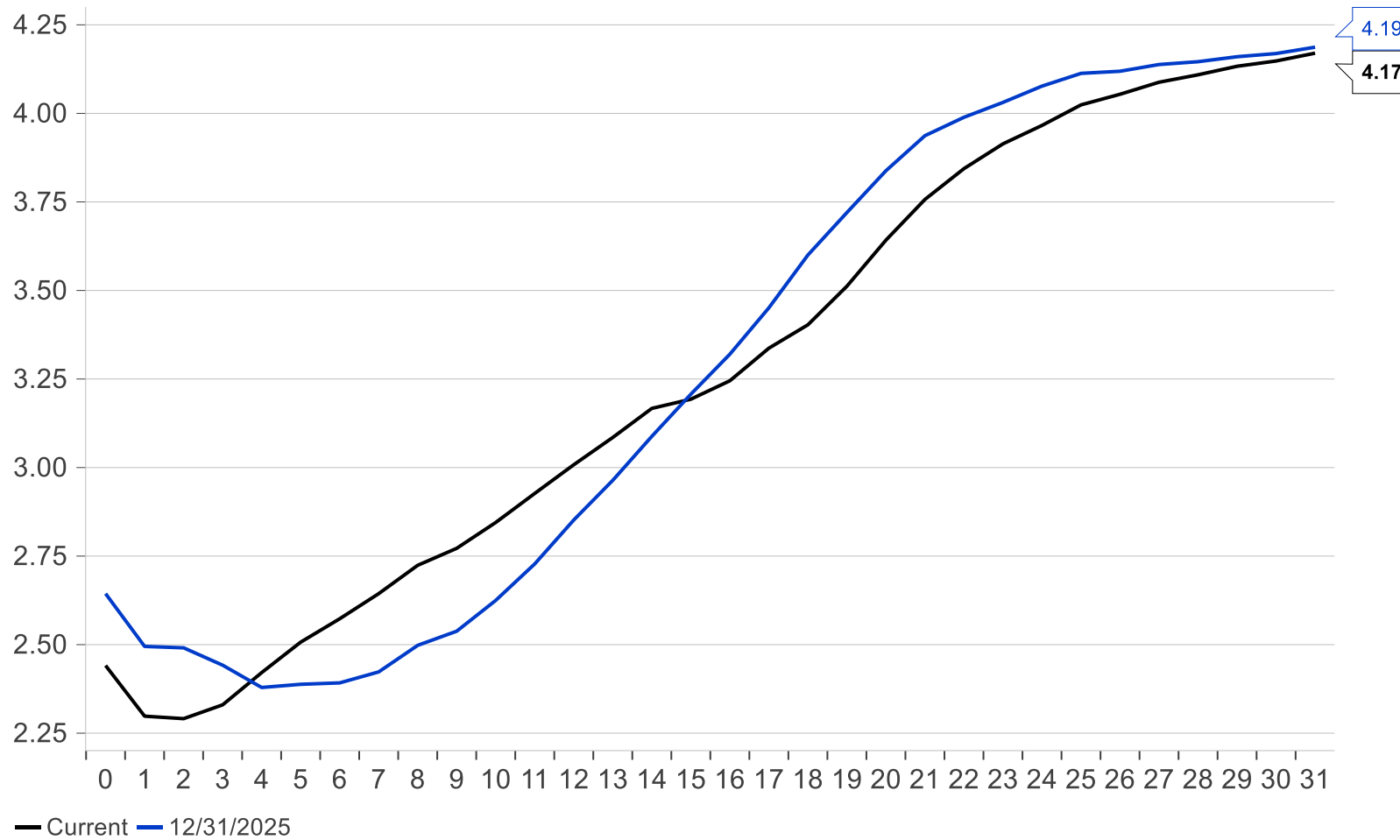
Fixed Income Index Returns in 2026



Source: NewEdge Wealth, Macrobond, Bloomberg

2026 Muni Curve Changes. "The Good. The Bad-The Belly."

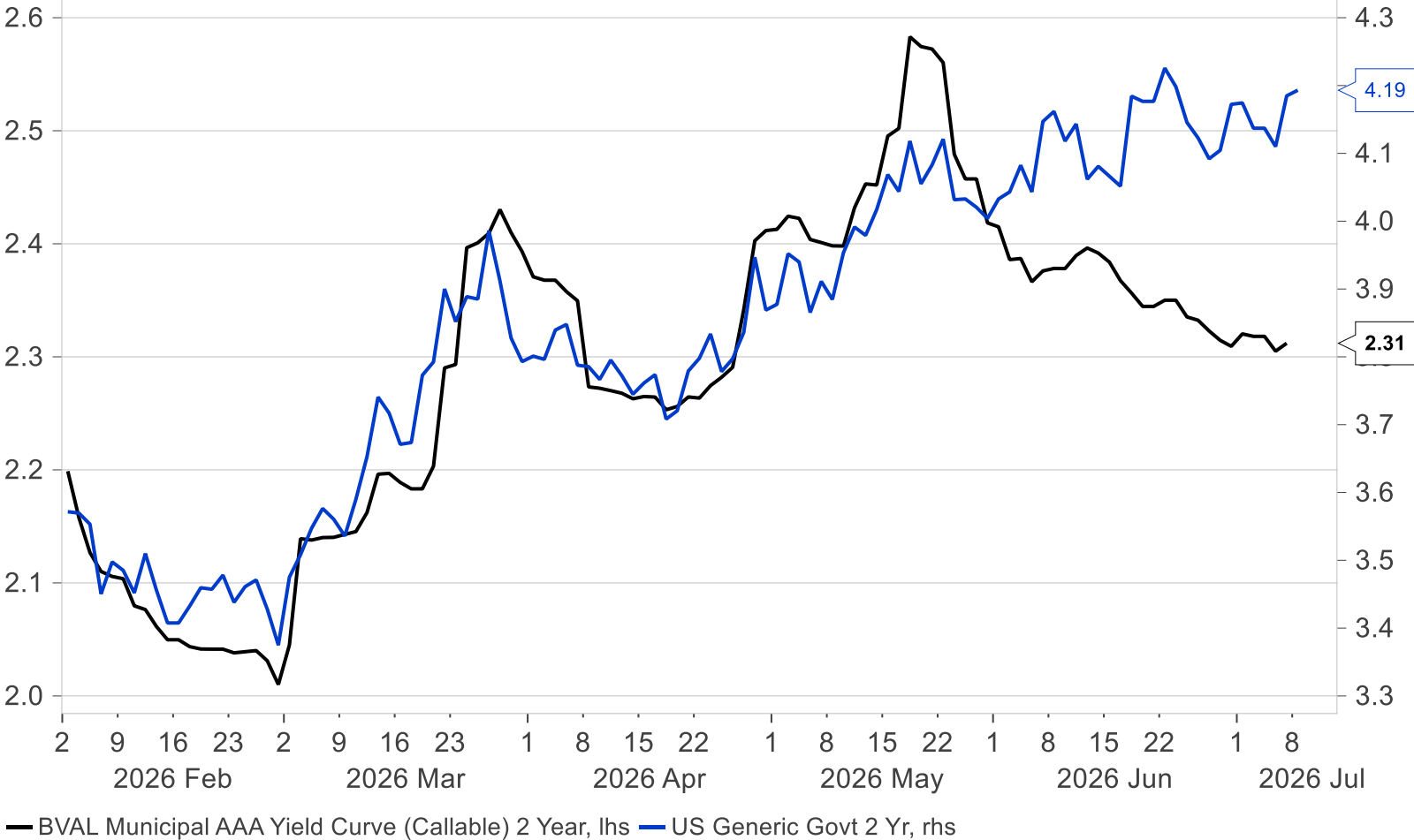
AAA Municipal Yield Curve



Source: NewEdge Wealth, Macrobond, Bloomberg

Divergent Two-Year Yields

2-year Yields: Munis vs. Treasuries



Source: NewEdge Wealth, Macrobond, Bloomberg

"Rich on the Wings" - 2 yr and 30 yr Munis Are More Expensive Heading Into 2H26

Muni-Treasury Yield Ratios



Source: NewEdge Wealth, Macrobond, Bloomberg

HY Muni Spreads Narrow In 2026

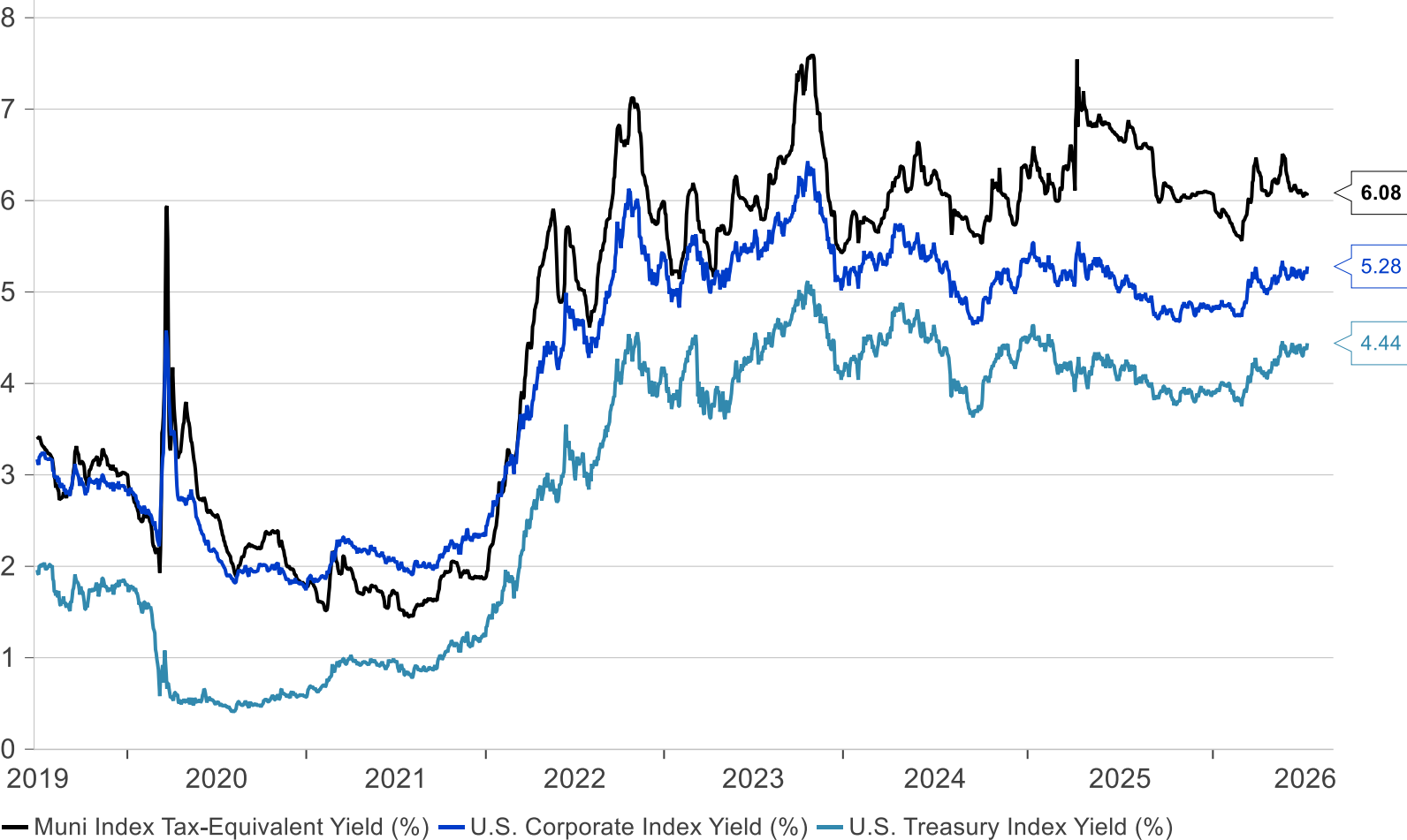
Muni HY Yield vs. Muni IG Yield



Source: NewEdge Wealth, Macrobond, Bloomberg

Munis- Still The Better After-Tax Opportunity

Taxable-Equivalent Muni Yields vs. Taxable Bond Yields



Source: NewEdge Wealth, Macrobond, Bloomberg

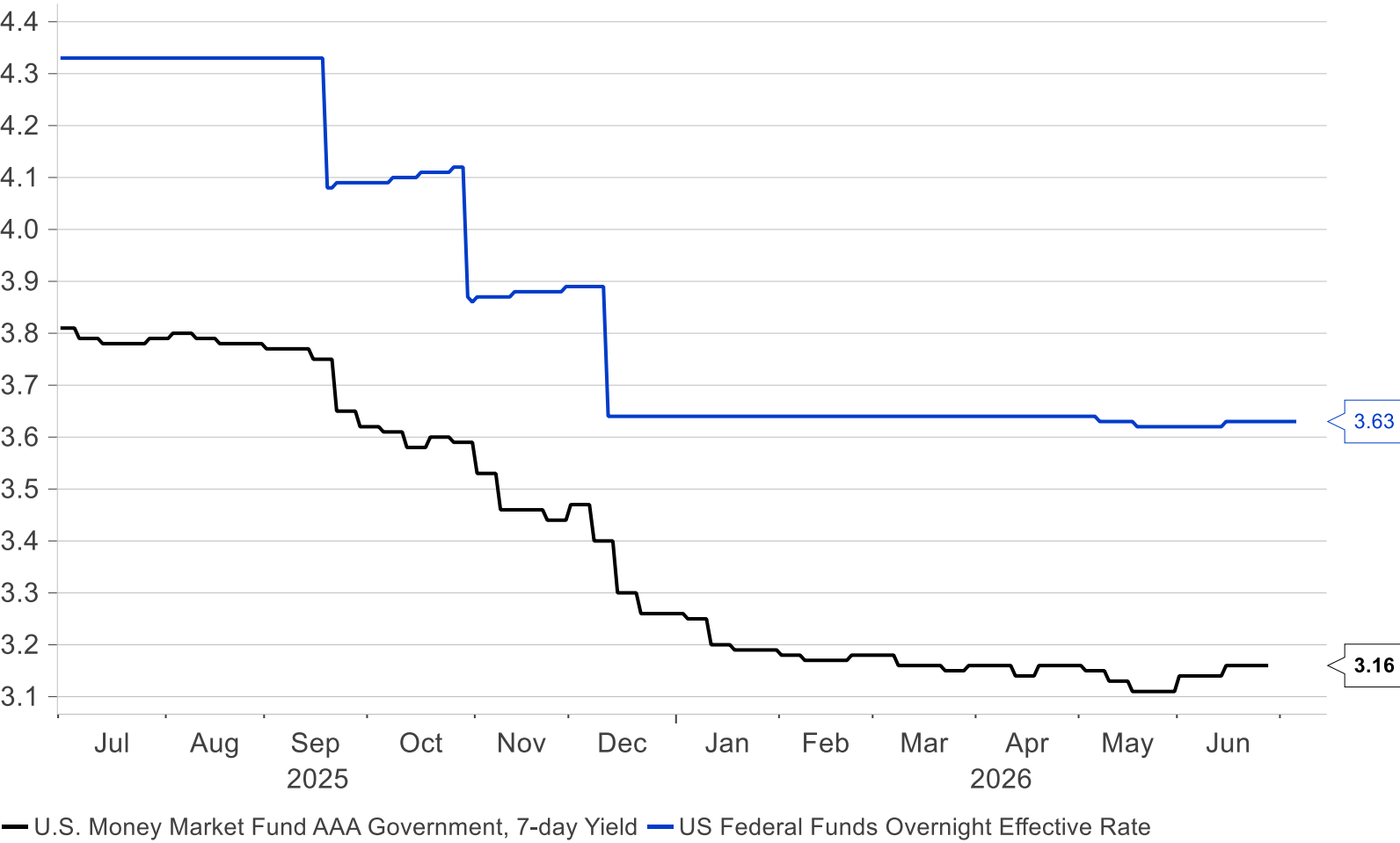


Short-Term Fixed Income / Liquidity



Government Money Market Yields Remain Anchored in the low 3s

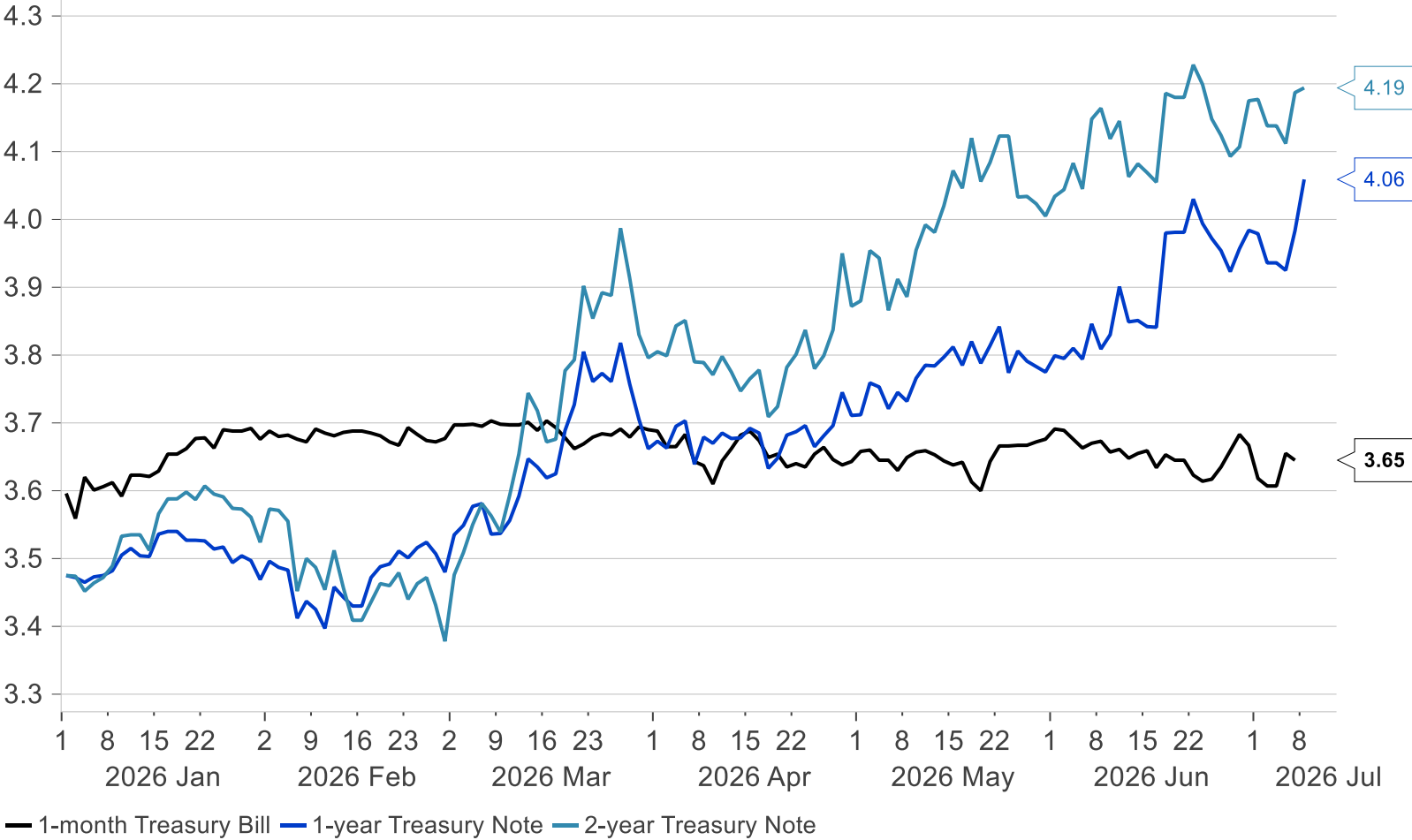
Money Market Yield vs. Federal Funds Rate



Source: NewEdge Wealth, Macrobond, Bloomberg

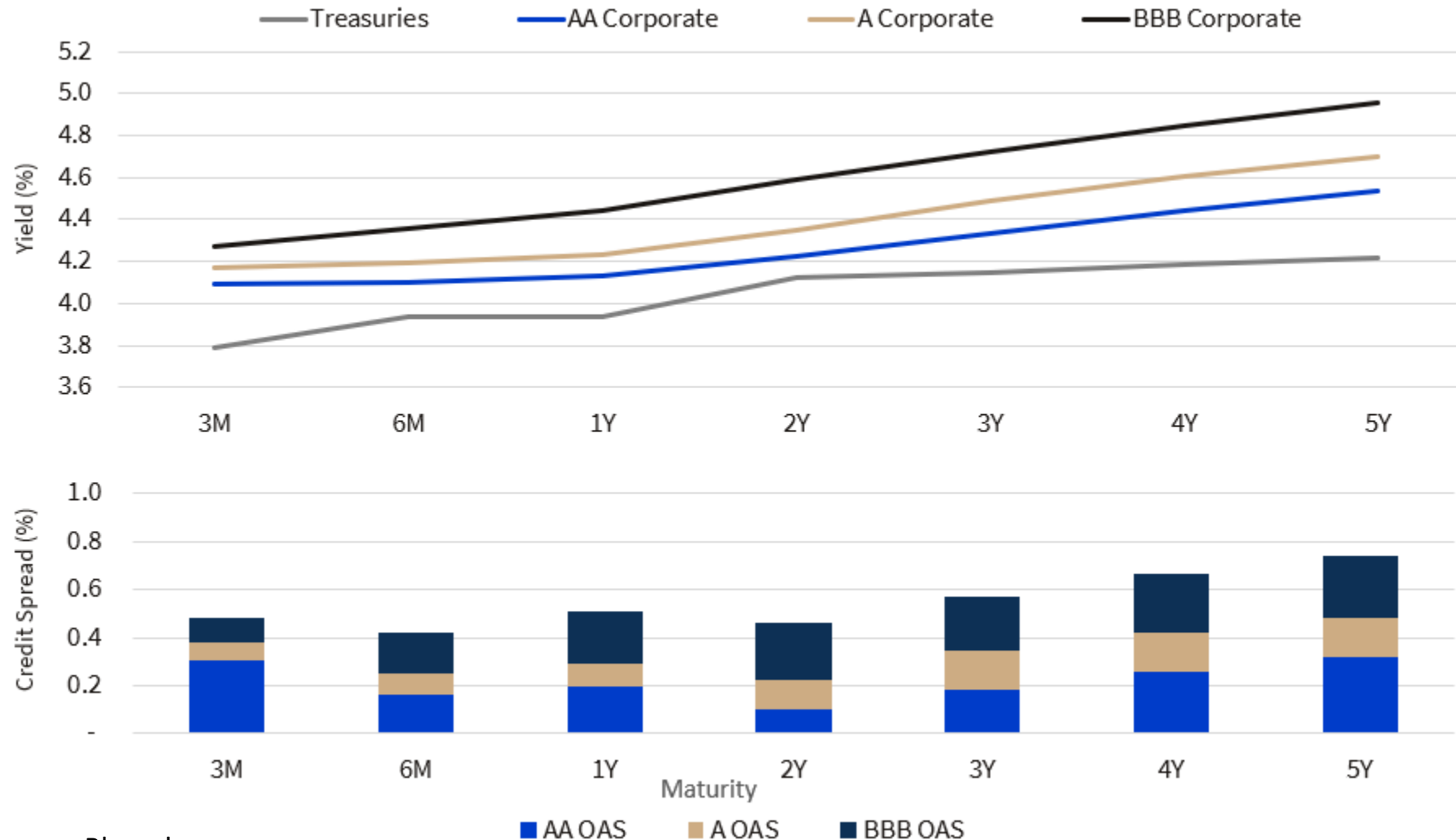
Front-End of the Treasury Curve has Un-Inverted

Short-Dated U.S. Treasury Yields



Source: NewEdge Wealth, Macrobond, Bloomberg

Yield Curves are Now Upward Sloping with Corporate Credit Adding Valuable Spread



Source: Bloomberg

Data as of: 7/8/2026

Diversified Portfolios of Short-Term Bonds Can Offer a Compelling Alternative for Cash

	Enhanced Cash	Short Duration Treasury	Ultra Short Duration 50/50	Short Duration 50/50	Ultra Short Duration 30/70	Short Duration 30/70	Short-Int Duration
Yield to Maturity (gross)	3.86%	4.00%	4.11%	4.21%	4.19%	4.29%	4.41%
Credit Quality	AA	AA	A	A	A/BBB	A/BBB	A/BBB
Duration	0.4 Years	1.4 Years	0.6 Years	1.3 Years	0.6 Years	1.4 Years	2.7 Years
US Treasury Allocation	100%	100%	50%	50%	30%	30%	33%
Max Maturity	1 Year	3 Years	1 Year	3 Years	1 Year	3 Years	5 Years









Alternative Investments

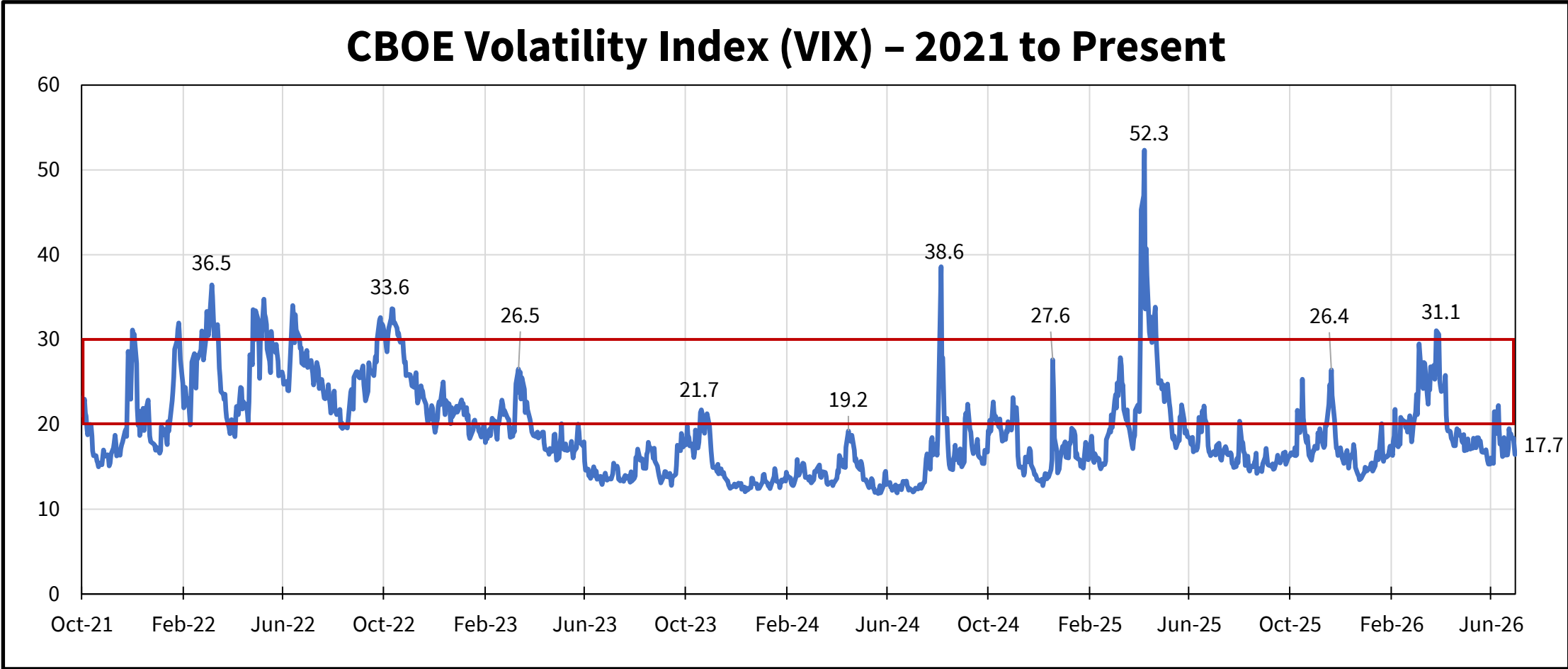


The Environment Is Favorable For Structured Notes

We believe the largest risks of Notes (Issuer Credit Defaults and Equity Black Swan events) are low probability events in 2026. Despite this “safe” environment, factors that impact pricing have been favorable to new issue Structured Notes, resulting in strong year-to-date terms.

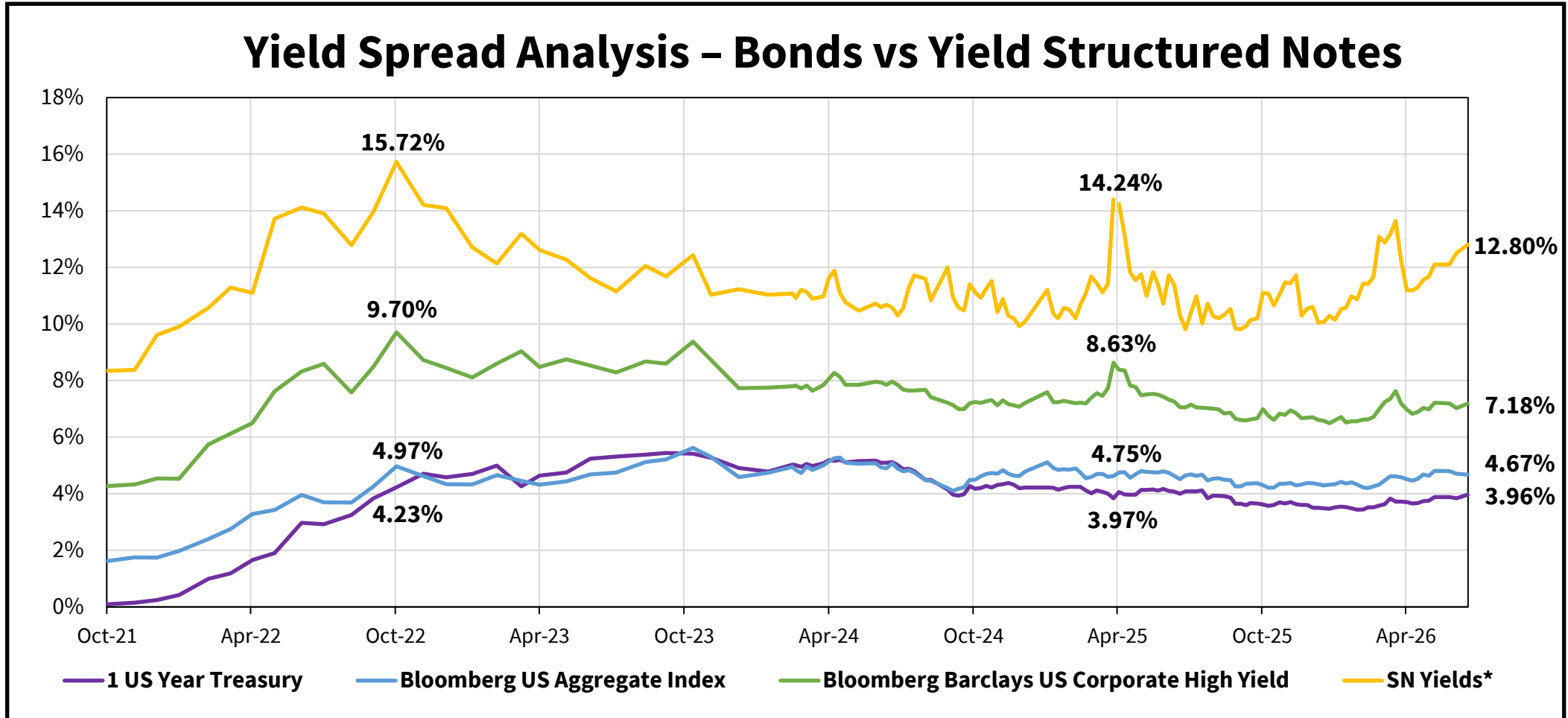
	Equity Market Volatility	Favorable	Equity valuations at historical highs sets a high bar for equity earnings and economic reports in 2026. Fed policy uncertainty and the tightrope they must walk could be another major source of volatility throughout the year.
	Interest Rates	Favorable	While yield oriented notes are impacted by declining rates, its not a 1:1 move like money market funds, floating rate debt and many private credit loans. Structured Note yield spreads above treasury rates increased in 2025, despite interest rates declining throughout the year.
	Credit Spreads	Neutral	Spreads remain extremely tight leading into 2026, offering very little premium for acceptance of credit risk, but signals few major concerns around bank issuer credit risk in the near-term.
	Issuer Capital Needs	Favorable	Bank Issuers delivered strong earnings in 2025 and are looking to continue the trend in 2026. Their appetite for capital (through Structured Notes) has not waned as investment banking activity has rebounded from the 2022 – 2024 slowdown.
	Dividend Yields	Neutral	Major US Equity Index Dividends have come down meaningfully over the past decade, through this trend is less pronounced in developed markets outside of the US. Lower Dividend Yields often result in less attractive terms in notes.
	Transaction Size	Favorable	A source of structural Alpha, large notional trades result in tighter prices from issuers (better terms for investors). With position turnover expected to remain high in 2026, larger notional trade sizes are likely as capital is called and needs to be redeployed.

Running Towards the Volatility



Source: Factset as of 10/1/21 to 6/30/26.

Yield-Oriented Structured Note Spreads are Expanding



Sources: Luma Financial Technologies, Bloomberg L.P., Intercontinental Exchange Inc; as of 10/12/21 to 6/29/26. All yields are gross of fees.

***SN Note Terms:** SPX/RTY/NDX Income Note – 36 Tenor, 3m NC, Issuer Callable with Quarterly Coupon/Quarterly Call & 70% Downside/70% Coupon Protection.

Alternative Investment Outlook 2H 2026: Private Markets

Venture Equity

Founders continue to be selective in who they allow onto their cap table driving opportunity for value-add focused VCs.

Early-stage venture remains the most compelling area for value creation, driven by a post-2022 reset that has produced stronger, more resilient companies and a renewed focus on fundamentals.

A new toolkit allows founders to drive revenue and profitability with fewer resources leading to stronger companies earlier in their lifecycle.

AI continues to be a broad focus for the industry but there are increasing calls to question valuations.

The Opportunity: We continue to see an opportunity to invest in early-stage businesses where we have seen resets in valuations. We are seeing an increase in leaner business models as new companies are able to leverage AI and build new productivity enhancing technology into their foundations.

Growth Equity

It appears the IPO window is slowly reopening with glimmers of light as we start to see the filing of S-1s by some much-anticipated companies.

Green shoots of investments as valuations normalize and as exit opportunities ramp up (increased M&A activity and IPO window reopening).

Continued focus on profitable business models and countercyclical sectors.

Overall volatility of the markets have been broadly challenging and businesses are being cautious around exits.

The Opportunity: Opportunities will present if the IPO window continues to reopen and as M&A activity reaccelerates.

Alternative Investment Outlook 2H 2026: Private Markets

We are currently in due diligence on the funds to build our Diversified Private Equity thesis. A central theme, amid ongoing macroeconomic shifts, centers particularly around interest rates and a slowdown in financing, which continues to drive fragmentation within private equity. Fragmentation will drive opportunity creating thoughtful entry point across various parts of private equity using structure as an arbiter of return.

Private Equity

The cost of leverage and capital has risen dramatically, which continues to pressure high leverage/financial engineering strategies.

Lower middle market continues to have a higher velocity of capital and to be attracting new investments as larger firms look to buy add on acquisitions from these funds.

LP overallocation and suppressed distributions have created a structural supply of assets at discounts, shortening the J-Curve and improving diversification.

The Opportunity: We continue to see opportunities across lower middle market, secondaries, growth equity, and GP stakes.

LMM Buyout: These managers continue to focus on operational efficiency and margin expansion over financial engineering. They will be able to acquire businesses at more attractive valuations and operate with less leverage benefitting from a larger universe of buyers as PE platforms seek accretive acquisitions.

Secondaries: We believe this asset class is offers two distinct opportunities: smalls funds capable of executing smaller transactions where motivated sellers accept deeper discounts and other managers that target sellers seeking liquidity, but with upside participation.

Growth Equity: GE is viewed as a space with selective opportunity for those able to structure deals thoughtfully and access positions at a discount. Small and nimble managers capitalizing on unique situations can be a positive momentum driver for portfolios.

GP Stakes: We believe managers in this asset class will have long-term tailwinds driven by businesses staying private for longer and the overall growth of private markets and increased focus on alternatives. The space has seen an increasing amount of market entrants which impacts pricing. The influx of entrants will make manager selection and quality of return generation matter more than ever as the dispersion between winners and losers widens.

Alternative Investment Outlook 2H 2026: Private Markets

Private Credit

Rates have found greater stability and we are now seeing the market find it's footing leading to slightly lower yields but greater consistency.

Focus on underwriting track record, downside protection, and stress testing. Defaults remain at historical lows.

Market oversaturation risk and manager selection becoming more critical.

Increasing focus on non-direct lending forms of private credit and more targeted strategies including ABL, ABS, Biotech, Software Dislocation and Equipment Financing.

The Opportunity: We continue to see a long-term opportunity in private credit despite the reopening of the broadly syndicated loan market. While the majority of focus has been on the direct lending piece of the market, we are starting to see greater flow and interest in alternative forms of private credit including asset backed and dislocation strategies.

Uncorrelated

The first half stress-tested diversification as geopolitical shocks drove equities and bonds lower in tandem, reinforcing the value of return streams with independent drivers.

Strategies whose returns are driven by non-financial outcomes continue to attract capital and deliver consistent results, with risk premia that remain attractive even as these markets mature.

We additionally see opportunity in structurally inefficient, capacity-constrained markets where scarcity of capital supports uncorrelated, risk-adjusted returns.

The Opportunity: With valuations still stretched and stock / bond correlations elevated, we believe a diversified mix of idiosyncratic strategies that are uncorrelated to markets and to each other remains the most reliable way to expand the efficient frontier of portfolios.

Secondaries

Secondary activity remains elevated but we have seen a normalization of pricing to some degree as the liquidity window reopens.

GPs are being pushed by LPs to return capital to investors, at the risk of decreased commitments for successor vintages, leading to increased supply of GP-led deals.

Liquidity solutions are being tested – NAV lending, carve-outs, hybrid facilities. There are concerns that some of these solutions can begin to eat into returns.

The Opportunity: We have seen Secondary Funds lean into the dislocation caused by illiquidity, raising more money and seeing greater investor interest. Our preference is to lean into managers who can be more selective rather than a forced buyer due to scale creating more opportunity for alpha.

Alternative Investment Outlook 2H 2026: Private Markets – Real Assets

Private Real Estate

The debt maturity wave will continue through 2027-2030.

Most sectors have experienced near-record low vacancy & elevated rents.

New supply has fallen to ten-year lows coupled with rising material costs.

Continued growth in e-commerce and faster re-industrialization has also continued to provide attractive tailwinds.

The Opportunity: Market dislocations may create attractive pockets of buying opportunity in the next 12-18 months. Selectivity in Industrial and multi-family which are systemically underbuilt is where we stand to see some of the greatest opportunities.

Infrastructure

Global demand for infrastructure continues to accelerate, fueled by aging assets in developed markets, population growth, urbanization and digital transformation in both developed and emerging markets. Private infrastructure offers the opportunity to invest in these mega trends with strong secular growth tailwinds.

Traditionally, infrastructure has served as a hedge in inflationary periods. Today, we see a rationale for increasing allocations as demand for power and infrastructure spending is projected to increase exponentially.

We believe there is a significant opportunity driven by AI and the need for power alongside datacenters which creates a new tailwind and contractual benefits for power providers.

The Opportunity: We see meaningful opportunity to build exposures in core and value add areas where we see significant potential uplift such as power generation, transportation, and digital infrastructure.

Alternative Investment Outlook 2H 2026: Hedge Funds & Volatility Strategies

Hedge Funds & Volatility Strategies

Allocator demand at record highs following back-to-back years of double-digit returns, renewed net inflows and widening return dispersion across asset classes.

Continued focus on post-tax returns and quality of structure for individual investing.

The first half of the year tested the industry. The Middle East conflict and a sharp factor unwind in March drove the deepest monthly drawdown in years, yet dispersion remains elevated and managers with disciplined risk recovered quickly as markets rebounded. Gross leverage sits at record levels, keeping crowding risk in focus.

Global macro and commodity strategies remain the standout as shifting rate expectations, energy supply shocks and renewed inflation risk create durable trading ranges. AI / datacenter growth, electrification of the grid and green metals demand continue to drive hedge fund trading in commodity and power markets.

Long biased equity long / short remains challenged by crowding, while lower net and market-neutral funds have proven more resilient.

The Opportunity: Continuing to build better quality, tax-aware access points to the space as allocator interest broadens beyond institutions.

Continue to believe that opportunity lies within the multi-strategy and less correlated strategies, especially as stretched valuations and stagflation risk argue for lower-beta exposure.

Event driven strategies should benefit as M&A accelerates around energy independence, AI leadership and critical minerals, though tighter merger spreads warrant greater selectivity in a volatile yet pre-business environment

QUESTION