GENERALI INVESTMENTS

COMMUNICATION FOR PROFESSIONAL INVESTORS IN ITALY, FRANCE, AUSTRIA, GERMANY, SPAIN, PORTUGAL AND LUXEMBOURG

KEY INVESTMENT THEMES 2026

Our roadmap for the new investment landscape

Your Partner for Progress.

INTRODUCTION

2025 has seen the global economy hold firm, despite headwinds from the US ‘Liberation Day’ tariffs and concerns over fiscal dominance and the ability of the Federal Reserve to maintain its independence. Most central banks normalised monetary policy while the AI investment boom helped to support growth.

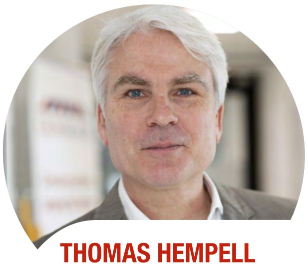
Will markets in 2026 show the same resilience? What is the legacy of disruptive trade wars? How will fiscal expansion and the AI revolution affect investment and innovation? What part will real assets and private markets play?

To answer these questions and more, Generali Investments’ specialist, affiliated asset management firms share their views on the risks and opportunities for the year ahead.

CONTENT

Generali Investments is a platform of asset management firms which are directly or indirectly held by Generali Investments Holding S.p.A.

THE BIG PICTURE



THOMAS HEMPELL
Head of Macro
& Market Research,
Generali Asset Management

The Macro and Market Research team at Generali Asset Management introduce the key themes they're monitoring for 2026.

Despite the turbulence – around the US 'Liberation Day' and private credit strains in Q4 – 2025 proved positive for financial asset performance. Will the global economy continue to show resilience in 2026, in the face of greater fragmentation? The inflation path is also on our mind, especially in the US where the impact from tariffs remains uncertain. Fiscal dominance – and Fed independence – will be key for bonds and currencies. Our final pick is the AI and credit cycles: on or off?

A fragmented trade and world order

Tail risks surrounding 'Liberation Day' have moderated and global trade may extend its striking resilience. The one-year US-China truce through November 2026 has helped to ease trade uncertainties for now, alongside other bilateral US trade deals. But the agreements remain fragile and the increase in US tariffs to their highest levels in almost 100 years has upended world trade. In response, China is threatening to curb the export of rare earths and critical minerals, which could disrupt global supply chains. The strategic US-China rivalry is far from solved and will not leave the EU and other trading nations unscathed. Global trade is unlikely to falter but the decades of deeper global integration as a boost to global growth have clearly drawn to a close.

Inflation: Mission accomplished (at last)?

The ECB may declare 'mission accomplished' in its troublesome fight against inflation since 2022. Even a small undershoot is likely in 2026. Wage growth keeps cooling, reining in stubborn services inflation. China's re-routing of exports and a strong euro are also disinflationary. The ECB will stay on hold for longer – but another cut cannot be ruled out if the nascent economic recovery runs out of steam prematurely. Tariffs will keep US inflation elevated until the drag from a cooling labour market starts to prevail. High costs-of-living are President Trump's Achilles' heel into 2026 mid-terms. This may cause him to tread more carefully with policies that have a high impact on consumer prices. The Fed will cut high rates further but likely by less than markets currently discount.

Fiscal dominance (continued erosion of public finances)

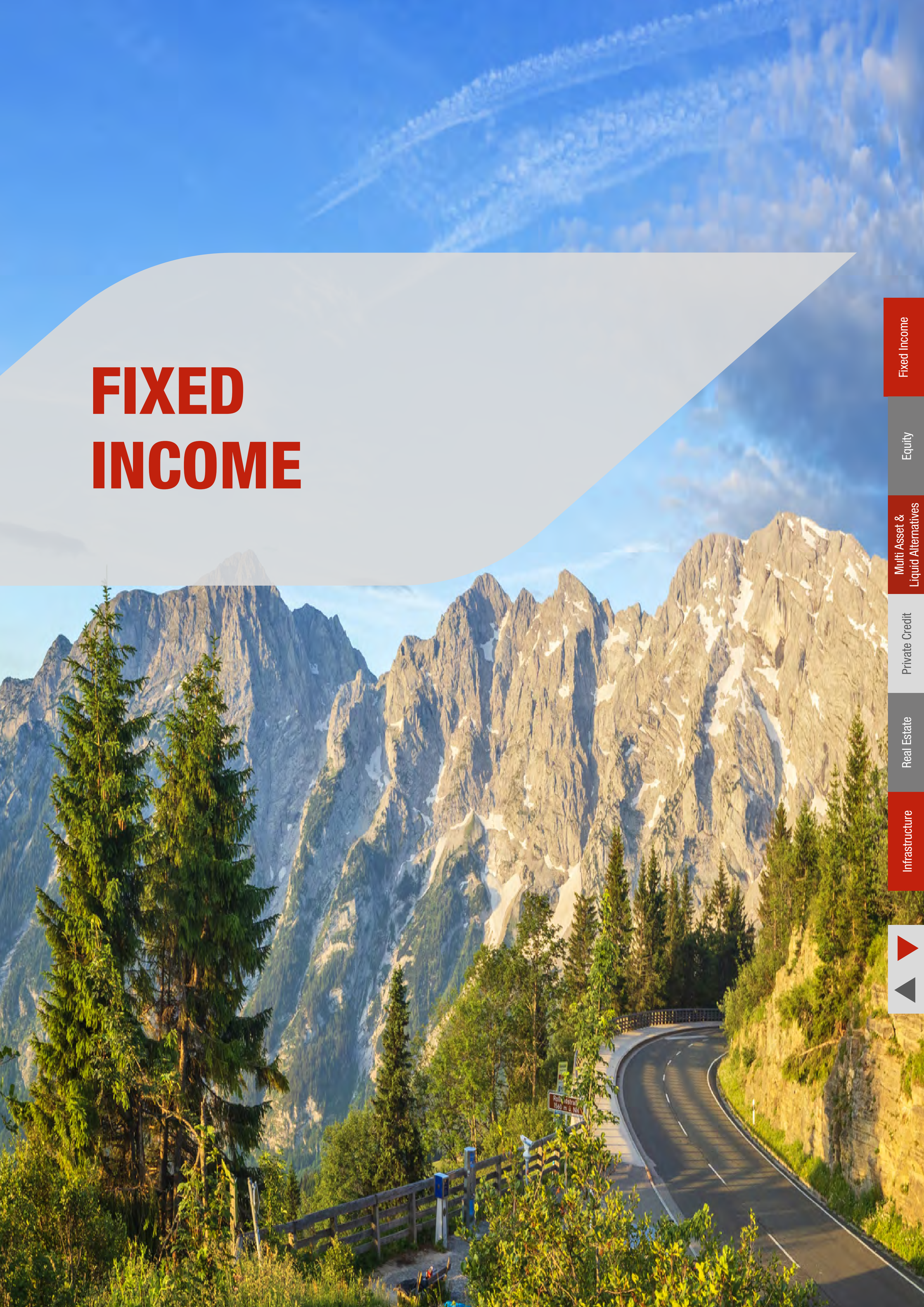
The ongoing rise in global public debt – supporting record global bond issuance in 2025 – is raising concerns about fiscal dominance – a situation where the funding of public debt becomes so prominent that it distorts monetary policy. Any sign that the new Fed Chairman is 'under the influence' of the US administration would revive bearish pressures on the US dollar. This would also threaten to reverse the fall in bond volatility that proved so supportive of global risk sentiment in 2025. This may be less of an issue for Europe just now, even though the German fiscal impulse will peak in 2026. Still, large public deficits in France, and political instability, could prove tricky for the ECB at some point, as it remains the ultimate guardian of EMU integrity.

The AI miracle and the credit cycle: On or off?

US economic conditions appear unusually contrasted. Companies are cautious on staffing but investing heavily in AI. Affluent consumers are driving robust spending while low-mid income earners have pulled back. Most of the construction sector is soft, but data centres are booming. Those contrasts increase fat tail risks, but a US soft landing remains our core scenario. Signs of an accelerated AI diffusion may already support productivity. Strains in US private credit and in the subprime segment have raised concerns. Yet a wave of US financial deregulation will free up bank capital, fanning competition between lenders and prolonging the credit cycle. In Europe, the SIU (Savings & Investment Union) is a slow-burning process, but efforts to encourage securitisation, along with past ECB rate cuts, should also support credit creation.

Source: Generali Asset Management S.p.A. Società di gestione del risparmio as of end of November 2025.

FIXED INCOME



Could an upward move in interest rates be a risk for 2026?

MAURO VALLE
Head of Active Fixed Income,
Generali Asset Management

Market expectations regarding upcoming Federal Reserve rate cuts remain mixed, because of the government shutdown that ended in mid-November after 43 days, and complicates assessments of US economic resilience, inflation trends, and potential labour market weakening. In recent months, US Treasury yields have been moving over the 4% threshold, with little indication of future direction. Inflation may have peaked in the final part of the year, and any signs of economic weakness could prompt a more dovish stance from the Federal Reserve. Risks appear asymmetric, with negative surprises likely to exert greater downward pressure on rates than positive developments. It is also important to note that the Federal Reserve's stance may change in 2026 with the appointment of a new chair.

Eurozone economic growth has slightly exceeded expectations, with the fourth quarter also expected to show positive results. In 2025, growth is projected to clearly surpass 1%, and this momentum could continue into 2026, supported by increased German fiscal spending. After some sideways movements in inflation during the second half of the year, it is anticipated that inflation will decline toward the ECB's 2% target in the next months. The ECB is likely to maintain its current policy stance, as members regard the 2% level as 'a good place.' This approach is helping to suppress rate volatility in the euro area, particularly at the short end of the curve. Bund yields near 2.8% seem positioned at the upper end of their recent range, which may persist. For early 2026, considering the positive momentum in the eurozone economy and an expected declining trend in inflation, there is a possibility that rates could move higher. The carry trade environment, prevalent for much of the year, could continue through year-end, supporting portfolio yield maximization, primarily through exposure to BTPs, Spanish bonds, and investment grade corporate bonds.

We maintain our preference for long positions in Italian government bonds (BTPs) despite spreads consolidating around 70 basis points, as Italy's fiscal discipline and continued political stability serve as supportive factors. A cautious approach remains advisable with French OATs, even as spreads have recently consolidated, given that current fiscal policy is not projected to reduce the deficit below 5% and political concerns will persist in the next future.

US fixed income enters 2026 on solid footing

CINDY BEAULIEU
Chief Investment Officer,
Conning North
America

The US fixed income markets produced another year of solid returns across nearly all sectors. Interest rates were less volatile in the second half of 2025 compared to earlier in the year. There was plenty of uncertainty throughout 2025 including an extreme shift in trade policy, a near cessation of immigration, tax reform, and slow but continuing efforts to loosen regulations in several critical industries. Geopolitics played a part again with the US getting involved in Middle East conflicts as just one example. While admitting its dual mandate of job growth and price stability were at odds in the current environment, the Federal Reserve managed to ease policy twice but prospects for additional rate cuts are unclear. Despite all of this, markets generally marched towards higher valuations as the year progressed. Even the longest government shutdown in US history was not enough to disrupt markets.

As we look forward to 2026, the US economy is expected to enter the year on solid footing given the momentum that led to strong economic growth during the second and third quarters of 2025. While some modest deterioration in the labour markets is likely, we see the dynamics of supply and demand moving into balance. We do not see slowing job growth as significant enough to cause the consumer to pull back nor provide reason for the Fed to aggressively lower rates. Inflation remains a challenge largely because the drivers of elevated prices are more secular than cyclical. This combination of supportive economic growth, slight weakening in labour markets but still elevated inflation is likely to limit monetary policy moves and could result in a steeper yield curve.

Spreads are relatively tight across most sectors of the market, however, the all-in yield argument continues to suggest value is best found outside of Treasuries. We remain constructive on most fixed income sectors but are cautious moving down in quality as spreads offer limited compensation for the additional risks. We believe that structured sectors remain an opportune way to combine quality and value while credit sectors, supported by solid fundamentals, selectively can offer attractive yields and meet duration needs.

Fixed Income
Equity
Multi Asset & Liquid Alternatives
Private Credit
Real Estate
Infrastructure

Source: Generali Asset Management S.p.A. Società di gestione del risparmio and Conning* as of end of November 2025.
*Includes Conning, Inc., Conning Asset Management Limited, Conning Asia Pacific Limited, Conning Investment Products, Inc., Goodwin Capital Advisers, Inc.(collectively, "Conning").

Keep calm and 'carry' on in 2026

STANISLAS DE BAILIENCOURT
Deputy CIO, Head of Fixed Income and Asset Allocation, Sycomore AM

2025 has been defined by carry, with spreads grinding only marginally tighter and rates moving within a relatively narrow band. We expect 2026 to deliver a similar backdrop, despite the possibility of rising volatility, creating a favourable setting for responsible corporate credit investors.

We enter 2026 with a macro environment that is broadly constructive, despite slowing growth. Inflation has drifted lower, notably more so in Europe, but remains structurally higher than 2010–2020 due to deglobalisation and supply-side rigidities. The ECB has already executed a significant easing cycle during last 18 months, but we believe one additional cut remains possible. In contrast, the market is pricing substantial Fed cuts; we expect the Fed to deliver most of these, but perhaps not all, in order to find the right balance between growth unemployment and remaining inflation.

Heavy government bond issuance should keep the yield curve steep into 2026. At the same time, sovereign credit quality continues to erode, positioning corporate bonds as an increasingly attractive counterpart for investors seeking quality-adjusted returns.

Corporate balance sheets remain robust, profitability resilient, and demand for European corporate bonds – investment grade, high yield, and crossover – remains strong in a lower yield environment. Spreads are tight, reflecting this quality, and may become more volatile as broader markets enter a more unsettled period next year. Yet the steep yield curve provides us with positive roll-down, reinforcing our conviction that 2026 may be another 'year of carry'.

Responsible credit markets also saw significant progress in 2025 and strong inflows, reflecting rising interest in ESG-integrated solutions without overly prescriptive exclusions. We continue to see opportunities across investment grade and high-quality BBs, supported by carry, roll-down and solid issuer fundamentals. Overall, we believe 2026 can offer an attractive environment for responsible corporate credit investors: calm, carry-rich, and supported by resilient fundamentals.

Emerging market debt shines amid developed market uncertainties

WITOLD BAHRKE
Senior Macro & Allocation Strategist, Global Evolution

EM debt (EMD) has been among the best-performing asset classes year-to-date, beating developed market (DM) peers such as US high yield. A powerful mix of declining trade policy uncertainty, fiscal expansion (particularly in China and Germany), loose monetary policy, as well the AI investment boom, we believe, create a fertile ground for EMD returns as we head into 2026.

To be sure, uncertainty remains elevated as the world is undergoing several structural shifts: Inflation, geopolitical risks and fiscal leverage have experienced level shifts higher in the developed market sphere and are set to change the global macro landscape profoundly. However, as these regime shifts are driven out of DM, the EM universe does not stand first in line when it comes to the negative ramifications. Somewhat counterintuitive to many, the upshot is that the risk-reward in EM debt relative to DM debt has improved, because of higher uncertainty – not despite of it. Currencies should be among the main beneficiaries of EM's outperformance within inflation, geopolitics and the fiscal space. From a medium-to long-term asset allocation perspective, local currency EM sovereign debt therefore is our favourite way to express such improving risk-reward in EMD relative to DM bonds.

An important aspect of these regime shifts is that market cycles are becoming shorter. The flip side of frequent spikes in geopolitical risks is an increase in market drawdown risks. At the same time, higher trend inflation has removed DM central banks' structural easing biases, reducing their ability to smooth macro and market fluctuations. Shorter market cycles and bouts of volatility highlight the importance of an active asset allocation approach within EMD. In blended EMD strategies, such an approach enables investors to harness the return potential resulting from declining correlations between the main EM risk premiums, while at the same time dampening the impact from more frequent ups and down in the market cycle.

After a strong year-to-date run that took most investors by surprise, valuation looks less attractive than 12 months ago. EM sovereign spreads are tight and market sentiment is vulnerable, spurring volatility in the short-term. In the coming months, carry should therefore be in the driver's seat when it comes to overall EMD returns. Within hard currency EM debt, we expect relatively little return contribution from spread compression. Optimizing the trade-off between carry and credit risk implies a preference for issuers that are candidates to become 'rising stars' i.e. higher-rated countries within the high yield segment en route for an upgrade to investment grade, such as Paraguay, Serbia and Morocco. Also, quasi-sovereign bonds can offer attractive carry, while limiting credit risk in the portfolio.

Source: Sycomore Asset Management and Global Evolution Asset Management A/S as of end of November 2025.

MICHAEL NECHAMKIN
Chief Investment Officer &
Senior Portfolio Manager,
Octagon Credit Investors

Constructive market backdrop and improving credit fundamentals expected to benefit US broadly syndicated loans and CLOs

US broadly syndicated loans and CLOs delivered healthy returns in 2025 amid resilient US economic growth, improving credit fundamentals, strong investor demand, and active capital markets. While loan prices softened over the year, elevated coupons (supported by stickier-than-expected interest rates) underpinned overall loan performance.

The combination of supportive fundamentals, strong investor demand, and limited M&A activity fuelled a significant wave of loan refinancings and repricings in 2025. As a result, loan spreads compressed to near-post-GFC tights[1], though all-in loan yields remained attractive relative to high yield bonds[2]. We believe the market backdrop remains constructive, supported by compelling current yields and broadly favourable credit conditions.

Loan defaults (including distressed exchanges and other liability-management exercises) have declined from last year's peak levels[3]. We expect defaults to continue to trend lower in 2026, though localized pockets of economic softness may keep idiosyncratic credit risk elevated, thereby underscoring the importance of rigorous fundamental analysis and active portfolio management.

Looking ahead, we expect positive earnings trends, additional Fed rate cuts, and ongoing refinancing activity to further bolster loan borrowers' interest coverage ratios and support continued improvement in overall credit fundamentals. Lower rates should also create a more favourable backdrop for M&A-related loan issuance in 2026, which would help support spread levels. At the same time, an increase in new issue loan supply and other technical factors may weigh on prices, though we expect investor demand for loans to remain healthy given attractive yields. We continue to perceive value in broadly syndicated loans, where we believe relatively high coupons are likely to offset potential price volatility.

Overall, we believe the US loan market is well positioned heading into 2026. Attractive yields, improving corporate fundamentals, and supportive economic outlook create a balanced but constructive setup for returns.

Fixed Income
Equity
Multi Asset & Liquid Alternatives
Private Credit
Real Estate
Infrastructure

[1] Based on the yield-to-maturity for the Morningstar LSTA US Leveraged Loan Index (the "LLI") (further described below) as of October 31, 2025 (8.10%) versus yield-to-maturity for S&P U.S. High Yield Corporate Bond Index (7.13% as of October 31, 2025). Source: Pitchbook LCD (November 10, 2025). In conjunction with PitchBook/LCD, a Morningstar Company, the Leveraged Syndications & Trading Association ("LSTA") developed the Morningstar LSTA Leveraged Loan Index (the "LLI"), a daily total return index that uses LSTA/Refinitiv Mark-to-Market Pricing to calculate market value change. On a real-time basis, the LLI tracks the current outstanding balance and spread over LIBOR and SOFR for fully funded term loans. The facilities included in the LLI represent a broad cross section of leveraged loans syndicated in the United States, including dollar-denominated loans to overseas issuers. It is not possible to invest directly in the LLI. [2] Sources: Pitchbook LCD/Morningstar LSTA Leveraged Loan Index (November 10, 2025). Based on nominal spread for the Morningstar LSTA US Leveraged Loan Index (the "LLI") as of October 31, 2025. [3] Source: Pitchbook LCD (October 31, 2025). Based on the dual-track default rate for the LLI, which represents the lagging 12-month ("LTM") rate by issuer count for the respective period. Dual-track default rates for the LLI does not represent the experience of any particular investment manager or manager peer set. Rate represent all issuers including those with loans not included in the Refinitiv/LPC mark-to-market service. Dual-track rate is calculated as the count of issuers meeting the legacy default or dual-track default criteria over the last 12 months divided by the total issuers not in default 12 months ago. Legacy default rates capture bankruptcies, downgrades to D by S&P, and missed interest payments without forbearance; dual-track default rates capture each of the aforementioned criteria as well as liability management transactions considered a distressed exchange or default by S&P Global Ratings. Past defaults are not an indication of future default rates.

EQUITY

CONNING®

Will 2026 see the Mag 7 and the ‘S&P 493’ diverge?

DONALD TOWNSWICK
CFA, Director of Equity Strategies, Conning

Conning expects a typical market return of between 7-9% in 2026 but the path to this return is likely to be volatile. Headwinds and tailwinds are blowing on the market and only time will tell whether the market will speed ahead or if it will be blown off course.

Strong earnings in 2025 have helped drive the market forward. Earnings growth for the broad US market (as represented by the S&P 500 Index) is expected to end the year having grown about +10% year-over-year. Expectations for 2026-27 growth are even stronger, at +14.2% and +14.6% respectively. Earnings growth is always a welcome tailwind in the market.

Other potential positives for the market include the extension of the tax cuts from the 2017 and other incentives contained in the so-called ‘One Big Beautiful Bill’ signed by President Trump on July 4 2025. Ongoing trade negotiations aimed at lowering barriers to US products and services overseas have the potential to feed earnings growth as well.

The principal potential negative for the market lies within the AI trade, as represented by the large tech stocks in the Magnificent 7. These companies have grown to represent almost 40% of the S&P 500 Index. All else being equal, if these stocks were to drop by 20%, the S&P 500 would drop by 8%. Any downdraft in the ‘Mag 7’ is likely to put downward pressure on the broader market (the ‘S&P 493’), even if all the other companies in the market remained steady.

Will this happen? Consider that the price-to-earnings ratio of the Mag 7 is just over 30 times compared to the S&P 493 PE Ratio of 20.2. It would not take much imagination to envision significant multiple compression in the Mag 7 if their earnings growth starts to slow.

Could the Mag 7 see multiple compression while the S&P 493 sees multiple expansion, resulting in offsetting effects? That is very hard to predict, but we have expected the market to broaden for some time now and this may finally be that time. If that happens, it could result in smooth sailing for the S&P 493, but rough waters for the Mag 7[1].

Fixed Income
Equity
Multi Asset & Liquid Alternatives
Private Credit
Real Estate
Infrastructure

GENERALI ASSET MANAGEMENT

Will European banks outperform for the sixth year in row?

LUCA FINÁ
Head of Active Equity, Generali Asset Management

2025 has been definitively the year of European banks, with a total return of more than 50% year to date, outperforming the wider geographical index by 40%[2]. Even more noteworthy, they have outperformed for the fifth year in a row after more than a decade ‘lost’ to very accommodative monetary policy and significative regulatory headwinds. During this period, the sector has moved from a return on equity of approximately 4% to 15% and from a ‘dividend ban’ in 2020, to an almost double-digit cash return to shareholders, including buybacks. Q3 was another strong quarter for the sector, marked by solid revenues, better costs, and a still favourable level of provisions that lead to an additional mid-single digit consensus upgrade. But while all these factors have been solid until now – what’s next?

Looking at history, over the last 30 years, European banks have never seen six years of consecutive outperformance (but the Eurozone banks did in early 2000). Their valuation is now more normalized at forward price/earnings of 9x and at a price/tangible book value of 1.4x compared to the depressed multiples of previous years and the sector has even become quite a ‘consensus overweight’.

Despite this, we believe the outlook for European banks remains encouraging – valuations still have some upside left before getting demanding and the Net Interest Income should be close to a trough unless the ECB adopts a very loose monetary policy.

For the time being we continue to keep our longstanding positive stance on the sector, strengthened by the conviction that in the coming weeks and months several banks will present their new business plans and/or will update their multiannual targets, which could further raise their expected profitability; in any case, it is too early to say if the sector will be able to outperform again next year. In order to meet consensus expectations in 2026, loan volumes have to growth, costs have to move up just slightly and above all, the cost of risk – the level of provisions the banks have to post on their P&L accounts to cover problematic loans – has to stay at historical low levels, or close to it, so again, this paints a pretty rosy scenario.

[1] Source for all data: FactSet as at 19 November 2025.
[2] Source: Bloomberg as at 30 October 2025 in euros.

aperture investors

The AI supercycle will roll on in 2026, with European enablers at the centre

ANIS LAHLOU
CIO European Equities,
Aperture Investors

While headlines have recently been awash with talk of a bubble, we are clear in our view going into 2026 that the AI supercycle is still only just beginning. Every day takes us closer to the next major consumer breakthrough. And when this shift arrives, it will likely trigger entirely new business models and services, much as the iPhone did in 2007, but on a far larger scale.

Yet even before we reach that moment, the underlying AI infrastructure is scaling at an extraordinary pace. Global GPU capacity needs to increase five-fold just to meet the trajectory we are on. Token consumption (the Demand) is doubling every two to three months, but global foundry capacity capex (the Supply) is rising only around 20% per year[1], creating an ongoing squeeze that is fueling multi trillion dollar AI investment. Even with data centres in the US accounting for m half of private office construction and narrowing the gap[2], the world is still underbuilt relative to where we believe AI is heading.

At the same time, AI is moving out of the data centre. Telecom equipment companies are embedding advanced processors into next generation 5G/6G base stations, marking the rise of 'edge AI' and enabling cheaper, faster inference that is closer to the end user. Europe plays a critical role here: it is home to world-leading network equipment manufacturers, semiconductor equipment specialists, and industrial automation firms that form the backbone of this new infrastructure.

This is why Europe is far more important to the AI transition than we believe the market currently realises. The 'manufacturing continent' combines deep industrial ecosystems with a regulatory and fiscal framework that prioritises digital sovereignty, resilient infrastructure, and energy independence. In our view, Europe is fundamental to the global AI and electrification value chain, not just an alternative to the US trade.

The macro backdrop reinforces this. Germany's planned €500bn infrastructure programme is the most significant since Reunification, and it could add 0.4-0.5% to Eurozone growth as early as next year[2], with a more noticeable impact from 2026 onward. Early indicators are already visible, with stronger defence-related order books, grid-upgrade demand, and better pricing conditions in construction materials.

Sector dispersion is also widening. For us, this is exactly the environment where active stock selection matters. AI and electrification clusters, we believe, shall continue to deliver strong earnings momentum, but many European software, automation, and semiconductor firms we perceive are being structurally mispriced in the AI era – we believe that is too short-sighted. Looking ahead, 2026 is likely to be fast-moving and defined by innovation, and in our view, Europe will be increasingly central to the global technology and industrial story.

sycomore am

Why the next wave of equity growth could be driven by social themes

LUCA FASAN
Senior Portfolio Manager,
Sycomore Asset Management

At Sycomore, we believe that companies that deliver tangible, measurable social value should stand out as equities regain their shine. Recent years have revealed the fragility of health systems, supply chains, and communities, bringing societal investment themes to the fore. Companies that address these vulnerabilities are positioned not just to 'do good', but to capture secular growth opportunities.

After several years marked by trade tensions, shifting tariffs, and regulatory uncertainty, the geopolitical outlook for 2026 appears set to normalise ahead of the US midterm elections. We believe that greater stability should help restore investor confidence and improve visibility for global companies, allowing active managers to prioritise fundamental alpha generation once again rather than navigating rapid, unpredictable policy shifts.

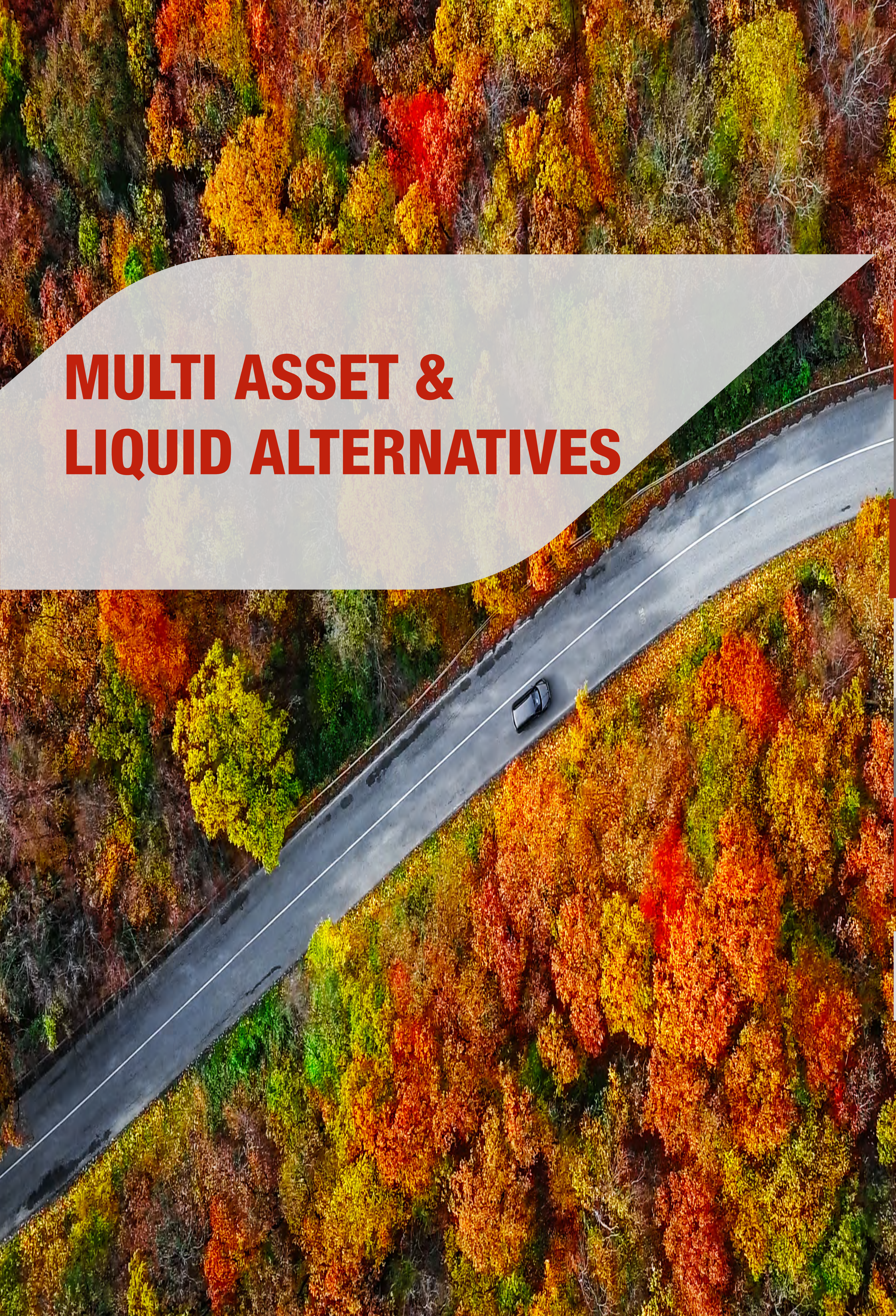
Artificial intelligence remains a key engine of innovation and capital expenditure across global markets. We see a broad investment opportunity not only in AI applications but across the entire enabling ecosystem, from power generation and distribution to semiconductor manufacturing, advanced tooling, and the expansion of energy-efficient data-centre infrastructure. These peripheral technologies and infrastructure providers are essential to sustaining the global shift toward data-intensive industries, many of which play a vital role in accelerating digital inclusion, healthcare innovation, and resource efficiency.

China is expected to remain central to global sustainable growth themes, with two parallel developments creating opportunities. First, the country's commitment to developing its own technology ecosystem in response to ongoing US–China tensions is driving substantial investment in domestic innovation, semiconductor capacity, and clean-energy technologies. This may lead to increasingly distinct technological spheres between China and the West, broadening the investable universe for impact strategies.

Second, Beijing's renewed focus on boosting household consumption as a larger share of GDP could meaningfully benefit sectors tied to sustainable urbanisation, digital services, education, and healthcare. This shift may support a more resilient, domestically driven growth model.

Overall, we expect 2026 to be a year where normalised geopolitics, accelerating energy and data infrastructure investment, and China's evolving growth model could create fertile ground for long-term, social impact-oriented equity opportunities.

[1] Source: Counterpoint Research, October 2025
[2] Source: US Census Bureau, 2025



MULTI ASSET & LIQUID ALTERNATIVES

The new cycle: Inflation, gold, AI, China and real assets

GIORDANO LOMBARDO
CEO and Co-CIO,
Plenisfer Investments

While 2025 has been broadly positive for global markets, we believe 2026 will be more complex, with greater regional divergence in performance and more selective opportunities. We believe several themes will be important to grasp going into 2026.

Firstly, major central banks are now easing or preparing to lower rates, yet inflationary pressures remain. Global public and private debt levels sit at historic highs, and policy tools increasingly point toward inflation as a mechanism to manage those burdens. Tariffs, too, are structurally higher than they were just a few years ago, adding another layer of long-term inflation risk. At the same time, the US is adopting a more inward-looking stance geopolitically and economically, which is weakening the structural demand for dollar-denominated assets among many emerging economies. Taken together, this challenges the assumptions behind both equity and fixed income benchmarks.

One of our strongest convictions in this environment is gold. We see it less as a simple inflation hedge and more as a hedge against an extended period of artificially low real rates. The freezing of Russian reserves fundamentally changed the behaviour of emerging market central banks, accelerating diversification away from US Treasuries and into gold. Retail flows only arrived recently, and in our view, most institutional and private portfolios remain significantly underexposed.

Artificial intelligence is another defining theme, but it is often misunderstood. This innovation cycle is extremely capital intensive, unlike the platform-based, capital light tech revolutions of the past. Hundreds of billions are being invested each year in hardware, chips, data centres, and increasingly, energy. For that reason, access to low-cost electricity is becoming an overlooked but critical competitive advantage. Rather than chasing the most crowded megacap names, we prefer the enablers: semiconductor manufacturers, chip testers, and the broader supply chain that typically benefits from AI capex without the same valuation risk.

We also remain constructive on China, despite widespread scepticism in Western markets. China has repositioned itself as a global competitor not through low costs, but through technological scale and readiness, particularly in EVs, batteries, nuclear, and solar. Domestically, authorities have strong incentives to support equity markets following the real estate downturn.

Finally, commodities and real asset, from uranium to copper, remain central to our unconstrained strategy. They sit at the intersection of AI's energy demands, the energy transition, and supply chain realignment. Oil remains more complex, but we are alert to tactical opportunities.

Overlay hedging and diversification will be key in 2026

Politicians have been a major driver of financial markets in 2025, creating significant volatility in returns. Looking ahead, 2026 is expected to start on a more positive note. The US economy should benefit from fiscal expansion and sustained corporate earnings growth, while the Fed is anticipated to deliver at least two rate cuts. Additionally, the mid-term elections in November could reduce President Trump's incentive to pressure US voters' financial portfolios, potentially encouraging support for risk assets. Central bank actions are also likely to maintain downward pressure on yields, we believe, creating a favorable backdrop for multi-asset portfolios.

However, risks remain. Concerns surrounding artificial intelligence and the tech sector may intensify in an environment of elevated valuations. While revenues are expected to continue growing at exceptional levels and leading companies will likely capture most of the upside, the substantial investments required to sustain this growth could drive firms to increase borrowing. This raises questions about the return on capital expenditures. Market structure amplifies these risks, as investors are heavily concentrated in the tech sector, which now represents nearly 40% of the S&P 500, while liquidity conditions are deteriorating.

This is why diversification will be critical in 2026 to mitigate the impact of a potential sharp repricing of AI business models. Should such a scenario occur, equity-bond correlations are likely to turn strongly negative, reinforcing the benefits of diversification within multi-asset portfolios. Gold should also play its traditional role as a 'safe haven' and diversifier, supported by long-term purchases from emerging market central banks.

Yet diversification alone may not suffice in the event of a deep market sell-off. Adding systematic and tactical protections to introduce downside convexity is essential. While structural hedges are in place to address tail risks, additional short-term and tactical measures will be necessary when equity markets fully price in optimistic scenarios and investor positioning becomes stretched. For this reason, we employ options and systematic strategies (including dispersion strategies to face an AI crack) as overlay hedges across both traditional and diversifying asset classes.

In summary, while the first part of the year should offer a supportive environment for equities and fixed income for multi-asset strategies, we believe overlay strategies that are designed to navigate heightened uncertainty and the potential for rapidly rising volatility will be key.

CÉDRIC BARON
Head of Asset Allocation Products,
Generali Asset Management

The macro fixed income opportunity set is the most attractive in years

ALEXANDER SCHOENFELDT
Head of Investments,
Lumyna Investments

The first half of 2025 was characterised by uncertainty regarding the US policy outlook, particularly with regard to tariffs. The US announced new tariffs in February and March, also signalling more were to come. In Europe, proposals to loosen the debt brake for defence spending, as well as a huge new infrastructure spending plan, caused European equity and bond markets to decouple from the US, although by mid-year US equities were again poised to out-perform. The third quarter saw the signing into US law of the 'One Big Beautiful Bill Act', which equity markets received positively, supported by generally strong corporate earnings. Whilst US economic data showed signs of softening during the quarter, this was met with a dovish pivot by the Federal Reserve, which cut rates at its September meeting, its first reduction this year, and signalled further easing ahead. This was a broadly positive backdrop for global equities and leaves the MSCI World Equity Index up 18% year-to-date (including dividends) as at the time of writing[1].

Where does this mean we stand today? Well, equities in the US are currently at their highest valuation (in terms of forward p/e ratio) since the technology bubble in 1999/2000 despite high earnings growth already embedded within the denominator of the calculation. Whilst there are undoubtedly unique circumstances driving the remarkable performance of equities, which may or may not prove eventually to be justified, we believe this a good time to consider alternatives which may also offer attractive opportunities, but with less of the embedded valuation risk.

We currently see attractive opportunities in macro fixed income investing, which can generate returns by taking directional positions in fixed income instruments, as well as profiting from relative value differences across the fixed income universe. This strategy can also profit from changes in FX rates, creating opportunities to capitalise on differences in monetary policy and economic conditions between countries. Most importantly, it can offer a differentiated source of return compared to equity markets, but with an opportunity set which is the best it has been in years. This is because the global financial system has moved from a period of suppressed interest rates, to one where rate and currency moves are driven by disparate individual conditions. Amongst developed markets, rates are rising in Japan, yield curves are shifting in Germany, and rates are falling in the UK and US. This is causing pressures that also move FX rates amongst countries, creating multiple opportunities for skilled investors to generate returns in the months and years ahead.

[1] Source: Bloomberg, as at 18 November 2025.

PRIVATE CREDIT

No free lunch but plenty of private debt opportunities in European SMEs

SANDRINE RICHARD
Head of Direct Private Debt,
Generali Asset Management

European private debt enters 2026 supported by persistent investor demand for yield, diversification, and real-economy impact. Despite a softer macro backdrop and isolated defaults that attracted media attention, we belive that the market remains fundamentally robust and offers many opportunities for disciplined lenders with sector expertise and strong sponsor relationships. Against this backdrop, three themes are guiding our approach.

1. A deteriorating economic environment

Economic activity across Europe is decelerating as tighter financial conditions, slower consumer demand, and geopolitical uncertainty weigh on growth. Recent bankruptcies, particularly in the US, hit headlines, but for us, they form part of the normal cycle of risk and are neither unprecedented nor systemic. Instead, they reinforce a key point: weaker environments demand stronger underwriting. We pay closer attention to stress scenarios, refinancing risks, and sectors where pricing power is eroding. We see a healthy opportunity set, which as always requires precision and selectivity.

2. Reassessing risk

With higher for longer financing costs and banks continuing to retrench, private lenders play a crucial role, but must be vigilant. We concentrate on first lien secured positions, disciplined leverage, and hard covenants to protect investors. Strong sponsor alignment remains essential. Deal flow remains robust, particularly in the European lower mid-market, where SMEs continue to seek long-term, relationship-based financing solutions.

3. The expanding role of ESG-aligned private debt and SMEs

SMEs build ESG considerations into the foundations of their business models, rather than retrofitting later like more unwieldly large companies. These SMEs companies are creating the products and services needed for a changing world, and they are tomorrow's industry leaders. But while SMEs lead on innovation, they are underserved by traditional banks. Private debt can directly support these innovative companies through financing tied to clear, measurable KPIs. Investor expectations are moving in the same direction: over 80% of global investors now require asset managers to demonstrate a sustainable-investing strategy[1]. With climate-related economic losses surpassing €300bn globally in 2024[2], we believe deepening ESG integration is a responsibility, not a trend, as well as an opportunity.

Overall, we believe 2026 will reward investors who are selective, sustainability-aligned, and solutions-oriented; and able to navigate macro uncertainty while financing Europe's next generation of corporate leaders.

Private credit secondaries markets will see a breakthrough year

MARCO BUSCA
Head of Indirect Private Debt,
Generali Asset Management

As we move into 2026, we believe the private credit secondaries market is transitioning from an emerging liquidity tool into a strategic pillar of private markets allocation. Transaction volume is being driven by a combination of structural growth, evolving market infrastructure, and shifting investor needs. The private credit asset class now stands at approximately $1.7 trillion and is projected to grow at an annual rate of 15%, creating a substantial base from which secondary transactions will emerge[3].

This growth is being reinforced by increasing market volatility, which is prompting investors to seek the relatively stable and predictable returns associated with private credit. Secondaries have become a preferred tool for liquidity, portfolio rebalancing, and return enhancement. Transaction volumes have risen sharply, climbing from $3–5 billion annually to over $10 billion in recent years. We anticipate they will reach $40–50 billion per year within the next 3–5 years, driven by the increasing investor adoption rate investors. The deal sizes now frequently range from $100 million to $1 billion, reflecting the increasing scale and sophistication of the market[4].

What , we believe, meaningfully elevates the appeal of private credit secondaries is the ability to acquire seasoned portfolios, often at a discount. This can result in an immediate uplift in total value to paid-in capital and allow investors to benefit from shorter durations, quicker capital deployment, and a faster distribution profile. These portfolios typically consist of funds near or past their investment period, already focused on monetization and providing regular interest payments from the underlying performing loans. That combination of yield and capital efficiency is difficult to replicate elsewhere in private markets.

The infrastructure supporting the market has matured significantly. Specialist funds and advisers have emerged with capital structures aligned to credit returns, enabling more complex transactions, including portfolios of funds, LP-led sales, GP-led solutions, continuation vehicles and balance sheet transactions. On the sell side, LPs are using secondaries proactively, not just for liquidity but to consolidate GP relationships and shift toward more opportunistic exposures. GPs are also contributing to deal flow by seeking to accelerate distributions and expanding the investor base mostly through continuation vehicles.

There are still characteristics of a developing market. Bid-ask spreads persist in certain segments, such as credit opportunities funds, and underwriting can be nuanced – focused on income generation, capital preservation, and identifying embedded value, such as 'pull to par' opportunities. But these are exactly the dynamics that, we believe, reward managers with deep credit expertise and strong sourcing capabilities.

In short, the opportunity set is expanding rapidly, and we believe private credit secondaries are on track for continued and potentially accelerated growth through 2026 and beyond.

[1] Source: Morgan Stanley, December 2024.
[2] Source: Munich Re, 2025
[3] Source: Brookfield, March 2025
[4] Source: Jefferies, July 2025

US direct lending deal flow expected to accelerate in 2026

SEAN SULLIVAN
Head of Private Credit,
Octagon Credit Investors

The US direct lending market continued its expansion in 2025, surpassing one trillion dollars in size[1]. We believe direct lending deal flow is positioned to accelerate in 2026, driven by elevated private equity ('PE') dry powder, aging PE portfolio company holdings, and a more constructive interest rate environment.

PE sponsors are the primary driver of direct lending deal flow, comprising 75% of transaction volume in 2025[2]. We believe PE is poised to enter 2026 with historically high levels of dry powder after several years of strong fundraising and a muted M&A environment. US PE AUM reached $3.6 trillion at year-end 2024, with approximately one trillion dollars of dry powder – about 25% of the asset class and roughly equivalent to the size of the entire direct lending market.3 As valuation expectations normalize, we think sponsors are increasingly motivated to pursue new platform investments and add-on acquisitions, reinforcing demand for direct lending solutions due to the certainty of execution and structural flexibility.

The combination of elevated purchase multiples from prior vintages and macro uncertainty has resulted in longer PE portfolio company hold periods. The median hold period for PE-backed companies has reached 3.8 years, the longest since 2011, creating pressure to return LP capital[3]. As these companies grow into their valuations, we believe sponsors will increasingly look to exit their positions.

Prospects for additional rate cuts in 2026 should narrow valuation gaps, improve borrower affordability, and strengthen sponsors' conviction to transact. A more accommodative policy backdrop also boosts overall M&A activity, which we think creates a broader tailwind for leveraged deal flow which allows lenders to be more selective.

Taken together, we believe these dynamics suggest that 2026 could mark a meaningful inflection point for direct lending, characterized by rising transaction volumes, healthier borrower–lender dynamics, and expanded opportunities for direct lenders to deliver tailored capital solutions to a highly engaged sponsor universe.

[1] Source: BofA Global Research, "CLO Weekly - 2026 Private Credit Outlook: Peak interest vs PIK interest" (16 November 2025).
[2] Source: Morgan Stanley, "Weighing in on Direct Lending: Analyzing Durability & The Supply-Demand Balance" (October 2025).
[3] Source: Pitchbook LCD, "Q3 2025 US PE Breakdown" (30 September 2025).

REAL ESTATE

GENERALI REAL ESTATE

MICHIEL TE PASKE
Head of Investor Relations and Capital Raising,
Generali Real Estate

Solid fundamentals in resilient European real estate

The European economic outlook is gradually improving despite broader geopolitical uncertainty and trade-related volatility seen earlier in the year. Growth across the euro area is expected to remain stable, supported by rising real wages, resilient labour markets, and targeted fiscal spending, particularly in infrastructure and defence. While higher US tariffs weigh on exports, the reduction in policy uncertainty and expectations of further easing in financing conditions may improve market sentiment. Looking ahead, inflation is projected to stabilise around the ECB's 2% medium target, while risks to growth remain skewed to the downside with global trade tensions and potentially weak foreign demand acting as potential headwinds. Against this improving backdrop, we believe logistics, offices, retail, hospitality, and commercial real estate debt will be compelling themes in European real estate going into 2026.

The European logistics sector remains attractive, supported by sustained e-commerce growth and a shift from 'just-in-time' to 'just-in-case' supply chain models. Demand for well-located assets along major transport corridors is strong, driven by low vacancy rates and limited new supply. These assets can offer solid reversionary potential, underpinning future cash flow growth.

The office sector is experiencing pronounced differentiation, with prime, well-positioned assets commanding sustained demand from occupiers prioritising location quality, tenant amenities, and ESG credentials. Large corporations can afford to prioritise quality office space over cost savings, since real estate represents a minor portion of their overall spending. Supply constraints across major markets, combined with limited new completions in prime locations, are positioning rental growth as a structural feature of the near-to-medium term, particularly within key Central Business Districts (CBDs).

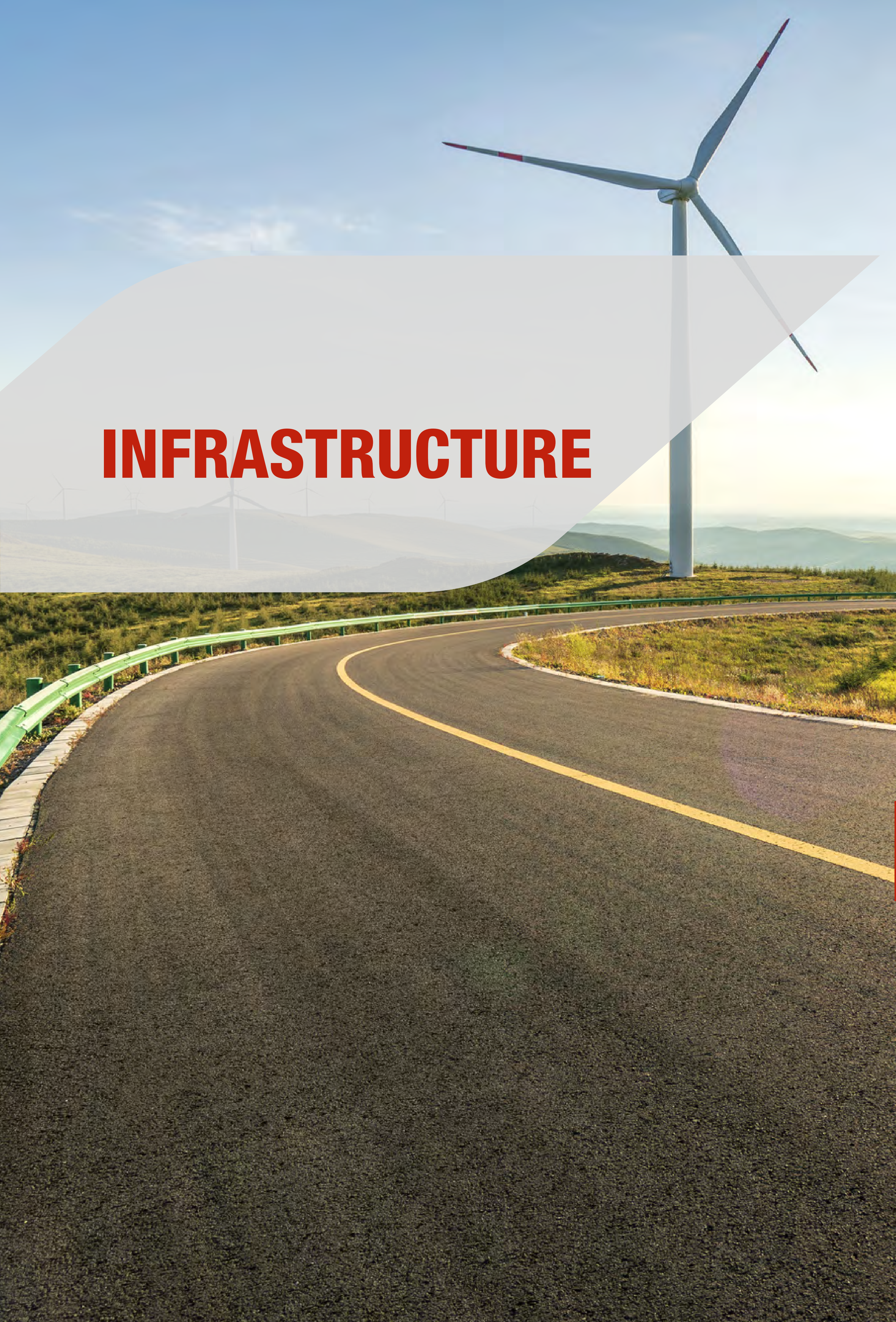
Retail has adapted to the challenges of online shopping and a decade of rental pressure. Dominant shopping centres in key catchment areas are performing well. With asset values adjusted and new supply at historic lows, the sector shows resilience and a positive outlook.

Hospitality is benefiting from global tourism growth, driving renovations and new developments. Leisure travel leads the recovery, while demand expands in culturally rich urban markets. The sector offers opportunities for value-add and long-term core strategies.

Finally, in commercial real estate debt, alternative lending is gaining traction as banks adopt a cautious stance. Non-bank lenders are filling the gap with senior real estate loans featuring floating rates and conservative LTV ratios (~50-60%). These structures typically provide resilience in volatile markets and hedge against rising interest rates, making them an attractive option for investors seeking stability.

Source: Generali Real Estate S.p.A. Società di gestione del risparmio as of end of November 2025.

INFRASTRUCTURE



Fixed Income
Equity
Multi Asset & Liquid Alternatives
Private Credit
Real Estate
Infrastructure

infranity

A rich opportunity set in European infrastructure

GILLES LENGAIGNE
Managing Partner, Head of Origination and Corporate Development,
Infranity

Infrastructure continues to stand out as a resilient and dynamic asset class, with a continuous strong outlook for 2026.

Europe's infrastructure market presents a compelling and resilient investment opportunity, underpinned by structural megatrends and robust policy support. The twin imperatives of decarbonization and digitalization are reshaping economies, creating unprecedented demand for capital to finance essential assets. According to the European Commission, an additional €5.4 trillion will be required between 2025 and 2031 to meet climate and connectivity goals, with an annual funding gap of €400–600 billion that private markets must bridge.

Institutional investors are increasingly drawn to infrastructure for its distinctive characteristics: stable, inflation-linked cash flows, low correlation to public markets, and downside protection. These features make infrastructure a powerful diversifier and a source of predictable income across cycles. In Europe, the opportunity spans both equity and debt strategies, offering flexibility across the capital structure. Enhanced-return debt strategies can deliver yields of Euribor + 550–600 bps, while core-plus equity investments target gross IRRs of 13%+, combining yield with long-term value creation[1].

Our sector conviction for 2026 and beyond are underpinned by strong, long-term fundamentals:

- Energy Transition: Decarbonization has moved from policy aspiration to economic necessity, also fueled by the need for greater energy security. Renewable power generation – solar, wind, hydro, biogas – and battery energy storage systems form the backbone of the energy transition.
- Digital Transformation: Strong data growth, cloud computing, and artificial intelligence are driving exponential demand for data centers, fiber networks, and 5G connectivity. Sustainable digital infrastructure is now as critical as transport or power grids once were.
- Decarbonized Transport: Electrification of personal and public transport, and investment in freight rail and public transit systems are redefining mobility and logistics while supporting decarbonization targets.
- Environment, Water & Waste: Circular-economy regulation and resource scarcity are catalyzing investment in recycling platforms, water-treatment facilities, and industrial efficiency solutions. By 2030, the EU aims to recycle 65% of packaging waste and landfill less than 10% of total waste, creating a large addressable market for sustainable operators.

While the investment needs in these sectors are extremely large, a significant part of the opportunities to deploy capital are to be found in the mid-market segment, which can offer some of the most attractive value proposition. For investors, European infrastructure can offer a rare combination of scale, sustainability, and resilience. With proven managers deploying capital at pace and integrating ESG objectives, we believe the asset class stands as a cornerstone for portfolios seeking long-term, risk-adjusted performance for 2026 and the coming years.

Defensive returns, literally: How Europe's clean energy build-out is gaining a new structural tailwind

sosteneo
Infrastructure Partners

CHRISTOPHER DEVES
Partner and Head of Investor Relations,
Sosteneo Infrastructure Partners

For institutional investors, 2026 marks a pivotal moment in Europe's energy landscape that will see Europe entering a phase where clean energy deployment, system resilience and security considerations are increasingly interconnected. Across policy, industry and investment circles, there is a growing recognition that energy systems must be more resilient and less dependent on imported fuels or concentrated sources of supply. As a result, greenfield renewable infrastructure is shifting from a climate-aligned priority to a central pillar of Europe's long-term stability planning.

Recent disruptions have shown how weaknesses in energy systems can quickly translate into broader economic exposure. This has prompted policymakers to strengthen domestic generation, diversify energy inputs and enhance flexibility. Within this landscape, renewable power, battery storage and new grid infrastructure is valued not only for decarbonisation but also for the security advantages that come from dispersed generation, greater redundancy, and reduced reliance on concentrated energy sources as well as energy imports from abroad.

Importantly for investors, the shift in sentiment towards defence and resilience is accelerating capital formation. Public institutions are directing more resources towards dual-use innovation and infrastructure that supports industrial competitiveness, while private capital is increasingly targeting assets aligned to these long-term system needs. In practice, this is creating a rising flow of investment into technologies that underpin secure electrification, reliable power supply and operational continuity. This represents a durable tailwind for new-build clean infrastructure, with clear positive commercial and financial implications for investors allocating to the asset class.

For Sosteneo, these dynamics reinforce the relevance of our strategy. Greenfield renewable power, battery storage and enhanced grid infrastructure provide the resilient, future-proofed supply Europe is seeking to scale. Our industrial angle and ability to partner with utilities enables these projects to be delivered rapidly while benefiting from long-term contracted revenues well suited to institutional portfolios. The result is access to essential infrastructure that solves system-level challenges, which may offer long-term contracted revenues and cash flow characteristics typically associated with infrastructure assets.

In 2026, the interplay between energy system resilience and the broader security agenda will continue to shape infrastructure investment across Europe. Investors aligned with specialist managers able to originate, structure and deliver new critical clean-energy assets will be well placed to capture the next phase of growth.

[1] Source: Infranity as at end of November.

Thank you.

www.generali-investments.com

About Generali Investments

Generali Investments is a platform of asset management firms which are directly or indirectly held by Generali Investments Holding S.p.A. , including Generali Asset Management S.p.A. Società di gestione del risparmio, Infranity, Sycomore Asset Management, Aperture Investors LLC (including Aperture Investors UK Ltd), Plenisfer Investments S.p.A. Società di gestione del risparmio, Lumyna Investments Limited, Sosteneo S.p.A. Società di gestione del risparmio, Generali Real Estate S.p.A. Società di gestione del risparmio, Conning* and, among its subsidiaries, Global Evolution Asset Management A/S — including Global Evolution USA, LLC and Global Evolution Fund Management Singapore Pte. Ltd — Octagon Credit Investors, LLC, Pearlmark Real Estate, LLC, MGG Investment Group LP as well as Generali Investments CEE.
*Includes Conning, Inc., Conning Asset Management Limited, Conning Asia Pacific Limited, Conning Investment Products, Inc., Goodwin Capital Advisers, Inc. (collectively, “Conning”).
It is part of the Generali Group, which was established in 1831 in Trieste as Assicurazioni Generali Austro-Italiche and is one of the leaders in the insurance and asset management industries.