Brookfield

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Midyear Outlook: Seeking Resilience in Turbulent Times

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Introduction

The risk rally stumbled, then recovered. The first quarter of 2026 saw a sell-off of equities and other risk assets in February following the start of the war with Iran and the closing of the Strait of Hormuz, with oil rising above $100 a barrel.[1] But with the announcement of a ceasefire and negotiations over ending the war, markets rebounded, with technology names leading the rally.

Economic uncertainty prevails. During the quarter, economic uncertainty also weighed on investors' minds, including the path of interest rates, slowing growth and the ongoing impact of tariffs. As a result of both geopolitical and macroeconomic concerns, traditional safe haven assets like bonds and gold rallied during the early weeks of the war, later pulling back.

Private credit investing is under scrutiny. Meanwhile, alternative investments, particularly private credit, have come under increased scrutiny. After years of rapid growth, sentiment around private credit has shifted from overexuberance to excessive caution on the heels of redemption pressures, liquidity concerns and a few defaults. Still, yields remain attractive, and fundamentals are generally stable. As we discuss below, we believe the stress in private credit markets is idiosyncratic, not systemic.

The environment is uncertain. The geopolitical situation today remains fluid and uncertain. We believe the best course of action is still the tried-and-true one: Be diversified, stay disciplined and focus on the long term while managing risk. But also, maintain the flexibility to take advantage of opportunities if and when they arise.

Where do we go from here? Howard Marks' old saying, "You can't predict, but you can prepare," certainly applies here. With this in mind, in this issue of the *Alts Quarterly*, we discuss our outlook for alternatives as we approach the midyear.

Overall, the macro overview of 2026 is mixed. Some sectors show encouraging signs of health, while other parts of the economy face significant headwinds, and the impact of artificial intelligence (AI) on the software industry may cause further volatility in the tech sector. Meanwhile, unsettling geopolitical turmoil remains the backdrop. A recurring theme we see is the likelihood of increased dispersion of returns, with skill and experience in both selection and risk mitigation increasingly driving returns.

Specifically, our outlook discusses the following four areas:

Private credit: Separating the signal from the noise. Private credit sentiment has weakened in recent months, but we believe the current environment reflects cycle normalization, not systemic risk. Private credit can continue to provide significant potential benefits for investors, but going forward, returns will increasingly depend on disciplined underwriting and the ability to avoid weaker credits.

1. U.S. Energy Information Administration, as of April 7, 2026.

Private equity: Adapting to a disrupted world. With high borrowing costs and expensive valuations, private equity returns are relying more on earnings growth than market tailwinds. That means operational improvements—such as pricing, cost control and efficiency—are even more important, and selectivity is key.

Infrastructure: Why volatility can create opportunities for disciplined investors. Infrastructure has historically delivered stable performance, with lower volatility than equities, during major market disruptions. At the same time, rapid growth in energy demand—driven by digitalization, AI and electrification—is creating significant long-term investment opportunities, but these require expertise, global scale and disciplined capital allocation.

Private real estate: Offers potential benefits during market volatility. Private real estate appears attractive and likely to maintain its recent momentum, supported by normalizing deal flow and stabilizing valuations and cap rates. History supports the positive view, as private real estate has historically had resilient characteristics, including low correlations, steady income and inflation-hedging properties that support an attractive outlook going forward.

Our quarterly Alts Market Dashboard provides data, market and investing insights that we find interesting from across the alternatives investing universe. Notable numbers include:

- **12.6x:** Median EV/EBITDA private equity deal multiples reached 12.6x in Q1 2026.[2] This reflects a more selective investment environment, where managers are prioritizing higher-conviction opportunities with strong long-term value potential.
- **10.5%:** Strong investor demand for long-term, lower-volatility assets has driven infrastructure dry powder growth, with an estimated compound annual growth rate (CAGR) of 10.5% from 2024 to 2030.[3]
- **6.6%:** Average cap rates decreased slightly, while the Green Street Commercial Property Price Index (CPPI) increased to 3.1%. This signals that commercial real estate valuations are beginning to recover.[4]

2. Preqin, as of March 31, 2026.
3. Preqin, "Infrastructure in 2026," as of December 14, 2025.
4. Green Street, as of March 31, 2026.

Separating the Signal From the Noise in Private Credit

KEY POINTS

- The current private credit environment reflects cycle normalization, not systemic risk
- Dispersion is increasing—across borrowers, sectors and vintages
- Headlines about redemptions, software disruption and payment-in-kind (PIK) interest are real, but there are nuances
- Manager selection and underwriting discipline will drive outcomes going forward

A Normalizing Cycle

In recent months, private credit sentiment has shifted from enthusiasm to caution as private credit markets adjust after a long period of "easy money." That environment, characterized by elevated private equity activity and accommodative financing conditions, drove a significant expansion in credit markets. U.S. leveraged buyout (LBO) loan volume has increased significantly, reaching $391.7 billion in direct lending deal volume since the pandemic.[5] Clearly, this growth has contributed to pockets of overexuberance and potentially less stringent underwriting practices among some investors.

Still, it is important to put the current situation in perspective. Most importantly, it should be emphasized that we do not think that the recent stress in private credit markets is systemic.

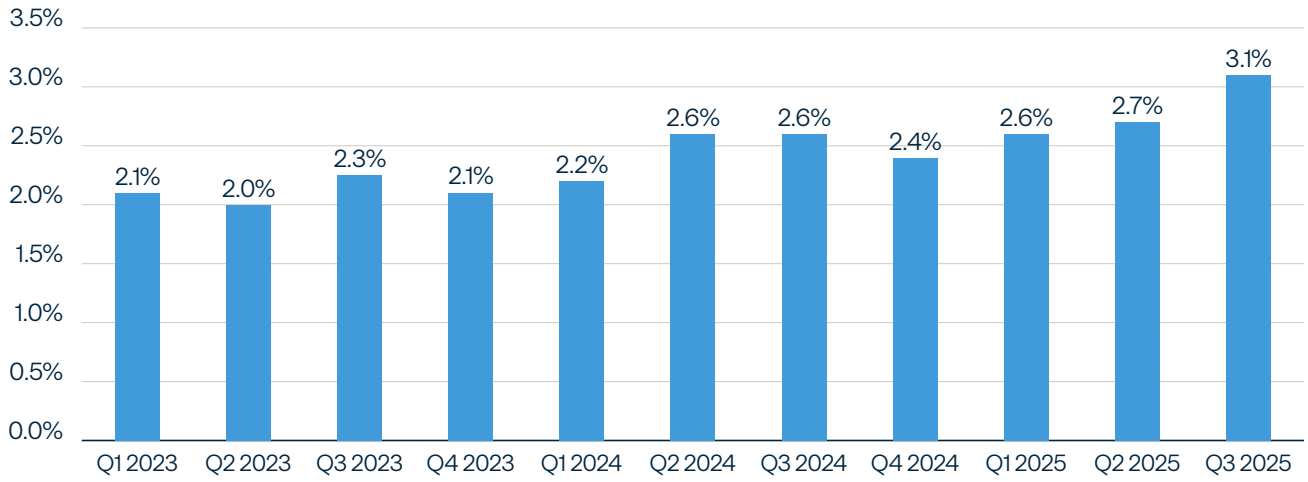
Outcomes within direct lending and broader private credit are not uniform. Several factors drive outcomes for investors, including how capital is deployed. Indeed, we believe the current environment is revealing company-specific issues as well as differences in underwriting standards, not a fundamental break in the system. That underscores why the dispersion of returns is increasing across lenders, sectors and vintages.

5. PitchBook LCD, as of March 31, 2026. Data from Q2 2020 through Q1 2026.

Market fundamentals remain broadly stable, and private credit as an asset class continues to provide a yield premium relative to public debt. Defaults on loans remain near historical averages, and non-accruals—loans with debt 90 days or more overdue—remain low (**Figure 1**). Moreover, while private credit assets under management have grown at a CAGR of roughly 14% over the past decade, that still represents only about 9% of total corporate borrowing.[6]

Figure 1: Non-Accruals in Business Development Companies (BDCs) Remain Low

Average Non-Accruals (at Cost) in BDCs



Source: Morgan Stanley. As of September 30, 2025.

Viewing Risks With Nuance

Investors have become concerned about some sections of the private credit market, however, particularly the impact on software lending of advances in AI, as well as broader macro uncertainty. As a result, redemption activity in a number of strategies has increased modestly, and in response, business development companies (BDCs) and other tender offer and interval funds have limited redemptions. But it is important to note that the elevated redemption activity reflects investor sentiment and allocation shifts, not a deterioration in credit fundamentals.

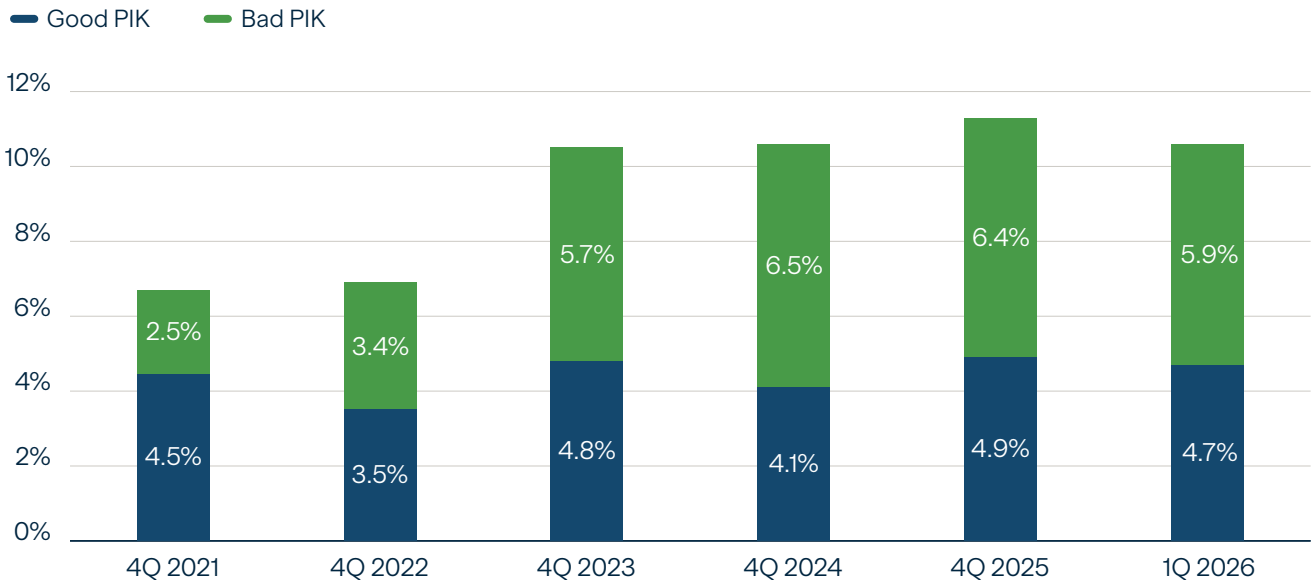
BDCs—frequently used private credit investments—are designed to help balance investor liquidity needs with the illiquid nature of the underlying assets. These structures are intended to protect long-term investors and preserve portfolio integrity, rather than force asset sales when redemptions occur. That's why semi-liquid structures like BDCs are designed to better align investor liquidity with underlying assets.

6. *Preqin Global Report: Private Credit 2026*, December 2025.

To be sure, as with any investment products, there are always risks to consider when investing in private credit, and the current environment is no exception. While PIK activity—particularly PIK introduced through amendments—can be a sign of credit deterioration, usage has stabilized recently as borrowers' ability to pay cash interest is improving. (**Figure 2**).

Figure 2: While PIK Usage Is a Concern, Levels Are Stabilizing, and Non-Accrual Rates Remain Low

% of Direct Lending Investments With PIK



PIK data reflects Lincoln International's Senior Debt Index universe.
Source: Lincoln International, Morgan Stanley. As of March 31, 2026.

In addition, market stress has been more pronounced among smaller and middle-market borrowers, particularly companies in the $25–50 million EBITDA range, while larger issuers have generally remained more stable.[7]

Outlook Themes

Going forward, we believe the fundamentals of the private credit market remain sound, although there are still risks that investors need to navigate. With that in mind, we see four key themes driving the private credit outlook over the next few months:

1. **Dispersion is key**. We believe there will be increased dispersion among private credit manager returns. To put it simply, this is a credit pickers' market.

2. **Yields remain attractive.** The private credit premium—in other words, the return relative to public credit investments—has compressed in recent months, but it has not disappeared. Yields remain compelling relative to public markets.

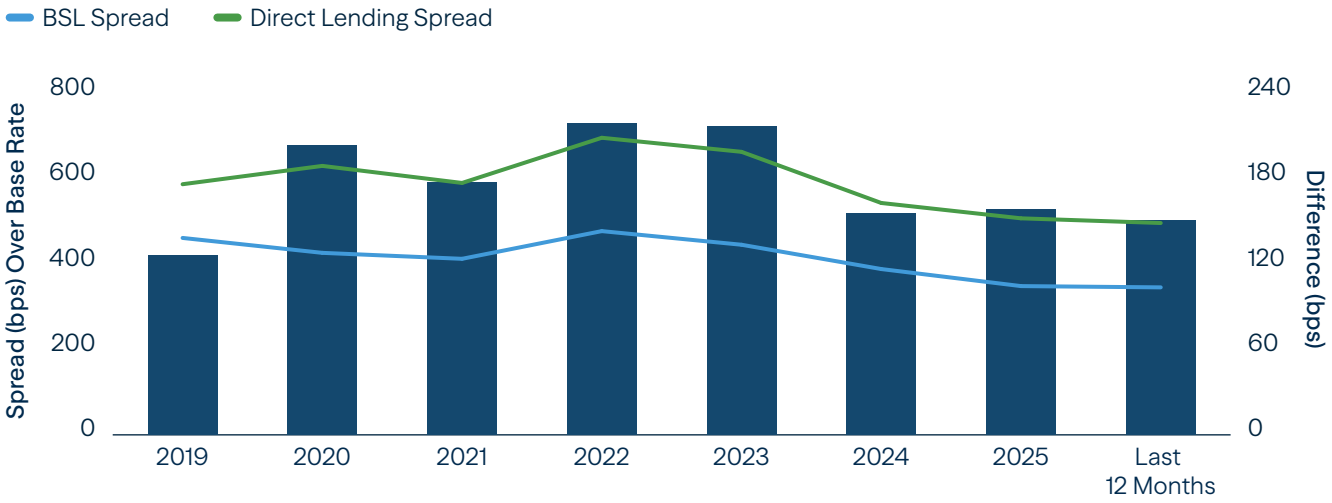
7. Proskauer Rose, as of March 31, 2026.

3. **Selection-driven returns.** Looking forward, we believe performance will increasingly depend on a strong focus on borrower quality, underwriting discipline, and the structuring and sourcing of loans. Direct lending is and remains a core allocation of investors' fixed-income portfolios, but sustained performance will come from lenders that emphasize selectivity and disciplined underwriting, with a focus on risk mitigation.

4. **Opportunities are emerging.** One of the inevitable consequences of a market dislocation is that it creates opportunities in distressed assets, and this is no exception. This is particularly evident in sector-specific areas that have borne the brunt of negative sentiment, but is also a result of refinancing pressure. More than $1.3 trillion in loans are maturing in 2026; public markets are likely to absorb much of this volume, but may be less receptive to more complex credit situations, creating opportunities for private lenders (**Figure 3**).[8]

Figure 3: Direct Lending Spreads Remain Attractive

Spread of LBOs Financed in Broadly Syndicated Loan (BSL) (All Borrowers) vs. Direct Lending Market



Past performance is not indicative of future results. Direct lending spread data reflects senior secured first-lien loans and unitranche facilities. A unitranche facility is typically a single tranche term loan with a blend of senior and junior tiers of debt tranches. BSL data reflect loans issued to all leveraged borrowers.

Source: PitchBook LCD. As of April 30, 2026.

The Bottom Line

We believe private credit continues to provide significant benefits for investors, including diversification, steady income and returns driven by disciplined underwriting and structuring. In our view, the current private credit environment reflects cycle normalization, not systemic risk, and is functioning as intended.

In short, we believe private credit is becoming more selective, not less attractive.

8. PitchBook LCD, as of December 31, 2025.

How Private Equity Adapts to a Disrupted World

KEY POINTS

- **Trade, supply chain and cost shocks are widening the gap between businesses.** This is increasing the gap between those that can adapt and those that cannot
- **Market tailwinds are less reliable.** With borrowing costs higher and valuations offering less room for upside, returns are more likely to come from earnings growth—not from the market
- **Operational improvements are more important than ever.** Pricing, cost control and efficiency can help protect margins and create value as conditions become less predictable
- **Resilient businesses stand out.** Companies with essential demand, pricing power and clear opportunities to improve operations may be better positioned to navigate disruption

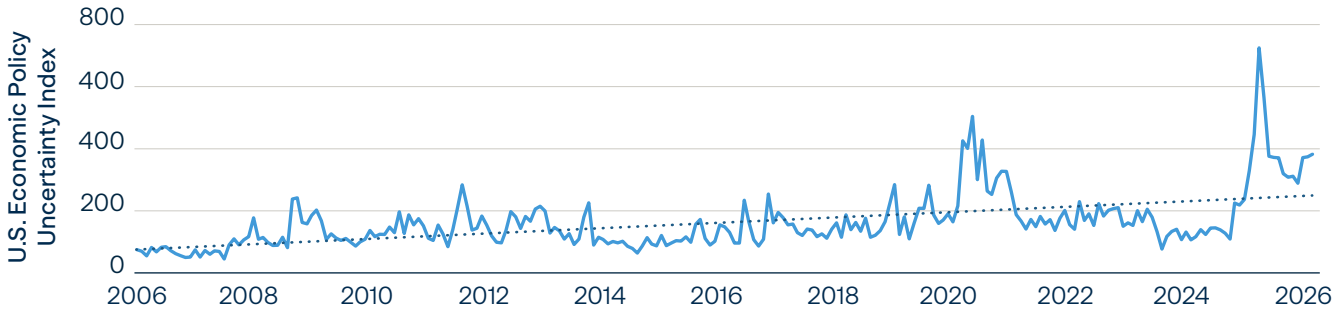
A Fluid Environment

The backdrop for private equity has shifted. Recent years have been marked by trade tensions, supply chain disruptions and swings in input costs. These forces are not constant—but when they occur, they tend to be larger and more disruptive than in the past. Recent shocks have reached levels well above prior periods (**Figure 4**, *page 8*).

For private equity investors, the implication is clear: The focus has shifted from trying to predict the economy to owning businesses that can perform when costs rise and conditions become less predictable. As a result, the gap between businesses that can adapt and those that cannot is widening.

Figure 4: U.S. Policy Uncertainty Is Rising and Shocks Are Getting Larger

Over the Past Two Decades, Policy Uncertainty Has Risen, With More Pronounced Spikes During Periods of Disruption



Source: Federal Reserve Bank of St. Louis, as of March 31, 2026.

Why the Playbook Is Changing

In the post–global financial crisis low-rate environment, private equity often benefited from falling interest rates, ample leverage and rising valuations. That environment made it easier to generate strong returns, even without significant operational change.

Today, those tailwinds are less reliable and available. Bain & Company estimates that achieving a typical return now requires roughly double the level of annual EBITDA growth compared with a decade ago (**Figure 5**). In practical terms, more of the return must come from improving the business itself—not from favorable market conditions. This raises the bar for value creation.

Figure 5: Less Forgiving Economic Conditions Mean General Partners Have to Generate Much More Cash Flow to Make Deals Work

Annual EBITDA Growth Required to Achieve a 20% IRR and 2.5x MOIC Over a Five-Year Hold

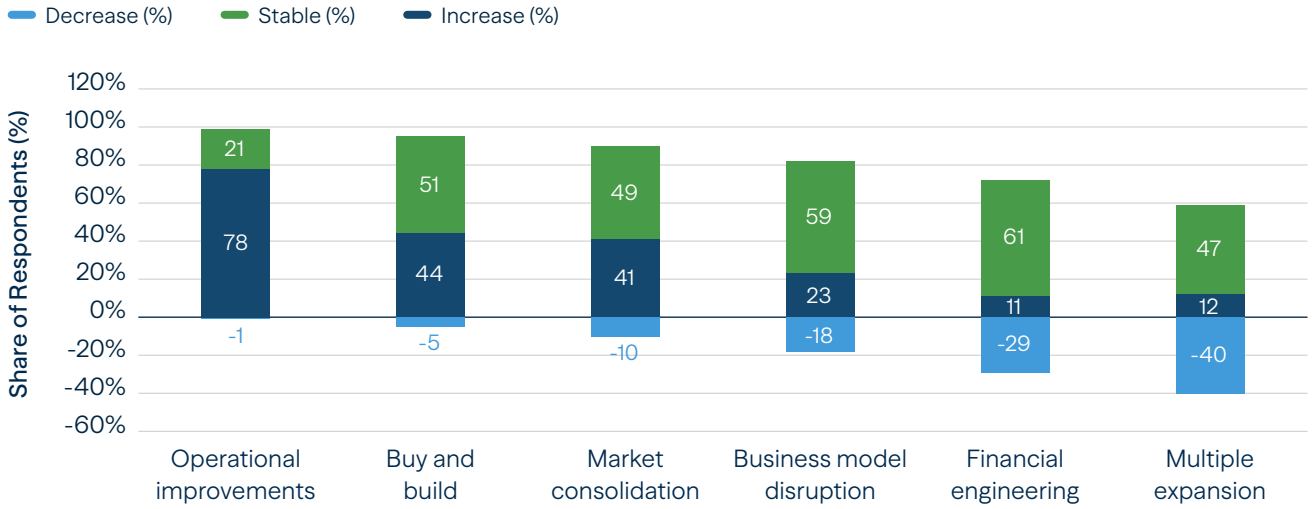
IRR represents internal rate of return, a metric that is typically used to estimate the profitability of potential investments. MOIC represents multiple on invested capital, a metric that describes the value or performance of an investment relative to its initial cost.
Source: Bain & Company, as of February 2026.

From Market Tailwinds to Operational Control

As a result of the evolving market environment, operational improvement is becoming more central to value creation. Pricing, cost discipline, productivity and working-capital management are areas where management teams can take direct action to influence outcomes.

A recent survey of senior private equity operators, primarily C-suite executives and partners in industrials and business services, shows a clear move toward operational levers (**Figure 6**). A large majority expect operational improvements to become more important over the next 12 months, while far fewer expect gains from financial engineering or multiple expansion. In other words, value creation is increasingly being driven by actions inside the business. These characteristics can help businesses maintain margins even as conditions change.

Figure 6: Expected Change in Relevance of Value-Creation Levers Over the Next 12 Months



Source: Simon-Kucher, *Private Equity Value Creation Study 2025* (n=114). Survey question was related to the impact of different value-creation drivers on equity stories over the past 12–24 months and the expected change in relevance of these factors over the next 12 months.

Where This Matters Most

A heightened focus on operational improvements and margin expansion tends to favor companies with:

- Essential, mission-critical products or services
- A recurring revenue base and embedded customer relationships
- Clear opportunities to improve operations and enhance cash flow

These characteristics are often found in market-leading industrial and business services sectors, where demand is less discretionary and operational improvements can be implemented over time.

The key is not to avoid exposure to change, but to invest in businesses that can adapt to it.

The Bottom Line

Successful private equity investments have always relied on improving businesses. What has changed is how central that improvement has become.

In a world of larger shocks, returns are less likely to be driven by market conditions and more likely to come from what can be controlled. As dispersion increases, the ability to identify and improve resilient businesses may become more valuable—and more difficult to replicate.

Why Volatility Can Create Opportunities for Disciplined Infrastructure Investors

KEY POINTS

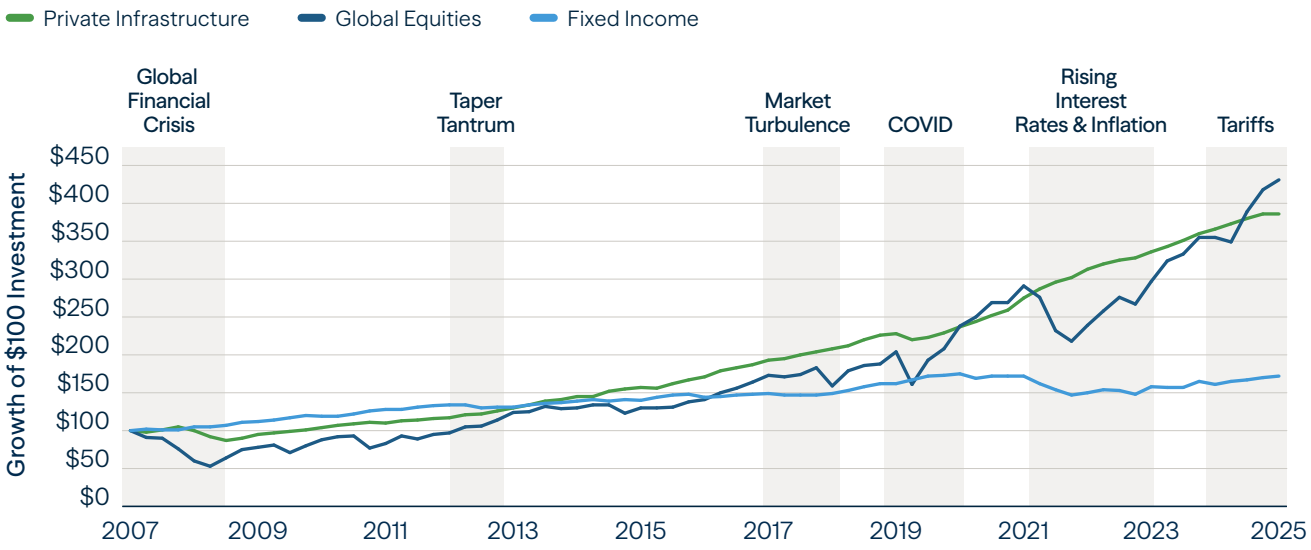
- Infrastructure has historically delivered stable performance with lower volatility than equities during major market disruptions
- Infrastructure's features make it a compelling option for long-term, risk-adjusted returns in today's macro environment
- Rapid growth in energy demand—driven by digitalization, AI and electrification—requires a diversified mix of energy sources, creating significant long-term investment opportunities
- Accessing opportunities requires expertise, global scale, local market knowledge and disciplined capital allocation

Historically Low Volatility

Recent history has seen its share of market volatility episodes—the 2008 global financial crisis, the 2013 "taper tantrum" and the COVID era in 2020, as well as other periods of market turbulence. Throughout, infrastructure investing has offered stability, steady performance and low volatility relative to broader equity markets (**Figure 7**, *page 12*).

Infrastructure's historically low volatility may be particularly attractive in the current environment, which has been defined by low real yields, persistent inflationary pressure and geopolitical turmoil. Investors with medium- to long-term risk-adjusted return targets may find it increasingly difficult to meet their performance goals in traditional asset classes.

Figure 7: Infrastructure Has Historically Offered Low Volatility and Steady Performance



Performance data quoted represent past performance; past/prior performance does not guarantee, and is not indicative of, future results.

Private Infrastructure represented by Preqin Infrastructure Index, Global Equities by MSCI World Index and Fixed Income by Bloomberg Global Aggregate Bond Index. Preqin Infrastructure Index data as of September 30, 2025, due to latest data available. See disclosures for full index definitions. The indexes are unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. There may be limitations to the data provided given limited coverage, reporting lag and different valuation methodologies. Further, private infrastructure funds that are included in the index choose to self-report. Thus, the index is not representative of the entire private infrastructure universe and may be skewed toward those funds that generally have higher performance. Over time, funds included and excluded based on performance may result in a "survivorship bias" that can result in a further misrepresentation of performance. Please see disclosures for additional information.

Source: Bloomberg, MSCI, Preqin. As of December 31, 2025, unless otherwise noted.

Infrastructure provides an alternative. We believe real assets stand out as an essential part of an investment portfolio in this evolving environment. Infrastructure investments can offer inflation-linked cash flows backed by hard assets that help protect real returns.

Capturing the Opportunity

Delivering the opportunities presented by infrastructure is not easy. It takes the right investment approach to identify promising infrastructure projects based on solid long-term fundamentals that can weather market disruptions.

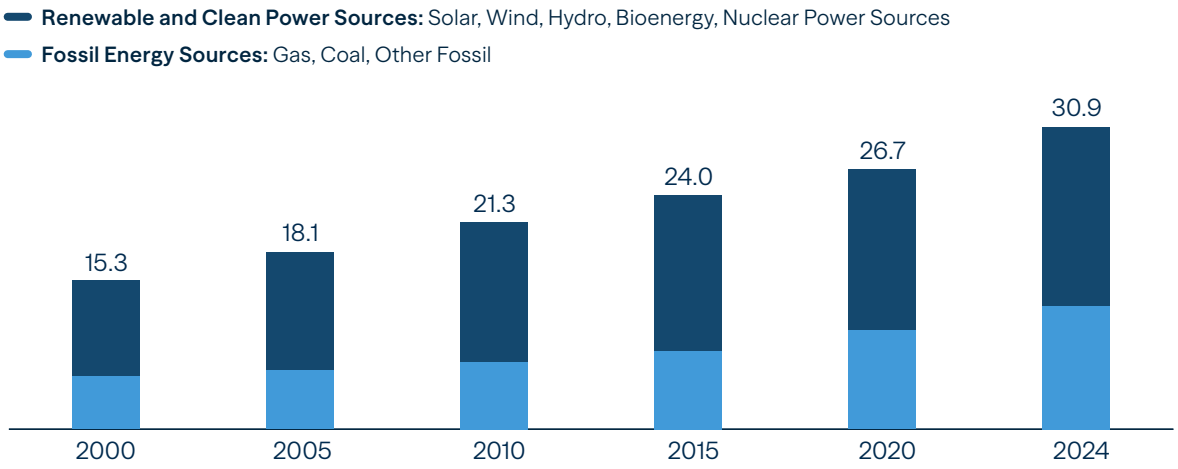
In our view, a manager with sophisticated operational and development capabilities, as well as a diverse portfolio across technologies and geographies, should be well positioned to deliver attractive returns and long-term value.

To illustrate this point, let's look at the energy sector. Energy is a fundamental building block for delivering economic and digital growth. It powers our day-to-day lives.

Electricity demand is surging, with global power generation more than doubling since 2000 (**Figure 8**). This growth is driven by three main avenues: 1) digitalization, with the advent of artificial intelligence; 2) the growth of electrification for transportation; and 3) industrialization, in particular, industrial electrification.

Figure 8: Global Power Generation Has More Than Doubled Since 2000

World Electricity Generation (000 TWh)



Source: Ember, *Global Electricity Review*, April 2025.

No single energy technology can meet this growing demand. Renewable energy sources are among the lowest-cost solutions, but global power needs are increasing faster than renewable technology can be put in place. For governments and other entities buying power, a successful strategy will need to include a range of energy assets, including renewables, as well as battery storage solutions to store renewable energy, nuclear, natural gas, and additional alternative clean technologies.

Renewables + **Battery Storage** + **Nuclear** + **Natural Gas** + **Alternative Clean Technologies**

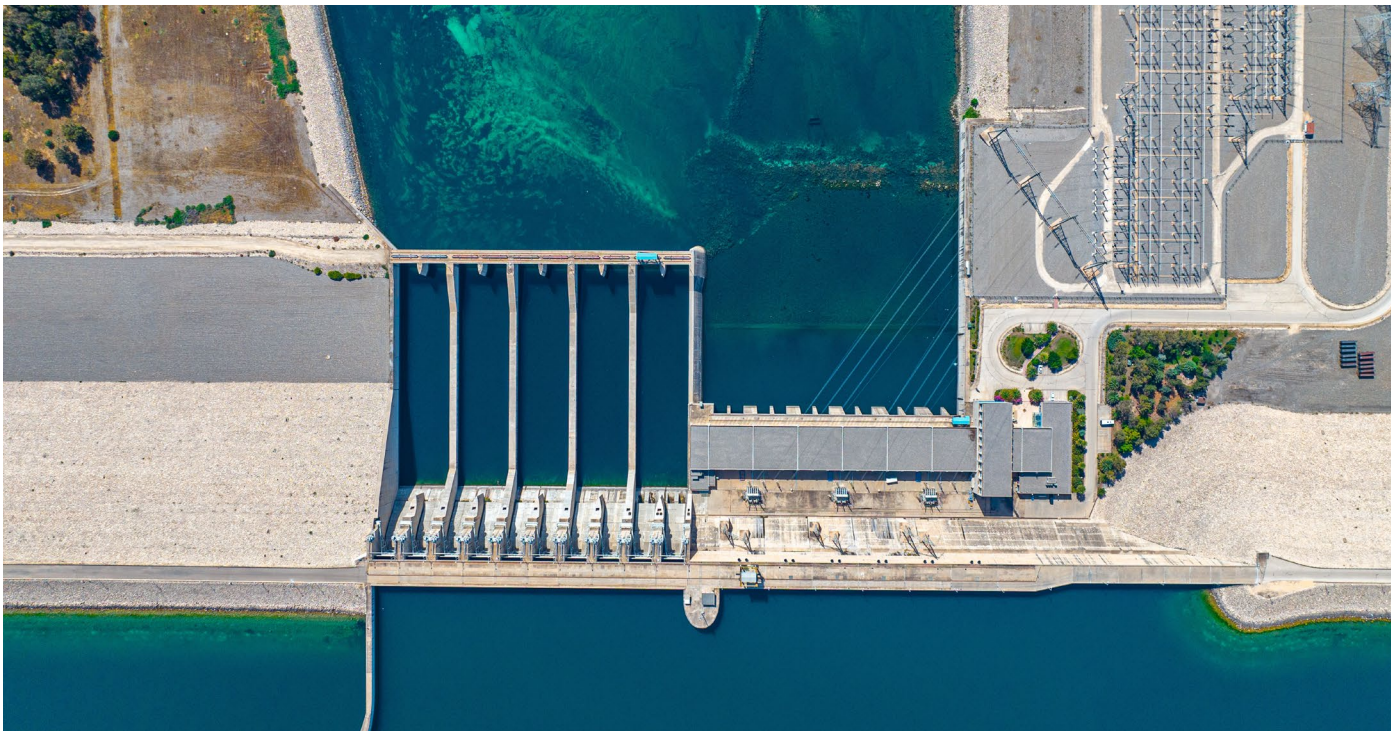
Each technology individually can't meet the growing demand, but the right mix of an "any and all" energy solution can offer a potential balance of cost and reliability for the grid. For investors, a diversified portfolio of energy assets can help hedge geopolitical and macroeconomic risk while capturing potential higher long-term returns.

For infrastructure investors, a disciplined approach to capital allocation is increasingly important, particularly with energy. Generating returns in such an environment requires a focus on securing long-term contracts backed by creditworthy counterparties and delivering technologies that stand to win on the fundamentals. These are, of course, the same rules that define success in other forms of infrastructure investing, but the energy sector demands unique discipline and expertise at a time of fast-paced demand, uncertainty and complexity in energy markets.

The Bottom Line

The demand we will witness over the next decade for infrastructure will be tremendous, but such a transformational market shift comes with the risk of potentially making poor capital-allocation decisions. Mitigating that risk means maintaining a focus on the core principles of any good investment strategy. That includes maintaining a long-term horizon, exercising rigorous due diligence, and recognizing complexity at every stage. Moreover, sound risk management involves hedging project costs against revenues, locking in long-term contracts with strong counterparties and diversifying to be able to pivot to regions of the world with attractive risk-adjusted returns.

Capitalizing on opportunities in infrastructure requires more than capital. Equally if not more critical are the operational capabilities behind the investment. These include a global procurement team that can negotiate in different regions—and with scale—making it better positioned to protect against supply chain disruptions. Deep local expertise and strong operating teams are also essential to navigate regulatory frameworks, supply chain challenges and geopolitical uncertainty—and drive value, wherever the winds may shift.



Real Estate Recovery: Resilience Amid Volatility

KEY POINTS

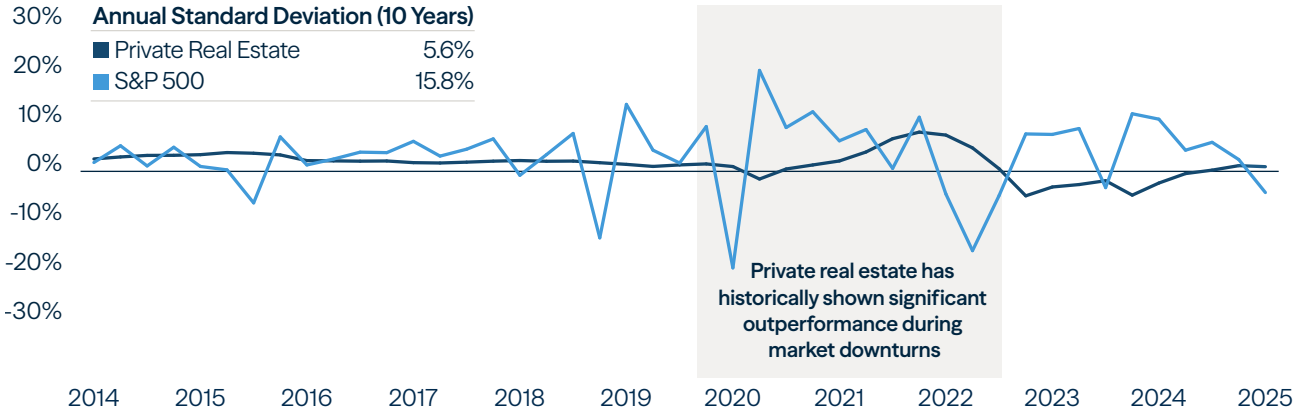
- Private real estate appears attractive and likely to maintain its recent momentum, despite recent market volatility
- Normalizing deal flow, improving valuations and stabilizing cap rates support this momentum
- Historically, real estate has exhibited resilience characteristics including low correlations, steady income and inflation-hedging properties that support an attractive outlook

Three Factors Are Driving Momentum

Private real estate continues to gain momentum, a trend that began in 2024, despite persistent equity market volatility. In fact, it reinforces a historical trend: Private real estate historically has exhibited significantly less volatility than public equity markets during market downturns (**Figure 9**).

Figure 9: Private Real Estate Has Historically Seen More Stable Returns Than Public Equity Markets During Market Downturns

Quarterly Total Returns



Past performance is not a reliable indicator of future results. Historical data are provided for illustrative purposes only, and outcomes may vary. Indexes are unmanaged and not available for direct investment. Represents quarterly returns for each index, and 10-year, annualized standard deviations. Private Real Estate represented by the NCREIF Fund Index–Open End Diversified Core Equity (NFI-ODCE). U.S. Equities represented by S&P 500 Index.

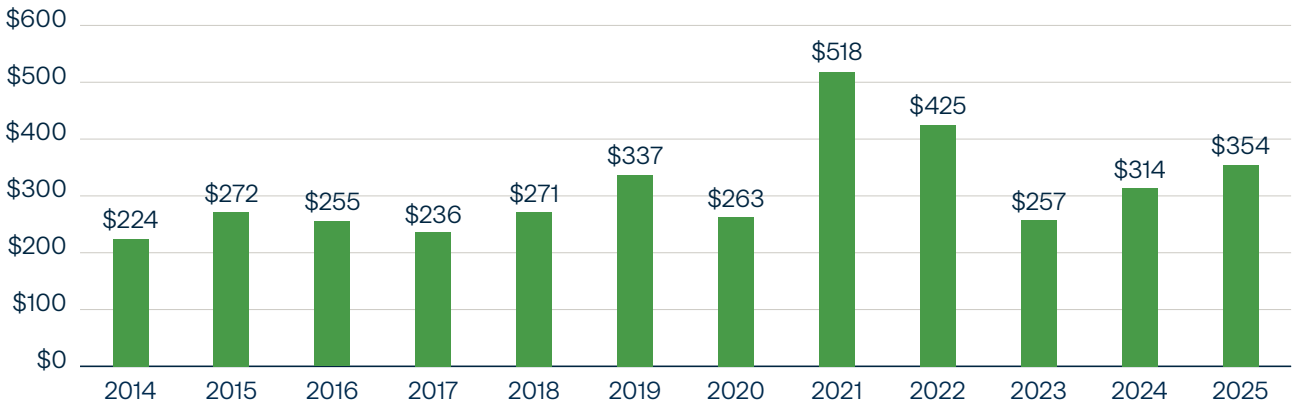
Source: Bloomberg, National Council of Real Estate Investment Fiduciaries, S&P. As of March 31, 2025.

Three factors are driving private real estate's momentum:

1. **Deal flow is normalizing.** In 2025, total transaction volume rose to $354 billion—the highest level since 2022. This is a sign of investor confidence returning to the commercial real estate market (**Figure 10**).

Figure 10: Real Estate Deal Flow Is Normalizing

Total U.S. Transaction Volume ($ Billions)

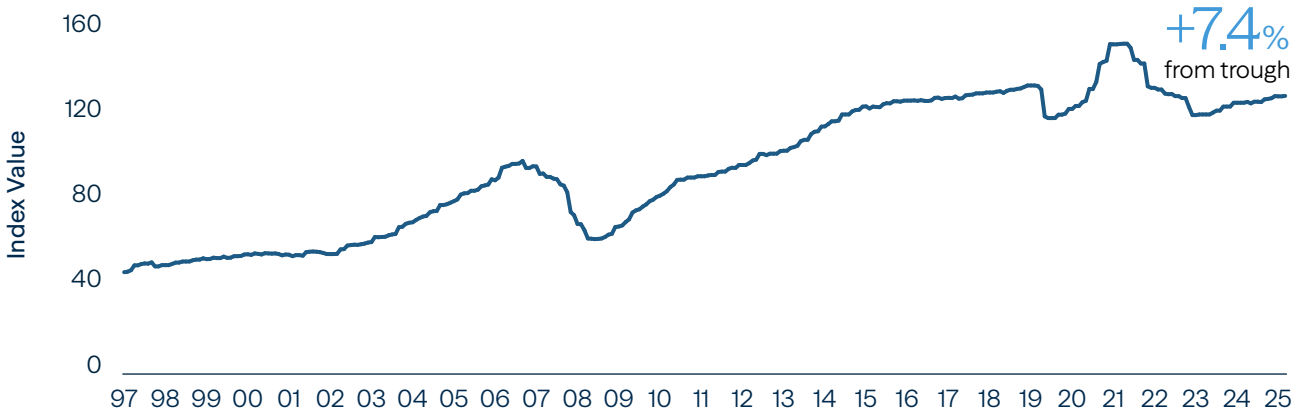


Source: Green Street, as of March 2026.

2. **Valuations have stabilized.** Renewed deal activity has contributed to stable valuations, which continued to rise in 2025, and were up 7.4% from a trough in late 2023 (**Figure 11**).

Figure 11: Real Estate Valuations Have Stabilized and Are Recovering

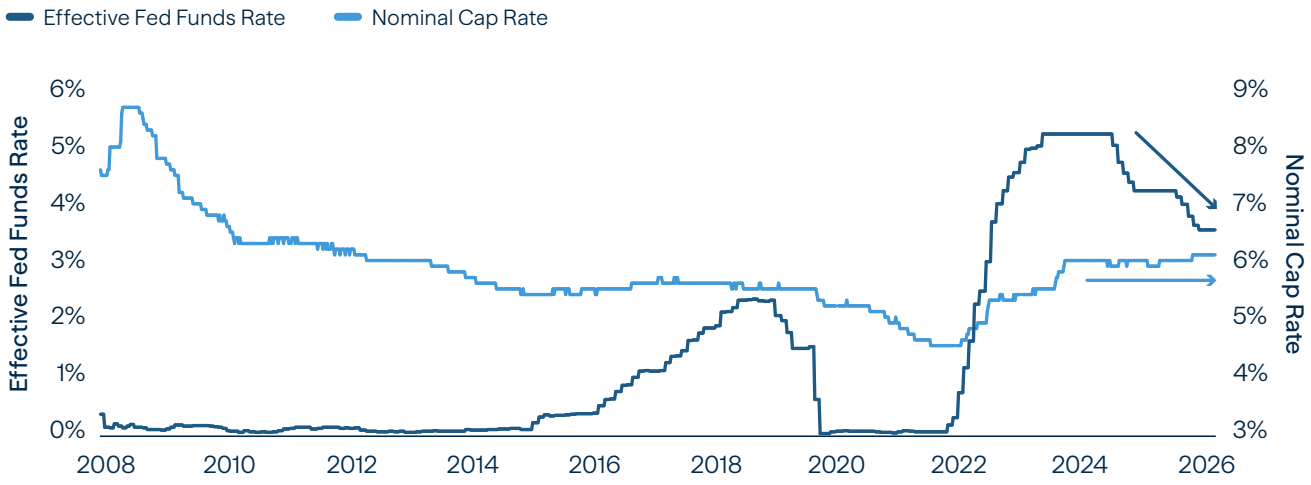
Commercial Property Price Index (CPPI)



Source: Green Street, as of March 2026.

3. **Cap rates have stabilized.** Cap rates have stabilized as well, influenced by the recent drop in interest rates (**Figure 12**). If rates continue to move lower, that should potentially push cap rates to lower levels, and in turn, lower implied risk. In the meantime, there are still attractive opportunities to acquire properties that have stable current income profiles at discounted valuations.

Figure 12: Cap Rates Have Stabilized in the Current Interest-Rate Environment



Source: Federal Reserve Bank of St. Louis, Green Street, as of March 2026.

Outlook for the Rest of the Year

We believe that real estate will continue its momentum and perform well this year, despite the headwinds created by greater market volatility. Private real estate has resilient characteristics that potentially can provide a cushion during turbulent markets. These include:

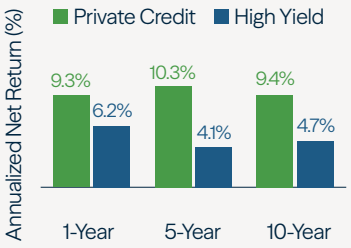
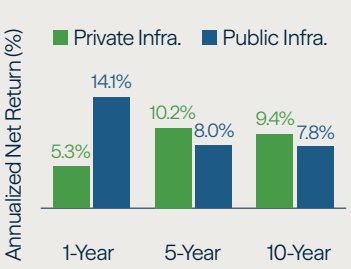
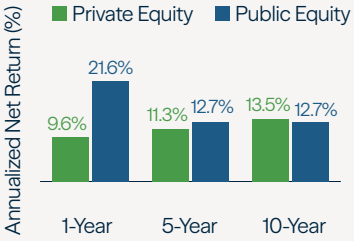
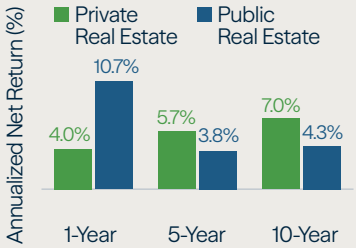
- **Lower correlations.** Private real estate historically has shown lower correlations with public equity markets, which offers diversification benefits and helps result in lower volatility than the stock market.
- **Income-driven returns.** Even if capital appreciation slows, private real estate has historically generated consistent cash flows, particularly in sectors like industrial or residential real estate, which tend to be less sensitive to economic downturns.
- **Inflation hedge.** Real estate values and rents often rise with inflation, offering protection against rising costs.
- **Value reset opportunities.** Although valuations are improving, they are still below recent peaks. In addition, replacement costs for real estate remain elevated due to higher building costs. Thus, we still see attractive investment opportunities with strong underlying sector fundamentals.
- **Long-term focus.** While short-term market noise may give investors pause, the long-term value opportunity of real estate can offer stability for the long run.

The Bottom Line

Private real estate's historical resilience during periods of market turmoil underscores why many investors are seeking to increase their allocation to the asset class. Stable, long-term, value-add real estate investment strategies are attractive for helping investors meet their investing goals by strengthening their portfolios over the long term—and these strategies can provide a cushion during shorter-term volatility.

Alts Market Dashboard

Below are some metrics to help investors interpret market conditions within various alternative asset classes. Brookfield believes the addition of both public and private alternatives can play an important role in an investor's portfolio.

Credit		$86.3B Deal volume **Q1 2026** +97.5% 1-year change	9.66% Direct lending yield **Q4 2025** -48 bps YTD change	6.73% High-yield yield* **Q4 2025** -6 bps YTD change	$546B Dry powder **Q4 2025** +5.9% YTD change	• Overall deal volume rose 97.5% year over year, driven by larger deal sizes, even as the number of deals declined by roughly 50% • Direct lending yields declined to 9.7% in Q4 2025, reflecting a 48 basis point year-to-date decrease, driven largely by the Federal Reserve rate
Infrastructure		$91.9B Deal volume **Q1 2026** -40.6% 1-year change	3.3% Public infrastructure yield **Q1 2026** -30 bps 1-year change	9.4x Public average EV/EBITDA multiple **Q1 2026** 0x 1-year change	$411B Dry powder **Q4 2025** -2.1% YTD change	• Dry powder totaled $411 billion, reflecting a small year-over-year decline; however, infrastructure dry powder is expected to grow at a 10.5% compound annual rate through 2030 • Public valuations remained steady, with an average EV/EBITDA multiple of 9.4x in Q1 2026
Private Equity		$1,012.4B Deal volume **Q1 2026** +71.7% 1-year change	86.2% Average secondary pricing **Q3 2025** -90 bps Quarter over quarter	12.6x Median EV/EBITDA deal multiple **Q1 2026** +0.5x 1-year change	$2,852B Dry powder **Q4 2025** -6.4% YTD change	• Median EV/EBITDA deal multiples have grown for four consecutive years since peaking in 2021, reaching 12.6x in Q1 2026 • Q1 2026 recorded the fewest deals since Q1 2020, but total deal volume of 1,012 resulted in a significantly higher average deal size of roughly $274 million
Real Estate		$40.5B Deal volume **Q1 2026** -7.1% 1-year change	6.6% Average cap rates **Q1 2026** -2 bps Quarter over quarter	1.9% 1-year net operating income growth **Q4 2025** -1.9% vs. historical average	$614B Dry powder **Q4 2025** -1.3% YTD change	• Cap rates declined quarter over quarter, with Q1 2026 falling approximately 2 basis points to 6.6%; at the same time, commercial property values increased 3.1% over the past 12 months, supporting continued positive momentum across the market

Past performance does not guarantee future results. The above indexes are unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. Private Credit represented by Cliffwater Direct Lending Index; High Yield represented by ICE BofA U.S. High Yield Index; Private Infrastructure represented by Preqin Private Infrastructure Index; Public Infrastructure represented by FTSE Global Core Infrastructure 50/50 Index; Private Equity represented by Preqin Private Equity Index; Public Equity represented by MSCI World Index; Private Real Estate represented by Preqin Real Estate Index; Public Real Estate represented by FTSE EPRA Nareit Developed Index. Deal Volume, Dry Powder and performance data from Preqin are preliminary as of March 31, 2026, and are subject to revision, reflecting the Preqin Private Credit, Infrastructure, Private Equity, and Real Estate indexes, respectively. Deal Volume refers to the cumulative value of deals that were transacted during a specified time period. Net Operating Income (NOI) is a calculation used to analyze the profitability of income-generating real estate investments. NOI equals all revenue from the property minus all reasonably necessary operating expenses.

Source: Bloomberg, Cliffwater, LSEG, MSCI, PEFOX Research, Preqin data (unless otherwise noted), as of March 31, 2026; the latest available for the private market indexes shown.

* High Yield is represented by the Bloomberg U.S. Corporate High Yield Bond Index.

A Word About Risk

As an asset class, private credit comprises a large variety of different debt instruments. While each has its own risk and return profile, private credit assets generally have increased risk of default, due to their typical opportunistic focus on companies with limited funding options, in comparison with their public equivalents. Because private credit usually involves lending to below-investment-grade or non-rated issuers, yield on private credit assets is increased in return for taking on increased risk.

Investments in real estate-related instruments may be affected by economic, legal or environmental factors that affect property values, rents or occupancies of real estate.

Infrastructure companies may be subject to a variety of factors that may adversely affect their business, including high interest costs, high leverage, regulation costs, economic slowdowns, surplus capacity, increased competition, lack of fuel availability and energy conservation policies. Investment opportunities related to artificial intelligence and emerging technologies involve significant risks, including rapid technological change, regulatory uncertainty, market speculation, and the possibility that anticipated technological advances may not materialize as expected. AI-focused investments may be highly volatile and speculative in nature.

Alternative investments often are speculative and include a high degree of risk. Investors could lose all or a substantial amount of their investment. High-yield bonds are subject to interest-rate risk. When interest rates rise, bond prices fall; generally, the longer a bond's maturity, the more sensitive it is to this risk. Yields are subject to change with economic conditions. Yield is only one factor that should be considered when making an investment decision.

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Key Terms and Index Definitions

Bloomberg Global Aggregate Index is a market-capitalization-weighted index comprising globally traded investment-grade bonds. The index includes government securities, mortgage-backed securities, asset-backed securities and corporate securities to simulate the universe of bonds in the market. The maturities of the bonds in the index are more than one year.

Bloomberg U.S. Corporate High Yield Bond Index measures the USD-denominated, high-yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

Cliffwater Direct Lending Index (CDLI) seeks to measure the unlevered, gross-of-fee performance of U.S. middle-market corporate loans, as represented by the asset-weighted performance of the underlying assets of business development companies (BDCs), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements.

The Economic Policy Uncertainty Index for the United States reflects scaled frequency counts of articles in 10 leading newspapers (*USA Today, the Miami Herald, the Chicago Tribune, the Washington Post, the Los Angeles Times, the Boston Globe, the San Francisco Chronicle, the Dallas Morning News, the Houston Chronicle and the Wall Street Journal*). The construction of the modern portion of the index (1985–present) was based on monthly searches of each paper for terms related to economic policy uncertainty. Terms include "uncertainty" or "uncertain," "economic" or "economy," and one or more of the following: "Congress," "legislation," "White House," "regulation," "Federal Reserve," or "deficit."

FTSE EPRA Nareit Developed Real Estate Index is an unmanaged market-capitalization-weighted total-return index that consists of publicly traded equity REITs and listed property companies from developed markets.

FTSE Global Core Infrastructure 50/50 Index gives participants an industry-defined interpretation of infrastructure and adjusts the exposure to certain infrastructure subsectors. The constituent weights are adjusted as part of the semi-annual review according to three broad industry sectors: 50% Utilities; 30% Transportation, including capping of 7.5% for railroads/railways; and a 20% mix of other sectors including pipelines, satellites and telecommunication towers. Company weights within each group are adjusted in proportion to their investable market capitalization.

Green Street Commercial Property Price Index (CPPI) is a time-series index published by Green Street, which tracks the value of U.S. commercial real estate properties. The index is based on transaction prices and appraisals of institutional-quality properties across major sectors, including office, industrial, retail and multifamily. It is widely used as a benchmark for changes in commercial property values over time.

ICE BofA BB U.S. High Yield Index tracks the performance of USD-denominated below-investment-grade corporate debt publicly issued in the U.S. domestic market, including all securities with a given investment-grade rating of BB.

Lincoln Senior Debt Index is a quarterly index that tracks the fair market value of 1,600 middle market, direct lending credit investments every quarter across approximately 175+ fund clients in the U.S. and Europe.

MSCI World Index is a free-float-adjusted market-capitalization-weighted index that is designed to measure the equity market performance of developed markets.

NFI-ODCE Index is an index of the investment returns (gross of fees) of the largest private real estate funds pursuing a core investment strategy that is typically characterized by low risk, low leverage (less than 40%), and stable properties diversified across the U.S.

Preqin Infrastructure Index captures in an index the return earned by investors on average in their private infrastructure portfolios, based on the actual amount of money invested in private capital partnerships. Each data point is individually calculated from the pool of closed-end funds for which comprehensive performance data is held, as of both the start and end of the quarter.

Preqin Private Equity Index captures in an index the return earned by investors on average in their private equity portfolios, based on the actual amount of money invested in private capital partnerships. Each data point is individually calculated from the pool of closed-end funds for which comprehensive performance data is held, as of both the start and end of the quarter.

Preqin Real Estate Index captures in an index the return earned by investors on average in their private real estate portfolios, based on the actual amount of money invested in private capital partnerships. Each data point is individually calculated from the pool of closed-end funds for which comprehensive performance data is held, as of both the start and end of the quarter.

S&P 500 Index is a market-cap-weighted equity index of 500 widely held, large-capitalization U.S. companies.

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