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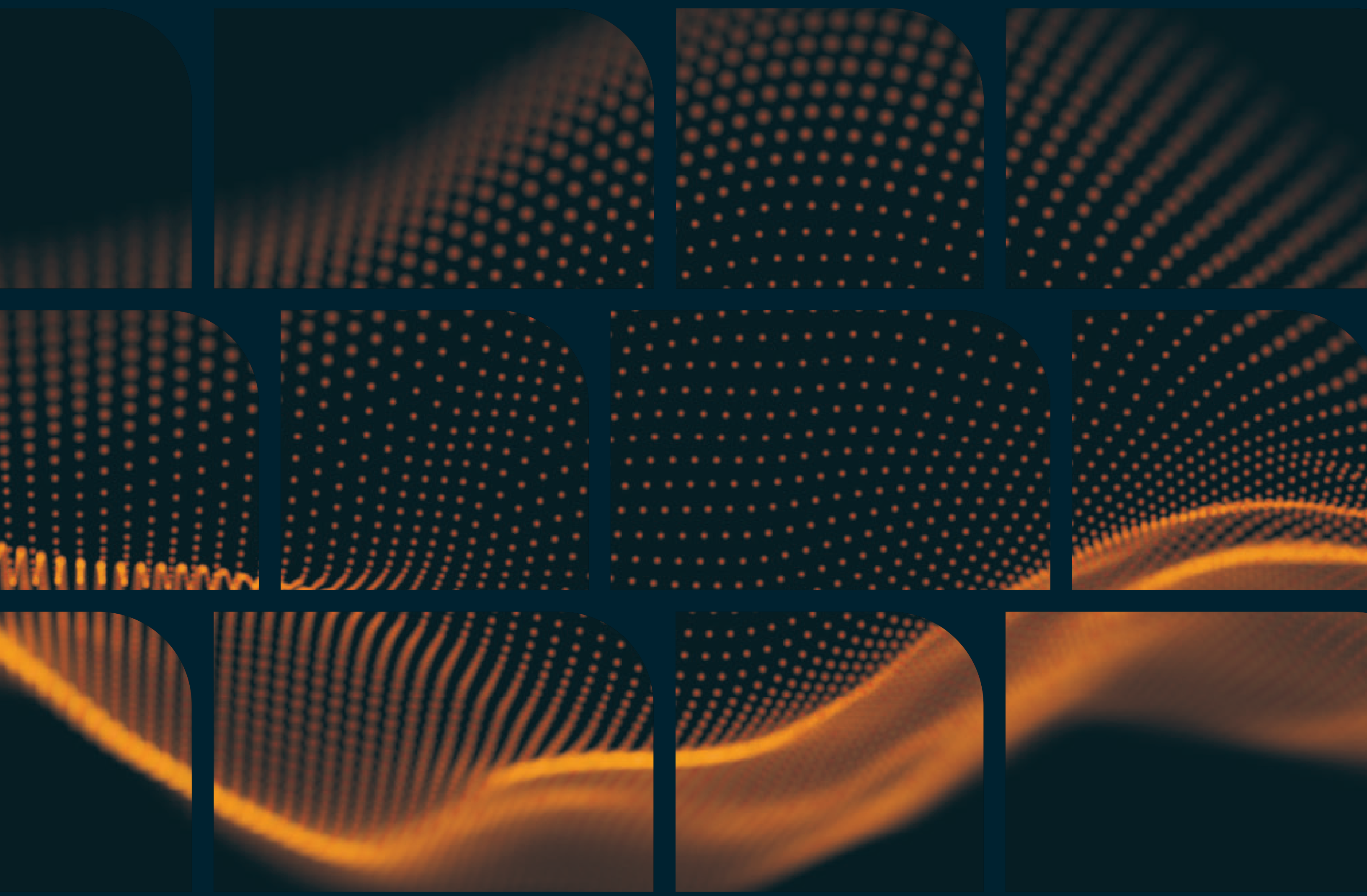
PRIVATE MARKETS

Alternatives in a new world order

INSIGHTS FROM NPOWERED26 LONDON
NUVEEN'S ALTERNATIVES INVESTMENT CONFERENCE



Positioning for a new world order

Over 200 senior investment decision makers gathered with policymakers, economists and geopolitical experts to discuss how alternative assets are shaping the future.

Against a backdrop of geopolitical volatility, structural economic change and rapid technological disruption, five principal themes emerged that are defining investment strategy for investors in 2026 and beyond.

Five themes shaping future returns

1. Geopolitics are an increasingly defining investment variable
2. The AI and digital infrastructure buildout is a supercycle
3. As private credit matures, asset-backed finance emerges
4. The energy transition moves from net zero to energy security
5. Portfolio construction adapts to a structurally different world

1 Geopolitics are a defining investment variable

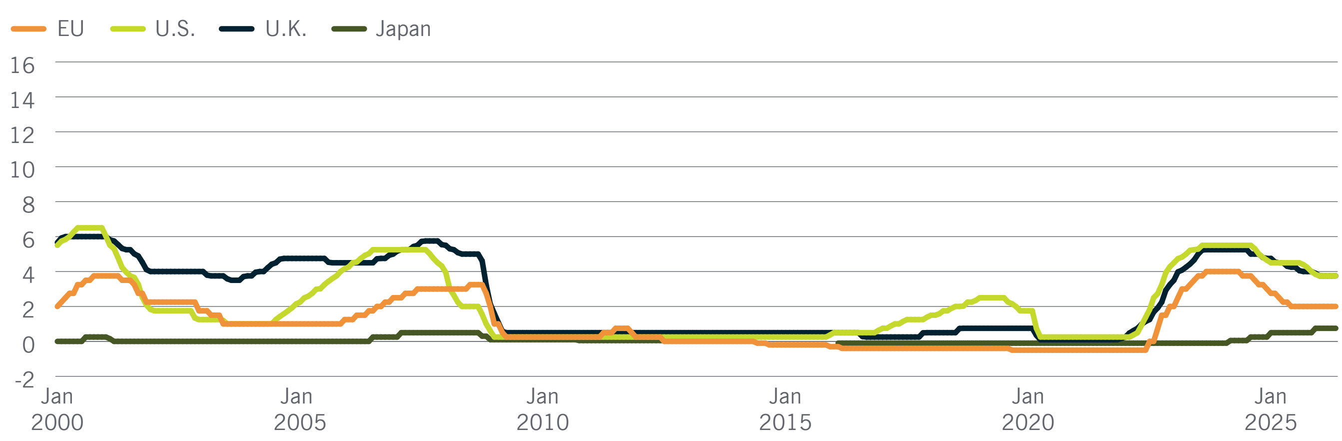
The world is moving from globalisation to regionalisation, with regional and sovereign spheres of influence likely replacing the rules-based international order. The wars in Ukraine and Iran and ongoing tensions between the U.S. and China mark a structural reset, in contrast to the post-1991 era of globalisation and U.S. security guarantees.

The implications for capital markets are far reaching (see fig.1). The U.S. dollar's reserve currency status, for example, is now questionable; any geopolitical contest over Taiwan and semiconductor supply chains could disrupt the AI boom; once-shunned national security and defence are now investable themes. This is occurring at a time of deteriorating sovereign debt dynamics, in which fiscal policy has displaced monetary policy as the dominant force.

Investment considerations

- Discount rate, duration and credit assumptions inherited from the post-Global Financial Crisis era can no longer be relied upon in a post-Covid world. Investors need to reassess strategic asset allocation against a regime of higher structural inflation, higher term premiums and persistent fiscal deficits.
- Geopolitical risks strengthen the case for diversifying globally, particularly reserve and currency exposures. Investors are exploring gold, selected commodity exposures and a broader basket of high-grade sovereigns to reflect a more multipolar system.
- Investors are stress-testing specific scenarios for assets exposed to cross-border supply chains or politically sensitive sectors. Analysis of a semiconductor shock, for example, would include modelling an abrupt repricing of AI-linked equities, the impact on hyperscaler capital expenditure and a comprehensive view of tech-related exposure across the whole portfolio.
- Political risk is likely to be an increasingly significant factor in investment decisions. With multi-year, sometimes, multi-decade timeframes for many infrastructure projects and other private market assets, policy clarity and continuity across election cycles are needed to attract private capital.

Figure 1: The post-GFC era of low rates is over



Source: Haver Analytics

Notes: EU: Policy rates, ECB, monthly; U.S.: Fed funds target rate; U.K.: Interbank rates, Bank of England, monthly; Japan: Bank of Japan complementary deposits facility rates, monthly, Bank of Japan. For periods where no policy rate is shown, the Bank of Japan did not have a quantitative target, did not set a policy rate or used more than one instrument.

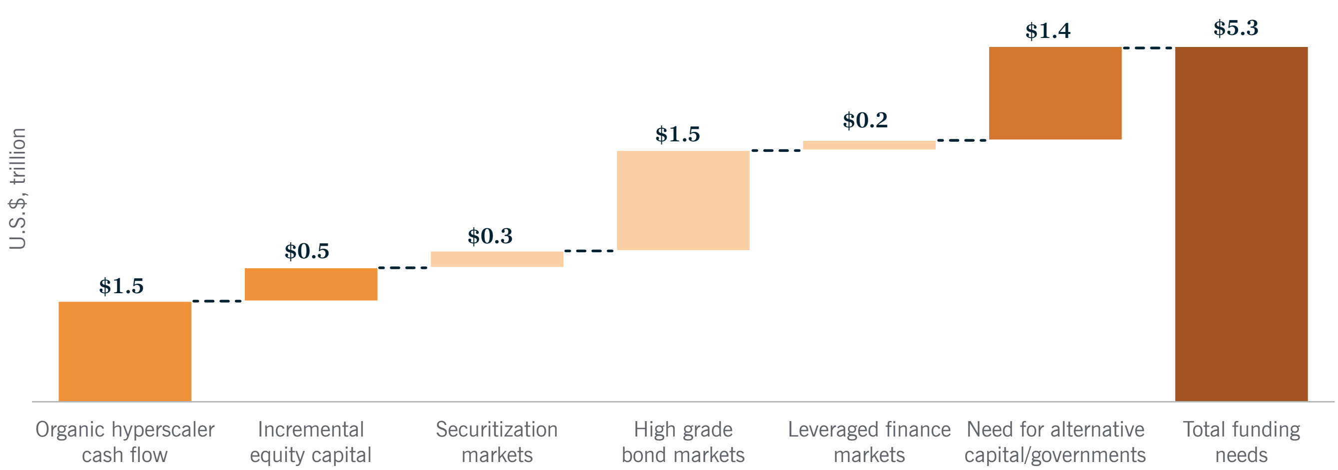
2 The depth and breadth of the AI and digital infrastructure buildout

The scale of capital being deployed is staggering, with hyperscalers' spending expected to exceed $1 trillion in 2027, according to Goldman Sachs research. Furthermore, in the U.S., data centres already account for approximately 4.6% of electricity consumption, with estimates suggesting this could reach 8% by 2030.[1] This highlights how the investable opportunity for institutions lies as much in the infrastructure buildout as it does in the underlying technology. According to Nuveen's latest EQuilibrium survey of 800 institutional investors globally, the top AI investment themes include cloud infrastructure, energy production, computing power as well as AI model and software development.

Investment considerations

- While the visible excitement is at the application and equity layer, much of the durable, contractual and inflation-linked return potential is found in infrastructure debt that enables power, grid, cooling, fibre and components.
- The scale of capex commitments raises real questions about overbuild, monetisation timelines and the concentration in a small number of hyperscaler counterparties. Investors need to be honest about how much of their thesis depends on continued capex growth, and what a slowdown would mean for asset values.
- Public equities, private equity, venture capital, infrastructure and real estate portfolio sleeves may all already carry significant AI-linked risk. Being able to look through the portfolio at aggregate exposure will be crucial.
- Many opportunities bridge real estate and infrastructure capabilities. Investors should consider whether their mandates, manager line-up and internal governance allow them to capture these opportunities that span multi-asset expertise.

Figure 2: AI/data center funding sources



Source: J.P. Morgan estimates, as November 2025. Reflects assumed permanent financings.

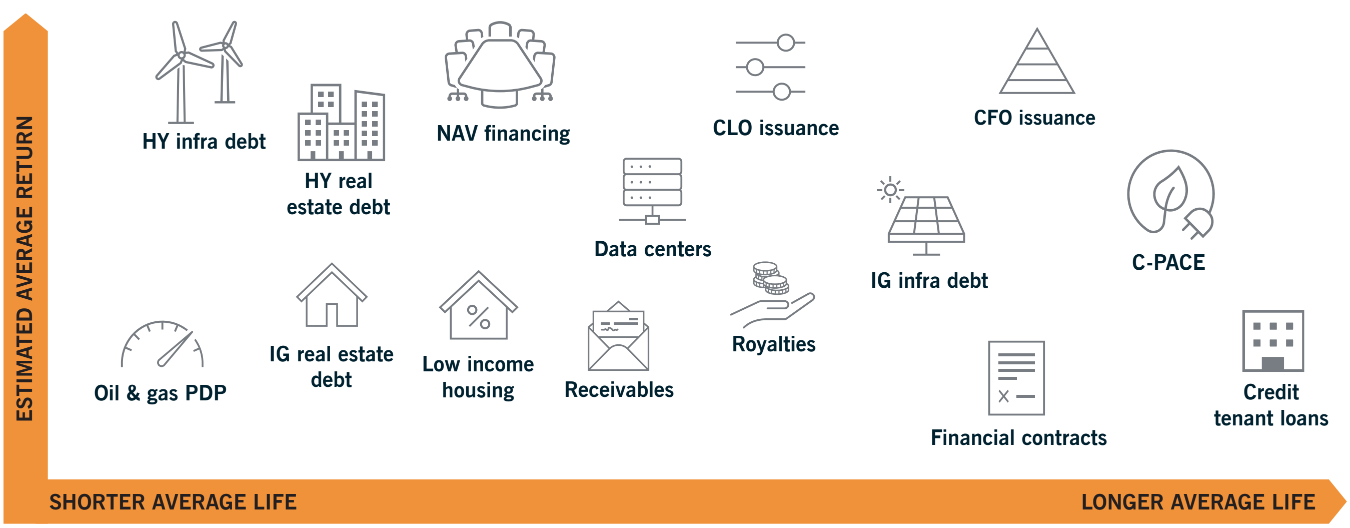
3 As private credit matures, asset-backed finance emerges

Private credit's maturity is evident in the scale and diversification it offers. Annual issuance of private fixed income exceeded $120 billion in 2025, which was more than three times 2010 levels, and it spans clearly differentiated sub-asset classes.[2] These range from direct lending, private investment grade (IG) corporate credit, infrastructure debt, credit tenant loans and private asset-backed finance (ABF). Private ABFs are emerging as the new frontier given their distinct collateral types, from oil and gas and data centers to music royalties and low-income housing.

Investment considerations:

- Direct lending, IG private fixed income, private ABF, real estate debt, infrastructure debt and CLO tranches all offer different risk-return and liability-matching characteristics. As a result, diversification is possible across sectors, geographies, structures and vintages. Investors can tailor exposure depending on their investment objectives.
- After several years of double-digit returns, complacency around covenants, leverage and underwriting standards could become a risk. The widely reported downfall of direct lending-backed companies First Brands and Tricolor in the U.S. in late 2025 highlighted this. Investors need to maintain discipline, especially as certain areas of the market become crowded. As allocations grow, governance, benchmarking, manager selection and risk reporting need to evolve in parallel.
- Building conviction in private asset-backed finance requires capabilities in collateral analysis, structural credit and complex documentation. Investors should consider whether they have the in-house expertise or the appropriate manager partnerships.

Figure 3: Asset-backed finance universe



Source: Nuveen as of 31 December 2025. For illustrative purposes only.

4 The energy transition moves from net zero to energy security

Energy security has displaced net zero as the organising principle for the energy transition among many investors. The closure of the Strait of Hormuz disrupted around 20% of global oil and gas flows, triggering a surge in prices.[3] Brent crude is fluctuating between $80-$126 a barrel, compared with pre-war levels of around $73.[4]

Countries that are further along in the transition and investing in renewables to create economic resilience are reaping the benefits. Spain, for example, has been able to cut the influence of volatile gas prices on its electricity prices by half.[5]

Investment considerations

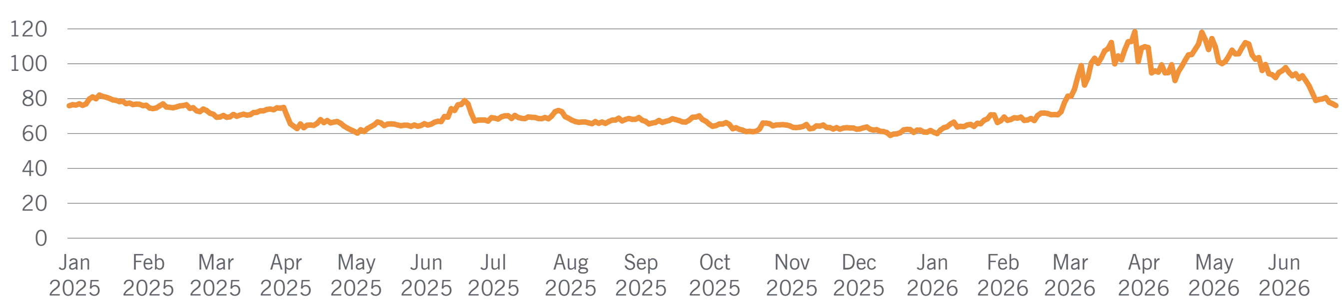
- The range of investments is such that private credit and private equity can be complementary expressions of the same investment theme. For example, infrastructure credit allows investors to participate in the buildout of assets while limiting exposure to demand and supply risk that equity investors carry. Credit should deliver for investors with long-term cash flow requirements, while those with long-term capital growth objectives, equities should capture greater upside.
- Research from Nuveen shows that within real estate, sustainability premiums are increasingly priced into rental, financing and exit values. Investors can pursue green buildings or fund brown-to-green projects, tailoring portfolios to their investment objectives.
- Natural capital has emerged as a relevant asset class within the energy transition theme. As such farmland and timberland are moving from satellite to strategic allocations for some institutions. The asset class has grown in sophistication. It now encompasses ecosystem services, with the developments of carbon markets and biodiversity credits and subsidies. However, regulatory regimes vary widely, depending on jurisdictions, markets and products, highlighting the need for specialist knowledge of local markets and global commodity market dynamics.

Capital is flowing across four verticals of the energy transition:

- Clean power platforms (e.g., solar, onshore wind, battery storage)
- Grid and smart metering
- Efficiency and behind-the-meter solutions
- Green molecules (such as biogas and sustainable fuels).

Figure 4: Energy security in focus given spike in energy prices

Brent crude 1-month future, $



Source: Bloomberg

5 Income and liquidity in demand in a structurally different world

Investors are rethinking investment frameworks that were built for a low-rate, globalised world. As volatility increases, they are adapting with the growing range of investment tools available. There appears to be a renewed appreciation for liquidity, in a world where geopolitics, energy shocks and tech innovation can rapidly reprice assets. The pace of disruption is such that some long-term investors, such as insurers, are making the case for taking on some interest rate risk while reducing duration. However, pension providers charged with building up pension pots are exploring the illiquidity premiums offered in private markets. The challenge of decumulation – turning accumulated savings into sustainable income – is also shaping the investment landscape.

Investment considerations:

- Investors focused on long-term liabilities should reposition liquidity as an active lever for repricing events such as market disruption or energy shocks. This has implications for increasing exposure to shorter duration and/or publicly listed assets in portfolios for investors who require mechanisms to redeploy assets rapidly across the wide range of available investments.
- As the world moves from globalisation to regionalisation, investors should be anticipating higher costs for goods and services and higher inflation and interest rates as a result. Against this backdrop, investors should reassess the long-term nature of both their assets and their liabilities.
- Investing in private markets requires building up teams and resources to analyse the risks and opportunities. Deep understanding of the asset classes and their markets is required to access and assess deals. This includes a range of skills and abilities from lobbying activity for planning reform and permitting, to operational management and governance.

Figure 5: Most significant institutional portfolio changes due to macro disruptions

Over 90% of institutions made adjustments in response to trade, geopolitical and market volatility

Q. You indicated you are making changes to your portfolio given recent disruptions. Please indicate the most significant actions you are taking with your portfolio(s). Select up to three. (730 respondents, multiple answers allowed)

Source: Nuveen, EQuilibrium Global Institutional Investor Survey 2026

Positioning for a new world order

The themes explored at nPOWERED London present challenges but also opportunities for long-term investors.

Economies and markets are operating in a distinctly different environment from the one in which many investment decision makers gained their experience. Inflation and interest rates have reset higher since the covid pandemic and geopolitics are increasingly more volatile. Technological innovation is changing productive capacities and work expectations rapidly. But capital markets are responding. Investors now have many more means with which to achieve their risk and return objectives while directing capital to much-needed investment projects.

With this growth in opportunity comes complexity. Investors now need in-depth knowledge of a bigger range of assets, how they are financed and how they interact in a portfolio. Navigating this complexity is difficult to do alone. Investors should consider partnering with asset managers that can combine expertise across a broad range of asset classes and with the insight and experience to manage risks across the whole portfolio.

For more information, please visit nuveen.com.

Endnotes

Sources

1 Electric Power Research Institute

2 OECD Global Debt Report 2026

3 https://www.woodmac.com/press-releases/strait-of-hormuz-closure-risks-greatest-global-energy-supply-shock-in-decades/

4 TradingEconomics

5 PV Magazine; https://www.pv-magazine.com/2026/04/30/renewables-growth-cut-spains-electricity-bills-by-24-2-over-the-past-two-years/

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