nuveen
PRIVATE MARKETS

H1 2026 ALTERNATIVE CREDIT INSIGHTS

Diversify globally, derisk locally

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

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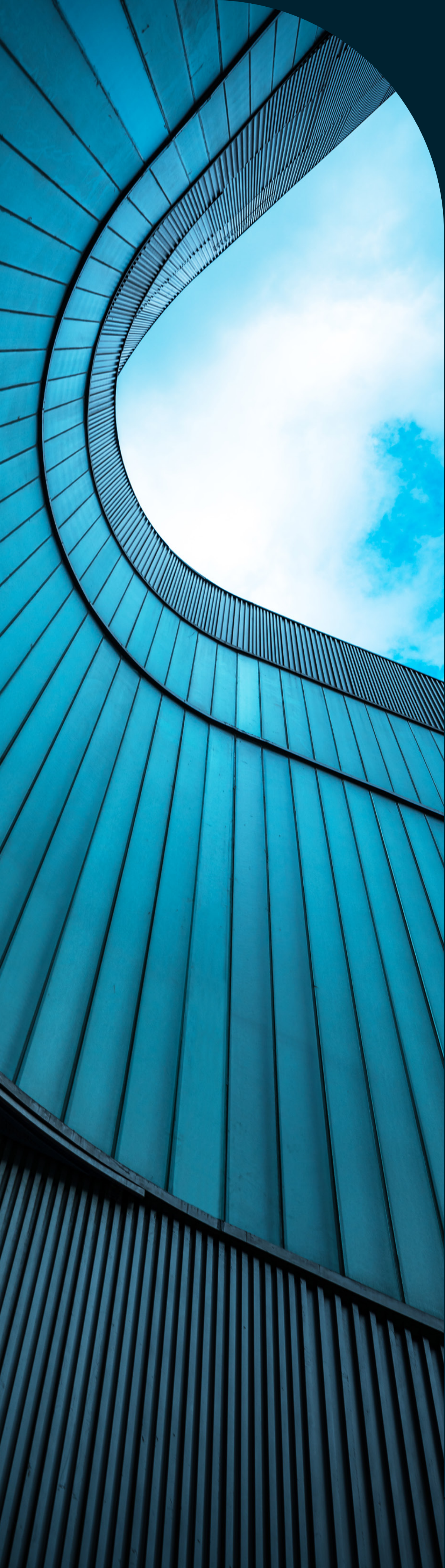


Beyond U.S. exceptionalism

Concerns are growing over economic activity, political tension and policy uncertainty in the U.S., making for a challenging environment for global investors. Headlines throughout 2025 underlined this uneasiness; foreign investors were reportedly leaving U.S. markets in droves amid currency volatility and tariff-driven fears, possibly spelling the end of U.S. exceptionalism as we know it. Adding to these doubts is the specter of an increasingly deglobalized world.

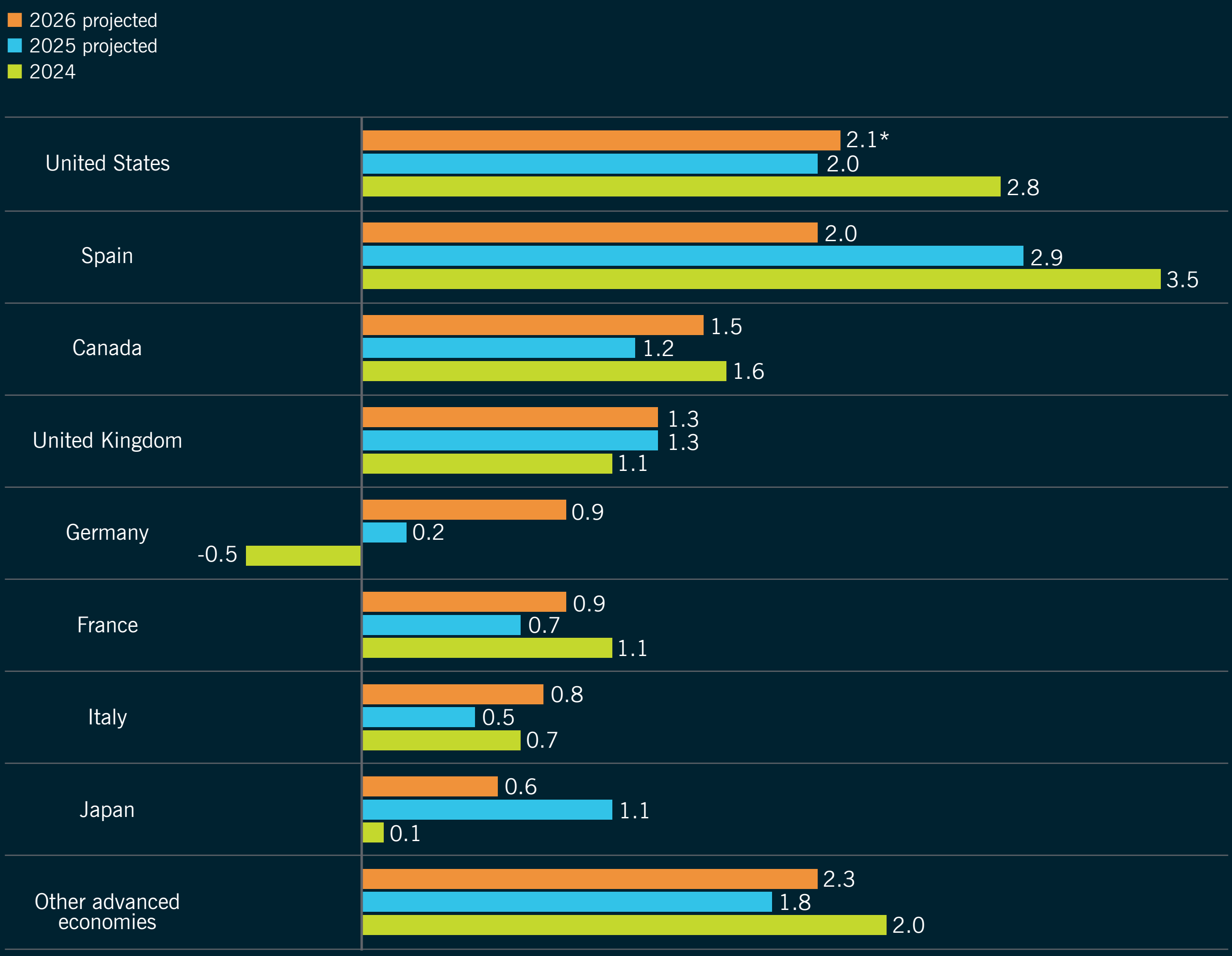
In this climate, separating rhetoric from reality is crucial. The world may be changing, but global private credit — whether corporate or asset-backed — remains an attractive opportunity set for those seeking diversified sources of stable income in an unstable time. Key to success is understanding and managing the risks associated with each credit segment.

U.S. remains rich source of opportunity despite new risks

Despite prolonged uncertainty running through the country, the U.S. economy has demonstrated its ability to withstand shocks and beat pessimistic forecasts. Recent fears of recession have given way to tangible optimism. U.S. GDP growth for 2026 is projected to outpace developed market peers, trailing only China globally (Figure 1). Corporate earnings remain robust, and default rates for U.S. credit, especially among higher-rated borrowers, remain overwhelmingly stable.[1] The U.S. dollar, although volatile, continues to anchor international portfolios, providing depth and liquidity that few global markets can match.

Figure 1: U.S. GDP growth is projected to outpace developed market peers

Real GDP, annual percentage change



Source: International Monetary Fund, World Economic Outlook, October 2025
*Note: Nuveen is forecasting approximately 1.8% GDP growth for the U.S.

Building resilience

Navigating opportunity and risk

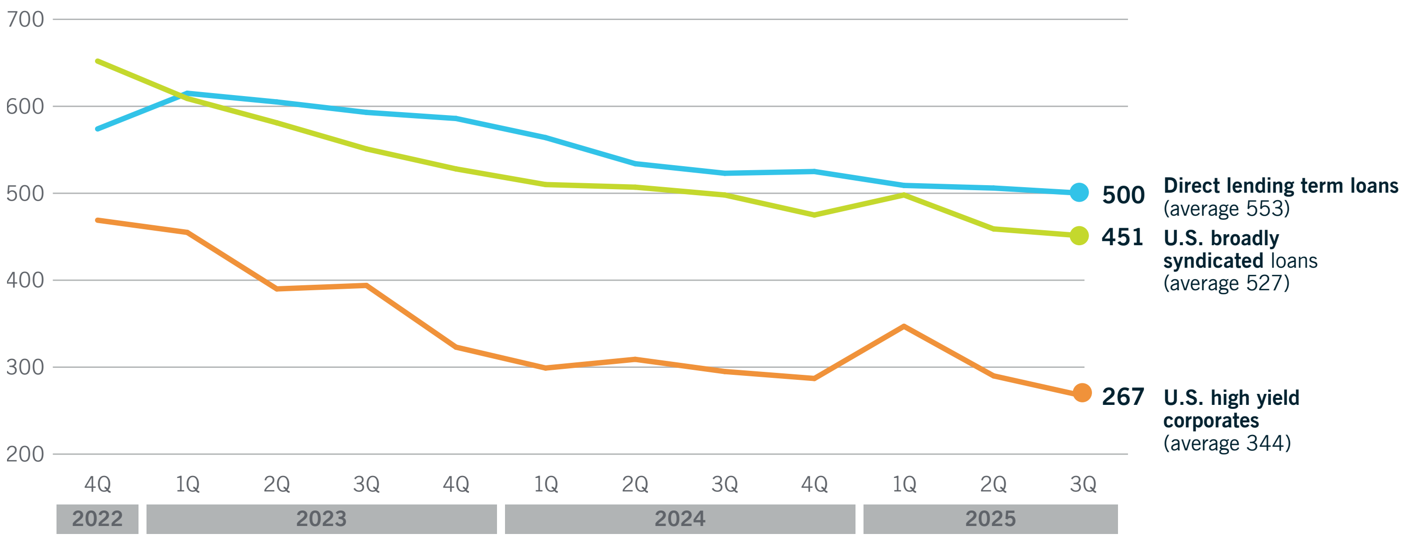
Within this environment, U.S.-based credit continues to play an increasingly important source of portfolio diversification. Investors are drawn by its strong fundamentals, attractive risk-adjusted yields and proven resilience.

While issues such as the First Brands' bankruptcy have cast a cloud over the condition of private credit, industry experts and allocators stress that these incidents remain isolated, driven by lax due diligence and underwriting, rather than broader economic malaise. Disciplined managers continue to demonstrate the importance of robust due diligence in an environment rich with opportunity but not without risk.

Credit spreads have tightened across public and private markets (Figure 2), and valuations reflect a healthy outlook for steady growth and low defaults. The influx of new capital has sparked concerns around manager performance, triggered by a rush to scale, which could expose investors to risk should underwriting standards decline. As this market continues to mature, the difference between experienced credit managers and those new to the space is more pronounced than ever.

Figure 2: Tightened spreads across U.S. public and private credit

vs. SOFR in basis points



Data source: Bloomberg and LSEG LPC as of 30 Sep 2025.

Europe offers unique risk diversification exposure

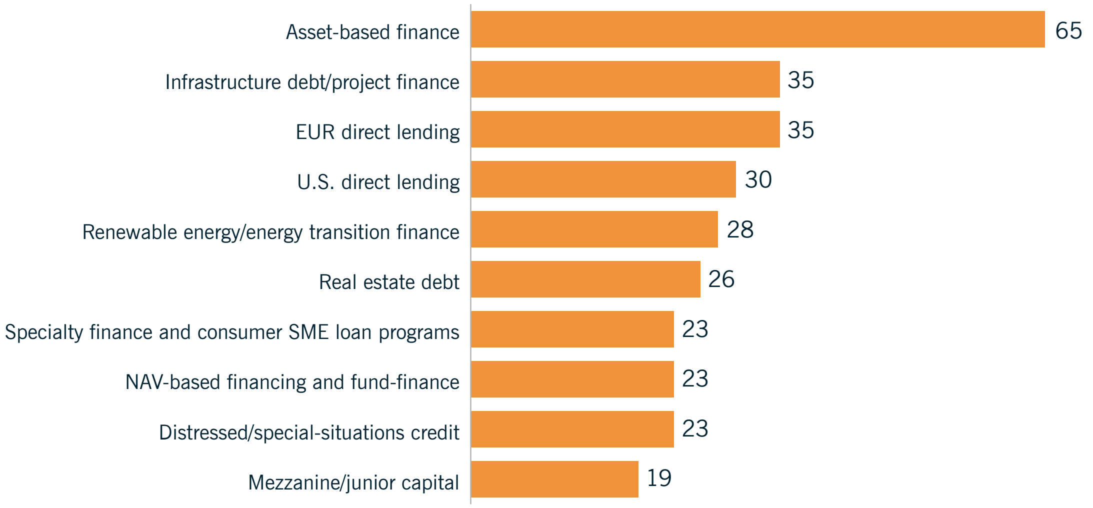
For global investors, the U.S. remains undeniably attractive, but the universe for alternative credit is broader than one market.

Europe, while grappling with similar issues of slower economic growth and geopolitical fragmentation, offers pockets of long-term value, especially in non-cyclical sectors and upper middle market lending. Impact-driven strategies and sectoral innovation are rapidly becoming the new frontier. According to a recent survey of asset managers, 37% of those surveyed identified European direct lending as having the most growth potential over the next five years (Figure 3).

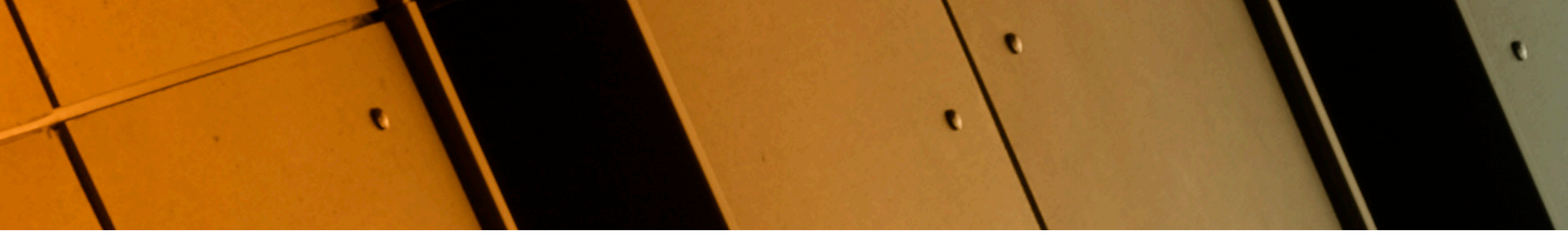
Opportunities in Europe reflect the continent's geopolitics. A continued focus on energy infrastructure for both renewable energy and energy security, for example, demonstrates how structural changes are driving compelling investments. These same factors are acting as catalysts for investment grade private credit, while real estate debt is tapping into this protectionist dynamic, one that will continue to create entry points across logistics.

As we enter 2026, the story of alternative credit is fast growing beyond U.S. exceptionalism. It is about building portfolios that blend U.S. scale and resilience with global diversification, reaching across borders and asset classes to capture income, risk mitigation and long-term value creation. The U.S. remains at the core of global alternative credit strategies, but just as importantly, looking beyond the U.S. has never been more timely.

Figure 3: Where global asset managers see opportunity over the next five years



Source: Mercer "Private Markets in Motion: Private debt Taking the pulse of global asset managers" as of July 2025. Respondents were allowed to select all options that apply. All responses were obtained via an online survey between May 16 and 28, 2025. Responses were provided by 57 organizations from across North America, Europe and Asia-Pacific, representing AUM ranging from less than US$1 billion to more than US$50 billion. Respondents did not receive any form of compensation. Survey results are subject to inherent limitations and uncertainties and may not capture all relevant factors or market conditions. These results should not be construed as personalized investment advice.



Multiple paths to diversify portfolios and help meet investor objectives

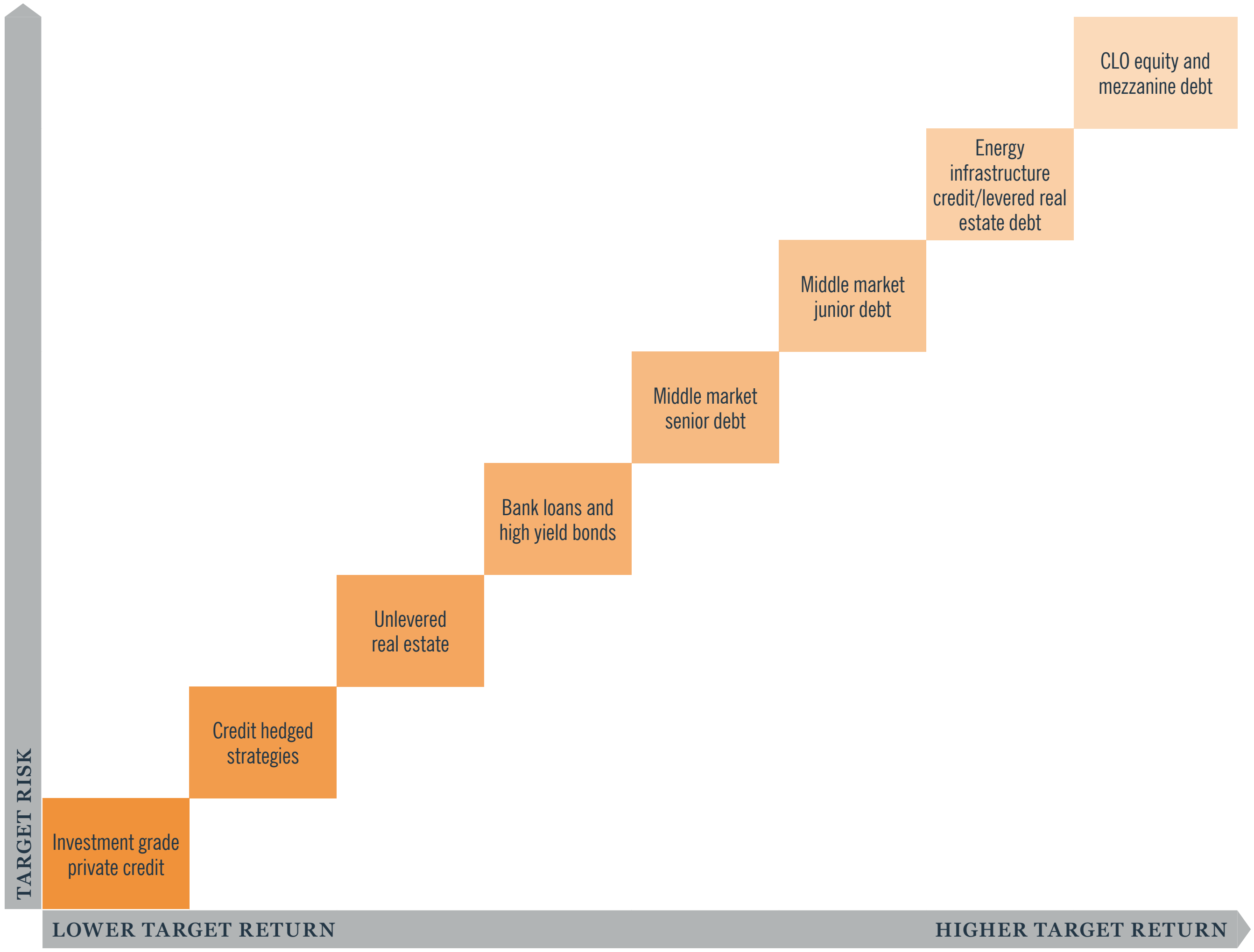
CORPORATE LENDING
based on business performance, cash flow and enterprise value

Direct lending including junior capital and capital solutions	Collateralized loan obligations (CLOs)	Investment grade private corporates
Primarily floating-rate loans that buffer against interest rate changes and inflation while generating income	Leveraged, diversified loan market exposure through a stable long-term structure that avoids forced selling. Highly liquid underlying loans allow active risk management during market volatility	Non-public debt offerings issued by private firms or small- to mid-sized companies

PRIVATE ASSET-BACKED FINANCE (ABF)
secured by specific, readily valued assets with advance rates determined by the liquidation value of those collateral assets, regardless of overall profitability

Private ABS including commercial property assessed clean energy (C-PACE) and credit tenant loans (CTL)	Commercial real estate debt	Infrastructure debt including investment grade and energy infrastructure credit (EIC)	NAV lending
Non-recourse debt backed by pools of loans, leases or receivables. C-PACE finances sustainable commercial real estate improvements through senior tax liens, offering investment grade yield with measurable positive impact. CTLs are non-recourse debt secured by real estate or equipment; single-tenant lease payment streams	Secured position in property capital stack with modest correlation to other credit areas, providing downside protection	Non-recourse debt secured by property tax assessments. Energy infrastructure benefits from electricity market growth and increased private capital involvement	Provides secure, flexible capital at the fund level to middle market private equity sponsorswho are seeking enhanced value creation and increased equity returns

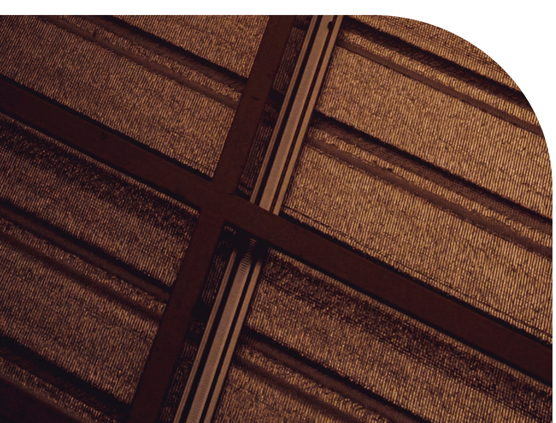
Solutions for a wide spectrum of risk tolerance, liquidity needs and return objectives



For illustrative purposes only.

The following sector insights do not showcase all our alternative credit capabilities, nor all our expectations for the asset classes. To learn more about the alternative credit services available, reach out to your Nuveen representative or visit nuveen.com/alternativecredit.

Sector outlook



Energy infrastructure credit

Infrastructure debt as an asset class continues to present attractive investment opportunities for infrastructure investors, supported by rapid power demand growth from AI datacenters, onshoring of manufacturing and electrification. In the U.S., energy and power spending continues to steadily climb, from approximately $520 billion in 2015 to $600 billion in 2024, and is forecast to grow to over $700 billion by 2035.[2]

While building additional generation capacity will be essential for the U.S., solutions that mitigate power delivery constraints are more attractive from an investment point of view, due to historical underinvestment in transmission and distribution networks, and demand growth increasingly occurring in areas that are already experiencing congestion. Energy efficiency can alleviate both the need for additional generation and delivery challenges. In its global analysis of key energy transition technologies, IRENA (International Renewable Energy Agency) identified energy efficiency as having the largest investment gap versus forecasted demand (2024 versus 2025 – 2030) (Figure 4).

A consequence of congestion and heightened power delivery costs is the further divergence between wholesale and retail power prices. Community solar projects are compensated at retail power rates, which are materially higher. Despite policy headwinds at the federal level for renewables, many state-level incentive programs provide long-term revenue stability. The distributed nature of community solar reduces interconnection risks and construction timelines, with distributed projects typically taking six months to two years. In contrast, utility scale projects completed in 2024 spend an average of five-and-a-half years in the interconnection queue in addition to construction time.[3]

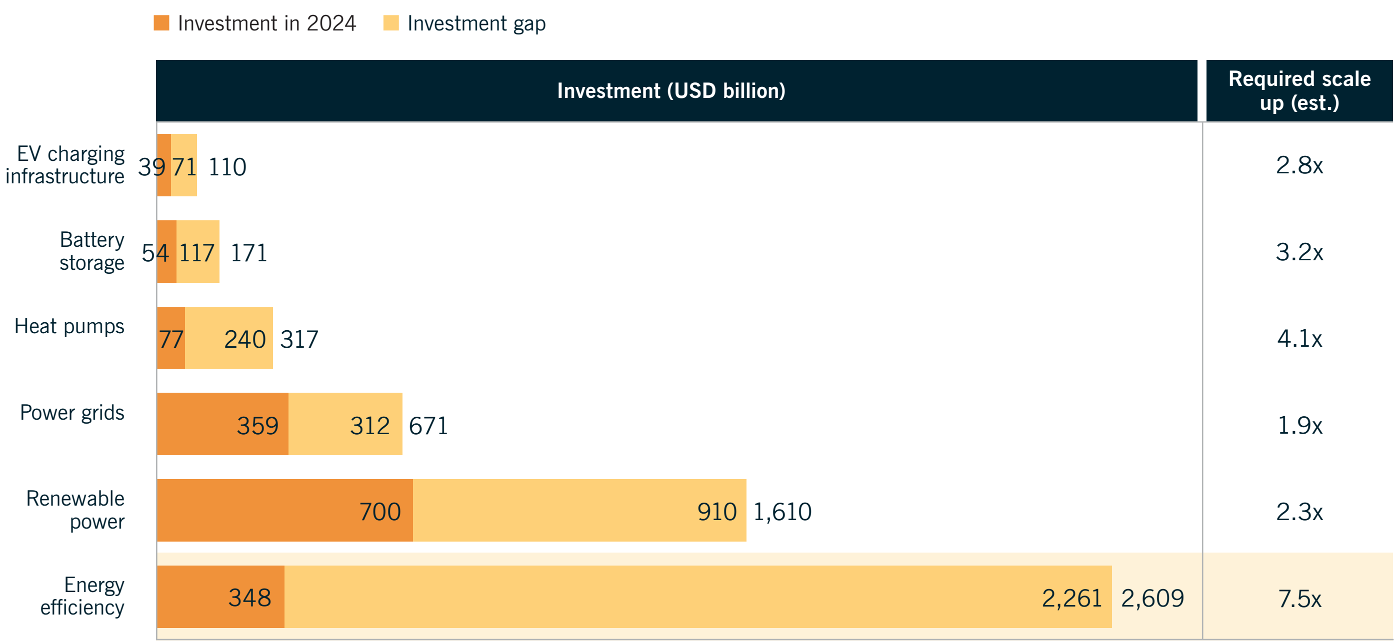
Both the Biden and Trump Administrations have championed the onshoring of infrastructure supply chains. This began with the CHIPS and Science Act and the Inflation Reduction Act (IRA), which supported the onshoring of semiconductor and downstream infrastructure manufacturing, respectively. The One Big Beautiful Bill Act (OBBBA) advances this agenda by stipulating domestic content requirements for tax credit eligibility. OBBBA preserves the Advanced Manufacturing Production Tax Credits through 2032 to support the onshoring of infrastructure supply chains. Along with other favorable import policies, this establishes an environment where domestic manufacturers can capture premium margins over the next five to 10 years.

U.S. liquified natural gas (LNG) represents a transformative investment opportunity driven by growth that is comparable to the growth projected for AI datacenters. LNG feedgas volumes are likely to more than double by 2030 — with LNG exports expected to constitute 22.4% of U.S. gas consumption, second only to power generation. The regulatory environment has dramatically improved under the Trump Administration, which reversed the prior Administration's export restrictions and has expedited approvals. Four U.S. LNG projects reached final investment decision in 2025 (versus zero in 2024), representing between $8 – 12 billion in project finance commitments.

These energy and power investment segment themes: community solar, energy efficiency, domestic manufacturing and U.S. LNG represent attractive risk-adjusted opportunities, as all are policy-supported and address critical supply-demand imbalances that will likely persist for the next decade.

Figure 4: Energy efficiency has the largest investment gap versus forecasted demand

(2024 versus 2025 – 2030 forecast)



Source: International Renewable Energy Agency (IRENA) "Global landscape of energy transition finance 2025" report as of November 2025.

Commercial Property Assessed Clean Energy (C-PACE)

A $3.7 trillion gap in required infrastructure spending exists in the United States. At the same time, public sector budgets are facing competing demands and a need for diversified funding sources, creating a unique opportunity for public-private partnerships like Commercial Property Assessed Clean Energy (C-PACE).

Importantly, legislation is enacted at U.S. state level, meaning it remains insulated from federal policy shifts. C-PACE policy is broadly adopted across the political spectrum due to its use as an economic development tool entirely financed by the private sector. Available across the vast majority of the U.S., the rapidly maturing asset class continues to drive strong deployment, underlined by the 75% year-on-year originations growth from 2024 to 2025 for the Nuveen Green Capital platform underlined by the 75% year-on-year originations growth, with 2025 originations exceeding $2 billion.

C-PACE presents a compelling, structurally insulated opportunity in private credit to finance energy efficiency, water conservation and resiliency upgrades or new construction for commercial real estate. The credit enhancements of the product drive strong performance, including a 100% recovery rate on principal since inception.

The benefits of C-PACE extend beyond sustainable characteristics with most property owners using C-PACE as a low cost, fixed-rate alternative to traditional financing, while policy makers benefit from the influx of private capital into local economies.

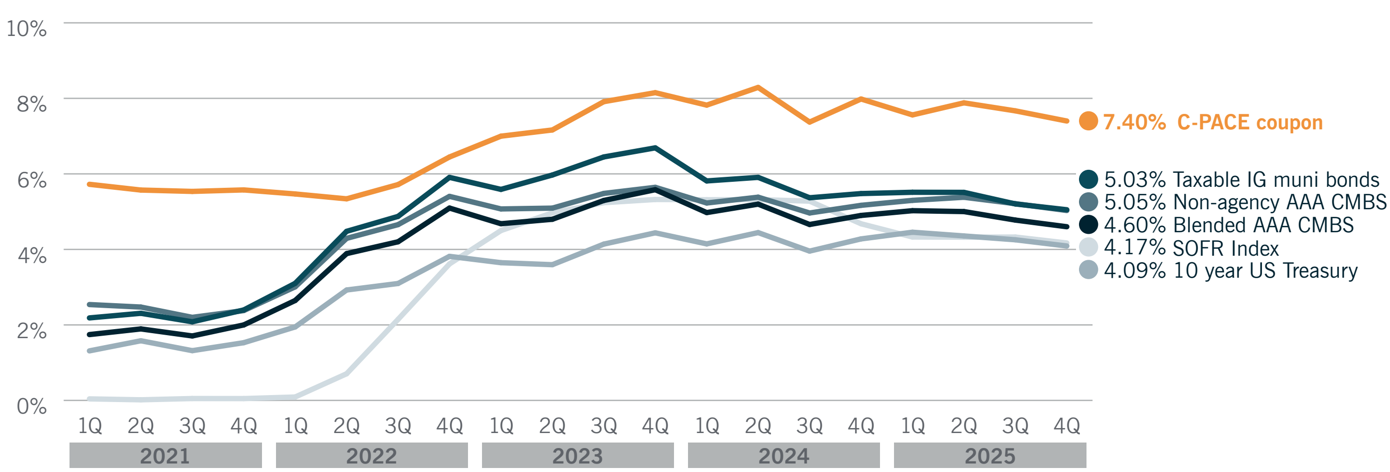
Commercial real estate sectors characterized by strong structural demand drivers, such as multifamily housing, senior living and select segments of hospitality are expected to continue to provide areas of opportunity. Additionally, the adaptive reuse of existing properties to continue to meet evolving tenant and investor demand has emerged as a significant theme.

The use of C-PACE as a recapitalization strategy for transitional assets is another area of opportunity. With billions in commercial mortgages maturing through 2027, countless fundamentally sound properties face refinancing challenges — not due to poor performance, but because of higher interest rates, tighter lending standards and valuation gaps between loan origination and today's market.

Furthermore, while tariffs may pose headwinds for commercial construction, they may simultaneously provide tailwinds for C-PACE as commercial real estate developers, lenders and property owners facing price increases and stalled projects seek alternative forms of financing to bridge new gaps in capital stacks.

Figure 5: A consistent premium over IG-rated public alternatives

Yields as of 31 December 2025



Past performance does not guarantee future results. Source: Nuveen and Bloomberg. It is not possible to invest in an index.

Real estate debt

Commercial real estate is not immune to the effects of shifting U.S. trade policy, but real estate debt offers compelling investment attributes in such uncertain times.

For example, comparing real estate credit with broad U.S. credit, investors in the former have the benefit of lending on reset valuations, with increased risk spread and at lower leverage levels. Furthermore, real estate credit has maintained key structural loan elements versus covenant-light structures driven by the significant increase in liquidity within the broader U.S. credit market.

Investors concerned with market volatility are likely more wary of the U.S. market given the recent uncertainty. Those investors are likely to find more market stability in Europe, offering an important source of portfolio diversification.

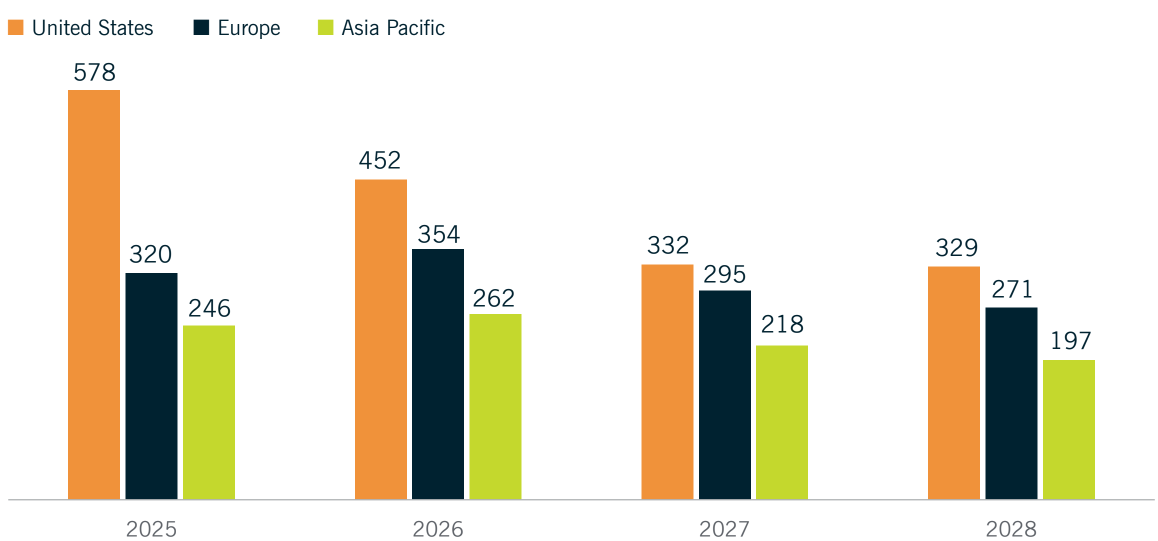
However, while consensus forecasts acknowledge the rising risk in the U.S., they expect solid economic growth. Given this backdrop, investment allocations are increasingly focused on hedging and diversifying to provide protection. Investors are shifting toward inflation-hedged sectors, shorter-duration leases and markets with strong fundamentals. Sectors that benefit from broad megatrends are also poised to endure through short-term volatility.

In the U.S., for example, medical office benefits from limited supply growth, low vacancy and demographic shifts from the aging population that will continue to support demand despite the macroeconomic environment. The affordability challenges in the for-sale housing sector provides strong tailwinds to the multifamily rental housing market. Data centers also remain a favored sector, as record investment in AI capabilities is largely insulated from swings in policy.

Opportunities in real estate remain largely concentrated in the credit space, because direct acquisition opportunities remain limited. Credit returns should benefit from values adjusting higher over the cycle. Furthermore, the compression of the maturity wall and the broader distress cycle provide ample room for real estate credit investment (Figure 6).

Figure 6: The compression of the maturity wall presents opportunity

Estimated real estate refinancing requirements ($ billions)



Source: International Monetary Fund as of 31 Dec 2025.

Investment grade private credit

Investment grade private credit (IGPC) continues to attract capital from a broadening base of investors, including insurers, pensions, endowments and other long-term focused institutions. We believe this growth is supported by IGPC's diversification benefits, stable cash flows and attractive yields over public fixed income.

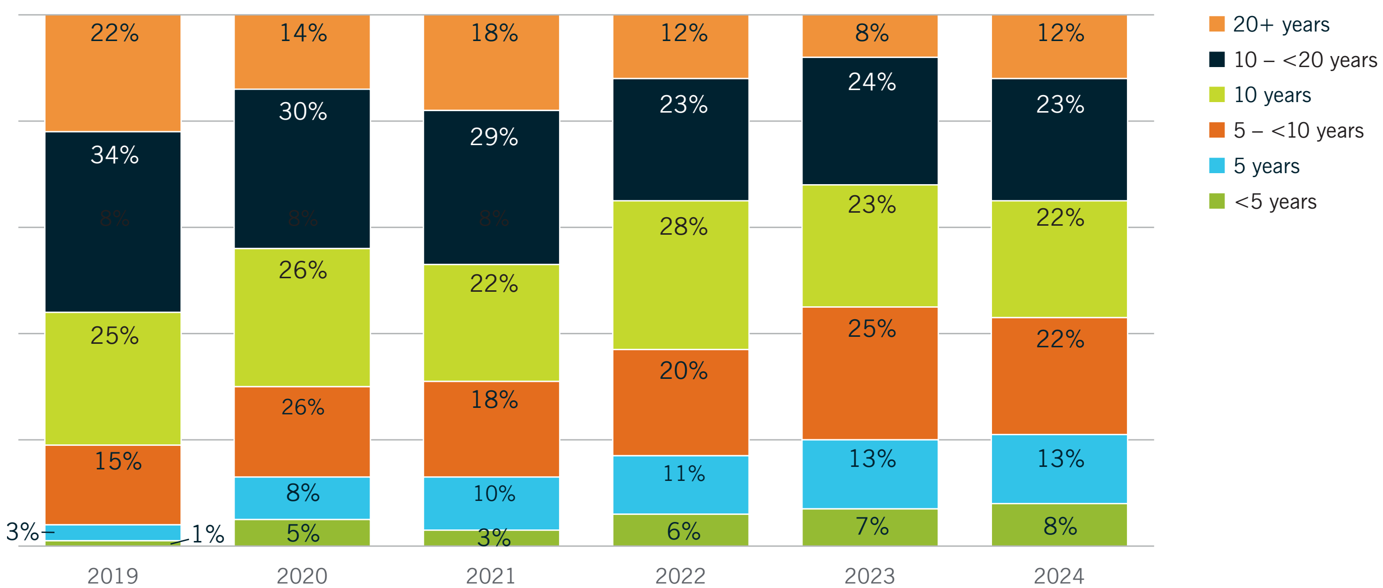
Borrower demand for private capital remains high across all sectors and asset classes despite interest rate volatility and other macro-economic uncertainty. Though interest rate uncertainty in recent years has led to more issuance of shorter-duration deals, there continues to be attractive opportunities for investors seeking traditional long-term exposures as well. This dynamic has made the asset class even more attractive to a wide variety of investors with different portfolio requirements and objectives. Investors looking to build diversified private fixed income portfolios are able to find both shorter-dated and longer-dated opportunities across private investment grade asset-classes. Despite the prevalence of opportunities, underwriting discipline remains paramount, including robust credit analysis and stress-testing.

Globally, IGPC offers growing opportunities, with scaled asset managers enabling access to nuanced markets such as the U.K. and Europe. To be successful, understanding local regulatory environments is critical and can create distinct investment opportunities for long-duration deals with prepayment protections, such as infrastructure assets structured to address energy security and social needs. The U.S. remains robust, but attractive opportunities abroad — particularly in corporate credit and infrastructure — underscore the importance of casting a global net to diversify effectively.

Understanding the importance of diversification, recent trends also show investors have a heightened interest in more structured investments backed by stable cash flows and/or hard collateral such as credit tenant loans, project finance and private ABS. Market issuance across sectors and geographies has been robust driven by both macro-trends and investor appetite, which should persist and continue to provide attractive investment opportunities.

Figure 7: Evolving maturity profile of the private placement market

Maturity breakdown of private placement deals by year



Source: BofA Private Placement Market Snapshot as of 31 Dec 2024

Collateralized loan obligations (CLOs)

Investors continue to favor the U.S. CLO market given the attractive income it offers in an environment where the fundamental backdrop remains sound, but traditional credit valuations are stretched.

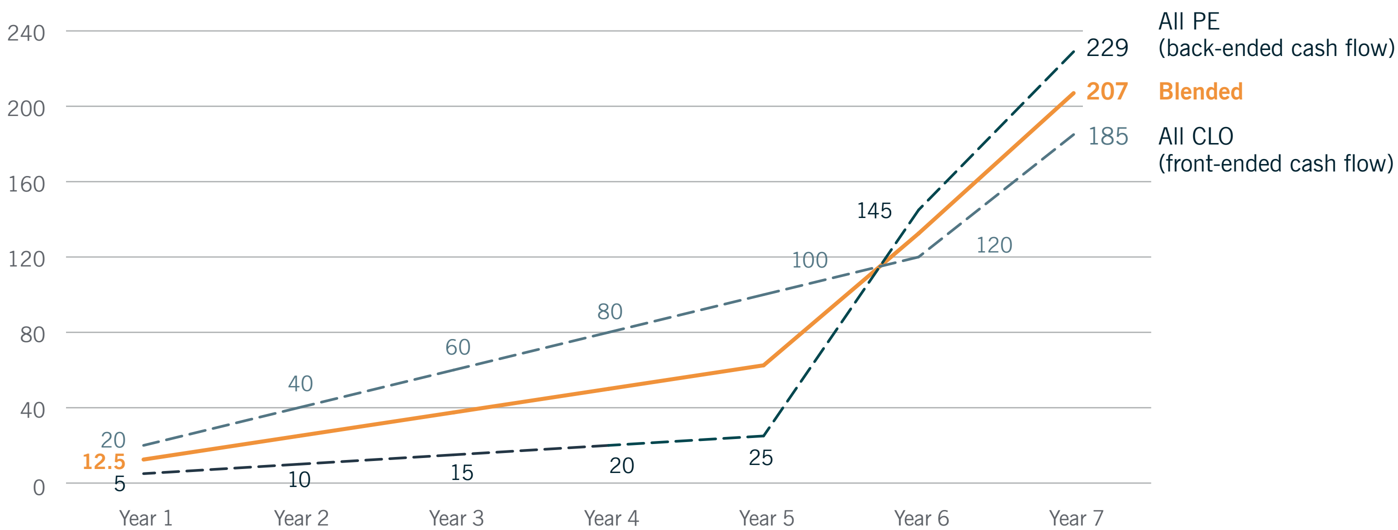
Institutional investors are using direct tranche investments, separately managed accounts and private funds, while wealth investors access CLOs through ETFs for investment-grade exposure, interval funds for below-investment-grade debt and equity, along with private funds for equity-focused strategies.

CLOs provide enhanced yield across the capital structure, typically offering a spread premium versus similarly rated corporate bonds, while equity offers mid-teens potential returns through active portfolio management and structural leverage. They have also demonstrated historically superior default performance. Over more than 30 years, CLO investment-grade tranches have experienced only 0.21% cumulative default rates versus 2.1% for corporate bonds, while speculative-grade CLO cumulative default rates stand at 4.4% compared to 29.5% for corporate bonds.[4]

CLO equity is increasingly used as a complement to private equity (PE) in investment portfolios. It generates quarterly distributions from inception, addressing the J-curve challenge of PE where returns are back-loaded (Figure 8). From a diversification perspective, CLO portfolios typically provide senior-secured credit exposure to over 200 companies in a range of different industries, complementing PE that tends to be concentrated equity ownership.

Additionally, CLOs offer active risk management capabilities. U.S. broadly syndicated loans, the underlying collateral of CLOs, represent a $1.4+ trillion market with daily liquidity in the billions, allowing CLO managers to capitalize on market dislocations, rotate out of deteriorating credits and acquire quality assets at discounts during periods of volatility. Experienced managers can also take advantage of issuing CLOs during times of market uncertainty. For instance, in the immediate aftermath of the Liberation Day announcements in early April 2025, Nuveen was able to originate attractive CLO equity with portfolios at price discounts of 1.75 – 2 points, which translates to significant value for the CLO equity tranche given the typical 10x leverage. The improved market backdrop has eliminated this discount opportunity, but the ability to move quickly and deploy capital in size during volatile periods can generate compelling returns. In an environment where traditional credit valuations are rich but economic fundamentals remain sound, CLOs stand out as a way to capture attractive carry without taking incremental credit risks.

Figure 8: Combining cash flows from CLO equity and private equity may provide a smoother returns experience



For illustrative purposes only to show the potential impact of combining front-ended cashflows with back-ended cashflows. Hypothetical examples are shown for illustrative purposes only and do not represent the performance of any specific investment or portfolio. **Past performance does not guarantee future results.**

Direct lending

UNITED STATES

U.S. direct lending remains resilient and attractive, particularly in the middle market. Deal flow remains strong, driven by ongoing private equity activity and refinancing needs. Borrowers are in good health, and sponsors continue to prioritize liquidity management, ensuring demand for diverse and flexible financing options.

Competitive dynamics have intensified as more capital enters the sector. However, the advantage still lies with experienced, well-established lenders capable of sourcing proprietary deals, maintaining disciplined underwriting and managing risks. For experienced lenders, this competitive environment has not led to a material deterioration in terms, with leverage and covenants in new deals remaining within prudent ranges.

Credit fundamentals remain stable across the middle market, with minimal signs of systematic stress or deterioration. Default rates are below long-term averages and well diversified portfolios will help shelter investors from idiosyncratic risks. U.S. middle market direct lending benefits from a wide opportunity set, with businesses from healthcare technology to car washing services providing options to investors.

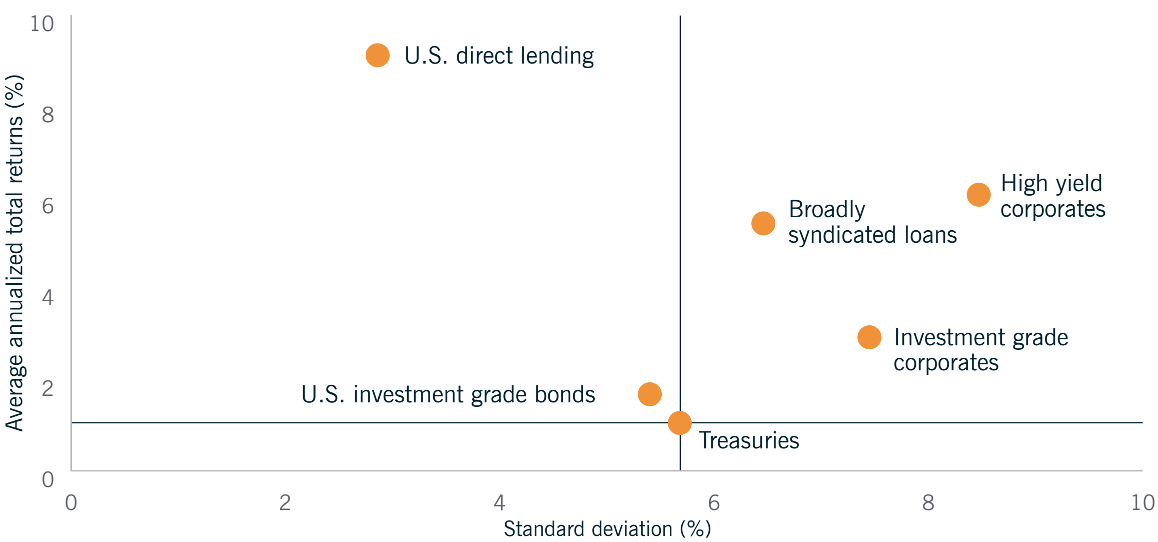
U.S. direct lending offers compelling risk-adjusted returns that compare favorably with public credit investments (Figure 9) and diversification versus other areas of private credit. The deeper U.S. middle market and established providers deliver opportunities and defensiveness attracting increasing global allocations. It is important to note that the absence of mark-to-market pricing can obscure volatility and credit deterioration until realization. While this creates smoother reported returns, valuation opacity may mask portfolio stress and appraisal-based valuations can lag economic reality. These considerations should be weighed against direct lending's structural protections and yield advantages.

Liquidity in direct lending remains primarily driven by long-term, private commitments, but the sector is seeing incremental growth in secondary market activity. Although secondary trading remains less liquid than public markets, enhanced transparency, improved data and more frequent transactions are creating greater flexibility for investors seeking to adjust exposures or realize early exits, especially among larger platforms.

U.S. direct lending continues to deliver important sources of yield, capital preservation and portfolio diversification for investors. Managers with the benefit of scale, proprietary deal flow and deep understanding of the nuances of the U.S. middle market should be well positioned to continue delivering resilient performance despite shifting market dynamics.

Figure 9: U.S. direct lending has shown relatively low risk and return dispersion

As of 30 Jun 2025



Past performance does not guarantee future results. Index data is presented for the period since earliest common inception date of the Cliffwater Director lending index Oct 2015 until latest available data period (30 Jun 2025). Diversification is a technique to help reduce risk. It is not guaranteed to protect against loss. **U.S. direct lending:** Cliffwater Direct Lending Index; **Broadly syndicated loans:** S&P/LSTA Leveraged Loan Index; **High yield corporates:** Bloomberg High Yield Index; **Investment grade corporates:** Bloomberg US Corporate Bond Index; **U.S. investment grade bonds**; Bloomberg U.S. Aggregate Bond Index; **Treasuries**: Bloomberg US Treasury Index. **It is not possible to invest directly in an index.** Index performance is not illustrative of any specific investment.

EUROPE

While the U.S. market remains attractive to investors, European direct lending offers a compelling, resilient alternative or complimentary investment option — particularly in the context of evolving macroeconomic dynamics.

A strategic bias towards middle-market borrowers, those focused on operating in local markets and thus inherently less exposed to global market forces, means that the asset class in Europe offers investors significant regional resilience.

Higher U.S. rates, currency volatility and stubborn inflation have brought into focus the importance of superior risk-adjusted returns for investors. In this context, European private credit stands out for its robust yields, lower leverage and structural protections — providing stability through cycles and shifting central bank policies.

Additionally, the moderation in inflation versus the U.S. outlook, coupled with faster loosening of monetary policy, has preserved deal flow and attractive pricing in European markets. European private credit is largely floating rate and offers attractive risk-adjusted returns, particularly as spreads remain comparatively elevated versus U.S. syndicated markets.

Sector-wise, European private credit is increasingly focused on resilient themes benefiting sectors such as software, critical business services, healthcare, digital infrastructure and energy transition. These sectors benefit from policy support, thematic tailwinds and are less exposed to global supply chain disruptions.

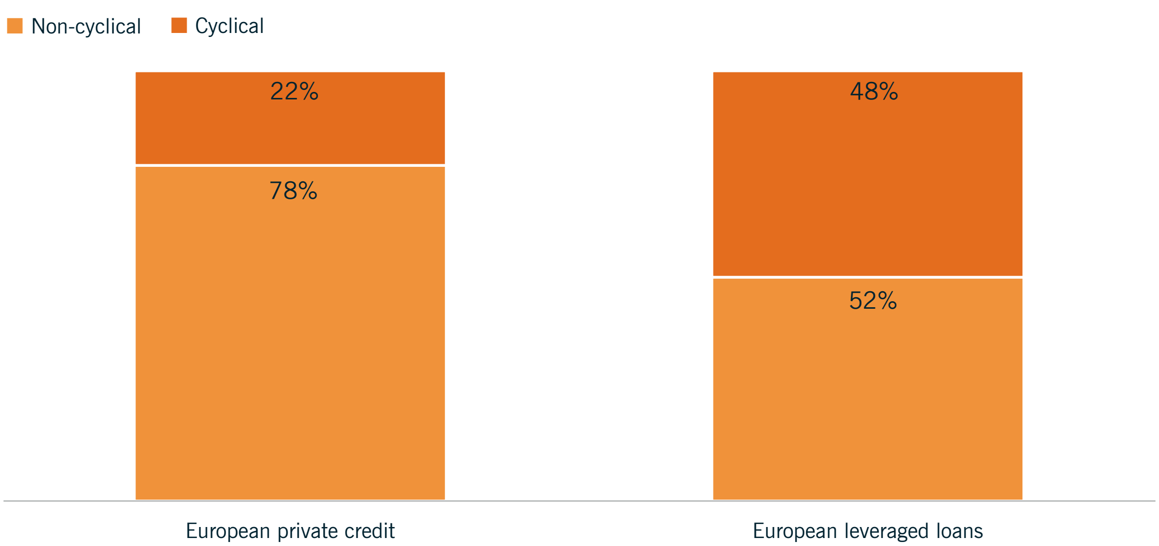
Institutional investors are responding by increasing allocations to European private credit, seeking diversification and stability amid global volatility.

Importantly, institutional appetite for private credit across both Europe and the U.S. remains robust, with growing interest in an asset class less exposed to public market volatility. This is driving global portfolio construction toward a more balanced approach, mindful of the risks posed by a single-market concentration.

As the investment and macroeconomic environment continues to shift, European direct lending offers both defensive characteristics and unique growth opportunities, making it an essential component of a diversified global credit allocation.

Figure 10: The resilient positioning of European private credit

Sector composition



Sources: **European leveraged loans:** LCD Research – S&P Global Market Intelligence, S&P European Leveraged Loan Index components as of December 2025 – sector categorisation through Arcmont internal analysis; **European private credit:** Deloitte Alternative Lender Deal Tracker – Autumn 2025.

For more information, please visit nuveen.com/alternativecredit

Endnotes

1 Source: S&P Global "Default, Transition, and Recovery: Regional Divergences Should Keep The Global Default Rate Steady Through September" dated 26 Nov 2025

2 IEA (2025), World Energy Investment 2025, IEA, Paris https://www.iea.org/reports/world-energy-investment-2025, Licence: CC BY 4.0, Nuveen Analysis

3 For projects completed in 2024

4 Sources: Corporates: 10-year horizon average cumulative issuer-weighted global default rates by alphanumeric rating, 1998-2024 from Moody's "Default Trends – Global: Annual default study: Corporate default rate to fall below its long-term average in 2025" dated 27 March 2025; CLOs: US CLOs, 10-year horizon WR-unadjusted cumulative impairment rates by original rating, 1993-2024 from Moody's "Impairment and loss rates of global CLOs: 1993-2024" dated 23 Jun 2025

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