Panorama

Listed and non-listed assets

Ofi invest

Ofi invest Asset Management

Ofi invest Real Estate

SYNCICAP ASSET MANAGEMENT

Zencap Asset Management

SWEN CAPITAL PARTNERS

A semi-annual analysis
by Ofi Invest Group experts

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Contents

The analyses presented in this document are based on the assumptions and expectations of Ofi Invest. These analyses were made as of the time of this writing. It is possible that some or all of them may not be validated by actual market performances. No guarantee is offered that they will prove to be profitable. They are subject to change. A glossary listing the definitions of all the main financial terms can be found on the last page of this document.

Eric Bertrand
CEO

OFI INVEST AM

EDITORAL

We are delighted to share with you this latest edition of Panorama, our magazine focusing on research into both the listed and private markets.

2026 has marked a turning point for the financial markets. Major geopolitical strains are back under the spotlight, triggering a considerable energy shock, reigniting inflationary pressures and prompting a significant adjustment to monetary policies worldwide.

Setting these developments aside, a more uncertain environment is taking shape and looks set to last, as reflected in the increasingly tense rivalry between the USA and China in what seems to resemble a Thucydides trap. So the global equilibrium is shifting. Europe appears to be at a crossroads and needs to step up efforts to reinvent itself, especially in the areas of energy and technological sovereignty.

So an exacting approach needs to be taken when building asset allocation strategies, one that fully factors in the issues of volatility, liquidity, capital and portfolio resilience. It also requires an emphasis on the long-term horizon as the financial markets are becoming increasingly sensitive to shocks and disruptions.

Ofi Invest thus maintains its positioning as its approach to fund management remains based on complementary fields of expertise and investment discipline. The teams at SWEN Capital Partners, Zencap Asset Management, Syncicap Asset Management, Ofi Invest Real Estate and Ofi Invest Asset Management are able to tap into their know-how to offer investment solutions that are diversified and tailored to increasingly complex markets.

This latest issue of Grand Angle thus provides its readers with an update on our teams' investment convictions mid-way through the year, an opportunity to provide you with guidance for your allocation strategies in the second half of 2026.

We hope you enjoy reading it!

MACROECONOMIC VIEW

An economy put to the test by geopolitics

Ombretta Signori
Head of Macroeconomic Research and Strategy

OFI INVEST AM

The upheaval triggered by the USA's trade policy was the highlight of 2025, while the first half of 2026 has been dominated by its conflict with Iran. The second half of the year will be busy on the geopolitical front, over and above the US mid-term elections, which could create market opportunities.
The Middle East conflict came at a time when the global economy's fundamentals were solid, but the prolonged closure of the Strait of Hormuz has pushed commodity prices sharply upwards and disrupted supply chains. Production costs are being stretched, and soaring energy prices are taking a toll on purchasing power. However, the repercussions for economic growth seem more obvious in Europe than in the USA as the latter benefits from its status as a net exporter of raw materials and is dealing with the situation from a stronger starting point.
Tax refunds under the OBBB[1], the wealth effects of share investments and a healthy job market have enabled US consumer spending to hold up despite rising energy prices. The savings rate in the USA has tended to be low, so consumer spending seems unlikely to pick up the pace. But economic growth should remain strong, thanks to the contribution from AI investments, and close to its potential.

PRESSURES ON US INFLATION

US inflation will come out much higher than expected (at 3.5% on average versus 2.5% pre-conflict). The jury is still out as to its impact on the outcome of the mid-term elections in November as President Trump could lose both the Senate and the House of Representatives. Our forecasts suggest inflation could approach its target level in 2027, assuming higher energy prices do not feed too much into the rest of the economy, primarily via slightly higher inflation for food and manufactured goods. Broadly speaking, it will take another few months before we can assess the magnitude of any indirect effects. Other factors will need to be watched closely, including Artificial Intelligence which could continue to fuel inflation, for instance in the US Federal Reserve's benchmark indicator (the consumption deflator).

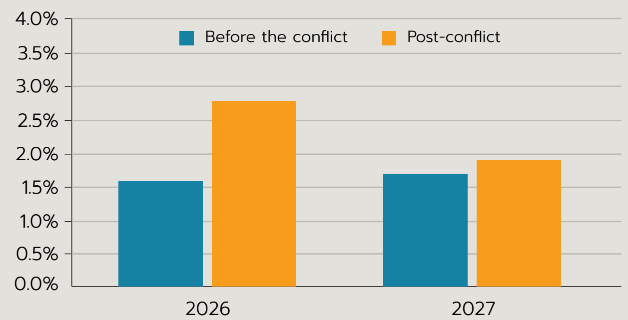
Given the gap between actual inflation and its target level, we believe inflation will be the main variable to guide monetary policy choices going forward. Accordingly, the Fed is likely to keep its interest rates unchanged for the rest of the year. Should inflation return to normal, as we expect, the next movement could be downwards. However, an interest rate hike has clearly become a more likely scenario given the Fed's latest projections indicating that inflation will not return to its target level until 2028.
In either case, a new chapter has begun for the Fed with its new chairman, Kevin Warsh. Like Alan Greenspan, he believes the Fed has more headroom when the markets focus their attention on upcoming economic data rather than on scrutinising each and every word pronounced by the Fed's governors. Communication has already been scaled back, but the five working groups (examining policy communication, balance sheet management, data sources, productivity and the labour market) are set to publish their conclusions by the end of the year. If we combine this with the inflationary backdrop, we could see fresh developments.

EURO ZONE GROWTH REVISED DOWNWARDS

The year got off to a slow start in the euro zone and the economic trough in the second quarter is likely to have been lower, which is consistent with economic surveys pointing to a slowdown. Consumer spending is being held back by higher energy prices, while corporate investment is being hampered by uncertainty and more stringent bank loan terms. Germany's economic stimulus plan will not be enough to offset these headwinds. We have therefore revised our economic growth forecast from 1.4% (pre-conflict) to about 0.5% for 2026, which is well below the euro zone's potential. As in the USA, inflation in the euro zone will be much higher than expected this year at around 3% on average, before converging back towards 2% in 2027. The ECB has already raised its interest rates from 2% to 2.25%, so one last 25-basis point hike would be consistent with the models and scenarios that it published in June aimed at enabling inflation to return to its target level once and for all. The ECB will need to apply a very slightly restrictive monetary policy in order to address the likelihood that the energy shock will feed into food and factory prices. The ECB could then lower its interest rates back in the second half of 2027.

[1] The One Big Beautiful Bill (OBBB) signed by Donald Trump on 4 July 2025 is a budget bill combining tax cuts, cuts to public spending, and investments in defence and national security.

Eurozone ***Inflation***



Eurozone ***growth***

Sources: Macrobond and Ofi Invest AM as of 16/06/2026.

The market no longer has any room to disappoint

Christophe Herpet
CIO
OFI INVEST AM

The markets were quick to wipe out the risk premium arising from geopolitical tensions. Oil prices contracted, inflation expectations fell back, and the prospect of gradual monetary easing emerged, all of which provided support for risky assets. Investors now seem to be pricing in a normalisation scenario. **Fundamentals remain solid, but much of the good news has now been priced in.** The market has no shortage of liquidity; **what is lacking now is room for disappointment.**

We therefore maintain a **constructive approach to allocation.** The global economy remains resilient, corporate earnings continue to grow, and the artificial intelligence-driven investment cycle is still proving to be a powerful growth driver. The role of central banks is changing as well. Having previously focused their efforts on tackling inflation, they are slowly but surely entering into a phase of more gradual normalisation, reconciling price stability, growth and public finance sustainability. This calls for "higher for longer" interest rates than in the past decade.

We have experienced a phase driven largely by expanding multiples and compressed risk premiums; **the next performance-driven phase will have to be earned.** It will depend more on companies offering earnings, cash-flow, balance sheet quality and an ability to create lasting value from their investments.

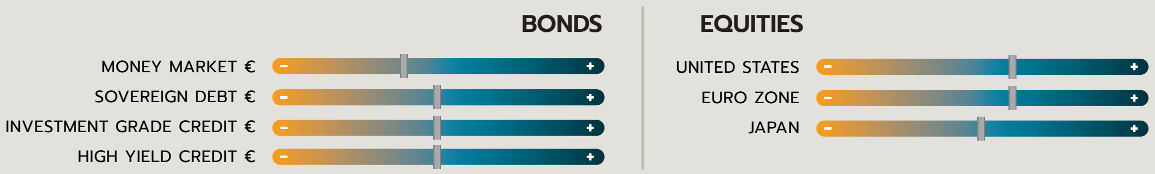
The USA is indisputably in the lead thanks to its deep market, quality companies and powerful technological ecosystem. But the artificial intelligence theme is gradually entering a new phase. **We are advancing from a narrative phase to an industrial phase.** Semiconductors, HBM (high bandwidth memory), data centres, power grids, digital infrastructures, cybersecurity and equipment are all becoming the main beneficiaries of this new investment cycle. Hyperscalers[1] remain at the very heart of this momentum, but much of the good news already seems to have been priced into their valuations. **The challenge now will be to distinguish between the beneficiaries of AI industrialisation and the beneficiaries of the AI narrative alone.**

Our reading of the situation in Europe is more constructive than that of the consensus. Energy prices are easing, the ECB is close to achieving stabilisation and valuations are more reasonable, all of which is gradually improving the region's risk/reward profile. Financials, infrastructure, technology, defence, energy and those exposed to the industrial sovereignty theme are the sectors that seem to be in the best position to benefit.

More broadly, we believe the global investment cycle is entering a new phase. **Artificial intelligence, electrification, defence, industrial relocation and energy infrastructure will receive considerable capital injections.** This will gradually draw investors away from the traditional **60/40** model of investing in stocks/bonds and instead encourage them to adopt more diversified allocation strategies combining stocks, bond carry, commodities, infrastructure and real assets.

Our investment conviction is unchanged: we maintain a constructive approach, not because risks are fading but because fundamentals remain solid. A good portfolio is no longer one carrying the highest risk; it is one that selects the risks offering the juiciest returns in what has become a more exacting market.

CURSORS



We maintain a constructive but selective stance on **US stocks:** its technological leadership remains intact, particularly as regards the industrial phase of AI, but a lot of good news has already been priced into valuations. We have a more constructive reading of **European stocks** than the consensus does: valuations are more reasonable, energy prices are easing and the ECB is close to achieving stabilisation, all of which improves the market's risk/reward profile, with a preference for financials, infrastructure, defence, energy and industrial sovereignty.
We still have a positive view of **Japan** for the medium term thanks to the market's governance reforms and earnings momentum, but we are taking a more tactical approach for the short term given the BoJ's normalisation and the yen's volatility. Where **interest rates are concerned,** we are focusing on duration in the euro zone while remaining cautious about the long end of the US yield curve where convexity strategies seem to be a good option. In the **credit markets,** we prefer euro-denominated Investment Grade credit, while maintaining some selective exposure to the High Yield segment even though spreads are narrow. We maintain a **liquidity** component so that we have some financial headroom to play with.

Past performances are not a reliable indicator of future performances.
[1] Hyperscalers provide very large-scale IT infrastructure services and operate data centers capable of handling massive volumes of data, computing, and traffic.

Geoffroy Lenoir
Head of Collective Investment Management
OFI INVEST AM

INTEREST RATES

Carry, but a meagre premium

In the first half of the year, the fixed income markets were dominated more by rapidly adjusting monetary policy expectations than by an actual downturn in the economic cycle.
Here in the euro zone, the ECB opted for preventative tightening despite signs of slowing economic growth. This confirms that it is prioritising its anti-inflationary credibility. It could take the tightening further, but the timetable will depend above all on data going forward. Over in the USA, the Fed seems less restricted for the time being even though the markets still expect interest rates to trend upwards between now and the end of 2026. Japan, on the other hand, is at a real turning point: the Bank of Japan raised its interest rates to 1%, an almost 30-year high, and the cycle of normalisation seems set to continue.

BOND YIELDS SENSITIVE TO AN IMPROVING GEOPOLITICAL CLIMATE

Tensions have eased in the Middle East, pulling oil prices sharply downwards and back towards their pre-conflict levels. Inflation expectations have adjusted accordingly, wiping out most of their uptrend since the start of the year. Budgets have little room to respond, so these movements have been mostly driven by monetary policy prospects. In the near term, there is still potential for bond yields to fall further, even though current yield levels call for a gradual reduction in over-exposed positions.
Movements in the credit market offer a nuanced reading of the situation. Performances in Europe have remained below the initial carry, both in the Investment Grade and High Yield segments of the credit market. But this underperformance cannot be attributed entirely to the interest rate component: spreads have narrowed, despite a period of volatility triggered by geopolitical tensions.
Companies have weathered the period without any significant deterioration in their credit quality. The asset class therefore still enjoys a high level of demand. The carry seems attractive, with volatility slightly below that of sovereign bonds. But market conditions are still favourable for issuers, limiting the room investors have to negotiate. So spreads have tightened and risk appears to offer relatively little reward. We feel this justifies our selective and disciplined approach. Abundant liquidity will remain a support factor in the short term, reducing the likelihood of a sharp reversal.

To conclude, we are moving back to a neutral position on bonds as an asset class as we believe it could offer carry, albeit with little upside.

EQUITY

Positive trends, persistent risks

The global stock markets are still hovering near their highs thanks to a rare combination of macroeconomic factors, earnings momentum and technological developments, as well as a more recent support factor in the form of easing geopolitical risk. Investors reckon that a gradual end to the Middle East conflict would reduce the risk of a lasting energy shock and ease pressure on supply chains. Such a prospect is pulling volatility lower and reviving appetite for risk.

CORPORATE EARNINGS STILL GENERALLY SOLID

Many companies, in the USA and Europe alike, have beaten expectations with their earnings releases, especially in technology, software, financial services and certain industrial segments. More importantly, earnings forecasts are being revised upwards on a massive scale. So the market is now being driven not only by expanding multiples but also by a real improvement in earnings prospects. We have even seen valuation multiples falling on the main stock exchanges since the start of the year.
US consumer spending also remains a key driver of stock market performances. Despite recurring fears of a sharp slowdown, the wealthiest households are still supporting the economy. The stock markets, prime real estate and financial assets have all made gains, fuelling a potent wealth effect. This population accounts for a large share of discretionary spending, which serves as a support factor for the USA's GDP growth.

AI ENGINE STILL GOING STRONG

Last of all, another vital growth driver is artificial intelligence. Spending on AI remains impressive and is now spurring the entire ecosystem: semiconductors, the cloud, data centres, electrical equipment, software and cybersecurity. The market can see that hyperscalers(1) are still investing on a massive scale, even though they have already invested heavily. This momentum is fuelling exceptional growth at many of the leading tech firms and providing support for the global stock markets more generally.
But the risks have not disappeared. Inflationary pressures would resurge if the conflict were to resume or if energy prices were to rise and remain high. In this case, central banks might opt to tighten their monetary policies and bond yields could expand, which would automatically weigh on stock valuations.
Last of all, the euphoria surrounding AI could temporarily be put to the test by the upcoming IPOs of OpenAI* and Anthropic*. These IPOs should go particularly well given the amount of investor appetite for AI-related stocks in recent quarters.

Despite all the volatility triggered by the conflict in the Middle East in the first half of the year, stock markets have reached the targets we set for this period. Current circumstances have prompted us to maintain a slightly positive stance on the USA and Europe even though volatility could trend upwards again.

Past performances are not a reliable indicator of future performances.
[1] Hyperscalers provide very large-scale IT infrastructure services and operate data centers capable of handling massive volumes of data, computing, and traffic.
**Companies are mentioned only for informational purposes, and not as an offer to sell, or a solicitation to buy, financial securities.*

SYNCICAP ASSET MANAGEMENT

Did you know ?

The Taiwanese stock exchange (in a country with a population of only about twenty million) now ranks in **5th place globally in terms of market capitalisation with 4,950 billion dollars** thanks to TSMC*, the world's leading manufacturer of cutting-edge semiconductors.

It has just overtaken India, with its population of 1.5 billion! The USA is in the lead, of course, with a market capitalisation of 75,000 billion dollars, ahead of three other Asian stock markets: China, Japan and Hong Kong. France ranks 10th, with a market capitalisation of 3,450 billion dollars.

** These companies are cited for information purposes only. This is neither an offer to sell nor a solicitation to buy securities.*

EMERGING MARKETS

Asia, a major driver of global structural change

Jean-Marie Mercadal
CEO
SYNCICAP AM

Structural trends currently taking shape across the world include the very rapid surge in the global Artificial Intelligence (AI) value chain and the search for industrial, technological, energy and military independence. And Asia is a major driving force behind these developments.

The particularly strained geopolitical climate ought not to overshadow the hugely powerful underlying forces driving the world's robust stock market performances, especially in Asia. The world is changing in every way, and Asia seems rather well placed to benefit from such structural transformations.
On the political front, the world is being reshaped after several decades of relatively consensual governance. New blocks are emerging, and Asia, centred around China, is now a key player. Beijing has strengthened its partnerships with Europe, the rest of Asia and the Middle East, trading its technology for vital energy resources in the midst of an oil crisis. Even more interestingly, China is now focusing its efforts on its domestic market. Its five-year plan for 2026-2031 is testament to this determination to achieve absolute technological sovereignty, with the launch of the Metrology Plan which seeks to build around twenty cutting-edge plants capable of producing around a hundred critical components for strategic sectors such as artificial intelligence, semiconductors, miniature robotics and quantum technologies.

ASIAN STOCKS AT THE HEART OF THE AI REVOLUTION

Meanwhile, the unprecedented wave of technological innovation is reshaping the world's economic prospects. Massive investments in AI, robotics, biotechnologies and renewable energies promise to generate considerable productivity gains and lasting growth while rendering economies less vulnerable to traditional supply chain shocks. Asia is central to this transformation: it enjoys a quasi-monopoly in the material infrastructures upholding AI as it controls aspects such as graphics processing units, high bandwidth memory chips and semiconductor storage disks, not to mention its unique capacity to manufacture new-generation chips. This strategic lead is enabling it to directly capture the massive investment budgets of America's tech giants. So while the USA has its "Magnificent Seven", Asia has developed its own champions: TSMC*, Samsung* and SK Hynix*. As regards valuations and earnings prospects, Asian stocks are currently trading at an overall discount to their US peers and also to their own historical multiples. The forward price/earnings (P/E) ratio on the MSCI AC Asia Pacific index now strikes us as being very attractive - often between 11x and 13x - compared with 21x and above on the S&P 500. Where corporate earnings are concerned, the consensus sees growth in earnings per share (EPS) reaching the double digits in the coming 12 months, buoyed by two key drivers: the global development of AI infrastructure and the corporate governance reforms underway in the region's key countries. Japan's corporate governance reform proved to be very successful, and markets like South Korea (with its Corporate Value-up Program) and China are now actively urging companies to improve their capital efficiency. This implies more share buybacks, more generous dividends and higher returns on equity (ROE), intrinsically boosting earnings, even amid weaker economic conditions.

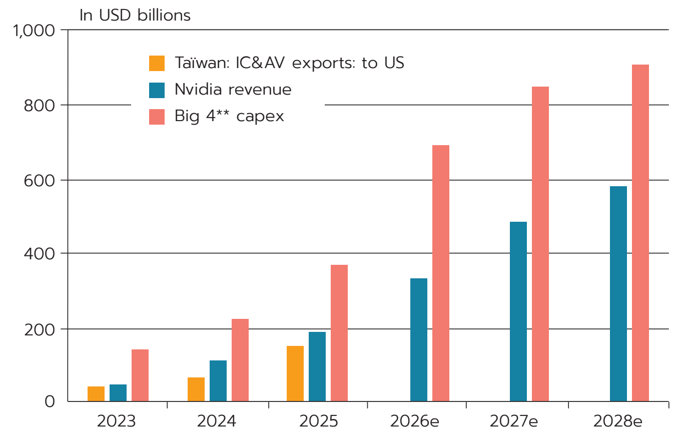
A SOLID OUTLOOK FOR EMERGING MARKET DEBT

The overall momentum observed in Asia can also be seen in emerging market sovereign bonds. The outlook seems to be very constructive, driven by structural improvements.
Where emerging market debt is concerned, investors are currently keen on bonds issued in local currencies. On the whole, central banks in emerging markets have already taken preventative action ahead of their Western peers to curb inflation. Real interest rates (adjusted for inflation) thus remain quite high, especially in Latin America. This points to an excellent carry(1). Moreover, if the dollar were to remain weak in the medium term, this would shape a positive scenario by reducing the pressure on emerging market currencies and enabling central banks in Latin America and parts of Asia to lower their interest rates, which would push up the prices of local bonds.

Emerging market bonds issued mainly in dollars offer different prospects. They trade in reference to the US Treasury yield curve. Generally, spreads are already quite narrow even though default risks are rather low.

A BOOM IN ASIAN CHIP EXPORTS

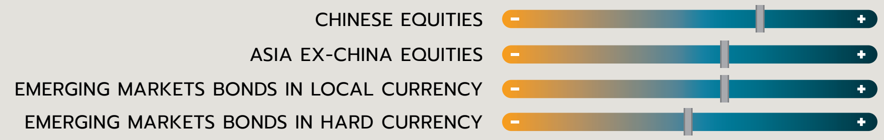
The reasons for this boom are obvious
as it is very closely correlated with Nvidia's* earnings
and with the investments being made by four
of the USA's biggest tech companies.



Sources: CEIC, Bloomberg, HSBC as of end-May 2026.

** These companies are cited for information purposes only. This is neither an offer to sell nor a solicitation to buy securities.*
***Big 4: Meta, Google, Amazon, Microsoft.*
(1) Bond carry is the return expected from a security or portfolio in the absence of any market movement, primarily achieved from coupons and the carry effect over time.

CURSORS



Massive AI investments being made by the USA's tech giants are of huge benefit to Asia's hardware companies, which are the world's leading manufacturers of chips, memories and connectors, as well as to their subcontractors in the region. Evidence of this can be seen in the soaring South Korean and Taiwanese stock markets.

However, it is perhaps a good time to adopt a slightly more cautious approach for the short term: doubts may arise about how long such massive investment spending can last, and retail investors have entered the market late and in large numbers via leveraged investment products, which could trigger an upsurge in volatility. Chinese stocks have been penalised by withdrawals by international investors which have fuelled the AI wave elsewhere in Asia. The risk seems to be low for the time being given current valuation levels, even though we can see no catalysts for the short term.

Emerging market bonds in local currencies remain attractive, at least for the high carry(2) they offer, while those issued in strong currencies look quite expensive.

(2) Bond carry is the return expected from a security or portfolio in the absence of any market movement, primarily achieved from coupons and the carry effect over time.

Syncicap AM is a portfolio management company owned by Ofi Invest (66%) and Degroof Petercam Asset Management (34%), and licensed on 4 October 2021 by the Hong Kong Securities and Futures Commission. Syncicap specialises in emerging markets and provides a foothold in Asia from Hong Kong.

Our views on asset classes provide a broad and forward-looking framework and serves as a guide to discussions between Ofi Invest investment teams. The investment time horizon of these views is short term and subject to change at any time. This framework therefore does not constitute a guide for constructing a long-term asset allocation. Past performances are not a reliable indicator of future performances.

Did you know?

Contrary to popular opinion, a vacant and well-located real estate asset often reflects a discrepancy between its features and user expectations.

A vacant unit then becomes an opportunity for transformation: to adapt, renovate or reposition the asset in order to meet current standards.

If managed well, such an approach can add value by contributing to the creation of more sustainable and better-performing buildings in keeping with usages.

REAL ESTATE

Real estate markets ***more selective***

Sébastien Chemouny
CEO
OFI INVEST REAL ESTATE

The Iran conflict that kicked off in late February 2026 exacerbated an already precarious geopolitical climate, putting even more pressure on the global economic equilibrium. The first consequence was a rapid resurgence in inflation. Inflation in the euro zone jumped from 1.7% at end-January to 3.2% at end-May, while inflation expectations in France were revised upwards to between 2% and 2.5% by the end of 2026[1]. The ECB took action to address these pressures by taking a 180° turn on 11 June 2026 and tightening its monetary policy for the first time in two years. This sent out a strong signal aimed at containing inflation, but it also added to the risk hanging over an already fragile economy.

A CAUTIOUS LEASING MARKET AMID THE CONFLICT IN IRAN

Figures for the second quarter are pending, but the real estate market has been sending out rather mixed signals.

Rental activity appears to be trending downwards in the Paris region quarter after quarter since early 2024, reflecting a lack of visibility for market operators.
Remote working has become more prevalent, requiring office space across the board to become more flexible (especially as big organisations tend to offer more WFH days) with no increase in the amount of space leased out. Yet certain European markets are showing signs of stabilising. The market is therefore becoming increasingly polarised. Most lettings are still being recorded in Central Business Districts and in the best assets, for reasons relating to corporate image, hiring and talent retention. The large transactions observed recently involving new and restructured assets confirm that major users still have the capacity to pay high rents for strategic locations.
Location remains a prerequisite, but it is no longer enough. Assets now have to meet higher standards in terms of usage flexibility and environmental performance. Accordingly, the artificial intelligence boom might also prompt a rethink of office space as new approaches to interacting with digital tools emerge and reshape space planning priorities. The result is that prime rents are holding up, whereas medium-range values are down slightly. Meanwhile, certain well-connected peripheral areas are faring well, with competitive alternatives and an abundant offering of new real estate. Less accessible second-hand office buildings are still struggling because of a structural decline in rental demand. Investor appetite in the residential segment, both the traditional and managed format, and in the logistics segment, which boasts solid fundamentals, is also being directed towards the best assets and rents are still rising.

REAL ESTATE INVESTMENT: A MARKET SEEKING EQUILIBRIUM

Investment volumes, meanwhile, are trending more solidly. With 36.4 billion euros invested in Europe in the first quarter of 2026 (according to BNP Paribas Real Estate), commitments were down slightly by 7% versus the first quarter of 2025. This is more an indication of an adjustment, as investors grow more cautious, than a downcycle. Prime yields have generally stabilised across Europe, reflecting a market that is looking for equilibrium: prime office space thus offers an average yield of around 4.9%, while yields are in the region of 4.8% for retail real state and slightly above 5% for logistics assets. Such stability indicates that the market is gradually returning to normal, following various corrections triggered by rising interest rates, and that the best located assets are proving highly resilient (sources: Cushman & Wakefield, Savills).
So far, the Iran conflict appears to have had little impact on volumes because of the inertia specific to the real estate market. If an appeasement scenario were to materialise rapidly, pressure on yields could remain moderate, in which case financial terms could gradually become more favourable.

INVESTMENT DIVERSIFICATION: A SOURCE OF PERFORMANCE AND RESILIENCE

Amid such uncertainty, diversification is a key source of leverage now more than ever and could boost the real estate investment market's performance and resilience. Diversification above all refers to a variety of asset types. Office space is facing a transformation of uses but remains a shrewd investment in central and high-quality locations. Likewise, the logistics segment is enjoying robust structural trends driven by e-commerce and a reorganisation of supply chains. Alternative segments, such as healthcare, managed accommodation (serviced senior housing, student residences) or education, offer sustainable and decorrelated growth prospects because they are being buoyed by long-term trends that are less vulnerable to market fluctuations and geopolitical events. Such diverse and complementary assets enable investors to tap into different performance drivers while limiting their exposure to a single market.
Geographical diversification is another essential pillar. Europe's real estate markets follow their own cycles and trends, driven by local economic fundamentals, public policy and demographic changes. This approach offers a variety of growth drivers in Europe, while diluting the risks specific to a given country.
More broadly, success relies on an active and selective approach to asset management that factors in changing uses and ESG criteria as sources of value creation. By combining sector and geographic diversification and drawing on a close analysis of the markets, an investor can build a robust portfolio that will generate steady income and that is able to adapt to structural developments within the real estate sector.

[1] Source: Ofi Invest AM, June 2026

CURSORS

A target allocation distinguishes the most attractive segments in the market. In the lead, logistics and residential, both of which boast solid fundamentals thanks to robust demand, benefit from scarce supply and good rental visibility. Office space located in CBDs (Central Business Districts) also offers a great deal of upside potential after a restructuring or repositioning, as long as it corresponds to changing user needs. In addition, managed accommodation (student and senior) presents interesting opportunities as it is being buoyed by structurally favourable demographic trends.

Our views on real estate asset classes provide a broad and forward-looking framework for discussion and serve as a guide for conversations among the Ofi Invest Real Estate teams. This framework is in no way intended as guidance for constructing a real estate asset allocation. Past performance is not indicative of future results.

Did you know ?

The European and US private debt markets differ considerably.

Retail investors in the USA place their savings in liquid vehicles that are often boosted by a bank leverage effect - which partly explains the market's recent woes. Europe is very wary about such options, with retail investors only just beginning to test the waters, no financial leverage and a much more reasonable approach to liquidity management.

PRIVATE DEBT

Private debt in Europe vs USA: neither the same causes, nor the same effects

Victoire Blaszin
CEO
ZENCAP AM

Bankruptcies in the USA, redemptions under pressure in evergreen funds[1], a Saaspocalypse scenario[2]: should weightings in European private debt be reviewed? These headline events all come from America. The situation in Europe is a rather different one.

US PRIVATE CREDIT: REAL ISSUES, BUT LOCALISED AND EXPLAINABLE

The US private debt market is worth around 1,800 billion dollars*, i.e. 6% of GDP, whereas banks now account for only 30% to 35% of corporate financing. Such disintermediation is one of the US economy's strengths but is veering off track.

One issue: exposure to tech (including SaaS - Software as a Service) is estimated at 16% on average for BDCs[3] and at 21% for all private credit loans, with highs of 40% for certain vehicles. The artificial intelligence boom raises the risk of a "Saaspocalypse", a massive disruption to the SaaS model.

A second issue concerns liabilities. The market is increasingly open to retail investors: BDCs account for about 25% of private debt outstanding, i.e. roughly 450 billion dollars*. Evergreen structures promise the kind of liquidity that the underlying asset, which is illiquid by nature, cannot provide other than in the form of flows generated naturally by financing structures (interest and capital). Such incompatibility has put redemptions in the media spotlight, even though the main vehicles have so far managed to handle them. Moreover, credit discipline has become more lax, with more cov-lite[4] loans in the upper mid-cap segment and a financial leverage effect that is exacerbating losses and creating a link leading to the banks.

Such issues are real and justify greater vigilance. But they do not define the asset class as a whole.

EUROPEAN PRIVATE DEBT: A STRUCTURALLY DIFFERENT MARKET

Outstandings amount to around 400 billion euros, representing roughly 2.2% of the European Union's GDP; banks still account for 70% to 85% of corporate financing. Exposure to tech remains limited, particularly for companies in the small and lower mid-cap segment where covenants are still strict. Retail investors are only just beginning to move into the market: 15 billion euros of ELTIF[5] outstandings in France at end-2025, all strategies combined (private debt and other real assets), compared with over 100 billion euros for France's institutional market as a whole, including outstandings in closed-end funds. Where banks are concerned, their exposure to private debt remains below 1% of their balance sheets in almost all cases. And private debt vehicles have no recourse to leverage.

As a direct result of this, Europe is not experiencing the massive redemptions that we are seeing in the US private debt market, and Europe's banks are not exposed to the risk that their balance sheets will come under pressure again.

ANALOGY WITH 2008: A REASONING ERROR

Any parallels drawn with the subprime[6] crisis of 2008 do not stand up to scrutiny. The cumulative amount of securitised assets at the time represented over 60% of US GDP, compared with 6% for private debt today. Above all, the transmission mechanism is not the same. Subprime risk spread in an opaque manner to bank balance sheets and triggered a liquidity crisis that was fuelled by concerns about solvency risk. Today, any correlation is mitigated by the sectoral diversification of investment portfolios, whereas subprime loans were backed by a unique real estate risk. And the interconnection between banks - even American banks - and the asset class is on a much smaller scale than the one that existed between banks and structured products at the time.

PRIVATE DEBT: A NECESSARY TOOL, TO BE HANDLED CAREFULLY

But there is no need to be overcautious either. Events in the USA have come as a useful reminder of the importance of covenants as the creditor's first line of protection, the need to avoid excessive sector weightings, and the absolute need to carefully structure any investment vehicles that are to be sold to a wider clientele. Similarly, one must obviously remain vigilant about the potential for AI-driven disruption, which applies well beyond the software sector alone.

But with adequate safeguards, private debt remains a useful and indeed necessary tool when it comes to financing the real economy, especially given the growth, competitiveness and sovereignty issues that Europe is facing. The USA's capacity to tap into its savings in order to finance its economy - other than through banks alone - has undoubtedly helped its economy to take the lead in the last 15 years.

From an investor's perspective, once the illiquidity aspects have been fully addressed, private debt continues to offer attractive net returns on risk and has every right to be included in a bond allocation or private allocation strategy. But, like any tool, it generates performance only if one factors in its strengths and its risks.

It is not the asset class that needs to be called into question. It is an undisciplined approach to making use of it. We just need to keep applying European-style discipline.

(1) Evergreen funds are investment vehicles designed with no fixed end date.

(2) The term "SaaS-pocalypse" (a contraction of SaaS = Software as a Service and apocalypse) refers to a major crisis or correction in the SaaS sector.

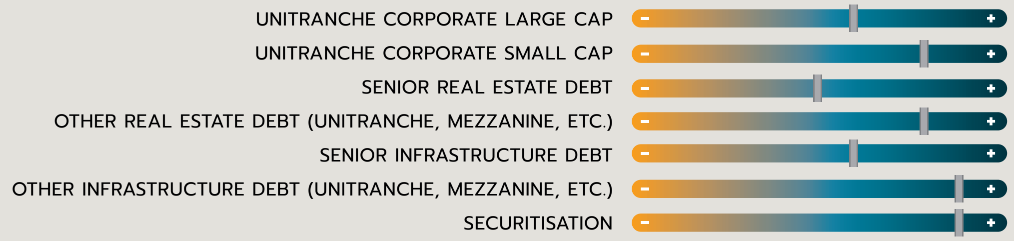
(3) Business Development Companies: US funds that invest in small and mid-cap companies by offering them financing in the form of debt, equity or funds from the financial sponsor. Some of these vehicles are listed.

(4) "Covenant-lite" (or "cov-lite") loans are loans granted, mainly to businesses, with very few protective clauses (covenants) for the lenders.

(5) ELTIFs (European Long-Term Investment Funds) are investment vehicles created by the European Union to direct savings towards long-term assets, mainly as part of a private debt strategy.

(6) The subprime crisis came about due to a surplus of risky mortgages and their transformation into financial products (securitised assets), triggering a crisis in the global financial system.

CURSORS



Private debt is proving somewhat resilient against market fluctuations in the listed credit markets. Credit spreads remain at what we consider to be attractive credit levels - especially for small-cap unitranche debt - despite a little tightening observed in recent months.

One of our favourite segments at the moment is junior debt, where returns seem to compensate for both the credit risk and the illiquidity premium, even though maturities are relatively short.

Securitised real estate debt does not appear to be popular among investors these days, but we believe it offers particularly attractive expected returns.

** In general, figures shown are estimates from Zencap AM.*

Did you know?

"12 is the new 5"

This financial expression sums up the current paradigm: if private equity is to continue delivering historical returns (IRR of 20%, multiple of 2.5x), we need to compensate for higher interest rates by achieving better operating performances.

We now need to generate 12% Ebitda growth, compared with 5% when financing terms were more accommodative.

Generating alpha requires support from the IT, HR, finance and strategy departments; it needs more than just the right price at entry.

PRIVATE EQUITY AND INFRASTRUCTURE

Private markets *looking for a second wind*

Jean-Philippe Richaud
Deputy CEO,
CIO
SWEN CP

As we expected, 2025 emphasised the complex nature of today's private markets: a timid rebound in real estate, still under the pressure of a stock of impaired assets; a lack of natural liquidity in private equity (40% of businesses have been held for more than 5 years, according to Bain & Company); infrastructure taking a toll on allocations; and a private debt market where the restructuring of liquid funds has been put to the test.

The issues at stake are well known and are going to last throughout 2026 for various reasons: the impact of geopolitical crises on supply chains and prices, particularly energy prices; the fragile nature of business plans on account of AI; an ageing population; and investment needs putting pressure on public finances and pushing political organisations to the extremes, to mention just a few of the main sources of concern.

SOVEREIGNTY PUSHING THE ENVIRONMENT TO THE SIDELINES

On top of all this, we have an unexpected conflict to deal with this year. The consequences of the conflict are uncertain, but they include an increasing emphasis on the sovereignty theme among investors' priorities, putting the decline in the environment theme into even sharper focus. And yet statistical anomalies on the climate in the first half of the year should sound the alarm as loudly as any siren and create just as much shock and awe. Many have registered only the few positive signals to have come out regarding the adjustments made to the IPCC's scenarios and are dismissing the repeated warnings about feedback loops (warming oceans, melting icecaps, methane emissions, the capacity of forests to capture CO_2, etc.).
And yet this is a real emergency. Especially in Europe, where scientists are telling us that climate change is far worse than the global average. This will undoubtedly affect businesses and requires greater efforts as regards selection and support.
Bain & Company stated in its Global Private Equity Report 2026 that demand for capital from General Partners (GPs) was 2.5 times greater than the amount allocated by Limited Partners (LPs). We firmly believe that these themes could offer a welcome second wind, especially when it comes to bringing retail investors on board.

INFRASTRUCTURE - CENTRAL TO TODAY'S TRANSITIONS

2025 ended with record inflows of over 200 billion euros, driven by a few mega-funds. This is testament to the sheer strength of the sector's leaders but also to the difficulties that others are encountering to replace their funds. The Core segment has been hit the hardest by macroeconomic developments. At the same time, the number of deals has fallen by around 25% whereas amounts invested have increased by roughly 25%. This also reflects the market's polarisation.
The situation has continued into 2026, with Europe driving the global momentum, particularly in renewable energies and in energy and digital sovereignty.
Growth expected out to 2030 should push infrastructure assets under management up to 3 trillion dollars (Preqin projection in its "Private Markets in 2030" report). The capacity to generate liquidity on favourable terms will be an essential catalyst for such growth.

PRIVATE EQUITY - ALPHA IN SUPPORT OF LIQUIDITY

Although conditions are tricky for attracting inflows (-16% for the buyout segment[1] – source Bain & Company), 2025 was a good year for investment and exits alike. Then there is the fact that holding periods are getting longer (7 years on average) while performance dispersion is high. In the venture capital segment, liquidity is an even bigger issue as exits have been falling steadily since 2021; DPI[2] after 5 years is at its lowest level since 1999! In 2026, the market appears to be more favourable for small & mid-market players and those able to really stand out (sectors, complex situations, operational support). Operational excellence, in particular, is becoming essential. The good news is that prices have fallen significantly in the past 5 years and should once again create opportunities to arbitrate between multiples. The secondary market, providing support in the form of liquidity, will continue to benefit from favourable conditions, especially GP-led transactions[3].

PRIVATE DEBT - A WEAKENING RISK/REWARD PROFILE

As a whole, 2025 was a year of consolidation and strategic change for the private debt sector. Inflows were down slightly from 2024 (source Preqin) and the direct lending segment[4] was predominant, but there were growing signs of interest in niche strategies (special situations, distressed funds[5], mezzanine debt[6]).
Looking at 2026, inflows into private debt funds should trend upwards again albeit less so than into PE funds. Mezzanine debt, structurally a moderately-sized market, should maintain its role as a flexible agent and deal facilitator. Such debt is redeemed primarily in equity and rewarded better than senior debt, so it is a useful addition to a private asset allocation strategy.

[1] A buy-out is a total or partial takeover of a company, often using leveraged financing.
[2] DPI is the ratio of distributions to paid-in capital. It is a measure of real liquidity.
[3] GP-led (General Partner-led) transactions are a type of transaction on the secondary private equity market initiated by the GP to create liquidity when a traditional exit is not possible.
[4] The market for funds that finance businesses directly via private debt.
[5] Distressed funds and special situations are two segments of the private equity market that invest in complex or unusual situations, often because a business is struggling or operating in unusual conditions.
[6] Mezzanine debt is subordinated financing that combines features of both debt and equity and that is ranked behind senior debt holders but ahead of shareholders in the event of default.

CURSORS

The outlook for the private equity market is positive, with prices adjusting and liquidity gradually improving.

The VC/Growth segment[3] is at a cycle-low in terms of investment and liquidity but is becoming more specialised. Mezzanine finance is a flexible instrument resulting in little dilution and is becoming more predominant amid increasing deal complexity. Infrastructure is a driver of long-term trends and enjoying solid momentum in the Core+/Value-add[2] segments in support of necessary transitions.

[1] A buy-out is a total or partial takeover of a company, often using leveraged financing.
[2] The "value add" segment consists of assets that are riskier than "core plus" assets but, in exchange offer higher yields. They often feature potential growth through acquisitions or operating improvements.
[3] VC / Growth segments seeking to finance business growth, from the launch phase (VC) to the expansion phase (growth).

ENVIRONMENT / SOCIAL / GOVERNANCE

Ecological transition: the systemic role of banks is being put to the test

Luisa Florez
Head of Sustainable Finance Research
OFI INVEST AM

Europe's banks found their way back into the very core of investment portfolios in the first half of 2026, alongside tech and energy firms. This was thanks to their attractive valuations and improving profitability prospects. But setting financial considerations aside, the banking sector merits particular attention from the perspective of Environmental, Social and Governance (ESG) criteria because of its structural role in financing the real economy.

As key intermediaries, banks have vital capacity to **steer capital flows towards the sectors and technologies that are most needed for the ecological transition**. Such a responsibility comes at a time when the economy's need for investment is set to grow over the foreseeable future. According to a report by the French Banking Federation (FBF) published in 2024 for the period 2024-2029[(1)], the ecological transition is being financed at a time when investment needs are structurally growing, both for decarbonisation purposes and to adapt the economy. The European Central Bank (ECB) estimates these needs at around 477 billion euros per year[(2)] if the European Union is to meet its climate and energy targets.

Banks are not financial backers alone, they are also **vehicles transmitting and amplifying climate risks** for the entire financial system. Recent work by the ECB published in its Working Paper Series[(3)] shows that the banking industry's exposure to climate risks can spread to the real economy and make the financial system more vulnerable. Such risks fall into two categories: risks to the real economy and risks to the financial solidity of banks. Where the real economy is concerned, the risks identified by the FBF include a **loss of competitiveness in the European economy and delays in decarbonisation.** The macroeconomic costs associated with a belated transition could be high. A report from the Institute and Faculty of Actuaries (IFoA) published in January 2025 estimates that the global economy could lose up to 50% of its cumulative GDP between 2070 and 2090 if political action to tackle climate change fails to materialise rapidly. These estimates are consistent with those of the OECD and NGFS[(4)], which emphasise the asymmetrical costs of taking early action and not taking any action.

CLIMATE RISKS ARE SYSTEMIC RISKS

Where banks are considered, the ECB qualifies climate risks as systemic risks. Two factors are a particular focus of attention: continued exposure to assets at risk of becoming stranded assets, and portfolio concentration in sectors that are heavily penalised by transition risk. These factors could have a lasting impact on asset quality, profitability and, ultimately, financial stability.

Data from the Banking on Climate Chaos[(5)] study highlights the persistent discrepancy between reported targets and actual financial flows. In 2024, the big banks committed around 508 billion euros to fossil fuel developers, which is 27% more than the previous year. Just twelve banks accounted for 40% of global funding for fossil fuels.

However, there are differences from one region to another. European banks, on average, finance fossil fuels less than their US peers do, both in absolute terms and as a proportion of their assets. But this distinction is reflected only partially in the Green Asset Ratio (GAR), which measures the share of assets aligned with the European Taxonomy. The average GAR of Europe's banks remains close to 3%, which is more a reflection of the metric's methodological limitations than of the cumulative decarbonisation efforts made.

In such circumstances, **shareholder democracy is an additional lever of capital allocation.** At the General Meetings of a number of banks, shareholders have voted against reappointing executives or directors responsible for strategy and sustainability in cases where climate commitments have been revised downwards. Some 8% of NatWest* shareholders voted against reappointing their Chairman of the Board, and 5% of Goldman Sach*s and JPMorgan* shareholders voted against reappointing their Chairman & CEO. These votes show how shareholders are using their voting rights as a **tool for long-term risk management** rather than as a symbolic signal.

Ultimately, the fact is that capital must be steered effectively towards the technologies and infrastructures needed to develop the European economy. Amid the transition and heightened macroeconomic and financial constraints, coordinated activation of financial levers and sound governance appear to be prerequisites for making the real economy more resilient.

(1) Proposals from French banks for the period 2024-2029 to develop a sovereign and sustainably growing Europe, 06/03/2024 • (2) According to the ECB, 477 billion euros per year (the equivalent of 3% of Europe's GDP in 2022) are needed to finance the ecological transition. Massive investment needs to meet EU green and digital targets. Bloomberg New Energy Finance estimates the amount at 1,039 billion dollars and I4CE at 830 billion dollars out to 2030 • (3) Working Paper Series, Climate change, bank liquidity and systemic risk. Margherita Giuzio, Bige Kahraman, Jasper Knyphausen. Climate change, bank liquidity and systemic risk • (4) Network for Greening the Financial System, an international organisation bringing together central banks and financial supervisors and seeking to address climate and environmental matters within the financial system • (5) These figures correspond to data collected for the world's biggest banks (65 banks). BOCC_2026_vFINAL.pdf

**Companies are mentioned only for informational purposes, and not as an offer to sell, or a solicitation to buy, financial securities.*

GLOSSARY

Carry: strategy that consists in holding bonds in a portfolio, possibly even till maturity, in order to tap into their yields.

Convexity: one of the main objectives of convexity strategies is to maximise a portfolio's resilience to shifts in interest rates and market conditions.

Credit spread: difference between the yield differential of a private corporate bond with that of a sovereign bond of the same duration, considered to be the least risky (the benchmark government bond).

Duration: weighted average life of a bond or bond portfolio expressed in years.

Inflation: loss of purchasing power of money which results in a general and lasting increase in prices.

Investment Grade/High Yield credit: Investment Grade bonds refer to bonds issued by borrowers that have been rated highest by the rating agencies. Their ratings vary from AAA to BBB- under the rating systems applied by Standard & Poor's and Fitch. Speculative High Yield bonds have lower credit ratings (from BB+ to D, according to Standard & Poor's and Fitch) than Investment Grade bonds as their issuers are in poorer financial health based on research from the rating agencies. They are therefore regarded as riskier by the rating agencies and, accordingly, offer higher yields.

Mezzanine debt: a hybrid form of financing located between senior (priority) debt and equity in a company's financial structure.

Pentification: a movement in which the spread between long-term and short-term interest rates widens, making the yield curve steeper.

PER: Price to Earnings Ratio. A stock market analysis indicator: market capitalisation divided by net income.

Risk premium: reflects the additional return demanded by investors compared to a risk-free asset.

Sensibility: Bond sensitivity is a measure that indicates how a bond's price reacts to changes in interest rates.

Spread: difference between rates.

Unitranche: senior secured debt offering the same sureties as senior debt but generally held by a single lender (a debt fund).

Volatility: corresponds to the calculation of the amplitudes of variations in the price of a financial asset. The higher the volatility, the riskier the investment will be considered.

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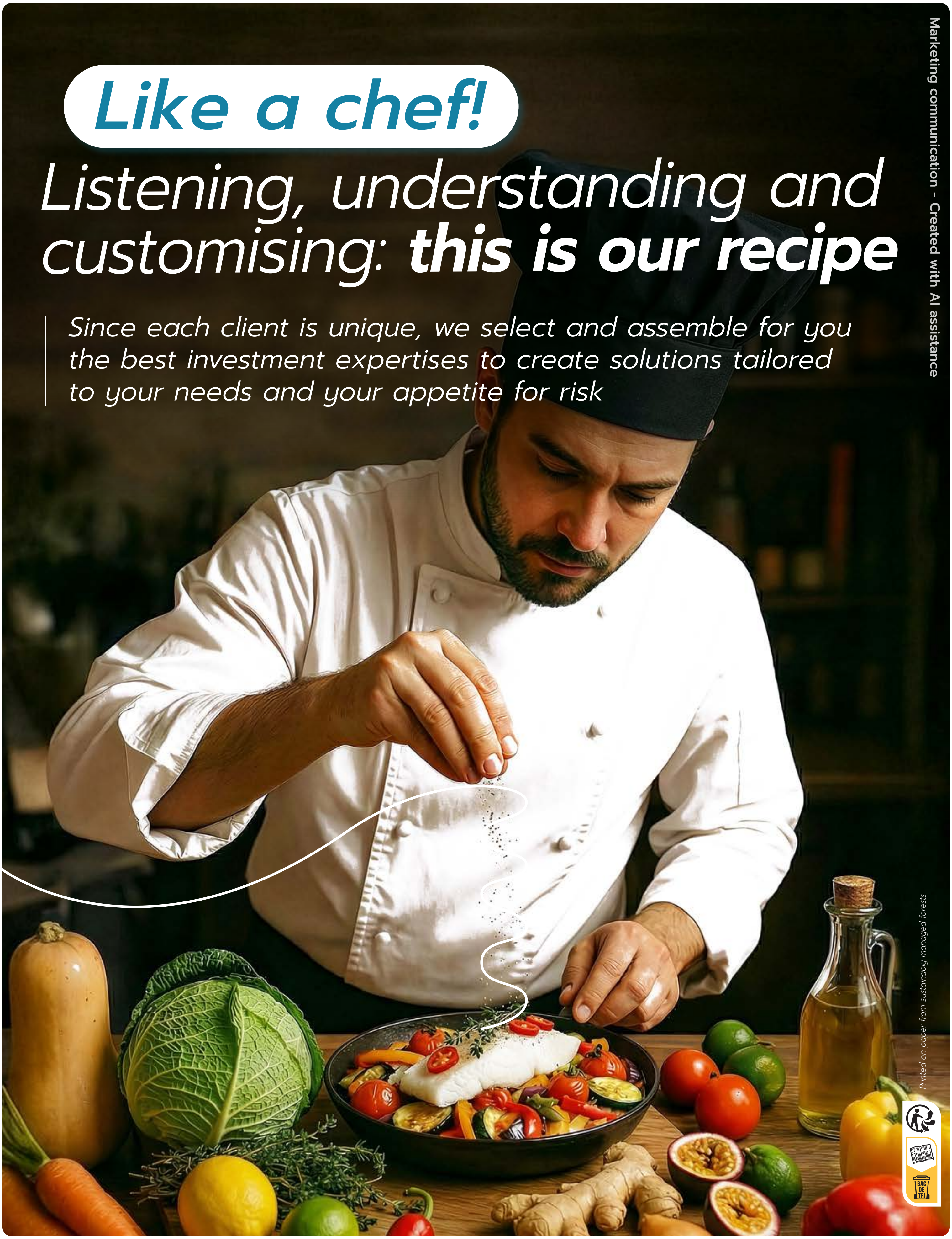

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