

2026 Outlook: The Case for Diversifying With Alternative Investing

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Introduction: A mixed macro outlook, and investors look to alts as a solution

Equity and other risk markets continued to climb in the third quarter, led by tech. In the third quarter, major equity indexes continued to reach all-time highs, with the rally fueled by enthusiasm for tech, anticipation of the Federal Reserve’s interest-rate cut and strong corporate earnings. One of the main catalysts for the market advance was optimism around the impact of investments in artificial intelligence (AI). The tech-heavy Nasdaq index led the stock market surge, outperforming other equity benchmarks, but creating some concerns around concentration risk.

But stocks are overpriced. Equity valuations are above long-term averages, and by some measures are the most overvalued in history. But company profits remain strong, justifying at least some of the extended valuations.

The Federal Reserve cut interest rates, which remain high relative to recent history. Given some signs of a slowing economy, but with inflation remaining largely under control, the Fed cut rates by 0.25% in both September and October. Still, rates remain elevated compared with recent years.

Is the economic glass half full or half empty? The answer is: both. On the surface, market conditions appear encouraging. While inflation has ticked up and labor markets show some signs of stress, the economy generally remains stable, and consumer spending continues to be strong. But take a second look, and there are signs of slowing growth that temper enthusiasm. And geopolitical risks persist, including the potential impact of tariffs, which has so far been modest. Many economists and market watchers assume the full impact will be felt in the coming months.



Heading into the fourth quarter and into 2026, the case for diversifying portfolios with alternative investments remains strong.¹

Against this backdrop, investors are seeking ways to diversify their portfolios, boost income streams, hedge inflation and strengthen returns. That is why we believe alternative investments could play an essential role for investors in 2026.

In this issue of the *Alts Quarterly*, we explore the key role alternative investments can play for investors as we head into 2026, including reflections from The Alts Institute on several recurring themes our team has noted and monitored.

Specifically, we discuss:

Private credit: We discuss why private credit is at an inflection point as more investors embrace the asset class, and how investors can think about balancing three pillars of alternative credit.

Private real estate: We explore the appeal of private real estate investing at this moment: Interest rates are still higher than historical norms, so the potential yield from real estate debt remains attractive. In tandem, a shift toward lower interest rates should boost property transaction activity at a time when real estate valuations are relatively low.

Infrastructure: We highlight how the need for infrastructure investment is growing, driven by the three key global megatrends of digitalization, decarbonization and deglobalization, which continue unabated despite ongoing geopolitical factors.

Private equity: We take a look at the outlook for private equity (PE), and we believe that the environment in late 2025 and into 2026 could potentially reward long-term positioning for investors with patience and discipline.

Reflections on client themes in 2025: The Alts Institute shares five recurring themes our team heard from financial advisors and clients this year, highlighting the growing need for stronger education around alternative investing.

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

- **\$90.9B:** Private credit deal volume reached \$90.9B in Q3 2025, marking a ~60% year-over-year increase.²
- **13.3x:** Private equity deals posted median EV/EBITDA multiples of 13.3x, marking a slight increase over the past year.²
- **9.9%:** Real estate deal volume saw a positive one-year change of 9.9%, driven by interest-rate shifts and financing availability.²

Why Alternative Credit Is at an Inflection Point

Key Points

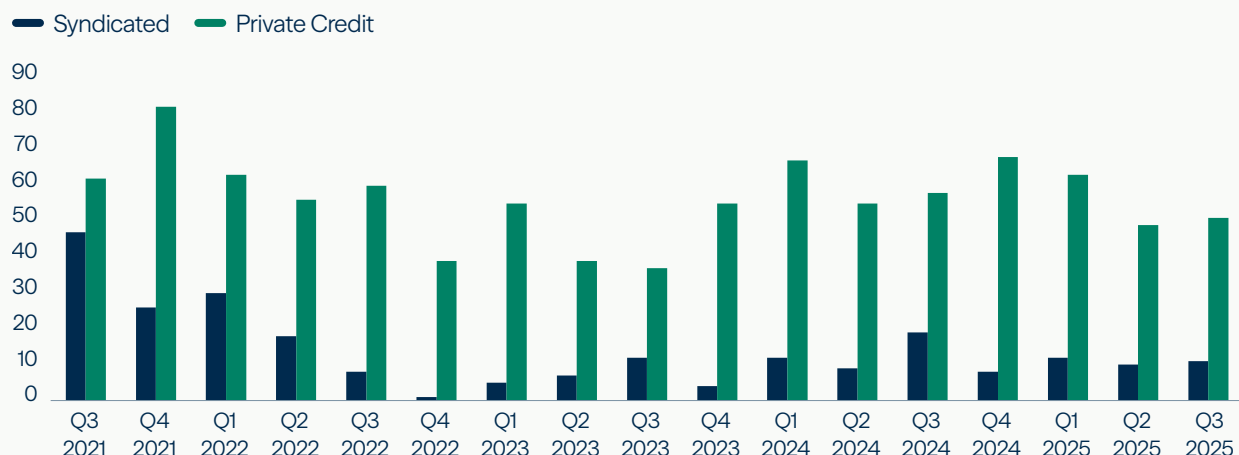
- **Investors are reconsidering the traditional 60/40 stocks and bonds portfolio by shifting into alternative credit.** With increasing macroeconomic uncertainty, they are diversifying beyond the classic 60/40 approach to achieve higher income and better risk management through alternative credit.
- **An inflection point in credit investing.** For many investors, the key question has evolved from whether to allocate to alternatives to how best to align income, liquidity and risk tolerance.
- **The shift in thinking from absolute to relative yield is driving product innovation that can help investors to organize alternative credit portfolios around three diversification pillars:¹**
 - Corporate private credit (also referred to as direct lending)
 - Private asset-backed finance (ABF)
 - Multi-asset credit
- **The outlook for 2026.** As we head into 2026, we believe it is worth exploring how each of these pillars can play a role in strengthening a portfolio with enhanced income, diversification and risk mitigation potential.

Pillar 1: Structural Tailwinds Driving Corporate Private Credit Growth

Corporate private credit continues to benefit from secular trends, including bank retrenchment from lending and growing borrower demand for flexible financing solutions, particularly around mergers and acquisitions (M&A) activity. Although banks remain well capitalized, regulatory constraints still limit their ability to extend credit broadly (**Figure 1**).

Figure 1: Private Lenders Continue to Lead Leveraged Buyout Financing

Number of LBOs Financed in Broadly Syndicated Loan (BSL) vs. Private Credit Markets



Source: PitchBook LCD, as of September 30, 2025. Private credit count is based on transactions covered by LCD News.

As a result, borrowers are increasingly turning to private markets, which provide faster, more flexible and more reliable access to capital. For investors, this steady borrower demand translates into a robust pipeline with the potential for attractive risk-adjusted returns. Furthermore, direct lending structures typically sit senior in the capital stack and carry floating-rate coupons, helping to mitigate both default and interest-rate risk.

Pillar 2: ABF—Private Credit's Next Frontier

Private ABF benefits from having similar dynamics to corporate private credit, but remains a relatively uncrowded opportunity set. ABF also has three key features that distinguish it from corporate private credit:

- **Opportunity for consistent cash flows:** Contractual cash flows from things such as loans, leases or royalties provide reliable repayment streams.
- **Structural protections:** Ring-fenced special-purpose vehicles (SPVs) and collateralization help insulate investors from corporate balance sheet issues.
- **Spread premium potential:** ABF typically offers a spread advantage versus both public asset-backed securities and corporate private credit of similar quality.

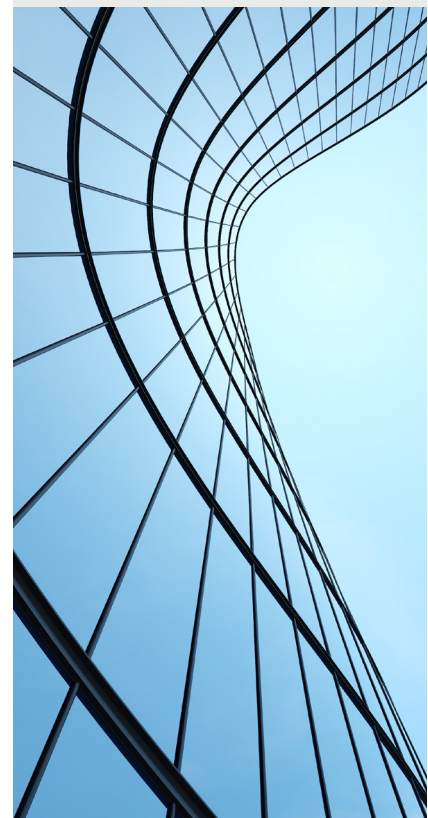
Pillar 3: The Case for Multi-Asset Credit

Investors are increasingly combining private credit with liquid performing credit, such as high-yield bonds. While private credit can offer a spread premium of 170-200 bps over public credit,³ liquid markets still provide compelling yields around 7%⁴—with greater liquidity.

A multi-asset credit strategy enables dynamic allocation across liquid and private markets, utilizing a broad range of credit instruments as market conditions evolve. To capture this potential, investors can benefit from working with managers who have experience identifying relative value and managing risk through market cycles.

“58% of investors indicated they would prioritize ABF strategies in 2025, underscoring the growing interest in this space.”

Source: Preqin Investor Outlook, H2 2024. As of June 2024. The Preqin survey asked investors: “What types of emerging private debt funds do you think will present the best opportunities in the next 12 months?”

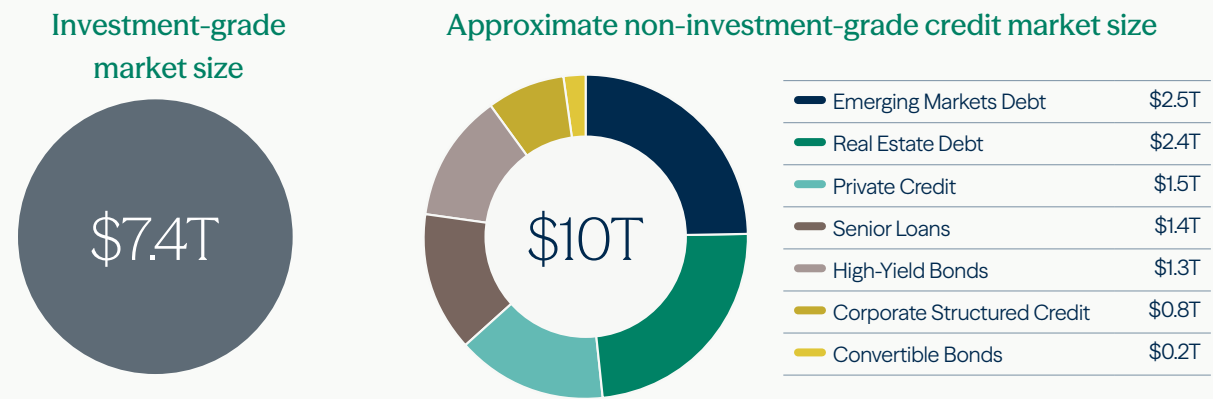


From Opportunities to Allocation

As central banks recalibrate policy, the ability to reposition across the liquid credit spectrum—from high-yield bonds and senior loans to collateralized loan obligations (CLOs) and convertible bonds—will be essential for capturing income and managing risk dynamically.

Alternative credit is no longer about isolated opportunities. It is about building a resilient portfolio through active allocation across the credit spectrum (Figure 2). Combining private and public credit can provide investors with the potential to capture enhanced yield along with the safety of robust contractual protections. It can also provide the available liquidity needed to adapt quickly to changing market conditions.

Figure 2: Alternative Credit Connects Portfolios to a Larger, More Varied Market



Source: J.P. Morgan, SIFMA as of December 31, 2024. U.S. market size represents the total amount of outstanding issuance.

Source: ICE BofA, Credit Suisse, J.P. Morgan, Bloomberg, Preqin data as of September 30, 2024. High-Yield Bonds represented by ICE BofA U.S. High Yield Constrained Index, Convertible Bonds represented by ICE BofA U.S. Convertibles Index, Senior Loans represented by Credit Suisse Leveraged Loan Index, Emerging Markets Debt represented by J.P. Morgan Corporate Emerging Markets Bond High Yield Index, Corporate Structured Credit represented by J.P. Morgan CLO Post-Crisis BB Index, Private Credit market size as reported by Preqin's 2024 Global Report: Private Debt.

Bottom Line

Each of the above three pillars plays a distinct role: corporate private credit offers stable income potential; private ABF expands access to a growing, less-crowded market; and liquid credit provides the flexibility to adapt as conditions change.

Looking ahead to 2026, success may depend on active allocation and experience. Navigating across public and private markets requires a cycle-tested approach that seeks to convert opportunity into long-term portfolio resilience. We believe that alternative credit remains one of the most compelling areas for investors today, and that success in this environment requires a thoughtful active allocation strategy and rigorous risk management across a range of market environments.

Private Real Estate: Attractive Values—and Yields

Key Points

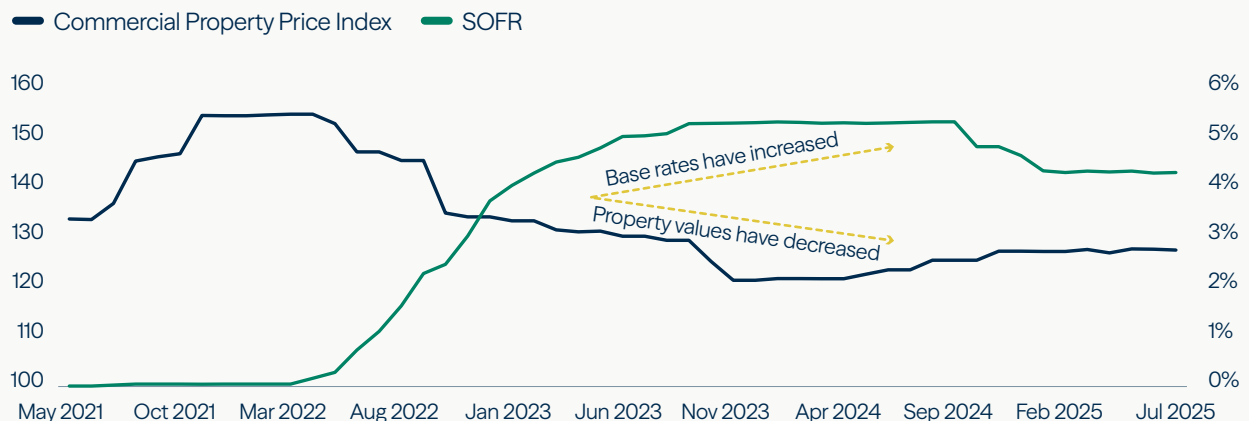
- **Private real estate credit is offering a premium relative to other fixed-income products.** While interest rates have moved lower due to recent Fed cuts, they are still elevated compared with the trailing five-year average, while real estate credit spreads remain elevated.
- **Underlying property values are still below recent highs.** This suggests an attractive entry basis for lenders.
- **Long-term interest rates remain elevated.**⁵ While short-term rates have come down slightly, long-term rates, which more directly impact real estate lending, remain elevated. Long-term rates are more sensitive to economic data, such as consumer spending and jobs reports, which are more likely to influence these medium- to long-term fixed rates than short-term interest-rate reductions.
- **Positive outlook for transaction activity.** As interest rates move lower, cash flow coverage increases, bringing down loan loss reserves for banks. Higher reserves can then be put back into the market and facilitate more commercial real estate lending and deal flow. Historically, greater transaction activity, after a lag, has led to higher property values over the long term.

Supportive Environment for Private Real Estate Debt

Given the potential for increasing volatility in global markets, strong current income from real estate debt can provide an attractive risk-adjusted option in investors' portfolios, with the added benefit of hard-asset collateral.

To explore why, let's take a look back at the interest-rate and macro backdrop first. In the period from 2022 to 2024, interest rates rose and property values fell (**Figure 3**). This created opportunities to lend against commercial real estate (CRE) properties priced below their intrinsic value, thereby generating yield at an attractive basis.

Figure 3: Commercial Property Price Index (CPPI) and Secured Overnight Funding Rate (SOFR)



Source: Federal Reserve Bank of New York, Green Street CPPI, as of July 2025.

It also created a sizable funding gap, as lower real estate values and higher interest rates have reduced debt capacity, providing the opportunity for private lenders to originate debt and helping borrowers finance legacy capital structures.

Low property values and high interest rates have created the opportunity for lenders to generate yield at an attractive basis. Lenders have benefited from elevated rates in recent years, while today's low values provide lenders with a cushion against potential loss. This is because lenders will be advancing less against current property values and, as a result, have a lower dollar basis, or exposure, against the underlying collateral property.

Loans originated at today's property values are potentially protected from further value declines and should benefit from future value recoveries. Should property values decline further, loans originated at a discounted basis may benefit from the equity cushion ahead of their position. Conversely, as property values recover, today's lenders would benefit from lower loan-to-value ratios, providing some safeguard from potential loss.

The combination of elevated interest rates and significantly reduced liquidity in the CRE debt capital markets has caused many borrowers to struggle to meet their debt service payments over the past two years, resulting in widespread extensions of loan maturities. There is still a significant amount of debt coming due that will need to be refinanced.

The trajectory of CRE debt maturities has continued to climb, with nearly \$2T in maturities expected through the end of 2026, according to S&P Global. That surge of upcoming maturities with challenged capital structures will require financing at an attractive cost of capital and should provide a wide range of investment opportunities for private lenders.

The Real Estate Debt Advantage

Compared with real estate core equity, real estate debt has demonstrated consistent returns across cycles. During recent real estate value corrections, lenders' positions were largely insulated from loss (outside of the office sector). Ultimately, private real estate credit provides an opportunity to seek consistent risk-adjusted returns while benefiting from the security of an equity cushion at the top of the capital structure.

Private real estate credit's uncorrelated returns to core real estate equity illustrates the diversification benefits the asset class can provide to portfolios, which are arguably even more valuable in times of volatility.¹

To find attractive return opportunities with reduced downside risks, we believe managers should use an equity lens to assess the underlying value. Managers that have comprehensive credit analysis capabilities and in-house operating platforms are well positioned to deliver many of the benefits of commercial real estate credit to investors, in our view.

Summing Up

In today's volatile market environment, there is a compelling case for increasing allocations to private real estate credit, especially given its similar long-term return profile to core equity—with less downside risk. Amid market uncertainty, investors could benefit from elevated interest rates, high real estate spreads and low property values, all of which may position the real estate credit investor to potentially receive consistent, strong income yields for less risk than in prior cycles.

Infrastructure: Supported by Enduring Global Megatrends

Key Points

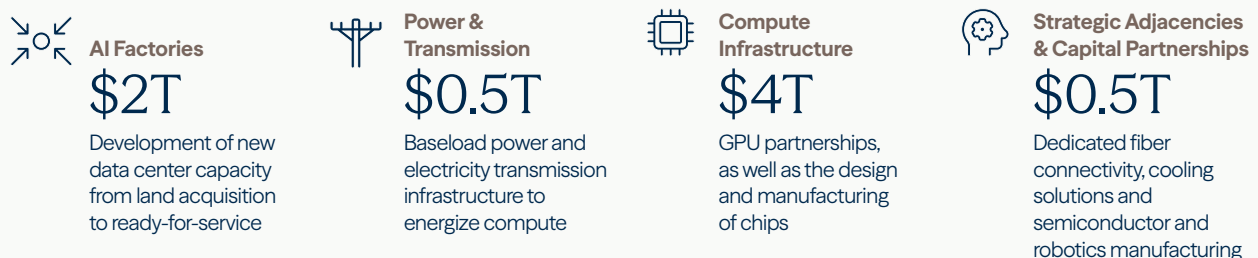
- **The need for infrastructure investment continues to grow.** At a time of ongoing global economic and geopolitical uncertainty, at least one economic reality persists: the need for infrastructure investment is growing.
- **Three megatrends support infrastructure demand.** The demand for greater investment in infrastructure is grounded in three global megatrends, or what we refer to as the “three D’s”:
 - **Digitalization.** The development of AI will require the build-out of capital-intensive physical infrastructure.
 - **Decarbonization.** Despite the rollback of incentives for renewable energy in the U.S., demand for diverse clean and renewable energy sources remains strong globally.
 - **Deglobalization.** Onshoring of manufacturing and other industries continues to support significant investment opportunities going forward.
- **These “three D’s” have been the core themes of infrastructure investment in recent times—and should continue into 2026 and for some time to come.**

Investment Themes Driving the Three D’s

Digitalization: Today, AI is poised to become the most impactful general-purpose technology in history. It could transform industries—and life as we know it—through faster drug discovery, better healthcare diagnoses, autonomous vehicles, natural disaster predictions, home robotics care and more. Long term, AI has the potential to significantly reduce the marginal costs of producing essential resources, and lead to what many are calling the next industrial revolution.

Yet none of these breakthroughs will be possible without the build-out of capital-intensive physical infrastructure to support the adoption of AI. AI innovation is driving the need for massive infrastructure investment. This includes AI factories, power and transmission, “compute” (computational power) infrastructure and strategic adjacencies and capital partnerships—adding up to an investment opportunity of over \$7 trillion over the next decade (**Figure 4**).

Figure 4: A \$7 Trillion Opportunity⁶



Source: Brookfield internal research, as of August 2025.

Decarbonization: Key clean-energy technologies continue to enjoy strong fundamentals, with favorable economics and rising technology maturity driving adoption in diverse geographies across the globe. Renewable power provides a low-cost and quickly scalable source of power relative to other technologies.

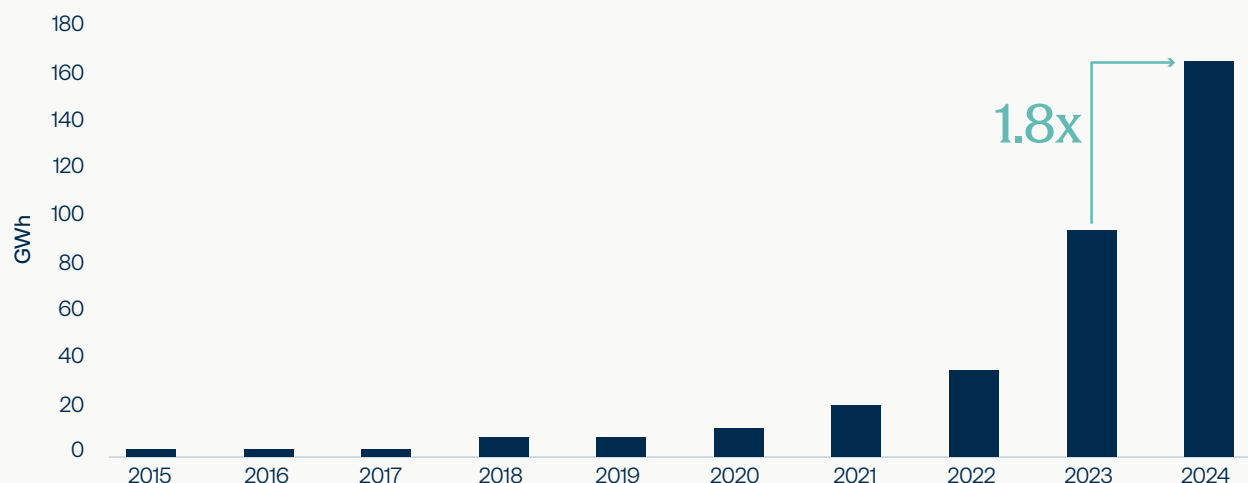
Recent legislation in the U.S. may have rolled back some of the tax incentives to accelerate the build-out of renewable power. However, diverse clean and renewable energy sources, including technologies like hydro, nuclear and batteries, continue to play a critical role. Energy demand continues to outpace supply, creating a need for renewable power investment.

The power supply-demand imbalance is expected to further accelerate from the onshoring of manufacturing and the build-out of AI infrastructure projects. Renewable energy sources are among the best-positioned technologies to meet these evolving needs due to their lower cost, faster speed to market and provision of reliable and secure energy. As demand continues to grow for the foreseeable future, the grid is likely to become increasingly reliant on alternative energy sources to provide greater security.

While renewable energy has emerged as the critical component to meet the enormous increase in demand, the world's cheapest sources of new bulk power—solar and wind—come with a significant limitation: They're intermittent. To address this challenge, batteries—specifically large-scale lithium-ion storage batteries—are charging ahead to play a vital role in the “any and all” approach to providing uninterrupted access to power.

With global energy storage capacity nearly doubling in 2024 (**Figure 5**), batteries have become an essential infrastructure asset class, as much for their ability to increase renewable power penetration and help stabilize overburdened electricity grids as for the long-term revenue generated by the services they provide.

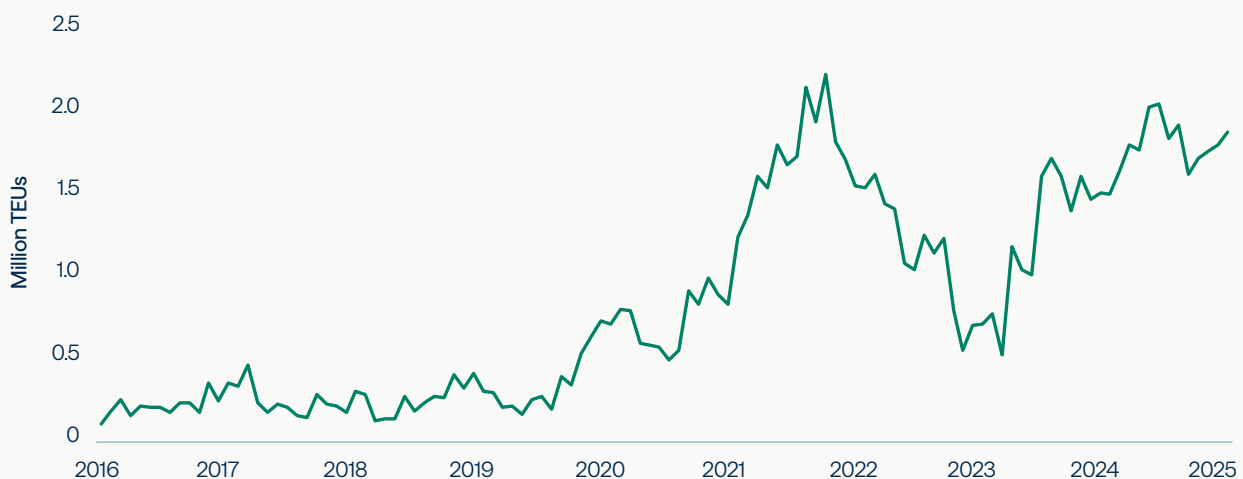
Figure 5: Global Energy Storage Capacity Additions



Source: BloombergNEF, as of June 2025. For illustrative purposes.

Deglobalization: Finally, the onshoring of manufacturing and other critical industries may support significant investment opportunities going forward. With the addition of the U.S. administration's new trade policies, a reduction in international trade volumes has taken place over the past few months, and increased pressure on supply chains is becoming more evident. The World Bank's Global Supply Chain Stress Index (GSCSI) measures the magnitude of container shipping disruptions affecting global supply chains. The index is currently near levels last seen in 2022, when it spiked due to disruptions caused by the COVID-19 pandemic (**Figure 6**).

Figure 6: World Bank Global Supply Chain Stress Index



Source: World Bank, as of September 2025. Million TEUs represents millions of 20-foot equivalent units.

As a result, global trade patterns are evolving, driving the need for increased infrastructure investment at major coastal ports that serve as key gateway regions. Inland markets, with limited exposure to global trade but strong manufacturing bases, are well-positioned to benefit from a shift toward domestic production, but these bases will need continued investment to modernize and meet the growing demand.

Summing Up

A long-term investment horizon spanning multiple years, if not decades, is likely to be required for each of the megatrends, and visibility into new deployment opportunities continues to improve as this infrastructure supercycle progresses unabated. With a long history in both digital and energy infrastructure positions, Brookfield is well positioned to build out the physical backbone of AI. Our comprehensive experience spans decades of building railways, power grids and communication networks, which enabled the breakthroughs of past industrial revolutions.

Expertise in developing and operating critical infrastructure is essential to managing the risks involved. Experienced operators with an in-depth market understanding and access to key operational assets are better situated for success in this complex, highly specialized asset class.

Private Equity: Discipline, Credit and the Power of the Cycle

Key Points

- **Mixed conditions temper the outlook.** Private equity (PE) enters the final quarter of 2025 with mixed conditions that temper an otherwise constructive outlook.
 - **Headwinds:** Tariffs, policy uncertainty and uneven exit activity are weighing on sentiment.
 - **Tailwinds:** Credit markets are more supportive, with tighter loan spreads reducing interest expense, strengthening free cash flow and extending maturities.
 - **Fundraising remains selective:** Limited partners (LPs) in PE firms are being more discerning, concentrating their commitments among larger managers while managing liquidity constraints.

What to Know About the PE Landscape Heading Into Q4 2025 and 2026

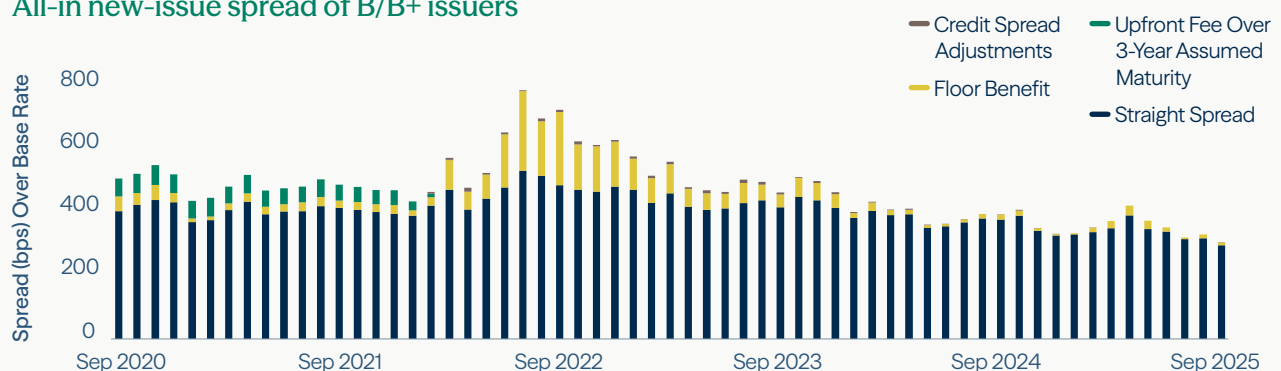
The PE landscape heading into the fourth quarter of 2025 and then 2026 is best described as a mixture of challenges and opportunities. Here's what to know:

Crosscurrents are evident. Tariff headlines and uncertainty around the Fed's policy path have cooled sentiment, after a strong start to the year. Exits remain uneven, and fundraising is subdued as LPs manage distribution backlogs. Much of the capital raised continues to flow to larger, established managers—an ongoing flight to quality.

Financing tailwinds offer some balance. Leveraged loan spreads have tightened to levels not seen since before the Global Financial Crisis (**Figure 7**). New B/B+ loans are pricing near SOFR+285, with many trading above par. Because debt is the primary funding source for PE transactions, this matters directly: lower spreads reduce interest expense, strengthen free cash flow and extend maturities.

Figure 7: Leveraged Loan Spreads Have Tightened to Levels Not Seen Since Before the Global Financial Crisis

All-in new-issue spread of B/B+ issuers



Source: PitchBook LCD; data through September 18, 2025. This analysis is provided for illustrative purposes only to demonstrate historical analysis on potential returns. **Past performance does not guarantee future results.**

Cheaper financing also supports new M&A by improving the feasibility of acquisitions, while giving buyers more confidence to transact. For existing portfolios, easier credit conditions can help unlock exit activity as sponsors and strategic acquirers regain financing capacity.

Lower borrowing costs don't just improve balance sheets—they create the conditions for more active deal flow and can help restart exits.

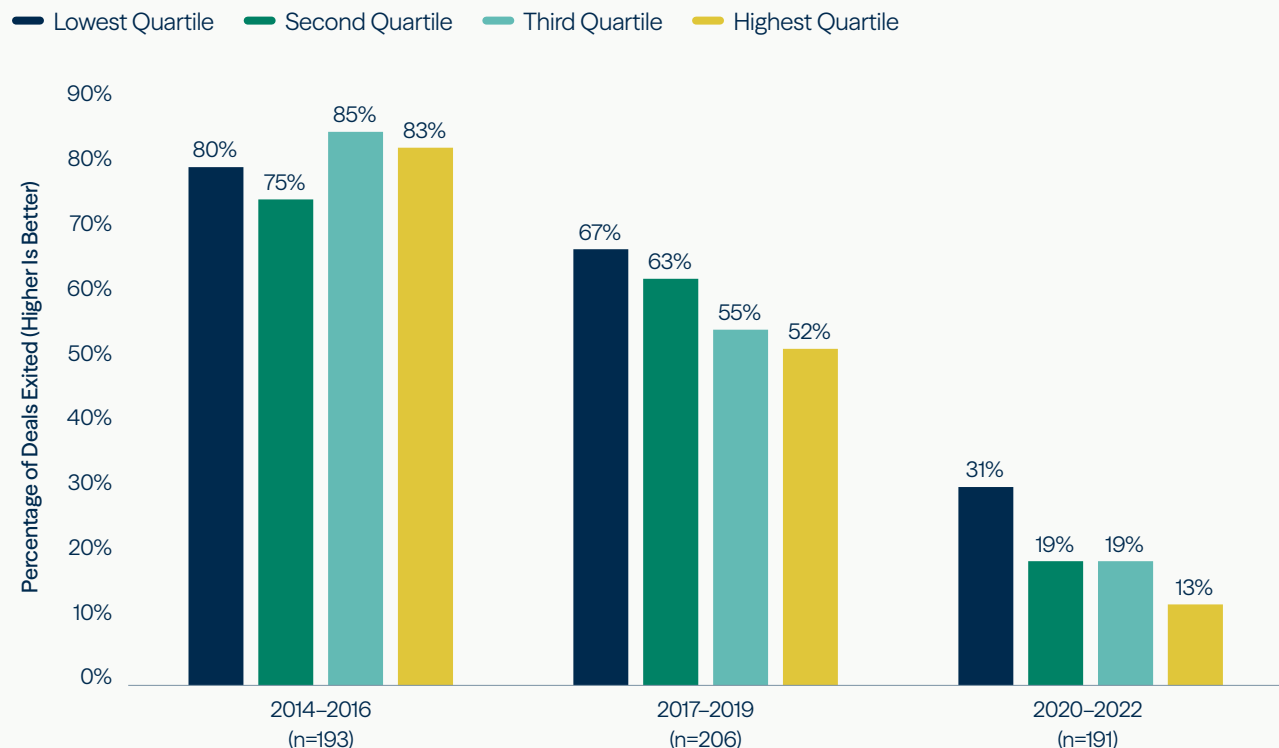
Discipline at entry still drives the outcome. PitchBook data highlights that entry valuation is closely linked to how quickly investments can be realized. Companies acquired at lower multiples have exited at materially higher rates than those bought at premium valuations (**Figure 8**).

As exit markets begin to thaw, lower-valued deals are the ones most likely to transact first, returning capital to investors earlier. Higher-multiple deals, by contrast, often require longer holding periods or more creative structures to exit.

Disciplined entry pricing strengthens the foundation of an investment and improves the ability to distribute capital sooner when liquidity windows reopen.

Figure 8: “Buy Low, Sell High” Strategy May Provide Better Exit Opportunities

Buyout exit rates by EV/EBITDA multiple quartile at entry

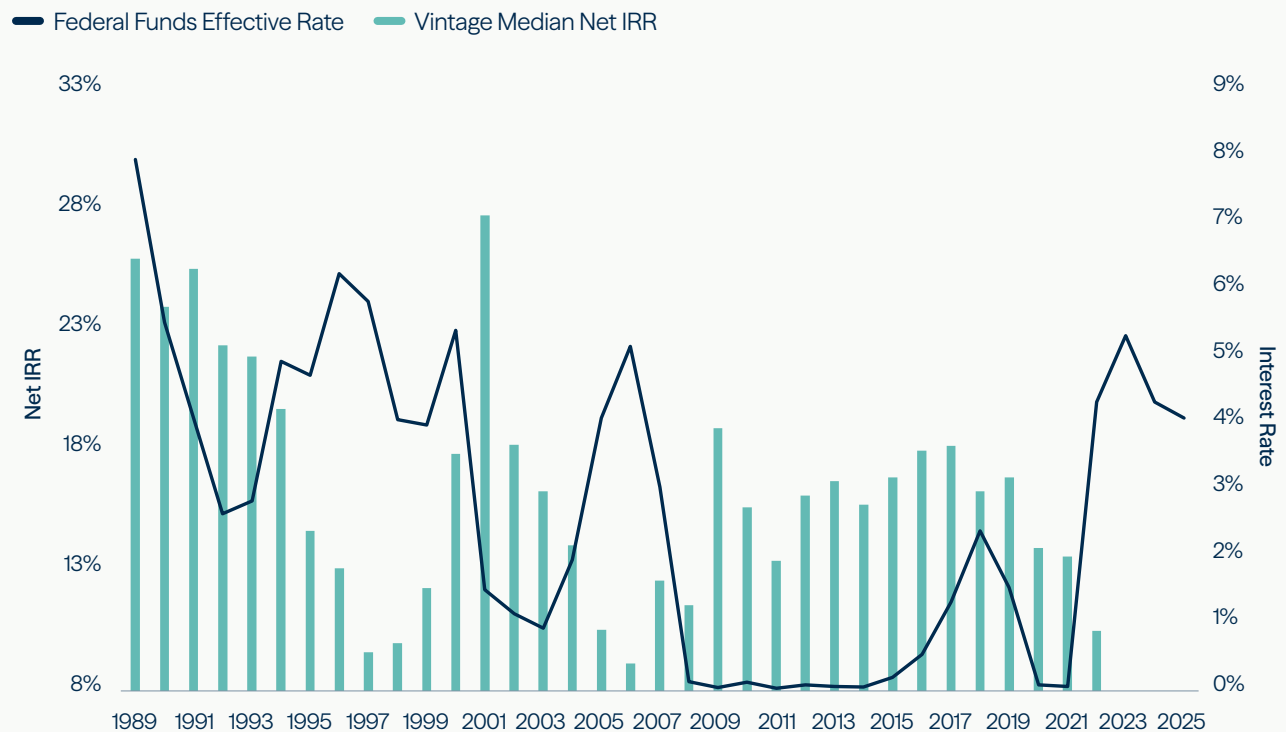


Source: PitchBook, as of September 20, 2025. This peer analysis is provided for illustrative purposes only to demonstrate historical analysis on potential returns.

History shows the importance of timing across cycles. Preqin data on PE fund returns reveal a consistent pattern: the strongest outcomes occur when interest rates are falling—not just low, but declining (**Figure 9**).

Deals completed in the early 1990s, early 2000s, after 2009, and post-2020 all fit this trend. Falling rates give a double boost: cheaper financing improves cash flow, while lower discount rates lift exit multiples. *The combination magnifies outcomes for capital deployed into dislocated but recovering markets.*

Figure 9: Strong Historical PE Performance Amid Falling Interest Rates



Source: Preqin. Returns for vintage years 2022–2025 unavailable. As of September 30, 2025. This peer analysis is provided for illustrative purposes only to demonstrate historical analysis on potential returns.

Summing Up

As Q4 2025 unfolds, financing conditions are improving, and valuations are recalibrating. If further rate cuts materialize, PE deals raised during this period could benefit from the same tailwinds that powered some of PE's strongest historical cycles. For investors with patience and discipline, the environment in late 2025 and into 2026 could potentially reward long-term positioning.

What 2025 Taught Us About Best Practices for Engaging Investors Around Alts

As we round out a year of traveling throughout the country, we are excited to share some recurring themes we've heard from advisors, clients and prospects. As high-net-worth (HNW) investors take a closer look at alternatives as a foundational part of their portfolios, advisors tell us that now is a critical time to provide clients with more education and insights into this growing asset class, especially given our breadth, scope and robust platform as one of the largest alternatives managers in the world.

This year, amid market uncertainty and economic shifts, some important lessons have emerged about how investors think about alternatives, what holds them back from investing, common misconceptions and the important role advisors play in opening the door to greater investment in alternatives.

Informed through our dialogue with clients and the proprietary research conducted by The Alts Institute among investors and advisors, we took a deeper dive into how advisors are framing the alternatives conversation, as well as what resonates most with HNW investors.

Here are five themes that are top of mind:

Flip the liquidity conversation: While interest in private markets continues to grow, investors need a stronger understanding of how liquidity really works in this space. About half of investors—including alts users and non-users—say they are comfortable sacrificing liquidity for growth. Yet for those investors currently using alts, the benefits are even clearer: nearly three-quarters of alts users believe that the outcomes that semi-liquid/illiquid alternative investments generate are worth the liquidity trade-off.

This signals that greater education can help non-users better understand that these assets are inherently long term and illiquid by nature. It's important to communicate that increased access and product selection can enable investment in alternatives without the traditional 7-, 10- or 12-year lockups. We stress that these conversations should take place up front, so clients and prospects are comfortable with starting to allocate to these types of vehicles.



Reinforce investors' long-term view: Private market valuations are typically assessed quarterly or semi-annually, by design. While transparency is a common investor concern, this reporting cadence can help investors stay disciplined and discourages reactions to day-to-day market swings. In fact, 95% of HNW investors say that when it comes to investing, they are focused on the long term.⁷

Even for investors not currently using alts, the vast majority say they are willing to ride out an investment's volatility to achieve their investment goals over the longer term. For alts users and non-users alike, there is clear alignment between their forward-looking investing views and the potential for long-term value creation that alternatives may provide. Our conversations with clients back up what our research tells us: it is evident that most HNW investors, including non-users, are well-positioned for alts even if they don't fully realize it.

Emphasize investment objectives over vehicles: As innovation expands access to private markets, investors are increasingly presented with a range of fund structures and vehicles. While these vehicles can enhance flexibility and accessibility, the real focus should remain on the investment objective.

Investors share that growth, income, capital preservation and diversification—all goals that can be well-served by various types of alternatives—are top priorities when evaluating investment opportunities. Ultimately, outcomes are driven by the underlying assets and manager expertise, not just the wrapper they come in, so elevating the investment objective can help investors see how alternatives fit within their broader investing goals. Alternatives are not a “one size fits all” solution.

Focus on the upside: Alts users recognize the clear upside potential of alternative investments, despite conventional wisdom suggesting that concerns over fees, transparency and liquidity are impediments to adoption. Most alts users believe that having an alternatives allocation will drive stronger long-term outcomes than a traditional portfolio; 79% of alts users believe those outcomes are worth the fees.



While alts investors tell us that they are overwhelmingly satisfied with the performance of their alternative investments, there is still work to do to address some of the perceived challenges. Most HNW investors believe the industry could do a better job of explaining alts fees/expenses, and the majority of investors admit that they don't know the right questions to ask about alternatives.

Show the big picture: Investors are looking to their advisors to lead the way, as 85% of investors would invest more in alternatives if their advisor recommended it.⁷ Investors want their advisor to guide them through their alts journey, focus on the overall benefit to the portfolio, explain products or strategies in depth and show how their strategies fit with their personal goals.

Investors are increasingly viewing alternatives as foundational to their portfolio strategy. They are also signaling that they need help thinking about their alternatives allocation in the context of their broader portfolio, particularly in an environment of heightened volatility and shifting market cycles. The good news is that resources exist, such as The Alts Institute, and advisors can and should lean into those resources.

The Advisor Opportunity

As private markets evolve, alternative investing education is more important than ever. Our research highlights that investors are increasingly seeking clarity on how alternative investing opportunities fit within their portfolios—a theme consistently reinforced throughout recent client interactions.

Moving forward, there is a compelling opportunity for advisors—particularly the next generation of advisors looking to reinforce their expertise—to reframe key elements of the alts discussion. By shifting the conversation to focus on outcomes, advisors will be able to better address investors' distinct motivations, beliefs and concerns around alternatives. Through thoughtful guidance and education, advisors can empower their clients to more effectively navigate these complex structures and invest with confidence in this new era of alternative investing.

—*The Alts Institute*



Alts Market Dashboard

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

Credit	Annualized Net Return (%) 1-Year 5-Year 10-Year	\$90.9B Deal volume Q3 2025 +59.8% 1-year change	10.09% Direct lending yield Q2 2025 -5 bps YTD change	6.72% High-yield yield Q2 2025 -7 bps YTD change	\$465B Dry powder Q4 2024 -2.8% YTD change	Private credit deal volume reached \$90.9B in Q3 2025, marking a 59.8% year-over-year increase, driven by a smaller number of deals but with a significantly higher average deal size compared with Q3 2024
Infrastructure	Annualized Net Return (%) 1-Year 5-Year 10-Year	\$70.7B Deal volume Q3 2025 -53.2% 1-year change	3.4% Public infrastructure yield Q3 2025 -20 bps YTD change	9.4x Public average EV/EBITDA multiple Q3 2025 0x YTD change	\$344B Dry powder Q4 2024 -16.7% YTD change	- Private infrastructure fundraising reached ~\$45B in Q3 2025, up ~135% year over year - Deal volume was primarily driven by energy deals, and increasing demand for AI and data centers is likely to drive future fundraising efforts
Private Equity	Annualized Net Return (%) 1-Year 5-Year 10-Year	\$526.4B Deal volume Q3 2025 +31.1% 1-year change	85.8% Average secondary pricing Q1 2025 -120 bps Quarter over quarter	13.3x Median EV/ EBITDA deal multiple Q3 2025 +2.6x 1-year change	\$2,753B Dry powder Q4 2024 -8.2% YTD change	- Private equity deals posted median EV/EBITDA multiples of 13.3x, marking a slight increase over the past year - Exit activity has displayed signs of turning, with total exit value rising 24% quarter over quarter
Real Estate	Annualized Net Return (%) 1-Year 5-Year 10-Year	\$47.6B Deal volume Q3 2025 +9.9% 1-year change	6.7% Average cap rates Q3 2025 -7 bps Quarter over quarter	2.1% 1-year net operating income growth Q2 2025 -1.6% vs. historical average	\$584B Dry powder Q4 2024 -13.4% YTD change	- H1 2025 saw strong real estate debt fundraising at \$16B, the highest since H1 2022 - Private real estate deal volume saw a positive one-year change of 9.9%, driven by anticipated interest-rate cuts

Past performance does not guarantee future results. The above indexes are unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. Private Credit represented by Cliffwater Direct Lending Index; High Yield represented by Bloomberg U.S. Corporate High Yield Bond Index; Private Infrastructure represented by Preqin Private Infrastructure Index; Public Infrastructure represented by FTSE Global Core Infrastructure 50/50 Index; Private Equity represented by Preqin Private Equity Index; Public Equity represented by MSCI World Index; Private Real Estate represented by Preqin Real Estate Index; Public Real Estate represented by FTSE EPRA Nareit Developed Index.

Except for Private Credit, Deal Volume and Dry Powder, performance data from Preqin is preliminary as of September 30, 2025, and are subject to revision, reflecting the Preqin Private Credit, Infrastructure, Private Equity, and Real Estate indexes, respectively.

Deal Volume refers to the cumulative value of deals that were transacted during a specified time period. Net Operating Income (NOI) is a calculation used to analyze the profitability of income-generating real estate investments. NOI equals all revenue from the property minus all reasonably necessary operating expenses.

Source: Bloomberg, Cliffwater, PEFox Research, Preqin data (unless otherwise noted), as of September 30, 2025; the latest available for the private market indexes shown.

ENDNOTES

1. Diversification does not ensure a profit or protect against loss.
2. Preqin, as of September 30, 2025.
Past performance does not guarantee future results.
3. KBRA DLD Research, as of September 30, 2025.
4. Bloomberg, as of September 30, 2025. Liquid markets represented by ICE BofA U.S. High Yield Constrained Index.
5. Federal Reserve Bank of St. Louis, as of September 30, 2025.
6. For informational purposes only. Not an offer or solicitation. Estimates are based on internal research and assumptions; actual outcomes may differ.
Past performance is not indicative of future results.
7. The Alts Institute Alternative Investing Survey, as of October 2024.

A WORD ABOUT RISK

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

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

Infrastructure companies may be subject to a variety of factors that may adversely affect their business, including high interest costs, high leverage, regulation costs, economic slowdown, surplus capacity, increased competition, lack of fuel availability and energy conservation policies.

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

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KEY TERMS AND INDEX DEFINITIONS

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

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

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

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

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

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

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

ICE BofA U.S. Convertibles Index tracks the performance of convertible bonds in the U.S.

ICE BofA U.S. High Yield Constrained Index measures the performance of USD-denominated, non-investment-grade, fixed-rate, taxable corporate bonds.

J.P. Morgan CLO Post-Crisis BB Index is a subset of the J.P. Morgan CLO index that only tracks the BB-rated CLO.

J.P. Morgan Emerging Markets High Yield Bond Index tracks liquid, U.S.-dollar emerging market fixed- and floating-rate debt instruments issued by corporate, sovereign and quasi-sovereign entities.

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

Nasdaq Index is a market-cap-weighted index tracking companies traded on the Nasdaq stock market.

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

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

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

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

S&P UBS Leveraged Loan Index measures the market-value-weighted performance of the investable universe of USD-denominated leveraged loans.

Secured Overnight Funding Rate (SOFR) is a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. Published by the Federal Reserve Bank of New York, SOFR is based on actual transactions in the U.S. Treasury repurchase (repo) market and is considered a reliable benchmark for short-term interest rates. SOFR has replaced LIBOR as the preferred reference rate for many financial contracts.

World Bank Global Supply Chain Stress Index (GSCSI) is an indicator developed by the World Bank to measure disruptions and stress in global supply chains. The index aggregates data on container shipping volumes, costs and delays, providing a quantitative assessment of supply chain bottlenecks and their impact on global trade. It is used to monitor trends and shocks affecting international logistics and manufacturing.

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