

CIO OUTLOOK

AUTUMN 2025

Looking
ahead to
2026

TK TIKEHAU
CAPITAL

Foreword

The transition from an economic model centred on endless growth – characterised by low or even negative interest rates and a strong emphasis on efficiency and optimisation – to a more localised, resilience-driven model marks a profound shift. This evolution sets the stage for significant changes in our economies and in our investment approach.

In our previous edition published in September 2024 (CIO Outlook - Looking Ahead to 2025), we already expressed our conviction that this paradigm shift would have four major consequences that would be decisive for the year 2025:

- The rising weight of governments in economic affairs;
- The need for massive CapEx investments;
- The acceleration of artificial intelligence (AI);
- Multipolarity and the growth of the Indo-Pacific region.

How can we assess the projections we made at the time? Have the past few months confirmed our expectations? As 2025 comes to an end, we will open this edition by looking back at these four key points.

We will go on to examine what we see as the key evolutions to monitor in 2026 and beyond:

- **US-China relations**, whose evolution could reshape global economic dynamics: is the longevity of American exceptionalism guaranteed? Can credible alternatives to the US dollar truly emerge in international trade?
- **Europe**, which we see as a unique area of opportunity. What are the foundations of this European conviction? Can the strategy of resilience deployed across the continent generate sustainable economic value?

Finally, we will highlight the investment opportunities that these developments bring to light, particularly through three major themes:

- **European sovereignty**
- **Private debt secondaries**
- **Real estate**

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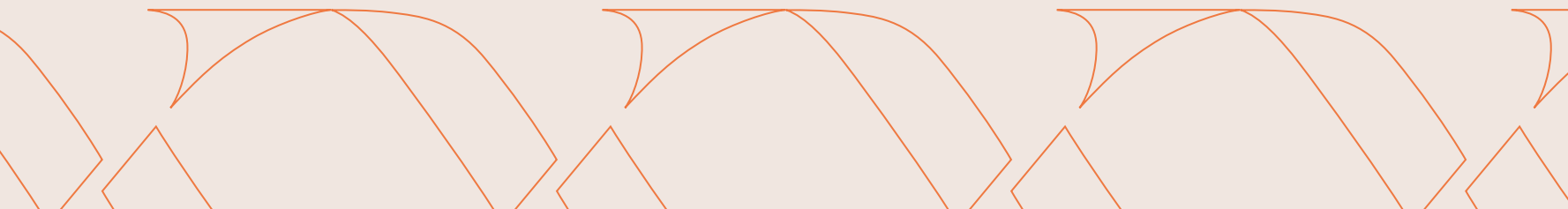
A look back at our 2025 convictions

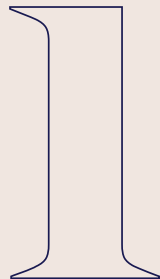
THE RISING WEIGHT OF GOVERNMENTS IN ECONOMIC AFFAIRS

A CAPEX BOOM

ARTIFICIAL INTELLIGENCE

MULTIPOLARITY AND THE GROWTH OF THE INDO-PACIFIC REGION





The rising weight of governments in economic affairs



We had anticipated a greater influence of governments in economies for 2025. This trend now appears to be well underway, and seems to be structural.

Indeed, in a context marked by deglobalisation and rising geopolitical tensions, leading nations are reviving industrial policies and strengthening their economic sovereignty. The state is once again becoming a central player, directing public investments towards sectors considered strategic for strengthening its resilience and autonomy. In this context, developed economies are now facing public debt at unprecedented levels and the cost of financing it is soaring. In advanced (OECD) economies, the debt to GDP ratio is about 83%:122.1% for the United States and 83.3% in the European Union (EU).¹



We had anticipated a greater influence of governments in economies for 2025. This trend now appears to be well underway, and seems to be structural.

We maintain this conviction and believe that long-term rates remain too low given the issuance needs required to finance sustainably higher budget deficits.

¹ Source: FMI, Global Debt Database 2023, Historical Public Debt Database, World Economic Outlook Database April 2024, SciencesPo.



The need for massive CapEx investments

“ However, such a deployment of capital does not guarantee economic value creation. The risk of overinvestment, often fuelled by competitive pressure or increasing government intervention, could weigh on future returns.



We also mentioned the need for huge CapEx to finance the 4 Ds – decarbonisation, defence, deglobalisation, and digitalisation – as a determining factor for 2025.

Global investment spending is accelerating. The energy transition alone will require around \$3 to \$5 trillion per year by 2035,² while military budgets continue to rise sharply, particularly in the United States and Europe. Between 2021 and 2024, total defence spending by European Union (EU) member states increased by more than 30%.³ In 2024, it reached an estimated €326 billion, or around 1.9% of EU GDP,³ and is expected to increase by more than €100 billion in real terms by 2027.³ At the same time, tech giants are investing heavily in artificial intelligence (AI), with over \$1.2 trillion estimated to be invested between 2024 and 2028,⁴ mainly in AI and data centres, despite uncertainties about short-term profitability. Finally, deglobalisation also has a cost,

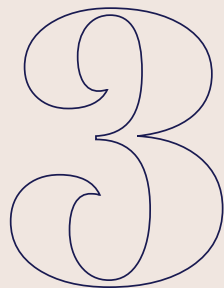
namely that of building resilience (costs associated with relocating production facilities, insurance costs, financing costs, strategic reserve costs, etc.).

However, such a deployment of capital does not guarantee economic value creation. The risk of overinvestment, often fuelled by competitive pressure or increasing government intervention, could weigh on future returns. In this context, investors will need to demonstrate discipline, focus on quality execution, and remain selective, as this new era of massive CapEx is likely to increase performance dispersion, both among companies and across countries.

This trend is accelerating and will remain a key theme for the years to come.

² Source: IEA World Energy Outlook 2024.

³ Source: European Council, Council of the European Union, European Defense Agency, data as of December 31, 2024.
⁴ Source: Goldman Sachs Global Investment Research, data as of August 4, 2025. Estimates made by GS, including Alphabet, Amazon, Meta, Microsoft, and Oracle.



The acceleration of artificial intelligence



In 2024, generative AI created considerable excitement in financial markets, fuelled by the belief that it will profoundly transform economies. However, as mentioned in the previous edition of this Outlook, there remain several areas of concern behind this optimism. Indeed, the massive development costs related to AI, particularly in energy-intensive and rapidly obsolescent data centres, raise doubts about its real profitability in the medium term.

Recent events have confirmed our concerns. The emergence of DeepSeek illustrates the risk of misallocating capital in a context of rapid disruption. Furthermore, sovereignty issues may act as a brake on the large-scale deployment of AI giants.



The massive development costs related to AI, particularly in energy-intensive and rapidly obsolescent data centres, raise doubts about its real profitability in the medium term.

4

Multipolarity and the growth of the Indo-Pacific region



In our previous edition, we highlighted that the economic development of the Indo-Pacific region, with China at its center, appeared to be one of the key drivers of global growth over the coming decades. **This conviction has been confirmed and continues to strengthen.**

By 2100, Asia and Africa alone will account for nearly 9 billion of the 10 billion people expected to populate the world, placing the Indian Ocean at the centre of global economic gravity.⁵ Against this backdrop, China is actively consolidating its regional influence by challenging the supremacy of the US dollar, making any attempt to isolate China through a trade war unlikely.

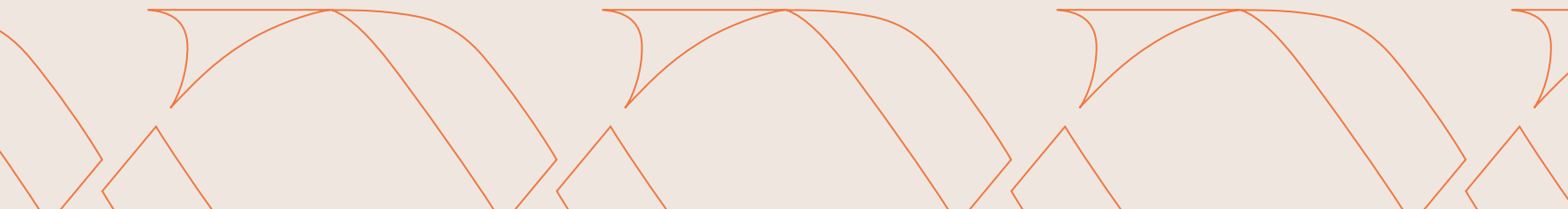
We strongly affirm this conviction for the years to come.

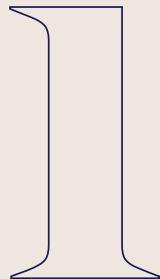
“ By 2100, Asia and Africa alone will account for nearly 9 billion of the 10 billion people expected to populate the world, placing the Indian Ocean at the centre of global economic gravity.⁵

⁵ Source: United Nations, World Population Prospect 2024.

Outlook and themes for 2026 and beyond

FINDING EUROPE'S VOICE
IN A SHIFTING US-CHINA BALANCE

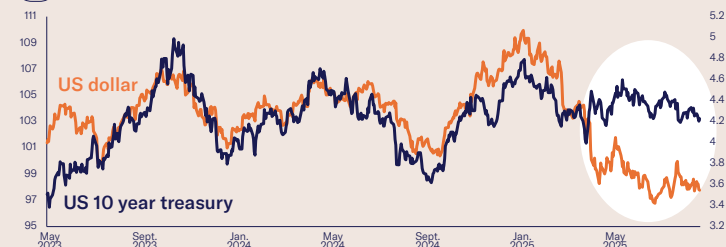




Towards a new Sino-US balance



The dollar's relationship with US yields has broken down



Source : Tikehau Investment Management ("TIM"), Bloomberg, data as of August 29, 2025.

In 2025-2026, it will be impossible to have any investment convictions without trying to understand the changing dynamics between the world's two largest powers: the United States and China. Both countries face considerable challenges related to the strategic choices of their leaders, the financial flows that support those choices, and the evolution of their demographics and economic structures.

The interpretation of these dynamics is clouded by a biased narrative on both sides, which seeks to shift the blame for problems that are likely domestic in origin onto the other side. The United States accuses China of distorting global trade, hoping that the communist system will lead its rival to decline, a process that demographic trends will accelerate. China, for its part, points to the aggressiveness of an America that does not respect its partners. Beijing is betting on the belief that the US will lose its status as a superpower because the country is on the brink of civil war and because the government's excessive debt will precipitate the decline of the dollar as the sole reserve currency. Depending on where investors are located, both of these narratives distort the reading of the economic dynamics driving these geographical areas.

For investors, we believe that the two key questions for defining a long-term asset allocation are:

- Is American exceptionalism, which justifies the gap between US valuations and those of the rest of the world and the dollar's status as the sole reserve currency, sustainable?
- Are there credible alternatives to the dollar as a trading currency and to the US as an investment destination in an asset allocation?

Is American exceptionalism sustainable?

This question is important given that US markets enjoy what is considered a significant valuation premium.⁶

US dominance is based on three pillars:

1 Economic

With deep and liquid capital markets, universities that attract the best talents, a dynamic job market, a legal system that has so far been favourable to business, and attractive corporate tax rates.

2 Military

With resources and budgets that have so far enabled it to secure key trade routes and project US power rapidly around the globe fuelling an ecosystem of innovation that benefits the entire economy.

3 Monetary

With control over payment systems for conventional financial flows and the dominance of the dollar as the sole reserve and trading currency.

This status translates into greater weight in global asset allocation: 70% of global equities and bonds are held in the United States.⁷ In June 2025, the United States accounted for approximately 70% of the MSCI World Index,⁸ while the country represents approximately 25% of the global economy⁹ and approximately 4% of its population.¹⁰ Approximately 50% of the asset management market is in the United States¹¹ and the dollar is the ultra-dominant currency in the allocations of major global investors.

As a result, the S&P 500 is trading at more than 22 times 2026 earnings, which is a considerable premium compared to the valuation of the MSCI World ex-USA.¹² Two financial factors add to the list of arguments in favour of an overweight allocation to the US:

1 An economy that seems less prone to recession

The underlying structure of the US economy is more robust. Since 1947, US household consumption of services (not goods, but services) has only declined four times during two consecutive quarters.¹³

2 A significant performance gap between US companies and others

The return on equity (ROE)¹⁴ of the S&P 500 index is 9 points higher than that of the rest of the developed world (c.21% vs. 12%¹⁵) and helps explain the valuation premium of the US stock market relative to the MSCI World ex US index. This return on equity gap is now in the 92nd percentile, and the S&P 500's ROE is higher than that of other developed equity markets in each of the 11 sectors.¹³ While the S&P 500 is currently trading at a price-to-book ratio 2.4 times higher than that of the MSCI World ex US index (4.2x vs. 1.8x¹³), valuations across all sectors appear to be in line with expected profitability. The main factors behind the ROE gap between the US and the rest of the world are, on the one hand, the difference in EBITDA margins and, on the other hand, asset turnover (explained in particular by the scale of share buybacks).

⁶ Source: TIM, Bloomberg, data as of August 29, 2025.

⁷ Source: EPFR, Haver Analytics, Goldman Sachs Global Investment Research, data as of January 18, 2025.

⁸ Source: MSCI, data as of June 30, 2025.

⁹ Source: International Monetary Fund, data as of December 31, 2024.

¹⁰ Source: UN, World Population Prospects, data as of June 30, 2025.

¹¹ Source: Boston Consulting Group, data as of December 31, 2024.

¹² Source: Bloomberg, data as of August 29, 2025.

¹³ Source: Bloomberg, data as of July 31, 2025.

¹⁴ ROE measures a company's financial profitability. It indicates the net profit generated for each euro of equity invested.

So is the price/earnings (P/E)¹⁵ ratio of over 22x sustainable?

For it to be so, three factors seem necessary:

- 1 **The conviction that the United States will continue to give itself the means to maintain its economic, military, and monetary dominance.** However, the application of the Monroe Doctrine and the resulting US withdrawal cast doubt on this point.
- 2 **The conviction that US technological supremacy remains truly unrivalled.** Hence the importance of monitoring the development of Deepseek and other non-US models.
- 3 **The maintenance of higher operating margins for US companies.** In this context, the impact of tariffs and the long-term status of the dollar could play a role.

In any case, the US seems to have opened Pandora's box on two issues:

1 Debt

With roughly \$30 trillion in outstanding US Treasury bonds,¹⁶ the big question remains: who will finance it? Deregulation will certainly allow US banks to buy more domestic debt, but in the long run, the US will not be able to do without foreign financing. However, according to Ferguson's law (Niall Ferguson), when a major power's debt interest exceeds its military budget, its authority is called into question because it appears vulnerable. The US military budget was around 3.4% of GDP¹⁷ but is set to increase. Debt servicing currently stands at c.4% of GDP.¹⁸ We are therefore at the limits of this law.

2 The rule of law

The rule of law: the militarisation of the dollar and the threat of freezing foreign assets for countries not aligned with US policy are calling into question one of the fundamentals of American exceptionalism.

By encouraging the "financiers" of American exceptionalism to reallocate their investments either locally or to alternative geographical or even monetary areas, the long-term risk for the United States is twofold:

- It could trigger a crisis in US debt financing.
- It could accelerate the loss of the dollar's status as the sole reserve currency.

Does this risk present an opportunity for China or a group of countries structured around China? What will be the consequences for the status of the dollar?

¹⁵ The price/earnings ratio measures the price the market assigns to the company's current profitability.

¹⁶ Source: Securities Industry and Financial Markets Association, data as of June 30, 2025.

¹⁷ Source: NATO, data as of December 31, 2024.

¹⁸ Source: Bloomberg, data as of August 29, 2025.

Are there any credible alternatives to the dollar as a trading currency?

The Chinese economy is undergoing a new structural transformation under the triple impact of demographic change, deglobalisation, which is affecting its export-based model, and strategic choices made by the Chinese government. After prioritising the development of the real estate market to regulate urbanisation until the COVID crisis, China's priority has become financing its industry, with the aim of reducing its dependence on the West. In the current geopolitical context, which threatens China's export model, it seems that **the priority is now to develop domestic consumption**. This explains the recent monetary and fiscal stimulus measures. Developing the domestic market seems to be the only solution to maintain GDP growth at the hoped-for level of close to 5% and avoid mass unemployment and social unrest. The development of consumption seems to represent a solution to the problem of China's ultra-competitive industry, which is flooding the world with high-quality, low-cost products. China has the means to stimulate consumption. Will it use them?

At the same time, China appears to be quietly working to develop a zone of monetary influence in Asia. As a result, the volatility of Asian currencies against the RMB seems to be steadily declining. For its part, the Asian Development Bank is increasing its financing in its currency to Asian countries. In this context, it is interesting to observe the evolution of relations between the three major "Asian" powers: China, Russia, and India.

“ **Growing tensions between the United States on the one hand and the BRICS countries on the other, particularly over the use of the dollar in trade, are proof that something is changing.** ”

Russia is rich in raw materials, China has manufacturing capacity (and raw material refining capacity), and India has a dynamic population, with around 20% of the world's population under the age of 20.¹⁹ Russia's relations with India and China are good. The relationship between China and India appears more chaotic, but signs of normalisation are emerging. This normalisation would be mutually beneficial but remains fragile, particularly in the context of tensions between India and Pakistan, the primary recipients of Chinese investment in Asia, and issues related to water (notably the construction of the world's largest hydroelectric power plant in Tibet, on the border with India).

A hypothetical alliance between Russia, India, and China could ultimately disrupt the global economic balance. **Growing tensions between the United States on the one hand and the BRICS countries on the other, particularly over the use of the dollar in trade, are proof that something is changing.** We believe that observing how these countries use or do not use the US dollar is essential to understanding the dynamics of the coming decades in terms of economic value creation on this continent, as well as capital flows and the financing of Western countries' budget deficits.

¹⁹ Source: UNFPA, data as of December 31, 2024



Europe: a unique investment opportunity



Historical discount in European equities relative to the US Equities



Source: Tikehau Investment Management ("TIM"), Bloomberg, data as of August 29, 2025.

The issue of European sovereignty has never been so topical. Two years ago, we published a letter on this subject (October 2023; Europe, the final countdown: reflections on the challenges of European sovereignty), with the conviction that building some form of sovereignty on the old continent would create economic value. It is clear that this trend is accelerating significantly. European integration has often progressed during periods of crisis. This episode is no exception to the rule. Contrary to certain theories emphasising the weakness of the old continent, **we continue to see Europe as a significant investment opportunity**. Germany's fiscal stimulus measures and the end of the banking system clean-up in southern Europe are simultaneously removing the two main forces that have been holding back growth in Europe.

On what foundations is this European conviction based?

- **The direction taken by Germany** is a game changer in terms of fiscal stimulus capacity, unlocking funding at the European level, and anchoring Germany with a genuine European sovereignty strategy. Following Germany's fiscal stimulus measures, European institutions should also be less constrained in unlocking financing that will benefit all EU countries.
- **The European banking system is completing its clean-up.** Financial institutions in southern Europe are now much stronger than in previous decades,²⁰ as evidenced by the market capitalisation of Spanish and Italian banking groups. The European banking system appears healthy, European asset managers are anchored in their geographical locations, and European investors seem willing to strengthen their contribution to financing this sovereignty.
- **The speed at which public and private sector players have mobilised to redefine industrial priorities,** identify ways to finance them, and collaborate to catch up on the technological and financial gap with the United States encourages us to invest significantly in the opportunities created by these strategic choices, whether in the energy transition, the financing of medium-sized companies, cybersecurity, defence, as well as the financing of strategic infrastructure such as data centres, regenerative agriculture, or real assets.
- **The European Central Bank is firmly committed to a cycle of interest rate cuts,** which is certainly coming to an end, but which signals the institution's willingness to support fiscal stimulus in the eurozone.
- **European asset valuations are lower than US valuations** in both the listed and private markets.²¹

- European companies have historically operated with lower levels of debt than US companies.²¹

● For the first time since the end of World War II, Europe has four factors that we believe will create economic value:

- 1 A fiscal stimulus policy
- 2 Accommodative monetary policy
- 3 Attractive valuations, with a historic valuation discount relative to US markets²²
- 4 An average level of leverage in companies that is lower than that of US companies²¹

In this context, we maintain the strong conviction that has led us for several years to favour investments in building resilience and sovereignty in Europe, whether through private equity, private debt, listed equities and corporate bonds, or real assets.²³ This trend is accelerating, judging by the interest shown by non-European investors in this economic area. We remain convinced that investing in Europe selectively and with a local focus to support massive capital expenditure needs, the revival of industrial policies, and the development of European champions in building resilience will be a significant driver of financial and non-financial value creation in the coming decades.

²⁰ Source: Bank results publications, data as of June 30, 2025.

²¹ Source: TIM, Bloomberg, data as of July 31, 2025.

²² Source: TIM, Bloomberg, data as of August 29, 2025.

²³ Tikehau Capital Group expertise and solutions may be reserved for certain categories of investors. All investments involve risks, including capital loss, liquidity risk and credit risk.

Does building resilience create economic value in Europe?

Clearly, building resilience comes at a cost:

- **Insurance costs:** climate risk insurance, cyber insurance, and business risk insurance.
- **Higher capital and financing costs:** the uncertainty generated by deglobalisation and higher interest rates is forcing companies to operate with higher capital buffers to absorb potential shocks. The anticipated decline in capital flows between major economic powers is likely to increase the cost of capital.
- **CapEx costs:** building resilience requires considerable capital expenditure. This CapEx comes at a significant cost. Reshoring²⁴ means higher wage costs for Western companies.
- **Cost of operating with larger inventories:** building resilience requires companies and governments to build up inventories. The debate on strategic reserves is resurfacing in all major economic zones.
- **Defence costs:** Germany has become the world's fourth-largest military spender²⁵ after the US, China, and Russia.

It therefore seems clear that a less optimised, less efficient world will mean slower growth.

The big question remains: can this generation of resilience create significant value?

We believe so, for several reasons:

- **Investing in companies that provide solutions for this resilience,** companies that are benefiting from strong demand from economic players to equip and protect themselves, should **generate strong growth in a world marked by lower growth.** Leaders in energy transition solutions, cybersecurity, and defence-related industries are already benefiting from significant growth trajectories.
- We believe that **this resilience will also be built through consolidation and concentration.** The creation of European champions will generate economic value. We see the financing of this consolidation through private debt as a significant investment opportunity in Europe.
- **In defence, the shift towards "collaborative warfare",** i.e., small, inexpensive objects (drones) connected to each other to inflict damage on large, expensive objects (aircraft, ships), requires massive investment in artificial intelligence, space, quantum computing, and cybersecurity. **These investments will have multiple value-creating civilian applications.**

“ It therefore seems clear that a less optimised, less efficient world will mean slower growth. The big question remains: can this generation of resilience create significant value? ”

²⁴ Reshoring (or industrial repatriation) refers to the relocation of production activities to a company's country of origin.

²⁵ Source: Stockholm International Peace Research Institute (SIPRI), data as of December 31, 2024.

— **Increased defence budgets will also enable progress in civil aeronautics.**

This industry is dual in nature and many major industrial players have built their businesses on this duality. The defence industry has long and costly cycles, and the volume effect of commercial aviation helps to offset them. Duality promotes innovation, develops synergies, enables a comprehensive approach to industrial tools, and maintains critical skills. For example:

- The digital flight controls developed by Dassault Aviation for the Rafale were subsequently replicated in the Falcon programs.
- Many helicopters developed by Airbus initially had a civilian version that was later militarised (such as the Super Puma). This is also the case for the various Falcon families from Dassault Aviation, including a militarised version for maritime surveillance.
- At Airbus, the cockpit of the A380 is the same as that of the A400M (military transport aircraft).

— **Investments in strategic infrastructure, notably financed by the German plan, will create a competitiveness shock.** We believe that financing data centres represents an attractive investment opportunity in this area.

— **The transition to a "war economy" will lead to the conversion of assets.** The war economy does not only mean rearmament, but essentially consists of maintaining control over one's productive apparatus in order to be more resilient. It also involves good management of interdependencies. The conversion of industrial production tools (factories), the repositioning of infrastructure (satellites, power plants) and even the change of use of buildings will create economic value. We see an opportunity in Europe, for example, in value-added real estate.

— **This logic of sovereignty should create positive feedback loops for European companies.** For example, to date, Europe only purchases around 18% of its military equipment in Europe, reflecting a strong preference for key US military programs (such as the F35).²⁶ European Union countries recognise that this share will need to be gradually increased to reach 30-40% in the coming years.²⁷

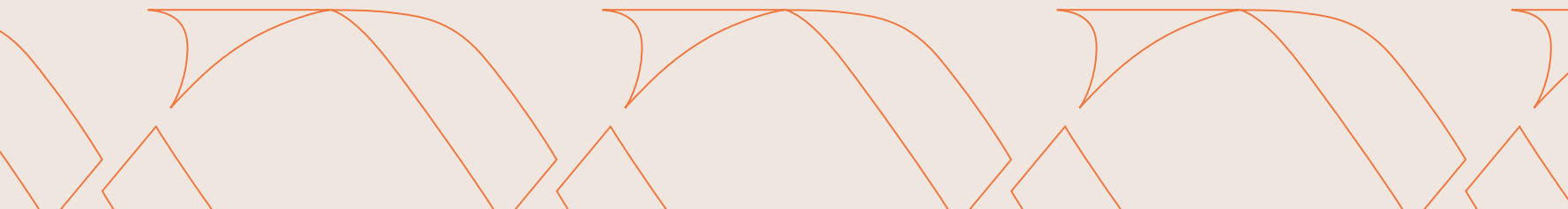
● **Although it is synonymous with weak growth and less optimisation, building resilience can generate significant economic value for investors, provided they remain disciplined** in their valuations of acquired assets and in the structure and cost of capital enabling these acquisitions, and provided they benefit from strong local roots for the origination and execution of investments.

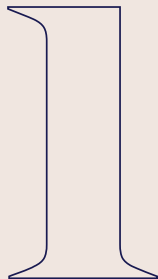
²⁶ Source: European Commission (EDIS 2024), data as at 12/31/2024.

²⁷ Source: EDIS, European Defense Industrial Strategy, data as of March 31, 2024.

Key investment opportunities in 2026

EUROPEAN SOVEREIGNTY
PRIVATE DEBT SECONDARIES
REAL ESTATE





European sovereignty



As previously mentioned in this publication, we see European sovereignty as a major investment opportunity, and have done so for several years.

Within this megatrend, our main convictions focus on three key sectors:



Defence



Defence plays an important and growing role in the security of the continent. Recent conflicts have highlighted the importance of strengthening defence capabilities across Europe and have called for increased investment, both at the national and European Union (EU) levels. While defence budgets have remained below the 2% target for the past ten years, in 2024 European countries spent an average of 2.2% of their GDP on defence. NATO defence ministers met in Brussels on June 22, 2025 and unanimously agreed on a "preliminary statement from The Hague Summit," which introduces a spending target of 5% of GDP for defence and security by 2035 (a longer timeframe than investors had expected, in our view), divided between 3.5% for basic military spending and 1.5% for security-related investments (infrastructure, cybersecurity, etc.).²⁹

The European Commission has also unveiled the ReArm Europe/Readiness 2030 plan, which aims to mobilise €800 billion for defence.³⁰ In addition, the European Council has adopted the SAFE program,³¹ which provides for a €150 billion envelope to strengthen defence cooperation. Finally, to strengthen strategic autonomy and support national industry, the EU is increasingly discussing the "Buy European Act," which aims to prioritise European-made defence products in purchasing decisions.

We believe that the massive investments that these plans and initiatives will create opportunities in both private and listed markets. In this respect, investing across the entire value chain will generate long term benefits in our opinion.

²⁹ Source: https://www.nato.int/cps/en/natohq/news_236516.htm

³⁰ Source: https://ec.europa.eu/commission/presscorner/detail/pt/qanda_25_790

³¹ Source: <https://www.consilium.europa.eu/en/press/press-releases/2025/05/27/safe-council-adopts-150-billion-boost-for-joint-procurement-on-european-security-and-defence/>

Europe has one of the world's best defence ecosystems, in our view, both in terms of major contractors and suppliers.

“ **Europe has one of the world's best defence ecosystems, in our view, both in terms of major contractors and suppliers.**

These companies face significant challenges, not in terms of expertise, but rather in terms of production capacity; order books are at historic levels (for example, Dassault Aviation has 220 Rafale orders on its books at the end of 2024³²), requiring an unprecedented increase in production rates to accelerate the pace of deliveries.

In order to continue ramping up production, major contractors must be able to rely on a solid supply chain that is itself capable of increasing its production capacity and accelerating the pace of deliveries. This unprecedented acceleration in production rates requires massive capital to strengthen the balance sheets of key players of the supply chain (whose debt levels have risen during the 2020-2022 period) thereby enabling them to finance growth.

Through our listed and private strategies, we invest across the entire value chain of the aerospace and defence industry. On the one hand, we finance major contractors, most of which are listed on the stock market, and on the other hand, we target niche players that are leaders in their markets, as well as consolidation platforms in order to increase the resilience of the supply chain (materials such as titanium, mechanics such as composite parts and machining, electronics such as printed circuits, optronics, components sub-assembly, and services such as production and exploitation services).

Cybersecurity



All companies will have to invest heavily in cybersecurity and the digitisation of production processes and supply chains. While cybersecurity is a necessity for modernisation, a competitive advantage, and a key element of economic development, it also appears to be an extraordinary source of vulnerability if systems, users, and data are not properly protected. According to a report published by the World Economic Forum, cybercrime and cybersecurity are among the ten greatest global risks in both the short and long term.³³ Indeed, economies are rapidly digitising, data production is exploding and cyberattacks are becoming more frequent and sophisticated. This trend is expected to accelerate in the future, as the number of connected devices worldwide is expected to nearly double, from 15.9 billion in 2023 to more than 32.1 billion in 2030.³⁴

These are not tactical investments, but strategic choices made at the management level that affect all departments of the organisation in all sectors of activity, especially when one considers that cybercrime will cost \$10.3 trillion annually worldwide in 2025, a tenfold increase from 2018 levels.³⁵

We invest in innovative companies across the entire cybersecurity value chain: in pure cybersecurity solutions, in upstream technologies that accelerate cybersecurity innovation, and in downstream technologies, i.e., business applications that highlight their level of security as a key differentiator.

“ **While cybersecurity is a necessity for modernisation, a competitive advantage, and a key element of economic development, it also appears to be an extraordinary source of vulnerability if systems, users, and data are not properly protected.**

³² Source: Dassault Aviation, January 2025.

³³ Source: https://reports.weforum.org/docs/WEF_Global_Risks_Report_2025.pdf

³³ Source: Statista.

³⁴ Source: Statista Technology Market Insights, 2024.

Decarbonisation



To achieve the goals set by the Paris Agreement, approximately \$5 trillion must be invested each year between now and 2035³⁶ to reach carbon neutrality. This capital should be allocated to existing technologies that can deliver more than 80% of the emission reductions needed by 2030 to be on a trajectory for net zero emissions by 2050,³⁷ as opposed to investing in new disruptive technologies that will only be effective in 10 to 15 years. This long-term structural transition is creating demand and therefore sustainable growth for companies that can offer concrete, scalable and immediately deployable solutions. **Companies whose core business is enabling the energy transition are therefore benefiting from a global trend. European companies, which are already global leaders in this field (energy efficiency, renovation, electrification of uses, etc.), should benefit greatly from this transformation.**

At Tikehau Capital, we have been investing in the energy transition since 2013.

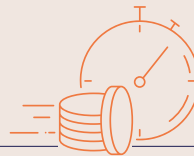
Our private equity investment strategy takes a two-pronged approach: **(i)** sector-focused, targeting key sectors responsible for CO₂ emissions, including energy production, industry, buildings, and transportation; and **(ii)** solution-oriented, identifying the most impactful solutions and their key drivers and components across the value chain, such as efficiency, electrification, low-carbon energy and inputs, as well as climate change adaptation.

“ At Tikehau Capital, we have been investing in the energy transition since 2013.

● We believe that capturing these structural megatrends – defence, decarbonisation, and cybersecurity – is a priority for long-term investors. In our view, they are not only drivers of sustainable financial performance, but also concrete opportunities to support the sovereignty, transition, and security of Europe, which is now positioned as a key player in these transformations.

We are positioning ourselves on these megatrends through thematic strategies in private equity and listed equities, as well as through dedicated private debt strategies.

³⁶ Source: IEA World Energy Outlook 2024.
³⁷ Source: Net Zero Roadmap A Global Pathway to Keep the 1.5 °C Goal in Reach, 2023 update.



2

Private debt secondaries



Private debt financing continues to emerge as an attractive alternative for medium-sized companies in the United States, Europe, and now Asia, between bond issuances on the capital markets and traditional bank loans. In this context, the primary private debt market has undergone significant change. Between 2010 and 2024, approximately \$1.6 trillion was raised through various private debt strategies,³⁸ with roughly 50% deployed in direct lending, followed by distressed, mezzanine and special situations strategies. We believe this strong momentum is set to continue, with double-digit average annual growth expected over the next five years, bringing global private debt assets under management to around \$2.6 trillion by 2029.³⁸



Between 2010 and 2024, approximately \$1.6 trillion was raised through various private debt strategies, with roughly 50% deployed in direct lending, followed by distressed, mezzanine and special situations strategies.³⁸

As a result, private debt secondaries have emerged as a dynamic segment within the broader secondary market, historically focused on private equity assets. A thriving secondary market relies on a large and stable primary market, as only a small fraction of primary assets will ultimately trade on the secondary market. Currently, it is estimated that around 1% of private debt's primary market transitions to the secondary market each year.³⁹

³⁸ Source : Preqin Global Report 2025, Private Debt.

³⁹ Source : Tikehau Investment Management, as of the date of this document.

We believe that the secondary private debt market is set to grow at the same pace, if not faster, than the primary market as investors adopt a more active approach to portfolio management. As such, secondary transaction volumes across all strategies rose from \$108 billion in 2022 to a record \$160 billion in 2024.⁴⁰ **The US market remains dominant in this segment, accounting for the bulk of volumes.**

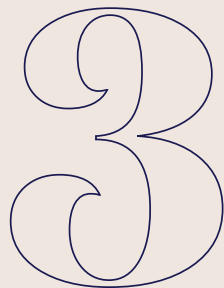
In addition, the broader secondary market has historically experienced an excess of available capital relative to the available supply of secondary transactions, leading to significant competitive pressure for buyers. In our view, although demand for secondary private debt assets has grown steadily over the years, **long-term structural market dynamics support a volume of supply consistently in excess of available capital for these specific assets, creating particularly favourable conditions for investors.**

We also believe that the secondary private debt market offers attractive valuation prospects in the medium to long term. This is because supply and demand dynamics primarily drive secondary credit pricing. The portfolios we purchase incorporate a discount to the average net asset value of more than 15%.⁴¹

Finally, secondary private debt offers the advantage of diversification; a typical credit secondaries strategy is likely to be exposed to thousands of underlying positions spread across different funds and sub-strategies. Furthermore, the portfolios purchased are mostly already deployed, allowing secondary funds to invest in different vintages. **We believe that this ability to limit idiosyncratic risk through significant diversification across issuers, vintages, sectors, geographies, and fund managers reinforces the relevance of private debt secondaries in a global asset allocation strategy.**

⁴⁰ Source: Evercore, FY 2024 Secondary Market Review.

⁴¹ Source: Tikehau Investment Management, July 31, 2025.



Real estate



The real estate sector as a whole appears to be returning to equilibrium after the severe turbulence caused by sharp interest rate hikes in 2022/2023. Investment volumes are showing signs of stabilisation and could gradually gain momentum as confidence returns.

I Value-add real estate

Strengthening resilience requires, among other things, a revival of the productive apparatus. This involves converting real estate assets to new uses. In this context, **value-add real estate represents a strategic opportunity in Europe.**

The societal changes brought about by the "post-pandemic" world, combined with the correction in valuations in recent years and the scarcity of financing, are creating significant investment opportunities in real estate assets that are conducive to changes in use or in sectors subject to profound structural changes (retail, residential for ownership or operated residential). **Recent changes in lifestyles have led to major transformations in both the residential and commercial real estate markets.** Remote working, in particular, has led to an oversupply of office space in the United States and Europe, particularly affecting buildings located on the outskirts of urban centres, which are now struggling to attract tenants. **Some of this excess supply will have to be withdrawn from the market and converted, in particular to address the shortage of housing in areas that remain accessible.** At the same time, the rise of e-commerce is redefining logistics needs, while new forms of mobility are transforming urban flows.

The real estate sector also faces major structural challenges: improving the energy efficiency of buildings, reorganising urban spaces to optimise flows, and integrating biodiversity zones to regulate the urban climate and strengthen resilience to extreme weather events. In this context, **bringing to market real estate assets that are adapted to these new requirements, ideally located and designed for mixed-uses, represents one of the most promising investment opportunities in the coming years.**

To take advantage of these dynamics, it is necessary to identify the sectors and assets that will be best integrated into these structural megatrends.

- We believe that **the residential sector represents a major opportunity**, particularly given the structural shortage of new, high-quality, well-located housing that meets new environmental standards. In addition, new societal models (blended or fragmented families in large cities, increased commuting mobility, access to international education, aging populations, etc.) are profoundly redefining the use of residential spaces. These changes are calling for a different approach to the use of square footage, favouring the development of shared or specialised housing solutions (student residences, housing for young professionals, mixed-use residences, etc.) in urban living areas.
- **The retail sector** (shopping centres, food stores, and retail parks) is undergoing profound change. Many properties are no longer suited to their original use (large shopping centres as opposed to destination retail parks, supermarkets, or shopping galleries adjacent to grocery stores), creating a range of opportunities in urban areas and on the outskirts of cities. In addition, changes in consumption patterns post-Covid (acceleration of e-commerce, pressure on purchasing power, consolidation in the grocery sector) are giving rise to changes and transitional situations that are conducive to real estate restructuring projects.
- **The repositioning of well-located office buildings also offers opportunities**, whether through renovation or conversion into mixed-use assets.

We identify these themes as major investment opportunities for the coming years.

2 Real estate debt

Real estate investors in Europe have historically financed their assets mainly through bank loans. However, in the face of recent structural shifts and change in market conditions, new regulatory constraints and more onerous liquidity and capital requirements for banks, many of these established lenders are less active in certain market segments. As a result, **borrowers, especially in the mid-market and transitional asset space, are facing a significant funding gap, leaving opportunities for alternative capital providers.**

This dislocation presents a timely opportunity for private real estate credit investors to step in and provide tailored lending solutions at attractive risk-adjusted returns according to us. Benefitting from conservative loan-to-value ratios and collateral judged to be robust at rebased pricing, credit investors can gain exposure to real assets while maintaining downside protection. At the same time, borrowers can benefit from flexible capital which can provide certainty of execution in time constraint environment to cope with different funding needs.

The need for investment in data centres, a key element of sovereignty, also represents a significant opportunity. The rise of cloud computing and artificial intelligence is generating demand for storage, computing power, and infrastructure, creating a growing imbalance between supply and demand. **Tikehau Capital, who has been a pioneer in the space in Europe with 6 transactions closed since 2018 prefer to position ourselves as a lender for this type of asset, seeking returns equivalent to or close to those required by equity investors.** Our ambition is to provide tailor-made financing solutions throughout the value chain.

Finally, in a context of less abundant liquidity and pressure on corporate margins, special situations are becoming more common. The refinancing needs of real estate assets or companies facing significant debt maturities offer liquidity providers opportunities that are considered particularly attractive, provided they remain disciplined and selective.

We see real estate credit investment as a long-term trend in Europe which will present an attractive and scalable opportunity to gain exposure to real estate in a compelling risk adjusted format according to us, in a relatively undersupplied market compared for instance to the US.



Conclusion

This unprecedented environment for investors will be synonymous with significant market dispersion: more than ever, it will be essential to focus on fundamental analysis and asset selection. Tikehau Capital stands out for its rigorous investment culture and highly selective approach (only 5% of projects reviewed receive financing).⁴² With more than two decades of experience in capital allocation across private and listed markets, we are convinced that, in the current environment, only managers capable of maintaining strict discipline should be able to generate performance.

⁴² Source: TIM, data as of July 31, 2025.



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