CIO OUTLOOK

AUTUMN 2026

Looking ahead to 2027

Start, Middle or End of the Cycle?

TIKEHAU CAPITAL

Foreword

The shift in the economic model underway in recent years marks a major turning point for investment. After several decades dominated by the pursuit of efficiency and the over-optimisation of value chains and capital structures, the economic model is now turning towards the pursuit of resilience.

This transition is accelerating the emergence of a more multipolar world, in which value creation will increasingly rely on a local presence. It implies the development of regional ecosystems, a partial relocation of the production of goods and services closer to consumers, and corporate balance sheets with lower leverage and higher equity capital. For investors, the key is to understand where financing needs will be the most sustainable. This paradigm shift paves the way for a new cycle of massive capital expenditure, centred on the '4Ds': Defence, Decarbonisation, Digitalisation and Deglobalisation.

Furthermore, in our previous publication released in September 2025 (CIO Outlook – A Look Ahead to 2026), we expressed our conviction that this search for resilience would have major consequences for the dynamics of relations among the major powers. Indeed, the sustainability of American exceptionalism, the role of the dollar as the world's leading reserve currency, the financing of US debt and the de-dollarisation initiatives pursued by certain countries are all factors likely to influence capital flows, valuation premiums and portfolio construction. This is not about predicting a sudden reallocation but about recognising that **a more multipolar world could gradually call into question certain assumptions that have dominated global asset allocation for several decades**, notably the structural overweighting of US assets and the dollar.

We also noted that, in this environment, Europe stood out as a unique area of opportunity in the long term: this conviction remains unchanged. In our view, the strategic priorities remain intact and clearly defined: funding industrial sovereignty, the energy transition, defence, cyber security and critical infrastructure. Admittedly, Europe's heterogeneity raises questions about its ability to implement directives at a European level, but it does not call into question the underlying trend: Europe will need to invest heavily to strengthen its sovereignty and resilience. Against a backdrop of valuations that remain attractive, a healthier banking system and growing mobilisation from both public and private sector players, these capital expenditure requirements should continue to create significant investment opportunities, provided investors remain selective, disciplined and firmly rooted in local ecosystems.

These megatrends appear more relevant than ever and are likely to continue to shape asset allocation over the next decade.

In this new publication, we examine the key themes to watch in 2027, beyond the megatrends previously discussed. Inflation, decarbonisation, artificial intelligence (AI), private debt: where do we stand in the cycle?

Finally, we will highlight the investment opportunities that could emerge in 2027, particularly within two major asset classes: credit and real estate.

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Key themes for 2027 and beyond

1

Resilience is reshaping the inflation landscape: the start of a new cycle

For four decades, companies have optimised their capital structures and supply chains. The aim was to maximise value creation for shareholders by restricting investment, supporting share buybacks and operating with as little inventory and equity as possible, through increased use of debt.

However, the COVID-19 pandemic and subsequent geopolitical tensions have highlighted the flaws in an over-optimised model. Building resilience has therefore taken precedence over efficiency in corporate objectives: producing closer to the consumer, increasing the resilience of supply chains, insuring against cyber, climate and operational risks, and operating with greater levels of equity, inventories and strategic reserves. This, however, comes at a cost: **resilience and sovereignty are built through capital expenditure (CAPEX), concentrated around the four 'Ds':**

- Defence
- Decarbonisation
- Digitalisation
- Deglobalisation

This CAPEX is financed by a combination of public debt (via massive fiscal expansion) and private capital. For example, in the field of artificial intelligence, it is mainly private capital that finances the construction of infrastructure. The drive for resilience therefore increases the need for companies to raise capital. They are therefore likely to turn more heavily to listed and private markets: significant capital raises (in 2026, Google carried out the largest capital raise in history for a listed company), initial public offerings, large-scale bond issues, a convergence of private debt towards the investment-grade universe, and major transactions in private equity, both in primary markets and through continuation funds.

This has three major consequences:

- A steepening of yield curves, alongside the most accommodative monetary policy possible and substantial fiscal expansion.
- The need for asset allocators to adapt their investment policies.
- A structural shift in value creation within private equity.

1 The steepening of yield curves

The reflationary environment is not solely the result of the energy crisis that first emerged with the war in Ukraine and was followed by tensions in the Persian Gulf. As we have just highlighted, deglobalisation and the building of resilience entail costs, reduced efficiency, and are inflationary. Massive fiscal expansion is also inflationary, as is the adoption of more restrictive immigration policies. The deflationary effects of artificial intelligence (AI) are widely anticipated but, in the short term, investment needs in AI are driving up prices for electronic components, electricity and even water. Finally, the weakness of Asian currencies (RMB and JPY) had been masking these inflationary pressures, but the RMB's recent appreciation is mitigating this deflationary factor for the global economy. **We therefore reiterate our view that long-term interest rates**, which can be seen as a reflection of growth and inflation expectations, **remain too low** despite the start of a correction in line with our 2026 outlook (CIO Outlook – A Look Ahead to 2026).

– What do these increases in long-term rates mean for risk assets?

- For equity instruments (listed shares and private equity), multiple expansion will be more challenging going forward, and value creation will depend more on earnings growth than on rising valuation multiples and debt refinancing.
- As for credit spreads, we remain positive but selective in terms of both issuer quality and sector allocation. In an environment of more moderate growth, we favour sectors benefiting from structural growth trends, particularly those contributing to greater resilience and sovereignty (industry, defence, energy transition, healthcare, technology, strategic infrastructure), as well as the players that provide their financing, such as banks, at the expense of sectors more exposed to consumer spending.

In this context, **we prefer credit risk to duration risk**. We therefore favour private debt strategies that offer pure credit exposure through floating-rate instruments, liquid short-duration credit, and subordinated financial bonds, with banks benefiting from steeper yield curves.

It is worth noting that, because of a reflationary environment unlike anything seen since the 1970s, government bonds are no longer, for the time being, fulfilling the role of a safe haven that they have held for decades.

2 The need to adapt investment policies

The current situation cannot be compared to the 2008 crisis, which took place against a deflationary backdrop that allowed central banks to cut interest rates into negative territory in some regions and to implement quantitative easing policies. In 2022, companies were able to pass on inflationary pressures to the end consumer, who was still benefiting from the effects of post-Covid stimulus policies. We must therefore look back to the 1970s to find a period of sustained reflation.

What were the best investors of that era saying? They emphasised that, **in an environment where government debt instruments no longer protect investors against a correction in risk assets, the only way to invest successfully is to maintain a "margin of safety"**. "Value" investing is precisely in line with this conservative approach:

the margin of safety in terms of valuation allows one to anticipate pressure on earnings due to a slowdown in growth, as well as rising costs due to higher inflation. However, an analysis of capital flows in 2026 shows exactly the opposite: very significant amounts are currently being deployed into sectors and asset classes that are already highly valued.

This reinforces our belief that investment discipline remains essential and that "FOMO" (fear of missing out) is not a sound long-term investment strategy. That said, **this market environment, characterised by significant market dislocations, creates numerous opportunities**:

- In our previous edition, we discussed the merits of a contrarian approach to investing in Europe.
  - In liquid assets, the theme of European sovereignty is a source of value creation.
  - In private equity, strong growth trends linked to the building of sovereignty are being confirmed in decarbonisation and defence, with a clear acceleration in value creation across these themes.
- We had also identified real estate as a key conviction, having undergone a significant valuation correction and, as such, is the asset class offering the greatest margin of safety.
- We remain convinced that credit remains attractive.
  - European private debt, despite concerns, remains a well-remunerated asset class.
  - Among liquid assets, financial subordinated bonds and high-yield debt offer opportunities.

3 A structural shift in value creation within private equity

In this new environment in which companies must operate, they are being forced to become more asset-heavy: inventories, infrastructure, production capacity, and supply chain support. Private equity must adapt to this new reality, likely by investing more in asset-intensive companies, in sectors benefiting from resilience-related capital expenditure (CAPEX). EBITDA growth alone is no longer sufficient to support a sound investment case. In a world of significant capital expenditure, the risk of misallocating capital is higher and dispersion is greater between the best management teams, which allocate their cash flow effectively, and the weaker ones. **The concept of return on invested capital will therefore carry greater weight in private equity investing**.

At the same time, the use of financial leverage will be more restricted. Interest rates designed to offset inflation will keep the cost of debt high. Multiple expansion will be constrained by the interest rate environment. Private equity players will therefore need to invest using less leverage and holding assets for longer.

At Tikehau Capital, the average leverage of our private equity investments is approximately 3.5x EBITDA[1], well below the market average (approximately 5.2x for the European market for sponsor-backed/LBO transactions)[2]. We invest in providers of solutions that support the build-out of resilience: defence, cybersecurity, decarbonisation and regenerative agriculture. We are confident that these strong growth trends, in a world of lower growth due to reduced optimisation, will continue to create value for our investors.

1 Source: Tikehau Investment Management, leverage at entry, data as of 31 March 2026.
2 Source: Pitchbook, data as of 30 June 2024.

2

Decarbonisation is becoming globalised in a world that is de-globalising: a cycle that is accelerating

Before the war in Ukraine, decarbonisation was seen as a necessary step towards altering the climate trajectory in order to meet the targets set by the Paris Agreement. However, many investors viewed this non-financial performance as coming at the expense of lower financial returns.

Geopolitical tensions in Ukraine and subsequently in the Persian Gulf have completely transformed the approach to decarbonisation, placing the issue within the framework of sovereignty and economic resilience rather than purely climate-related concerns. These tensions have highlighted the strategic importance of energy independence for all major economic powers around the world. Electrification has therefore become a key factor in reducing dependence on fossil fuels. **It is now in the interests of all economic actors worldwide to decarbonise.**

For Europe, the strategy remains clear: reducing dependence on fossil fuels.

China, for its part, has embarked on a rapid and large-scale decarbonisation strategy, with the aim of reducing its dependence on the US dollar, which it uses in part to purchase oil. In nuclear power, the country continues to maintain a particularly strong pace of development, with 58 reactors in operation and 37 under construction in 2026[3]. Over the past twenty years, 50,000 kilometres of high-speed rail lines have been built (compared to 8,500 kilometres in Europe[4]). Today, 97% of Chinese cities with more than 500,000 inhabitants are served by high-speed rail[5]. At this pace, China could remove several million barrels per day from global oil demand within a few years, potentially pushing marginal producers out of the market.

Who are these marginal producers? Canadian and US shale oils are among the most expensive crude oils to extract[6]. China's decarbonisation therefore potentially threatens US energy independence in the medium term if this trend leads to a reduction in global demand for oil. It is therefore in the United States' interest to decarbonise as well, especially given the country's abundant wind and solar resources, vast open

3 Source: International Energy Agency (IEA).
4 Source: China State Railway and the European Commission (EU Tourism Platform).
5 Source: China State Railway.
6 Source: International Energy Agency (IEA).

spaces, and long-standing expertise in nuclear power generation. Decarbonised electricity generation would also enable the United States to maintain its dominance in artificial intelligence. Indeed, the build-out of AI infrastructure is putting pressure on electricity prices. AI-driven electricity demand is expected to more than double by 2030, predominantly in the United States[7]. China has the lowest electricity production costs of all developed countries[8]. If the United States wants to preserve its edge in artificial intelligence, it will need to increase its production of decarbonised electricity.

It is therefore clear that all the world's major regions now have a strategic interest in accelerating their decarbonisation, which is changing the way this theme is approached profoundly.

Adding the demographic dimension makes the case even more compelling. Following the COVID crisis and the decline in birth rates in most countries, the new peak in the global population is now expected around 2080 (rather than 2100 as previously projected), reaching 10 billion people[9], of whom around 70% are expected to live in urban areas[10]. The size of the urban population is therefore expected to almost double by 2080[11]. Yet cities require electricity for heating, air conditioning, transport and leisure activities, particularly digital leisure (social media, gaming, media platforms).

The electrification of end users across all greenhouse gas emission verticals, namely agriculture, transport, industry and buildings, is the only way to meet the targets set out in the Paris Agreement. The efficiency of the electricity grid is therefore critical in this regard. Moreover, grid efficiency is also essential for the development of artificial intelligence.

Decarbonisation has therefore become a central theme in building resilience and sovereignty. It is already a much larger market than the fossil fuels market: investment in fossil fuels amounts to around 1 trillion dollars per year, whilst investment in decarbonisation is already twice that amount[12]. If we also include adaptation, that is, the investment required to upgrade existing infrastructure to withstand global warming, the level of investment required is considerably higher. Growth prospects for the best-performing companies are therefore significant.

Whilst China controls between 65% and 95% of the upstream energy transition supply chains[13] (wind turbines, solar cells, batteries, electric vehicles), providers of energy-efficiency solutions for buildings, agriculture, industry and transport are mainly based in Europe. This is because regulation was introduced earlier and was stricter in Europe, fostering the emergence of these solution providers. These European companies, specialising in engineering, software for optimising the electricity grid, or the maintenance of electrical infrastructure, are enjoying strong growth and are now expanding worldwide.

Some of these companies also offer a way to invest in the artificial intelligence theme whilst maintaining reasonable valuation levels. For example, investing in companies that provide data centre design solutions, including the optimisation of water and electricity consumption, offers exposure to both the artificial intelligence and decarbonisation themes.

Investing capital in providers of solutions for decarbonising our economic system is one of our strongest convictions. This is why Tikehau Capital has been dedicating significant resources to developing private equity expertise in decarbonisation for more than 10 years and will complete fundraising for its second vintage in December 2026.

7 Source: International Energy Agency (IEA).
8 Source: International Energy Agency (IEA).
9 Source: United Nations, World Population Prospects 2024: Summary of Results.
10 Source: United Nations, World Urbanisation Prospects.
11 Source: United Nations, World Urbanisation Prospects 2025: Summary of Results.
12 Source: International Energy Agency, World Energy Investment 2025.
13 Source: International Energy Agency (IEA).

3

Artificial intelligence: a CAPEX cycle being put to the test for profitability, halfway through its cycle

The construction and financing cycle linked to artificial intelligence (AI) and data centres is accelerating. Investment in this sector could exceed 5.5 trillion dollars by 2030[14]. The market anticipates around 700 billion dollars in AI-related CAPEX in 2026. This figure is expected to exceed 1 trillion dollars in 2027[15]. To justify this unprecedented CAPEX cycle, the revenue that the AI giants would need to generate is estimated at 2 trillion dollars per year, which is twice the size of the global advertising market[16].

Until 2025, this investment cycle was primarily funded by the cash flows of the sector's major players. However, the combined free cash flows of Amazon, Google, Meta, Microsoft and Oracle could fall from 260 billion dollars in 2024 to a negative figure in 2026[17]. The leading US AI players have therefore also become the main issuers of debt on the capital markets. In total, 2.1 trillion dollars in financing is expected over the next five years from corporate investment-grade issuers, as well as around 350 billion dollars through private markets[18]. The AI financing market is therefore expected to continue its globalisation and gradually expand into the European investment-grade and high-yield credit markets. This theme is therefore no longer confined solely to equities or private equity: it is now feeding into the bond markets, with the opportunities and risks that this entails.

Currently, AI supports US corporate profits in three ways:

- The capital expenditure cycle, which directly benefits solution providers: electricity generation and management, semiconductors, and data centres.
- The wealth effect generated by investment from American savers, which is supporting consumption. The US consumer appears to be increasingly influenced by equity market performance rather than solely by the health of the labour market.

14 Source: J.P. Morgan Global Research.
15 Source: Goldman Sachs Research.
16 Source: Bain & Company, 6th Annual Global Technology Report, September 2025.
17 Source: Goldman Sachs Research.
18 J.P. Morgan, data as of June 2026.

- Improved corporate productivity. Even though AI may put pressure on wages, this does not necessarily translate into a corresponding rise in employees' pay. US companies' profit margins remain intact for the time being.

In the United States, a large proportion of equity investors are now focused almost exclusively on AI, to the detriment of other market segments. This trend could continue and keep fuelling the bull market. The key point is that, for most major players in the AI sector, the constraint is not demand but supply, in particular, the availability of chips and electricity. They all argue that greater access to GPUs would significantly improve their products. **AI is therefore also, and perhaps above all, an energy issue. This is a particularly interesting topic for us, given that the efficiency of electricity grids is also a central pillar of our expertise in decarbonisation**.

Three main scenarios can be envisaged for this AI capex cycle:

- AI rapidly generates massive productivity gains, such that AI products become monetisable. In that case, the revenues of AI leaders could reach the order of 2 trillion dollars.
- Productivity gains do not materialise either quickly or at scale, triggering a significant correction in sector valuations.
- Productivity gains do enable the monetisation of AI products and therefore the generation of these revenues, but China manages to 'do more with less' by developing more efficient models that consume far fewer GPUs. At the same time, China has the lowest electricity production costs among developed countries. This gives it a significant advantage, coupled with its large pool of engineers. In this scenario as well, the valuations of the major US players would be called into question.

From this perspective, the US equity market and the US economy have become so dependent on AI that scenarios 2 and 3 could simultaneously trigger an economic recession and a bear market in the United States. Moreover, it is also worth noting that while Europe is not a leader in the LLM race, it is well positioned to adapt and integrate AI into its economy due to its high levels of human capital. This is why we approach this theme with great discipline, remaining particularly vigilant regarding the valuation levels we are prepared to pay. Conversely, we deploy capital and resources to sub-themes which, in our view, enable us to capture AI-driven growth with a much more favourable risk-return profile:

- **Solution providers dedicated to the development and efficiency of the global electricity grid**. This theme is accessible through our decarbonisation expertise in private equity. The rise of artificial intelligence adds the constraint of energy intensity for data centres. The question is therefore no longer simply whether more capacity will be needed, but how this capacity can be deployed in areas where electricity, land, water, permits and infrastructure are already under pressure. In this context, providing capital and prospects for international expansion to the leading solution providers in this field is one of our strongest investment convictions.
- **The financing of data centres, particularly in Europe**, where this growth is coming up against tighter constraints than elsewhere, making sustainability a central factor in feasibility, financing and value creation. In this context, the quality of an asset is no longer defined solely by its size or standard technical indicators: it depends on its ability to use scarce resources efficiently, to integrate into its local environment and to adapt to increasingly rapid technological cycles. The geography of the market is also evolving. Whilst traditional hubs continue to play a major role, future growth could shift more towards the Nordic countries and certain regions of Southern Europe, where access to electricity, renewable energy, natural cooling or land may be more favourable.

- For investors, the best assets will be those capable of combining secure access to resources, operational flexibility, efficiency of use and credible potential for expansion. In this context, financing data centres in these geographical areas, where access to energy and planning permission have been secured, but for which we are willing to assume construction and commercialisation risk, enables us to generate potential returns close to those of equity investment, whilst occupying a more senior position in the financing structure. These instruments are then often subject to aggressive refinancing by banks once construction is complete and the data centre has been let. This strategy thus enables us to invest in the asset class without being exposed to the risk of premature asset obsolescence, which may be an underestimated risk by the market. Here again, this represents a strong investment conviction for us.

– **Finally, within listed equities, our view remains broadly positive on the artificial intelligence value chain, but with a clearly defined hierarchy of convictions**. The investment cycle remains particularly strong, as evidenced by the continued rise in CAPEX budgets announced by the major tech players[19]. It is worth emphasising that exposure to the artificial intelligence theme is not limited solely to hyperscalers. Beyond these major players, certain sub-segments of the value chain still offer reasonable valuation levels and may offer attractive investment opportunities. In this respect, we remain constructive on the players in the "picks and shovels" segment, that is, suppliers of the infrastructure and equipment essential for the deployment of AI. The theme is also continuing to broaden to include companies exposed to the ecosystem's most critical bottlenecks, particularly in the cooling, optical connectivity and power supply of data centres. Lastly, the strong focus on the United States on the topic of artificial intelligence should not obscure the fact that Europe holds leading positions in several critical links of the global technology value chain. This is particularly true in the semiconductor sector, where the Dutch ecosystem remains indispensable, with players holding virtually irreplaceable positions in the equipment required to manufacture the most advanced chips.

> **We approach this theme with great discipline, remaining particularly vigilant regarding the valuation levels we are prepared to pay. Conversely, we deploy capital and resources to sub-themes which, in our view, enable us to capture AI-driven growth with a much more favourable risk-return profile.**

19 Source: earnings release, data as of 31 March 2026.

4

Private debt: an investment opportunity that looks beyond the concerns, in a cycle that is now halfway through

We remain convinced of the merits of European corporate debt, an asset class offering expected returns that provide a satisfactory reward for the underlying risk. The relative value of this asset class is attractive, and monetary policy expectations (a pause in the cycle of rate cuts, or even potential rate rises) point to a positive outlook in the medium term.

Furthermore, both supply and demand for European private debt remain strong:

- For large global asset allocators, Europe remains the only viable diversification option for private debt allocation outside the United States.
- Private equity firms rely three times more on private debt than on more liquid instruments (loans and bonds) to finance their acquisitions.
- The convergence of liquid and private markets is also progressing in Europe: issuers with access to bank loans and the high-yield market are increasingly opting for private debt due to its flexibility and the speed of execution afforded by having a single lender.

Of course, recent concerns surrounding this asset class are putting the robustness of private credit to the test. We consider these concerns to be healthy. They fall into three categories:

1 The rise in defaults

Several of the most widely publicised defaults have been incorrectly linked to direct lending, as many of the borrowers concerned actually fall outside the traditional scope of the strategy. A significant number of these cases involve large-cap issuers typically active in the syndicated loan market and are not representative of the companies usually found in direct lending portfolios. Others involve asset-backed lending structures rather than direct cashflow-based loans, reflecting a fundamentally different approach and risk profile. Furthermore, several of these situations involve "non-sponsored" borrowers, which represent a relatively small segment given that transactions initiated by a private equity fund ("sponsor") account for 80% of the direct lending market.

Payment-in-kind interest, also known as PIK, maturity extensions, covenant waivers and other amendments are all grouped under the term "shadow default". Whilst such situations clearly reflect underlying difficulties, they are not necessarily synonymous with losses. Rather, they are proactive measures taken to address temporary underperformance or liquidity pressure and to stabilise borrowers.

Defaults are rising, but managing default situations is part of the direct lending business. It is more the way in which these defaults are managed that will set asset managers apart in terms of performance.

However, effective default management is likely subject to three conditions:

- Acting locally: local presence is essential in this process and makes a huge difference.
- The size of the platform: managing a default takes time. Teams that are too small will not be able to manage defaults whilst continuing to invest with discipline.
- Having private equity capabilities or the support of a private equity team. Taking a controlling stake in a company requires these capabilities. Having them makes it possible to manage the distressed company and carry out its turnaround and exit.

2 Exposure to the software sector

The software sector was particularly well-suited to the requirements of private equity: companies are asset-light, i.e. capital-light, and given expectations of steady future cash flows, particularly in the SaaS (Software as a Service) sub-segment, these transactions could support a significant amount of leverage. As a result, the sector represents a meaningful share of both LBO funds and private debt funds. However, we do not believe that artificial intelligence will destroy the software sector. On the contrary, the strongest players in this sector will benefit from the contribution of artificial intelligence, whilst the weakest players are likely to suffer, as in all other sectors.

Consequently, as with every other sector, it is our role as asset managers to select the best investments for private debt portfolios. The loans that are particularly problematic in the software sector are likely to be those known as LTV loans or ARR loans: loans made to unprofitable companies, the terms of which are based on the company's valuation rather than on its ability to repay its debt. This represents a sub-segment within the software sector for private debt.

3 Systemic risk arising from semi-liquid funds

This is a legitimate concern, given that the 2008 banking crisis began with a liquidity problem. In the case of private debt, the situation is significantly different. The debt of non-financial companies amounts to approximately 50 trillion dollars[20] globally. The direct lending segment, that is, the portion of private debt dedicated to corporate financing, accounts for 3% of this total, with approximately 2 trillion dollars in assets[21].

20 Source: Goldman Sachs Research.
21 Source: Alternative Credit Council 'Financing the Economy 2025'.

Of this figure, the outstanding value of unlisted semi-liquid private debt funds stands at 350 billion dollars, representing 17% of the private debt universe and 0.7% of global corporate debt outstanding[22]. These funds are therefore not systemic, even if banks have provided the leverage from which some of them benefit.

These concerns are likely contributing to the rise in trading volumes on the secondary private debt market, where Tikehau Capital is one of the pioneers. We therefore see this asset class as presenting a significant investment opportunity.

In conclusion, we are convinced that these three sources of concern do not undermine the attractiveness of private credit, provided that market participants remain selective and disciplined regarding the terms of transactions. **These concerns will highlight a crisis of poor risk management, but not a systemic crisis**. In other words, asset management firms that have taken inappropriate risks (excessive exposure to unprofitable software companies, offering semi-liquid funds that are too large or overly leveraged, or executing transactions on overly aggressive terms) will be penalised by underperformance. However, this in no way calls into question the merits of the asset class.

> **We believe that, at the current stage of the market cycle, the alignment of interests and the rigour of valuation policies are two key differentiating factors amongst asset management firms.**

We believe that, at the current stage of the market cycle, the alignment of interests and the rigour of valuation policies are two key differentiating factors amongst asset management firms. The selection process taking place at this stage should help strengthen the credibility of the asset class, which is set to play an increasingly central role in the financing of the economy. Furthermore, the challenges relating to the financing of European sovereignty, the quest for resilience and the emergence of European champions are creating a favourable environment for private credit in Europe.

22 Source: Goldman Sachs Top of Mind – Cracks in Private Credit, data as of April 2026.

Key investment opportunities in 2027

1

Credit: a long-standing compounding story

Credit, taken as a whole, continues to offer investment opportunities that we consider attractive. More broadly, providing liquidity across the entire capital structure (senior debt, mezzanine financing, subordinated debt, etc.) to sound issuers facing liquidity needs can generate significant value creation.

1 Secondary private debt: a growing market

click here

Private financing continues to establish itself as an attractive alternative for medium-sized companies in the United States, Europe and now Asia, sitting between bond issues on the capital markets and traditional bank loans. The convergence of these markets, which are now of comparable size in the United States and Europe, offers issuers access to various sources of capital and liquidity. In the wake of this expansion, **the secondary market for private debt has also seen significant growth in recent years**. Indeed, the growth of a secondary market requires the existence of a sufficiently large and sustainable primary market, given that only a limited portion of primary assets is actually traded on the secondary market. Historically, around 1% of the primary private debt market flowed into the secondary market[23], but this proportion has risen to nearly 2%. **We believe this segment is set to grow as investors adopt a more active approach to managing their portfolios**. To date, we believe the secondary credit market remains broadly orderly, with no signs of large-scale forced sales. Transactions carried out by both GPs and LPs currently look more like proactive portfolio management rather than genuine stress scenarios, whilst prices remain relatively firm despite rising supply.

Furthermore, the secondary market for private debt has long been characterised by a structural imbalance between abundant supply and more limited demand, thereby offering investors the opportunity to acquire portfolios at an almost systematic discount. This has created a particularly favourable environment for secondary investors, particularly for transactions initiated by primary investors ("LP-led" transactions). Whilst discounts remain a key feature of this segment today, they have become less systematic as the market attracts more capital: in this context, value creation will rely more than ever on rigorous selection and strong investment discipline. Historically, the portfolios we acquired had an average discount to net asset value of around 15%[24].

23 Source: Preqin Global Report 2025: Private Debt.
24 Source: Tikehau Investment Management, data as of 30 June 2026.

Finally, secondary private debt offers the advantage of diversification. A typical secondary credit strategy can provide exposure to several thousand underlying positions, spread across different funds and sub-strategies. Furthermore, as the acquired portfolios are, for the most part, already deployed, secondary funds can invest across different vintages. This ability to reduce idiosyncratic risk through significant diversification across issuers, vintages, sectors, geographical regions and fund managers reinforces, in our view, the relevance of secondary private debt within an overall asset allocation.

2 Special situations: a financing toolbox

click here

In an environment of less abundant liquidity and structurally higher interest rates, special situations are on the rise. The refinancing needs of companies facing significant debt maturities or real estate assets offer liquidity providers particularly attractive opportunities, provided they remain disciplined and selective.

Historically, these strategies were more closely associated with distressed investing, deployed primarily during periods of stress or recession, and were therefore dependent on longer and more pronounced default cycles. However, recent years have been characterised by particularly short default cycles. Conversely, direct lending is increasingly part of a recurring-flow model as the market matures. Between these two approaches, however, a particularly relevant intermediate segment has emerged: that of special opportunities, which fall neither strictly within direct lending nor distressed investing. **This segment enables us to provide tailor-made financing solutions for a wide variety of situations**. At Tikehau Capital, we operate primarily in two segments:

- **Flexible capital**: providing flexible capital to support companies requiring tailor-made financing solutions across the capital structure, addressing opportunistic and complex situations.
- **Asset-backed opportunistic credit**: filling the gap left by traditional lenders for more complex and opportunistic asset-backed projects, including in data centres, using instruments ranging from senior secured debt to hybrid instruments.

Providing liquidity in a market where it is becoming scarce creates significant investment opportunities: our special situations strategy therefore stands as a genuine financing toolbox.

> **Providing liquidity in a market where it is becoming scarce creates significant investment opportunities: our special situations strategy therefore stands as a genuine financing toolbox.**

3 Subordinated financial debt: yield pick-up compared to corporate bonds

click here

In our view, the European market for subordinated financial bonds represents a particularly attractive investment opportunity, underpinned by several key factors. **The sector's fundamentals are sound**; it is a mature and liquid asset class, benefiting from a dynamic primary market and favourable technical factors. **We believe that yields are attractive and see value across the various sub-segments** (Additional Tier 1 or AT1, Restricted Tier 1 or RT1, Tier 2 and Senior), with attractive carry potential.

At Tikehau Capital, we have been investing in this segment since 2009 using a flexible approach, with few constraints in terms of instruments, ratings, geographies, issuers and duration. We invest across the entire capital structure and have extensive coverage of the European universe, including national champions as well as smaller local issuers.

The European banking sector has solid fundamentals, providing a stable framework and supporting issuers' credit quality. Profitability has been boosted by rising interest rates since 2022, alongside increasing revenue diversification, effective cost control and low provisioning requirements. European banks' capital positions are robust and well above regulatory requirements, and the sector's outlook remains very positive in light of recent earnings releases.

> **The sector continues to offer a yield pick-up over corporate bonds with similar ratings and therefore represents a genuine investment opportunity.**

Market dynamics for this asset class have changed significantly over the past ten years, notably with a now more stable regulatory framework, a track record of more than a decade, and a more experienced and diversified investor base. We believe that this favourable environment has reduced the underlying risk of volatility, both from a historical perspective and relative to other segments of the credit market. Nevertheless, **the sector continues to offer a yield pick-up over corporate bonds with similar ratings and therefore represents a genuine investment opportunity**.

2

Real Estate: a new cycle is taking shape

1 Value-add real estate: a major strategic opportunity

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Strengthening economic resilience requires, among other things, greater control over the productive base and, as such, the ability to repurpose real estate assets for new uses and to capitalise on growth drivers in new asset classes that reflect contemporary uses. **In this context, we believe that value-add real estate continues to represent a major strategic opportunity in Europe**.

Societal changes in the post-pandemic world, combined with the significant correction in valuations seen in recent years, are creating significant investment opportunities in real estate assets suited to change of use or in sectors undergoing deep structural transformations.

> **Against this backdrop, we believe that the creation or repositioning of real estate assets that meet these new requirements represents one of the most promising investment opportunities in the coming years.**

Indeed, recent changes in lifestyles have profoundly transformed both the residential and commercial real estate markets, leading to an oversupply of properties that are now obsolete. In our view, part of this stock will need to be repurposed or fundamentally redesigned in order to meet new needs.

Moreover, value creation does not rely solely on the transformation of existing assets, but also on the development of new offerings aligned with changing uses and demand.

For example, certain segments derive their value-creation potential from new demand dynamics, including:

- Hostels and micro-hotels, supported by the lack of accommodation capacity in capital cities and the search for more affordable options;
- Operated residential, driven by restrictions on short-term rentals and by societal shifts (baby boomers, divorces, young workers, students and commuter migration patterns, etc.);
- Campsites, whose value is notably enhanced by land scarcity and regulatory constraints on coastal areas;
- Co-living and micro-living, which address growing needs for flexible, temporary and affordable housing.

Beyond these shifts in usage, the sector also faces several structural challenges: improving the energy performance of buildings, reorganising urban spaces to improve traffic flow, greater integration of biodiversity, and adaptation to extreme climate events. Against this backdrop, **we believe that the creation or repositioning of real estate assets that meet these new requirements represents one of the most promising investment opportunities in the coming years**.

To capitalise on these trends, at Tikehau Capital we focus primarily on the segments and assets best positioned to benefit from these structural megatrends. In this regard, we believe residential property offers particularly attractive potential, driven by a structural shortage of new, high-quality housing in prime locations that meet the latest environmental standards. Certain new uses must also adapt to recent changes in lifestyles.

Furthermore, the retail sector is also undergoing a profound transformation. Many assets are no longer suited to their original purpose, whether they are large shopping centres, hypermarkets or shopping galleries adjacent to food retail outlets. This obsolescence is creating restructuring and redevelopment opportunities, both in city centres and in suburban areas.

We regard these themes as key investment priorities for the coming years.

2 Real estate financing: credit at the heart of a new real estate cycle

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The real estate market is now evolving in a profoundly reshaped environment, marked by the end of a decade of exceptionally low interest rates, a sustained tightening of financing conditions and continuing significant capital requirements. These needs are primarily cyclical (refinancing of debt taken on before interest rates rose and adjusting structures that have become unsuitable for the new interest rate regime) but they are also deeply structural: financing the energy transition, transformation CAPEX, the conversion of obsolete assets, and adaptation to new residential and commercial uses. In this new cycle, the question is no longer simply one of asset valuation, but also of access to liquidity capable of supporting phases of transition, refinancing and transformation. This is a slow and gradual rebuilding process, visible in both Europe and the United States, in an environment that is durably more constrained in terms of capital. **This market evolution offers a particularly favourable backdrop for real estate debt investors providing tailored financing solutions**.

Our focus is on sectors where complexity, transformation or operational considerations create a need for more sophisticated structuring. In this context, we anticipate risk-adjusted returns that exceed those seen in core or core+ strategies, precisely because we operate in complex or transitional situations where the illiquidity premium and structuring premium are significant.

Our flexibility, local presence and ability to structure several transactions simultaneously across different geographical areas enable us to address a wide range of situations. This is particularly the case in hospitality and residential segments with an operational dimension, but also in investment programmes in digital infrastructure, which rely on higher levels of leverage and more flexible financing structures than those offered by traditional banks.

Repurposing transactions constitute a second major area of focus. Many assets are still under pressure today, facing obsolescence or vacancy issues, and require conversion to residential use or other purposes. Here, banks are less involved in financing such transformations, particularly the earliest stages ranging from development to the handover of the works.

Alternative lending is no longer a marginal or opportunistic approach: it addresses a structural market need and is establishing itself as a pillar of real estate financing in an environment that is durably more constrained.

3 Listed real estate: one of the last remaining pockets of discount in equity markets

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Listed real estate is also a particularly attractive sector in the current environment. Over the long term, the sector has delivered an annualised return of 8%[25], and we believe is well-positioned to deliver at least an equivalent level of performance over the next two years.

This conviction is based both on an average dividend yield of 4.74% and on expected earnings growth of 4.09% per annum over the period 2025–2028[26]. This potential for performance could be further bolstered by a rise in valuations. The sector is currently trading at a price-to-earnings multiple of 14.6x, compared with an average of 17.6x over the last ten years[27], and is trading at a discount of 29.8% to net asset value (NAV), compared with an average discount of 14.9%[28]. It is currently one of the last pockets of significant discount in equity markets.

Nevertheless, for this to materialise, the market needs more tangible signals confirming the validity of asset valuations, notably through a more sustained recovery in real estate investment volumes (with only €215 billion traded in 2025, compared with an average of over €300 billion per year between 2015 and 2022) and/or an acceleration in M&A. In this context, the exchange offer by the US firm Prologis for the UK listed Segro, Europe's second-largest listed real estate company by market capitalisation, could act as a major catalyst for the sector as a whole. This offer values Segro at a level 39% higher than its share price prior to the announcement and 15% higher than its net asset value (NAV) as at 30 June 2026. This could send a very positive signal regarding the sector's perception and the level of valuation currently assigned to listed real estate companies.

At Tikehau Capital, we have been developing expertise in listed real estate since 2014 through a daily liquidity fund. We invest across the entire European market, enabling us to capitalise on the opportunities deemed most attractive through a conviction-based portfolio, primarily exposed to retail and logistics.

25 Source: IEIF – period 1994–2024 – '40 Years of Comparative Performance – 1984–2024', 2025 edition.
26 Source: Bloomberg, analyst consensus for companies comprising the EPRA Europe Index, NRORAE Index.
27 Source: Bloomberg, data as of 22 July 2026.
28 Source: EPRA, data as of 30 June 2026.

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