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INVESTMENT MANAGERS

PRESS RELEASE

Navigating 2026: A Cross-Asset Outlook from Natixis Investment Managers and Affiliates

- ***Portfolio Managers, Strategists and Executives from Natixis Investment Managers, AEW Europe, DNCA, Flexstone Partners, Harris | Oakmark, Loomis Sayles, Mirova, Ossiam, Ostrum AM, Vaughan Nelson Investment Management, and WCM Investment Management Provide 2026 Market Outlooks***
- ***Managers Anticipate a Normalizing Environment Ripe with Opportunity in 2026***

January 7, 2026 – As 2026 unfolds, portfolio managers and strategists across the Natixis Investment Managers complex see an investment landscape defined by normalization, resilience, and select opportunities. The outlook is anything but dull. From trends boosting international equities to higher yields for fixed income and diverging capital allocation patterns, the consensus is clear. Investors face a world where discipline, diversification, and selectivity are paramount. The main message for 2026: volatility may ebb, but opportunity favours those willing to look beyond the obvious and adapt prudently to a market in transition.

We asked investment professionals from Natixis Investment Managers and its affiliated investment managers to predict where markets are headed this year and received views from across asset classes including private real estate, undervalued stocks, bonds and options writing strategies – as well as insight into private equity, ETFs, and retirement security trends. Here is what they expect in 2026:

2026 Projections: A Bright Future for Prime Returns in European Real Estate

by Hans Vrensen, Head of Research & Strategy Europe, AEW Europe

Vacancy rates across most core European property sectors showed a continuing downward trend post-COVID in 2025, triggering positive prime rental growth projections. Office vacancies are anticipated to peak at 8% by year-end 2025 before declining to 6% by 2030. Logistics vacancies have increased to nearly 6% from record lows three years ago. As supply reduces and re-balances in line with demand, logistics vacancy is expected to reduce to 4% by 2030. Our forecast indicates prime cross-sector rental growth averaging 2% per annum from 2026 to 2030, with prime residential markets leading at 3%, followed by offices and logistics. Conversely, high street retail and shopping centres anticipate below-average rental growth, highlighting cross-sector disparity.

Commercial real estate financing has become increasingly favorable, offering competitive costs to equity investors in the Eurozone, where borrowing rates stand at near 4% compared to cross-sector prime property yields of above 5%. Efforts by banks and debt funds to enhance access to financing have heightened competition and improved refinancing conditions. Despite France seeing a rise in its debt funding gap, most other countries like the UK, Spain, and Italy have maintained gaps well below the European average, indicating a varied landscape for the remaining challenge of refinancing legacy debt across nations.

Investment sentiment towards residential and logistics remains most favorable, but office and retail sectors are catching up. Together with an increase in capital raising, AEW projects this to lead to an increase in transaction volumes to reach €200bn in 2025 and €220bn in 2026. The narrowing of bid-ask spreads and a tightening of prime property yields indicate positive momentum. The average all-sector total prime return in AEW's base case scenario is projected at 8.4% p.a. for 2026-30 across all 196 European market segments covered. Notably, prime offices are forecast to have the highest total returns of 9.3% annually, with shopping centres following at 8.6%. Across countries, the UK market is poised for the highest average total return of 10.3%, driven by high current income yields, while CEE and Spanish markets are also forecasted to perform strongly.

Esperance for 2026

By Christophe Gilbert, portfolio manager, DNCA

After the year 2025, marked by strong geopolitical turbulence, but of great economic resilience, 2026 opens under the hospices of hope of revitalized growth. This is true in the euro area in particular, through the implementation of the recovery plan, but also in the USA, where the continued rapid deployment of energy infrastructure and data centers in conjunction with AI should lead to a further spectacular increase in investment. The continuation of high budget deficits should also come to the rescue of weaker consumption due to labor market constrained by less demand for workers and weaker supply of labor (ageing populations and less immigration).

Inflation does not appear to be a real risk in 2026, but it is possible to imagine a greater dispersion within the indices due to political tensions and trade barriers, the significant need for raw materials linked to the energy transition and the need for AI, as well as the scarcity of specialized workers. While the short-term risk of a significant rise in inflation can be averted, the geopolitical environment can make conducive violent and unexpected spikes in price increases.

Finally, central banks should also no longer contribute to economic momentum in the future, insofar as the large part of monetary adjustments have been carried out, contenting themselves in most cases with maintaining the current level of their short-term interest rate or continuing to move towards their equilibrium rate, which is already close to the expected levels.

The pressure on the financial markets on the bond markets could appear due to a still very high demand for capital from governments around the world and the high investment needs for new technologies. These tensions, if they were to be too high, would not be without impact on the equity markets through profitability and valuations and would also be likely to worry investors about the debts of the most fragile states.

2026: Private Equity at the Crossroads of Liquidity, Consolidation, and AI

by Eric Deram, Managing Partner, Flexstone Partners

In 2025, the small and mid-cap private equity market showed signs of revival, with investment and divestment activity picking up and valuations holding steady. The secondary market is on track to surpass $200bn in transactions, its largest tally ever. As we look ahead, the question remains: are we finally emerging from the liquidity drought that has defined recent years?

We believe 2026 will mark both a recovery and a transformation for private equity. Exit volumes are set to exceed the 2021 peak, supported by falling interest rates and easing geopolitical risk. The reopening of the IPO window will add further momentum. Yet, despite this surge in activity, valuations are unlikely to improve meaningfully. General partners, under pressure to deliver liquidity, will be forced to sell assets at less-than-optimal prices, particularly as reliance on GP-led continuation vehicles moderates.

At the same time, the industry faces structural shifts. Fundraising will become increasingly polarized, with 40% of capital expected to flow to the ten largest firms. For smaller and mid-sized managers, survival will be difficult, and conferences may feel more like a scene from *Thriller* than a celebration of growth. Zombie funds will proliferate, while “fundless sponsor” deals rise in prominence. Consolidation among the largest players is also likely, with succession challenges and the need for scale in retail markets driving mergers between two of the world’s top ten firms.

Technology will play a defining role. More than half of private equity firms are expected to appoint a Chief AI Officer, signaling the integration of artificial intelligence into both operations and investment processes. Whether or not an AI bubble exists, the efficiency gains and decision-making enhancements are too significant to ignore.

Finally, retail investors will continue to reshape the market. Evergreen semi-liquid products are gaining traction, appealing to both institutional and individual investors for their simplicity and liquidity profile. These vehicles will capture a growing share of private asset allocations, reinforcing the democratization trend already underway.

Don’t Forget About International Equities in 2026!

by Tony Coniaris, CFA, Partner and Co-CIO, Harris | Oakmark International Equities

Last year underscored the critical role of diversification, with international equities outperforming U.S. equities by the widest margin in more than a decade. This shift has investors asking whether the trend can continue—and we believe the fundamentals suggest it can.

Despite strong gains in 2025, international equities still trade at a substantial discount to U.S. equities - roughly twice the historical average discount of 14%. But the case for international equities extends well beyond attractive valuations:

- **Earnings growth** expectations are improving outside of the U.S. while modestly contracting within the U.S.
- **Currency tailwinds** from a weakening U.S. dollar are adding support.
- **Policy shifts** such as deregulation and increased fiscal spending in Europe, along with improved governance standards in parts of Asia are positive for equity investors.

We remain optimistic about international equity returns going into 2026. With most investors still under-allocated to this asset class, we believe now is an opportune time to increase exposure and capture the benefits of global diversification.

Resilient Growth and Persistent Inflation: Navigating Fixed Income Opportunities in 2026

by Matt Eagan, CFA, EVP, Portfolio Manager and Head of the Full Discretion Team, Loomis, Sayles & Company

As we look toward 2026, inflation remains a defining feature of the global macro backdrop. While near-term inflation around 3% is largely priced into the front end of yield curves, bond markets appear more confident about a return to a 2% long-term equilibrium. We view that confidence as misplaced. Inflation is increasingly embedded in economic behavior, supported by structural tailwinds including persistent fiscal deficits, geopolitical fragmentation, defense spending, and supply-chain reconfiguration. Against this backdrop, the Federal Reserve is likely to tolerate inflation closer to 3% as the economy continues to run “hot.”

Economic growth is expected to remain resilient into 2026, with fiscal impulse and easier global monetary conditions proving more supportive than widely appreciated. Recent policy shifts - particularly around immigration, tariffs, and cost-reduction efforts - are changing labor-market dynamics and complicating the interpretation of monthly employment data. At the same time, market plumbing issues, including episodes of stress in repo markets, have driven periodic risk pullbacks across assets, underscoring the importance of liquidity awareness.

From a fixed income perspective, higher yields provide a materially improved starting point for building resilient portfolios. We see no structural problems in public credit markets and do not expect losses or defaults to rise meaningfully. Credit spreads embed a modest risk premium and harvesting that carry over time should generate attractive risk-adjusted returns. We expect credit markets to trade within a range, with benign losses and volatility, creating opportunities for active managers.

We favor investment grade corporates, particularly where investors can access private investment grade sectors that offer incremental spread and stronger structural protections. While private credit remains more opaque and may experience higher idiosyncratic losses, we do not view it as a systemic risk. The convergence between public and private credit markets is accelerating, creating opportunities for multi-sector investors.

Duration remains a key portfolio decision. We are underweight the long end of the curve given inflation persistence, fiscal concerns, and the likelihood that government debt issuance eventually shifts further out the curve. We prefer shorter duration and spread-oriented strategies, leaning into idiosyncratic security selection.

Emerging markets – both dollar-denominated and local currency – appear attractive amid global liquidity and easing cycles, though geopolitical risk demands selectivity. More broadly, the debasement of fiat currencies remains a key global risk as governments contend with rising fiscal burdens and elevated debt levels. Overall, valuations matter, but in a higher-yield world, fixed income investors are better positioned than they have been in years.

Positioning for Growth: From Credit Strength to Equity Selectivity

by Hervé Guez, Global Head Listed Assets, Mirova

Global growth should hold near 3% in 2026. The U.S. remains resilient (~2%), driven by an investment super-cycle beyond tech, while inflation stabilizes around 2.8% and policy rates near 3.25%. Europe lags but improves on ECB easing and Germany’s infrastructure plan (Eurozone ~1.2%). Emerging markets outperform (~4%) on favorable growth/inflation mix and softer dollar; China targets 4.5% growth with selective stimulus despite structural headwinds.

On the equities side, we remain prudently positive. Earnings growth (10–15%) and buybacks support U.S. markets, but high concentration in AI demands selectivity. We favor quality exposure to long-term megatrends: water & energy infrastructure, health care (attractive valuations, easing policy risks), and the AI value chain from infrastructure to software. Small/mid-caps and selected health names could rebound as performance broadens beyond mega-cap tech.

In our view credit remains compelling, though leadership shifts. We prefer senior high yield (with selective CCC beta), financials and telecom hybrids, while remaining mindful of heavy issuance from “reverse Yankees.” Sovereigns face rising supply; spreads should continue to compress, reinforcing our conviction that credit will once again outperform in 2026.

A Goldilocks Market Scenario Returns in 2026

by Jack Janasiewicz, Lead Strategist and Portfolio Manager, Natixis Investment Managers

2026 is shaping up to be a decent year for both equity and fixed income. After years of macro and policy uncertainty, volatility looks set to continue compressing as a year of “ho-hum” growth takes form. That may be just what the doctor ordered, as growth remains just strong enough to support healthy earnings growth while allowing the US Federal Reserve (the Fed) to respond to downside risks to the labor side of the mandate as upside inflation risks continue to fade. The return of Goldilocks – neither too hot nor too cold.

The Fed is expected to keep rates on a downward path, and recession risks remain low—a recipe for supportive financial conditions. Inflation, while sticky in places, is showing signs of softening as shelter costs decline and labor markets cool. Investors can expect US Treasury yields to stay largely rangebound, with credit markets offering attractive yields thanks to healthy corporate balance sheets. In short, 2026 looks to be another solid year for carry, with spreads hovering close to all-time tights but likely contained as incremental supply begins limit any incremental rally.

On the economic front, growth should hover around 2%, with mixed signals from traditional pillars. We expect the K-shaped consumer phenomena to persist in 2026. With wage growth expected to remain muted, labor markets cooling slowly and steadily, and the wealth effect boosting sentiment, broader consumption should still be supported as the upper income cohort continues to spend. While the One Big Beautiful Bill (OBBBA) could lift investment, sentiment among CEOs remains cautious, suggesting any tailwind will be modest.

This environment is supportive of high single-digit to low double-digit gains for equities, with large caps favored. Simply buying the Magnificent 7 will likely prove to be a more challenged strategy in 2026 as a tug of war emerges between perceived winners and losers. Conversely, an upside surprise could emerge in the run-up to US midterm elections where slipping support for the Republicans could see short-term fiscal policy initiatives to bolster ratings and sentiment.

While no year ever plays out completely as expected, 2026 looks set to provide another decent year for risk assets. Growth is strong enough to support healthy earnings, yet tame enough for the Fed to remain supportive and respond to any incremental labor market deceleration should it occur. In other words, the return of Goldilocks.

2026 The Year of Divergence: AI Investment Propels U.S., While Europe Faces Struggles

by Patrick Artus, Senior Economic Advisor, Ossiam

In 2026, a marked divergence in economic growth is expected to persist between the United States and other advanced economies (euro area, United Kingdom, Japan). US growth is projected to remain relatively strong, primarily driven by robust corporate investment. This reflects the substantial capital expenditure required for the deployment of artificial intelligence, including investments in data centers, advanced computing infrastructure, and electricity networks. These capital-intensive investments support economic activity but generate comparatively limited job creation.

By contrast, growth in Europe is likely to remain weak. The euro area continues to face strong competitive pressure from Chinese products, alongside structural constraints such as a declining working-age population and persistently low productivity growth. The United Kingdom faces similar headwinds, compounded by fiscal constraints. In Japan, economic activity is expected to be restrained by a deterioration in household purchasing power, as inflation continues to outpace wage growth.

Inflation remains above central bank targets in the United States, the United Kingdom, and Japan, while it is expected to be closer to the European Central Bank's target in the euro area. Central banks in Europe and Japan therefore face a difficult policy trade-off between elevated inflation and weak economic growth, which is likely to result in only limited adjustments to policy rates. In the United States, the Federal Reserve faces a different challenge. Economic growth remains relatively solid, but employment gains are modest, given the investment-led and capital-intensive nature of AI-driven expansion. If the Federal Reserve places greater emphasis on employment, it may cut policy rates, potentially toward 3% by the end of 2026. However, if inflation and growth dynamics remain the primary concern, a more cautious approach is likely.

Long-term interest rates will be influenced by several key factors. Public deficits remain elevated in the euro area and the United Kingdom and are expected to increase in the United States and Japan due to fiscal stimulus measures or tax cuts. Central bank policy paths also diverge, with anticipated rate cuts in the United States and the United Kingdom, relative stability in the euro area, and gradual increases in Japan. In addition, the end of Quantitative Tightening in the United States at the end of 2025, and likely in Europe and the United Kingdom in 2026, will shape bond market conditions.

Equity market dynamics are dominated by valuation concerns in the US technology sector. The Nasdaq's price-to-earnings ratio, based on 2025 earnings, stands at an exceptionally high level. At the same time, companies developing AI models are expected to undertake massive capital expenditure. The key question is whether these firms can sustain returns on capital amid sharply rising capital intensity. Recent market behavior suggests growing investor hesitation, raising the likelihood of a rotation away from technology stocks toward sectors supplying AI infrastructure.

2026: Striking a Balance Between Resilience and Uncertainty

by Axel Botte, Head of Market Strategy, Ostrum AM

In 2026, our forecast is for moderate growth in the U.S. and Europe and continued rebalancing of the Chinese economy.

The AI investment boom remains a key driver of U.S. growth even though bubble-induced imbalances have started to emerge in private credit space. With fiscal and monetary support as the Fed cuts rates further to 3%, equity markets may continue to advance. The FOMC decision to purchase $40 billion worth of bills per month will keep liquidity at ample levels, which should support financial asset prices. The yield on the 10-Yr note should hover around 4.30% as concerns about the fiscal trajectory are unlikely to dissipate. For this reason, we expect the U.S. Treasury yield curves to remain steep.

In the Eurozone, corporate earnings will bounce by 9% after a flat year in 2025 as the euro stabilises around $1.20. Strong earnings growth and high multiples will contribute to low double-digit total returns on European equities. Meanwhile the ECB will keep deposit rates unchanged at 2% throughout 2026 even if inflation may turn out to be stickier than anticipated. Bunds have priced in the fiscal impulse from Germany so that 10-Yr yields should hover around 2.80% by year-end 2026.

Inflation risks may nevertheless be underpriced on a 2-Yr horizon. Sovereign spreads on OATs and BTPs may rise slightly from December 2025 levels reflecting uncertainty about fiscal consolidation in France and the end of NextGen EU financing for Italy. Potential rate hikes from the BoJ and asset allocation shifts from Dutch pension funds may also have some bearing on European long-dated bonds.

As credit is concerned, valuations are rich from a historical perspective and argue for moderate spread widening in 2026. However, as credit fundamentals in both European investment grade and high yield remain solid, investors may continue to redeploy cash to earn carry.

Capital Allocation Insights: 2026 Marks a Turn in Market Leadership

by Adam Rich, Deputy CIO & Portfolio Manager, Vaughan Nelson Investment Management

We believe investment opportunities in 2026 will increasingly be shaped by where companies continue to reinvest. After several years of extraordinary spending, the rate of change in technology CapEx and R&D is normalizing. The sector remains a key driver of global markets, but incremental investment is slowing, and leadership is likely to narrow around platforms still able to deploy capital at improving returns. As tech enters a period of consolidation, we expect focus to outperform breadth within the sector.

At the same time, we see strong potential across the real economy, where a decade of underinvestment is now meeting rising demand. Capital spending in Energy, Materials, and Industrials remains near cycle lows even as supply chains reorganize, fiscal stimulus supports manufacturing activity, and AI-related power needs accelerate. These forces are creating the early stages of a new capital cycle. Industries that invested selectively through the downturn now enter 2026 with healthier balance sheets, improving pricing power, and opportunities to reinvest at higher marginal returns.

Across regions, we believe reinvestment trends will matter more than traditional macro signals. The U.S. remains the most consistent re-investor globally. Europe continues to lag after years of underinvestment, though select companies are reallocating toward higher-return opportunities. China faces continued pressure on ROI trends, driven by overcapacity, weak private-sector confidence, and ongoing policy uncertainty. In contrast, Asia outside China—particularly India, Korea, and Taiwan—shows accelerating reinvestment momentum supported by manufacturing and semiconductor expansion. In a world of diverging capital allocation patterns, we believe the strongest opportunities will come from companies and regions still deploying capital at improving returns.

Equity Investing in 2026: Adapting to the Forces Shaping Global Growth

By Daniel Wiechert, Client Portfolio Manager, WCM Investment Management

Looking toward 2026, global equity markets are likely to be shaped by complexity rather than a single dominant narrative. Structural unknowns, such as AI adoption, market concentration, retail-driven enthusiasm, and policy volatility, are interacting with a post-COVID economic reality that looks meaningfully different from prior cycles. Locking into binary views, such as declaring AI a bubble or assuming traditional defensives will behave as before, can risks missing how opportunity sets are evolving. At WCM, this reinforces our bottom-up focus on companies with durable and improving competitive advantages. The dislocation between backward- and forward-looking quality has created opportunity in areas once off our radar, including civilian aerospace and natural gas turbine manufacturers benefiting from supply chain rationalization, pent-up travel demand, and AI-driven electrification. Within AI itself, we remain selective, emphasizing "picks-and-shovels" businesses with widening moats rather than relying on enthusiasm alone.

Despite heightened cross currents, we remain constructively optimistic about global equities through 2026 and beyond. We believe that markets retain powerful self-correcting mechanisms, and long-term value creation still accrues to businesses that can sustainably compound economic profits. While the forecasting horizon may feel shorter today, our investment horizon remains multi-year, supported by rigorous maintenance research and a willingness to adapt as facts change. Macro themes that extend into 2026, such as geopolitical fragmentation, rising defense spending, and accelerating electricity demand, matter, but they serve to inform, in our view, not override, bottom-up conviction. In an environment defined by change, we believe the greater risk lies not in imperfect prediction, but in failing to evolve alongside the companies and industries shaping the next phase of global growth. We stress this point, as we believe it will materially define go-forward investment outcomes for active managers.

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About Natixis Investment Managers

Natixis Investment Managers' multi-affiliate approach connects clients to the independent thinking and focused expertise of more than 15 active managers. Ranked among the world's largest asset managers[1] with more than $1.5 trillion assets under management[2] (€1.3 trillion), Natixis Investment Managers specializes in high-conviction active investment strategies, insurance and pension solutions, and private assets, and delivers a diverse offering across asset classes, styles, and vehicles. The firm partners with clients in order to understand their unique needs and provide insights and investment solutions tailored to their long-term goals.

Headquartered in Paris and Boston, Natixis Investment Managers is part of Groupe BPCE, the second-largest banking group in France through the Banque Populaire and Caisse d'Epargne retail networks. Natixis Investment Managers' affiliated investment management firms include AEW; DNCA Investments;[3] Flexstone Partners; Gateway Investment Advisers; Harris | Oakmark; Investors Mutual Limited; Loomis, Sayles & Company; Mirova; Naxicap Partners; Ossiam; Ostrum Asset Management; Seventure Partners; Thematics Asset Management; Vauban Infrastructure Partners; Vaughan Nelson Investment Management; VEGA Investment Solutions and WCM Investment Management. Additionally, investment solutions are offered through Natixis Investment Managers Solutions and Natixis Advisors, LLC. **Not all offerings are available in all jurisdictions.** For additional information, please visit Natixis Investment Managers' website at im.natixis.com | LinkedIn: linkedin.com/company/natixis-investment-managers.

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[1] Survey respondents and publicly available data ranked by Investment & Pensions Europe/Top 500 Asset Managers 2025 ranked Natixis Investment Managers as the 20th largest asset manager in the world based on assets under management as of December 31, 2024.

[2] Assets under management (AUM) of affiliated entities measured as of September 30, 2025, are $1,528.4 billion (€1,300.9 billion). AUM, as reported, may include notional assets, assets serviced, gross assets, assets of minority-owned affiliated entities and other types of nonregulatory AUM managed or serviced by firms affiliated with Natixis Investment Managers.

[3] A brand of DNCA Finance.