

Solving for 2026

Five Themes for Navigating Markets

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Solving for 2026



JOSEPH V. AMATO
President and Chief Investment
Officer—Equities



MAYA BHANDARI
Chief Investment Officer,
Multi-Asset Strategies—EMEA



ASHOK BHATIA, CFA
Chief Investment Officer—
Fixed Income



JEFFREY BLAZEK, CFA
Co-Chief Investment Officer—
Multi-Asset Strategies



ERIK L. KNUTZEN, CFA, CAIA
Co-Chief Investment Officer—
Multi-Asset Strategies



SHANNON L. SACCOCIA, CFA
Chief Investment Officer—
Wealth



ANTHONY D. TUTRONE
Global Head of Alternatives

Five Investment Themes for 2026

At the close of 2025, Neuberger's investment leaders gathered to identify the key investment trends on the horizon. In *Solving for 2026*, we share their insights on the evolving macroeconomic environment and their expectations for equities, fixed income and private markets—distilled into five key themes for investors as they consider risk and opportunity in the New Year.

Five Themes

Summary Views

Solving for 2026

1

Expect Divergence in Monetary and Fiscal Approaches

Policymaking is being complicated by an unusual combination of economic factors: AI productivity gains are driving growth while unemployment faces a slow grind higher. For the Fed, and other data-dependent central banks observing similar trends, the pace and extent of easing will be in question as the year plays out.

Investment Spotlight: Bullish for equities in the U.S. and Japan; cautious on Europe; positive for longer rates.

2

AI Is in the Driver's Seat

The AI investment megatrend is driving capex, inflation, labor markets and asset prices, with policymakers responding reactively as countries seek to establish dominance.

Investment Spotlight: A broadening investment set means there is an AI opportunity beyond the U.S. and China; the prospect of greater market volatility given areas of frothiness also argues for diversification.

3

The Worst Is Over for Long Rates

Current yields appear to be reflecting the known risks around fiscal overreach and debt sustainability, suggesting that the worst may be over for long-term interest rates. In credit, heightened idiosyncratic risk may continue heading into 2026, as the credit cycle matures and AI creates further disruption.

Investment Spotlight: As the Fed and other central banks adopt a more dovish bias, consider opportunities further out on the curve, pairing shorter and longer duration assets and taking selective credit exposure.

4

A Double-Edged Sword for Equities

The opportunity in AI is real, but so is the risk. The accelerating AI rollout in more traditional sectors, from health care to financial services, will add efficiencies and enhance margins beyond mega-cap tech, supporting broadening of investment and earnings growth.

Investment Spotlight: AI will likely drive an extraordinary process of “creative destruction” for companies and industries, requiring selectivity in investment choices. Focus on companies with durable returns on their AI spending and implementation strategies.

5

Seismic Shifts for Private Markets

Although dealmaking continues to pick up, it may take several years to work through the backlog of companies looking for exits. This creates opportunities for providers of liquidity to private equity sponsors and their limited partners. Secondaries, capital solutions and equity co-investment all have potentially attractive, multiyear opportunities.

Investment Spotlight: In private equity, focus on liquidity providers to top-tier sponsors via midlife co-investments, GP-led continuation funds and custom hybrid capital solutions.

1

Policy Crosscurrents: Expect Divergence
in Monetary and Fiscal Approaches

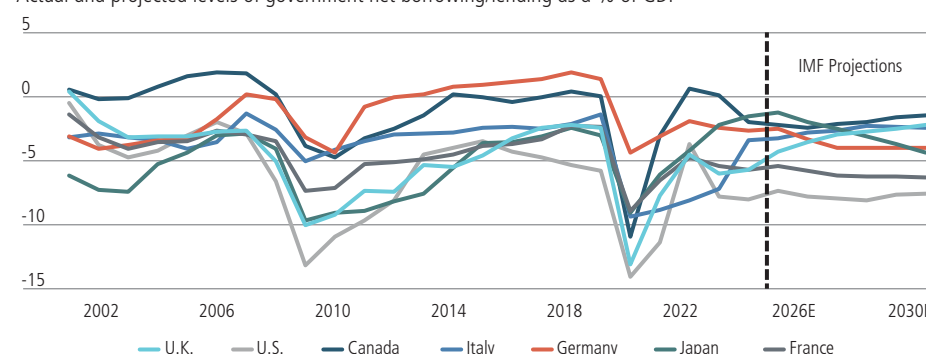
As we enter 2026, the Federal Reserve's dual mandate of maintaining maximum employment and price stability will likely be complicated by an unusual combination: productivity gains are driving growth while job creation remains subdued.

Rapid AI investment and adoption contribute to both dynamics, adding upside risks to growth via productivity, and downside risks to labor as unemployment grinds higher on increasing automation. For the Fed and other data-dependent central banks observing similar trends, the pace and extent of easing will be in question as the year plays out, shaped by how the labor, growth and inflation picture evolves.

Heading into the new year, the macro setup looks supportive for the U.S. and parts of Asia, particularly China and Japan. Europe, by comparison, looks more challenging due to a tougher mix of macro, policy and political factors. Investors need to prepare for risk-on rallies, but also stay wary of the fallout should monetary and fiscal policies disappoint or lead to overheating. Overall, we expect the global fiscal bias towards spending to prevail, even as tariff uncertainties remain and deficits widen.

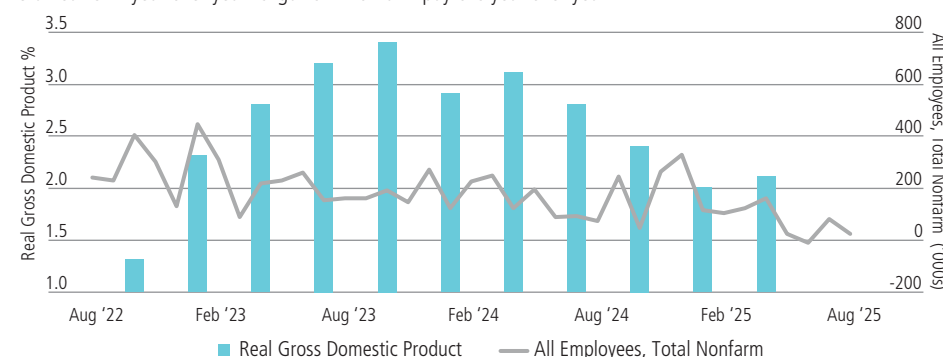
The Fiscal Bias Toward Spending Will Prevail Amid a Varying Growth/Labor Tradeoff

Actual and projected levels of government net borrowing/lending as a % of GDP



Will Job Growth Follow Productivity-Driven Headline Growth?

U.S. real GDP year-over-year vs. gains in nonfarm payrolls year-over-year



Source: Top chart: Bloomberg, IMF, Macrobond and Neuberger, 2025. Bottom chart: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federal Reserve Bank of St. Louis. Data as of October 2025.

INVESTMENT
IMPLICATIONS:
KEY TAKEAWAYS

U.S.

Productivity improvements should drive higher earnings in aggregate, but policy surprises could deliver volatility spikes. In fixed income, we believe that stabilizing term premia can allow investors to capture selective opportunities at the longer end (10 years and beyond) of the curve.

Europe

Equities are likely to face pressure on falling earnings expectations and a more challenging macro/policy backdrop; European fixed income (Bunds, corporate credit) looks attractive ahead of additional monetary easing.

Asia

We expect Japan equities to continue benefiting from earnings strength, share buybacks, corporate governance reforms and attractive valuations.

2 AI Is in the Driver's Seat

As the race for AI leadership intensifies in 2026, the benefits should materialize faster and more emphatically. This will have profound implications for inflation, labor markets and asset prices. It will drive increasingly disparate macroeconomic and microeconomic outcomes, forcing more policy responses from governments.

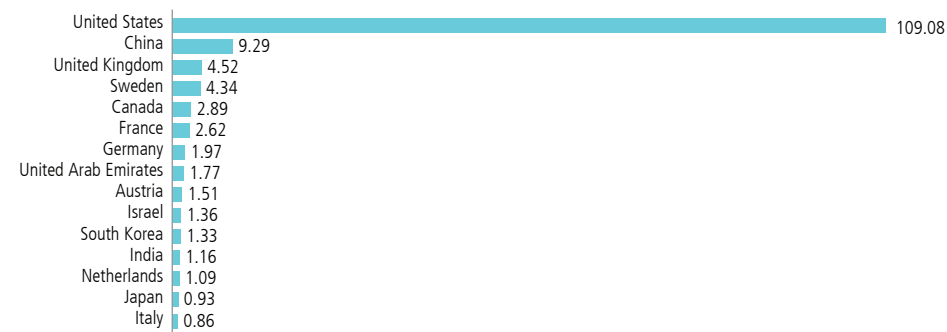
Regionally, the U.S. and China are moving the quickest on AI development, driven by supportive regulation, huge private sector investment and rapid deployment. The U.S. seems to have an early lead, with company- and sector-level productivity gains beginning to come through.

AI is driving a multiyear infrastructure cycle: expect massive spending across data centers, power, energy and grid upgrades, as well as a set of second-derivative industries. But this rush of private capex by tech and AI hyperscalers will need to broaden and increase to drive further growth, and that can only occur if there is an improvement in business confidence.

Likely the most enduring impact of AI investment will be felt as companies in all the non-tech sectors embrace and incorporate this technology into their core business.

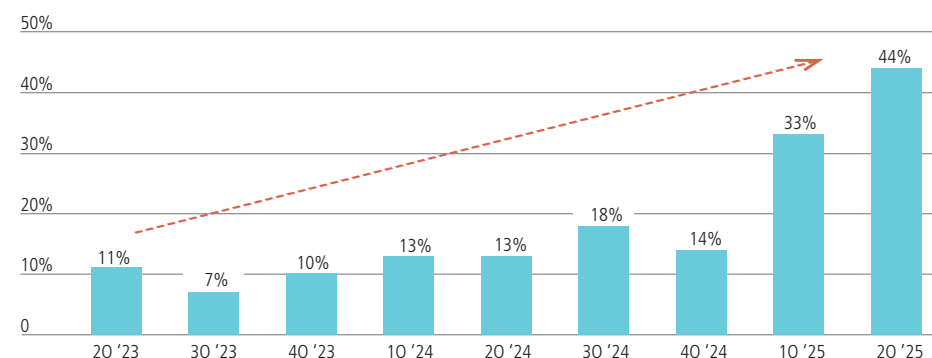
The U.S. And China Are Leading the Global Rush of AI Capex

2024 investment in AI by country (\$bn)



AI Capex Is a Meaningful Driver of U.S. GDP Growth

AI/tech-related capex contribution to overall U.S. GDP growth, last 12 months



Source: Top chart: Stanford University Artificial Intelligence Index Report 2025. Bottom chart: Neuberger, FactSet, 2025.

Past performance is not an indicator, guarantee or projection of future performance.

INVESTMENT IMPLICATIONS: KEY TAKEAWAYS

Policy

variation creates an opportunity set for investing in AI beyond the U.S. and China. Consider emerging markets broadly as well as opportunities in adjacent and critical industries.

AI

is a prospective driver of volatility as it remakes the economic leaderboard. Diversification across asset classes plus a focus on quality could help mitigate shocks stemming from AI-related disruption at the macro or micro levels.

3

Fixed Income: The Worst Is Over for Long Rates

Fiscal overreach and debt sustainability have dominated the debate regarding sovereign fixed income valuations for years, but we believe that long-term yields already reflect known risks. In our view, the worst may be over for long interest rates.

In the U.S. and Europe, improving carry profiles in longer maturities on the back of lower policy rates should provide support to the long end of yield curves. In addition, governments may look to fight back against bond vigilantes by shortening their bond issuance and executing buybacks (shifting from quantitative tightening back to quantitative easing), among other measures. Finally, fiscal balances could improve and sovereign debt concerns could ease because of rising tariff revenues in the U.S., or, if the AI trend works as advertised, by generating higher productivity growth over time.

In credit, we think that current spreads are largely justified by fundamentals, but recognize that the nature of the economy is changing at a point when credit spreads are quite tight. As new winners and losers emerge across a host of industries, a new phase of the credit cycle may emerge where credits once seen as safe are put at risk. These disruptions could also support long-term government yields.

The Term Premium Has Stabilized and Is Near Its 20-Year Average

Basis points



Source: Bloomberg, October 2025. Estimated daily Adrian, Crump and Moench (ACM) term premium on U.S. Treasuries vs. its 20-year average.

INVESTMENT
IMPLICATIONS:
KEY TAKEAWAYS

Emphasize

security selection and quality in light of rising idiosyncratic risk.

Consider

increasing exposure to longer duration bonds for potentially higher yield and return generation during periods of mispricing.

4 Equity: AI Is a Double-Edged Sword

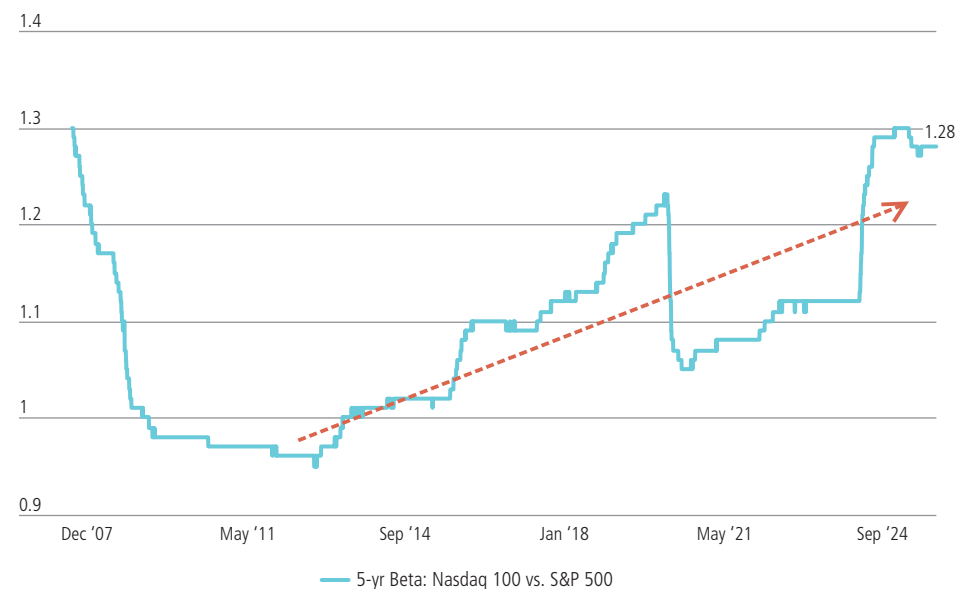
In addition to the macro impacts, AI will remain a key driver for global equities in 2026. Market leadership to date has coalesced around the meteoric rise of Nvidia plus a handful of U.S. hyperscalers including Amazon, Google, Meta and Microsoft. But adoption has broadened rapidly in the three years since OpenAI released ChatGPT, and AI-driven productivity gains are already appearing across the S&P 500, boosting real revenue per worker. The accelerating AI rollout in more traditional sectors, from health care to financial services, will add efficiencies and enhance margins beyond mega-cap tech, supporting continued broadening of investment and earnings growth. AI will likely drive an extraordinary process of “creative destruction” for companies and industries, requiring selectivity in investment choices.

But the sword cuts two ways. Concerns are rising over signs of froth, including some headline-grabbing deals and announcements of huge capex plans. Valuations in some instances appear meaningfully stretched.

Where are the potential tipping points? We will pay close attention to any indications of strained free cash flows at companies as they deploy massive amounts of capex to build new data centers and other AI-related infrastructure. Likewise, power supply constraints could slow the pace of those buildouts. Investors will need to mind both the catalysts and the froth, reemphasize bottom-up fundamental analysis and avoid seeking blanket exposure. Focus instead on companies with durable returns on their AI spending and implementation strategies.

The Tech Sector Is Significantly More Vulnerable to Swings in the Broader Equity Market

The 5-year beta of the Nasdaq 100 Index relative to the broader equity market, implying that idiosyncratic risk has risen along with AI-related valuations.



Source: FactSet and Neuberger, 2025. **Past performance is not an indicator, guarantee or projection of future performance.**

INVESTMENT IMPLICATIONS: KEY TAKEAWAYS

Target

AI thematically, employing diversification across regions and sectors to optimize returns rather than concentrating exposure.

Seek Out

companies that are seeing tangible results and/or accruing measurable benefits.

Consider

AI-adjacent targets (e.g., power suppliers), focusing on companies or industries rapidly adopting AI or supporting its buildout, including financials, industrials and health care.

5 Private Markets: Seismic Shifts Take Shape

We see a mix of challenges and fresh opportunities across private equity, private debt and hybrid solutions heading into 2026.

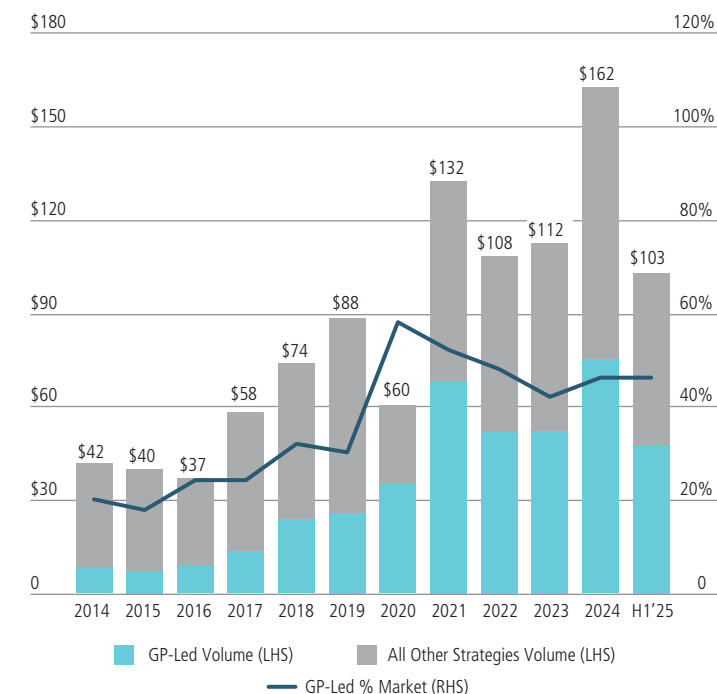
In terms of challenges, subdued distributions stemming from constrained M&A and IPO activity have led to longer asset holding periods and a tougher fundraising environment. Although dealmaking continues to pick up, it may take several years to work through the backlog of private equity portfolio companies looking for exits. On the bright side, this backdrop continues to create opportunities for various providers of liquidity to private equity sponsors and their limited partners. Secondaries, capital solutions and equity co-investment all have a potentially attractive, multiyear opportunities, in our view.

Meanwhile, several structural shifts are taking firmer shape, including deglobalization, a potentially less benign macroeconomic regime, and aggressive AI adoption, setting the stage for greater dispersion of returns throughout private markets. In this environment, we believe investment selection will be even more critical, and that managers with deep expertise and resources dedicated to creating value in their portfolio companies will prove most successful. Furthermore, given the long-term and flexible nature of private capital versus more traditional markets, we expect private markets to play a significant role in funding the massive buildout of AI-related infrastructure. Yet another, potentially more seismic shift: the rapid expansion of private markets across the high-net-worth and retail segments, spurred by new U.S. Department of Labor rules allowing defined contribution retirement plans to offer private-market investments.

On the private debt side, direct lenders continue to maintain significant share of the leveraged lending market versus broadly syndicated loans arranged by traditional banks. We believe private debt markets will continue to grow as direct lenders demonstrate their ability to offer faster execution, more flexible terms and greater reliability; however, as in private equity, we also expect a widening dispersion of returns as competition intensifies. Manager selection remains crucial.

Strong Growth in Secondaries Partially Driven by Lack of PE Exits

Secondary transaction volumes (\$bn)



Source: Neuberger based on Jeffries data. As of June 30, 2025. **Past performance is not an indicator, guarantee or projection of future performance.**

INVESTMENT IMPLICATIONS: KEY TAKEAWAYS

In Private Equity,

provide liquidity to top-tier sponsors via midlife co-investments, GP-led continuation funds and custom hybrid capital solutions.

In Private Debt,

favor disciplined direct lenders in an increasingly crowded market.

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