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Investment Solutions

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Pension funds letter

Building together smart solutions to face a challenging environment

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Executive summary

Dynamic thinking – A playbook for pension resilience

Endurance has been a watchword for markets in 2025. As we shift to a multipolar world, this new regime is being driven by innovation and defined by, what we are naming, "controlled disorder". Despite repeated shocks, the tech-led transformation, fiscal stimulus and industrial policy are sustaining economic activity. New winners are emerging. As we advance across this unfamiliar territory, diversification and selectivity remain the most effective defense.

For pension investors, the turmoil seen in recent years has called into question the use of traditional asset allocation models. It is in this context, that this year's Amundi-CREATE annual pension survey dives deeper into the universe of dynamic investing. Surveying pension funds from around the globe, we examine how the use of dynamic asset allocation is evolving and the drivers behind successful implementation.

Continuing this theme, our second article focuses on practical application of dynamic asset allocation. We explain the models used by Amundi, its purpose, the assumptions and how it is applied. We then break down what the current signals might mean for portfolios.

Finally, we review the main findings of a recent study produced by the Amundi Investment Institute on the integration of real assets into the retirement accumulation phase and the benefits these type of risky assets may offer to retirement outcomes.

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Amin RAJAN
Chief Executive Officer of CREATE

Creating resilience through dynamic investing – Examining asset allocation tactics amid market shifts

Since Covid, pension investors have entered a new regime of controlled disorder: a multipolar world reshaped by the tech revolution and fiscal divergence. Inflation risks have become more structural. High volatility and asset mispricing have become widespread. Recent turmoil on the geopolitical landscape, in particular, has challenged the role of strategic asset allocation. It worked well in the long bull run following the Great Financial Crisis marked by stable economic growth, low interest rates, low inflation and low market volatility. However, the steep rate hikes to curb inflation led dynamic asset allocation to gain traction with investors in their desire for a more nimble approach. The 2025 ***Amundi-CREATE global pension survey*** *examines how pension investors define and approach dynamic asset allocation, looks at the outcomes, and explores what's in store for the future.*

A rising role: From tactical deviations to portfolio guardrail

Dynamic Asset Allocation (DAA) gained momentum among pension investors when key central banks started their aggressive rate hiking cycle during 2022-23. These actions brought the long era of suppressed volatility that had favoured Strategic Asset Allocation (SAA) to an abrupt close. The trend received fresh impetus from a raft of new policy measures in the US, ranging from tariffs fuelling inflationary fears to big tax cuts forcing up interest rates in the future.

73% of respondents now **use DAA to varying extents** to achieve their investment goals. For small and medium-sized pension plans, this often means outsourcing to external asset managers via multi-asset dynamic funds or outsourced CIO models. By contrast, larger plans, with the right governance and expertise, are moving towards the total portfolio approach, using dynamic pivots over a wide opportunity set to meet their funding goals (more detail on page 5).

For 62% of survey respondents, DAA is seen as a pragmatic periodic deviation from SAA in response to changing macro financial regimes, market conditions and asset valuations (Figure 1–A). This approach is as much about **mitigating newly emerging risks** as it is about profiting from short- to medium-term opportunities from market dislocations.

Both allocation approaches are seen as largely **complementary**: One focuses on asset mix and overarching goals within a disciplined framework. The second provides portfolio guardrails during periods of market upheaval. A majority of respondents (62%) blend both approaches, while 34% rely on discretionary calls (Figure 1–B).

Figure 1-A: When managing your pension plan's investment portfolio, how do you define DAA?

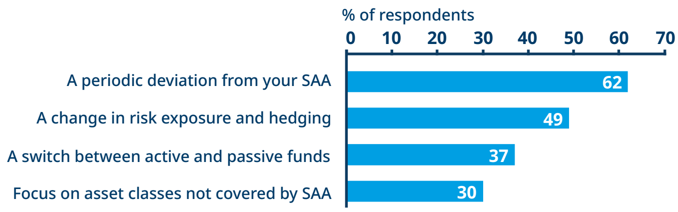
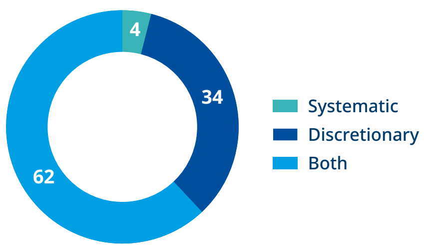


Figure 1-B: Which approaches does your pension plan use when engaging in DAA?



Source: Amundi Investment Solutions / CREATE-Research Survey 2025

For smaller pension funds, DAA tends to be seen in a narrower context; as an automatic switch in overall risk exposure and portfolio hedging (49%), for liability-driven investing (LDI) for Defined Benefit plans or target date funds for Defined Contribution schemes; as a switch between active and passive funds (37%); or as a vehicle for new asset classes not covered by SAA (30%).

Success factors

For the majority of respondents, DAA has made portfolios more resilient in the face of market turbulence (Figure 2-A). 63% report positive outcomes in line or above expectations.

Figure 2-A: To what extent has DAA made your portfolio more resilient in the face of market dislocations and macro regime changes until now?

(% of respondents)

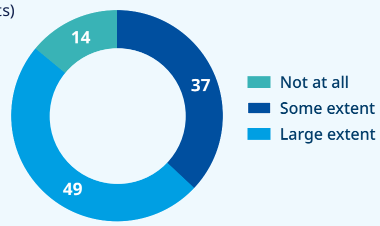
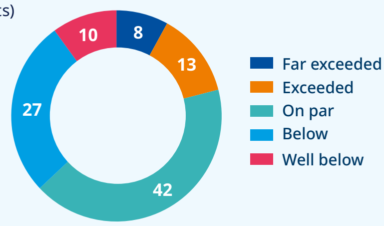


Figure 2-B: Has the DAA made by your pension plan so far met expectations? (% of respondents)

(% of respondents)



Source: Amundi Investment Solutions / CREATE-Research Survey 2025

Three factors play a role in this success:

1. Agile governance allowing full-time executives to make timely decisions.

2. A skilled talent pool accustomed to investing across market regime changes.

3. Access to **best-of-breed external asset managers** with proven expertise in dynamic investing.

Positive tailwinds for dynamic asset allocation in a new era

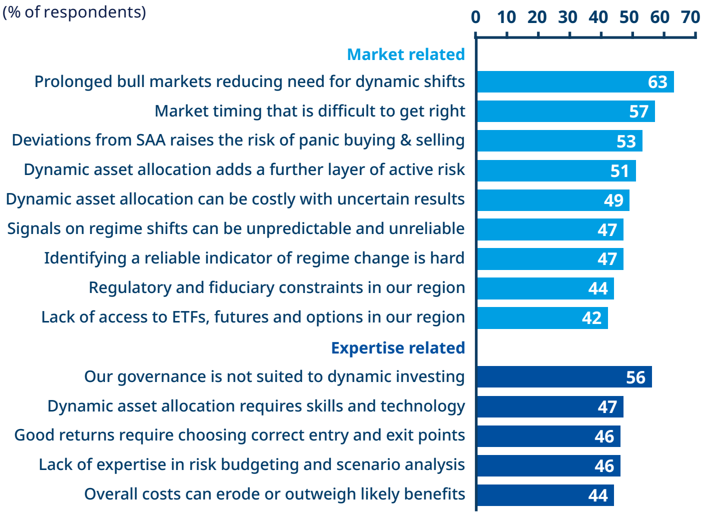
A number of market drivers have accelerated the arrival of a **radically different new era**, defined by geopolitical upheaval, policy dilemmas and structural trends such as ageing demographics and rapid technological advancements.

In the preceding regime of 2009-2021 with its prolonged bull market and mostly subdued volatility, several factors constrained the use of DAA, either related to market behaviour or to the required expertise capitalise from it. The prevailing consensus had been that **SAA was the more suitable approach while markets were less volatile** (63%). DAA on the other hand, had come to be perceived as 'market timing' (57%): a device for buying and selling securities based merely on short-term predictions about future changes in securities prices. Investors were also concerned about suitable governance (56%) and adding additional risk (51%) (Figure 2).

As capital markets move to a new regime and investors seek to cope with interconnected, nonlinear risks, **DAA has become a vital tool** and one that is likely to grow in popularity until the uncertainty recedes. This volatile environment is expected to persist with 80% of respondents believing US policies to rewire global architecture on trade, finance and defence will be the main driver of capital markets over the next three years.

Figure 2: What factors, if any, have constrained your pension plan's scale of adoption of dynamic asset allocation in the recent past?

(% of respondents)



Source: Amundi Investment Solutions / CREATE-Research Survey 2025

In this new market context, pension funds have moved from **managing risk to managing uncertainty**. Caution is the new watchword, reflected in their risk tolerance. The bulk of respondents report their risk tolerance as being conservative (14%), moderately conservative (23%) or moderate (52%). At the other end, the numbers are decidedly low for moderately aggressive (10%) or aggressive (1%).

Over the next 3 years, 59% of investors anticipate a rollercoaster ride in the markets, and 56% see a need to protect portfolios from sizeable drawdowns.

In the coming three years, pension investors largely expect market drivers to create **favourable conditions for DAA**: 18% said to a large extent, 57% said to some extent, while 25% said not at all.

Derisking is expected to have more of an effect on the scale of DAA than its frequency over the next three years. A quarter of survey respondents do not plan to engage at all. Among the rest, 32% expect to do so whenever the opportunity arises or situation demands. A further 19% expect to do so once a quarter and 17% once a year. The frequency for the remaining 7% varies between one month and three years. One reason behind the predicted frequency is the fund's **level of funding**; respondents with lower than targeted ratios tend to rely on DAA more frequently – both to protect the status from market ructions, as well as to seek upside benefits from big price anomalies.

How do pension funds deploy dynamic asset allocation?

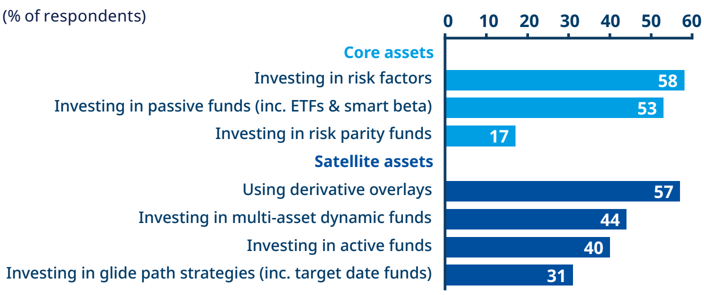
The primary goal driving the implementation of DAA is **risk minimization** — particularly limiting severe losses that can permanently erode capital — rather than maximizing short-term returns. 58% of respondents emphasize downside protection, with upside capture secondary (34%).

As with SAA, the familiar core–satellite model is **being reshaped by blending strategies** to implement DAA. A active-passive separation remains. Some asset classes are typically best accessed via low-cost index funds in markets that are informationally efficient and highly liquid. Other asset classes, in contrast, have the potential for excess returns in less efficient and more illiquid markets and are thus more suited to active style.

In the core portfolio, survey respondents currently deploy distinct strategies mostly relying on passive funds (Figure 3). The most popular uses risk factor investing (58%), followed closely by investing in passive funds and ETFs (53%).

For satellite assets, derivative overlays are the most popular approach (57%). They serve to hedge out various risks – such as equity, interest rate, inflation, currency and commodity – without deviating from asset weights in SAA while capturing any upside. Multi-asset dynamic funds (44%) are also common. These mix asset classes in a single vehicle to deliver all-in-one outcome-oriented solutions that aim to protect funding status. Active strategies are used by 40% of respondents and glide path strategies by 31%.

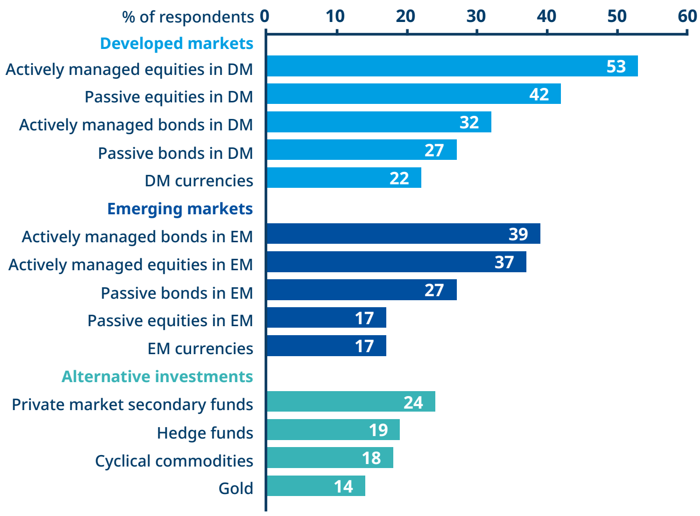
Figure 3: How does your pension plan implement dynamic asset allocation?



Source: Amundi Investment Solutions / CREATE-Research Survey 2025

In terms of choice of asset classes for implementing DAA, (Figure 4), developed markets top the list, with actively managed equities (53%) and passive equities (42%). Developed market bonds are less popular, both actively (32%) and passively managed (27%). Outside traditional asset classes, interest for alternatives is muted, with private market secondary funds (24%) the most popular. Limited liquidity, high volatility or past performance are the key reasons for this.

Figure 4: Which broad asset classes are likely to be most amenable to dynamic asset allocation for your pension plan, as capital markets transition towards a new regime?



Source: Amundi Investment Solutions / CREATE-Research Survey 2025

Overall, three essential principles feature highly in the dynamic asset allocation programmes of respondents alongside risk and return:

- **Resilience**, targeting assets with in-built shock absorbers to survive volatility bouts.
- **Efficiency**, making an informed choice between overlays and asset classes.
- **Liquidity**, seeking bargains during periods of significant asset mispricing.

Total portfolio thinking

In periods of rising geopolitical risk, the benefits of dynamic investing increase due to the greater scope for forecasting error in traditional models from flawed assumptions.

As pension funds seek more flexible alternatives to SAA, **a total portfolio approach** (TPA) is **growing in popularity**, particularly among larger schemes with strong governance frameworks. 18% of schemes state they do not use external asset managers, preferring to manage their dynamic allocations themselves. This approach requires **nimble governance** structures, **robust scenario analysis**, and **strong collaboration** among investment teams.

A TPA approach offers dynamic pivots across a wide opportunity set to meet funding goals with improved decision making, rather than just targeting excess returns. The responsibility for allocation decisions is passed from the governing board to the funds' full-time executives, who are able to look at the portfolio in its entirety.

Funds adopting TPA report **enhanced investment outcomes**, with some noting significantly higher returns compared to static benchmark portfolios.

The role of overlays in dynamic investing

Overlays have **gained prominence** with the rise of dynamic investing among survey respondents. 66% state they play a somewhat or very important role in their dynamic investing programme. They offer **faster** and more **cost-effective** routes to asset classes without trading the underlying physical assets, and may provide insurance cover that either protects the downsides or delivers the upsides, or both. These attributes are especially welcome during periods of heightened geopolitical uncertainty. They can also be used to manage transitions to new asset classes not covered by SAA.

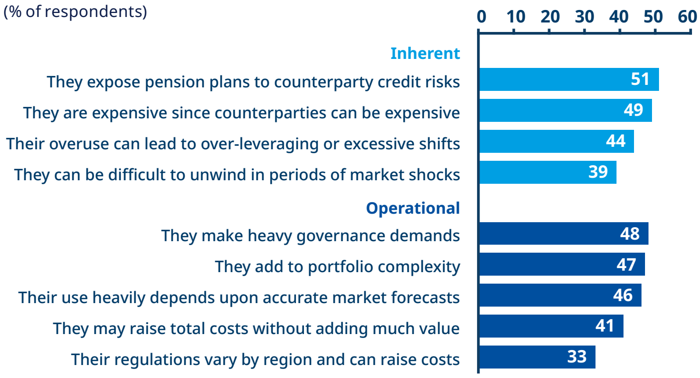
For many survey respondents, overlays provide an **agile, more cost-effective tool**, preserving the disciplines of SAA without disrupting the entire portfolio. They serve to rebalance the portfolio to strategic targets and avoid transaction costs (54%) and to optimise cash utilisation with less upfront capital to reach strategic targets (49%).

For schemes with the necessary governance and expertise, overlays are used alongside other approaches and asset classes to adjust portfolios cost effectively (48%); or to engage in tactical asset allocation in a cost-effective manner in changing market conditions (37%).

There is a **clear difference in emphasis** between types of pension plans. In DC plans, the overlays mainly cover equities and currencies. In DB plans, the emphasis is on inflation, interest rates, volatility and tail risk. In both types, a blend of overlays are used to target multiple outcomes.

Overlays are likely to continue to play a significant role in DAA, but they are **not without their limitations**. Respondents cite the risks as; exposure to counterparty risk (51% - Figure 5); portfolio complexity (47%); heavy governance demands (48%); requirements for accurate and timely market forecasts (46%).

Figure 5: What, if any, have been the downsides of overlay strategies when used in the past?



Source: Amundi Investment Solutions / CREATE-Research Survey 2025

The survey highlights three factors for successful implementation of overlays:

1. **Good infrastructure** of models, skills and technology to have the necessary expertise and safeguards to engage in the use of overlay strategies.
2. **Requisite governance** to set strategic intent, provide the necessary oversight, monitor progress and evaluate outcomes.
3. **Adoption** on an **incremental basis**, starting with interest rate overlays and embracing other types as they have progressed up the learning curve via experiential learning.

Raising the bar on manager selection

This advance into dynamic investing has resulted in **more stringent manager selection criteria**. Dynamic investing adds an extra layer of active risk for pension funds at a time when active managers have frequently failed to hit their benchmarks. A **proven track record** on dynamic investing has become vital, as well as **evidence of capabilities** that can meet pension funds' dynamic investment goals. These manager selection criteria fall into three clusters (Figure 6).

1. **Client-Centric:** Deep understanding of the pension plan's liability profile, risk appetite, and funding status (58%), proven track record in dynamic investing (57%), and stewardship and ESG integration.

2. **Business-Centric:** Teams with expertise in regime changes and dynamic investing (55%), transparent fees representing value for money (51%), and a strong risk management culture (50%).

3. **Investment-Centric:** Access to sophisticated models and technology (54%), collaborative multi-asset class teams (52%), expertise in individual asset classes, and global reach (40%).

Figure 6: When selecting your external asset manager for engaging in dynamic asset allocation, which criteria do you or would you like to use?

Source: Amundi Investment Solutions / CREATE-Research Survey 2025

The pension value chain is becoming **more complex**, but for now the division of labour is split between three principal activities; strategic oversight, advisory work and strategy execution.

79% of survey respondents' define their own role as performing scenario analysis, setting strategy and providing the necessary oversight once the strategy moves into execution phase. The role of external pension consultants is skewed towards advisory activities (82%), while for 80%, external asset managers function as executors of DAA in the marketplace.

Contributions from pension consultants are ranked as 13% made an excellent contribution, 31% were good, 37% were satisfactory and 19% were poor.

For external asset managers, 18% were rated as making an excellent contribution, 34% were good, 43% were satisfactory and 5% were poor.

Another trend is gradually emerging; **strategic partnerships** — 47% of respondents have begun engaging asset managers to some extent, not just as vendors, but as **trusted advisors** fully integrated into the fund's investment decision process. 53% report good or excellent outcomes so far.

These partnerships require asset managers who have **deep understanding** of each client's distinct needs and a **proven track record** of delivering outcomes consistent with dynamic as well as SAA. They are required to have experience of investing through changes in investment regimes to mitigate downside risks dynamically, especially during market turmoil.

Amundi-CREATE 2025 survey: Highlights

(% of pension plan respondents)

Market drivers favouring dynamic asset allocation

83% Fear disruption from the latest US policies on global trade, finance and defence

62% Fear that rising trade tensions in the global economy will revive inflation

56% Worry that rising public debt in key economies will push up interest rates and harm growth

53% Worry about the ascendancy of fiscal policy over monetary policy leading to financial repression

Use of dynamic asset allocation

88% Believe that market drivers imply frequent turbulence in the macro financial regime

84% Predict that the market outlook will likely elevate the role of dynamic asset allocation

75% Expect to engage in dynamic asset allocation over the next three years

63% Believe that dynamic asset allocation has made their portfolios more resilient so far

Principal vehicles to be used over the next three years

58% Aim to rely on risk factor investing for dynamic asset allocation

57% Aim to use derivative overlays without physically trading in underlying assets

53% Aim to use actively managed equities in developed markets

42% Aim to use passively managed equities in developed markets

Selection of criteria for external asset managers

58% Require a sound understanding of their client's liability profile and risk appetite

57% Require a proven track record on dynamic investing through different market regimes

55% Require a talent pool well-versed in the art of dynamic investing

51% Require transparency of fees and costs within a value-for-money fee structure

About the survey: each year, Amundi and CREATE interview pension plans to highlight insightful convictions for the year to come. As market volatility has challenged the primacy of strategic asset allocation, dynamic asset allocation has been on the rise to protect the downside and capture the upside. The 2025 edition aims to show how pension plans globally are using strategic and dynamic asset allocation in tandem and asks four questions:

- How do pension investors define DAA and why is it currently on the rise?
- What have been the outcomes so far and which contributory drivers have been at work?
- Which approaches are likely to be used in DAA in the near future?
- What criteria are being used when selecting asset managers as pension plans deviate from their SAA?

The survey is based on 158 respondents Asia-Pacific, Europe and North America, collectively managing €2.9tn of assets.

Read the full Amundi-CREATE report

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Dynamic asset allocation: its relevance and signals for 2026

Following the unprecedented period of excess liquidity from central banks after the Great Financial Crisis, the post-Covid resurgence of inflation has ushered in a **new long-term paradigm shift**. Economic cycles are more **unpredictable**, inflation volatility is increasing, and economic fluctuations may become more pronounced, exacerbated by erratic policies. Understanding the economic landscape over the next one to three years is crucial for long-term investors, such as pension funds, who can capitalise on medium-term allocation opportunities. By considering growth, inflation, monetary policy, and leverage, we can **identify regimes** and **discern return patterns** which are the base of our Dynamic Asset Allocation (DAA) framework.

Investment horizon	<1 year	1-3 years	>5 years
	Tactical asset allocation (TAA)	**Dynamic asset allocation (DAA)**	**Strategic asset allocation (SAA)**
Rationale	Opportunities from short-term market movements	Asset allocation based on cycle identification	Strategic allocation around long-term goals
Key drivers	Relative value, momentum, risk indicators	Economic regimes identification + top-down valuation components	Long-term economic and markets forecasts
Frequency of review	Ongoing	Quarterly	Yearly

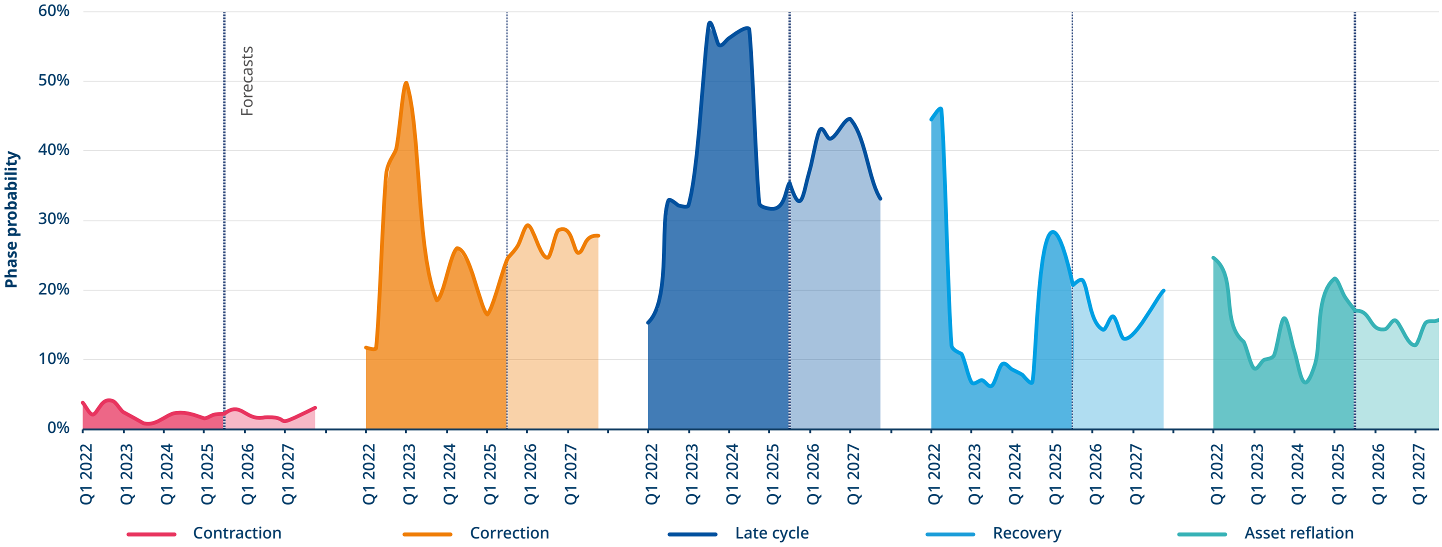
Source: Amundi Investment Institute. ***For illustrative purposes only.***

This **combines our economic backdrop models (Named Advanced Investment Phazer – AIP – and Inflation Phazer) with top-down valuation of fair values for each asset class**. The former allows assessment of the probabilities of upcoming economic-financial cycles and inflation regimes and inference of the expected return distribution for the main asset classes, while the top-down valuation of fair values for each asset class helps gauge price action. As valuation discrepancies decrease over the medium to long term, this is a key variable to assess future return potential. Undervalued assets can enhance the potential for positive returns, while overvalued assets may restrict upside opportunities. **By combining these two components, we get our three-year expected returns pattern for each asset class and how they differ from a long-term average, with their implications for asset allocation.**

Advanced Investment Phazer

We have developed a disciplined approach where **regimes are identified by a clustering algorithm applied to a set of macro-financial variables split over four dimensions: growth, inflation, monetary policy, and financial leverage**. We use this dataset (starting in 1875) to identify the most relevant recurring five regimes – correction, contraction, recovery, late cycle, and asset reflation – and screen the overall cross-asset universe to detect which allocation models would have worked best during the various regimes. **The Amundi Investment Institute's AIP's goal is to assess a financial regime's likelihood of persisting over a certain time horizon and assess the asset allocation model that should be favoured in relation to the forecasted financial regime probabilities**. We found that asset classes and sectors display different behaviours during each regime, which investors should consider within their portfolio allocations. As a model output, we can identify different asset allocations depending on the probability distribution, favouring the combination of assets that is expected to perform best in the central scenario deemed the most likely to materialise.

Advanced Investment Phazer - Assessing the economic-financial cycle ahead



Economic variable/regimes	Contraction	Correction	Late cycle	Recovery	Asset reflation
GDP	▼▼	▼	▲	▲▲	◀▶
EPS	▼▼	▼	◀▶	▲▲	▲
Inflation	▼▼	▼▼	◀▶	▲	▼
Monetary policy	▲	▲	◀▶	▼	▲
Leverage, financial conditions	▼	◀▶	▼	▲	▲
Market and allocation implications	Risky assets unattractive, flight to quality. **Preference for:** Govies, Gold, Cash	Global equities down & volatility up. **Preference for:** Govies, Gold, Credit IG	Focus on high quality risky assets. **Preference for:** DM equity, quality credit	Risk assets most attractive. **Preference for:** GEM assets, Base metals, High-beta DM	Low volatility, asset classes up (ex cash). **Preference for:** Global equities & credit

▲ Above trend level
▼ Below trend level
◀▶ At trend level

Source: Amundi Investment Institute as of 7 October 2025. ***For illustrative purposes only****. Growth variables are: GDP, unemployment, sales, and EPS. Inflation variables are: consumer prices, producer prices, and unit labour costs. Monetary Policy variables are: M1 –M2 –M3, CB G4 total assets as a share of GDP, policy rates, and credit spreads. Leverage variables are: household debt, public debt, and corporate debt. Red (green) indicates growth/inflation trending lower (higher), tightening (easing) monetary policy, tighter (easier) financial conditions.*

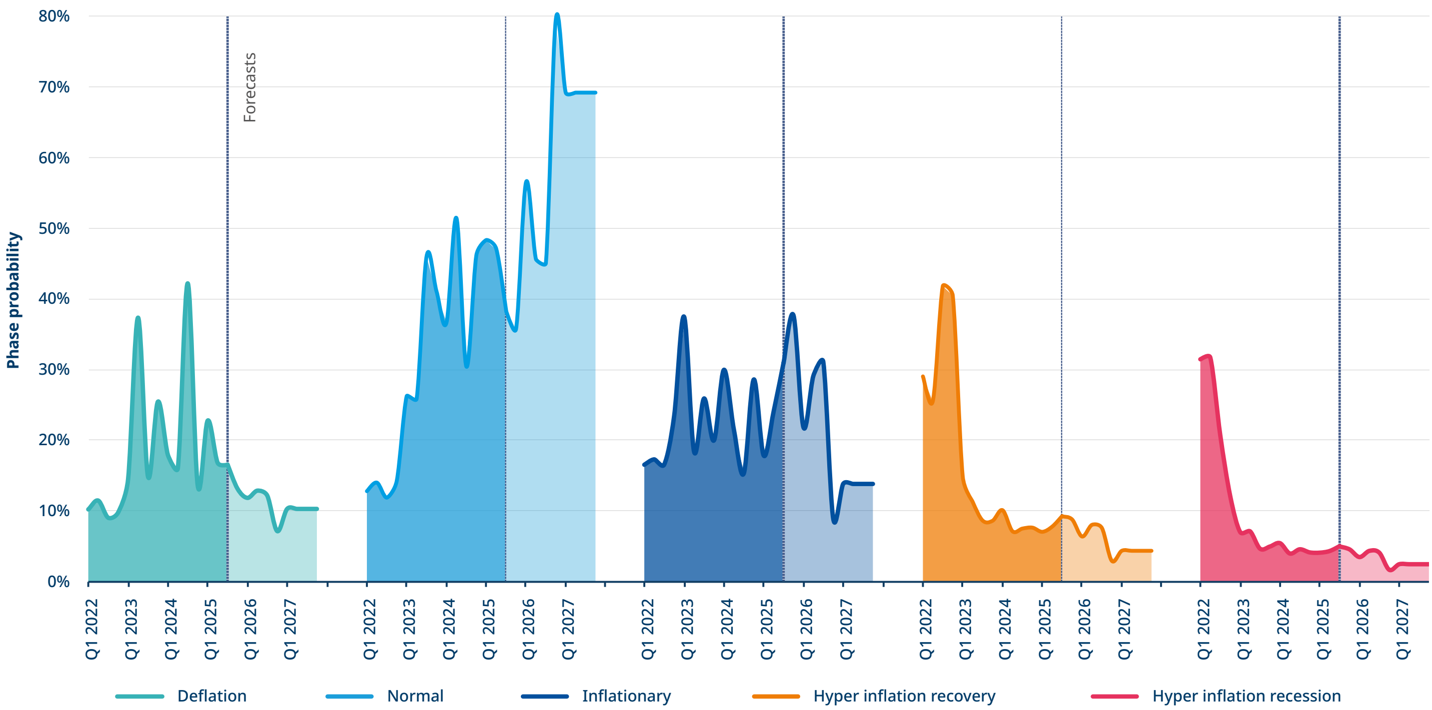
What are the current signals? For 2026, the **Late cycle** regime remains the most likely despite rising probability of adverse regimes (**Correction** and **Contraction**), due to high geopolitical uncertainty. Conversely, the **probability of more positive regimes (recovery and asset reflation) decreases**.

Inflation Phazer

Inflation trends tend to follow economic growth. They drive both monetary policy and financial markets and define debt sustainability. In addition, financial markets and inflation-related instruments encompass anticipatory mechanisms. Hence, an ex-ante identification of inflation regimes is needed to fine-tune asset allocation choices, both tactical and strategic, as inflation regimes tend to endure over time. Assessing the evolution of the probability for alternative regimes is often the best indicator for capturing a change in expectations. **As such, we developed an approach to the taxonomy of inflation regimes, in which we cluster price dynamics by building on US data starting from 1960**. We use this dataset to identify the most relevant recurring inflation regimes and screen the overall cross-asset universe to detect which asset allocation models would have worked best during the various regimes.

The Amundi Investment Institute's Inflation Phazer's goal is to assess an inflation regime's likelihood to persist over a certain time horizon and assess the asset allocation model that should be favoured in relation to the forecasted inflation regime probabilities. We found that asset classes and sectors display different behaviours during each inflation regime which investors should consider within their portfolio allocations. We can identify different asset allocations depending on the probability distribution, favouring the combination of assets that is expected to perform best in the inflation scenario deemed the most likely to materialise.

Inflation Phazer - Navigating the inflation cycle ahead



Inflation regimes	Deflationary regime	Normal	Inflationary	Hyper inflationary recovery	Hyper inflationary recession
CPI YoY (%)	<2	2-3	3-6	6-10	>10
PPI YoY(%)	<1	2-3	3-6	6-10	>10
PCE YoY (%)	<2	2-3	3-6	6-8	>8
ULC YoY (%)	<1	2-3	3-6	6-9	>9

Indicator	Definition
Consumer price index (CPI)	Measure of the average change over time in the prices paid by urban consumers for a basket of goods and services.
Producer price index (PPI)	Measure of the average change in the price of goods as they leave their place of production.
Core personal consumption expenditure deflator (core PCE)	Measure of prices paid by consumers for goods and services excluding food and energy prices.
Unit labour cost (ULC)	This indicator tracks the overall cost afforded by businesses to get one unit of output.

Source. Amundi Investment Institute as of 7 October 2025. ***For illustrative purposes only.***

What are the current signals? The effect of US tariffs should exert upward pressure on US prices until end-2025. US CPI should peak in Q4 at around 3.5%, making the **Inflationary** regime (3-6% YoY) the most likely for this year. In 2026, the one-off effects induced by tariffs should fade and -- considering the slightly below-potential US growth we are projecting for next year -- the macro environment should lead to a return to the **Normal** regime (2-3% YoY) from Q1 2026. As inflation data has mostly underwhelmed expectations since Liberation Day, the risk of the extreme **Hyperinflationary** regimes over the next year has dropped.

To sum up, the combined assessment of our two Phazer models points to a still pro-risk stance, but mindful of high valuations in some segments, calling for diversification across the equity spectrum and favouring investment grade over high yield bonds. In addition, the inclusion of commodities may prove helpful for navigating the inflation risk.

Amundi's Investment Outlook

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Rethinking retirement accumulation: Integrating real assets and inflation risk into lifecycle investing

This article summarises some of the key findings of a recent Amundi Investment Institute paper, focusing on the role of real assets and inflation protection throughout the retirement accumulation phase[1]. We encourage you to read the full working paper here: Retirement Accumulation With Real Assets | Amundi Research Center.

Introduction

Retirement used to be a simple arithmetic problem: work, save a portion of your income, invest in a mix of stocks and bonds, then spend down the nest egg. But rising life expectancy, persistent inflation episodes, and a changing investment landscape have made that arithmetic far more complex. This research reframes retirement planning as a **continuous lifecycle problem** — one that links the accumulation of wealth, the preservation of purchasing power and the practical realities of market frictions. It combines extended theoretical models with empirical analysis to argue that traditional stock–bond glide paths can be improved.

The traditional glide-path approach

For many investors and plan sponsors, target-date funds and simple glide paths — gradually shifting from equities into bonds as retirement nears — have been the solution. Classic models predict a decreasing exposure to risky assets across the lifecycle, with younger investors able to tolerate higher allocations because of a longer time horizon and substantial human capital (put differently, younger investors have a relatively high future earning potential compared to older members).

Within this lifecycle, **going beyond traditional equity** and **bond allocations** can yield significant improvements: incorporating real estate, infrastructure, private equity and private debt into glide paths changes the de-risking trade-off. While there is **no one-size-fits-all** approach to integrating real assets, plan members can capture several benefits such as diversification, inflation linkage and an illiquidity premium, improving long-term outcomes while still allowing a disciplined, staged de-risking as retirement approaches. This is to say: **incorporating real assets** into the lifecycle can serve as **an extension of the traditional approach**.

Impact of including real assets

Including real assets materially **alters the risk return profile** of pension accumulation strategies in ways that matter directly for retirement adequacy.

Expected terminal wealth increases and **downside outcomes improve**. Real assets introduce return drivers that differ from public equities and nominal bonds and often offer an illiquidity premium. Over long horizons these features shift the distribution of final wealth to the right — raising median outcomes and strengthening results at the 5th–10th percentiles that matter for conservative cohorts. **The impact on performance is substantial**: when real assets are included in a global calibration, we estimate an annualised performance uplift of about 164 basis points; a mixed public/private approach delivers an intermediate gain of 87 bps. In our Eurozone calibrations the uplift can be larger — reported up to 190 bps — materially increasing the probability of meeting reasonable retirement objectives.

The probability of meeting retirement goals increases. When real assets are added to a multi asset glide path, we find a clear rise in the probability that a plan will achieve realistic replacement rate or real return targets. The improvement is concentrated in the lower tail of outcomes, so members most vulnerable to shortfall benefit most. This impact is substantial: our analysis shows some mixed strategies reach success rates[2] in the mid to high 90% range versus substantially lower rates for public asset only universes.

1. Retirement Accumulation Strategies with Real Assets and Inflation Risk; Bruder, Roncalli, Schittly, Xu; Amundi Investment Institute; October 2025
2. "Success rate" means the probability that the strategy attains a specified real return or replacement rate target by retirement.

Comparison of the terminal gross wealth with and without real assets

Maximum allocation to real assets	20%	50%	100%
Return differential compared to no real asset exposure (bps)	25	61	118

Source. Amundi Investment Institute, November 2025

Strategy	Hit ratio (minimum return = 4%)	Hit ratio (minimum return = 5%)
Without real assets	70.3%	25.7%
With maximum real assets exposure	96.7%	81.7%

In addition, **real assets support explicit inflation management** and align accumulation with liability-driven thinking. Many real-asset cash flows (rents, tolls, contractual escalators, long-term service revenues) are linked — directly or indirectly — to price levels, making these instruments natural components of a liability-hedging portfolio. In the context of inflation protection, investors should prioritize notably infrastructure and real estate.

When we model inflation explicitly, the optimal accumulation allocation decomposes into a performance portfolio plus a liability-hedging portfolio. For pension funds this implies that integrating selected real assets into accumulation glide paths is an effective method to **preserve members' real purchasing power**. Integrating these real assets can help preserve real purchasing power in the long run, but hedging is never perfect, particularly in the short run. We also find these benefits remain material after accounting for transaction costs and liquidity constraints, provided illiquid exposures are managed across the lifecycle (ramped up early and phased down well before retirement).

Implications for pension funds

Including real assets in a pension fund's accumulation strategy offers a **clear path to stronger retirement outcomes** — but there exists a need to treat this as an integrated item within the lifecycle, not a single allocation line in a spreadsheet. Going beyond public equities and bonds brings different return drivers, partial inflation links and an illiquidity premium. Those features can lift median outcomes, tighten the downside and raise the probability that members will reach realistic replacement rate targets. Yet they also introduce distinctive operational risks. The practical question for trustees and investment teams is therefore not whether real assets are valuable — they are — but how to include them without creating new vulnerabilities at the point when members need access to their savings. While there are many considerations at play when integrating private assets, three pillars should be kept in mind.

First, there exists a need to **redesign the glide path**. A glide path that once simply dialled equities down in favour of bonds can evolve into a broader multi asset schedule. Younger cohorts, with long horizons and steady contributions, can accept staged illiquid exposure to capture long term premia; older cohorts need earlier phase downs and larger liquid cushions.

Second, **liquidity management** is key. Private markets are illiquid by design; without disciplined liquidity rules they can force fire sales at inopportune times. Defining ramp up and run off windows, setting a conservative retirement age cap on illiquid exposure and holding a dedicated liquid buffer sized to cover near term liabilities, distributions and potential capital calls during the run off can help manage liquidity risk.

Third, **treating costs and structure as central** is crucial, not peripheral. Gross private market returns can be misleading if higher fees, transaction costs and valuation lags are ignored. Pension plans should opt to model outcomes on a net of fees, net of transaction cost basis and stress those assumptions in low return and high inflation scenarios.

At a governance level, this approach demands **close oversight** and **clear communication**. Trustees can opt to approve cohort specific glide path parameters, liquidity policy and conservative net return assumptions; an implementation committee should manage manager selection and operational readiness. Members deserve straightforward explanations: why illiquid assets are being used, what buffers protect their access, and how this shifts the odds of a better retirement.

For practitioners, the implication is clear: although implementing multi-asset glide paths that incorporate real assets can be **operationally complex**, the substantial gains in **risk-adjusted returns and retirement security** make this evolution worth considering.

2026 Outlook Main Convictions for 2026

1 The cycle keeps turning: a transition, not a downturn

2026 will be a year of transition as the global economy adjusts to a regime of "controlled disorder". AI-driven capex, industrial policy shifts, greater business resilience to tariffs and likely monetary easing should sustain activity and extend the cycle further. Investors will have to weigh equity concentration and valuation risks, rising public debt, structural geopolitical frictions, and sticky inflation from reshoring and the energy transition. Global GDP growth is set to moderate at 3% in 2026 but remain resilient.

2 Diversifying in an era of controlled disorder

"Controlled disorder", where governments and businesses seek to maintain trade and global level. Our base case for 2026 is mildly pro-risk, supporting equities and investment grade credit. With significant risk stemming from vulnerabilities and valuation excesses, portfolios should combine growth exposure with hedges — gold, selected currencies (JPY, EUR), and inflation-linked instruments — and a greater but selective allocation to private markets. Private credit and infrastructure are in the spotlight to improve income and inflation resilience, and to benefit from structural themes such as electrification, reshoring, AI and robust demand for private capital, particularly in Europe.

3 Equities: think global and look for sectors beyond the tech race

The tech capex cycle remains central, but the tech theme is broadening beyond the US to China, Taiwan, India, Europe and Japan. Concentration risk in US mega caps and the possibility of US exceptionalism fading argue for geographic and sector diversification. We favour combining AI exposure with defensive and cyclical themes: financials and industrials set to benefit from higher investment, defence names tied to security spending, and green transition stocks linked to electrification and grids.

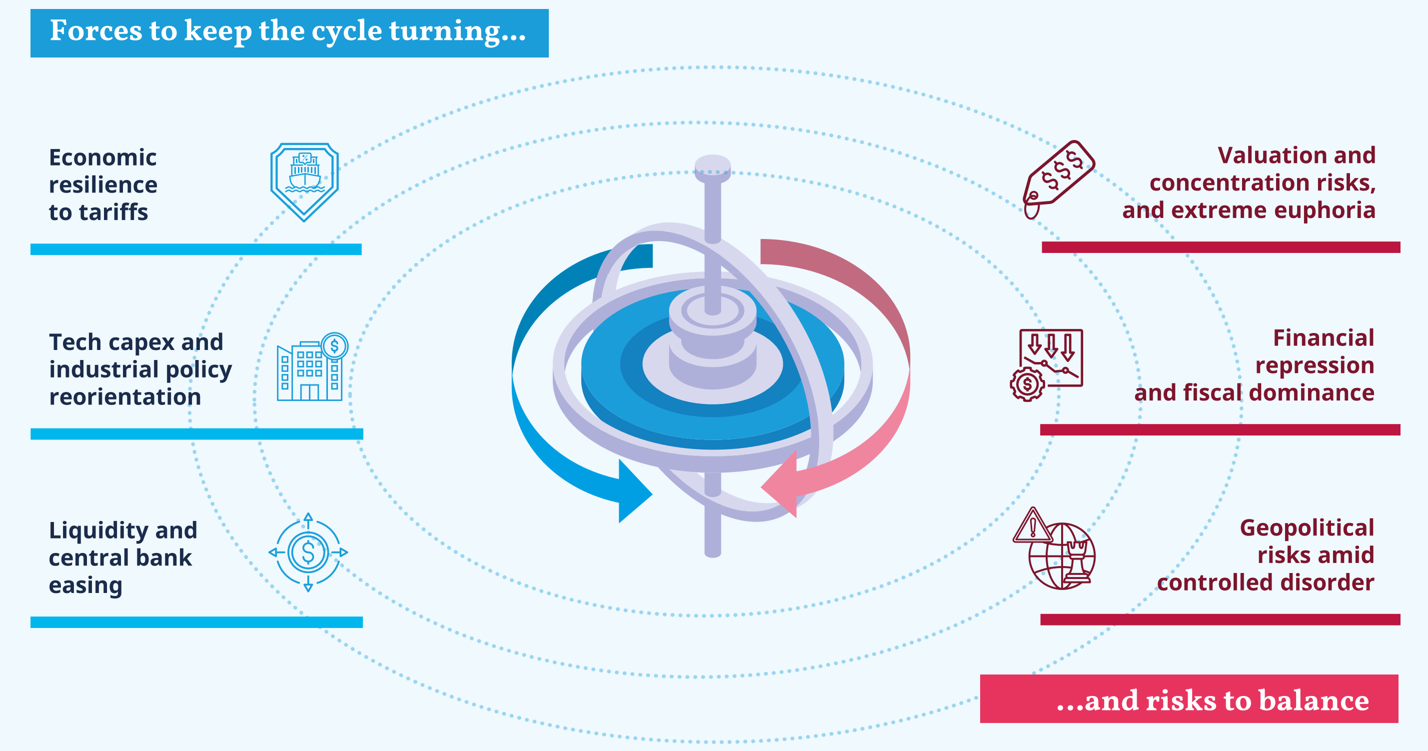
4 The monetary fiscal interplay will drive fixed income opportunities

Policy choices will drive markets. US debt is unprecedentedly high, which adds risks to the Fed's independence at a time when inflation is still above target. This balance of forces should keep US yields range-bound, favouring a tactical duration stance and inflation-protection. In 2026, European bonds remain a key call for global investors, with a focus on peripheral bonds and UK Gilts. In credit, we like euro investment grade, with solid fundamentals and are cautious on US high yield, which is exposed to regional banks and is consumer dependent. We believe the USD will continue to weaken, but the journey will not be linear.

5 Emerging Markets and Europe — two different engines of long-termopportunity

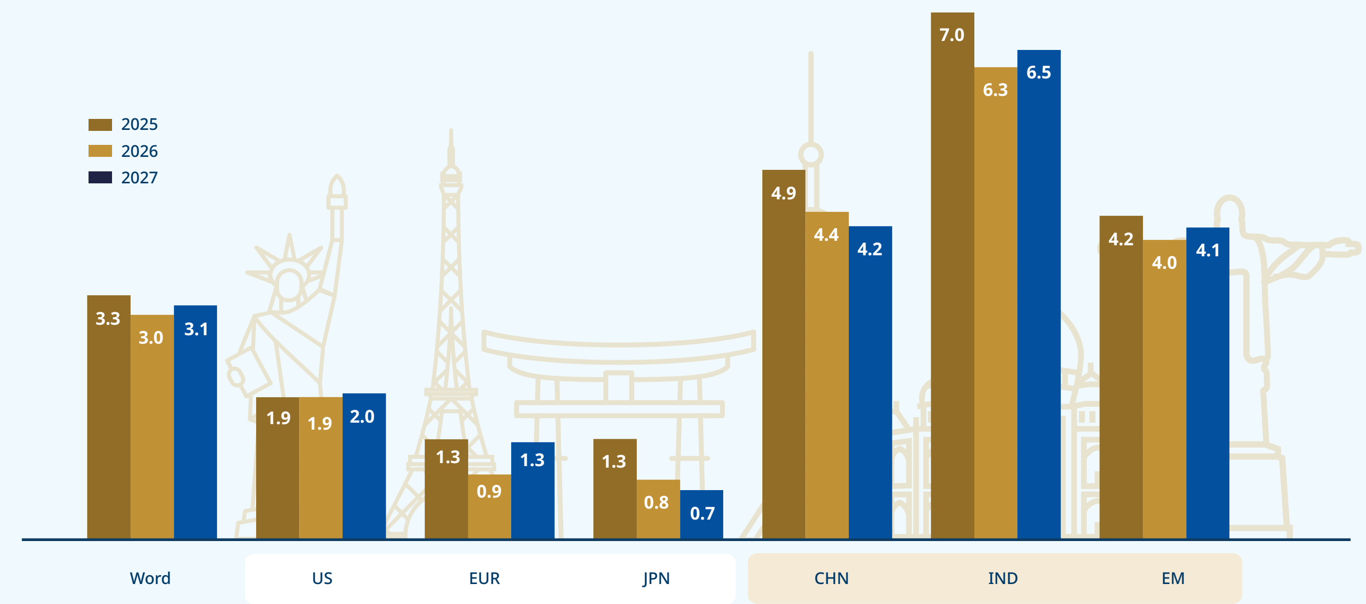
Emerging Markets and Europe are areas where short-term opportunities meet long-term themes. The EM rally has room to continue into 2026: a weaker dollar, potential Fed cuts, and the EM growth edge support EM bonds for income and selective EM equities. Europe's appeal should increase throughout the year as reforms combined with defence and infrastructure spending turn into tangible opportunities, particularly in euro credit and small- and mid-cap equities (with a focus on domestic trends and compelling valuations).

2026 Outlook Main Convictions for 2026



Source: Amundi Investment Institute

Resilient growth amid controlled disorder - Amundi Investment Institute Projections



Source: Amundi Investment Institute 2026 Investment Outlook. The chart presents the Amundi Investment Institute's reference projections based on information available as of 12 November 2025, and incorporates tariffs implemented up to that date in 2025.

2026 Outlook Main Convictions for 2026

Macro/Financial scenarios and probabilities

BASE SCENARIO **60%**

Resilient growth amid controlled disorder

We are in a transition – not a downturn – driven by AI capex, defence and industrial policies that reallocate capital and reshape trade, raising costs and moderating activity without collapsing globalisation.

It's unclear if AI productivity will offset demographic headwinds, although US IT investment is cushioning domestic demand. High public-debt pressures are tempered for now by tax cuts and higher defence and infrastructure spending.

Growth is resilient but unlikely to accelerate sharply, while inflation risks are becoming more structural due to reshoring and the energy transition. Concentration and stretched valuations are key risks to manage.

Market implications:

Strong focus on diversification, mildly positive for risk assets, weaker USD.

Source: Amundi Investment Institute 2026 Investment Outlook. The chart presents the Amundi Investment Institute's reference projections based on information available as of 12 November 2025, and incorporates tariffs implemented up to that date in 2025.

UPSIDE SCENARIO **10%**

Fiscal-led upside/easing geopolitics

Easing geopolitical tensions, tariff relief, higher fiscal-driven investment in the US and Germany, deregulation, QE and broader signs of AI-led productivity gains are factors that could lift sentiment and improve the outlook.

Market implications:

Positive for equity and credit, negative for government bonds.

DOWNSIDE SCENARIO **30%**

Political/financial shock

Political instability, a de-anchoring of inflation expectations, tightening liquidity, credit events, or earnings/capex disappointments in a concentrated, expensive market could trigger a downturn.

Market implications:

Negative for risky assets and long-dated govies; positive for gold, commodities, and linkers.

2026 Outlook Asset class views

Equity views for H1 2026

	---	--	-	-/=	=	=/+	+	++	+++	
US					◆					**Overall neutral, adding to equal weight to go beyond concentration risk** The Fed is cutting rates while no recession is expected. This pro-cyclical stance is favourable for the US and Big Tech is now the high-beta segment of the MSCI World. Historically, a burst has never happened when the Fed is cutting rates; however, beyond the high valuation of the S&P 500, concentration is a clear risk. We favour an equal-weighted approach.
US equal weighted						◆	○			
Europe					○	◆				**Moving to neutral in H1, before adding in H2; focusing on opportunities in SMID amid Germany's fiscal plan and ECB rate cuts** Europe's earnings lag, and a stronger euro hasn't helped. We move towards neutral in H1 and await new entry points in H2 to benefit from longer-term themes. Being more domestically driven, SMIDs are less affected by US tariffs, while more exposed to Germany's plan and Ukraine's reconstruction. Cheap, with supportive earnings, and set to benefit from ECB cuts, we favour European small and mid caps.
Europe Small and MidCaps							◆			
Japan						○	◆			**Moving to neutral in H1, before adding in H2 during pro-growth policies** The election of the new pro-nominal-growth Prime Minister supports Japanese equities. Determination to secure its way out of deflation and the persistence of corporate reforms remain medium-term arguments, but we will reduce this positive view in H1 in favour of emerging markets and the US.
Pacific ex Japan			◆	○						**Cautious, but profitability will improve the outlook** With lagging earnings growth and P/E well above its historical average in absolute and relative terms, the region (especially Australia which represents 63% of the MSCI Pacific ex Japan Index) is not currently attractive, but profitability should improve.
EM						◆	○			**Slightly positive, with selectivity** EM equities benefit from the growth premium towards EM and Fed rate cuts. However, selectivity is key: geopolitical re-equilibration, US tariffs, and divergences between domestic and external dynamics mean outcomes will vary; notable pockets of opportunity in LatAm, Eastern Europe, and select Asian countries.
China					◆	○				**Neutral for now, but with room for improvement** Broad Chinese equities may benefit from rising domestic demand amid low yields in bonds, while foreign investor flows could remain sluggish due to global uncertainty. Capital is likely to flow selectively into areas of clear comparative advantage, particularly the EV supply chain, renewable energy and the tech sector.
India						◆				**Slightly positive, to benefit from long-term growth** Indian equities offer long-term growth potential. The most compelling opportunities are in infrastructure projects that address real bottlenecks, manufacturing plays linked to global supply-chain shifts, and financial-inclusion technologies.

◆ Stance at 17 November 2025 ○ Expected direction of move in H1 → Direction of change for H1 2026

Source: Amundi Investment Institute, as of 17 November 2025. DM: developed markets. EM: emerging markets.

2026 Outlook Asset class views

Fixed income views for H1 2026

	---	--	-	-/=	=	=/+	+	++	+++	
US Duration					◆					**Neutral, wait for higher entry** 2Y yields factor in overly aggressive rate cuts, and break-evens look too low. We look for higher yields as an entry point; however, weaker consumer demand could eventually justify lower yields.
EU Duration					◆ →	→	○			**Front-end will benefit from ECB rate cuts** Weak growth could lead the ECB to cut rates twice more by mid-2026, and markets are not yet discounting this. However, only the front end of the curve will benefit.
UK Duration							◆			**Positive duration amid continued rate cuts** Weak growth and continued interest rate cuts should lead UK spreads to tighten relative to the rest of the G7.
Japan Duration			◆ →	→	○					**Short duration bias** Expansionary fiscal policy and further rate hikes from the Bank of Japan justify continued short positions for now and a move toward neutrality after yields have repriced.
US IG Credit					◆					**Neutral while spreads are near-historic tights** Spreads are near-historic tights and higher capex could boost supply, but credit fundamentals are strong.
US HY Credit		◆								**Overall, expensive and vulnerable** Expensive pricing makes the market vulnerable to bad news for regional banks and consumer-dependent businesses.
EU IG Credit							◆			**Favour investment grade with strong balance sheet management** Balance-sheet management remains defensive, while supply is moderate. Flows into the asset class should continue to narrow spreads.
EU HY Credit					◆					**Cautious of vulnerable corporate weakness** More vulnerable to signs of corporate weakness than European investment grade bonds, and supply remains high.
EM bonds HC							◆			**EM HC remains attractive** We remain constructive on EM HC bonds, which offer attractive yields. Technicals remain supportive. With tight spreads, we are selective with a preference for high yield.
EM bonds LC								◆		**Positive, with selectivity** Local-currency EM yields are expected to move down further in a scenario of under control inflation and easing monetary policy. Prefer CEEMEA, marginally LatAm, and selective on Asian markets.
EM Corp.							◆			**Positive with quality bias** In emerging market corporate credit, we continue to explore high carry and balance that with quality.
EM FX vs USD						◆				**Long EM FX while the USD weakens** Emerging FX may gain in a weaker USD environment. We favour high-carry currencies in LatAm, CEMEA and Asia and are cautious in low-yielding currencies in Asia.
USD vs G10			○ ←	←	◆					**Continued USD weakness in sight** We continue to position for a weak, although non-linear, USD in 2026.

◆ Stance at 17 November 2025 ○ Expected direction of move in H1 → Direction of change for H1 2026

*Source: Amundi Investment Institute, as of 17 November 2025. DM: developed markets. EM: emerging markets. The table shows absolute views on each asset class and are expressed on a 9 scale range, where = refers to a neutral stance. This material represents an assessment of the market at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research, investment advice or a recommendation regarding any fund or any security in particular. This information is strictly for illustrative and educational purposes and is subject to change. This information does not represent the actual current, past or future asset allocation or portfolio of any Amundi product. FX table shows absolute FX views of the GIC. * Represents a consolidated view of multiple EM currencies.*

To go further: The Amundi Research Center

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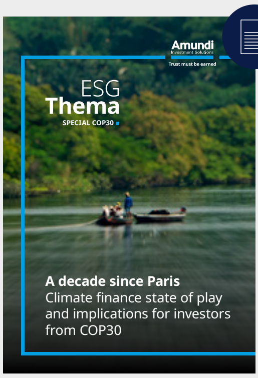
The Amundi Investment Institute was created to enhance strategic dialogue with clients and to cement Amundi's leadership in economic and financial research. Positioned at the core of the global investment process, the Investment Institute collaborates seamlessly with Amundi's investment platforms. It produces analysis on economic and market developments, including their implications for investors. Our goal is to help clients navigate an increasingly complex and rapidly changing world.

To find out more, please visit: research-center.amundi.com

Responsible Investing and Net zero



2026 Outlook

Thematic Papers

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