Amundi
Investment Solutions

Trust must be earned

Investment Institute

Adapting to ruptures

CAPITAL MARKET ASSUMPTIONS

APRIL 2026 • Document for professional investors only

INTRODUCTION

Adapting to ruptures

The global environment is no longer mainly shaped by the economic cycle. It is shaped by rupture. Geopolitical fragmentation, strategic competition, technological acceleration, delayed energy transition and the rewiring of trade, capital and supply chains are not just tail risks around the baseline. They are the baseline. The issue is therefore not whether disruption fades, but how economies, companies and investors adapt to a world in which resilience, flexibility and strategic autonomy matter more.

The current energy shock is another reminder of this regime. Our base case is that the global spillovers remain meaningful but contained. Growth should soften across regions as real incomes come under pressure and confidence weakens. Inflation effects are likely to be uneven, but more persistent than in a standard cyclical shock. More importantly, the deeper forces we highlighted in last year's CMA are not receding. They are becoming more entrenched.

Those long-term forces are increasingly clear. Artificial intelligence is reshaping productivity and competitive dynamics, but unevenly across countries and sectors. Demographics continue to weigh on potential growth. Energy has become both a strategic constraint and a source of industrial differentiation. And strategic autonomy is moving from policy ambition to capital-allocation reality, influencing defence, infrastructure, supply chains and technology investment. The result is a world of resilient but not structurally stronger growth, and inflation that remains firmer than during pre-pandemic regime.

For companies, adaptation means rethinking supply chains, strengthening resilience, managing energy exposure and investing in flexibility rather than efficiency alone. For investors, the implication is that the investment map is changing. Broad market exposure matter less than selective exposure, and currency considerations are increasingly relevant. Diversification is key: portfolios need to combine resilient fixed income, differentiated equity opportunities, selective private assets and strategic diversifiers.

Against this backdrop, this year's CMA updates our framework in several important ways:

> *We have revised our macro scenarios to better reflect this new socio-economic configuration, including growth and inflation patterns as well as natural capital and climate-related risks.*

> *We have added gold to our assumptions set, reflecting its expanding role in a more fragmented reserve environment and its value as a strategic diversifier.*

> *We have broadened our analysis across horizons, from 5 to 30 years, moved to a more targeted currency-based assessment, and refined our private-asset modelling with greater emphasis on net-of-fee returns and evolving liquidity assumptions.*

This year's CMA is therefore not just an update. It is a framework for adapting portfolios to a world in which rupture is becoming the system.

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Monica Defend
Head of Amundi Investment Institute

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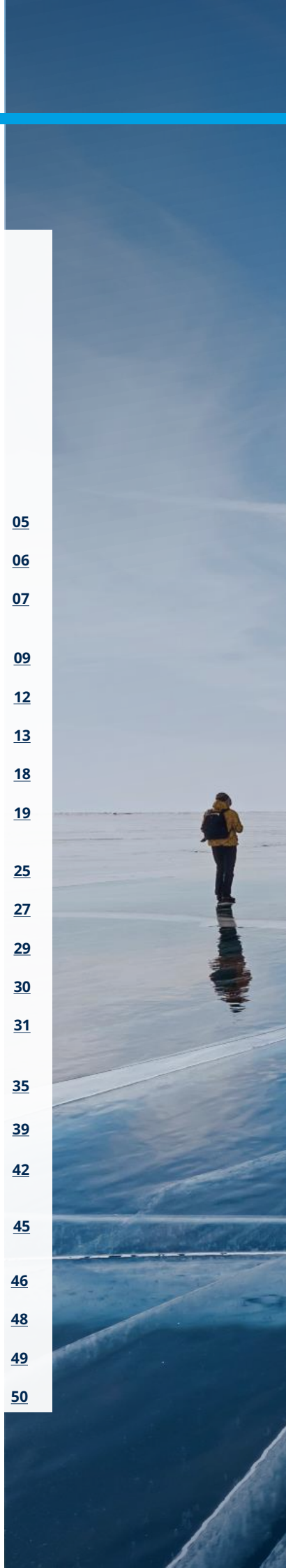
How we approach Capital Market Assumptions (CMA)

Our CMA approach outlines three steps: from regime analysis, to asset class assumptions, to portfolio construction.

It starts with the forces reshaping the investment environment. It then sets out our long-term assumptions across public and private assets, and it ends by showing what this means for strategic asset allocation.

The aim is not just to estimate returns, but to offer a framework for building portfolios that are more selective, diversified and resilient in a world shaped by rupture and adaptation



Rupture is the new regime

We are living through a regime of ruptures — geopolitical, technological and energy-related — and adaptation will define the next five years. Strategic autonomy and AI-driven productivity gains can make growth more resilient, but not structurally much stronger. Inflation, meanwhile, is becoming more embedded, driven as much by energy demand, geopolitics and climate risk as by the cycle itself.

Monica Defend
Head of Amundi Investment Institute

Debt is reshaping markets

Debt dynamics are moving to the centre of the investment backdrop. They imply structurally higher long-end rates and a greater role for fiscal dominance, reshaping the appeal of US debt and the US dollar. Over the next few years, this should reinforce the case for tilting bond allocation back toward domestic markets, with Europe and Japan best placed to benefit.

Vincent Mortier
Group Chief Investment Officer

Diversification must build resilience

Resilient portfolios now require more than broad market exposure. Gold has become a strategic allocation tool as geo-economic fragmentation raises demand for a politically neutral store of value. Private assets — especially infrastructure and private equity — still add value, but with greater selectivity.

Philippe D'Orgeval
Deputy Group Chief Investment Officer

Asset allocation must adapt

Strategic asset allocation must adapt to a world of higher dispersion. As differences widen across time horizons, regions and currencies, investors need to position portfolios more actively in line with their risk appetite, using a broader mix of bonds, equities, gold and private assets.

John O'Toole
Global Head - CIO Solutions, Amundi

KEY INSIGHTS

Adapting to ruptures

Main convictions for 2026 CMA

1 Rupture is no longer a shock to the system — it is the system

The global economy is moving through a structural regime shift. Trade rewiring, weaker policy coordination, the push for strategic autonomy, a delayed energy transition and uneven AI diffusion are making volatility more endogenous, rather than the by-product of external shocks. Growth can remain resilient, supported by fiscal spending and selective productivity gains, but fragmentation and demographic drag are unlikely to allow for a sustained acceleration in GDP. Inflation is becoming stickier too, increasingly shaped by commodity demand, geopolitics and climate risk. Policymakers and investors must now adapt to a world where resilience matters as much as efficiency.

2 Structural deficits come with fiscal dominance and debt reshoring

Governments will continue to prioritise defence, industrial policy, AI reskilling, energy autonomy and social protection. As the current energy shock is showing, strained fiscal positions are no longer a hard constraint on intervention, keeping debt high and long-end rates structurally elevated. Fiscal dominance is likely to be a defining feature of the next decade.

Rising sovereign supply, higher domestic rates and a potential regulatory push toward captive financing may push investors to allocate more into their domestic markets. Financial flows will also affect currency dynamics, with the US dollar's dominant role likely to be eroded gradually rather than lost abruptly.

3 A fragmented opportunity set across regions and time horizons

The 2026 CMA points to appealing long-term expected returns across most asset classes, with bonds slightly upgraded and equities still offering potentially solid return, between 6.5% and 7.5%. Private assets continue to offer higher return potential, in particular private equity. Return dispersion is likely to rise across regions over the next five years, while over the long run sector dispersion and climate adaptation will create new opportunities. The broader backdrop calls for balancing exposure to higher-returning assets, such as EM, Indian and private equities, with asset classes that can add greater resilience, including global government bonds, global investment grade credit and EM debt.

4 Private and alternative require more selectivity

Private assets can help enhance long-term returns, but the drivers of their performance are changing. Higher nominal discount rates are likely to cap valuation multiples, making returns less dependent on multiple expansion. Instead, they will be driven more by income and operational value creation.

At the asset class level, infrastructure and private credit should benefit from rising investment needs, while European private equity looks more compelling than its US counterpart due to lower valuations and investment linked to strategic autonomy.

5 Strategic asset allocation mixing global and local tilts

Investors must diversify to build resilience. Over the next decade, Aggregate bonds and EM bonds are increasingly relevant as a key anchor for portfolios, particularly for allocations with a moderate risk profile. In equities, Emerging Markets are gaining relevance, supported by higher long-term expectations. Within private assets, private equity is favoured as the main growth engine, while infrastructure and private debt play a stronger role as income-generating assets. Gold will be a key strategic allocation tool, supporting both diversification and return potential.

As a result, a global diversified dynamic allocation with a 12% volatility target is expected to deliver annual returns between 6.4% and 7.4% for EUR and USD investors, with Euro investors particularly benefiting from an improved reward-to-risk trade-off.

KEY INSIGHTS

From 2025 to 2026: what's changed

Higher nominal growth, stickier inflation, and a higher bar for selectivity

Macro

Stronger nominal growth with stickier inflation

Compared with last year, our 2026 CMA reflects a firmer nominal backdrop. Growth has been revised up in several regions, supported by a more delayed transition path, earlier AI-related productivity gains and continued fiscal support. Inflation has also been revised up and is becoming structurally stickier.

Asset class assumptions

Government bonds appeal is increasing and FX matters more

The most significant upgrade versus 2025 is for government bonds. Higher starting yields, steeper yield curves and improved term-premia assumptions support higher long-term return expectations, with Japan standing out most clearly. Bonds are regaining a more meaningful role not only as sources of income, but also as anchors of diversification and portfolio resilience. At the same time, FX matters more strategically as the gradual erosion of the USD's dominance that we anticipated in 2025 is set to continue.

Credit is less compelling than a year ago

Credit spreads tightened over 2025, especially in the US and emerging markets, reducing future return potential. Carry remains supportive, but much of the easy spread compression is now behind us, while medium-term default risks are more visible. Credit still has a role in portfolios, but one that is more selective and more sensitive to starting valuations.

Equity returns remain attractive, but more differentiated

Equity earnings assumptions have improved, helped by stronger macro support, AI-related capex and sector tailwinds. But valuation headwinds now offset more of that benefit than they did a year ago. **The result is a more uneven regional picture**: EM remain preferred to DM, while within developed markets **Europe and Japan look more compelling** than the US, where concentration and valuations remain the key constraints.

Private assets still matter, but selectivity matters more

Private and alternative assets remain **important enhancers of long-term returns, but less than in the era of multiple expansion and ultra-low rates.** Income, operational value creation and manager selection now matter more. This year's private asset assumptions are also presented on a net-of-fees basis, making comparisons with 2025 less direct, but more realistic from an investor perspective.

Portfolio implications

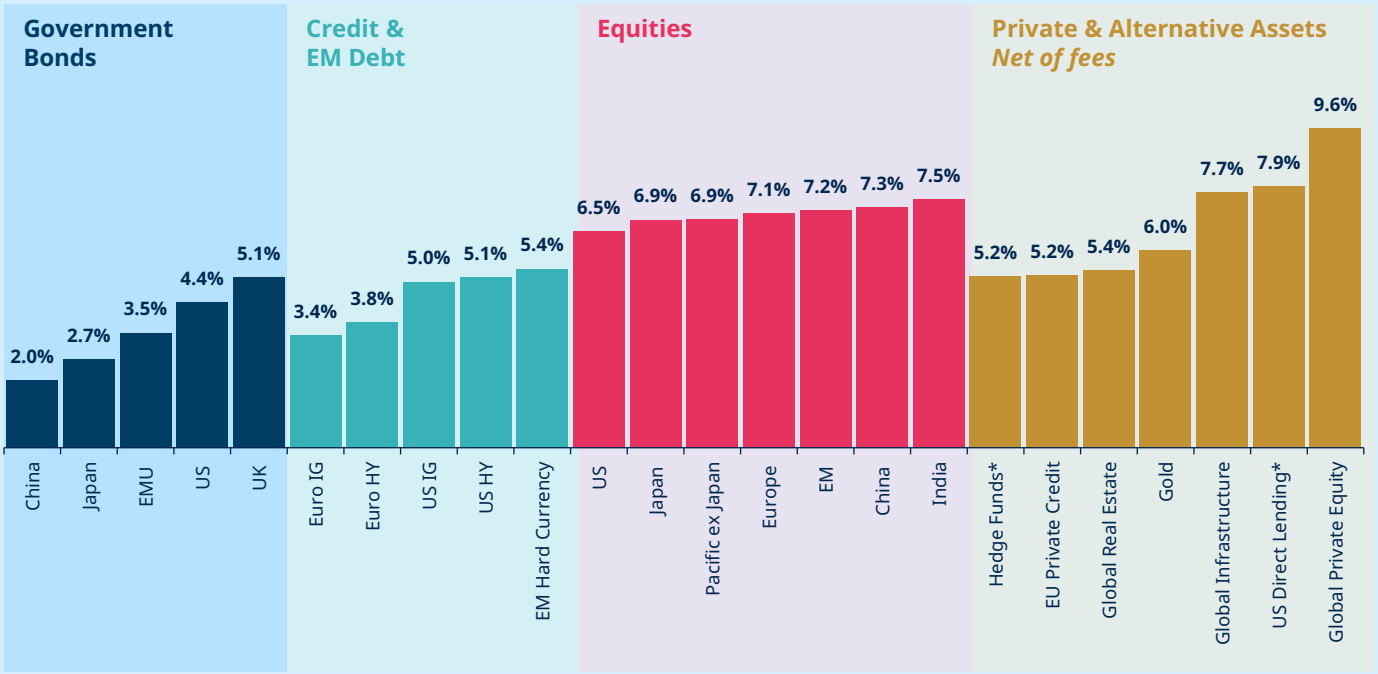
Portfolio takeaway

Relative to 2025, the message is clear: bonds deserve a stronger place in portfolios, credit calls for greater selectivity, equity returns remain attractive but more uneven, and private assets should be approached with a more disciplined lens. In a world of rupture, strategic asset allocation becomes less about broad market exposure and more about combining return potential with resilience.

KEY INSIGHTS

Appealing long-term expected returns across the board

10-year expected returns in local currency, excluding alpha



Bonds

Balance local and global

- **Japan**: The strongest improvement in returns, making them more attractive globally.
- **Euro**: A core allocation for EUR investors, with improved expected returns and risk-return profile.
- **US**: Attractive carry, though a weak USD makes them less compelling for international investors.
- **Investment grade credit**: Offers among the best risk-return trade-offs within fixed income.
- **High yield:** Still offers carry, but tighter spreads leave less room for error and require greater selectivity.
- **EM:** Best return potential in fixed income, with an attractive mix of carry and diversification.

Equities

More EM, Europe & Japan

- **US**: Resilient but constrained by high valuations and concentration risk.
- **Japan**: Best risk-return profile across currencies, driven by governance reform, buybacks and capital efficiency.
- **Europe**: Attractive returns, supported by reforms, AI and industrial momentum.
- **EM**: Preferred over developed markets, with growth in technology, digital services and advanced manufacturing.
- **China**: More selective, with upside from tech and policy support.
- **India**: Strong structural growth story, with solid earnings potential.

Private & Alternative

Time for selectivity

- **Hedge funds*:** Well-suited for a high-dispersion world, where unstable correlations create more opportunities.
- **Private debt:** Attractive carry but requires high selectivity.
- **Real estate:** Income-led recovery, with logistics and industrials in focus.
- **Gold:** Remains a preferred asset class during geopolitical shifts with strong arguments for sustained demand in the medium to long term.
- **Infrastructure**: Favoured for EUR investors, supported by digitalisation, energy transition and security needs.
- **Private equity**: Strong returns, with Europe preferred over the US.

Source: Amundi CASM Model, starting date is 31/12/2025. Returns are nominal and gross of fees, except private and alternative assets which are net of management and admin fees. The expected returns consider the market beta and the alternative assets risk premium. Alpha return component generated by portfolio management, strategy selection or specific value creation programs, that is significant above all for private and alternative assets, is not considered in any form. Fixed income assets expectations are based on average duration aligned with market cap indices. For further information see the "Sources and Assumptions" section.
*US Direct Lending is considering leverage on the fund. Hedge Funds refer to Fund of Hedge Funds.
Forecast returns are not necessarily indicative of future performance, which could differ substantially.

THE BIG TAKE

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THE BIG TAKE

Rewiring the global economy in the age of ruptures

Throughout last year and into 2026, businesses and investors have seen what first looked like a cyclical scare evolve into a clearer structural shift. This is broadly consistent with the change in assumptions we introduced in last year's CMA, when we moved toward a more fragmented socio-economic scenario and a delayed energy transition. Under Trump's second term, these forces have become more visible: regional rivalries have intensified, global cooperation has weakened, and the distribution of resources and opportunities has become more uneven.

We describe this environment as one of **"controlled disorder":** a regime marked by the rewiring of trade, weaker coordination across alliances, and a stronger push for strategic autonomy.

These forces are already producing tangible effects with long-term implications.

> The rewiring of trade is reshaping supply chains under security and political constraints. As tariffs rise and production networks adjust, volatility is becoming embedded in policy rather than appearing only as a symptom of exogenous shocks. This is particularly visible in strategic sectors, such as critical minerals, where resilience and access are increasingly prioritised over efficiency.

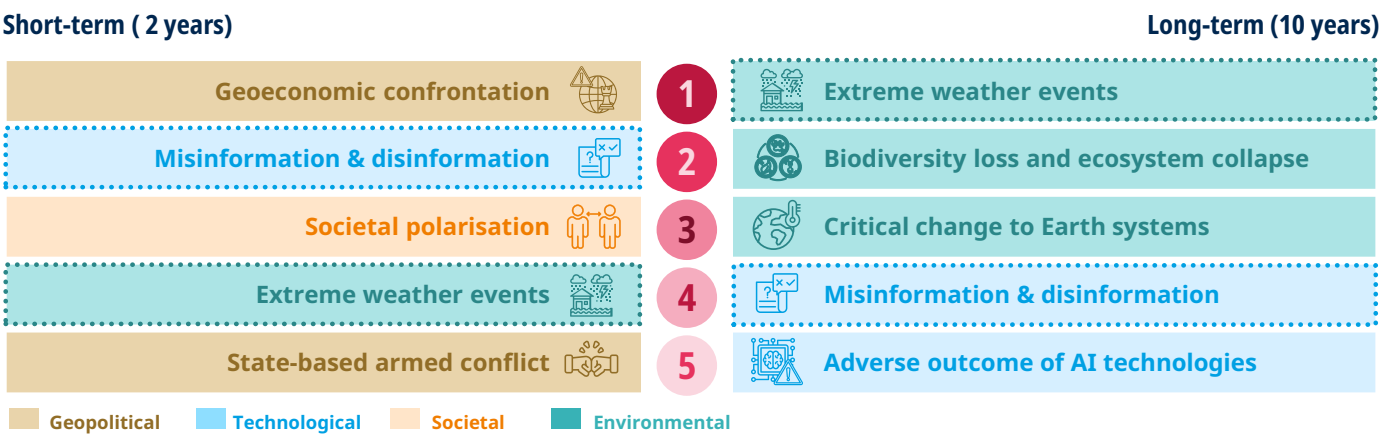
> At the same time, weaker policy coordination is making collective responses harder to sustain. Limited pragmatic deals may still emerge, but the broad cooperative bargains that once delivered mutual gains are becoming less common. This is also visible in the stalled green transition, as rising energy demand and fragmented policy priorities make coordinated progress more difficult.

> Meanwhile, the push for strategic autonomy is reinforcing higher defence and energy-related infrastructure spending. This may support growth in the near term, but it also adds to fiscal pressure. In countries already facing adverse demographic trends, higher spending and weaker fiscal flexibility are raising more persistent questions around debt sustainability.

> AI may help offset part of these pressures through productivity gains, but such gains are unlikely to be distributed evenly across countries, sectors or households.

This fractured yet interconnected adjustment is what we mean by "controlled disorder". It defines a macro regime of higher volatility, more uneven growth, higher debt and stickier inflation**. In such a world, investing becomes less about forecasting the next shock and more about positioning for resilience, flexibility and building strategic buffers.**

Global risks ranked by severity on a short and long-term horizon



Source: World Economic Forum Global Risks Perception Survey 2025-2026. Global risks ranked by severity, short-term (2 years) and long-term (10 years).

Demographics and AI

Against this backdrop, demographics are the most important slow-burn rupture line. Ageing societies in advanced as well as in emerging economies (with few exceptions) face shrinking workforces and rising dependency ratios, forcing a repricing of labour, welfare promises and trend growth. Welfare policies, female labour force participation and immigration are key adaptation margins, but they are politically constrained and unevenly deployed. Demographics will continue to maintain a subdued growth trend when compared to historical averages.

AI is starting to fill part of the labour shortage gap, but in a highly asymmetric way. In some economies, AI adoption supports productivity while preserving employment; in others, it is already associated with net job losses. This illustrates how AI can act as both a productivity cushion in ageing, supply-constrained economies and a source of social tension if labour market adaptation and re-skilling lag.

AI accentuates regional differences in labour market outcomes and social models. Where severance protection is strong and active labour market policies are credible, AI can support higher wages and productivity without immediate employment losses. Where institutions are weaker, the same technology shock can translate into job destruction and political backlash, affecting the feasible inflation targeting and fiscal stance.

Alongside the demographic drag, we continue to highlight both impacts mentioned above in our 2026 CMA, driving next year's growth trend: capital deepening and tech-driven efficiency with important distributional and political costs. AI adoption in science and R&D across the broader economy could propel meaningful technology progression, contributing positively to growth. However, the most pressing question is not whether AI generates productivity gains, but who benefits from them.

Governments' response is therefore critical. The case that cheaper artificial intelligence expands total demand by making previously unaffordable services accessible, remains plausible but history suggests that redistribution rarely happens automatically. Policy has to make it happen. That will translate into **resilient, although not structurally accelerating, growth dynamics over the next few years across the globe**.

AI's impact on productivity growth remains a central theme in our CMA assumptions. This year, we have taken into account an assessment on countries' AI acceleration (Stanford University AI Vibrancy Index and the IMF AI Preparedness Indices), which confirms that the tech race remains centred on the US and China, but with potential spillovers to other regions, such as Europe in the remit of physical AI.

"Geo-economic fragmentation in the short run and a delayed climate transition in the long run are redefining the economic landscape — making inflation stickier, growth more uneven, and macro-financial volatility the new normal."

Alessia Berardi,
Head of Global Macroeconomics,
Amundi Investment Institute

China vs US AI race: two competing models

In the US–China race for technological leadership, AI is the decisive front, with each country pursuing a distinct strategy. The US relies on frontier labs, deep capital markets, and leading platforms to drive progress. China, by contrast, treats AI as a public utility and infrastructure across industries, aiming for rapid, society-wide adoption. Its AI+ Action Plan targets the penetration of AI devices and agents above 70% by 2027 and 90% by 2030. China is also seeking a leading role in Physical AI, accelerating the development and deployment of humanoid and other advanced robots.

	China	US
Vision	AI as basic infrastructure with society-wide uptake	A globally dominant AI stack led by American platforms
Strength	Large STEM talent pipeline; cost-discipline and open-source adoption	Capitalist dynamism: animal spirits, talent magnets, rapid scaling
Weakness	Commercialisation bottlenecks; talent retention	Rising inequality and access gaps; politicised export controls

Delayed transition accelerates climate adaptation

Compared to last year's CMA, **the transition remains highly fragmented and, in many segments, increasingly delayed.** While this is helping to soften the impact of transition costs on growth and inflation in the short term, it heightens physical climate risks over the longer term, particularly across a 10- to 30-year horizon. Emissions trading, carbon border adjustment, and national energy mixes are moving at different speeds. The EU is facing rising pressure on the Emissions Trading System (ETS) and friction when competitiveness collides with climate goals.

In this environment, growing physical risk has pushed economic agents more towards adaptation to climate risk. Adaptation reshapes CAPEX intensity, EPS volatility, financing costs and risk premia: climate adaptation is no longer an ESG overlay but a balance sheet variable. From our evidence **adaptation is broad but uneven**. **Most firms focus on risk assessment and enterprise risk management, supplier diversification, water and energy management, insurance and building strategic buffers** (see article on page 31)**.**

Strategic autonomy to enhance economic resilience

This environment calls for strengthening resilience rather than pursuing wholesale structural transformation. Energy independence, where achieved, is more of a volatility reducer and fiscal planning anchor than a guaranteed growth accelerator; without sufficient grid investment, storage, nuclear clarity and capital mobilisation, the risk is simply to reshuffle dependencies rather than eliminate them. In Europe, energy autonomy has improved since the shock of the Russian gas interruption, but it remains fragile and uneven, with Germany replacing Russian pipeline dependence with significant LNG exposure to the US, and with grids, storage and nuclear policy still lacking clarity.

Macro implications

Against a backdrop of demographic drag, controlled disorder will shape the macro environment over the next few years. At the same time, technological progress may generate efficiency gains, even as governments face rising fiscal pressures linked to the social costs of adjustment, the pursuit of strategic autonomy and the need to rebuild after climate-related disruption. The result is likely to be resilient, but not accelerating, GDP growth, alongside inflation that remains above central banks' targets.

Central banks will operate in a world shaped by fiscal policy, capital-intensive innovation and geopolitical supply buffers. **The implication is a higher-for-longer floor for rates**, reduced precision and greater reliance on balance sheet tools and liquidity backstops rather than clean, rule-based forward guidance. Central banks will also continue preparing for fragmentation by building institutional backstops that are less dependent on the Federal Reserve's discretionary swap lines. This is **less about replacing the dollar and more about reducing vulnerability to its politicisation, embedding crisis readiness into the international architecture and making domestic liquidity part of the geopolitical toolkit**.

In this context, **monetary policy will increasingly include the design of resilience infrastructure** — payment rails, liquidity lines and digital currencies — alongside conventional rate and balance sheet decisions. **Markets will therefore place greater weight on reaction functions and institutional capacity, rather than on single-point forecasts or dot plots.** The risk of financial repression rises where high public debt burdens meet higher nominal rate floors and political reluctance to run tighter fiscal policy; in those jurisdictions, stable yields may require either larger central bank balance sheets or regulatory compulsion.

Main CMA economic assumptions for the next 5 and 10 years

	Potential real GDP growth	Real GDP growth		Inflation	
		2026-2030	2026-2035	2026-2030	2026-2035
US	1.8%	2.4%	2.4%	2.7%	2.5%
EMU	1.0%	1.1%	1.2%	2.4%	2.3%
Japan	0.8%	0.9%	0.9%	2.3%	2.0%
India	6.5%	6.1%	5.4%	4.4%	4.0%
China	4.2%	4.0%	3.5%	1.0%	1.5%

Source: Amundi Investment Institute 2026 Capital Market Assumptions.

Turning fragmentation into sustainable growth

Opportunities amid rupture

Rupture can be an opportunity if policymakers rise to the challenge. Governments can encourage reshoring and boost capital formation and productivity through targeted industrial policy, building up buffers of strategic resources, and renewed investment in education, health and retraining.

AI could delay demographics' effect on growth

Technological advancement is accelerating. AI should boost productivity, address labour shortages, and enable large scale reskilling. However, progress hinges on countries' ability to innovate and ensure the swift diffusion of AI. Success will bring productivity gains that may temporarily offset the negative impact of ageing populations on growth.

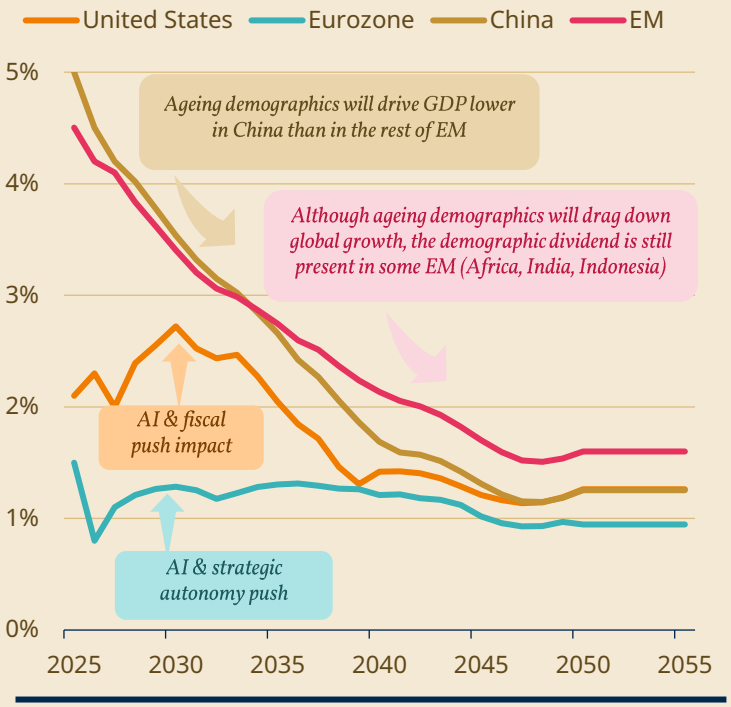
A delayed path towards Net Zero

We have further downgraded the probability of the Net Zero pathway in favour of a delayed transition. In the short term, the US administration's stance on energy transition is establishing a precedent that others may be tempted to follow. That said, energy-dependent countries may be forced to accelerate their deployment of more sustainable options.

Strategic autonomy may enhance resilience

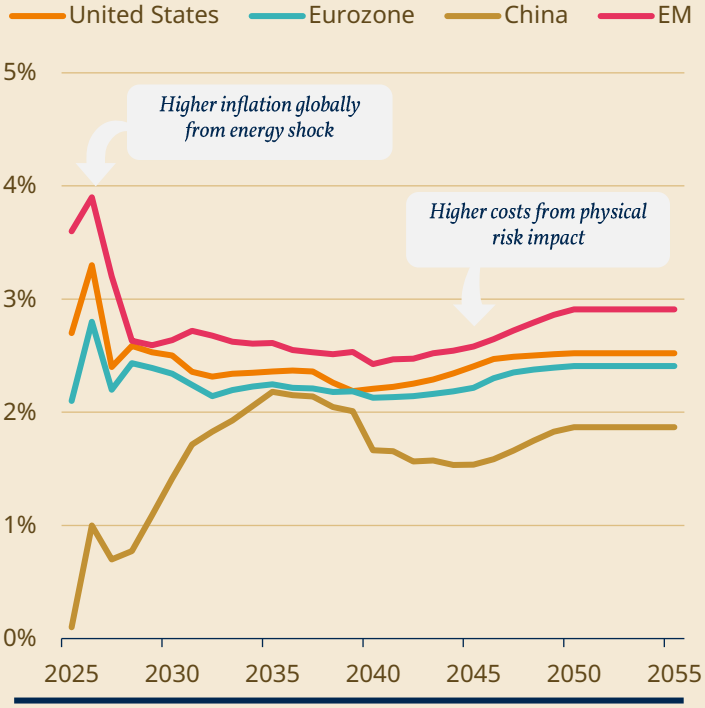
Strategic autonomy has emerged as a matter of national security and could help dampen the volatility of economic swings even if it does not boost growth rates. Industrial and trade policies are refocusing on national security priorities and financial flows will follow. Such shifts will raise short term costs, but support sustainable growth in the long term.

Growth outlook



Source: Amundi Investment Institute 2026 Capital Market Assumptions.

Inflation outlook



Source: Amundi Investment Institute 2026 Capital Market Assumptions.

THE BIG TAKE

Dynamically adapt asset class preferences across different time horizons

KEY TAKEAWAYS

Long-term returns remain attractive, but balance matters more. The 2026 CMA continues to support long-term return potential across asset classes, but with less room for indiscriminate risk-taking than last year. While bonds regain appeal and risk assets require greater discipline, government bonds and investment grade credit are anchors, with private equity, infrastructure and selected private debt as key return enhancers.

The next five years will reward selectivity. Higher dispersion across regions and asset classes means allocation decisions will matter more. In that context, resilient exposures such as US bonds, investment grade credit and EM debt should play a stronger role in portfolios.

FX is strategic, not secondary. Base currency is increasingly shaping relative outcomes, strengthening the case for more differentiated bond and equity allocations across USD, EUR, GBP and JPY investors.

Long-term investing now requires a more deliberate balance between resilience and return potential. The interaction of long-term forces such as technological change, rising debt burdens and demographic shifts is reshaping the investment landscape by making risk premia more uneven across asset classes, regions and time horizons.

In fixed income, the improvement is no longer merely cyclical. Government bonds and investment grade credit are once again central to strategic allocation, as higher starting yields restore their role as sources of income, resilience and portfolio balance. Within the fixed income universe, the most compelling opportunities remain those that combine carry with diversification benefits, notably selected emerging market debt, US bonds, US investment grade credit and Euro investment grade credit.

In equities, stronger AI-driven productivity gains are supporting a firmer earnings backdrop, but much of that optimism is already reflected in valuations. The equity case is therefore becoming less about broad market beta and more about identifying where innovation, reform momentum, capital discipline and domestic demand can translate into durable results. India and China continue to offer strong return potential in local currency terms, while Japanese equities stand out even more clearly once FX dynamics are taken into account. Sector differentiation within regions will also become more important. Some markets are better positioned to benefit from AI adoption, industrial upgrading and supply-chain rewiring, while in others domestic demand will play a greater role in shaping outcomes, particularly in consumption-linked sectors.

Private assets continue to justify a structural role in long-term allocations, but selectivity will be key. Global private equity, US direct lending and infrastructure remain among the most compelling areas, particularly where they provide access to real value creation, income visibility and resilience that listed markets may not fully capture.

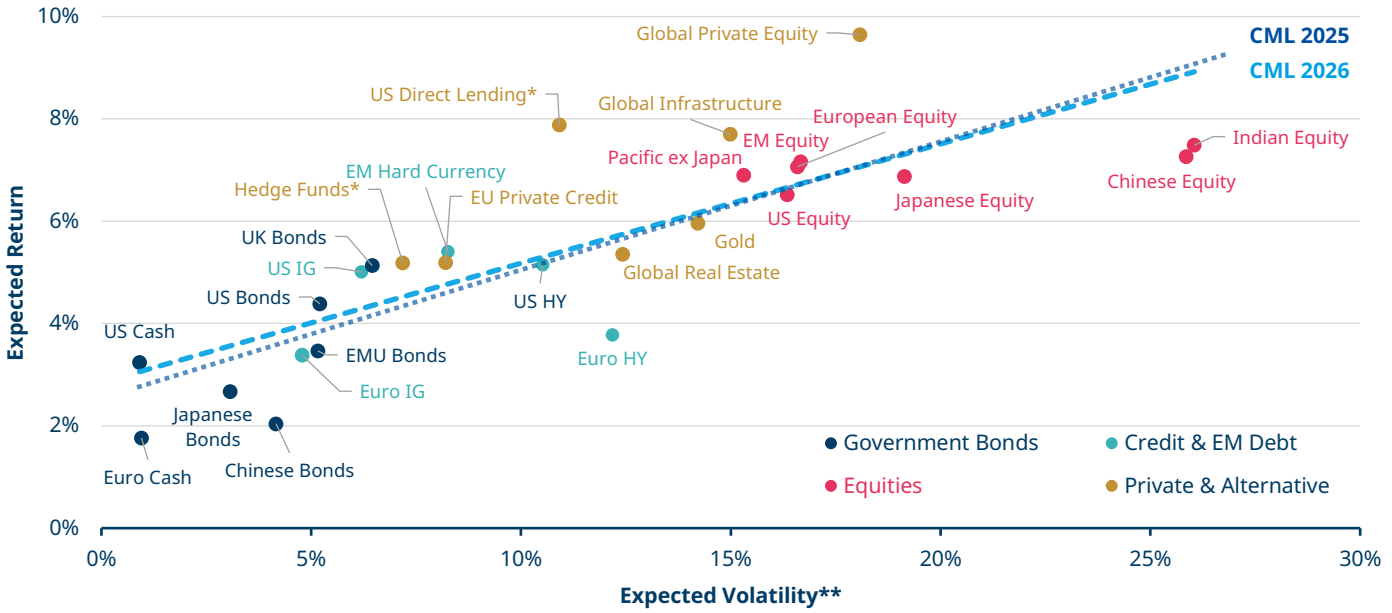
Finally, FX is no longer a secondary consideration. Base currency and local market dynamics are increasingly shaping relative outcomes across asset classes, reinforcing the case for a more differentiated strategic allocation framework across USD, EUR, GBP and JPY investors. In a world of greater dispersion, strategic asset allocation will rely less on broad market exposure and more on building portfolios that are balanced, selective and adaptable across regimes.

"In this year's CMA, balance is not caution — it is conviction: anchor portfolios with bonds, diversify equity exposure across regions, and use private assets selectively to strengthen long-term return potential."

Monica Defend
Head of Amundi Investment Institute

Capital market line remains stable compared to last year with private and alternative assets in focus

10-year expected returns vs expected volatility scatter plot in local currency, excluding idiosyncratic alpha



Asset classes with the best risk-return payoff in local currency

		10-year expected returns	*10-year simulated volatility***	*Reward to risk*
Best asset class in the high volatility space *(Simulated Volatility >14%)* Private equity, Infrastructure, EM equity, Pacific ex Japan and European Equity	Global Private Equity	9.6%	18.1%	**53.4%**
	Global Infrastructure	7.7%	15.0%	**51.4%**
	Pacific ex Japan Equity	6.9%	15.3%	**45.1%**
	EM Equity	7.2%	16.7%	**43.0%**
	European Equity	7.1%	16.6%	**42.6%**
	US Equity	6.5%	16.3%	**39.9%**
	Japanese Equity	6.9%	19.1%	**35.9%**
	Indian Equity	7.5%	26.0%	**28.7%**
	Chinese Equity	7.3%	25.9%	**28.1%**
	Gold	6.0%	14.2%	**41.9%**
Best asset class in the mid volatility space *(Simulated Volatility 7-14%)* Hedge Funds, Global Private credit EM HC Debt, US HY	US Direct Lending*	7.9%	10.9%	**72.2%**
	Hedge Funds*	5.2%	7.2%	**72.2%**
	EM HC Debt	5.4%	8.3%	**65.4%**
	EU Private Credit	5.2%	8.2%	**63.3%**
	US HY	5.1%	10.5%	**48.9%**
	Global Real Estate	5.4%	12.4%	**43.1%**
	Euro HY	3.8%	12.2%	**31.0%**
Best asset class in the low volatility space *(Simulated Volatility <7%)* Japan Bond, US Bond, US IG Bond, UK Bond	Japanese Bonds	2.7%	3.1%	**87.1%**
	US Bonds	4.4%	5.2%	**84.2%**
	US IG	5.0%	6.2%	**80.7%**
	UK Bonds	5.1%	6.5%	**79.5%**
	Euro IG	3.4%	4.8%	**70.7%**
	EMU Bonds	3.5%	5.2%	**67.1%**
	Chinese Bonds	2.0%	4.2%	**49.0%**

Source: Amundi CASM Model, starting date is 31/12/2025, returns are nominal and expressed in local currency, except EM HC Debt, Global Infrastructure and Hedge Funds which are in USD. The expected returns consider the market beta and the alternative assets risk premium. Alpha return component generated by portfolio management, strategy selection or specific value creation programs, that is significant above all for private and alternative assets, is not considered in any form. Fixed income assets expectations are based on average duration aligned with market cap indices. Reward to risk (expressed as expected returns divided by economic volatility) is generally descending when risk increases. For further information see the "Sources and Assumptions" section. *US Direct Lending is considering leverage on the fund. Hedge Funds refer to Fund of Hedge Funds. **Expected volatility for alternative assets is derived from unsmoothed return series. Hence, this measure of volatility will be different from the one obtained from realised IRR. The forecast returns are not necessarily indicative of future performance, which could differ substantially. 2026 CML assumptions are as of 31 December 2025, 2025 assumptions are as of 31 December 2024. Private and alternative asset assumptions for 2025 have been adjusted to net of fees to be consistent with updated assumptions.

"The next five years will be key for investors, as dispersion across asset classes and regions strengthens the case for rethinking strategic asset allocation and adopting dynamic portfolio tilts."

Laura Fiorot
Head of Investment Insights and Client Division, Amundi Investment

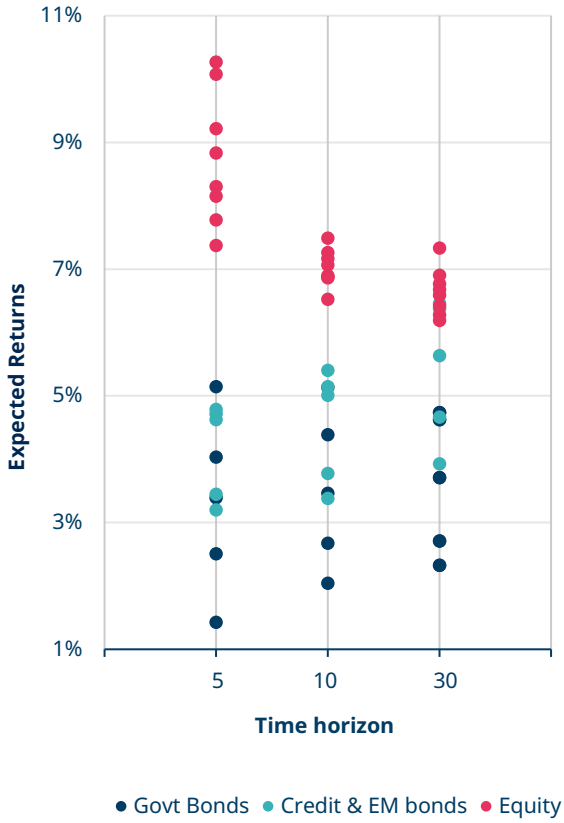
Return expectations across timeframes: a shifting landscape

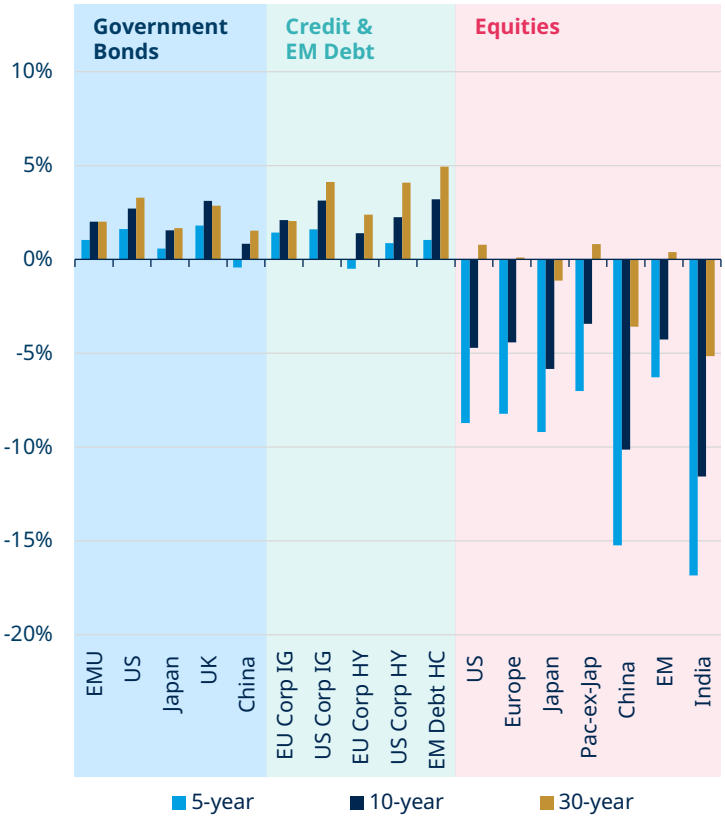
Building macroeconomic and financial scenarios over a decade remains inherently complex. Yet the next five years stand out as a particularly important phase for asset allocation, shaped by geopolitical fragmentation, energy vulnerability, uneven AI diffusion and persistent inflation pressures. Our assumptions still point to resilient growth, stronger AI support to productivity and inflation that remains structurally firmer. At the same time, more persistent energy disruption raises the probability of alternative outcomes, with higher stagflation risk in more oil-dependent regions, notably parts of Europe and Asia. Still, under a short-lived energy spike, our CMA assumptions remain plausible.

This is what the charts show. The left-hand chart highlights that return potential remains attractive across liquid asset classes, **with equities still offering the highest upside over time, while bonds and credit have regained a more meaningful role as sources of return**. The right-hand chart shows the other side of the picture: over **the next five years, downside risks remain more visible, particularly in equities, as reflected in a weaker left tail and in CVaR 95%*, namely expected outcomes in the 5% worst scenarios.**

Fixed income assets appear more resilient to downside risks, as returns are largely anchored by carry, which is more stable and mean-reverting than other factors. Within fixed income, US bonds, IG bonds and EM debt have shown favourable behaviour. Over the 10-year and 30-year horizons, dispersion narrows and return expectations moderate and structural pressures — including demographics and climate-related physical risks — become more binding. **Over those longer horizons, EM debt and high yield remain resilient within fixed income as they are associated with a higher carry component and over the long-term diversification mitigates default risks, while in equities the strongest segments remain the US, EM and Pacific ex Japan.**

Expected returns and CVAR 95% for liquid asset classes in local currency





Source: Amundi CASM Model, starting date is 31/12/2025. Returns are nominal and gross of fees, except private and alternative assets which are net of management and admin fees. The expected returns consider the market beta, Alpha return component generated by portfolio management, strategy selection or specific value creation programs, is not considered in any form.
The forecast returns are not necessarily indicative of future performance, which could differ substantially.

*Conditional Value at risk at the 95% confidence calculated on the annualised distribution at horizon.

FX impact on risk-return trade-offs over the next decade

While FX is often treated as a technical overlay in asset allocation, it should increasingly be considered part of the allocation decision itself. An investor's base currency, together with hedging choices, can materially alter both expected returns and portfolio risk, reshaping the relative appeal of asset classes across regions.

This is especially visible in equities, where Japanese, Indian and emerging market equities benefit from favourable FX dynamics and become more compelling components of long-term portfolios. In fixed income, the message is more differentiated: for EUR and JPY investors, domestic and regional bonds regain a more central role, while for USD and GBP investors a broader global bond allocation, including EM debt, offers a better balance between return potential and diversification.

The chart below shows that the same global opportunity set does not translate into the same risk-return trade-off for USD, EUR, GBP and JPY investors. In our CMA framework for domestic investors, equity returns are shown unhedged, capturing the full FX exposure of underlying markets, while bond returns are hedged into the investor's base currency. This reflects the traditional role of fixed income as a source of stability, rather than allowing currency volatility to dominate its portfolio role.

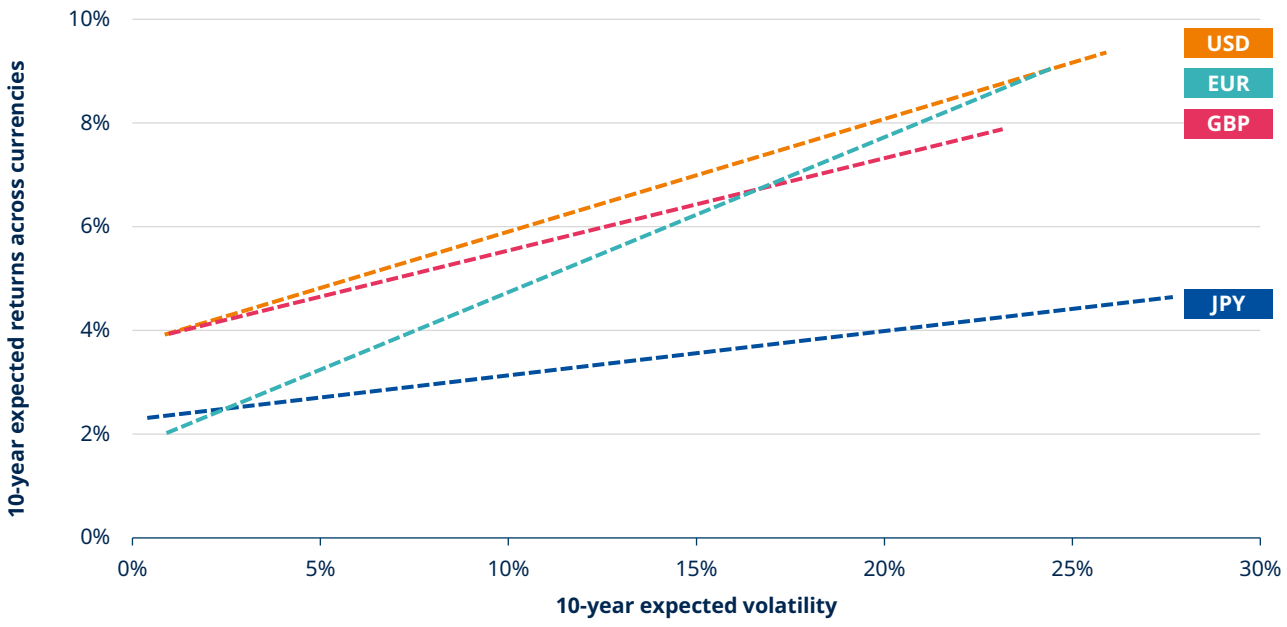
Over the next decade, USD and GBP investors will benefit from relatively attractive capital market lines, with a solid reward for taking additional risk. The EUR profile is steeper still, suggesting that euro-based investors can improve return potential more meaningfully by adding selective risk exposure, despite the more cautious positioning often associated with euro-based portfolios. By contrast, the JPY profile remains flatter. For Japanese investors, hedging costs continue to erode the case for foreign fixed income, while less supportive — and in some cases negative — FX effects weaken the relative appeal of foreign equities.

As a result, investors no longer sit on the same capital market line, and EUR and JPY investors in particular need to think differently from USD and GBP investors when combining domestic assets, global diversification and hedging choices. For EUR investors, FX strengthens the case for the selective broadening of diversification. For JPY investors, domestic bonds and domestic equities retain a stronger risk-return profile, with the potential to reinforce home bias and support some repatriation of capital over time.

"More broadly, the weaker-dollar view should be read not as abrupt displacement, but as a gradual fair-value adjustment in a world adapting to rupture. As capital is reallocated more selectively across regions, FX policy becomes more of a structural part of strategic asset allocation."

Viviana Gisimundo
Head of Quantitative Solutions, Amundi

Capital market line divergences across different currencies



Source: Amundi CASM Model, starting date is 31/12/25, Returns are expressed in different base currencies. CM lines and portfolio optimisations are based on fixed income assets, hedge funds, and private debt hedged, equities, gold and other private assets unhedged.

Investment returns and long-term sustainability targets over a 30-year horizon

Beyond a 10-year horizon, the drivers of asset-class returns evolve: structural forces such as demographics, energy transition, and climate adaptation play a larger role in shaping returns, inflation and the investment decisions, while cyclical fluctuations, valuation starting points and shorter-term market leadership become less decisive.

It is necessary to use a different lens when looking at the 30-year horizon.

Investors are no longer mainly allocating across business cycles, but across different structural realities. Ageing populations, slower trend growth in some regions, rising physical and transition costs, sustained inflation and increasingly fragmented macro paths matter more for real returns and for the sustainability of long-term investment outcomes relative to the appeal of domestic versus global allocations.

These forces are uneven across countries. Some emerging economies retain stronger demographic support and greater growth potential, while others face weaker growth trends and higher structural headwinds, affecting and reshaping the relative appeal of domestic versus global assets. The investment implication is that **long-horizon portfolio construction should become more attentive to sources of future growth, income generation and inflation resilience, moving away from traditional choices and domestic anchors.**

The table below reflects this shift. For European and Japanese investors in particular, local allocations can remain competitive over shorter horizons supported by the policies and reforms we anticipated, but over 30 years broader global diversification improves real return potential and increases the probability of preserving purchasing power. While for other regions, such as the US, the shift is less pronounced as the combination of long-term trends is expected to have a more benign effect and global and local are very similar because of the USD dominance in global benchmarks.

"Over 30 years, investment outcomes depend less on cyclical leadership and more on where structural growth and resilience endure."

Viviana Gisimundo
Head of Quant Solutions, Amundi

Simulated outcome towards inflation for balanced allocations over 10, 20 and 30-year horizons

		Excess return versus inflation			Probability of outperforming inflation		
Allocation	**Universe/ Horizon**	**10y**	**20y**	**30y**	**10y**	**20y**	**30y**
EUR Balanced 60-40	Local	3.8%	3.6%	3.7%	84%	89%	94%
	Global	3.4%	3.6%	3.8%	83%	91%	95%
JPY Balanced 60-40	Local	3.7%	3.3%	3.3%	83%	87%	93%
	Global	1.6%	3.0%	3.4%	67%	87%	95%
USD Balanced 60-40	Local	3.6%	4.1%	4.3%	85%	95%	98%
	Global	4.0%	4.2%	4.3%	87%	95%	98%
GBP Balanced 60-40	Local	4.1%	3.8%	3.7%	89%	94%	97%
	Global	3.3%	3.9%	4.0%	82%	92%	96%

Source: Amundi CASM Model, starting date is 31/12/25. Quant Solutions calculations based on 10,000 scenario simulations of asset allocation and inflation rates. The forecast returns are not necessarily indicative of future performance, which could differ substantially. Local universe refers to local bonds and local equities, global universe refers to global equities all countries unhedged and global aggregated bonds hedged.

Capital Market Assumptions

Details on expected and historical risk return measures for liquid asset classes

	Duration	Average Annualised GEOMETRIC		Average Annualised ARITHMETIC	10-year SIMULATED Volatility	10-year Simulated CVaR 99%	2005-2025 Historical Returns (annualised)	2005-2025 Historical Volatility (annualised)
Assets in local currency	Average next 10 years	5-year Expected Returns	10-year Expected Returns	10-year Expected Returns				
Cash								
Euro	0.2	1.7%	1.7%	1.8%	1.8%	1.0%	1.4%	0.9%
US	0.2	3.4%	3.3%	3.2%	3.2%	0.9%	2.3%	1.1%
Government Bonds								
US	5.5	3.4%	4.0%	4.4%	4.5%	5.2%	2.9%	5.5%
UK	8.2	4.7%	5.1%	5.1%	5.2%	6.5%	2.6%	7.8%
Japan	8.2	2.1%	2.5%	2.7%	2.7%	3.1%	0.6%	2.8%
Emu - Core	6.6	2.7%	3.0%	3.0%	3.1%	4.7%	1.9%	5.1%
Emu - Semi Core (France)	6.6	3.6%	3.8%	3.8%	3.9%	4.9%	2.2%	5.4%
Italy	6.2	2.8%	3.1%	3.2%	3.5%	7.7%	3.4%	6.7%
Spain	6.4	2.9%	3.3%	3.6%	3.8%	6.8%	3.0%	5.8%
EMU All Maturity	6.5	3.1%	3.4%	3.5%	3.6%	5.2%	2.4%	5.2%
Global Treasury**	6.1	2.8%	3.3%	3.6%	3.6%	3.9%	3.1%	3.9%
Credit Investment Grade								
Euro Corporate IG	4.5	3.3%	3.2%	3.4%	3.5%	4.8%	2.7%	4.6%
US Corporate IG	6.2	3.8%	4.6%	5.0%	5.1%	6.2%	4.3%	6.6%
Euro Aggregate	6.0	3.2%	3.4%	3.5%	3.5%	4.7%	2.4%	4.6%
US Aggregate	5.7	3.6%	4.3%	4.6%	4.7%	4.8%	3.3%	4.4%
Global Aggregate**	6.0	3.2%	3.8%	4.1%	4.1%	4.1%	3.4%	3.7%
Credit High Yield								
Euro Corporate HY	2.8	3.5%	3.4%	3.8%	4.4%	12.2%	5.8%	12.7%
US Corporate HY	2.8	4.4%	4.7%	5.1%	5.6%	10.5%	6.6%	10.4%
Emerging Market Debt*								
EM Hard Currency	6.1	3.9%	4.8%	5.4%	5.6%	8.3%	5.6%	9.2%
EM-Global Diversified LC	5.4	4.9%	5.2%	5.2%	5.8%	10.5%	4.1%	11.7%
GBI-EM China LC	6.1	1.1%	1.4%	2.0%	2.1%	4.2%	na	na
Equities								
US		7.3%	7.4%	6.5%	7.6%	16.3%	10.4%	16.3%
Europe		9.1%	8.3%	7.1%	8.1%	16.6%	6.0%	15.0%
Euro zone		8.8%	8.3%	7.1%	8.4%	18.2%	5.6%	17.8%
UK		9.5%	8.2%	6.9%	7.5%	13.8%	6.7%	13.4%
Japan		9.3%	8.8%	6.9%	8.4%	19.1%	5.7%	19.1%
Pacific ex Japan		8.8%	7.8%	6.9%	7.8%	15.3%	6.8%	15.1%
EM		11.5%	10.1%	7.2%	8.3%	16.7%	7.8%	16.6%
China		11.6%	9.2%	7.3%	10.1%	25.9%	7.9%	25.9%
India		13.7%	10.3%	7.5%	10.4%	26.0%	12.3%	22.6%
World		7.8%	7.7%	6.7%	7.7%	16.0%	8.5%	15.4%
AC World		8.2%	8.0%	6.8%	7.8%	15.8%	8.4%	15.2%
Other								
Gold		6.0%	6.0%	6.8%	14.2%	34.3%	11.2%	14.8%

*EM Hard Currency is in USD, GBI-EM China LOC Bond starting date is beginning of 2019. EM-Global Diversified is in USD Unhedged, including the USD currency expectation towards EM currencies. **LC for expected returns and simulated volatility, USD hedged for historical statistics.

Source: Amundi CASM Model, starting date is 31/12/2025. Returns are nominal and gross of fees, except private and alternative assets which are net of management and admin fees. The expected returns consider the market beta and the alternative assets risk premium. Alpha return component generated by portfolio management is not considered in any form. For further information see the "Sources and Assumptions" section.
The forecast returns are not necessarily indicative of future performance, which could differ substantially.

THE BIG TAKE

Strategic asset allocation: spotlighting local investor biases

In this article, we present our annual update to the strategic asset allocation (SAA) exercise over a ten-year horizon. This year, we have included gold in the global investment universe, alongside developed and emerging market equities, global aggregate bonds, high yield and emerging market bonds, and five private and alternative assets. This year's asset class assumptions for private and alternative assets have also been converted to net-of-fees figures and we have reassessed the illiquidity profile for private debt. As a result, last year's SAA outcomes are not directly comparable with this current analysis.

KEY TAKEAWAYS

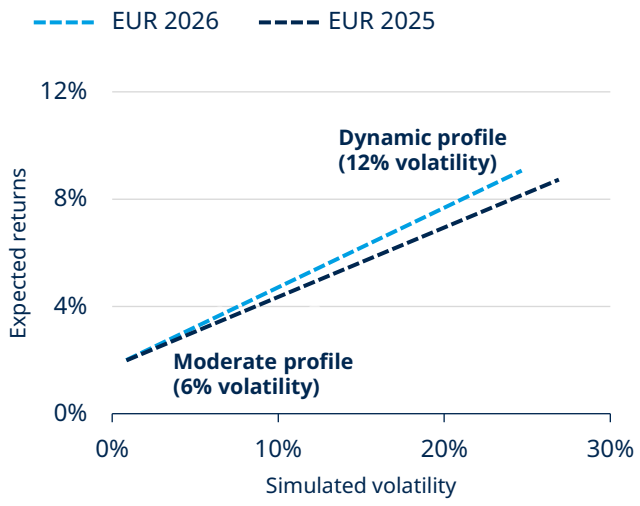
- Bonds are the anchor for moderate risk allocations. Higher starting yields and restored carry are bringing government bonds and investment grade credit back as the main component for moderate-risk investors.
- As opportunity sets become more fragmented, portfolio construction becomes more differentiated. EM equities, EM and high yield bonds, gold and private assets all play a greater role as risk appetite rises, while an investor's base currency increasingly shapes the relative appeal of asset classes.
- Private assets remain key return enhancers, but with under tighter discipline. Private equity remains the preferred growth allocation, while infrastructure is more compelling for EUR investors and private debt for USD investors. Gold matters not only as a diversifier, but as a meaningful portfolio component supporting both resilience and return potential.

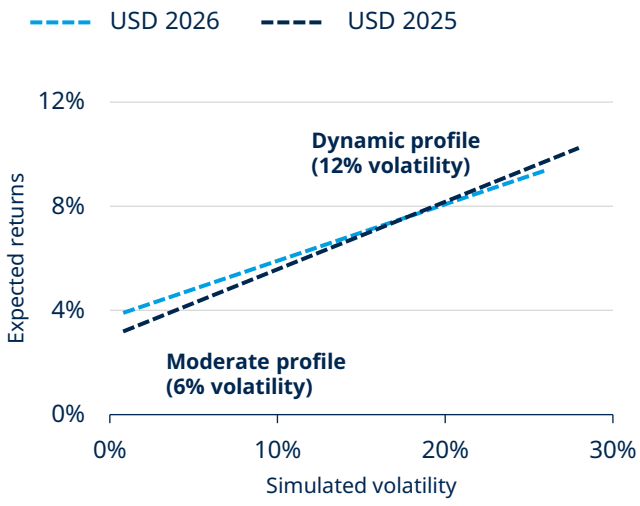
When interpreting the results, it is important to distinguish between risk-reward profiles of USD and EUR investors and to see how assumptions have shifted since last year (adjusted retroactively to a net-of-fees standard for this purpose).

The charts show that the capital market lines have not moved in the same way for USD and EUR investors. USD investors still enjoy higher absolute return levels, but with limited improvement versus last year. EUR investors have seen a more meaningful uplift, especially at higher volatility levels, which improves the reward-to-risk case for adding selective risk.

In other words, **USD investors still start from a stronger return base, while EUR investors benefit more from the change in the shape of the frontier**. Private and alternative assets continue to lift portfolios in both cases, but the gain is now less mechanical and more dependent on selectivity, implementation discipline, and base currency.

Changes in risk-reward for USD and EUR investors since last year





Source: Amundi CASM Model, Quant Solutions and Amundi Investment Institute. 2026 assumptions are as of 31 December 2025; 2025 assumptions are as of 31 December 2024. Private and alternative asset assumptions for 2025 have been adjusted to net of fees to be consistent with updated assumptions. Forecast returns are not necessarily indicative of future performance, which could differ substantially. CM lines and portfolio optimisations are based on fixed income assets, hedge funds, and private debt hedged, equities, gold and other private assets unhedged.

Strategic asset allocation for a moderate-risk investor

Euro-based investors with a moderate risk profile (with a 6% volatility target) can expect annual returns of about 4.5% over the next decade, increasing to 4.8% when private and alternative assets are included, while a dollar-based investor with the same profile can expect annual returns in the 5.6%-6.0% range. Compared with last year, expected return levels are broadly unchanged, but the underlying portfolio logic has become clearer. Bonds remain the portfolio anchor, equity risk becomes more selective, and private assets continue to enhance returns, although less mechanically than in the past.

Global aggregate bonds remain the SAA's principal pillar, representing roughly 42%-48% of the euro investor's portfolio and 48%-52% of the USD investor's allocation. Their weight is slightly lower than last year, creating room for a measured allocation to gold, while the exposure to opportunistic fixed income — global high yield and EMBI — remains broadly stable at around 22%-25% across investor bases. For moderate-risk investors, this confirms that fixed income once again provides the core mix of income, resilience, and diversification.

Equity allocations have declined relative to last year, with a larger reduction in developed markets. This reflects our preference for emerging markets over developed markets when expected returns are considered alongside currency effects. In the USD portfolio, listed equity exposure falls to around 19%, partly because hedged foreign fixed income offers an advantage through positive carry.

Adding private and alternative assets for investors with a medium liquidity preference lifts expected returns by around 30-40 bps. In this profile, exposure to private and alternative assets rises to around 20%, with the main priorities remaining infrastructure, private equity and private debt. Private equity remains the main growth enhancer, while income-oriented alternatives such as private debt and infrastructure improve the overall risk-return profile. Regionally, EUR allocations show a stronger preference for infrastructure and private equity, while USD allocations show relatively more interest in private debt, reflecting the appeal of carry.

Gold also has a role in the moderate portfolio, but a measured one. Its weight remains around 5% or below, and becomes less important when private and alternative assets are included, since part of the diversification function is already provided elsewhere. Even so, EUR investors retain a somewhat stronger preference for gold, reflecting its role as a resilience asset in a more fragmented world.

Overall, the moderate-risk portfolio remains built around a simple logic: bonds first, selective risk second, private assets as enhancers, and gold as a complementary source of resilience.

Euro and US dollar 10-year optimised portfolios for moderate-risk profiles

Risk Appetite	Moderate			
Investor Currency	EUR		USD	
Illiquidity Appetite	Low	Medium	Low	Medium
Allocation Statistics				
Geometric Expected Return	4.5%	4.8%	5.6%	6.0%
Expected Volatility	6.0%	6.0%	6.0%	6.0%
Sharpe Ratio	0.45	0.51	0.40	0.45
CVaR 95% at Horizon	-1.5%	-1.8%	-3.2%	-3.4%
P(Ret < 0) at 10-Year	0.1%	0.1%	0.1%	0.1%
Arithmetic Expected Return	4.6%	4.9%	5.7%	6.0%
Asset Allocation				
Global Aggregate	**48%**	**42%**	**52%**	**48%**
EMBI & Global HY	**25%**	**23%**	**25%**	**22%**
DM Equity	18%	9%	15%	8%
EM Equity	5%	2%	4%	2%
Gold	5%	2%	4%	1%
Private and Alternative Assets	0%	**21%**	0%	**20%**
Global Private Equity		*5%*		*5%*
Global Real Estate		*2%*		*2%*
Infrastructure Equity		***10%***		***8%***
Global Private Debt		*2%*		*3%*
Hedge Funds		*2%*		*2%*

Source: Amundi Quant Solutions based on CASM model simulations and POwR optimiser. Data as of 31 December 2025. Efficient frontiers are obtained by minimising portfolio CVaR at horizon (positive values indicate loss), while respecting diversification constraints and the investor's liquidity preference. Fixed income assets are hedged, while equity and private and alternative assets are unhedged. Private and alternative assets include global private equity, global real estate, infrastructure equity, global private debt, and hedge funds. Volatility and other risk metrics for alternative assets are simulated considering unsmoothed return series. Hence, those measures will be different from the ones obtained from realised IRR. Forecast returns are not necessarily indicative of future performance, which could differ substantially. For information on the optimisation methodology, see "sources and assumptions" at the end of this document.

Asset allocation shifts along the efficient frontier in EUR and USD portfolios

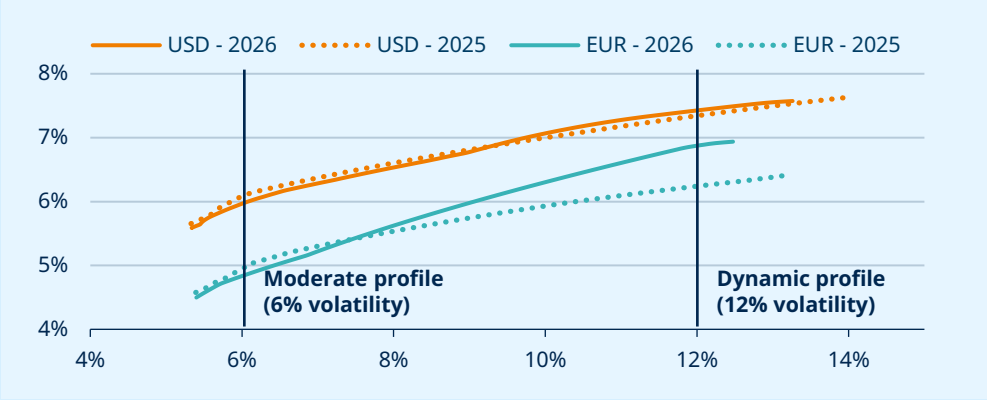
The efficient frontiers that include private and alternative assets remain broadly consistent with last year's results. The main change is that they now point to **higher potential returns for EUR investors once portfolios move above the moderate-risk range,** particularly for portfolios with simulated volatility above 8%, while the USD frontier remains broadly similar to last year's.

The evolution of weights along the frontier shows that, as portfolios move toward higher risk profiles, **bond allocations — notably global aggregate and EMBI & global HY — decline in favour of riskier liquid assets, gold and private assets.** This is the key portfolio shift: at higher volatility levels, expected returns depend less on fixed income carry alone and more on a broader combination of growth, resilience, and illiquidity premia.

The charts also show that the **private-asset mix differs across different risk profiles**. At higher risk levels, **USD allocations tend to favour private debt and private equity,** reflecting the stronger role of carry and income generation, while **EUR-based portfolios show a greater preference for infrastructure and private equity,** where resilience, inflation linkage and regional opportunity sets are more supportive.

Overall, **moderate profiles remain bond-anchored, while dynamic profiles rely increasingly on equities, gold and selective private assets.** At this stage**, composition matters more than broad market exposure, and base currency becomes an increasingly important driver of strategic allocation choices.**

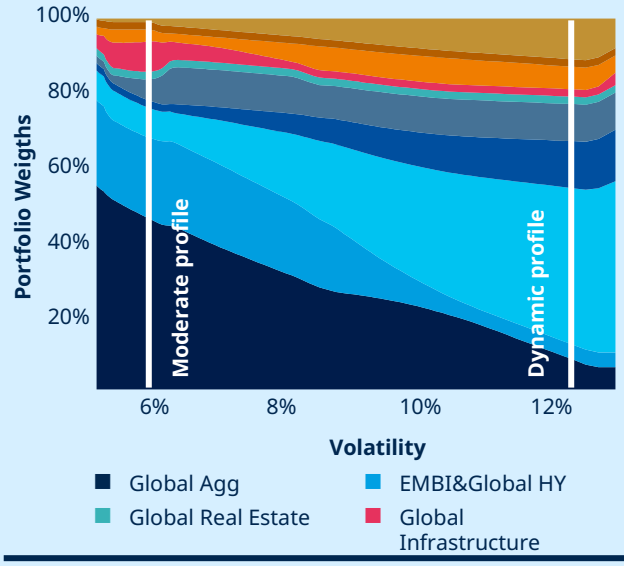
Efficient frontiers for USD and EUR investors including private and alternative assets



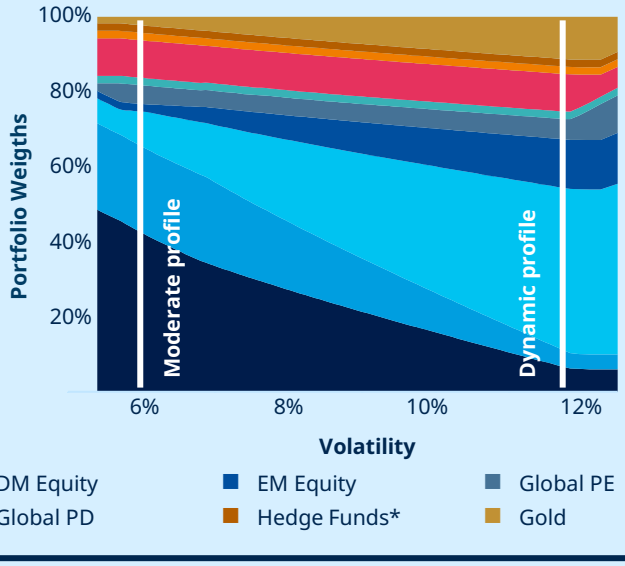
"Above the moderate risk range, portfolio construction becomes more differentiated: EUR investors benefit from a steeper frontier, while USD investors retain an advantage in absolute return levels."

Tom Walsh
Senior Quantitative Analyst, Solutions, Amundi

Weights for USD investors



Weights for EUR investors



Global Agg | EMBI&Global HY | DM Equity | EM Equity | Global PE
Global Real Estate | Global Infrastructure | Global PD | Hedge Funds* | Gold

Source: Amundi Quant Solutions based on CASM model simulations and POwR optimiser. Data as of 31 December 2025. Efficient frontiers are obtained by minimising portfolio Conditional Value at Risk (CVaR) at horizon, while respecting diversification constraints and the investor's liquidity preference. Frontiers may exhibit irregular patterns when plotted in the mean-volatility space. *Hedge Funds refer to Fund of Hedge Funds. Forecast returns are not necessarily indicative of future performance, which could differ substantially. For information on the optimisation methodology see "sources and assumptions" at the end of this document.

Strategic asset allocation for a dynamic-risk investor

Compared with a moderate-risk profile, return expectations for dynamic investors increase materially. **For EUR investors**, the expected return range rises to **6.4%-6.9%,** close to **200 bps** above the moderate profile. For **USD investors**, the range moves to **7.0%-7.4%,** around **150 bps** higher. Relative to last year, the improvement is more visible for EUR investors, with expected returns rising by around **70-80 bps**, while the uplift for USD investors remains limited to around **10 bps**.

For a dynamic investor targeting a volatility level of roughly 12%, the portfolio mix changes significantly. The overall bond allocation is reduced significantly, with opportunistic fixed income being the most affected segment. That released risk budget is redeployed into **equities and gold**, which take on a more prominent role in the portfolio. At this level of risk, the allocation is no longer simply an extension of the moderate profile; it becomes a different portfolio construction altogether, built around a broader set of return drivers.

Gold rises to around 10%-13% of the portfolio, highlighting that, in a higher-volatility regime, it serves not only as a diversifier but as a strategic allocation tool that strengthens resilience while preserving return potential. **Private and alternative assets account for around 21%-22% of the portfolio,** slightly above the moderate profile and above last year's allocation. Within that bucket, the preference remains tilted towards **private equity** as the main growth engine, followed by **infrastructure for EUR investors** and **private debt for USD investors**. This mix also helps explain why the expected return improvement from adding private assets rises to around **40-50 bps** for dynamic investors.

The regional allocation is also more explicit at this risk level. **DM equity remains the largest listed-equity bucket**, but **EM equity still plays an important role,** especially where stronger structural growth and diversification benefits justify the additional risk. **The result is a portfolio that relies less on fixed income carry alone and more on a combination of equities for growth, gold for resilience, and private assets for selective return enhancement.**

Overall, private and alternative assets continue to contribute positively to the portfolio's **Sharpe ratio** and help keep tail risk under control. But their role should not be treated mechanically. At this risk level, implementation matters more: manager selection, liquidity budgeting, commitment pacing, vintage diversification, and governance discipline all become integral parts of the allocation decision.

Euro and US dollar 10-year optimised portfolios for dynamic-risk profiles

Risk Appetite	Dynamic			
Investor Currency	EUR		USD	
Illiquidity Appetite	Low	Medium	Low	Medium
Allocation Statistics				
Geometric Expected Return	6.4%	6.9%	7.0%	7.4%
Expected Volatility	11.9%	12.1%	12.1%	12.0%
Sharpe Ratio	**0.39**	**0.42**	**0.31**	**0.35**
CVaR 95% at Horizon	1.8%	1.7%	0.9%	0.9%
P(Ret < 0) at 10-Year	5.2%	4.7%	3.4%	3.2%
Arithmetic Expected Return	6.9%	7.4%	7.5%	7.9%
Asset Allocation				
Global Aggregate	12%	6%	14%	12%
EMBI & Global HY	8%	4%	10%	4%
DM Equity	**52%**	**44%**	**49%**	**40%**
EM Equity	16%	13%	15%	12%
Gold	13%	11%	13%	10%
Private and Alternative Assets	0%	**21%**	0%	**22%**
Global Private Equity		*8%*		*10%*
Global Real Estate		*2%*		*2%*
Infrastructure Equity		*8%*		*2%*
Global Private Debt		*2%*		*6%*
*Hedge Funds**		*2%*		*2%*

Source: Amundi Quant Solutions based on CASM model simulations and POwR optimiser. Data as of 31 December 2025. Efficient frontiers are obtained by minimising portfolio CVaR at horizon (positive values indicate loss), while respecting diversification constraints and the investor's liquidity preference. Fixed income assets are hedged, while equity and private and alternative assets are unhedged. Private and alternative assets include global private equity, global real estate, infrastructure equity, global private debt, and hedge funds. *Hedge Funds refer to Fund of Hedge Funds. Volatility and other risk metrics for private and alternative assets are simulated considering unsmoothed return series. Hence, those measures will be different from the ones obtained from realised IRR. Forecast returns are not necessarily indicative of future performance, which could differ substantially. For information on the optimisation methodology see "sources and assumptions" at the end of this document.

"The dynamic profile is not just a higher-risk version of the moderate profile. It is a different allocation architecture: less fixed income, more equity risk, more gold, and a larger role for private assets."

Nicola Zanetti,
Quantitative Analyst, Solutions, Amundi

Gold in strategic asset allocation

Gold is a strategic asset allocation tool that can help enhance a portfolio's risk profile and improve diversification. **In our optimisation framework, gold is treated not simply as a diversifier, but as a meaningful portfolio component that can contribute to both resilience and return**, particularly in more uncertain market environments and in allocations with higher risk budgets.

While the **benefit of gold is modest for more conservative allocations, it becomes more meaningful as portfolios become more return-seeking.** The table below shows the impact of adding gold to an optimised liquid investment universe. For the 60/40 allocation shown here, euro-based investors would benefit more than USD-based investors, with expected returns rising by around **20 bps and 10 bps** respectively. This reflects both cross-asset correlations and the stronger strategic role gold can play in portfolios exposed to a more fragmented global regime.

Gold exposure is financed by roughly two-thirds through a reduction in fixed income allocation, as well as the impact of cross-correlations among the asset classes included in the universe. This shows that gold is not simply an add-on, but a **strategic substitute for part of the traditional defensive allocation,** especially where investors seek downside protection without giving up return potential.

The result is an overall improvement in portfolio efficiency. In the 60/40 allocation, adding gold improves the Sharpe ratio from **0.38 to 0.40 for EUR investors** and from **0.31 to 0.32 for USD investors**. Gold becomes even more relevant when viewed across time horizons. In the **short to medium term**, it helps strengthen resilience in an environment shaped by geopolitical fragmentation, reserve diversification, and unstable correlations. Over the longer horizon, it acts as a structural portfolio hedge against policy-driven uncertainty and contributes to a more robust allocation mix in a world where traditional safe-haven relationships are less reliable.

Impact of adding gold to EUR and USD 60/40 allocations over a 10-year horizon

Investor Currency	EUR		USD	
Risk Appetite	60-40 profile		60-40 profile	
Gold	No	Yes	No	Yes
Allocation Statistics				
Geometric Expected Return	5.8%	6.0%	6.7%	6.8%
Expected Volatility	10.6%	10.6%	11.1%	11.1%
Sharpe Ratio	0.38	0.40	0.31	0.32
CVaR 95% at Horizon	0.9%	0.9%	0.2%	0.2%
P(Ret < 0) at 10-Year	3.7%	3.5%	2.3%	2.2%
Asset Allocation				
Global Aggregate	**24%**	19%	**24%**	19%
EMBI & Global HY	16%	12%	16%	13%
DM Equity	**46%**	**44%**	**46%**	**43%**
EM Equity	14%	13%	14%	13%
Gold	0%	12%	0%	11%

Source: Amundi Quant Solutions based on CASM model simulations and POwR optimiser. Data as of 31 December 2025. Efficient frontiers are obtained by minimising portfolio CVaR at horizon (positive values indicate loss), while respecting diversification constraints and the investor's liquidity preference. Fixed income assets are hedged, while equities and gold are unhedged. Forecast returns are not necessarily indicative of future performance, which could differ substantially. For information on the optimisation methodology see "sources and assumptions" at the end of this document.

"Gold should complement bonds, especially in return-seeking portfolios where resilience needs to be built more deliberately."

Viviana Gisimundo
Head of Quant Solutions, Solutions, Amundi

LONG-TERM THEMES

Amundi
Investment Solutions

Trust must be earned

LONG-TERM THEMES

Financial repression and the reshoring of bond investment

Debt and fiscal dominance amid controlled disorder

One consequence of an environment of controlled disorder is a more difficult fiscal backdrop: governments are simultaneously dealing with the legacy of pandemic-era borrowing, ageing societies demanding greater welfare support, and the need to fund strategic autonomy, defence, and technological investment.

Fiscal and monetary levers are under strain — and their interaction is blurring the frontier between independence and interdependence.

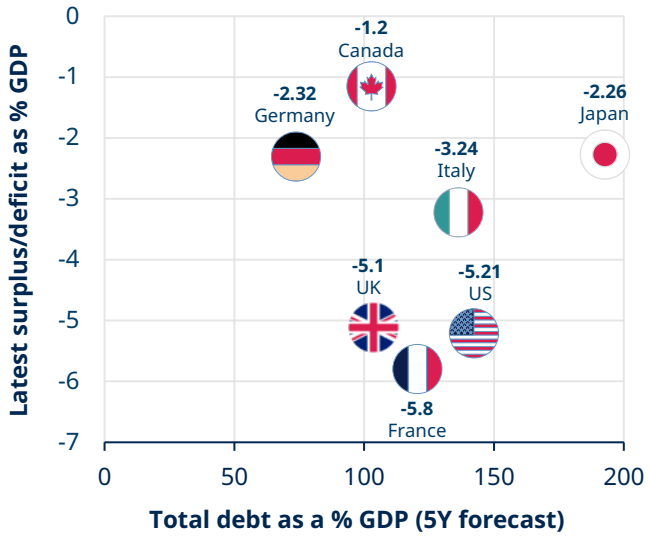
At the centre stands fiscal dominance: when debt sustainability quietly begins to dictate the terms of monetary policy. As structural deficits rise, central banks face growing political and market pressure to accommodate borrowing through lower real rates or balance-sheet support. The result is a shifting equilibrium where inflation tolerance, growth expectations, and asset valuations all adjust to a new logic anchored less in price stability and more in debt management.

The mechanics of fiscal drags and financial repression

Elevated debt burdens now constrain fiscal flexibility at a time when governments must spend more. The strain may be visible in the creeping re-emergence of financial repression: regulated banks are nudged to absorb more sovereign paper and liquidity rules tilt incentives towards captive domestic financing. Higher yields in domestic markets, particularly in Europe and Japan, could further support this move, encouraging the reshoring of bond investment to domestic markets. "Order" in this controlled disorder comes from institutional containment; disorder lies in mispriced risk and weakened market discipline.

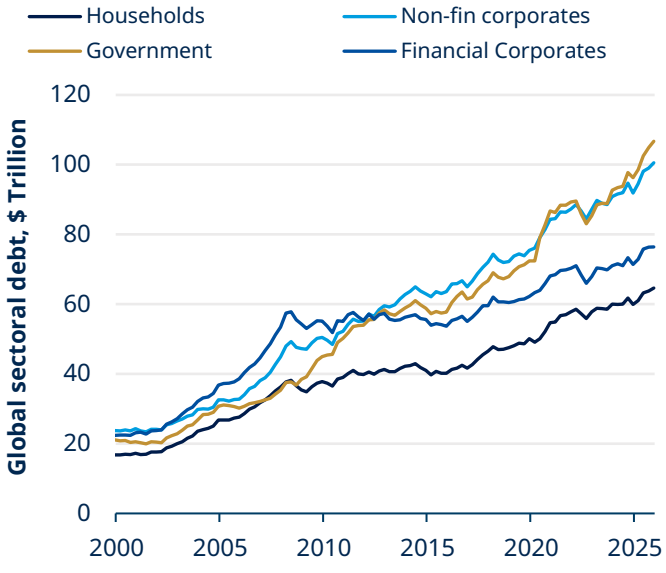
This matters directly for our capital market assumptions. Fiscal dominance and debt reshoring are no longer abstract macro themes: they point to a world of structurally higher equilibrium rates, steeper yield curves, stronger domestic absorption of sovereign debt, and a greater risk that repression re-emerges as part of the policy toolkit. Thereby, fixed income returns depend less on the old disinflation anchor and more on carry, curve and term-premium rebuilding.

Fiscal room is shrinking across the G7



Source: Amundi Investment Institute, Bloomberg, IMF. Total Debt as % of GDP includes all financial liabilities of a government, central plus local governments' debt. Data as of December 2025.

Accelerated build-up of public debt



Source: Amundi Investment Institute, IIF. Quarterly data as of December 2025.

The future of fiscal dominance varies across regions

United States – inflation premium or confidence premium

The US fiscal position increasingly shows characteristics that typically prelude to fiscal dominance: structurally high fiscal deficits, a shortening maturity profile, and rising rollover risk. Even as AI-related productivity gains lift potential output, they cannot offset the fiscal cost of defending households' real incomes or subsidising technological retooling. The shift towards short-term issuance is creating a fragile starting point, which is manageable as long as nominal growth holds, but prone to disorder if term premia or inflation expectations spike more than expected in our baseline. Several tools (systemic leverage ratio and stablecoins) may support the demand for Treasuries but will not eliminate the underlying problem. At some point, something will have to give.

Eurozone – the paradox of discipline amid fragmentation

Eurozone's response to controlled disorder is more collective: some form of debt mutualisation and common spending will likely continue, with fiscal discipline remaining a prerequisite. The driver for strategic autonomy compels higher issuance, opening unusual divergences between deteriorating northern fiscal balances and unexpected fiscal orthodoxy by periphery countries. The result is a narrowing of spreads from both ends. Beyond the next couple of years of fiscal-fuelled growth, Germany will continue to offer moderate economic performance against the backdrop of a reduced fiscal buffer; this should, to some degree, continue to narrow government bond spreads from the bottom. On the other side, improved fundamentals among the periphery, such as in Spain and relatively so in Italy, will sustain market confidence. For Europe, disciplined governance with a major tilt towards investments should offer a better way out.

China – fiscal dominance under a low inflation umbrella

China's model reflects a different kind of control: a centrally orchestrated containment of local government debt excesses under conditions of chronic disinflation. Both local government financing vehicle restructuring and the housing crackdown are aimed at addressing financial imbalances, but their impact on growth has forced Beijing back toward fiscal easing backstops, keeping rates low and reinforcing monetary subordination. Low inflation conveniently makes fiscal dominance easier to run. Yet, this equilibrium depends critically on social stability and the political imperative to maintain employment, an explicit fiscal-social contract that defines Chinese-style fiscal dominance.

The new natural rate: higher and more (geo)politically driven

Debt strains, fiscal activism and AI-led structural shifts are changing the way policy rates are set. The natural rate of interest is no longer shaped just by the old secular forces of excess savings and structurally weak demand. It is increasingly determined by a more political equilibrium in which governments need nominal growth and central banks operate under tighter constraints, all while markets must absorb a larger sovereign supply.

This is why the next decade may look less like a return to the pre-pandemic order and more like a regime of higher equilibrium rates, and steeper curves. The long end of curves must compensate not only for inflation uncertainty, but also for debt supply, fiscal credibility, and the possibility that domestic investors will need to absorb public borrowing.

Amundi assumptions on r*, Cash rate and 10y Yields

	*r**	*Cash Rate*	*10Y Yield*
EU Core	**-0.2%**	**2.00%**	**3.20%**
US	**1.0%**	**3.40%**	**4.75%**
UK	**0.7%**	**3.00%**	**4.30%**
Japan	**-0.2%**	**1.70%**	**2.50%**

Source: Amundi CASM model, 2026 CMA Assumptions.

For investors, the bond regime is changing. Carry is back as the main return engine, but curve shape and the rebuilding of term premia are starting to matter more than before. Therefore, fiscal dominance does not just impact debt sustainability; it changes the structure of fixed income returns and reinforces regional dispersion. Distinguishing between markets where domestic demand can anchor sovereign funding and those where credibility must do more of the work will be key.

LONG-TERM THEMES

Weak USD remains the long-term trend

The dollar's depreciation in 2025 was in line with our expectations and is part of a longer-term process that will see the currency cede further ground in the coming years.

Any erosion of the US dollar's central role in the global financial system will only occur gradually, especially since the United States has incentives and the capacity to defend the dollar's hegemony. Even so, the growth in opportunities in fixed-income and equity markets outside the US is becoming more of an influence in FX markets. This process, rather than any sharp deterioration in US economic fundamentals relative to the rest of the world, is likely to be the primary driver of the dollar's exchange rate in the decades ahead. Flow-driven shifts in the dollar mean selective opportunities will emerge wherever valuations are most compelling.

"Flow-driven shifts in the dollar mean selective opportunities will emerge wherever valuations are most compelling."

Federico Cesarini
Head of FX strategy, Amundi Investment Institute

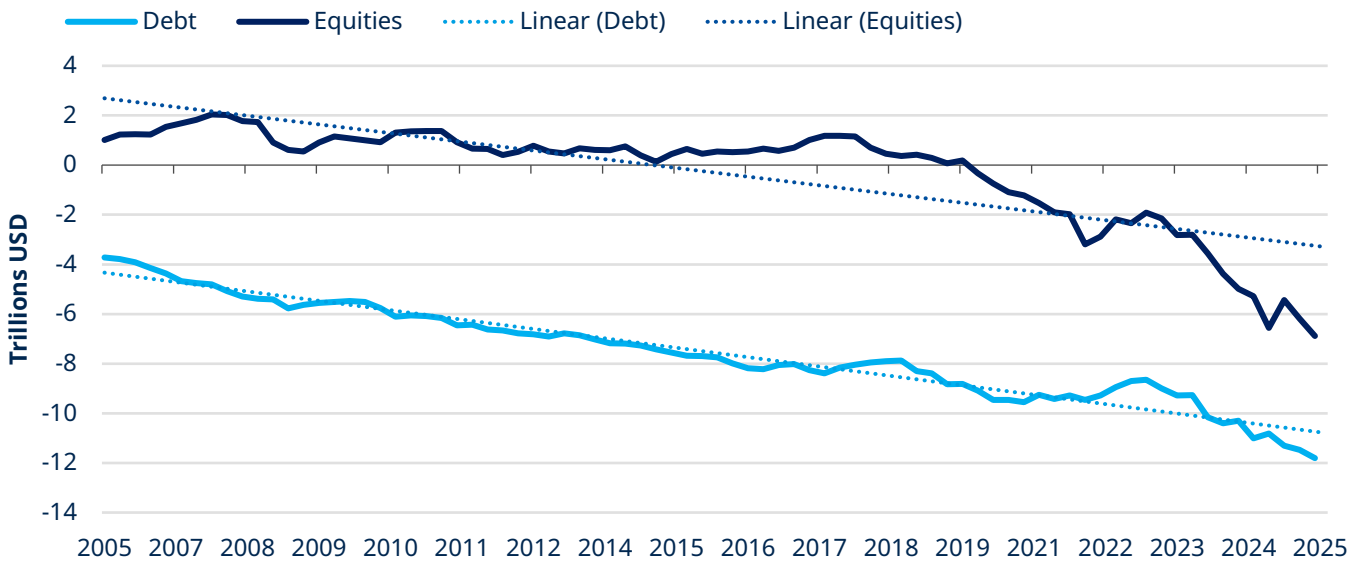
2025: A long-awaited dollar adjustment

The decline in the dollar's value in 2025 was the result of the downside risks highlighted in our previous Capital Market Assumptions. One source of vulnerability was the dollar's rich valuation relative to our calculations of fair value. The second was the growing risk that global capital would be gradually allocated to non-dollar-denominated assets. Both dynamics played out, bringing the currency closer to levels consistent with its long-term equilibrium.

Secular headwinds can trump structural dominance

The dollar remains firmly dominant in international funding markets, trade invoicing, and global reserve allocation. While there is growing evidence of diversification at the margins, potential alternatives to the dollar still lack the scale, liquidity, and institutional depth required to displace the US currency.

Net portfolio investment positions (US)



Source: Amundi Investment Institute, IMF. Data as of Q3 2025. Net portfolio investment position: the difference between US investors' holdings of foreign portfolio assets and foreign investors' holdings of US portfolio assets.

The rapid development of digital assets in the US, particularly dollar-pegged stablecoins, could extend the US currency's reach into new segments of global finance, and means the US retains the incentive and capacity to preserve the dollar's global role.

There are also several factors that will slow any slide in the dollar. First, the dollar remains one of the higher-yielding major currencies and there is no sign that this will change anytime soon. Second, productivity dynamics continue to favour the United States, particularly compared with Europe. As an energy importer, Europe may also face challenges if oil and gas prices stay high. Third, global trade intensity remains subdued, which has traditionally benefited the dollar because the US economy is more closed than that of Europe or Asia, where external demand is a key engine for growth. Finally, the higher share of welfare-related spending in some developed countries (e.g. Europe) risks weighing on their investment and potential growth.

However, these factors will not protect the US currency from either cyclical or secular headwinds. All the more so given the range of investment alternatives available to investors today.

In fixed income, the range of potential investment destinations outside the United States has expanded, especially in Europe and parts of Asia, as yields have moved out of negative territory. In equities, the weight of US assets in global indices has reached levels that are encouraging investors to diversify.

The gradual increase in the number of investable alternatives, in our view, acts as a persistent headwind for the dollar since even marginal rebalancing decisions by global investors can have disproportionate implications for the USD, given the large negative financial position the US has today.

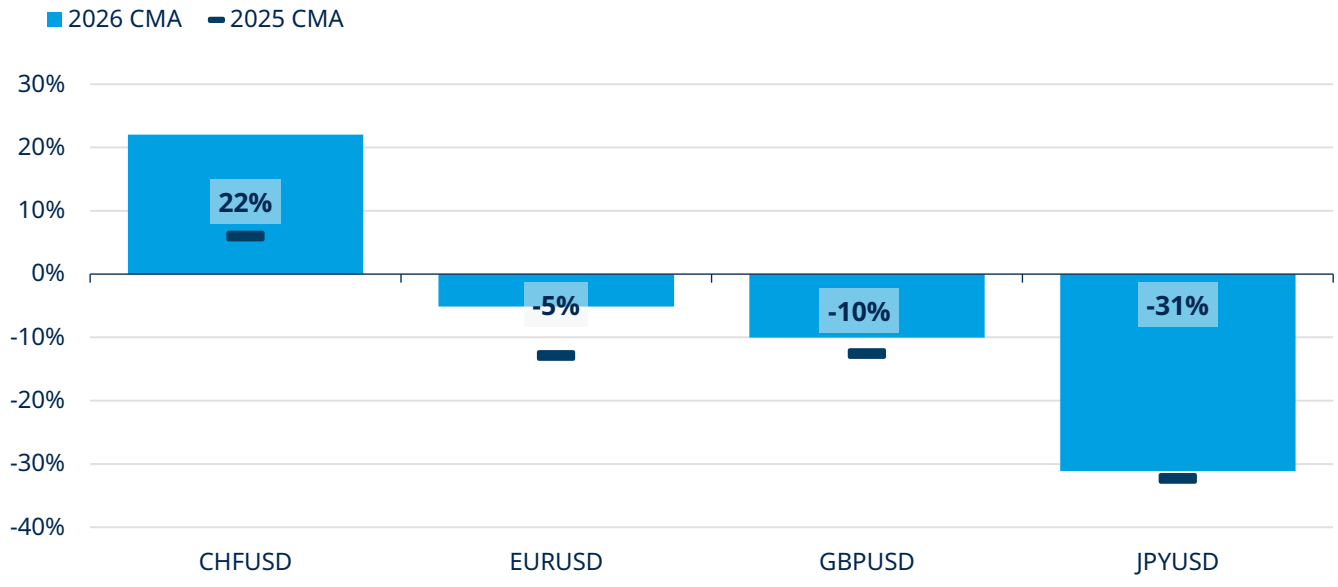
Relative long-term winners: commodities' FX and Asia

The most compelling opportunities lie within commodity-linked currencies, both in G10 and emerging markets. These currencies enjoy an increasingly supportive backdrop as the energy transition and reconfigured supply chains are boosting demand for natural resources.

In the G10, currencies such as those in Norway and Sweden, as well as the Canadian and Australian dollars, remain deeply undervalued relative to historical and model-based benchmarks. Similarly, several emerging market currencies, particularly in Latin America and selected parts of EMEA, offer attractive valuations given improving external balances and terms of trade.

In Asia, the yen and the Chinese yuan are undervalued on multiple metrics and should appreciate steadily in a scenario where China gains incremental leverage over the global economy.

FX rates - distance vs fair value



Source: Amundi Investment Institute. 2026 Capital Market Assumptions.

LONG-TERM THEMES

Bitcoin: money, digital gold, or both?

Money has never been static. It has evolved from commodities to credit, and from physical scarcity to institutional trust. Since the break with gold in 1971, the system has rested on confidence in governments and central banks, and on the assumptions that debt will always be honoured and monetary authorities will preserve value over time. That confidence is being tested more visibly in a world of persistent deficits, recurring inflation shocks, and growing monetary fragmentation.

It is in this environment that Bitcoin has gained relevance. Born out of the Great Financial Crisis, it represents a fundamentally different monetary architecture, where scarcity is enforced by code rather than policy. With a hard cap of 21 million units and a declining issuance schedule, Bitcoin introduces a form of **monetary discipline that contrasts with fiat systems**. This is the reason why the **"digital gold" analogy has gained traction**, even though Bitcoin remains far more volatile and less institutionally embedded than gold.

While they both meet all core monetary properties (they are both divisible, portable, durable, fungible and scarce) and both tend to outperform when confidence in fiat currencies weakens, **Bitcoin should not yet be treated as an equivalent to gold.**

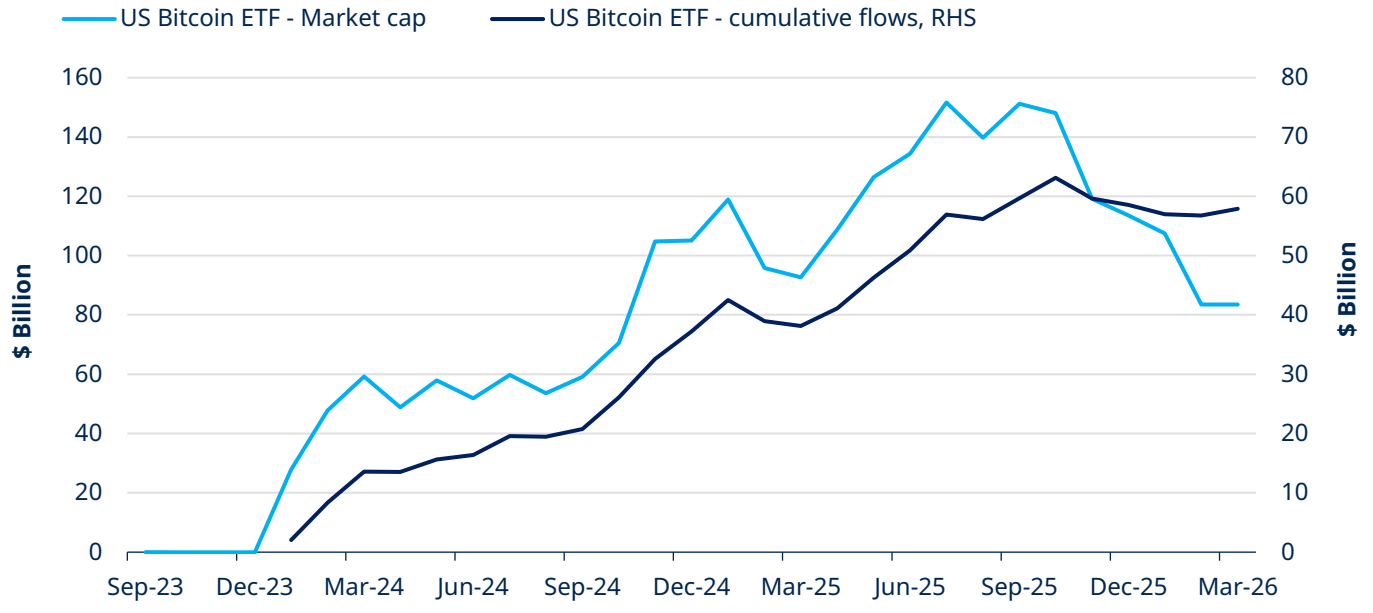
Gold remains the most established reserve-diversification asset within our CMA framework, supported by central bank demand, physical scarcity, and its clearer role in a fragmented geopolitical environment. Bitcoin, by contrast, remains **younger, more volatile, and more dependent on adoption, market structure, and regulation.**

At this stage, its relevance lies less in replacing gold but rather in offering exposure to an emerging layer of non-sovereign digital capital. Yet, as regulation and digital infrastructure develop, Bitcoin volatility will likely normalise, and its role in reserves diversification and asset allocation will likely increase.

Market behaviour already reflects part of this shift. Firstly, adoption has continued to broaden despite episodes of sharp volatility, while **the growth in Bitcoin ETFs and the wider development of digital-asset infrastructure suggest a gradual process of institutionalisation**. Secondly, despite Bitcoin remaining a high-volatility asset which needs to be approached with discipline, empirical evidence suggests that small allocations (typically below 5%) within a diversified allocation may improve portfolio returns potential without disproportionally increasing overall risk.

In a regime defined by uncertainty around fiat stability, reserve diversification and digital monetary change, Bitcoin may offer medium-term diversification and long-term upside if the future architecture of money evolves in its favour.

Bitcoin ETFs are relatively young but already collected more than $57 bn inflows since inception



Source: Amundi Investment Institute, Bloomberg. Data as of 31 March 2026. Analysis on aggregate US domiciled ETF.

LONG-TERM THEMES

Gold: from commodity view to "reserve architecture" asset

In a world of "controller disorder", the definition of a "safe haven" is changing. Gold is no longer just a commodity – it is becoming a lens through which the redesign of the global reserve system is visible. The weaponisation of reserves and accelerating geopolitical fragmentation have forced a rethink of the reserve management: a growing share of EM central banks now treat gold as a strategic, politically neutral store of value - liquid, counterparty-free, and outside the jurisdiction of any single issuer.

Gold's medium-term outlook is anchored less by cyclical inflation fears and more by a structural reallocation of reserves. This structural shift is visible in the scale of expected central bank (CB) accumulation: we estimate cumulative purchases of roughly 5,000 tonnes over the next five years, potentially lifting EM's share of global CB gold holdings from ~35% toward ~45%. Meanwhile, mining supply is unlikely to close the gap, implying an annual shortfall of around 1,500 tonnes through to 2030 that must be met via recycling and drawdowns.

Our target for gold is $6000 per ounce over five year and $7800 per ounce over 10 years, with an expected return of 6% over the decade.

The result is a regime where gold is supported not only by risk sentiment, but also by persistent flows and constrained supply — reinforcing its role as a strategic diversifier in asset allocation. Within the CMA framework, gold is increasingly acting as reserve architecture insurance: less a tactical inflation trade, more a structural hedge against fragmentation and policy-driven risks.

"The weaponisation of reserves and accelerating geopolitical fragmentation are redefining the concept of 'safe havens', prompting central banks to treat gold as insurance against policy-driven risks."

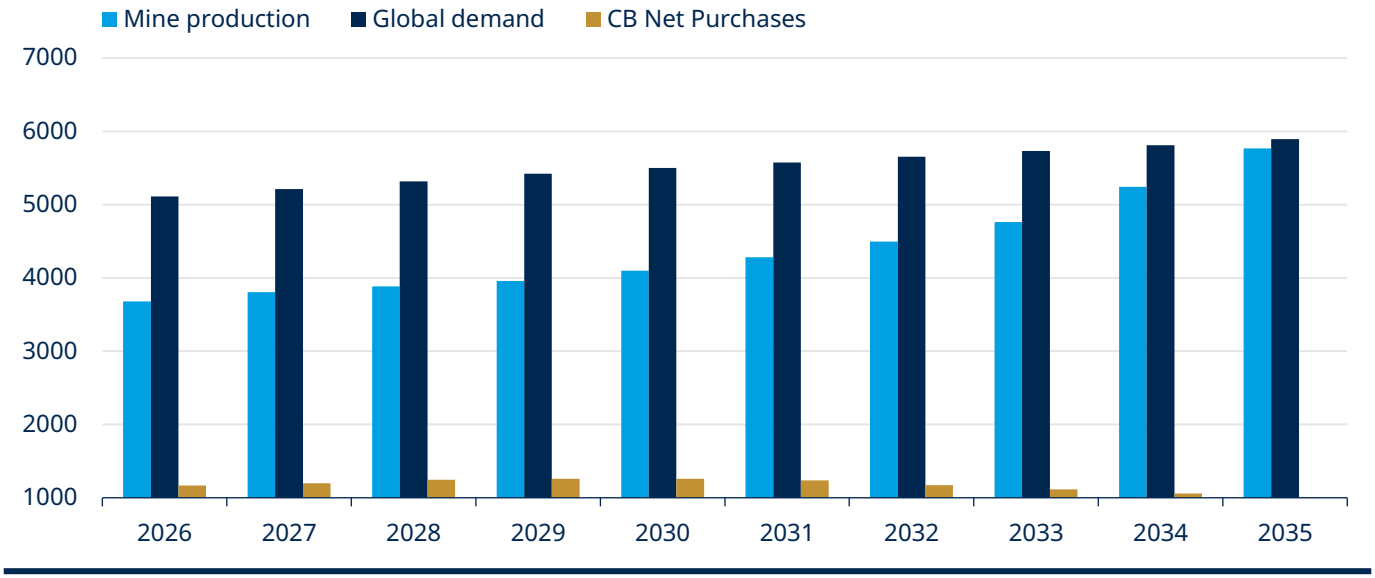
Lorenzo Portelli
Head of Cross Asset Strategy, Amundi Investment Institute

Commodities to remain supported by the green transition

The year 2025 confirmed the commodity trends highlighted in previous CMA publications. The new global growth model supporting the green transition anticipates widespread electrification and a growing need for specific raw materials — copper, nickel, lithium, and rare earth elements — driving a surge in demand against a backdrop of constrained supply. Heightened geopolitical risk following the war in Ukraine has intensified this trend, amplifying price effects and increasing the likelihood of structural undersupply in the years ahead.

As a result, commodity prices are expected to rise, and commodities are increasingly viewed as a diversifying asset class capable of generating positive returns in risk environments unlike those of the past. Exposure to commodities beyond gold has been steadily increasing within strategic asset allocations, and we expect this trend to continue.

Gold global demand, CB net purchases & mine production (Tonnes)



Source: Amundi Investment Institute, World Gold Council Institute. Data is as of February 2026.

LONG-TERM THEMES

Physical climate risk: uneven exposure, uneven response

Our CMA 2026 baseline assumes a fragmented global environment and a relative shift from orderly Net Zero pathways toward delayed transition scenarios. In such a setting, policy coordination remains uneven, transition efforts slow, and environmental pressures accumulate.

Climate risk must therefore be viewed within the broader framework of natural capital — the stock of natural resources and ecosystem services underpinning economic activity. Stable temperatures, water availability, biodiversity and ecosystem resilience function as implicit production inputs. As natural capital degrades, constraints increasingly materialise through physical disruptions, productivity losses, infrastructure stress and supply-chain instability.

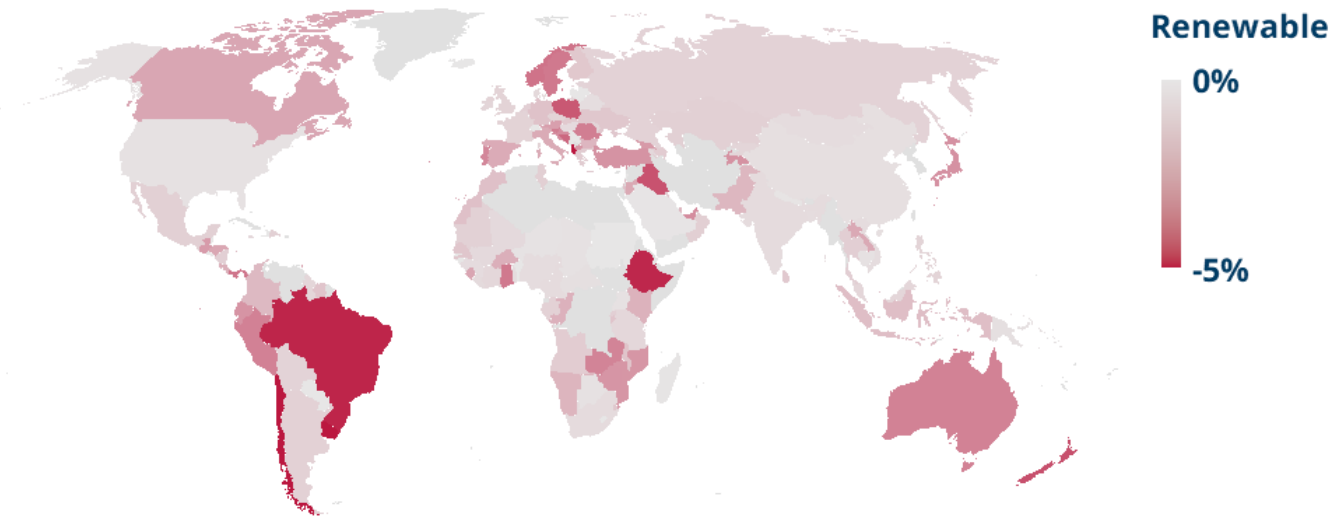
Physical climate risk is the most direct channel through which the deterioration of natural capital translates into financial risk. Environmental shocks are no longer isolated tail events but recurring macroeconomic disturbances. Their geographic and sectoral distribution is therefore central to long-term capital market assumptions.

Geographic sensitivity to natural capital is uneven. Over the past 25 years, growth has been more responsive to renewable natural capital. Countries such as Iran, Australia, South Korea and Nicaragua have experienced a negative contribution of natural capital to growth, while Vietnam, Indonesia, Mozambique, and Egypt have experienced a positive contribution.

The map below illustrates **substantial regional heterogeneity in growth sensitivity and natural capital stress.** Exposure is typically higher in resource-dependent economies and in countries where ecosystem services — such as land productivity, forests, water and renewable natural assets — play a larger role and are harder to substitute.

For investors, the implication is that physical climate risk should increasingly influence regional allocation decisions. Over time, it is likely to widen differences in growth resilience, fiscal flexibility and earnings durability across countries.

Stress test with respect to renewable natural capital over the next 25 years in % of GDP growth



Source: Amundi Investment Institute, Carbon Disclosure Project (CDP). Data is as of December 2025.

Physical vs transition risk: sector impact

While first-level regional allocation remains a core strategic asset-allocation pillar, we believe that, moving forward, **sector allocation will become increasingly important**, as the multiple trends at play will have an uneven impact, with climate risks at the forefront. The comparison between carbon intensity (a transition-risk proxy) and physical-risk scores across MSCI World and MSCI EM indices reveals a structural contrast.

Transition risk remains concentrated, with carbon intensity largely driven by Energy, Materials and Utilities. When including Scope 3 downstream emissions, Financials is also brought into focus due to financing companies with high emissions. Transition risk therefore tends to generate **sector-specific repricing dynamics.**

Physical risk, by contrast, is more pervasive. While Energy, Materials and Utilities still show elevated exposure, sensitivity extends more evenly across sectors. Emerging markets generally exhibit higher vulnerability, reflecting infrastructure gaps and greater exposure to climate stress.

The implication for capital markets is that **transition risk tends to produce concentrated sector repricing, whereas physical risk drives broader cross-sectoral and regional dispersion.** Physical risk scores capture direct exposure and sensitivity, but do not fully incorporate indirect channels — supply-chain disruption, insurance repricing or macro spillovers — which can amplify dispersion further.

Within our CMA framework, we incorporate higher physical and transition risks into our assumptions under a fragmented and delayed energy transition scenario, which leads to greater regional and sectoral differentiation reflecting uneven vulnerabilities and fiscal resilience.

For investors, this means climate should increasingly matter for sector allocation. It argues for greater caution on sectors with structurally high physical or transition exposure unless valuations compensate, and greater focus on sectors and business models better positioned to absorb, adapt or pass through climate-related costs. Climate is therefore becoming a driver of future sector return dispersion, and is not simply a sustainability classification.

"Transition risk reprices sectors. Physical risk widens dispersion across sectors and regions."

Thierry Roncalli
Head of Quant Portfolio Strategy Research, Amundi Investment Institute

Carbon intensity (transition risk) and physical risk scores – MSCI World Index and MSCI EM Index

	Carbon intensity (Sc. 1+2+3) (in tCO2/$ mn)				Physical risk score (2030 medium scenario)			
	Without Scope 3 Downstream Emission		With Scope 3 Downstream Emission		Exposure		Sensitivity	
	DM	EM	DM	EM	DM	EM	DM	EM
Communication Services	75	86	107	111	57.9	57.3	20.1	18.9
Consumer Discretionary	142	187	443	943	56.5	62.0	32.9	33.1
Consumer Staples	233	384	595	563	57.3	60.7	31.6	42.9
Energy	579	842	3,982	6,751	57.5	62.9	35.7	47.1
Financials	24	32	1,908	2,242	57.1	62.5	14.4	19.9
Health Care	82	161	100	173	57.4	59.0	22.6	41.7
Industrials	191	310	4,305	5,901	56.7	59.6	30.3	39.0
Information Technology	106	249	317	383	58.2	61.4	17.6	43.2
Materials	776	1,559	2,023	2,989	59.5	64.4	43.4	52.9
Real Estate	117	191	347	627	54.9	64.5	33.3	42.3
Utilities	1,408	3,811	2,358	4,455	57.4	62.6	44.2	48.8

Source: Amundi Investment Institute, S&P Global, MSCI. Data is as of November 2025.
*Carbon intensity is defined as the ratio of carbon emissions, expressed in tCO_2e, to sales, expressed in USD millions. We distinguish between two measures: one based on Scopes 1, 2, and 3 upstream emissions, and another that also includes Scope 3 downstream emissions.
The physical risk scores correspond to the exposure and sensitivity scores calculated by S&P Global Sustainable.

Corporate response: adaptation is broad but uneven

Corporate climate adaptation has become mainstream. Among firms voluntarily disclosing through the Carbon Disclosure Project (CDP), in recent years **75% to over 90%** mentioned at least one adaptation measure in response to physical climate risks. Yet adaptation rates alone do not determine capital market impact. What matters for long-term investors is how adaptation reshapes **capex intensity, earnings volatility, financing costs, and risk premia.** Climate adaptation is no longer an ESG overlay but a balance-sheet variable.

The growing prominence of adaptation in corporate disclosures therefore underscores the increasing relevance of physical climate risks and the importance of adaptation for firms and long-term investors. While adaptation is widely disclosed, firms predominantly focus on a subset of measures. The emphasis lies in organisational and financial adjustments — such as risk assessment and enterprise risk management, supplier diversification, water and energy management, insurance and buffering mechanisms — whereas structural repositioning, including relocation, product redesign and geographic diversification, remains comparatively rare.

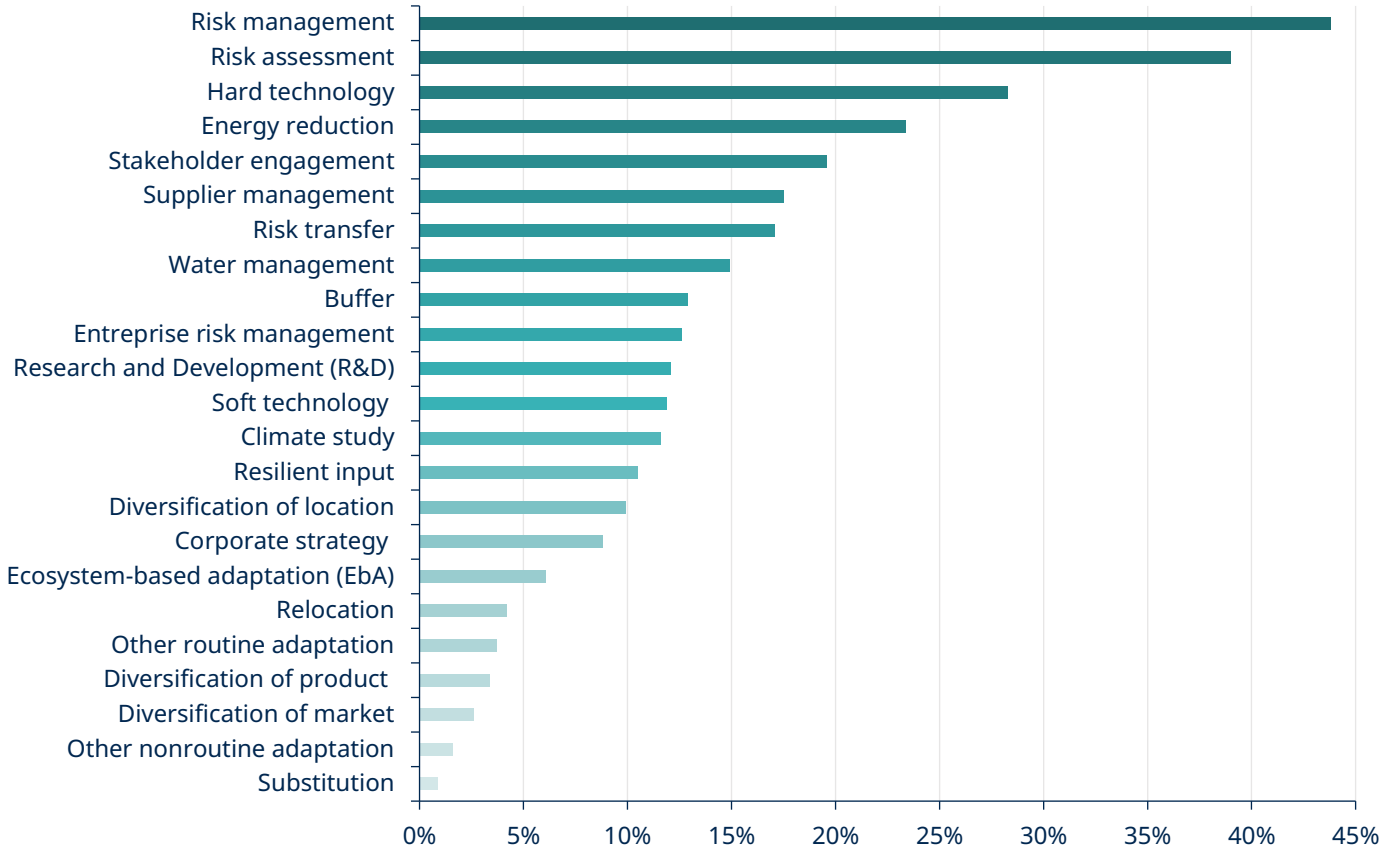
This pattern suggests that many firms currently **prioritise incremental improvements to resilience rather than a deep structural transformation**. Over the long term, differences in adaptation strategies are likely to translate into **heterogeneous financial outcomes** across firms, depending on their exposure to physical climate risks, capital intensity, pricing power, and the effectiveness of the measures adopted.

For investors, adaptation matters because it will increasingly separate future winners from the laggards within sectors, even where aggregate expected returns appear similar. Firms that adapt early and effectively should be better positioned to preserve margins, protect asset values and reduce funding costs, while laggards may face higher volatility, larger capex burdens and a structurally higher risk premium. In that sense, adaptation is becoming part of the future distribution of returns and not simply part of the sustainability narrative.

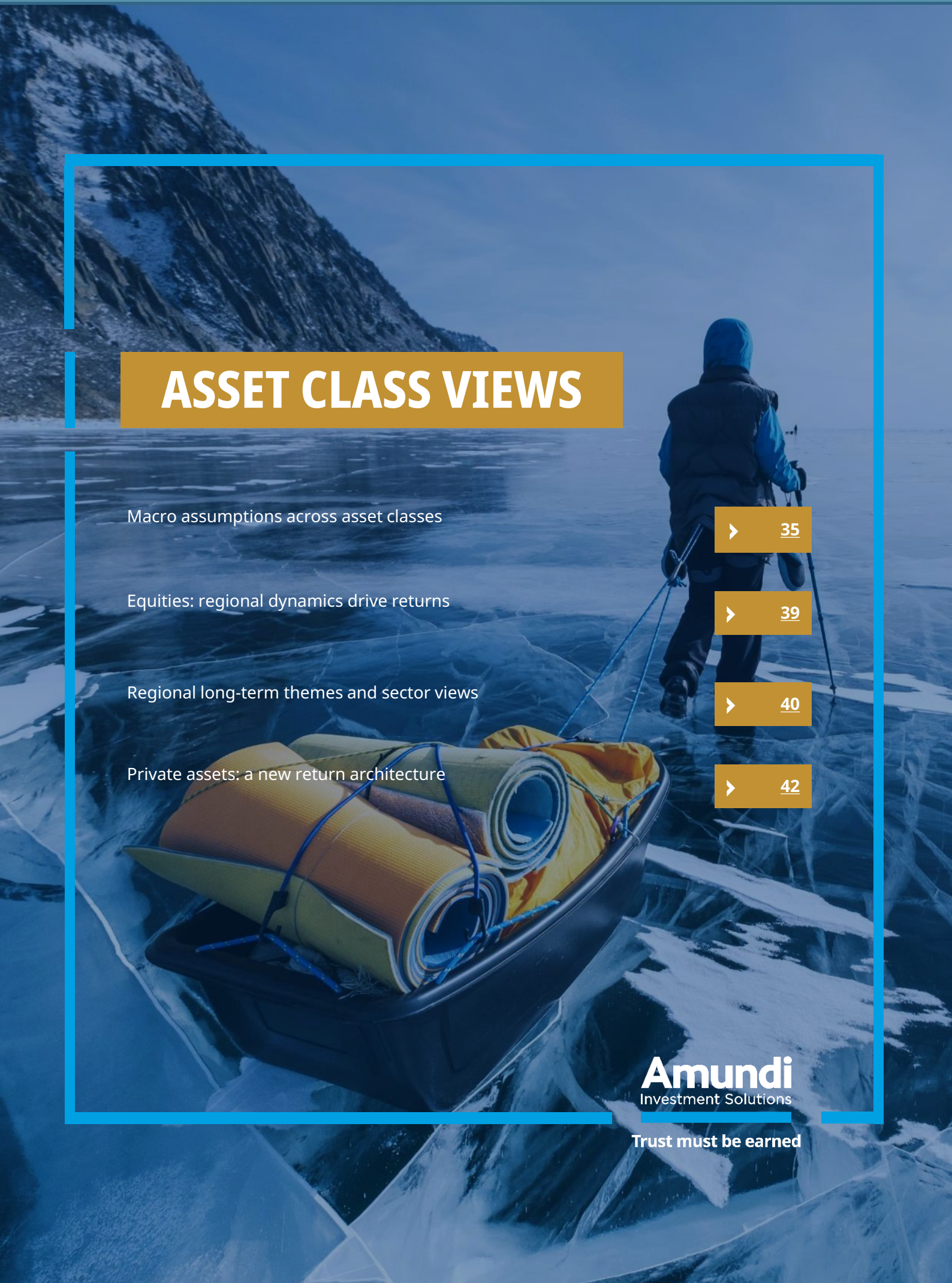
"Adaptation is becoming a driver of return dispersion, not just a disclosure metric."

Marie Brière
Head of the Investor Intelligence & Academic Partnership, Amundi Investment Institute

Adoption rate of adaptation measures (2025)



Source: Amundi Investment Institute, Carbon Disclosure Project (CDP). Data is as of December 2025.



ASSET CLASS VIEWS

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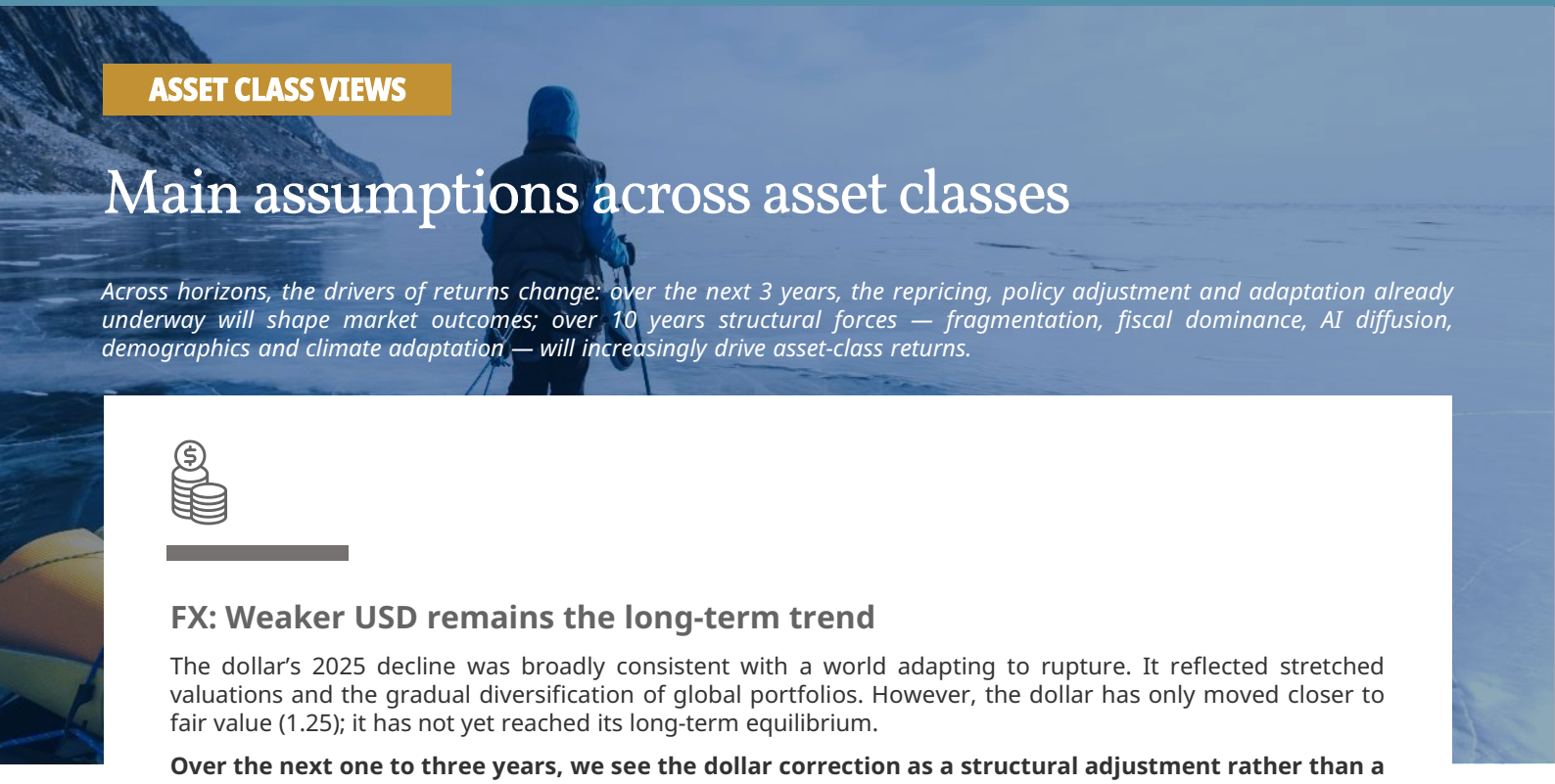
Trust must be earned



ASSET CLASS VIEWS

Main assumptions across asset classes

Across horizons, the drivers of returns change: over the next 3 years, the repricing, policy adjustment and adaptation already underway will shape market outcomes; over 10 years structural forces — fragmentation, fiscal dominance, AI diffusion, demographics and climate adaptation — will increasingly drive asset-class returns.

FX: Weaker USD remains the long-term trend

The dollar's 2025 decline was broadly consistent with a world adapting to rupture. It reflected stretched valuations and the gradual diversification of global portfolios. However, the dollar has only moved closer to fair value (1.25); it has not yet reached its long-term equilibrium.

Over the next one to three years, we see the dollar correction as a structural adjustment rather than a cyclical anomaly. In a more fragmented world, capital is gradually rebalancing across regions, expanding the opportunity set outside of the United States in both fixed income and equities. This should continue to weigh on the greenback, but through adaptation rather than through a rupture of the system itself.

Over ten years, the direction still points to a weaker USD, although not to abrupt displacement. The dollar remains deeply embedded in global funding, trade invoicing, reserves and collateral. Meanwhile, the breadth and liquidity of US markets, the centrality of the dollar payment infrastructure, and the expansion of dollar-based anchors such as stablecoins continue to support demand for it. However, these strengths are no longer enough to fully offset mounting secular headwinds, such as persistent fiscal deficits, rising public debt costs, financial repression risks, and a deeply negative net international investment position (see article on page 27).

The most compelling long-term opportunities remain concentrated in undervalued currencies where domestic assets are becoming more attractive, including selected G10 commodity currencies. In Asia, both the yen and the renminbi should appreciate gradually over time: the yen still benefits from its cheap valuation and a more normal rates backdrop, while the renminbi is supported by valuation metrics and by China gaining incremental leverage in regional and global trade and capital flows.

Key highlights of 2026 asset class assumptions

FX

1.25

Average Amundi long-term fair-value[1] for EUR/USD

[1] Based on Purchasing Power Parity and Behavioural Equilibrium Exchange rate models

Fixed Income

1.2%

Average slope[2] of the curve across US, Eurozone, UK and Japan

[2] Difference between 10-year yields and cash yields

Credit & EM bonds

-0.4%

Tight starting spread levels implies negative average contribution from spread valuation[3]

[3] Average across Euro IG, Euro HY, US IG, US HY and EM Bonds.

Equity

5.6%

Average projected EPS growth across seven[4] major regional equity indexes

[4] US, Europe, Japan, Pacific ex Japan, India, China, Emerging Markets

Private Assets

+2.5%

Estimate of liquidity premium based on the excess return of a 60/40[5] private allocation

[5] 60% Global Private Equity, 40% Global Private Debt versus a 60/40 liquid allocation (60% MSCI World, 40% Global Aggregate Bonds).

DM rates: fixed income is back, but not in the old regime

With global bond yields reset to levels last seen before the 2008 crisis, **carry is once again the primary return engine.**

Over the next one to three years, carry and curve rebuilding will be the main drivers of returns.

Over ten years, fiscal dominance and inflation uncertainty should increasingly shape rates and duration (see article on page 25). Overall, we expect to see higher bond returns for the next decade compared to last year's assumption, with improvement being most visible in Japan, followed by the Euro area, and smaller increases in the UK and the US. This is not a return to the old bond regime: even as cross-country expected returns move in the same direction, domestic outcomes can still diverge, as rates are shaped by fiscal supply, inflation uncertainty, and policy choices.

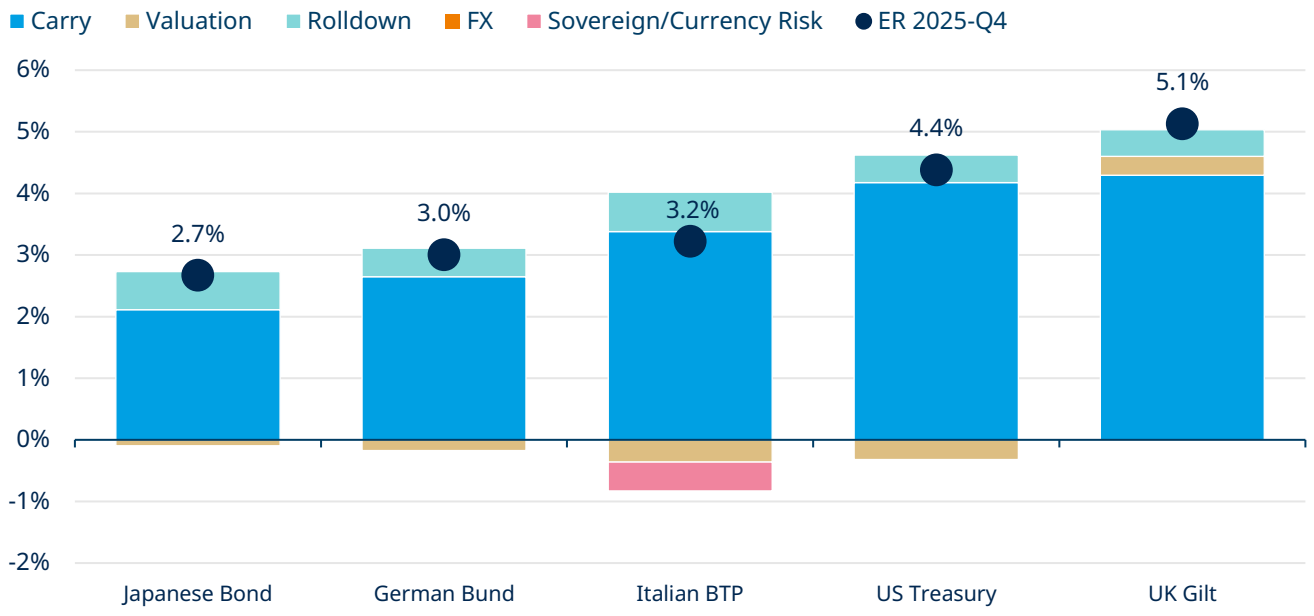
A key shift in bond assumptions relates not only to inflation expectations, but also to the interaction between **strategic spending, debt dynamics and monetary constraints.** AI may lift productivity over time, yet the near-term capex cycle in data centres and AI-enabled sectors can add price pressures and supply bottlenecks. Defence spending, energy security, industrial policy and ageing-related fiscal pressures also point to a less stable inflation path and higher sovereign issuance. This is why, compared with last year, euro-area risk premia are being repriced as the policy mix shifts: **Bund risk premia have risen, while peripheral spreads, notably Italy's BTPs, have narrowed.**

Fixed income has shifted to a regime of **higher equilibrium rates and steeper curves.** Risk premia are increasingly expressed through inflation compensation and curve shape rather than through real yields alone. Against this backdrop, we retain **a bias toward steeper yield curves,** notably in the US and Europe, while Japan's curve is already close to historical highs. For investors, **bond returns are increasingly driven by carry plus curve, with the long end offering selective performance potential as term premia rebuild.**

"Fixed income is back in a more political regime, where fiscal credibility, domestic demand for sovereign debt and inflation uncertainty matter more than before the pandemic."

Guy Stear
Head of DM Strategy,
Amundi Investment Institute

Government bond expected returns



Source: Amundi CASM Model. Starting date is 31 December 2025. **Carry**: proxied by the par government or credit yield. **Rolldown**: the effect on bond prices generated by the passing of time. **Valuation**: the effect on bond prices generated by the movement of government yields and spreads. **Sovereign/Currency Risk**: the impact from being exposed to sovereign and currency risks. The forecast returns are not necessarily indicative of future performance, which could differ substantially. For additional information, see 'Sources and Assumptions' at the end of this document.

DM credit: focus on carry, as the easy spread compression is largely behind us

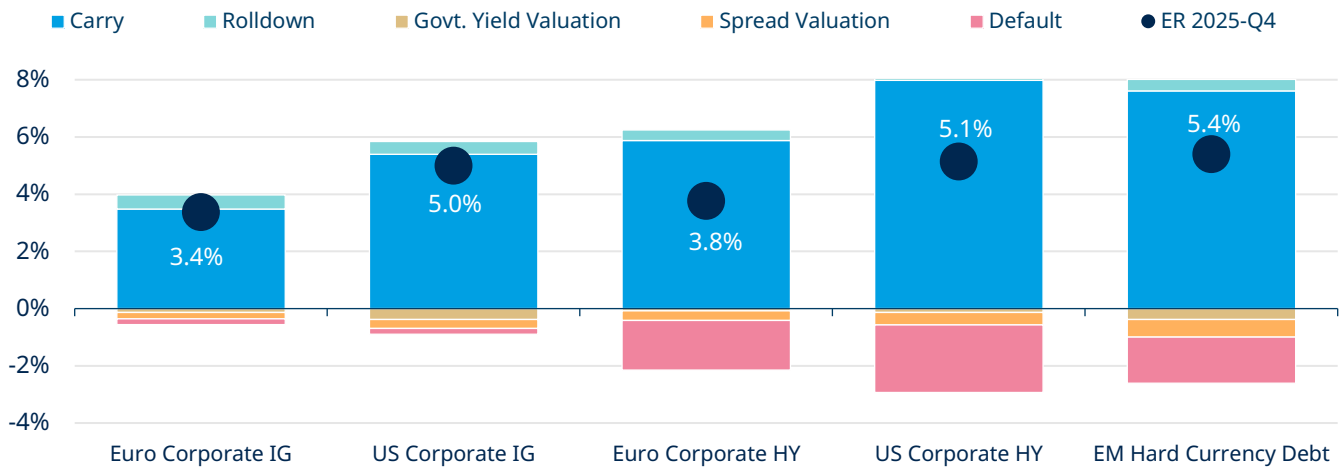
Corporate spreads have tightened back toward levels not seen since the global financial crisis, meaning that the incremental carry available versus government bonds is smaller than it was a year ago, even as underlying government yields have risen. Expected returns for corporate credit are still supported by carry but they are slightly lower on a relative basis than in last year's CMA and are more sensitive to dispersion and security selection.

Over the next one to three years, carry should remain the main return engine. As the decomposition chart shows, carry and roll-down continue to do most of the work, while spread valuation contributes much less than in the past and default drag remains contained in the central scenario. Tight investment grade spreads can still be justified by solid starting fundamentals, but this support is likely to be tested as the cycle evolves, issuance rises and refinancing needs pick up in a more capex-intensive environment.

Over ten years the picture becomes less forgiving. With spreads already tight, the margin for further compression is limited, while default-cycle risk becomes more material and the return distribution more asymmetric. In a world of controlled disorder, dispersion matters more than direction: more supply does not automatically mean sharply wider spreads, but a pronounced repricing would typically require either an external shock or a material slowdown that compresses cash flows and triggers defaults. This is why we prefer investment grade credit, while high yield offers a less attractive risk-return profile given its narrower margins for error and greater vulnerability to the default cycle.

The chart below shows the return contribution across the different asset classes. Carry remains dominant across all, while spread valuation detracts on average 40 basis points. Defaults increasingly weigh on lower-quality segments. Compared with last year, the key message is not that credit will cease to work, but that **future returns will rely more on income and selection, and less on further valuation support.**

10-year expected returns decomposition for credit and EM bonds



Source: Amundi CASM Model. Starting date is 31 December 2025. Fixed income assets' expected returns are broken down into: **carry,** proxied by the par government or credit yield; **rolldown**, the effect on bond prices generated by the passage of time; **valuation,** the effect on bond prices generated by the movement in government yields and spreads; **default,** the assumed loss from the default. The forecast returns are not necessarily indicative of future performance, which could differ substantially. For additional information, see 'Sources and Assumptions' at the end of this document.

EM bonds: a more fragmented opportunity set

EMBI spreads continued to tighten on relatively stronger fundamentals, which largely explains the downgrade in expected returns versus last year's CMA. **The normalisation of spreads back toward long-term levels is likely to be gradual, but starting valuations leave less room for further compression than in the past.**

Over the next one to three years EM hard currency debt can still offer a balanced mix of carry and diversification, even if the upside from spread compression is more limited. In this horizon, the opportunity set becomes more selective: countries with stronger external balances, better policy credibility and more resilient growth profiles should continue to stand out, while weaker credit remains exposed to repricing if financing conditions tighten or global growth slows.

Over ten years, fragmentation becomes the defining feature. EM hard currency debt can still play a useful role in portfolios, but the distribution of outcomes becomes wider as the default-cycle risk, geopolitical exposure and uneven domestic adjustment paths matter more. On the local side, Indian bonds remain constructive, supported by carry, anchored inflation and the potential for further inflows. By contrast, Chinese local yields look expensive versus long-term norms; over time, a transition out of a low-inflation environment would be more likely to push yields higher, limiting valuation support and weighing on returns.

Equity: inflation and technology will drive risk premia adjustments

AI and inflation are the two main forces reshaping equity returns, but their effects differ across horizons.

Over the next one to three years, the key support should come from stronger earnings, AI-related capex, industrial-policy tailwinds and regional reform stories. At the same time, inflation, cost pressures and policy uncertainty are likely to widen dispersion across regions, sectors and companies, making selection more important.

Over ten years, earnings growth will continue to be a key driver, as sector tailwinds from the impact of AI and industrial-policy reorientation will continue to lift EPS prospects not only in the US but also in Europe, Japan and China. But stronger earnings do not translate mechanically into higher returns: dividend yield, EPS growth and valuation all matter, and richer starting valuations now offset a larger share of earnings support than they did a year ago.

The regional picture is already shifting. International ex-US markets have narrowed part of the valuation gap with the US largely through price appreciation, while gains in the US have continued to be driven predominantly by stronger EPS, leaving valuations still stretched**. The implication is not weaker equities overall, but more differentiated drivers of equity total return expectations. We continue to see emerging markets and international ex-US markets outperforming the US**, supported by distinct regional catalysts. Japan from macro support, governance reform and larger buybacks; Europe from industrial momentum and policy support; China from IT prospects and a firmer buyback trend; and India from strong structural fundamentals. In the US, concentration and valuation remain the main headwinds.

+0.8%

Change in average EPS growth assumptions vs last year's assumption.

"Near-term returns are supported by EPS growth and capex, while valuations will impact over the long run."

Lorenzo Portelli
Head of Cross Asset Strategy, Amundi Investment Institute

Private and alternative assets: higher return potential but higher selectivity required

Private and alternative assets are likely to remain central to institutional portfolios, but they now operate under a materially different return architecture than in the 2010s.

Over the next five years, tighter financing conditions, slower capital distributions, fundraising pressure and more demanding entry valuations are likely to keep the environment more selective and less forgiving. In this phase, realised outcomes will depend more on manager discipline, asset quality and the ability to execute robust operational value-creation plans.

Over ten years, private assets should continue to offer higher return potential than listed markets, but with returns driven less by multiple expansion and more by income, operational improvement and disciplined selection. Illiquidity premia and structural complexity still support the asset class, but less generously than in the past. This year's assumptions are also presented on a net-of-fees basis, making comparisons with previous CMA vintages less direct but more realistic from an investor perspective. A higher-rate environment remains a tailwind for private debt, but a headwind for private equity, where higher funding costs can compress exit multiples and delay distributions.

The new regime also changes where the strongest structural support sits. Secular demand linked to AI, defence, energy systems and ageing populations should continue to support infrastructure and other stable, income-generating assets, while shifting private equity opportunity sets towards healthcare, financial services, insurance and retirement solutions. At the same time, medium-term risks — including private credit crowding and short-term fundraising strains — need to be factored more explicitly into portfolio construction and risk management.

ASSET CLASS VIEWS

Equities: regional dynamics drive returns

Over the next decade, US equities are likely to continue delivering the strongest EPS growth across developed markets, at around 7% a year. However, concentration and valuation risks will remain a key constraint on future returns, even if market moves since the start of 2026 — not reflected in our CMA — have already started to ease some of the excesses.

The case for diversification therefore remains central. Europe and Pacific ex-Japan are still favoured for dividend income, while Japan stands out as the most attractive market across currencies. Emerging markets, particularly India, remain a key source of opportunity, supported by stronger EPS growth. But the path will not be linear, and we expect repeated rotations between the US, EM and international markets as capital is reallocated, alongside higher dispersion across sectors as AI, strategic autonomy and energy reshape the opportunity set.

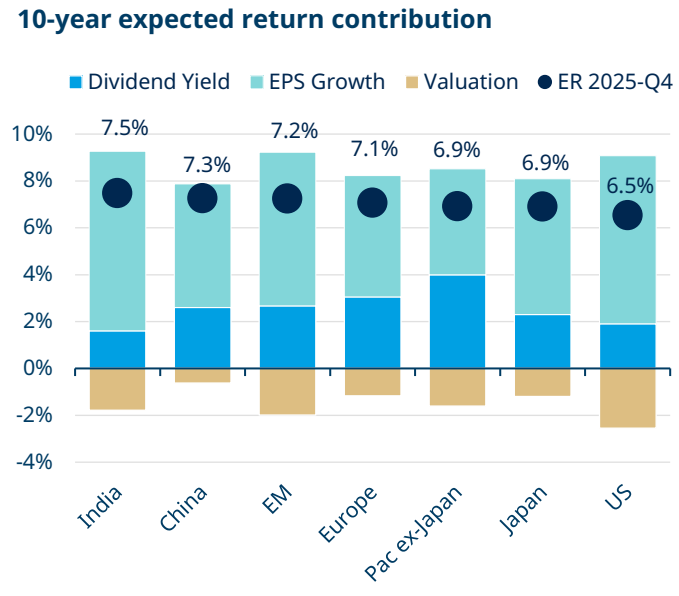
The next 10 years will be less about making a single directional call and more about capturing opportunities across and within regions, also considering the local context (cash and local bond opportunities). In the following table we represent the equity and local bond premium versus cash for the main four main FX regions.

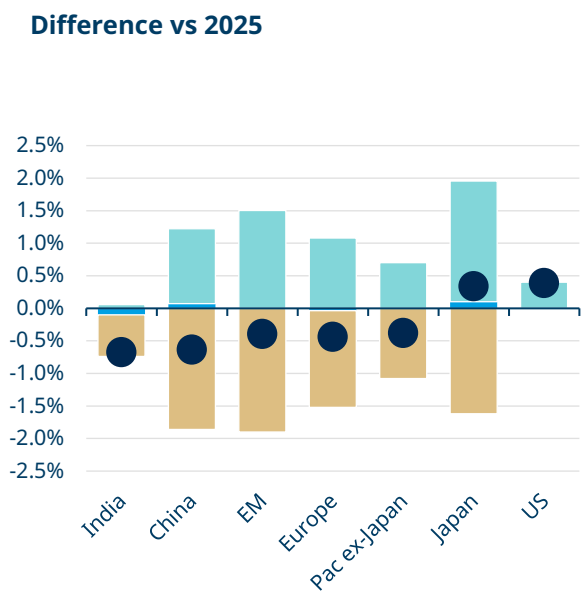
Equity & FX Premium - G4

Currency	USD	EUR	GBP	JPY
Cash Return	3.2%	1.8%	3.1%	1.2%
10-year Premium vs Cash				
Local Government	1.1%	1.7%	2.0%	1.5%
US Equity	3.3%	4.2%	2.3%	1.4%
European Equity	4.6%	5.5%	3.6%	2.7%
Japanese Equity	7.7%	8.6%	6.7%	5.7%
Emerging Markets Equity	4.7%	5.6%	3.7%	2.8%
Chinese Equity	5.0%	5.9%	4.0%	3.1%
Indian Equity	4.0%	4.9%	3.0%	2.2%
Global Equity	3.8%	4.9%	2.9%	2.3%
AC Global Equity	4.0%	5.1%	3.1%	2.4%

Source: Amundi CASM Model. Data as of 31 December 2025. For additional information see 'Sources and Assumptions' at the end of this document. The forecast returns are not necessarily indicative of future performance, which could differ substantially. Equity premium are unhedged.

10-year expected returns decomposition for equity, local currency





Source: Amundi CASM Model. Data as of 31 December 2025. For additional information see 'Sources and Assumptions' at the end of this document. Buybacks yield (if significant) is included in the EPS Growth component. The forecast returns are not necessarily indicative of future performance, which could differ substantially.

ASSET CLASS VIEWS

Regional long-term themes and sector views

AI matters not only because it may lift productivity eventually, but because it is already reshaping capex, sector leadership and regional market opportunities today.

US : AI revolution: from software to industrial capex

The US remains the largest and most mature AI ecosystem, but the next phase matters because **the transmission mechanism is changing.** The story is no longer only about software, models and digital adoption. It is increasingly about **physical AI, data centres, power demand, semiconductor capacity, automation, robotics and industrial capex.** In other words, the timeline through which AI affects growth and earnings is being brought forward by investment, before the full productivity dividend is visible in aggregate macro data. This matters for markets because it **broadens the set of beneficiaries.** The latest wave of AI is likely to support not only large-cap technology but also **capital goods, industrials, selected materials, utilities, energy infrastructure and parts of financials**. The move from **"bytes to bricks"** means more spending on equipment, networks and physical infrastructure, allowing sectors linked to capex and deployment to participate more meaningfully in the AI cycle.

Overall, this supports a constructive medium- to long-term outlook for US equity returns, even from a demanding valuation starting point. But it also means the US equity story is becoming **less about index-level multiple expansion and more about internal dispersion.** AI will not lift all sectors equally: it should reinforce leadership in some segments while challenging business models in others.

Europe : AI deployment, defence, and industrial renewal

Europe is well-positioned to benefit from the same broadening of the investment cycle. The importance of AI is not only in software adoption, but in the fact that **its industrial spillovers favour regions with strong engineering, capital-goods and manufacturing capabilities.** This is one reason why the "why now" matters for Europe as much as it does for the US: the monetisation of AI increasingly runs through equipment, infrastructure and industrial upgrading, not only through platforms.

That dynamic comes on top of Europe's own structural drivers. The need to strengthen **defence capabilities, energy security, digital infrastructure and strategic autonomy** is pushing investment higher and reinforcing the role of cyclical and industrial sectors. Further European integration and deregulation could add another leg to this process, widening the set of market beneficiaries beyond the largest exporters and global champions.

Over the next decade, this should support European equities through a combination of **industrial momentum, policy support and a more favourable sector mix**. The key point is that Europe does not need to lead in foundation models to benefit: it can capture value through deployment, industrial adaptation and capital spending. That makes the European story increasingly one of **AI application rather than AI invention alone.**

Japan: governance meets the capex cycle

Japan's equity market continues to benefit from a structural regime change, but the earnings story is also becoming more favourable in the current phase of global transformation. A world shaped by **capex, industrial upgrading, automation and supply chain rewiring** plays to many of Japan's strengths, including machinery, factory automation, components and high-end manufacturing. In that sense, the global AI and industrial cycle is reinforcing Japan's domestic reform story rather than replacing it.

At the same time, the core Japanese equity narrative remains one of improving capital efficiency. As inflation becomes more durable and governance reforms continue to reshape corporate behaviour, firms are deploying excess cash more productively, lifting **ROE, payout discipline and balance-sheet efficiency.** This is why Japan increasingly looks like a **"quality of capital"** story rather than simply a cyclical reflation trade.

In CMA terms, Japan stands out because two forces are now working together: **external support from the capex and AI cycle, and internal support from governance and capital discipline.** The result should be greater differentiation between firms that adapt quickly and those that lag, but with a stronger long-term backdrop for the market overall.

ASSET CLASS VIEWS

Regional long-term themes and sector views

Across Asia and EM, the key message is the same: long-term returns will be driven less by broad market beta and more by composition, technology adoption and the ability to adapt to a more fragmented world

China: from macro beta to composition story

China's equity outlook is increasingly a **composition story**. The market is evolving into a more pronounced **two-gear structure,** with technology- and innovation-linked segments separating further from legacy sectors tied to real estate, excess capacity or weaker domestic demand. That divide matters because it means China's beta is becoming less informative: over the next decade, returns are likely to increasingly depend on sector and stock selection.

The "why now" is that the next phase of Chinese equity performance is likely to be shaped less by a broad cyclical rebound and more by the **speed and breadth of technology diffusion,** including AI adoption, automation, advanced manufacturing and digital infrastructure. These forces can lift productivity and earnings in selected segments even if aggregate macro growth remains more subdued than in the past.

In CMA terms, China is therefore becoming a market where **dispersion is rising structurally.** Tech and advanced manufacturing winners may continue to gain weight in index outcomes, while older-economy sectors remain constrained by lower pricing power, policy adjustment and weaker capital efficiency. The long-term opportunity remains real, but it is increasingly selective and less about broad-based exposure.

India: structural growth meets execution

India's medium- to long-term investment case continues to be supported by **strong structural growth drivers.** Favourable demographics, infrastructure build-out, industrial policy and supply chain diversification are reinforcing the country's domestic growth engine and improving its role within global manufacturing reallocation. This remains one of the clearest long-term growth stories in the CMA.

The "why now" is that India is no longer only a demographics story. It is also increasingly a story of **execution**: public and private capex, logistics and transport upgrades, digital infrastructure and policy continuity are making growth more investable. As global firms diversify production and capital allocation, India is well placed to attract a larger share of incremental investment flows over time.

That said, the equity story is not linear. Valuations still embed high expectations, leaving less room for disappointment than in other markets. But India remains compelling because the long-term case is supported by a strong combination of **domestic demand, reform momentum and global reallocation,** with earnings power likely to prove more durable than in many other emerging markets.

Emerging markets: broader opportunity, wider dispersion

The medium-term outlook for earnings in emerging markets remains constructive, but the broader EM opportunity set is also becoming **more differentiated.** Aggregate EM no longer behaves as a single macro block. Index composition is changing, sector weights are shifting, and the gap is widening between countries linked to innovation, domestic reform, and industrial upgrading and those still reliant on older commodity or external-financing models.

That shift is important for the next decade. Emerging markets should still benefit from long-run structural drivers — including **demographics, urbanisation, productivity catch-up and capital deepening** — but these advantages are unlikely to translate into a uniform equity premium. Returns will increasingly depend on sector mix, index composition, governance quality, and the ability of countries to position themselves within the next phase of global trade, energy and technology reconfiguration.

A key part of that change is sectoral in nature. Over time, EM indices are likely to see more weight in **technology, digital services, advanced manufacturing, automation, green energy, electric vehicles and digital financial services,** while the importance of more traditional sectors such as old-economy materials, energy and conventional financials may gradually decline. This should create **greater dispersion within EM**, including between "old commodity" exporters and those able to reposition toward new industrial trends and green energy.

ASSET CLASS VIEWS

Private assets: a new return architecture

KEY TAKEAWAYS

For private and alternative assets, the new regime highlighted throughout our 2026 CMA has two critical implications: first, higher nominal discount rates structurally cap valuation multiples, compressing the gains from the multiple expansion that defined the previous decades; and second, income and operational value creation remain at the driving seat of return generation.

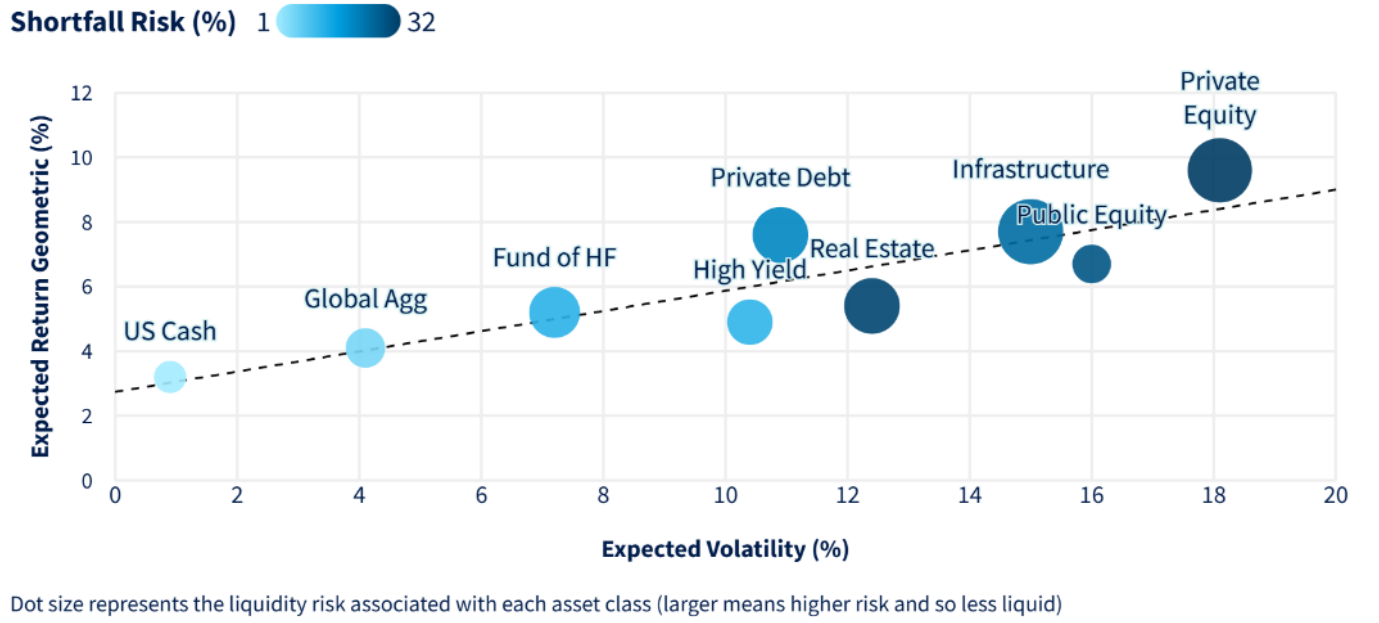
Headline returns remain attractive versus liquid counterparts, but illiquidity and complexity premia are less generous than a decade ago, raising the bar for manager selection and vintage discipline.

Starting from this year, we have decided to harmonise the returns of private and alternative assets moving them to a net of fees standard to make them comparable with liquid assets.

In the 2010s, private equity returns were largely driven by multiple expansion and financial leverage — both of which are likely to be structurally impaired going forward. The 2026–2035 decade requires a return architecture to be built on several pillars: income yield (contractual coupons, regulated returns, rental income), real earnings and cash flow growth (operational value creation, sector tailwinds), and selective illiquidity and complexity premia over liquid equivalents.

Three important considerations are worth highlighting before allocating to private and alternative assets. First, illiquidity budgeting and vintage pacing: elevated target allocations require disciplined vintage diversification and pacing plans to take liquidity management into account. Second, manager selection remains critical. CMA returns are portfolio averages, but net-of-fee returns vary widely across private assets and actual results depend critically on strategy niche, operational capability, and access to quality managers. Third, regional balance matters too. Divergences in valuations, sector composition, and macro trajectories between the US and Europe reinforce the case for deliberate cross-regional diversification within each private asset class.

Additional dimensions: tail and illiquidity risks



Dot size represents the liquidity risk associated with each asset class (larger means higher risk and so less liquid)

Source: Amundi Quant Solutions and Amundi Investment Institute. 2026 assumptions are as of 31 December 2025. All assets are expressed in local currency with the exception of Infra and Hedge funds which are in USD. Private and alternative asset assumptions for 2025 have been adjusted to net of fees to be consistent with updated assumptions. Forecast returns are not necessarily indicative of future performance, which could differ substantially.

Private equity divide – Europe pushed by strategic autonomy, US challenged by valuations

Private equity remains a cornerstone allocation, but the return premium over public equities has become increasingly polarised between the US and Europe. The 2010s convergence — both regions benefitted from cheap leverage and multiple expansion — is giving way to differentiation driven by entry valuation, sector composition, and macro trajectory. The US asset class could benefit from deep capital markets, AI and tech exposure, and more active and mature exit channels. However, elevated entry multiples and higher financing costs compress the value added relative to public equities, which is expected to halve compared to the past. Its European counterpart, by contrast, could benefit from materially lower starting valuations versus the US and sector tilts towards "old economy" businesses (industrials, capital goods, defence) which might be the direct beneficiaries of Europe's strategic autonomy pivot and defence spending needs. All in all, expectations for European private equity are around 2.5% higher than those for US private equity.

Key risks include the close links between private equity and credit general partners, particularly through exposure to software businesses, as well as a delayed recovery in exit markets, which could extend J-curves and put pressure on Distribution-to-Paid-In-Capital (DPI) metrics.

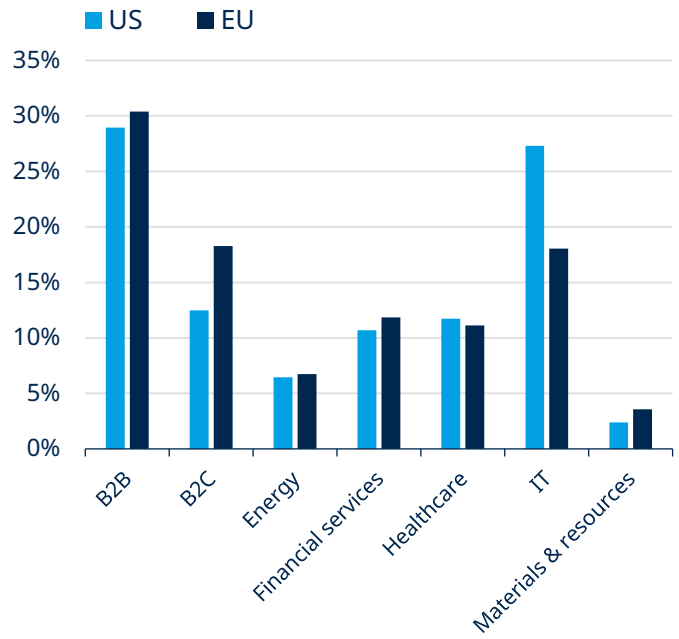
"In private equity, the return premium over public equities has become increasingly polarised between the US and Europe."

Nicola Zanetti
Quantitative Analyst, Solutions, Amundi

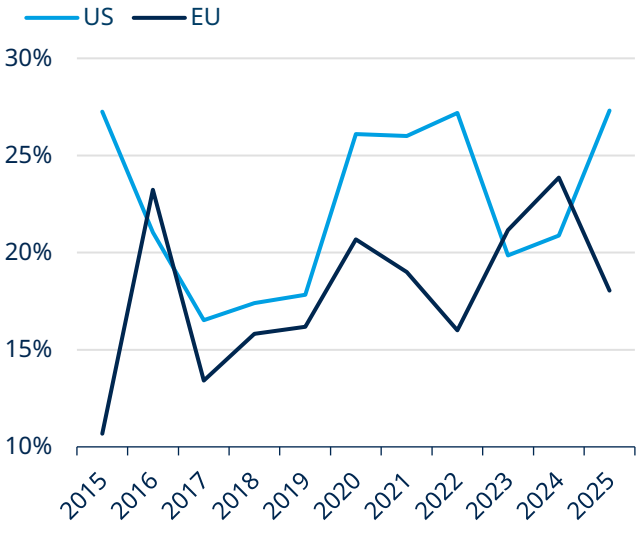
Infrastructure equity gains momentum from digital and energy shifts

Infrastructure equity is one of the few asset classes where structural demand tailwinds are accelerating. The AI and digital infrastructure theme will drive the volume of physical investment in the data centres and fibre networks needed to support edge computing and the "AI from bytes to bricks" shift. The delayed energy transition still requires trillions in investment in the coming decades under long-term private or public-private regulated frameworks. Additionally, Europe's security pivot drives demand for logistics, communications, and energy independence infrastructure. Finally, the potential disruption caused by geopolitical events affecting commodities might require investors to increase exposure to inflation-linked assets such as indexed infrastructure contracts.

Private equity deal value by sector



Private equity IT deal value as % of total



Source: PitchBook, a Morningstar company. Data as of 31 December 2025.

"In private credit, selectivity will be key going forward: the margin for error is narrower and the return distribution is more asymmetric."

Viviana Gisimundo
Head of Quant Solutions, Solutions,
Amundi

Private credit's rise calls for discipline

Private credit assets under management are expected to double, if not triple, in size as banks retrench from leveraged lending. This asset class has attracted many market participants and is now facing a credibility issue, particularly in the US. Investors should focus on the carry this asset class can generate but be aware of the risks that come with it (liquidity, defaults and valuations). Selectivity will be key going forward: the margin for error is narrower and the return distribution is more asymmetric.

US direct lending stands out in terms of expected returns due to the elevated base rates, which create a structurally high starting yield, and to the leverage implemented at fund level, which could amplify the advantages (but also the risks), while deep sponsor relationships and stronger creditor protections support recovery rates. Themes to watch include deal exposure to software potentially becoming obsolete due to AI disruption, mispriced collateral, and funds' leverage at the US level. In Europe, we expect banks' retrenchment from mid-market lending to sustain structural deal flow for senior debt deals. Furthermore, different sector exposure and the lower penetration of private debt into retail investors' portfolios could prevent the European market from experiencing potential disruption ahead. Overall, EU private credit shows an appealing risk-adjusted profile.

Global real estate equity: an income recovery story

After a repricing in cap rates between 2022 and 2024, real estate has shifted from a valuation story to an income recovery story. Higher starting net rental yields are the primary return driver; limited near-term capital appreciation is expected. The US all-property spreads are at more expensive levels than in Europe. However, over the long-term, when valuation drivers dissipate, the expected returns of US real estate will overtake those of its European counterpart, guided by higher income yields and faster rental growth. Sector selection dominates all other allocation decisions. Logistics and industrial properties may be favoured in the US, but the picture is slightly different in Europe where hospitality, prime retail, prime office, residential and healthcare properties are more attractive for investors. More challenged sectors include traditional office and non-prime retail, reflecting structural work-from-home habits and the continued penetration of e-commerce.

Hedge funds set to benefit in an era of high dispersion

The "controlled disorder" backdrop — elevated dispersion, policy volatility and unstable correlations — is precisely the environment where hedge funds have historically added most value. Three structural features of the current regime stand out: elevated cross-sectional dispersion, policy uncertainty generating macro opportunities, and low correlation to equities and bonds.

CONCLUSIONS

What this means for investors

The 2026 CMA is not a call to retreat from risk. It is a call to **rebuild portfolios for a world in which rupture is part of the system.** A world where broad beta matters less, dispersion matters more, and allocation decisions account for regions, currencies and time horizons.

Own more of what is supported by the new regime

Bonds are back at the core of allocation. Higher starting yields mean government bonds and investment grade credit can again provide income and reduce risk. In equities, the more attractive medium- to long-term opportunities are increasingly found **outside of broad US exposure, with Europe, Japan and selected emerging markets** offering stronger risk-return trade-offs. In private assets, **infrastructure and selective private equity** remain well placed, while gold has become a more structural portfolio allocation.

Own selectively where the easy gains are behind us

This is a higher-dispersion world. In credit, carry still matters, but tighter spreads and a more visible default cycle mean less room for error. In equities, earnings remain supportive, but valuation headwinds are more binding, making regional, sector and company selection more important. In private markets, returns will depend less on multiple expansion and more on **operational value creation, income generation, and manager selection.**

Own for resilience, not only for upside

Resilience now deserves a bigger role in strategic allocation. That means keeping bonds at the centre of moderate portfolios, using gold as a strategic diversifier, and recognising that **base currency is now part of the allocation decision, not a technical afterthought.** It also means favouring exposures linked to structural resilience needs, including energy security, defence, digital infrastructure and climate adaptation.

Approach with more caution where the margin for error is thin

The greatest discipline is needed where valuations already price in much of the good news, where spread compression is largely behind us, or where illiquidity premia are less generous than in the past. **Broad US equity beta, lower-quality credit and crowded parts of private credit** all call for a more selective approach.

For moderate-risk investors, **bonds remain the anchor, risk should be added selectively, and gold and private assets should enhance rather than replace discipline.** For dynamic investors, portfolios broaden further toward equities, gold and private assets, but implementation risk also rises.

Adaptation is now an allocation principle. The investors most likely to outperform will be those building portfolios that are more selective, more resilient and more focused on where long-term return potential will sit.

"Keep bonds at the core, take risk more selectively, and use gold and private assets to strengthen both resilience and long-term return potential."

Monica Defend
Head of Amundi Investment Institute

SOURCES AND ASSUMPTIONS

Sources and assumptions

Macroeconomic Assumptions are from Amundi Investment Institute and are based on internal models, Shared Socioeconomic Pathways and climate scenarios from The Network of Central Banks and Supervisors for Greening the Financial System.

Sources of CMA: Amundi Asset Management CASM Model, Amundi Asset Management Quant Solutions and Amundi Investment Institute Teams. Macro figures as of the last release. The starting simulation date is 31 December 2025. Equity returns based on MSCI indices. Reference durations are average figures. Returns on credit assets are comprehensive of default losses. If not otherwise specified, expected returns are geometric annualised average total returns at the specific horizon. EM debt HC, EM-GBI, global infrastructure and hedge funds are in USD, all other indices are in local currency. Returns are nominal and gross of fees, except private and alternative assets which are net of management and admin fees. US direct lending considers leverage on the fund. Real estate refers to all property unlevered real estate. Hedge Funds refer to fund of Hedge funds. The expected returns consider the market beta and the alternative assets risk premium. The alpha return component generated by portfolio management, strategy selection or specific value creation programmes, which can be significant above all for private and alternative assets, is not considered in any form.

The arithmetic average returns are derived using the price generated by our simulation engine. By definition, the arithmetic mean is always greater than or equal to the geometric mean. In particular, the higher volatility of returns and higher frequency of returns and/or a longer time horizon will increase the difference between the two measures. Simulated volatilities are calculated on simulated prices over a 10-year horizon. Simulated volatility for private and alternative assets is derived from unsmoothed return series. Hence, this measure of volatility will be different from the one obtained from realised IRR. Expected returns are calculated using Amundi central scenario assumptions, which include climate transition. Forecast and fair values up to a 3-year horizon are provided by the Amundi Investment Institute Research team (macro, yields, spread and equity). Forecasts for annualised returns are based upon estimates and reflect subjective judgments and assumptions. These results were achieved by means of a mathematical formula and do not reflect the effect of unforeseen economic and market factors on decision-making. The forecast returns are not necessarily indicative of future performance.

Data sources: Bloomberg, Cambridge Associates, Global Financial Data. Edhec Infra, MSCI and MSCI Burgiss, Pitchbook.

Indices: Equity indices are MSCI regional indices TR, Credit indices are from BofA Merrill Lynch, Aggregate indices are from Bloomberg Barclays, Govies and EM bonds indices are from JP Morgan.

G10 FX fair valuation models: Academic literature is full of theoretical foundations at the basis of currency fair valuation. Our battery of models leverages two main concepts: 1) Purchasing Power Parity equilibria (which in turn expresses FX equilibria as a function of relative price dynamics across countries) and 2) Behavioural Exchange Rate equilibria (where we focus on short- to long-term fundamental drivers. Purchasing Power Parity models: Standard PPPs rely on CPI differential, we enrich our framework to take into account two additional variations: 1) PPP based on PPI differential (to take into account the differential in the costs of production) and 2) a standard PPP but adjusted for productivity (we proxy with CPI-PPI differentials, following the Balassa-Samuelson framework). Both CPI and PPI induce a negative contribution to the FX (i.e. higher inflation means a depreciation in the long run), while higher productivity (i.e. higher CPI-PPI differential) empirically translates into stronger FX. Behavioural Exchange rate models: Here, we leverage the theoretical findings of Clark and McDonald and estimate FX equilibrium based on short- to medium- and long-term fundamental drivers. On top of inflation (our longest-term driver, given the empirical convergence rate from spot), we do consider 1) interest rate differentials, 2) terms of trade, 3) fiscal spending, 4) productivity (GDP per capita) and 5) the degree of openness of each G10 economy.

Methodology for Strategic Asset Allocation optimisation: Our optimisation framework minimises the 95% CVaR at a 10-year horizon by targeting different levels of expected return, while respecting diversification constraints and the investor's liquidity preference. The 95% CVaR at horizon is a shortfall risk measure representing the average annualised simulated returns over a 10-year horizon that fall below the 5th percentile. The optimal allocations are presented alongside the average annualised expected returns, in both geometric and arithmetic terms, as well as volatility, Sharpe ratio, and the probability of a negative geometric return at horizon (P(Return < 0) over 10 years). Our allocation framework for private and alternative assets includes a liquidity budget based on illiquidity scores assigned to all assets (more details can be found in Strategic Integration of Private Assets in Multi-Asset Allocations). We considered both a low and a moderate tilt toward less liquid exposures for USD and EUR investors. The low-risk appetite scenario corresponds to an investment universe without private or alternative assets. Compared to last year, we increased the illiquidity score for private debt to reflect its lower marketability and potential disruption which could materialise in the short to medium-term. CM lines and portfolio optimisations are based on fixed income assets, hedge funds, and private debt hedged, equities, gold and other private assets unhedged.

SOURCES AND ASSUMPTIONS

CASM model

We believe capital markets are not always efficient and they deviate from long-term fair values. We follow a disciplined approach to asset allocation that blends quantitative input and qualitative assessment to identify superior asset allocations. Our multivariate approach to modelling assets and liabilities focuses on the complex relationships between risk factors over multiple investment horizons. Simulating asset prices that are consistent with our risk factor models allows us to capture complex market dynamics. Macro and financial risk factors explain asset returns and the correlations between assets.

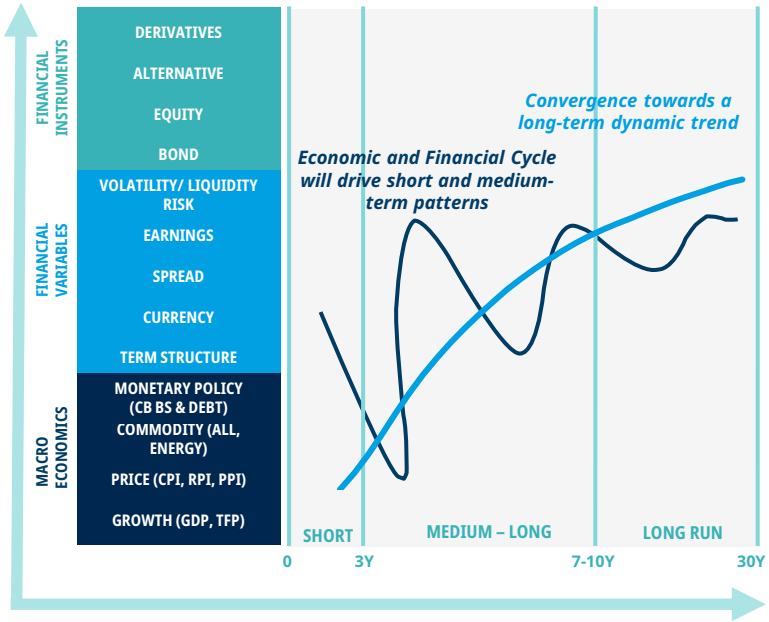
Cascade Asset Simulation Model (CASM) is a platform developed by Amundi in collaboration with Cambridge University*. CASM combines our short-term financial and economic outlooks. It incorporates medium-term dynamics into long-term dynamic trends, to simulate forward-looking returns for different asset classes over multiple horizons. CASM generates asset price scenarios and underlying economic and financial factors that determine Amundi's expected returns. It is a valuable tool for strategic asset allocation and asset-liability management analysis. The flexibility of CASM allows us to provide highly customised solutions to our clients.

We estimate model parameters semi-annually to incorporate new market data and our short-term outlook. The process for calibrating models that reflect our view of economic and financial market trends is a close collaborative process between many teams at Amundi. We reach a consensus for the short-to-medium-term outlooks for macro and financial variables for each region under consideration (US, Eurozone (core, semi-core and periphery), UK, Japan, Pacific ex Japan, China, India, EM area). The models are calibrated to be consistent with these outlooks and long-run estimates. At each step in the process, results are analysed against stylised facts and checked for consistency. The estimation process for each region progresses from calibrating macro and financial variables to simulating asset prices, where asset prices are driven by the underlying macro and financial variables.

Price returns are generated using a **Monte Carlo simulation**. Stochastic generation of risk factors and price scenarios allows us to analyse a **wide range of possible outcomes and control the uncertainty surrounding these**. We can change starting assumptions and see the effect on possible future asset prices. The platform allows us to simulate consistent scenarios across any instrument in a multi-asset portfolio, a feature that is particularly relevant for institutional investors with long time horizons.

The CASM platform covers macro and financial variables for major regions, in particular the US, UK, Eurozone, Japan, Pacific ex Japan, China, India and Emerging Markets as an aggregate. Models are constructed to capture the main drivers of economic variables that affect asset prices. The definition of the building blocks within the cascade structure **has been enhanced to incorporate climate policy actions and their implications**.

Cascade Asset Simulation Model (CASM) is a platform developed by Amundi used to simulate forward-looking returns and derive expected returns. We distinguish between macro-economic, financial and pricing models as described in the following chart:



The architecture of CASM can be described in two dimensions. The **first dimension** is a "cascade" of models. Asset and liability price models are made up of market risk factor models. Market risk factor models are made up of macroeconomic models. Initially proposed by Wilkie (1984) and further developed by Dempster et al. (2009), this cascade structure is at the root of the platform's capability to model linear and non-linear relationships between risk factors, asset prices and financial instruments. The **second dimension** is a representation of the future evolution of the aforementioned "cascade" effect. The unique formulation allows us to simulate asset price scenarios that are coherent with the underlying risk factor models. In the short term, CASM blends econometric models and quantitative short-term outlooks from in-house practitioners. In the long term, we assume the market variables are subject to a mean-reverting process, defined formally through structural break analysis and general equilibrium models. The short term evolves into a long-run state through the medium-term dynamic driven by business cycle variables.

Source: Amundi Asset Management – CASM model.

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