

Iran Flash Commentary: A view from alternatives

Insights from our alternative investment teams

UBS Asset Management



Overview

Following the **update from our traditional investment teams** on tensions in Iran and the broader Middle East region, below is an update from our alternative investment teams.

Across the alternatives platform, there is no direct exposure to Iran given existing sanctions, and exposure to the broader affected region is limited. We are monitoring potential indirect impacts from higher energy prices, inflation, and market volatility across strategies. Overall portfolio characteristics reflect conservative positioning, contractual cash flows where applicable and active portfolio monitoring.

Private equity

Private equity tends to be less sensitive to immediate market volatility given its long-term investment horizon and limited reliance on near-term public market pricing. Across our platform, there is no direct exposure to Iran and exposure to the broader region is limited. We have not pursued oil and gas as a dedicated strategy in recent years, although there may be occasional exposure through special situations strategies.

In addition, private equity strategies are typically weighted more towards asset lite industries that are less affected by oil and gas input prices, and less exposed to more sensitive industries such as industrial manufacturing, transport and consumer/retail. Portfolios are diversified across geographies and sectors; underlying investments and portfolio companies have limited operational dependence on the affected areas.

Private credit

Our private credit portfolios are conservatively positioned, with a focus on senior secured debt issued by larger companies in developed markets across the US and Europe. While the initial market reaction has included wider risk premia and higher oil prices, direct exposure to the affected regions across our platform remains limited.

Unless market stress escalates into widespread deleveraging and a broader economic recession, we expect portfolio performance to remain broadly stable, supported by disciplined underwriting standards and ongoing active monitoring of borrower fundamentals.

Infrastructure

Infrastructure assets benefit from stable, contracted cash flows and limited sensitivity to short-term market movements. Our strategy focuses on operating assets in OECD markets, primarily in Europe and North America, with a smaller allocation to APAC. There is no direct exposure to Iranian assets, and exposure to the broader Middle East region is very limited.

Increased oil prices and higher gas prices in Europe could feed into higher inflation. Infrastructure's inflation linkage and cashflow stability should support relative defensiveness versus broader risk assets in the coming weeks. Indirect impacts could include, for example, airports facing flight cancellations, while managers will also focus on cost pass-through provisions to assess exposure to rising energy and operating costs.

Real estate

Real estate portfolios are largely insulated from immediate geopolitical developments, with no direct exposure to Iran and limited exposure to the broader region. Across our platform, portfolios are predominantly focused on the US and Europe and diversified across both debt and equity as well as property types.

However, sustained increases in energy costs or inflation could influence operating expenses and tenant affordability, particularly in more cyclical segments. Assets with strong pricing power, inflation-linked leases, and high-quality tenants are better positioned to navigate a volatile macro environment. Our primary focus remains on more defensive property types such as living assets, necessity-based retail, storage, health care and selected logistics sub-segments.

Hedge funds

In general, we expect manager performance to be within typical daily profit and loss (PnL) volatility ranges given current exposures. Managers are evaluating the evolving situation and we will share further updates as we receive more information and as any macro views are refined.

One of the main risks to the current consensus is the potential for inflation to rise via the energy transmission channel if disruptions to oil and liquefied natural gas (LNG) supply become sustained. That would complicate the global disinflation process and reinforce central bank caution, even if underlying growth softens. While volatility has increased, markets do not currently appear to be pricing a prolonged conflict; downside risks could rise materially if that changes.

Overall, hedge funds remain well positioned to navigate heightened volatility through active risk management. Strategies focused on relative value, macro and commodity-linked themes may benefit from increased dispersion across markets. Elevated geopolitical uncertainty reinforces the role of hedge funds as diversifiers within the broader alternatives portfolio.

Credit Investments Group

Loan, high yield and CLO markets have no direct exposure to the region. Markets have opened the week softer, as the ongoing air campaign across the Middle East drove a spike in oil prices amid reports that the conflict has shut the Strait of Hormuz, through which approximately a quarter of global oil supply transits. We have also seen European LNG prices rise, following reports that Qatar halted production at its largest export facility; around 80% of its LNG exports transit the Strait of Hormuz, representing roughly 20% of global LNG supply. In addition, the Strait is also a key route for roughly 10% of global aluminum supply. Against this backdrop, we anticipate near-term spread volatility as the situation continues to evolve over the coming days.

Note: Diversification does not assure a profit or protect against a loss and cannot guarantee that any goal or objective will be achieved. Alternative investments involve a high degree of risk and are intended for sophisticated investors only. These investments may be speculative, illiquid, and involve the risk of loss of principal. There is no assurance that the investment objective will be achieved. Funds are offered through UBS Asset Management (US) Inc./UBS Financial Services Inc. (a member of FINRA and SIPC).

This document does not replace portfolio and fund-specific materials. Commentary is at a macro or strategy level and is not with reference to any registered or other mutual fund.

Americas

The views expressed are a general guide to the views of UBS Asset Management as of January 2026. The information contained herein should not be considered a recommendation to purchase or sell securities or any particular strategy or fund. Commentary is at a macro level and is not with reference to any investment strategy, product or fund offered by UBS Asset Management. The information contained herein does not constitute investment research, has not been prepared in line with the requirements of any jurisdiction designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. All such information and opinions are subject to change without notice. Care has been taken to ensure its accuracy but no responsibility is accepted for any errors or omissions herein. A number of the comments in this document are based on current expectations and are considered "forward-looking statements". Actual future results, however, may prove to be different from expectations. The opinions expressed are a reflection of UBS Asset Management's best judgment at the time this document was compiled, and any obligation to update or alter forward-looking statements as a result of new information, future events or otherwise is disclaimed. Furthermore, these views are not intended to predict or guarantee the future performance of any individual security, asset class or market generally, nor are they intended to predict the future performance of any UBS Asset Management account, portfolio or fund.

EMEA

The information and opinions contained in this document have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith, but is not guaranteed as being accurate, nor is it a complete statement or summary of the securities, markets or developments referred to in the document. UBS AG and / or other members of the UBS Group may have a position in and may make a purchase and / or sale of any of the securities or other financial instruments mentioned in this document.

Before investing in a product please read the latest prospectus carefully and thoroughly. Units of UBS funds mentioned herein may not be eligible for sale in all jurisdictions or to certain categories of investors and may not be offered, sold or delivered in the United States. The information mentioned herein is not intended to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not a reliable indicator of future results. The performance shown does not take account of any commissions and costs charged when subscribing to and redeeming units. Commissions and costs have a negative impact on performance. If the currency of a financial product or financial service is different from your reference currency, the return can increase or decrease as a result of currency fluctuations. This information pays no regard to the specific or future investment objectives, financial or tax situation or particular needs of any specific recipient.

The details and opinions contained in this document are provided by UBS without any guarantee or warranty and are for the recipient's personal use and information purposes only. This document may not be reproduced, redistributed or republished for any purpose without the written permission of UBS AG.

This document contains statements that constitute "forward-looking statements", including, but not limited to, statements relating to our future business development. While these forward-looking statements represent our judgments and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

UK

Issued in the UK by UBS Asset Management (UK) Ltd. Authorised and regulated by the Financial Conduct Authority.

APAC

This document and its contents have not been reviewed by, delivered to or registered with any regulatory or other relevant authority in APAC. This document is for informational purposes and should not be construed as an offer or invitation to the public, direct or indirect, to buy or sell securities. This document is intended for limited distribution and only to the extent permitted under applicable laws in your jurisdiction. No representations are made with respect to the eligibility of any recipients of this document to acquire interests in securities under the laws of your jurisdiction.

Using, copying, redistributing or republishing any part of this document without prior written permission from UBS Asset Management is prohibited. Any statements made regarding investment performance objectives, risk and/or return targets shall not constitute a representation or warranty that such objectives or expectations will be achieved or risks are fully disclosed. The information and opinions contained in this document is based upon information obtained from sources believed to be reliable and in good faith but no responsibility is accepted for any misrepresentation, errors or omissions. All such information and opinions are subject to change without notice. A number of comments in this document are based on current expectations and are considered "forward-looking statements". Actual future results may prove to be different from expectations and any unforeseen risk or event may arise in the future. The opinions expressed are a reflection of UBS Asset Management's judgment at the time this document is compiled and any obligation to update or alter forward-looking statements as a result of new information, future events, or otherwise is disclaimed.

You are advised to exercise caution in relation to this document. The information in this document does not constitute advice and does not take into consideration your investment objectives, legal, financial or tax situation or particular needs in any other respect. Investors should be aware that past performance of investment is not necessarily indicative of future performance. Potential for profit is accompanied by possibility of loss. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Australia

This document is provided by UBS Asset Management (Australia) Ltd, ABN 31 003 146 290 and AFS License No. 222605.

Source for all data and charts (if not indicated otherwise): UBS Asset Management

© UBS 2026. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

Follow us on LinkedIn 

© UBS 2026. All rights reserved.

ubs.com/am

