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Alternative investments 2026: Resilience and opportunities

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New year, old challenges: Which asset classes can help ensure a portfolio is resilient and profitable despite low interest rates and persistent uncertainty? In addition to equities and bonds, we also see potential in alternative investments to meet this challenge in the new year. Our outlook for 2026 remains positive.

In 2025, Swiss investors faced a familiar challenge: They had to build resilient portfolios in an environment of zero interest rates, foreign uncertainty, and a strong currency. The obvious decision for many investors was to keep money at home. However, international allocations to alternative investments—hedge funds, private equity, private credit, and infrastructure—also helped in 2025 to improve diversification, stabilize returns, and cushion market fluctuations. This is likely to remain the case in the new year: Our outlook for alternative investments in 2026 remains positive.

Let's start with the facts: In 2025, hedge funds achieved positive results across all major strategies. Preferred strategies such as equity long/short funds, merger arbitrage, discretionary macro, and multi-strategy funds helped limit losses during periods of heightened volatility. While traditional 60/40 portfolios benefited from the equity rally, hedge funds added further value through active risk management and positive returns.

Private equity (PE) delivered muted but positive returns. Many managers' activity gradually recovered; deal flow—a measure of investment opportunities for PE funds—increased by 14.5% through September, according to PitchBook data, and successful exits also picked up, not least because central banks loosened monetary policy. Within private credit, direct lending continued to offer high returns in US dollars, averaging close to 4.5% in the first half of 2025, as per the Cliffwater Direct Lending Index. Although some corporate bankruptcies made headlines, overall default rates remained low and fundraising was strong.

In our view, alternative investments should also play an important role in Swiss portfolios next year. Significant performance differences and ongoing uncertainty are likely to continue favoring active management, and hedge funds—especially equity long/short, macro, and multi-strategy approaches—seem well positioned to benefit from changing trends. We continue to find merger arbitrage attractive, as M&A activity is expected to increase. And we believe hedge funds can again contribute to portfolio diversification and deliver attractive positive returns in 2026.

In private equity, we expect more exit activity and distributions, as the Federal Reserve is likely to continue lowering interest rates. Private credit should offer solid returns, in our view, but tighter spreads and probably lower interest rates mean that manager selection and credit quality will become even more important. Infrastructure—especially digital, renewable energy, and the energy transition—will likely remain in focus for inflation protection and stable cash flows, while real estate in sectors such as health care, logistics, and residential should continue to see solid demand.

The main risks include illiquidity—especially for investors with short- to medium-term capital needs. Valuations in some segments are also unattractive. Therefore, in our view, alternative investments should be integrated into the overall portfolio to balance growth, income, and liquidity. We consider regular adjustment to changing market conditions just as important as periodic rebalancing. And good diversification remains crucial here as well.

In summary, we maintain that we also see potential in alternative investments in 2026 to help meet the challenges of building resilient portfolios in a low interest rate environment—they offer diversification and returns. With thoughtful allocation and careful risk management, we believe alternative investments can continue to support the long-term goals of Swiss investors.

Appendix

Non-traditional asset classes are alternative investments that include hedge funds, private equity, private credit, real estate, and managed futures (collectively, alternative investments). Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. **An investment in an alternative investment fund is speculative and involves significant risks.**

Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments, there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

Interests in alternative investment funds are not deposits or obligations of, or guaranteed or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other governmental agency. Prospective investors should understand these risks and have the financial ability and willingness to accept them for an extended period of time before making an investment in an alternative investment fund and should consider an alternative investment fund as a supplement to an overall investment program.

In addition to the risks that apply to alternative investments generally, the following are additional risks related to an investment in these strategies:

- **Hedge Fund Risk:** There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, "junk bonds," derivatives, distressed securities, non-U.S. securities and illiquid investments.
- **Managed Futures:** There are risks specifically associated with investing in managed futures programs. For example, not all managers focus on all strategies at all times, and managed futures strategies may have material directional elements.
- **Real Estate:** There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.
- **Private Equity:** There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.
- **Private Credit:** There are risks specifically associated with investing in private credit. This could include losses stemming from defaults on loans, which in significant adverse circumstances could result in a substantial loss of investment.
- **Foreign Exchange/Currency Risk:** Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in U.S. dollars, changes in the exchange rate between the U.S. dollar and the issuer's "home" currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a U.S. investor.

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