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Neuberger Berman's 2026 Capital Market Assumptions

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After a volatile yet resilient year for markets, we look to 2026 with cautious optimism that the worst of the global trade and policy uncertainty has passed, leaving a more supportive, if still dynamic, backdrop for economic growth and risk assets.

As volatility, yield curves and earnings growth stabilize, our **2026 Capital Market Assumptions (CMA)** point to a lower-return environment than in 2025. This raises the bar for delivering competitive outcomes and underscores the value of newer alternative strategies that can diversify portfolios and seek higher returns by harvesting illiquidity and complexity premia.

Similar to previous years, our assumptions provide insurance investors with forward-looking return and risk estimates for major asset classes across multiple geographies, agnostic of any tactical views or alpha-generating potential.

Overall Observations

- **Fixed income**—Expected returns **decreased** year-over-year, driven by recent rate cuts, lower long-term rate projections and tight spreads across most public and private asset classes
- **Equity**—Expected returns generally **decreased**, driven by slightly lower nominal growth expectations and sustained high price-to-earnings ratios, which lead to anticipated multiple contraction
- **Private Markets and Alternatives**—Expected returns broadly **decreased** in line with their respective public market equivalents, though private assets remain relatively attractive given the wider range of investment opportunities and greater upside potential

Main Changes: 2026 vs. 2025

Fixed Income

- **U.S. cash** and **floating rate securities** have lower expected returns after three rate cuts in 2025, with additional but fewer cuts priced into the 2026 market
- **Long-term Treasuries** and most **investment grade credit sectors** are expected to deliver lower returns, reflecting market pricing of long-term rate declines
- **U.S. high yield[1] bonds** and **bank loans** have lower expected returns reflecting rate cuts and the tight spread environment

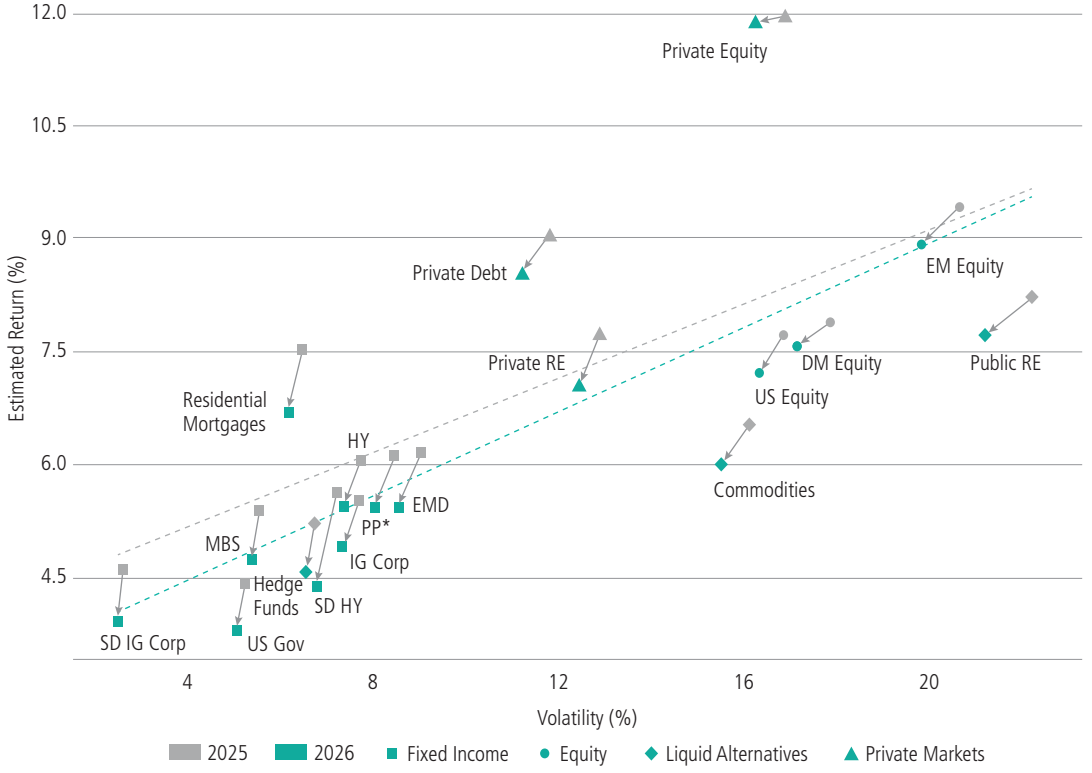
Equities

- **U.S. public equities** have slightly lower expected returns, driven by softer inflation, lower real economic growth projections and anticipated multiple contraction
- **Developed market (DM) international equities (excluding U.S.)** generally have lower expected returns due to marginally lower GDP and dividend expectations, with reduced benefits from projected currency movements
- **Emerging market equities** also have lower returns but continue to have sustained premia over DM equities driven by continued expectations of dollar weakness, lower capital intensity of growth and higher free cash flow yield

Private Markets and Alternatives

- **Core real estate** returns are lower due to lower observed leverage
- **Hedge funds** and **private debt[2]** returns are expected to be lower following a lower risk-free anchor and continued tight spreads
- **Private equity** returns are slightly lower reflecting a challenging current market environment as well as expectations for recovery on a forward-looking basis

U.S. DOLLAR CMA RISK-RETURNS



* PP – Private Placement

Source: Neuberger Berman, Bloomberg-Barclays, J.P. Morgan, Morningstar LSTA, FTSE Nareit, NCREIF, HFRI, Burgiss, infraMetrics; 2026 analytics are as of 11/30/2025. 2025 analytics are as of 12/31/2024. **IMPORTANT:** The performance and risk projections/estimates are hypothetical in nature and reflect the Neuberger Berman's Capital Market Assumptions as of 11/30/2025. The estimates do not reflect actual investment results and are not guarantees of future results. Actual returns and volatility may vary significantly. Asset classes are represented by benchmarks and do not represent any Neuberger Berman investment product or service. Please see Additional Disclosures at the end of the presentation for asset class and index definitions, terminology definitions and Neuberger Berman Capital Market Assumptions. Investing entails risks, including possible loss of principal.

[1] High yield bonds rated BB and B are included in the U.S., Euro and U.K. CMAs.

[2] The private debt asset classes are different between the U.S., Euro and U.K. CMAs. U.S. private debt is levered while the other asset classes do not reflect regional preferences.

Main Changes: 2026 vs. 2025

Fixed Income

- **European cash** returns have slightly increased due to more positive forward rate expectations
- **European government bond** and **investment grade credit sectors** are expected to deliver slightly higher returns as the curve has reverted to an upward slope with higher yields from three years and out
- **European high yield bonds** are expected to deliver slightly higher returns despite spreads narrowing
- **Non-euro fixed income** expected returns are slightly lower due to more unfavorable currency hedge costs to euro

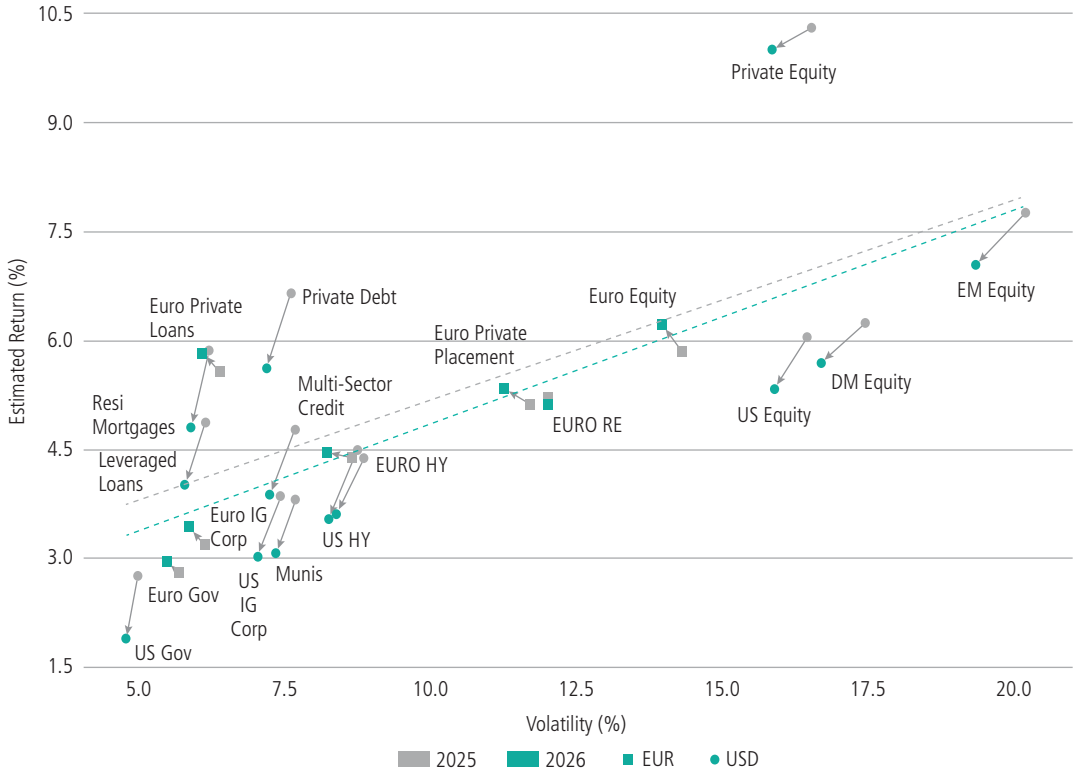
Equities

- **European equity** is expected to deliver higher returns driven by higher dividends, inflation and less severe multiple contraction

Private Markets and Alternatives

- **Euro core real estate** is expected to deliver marginally lower returns with similar expectations in price change and cap rates
- **Hedge funds, private debt** and **private equity** follow a similar story to their U.S. counterparts in terms of lower expected returns

EURO CMA RISK-RETURNS



Note: Non-Euro assets are hedged to EUR using 3-month forwards (-1.86% USD to EUR for 2026; -1.64% USD to EUR for 2025);

Source: Neuberger Berman, Bloomberg-Barclays, J.P. Morgan, Morningstar LSTA, FTSE Nareit, NCREIF, HFRI, Burgiss, infraMetrics; 2026 analytics are as of 11/30/2025. 2025 analytics are as of 12/31/2024. **IMPORTANT:** The performance and risk projections/estimates are hypothetical in nature and reflect the Neuberger Berman's Capital Market Assumptions as of 11/30/2025. The estimates do not reflect actual investment results and are not guarantees of future results. Actual returns and volatility may vary significantly. Asset classes are represented by benchmarks and do not represent any Neuberger Berman investment product or service. Please see Additional Disclosures at the end of the presentation for asset class and index definitions, terminology definitions and Neuberger Berman Capital Market Assumptions. Investing entails risks, including possible loss of principal.

Main Changes: 2026 vs. 2025

Fixed Income

- **U.K. cash** has lower expected returns due to lower policy rates
- **U.K. government bonds** and **investment grade credit sectors** are expected to deliver slightly lower returns due to curve steepening and spread tightening
- **U.K. high yield bonds** are expected to deliver slightly lower returns with continued tight spreads and a lower risk-free rate
- **U.S. fixed income** assets are slightly less attractive in sterling due to a lower hedge cost benefit; **euro fixed income** assets hedge costs remain relatively similar to those at 2024 year end

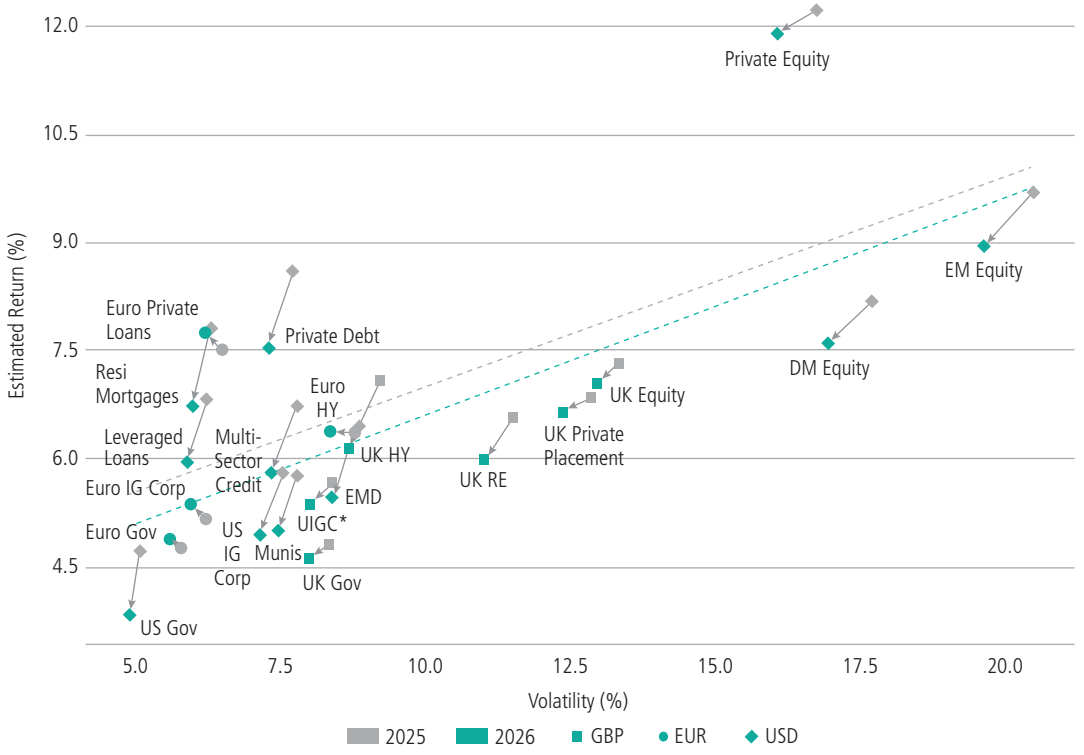
Equities

- **U.K. equities** are expected to deliver marginally lower expected returns due to negative multiple contraction which counteracts slightly higher inflation and growth projections

Private Markets and Alternatives

- **U.K. core real estate** is expected to deliver lower returns due to more downward pressure in terms of price change, partially offset by increased income yield
- **Hedge funds, private debt** and **private equity** are expected to deliver lower returns similar to the other markets

STERLING CMA RISK-RETURNS



*UIGC – UK IG Corp

Note: Non-UK assets are hedged to GBP using 3-month forwards (1.88% EUR to GBP and 0.02% USD to GBP for 2026; 1.91% EUR to GBP and 0.27% USD to GBP for 2025);

Source: Neuberger Berman, Bloomberg-Barclays, J.P. Morgan, Morningstar LSTA, FTSE Nareit, NCREIF, HFRI, Burgiss, infraMetrics; 2026 analytics are as of 11/30/2025. 2025 analytics are as of 12/31/2024. **IMPORTANT:** The performance and risk projections/estimates are hypothetical in nature and reflect the Neuberger Berman's Capital Market Assumptions as of 11/30/2025. The estimates do not reflect actual investment results and are not guarantees of future results. Actual returns and volatility may vary significantly. Asset classes are represented by benchmarks and do not represent any Neuberger Berman investment product or service. Please see Additional Disclosures at the end of the presentation for asset class and index definitions, terminology definitions and Neuberger Berman Capital Market Assumptions. Investing entails risks, including possible loss of principal.

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ASSET CLASS ASSUMPTIONS & ESTIMATES

Capital market assumptions used herein reflect Neuberger Berman's forward-looking estimates of the benchmark return or volatility associated with an asset class. Estimated returns and volatilities are hypothetical return and risk estimates generated by Neuberger Berman's Institutional Solutions Group.

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Rate of Return Estimate: Rate of return or geometric return is a measure of average returns of an investment over a period of time. Geometric rate of returns are typically referred to as annualized compound rate of returns and are always less than or equal to the arithmetic mean return of the same time series. Geometric rate of returns are used for straight-line calculations within the analysis, for example, the cash flow calculations. In straight-line calculations, each year is represented as a gain, so the compound (geometric mean) rate of return is used to adjust for the amount needed to make up for a loss in a given year. For example, if you lose 5% in one year, and gain 5% the year after, you still have less than you started with at the beginning of year one.

Arithmetic Mean Estimate: Arithmetic mean or average return is calculated by dividing the sum of a series of numbers by the number of overall items. This is more typically thought of as an "average" of the data set. Arithmetic mean or average return ignores the impact of compounding in the context of analyzing investment returns and is the simple average of returns observed over a period of time. Arithmetic mean returns are used in this material and, if applicable, the Efficient Frontier, because, through randomization, losses and gains are being accounted for each year.

Standard Deviation: A statistical measure of the volatility based on the distribution of a set of data from its mean (average value). For example, a portfolio with an average return of 10% and a standard deviation of 15% would return a result between -5% and +25% the majority of the time (68% probability or 1 standard deviation), almost all of the time the return would be between -20% and +40% (95% probability or 2 standard deviations). If there were 0 standard deviation then the result would always be 10%. Generally, more aggressive portfolios have a higher standard deviation and more conservative portfolios have a lower standard deviation.

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