



NEPC'S 2026 INVESTMENT OFFSITE SUMMARY

Private Wealth Team

January 2026

The new year begins with markets at a crossroads—Fed uncertainty, record-high equities, and the dominance of mega-cap stocks are creating both opportunity and risk. At NEPC's investment offsite, we explored the market themes for 2026 and their impact on asset classes.

OBSERVATIONS: 2026 INVESTMENT THEMES

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NAVIGATING THE AI FROTH:

Capital expenditures by AI companies have created significant economic tailwinds, but are also adding to leverage while crowding out free cash flow. Also, AI can enhance productivity, but the accompanying job obsolescence may impact the labor market.

LOOK TO THE U.S. ECONOMY:

In addition to easing monetary policy, fiscal stimulus to both consumers and businesses is creating liquidity and encouraging economic activity. Also, loosening regulations are expanding banking activity, spurring an uptick in M&A activity.

DO NOT FEAR THE U.S. DOLLAR:

The U.S. dollar weakened in 2025 but its status as the world's reserve currency remains unchallenged.

LABOR MARKET DYNAMICS:

The unemployment rate for workers is rising, underscoring weakness in the labor market. In addition, AI-driven job obsolescence can trigger potential disruptions.

Source: NEPC Research

NEPC'S KEY INVESTMENT IMPLEMENTATION

1. Maintaining a disciplined, diversified core portfolio

- We believe public equities will remain the primary return driver, with allocations anchored to ACWI based weights.
- A focus on diversification across markets and asset classes in an investment landscape marked by both opportunities and risks may be beneficial.

2. Preserving exposure to safe haven fixed-income

- Safe-haven fixed income can provide downside protection and liquidity to cover near-term spending, and may also offer investors the opportunity to take advantage of market dislocations
- For taxable clients, investment grade municipal bonds may serve as safe-haven fixed income
- For tax exempt clients, a combination of Treasuries and TIPS can serve as safe-haven assets

3. Allocating to private markets

- Private equity: We believe that following pacing plans, prioritizing high-conviction strategies and continuing to focus on lower-middle-market buyouts and seed stage in venture may be beneficial.
- Private credit: We believe it may be advantageous to favor more complex lending structures and stressed/workout strategies over vanilla direct lending.

4. Pursuing select opportunities in real assets and real estate

- We have observed real estate fundamentals begin to stabilize across most property types (excluding office).
- Based on our observations, we believe it is a time to favor global real estate opportunities.
- In real assets, we believe care is needed with crowded themes like data centers, and consideration for opportunities in power infrastructure, which has structural tailwinds, may be beneficial.

5. Rising of the Secondaries Market

- Equity secondaries can provide tools for proactive portfolio management. We believe considering the use of a secondary broker to provide insight into portfolio holdings and opportunities to adjust exposures may be beneficial.
- Private credit secondaries are rapidly expanding and may provide access to enhanced liquidity and return opportunities. We believe investors will benefit from being judicious in assessing pricing.

6. Being intentional with hedge funds

- We believe in mindfulness with hedge fund allocations: seeking diversification or access to unique strategies not available elsewhere.
- Based on our observations, we believe a focus on healthcare/biotech and long/only strategies may be beneficial.

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Past performance is no guarantee of future results.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

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