November 2026

The Alternative Investor

Performance
News
Trends
Regulatory updates

Betting on the backbone. Infrastructure as the safe-haven trade.

Artificial intelligence, rising power demand and shifting supply chains are reshaping the infrastructure investment landscape. This edition explores opportunities across the physical and digital backbone of the economy, and what it takes to translate enduring demand into resilient returns. **ITE Management's Jason Koenig** examines how operating expertise and patient capital keep transportation assets productive. **Federated Hermes' Tom Bolton and Rivington Energy's Michael Hughes** explore the challenges of delivering UK data centres, where power, planning and financing must align. **IFM Investors' Luba Nikulina** considers how digitalisation, energy security and the energy transition are broadening investment opportunities, while **Zayo Europe's Jennifer Smith** examines the defensive appeal of fibre connectivity underpinning the AI economy. Beyond infrastructure, **AIMA's Nick Smith** looks beneath private credit's $4.1 trillion headline to assess leverage, liquidity and loan performance. **CAIA's Steven Novakovic** considers what recent liquidity pressures reveal about evergreen funds, and **Prosek Partners' Mark Kollar** explores the growing private markets ecosystem in Texas. In our Industry View, **Eric Uhlfelder** draws lessons from Situational Awareness for leverage, manager selection and long-term performance. The **Money Maze Podcast's Simon Brewer speaks with Delta Air Lines CEO Ed Bastian** about how premiumisation, customer loyalty and diversified revenues are transforming the economics of flying.

A Brodie Consulting publication in conjunction with Capricorn Fund Managers and RQC Group.

Tech weakness weighs on hedge fund numbers

October proved difficult for hedge funds as technology valuations, surging oil prices and interest rate uncertainty unsettled markets. Relative Value offered resilience, but Equity Hedge and Macro declined. The HFRI Fund Weighted Composite Index fell 1.4%, leaving its year-to-date return at 5.4%.

The HFRI Equity Hedge (Total) Index fell 2.4%. Fundamental Growth lost 5.6% and Technology declined 4.8% as growth stocks struggled. Long/Short Directional fell 2.5%, Healthcare lost 1.8% and Equity Market Neutral declined 1.7%. Fundamental Value and Energy/Basic Materials held up better, falling 1.0% and 0.8% respectively.

Event-Driven was more resilient, declining 0.2%, although underlying returns varied considerably. Activist rebounded 3.6%, while Merger Arbitrage edged 0.1% higher. Credit Arbitrage fell 2.7%, Distressed/Restructuring lost 1.8% and Special Situations declined 1.3%, leaving gains concentrated in a few strategies.

Macro fell 1.0%, surrendering some recent gains but remaining up 9.8% for the year. Discretionary Thematic lost 3.2% and Commodity declined 1.9%, despite surging oil prices. Currency fell 0.7%, while Systematic Diversified and Systematic Directional both slipped 0.2%. Trend Following lost 0.3%, while Active Trading gained 0.2%.

Relative Value gained 0.2%, masking substantial differences beneath the headline. Fixed Income Sovereign rebounded 5.3%, Yield Alternatives rose 4.6% and Fixed Income Asset-Backed added 2.1%. Volatility gained 0.5%, but Convertible Arbitrage fell 1.5% and Fixed Income Corporate declined 1.1%.

Regionally, MENA led with a 1.6% gain, while Western/Pan Europe rose 0.5%. North America slipped 0.7%, China fell 0.5% and India declined 0.9%. Japan lost 1.7%, Emerging Markets Global fell 2.2% and Asia ex-Japan dropped 3.3%. Latin America fell 8.0%, sharply reversing September's gains.

*Data sourced from HFR HFRI Indices



$151tn
Cumulative global infrastructure spend 2024 to 2050
Source: PwC

$200bn
Global infrastructure fundraising in 2025
Source: McKinsey

Advent raises $30bn across flagship & new mid-market strategy

Advent International raised approximately $30 billion across its latest flagship fund and a new mid-market strategy targeting smaller buyouts and growth investments. GPE XI completed its raise to close at $27 billion, above target, while the new mid-market strategy secured more than $3 billion. The latter targets equity investments of $100 million-$350 million in businesses valued at up to $1.25 billion, primarily in Europe and North America. Both the strategies use the same deal teams, drawing on Advent's coverage across tech, healthcare, industrials, consumer businesses and financial and business services. Corporate carve-outs and take-private transactions remain part of the investment approach. The dedicated mid-market vehicle extends that approach to smaller companies, while the flagship retains flexibility across deal sizes and regions. Advent also reported approximately $13 billion of realisations across 27 businesses during 2026 to date.

CD&R gathers $20bn for thirteenth flagship

About three-quarters of CD&R's $26 billion target is reportedly in place for Fund XIII after roughly six months of fundraising. Bloomberg put the commitments at approximately $20 billion, citing people close to the matter. The previous fund raised $10 billion over a comparable period in 2023.

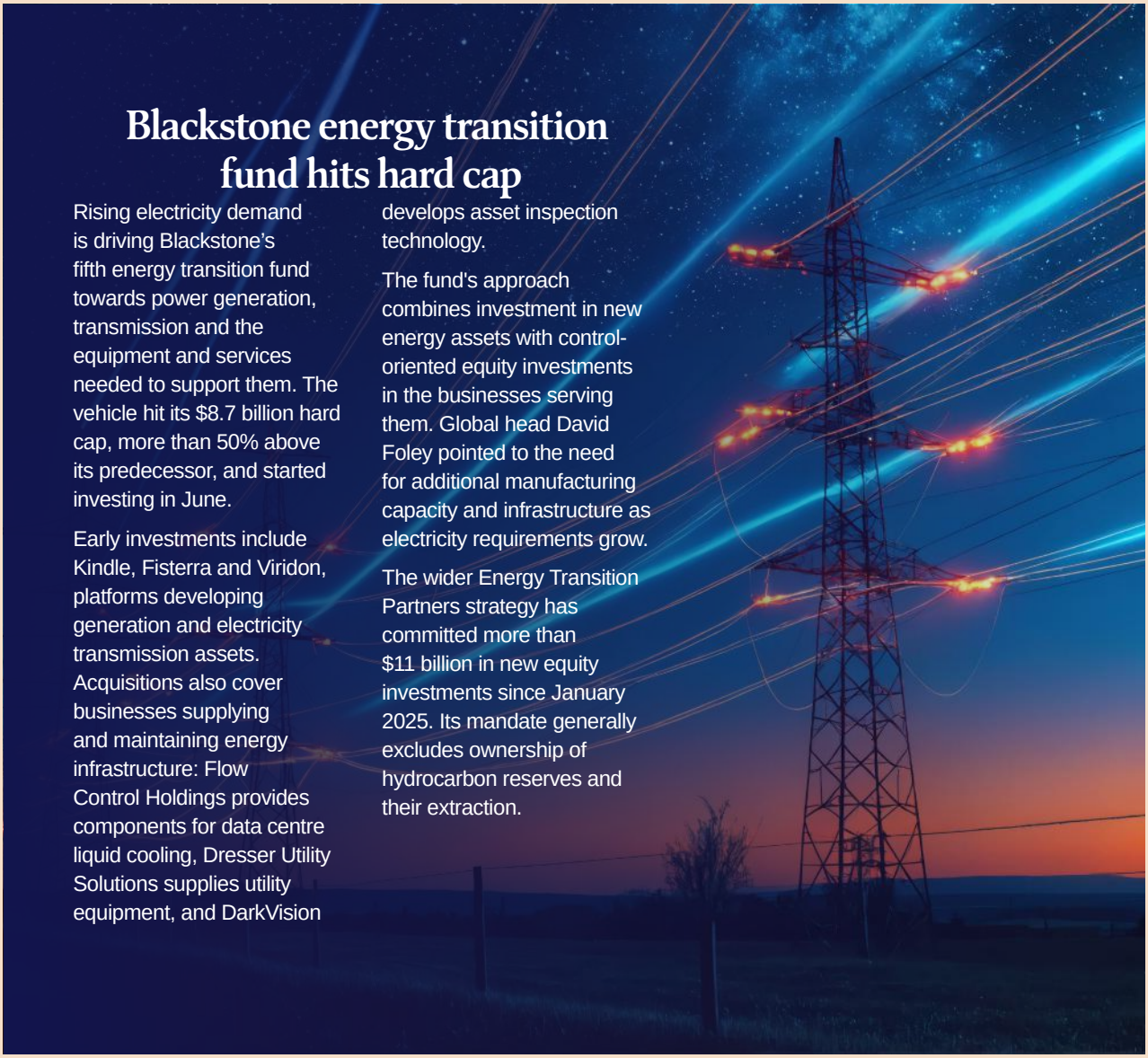
Disruptive plans concentrated portfolio for flagship fund

Disruptive plans to back roughly ten private technology companies through its $10 billion flagship fund, investing up to $1 billion in each. The concentrated portfolio targets growth and late-stage businesses across AI infrastructure, defence technology, enterprise software and artificial intelligence. Founder Alex Davis said private technology companies were "growing larger, staying private longer and requiring more capital than ever before".

The Dallas-based manager invests through primary, secondary and structured transactions, giving it several ways to finance companies and acquire holdings. Past and present portfolio investments include Databricks, ElevenLabs, Helsing and Shield AI.

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UPDATES (cont.)



Blackstone energy transition fund hits hard cap

Rising electricity demand is driving Blackstone's fifth energy transition fund towards power generation, transmission and the equipment and services needed to support them. The vehicle hit its $8.7 billion hard cap, more than 50% above its predecessor, and started investing in June.

Early investments include Kindle, Fisterra and Viridon, platforms developing generation and electricity transmission assets. Acquisitions also cover businesses supplying and maintaining energy infrastructure: Flow Control Holdings provides components for data centre liquid cooling, Dresser Utility Solutions supplies utility equipment, and DarkVision develops asset inspection technology.

The fund's approach combines investment in new energy assets with control-oriented equity investments in the businesses serving them. Global head David Foley pointed to the need for additional manufacturing capacity and infrastructure as electricity requirements grow.

The wider Energy Transition Partners strategy has committed more than $11 billion in new equity investments since January 2025. Its mandate generally excludes ownership of hydrocarbon reserves and their extraction.

AllianzGI infrastructure fund closes at €1.5bn

Allianz Global Investors raised €1.5 billion for Allianz Infrastructure Credit Opportunities Fund II, exceeding its original target by 50% with backing from institutional investors across Europe and Asia. This fund focuses on Europe, providing senior and subordinated debt to infrastructure businesses and projects. Around €1 billion has already been committed to investments by the final-close announcement, in energy transition, digital and social infrastructure. Infrastructure debt head Matthew Norman pointed to decarbonisation and digitalisation as sources of investment opportunities. The vehicle launched in June 2024 and held its first close that December. A successor fund is already in the works.

Brookfield's infrastructure fund secures $26bn

Brookfield Asset Management secured $26 billion in commitments for its sixth flagship infrastructure fund, including $13 billion received after the end of Q3. The firm expects to complete its first close in the coming weeks, with fundraising continuing towards a reported $30 billion target. The fund invests across energy, transport, utilities and digital infrastructure, building on Brookfield's established global infrastructure business. The institutional demand reflects continued interest in essential assets.

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Apollo launches €10bn European credit platform

Apollo launched European Credit Company with more than €10bn in lending capacity to finance corporate and asset-backed credit across Europe. Backers included Abu Dhabi Investment Council. The platform will lend to large and mid-market companies, private equity sponsors and owners of infrastructure and real estate assets. Apollo sees opportunities across energy transition, electricity transmission, defence and digital infrastructure, sourcing investments directly and through partnerships with European financial institutions.

OrbiMed's $3bn for healthcare

Life sciences venture investments in the US and Europe account for more than $1.9 billion of OrbiMed's $3 billion raise across two healthcare funds. Private Investments X will pursue those opportunities, while Asia Partners VI secured more than $1 billion for healthcare growth and venture investments across Asia. The remit spans diagnostics, medical devices, biopharmaceuticals and technology-enabled healthcare services, combining drug development with the tools and services used across the sector. Managing partner Carl Gordon pointed to AI, new therapeutic approaches and China's biotechnology industry as factors expanding the range of businesses available to back. The two vehicles divide the opportunity geographically while retaining the manager's specialist healthcare focus, with capital available for both venture-stage businesses and growing Asian healthcare companies.



Seaya takes growth strategy to London

European technology companies raising Series B to D rounds are the target for Seaya Nova, which hit a €600 million first close in six months. The fund will invest between €20 million and €50 million per company, leading or co-leading rounds for businesses with established models and plans for international expansion. The strategy seeks to address the funding needs of companies moving beyond early-stage venture rounds but still requiring substantial capital to expand. Seaya is opening a London office alongside the launch, complementing its Madrid headquarters.

TPG completes climate fundraising

Power generation, utility services and data centre infrastructure feature among the investments behind TPG's latest $10.4 billion climate fundraising. This total covers Rise Climate II, its Global South Initiative fund and affiliated vehicles, including $2.5 billion for the broader Global South Initiative strategy launched with ALTÉRRA at COP28. Executive chairman Jim Coulter said the climate funds being closed were already about a quarter deployed, citing US utility services, wind and data centres in India, and US data centre equipment businesses. The investments span power, transport, industrial companies and services, linking the strategy to spending on electricity systems and the businesses supplying them. TPG says ALTÉRRA's contribution is intended to reduce investment risk and draw institutional capital into climate businesses across emerging markets.

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Ares pulls in $8bn for latest lending fund

More than $8 billion of equity commitments has taken Ares' latest US senior direct-lending fundraising to 80% of target at first close.

The raise spans its fourth closed-end institutional fund and its first institutional open-ended core product, with the combined opening total 60% above the previous vintage's first close. Including anticipated fund-level leverage, the initial closings would provide approximately $15 billion of investable capital for lending.

These two structures give institutions a choice between a fixed-life fund and an open-ended product within the same lending business. Further closes are expected before year-end, with fundraising continuing into the first half of 2027. Ares also plans to offer both structures when it launches its seventh European institutional direct-lending fund in the first half of 2027.

Apollo quarterly origination hits record $114bn

Apollo's credit business attracted $41.6 billion of gross inflows in the third quarter, accounting for nearly four-fifths of the group's total and underlining credit's dominant position within the manager. Reported credit net flows were $22.2 billion after outflows and other adjustments, taking credit assets under management to $869.7 billion at the end of September, approximately 81% of the group's $1.07 trillion total.

The firm highlighted demand for third-party institutional credit strategies in its results on 3 November, alongside contributions to broader asset-management inflows from private equity fundraising, European retirement-services group Athora and private wealth clients.

Across Apollo's wider business, quarterly origination reached a record $114 billion, with activity over the preceding twelve months totalling $356 billion. That measure covers investments sourced or structured by Apollo and its platforms, including assets syndicated to other investors, rather than solely investments retained in its own funds. These figures illustrate the scale of a business combining institutional mandates, wealth products and insurance-related capital.

Churchill's junior debt fund more than doubles in size

New York-based Churchill Asset Management has closed Junior Capital Opportunities Fund III at $1.54 billion, beating its $1 billion target by 54% and more than doubling its predecessor's $737 million. The Nuveen Private Capital manager provides junior debt to private equity-backed US middle-market companies and had already deployed approximately $600 million across 44 businesses alongside 30 private equity firms when it announced the close on 2 November. Approximately $665 million came through rated feeder structures designed for insurers. Churchill also invests as a limited partner in private equity funds, with approximately $14 billion in commitments helping it build relationships with sponsors and source financing opportunities.



Blackstone builds €13bn European lending pool

Blackstone has assembled approximately €13 billion of investable capital across its fourth institutional European direct-lending fund and other European lending vehicles, including anticipated leverage. The manager announced the final close of Blackstone European Senior Direct Lending Fund IV on 4 November, targeting principally middle and upper-middle-market borrowers. Recent European private-credit activity includes lead-lender roles in Regnology's €780 million financing and Odevo's €649 million transaction. Blackstone Credit & Insurance has more than 100 investment professionals across London, Dublin, Frankfurt, Milan and Paris, supporting a European credit business established over two decades ago.

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Town Lane closes second real estate fund

Senior housing, necessity retail, small-format industrial properties and powered-shell data centres feature among the themes pursued by Town Lane, which closed its second real estate opportunities fund at $1.9 billion. The vehicle reached its hard cap above a $1.5 billion target and is larger than the firm's $1.25 billion debut fund. Its mandate permits investments across US commercial property sectors and at different levels of the capital structure. It is this flexibility that allows the strategy to pursue opportunities through property ownership as well as financing positions, rather than restricting it to a single type of investment. Town Lane's approach combines thematic investing with operating capabilities in selected areas and investments arising from market dislocation.



Tree Line's $680m credit continuation vehicle

An existing portfolio of loans to more than 60 US lower-middle-market companies moved into a $680 million continuation vehicle managed by Tree Line Capital Partners. Primarily senior-secured and first-lien, the loans span industries and private equity sponsors, giving the vehicle a diversified pool of existing borrower exposures.

PGIM and LGT Capital Partners co-led the transaction, which offers investors in several Tree Line direct-lending funds a liquidity option while keeping the portfolio with the same manager.

This deal also adds to PGIM's private credit secondaries programme, covering GP-led and LP-led transactions in direct lending and opportunistic credit. Its focus is middle-market opportunities in the US and Europe, with plans to invest up to $1 billion over two years. LGT began investing in credit secondaries in 2009.

Pantheon closes $6bn secondaries programme

Pantheon closed its largest private equity secondaries programme at $6 billion, exceeding the $3.5 billion target for Global Secondaries Fund VIII and associated vehicles. The strategy combines purchases of existing fund interests from limited partners with GP-led transactions, concentrating on buyout opportunities in the global mid-market, with its portfolio spanning managers, geographies and fund vintages.

These two transaction types provide different routes into existing private equity portfolios: LP-led deals transfer fund holdings, while GP-led deals can allow managers to retain assets in new structures.

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EnCap closes Permian deal

Permian Basin mineral and royalty interests underpin a $3.5 billion continuation vehicle covering EnCap Minerals and Rock River Minerals. The transaction gives existing investors a liquidity option while allowing EnCap to retain the portfolio under its management. The position comprises approximately 134,000 net royalty acres and generates net production of around 37,000 barrels of oil equivalent a day. ExxonMobil, Diamondback, Occidental and ConocoPhillips account for about 48% of activity across the acreage. The manager describes the attraction as continued participation in cash flows from established minerals assets without future capital expenditure requirements for the portfolio. Pegasus Resources continues to manage the assets, assembled through several partnerships. EnCap called the transaction the largest continuation-vehicle capital raise in upstream energy to date. The structure extends ownership of existing royalty interests rather than funding the acquisition of a new operating oil and gas business.

Xantium spins off from Tudor

Hedge fund veteran Paul Tudor Jones' Tudor group is preparing to spin out Xantium with approximately $9 billion in assets, according to the Financial Times. The quantitative investment business plans to operate independently in the first half of 2027, reportedly retaining financial backing from Tudor. Whether Tudor will retain an ownership stake remains unclear.

Founded within Tudor in 2019, Xantium combines systematic research with fundamental analysis and trader judgement across equities, bonds, currencies, commodities and derivatives. Chief executive Oliver Watson and chief investment officer Sergey Levin both joined Tudor in 2012 after working at D. E. Shaw.

Xantium already employs more than 250 people across four offices, with a San Francisco office planned. The reported $9 billion represents expected assets at independence, not a newly completed fundraise.

AQR's $100bn breakthrough

AQR more than doubled its hedge fund assets in two years, climbing from $44.6 billion at the end of 2023 to $109.1 billion by the end of 2025, according to industry surveys. Assets stood at $57.7 billion at the end of 2024, putting the subsequent year's increase at 89%. The expansion has continued this year, with With Intelligence reporting another $36.5 billion added in the first half through investment gains and inflows. Demand for tax-aware long/short strategies helped bring fresh capital from wealthy clients alongside institutional business. These portfolios combine investment returns with tax management, generating realised losses that clients can use against gains elsewhere.

The scale of the growth puts Cliff Asness' firm at the top of the hedge fund industry's size rankings. Man Group's $270.9 billion headline total includes $153.8 billion in long-only strategies; its liquid alternatives business accounts for $99.7 billion, alongside $17.4 billion in private markets.

Property funds face another liquidity test

Property-fund liquidity is back under scrutiny after DWS limited payouts on maturing redemption requests from Grundbesitz Europa to an initial 10%. The restriction also covers requests submitted earlier that fall due while it remains in force. Unfulfilled portions lapse rather than carrying forward automatically, although investors retain the shares not redeemed. DWS will continue selling properties to raise cash, repay borrowing and increase the payout ratio. The restriction can last up to twelve months, with scope to change the ratio or lift it earlier. The episode recalls Blackstone's BREIT, which repeatedly met only part of withdrawal requests during 2023 as demand exceeded its repurchase limits. The structures and rules differ, but both cases illustrate the difficulty of matching withdrawals with assets that cannot be sold quickly. Private credit funds also faced withdrawal requests above their quarterly limits during 2026. Liquidity controls give managers time to manage portfolios, but leave investors unable to assume that an eligible withdrawal request will be met in full.

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Situational Awareness: A Cautionary Tale

Situational Awareness wasn't just another fund blow up; Leopold Aschenbrenner's meltdown is a warning about high valuations and risk, punctuated by Citadel having quickly unloaded SA assets it had recently purchased on the cheap. It also emphasizes the importance of finding managers with proven long-term track records of successfully navigating turbulence and highlights the risk of working with unproven emerging managers. Experience matters.

In the movie, Shakespeare in Love, whenever somebody suggested a compelling handle to one of the Bard's plays, William often responded, "Good Title."

That certainly applies to the name of Leopold Aschenbrenner's hedge fund when he launched it several years ago, propelled by the response he received to his treatise about the future of AI. His words clearly had traction with many investors itching to hitch their fortunes with the next great visionary, even one barely in his 20s.

Turns out there may never have been a greater misnamed hedge fund.

The manager's high-octane approach to investing contrasts somewhat with the PM's early assertion that, "Obviously, not blowing up is task No. 1 and 2."

Kind of recalls the words of Secretary of Defense Donald Rumsfeld after the US invasion of Iraq in 2003 went sideways: "Stuff happens."

With lawyers having not yet rushed in to claw back investor losses, and with some LPs already ponying up additional capital to the fund's latest investment, it may be a safe assumption that the youthful manager did nothing nefarious in having sunk his fund's fortunes virtually overnight.

Though we haven't seen any fund documents, a fair guess is its presentation, DDQ, and prospectus spelled out the fund's basic risks of applying leverage to highly valued public equities coupled with its exposure to less liquid, harder to value private investments.

Can't imagine investors not having paid any attention to these details, especially with $25 million investment minimums and some tickets written with long lock-up periods. Still, it seems investors went in with Eyes Wide Shut.

According to The Wall Street Journal, some of those investors included top AI executives at Meta, Jane Street Capital (whose traders reportedly lost $15 billion in July), and Patrick and John Collison, the brothers who co-founded the payments firm Stripe.



Good bet that many hadn't personally experienced the Tech Wreck a quarter of a century ago.

Unbridled by sound investment principles, Aschenbrenner's saga makes the hedge fund industry look rather silly.

While Bloomberg reports the fund was still up 80% for the year through July, investors who came in more recently got hammered.

Even more disconcerting, as Bloomberg pointed out, Wall Street banks were the source of Aschenbrenner's leverage.

Even though these institutions apparently escaped unscathed, it makes one wonder if Goldman Sachs, JPMorgan, Citigroup and Bank of America, which the Journal identified as the fund's prime brokers, conducted any serious due diligence.

According to several CIOs I've interviewed who use leverage, they believe PBs' main concerns are not whether extending leverage makes sense but if they can trigger collateral asset sales quickly enough to get their money back.

JPMorgan subsequently has terminated its prime brokerage relationship with the fund. Aschenbrenner has established a prime broker deal with the boutique shop Clear Street. And the PM has now begun to use "flex options" to gain embedded leverage exposure.

This focus on Situational Awareness is not schadenfreude. Rather, it's a useful contrast with my firm's annual global hedge fund survey, now in its 23rd year, that highlights the few managers that have consistently delivered on the promise of long-term active management.

Situational Awareness is a cautionary tale about investing in the age of the Mag 7 and irrational exuberance over all things AI and risks involving emerging managers with limited track records. The average age of the Top 50 funds in our survey is over 16 years.

The initial screen that whittles down the 1000s of funds in the universe to a few dozen starts by looking at only broad strategy managers with a minimum of five years of returns that have met annual hurdle rates.

While high volatility isn't disqualifying, it's rare to see it in this survey because it isn't often associated with long-term consistency.

Eric Uhlfelder

Eric Uhlfelder has managed hedge fund surveys for the Financial Times, The Wall Street Journal, Barron's, Institutional Investor, and SALT. His signature annual Global Hedge Fund Survey is a highly regarded industry benchmark of the world's most consistently performing asset managers.

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The Rise of Y'all Street Supports a Dynamic Private Markets Ecosystem in Texas

It's no surprise that Texas has a substantial private-equity industry. What is a bit of a surprise is that it has a Texas-sized PE ecosystem to support the industry throughout the state.

Research reports suggest that there are anywhere between 95 to 105 PE firms based in Texas, with Dallas home to the largest concentration of them. Texas last year attracted approximately $75 billion in PE investments (estimates vary here but this seems to be at the low range of ballpark numbers.)

A dive deeper shows that Dallas is home to about half of the PE business with a majority of focus on middle-market buyouts, industrials, as well as energy and infrastructure. Houston is obviously more of an energy hub and Austin more linked to software, technology and growth equity.

> **...money is flowing into Texas businesses but just as important is that investment firms are establishing a larger presence in the state...**

But a quick trip to Dallas last month to attend Bloomberg Invest Dallas, the first of the Invest conferences in that city, showed in boastful display that the state has become a major center not just for the GPs themselves but for PE management, capital management and financial services.

A few observations from conversations and presentations at the event.

- Texas is becoming a significant destination for investment capital: Yes, money is flowing into Texas businesses but just as important is that investment firms are establishing a larger presence in the state, suggesting big bets on opportunity. Goldman Sachs, Morgan Stanley and Wells Fargo have all announced major expansions in Dallas in recent months that bring more than 12,000 jobs to Dallas. Apollo announced in August plans to expand in Austin for emerging businesses, technology, infrastructure and investment platforms. Many showed up in strength at the conference, especially from the wealth groups.
- Texas is becoming a center for capital allocation: The four large pension funds in the state contributed some $370 billion to private- and public-market investments in 2025. Add corporate, municipal and endowments and foundations and the total is closer to $500 billion.
- Texas is becoming home to the middle market: The state has a large and diverse corporate economy with businesses operating in manufacturing, distribution, logistics, healthcare, energy, business services and technology, which provides a potential pipeline of investment opportunities.



And now stock exchanges have entered the capital market scene. The TXSE Group launched Texas Stock Exchange this year, with initial backing from Bank of America, BlackRock, Charles Schwab, Citadel Securities, Goldman Sachs, JPMorgan Chase, and State Street. TXSE joins NYSE Texas and Nasdaq Texas, extensions of the New York exchanges looking for a land grab of sorts.

These are early days for sure for TXSE, but its presence among the three provides an eventual opportunity for middle-market portfolio companies at Texas PE firms looking for an exit outside of sales to strategics or other PE firms.

Time will tell how this matures, but what's clear is the "boom belt" is living up to its name.

Mark Kollar
Partner, Prosek Partners

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Evergreens: The Story is Just Beginning

We've heard a great deal in recent years about the "democratization of alts" and the "convergence of public and privates." The rise of evergreens is the clearest expression of those trends, with private credit as the poster child. In 2020, retail exposure was barely visible next to institutional. By mid-2026, it accounted for nearly half a trillion of the $2.5 trillion-plus industry, and Pitchbook data puts private credit evergreen funds at roughly $250 billion, a nearly 3x rise over four years.

Despite the headlines, semi-liquid private credit funds have seen net inflows in every quarter through Q1 2026. Redemption requests have been elevated for several quarters and credit concerns are bubbling under the surface, but these most likely represent cyclical moments along a secular movement toward democratization and convergence. If anything, this down moment can be a further catalyst for that trend.

> **Advisors and clients may have said they understood, but for many it takes touching a hot stove to truly understand what do not touch means.**

One major concern about the rapid growth of evergreen funds was a lack of education about the underlying strategies, the mechanics of the vehicle, and what "liquid" really means in a semi-liquid fund. Advisors and clients may have said they understood, but for many it takes touching a hot stove to truly understand what "do not touch" means. Over the last three quarters, they learned first-hand what these vehicles are and are not.

With that knowledge, advisors should be better equipped to use evergreen funds and more confident deploying them where they were absent. According to JP Morgan, alts represent roughly 6% of portfolios for high-net-worth investors and 3% for the mass affluent, a fraction of the quarter or more held by institutions and ultra-high-net-worth investors. Even those averages are distorted: at some large advisors, two-thirds of clients may have no alternatives exposure at all. For some, zero is the right choice, since private markets are not appropriate for every investor. For others, an allocation may add diversification unavailable through stocks and bonds.

The second lesson concerns the strategies themselves. Headlines suggested every private credit fund would suffer mass defaults as AI made legacy technology companies obsolete, and the exposure is real: per JP Morgan, nearly 40% of deal value over five years went to technology, half of it software. Default rates rose from roughly 1% in 2021 to over 2.5% at the end of 2025 but have since edged down. Distressed exchanges of leveraged loans climbed from under 1% to nearly 5% before falling back to 3%, near the 2% pre-pandemic average.

It is too early to say how AI will reshape businesses. There will be losers and defaults, but private credit investors will not suffer catastrophic losses, and the vehicles worked as intended. Withdrawals were capped at 5%, holdings were not sold at fire-sale prices, and direct lending returned 9.3% in 2025 and 1.1% in Q1 2026, per JP Morgan.

I don't know which inning we are in, but I believe it is an early one. The secular trend isn't going anywhere, and now that we're all a little more educated, it will only keep rising.



Steven Novakovic
Managing Director, Educational Programs, CAIA

Steven is the Managing Director, Educational Programs at CAIA Association. In this role he leads the creation, development, implementation, and execution of the charter, certificate and other professional development programs offered by CAIA Association. Steven joined CAIA Association in 2022 and has been a Charterholder since 2011. Prior to CAIA Association, he was a faculty member at Ithaca College in Ithaca, NY, where he taught a variety of finance courses, including alternative investments. Before entering academia, he worked at his alma mater, Cornell University, (B.S. 2004, MPS 2006) in the Office of University Investments.

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Private credit hits $4.1 trillion. But that's only half the story.

Every year for the past 12 years, AIMA's private credit affiliate, the Alternative Credit Council (ACC), has taken stock of the global private credit market via its annual ***Financing the Economy*** publication. This research seeks to answer key questions for investors and policymakers: What is driving the growth of private credit? What businesses are being financed? And, what risks should investors and policymakers be paying attention to?

The latest edition of our Financing the Economy research, produced in partnership with Houlihan Lokey, has certainly given us plenty to talk about.

The headline finding is that private credit reached $4.1 trillion in assets under management at the end of 2025, growing by 17% for the second year running. This growth has been fuelled by persistent investor demand. Private credit fundraising in the first half of 2026 reached its highest level in five years while the MSCI Global Private Credit Closed-End Fund Index returned 9.5% in 2025.

Of course, for those already concerned about the industry's rapid expansion, $4.1 trillion might sound more like a warning sign than something to celebrate. Private credit has hardly been short of scrutiny lately, with questions about leverage, liquidity and deteriorating loan quality regularly making headlines. The ACC's report therefore provides timely visibility on these hot button issues.

For starters, despite another year of strong growth, many key financial stability indicators look remarkably consistent with those reported for much of the past decade.

Take leverage, for example. One concern often raised about private credit is whether borrowing within funds could amplify losses during a downturn. It's a reasonable question, particularly as the industry grows. Yet our research finds that fund-level leverage remains relatively modest. In fact, 41% of the flagship corporate lending funds surveyed operate without any investment leverage at all. Across the wider market, we estimate that private credit funds use around $399 billion of borrowing, equivalent to roughly 25% of net assets. These figures have remained broadly consistent over time, even as the market itself has grown considerably.

Liquidity is another area where the headlines don't always tell the full story. There has been plenty of attention on elevated redemption requests at some semi-liquid private credit funds this year. Those developments are worth watching, but they shouldn't be mistaken for a reflection of how the entire industry operates.

Most private credit capital remains invested in closed-ended fixed maturity funds which do not permit investors to redeem their capital during the life of the fund. Among funds that do offer liquidity, mechanisms such as redemption gates and restrictions have helped managers handle increased requests in an orderly way. These features matter when assessing the potential for forced sales or contagion.

Then there's the question of how the underlying loans are performing. With borrowing costs having risen substantially in recent years, it's understandable that investors and policymakers want to know whether companies are struggling to service their debts. The picture from our research is broadly reassuring. Across most respondents, measures such as interest coverage ratios, loan-to-value ratios and non-accrual rates have remained stable.

That's not to say there aren't problems. Some portfolios are showing signs of deterioration, and performance varies across different segments of the market. These are areas that lenders, investors and regulators will need to keep an eye on.

But it's important not to confuse stress in individual pockets of the market with evidence of widespread problems across private credit as a whole. And while much of the public discussion has focused on the risks associated with the industry's growth, there's another side to the story: where all this capital is going.

Private credit has become an increasingly important source of financing for businesses that might otherwise struggle to access the funding they need or have found that traditional lenders cannot offer the flexibility they're looking for.

Artificial intelligence is a particularly interesting example. Investment in AI-related businesses increased substantially during 2025 and 2026, with private credit helping to finance the infrastructure needed to support that growth.



At the same time, lenders are having to think carefully about what AI disruption could mean for companies already in their portfolios. It's creating opportunities, certainly, but also new considerations for underwriting and risk management.

None of this means private credit is immune to the economic cycle, or that its continued growth won't bring new challenges. It will, and those challenges deserve proper scrutiny.

But the findings from this year's ***Financing the Economy*** research offer a useful reminder that there's more to understanding an industry than measuring how big it's become.

The $4.1 trillion figure might grab the headlines, but what matters just as much is what's happening beneath it.

Read the full Financing the Economy 2026 report.

Nick Smith
Managing Director, Private Credit, AIMA

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How Delta is Reinventing the Business of Flying

Adapted from a Money Maze Podcast interview conducted by Simon Brewer with Ed Bastian, Chief Executive Officer, Delta Air Lines

Warren Buffett once famously cautioned investors about airlines, citing an industry marked by bankruptcies, weak returns and relentless competition. But the investment case has changed. Berkshire Hathaway has returned as a Delta shareholder, and Delta has spent years demonstrating that airlines can generate attractive, durable returns. Speaking with Simon Brewer on the Money Maze Podcast, Delta CEO Ed Bastian argues that the strongest carriers are evolving beyond transportation businesses, blending premium brands, high-value loyalty programs and diversified revenue streams into a fundamentally different economic model.

Bastian approaches the question from a financial perspective. Trained as an accountant, he worked at Price Waterhouse and PepsiCo before joining Delta nearly 30 years ago, later becoming CFO and leading its post-bankruptcy restructuring and merger with Northwest Airlines. He understands why investors have historically avoided the sector. His friend Sir Richard Branson jokes that the best way to become a millionaire is to start as a billionaire and buy an airline.

For much of its history, the industry's fundamental weakness was its inability to escape price competition. When Bastian joined Delta, he recalls that more than 80% of passengers chose an airline principally because it offered the cheapest fare. Carriers competed to fill seats, frequently sacrificing profitability in the process. Delta responded by challenging the assumption that flying had to be sold as a commodity.

Today, Bastian says more than 80% of customers asked why they choose Delta cite the airline itself. Reliability, service and the overall experience have become increasingly important, particularly among travellers willing to pay more for comfort and convenience. Delta has expanded its premium offering. Bastian says premium cabins now account for roughly a third of the space on each new aircraft. The aim is to offer an experience customers will pay more to enjoy.

> **This is not just an airline. This is also a loyalty play. And the loyalty play has real sticky value.**

"Transportation is what we do, but it's the experience we bring that defines who we are," Bastian explains.

For investors, that distinction matters. Airlines that compete almost entirely on price have little influence over their margins. Those that build genuine customer loyalty have more freedom to determine what their product is worth. Bastian wants Delta to be an airline customers actively seek out, rather than simply the cheapest available means of reaching their destination.

That loyalty has also become a business in its own right. Delta's longstanding partnership with American Express is expected to generate approximately $10 billion for the airline this year, according to Bastian, compared with around $1-2 billion annually some 15 years ago. It illustrates how far Delta's commercial relationships now extend beyond the aircraft cabin.

Through SkyMiles, customers accumulate rewards on everyday credit card spending, maintaining a connection with Delta even when they are not travelling. Those miles can subsequently be redeemed for flights and other benefits, reinforcing the attraction of remaining within its network. Bastian believes travel rewards have an emotional appeal that distinguishes them from conventional financial incentives. Customers anticipate destinations, reunions and experiences rather than simply calculating the value of their points.

The financial significance became apparent during the pandemic. While aircraft were grounded and ticket revenues collapsed, consumers continued spending on their credit cards and accumulating miles. Delta raised more than $10 billion against its loyalty programme, which Bastian says carried an estimated value of $30–40 billion in that financing context. It provided financing when traditional airline revenues had evaporated.

Bastian says investors now look at Delta differently. "This is not just an airline. This is also a loyalty play. And the loyalty play has real sticky value."

The changing revenue mix reinforces the argument. Bastian says approximately 60% of Delta's revenues now come from outside the main cabin, encompassing premium seating, loyalty and other commercial activities. Much of this remains closely tied to flying, but the airline no longer relies primarily on selling

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Continued:

economy seats at the lowest possible price.

It is also finding ways to generate more income from infrastructure and expertise already embedded in the business. Delta's third-party aircraft maintenance operation produces more than $1 billion in annual revenue, and Bastian believes it could triple over the next five to ten years. Cargo provides another avenue for growth, with Bastian pointing to AI-related investment in data centres and demand for internationally sourced equipment.

Meanwhile, the wider industry's economics may be shifting in favour of established operators. Aircraft shortages, higher labour costs, expensive airport infrastructure and rising fuel prices have made it increasingly difficult for new entrants and low-cost carriers to expand profitably. Manufacturing constraints at Boeing, Airbus and their engine suppliers have compounded the problem, limiting the availability of new aircraft just as demand for travel continues to grow.

These pressures favour greater commercial discipline, although aviation remains fiercely competitive. Aircraft can be redeployed to profitable routes, while government-backed airlines can operate under very different financial conditions. Bastian recalls withdrawing from Dubai after government-owned competitors cut fares to levels Delta could not sustain.

Scale alone offers no guarantee of protection. Yet he sees considerable scope for international growth. He notes that only one in five people worldwide has ever flown. Expansion, however, must follow Delta's customers rather than simply add destinations.

For Bastian, the more durable advantage lies in creating an experience that customers actively seek out. Technology has an important supporting role, particularly in an operation involving approximately 5,500 flights every day. Artificial intelligence offers opportunities to improve scheduling, manage turbulence and congestion, and give customers greater control over their journeys. He also sees commercial potential in free onboard Wi-Fi, with retail and entertainment extending relationships with passengers beyond the flight.

He prefers to think of this as augmented intelligence, reflecting his conviction that technology should strengthen rather than replace the workforce. "AI will never replace our people. Our people are our number one advantage, and we're going to use AI to make them smarter," he says.

Aircraft can be purchased and routes replicated, but delivering consistently good service across an organisation employing more than 100,000 people is considerably harder to imitate. Bastian calls the relationship between staff, customers and investors a virtuous circle. "You take care of your people. They take care of the customers, reward you with the loyalty to attract capital, to continue to grow that business."

None of this removes the industry's exposure to economic downturns, volatile costs or intense competition. But Delta's transformation challenges the assumption that all airlines must inevitably share the same disappointing investment characteristics. Premiumisation, loyalty economics and a broader revenue base have changed the proposition, even if the fundamental business of transporting passengers remains much the same.

Bastian knows that maintaining those advantages will require constant attention. Delta's corporate motto, "Keep Climbing", reflects his belief that success offers little protection against complacency. "We need to always get better because we know everyone is chasing us," he says. For investors, the test is whether those advantages can endure through successive economic cycles and make an airline a genuinely attractive long-term investment.

Click the link to listen to the full interview



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GUEST ARTICLES

Investing in the Backbone of the Physical Economy

Jason Koenig, Co-Founder and CEO, ITE Management

Infrastructure has become one of the defining long-duration investment themes in private markets. Essential-use assets can support stable cash flows and downside protection, making the asset class attractive to investors seeking resilience.

Transportation equipment is a critical part of that story. A tank car carrying chemicals to a manufacturing plant, a covered hopper loaded with grain, or a chassis hauling an intermodal container out of a port are the physical assets that keep commerce moving.

The investment case starts with a durable need. Raw materials and components must reach manufacturers; finished products must reach distribution centers and consumers. As trade patterns shift, geopolitical tensions rise, and businesses rethink supply chains, routes and equipment requirements will evolve. The need to move goods will remain.

But enduring demand does not guarantee enduring returns. Capturing that value often takes operating expertise, capital to support assets throughout their working lives, and a diversified portfolio that can adapt as markets change.

Complexity Raises the Bar

Investing in a railcar is one decision. What happens over the following decades requires hundreds more.

How should changing customer needs inform fleet purchases? When a lease ends, does a higher rate justify the cost of repairs and repositioning? When does an aging asset warrant further investment, and when is replacement the better decision?

Industry relationships and operating experience help managers answer those questions. Direct knowledge of asset performance, maintenance costs, pricing, and customer demand connects investment decisions to conditions on the ground and builds through years of managing equipment across market cycles.

Acting on that knowledge requires capital, often well beyond the initial acquisition.

Keeping Assets Productive Requires Ongoing Investment

Transportation infrastructure is capital intensive. Consider a railcar built in 1995 that has spent decades moving essential goods. With long-



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GUEST ARTICLES (cont.)



term capital and disciplined inspection and repair, that asset will remain productive and revenue earning over the long-term. Across fleets of thousands of assets, this ongoing investment cycle is designed to smooth out predictability and generate cash flows.

Capital planning is therefore an operating responsibility as much as a financial one. When investment falls behind, reliability can suffer, making it harder to serve customers and keep equipment on lease.

For private capital, the opportunity extends beyond acquiring equipment to funding reinvestment throughout its life. Understanding those obligations is essential to evaluating an asset's long-term potential.

Even well-maintained equipment, however, faces replacement and leasing cycles. Diligent portfolio construction helps managers address that exposure.

Spreading Risk, Adapting to Change

A diversified transportation portfolio gives managers more options as markets change.

Thousands of individual assets across customers, equipment types, and industries can reduce dependence on any single source of demand. Staggered lease expirations also spread repricing and renewal decisions over time.

Long-lived equipment also allows managers to reassess pricing, customer demand, and deployment within a long-term investment strategy. An asset's productive life can extend well beyond a single customer relationship.

Diversification creates options. Operating expertise and available capital help managers act on them.

From a distance, transportation infrastructure looks like steel, wheels, and equipment. Up close, its investment performance depends on the decisions that keep those assets productive.

The need to move goods provides the foundation. Operating knowledge, patient capital, and portfolio discipline can turn that enduring demand into long-term value.

Jason Koenig, Co-Founder and CEO, ITE Management



GUEST ARTICLES (cont.)

The UK Greenfield Data Centre: Where the Gigawatts Stall, and How Projects Get Delivered

Tom Bolton, Managing Director, Infrastructure, Federated Hermes &
Michael Hughes, Chief Executive Officer, Rivington Energy

Demand for UK data centre capacity is not in doubt. Whether a given site can deliver power, consents, a customer and funding on the same timetable, is. Federated Hermes and Rivington Energy set out what we are seeing on live projects.

A Grid Date Is Only the Starting Point

Every developer can point to a grid connection offer. Far fewer can confidently rely on the associated delivery date.

Connection programmes involve multiple parties, including distribution network operators, transmission owners and the National Energy System Operator, each with its own processes and timescales. Transmission reinforcement requirements can significantly alter connection dates, while developers may need to make substantial financial commitments simply to maintain their place in the queue.

As a result, headline grid availability figures can present a misleading picture of deliverable capacity. The key question is not what connection date has been offered, but which connection date can realistically be relied upon.

To help address this Rivington Energy has adopted a "power-first" strategy for its data centre portfolio, creating resilient and diversified energy solutions that are not solely dependent on the grid.

Power Beyond the Grid

While fully islanded data centres are attracting growing interest, particularly for workloads that can tolerate lower resilience requirements than those of traditional enterprise or cloud applications, most projects still require a grid connection. Behind-the-meter generation can improve project economics by reducing exposure to network and policy costs that make up a significant portion of end-user electricity prices, while an import connection to the grid often remains essential to provide the backup capacity, flexibility and resilience expected by customers.

The Rivington approach combines low-carbon power generated by commercial neighbours, solar generation and grid connectivity to support phased delivery. Fuel cells are gaining traction in the US, and as the technology matures, fuel cells may play an increasingly important role within diversified power strategies adopted in the UK and Europe.

Planning Risk Is Often Hidden

A brownfield industrial site, located away from residential areas and requiring little new infrastructure, may appear straightforward from a planning perspective. In reality, planning risk can be significant.

Comprehensive environmental assessments are required to evaluate impacts relating to ecology, habitats, noise, flood risk and the wider environment. Survey work is often constrained by seasonal ecological requirements, extending project programmes and influencing delivery timelines.

Public scrutiny is both legitimate and necessary. However, consultation with statutory bodies, local authorities and communities can also provide an opportunity to address misconceptions about issues such as water use, energy consumption and operational noise. Early, evidence-led engagement remains one of the most effective ways to build trust and improve the prospects of a successful planning outcome.



Tom Bolton, Federated Hermes

Michael Hughes, Chief Executive Officer, Rivington Energy: *"Developers who invest time in understanding environmental constraints, listening to stakeholder concerns and adapting*

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GUEST ARTICLES (cont.)



proposals where appropriate are generally best placed to navigate the planning process successfully, build confidence in proposals, and support more informed decision-making."

What Customers Actually Want

Customer requirements continue to evolve. Neocloud operators are typically seeking AI-ready capacity that can be delivered within six to twelve months, often upwards of 10MW. Hyperscalers, by contrast, are focused on larger, phased campuses and place greater emphasis on long-term scalability.

Meeting these compressed delivery schedules can be challenging. Construction and long-lead equipment procurement often require developers to commit capital before customer contracts are finalised. Waiting for certainty can reduce risk but may also mean losing the opportunity altogether.

Capital Favours Deliverability

Financing has evolved rapidly alongside the market. Investors and lenders increasingly focus on project deliverability rather than headline demand. Power strategy, planning progress, customer quality and technology choices all influence the availability and cost of capital.

Design flexibility is becoming increasingly important as advances in AI chips, rack densities and cooling technologies continue to reshape customer requirements. Developers must strike a balance between future-proofing assets and maintaining commercial discipline.

Creating Value Through Delivery

This challenge is one of the reasons Federated Hermes acquired a majority stake in Rivington Energy in 2025. Combining infrastructure investment expertise with in-house energy development and delivery capability enables grid, planning, power, customer and financing risks to be assessed together rather than sequentially.

Tom Bolton, Managing Director, Infrastructure, Federated Hermes: *"The challenge is not identifying demand. It is maintaining sufficient capital, capability and conviction to navigate the points at which a project could stall. Investors that can do this selectively have an opportunity to unlock strategically important infrastructure and create value through delivery."*



Michael Hughes, Rivington Energy

Sites that successfully align these factors represent a fundamentally different asset from those backed only by land and a grid queue position.

Tom Bolton, Managing Director, Infrastructure, Federated Hermes & Michael Hughes, Chief Executive Officer, Rivington Energy

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GUEST ARTICLES (cont.)

Infrastructure at the Intersection of Global Change

Luba Nikulina, Chief Strategy Officer, IFM Investors

Institutional investors face an increasingly difficult balancing act. Inflation, geopolitical uncertainty and rapid technological change are putting portfolios under pressure, while investors still need to generate the long-term returns their stakeholders require.

Infrastructure has long appealed to investors seeking diversification, stable income and exposure to essential assets. What is changing is the breadth of economic activity that increasingly depends on those assets. Some of the biggest forces shaping the global economy, from artificial intelligence and digitalisation to energy security and the energy transition, are placing growing demands on physical infrastructure.

These trends are often discussed separately, but in practice they are increasingly interconnected. The expansion of digital services and AI is increasing electricity demand, while at the same time, economies are changing how that electricity is generated and distributed. Investment in new technology therefore has implications for generation capacity, electricity networks and connectivity, while the energy transition itself requires substantial investment in the systems that move and store power.

For some long-term investors, this convergence is broadening the infrastructure opportunity set. The investment case is no longer confined to individual sectors viewed in isolation. Understanding where demand is building across interconnected systems and where constraints may emerge is becoming more important.

Power provides a good illustration. Rapid growth in computing needs more than additional generation. It also depends on networks capable of delivering electricity where and when it is required. This is bringing greater attention to grid connectivity, electricity transmission and the wider infrastructure needed to support rising power demand.

There is a similar connection between energy security and the energy transition. Both depend on reliable energy systems and sustained investment



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GUEST ARTICLES (cont.)



in generation and networks. Findings from IFM Investors' 2026 PM700, a global survey of 700 institutional investors, suggest investors increasingly see infrastructure as a way to strengthen portfolio resilience while gaining exposure to long-term themes including artificial intelligence, digitalisation and the energy transition.

Against that backdrop, infrastructure is attracting significant investor interest. Nearly two-thirds of institutional investors surveyed for the PM700 plan to increase their allocations to infrastructure equity over the next three to five years.

As capital is allocated towards these opportunities, investment fundamentals remain important. That caution is reflected in the PM700 research, with 62 per cent of investors believing strong inflows into megatrend opportunities are putting pressure on future returns. The investment case therefore rests on more than just structural growth. Asset valuations, the durability of demand and revenues, and development and operating risks all remain important considerations.

This comes at a time when investors are being asked to achieve several objectives at once. They need portfolios that can withstand uncertainty, but they also need exposure to the economic changes that will shape future returns.

Infrastructure can occupy an increasingly important position between the two. As technology, energy and the physical economy become more closely connected, investment in the systems that support that change has the potential to play a larger role in long-term portfolios.

Luba Nikulina, Chief Strategy Officer, IFM Investors



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GUEST ARTICLES (cont.)

How Infrastructure is the Safe-Haven Trade

Jennifer Smith, Chief Financial Officer, Zayo Europe

The extraordinary investment flowing into artificial intelligence places digital infrastructure firmly in the spotlight. Data centres, GPUs and AI factories are attracting enormous amounts of capital, but alongside that opportunity comes a fundamental question for investors.

There is a clear distinction between the relative predictability of an operational asset generating contracted revenues, and the considerable uncertainty involved in developing new capacity. Power availability, planning permissions, construction costs and changing computing requirements can all determine whether projected returns are realised.

This distinction matters. Digital infrastructure is often grouped together as a single asset class, yet its constituent parts have very different investment characteristics. While some depend on anticipating where technology and demand will move next, others provide the essential foundations without which that technology cannot operate.

For investors seeking a degree of defensiveness amid rapid technological change, understanding where risk sits within the infrastructure value chain is becoming increasingly important.

Digital infrastructure belongs therefore on the defensive investment spectrum, albeit selectively.

Its resilience depends less on the technology it supports than on the certainty of underlying demand, the discipline of capital deployment and the ability to turn physical infrastructure into sustainable returns.

The difference between growth and certainty

Data centres illustrate this tension particularly well. They have many of the characteristics traditionally associated with infrastructure investment: substantial physical assets, long-term contracts and services that are increasingly essential to economic activity. Yet their development also involves considerable supply chain uncertainty, particularly around power availability, planning, construction costs and the pace of technological change.

The scale of investment is also changing dramatically. At Zayo Europe, the projects we are now undertaking are, on average, around three times larger than the largest projects we have delivered historically. Projects under consideration for 2028 and 2029 are larger still.

This acceleration challenges conventional infrastructure financing. A five-year cash-flow model may look credibly sized when funding is agreed, but can become outdated within two years as projects expand and capital requirements change. Investors and lenders must increasingly assess not only forecast income, but the value of the underlying asset being created and the capital required to bring it into operation.

For private capital, this creates both an opportunity and a need to think differently about how infrastructure assets are financed and valued.

The backbone presents a different investment case

Not every component of digital infrastructure carries the same degree of development risk. Fibre connectivity, for example, typically enters the data-centre development process relatively late, once decisions about location, power and construction are substantially advanced. By that stage, much of the initial uncertainty surrounding the viability of the project has already been resolved.

This creates a different investment proposition. Rather than speculating on where future demand might emerge, high-capacity connectivity investment can be aligned with identifiable customer requirements and established infrastructure development.

> No one asks, will fibre be around in five years? Everyone knows that fibre will be around in five years.

There is an important distinction here between building networks in anticipation of future customers, and investing in high-capacity connections to meet committed demand. The latter provides a clearer basis for assessing capital requirements, utilisation and potential returns.

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GUEST ARTICLES (cont.)

Even here, selectivity matters. A high-capacity connection to an isolated data centre may depend on the economics of a single customer, whereas infrastructure serving established centres of demand can offer greater opportunities for utilisation and future growth. The defensive characteristics of an asset depends ultimately on its commercial foundations, not simply its physical necessity.

And it does not eliminate risk. Execution, delivery timescales and capital efficiency remain critical. But it does change the nature of that risk from predicting future demand to delivering against demand that is already taking shape.

A new equation for private capital

Perhaps the most significant change is that delivery certainty now carries a measurable economic value. Connectivity represents a relatively small proportion of the total investment in an AI data centre, but without it, expensive computing infrastructure cannot operate at full capacity.

Delays in connecting a facility can result in substantial lost revenue and underutilised assets, potentially far exceeding the additional cost of accelerating network deployment.

For investors, this changes the economics of connectivity infrastructure, placing greater value on the ability to deliver essential capacity reliably and on time, rather than simply at the lowest cost.

It is also changing the financing conversation. As projects become larger and capital expenditure moves earlier in the development cycle, private debt, private placements and asset-backed financing structures can offer flexibility that conventional lending models may struggle to accommodate.

As such, the investment focus is shifting from simply forecasting future cash flows towards understanding the underlying value of the asset being created, and how capital can be deployed efficiently to bring that asset into operation.

For investors, the opportunity lies in distinguishing between infrastructure that depends on speculative future adoption, and tangible assets aligned with demonstrable demand, disciplined capital allocation and a credible path to generating returns.

Investing in what endures

AI will undoubtedly reshape the digital infrastructure landscape, but it remains difficult to predict precisely which technologies, locations or computing models will ultimately prevail. Conversely, in a world of increasingly distributed, data-intensive economies, demand for robust, secure and reliable, high-capacity connectivity will continue to grow.

> **A data centre without fibre is a very expensive refrigerator.**

The strongest infrastructure investment cases may therefore be those that do not require investors to pick every technological winner. Instead, they provide exposure to the essential assets underpinning multiple possible outcomes.

In a market captivated by the next technological breakthrough, the more enduring investment opportunity may lie in the infrastructure that makes those breakthroughs possible. But defensiveness is not guaranteed by an asset's essential nature. It must be demonstrated through sustainable demand, disciplined investment and the ability to generate returns regardless of which technologies ultimately prevail.

Jennifer Smith, Chief Financial Officer, Zayo Europe

Jennifer L. Smith is Chief Financial Officer of Zayo Europe, overseeing financial strategy and infrastructure investment. With more than twenty years of sector expertise, her background includes serving as Chief Financial Officer at Wildstone, where she executed a £350 million infrastructure refinancing deal, and Chief Financial Officer at euNetworks. Jennifer was recognised as the 2018 Woman M&A Leader of the Year by TMTFinance and in 2026, shortlisted for the Markets Media Women in Finance Europe Awards.



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REGULATION

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Senior Managers and Certification Regime: the FCA proposes substantial Phase 2 simplification

On 22 October 2026, the FCA published CP26/37, setting out the second and more extensive phase of its review of the Senior Managers and Certification Regime ("**SMCR**"). The consultation builds on April 2026's Phase 1 reforms and depends on proposed changes in the Financial Services and Markets Bill 2026. The Government, Financial Conduct Authority ("**FCA**") and Prudential Regulation Authority ("**PRA**") (CP14/26) aim to halve the regime's regulatory burden while maintaining individual accountability and conduct standards.

The proposals apply to all firms within, or due to enter, the SMCR, including third country branches and cryptoasset firms. For solo-regulated Core firms, the principal changes are as follows.

Senior Managers Regime

- The temporary cover period for submitting an application or notification would increase from 12 to 18 weeks, and the "reasonably unforeseen" test would be replaced by a "reasonable use" standard.
- Firms would no longer submit revised Statements of Responsibilities ("**SoRs**") or Management Responsibilities Maps to the FCA, although they would retain current internal versions.
- Certain Prescribed Responsibilities would be removed. Core firms would retain responsibilities for the Senior Managers Regime (PR(a)), financial crime (PR(d)) and, where applicable, client assets (PR(z)).
- Application requirements and forms would be simplified.
- The Enhanced threshold for asset managers would rise from £65 billion to £100 billion assets under management.

Certification, the Directory and the Conduct Rules

The FCA proposes removing the Certification Regime and regulatory reference requirements for previously certified persons, instead relying on existing competence, suitability and governance rules. The Directory would be retired, ending associated reporting and attestation.

Conduct Rules training would be replaced by an obligation to notify staff of the rules applying to them and the consequences of breach. For most non-Senior Management Function ("**SMF**") staff, only disciplinary action resulting in a final written warning or dismissal would be reportable, with up to 14 months to report final outcomes. Existing SMF reporting would remain.

The FCA expects final rules to be published in the first half of 2027, with implementation approximately six months later.



FCA reviews conflicts of interest and fair customer treatment in private markets

Over the past two years, conflicts of interest in private markets have steadily become more prominent within the FCA's supervisory agenda. Initial signals emerged in 2024, when the FCA Chair highlighted the potential harms associated with inherent conflicts in private markets. During 2025, those broader concerns developed into more targeted expectations for firms.

The Smaller Asset Managers and Alternatives Business Model Review, published in May 2025, identified conflicts management as a common risk among the smaller firms

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assessed, with weaknesses including the identification, recording and ongoing monitoring of conflicts. The FCA highlighted stronger practices including embedding conflicts management within firm culture, maintaining accurate conflicts registers, tailoring policies and procedures to the firm's business model and ensuring fair and clear disclosure where conflicts could not be avoided.

Alongside this supervisory work, CP25/36 (Client categorisation and conflicts of interest; December 2025) proposed rationalising the conflicts requirements in SYSC 10 and SYSC 3, with the aim of creating clearer and more proportionate requirements while retaining an outcomes-focused approach to supervision.

A significant development came with the Portfolio Letter for Asset Management & Alternatives in February 2025. The FCA highlighted private market conflicts arising from intersecting business lines, continuation funds, co-investment opportunities and relationships with other financial institutions. It announced a multi-firm review of conflicts of interest at firms managing private assets, focused on how firms oversee the application of their conflicts frameworks through governance bodies and reviews by the three lines of defence, signalling a move towards more focused supervisory scrutiny.

Reinforcing consistent, high standards across private market investing was also a key regulatory priority for the Wholesale Buy Side sector in a report published in March 2026.

What did the FCA find?

Published on 23 October 2026, the FCA's findings from that multi-firm review reinforce many of these earlier concerns. The FCA identified conflict risks throughout the investment lifecycle, including in origination and deal sourcing, investment allocation, cross-fund transfers and continuation vehicles.

Stronger firms identified and managed conflicts early, embedded appropriate governance and independent challenge, and could demonstrate how investor interests had been considered. Weaker approaches were more reliant on first line judgement, later stage compliance involvement or disclosure after decisions had progressed.

What should firms do now?

In the light of the FCA's findings, firms should consider whether their existing arrangements enable them to:

- **Identify conflicts early and address them before they influence decision-making**, rather than relying on retrospective review or disclosure.
- **Apply effective governance, escalation and independent challenge**, particularly where commercial interests and the interests of different investors may compete.
- **Evidence how investor fairness has been considered** when balancing conflicting interests between funds, investors, products or affiliated parties.
- **Adapt conflicts frameworks, governance and monitoring** as the firm's business model, products and transaction activity evolve.
- **Use disclosure as a supplementary control**, rather than as a substitute for effective identification, mitigation and management of conflicts.

Importantly, firms should be able not only to point to policies and procedures, but also to demonstrate how those arrangements operate in practice and influence decision-making.

Substance over legal structure

The FCA also highlighted potential disconnects between firms' legal structures and the substance of their UK activities. Some firms characterised their UK operations principally as investment advisory businesses because formal investment decisions were taken overseas. However, where UK personnel undertake significant activities across the investment lifecycle, the FCA expects conflicts identification, governance and oversight to reflect the substance and complexity of those activities, rather than relying solely on their legal characterisation.

Employee conflicts remain part of the picture

The review also considered employee level conflicts. Stronger gifts and entertainment frameworks captured meaningful information not only about the gift or hospitality itself, but also its business purpose, the basis for its valuation, relevant inducement considerations and the rationale for approval. The FCA also emphasised the importance of considering patterns of activity over time when assessing inducement risk.

Personal account dealing was another area of focus, particularly where employees may have interests connected with portfolio company investments, co-investment opportunities, counterparties or other market participants. Firms should therefore consider whether their employee conflicts controls adequately reflect the nature of their investment activities and the conflict scenarios that can arise from them.

The direction of travel

The broader message is that conflicts management should not be treated as a static compliance exercise.

As private markets grow and business models, ownership structures, products and transaction types become more complex, firms' conflicts frameworks need to evolve with them. Effective conflicts management will remain central to delivering fair investor outcomes and maintaining confidence in private markets.

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Artificial Intelligence ("AI") in financial services: good practice and areas for improvement

On 19 October 2026, the FCA published examples of good practice and areas for improvement drawn from industry engagement, supervisory work and its AI Lab initiatives. The publication does not create new requirements or prescribe a single model. Existing rules continue to apply, including the Principles for Businesses, Consumer Duty, Senior Managers and Certification Regime ("**SMCR**"), operational resilience and outsourcing requirements. The examples are illustrative, non-exhaustive and intended to evolve with practice.

Consumer Duty and vulnerable customers

Firms remain responsible for outcomes delivered through AI- supported products, communications and support. Stronger practice begins with a defined consumer need and target market; tested outcomes across characteristics and scenarios; managed bias, accuracy and explainability; explained AI's role and limitations; and monitored live outcomes. The FCA observed that smaller firms could apply proportionate techniques, including sampled outputs, vulnerability markers and carefully filtered, quality-assured datasets.

Areas for improvement included developing tools without identifying the consumer problem or foreseeable harm, excluding vulnerable customers by default, assuming outputs were understandable without testing, overstating system capabilities and creating inflexible automated journeys. Technical guardrails could also create poor outcomes if designed narrowly, while weak monitoring and escalation reduced firms' ability to identify harm promptly.

Governance and accountability

The FCA identifies proportionate, lifecycle-wide governance, clear accountability, multidisciplinary challenge and continuous monitoring as common features of responsible deployment. Good practice included pre-deployment testing and sign-off, central or existing governance bodies calibrated by risk, named Senior Management Function ownership, documented decisions and thresholds, role-specific training, meaningful human oversight and board-approved risk appetite. Agentic systems may require additional governance layers and inventories recording ownership, access and controls.

Conversely, informal or retrospective governance, fragmented responsibility, narrow technical monitoring, weak second- or third-line capability and excessive reliance on "human-in-the-loop" review left gaps in accountability and assurance. The FCA emphasises that senior managers need not be technical specialists, but should understand relevant risks, obtain expertise and take reasonable steps within their responsibilities.

Operational resilience and third parties

Good practice included stress testing before deployment, reflecting AI dependencies in resilience planning, maintaining fallback infrastructure, reducing dependence on a single model or supplier, recording use cases and providers, obtaining visibility of model changes and testing contingency arrangements. Areas for improvement included omitting AI from resilience planning, relying on untested vendor assurances and adopting single platform solutions without viable substitution or exit arrangements.

Notwithstanding differences in size and complexity, the FCA's central theme is proportionality: controls should reflect each use case, its risks and its potential effect on consumers and markets.

Also on 19 October 2026, Jessica Rusu, the FCA's Chief Data, Information and Intelligence Officer, delivered a speech at Bloomberg's UK Policy Series on artificial intelligence and financial services. The FCA wants the UK to lead safe and responsible AI adoption, supporting innovation, productivity and growth while maintaining consumer protection, accountability and resilience.



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Securities and Exchange Commission releases Fiscal Year 2027 Examination Priorities

On 23 October 2026, the U.S. Securities and Exchange Commission ("**SEC**") published the Division of Examinations' ("**EXAMS**") Fiscal Year 2027 Examination Priorities. The priorities cover more than 34,000 registrants and identify practices, products and services considered to present heightened risks to investors or market integrity. They are not exhaustive and may change as markets, technology and investor concerns develop. The document is a staff statement rather than a rule and creates no new legal obligations.

For investment advisers, the 2027 priorities retain three familiar pillars: fiduciary standards of conduct, the effectiveness of compliance programs, and examinations of never-examined and recently registered advisers. Within that familiar structure, however, EXAMS has sharpened its focus on economic conflicts, due diligence, private market assets, valuation and the practical operation of advisers' compliance arrangements.

Fiduciary obligations and economic conflicts

EXAMS will continue assessing whether advisers satisfy their duties of care and loyalty, particularly when advising retail investors. Reviews may consider whether recommendations are consistent with clients' objectives, risk tolerance and financial circumstances, and whether advisers have undertaken reasonable due diligence into recommended products or services. Examiners will also consider costs, liquidity, volatility, potential performance under different market conditions, time horizon and exit costs.

Products attracting particular attention include private credit and private equity exposure, alternative investments, structured products, illiquid or difficult-to-value assets, option-based funds and zero-days-to-expiration options. The emphasis is not simply on whether a product is eligible for a client. Advisers should be able to demonstrate how they assessed the product's material features and risks, considered reasonably available alternatives and determined that the recommendation served the client's interests.

Economic conflicts receive more explicit treatment in 2027. Potential areas of review include fee rebates, fee and expense calculations, cash management practices, deposits and withdrawals, and arrangements involving revenue, compensation or other economic benefits. This builds on EXAMS' June 2026 Risk Alert concerning investment adviser obligations related to economic conflicts of interest, which noted that economic incentives have appeared in the Division's priorities since 2021.

Advisers should therefore consider whether their disclosures explain conflicts with sufficient specificity to support informed client consent. Generic language stating that a conflict "may" arise may be difficult to defend where the relevant arrangement already exists. Policies should also address how the conflict is identified, escalated, mitigated and monitored in practice.

Compliance programs and annual reviews

The effectiveness of advisers' compliance programs remains a fundamental element of examinations. Core areas include marketing, valuation, trading, portfolio management, disclosures and filings, custody, and the annual review required by Rule 206(4)-7 under the Investment Advisers Act of 1940.

The 2027 priorities reinforce the distinction between having policies and demonstrating that they are implemented and enforced. This follows EXAMS' September 2026 Risk Alert concerning investment adviser annual compliance reviews. That publication emphasized that annual reviews should assess both the adequacy of policies and the effectiveness of their implementation, taking account of compliance matters, changes in the adviser's business and relevant regulatory developments.

Examiners may give particular attention to advisers whose businesses have changed materially, including firms that have entered new asset classes or services, expanded through mergers or acquisitions, or operate through geographically dispersed personnel. Advisers using third parties to access client accounts should also expect scrutiny of controls protecting client assets and information.

Valuation is another important area, particularly for private credit, private equity and other investments for which observable market prices may be limited. Advisers should be able to explain the reasonableness and consistent application of valuation methodologies, the treatment of overrides or exceptions, and the governance applied where valuations affect fees, performance reporting or investor allocations.

The priorities additionally mention advisers using proxy advisory firms and firms engaged in activist strategies. Relevant reviews may include the oversight of proxy services

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and the accuracy and timeliness of Schedules 13D and 13G, Forms 13F and 13H, Forms 3, 4 and 5, and Form N-PX.

Private funds remain embedded in the adviser program

A notable development is the presentation of private fund risks. In 2025, the priorities contained a separate section for examinations of private fund advisers, covering fees and expenses, valuation, leverage, lines of credit, side letters, adviser-led secondary transactions, affiliated service providers and differential treatment of investors.

The 2026 priorities removed that separate heading but retained many of the underlying concerns within the fiduciary and compliance sections. They specifically addressed private credit, extended lock-ups, allocation and interfund transfer conflicts, newly launched private funds, side letters and advisers entering private fund management for the first time.

The 2027 priorities continue this direction. Private fund supervision has not disappeared. Instead, it has been integrated into the SEC's wider assessment of fiduciary conduct, conflicts, valuation and compliance program effectiveness. Private credit now receives especially clear attention, reflecting its growth, illiquidity, valuation challenges and potential sensitivity to borrower stress.

Technology, cybersecurity and operational resilience

Cybersecurity and operational resilience remain recurring cross-market priorities. Examiners will review governance, data loss prevention, access and account controls, incident response and recovery, ransomware preparedness, and oversight of third-party technology providers. Compliance with Regulations S-P and S-ID will also remain relevant.

The emerging technology emphasis has evolved. In 2025, the priorities separately identified artificial intelligence, automated investment tools, trading algorithms and crypto assets. The 2026 priorities continued the focus on emerging financial technology and risks created by advisers' use of AI in portfolio management, trading, marketing and compliance. In 2027, the language expands to "super intelligence" and other advanced technologies, including their use in research, drafting, coding, client communications, advisory functions and compliance monitoring. Tokenization also appears as a developing market infrastructure issue.

This represents an evolution rather than a new technology-specific standard. The message remains that existing obligations are technology neutral. Advisers should maintain inventories of material technology use cases, validate information and outputs, supervise vendors, control access to confidential data and ensure that public statements accurately describe actual capabilities.

What should advisers do now?

Advisers should use the priorities as a risk assessment roadmap rather than a checklist. Near-term work should include testing conflicts and fee disclosures against actual practices; reviewing due diligence records for complex and illiquid products; confirming that valuation processes are consistently applied; and ensuring the annual compliance review addresses business changes and recurring exceptions.

Never-examined and recently registered advisers remain an express priority, continuing an approach that has appeared in the SEC's priorities for many years. All firms, however, should be prepared to explain not only what their policies say, but how governance, testing, escalation and remediation demonstrate that those policies operate effectively.

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Securities and Exchange Commission and Autorité des Marchés Financiers sign new supervisory cooperation agreement

On 20 October 2026, the U.S. Securities and Exchange Commission and France's Autorité des Marchés Financiers ("**AMF**") announced a new Memorandum of Understanding ("**MOU**") aimed at strengthening regulatory cooperation and information sharing in relation to certain investment advisers, investment companies and investment service providers operating across the United States and France.

The MOU establishes a framework for consultation, cooperation and the exchange of supervisory information between the two regulators. Importantly, it is intended to facilitate SEC registration and supervision of AMF-supervised asset management companies wishing to conduct business in the United States as investment advisers.

Key takeaway

The SEC has confirmed that, in the light of the new arrangement, it will resume processing both new and pending registration applications from AMF-supervised asset management companies.

For French asset managers considering entering or expanding in the US market, as well as firms with registration applications already pending, this is therefore an important development to monitor.



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