

# 2026 Private Markets Outlook



**Sean O'Hara, CAIA**

Chief Investment  
Officer & Lead  
Portfolio Manager

Obsiido Alternative Investments Inc. (“Obsiido”) is a Toronto-based investment platform specializing in providing Canadian wealth advisors and their clients with private markets investment solutions through pooled vehicles, custom solutions and separate accounts.

On an annual basis, and in collaboration with our external investment consultant, Obsiido prepares an outlook covering core private markets asset classes. This is Obsiido’s third annual private markets outlook.

As we step into 2026, investors are faced with a multitude of concerns, including a rapidly evolving macro-economic and geopolitical landscape. We don’t believe, however, that it pays for investors to get wrapped up in the day to day, because after all, there are always things for investors to worry about. Success in this environment requires looking past sentiment and the newspaper headlines and staying grounded in hard data and long-term fundamentals. It’s that longer term perspective and mindset that drives investment decision-making and capital allocation in the world of private markets.

## Risks at the Forefront for 2026

We begin this year’s outlook highlighting some of the key risks that investors are facing as we enter the New year.

The biggest talking point amongst many investors today is whether we are in an AI bubble. Traditionally asset-light hyperscalers (Meta, Alphabet, and Microsoft) are making massive investments into datacenters and chip manufacturing facilities to meet seemingly unlimited AI demand but so far have minimal current revenue to show for their efforts. The spillover effects of mega-cap investment in AI infrastructure have supported funding and valuations among AI-adjacent startups, many of which remain sensitive to assumptions around future adoption, revenue realization, and execution.

On the back of an AI-fueled rally, the S&P 500 finished 2025 near a record high, marking the third year in a row of strong double digit returns for the index. Equity valuations, particularly for US large caps, are now at extremely elevated levels by historical standards. Expectations are for solid earnings growth in 2026, but valuation levels suggest strong growth results are already priced into markets, potentially limiting the scope for further gains. Valuations for non-US equity markets are certainly more attractive relative to historical levels.

One of the most significant risks at present is the path of inflation - its persistence and the resulting effects on monetary policy and interest rates. Confidence in the trajectory of inflation is not being helped by the current threats to the US Federal Reserve’s independence being waged by the Trump administration. Additionally, fiscal stress is building as debt burdens grow in the US and abroad due to burgeoning government spending. This has the effect of pressuring interest rates higher.

Geopolitical tensions continue to escalate, from trade wars to Venezuela to Greenland, raising additional concerns. The effectiveness of the US Congress in restraining presidential actions is uncertain, with indications that this equal branch of government might not remain silent.

We believe periods of uncertainty can often present some of the most compelling investment opportunities, as dislocation favours skilled managers who can identify and acquire attractive assets when others pull back.

# 2026 Private Markets Outlook

The global economic backdrop remains relatively positive as we enter 2026, with the cost of capital falling as central banks lower interest rates and global growth remains resilient. While uncertainty persists, market conditions favour private market investment activity.

The US market bounced back in 2025, showing robust dealmaking, ample credit, and infrastructure opportunities linked to the major megatrends, including AI, digital infrastructure, and energy transition. Lower rates and a resurgence of large-scale deals have revitalized European markets. And, in the Asia-Pacific region, demographic growth and corporate reform are driving investment and exits, with India and Japan emerging as key players.

Importantly, liquidity is improving as more exits materialize and the secondary market continues to supply capital and innovative structures for both general and limited partners. Private markets are expected to continue adapting, finding opportunities while managing risks for investors.

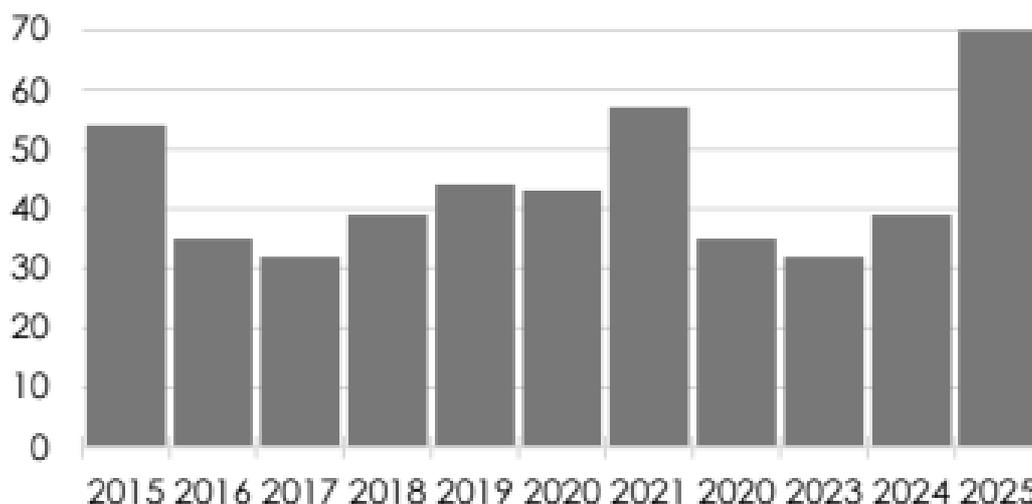
Return expectations for private asset classes remain attractive compared to public markets, though they are marginally lower than last year, due to higher equity valuations and tighter yield spreads. According to our 2026 intermediate-term capital market assumptions, illiquidity premiums in private equity and private credit remain attractive.

## Private Equity

We expect further interest-rate cuts to lower borrowing costs and accelerate private deal activity. For private equity, the age of financial engineering is over, and the defining go-forward narrative is operational excellence. Managers that are willing to roll up their sleeves, reimagine workflows and implement breakthrough technologies will be best positioned to capitalize on the opportunities ahead.

Global M&A activity jumped 41% YoY to \$4.8 trillion in 2025, the second-highest total on record after 2021. A record 70 megadeals (>\$10B) drove the rebound.

**Count of Megadeals (Larger than \$10 Billion)**



Source: Pitchbook

As the private equity industry shrinks and consolidates, the following capabilities will become the currency of survival, and the managers best positioned to benefit will share these traits:

- Scale to execute complex transactions
- Sector expertise for an informational edge
- Operating capabilities to drive post-acquisition value
- A focused, controllable thesis anchored in tangible performance levers

AI is set to transform businesses globally, benefiting not only technology platforms but also industrial and essential business services companies investing in automation and digital transformation. These companies, often encumbered by legacy infrastructure and decentralized decision-making, face unique modernization challenges.

This is not, however, a plug-and-play exercise. Assisting companies with these transformations requires operational expertise, deep sector knowledge and the ability to redefine how work gets done, skills and resources that leading private equity managers can provide.

For many larger managers, they are seeing a surge in deal activity in corporate carve-outs as multinationals seek to reduce their exposure to cyclical or low-return sectors so they can instead focus on more sustainable, higher margin opportunities. Carve-outs can help simplify complexity and provide cleaner governance, sharper incentives, and operational separation that can drive margin uplift and cash-flow durability. These opportunities allow managers to bet on themselves to “make businesses better”, not having to rely on market beta.

Asia also offers attractive investment prospects, with Japan leading corporate reform - according to KKR, 40% of Japan’s market trades below book value and 17% of assets are in cash. India is the top destination for consumption upgrades, while Korea and Southeast Asia show promising reform and consumption trends.

## Private Credit

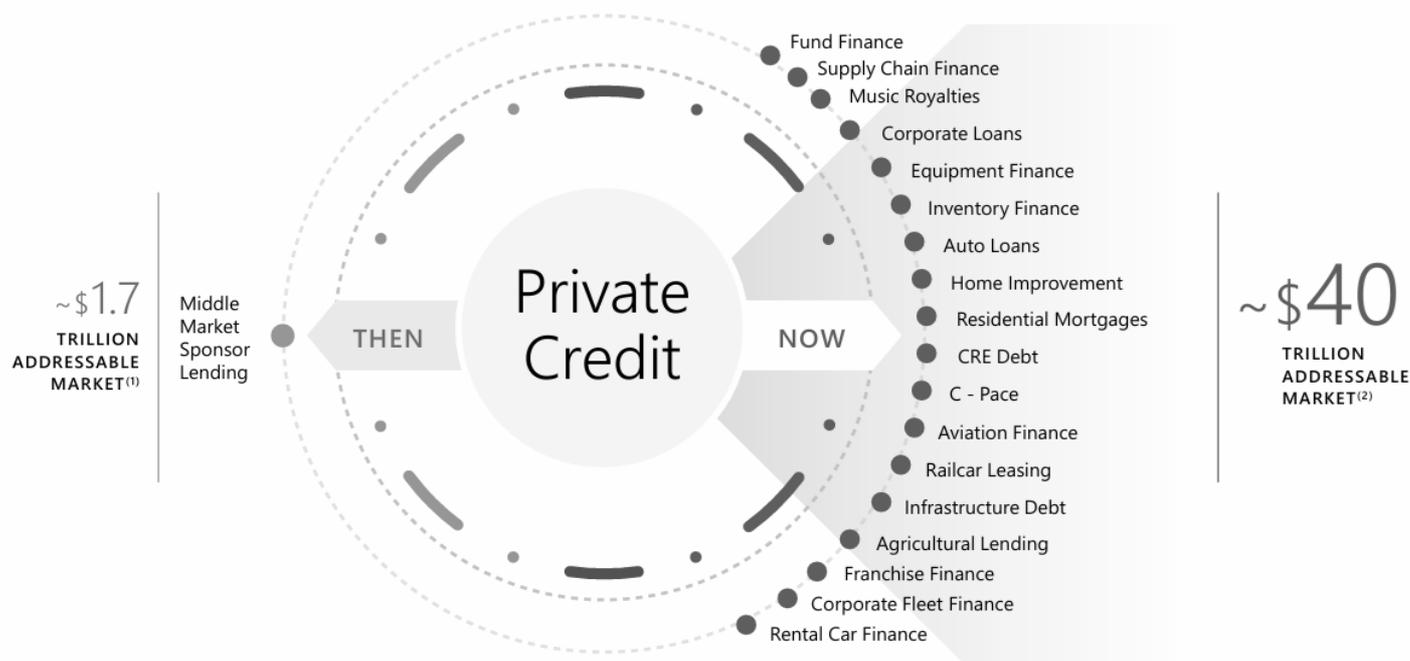
We continue to believe that the credit cycle remains on solid ground, with no signs of widespread credit deterioration. But in an environment where capital is plentiful and spreads have tightened, the discipline and skills of experienced investors become paramount in mitigating default risk. The reality is that weak underwriting, limited transparency in due diligence, and overly permissive covenants, all tend to show up the same way: deteriorating fundamentals and higher loss rates.

As the credit cycle matures, one should expect it to be tested. As credit losses increase from extraordinarily low levels to more normalized levels, there will inevitably be more strains on credit markets this year and beyond. We are not, however, forecasting anything close to a recession, which would result in cyclically higher losses, but we do believe that we are entering a more normalized period for credit conditions.

The outlook for corporate credit should be guided by a distinction between sub-investment-grade direct lending and private investment-grade credit, with the latter offering particularly attractive risk-adjusted returns through exposure to credit-worthy high-grade borrowers seeking private market flexibility.

According to Apollo (see chart at the top of the next page) investment-grade private credit represents a \$38 billion opportunity set within a \$40 trillion overall market.

## The Evolving Scope of Private Credit



Source: Preqin Global Private Debt Report, January 2024. (2) Fixed-income replacement market based on Apollo Analyst estimates. Sources: Federal Reserve Board, S&P LCD, BofA, Preqin, SIFMA, Haver Analytics, Bloomberg. Represents the views and opinions of Apollo Analysts.

The increasing interest being shown by institutional investors in asset-based finance, once seen as a niche private credit strategy, is one such opportunity that could unlock compelling opportunities for those investors seeking to generate incremental spread while building more diversified, resilient credit portfolios.

Continued investor appetite for private credit underscores confidence in the asset class and its role as an essential source of capital for the global economy. The asset class is durable, with structural characteristics that can be advantageous and enduring for investors. As it continues to mature, private credit's growth is accelerating in areas such as infrastructure, real estate and asset-based finance. We expect commitments to high-quality private credit managers over the next year will continue to outperform comparable public credit opportunities.

## Infrastructure

As we enter 2026, the outlook for infrastructure is stronger than ever. The sector has delivered stable and growing results through every market cycle for decades, and it now stands at the intersection of powerful global forces—digitalization, decarbonization and deglobalization. Each is accelerating a structural investment cycle that is expanding in both scope and scale as institutional allocations to the asset class rise, providing the funding that will build out the backbone of the global economy.

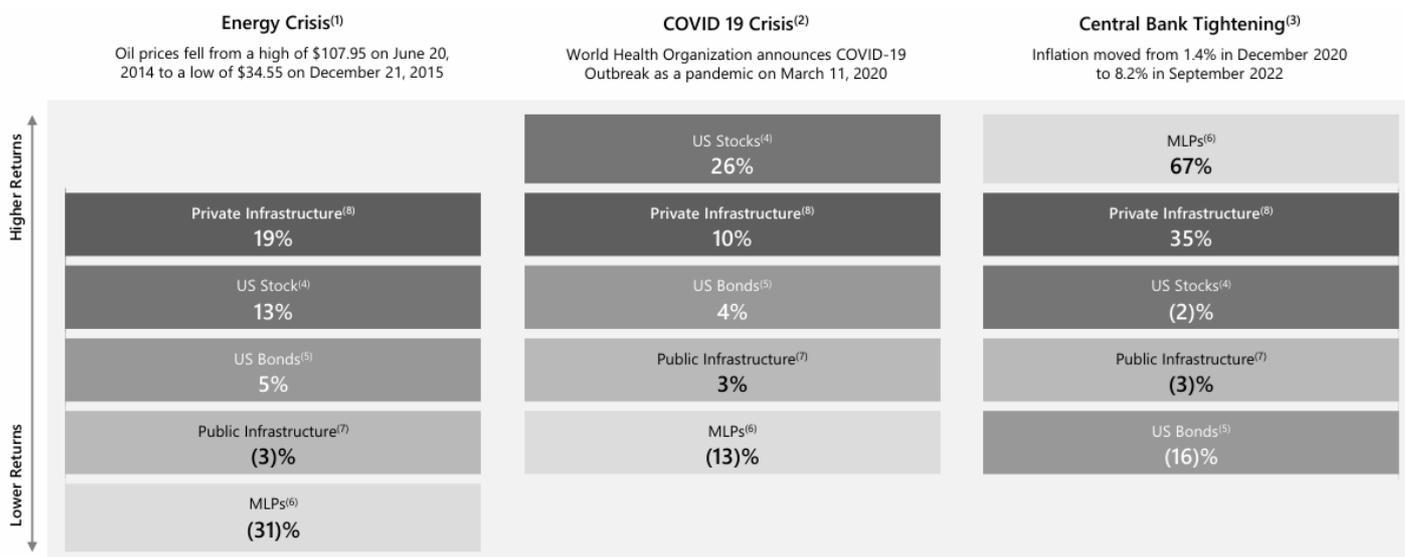
Supportive financial conditions and accelerating secular themes are positioning the global infrastructure sector for enduring growth. The AI buildout cannot occur without clean, reliable power, grid modernization cannot proceed without private capital, and the reindustrialization of economies cannot succeed without the digital and energy infrastructure to support it. This convergence is creating a once-in-a-generation opportunity for disciplined, long-term investors to fund the physical backbone of the global economy's next phase.

Across the power, data and manufacturing ecosystems, the scale of capital required far exceeds what corporates and sovereigns can fund alone. Global infrastructure investment needs, for example, are expected to exceed \$100 trillion by 2040. This dynamic is driving a wave of large-scale partnerships, joint ventures and privatizations, as governments and hyper-scalers seek off-balance-sheet solutions.

The sector’s resilience stems from its core characteristics: perpetual, long-lived assets with high barriers to entry; contracted or regulated revenue streams that are typically indexed to inflation; and stable, predictable cash yields with low correlation to public markets. These structural features provide inflation protection and steady performance across environments. The essential and enduring nature of infrastructure underpins its strength through periods of cyclical volatility.

Independent of geopolitical or macroeconomic uncertainty, infrastructure investments are inherently built to weather market cycles. The chart below demonstrates the resiliency of the asset class as shown by its performance during recent periods of market stress.

### Private Infrastructure has Demonstrated Resilience During Periods of Market Stress



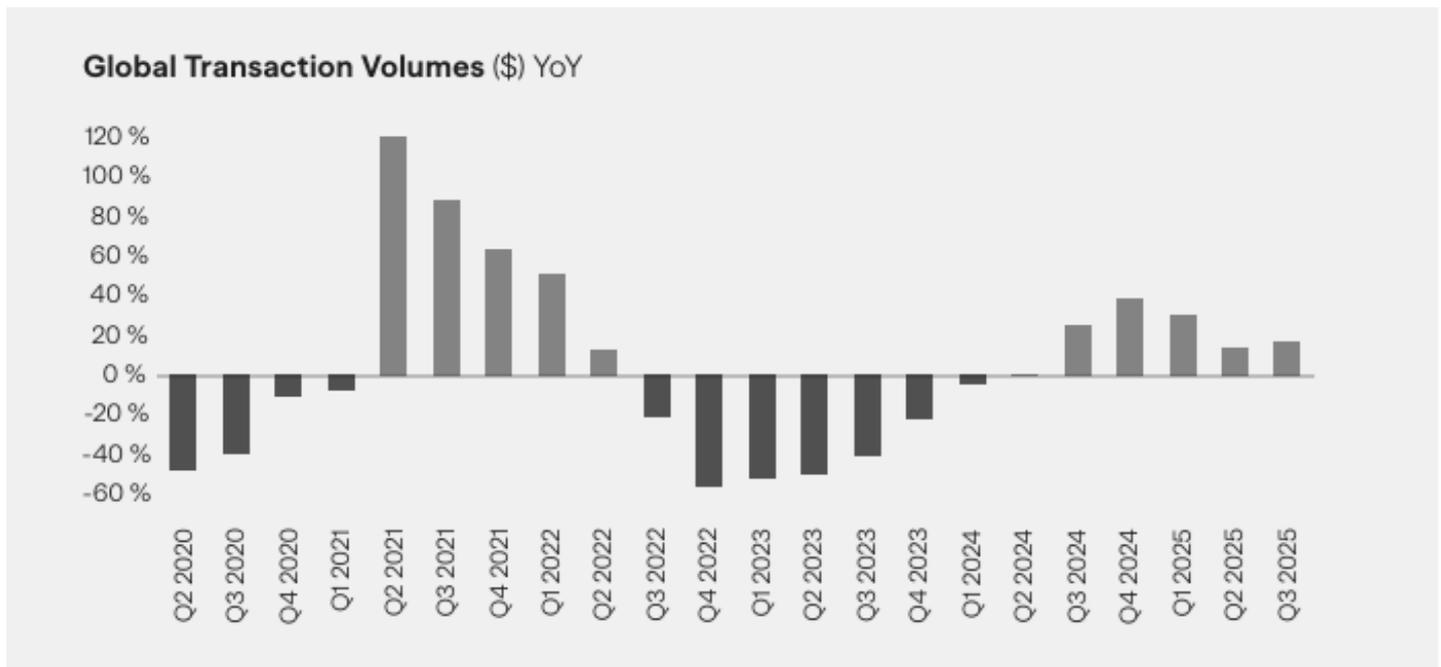
Source: Apollo Global Management. Past performance is not indicative of future returns. (1) Crisis Period defined as starting Mid-June 2014 and ending December 2015. (2) Crisis Period defined as starting Mid-March 2020 and ending March 2021. (3) Period defined as starting January 2021 and ending September 2022. (4) US Stocks represented by the S&P 500 Index. (5) US Bonds represents the Bloomberg US Aggregate Bond Index. (6) MLPs represents the Alerian MLP Index. (7) Public Infrastructure represents the MSCI World Infrastructure Index which captures the global opportunity set of companies that are owners or operators of infrastructure; the index includes 124 companies across 5 infrastructure sectors including telecommunications, utilities, energy, transportation, and social. (8) Private infrastructure represents the Preqin Infrastructure Index.

## Real Estate

Following a reopening in 2025, 2026 is poised to be a year where investors can tactically pursue and monetize high-quality assets as liquidity improves. Success in global real estate will hinge on combining investment acumen with operational expertise.

As market turbulence abates, transaction volumes are rebounding, and price discovery has resumed, indicating renewed investor confidence. The chart below shows how transaction volumes in global recent market have begun to increase and stabilize over the last five quarters. This has resulted in core US real estate, as tracked by the NCREIF property index, delivering five consecutive quarters of positive returns, driven by steady income and modest appreciation.

### Deal Flow Rebounds



Source: Jones Lang Lasalle, November 2025. Data as at Q2 2025.

According to Jones Lang Lasalle data, real estate has provided strong long-term performance, with three-quarters of global respondents in a September Deloitte survey, planning to increase allocations over the next 12–18 months.

Credit is the foundation of any real estate cycle. After a period of restricted financing and elevated rates, credit markets are reopening. In the US, CMBS issuance is set to exceed \$120 billion in 2025, the highest since 2007, with origination activity rising across most sectors.

Unlike previous recoveries, however, this cycle is marked by divergence across sectors. Office and certain retail properties face persistent challenges, while housing, logistics, necessity retail, and healthcare benefit from demographic trends, housing shortages, innovation, and a geographically dispersed knowledge economy. Investor behaviours are shifting to focus on sectors with long-term thematic growth.

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Obsiido is a technology enabled investment management firm that specializes in researching, structuring, and enabling investments in core alternative investment opportunities within private markets and hedge funds. Obsiido is registered as an investment fund manager in Ontario and as a portfolio manager and exempt market dealer in Ontario, British Columbia and Alberta.

Obsiido is a wholly-owned subsidiary of Obsiido Capital Management Ltd.  
*Published: January 22, 2026.*

For more information, contact  
Obsiido:

Gonen.Hollander@obsiido.com

