



QUARTERLY COMMENTARY LETTER

AI VERSUS THE REST?

Q3 2026

 RockCreek

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MACRO ENVIRONMENT

Market sentiment has shifted uneasily in recent weeks. The economy remains supported by the AI-driven investment boom. But as demand has stayed surprisingly strong and war continues in the Middle East, inflation fears have also gathered force. And worries that the AI boom could turn to bust made some wary of tech stocks.

By the end of Q3, a global shift to tighter money had begun. Bond prices dropped precipitously. The key 10-year Treasury yield climbed above 5%, at one point reaching its highest level for almost 25 years. Although Treasuries recovered somewhat in October, yields have mostly remained above 5%. Higher long-term risk-free rates are pushing up rates across the economy, notably on mortgages and corporate borrowing. Tech companies, turning increasingly to bond markets to finance extraordinary levels of investment, are competing with governments from the US to Europe and Japan that are seeking to finance rising fiscal deficits.

Tech stocks have underpinned equity market strength to a striking degree this year. That does not make them a one-way bet, as investors are seeing this month. Enthusiasm for AI has generally not remained dimmed for long however. After lagging in August, a broad measure of AI stocks rose 4.6% in September. Indeed, it was only due to rising tech stocks that US equities overall eked out a positive Q3 overall. The S&P rose by a little over 2%, pulled up by a 7% jump in the tech sector over the quarter. In the first three weeks of October, the S&P is slightly negative. The tech component -5% and Nasdaq -3%.

Looking ahead, the pattern of AI stocks versus the rest of the market is likely to continue. Expect uneven strength in concentrated equity markets and continued upward pressure on bond yields.

Strong equity markets help to bolster spending, at least for higher income households and corporations. Tech companies see huge advantages in moving fast to develop AI, building new data centers and looking for ways to innovate to expand compute at lower cost. The promise of big profits to those who “win” the competitive race has made tech borrowers insensitive to higher rates. Bond issuance by “hyperscalers” now accounts for almost 20% of investment-grade borrowing by non-financial corporates, up from 2% in 2025. On the other hand, higher interest costs will increasingly crimp spending by rate-sensitive borrowers, whether households or “ordinary” corporates. Already, the housing market is showing signs of stress as homeowners are “locked in” to existing low mortgage rates and new buyers are put off by mortgage rates over 7%, compared to 3% or even less just a few years ago. [The particulars of US housing finance](#) make this a drag on demand unlike in other countries where rates vary more over the life of a loan, and borrowers may take a mortgage with them when they move. Commercial property owners also

face refinancing pressure, with \$875 billion of commercial and multifamily mortgages scheduled to mature in 2026, according to the Mortgage Bankers Association. Higher borrowing costs and, in some cases, lower property values can leave owners unable to refinance the full amount owed, requiring additional equity, loan extensions or asset sales.

In October, pressures on bond yields remained elevated, along the curve in the US and worsened in the heart of Europe. In France, growing concern about political and fiscal fragility sent government borrowing rates shooting up. The traditional gap between German and French bonds widened substantially in Q3. In October, political strains exploded onto the streets with riots in Paris and elsewhere. Investors ran for cover and the 10-year yield climbed above 5%. This is in the context of monetary tightening by the ECB. The central bank raised policy rates again in September, following a 25 basis point increase in June.

Voters elsewhere, and not just in France and the US, seem disillusioned with leaders. In Germany, Chancellor Merz' party suffered humiliating defeats at the hands of a formerly fringe right wing party in regional elections in Q3. In Brazil's second round President elections this weekend, President Luis Inacio "Lula" da Silva is fighting against the odds for his political life. Pulling back, it is clear that as long as the US economy continues to create jobs and investment opportunities, investors will be rewarded. What is notable today is that this prospect depends increasingly on AI-related developments. Other factors, notably tightening financial conditions and political discord, present risks.

The IMF now projects global growth at a steady 3.1%, unchanged from six months ago though their record on forecasting has not always been good. The US and global economy have shown remarkable strength over the past year in the face of geopolitical upheaval, higher tariffs and – most importantly – a severe energy shock from conflict in the Middle East. But, global dependence on a single driver of growth is risky. That is particularly true in the context of political divisions and global discord. These have, in turn, led to economic pressures, in the form of inflation and rising fiscal deficits.

ROCKCREEK SEES THREE THEMES GOING INTO THE END OF THE YEAR:

01

AI will continue to be the main driver in the real economy and in markets. The promise of AI is enormous, although the long-term impact on productivity and growth is still highly uncertain. Estimates from analysts vary widely, depending on how quickly technology companies develop profitable use cases, and how successfully societies, businesses and workers adapt and adopt new methods. In the meantime, cyber issues and bumps in the road may cause some companies to fail and others to underperform. Investors and policymakers need to remain flexible and watch out, in particular, for excess leverage that makes companies vulnerable to rate rises.

02

Higher interest rates are here to stay. Their impact has yet to feed through to the economy. With no quick end in sight to the Iran war, central bankers are accepting that the fight against inflation needs to ramp up. In the US, Federal Reserve Chair Kevin Warsh, still relatively new to his job, has said that he does not believe in forward guidance nor in reacting to single data points. But his focus in public remarks on the importance of price stability together with commentary from key colleagues have clearly signaled that rates are heading higher. The Fed will not rush, after a first 25 basis point move in September. And it will watch for trends in inflation and job growth. That enables Chair Warsh to avoid an October rise in rates at next week's policy meeting, despite recent disappointing inflation numbers for consumer and producer prices in September. But markets are right to expect tightening to resume in December.

03

Geopolitics – and domestic political divisions – are clouding the outlook.

Inflation and apparently unconstrained fiscal borrowing are the two key risk factors for the US economy. Both feed into higher interest rates which, if sustained, will dampen demand – even in the face of AI enthusiasm. As pointed out nicely in this WSJ piece by Greg Ip: “Yes, the Fed can kill the AI boom.” Sticky inflation can be traced directly to geopolitics. The war launched by Israel and the US against Iran in February did not have the immediate impact on energy prices that many feared. This has now changed. In Q3 the oil price climbed back above \$100 a barrel as hopes for a resolution to the war faded and the conflict widened to include Houthi attacks from Yemen on Saudi Arabia. By October 23, the price of Brent crude reached \$117/bbl - a post conflict high, some 60% above its pre-war level.

In an attempt to bring down politically sensitive diesel prices, President Trump has collaborated with Russian President Putin, worsening US relations with both Ukraine and Europe. These tensions, and the risk of prolonged conflict, raise uncertainty and dampen “animal spirits.” At the same time, as pollsters report dismal approval ratings for President Trump going into the mid-term elections, the White House has offered new spending and tax cuts to mollify voters. Congressional approval of these measures will not happen. But nor can investors expect a serious attempt to bring down government borrowing with a divided government likely from next January.

ENERGY INNOVATION & AI

The third quarter reinforced the growing importance of affordability, reliability, and energy security in shaping the energy innovation landscape. Geopolitical uncertainty, rising electricity demand, and infrastructure constraints continue to reshape how governments, corporations, and investors evaluate energy systems. While decarbonization remains an objective, investment decisions are increasingly driven by the ability to deliver reliable, cost-competitive energy and strengthen supply chains. Forge Nano, a portfolio company of RockCreek's Inclusive Futures fund, reached a significant milestone in October with its successful public listing on Nasdaq under the ticker NANO. The company has developed a proprietary nanocoating technology with applications across a broad range of industries, including batteries, semiconductors, advanced manufacturing, and pharmaceuticals, addressing many of the themes discussed above. Its technology is already contributing to advancements in domestic production of high-performance batteries and the energy efficiency and computing performance of semiconductors, while also supporting the development of next-generation drug delivery technologies, including longer-acting injectable medications. Forge Nano's public listing represents an important step in the commercialization and scaling of a technology with significant potential across multiple industries.

From green premium to security premium: Energy innovation is increasingly evaluated through the lens of energy security and resilient supply chains. Critical minerals, domestic production, and resource efficiency are gaining prominence, reflecting a broader shift toward technologies that deliver both economic and strategic value.

AI and data center demand continues to reshape power markets: Rapid electricity demand growth is driving investment in new generation and transmission, while highlighting opportunities to unlock additional capacity from underutilized existing infrastructure. Grid-enhancing technologies, energy storage, and demand flexibility can improve utilization, strengthen reliability, and contain costs alongside traditional capacity expansion. These dynamics are also reinforcing demand for firm power, with nuclear, fusion, geothermal, and long-duration storage attracting capital.

Capital is increasingly concentrated in a narrower set of companies: According to CTVC, climate-tech investment rose 55% year-on-year to \$26.1 billion in the first half of 2026, its strongest first half since 2022, although deal count fell to a five-year low. Q3 funding was concentrated in 31 mega-deals, the highest since Q4 2022, and accounting for 82% of investments. Data center infrastructure and clean firm capacity were major investment drivers, while funding conditions remained more challenging in areas such as carbon removal, hydrogen, and chemicals, highlighting a selective funding environment.



Public markets are providing a renewed route to capital: Energy companies have driven much of the climate-tech IPO activity in 2026, particularly across nuclear and fusion in Q3. However, access to public markets remains selective, with investors increasingly rewarding companies that demonstrate commercial traction, attractive unit economics, and credible paths to scale.

PUBLIC EQUITIES

The quarter's headline equity strength reflected the resilience described in the opening themes, but it also sharpened the question of how long that strength can last: global equities advanced during the third quarter despite rising interest rates and geopolitical uncertainty, while returns became increasingly narrow. Technology and energy led the advance, while industrials and consumer-related stocks struggled, reflecting an uneven economic backdrop rather than a broad cyclical recovery. The concentration of returns was striking. Semiconductors, technology hardware, and energy averaged roughly 13% of market capitalization during the year but accounted for 91% of year-to-date gains through September. Their contribution exceeded 120% of the S&P 500's third-quarter advance, as other industries collectively detracted. Beneath the surface, the median S&P 500 constituent stood 16% below its high, while more than half of Russell 3000 stocks had experienced declines exceeding 20% since June. The divergence between index performance and the experience of individual stocks has rarely been greater.

Strong corporate earnings provided fundamental support, although profit growth remained concentrated among a relatively small group of companies. Consensus expectations call for S&P 500 earnings to increase nearly 30% year over year in the third quarter, with technology and AI-related businesses contributing disproportionately. Investors are increasingly focused on whether extraordinary infrastructure spending will translate into sustainable revenues and productivity gains. Competition among AI model developers is also intensifying, highlighted by Meta's introduction of its Muse Wonder models, their AI frontier models, in October. Continued improvements in capabilities should accelerate adoption, but greater competition raises important questions about pricing power and where the ultimate economic benefits will accrue. Meanwhile, a reopening IPO market has introduced additional equity supply, testing investor appetite at a time when enthusiasm for established market leaders remains difficult to dislodge.

Regional performance also reflected these competing forces. Japanese equities benefited from technology exposure, corporate reform, and a more favorable earnings backdrop. Rising domestic interest rates supported the outlook for Japanese banks, particularly regional lenders, even as higher borrowing costs presented challenges elsewhere. European equities lagged, constrained by weaker earnings momentum and less exposure to the technology industries driving global growth. Increasingly, differences in regional and sector composition have overwhelmed the contributions from individual stock selection. This has been particularly challenging for traditional active management, as strong benchmark returns have coexisted with unusually high dispersion among individual securities. Low index volatility has concealed substantial turbulence beneath the surface, creating an environment in which conventional diversification has offered less protection against relative underperformance.



These conditions present institutional investors with a difficult balancing act. Maintaining sufficient exposure to concentrated benchmark leadership has become essential for keeping pace with markets, yet doing so introduces meaningful valuation, concentration, and factor risks. This tension is contributing to growing interest in active-extension strategies that seek to preserve benchmark-like exposures while using expanded long and short positions to pursue stock-specific alpha. By constraining unintended sector, style, and other systematic risks, these approaches can help isolate security-selection skills without requiring investors to make large directional bets against dominant market themes. They do not eliminate the risks embedded in benchmark concentration, but they offer a potentially more efficient way to balance market participation with differentiated sources of return. In an environment where the gap between winners and losers continues to widen, disciplined stock selection remains important, even if the path to realizing its benefits requires a different portfolio construction framework.

PRIVATE EQUITY & VENTURE CAPITAL

The same AI-led strength and concentration visible in public equities is also shaping private-market performance and prospective liquidity. Private-market performance is gaining momentum, led by the strongest quarterly venture capital returns in five years, even as traditional buyout strategies and investor liquidity continue to lag. According to MSCI, venture capital returned 12.7% in the second quarter, driven largely by appreciation among leading AI companies, with preliminary estimates suggesting outperformance relative to public markets in Q3. Buyout funds, meanwhile, returned just 2.5% in Q2, reflecting a more subdued environment for traditional private equity. Stronger performance has not yet translated into meaningful liquidity for investors, with MSCI reporting that private equity's annualized distribution rate stood at just 9% through June, as contributions continued to modestly exceed distributions.

Nevertheless, the outlook for liquidity is increasingly encouraging. SpaceX's record-setting \$86 billion IPO in June demonstrated public markets' extraordinary capacity to absorb new issuance, while the third quarter highlighted strategic M&A as another important pathway for venture-backed companies to generate liquidity. Notable transactions included SpaceX's reported \$60 billion acquisition of Cursor, Stripe's \$8 billion acquisition of OpenRouter, and AMD's \$8.2 billion acquisition of World Labs. With Anthropic reportedly considering a public listing as early as November and OpenAI potentially following in the first half of 2027, the pipeline of prospective realizations remains substantial. As pre-AI technology valuations recover and post-IPO lock-ups expire, these developments could begin translating years of unrealized appreciation into meaningful distributions for venture investors.

The scale of investment in artificial intelligence continues to accelerate, with OpenAI reportedly exploring financing at a valuation exceeding \$1 trillion. Despite unprecedented infrastructure spending, demand for computing capacity continues to strain supply, with rental prices for older-generation AI chips actually increasing even as newer processors enter the market. According to SemiAnalysis, one-year rental rates for NVIDIA's H100 GPUs have risen approximately 60% over the past year, challenging conventional assumptions about the economic depreciation of AI hardware. This sustained demand is fueling investment across the semiconductor ecosystem. Etched reportedly raised \$700 million in August at a \$21 billion valuation, with subsequent discussions suggesting valuations exceeding \$40 billion. Coatue is also reportedly exploring a multibillion-dollar financing arrangement with MatX to secure semiconductor manufacturing capacity, alongside a potential equity investment at a valuation exceeding \$8 billion. Meanwhile, iPrionics raised \$125 million from investors including NVIDIA to develop optical networking technology, while d-Matrix announced plans to integrate its specialized inference processors into NVIDIA's data center architecture.

The emergence of personal AI agents may also signal an important shift in how the technology creates value. Unlike the internet era, when social networks, marketplaces, and payment platforms created enormous value through network effects, AI has so far been predominantly a single-player technology. That may be changing as agents evolve from answering questions to executing transactions and coordinating activities on behalf of users. The high-profile launch of Instinct, a personal AI assistant capable of managing travel, reservations, and purchases, offers an early glimpse of this opportunity. The company raised \$1 billion in September at a \$10 billion valuation, with its founder reporting nearly \$1 billion in annualized transaction volume. As these capabilities mature, networks connecting users, agents, and service providers could become increasingly valuable, with identity, trust, and payments emerging as potential sources of competitive advantage.

Beyond AI, biotechnology is also showing encouraging signs of renewed momentum following several challenging years. Public biotech valuations have rebounded sharply, accompanied by a reopening of the IPO market and improving private financing conditions. Biopharma M&A has also accelerated, with a broader universe of strategic acquirers emerging beyond traditional large pharmaceutical companies. Notable transactions included Vertex's \$10 billion acquisition of Crinetics, Servier's \$2.5 billion acquisition of Day One Biopharmaceuticals, UCB's \$2 billion upfront acquisition of Candid Therapeutics, and Incyte's acquisition of Star Therapeutics' subsidiary Vega Therapeutics for up to \$2 billion. This expanding base of strategic biotech acquirers is creating additional pathways to liquidity for venture-backed companies.

Meanwhile, digital assets faced renewed regulatory uncertainty following the failure to advance the CLARITY Act in September. The legislation was intended to build on the GENIUS Act's stablecoin framework by clarifying digital asset classification and the respective roles of the SEC and CFTC. Regulatory progress is now expected to continue through agency rulemaking, potentially creating a more permissive environment, albeit without the durability of legislation. Interestingly, Bitcoin and other major digital assets recovered following the initial selloff, suggesting investors may see advantages in a less restrictive regulatory regime. The outcome presents a paradox: the absence of comprehensive legislation may benefit established platforms and near-term market sentiment while creating greater uncertainty for new entrants and the next generation of digital asset applications.

FIXED INCOME

The economic growth narrative that continued to support equities through Q3 had a very different expression in bond markets. Strong activity, persistent inflation, fiscal concerns and energy shocks reinforced the theme of 'higher for longer' interest rates that has grown in strength during 2026. Indeed, Q3 witnessed the sharpest moves in yields that have been seen in years. Looking back over quarterly data since 1962, only 14 periods have seen a more dramatic rise in US 10-year treasuries – two of which were amid the great post-Covid hiking cycle. Several factors are driving rates higher – and bond prices lower – not just in the US but across the world: higher inflation – both in headline and core prices, persistent fiscal deficits, evolving monetary policy expectations, and strong economic growth. The sharpest moves took place in September.

In the US interest rate moves accelerated during the last six trading days of the month. On Wednesday September 23, 10-year Treasury yields surged 15 basis points higher, followed by more upward pressure on Thursday. A coalescence of several meaningful risk factors brought about this jump. Stronger than expected PMI data, Brent rising further above \$100/barrel, rumors of a diesel export ban, and a poor five-year auction all contributed. This 32 basis point move into month end brought the total quarter number to +82 basis points on the ten-year yield. What is also striking, is that the move was largely driven by a push higher in real rates. This is meaningful as it suggests that the market is trading more in response to expectations of structurally higher growth, and borrowing demand from both private and public sectors, than to fears of runaway inflation.

Still, inflation, as well as concerns about fiscal deficits, remains top of mind for fixed income investors. The outlook for both is worrisome. A re-escalation of the war in Iran during the first week of September and the resulting spike in energy prices was a trigger for the global bond sell-off. This coincided with the clear message from Fed Chair Warsh at Jackson Hole that he saw it as the Fed's job to achieve price stability – or bring inflation back to 2%. The interest rate hike by the ECB on September 10th helped further reinforce global hawkish sentiment. As the month progressed French bonds were hit particularly hard as growing concerns around the fiscal situation in that country came to the fore. The spread between French and German 10-year debt reached its widest points since the Euro crisis of the early 2010s. Since then, protests initially led by students have tipped into street riots against current President Emmanuel Macron adding to governability concerns. Markets are rattled, and French government bonds, known as OATs, are still trading near the September highs.

In the US, Europe, and Japan markets in mid-October expect nearly three more hikes by September of 2027, while in the UK, markets are pricing four more. Meanwhile, neo-bond vigilantes see only bloated government balance sheets and irresponsible spending amid a wave of handouts to try



and calm growing discontent around affordability. Optimists point to higher growth in the US driving rates higher – but that still doesn’t translate to a great outcome for bond investors. Another major factor driving the cost of capital higher – competition between governments and corporates as issuance by the private sector continues to grow – is discussed below.

PUBLIC CREDIT

The rise in risk-free rates carried directly into public credit, where it intersected with the AI investment boom through record debt issuance. Last quarter, this letter discussed the oncoming deluge of AI-related issuance credit markets. This quarter saw the market's response to record levels of new debt issuance. In addition to the hyperscaler debt mentioned in the introduction, AI-related debt accounted for approximately 25 percent of all US gross issuance, totaling about \$325B. Similar dynamics are occurring in the US high-yield and leveraged loan markets, where AI-related debt accounted for around 23% and 15% of gross issuance, respectively. It is worth noting that AI issuance slowed in September, as the rise in risk-free rates and market volatility suppressed the number of borrowers coming to market.

One of the prevailing conversations in fixed-income markets revolves around how hyperscaler debt is competing for capital with governments where attractive yields from AI-related issuers in both investment-grade and lower-rated credits are crowding out other potential investments. As capital is increasingly directed toward AI-related opportunities, sectors with declining growth prospects are becoming more vulnerable to a lack of capital. This is contributing to substantial spread widening among these credits and creating pockets of dislocation across credit markets. For example, the CCC index spread moved above 1,000 basis points as investors became increasingly reluctant to take on credit risk. This ranks in the 80th percentile over the past 20 years.

Spread widening for lower quality debt has also affected spreads on hyperscaler-related issuance. For example, Meta's Texas data-center financing priced at 287.5 basis points over Treasuries, compared with 225 bps for its Louisiana data-center financing last fall. Similarly, banks have spent more than six months attempting to distribute \$38B in construction debt tied to Oracle-leased data centers, with some lenders now offering portions of the loans at a discount.

Hyperscalers are currently relatively price insensitive to small fluctuations in their financing costs. This could continue to create attractive entry points in a sector with strong tailwinds and guarantees supporting the underlying project financing. Meanwhile, the competition for capital from AI-related issuance is leaving other parts of the credit market increasingly vulnerable to persistent spread widening.

PRIVATE CREDIT

Beyond the public markets, the same combination of AI financing needs and tightening monetary policy is contributing to dispersion in private credit. AI remains the topic of conversation across asset classes, and private credit is no exception. The scale of debt required to finance the data center buildout is drawing increased scrutiny, but AI is just one of many potential catalysts for credit stress. Higher debt service costs, looming maturities, liability management, and shifting lender dynamics are creating pressure across the market. Stress and distress do not, however, automatically translate into capital loss. For investors equipped to navigate complexity, they can create some very compelling opportunities.

RockCreek's private credit approach remains focused on durable, all-weather, income-oriented opportunities. However, we are including more special situations strategies in our current pipeline. The opportunity is not predicated on a single macroeconomic shock or a broad recession call. Rather, it reflects growing dispersion, structural complexity, and delayed resolution – conditions in which price and fundamental value can diverge.

Refinancing pressure is one important catalyst that may stress corporate borrowers. More than \$500 billion of high-yield and leveraged loan debt is estimated to mature in 2028 alone. For middle-market companies carrying substantially higher borrowing costs than at origination, access to refinance can be limited by leverage, margin pressure, and inconsistent cash flow. Importantly, distress increasingly emerges before formal default and companies can remain current on interest while their debt trades at deep discounts, allowing investors to enter ahead of a restructuring or other value-realization catalyst.

Although some borrowers face inevitable restructuring, others retain valuable assets, adequate liquidity, or credible refinancing paths despite temporarily impaired earnings. Separating the two requires careful analysis of everything from management team quality to capital structure to recovery potential, and not simply a view on the credit cycle. Adding to the situational complexity, liability management transactions have emerged as a prevalent “solution”. However, LMEs can provide temporary relief without fixing underlying operational problems. S&P data indicate that roughly 35% of distressed exchanges are followed by another default within 48 months.

Market structure adds another layer of opportunity. CLOs now hold a substantial share of leveraged loans, and exposure limits can force managers to sell downgraded credits regardless of underlying fundamentals. Similar dislocations arise when banks seek to address regulatory capital requirements or reduce workout burdens. In both cases, sellers may prioritize speed of execution

over maximum recovery, creating opportunities for investors able to provide capital and execute complex restructurings.

The common thread is mispriced complexity. In this market, liquidity, documentation, and lender constraints are paramount to realizing fair value and translating dislocation into attractive risk-adjusted returns.

REAL ESTATE & INFRASTRUCTURE

Real estate brings the higher-for-longer theme back to asset values, refinancing and transaction liquidity. As loans originated at lower rates mature, higher debt-service costs can reduce the amount owners are able to borrow, while lower property valuations can further constrain loan proceeds. Even properties generating enough income to service their existing debt may therefore face a funding gap at refinancing, requiring additional equity, a negotiated extension or a sale. These pressures can bring assets to market and create opportunities for buyers with available capital, although a lower purchase price alone does not resolve weak property fundamentals. Recent manager discussions highlighted more transaction retrades and the risk that third-quarter appraisals had not fully captured changes in financing costs. Multifamily appears particularly exposed, where low capitalization rates coincide with limited near-term income growth. Improving fund returns also do not necessarily translate into investor liquidity: redemption backlogs and discounted exit options remain relevant to the value and timing of realizations.

Within apartments, the investment opportunity increasingly depends on matching entry cost and delivery timing to local supply conditions. Managers report declining construction starts in their markets, but properties leasing today still face competition from recent deliveries and concessions that weigh on effective rents. The prospective reduction in supply supports a more constructive medium-term outlook, rather than an immediate recovery in cash flow. Developers with demonstrable procurement and construction advantages may be positioned to benefit, provided their returns can withstand slower stabilization and do not require lower exit capitalization rates.

Retail offers a different supply dynamic. Recent discussions with shopping-center managers point to rents that remain below levels needed to justify new construction, limiting competition for existing properties. This can support leasing and income growth, particularly where tenant demand is durable and in-place rents offer achievable upside. Stronger fundamentals are, however, attracting capital and tightening acquisition yields. The opportunity therefore rests on the price paid and the cost of capturing rental growth, including tenant improvements and leasing expenditure. A favorable sector outlook is insufficient if the acquisition price already assumes the operating gains.

Infrastructure investment opportunities extend beyond data centers to the power generation, transmission and grid connections needed to support growing electricity demand. The investment case depends on translating that demand into contracted revenues, with credible delivery schedules and clear allocation of construction and operating risks. CBRE reported that 80.4% of capacity under construction in primary North American data-center markets was pre-leased at



midyear. Power availability and delivery schedules nevertheless remain constraints, creating opportunities in enabling infrastructure while increasing execution risk. Investors need to distinguish customer interest from binding commitments and assess who bears the cost of utility delays, construction overruns and changes in power requirements. Parent guarantees, enforceable lease obligations and alignment between power delivery and rent commencement are consequential to investment outcomes.

Across these opportunities, we see greater value in controlling the cost and timing of income creation than in relying on a broad valuation recovery. That favors assets with supportable current cash flow and projects where operating or development capabilities provide a measurable advantage. For portfolio construction, the ability to fund a longer hold without forced sales remains as important as the projected return.

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