

2026 private markets outlook



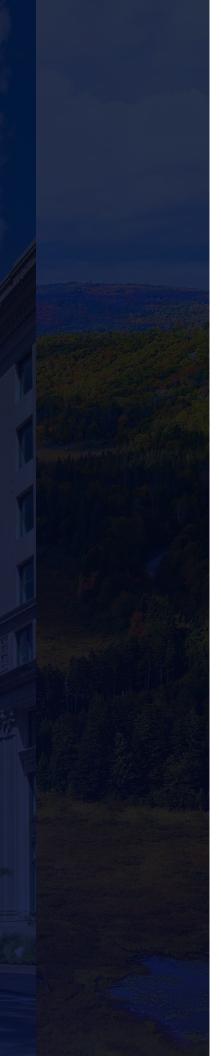


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A message from Anne Valentine Andrews



We live in an era of immense change. As a long-time institutional private markets investor and asset owner, we find ourselves standing at the crossroads of transformative global trends, embracing new opportunities while facing fresh challenges. While these themes aren't new to private markets, their acceleration is driving a more profound and rapid transformation than ever before. In our 2026 outlook, we take a deep dive into five secular themes: digitization, decarbonization, deglobalization, demographics, and democratization.

In our view, these themes shouldn't be studied in isolation because they interact, amplify, and occasionally counterbalance each other, creating a complex but fertile environment for innovation and growth. Over the following pages, we examine how they might reshape the investment landscape over the coming year and beyond.

As we share our expectations for the future with you in this report, I'm reminded that every one of our client relationships is underpinned by a strong culture of partnership, transparency, and intellectual curiosity. As a long-term partner and steward of capital, we're committed to aligning with our clients' goals to drive sustainable growth and resilience. By fostering collaborative relationships, we aim to navigate complexities together and unlock opportunities that create lasting impact. Trust is the cornerstone of these relationships and has been built by being transparent in our processes, reliable in our commitments, and accessible in our communication.

As a result, our clients have the confidence and clarity needed to make informed decisions, further fueled by our culture, which enables us to uncover unique insight and innovative solutions together. By continuously questioning, learning, and adapting, we strive to deliver outcomes that anticipate and address the evolving needs of our clients.

I hope you find the content of this report valuable. The uncertainty we as investors are faced with today brings with it opportunity, and the views and opinions shared by our team of experts confirm our belief that private markets are well positioned to capitalize on the structural shifts currently taking place and are an essential part of forward-looking capital allocation.

Best regards,

Anne Valentine Andrews

Global Head of Private Markets Manulife Investment Management

Key takeaways

Digitization

The rapid adoption of Al and the broader integration of advanced technologies—from data analytics to blockchain to automation—is reshaping how assets are sourced, managed, financed, and accessed, while simultaneously driving operational efficiency, transparency, and innovation across private markets asset classes. We believe the winners in this new era will be those who invest in digital transformation, take a responsible approach to innovation and the implementation of new technologies, prioritize cybersecurity, and leverage data-driven insight to deliver superior returns and transparency.

Decarbonization

Decarbonization is becoming a foundational investment lens across private markets, driving portfolio rotation toward real assets, influencing underwriting and asset management, and creating opportunities for climate-resilient strategies amid regulatory evolution and environmental urgency.

Deglobalization

The retreat from established hyper-globalized supply chains and the reemergence of trade barriers is affecting global flows and the way private markets investors are thinking about asset selection. Ongoing policy uncertainty and cross-border investment barriers will require flexible, dynamic risk management, and a focus on regulatory diversification.

Demographics

Demographic change is a powerful, long-term driver of demand, innovation, and risk across private markets. Aging populations, urban migration, generational wealth transfer, and evolving consumer preferences are reshaping asset allocation and business models across all sectors. The way housing needs, urbanization trends, and consumer demand for sustainable, low-carbon products are responding to the evolving demographic picture are driving changes in how we're evaluating long-term demand for forest products, building design, and land use. Investors will need to anticipate and respond to these trends to capture growth, mitigate risks, and deliver solutions that align with future needs.

Democratization

Democratization is breaking down barriers that once limited private markets access to institutional investors and the ultra-wealthy. Regulatory changes, digital platforms, and new product structures are making private assets increasingly accessible to high-net-worth and retail investors as well as to defined contribution (DC) plans. The DC channel represents one of the largest untapped opportunities for private markets, and with regulatory momentum favoring this asset class, democratization is reshaping the investor base.

Digitization

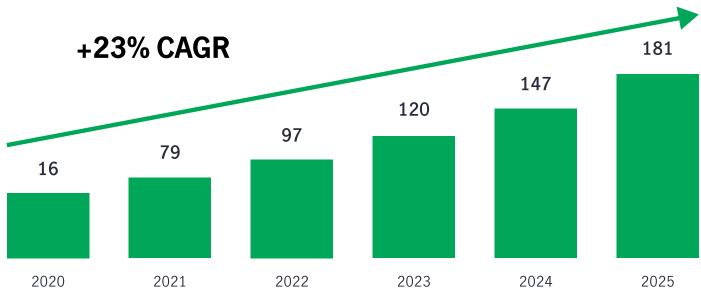
The rapid adoption of AI and the broader integration of advanced technologies—from data analytics to blockchain to the Internet of Things to automation—is reshaping how assets are sourced, managed, financed, and accessed while simultaneously driving operational efficiency, transparency, and innovation across private markets asset classes.

Al is already driving changes in how we evaluate deals and manage real estate assets and how occupiers use space. In our view, how Al may define new real estate spaces is the next frontier: Diversification into niche sectors is growing, and the potential for Al to actually change how real estate is defined is great, from the buildings themselves to inclusion of the spaces and connectivity between them. Al adoption is currently highest at the customer-facing side of the business, with increasingly sophisticated tools available to enhance the entire tenant acquisition process. This could potentially lead to a compounding effect on the accuracy of predictions related to tenant retention and associated impact on rents and trade-outs. This would also have an impact on creating enhanced tenant profiles to better understand tenant needs and demands that in turn would help customize resident experiences and asset amenities and programming. Al-powered building systems and tools are also helping realize asset-level operational efficiencies and enhanced risk assessments because of better monitoring.

Data protection

It's a similar story in infrastructure. The growing adoption and commercialization of AI will drive significant change in the way data is managed and consumed, and we expect this to lead to rising demand for relevant infrastructure such as fiber networks, hyperscaler data center platforms, and co-location data centers. Data center-powered land strategy, which focuses on creating standardized, shovel-ready data center sites across key markets, has also become an area of focus. While this trend will present investment opportunities, we're also aware of the sustainability challenges that will accompany this growth, particularly the significant water and energy consumption that digital infrastructure typically requires.

Global data generated annually (zettabytes)



Source: Statista, as of July 31, 2025.

We believe opportunities abound as companies deploy digital technology to scale and drive efficiency. This can already be seen in the private equity sector's growing focus on technology-driven companies within the fintech, software as a service, and digital infrastructure spaces. Tech-enabled businesses can adopt automation tools to reduce or eliminate manual tasks such as data entry,

customer onboarding, and billing. Firms can also harness data analytics to better allocate resources, forecast demand, and optimize pricing. Technology platform upgrades will better allow companies to expand geographically, onboard new customers rapidly, and integrate add-on acquisitions into a unified system. At Manulife Investment Management, we seek to align with private equity sponsors who bring expertise and benchmarks from other portfolio companies and can deploy value creation teams to help tech-enabled businesses apply best practices in these areas.

Digitization is already proving to be a transformative force across private markets, but new opportunities are likely to be accompanied by new challenges. Cybersecurity and data privacy both deserve greater investor attention in a digital world, particularly with regard to how investments are evaluated. Breaches aren't uncommon but can cause significant damage to a business. Cloud usage and cloud storage continue to gain momentum in this new environment, and so cybersecurity businesses have become an area of investment focus for our team.

The effect of digitization on timberland and agriculture may not be as immediately obvious, but we're already seeing tremendous potential. The 21st century farmer is able to carry out real-time monitoring of soil health, water usage, and crop growth, improving decision-making and reducing operational risks. Furthermore, farms are increasingly using sensors, drones, and Al-driven platforms to optimize crop yields, reduce resource use, and monitor environmental impact. The potential to organize and analyze previously uncategorized data generated by remote farms may also lead to improved outcomes on the farm, whether through better labor, equipment, crop input, or water management. Similarly, emerging technologies such as Al-driven forest analytics, remote sensing, carbon-monitoring platforms, and digital marketplaces for ecosystem services are transforming timberland investment strategies. These developments are helping investors to optimize yields, monetize carbon and biodiversity credits, and enhance transparency and sustainability reporting while supporting climate resilience and sustainable land use.

We believe the winners in this new era will be those who invest in digital transformation, take a responsible approach to innovation and the implementation of new technologies, prioritize cybersecurity, and leverage data-driven insight to deliver superior returns and transparency.

Infrastructure

Case study: Manulife Investment Management partners with Midwest Fiber Networks to build out critical fiber assets

In May 2025, Manulife Investment Management's infrastructure team joined forces with Midwest Fiber Networks to create Lakefront Fiber. The formation of the new company is part of the team's digital infrastructure strategy's extension into critical fiber assets and will facilitate connectivity for hyperscale, carrier, and municipal customers.

The partnership was based on a long-standing relationship with Midwest Fiber Networks, which designs and delivers secure, high-speed fiber connectivity across the Midwest, supporting critical operations for businesses, educational institutions, healthcare systems, and government entities.

Lakefront Fiber's first transaction was the acquisition of Everstream's network assets in Illinois in May 2025. The deal added nearly 650 route miles, supporting the new company's ability to deliver high-capacity fiber connectivity and customer-focused solutions across key markets in the Midwest.

Decarbonization

Decarbonization is now a foundational consideration across private markets, influencing capital allocation, underwriting, and asset management decisions. Real assets play a pivotal role in delivering measurable impact and aligning portfolios with global sustainability goals. Looking ahead to 2026 and beyond, we expect to see more portfolio rotation toward real assets. Regulatory evolution will continue to drive standardization and transparency in climate reporting, with climate adaptation strategies such as resilient infrastructure and climate-smart agriculture likely to become more prominent.

In agriculture, this trend is being driven by the need to balance ecological and financial sustainability: Weather and climate mitigation is an important consideration that could influence crop selection and operational practices. The industry has now reached a point where it can account for decarbonization through strategic decisions such as shifting between row and permanent crops and relocating certain crops to more climate-resilient regions. Tactical approaches have also evolved, with practices including reducing tractor passes to lower fuel use, engaging with academics to understand how different variants of the same crop may react to different climates, and leveraging genetic advancements to improve productivity and climate adaptation.

We believe the decarbonization trend is creating compelling opportunities in timberland, which is emerging as a multidimensional asset class that can offer value beyond physical products. It's also able to contribute to ecosystem services such as biodiversity and carbon sequestration, and as the market for nature-based solutions evolves, we expect these services will become increasingly easier to measure and assigned tangible value, creating additional opportunities for investment returns.

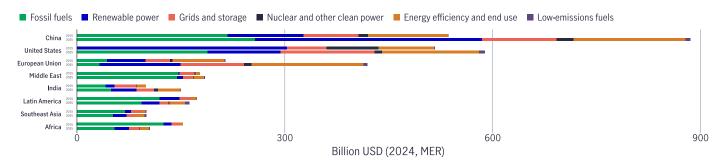
Building a cleaner future

Decarbonization has become an ever-larger factor in our built environment as well. Infrastructure plays a key role in ensuring that we're able to meet future energy needs, with sustainability and energy security emerging as key considerations. Nations embarking on the energy transition journey will need to invest in new infrastructure, including assets that support vehicle electrification, energy efficiency, renewable fuels, and carbon management. Meanwhile, factors such as energy efficiency and emissions reduction are increasingly being embedded into real estate underwriting processes and asset management procedures as regulatory mandates tighten across major markets. In practice, this can include retrofitting existing assets, integrating green building standards in new developments, and using data-driven tools to monitor energy efficiency performance. Assets that fail to meet evolving standards risk obsolescence and value erosion, making decarbonization a financial as well as an environmental imperative.

Atmospheric carbon dioxide concentrations are significantly higher today than in preindustrial times, and the carbon-intensive industrial economy responsible for the fantastic increases in global wealth over the past two centuries has also led to the depletion and degradation of the environment, without which the prosperity of future generations is doubtful. Swift action is required to reduce our reliance on carbon and enhance our resilience to increasingly devastating natural disasters. Investors are increasingly integrating climate risk into their investment processes, particularly when it has the potential to materially affect returns—through operating costs, asset valuations, or access to capital. Assets that successfully deliver on decarbonization objectives can benefit from lower regulatory risk, stronger tenant demand, and premium pricing, while those that lag face higher compliance costs and potential value erosion.

Successful managers will need to align a diverse set of stakeholders, including regulators, tenants, and local communities, to achieve these outcomes and preserve long-term asset performance in a rapidly evolving policy environment.

Energy investment across regions and sectors, 2015 vs. 2025



Source: IEA, as of May 30, 2025.

Timberland

Case study: precision fertilizer trial in the U.S. Southeast

In many areas, fertilizer is essential for cultivating healthy and productive forests. However, it also represents a significant expense and contributes to greenhouse gas (GHG) emissions. Our goal is always to apply fertilizer efficiently to minimize environmental impact and reduce costs.

Inspired by precision agriculture technology, our timberland team in the U.S. Southeast partnered with North Carolina State University to test a precision nitrogen fertilization approach for forestry, specifically focusing on mid-rotation (post-thinning) fertilization.

Traditionally, we've used broad fertilizer application methods in the U.S. Southeast that didn't account for variations in forest health. For this trial, we used satellite imagery to calculate Leaf Area Index (LAI) measurements, which helped us assess forest health. Thicker canopies indicate healthier forests that require less fertilizer. By processing the LAI data, we identified areas where we could reduce nitrogen fertilizer application rates—either across entire forest stands or within sections of a stand using a variable rate application.

The idea was simple, but executing on it required further innovation. We collaborated with a fixed-wing aerial application contractor to modify aircraft application hardware for precise fertilizer release over small forest sections. This involved upgrading and fine-tuning the gate release mechanism to ensure accurate, GPS-guided delivery based on the LAI analysis. After testing the hardware, we were confident that we could accurately treat areas as small as 2.5 acres within stands.

After years of research and preparation, the trial took place in spring 2024, covering approximately 3,000 acres of loblolly pine. We treated 2,000 acres at a reduced application rate and 1,000 acres with the variable application method.

The trial demonstrated that by applying fertilizer variably and according to need, we could effectively reduce the amount of nitrogen fertilizer used, leading to a more sustainable and cost-effective operation. The trial resulted in a 5.5% reduction in nitrogen fertilizer use across the entire U.S. Southeast fertilizer program. It also reduced GHG emissions by approximately 650 tCO2e and confirmed that precision fertilization is a positive step toward more sustainable forest management. Our aspiration is to eventually implement this strategy across 50% of the U.S. Southeast fertilizer program.

Deglobalization

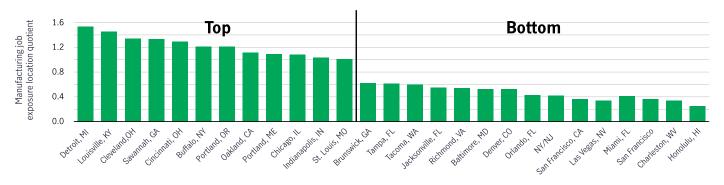
The embrace of economic nationalism and the resultant trade fragmentation is reshaping global trade. The retreat from established hyper-globalized supply chains and the reemergence of trade barriers is affecting global flows and the way private markets investors are thinking about asset selection. Ongoing policy uncertainty and cross-border investment barriers will require flexible, dynamic risk management and a focus on regulatory diversification. The pivot toward regionalization will likely continue to drive demand for logistics, industrial real estate, and relevant infrastructure as onshoring and nearshoring become a necessity as opposed to cost-optimizing options. Goods and services deemed to be essential, from food to energy to Al-enabling semiconductors to labor associated with these items, can be expected to recast supply and demand dynamics. Inflationary pressures and policy-driven dislocations are likely to persist, favoring inflation-protected assets and opportunistic credit strategies.

The focus on supply chain resilience isn't new. World events such as Brexit and the COVID-19 pandemic have already exposed vulnerabilities in global supply chains; however, the emphasis on ensuring supply resilience is amplified in this new environment that we find ourselves in. There's been a renewed focus on where food is being grown, where it's consumed, and the reliability of inputs. For decades, agricultural production was centered on areas with the lowest production costs. Going forward, logistics may carry just as much weight. Agricultural asset managers will need to maintain flexibility to invest in various production centers to ensure supply chains can survive unexpected disruptions. Crucially, the influence of domestic policies on foreign investment can be expected to grow. Constraints on immigration are also likely to impede availability and drive up labor costs, while tariffs may lead to an increase in inflationary pressures. At the same time, fluctuations in commodity prices for localized crops create both challenges and opportunities in agriculture, rewarding managers who can leverage pricing trends, diversify exposure, and adopt adaptive strategies to enhance portfolio resilience. Land ownership, particularly within agriculture, remains a deeply historical and emotional issue, requiring asset owners and operators to pay additional attention to local context and evolving tariff environments.

Regional challenges and opportunities

The reshoring of manufacturing will have a longer-term impact on commercial real estate, especially industrial and logistics hubs. Understandably, the effects of these changes will vary across North America, with Canada and the United States experiencing different trajectories. The industrial market in Canada has begun to show signs of softness—particularly in areas vulnerable to auto manufacturing and related intermediate materials—as manufacturers digest the likely effect of U.S. tariffs. While some uptick in the United States materialized in the beginning of the year in anticipation of tariffs, market momentum has waned until ramifications on pricing are better understood. As we have a better sense of how tariffs will affect investment and initiatives and policies supportive of near-shoring are identified and carried out, we'll likely see a shift in market and industrial asset selection around burgeoning manufacturing hubs, with strong labor pools in support of nearshoring.

Manufacturing job exposure



Source: Oxford Economics, as of Q1 2025. Note: Job exposure is measured as a location quotient (measured as the share of total market jobs comprising manufacturing compared to the national average).

Deals and investments are increasingly being evaluated through the lens of tariff impact and broader deglobalization risks. It may be easier, for example, to underwrite businesses where demand is less predicated on global supply dynamics—a perspective that may lead to more of a focus on firms in the services industry as opposed to those dealing in physical goods that are exposed to the global supply chain. In Asia, logistics firms and manufacturers that had initially set up their production base in China have been gradually shifting their operations, mostly to neighboring countries in Southeast Asia. This has been driven in part by rising trade tensions between Washington and Beijing, combined with a desire to avoid supply-chain strains experienced during the pandemic due to China's Zero-COVID policy, and rising wages in the republic. As supply chain resilience becomes a priority for leaders worldwide and tariff uncertainty comes into play, interest in nearshoring has been revived. The Association of Southeast Asian Nations, for instance, will be welcoming its 11th member, Timor Leste, in October. Meanwhile, South Korea, Japan, and China revived long-stalled trade talks in March—their first in six years.

It's not simply a trade issue: The heightened risk of conflict around the world has increased the demand for defense spending and associated infrastructure projects, while data sovereignty has become a key priority for governments and corporations globally. This is likely to fuel further demand for data centers and interconnecting infrastructure such as fiber networks. The Russia-Ukraine conflict thrust the importance of energy security squarely into the spotlight, particularly in Europe. We believe the desire to achieve higher energy independence will drive high spending to modernize grids, the buildout of renewables, as well as a reduction in reliance on imported energy. As companies continue to reshore production, expand domestic capacity, and invest in logistics and infrastructure, we're seeing an increase in demand for private credit, with the private equity sponsors backing these initiatives driving financing opportunities for private credit lenders. A reduced reliance on cross-border operations could limit exposure to currency volatility, disparate legal frameworks, and political uncertainty, enhancing underwriting confidence and supporting more resilient credit structures.

Deglobalization presents both challenges and opportunities for private markets investors. While it introduces new risks, it also offers potential for those adept at navigating regional complexity and regulatory fragmentation. Global trade has typically led to lower costs and better-quality goods and services for most of the world, but not without cost. Unequal access to these benefits, as well as geopolitical fragmentation and conflict, is already leading to a world in which local and regional supply chains may be more resilient to shocks than global ones.

By tapping into local expertise and diversifying across geographies and sectors, private markets can prosper even in uncertain times. Given the current macroeconomic and geopolitical climate, there's a compelling case for investors to prioritize assets that boast strong local demand and resilient supply chains, especially in regions with stable regulatory environments.

Real estate

Case study: real estate team acquires cold storage facility to increase private markets exposure in client portfolios

Our real estate team believes the reshoring of manufacturing will have a longer-term effect on commercial real estate, especially industrial and logistics hubs. It was against this geopolitical backdrop that the team acquired a newly built cold storage facility in Jackson, Florida, on behalf of clients.

The acquisition of the core-quality, Class A cold storage asset in a critical port market aligned with the real estate team's strategy to invest in industrial sectors and subsectors with significant tailwinds. Similar to industrial, supply chain headwinds have created a need for state-of-the-art facilities that can keep pace with shifting consumer demand.

The property, purchased in April 2025, is 100% leased to a national cold storage third-party logistics user with a total capacity of 44,000 pallets. It's five miles from the Port of Jacksonville, the 10th largest port in the United States, and a key demand driver for the Jacksonville cold storage market.

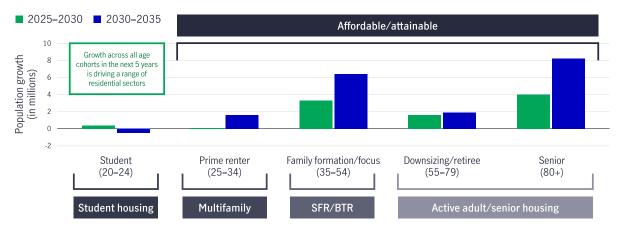
The acquisition underscores our strategic priority to expand our footprint in high-demand sectors and leverage strategic relationships for future growth. The team believes high barrier to entry industrial alternatives with limited supply will continue to perform well and are positioned to exhibit outsize growth in the future.

Demographics

Demographic change is a powerful, long-term driver of demand, innovation, and risk across private markets. Aging populations, urban migration, generational wealth transfer, and evolving consumer preferences are reshaping asset allocation and business models across all sectors. For instance, the way housing needs, urbanization trends, and consumer demand for sustainable, low-carbon products are responding to the evolving demographic picture is driving changes in how we're evaluating long-term demand for forest products, building design, and land use. Investors will need to anticipate and respond to these trends to capture growth, mitigate risks, and deliver solutions that align with future needs.

These demographic shifts are changing the way we use the built environment, leading to an evolution in commercial real estate assets and investment strategies. The most significant shifts taking place today and set to continue into next year include the reversal of COVID-19 trends, immigration policy changes, and stagnating wage growth/income levels affecting housing affordability in newer population centers. Looking further out, changing demographics are likely to underpin growing demand for housing in the medium and long term. In the United States, which has a housing shortfall of more than 4.5 million, the largest cohort of the population is currently in their mid-30s, or prime home-buying age; the second-largest cohort is in their mid-20s. This will have important implications for real estate demand, which trickles down to timber requirements too. The return of young workers and households to urban centers in the postpandemic world and the increasingly urgent task of upgrading aging housing stock are additional factors that will influence demand dynamics. Unsurprisingly, aging populations are also accelerating the demand for senior housing, healthcare real estate, and life sciences facilities, a trend that's particularly pronounced in developed economies.

Population growth by cohort and primary residential sector demanded



Source: Oxford Economics, as of July 2025.

The average age of U.S. farm producers is now over 60. Succession planning will quickly become a critical issue, and we could potentially see farmland opportunities coming to market over the next 10 to 15 years. As older generations retire, there will also be a need to train new talent, encourage greater technology adoption, and perhaps develop innovative ownership models to ensure continuity and productivity. The global population is projected to reach 9.8 billion by 2050—that's roughly 1.8 billion more than where we are now. In other words, we'll need to identify ways to sustainably produce enough food for everyone in relatively short order. This can be expected to drive investment in yield-enhancing technologies, climate-resilient crops, and efficient supply chains.

The baby boomer generation's entry into retirement is also leading to attractive value creation opportunities. The private equity industry can often bring specialized know-how to help family-owned-and-operated businesses achieve their growth potential, along with additional investment that can often create new opportunities. Healthcare services that are both high-quality and cost-efficient are also growing in demand, opening the door to investment opportunities in outpatient care models, pharmaceutical services, home health, and technology-enabled care platforms. From a client perspective, aging populations in developed markets are fueling demand from pension plans and insurance portfolios for stable, income-generating investments. We believe private credit is particularly well positioned to capture allocations from both institutional and retail investors thanks to its potential for yield premium and predictable cash flow profile.

Demographic change is a central force shaping the future of private markets. The ability to anticipate and then respond appropriately to population aging, urbanization, and generational shifts will be key to unlocking new sources of value and resilience.

Agriculture

Case study: demographic-driven crop investments

Shifting global demographics, particularly the expansion of the middle class in Asia, are creating new dietary demands. As populations gain wealth, consumption patterns evolve from basic staples to higher-value, nutrient-rich foods. Manulife Investment Management's agriculture team is capitalizing on this long-term trend through a deliberate strategy of investing in specific permanent crops—namely fruits, vegetables, and nuts—in strategically chosen locations around the world. This approach targets growing markets while employing sustainable practices and vertical integration to optimize returns and manage risk for our clients.

With a growing world population and rising incomes, global food systems will need to deliver 56% more food by 2050. Investments in agriculture infrastructure and associated technological advances can help strengthen global food supply chains by increasing operational efficiencies, lowering costs of production, and decreasing food losses. It's estimated that global growth will boost food demand by 20,500 trillion calories by 2050—a potential opportunity for investors to make a positive difference. Recognizing this powerful, long-term secular trend, the agriculture team has focused on identifying and investing in the crops best positioned to meet this future demand.

The solution: strategic crop selection and geographic diversification

The team's investment thesis is built on a methodical selection process that assesses a crop's alignment with demographic trends and its suitability for large-scale, high-quality production. This approach has resulted in a focus on permanent crops such as almonds, pistachios, apples, cherries, and cranberries. Almonds, for example, are a core holding due to strong global demand and the team has invested in two key regions that it feels are capable of production at scale: California and Australia. The Australian operations primarily service the growing Asian market, while the California assets supply North America and Europe.

The portfolio is diversified across key growing regions to mitigate geopolitical risk and optimize supply chain logistics. The team avoids investing in regions with significant instability, instead concentrating its assets in stable, productive regions, including the United States, Australia, and Canada.

A cornerstone of the team's approach is their commitment to sustainable resource management. They actively track water usage within subbasins to ensure their farms don't extract more than the natural recharge rate. Furthermore, they leverage the latest technology to improve efficiency, studying how different genetic varieties of almonds and pistachios perform in various soil types to maximize output while minimizing water consumption.

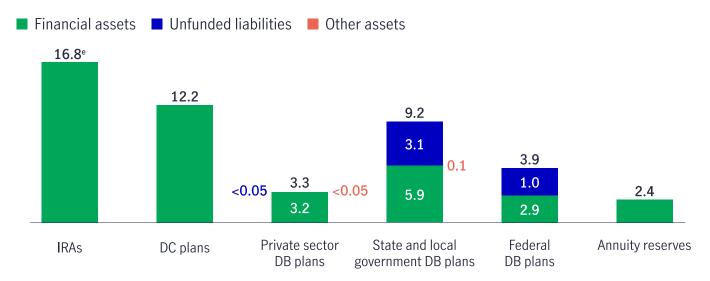
Unlike many investment managers, the team believes in vertical integration. For key crops like almonds in California and Australia, they employ their own work forces on the farms they own, from irrigators and tractor drivers to on-site agronomists. This direct operational control ensures adherence to the highest standards of food safety, sustainable practices, and risk management.

By aligning their agricultural investment strategy with fundamental demographic shifts, the team has built a portfolio designed to capitalize on the rising global demand for high-value foods. Their deliberate process of crop selection, strategic geographic diversification, commitment to sustainability, and vertically integrated operational model provides a resilient and forward-looking approach to farmland investing. This strategy allows us to meet the dietary needs of a growing global middle class while delivering durable value for our clients.

Democratization

Democratization is breaking down barriers that once limited private markets access to institutional investors and the ultra-wealthy. Regulatory changes, digital platforms, and new product structures are making private assets increasingly accessible to high-net-worth and retail investors as well as to DC plans: For context, the opportunity within the U.S. retirement space alone could be worth \$12 trillion. Unsurprisingly, broadening access is driving innovation in fund structures and increasing demand for transparency and liquidity. Adoption is accelerating: 79% of U.S. financial advisors plan to increase client allocations to private markets in 2025, underscoring their growing role in wealth management portfolios.¹

The opportunity in DC plans is considerable: U.S. total retirement entitlements (US\$ trillion)



Source: Investment Company Institute, as of March 31, 2025.

As interest in private markets broadens, supported by accompanying regulatory changes, fund structures are becoming more efficient and investor friendly. While these innovations enhance flexibility and accessibility, it's their continued proliferation across channels that will ultimately drive the next wave of growth. Key examples include:

- **Evergreen funds—**These allow for ongoing subscriptions and redemptions and may provide flexibility in allocations and periodic liquidity windows.
- Semi-liquid funds—Similar to evergreen funds, these also seek to balance liquidity with exposure to less-liquid underlying assets. Their structure makes them particularly well suited to wealth management channels and DC plans.
- Feeder funds—These vehicles lower the minimum investment thresholds and streamline administration requirements, making private equity and credit more accessible to retail and high-net-worth channels.

A shifting regulatory landscape

Regulatory changes in the United States have enabled private markets investments within retirement accounts, such as 401(k)s. Target-date funds and other retirement vehicles are increasingly incorporating private assets, leveraging semi-liquid and evergreen structures to deliver private markets exposure with appropriate liquidity and reporting standards. In addition, the SEC has expanded the definition of accredited investor beyond traditional wealth thresholds to include individuals with certain professional licenses, education, or job experience, and Congress is considering further measures to broaden eligibility through knowledge-based tests.

 $[\]textbf{1} \ \text{``Advisors eyeing bigger private-market allocations, says Blackstone,'' investment news.com, January 14, 2025.}$

Elsewhere, Hong Kong's Mandatory Provident Fund Schemes Authority is engaging in discussions with industry participants and developing FAQs to educate retirement investors on private markets investments such as private equity and real estate. The initiative aims to increase understanding and confidence among investors and reflects a growing trend in Asia to diversify retirement portfolios by gradually opening private markets to retail investors.

These developments, combined with global regulatory momentum, are lowering barriers to entry and creating a more inclusive framework for private markets participation—while potentially improving governance and investor protections.

The rise of digital platforms

While blockchain-based tokenization has introduced the concept of fractional ownership for real assets (e.g., real estate, timberland, infrastructure), the real game changer has been the rise of sophisticated digital platforms. These platforms are transforming investor access by streamlining onboarding, enabling seamless subscriptions and redemptions, and providing real-time portfolio visibility. By reducing friction and improving transparency, digital platforms are lowering barriers to entry and accelerating the democratization of private markets.

Democratization in private markets highlights a broader shift in investment thinking—private assets are no longer considered supplementary, but are valued as core holdings that strengthen and diversify traditional portfolios.

Multi-Asset Solutions Team

Case study: removing the barriers to entry for private assets investment

We've long believed that smaller institutions and long-term retail investors should have access to the same diversification and returns benefits that make private assets so popular with larger investors. That's why Manulife Investment Management added a Real Asset Pooled Strategy to its group retirement platform earlier this year, offering Canadian DC plans access to one of the first diversified real asset solutions.

The strategy provides DC plans with access to asset classes that include timber, agriculture, infrastructure, and real estate through a pooled fund designed to diversify portfolios and manage volatility across market cycles.

This would have been unheard of just a few years ago, but new all-in-one fund structures can level the playing field. Built as open-end funds of funds, they offer the ability to invest in several alternative investments under one umbrella and generally with lower minimum investments than fund managers would otherwise require, meaning that smaller investors don't have to choose one alternative asset class over another. This also improves diversification potential, as the asset allocator is able to invest in several different alternative investments at once, leveraging each one's different risk and return dynamics.

The Real Asset Pooled Strategy seeks to deliver real return over the long term through a blend of private and liquid real asset investments. Our private markets team handles the identification, underwriting, and disposition of direct real assets, while our public markets Multi-Asset Solutions Team is responsible for managing the broad asset allocation and asset class forecasting.

Private markets at the crossroads of change

As private markets investors navigate an era marked by rapid transformation, the convergence of digitization, decarbonization, deglobalization, demographics, and democratization is fundamentally reshaping the investment landscape, redefining how capital is deployed and value is created. These forces don't operate in isolation; instead, they interact to create a complex environment in which innovation, resilience, and adaptability are paramount.

The acceleration of technological adoption—from Al-driven analytics to digital marketplaces—is unlocking new efficiencies and enabling broader access to private assets while simultaneously presenting new challenges around cybersecurity and data privacy.

At the same time, the imperative to decarbonize is redefining asset management and capital allocation, with climate resilience and sustainability now central to underwriting and portfolio construction. These shifts are further amplified by the move toward regionalization and supply chain localization, as geopolitical tensions and policy fragmentation drive a renewed focus on domestic resilience and inflation-protected assets.

Demographic trends add another layer of complexity and opportunity, as aging populations in developed economies fuel demand for healthcare, senior living, and stable income-generating investments, while the rise of the middle class in emerging markets drives consumption and capital flows. The intersection of demographic change and digitization is fostering innovation in sectors such as healthcare IT, telemedicine, and value-based care networks, highlighting the importance of anticipating and responding to evolving consumer needs.

Meanwhile, democratization is breaking down barriers to entry, with regulatory changes and digital platforms expanding access to private markets for a broader array of investors. This democratization isn't only reshaping the investor base but also driving innovation in fund structures and improving transparency, liquidity, and governance across the industry.

Ultimately, the interplay of these five themes is creating a fertile environment for private markets investors who can harness their combined potential. Success in this new era will depend on the ability to integrate digital transformation, climate adaptation, regional expertise, demographic insight, and inclusive investment frameworks. By embracing these structural shifts, private markets are well positioned to deliver resilient returns, drive sustainable growth, and play an essential role in forward-looking capital allocation strategies.

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Important disclosures

Private Asset Investment Risks and Considerations

Investments in the strategies described herein (including infrastructure, real estate, private equity, and credit) include several risks and limitations, including but not limited to the risk of loss. Each of these investment strategies involves significant risks, any one of which could cause investors to lose all or part of the value of their investment. The following is a short summary of some but not all of the potential risks.

An investment in infrastructure and power assets is subject to certain risks associated with the ownership of infrastructure and power assets in general, including the burdens of ownership of infrastructure, local, national and international economic conditions, the supply and demand for services from, and access to, infrastructure and power assets, the financial condition of users and suppliers of infrastructure and power assets, changes in interest rates and the availability of funds which may render the purchase, sale or refinancing of infrastructure and power assets difficult or impracticable, changes in environmental laws and regulations, and planning laws and other governmental rules, environmental claims arising in respect of assets acquired with undisclosed or unknown environmental problems or as to which inadequate reserves have been established, changes in energy prices, changes in fiscal and monetary policies, negative developments in the economy that depress travel, uninsured casualties, acts of force majeure, terrorist events, under-insured or uninsurable losses, and other factors which are beyond the reasonable control of the investor or its investment manager.

Investors in private equity funds generally do not have an opportunity to evaluate for themselves the relevant economic, financial, and other information regarding the investments to be made by a fund sponsor and, accordingly, will be dependent upon the judgment and ability of the sponsor to source, evaluate, monitor, and exit investments. An investor in fund-offunds will pay, in effect, two sets of management fees and carried interest fee: one directly at the fund level and one indirectly through the funds at the underlying fund level. These fees reduce the actual returns to investors both in the underlying fund and in the fund-of-funds.

Equity securities purchased in connection with the private equity coinvestment program are typically subordinated to large amounts of senior and junior credit securities debt and are typically unsecured. This means that distributions to equity holders are available only after satisfaction of claims of senior and junior credit creditors and any senior classes of equity. Therefore, if a portfolio company does not generate adequate cash flow to service its debt Investments in equity securities of companies with substantial amounts of indebtedness involve a high degree of risk.

General investment risks related to the ownership of real property include, among others, declines in the value of real estate, negative changes in the climate for real estate, risks related to general and local economic conditions, decreases in property revenues (including financial failure of tenants), increases in prevailing interest rates, property taxes and operating expenses, decreases in property revenue, changes in zoning laws and costs resulting from the cleanup of environmental problems. The value of real estate is typically dependent upon the ability or the potential for the applicable property to produce cash flow.

The basic risks of lending and direct ownership of commercial real estate mortgages include but are not limited to borrower default on the loan and declines in the value of the real estate collateral. Defaults can be complicated by borrower bankruptcy and other litigation including the costs and expenses associated with foreclosure which can decrease an investor's return.

Investments in debt instruments, whether senior or subordinated debt, public or private, secured or unsecured, or investment-grade or below investment-grade, include liquidity risk, interest rate/market value risk, credit risk/market risk, prepayment risk, ratings risk, exchange rate risk, and risk of bankruptcy. Investing in leveraged senior loans also involves additional risk that the collateral securing a loan decreases in value, is difficult to sell in a timely manner, is difficult to appraise and fluctuations in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. Investments in subordinated debt/loans involve additional risks and can be highly speculative, involving a high degree of risk of credit loss.

Investing in timberland, farmland and Plus assets involves the risk of loss. Discretionary investment management accounts investing in farmland, timberland and Plus assets generally are subject to the following risks: fluctuating commodity prices, competition in the commodity markets, bad weather and natural disasters, loss of water rights, adverse government regulation, changes in SRI standards, changes in environmental protection regulation, and liability associated with environmental clean-up and remediation.

Investments in non-U.S. farmland, timberland and Plus assets, especially those investments located in emerging market countries, generally are subject to the following additional risks: political and economic factors causing disruptions in local markets, restrictions on investments, currency controls, and repatriation of investment proceeds, currency fluctuations, lack of developed property rights, and adverse changes in tax laws to disfavor foreign investment.

Plus assets also are subject to the following additional risks: limited experience investing in Plus assets, especially as a stand-alone or principal investment strategy, unexpected complications in implementing vertical integration of growing and processing operations, labor issues, regulations, food safety concerns, failure to maintain operating permits, competition, manufacturing disruptions, complications associated with the joint ownership

Thought Leadership Disclosure

Investing involves risks, including the potential loss of principal. Financial markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. These risks are magnified for investments made in emerging markets. Currency risk is the risk that fluctuations in exchange rates may adversely affect the value of a portfolio's investments.

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