Broader Horizons Beckon

Chubb Wealth® Hong Kong: 2026 Outlook

February 2026 issue:

Asset allocation
Will elevated valuations lead to higher volatility?

Equities
Focus on value and growth in emerging markets and Europe

Fixed income
Prefer higher-yielding bonds

Alternatives
Look to private credit and infrastructure to build resilience

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Welcome

Welcome to the inaugural investment outlook from Chubb Wealth, where we look ahead at what to expect from markets in 2026.

2026 is set to be an exciting year for Chubb Wealth. Our team of investment advisors has been set up in Hong Kong to deliver quality advice and informed insights to help our high-net-worth clients build a successful long-term wealth strategy. Their expertise is paired with our new digital wealth platform, which provides access to a range of unique, world-class alternative and fund solutions.

Turning to the markets, despite a range of negative surprises including the sharp tariff-related sell-off in February last year, continued weakness in the Chinese economy and the U.S. government shutdown, markets have climbed the "wall of worry", and equities and bonds have all delivered robust absolute returns in 2025.

Global equities have now seen positive returns for the last three years, and it is tempting to wonder whether all the good news is now reflected in prices. However, we continue to see opportunities for investors to grow their wealth in 2026, especially as non-U.S. equities are likely to continue their outperformance.

We hope that the Chubb Wealth 2026 Outlook provides you with insights and ideas on what markets may deliver over the next 12 months, and we look forward to partnering with you to help you realize your wealth goals in the coming year and beyond.

The Chubb Wealth Team, Hong Kong

Asset allocation - Will elevated valuations lead to higher volatility?

Growth likely to remain robust in 2026

The global economy has now seen five years of sustained growth, which puts us mid-cycle given an average duration of 10 years for growth cycles in the U.S. economy. Concerns about the sustainability of the current growth outlook have already led central banks around the world to cut interest rates. This raises a key question: will a recession occur in 2026, and how might this impact asset prices?

Our growth clock illustrates the swings in the level and momentum that shaped markets in 2025 (See Figure 1). At the start of the new year, global momentum remains positive, and leading indicators for most major regions continue to point to solid growth. This supports a positive outlook for risk assets leading into 2026.

A range of factors supports this view:

Rate cuts

The European Central Bank (ECB), People's Bank of China (PBOC) and the U.S. Federal Reserve have cut rates by a combined 185bp over the past 12 months, despite sticky inflation in Europe and the United States and robust global growth. This acts as an **insurance policy for growth.**

Fiscal spending

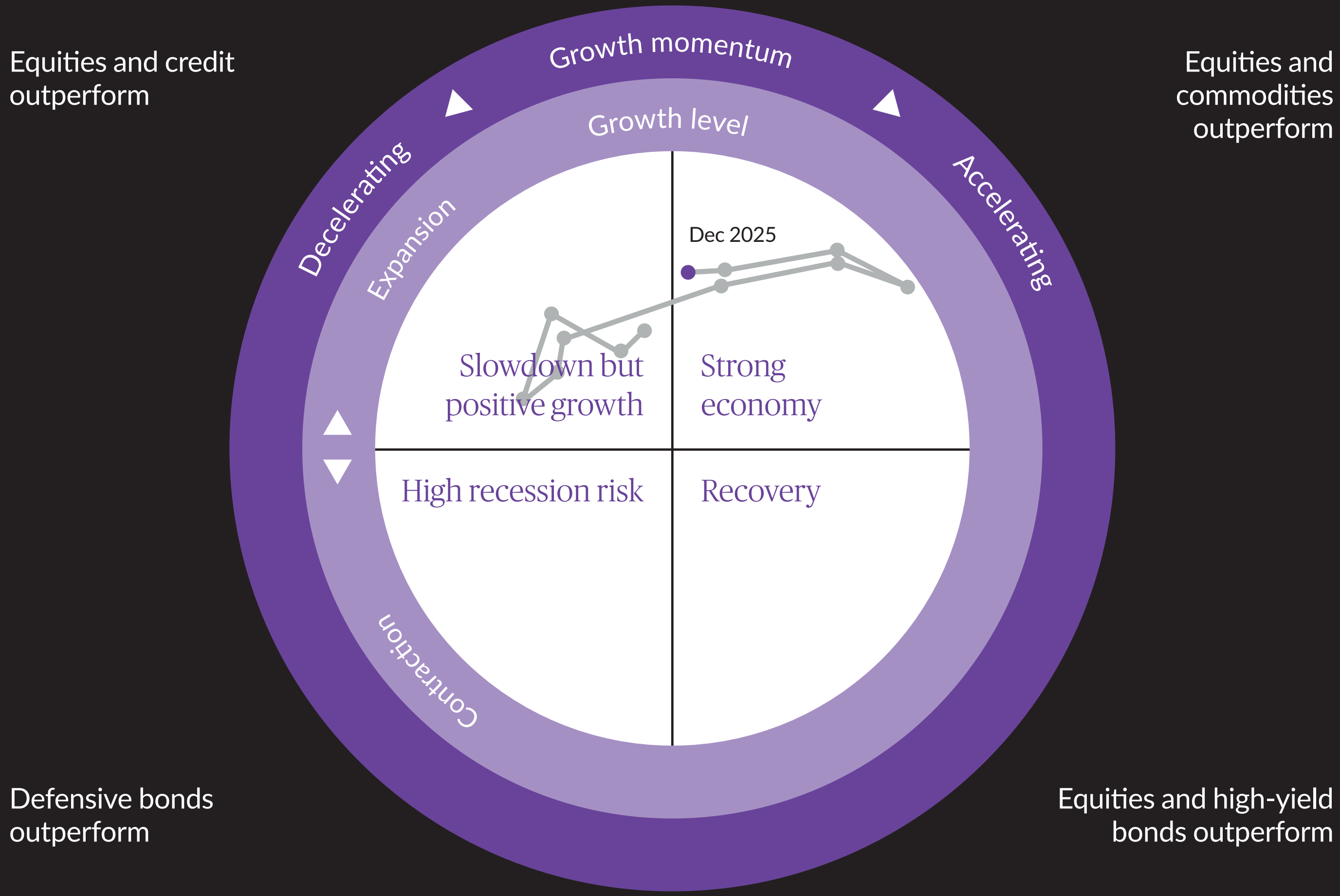
The **One Big Beautiful Bill Act** (OBBBA) in the U.S. will see a boost to growth equivalent to almost 1% of GDP, which will support earnings, especially in the first half of 2026. European fiscal spending will also increase, especially in Germany, which will unleash government spending equivalent to **1.5% of GDP focused on healthcare, defense and infrastructure**.

Capex spending on artificial intelligence (AI)

We are still in the early stages of the AI deployment cycle, and constraints on data centers, power and other related capacity remain major limitations to the broader growth and adoption of AI technology. Analysis from McKinsey estimates that **almost $7 trillion of additional investment will be needed by 2030 to meet AI related compute power demand** - equivalent to over 20% of the U.S. economy.

Figure 1

Global growth clock



For illustration only. Data tracks readings over the previous 12 months.
Source: Chubb Wealth, Dec. 2025

A positive outlook for global growth points to a supportive outlook for risky assets, especially equities. However, when we look at valuations, there is a risk that this positive outlook is partly in the price. We therefore hold a moderate overweight in equities and expect more modest and volatile returns from equities in 2026. We believe that investors should be selective in where they take equity market exposure. The following themes offer better risk-reward dynamics, in our opinion:

Prefer emerging market (EM) assets

EM equities and bonds outperformed in 2025 and we expect this to continue in 2026 supported by solid growth, falling inflation and reasonable valuations.

Favor European over Japanese equities

The ECB has aggressively cut rates, while expectations that the Bank of Japan will raise rates in 2026 create risk for Japanese equities after their strong rally. **European equities also offer attractive dividends** for yield-focused investors.

Look beyond mega-cap technology for AI beneficiaries

AI spending looks likely to continue. Asia is a key beneficiary of this spending and Asian technology earnings growth should remain strong in 2026.

The outlook for bonds is more mixed, and valuations also appear relatively expensive. We are underweight longer-duration bonds including investment-grade credit and government bonds. We are also underweight cash. We are more positive on high-yield and EM bonds: while bond spreads are tight, absolute yields look attractive versus recent history, and shorter duration profiles provide a better risk-reward in our opinion.

For investors who are allocating to alternatives, we are overweight private credit and infrastructure. In line with high-yield bonds, private credit offers an attractive absolute yield and is less vulnerable to volatility in long-term rates, especially in the first half of 2026. While recent bankruptcies have hurt sentiment towards private credit, we believe that this emphasizes the importance of picking the right funds and allocation, rather than a systemic issue with private credit.

Infrastructure equity offers a potentially lower risk profile for income-focused investors. While yields are lower than in private credit, default risk tends to be lower and payments are more stable, due to longer-term fixed payment structures.

We are neutral private equity and prefer small and mid-market segments where valuations are more attractive.

We are underweight real estate. While valuations have improved, there is still uncertainty over the outlook for areas such as office and retail space.

Figure 2

Chubb Wealth 2026 Asset Allocation

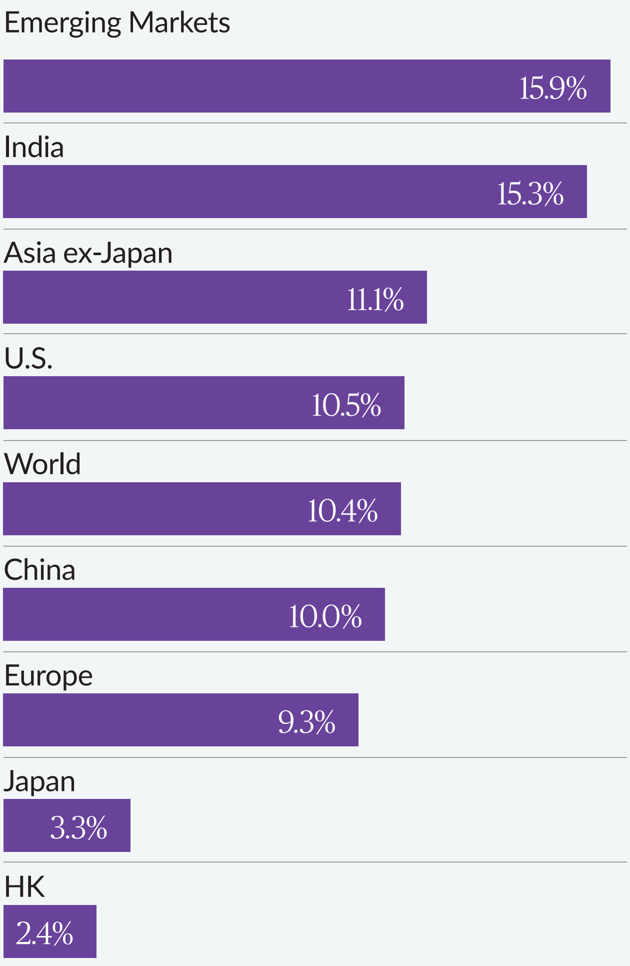
	Underweight		Neutral	Overweight		Remarks
Asset Class						
Equities				●		Moderately positive but selective, with a preference for EM and European equities.
Corporate bonds			●			Outlook is mixed; while absolute yields are high, spreads are tight.
Government bonds		●				We prefer short-duration bonds and note there is risk of volatility from changes in Federal Reserve leadership.
Alternatives				●		Focus on private credit and infrastructure for attractive yields and lower risk profile.
Cash	●					Real cash yields appear unattractive at almost 0% and are expected to fall further.
Equities						
U.S.			●			AI-related growth is offset by high valuations.
Europe				●		Favored for their relative value, robust earnings growth and attractive dividend yields.
Japan		●				Underweight Japanese equities following their sharp rally and ahead of further rate hikes.
China				●		China is attractive within EM, with local policy support and reasonable valuations.
Asia (ex Japan & China)				●		Supported by local rate cuts, a weaker U.S. dollar and strong technology earnings growth.
Emerging markets (ex China)					●	Solid growth, falling inflation and reasonable valuations. India is particularly attractive.
Bonds						
Government bonds		●				Valuations appear expensive and there is a risk of volatility from changes in Federal Reserve leadership.
U.S. investment grade	●					Underweight due to expensive valuations and minimal compensation for credit risk.
U.S. high yield				●		Relatively positive, supported by strong company earnings and higher coupons.
Asia					●	Asian bonds benefit from improved local macro conditions and attractive yields.
Emerging markets					●	EM assets are favored, with both equities and bonds expected to outperform.
Alternatives						
Private credit				●		Private credit offers an attractive absolute yield and is less vulnerable to volatility in long-term rates.
Private equity			●			Valuations are improving. We favor secondaries and the middle-market where valuations are more attractive.
Real estate		●				Cycle appears to be bottoming, but risks remain.
Infrastructure equity				●		Attractive for income-focused investors, offering stable payments and a comparatively lower risk profile.

Equities

Focus on value and growth in emerging markets and Europe

Figure 3

2026 consensus EPS growth



Source: Bloomberg, Jan. 2026

Global equities have delivered annualized returns of over 20% over the past three years, with the Bloomberg World Large & Mid Cap Total Return Index up 20.9% in 2025. While headlines have focused on the strength of U.S. equities and the "Magnificent 7" (Apple, Amazon, Alphabet, Meta, Microsoft, Nvidia, Tesla), returns have been broad-based and U.S. equities have lagged global peers on a relative basis in 2025.

While this bull market is relatively mature at 39 months compared to an average of 51 months, it does not appear overdone, and periods of interest rate cuts from the Federal Reserve in a non-recessionary environment are historically positive for equities. Earnings are expected to grow in all major markets in 2026, which also supports our view of further upside.

However, there are also risks that investors must monitor. Valuations, especially in the U.S., appear stretched and indicate that a lot of good news is priced in. While not a good short-term predictor of returns, stretched valuations tend to drive higher market volatility.

As a result, we hold a modest overweight position in equities and favor regions that combine positive growth momentum with reasonable valuations – often known as "Growth At A Reasonable Price", or GAARP.

>20%

annualized returns from global equities over the past three years

Source: Bloomberg, Dec. 2025

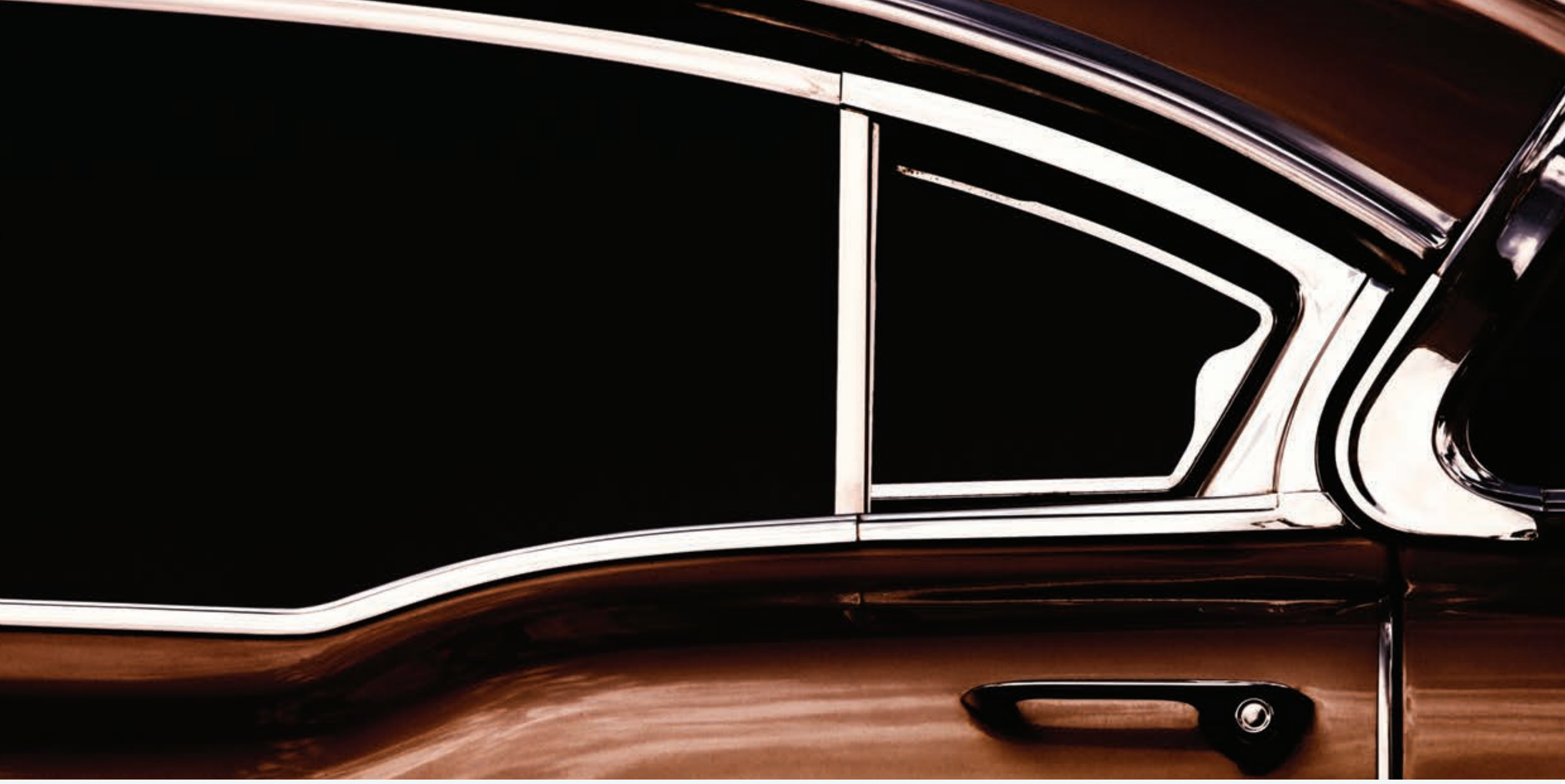
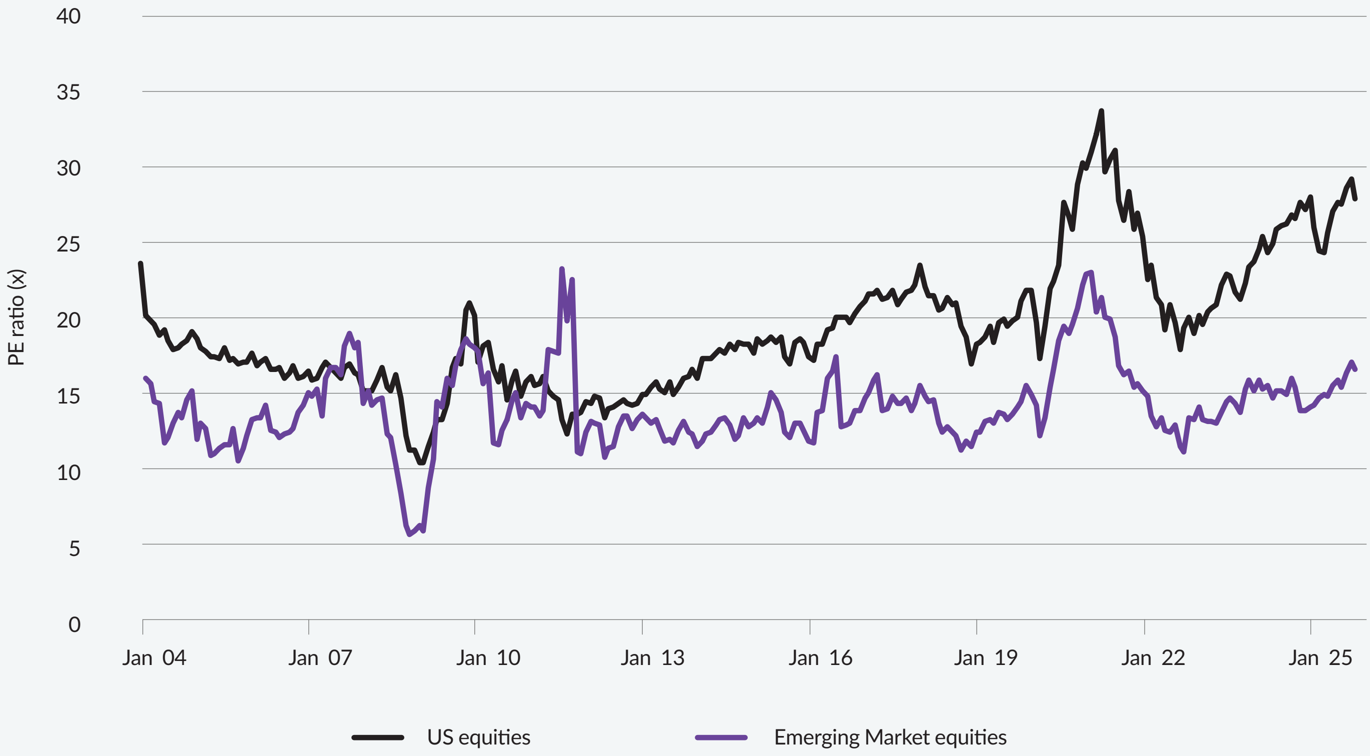


Figure 4

U.S. and emerging market price-to-earnings ratios



Source: Bloomberg, Jan. 2026

2.9%

European equities dividend yield, above the 10-year German sovereign bond yield

Source: Bloomberg, Jan. 2026

On this basis, Asian and EM equities appear best positioned, as returns will be supported by local interest rate cuts, a weaker U.S. dollar and a reduction in tariff-related uncertainty. China and India in particular appear attractive, as sentiment remains cautious and valuations are relatively attractive. Given their status as two of the largest EM equity markets, positive returns from these markets would supercharge overall EM equity returns.

In developed markets, we are overweight Europe, neutral the U.S. and underweight Japanese equities. European equities are relatively cheap versus global peers and should continue to see robust local earnings growth, as the ECB has already eased interest rates to support local growth and domestically focused fiscal spending will grow rapidly in 2026. European equities also have a dividend yield of 2.9%, according to Bloomberg data at the end of January, which is above the 10-year German sovereign bond yield and attractive for yield-focused investors.

In contrast, the Bank of Japan raised rates in December 2025 and is expected to do so again in 2026. While this will not directly impact the local equity market, previous periods of rising rates point to the risk of lower equity returns and higher volatility, especially given high local market valuations. As a result, while the positive structural story of corporate reform remains in place, we are underweight Japanese equities.

We are neutral U.S. equities, reflecting the balancing act between AI related growth and high valuations, and have a preference for quality growth names with real earnings over more speculative growth names.

A reversal in sentiment around AI is probably the biggest near-term risk for equity investors given bullish investor positioning in this area, even as AI remains one of the biggest medium-term opportunities. We would note, however, that while valuations are high for many AI related stocks, they remain well below the levels seen in the Internet bubble in the late 1990s, when Cisco traded at more than 80 times forward earnings. In contrast, Nvidia "only" trades at a multiple of 27 times, according to Bloomberg data as of the end of January.

We also appear to be at a relatively early stage in the AI cycle. The value chain in AI related demand is characterized by a lack of capacity in areas ranging from semiconductors to data centers, and capex to meet this demand is being funded by companies with minimal levels of debt. We believe that equity investors should continue to look for beneficiaries of this spending but should look beyond the Magnificent 7 to areas such as Asian equities, growth-focused private equity and infrastructure.

Fixed income

Prefer higher-yielding bonds

Fixed income assets sit at an interesting point. Absolute yields remain relatively high compared to history (See Figure 5), however corporate bond spreads are near multi-decade lows, indicating that investors are receiving minimal compensation for taking credit risk. So how should investors position their portfolios?

Given the robust growth outlook, we are more comfortable focusing on higher-yielding credit such as high yield (HY) and EM bonds versus taking duration risk in U.S. Treasurys and investment-grade (IG) bonds.

While high-yield spreads may be volatile, the One Big Beautiful Bill Act (OBBBA) and capex spending should support company earnings in the first half of the year, which may help mitigate default risk and allow investors to benefit from higher coupons.

Emerging market debt continues to benefit from a positive macro outlook. A weak U.S. dollar and Fed rate cuts will support liquidity flows into emerging markets. However, the improvement in local macro conditions has been more important as EM central banks have been more successful than many developed market central banks in reducing and stabilizing inflation since COVID, a key positive for credit investors.

While not our central scenario, there is a risk that longer-duration bonds may be impacted by the large and growing fiscal imbalance and by the change in leadership at the Federal Reserve. The new Fed chair nominee, Kevin Warsh, should take over from Jerome Powell in May. President Trump has been vocal in his view that the Fed should cut rates more aggressively, and the market may speculate that the new chair is likely to be more aligned with this view. If growth is weak and inflation is below target, this is unlikely to be an issue, but we believe that the opposite may be true.

Rising issuance of U.S. Treasury and investment-grade bonds may also impact returns in 2026.

We are also underweight cash. Futures markets are currently pointing to a further 50 basis points of cuts by the Federal Reserve in 2026 to just over 3%. However, according to Bloomberg consensus, headline and core inflation are expected to be 2.9% and 2.8% in 2026, respectively. As a result real cash yields are likely to be almost zero, which is unattractive.

Figure 5

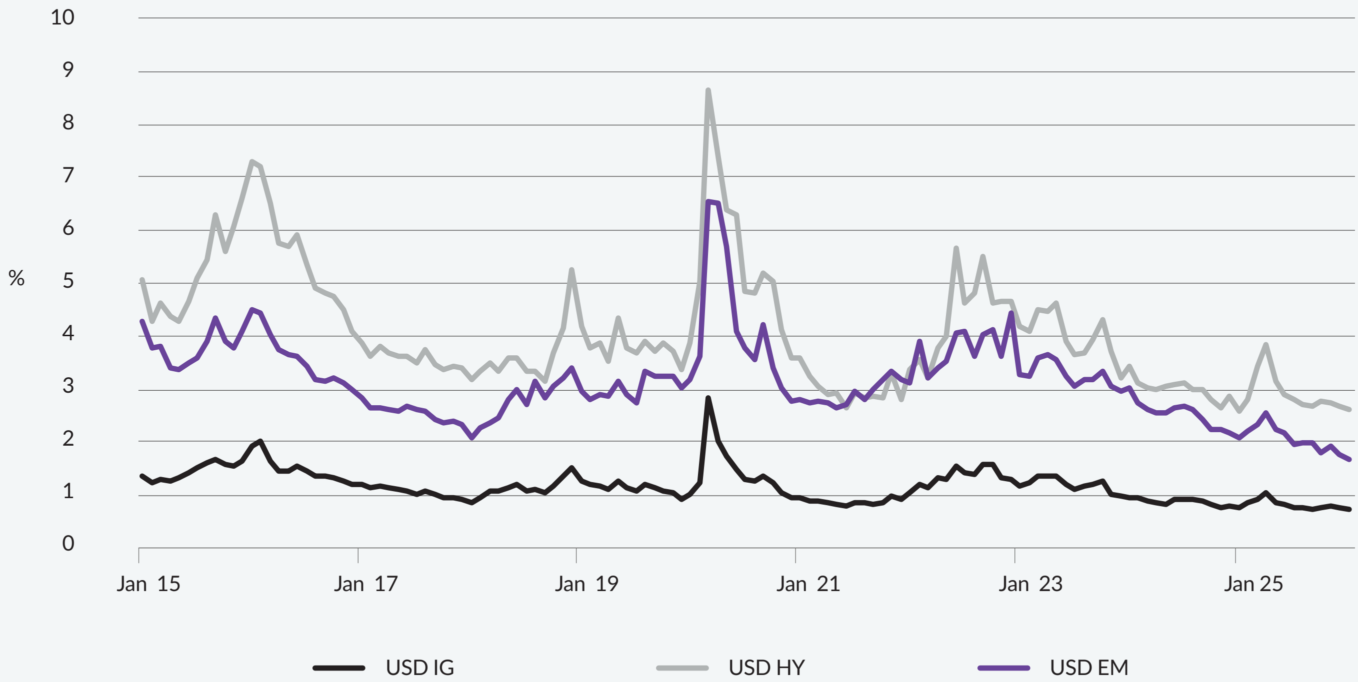
Yields by asset class

8.0%	Private credit
7.9%	USD leveraged loans
7.0%	USD high yield
5.7%	USD emerging markets debt
4.8%	USD investment grade
4.2%	U.S. 10-year Treasury
3.7%	U.S. 3-month T-Bill
2.9%	European equity dividend yield
1.7%	Global equity dividend yield
1.1%	U.S. equity dividend yield

Yields for fixed income indices reflect yield to maturity
Source: Bloomberg, Jan. 2026

Figure 6

Investment grade, high yield and emerging market credit spreads



Source: Bloomberg, Jan. 2026

Alternatives

Look to private credit and infrastructure to build resilience

As traditional asset classes face volatility, high-net-worth investors are increasingly turning towards alternative investments as a means to diversify their portfolios, mitigate risk and enhance returns. The development of evergreen fund structures has facilitated this transition, as minimum investment sizes are lower and operational management is simpler. Our current alternative allocation is characterized by an overweight position in private credit and infrastructure, a neutral stance on private equity, and an underweight position in real estate.

Private credit has demonstrated resilience amid recent economic turbulence. While there have been isolated instances of defaults, we do not believe these events are indicative of systemic risk. Instead, they reflect individual circumstances tied to specific borrowers or sectors. Consequently, we maintain an overweight position in private credit, believing that this asset class can continue to provide attractive risk-adjusted returns.

When investing in private credit, we believe it is crucial to focus on experienced managers who possess a deep understanding of market cycles. These managers are able to leverage their expertise to originate deals from a broad, diversified funnel of issuers, allowing them to build a well-diversified portfolio that can mitigate risks associated with concentration, ensuring stability even during periods of volatility.

Additionally, a mix of industries, geographies, and borrower profiles can help mitigate the impact of downturns in any single sector.

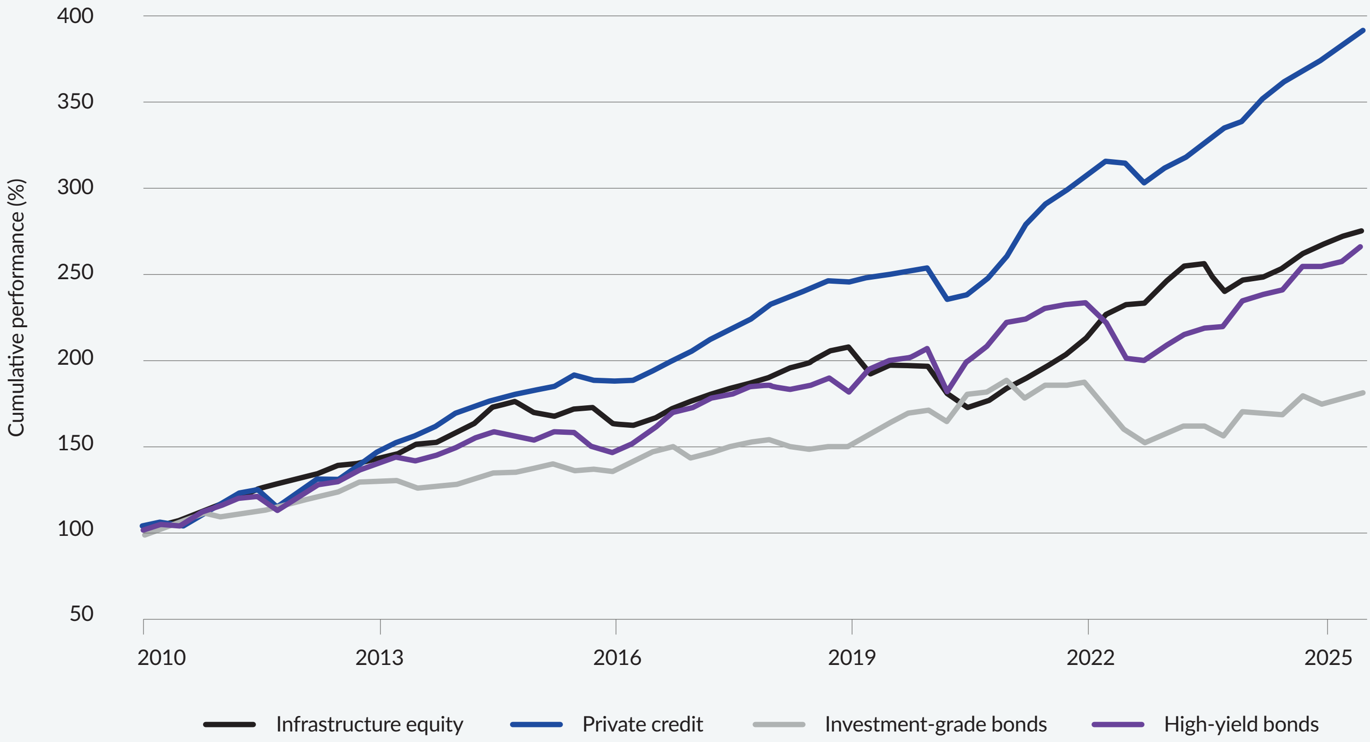
With fiscal policies favoring public-private partnerships and green energy initiatives, infrastructure offers not only stable cash flows but also the potential for capital appreciation.

We recommend seeking investments in projects that benefit from long-term contracts, inflation-linked revenues and government support. Globally, sectors such as renewable energy, telecommunications and transportation infrastructure are poised for growth, driven by regulatory frameworks encouraging sustainable development. Our overweight position in infrastructure reflects these positive attributes as well as the diversification benefits it provides, helping smooth overall portfolio performance.

In private equity, we are neutral. While valuations are showing signs of improvement and remain superior to those in public markets, the landscape is characterized by heightened competition and evolving dynamics. Small and mid-market segments are particularly attractive, driven by lower entry multiples and significant potential for operational improvements. These segments also benefit from the ability to sell to larger private equity funds or strategic acquirers, offering pathways to liquidity that are not so readily available in the large-cap segment.

Figure 7

Performance of private credit and infrastructure compared to public fixed income



Rebased to 100 at end-2009 *Source: Bloomberg, Jan. 2026*

Nonetheless, some caution is warranted, given potential valuation mismatches and the competition for quality assets, and we are neutral private equity.

In contrast, we are underweight real estate. The post-pandemic environment has introduced new variables affecting property values and rental income. While certain sectors such as logistics and residential remain resilient, others, particularly traditional office spaces and retail, continue to face headwinds.

This challenging environment requires a careful assessment of asset quality, location and tenant strength. As a result, we believe that a more cautious stance is advisable.

Max drawdown since 2010

-12.5%
Infrastructure equity

-8.5%
Private credit

-18.7%
Investment-grade bonds

-14.7%
High-yield bonds

Source: Bloomberg, Dec. 2025

About Chubb Wealth

At Chubb Wealth, we recognize the significance your wealth holds both now and for future generations. As a Hong Kong wealth manager, we are dedicated to empowering high-net-worth clients to achieve financial well-being and sustainable wealth growth. By combining advanced digital capabilities with personalized advisory services, we provide holistic wealth and investment solutions tailored to your unique goals and aspirations.

We benefit from a deep understanding of managing risks and access to differentiated investment opportunities. Our commitment to transparency, fairness, and long-term value creation ensures that your wealth is in trusted hands.

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Chubb is a world leader in insurance.
With operations in 54 countries and territories, Chubb provides commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients. The company is defined by its extensive product and service offerings, broad distribution capabilities, exceptional financial strength and local operations globally. Parent company Chubb Limited is listed on the New York Stock Exchange (NYSE: CB) and is a component of the S&P 500 index. Chubb employs approximately 45,000 people worldwide.

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