

Alternative Investments

March 2026

LIS
LISBON INVESTMENT SOCIETY

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Macro Context

Strait of Hormuz

A single geographic bottleneck

The escalation of the US-Iran conflict defined the month of March. The conflict brought the Strait of Hormuz to the centre of global macro attention, not merely as a geopolitical flashpoint, but as the physical chokepoint through which approximately 20 million barrels of oil per day flow, alongside the majority of Qatar's LNG exports and a significant share of Gulf fertilizer production. Iran's strategy was classically asymmetric: drones, anti-ship missiles and sea mines made commercial navigation through the strait prohibitively risky, pushing freight operators to reroute and sending insurance costs sharply higher.

The impact extended well beyond energy markets. With Gulf producers supplying a significant portion of global nitrogenous fertilizers, ammonia and urea, the timing of the disruption proved particularly damaging. March through May represents peak fertilizer procurement for northern hemisphere shock hit agricultural planting seasons, meaning the supply markets at maximum sensitivity. Grain prices responded accordingly, amplifying an already elevated commodity complex.

Central Bank Dilemma

From commodities to financial markets

The transmission was swift: Rising energy prices pushed inflation expectations higher across major economies, forcing a dramatic repricing of rate paths that had, just weeks earlier, been leaning toward easing. Markets moved from pricing gradual rate cuts to questioning whether hikes might return in some economies, a reversal that reverberated across fixed income globally.

The parallel with 2022 is tempting but imprecise. Unlike the post-pandemic environment, March 2026 does not feature the same supply chain dislocations, excess fiscal stimulus or emergency-level interest rates. Inflation, while sticky, was tracking from a more controlled starting point. However, the Fed entered this episode already divided, FOMC minutes revealed meaningful internal disagreement, and with five consecutive years of above-target inflation removing any remaining policy cushion. The result was a central bank visibly constrained: unable to ease without credibility risk, reluctant to tighten into a geopolitical shock. Rate cut expectations were pushed back substantially across the curve.

The Dollar

And what it means for Alternatives

The dollar strengthened materially through March, driven by two forces: traditional safe-haven demand during periods of geopolitical stress, and a mechanical short squeeze as the market had entered the conflict period carrying heavy short USD positioning. The reversal was sharp.

For alternative asset investors, this macro configuration creates a familiar but uncomfortable set of conditions. Commodity-linked real assets benefit from elevated prices, as reflected in the performance discussed in our commodities section. However, sustained dollar strength and higher-for-longer rates continue to compress exit multiples in private equity, extend holding periods, and widen the bid-ask spread on dealmaking. In private credit, the absence of meaningful rate relief keeps refinancing pressure on leveraged borrowers elevated, a dynamic that was already showing early signs of stress heading into the month. Real estate, meanwhile, continues to attract capital rotation away from growth assets, though financing conditions remain a binding constraint on transaction volumes.

US 10-year Treasury yield through March



Source: Bloomberg

DXY (dollar index)



Source: Bloomberg

Private Credit

Outlook for Rates Cuts

Became less supportive for refinancing

The year 2026 kicked out with the strong belief that monetary easing would ease refinancing pressure on borrowers. March made the thesis weaker, however, as inflationary pressures resulting from conflict in the Middle East, expected to overtake 4% by year-end, forced the FED to maintain rates at 3.5%-3.75% on March 18.

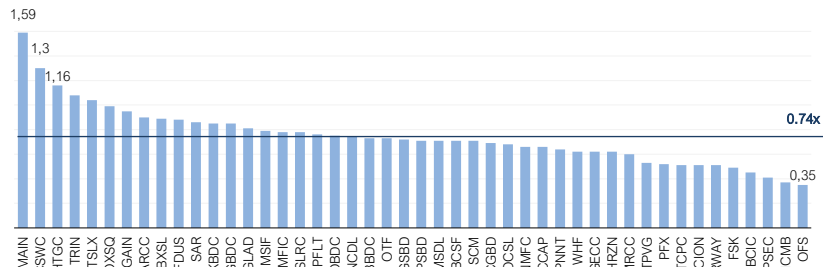
Outlooks in the year 2026 also became more conservative, as the federal reserve penciled only a single 25-point reduction, even though major Wall Street brokerages projected two cuts. This is considerably worrying as borrowers bracing for the 2025-2027 debt wall (over 3 trillion USD maturing between these periods) were expecting the maintenance of monetary easing, having now tighter conditions. Reuters reported on March 31 that some private lenders are already allowing borrowers to delay cash interest and extend concessions to avoid defaults. This signals lack of confidence, and that the private credit market is no longer solving stress but postponing it.

Markets Moved First

Pricing ran ahead of PC marks

One of the clearest developments last month was the widening disconnect between public market pricing and private credit valuations. By late March, most listed BDCs were trading below NAV, with the median vehicle valued at roughly three-quarters of stated book value, as the chart below illustrates. This matters because BDCs are publicly traded vehicles with largely private-credit exposure, meaning their share prices can adjust much faster than the underlying loans they hold. In other words, public markets began pricing private-credit risk more aggressively than private valuations themselves.

BDC Price to Net Asset Value (x)



Source: Raymond James

That repricing does not necessarily mean the underlying assets had already deteriorated to the same extent, but it did signal growing investor skepticism toward stated NAVs, liquidity, and exit assumptions. As a result, confidence in private credit weakened further through March.

Liquidity Stress

Semi-liquid vehicles suffer the most

Increased investor scrutiny led to a pickup in redemption requests, particularly in semi-liquid vehicles. With these funds typically offering quarterly liquidity capped at around 5% of NAV, there is a structural mismatch when investor demand for withdrawals increases.

This dynamic became evident across several major platforms. Blackstone's BCRED fund faced redemption requests of 7.9% of NAV in Q1 2026, exceeding its limit and requiring approximately \$400 million of internal capital support, according to Reuters. Blue Owl Capital saw \$5.4 billion in withdraw requests across two funds, while KKR capped withdrawals in its K-FIT vehicle after requests reached 6.3% of shares, fulfilling 80%, both according to Reuters. Bloomberg reported Ares Management also capped redemptions in its \$10.7bn Strategic Income Fund at 5% after requests reached 11.6% of NAV, while Apollo Global Management implemented similar measures.

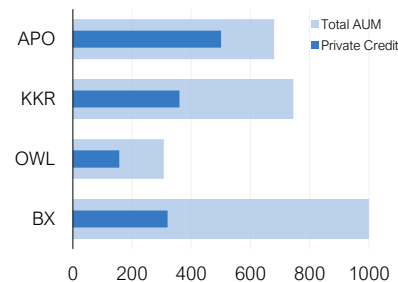
1-year Stock Price Evolution



Source: Raymond James

At the same time, underlying asset quality is becoming more challenging, further complicating liquidity management. According to Reuters, private credit funds are increasingly turning to payment-in-kind (PIK) structures, allowing borrowers to defer interest payments by issuing additional debt. For example, Reuters reports that lenders including Apollo Global Management and Ares Management have used PIK features in loans to highly leveraged borrowers, particularly in sectors such as software, where cash flow pressure is rising. While this helps avoid immediate defaults, it effectively increases leverage and reduces the liquidity and transparency of underlying assets.

PC Assets vs Total AuM (\$bn)



Source: Annual filings

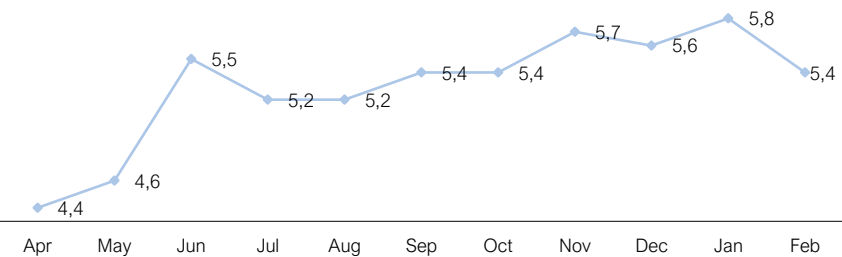
Credit Deterioration

Rising Default Risk

In parallel with rising liquidity pressures, March also confirmed a clear deterioration in underlying credit quality across private credit markets, driven primarily by higher interest rates and refinancing stress. According to Fitch Ratings, the U.S. private credit default rate reached 5.8% in January 2026 and remained elevated at 5.4% in February, with 11 default events recorded in January alone, roughly double the historical monthly average. This follows a broader upward trend, with US private credit default rates reaching a record 9.2% in 2025, up from 8.1% in 2024, reflecting pressure on leveraged borrowers.

This deterioration is concentrated in middle-market, sponsor-backed companies, which form the core borrower base of private credit funds. A key driver is the structure of these loans: most are floating-rate with limited hedging, meaning borrowers have seen a direct increase in interest costs as rates remain elevated, significantly weakening interest coverage and increasing default risk.

Private Credit Default Rates

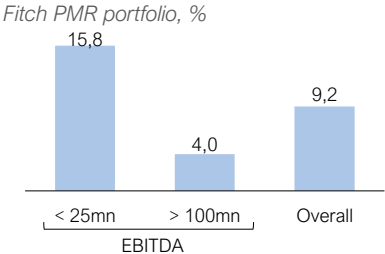


Source: Fitch

At the same time, a growing share of defaults is occurring through restructurings and distressed exchanges rather than outright bankruptcies, suggesting that reported default rates may understate the true level of stress.

The implications for private credit markets are increasingly material. Rising defaults directly reduce cash income, as loans move to non-accrual or shift to PIK structures, weakening one of the asset class's core attractions: stable yield. At the same time, distressed or restructured loans become significantly less liquid, making it more difficult for funds to meet redemption requests without incurring losses. This creates a feedback loop: weaker credit quality reduces liquidity, while liquidity pressure forces more conservative positioning and limits new lending. Looking ahead, if default rates continue trending toward 8%, as estimated by Analysts at Morgan Stanley, private credit markets are likely to see tighter lending standards, reduced deal activity, and greater dispersion between stronger and weaker managers.

U.S. Private Credit Defaults



Source: Fitch

Software Credit

Funds seem to have excessive exposure to AI trade through SaaS

Private credit exposure to the AI shock through software credit. A Reuters March 17 report noted that software accounted for 15% of collateral in outstanding US CLOs. If AI compresses software valuations, and accelerates disruption faster than issuers adjust.

Lenders face increased risks in falling collateral values and refinancing.

By the end of the month, this concern became more explicit. Morgan Stanley suggested that software exposing in direct lending is about 19%, and RA Stanger research estimated that BDCs had an average exposure of 25% to companies at high risk from AI, followed by 24% at moderate risk.

Banks Pull Back

Reduction in banking exposure to PC

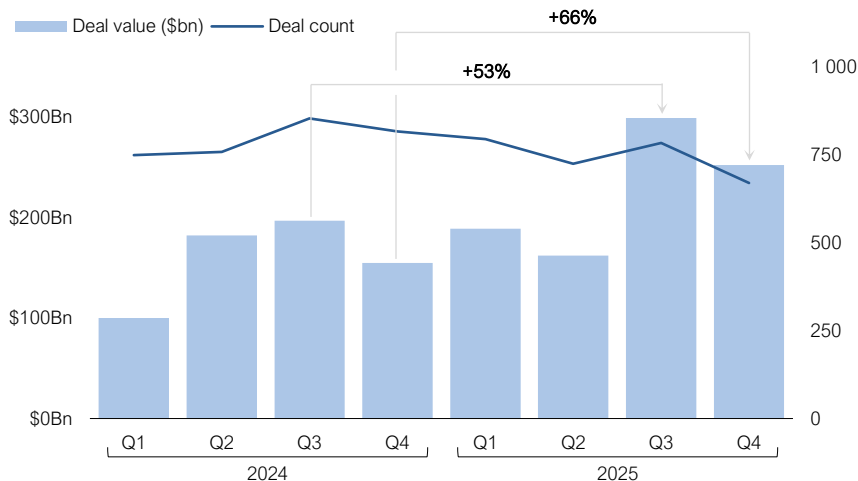
March also saw a shift in bank risk appetite toward private credit, as rising liquidity and credit concerns prompted a more cautious approach to financing the sector. JPMorgan Chase, one of the largest providers of financing to private credit funds, has become more selective in extending credit lines and leverage facilities, particularly to vehicles targeting wealth clients. According to the Financial Times, banks are reassessing exposures to semi-liquid private credit structures following recent redemption pressures, with concerns focused on valuation opacity and liquidity risk.

This shift is broader across the sector. According to Reuters, regulators including the U.S. Treasury are reviewing risks linked to private credit's expansion, particularly its connections to insurers and bank balance sheets. At the same time, banks such as Goldman Sachs and Citigroup have become more cautious in financing leveraged transactions, requiring stricter terms and higher spreads as risk appetite tightens.

Given the scale of bank involvement, this shift is significant. According to the Bank for International Settlements, bank financing remains a key channel supporting private credit markets, meaning a pullback in risk appetite can constrain deal activity and reinforce tightening conditions across the sector.

Private Equity

Quarterly buyout deal value and deal count



Source: Bain Global private Equity Report 2026

Selective Recovery

Confidence returned, but only selectively

March did not mark a full reopening in private equity. Instead, it reinforced a narrow recovery already visible entering 2026: activity was returning, but mostly through larger, higher-conviction situations rather than across the market as a whole. Bain's 2026 Global Private Equity Report described 2025's rebound in deal and exit value as real but highly concentrated, with megadeals driving much of the recovery while fundraising remained difficult below the top tier. That is the right lens for March: the market was not closed, but it was far from broad-based.

Valuation Friction

Pricing discipline still restrained activity

The clearest reason March remained selective was valuation. Bain and StepStone's 2026 GP outlook found that the most common reason deals failed to close in 2025 was still an inability to agree on price, ahead of

both diligence issues and macro volatility.

That helps explain why March's activity leaned toward strategic take-privates, recapitalizations and platform deals rather than a broad surge in middle-market volume: buyers were active, but only where they had enough conviction to bridge the pricing gap.

Japan Momentum

Reform kept sponsors highly engaged

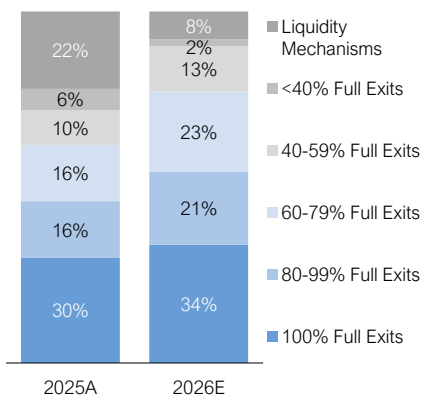
Japan was one of the clearest pockets of momentum during the month. Reuters reported in March that Japan's Financial Services Agency was revising its corporate-governance code to encourage companies to deploy capital more actively for growth, while KKR said it was continuing to expand in the country, supported by structural reform and inflation after years of stagnation. That backdrop matters because it helps frame two of March's most notable transactions, Apollo's move on NSG and KKR's deal for Taiyo, as part of a broader trend rather than isolated events.

Exit Backlog

Sentiment improved before liquidity did

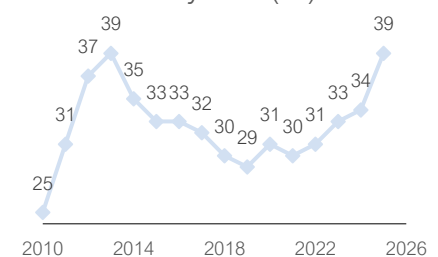
March felt better in tone than in actual liquidity. Bain estimates the industry is still holding roughly 32,000 unsold companies worth about \$3.8 trillion, while distributions as a share of NAV have remained below 15% for four consecutive years and average holding periods at exit are around seven years. So while manager confidence has improved and the market is no longer frozen, March did not show that the exit problem had been solved; it showed that confidence was recovering faster than cash was being returned.

GP's expectations for portfolio exits in 2026 (vs. 2025)



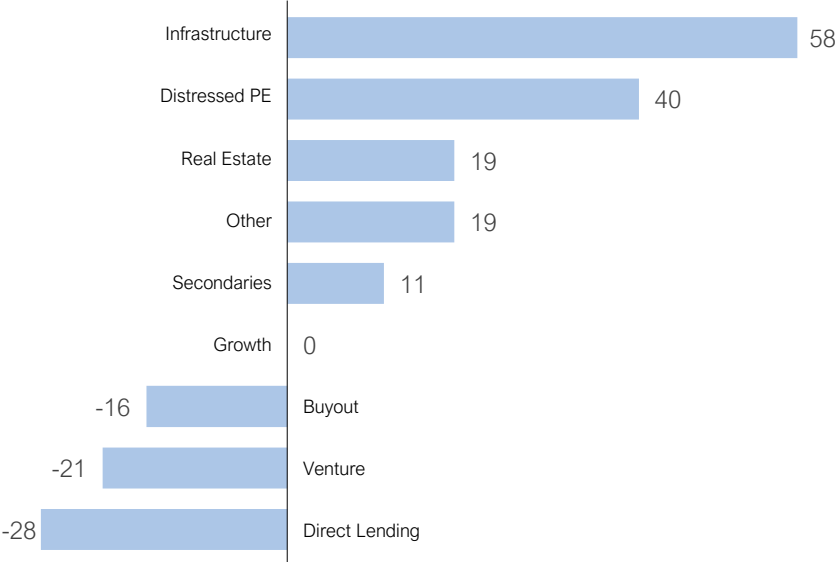
Source: Bain PE Outlook

Share of companies held for more than 5 years (%)



Source: Bain Global private Equity Report 2026

Fundraising YoY by type



Source: Bain Global private Equity Report 2026

Carlyle x MAI Capital Management

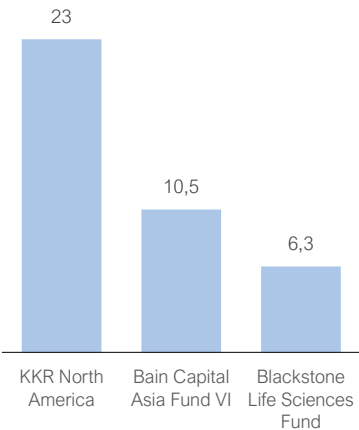
Carlyle has agreed to acquire a majority stake in MAI Capital Management, which will lead to controlling interest of the Registered Investment Advisor (RAI), valuing it at over \$2.8 billion. As part of the deal, the private equity firm will buy out Galway Holding, Harvest Partners and Oakhill Capital ownership in MAI, while employees of the latter will maintain a minority share in the business. Further disclosures of the purchase were not made available yet. The deal highlights the increasing expansion among private equity funds toward wealth management, as seen in recent deals such as Bain Capital's acquisition of Perpetual Wealth Management in March 2026 for upfront \$350 million, CD&R's \$7.0 billion acquisition of Churchill Management in May 2025 and RedBird's buy-and-build deal with Schechter Investment Advisors in June 2025.

Fundraising Split

Scale kept winning LP capital

Fundraising sent the same message. Bain Capital was reported in March to be nearing a record \$10.5 billion final close for Asia Fund VI, well above its initial target, while Blackstone announced the final close of its life sciences fund at a record \$6.3 billion on March 30. In early April, KKR followed with a \$23 billion North America fund, reinforcing the same conclusion: capital is still available, but it is flowing overwhelmingly to large, trusted managers with clear track records and strong deployment credibility.

Flagship PE fundraises announced or closed in March / Early April 2026



Source: Crunchbase

Highlight Deals

Apollo Global Management x Nippon Sheet Glass

The American firm made their largest PE investment in Japan to date, making it one of the most important taken-privates in the country's history. The deal is structured as a comprehensive recapitalization: Apollo injects \$1 billion in fresh equity via share issuance, while NSG's principal lenders convert a portion of their outstanding loans into equity, strengthening the company's balance sheet. Beyond financial engineering, Apollo is repositioning NSG, a global leader in glass and glazing systems, as a platform for the energy transition, targeting the rapidly expanding demand for this industry.

KKR x Taiyo

KKR announced on the 30th of March a tender offer to acquire all outstanding shares of Taiyo Holding at JPY 4750 per share, representing a 117.19% premium over the six-months average price of the stock. The take-private deal will amount to \$3.3 billion and represents a 42.2% share of the chemical manufacturer. In parallel with that, KKR also entered an agreement with Oasis Capital, where Oasis will tender its 15.62% share, and another one with DIC and Kowa to buy their shares through a share consolidation and buyback following completion of the deal.

Brookfield x Boralex

Brookfield Capital Management launched a tender offer to acquire renewable energy producer company Boralex Inc, in a take-private transaction valued at \$9.0 billion, with a 36.4% premium over last month's average price. The Canadian company's equity was valued at \$3.8 billion, with an enterprise value of up to \$9.7 billion. The deal is a partnership with La Caisse, Boralex's largest shareholder, that retains a 15% stake at the company and will build it up to 30% after the deal closes, while Brookfield will own the remaining 70%. Both companies have agreed to reinvest in the company, in line with Boralex's 2030's growth plan, supported by long-term capital lending commitments and operational assistance.

CVC x Recordati

CVC submitted a non-binding €10.9 billion offer to take private Italian pharmaceutical group Recordati at €52 per share. The deal stood out in March because it showed sponsors were still willing to pursue large, defensive assets where conviction was high, particularly in healthcare. CVC already owned 46.8% of the company, making the proposed delisting a logical extension of an existing position rather than a purely opportunistic move.

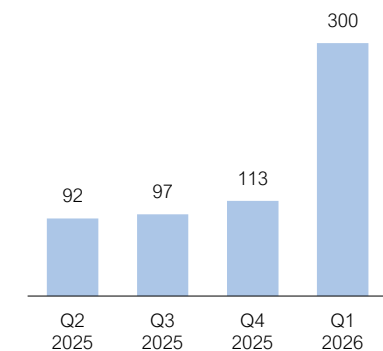
Venture Capital

Record Quarter

Concentration still defining outcomes

The first quarter of 2026 marked a sharp acceleration in venture activity. Global investors deployed roughly \$300 billion across around 6,000 startups between January and March, making it the strongest quarter on record. March alone contributed \$35.5 billion across 695 rounds. Even so, the headline strength obscured how concentrated the market remained: just ten deals accounted for a little over half of all capital deployed during the month.

Global VC funding by Quarter

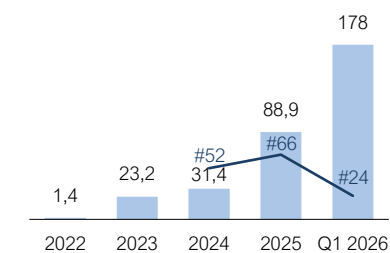


AI dominates funding

As scale keeps pulling capital

Artificial intelligence remained the central force behind venture deployment. Carta data had already shown AI accounting for 41% of venture dollars in 2025, and that concentration deepened further in Q1 2026. Foundational AI companies alone raised \$178 billion across only 24 deals during the quarter, more than double the \$88.9 billion raised across 66 deals in all of 2025. The key point is not simply enthusiasm, but economics: frontier AI companies require funding on an unprecedented scale because model training, inference, and infrastructure all demand far more capital than a typical software growth story.

Foundation AI funding



Defense Tech Scales

Beyond niche into institutional scale

One of March's most consequential non-frontier-AI transactions was Shield AI's \$2 billion financing, which valued the company at \$12.7 billion, more than double its valuation from a year earlier. The round was led by Advent International and co-led by JPMorgan Chase's Strategic Investment Group, while Blackstone committed \$500 million in preferred equity financing, with additional capacity through a delayed-draw structure.

Shield AI's Hivemind software, designed for autonomous operation in GPS-denied environments, has already been integrated into platforms including F-16 fighter jets and the U.S. Air Force's Collaborative Combat Aircraft program. Together with its planned acquisition of Aechelon Technology, the deal reinforced the view that defense tech is moving into a larger, more institutional phase of venture investing.

Infra Draws Capital

as AI buildout widens bottlenecks

March also showed that investors are increasingly expressing the AI theme through infrastructure rather than only through model developers and applications. NextHop AI raised an oversubscribed \$500 million Series B round at a \$4.2 billion valuation, led by Lightspeed Venture Partners, with Andreessen Horowitz joining alongside Altimeter Capital.

The company focuses on networking systems for AI data centers, an area gaining importance as hyperscalers prepare to spend around \$650 billion on AI-related infrastructure in 2026. As that buildout accelerates, networking is emerging as one of the most important bottlenecks in the stack, which helps explain why infrastructure has become one of the clearest channels for institutional capital.

Broader market

Selectiveness despite record funding

Outside AI, defense, and infrastructure, the market remained far more disciplined than the headline numbers suggest. Rather than a broad-based reopening, the quarter showed a widening gap between the themes attracting abundant capital and the rest of the market, where underwriting stayed tighter and round dynamics more measured. That bifurcation is visible in March's Series A data: the median round was \$17.3 million, versus an average of \$31.6 million, showing how a small number of outsized financings continued to pull averages above what most founders actually experienced.

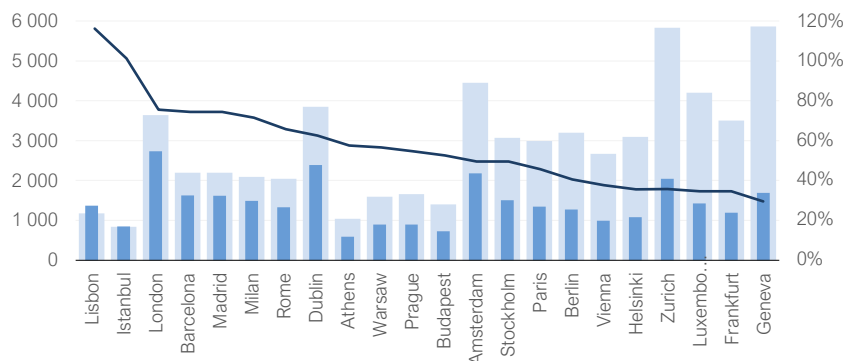
Two-Track Market

with exits still lagging behind

Seed activity remained constructive, with 261 rounds closing in March at a median of \$4.1 million, showing that early-stage appetite has not disappeared. The bigger constraint remains exits. With late-stage valuations still elevated and a growing backlog of companies carrying large private capital bases, the next phase of the cycle will depend on whether the IPO market reopens enough to support distributions. For now, venture remains a two-track market: abundant capital for a narrow set of themes, and a more selective environment elsewhere.

Real Estate

Rent-Salary Relationship Across European Cities



Source: Deutsche Bank Research

Commercial Outlook

Activity recovers, led by scarcity

CBRE projects commercial real estate investment activity will increase 16% in 2026 to \$562 billion, nearly matching the pre-pandemic annual average, with cap rates expected to compress by 5 to 15 basis points across most property types. The office sector remains structurally bifurcated: performance will vary greatly between newer prime and older secondary space, with even greater scarcity of available prime space expected by year-end. Retail fundamentals remain solid, with low vacancy and steady rent growth, particularly in quality spaces. The standout story, however, is digital infrastructure: data center rents, measured per kilowatt of capacity, have grown 50% since 2022, a magnitude of growth virtually unseen elsewhere in commercial real estate, driven by hyperscaler demand and the AI buildout. Power access, not tenant appetite, is the binding constraint on further expansion.

Institutional Capital

March brought two structural shifts

March 2026 produced two developments with lasting implications for institutional real estate capital flows: one closing a chapter in listed markets and the other potentially opening an entirely new source of capital.

The first was the completion of the Blackstone-led take-private of Alexander & Baldwin, Hawaii's largest commercial real estate owner. The all-cash transaction, valued at approximately \$2.3 billion including debt, closed following shareholder approval on March 9, 2026, delivering shareholders \$21.20 per share, a 40% premium to the pre-announcement price, for a portfolio of approximately 4.0 million square feet spanning 21 retail centers, 14 industrial assets, and four office properties. The deal reflects a broader institutional trend: publicly traded REITs are finding greater strategic flexibility and access to long-term capital in private markets, away from quarterly earnings pressure. Large deals above \$100 million showed positive year-over-year growth even as overall transaction volume remained subdued, reflecting a top-heavy liquidity market where mega-funds, sovereign wealth, and private equity are deploying capital strictly into high-conviction, large-scale assets.

The second, and arguably more structurally significant development, arrived on March 30, when the U.S. Department of Labor (DOL) proposed a new rule giving 401(k) plan fiduciaries a clearer path to offering alternative investments, including private equity, real estate, and infrastructure, alongside traditional mutual funds.

Currently, only 4% of defined contribution plans offer alternative investments, with just 0.1% of DC plan assets allocated to alternatives, despite nearly 70% of defined benefit pension plans doing so routinely. The potential scale is considerable: a 10% allocation from company-sponsored and self-directed IRAs and 401(k) plans would shift an estimated \$3 trillion from public markets into alternative assets over the next decade, with real estate among the primary beneficiaries. For institutional real estate managers, this represents a structural demand tailwind that could dwarf existing pension and sovereign wealth fund allocations over time, provided the rule survives its public comment period.

Residential Housing

face tightening policy and affordability pressures

In March, the global real estate market remained weighed down by uncertainty, with regulatory measures in Europe discouraging outside investment, seeking to stabilize rent and property prices. Most recently, the city of Barcelona has announced a ban on all short-term rentals such as Airbnb by 2028, raising concerns for real estate investors all throughout Europe. The City Council will not renew any of the more than 10,000 licensed tourist apartment licences once they expire in November 2028, with the stated objective of reclaiming these properties for long-term residential use. Spain's Constitutional Court upheld the ban in March 2025, dismissing claims that it violates private property rights and granting the city full legal authority.

These measures stem from broader affordability crises throughout many Western-European countries like Portugal and Spain where local rent-salary relationships have been damaged by modest economic growth with rising property prices.

In Lisbon, rent accounts for 116% of an average salary, while in Madrid and Barcelona it represents 74%, a consequence of property prices rising far faster than wages in markets that became remote-work destinations. From May 2026, the EU's short-term rental data regulation takes effect, requiring registration numbers, platform verification, and mandatory data sharing between booking platforms and authorities, making local caps and bans enforceable at continental scale for the first time. In the United States, the picture is one of cautious rebalancing: newly pending home listings in March reached the second-largest monthly total since August 2022, with over one million homes listed for sale, even as the 30-year fixed mortgage averaged 6.46%, its highest weekly reading in seven months, dampening application activity by 10.4%.

Public Markets

Rising Default Risk

The geopolitical turbulence of Q1 left unmistakable marks on listed real estate markets. Following record REIT highs of 2,951.63 in February, the escalation of the US-Iran conflict triggered a sharp de-risking, pulling the FTSE NAREIT All Equity REITs Index to near 2,700 by late March. The decline was sentiment-driven rather than fundamental: investors pivoting toward real estate as they divested from riskier securities, commodities, and currencies found the sector caught in broader portfolio liquidations.

On the other hand, some investors, institutional and private, are pivoting toward real estate as they divest from riskier assets such as securities, commodities, and currencies. The recovery has been swift. Following geopolitical optimism in early April, the index recovered to 2,864.81 as of April 8, 2026, retracing more than half the drawdown in days, underscoring the resilience of real estate income streams as a foundation for valuation. Contributing to the upside was an unexpected demand surge tied to the FIFA World Cup: Bloomberg reported some Airbnb listings topping \$6,000 a night in a World Cup housing frenzy, providing a notable tailwind for hospitality REITs.

REIT Index Price



Source: Bloomberg

The juxtaposition is sharp: the same short-term rental model being legislated out of existence in Barcelona is simultaneously generating record nightly rates in host cities, illustrating the gap between regulatory intent and persistent demand. Looking ahead, listed real estate is expected to outperform private in 2026, as REITs offer access to higher-growth property types, including senior housing, cell towers, and data centers, underrepresented in private institutional indices.

Private Markets

Patient capital seized distressed value

Private real estate in March told a story of patient capital finding its moment. The month's defining transaction was Blackstone's acquisition of Stanly Ranch, the Auberge Collection luxury resort in Napa Valley: a 700-acre property purchased at foreclosure auction for \$195 million, against \$243.6 million in total accrued debt, after the previous owners defaulted on a \$220 million loan. Blackstone had previously acquired the underlying loan, engineering its own path to ownership. The firm framed the deal as an AI-adjacent hospitality thesis, citing the continued growth in corporate travel to the region as AI adoption accelerates. The deal is emblematic of a broader dynamic: Blackstone entered 2026 with \$200 billion in uninvested capital, with deal screening activity running more than 25% above year-over-year levels, as distressed supply and stabilized valuations create attractive entry points. CMBS issuance has more than tripled since 2023, with displaced capital rotating into real estate debt, extending the financing runway for private operators.

Regulatory scrutiny and tighter bank underwriting added to the pressure in March. Reuters reported that authorities, including the U.S. Treasury, are reviewing risks tied to private credit's expansion, while banks such as Goldman Sachs and Citigroup have become more cautious on leveraged financing, demanding stricter terms and wider spreads. Given that bank funding remains an important support channel for private credit, as noted by the BIS, this pullback in risk appetite has the potential to further tighten conditions across the sector.

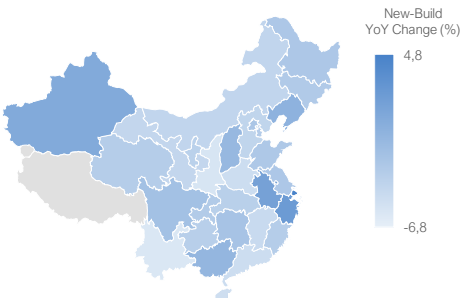
China Risk Watch

Housing stress remains unresolved

The most significant global real estate risk story of March sits outside Western markets. China's unrelenting housing downturn, now the longest on record, is forcing the country's banks to confront sinking real estate values that are pushing millions of mortgages underwater, increasing the risk of losses for both lenders and property owners. Prices in major cities such as Beijing and Shanghai have dropped more than one-third from their peaks; in smaller cities, declines are steeper still.

By 2027, around 3.3 million homes may fall into negative equity, potentially resulting in losses exceeding 200 billion yuan. Rather than triggering mass foreclosures, Chinese banks are pursuing containment: some state-owned lenders are allowing borrowers to pay only interest for up to two years, while courts in several regions have slowed the acceptance of mortgage default cases to limit the volume of distressed properties entering the market. For global investors, the key risk is contagion through sentiment and capital flows rather than direct exposure; a disorderly unwinding would suppress risk appetite across emerging market real estate allocations well beyond China's borders.

Price of New Build Change



Source: National Bureau of Statistics (China)

Commodities

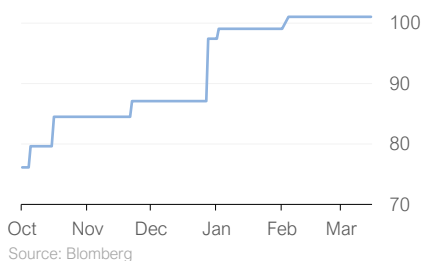
Aluminium Supply Shock

the Gulf disruption turned physical

Aluminium was the clearest metals casualty of March's geopolitical shock because the Strait of Hormuz disruption hit the market through both logistics and production. Alba declared force majeure on March 4 as shipping routes became unusable, while Qatalum also faced disruption. The situation then worsened as Alba shut lines representing 19% of capacity and late-March strikes damaged Gulf smelter assets, turning a transport problem into a genuine supply shock.

That is why aluminium diverged so sharply from the rest of the complex. This was not only an energy-cost story; it was a physical availability story. Reuters reported that Gulf facilities account for roughly 9% of global aluminium smelting capacity and 18% of exports outside China, which explains why the market reacted so violently once both shipments and output came into doubt.

U.S. Midwest Aluminium Delivered Premium



Gold's March Reversal

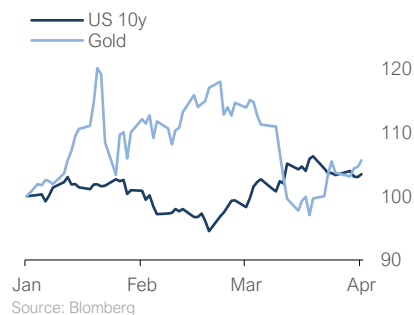
Rates overwhelmed the haven bid

Gold spent March unwinding one of the strongest rallies in commodities. Instead of benefiting from geopolitical stress, bullion was pressured by the market's reaction to the oil shock: firmer inflation expectations, reduced conviction

in near-term Fed easing, higher Treasury yields, and a stronger dollar. By month-end, spot gold was down 11.8% in March, its worst monthly performance since 2008.

The more constructive point is that the sell-off looked more financial than physical. Central-bank buying remained supportive into month-end, including continued purchases by China's central bank, which helped prevent the move from becoming a broader collapse in underlying demand. March therefore showed that in a high-rate environment, gold can still fall during acute geopolitical stress when the inflation-and-yields channel dominates the haven trade.

Gold vs 10y normalized



Silver's Levered Washout

Macro pressure trumped industrial support

Silver fell with gold, but more sharply. In the short run, it traded less like an industrial metal and more like a high-beta precious metal, hit by the same combination of higher yields, a firmer dollar, and fading expectations of imminent rate cuts. Reuters reported that silver was down 20.4% in March, making it one of the clearest examples of how macro positioning overwhelmed metal-specific narratives during the month.

The longer-term backdrop remains constructive, but it needs a measured formulation.

The Silver Institute still expects a sixth consecutive market deficit in 2026, yet it also expects industrial demand to decline by 2%, partly because of thrifting and substitution in photovoltaics. That makes March's sell-off look more like a positioning-driven washout than a collapse in the long-term case, while arguing against overstating the industrial-demand story.

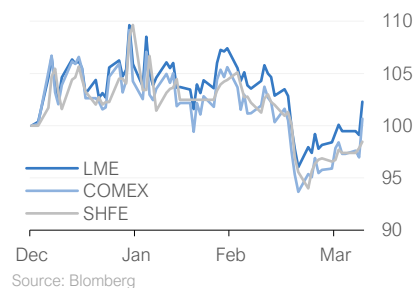
Copper Scarcity Reset

Inventories challenged the bullish narrative

Copper entered the year as the market's preferred scarcity trade, but March exposed how fragile that thesis had become. Unlike aluminium, copper had little direct supply exposure to the Gulf shock. Instead, it was repriced through the macro channel: higher oil prices darkened the growth outlook just as exchange inventories kept building, which made the metal look less like an immediate shortage story and more like a cyclical barometer of industrial sentiment.

By early April, Reuters reported global exchange copper stocks at just over 1.4 million tonnes, with the market in contango rather than signalling acute physical tightness. That shift matters. In January, copper had traded as an electrification and AI-infrastructure scarcity story; in March, it reverted to a softer macro-growth trade. The medium-term strategic narrative remains intact, but March was a clear reset in how the market priced it.

Copper on Major Exchanges



Hormuz Oil Disruption

Massive disruption in oil supply

The Hormuz Strait, where approximately 20% of daily global oil consumption, or 20 million barrels of crude and derivatives, used to flow every day (IEA), was almost completely closed and put under constant military threat from Iran, turning this route especially dangerous for commercial ships and directly pushed brent prices up from ~\$70/bbl to ~\$100-\$110/bbl figures.

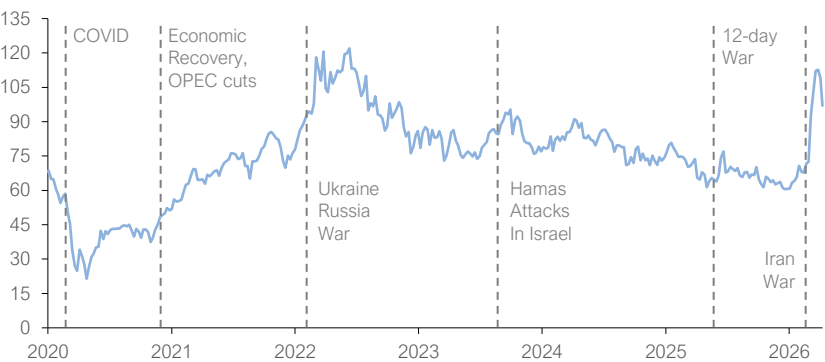
This scenario resulted on a global energy supply shock, generating hikes on inflation expectations and changing interest rates perspectives across many economies. The global monetary loosening earlier expected was postponed, with markets now pricing rate hikes in many regions, except the US.

The impact is partially mitigated by alternative routes, specially by an oil pipeline connecting Saudi Arabia's Persian Gulf coast to the Red Sea one, and another one connecting UAE's interior to outside the gulf. Additionally, oil stocks are being largely released to reduce the supply shock. Nonetheless, these measures (and some smaller ones) could only generate an estimate of nearly half of Hormuz supply, which still leaves us with a significant supply deficit.

Even with a clear signal of reopening and the routes normalization, the massive infrastructure destruction during the conflict will likely keep oil prices significant higher than before, as it wouldn't be possible to return to earlier supply levels in a short-term.

Euro zone and Asian economies are particularly exposed to this energy prices shock, as they are highly dependent on imports: Japan's and Euro area's oil and gas trade balance are in huge deficit, representing nearly -5% and -4% of each one's GDP and both are net energy importers, by nearly 80% and 70%, respectively. On the other hand, commodities export-led countries tend to benefit from this global repricing, such as Canada and Australia.

Brent Price, US\$ per barrel



Source: Bloomberg, Kinea

LNG and Fertilizers

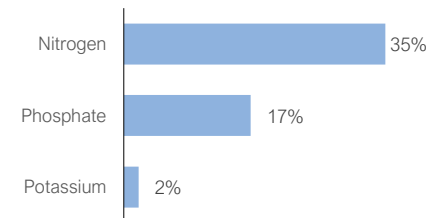
Fertilizer Shock via Hormyz

Qatar's LNG production represents nearly 20% of total global supply, and it exports almost all of it through the Strait. Similarly to oil, Asian economies absorb the majority of this production and may suffer the most with its disruption.

Also, the Persian Gulf is an important fertilizer producer, specially the "nitrogenated" ones, such as ammonia and urea, whose production is directly dependant on natural gas (mainly methane). Consequently, a significant amount of the global supply of this type of fertilizer must also cross the Hormuz. Bringing all together, the production and transportation costs hikes along with a geopolitical premium is expected to sustain an inflation on this commodity.

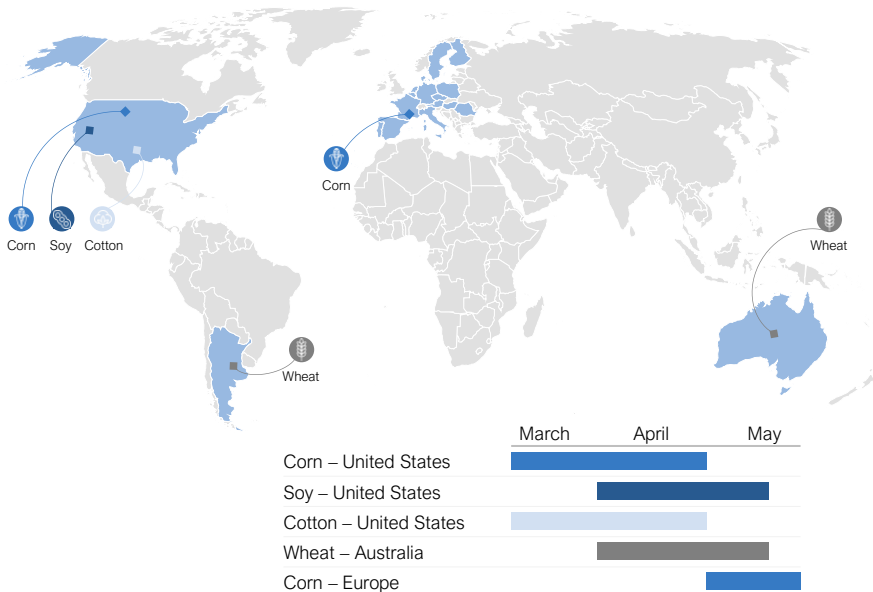
This inflation arrives in a particularly difficult moment: the march-may window is typically when corn season starts in the majority of the Northern Hemisphere, and also when fertilizers are mostly bought to sustain those crops. Corn, specifically, is intense on nitrogenated fertilizers, which puts it in a risky position if this commercial disruption persists.

Percentage of Global Trade Transiting the Strait of Hormuz



Source: Kinea

Planting calendar: March to May



Source: Kinea

Digital Assets

Real-World Assets (RWA) Infrastructure

The \$36 Billion Milestone

March 2026 has been a watershed month for the Real-World Asset (RWA) ecosystem, as the market officially crossed the \$36.27 billion mark. From a research perspective, what we are witnessing is the "institutionalization of the ledger." The narrative has shifted away from purely speculative digital assets toward a structural migration of traditional financial instruments. This growth indicates that the friction once associated with moving off-chain capital into digital environments is dissolving, as transparency and 24/7 liquidity become the new industry standards for alternative investments.

Private Credit & The Treasury Rail

The internal distribution of the RWA market reveals a fascinating bifurcation. Private Credit remains the dominant heavyweight, commanding 52.6% (\$19.1B) of the total share. It is clear that decentralized protocols are successfully "unbundling" the traditional bank by providing direct, transparent lending paths for SMEs. Meanwhile, Tokenized Treasuries have solidified their role as the "digital risk-free rate," representing 29.8% (\$10.8B) of the market. This segment essentially provides a high-yield, low-risk foundation that allows the entire on-chain economy to scale with a level of stability previously unseen in the digital space.

Ethereum Moat vs Solana's Velocity

When analyzing the underlying infrastructure, the "Chain Wars" have reached a critical juncture. Ethereum continues to hold a massive institutional moat, securing 85% (\$30.83B) of all RWA value. Its mature ecosystem of Layer 2 solutions like Arbitrum and Base makes it the primary destination for multi-billion dollar settlement.

However, Solana has emerged as a high-velocity challenger, capturing 14% (\$5.08B) of the market. With a staggering 325% YoY growth rate and the upcoming Firedancer upgrade, Solana is proving that for high-frequency RWA trading and retail-facing equities, speed and sub-200ms finality are becoming indispensable competitive edges.

Institutional Power

The BlackRock and Ondo Effect

The growth observed this March was largely accelerated by the "institutional onboarding" led by industry giants. BlackRock's BUIDL fund remains a primary catalyst, now sitting at nearly \$1.9 billion in AUM on Ethereum. This move has provided the necessary "social proof" for other conservative funds to follow suit.

Additionally, Ondo Finance has established itself as a leader in the Treasury and equity space, managing over \$1.4 billion.

The integration of tokenized ETFs from Franklin Templeton into these protocols shows that the boundary between traditional asset management and blockchain technology is rapidly disappearing.

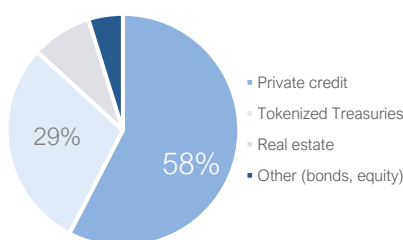
Quantum Threat

Navigating the "Q-Day" Countdown

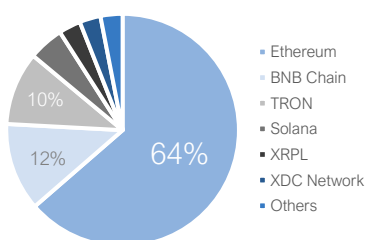
Just as the industry celebrates these record milestones, a significant technical shadow was cast over the ecosystem this week. On March 31, 2026, Google's Quantum AI team published a groundbreaking whitepaper revealing that the "Quantum Threat" is much closer than previously modeled. Their research demonstrates that breaking the elliptic curve cryptography (ECDSA-256) used by Bitcoin and Ethereum could require only 500,000 physical qubits, a 20-fold reduction from the 20 million qubits estimated just a few years ago.

Most concerning for active investors is Google's model of "Real-Time Transaction Hijacking," which suggests a quantum computer could intercept a transaction in the mempool and derive the private key within minutes, boasting a 41% success rate against Bitcoin's 10-minute block time. While we aren't at the 500k-qubit threshold yet, Google's call for a full migration to Post-Quantum Cryptography (PQC) by 2029 has added a new layer of urgency to blockchain governance. The recent merging of BIP-360 (introducing quantum-resistant addresses) into the Bitcoin repository is a proactive signal, but for alternative investors, "Quantum Agility" is now a mandatory metric for long-term asset security.

Tokenized RWA by Segment vs by Blockchain (ealy 2026)



Source: Binance



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