Beyond US exceptionalism

The case for diversifying globally and across strategies with alternative credit

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Concerns are growing over economic activity, political tension and policy uncertainty in the US, making for a challenging investment environment. Headlines throughout 2025 underlined this uneasiness; foreign investors were reportedly leaving US markets in droves amid currency volatility and tariff-driven fears, possibly spelling the end of US exceptionalism as we know it. Adding to these doubts is the spectre of an increasingly deglobalised world.

In this climate, separating rhetoric from reality is crucial. The world may be changing, but global private credit — whether corporate or asset-backed — remains an attractive opportunity set for those seeking diversified sources of stable income in an unstable time.

UK insurance investors can build resilience with alternative credit by diversifying exposure across a range of asset classes and across the US and Europe.

US remains a rich source of opportunity despite new risks

Despite prolonged uncertainty running through the country, the US economy has demonstrated its ability to withstand shocks and beat pessimistic forecasts. Recent recession fears have given way to tangible optimism. US GDP growth for 2026 is projected to outpace its G7 peers, according to the International Monetary Fund's World Economic Outlook. Corporate earnings remain robust, and default rates for US credit, especially among higher-rated borrowers, remain overwhelmingly stable.[1] The US dollar, although volatile, continues to anchor international portfolios, providing depth and liquidity that few global markets can match.

In this environment, US-based credit continues to play an important source of portfolio diversification. Investors are drawn by its strong fundamentals, attractive risk-adjusted yields and proven resilience.

While issues such as the First Brands' bankruptcy cast a cloud over private credit, industry experts and allocators stress that these incidents remain isolated, driven by lax due diligence and underwriting, rather than broader economic malaise. Disciplined managers continue to demonstrate the importance of robust due diligence in an environment rich with opportunity but not without risk.

Europe offers unique risk diversification exposure

While the US remains undeniably attractive, the universe for alternative credit is broader than one market.

Europe, while also grappling with geopolitical fragmentation and slower economic growth, offers pockets of long-term value, especially in non-cyclical sectors and upper middle market lending. Impact-driven strategies and sectoral innovation are rapidly becoming the new frontier. According to a recent survey of asset managers globally, 37% of those surveyed identified European direct lending as having the most growth potential over the next five years.[2]

Opportunities in Europe reflect the continent's geopolitics. A continued focus on energy infrastructure for both renewable energy and energy security, for example, demonstrates how structural changes are driving compelling investments. These same factors are acting as catalysts for investment grade private credit, while real estate debt is tapping into this protectionist dynamic, one that will continue to create entry points across logistics.

Diversifying globally, derisk locally

The story of alternative credit is fast growing beyond US exceptionalism. It is about building portfolios that blend US scale and resilience with global diversification, reaching across borders and asset classes to capture income, risk mitigation and long-term value creation. The US remains at the core of global alternative credit strategies, but just as importantly, looking beyond the US has never been more timely.

Nuveen's *Alternative credit insights: Diversify globally, derisk locally* explores the range of opportunities across credit segments and potential risks. In this article, we focus on investment grade private credit and real estate debt.

Investment grade private credit

Investment grade private credit (IGPC) continues to attract capital from a broadening base of investors, including insurers, pensions, endowments and other long-term focused institutions. Investors looking to build diversified private fixed income portfolios are able to find both shorter-dated and longer-dated opportunities across private investment grade asset-classes. This is partly due to the growing proportion of shorter-dated deals in recent years.[3]

As IGPC grows globally, scaled asset managers can enable access to nuanced markets such as the UK and Europe. To be successful, understanding local regulatory environments is critical and can create distinct opportunities for long-duration deals with prepayment protections, such as infrastructure assets structured to address energy security and social needs.

Recent trends also show investors have a heightened interest in more structured investments backed by stable cash flows and/or hard collateral such as credit tenant loans, project finance and private asset-backed securities. Market issuance across sectors and geographies has been robust driven by both macro-trends and investor appetite, which should persist and continue to provide attractive investment opportunities.

Real estate debt

Investors concerned with market volatility are likely more wary of the US market given the recent uncertainty. Those investors are likely to find more market stability in Europe, offering an important source of portfolio diversification.

Opportunities in real estate remain largely concentrated in the credit space, because direct acquisition opportunities remain limited. Credit returns should benefit from values adjusting higher over the cycle. Furthermore, the compression of the maturity wall and the broader distress cycle provide ample room for real estate credit investment.

While consensus forecasts acknowledge the rising risk in the US, they expect solid economic growth. Given this backdrop, investment allocations are increasingly focused on hedging and diversifying to provide protection. Investors are shifting toward inflation-hedged sectors, shorter-duration leases and markets with strong fundamentals. Sectors, such as medial offices, multifamily and data centres, that benefit from broad megatrends are also poised to endure through short-term volatility.

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[1] Source: S&P Global "Default, Transition, and Recovery: Regional Divergences Should Keep The Global Default Rate Steady Through September" dated 26 Nov 2025
[2] Source: Mercer "Private Markets in Motion: Private debt Taking the pulse of global asset managers" as of July 2025
[3] Proportion of five-year and shorter deals grew from 4% in 2019 to 21% in 2024. Source: BofA Private Placement Market Snapshot as of 31 Dec 2024