



Market Commentary
January 2026

English Version

The Annual 2026 Outlook

From Net Worth to Net Years:
Rethinking Wealth in the Age of Longevity

Quarterly Call Q1 | 2026

Get guidance on investments, and the major
structural factors behind your clients' portfolios.

insigneo



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Executive Summary

Core thesis: Wealth management must evolve from “net worth” to “net years” - the number of healthy, funded years a household balance sheet can sustain.

Why it matters now: Longevity is no longer a background demographic trend; it is a first-order driver of portfolios, retirement timing, healthcare costs, and public-finance constraints.

Framework: $Wealth \approx Money \times Time \times Health$
As Time and Health rise, the premium on compounding and durable portfolio design increases materially.

Macro baseline for 2026: Late-cycle expansion, not “recession”.
Our Insigneo–Forefront Recessionary Indicator implies ~15% recession odds over 6 months and

30% over 12 months.

Growth slows versus 2024–25, but the modal outcome remains continued expansion.

Market stance: Stay invested; avoid premature de-risking.

Benchmark equity exposure; tactically and cyclically neutral, but strategically pro-equity over multi-decade horizons.

Equities: Broaden beyond concentrated “Mag-7” exposure.

Prefer **diversified AI participation** across the value chain (power, semis beyond a single supplier, cybersecurity, industrial automation) and **longevity-linked sectors** (healthcare, wellness, senior living).

In AI, **prefer equity over credit** given winner uncertainty and asymmetric upside.

Fixed income: Equal weight overall with a quality tilt. Modestly overweight Treasuries, underweight IG and HY credit given tight spreads and limited shock absorbers.

Cash: Maintain for optionality, but no overweight absent clearer recession confirmation.

Emerging markets and real assets: Selective opportunity set.

Constructive backdrop for **select EM equity and local-currency debt**, with a strong **quality/governance** bias.

Acknowledge pockets of froth (AI-adjacent IPOs, certain private growth/VC, parts of HY) while finding better value in some non-US DM, value segments, and select EM.

Key risks to monitor:

Policy/inflation shock (tariffs, energy, wage-price dynamics) that forces renewed tightening.

China downside transmitting via trade/commodities/confidence.

AI capex reversal undermining the late-cycle narrative and concentrated valuations.

Client takeaway: Optimize for longer lives, not just larger portfolios by maintaining disciplined risk exposure, diversify growth drivers, and design spending/income plans explicitly around financial longevity (“net years”).

at retirement, but the number of healthy, funded years that balance sheet can sustain.

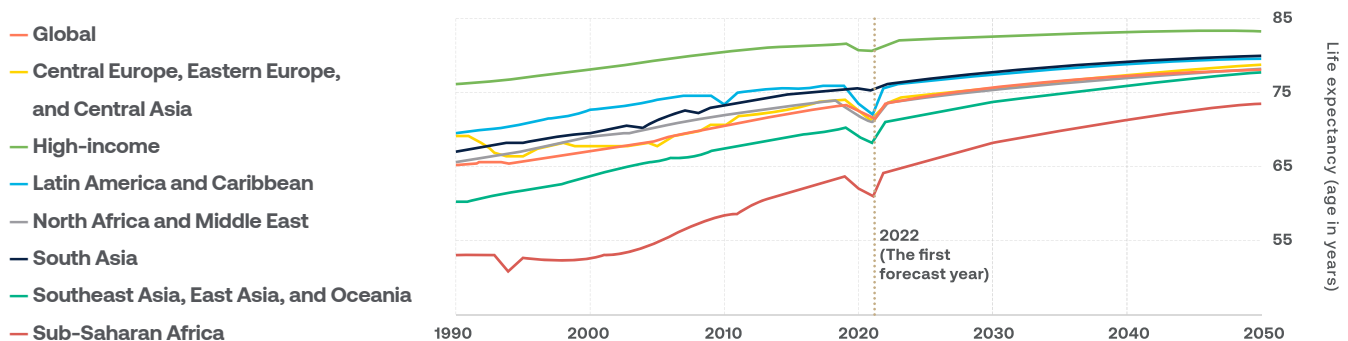
The data are clear. Global life expectancy has risen roughly a year every four years since 1990 and is projected to gain another four to five years by 2050, with emerging markets converging toward developed-market longevity. [Graph 1]. This “Longevity Shock” traces more than three decades of rising lifespans across regions and shows this trend persisting well into mid-century. Combined with advances in mRNA platforms, GLP-1 therapies, and AI-enabled diagnostics, the base case is a slow, relentless shift toward more clients living well into their late 80s and 90s and bringing their balance sheets with them.

Introduction

For decades, wealth management has been organized around an 80-year, three-stage life: education, work, retirement. In 2026 and beyond, that framework is increasingly obsolete. Longevity is no longer an abstract theme. It is a core driver reshaping portfolios, public finances, and client objectives. Our central thesis in this year’s Annual Outlook – “From Net Worth to Net Years” – is that the true measure of prosperity will not be the size of one’s balance sheet

Against this structural backdrop, 2025 reminded investors that cyclical noise and secular change can coexist. Markets climbed a proverbial wall of worry that included Trump’s “Liberation Day,” geopolitical shocks, choppy inflation data, and a visible loss of momentum in the labor market. Nonfarm payroll growth slowed, pay gains narrowed to a few hiring industries, and the lower-income consumer cohort expanded. Disposable income prospects dimmed even as major equity indices pushed to new highs, powered by an AI narrative that remained potent despite volatility and policy scrutiny.

Graph 1. The Longevity Shock Global and Super-Regional Life Expectancy, 1990 – 2050



Source: Burden of disease scenarios for 204 countries and territories, 2022–2050: a forecasting analysis for the Global Burden of Disease Study 2021 Vollset, Stein Emil et al.

Looking ahead to 2026, we see an economy that is late cycle but not yet in recession. Growth is slowing, but contraction is not our base case. Recession risks are building, and the distribution of outcomes is widening, yet we believe longevity-aware investors should resist the temptation to de-risk prematurely. The asymmetric risk is not being modestly exposed to equities into a downturn. It is missing an explosive final leg in a late-cycle rally that compounds over a much longer planning horizon.

Our tactical stance reflects that calculus. We recommend maintaining benchmark equity exposure and remaining tactically and cyclically neutral on stocks. We recognize weakening job gains, softening wage dynamics, and growing pressure on lower-income households, but believe the AI and productivity narrative can still support a late-cycle “melt-up” in select segments. Within fixed income, we stay at equal weight overall, but tilt modestly overweight Treasuries and underweight investment-grade and high-yield credit. Though we value cash’s optionality, we do not yet see sufficient evidence to warrant an overweight absent clearer confirmation of recession.

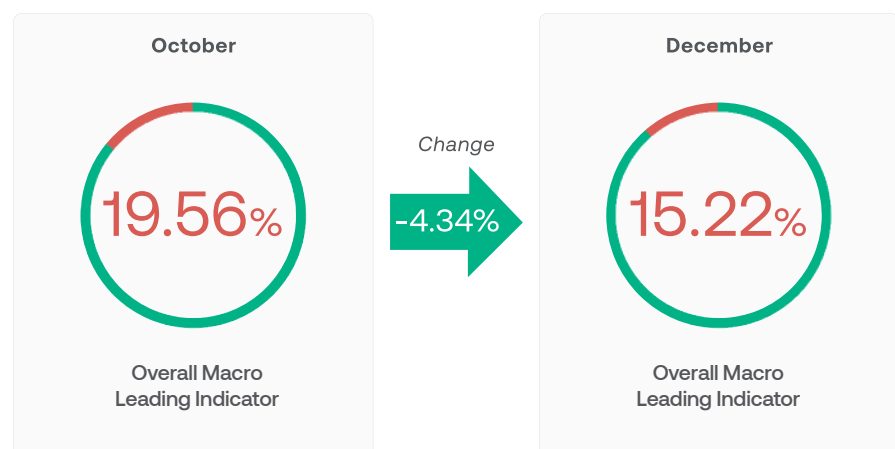
Throughout this Outlook, we return to a new simple, wealth equation: $\text{Wealth} \approx \text{Money} \times \text{Time} \times \text{Health}$. As

time and health both rise, portfolios, pensions, and public finances designed for an 80-year life become increasingly misaligned with a 100-year reality. Our goal in the pages that follow is to translate the longevity boom and the strains it creates for governments, corporations, and households into practical guidance for asset allocation, portfolio construction, and planning. In short, we invite you to think not only about what your assets are worth today, but how many resilient, healthy years they are prepared to fund tomorrow.

The Global Macroeconomic Outlook

The global macroeconomic backdrop for 2026 sits at the intersection of three powerful forces: a maturing but still-expanding cycle, a rapid diffusion of AI-enabled productivity, and the steady march of population aging. Our base case is that the world avoids recession and delivers another year of moderate, slightly above-trend growth, even as labor markets cool and policy support becomes more measured. This is the environment in which the shift “from net worth to net years” will play out. Longer lives, longer working careers, and longer

Graph 2. Recession Probabilities Two Calendar Quarters Forward



Source: Insigneo- Forefront

investment horizons, but within a world economy that is no longer operating on the hyper-growth template of prior decades.

Our proprietary Insigneo-Forefront Recessionary Indicator [Graph 2] currently puts the probability of a US recession at roughly 15% over the next six months and 30% over the next twelve. We interpret those readings as late-cycle but not end-of-cycle. Risks are clearly building and there are lingering fragilities in China and the risk of further geopolitical shocks, but the modal outcome remains continued expansion.

Our global growth baseline views are summarized in Table 1. In the United States, we expect growth to slow from the torrid pace of 2024–25 but remain close to potential. The labor market is cooling, but not collapsing, and monetary policy is transitioning from “easing” to “on hold” rather than to outright tightening. For a society that is living longer, the key macro risk is less about an imminent recession and more about a prolonged period of modest real income growth. That is exactly the backdrop in which compounding, and disciplined participation in risk assets, becomes essential to convert longer life expectancy into longer financial longevity. In the European Union and Japan, the story is one of low but positive growth against a backdrop of aging demographics and cautious central banks. We expect Japan to grow slightly below 1%, supported by a gradual normalization of monetary policy and ongoing corporate governance reforms. As these economies

age, incremental gains in labor-force participation among older workers and investment in automation will be critical to sustaining even this modest expansion. Once again, the convergence between macro-outcomes and longevity-driven adjustments in work and retirement becomes evident.

The main structural drag on global growth remains China. We expect China to only grow by 4.4% in 2026, below official CCP growth targets. Property-sector stress, elevated leverage, and constrained policy space leave China in a low-growth, low-inflation regime with no signs of an imminent genuine policy pivot. As we have been claiming for years, China suffers from a structural dearth of aggregate demand, especially from the consumer, but the Chinese government continues to double-down on export-led growth and investment. We fear the “trade war” between the US and China has only pushed the latter further away from this necessary rebalancing. For investors, this implies less of the China-as-an-engine model of the 2000s and more of a world where growth leadership rotates toward other emerging markets and longevity-related domestic demand plays (e.g., healthcare and retirement services) within China itself.

Despite these headwinds, we see a potentially constructive environment for many other emerging markets. In fact, we think emerging market growth should comfortably outpace most developed markets, with emerging Asia and Latin America particularly attractive.

Table 1. Global Growth Forecasts for 2026: Continued Expansion with Mounting Risks

Region	2026 Real GDP (YoY Forecast, %)
World	2.8
United States	2.0
European Union	1.2
Japan	0.8
China	4.4

Source: Insigneo

Several emerging market economies combine relatively young demographics, improving policy frameworks, and opportunities to capture supply-chain diversification away from China. For long-term investors, this mix of demographic youth in some markets and increasing longevity in others creates a diversified global canvas for compounding. Younger nations will provide incremental growth, while aging societies generate persistent demand for income, protection, and health-related services.

Against this moderately positive baseline, we see three principal sources of risk. First, there is policy risk. An inflation surprise driven by renewed tariff escalation, energy shocks, or wage-price spirals could force central banks to tighten again, raising our recession indicator materially above current levels. Second, there are China-related risks. A deeper-than-expected property downturn or policy misstep could transmit via trade, commodities, and confidence to the broader emerging market complex. Finally, there are technological risks driven by a reversal in AI-related capex that could undercut the late-cycle melt-up narrative that currently supports risk assets.

In sum, our macro view for 2026 is one of continued, if unspectacular, expansion. It is a world where time, rather than a near-term growth boom, is the investor's primary ally. The task for asset allocation is therefore not to position for a dramatic macro regime change, but to stay invested through a late-cycle environment, preserving the flexibility to adapt when the probabilities embedded in our recession indicator, and in the longevity of this cycle, shift meaningfully.

Forecasting Global Financial Markets

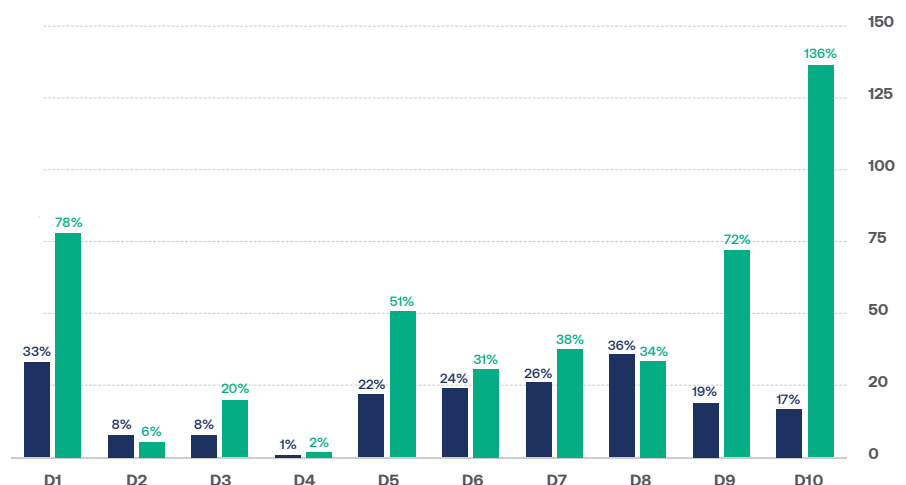
Our 2026 market views currently sit at the intersection of a still-constructive macro backdrop and a maturing, but not yet exhausted, asset cycle, increasingly shaped by longevity and artificial intelligence. Graph 3 shows annualized returns over a ten year period (from 10/12/90 to 03/24/00) after the Dot Com Bubble. Taken together, we lean moderately positive on risk assets, but with clear late-cycle caveats around valuations, leverage, and policy uncertainty.

From a longevity perspective, longer expected lifespans structurally raise the importance of long-duration,

Graph 3. Annualized Dotcom Bull Market Price Returns (deciles)

Annualized Dotcom Bull Market Price Returns (from 10/12/90 to 03/24/00):

■ S&P 500 (+417%)
■ NASDAQ 100 (+2,740%)



Source: BCA Research

growth-oriented assets in multi-decade portfolios, even if tactical positioning must respect cyclical risks. Thus, our strategic bias remains pro-equity over the full horizon, while our 2026 stance is deliberately close to benchmark risk, with selective tilts.

Since we expect global growth and earnings to broaden beyond narrow AI leadership, it points us to a base case scenario of mid-single-digit to low-double-digit equity total returns, modestly positive fixed-income carry, and differentiated outcomes across real assets.

Equities: beyond the “Hyperscalers”

We expect global equities to remain supported by positive, if slowing, earnings growth and a gradual broadening of leadership away from the U.S. “hyperscalers.” In numerous ways, the mega-cap AI platform companies increasingly resemble the railroads and airlines of earlier eras. They are essential infrastructure for the modern economy, but over time subject to heavy capital requirements, more intrusive regulation, and return profiles that converge toward regulated utilities rather than hyper-growth dynamics.

We are not “anti-AI,” far from it, as we were early and consistent adherents of buying into the AI complex. But we see concentration risk and valuation froth in a handful of US names, while opportunities in the AI value chain (e.g., power, semis beyond a single dominant supplier, cybersecurity, industrial automation, and healthcare applications tied to longevity) look more attractively priced. This suggests gradually diversifying away from a pure U.S. hyperscaler/Mag-7 bet toward broader global equity exposure, including quality cyclicals, select financials, and longevity-linked sectors such as healthcare, wellness, and senior living.

Within the AI complex, we prefer equity over credit. Debt works best when cash flows are predictable, and downside is well-bounded. In AI, we do not yet know who the long-run winners and losers will be, and capital expenditure, pricing power, and regulatory risks are all in flux. That asymmetry favors owning upside participation via equity rather than lending at tight spreads to issuers whose business models may be disrupted or commoditized before maturity.

Fixed income, credit, and spreads

On the rate side, we expect the US 10-year yield to trade relatively flat throughout the year and end near current levels of 4.1 to 4.2%. In other words, below the peaks of the last tightening cycle. This is consistent with a world of moderate nominal growth, ebbing inflation, and central banks easing gradually rather than aggressively.

In credit, spreads across both DM and EM credit are starting from historically tight levels, which caps the buffer against negative surprises. **We therefore remain modestly underweight IG and HY credit relative to Treasuries, consistent with our earlier asset-allocation stance, but still expect positive carry-driven total returns in our base case.**

Real assets, EM, and pockets of froth

Real assets present a more mixed picture. We see modestly weaker oil fundamentals but strong demand for real assets and hedges amid geopolitical risk and longevity-linked portfolio hedging needs. Technically, bitcoin looks vulnerable in the short run with tighter regulation and flow reversals, but on-

Table 2. Key Global Asset Forecasts for 2026

Asset / Benchmark	House YE 2026 Target
S&P 500	7,600
US 10-Year Treasury Yield	4.4 to 4.2%
Gold (USD / Oz)	4,800
Bitcoin (USD)	120,000
Brent Crude (USD / Barrel)	50
US IG CREDIT Spread (OAS)	100 bp
US HY Credit Spread (OAS)	340 bp

Source: Insigneo

— “Spreads are tight and idiosyncratic risks are high, beta alone is unlikely to suffice. We thus favor selective EM equity and local-currency debt, with a strong quality and governance bias.”

going institutional adoption keeps us more positive, expecting a rebound in the second half of the year.

Emerging markets stand to benefit from slightly weaker developed market growth, stabilization in the dollar, and structural tailwinds from demographics and commodity demand, including metals tied to energy transition and longevity-related infrastructure. Because spreads are tight and idiosyncratic risks are high, beta alone is unlikely to suffice. We thus favor selective EM equity and local-currency debt, with a strong quality and governance bias.

At the same time, we acknowledge real pockets of froth. Specifically, we are concerned with US AI-adjacent IPOs at extreme revenue multiples (e.g.,

OpenAI), segments of private growth/Venture Capital, certain crypto tokens, and segments of late-cycle US high yield where spreads do not adequately price default risk. By contrast, parts of non-US developed markets, value equities, and even some segments of EM remain reasonably valued or outright cheap. **Table 2** summarizes a few of our key house views and year-end price targets for notable assets and benchmarks.

Longevity: A New Reality and How to Approach It

Lengthening lifespans are creating long-term, cross-sector investment opportunities in a “longevity economy,” spanning healthcare, technology, biotech, automation, data, and senior living; a dynamic that favors a strategic allocation to long-horizon equity exposure over short-term growth or cash.

Governments face mounting fiscal pressure as aging populations and rising life expectancy drive pension spending sharply higher, with the IMF and OECD warning that without gradual but politically difficult reforms—such as raising retirement ages and limiting early retirement—public debt ratios could surge, forcing increased borrowing, higher

longterm yields, and steeper sovereign curves; until meaningful reforms materialize, elevated rates and heavier debt issuance argue for caution on longduration exposure in fixed income.

Traditional portfolio theory focuses on volatility and short-term market swings, but that approach falls short over retirement horizons that can last decades. In a longevity context, time risk matters just as much; even a low-volatility portfolio can fail if it does not grow enough to support long-term spending.

A few years ago, we wrote about what happens if humanity wipes itself out. Now, we are exploring the exact opposite: what if we do not go extinct and instead just refuse to die on schedule? Life expectancy has been rising approximately 1 year for every 4 years globally since 1990, with projections adding another 4–5 years or so by 2050. Great news is that you will live to be 100, your kids to 120, and your grandkids to 140...but here is the catch...we have spent a century engineering longer lives; however, we have spent almost no time engineering balance sheets for those lives. That is a problem for most people reading this piece; however, there are broader societal implications as well. Declining fertility rates, coupled with longer lifespans, could lead to less healthy societies. Weaker fertility rates could in turn create a demographic free-fall which may place funding pressures on governments to fund the many services provided to the public. Implications abound.

However, when we think of wealth management in this new era, the most important point to remember is that we need to reframe how we think of wealth it-

self: from net worth to net years. Think of this simple equation, which we shall call the New Wealth equation: $\text{Wealth} \approx \text{Money} \times \text{Time} \times \text{Health}$. Global life expectancy is forecast to rise from approximately age 73–74 in 2025 to around 78 by 2050. But if time and health both rise, portfolios, pensions, and public finances built for a “three-stage 80-year life” do not work for a “multi-stage 100-year life.” Our base case is not immortality, obviously; it is a slow, relentless shift toward more people living into their late 80s and 90s—and bringing their balance sheets with them. How do these demographic forces translate into our asset-class view? Well, we are thinking about it less from a traditional equities and bonds perspective and more along these lines: growth (through both private and public assets), diversifiers, and safety.

We can sum up our views through five main points: #1: You probably need more “growth” in your portfolio than you have now, #2: Allocate explicitly to the “longevity economy”, #3: Hedge longevity risk in portfolios, #4: Rebalance time-use, not just assets, and #5: Tilt toward resilient systems. We’ll delve into this further later.

In an extinction talk, the question is, “What happens if everything ends sooner than we think?” In a longevity talk, the question is, “What happens if everything lasts longer than we planned?” In years past, we spoke about left tail risk, how to invest if things end badly and early. Today we explore right tail risk, how to invest if things go better and longer than we dared hope. Portfolios that ignore either tail are fragile. Portfolios that price both extinction and 100-year lives are antifragile.



Mauricio Viaud
Senior Investment
Strategist and PM

Equities and Longevity: Not Your Father's Traditional Concept of Growth

It is no secret that lifespans are lengthening. The question is why they are doing so, and the answer comes mainly in the form of two drivers. On one hand, there are the traditional factors such as reduced infant mortality, vaccines, cardiovascular medicine, smoking decline, and rising GDP per capita. On the other, new drivers such as mRNA platforms, faster vaccine cycles, and the increasing use of artificial intelligence. Needless to say, the convergence of old and new factors pushing longevity to new levels creates a confluence of potential opportunities across several industries.

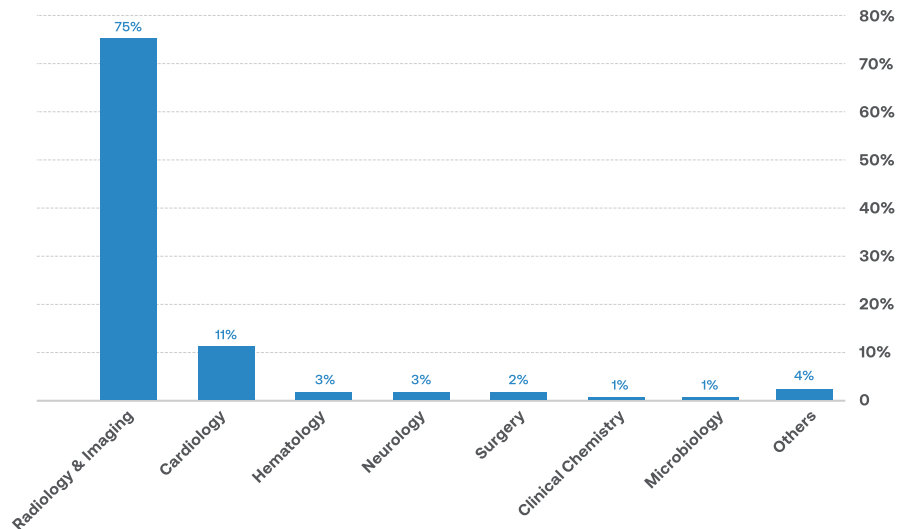
Most investors believe that they currently have enough “growth” exposure in their portfolios. However, when thinking in terms of the “longevity-economy” from an equity perspective, we are not refe-

rring to “growth” in the traditional sense. We are not talking about traditional stocks with high valuations and earnings growth expectations assumed to materialize over the next year. We are talking about being invested in technologies and industries that will flourish over the next ten, fifteen, and even twenty years. Over these long horizons, cash is not king; in fact, it can be a very costly detractor, keeping investors from reaching their goals. What is needed is an allocation to strategic equity, or longevity-aware global equity, that will move, and remain, at higher levels over the long term. **Where are investors more likely to find longevity-aware, growth-oriented equities? Although the industries are many, most can be found in the healthcare, technology, industrials, real estate, and even consumer-oriented industries. Some of the most promising opportunities may even be found at the confluence of two or more sectors, in brand new investment themes such as artificial intelligence.**

As you may have surmised, AI is an accelerant in an era of increasing lifespans, adding gasoline to a burning fire and turning it into a raging one. **Graph 4** shows information compiled by Software Quality Magazine, from various sources including the World Health Organization (WHO) and National Center for Biotechnology Information (NCBI). Depicting the use of AI across various medical fields, the graph shows that as of this year, the vast majority of AI usage stemmed from the Radiology and Imaging medical field. This is consequential for the longevity theme, as increased use of AI to read and interpret patient imagery can lead to more accurate diagnoses in faster time frames, potentially increasing the chances of detecting health problems sooner than in years past. Coupled with the formulation of faster diagnoses, the in-

Graph 4. Distribution of AI Across Medical Fields

Source: Software Quality Magazine;
Data as of October 2025



creased use of artificial intelligence will likely lead to improved chances of patient recovery and survival, leading to increased lifespans. And this is only the beginning. Studying the same graph, we can see that many other highly specialized medical fields at the cutting edge of science are just beginning to use AI as a tool. For example, it is likely only a matter of time before we start to see AI act as an “advisor” to surgeons in operating rooms, potentially even carrying out high-precision or time-consuming surgeries. Scenarios such as this one will likely prove beneficial for companies in the automation industry, which is also likely to include a combination of companies in the software, medical technology, and robotics industries.

AI will also play an increased role in drug discovery and diagnostics, leading to cheaper, faster compound discovery, better trial design, early detection, and personalized medicine. In fact, it is estimated that drug discovery could be up to 40% faster with AI application layers versus traditional approaches. This will create a meaningful tailwind for biotechnology and pharmaceutical companies, strengthening their drug and product pipelines. Additionally, current drugs and

newer drugs already in the pipeline are likely to improve, sometimes through lifestyle modification alone. We used to rely on diet and exercise; soon we will rely on injections and algorithms.

Health data is another important theme where AI will prove crucial in the longevity economy. The collection, management, analysis, and use of health data by technology hardware and software companies will provide a treasure trove of information that companies in the healthcare industry can then use to provide better products and services themselves. Once again, the intersection of various industries such as the hyperscaler companies that collect and process data, the software companies that analyze it, and the medical technology and device companies that implement this data to potentially increase life spans could present attractive, longevity-aware, opportunities for growth.

Although artificial intelligence is an important driver of increased longevity, it is not the only one. Advances in the healthcare industry, such as the implementation of GLP-1s, to not only treat diabetes, but

also tackle a global obesity problem, are also likely to drive lifespans higher. For example, American obesity peaked during Covid and has been trending lower ever since. Additionally, new data is coming out showing that not only do GLP-1s contribute to weight loss, but they could also lead to liver and kidney protection and even help with dementia.

Consumption is another industry that is likely to be affected by longer life spans. There is a misconception that older people spend less; they do not. They spend more; they just spend more on healthcare.

As a result, there will likely be a rising share of spending on healthcare, long-term care, wellness, and “experience” consumption for older cohorts.

One example of an industry where there will likely be a notable rise in demand will be senior housing. Despite a

downturn during the COVID-19 pandemic, with high vacancy rates, the sector is now recovering, with a growth in demand and occupancy rates returning to pre-pandemic levels. In public markets, Healthcare REITs appear compelling, particularly in segments like senior housing, but also in medical office buildings and life-science labs.

As we can see, many industries, greatly enhanced through the use of artificial intelligence, are likely to be long-term winners in the longevity economy. Industries such as medical technologies, biotechnology, pharmaceuticals, medical and industrial software, robotics, and automation, among many others, are likely to benefit from this theme, complemented by consumer-oriented industries such as senior housing. Although the longevity theme invariably involves an aging demographic, investing in it through equities does not involve your father’s traditional concept of growth.



Melissa Ochoa Cárdenas
Investment Strategist

Of Fiscal Balances, Pensions, and Aging Populations

An increasingly older population is a reality that bodes ill for government funding, especially if considered from the perspective of pension funding. Governments that fund social security payments and pensions are likely to face a more challenging environment in financing their liabilities if the environment remains one of higher rates as we enter 2026 and beyond.

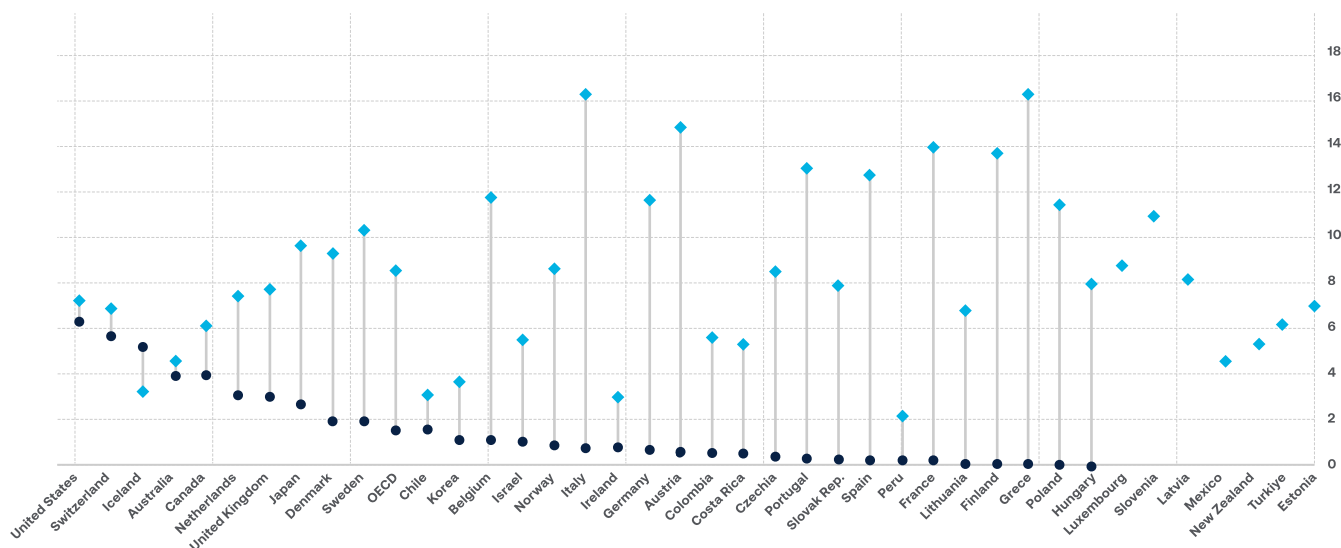
Against a backdrop of higher rates and a population that is expected to live past its initial life expectancy, we deemed it fit to assess what governments should expect and how this situation could impact the rates market.

Graph 5. Pension Spending Shows Big Discrepancies Amongst OECD Countries

Pension Spending
% of GDP, 2021

● Private ◆ Public

Source: OECD



In its April Fiscal Monitor, the IMF argued that “pension spending accounts for about 8% of GDP in advanced economies and 4% in emerging market economies, projected to rise by 2-4 percentage points of GDP by 2050.” Furthermore, the IMF also underscored the importance of implementing pension reforms that help governments maintain their public debt under control, without having to reduce other essential spending. This is relevant if we consider that global life expectancy is projected to rise from approximately 73–74 years in 2025, to around 78 years by 2050, with emerging market economies converging toward trends observed in developed market countries. Thus, higher life expectancies would be directly correlated with higher public pension spending, equivalent to additional pressure on government spending.

Stepping back to evaluate current pension spending trends, we see that, according to data publi-

shed by the Organization for Economic Co-operation and Development – OECD, in 2021, the countries that displayed the largest amount of public pension spending as a percentage of GDP were Italy, Greece, and Austria. In contrast, the United States and Switzerland were the two countries with the highest share of private pension spending as a percentage of GDP that same year.

A potential workaround to this challenging situation could come from reforms to government pension programs; however, these are known to be contentious, and their acceptance tends to be difficult. Hence, the IMF suggested a more gradual approach to reforms, which involves announcing and implementing these during periods of higher growth, to obtain a more favorable response from the population. This approach could alleviate some of the usual pushback faced by major adjustments, such as the modification of the statutory retire-

ment age, with these reforms taking an average implementation time of 10 years, according to the April 2025 Fiscal Monitor.

Even if the implementation timeline may prove lengthy, modifying the statutory retirement age would allow countries to close the gap between the retirement age and life expectancy, causing workers to remain in the workforce longer. This, in turn, could temporarily alleviate the pressure on governments' public pension expenditures.

To this point, it is relevant to note that, according to data from the OECD, pension spending as a percentage of GDP for OECD countries stood roughly at 8% in 2019. If we follow the organization's Long-Term Model, if no corrective policy action was to be implemented, "fiscal pressure would increase in the average OECD country by nearly 6.25 percentage points of GDP between 2024 and 2060, with ageing accounting for more than 40%." Furthermore, the OECD underscored that, against this backdrop, the average country would have to increase taxes by an equivalent amount, if it wants to avoid an increase in its debt ratios in the coming decades. Moreover, the OECD has stated that an essential measure that should be implemented by member countries, aside from raising retirement ages, should be tightening access to early retirement. This measure is aimed at better aligning increased age-related costs, against a backdrop of increased life expectancy.

Having painted a general picture of the current pension landscape, let us assess what the implications of an aging population that demands higher pension expenditures would have on sovereign debt.

One thing we know with a relatively high degree of certainty is that, if governments are forced to finance public pensions for a prolonged period,

— “Even if the implementation timeline may prove lengthy, modifying the statutory retirement age would allow countries to close the gap between the retirement age and life expectancy, causing workers to remain in the workforce longer.”

their indebtedness is expected to increase via public borrowing, which would then translate into a debt/GDP ratio increase. Such an increase in debt/GDP ratios could be challenging for several of OECD countries, considering that their 2024 ratios are already above 100%, as is the case for Spain, France, Italy, the U.S., Greece, and Japan.

This expected increase in public borrowing may translate into higher debt issuance, which in turn should lead to higher yields – both in nominal and real terms – at the longer end of the yield curves due to the increased debt supply. After all, governments would prefer to finance themselves by issuing long-term debt, rather than short-term securities. Those higher rates could potentially result in steeper sovereign curves, with the long end penciling in a higher term premium, only potentially exhibiting a bull flattening move if the economy starts showing signs of a slowdown.

Here, it is also worth mentioning that higher rates for a

prolonged period imply higher interest payments for the administration, which in turn would bode ill for the debt/GDP ratios we mentioned before.

Specifically, it is worth highlighting this point in the case of the U.S., considering the recently announced measures by the Fed, where it committed to buying short-term Treasuries “as needed to maintain an ample supply of reserves on an ongoing basis.” This move is expected to work as a renewed wave of quantitative easing, keeping the short end of the curve anchored due to the reduced supply in that tenor.

Given the environment we previously described, we

maintain our preference for a laddered approach in terms of fixed income, positioning ourselves in the mid to short end of the curve. We would only consider extending duration in the case of a global recession, but given that this is not our base case, we would feel more comfortable positioned in a shorter duration portfolio.

Several countries continue to attempt to implement pension reforms to follow the OECD’s recommendations. However, until these reforms have materialized and real progress is made towards achieving a narrower gap in terms of pension funding, the outlook for the longer end of the sovereign curves remains daunting.



Andres Salamanca
Research Analyst

100 Years of Allocation

In 1952, Harry Markowitz, the U.S. economist and Nobel Prize laureate, published his book *Portfolio Selection: Efficient Diversification of Investments*, laying the foundation for modern diversification, portfolio allocation and the risk–return tradeoff.

Shortly after, 60/40 portfolios, comprised of 60% equities and 40% fixed income, began to appear as a practical rule-of-thumb approach, offering investors an attractive balance between growth and stability and delivering strong risk-adjusted returns for decades. When Markowitz published his book, average U.S. life expectancy at birth stood at roughly 68 years. Today, it is closer to 78 years. **This ten-year increase does not merely imply that people are living longer; it fundamentally changes how long-term capital must work.** More years of life translate into materially more years spent in retirement, often without labor income. Moreover, with life expectancy continuing to rise by roughly one additional year every four years, the demographic distance between today’s societies and those of Markowitz’s time will continue to widen.

This shift matters because much of today’s portfolio construction still relies on models developed more than seventy years ago. Back then, investors were not expected to live long enough to outlive

their assets. Longevity risk existed, but it was not a primary concern. Today, it sits at the center of the investment challenge, as individuals are increasingly responsible for funding much longer retirements. Building portfolios for longevity therefore requires a change in mindset. Traditional portfolio theory focuses on volatility and short-term market swings, but that approach falls short over retirement horizons that can last decades. In a longevity context, time risk matters just as much; even a low-volatility portfolio can fail if it does not grow enough to support long-term spending.

Adding to the challenge, most asset allocation frameworks were designed for wealth accumulation, not for the sustained withdrawals that define retirement. Once spending begins, the goal shifts from maximizing returns to making capital last. Strategic allocations still matter, but they need to be flexible and adjust as life circumstances, income patterns, and goals evolve. Portfolio management should

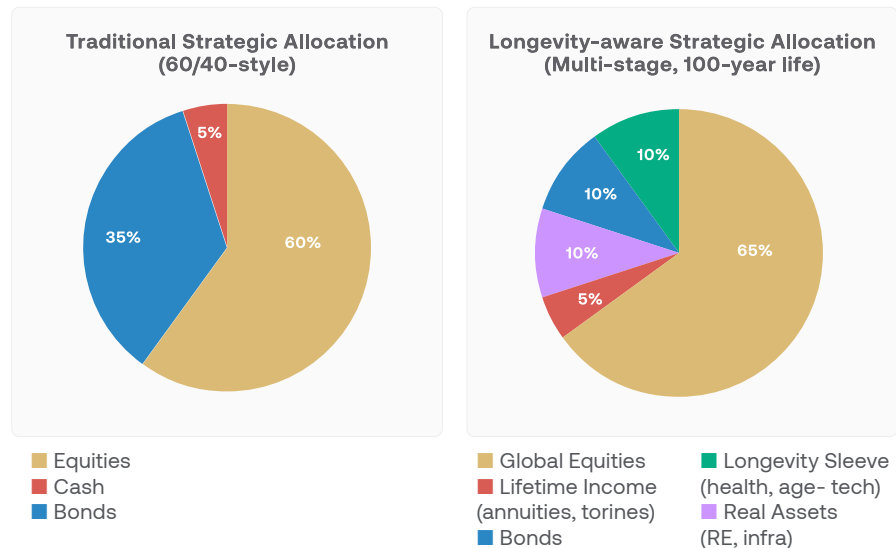
— “Sticking with a static 60/40 allocation well into an older age no longer reflects modern life paths, which increasingly include second careers, sabbaticals, caregiving periods, and retirements that can easily last two or even three decades starting around age 60.”

move beyond simple rebalancing and start thinking more intentionally about how capital is used over time. **Sticking with a static 60/40 allocation well into an older age no longer reflects modern life paths, which increasingly include second careers, sabbaticals, caregiving periods, and retirements that can easily last two or even three decades starting around age 60.**

This evolution also calls for a broader way of thinking about assets. As we previously mentioned, rather than viewing portfolios strictly through the traditional lenses of equities, bonds, and cash, at Insigneo we frame allocations around growth (across both public and private markets), complemented by diversifiers and safety assets. In this framework, a growth allocation is not the same as a simple equity allocation. It represents a more selective set of assets chosen for their ability to better compound capital over long horizons. So how do we put this into practice? Below we highlight the main considerations:

1. **Portfolios must have higher allocations to growth assets**, as long investment horizons make cash and short duration assets expensive luxuries in a 100-year life span.
2. **Investors should prioritize long-duration real assets**, such as infrastructure and real estate, alongside global equities, rather than chasing short-term yield opportunities that may seem attractive but often fail to keep pace with inflation and longevity needs.
3. **Portfolios should explicitly address longevity risk through allocations to lifetime-income solutions**, including annuities and tontine-like structures, which help transform accumulated wealth into durable income streams.

Graph 6. Traditional Allocation vs Longevity Strategy



4. Exposure to longevity-related investments becomes increasingly important. This can include areas such as healthcare and preventive solutions, health-span technologies, senior housing, long-term care real estate, as well as private equity and specialized private investments focused on health services.

5. Finally, a longevity-aware portfolio should tilt toward resilient systems, favoring companies and countries with strong public health infrastructure, aging-resilient supply chains, and technologies that support remote work, telehealth, and care automation.

Following these considerations, Graph 6 illustrates how target allocations evolve from a traditional portfolio toward a longevity strategy. This allocation underscores the central role of growth in funding longer lives and the need to align that growth with how spending patterns change later in life. As we stated before, a common misconception is that people spend less as they age; in reality, they often spend more, with a growing share allocated to heal-

thcare, long-term care, wellness, and experience-centered consumption. Meeting these needs over multi-decade retirements requires portfolios that can preserve and expand purchasing power over long horizons.

As a result, private equity, and long-duration real assets such as infrastructure take on a more prominent role, offering exposure to essential services and revenues that are often linked to inflation, meaning cash flows can adjust as the cost of living rises. In addition, many of the most important advances in healthcare, from medical technology to care delivery models, are developed in the private sector, making private markets a critical source of long-term growth.

On the traditional equities side, one of the main advantages of global equities is their role as a real hedge against national policy risk. Retirement outcomes are increasingly shaped by country-specific decisions on healthcare funding, taxation, pension systems, and debt sustainability. A globally diversified equity allocation reduces dependence on any

single fiscal or regulatory framework, which is particularly important as aging populations place growing strain on public finances.

Finally, the reduced role of bonds reflects a more realistic view of what fixed income can deliver over long periods. Bonds remain essential for liquidity, capital preservation, and smoothing short-term volatility, but they often struggle to generate sufficient inflation-adjusted income to support long retirements.

This is where lifetime income allocations, such as annuities and tontines, become increasingly important.

Rather than depending exclusively on bond coupons and portfolio withdrawals, these instruments transform a portion of wealth into durable income by pooling longevity risk across participants. In doing so, they allow the rest of the portfolio to remain invested in growth assets for longer, creating a more balanced that addresses both market risk and the risk of outliving assets. ■



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House Views Matrix

Global Asset Allocation	TACTICAL (UP TO 3 MONTHS)	CYCLICAL (UP TO 12 MONTHS)
Equities	NEUTRAL	Overweight
Fixed Income	Overweight	NEUTRAL
Cash	NEUTRAL	NEUTRAL
US Equities ¹	NEUTRAL	Overweight
European Equities	NEUTRAL	Overweight
Japanese Equities	Overweight	NEUTRAL
Emerging Market Equities	NEUTRAL	Overweight
Chinese Equities	Overweight	NEUTRAL
US Treasuries ²	NEUTRAL	NEUTRAL
Investment Grade Fixed Income	NEUTRAL	NEUTRAL
High Yield Fixed Income	NEUTRAL	NEUTRAL
Emerging Market Sovereign	Overweight	Overweight
US Dollar	NEUTRAL	UNDERweight
Energy ³	UNDERweight	UNDERweight
Precious Metals	Overweight	Overweight

¹ Relative to global equities in USD

² Relative to aggregate fixed income markets in USD

³ Relative to an overall commodity allocation

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