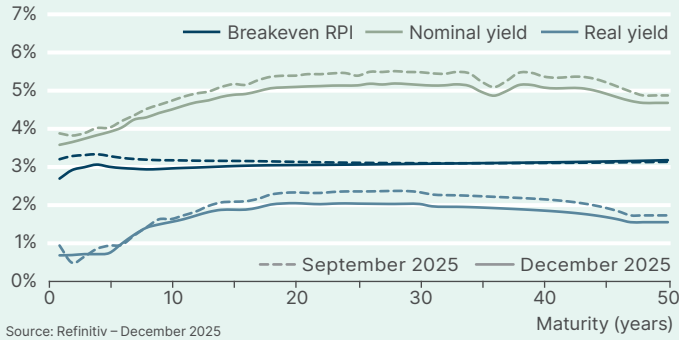


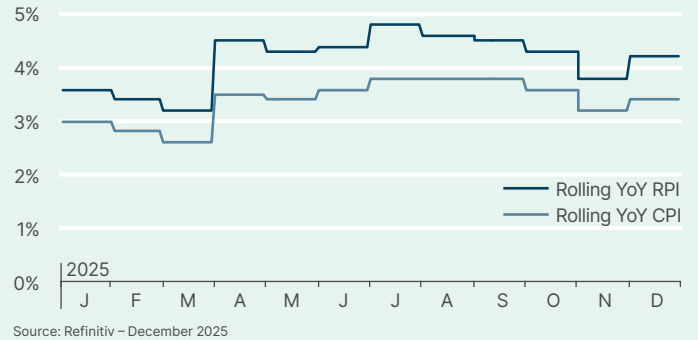
Market Monitor Q4 2025

Rates, inflation and credit spreads

Gilt yield curves



12 month rolling inflation



- Over the quarter, the nominal gilt curve has shifted down by around 25 basis points across the medium to longer maturities. The real yields curve has also moved in the same direction, albeit by around 20 basis points.
- Reported inflation has fallen over the quarter with year-on-year CPI falling from 3.8% in September to 3.4% in December and RPI falling from 4.5% in September to 4.2% in December. With lower inflation expected, the BoE reduced rates by 25bps to 3.75% in December, and the market expects two further 25 basis point cuts in 2026.
- Credit spreads (versus swaps) fell over the quarter, although there was some volatility mid November. AA-rated spreads closed 2025 just below 100 basis points, A-rated slightly below 130, and BBB-rated just above 160 basis points.

Credit spreads



Secure income market update



Spreads remain compelling for secured long income assets

- Spreads for Renewables Infrastructure have increased over the quarter by 25 basis points at the top and bottom of the range, reflecting a softening of valuations.
- Spreads on both Social Infrastructure and Long Lease Real Estate assets remain the same despite a fall in risk-free yields.
- Spreads over risk-free yields for Commercial Ground Rents and Income Strips have remained the same despite a fall in risk-free yields.

Asset class definitions

- Corporate Bonds:** iBoxx £ Non-Financials A to BBB 10+ year spread.
- Renewables Infrastructure:** Inflation-linked cashflows from operational or in-construction unlevered wind and solar infrastructure assets subject to Feed-in Tariff (FIT), Renewable Obligation Certificate (ROC) regimes or Contracts for Difference (CfDs).
- Long Lease Real Estate:** 15+ year inflation-linked leases on commercial real estate. Traditional sale & leasebacks fall within this market.
- Social Infrastructure:** 15-20+ year inflation-linked leases on operational real estate across the housing, healthcare and education sectors.
- Income Strips:** 30+ year inflation-linked leases on commercial real estate where the lessee has an option to purchase the real estate back at the end of the lease for a nominal amount (e.g. £1).
- Commercial Ground Rents:** 50+ year inflation-linked leases on commercial real estate, with a higher degree of rental and value cover than a traditional sale & leaseback.

Sources: Alpha Real Capital (for illustrative purposes only and for typical transactions available to pension schemes in these asset classes). Data as at 31 December 2025. The future returns and opinions expressed are based on Alpha Real Capital internal forecasts and should not be relied upon as indicating any guarantee of return from an investment managed by Alpha Real Capital nor as advice of any nature. Source of corporate bond spreads: Refinitiv 10 year non-financial GBP bonds – 31 December 2025.

Social Impact Investing | The benefits of diversification

What is meant by social impact investing, and how can it help asset owners deliver objectives such as growth, income security and inflation-linkage?

We partnered with Pensions for Purpose and hosted an online session highlighting the benefits of social impact investing for both investors and communities. The session unpacked the value of diversification across the health, housing and education sectors, including how it can contribute to risk mitigation, speed of deployment and depth of impact achieved.

Speaker James Murray, Head of Social Infrastructure, shared examples of ways these challenges have already been addressed and how investors have benefited.

Traditionally, fiduciary duty has been mentioned by asset owners as something that restricts allocation to social impact. This session sought to challenge that view, by emphasising how impact assets can generate uncompromised returns for investors, with the added outcome of directly benefiting communities. The event was open to asset owners such as pension fund trustees and in-house executives, as well as investment consultants and other institutional investors interested in social impact investing.



Watch our presentation with James Murray, Head of Social Infrastructure:

Pensions for Purpose and AlphaReal online roundtable 25/11/2025
www.youtube.com/watch?v=UnsRvbAXuhc

Contact us

Client Solutions
clientsolutions@alphareal.com
www.alphareal.com

 **AlphaReal**

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