

Are European Portfolios Built for the New Global Economic Order?



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The global investment environment is being reshaped by shifting geopolitics, large-scale infrastructure investment and the rapid acceleration of AI. At the same time, markets remain highly concentrated, with the “Magnificent 7” accounting for around 35% of the S&P 500¹.

Against this backdrop, many European portfolios still carry a structural contradiction – they are presented as globally diversified, yet remain heavily concentrated in familiar markets, sectors and currencies. As investors reassess where future growth, capital formation and value creation are likely to emerge, three themes in particular stand out:

1. Defence, infrastructure and energy are potentially becoming structural allocations

One of the most important shifts taking place in Europe today is the scale of Europe’s fiscal and industrial repositioning.

Higher defence spending across Europe, combined with major infrastructure programmes, particularly in Germany, is already reshaping capital flows, industrial activity and investor sentiment towards European assets. This appears to be more than a short-term cyclical trade.

The scale of Europe’s energy transformation is significant. The European Commission estimates annual energy investment requirements of approximately €660 billion between 2026 and 2030, almost triple the annual average observed between 2011 and 2021².

Public financing alone may not be sufficient. Hence, transition will potentially require substantially greater private capital participation across infrastructure, energy systems and long-duration strategic assets.

¹[The Motley Fool](#)

²[European Commission](#)

2. AI is increasingly an infrastructure story

Artificial intelligence is often discussed as a technology sector theme. In practice, its implications for portfolio construction are potentially much broader.

Many investors seeking AI exposure are primarily gaining access through large US technology companies. But the infrastructure supporting AI may ultimately prove just as significant as the applications themselves.

Europe's data centre capacity has expanded rapidly in recent years, with cumulative investment expected to reach approximately €176 billion between 2026 and 2031³. Demand for power is rising sharply alongside this growth, with grid infrastructure increasingly becoming the limiting factor in some markets.

The convergence between AI and energy infrastructure is now difficult to ignore. Data centres, transmission networks, storage capacity and grid modernisation are no longer separate investment themes.

3. Private markets are playing a more strategic role

While private assets have become deeply embedded within US institutional and wealth allocation models, European private market participation remains comparatively underdeveloped.

This, perhaps, is not simply a question of investor appetite. The larger challenge remains the maturity of the surrounding ecosystem – including regulatory frameworks, distribution models, operational infrastructure and product structures capable of supporting broader investor participation at scale.

Frameworks such as ELTIF 2.0 reflect a growing recognition that Europe needs to continue developing its private markets.

Public and private markets are therefore playing distinct roles within the investment lifecycle. Private markets are now where many long-term themes such as infrastructure, AI and energy transition are financed and developed, while public markets continue to provide scale, liquidity and broader investor participation.

Is it time for a new portfolio playbook?

The global investment environment is growing more fragmented, more infrastructure-intensive and more operationally complex.

European portfolios cannot rely indefinitely on assumptions built for a different era of globalisation and market leadership. The future is likely to be more fragmented, more energy-driven and shaped by infrastructure investment, private capital and operational resilience.

As a result, diversification itself is being redefined. Supply chains are being reconfigured, industrial policy is taking on greater strategic importance and new centres of capital formation, manufacturing growth and innovation are emerging across Asia, the Gulf and other rapidly developing regions.

For asset managers, achieving geographic diversification alone may no longer be sufficient. Portfolios need exposure to a broader range of growth drivers, industries and regions than has been the case in recent years.

The question is not whether the global economy is changing. It is whether portfolio construction is evolving quickly enough to reflect where future growth and value creation are taking place.

³[European Data Centre Association](#)

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As investment strategies, product structures and portfolio allocations continue to evolve, asset managers are also facing growing operational, governance and scalability demands. Waystone supports managers with solutions across product structuring, [fund administration](#), governance, [distribution](#) and operational infrastructure as they navigate a more complex global investment environment.

These themes were discussed by Pervaiz Panjwani during a panel session at the [Cross-Border Distribution Conference](#) in Luxembourg on 19 May 2026, examining how the new global economic order is reshaping portfolio construction and investment strategy across Europe.

If you have any questions regarding the themes raised in this article, please contact your usual Waystone representative or our team via the button below. You can also find more insights from Waystone's experts and join our mailing list on our [News & Events page](#).

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