Quarterly Analysis

Manager Intelligence and Market Trends

August 2025

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bfinance is an award-winning specialist consultant that provides investment implementation advice to institutional investors around the globe. Founded in 1999, the London-headquartered firm has conducted engagements for more than 580 clients in 47 countries and has 11 offices globally. Services include manager search and selection, fee analysis, performance monitoring, risk analytics and other portfolio solutions. With customised processes tailored to each individual client, the firm seeks to empower investors with the resources and information to take key decisions. The team is drawn from portfolio management, research, consultancy and academia, combining deep sector-specific expertise with global perspective.

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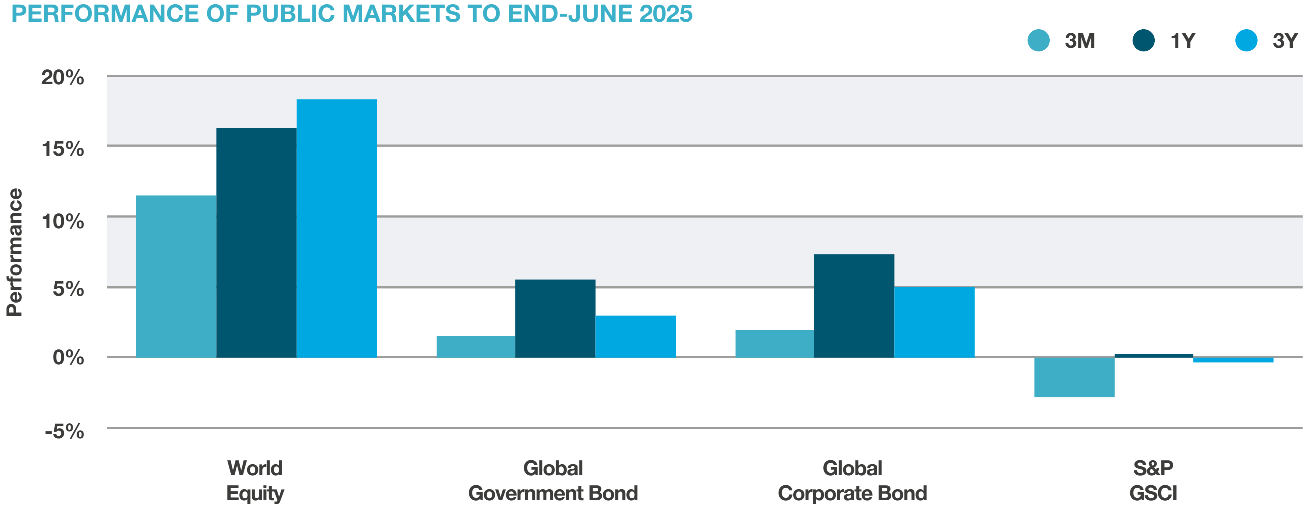
At a glance

- Risk aversion moderated modestly in Q2, with the bfinance Risk Aversion Index dipping to 0.6. Yet manager behaviour remains cautious: cash levels remained elevated and positioning in gold and defensive equity sectors increased. Multi-asset managers continued to rotate into quality and liquidity, reflecting persistent uncertainty around US policy, trade dynamics, and inflation.
- Equity search activity dipped slightly year-on-year to 27% of mandates, following a strong rebound in 2024. Global equity remained the dominant focus, while demand for emerging markets equity rose to 36% of equity searches—its highest level in recent years—with notable interest in India, Saudi Arabia and the GCC. Manager allocations reflect improved sentiment, though positioning remains measured.
- Fixed income activity remained steady at 13% of mandates, but with notable shifts beneath the surface. Investment grade credit searches rose to 46% of fixed income activity, as allocators sought resilient income and duration stability. Multi-sector strategies held firm, while demand for high yield and emerging market debt continued to recede. Manager sentiment reflected this cautious tone, with greater dispersion in spread compression and widening duration bets.
- Diversifying strategies accounted for 11% of mandates, with hedge funds continuing to dominate the space. Equity long/short was the strongest-performing strategy cohort in Q2, with long-biased and market-neutral managers delivering strong alpha. Trend-following CTAs lagged, while multi-strategy and discretionary macro approaches showed renewed strength. ARP strategies posted muted results, reversing some of Q1's strong gains.
- Private markets fundraising remained subdued in Q2, with volumes around 25% below the five-year quarterly average. Yet signs of stabilisation emerged, led by a rebound in private equity buyout activity and renewed momentum in real estate. Large closes in tech-focused PE and opportunistic real estate funds signalled improved sentiment, while infrastructure and private debt saw softer fundraising despite ongoing mandate demand. Investor interest remains strong for secondaries, value-add, and asset-backed strategies, as allocators continue to prioritise resilience, flexibility and inflation-linked cashflows.

PERFORMANCE OF PUBLIC MARKETS TO END-JUNE 2025



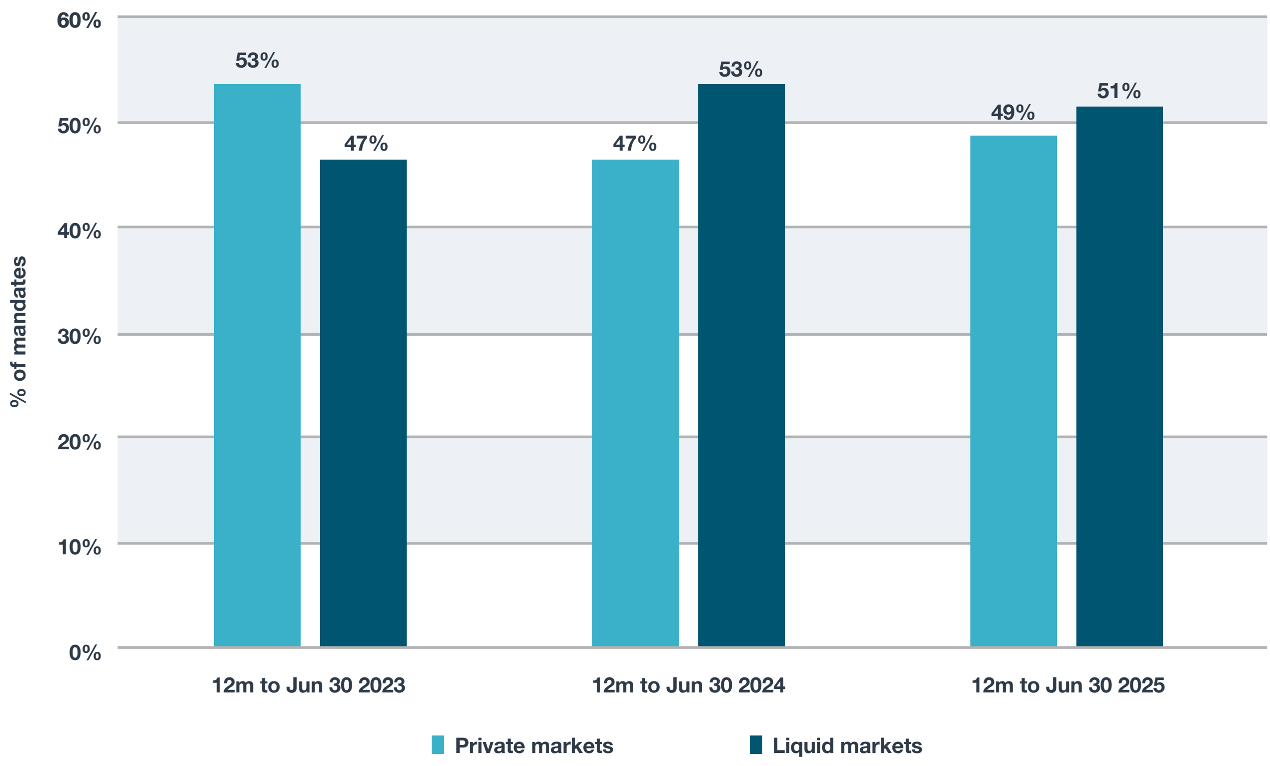
Source: bfinance, Bloomberg

World Equity: MSCI World NR (USD)
Global Government Bond: Barclays Global Aggregate Treasury (USD Hedged)
Global Corporate Bond: Barclays Global Aggregate Corporate (USD Hedged)
S&P GSCI: S&P GSCI TR (USD)
Indices are not directly investible; figures shown do not represent performance.

Investor activity

Manager search patterns reflect steady appetite,with shifts towards liquidity, downside protection and real-return exposures

% OF MANDATES, YEAR ON YEAR COMPARISON



Source: bfinance

Note: these figures only represent projects initiated within the specified periods and do not include pre-existing client engagements that continued during the year.

Investor activity continued

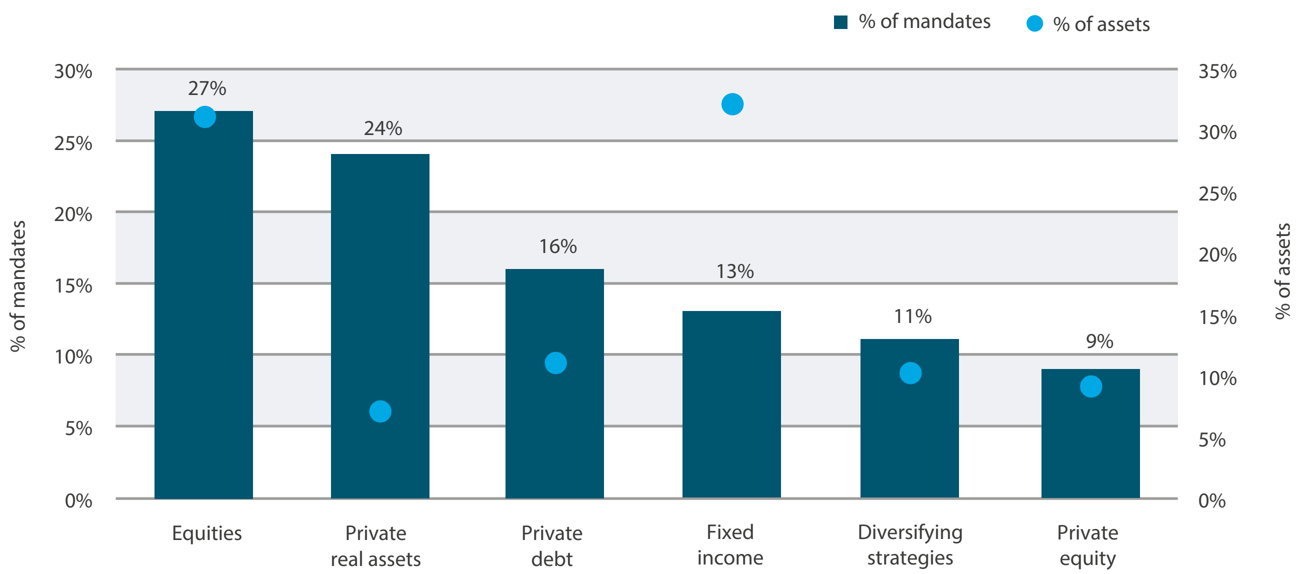
Investor sentiment remains anchored in caution, with persistent policy unpredictability—particularly around US trade direction and central bank independence—driving portfolio-level reassessments. According to the latest data from bfinance, 76% of asset owners reported policy risk as a key consideration influencing asset allocation. Yet most indicated no material shift in headline risk appetite. Instead, implementation trends continue to highlight a reorientation around liquidity, regional diversification, and enhanced downside resilience.

Manager search trends

Liquid markets remained the dominant area of manager search activity, accounting for 51% of all mandates over the 12 months to June 2025. While this represents a slight decline from prior years, it reflects consistent institutional appetite for illiquid exposures amid evolving return and inflation dynamics. Within the category, private debt maintained its lead, representing 43% of all private markets searches, with robust demand for direct lending, asset-backed finance, and capital preservation strategies.

Notably, infrastructure searches rose to 17%—more than doubling from 8% the prior year—highlighting investor focus on long-duration, real-return assets in an environment of persistent inflation risk and fiscal investment. Searches for real estate and natural capital strategies also climbed meaningfully, supported by structural themes such as decarbonisation and energy transition. In contrast, activity in private equity moderated, now accounting for just 18% of private markets searches, down from 28% the year prior. Multi-asset private markets remained a niche but growing area, with modest increases in activity focused on combining semi-liquid structures with thematic exposure.

NEW MANAGER SEARCHES BY ASSET CLASS, 12 MONTHS TO END-JUNE 2025 (% OF MANDATES AND % OF VOLUME)



Source: bfinance

Note: these figures only represent projects initiated during the specified period and do not include pre-existing client engagements that continued during the year.

Investor activity continued

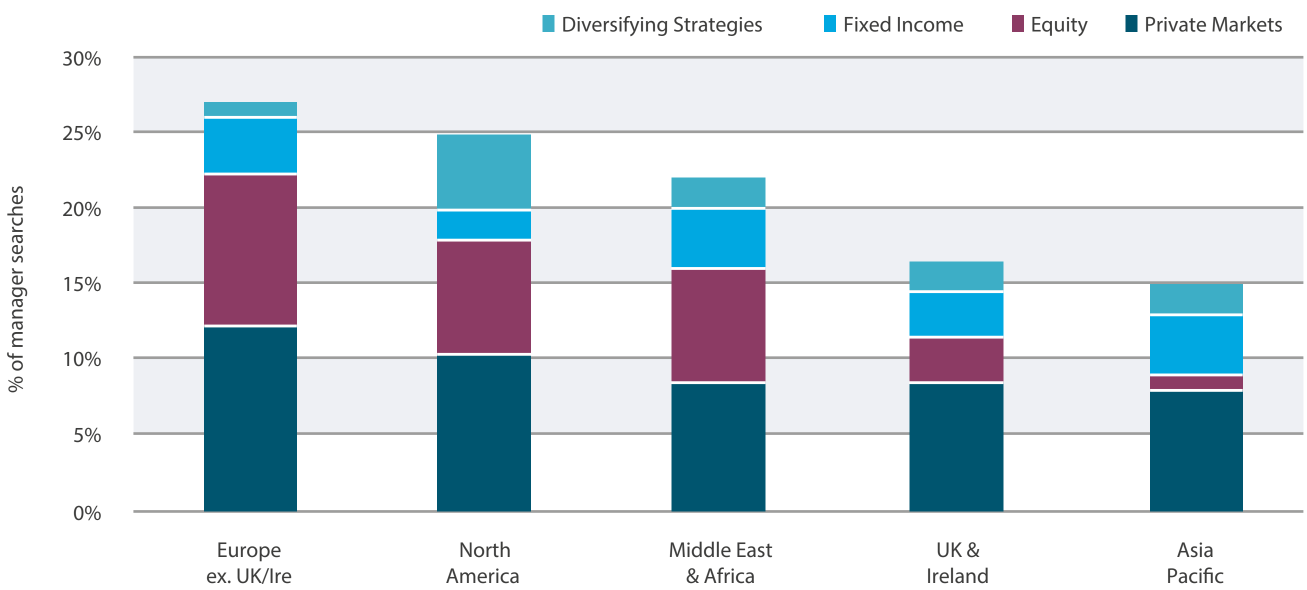
Equity manager search activity came in at 27% for the second quarter of 2025, down ever so slightly from the 32% recorded in the prior 12 months. Global equity continued to dominate, accounting for 46% of equity mandates, while demand for emerging markets equity rose sharply to 36%—its highest level in recent years. Activity was distributed across both broad-based and regional strategies, with targeted interest in India, Saudi Arabia, and the GCC. In contrast, regional developed market equities fell to 14%, while searches for listed real assets remained muted at just 5% of equity activity. The equity rebound appears to reflect improved sentiment following tariff repricing and a recalibration of valuations, particularly in non-US markets.

Fixed income search activity remained steady at 13% overall, but underlying shifts were significant. Investment grade credit searches increased to 46% of fixed income mandates—reflecting the appeal of yield stability amid lingering rate volatility—while high yield and loans declined sharply to 9%. Emerging market debt fell to just 9%, continuing its downward trajectory from a high of 31% two years earlier. Multi-sector mandates remained stable at 18%, while "other" strategies—including hybrids, structured credit, and overlays—rose to 18%, suggesting greater willingness to explore complex or opportunistic solutions where risk can be more precisely calibrated.

Diversifying strategies accounted for 11% of mandates, slightly higher year-on-year. Activity remained concentrated in hedge funds, which represented over 80% of all searches in this category. Market independent strategies dominated, at 50%, benefitting from increased dispersion across macroeconomic and sectoral themes. Market-independent strategies held steady, while convex/divergent approaches—such as long volatility and global macro—maintained a meaningful share. Searches for currency, commodity overlays, and portable alpha strategies also saw modest increases, though multi-asset strategies continued their decline, accounting for just 9% of activity in this space.

From a geographic perspective, Europe ex-UK and North America remained the most active regions for manager search activity. In Europe, strong demand for private markets, real assets, and fixed income diversification continues to reflect the region's maturing alternative allocations. North American investors led activity in real estate debt, infrastructure, and portable alpha, with growing interest in tax-efficient and niche exposures. The Middle East & Africa region sustained its upward trend, with search activity increasingly focused on Shariah-compliant mandates, alternative income, and structured private credit. Asia Pacific activity held steady, with balanced interest across equities and private markets. UK & Ireland-based searches remained more selective, often centred on implementation mandates or specialist solutions.

NEW MANAGER SEARCHES BY INVESTOR LOCATION, 12 MONTHS TO END-JUNE 2025



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Risk snapshots

Risk sentiment rebounds but investor positioning remains anchored in caution

Risk appetite barometer, Q1 2025 vs Q2 2025

Manager positioning barometer, Q1 2025 vs Q2 2025

Source: bfinance (see page 5)

Risk snapshots

Risk aversion and manager positioning

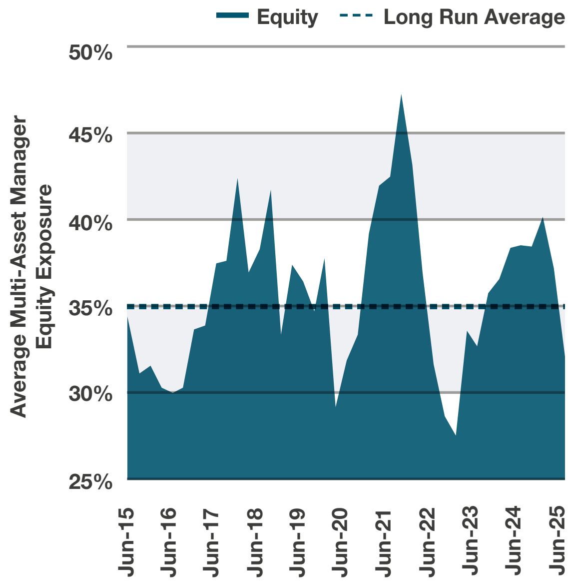
Investor sentiment improved in Q2 2025, with the bfinance Risk Aversion Index returning to its long-term average of 0.5 after spiking to 0.8 in early April. The tariff-driven shock at the start of the quarter was quickly offset by a 90-day pause in implementation, prompting a rebound in equities and a broader recovery in market confidence. Nevertheless, risk appetite remains uneven, with geopolitical tensions and policy uncertainty continuing to shape investor behaviour.

Multi-asset managers adopted a measured approach to the changing backdrop. Average equity allocations declined slightly over the quarter, reflecting a modest reduction in portfolio risk. Duration exposure increased, particularly in European strategies, as expectations of central bank easing became more entrenched. Credit exposures remained stable, although tight spreads left limited room to add risk without reducing overall defensiveness.

Portfolio adjustments signalled a continued emphasis on liquidity and protection. Allocations to real assets, including gold, remained elevated, supported by strong year-to-date performance and concerns over inflation persistence. Meanwhile, interest in downside protection increased, with greater use of structured hedges and convex strategies designed to guard against tail risks. Managers also maintained high cash levels, suggesting a desire to preserve flexibility rather than aggressively chase the rebound.

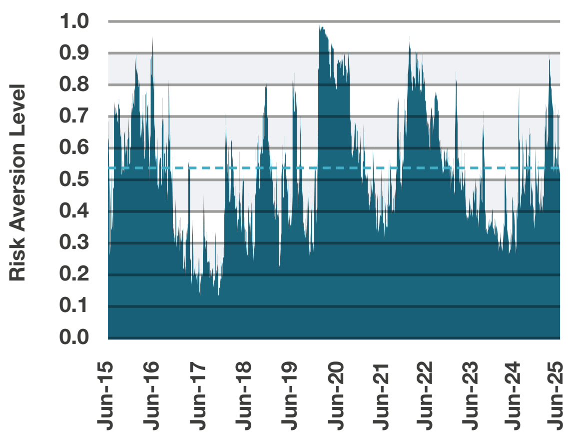
In aggregate, while sentiment indicators have improved and markets have stabilised, positioning reflects a more cautious tone. Investors remain engaged, but continue to prioritise resilience as uncertainty around trade policy, inflation, and monetary direction persists. Within the bfinance Manager Risk Barometers, the dotted line reflects Q1 positioning, while the solid line illustrates Q2—a visual cue to the evolving stance across asset classes.

MARKET POSITIONING OF MULTI-ASSET FUNDS



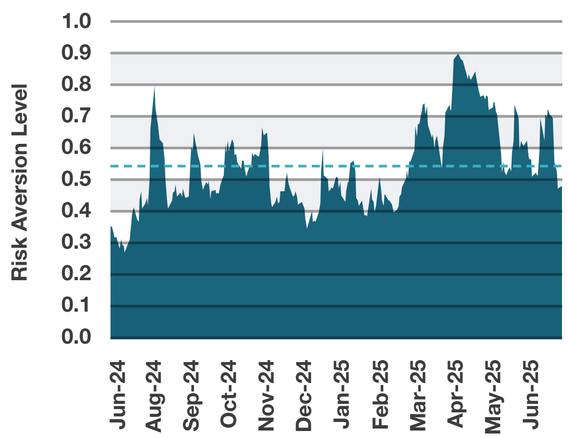
Source: bfinance. This graph shows the current and average exposure to equities held by a range of multi-asset managers. This is based on proprietary analysis performed by bfinance. The managers analysed vary in strategy from macro and GTAA through to bottom-up allocation strategies.

THE BFINANCE RISK AVERSION INDEX: 10-YEAR VIEW



Source: bfinance, Bloomberg

THE BFINANCE RISK AVERSION INDEX: 1-YEAR VIEW

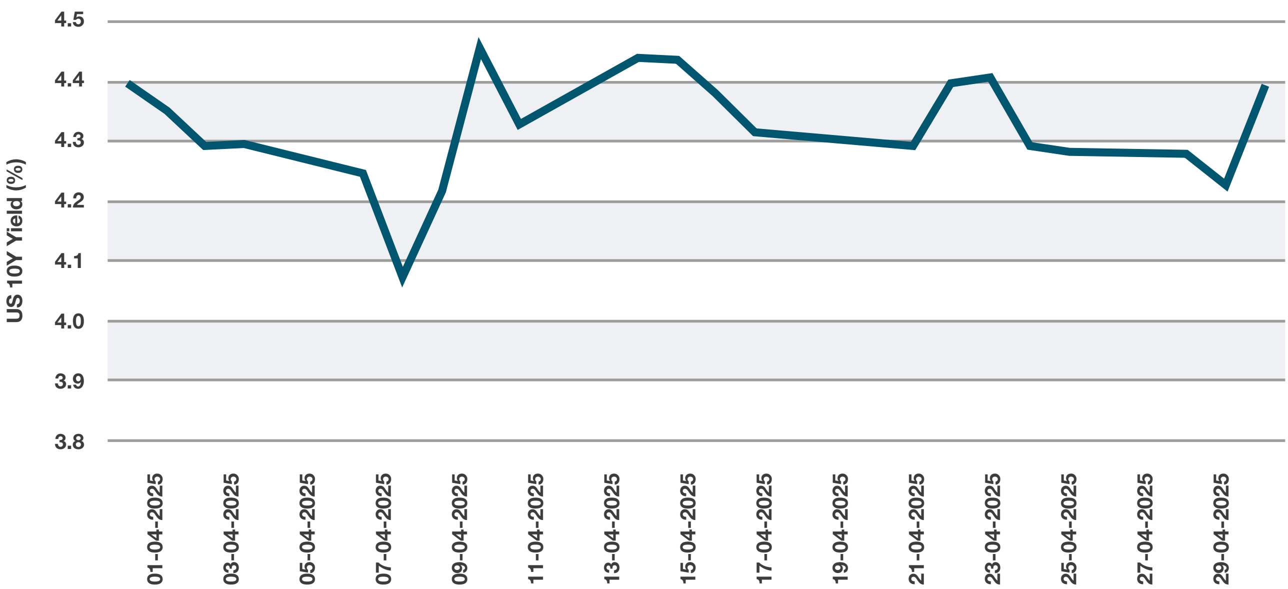


Source: bfinance, Bloomberg

The bfinance risk aversion index is a proprietary measure we use to calculate how risk seeking (nearer zero) or risk averse (nearer 1) the market consensus is. It ranges between 0 and 1. The internal algorithms used incorporate indicators of market expectations of future volatility (e.g. implied volatilities in equities and FX), the level of classic safe haven investments (gold) and market expectations of corporate default (e.g. CDX).

From defence to divergence, as portfolios pivot in a fracturing global landscape

BOND MARKET VOLATILITY INTENSIFIES: US 10Y YIELD SPIKES ON TARIFF SHOCK BEFORE STABILISING



Source: IMF, latest data to end Q2 2024

Portfolio design

Investor trends

Macroeconomic and market dynamics: a risk-on rebound amid lingering uncertainty

The second quarter of 2025 marked a notable shift in investor sentiment, as markets rebounded sharply from the tariff-driven sell-offs that had defined the end of Q1. The abrupt introduction of "Liberation Day" tariffs in early April triggered a swift correction in global equities, led by the S&P 500. However, this period of stress proved short-lived: a subsequent 90-day pause on tariff implementation catalyzed a rapid recovery in risk assets, with broad-based gains across geographies and sectors.

Initially, European equities outperformed their US counterparts, supported by strength in the defence sector amid renewed fiscal stimulus pledges and expanded NATO spending commitments. Yet as optimism returned, US markets regained leadership, powered by investor enthusiasm around key technology names—most notably Nvidia and Palantir—which have become emblematic of the current growth narrative.

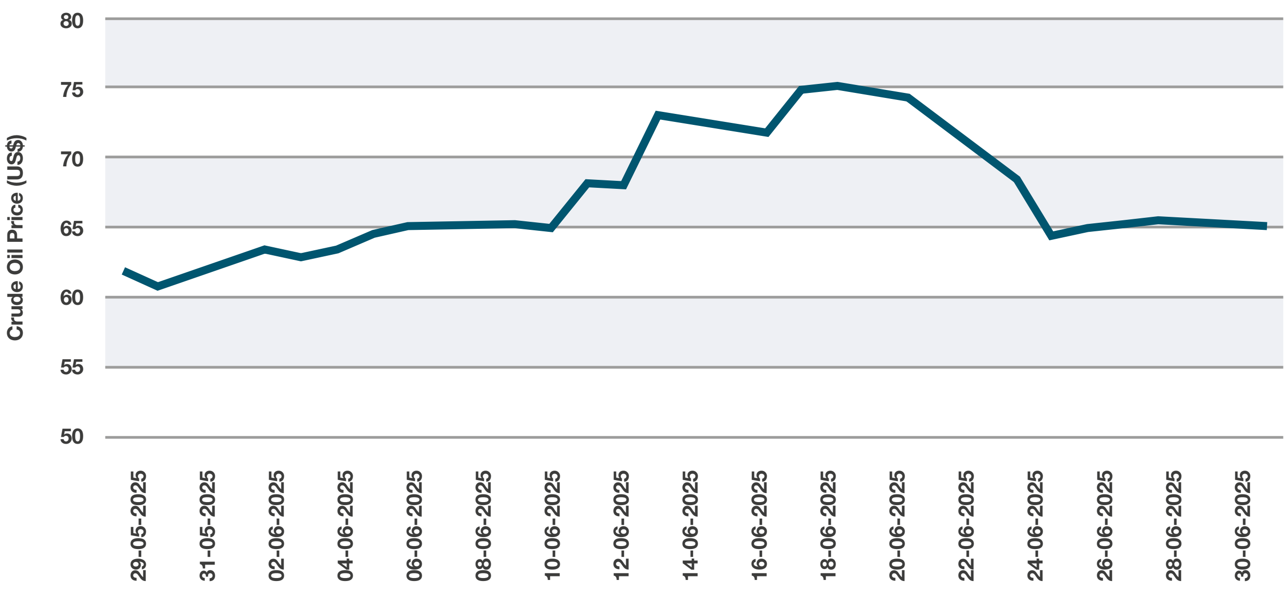
Bond markets navigated the quarter with characteristic volatility. The US 10-year yield surged in April before retracing and ultimately settling into a narrow range. In contrast, German bund yields declined in anticipation of ECB easing. Credit spreads remained tight, and emerging market debt outperformed, underscoring market comfort with credit risk despite policy headwinds.

The US dollar, by contrast, came under sustained pressure. The idiosyncratic nature of the tariffs—heavily centered on US-led policy—contributed to a perception of rising dollar vulnerability. Capital flowed into alternative stores of value, with gold emerging as a clear beneficiary. Gold's outperformance has been underpinned not only by investor risk aversion, but also by growing institutional recognition of its reserve asset status: while the USD still represents 54% of global FX reserves, gold's share has climbed from 6% to 15% over the past decade.

Trade and geopolitics in the driver's seat

US trade policy remained the dominant force shaping macroeconomic and market developments in Q2. The initial shock of the tariff announcement in April gave way to relative calm following the pause—but volatility remained a recurring theme. Equities experienced pronounced single-day moves, and geopolitical developments in the Middle East—particularly missile exchanges between Iran and Israel—fueled oil price swings. Crude briefly surged from US$60 to US$75 before retracing to end the quarter near US$65.

OIL MARKETS REACT TO GEOPOLITICAL SHOCKS



Source: Bloomberg

Portfolio design continued

Central banks responded unevenly. While the Federal Reserve maintained its policy rate amid sticky inflation and still-robust growth, the ECB adopted a more dovish posture. Divergent rate paths contributed to continued USD weakness and euro strength. Meanwhile, concerns over the independence of the Fed were rekindled as President Trump escalated his public criticism of Chair Jerome Powell, even suggesting his potential replacement—comments that injected further uncertainty into rate expectations.

Despite these developments, market pricing remains relatively sanguine. While early forecasts anticipated a sharp deceleration in global growth, the partial rollback of tariffs and hopes for bilateral trade resolutions have revived optimism. Credit spreads remain tight, and equity markets appear to be discounting robust earnings growth, suggesting that systemic downside risks are not fully priced in.

Strategic allocation amid structural shifts

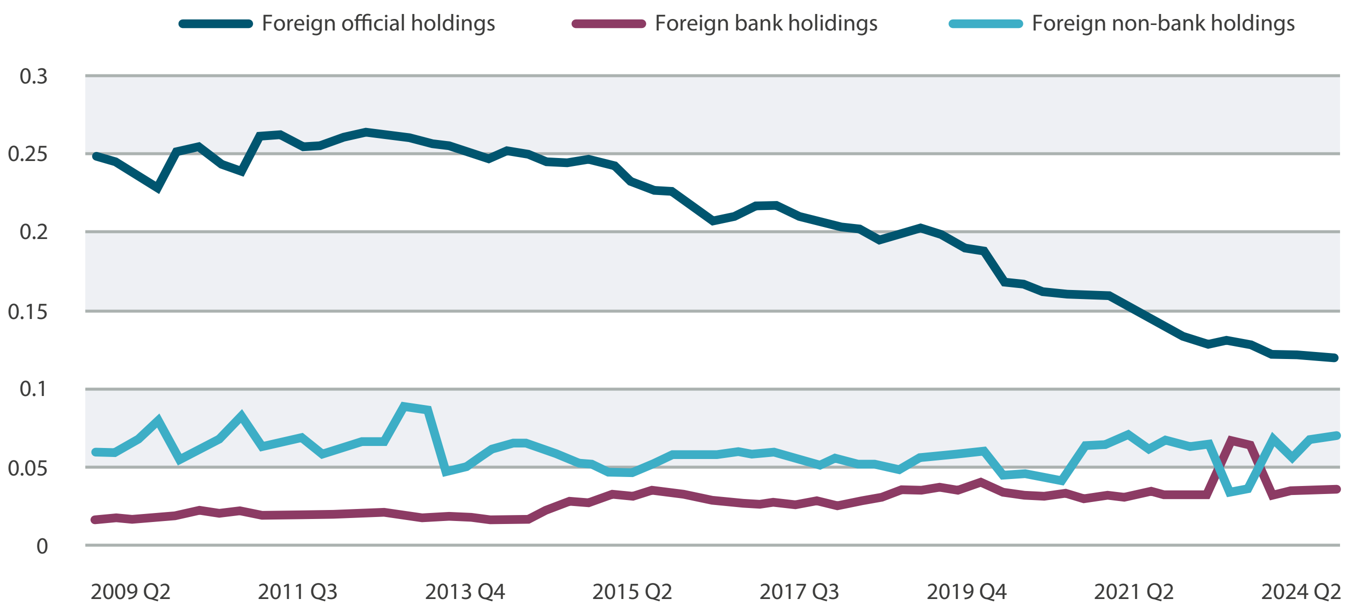
Q2 reinforced the critical importance of resilient strategic asset allocation frameworks in the face of policy-driven volatility. Diversified portfolios—particularly those less reliant on USD-denominated assets—fared better as investors grappled with changing rate expectations and geopolitical tensions. In this context, bfinance is engaging more frequently with clients on the theme of de-Americanisation: a strategic reconsideration of long-standing assumptions underpinning global portfolios.

Key tenets once taken for granted—including the dominance of US equities, the preeminence of the US dollar in reserves and transactions, and the perceived safe-haven role of US Treasuries—are now subject to closer scrutiny. As global growth becomes increasingly multipolar, and as industrial policy becomes more assertive outside the US, investors are evaluating whether their portfolios are appropriately positioned for this evolving landscape.

For some institutions, these conversations are transitioning from tactical responses to strategic reorientations. Clients are exploring expanded allocations to non-US equities, reassessing currency exposures, and stress-testing the efficacy of traditional hedging instruments. The aim: to create portfolios that are robust not only across asset classes, but also across geographies, currency regimes, and policy environments.

Importantly, while Q2 rewarded those who stayed invested through the tariff shock, the underlying message remains consistent: maintaining disciplined allocation, guided by long-term convictions and supported by a robust governance framework, continues to be paramount. Regular rebalancing can help investors monetise gains, mitigate drawdown risk, and remain anchored to their long-term objectives—particularly in a market landscape that remains fraught with policy-driven noise and episodic dislocations.

FOREIGN HOLDINGS OF US SOVEREIGN DEBT %



Source: Bloomberg

Operational Due Diligence

US regulatory rollback: considerations amid a shifting oversight landscape

In April 2025, following President Trump's return to office, the White House issued an Executive Order aimed at dismantling what it described as anti-competitive regulatory barriers to economic growth. The directive instructed financial regulators—including the Securities and Exchange Commission (SEC)—to conduct a comprehensive review of all existing and pending regulations, with a view to amendment or repeal within a 70-day window. This development coincided with the appointment of Paul Atkins as Chair of the SEC, replacing Gary Gensler, whose 12-year tenure had been marked by a proactive and expansive regulatory agenda targeting hedge funds, private markets managers, and investment banks.

In June, the SEC formally withdrew 14 proposed rules issued between March 2022 and November 2023. While some of these proposals had already drawn industry criticism, their collective repeal marks a potentially significant inflection point in the regulatory trajectory of the US investment management industry. For many asset managers—particularly those registered as investment advisers under SEC jurisdiction—the move offers near-term regulatory relief and a reduction in anticipated compliance burden.

Yet from an operational due diligence (ODD) perspective, the rollback raises important questions. The withdrawn proposals had focused on emerging operational risks, including enhanced cybersecurity standards, more rigorous disclosure of ESG-related practices, and improved oversight of third-party service providers. Although no longer mandated, these areas remain material to assessing operational robustness—especially in a private markets context where transparency is inherently limited.

Investors conducting ODD should not interpret regulatory retrenchment as a signal to deprioritise these risk domains. On the contrary, the likelihood that the SEC will pursue such issues via its examination programme—as opposed to formal rulemaking—has increased. Asset managers must therefore continue to demonstrate the existence of internal policies, control frameworks, and governance mechanisms that address these operational vulnerabilities.

The withdrawal of proposed rules does not eliminate fiduciary obligations or broader regulatory scrutiny. Industry fiduciary standards remain in place, and managers continue to be subject to periodic inspections. As such, operational discipline—especially around cyber governance, ESG policy transparency, and vendor oversight—should remain core areas of investor inquiry. The quality of documentation, board-level engagement on operational risks, and responsiveness to previous regulatory trends may all serve as indicators of institutional readiness in a more selectively regulated environment.

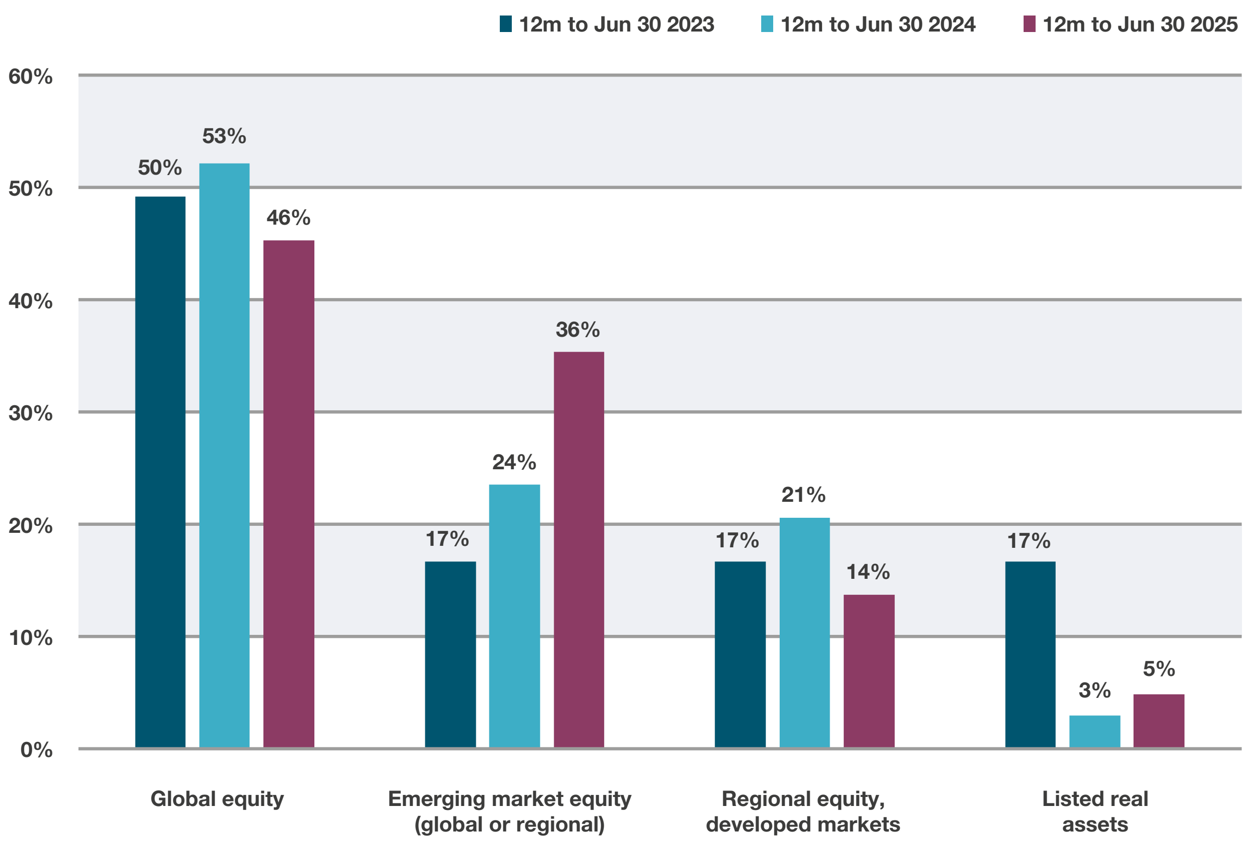
Our perspective

bfinance continues to integrate these considerations into its ODD framework, reflecting the view that regulatory volatility is itself a risk factor. As rules evolve—or are rolled back—rigorous due diligence must increasingly look beyond formal compliance to assess the spirit of sound operational governance. This is particularly critical in alternative strategies such as private equity, venture capital, private credit, and real assets, where operational complexity, third-party reliance, and data sensitivity remain elevated.

Equity

Active manager performance diverged as growth strategies surged and value lost momentum

NEW EQUITY MANAGER SEARCHES, YEAR ON YEAR



Source: bfinance

Note: these figures only represent projects initiated during the specified period and do not include pre-existing client engagements that continued during the year.

Equity

Investor trends

Listed equities accounted for 27% of bfinance manager search activity and just over 30% of assets deployed in the 12 months to the end of June 2025. Building on a strong 2024, investor demand for emerging markets increased meaningfully during H1 2025. New mandates were launched across Global Emerging Markets (GEM), EM ex-China, India, and Saudi/GCC strategies, with the majority representing fresh allocations rather than manager replacements—marking a shift from 2024, where turnover had been the primary driver of activity.

Demand for global equity strategies moderated, although they still represented 45% of equity-related searches over the period. At the same time, interest in more targeted country and regional strategies rose, including mandates focused on Canada, Europe, Japan and broader EAFE exposures. This represents a partial reversal of the multi-year consolidation trend, where asset owners had increasingly favoured global portfolios over region-specific allocations.

Another area of growing interest has been systematic 'enhanced' equity strategies—low-tracking-error approaches designed to deliver consistent outperformance relative to benchmarks. This trend has been particularly pronounced among institutional investors in the Middle East, where there is increased focus on consistency of returns or 'sustainable alpha'—not only what is delivered, but how it is delivered through the cycle.

Market snapshot

Global equities delivered strong gains in Q2 2025, with the MSCI ACWI returning +11.7% in USD terms, reversing the volatility that marked the start of the quarter. Markets were initially unsettled by the announcement of "Liberation Day" tariffs in early April, which triggered a sharp global sell-off. However, the subsequent 90-day suspension and resumption of US-China trade talks calmed sentiment and allowed equities to rebound.

US equities led the recovery, with the S&P 500 gaining +10.9% over the quarter, powered by renewed enthusiasm for the "Magnificent Seven" mega-cap technology stocks. Performance was narrow, but impactful. A weaker US dollar also boosted returns in non-US markets. European equities posted modest local currency gains, with the MSCI Europe Index up +2.2% in euro terms but +11.8% in USD terms, amplified by a strengthening euro and supportive ECB rate cuts. UK equities also outperformed, with the FTSE 250 returning +12.5% in sterling, driven by domestic mid-caps in financials and industrials.

In Japan, equities advanced with the TOPIX gaining +7.5% in yen terms, led by industrials and technology. Corporate reform remained a tailwind, though gains were concentrated. Emerging markets outperformed developed markets overall, with the MSCI EM Index up +12.2%. Taiwan and Korea led the rally, buoyed by AI-driven semiconductor demand and political stabilisation respectively. Brazil also contributed positively, supported by central bank tightening. Indian equities advanced on post-election stability and sustained foreign inflows. China, by contrast, underperformed, with only modest gains as ongoing fiscal support did little to lift weak domestic demand.

Equity continued

Manager watch

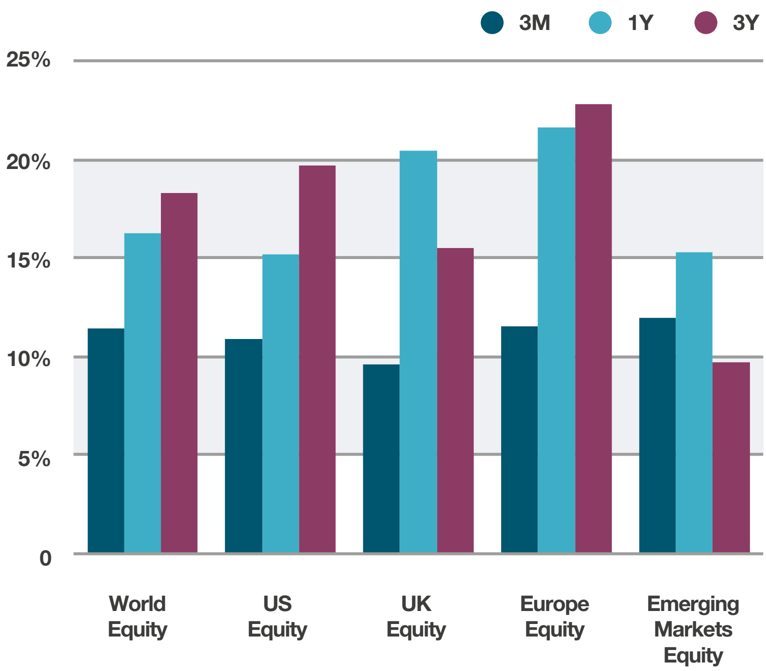
The second quarter of 2025 was a mixed one for active equity managers. Within global equities, only 41% of managers outperformed the MSCI ACWI net of fees—down from 56% in Q1. Style leadership rotated sharply: Growth-oriented strategies rebounded strongly, with High Growth managers outperforming the benchmark by an average of +8.6%, and core Growth by +4.0%. In contrast, Value strategies underperformed across the board, lagging by approximately -3.2%. Defensive styles also struggled, with Low Volatility and Income managers delivering median excess returns of -5.1% and -4.0%, respectively.

Low-tracking-error approaches performed well in this environment. The median manager in Enhanced Index and Systematic Multi-Factor categories delivered net outperformance of +0.8% and +0.4%, respectively. Impact equity strategies continued to underperform, with a Q2 median return of -0.5%, and remain the weakest cohort across one-, three- and five-year periods.

In Global Emerging Markets, active managers generally outperformed. The average GEM manager exceeded the MSCI EM index by 0.5% net of fees. Unlike global equities, where dispersion between styles was pronounced, EM strategies saw more muted but broadly positive results. Growth managers delivered between +1.0% and +1.5% excess return, while Value strategies ranged from -0.2% (Value) to +0.6% (Deep Value). Income strategies also outperformed, while defensive sub-styles such as Low Volatility underperformed with relative losses of -1.6%.

For more detailed insight on how equity managers have performed, please view our latest quarterly webinar.

EQUITY MARKET PERFORMANCE IN USD (TO JUNE 2025)



	YTD USD	YTD LOCAL
World Equity	9.5%	6.6%
US Equity	6.2%	6.2%
UK Equity	19.8%	9.5%
Europe Equity	25.2%	10.4%
Emerging Markets Equity	15.3%	10.8%

Indices Used
World Equity: MSCI World Index in USD and in Local Currency
US Equity: S&P 500
UK Equity: FTSE 100
Europe Equity: Euro Stoxx 50
Emerging Markets Equity: MSCI Emerging Markets Index in USD and in Local Currency

Index returns do not reflect fees or expenses, and it is not possible to invest directly in an index.

Equity continued

Manager watch *continued*

MANAGER PERFORMANCE (TO JUNE 2025), USD NET OF FEES

Global Equity	3m	YTD	1Y	3Y (p.a)	5Y (p.a)	10Y (p.a)
MSCI ACWI NR (USD)	11.5%	10.0%	16.2%	17.3%	13.7%	10.0%
Relative returns vs MSCI ACWI						
High Growth	8.9%	0.9%	7.6%	4.9%	-2.9%	3.9%
Growth	4.0%	0.1%	-0.5%	3.5%	-0.9%	2.0%
Quality Growth	0.1%	-3.2%	-7.4%	-1.6%	-2.3%	1.2%
Quality Value	-4.0%	1.2%	-0.2%	-3.0%	-0.6%	-1.1%
Value	-3.9%	1.1%	0.4%	-2.8%	0.7%	-1.1%
Deep Value	-3.2%	3.9%	0.4%	-2.3%	2.0%	-2.0%
Quality	-2.3%	-3.5%	-4.5%	-3.4%	-2.6%	1.1%
Low Volatility	-6.2%	0.7%	1.7%	-4.8%	-3.0%	-2.0%
Income	-4.2%	2.1%	0.1%	-4.5%	-1.3%	-1.8%
Core	-1.0%	-1.6%	-3.8%	1.4%	0.8%	0.6%
Enhanced index	0.8%	0.5%	1.8%	2.6%	2.5%	1.1%
Systematic multi-factor	0.4%	0.3%	-0.5%	2.4%	1.9%	0.7%
Impact	-0.5%	-1.8%	-6.3%	-4.3%	-3.1%	-0.6%
All styles	-1.2%	0.2%	-1.1%	-1.4%	-0.8%	0.0%
Emerging Market Equity	**3m**	**YTD**	**1 Y**	**3Y (p.a)**	**5Y (p.a)**	**10Y (p.a)**
MSCI EM NR (USD)	12.0%	15.3%	15.3%	9.7%	6.8%	4.8%
Relative returns vs MSCI EM						
High Growth	1.0%	-2.9%	-1.6%	-0.5%	-1.9%	1.7%
Growth	1.4%	-2.0%	-0.6%	-0.4%	-0.6%	0.8%
Quality Growth	0.8%	-2.4%	-2.8%	-1.6%	-1.6%	0.3%
Quality Value	0.8%	1.8%	0.3%	1.6%	1.9%	0.1%
Value	-0.2%	1.6%	2.6%	2.9%	4.1%	1.4%
Deep Value	0.8%	2.7%	1.8%	5.7%	5.7%	1.6%
Quality	-0.2%	-2.6%	-1.9%	-2.7%	-2.1%	-1.1%
Low Volatility	-1.6%	-5.5%	-0.4%	3.0%	3.9%	0.9%
Income	1.1%	-1.1%	-1.7%	3.2%	3.7%	1.8%
Core	0.7%	1.5%	0.2%	0.3%	-0.4%	0.6%
Enhanced index	-0.1%	0.3%	0.8%	1.6%	0.7%	0.9%
Systematic multi-factor	1.6%	0.4%	0.8%	4.5%	3.4%	1.3%
All styles	0.7%	-0.2%	-0.2%	1.1%	0.8%	0.8%

Source: bfinance/eVestment

The Global Equity Manager and Global EM Manager composites show the performance of a sensible and representative sample of managers that invest in global equities and global emerging markets equities respectively. We use these composites as a proxy for how managers in the space are performing relative to their benchmarks. They do not represent manager recommendations. Indices are not investible and do not represent performance; it is not possible to invest directly in an index.

Eye on fees

Performance data shown above is all 'net of fees'.
Current median quoted fee for a US$100 million mandate:

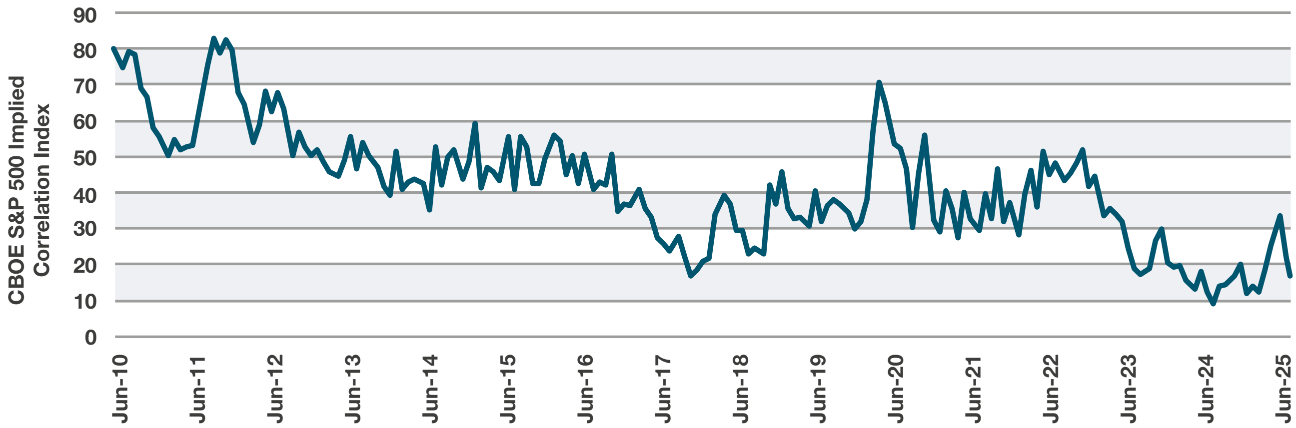
Global equity: **55bps**

Emerging market equity: **65bps**

Significantly lower fees are also available. We note a long-term downward trend in active equity manager fees. Contact bfinance for information about fee reviews/benchmarking.

Manager watch *continued*

CORRELATIONS BETWEEN STOCKS



CBOE Indices measures the implied correlation between stocks that make up the S&P 500. The series measures the expected average correlation of price returns of S&P 500 Index components, implied through SPX option prices and prices of single-stock options on the 50 largest components of the SPX for different maturities.

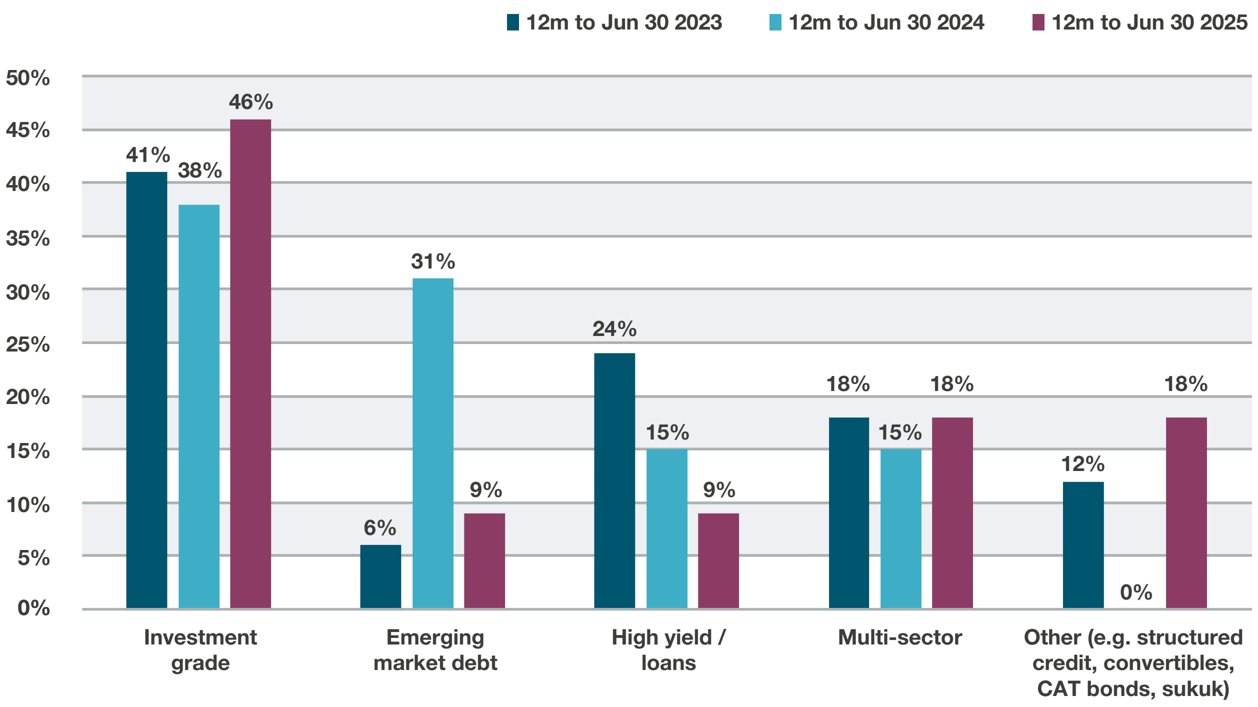
News from the equity manager world

- **BMO** has announced the acquisition of Canada-based Burgundy Asset Management.
- **Goldman Sachs'** Hiren Dasani, co-head of emerging markets equity, has departed the firm after 18 years.
- **Invesco's** Justin Leverenz has stepped down as lead portfolio manager of the developing markets equity strategy, with assets transitioning to the firm's Henley-based EM & Asia team.
- **Jupiter** has announced the acquisition of CCLA, a UK-based manager specialising in charity and non-profit assets.
- **Polar Capital** CEO Gavin Rochussen has announced his retirement.
- **Schroders'** head of value equities, Nick Kirrage, has departed the firm after more than 20 years
- **Vontobel** has announced a new leadership team for its Quality Growth Boutique, following the departure of long-time CIO and head Matthew Benkendorf due to health reasons.

Fixed income

Credit markets rally, as active strategies benefit fromspread compression and sector shifts

NEW FIXED INCOME MANAGER SEARCHES, YEAR ON YEAR



Note: these figures only represent projects initiated during the specified period and do not include pre-existing client engagements that continued during the year.

Fixed income

Investor trends

In the 12 months to the end of June 2025, fixed income search activity has evolved meaningfully, reflecting both shifting market conditions and investor preferences. Demand for emerging market debt (EMD) and high yield strategies declined to 9% each of total searches. While yields remain attractive, high yield credit spreads have narrowed to historically tight levels, limiting entry-point appeal. In EMD, performance volatility and ongoing geopolitical uncertainty have weighed on new allocation decisions.

Conversely, investment grade credit has seen renewed interest, now representing 46% of all fixed income searches. Despite similarly tight spreads, institutional investors with structural fixed income needs continue to prioritise high-quality exposures, particularly in light of rate volatility and policy divergence. Within this segment, managers offering duration flexibility and regional diversification have attracted stronger engagement.

Multi-sector strategies also gained ground, with search activity increasing slightly year-on-year. These mandates remain favoured by investors seeking a flexible approach across the credit and rates spectrum, especially in navigating uneven macroeconomic signals and compressed risk premia.

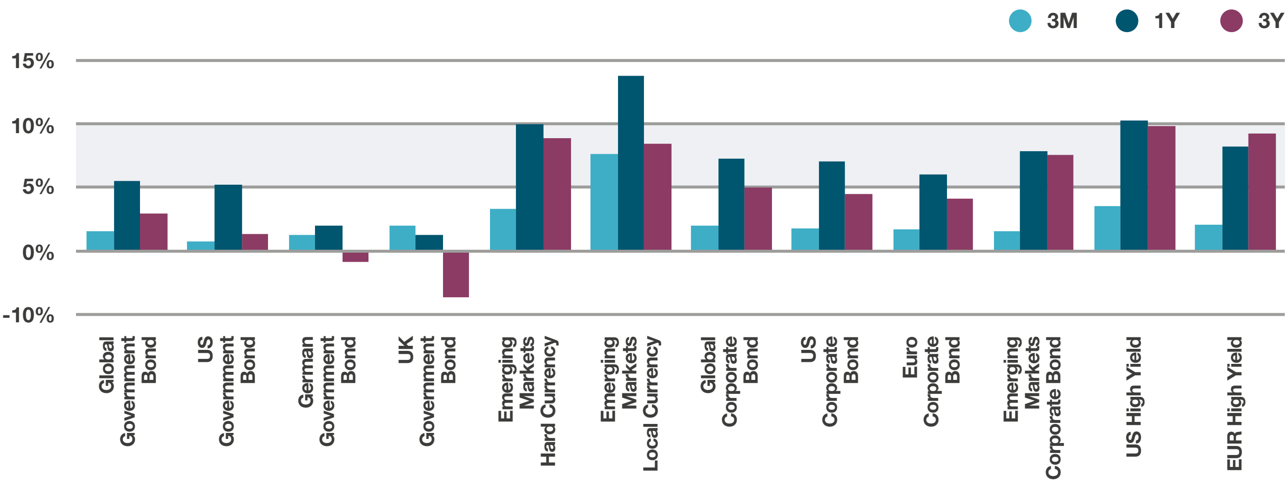
Interest in non-traditional fixed income exposures—particularly sukuk—continued to expand. Manager search activity among Shariah-compliant investors across the Middle East and Southeast Asia remained strong, driven by both replacement mandates and incremental allocation growth. This trend reflects a broader demand for differentiated, yield-enhancing assets that remain aligned with regional and religious guidelines.

Market snapshot

Q2 2025 was a positive quarter for fixed income markets, despite persistent macroeconomic volatility. In the US, markets initially sold off in April following the announcement of “Liberation Day” tariffs, which raised concerns about global trade disruption. However, sentiment improved following a 90-day tariff pause. Yields declined across the front end of the curve, with the 2-year falling to 3.17% (from 3.89%) and the 5-year to 3.79% (from 3.95%). Longer-dated yields moved higher, with the 10-year ending at 4.21% (+2bps) and the 30-year at 4.79% (+20bps), reflecting persistent inflation concerns. The Federal Reserve left rates unchanged. Overall, the US Treasury index returned 0.8% for the quarter.

In Europe, the prospect of higher trade barriers for EU exports pressured yields lower across the curve. The 10-year Bund yield fell to 2.6% (-10bps), and the 2-year to 2.0% (-15bps). European government bonds posted a 1.8% return for the quarter, bolstered by prior ECB rate cuts.

PERFORMANCE OF BOND MARKETS TO END-JUNE 2025



Indices used: Bloomberg Global Aggregate Treasury (USD Hedged): ICE BofAML US Treasury (USD Unhedged); ICE BofAML German Federal Government (EUR Unhedged); ICE BofAML UK Gilt (GBP Unhedged); JPM EMBI Global Div (USD Unhedged); JPM GBI-EM Global Div. (USD Unhedged); Bloomberg Global Aggregate Corporate (USD Hedged); ICE BofAML US Corporate (USD Unhedged); ICE BofAML Euro Corporate (EUR Unhedged); JPM CEMBI Broad Div (USD Unhedged); ICE BofAML US High Yield (USD Unhedged); ICE BofAML Euro High Yield (EUR Unhedged)

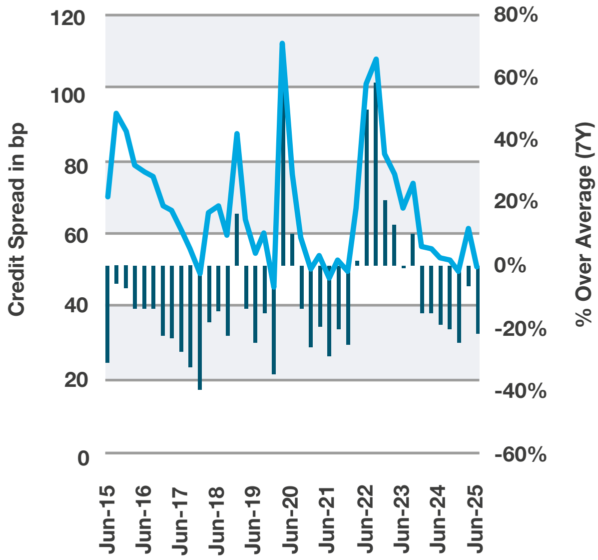
Fixed income continued

US investment grade corporates returned 1.8%, supported by declining yields and credit spreads tightening by 11bps. Lower-rated credits led performance, with BBBs returning 2.0% vs. 1.0% for AAAs. Financials outperformed Industrials and Utilities, though all sectors delivered positive returns. European IG bonds returned 1.7%, as spreads narrowed to 91bps. BBBs again outperformed, and Financials led sector returns.

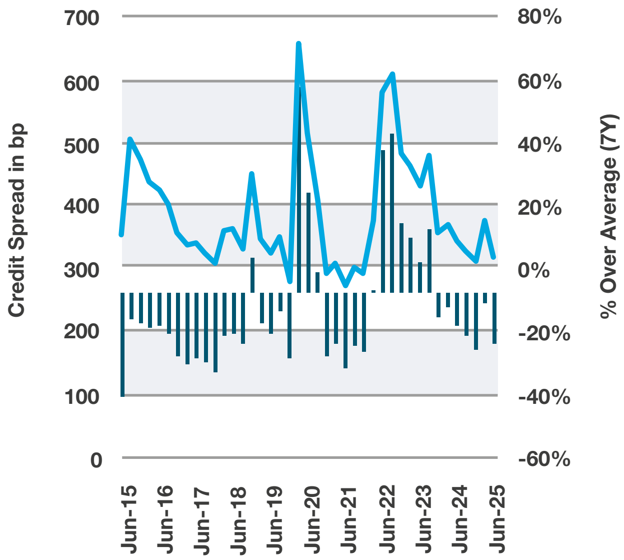
US high yield posted a strong 3.6% return, driven by a 59bps spread compression to 296bps. CCCs led the rally, returning 4.3%, ahead of BBs and Bs (both +3.5%). European high yield returned 2.1%, with spreads narrowing 18bps to 310bps. Performance varied by rating: Bs led (+2.6%), followed by BBs (+2.1%), while CCCs declined -0.2%, dragged by the default of a major French telecom issuer.

Emerging market hard currency debt returned 3.3%, with spreads narrowing by 27bps to 322bps. High yield sovereigns outperformed (+4.5%) relative to IG (+2.1%), driven by strong gains in distressed issuers such as Ecuador, Lebanon, and Angola.

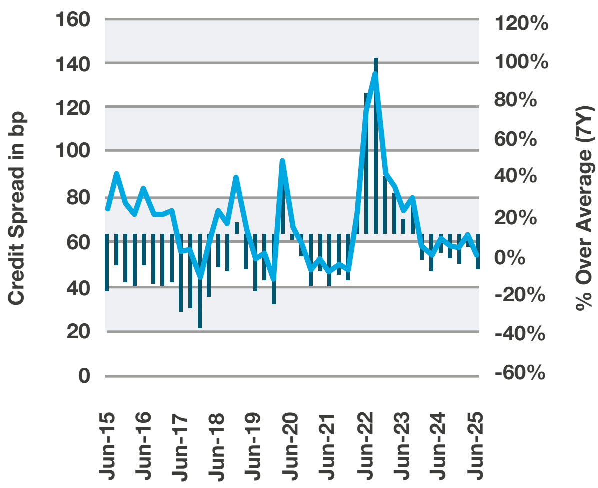
US IG CREDIT SPREAD CURRENT VS AVERAGE



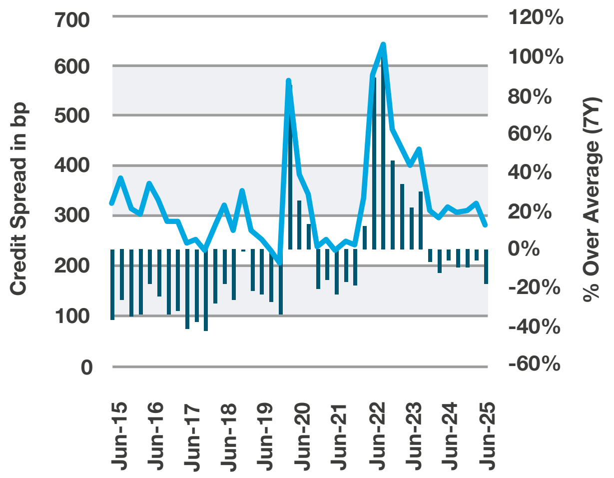
US HY CREDIT SPREAD CURRENT VS AVERAGE



EUROPEAN IG CREDIT SPREAD CURRENT VS AVERAGE



EUROPEAN HY CREDIT SPREAD CURRENT VS AVERAGE



Credit Spread in bp ▮ % Over Average (7Y)

Source: bfinance, Bloomberg.

Fixed income continued

Market snapshot *continued*

EM corporate bonds underperformed sovereigns, returning 1.6%. Spreads tightened by 4bps to 221bps. Sector performance was led by Infrastructure (+2.5%) and Metals & Mining (+2.4%), while Real Estate (-1.2%) and Transport (+0.3%) lagged.

Local currency EMD delivered 4.7% in USD terms, buoyed by broad USD weakness and falling local rates. Latin America led, with Brazil (+11.8%) and Mexico (+11.7%) outperforming. Eastern Europe also posted strong gains—Hungary (+12.5%), Czech Republic (+11.0%) and Poland (+10.3%)—while Asia underperformed, led by China (+2.7%) and India (+2.0%).

Manager watch

Active managers in the investment grade segment generally outperformed benchmarks in both the US and Europe. In the US, 64% of managers beat their benchmark, with a median excess return of +0.06% and a top quartile of +0.18%, net of fees. Overweights to lower-quality credits, particularly BBBs, were additive. In Europe, 64% of managers also outperformed. The median excess return stood at +0.04%, with top quartile managers returning +0.14%. Performance was again driven by positioning in lower-rated BBBs and off-benchmark BBs.

High yield markets were more mixed. In the US, 48% of managers outperformed, with a median underperformance of -0.02% after fees. Underweights to CCCs—this quarter's strongest cohort—detracted, while overexposures to B-rated credits proved less effective. In Europe, results were stronger: 71% of managers outperformed, with a median net return of +0.17%. Avoiding exposure to a defaulted French telecom issuer was a key contributor to relative outperformance.

In EMD hard currency, 57% of managers beat the JPM EMBI Global Diversified index. Top quartile managers returned +0.36% net of fees, with a median excess return of +0.06%. Overweights to high yield sovereigns were beneficial as risk appetite returned.

Active managers in EM corporate debt also fared well, with 63% outperforming. The median excess return stood at +0.08%, with top quartile performance at +0.32%. Overweights to BB-rated issuers and cyclical sectors—such as Infrastructure, Metals & Mining, and Pulp & Paper—drove gains.

Local currency EMD saw the highest rates of outperformance: 88% of managers outperformed their benchmark, with a median excess return of +0.73% and top quartile returns of +1.17%. Overweights to Latin America—particularly Brazil and Mexico—and underweights to China and India supported results.

For more detailed insight on how fixed income managers have performed, please view our latest quarterly webinar.

Fixed income continued

MEDIAN MANAGER PERFORMANCE (TO END-JUNE 2025), USD NET OF FEES

	3M	YTD	1Y	3Y (p.a)	5Y (p.a)	10Y (p.a)
US Investment Grade	**1.89%**	**4.26%**	**7.12%**	**4.68%**	**0.45%**	**3.23%**
Bloomberg US Corporate IG	1.82%	4.17%	6.91%	4.34%	0.14%	2.94%
Outperformance	0.06%	0.08%	0.21%	0.34%	0.31%	0.29%
Euro Investment Grade	**1.86%**	**1.89%**	**6.31%**	**4.76%**	**0.88%**	**1.83%**
Bloomberg Euro Corporate	1.81%	1.80%	6.05%	4.17%	0.52%	1.43%
Outperformance	0.04%	0.08%	0.25%	0.59%	0.37%	0.40%
US High Yield	**3.55%**	**4.43%**	**9.53%**	**9.55%**	**5.82%**	**5.02%**
BofA ML US High Yield Master II	3.57%	4.55%	10.24%	9.85%	6.01%	5.29%
Outperformance	-0.02%	-0.12%	-0.71%	-0.30%	-0.19%	-0.27%
EUR High Yield	**2.26%**	**2.61%**	**8.33%**	**9.32%**	**4.56%**	**3.93%**
BofA ML European High Yield	2.09%	2.75%	8.21%	9.24%	4.35%	3.80%
Outperformance	0.17%	-0.14%	0.12%	0.08%	0.21%	0.13%
EMD – Hard Currency	**3.39%**	**5.50%**	**10.66%**	**9.94%**	**2.81%**	**3.95%**
JPM EMBI Global Diversified	3.32%	5.64%	9.97%	8.86%	1.79%	3.53%
Outperformance	0.06%	-0.14%	0.69%	1.08%	1.02%	0.42%
EMD – Local Currency	**8.36%**	**13.08%**	**13.63%**	**8.92%**	**2.90%**	**2.58%**
JPM GBI-EM Global Diversified	7.62%	12.26%	13.81%	8.47%	1.88%	2.11%
Outperformance	0.73%	0.82%	-0.18%	0.46%	1.02%	0.47%
EMD – Corporates	**1.65%**	**4.26%**	**8.49%**	**8.19%**	**3.28%**	**4.34%**
JPM CEMBI Broad Diversified	1.57%	4.04%	7.82%	7.58%	3.02%	4.07%
Outperformance	0.08%	0.22%	0.67%	0.60%	0.26%	0.27%

Source: bfinance/eVestment.

The Fixed Income Manager peer groups show the median performance of a sensible and representative sample of managers. We use these peer groups as a proxy for how managers in the space are performing relative to their benchmarks. They do not represent manager recommendations.

Eye on fees

Performance data shown below is all 'net of fees'.

Current median quoted fee for a US$100 million mandate:

US Investment grade: **25bps**

Euro Investment grade: **25bps**

US High yield: **45bps**

Euro High yield: **45bps**

EMD: **45bps**

Fixed income continued

News from the fixed income manager world

- **Aberdeen's** Head of Global Emerging Market Debt, Brett Diment, has announced his retirement after nearly 20 years with the firm. During his tenure, he helped grow Aberdeen's EMD platform to $20 billion in AUM.

- **Allianz Global Investors'** Julian Le Beron is set to depart the firm as Chief Investment Officer for Core Fixed Income. Le Beron joined AllianzGI in 2016 as Head of Developed Markets and has served in senior roles for over eight years.

- **Danske Bank Asset Management** has appointed Ludvig Soderling as Chief Investment Portfolio Manager within its Emerging Markets Debt Hard Currency team in Copenhagen. He was previously an Emerging Market Sovereign Debt Portfolio Manager at CDPQ.

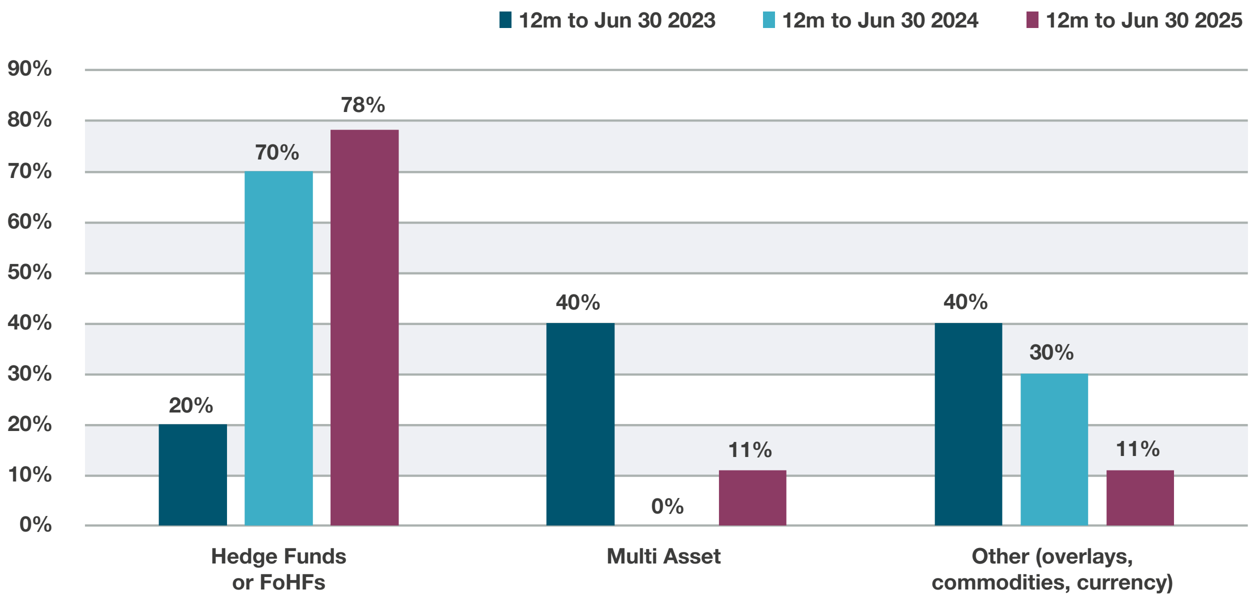
- **Fidelity International** has named Marion Le Morhedec as Global Chief Investment Officer for Fixed Income. Based in Paris, she joined the firm in September 2024 following a nearly 20-year tenure at AXA Investment Managers.

- **Royal London Asset Management's** Head of Global Credit, Azhar Hussain, will be leaving the firm after more than 12 years.

Diversifying strategies

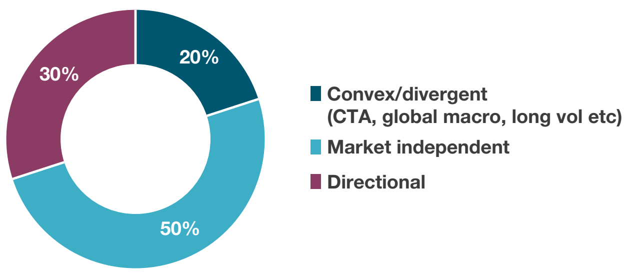
Market-neutral and multi-strategy hedge funds headline Q2 performance amid persistent macro uncertainty

NEW 'DIVERSIFYING STRATEGIES' MANAGER SEARCHES, YEAR ON YEAR



Note: These figures only represent projects initiated during the specified period and do not include pre-existing client engagements that continued during the year.

HEDGE FUND SEARCHES, 12 MONTHS TO JUNE 30 2025



Diversifying strategies

Investor trends

The second quarter of 2025 saw investor activity focused exclusively within the hedge fund space, with a clear appetite for uncorrelated return streams from equity market neutral and multi-strategy hedge funds. These mandates continue to reflect a growing demand for diversifying exposures that are less dependent on traditional beta sources. Ongoing project activity remained broader in scope, encompassing alternative income strategies, currency overlays, and portable alpha structures—particularly among asset owners seeking return stacking alongside core allocations.

Geographically, mandates have originated primarily from North America and Australia, consistent with regional trends observed over prior quarters. In line with broader market dynamics, investors are increasingly drawn to liquid alternatives that can navigate volatility and policy-driven market shifts with agility.

Manager watch

Hedge funds delivered a broadly positive performance through Q2 2025, navigating a challenging market and macroeconomic backdrop marked by tariff-based uncertainty, heightened geopolitical tensions and ongoing inflation pressures. In doing, so they continue to demonstrate their value as portfolio diversifiers in the current market regime, and we continue to see elevated levels of investor interest compared to prior years.

Across the broad hedge fund landscape, average returns for Q2 were not dissimilar to those seen in Q1, with almost all strategies reporting gains. At a broad strategy level, Q2 returns in Equity Long/Short were notably stronger, whilst Macro & CTA strategies continued to face headwinds from trend reversals and were the only strategy group to post losses in Q2.

Equity Long/Short was the strongest of the peer groups through Q2, posting gains of +4.9%, taking YTD gains to +6.0%. Gains were largest across the cohort of **Long-biased managers** who benefited from strong equity market returns on top of stock picking alpha to add +5.8% for the quarter. Adjusting for this implicit beta-uplift, **Equity Market Neutral** strategies performed well through the quarter compared to their directional peers, with our peer group adding +2.7% for Q2 from continued strong stock-selection alpha capture as well as positive contributions from style factor exposures. These two groups are now +6.5% and +5.2% for the year, respectively.

Alternative Risk Premia, which have often ranked among the top performers in our coverage universe recently, ended the second quarter slightly negative at -0.4%, as the peer group struggled to recover from the -1.5% decline experienced in April. The peer group remains in positive territory on a year-to-date basis however at +2.8%. In the aftermath of Trump's tariff announcement, Commodity factors and Volatility related strategies across asset classes were most materially impacted to the downside whereas Quality and Momentum were the standout contributors. By the end of the quarter, almost the reverse was true as Short Volatility strategies were additive, and Value, Quality, and Low Volatility equity strategies were typically detractors as market sentiment had markedly shifted. Trend strategies were also a contributor to returns by quarter end.

Diversifying strategies continued

Manager watch *continued*

MANAGER PERFORMANCE (TO END-JUNE 2025), USD NET OF FEES

Composite	3m	YTD
Alternative Risk Premia	-0.4%	2.8%
Credit & Fixed Income	2.1%	3.3%
Equity Long Short	4.9%	6.0%
Event Driven	4.2%	4.9%
Macro & Trading	2.6%	2.7%
Multi-Asset	2.3%	3.7%
Multi-Strategy	1.9%	2.8%

The Hedge Fund Manager composites show the performance of a sensible and representative sample of each of the main hedge fund strategies. This is restricted to managers that genuinely pursue the relevant strategy rather than generating the majority of their returns from exposure to market direction alone. We use these composites as a proxy for how managers in the space are performing. They do not represent manager recommendations.

Source: bfinance

Our peer group of **Credit & Fixed Income** strategies built on modest Q1 gains to add a further 2.1% in Q2, bringing YTD gains to 3.3%. By sub-strategy, there was little variation in returns through the quarter despite credit markets having broadly positive quarterly performance despite widening sharply in April. **Long-biased** managers added 2.2% (YTD 3.0%), whilst **Market Neutral Credit** managers posted average gains of 1.8%, putting them ahead of their directional counterparts on a YTD basis at +3.3%. **Macro and Rates** managers remained the strongest cohort through 2025 with gains of 2.0% in Q2 taking YTD gains to 4%, reflective of discretionary fixed income macro strategies continuing to see success in the current environment. Notably, Rates-focused Macro strategies also outperformed their broader-based Global Macro peers this quarter.

Event Driven strategies built on their positive Q1 performance, returning an impressive +4.2% for the quarter, driven by the completion of a number of large M&A deals. Some of the strongest performance was registered in May and June by the **Multi-Strategy Event** managers who posted +5.0% on average, these managers typically operate at higher net exposure levels and have the flexibility to invest across the capital structure to earn returns from both hard and soft catalysts. Our Merger Arbitrage managers generated a return of +3%, just behind our **Hard Catalyst Event** managers, who trade a wider range of defined corporate changes and returned +3.8%.

Our **Macro & CTA** peer group returned -2.6% for the quarter, and are now -2.7% for 2025, as systematic strategies in particular struggled to deal with the market dynamics following the April tariff announcements. Trend-following was again a notable detractor, with our group of **Trend/CTA** managers losing -5.8% over Q2 to leave them at -9.2% year-to-date. Discretionary managers meanwhile were again broadly able to capitalise the market moves, albeit with their usual high levels of idiosyncratic dispersion at manager level. Our cohort of **Global Macro** managers returned +0.9% in the quarter – now +6.0% YTD. **Multi-Strategy Macro** strategies, which are typically systematic but without the strong focus on trend-following models of the first group, returned -1.6% - also suffering in the April market turbulence.

Diversifying strategies continued

Our **Multi-Strategy** peer group returned +1.9% for the quarter and is now up +2.8% YTD. Leading the pack were the **Discretionary** strategies (+3.1% on average) who again outperformed their Quantitative peers (flat) over the quarter. Those groups are +4.6% and +1.9% respectively for YTD performance. Our **Multi-PM/Multi-Manager** peer group was +2.1% for the quarter and is +1.8% YTD. The Multi-PM Platform strategies outperformed other multi-PM styles.

Finally, bfinance's **Multi-Asset** peer group was up +2.3% in Q2 and +3.7% for the year-to-date. In the risk-on environment that predominated over the second quarter, **Diversified Growth** managers led the pack delivering +3.4% on average (now +2.7% YTD) with exposures like small cap equity and EM equity and debt delivering strong returns. Our group of **Unconstrained Balanced** managers, who usually have a more defensive stance, were in fact the second strongest sub-group over the quarter, delivering +2.5% and are +2.8% in 2025. The **Risk Parity** cohort returned +1.1% on average (+3.1% YTD), with gains from equities more than offsetting the mixed performance from bonds and inflation-sensitive assets. **Absolute Return Multi-Asset** managers returned an average of +1.4% over Q2 and are the leading Multi-Asset sub-group at the halfway point of the year at +4.3%.

For more detailed insight on how diversifying strategies managers have performed, please view our latest quarterly webinar.

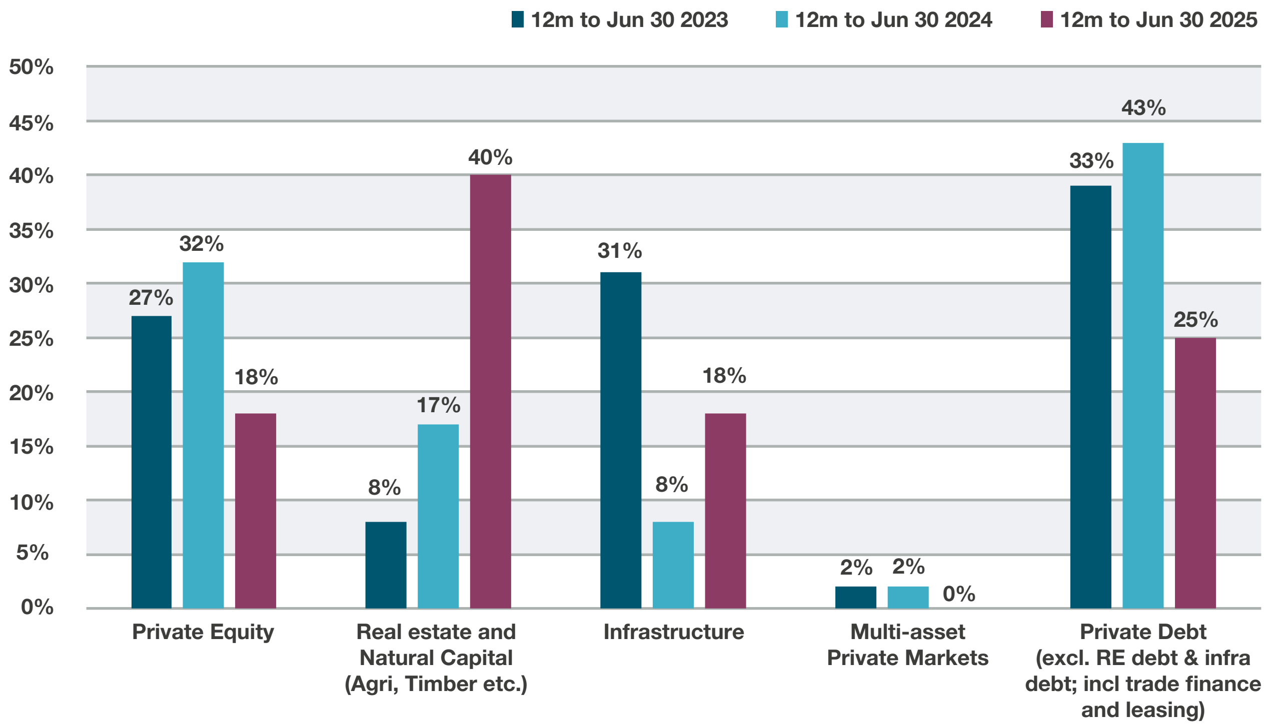
News from the alternative manager world

- **AQR's** former co-head of Macro, Yao Hua Ooi, has joined Capula as a Senior Portfolio Manager. His responsibilities at AQR have been assumed by John Huss.
- **Capula** has appointed Yao Hua Ooi (formerly co-head of Macro at AQR) as a Senior Portfolio Manager.
- **Capital Fund Management (CFM)** has shut down its ESG-driven equity market neutral strategy amid sustained underperformance and limited investor demand.
- **Castlefield Associates**, a systematic macro manager, has been acquired by Canadian firm Polar Asset Management to expand systematic capabilities within Polar's multi-strategy platform.
- **Exane** has confirmed the departure of Cyril Bertrand, a sector-specialist PM within the firm's Multi-PM Pleiade strategy. Bertrand has joined Millennium to run a long/short book.
- **Fulcrum Asset Management** has appointed former Rokos partner Luke Sadrian as a commodities portfolio manager.
- **Janus Henderson's** Diversified Alternatives Portfolio Manager Steve Cain has announced his retirement. Carlo Castronovo has been named Co-Portfolio Manager of the flagship Multi-Strategy Fund alongside team head David Elms.
- **Lazard's** European Long/Short portfolio manager Leopold Arminjon will depart the firm.
- **UBS** has agreed to sell its O'Connor alternatives business to Cantor Fitzgerald Asset Management. The transaction is expected to close by the end of 2025.

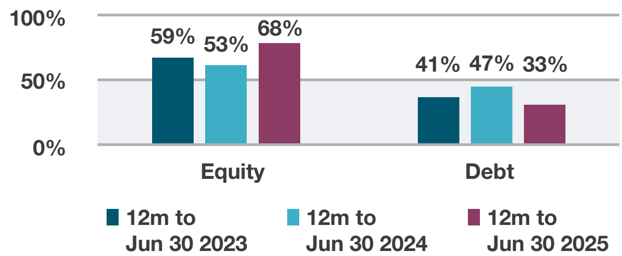
Private markets

Buyouts and opportunistic real estate buoy sentiment, as debt and infrastructure fundraising cools and capital raising begins to stabilise

NEW PRIVATE MARKETS MANAGER SEARCHES, YEAR ON YEAR



EQUITY VS. DEBT



Note: these figures only represent projects initiated during the specified period and do not include pre-existing client engagements that continued during the year.

Private markets

Investor trends

bfinance activity across private markets remained resilient through the second quarter of 2025, although underlying trends point to a subtle recalibration in investor preferences. Equity-focused strategies accounted for a growing share of new mandates, reaching 68% in the 12 months to end-June—up from 53% the year prior—as clients responded to an improving risk backdrop and stabilising valuations.

Private Equity searches remained active, with strong interest in sector-specialist and regional strategies. However, activity in secondaries and continuation vehicles moderated, while venture capital mandates persisted despite macro-driven challenges.

Private Debt searches declined to 25% of overall activity—a notable shift after three consecutive years of growth. Nonetheless, demand for asset-backed finance and niche strategies such as music royalties and litigation finance remained in evidence. Semi-liquid vehicles also continued to feature prominently as investors sought structural liquidity within income-generating allocations.

Infrastructure search activity rebounded in the 12 months to June 2025, rising to 18% of new private markets mandates—more than doubling the share observed the year prior, though still below the high levels of 2023. Investors continued to focus on value-add and thematically driven strategies, with particular interest in digital infrastructure and climate-aligned assets.

Real Estate and **Natural Capital** saw a sharp rise in search activity, now accounting for 40% of private markets mandates—up from just 8% the prior year. Investor focus spanned both traditional real estate sectors and nature-based assets, with rising engagement from institutions seeking long-term inflation-hedging and sustainability-aligned solutions.

While Q2 represented a more muted quarter for overall private markets activity, the longer-term rotation toward equity strategies underscores the renewed risk appetite evident across asset classes.

Market snapshot

The second quarter of 2025 brought further signs of resilience across private markets, with stronger performance in listed real estate, record activity in the private equity secondaries space, and continued momentum in private debt. Infrastructure also delivered robust results, outperforming other real asset categories, while macro uncertainty continues to shape investment focus and capital deployment across the board.

In **Real Estate**, the recovery remained uneven but positive. Global REITs (EPRA/NAREIT) returned more than 5% during Q2, while preliminary results from core diversified ('ODCE') funds suggested broadly flat pricing and modest total returns of around 1%, primarily income-driven. Despite persistent macro headwinds, sector fundamentals remain supportive. A lower forward-looking supply pipeline across regions and property types may bolster long-term performance, especially in light of the repricing that has taken place over the past two years.

In **Private Equity**, IPO activity remained subdued, but the secondaries market set a new pace—achieving a record first half of 2025. According to Jefferies, transaction volumes exceeded $100 billion, up more than 50% on the same period last year, with strong growth in GP-led transactions. Continuation vehicles, in particular, have become the preferred tool for creating liquidity, especially in the larger-cap segment where multi-billion-dollar deals are becoming increasingly common. This trend has helped maintain deal flow and investor engagement, even as broader market recovery timelines remain extended.

Private Debt continued to deliver steady performance, supported by sound corporate fundamentals and attractive all-in yields. Deal flow remains healthy, though concentrated on the highest-quality borrowers, with activity fuelled by refinancing needs and add-on acquisitions. Credit spreads have tightened steadily, returning to late-2021 levels—supporting stronger interest coverage ratios without significantly compromising lender yield. Investor demand remains strong, with 75% of allocators surveyed in the H1 2025 PDI Investor Report stating they are under-allocated to the asset class. Asset-based finance strategies, in particular, continue to gain traction, offering diversified exposure and enhanced downside protection.

Private markets continued

CAPITAL RAISING MOMENTUM ACROSS PRIVATE ASSET CLASSES, 2025 Q1

Asset Class	Q2 2025 No. & Vol., and % change in share		Strategic Focus	Largest Fund Raises During Q2 2025
	No. Funds	Volume		
Real Estate	183 +9%	$49bn +46%	Fund closing momentum this quarter was largely driven by the US, which accounted for 67% of total closures, while Europe also recorded a solid level of activity in absolute terms. Opportunistic strategies drew more than half of all capital flows, supported by the close of two funds exceeding $10bn. Significant milestone reached in the Secondaries space, with the largest-ever fund closing at $3.7 billion. Core/ Core+ and Value Added strategies continued to see historically low activity, together accounting for just over 15% of total volume.	• Brookfield Strategic Real Estate Partners V, Opportunistic, US, $16bn • Blackstone Real Estate Partners Europe, Opportunistic, $10.8bn • Stepstone Real Estate Partners, Secondaries V, US, $3.7bn • AG Europe Realty Fund IV, Value Added, Europe, $2.6bn
Infrastructure	23 -10%	$28bn -48%	The US accounted for 61% of capital raised, followed by Europe at 28%, with the Middle East emerging as the third largest region, supported by the close of a dedicated fund. Core Plus made up nearly half of total volume, while Core and Value Added strategies contributed equally to a combined 30%. One mega-fund closing at $8 billion, which accounted for nearly one-third of total capital raised this quarter.	• Macquarie Infrastructure Partners VI, Core Plus, US, $8.2bn • Asterion Industrial Infra III, Core Plus, Europe, $3.6bn • Northleaf Infrastructure Capital Partners IV, Core, US, $2.6bn • Hull Street Energy Partners III, Value Added, US, $2.2bn
Private Equity	504 -2%	$171bn +19%	Buyout made a comeback in Q2 2025, nearing $100bn after the 2024 slowdown and accounting for nearly 70% of total flows. Renewed investor focus on the US, which captured close to 68% of capital raised following a record-low Q1. Technology emerged as a clear theme, with the largest funds focused on the sector, including the quarter's biggest at over $24bn. Growth and Venture remained broadly in line with 2024's subdued trend, while Secondaries had a quiet quarter, with most funds still in the market.	• Thoma Bravo XVI, Buyout, US, $24.3bn • Thoma Bravo Discover V, Buyout, US, $8.1bn • OneIM I, Venture, US, $6.8bn • Vista Cloud Software Continuation Fund, Buyout, US, $5.6bn • Linden Capital Partners VI, Buyout, US, $5.2bn
Private Debt	35 -8%	$24bn -40%	Fundraising activity slowed significantly overall, with Direct Lending - accounting for the largest share of flows at 51% - recording its lowest quarterly total since 2020. Europe fared slightly better than the U.S., primarily due to the closing of the second-largest private debt Secondaries fund on record. Special Situations and Distressed strategies remained at historically low levels. Only one fund close exceeded the $2bn mark during the quarter.	• Pantheon Senior Debt Secondaries III, Europe, $5.2bn • Kartesia Credit Opportunities, Direct Lending, Europe, $1.5bn • KSL Capital Partners Tactical Opportunities II, Special Sits, US, $1.4bn •Crayhill Principal Strategies III, Direct Lending, US, $1.3bn

Note: Based on capital raised for closed ended commingled funds. Given the tendency for most recent quarter to be revised, the % change shows the change in the share of each asset class out of total private markets. For instance, in Q4 2023, Infrastructure accounted for 17% of capital raised and in Q1 2024 it accounted for 12%, a decline of 32%. Source: bfinance; Preqin

In **Infrastructure**, performance remained robust relative to other real assets. According to MSCI, infrastructure funds delivered a 3.1% return in Q1 2025 on the Global Private Real Asset Closed-End Fund Index, outpacing both real estate (0.6%) and natural resources (0.9%). With many strategies benefiting from inflation-linked revenues and long-term regulatory support, investor appetite remains resilient, particularly for value-add and core-plus opportunities.

Private markets capital raising was subdued in Q2 2025, though signs of early stabilisation are emerging. Approximately $272bn was raised across 745 funds globally—roughly 25% below the five-year quarterly average. A rebound in private equity buyout funds and modest improvement in real estate activity helped offset slower fundraising in private debt and infrastructure. Despite ongoing macroeconomic and geopolitical uncertainty prolonging due diligence timelines, investors showed increasing interest in technology-led buyouts and opportunistic real estate strategies.

Private Equity fundraising rose to an estimated $171bn across more than 500 funds, increasing the asset class's share of total private markets capital. Noteworthy closings included Thoma Bravo XVI ($24.3bn), Thoma Bravo Discover V ($8.1bn), and the Vista Cloud Software Continuation Fund ($5.6bn), highlighting renewed investor demand for technology-focused strategies. While growth equity and venture capital remained muted, large secondary funds are still in the market. Although aggregate volumes remain below the highs of 2021–22, the rebound in buyouts signals a modestly improved backdrop.

Real Estate fundraising climbed to around $49bn across 180 funds, lifting its share of private markets capital to 18% and bringing the asset class back into second place. Activity was led by Brookfield Strategic Real Estate Partners V ($16bn) and Blackstone Real Estate Partners Europe ($10.8bn). StepStone Real Estate Partners Secondaries V ($3.7bn) also marked a milestone as the largest real estate secondaries vehicle raised to date. These developments point to growing confidence in opportunistic and secondaries strategies as pricing adjusts and capital begins to re-enter the sector.

Infrastructure fundraising eased to $28bn across just over 20 funds. While volumes were only slightly lower than in Q1, the asset class's overall share of fundraising declined. Core-plus strategies captured nearly half of all capital raised, with core and value-add representing roughly one-third. The quarter was dominated by a small number of large closes, including Macquarie Infrastructure Partners VI ($8.2bn), which accounted for nearly a third of total infrastructure capital. Other notable closes included Asterion Industrial Infra III ($3.6bn) and Northleaf Infrastructure Capital Partners IV ($2.6bn).

Private Debt fundraising fell to $24bn across 35 funds, with both fund count and capital raised down from Q1 levels. Direct lending remained the dominant strategy, representing just over 50% of activity. Timing differences in fund closings contributed to lower totals, but underlying LP interest remained strong. Europe overtook North America this quarter, driven in part by the $2.5bn close of Pantheon Senior Debt Secondaries III. Other prominent fundraises included Kartesia Credit Opportunities ($1.5bn) and KSL Capital Partners Tactical Opportunities II ($1.4bn).

News from the private market manager world

- **BlackRock** has acquired ElmTree Funds, a US-based real estate manager specialising in net-lease and build-to-suit industrial real estate.
- **Franklin Templeton** has agreed to acquire a majority stake in European private credit manager Apera.
- **L&G** has expanded its European and APAC real estate capabilities through the acquisition of Proprium Capital Partners.
- **LaSalle Investment Management** has appointed Steve Hyung Kim and Nick Okumura as Co-CIOs and Co-Heads of the Asia Pacific region, succeeding Keith Fujii.
- **M&G** has acquired a majority stake in P Capital Partners, a Swedish private credit manager with €3.8 billion in AuM.
- **Man Group** continues to expand into private credit, announcing its acquisition of Bardin Hill, a US-based opportunistic and performing credit manager.
- **Royal London** has agreed to acquire UK-based infrastructure manager Dalmore Capital (£6 billion AuM) for approximately £130 million.
- **TPG** has agreed to acquire Peppertree Capital for up to $960 million, strengthening its position in the digital infrastructure sector.

ESG & Impact

DWS fined €25 million for ESG misrepresentation
Deutsche Bank's asset management arm, DWS, has been fined €25 million by Frankfurt prosecutors following a greenwashing investigation launched in 2021. The firm was found to have misled investors about its ESG practices, with the settlement acknowledging past marketing exaggerations. DWS has also agreed to pay US$19 million in related US penalties and stated that it has since enhanced its internal controls.

European Commission proposes CSRD overhaul
In a significant regulatory shift, the European Commission has proposed to exempt around 80% of companies from the CSRD's sustainability reporting obligations. The move includes narrowing the scope to only the largest firms, introducing voluntary reporting for SMEs, and simplifying requirements under the CSRD, CSDDD, Taxonomy Regulation and CBAM. The proposals aim to reduce administrative burdens and enhance competitiveness while preserving key ESG principles such as double materiality.

NZAM suspends activities after BlackRock exit
The Net Zero Asset Managers initiative (NZAM) has suspended its activities after BlackRock's withdrawal, citing divergent regulatory environments and mounting political pressures—particularly in the US. The pause comes amid a broader review of NZAM's long-term direction. The move has sparked concern among observers who see it as indicative of broader headwinds for climate finance, as institutional commitments to net zero come under strain.

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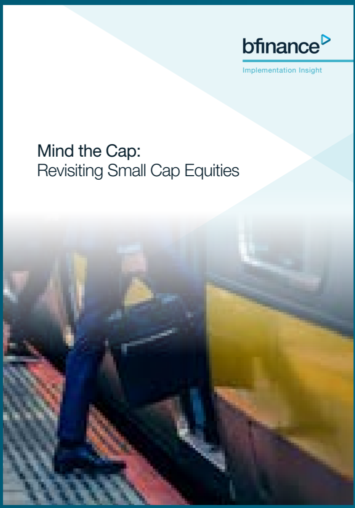
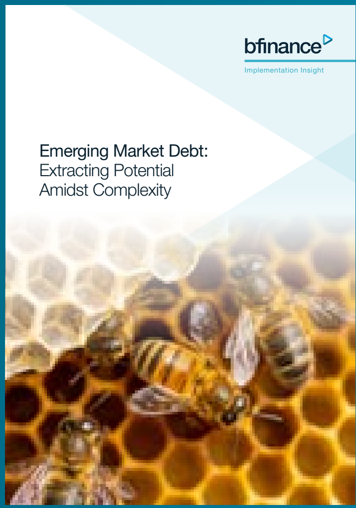


Mind the Cap:
Revisiting Small Cap Equities
July 2025



Emerging Market Debt:
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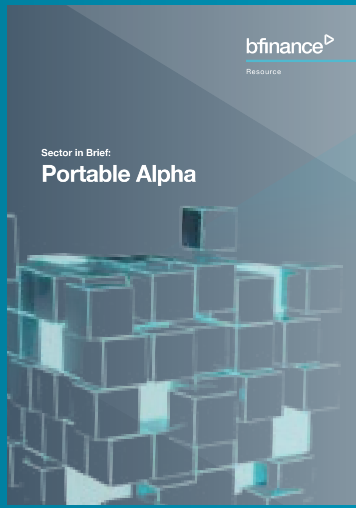
June 2025



Sector in Brief
Portable Alpha
June 2025

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