Private Markets Chartbook – Q2 2025

Seizing Opportunity Amidst Uncertainty: Capitalizing on Volatility

Executive Summary

1

Trump's policies will have major implications on private markets

Active private markets investors may gain an edge by:

- **Policies out of the US administration are a source of uncertainty that is driving volatility.** This may support the opening of an attractive buying window
- Leveraging **relative value opportunities across asset classes and sub-segments**
- Working closely with portfolio companies to **quickly adapt to challenges**

2

Evolving balance of risks between US and Europe

Focus on diversification and thematics:

- **Regional diversification remains essential amid uncertainty**
- **US** offers **attractive nominal growth**
- **Europe may provide lower rates** supporting lower financing costs for leveraged transactions with an improved longer-term outlook
- **For private credit, higher base rates in the US may support higher yields.** However, M&A and other buyout activity in Europe has recovered more strongly
- **Tech-enabled cross-sector leaders driving economic reconfiguration** will impact private market performance more than interest rates or geopolitics

3

Fewer US interest rate cuts projected for 2025

Interest rates are an important component of private markets:

- Sharp decline in transaction activity over 2022/2023. **2024 showed signs of improvement** with better financing access[1]
- Recovery in private equity (PE) transaction activity will be slow in the near-term. **Secondaries market stands to benefit**
- **Infrastructure remains supported by structural tailwinds**, with inflation-linked cash flows
- **Private debt has become a clear beneficiary** of higher interest rates

1 Global Private Markets Report 2025 | McKinsey. Diversification does not ensure a profit or protect against a loss. Actual events may differ materially from those reflected or contemplated in such forward-looking statements. Source: Partners Group (2025).

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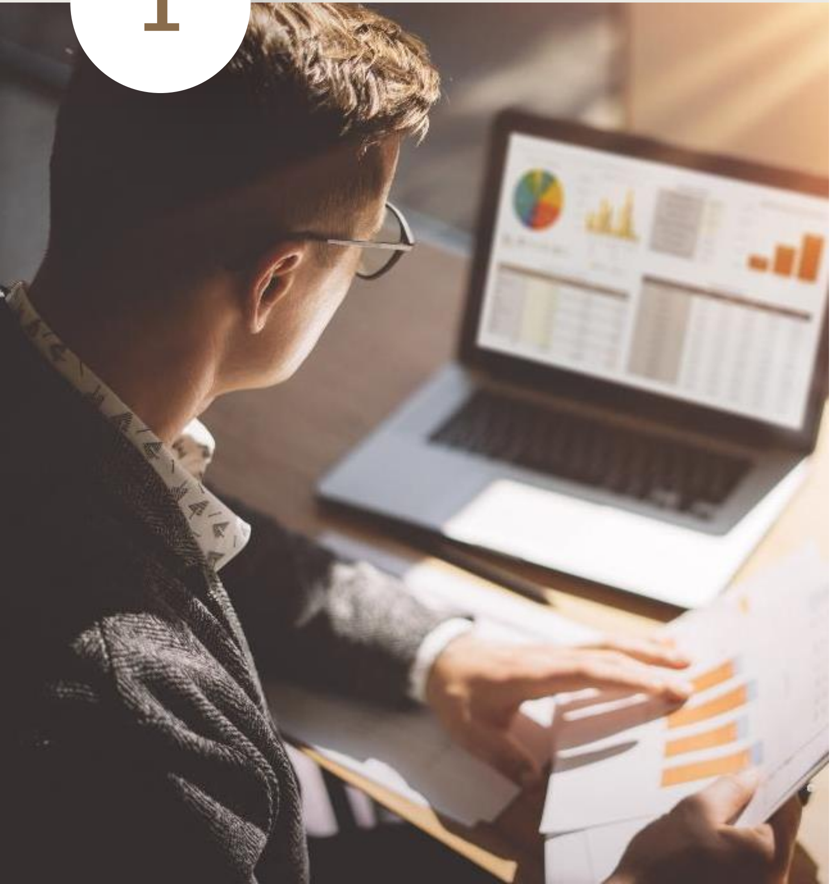
Trump's policies will have major implications on private markets

1



Partners Group view

- **Trade and immigration** are expected to **weigh on growth** in the near-term, while **fiscal policy and deregulation** are **unlikely to offset the negative impact** over the next year
- **Trump's fast and furious policy approach**, especially on trade, followed by the quick amendments' announcements, **create dual uncertainty**: the final policy direction, and the associated macro impact
- **We see Trump's policies as a drag on growth while presenting near-term upward pressure on inflation.** The extent of which (once we have clarity on ultimate tariffs), will depend on corporations' responses to higher import costs (margin squeeze vs pass-through to consumers) as this will be key to determine the way forward for the labor market and inflationary pressures
- **While the near-term is top of mind, we are constructive over the longer-term.** In the US, this is in part driven by the apparent tax cuts push (beyond the extension of 2017 tax cuts) alongside a drive for deregulation. In Europe, we are seeing signs of optimism stemming from a shift away from fiscal conservatism (especially out of Germany) which could lead to externalities that support stronger productivity

Private markets implications

- Uncertainty and associated volatility may be beneficial to private markets by providing **attractive buying opportunities**. This is especially true for managers that can leverage a broad platform (in terms of asset classes and sub-segments)
- **Active investors will navigate policy shifts better**. Across several US-based portfolio companies exposed, we are adjusting pricing and diversifying suppliers. For example, on one of our non-US investments, we front-loaded product shipment to the US in anticipation of the tariffs
- Managers focused on **domestic-oriented investments with emphasis on services** will be less affected (e.g., healthcare, software)
- While the recovery in **direct private equity transactions has been muted** year-to-date, we could see more of a **pickup in H2 2025**. **Secondaries stand to continue to benefit from a fresh supply of attractive opportunities** given still present liquidity needs amidst uncertainty
- We believe this all points to the benefits of our platform, such as **transformational investing** and **capabilities to deliver bespoke diversified solutions** across the full private markets spectrum
- **Private markets, in our opinion, remain a beacon of stability.** Near-term uncertainty is an opportunity to capitalize on long-term gains

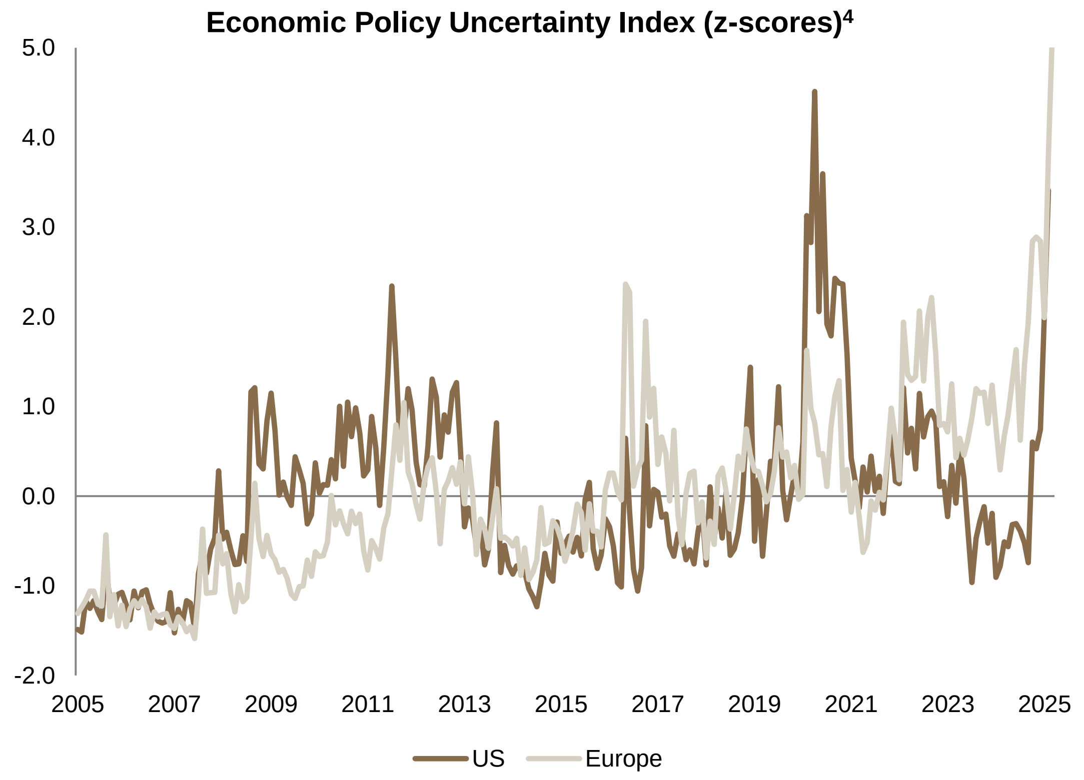
The term “transformational” may be conceptual and change over time. The concept of "transformational investing" is subject to different interpretations and may vary differently. Actual events may differ materially from those reflected or contemplated in such forward-looking statements. Source: Partners Group (2025).

The US political uncertainty is already affecting economic data and markets

Key policies and their estimated impacts within US

	Growth	Inflation
Trade policy (tariffs)	↘ To watch: tariff proceeds, retaliation, domestic price sensitivity	↑ **Near-term**[1] / = **Longer-term**
Immigration (lower net immigration)	↓	↑
Fiscal policy[2] (varying dynamics at play)	↗	=
De-regulation[3]	↗	↓

Administration's approach has driven surge in policy uncertainty



1 Import tariffs are expected to have a temporary impact on inflation (it is a re-basing of costs to a higher level but fades out of price level changes over time). This is likely to materialize over a 12–18-month period but depends on the approach taken by Trump (e.g., whether gradual) as well as retaliatory measures. **2** The ultimate impact of fiscal policy changes remains uncertain. While Trump campaigned on lower corporate tax rates (which could benefit growth), the new Department of Government Efficiency (DOGE) risks hampering payrolls through reduced Federal Government hiring as well as aiming to reduce spending (weighing on growth). At present, actual spending data points to higher cumulative outlays so far in 2025 versus the same period last year. **3** The macro implications of a push for deregulation are not expected to be significant but they will likely be important at a corporate level. For now, deregulation appears focused on energy and environment regulations. **4** z-scores are computed as the number of standard deviations away from the mean, based on data since 2005. At the time of compiling (6 May), US index was not yet available for April 2025. For illustrative purposes only. Sources: Partners Group, Bloomberg (2025)

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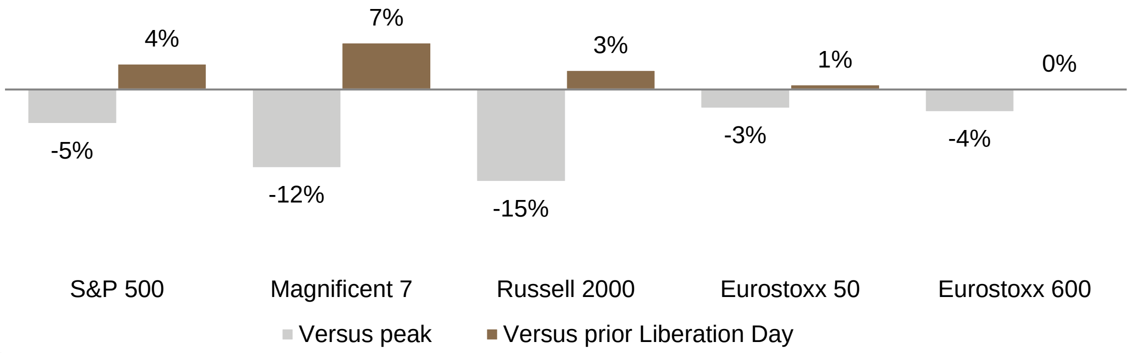
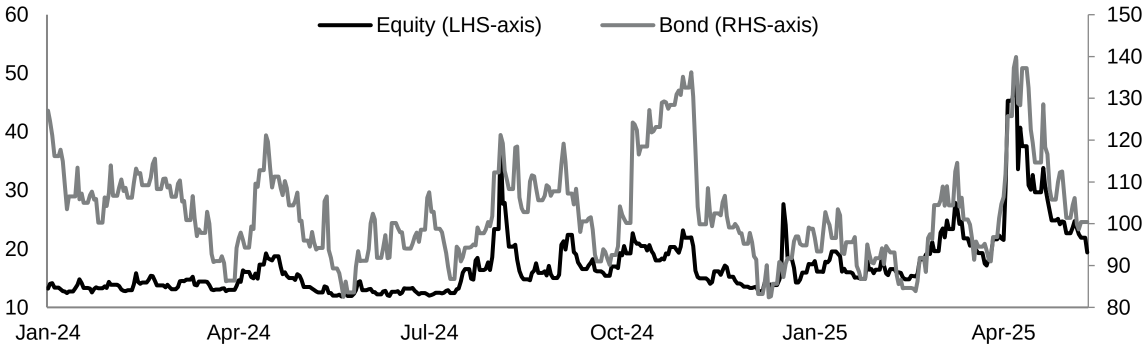
Post-Liberation Day losses reversed; US dollar weakening remains

Expect more volatility ahead as news flow continues in an uncertain environment

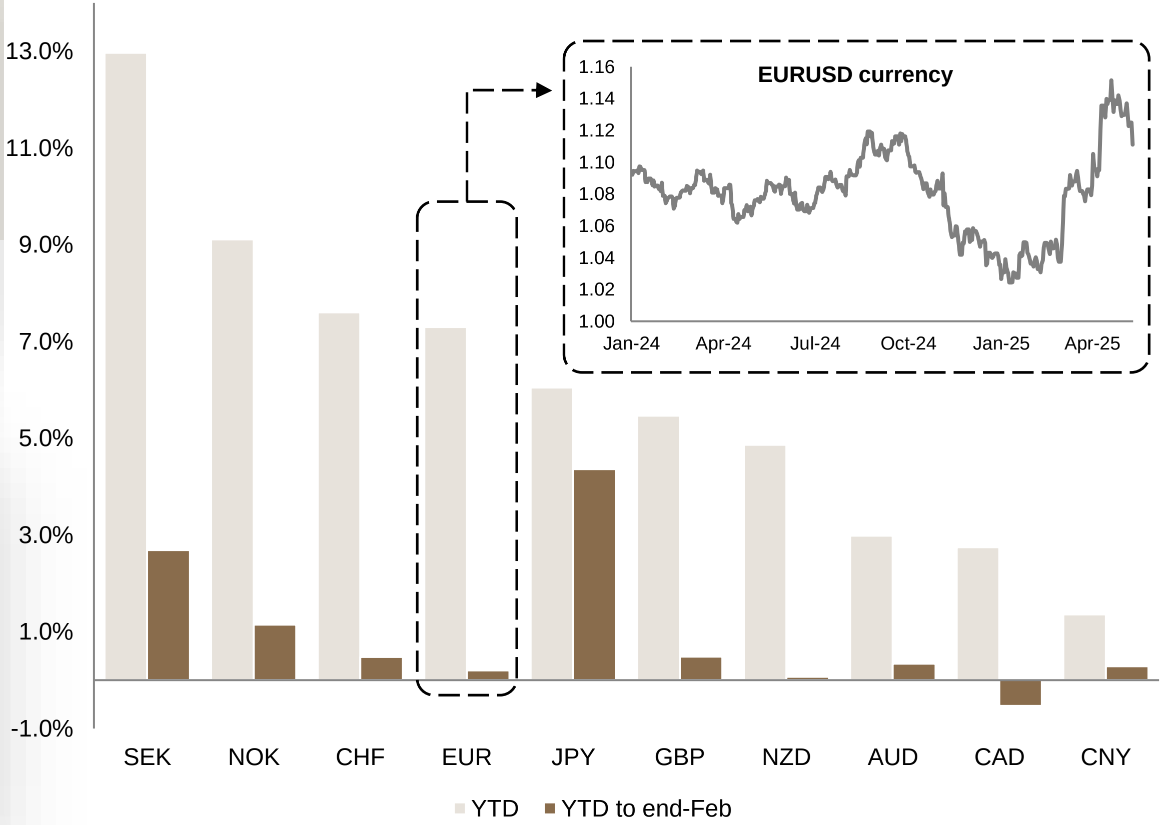
Performance of selected US and European stock indices[1]



Market volatility for public equities and bonds[2]



G10 FX performance versus the USD[3]



1 Prior to Liberation Day is taken as of 1 April 2025 (Liberation Day was 2 April). **2** Equity market volatility corresponds to the VIX Index, and bond volatility is the MOVE Index. **3** G10 FX trading involves major developed economy currencies. These highly liquid markets carry significant risk, including volatility, leverage effects, and geopolitical exposure. Past performance doesn't guarantee future results. Consult financial professionals before trading. A positive performance indicates the strengthening of the various currencies versus the USD. Year-to-date (YTD) is from end-2024 to 12 May 2025, while YTD to end-Feb is from end-2024 to the 28 Feb 2025. For illustrative purposes only. Sources: Partners Group, Bloomberg (2025)

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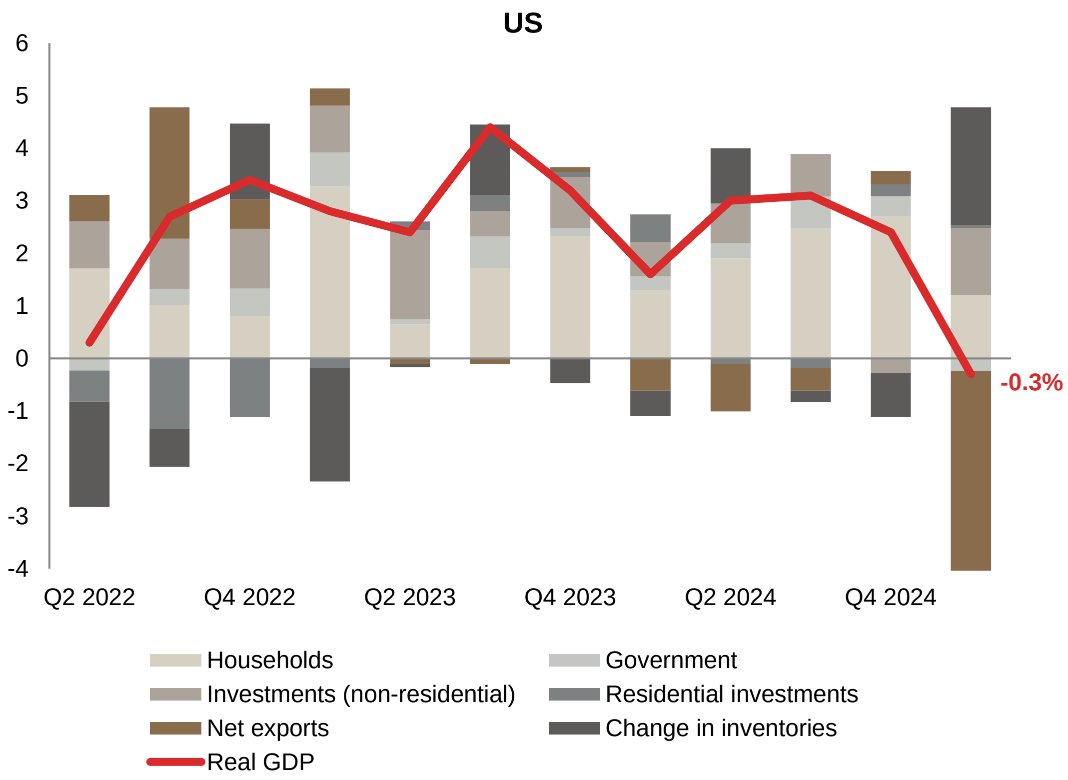
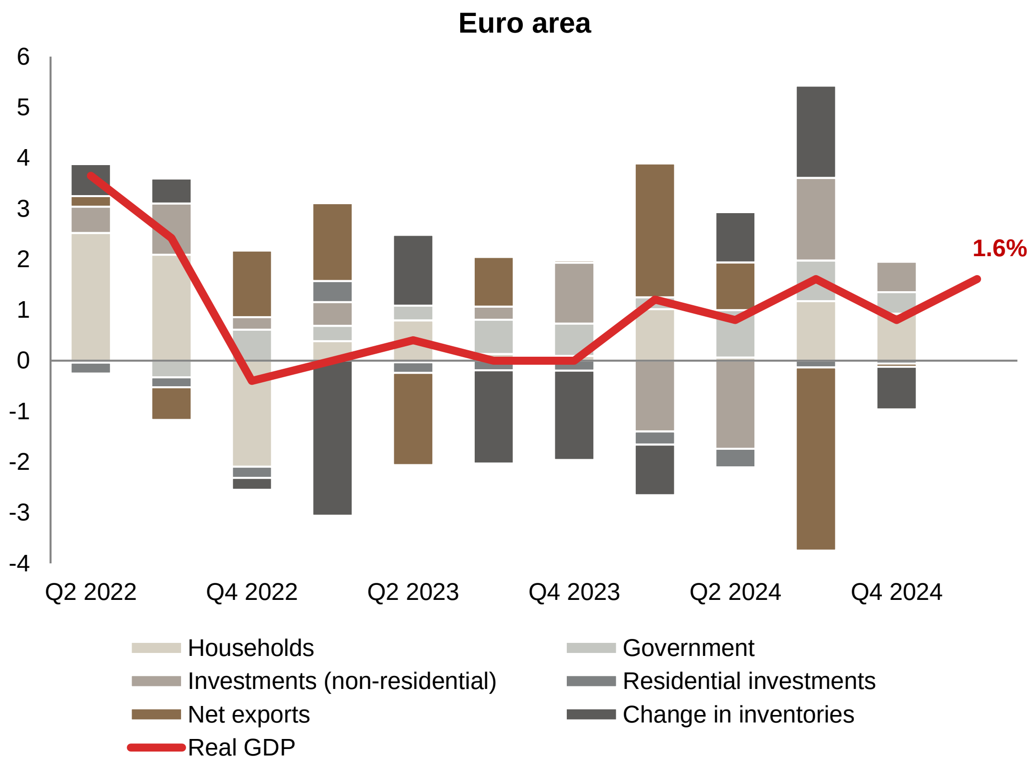
Consumer spending drove US economic strength over EU since the pandemic

Uncertainty and Trump policies are weighing on the consumer and corporates

Contributions to real Gross Domestic Product (GDP) (ppts to q/q % annualized)[1]



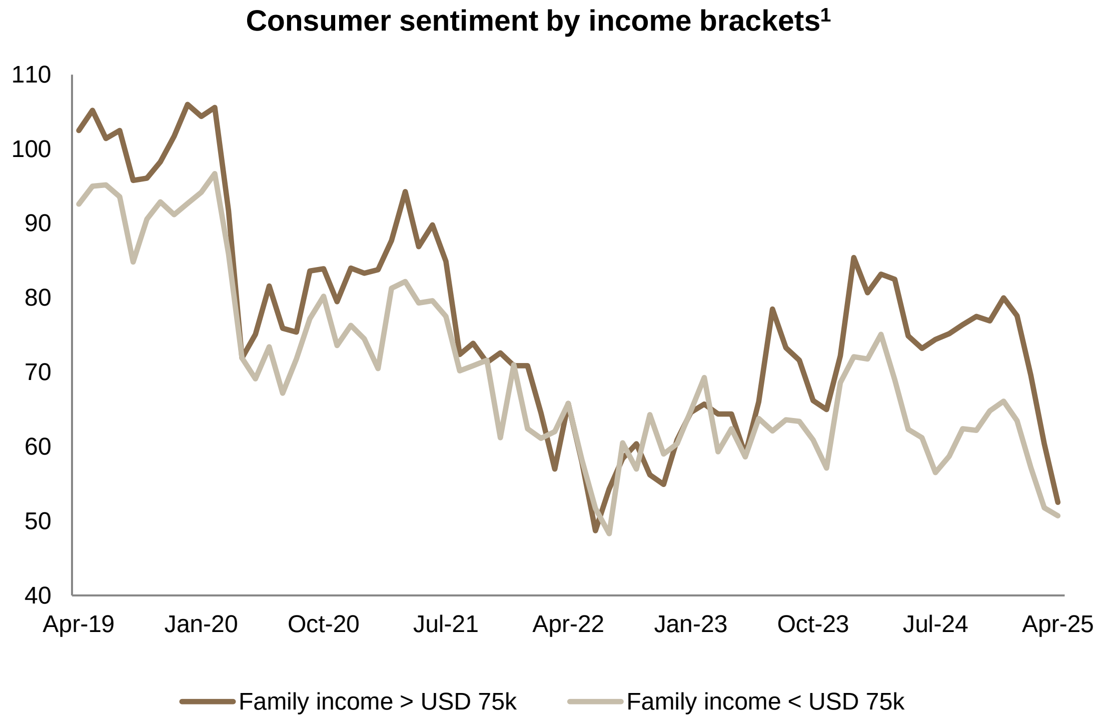


1 ppts stands for "percentage points," which is the unit used to describe arithmetic differences between two percentages. q/q means "quarter-over-quarter," referring to the change from one quarter to the next. Notes: Real GDP is the annualized quarter-on-quarter change (in %). "Investments" includes all investments from private and public sector, excluding residential. At the time of compiling (12 May 2025), no breakdown data was available for the euro area. For illustrative purposes only. Sources: Partners Group, Bloomberg (2025)

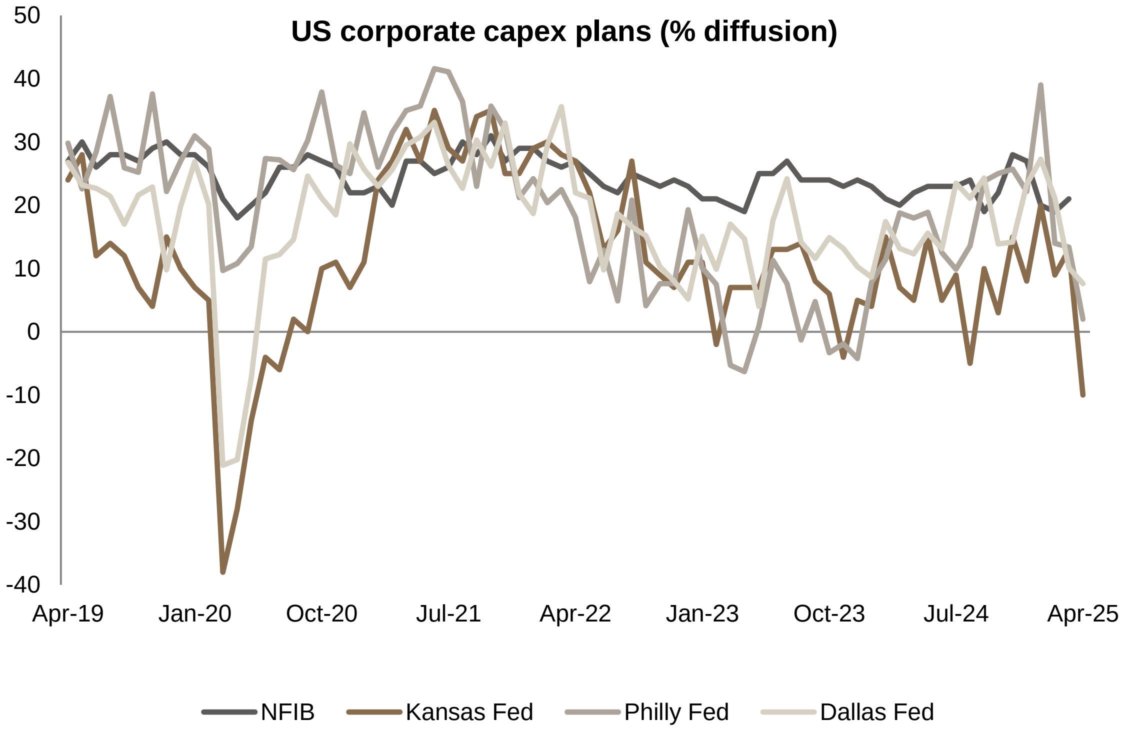
US growth will moderate more than previously expected this year, with recession risks rising

Key to watch is negative wealth effects for consumers and margin contractions for corporates

Consumers were a key pillar of US economic resilience, but they were increasingly cautious (across income spectrum)



Firms have been revising capital expenditure (capex) plans lower. If they struggle passing on higher costs to consumers, margins risk being exposed



1 Based on the University of Michigan's survey (monthly frequency) for the dimension of consumer sentiment. The measure assesses how optimistic or pessimistic consumers are about their financial situation and the economy. Higher sentiment indicates more confidence. The index uses Q1 1966 as the base period when the reading is 100. NIFB stands for National Federation of Independent Business. Margin contraction in corporate finance refers to a decline in a company's profit margin—the percentage of revenue that becomes profit. This can result from increased costs, price competition, or economic shifts. For illustrative purposes only. Sources: Partners Group, Bloomberg (2025)

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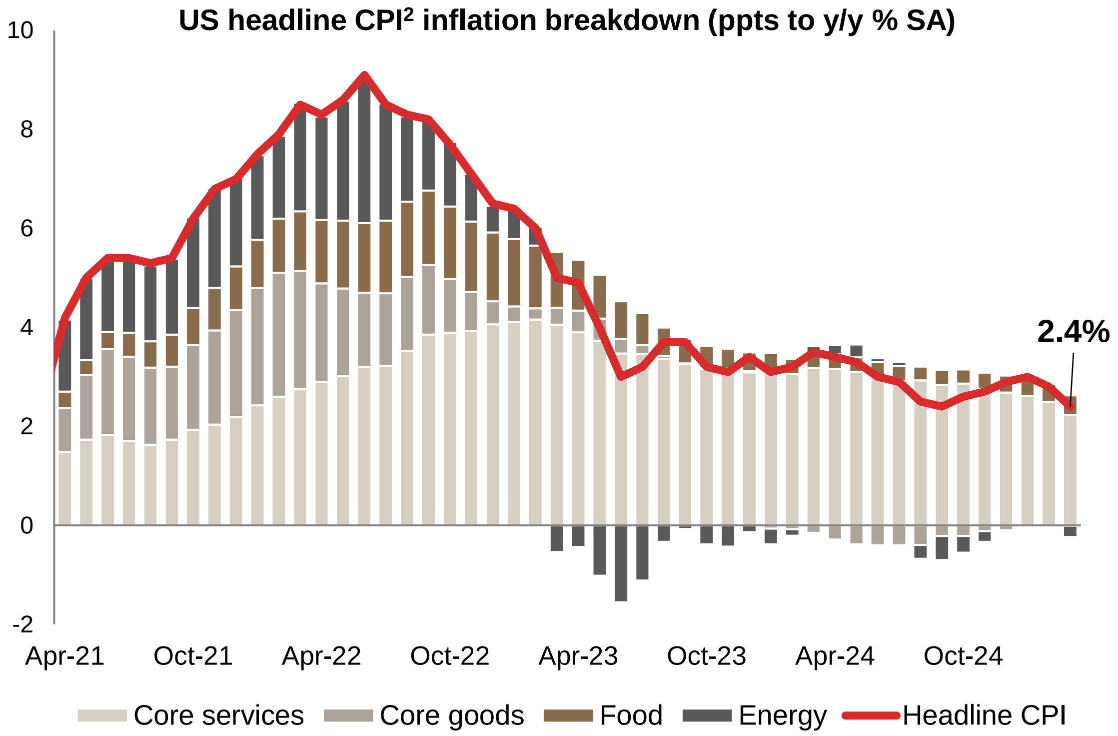
Disinflation progress in Feb/Mar, but Trump's policies present upward risk

Policy uncertainty translates into inflation uncertainty. Return to the Fed's target not expected in 2025

US inflation remained elevated[1]



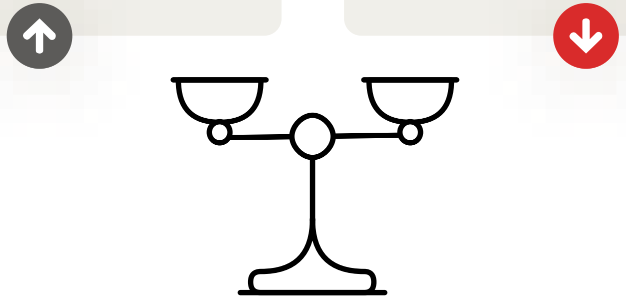
Expected to see continued sticky inflation in the US over the year

Inflationary forces

- Import tariffs
- Strict immigration policy
- FX depreciation (upward force on import costs)
- Persistently/broadly higher consumer inflation expectation[3]

Disinflationary forces

- Weakening of private consumption (lower demand)
- Fiscal drag[4]
- Reduced pricing power. Firms focus on volume protection



(inflation forces ranked in order of likelihood)

1 Elevated inflation refers to a rapid rise in the general price level of goods and services, exceeding the Federal Reserve's target of 2% per year. 2 Consumer Price Index. 3 If consumers expect elevated inflation in the future, and while their balance sheets remain relatively healthy, they may choose to bring forward large purchases or be more willing to pay a higher price. 4 Aggressive efforts by DOGE to reduce Federal Government hiring and spending could be a source of greater fiscal austerity (would translate into lower labor income via layoffs of federal workers, and less income for recipients of funds from federal programs that risk getting risk). For illustration purposes only. Sources: Partners Group, Bloomberg (2025)

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Evolving balance of risks between US and Europe

2

Partners Group view

US risks

- Persistent market declines **could negatively affect wealth** and drive spike in precautionary savings
- **Corporate margins risk shrinking substantially**[1] which could spur significant cost cutting efforts, in particular workforce reductions. Risks fueling negative feedback loop
- Longer-term, **US exceptionalism risks fading more persistently.** The US administration expressed wanting to do fiscal consolidation[2] and capital repatriation by foreign investors could endure
- **We remain optimistic about the US position as a tech leader** (at least in the western world)

Europe risks

- **Political uncertainty resurfaced** after Merz required two Bundestag votes to become German Chancellor[3]
- This follows constitutional changes (debt brake)[4] & the coalition treaty's parliamentary approval that **provides fiscal space, but implementation faces challenges** (through weak government majority, and potential breach of European fiscal rules[5])
- Still, even ahead of fiscal changes out of Germany, we could see **renewed private sector sentiment that could spur growth more strongly** beyond the near-term
- **Prospects of fiscal integration** with a large EU defense spending boost (funded by EU debt) **could come with externalities** towards R&D and adjacent sectors (benefiting productivity and thus growth)[6]
- **Near-term risks remain downside**[7] but inflation progress[8] may allow ECB to continue easing (adding longer-term upside)

Private markets implications

- **Regional diversification** is important to reduce risk, while still being cognizant of opportunity set (governance risk, etc.)
- **US is expected to offer higher nominal growth** over the holding period. **Europe benefits from a stronger recovery in** private equity buyout and M&A, with also more attractive financing costs
- Alternatively, **US private credit is attractive despite economic uncertainty** (strong covenants essential), while **European private credit transactions typically feature lower leverage multiples**
- **Focus on thematic investments** (not traditional sectors/regions). Given the ongoing world economic reconfiguration, part of our sourcing effort is on clean power and data storage which stands to benefit beyond near-term cyclical fluctuations

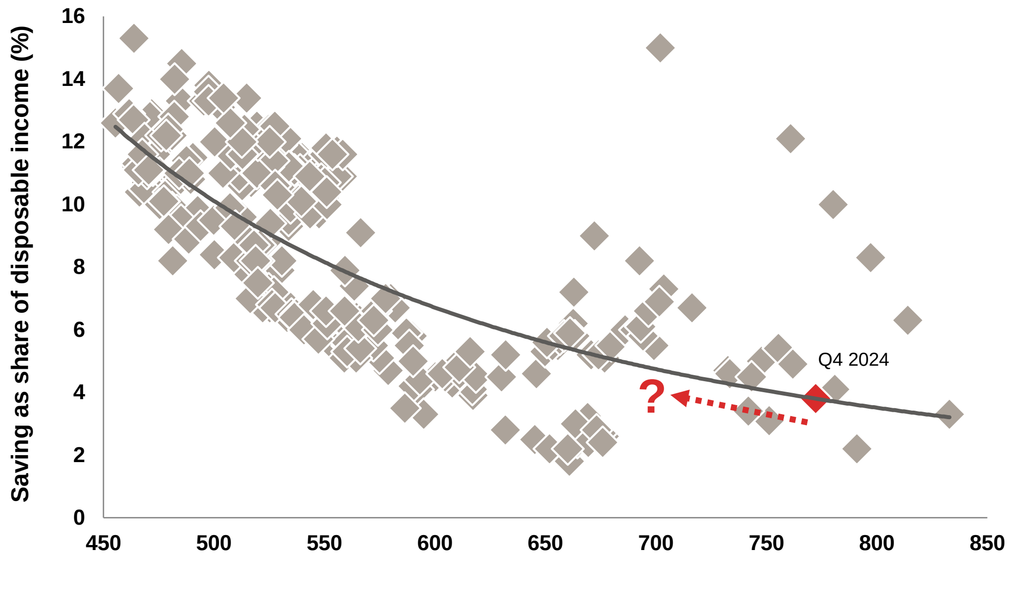
Europe's mid-to-longer term outlook is more constructive than post-GFC which could further boost the region's private market backdrop, especially if more capital is drawn to the region. **1** Varying impact across sectors (e.g., depending on price elasticity of demand) and as a function of reliance on imported goods from countries facing high tariffs. **2** A large part of US exceptionalism has been fiscal but with less fiscal impetus, exceptionalism is likely to fade. Still, we remain skeptic of the level of fiscal consolidation that can be achieved. **3** Federal snap elections were held in February and failed to deliver a majority. CDU leader, Fredrich Merz, reached a coalition agreement in April with the SPD but on 6 May, Merz failed to win the first vote in the Bundestag to become Germany's chancellor. This is unprecedented at a federal level. He succeeded on the same day at the second vote. **4** Including the exclusion of defense spending in excess of 1% of GDP from borrowing limits, and the creation of a EUR 500bn extra-budgetary fund for additional infrastructure spending among other things. **5** National escape clause in the EU would need to be triggered so that the fiscal space can be used over the next 4 years. **6** Beyond Germany, other European countries seek increased defense spending despite limited fiscal space, likely requiring cuts elsewhere or tax increases to offset costs. **7** President Trump's tariffs are expected to weigh on growth via: (1) reduced aggregate global demand, (2) hit to sentiment while uncertainty persists, and (3) strength of the EUR currency which weighs on competitiveness of exports. **8** Tariffs are expected to be disinflationary for Europe provided we do not see retaliation (or minimal retaliation at most). Actual events may differ materially from those reflected or contemplated in such forward-looking statements. Source: Partners Group (2025).

Net worth as a share of disposable income is close to record highs, potentially enabling low savings rates & spurring private consumption

Consumption expected to moderate[1] throughout the year, but negative wealth effects pose downside risks

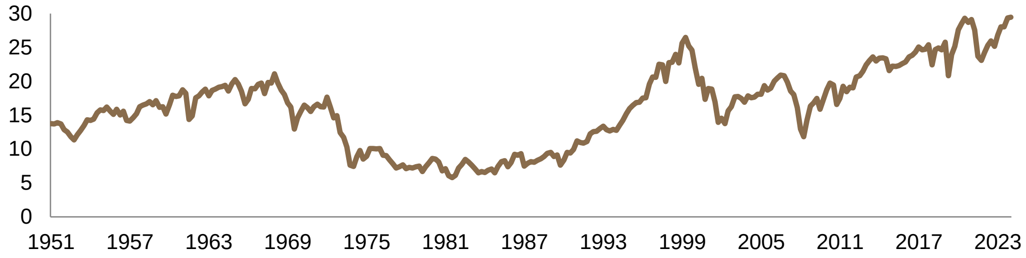
Recent US public market dynamics negatively affecting net worths

Relationship between savings rate and net worth for US households[2]

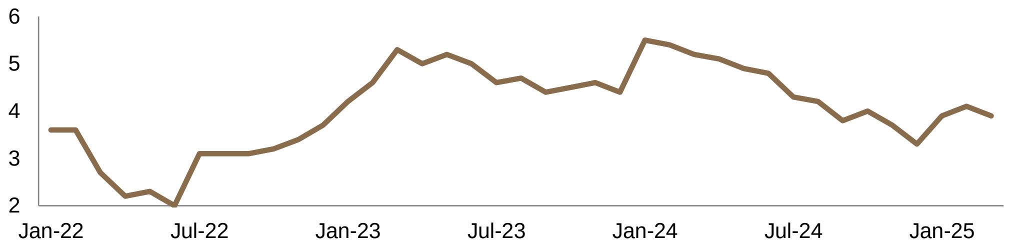


Impact on households' balance sheets may amplify due to high equity exposure

Household share of total assets held in corporate equities (%)



Personal savings rate (% share disposable income)



Note: Red arrows denote how downside risks to consumer spending could materialize. **1** Excess savings largely exhausted at lower-end of the income spectrum, sentiment is being weighed on by political uncertainty. However, the labor market remains in relatively good shape, but this could change should corporates face challenges with their margins (see page 7). **2** Shows the relationship between households' net worth and savings (both as a share of disposable income) over the last 73 years (since 1951 when data becomes available). Last data point available is for Q4 2024. Sources: Partners Group, Federal Reserve Bank of St Louis (2025).

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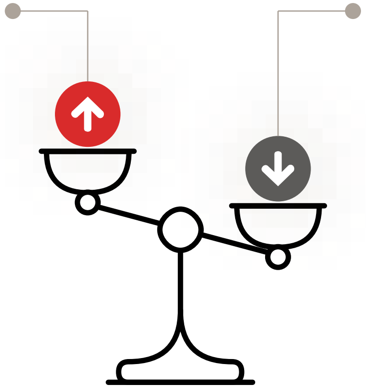
Evolving balance of risks in the euro area as well

Near-term risks tilted downside but (finally) seeing mid-to-longer term upside hopes

Near-term[1]

- Continued **monetary easing** from the European Central Bank (ECB)
- Orderly **resolution of Russia-Ukraine** conflict

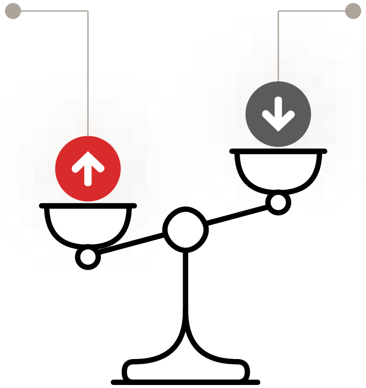


- US (reciprocal) **tariffs**[3]
- **Tightening financial conditions**[4]

Risks tilted to downside

Mid-to-longer-term[2]

- **Large fiscal easing** package out of Germany
- **Increased defense spending** across euro area
- Reduction in **ECB rate to ~1.25-1.5% terminal rate**[5]



- Chronic **insufficiency of aggregate demand**[6]

Risks tilted to upside

For illustrative purposes only. **1** Near-term is defined as over the next 12-18 months. **2** Mid-to-longer term is defined as starting in H2 2026. **3** High and targeted tariffs would be more hurtful to Europe's growth oksok than broad-based 10% tariffs. **4** The expectation of fiscal stimulus might lead to a tightening of financial conditions (through rising yields). This is already seen in Germany. **5** Relief for interest rate sensitive sectors of the economy (incl construction and housing) and households with variable mortgages. **6** There are other structural headwinds facing the EU but these have long been acknowledged and already reflected in the base case (e.g., demographic headwind, low productivity). Sources: Partners Group, Bloomberg (2025)

Fewer interest rates' cuts projected for 2025

3

Partners Group view

- From a growth perspective, **Trump's tariffs are a headwind to global growth, but we see the drag as more significant in the US versus Europe.** Inflation implications differ with US facing stronger upward price pressures while Europe is likely to see more disinflation[1]
- **Fed therefore faces a delicate trade-off between weak growth and upward inflation,** making the monetary policy outlook extremely uncertain (as shown by the important moves in market pricing)
- **Fed is not expected to cut pre-emptively.** We forecast 2x 25bps cuts in 2025 and more room to ease in 2026 to a terminal rate of 3-3.25%
- **Interest rate implications from tariffs for the ECB are clearly more dovish** and we expect 2-3x 25bps cuts in 2025 and a terminal rate of 1.25-1.5%

Private markets implications

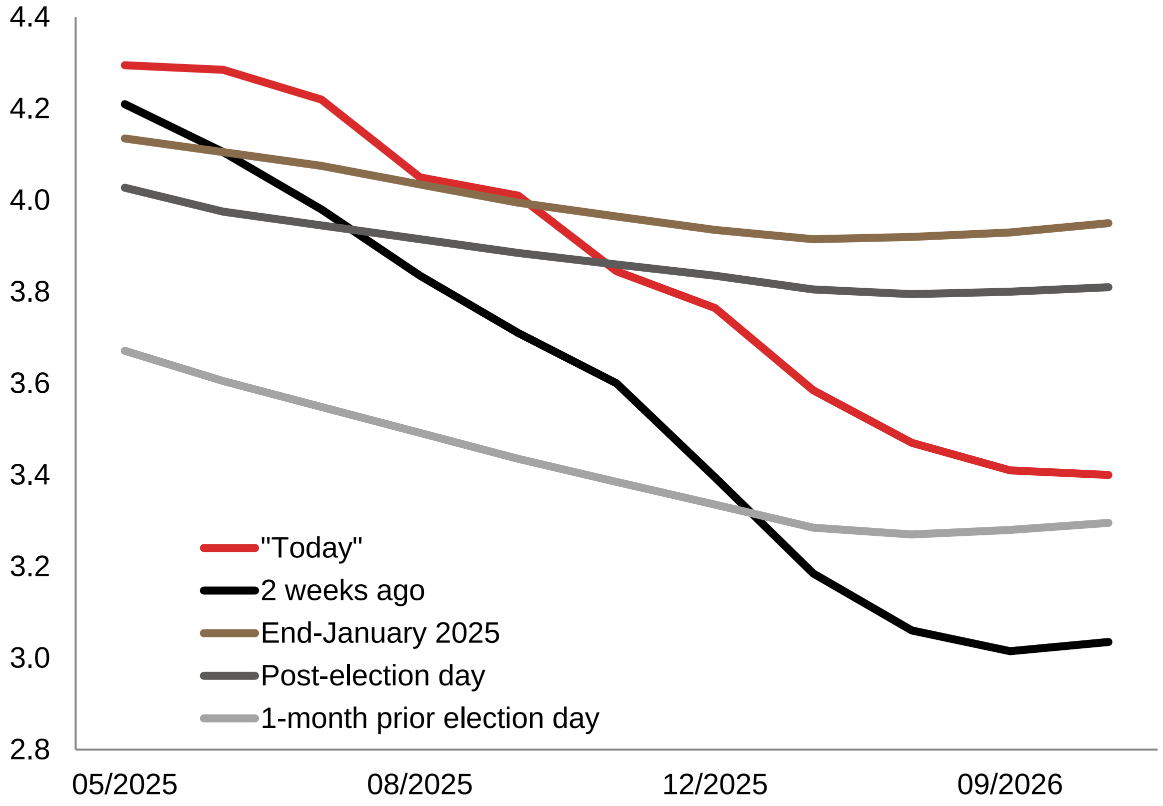
- **Private equity exit activity delayed in the near-term**, recovery to come once greater clarity is gained on broader tariff implications
- **Beneficial to secondary market activity** as liquidity-driven sellers tap into secondary market given delay in exits
- **Private credit continues to benefit** from (still) high base rates and likely higher spreads amid fears of a prominent slowing in US economic activity
- **Private infrastructure to also benefit given structural tailwinds and (typically) inflation-linked cash flows**. E.g., during the pandemic related inflation surge, only 1 of our 90 infrastructure assets could not pass on higher costs

1 Some of the higher import costs will be passed onto the consumer in the US, driving up inflation. In Europe, a stronger EUR makes imports cheaper, some of China's overcapacity risks being re-directed towards Europe, and sentiment remains weak which weighs on aggregate demand. Actual events may differ materially from those reflected or contemplated in such forward-looking statements. Source: Partners Group (2025).

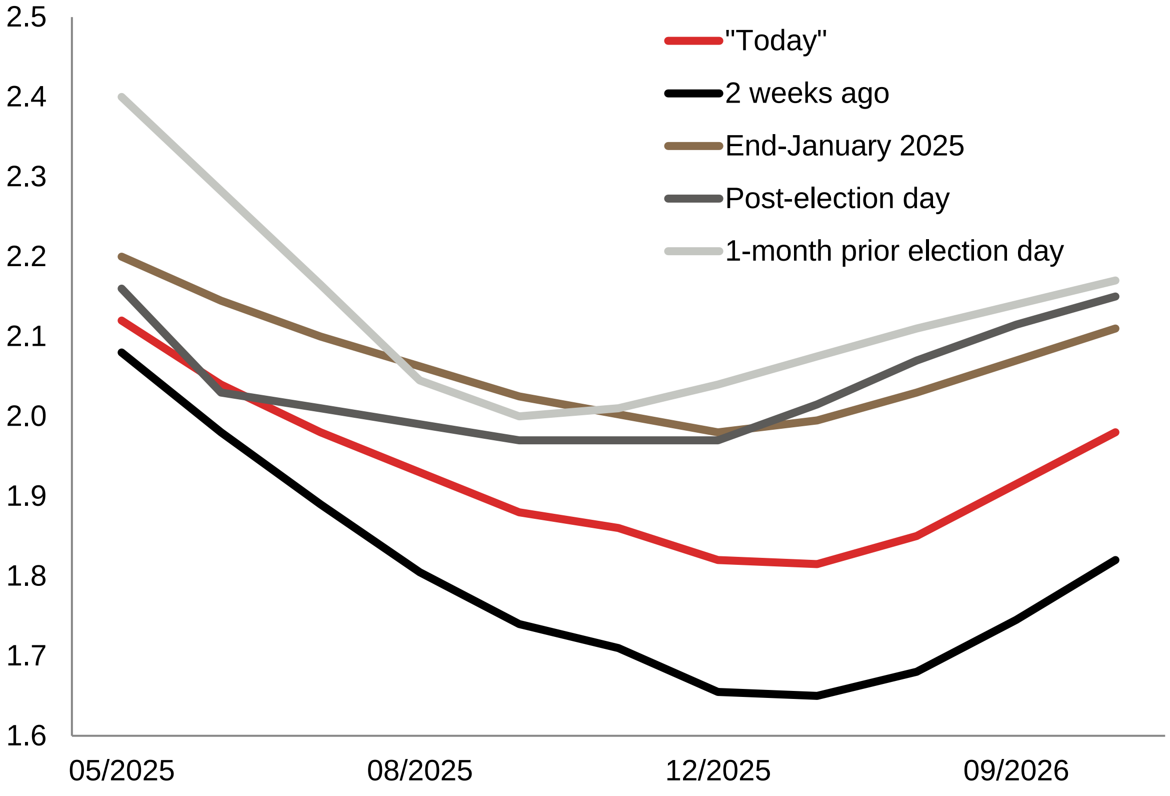
News flow on US policies is driving significant re-pricing

We continue to expect ~2x 25bps Fed rate cuts (more room to cut next year). ECB2 likely to cut 2-3x by year-end

Market pricing for Fed policy rate path (%)



Market pricing for ECB policy rate path (%)



1 Note that we see a recession outcome as relatively likely with a 35% probability, but it is still not our base case. Inflationary pressures will be a concern for the Fed who will tread more carefully than markets expect in our view. **2** European Central Bank. Notes: the curves are as of "Today" (12 May 2025), end-January 2025, post-election day (6 Nov 2024), and 1-month prior to election day (4 Oct 2024). The Fed's policy rate path is based on the forward Secured Overnight Financing Rate (SOFR) curve, while the ECB's is based on the forward 3-month Euro Interbank Offered Rate (Euribor). For illustrative purposes only. Sources: Partners Group, Bloomberg (2025)

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Glossary

Capital Expenditure (capex)	Refers to a company's spending on investments in fixed assets like buildings, equipment, and technology that benefit the company for more than one year
Dallas Fed	Refers to the Federal Reserve Bank of Dallas, one of the 12 regional Federal Reserve Banks that make up the Federal Reserve System, the central bank of the United States
Euribor	Short for Euro Interbank Offered Rate – based on the average interest rates at which a large panel of European banks borrow funds from one another
Eurostoxx 50	Derived from the EURO STOXX index and represents the performance of the 50 largest companies among the 20 supersectors in terms of free-float market capitalization in the Eurozone
Eurostoxx 600	A stock market index that tracks the performance of 600 large, mid, and small-cap companies across 17 European countries
Kansas Fed	Refers to the Federal Reserve Bank of Kansas City, one of the 12 regional Reserve Banks that make up the Federal Reserve System, the central bank of the United States
Magnificent 7	Refers to a group of seven dominant tech companies (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla)
MOVE Index	Short for Merrill Option Volatility Estimate Index, is a measure of expected short-term volatility in the US Treasury bond market
NIFB	Short for National Federation of Independent Business, is a member-driven organization that advocates for small business owners at the state and federal levels
Philly Fed	Refers to the Federal Reserve Bank of Philadelphia, one of the 12 regional Federal Reserve Banks that make up the Federal Reserve System in the United States
Price Elasticity	Refers to how the quantity demanded or supplied of a good changes when its price changes.
Relative Value	Refers to an approach that compares investment opportunities across multiple dimensions to identify those with the most attractive return potential
Russell 2000	A stock market index that tracks the performance of approximately 2,000 small-cap companies in the U.S
S&P 500	A free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the US. The stocks included in the S&P 500 are those of large publicly held companies that trade on either of the two largest American stock market companies; the NYSE Euronext and the NASDAQ OMX. Not possible to directly invest in an index
VIX Index	Also known as the "Cboe Volatility Index", or "fear gauge", is a measure of the market's expected volatility over the next 30 days, based on the prices of S&P 500 index options. It's a real-time index that reflects investor sentiment and is often used as a proxy for market risk and uncertainty

Source: Partners Group (2024).

About the Author

Fiona is a Private Markets Economist at Partners Group since February 2023, based in Zug. She is responsible for steering the company's economic view which feeds into the investment underwriting considerations. Additionally, Fiona supports the investment teams by analyzing potential macro risks when assessing investment opportunities. Prior to joining Partners Group, she worked at Swiss Re, initially in the Asset Management division with a focus on strategic asset allocation, and later as a Macro Strategist in the Swiss Re Institute. Fiona holds a Master's degree in Physics from University College London and a Master's in Investment and Wealth Management from Imperial College London.

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