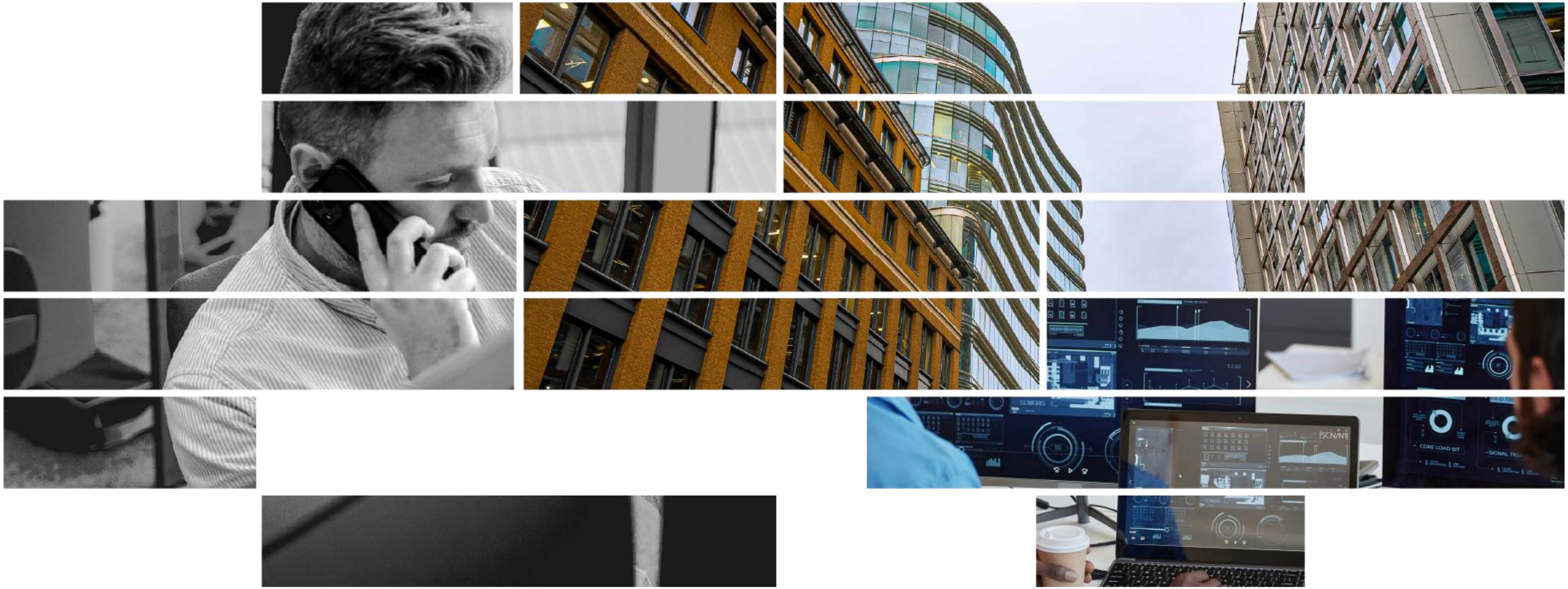

Private Markets Chartbook – Q3 2025

A Quarter of Adjustment: Higher Tariffs, Lower Rates, More Clarity

Expecting a further rebound in activity in private markets

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Partners Group Key Macro Views and Private Markets Implications

	Key Macro Views	Private Markets Implications
1	Trade deals bring more clarity to the H2 2025 trajectory of the major global economies	Stabilization and upturn in the pace of transaction activity and M&A/IPOs should continue
2	U.S. inflation to rise and growth to slow as the economy adjusts to tariffs in Q3 2025	Private companies' strong profit margins and robust earnings growth are attractive relative to public companies
3	September Fed[1] rate cut is coming into view on emerging signs of U.S. labor market weakness	Companies' interest coverage ratios should improve further as rate cuts materialize
4	Beyond the near-term slowdown, the recently passed U.S. tax bill should boost growth in 2026	Infrastructure stands to benefit from favorable business tax provisions and less onerous renewable energy cuts than feared
5	Europe looks stronger than before, benefiting from a favorable mix of fiscal policy and lower rates	Cheaper financing costs in Europe allow for greater leverage, making Europe attractive, especially given lower relative valuations vs the U.S.

Source: Partners Group (2025). **1** Federal Reserve. Actual events may differ materially from those reflected or contemplated in such forward-looking statements.

Trade Deals

More clarity on the trajectory of major economies

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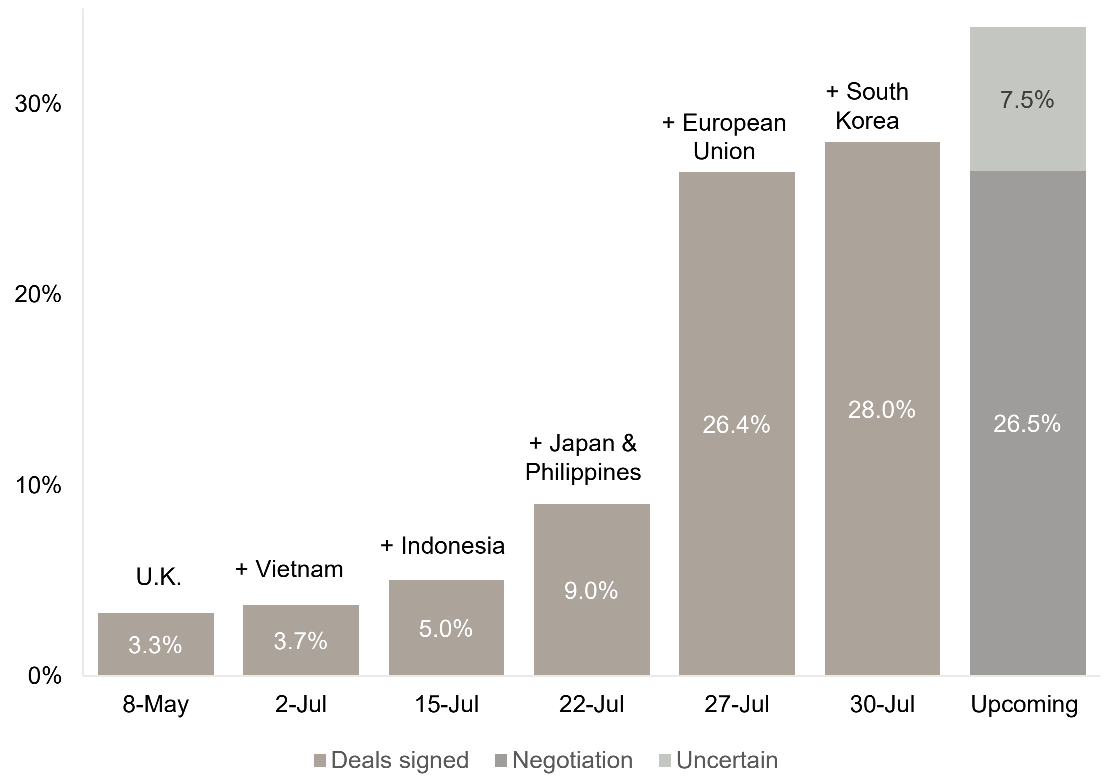
Trade negotiations will continue to impact economies worldwide

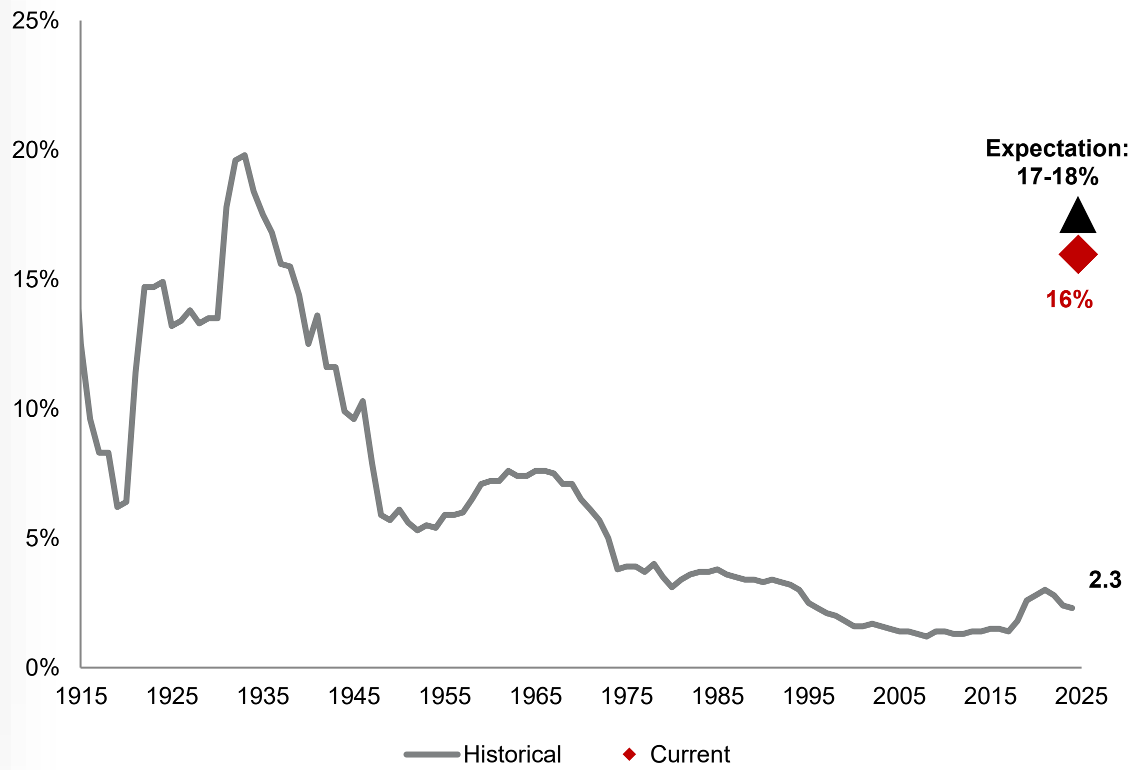
The share of top U.S. trade partners with a signed trade deal has grown steadily

Percent of top 25 U.S. trade partners, as % of global GDP, by U.S. trade deal status



U.S. average effective tariff rate is significantly higher than pre-2025 levels

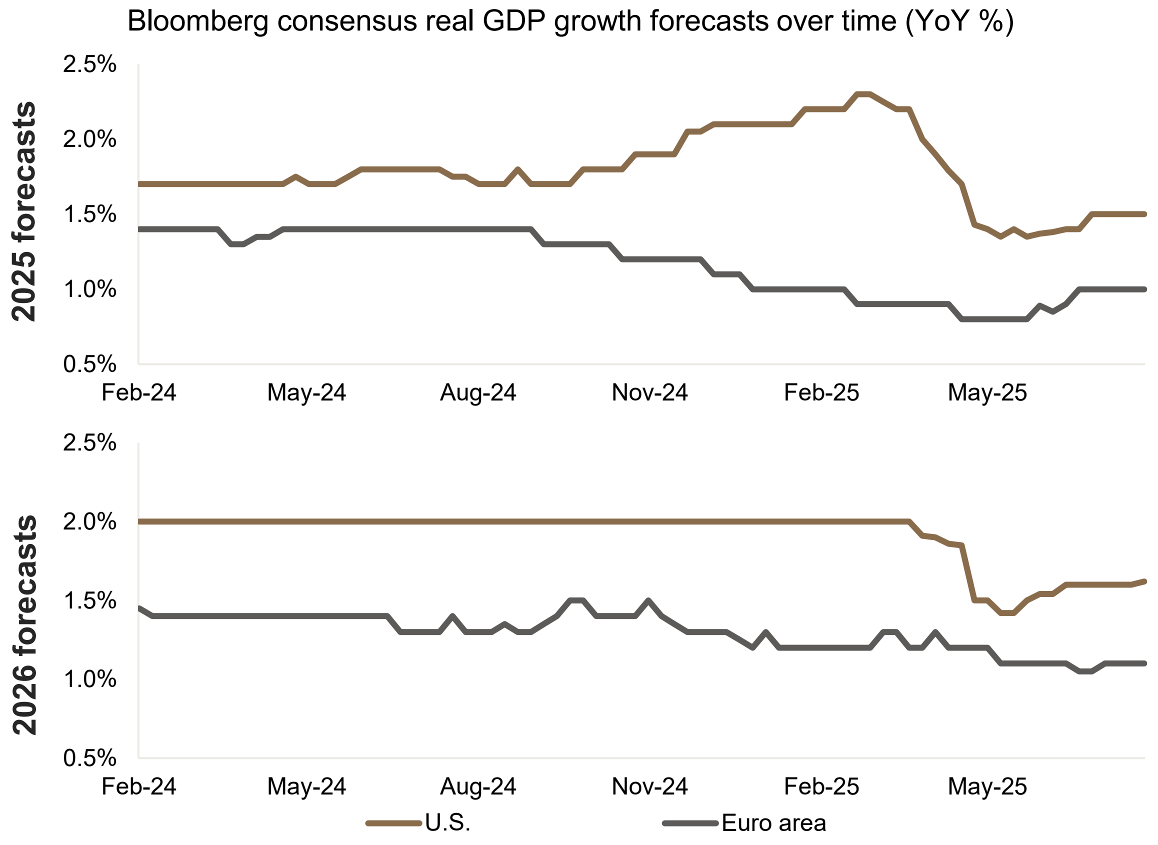
Average effective tariff rate on imports into U.S. (%)



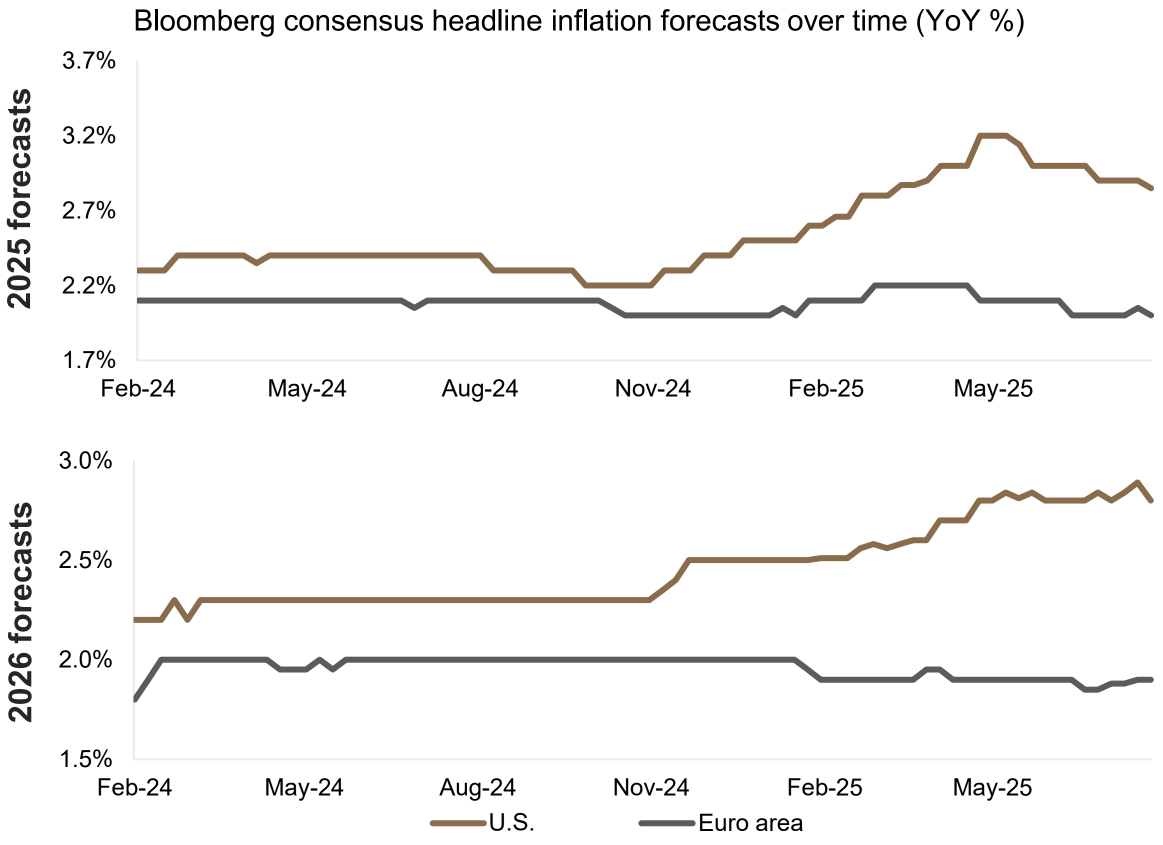
Source: (Left) Census Bureau (May 2025). The White House (2025). World Bank and World Development Indicators (July 2025). (Right) Bloomberg (2025). For illustrative purposes only.

Progress on trade deals brings more clarity to an uncertain environment, helping forecasts stabilize

Real GDP growth consensus forecasts have recovered post April downdraft



The feared upward inflation pressure from tariffs has eased somewhat



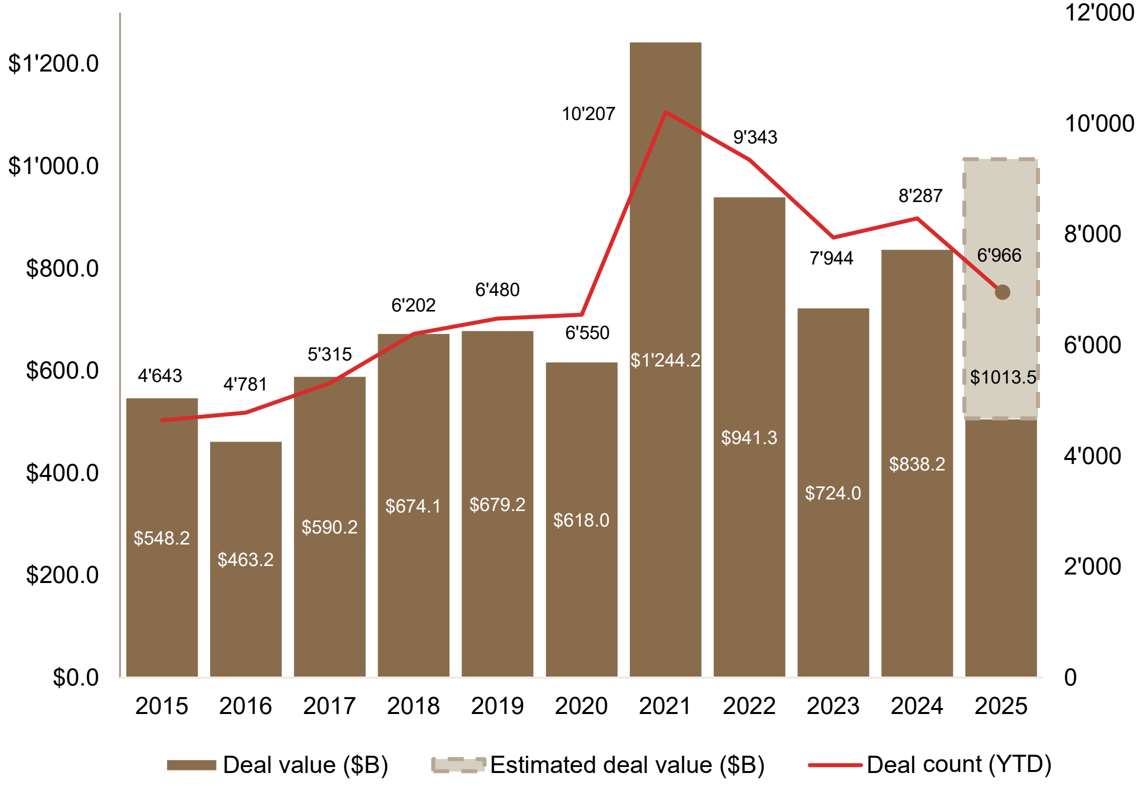
Source: Bloomberg (2025). For illustrative purposes only.

Private Markets Implications

Deal activity in the U.S. and Europe should benefit from greater certainty of terms

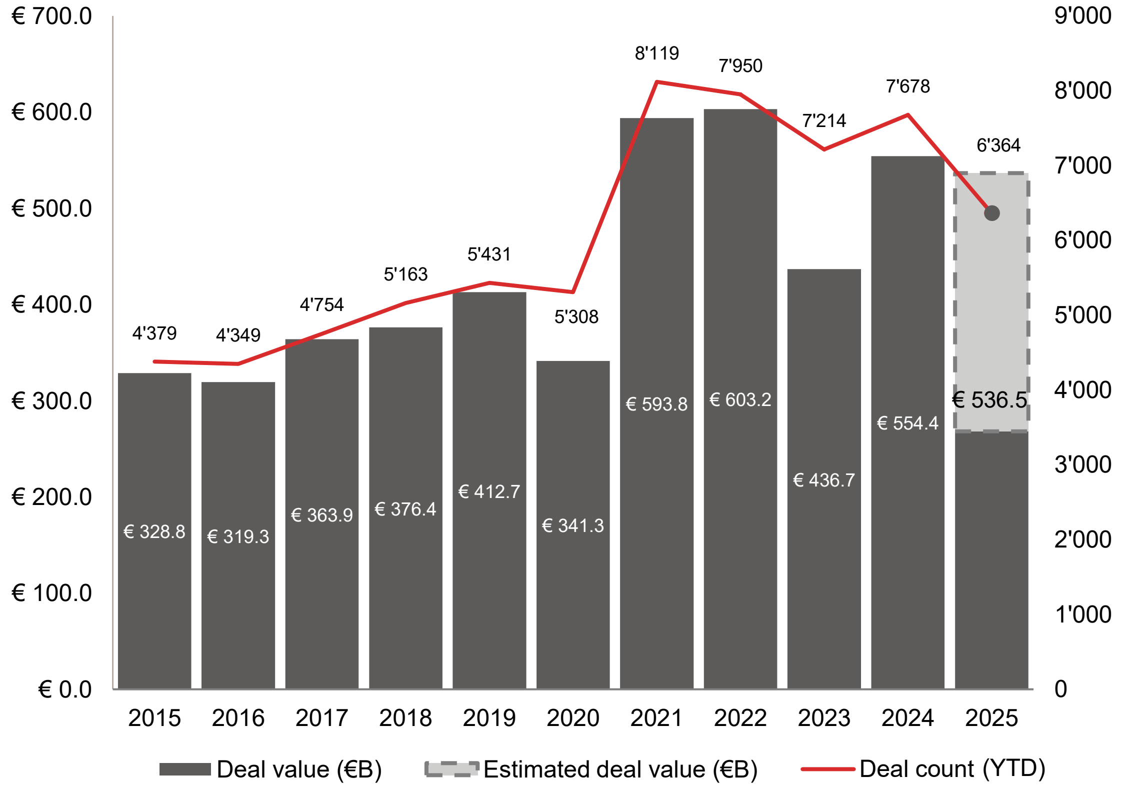
U.S. activity is on pace for a strong rebound from 2024 levels

Private equity transaction volumes for the U.S.



Europe's volumes are also rising steadily

Private equity transaction volumes for Europe



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Source: Partners Group (2025), PitchBook (2025). Actual figures and events may differ and may vary significantly. For illustrative purposes only.

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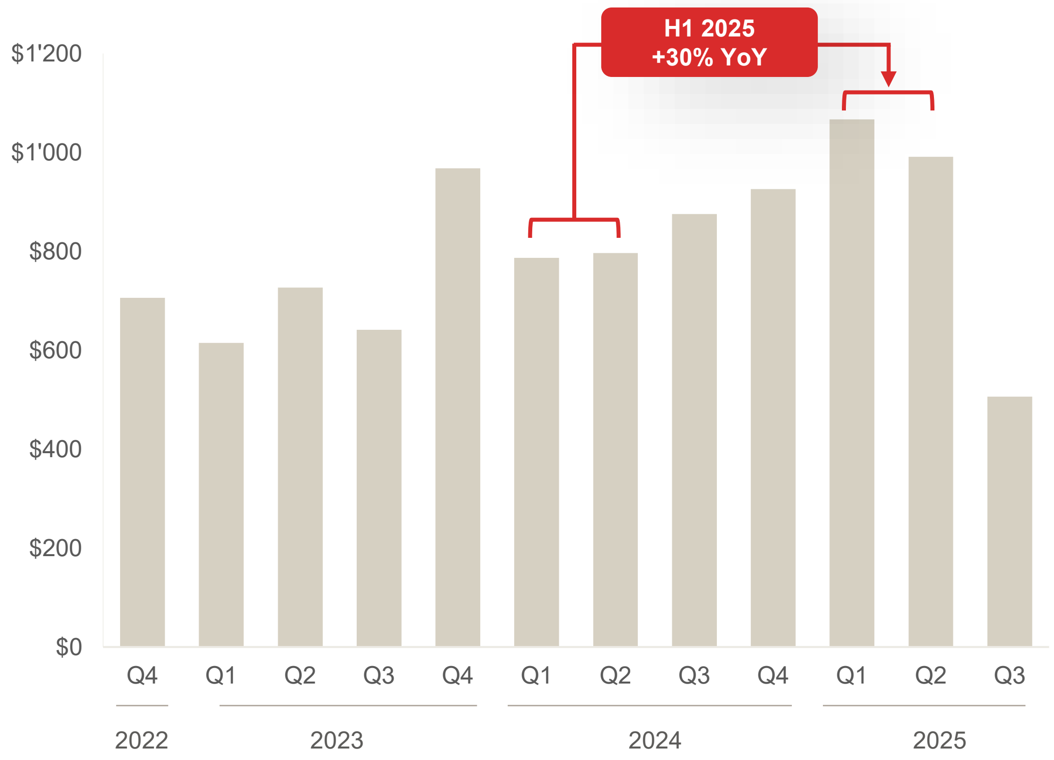
Private Markets Implications

Global M&A and IPO activity was resilient in H1 2025 and should benefit from further clarity

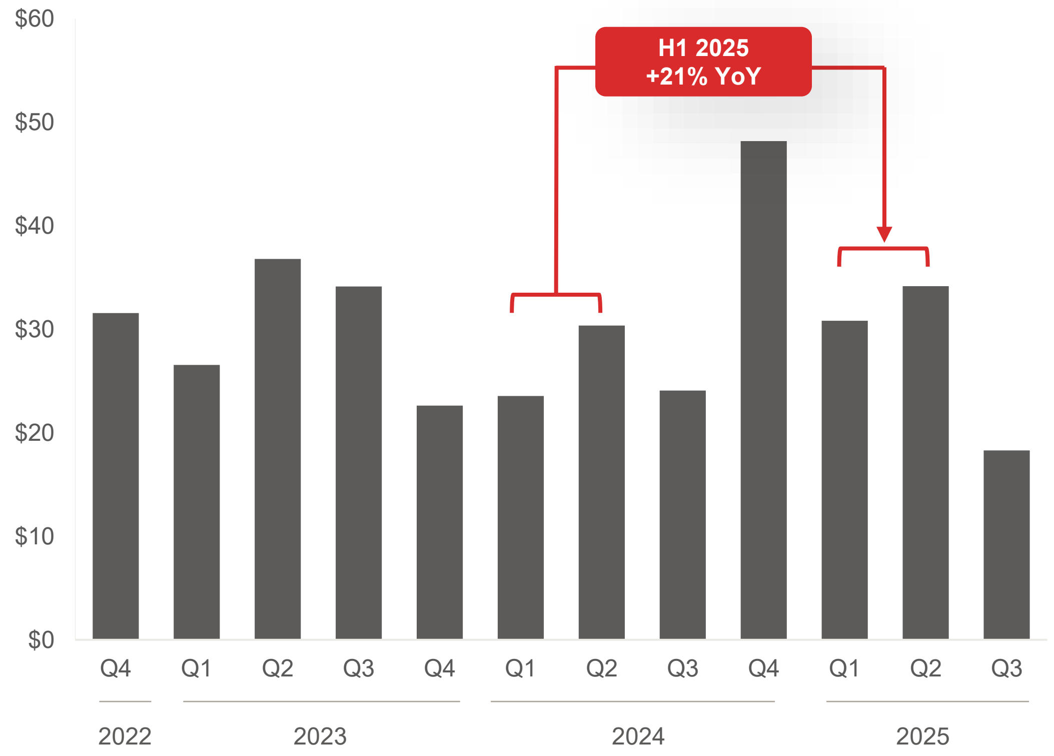
M&A transactions volumes have been robust YTD despite the uncertainty

Global M&A by quarter in USD bn



Strong public market performance YTD should support the IPO market

Global IPO by quarter in USD bn



Source: Dealogic/ION Analytics (2025). For illustrative purposes only. Q3 2025 data reflects figures available as of the date of writing this Chartbook.

The U.S. Adjustment

U.S. inflation set to rise, growth to slow

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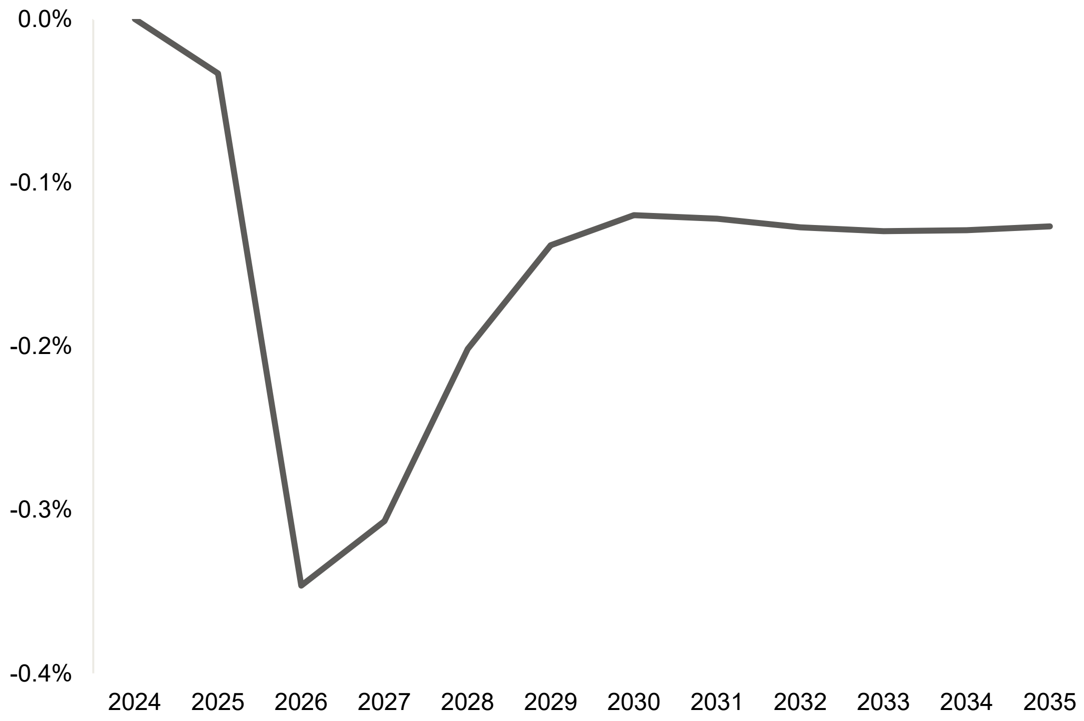
Near-term adverse impacts on growth and inflation are expected due to tariffs

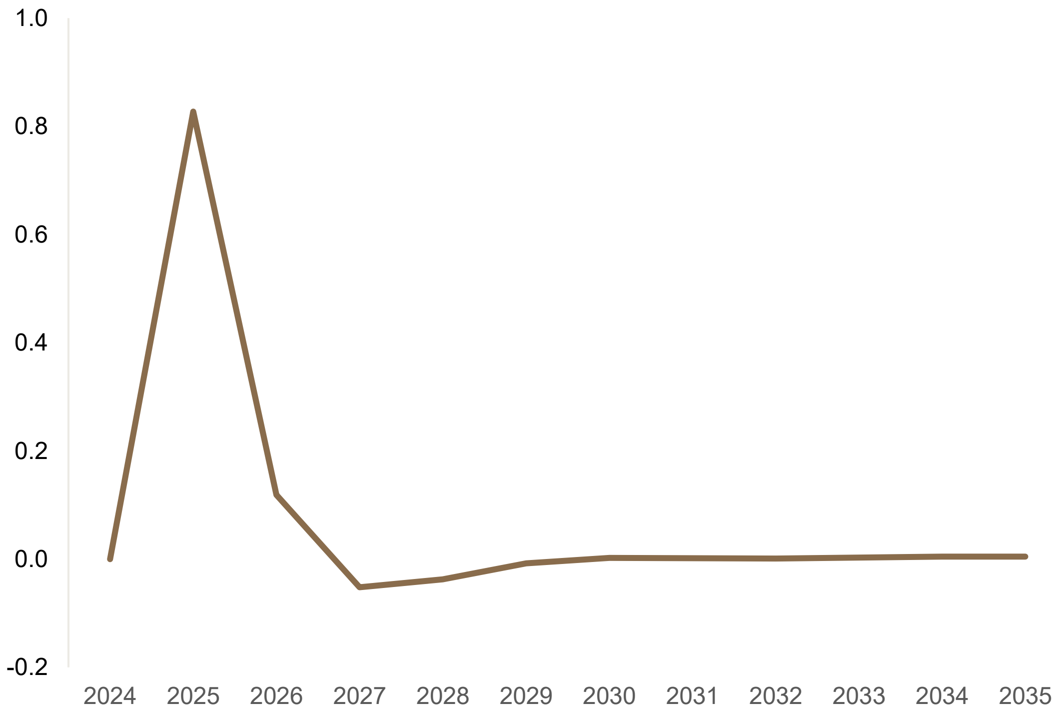
Tariffs are expected to weigh on economic growth in the coming quarters

Forecasted % deviation of U.S. Real GDP in a low tariff scenario[1]



Tariffs are forecast to push up inflation as companies pass through higher costs

Change in U.S. inflation after 15 ppts[2] U.S. tariff increase



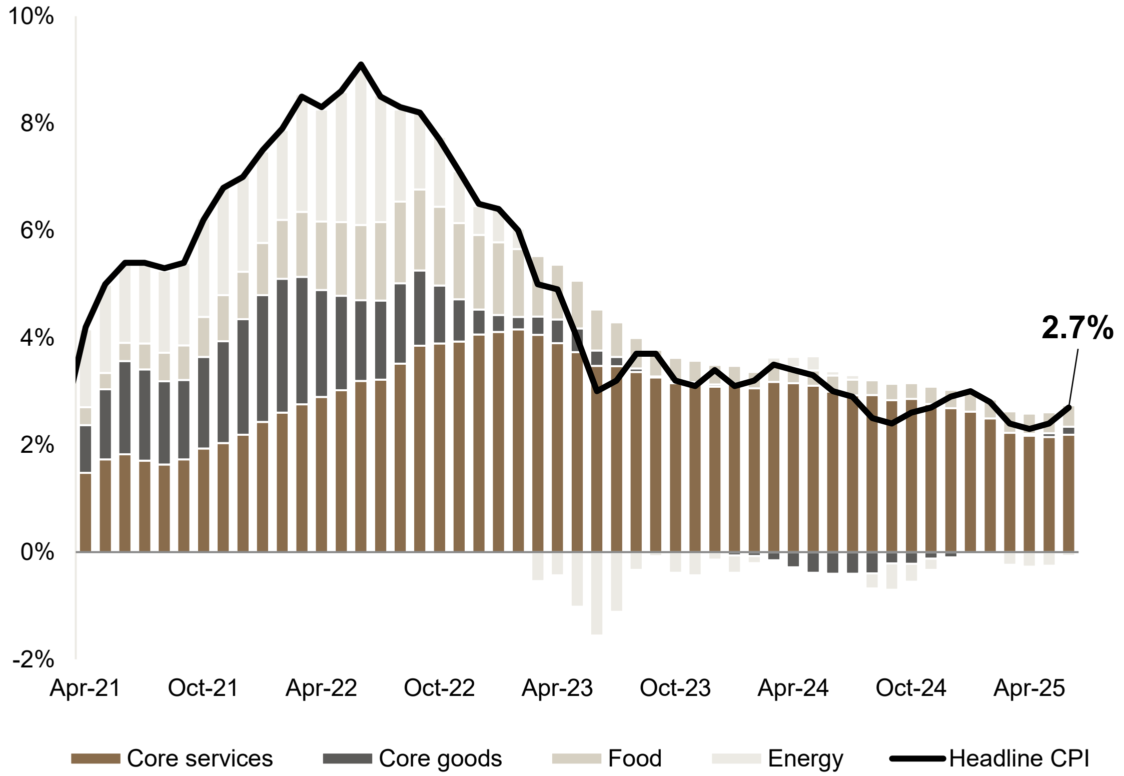
Source: The U.S. Revenue Implications of President Trump's 2025 Tariffs by Peterson Institute for International Economics (April 2025). **1** Over the period of 2025-2034. Actual figures and events may differ and may vary significantly. For illustrative purposes only. **2** Percentage point.

Key Macro View

Impacts from tariffs on inflation becoming visible, with more to come

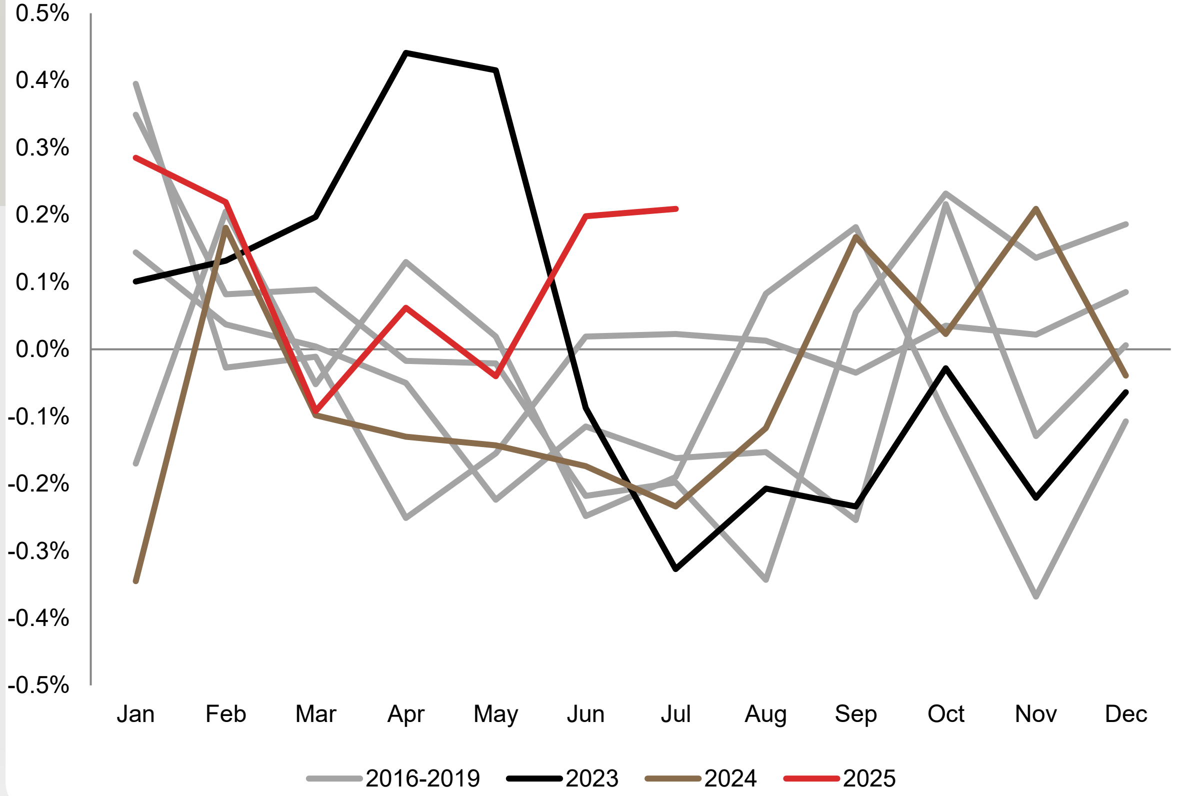
U.S. inflation is rising from recent lows as core goods are no longer deflationary

U.S. headline CPI[1] inflation breakdown (ppts to YoY % SA)



Core goods' inflation increase is highest in two years (since July 2023)

Core goods' inflation (MoM %)



Source: Bloomberg (2025). **1** Consumer Price Index. For illustrative purposes only.

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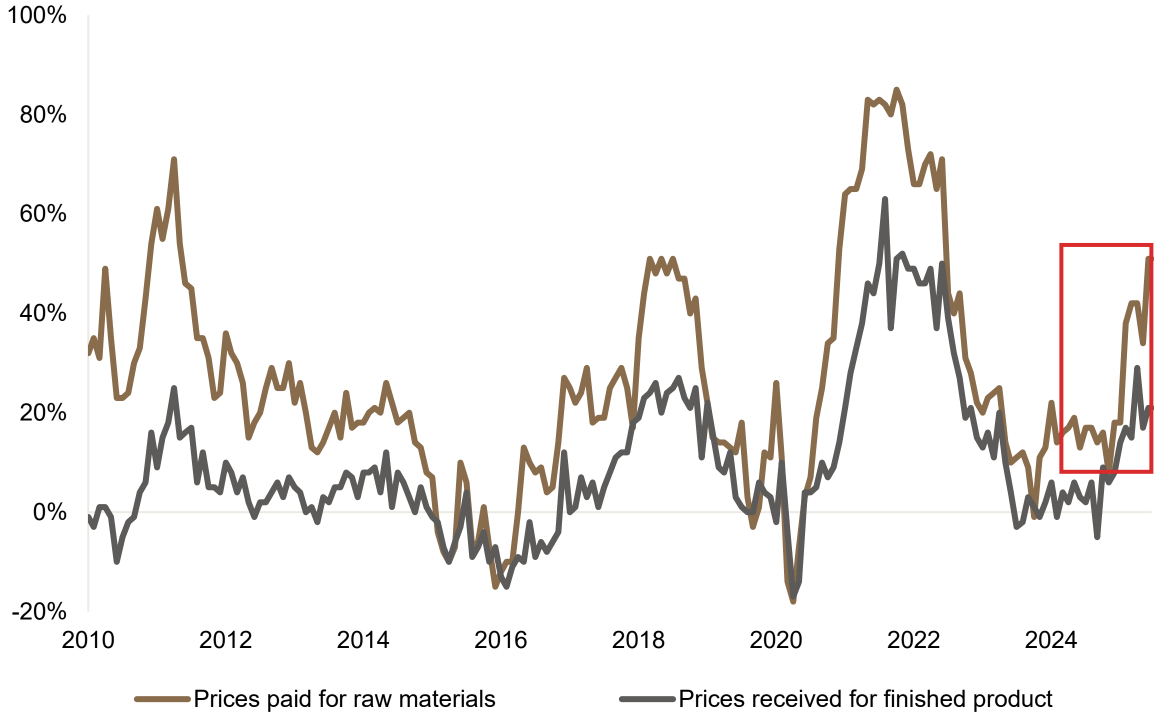
Key Macro View

Tariffs will need to be absorbed via profit margins, consumer prices, or both

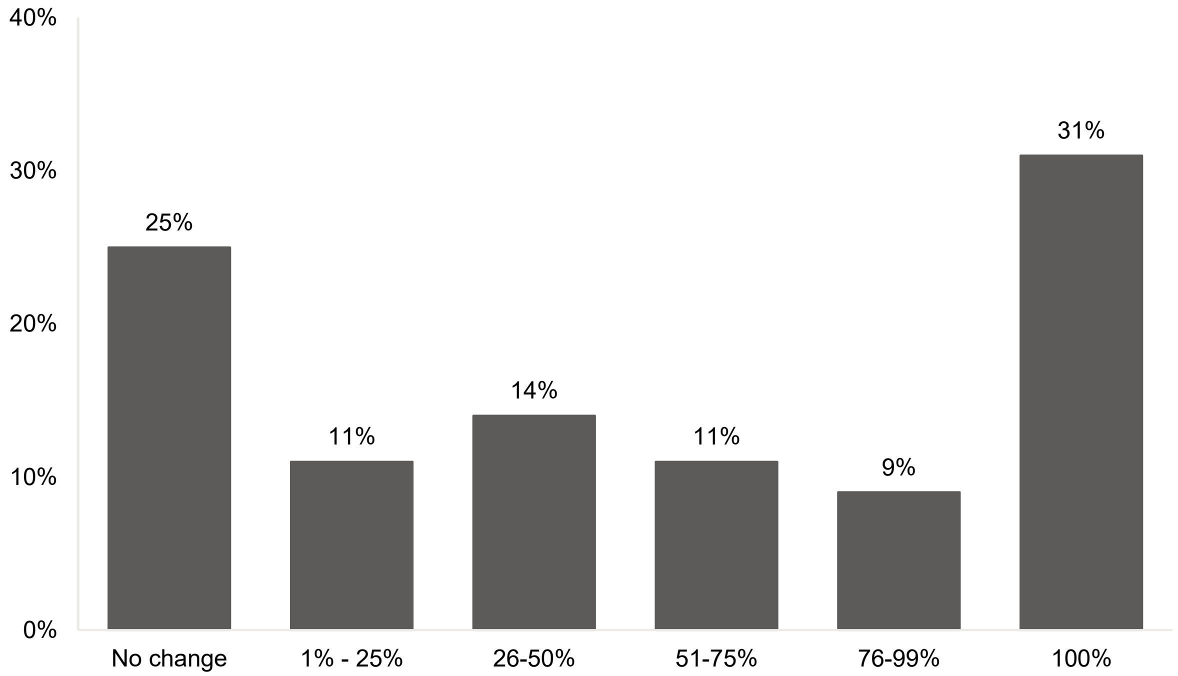
Manufacturers see margin pressure as prices paid and prices received diverge[1]

Kansas City Fed manufacturing survey (% diffusion for month-on-month trend)[2]



Most businesses plan to pass through some/all higher costs to consumers

Manufacturing businesses expect pass-through of higher tariff costs (% share respondents)[3]



Sources: Partners Group, Federal Reserve of New York (2025) **1** Given high news flow on tariffs (from aggressive announcements to subsequent moderation), firms may be looking to protect volumes while they wait for more clarity on tariffs. Also, inventory build-up in anticipation of tariffs should help increase prices received more moderately. Manufacturing firms appear to be working their way through their materials' inventories which has allowed them to not increase costs of their finished products as broadly as the increases in cost for raw materials. How long this can be sustained will be important. **2** Diffusion indices are reported as the % share of respondents reporting an increase minus those reporting a decrease. Positive value indicates more firms are reporting increases than decreases. The equivalent Dallas Fed survey, however, shows a broader share of respondents highlighting higher received prices. Beyond the binary trend in prices, also important to better understand margin implications would be the magnitude. **3** Surveys were conducted in May 2025. Since then, uncertainty around tariffs has moderated (e.g., deals between the U.S. and Japan / Europe) which may result in firms seeing benefit in further margin squeeze to protect volumes rather than price on much of the import cost. For illustrative purposes only.

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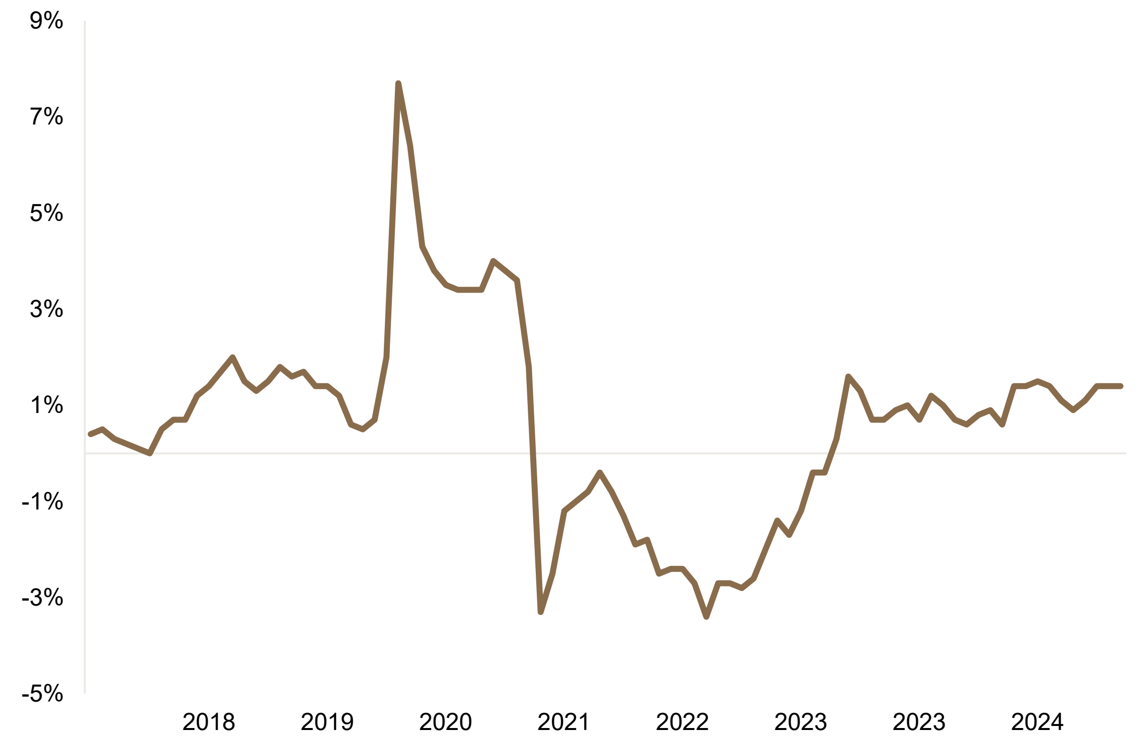
Key Macro View

Most (but not all) U.S. consumers and corporations have room to absorb higher tariffs

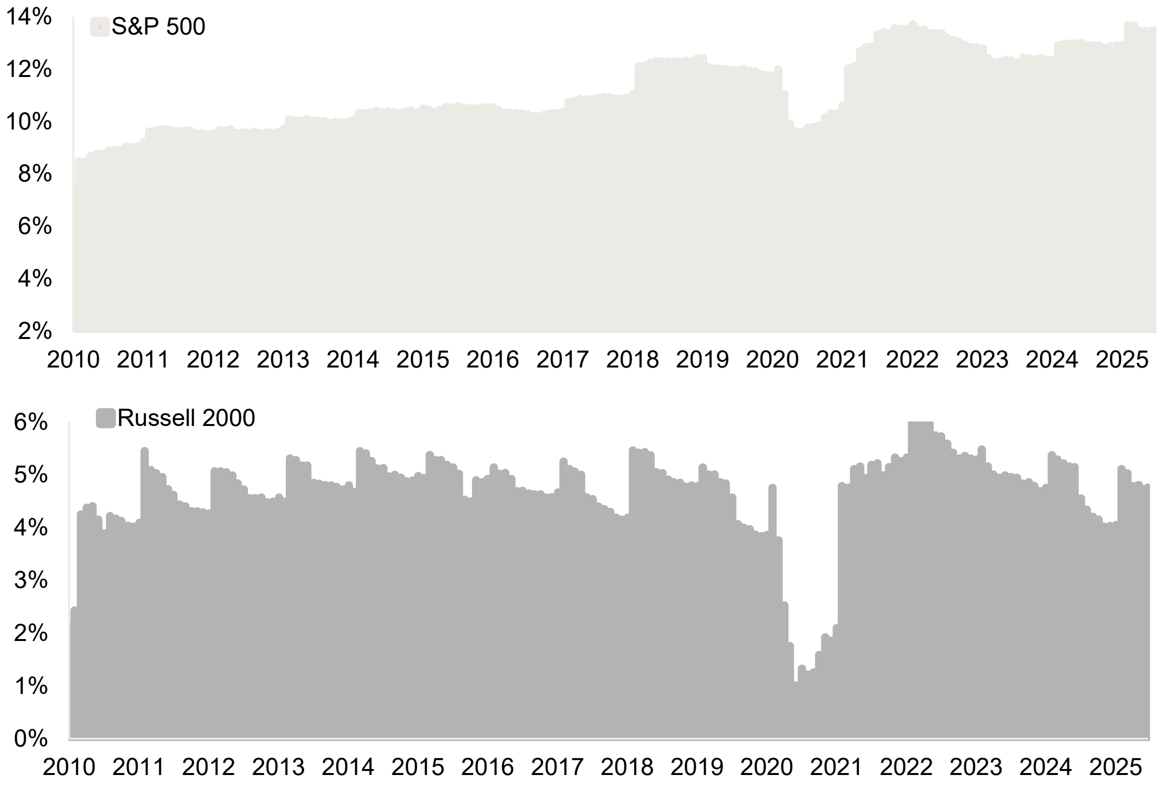
U.S. real wage growth is stable and is around 1%, back to pre-COVID norms

U.S. real average hourly earnings (YoY % change)



Large firms with near record corporate net profit margins have room to absorb higher import costs, but for smaller firms it may prove more challenging[1]

Net profit margin estimates for listed firms (%)[2]



Source: Bureau of Labor Statistics and Bloomberg (2025). **1** Smaller firms are a key pillar of employment in the U.S. According to the Statistics of U.S. Businesses from April 2025 (data for year 2022), while the majority of employment (59%) was at firms with 100 or more employees, smaller firms with fewer employees still accounted for 49% of employment. Still, in our base case, we view labor market deterioration as moderate and not leading to a recession. **2** Estimate is based on future expectations sourced from Bloomberg over the next 12 months. For illustrative purposes only.

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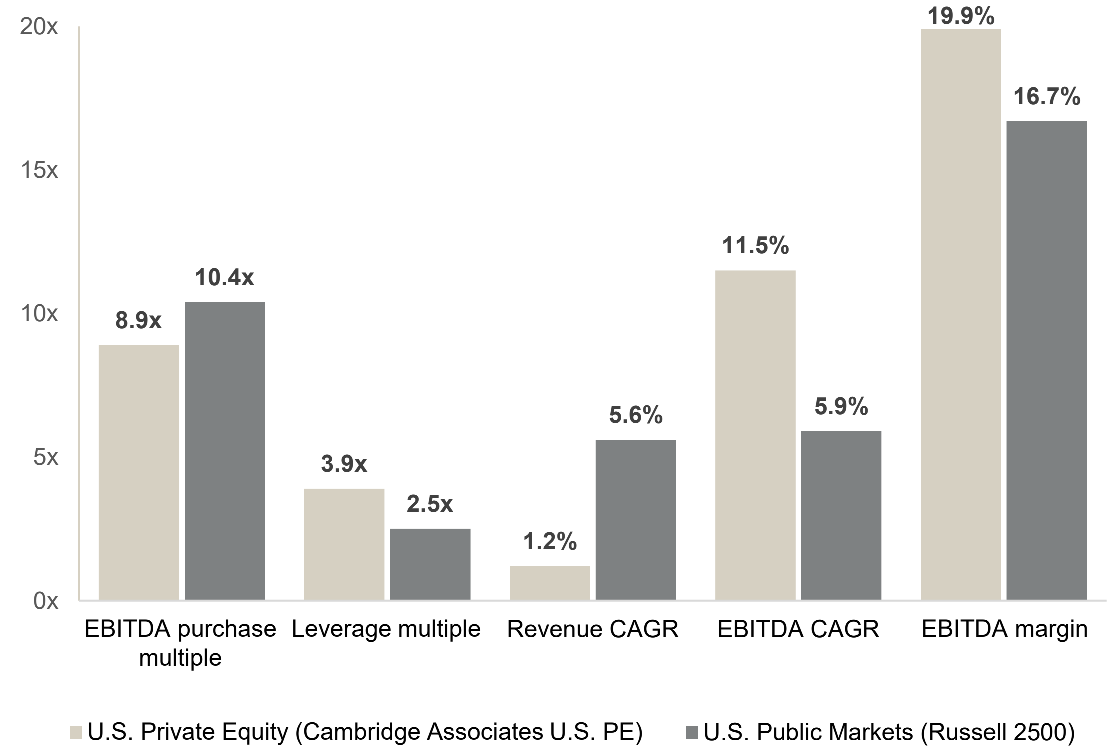
Private Markets Implications

PE-backed companies typically have higher margins, faster earnings growth

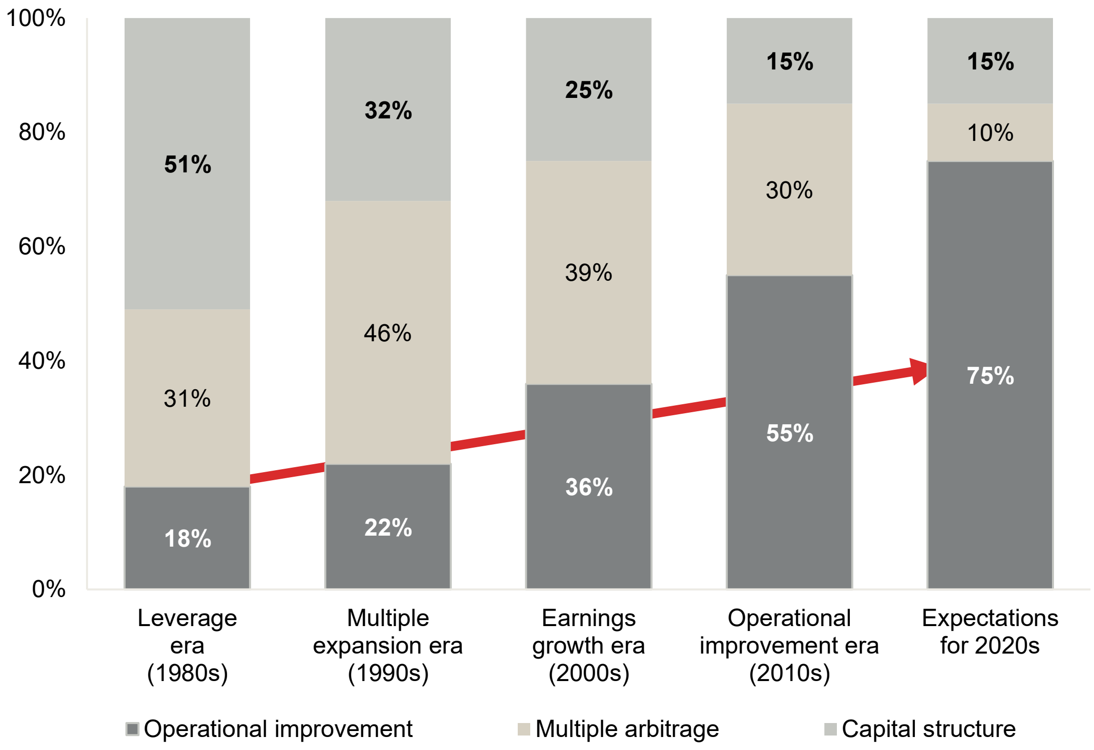
Private companies tended to exhibit higher profit margins and faster profit growth rates

Private equity and public equity median operation metrics



We believe operational improvement is key to building strong profit margins and enabling faster earnings growth rates

Evolution of private equity return drivers



Sources: (Left) Cambridge Associates (Nov 2022). Between 2000 and 2020. (Right) Boston Consulting Group. For illustrative purposes only.

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Fed Rate Cut

Emerging signs of U.S. labor market weakness to prompt a cut

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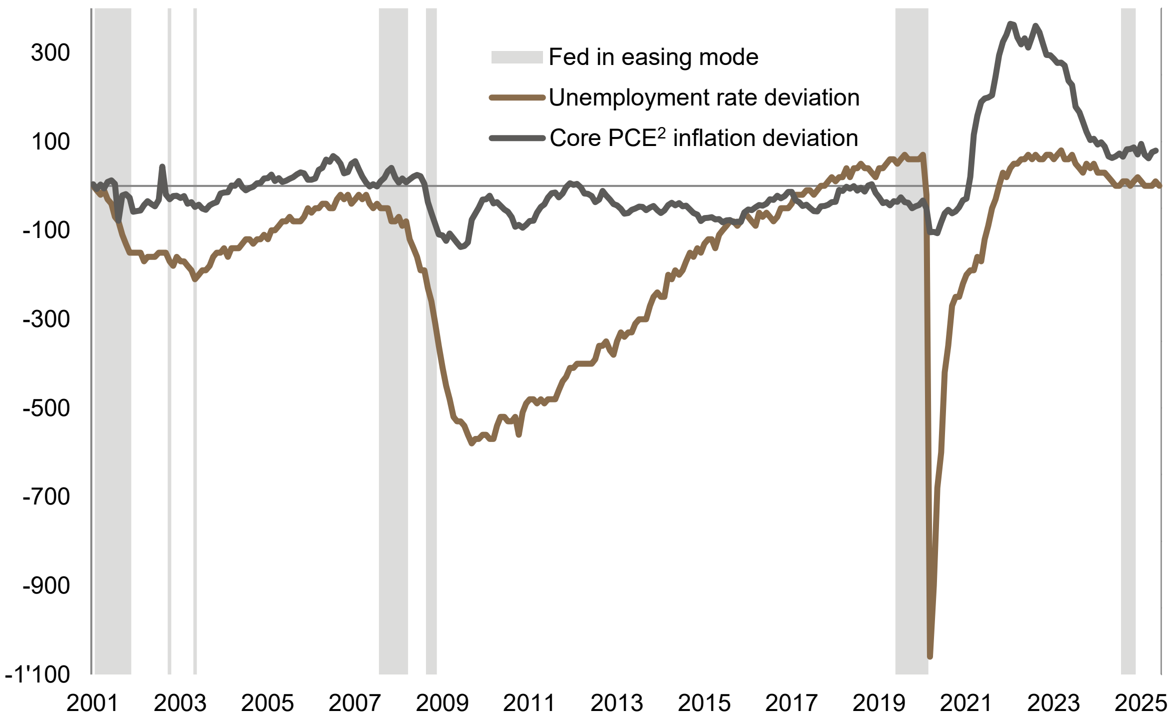
Key Macro View

The Fed's dual mandate is sending diverging signals with stalled jobs growth and rising inflation

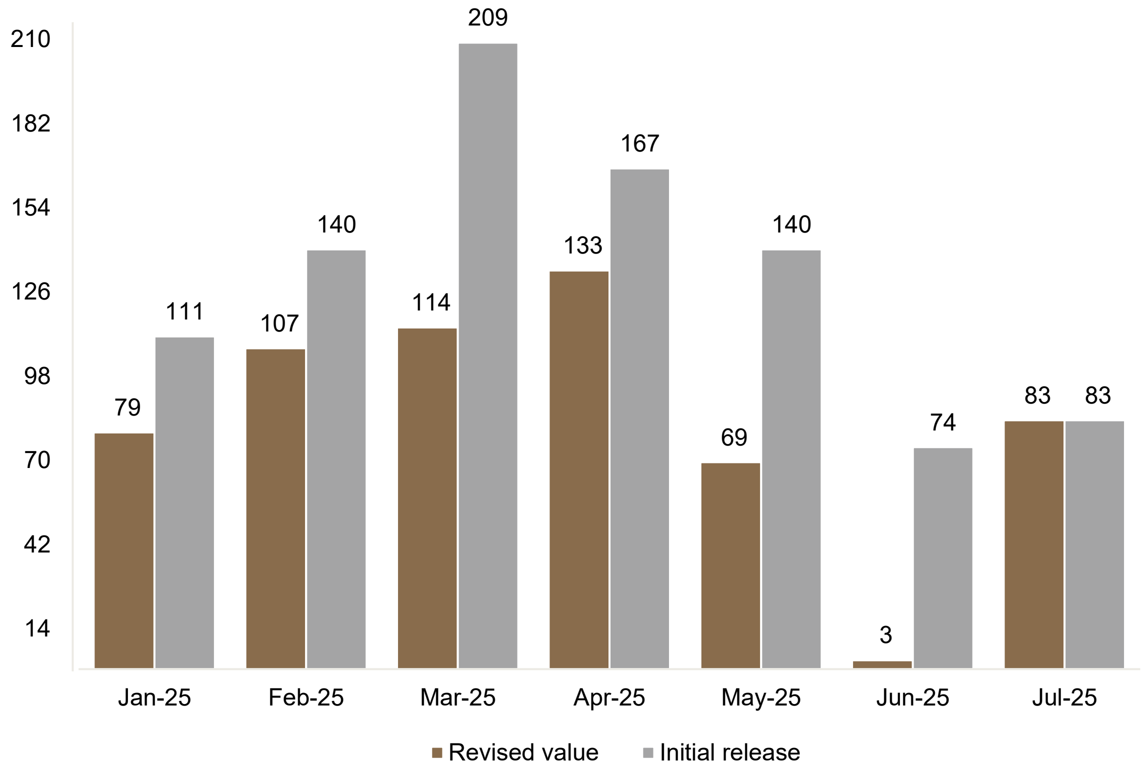
The Fed may look through the rise in inflation due to tariffs if the labor market weakness continues

Deviation from the Fed's dual mandate "targets" (bps)[1]



Jobs growth has slowed markedly after downward revisions, suggesting the risks to the labor market are to the downside

Jobs added per month in private, non-farm payrolls (thousands)



Source: Bloomberg (2025). **1** Unemployment rate target is taken as 4.2% and the core PCE inflation target as 2%. On the latter, we note that the Fed now has an "average core PCE target" of 2%. Sub-zero figures indicate the target is being undershot meaning the Fed has more room to ease. **2** Personal Consumption Expenditure. Actual figures and events may differ and may vary significantly. For illustrative purposes only.

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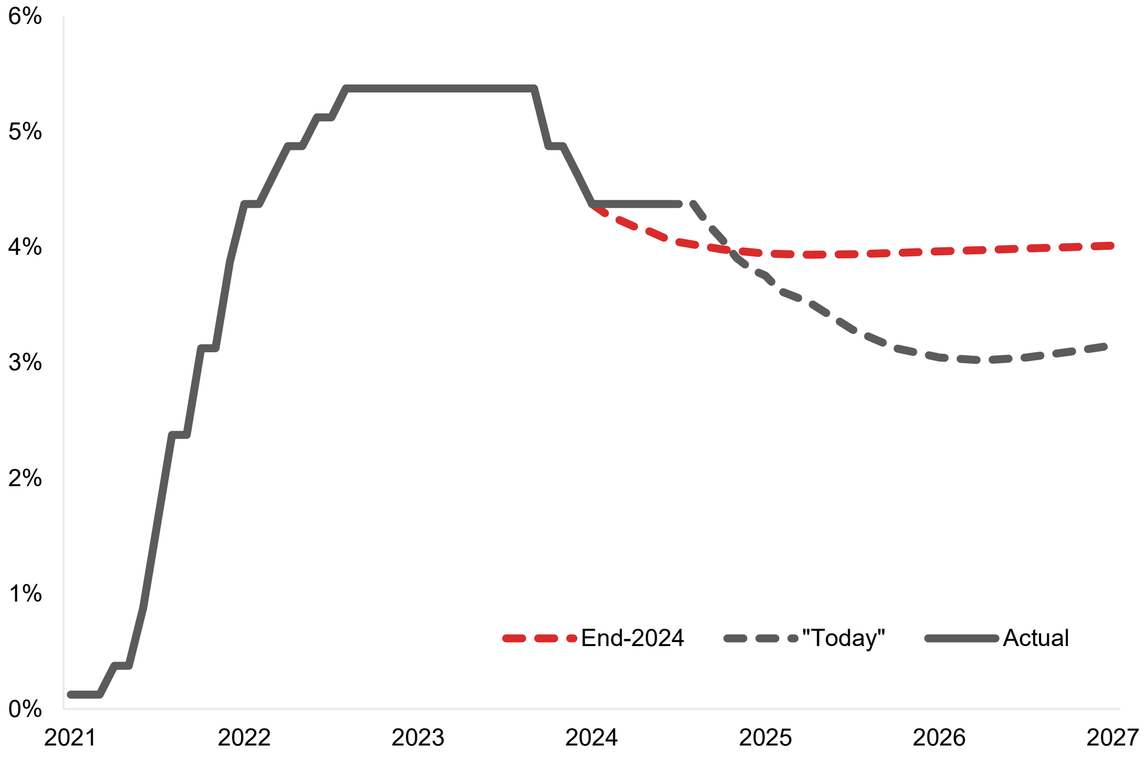
Further labor market weakness should prompt a September rate cut

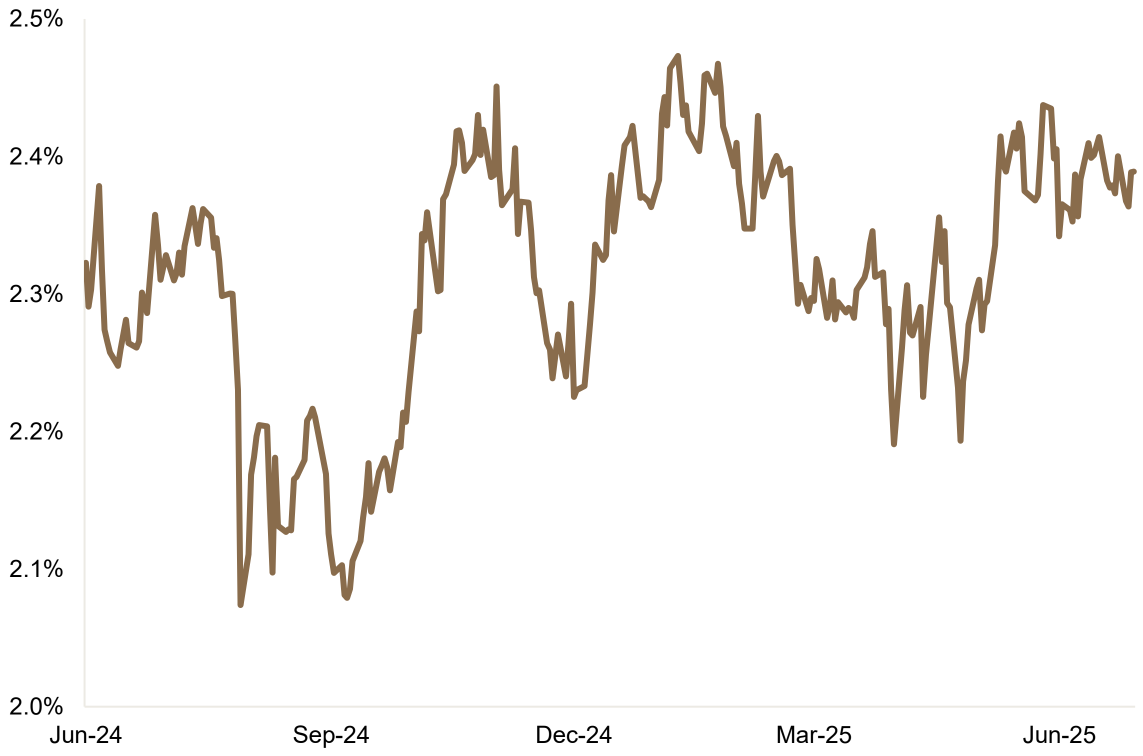
We see 2x 25 bps cuts for the rest of 2025 as the Fed prioritizes the labor market

Fed funds rate and market expectations[1] (%)



Given relative stability in market-implied inflation expectations, Fed may see tariffs as a one-off step level change

Forward 5-year breakeven inflation rate

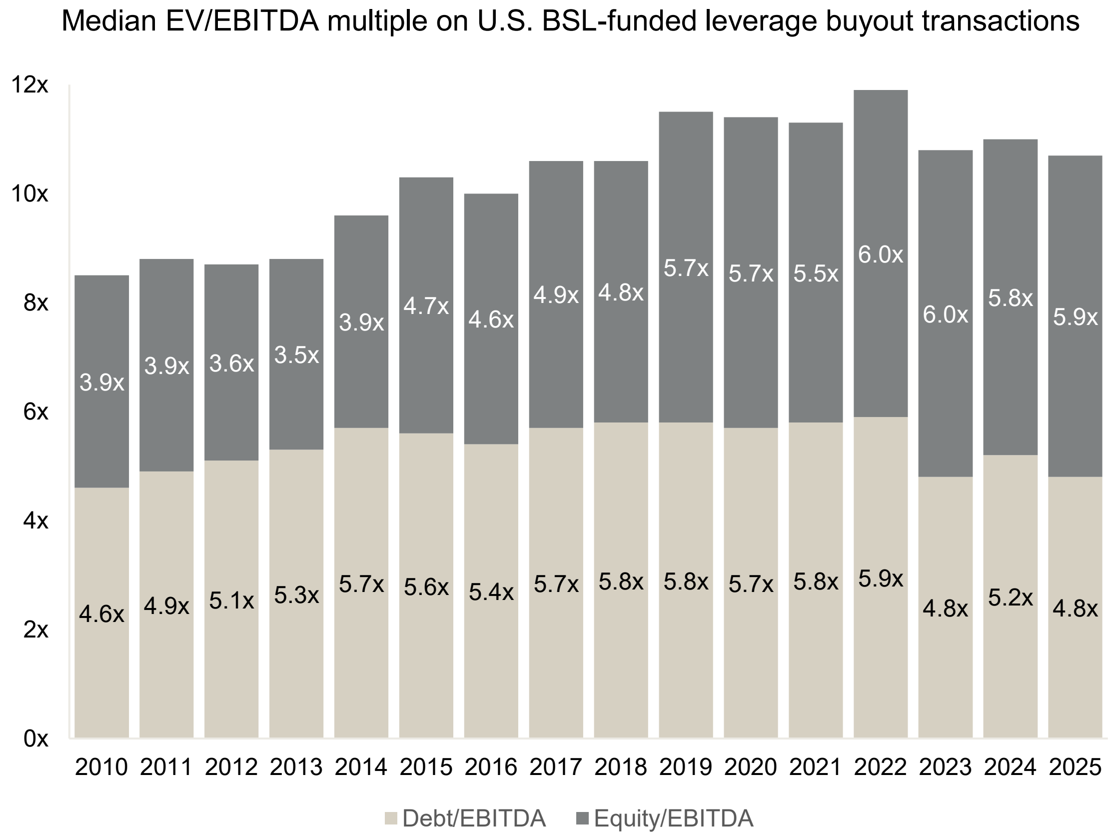


Sources: Partners Group, Bloomberg (2025). We note, however, that we could see more aggressive cuts by the Fed should the labor market deteriorate more abruptly. **1** Market expectations are based on the forward rates for the 3-month SOFR for the Fed (i.e., "End-2024" curve shows what the market was pricing as of the end of the calendar year 2024). Actual figures and events may differ and may vary significantly. For illustrative purposes only.

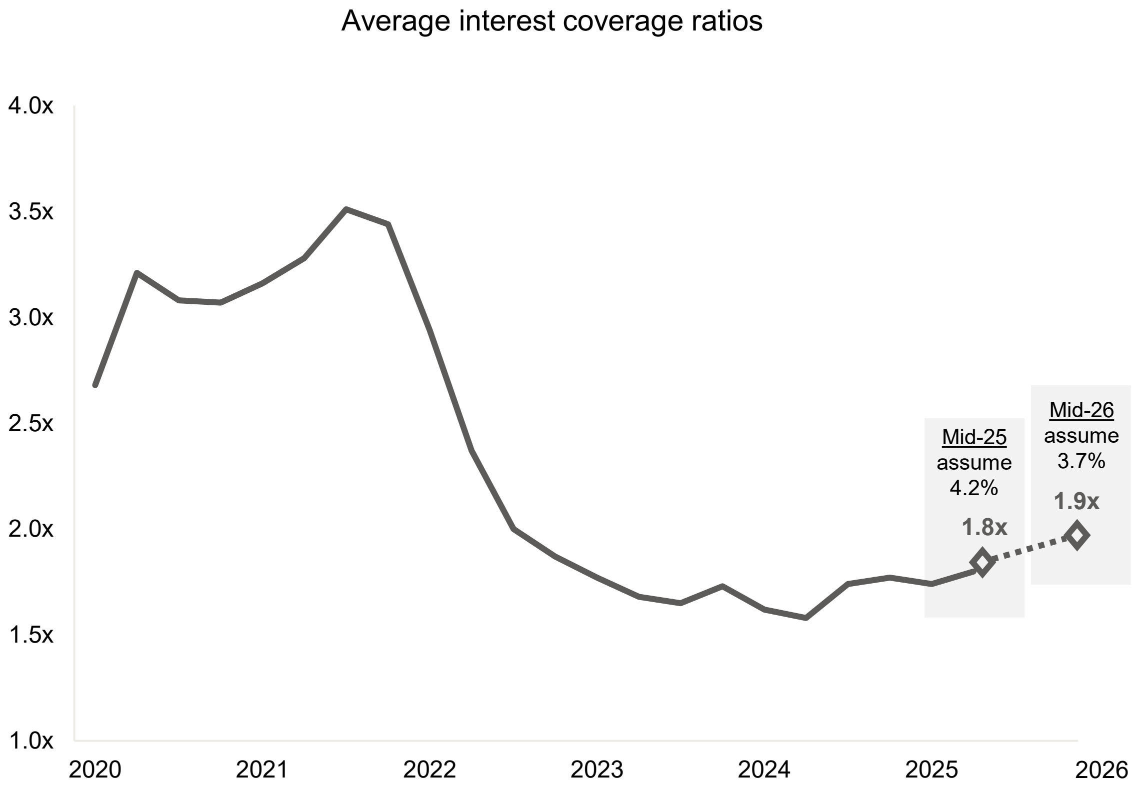
Private Markets Implications

Interest coverage ratios have improved for portfolio companies already and should benefit from further cuts

The use of leverage in buyout transactions has recently declined



The interest coverage ratios[1] have troughed and are gradually improving



Source: (Left) PitchBook, and Federal Reserve. (Right) Houlihan Lokey. **1** Interest coverage ratio is defined as adjusted EBITDA divided by total interest expense using the Houlihan Lokey Private Performing Credit Index (PPCI). For illustrative purposes only.

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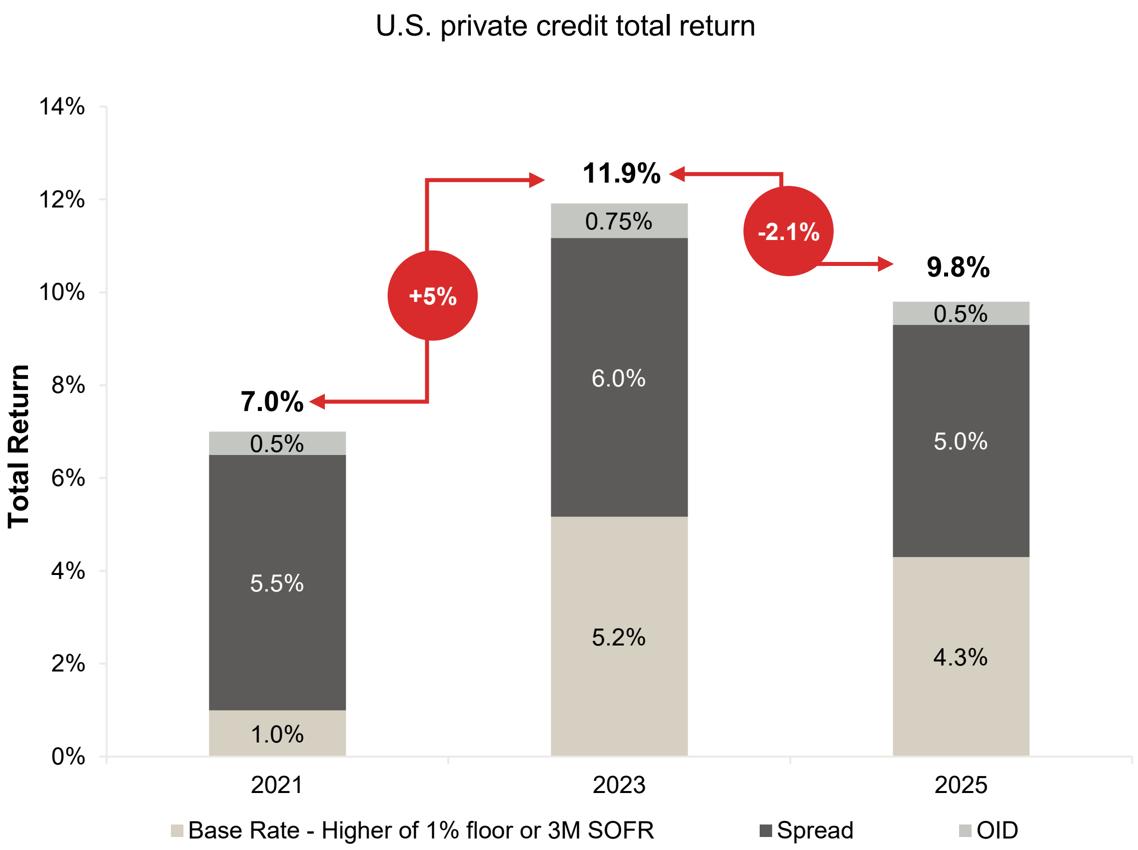
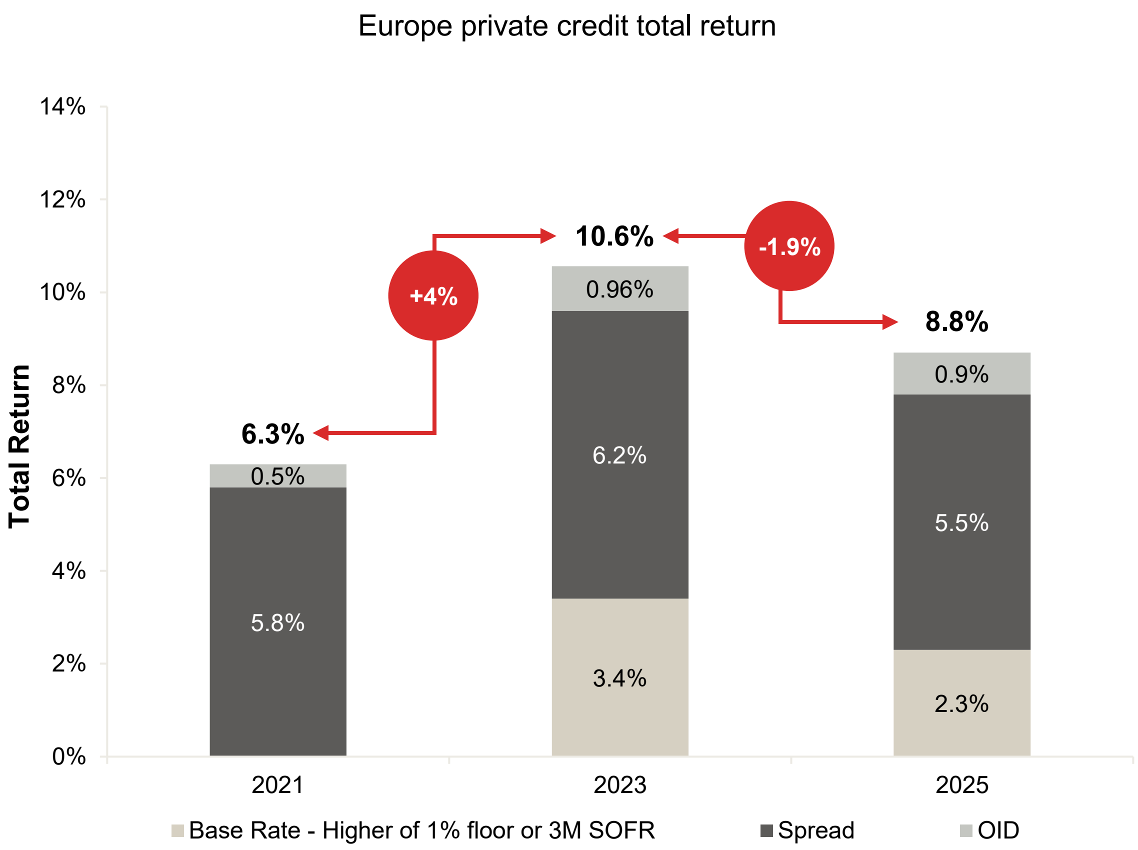
Private Markets Implications

All-in yields in private credit remain attractive across the U.S. and Europe

While base rates have declined moderately in the U.S. from their peak, the spread has seen more significant declines



In Europe, instead, spreads have seen more moderate declines, but the base rate has declined slightly more



Source: Bloomberg, Partners Group (2025). For illustrative purposes only.

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Tax Cut Impacts

The recently passed tax bill to boost growth in 2026

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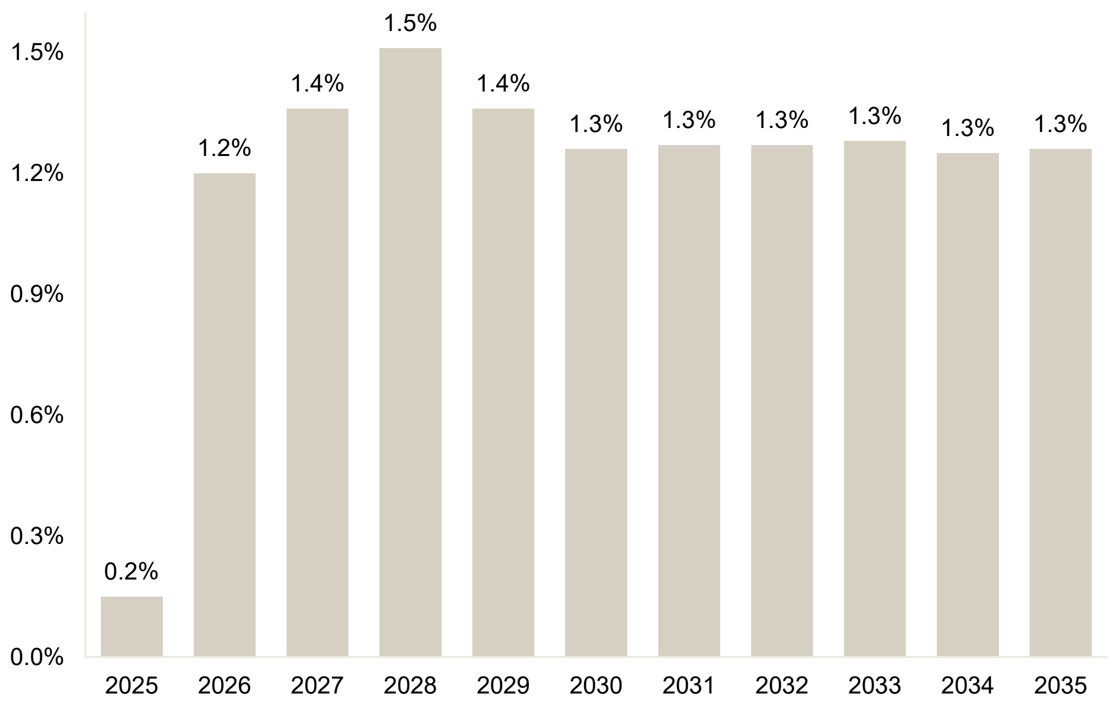
Key Macro View

One Big Beautiful Bill Act (OBBBA) - a positive boost to GDP, after-tax income

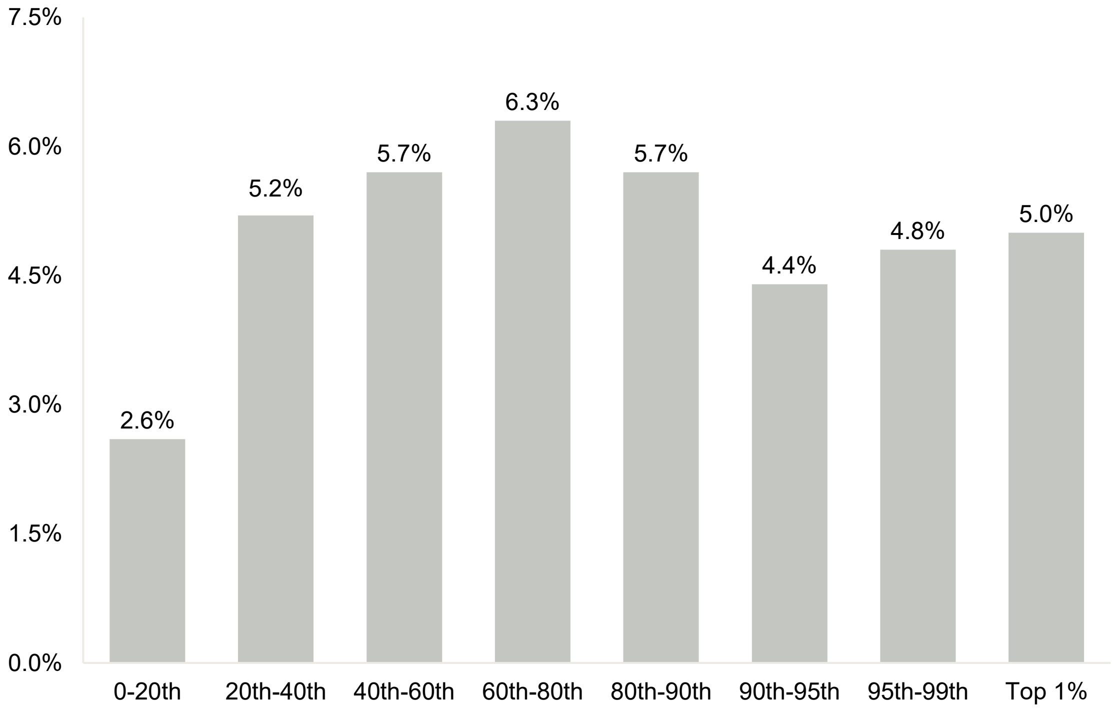
Recently passed legislation is expected to contribute to GDP growth into 2035

Increase in GDP level above baseline



The tax bill should boost after-tax income for all income cohorts

Percent change in after-tax income by market income percentile, 2026

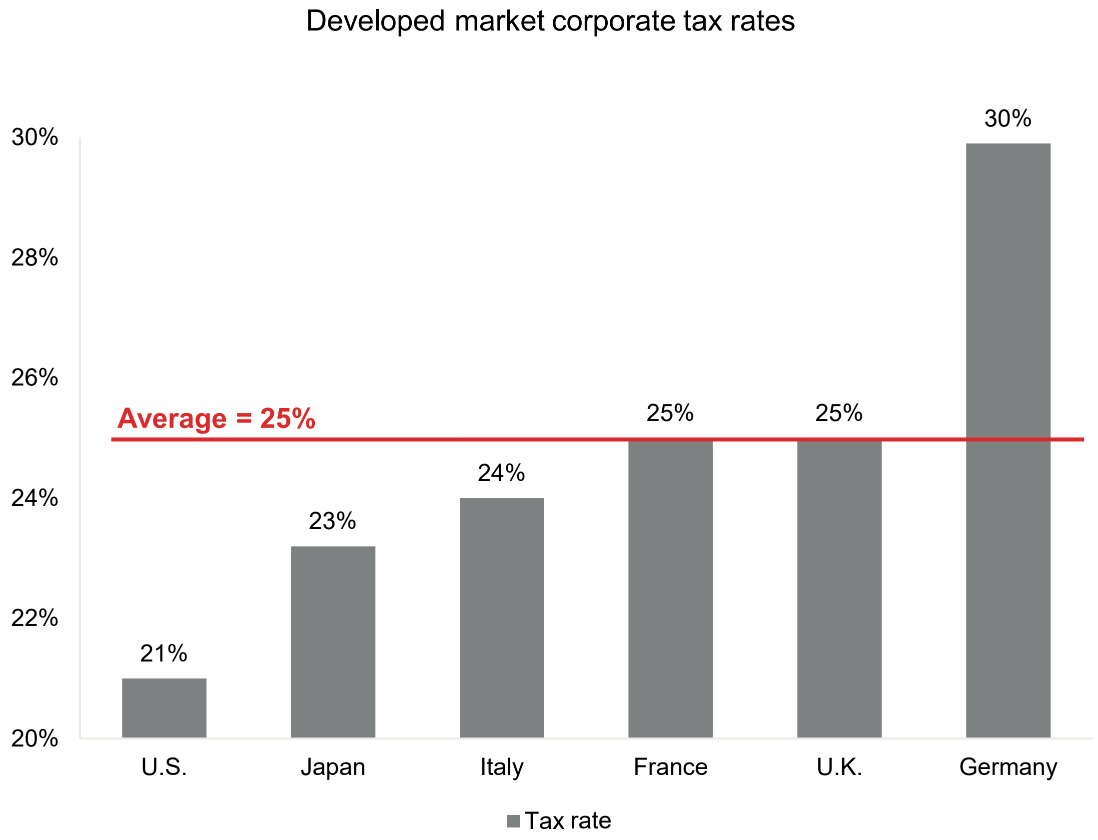


Source: Tax Foundation (2025). Actual figures and events may differ and may vary significantly. For illustrative purposes only.

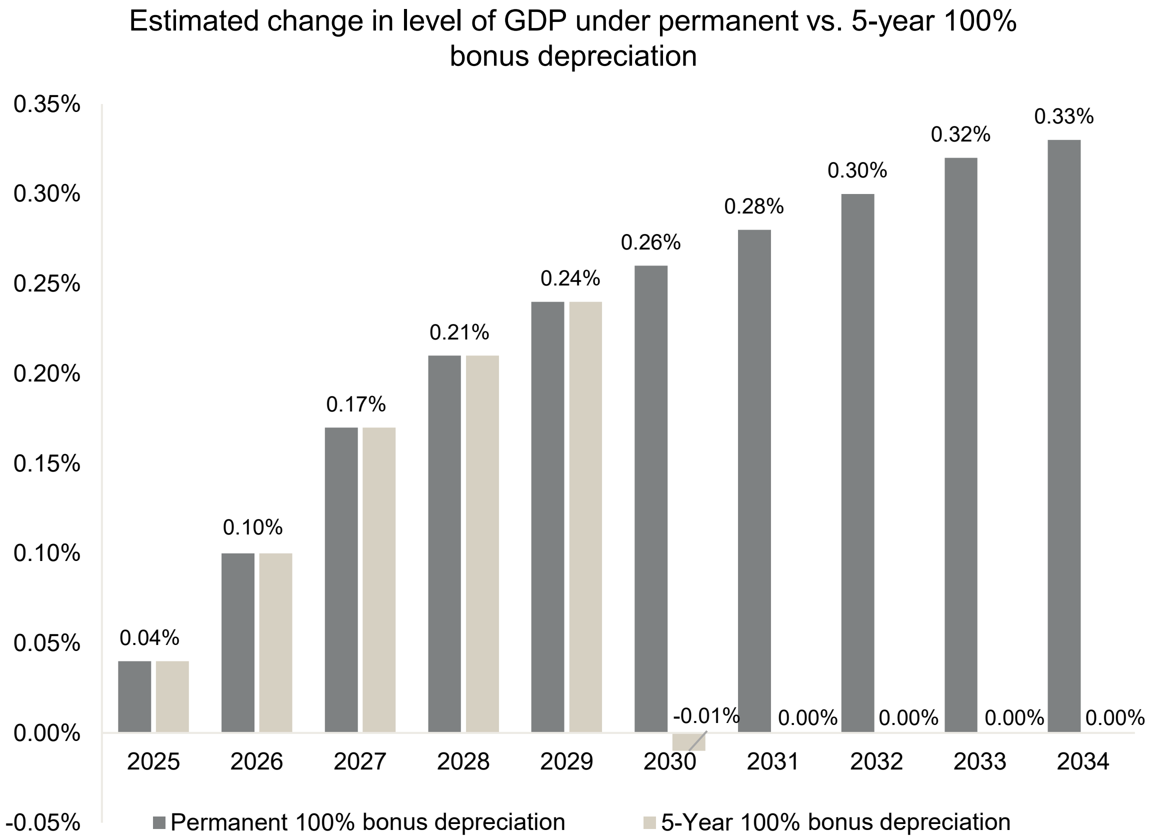
Key Macro View

The tax provisions also benefit businesses and aim to encourage investments

U.S. corporate tax rate is low relative to the peer group of DM economies



Several tax provisions are aimed at supporting business investments



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Source: PwC (2025). Tax Foundation (2025). Actual figures and events may differ and may vary significantly. For illustrative purposes only.

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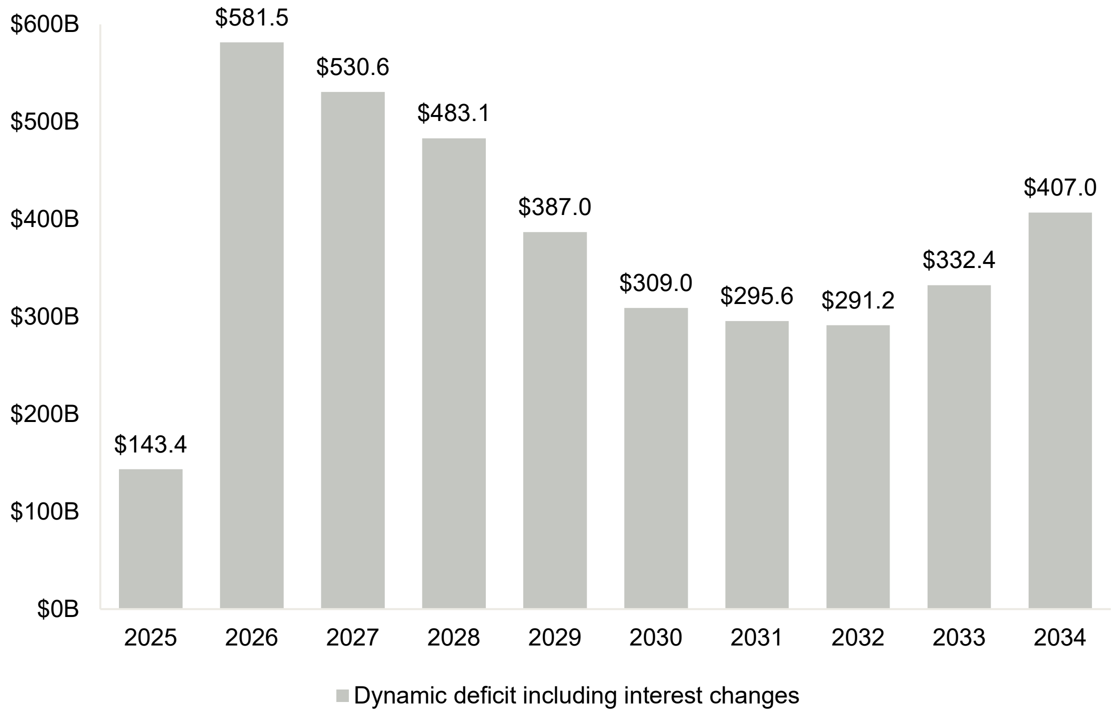
Key Macro View

U.S. budget deficits are set to widen, but tariffs can provide an offset tool

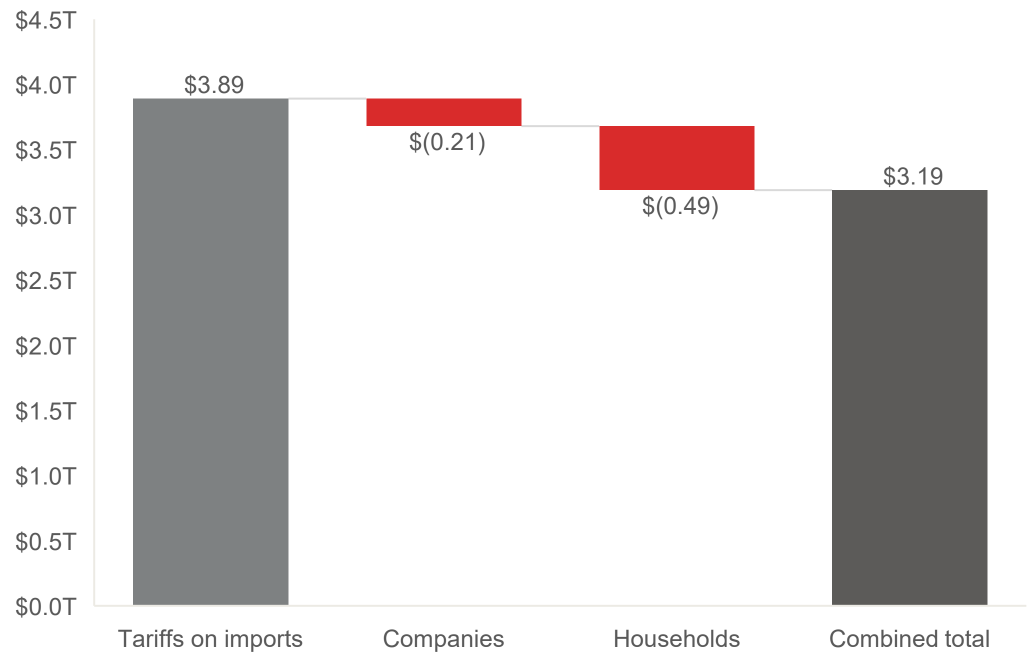
The recently passed OBBBA to increase U.S. budget deficit by USD 3.7 trillion from 2025-2034

Dynamic deficit increase of Senate finance bill including interest changes



Tariff revenues can help offset the tax bill-driven increase in deficits

15 percentage point U.S. tariff increase without retaliation in trillions of U.S. dollars[1]



Source: The U.S. Revenue Implications of President Trump's 2025 Tariffs by Peterson Institute for International Economics (April 2025). **1** Over the period of 2025-2034. Actual figures and events may differ and may vary significantly. For illustrative purposes only.

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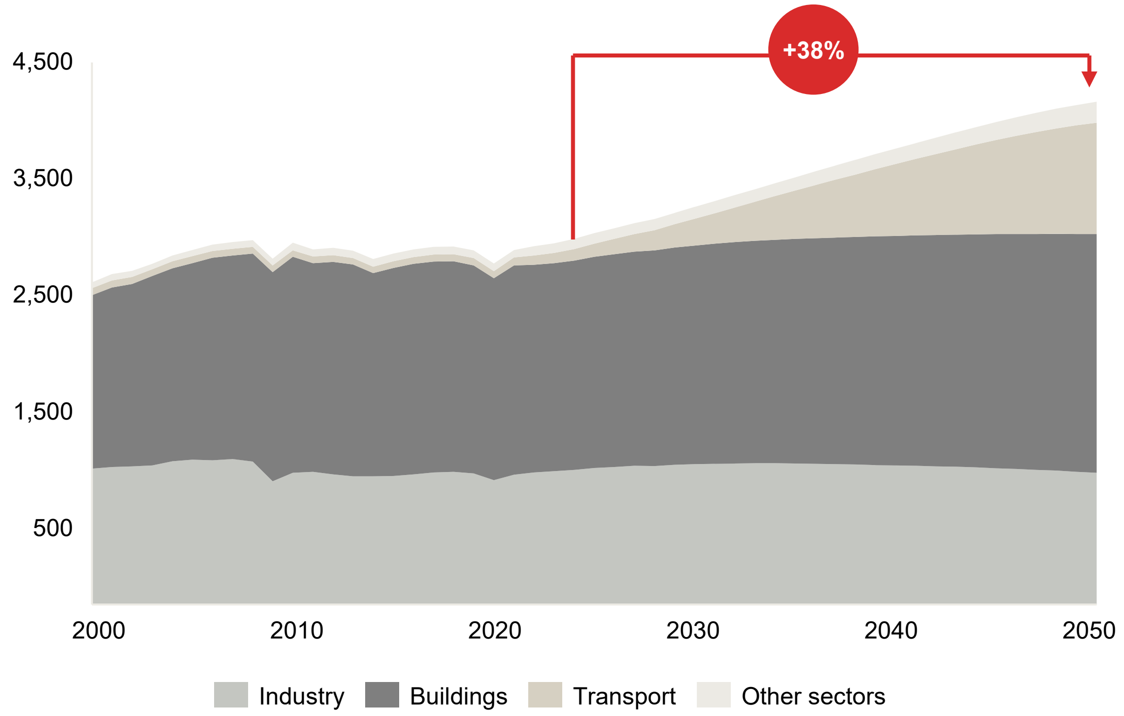
Private Markets Implications

Infrastructure benefits from tax incentives, growth in electricity demand

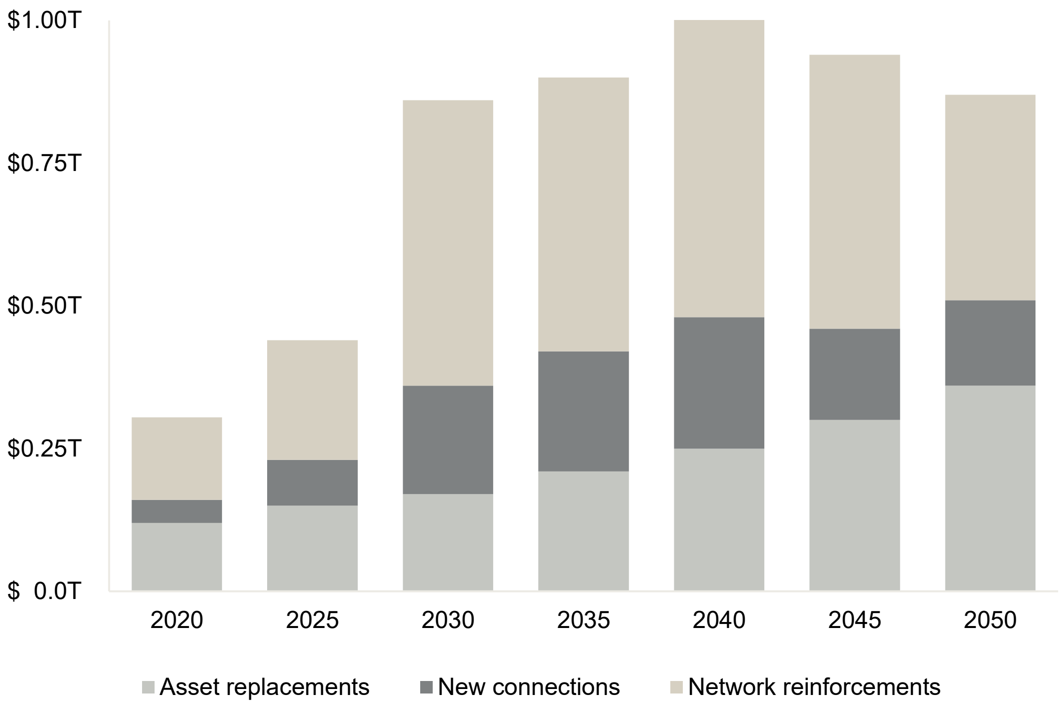
Global electricity consumption is expected to grow after years of stable demand

Global electricity consumption by sector (TWh[1])



Global electric grid needs USD 14T in investments over next 30 years

Global annual power grid investment needed to meet net zero scenario



Source: Bloomberg NEF Data Viewer - ETS, and Bloomberg NEF Comparing Long-Term Energy Outlooks 2024. **1** Terawatt-hour. Actual figures and events may differ and may vary significantly. For illustrative purposes only.

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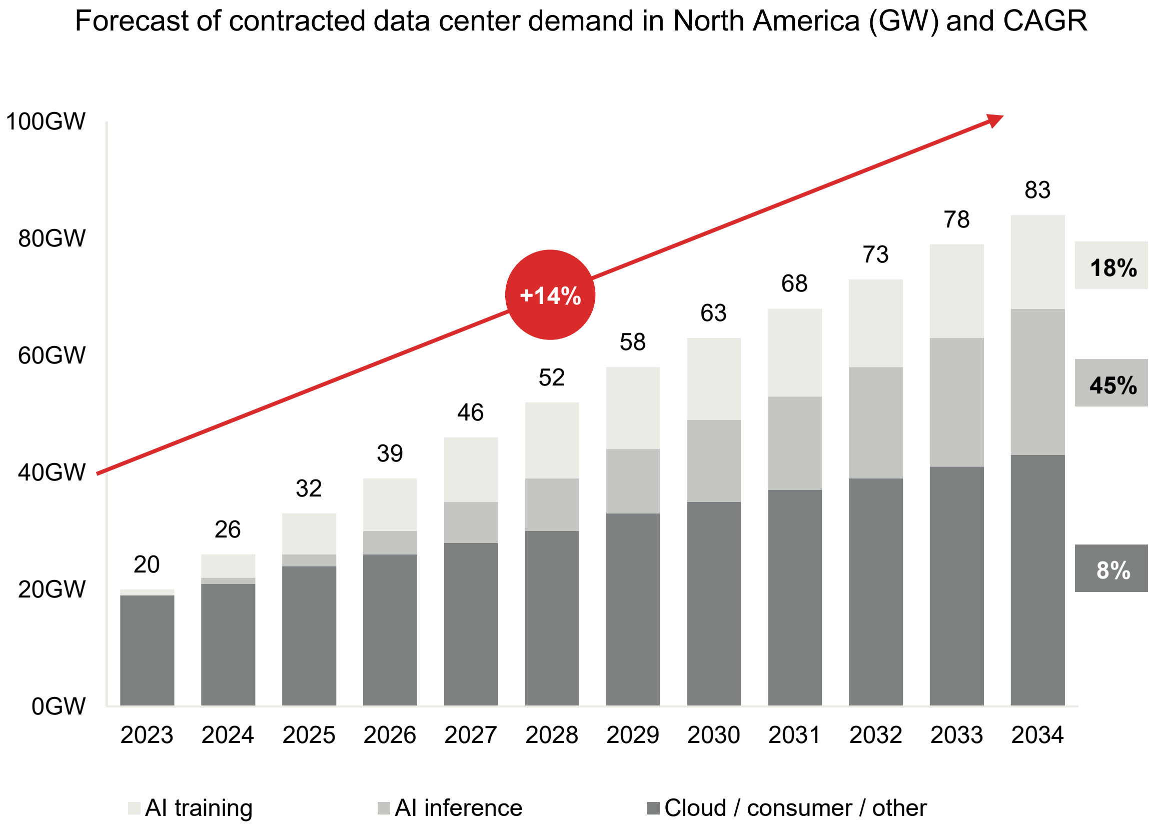
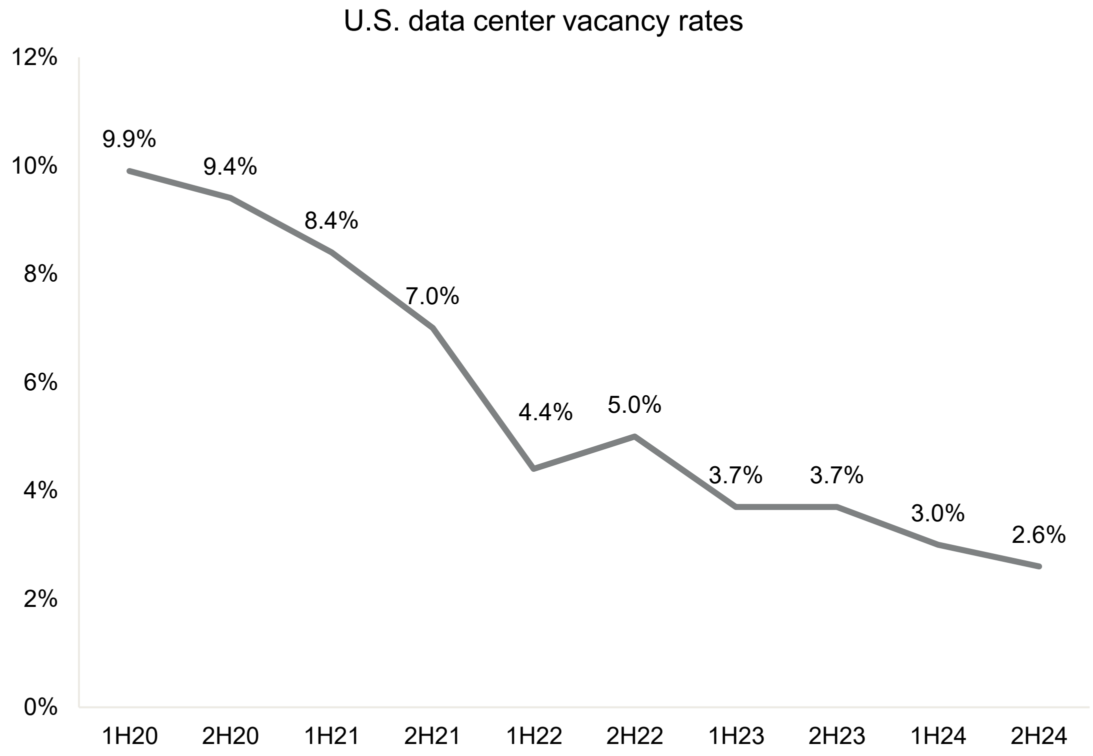
Private Markets Implications

Structural increase in data center demand is expected to continue

AI inference is expected to drive additional data center demand



Data center vacancy rates reached an all-time low of 2.6% in H2 2024



Source: Partners Group (2025). EY Market Overview (as of July 2025); TVG Data Center Market Overview (as of April 2025); BCG Report (January 2025). Select primary markets; JLL, CBRE, TVG Research & Analysis. Actual figures and events may differ and may vary significantly. For illustrative purposes only.

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Opportunity in Europe

Europe benefits from favorable mix of fiscal policy and lower rates

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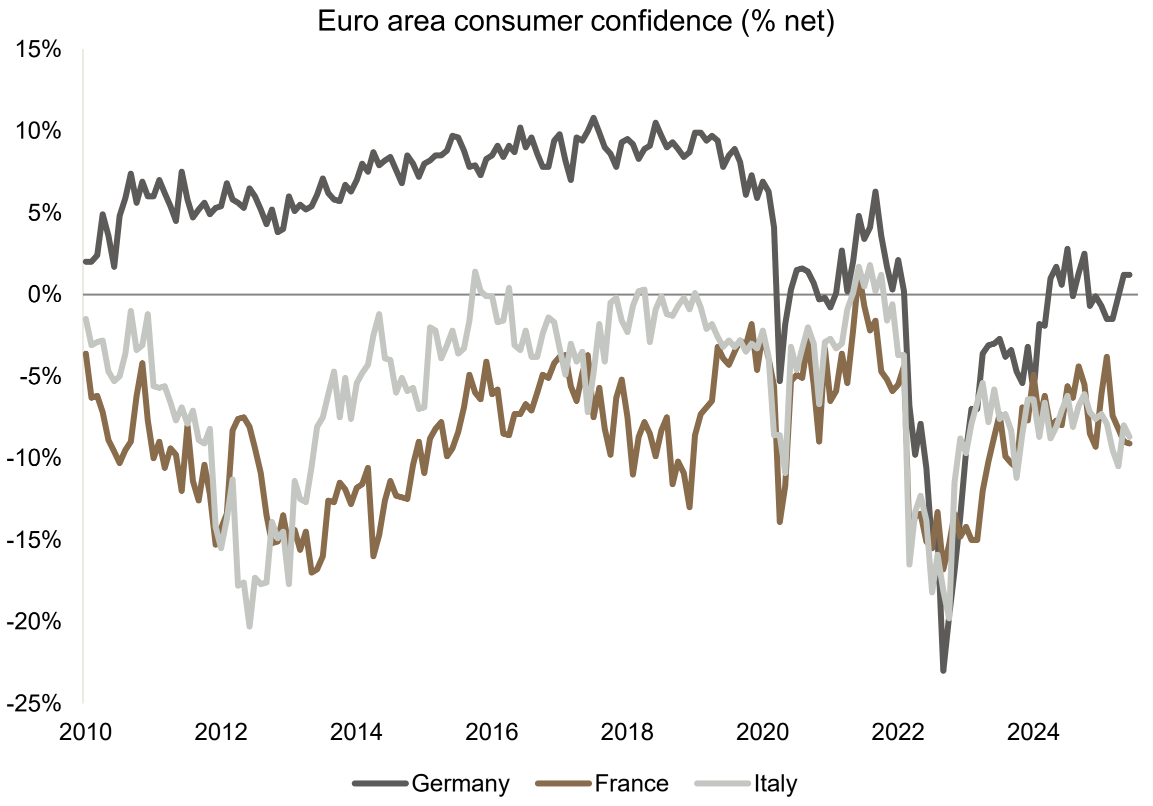
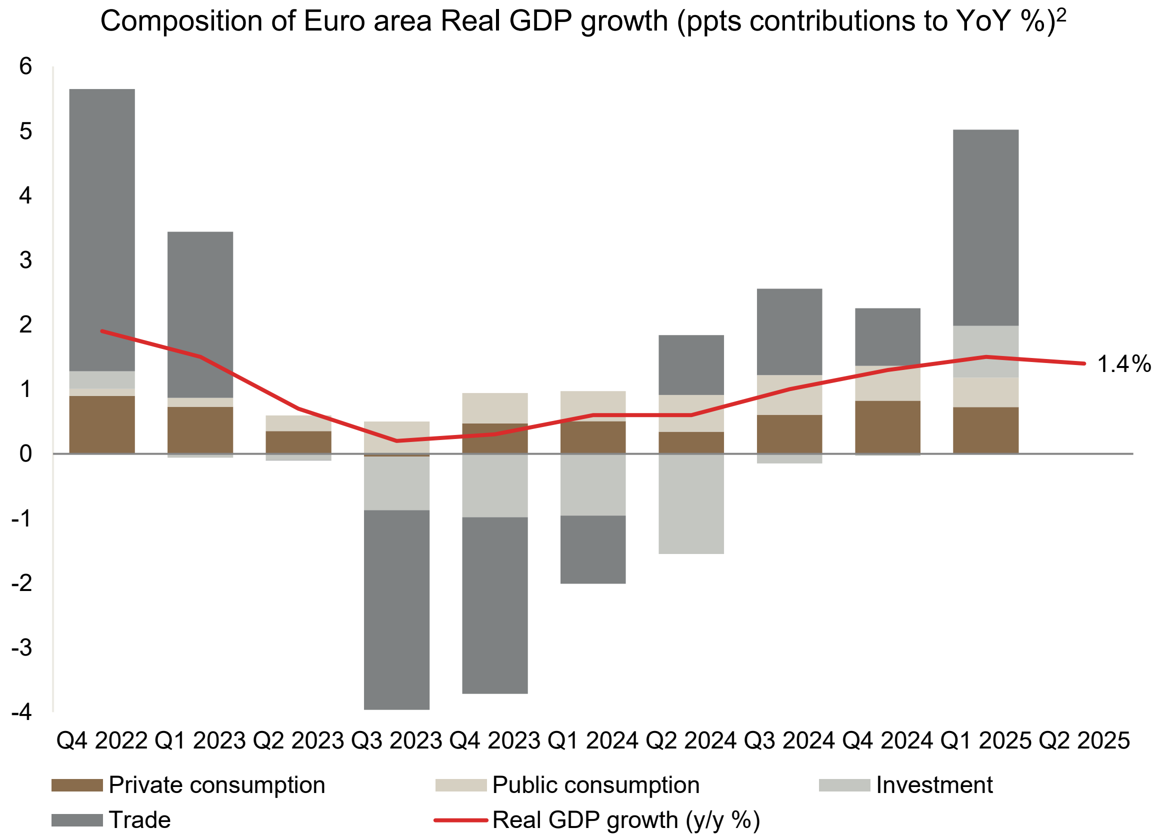
Key Macro View

Europe continues to face a downbeat consumer, but we see upside

Euro area consumer confidence is turning up, but remains low and divergent across countries



After a strong trade component to GDP in Q1 2025, investments and private consumption should become more important growth drivers



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Source: Bloomberg (2025). **1** Q2 2025 real GDP breakdown not available at the time of writing. Import front-loading (largely out of the U.S.) ahead of tariffs likely was not a major contributor in Q2 2025 (vs Q1 2025). For illustrative purposes only.

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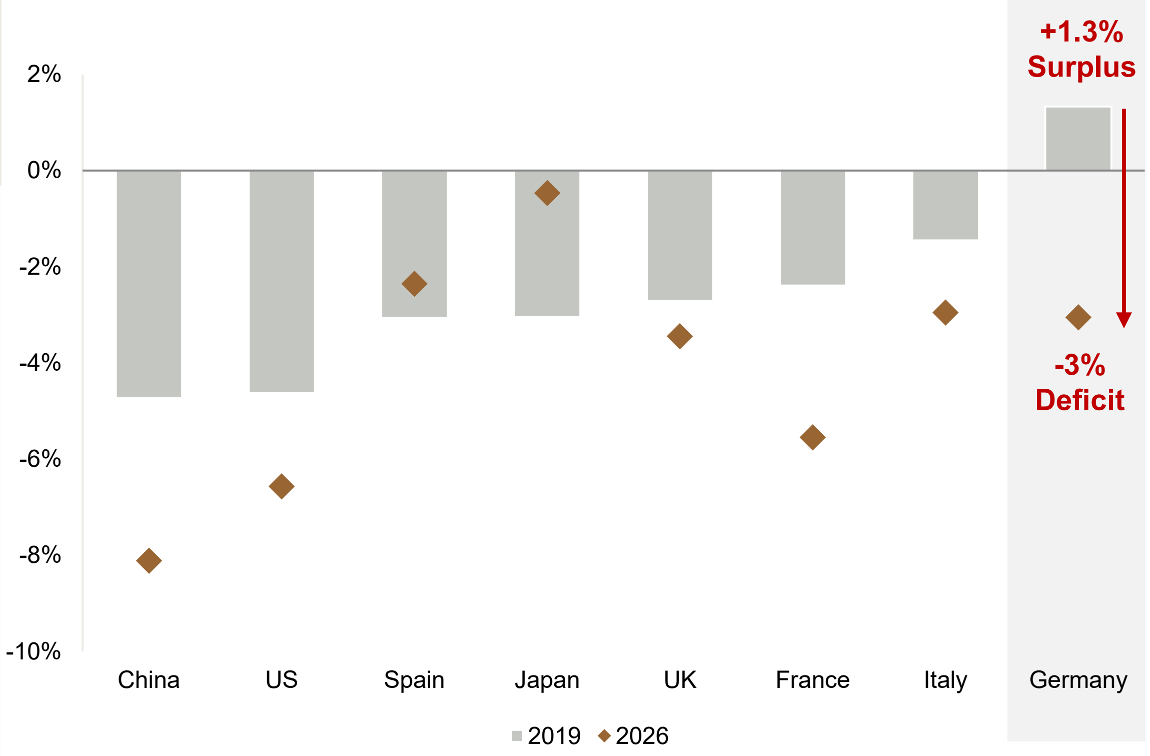
Key Macro View

Germany's fiscal shift could be an important boost for Euro area economies

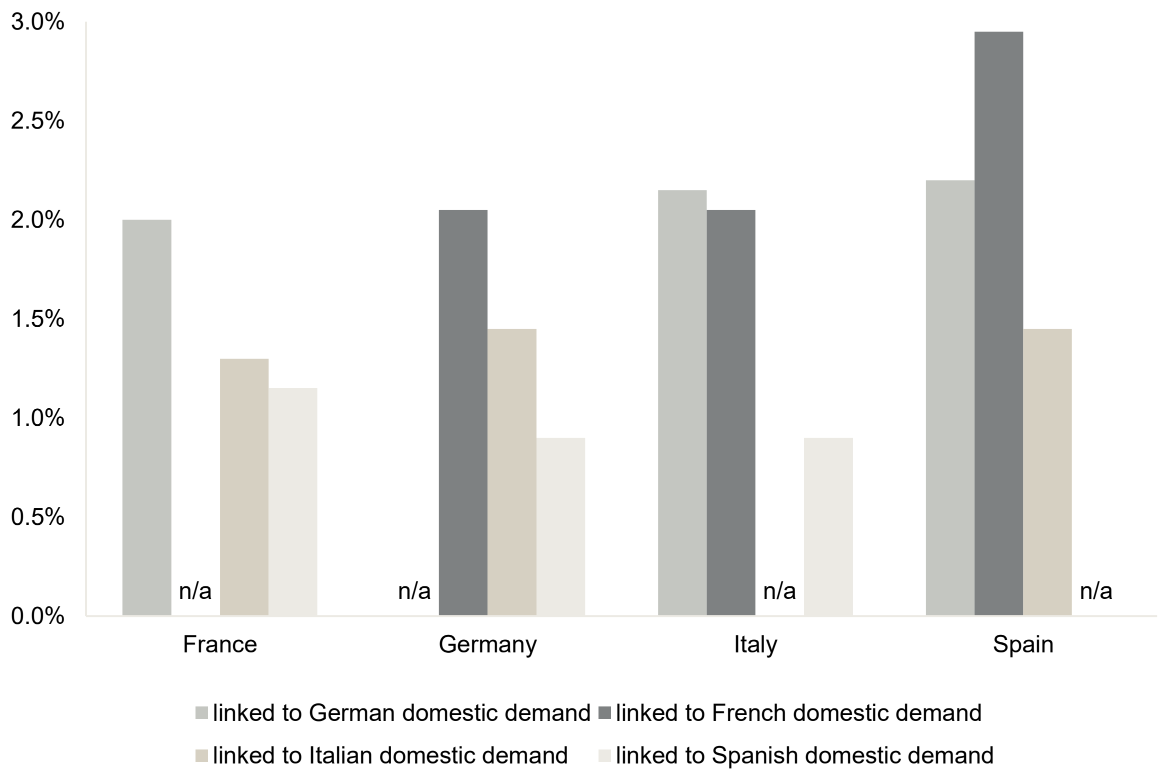
Germany significantly shifted its fiscal stance after years of constraints

Fiscal budget balance (% GDP)[1]



German domestic demand is supporting approximately 2% of France, Italy, and Spain's GDPs

Share of domestic value added in domestic demand abroad (% GDP)



Source: Bloomberg (2025), Bank of America Global Research (July 2025), OECD TiVA 2019 data. **1** We show 2019 as a base before the COVID-related distortions. Actual figures and events may differ and may vary significantly. For illustrative purposes only.

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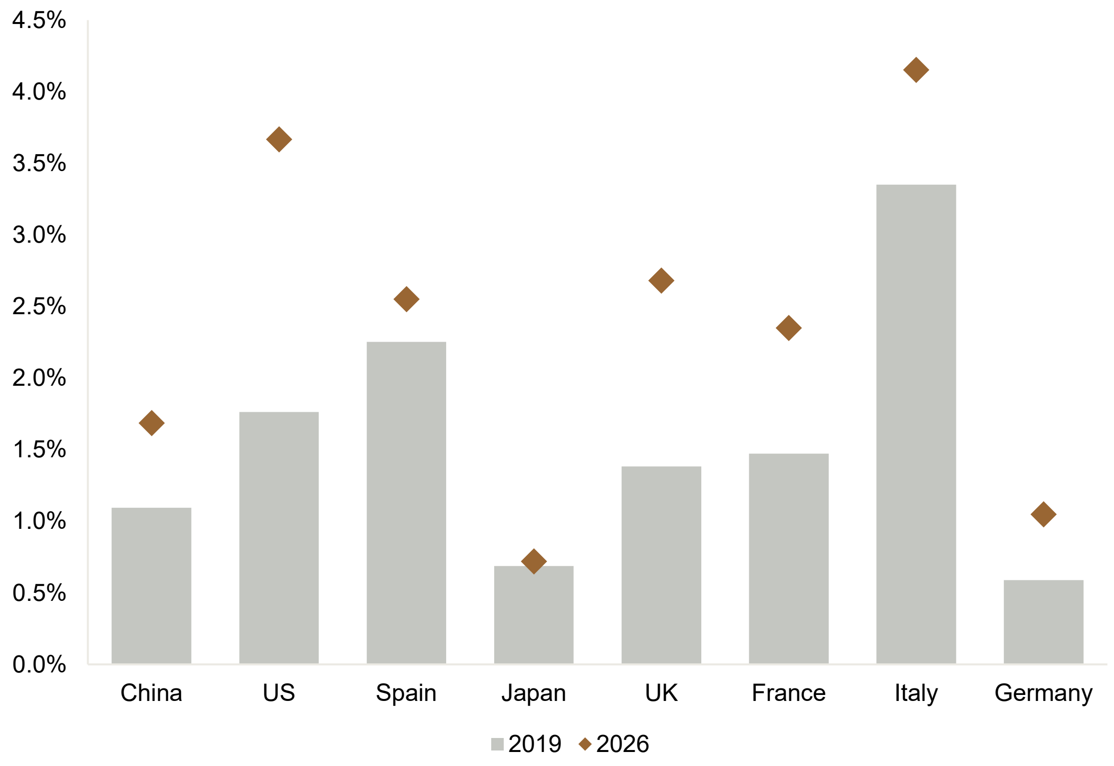
Key Macro View

Germany's (and Euro area's) inexpensive cost of capital is an advantage

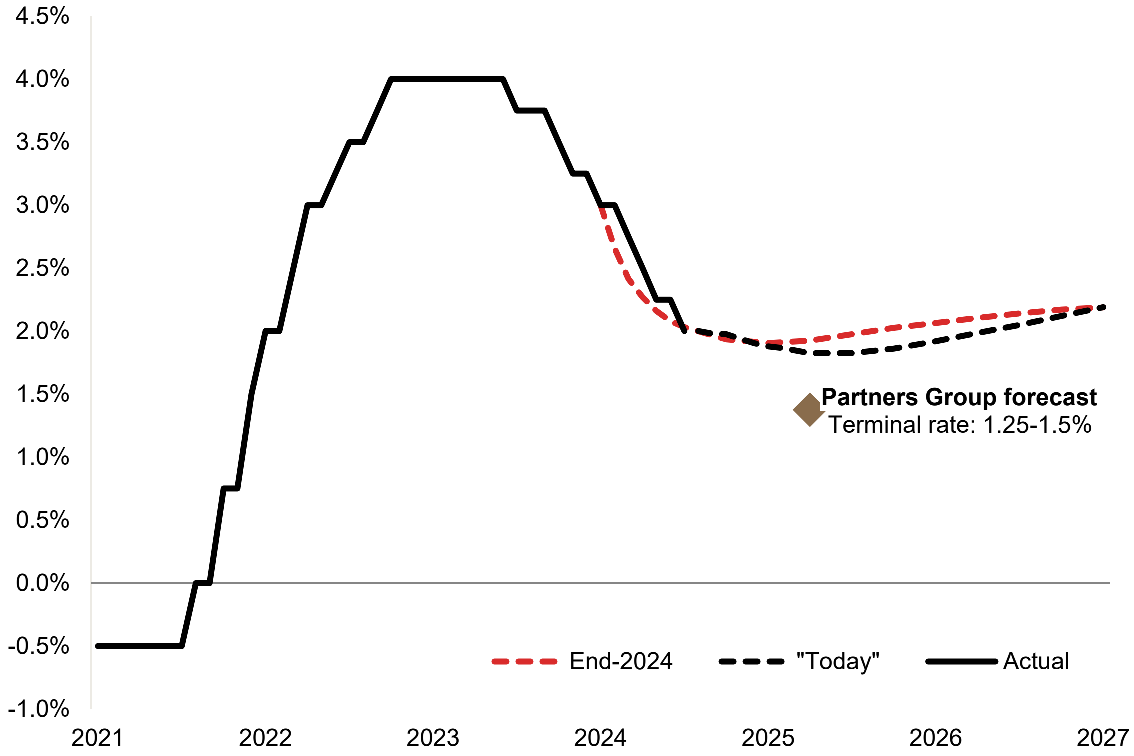
Germany's fiscal path looks sustainable, especially compared to some of its peers

Interest payments (as % GDP)



We continue to expect ECB[1] to cut to a non-restrictive terminal rate of 1.25 – 1.50% and stay there for some time

ECB deposit rate and market expectation[2] (%)



Source: Bloomberg (2025). **1** European Central Bank. **2** Market expectations are based on the forward rates for the 3-month Euribor for the ECB (i.e., "End-2024" curve shows what the market was pricing as of the end of the calendar year 2024). Actual figures and events may differ and may vary significantly. For illustrative purposes only.

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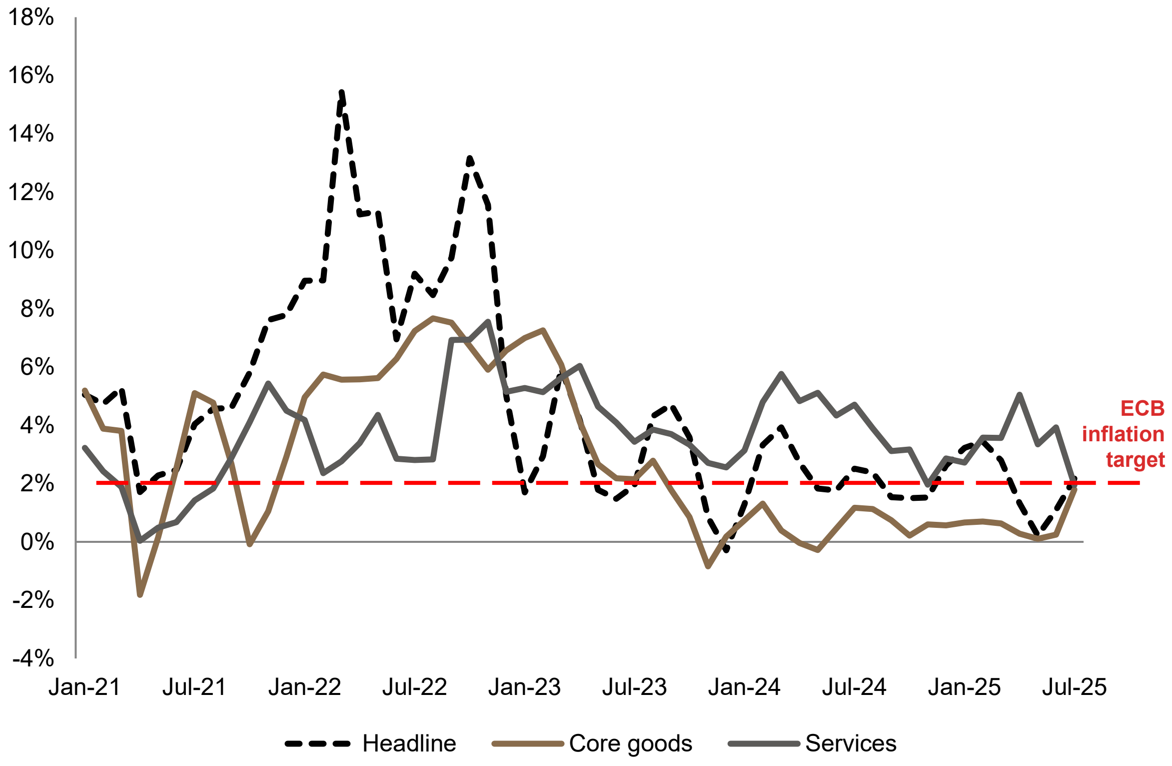
Key Macro View

Disinflationary developments in the EU leave room for easier monetary policy

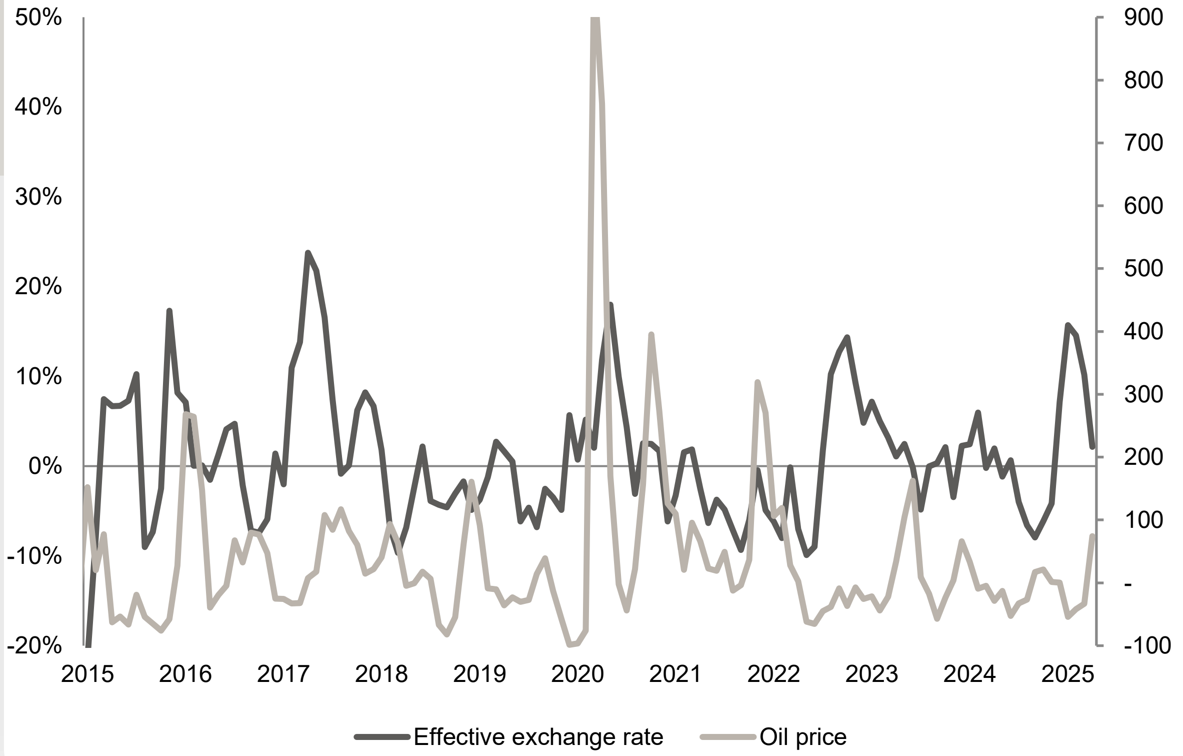
Euro area inflation is below the ECB's target, creating further scope for rate cuts

Euro area CPI components (3-month annualized change %)



Recent moves in currency (depreciation) and energy (higher) present upside pressure and warrant monitoring

Euro currency and oil price movement (3-month annualized change %)



Source: Bloomberg (2025). Actual figures and events may differ and may vary significantly. For illustrative purposes only.

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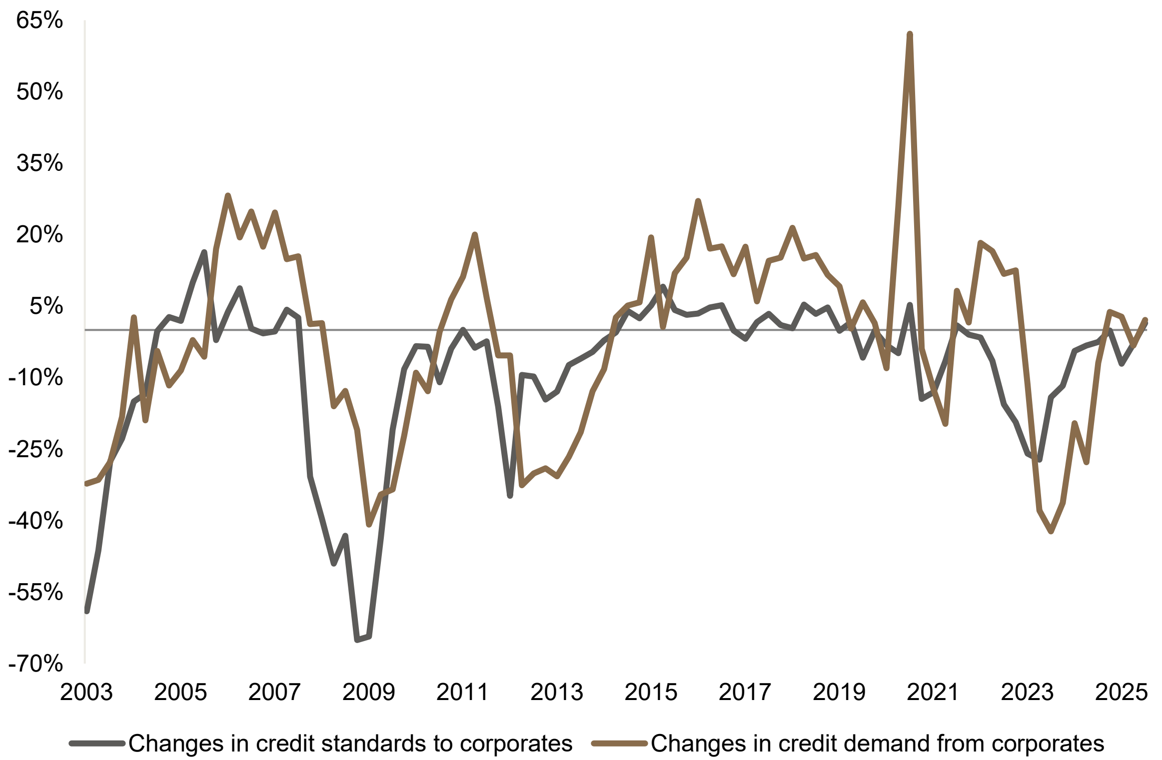
Key Macro View

EU private sector is showing signs of acceleration and could drive upside

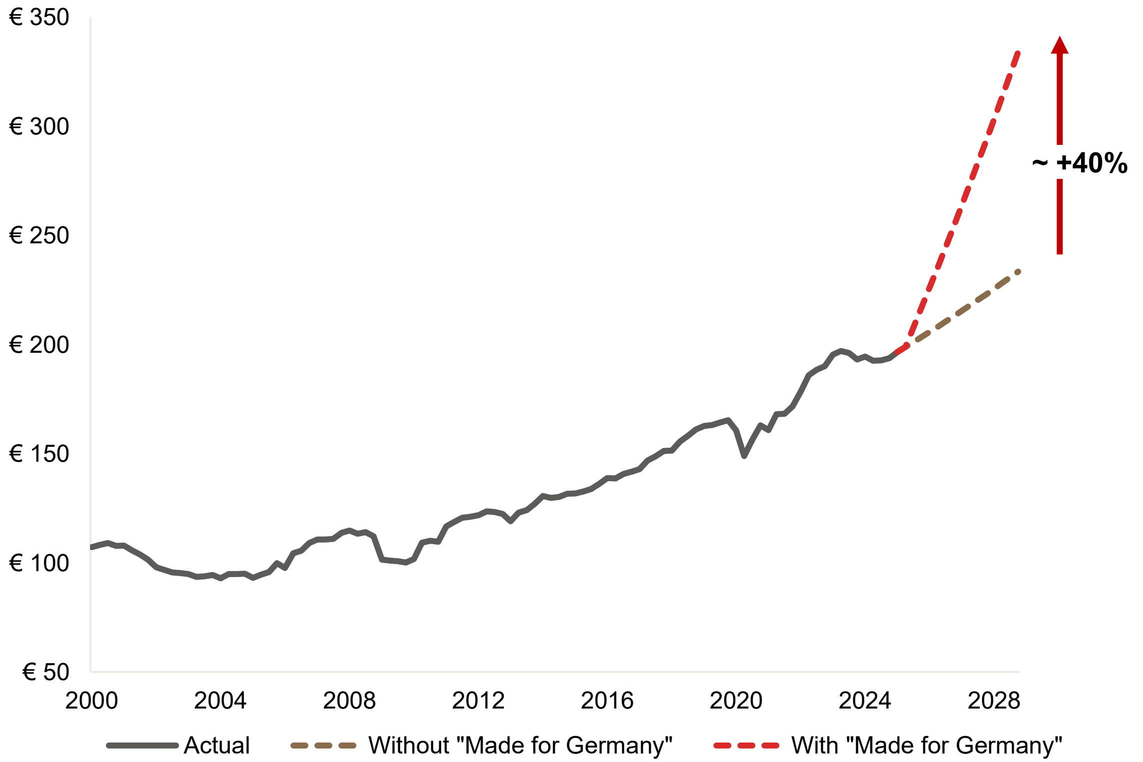
Corporate credit demand is showing an uptick from low levels alongside a reduction in interest rates by the ECB

Euro area bank lending survey for corporates over the past 3 months (% net)



"Made for Germany", an investment push among 61 leading German companies, could push corporate investments significantly higher over the next 3 years[1]

Germany gross fixed capital formation ex-government (EUR bn)



Source: Bloomberg (2025), and Reuters (2025). **1** 61 of Germany's largest companies have pledged to invest a combined EUR 631bn by 2028. It is aimed to "drive innovation, generate employment, and boost competitiveness". Of the pledge to invest > EUR 600bn, EUR 100bn of this was presented as "new investment" (i.e., beyond what was already planned). The ~+40% is estimated by applying the 2015-2019 trend in investment growth with the additional EUR 100bn being distributed evenly over the horizon to end-2028. Actual figures and events may differ and may vary significantly. For illustrative purposes only.

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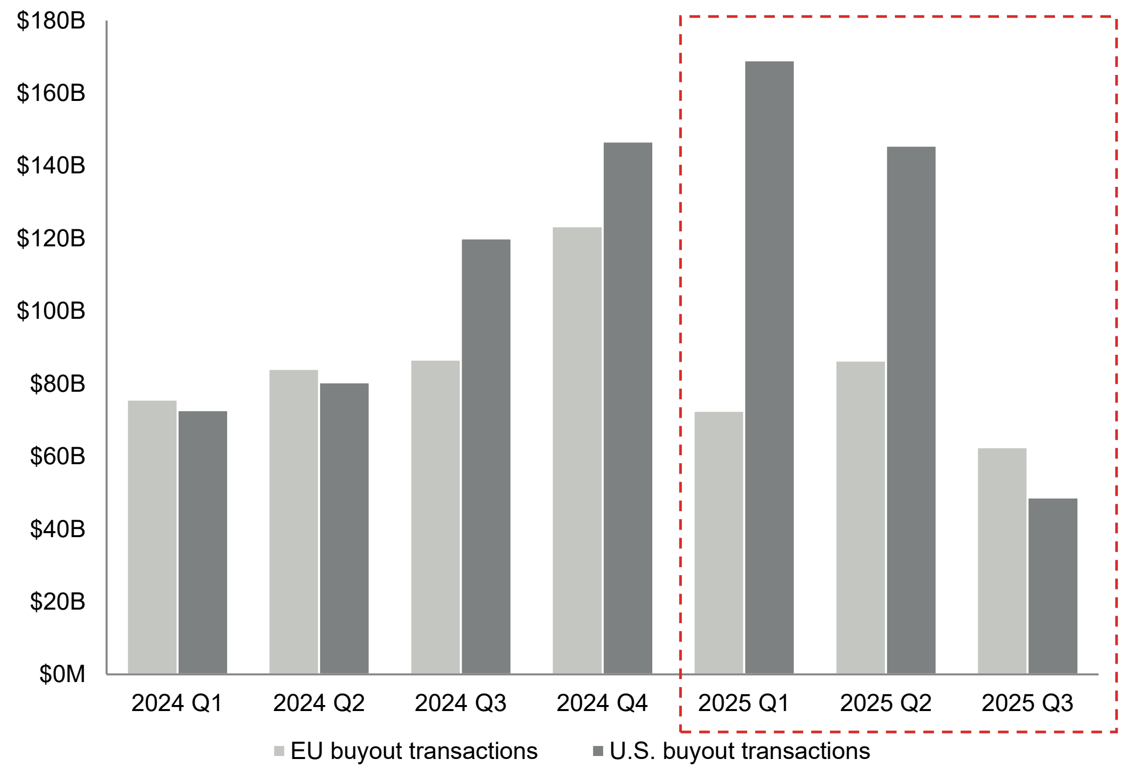
Interest in investing in Europe is holding steady vs moderation in the U.S.

Private Markets Implications

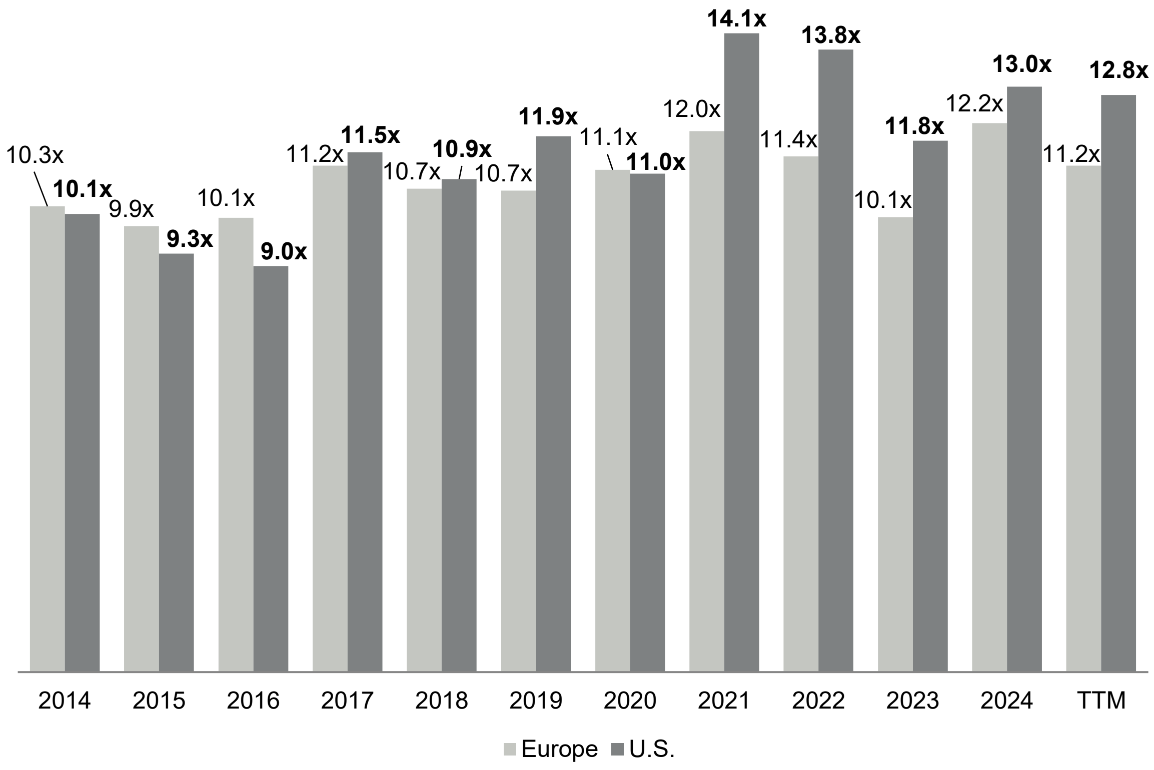
U.S. private equity buyout transaction volumes slowed amidst tariffs uncertainty, while European transaction volumes showed stability

U.S. and Europe private equity buyout capital transaction



European buyout multiples remain more attractive that U.S. buyout multiples

Median EV/EBITDA buyout multiple for Europe vs U.S.



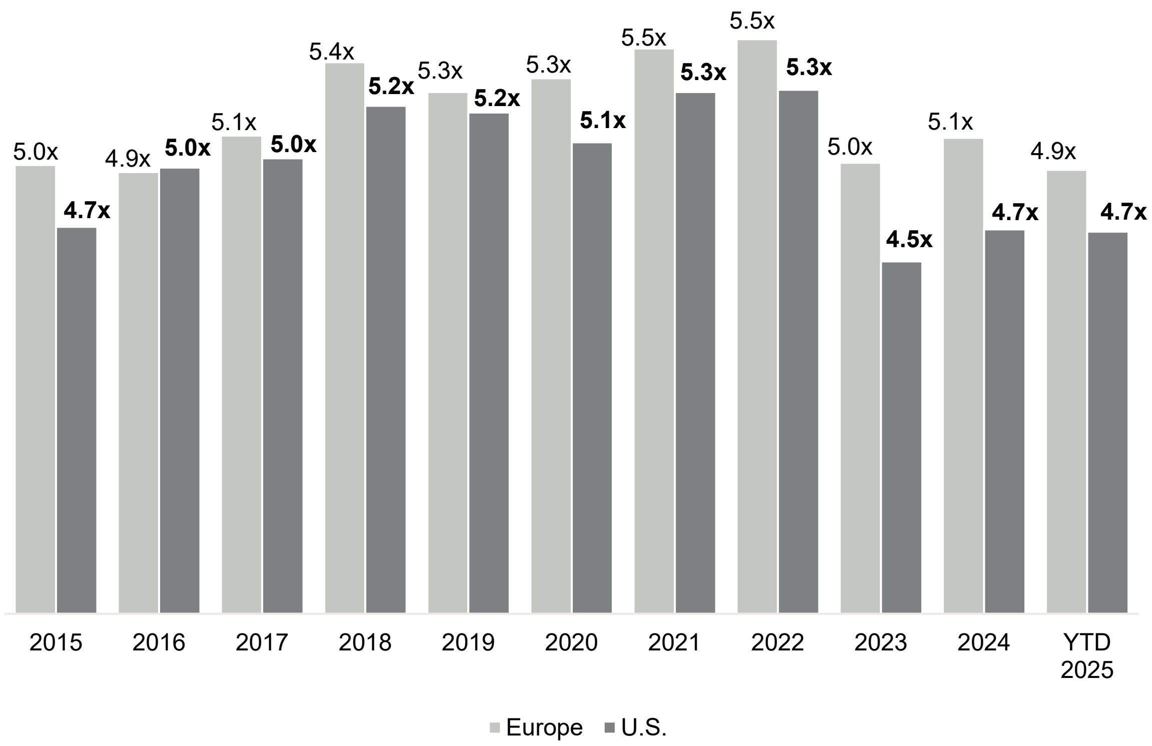
Source: PitchBook. For illustrative purposes only. Q3 2025 data reflects figures available as of the date of writing this Chartbook.

Lower base rates/spreads in Europe are supporting higher and cheaper leverage

Private Markets Implications

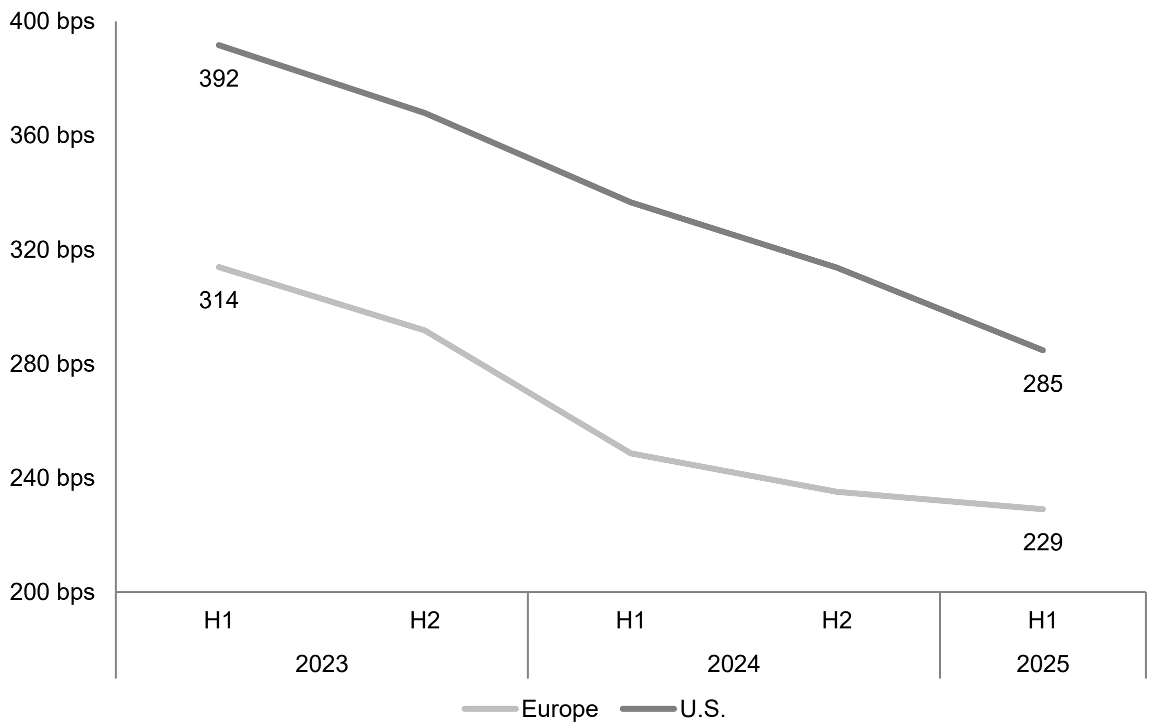
Europe's buyout leverage level has recovered more vs the U.S.

Average pro-forma total debt / EBITDA for Europe vs U.S.



Europe's new financing spreads have declined more than the U.S.

New issue leveraged finance spreads for BB/BB- (bps over base rate)



Source: PitchBook Global Leveraged Finance Trend Lines Q2 2025 (2025). For illustrative purposes only.

Investment Strategy Office

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Anastasia Amoroso is Chief Investment Strategist for Partners Group's Private Wealth and Retirement Business Unit. She provides macroeconomic, private markets, and portfolio insights to wealth advisors and individual investors. With 20 years of experience, she is a recognized strategist, frequently featured on Bloomberg TV, CNBC, and in financial media. She joins from iCapital, where she held the same role for four years. Previously, she held senior investment strategy positions at J.P. Morgan Private Bank and Merrill Lynch. At J.P. Morgan, she led thematic strategies focused on emerging technologies like AI, decarbonization, and gene therapy. Anastasia holds a B.B.A. from the University of New Mexico, graduating summa cum laude, and is a CFA Charterholder.

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Partners Group

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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