GCM GROSVENOR

January 2025

2025 Market Outlook: Q&A with Fred Pollock, Chief Investment Officer

During GCM Grosvenor's 2025 Annual Forum, Chief Investment Officer Fred Pollock shared insights into the opportunities and challenges shaping the upcoming year's alternatives landscape. With inflation, interest rates, and geopolitical tensions driving uncertainty, Fred emphasized the importance of navigating this complex environment with disciplined strategies.

In this Q&A, he highlights the resilience of private markets, the growing use of customized approaches, and the need for active management to uncover opportunities amid volatility. As investors revisit their allocations, Fred's perspectives underscore how thoughtful diversification and innovation can position portfolios for success in a dynamic year ahead.

Q

Macroeconomic Trends: How do you see key macroeconomic factors like inflation, interest rates, and geopolitical tensions shaping investment opportunities and risks in 2025?

This year, we expect inflation, interest rates, and geopolitical tensions to shape a complex investment landscape.

Persistent inflation, driven by factors such as limited housing supply, potential tariffs, uncertainty around immigration reform, and elevated fiscal deficits, continues to constrain Federal Reserve policy and delay expected rate cuts. Coupled with surging borrowing costs and geopolitical conflicts, fiscal policy is set to dominate market dynamics in 2025. Additionally, rate curve inversions have historically signaled increased volatility, requiring investors to navigate a challenging environment.

Given this backdrop, we're cautious about traditional fixed-income and equity markets. Tight credit spreads and high valuations, combined with the likelihood of higher rates for longer, make the environment particularly difficult. Historical data suggests returns at current valuation levels could be underwhelming.

As a result, we anticipate investors will revisit their allocations. With traditional markets under pressure, capital may flow back to alternatives, reversing recent trends. This shift highlights the importance of diversification and disciplined strategies to seize opportunities and manage risks effectively.

Q **Private Markets Resilience:** Given the growing narrative around resilience in private markets during periods of volatility, how do you see private equity, private credit, and real assets investments evolving in 2025? Do you expect institutional investors to adjust their allocations to private markets in general or across sub-strategies next year?

Private markets are well-positioned to thrive in 2025, thanks to two key trends shaping investor behavior.

First, as macroeconomic challenges persist, we expect institutional investors to increase their allocations to alternatives. After years of leaning toward traditional fixed-income and equity markets, investors are likely to pivot back to private equity, private credit, and real assets, which offer stability and diversification in volatile times.

Second, investors are becoming increasingly sophisticated in how they approach private markets. We're seeing greater use of custom structures tailored to specific needs and broader adoption of tools like co-investments and secondaries. These approaches not only help reduce costs and improve efficiency but also ensure vintage diversification—a critical factor after several years of reduced alternative allocations.

Additionally, U.S. exceptionalism, led by dominant tech firms, has reinforced the appeal of alternative markets. With S&P 500 valuations elevated compared to historical norms, private markets offer a compelling case for investors seeking stability and growth.

In 2025, we anticipate growing interest in private markets, with innovation in strategies and structures enabling investors to navigate challenges and capitalize on emerging opportunities.

Q **Alternative Assets in a Shifting Market:** Investors typically turn to alternative assets as they look for alpha generation outside of traditional markets. Where do you see the highest potential for alpha generation across alternative investment strategies in 2025, and how is GCM Grosvenor positioning itself to capitalize on these opportunities?

Long/short equity and other hedged strategies stand out as top contenders for alpha generation in 2025.

We expect heightened market volatility, driven by late-cycle economic conditions, high valuations, and significant policy changes on the horizon. This environment can create unique opportunities for skilled managers to capture alpha through active management and disciplined strategy execution.

At GCM Grosvenor, we're actively leveraging our expertise to partner with exceptional managers who excel in navigating these conditions. Through rigorous due diligence and access to diverse, high-conviction strategies, we're committed to positioning our investors for success in this dynamic and challenging market environment.

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About GCM Grosvenor

GCM Grosvenor (Nasdaq: GCMG) is a global alternative asset management solutions provider with approximately $80 billion in assets under management across private equity, infrastructure, real estate, credit, and absolute return investment strategies. The firm has specialized in alternatives for more than 50 years and is dedicated to delivering value for clients by leveraging its cross-asset class and flexible investment platform. GCM Grosvenor's experienced team of approximately 550 professionals serves a global client base of institutional and individual investors.

The firm is headquartered in Chicago, with offices in New York, Toronto, London, Frankfurt, Tokyo, Hong Kong, Seoul and Sydney.

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