2025 HEDGE FUND OUTLOOK

COMING UP TRUMPS

Allocators Add To Hedge Funds As Alpha Rises

PRIME SERVICES CAPITAL INTRODUCTION
ALTERNATIVE INVESTMENT SURVEY
FEBRUARY 2025

BNP PARIBAS

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ACKNOWLEDGEMENT

We would like to thank all investors that have participated in our 2025 Alternative Investment Survey. It is only with the help of our investor network that we can accomplish this, and we greatly appreciate these institutions for taking the time to provide us with invaluable insights into their investment portfolio and allocation plans. We would also like to thank our colleagues, who contributed to making this year's report particularly insightful.

We hope you find the survey of interest and we look forward to working with you.

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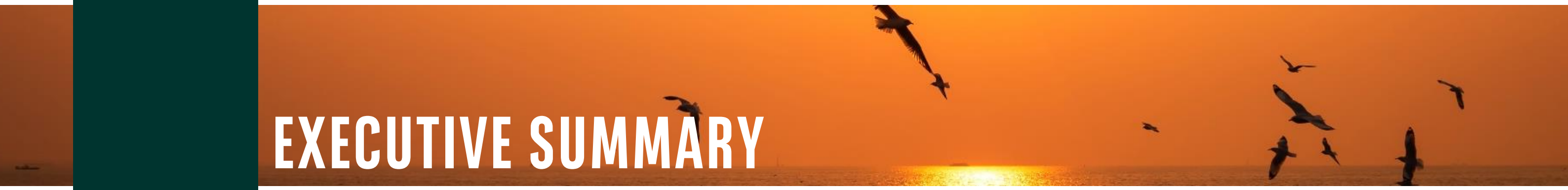


EXECUTIVE SUMMARY

BNP Paribas' Capital Introduction Group surveyed 229 allocators in December 2024 and January 2025 who invest or advise on $1.4 trillion in hedge fund assets. This represents approximately a third of industry assets under management (AUM). The objective of the report is to better understand sentiment with respect to performance and asset allocation to hedge funds.

Below are the key findings of our Hedge Fund Outlook:
Coming up Trumps: Allocators add to hedge funds as alpha rises.

The alpha transition

- Hedge funds returned on average 10.12% in 2024 with 5 times less volatility than the MSCI World (up 19.22%), a beta of 0.16 and generated 2.62% of alpha versus zero in 2023.
- Three year annualised returns for the average hedge fund are 6.14%, keeping up with the MSCI World (6.88%), with 6 times less volatility , a beta of 0.12 and 1.47% of alpha generation.
- Equity long/short focused on the Americas was the best performing strategy for a second year in a row according to responding investors. Quant equity was the best performing strategy for the industry, while Commodity Trading Advisors (CTAs) were the worst. Discretionary macro and CTAs were the worst performers in respondents' portfolios for the second year in a row.
- This transition to greater alpha generation is reflected in allocator sentiment for 2025. 61% of respondents plan to grow their hedge fund portfolio in 2025 by over $30 billion, up 38% from $22 billion in 2024.

Allocators revisit Asia

- Asia Pacific is the most sought-after region for 2025 with over a quarter of respondents looking to add to the region on a net basis after only 2% did so last year.
- Japan is expected to continue to be an area of focus with 20% of investors looking to add here on a net basis after being the second most allocated region to last year behind North America.
- The China exodus is expected to turn around, with 7% of investors looking to add on a net basis. This is in direct contrast to 2024 and 2023 when 17% and 42% of investors pulled capital, respectively.

Equity long / short and event-driven make a come back

- Over a third of investors on a net basis are looking to add to equity long/short funds this year making it the most sought-after strategy in 2025 displacing credit which moved to second.
- Interest in event-driven more than doubles year on year with a quarter of investors looking to add on a net basis and only 11% did so in 2024..

Portable alpha and active extension make their way into portfolios

- 64% of portable alpha investors are planning to grow their current allocation with a further 18% considering allocating to portable alpha for the first time.
- Most investors are looking to implement this within their long only equities and hedge fund portfolios with the alpha component predominantly being equity long / short, followed by multi-strategy, quant and macro.
- 27% of investors respondents currently invest in active extension which is up from 20% last year and 14% the year before. 22% of investors already in the space are looking to grow their allocation while a further 12% are considering their first foray into active extension.

SMAs to further drive industry AUM

- 26% of respondents use SMAs for their hedge fund investments which account for 36% or $185 billion in assets. 15% of our respondents expect to increase their SMA allocations, versus 11% who expect to decrease investments in commingled structures.
- Multi manager platforms continue to grow their external SMA allocation with hedge funds becoming more receptive to investments via SMAs.

Private banks / wealth management bullish on hedge funds

- Private banks / wealth management hedge fund asset allocation is only 4% on average, the smallest of all investor groups (average 25%). They are looking to grow this in 2025 by adding $14 billion versus the $ 12 billion they added in 2024.
- They are planning to add 4 new managers to their list in 2025 versus the average respondent who is adding 2.

"Hedge fund alpha increased in 2024, prompting more allocators to deploy capital across both fundamental and quantitative strategies for the year ahead. This shift reflects a growing recognition that the value these strategies add to portfolios outweighs the cost of accessing alpha."

Marlin Naidoo, Global Head of Capital Introduction
BNP Paribas

"The rise in allocations to separately managed accounts, driven by multi-managers and institutional allocators, will continue to be a key driver in asset growth this year. Multi-managers aim to generate platform alpha, while institutional allocators prioritise greater transparency and capital efficiency."

Ashley Wilson, Global Head of Prime Services
BNP Paribas

01 METHODOLOGY & INVESTOR PROFILE

GEOGRAPHIC COVERAGE:

- 229 allocators from 19 countries that manage or advise on over $1.4 trillion in hedge fund assets participated in the survey, representing around a third of the industry.
- The Americas (AMER) account for 56% of respondents and 68% of hedge fund assets under management or advisory (HF AUM), [129 investors / $947 billion].
- Europe, the Middle East and Africa (EMEA) account for 37% of respondents and 31% of HF AUM, [85 investors / $441 billion].
- Asia Pacific (APAC) accounts for 7% of respondents and 1% of HF AUM, [15 investors / $18 billion].

INVESTOR TYPES:

- Institutional end investors are defined as sovereign wealth funds, public and private pension funds (collectively referred to as pension funds), endowments, foundations and insurance companies. They account for 26% of respondents and 25% of HF AUM. [60 investors / $346 billion].
- Intermediaries, defined as fund of funds (FOFs), outsourced chief investment officers (OCIOs) and investment consultants, account for 36% of respondents and 60% of HF AUM, [83 investors / $842 billion].
- Private investors, defined as family offices / multi-family offices, private banks / wealth managers, account for 38% of respondents and 15% of HF AUM, [86 investors / $217 billion].

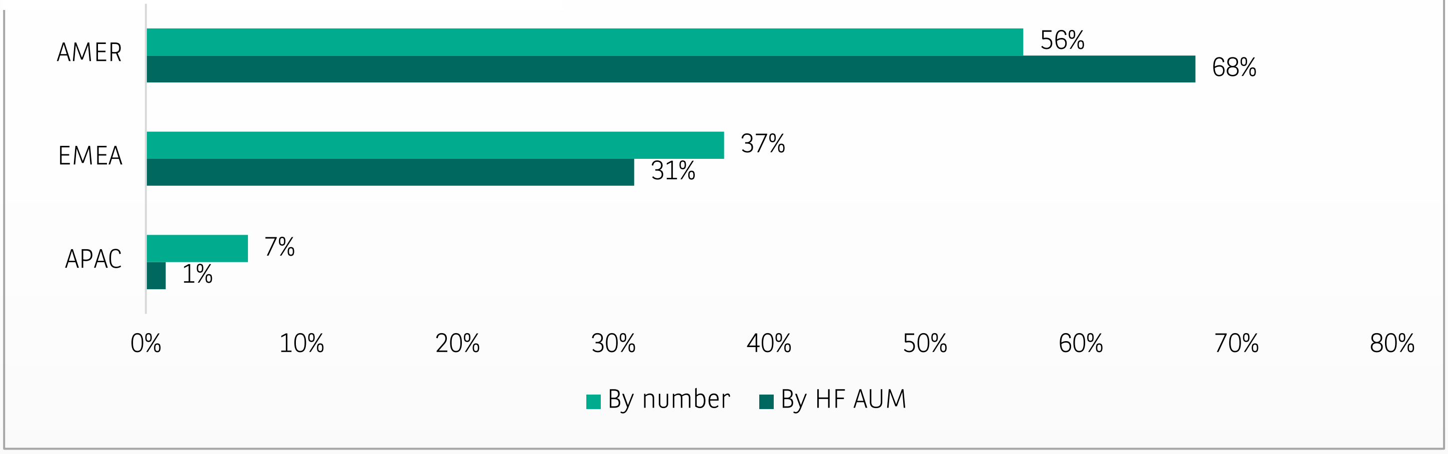
HEDGE FUND AUM:

- 58% of responding investors manage $1 billion and over in HF AUM while 24% manage $5 billion and over.
- The average respondent has US$6.1 billion in HF AUM (median: $1.2 billion).

METHODOLOGY:

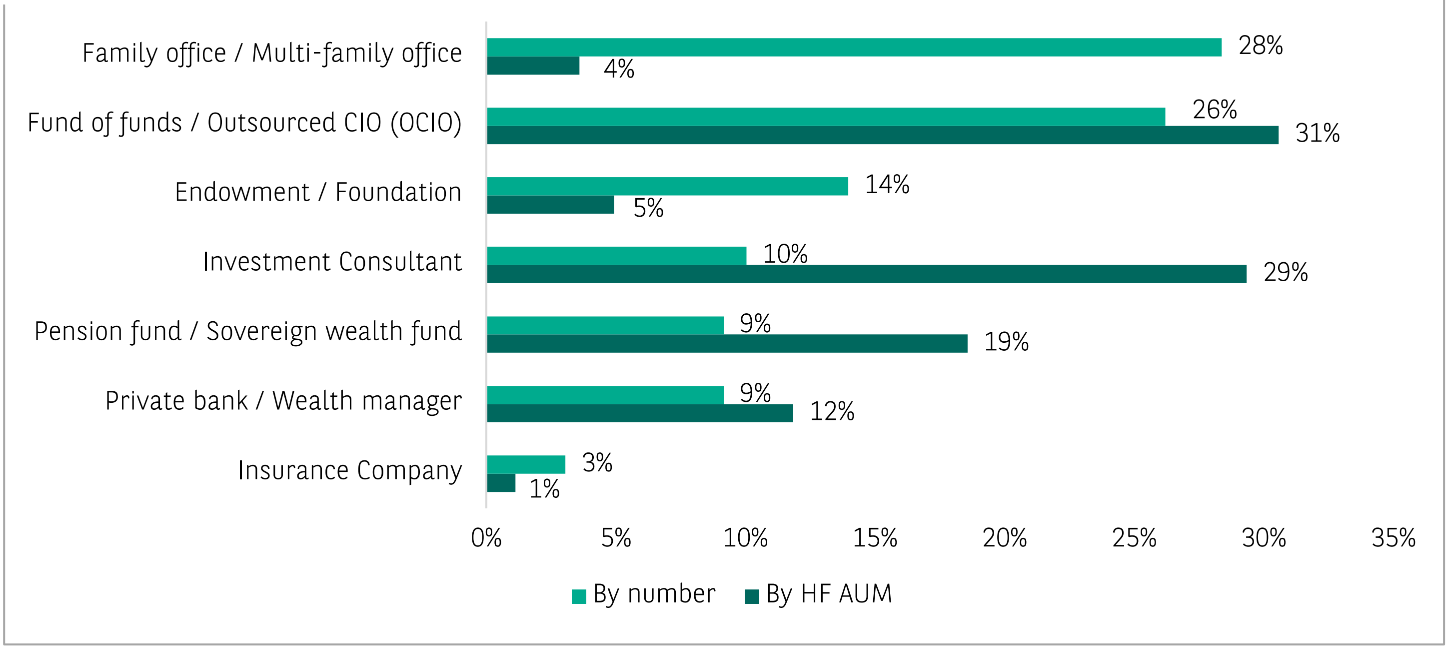
- Please note that percentages may not total to 100% in some exhibits due to rounding or non-exclusive and multiple-choice questions. In cases where not all respondents answered a question, percentages have been calculated from the sum of only those that answered.
- BNP Paribas Capital Introduction, listed as a source throughout this survey, refers to data we have collected and/or research and publications we have produced.

1.1 BREAKDOWN OF RESPONDENTS BY REGION



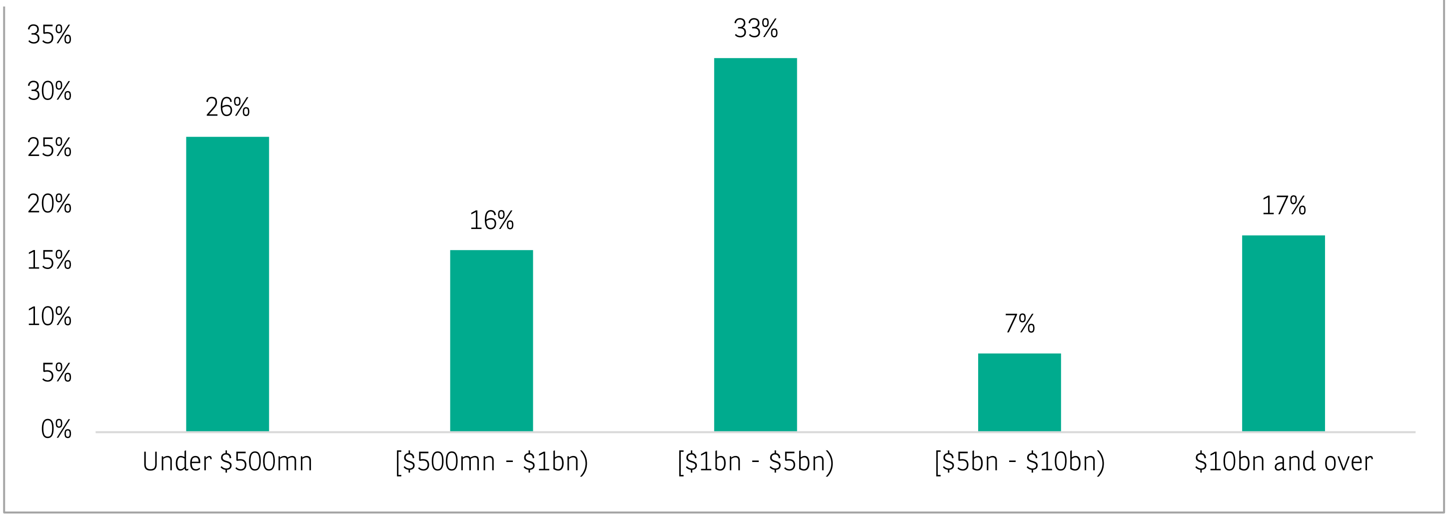
Source: BNP Paribas Alternative Investment Survey, 2025

1.2 BREAKDOWN OF RESPONDENTS BY INVESTOR TYPE



Source: BNP Paribas Alternative Investment Survey, 2025

1.3 BREAKDOWN OF RESPONDENTS BY SIZE OF HEDGE FUND PORTFOLIO



Source: BNP Paribas Alternative Investment Survey, 2025

1.4 RESPONDENT AUM ACROSS FIRM AND HEDGE FUND INVESTMENT PORTFOLIOS

Investor type	Firm AUM ($bn)	Hedge Fund AUM ($bn)	Number of respondents
Institutional end investors	4,899	346	60
Intermediary investors	43,894	842	83
Private investors	11,413	217	86
Total	**60,206**	**1,406**	**229**

Source: BNP Paribas Alternative Investment Survey, 2025

02 HEDGE FUND PERFORMANCE TRENDS & PREDICTIONS

SECTION HIGHLIGHTS

- Respondents' hedge fund portfolios returned 10.26%% on average in 2024 in line with average hedge fund performance which was up 10.12%. 86% of investors achieved over 7.50% versus the MSCI World and the Bloomberg Global High Yield indices, up over 19% and 9% respectively.
- 85% of responding investors met or outperformed their return target in 2024.
- Endowments and foundations outperformed relative to other investor types (+11.82%)
- Investors are targeting returns of 9.34% with a volatility of 5.90% for their hedge fund portfolios in 2025.
- For the second year on a row, equity long / short was the best performer in respondents' portfolios while discretionary macro and CTA were the worst, however discretionary macro is predicted to be the best performer in 2025.

2.1 2024 & 2023 INDEX PERFORMANCE

Index	2024	2023
Magnificent 7	67.34%	107.01%
S&P 500	25.00%	26.26%
Nikkei 225	21.27%	30.90%
MSCI World	19.22%	24.44%
MSCI China	19.04%	-11.01%
S&P 500 Equally Weighted	12.98%	13.84%
MSCI Asia Pacific	10.16%	11.98%
Hedge Funds	10.12%	7.60%
STOXX 600	9.62%	16.63%
BB Global High Yield	9.19%	14.04%
US 3M T-Bill	4.94%	5.09%
BB Global Agg	-1.69%	5.72%

[1] *Source: Bloomberg, Hedge Funds is based on data compiled by BNP Paribas Capital Introduction*

HEDGE FUND PERFORMANCE

Hedge funds returned on average 10.12% in 2024 with almost 5 times less volatility than the MSCI World, a beta of 0.16 and 2.62% of alpha versus zero in 2023. Three year annualised returns for the average hedge fund are 6.14% keeping up with the MSCI World which delivered 6.88% over the same time with almost 6 times less volatility, a beta of 0.12 and 1.47% of alpha generation. It is worth highlighting that on an asset weighted basis hedge funds returned 11.22% in 2024 and 7.47 annualised over the past three years, indicating that larger funds have outperformed!

Equity Long / Short funds were up on average 11.97% last year (13.75% asset-weighted) with top decile managers up 25% outperforming global equity markets. Dispersion was the highest amongst equity long / short with the difference between the top and bottom decile being 26% which was in line with 2023.

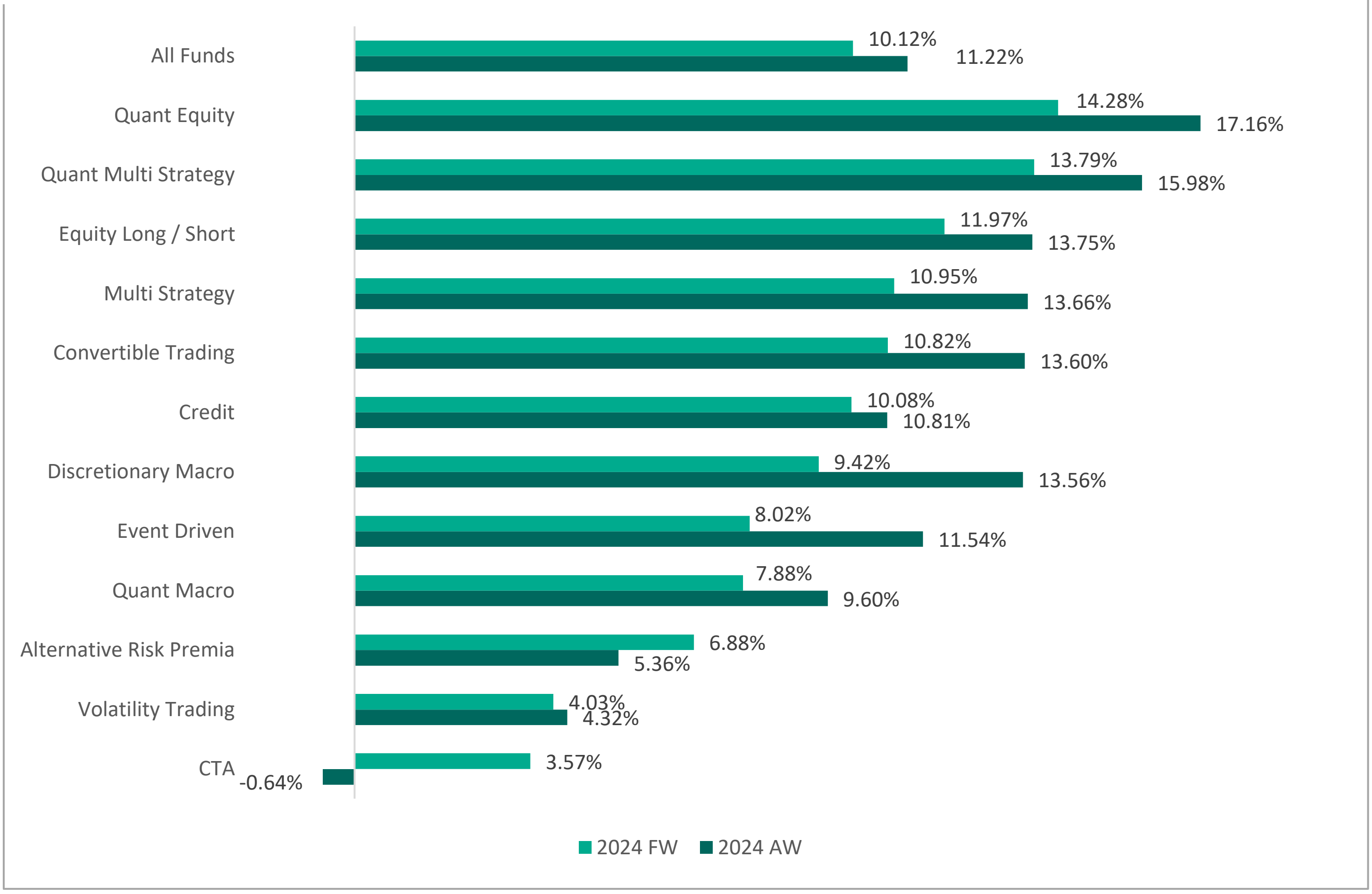
Directional equity long/short managers generated 12.86% on average versus market neutral / low net managers averaging 8.55%. It is worth noting that directional managers performed 2.7% better than 2023 whereas market neutral equity managers increased their performance by 3.85% year on year.

There's no question that the magnificent seven once again dominated the stock market narrative last year appreciating by average of 67% in 2024 consolidating on its over 100% return in 2023. In other markets, Japan and China saw strong performance up in the 20% while European stocks underperformed global equity markets with the Stoxx 600 up 9.6%.

Credit funds were up on average 10.08% last year (10.81% asset weighted), with top decile managers up 18.86%. Dispersion between the top and bottom decile was 16%. The tightening of spreads continued globally throughout the year, and more so in the US than in Europe which is a factor in the year-on-year performance drop in global credit indices. However, it is worth highlighting that some managers (the top decile) have proven they can generate returns even as spreads tighten.

Event-driven funds were up on average 8.02% (11.54% asset weighted) last year, with top decile managers up 14.62%. Dispersion between the top and bottom decile was 13%.

2.2 2024 PERFORMANCE BY STRATEGY



Source: BNP Paribas Capital Introduction. Please note: YTD return figures are calculated by compounding our individual monthly average returns data

Event-driven funds had to contend with a lack of deals, as uncertainty surrounding the US presidential elections and the direction of monetary policy easing suppressed M&A appetite.

Convertible Trading funds were up on average 10.82% (13.60% asset weighted) last year, with top decile managers up 15.37%. Dispersion between the top and bottom decile was 9%. New convertible issuance was robust in 2024 totalling $119 billion in 2024, compared to $79 billion in 2023T. This was largely driven by the US with $85 billion followed by Asia with $29 billion and Europe lagging with $5 billion. Refinancing activity has been the predominant theme among issuers in 2024 with convertibles offering a viable alternative to straight debt with notably lower cash interest costs in an elevated rate environment. While technology was once again the most active sector in 2024 other key themes included a surge of issuance from the cryptocurrency sector as well as Chinese-domiciled issuers. The cryptocurrency industry was prominent during 2024 with nine new deals, including a $3B issue by MicroStrategy and two by MARA totalling $1.85B, all of which are 0% coupon securities. The proceeds were primarily used to buy Bitcoin at discounted prices compared to their own valuations. Crypto convertibles now comprise 5% of the global convertible bond market.

Volatility Trading funds were up on average 4.03% (4.32% asset weighted) last year, with top decile managers up 12%. Dispersion between the top and bottom decile was 17%. Equity volatility was subdued for most of 2024, although fixed income volatility strategies found more success.

Discretionary Macro funds were up on average 9.42% (13.42% asset weighted) last year, with top decile managers up 18.73%. Dispersion between the top and bottom decile was 15%. For most of 2024 markets remained largely resilient to dramatic geopolitical and economic shocks. Key themes that defined the year were: questions over the scale of Chinese economic malaise, the fiscal and monetary implications following elections in an exceptional numbers of economies globally, and larger questions over the economic drag of an increasingly chaotic geopolitical backdrop.

Multi-strategy funds were up on average 10.95% last year 13.66% asset weighted), with top decile managers up 19.93%. Dispersion between the top and bottom decile was 16%. The multi manager platforms within this group were up on average 10.12%.

Quant Equity funds were the best performing across all strategies up average, up 14.28% (17.16% asset weighted) last year, with top decile managers up 25.79%. Dispersion between the top and bottom decile was 22%. Quant equity directional were the best performers up 19.13%, followed by statistical arbitrage which was up 17.17% on average, benefitting from short-term patterns in equities, while quant equity market neutral managers were up 12.73%. The ability to insulate from risk factors is a differentiator across strategies, and tighter risk management among quant managers appears to have paid dividends.

2.3 2024 MONTHLY HEDGE FUND PERFORMANCE BY STRATEGY

Strategy	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Quant equity	3.31%	0.94%	2.28%	0.21%	1.05%	1.77%	0.96%	1.06%	0.56%	-0.38%	1.75%	-0.04%	14.28%
Quant macro	2.13%	2.45%	2.84%	0.35%	-1.24%	-0.16%	0.23%	-1.78%	1.53%	-1.37%	1.69%	1.08%	7.88%
Quant multi-strategy	2.64%	2.41%	3.06%	0.06%	0.30%	1.94%	-0.44%	0.78%	0.06%	-0.90%	2.12%	1.05%	13.79%
CTA	1.19%	3.54%	2.43%	1.21%	-0.76%	-1.74%	-1.77%	-1.87%	0.90%	-2.08%	1.78%	0.87%	3.57%
Alternative risk premia	2.29%	0.72%	2.13%	0.00%	0.28%	0.37%	0.48%	-0.73%	0.00%	-0.10%	0.88%	0.40%	6.88%
Equity Long / Short	0.89%	2.53%	1.98%	-0.36%	1.58%	0.71%	0.52%	0.56%	1.69%	-0.10%	1.50%	-0.09%	11.97%
Credit	1.09%	0.84%	0.83%	0.37%	1.07%	0.56%	1.15%	0.73%	1.08%	0.58%	0.80%	0.55%	10.08%
Event-driven	-0.13%	0.68%	1.96%	-0.75%	1.62%	0.25%	2.13%	0.39%	1.08%	-0.98%	1.36%	0.18%	8.02%
Convertible trading	0.70%	1.13%	1.47%	-0.30%	0.79%	0.77%	0.74%	1.16%	1.96%	0.74%	1.09%	0.07%	10.82%
Volatility trading	0.36%	0.15%	0.53%	0.22%	0.65%	0.43%	0.26%	0.10%	0.32%	0.32%	0.60%	0.05%	4.06%
Discretionary macro	0.78%	0.62%	1.25%	0.70%	0.64%	-0.13%	0.87%	-0.02%	1.41%	0.53%	1.72%	0.67%	9.42%
Multi-strategy	1.13%	1.08%	1.63%	0.53%	0.94%	0.59%	0.25%	0.47%	1.08%	0.65%	1.28%	0.82%	10.95%
All Funds	1.07%	1.56%	1.71%	0.06%	1.03%	0.49%	0.67%	0.35%	1.21%	-0.09%	1.35%	0.30%	10.12%
MSCI World	1.23%	4.28%	3.28%	-3.67%	4.53%	2.07%	1.79%	2.68%	1.88%	-1.96%	4.63%	-2.57%	19.22%
S&P 500	1.68%	5.34%	3.22%	-4.08%	4.96%	3.59%	1.22%	2.43%	2.14%	-0.92%	5.87%	-2.39%	25.00%
BB Global AG	-1.38%	-1.26%	0.55%	-2.52%	1.31%	0.14%	2.76%	2.37%	1.70%	-3.35%	0.34%	-2.15%	-1.69%
BB Global HY	-0.19%	0.79%	1.51%	-0.84%	1.49%	0.40%	1.96%	2.17%	1.95%	-0.63%	0.82%	-0.55%	9.19%

Source: BNP Paribas Capital Introduction, Bloomberg

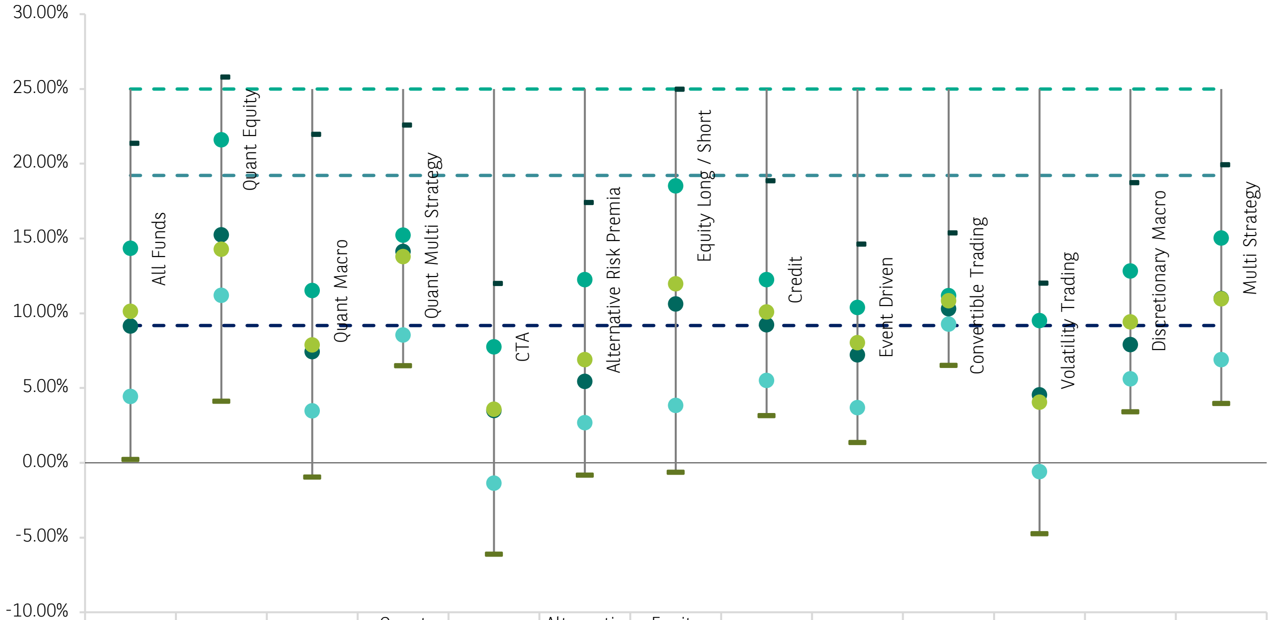
Quant Macro funds were up on average 7.88% (9.60% asset weighted) last year, with top decile managers up 21.95%. Dispersion between the top and bottom decile was 23%, notably up from 17% in 2023.

CTA funds were up on average 3.57% (down -0.64% asset weighted) last year, with top decile managers up 11.99%. Dispersion between the top and bottom decile was 18%. Stocks and commodities were positive contributors, however FX and fixed income proved harder to navigate.

Quant multi-strategy funds were up on average 13.79% (15.98% asset weighted) last year, with top decile managers up 22.57%. Dispersion between the top and bottom decile was 16%. Which is meaningfully higher from 2023 which was 5%

Alternative Risk Premia funds were up on average 6.88% (5.36% asset weighted) last year, with top decile managers up 17.39%. Dispersion between the top and bottom decile was 18% up from 11% in 2023.

2.4 2024 PERFORMANCE DISPERSION

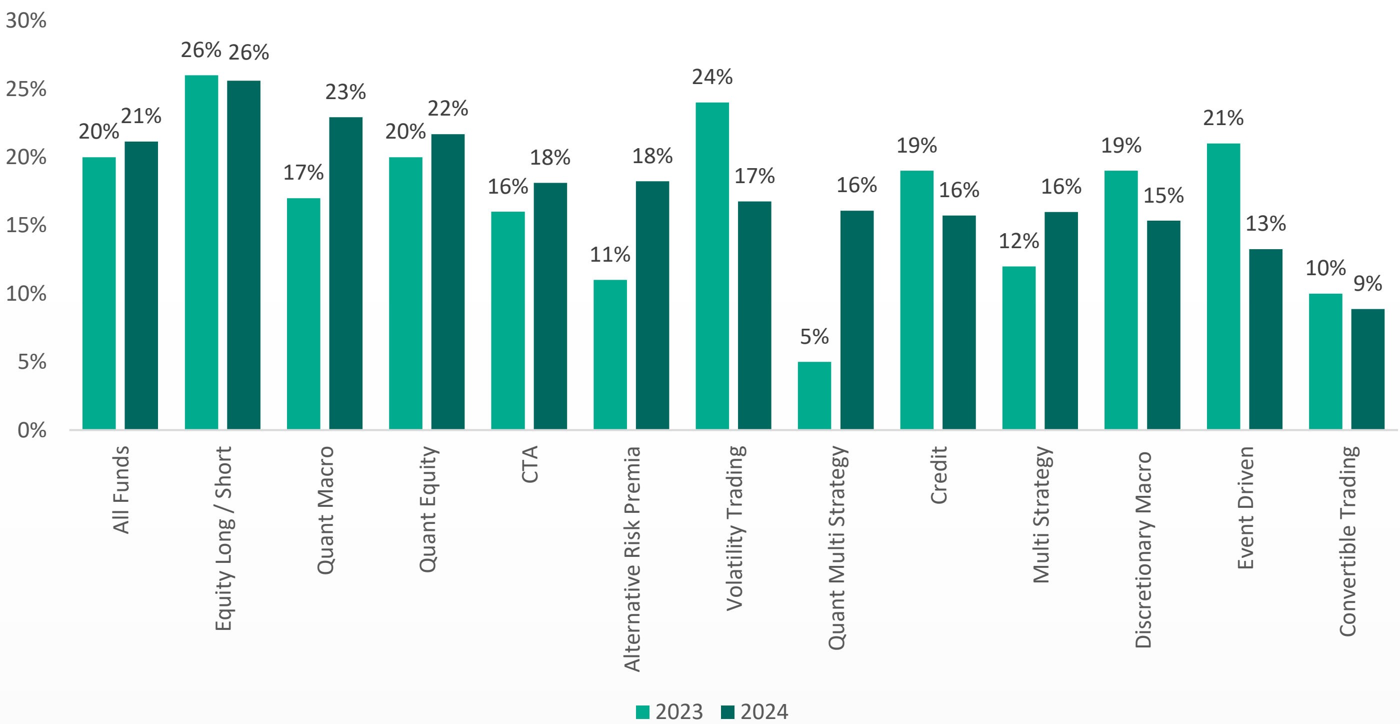


	All Funds	Quant Equity	Quant Macro	Quant Multi Strategy	CTA	Alternativ e Risk Premia	Equity Long / Short	Credit	Event Driven	Convertibl e Trading	Volatility Trading	Discretion ary Macro	Multi Strategy
90th	21.37%	25.79%	21.95%	22.57%	11.99%	17.39%	24.97%	18.86%	14.62%	15.37%	12.00%	18.73%	19.93%
75th	14.35%	21.60%	11.51%	15.21%	7.74%	12.25%	18.51%	12.24%	10.39%	11.17%	9.51%	12.82%	15.03%
Median	9.15%	15.25%	7.44%	14.12%	3.49%	5.43%	10.61%	9.23%	7.22%	10.29%	4.54%	7.91%	10.98%
Average	10.12%	14.28%	7.88%	13.79%	3.57%	6.88%	11.97%	10.08%	8.02%	10.82%	4.03%	9.42%	10.95%
25th	4.42%	11.20%	3.46%	8.54%	-1.37%	2.67%	3.82%	5.50%	3.68%	9.26%	-0.59%	5.60%	6.88%
10th	0.21%	4.10%	-0.96%	6.48%	-6.12%	-0.84%	-0.63%	3.14%	1.36%	6.50%	-4.75%	3.39%	3.95%
SPX	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
MSCI World	19.22%	19.22%	19.22%	19.22%	19.22%	19.22%	19.22%	19.22%	19.22%	19.22%	19.22%	19.22%	19.22%
BB HY	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%	9.19%

90th 75th Median Average 25th 10th SPX MSCI World BB HY

Source: BNP Paribas Capital Introduction, Bloomberg

2.5 2023 V 2024 PERFORMANCE DISPERSION



Source: BNP Paribas Capital Introduction, difference between 90th and 10th percentiles.

2.6 5 YEAR RETURN RISK REVIEW

Strategy	Return			Sharpe			Beta			Alpha		
	1 Yr	3 Yr Ann	5 Yr Ann	1 Yr	3 Yr Ann	5 Yr Ann	1 Yr	3 Yr Ann	5 Yr Ann	1 Yr	3 Yr Ann	5 Yr Ann
All Funds	10.12%	6.14%	8.04%	2.34	0.73	1.14	0.16	0.12	0.21	2.62%	1.00%	2.90%
Quant equity	14.28%	9.76%	8.34%	2.41	1.69	1.29	0.20	0.11	0.15	5.95%	4.89%	4.05%
Quant multi-strategy	13.79%	12.50%	10.49%	1.80	1.94	1.37	0.22	-0.01	0.12	5.27%	7.90%	6.44%
Equity Long / Short	11.97%	5.42%	8.81%	2.07	0.30	0.95	0.27	0.24	0.32	2.85%	0.40%	2.92%
Multi-strategy	10.95%	7.48%	9.40%	4.01	1.66	1.61	0.06	0.03	0.12	4.73%	3.08%	5.37%
Convertible trading	10.82%	4.81%	8.65%	2.63	0.21	0.99	0.14	0.13	0.21	3.51%	0.20%	3.84%
Credit	10.08%	5.49%	7.05%	5.41	0.45	0.78	0.05	0.12	0.21	4.01%	0.89%	2.33%
Discretionary macro	9.42%	7.07%	7.72%	2.18	1.15	1.54	0.04	-0.02	0.06	3.62%	2.91%	4.39%
Event-driven	8.02%	5.26%	7.93%	0.82	0.23	0.69	0.26	0.25	0.36	-0.55%	0.22%	1.82%
Quant macro	7.88%	5.06%	4.27%	0.52	0.23	0.33	0.11	0.01	0.15	1.37%	0.93%	0.29%
Alternative risk premia	6.88%	6.56%	4.47%	0.59	0.72	0.45	0.08	0.02	0.09	0.78%	2.31%	1.04%
Volatility trading	4.06%	5.00%	7.14%	-1.45	0.43	1.05	0.03	-0.03	-0.05	-1.39%	0.99%	5.03%
CTA	3.57%	5.58%	6.04	-0.19	0.21	0.51	0.12	-0.21	-0.07	-2.88%	2.56%	4.32%

Source: BNP Paribas Capital Introduction, Sharpe is calculated using US 3M T-Bill, Beta, Alpha and Correlation is v MSCI World

2.7 5 YEAR CORRELATION REVIEW

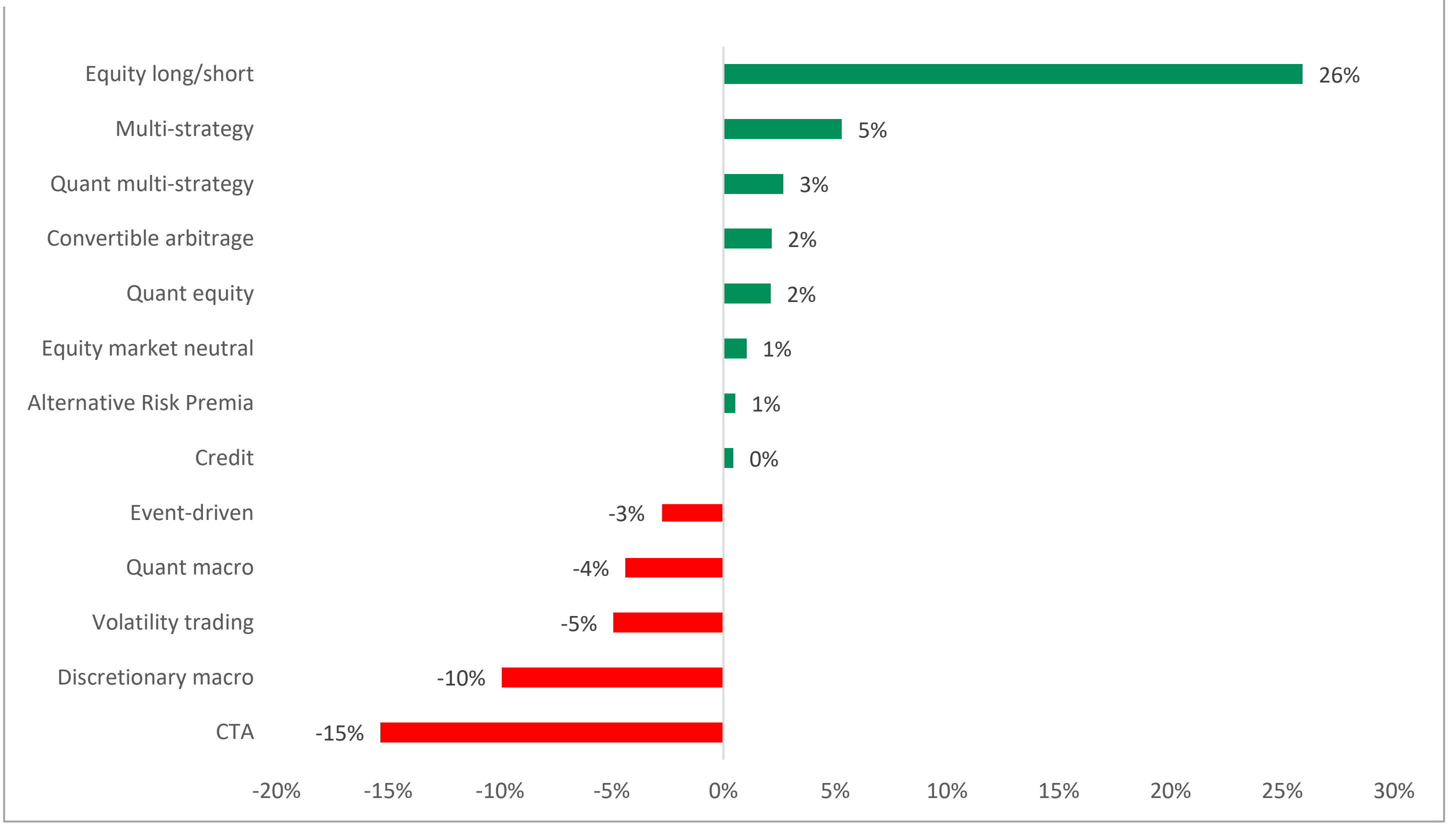
Strategy	Correlation			Upside Correlation			Downside Correlation		
	1 Yr	3 Yr Ann	5 Yr Ann	1 Yr	3 Yr Ann	5 Yr Ann	1 Yr	3 Yr Ann	5 Yr Ann
All Funds	0.78	0.78	0.81	0.47	0.54	0.64	-0.21	0.64	0.78
Quant multi-strategy	0.47	0.00	0.39	0.19	-0.05	0.04	-0.35	-0.11	0.47
Quant equity	0.54	0.63	0.63	-0.27	0.11	0.01	-0.97	0.30	0.55
Event-driven	0.72	0.80	0.81	0.35	0.68	0.76	-0.03	0.61	0.80
Equity Long / Short	0.86	0.88	0.88	0.63	0.69	-0.73	0.92	0.76	0.82
Credit	0.62	0.66	0.66	-0.23	0.46	0.51	0.97	0.71	0.78
Alternative risk premia	0.25	0.13	0.38	-0.09	0.07	-0.06	-0.02	-0.10	0.49
Convertible trading	0.69	0.65	0.63	0.03	0.42	0.50	0.95	0.58	0.73
Multi-strategy	0.44	0.33	0.54	0.39	0.36	0.45	0.58	0.09	0.60
Discretionary macro	0.21	-0.07	0.35	0.24	0.02	0.39	-0.86	-0.03	0.21
Volatility trading	0.53	-0.24	-0.24	0.40	-0.23	0.23	0.23	0.13	-0.56
Quant macro	0.0	0.07	0..49	0.02	-0.09	0.22	-0.56	-0.17	0.52
CTA	0.19	-0.43	-0.18	0.40	-0.25	-0.12	-0.83	-0.52	-0.26

Source: BNP Paribas Capital Introduction, Sharpe is calculated using US 3M T-Bill, Beta, Alpha and Correlation is v MSCI World

RESPONDENTS' BEST AND WORST HEDGE FUND PERFORMANCE BY STRATEGY - 2024

Equity Long / Short was the best performing strategy for the second consecutive year for most investor respondents (26%, net). It is worth noting that this was driven by equity long/short (Global / Americas) with 25% net of respondents identifying it as their best performer. This contrasts with our average hedge fund performance reported on page 9 where we see quant equity and quant multi-strategy outperforming equity long/short. This could be attributed to many allocators not investing in quant managers as well as the fact that the top decile equity long / short managers did perform in line with quant equity and quant multi-strategy, up approx. 25% as reported on page 12, figure 2.6. CTAs had a tough year, with 15% (net) of investors highlighting it as their worst performing strategy of 2024. Discretionary macro ranked second worse however we have observed dispersion within this group as some macro managers achieved outstanding returns last year so clearly this result was driven by differences in which manager(s) investors had in their portfolio with some likely having opted for funds with higher diversification and a lower volatility profile.

2.8 2024 NET BEST PERFORMING STRATEGY



Source: BNP Paribas Alternative Investment Survey, 2025

2.9 2024 BEST & WORST PERFORMING STRATEGIES

	2024 Best performer	2024 Worst performer	2024 Net best performing strategy
Equity long/short	53%	27%	26%
Multi-strategy	10%	5%	5%
Quant multi-strategy	3%	0%	3%
Convertible arbitrage	2%	0%	2%
Quant equity	4%	2%	2%
Equity market neutral	4%	3%	1%
Alternative Risk Premia	1%	0%	1%
Credit	6%	6%	0%
Event-driven	3%	6%	-3%
Quant macro	1%	5%	-4%
Volatility trading	0%	5%	-5%
Discretionary macro	5%	15%	-10%
CTA	3%	18%	-15%

Source: BNP Paribas Alternative Investment Survey, 2025

2.10 2024 BEST & WORST PERFORMING SUB-STRATEGIES

	2024 Best performer	2024 Worst performer	2024 Net best performing strategy
Equity Region			
Equity long/short (Japan)	1%	1%	0%
Equity long/short (Asia Pacific)	4%	3%	1%
Equity long/short (Europe)	1%	5%	-4%
Equity long/short (China)	2%	1%	1%
Equity long/short (Global / Americas)	31%	6%	25%
Equity Sector			
Sector – Energy	2%	4%	-2%
Sector – Financials	0%	0%	0%
Sector – Healthcare	3%	5%	-2%
Sector – Consumer	0%	0%	0%
Sector – TMT	10%	3%	7%
Credit			
Credit (Europe)	1%	1%	0%
Credit (Global / Americas)	1%	2%	-1%
Credit (Asia Pacific)	0%	0%	0%
Credit structured	0%	1%	-1%
Distressed	3%	1%	2%
Niche (litigation finance, appraisal rights, royalties, reinsurance)	4%	1%	3%
Quant equity (statistical arbitrage/short term)	3%	1%	2%
Quant equity (factor based/med-long term)	1%	1%	0%
Quant credit	0%	1%	-1%
Multi manager	2%	1%	1%
Fixed income trading	0%	1%	-1%
Tail risk protection	0%	3%	-3%

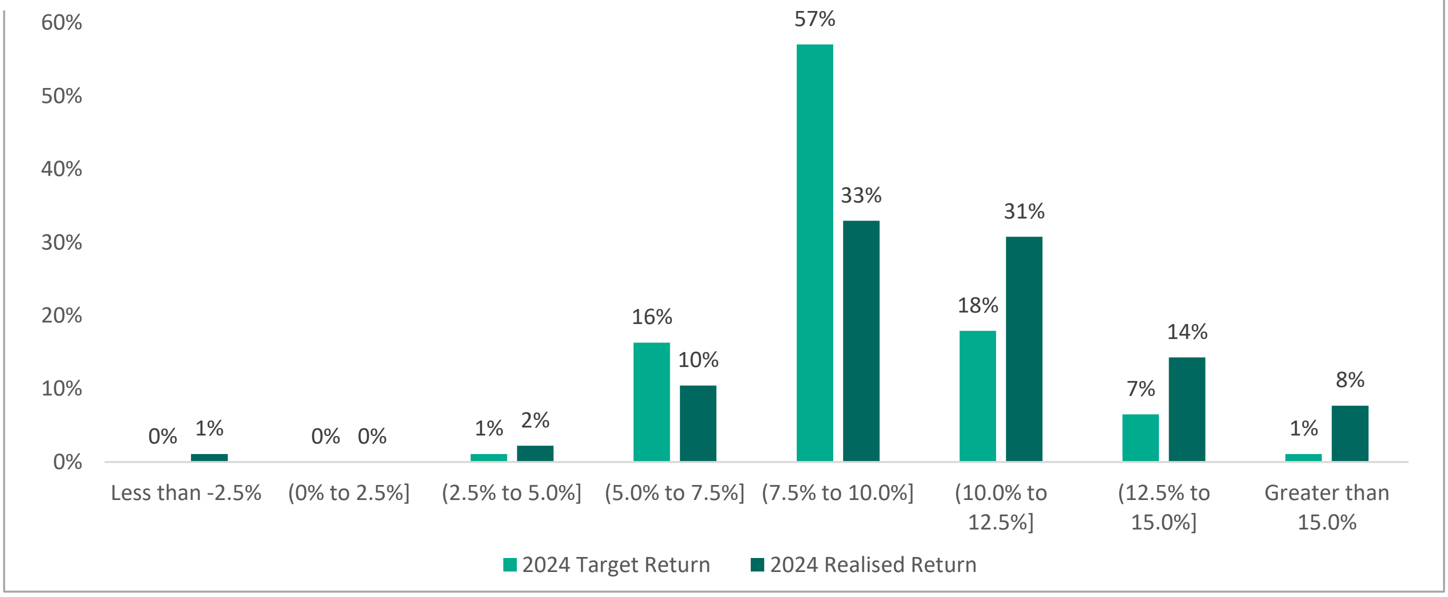
Source: BNP Paribas Alternative Investment Survey, 2025

RESPONDENTS' REALISED VS TARGET RETURN

99% of our respondents delivered positive returns last year for their hedge fund portfolio, with the average respondent generating a return of 10.26% (median: 11.25%). This result exceeds their average performance target of 9.16% (median: 8.75%), outperforming by 1.10%. As a result, 85% of responding investors met or outperformed their performance target for 2024, with 46% outperforming.

As seen earlier, hedge funds tracked by BNP Paribas Capital Introduction returned an average of 10.12% last year. It should be noted that respondents' 2024 realised return data was collected at the time of completing the survey, during the month of December and early January.

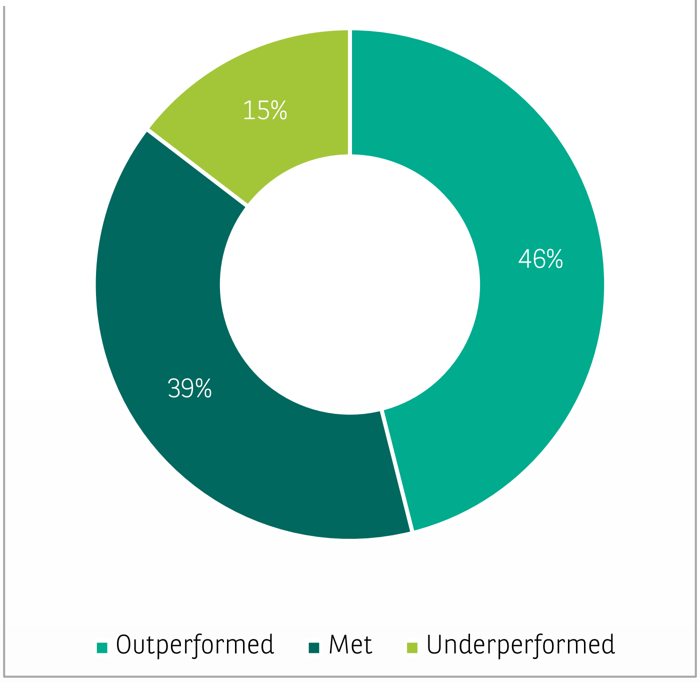
2.11 WHAT WAS YOUR / YOUR AVERAGE CLIENT'S REALISED VS. TARGET RETURN IN 2024?



Source: BNP Paribas Alternative Investment Survey, 2025

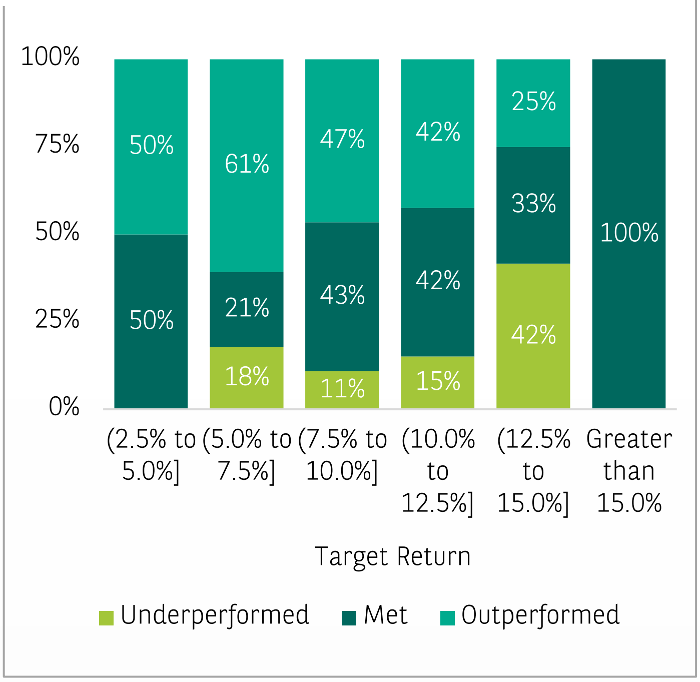
2.12 REALISED VS. TARGET RETURN FOR 2024

BREAKDOWN OF RESPONDENTS' TARGET PERFORMANCE



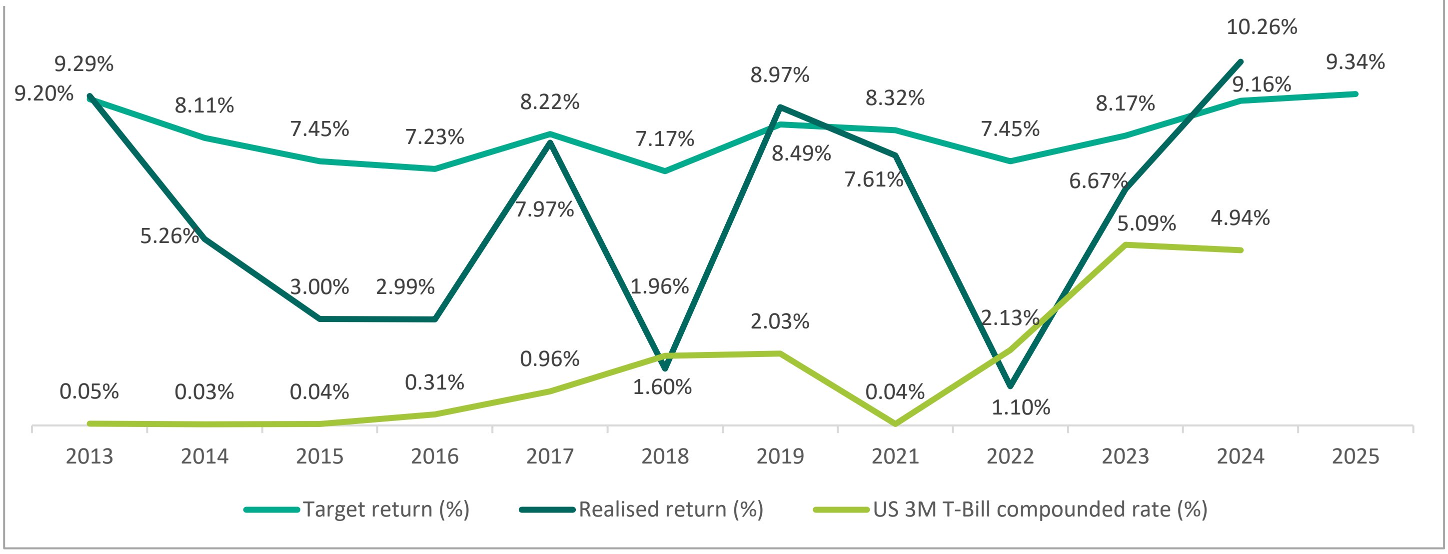
Source: BNP Paribas Alternative Investment Survey, 2025

DISTRIBUTION OF RESPONDENTS' TARGET PERFORMANCE



Source: BNP Paribas Alternative Investment Survey, 2025

2.13 RESPONDENTS' HISTORIC REALISED AND TARGET RETURNS



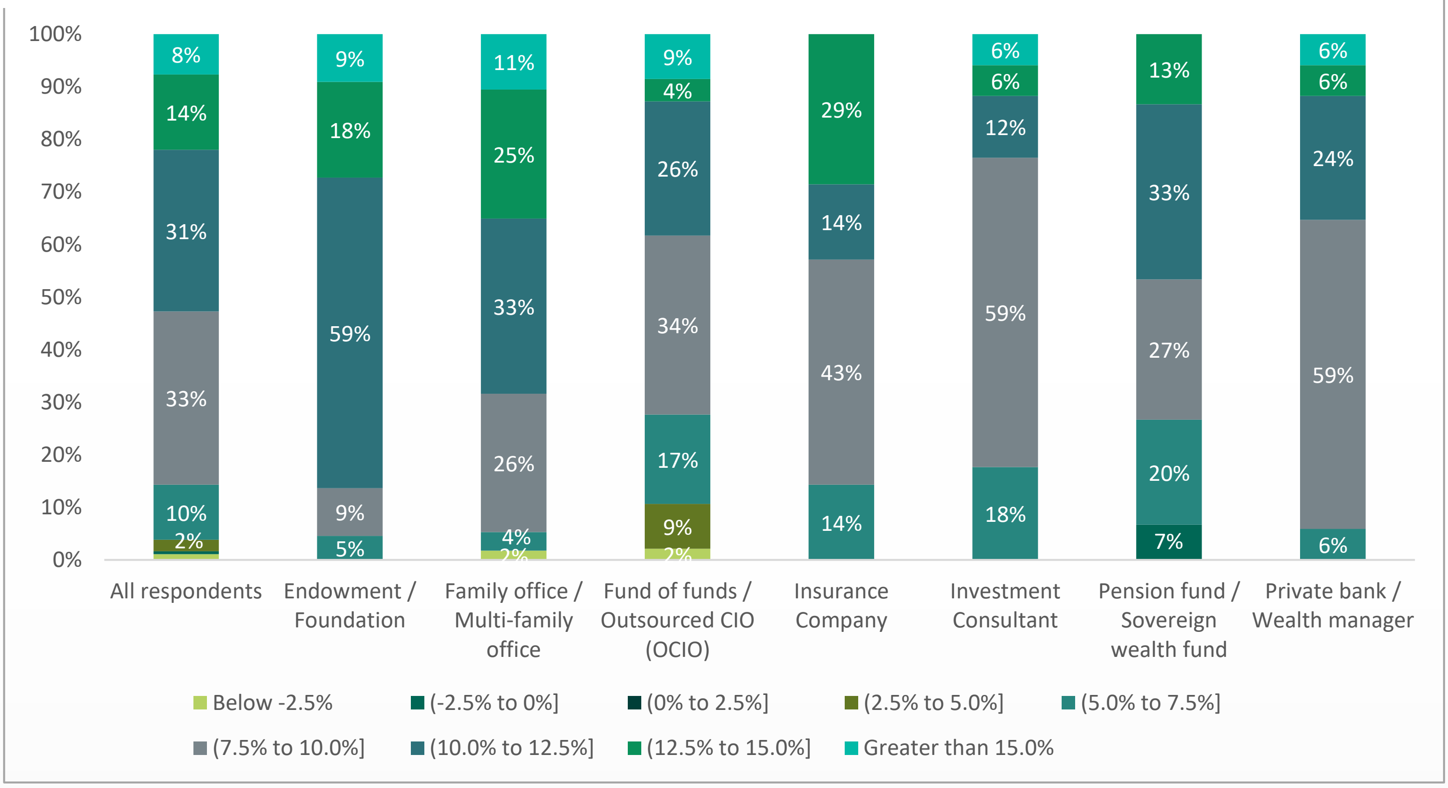
Source: BNP Paribas Alternative Investment Survey, 2025, 2024, 2023. 2022
The Survey was not carried out in 2021, hence 2020 returns are unavailable

All investor types outperformed their target returns, with endowments and foundations outperforming the most, up almost 11.82% (2.2% outperformance). Intermediary investors saw the least amount of outperformance with investment consultants outperforming by 51bps and fund of funds by 58bps.

For most of the past decade, hedge funds faced headwinds to generate alpha as a result of zero interest rates and subdued volatility. As highlighted in a research report we conducted in October 2023, hedge funds perform well in periods of high, stable rates. However, during periods when rates are rising, the broader industry does not adapt fast enough and hence there is a lag in producing higher returns.

The industry has now adapted with the average investors portfolio returning 10.26% in 2024 versus 6.67% in 2023. Hedge fund expected returns versus the risk-free rate has been keenly discussed by global allocators and our capital introduction team was not surprised to learn that responding investors have pushed up their return targets by 189bps since 2022 from 7.45% to 9.34%; the highest level in over a decade. Investors are expecting improved returns from their hedge fund portfolios as they expect to move into a high but more stabilised rate environment: the alpha regime and the hedge fund industry has already started to deliver on this as seen last year.

2.14 RESPONDENTS' HEDGE FUND PORTFOLIO RETURNS FOR 2024, BY INVESTOR TYPE



Source: BNP Paribas Alternative Investment Survey, 2025

2.15 RESPONDENTS' HISTORIC REALISED AND TARGET RETURN BY INVESTOR TYPE

	2020 Survey		2022 Survey		2023 Survey		2024 Survey		2025 Survey		
	2019 target return (%)	2019 realised return (%)	2021 target return (%)	2021 realised return (%)	2022 target return (%)	2022 realised return (%)	2023 target return (%)	2023 realised return (%)	2024 target return (%)	2024 realised return (%)	2025 target return (%)
Endowment / Foundation	8.22	9.74	8.33	10.10	7.16	-1.25	8.38	8.15	9.62	11.82	9.51
Family office / Multi-family office	10.10	11.13	9.88	8.24	8.63	0.87	8.50	6.38	10.15	11.25	10.36
Fund of funds / Outsourced CIO	8.51	8.54	8.18	7.05	7.03	0.69	8.73	6.59	8.54	9.12	8.80
Insurance company	7.08	8.04	6.75	3.75	7.08	2.92	6.75	5.25	8.75	10.18	9.11
Investment consultant	7.17	8.16	7.08	6.92	6.14	1.70	7.64	7.35	8.16	9.41	8.28
Pension fund	6.73	6.37	6.41	8.75	6.88	4.31	7.22	6.51	7.92	9.08	8.08
Private bank / Wealth manager	7.98	7.60	7.39	6.70	6.88	0.63	7.17	5.99	9.19	10.00	9.56
All respondents	8.49	8.97	8.32	7.61	7.45	1.10	8.17	6.67	9.16	10.26	9.34

Source BNP Paribas Alternative Investment Survey, 2025, 2024
The Survey was not carried out in 2021, hence 2020 data is unavailable.

2.16 RESPONDENTS' HISTORIC REALISED AND TARGET VOLATILITY BY INVESTOR TYPE

	2022 Survey		2023 Survey		2024 Survey		2025 Survey		
	2021 target vol (%)	2021 realised vol (%)	2022 target vol (%)	2022 realised vol (%)	2023 target vol (%)	2023 realised vol (%)	2024 target vol (%)	2024 realised vol (%)	2025 target vol (%)
Endowment / Foundation	5.69	6.81	6.81	7.08	5.92	5.36	6.81	6.06	6.81
Family office / Multi-family office	7.93	7.59	7.85	8.61	6.52	6.04	6.36	5.79	6.25
Fund of funds / Outsourced CIO	6.05	6.05	5.26	5.31	5.37	4.70	5.06	4.45	5.19
Insurance company	4.75	4.25	5.00	5.00	4.38	4.38	5.00	2.92	5.00
Investment consultant	6.44	6.63	6.59	5.91	5.69	5.28	5.42	5.75	5.42
Pension fund	5.36	5.29	6.25	5.54	5.47	4.54	5.36	4.64	5.71
Private bank / Wealth manager	6.02	5.80	6.41	6.56	6.10	5.79	6.56	6.09	6.88
All respondents	6.46	6.42	6.39	6.54	5.83	5.25	5.84	5.29	5.90

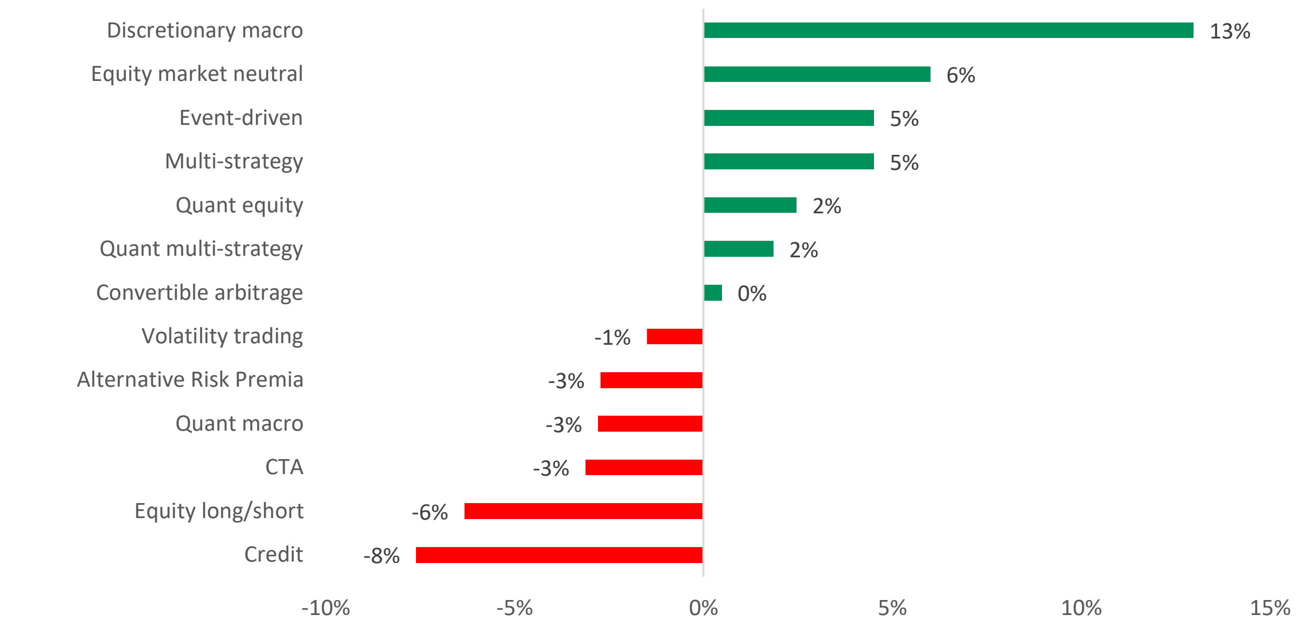
Source: BNP Paribas Alternative Investment Survey 2025, 2024
The question was not asked in the 2020 Survey, and the Survey was not carried out in 2021, hence data for these years is unavailable.

RESPONDENTS' BEST AND WORST HEDGE FUND PERFORMANCE PREDICTIONS BY STRATEGY - 2025

Investors were asked for their predictions for the best and worst performers in 2025. Discretionary Macro is predicted to have a strong performance this year on a net basis

Credit is predicted to be the bottom performer in 2025. This seems to be focused on credit in the distressed space as well as credit investing in the Americas. Interestingly, despite this, it also ranks as the second most popular strategy to allocate to in 2025.

2.17 PREDICTED 2025 NET BEST PERFORMING STRATEGY



Source: BNP Paribas Alternative Investment Survey, 2025

2.18 PREDICTED 2025 BEST & WORST PERFORMING STRATEGIES

	2025 Best Performer	2025 Worst Performer	Predicted 2025 net best performing strategy
Discretionary macro	18%	5%	13%
Equity market neutral	7%	1%	6%
Event-driven	9%	4%	5%
Multi-strategy	9%	4%	5%
Quant equity	2%	0%	2%
Quant multi-strategy	2%	0%	2%
Convertible arbitrage	1%	1%	1%
Volatility trading	1%	2%	-1%
Alternative Risk Premia	0%	3%	-3%
Quant macro	0%	3%	-3%
CTA	4%	7%	-3%
Equity long/short	33%	39%	-6%
Credit	7%	15%	-8%

Source: BNP Paribas Alternative Investment Survey, 2025

2.19 PREDICTED 2025 BEST & WORST PERFORMING SUB-STRATEGIES

	2025 Predicted best performer	2025 Predicted worst performer	Predicted 2025 net best performing strategy
<u>Equity Region</u>			
Equity long/short (Global / Americas)	19%	15%	4%
Equity long/short (Europe)	2%	8%	-6%
Equity long/short (Japan)	1%	0%	1%
Equity long/short (Asia Pacific)	1%	2%	-1%
Equity long/short (China)	3%	4%	-1%
<u>Equity Sector</u>			
Sector – Consumer	0%	1%	-1%
Sector – TMT	2%	6%	-4%
Sector – Energy	1%	0%	1%
Sector – Financials	1%	1%	0%
Sector – Healthcare	4%	1%	3%
<u>Credit</u>			
Credit (Global / Americas)	1%	5%	-4%
Credit (Europe)	1%	0%	1%
Credit (Asia Pacific)	0%	0%	0%
Credit structured	1%	0%	1%
Distressed	4%	9%	-5%
<u>Other</u>			
Niche (litigation finance, appraisal rights, royalties)	1%	1%	0%
Quant equity (statistical arbitrage/short term)	2%	0%	2%
Quant equity (factor based/med-long term)	0%	0%	0%
Quant credit	1%	0%	1%
Multi manager	3%	2%	1%
Fixed income trading	1%	3%	-2%
Tail risk protection	1%	5%	-4%

Source: BNP Paribas Alternative Investment Survey, 2025

03 HEDGE FUND ASSET FLOW TRENDS & PREDICTIONS

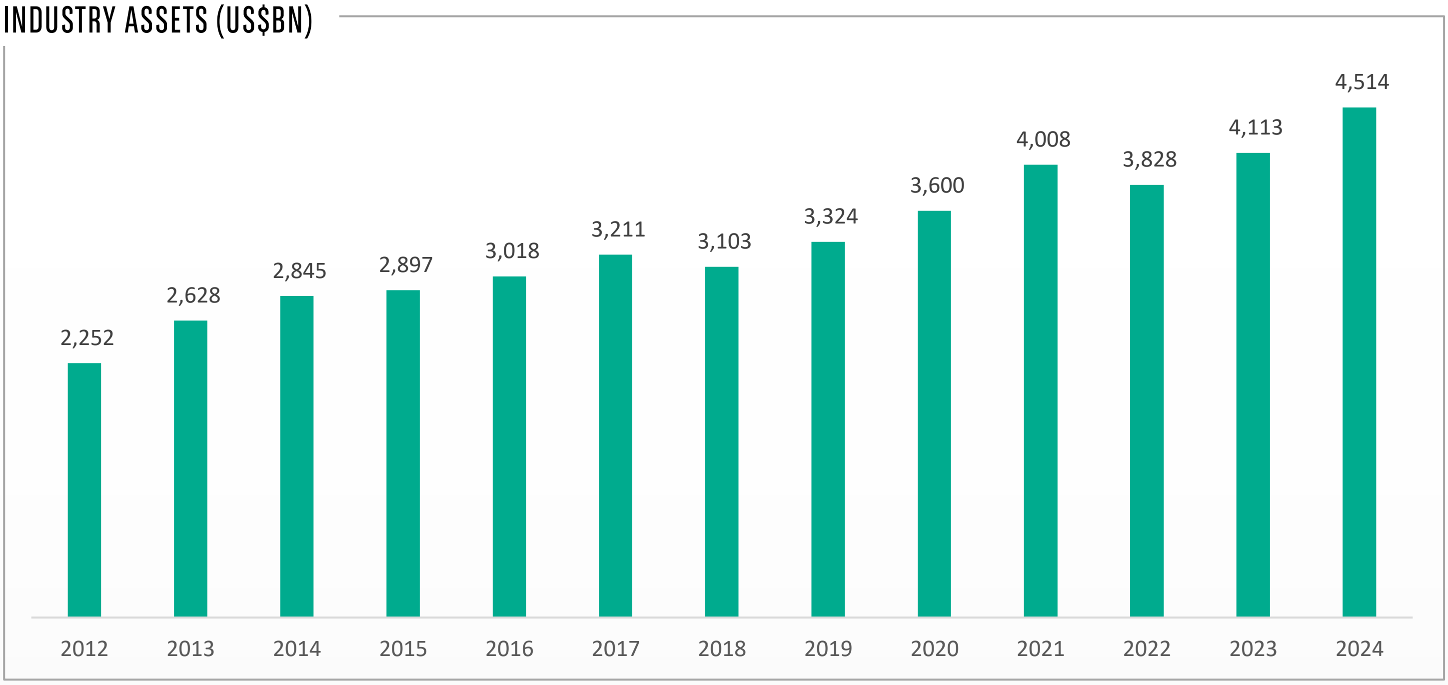
SECTION HIGHLIGHTS

- 46% of responding investors grew the size of their hedge fund allocation in 2024, while 13% reduced, adding a net of $22.2 billion to the industry.
- 61% of respondents plan to grow their hedge fund portfolio in 2025, while 5% plan to reduce, adding an estimated $30.7 billion to the industry.
- Most investors that increased their hedge fund allocations did so at the expense of traditional long only credit, fixed income and equity.
- Private equity and private credit remain an area of focus for investors going into 2025, with almost a quarter of respondents looking to add on a net basis while long only credit and fixed income is declining in demand year on year.

HEDGE FUND ASSET FLOWS

Investor Hedge fund industry assets grew from $4.1tn to $4.5tn in 2024. This was driven by performance-based gains with net inflows accounting for $10.4bn or 2.6% of industry growth according to HFR. It is worth noting that there continues to be meaningful divergence across data providers regarding fund flows e.g., another data provider reports overall industry AUM to be $3.9tn at the end of 2024 following net outflows of $47bn.

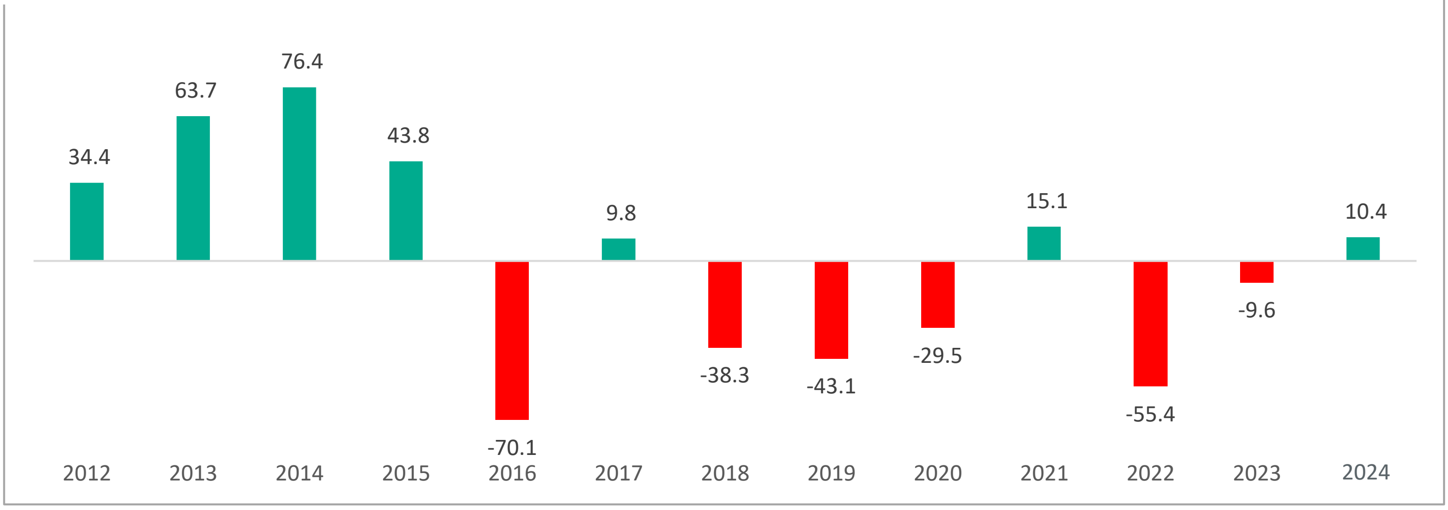
3.1 GROWTH OF HEDGE FUND INDUSTRY ASSETS (US$BN)



Source: https://www.hfr.com/media/market-commentary/hedge-fund-assets-surge-to-record-as-trump-administration-takes-office
BNP Paribas Alternative Investment Survey, 2024

3.2 HEDGE FUND ASSET FLOWS OVER THE PAST DECADE (US$MM BN)

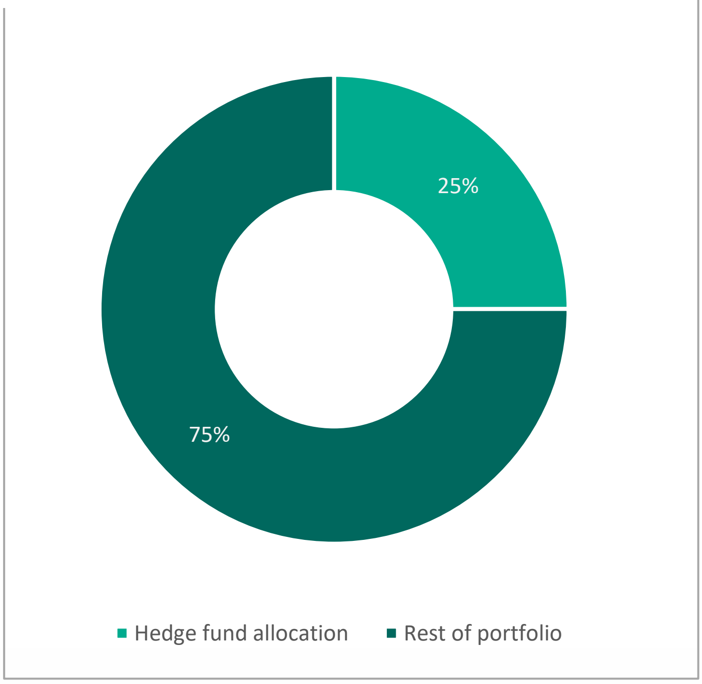
NET ASSET FLOWS (US$BN)



Source: https://www.hfr.com/media/market-commentary/hedge-fund-assets-surge-to-record-as-trump-administration-takes-office
BNP Paribas Alternative Investment Survey, 2024

3.3 AVERAGE PERCENTAGE OF TOTAL ASSETS ALLOCATED TO HEDGE FUNDS

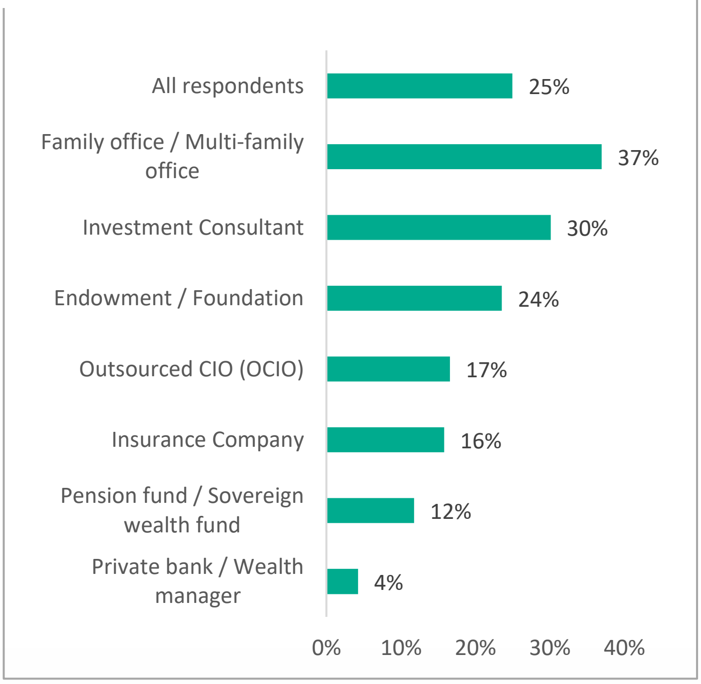
ALL RESPONDENTS EXCLUDING FOFs



Source: BNP Paribas Alternative Investment Survey, 2025

3.4 AVERAGE PERCENTAGE OF TOTAL ASSETS ALLOCATED TO HEDGE FUNDS, BY INVESTOR TYPE

ALL RESPONDENTS EXCLUDING FOFs



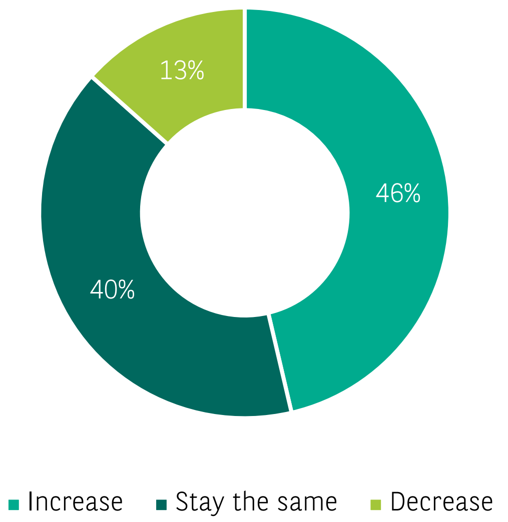
Source: BNP Paribas Alternative Investment Survey, 2025

2024 HEDGE FUND ASSET ALLOCATION CHANGES (EXCLUDING FOFS):

46% of responding investors grew the size of their hedge fund allocation in 2024 (excluding performance-based gains and losses) while 13% reported decreasing their allocations. Private banks / wealth managers reported the largest net increase in allocations to hedge funds by number and size in 2024. Investment consultants reported the largest net decrease.

3.5 HOW HAS YOUR / YOUR AVERAGE CLIENT'S HEDGE FUND AUM CHANGED DURING 2024 EXCLUDING PERFORMANCE

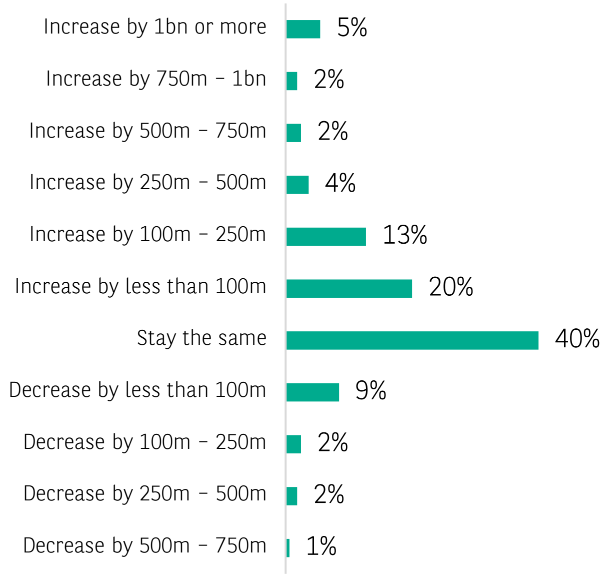
ALL RESPONDENTS EXCLUDING FOFs



Source: BNP Paribas Alternative Investment Survey, 2025

3.6 2024 CHANGE IN HEDGE FUND AUM, BY SIZE OF ALLOCATION (US$ MN)

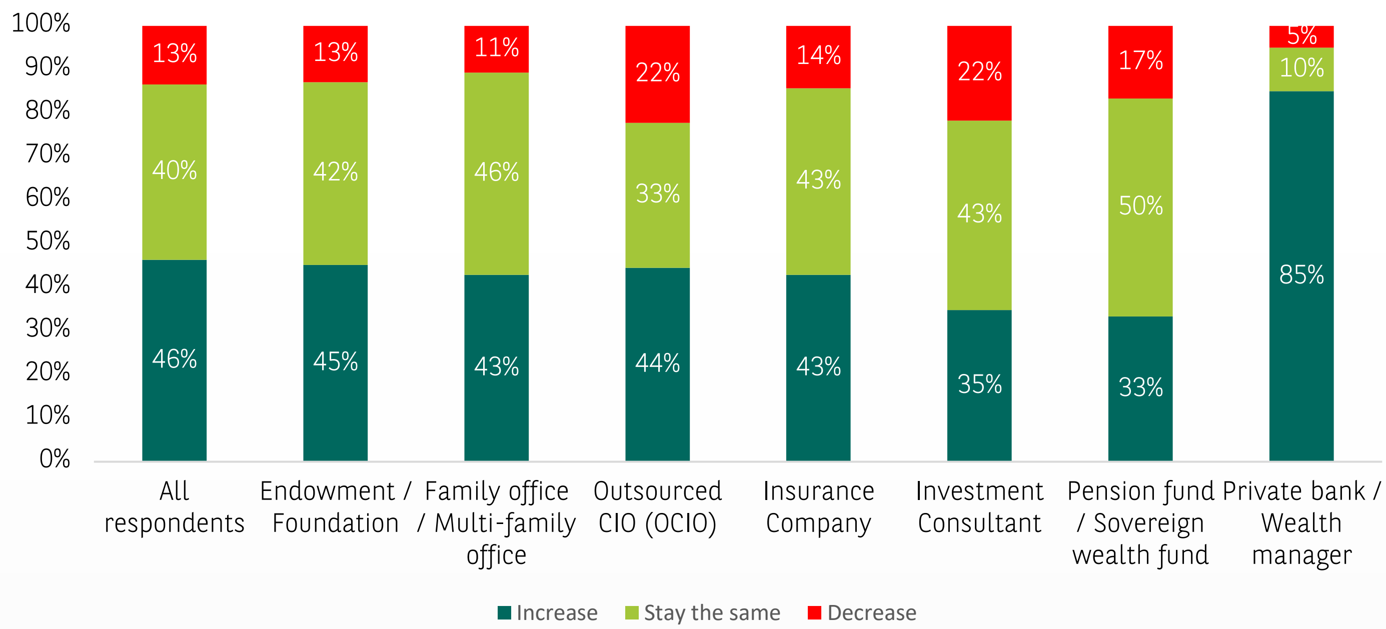
ALL RESPONDENTS EXCLUDING FOFs



Source: BNP Paribas Alternative Investment Survey, 2025

3.7 2024 CHANGE IN HEDGE FUND AUM, BY INVESTOR TYPE

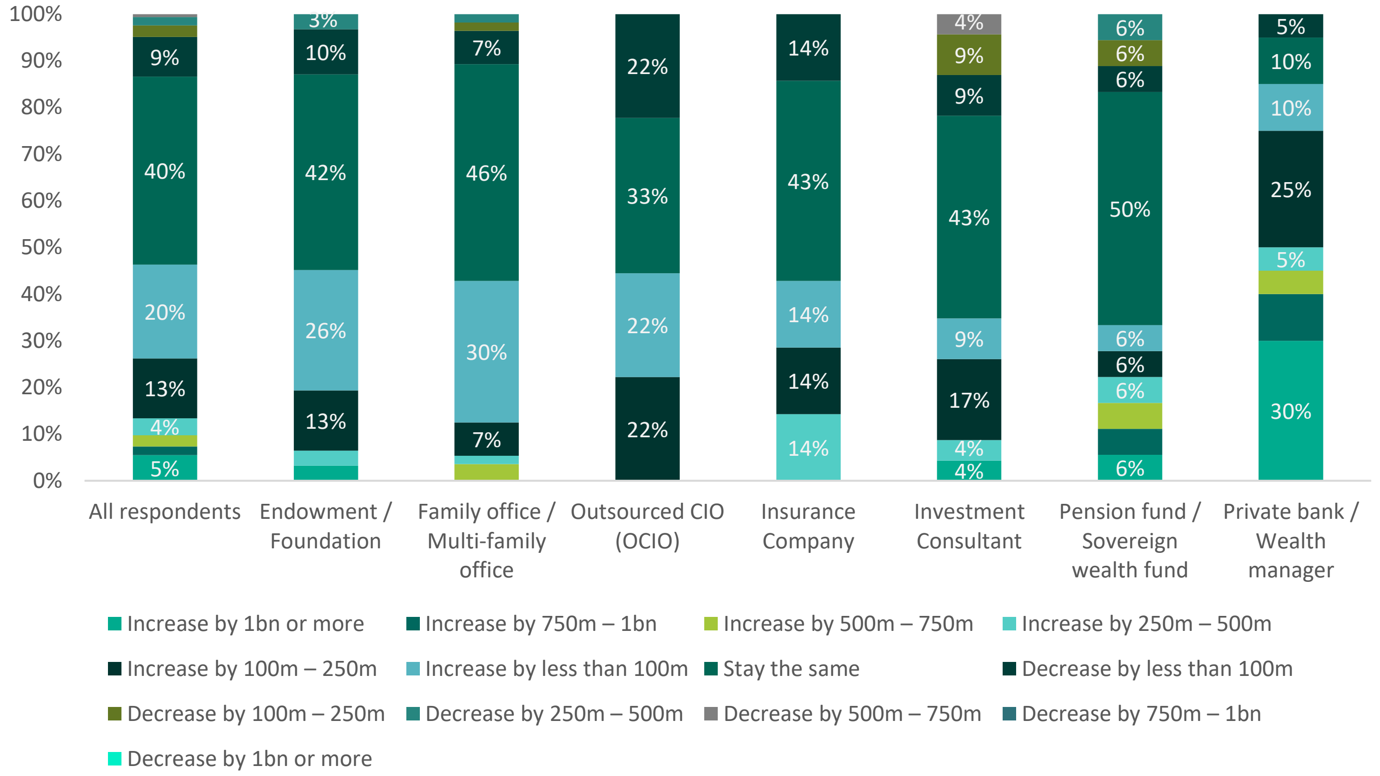
ALL RESPONDENTS EXCLUDING FOFs



Source: BNP Paribas Alternative Investment Survey, 2025

3.8 2024 CHANGE IN HEDGE FUND AUM, BY INVESTOR TYPE (DETAILED BREAKDOWN)

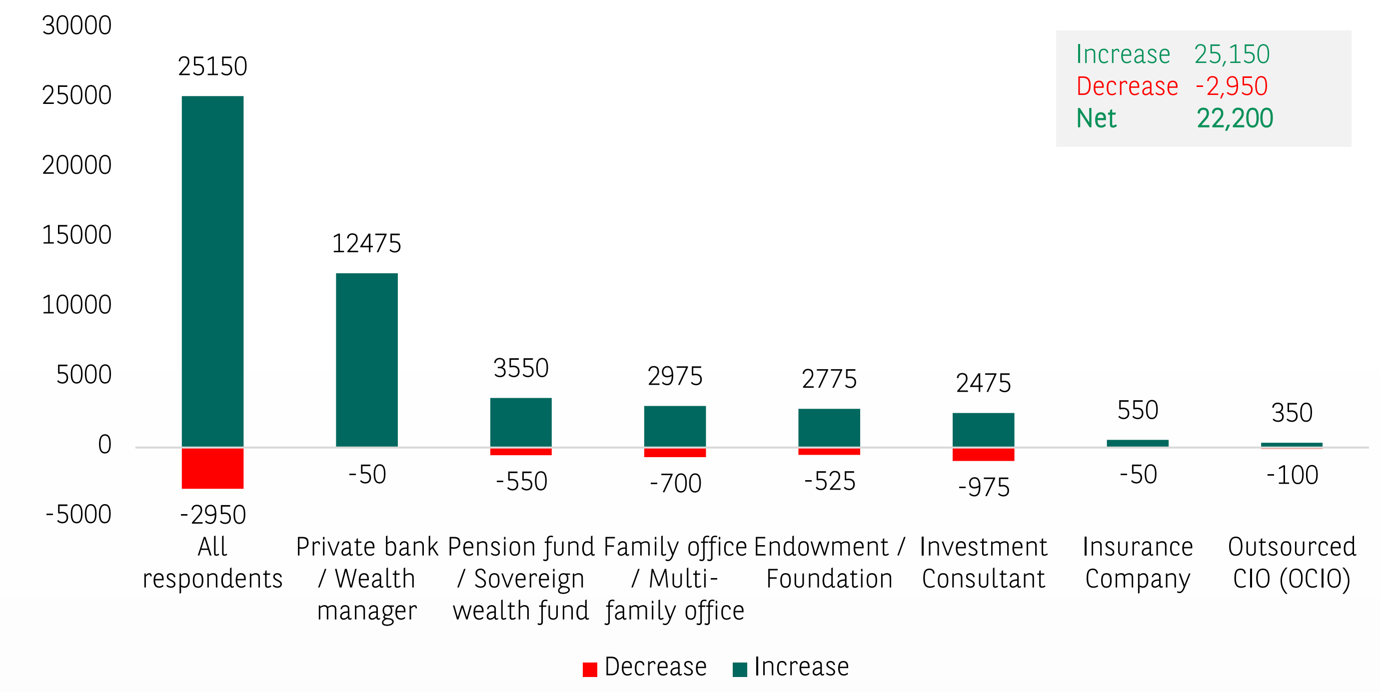
ALL RESPONDENTS EXCLUDING FOFs



Source: BNP Paribas Alternative Investment Survey, 2025

3.9 2024 CHANGE IN HEDGE FUND AUM, BY INVESTOR TYPE (DETAILED $MM BREAKDOWN)

ALL RESPONDENTS EXCLUDING FOFs

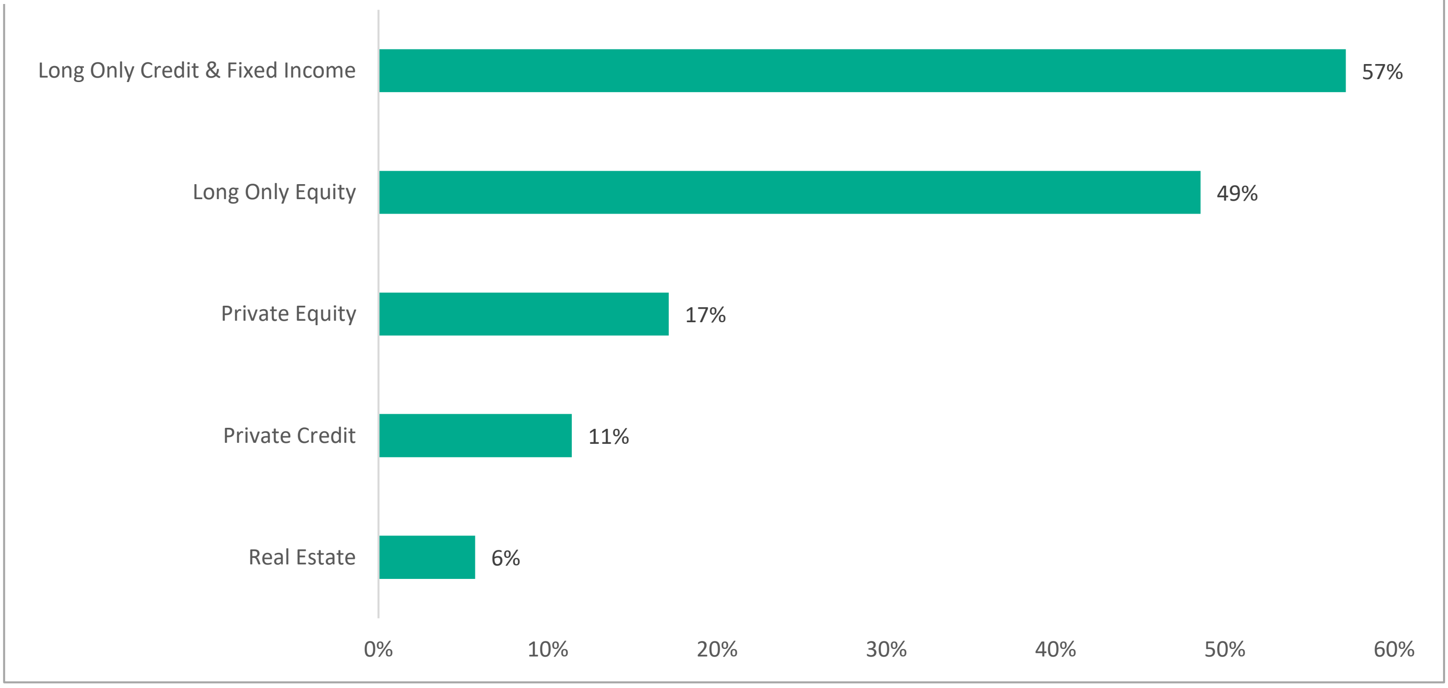


Source: BNP Paribas Alternative Investment Survey, 2025

We asked investors where 2024 hedge fund AUM shifts stemmed from. The majority of investors that increased their hedge fund allocations did so due to new capital inflows (66%). Excluding investors whose AUM increase came solely from new capital, redemptions from long only credit, fixed income and equity contributed most to hedge fund inflows. Of the very limited (13%) proportion of investors that reported a reduction to their hedge fund portfolio, most moved to private and long only equity.

3.10 GIVEN YOUR HEDGE FUND AUM/AUA INCREASED IN 2024, WHERE DID THIS CAPITAL COME FROM?

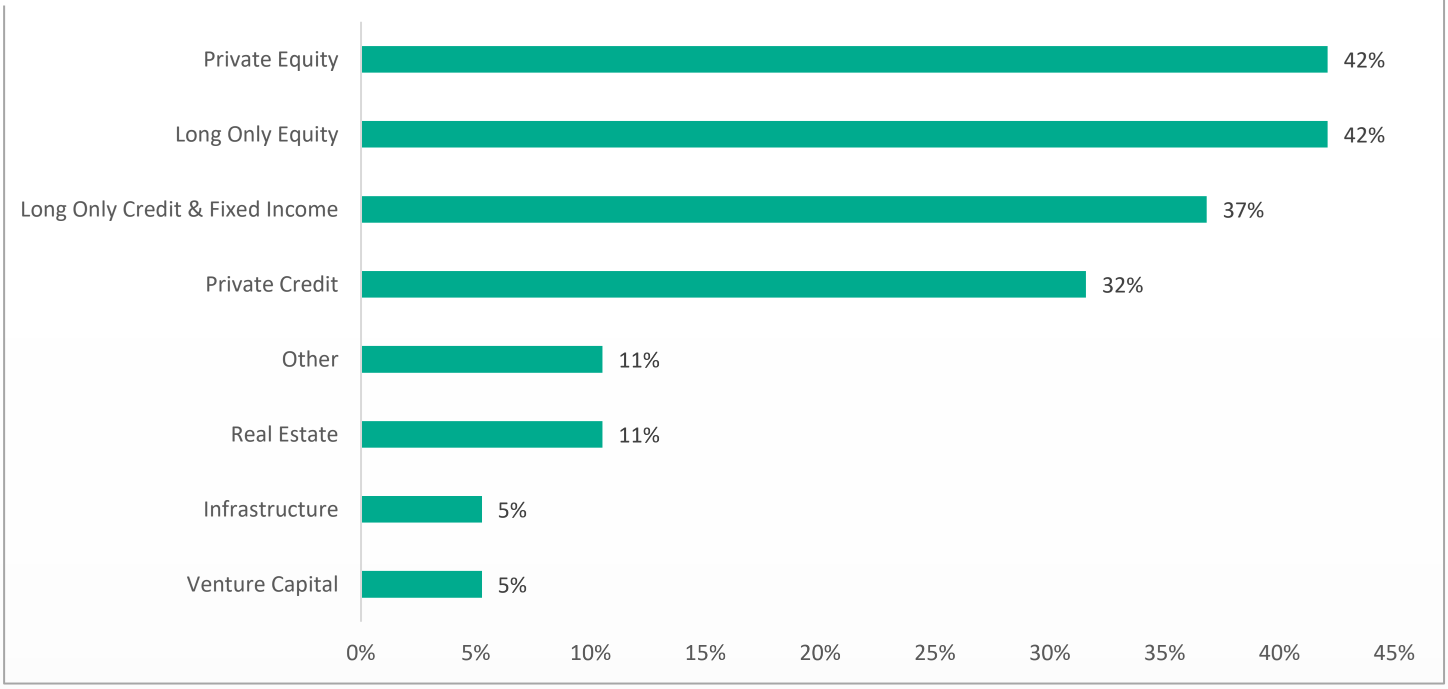
ALL RESPONDENTS EXCLUDING FOFs



Source: BNP Paribas Alternative Investment Survey, 2025

3.11 GIVEN YOUR HEDGE FUND AUM/AUA DECREASED IN 2024, WHERE HAS THIS CAPITAL SHIFTED TO?

ALL RESPONDENTS EXCLUDING FOFs



Source: BNP Paribas Alternative Investment Survey, 2025

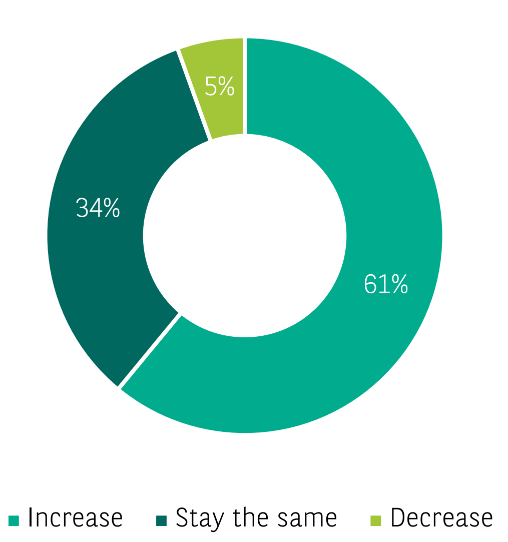
2025 HEDGE FUND ASSET ALLOCATION PLANS (EXCLUDING FOFS):

61% of respondents plan to grow their hedge fund portfolio this year whilst 5% plan to decrease it in 2025. Aggregating expected flows amongst our investor respondents, we estimate our respondents will add over $30 billion net flows in 2025, up 38% from what they reported in 2024.

Investor appetite to grow their hedge fund allocation in 2025 is the largest amongst the private banks / wealth managers, although it is strong across all types of investors, with family offices and investment consultants making up the next largest pockets of hedge fund AUM growth.

3.12 HOW DO YOU EXPECT YOUR/YOUR AVERAGE CLIENT'S HEDGE FUND AUM TO CHANGE DURING 2025 EXCLUDING PERFORMANCE BASED GAINS/LOSSES?

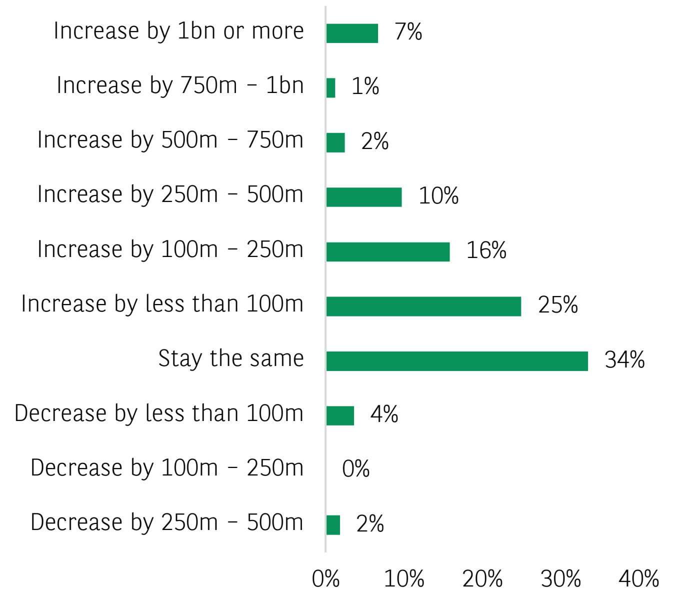
ALL RESPONDENTS EXCLUDING FOFs



Source: BNP Paribas Alternative Investment Survey, 2025

3.13 2025 EXPECTED CHANGE IN HEDGE FUND AUM, BY SIZE OF ALLOCATION

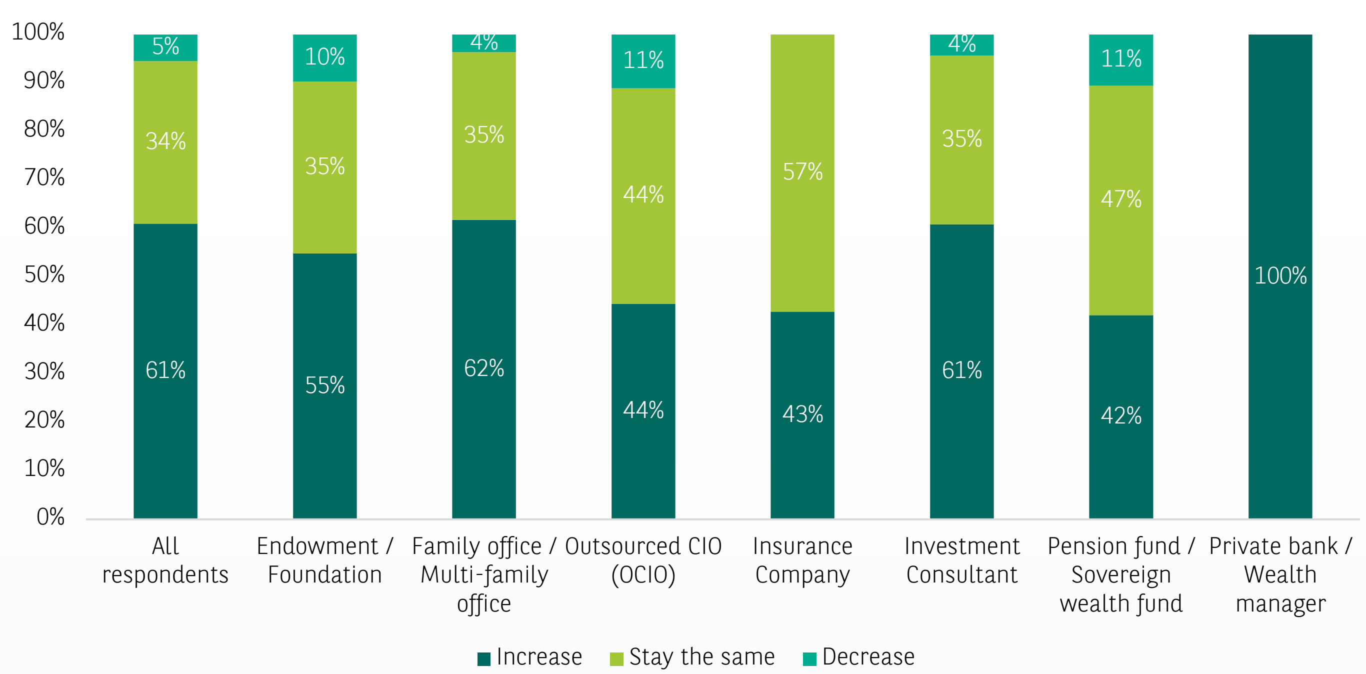
ALL RESPONDENTS EXCLUDING FOFs



Source: BNP Paribas Alternative Investment Survey, 2025

3.14 2025 EXPECTED CHANGE IN HEDGE FUND AUM, BY INVESTOR TYPE

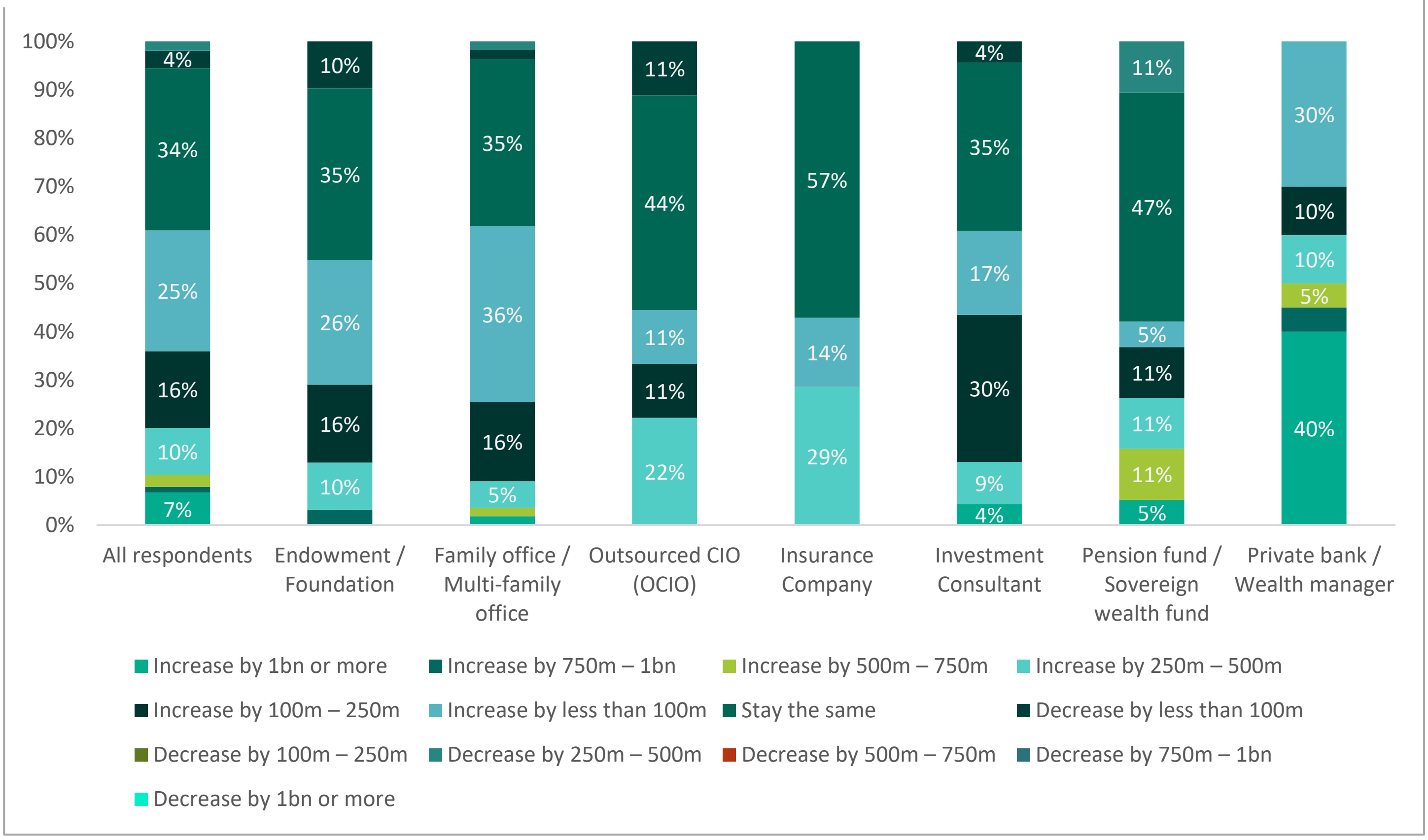
ALL RESPONDENTS EXCLUDING FOFs



Source: BNP Paribas Alternative Investment Survey, 2025

3.15 2025 EXPECTED CHANGE IN HEDGE FUND AUM, BY INVESTOR TYPE (DETAILED BREAKDOWN)

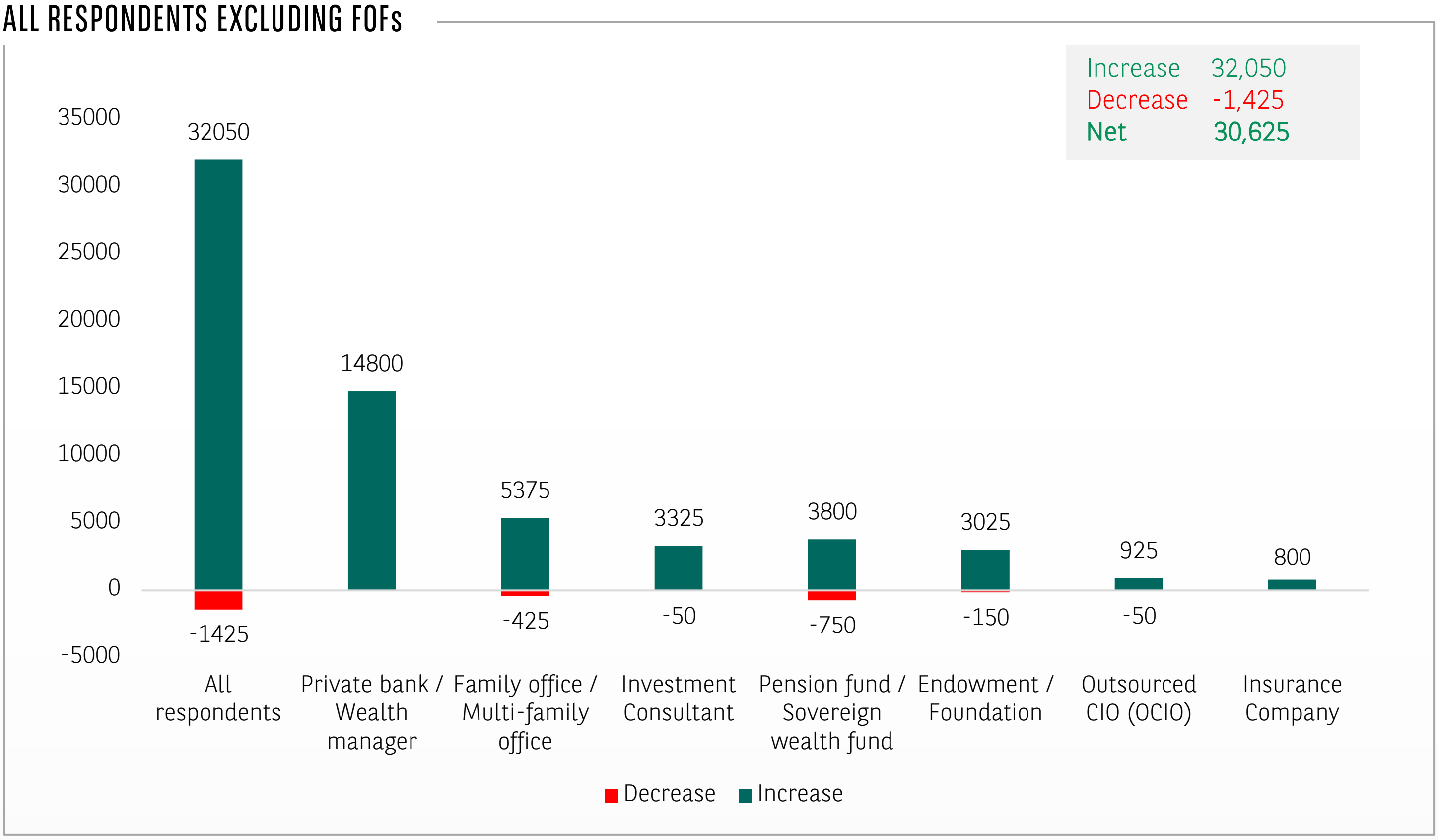
ALL RESPONDENTS EXCLUDING FOFs



Source: BNP Paribas Alternative Investment Survey, 2025

3.16 2024 EXPECTED CHANGE IN HEDGE FUND AUM, BY INVESTOR TYPE (DETAILED $MM BREAKDOWN)

ALL RESPONDENTS EXCLUDING FOFs

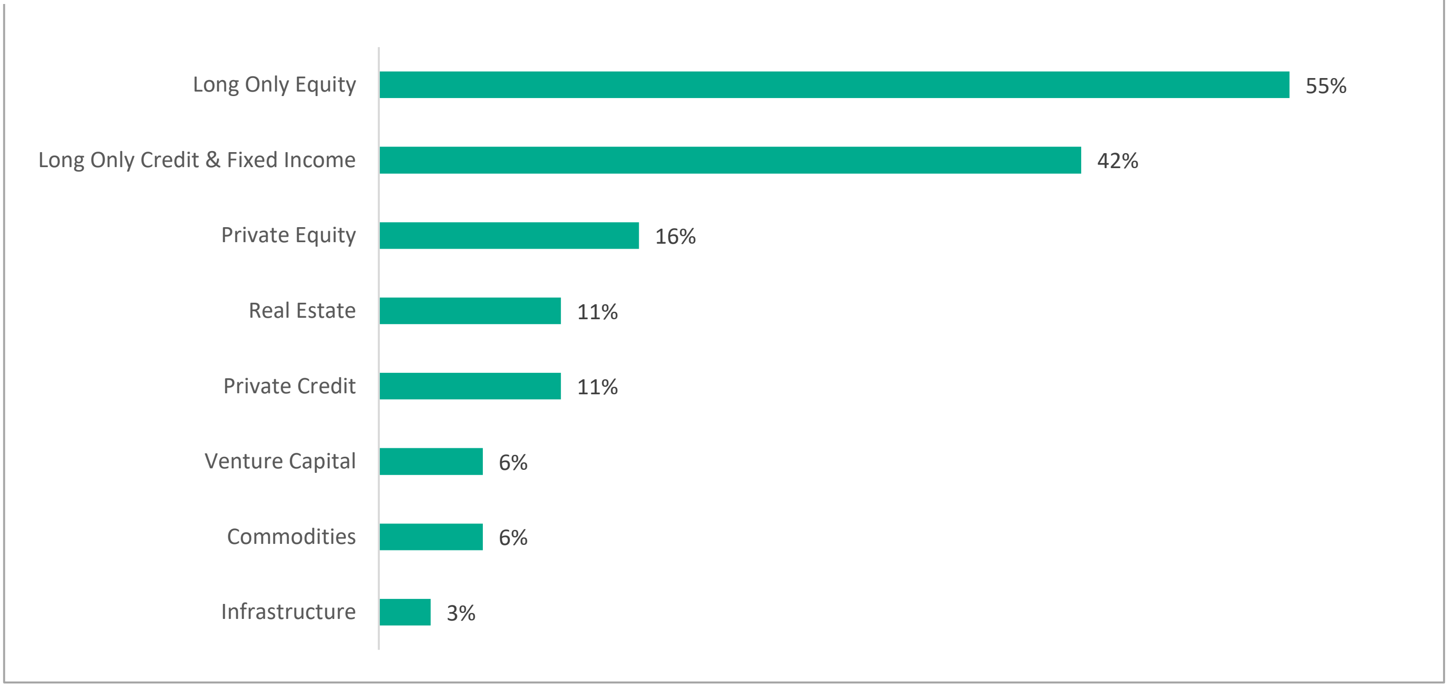


Source: BNP Paribas Alternative Investment Survey, 2025

Similar to 2024 new capital inflows is expected to be the driving source of new hedge fund capital in 2025. Excluding these sources of new capital, most of the increase in hedge fund AUM in 2025 is expected to again come from long-only equity, credit and fixed income. Among the smaller group of investors expecting their hedge fund AUM to decline in 2025, this is expected to move mostly to long only equity.

3.17 GIVEN YOUR HEDGE FUND AUM / AUA IS EXPECTED TO INCREASE IN 2025, WHERE IS THIS CAPITAL EXPECTED TO COME FROM?

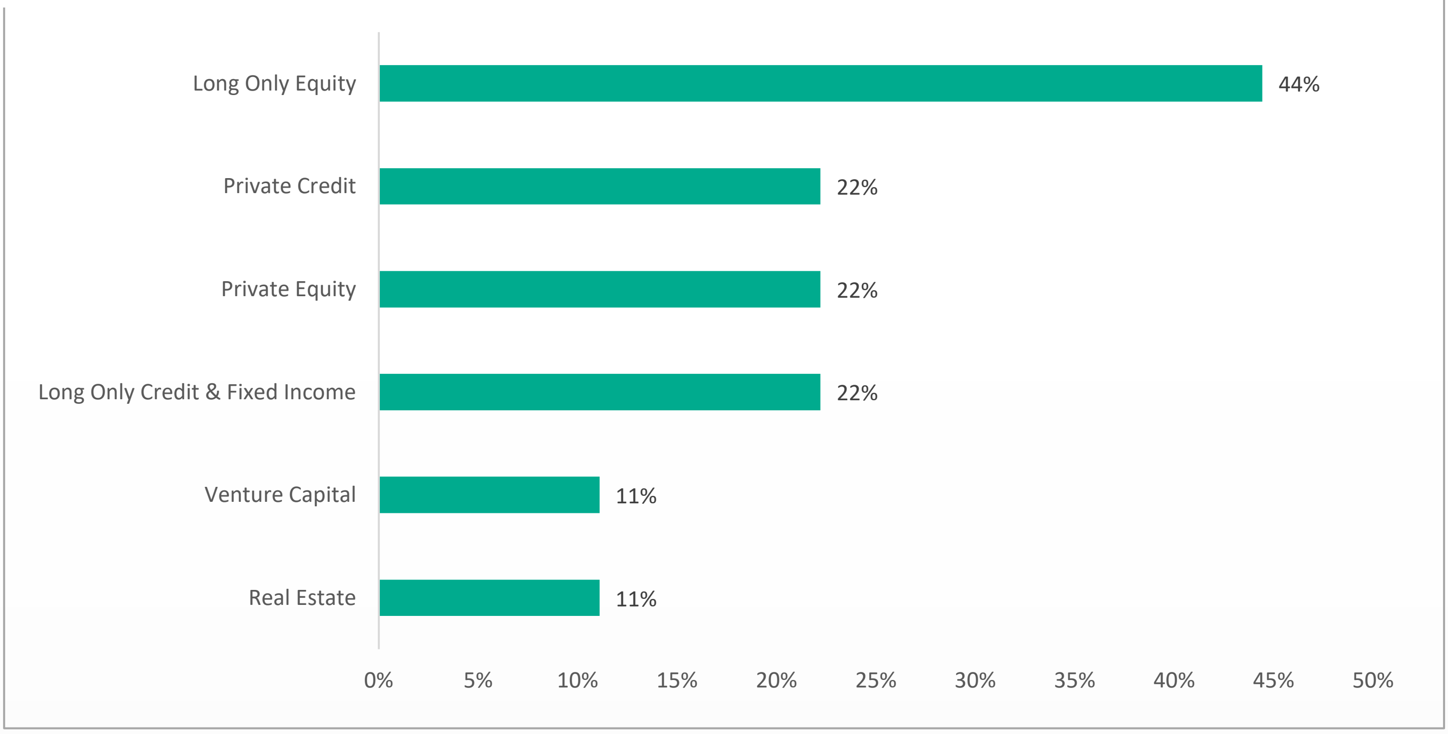
ALL RESPONDENTS EXCLUDING FOFs



Source: BNP Paribas Alternative Investment Survey, 2025

3.18 GIVEN YOUR HEDGE FUND AUM / AUA IS EXPECTED TO DECREASE IN 2025, WHERE IS THIS CAPITAL SHIFTING TO?

ALL RESPONDENTS EXCLUDING FOFs



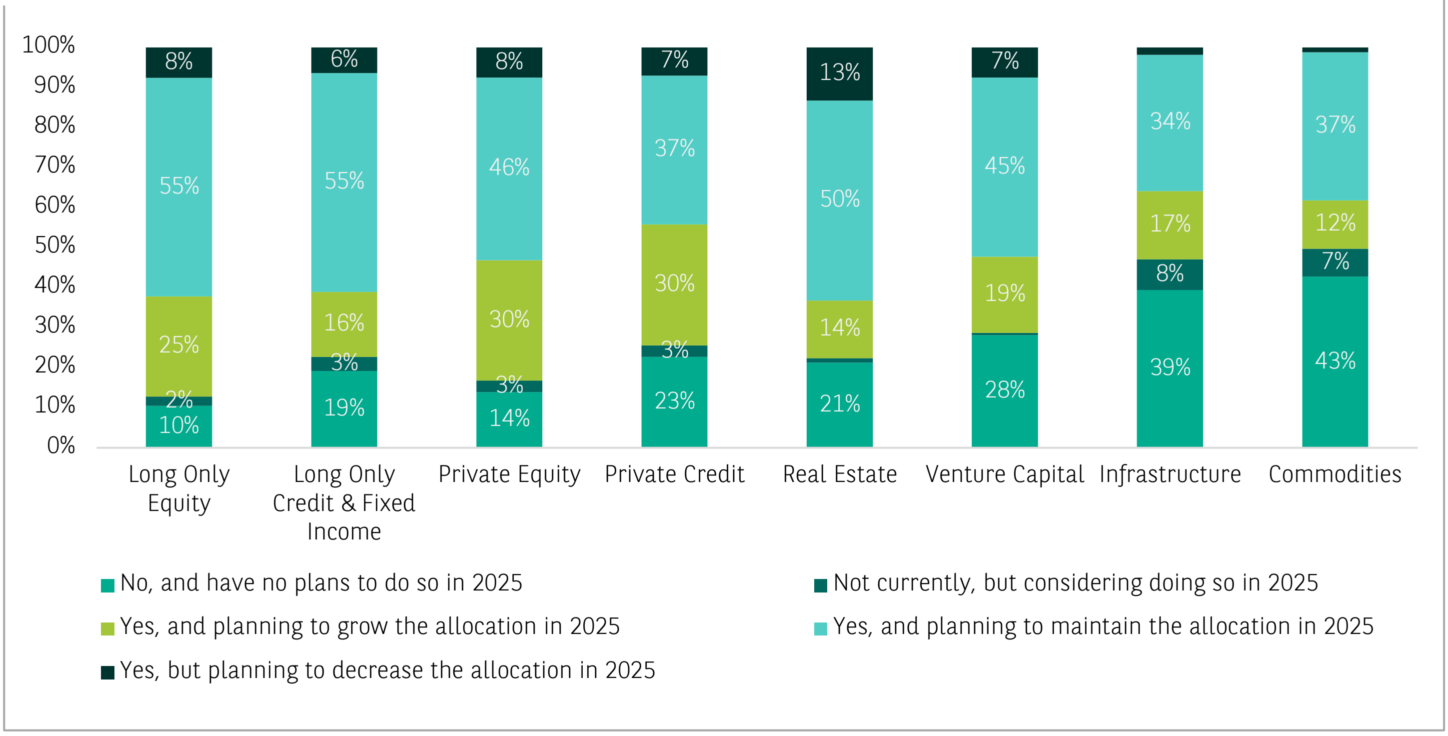
Source: BNP Paribas Alternative Investment Survey, 2025

2025 ASSET ALLOCATION PLANS (EXCLUDING HEDGE FUNDS)

Similar to last year private equity and private credit remain a focus to respondents. It is worth noting that long only credit and fixed income only has 10% net respondents looking to add to the space. This is down from 20% last year and 31% in 2023. Infrastructure also seems to be a growing area of focus in 2025 amongst institutional investors.

3.19 2025 ALLOCATION PLANS

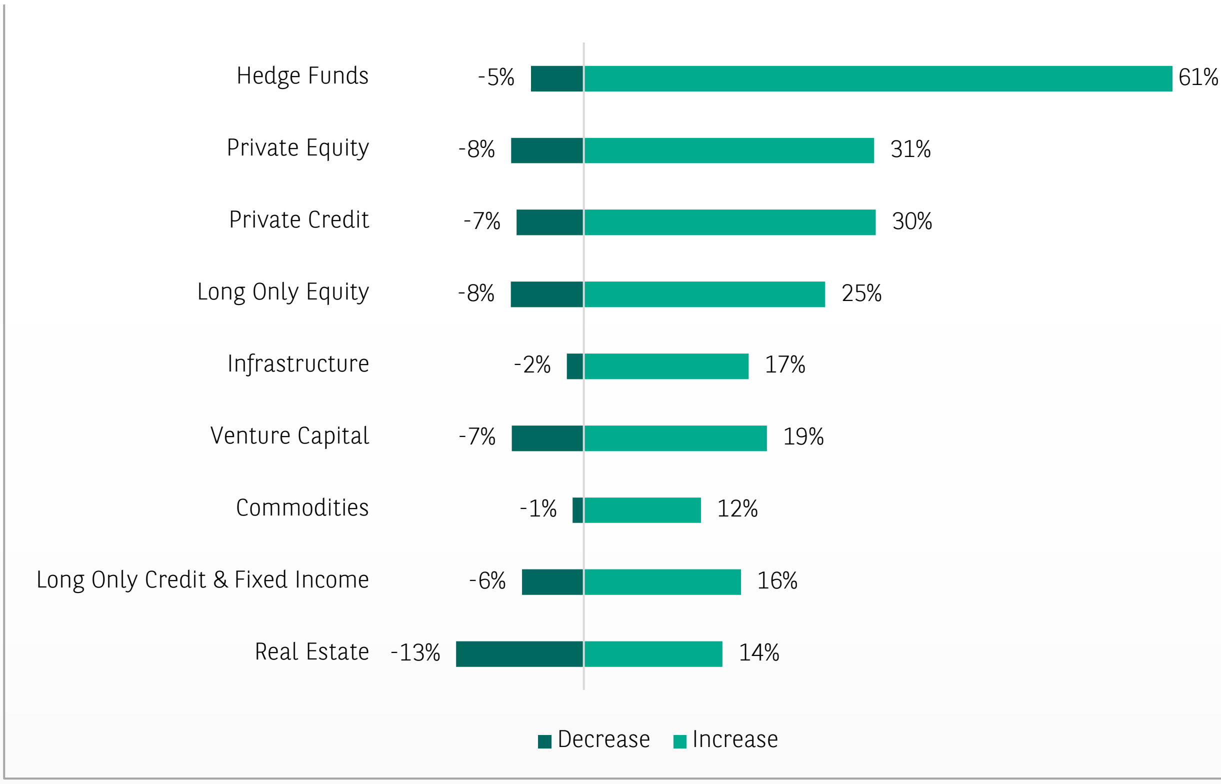
ALL RESPONDENTS EXCLUDING FOFs



Source: BNP Paribas Alternative Investment Survey, 2025

3.20 2025 ALLOCATION PLANS (INCLUDING HEDGE FUNDS)

ALL RESPONDENTS EXCLUDING FOFs



Net 25	Net 24
56%	35%
23%	23%
23%	24%
17%	13%
15%	10%
12%	11%
11%	8%
10%	20%
1%	3%

Source: BNP Paribas Alternative Investment Survey, 2025 & 2024

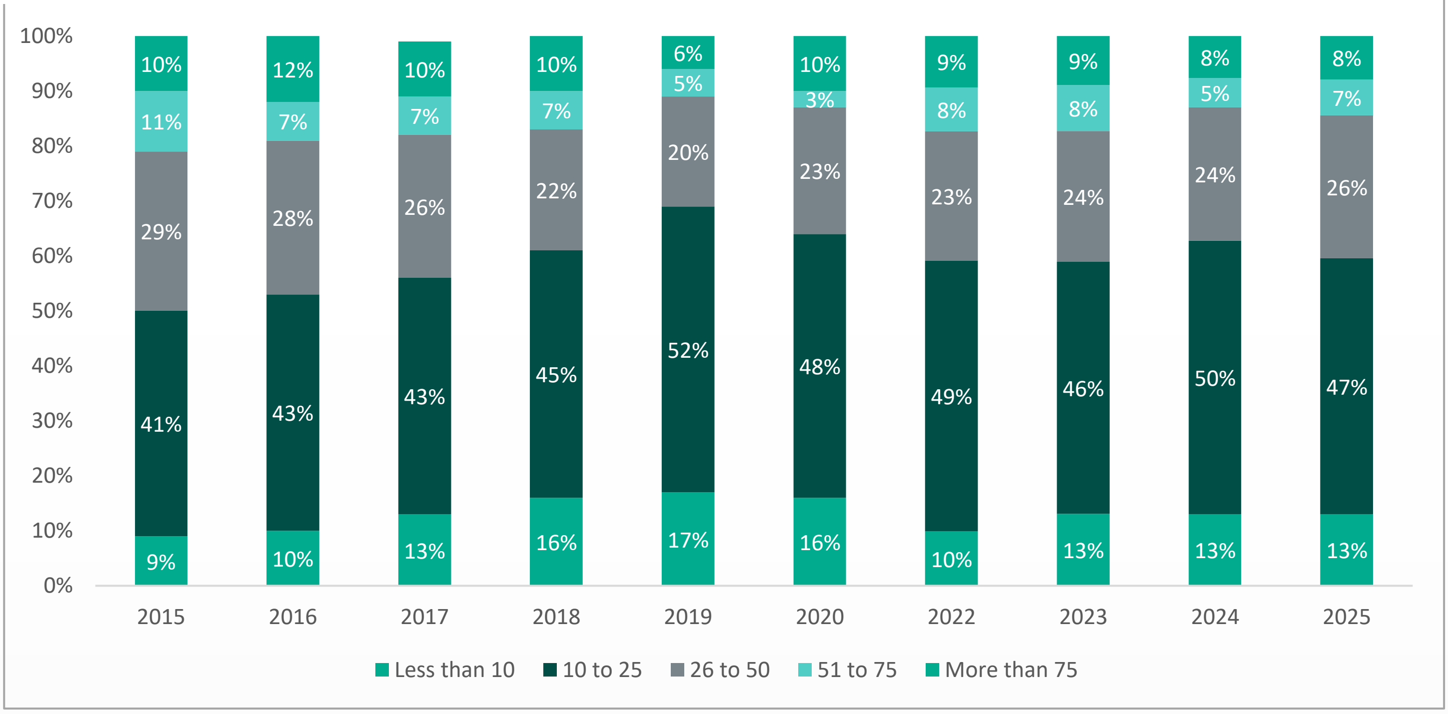
04 HEDGE FUND PORTFOLIO CONSTRUCTION & PLANS

SECTION HIGHLIGHTS

- The average number of funds in all respondents' portfolios is 32, which is expected to increase by 2 in 2025 with private banks / wealth management investors targeting double this and increasing by 4.
- The average initial and target ticket size reported by respondents is $45 million and $80 million respectively, both up 22% & 4% respectively over the past five years.
- Active extension comes into focus, the number of respondents investing in the space has doubled in the last two years with a net of 22% looking to grow further and 12% looking to add for the first time.

The average number of funds in all respondents' portfolios is 32, with institutional end investors having 18 funds. The ratio of portfolio size to portfolio managers has increased by 32% since 2019, from $146 million per manager to $192 million per manager this year. This has been meaningfully higher for institutional investors with a change of 93% (increasing from $166 million in 2019 to $320 million this year). Across all investor types, 46% of respondents reported an increase in the total number of direct single hedge fund investments year on year. Meanwhile, 17% of respondents reported a decrease, 19% reported no changes, and 17% reported no changes with manager turnover.

4.1 WHAT IS THE TOTAL NUMBER OF DIRECT SINGLE HEDGE FUND MANAGERS THAT YOU ARE INVESTED WITH?



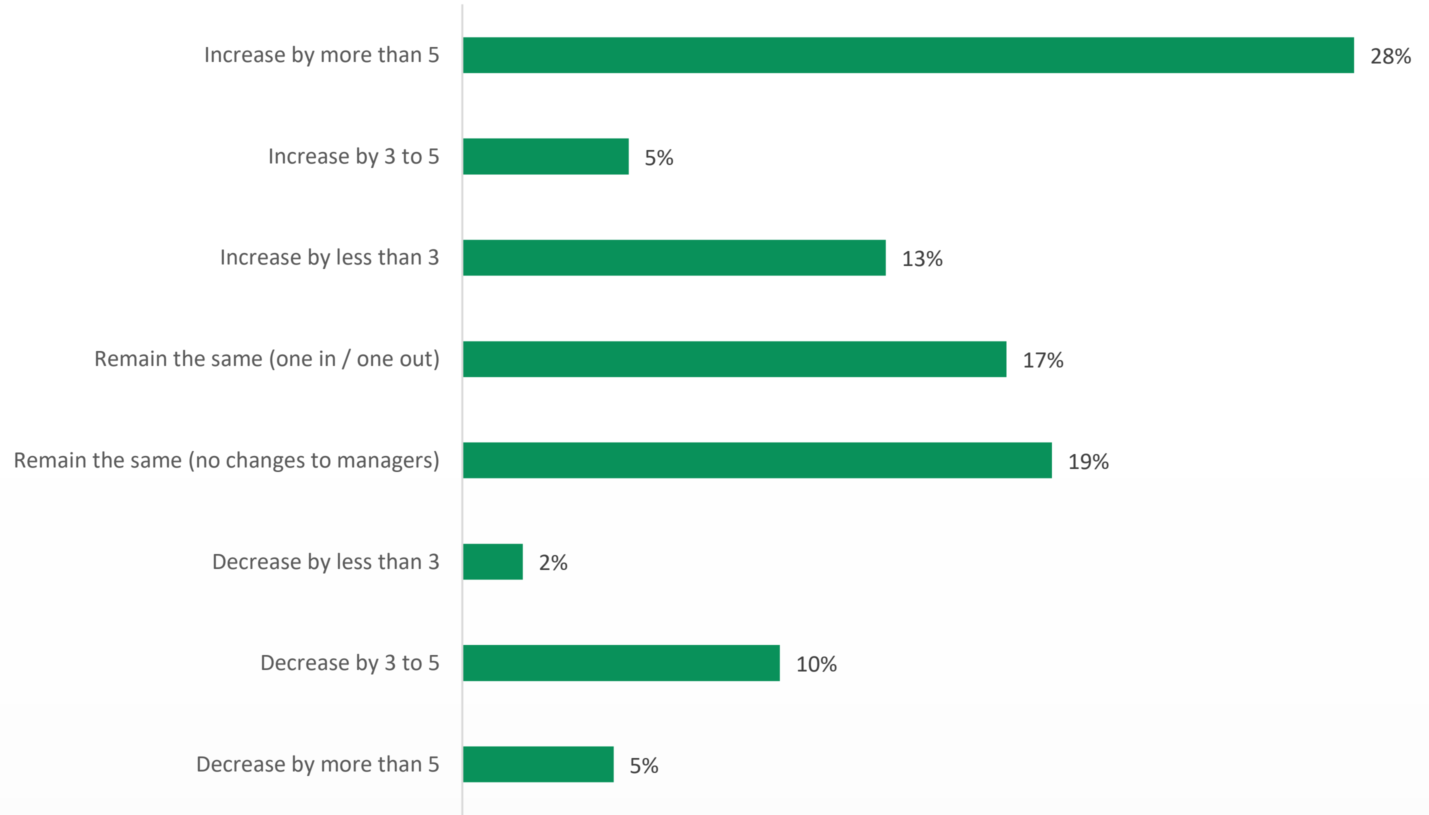
Source: BNP Paribas Alternative Investment Survey, 2025, 2024
The Survey was not carried out in 2021, hence 2021 data is unavailable

4.2 AVERAGE NUMBER OF SINGLE HEDGE FUND MANAGERS PER PORTFOLIO RELATIVE TO HEDGE FUND AUM, BY INVESTOR TYPE

	2019 Survey		2022 Survey		2023 Survey		2024 Survey		2025 Survey	
	Average size of HF portfolio ($m)	Average number of single direct managers in portfolio	Average size of HF portfolio ($m)	Average number of single direct managers in portfolio	Average size of HF portfolio ($m)	Average number of single direct managers in portfolio	Average size of HF portfolio ($m)	Average number of single direct managers in portfolio	Average size of HF portfolio ($m)	Average number of single direct managers in portfolio
Endowment / Foundation	1,557	17	2498	18	1,776	15	2,525	17	2,164	19
Family office / Multi-family office	646	19	627	20	647	17	580	18	777	18
Fund of funds / Outsourced CIO	4,323	36	6854	45	6,862	44	5,749	44	7,165	47
Insurance company	1,380	22	4600	34	2,250	23	2,500	22	2,251	25
Investment consultant	17,097	50	16716	51	38,004	67	13,683	44	17,939	51
Pension fund	4,960	19	6797	18	19,730	27	10,767	28	12,438	22
Private bank / Wealth manager	4,169	27	4405	20	4,501	36	4,737	38	7,933	38
All respondents	4,092	28	5423	32	7,629	33	5,052	31	6,139	32
End institutional investors	3,166	19	4,496	20	7,824	20	5,956	22	5,770	18

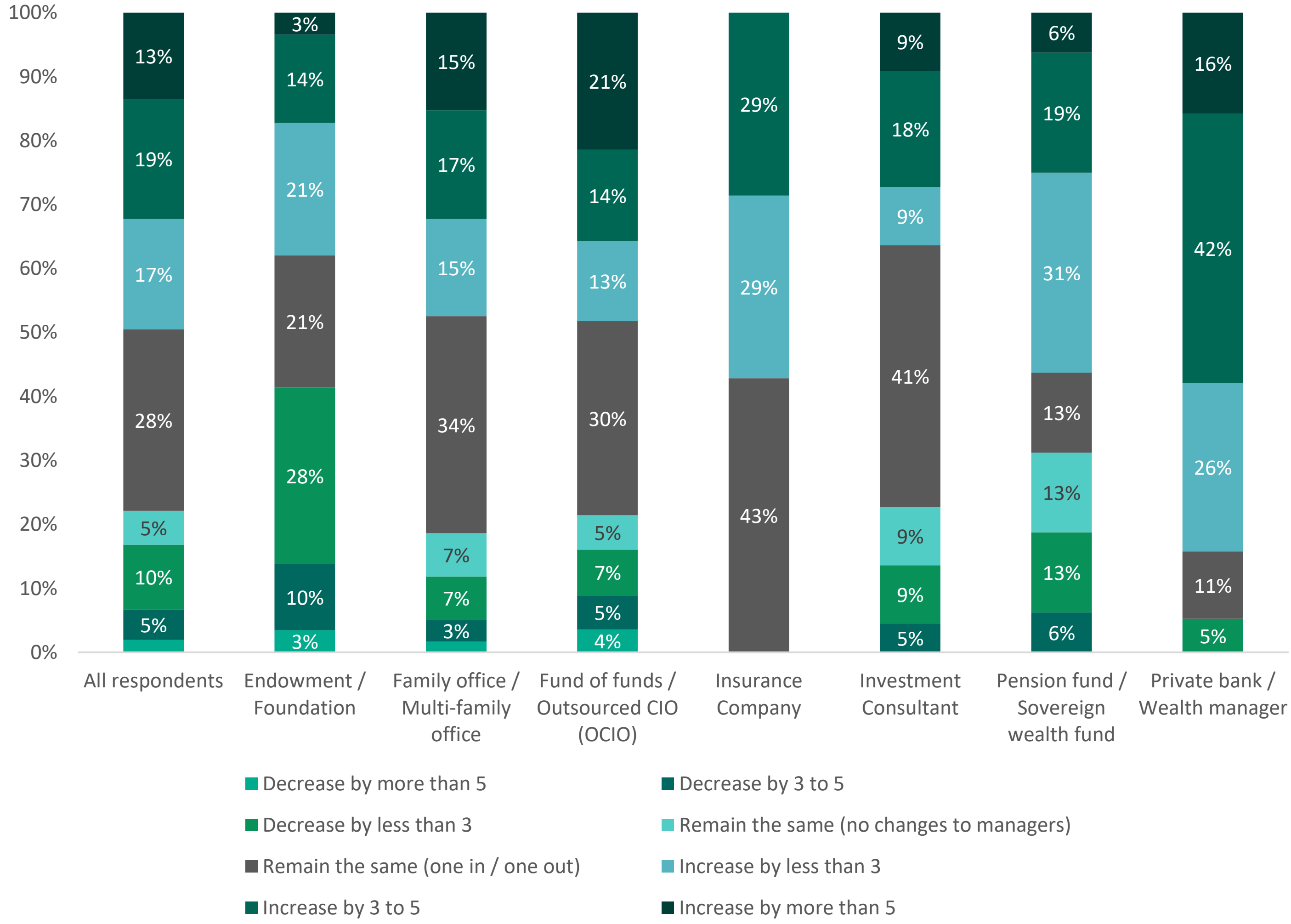
BNP Paribas Alternative Investment Survey, 2025, 2024

4.3 HOW DID THE TOTAL NUMBER OF DIRECT SINGLE HEDGE FUNDS THAT YOU ARE INVESTED IN CHANGE IN 2024?



Source: BNP Paribas Alternative Investment Survey, 2025

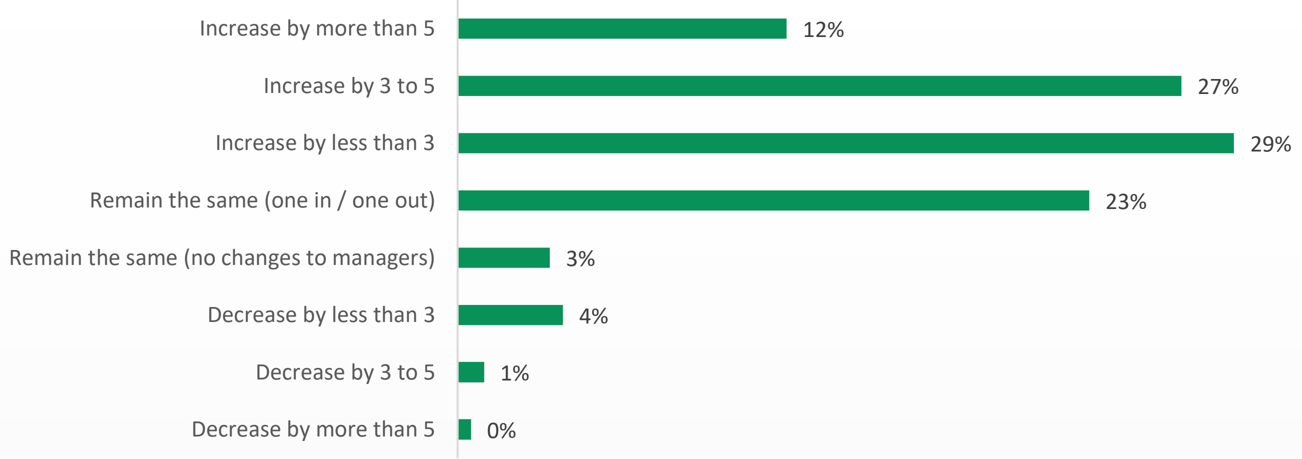
4.4 HOW DID THE TOTAL NUMBER OF DIRECT SINGLE HEDGE FUNDS THAT YOU ARE INVESTED IN CHANGE IN 2024? BY INVESTOR TYPE



Source: BNP Paribas Alternative Investment Survey, 2025

For the year ahead, over two thirds of respondents will add to the number of single managers in their portfolios, whilst 5% will decrease, 3% expect no changes while 23% will turnover their portfolios without changing the number of allocations.

4.5 HOW DO YOU EXPECT THE TOTAL NUMBER OF DIRECT SINGLE HEDGE FUNDS THAT YOU ARE INVESTED WITH TO CHANGE IN 2025?



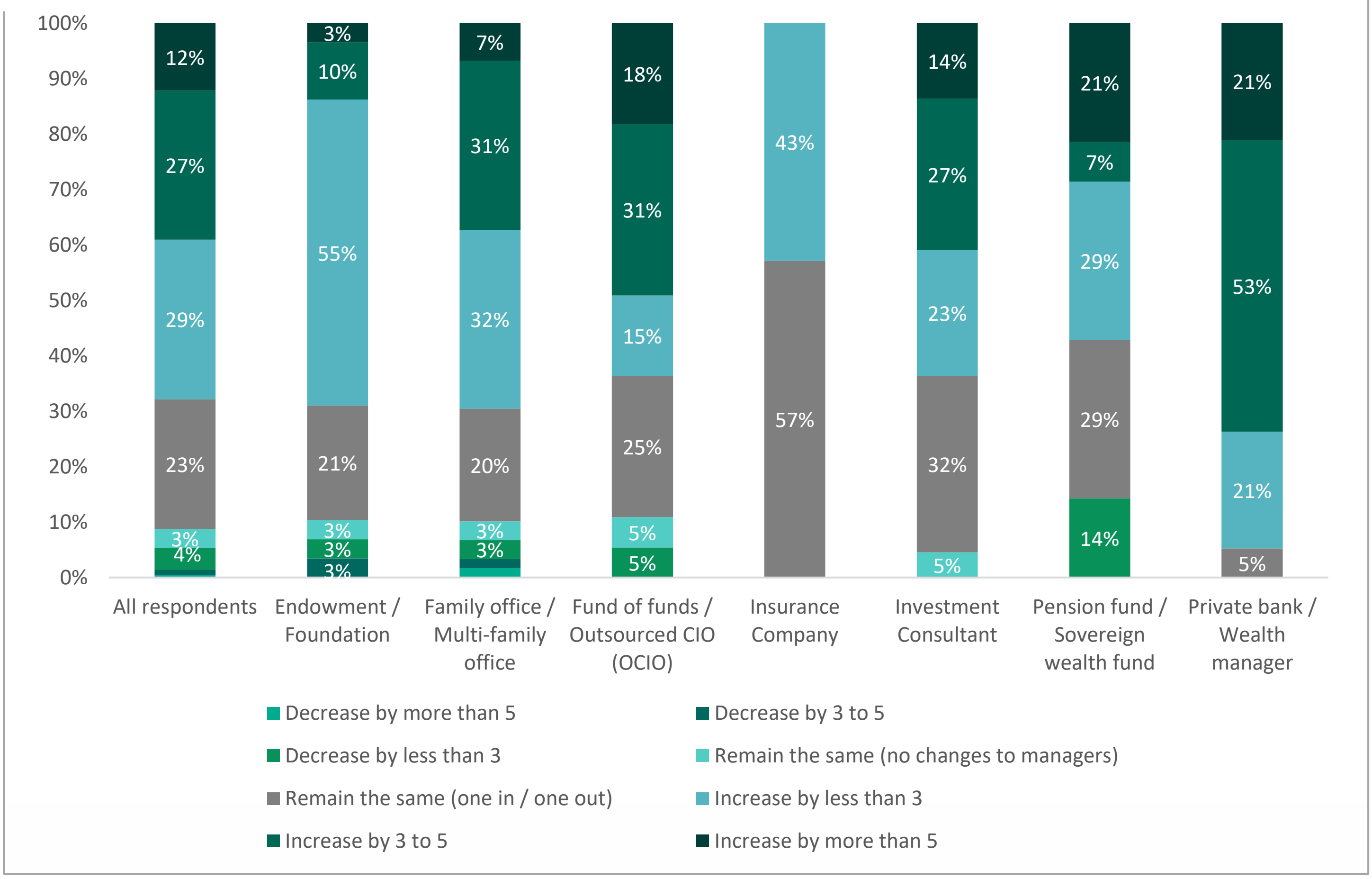
Source: BNP Paribas Alternative Investment Survey, 2025

4.6 CHANGE IN MANAGERS PER INVESTOR TYPE

Investor Type	2024 expected average change in managers	2025 expected average change in managers
Endowment / Foundation	0	+1
Family office / Multi-family office	+1	+2
Fund of funds / Outsourced CIO	+2	+2
Insurance company	+2	+1
Investment consultant	+1	+2
Pension fund	+1	+2
Private bank / Wealth management	+3	+4
All respondents	+1	+2

Source: BNP Paribas Alternative Investment Survey 2025, 2024

4.7 HOW WILL THE TOTAL NUMBER OF DIRECT SINGLE HEDGE FUNDS THAT YOU ARE INVESTED IN CHANGE IN 2025?



Source: BNP Paribas Alternative Investment Survey, 2025

TICKET SIZES

The average initial hedge fund ticket reported by respondents is $45 million, up 22% from five years ago and consistent with 2024.

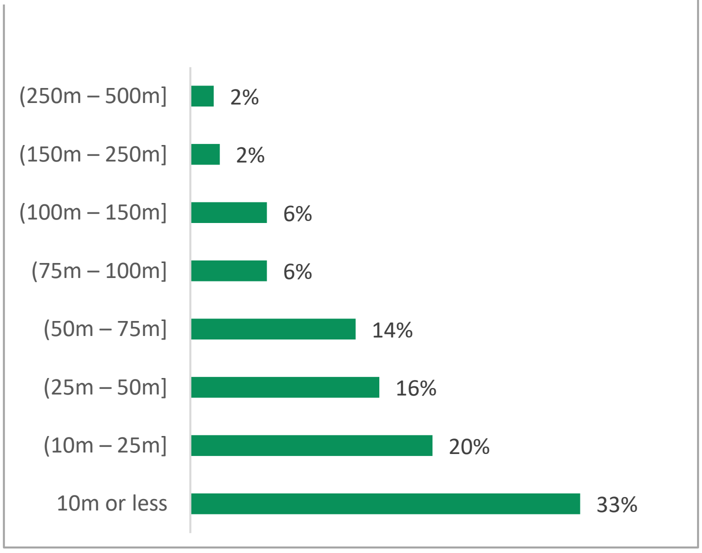
The average target hedge fund ticket reported by respondents is $80 million, up 4% from five years ago, but down slightly compared to last year.

Family Offices have the lowest average initial ticket size at $17 million, 62% less than the respondents' average. Private Bank / Wealth Managers have the highest percentage increase from initial to target ticket size, with the average target ticket size ($69 million) being 1.5 times the initial ticket size.

Pension fund respondents remain the largest allocators with an average initial ticket of $143 million, and an average target ticket of $157 million They have the smallest change between initial and target size on average.

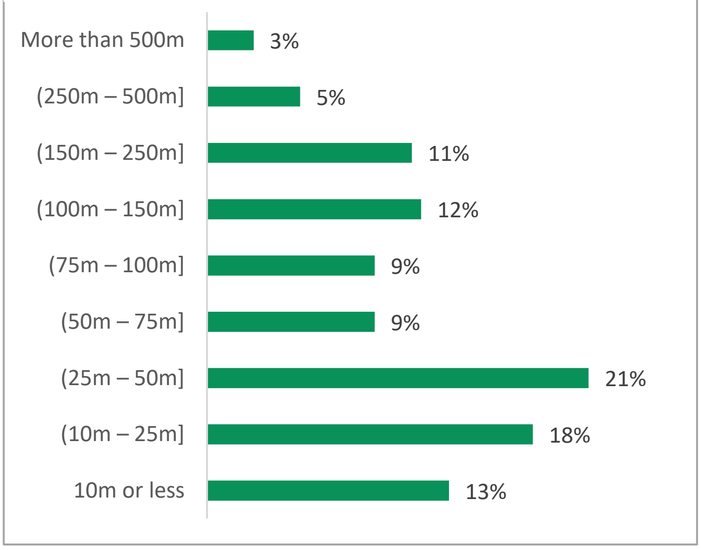
4.8 BREAKDOWN OF RESPONDENTS BY AVERAGE HEDGE FUND TICKET SIZE

INITIAL TICKET SIZE ($)



Source: BNP Paribas Alternative Investment Survey, 2025

TARGET TICKET SIZE ($)



Source: BNP Paribas Alternative Investment Survey, 2025

4.9 2024 EXPECTED CHANGE IN HEDGE FUND AUM, BY INVESTOR TYPE

	2020	2022	2023	2024	2025	Change (5 year)
Average Initial Ticket ($m)	37	43	45	45	45	22%
Average Target Ticket ($m)	77	81	94	88	80	4%

Source: BNP Paribas Alternative Investment Survey, 2025, 2024
The Survey was not carried out in 2021, hence 2021 data is unavailable

4.10 2024 EXPECTED CHANGE IN HEDGE FUND AUM, BY INVESTOR TYPE

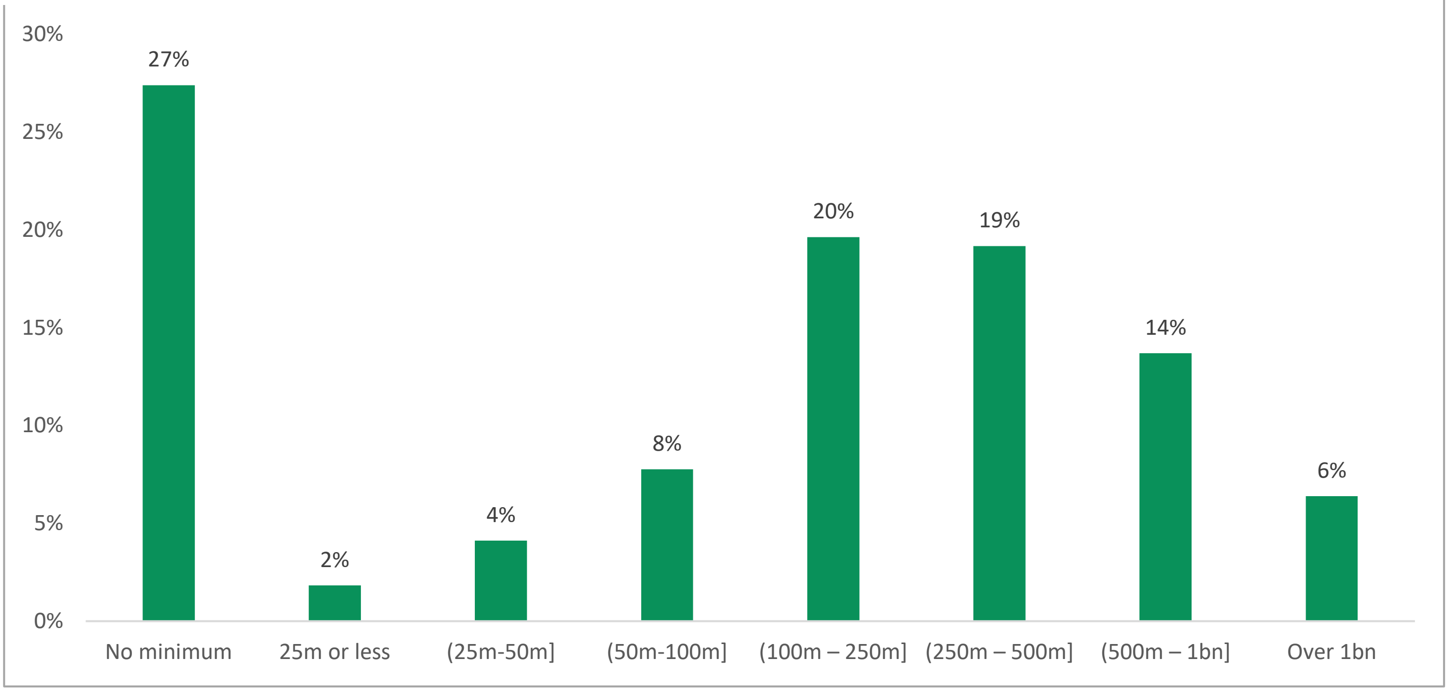
	Average Initial Ticket ($m)	Average Target Ticket ($m)	Change
Endowment / Foundation	58	106	82%
Family office / Multi-family office	17	34	102%
Fund of funds / Outsourced CIO	45	101	123%
Insurance company	56	78	38%
Investment consultant	37	74	101%
Pension fund	143	157	10%
Private bank / Wealth manager	28	69	146%
All respondents	**45**	**80**	**77%**
Institutional end investors	**85**	**115**	**35%**

Source: BNP Paribas Alternative Investment Survey, 2025

FUND AUM PREFERENCES

We asked investors what minimum AUM they would like a manager to have before investing. 41% of investors would allocate to managers with less than $100 million in AUM inclusive of 27% which have no minimum AUM requirements. Only 6% of investors look for over $1 billion in AUM. These findings are in line with last year's survey.

4.11 WHAT IS THE MINIMUM AUM YOU WOULD LIKE A FUND TO HAVE BEFORE INVESTING? (USD)

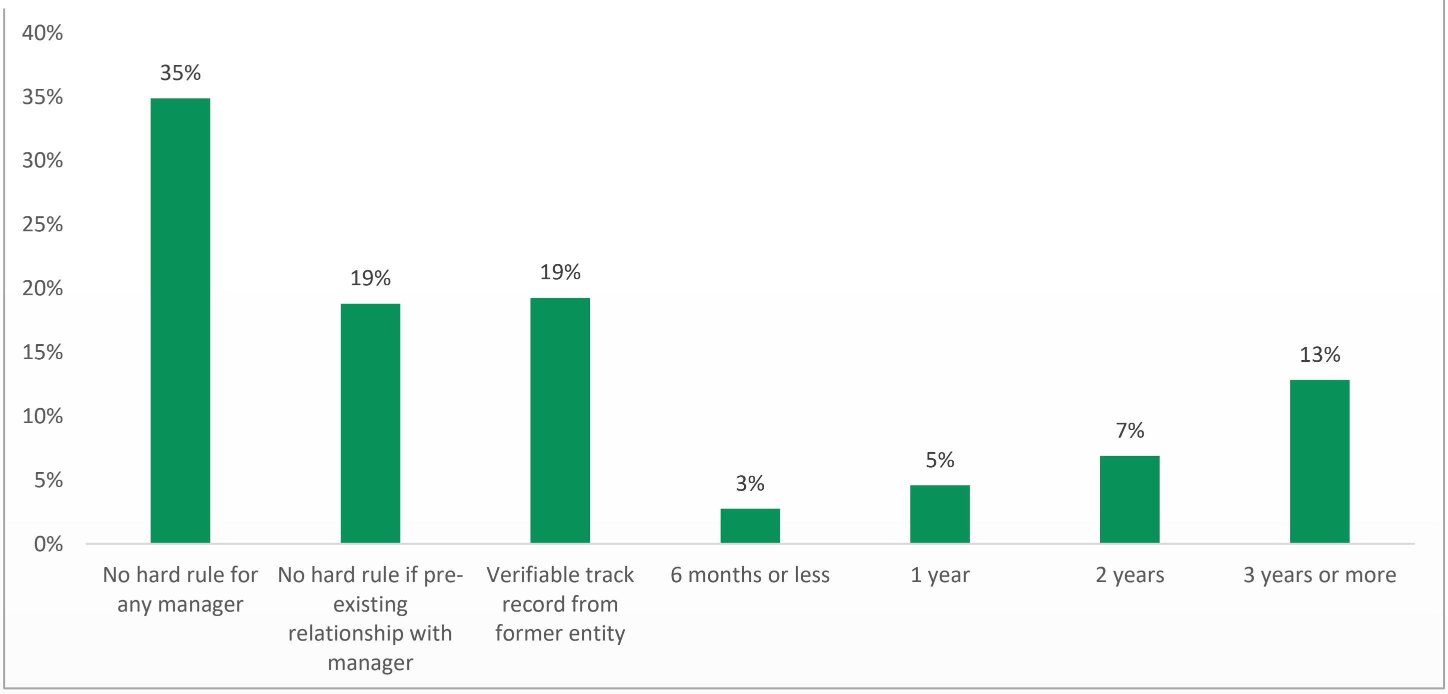


Source: BNP Paribas Alternative Investment Survey, 2025

FUND TRACK RECORD PREFERENCES

We asked investors what minimum track record they would like a manager to have before investing. A majority (35% of investors) say there is no hard rule while 19% do not need a track if they have a pre-existing relationship with the manager. 19% of respondents would like to see a verifiable track from a former entity. A fifth of allocators require at least a 2-year track record.

4.12 WHAT IS THE MINIMUM TRACK RECORD YOU WOULD LIKE A FUND TO HAVE BEFORE INVESTING? (USD)

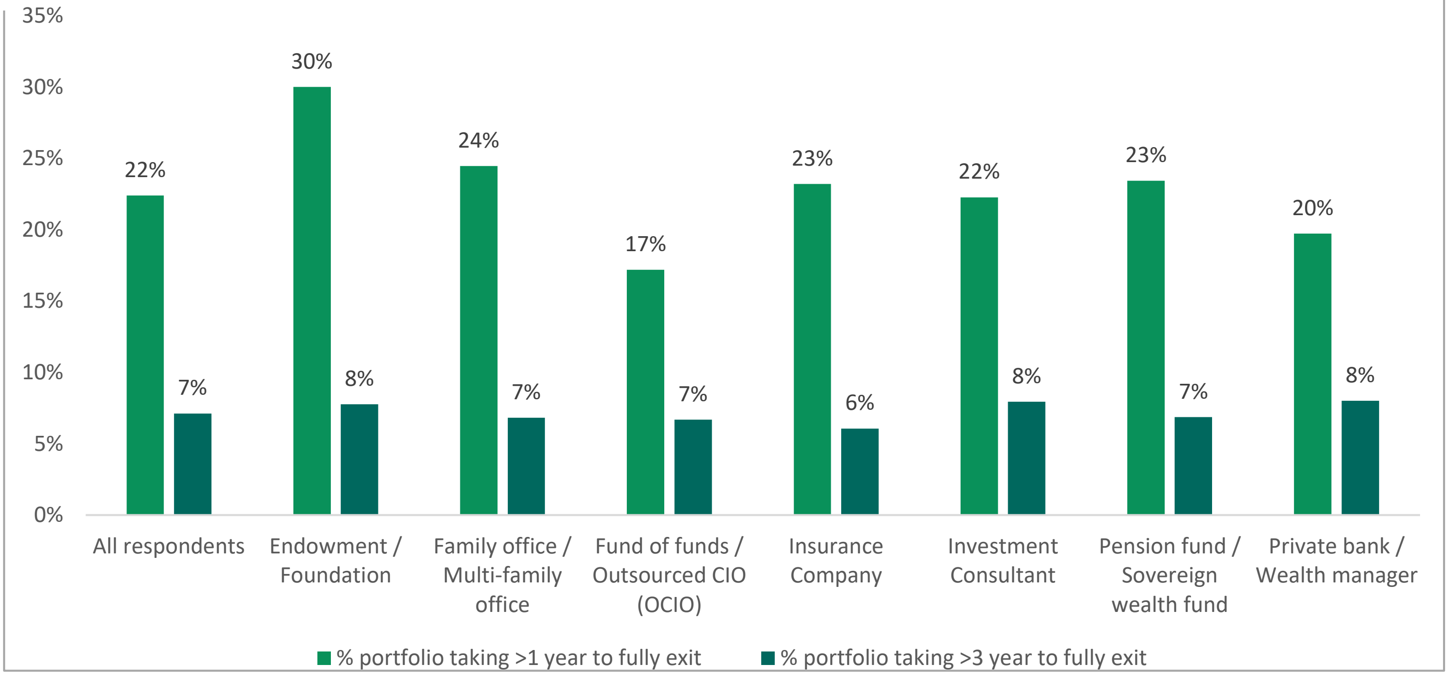


Source: BNP Paribas Alternative Investment Survey, 2025

PORTFOLIO LIQUIDITY

Given the industry discussion around fund terms becoming less liquid, we asked investors a question on their overall portfolio liquidity. Across all our respondents 22% of their assets are locked up for at least 1 year while only 7% of their assets is locked up for at least 3 years. This is in line with responses from last years survey (the first time we asked this questions). When asked what the reasons are for locking up capital, 68% of investors say the funds' liquidity matches that of the underlying investments, 55% cite outstanding performance while 45% put it down to manager access.

4.13 WHAT PERCENTAGE OF YOUR HEDGE FUND PORTFOLIO, BY ASSETS, WOULD TAKE LONGER THAN 1 YEAR AND 3 YEARS TO FULLY EXIT?

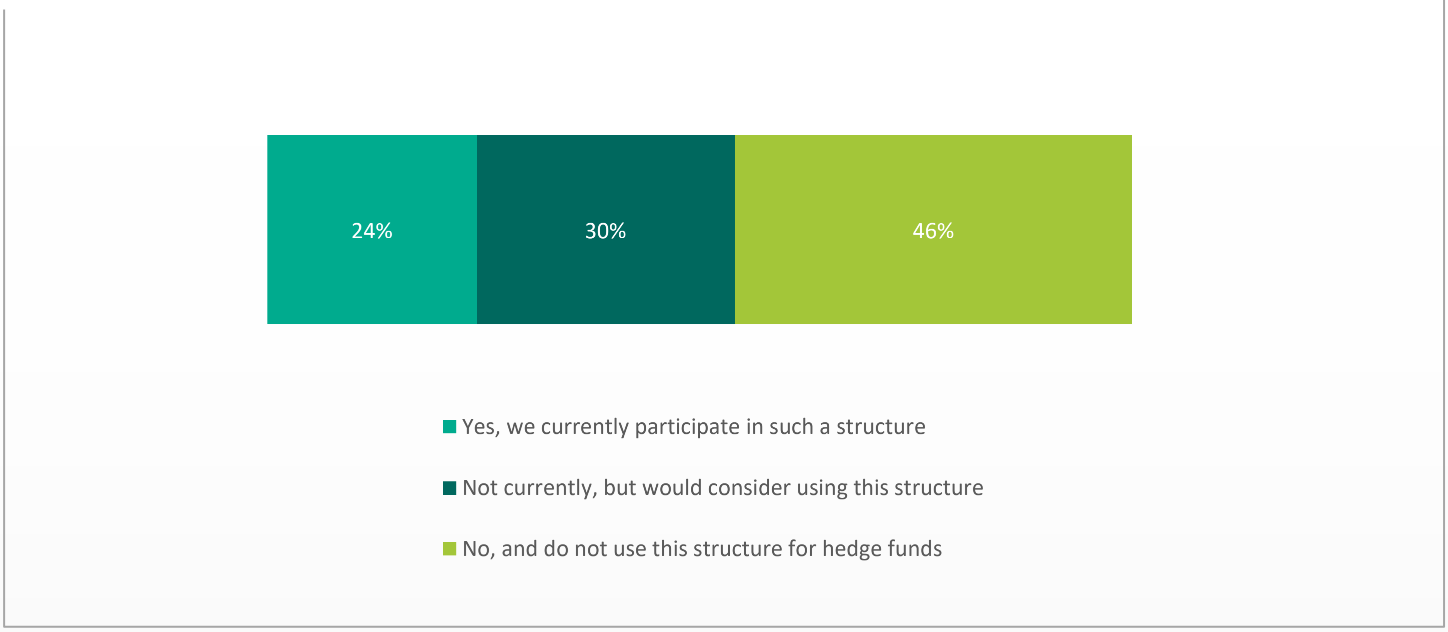


Source: BNP Paribas Alternative Investment Survey, 2025

CAPITAL COMMITMENT STRUCTURES

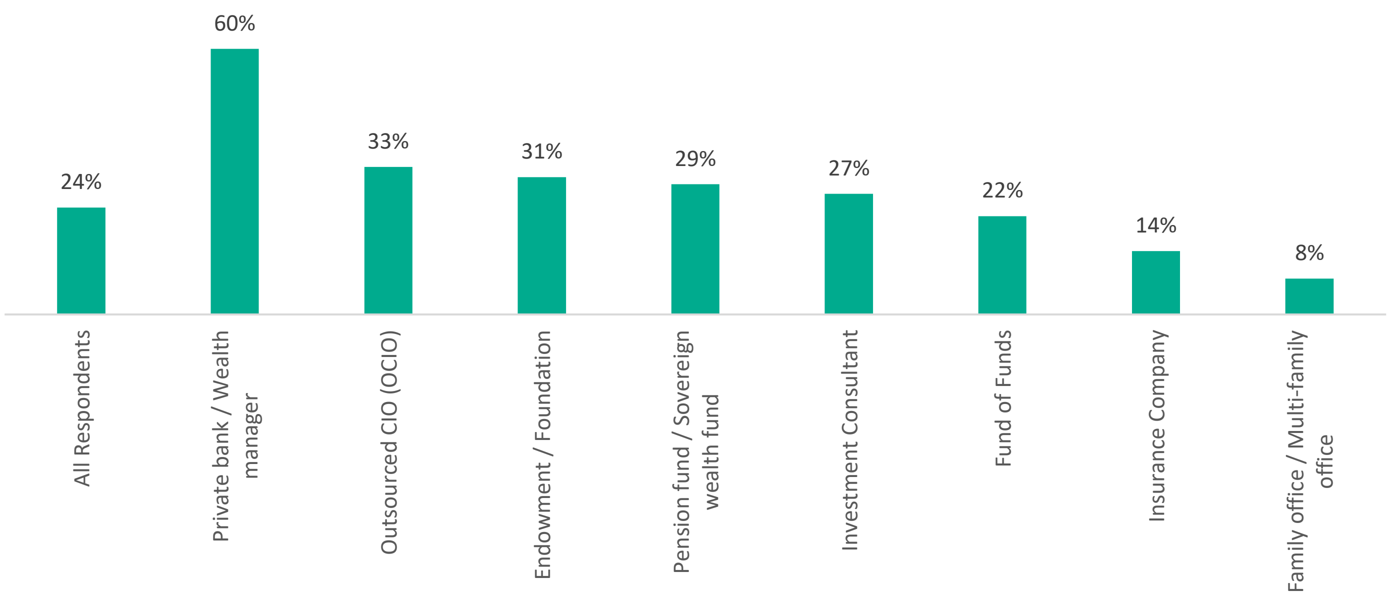
In recent years we have started to see hedge funds, particularly funds that are closed to capital raise money via capital commitment structures. Investors will pledge funds that managers can access over time when they need it with specific rules on how the commitment works, when it expires, under what terms it rolls over etc. This fundraising method offers more certainty in capital management and allows managers to maintain liquidity without holding a large cash reserve, which could impact returns. Nearly a quarter of investors have participated in capital call structures, with a further 30% willing to consider such a structure. Private banks / wealth management are the most active investor in this space with respect to hedge funds.

4.14 DO YOU HAVE HEDGE FUND CAPITAL COMMITMENT INVESTMENTS?



Source: BNP Paribas Alternative Investment Survey, 2025

4.15 CAPITAL COMMITMENT STRUCTURES BY INVESTOR TYPE

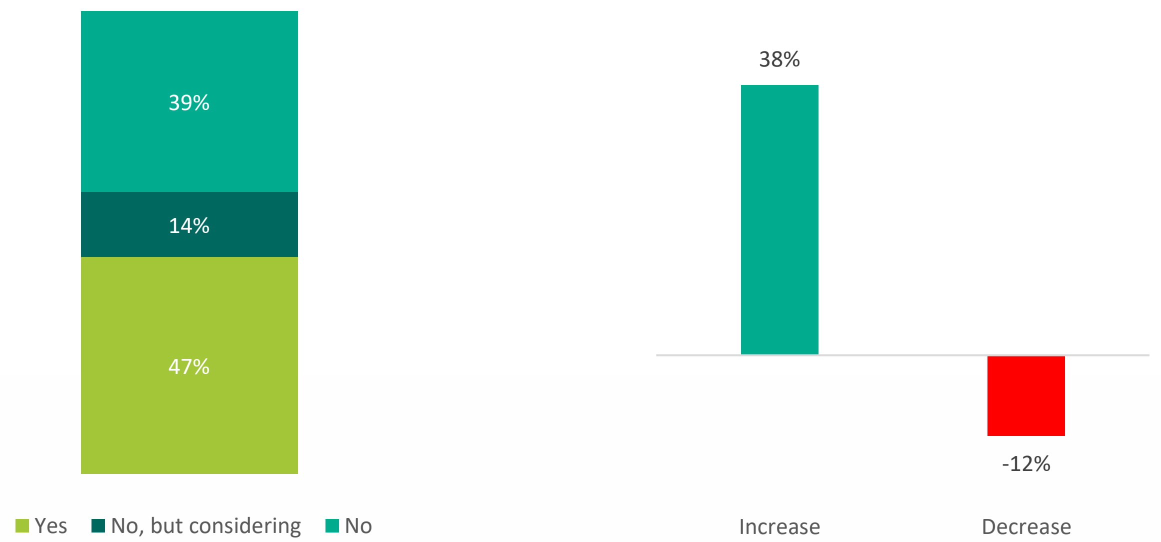


Source: BNP Paribas Alternative Investment Survey, 2025

CO-INVESTMENTS

Respondents continue to look for more direct investment opportunities from their managers in the search for higher yield, uncorrelated return streams and increasing their concentration. Forty-seven percent of respondents currently have co-investments, in line with last year (48%) and up from 2020 (38%). Thirty eight percent of investors that have co-investments are planning to increase this in 2025 with 12% looking to reduce. A further 14% of investors are considering a first co-investment allocation.

4.16 DO YOU HAVE CO-INVESTMENTS?

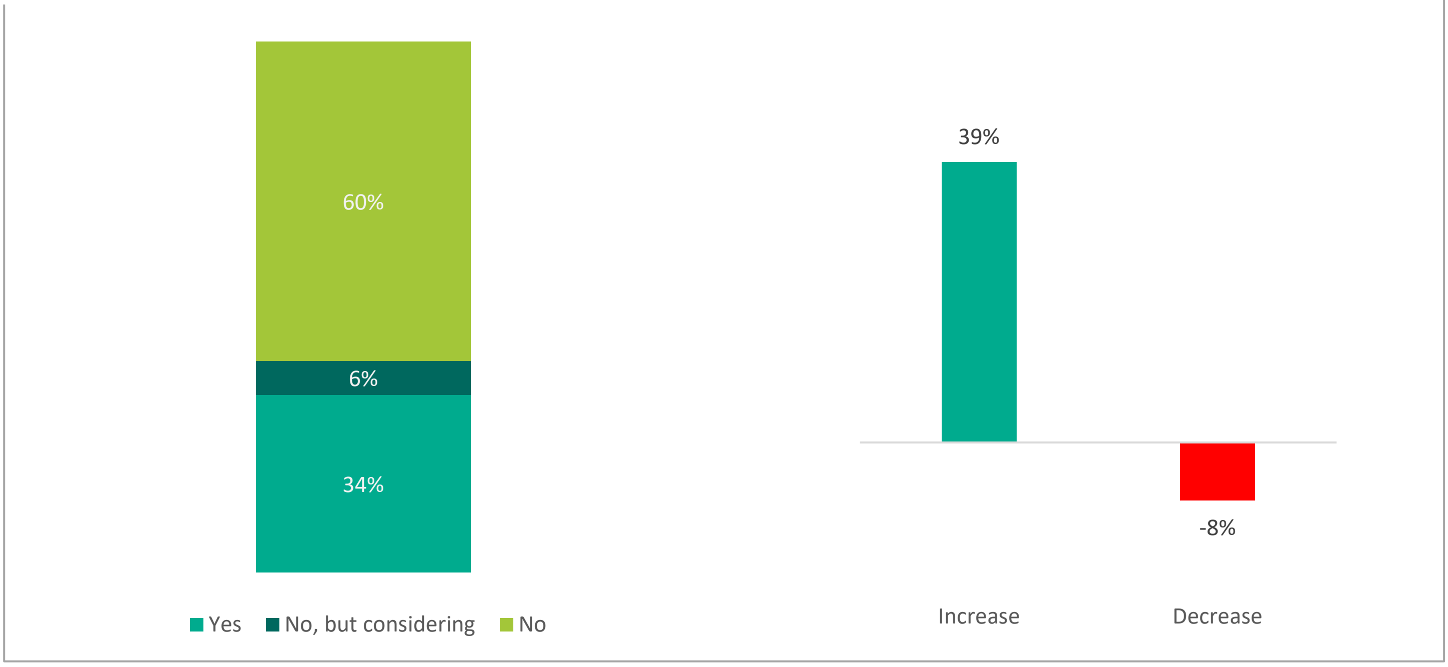


Source: BNP Paribas Alternative Investment Survey, 2025

ALTERNATIVE UCITS

A third of respondents allocate to alternative Undertakings for the Collective Investment in Transferable Securities (UCITS) which has remained constant year-on-year. 39% percent of those investors are looking to increase their allocations with 8% looking to reduce. A further 6% are considering allocating to alternative UCITS in 2025 for the first time.

4.17 DO YOU INVEST IN ALTERNATIVE UCITS FUNDS?

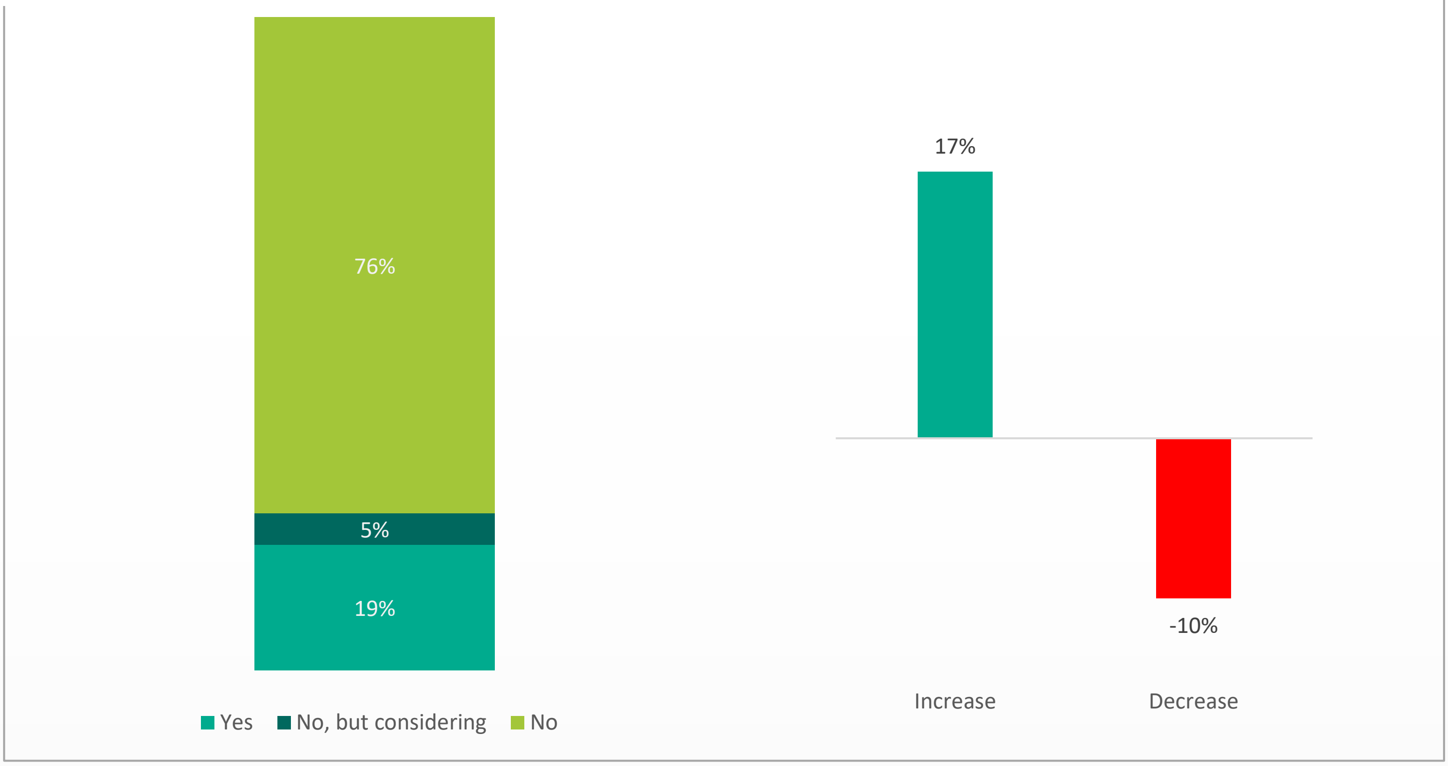


Source: BNP Paribas Alternative Investment Survey, 2025

ALTERNATIVE '40 ACT

19% of investor respondents are currently active in the alternative '40 Act space, of which 7% (net) are expecting this to increase in 2025.

4.18 DO YOU INVEST IN ALTERNATIVE '40 ACT FUNDS?



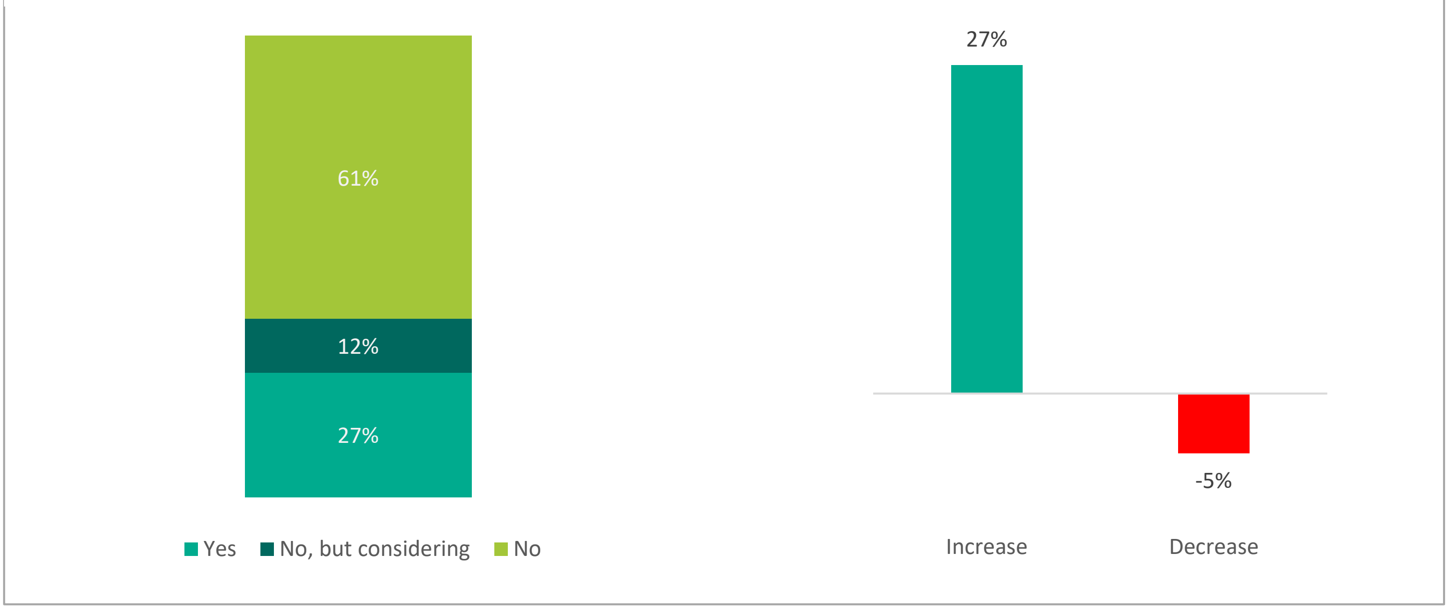
Source: BNP Paribas Alternative Investment Survey, 2025

ACTIVE EXTENSION

Active extension operates under a levered structure, whereby a manager holds a net exposure of 100% to the market but can extend their positions by a specified amount on both the long and short sides, creating a 130/30 or 150/50 structure for example. These strategies aim to generate alpha ideas on both the long and short sides, relying on the levered long book and the short book as sources of outperformance.

27% of investors respondents currently invest in active extension, which is up from 20% last year and 14% the year before. A net of 22% of investors already in the space are looking to grow their allocation, while a further 12% are considering their first foray into active extension. In addition to alpha generation, another reason investors are starting to look to active extension is they believe it will outperform long only strategies in a world of increased market concentration, as we have seen in recent years a small group of high-performing stocks for example the magnificent seven has driven equity market gains.

4.19 DO YOU INVEST IN ACTIVE EXTENSION FUNDS?



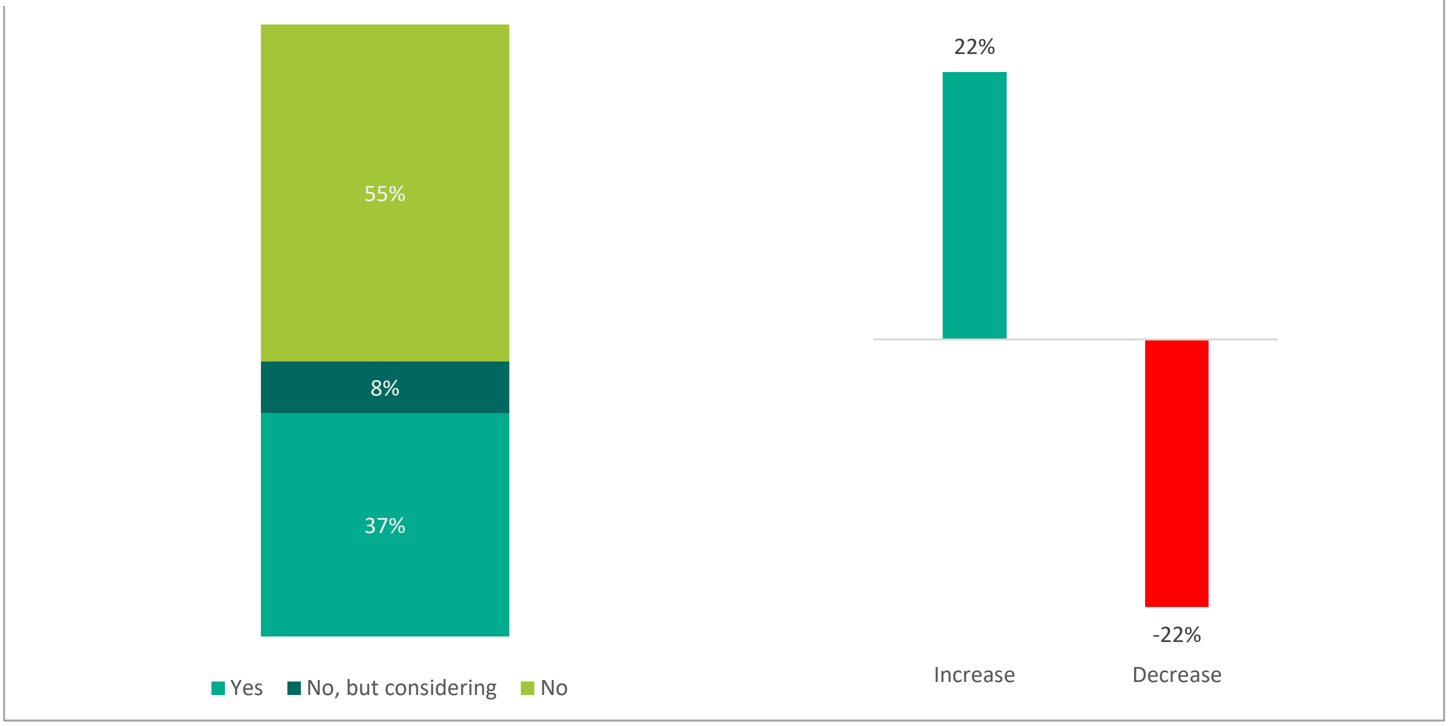
Source: BNP Paribas Alternative Investment Survey, 2025

CROSSOVER OR HYBRID PRIVATE / HEDGE FUND VEHICLES

Hybrid vehicles combine elements of both open-ended hedge funds and closed-end private funds. Their more flexible terms as to subscriptions, redemptions and fees can make them more suitable for funds investing in less liquid assets, such as private credit, distressed debt, direct lending as well as crossover funds which invest in both public and private equity including venture capital. They can also be used by fund sponsors and managers seeking to lock up investor capital for a longer period of time in connection with a restructuring, proxy contest, or other activist investment strategy, often in a hybrid vehicle focused on only a single underlying investment.

37% of investor respondents are currently active in the hybrid PE/HF vehicles space, interestingly just as many investors that are invested in this space are looking to grow versus redeem. This could be a consequence of investor wanting to separate public and private investing.

4.20 DO YOU INVEST IN CROSSOVER HYBRID PE/HF VEHICLES?

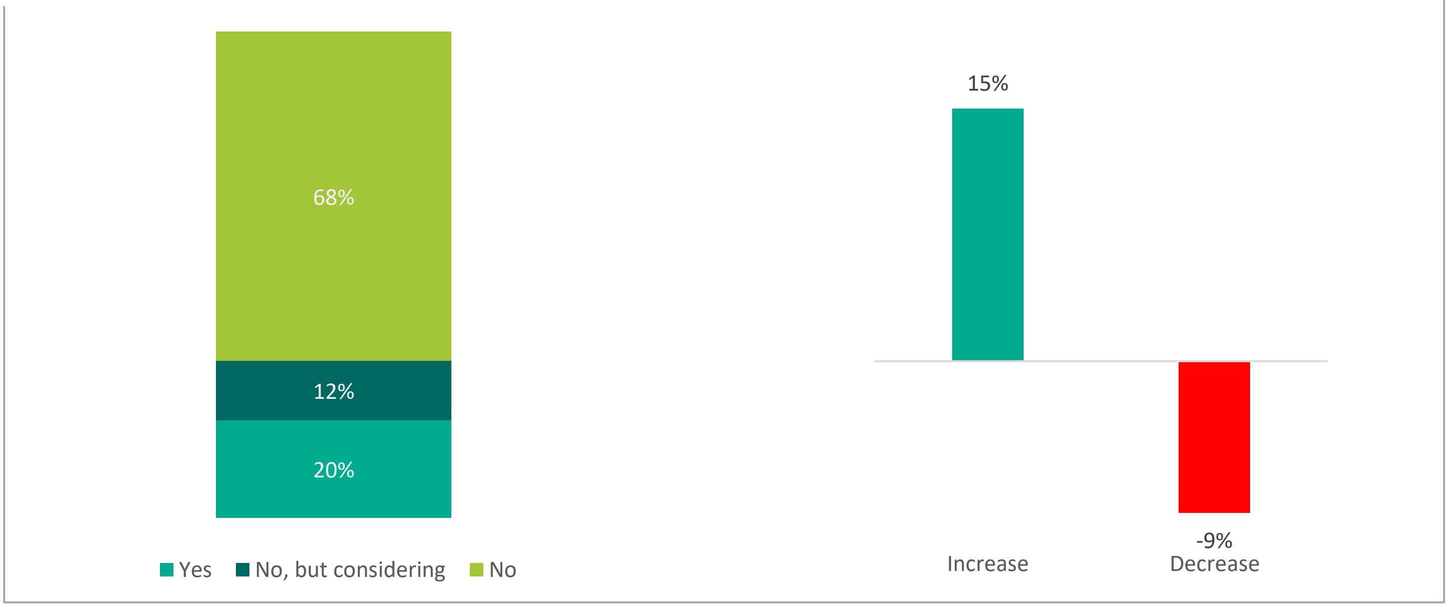


Source: BNP Paribas Alternative Investment Survey, 2025

CRYPTO CURRENCIES

20% of respondents are invested in crypto funds, with 7% (net) expecting this to increase in 2025. Furthermore, 12% of respondents are considering investing for the first time this year, compared to 8% who said the same last year.

4.21 DO YOU INVEST IN CRYPTO CURRENCY STRATEGIES?



Source: BNP Paribas Alternative Investment Survey, 2025

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Responsible investing and the integration of ESG factors into a fund's investment process continues to be a focus for allocators. ESG factors cover a wide spectrum such as:

[E] Environmental: climate change, deforestation, pollution, resource depletion, waste

[S] Social: child labour, employee treatment & working conditions, human rights

[G] Governance: bribery and corruption, executive pay, diversity & inclusion

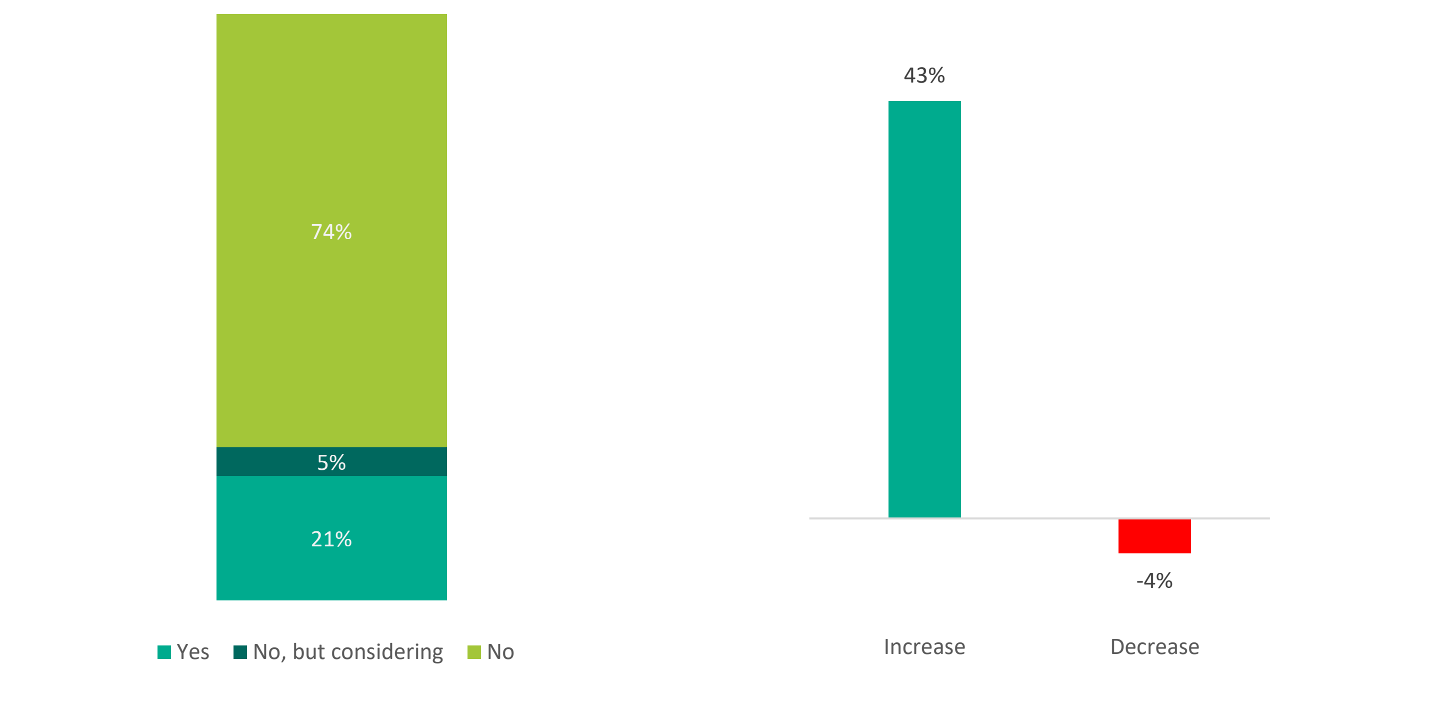
Allocators' approaches to this are not standardised as each allocator places varying levels of importance on different ESG factors across the type or location of the allocator.

4.22 ALLOCATORS' APPROACH TO ESG FACTORS

		Fund Managers	Investors
Responsible Investing	Integration	Based on the data available ESG factors are integrated into the investment process as they have an impact on the specific fund strategy.	Satisfied or dissatisfied with the managers approach to integration.
		Based on the data available ESG factors are not integrated into the investment process as it is determined that they have no impact on the specific fund strategy.	
		ESG integration is not considered in the investment process	ESG Integration plays no role in allocation decisions.
	Screening	Applying filters to the investment universe to restrict investments to companies based on values and ethics, e.g. not investing in firearm companies.	Have a defined criteria and will allocate such criteria not to be catered to, e.g. an allocator not wanting to invest in firearm companies.
	Thematic	The fund strategy is focused on investment in specific environment or social outcomes including impact investing, e.g. climate change focused fund.	Are specifically looking to allocate to funds focused on investing in specific environmental or social outcomes including impact investing, e.g. climate change focused fund.

21% of investor respondents state that they invest in ESG dedicated strategies, with 5% considering doing so for the first time this year. This contrasts with the 27% last year who were invested in ESG. However, when asked how they expect this to change, 39% (net) of investors expect an increase in 2025.

4.23 DO YOU INVEST IN ESG-DEDICATED STRATEGIES?

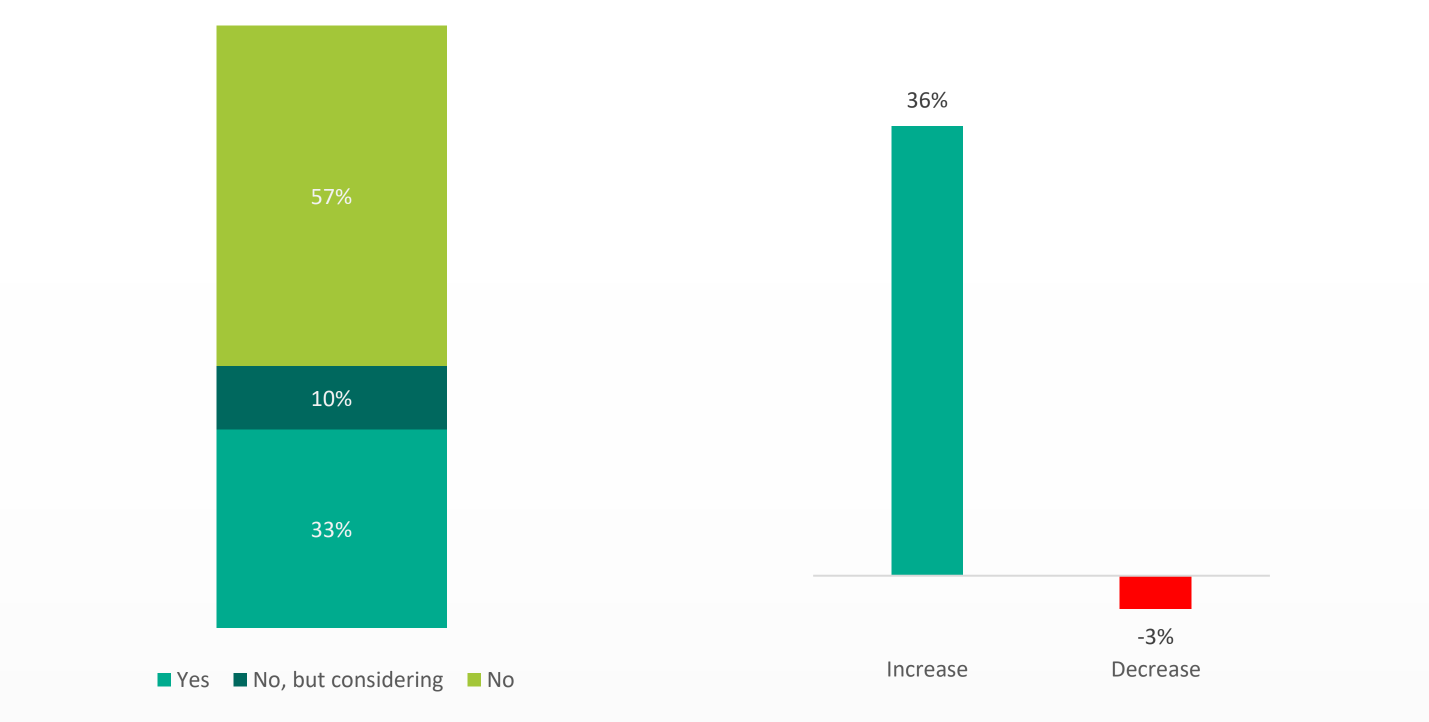


Source: BNP Paribas Alternative Investment Survey, 2025

WOMEN & MINORITY OWNED MANAGERS

One specific area which some allocators regard as part of their ESG initiative is diversity and inclusion. As a result, investing in women & minority owned managers has been an area of focus for investors. 33% of respondents report investing in women and minority owned managers which is in line with last year (33%). 36% of respondents currently invested expect to grow this in 2025 while 3% expect to reduce. 10% of respondents are considering investing, going into 2025.

4.24 DO YOU INVEST IN WOMEN & MINORITY OWNED MANAGERS?



Source: BNP Paribas Alternative Investment Survey, 2025

05 HEDGE FUND STRATEGY ALLOCATION PLANS

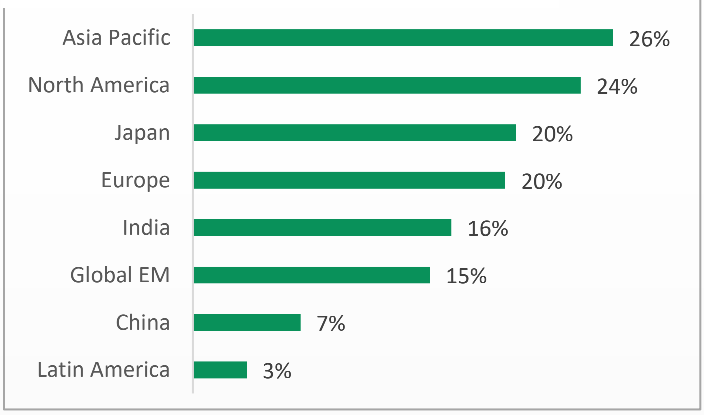
SECTION HIGHLIGHTS

- Asia Pacific is the most sought-after region for 2025 with over a quarter of respondents looking to add to the region on a net basis.
- The China exodus is expected to turn around, with 7% of investors looking to add on a net basis after 17% and 42% of investors pulled capital in 2024 and 2023 respectively.
- Credit and multi-strategy led the way in terms of allocations in 2024
- Equity long/short and credit are the most sought-after strategies with approximately a third of allocators looking to add on a net basis.

Asia Pacific came out above the rest as the most sought-after region for 2025 on a net basis. North America has been consistently at the top of the list for regional demand year on year with net 24% of responding investors planning to increase their allocation this year, whilst 39% of respondents added to North America last year. In last years survey 28% of investors expected to add to Asia Pacific but only 2% did so on a net basis, leading us to believe investors have delayed this to 2025[1]. The exodus of capital from China-focused hedge fund managers is expected to turn around in 2025, with 7% of investors of looking to add on a net basis after 17% and 42% pulled capital in 2024 and 2023, respectively. Some investors believe the sentiment with respect to China has become too negative and this could present fruitful investment opportunities for alpha generators. Allocators looking to add to China, like the fact that many of their peers are avoiding the region and fund managers have reduced exposure, making it less crowded. Identifying opportunities in companies that have minimal economic sensitivity is an area of focus while on the other hand, if policymakers double down on fiscal policy, particularly in segments like affordable housing, this should have a positive effect on consumer sectors. Last year we concluded that it was likely investors are more comfortable gaining China exposure from a regionally diversified Asia-focused strategy, which still stands. Interest in Japan remains steady with 22% of allocators adding to the region in 2024 and 20% looking to do so this year. Europe on the other hand saw less-than-expected interest - at the start of the year 22% of investors expected to add but only 11% did so. This is expected to pick up in 2025 with 20% of investors looking to add on a net basis.

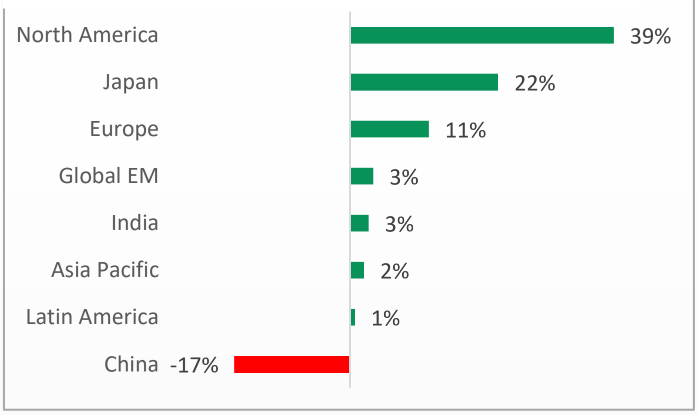
5.1 NET ALLOCATION PLANS BY REGION

NET ALLOCATION PLANS FOR 2025 BY REGION



Source: BNP Paribas Alternative Investment Survey, 2025

NET ALLOCATION CHANGES MADE IN 2024 BY REGION

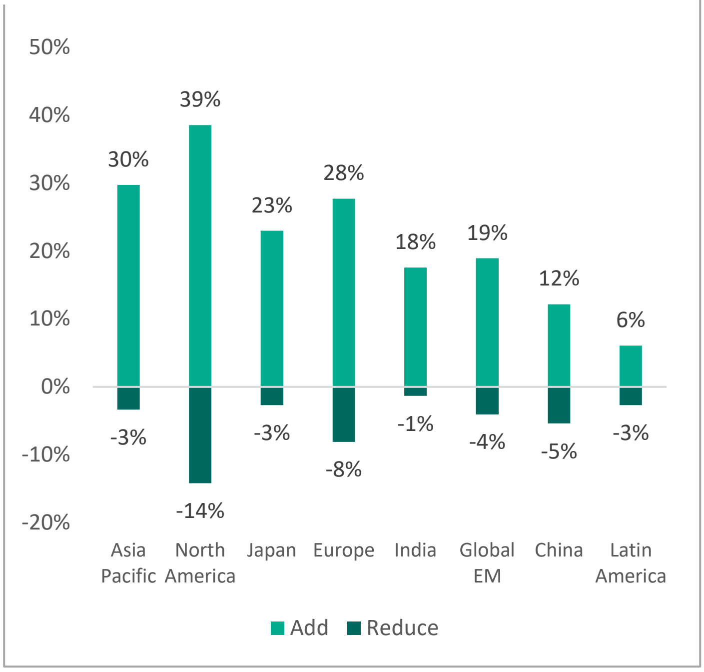


Source: BNP Paribas Alternative Investment Survey, 2025

[1] *BNP Paribas 2024 Alternative Investment Survey:*

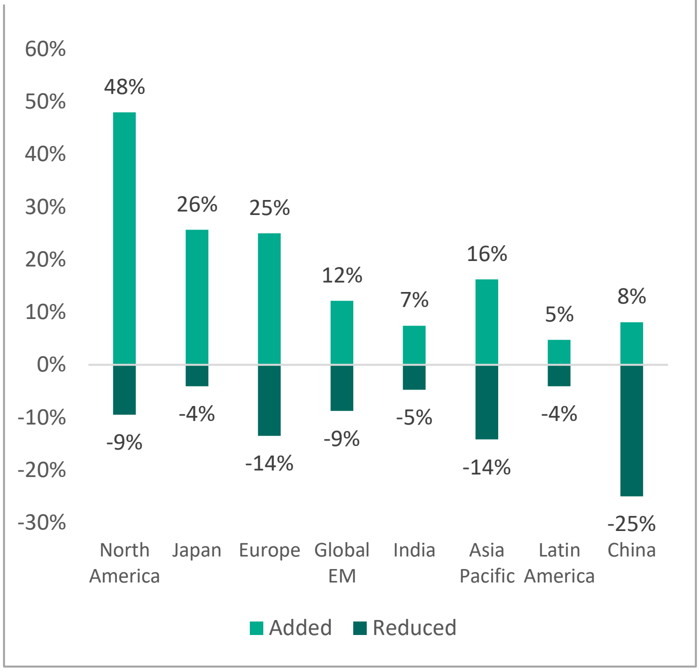
5.2 ALLOCATION PLANS BY REGION

2025 ALLOCATION PLANS



Source: BNP Paribas Alternative Investment Survey, 2025

2024 ALLOCATION CHANGES



Source: BNP Paribas Alternative Investment Survey, 2025

Continuing the trend from our survey last year, credit strategies remains one of the most popular in 2025, although equity long / short strategies have risen to become the most sought-after.

As predicated in our 2024 survey, credit was the number one strategy allocators added to last year; with 28% (net) adding to credit strategies, against the 33% (net) who planned to in our 2024 survey. Credit looks to have benefitted from a tightening of spreads globally, as investors seek to lock in high yields ahead of expected monetary easing. However, with the path of monetary policy looking increasingly dislocated and uncertain heading into 2025, we expect pockets of idiosyncratic volatility to create plenty of investment catalysts for credit managers. Additionally, opportunities should be abundant in distressed and structured situations, as the 2025 maturity wall begins to bite with rates still at an elevated level. Finally, an expansion of M&A activity, owing to a more benign regulatory environment in the US and pressure on GPs to deploy aging dry powder, could significantly add to the size of the available credit universe.

Equity long/short strategies have become the most in demand strategies going into 2025 with 35% of net respondents looking to add. Given that equity long/short was the best reported performing strategy for investor respondents through 2024, this is unsurprising. Upon deeper analysis, Global / Americas strategies are driving the demand (net 25%). The unrelenting rise of American equity markets in 2024 is no doubt tempting to investors looking to capitalize on beta, while the uncertain effects of the incoming Trump administration's policies leave ample room for shrewd managers to generate alpha on the short side. The new American administration's effects are likely driving interest in other regions, as European, Asian and emerging markets are all set to see gainers and losers.

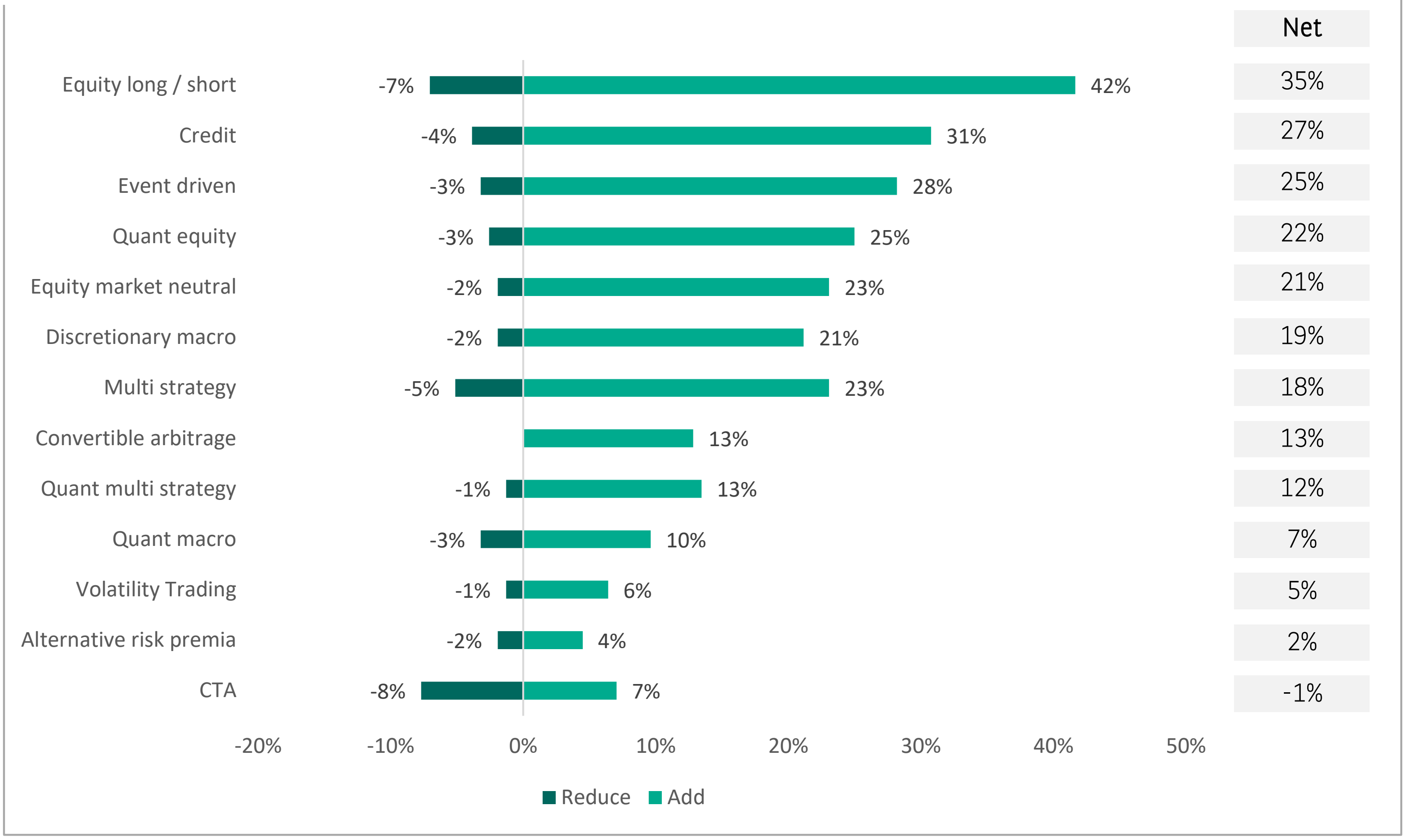
Sector-specific strategies targeting Healthcare and Energy are also seeing significant interest (net 15% and 12% respectively), due to the technological breakthroughs and the central role these sectors occupy in the current geopolitical climate.

European-focused strategies are less in favour than last year, with only 9% looking to add to such strategies in 2025, against 12% last year. However, despite lackluster performance in recent years dampening interest, this has led to many names looking cheap against fundamentals , providing ample opportunities going into 2025.

Interest in Japanese markets has remained steady, with net interest remaining at around 10%. The expectation is that parts of the Japanese market will benefit from a paradigm shift in policy from the Bank of Japan, hence the continued interest in the region from investors.

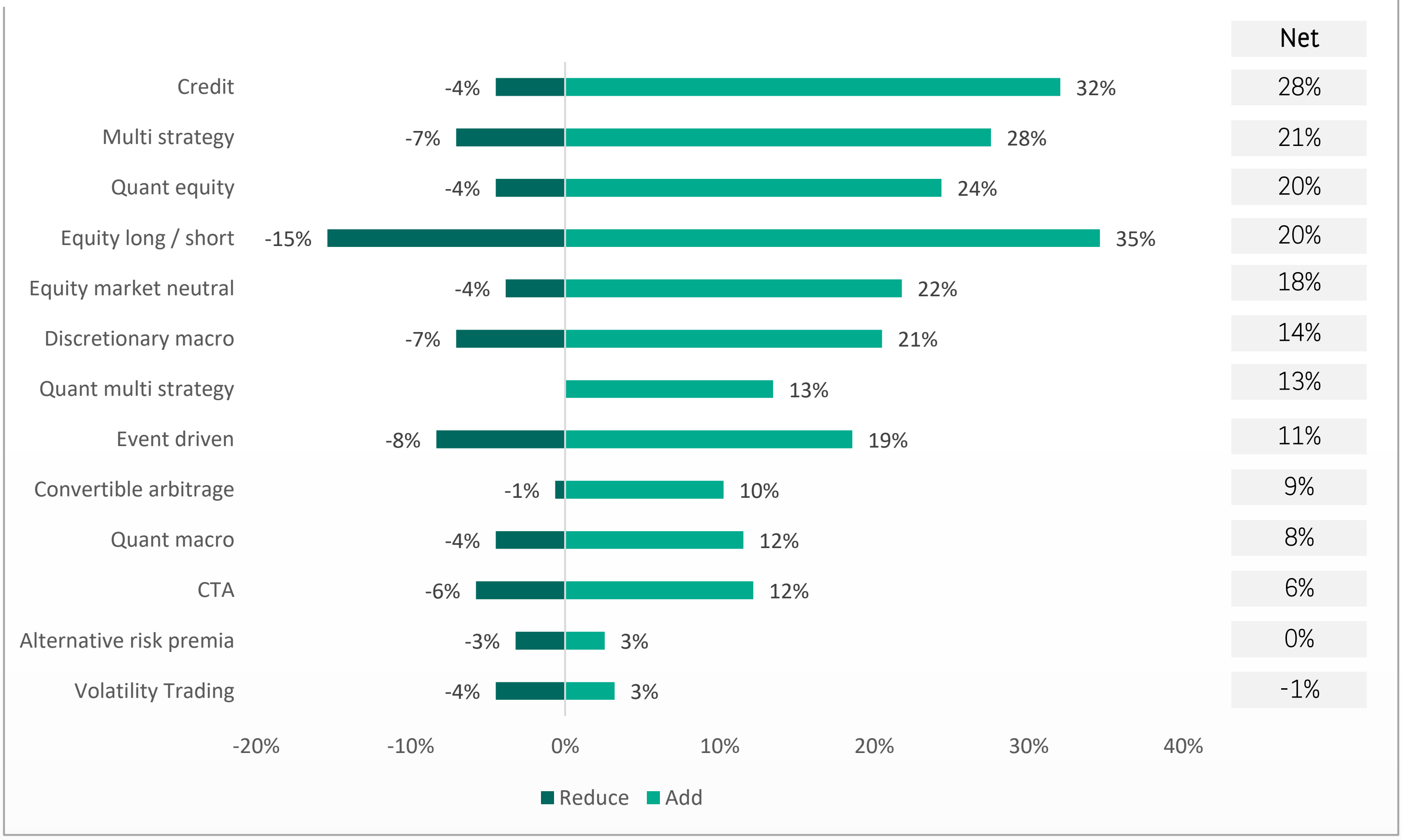
Interest in event-driven has more than doubled year on year, with a quarter of investors looking to add on a net basis and only 11% doing so in 2024. Investors are excited by a rosier outlook for M&A activity after several years of muted supply. A changing regulatory environment in the United States is expected to be more amenable to dealmaking, in contrast to the posture taken by the outgoing administration. Pressure is also building for GPs to utilize their reserves of aging dry powder, while falling rates ease financing costs. The lower rates environment should be an especially important factor in Europe, where falling rates coincide with historically low valuations to make many previously unattractive deals viable.

5.3 STRATEGY ALLOCATION CHANGES PLANNED 2025



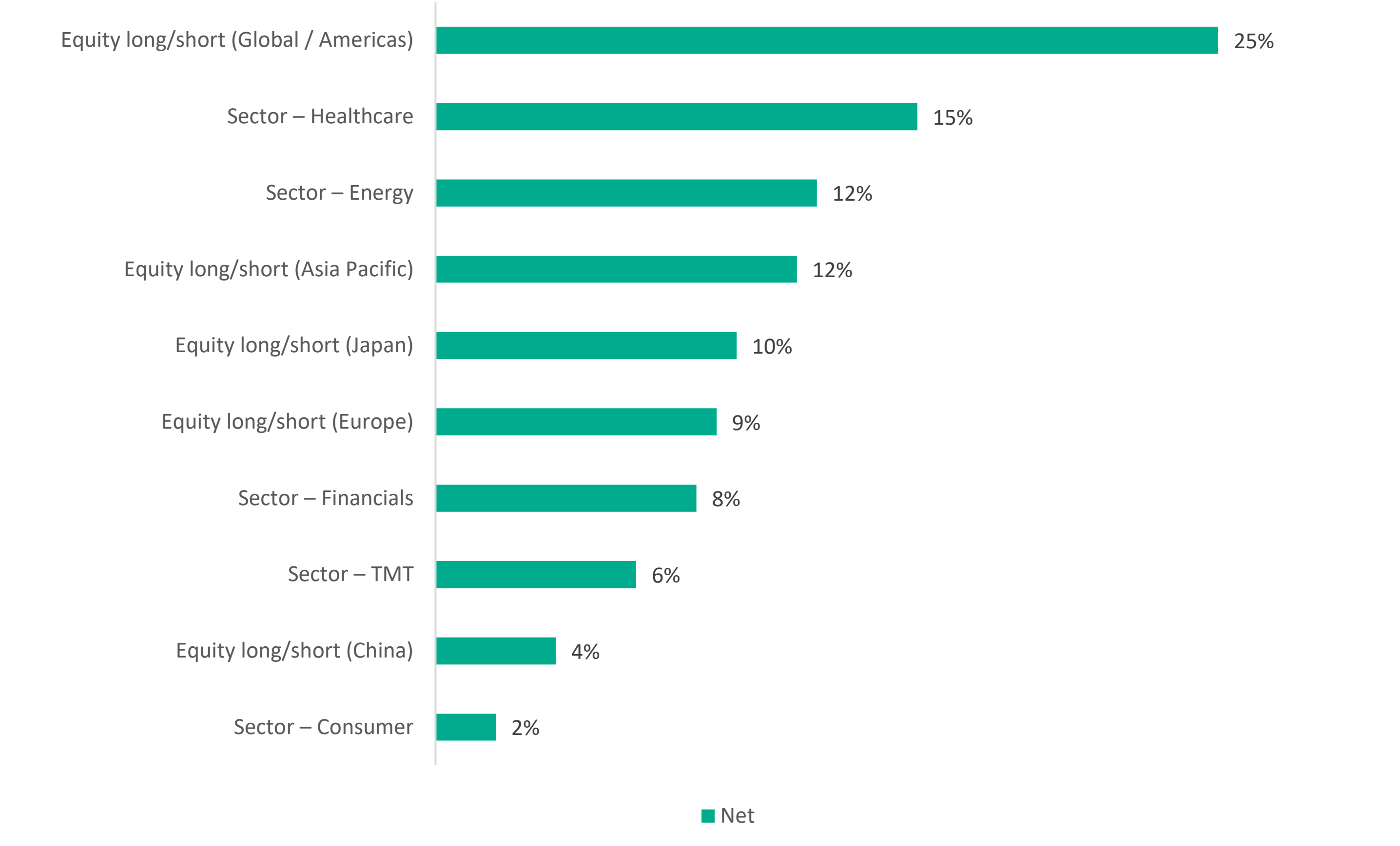
Source: BNP Paribas Alternative Investment Survey, 2025

5.4 STRATEGY ALLOCATION CHANGES MADE IN 2024



Source: BNP Paribas Alternative Investment Survey, 2025

5.5 BREAKDOWN OF NET ALLOCATION PLANS IN EQUITY LONG/SHORT



Source: BNP Paribas Alternative Investment Survey, 2025

5.6 NET ALLOCATION PLANS BY STRATEGY PER INVESTOR TYPE

Strategy	All respondents	Endowment / Foundation	Family o ffice / Multi-family office	Fund of funds / Outsourced CIO	Insurance company	Investment consultant	Pension fund	Private bank / Wealth management
Alternative risk premia	3%	0%	4%	-3%	0%	14%	0%	12%
Convertible arbitrage	13%	10%	15%	13%	0%	14%	8%	24%
Credit	27%	25%	34%	25%	17%	14%	15%	35%
Credit long / short (Asia Pacific)	3%	0%	6%	5%	0%	0%	0%	0%
Credit long / short (Europe)	12%	10%	15%	10%	0%	14%	0%	24%
Credit long / short (Global / Americas)	19%	15%	23%	23%	8%	14%	8%	24%
Credit structured	9%	20%	6%	5%	8%	0%	0%	24%
Distressed	8%	5%	17%	8%	0%	-14%	8%	6%
CTA	-1%	0%	-4%	10%	-17%	-14%	-15%	12%
Discretionary macro	19%	5%	21%	20%	0%	29%	31%	29%
Equity long / short	35%	10%	47%	38%	8%	29%	38%	41%
Equity long / short (Asia Pacific)	12%	10%	17%	13%	0%	0%	15%	6%
Equity long / short (China)	4%	-10%	9%	8%	0%	14%	0%	0%
Equity long / short (Europe)	9%	5%	13%	15%	8%	-14%	0%	6%
Equity long / short (Global / Americas)	25%	-5%	32%	25%	25%	29%	38%	29%
Equity long / short (Japan)	10%	5%	17%	15%	0%	0%	0%	0%
Equity long / short - Consumer	2%	5%	-2%	8%	0%	0%	-15%	12%
Equity long / short - Energy	12%	5%	19%	13%	0%	0%	31%	0%
Equity long / short - Financials	8%	5%	9%	13%	0%	14%	8%	6%
Equity long / short - Healthcare	15%	10%	17%	15%	0%	14%	31%	18%
Equity long / short - TMT	6%	5%	6%	18%	0%	-14%	0%	0%
Equity market neutral	21%	20%	15%	20%	17%	0%	23%	53%
Event-driven	25%	-5%	26%	33%	17%	14%	38%	41%
Fixed income trading	11%	15%	17%	5%	17%	0%	15%	0%
Multi-strategy	18%	25%	-2%	15%	33%	14%	23%	59%
Niche	12%	15%	4%	10%	8%	14%	31%	18%
Quant equity	22%	35%	13%	18%	8%	14%	31%	53%
Quant equity (factor-based / med-long term)	10%	10%	6%	5%	0%	0%	15%	35%
Quant equity (statistical arbitrage / short term)	21%	30%	15%	20%	8%	14%	31%	29%
Quant macro	6%	10%	2%	10%	0%	-14%	8%	18%
Quant multi-strategy	12%	20%	6%	15%	0%	-14%	23%	24%
Tail risk protection	7%	10%	6%	5%	8%	0%	15%	6%
Volatility trading	5%	10%	6%	3%	0%	0%	0%	12%

Source: BNP Paribas Alternative Investment Survey, 2025

06 HEDGE FUND FEES

SECTION HIGHLIGHTS

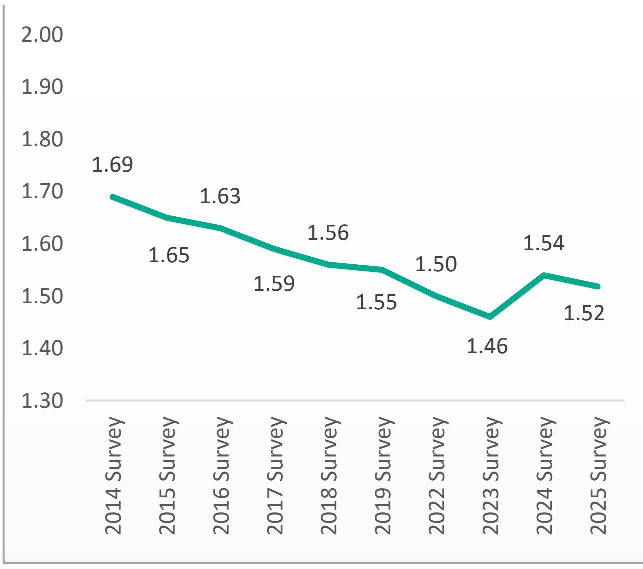
- Respondents pay an average management and performance fee of 1.52% and 18.13% respectively.
- Fund expenses have remained steady, at an average of 1.30% across the average portfolio
- 41% of investors ranked hurdle rates as a high priority fee structure when making new allocations. These investors have 41% of their portfolio allocated to funds with hurdle rates in place.
- Investors' share of return are similar across pass-through and no pass-through fee structures annualized over the past three years, and have increased by 40% for full pass-through funds (57% from 41% year on year)

Results from this year's survey suggest that the average management fees for hedge funds are 1.52%, showing a plateau after the uptick we saw in 2024. Well over half of respondents (63%) pay a management fee of 1.50% or less for their typical hedge fund investment. This compares to 56% in 2024 and 54% in our 2023 survey.

The average performance fee paid by respondents has increased by around 30 basis points year on year, with respondents now paying 18.13%, continuing the upward pressure seen last year. This year, nearly two thirds (66%) of responding investors pay more than 17.50% in performance fees across their portfolios compared to 53% last year and 43% the year prior. This spike could be driven by an increased demand for a select few managers and increased industry consolidation. Investors have fought for access to highly sought after funds, thus relinquishing pricing power to these hedge funds and pushing up fees.

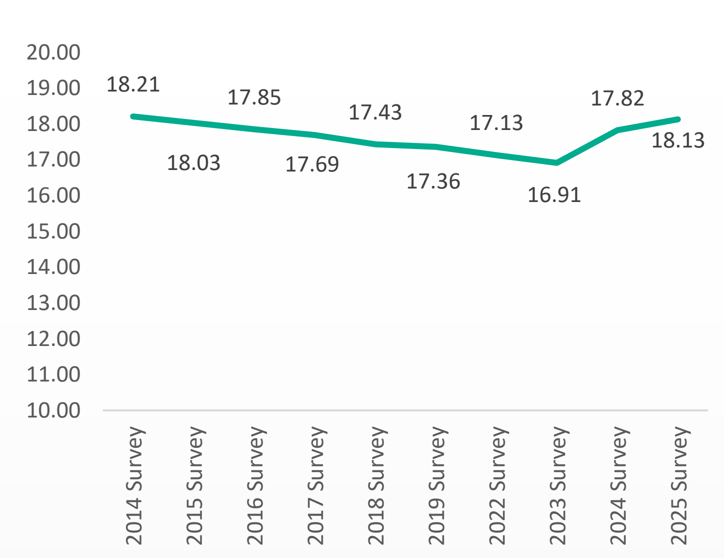
Average fund expenses continues stabilize, at 1.30% this year compared to 1.31% last year and 0.93% the year before.

6.1 AVERAGE MANAGEMENT FEE SINCE 2014 SURVEY (%)



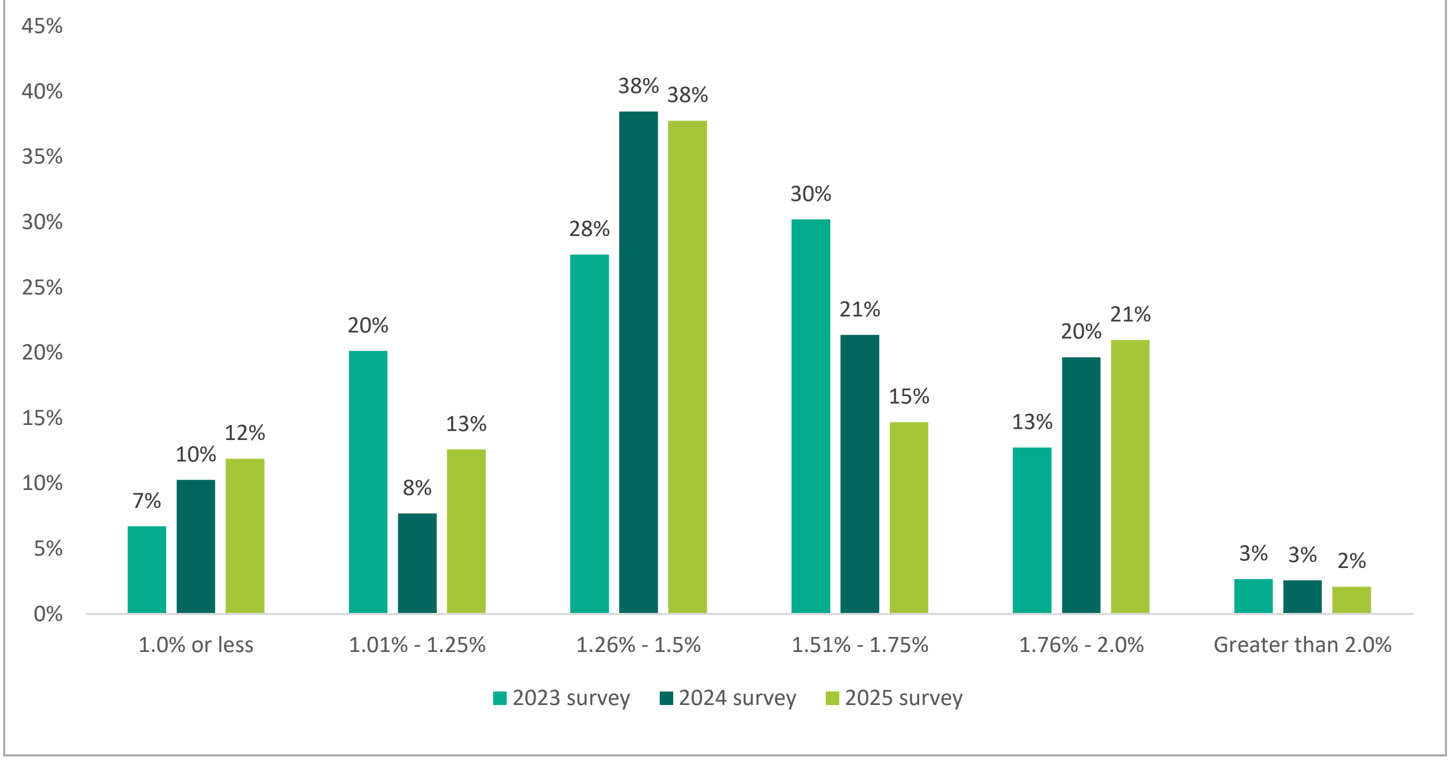
Source: BNP Paribas Alternative Investment Survey, 2025

6.2 AVERAGE PERFORMANCE FEE SINCE 2014 SURVEY (%)



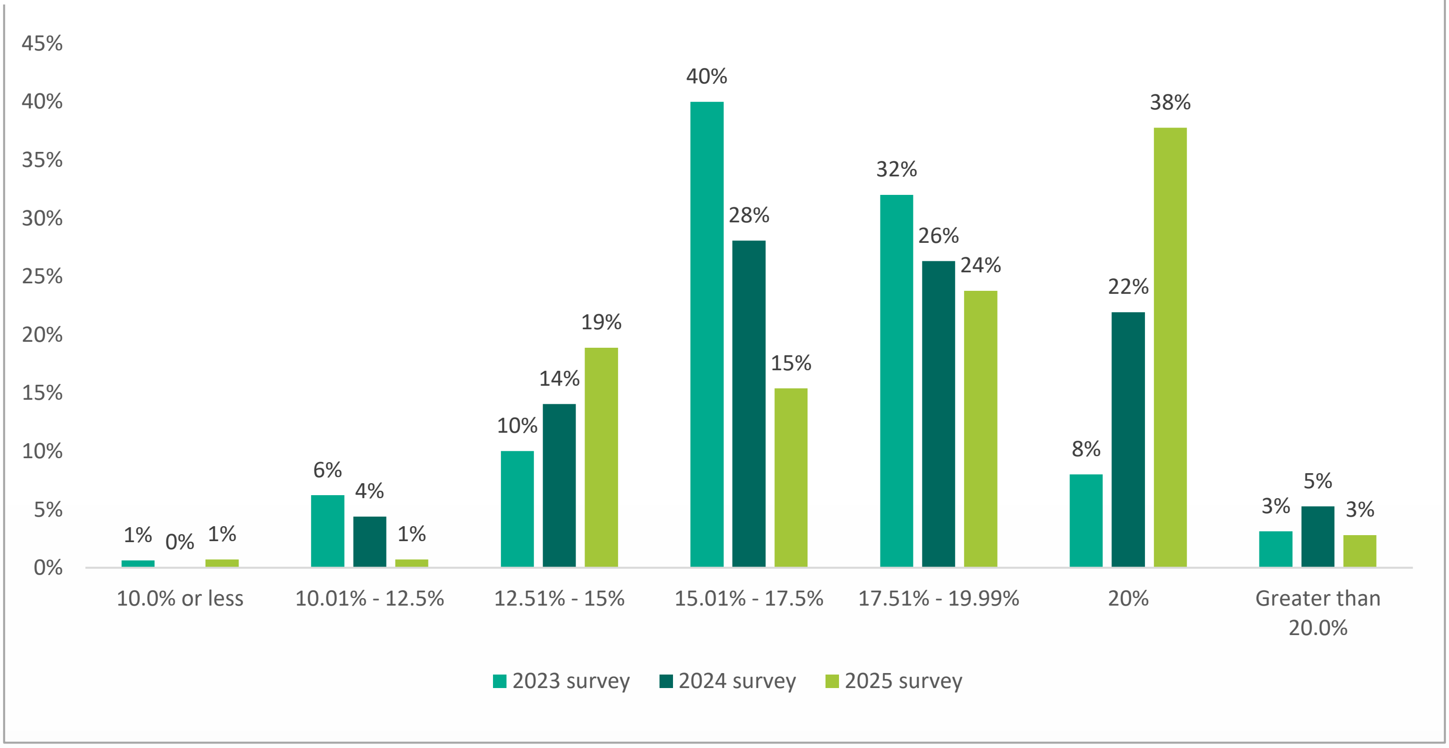
Source: BNP Paribas Alternative Investment Survey, 2025

6.3 AVERAGE MANAGEMENT FEE



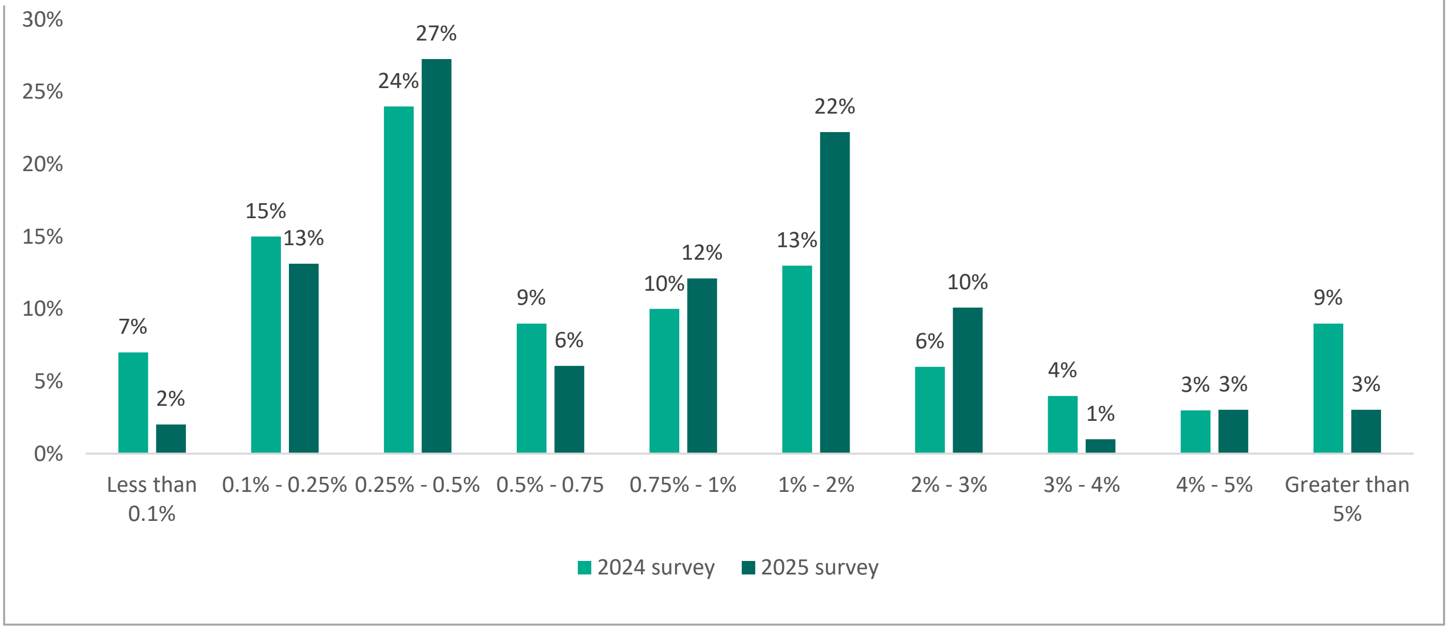
Source: BNP Paribas Alternative Investment Survey, 2025, 2024

6.4 AVERAGE PERFORMANCE FEE



Source: BNP Paribas Alternative Investment Survey, 2025, 2024

6.5 AVERAGE FUND EXPENSES



Source: BNP Paribas Alternative Investment Survey, 2025, 2024

6.6 MANAGEMENT FEE, PERFORMANCE FEE AND FUND EXPENSES ACROSS PASS THROUGH STRUCTURES

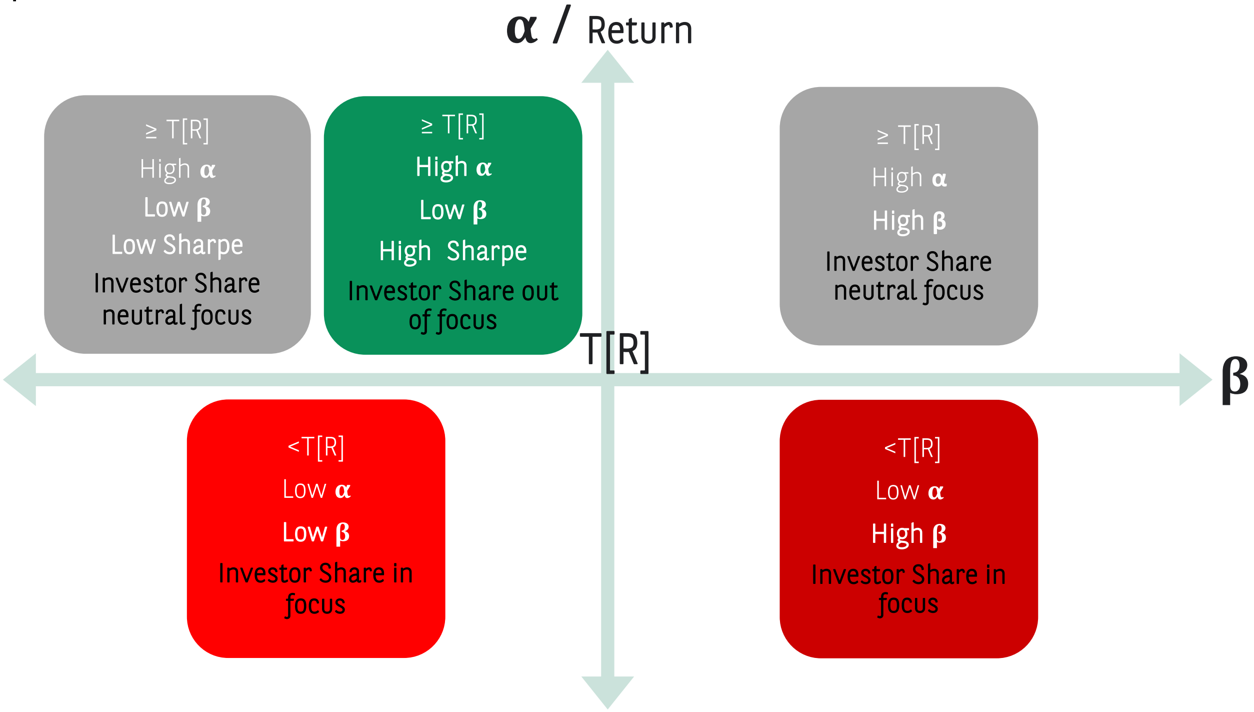
		25th percentile	Median	Mean	75th percentile
Management fees	No pass through	1.25	1.50	1.51	1.75
	Partial pass through	1.13	1.50	1.57	2.00
	Overall portfolio	1.25	1.50	1.52	1.75
Performance fees	No pass through	16.00	18.00	17.85	20.00
	Partial pass through	18.00	20.00	19.37	20.00
	Full pass through	20.00	20.00	20.00	20.00
	Overall portfolio	17.00	18.00	18.13	20.00
Fund expenses	No pass through	0.25	0.40	0.45	0.50
	Partial pass through	2.00	3.00	3.29	5.00
	Full pass through	4.75	6.00	5.85	7.50
	Overall portfolio	0.33	0.80	1.30	1.50

Source: BNP Paribas Alternative Investment Survey, 2025

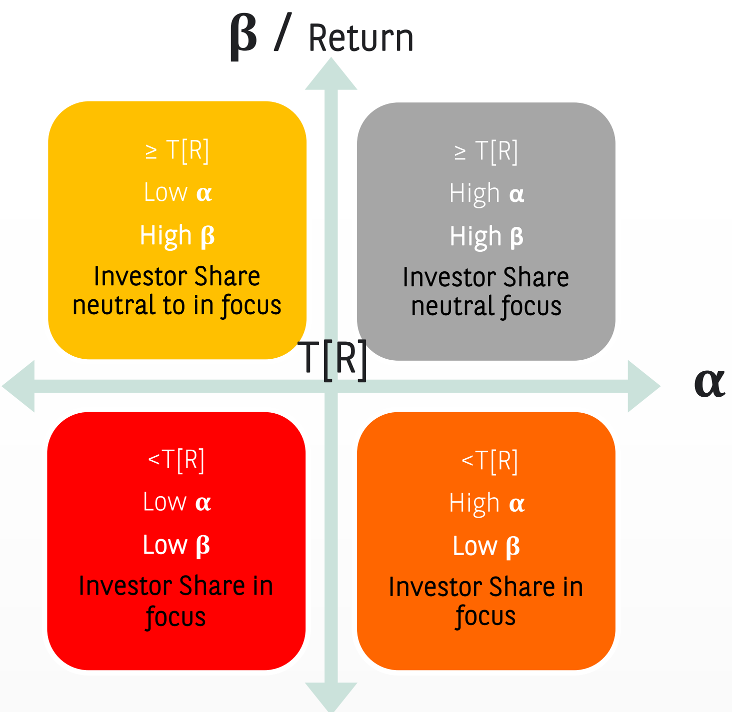
In conversations with allocators, it is clear that the ultimate focus is on meeting or beating their target return (T[R]) and if the net return they achieve is in line or better, they achieved their goal. Investors understand that alpha is expensive, and they are willing to pay for it, provided it is delivered over a specified period of time. This specified time differs from one investor to the next. When target returns are not met, the investor share (net return versus gross return) starts coming into focus. With the implementation and increasing proliferation of pass-through structures, we looked to analyse the effects on investors' share of return. Over the last three years, the investors' share from funds without pass through expenses has been 48% annualized, significantly dragged by 2022 performance. The three-year annualized investor share for funds with partial and full pass-through expenses over the same period has been in line with this at 51% and 49% respectively having dipped below 50% in 2023 but increased to 56% and 57% last year. It is worth noting that managers that have been running for ten years or more have a higher investor share due to their better performance. These more established firms share more than half of their profits with investors over the three- and five-year period again due to them beating investors target return, delivering high alpha, low beta and a high Sharpe ratio.

6.7 INVESTOR SHARE, WHEN DOES IT COME INTO FOCUS?

SCENARIO 1

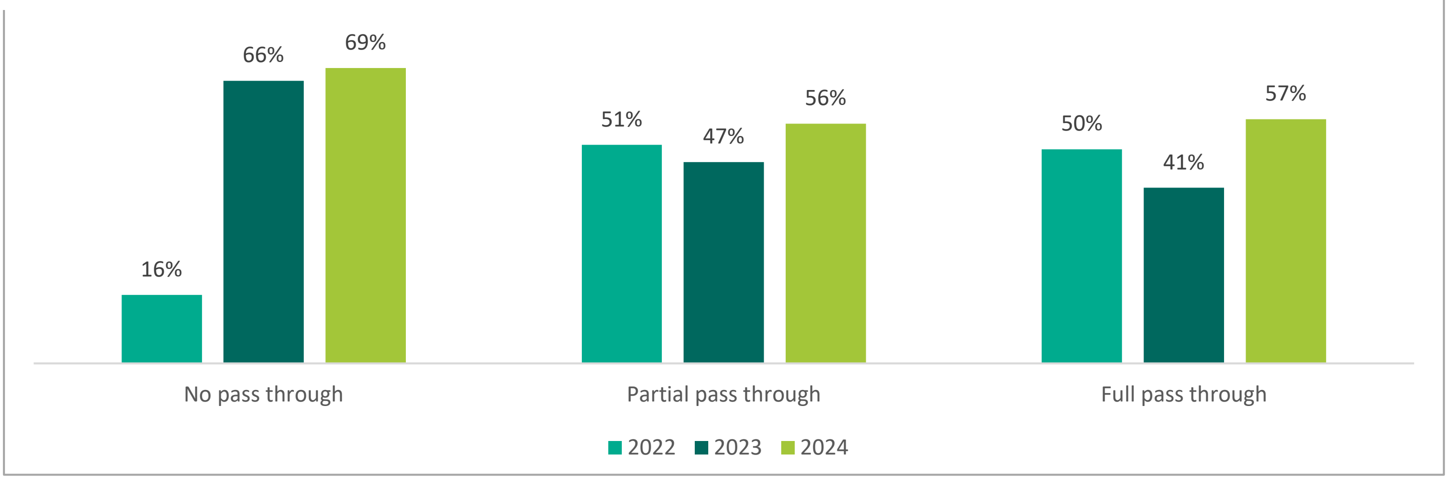


SCENARIO 2

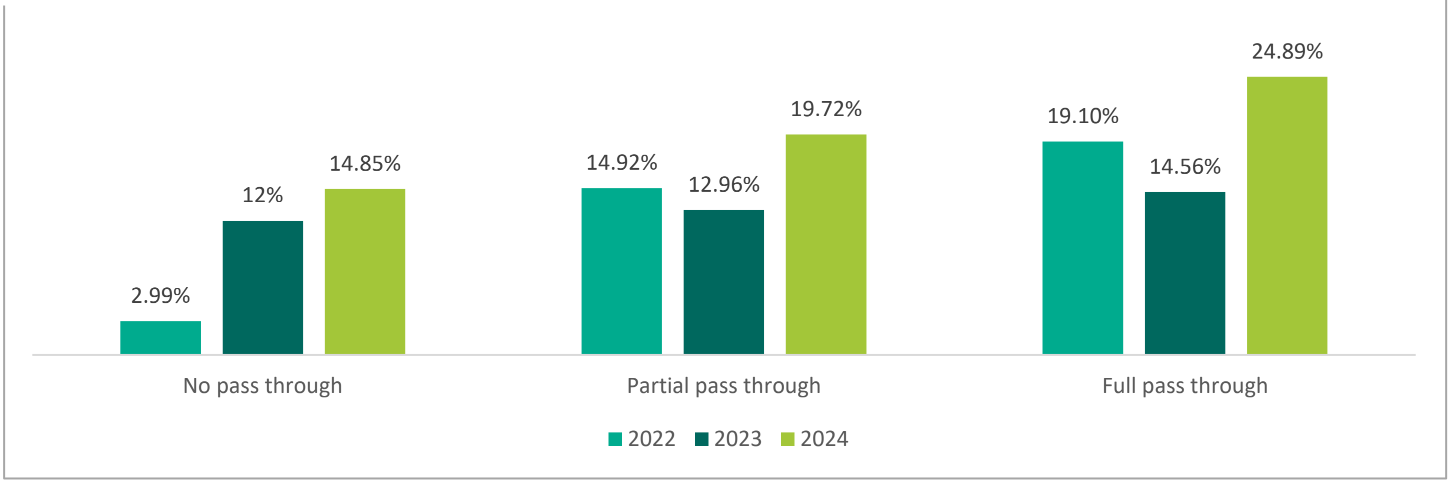


6.8 INVESTOR SHARE OF RETURN

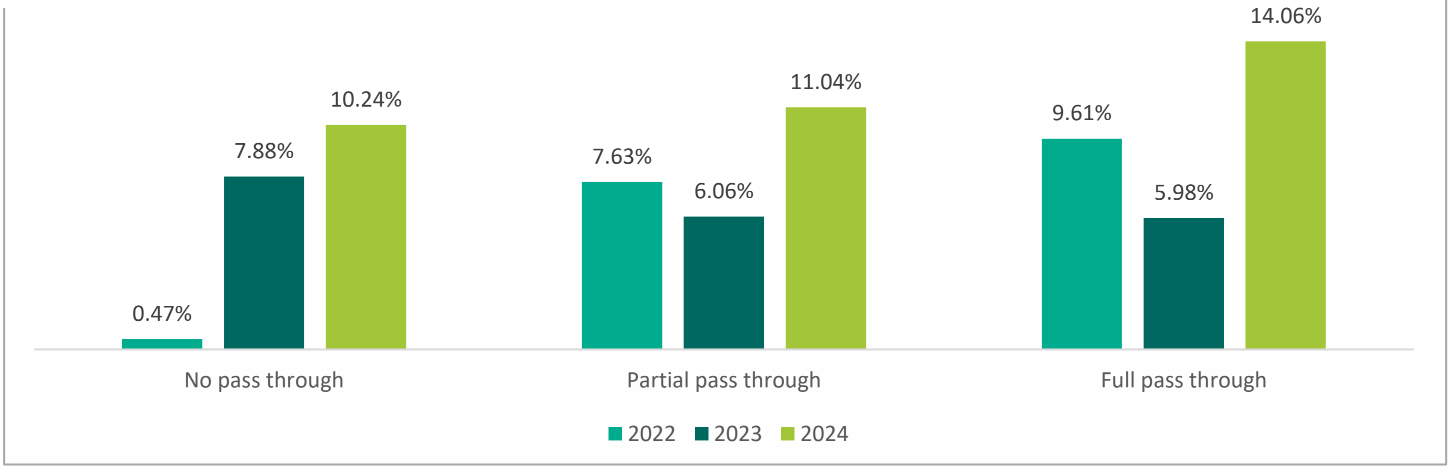
INVESTOR SHARE



GROSS RETURN



NET RETURN



Source: BNP Paribas Alternative Investment Survey, 2025, 2024. Please note: net returns are calculated using individual funds' YTD return data

6.9 INVESTOR SHARE OF RETURN OVER 5 YEARS

INVESTOR SHARE OVER 5 YEARS

	2024	2023	2022	2021	2020	3 Yr Ann	5 Yr Ann
No pass through (All)	69%	66%	16%	68%	70%	48%	56%
Partial pass through	56%	47%	51%	57%	64%	51%	55%
Full pass through	57%	41%	50%	54%	60%	49%	52%

GROSS RETURNS OVER 5 YEARS

	2024	2023	2022	2021	2020	3 Yr Ann	5 Yr Ann
No pass through (All)	14.85%	12.00%	2.99%	14.30%	16.76%	9.83%	12.07%
Partial pass through	19.72%%	12.96%	14.92%	18.41%	27.69%	15.83%	18.63%
Full pass through	24.89%	14.56%	19.10%	21.87%	27.67%	19.44%	21.53%

NET RETURNS OVER 5 YEARS

	2024	2023	2022	2021	2020	3 Yr Ann	5 Yr Ann
No pass through (All)	10.24%	7.88%	0.47%	9.77%	11.80%	6.11%	7.96%
Partial pass through	11.04%	6.06%	7.63%	10.42%	17.84%	8.22%	10.53%
Full pass through	14.06%	5.98%	9.61%	11.83%	16.47%	9.83%	11.53%

Source: BNP Paribas Alternative Investment Survey, 2025, 2024

THE COST OF ALPHA

As mentioned earlier alpha is expensive so we wanted to put forth a proposal on how to calculate a fair cost of alpha. If we assume fees for the average non pass through hedge fund is a fair cost, we propose calculating the cost of generating 1% of alpha to be the total fees (ex performance fees) divided by the alpha generated by non pass through hedge funds. We use the five year annualized alpha and the average of the total fees (ex performance fees) reported by investors for non pass through hedge funds over the past two years (since we have only asked this question in the past two years)

ALPHA OVER 5 YEARS

	2024	2023	2022	2021	2020	3 Yr Ann	5 Yr Ann
No pass through (All)	2.51%	-0.49%	0.52%	5.45%	5.73%	0.84%	2.71%
Partial pass through	3.60%	1.22%	3.71%	9.54%	13.34%	2.84%	6.19%
Full pass through	6.33%	3.07%	6.97%	11.46%	11.82%	5.44%	7.88%

Source: BNP Paribas Capital Introduction

MANAGEMENT FEE + FUND EXPENSES

	2023	2024
No pass through (All)	1.99%	1.96%
Partial pass through	4.31%	4.86%
Full pass through	5.67%	5.85%

Source: BNP Paribas Alternative Investment Survey, 2025

Proposed calculation: Fair cost of 1% α

$$\approx \frac{\text{Average Management Fees + Fund Expenses}}{\text{5 Yr Ann } \alpha \text{ Generated by No Pass-Through Funds}}$$

$$\approx \frac{1.98\%}{2.71\%}$$

$$\approx 0.73\%$$

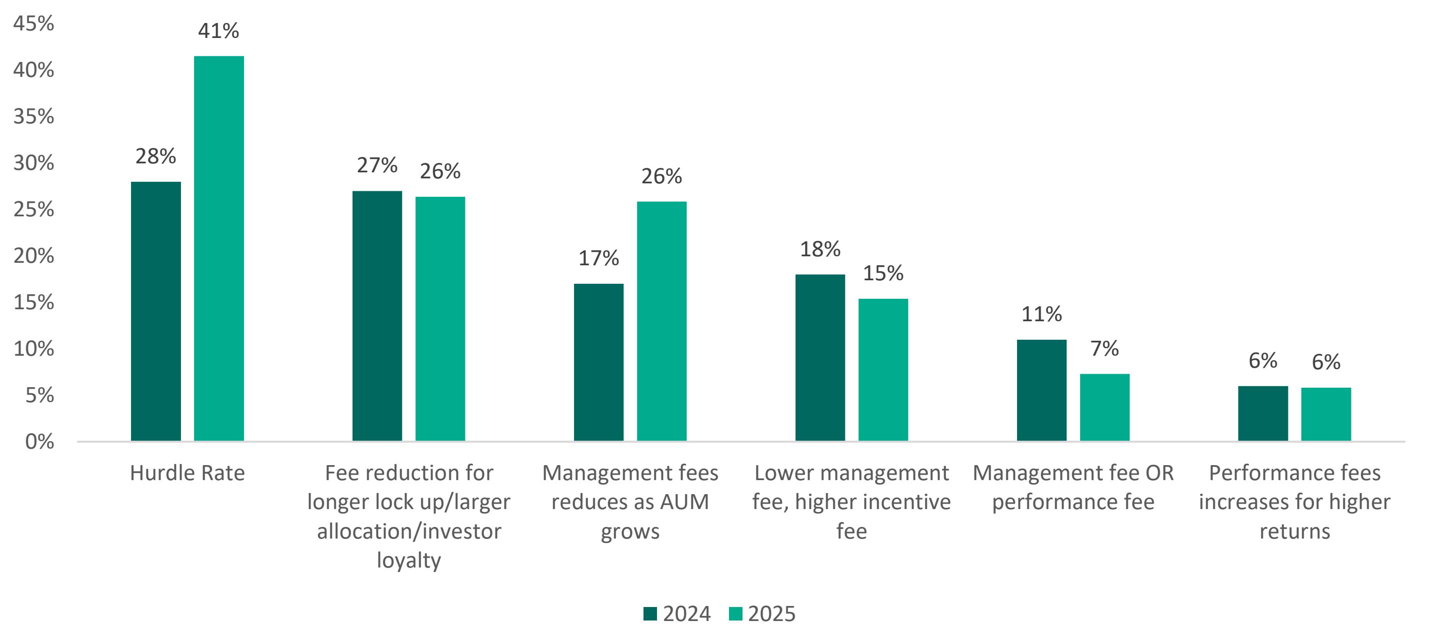
Source: BNP Paribas Capital Introduction

	5 Yr α	Fair cost (ex-performance fees)
No pass through (All)	2.71%	1.98%
Partial pass through	6.19%	4.51%
Full pass through	7.88%	5.75%

Source: BNP Paribas Capital Introduction

The BNP Paribas Capital Introduction team has noted the increased demand for hurdle rates when speaking with investors, as part of the performance versus risk free rate discussion. When asked about the relative priority of different fee structures, 41% of respondents scored hurdle rates as high priority when making new allocations, up from 28% last year. Fee reduction in exchange for locking up capital, larger ticket sizes or investor loyalty is also a common priority amongst investors with 26% of respondents scoring it highly, a similar amount to 2024.

6.10 WHAT PERCENTAGE OF RESPONDENTS SCORED THESE FEE STRUCTURES AS HIGH PRIORITY WHEN MAKING NEW ALLOCATIONS?



Source: BNP Paribas Alternative Investment Survey, 2025

Looking into how successful investors are in negotiating their preferred fee structure, we asked respondents how much of their portfolio is invested in funds with these structures in place. Of those who ranked hurdle rates as high priority, respondents have 41% of their portfolio, by assets, invested with a hurdle rate whilst the average respondent has 26% of their portfolio invested with a hurdle.

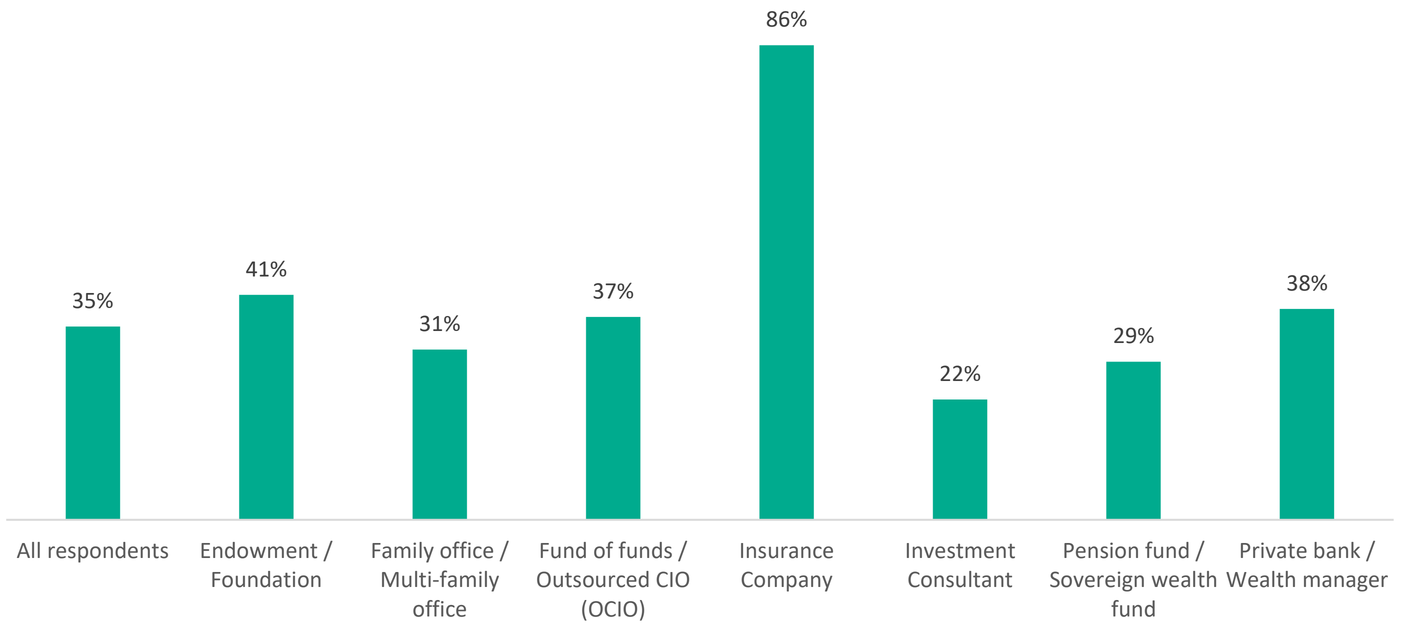
Nonetheless investors remain return focused, over and above better aligned fee structures. Mirroring last year's results, over three quarters of responding investors said they would overlook their preferred fee structure in favour of managers with outstanding performance, whilst only 9% said they would under no circumstances allocate without a favourable fee structure in place.

6.11 AVERAGE PERCENTAGE OF PORTFOLIO INVESTED WITH THESE FEE STRUCTURES IN PLACE

	% of portfolio invested	
	All respondents	Respondents scoring high priority
Hurdle rate	26%	41%
Fee reduction for lock/large ticket/loyalty	16%	26%
Lower management, higher incentive fee	17%	35%
Management fee reduces as AUM grows	11%	26%
Management fee OR performance fee	6%	30%
Performance fee increases for higher return	5%	6%

Source: BNP Paribas Alternative Investment Survey, 2025

6.12 WHAT PERCENTAGE OF RESPONDENTS HAVE HURDLE RATES IN THEIR PORTFOLIO?



Source: BNP Paribas Alternative Investment Survey, 2025

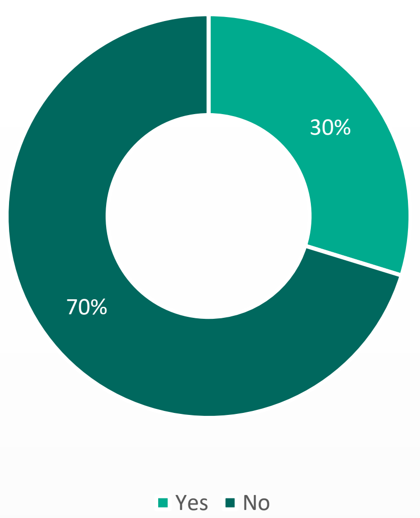
This flexibility on preferred fee structures may help explain why, despite 41% of respondents ranking hurdle rates as a high priority, only 35% of our respondents actually have hurdle rates within their portfolio. Across individual investor types, insurance companies have the highest proportion of their portfolio with hurdle rates, however it is worth pointing out the small sample set of this investor type skews the result.

30% of our survey respondents require hurdle rates for some or all of their allocations. Of this group, most (54%) only require hurdle rates for new allocations to certain strategies, while 28% now require hurdle rates for all their new allocations going forward.

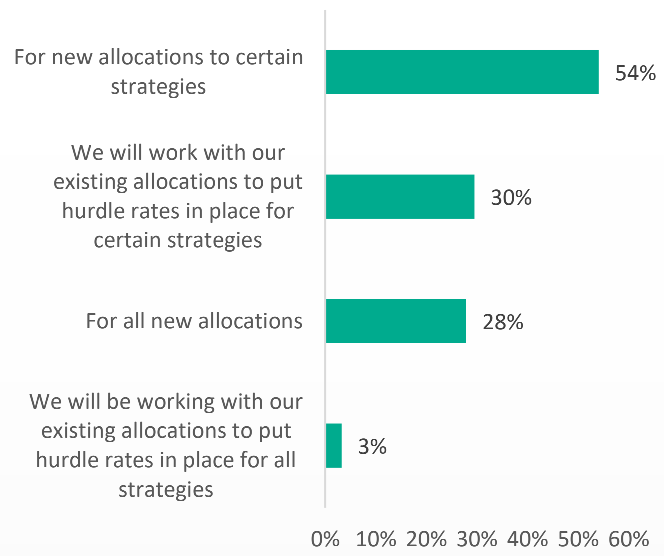
Around a third of investors (30%) are looking to put hurdle rates in place with their existing managers for certain strategies. Only a small fraction of respondents are looking to retroactively apply hurdle rates to all their existing managers. Interestingly, allocators who require hurdle rates are split quite evenly across investor types, although private and institutional investors are narrowly the keenest on such fee structures (with 33% of both private and institutional who responded saying they require hurdle rates). Of those who require hurdle rates, either for new or existing allocations, risk-free rates are by far the most popular, with 81% of those requiring hurdle rates opting for this. Relevant benchmarks are also popular, with 58% implementing such hurdle rates.

6.13 RESPONDENTS REQUIRING HURDLE RATES

DO YOU REQUIRE HURDLE RATES?

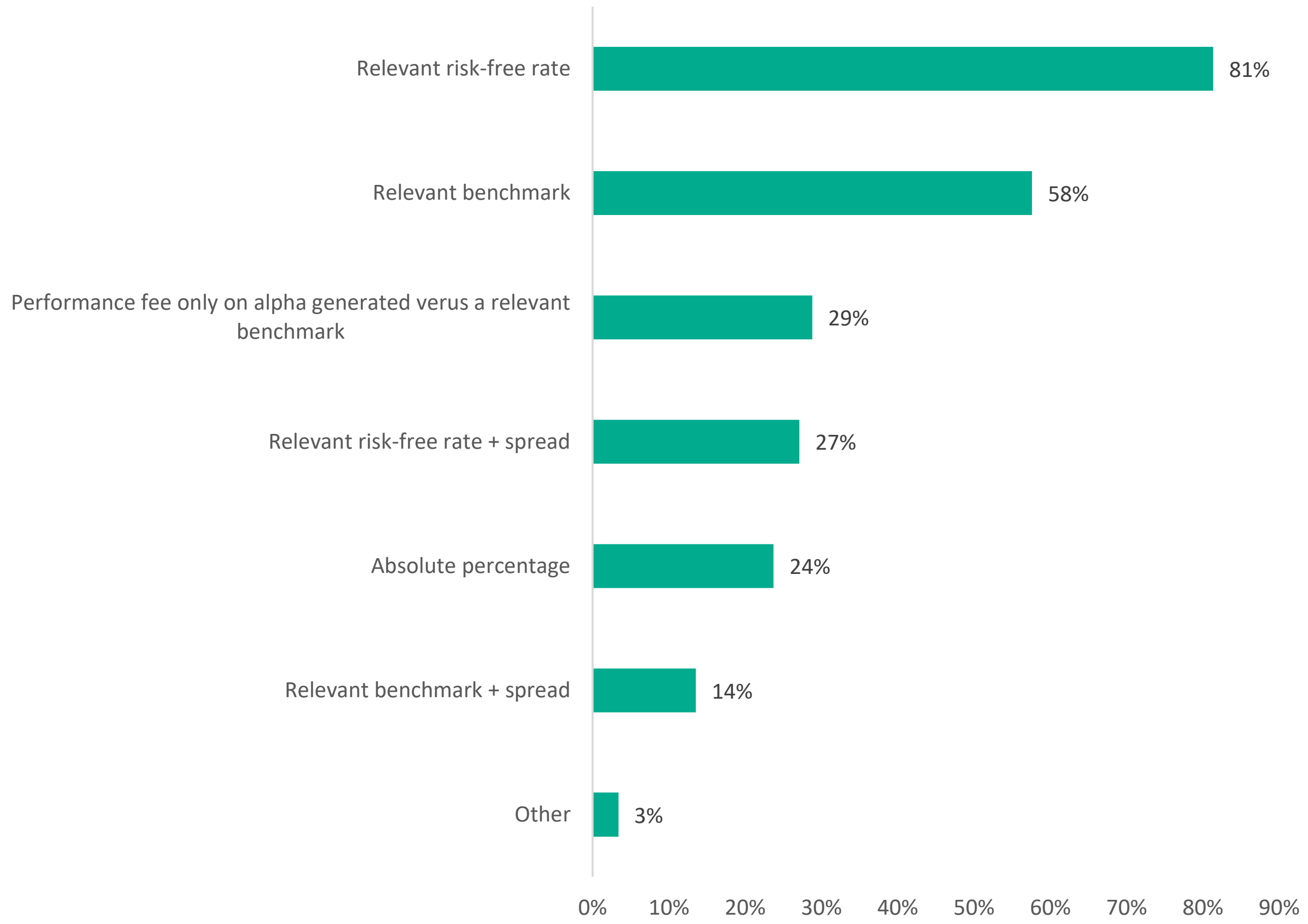


IF YES, FOR WHICH STRATEGY ARE HURDLE RATES REQUIRED?



Source: BNP Paribas Alternative Investment Survey, 2025

6.14 WHAT HURDLE RATES DO YOU REQUIRE?



Source: BNP Paribas Alternative Investment Survey, 2025

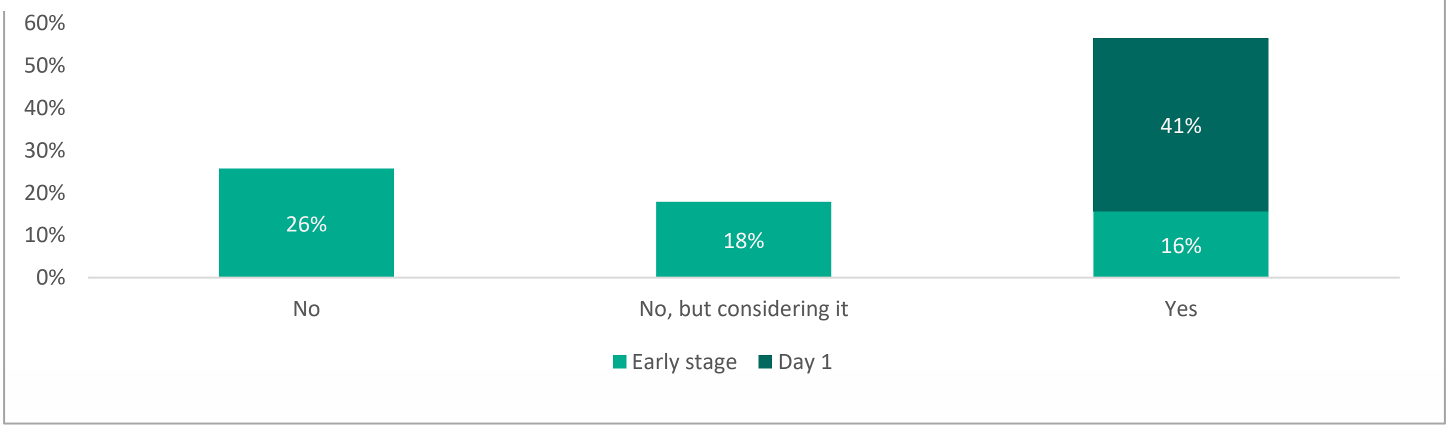
07 EARLY-STAGE INVESTING

SECTION HIGHLIGHTS

- 57% of respondents invest early stage, consistent over the past five years.
- FOFs and OCIOs are the most active early-stage investors with 79% investing within the first six months.
- A founders' share class with preferential fees and terms is still the most sought-after method of investing in emerging funds.
- The average management fee that investors pay in a founders' share class is 0.89% (11% down from last year), while the average performance fee is 12.18%.

For the purposes of this survey, "early stage" includes new funds by both new and established firms launched within the first six months. Investor appetite for early-stage investing has remained consistent over the past five years with 57% of respondents allocating to early-stage managers in this year's survey, versus 61% last year and 65% in 2019. With respect to Day 1 investing, 41% of respondents this year are active, which marks a 10% decrease in the trend we have observed in recent years.

7.1 DO YOU INVEST DAY 1 OR EARLY STAGE (WITHIN THE FIRST 6 MONTHS)?



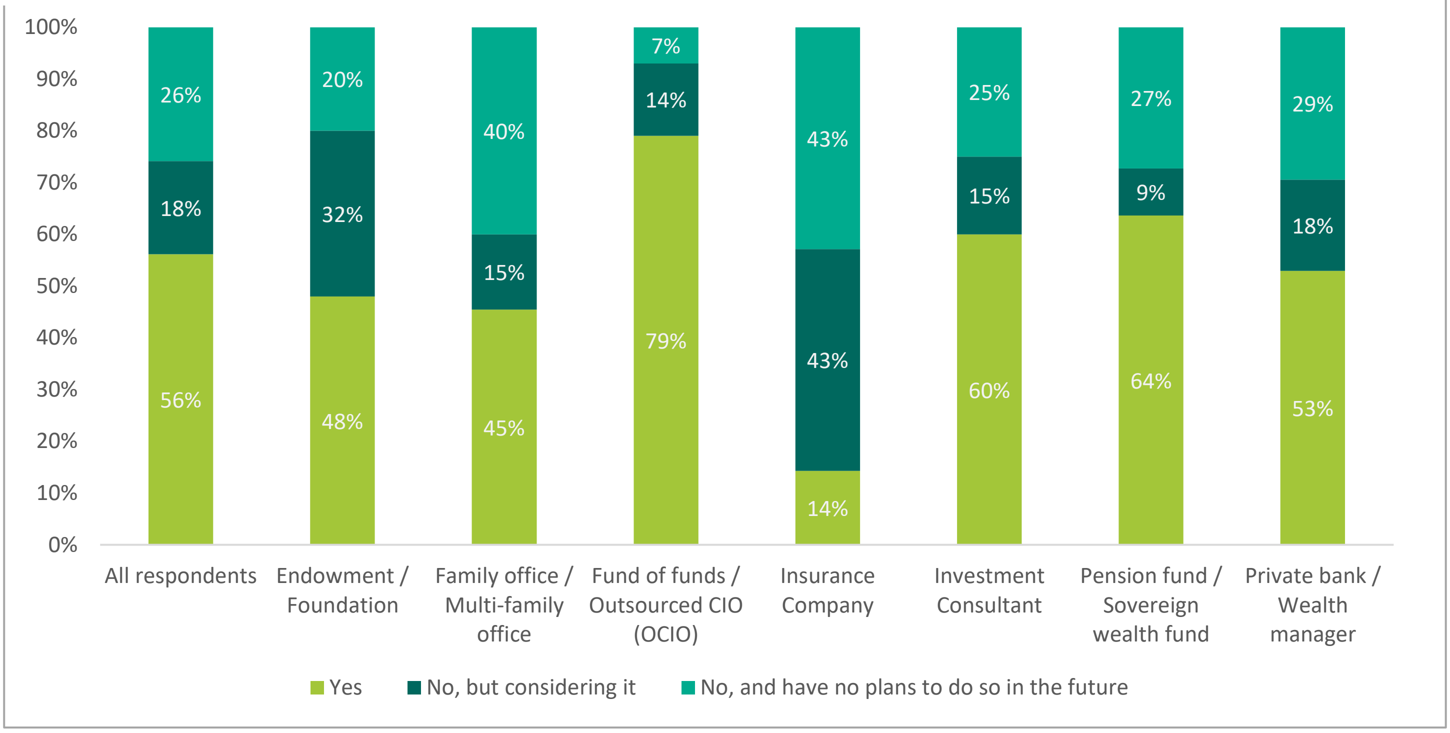
Source: BNP Paribas Alternative Investment Survey, 2025

Investors' willingness to invest early stage is driven by several factors, including:

1. Interest in gaining exposure to new strategies and new asset classes.
2. Larger established managers are capacity-constrained and returning capital, so investors need to find alternative managers to deploy capital to.
3. The adoption of long-term share classes by larger multi-manager structures to create more stable capital bases which is not possible for some investors to commit to. The possibility for negotiation and flexibility in terms with new launches can be an attractive option.

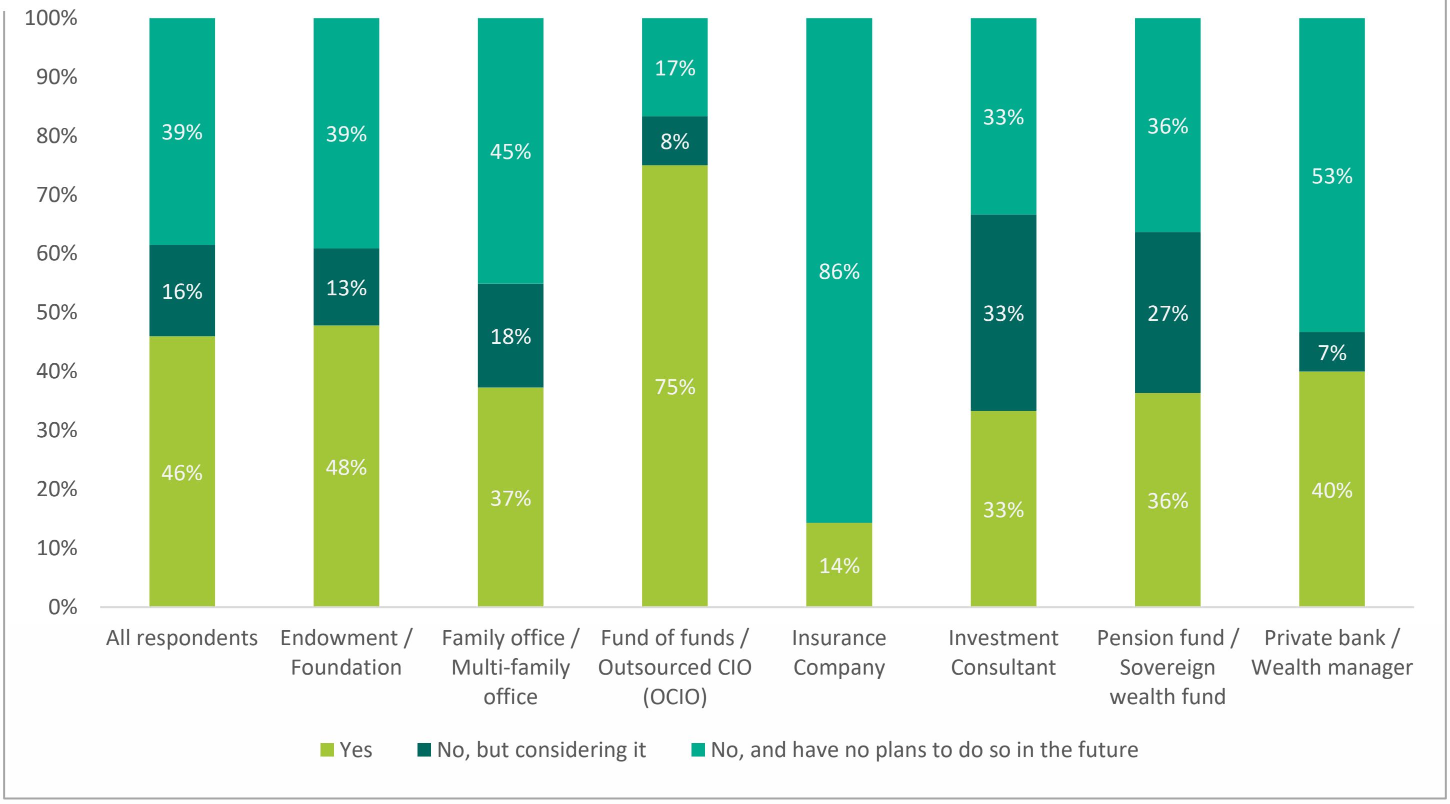
Similarly to last year. FOFs and OCIOs remain the most active early-stage allocators with 79% currently partnering with managers early stage (75% invest Day 1). Insurance companies are the least active in the space, with only 14% investing early stage, which is down even further than last year when 17% were in the space.

7.2 DO YOU INVEST EARLY STAGE? BY INVESTOR TYPE



Source: BNP Paribas Alternative Investment Survey, 2025

7.3 DO YOU INVEST DAY 1? BY INVESTOR TYPE

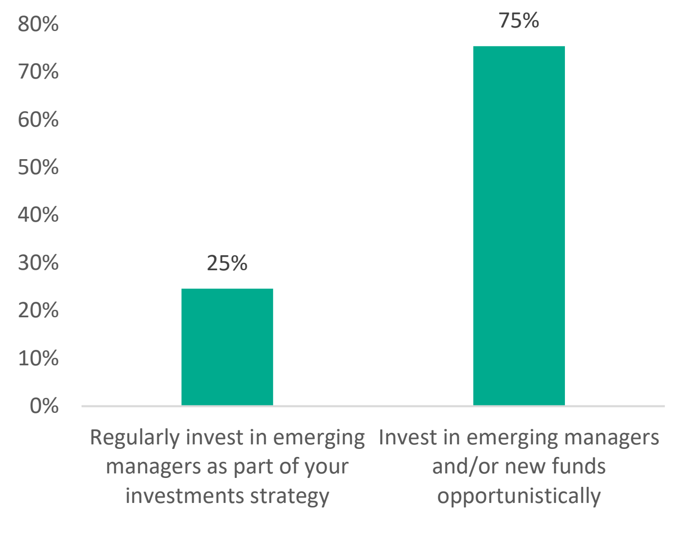


Source: BNP Paribas Alternative Investment Survey, 2025

Of the early-stage investors in this year's survey, 25% regularly deploy capital in emerging funds as part of their investment strategy. Of the group that regularly invests in emerging managers and new funds, FOFs / OCIOs (61%) represent the majority of these allocators.

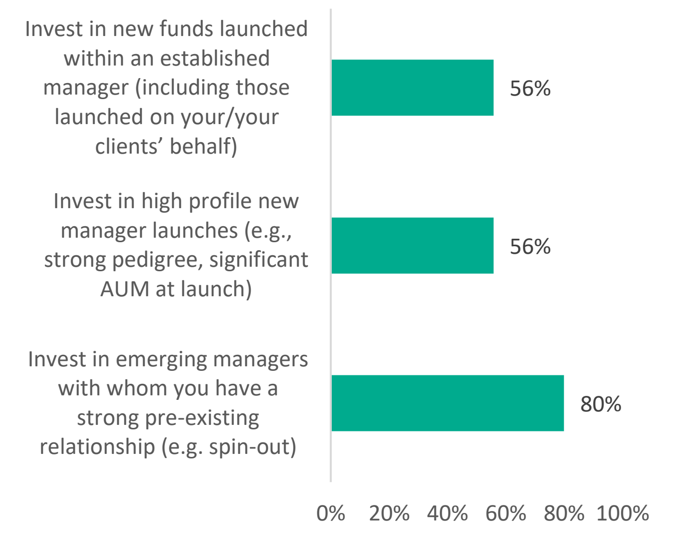
Meanwhile, the other 75% of early-stage respondents invest opportunistically. Of this group, 80% say that they may invest early stage when they have a strong pre-existing relationship with the manager. Furthermore, 56% will also consider allocating if the new fund is launched within an established firm, and 56% may have appetite to invest early stage in high profile managers with a strong pedigree and track record.

7.4 UNDER WHAT CIRCUMSTANCES DO YOU/YOUR CLIENTS INVEST DAY 1 OR EARLY STAGE (WITHIN THE FIRST 6 MONTHS)?



Source: BNP Paribas Alternative Investment Survey, 2025

7.5 THOSE WHO INVEST IN EMERGING MANAGERS AND/OR NEW FUNDS OPPORTUNISTICALLY:



Source: BNP Paribas Alternative Investment Survey, 2025

There are six main ways in which investors can access emerging funds:

Founders' share class: a separate share class in which Day 1 or early-stage investors are rewarded with preferred fees and terms, although sometimes with more stringent liquidity terms.

Anchor investing: anchor investors provide Day 1 capital in exchange for preferred fees and terms (e.g. highly discounted fees, capacity rights, and in some cases, Most Favoured Nation (MFN) rights).

Standard share class: typically commingled with no preferential terms on fees or liquidity.

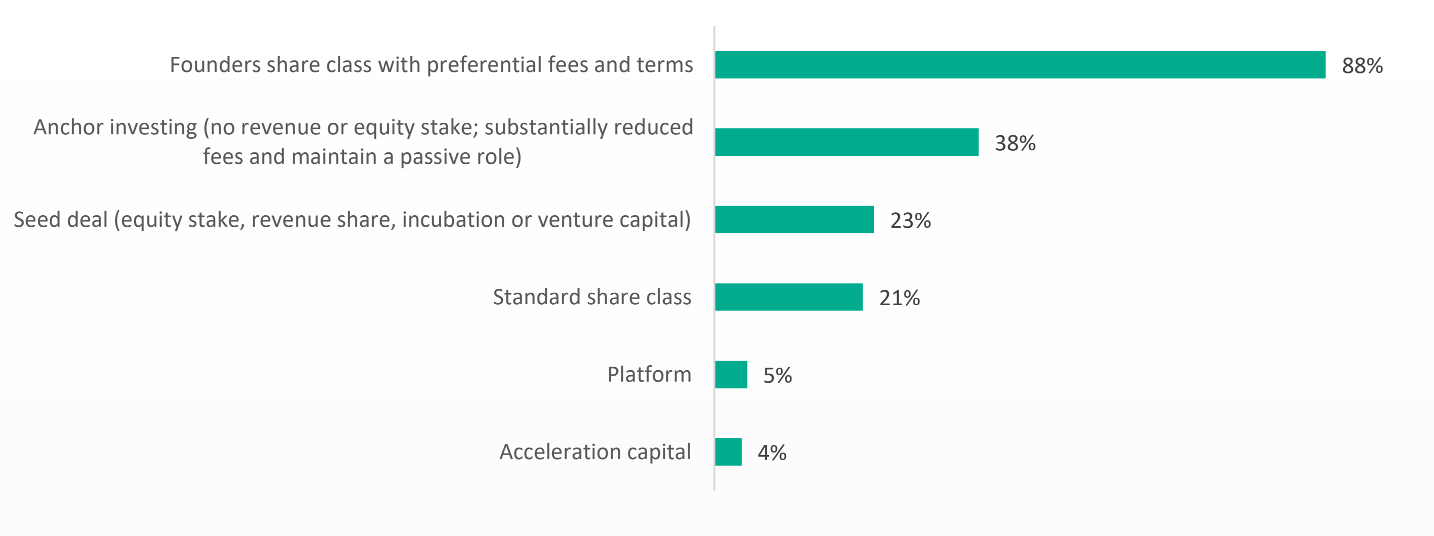
Seeding: seeders provide Day 1 capital in exchange for preferred economics, often in the form of a revenue share, equity stake, incubator arrangement or venture capital.

Acceleration capital: investors provide capital to existing managers (typically with AUM of under $100 million) in exchange for an equity stake or revenue share.

Platform: established hedge funds and financial institutions provide capital and infrastructure to a manager to run a portfolio as a part of a larger multi-manager group; the manager will receive a percentage of profits on their portfolio in return.

Founders' share classes are the overwhelming preference for early-stage investors. Similarly to last year, 88% of these responding investors prefer a founders' share class as a method for gaining access to emerging managers. Founders' share classes provide an easy and straightforward way for investors to gain access to managers early stage as they typically do not require the large ticket sizes or lengthy negotiation periods often involved with some of the other methods. Anchor investing remains the second most popular form of Day 1 and early stage investing, selected by 38% of respondents.

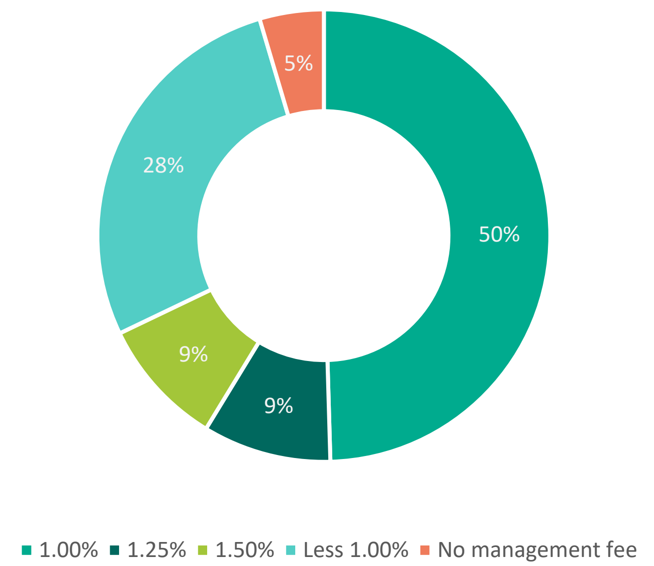
7.6 WHICH METHODS DO YOU/YOUR CLIENTS USE TO INVEST DAY 1 OR EARLY STAGE (WITHIN THE FIRST 6 MONTHS)?



Source: BNP Paribas Alternative Investment Survey, 2025

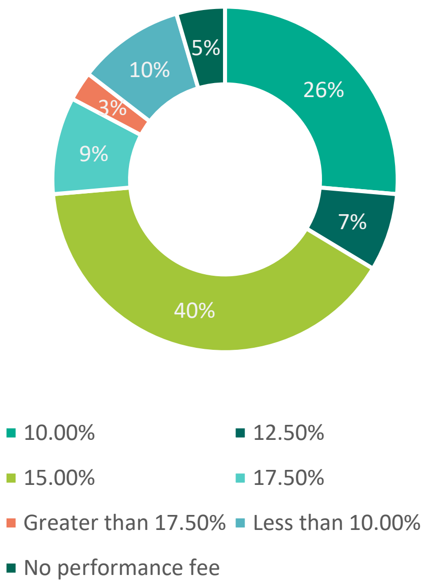
7.7 WHAT ARE THE TYPICAL PREFERENTIAL TERMS OF YOUR / YOUR CLIENTS' FOUNDERS SHARE CLASS INVESTMENTS?

MANAGEMENT FEE



Source: *BNP Paribas Alternative Investment Survey, 2025*

PERFORMANCE FEE



Source: *BNP Paribas Alternative Investment Survey, 2025*

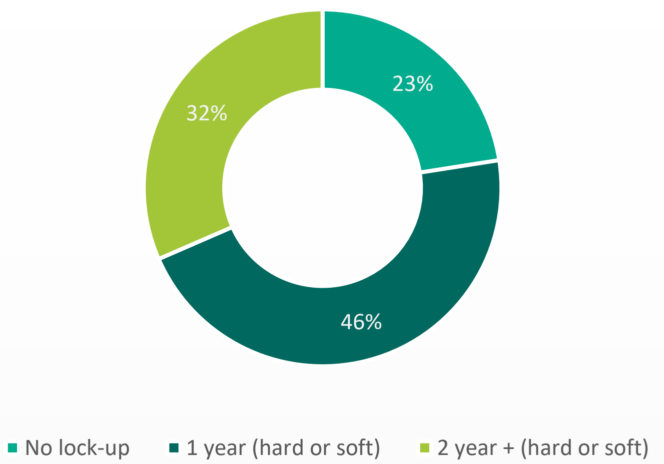
7.8 AVERAGE MANAGEMENT AND PERFORMANCE FEE FOR FOUNDERS SHARE CLASS 2019 – 2025 SURVEYS

Founders share class	2019 Survey (%)	2022 Survey (%)	2023 Survey (%)	2024 Survey (%)	2025 Survey (%)
Average management fee	0.95	0.96	0.96	1.00	0.89
Average performance fee	12.29	12.80	13.52	11.69	12.18

Source: *BNP Paribas Alternative Investment Survey, 2025, 2024, 2023, 2022, 2019*

In exchange for discounted fees, founders' share class investors are typically willing to lock up their capital for a longer period of time. The first 12-18 months are a critical and high-risk period for a new business, and having a stable and secure capital base during that time is essential to ensure long-term success. Consistent with our findings year on year, over three quarters of respondents say they typically lock up capital for a least one year. We were surprised to see that the average management fee for a founders share class has dropped by 11% to 89bps.

7.9 WHAT IS THE TYPICAL LOCK UP PERIOD FOR YOU/YOUR CLIENTS' FOUNDERS' SHARE CLASS INVESTMENTS?



Source: *BNP Paribas Alternative Investment Survey, 2025*

08 SEPARATELY MANAGED ACCOUNTS (SMAs)

SECTION HIGHLIGHTS

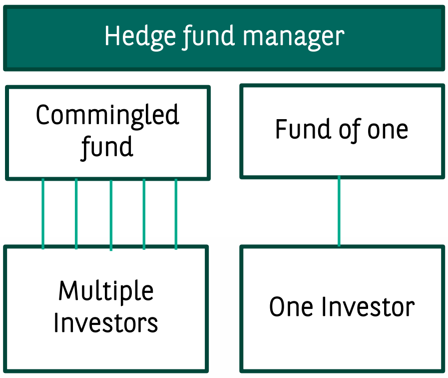
- 26% of respondents use SMAs which account for 36% of assets invested in hedge funds.
- Across all investors, SMAs represent 16% of the total AUM in this year's survey which is up from 12% in lasts years survey.
- FOFs, OCIOs, Pensions and SWFs are the primary users of SMAs and fund of one's.
- 15% of our respondents on a net basis expect to increase their SMA allocations, vs a net 11% who expect to decrease the amount they invest in commingled structures.
- Portfolio transparency is the most popular driver of SMA usage, an advantage highlighted by 80% of SMA investors, this is followed by treasury efficiency.

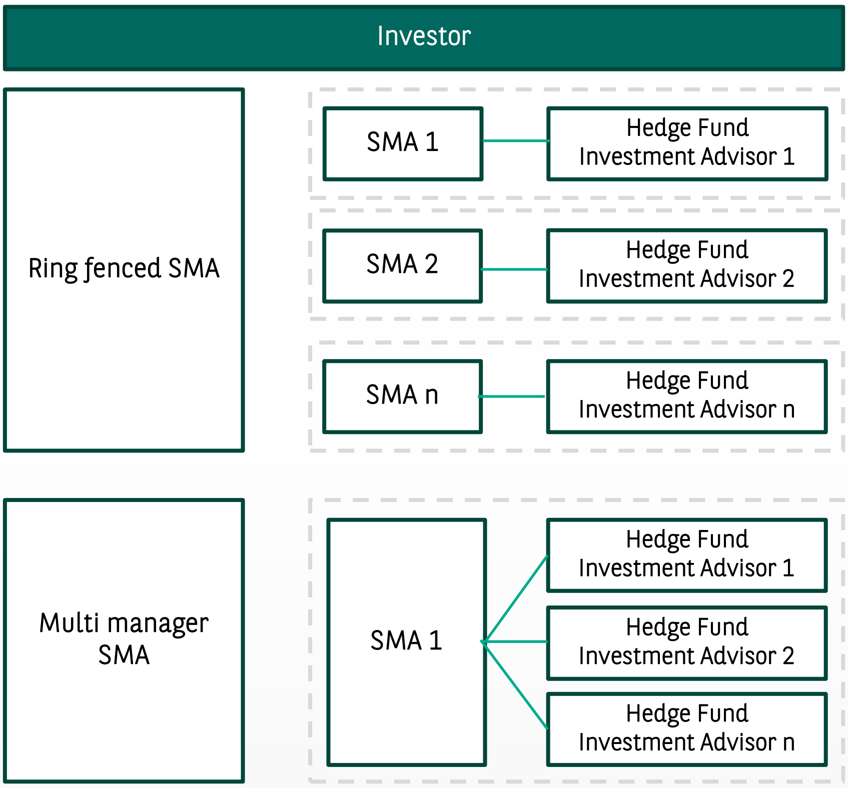
UNDERSTANDING SEPARATELY MANAGED ACCOUNTS

Allocators typically invest in hedge funds using one of three structures:

1. **Commingled fund:** A single fund set up by the hedge fund manager in which multiple investors can allocate to.
2. **Fund of one:** One fund set up by the hedge fund manager to which only one investor allocates to.
3. **Separately managed account:** an investment structure set up by the investor who then then appoints a hedge fund manager as an investment advisor. Two types of SMA structures are:
   a) Ring fenced: each hedge fund investment is a separate legal entity
   b) Multi-manager: the hedge fund investments are all pooled together in the same legal entity.

The hedge fund manager owns and controls the commingled fund and fund of one whereas in the case of SMAs ownership and control is with the investor

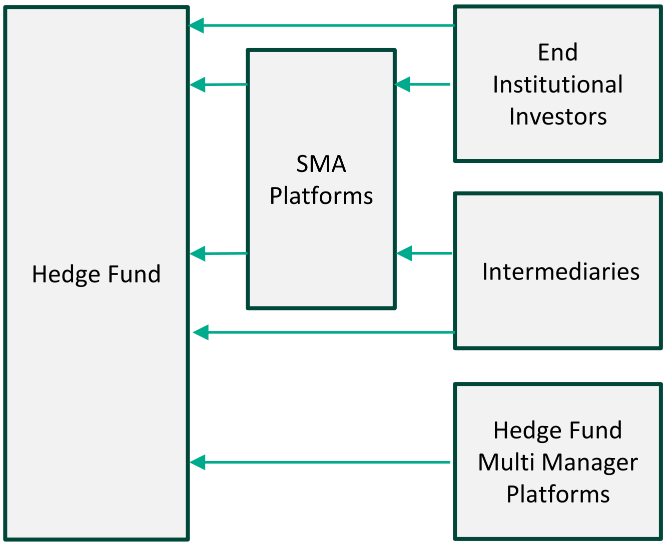




KEY STAKEHOLDERS IN SMAs

We have broken down the key participants in the SMA space into 5 groups:

1. **Hedge fund manager**, these refer to the fund managers or investment advisors that will receive the capital.
2. **End Institutional Investors** defined as pensions, endowments, foundations, sovereign wealth funds
3. **Intermediaries** defined as fund of funds, outsourced CIOs and investment consultants
4. **Hedge Fund Multi Manager Platforms**, these refer to hedge fund managers that allocate capital to other external hedge fund firms via an SMA. It is worth noting some intermediaries have launched dedicated multi manager funds where all investments are done via an SMA.
5. **SMA platforms**: Groups that provide the infrastructure, they help to set up and run the SMA program. It is worth noting that fund of funds and hedge funds have also set up separate SMA platform businesses or provide this service to their clients as a solution provider.



REASONS FOR USING SMAs

- **Portfolio Transparency**: The investor has full transparency into the assets in the SMA. They can use this to better analyse performance attribution and risk exposures enhancing their dialogue with managers.
- **Portfolio Control**: The investor is the owner and has full control over the assets in the SMA. As a result in most instances, the investor has better liquidity than that of the commingled fund.
- **Treasury Efficiency**: Investors can apply leverage in an SMA, allowing for more efficient use of their capital. In a ring fenced SMA structure investors can select which legal entities they would want to get netting benefits from and enter into a master netting agreement, however balance sheet offsets are nuanced, limiting any funding cost advantages because these are separate legal entities. In a multi-manager SMA structure, investors receive benefits for portfolio netting across all managers they invest in as well as balance sheet netting, given it is all one legal entity, therefore achieving a better cost of funding. Investors therefore may consider having both structures to allow them to isolate certain funds from others to limit the impact one manager can have on another.
- **Operational Efficiency:** Investing via SMAs can have structural cost reductions versus a commingled fund
- **Customisation:** The investor can create a more customized portfolio with an SMA that might include strategy carve-outs, best ideas, co-investments, or environmental, social and governance (ESG) mandates.
- **Economies of Scale**: A portfolio of SMA investments could provide investors to enhance their pricing and additional resources offered from their service providers, such as prime brokers and administrators.

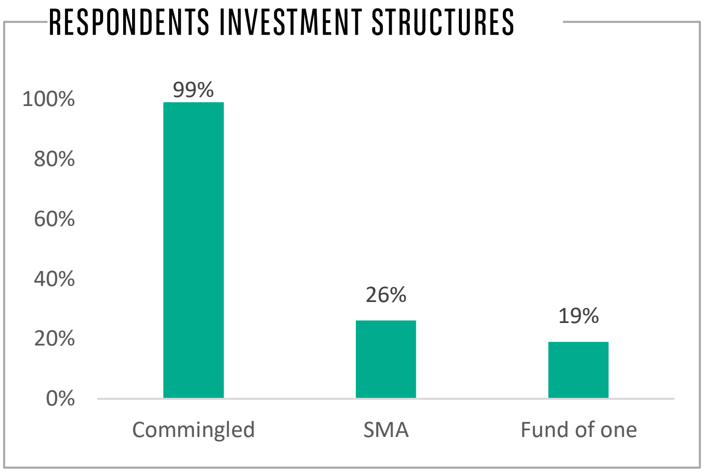
DIFFERENCES BETWEEN COMMINGLED, FUND OF ONE & SMA

	Commingled Fund	Fund Of One	SMA
Portfolio Transparency	✓✓	✓✓	✓✓✓
Portfolio Control	✓	✓✓	✓✓✓
Treasury Efficiency	✓	✓✓	✓✓✓
Operational Efficiency	✓	✓✓✓	✓✓✓
Customisation	✓	✓✓✓	✓✓✓
Economies of Scale	✓	✓	✓✓✓

Most benefit to investor ✓✓✓ → ✓✓ → ✓ Least benefit to investor

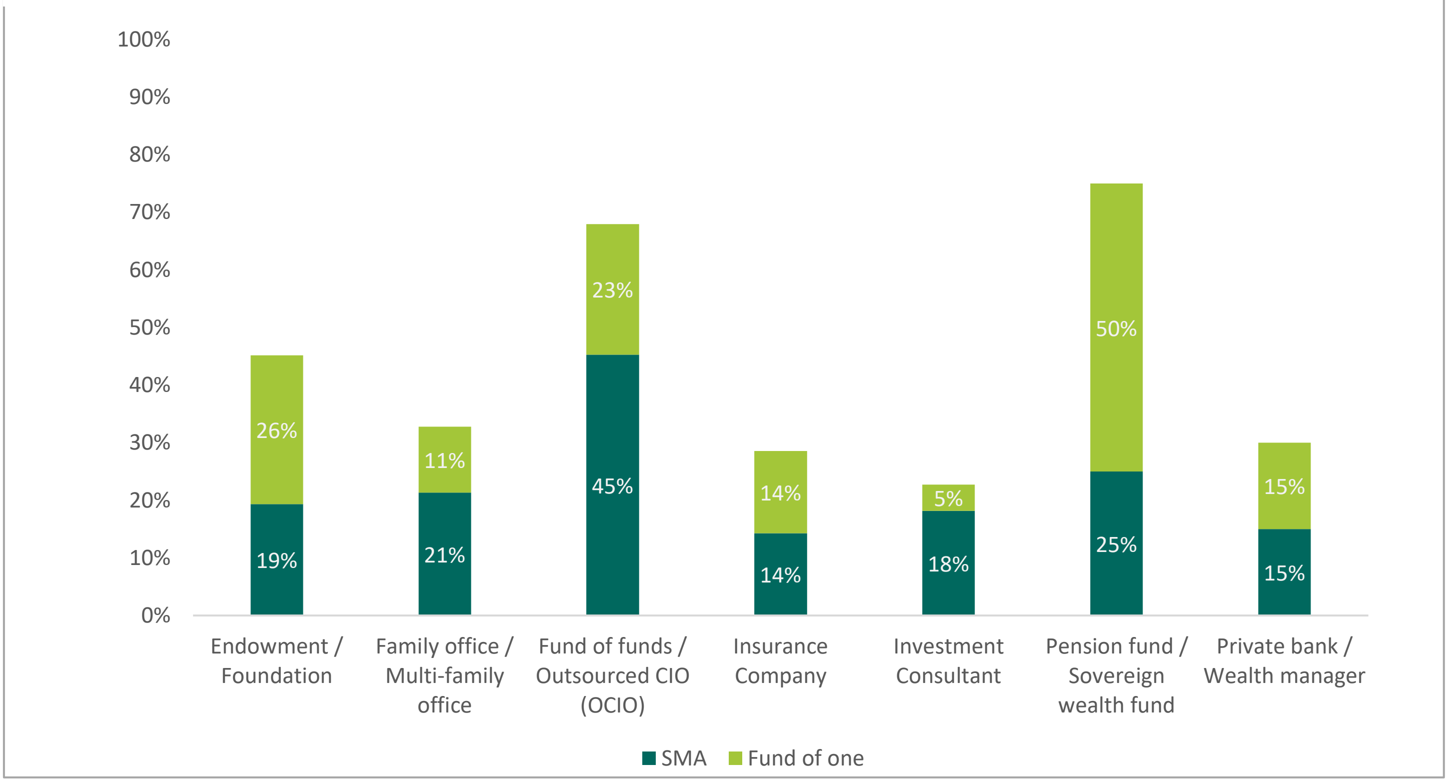
While almost every investor in our survey invests via a commingled fund, 26% of investors use an SMA structure and 19% have fund of one's in place. Collectively 39% of investors have either an SMA, fund of one or both, this is up from last year which was 25%. Fund of funds and OCIOs are the most active when it comes to using SMAs with 45% using them whereas pension and SWFs are more active in fund of ones with half investing using this approach. When investing using managed accounts 16% of respondents invest using an SMA platform provider which they fully fund with only 5% stating they use notional funding (i.e. posting cash for margin purposes freeing up excess cash). 13% of respondents have their own SMA platform.

8.1 DO YOU INVEST VIA SMAs



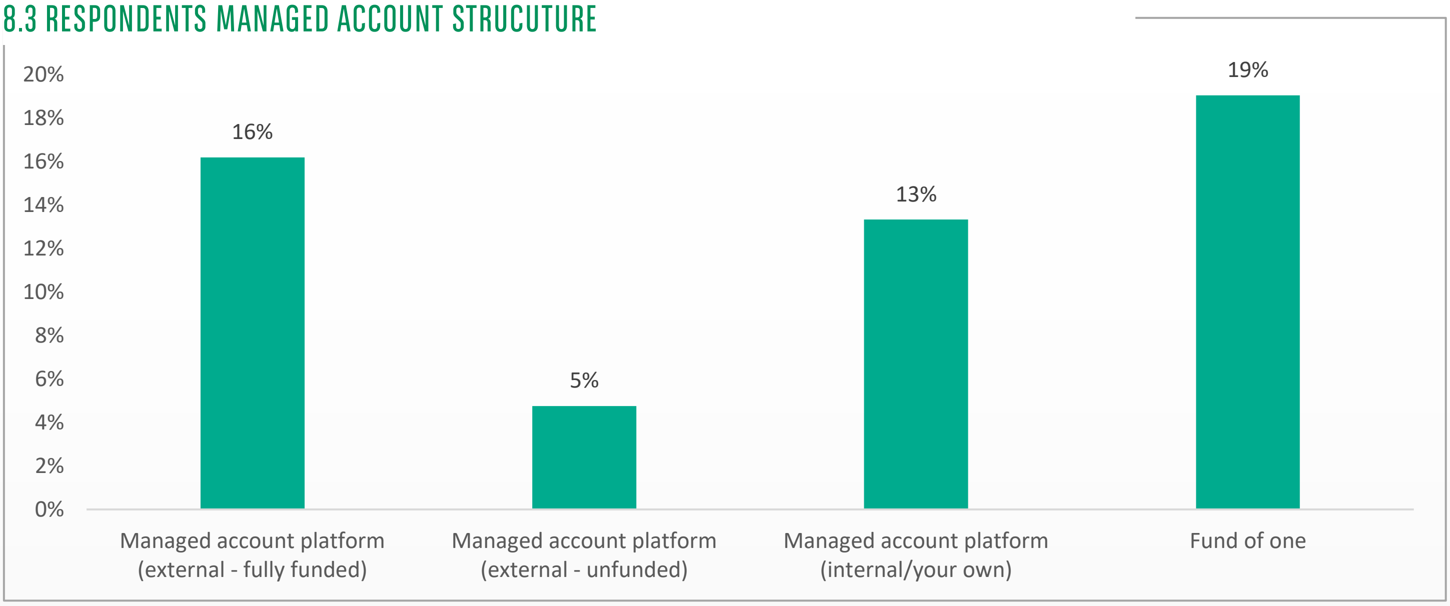
Source: BNP Paribas Alternative Investment Survey, 2025

8.2 RESPONDENTS SMA v FUND OF ONE BY INVESTOR TYPE



Source: BNP Paribas Alternative Investment Survey, 2025

8.3 RESPONDENTS MANAGED ACCOUNT STRUCUTURE



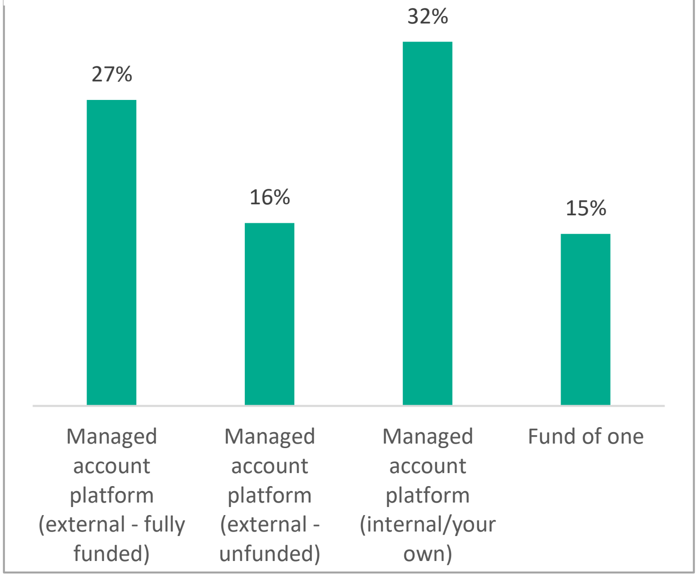
Source: BNP Paribas Alternative Investment Survey, 2025

8.4 WHAT % OF YOUR PORTFOLIO IS INVESTED IN SMAs

% OF PORTFOLIO IN COMMINGLED AND SMAs

Source: BNP Paribas Alternative Investment Survey, 2025

% OF PORTFOLIO IN DIFFERENT FORMS OF SMAs

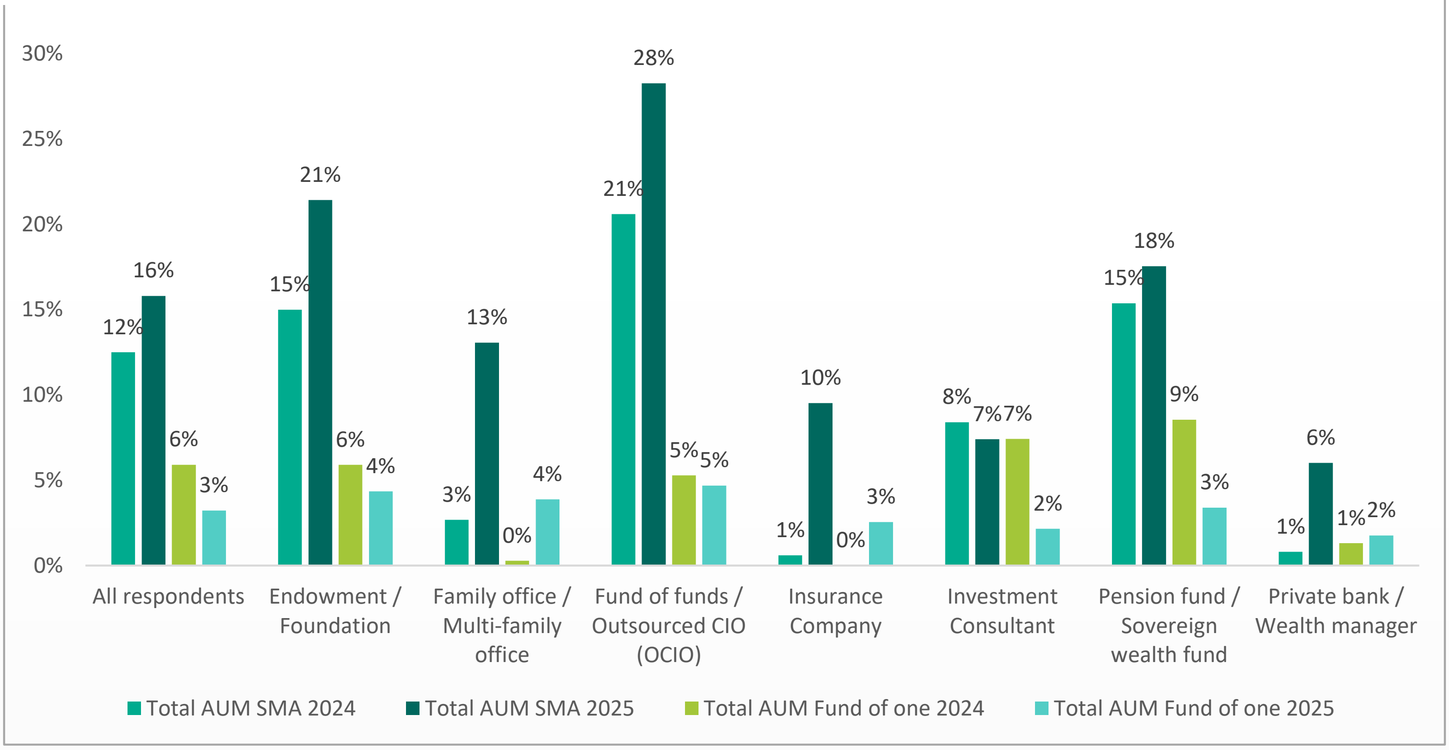


Source: BNP Paribas Alternative Investment Survey, 2025

Amongst the 26% of investors who allocate via SMAs (25% in last years survey), 36% of their assets on average are invested in this structure (34% in last years survey). When isolating fund of one investors we see that this number is 15% on average. 88% of assets are invested via a commingled structure. When we further investigate the approach to using SMAs for the 26% of SMA investors we see on average 27% of assets are invested using a fully funded external managed account provider versus unfunded which stands at 16% of assets. Those investors operating their own managed account platform have on average 32% of their assets invested via this approach.

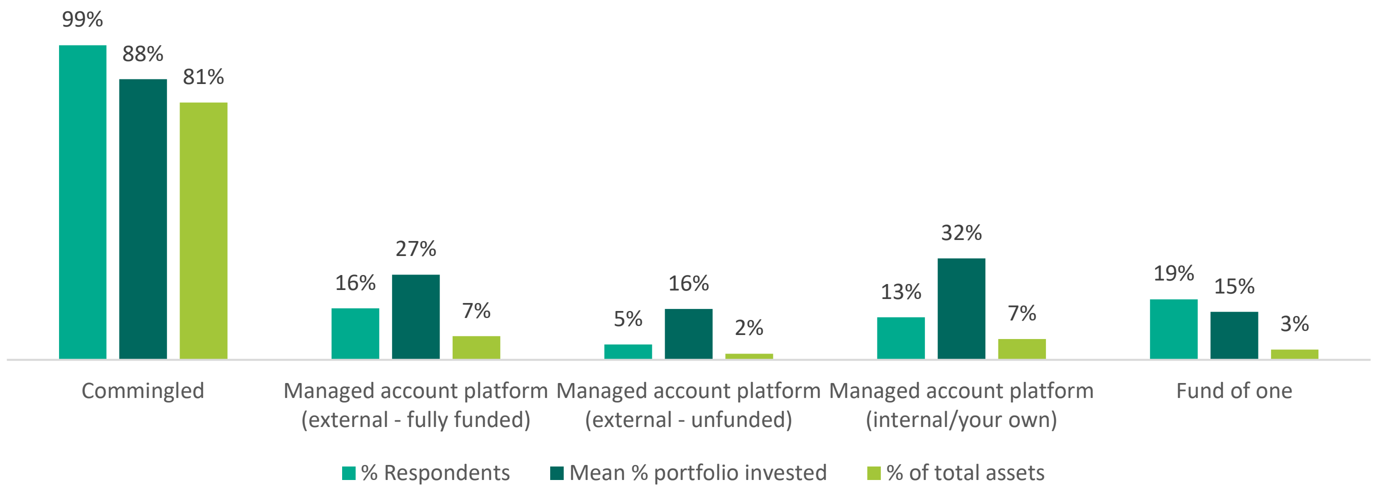
Across all investors we see that SMAs represent 16% of the total AUM in this year's survey which is up from 12% in lasts year's survey. Increases are seen across almost all investor types. Interestingly endowments, foundations and private investors some to be becoming more active in this space. We are seeing a year-on-year decline with respect to % assets invested in fund of one structures moving from 6% to 3%. This could be one of the reasons for SMA growth whereby investors are switching from fund of ones to SMAs. Other reason would be some fund of ones are set up to take advantage of specific opportunities and have a finite life.

8.5 % OF PORTOFLIO INVESTED IN SMAs and FUND OF ONE BY INVESTOR TYPE 2024 v 2025



Source: BNP Paribas Alternative Investment Survey, 2025

8.6 ACCOUNT STRUCTURES BY % RESPONDENTS AND ASSETS

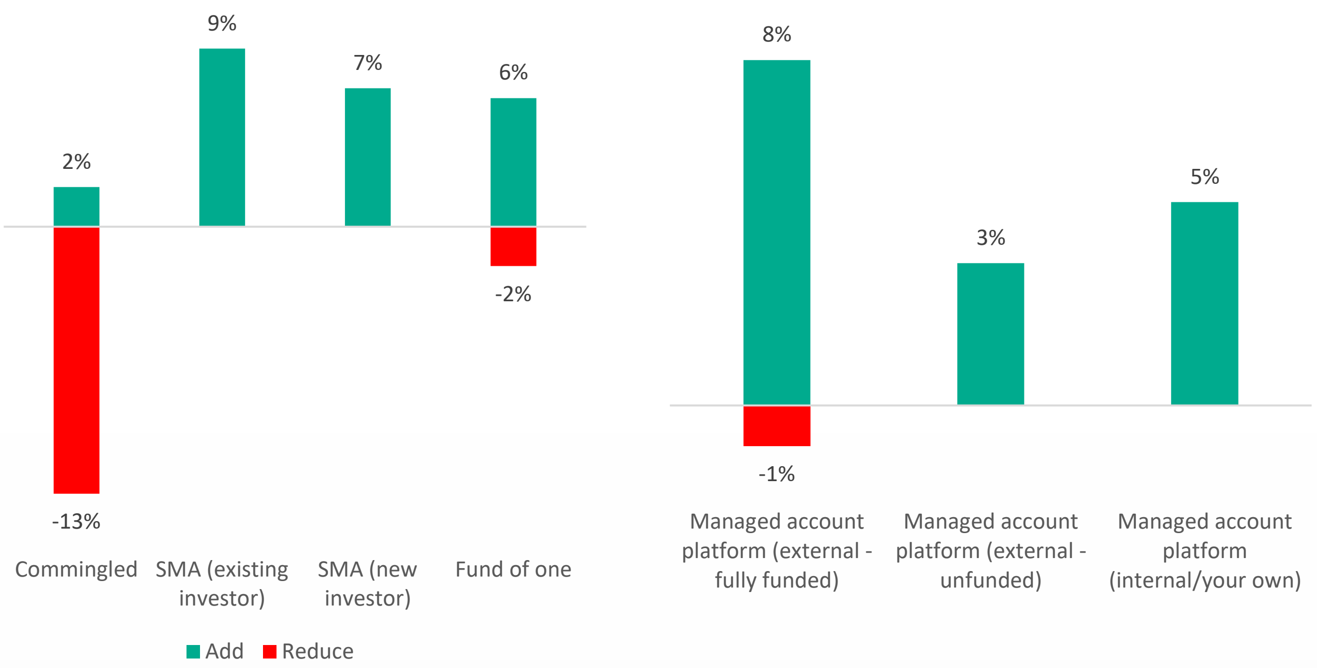


Source: BNP Paribas Alternative Investment Survey, 2025

The popularity of SMA structures is only predicted to grow in 2025, with 15% (net) of our respondents saying they expect to increase their SMA allocations, vs a net 11% who expect to decrease the amount they invest in commingled structures. 7% of this expected increase will come from new SMA investors, while 9% will come from those who already incorporate SMA structures into their portfolio.

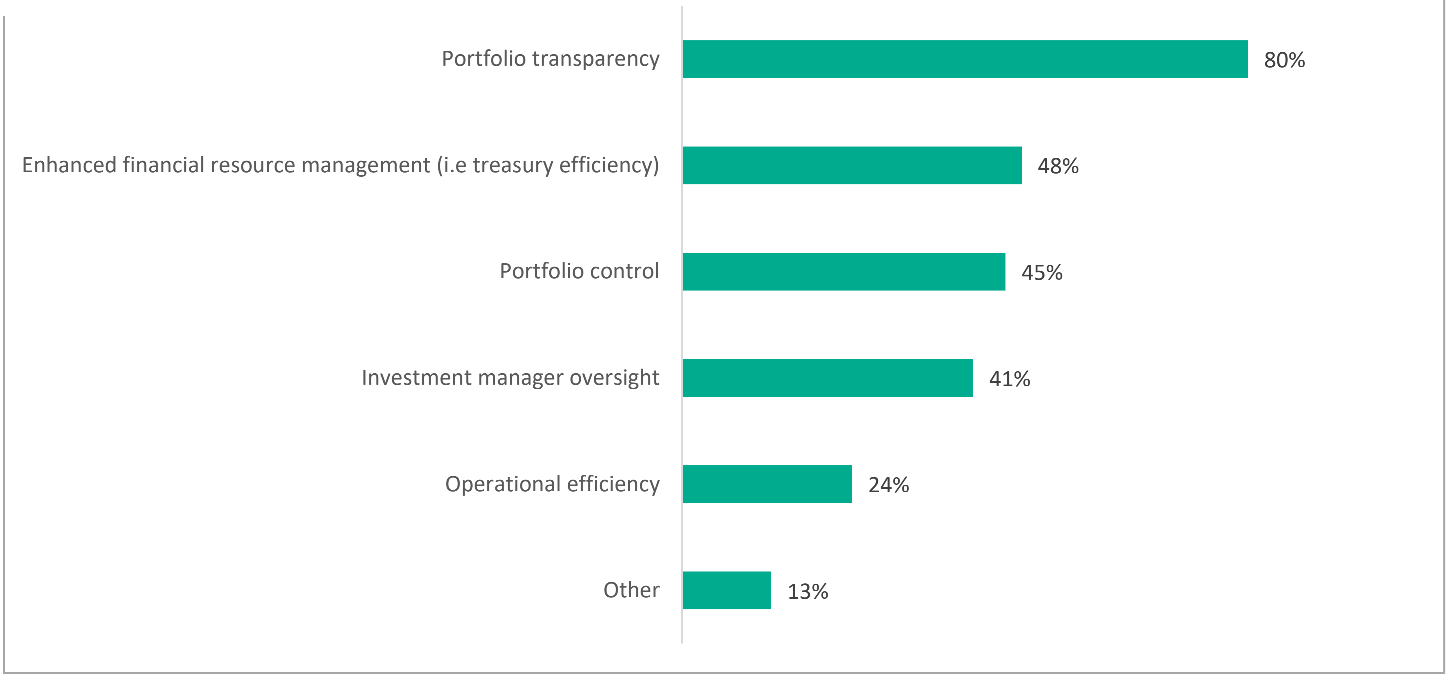
Amongst the varieties of SMA structures, fully funded external platforms are predicted to experience the largest increase. The principal driver for using an SMA structure is increased portfolio transparency. This is followed by enhanced financial resource management and portfolio control, which are favored by close to half of our SMA respondents.

8.7 2025 CHANGES IN ALLOCATION COMMINGLED V SMA V FUND OF ONE



Source: BNP Paribas Alternative Investment Survey, 2025

8.8 WHAT ARE THE PRINCIPAL DIVERS FOR USING AN SMA STRUCTURE FOR YOUR EXTERNAL HEDGE FUND INVESTMENTS?



Source: BNP Paribas Alternative Investment Survey, 2025

09 PORTABLE ALPHA

SECTION HIGHLIGHTS

- 22% of investors are already invested in a portable alpha solution and 18% are currently considering doing so. 64% of existing investors are planning to grow their current allocation.
- Most investors are looking to implement this within their long only equities and hedge fund portfolios.
- The alpha component is predominantly equity long / short however this is followed by multi-strategy, quant and macro.

What is portable alpha?

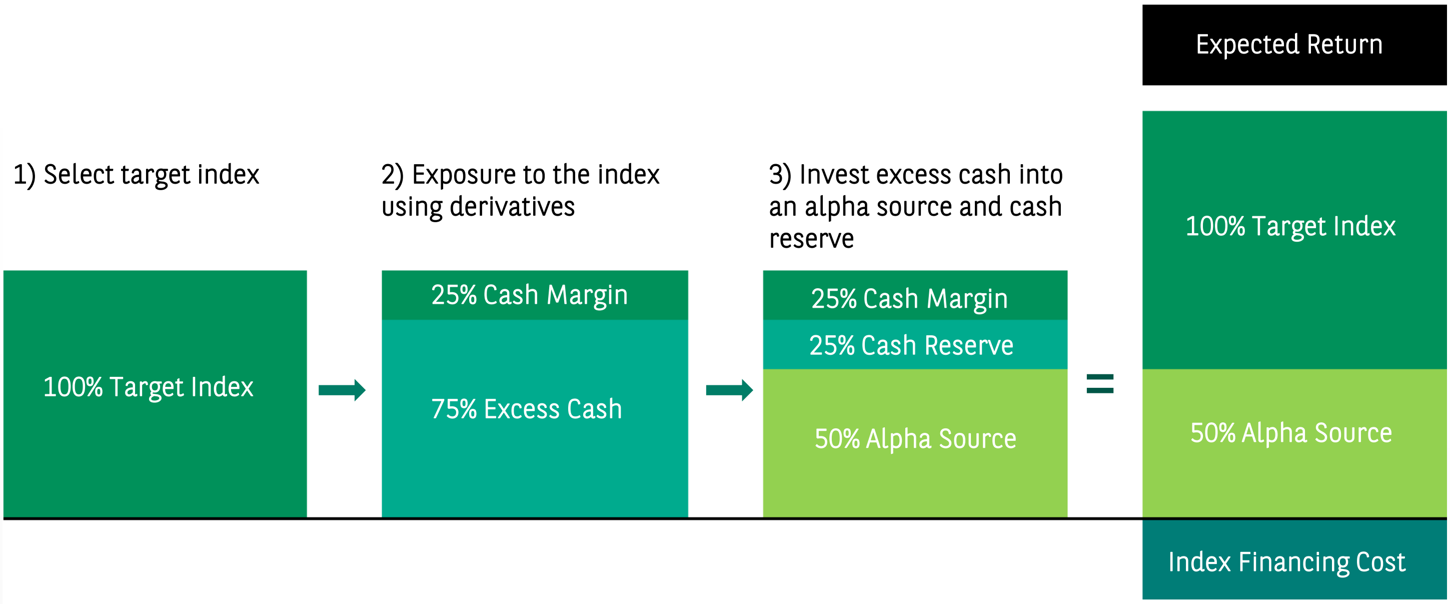
Portable alpha separates the returns of a target index (beta) from alpha. Making this distinction allows the returns of the alpha component to be "ported" on top of the target index exposure. The objective of this is to earn a net return above the targeted beta exposure. The steps to implement portable alpha are:

1. Choose the beta component (target index)
2. Gain 100% exposure to the beta component via derivatives such as futures or swaps resulting in excess cash, cash required for margin on the derivative
3. Invest the excess cash into an alpha source and a cash reserve to post margin when needed.

The resulting return = return of index + return of alpha source – cost of financing the index exposure. The alpha source is additive as long as it produces a return greater than the cost of financing.

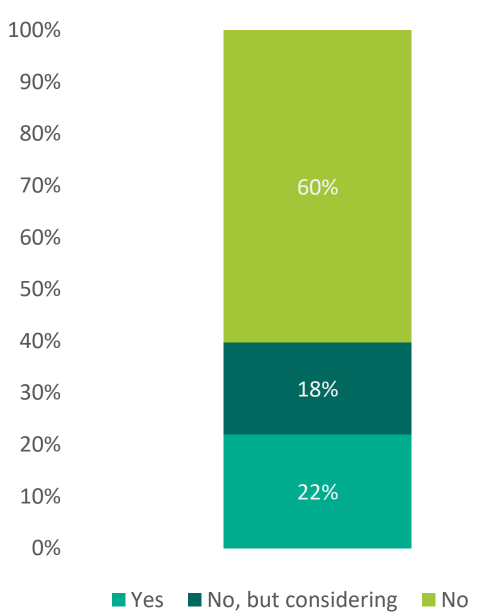
Investors can implement portable alpha themselves or have a manager do this for them with the latter potentially resulting in lower financing costs for the index / beta portion.

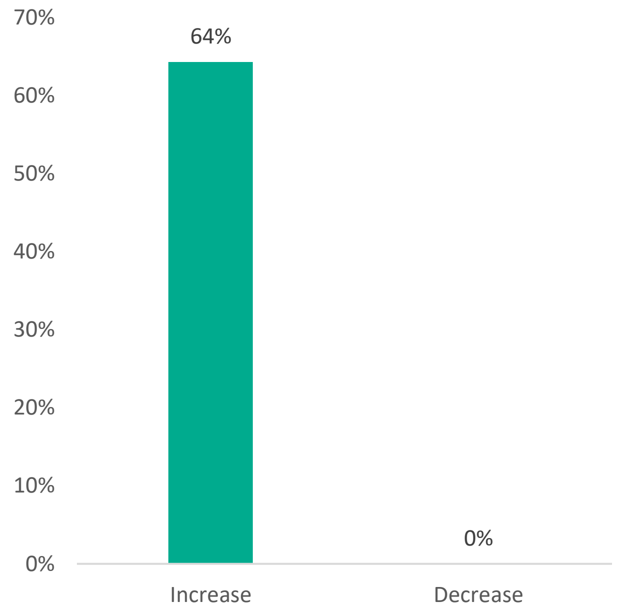
9.1 PORTABLE ALPHA IMPLENTATION



For the first time we asked investors explicitly whether they invest in portable alpha, finding that 22% already invest, and 18% are currently considering doing so. Of those that already invest in portable alpha solutions, 64% expect to increase their allocation, and none are looking to decrease. As portable alpha incorporates elements of both hedge funds, and traditional long-only allocations, we asked our investors' where portable alpha allocations sit within their portfolio. We found that 95% of those who invest in portable alpha do so through their equity long-only allocation. Alongside this, 86% do so through their hedge fund allocation. As a result, we observe many investors are doing it across both books.

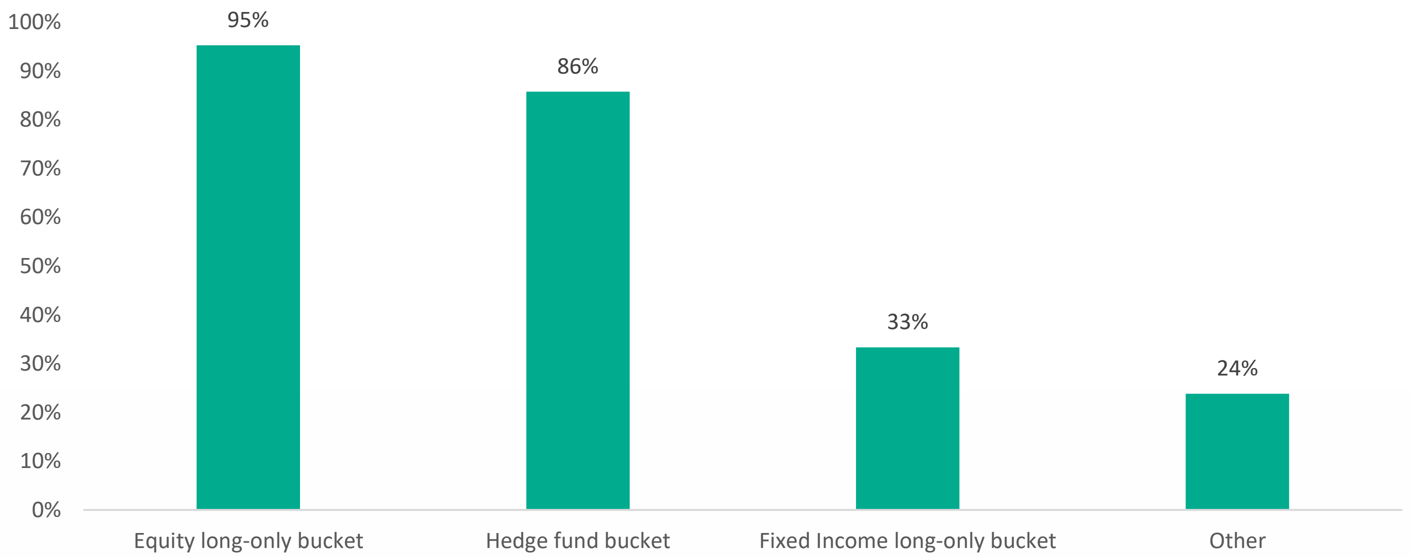
9.2 DO YOU INVEST IN ALTERNATIVE PORTABLE ALPHA?





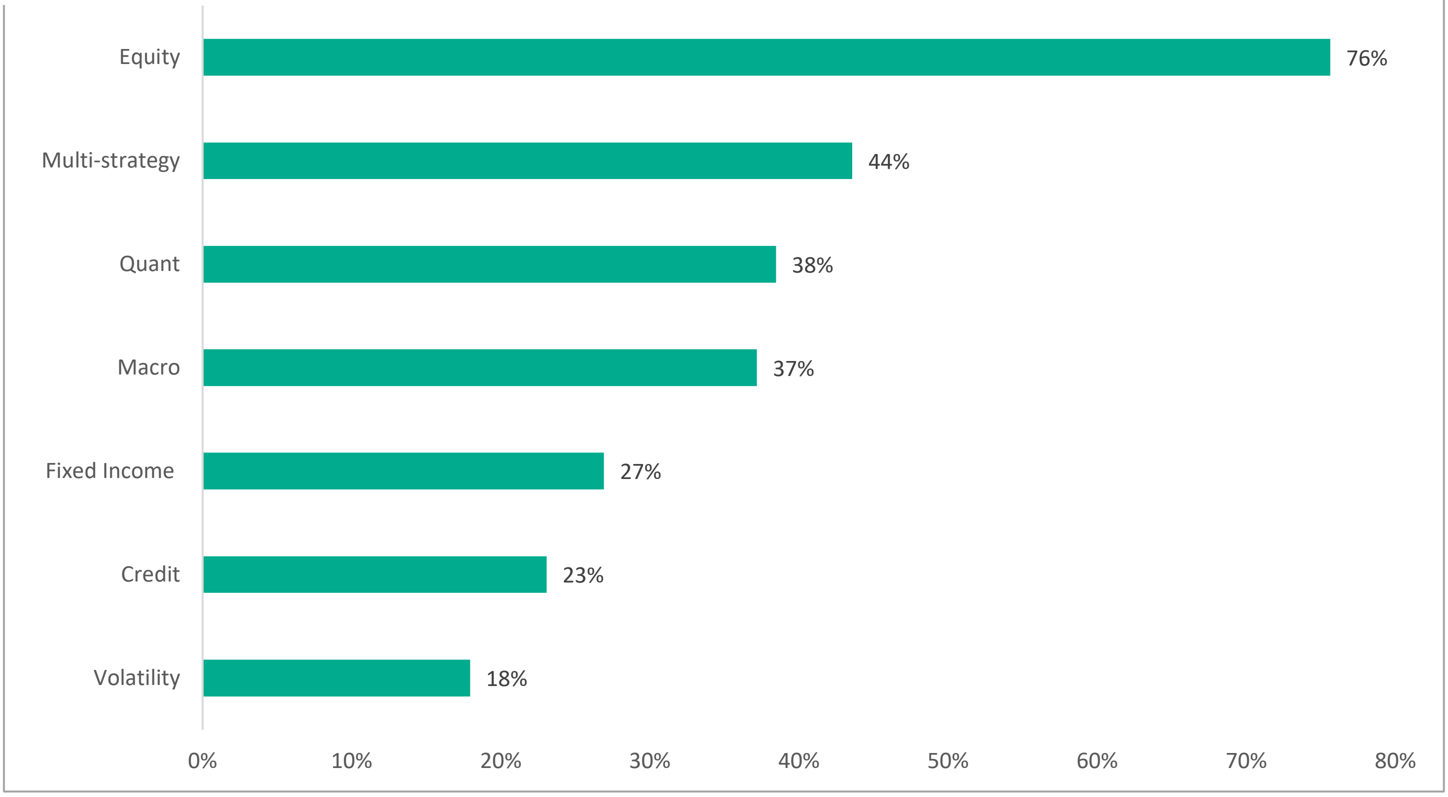
Source: BNP Paribas Alternative Investment Survey, 2025

9.3 WHERE DO YOUR PORTABLE ALPHA INVESTMENTS SIT?



Source: BNP Paribas Alternative Investment Survey, 2025

9.4 WHAT IS THE ALPHA COMPONENT OF YOUR PORTABLE ALPHA ALLOCATION?



Source: BNP Paribas Alternative Investment Survey, 2025

10 INTERMEDIARIES 2.0

SECTION HIGHLIGHTS

- Multi manager platforms are increasing external allocations, disrupting the intermediary space.
- Fund of funds (some of whose largest allocations tend to be multi managers) are entering the multi manager space.
- Fund of funds who are part of large asset management firms are entering the OCIO business
- Investment consultants are focusing on launching or growing their higher margin OCIO business

Activity	Investment Consultant	Outsourced CIO	Fund of funds	Multi Manager Platform
IDD – Advisory	√		√	
ODD - Advisory	√		√	
Invest in Traditional Funds	√	√		
Invest in Hedge Funds	√	√	√	√
Invest in other Alternative Funds	√	√		

11 HEDGE FUND MANAGER SURVEY

PROFILE OF PARTICIPANTS:

- 42 hedge fund manager firms, that manage over $400 billion in hedge fund assets participated in the survey:
- The Americas (AMER) account for 40% of respondents and 52% of hedge fund assets under management.
- Europe, the Middle East and Africa (EMEA) account for 48% of respondents and 47% of HF AUM.
- Asia Pacific (APAC) accounts for 12% of respondents and 1% of HF AUM.

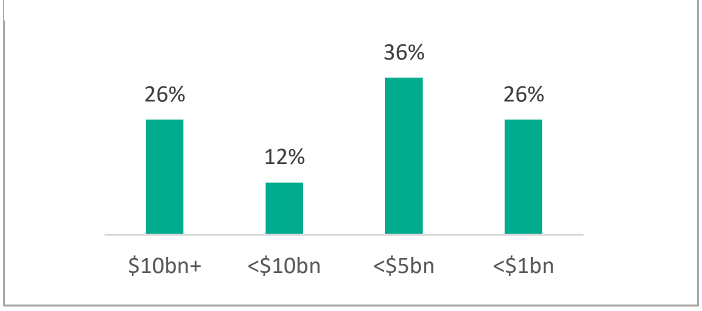
HEDGE FUND AUM:

- 26% of participants manage over $10 billion in HF AUM, 12% manage between $5 and $10bn. 35% were between $1bn and $5bn in assets. 26% of respondents managed less than $1bn.
- The average respondent has US$9.9 billion in HF AUM (median: $2.25 billion).

METHODOLOGY:

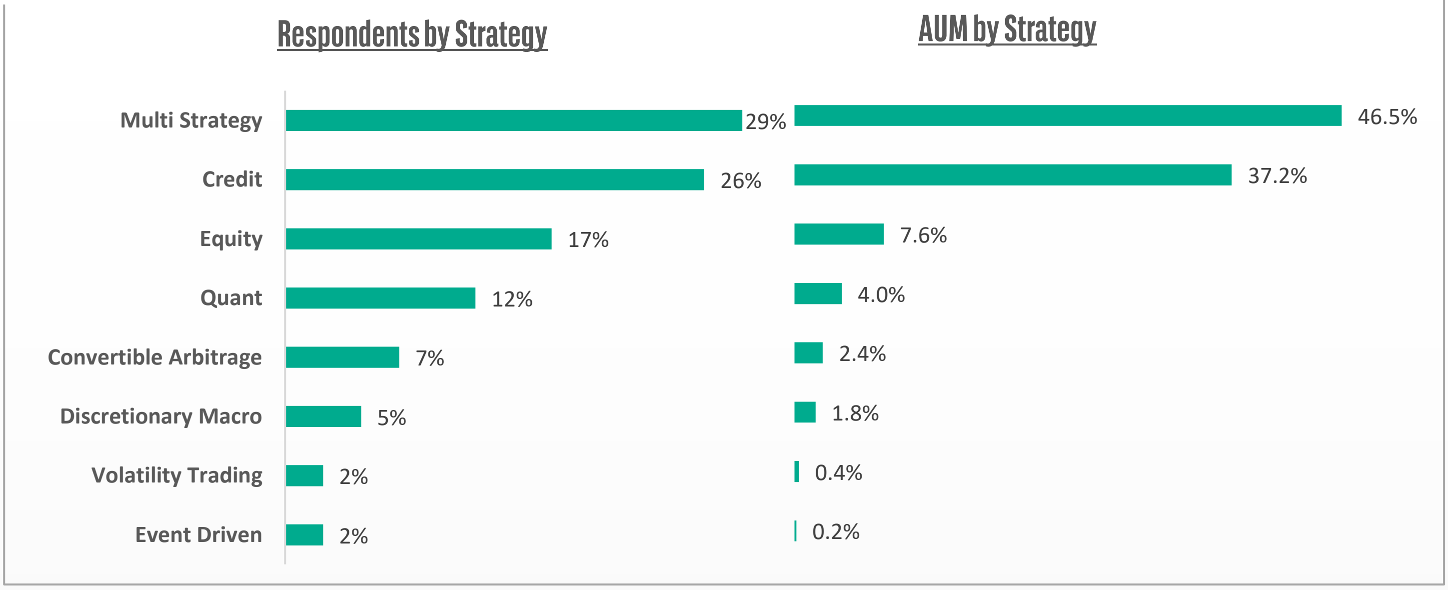
- Please note that percentages may not total to 100% in some exhibits due to rounding. In cases where not all respondents answered a question, percentages have been calculated out of the sum of only those that answered.
- BNP Paribas Capital Introduction, listed as a source throughout this survey, refers to data we have collected and/or research and publications we have produced.

11.1 BREAKDOWN OF RESPONDENTS BY HF AUM



Source: BNP Paribas Alternative Investment Survey – Managers, 2025

11.2 BREAKDOWN OF RESPONDENTS BY STRATEGY/AUM

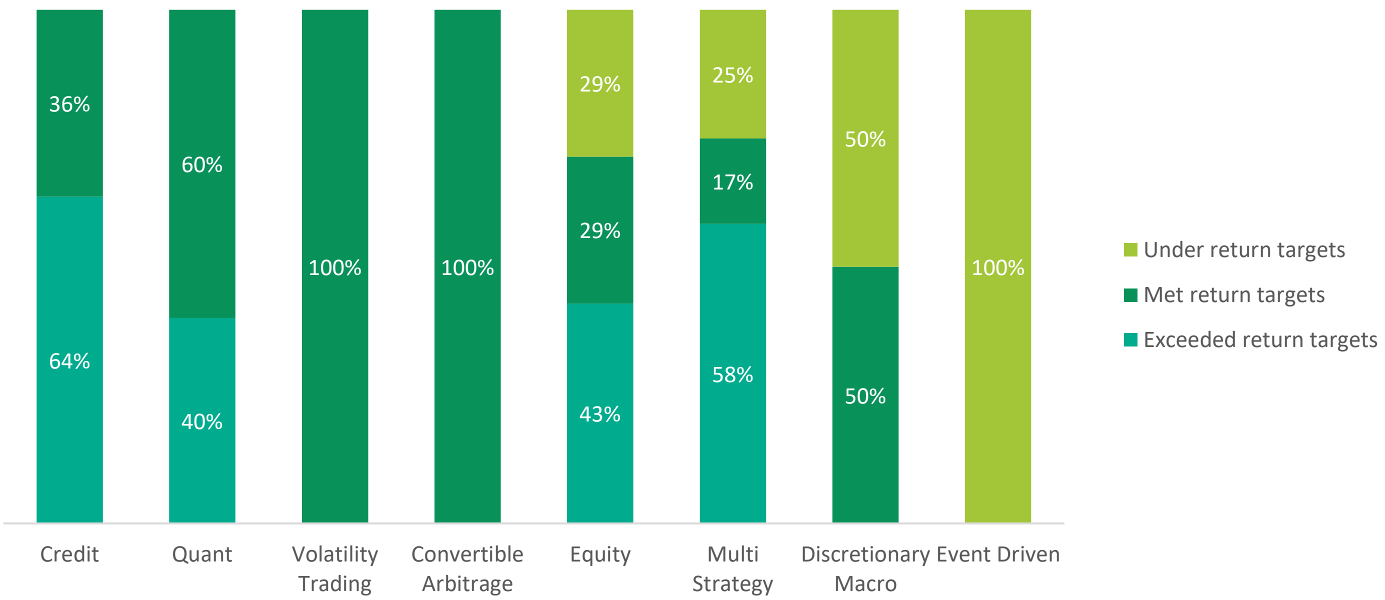


Source: BNP Paribas Alternative Investment Survey – Managers, 2025

MANAGER PERFORMANCE VS TARGETS

83% of participating managers stated they met or exceeded return targets in 2024. Credit and Quant strategies reported the strongest results: 100% of the sample met or exceeded their target returns. event-driven was the worst performer in the survey, followed by discretionary macro. Within credit opportunistic credit was the top performing sub strategy, where all participants reported exceeding their target returns.

11.3 2024 PERFORMANCE BY STRATEGY



Source: BNP Paribas Alternative Investment Survey – Managers, 2025

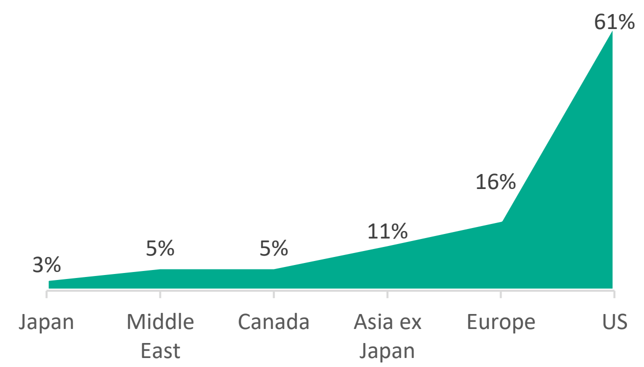
2024 MANAGER ASSET FLOWS: REGION/INVESTOR TYPE

Managers received the highest gross inflows from the Americas, which provided 66% of average gross inflows. EMEA allocators comprised 21% and Asia totaled 13%. The EMEA breakdown is as follows:

- Continental Europe: 8%
- UK: 5%
- Middle East: 5%
- Switzerland: 3%

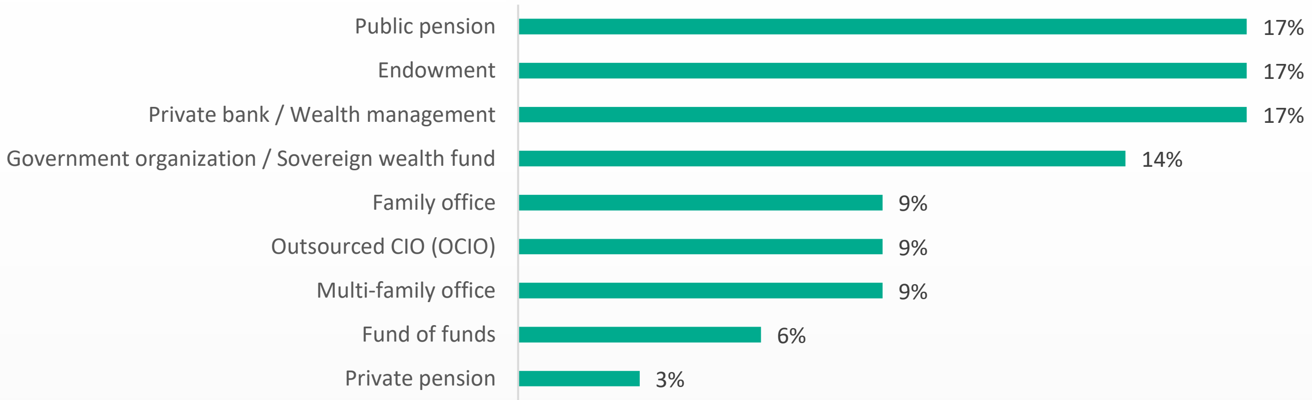
Public pensions, endowments and private banks / wealth management were quoted as providing the highest gross inflows across regions.

11.4 REGIONAL GROSS INFLOWS



Source: BNP Paribas Alternative Investment Survey – Managers, 2025

11.5 GROSS INFLOWS BY INVESTOR TYPE



Source: BNP Paribas Alternative Investment Survey – Managers, 2025

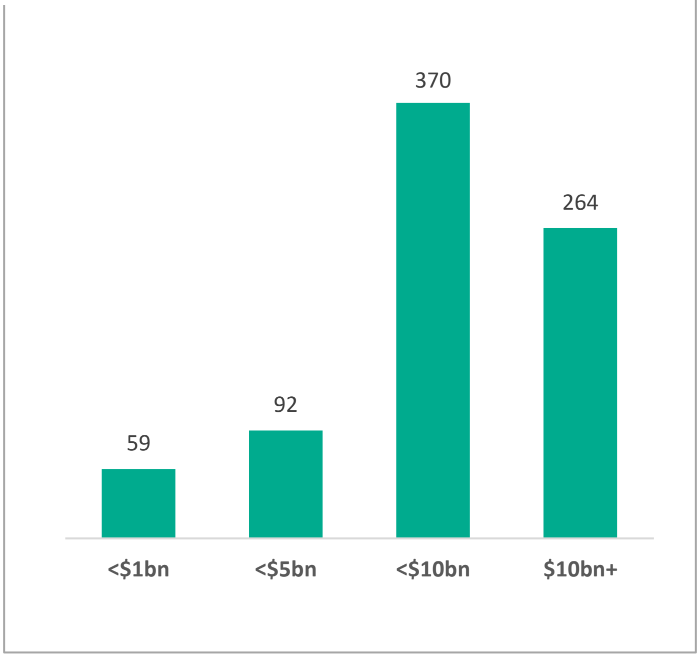
2024 MANAGER ASSET FLOWS: SIZE/STRATEGY

On average, larger managers saw higher net inflows, with the most popular size being between $5 and $10bn. These managers received an average net inflow of $370m in 2024. $10bn+ managers received $264m on average, where results may also be affected by capacity constraints on larger products.

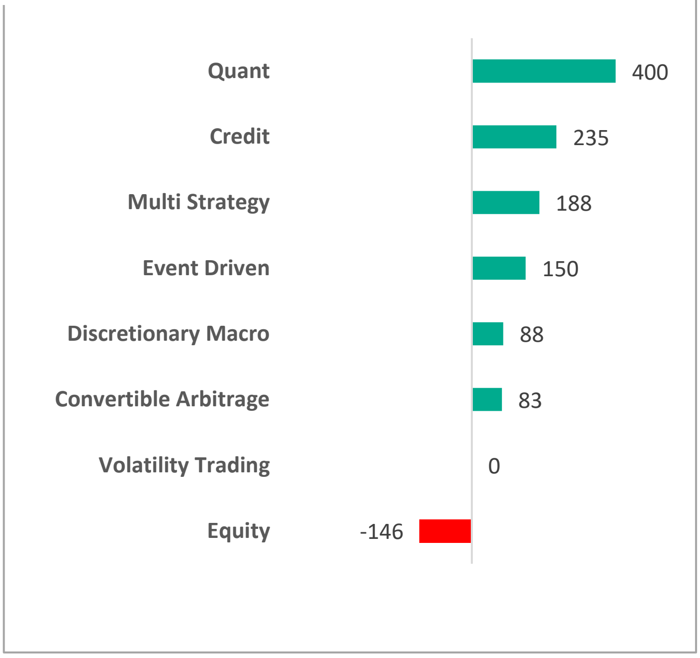
On a net basis, Quant strategies fared the best, with an average net inflow of $400m. In contrast, Equity strategies had net outflows of $146m on average. Within this strategy, Equity Low Net / Market Neutral strategies saw positive net inflows. Equity Long Only saw the largest average outflows, followed by directional/variable net strategies.

11.6 NET INFLOWS BY SIZE AND STRATEGY

AVERAGE NET INFLOWS BY MANAGER SIZE (US$MM)

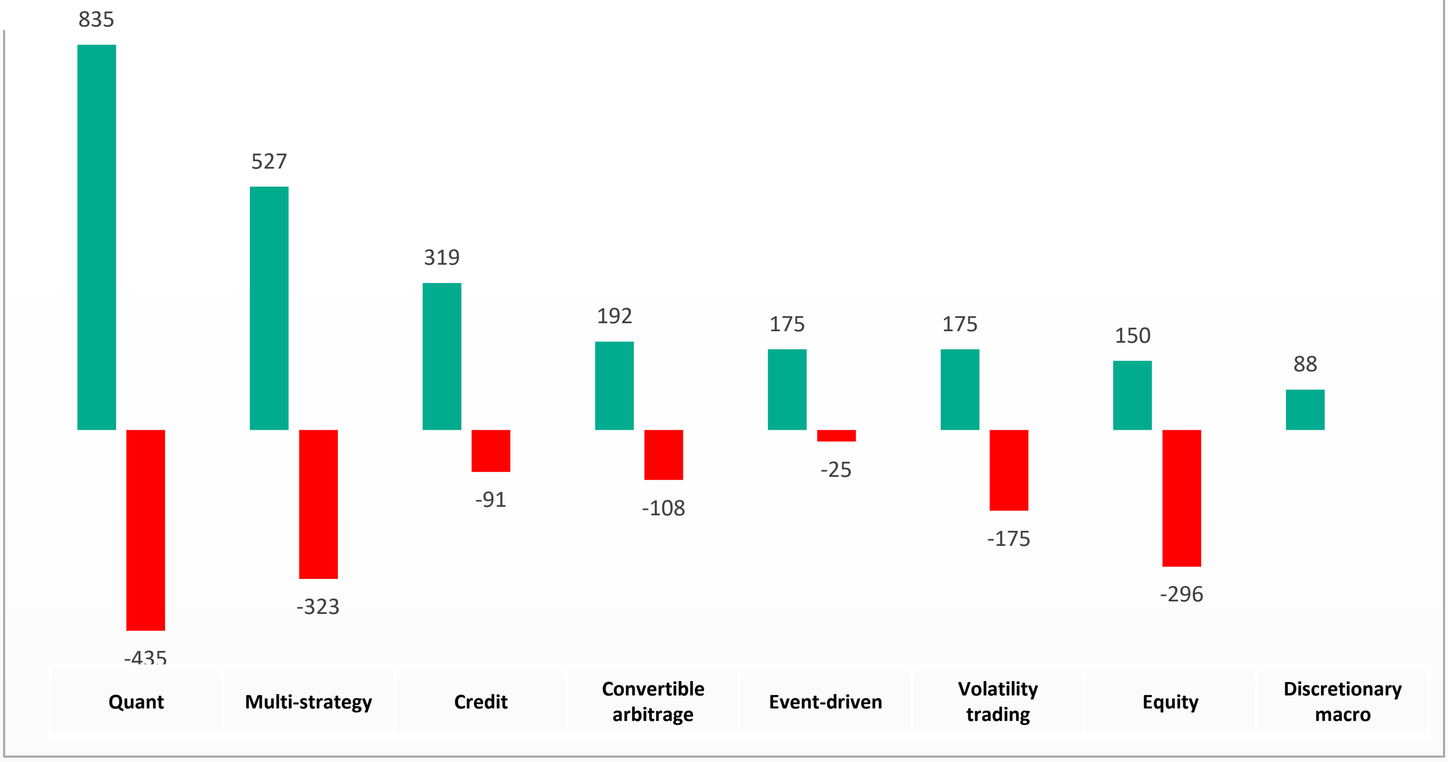


AVERAGE NET INFLOWS BY STRATEGY (US$MM)



Source: BNP Paribas Alternative Investment Survey – Managers, 2025

11.7 MANAGER GROSS INFLOWS AND OUTFLOWS BY STRATEGY (US$MM)



Source: BNP Paribas Alternative Investment Survey – Managers, 2025

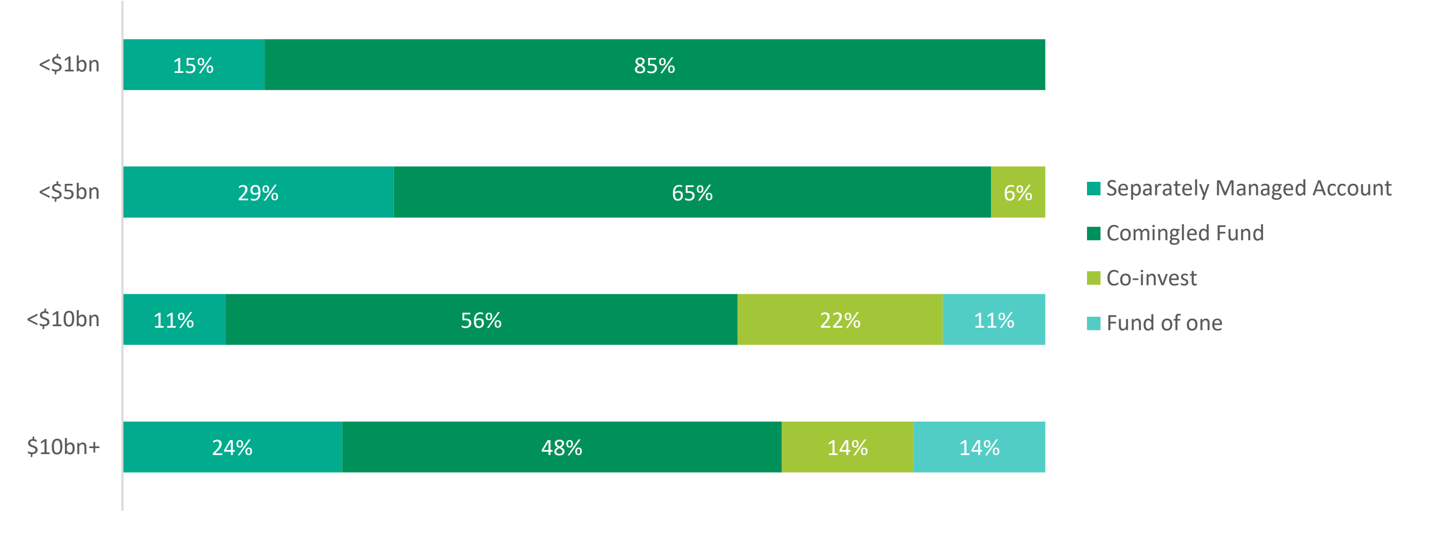
SEPARATELY MANAGED ACCOUNTS

Over 64% of managers noted they have become more receptive to SMAs compared to previous years. The following caveats were also mentioned:

- Requiring the allocator to match the liquidity terms of the flagship.
- Setting a limit on the number of total SMAs accepted
- SMA accepted only for a minimum capital allocation threshold

Larger managers ($10bn+) and those between $1bn and $5bn reported receiving more capital via SMAs than smaller managers. It is worth noting that as the size of the manager increases, so too does the variety of structures within which they receive capital. Only managers that were larger than $5bn in HF AUM, reported receiving capital into Funds of One.

11.8 STRUCTURES RECEIVING CAPITAL INFLOWS IN 2024



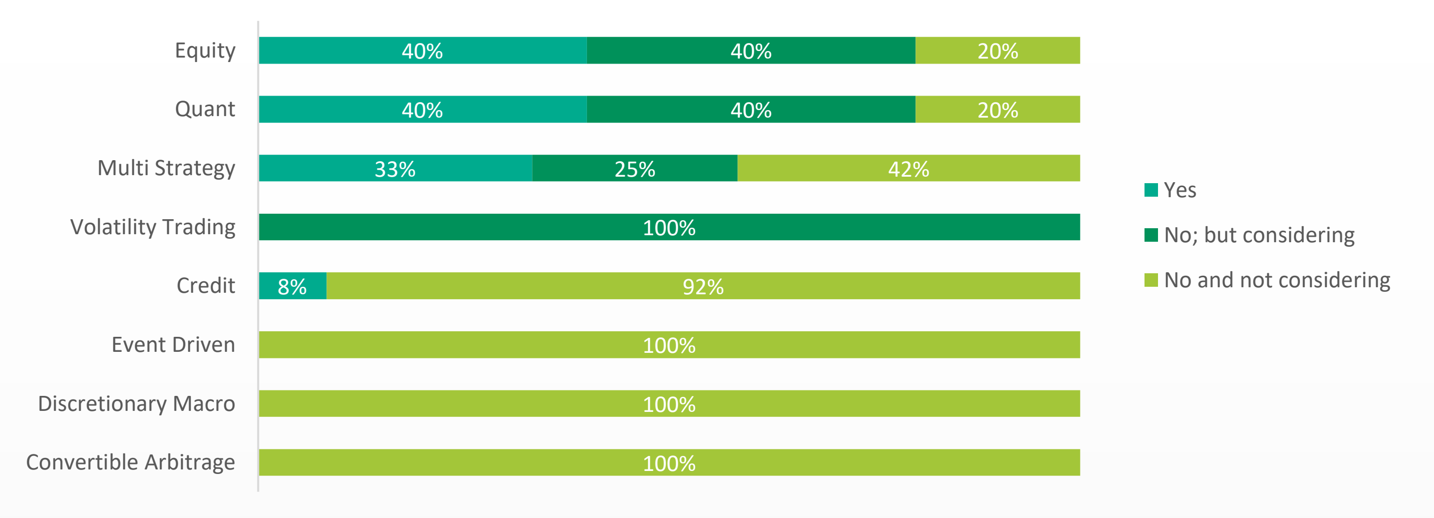
Source: BNP Paribas Alternative Investment Survey – Managers, 2025

PORTABLE ALPHA

42% of participating managers offer or are considering launching portable alpha strategies. Equity and Quant strategies were the most active, followed by multi-strategy and Volatility Trading. event-driven, Discretionary Macro and Convertible Arbitrage were the least likely to consider portable alpha solutions.

82% of larger managers ($10bn+) reported having a portable alpha product in place or considering offering one. In contrast, only 36% of the smallest managers (<$1bn) offer or are considering portable alpha. 100% of the managers sized between $5 and $10bn stated that they were not considering and did not have portable alpha solutions in place.

11.9 PORTABLE ALPHA OFFERING BY STRATEGY

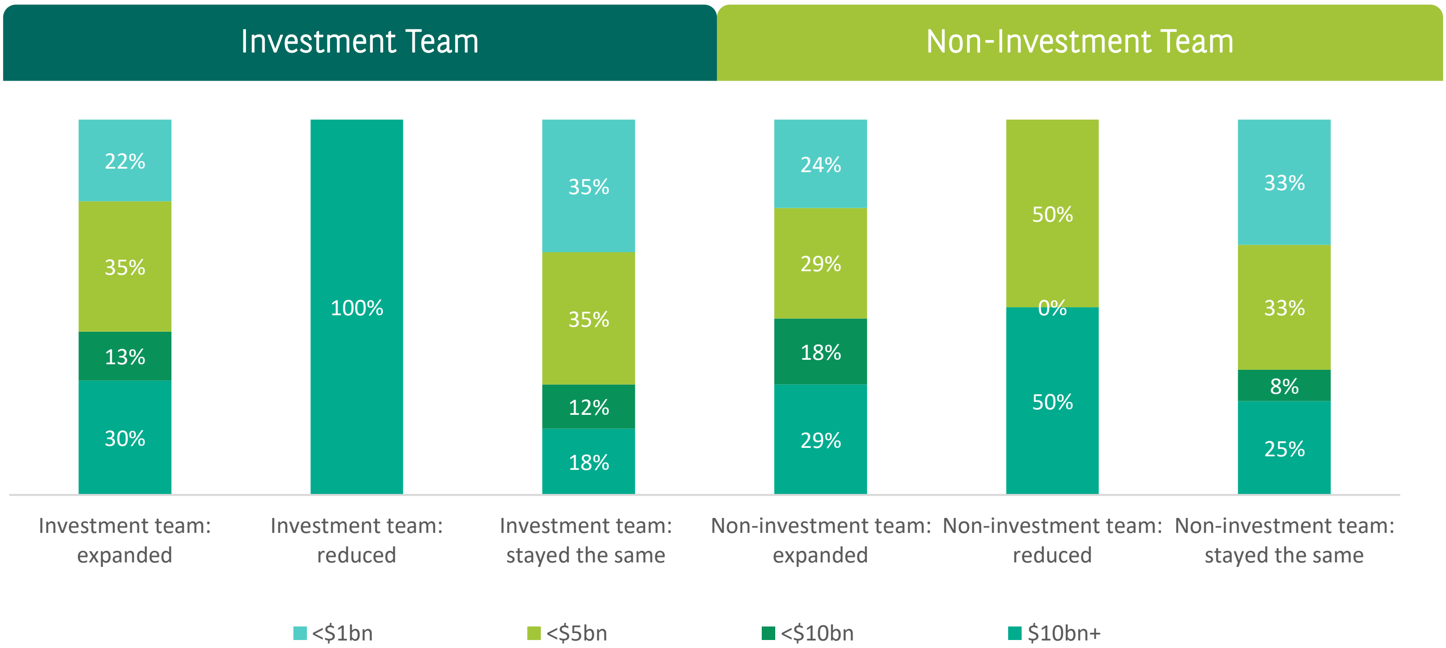


Source: BNP Paribas Alternative Investment Survey – Managers, 2025

MANAGERS: CHANGES TO INVESTMENT AND NON-INVESTMENT TEAMS IN 2024

The largest participating managers ($10bn+) were the only ones who reduced their investment teams, all others expanded or maintained. Conversely, they were also the most likely to expand their non investment team, likely reflecting greater investment into support functions. Managers under $1bn were most likely to maintain the sizes of their investment and non investment teams. From a regional perspective, 40% of EMEA headquartered managers reported expanding their investment teams, compared to 22% for the Americas and 28% for APAC. EMEA headquartered managers also led the charge for the non-investment team, with 25% reporting they expanded the team.

11.10 MANAGERS: TEAM CHANGES IN 2024

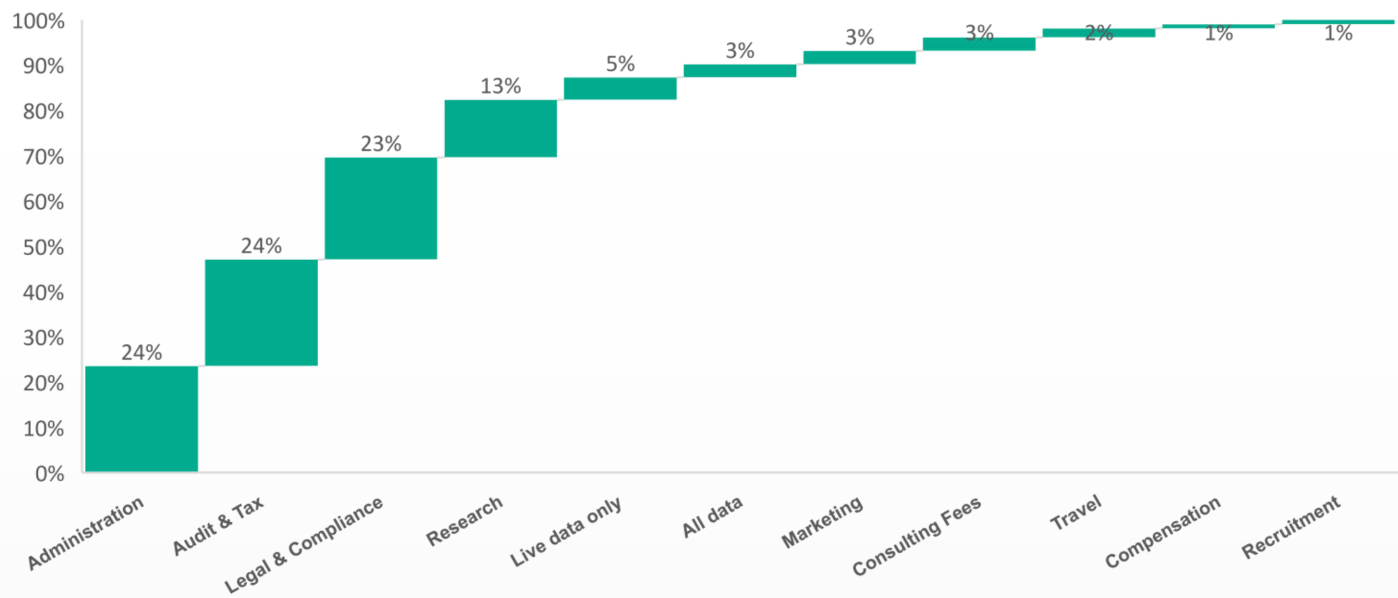


Source: BNP Paribas Alternative Investment Survey – Managers, 2025

FEE STRUCTURES

85% of participating managers charge standard fees, 12% had a partial pass through. 29% of those charging standard fees or partial pass throughs, had a cap on their fund expenses, ranging from 0.3 (25th percentile) to 2.85 (75th percentile. The mean was 1.6. The average fund expense ratio over the last three years was 0.68. The bottom quartile was 0.1 whilst the 75th percentile was 0.97. Fees typically charged to the fund include administration fees, audit and tax, and legal compliance. Where data costs are passed on, this is more likely to be live data only

11.11 FEES CHARGED TO THE FUND

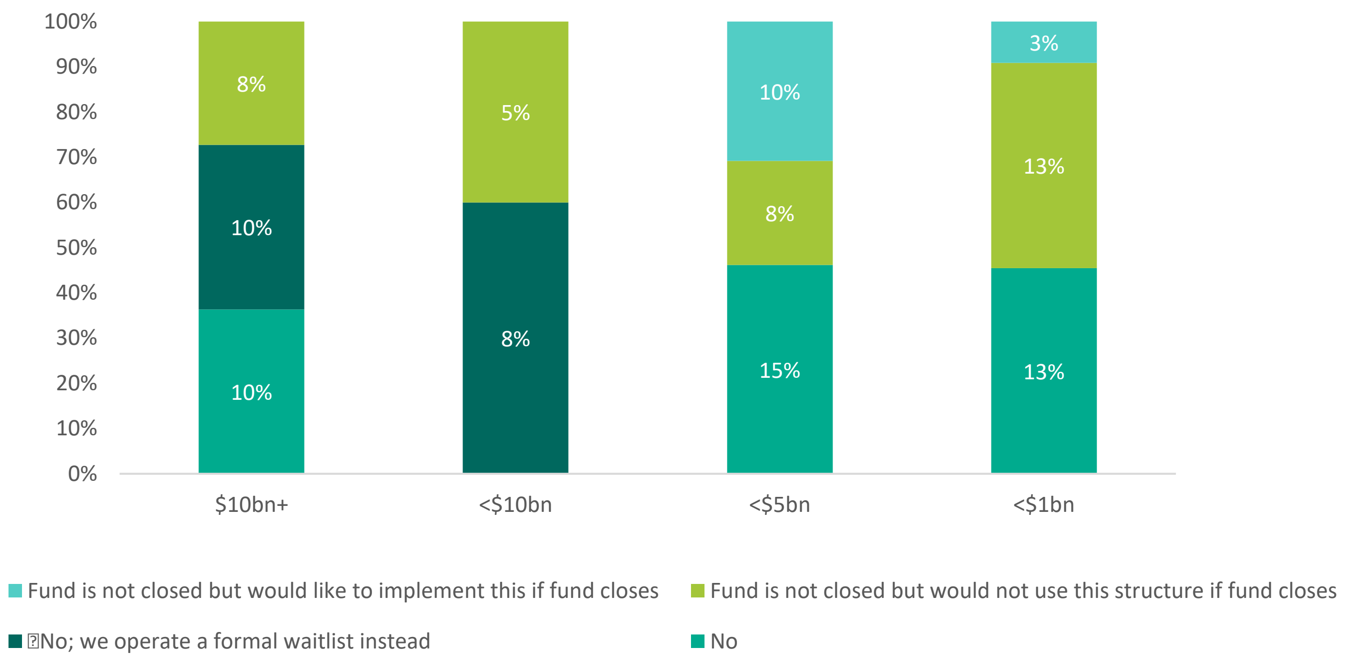


Source: BNP Paribas Alternative Investment Survey – Managers, 2025

CAPITAL COMMITMENT STRUCTURES

Larger managers ($5bn+) reported no interest in using a capital commitment structure if the fund closed, or that they had one in place already. They were the most likely to operate a formal waitlist instead. Managers between $1bn and $5bn expressed the most interest in using these structures should the fund close. No participating managers in the survey reported having an existing capital commitment structure.

11.12 IF YOUR HEDGE FUND(S) IS CLOSED FOR NEW CAPITAL, DO YOU HAVE A CAPITAL COMMITMENT STRUCTURE?



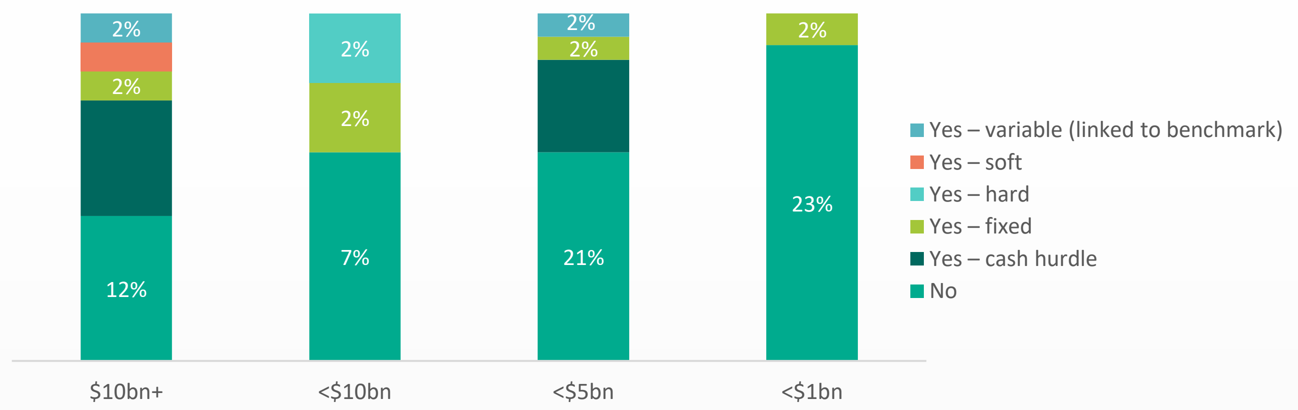
Source: BNP Paribas Alternative Investment Survey – Managers, 2025

HURDLE RATES

37% of respondents offer hurdle rates. The largest managers ($10bn+) were most likely to use a cash hurdle, and those between $5 and $10bn had a higher frequency of hard and fixed hurdle rates. Of those who did not offer a hurdle rate, they cited the following reasons:

- Have outperformed proposed hurdles
- Offer a lower fee structure instead
- No demand from investors
- Added complexity
- Not in place but open to discussion
- Would necessitate increasing fees

11.13 HURDLE RATES BY MANAGER SIZE

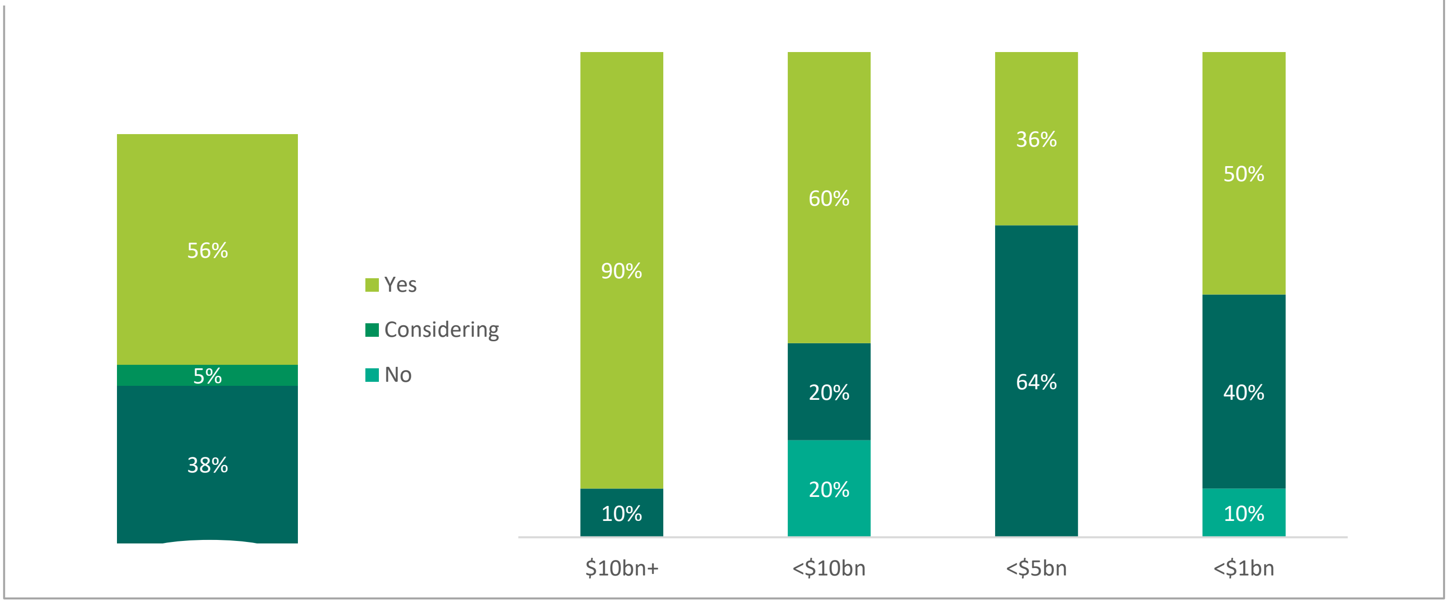


Source: BNP Paribas Alternative Investment Survey – Managers, 2025

ARTIFICIAL INTELLIGENCE

61% of respondents are implementing or considering implementing AI within their firm. 90% of $10bn+ managers are implementing AI and 10% are considering doing so.

11.14 ARE YOU IMPLEMENTING AI ACROSS ANY INVESTMENT/NON-INVESTMENT FUNCTIONS?

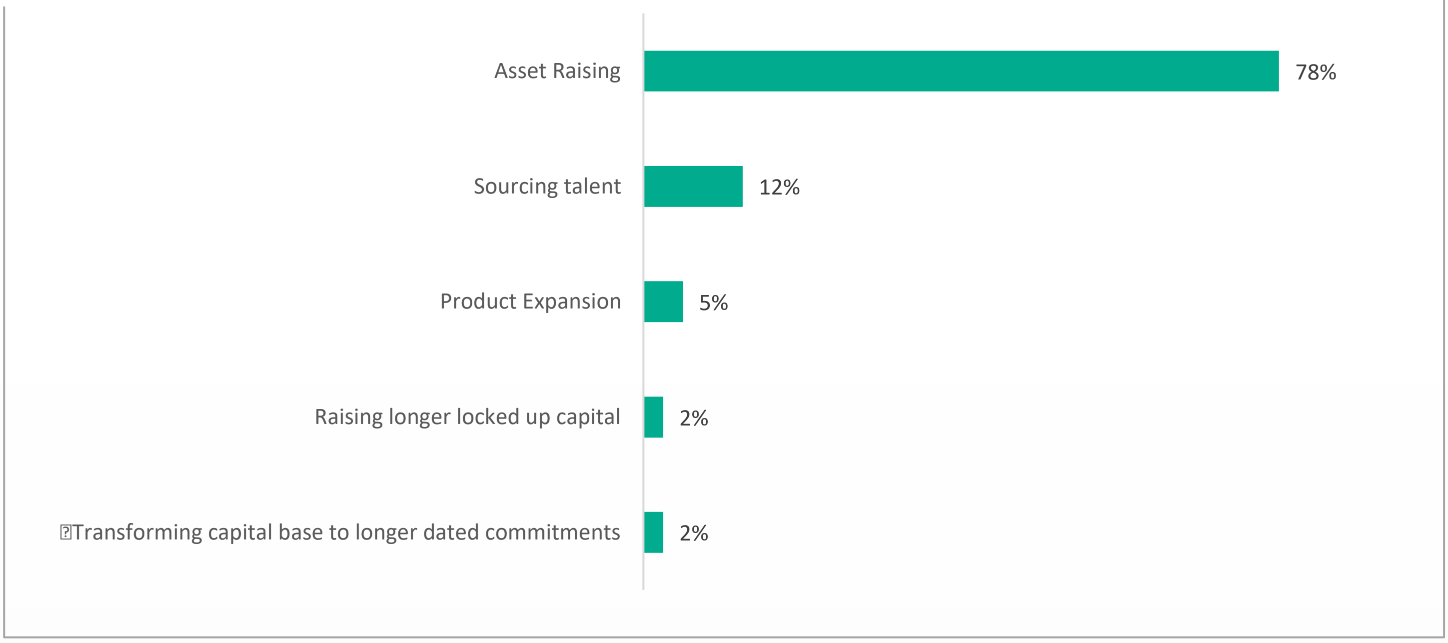


Source: BNP Paribas Alternative Investment Survey – Managers, 2025

PRIORTIES AND CHALLENGES FOR 2025

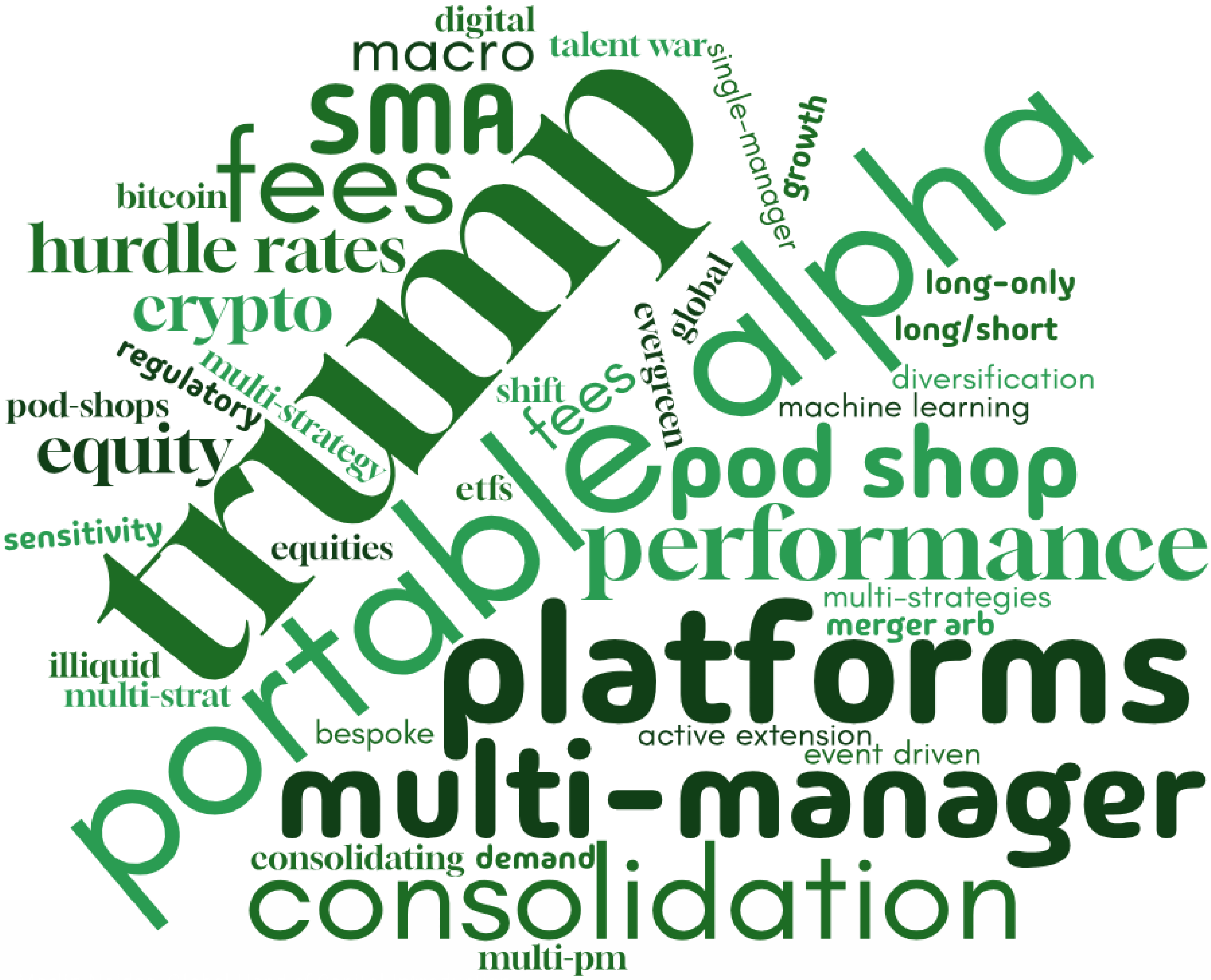
78% of participants cited asset raising as their biggest priority for 2025. Outside of asset raising, managers noted that fee pressure and retaining talent were key challenges they would face.

11.15 PRIORTIES FOR 2025



Source: BNP Paribas Alternative Investment Survey – Managers, 2025

2025 KEY HEDGE FUND TRENDS PICKED BY INVESTORS



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