Johnson Associates

Financial Services Compensation

First Quarter Trends and Year-End Projections

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2025 Year-End Projections

Johnson Associates projects year-end incentives to be lower across almost all sectors

Projections: Traditional asset management falls on market declines and active equity outflows. Hedge funds decline on outflows and weaker performance. Fundraising difficult across illiquid alternatives with greater impact on smaller / mid-sized funds. Investment and commercial banking trends lower but buoyed by trading. Tariffs and geopolitical concerns are biggest wildcard. Firm impacts vary widely

Traditional Asset / Wealth Management

Traditional AM: -5% to -10%
Wealth Management: -2.5% to -7.5%

- Market decline and systemic shift to lower fee products as investors derisk
- Product innovation ramps up as firms seek new growth levers (active ETFs)
- Conservative asset allocation mix as tariffs inject uncertainty
- Fee compression intensifies; margins continue falling
- Fixed income inflows as investors exit riskier equities
- Public and private markets converge as alts buildouts / partnerships continue
- Targeted layoffs driven by technology efficiencies and margin pressures

Alternatives

Illiquid Strategies: Flat to -10%
Hedge Funds: Flat to -10%

- Mega funds and multi-strategy firms benefit from product diversification
- Small / mid-sized firms with single strategy challenged (exits, fundraising, staffing levels)
- Secondaries, retail funds, and evergreen funds key growth initiatives
- Delayed / muted exits. Continuation funds rise in prevalence
- Hedge fund incentives down after strong 2024
- Quant funds stabilize. Some macro funds thriving amidst geopolitical turmoil
- Active hiring in Asia and the UAE

Investment Banking & Insurance

Banking: Down Broadly with Variation
Insurance: -2.5% to -7.5%

- Equities and fixed income trading surge on market volatility and client activity
- Advisory rebounds modestly but outlook dims as M&A “on hold”
- Equity underwriting down as IPOs delayed. Firms reassess viability / timing
- Corporate clients turn cautious amid economic uncertainty
- Insurance incentives down moderately
- Insurers streamline operations, pushing cost cuts and technology consolidation
- Insurance asset management operating models diverge (in-house vs. outsource)

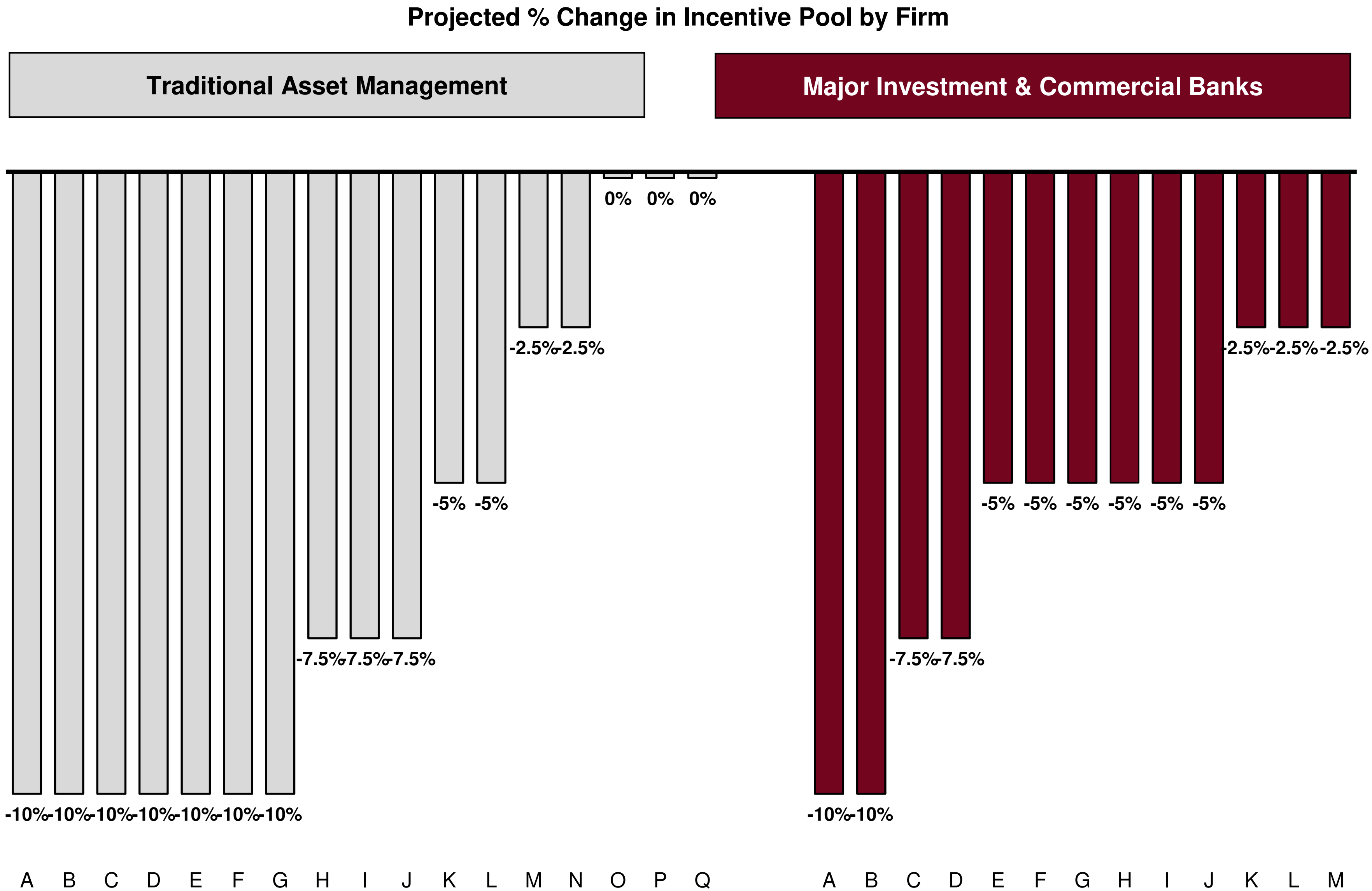
Projected 2025 Incentive Funding

Sector	% Change from 2024	Commentary
Hedge Funds	Flat to -10%	Most strategies down but select macro / quant funds up
Asset Management	-5% to -10%	Market declines and active equity outflows
Wealth Management	-2.5% to -7.5%	Demand remains strong but offset by market declines
Illiquid Alternatives*		
Private Credit	Flat	Strong demand for talent; strategic partnerships gain momentum
Private Equity (Large)	-5% to Flat	Exits have plummeted. Benefit of scale and product diversity
Real Estate	-2.5% to -7.5%	Higher interest rates keep deal volumes / realizations muted
Private Equity (Mid / Small)	-5% to -10%	Realities of poor fundraising environment
Insurance	-2.5% to -7.5%	Lower policy sales due to weakened economy, especially in L&A
Investment & Commercial Banking		
Equity Sales & Trading	+15% to +25%	Trading volume spikes with volatility
Fixed Income Sales & Trading	+10% to +20%	Increased client activity and volatility boosts results
Debt Underwriting	+5% to +15%	Debt issuance trends higher
Firm Management	-5% to -10%	In line with broader pools after outsized 2024 increases
Corporate Staff	-5% to -10%	Trending downward with corporate results
Advisory	-5% to -10%	Expected M&A “mania” disappoints with economic uncertainty
Retail / Commercial	-5% to -10%	Lower lending volumes and higher credit provisions
Equity Underwriting	-10% to -20%	IPO market stalls as firms take “wait and see” approach

*Applies to total incentive, excludes carried interest

Projected % Change in Year-End Incentive Pool by Firm*

- **Firm-by-firm incentive pools trending lower across asset management and investment and commercial banking**

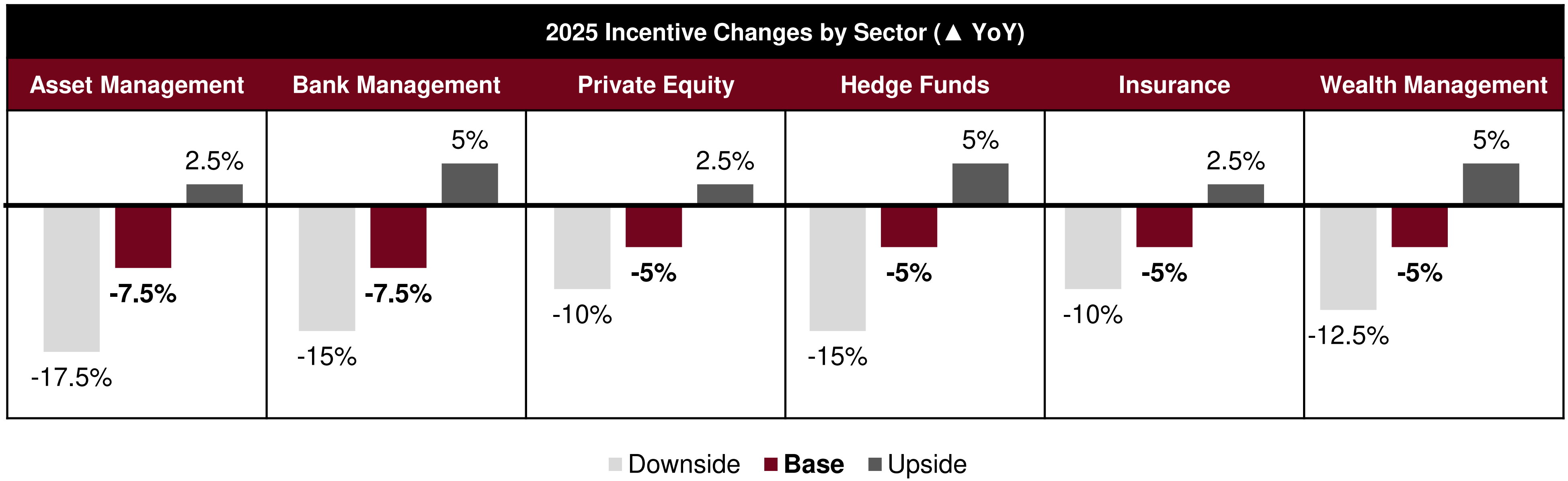


**3 months actual data with projection for remainder of year*
US & international firms included for both asset management and banks

Compensation Implications of Economic Uncertainty

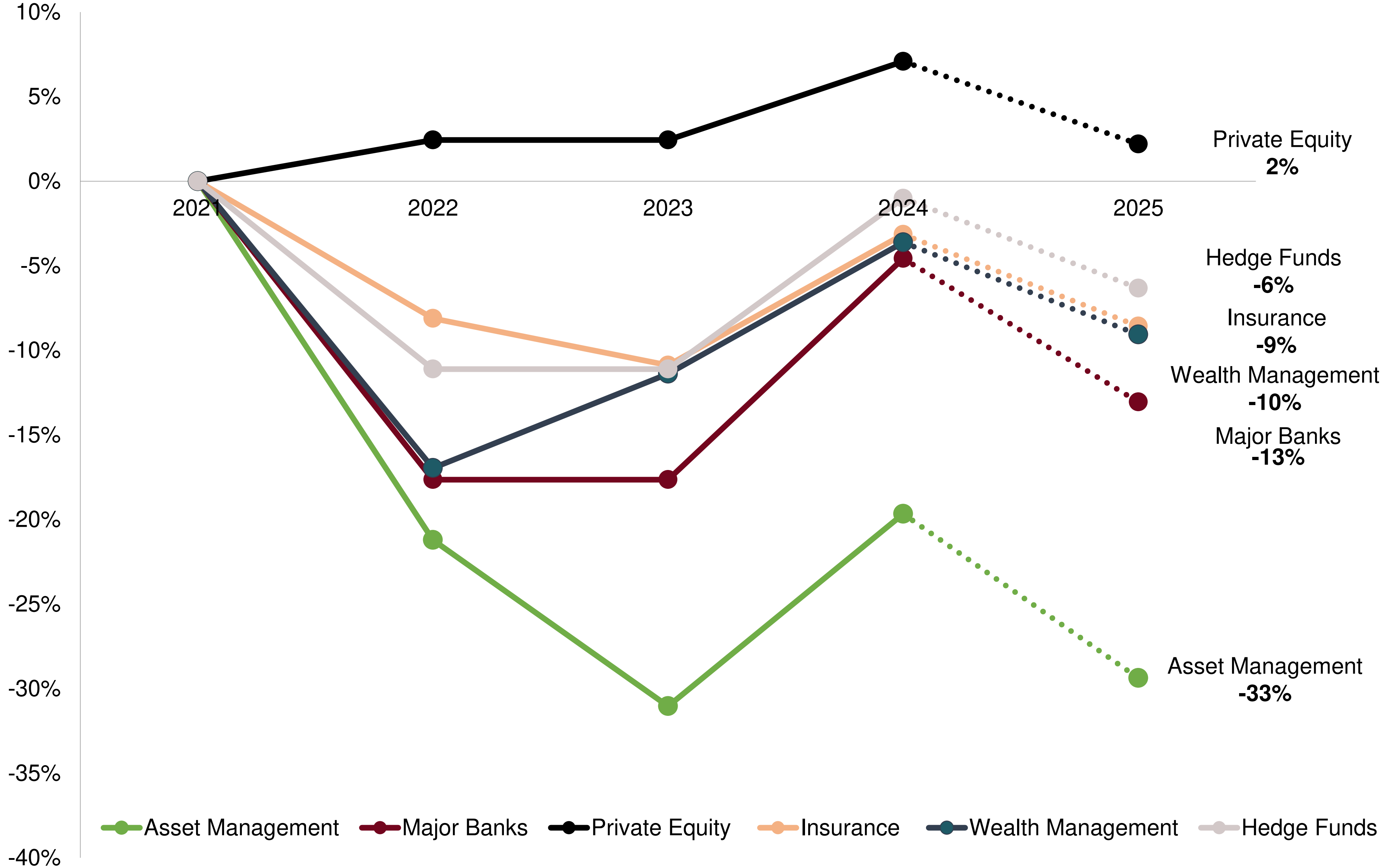
Final 2025 year-end incentives heavily impacted by outcome of trade war and geopolitical uncertainties

Scenario	Probability	Economic Implications	2025 Incentives
Upside	20%	▪ Wider trade war averted with flat market ▪ Full clarity around reduced tariff plans	***Flattish:*** *-2.5% to +2.5%*
Base Case	50%	▪ Selective tariffs with trade war uncertainty ▪ Muted economic growth with down market	***Moderate Decline:*** *-5% to -10%*
Downside	30%	▪ Broad trade war results in recession ▪ Significant market decline / layoffs	***Sharp Decline:*** *-15% to -20%*



Cumulative Incentive Trends by Business Segment

- 2025 incentives projected to fall after strong 2024. Incentive changes indexed to 2021 levels



YTD Stock Performance Across Sectors

- **Market sending clear signals across sectors**