Johnson Associates

Financial Services Compensation

Third Quarter Trends and Year-End Projections

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2025 Year-End Projections: (% Change from 2024)

Johnson Associates projects year-end incentives to be broadly positive across sectors

Projections: Traditional asset management rises on market appreciation. Strong hedge fund inflows and performance. Illiquid alternatives flat to up moderately with fundraising challenges. Investment and commercial banking up across all business units. Geopolitical uncertainties and tariffs linger into year-end 2025 and beyond.

Traditional Asset Management
7% to 12%
▪ Strong equity market despite H1 volatility; concentrated tech-led returns
▪ Passive products capture majority of flows; active ETF strength
▪ Scale bifurcation accelerates; largest firms benefit from distribution strength
▪ Hiring subdued but select focus areas (i.e., technology roles / India)

Illiquid Alternatives
Flat to 10%
▪ Muted exits with interest rates stressing valuations
▪ Aggressive and subpar 2021 – 2022 underwriting persistent headwind
▪ Private credit hot but cracks showing (i.e., First Brands / Tricolor)
▪ Retail a key growth driver with institutional channel saturation

Investment / Commercial Banking
Strong Business Unit Results
▪ Equities trading up significantly and outperforms FICC
▪ Advisory rebounds in H2; marking strongest year since 2021
▪ Equity underwriting up from weak 2024. Q4 government shutdown effects
▪ Executive pay outpaces broader corporate pools

Wealth Management / Family Office	
WM: *8% to 10%*	FO: *5% to 8%*
▪ **WM:** Strong investor demand with advisor talent war	
▪ Alternatives product expansion with cross-selling opportunities	
▪ **FO:** Moderately positive with diversified asset allocation mix	
▪ Stronger governance and infrastructure underpin institutionalization process	

Hedge Funds
2.5% to 10%+ (Wide Variations)
▪ Performance dispersion widens with long-biased funds dominating
▪ Flows resurgence and stronger demand
▪ Multi-strategy subdued after strong ‘24. Proprietary trading firms lead pack
▪ Aggressive recruitment for top PMs, fundraisers, and technology

Insurance
2.5% to 5%
▪ P&C recovery and tailwinds after outsized early year losses
▪ L&A margin compression with falling rate environment but annuities strong
▪ Cost discipline and efficiency increasingly key performance drivers
▪ Asset management bifurcation; in-house buildout vs. outsourcing

Projected 2025 Incentive Funding

Sector	% Change from 2024
Illiquid Alternatives[1]: *Flat to 10%*	
Secondaries	10%+
Private Credit	5% to 10%
Infrastructure	5% to 10%
Private Equity (Large)	Flat to 5%
Real Estate	Flat
Private Equity (Mid / Small)	Flat
Venture Capital	Flat
Investment & Commercial Banking: *Strong Results*	
Equity Sales & Trading	15% to 25%
Firm Management	10% to 15%
Advisory	10% to 15%
Fixed Income Sales & Trading	5% to 15%
Debt Underwriting	5% to 15%
Corporate Staff	5% to 8%
Equity Underwriting	5% to 8%
Retail / Commercial	Flat to 5%

Sector	% Change from 2024
Asset Management: *7% to 12%*	
Equities	9% to 12%
Fixed Income	6% to 9%
Wealth Management	8% to 10%
Family Office	5% to 8%
Insurance: *2.5% to 5%*	
Property & Casualty	3% to 5%
Life & Annuities	2% to 4%
Hedge Funds[2]: *2.5% to 10%+ (Wide Variations)*	
Proprietary Trading	↑ Outperforming
Long-Biased	↑ Outperforming
Event-Driven	↑ Outperforming
Macro	– Market Performing
Arbitrage	– Market Performing
Credit	– Market Performing
Multi-Strategy	↘ Under/Market Performing
Quantitative	↓ Underperforming

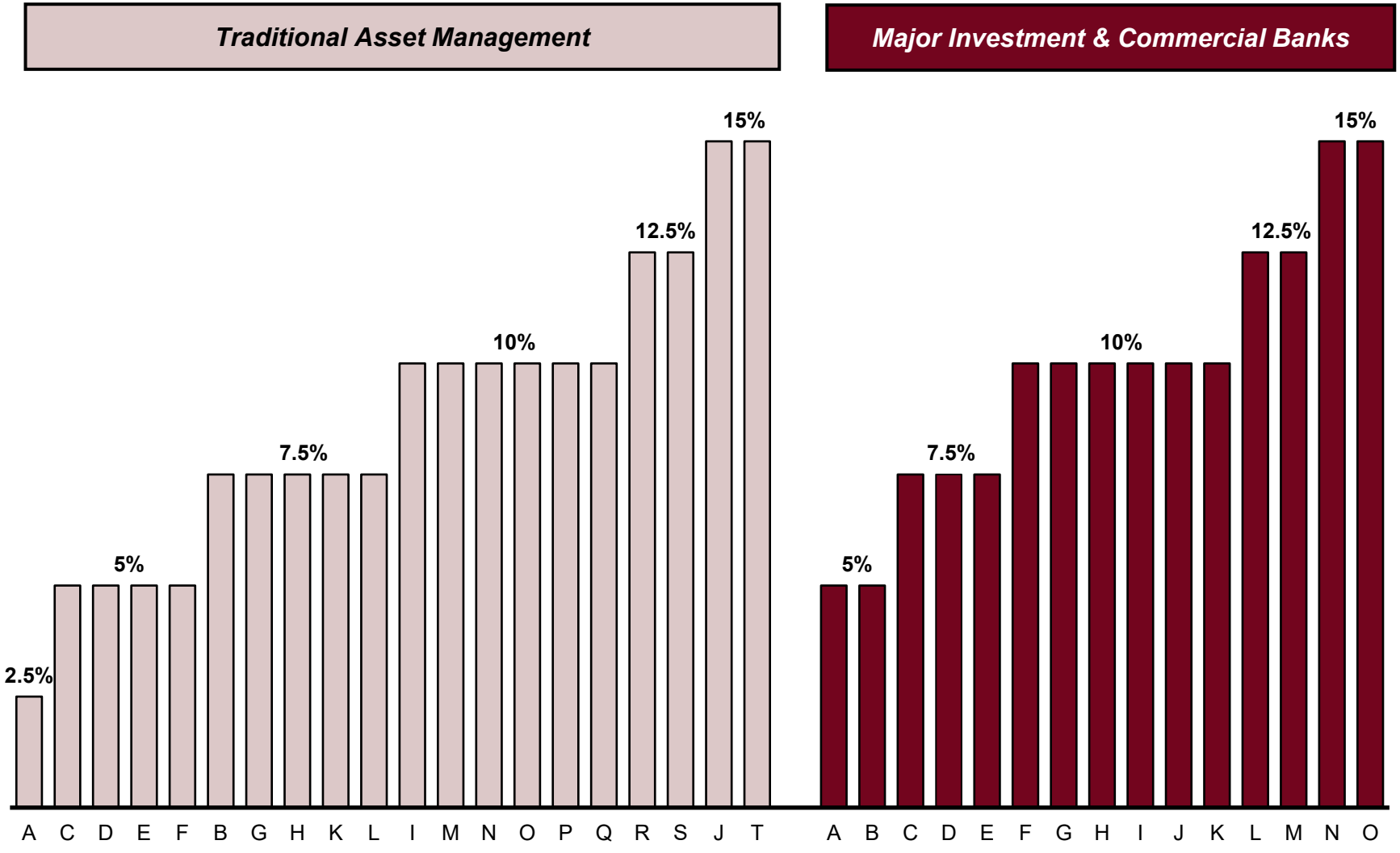
Incentive funding changes reflect felt impact / same headcount

1. Applies to total incentive, excludes carried interest
2. “Performing” designations utilized for hedge funds due to wide variations in fund outcomes

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

- **Firm-by-firm incentive pools trending higher across asset management and investment and commercial banking**
  - Incentive funding changes reflect felt impact / same headcount

Projected % Change in Incentive Pool by Firm



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

Headcount Evolution

Past (2008 - 2023)

Headcount growth strong since Financial Crisis

- Firms bloated amidst intense competition and talent war, especially with 2017 – 2021 hiring
- Layoffs and reduced hiring activity began with 2022 struggles

Present (2024 - 2025)

Hiring activity generally muted across industry

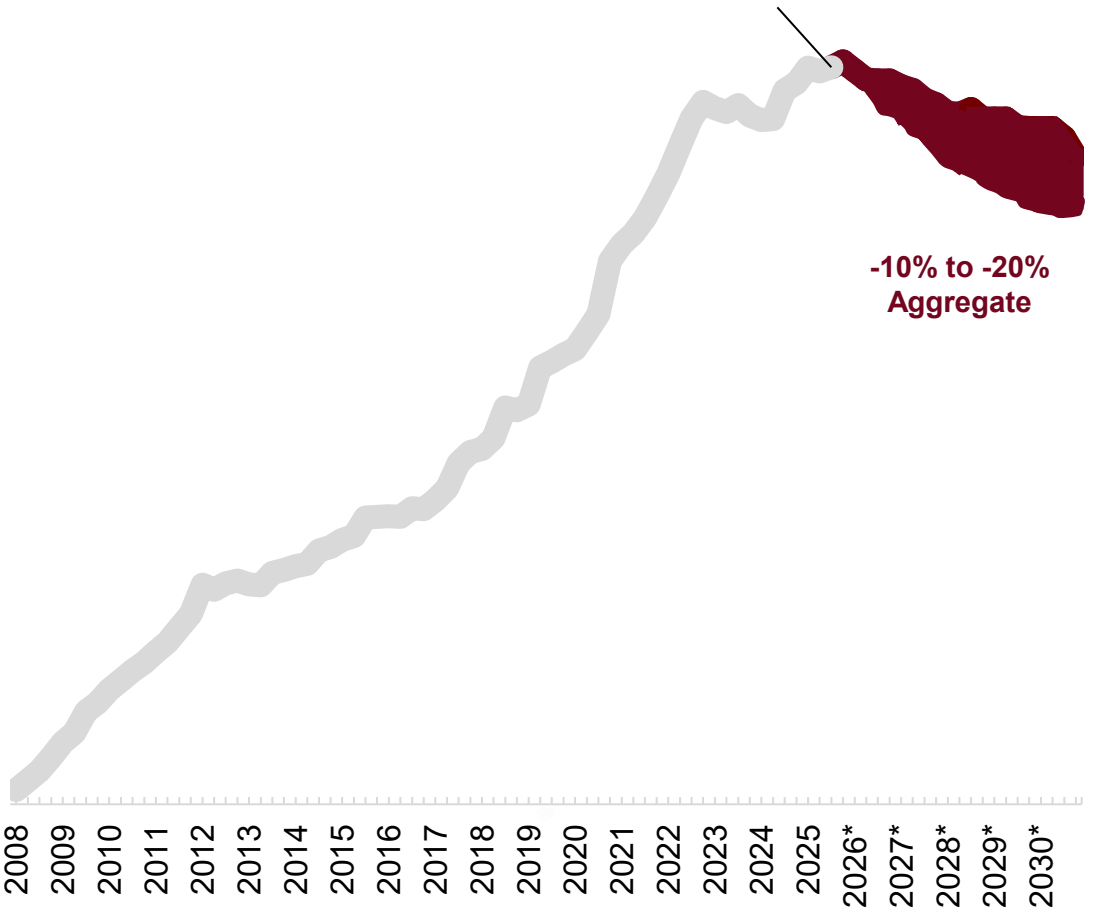
- Firms focus on expense control and efficiencies
- Select pockets of talent war for key roles
- Strong demand for high-end investments, technology, fundraising, transformation roles

Future (2026+)

10% - 20% lower headcount in next 3 - 5 years

- AI / technology-led reduction
- Largely impacts operational and entry-level roles but most individuals / firms must evolve
- Pay pools accrue more to remaining staff

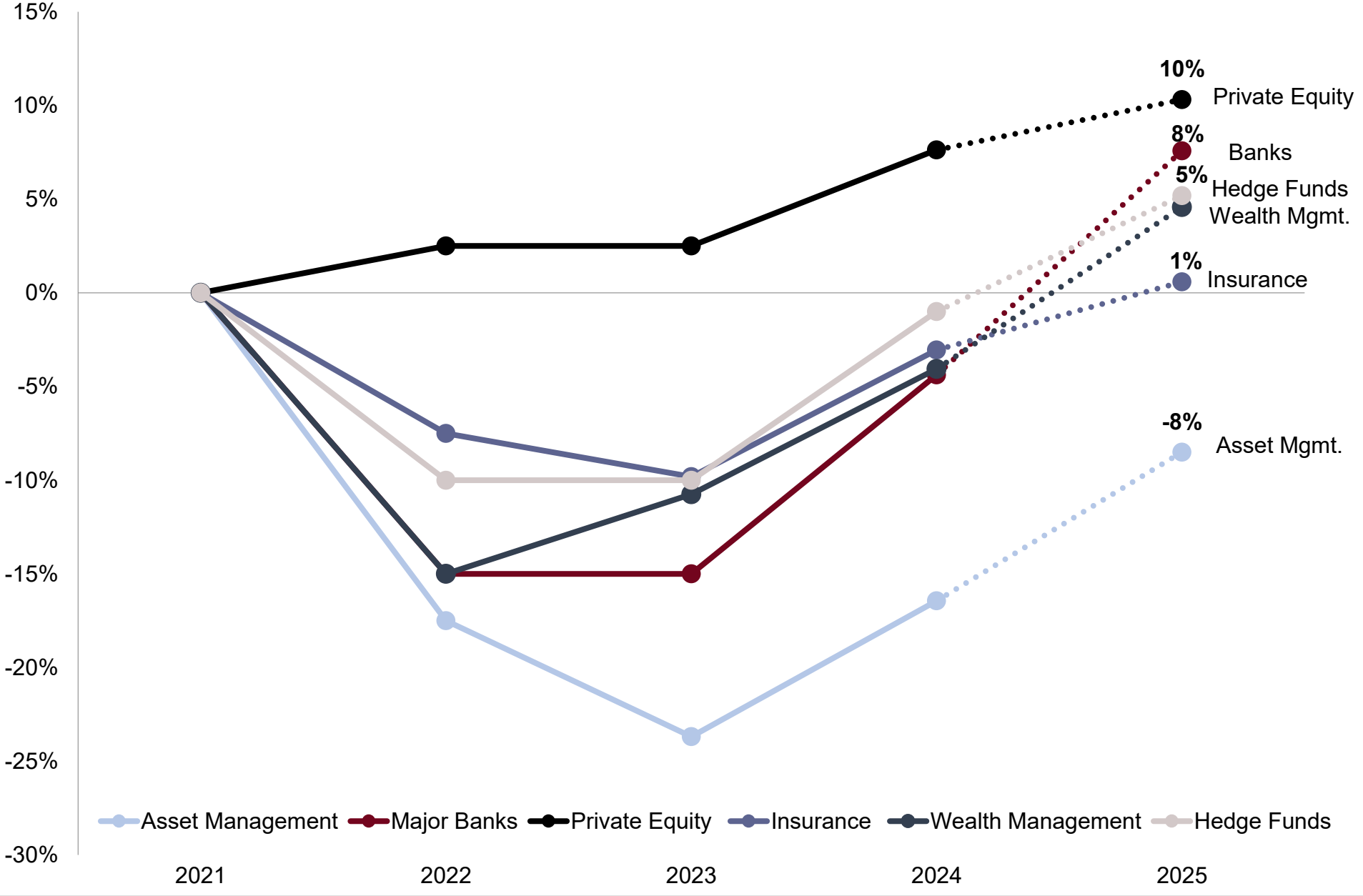
Cumulative % Headcount Growth
(2008 - 2030 Projected)



Source: Proprietary JAI analysis of SEC Filings for 20+ financial services firms (2008 – 2025)
**2026 – 2030 JAI projected*

Cumulative Incentive Trends by Business Segment

- **Incentive changes indexed to 2021 levels. Nearing / above 2021 across most sectors but lagging inflation**



YTD Stock Performance Across Sectors

- **Tariff-induced early Q2 volatility abated. Market resilience for remainder of 2025 with rate cuts on horizon**
  - Elevated vs. historical relative valuations and concentrated technology-driven gains
  - Banks and asset managers clear winners with rising revenues
  - Alternatives stock price drop a function of difficult environment