JOHNSON ASSOCIATES

Financial Services Compensation

Third Quarter Trends and Year-End Projections

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Q3 2026 Year-End Projections (% Change from 2025)

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

Major banks lead the way driven by equity trading / underwriting. Hedge fund inflows and volatility propel gains. Traditional asset management higher on market appreciation. Private markets strategies diverge on fundraising and mixed returns. AI "bubble" and interest rate concerns into year-end 2026 and beyond.

Traditional Asset Management

8% to 14%

- Growth from market appreciation; fee and margin pressures remain
- Active ETFs booming and alternatives buildout continues
- Greater push into retail channel; industry consolidation continues

Private Markets

Flat to 10% *(Varying Results)*

- Fundraising at multi-year low; capital concentrating in largest managers
- Secondaries and infrastructure lead; private credit stress continues
- Muted realizations; firms adapt to carry devaluation

Investment Banking

10% to 20%+

- Record equity trading / underwriting; FICC trading / underwriting moderate
- Advisory rebounds and backlog strong
- Headcount flat to modestly down as AI redundancies offset targeted hiring

Wealth / Family Office

5% to 10%+

- Record assets on market gains and demand for tailored advice
- Advisor recruiting / acquisition activity hot; sizable transition packages
- Family offices institutionalize and adapt to alternative asset classes

Hedge Funds / Prop Trading

5% to 15%+ *(Wide Variation)*

- Strong inflows following robust 2025; returns cooled in Q3
- Macro and commodities outperform; event-driven lags
- AI / quant talent in high demand for top tier funds / prop trading

Insurance

Flat to 2.5%

- Softening P&C pricing pressures underwriting margins
- Higher rates support L&A spread income and annuity sales
- Captive asset management / wealth platforms remain growth engine

Projected Q3 2026 Incentive Funding

Incentive changes for same store / same headcount; scale and product diversification impact positioning

Sector	% Change from 2025
Private Markets[1]: Flat to 10% (Varying Results)	
Secondaries	5% to 10%
Infrastructure	5% to 10%
Private Equity (Large Buyout)	2.5% to 7.5%
Real Estate	Flat to 5%
Private Equity (Mid / Small)	Flat to 5%
Venture Capital	Flat to 5%
Private Credit	Flat to -7.5%
Investment & Commercial Banking: Strong Results	
Equity Sales & Trading	20% to 30%+
Equity Underwriting	20% to 30%+
Advisory	15% to 20%
Firm Management	10% to 20%
Fixed Income Sales & Trading	7.5% to 12.5%
Debt Underwriting	5% to 10%
Corporate Staff	Flat to 10%
Retail / Commercial	2.5% to 7.5%

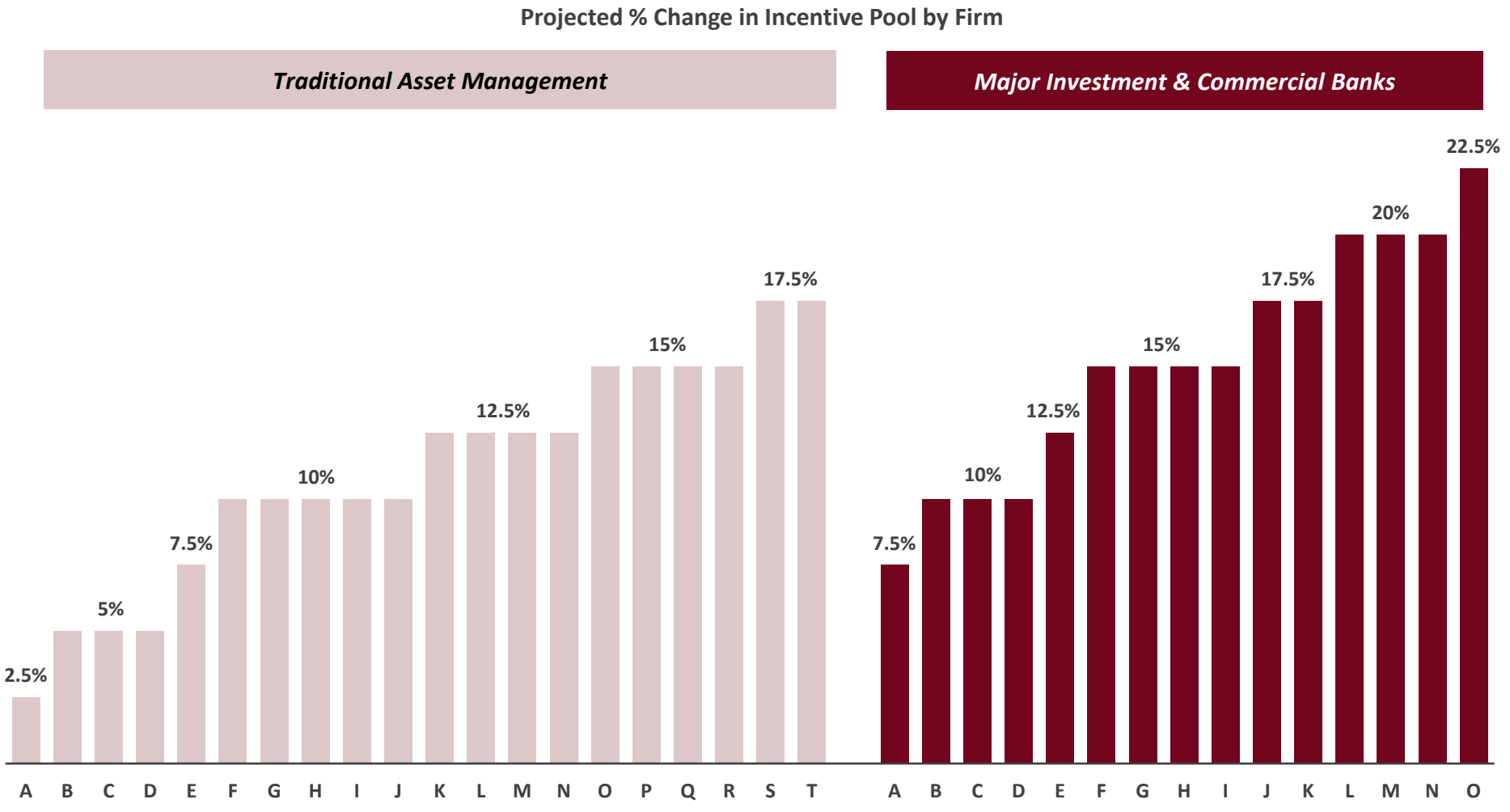
Sector	% Change from 2025	
Asset Management: 8% to 14%		
Equities	10% to 15%	
Wealth Management	7.5% to 12.5%	
Fixed Income	5% to 10%	
Family Office	Up 5%	
Insurance: Flat to 2.5%		
Life & Annuities	Flat to 2.5%	
Property & Casualty	Flat to 1.5%	
Hedge Funds[2]: 5% to 15%+ (Wide Variations)		
Proprietary Trading	↗	Outperforming
Commodities	↗	Outperforming
Macro	↗	Outperforming
Quantitative	↗	Outperforming
Corporate Staff	–	Market Performing
Multi-Strategy	–	Market Performing
Credit	–	Market Performing
Event-Driven	↘	Under/Market Performing

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

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

Firm-by-firm incentive pools higher across asset management / investment and commercial banking

Incentive funding changes reflect same store / same headcount



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

Pay Differentiation in Focus

As performance diverges, firms increasingly differentiating pay at both the firm and individual level

FIRM-LEVEL

Differentiation Across the Firm

- **Pools differentiated by business**
  - Business-specific pools reward contributing units
  - Firm-wide pools spread results more evenly
  - Some firms blend approaches
- **Strategic priorities funded ahead of results**
  - Growth areas paid above current contribution
- **Pay above market concentrated in critical roles**
  - Few firms can afford to lead market
- **Explain funding rationale**
  - Transparency on how pools are set supports retention

INDIVIDUAL-LEVEL

Individual and Team Allocations

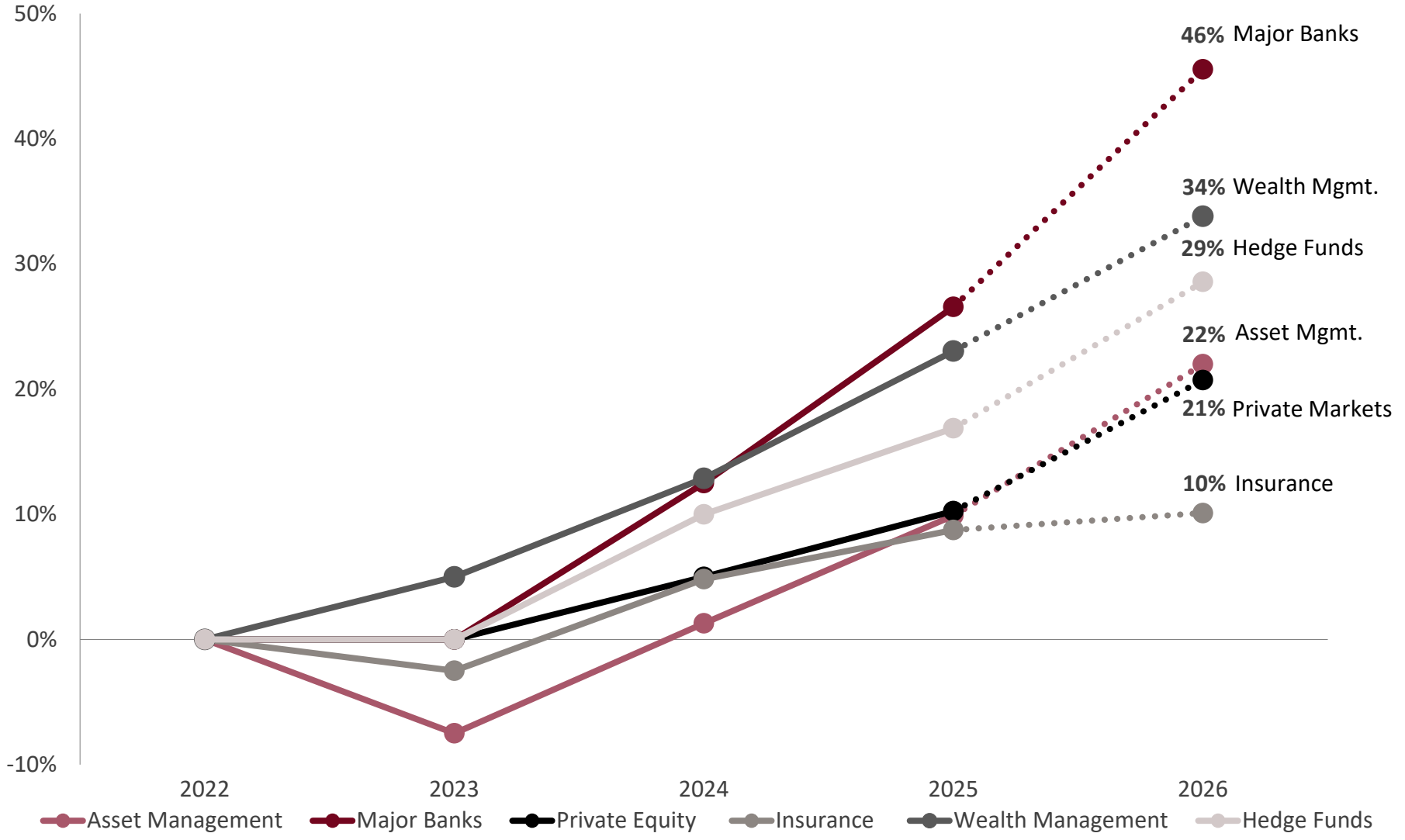
- **Greater emphasis on pay for performance**
  - Top performers paid more aggressively
  - More focus on performance management
- **Performance rating approaches vary**
  - Guided ranges more common; greater flexibility
  - Forced curves with set categories used at select firms
- **Wider gap between top and median performers**
  - Gap often smaller in practice than firms intend
- **Average performers often unhappy with pay**
  - Change views on turnover of average performers
  - Tolerant of underperformers in challenging environment

Key Takeaway

- Firm-level funding sets overall direction
- Individual allocations meaningfully differentiate pay for performance

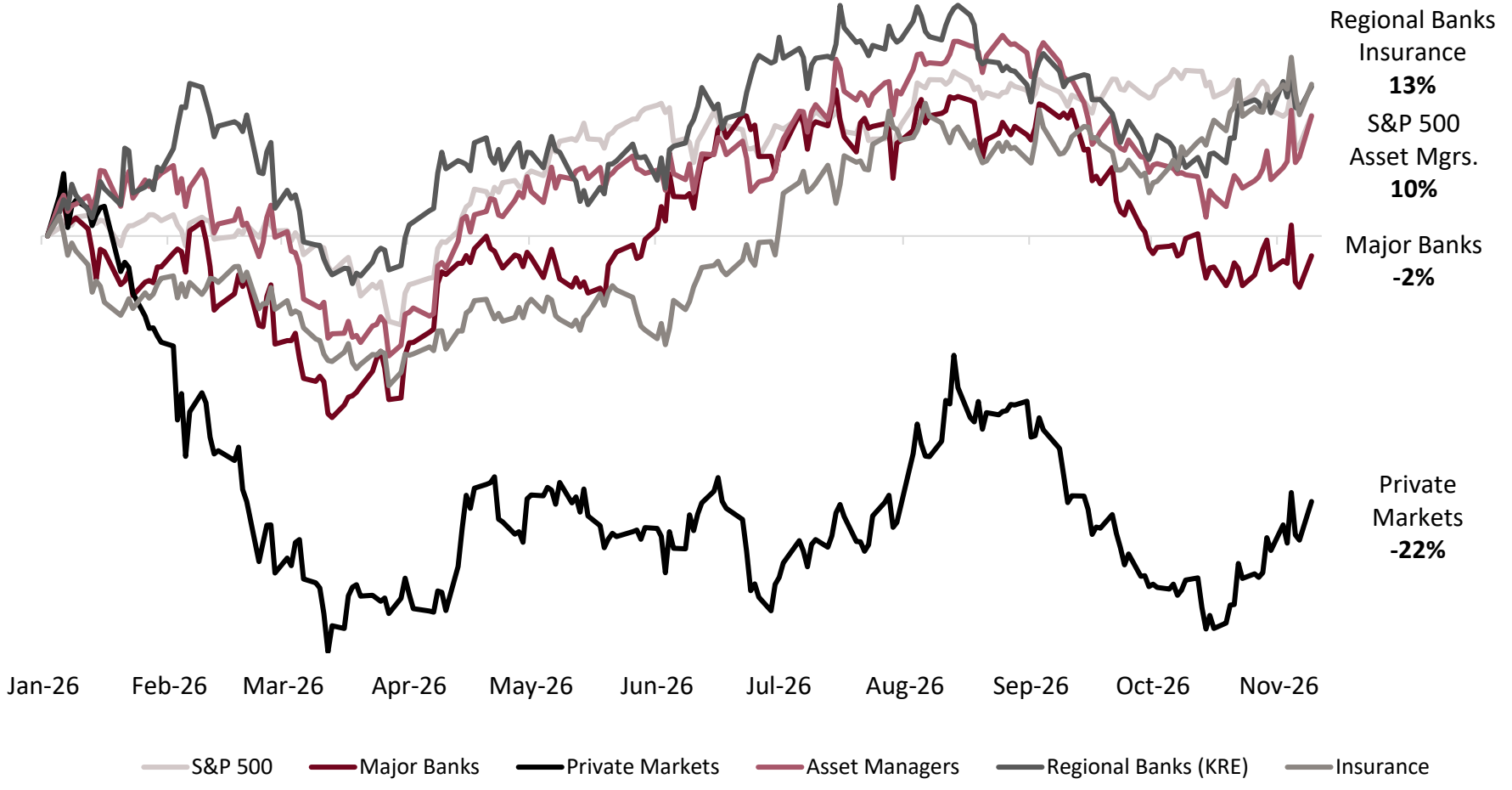
Cumulative Incentive Trends by Sector

Incentive changes indexed to 2022 levels (i.e., cumulative percentage change since 2022)



YTD Stock Performance Across Sectors

2026 peak results against softening cycle; 2027 funding pools likely lower



Key Takeaways

- Trading and underwriting propagate bank earnings despite softer stock performance
- Redemption activity, fundraising difficulty, and regulatory attention stifle private markets
- Geopolitical turmoil, rising inflation, and “bubble” equity markets lead uncertainty into 2027

Our Services

Strategic Design. Actionable Advice. Market Data.

We partner with firm management, human resources teams, and Boards to provide tailored compensation solutions and custom analyses

Market Benchmarking

Year-End Review and Ad-Hoc Analysis · Peer Group Selection / Analysis · Compensation Benchmarking by Individual · Traditional and Hybrid / Compound Roles · Extensive Proprietary Database · Compensation Mix Analysis · Carry Allocations, Dollars-at-Work, and Valuation · Perquisites and Benefits · Market Program Prevalence · Headcount Analysis

Incentive Plan Design

Program Assessment · Compensation Philosophy · Performance Metrics · Incentive Funding Rates · Annual Incentives · Long-Term Incentives · Equity / Profits Interest · Carried Interest Design and Terms · Sales Design · Performance Share Unit Design · Deferral Programs · Partnership Plans · Plan Transition and Communication

Board of Director Advisory

Compensation Committee Advice · Say-on-Pay / Shareholder Advisory · Executive Compensation Benchmarking · Emerging Market Trends and Analysis · Board Compensation · Year-End Review · Regulatory Updates

Special Situations

Succession Planning (Economic and Governance) · IPO / Sale / M&A · Bankruptcy · Restructurings · Expert Opinion and Testimony · Employment Contract Design and Negotiation

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