

Media release

## **LGT Capital Partners publishes Investment Outlook 2025**

**Tipping points are thresholds beyond which developments accelerate, often with significant consequences for economies and financial markets. In its Investment Outlook 2025, LGT Capital Partners examines some of the current and potential future tipping points, their likely disruptive impacts and how long-term investors can best navigate a highly dynamic global landscape.**

Pfaeffikon, 20 January 2025. The Investment Outlook 2025 first examines macroeconomic dynamics, as well as policy shifts and their implications for asset allocation. It then focuses on the alternative investment landscape, where LGT Capital Partners has been a principal investor for over two decades. In addition to sharing observations and assessments on private equity, private credit, emerging market sovereign debt, real estate, infrastructure, hedge funds, insurance-linked strategies and impact investing, the publication highlights recent trends, current challenges and investment opportunities for the year ahead.

### **Global economy – tipping points reshape the landscape**

We examine seven current and future tipping points across macro-economic, financial and political developments and gauge the asset allocation implications for long-term investors. These tipping points include irreversible transformations that accelerate change and reshape economies, markets and societies. From the evolving geopolitical landscape to innovation-driven disruptions and demographic shifts, these dynamics underscore the importance of adaptability and foresight when navigating an increasingly complex world.

### **Private equity – deal activity on the rise**

Private equity is seeing a recovery in deal activity in 2025. Improving financing conditions and narrowing valuation gaps between buyers and sellers are contributing to increased transaction volumes. At the same time, central banks' rate cuts are enabling fund managers to secure better borrowing terms for portfolio companies, further supporting this momentum. Alternative liquidity solutions, including secondary- and GP-led transactions, are playing an increasingly important role in addressing liquidity needs and creating opportunities for both investors and managers. Private equity continues to deliver competitive returns for disciplined and strategic investors.

### **Private credit – growing role in investor portfolios**

Private credit is transitioning from a fast-growing niche to a core allocation in investor portfolios. The asset class is benefiting from the retreat of traditional banks and the rise of alternative lenders offering tailored financing solutions. Opportunities range from senior direct lending to structured credit and asset-backed finance. However, challenges such as potential defaults and restructurings highlight the importance of active management and careful credit selection. A diversified approach remains key to achieving strong risk-adjusted returns in this maturing asset class.

## **Emerging market sovereign debt – signs of a turnaround**

Emerging market sovereign debt is seeing a recovery, particularly in hard currency bonds, as several distressed countries have successfully restructured their debt. Improved market confidence and better financing conditions are driving renewed interest in this asset class. Local currency bonds also present attractive opportunities, with supportive currency valuations and high real rates contributing to potentially compelling risk-adjusted returns. Frontier markets, driven by unique local factors, offer resilience and diversification benefits, especially during periods of global uncertainty.

## **Real estate – opportunities across key sectors**

The valuation correction is largely behind us and the real estate market is stabilizing as disinflation and moderating rates support stronger fundamentals. Residential supply-demand imbalances in the US and Europe, the refining of industrial supply chains and growing demand for digital infrastructure are driving opportunities across key sectors. Event-driven sales and niche segments like hospitality, specialized retail and self-storage offer attractive opportunities for investors.

## **Infrastructure – digitization and energy transition drive growth**

The infrastructure market continues to expand, fueled by trends such as digitization, decarbonization and demographic shifts. Investments in digital technologies and renewable energy are shaping this asset class. The ongoing energy transition represents an attractive investment opportunity, with demand for renewable power, grid infrastructure and battery storage continuing to rise. Infrastructure's appeal as an asset class is further enhanced by its ability to help guard against inflation and often low-correlation characteristics.

## **Hedge funds – navigating volatility with adaptive strategies**

Hedge funds are benefiting from elevated interest rates, market dispersion and macroeconomic volatility, which provide a favorable environment for generating alpha. Discretionary long/short strategies are leveraging opportunities in equity and credit markets, while systematic strategies use innovative tools like machine learning to adapt to changing dynamics. These strategies remain a valuable source of diversification and stable returns, helping investors navigate risks and pursue performance growth in an uncertain economic environment.

## **Insurance-linked strategies (ILS) – rising demand and attractive opportunities**

The insurance-linked strategies (ILS) market remains attractive, supported by strong demand for insurance coverage. Loss-heavy years and increased regulatory requirements have heightened the need for reinsurance capacity and are driving growth in catastrophe bonds and private ILS instruments. With disciplined portfolio management, the asset class can offer promising allocation opportunities for 2025.

## **Impact investing – aligning capital with solutions to global challenges**

The urgent need to transition to more impactful capital allocation globally is driving the growth of impact investing. Innovations in climate solutions, decarbonization and the protection of biodiversity are shaping the investable landscape for private equity investors. LGT Capital Partners continues to expand its impact capabilities, integrating environmental and social outcomes into its processes. The focus remains on generating market returns alongside tangible, positive change, with a growing opportunity set in scalable and sustainable businesses.

## LGT Capital Partners

LGT Capital Partners is a leading global specialist in alternative investing with over USD 100 billion in assets under management and more than 700 institutional clients in 44 countries. An international team of 850 professionals is responsible for managing a wide range of investment programs focusing on private markets, multi-alternatives and diversifying strategies, as well as sustainable and impact strategies. Headquartered in Pfaeffikon (SZ), Switzerland, the firm has offices in San Francisco, New York, Dublin, London, Paris, The Hague, Luxembourg, Frankfurt am Main, Vaduz, Dubai, Beijing, Hong Kong, Tokyo and Sydney.

## Contact

Sebastian Kistner  
Media Relations  
+41 79 777 52 62  
[sebastian.kistner@lgtcp.com](mailto:sebastian.kistner@lgtcp.com)

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