



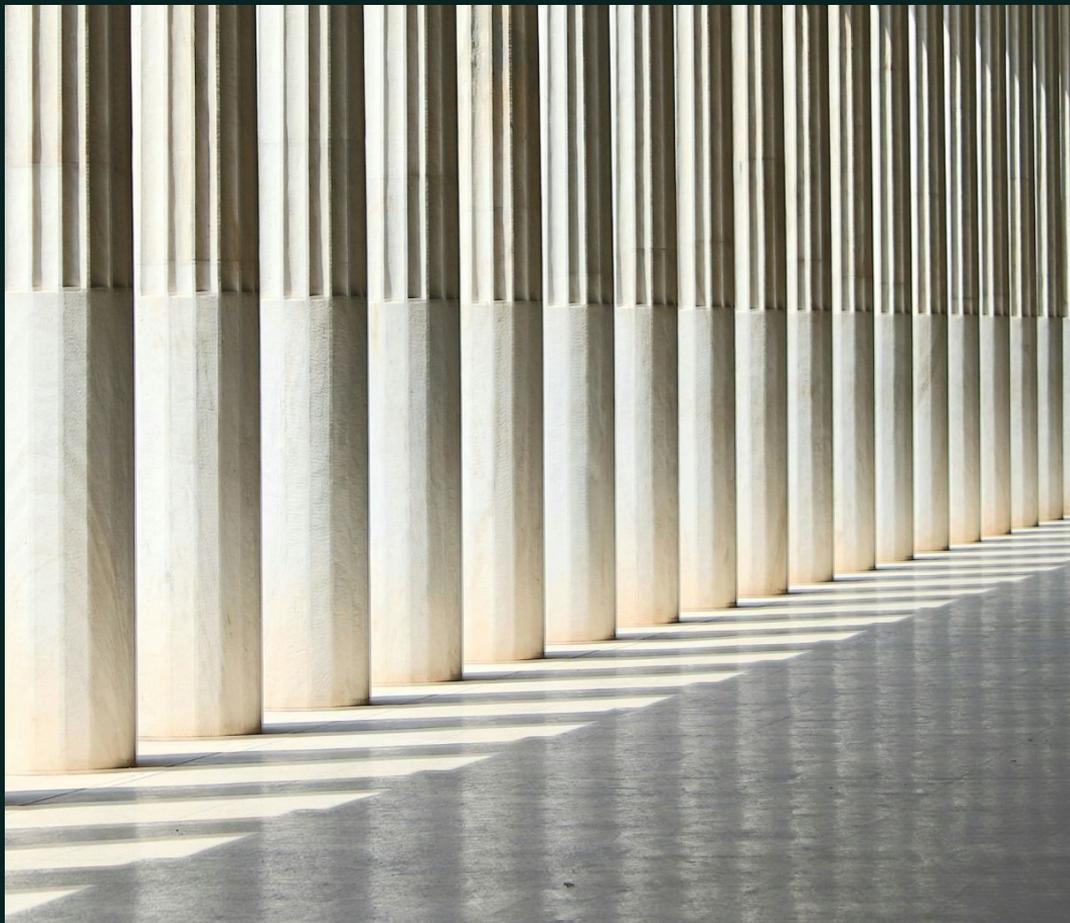
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# Capital Market Assumptions Survey Findings

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# Key Takeaways

01

Survey **respondents hold more optimistic long-term expectations** compared to consultants' projections for institutional investors, particularly in Private Capital. These higher expectations are supported by stronger realized returns.

02

**Short-term expectations have become more neutral** compared to long-term expectations, reflecting the steady improvement in macroeconomic outlook since 2022.

03

The **dispersion in return expectations aligns with experienced peer benchmarks**, offering insights into the asset class risk profile as perceived by sophisticated investors.

# Introduction

In Q4 2024, Addepar and the London School of Economics conducted a survey of family offices and wealth advisors serving high-net-worth investors. The survey explored their risk and return expectations across various asset classes. This marked the fifth round of the survey, providing valuable insights into the evolving perspectives of these sophisticated private wealth investors.

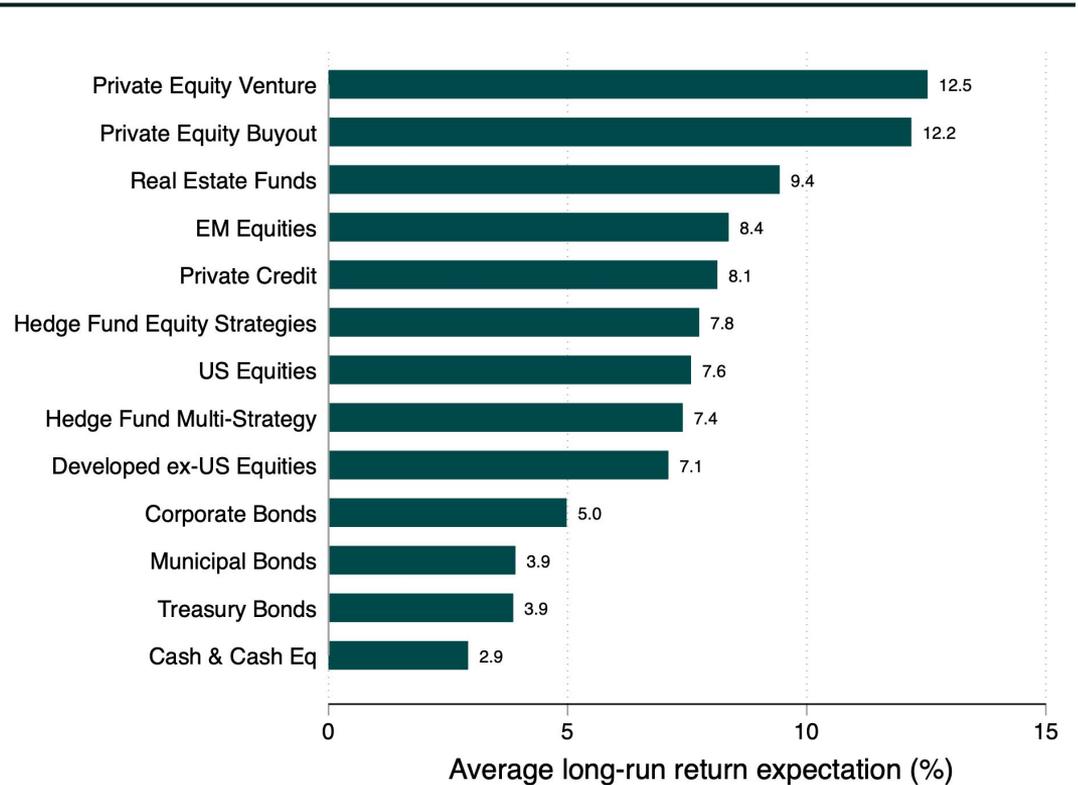
The findings are designed to add to institutional surveys and capital market assumptions (CMA) models by capturing expectations from a peer group of experienced private wealth professionals. The survey focuses on both public market and alternative asset classes, covering short- and long-term return expectations, recession risks, economic fundamentals (e.g., GDP and inflation), and anticipated drawdowns during market downturns.

With a strong response rate and client demand, this data now powers our forecasting tools and complements our peer benchmarking data. Please email [research@addepar.com](mailto:research@addepar.com) for more information. In our latest survey, we collected responses from over 100 investment professionals managing more than \$300 billion in assets.

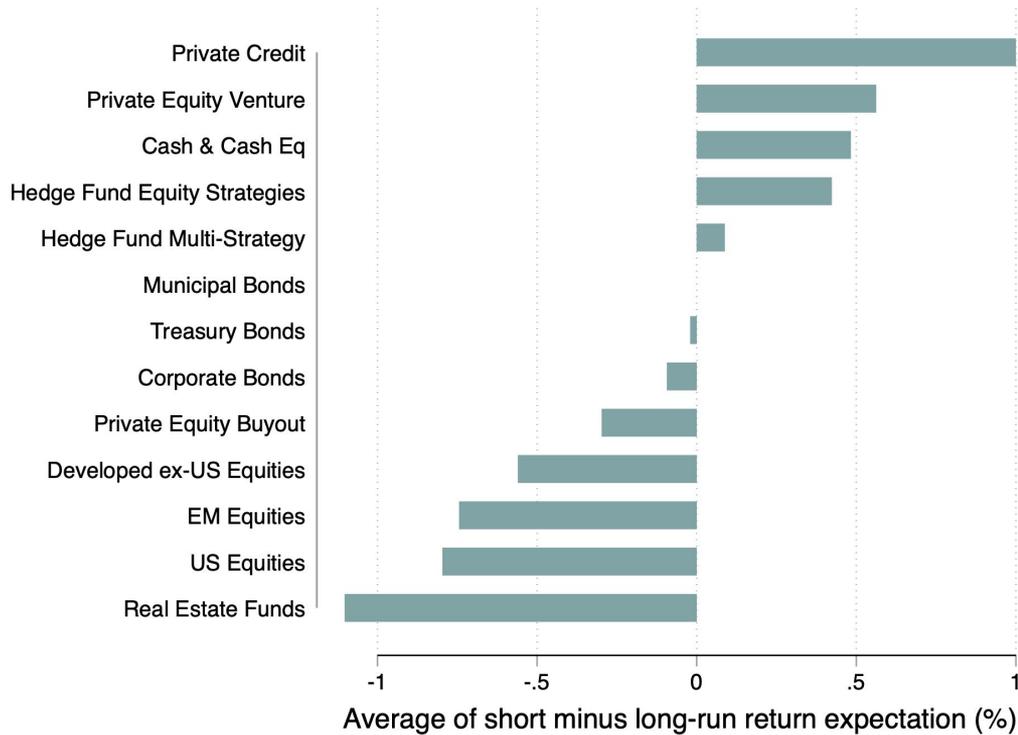
## Investors show optimism for venture and buyout over the next decade

The latest capital market assumptions suggest robust long-term return expectations for private funds, particularly in venture capital and buyouts, as well as in real estate and credit.

In equities, emerging markets are projected to outperform developed markets. Hedge fund strategies are expected to deliver returns comparable to U.S. equities, while fixed income returns are anticipated to remain in the low- to mid-single-digit range.



*Average 10-year return expectation*



**Investors see opportunity in private credit and venture. International equities and real estate funds are viewed as overpriced.**

Tactical views — defined as the difference between short- and long-term expectations — highlight areas where investors perceive potential market mispricing. These views play a significant role in driving asset class flows relative to the generally stable nature of long-term asset allocations.

While average expectations across both horizons are broadly similar, there is greater near-term optimism for private credit, venture capital and equity-focused hedge fund returns.

Conversely, respondents expect less favorable short-term returns in real estate and equities.

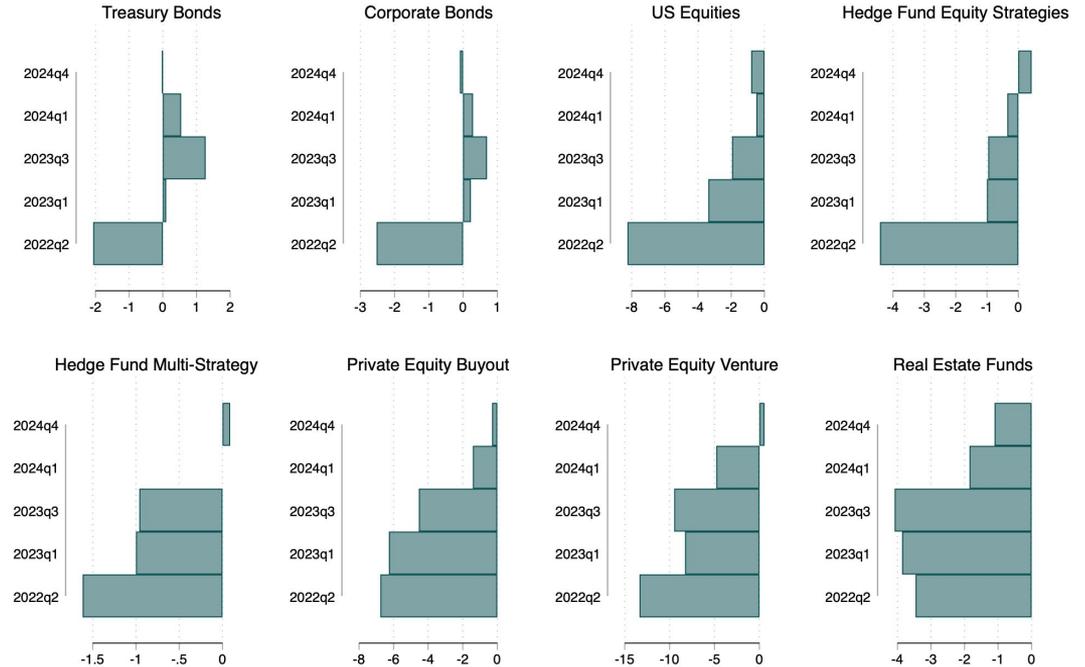
Tactical views, Q4 2024 (1 year - 10 year expected returns)

## Current market outlook reflects the normalization of short-run relative to long-run expectations

The gap between short- and long-term expectations has narrowed across all asset classes since 2022. At that time, survey respondents were generally pessimistic about short-term return expectations. In equities and alternatives, this gap has continued to shrink in subsequent survey rounds.

For U.S. equities, the average short-term return expectation among survey respondents remains lower than long-term expectations, reflecting caution regarding potential near-term drivers of equity performance.

The tactical view on bonds has shifted in response to evolving inflation and interest rate expectations.



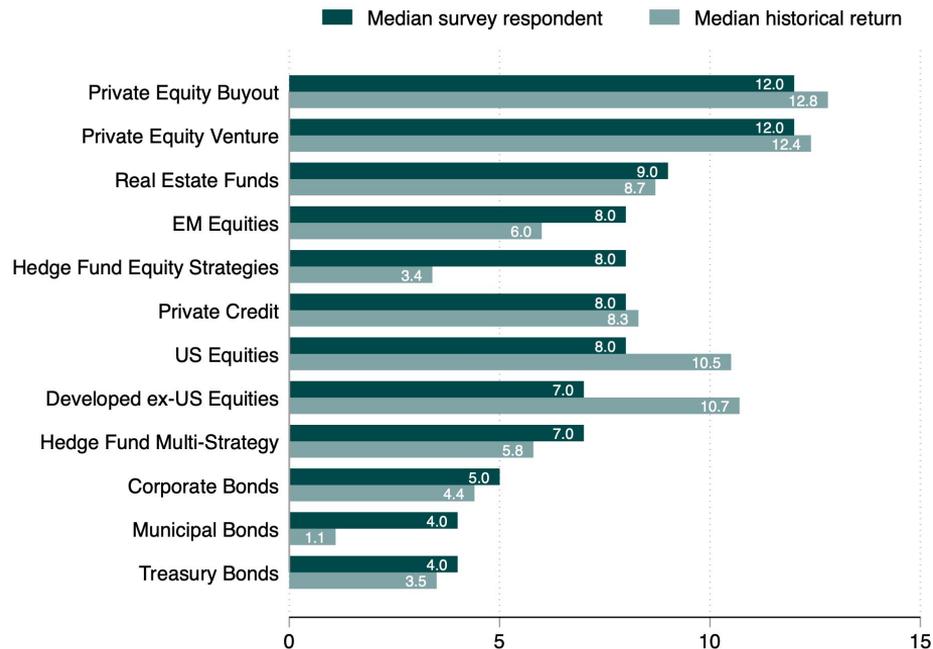
Evolution of tactical views (average short run minus long run expectations, %)

**Expectations for developed market equity significantly lower than historical returns. Emerging market equities and equity strategy hedge funds expected to outperform historical returns.**

Respondents generally expect the performance of alternative investments to align with realized returns. This is evident in the fact that median long-term return expectations for buyout, venture capital, real estate, and private credit are all within one percentage point of historical returns.

For bonds, emerging market equities, equity-focused hedge funds, and multi-strategy hedge funds, respondents anticipate higher returns moving forward than investors have historically earned.

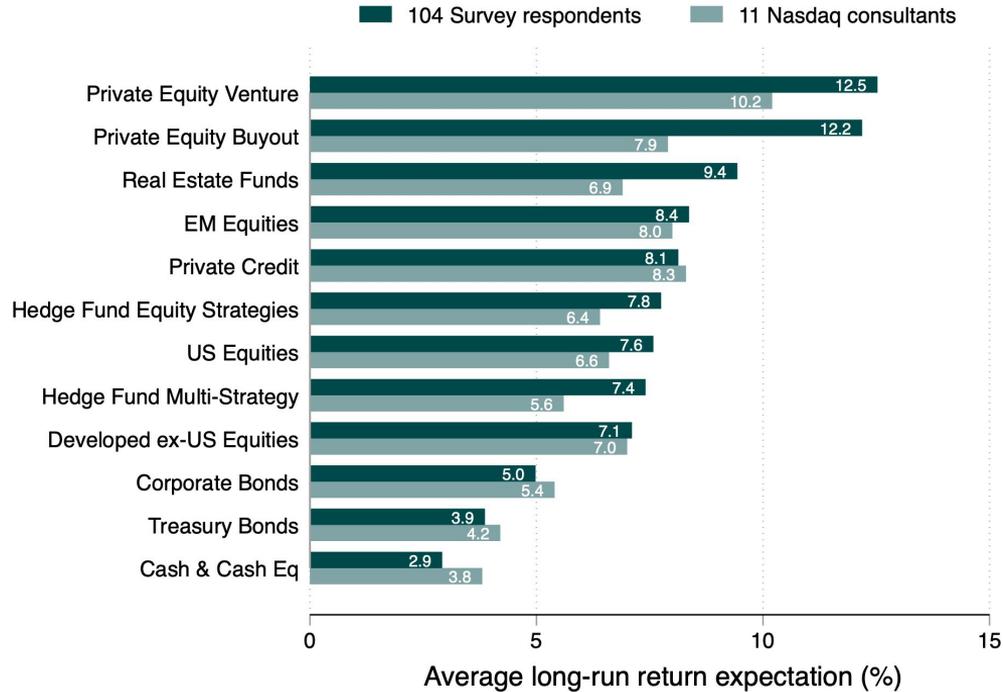
In contrast, return expectations for U.S. equities and developed ex-U.S. equities fall significantly below their median historical returns.



*Median 10-year expected returns, compared to realized returns of investors on Addepar platform (%)*

\* This may be due to survey respondents having done better than the median investor in this asset class, since the historical returns are for the broad sample of Addepar investors, rather than just among survey respondents.

Asset class returns are calculated as the median annual portfolio-weighted return between years 2000-2023. Positions with outlier TWRs (<1st or >99th percentile by asset class and month) were winsorized. Returns for Venture, Buyout, Private Debt, and Real Estate are based on the median since-inception IRR for funds with vintages between 2000-2019.



Average 10-year expected returns, Q4 2024 Addepar survey respondents vs. Nasdaq consultants

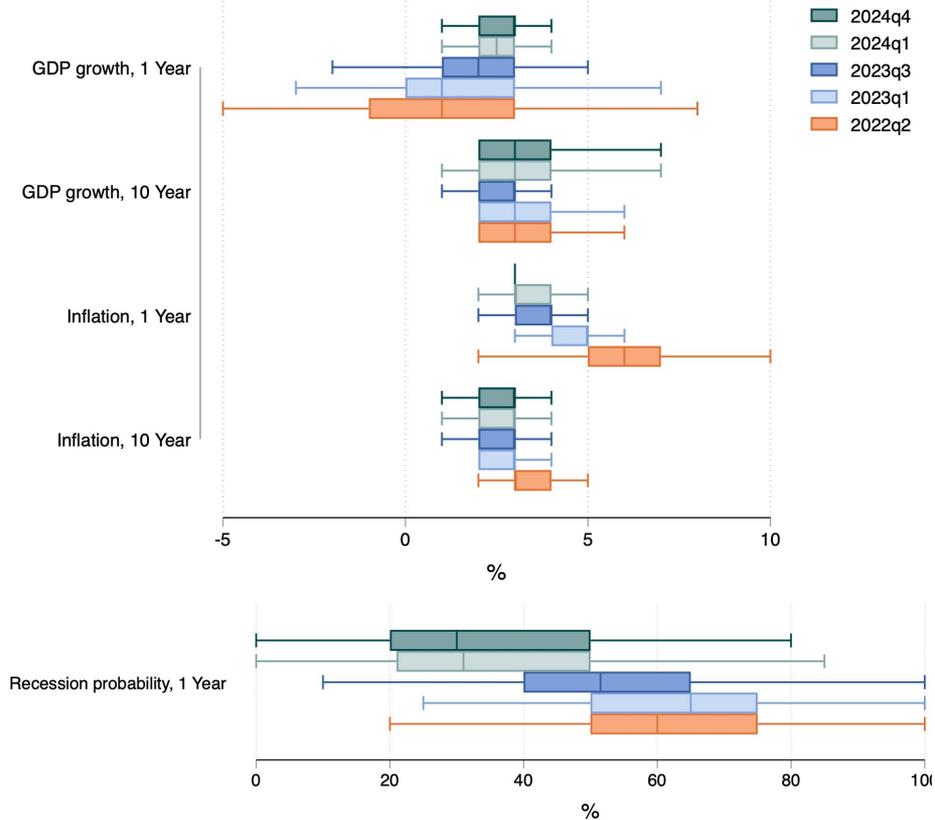
Nasdaq consultant source: Evestment Consultant Capital Market Outlook 2024. \* The differences in survey responses and consultant responses may also reflect the different timing of surveys. The Nasdaq average 10-year expected return was published in July 2024, based on consultant views prior to that date. Our survey was run most recently in Q4 2024.

## Investors' outlook on private capital are driven by historical returns, and exceed consultants' expectations for institutional investors

The Addepar-LSE survey provides insights into the expectations of true peers for high-net-worth individuals, which may differ from those of large asset managers, institutional investors, or consultants.

Compared to consultants, our survey respondents maintain a more optimistic outlook on alternative asset classes, a sentiment supported by their historically strong returns.

Regarding non-U.S. equities, our respondents' views align closely with those of consultants. However, they show greater confidence in U.S. equities and equity-focused hedge funds, while being more cautious about bond returns.



## Since 2022, investors have held a more optimistic macroeconomic outlook for the year ahead

Since the survey was first conducted in 2022, respondents have consistently raised their expectations of nominal GDP growth over the following year, reflecting a reduction in downside risk. Additionally, there is less dispersion in one-year nominal GDP expectations, signaling reduced uncertainty over time.

Short-term inflation expectations are now firmly anchored at 3%, while long-term inflation expectations range between 2% and 3%.

Additionally, respondents' subjective probability of a recession occurring within the next year continues to decline.

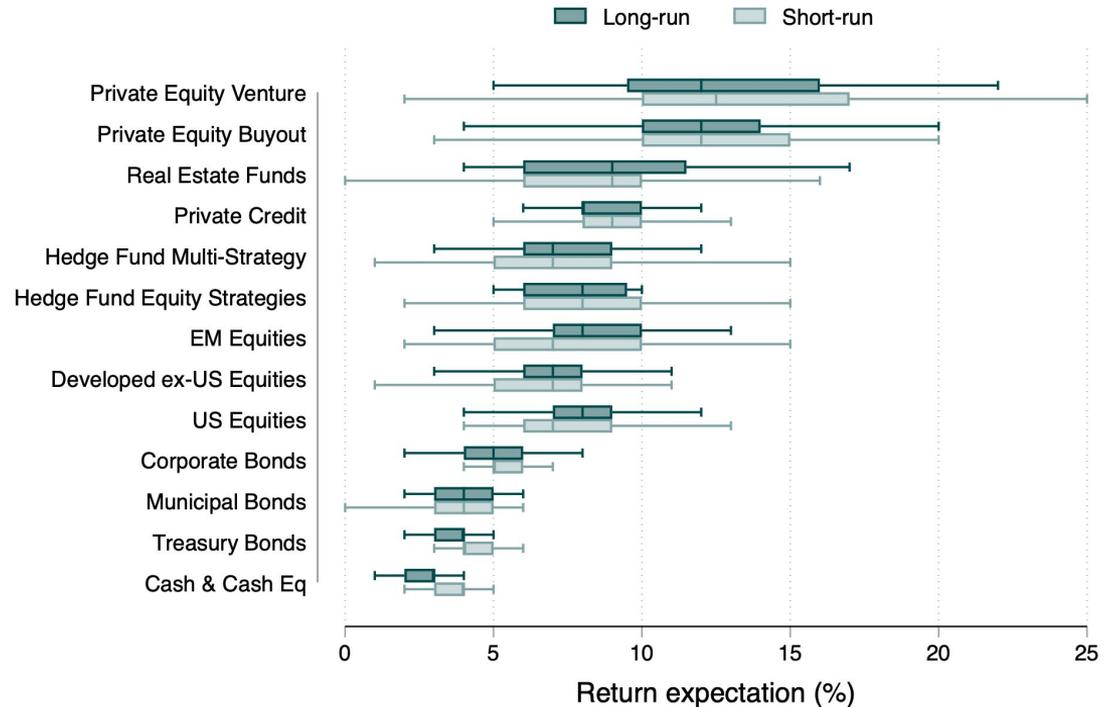
### Macroeconomic expectations

The figure illustrates the median, interquartile range (IQR), and whiskers extending to data points within 1.5 times the IQR from the nearest quartile.

## There is considerable disagreement about the return expectation for each asset class

Despite the optimism reflected in average return expectations across asset classes, survey respondents show significant disagreement about the returns they expect within each class, both in the short-term and long-term.

Notably, there is considerable dispersion in short-term return expectations for venture capital, buyout, and real estate funds. Return expectations for venture capital, buyout, emerging market equities, and U.S. equities are positively skewed, indicating a tendency toward more optimistic projections.



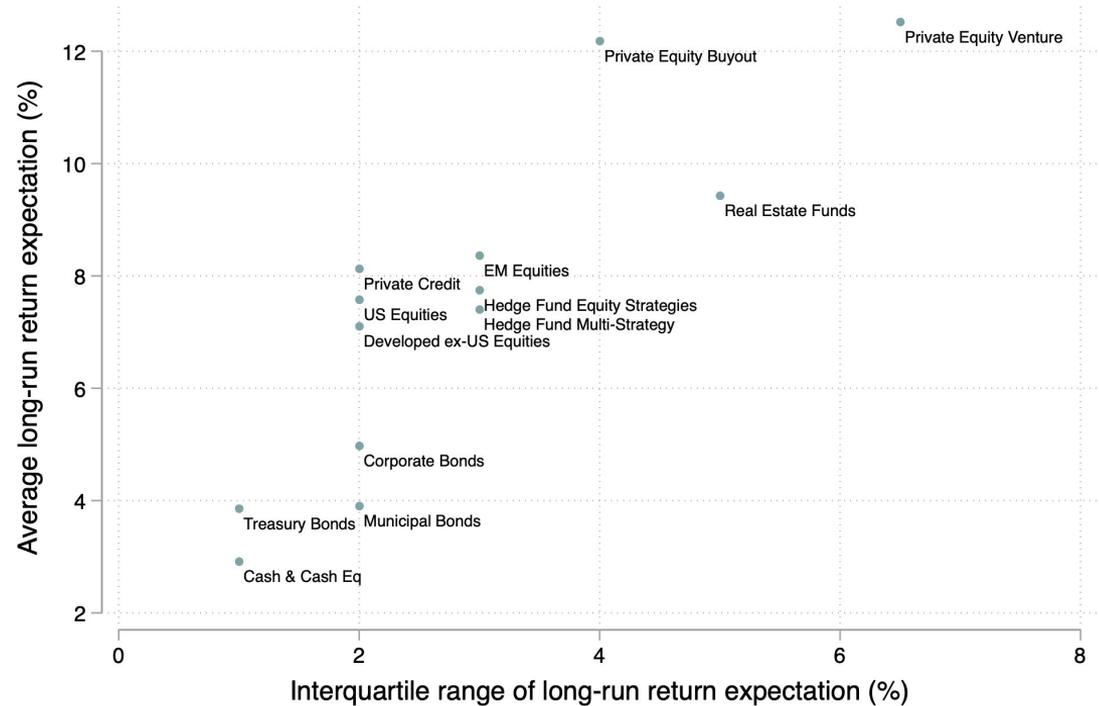
Range of return expectations, latest survey round

## Average return expectations are higher for assets where disagreement is greater

One way to interpret the range of return expectations shown on the previous page is as a measure of risk.

The figure plots average long-term return expectations against the interquartile range (IQR) of those expectations, revealing a clear risk-return relationship. Asset classes with the greatest disagreement in return expectations tend to be those with the highest average expected return.

The relationship between average return expectations and the dispersion of those expectations aligns with typical realized risk-return dynamics for these asset classes.



Average return expectation versus range of return expectations

## Return expectations are higher on average for assets where investors expect lower returns in a severe recession

Survey respondents indicate their expected return for each asset class in the event of a severe recession. The asset-class average of these responses can be interpreted as the likely drawdown during an economic downturn (note: x-axis values are reversed).

This metric serves as another indicator of risk, specifically downside risk. It is also positively correlated with the average expected long-term return for each asset class, further reinforcing the risk-return dynamics reflected in respondents' expectations.

Equities are a slight outlier, with respondents indicating that they anticipate stocks will be significantly more affected by a severe recession, despite maintaining relatively modest long-term return expectations.



Average return expectation versus return expectations conditional on a severe recession

# About Addepar

Addepar is a leading wealth management platform. When the company was founded in 2009, one of the most pressing challenges in financial services was a lack of transparency. Addepar was built with the mission of unlocking the power of informed, data-driven investing and advice. In keeping with that mission, we established Addepar Research to carry out research on investment organizations—their governance, management, operations and decision-making—by leveraging the power of the Addepar platform to improve collective performance.

Representing over \$7 trillion in client assets, the Addepar platform natively supports all asset categories, with a particular focus on alternative asset classes such as hedge funds and private capital.

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