



S.P. HINDUJA

BANQUE PRIVÉE

Global House View

October 2025



Thoughts of the CEO

"Positioning Portfolios in an Era of Uncertainty"

As we enter the final quarter of the year, the global investment landscape remains defined by a complex interplay of slowing economic growth, persistent inflationary pressures, and evolving central bank policies. Over the past months, volatility across public markets has underscored the importance of diversification and the need to identify asset classes capable of providing both resilience and sustainable income.

In this context, private credit (lending activities outside of the traditional banking system) continues to gain relevance as a core component of institutional and increasingly individual portfolios. This asset class, which has expanded significantly since the Global Financial Crisis, provides investors with an opportunity to capture attractive yields, diversify income sources, and benefit from structural shifts in global financing. The retreat of traditional banks from mid-market lending, combined with the growing financing needs of private equity-backed companies and alternative borrowers, has created a durable environment in which private credit managers can thrive.

That said, investors must approach private credit with a disciplined perspective. While the illiquidity premium and contractual nature of returns are compelling, we are also mindful of the risks that accompany this segment. Rising interest rates have improved yields on floating-rate private loans, but they have also raised default risks for leveraged borrowers. Additionally, valuation opacity and concentration risk in certain niches highlight the need for careful manager selection and portfolio construction.

From a macro perspective, we expect global growth to continue moderating into next year, with central banks approaching the peak of their tightening cycles. Inflation is showing signs of deceleration, but wage pressures and supply-side shocks remain. In such an environment, public fixed income offers more attractive yields than at any point in the past decade, yet it remains exposed to duration risk and cyclical volatility. Equities, meanwhile, continue to be influenced by earnings uncertainty and elevated multiples in certain markets.

Against this backdrop, our guidance for investors is threefold. First, consider diversifying fixed income exposure

by allocating to private credit strategies with proven underwriting standards and disciplined risk controls. This helps capture higher spreads while reducing reliance on volatile public credit markets. Second, favor the more defensive segments of private credit, particularly senior secured direct lending, where investor protections are stronger and recovery rates historically more resilient. Third, maintain a balanced allocation across alternatives, ensuring that private credit complements, rather than replaces, other illiquid strategies such as private equity and real assets.

Importantly, portfolio positioning today should reflect both the near-term uncertainties of the credit cycle and the long-term strategic opportunity in private markets. We believe that disciplined allocations to private credit can enhance income, improve diversification, and provide stability across market cycles. However, patience is required, as these vehicles are illiquid by nature and best suited to investors with longer investment horizons.

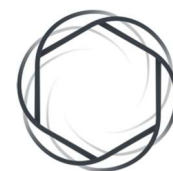
Looking ahead, we anticipate that market volatility will continue, but it will also present opportunities for well-capitalized credit managers to deploy capital at attractive terms. With refinancing needs rising in the mid-market segment and banks maintaining a cautious lending stance, private credit will remain an essential source of financing. Investors who align with experienced managers and maintain disciplined exposure are well positioned to benefit.

Thank you for your continued trust. As always, we remain focused on guiding portfolios through uncertainty with prudence and foresight, while positioning for long-term growth and resilience.

Yours sincerely,

Fabrice d'Erm





Investment Positioning

We maintain a balanced and cautious stance across asset classes, mindful of macro uncertainty and evolving monetary policy. In cash, we remain neutral, recognizing attractive yields around 4 per cent in USD but limited upside. In fixed income, we adopt a selective approach, softening our preference for core fixed income after treasury yields bottomed, and instead favoring short-duration exposure and high-quality segments while avoiding US high yield. Equities are held at a neutral weight overall, with a tilt toward Eurozone opportunities and high-quality, value-oriented sectors, while remaining underweight in small caps, cyclicals, and discretionary names. Alternatives remain a constructive area, with preference for infrastructure, gold, and hedge funds. We avoid commercial real estate. Overall, our strategy emphasizes resilience, carry income, and prudent sector allocation, positioning portfolios defensively yet ready to capture selective opportunities.

Recent Investment Committee Decisions

The latest portfolio rebalancing actions have generally benefited performance in September. We reduced exposure to world quality factor equities in favor of emerging Asia equities, which significantly outperformed during the month. Additionally, we capitalized on the rally in the price of gold to secure gains and rebalance the overweight accumulated year-to-date.

Private Credit as an Asset Class

Private credit has emerged over the past two decades as one of the fastest-growing areas of alternative investments. Broadly defined as non-bank lending to private borrowers, it offers investors a way to access contractual income streams that are less correlated with traditional public markets. Once a niche activity dominated by specialized lenders, private credit has become a core allocation for institutional portfolios, rivaling private equity in scale and importance these days. This section provides an in-depth analysis of private credit: its definition and market context, the major sub-categories, the investment case, the risks and the challenges, its role in diversified portfolios, and the current market outlook.

Definition and Market Overview

At its core, private credit refers to lending that occurs outside the traditional banking system and public debt markets. It typically involves bilateral or club deals in which investors provide loans directly to companies, often in the mid-market segment that is underserved by large banks. These loans are

usually illiquid, privately negotiated, and may include enhanced covenants or collateral arrangements to protect lenders.

Private credit is most commonly used by small and mid enterprises (SMEs) or middle-market firms that may have problems securing commercial bank loans due to their size, credit profile, or complex business models. Transactions are typically negotiated privately and often feature customized terms tailored to the specific needs of both the lender and the borrower.

The asset class rose to prominence in the aftermath of the Global Financial Crisis (2008–2009), when regulatory reforms constrained banks' ability to lend, particularly to leveraged and mid-sized borrowers. Institutional investors, facing a prolonged low-yield environment, were drawn to the higher spreads offered by private credit. Since then, the industry has grown from less than USD 250 billion in assets under management (AUM) in 2010 to more than USD 2.5 trillion today globally, with further expansion forecast as demand for alternative financing continues.

The market is highly fragmented, with large global managers and boutique specialists coexisting. Geographically, the United States remains the largest and most developed private credit market, accounting for roughly two-thirds of global AUM. Europe has grown rapidly too, aided by similar bank retrenchment and increased reliance on sponsor-backed financing. The Asia-Pacific market is smaller but a promising one, with rising demand for private debt solutions in Australia, India, and parts of Southeast Asia.



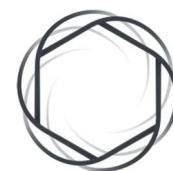
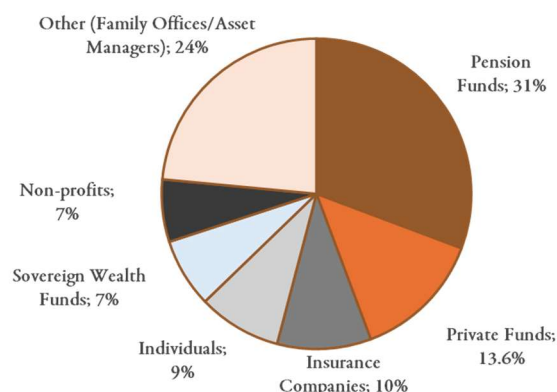


Fig 1: Investors in US Private Credit Funds



Source: BIS, as of March 2025

The main sources of capital for private credit funds are institutional investors with long-term investment horizons and low liquidity needs. They include public and private pension funds, insurance companies and sovereign wealth funds (Fig. 1). Insurance companies in particular have increased their asset allocations towards private credit over the recent years. Institutional investors primarily value seemingly attractive returns on their locked-up investments. Finally, and interestingly, retail investors make up a small but growing share.

Sub-categories of Private Credit

Private credit is not a homogeneous asset class; it encompasses a wide range of strategies with distinct risk-return characteristics:

1. Direct Lending. It consists of senior-secured loans to mid-market companies, often backed by private equity sponsors. It provides relatively predictable income streams with lower risk due to collateralization. Typically, direct lending is regarded as the core of private credit allocations.

2. Mezzanine Debt. Subordinated to senior debt but ranks above equity. Offers higher yields to compensate for greater credit risk. It is common in buyouts where equity sponsors prefer to limit dilution.

3. Distressed Debt / Special Situations. It targets companies in financial distress or undergoing restructuring. Returns depend on restructuring or realization of value. Cyclical in nature, it often performing best during downturns.

4. Asset-Backed and Specialty Finance. Lending against specific collateral pools, such as real estate, receivables,

consumer credit, or royalties. It offers diversification beyond corporate credit, but requires niche expertise.

5. Venture Debt. Loans granted to early-stage or growth companies, often alongside venture capital. It involves higher risk but can deliver equity-like returns with credit protections.

Fig 2.: Risk-Return of Sub-Categories (Relative Scale)



Source: SP Hinduja Banque Privée

Investment Case

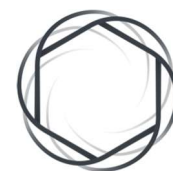
The appeal of private credit rests on several pillars that make it an increasingly attractive allocation within diversified portfolios.

Investors are drawn to its ability to deliver an attractive yield premium compared with public credit markets, while the predominance of floating-rate loan structures provides protection in environments of rising interest rates. At the portfolio level, private credit also brings meaningful diversification benefits, given its low correlation with traditional equity and fixed income assets.

Importantly, the asset class is often structured with enhanced covenants and collateralization, offering an additional layer of downside protection relative to other forms of corporate lending. Beyond these characteristics, structural drivers such as the retrenchment of banks from certain lending activities and the growing financing needs of mid-market and sponsor-backed companies have created durable, long-term demand for private credit strategies.

That said, the asset class also carries material risks that investors must weigh carefully. Chief among them is illiquidity: capital is generally locked into funds for five to ten years, requiring a long investment horizon. Credit risk is another important consideration, particularly in mid-market





segments or cyclical industries where defaults can rise during downturns. Valuation transparency is limited, since private credit instruments are not frequently traded, making them more opaque and reliant on manager assessments. This underscores the importance of manager selection, as performance dispersion between top and bottom-quartile managers can be wide. Finally, regulatory and structural risks are also increasing; as the sector continues to expand, heightened oversight and growing competition could pressure returns.

In short, private credit offers an appealing combination of yield, diversification, and structural support, but it is not without its challenges. For investors willing to tolerate illiquidity and engage in rigorous due diligence, it can be a powerful complement to traditional portfolio exposures.

The Drivers of Private Credit

Private credit has expanded rapidly across advanced and emerging economies. Its rise reflects a combination of demand and supply-side forces, influenced by macroeconomic conditions, regulatory frameworks, and corporate financing needs. According to the Bank of International Settlements, four key hypotheses from the literature and empirical evidence explain this trend.

1. Interest Rates and the Low-for-Long Environment

Persistently low interest rates after the Global Financial Crisis (GFC) pushed institutional investors to search for yield, shifting capital towards private credit funds. At the same time, declining policy rates compressed banks' net interest margins because deposit rates adjust sluggishly. Lower profitability weakened banks' balance sheets, thus reducing loan supply. Therefore, this set up a relative advantage for private credit funds: these funds, which finance themselves at wholesale rates and provide floating-rate loans, were insulated from spread compression. This allowed them to expand market share at banks' expense.

The empirical evidence suggests that a one standard deviation decline in policy rates (~4 per cent) is linked to ~12 per cent growth in private credit originations.

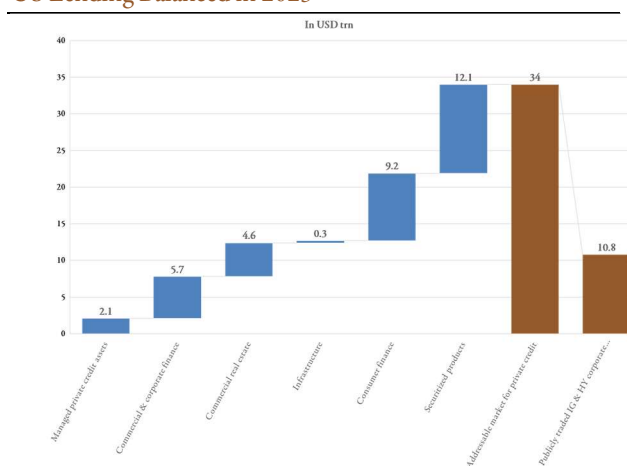
2. Unmet Credit Demand

Credit-constrained SMEs: Surveys show that about 10 per cent of SMEs in advanced economies and over 20 per cent in emerging markets report being credit-constrained, often due to insufficient collateral. Consequently, direct lenders stepped into this gap by offering loans with flexible, tailored covenants, including uncollateralized financing. Private

credit has thus expanded where traditional banks were unwilling or unable to serve these borrowers, especially in underserved market segments.

The empirical evidence presents the following observation: a one standard deviation fall in the IMF's Financial Institutions Index (which measures banks' ability to provide credit) is associated with a ~33 per cent rise in private credit activity.

Fig 3.: Private Credit's Addressable Market
US Lending Balanced in 2023



Source: IMF, 2023 Global Financial Stability Report

3. Banking Regulation

The financial system's reforms that followed the great Financial Crisis, implied tighter capital requirements, risk-weighted asset rules, and enhanced supervision. All this simply translated into increased banks' cost of lending to riskier borrowers. The latter, priced out of traditional bank loans, turned to private credit funds and business development companies (BDCs). The result has been a regulatory-induced rebalancing of credit intermediation from banks to private markets.

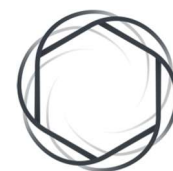
The empirical evidence related to this driver shows that one standard deviation increase in regulatory stringency is associated with ~7 per cent growth in private credit.

4. Rising Corporate Leverage

Over recent decades, non-financial corporates (NFCs) in many countries have accumulated higher leverage. Funds are generally more willing to lend to highly leveraged firms than traditional banks, enabling companies with significant debt loads to access financing. Therefore, in general, we can assert that corporate leverage trends have structurally supported the expansion of private credit.

A one standard deviation increase in NFC leverage correlates





with ~7 per cent higher private credit activity.

5. The positive correlation between stocks and bonds

The positive correlation between stocks and bonds, particularly pronounced since 2022, has disrupted the foundation of the traditional 60/40 portfolio, reducing its diversification benefits. When both asset classes move in the same direction, investors face heightened portfolio volatility and fewer risk management options. This shift underscores the growing relevance of private credit, which behaves differently from public markets. By offering uncorrelated returns and steady income, private credit emerges as a compelling alternative diversifier in today's macroeconomic environment

Role in Portfolios

Private credit is generally categorized within alternatives, alongside private equity, hedge funds, and real assets. Its primary role in portfolios is to:

- Generate stable contractual income.
- Enhance risk-adjusted returns via illiquidity premium.
- Diversify income sources beyond bonds and equities.

Table 1: 33-year Performance Comparison of Portfolio Allocations

	Private Credit Enhanced (40/30/30)	Traditional (40/60)	Aggressive All Stock
Return CAGR	9.27%	8.15%	8.97%
Number o Losing years	4	9	7
Volatility	0.705	1.51	3.12

Source: Prequin (private credit) and NYU Stern

Private credit is widely recognized as part of the broader alternatives universe, alongside private equity, hedge funds, and real assets. Its inclusion in portfolios is not intended to replace traditional equity or fixed income exposure, but rather to complement them by introducing sources of return that are less correlated with public markets. At its core, private credit plays three distinct roles. First, it provides stable contractual income through regular interest payments, an attractive feature for investors seeking predictable cash flows in a low-yield or volatile market environment. Second, it enhances risk-adjusted returns by allowing investors to capture the so-called "illiquidity premium" or the compensation investors receive for committing capital for extended periods, typically five to ten years. Third, private credit diversifies income sources, reduces reliance on traditional bonds and equities, which can both be vulnerable to interest rate cycles and market sentiment.

The scale and form of allocation depend heavily on the type of investor. For institutional investors such as pension funds, insurance companies, and endowments, allocations to private credit typically range from 5 to 15 per cent of overall portfolios. These investors often have long-dated liabilities, which align naturally with the illiquidity of private credit vehicles. For them, the asset class is seen as a way to generate steady income while also dampening overall portfolio volatility. High-net-worth individuals and family offices, by contrast, tend to have lower exposure of between 2 to 10 per cent. Yet, demand is rising as access vehicles such as feeder funds and semi-liquid structures have expanded, making private credit more available beyond the traditional institutional base.

Fig 4.: Fund Raising by Strategy Type (USD bn)

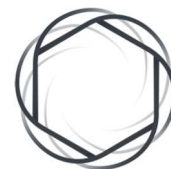


Source: BIS as of March 2025

Crucially, private credit should be regarded as a strategic, long-term allocation rather than a tactical trade. Because capital is locked up for years, investors cannot adjust exposure quickly in response to short-term market moves. This illiquidity, while a source of return, requires careful planning of liquidity needs at the portfolio level. Investors must ensure that commitments to private credit do not compromise their ability to meet near-term obligations or seize opportunities in other asset classes. In this sense, private credit functions best as part of a well-balanced alternatives allocation, where it works alongside private equity and real assets to provide diversification and resilience.

Over time, the role of private credit in portfolios is expected to grow. Structural drivers, including the retrenchment of banks from certain lending activities and the ongoing demand for financing by middle-market companies, point to sustained opportunities for the asset class. For investors with the right time horizon and risk tolerance, private credit offers a compelling mix of stable income, enhanced returns, and diversification that strengthens portfolio resilience across market cycles.





Current Market View and Outlook

The current macro environment shapes both opportunities and risks for private credit. Higher base rates have boosted yields, with many direct lending strategies now generating double-digit gross returns. However, the same rate environment increases stress on leveraged borrowers, raising default risks, particularly in cyclical sectors.

Opportunities are strongest in senior secured direct lending, where protections are highest. As far as distressed strategies are concerned, these may benefit from refinancing challenges in a higher-rate environment. Conversely, mezzanine and venture debt carry elevated risks in a weakening economy. This sub-strategy may expose investors to heightened volatility and potential capital impairment.

Long term, private credit growth is supported by structural demand for non-bank financing, but vigilance is needed. We recommend investors to focus on manager discipline, sector diversification, prudent leverage and very selective allocation for the riskier segments.





Macroeconomic estimates (per cent)

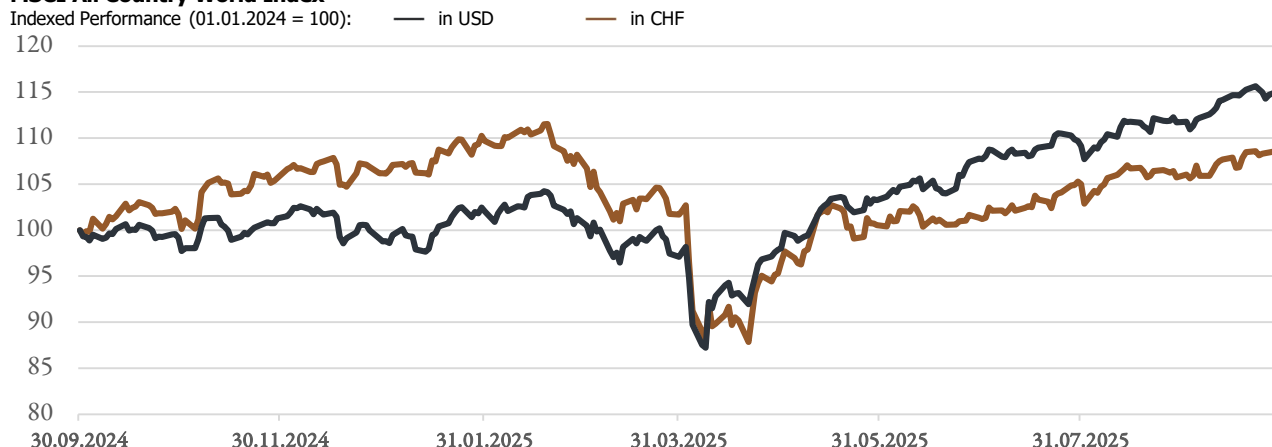
	GDP Growth		Inflation		Interest Rates	Fiscal Balance
	2024	2025E	2024	2025E	Current	Current
USA	2.8	1.8	2.95	2.8	4.25	-6.2
Eurozone	0.7	1.3	2.4	2.1	2.15	-3.0
UK	0.8	1.3	2.5	3.4	4.00	-5.4
Switzerland	1.3	1.1	1.1	0.2	0.00	0.6
Japan	0.1	1.0	2.7	3.0	0.50	-2.0
China	5.0	4.8	0.2	0.1	3.00	-4.8
Brazil	3.4	2.2	4.4	5.1	15.00	-7.3
India	7.8	6.4	4.8	4.6	5.50	-5.1
Russia	3.7	1.0	8.4	8.9	17.00	-2.5
World	3.0	2.9	4.2	3.6	-	-

SOURCE: Bloomberg

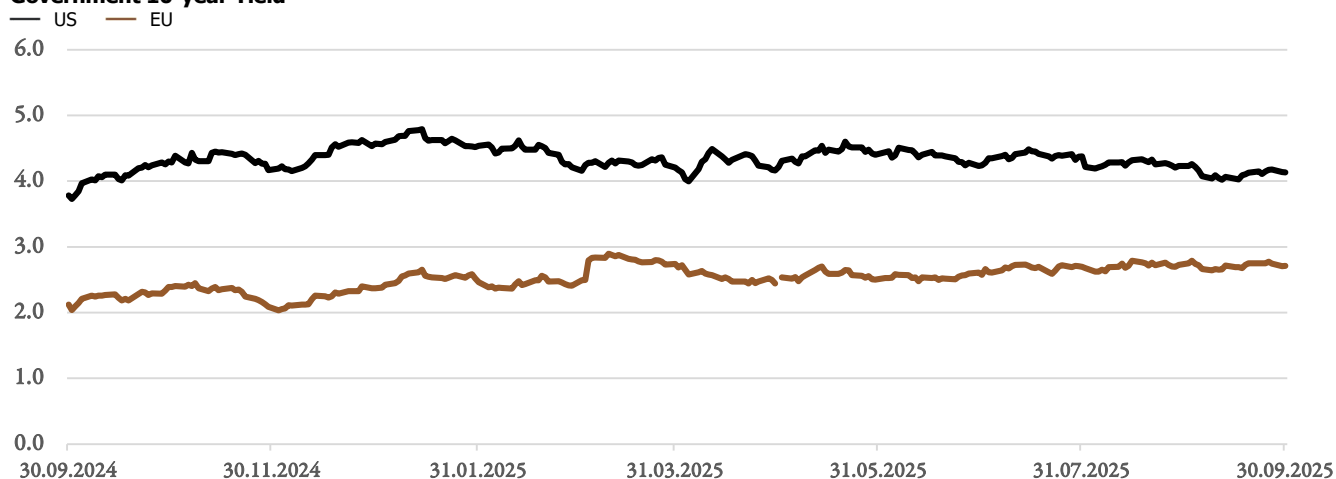
Financial Markets

MSCI All Country World Index

Indexed Performance (01.01.2024 = 100):



Government 10-year Yield



SOURCE: Bloomberg





Global Asset Allocation Preferences

Global Asset Allocation Preferences					30 September 2025
Asset Class	Opinion	Constituents	Most Preferred	Least Preferred	Commentary
Cash	=				We remain neutral in view of growing macro uncertainties surrounding risk assets and economic growth. Cash is still offering ca. 4% yield in USD.
Fixed Income	=	Segments	Core fixed income	Convertibles, US high yield	We soften our preference for core fixed income after the recent rally of treasury yields. This is consistent with slowing growth and Fed rate cuts. However, we believe treasury yields may have seen a near-term bottom. Therefore, we do not see reasons to extend duration and remain comfortable with a shorter stance (5 years).
		Duration	Short-term.		We are cautious on long-duration IG credit. While we recognize a sweet spot from a carry perspective, spreads have become tighter and further spread compression is limited in our view. We recommend maintaining a moderate exposure favouring intermediate maturities say 3-5 years. Look for quality businesses and low refinancing risks.
Equities	=	Markets	Neutral to overweight in EZ and slightly underweight in US. Rest of EM ex-China and UK Long-term India, and Japan		We have improved our stance on Equities from Underweight to Neutral. We observe a positive and rare combination of strong earnings, (accompanied by upward revisions) and rate cuts expectations. Despite high valuations in the US and the fact that much of the AI narrative is priced in, we believe equities should deliver in Q4.
		Styles/Sectors	High quality. Value. Dividend growers. Defensive sectors.	Small Caps, Cyclical, Discretionary and Materials	EZ remains a region of preference though it demands a certain country selectivity with an eye on earnings estimates and revisions. We view Swiss equities as a stabilizing component within equity portfolios, offering the added benefit of Swiss franc exposure. The US presents the highest earnings revisions, the highest RoE and the power of the Mag-7. We are rather neutral on emerging markets though with regional disparities (underweight China and overweight India). We favor high-quality stocks on a global basis, with a particular tilt toward value opportunities in Europe. Our preferred sectors include banks, insurance, utilities, and technology software.
Alternatives	+		Infrastructure, Gold, Hedge Funds.	Commercial REITs.	Despite gold's strong recent outperformance, we maintain our overweight stance. The asset class continues to stand to benefit from ongoing geopolitical and global trade uncertainties which, together with mounting US debt levels, are likely to sustain central bank buying. That said, recent gains also make a case for taking some profits. Infrastructure assets, particularly in transport and energy, remain attractively valued and could perform well across a variety of market conditions. We have constructive on selective private credit strategies given their potential for diversification resilient income. We continue to avoid REITs.
Opinion	++	very attractive			
	+	attractive			
	=	neutral			
	-	unattractive			
	--	very unattractive			

Opinion legend: (--) very unattractive; (-) unattractive; (=) neutral; (+) attractive; (++) very attractive.



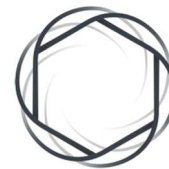


Figure of the Month

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According to With Intelligence (a leading provider of alternative investment market data) private credit fund raising in H1 2025 reached a total of USD **124 billion**, a 50 per cent increase on H1 2024, when USD 82 billion were raised. H1 2025 figure was achieved through a total of 59 deals. After a record Q1 2025, the busiest quarter in at least two years and the busiest single quarter ever with USD 72 billion raised.

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Founded in Geneva in 1994 by Srichand Parmanand Hinduja with a vision to provide clients with a bridge between East and West, our institution remains the only Indian-owned Swiss bank in history. With an active presence in Switzerland, India, UAE and the UK, S.P. Hinduja Banque Privée offers its clients the reliability of Swiss regulatory oversight, while providing specialized access to high-growth markets.

We are a private bank with an entrepreneurial spirit, embracing collective action and building creative solutions that advance the world, economically and socially.

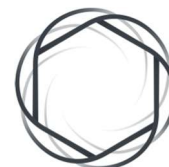
The future of banking is emerging at the intersection of profit and purpose.

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