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13355 Noel Road
Suite 1600
Dallas, TX 75240

Capstone Partners, A Mizuho Company
2025 Geopolitical Survey Results and Insights

Changing U.S. policies and resultant geopolitical shifts will impact most LP and GP investment decisions globally, with allocations being diverted to certain geographies, sectors and strategies

Capstone's survey sheds light on how current geopolitics are impacting the private equity industry

In a recent survey, Capstone explored what capital allocation in global private markets, particularly private equity, will look like based on policy shifts during the first 150 days of the new U.S. Administration. The survey was completed in Q2 2025 by more than 250 global LPs and GPs and focuses on the wider economic ramifications of U.S. policy shifts.

Key findings:

- 86% of LPs expect to be impacted, with 58% anticipating the impact to be moderate to significant.
- 85% of GP respondents have a similar outlook, with 45% expecting the impact to be moderate to significant.
- 83% of LPs expect the sectors in which they invest to be affected, 79% expect geographies to be impacted, and 65% expect fund strategies to be impacted.
- GPs respondents concur, with 40% of respondents expecting their choice of strategies to be affected, 40% expecting target geographies to be affected and 41% expecting target sectors to be affected.
- LPs and GPs agree that higher tariffs and trade wars are most likely to have an impact on their own investment strategies, as well as the performance of private equity-backed portfolio companies. This is followed by higher inflation and interest rate volatility, then devaluation of the U.S. dollar.
- 66% of GPs believe that political shifts will impact their fundraising activities in the year ahead and 72% of GPs believe that the performance of their portfolio companies will be affected.
- 65% of LPs and 60% of GPs do not expect their appetite for impact investing to change in the short or long term as a result of decisions made by the current U.S. Administration.

A high proportion of LPs and GPs expect policy shifts under the new U.S. Administration, and the related geopolitical and economic consequences, to impact their investment decisions.

86% of the LPs who responded to Capstone's Geopolitics Survey said that they expect to rethink their investment decisions because of new policies, with 58% anticipating the impact to be moderate to significant.

This compares to 85% of GP respondents with a similar outlook, of which 45% expect the impact on their investment strategies to be moderate to significant.

For LPs, this sentiment is most marked in the Asia Pacific region, where a quarter of respondents (24%) expect significant impact to their investment decisions, and a further 55% anticipate moderate impact. This compares to 17% of European LPs and 9% of North American LPs that expect significant impact.

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Meanwhile, 12% of European GPs and 10% of Asia Pacific GPs expect the impact to be significant, compared with a lower 4% of North American GPs anticipating significant impact on their investment decisions.

For the majority of LP (71%) and GP (71%) respondents, IRR of their current portfolio is expected to be most negatively impacted resulting from current geopolitical conditions. In Asia Pacific, there is a slightly higher expectation of negative impact on MOIC than in other regions (53% of Asia Pacific LPs and 37% of Asia Pacific GPs hold this view).

Impacts on expected allocations to certain geographies, sectors and strategies

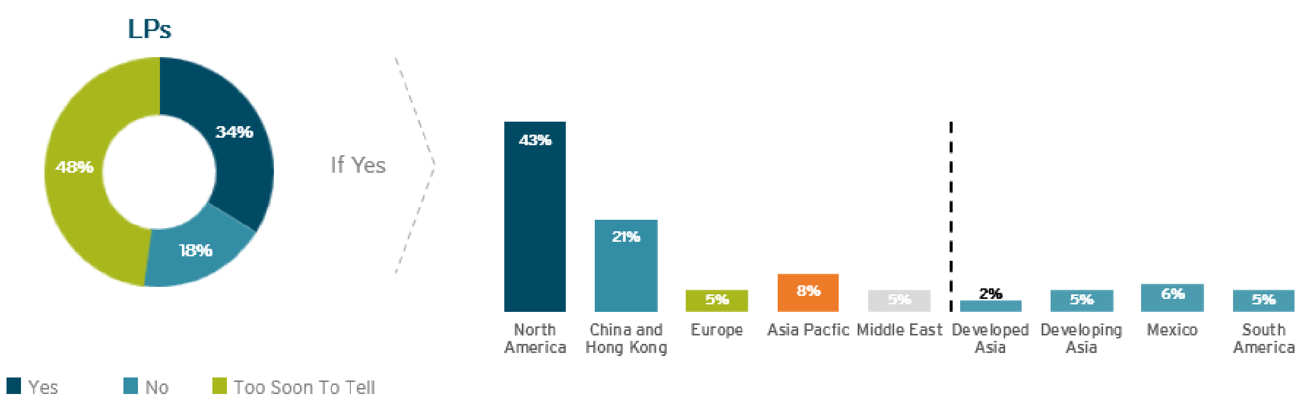
When asked where U.S. policy shifts are likely to impact their investment strategy, most LP respondents (83%) said they expect the sectors in which they invest to be affected. This compares with 79% that anticipate that geographies will be impacted, and 65% that expect that fund strategies will be impacted.

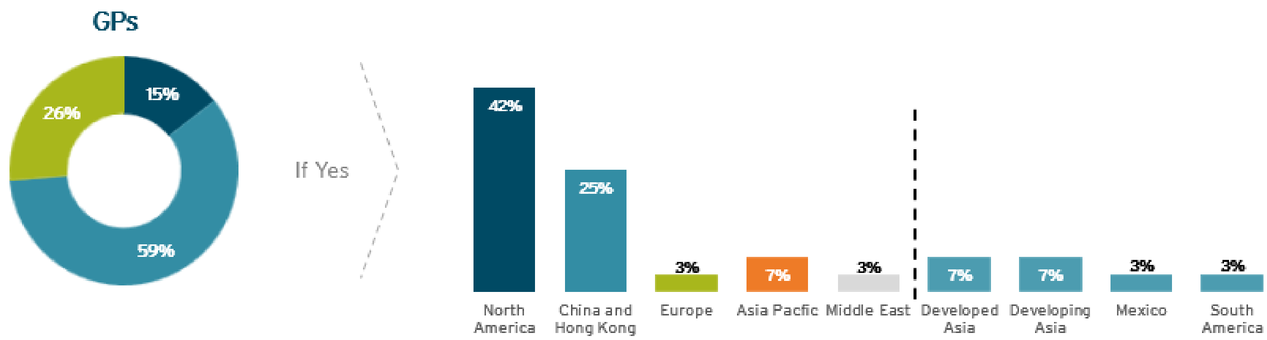
GP respondents expect the impact of U.S. policy shifts to be felt relatively equally in all three of these areas, with 40% of respondents expecting their choice of strategies to be affected, 40% expecting their choice of target geographies to be affected and 41% expecting their choice of target sectors to be affected.

- **Reducing and increasing exposure to certain geographies**

Digging deeper, the survey shows that 34% of LP respondents and 15% of GP respondents are expecting to reduce capital allocation to certain geographies as a result of the economic consequences of changing geopolitics.

LPs and GPs Geographic Allocation





North America is seen by both groups to be the most negatively affected region, with 43% of the LPs and 42% of the GPs (who expect to reduce allocations) anticipating to reduce exposure there. In fact, of the 28% of European LPs who expect to reduce allocations all said that they expect to avoid investment into the U.S. Of the 55% of Asia Pacific LPs who expect to reduce allocations, 78% said that they expect avoiding investment in the U.S.

China and Hong Kong are seen as the next most affected countries, with 21% of the LPs and 25% of the GPs (who expect to lower investment levels) anticipating reduced exposure there.

For some, there is no change of strategy anticipated, with 18% of LPs and 59% of GPs currently saying that they do not intend to reduce allocations to particular geographies, and 48% of LPs and 26% of GPs consider it still too soon to make this call.

That said, Capstone's survey equally shows that the impacts are not entirely negative with some regions likely to benefit from increased investment levels because of recent U.S. policies and geopolitical shifts. 23% of LP respondents and 16% of GP respondents say that they are expecting to increase capital to new markets. Europe is the foremost beneficiary with 36% of the LPs and 37% of the GPs (who expect to increase allocations) envisaging greater exposure there in the future. Developed Asia also seems set to benefit from increased investment with 17% of the LPs and 17% of the GPs (who expect to increase allocations) anticipating greater exposure there. In addition, 13% of LP respondents and 10% of GP respondents (who expect to increase allocations) envision greater exposure to Developing Asia in the future.

- **Reducing and increasing exposure to fund strategies**

A small proportion of global LPs surveyed (14%) are expecting to reduce capital allocation to particular fund strategies as a result of current geopolitical shifts and their economic consequences, with this sentiment most marked among Asia Pacific LPs (of which 25% anticipate reducing capital allocation to some strategies).

Where there is an expectation of reduced investment or allocation, the most negatively affected fund strategy is perceived by LPs to be Buyout, with 24% of the global LP respondents who expect reduced exposure anticipating this trend.

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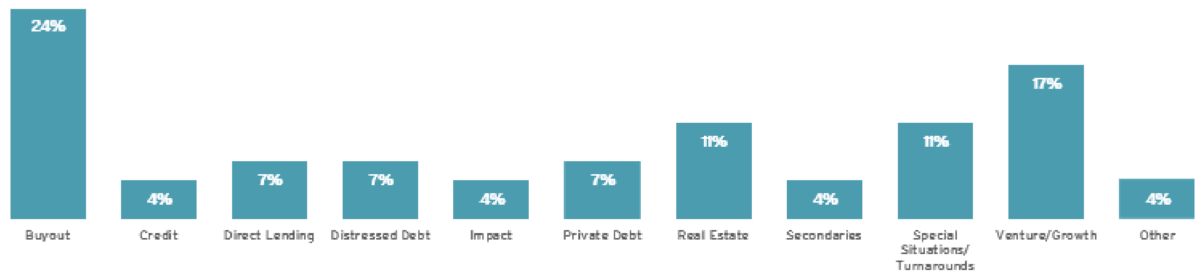
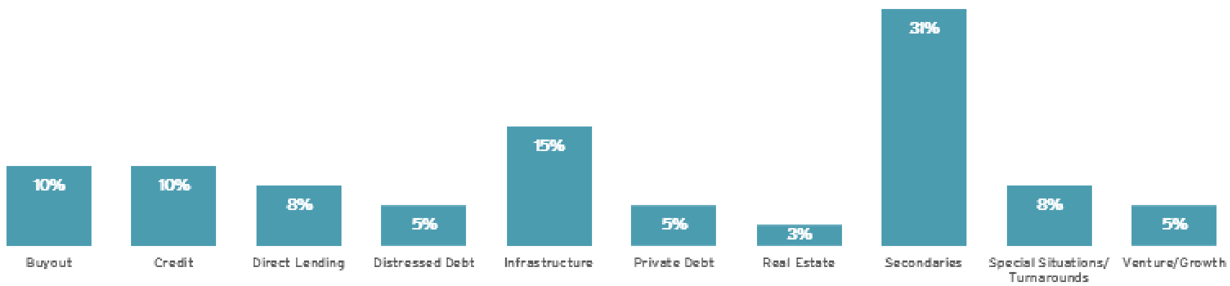
Reduction of Capital Allocation by Strategy



Increased Capital Allocation by Strategy



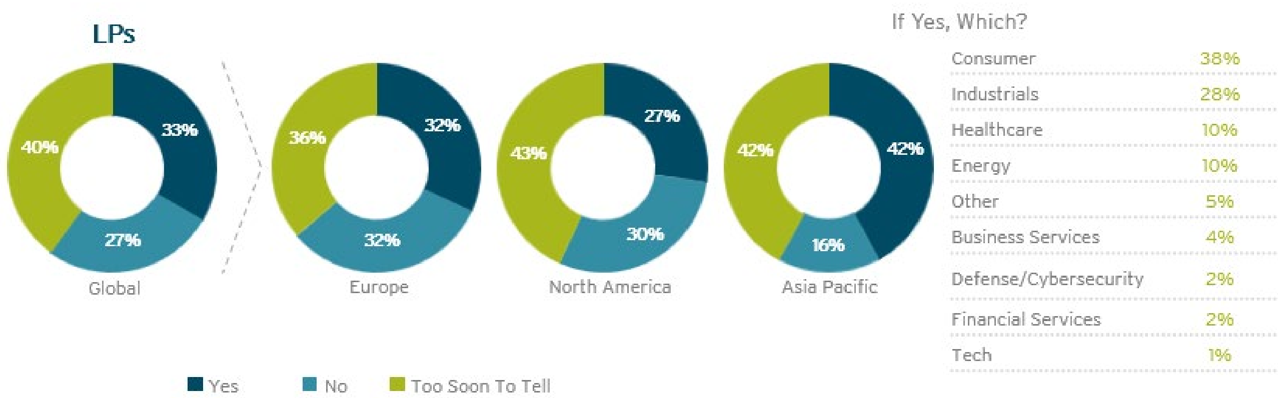
Conversely there is also a small percentage of LP respondents (15%) who say that they are expecting to increase capital to new or different fund strategies as a result of current geopolitical shifts, with Secondaries being their preferred strategy for increased investment (31% of the LP respondents who expect an increase selected this).
Where there is an expectation of increased investment, Infrastructure is the second most highly ranked strategy with 15% of the applicable LP respondents expecting this trend; and 10% expecting increased capital allocation to Credit and Buyout funds.

Some 14% of the GPs surveyed are now more likely to consider diversification into a new fund strategy as a result of the current geopolitical environment. Of those considering diversification, 31% would be interested in Growth strategies, 22% in a different market size, 17% in Impact funds and 17% in Special Situations.

- **Reducing and increasing exposure to industry sectors**

Just over one third of the LPs surveyed (33%) and just over one quarter of GP respondents (26%) are expecting to reduce capital allocation to a particular sector as a result of the geopolitical environment.

Reduction of Capital Allocation by Geography and Sector



By and large, there is consensus between these LPs and GPs, with the Consumer sector seen to be the most negatively impacted; 38% of LP respondents and 33% of GP respondents (who expect to reduce) now anticipate less investment into it. It is closely followed by Industrials, where 28% of the LP respondents and 29% of the GP respondents (who expect to see reduced capital allocation) envision lower levels of investment; and then Energy (where 10% of the LP respondents and 10% of the GP respondents who expect to reduce are now envisaging lower levels of investment) and Healthcare (where 10% of the LP respondents and 7% of the GP respondents who expect to reduce are now anticipating lower levels of investment).

On the other hand, and more positively, there are also industry sectors which are likely to benefit from the current policy shifts. 22% of LP respondents and 34% of GP respondents expect to increase capital allocation to certain sectors as a result of the geopolitical environment.

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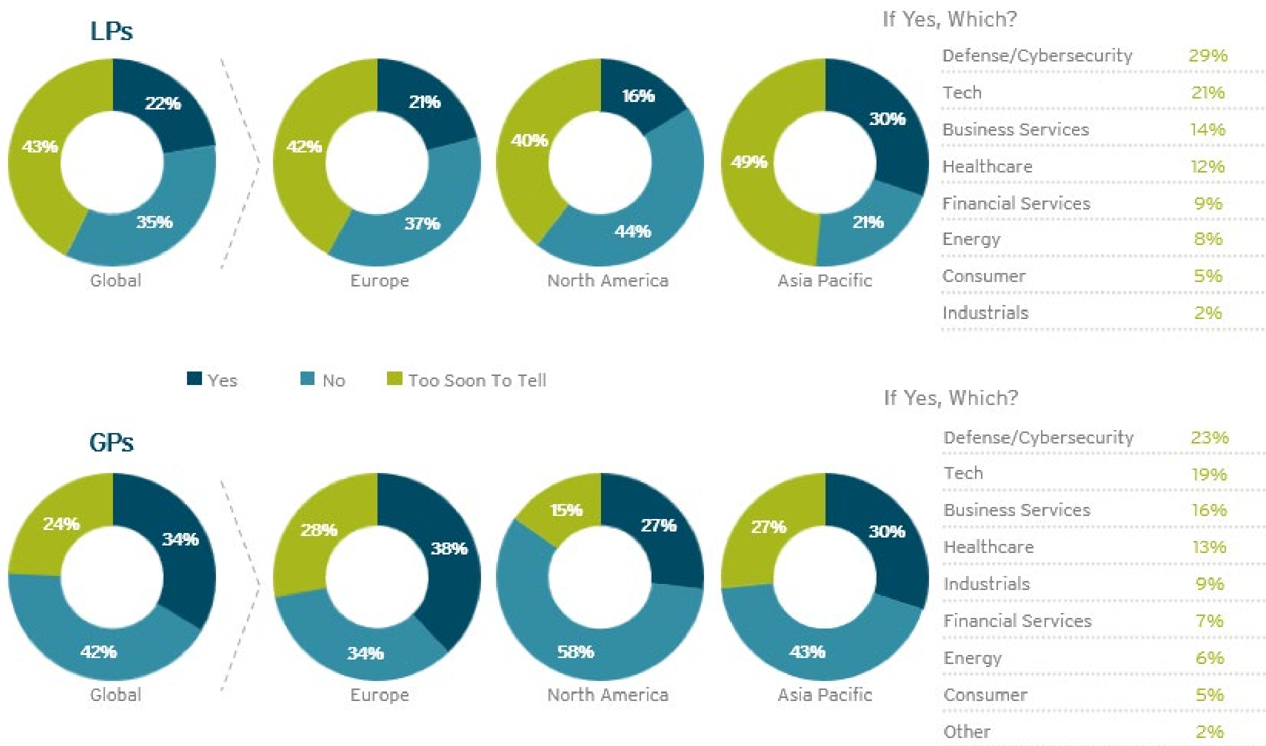
Increase in Capital Allocation by Geography and Sector



Defense and Cybersecurity enjoy the most positive outlook, with 29% of the LP respondents and 23% of GP respondents (who expect to increase capital allocation) now envisaging greater exposure in this space. It is closely followed by Technology, to which 21% of the LP respondents and 19% of the GP respondents (who expect to increase) are now anticipating greater exposure. After this comes Business Services (where 14% of the LP respondents and 16% of the GP respondents who expect to increase investment are predicting more exposure) and then Healthcare (where 12% of the LP respondents and 13% of the GP respondents who expect to increase investment are predicting more exposure).

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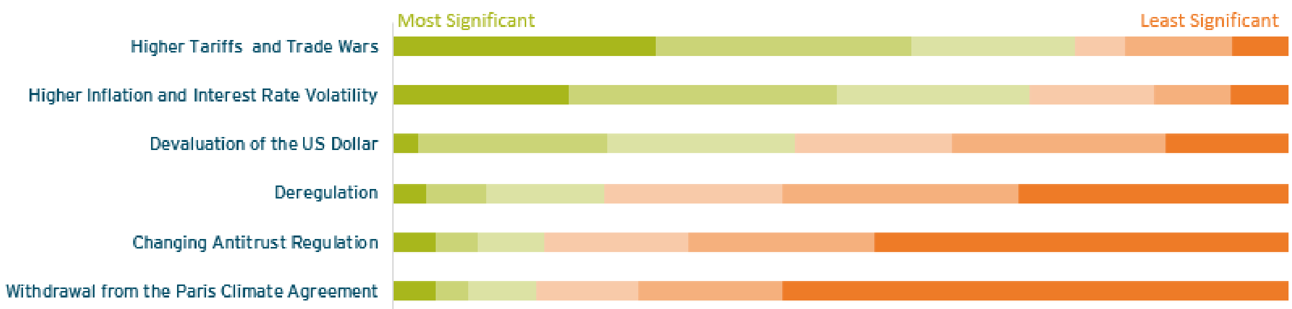
Higher tariffs and trade wars most likely to have impact

Among the various policy shifts driven by the new U.S. Administration, LP and GP respondents to Capstone's survey agreed that higher tariffs and trade wars are most likely to have an impact on their own investment strategies, as well as the performance of private equity-backed portfolio companies. This is followed by higher inflation and interest rate volatility, then devaluation of the U.S. dollar.



These shifts are seen to be impacting M&A activity, supply chains, raw material costs and the cost of capital in fairly equal measure. For LP respondents, this is particularly marked with over 90% envisaging impact in each of these areas, and the supply chain expected to be most highly affected (98%).

For GP respondents, over 70% see U.S. policy shifts impacting portfolio companies in all of these areas, with M&A activity topping the list of concerns for 76%. They do not seem concerned that these shifts will affect access to labor (just 14% of GP respondents expect this), while 63% of LP respondents expect impacts to be felt in this area.

Policy shifts under the new U.S. Administration likely to impact fundraising activities and portfolio company performance

Two thirds of the GPs surveyed (66%) believe that political shifts under the new U.S. Administration, and the related geopolitical and economic consequences, will impact their fundraising activities in the year ahead, while 72% of GPs believe that the performance of their portfolio companies will be affected.

Concern about fundraising is most evident among Asia Pacific GPs, with 91% expecting impact and 25% expecting the impact to be significant. However, North America shows a notably different mindset to both Asia Pacific and Europe, with over half (56%) of the North American GPs expecting there to be no impact on their fundraising activity in the year ahead. A lower 17% of European LPs and 6% of Asia Pacific LPs expect there to be no impact on their fundraising activity.

In terms of portfolio performance, 78% of the Asia Pacific GPs and 74% of European GPs surveyed predict an impact, while the North American GP respondents appear to be more inclined to reserve judgement with 59% anticipating an impact but 26% (over one quarter of the sample) not yet sure of the expected effect.

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Effect on impact investment and ESG activity is limited but some LP and GP respondents expect their appetite to reduce

The majority of LP respondents (65%) and GP respondents (60%) do not expect their appetite for impact investing to change in the short or long term as a result of decisions made by the current U.S. Administration (e.g. policies on clean energy and climate action and withdrawal from the Paris Climate Agreement). However, some 12% of LP respondents and 20% of GP respondents do think differently, envisaging that their appetite for investment will change. For those LPs that do expect their appetite to change, the majority expect less investment into Energy Transition (63%) moving forward.

Most LP respondents (58%) do not expect their appetite for ESG to change as a result of decisions made by the U.S. Administration (such as withdrawal from the Paris Climate Agreement or approach to DEI). However, some 20% do expect this to change in the short or long term, with Asia Pacific LPs (27%) and European LPs (24%) feeling this more strongly than their North American peers (9%).

Furthermore, 73% of the survey's GP respondents do not expect to deprioritize their own ESG focus and activities as a result of decisions made by the current U.S. Administration; and 68% do not expect their portfolio companies to deprioritize their ESG focus and activities. Conversely, there is a small proportion of GPs that disagree, with 15% expecting to deprioritize ESG within their own organizations and 17% foreseeing deprioritization of ESG within their portfolio companies. It is North American based GPs who show more inclination to deprioritize ESG than their peers in Asia Pacific and Europe, with 25% of North American GPs expecting to reduce focus within their own organizations (14% in Europe and 7% in Asia Pacific) and 26% envisaging reduced focus within their portfolio companies (18% in Europe and 10% in Asia Pacific).

Steve Standbridge, Managing Partner & President at Capstone Partners, a Mizuho Company said:

"Although it is less than six months into the new U.S. administration and still relatively early days, the impacts of geopolitical change have been quick to take effect. GPs and LPs across the globe have rapidly taken stock and our survey shows that many are already clear on what these impacts are likely to mean for their investment decisions and strategies. We can see that investors are feeling naturally cautious and that a meaningful number of GPs and LPs are consciously making changes to their investment and capital allocation plans as a direct result of U.S. political shifts and the related geopolitical and economic consequences."

He added: *"There will be regions, sectors and geographies that lose out, at least in the short term, with many European and Asia Pacific investors actively looking to reduce their exposure to the U.S. Over the last two to three years, we have seen increasing appetite from Asia Pacific for opportunities to invest in the North American mid-market but it seems likely that this velocity will slow, certainly in the near term. But the picture for private equity is not all negative as with reassessment and redistribution comes new opportunities. Our survey shows that Europe and parts of Asia Pacific are potentially set to benefit from geopolitical change, as are some industry sectors and fund strategies."*

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About Capstone Partners' Geopolitics Survey

With this series of surveys, Capstone Partners explores how geopolitical changes are influencing LPs' investment decisions and capital allocation, as well as GP strategies, in North America, Europe and Asia Pacific. The first in this series coincides with the first 150 days of the new U.S. Administration and focuses on the wider economic ramifications of its policy shifts, and specifically the impact on the global private equity market. It was primarily focused on mid-market respondents. Over 250 LPs and GPs participated in the survey.

About Capstone Partners, a Mizuho Company

Capstone Partners, a Mizuho Company, is a global placement agent focused on fundraising and advisory services for private equity, credit, real assets, and infrastructure investment firms. It has a global network of more than 1,500 Limited Partners across the US, Europe, and Asia. In 2022, Capstone was acquired by New York based Mizuho Americas, expanding the Firm's broader investment banking and advisory capabilities for financial sponsors. Mizuho Americas is an integral part of Japan-based Mizuho Financial Group, Inc. (NYSE: MFG). To learn more about its capabilities, visit https://www.mizuhogroup.com/americas/banking/private-capital-advisory.

For additional information about Capstone's experience and team, visit www.csplp.com.