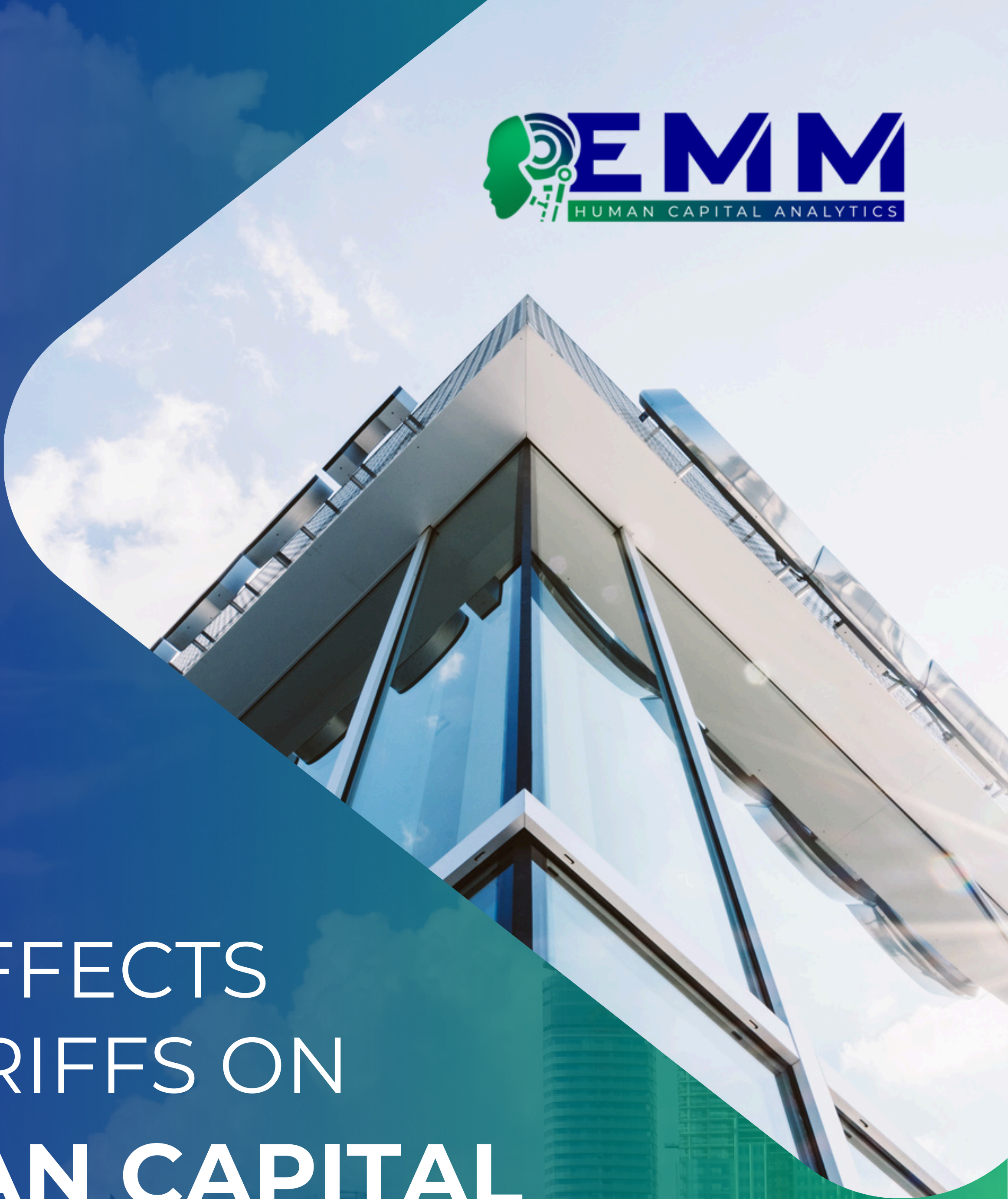

THE EFFECTS OF TARIFFS ON **HUMAN CAPITAL MARKETS**

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If there is one word that could characterize the state of the US economy right now, it would be **"uncertainty"**.

US Companies across industries are grappling with the prospect of widespread tariffs and increased costs. Tariffs, which are extra import taxes on international products, were long thought to be a relic of early 20th century trade policy but have returned as the favorite economic tool of the current presidential administration. It is unclear exactly which products from which countries will be tariffed, as new tariffs are either implemented, suggested, or repealed almost daily. This volatility is having far reaching effects across the economy affecting business sentiment:

According to a recent report from McKinsey, 56% of American executives felt that the threat of tariffs posed the singular biggest risk to economic growth.[1]

If there is a larger debate to be had about the merits of tariffs, we will leave that to the macroeconomists. Instead, we will investigate the issue of tariffs as it relates to human capital across Alternative Assets, Investment Banking, and Real Estate.

[1] McKinsey M&A Annual Report, 2025. Page 7, Exhibit 1

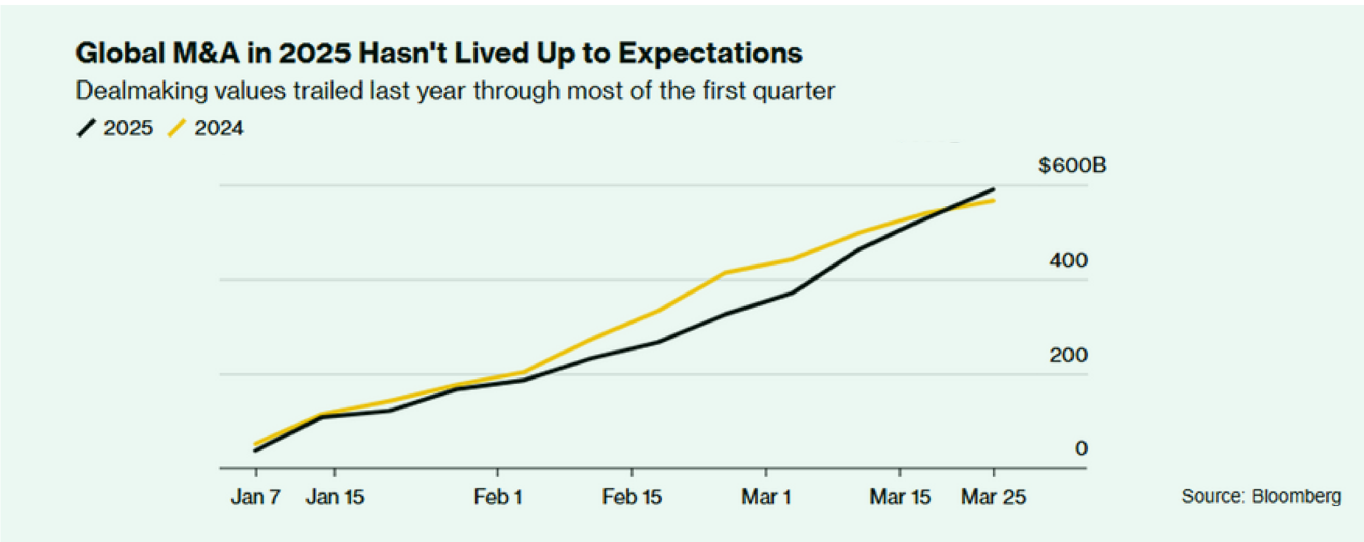
ALTERNATIVE ASSETS

In the world of Alternative Assets, many private equity firms were struggling to sell businesses even before the potential introduction of tariffs. Their typical strategy of buying low and selling high has recently become less profitable, as inflation and high interest rates made it difficult for these private equity companies to achieve their desired high valuations. As a result, many buyout funds have instead opted to hold onto companies for longer than usual, hoping that valuations will improve when the Federal Reserve eventually decides to continue lowering interest rates. Uncertainty around import costs complicates this plan. Since international trade policies are potentially inflationary in nature, their implementation can affect the Federal Reserve's long-term plans for holding or lowering interest rates. Until we have a clearer vision of this international trade policy and interest rates, things are unlikely to improve significantly for the private equity industry.

Considering these challenges, fundraising for private equity has grown more difficult. Private equity and private credit firms alike are increasingly growing their fundraising teams, although for different reasons. Private equity firms hope that by supplementing their team with strong new talent, they can overcome lackluster fundraising conditions. Private credit firms on the other hand want more fundraising talent in order to take advantage of large institutional investors which have increasingly shifted their allocations towards the asset class. Hiring across private credit remains robust and has even picked up for roles focused on asset-backed and specialty finance, where many credit firms see growth opportunities and less competition.

INVESTMENT BANKING AND M&A

On the advisory side, uncertainty around tariffs is slowing and even stopping deal activity for M&A desks at investment banks. While many bankers initially had optimistic hopes for 2025, no such boom has occurred. A fundamental part of the M&A process is valuation, since there can be no informed negotiations around a sale without some sort of baseline mutual agreement about the worth of a company and its assets. With the looming specter of tariffs, it is unclear which goods from which industries will be hit, and at what percentage. How then, can one accurately gauge the current and future value of say a construction materials company if lumber, trucks, and equipment are all potentially subject to higher costs? In our recent conversations in the market, we spoke with the US Head of Markets and Banking at a major US Investment Bank who said, "it's hard to do these deals when you don't know what the cost of raw materials are." Until there are clear guidelines around the pricing of international goods, M&A deal flow will continue to be slow and constrained.



Global M&A in 2025 Hasn't Lived Up to Expectations
Dealmaking values trailed last year through most of the first quarter

REAL ESTATE

In the real estate industry, the effect of large changes in international trade policy will naturally vary from firm to firm with retail and industrial assets seeing the largest impact, according to real estate firm CBRE.[2] Broadly speaking, construction, development, and leasing will likely slow as materials fluctuate in price and existing portfolios assets will need to be repriced accordingly. Redetermining and managing valuations will be one of the biggest challenges the real estate industry faces from tariffs. As a result, many real estate firms are looking to hire valuation professionals, according to a senior partner at a real estate focused executive search practice.

While it's unclear which trade policy changes will go into effect, their potential application has complicated the decision-making process across the economy. We can broadly expect to see short-term hiring slow, particularly in industries which rely on imported goods. Some specific domestic industries can expect boosted profits as it becomes harder for foreign goods to be priced competitively, which will likely translate to more jobs in domestic manufacturing. However, we do not expect this small bump in certain industries to compensate for a slowdown across the rest of the economy. Historical evidence suggests, however, that temporary international trade turbulence is just that; temporary. There continues to be a strong appetite for investment across Real Estate, Alternative Investment and, thus, a need for the advisory industry. We remain cautiously optimistic that the market will find its footing and, once it does, hiring will pick up exponentially.

[2] CBRE.com/tariffs-and-commercial-real-estate

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