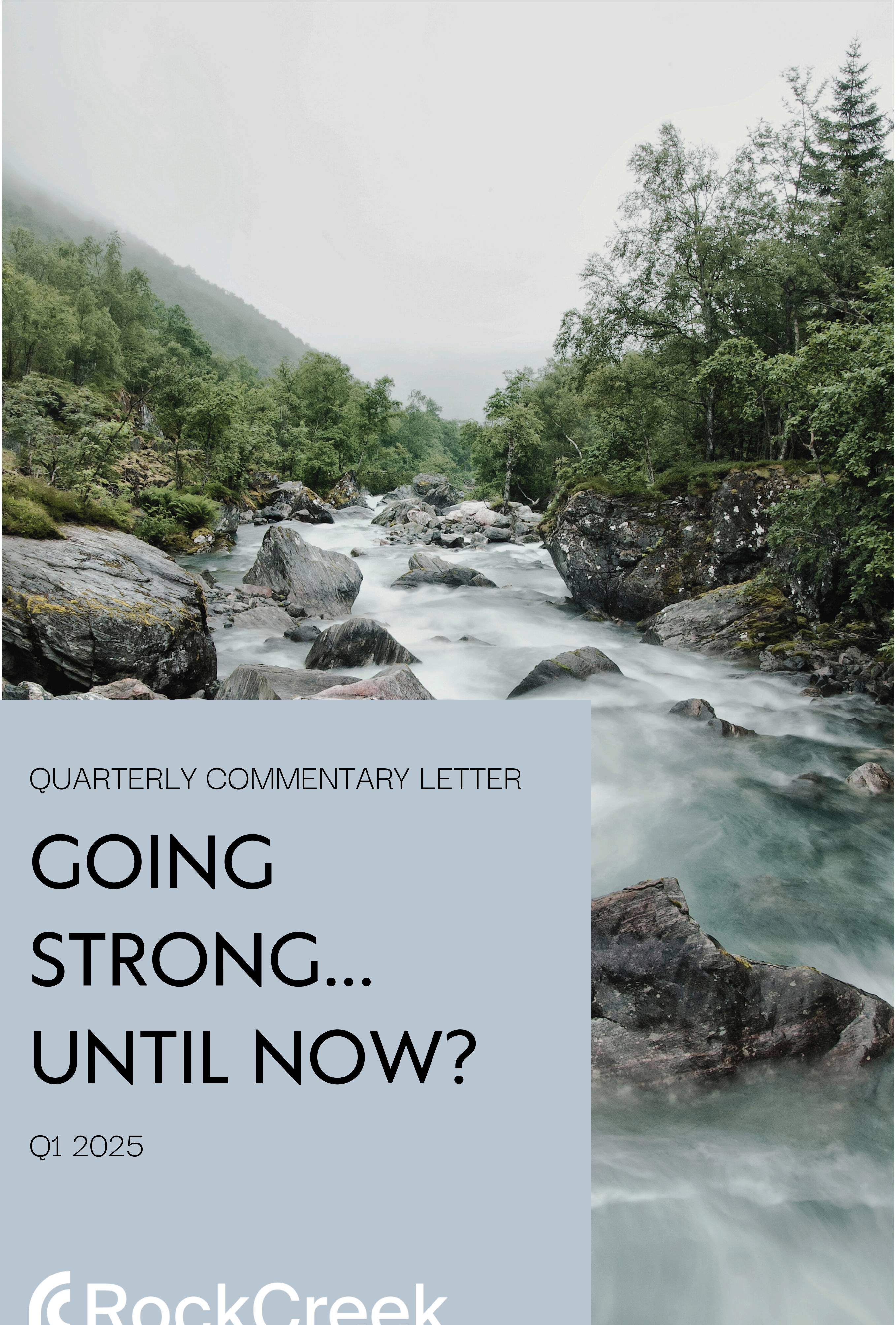


QUARTERLY COMMENTARY LETTER

GOING STRONG... UNTIL NOW?

Q1 2025

RockCreek

CONTENTS

MACRO ENVIRONMENT

Dramatic policy shifts in the US in April can make it seem like an exercise in nostalgia to look back on the first quarter of this year. But there is value in doing so. The economic impact of the tariff and trade policy that has been a focus of market concern for much of April depends also on the state of the global economy and markets going into Q2. Changing announcements on US tariff policy have brought a level of unprecedented uncertainty. This uncertainty has slowed down, or brought to a stop, investment in new plants and IPOs. Events in Q1 will also influence the monetary policy actions of the Federal Reserve in the period ahead.

The period from January to March 2025 inaugurated a fundamental shift in the orientation of US economic policies domestically and toward the rest of the world. As observers have noted, a change in US policy from historic openness to a protectionist stance—against allies and adversaries alike—would, if sustained, slow US and global growth and, at least in the short term, trigger price increases. Forecasters, alongside CEOs of the largest companies, have scrambled to adjust, marking down projections for earnings and output growth, as reflected in the most recent Federal Reserve Beige Book.

At the end of Q4, the US economy was on a glide path to a soft landing from the pandemic recovery and inflationary surge. In much of the rest of the world, interest rates were coming down and growth was picking up. US outperformance on growth and innovation—often termed “US exceptionalism”—continued to support high valuations in US equity markets.

Policy reversals in Q1 on both sides of the Atlantic upended this story. US tariffs, and the threat or promise that more would be coming, raised concerns that US inflation progress would stall. Fears grew that the economy could slip into recession—avoided so far in the post-pandemic period. Across the Atlantic, the changes in US defense and foreign policy galvanized European action to spend and borrow, notably ending Germany’s commitment to its fiscal “debt brake” and promising more investment and growth in Europe’s largest economy.

Uncertainty now hovers over global markets about where policy—and thus the economy—are heading.

A robust first quarter, but…

The US economy continued on the path to a soft landing in Q1, according to much of the “hard data” so far available for jobs and spending. Unemployment rose only slightly from 4.1% in December 2024 to 4% in January and then 4.2% in March. Job growth averaged close to 175,000 a

ROCKCREEK SEES THREE MACRO THEMES FOR INVESTORS TO WATCH:

01

TARIFFS AND TRADE WARS: WINNERS AND LOSERS

President Trump has called tariffs a "beautiful" word. The market reaction to the White House announcement on April 2 of tariffs that were both higher and broader than expected suggested that investors see things differently. A 90-day pause on many tariffs announced on April 9 helped to calm markets. Will the trade war escalate or de-escalate? Recent comments from President Trump and his Treasury Secretary, Scott Bessent, suggest that the Administration will seek deals to bring tariffs down, including against China. But the risk of an escalating trade war is still there. Announcements about US plans and the status of talks with key trading partners suggest that policy is still in flux. This makes portfolio investor decisions more difficult. At the same time, CEOs are reluctant to decide on possible reshoring with frequent changes in rules.

02

GROWTH AND INTEREST RATES

Will the US economy tip into recession this year, and how would the Federal Reserve react to a slowdown? The odds of recession have risen substantially as a result of tariffs and policy uncertainty. Although data for Q1 remain strong, reports abound that businesses are pausing or slowing hiring and putting investment plans on hold. The Fed's regular survey of businesses across the US noted that in many places the outlook "worsened considerably as economic uncertainty"—mostly related to tariffs—rose. But higher tariffs will also add to prices and may spur inflation, complicating the outlook for Fed policy.

03

SPENDING AND TAXES

The Republican-led Congress, supported by the White House, is moving a big bill that will raise the debt ceiling and set budget spending and taxes for fiscal 2026. The increased scale of US debt, possible reduced foreign interest in US government treasuries, and rumors of capital controls—though unlikely—have caused tremendous Treasury bond volatility. What should investors, including university endowments and foundations facing lower returns and fearful of a change in tax status, be watching for?

month, despite market disruptions. Consumers continued to spend, although a jump in March retail sales likely reflected decisions to pull forward purchases to avoid tariff-induced price increases, particularly for autos. The preliminary estimate of Q1 GDP due on April 30 is likely to show some slowdown from 2024, but interpretation will be complicated by a build-up of inventories and imports in advance of expected tariffs.

It is hard to calculate the direct impact of tariffs—akin to import taxes—on the US economy given rapidly changing US policies, uncertainty about retaliatory measures, and the possibility that tariff exemptions—now being sought by many American businesses for particular inputs—will be granted.

But it is clear that the combination of lingering uncertainty and actual tariffs will tend to slow the US economy in the current quarter. The 90-day pause on "reciprocal" tariffs that President Trump announced on April 9 left in place "baseline tariffs" of 10% on most countries. The pause on much higher "reciprocal" tariffs did not cover China, which accounts for almost 15% of US imports. It also left other tariffs on steel and some auto imports in place. Since then, new exemptions have been announced on some electronic goods imported from China. But other products from China are left out of the pause and will be subject to extraordinarily high tariff barriers unless and until there is agreement. There are now several tariff trackers being produced outside the Administration, including one updated in real time from the non-partisan Peterson Institute for International Economics (PIIE).

The resilience of the US economy in Q1 will provide some cushion for the expected hit to consumption and investment from higher tariffs going forward. At the same time, continued above-target inflation from January to March—together with robust payroll growth—make it likely that the Fed will hold off on further interest rate cuts while it reviews the impact of trade policy on prices and inflation expectations. Some observers believe that—contrary to market expectations—there may be no further rate cuts in 2025.

This is already leading to fears of a political challenge to the Fed's independence. RockCreek does not believe that Fed Chair Jerome Powell will be influenced by attempts to force him to step down before his term as chair ends next year. Threats to his position could lead to a rise, rather than be reduced, because markets and consumers fear a more political Fed would allow a resurgence in inflation. President Trump's comments in mid-April that he had "no intention" of firing Chair Powell were greeted with relief in financial markets. Nevertheless, as some tariffs come into force this month and next, this will put pressure on inflation. In Q1, consumer inflation eased slightly, with consumer prices rising just under 2.4% on a headline basis in the year to March and falling during that month, reflecting energy price declines.

What happens in the US does not stay in the US

In today's globalized world, major shifts in US trade and tariff policies may trigger costly disruption to established economic and financial relations among major countries. The International Monetary Fund (IMF) now projects global growth of 2.8% this year, down from a projected 3.3% in January. This would be the slowest global growth since the pandemic year of 2020. For the global economy as a whole, just the possibility of an escalating trade war—even if limited to China and the US—is chilling. The potential impact on supply chains and prices makes investment and other business decisions even more difficult than usual. Uncertainty inhibits consumer spending as well as business investment. A widespread "wait and see" attitude on spending would spill over into lower overall GDP growth.

Meanwhile, governments outside the US are mulling their reactions to the trade war. China, which grew by an unexpectedly strong 5.4% in Q1, has signaled strong retaliation against the US tariffs, which will in turn dampen its growth momentum. However, there is room for more stimulus from the government and central bank.

In Europe, the European Central Bank has signaled that the policy uncertainty dogging the global economy is a reason to reduce interest rates. At the same time, room to maneuver on fiscal policy opened in Q1. A turnaround in Germany's long-held opposition to more borrowing and spending was triggered by concerns that the US could no longer be relied on to bolster European security. The incoming German government, led by conservative Friedrich Merz, took advantage of a loophole in legislative rules to join with its predecessor in setting aside the “debt brake” that had constrained German fiscal policy for years. As noted French economist Olivier Blanchard of MIT said recently, there is now a chance that Europe’s economic policy will improve, boosting growth and cooperation.

Investors cheered the coming changes in Europe in Q1, while giving a thumbs down to the US. While US equities dropped in Q1—down by 4.5% for the S&P and more than 10% for the tech-heavy Nasdaq—some major European stock markets rebounded. In Germany, in particular, equities rose by 10% from January to March 2025.

SUSTAINABLE INVESTING

Is sustainable investing dead? This concern echoed across the industry during the first quarter of 2025, as momentum around energy innovation and transition shifted dramatically. The previous administration's passage of the Inflation Reduction Act (IRA) was followed by President Trump's return to office, which brought a swift reversal. Within his first 100 days, a series of executive actions dismantled many of President Biden's programs. Compounding these challenges were new tariffs, particularly harsh on nations vital to clean tech supply chains.

In response, many corporations—once vocal champions of climate action—have changed their rhetoric, but many continue to invest in high-return projects in energy innovation and transition. However, the earlier push into early-stage, more risky technologies has slowed down, with some bankruptcies. While stalwart supporters like Bill Gates's Breakthrough Energy scaled back its policy work in response to the new political reality, the underlying fundamentals of energy innovation and transition remain strong. In fact, 2024 set a record, with renewable energy making up 92.5% of all newly installed power capacity. This trend shows no signs of slowing in 2025. With power demand increasing—driven by population growth, urbanization, and surging energy use from data centers—analysts see the need for both cleaner fossil fuels such as natural gas and renewable energy, including nuclear energy, as scalable, resilient options. Fossil fuel supply chains, meanwhile, are under strain, with record-long wait times for natural gas turbines and warnings from the oil and gas sector about potential production cuts due to market volatility. Interestingly, the market for oil services is expected to contract by approximately 5% in 2025.

While tariffs may increase the cost of imported technologies, many of the IRA's provisions have sparked a shift toward domestic manufacturing. A wave of US-based solar panel, battery, and energy storage manufacturers is set to come online in the coming quarters, while some projects, including early-stage offshore wind, have been stopped. This domestic expansion could insulate the sector from future geopolitical shocks. Rising input prices are also driving renewed interest in circular economy models, maintenance and repair solutions, and technologies that extend asset life cycles, as well as for high-quality deals, especially with more favorable entry prices. Internationally, the commitment to energy innovation and transition remains steadfast. International investors and governments continue to press forward, especially with the growing energy demands of data centers. China's EV sector continues to be a bright star for its markets.

PUBLIC EQUITIES

US equities corrected in Q1, underperforming international markets and thus quieting earlier declarations of US market exceptionalism. There was a notable unwinding of momentum stocks, including the Mag7, which had led for so long. The S&P 500 declined -4.6%, while the Nasdaq, which is more weighted to technology and consumer cyclical stocks, dropped -10.4%. Small-caps also suffered from increased risk aversion, with the Russell 2000 giving up -9.5% for the quarter. Implied volatility was kept in check for the most part, with the VIX ending the quarter at a relatively modest 22. It wasn't until the early weeks of April that we saw real panic set in.

Europe stood in stark contrast, with the STOXX Europe 600 gaining +5.8% in Q1. This was Europe's strongest relative start to a year since 2000 and was set up by the shift in fiscal policy in Germany, noted above, more accommodative monetary policy, signs of recovery in its trading partner China, and attractive valuations relative to most other developed equity markets, especially the US. Even when Europe as a whole was underperforming the US, there were plenty of opportunities which active managers could take advantage of. Two examples have been banks and defense stocks. Leading banks, perhaps most notably UniCredit, have generated outsized returns for shareholders through a combination of restructuring, strategic M&A, increased dividends and buybacks, and an improved interest rate environment. Meanwhile, defense stocks have been on a tear with war grinding on in Ukraine and the US stepping back its support. The MSCI Europe Aerospace and Defense Index has annualized at 30% over the past 5 years. European stocks overall still trade at an estimated forward P/E ratio of just 14x, versus 20x for the US, which is at the higher end of the valuation gap historically.

One of the biggest questions coming into Q2 was whether Europe's outperformance was a temporary trade or a more sustainable trend. Europe, and China for its part, is undergoing both monetary and fiscal stimulus, while the state of the US is more akin to austerity and 'higher-for-longer' interest rates. On the other hand, as President Trump made clear in his Liberation Day tariff address, when the status quo is being challenged across all US trading partners, there are few places to hide.

Asian markets were mixed in Q3, with Singapore and Hong Kong/China leading the way, as US tariffs to that point had been less punitive than feared. Japan was roughly flat, while New Zealand and Australia recorded losses. The biggest development was DeepSeek's AI breakthrough in January, which played a major part in driving the big Chinese tech players higher and dislodging the US tech sector's momentum. Alibaba was a major leader, with its shares surging 56%, while Tencent, PDD Holdings, and JD.com all gained in the neighborhood of 20%. They all retreated in early April amid the heightened tariff exchanges between the US and China, though most are holding onto some of their YTD gains. Investors are facing unprecedented uncertainties that affected equities across the globe, but perhaps nowhere more than in China, where President Xi Jinping's government has thus far taken a hardline approach with retaliatory tariffs. Interestingly, Hong Kong-listed Chinese companies are up 12.0% and the Shanghai market down 3.3% so far this year, despite the tariff war directed at China.

In Q1, Latin American markets—including Mexico, Brazil, Chile, Peru, and Colombia—recorded notable outperformance relative to other emerging markets. These equity markets have outpaced most developed markets, including the United States, and their currencies have generally performed well against the US dollar. While it's difficult to pinpoint a single reason for this outperformance, several factors appear to be contributing. First, valuations are attractive—after a disappointing 2024 and years of relative underperformance, many of these markets are trading at record-low multiples, making them appealing to investors looking for upside potential. Second, the macroeconomic fundamentals are either strong or show improvement. Growth is positive, employment is solid, and inflation is under control. Notably, fiscal spending—traditionally a weakness for many Latin American economies—has been relatively restrained, even under left-leaning administrations. Lastly, the ongoing soft economic conflict between the US and China has opened up opportunities for Latin American exporters, though it's still uncertain how potential tariffs might impact this dynamic going forward.

PRIVATE EQUITY AND VENTURE CAPITAL

Private markets showed continued signs of thawing in Q1. Ahead of the market concerns triggered in early April, several high-profile deals in Q1 pointed to renewed investor appetite—especially in sectors like AI and defense tech. OpenAI grabbed headlines with a massive $40 billion round led by SoftBank, pushing its valuation to a staggering $300 billion. Even in a choppy market, this deal makes it clear: investors are still eager to back generative AI platforms with global ambitions. Staying in the AI orbit, Perplexity AI raised significant capital to grow its conversational search tools, taking aim at the incumbents in search. Google also made headlines, announcing its largest-ever acquisition by agreeing to acquire cloud security leader Wiz after a failed attempt in 2024. The deal, still pending regulatory approval and likely a year away from closing, underscores just how strategic cybersecurity and cloud infrastructure have become in today's digital-first economy.

Defense tech kept its momentum, too. Anduril secured fresh funding to accelerate its autonomous defense systems, while Whatnot continued its push in livestream shopping, closing a meaningful round as it races to capture more of the fast-growing social commerce space. While capital remains selective, there's still a clear willingness to fund companies with breakout potential in sectors driving structural change.

That said, not everything in the market is flashing green. The newly announced trade tariffs have complicated the near-term picture, risking a renewed shutdown of the IPO market. Klarna, for instance, has now put its public listing on ice, with most other companies in the queue following suit. While we remain optimistic on the longer-term outlook for innovation, we expect more volatility ahead—both in exit timing and valuations—as these macro headwinds build.

On the policy front, developments in Washington are starting to bite. The combination of federal spending cuts and trade tensions is creating real uncertainty around the future of early-stage R&D. Notably, biotech seems to be particularly exposed to these policy changes. Cuts to NIH funding are already rippling through the ecosystem.

The federal government froze more than $2 billion in grants to Harvard University, and in response, Harvard filed suit. Similarly, Vanderbilt University Medical Center is slashing $250 million from its budget. Perhaps highlighting the growing urgency, Yale is rumored to be exploring a $6 billion secondary sale of private equity interests, which, if executed, would be one of the largest-ever transactions.

In response, parts of the venture community are stepping in to fill the gap. Some firms have launched initiatives to fund cancer research grants at risk of being cut, working directly with university deans to sustain critical projects. This reflects a potential broader shift toward deeper collaboration between VCs, academia, and pharma to keep the research pipeline alive. As federal support continues to decline, we expect more universities to pursue partnerships with private capital and philanthropy.

For private equity more broadly, the picture remains challenging. The denominator effect is still weighing heavily on LPs, and if public markets take another leg down, this imbalance could get worse before it gets better. Liquidity remains tight, and investors should brace for continued friction in both capital deployment and distributions as we move deeper into the year. President Trump’s recent executive order targeting college accreditors could have real implications for university liquidity, especially if institutions face tighter federal scrutiny or disruptions in their accreditation status. For endowments already navigating constrained budgets, this could accelerate the need to tap the secondary markets to explore portfolio sales.

FIXED INCOME

The first quarter of 2025 saw fixed income markets begin to price in growth concerns surrounding the US administration's tariff policies—moves that have accelerated in April. Short-term interest rate markets began increasing the number of cuts expected by the Fed this year, credit spreads began to widen, and the 10-year yield fell slightly—a stark difference from what markets have seen so far in Q2 as rates have reversed course, backing up significantly. These moves are notable given most of the rhetoric post-election was focused on the inflationary impact of tariffs and the likelihood that those policies would extend the higher-for-longer interest rate environment that has characterized the past three years. Another interesting dynamic in the first quarter was the divergence in rate moves between the US and Europe, as well as the divergence in credit spreads. So far in April, longer-dated US yields are approximately 15 basis points higher on fiscal spending and foreign investor demand concerns. Corporate credit spreads have remained relatively wide (more on credit below), with high-yield bonds now 100 or more basis points off their tights.

In rates markets, two themes emerged in Q1 that arose from the shifting dynamics between Europe and the US. In the US, Fed Funds futures doubled the number of cuts expected from the central bank during 2025, from approximately one and a half to three. This was driven by concerns that tariff policies being crafted by the Trump administration could significantly hamper growth. A flight to quality across the curve led all maturities to rally sharply, led by the five- and seven-year points where yields, moving inversely to price, fell approximately 40 basis points.

Conversely, optimism around fiscal reforms in Europe to spur defense and infrastructure spending took two cuts out of the curve, with ECB swap pricing reflecting expectations of only two and a half cuts by the end of 2025, reduced from four and a half at the beginning of the year. In a near mirror image of their Treasury counterparts, German Bunds rose 37 basis points in Q1—and actually exhibited the largest single-day increase since reunification—on this positive growth shock.

Refocusing on the US, the domestic Agg index returned +2.8% in the first quarter, driven by the rally in duration. As such, Treasuries and MBS outperformed both Credit and the Agg over the first three months of the year. Spread widening of nine to 18 basis points in Investment Grade caused performance in the Corporate Index to lag all other sectors. However, credit still generated a positive return. Performance across duration buckets was generally in line, with 7-10 year outperforming slightly, and performance across quality was uniform—highest quality credits performed best, with orderly underperformance down to worst-performing CCC.

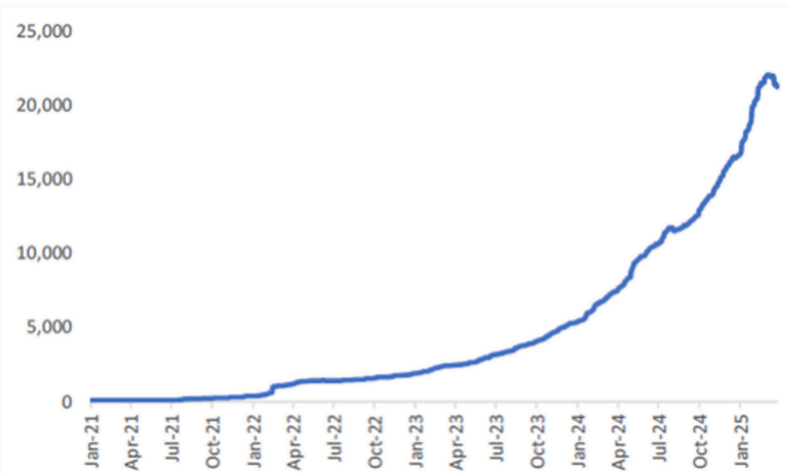
The backup in rates, given the dramatic sell-off in equities and general concern over recession, runs contrary to historical relationships. Two popular narratives have emerged. First is that this is the consequence of stagflation expectations, and that while growth may indeed slow, tariffs will directly cause prices to rise and could force the higher-for-longer interest rate scenario. A more troubling narrative, now gaining traction, is that the shift in US policies is a regime change, where the dollar and the US can no longer be viewed as a safe haven for assets, encouraging foreign—and also domestic—investors to flee from the dollar and from Treasuries. Regardless of what is causing the volatility, it makes calling over/underweight duration particularly challenging. Similarly, in credit—50th percentile could indeed be an attractive buying opportunity, but would not be a bargain should a full-blown recession materialize.

PUBLIC CREDIT

Q1 2025 marked the beginning of a reversal of two major trends that dominated public credit in 2024. The first was that leveraged loans and the structured products that utilize them, CLOs, saw weakness in the back half of the quarter due to tariff concerns, capital market volatility, weakening consumer confidence, and a dimmer outlook for borrower fundamentals. Loan returns turned negative in March, declining by -0.31%, marking the asset class's first loss since October 2023.

Since the Fed began raising rates in March 2022, loans and CLOs have benefited from strong fundamental and technical tailwinds, as investors sought exposure to short-duration, floating-rate instruments. Loans, and particularly CLOs, have appreciated in value due to strong technical factors from the democratization of the asset class. Recent years have seen the growth of new CLO managers, who have been continuously in the market raising and deploying their vehicles. On the demand side of the CLO machine, ETFs have allowed broader adoption of the asset class by retail investors. For example, the graph below shows how assets in one ETF have grown since its launch in 2020, including attracting $11.2 billion in inflows in 2024. But it also notes the first true drawback in March of 2025.

Janus Henderson AAA CLO ETF (Market Capitalization; $M)

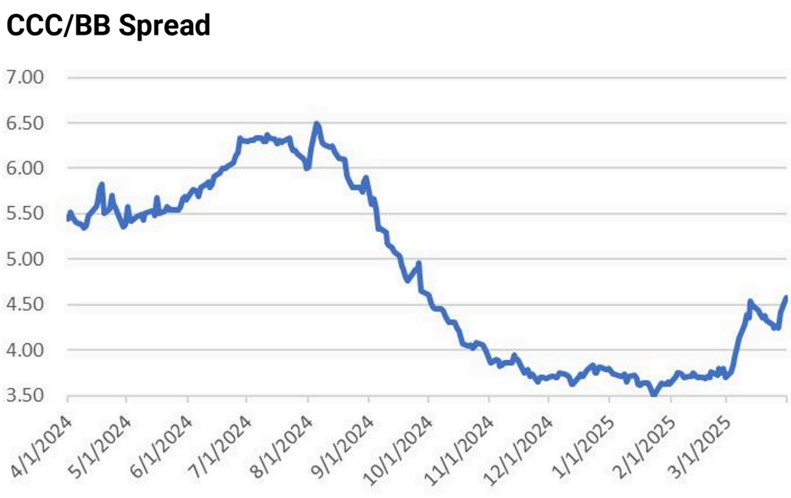


Source: Bloomberg.

For most of last year, the buying of leveraged loans from CLOs and other vehicles pushed the price of the loans closer to, or even above, par. Going into the March sell-off, 66% of all leveraged loans were trading above par. But by the end of March 2025, only 10% of loans traded above par. Issuers for much of 2024 were able to use high prices to refinance or reprice their capital structures, and thus extract issuer-friendly terms from lenders. This leaves the current loans weaker in covenants and lower in value than they were in 2022 or 2023.

Source: Pitchbook | LCD. Morningstar LSTA US Leveraged Loan Index. Data through March 31, 2025.

As briefly highlighted above, Q1 2025 also saw a reversal of the compression trade which had driven credit market returns until that point. CCCs continued to appreciate in value through the year, returning over 18% to investors. BB, on the other hand, only made +6.3%. As the graph below shows, CCC/BB spreads have dramatically widened from their very tight levels. Similar to the leveraged loan market, bonds also experienced a flight to quality, with investors trading into the upper-rated parts of HY or investment grade.



Source: Bloomberg. RockCreek.

PRIVATE CREDIT

The April 2 announcement of sharply higher US tariffs on certain countries—styled "Liberation Day" by President Trump—was, of course, a Q2 event. However, the world had already begun grappling in Q1 2025 with the reality of greater economic uncertainty. Although the full consequences of this regime shift will take time to play out, unless the administration is able to declare a quick victory or reverse course, the likely outcomes are rising inflationary pressures, the redrawing of supply chains, and higher costs for both corporations and consumers. For private credit investors, this environment presents both heightened risks and emerging opportunities. Positive outcomes will require thoughtfulness, selectivity, and a clear understanding of how capital is being deployed.

The most immediate impact of higher US tariffs is the rising cost burden facing businesses across sectors. As tariffs push up the prices of imported raw materials, intermediate goods, and finished products, companies are seeing their margins come under pressure. This is particularly true for companies with limited pricing power or significant exposure to global supply chain shocks. For leveraged borrowers, this creates a challenging dynamic: higher costs are squeezing cash flows while debt service obligations remain fixed or elevated. Businesses with floating-rate debt face the added risk of potentially higher interest rates, should central banks move to combat inflation. As margin compression meets rising input costs, the risk of credit deterioration grows.

Amid this backdrop of uncertainty lies an opportunity for private credit investors. This is true for both distressed and opportunistic credit investors deploying capital into spread widening and market dislocations, as well as for private direct lenders. As banks and public markets retrench in the wake of macro volatility and increasing credit risk, direct lenders are well-positioned to step into the void. In periods of market dislocation, private credit providers can command better terms, stronger covenants, and higher pricing. Moreover, the customized nature of private credit allows for creative structuring solutions that can help mitigate risk while supporting the long-term viability of the borrower.

In this environment, how capital is used matters as much as where it is deployed. For example, a growing trend among sponsor-backed direct lenders is the financing of dividend recaps. This has been fueled on the supply side by a dearth of M&A activity and elevated levels of private credit dry powder, and on the demand side by the ongoing need for private equity sponsors to return capital to their limited partners. Despite adding additional debt burden to what are typically already highly leveraged businesses, these transactions are being advertised as bridge-like and short in duration, given that transaction activity is expected to rise. However, this seems an unlikely scenario given the current uncertainty. In contrast, the selective deployment of capital to resilient businesses—those with pricing power, domestic supply chains, and essential products or services—in the underserved lower middle market to support organic growth, strategic acquisitions, or working capital needs seems more likely to produce favorable outcomes in today's environment.

REAL ASSETS

The real estate and infrastructure landscape is showing early signs of stabilization after a period of disruption. In core real estate, redemption queues that swelled in recent quarters are now receding, suggesting that institutional sentiment is shifting from defense to reengagement. Fund performance is improving modestly, aided by relative stability in interest rates and renewed confidence in valuations from long-term LPs. While capital formation remains challenged, we're seeing encouraging signs: new allocations are beginning to flow again, particularly into strategies that emphasize resilience and income.

One area where conviction remains strong—and refreshingly bipartisan—is affordable housing. Even under the current administration, federal support for programs like Section 8 has seen budget increases, reflecting a broad political recognition of housing instability as a critical issue. With cost pressures still elevated for new development, existing affordable housing assets have become increasingly valuable. These trends align with RockCreek's values-driven approach, as we continue to explore ways to support housing access through both traditional and mission-aligned vehicles.

In infrastructure, the story is increasingly about energy addition rather than pure transition. Electrification is driving rapid growth in grid demand—from EV charging stations to data centers—and much of that demand is outpacing the speed at which renewable generation and transmission can be built. While the long-term decarbonization narrative remains intact, we are focused on investing in pragmatic opportunities in critical infrastructure that enable this transition: grid modernization, storage, and distributed energy systems.

Macroeconomic policy continues to play an influential role. Recent tariff adjustments are impacting both real estate and infrastructure, with implications across sectors and geographies. On the construction side, tariffs are increasing material costs, which further dampens new development pipelines and, paradoxically, boosts the relative value of existing assets. In the residential sector, the combination of costlier construction and potentially lower interest rates may lead to a rebound in homebuying demand—a dynamic we are watching closely.

Given the ongoing capital constraints in private markets, we are emphasizing creativity and selectivity in our approach. Seeded primary commitments in high-conviction sectors remain an efficient way to build exposure, especially when paired with strategic co-investments. We are also actively exploring the secondaries market, which continues to offer dislocated pricing and access to high-quality assets from motivated sellers.

While we remain cautious amid macro and geopolitical uncertainties, we believe that current conditions are creating differentiated entry points for long-term investors. Nevertheless, our focus remains on managers and strategies that combine discipline with flexibility—those positioned to navigate a more complex landscape while delivering durable returns and positive impact.

Important Disclosures & Risk Considerations

The contents herein are intended for informational purposes only. The information presented is based upon RockCreek's interpretation. There can be no guarantee that the information presented is accurate. The information presented does not constitute tax, legal, investment or regulatory advice, and we encourage you to consult your legal and/or tax advisors should you have any questions relating to the materials presented herein. Opinions expressed reflect the current opinions of the Rock Creek Group as of the date appearing in this material only.

This material is intended only to facilitate your discussions with RockCreek; it is not intended to be used as a general guide to investing, or as a source of any specific investment recommendations, and makes no implied or express recommendations concerning the manner in which any client's account should or would be handled, as appropriate investment strategies depend upon the client's investment objectives. Information included herein may be provided to discuss general market activity; industry or sector trends; or other broad-based economic, market, or political conditions. Discussions herein concerning general economic conditions and political developments are not intended to be used as a general guide to investing, or as a source of any specific investment recommendations, and RockCreek makes no implied or express recommendations or warranties concerning the manner in which any account should or would be handled, as appropriate investment strategies depend upon the investor's unique investment objectives. This document does not constitute an offer or solicitation with respect to the purchase or sale of any security in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it would be unlawful to make such offer or solicitation. As such, the information contained herein has been prepared solely for general informational purposes. None of RockCreek or any affiliates or employees makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein shall be relied upon as a promise or representation as to the past or future performance. Information and opinions are as of the date of this material only and are subject to change without notice.

Any information contained herein regarding a fund or manager is based upon information prepared by the underlying manager. RockCreek has not verified and is not liable or responsible for the completeness or accuracy of such information (including but not limited to any information relating to the past or future performance of such fund or manager, or any related vehicle).

Any information contained herein that relates to an investment in a company is based upon available information prepared by such company. RockCreek has not verified and is not liable or responsible for the completeness or accuracy of such information concerning the company prepared by such company. Prior transactions and their returns are not indicative of future results.

The performance statistics herein, if any, have not been subject to audit.

The volatility of any indices referenced herein may be materially different from that of an investor's account's portfolio. In addition, an account's holdings may differ significantly from the securities that comprise the indices. The indices have not been selected to represent appropriate benchmarks to compare an account's performance, but rather are disclosed to allow for comparison of the performance of accounts and managers in general to that of well-known and widely recognized indices. Information contained herein regarding performance of any index or security is based on information obtained from the indicated sources as of the specified dates, but there is no guarantee as to the accuracy of such information.

The quantitative methods that may be included and described herein are tools used in selecting investments and controlling risk, but such methods cannot alone determine investment success.

Discussions and calculations regarding potential future events and their impact on the account are based solely on historic information and estimates and/or opinions, are provide for illustrative purposes only, and are subject to further limitations as specified elsewhere in this report. No guarantee can be made of the occurrence of such events or the actual impact such events would have on the account's future performance. In addition, the opinions, forecast, assumptions, estimates and commentary contained in this report are based on information provided to RockCreek on both a formal and informal basis. Further, any such opinions, forecasts, assumptions, estimates and commentary are made only as of the date indicated, are subject to change at any time without prior notice and cannot be guaranteed as being accurate.

The materials linked and accessed electronically are provided "as is" without warranty of any kind, either express or implied, to the fullest extent permissible pursuant to applicable law. RockCreek is not responsible for the content of any site linked or linking to this letter. Links from this letter to any other third-party website do not mean that RockCreek approves of, endorses, or recommends that website. RockCreek disclaims all warranties, express or implied, as to the accuracy, legality, reliability, or validity of any content on any other website. Your linking to any such third-party sites is at your own risk.

Please note that the investment outlook and opportunities noted above (and throughout this letter) are prospective and based upon the opinion of RockCreek and there is no guarantee of success in our efforts to implement strategies that take advantage of such perceived opportunities.

RockCreek, RockCreek Group, Rock Creek and the **RockCreek** logo are unregistered trademarks of The Rock Creek Group, LP in the United States and elsewhere.