



QUARTERLY COMMENTARY LETTER

SPLIT SCREEN

Q3 2025

 RockCreek



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MACRO ENVIRONMENT

In Q3, it became clear that the US economy was slowing. Labor market signals pointed to a weakening in private sector jobs. The Federal Reserve decided to restart its easing cycle, delivering a 25 basis point rate cut in September even as inflation stayed above the 2% target. Adding to uncertainty, domestic political discord led the US government to shut down as the quarter ended, at midnight September 30.

Financial markets were undeterred. US equity markets hit new record highs during Q3. The S&P 500 was up by just over 8% in the quarter, for a jump of nearly 15% so far this year. The US also outperformed other equity markets, as the dollar held broadly steady, in contrast to its 10% decline in the first half of the year.

ROCKCREEK IS LOOKING AT THREE MAJOR THEMES FOR THE REST OF 2025:

- 01 NEW ERA FOR THE FED: HOW FAR AND FAST WILL IT CUT RATES?**
The Fed is expected to deliver another 50 bps in policy rate cuts between now and the end of 2025. Markets expect more cuts in 2026, despite above target inflation. As Jerome Powell's term as Chair draws to a close, divergence is growing among members of the policymaking committee.
- 02 JOBS, IMMIGRATION AND INFLATION**
The labor market is weakening in terms of job growth. But is that because of lower demand, with rising unemployment on the horizon, or lower supply as immigration has ground to a halt? There are different implications for growth and inflation.
- 03 AI: REVOLUTION OR EVOLUTION?**
Many in Silicon Valley expect revolutionary changes from early adoption of a dramatically new technology. Others point to the slow diffusion of past technologies, from the steam engine to electricity. Yet others think of an AI bubble analogous to the dot-com boom and bust, although with more "real" investment that will survive and be useful, even if some of the companies now rushing into AI-related investments, including data centers, may lose money.

Split Screen: Markets up, economy – not so much?

What explains the Q3 dichotomy between market enthusiasm and economists' concerns?

To a large extent, the promise of AI is underpinning market confidence in the US – and marking a distinction between the US and other advanced economies, notably Europe. Apart from pure AI plays, investors are looking at gains for Big Tech overall and for anything related to innovative computing. There is growing interest in innovative, forward-looking fields such as quantum computing as well as in the “picks and shovels” businesses that stand to benefit from a wave of investment in computing power, from data center construction to energy and power production.

Government moves to loosen regulation, including of crypto and, more generally, to look more kindly on large-scale mergers also lifted spirits in Q3.

The potential railroad merger of Union Pacific and Norfolk Southern kicked off plans from other big companies to look for acquisitions that they had expected to be denied under the previous Administration. The successful post-IPO run-up for newly public stablecoin company Circle, which launched in Q2, could induce more companies to list in the near future. These developments came as the White House undertook unusual government intervention in the economy. In late August, President Trump announced that the federal government had bought a 10% stake in Intel. Some worried that such intervention in private companies would, over time, dampen productivity and potentially lead to losses to be shouldered by taxpayers. But in the near-term, the support boosted Intel's stock price, which had been under pressure before the government stepped in.

In Q3, investors became more sanguine about the potential shock from tariffs that had sent stocks plunging on “Liberation Day” in April 2025. The threat of high across-the-board tariffs receded as deals were struck and special exemptions agreed. At the same time, the impact of tariffs on near-term inflation and growth was less than initially feared. Confidence that this pattern will continue is not fully shared by economic analysts. It is likely that higher tariffs will continue to feed through to prices for some period to come. The impact of changing trade rules will differ across the economy. In Q3, damage to the US-based auto industry came to the fore as supply chains were disrupted and costs of inputs increased.

Events in early October showed that trade rules are still subject to policy disruption, with the all-important trade relationship between China and the US still unsettled. China retains tight control over processed rare earths, critical for the computing expansion on which AI ambitions rest. It is ready to use this control to face down trade threats from the US and to make threats of its own.

The October spat caused unhappiness in the White House, as evidenced by comments from President Trump and, most recently, Treasury Secretary Bessent. Markets did not like it either. But they soon shook off concerns in the hope that a scheduled meeting between Presidents Xi and Trump in late October, in the margins of an APEC meeting in South Korea would bring about trade peace, at least for the time being.

A final key reason for market cheer was the almost certain prospect of a steady drop in policy interest rates in coming months. After a long wait, Fed Chair Jerome Powell and colleagues delivered a unanimous rate cut in September and promised more to come. Some critics argue that lower rates could risk a rise in inflation and inflation expectations. The Fed has not hit its 2%

inflation target since 2020. As of September, the Fed's median projection showed inflation only dropping down to target in 2027. This is one reason why longer-term rates – that will determine how much households and smaller businesses pay for loans – have been quite sticky.

All change at the central bank

President Trump's hopes for wholesale change at the Fed have not been realized, as yet. Chair Powell is most likely to stay in his position until the term as Chair is up next May. He has not yet said whether he plans to stay on the Board to finish his term as a Governor, which runs until January 2028. The President's attempt in Q3 to fire Governor Lisa Cook immediately, for cause, was not allowed by the Supreme Court while litigation is pending. Governor Cook has rejected accusations of mortgage fraud and is suing the President and others.

However, the results of the Fed's September meeting show that change is coming. Divergences are growing between those – mostly Trump-appointed Governors – arguing for more rate cuts, faster, and others on the policy making committee who are more cautious. This is a genuinely difficult moment for US central bankers to decide on monetary policy: recent data on the two objectives of policy – full employment and price stability – pull in opposite directions. And with the government now shut down, no official statistics are available to guide the Fed on current conditions. Chair Powell sees the current federal funds rates, at 4-4.25%, as still restrictive. Others believe that the neutral rate may not be far from today's level, particularly when broader measures of financial conditions are taken into account, including the extraordinary increase in equity prices that has boosted household wealth since the pandemic.

Labor market stagnating: supply or demand?

The US jobs market has presented one puzzle after another since Covid. For the last four years, unemployment has remained between 4 and 4 1/2%, below the pre-pandemic lows of just under 5%. But other labor market indicators have moved substantially. The ratio of job openings to job seekers shot up to 2:1 during the post-pandemic recovery, when price inflation took off. Many feared that a tight jobs market would lead to a wage-price spiral. Surging immigration and anchored inflation expectations helped to fill the jobs without wages soaring.

Since then, while the jobless rate stayed steady, other labor market indicators have moved substantially. Payroll growth appeared to slow again in Q3. And there is now little churn, with vacancies only hovering 1:1 with job seekers. But immigration has plunged, so part of the slowdown in hiring is matched by fewer people available for work.

Does it all depend on AI?

Worries that an unsustainable bubble is underway in US equities have begun to be heard. Some, including former IMF Chief Economist Gita Gopinath, are now pointing to the shock waves that could be felt in the global economy if – or when – investors sour on the bets being made that AI will revolutionize the economy. Others note that the big companies powering US equities higher are profitable. More broadly, earnings continue to be strong. And companies outside the "Magnificent 7" still look relatively cheap. In Washington, DC, this week, when investors and financial officials gathered for the Annual Meetings of the IMF and World Bank, many pointed to substantial potential risks around the world. But few built these into their base case, instead forecasting moderate global growth, with a better outlook than six months ago.

ENERGY INNOVATION & AI

The global energy landscape rarely stands still – and this summer has proven just how quickly priorities can shift. The increased energy and water needs of data centers have the market concerned about power supply shortages and increased prices. There is also much more activity around nuclear power, though the regulatory changes hoped for have been slower than expected.

July's Big Beautiful Bill (BBB) introduced sweeping revisions to the Inflation Reduction Act (IRA), triggering the most consequential policy reset since the IRA first became law in 2022. For investors, these changes – compounding the tariffs that impacted the sector earlier in the year – mark a turning point in how the US defines and funds energy innovation.

The new framework has created a mix of winners and losers. Solar and wind – buoyed by stable tax credits introduced by the IRA – have seen those supports curtailed or redirected. Solar and wind developers, once the anchors of decarbonization policy and recipients of significant capital, now face a leaner incentive structure and more competition for capital. At the same time, energy storage, biofuels, and carbon capture saw incentives maintained or even expanded. These sectors reflect a strategic pivot toward strengthening domestic supply chains, enhancing grid resilience, and advancing next-generation manufacturing.

This shift comes at a moment of extraordinary demand growth. Across the country, the grid is straining to meet new loads from artificial intelligence data centers, electrified transport, and manufacturing re-shoring. The tension between rapidly rising demand and uneven policy support underscores a fundamental challenge: how to deliver reliable energy at scale. While data center developers grapple with this challenge, the impacts of this tension are starting to impact consumers at home – utility bills are starting to climb as grids are getting constrained and expenses associated with supporting this new load growth are being incurred by utilities.

Global reactions to the US realignment have been swift and opportunistic. In Europe, policymakers thus far have continued to support the energy transition and started working with the US. Canada has espoused support for the sector, as Prime Minister Mark Carney, formerly a strong voice on climate, aims to attract capital that might otherwise have gone south. Meanwhile, Asia continues to accelerate investments in renewables, advanced materials, hydrogen, and circular-economy supply chains. While the US occupied a market leadership position for the many “carrots” they provided to the energy transition after the IRA was introduced in 2022, that position has been called into question after the uncertainty introduced by the BBB and the associated executive orders and tariffs that target the sector.



Despite the policy whiplash, investment activity remains robust. Private and institutional capital continues to flow into the technologies and platforms that will define the next era of industrial progress – advanced fuels, nuclear power, precision manufacturing, and smart infrastructure. Investors recognize that innovation cycles in energy are long, and that short-term policy turbulence often precedes periods of accelerated growth. In many respects, this moment feels similar to the early 2000s in technology – when foundational platforms were being built quietly, setting the stage for exponential change later.

There are powerful opportunities across energy innovation. Our focus spans companies modernizing industry, adapting the energy industry for a tumultuous future, and re-imagining supply chains for a more efficient, resilient world.

As we look ahead to the close of 2025 and into 2026, uncertainty will remain – but so will momentum. The shift from policy-driven deployment to market-driven innovation is well underway as energy innovations continue to be deployed commercially.

PUBLIC EQUITIES

Global equities delivered robust gains throughout Q3, yet beneath the surface lies a pronounced divide between the AI-powered economy and virtually everything else. This bifurcation represents both the most compelling investment theme of our time and perhaps its greatest risk.

We remain convinced that artificial intelligence represents a genuinely transformative technology, and we are still in the very early innings of this shift. The proof points are accumulating rapidly: Anthropic's annualized revenue has surged past \$3 billion on accelerating enterprise adoption, and a wave of new multi-year supply and partnership agreements announced in recent weeks underscores the enormous infrastructure demand behind generative models. Together, these developments illustrate how AI is moving from experimentation to monetization across both hardware and software ecosystems.

However, AI euphoria has created conditions ripe for a potential market pullback. Current valuations offer little margin of safety, with the S&P 500 trading at elevated multiples that assume near-perfect execution. An additional risk is that many companies racing to integrate AI may fail to translate adoption into sustainable profitability. Monetization models remain untested and capital intensity continues to rise. Market breadth has also shown signs of fatigue, with investors rotating toward defensive sectors following an enormous run-up elsewhere built on sky-high expectations.

While near-term enthusiasm may be tempered, there are areas where the seeds have been planted for stronger returns. Previously enacted fiscal stimulus programs are still working their way through the economy, and policy clarity around taxation and regulation could eventually provide firmer ground for business investment. M&A activity is another potential tailwind: recent moves in logistics and healthcare reflect confidence in efficiency gains and policy stability. Still, these developments will take time to translate into earnings momentum.

Outside the US, Japan's growth-oriented fiscal policies and governance reforms are gaining traction, with shareholder activism reinforcing the trend toward improved capital discipline across developed markets. Political uncertainty has risen after a surprise win by Sanae Takaichi, a close political ally of conservative former Prime Minister Shinzo Abe, in the battle for leadership of the ruling LDP. It is not clear that she will be able to build a coalition that will allow her to become prime minister.

Meanwhile, Europe presents a more nuanced picture, losing momentum in Q3 amid muted earnings and euro strength that pressures exporters. Investors are rotating toward defensive

financials and utilities while selectively targeting opportunities in technology, capital goods, and aerospace.

Outside advanced markets, uncertainty hovers after a mostly strong performance this year – that partly reflects relative dollar weakness.

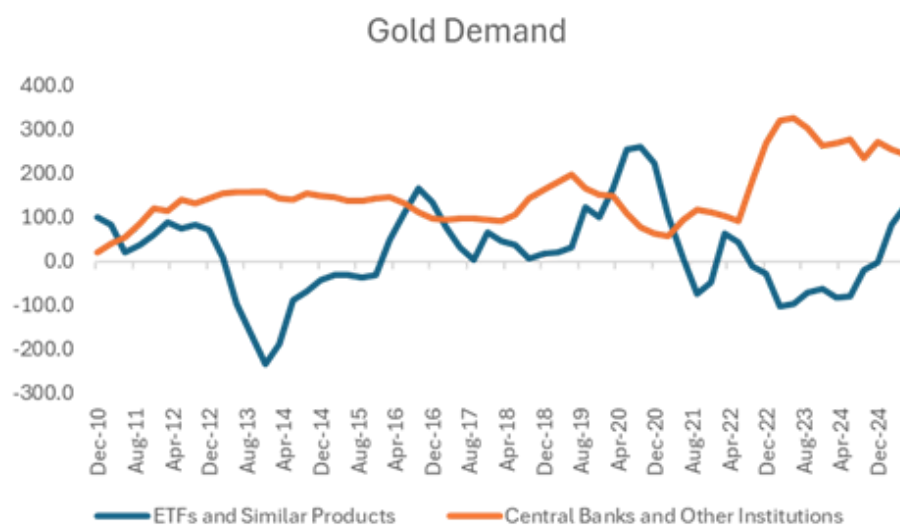
China has been remarkably successful in maintaining export-led growth despite US tariffs by switching away from the US to other export markets. However, this will likely only be feasible for a limited period before other countries move to shield their markets. China has still not managed to shift its growth model to depend on domestic demand. India has also been affected by US tariffs. During Q3, President Trump imposed 50% tariffs on imports from India, with a 25% “base rate” from early August and an additional 25% added later in the month, to penalize India for continuing to import oil from Russia (much of which is then refined and sold back to Europe). It is possible that US policy will soften towards both China and India, with talks planned in Q4.

Argentina has been central to many of the World Bank IMF Annual meetings. A country perennially in financial crisis, it is being given extraordinary help by the US Administration in an effort to support President Milei. Treasury Secretary Bessent has announced up to \$40 billion as a support line to bolster Argentina’s currency ahead of local elections in November. In a highly unusual move, the US Treasury bought Argentine pesos to support the currency in early October. It remains to be seen whether this will prove sustainable.

ALL THAT GLITTERS

Gold (and, for that matter, precious metals broadly) has been on a tear this year. In September, the yellow metal set an inflation-adjusted all-time high, breaking the previous record set in 1980, and has continued higher from there in October. Silver, gold's cheaper per ounce and less popular neighbor on the periodic table, is also flirting with all-time highs, reaching heights not seen since the Hunt brothers infamous attempt to corner the market, also in 1980. This action is largely attributed to central bank diversification, dollar weakening this year and concerns to hedge against dollar.

Given that gold does not generate a stream of cash flows, valuing it in a traditional framework has long been a challenge. Investors have devised various methods of thinking about gold's value; the most common of which is proxying its relationship with real interest rates, typically the yield on a 10-year US Treasury Inflation-Protected Security (TIPS). Year-to-date, with a particular acceleration in the third quarter, TIPS yields have fallen approximately 50 basis points. While that is large enough to spark some price action in gold, models from Goldman Sachs suggest that the rally this year is far ahead of the move implied by the change in real yields. The GS team highlights robust flow dynamics as a potential explainer of this outperformance. Flows have been driven by persistent, elevated demand from central banks starting in 2022 and a meaningful uptick in ETF inflows, as illustrated in the chart below using data from the World Gold Council. Central bank demand has become structural in nature following the sweeping financial sanctions imposed on Russia following its invasion of Ukraine. Strong ETF flows indicate significant investor demand for gold exposure. Indeed, the current bid from investors could reflect concerns about dollar debasement. A simple question of "How safe is this safe-haven asset if it can be frozen at any moment?" This structural shift is widely viewed as raising the floor for gold demand going forward.



PRIVATE EQUITY & VENTURE CAPITAL

The third quarter of 2025 saw private markets continue to ride the wave of AI-driven innovation. A trio of key themes dominated investor attention: infrastructure buildout, ongoing talent wars, and the rise of “vibe coding,” which allows developers to use language to instruct AI, which then writes the technical code.

The infrastructure story is well documented, with investors scrutinizing the long-term margins from large investments in AI data centers and supporting technology. Talent remains a central differentiator: Meta made headlines by securing Thinking Machines co-founder Andrew Tulloch, following an earlier, reportedly rebuffed, acquisition attempt. For startups, intensifying competition for top-tier talent has become a meaningful pressure point, raising both recruitment costs and retention challenges.

At the same time, vibe coding is reshaping the labor landscape by reducing reliance on entry-level engineers and enabling non-technical founders to build credible products independently. Venture capital funds are seeing a surge of investable opportunities, with record dollar flows into this cohort of startups. While some observers caution that the AI boom carries bubble-like risks, many of these businesses are generating substantial revenue and demonstrating viable, scalable models. One company that highlights this is Anysphere, creator of the popular vibe-coding agent Cursor, which is reportedly approaching \$1 billion in ARR just three years after founding. A potential new funding round is expected to value the company at \$30 billion.

The ability to attract and retain global talent is increasingly intertwined with government policy. The September overhaul of the H-1B visa program, which imposed a \$100,000 fee on new petitions, has raised concerns across the venture ecosystem. While reforms aim to prioritize highly skilled workers and curb low-wage exploitation, the cost increase may disproportionately affect startups, limiting access to international expertise and potentially favoring established Big Tech players. The impact on AI and other talent-intensive sectors could be significant, with broader implications for innovation and growth.

Quantum computing also continues to capture investor imagination, and public companies such as Rigetti, IonQ, and D-Wave have seen their valuations rise sharply. RockCreek’s recently published analysis, *Entangled Returns: Investment Perspectives on the Road to Useful Quantum Supremacy*, highlights eight leading qubit technologies, ranging from superconducting systems to topological qubits, and underscores the importance of research quality, institutional pedigree, and scalability over short-term commercial metrics. The paper concludes that quantum technologies

are poised to generate meaningful economic value, offering a diversified set of long-term investment opportunities. They could also dramatically reduce energy use for any given computing need.

On the exit front, the IPO market reopened in earnest in Q3. Figma's July debut illustrated the appetite for high-growth software platforms, with the offering priced at \$33 per share. The stock surged roughly 250% on its first day before settling in the low \$50s by quarter-end. Klarna also entered the public markets in September, opening about 30% above its IPO price before ending the quarter slightly lower than its post-IPO peak. These successes may embolden other private companies to pursue public listings, and in fact, corporate travel platform Navan is expected to go public in October despite the government shutdown.

The market for biotech, too, appears to be thawing after a difficult period. The percentage of public biotech companies with negative enterprise values has declined by roughly 20% since April, driven in large part by positive clinical data flowing into the market, such as Abivax's Phase 3 results in July, which led the stock to gain more than 600%. Follow-on financings are gaining traction, and generalist investors are gradually returning, creating renewed confidence that is beginning to ripple into private markets.

FIXED INCOME & PUBLIC CREDIT

The third quarter of 2025 was generally positive for fixed income markets. As Chair Powell signaled in his August speech at Jackson Hole, the Fed resumed its easing cycle in September with a 25 basis point cut in the Fed Funds rate. This, together with the expectation of more rate cuts to come, pushed rates lower overall and led to a tightening of corporate credit spreads.

The resumption of rate cuts drove a bull steepening of the yield curve with the spread between the two-year and ten-year points approaching their long-term average, while the three-month and ten-year parts of the curve remain abnormally flat as markets anticipate two more rate cuts this year. The speed and magnitude of future cuts in policy rates will depend on both the composition of the Federal Reserve's Open Market Committee (FOMC) and the path of inflation and employment data. Should labor market data remain soft, or soften further, the composition of the FOMC may become less of an issue as there will be a broader consensus to cut rates, prioritizing the employment half of the Fed's dual mandate. Inflation has remained sticky above target, although price increases have not accelerated with tariffs as had been feared. Looking ahead, and likely reflecting the impact of tariffs so far, durable goods inflation turned positive in Q3 after a two-year string of negative contributions to Core PCE.

At the end of Q3, there was a significant move in longer-dated rates. The 30-year yield on Treasuries fell by 20 basis points in September. This led longer-term corporate credit, in the 10 year + bucket, to outperform the overall US Aggregate by some 200 basis points. Since only the highest quality credits are able to issue such long maturities, this was also reflected in outperformance in the AAA and AA rated buckets in September, including the debt of hyper-scalers Apple, Amazon, Google, and Meta, whose stock prices also overperformed as noted above.

One of the more interesting intersections of corporate credit and AI-related investment is data center-linked structured credit (more on data centers in Real Estate below). Historically, data centers were funded with a combination of bank debt and alternative lenders including real estate developers, privately syndicated facilities, and sponsor capital. Activity this year suggests that this traditional financing model is insufficient to keep up with demand. [cite: Structured Finance Association]. Increasingly data center developers are tapping public markets to fund their growth by issuing via Asset-Backed Securities (ABS) and Commercial Mortgage-Backed Securities (CMBS).

Data center securitization totaled \$17.4 billion through August 2025, exceeding the 2024 full-year total of \$11.6 billion, according to JP Morgan. JP Morgan further expects that securitization of these assets could reach \$30-40 billion in 2026 and 2027, representing 7-10% of annual combined CMBS and ABS issuance in those years. To compare, the current data center investment on a global basis is roughly \$443 billion annually.

These structures often sit outside the traditional corporate bond exposure of a company, allowing them to offload some of their debt burden by pledging the assets to the market, and paying coupons with contractual, often triple-net, lease payments. Investors in the structured products typically receive 100 to 150 bps of premium for investing in these structures rather than the companies' standard corporate bonds. This is often attributable to a ratings mismatch, where the average data center structured product is A rated, while the hyperscalers are AA rated or better. ABS deals will often have a collateral of the different parts of the data center, even including the GPUs themselves. CMBS SASB, on the other hand, is collateralized by the value of the property.

The primary downside scenario for data center structured products comes from a combination of duration and obsolescence risk that could hurt investors. There is rapid growth in the technology required to operate data centers, and the current generation of data centers has no feasible alternative use case. ABS and CMBS structures are amortizing deals but still maintain some medium length duration. ABS transactions are typically structured between 5 to 7 years of length, while SASB CMBS is often 5 to 10 years. Also, while data center-structured products often originate at attractive levels of Loan to Value, on average between 55-65%, the value per square foot of data centers is much higher than other CMBS collateral, such as office and retail. Data center values per square foot are even higher in relation to traditional CRE property types, like industrial warehouses. The duration and value premium of the underlying assets means that existing data centers need to maintain their competitiveness in attracting tenants to return the underwritten performance. There is also systemic risk to the extent that banks take such products on or off their balance sheets.

PRIVATE CREDIT

Persistent inflationary pressures, fluctuating interest rates, and the growing impact of global trade frictions are all influencing the creditworthiness of businesses worldwide. For investors in private credit, these forces underscore the importance of resilience and risk management. Diversification remains the first and most effective line of defense, especially in periods when the economic outlook is clouded by uncertainty.

Two notable corporate failures late in the quarter seem to reinforce some of the concerns that have been raised about private credit. First Brands, a U.S. auto-parts manufacturer and supplier, collapsed after allegations of double-pledging and misstating receivables in its financing and factoring arrangements, while Tricolor, a subprime auto-lender and used-car dealership group, failed amid allegations of misreported loan collateral and irregularities in its securitized credit portfolios. Both situations directly involving private lenders operating in the purportedly “safe” strategy of asset-based finance (ABF). While fraud is arguably the most difficult (often nearly impossible) risk to identify, it highlights that not all ABF strategies and lenders are created equal. Those that avoided the situations were groups most vigilant in terms of transparency, access, and independent verification. Perhaps the most risky aspect for the economy as a whole is the involvement of banks in such activities. Recently, markets wobbled in fear that regional banks might see losses.

Private credit assets offer a broad landscape for careful diversification. Spanning corporate lending, asset-based financing, and a range of niche sub-strategies, private credit enables discerning investors to balance exposure across sectors, borrower types, and structures. Importantly, achieving meaningful diversification within private credit does not necessarily require assuming significant jurisdictional risk. Direct lending opportunities outside of North America, for example, typically offer only a limited yield premium – i.e., insufficient compensation for the additional risks associated with less transparent legal systems, currency fluctuations, and uncertain regulatory regimes. Beyond developed Europe, we see limited value in pursuing international private credit exposure in the current market environment.

Europe presents an opportunity for investors focused on special situations and opportunistic credit. The rationale is two-fold: the region is experiencing a combination of short-term market dislocations and long-term structural financing needs. At the same time, the European market rewards complexity and local expertise, offering possible attractive risk-adjusted returns for specialized managers capable of navigating its fragmented landscape.



Europe is entering a period of capital mobilization to support governments' strategic initiatives spanning defense, infrastructure, artificial intelligence, and the energy transition. These initiatives, combined with geopolitical tailwinds such as US tariffs, supply chain diversification, and the EU's push for strategic autonomy, are driving demand for flexible, private sources of capital. Meanwhile, structural dislocations – stemming from Europe's bank-dominated lending model and post-global financial crisis retrenchment – continue to create financing gaps that private credit can fill.

REAL ESTATE

Real estate markets entered the third quarter of 2025 at a delicate balance point. Easing monetary policy and a modest rebound in risk appetite offered a reprieve after two years of valuation compression, yet capital remains highly selective. This is evident in the rapid evolution of the data center ecosystem, where real estate, energy, and infrastructure increasingly converge.

AI-driven demand has transformed data centers from a niche property type into a powerful force across real assets. Global data center capex is projected to surpass \$1 trillion by 2029, and public cloud spending is expected to exceed \$1.9 trillion over the same period. In the first half of 2025, AI infrastructure build-out contributed more to US GDP growth than consumer spending. Over the past three months, the Magnificent Seven have collectively invested more than \$100 billion in data centers and related infrastructure, an unprecedented surge that, as a percentage of GDP, now surpasses telecom and internet investment during the dot-com boom.

Vacancy rates in major US data center markets have fallen below 3%, but power and water, not land, has become the new bottleneck. Developers are competing less for sites and more for megawatts, prompting a wave of creative partnerships with utilities, renewable energy developers, and private capital providers. Grid constraints are emerging as a defining challenge, delaying projects and reshaping regional growth patterns. The linkage between digital infrastructure and the energy transition is now explicit: compute capacity has become both a real estate and an energy story.

There is opportunity at the intersection of physical and digital infrastructure. The surge in power-hungry data centers is redrawing the investment map for real assets. As energy access becomes the new location, the next cycle of real estate investing will be defined less by geography and more by power and purpose. As noted above, today's enthusiasm for AI-related investment carries the risk of over-building and losses if the use cases decline or new technology makes today's data centers obsolete.

ROCKCREEK UPDATE

ROCKCREEK IN THE NEWS | VIDEO



Afsaneh Beschloss, RockCreek Founder & CEO, joined Bloomberg's "The Close" to discuss the impact of President Trump's new China tariff on global markets, shifting dynamics in emerging markets, and how U.S. policy uncertainty is influencing investor strategies, among other topics. Watch [here](#).

ROCKCREEK IN THE NEWS | VIDEO

Afsaneh Beschloss, RockCreek Founder & CEO, joined CNBC's 'Closing Bell Overtime' to talk how AI is powering gains beyond the U.S., why some emerging markets like Korea, China, and Colombia are surprising on the upside after years of weakness, what recent trade data means for Europe, and more. Watch [here](#).



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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.

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