December 22, 2025

Shifting Asset Management Trends (2025):
As noted on Dec. 5, global asset management has been impacted by geopolitics, regulation and technology, some of which are expected to shape asset management over coming years and possibly decades. After a brief summary of key issues – geopolitics, artificial intelligence (AI) and regulatory trends overall and in benchmarking, cryptocurrencies, derivatives/leverage, and illiquid/private assets - this update focuses on Boards' management of funds (open-end mutual, closed-end and interval/tender-offer) and separately managed accounts (SMAs). Two Board resources are provided: a heatmap of key issues for each type of asset product, and a sample set of metrics for mutual and closed-end funds.

I. Geopolitics

Global trade uncertainty: Notable for its materially higher tariff uncertainty and large trade shifts, 2025 is likely to herald a new era of multipolarity, with resulting changes in alliances, sector and national influence, currency dominance and legal negotiations. This shifting landscape influences macro regimes - influencing inflation path, rates, EM FX, credit spread, and equity sector leadership – and portfolio construction, as cross-asset correlations change and "hedges" behave differently. Recent examples include:

- ***China imposes provisional duties up to 43% on Europea Union dairy products:*** Amid broader China EU trade tensions, China announced duties on EU dairy products, seen as retaliation for the EU's electric vehicle (EV) tariffs. In 2024, China imported $589 million in EU dairy products. This action impacts Europe/China exposures across equities and credit, particularly cyclicals, staples, commodity inputs, shipping and EU exporters in general.
- ***German exports hit hard by U.S. tariffs***: As a result of U.S. tariff actions in 2025, German auto exports to the U.S. have declined ~14%, similar to the 15% tariff baseline implemented in August. This trend

has a wider impact than German carmakers, including auto supply chain and industrials, and thus also global equity mandates and European credit.

In an environment of higher volatility, shifting trade and "retaliation ladder" dynamic tariffs, the global appetite for risk has declined. Several Board-level questions emerge: Have we stress-tested portfolios for tariff escalation, sticky inflation and growth dispersion? Do we have a clear playbook for hedging EU/China trade escalation (FX, sector rotation, quality tilt)? Are our European strategies positioned for tariff-driven margin compression and shifting capex paths?

II. AI – Trends and Regulations:

Trump issues Executive Order for a National Policy Framework for AI: On Dec. 11, the White House issued an EO to begin developing a national standard, or framework, for AI regulation given: 1) the U.S.' "patchwork of 50 different regulatory regimes that make compliance more challenging, particularly for start-ups"; 2) some States' requiring ideological bias to be embedded within models; and 3) some States' regulating beyond state borders. The EO outlines the U.S.' policy to sustain and enhance its global AI dominance through a minimally burdensome national AI framework, Secretary of Commerce and Attorney General roles in challenging and overriding certain state laws, and preparing a uniform Federal policy framework for AI[i]. This new effort to build a national AI policy framework, in the short-term, creates model and vendor risk (given uncertainty over which state laws require compliance), but longer-term may accelerate AI deployment/adoption in portfolio operations, marketing, and client service. Emblematic of the confusion and opportunity:

- ***New York enacts the RAISE Act:*** On Dec. 19, New York signed a sweeping AI safety law with incident reporting and governance requirements for advanced AI systems, making incident reporting and documentation a **de facto standard** for financial services AI governance. While the Dec. 11 EO may supersede this action, counterparties and enterprise clients may require similar controls contractually[ii].
- ***AI boom drives Data-center Dealmaking to record levels*:** In the push to build and access AI resources, underwriting standards, leverage, and valuation discipline become crucial. Asset managers investing in infrastructure, and particularly those offering interval-like access or listed CEF exposures to real assets, must carefully manage liquidity and concentration limits.
- ***AI Metrics Shifting:*** In the race to launch and invest in market-changing products, valuations have shifted from annual recurring revenue (ARR) to a "hotchpotch of one-off, credits-based, performance-based or outcome-based revenue contracts", a much less predictable metric than subscription-based revenue. This impacts asset managers' diligence standards in private equity, cross-over rounds, AI thematic allocations, and with "narrative-to-numbers" gaps that can cause sharp re-pricings, also AI-adjacent equities/credit[iii].

For the Board, several questions emerge: What is our "minimum viable compliance" AI control stack that holds under either state or federal regimes? Do we have an AI incident playbook (classification, escalation, disclosure triggers, third-party notification) aligned to NY/CA-style expectations? Are we tightening KPI verification, cohort analysis, and revenue quality checks for AI-exposed private holdings?

III. Other Regulations:

Treasury states the Financial Stability Oversight Council will support economic growth: On Dec 11, Treasury Secretary Scott Bessent states that the FSOC (established after the 2008 financial crisis) will: 1) shift from 'prophylactic' regulatory supervision to spur economic growth; 2) convene working groups focused on market and household resilience; 3) enhance crisis preparedness, working with other agencies to prepare for cyberattacks and other disturbances; and 4) align with the Treasury's tax, trade and deregulation economic policy priorities[iv]. These changes may shift Federal emphasis across systemic risk, asset management oversight, bank/market structure priorities.

For the Board, questions include: Which parts of our strategic plan assume tighter post-crisis style oversight (liquidity, leverage, stress) vs. a looser regime? Where can/should we reduce constraints while maintaining or increasing tail risk if market structure and operational vulnerabilities re-emerge.

U.K. begins reform of its Benchmark Regulation (BMR): On Dec. 18, HM Treasury published a consultation to reform BMR, supporting the benchmarks' role in ensuring accuracy, robustness and integrity of financial BM while reducing 'disproportionate burdens relative to risks.' The reform is aimed to support the UK's position as a global financial center, balance requirements with risks (market integrity, financial stability and the real economy), support innovation and ensure that the Financial Conduct Authority has appropriate powers and tools to address misconduct/risks and fight financial crime[v]. This move is likely to shift due diligence efforts from regulators to asset owners, particularly for index mutual funds/ETFs and benchmark-aware SMA. The move follows a similar action in the European Union.
Board-level questions: Are our benchmark governance and fallback provisions robust if more benchmarks sit outside strict oversight?

U.S. Executive Order reduces Proxy Advisor Influence: The Dec. 11 EO highlights foreign ownership of the two largest proxy advisors (PAs), Institutional Shareholder Services Inc. (Deutsche Börse) and Glass, Lewis & Co LLC (Peleton Capital Management), their control of >90% of the PA markets and corresponding influence on public companies' board composition, executive compensation and other policies. The EO authorizes the Chairman of the Securities and Exchange Commission (SEC) to: 1) review all PA rules, regulations, guidance and memoranda; 2) enforce Federal securities laws related to material misstatements or omissions; 3) consider requiring greater disclosure on recommendations, methodology and conflicts of interest; 4) assess whether PAs' activities fall within the scope of the Investment Advisers Act of 1940 and, if so, require them to register as RIAs; and 5) other actions. It further directs the Federal Trade Commission Chairman and Secretary of Labor to investigate and revise regulations pursuant to fiduciary standards[vi]. These actions are likely to reduce the influence of the two PAs, enhance their transparency (rationales and methods), and reduce alleged conflicts of interest between PAs' voting guidance and their consulting services provided to public companies. It will also require asset managers to review or recalibrate stewardship programs – engagement and voting policies – and may shift the definition of "active ownership." Boards' questions: If proxy infrastructure changes, what is our plan for vote research, conflicts controls, and engagement documentation?

U.S. Cryptocurrency Industry "wins," but market-structure gaps remain: Crypto gained 2025 regulatory momentum but market-structure legislation and carve-outs remain unresolved. Further spot/ETP wrappers, interval-like access, and SMA sleeves hinge on regulatory clarity. Advisors/platforms may loosen restrictions as rules stabilize, or tighten if Congress/SEC conflicts continue. Board questions: What is our "option set" for crypto exposure (ETFs/ETPs, futures, private funds, SMAs) under multiple regulatory outcomes?

The SEC has "paused" review of ultra-/high-leveraged ETF proposals: On Dec. 3, halted review of proposed highly leveraged ETFs (including proposals reaching up to ~5x), flagging concerns tied to Rule 18f-4 (derivatives risk management / VaR limits) and asking issuers to revise or withdraw. This raises the bar on derivatives risk frameworks, disclosures, stress testing, and reference-portfolio methodology, increases the likelihood of enforcement scrutiny around "complex products," and may slow competitors' launches while shifting demand toward "defined outcome," buffered, or less levered alternatives. Boards should ask: Which of our strategies (including SMAs using derivatives) would look "ETF-like" under an SEC lens? Are our VaR and derivatives risk controls audit-ready?

Interval funds, evergreen funds, and "retail privates" in DC plans
A. Interval funds and tender-offer funds (how they work and where the risks sit)
Interval funds are registered closed-end funds that provide **periodic repurchase offers** under **Rule 23c-3**—commonly quarterly—rather than daily liquidity. ACA Group+1

Tender-offer funds (also closed-end) typically run repurchases via tender offers (often quarterly) and are frequently discussed alongside interval structures.

Key implications for your exposure map

- **Liquidity is a design constraint**: repurchase frequency/size, queueing and proration mechanics, and cash management are first-order.
- **Valuation and pricing governance** become board-level risks: less-liquid holdings + periodic liquidity require robust fair-value processes (and clear investor communications).
- **Distribution suitability**: these products often live in a retail/wealth channel, so the reputational risk profile differs from institutional drawdown tolerance.

B. "Evergreen" funds (what they are in practice)

"Evergreen" typically refers to **open-ended or continuously offered private market vehicles** (often in private credit, secondaries, or multi-asset privates) designed for **ongoing subscriptions/redemptions** with gates, notice periods, and periodic dealing. Market commentary in 2025 highlights how evergreen structures are expanding beyond strictly retail usage. explore.hamiltonlane.com+2Dentons+2

Why evergreen matters to an integrated manager

- You can **industrialize private markets exposure** (consistent intake of flows; smoother deployment pacing).
- But you inherit **new systemic risks**: redemption pressure vs asset liquidity, valuation timing, and the governance of gates/suspensions.

C. The retail migration into private / less-liquid assets (what is changing)

Three late-2025 policy and market signals reinforce the direction of travel:

1. **Federal policy push toward DC plan access to alternatives**
    - The White House issued an executive order on "democratizing access" to alternative assets in **401(k)/DC plans**, emphasizing fiduciary diligence and calling out regulatory and litigation frictions. The White House+1
    - A related White House research piece explicitly frames potential economic benefits from DC access. The White House
    - SEC Commissioner remarks in Nov 2025 also discuss opening 401(k)s to private markets (with an explicit policy narrative). SEC
2. **SEC staff guidance easing registered fund pathways into privates**
    - SEC Investment Management staff issued ADI 2025-16 on registered closed-end funds investing in private funds (CE-FOPFs), highlighting evolving structures and staff views (a key "how-to" reference for product counsel). SEC+1
3. **Ecosystem build-out: benchmarks, analytics, and fund finance**
    - Benchmark innovation (public+private indices) and growing private-market leverage/fund finance are increasingly visible in mainstream coverage, changing how boards should think about "private beta," valuation opacity, and liquidity. Financial Times+1

D. What this means specifically for interval/evergreen products in DC plans

For DC plans, the constraints are distinct: **daily valuation conventions, participant communication simplicity, fiduciary litigation risk, fee transparency, and operational plumbing** (recordkeepers, CIT wrappers, managed accounts, QDIA integration).

The near-term "most plausible" structures

- **Managed accounts / target-date overlays** that incorporate a sleeve of less-liquid exposure (often via a commingled vehicle) rather than forcing participant-level tradeability.
- **CITs and similar institutional wrappers** (where permitted) that can house private assets more naturally than '33 Act registered mutual funds, depending on plan channel and platform.
- **Interval/tender-offer registered vehicles** distributed through retirement platforms with explicit liquidity terms and strong suitability guardrails.

Primary risks you should assume regulators and plaintiffs will target

- **Valuation discipline and timing** (especially in stress)
- **Liquidity mismatch** (redemption gating, queues, proration; participant "runs" through plan menus)

- **Fee layering and revenue-sharing opacity**
- **Marketing/suitability** (implied liquidity, implied guarantees, performance presentation)

(Davis Polk's 2025 update on bringing alternatives to retirement accounts captures the operational/legal steps and constraints (ERISA plan-asset considerations, structuring choices), and is useful as a governance checklist.) Davis Polk

Board Dashboard –

Board dashboard" controls (what to ask management to report quarterly)

1) Tariff / trade regime dashboard

- Top 10 issuers/borrowers by tariff sensitivity; portfolio revenue-geography heatmap
- Scenario: "tariff escalation + sticky inflation + stronger USD" (and "tariff rollback")
- Tracking error vs benchmark under trade shock

(Reuters has highlighted renewed tariff uncertainty and retaliation dynamics in late 2025, reinforcing the need for a systematic scenario approach.)

2) AI infrastructure concentration + critical vendor risk

- "AI infra sleeve" (% NAV) across products; top issuers/borrowers; valuation and rate sensitivity
- Operational resilience: cyber, third-party dependencies, concentration limits
- Private markets: underwriting standards for data-center / power / cooling exposures

(Record data-center deal activity in 2025 underscores concentration, valuation, and financing risk management.)

3) Leverage / derivatives governance

- Mutual funds: 18f-4 VaR compliance, stress tests, derivatives risk manager attestation
- CEFs: leverage ratios, asset coverage, maturity wall / refi risk, distribution coverage
- Interval funds: credit facility terms; liquidity buckets vs repurchase obligations

4) Crypto exposure and suitability

- Policy by channel (institutional vs retail); allowed instruments; custody/counterparty controls
- Disclosure and marketing review cadence (avoid "yield/guarantee" ambiguity)

5) Benchmark and index governance

- Methodology change alerts; licensing/legal risk; fallback provisions
- Private benchmark creep (especially in private credit/PE sleeves)
- Monitoring blended public/private benchmarking innovations

(Example: MSCI's launch of a blended public + private equity index reflects rising investor demand for unified benchmarking, but also invites governance/fit questions.) Financial Times

Summary of Board KPI/KRI Heatmap:

Product	Tariffs: country/sector sensitivity	AI infra	Leverage / derivatives	Crypto	Benchmark dependencies
Open-end mutual funds (equity/credit)	Medium–High in global-sector funds; high if EM/industrial/consumer	Medium–High in growth-tech; Medium in IG/HY via issuer capex cycles	Medium (derivatives more common in hedged/alt/vol strategies; must fit 18f-4)	Low–Medium (usually via equities proxies or allowed sleeves)	High (performance/peer comparison, index hugging risk, vendor method changes)
Closed-end funds (listed CEFs)	Medium–High if concentrated sectors/regions	Medium (equity CEFs; infra CEFs can be High)	High (structural leverage common; refinancing risk; asset coverage)	Low–Medium (strategy dependent)	Medium–High (less strict tracking, but strong need for benchmark narrative + distribution optics)
Interval funds / tender-offer CEFs ("'40 Act private credit/real assets" wrappers)	Low–Medium (depends on borrower revenue exposure to trade)	Medium–High if AI-linked infra credit / DC / power	Medium–High (derivatives less central, but leverage embedded via fund finance/credit facilities; liquidity/repurchase mechanics are key)	Low (usually not central; may appear via fintech/credit)	Medium (more discretion; but rising reliance on private benchmarks/pricing marks)
SMAs (taxable, institutional, OCIO sleeves)	High if you run explicit macro/hedging or global mandates	Medium–High (ability to do bespoke AI infra tilts)	High variability (client policy; overlay strategies can drive high derivatives intensity)	High variability (client-approved sleeves)	High (client policy benchmarks + custom reference portfolios; IPS breach risk)

Board Dashboard – Key Metrics

Exposure / Governance Area	KPI(s) to Report	🟢 Threshold	🟡 Threshold	🔴 Threshold	Status
Tariffs & Global Trade	Issuer/borrower % revenue at risk / NAV exposed to tariff-sensitive	MF: <15% NAV; <1% TE	MF: 15–30%; 1–3% TE	MF: >30%; >3% TE	☐

Exposure / Governance Area	KPI(s) to Report	🟢 Threshold	🟡 Threshold	🔴 Threshold	Status
	countries and sectors; stress loss vs benchmark	CEF: <20%	CEF 20-35%	CEF: >35%	
AI Infrastructure	% NAV in AI infra (semis, data centers, power); top-10 concentration	MF: <10%; <35% CEF: <15%; <30%	MF: 10–20%; 35–50% CEF: 15-30%, 30-45%	MF: >20%; >50% CEF: 30%; 45%	☐
Leverage / Derivatives	MF: 18f-4 VaR results; gross notional CEF: Leverage ratio, asset coverage	MF: VaR compliant; <150% notional CEF: <30%; >300%	MF: Near VaR limit; 150–300% CEF: 30-40%; 225-300%	MF: VaR breach; >300% CEF: >40%; <225%	☐
Crypto Exposure	Direct + indirect % NAV; custody counterparties; suitability review	MF: <2%; Tier-1 custody CEF: minimal, clear disclosures	MF: 2–5%; mixed custody CEF: moderate	MF: >5%; unresolved custody risk CEF: high	☐
Benchmark Dependency	MF: Tracking error; index methodology change alerts CEF: Premium/discount vs. history, benchmark relevance	MF: TE within policy; no alerts CEF: within norms	MF: TE drift; pending changes CEF: widening	MF: Policy breach; forced re-benchmark CEF: outlier	☐
Liquidity Governance	MF: % assets liquid <7 days; dilution CEF: Repurchase % vs. liquid, proration risk	MF: >85% CEF: Coverage > 1.5x	MF: 70–85% CEF: Coverage 1.1-1.5x	MF: <70% CEF: Coverage <1.1x	☐
Valuation Governance (quarterly, Q)	MF: % Level 3 / fair-valued assets CEF: % private/FV, pricing cadence	MF: <5% CEF: <25% quarter	MF: 5–10% CEF: 25-40% Q	MF: >10% CEF: >40% Q	☐

[i] https://www.whitehouse.gov/presidential-actions/2025/12/eliminating-state-law-obstruction-of-national-artificial-intelligence-policy/ and https://www.ft.com/content/a114351c-2f4f-4688-96d9-5ae1af777420
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