Europe Rising
The 2025 APAC Investor Pulse

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BNP PARIBAS ASSET MANAGEMENT

The sustainable investor for a changing world

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1. Executive Summary

Europe Rising: The 2025 APAC Investor Pulse – A BNP Paribas Asset Management Survey

After a decade of US market dominance, professional investors across Asia Pacific (APAC) are reassessing their global strategies as Europe emerges as a compelling opportunity. A proprietary survey by BNP Paribas Asset Management - conducted among 300 professional investors including institutional investors, product gatekeepers, consultants and high-net worth advisory teams across Australia, Hong Kong, Japan, and Singapore, reveals that sentiment and portfolio allocations are shifting meaningfully towards European markets. This rebalancing is driven by a confluence of valuation appeal, earnings potential, and a more stable macroeconomic and policy environment.

Positive Outlook as Investors Seek Resilience and Returns

Investors remain broadly optimistic heading into 2025. Nearly 80% of respondents expect portfolio returns of 5% or more in 2025, with developed market equities, gold, private equity funds, and real estate topping their asset class preferences. Diversification is the top investment objective, followed by a focus on high-return opportunities and improved liquidity – signalling a clear appetite for both stability and strong performance.

Europe Gains Ground in Global Portfolios

Three-quarters of respondents already hold more than 11% of their portfolios in European assets, and a similar proportion plan to increase their allocations in the next 12 months. European equities are the preferred access point, driven by compelling valuations, strong earnings momentum, and renewed fiscal investment across key sectors. Additionally, investors in Singapore and Hong Kong show the strongest intent to raise exposure.

Fixed Income and Private Credit Drive Yield Strategies

European fixed income is emerging as a strategic allocation, supported by policy clarity from the European Central Bank and resilient fundamentals among Eurozone corporates. Investment-grade and short-duration high-yield bonds are particularly favoured. Meanwhile, private credit is gaining traction, with Europe ranked as the top destination for increased allocation. Two-thirds of investors plan to expand exposure to European private credit, citing the asset class's role in yield enhancement, diversification, and mandate evolution.

Thematic Investing Rises Around Innovation

Investors are also turning towards future-facing themes within Europe. Cybersecurity, digital infrastructure, and artificial intelligence (AI) rank as the top themes for forward-looking portfolios, particularly among Australian and Singaporean respondents. This reflects growing interest in Europe's innovation economy and leadership in sectors tied to structural transformation.

Active Management and Local Expertise Drive Manager Selection

The survey highlights the increasing importance of active management in navigating today's complex, concentrated markets. Over 80% of respondents believe active strategies add value, especially in environments with expanding market breadth. When choosing asset managers, APAC investors prioritise on-the-ground research, innovative products, and deep regional expertise – areas where BNP Paribas Asset Management is well-positioned.

Conclusion

Europe Rising: The 2025 APAC Investor Pulse confirms a decisive pivot among Asia-Pacific investors. Europe is no longer viewed as a tactical trade but as a long-term strategic allocation. Supported by macroeconomic stability, sectoral transformation, and compelling valuations, the region is becoming a core component of globally diversified portfolios. BNP Paribas Asset Management remains committed to helping clients capture this opportunity through deep European expertise, innovative solutions, and trusted partnerships.

2. Introduction: Why Europe. Why Now

Europe is re-emerging as a long-term strategic allocation rather than a tactical trade.

For much of the past decade, global equity portfolios, particularly in Asia Pacific, have been anchored around the United States. Exceptional performance by US technology giants, a highly accommodative Federal Reserve, and deep capital markets made the US the de facto default allocation for professional investors. But as the world enters a new phase marked by shifting macroeconomic dynamics, tighter valuations, and evolving geopolitical realities, the investment landscape is changing.

Rebalancing Opportunity: Decades-Wide Valuation Gap Favours Europe

The S&P 500's extended rally has pushed valuations to near-record levels, with forward P/E ratios hovering around 22x as of mid-2025. This stands in stark contrast to the MSCI Europe Index, which trades at a more modest 14.6x, only slightly above its long-term average.[1] The valuation gap between the US and Europe is now one of the widest in decades, creating renewed interest in European equities as a source of value, income, and diversification.

At the same time, market concentration, particularly in US mega-cap stocks, has raised concerns about portfolio resilience. APAC investors are increasingly seeking ways to reduce single-market and single-sector exposure while maintaining access to developed market returns.

Europe's Competitive Edge: Policy Momentum Lifts Long-Term Outlook

Beyond valuation, Europe's investment case today is driven by structural change. A new era of fiscal ambition is reshaping the region's long-term prospects. Germany's €500 billion special fund for infrastructure and defence, along with broader EU initiatives, such as REPowerEU and Readiness 2030 (previously ReArm Europe), are injecting strategic capital into sectors critical to the region's competitiveness and sustainability.

Key industries, including biotechnology, semiconductors, aerospace, and digital infrastructure, are benefiting from both public investment and earnings momentum. The policy environment is also notably stable. The European Central Bank has reinforced its inflation-fighting credibility and provided clarity on the path forward, while recent national elections across major EU economies have delivered relatively predictable governance outcomes.

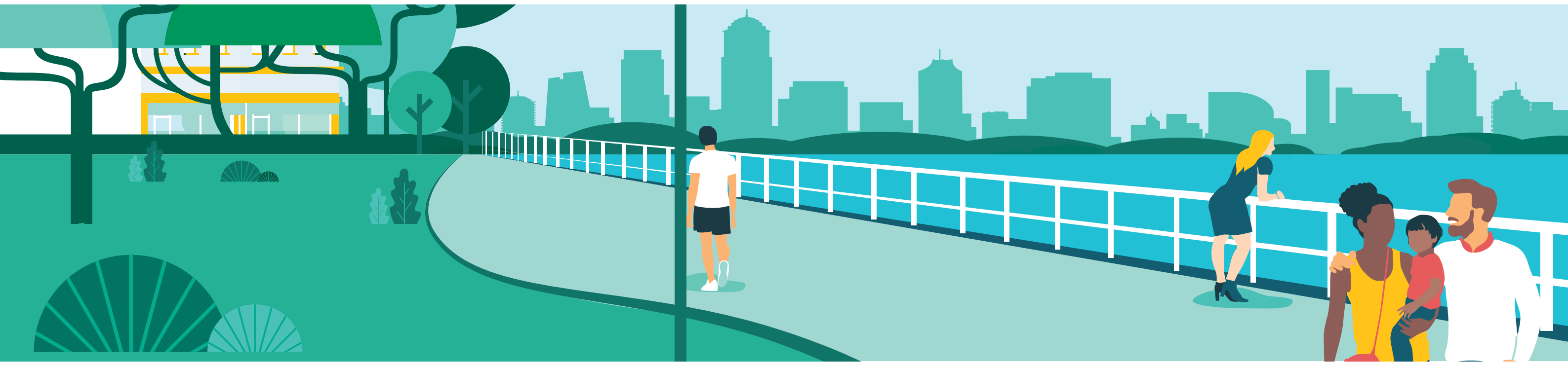
For APAC investors, this combination of fiscal transformation, sectoral strength, and monetary policy visibility offers a compelling alternative to both US and emerging market exposures.

As the second-largest asset manager in the European Union[2] with a strong Asia-Pacific footprint, BNP Paribas Asset Management is uniquely positioned to connect APAC investors with European opportunities, bringing local insight, global expertise, and innovative strategies.

1 Sources: IBES, Factset, BNP Paribas Asset Management, 8 September 2025.

2 Source: UK excluded, estimate of combined assets including BNPP AM, AXA IM, BNPP REIM and assets delegated by Cardif. IPE Top 500 Asset Managers 2025 ranking. The value of investments and the income they generate may go down or up and it is possible investors will not recover initial investment. Past performance is not a guide to future performance.

3. Methodology and Demographics



Research Objective

In today's complex market environment, investor sentiment and portfolio construction strategies are shifting in response to macroeconomic volatility, geopolitical uncertainty, and valuation dislocations. The purpose of this survey was to:

- Gauge evolving sentiment towards European markets relative to the US and other regions.
- Identify drivers of portfolio rebalancing, particularly in under-owned or undervalued European sectors.
- Understand the allocation trends amongst professional investors.

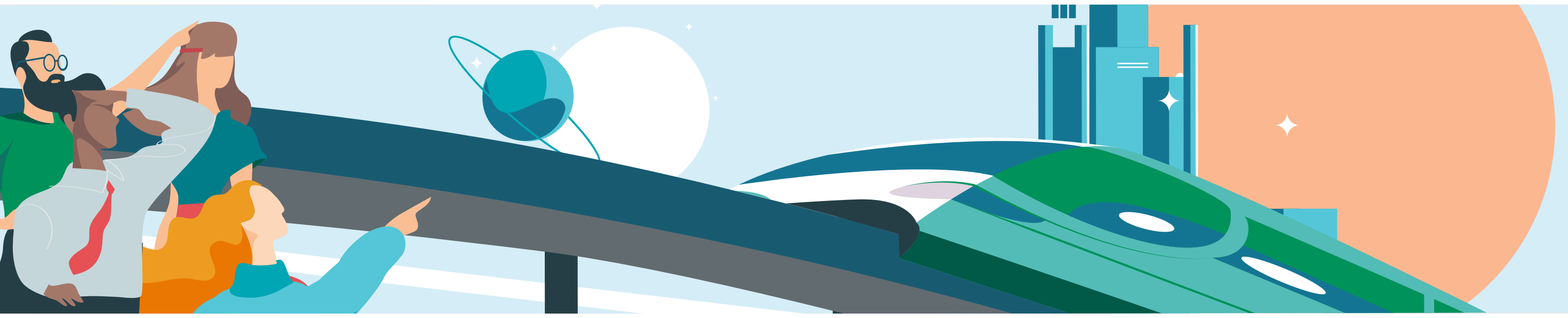
This research forms a key part of BNP Paribas Asset Management's broader strategic campaign to support investors in navigating opportunities across the European investment landscape.

Survey Structure and Fieldwork

Conducted in August and September 2025, the study gathered insights from 300 professional investors across Australia, Hong Kong, Singapore, and Japan, including institutional investors, product gatekeepers, consultants, and high-net-worth (HNW) advisory teams.

A significant majority of participants reported more than 7 years of experience, with a strong representation of senior decision-makers and front-line investment professionals. This adds depth and credibility to the findings, reflecting both sentiment and strategic intent.

4. Strategic Spotlight 1: Europe on the Path from Relative Value to Core Allocation



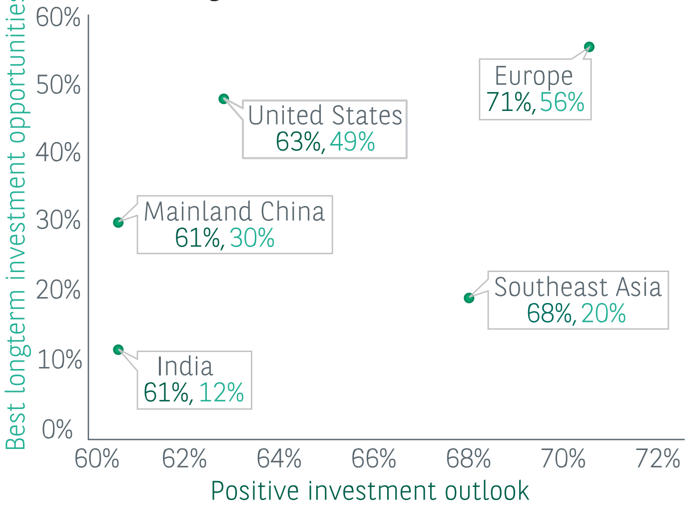
From Tactical Exposure to Strategic Conviction

The results of ***Europe Rising: The 2025 APAC Investor Pulse*** reveal a decisive pivot: Europe is increasingly being repositioned within global portfolios—moving beyond its traditional role as a cyclical or relative-value trade toward a potential long-term, core allocation.

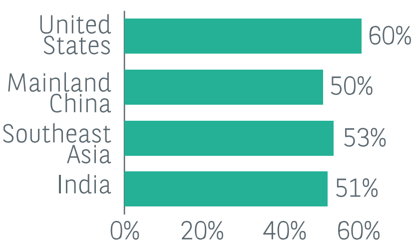
Key Insights: Europe's Role Shifts from Tactical to Core

- 71% of respondents are positive on European markets, and 56% say Europe offers the best long-term investment opportunities. These figures outpace other regions, positioning Europe as the most attractive major market.

Regional Investment Outlook

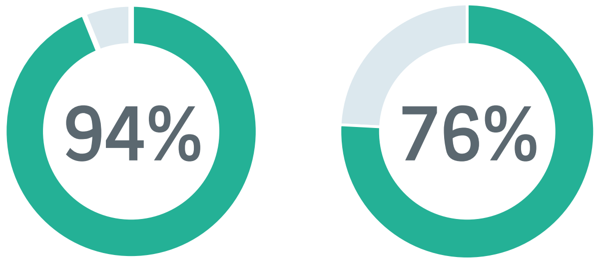


APAC Investors See Europe as the Most Attractive Market Outlook in 2025



More than half of respondents believe the European market outlook is more attractive than the United States, Mainland China, Southeast Asia,and India

- Nearly all respondents maintain at least 5% exposure to European assets, and roughly three-quarters plan to increase allocations.

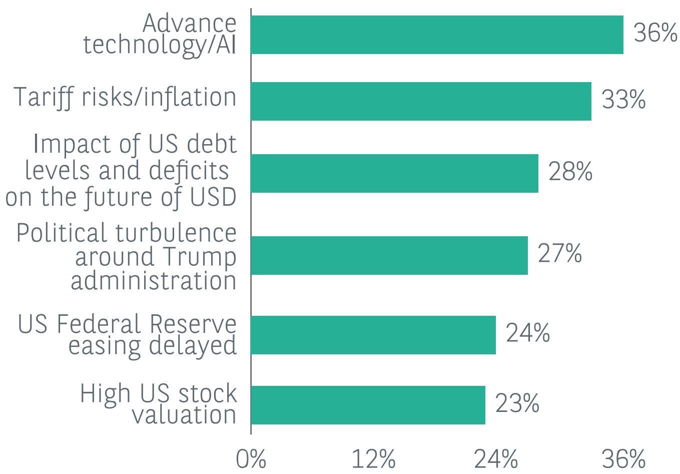


Have at least 5% European assets in portfolio

Expect to increase allocation to European markets

- The valuation case remains compelling: MSCI Europe trades at a forward P/E of 14.6x (well below the S&P 500's 22x), offering significant relative value.[1] The top three factors influencing regional allocation decisions are: the rise of advanced technology and AI, concerns over tariff risks and inflation, and the potential impact of U.S. debt levels and deficits on the future of the U.S. dollar.

Factors Influencing Regional Allocation Decisions



1 Sources: IBES, FastSet, BNP Paribas Asset Management, 8 September 2025.

- 80% agree that Europe's fiscal expansion initiatives (e.g., Germany's €500bn infrastructure fund and REPowerEU) will improve the region's long-term competitiveness.
- Sectoral optimism is highest in biotech, semiconductors, and aerospace and defence, all of which are forecast to deliver double-digit earnings per share (EPS) growth in 2026.[3]

Interpretation: Structural Tailwinds Support Sustained Allocations

Investors are responding to a convergence of structural tailwinds, including fiscal transformation, leadership across innovation-led sectors, and monetary policy clarity. Europe is no longer being treated as a tactical relative-value play, but as a region that can deliver competitive returns and form an essential part of diversified global portfolios.

3 Sources: Factset, BNP Paribas Asset Management, September 2025.

5. Strategic Spotlight 2: European Fixed Income Delivers Resilient Returns as Rates Shift

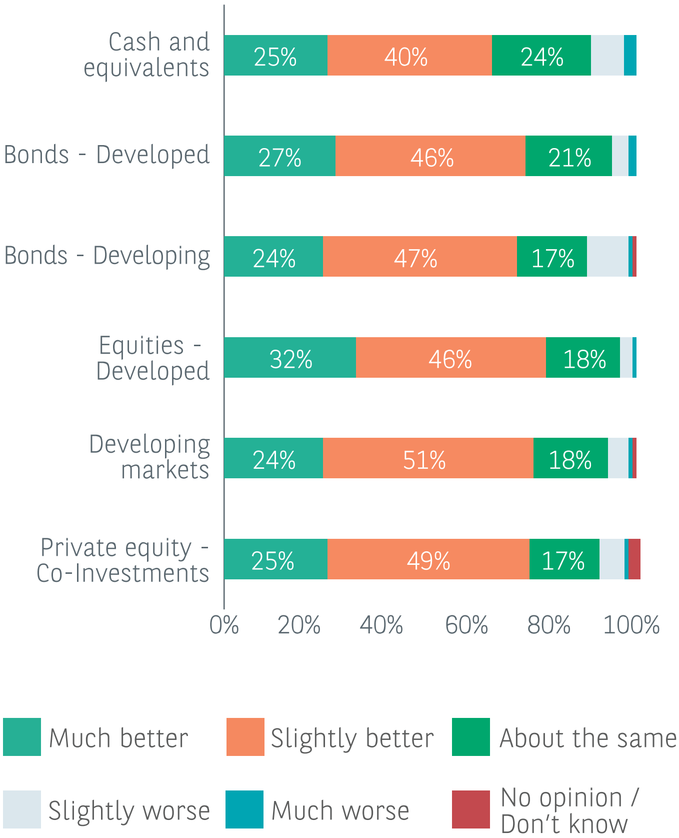
Stability, Income, and Policy Credibility

As global interest rate cycles diverge and volatility persists, European fixed income has emerged as a reliable ballast strategy for APAC investors seeking yield and stability in a recalibrated rate environment.

Key Insights: Fixed Income and Private Credit Gain Share

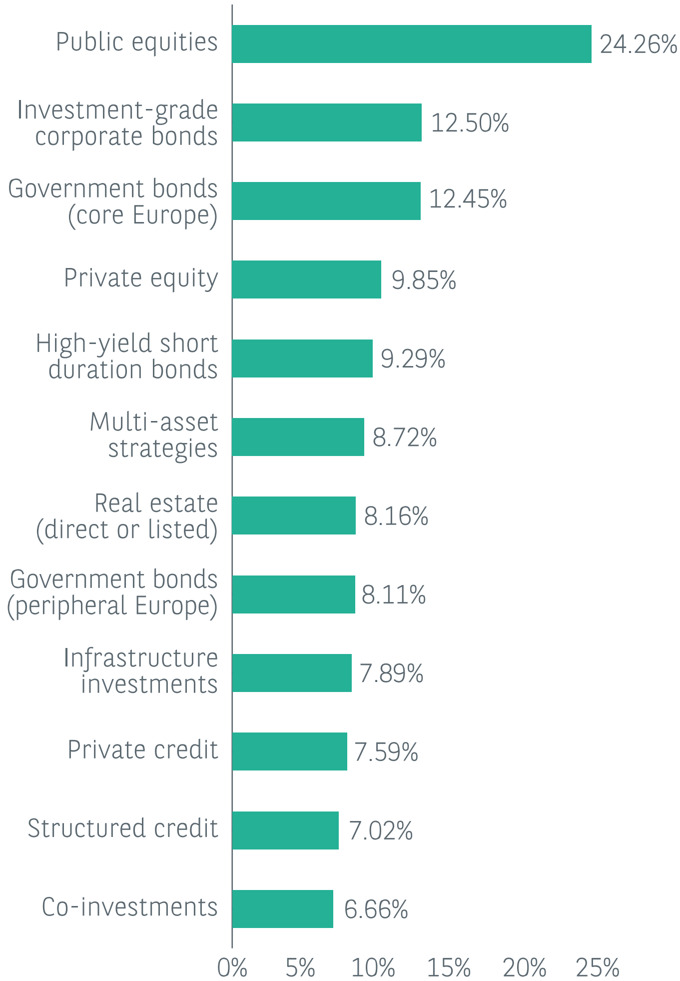
- Fixed income ranked among the top 3 asset classes for return expectations across APAC.

Expected Investment Returns Compared to Start of 2025



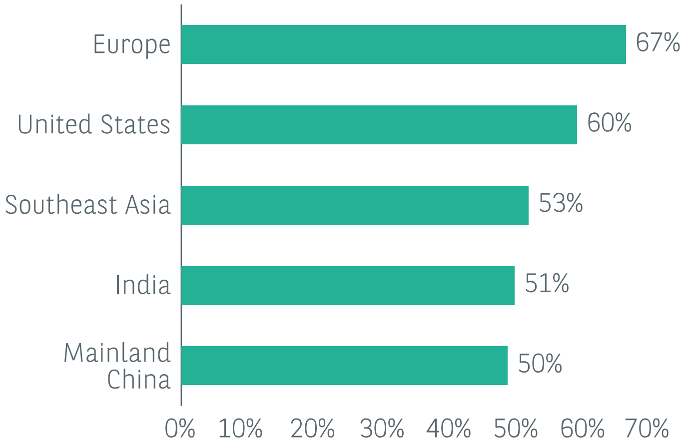
- Investors are showing a preference for euro-denominated investment-grade, high-yield short-duration bonds and government bonds (core Europe) — ranked among the top three fixed income preferences.

Preferred Approach to Accessing the European Market (Mean Percentage)



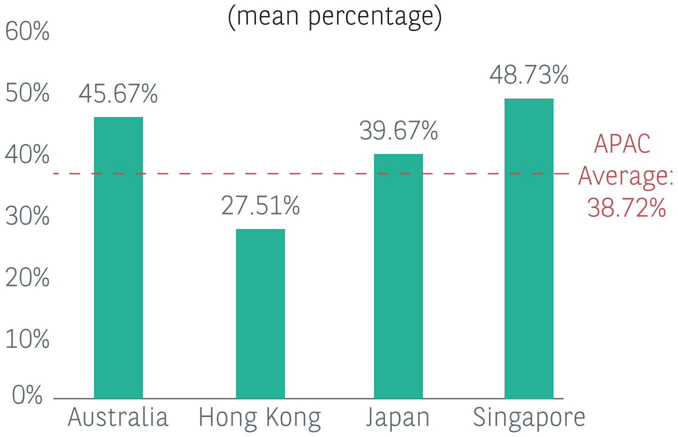
- 67% of respondents plan to increase allocation to European private credit, the highest across all global regions.

Increasing Allocation to Private Credit in the Region

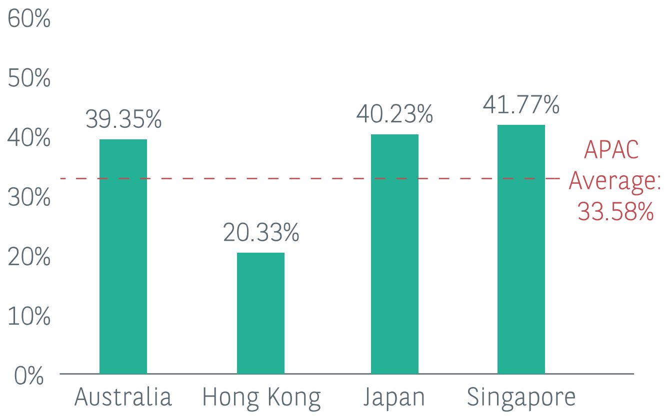


- Private credit is gaining traction as a core allocation. Respondents from Australia and Singapore report above-average commitments to both private credit funds and co-investments.

2025 Allocation in Private Credit Funds (mean percentage)

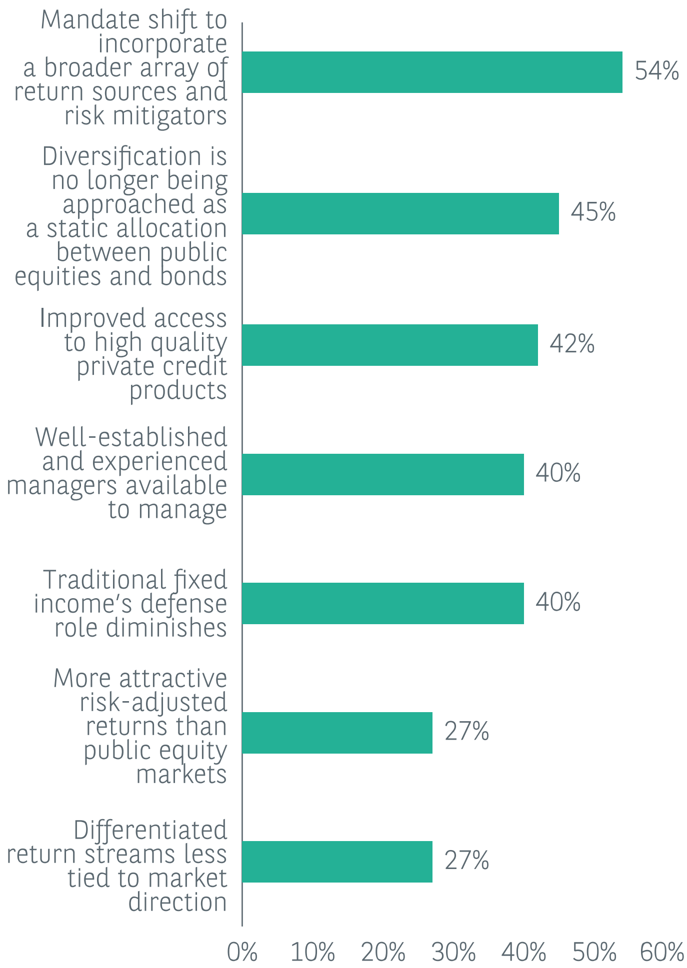


2025 Allocation in Direct Investments/Co-Investments in Private Credit Deals (mean percentage)



- The top drivers of increased private credit exposure include mandate evolution, diversification benefits, and improved access to high-quality products, especially among Hong Kong and Singapore respondents.

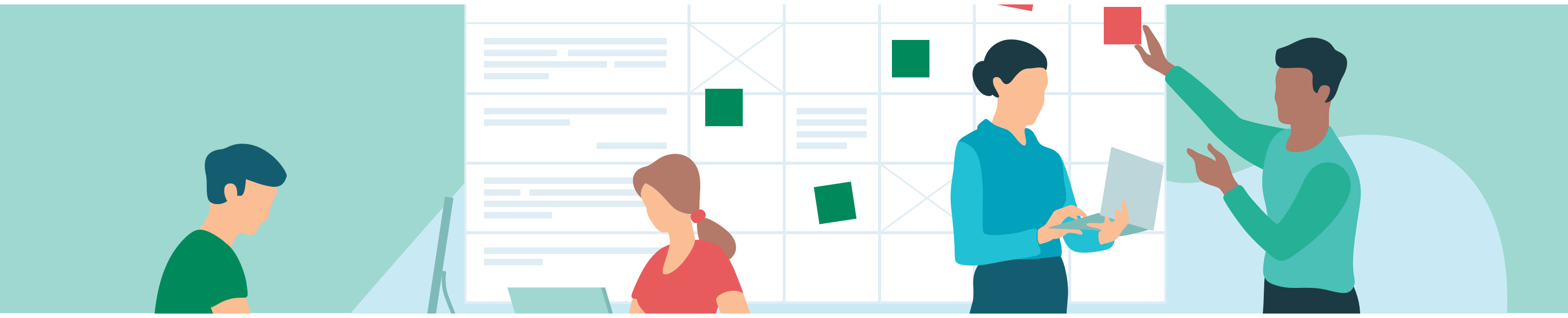
Drivers to Increase Private Credit Allocation



Interpretation: Stability and Income Anchor Returns as Rates Reprice

European fixed income is no longer viewed solely as a yield play. It is now a strategic allocation in a rate-shifting world, offering a blend of macroeconomic stability, income potential, and downside protection. Private credit, in particular, is emerging as a preferred channel for capturing yield premium and accessing less correlated return streams.

6. Strategic Spotlight 3: Active Management and Alternatives Strengthen the Modern Portfolio



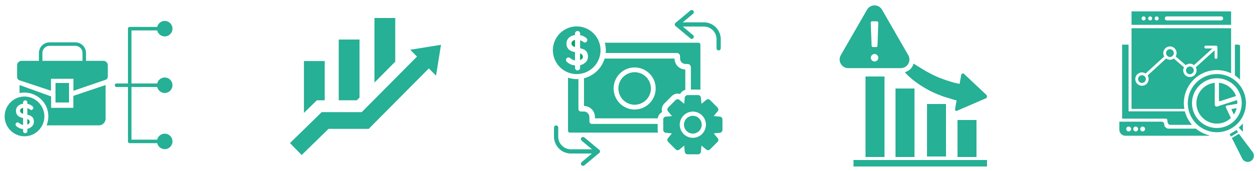
Beyond 60/40: Building Portfolios for Resilience and Growth

As the traditional 60/40 portfolio model evolves, APAC investors are embracing a more dynamic approach to asset allocation that integrates alternatives, leverages active management, and adapts to new sources of risk and return.

- Investors are rethinking portfolio construction, emphasising diversification, flexible implementation, and targeted alpha generation.
- Strategic objectives for 2025 highlight portfolio diversification (45%), high-growth asset allocation (35%), and improved liquidity (31%) as top priorities.

Investment Objectives for 2025

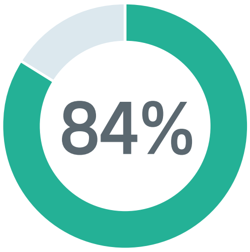
(1st Rank = 3 points, 2nd Rank = 2 points, 3rd Rank = 3 points, No Ranking = 0 point)



Score: 341	Portfolio diversification
Score: 247	Allocate portfolio towards high-return, high-growth assets
Score: 205	Improved liquidity
Score: 161	Hedge inflation risk
Score: 158	Allocate portfolio towards undervalued assets/sectors with rebound potential

Key Insights: Active Management Rises Alongside Alternatives

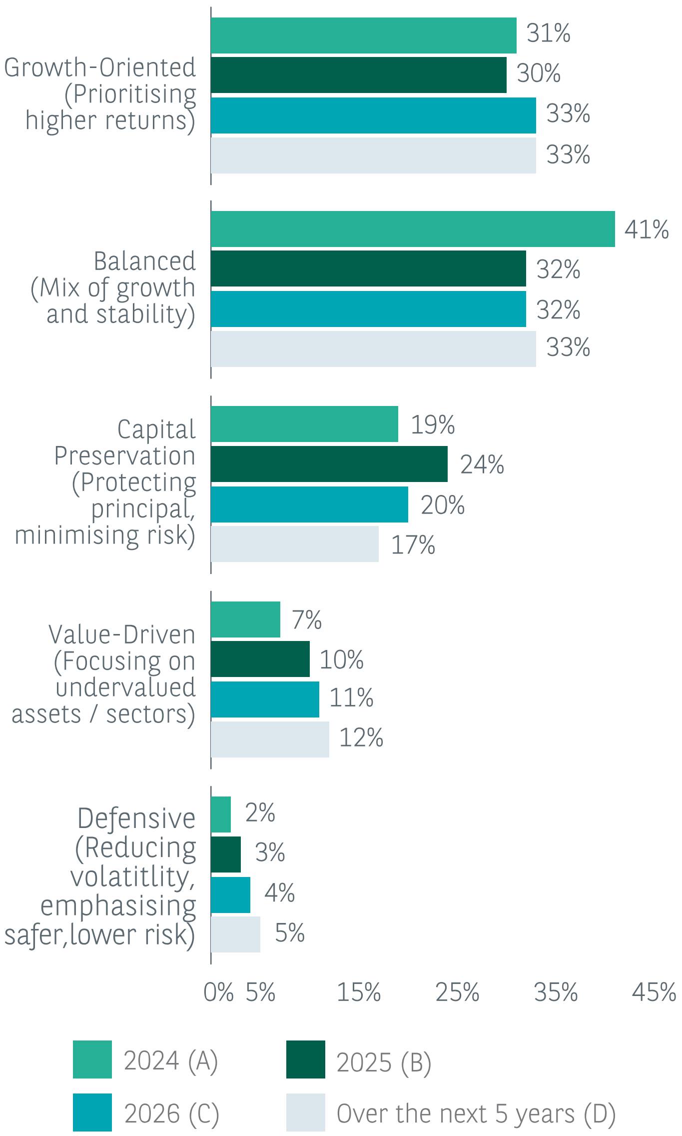
- 84% of respondents believe active management adds more value when market breadth expands.



"Active management adds more value when market breadth is greater."

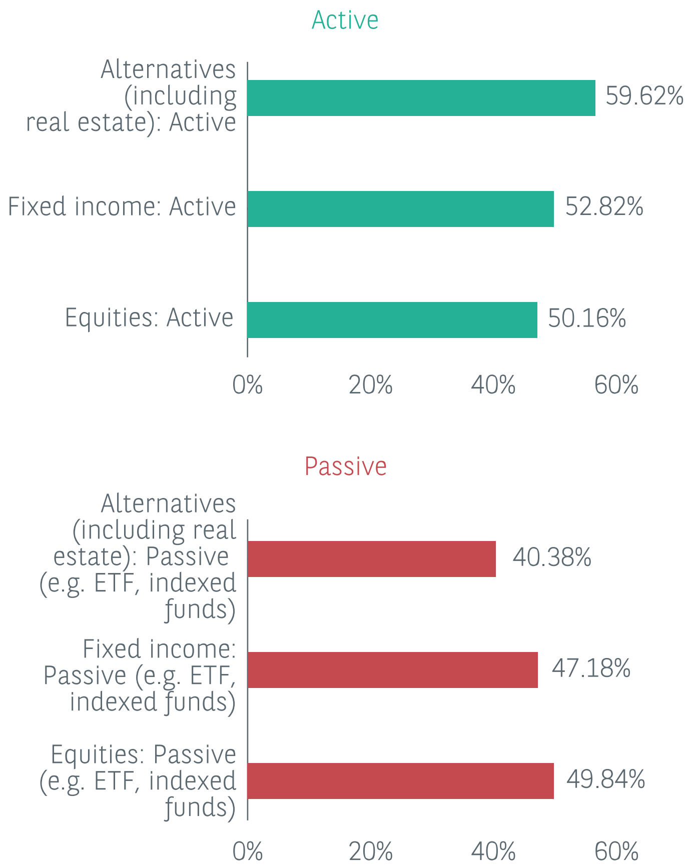
- In 2025, a balanced approach dominates, but a shift towards growth-oriented strategies is expected from 2026 onward, particularly in Hong Kong and Singapore.

Investment Strategy Distribution Across Time Horizons



- Alternatives, especially private equity, infrastructure, and private credit, are gaining ground in exposure. Nearly 60% of alternatives are accessed through active strategies.

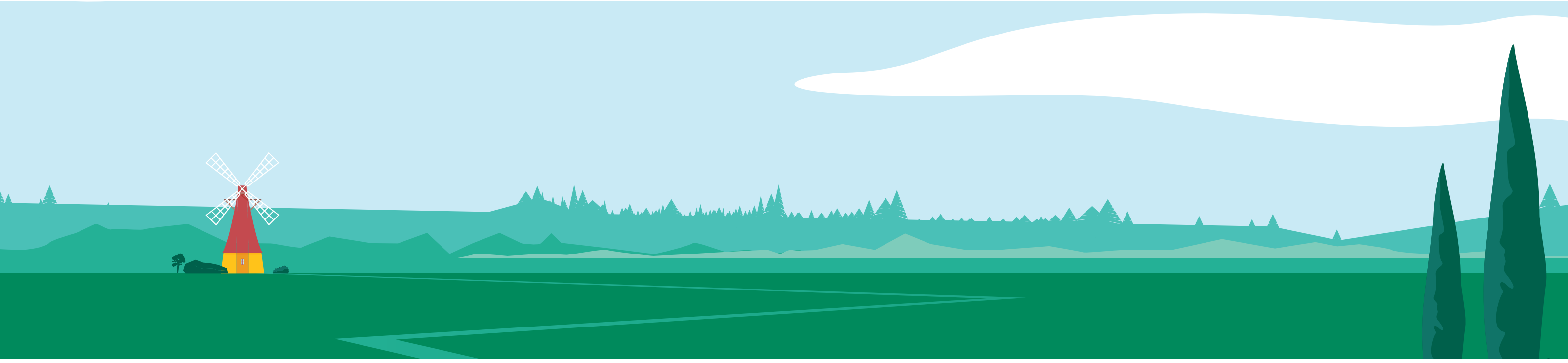
Active vs. Passive Investment Preferences (Mean Percentage)



Interpretation: Dynamic Construction Improves Resilience

The modern portfolio is no longer defined by static asset-allocation rules. Rather, it reflects a multi-dimensional strategy that combines active and passive, public and private, and growth and resilience.
In this environment, active management is essential to navigating complexity, capturing emerging opportunities, and managing evolving risks.

7. Portfolio Implications: Rebalancing Towards Europe



Europe Is Transitioning Toward a Core Position in Global Portfolios

This year's survey confirms that Asia-Pacific investors are no longer treating Europe as a tactical or contrarian allocation. Rather, it is becoming a structural component of globally diversified portfolios.

Key Implications:

- **Rebalance with Intent:** With 76% of respondents planning to increase their European exposure, investors are actively rotating away from US concentration and towards valuation-driven opportunities in Europe.
- **Fixed Income as a Core Stabiliser:** European bond markets, particularly investment-grade corporates and government bonds, are being repositioned as core income generators with macro stability.
- **Private Credit for Diversification and Yield:** As traditional bonds lose their defensive edge, private credit offers differentiated returns and access to Europe's maturing private markets.
- **Alternatives and Active Management for Alpha:** APAC investors are rethinking the traditional 60/40 portfolio—adopting more flexible strategies that incorporate alternatives and active management to navigate volatility, enhance diversification, and pursue more resilient returns.
- **Thematic Investing to Capture Structural Change:** Cybersecurity, AI, and digital infrastructure are top-of-mind for APAC investors looking to align with Europe's long-term transformation.

8. What APAC Investors Want: Preferences for Asset Managers

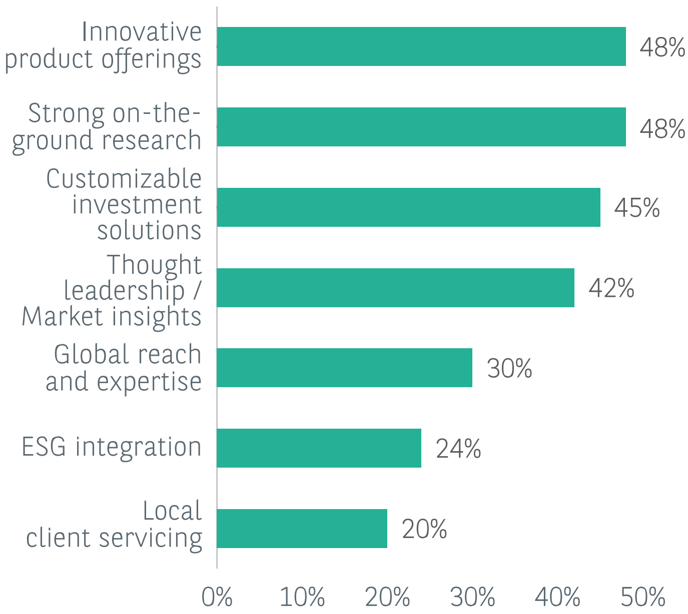
Aligning Capabilities with Client Priorities

As APAC investors adjust their portfolios, they are reassessing their relationships with global asset managers and prioritising insight, innovation, and regional expertise.

Top Traits Valued in Asset Manager Partnerships:

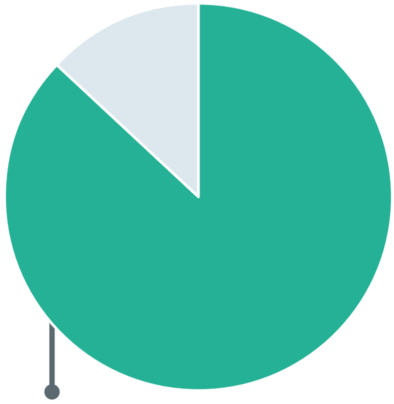
- **On-the-ground research capabilities**
- **Innovative product offerings**
- **Customisable investment solutions**
- **Global reach and institutional strength**

Brand Value in Global Asset Management



Brand Recognition and Familiarity

- 87% are familiar with BNP Paribas Asset Management's European investment capabilities



87% Being familiar with BNP Paribas Asset Management's European investment capabilities

- Investors are increasingly seeking holistic partnerships that combine public and private market expertise, thematic knowledge, and multi-asset implementation.

Interpretation

In a more complex and fast-changing global environment, APAC investors are seeking partners that deliver strategic insight and tactical execution, backed by strong local presence and global reach.

9. Conclusion: Europe is Building Forward

Europe Rising: The 2025 APAC Investor Pulse clearly signals a structural shift in sentiment and strategy. Across Asia Pacific, professional investors are recalibrating their portfolios and moving beyond US-centric allocations to embrace Europe as a core investment destination.

Key Implications:

- Europe is rising in global portfolios, driven by valuation, fiscal transformation, and sectoral momentum.
- Investors are increasingly drawn to European fixed income and private credit as solutions for income, stability, and diversification.
- The rise of active management and thematic investing underscores a more dynamic, insight-driven approach to portfolio construction.
- APAC investors value asset managers who combine local research strength with European market expertise and innovative solutions.

BNP Paribas Asset Management: Your Partner in Europe

With deep European roots and strong Asia-Pacific connectivity, BNP Paribas Asset Management offers a unique platform for investors seeking to capture Europe's evolving opportunity set. Whether through public markets, private credit, or thematic strategies, we are committed to helping clients build resilient, forward-looking portfolios shaped for long-term performance.

The Path Forward: Integrating Europe Strategically

- Review regional exposures in light of valuation gaps and macro stability.
- Expand fixed income strategies beyond duration into differentiated income sources.
- Embrace flexible, active, and alternative-ready approaches suited to dynamic markets.
- Position Europe as a strategic core, not a relative trade.

"Europe's next chapter of growth is unfolding now."

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