

The Future of Finance

The Future of Alternative Investments

DIFC 



In partnership
with Asia House

Contents



03 CEO's Message



04 Executive summary

- 6 Key findings
- 7 Opportunities for investors



08 Introduction



10 1. Global context, market outlook and alternative asset classes

- 11 1.1 Global macroeconomic and financial trends and market outlook
- 12 1.2 Alternatives going mainstream
- 14 1.3 Private equity
- 16 1.4 Private credit
- 17 1.5 Real estate
- 18 1.6 Infrastructure and sustainability
- 19 1.7 Hedge funds
- 21 1.8 Crypto and digital assets
- 23 Interview with Wael Younan, Co-Head of Sovereign Wealth Management, TCW
- 26 Interview with James Allan, CEO, Middle East & Africa, JLL



28 2. Emerging markets: Driving growth and opportunities in alternatives

- 29 2.1 Emerging markets' unique offering of alternative opportunities
- 30 2.2 Dubai: A premier gateway into alternatives
- 32 Interview with Chiara Chabanne, Senior Executive Officer and Portfolio Manager, Hudson Bay Capital

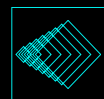


33 3. The future frontier of alternatives: Crypto assets and digital economy

- 34 3.1 Tokens of change: Deepening emerging market alternatives with digital assets
- 35 3.2 Emerging markets: Leading architects of the next era of global alternatives



47 Conclusion



39 References

CEO's Message

Throughout history, the engines of economic growth have been powered by creativity and innovation.

While the breakthroughs of global industrial leaders have shaped modern economies, those deemed to be late to the economic development party are not destined to remain behind. In fact, they often have the strongest incentives – and unique opportunities – to leapfrog existing models and chart their own unique course.

Innovators, policymakers, investors and entrepreneurs in emerging economies such as Dubai are not bound by old models. They are experimenting with fresh approaches and placing innovation at the core of their economic growth. Alternative investments, especially for those seeking uncorrelated returns and alignment with the shifting axis of economic power from West to East, present fresh opportunities to invest in new emerging segments. They speak to the same ethos of testing new models and finding opportunities beyond the conventional.

This report – the fifth in our Future of Finance series – examines the evolving role of alternative investments globally. Produced in collaboration with our research partners at Asia House, it finds that alternatives are no longer peripheral, but increasingly mainstream, with asset classes such as private credit, hedge

funds, real estate, infrastructure and digital assets gaining scale and strategic importance. It also highlights how emerging markets, led by hubs like Dubai, are opening new gateways for growth, and how digital assets in particular are reshaping the future of alternatives.

At DIFC, we recognise that thriving in a rapidly changing world demands an ecosystem that nurtures innovation, fosters collaboration and connects talent and capital across borders. DIFC's world-class infrastructure, legal and regulatory clarity and vibrant community have helped attract the region's largest cluster of alternative investment and asset management firms, which continue to outperform the market for growth.

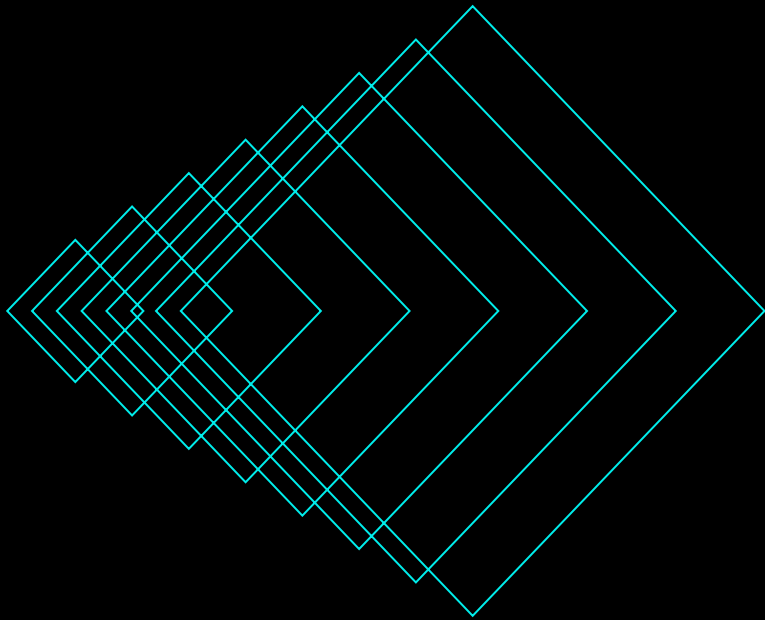
This forward-looking report draws on insights from a high-level roundtable held at DIFC at the end of 2024, which convened senior financial services leaders to discuss the forces shaping the future of finance. It also incorporates findings from network-based research and interviews with industry experts.

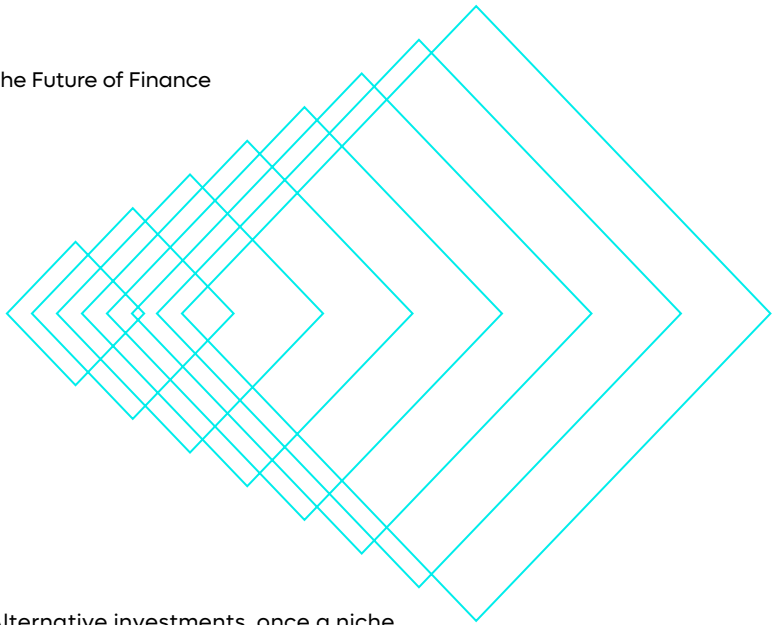
In an era marked by both uncertainty and opportunity, I believe that only by embracing innovation and decisive leadership can we build resilient, future-ready economies.

His Excellency Arif Amiri
Chief Executive Officer
DIFC Authority



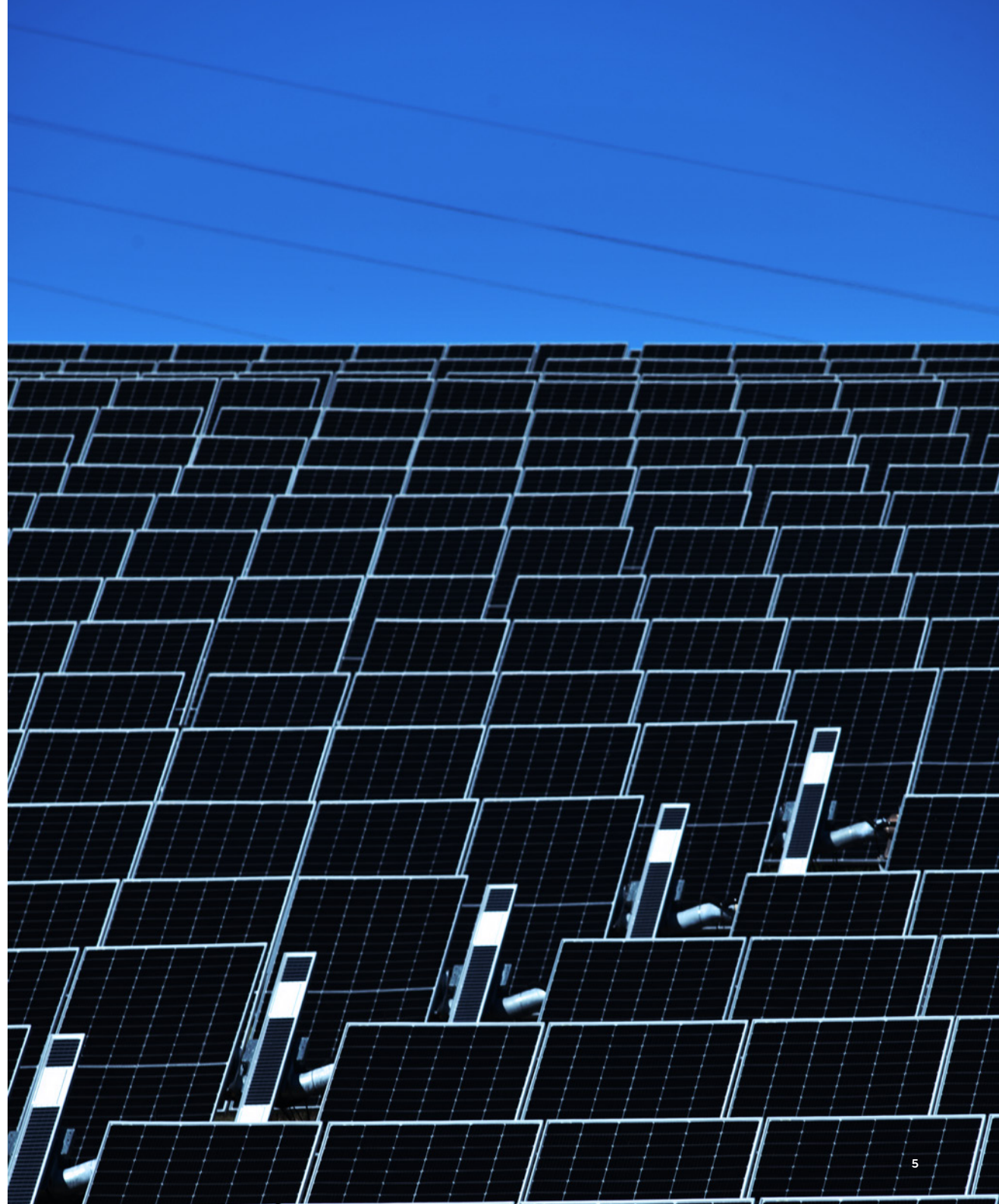
Executive summary





Alternative investments, once a niche corner of global finance, have surged into the mainstream as investors seek to diversify from concentrated equity markets and bonds that no longer deliver reliable returns as they once did. Pension funds and endowments no longer occupy this space alone; high-net-worth individuals (HNWIs) and family offices are joining the hunt for diversification, embracing everything from private equity (PE) innovation and the rise of private credit to the resilience of real estate and infrastructure driven by artificial intelligence (AI) and sustainability, uniquely offered by dynamic sectors in high-growth emerging markets.

At the same time, hedge funds and digital assets are rewriting the playbook. Record inflows are fuelling large hedge funds that prove their value in volatile markets. And perhaps more strikingly, crypto and tokenisation – once dismissed as speculative – are earning legitimacy as regulators sharpen the rules and emerging markets lead the way in adoption. The message for investors is unambiguous: alternatives are no longer on the margins. Positioning early in private markets, supported by global hubs such as DIFC, offers access to the next era of investment opportunity.



Key findings

- **Alternatives are becoming a mainstream investment choice.** Global alternative assets under management (AUM) now exceed USD 20trn, up nearly threefold in a decade. While still a relatively small portion of the overall investment universe dominated by traditional equity and fixed income, alternatives are poised for significant growth in the coming years. Institutional investors such as endowment and pension funds are joined by HNWIs and family offices in expanding alternative allocations as they seek non-traditional and diversified sources of alpha.
- **Asset-class dynamics are shifting.** PE, the largest segment within the alternative industry, faces headwinds from macroeconomic uncertainty, slower exits and underperformance versus public markets. But innovation in fund structures and hybrid strategies are reigniting momentum. Private credit continues its rapid rise, driven by sustainability-linked lending and bespoke financing.
- **Real estate is proving resilient,** supported by investor appetite for steady income and portfolio diversification. The Middle East and Asia are outperforming in prime residential markets, while the AI boom fuels demand for data centres and other industrial property. In infrastructure, sustainability is a key theme with demand growing in renewable energy storage and adaptation solutions such as efficient cooling and water management.
- **Hedge funds are drawing record inflows.** Volatility fuels gains for stock pickers and event-driven strategies. Because of fee pressure, strong public equity performance and AI-driven commoditisation, investors are drawn towards larger managers and systematic, multi-strategy approaches that can provide uncorrelated returns, reduce portfolio volatility, and help limit downside during market downturns.
- **Crypto and digital assets are achieving mainstream legitimacy.** Emerging markets lead with clear regulatory frameworks, driving innovation and adoption of tokenisation and stablecoins. The US and Europe are catching up with regulatory clarity, driving record inflows.
- **Emerging markets offer unique alternative opportunities.** Alternatives provide the primary route into innovation-driven sectors in the region where rapid growth and leapfrogging of legacy systems create new frontiers for capital beyond public markets.
- **Digital assets are reshaping emerging markets' alternative investment proposition.** By embracing the innovative digital economy, these markets strive to grow more independently, compete through innovation, deliver long-term value for investors and, importantly, offer the potential for large-scale retail access.

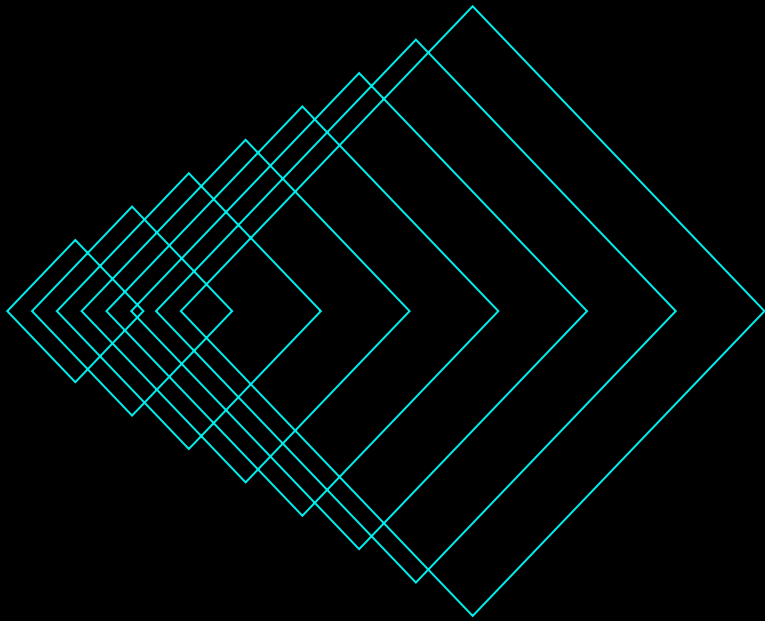


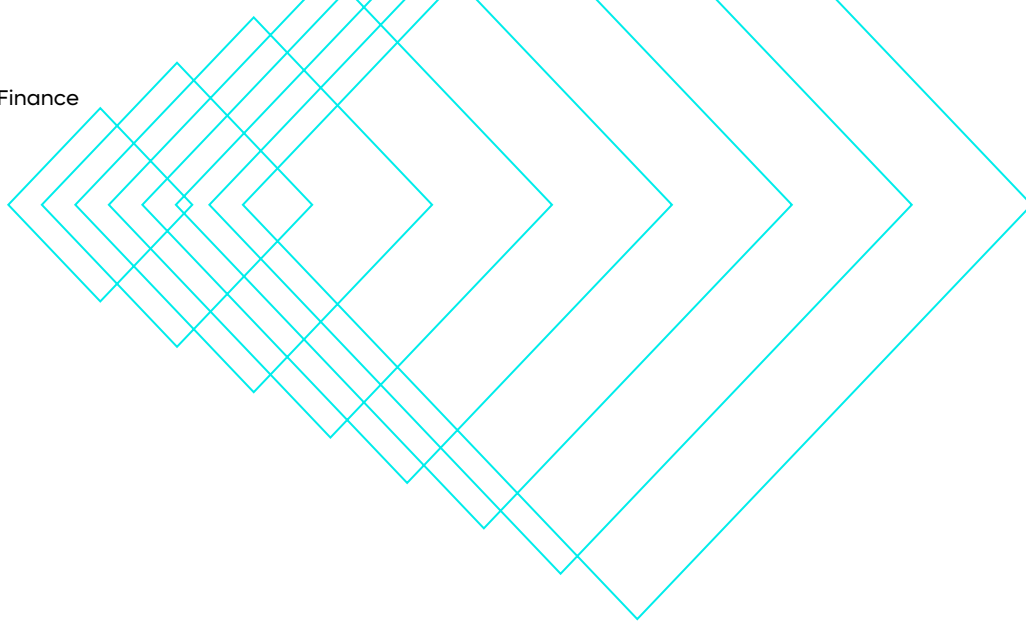
Opportunities for investors

- **Diversify into alternative assets.** With public equities concentrated and bonds no longer providing the same hedge, alternative assets – PE, private credit, hedge funds, infrastructure and digital assets – offer diversification, inflation protection, and new alpha sources. They also offer access to dynamic growth engines, especially in emerging markets.
- **Explore PE innovation and hybrid structures for credit.** New fund structures and hybrid strategies expand access and flexibility, attracting new investor groups, including HNWI and family offices. Hybrid private market strategies blend equity and credit to optimise risk-return profiles for investors.
- **Capitalise on real assets and infrastructure driven by AI and sustainability.** Income-producing real estate, AI data centres, smart infrastructure and climate adaptation strategies provide long term returns with inflation protection.
- **Reassess hedge fund allocations.** As traditional alpha generation becomes challenging, systematic and multi-strategy funds with AI-driven quantitative solutions can enhance portfolio resilience in volatile markets.
- **Position early in digital assets and tokenisation.** Digital assets are moving mainstream, driven by institutional adoption, regulation and tokenisation of real assets. Advanced emerging markets are pioneering here: stablecoins, tokenised bonds and blockchain based payments offer investors high growth, innovation led exposure not easily accessible through public markets.
- **Leverage DIFC as a launchpad for expansion in emerging market alternatives.** DIFC offers both robust governance and confidence of developed market hubs and direct access to high-growth emerging sectors and economies. Hedge funds, asset managers and alternatives in general, can benefit from the DIFC Funds Centre, which offers state-of-the-art infrastructure, flexible workspaces, access to high-calibre talent and a collaborative community and enables them to scale and navigate complex cross-border opportunities in alternatives



Introduction





The global financial landscape is undergoing a profound transformation, shaped by rapid technological breakthroughs, volatile market forces and shifting centres of economic growth. Traditional investment strategies are being tested like never before, grappling with persistent uncertainty, political and economic fragmentation and the urgent call for sustainability. In this complex environment, alternative investments have emerged as a vital engine for delivering diversification, resilience and superior returns. Investors are increasingly drawn to cutting-edge asset classes, novel fund structures and access to dynamic markets well beyond traditional equities and bonds.

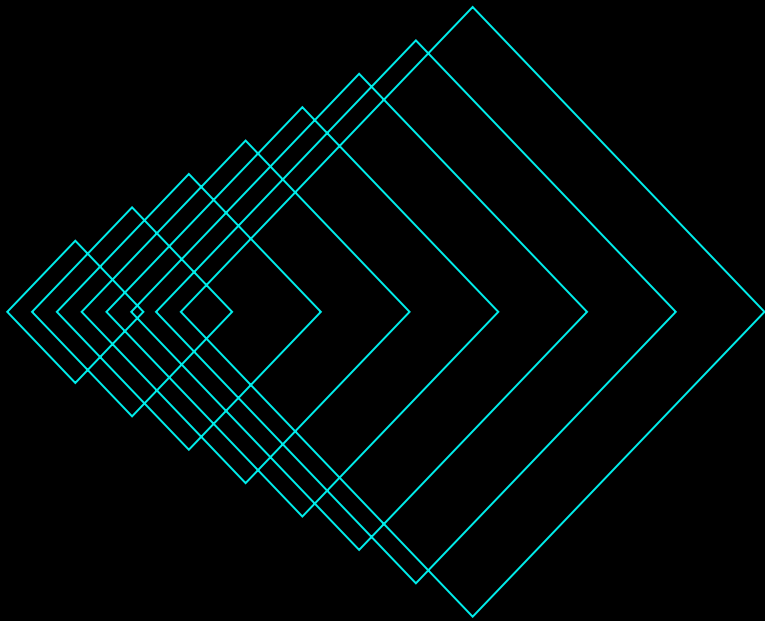
Emerging markets represent a compelling frontier of opportunity in alternatives. This potential is fuelled by youthful demographics, robust economic growth and a unique capacity to leapfrog traditional development stages through innovation in AI, sustainable infrastructure and digital assets. The expansion and maturity of alternative assets in these markets offer investors access to high-growth sectors and strategic diversification benefits not easily found in public markets. At the forefront of these developments is DIFC, a global hub of innovation and a trusted platform connecting global capital with the most compelling opportunities in emerging markets.

This is the fifth report in the Future of Finance series. Its findings are informed by a high-level roundtable held at DIFC in November 2024. Attended by 24 senior finance and business leaders, the in-person gathering offered a forum for candid discussions about the opportunities and challenges shaping the future of finance. While these discussions were invaluable, no comments from the roundtable are attributed to any individual or organisation.

Insights from the roundtable have been augmented by network-based research, along with interviews with distinguished industry experts, including: **Chiara Chabanne**, Portfolio Manager and Senior Executive Officer, Hudson Bay Capital, **James Allan**, CEO, Middle East & Africa, JLL, and **Wael Younan**, Co-Head of Sovereign Wealth Management, TCW.



1. Global context, market outlook and alternative asset classes



1.1 Global macroeconomic and financial trends and market outlook

For decades, investors have operated within a highly interconnected global economy with the US serving as the prime engine of growth and innovation and the anchor of global capital flows.

Today, they find themselves navigating uncharted territory – a shift that has materially increased investor appetite for alternative assets, as traditional markets come under pressure and the need grows for new sources of return, diversification and resilience.

The familiar, developed market-focused strategies which once delivered reliable returns and diversification may no longer hold. Deglobalisation of trade, tariffs and geoeconomic fragmentation are reshaping capital flows and creating new investment barriers across traditional corridors. Investors must rethink their approach, embracing fresh and innovative strategies to seize emerging opportunities.

Developed economies from the US and Europe to Japan face headwinds from slow growth, ageing populations, soaring public debt and persistent inflationary pressures. Public markets are becoming more volatile and less predictable; heightened market concentration and a breakdown in traditional asset class correlations will challenge investors' ability to diversify using conventional asset allocations

centred on the world's biggest economy (see [Report 4](#)).

Yet this shifting landscape brings new opportunities. Emerging markets are a primary example.

As developed economies contend with challenges, emerging markets are stepping up, offering a compelling mix of resilience and new opportunities, fuelled by robust economic fundamentals, structural reforms and an ambitious innovation agenda spanning everything from AI and advanced technology to clean energy and climate adaptation solutions.

Take certain frontier technologies*, such as AI, blockchain and robotics. Emerging markets have been ramping up investment in research and development (R&D) and industrial capacity in these growth sectors. According to a United Nations Trade and Development (UNCTAD) study, countries including Brazil, China, India and the Philippines were better prepared to use these cutting-edge technologies than their GDP per capita level may suggest.¹ Their overperformance underscores emerging markets' untapped potential to leverage technology for growth and development.

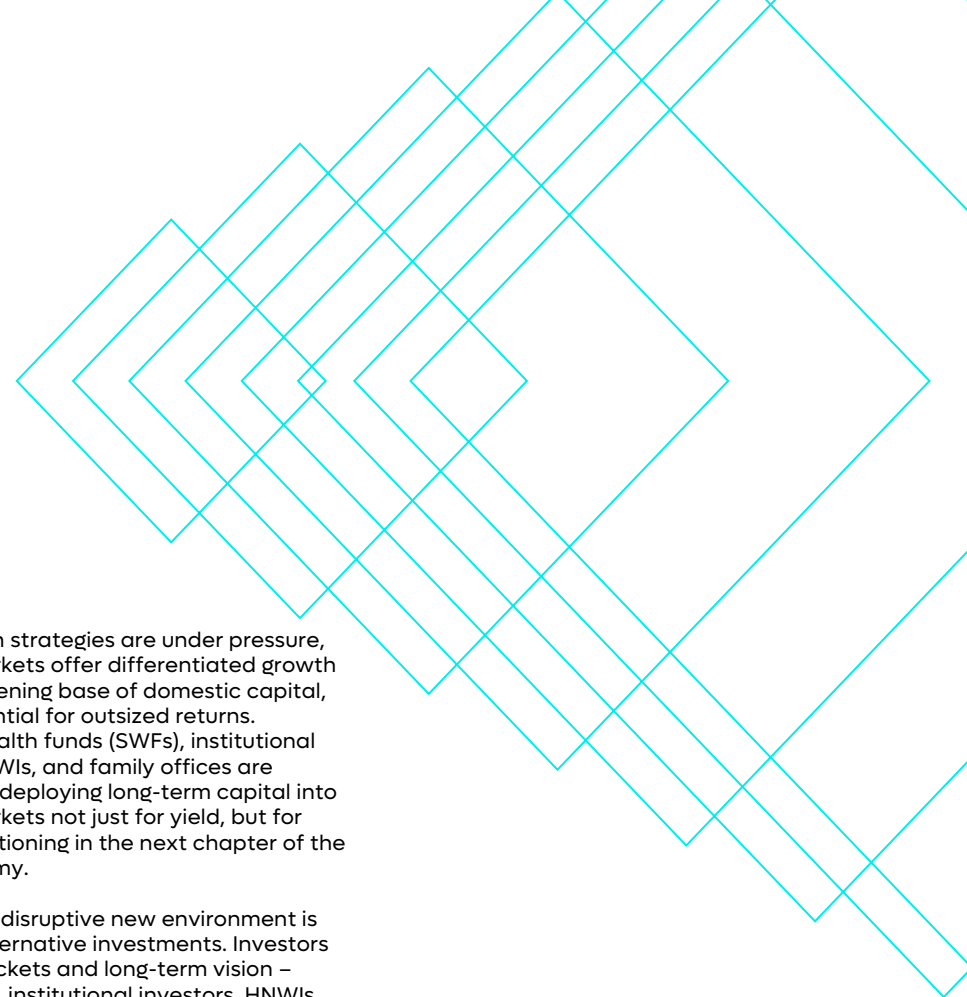
This matters for investors: in an era where traditional developed market-focused

diversification strategies are under pressure, emerging markets offer differentiated growth drivers, a widening base of domestic capital, and the potential for outsized returns. Sovereign wealth funds (SWFs), institutional investors, HNWIs, and family offices are taking note – deploying long-term capital into emerging markets not just for yield, but for strategic positioning in the next chapter of the global economy.

Crucially, this disruptive new environment is a boon for alternative investments. Investors with deep pockets and long-term vision – such as SWFs, institutional investors, HNWIs and family offices – are poised to turn more towards alternative assets to deliver alpha and diversification to navigate this era of heightened uncertainty and structural change.

* Frontier technologies are defined as those advanced and emerging technologies that have strong transformative potential and offer new opportunities for economic development, sustainability and governance.

UNCTAD's frontier technology readiness index assesses countries' readiness to harness frontier technologies, based on infrastructure, data and skills.



1.2 Alternatives going mainstream

Alternative assets – which refer to financial assets that fall outside the traditional categories of stocks, bonds and cash – are becoming a formidable force in the global investment industry.

Consisting of assets such as PE, private credit, real estate, infrastructure, hedge funds and digital currencies, the global alternative market's AUM are estimated at just over USD 20trn, up from around USD 7trn a decade ago, although precise figures are hard to come by.²

While this near-tripling in size represents long-term growth, alternatives still account for only a modest slice of the overall investment pie, which is dominated by traditional equity and fixed income assets.³ Their share eased to 15.2 per cent in the first half of 2025 from a peak of 16.2 per cent at end-2022. This shift also reflects their recent underperformance compared with buoyant public equities and fixed income markets, as well as subdued fundraising activity, which remains below USD 1trn annually – the slowest since 2016.⁴

But the story is far from over. The coming years promise a bigger role for alternatives within investors' diversified portfolios. Technological innovation, regulatory reforms and widening investor access are further enabling investors to incorporate alternatives

for their unique risk-return profiles and inflation-hedging benefits.

This integration is led by sophisticated institutional investors, especially endowment and pension funds. The proportion of alternative investments within the risky allocation of public pension funds reached almost 40 per cent by 2021 from 14 per cent in 2001.⁵

They are particularly attracted to the benefit of diversification, especially as traditional asset correlations between equities, bonds and cash – once the bedrock of diversification – break down (see [Report 4](#)). As shown in Figure 1, alternatives such as private credit, infrastructure and real estate demonstrate relatively low correlation with traditional public markets, underlining their growing appeal as a diversifier.

Figure 1: **Uncorrelated returns, more diversification**⁶

Figure 1:
Uncorrelated returns, more diversification⁶

	INVESTMENT GRADE	RESIDENTIAL MORTGAGE- BACKED SECURITIES	COMMERCIAL MORTGAGE- BACKED SECURITIES	PUBLIC EQUITIES	STRUCTURED CREDIT	PRIVATE EQUITY	PRIVATE CREDIT	REAL ESTATE EQUITY	INFRA- STRUCTURE
INVESTMENT GRADE	100%								
RESIDENTIAL MORTGAGE- BACKED SECURITIES	92%	100%							
COMMERCIAL MORTGAGE- BACKED SECURITIES	96%	91%	100%						
PUBLIC EQUITIES	50%	28%	44%	100%					
STRUCTURED CREDIT	35%	6%	34%	70%	100%				
PRIVATE EQUITY	29%	12%	28%	84%	49%	100%			
PRIVATE CREDIT	7%	-17%	5%	78%	75%	76%	100%		
REAL ESTATE EQUITY	-20%	-19%	-17%	33%	12%	52%	55%	100%	
INFRA- STRUCTURE	-3%	-19%	-6%	46%	21%	63%	55%	54%	100%

But the allure of alternatives is likely to expand well beyond institutional investors. As the industry innovates to accommodate non-traditional capital sources and as regulatory frameworks evolve to enable broader access, alternatives are likely to become increasingly accessible to a wider group of investors. Take HNWIs. They have already doubled their allocation to alternatives to 15 per cent of their portfolio between 2008 and 2025, attracted by opportunities in sustainability and innovation uniquely presented by alternative assets (see [Report 4](#)).⁷

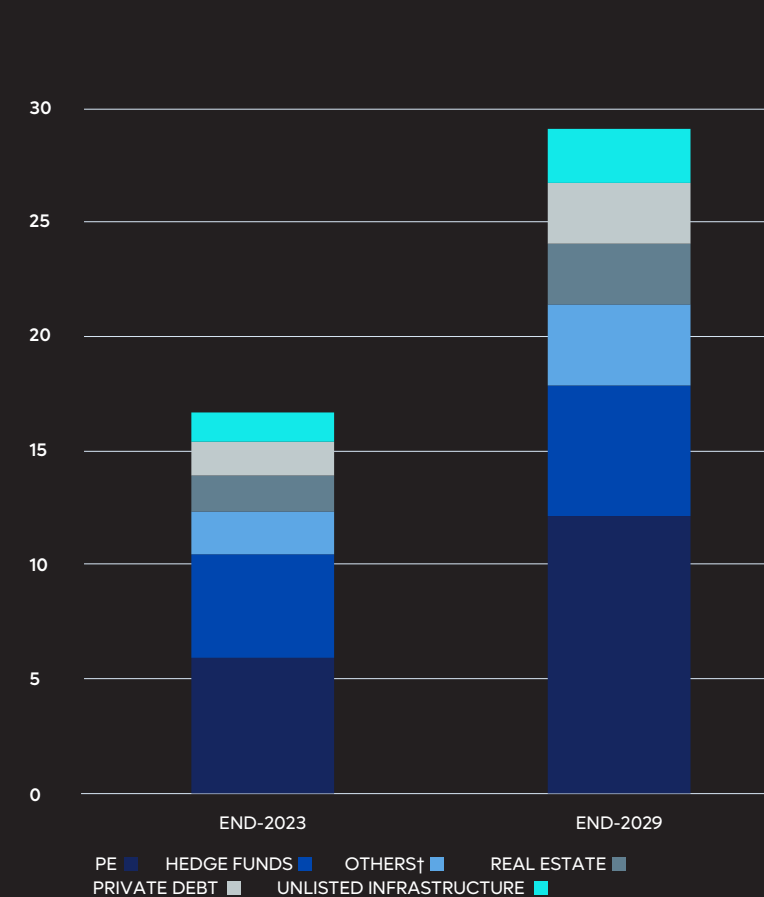
Households are also likely to join the wave. Cambridge Associates estimates that alternatives could attract an additional inflow of USD 2.8trn if US households allocated just 5 per cent of their assets – estimated to be USD 56trn – into private markets.⁸

To fully understand alternative assets' growing appeal, distinct characteristics and their structural trends and challenges, a detailed examination of individual asset classes within the alternative universe is critical.

Figure 2: **Alternative assets under management, end-2023 versus end-2029^{9†}**

Figure 2:
**Alternative assets under management,
end-2023 versus end-2029^{9†}**

USD TRN



[†] Others include venture capital and natural resources.

1.3 Private equity

PE involves investing in private, unlisted companies and accounts for an estimated 20-30 per cent of the alternative market (see Figure 2).

Despite its size and significance, PE has been weathering a tough period in recent years. Macroeconomic headwinds – higher interest rates and persistent inflation coupled with policy uncertainty, trade tensions and global security concerns – have stalled business investment decisions and dampened transaction activity. These conditions have placed strain on General Partners (GPs), who hold an estimated USD 1-2trn of dry powder – or capital commitments yet to be deployed.¹⁰

At the same time, GPs have been delaying their exits, which increases the illiquidity premium for Limited Partners (LPs), or the investors backing PE deals. The average time to distribution for PE investments, one of the key metrics for the health of the industry, stood at around six years in 2025, which is among the longest in recent decades.¹¹

Performance has not exactly been spectacular, with the 2024 return of 7 per cent significantly trailing behind the 25 per cent gain made by S&P 500 companies.¹²

However, there are signs of recovery. For the first time in a decade, sponsors returned more cash this year to investors than they

received, signalling stronger cash flow.¹³ Deal activity also rebounded, with more and larger PE deals over USD 500mn. GPs are no bystanders in the PE supply and demand dynamic. To capitalise on early signs of recovery and seize strategic opportunities, they are actively experimenting with innovative solutions to meet rising capital needs from companies as well as investors' objectives seeking return, diversification and flexibility.

For example, some GPs are setting up new fund structures, such as continuation vehicles. These allow managers to transfer assets from maturing funds into new vehicles, giving LPs the choice to cash out or reinvest. They are also using deal types like public-to-private transactions and carve-outs to accelerate investment.

Others are broadening their strategies to include private credit, hybrid fund structures and multi-asset class funds. This flexibility allows GPs to shift capital dynamically across buyouts, growth equity, private credit or real assets, depending on market opportunities and investor appetite.

GPs are also launching innovative PE investment vehicles such as interval funds, mutual funds, and exchange-traded funds (ETFs) to appeal to non-traditional investors,



including HNWIs and everyday households. At the same time, they are forging strategic partnerships with major asset managers to benefit from their vast distribution networks. Recent notable alliances include KKR and Capital Group, Apollo and State Street and Partners Group and BlackRock.

For investors – whether traditional institutions or newer entrants – the allure of PE lies in its potential for strong, uncorrelated returns and exposure to a largely private segment of the economy that is inaccessible through public markets. For example, as much as 75 per cent of companies generating over USD 1bn in revenue remain private.¹⁴

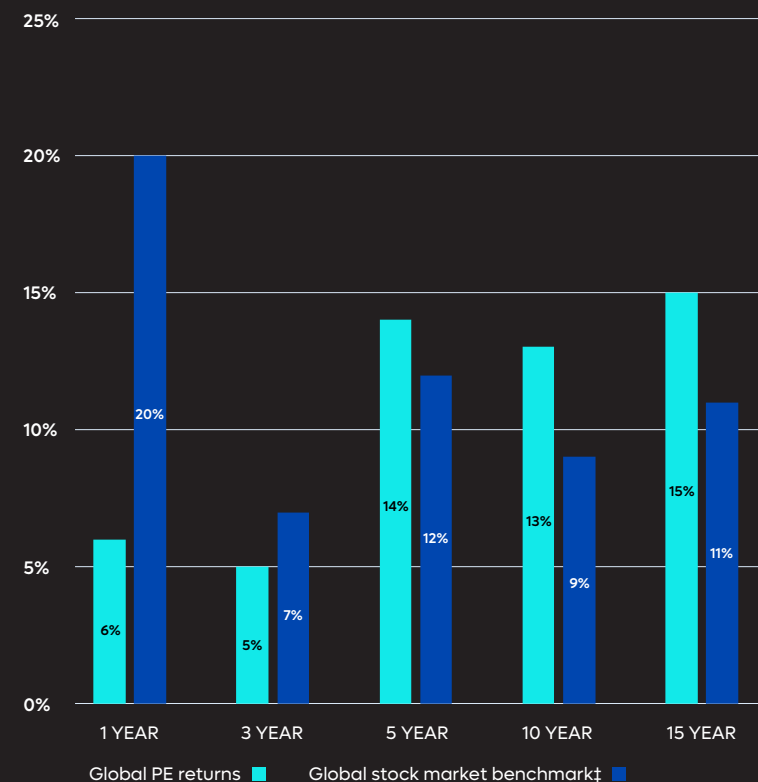
On a long-term horizon, PE has consistently outperformed public equities (see Figure 3) – benefitting investors willing to accept the asset class's typically lower liquidity.

Figure 3: PE returns versus listed stocks, 2009-2024^{15 ‡}

Looking ahead, GPs are well positioned to navigate current market challenges with innovation and lay the foundation for sustained future growth. Preqin forecasts a steady growth trajectory for PE AUM, which is expected to reach USD 12trn by end-2029, doubling the 2023 level.¹⁶

[‡] Benchmark based on MSCI All Country World Index using a modified Public Market Equivalent (mPME) method for comparability with PE cash flows.

**Figure 3:
PE returns versus listed stocks, 2009-2024**^{15 ‡}



1.4 Private credit

Private credit is a fast-growing part of the alternative investment world. It includes loans made by non-bank lenders such as institutional investors or private asset managers through privately negotiated deals that are less regulated than standard bank financing.

A mix of increased regulatory scrutiny, persistently high interest rates and geoeconomic uncertainty has encouraged banks to retreat from leveraged lending, a key source of funding private deals. Private credit funds are stepping in to fill the gap, providing bespoke non-bank financing options and, at times, co-investing alongside equity sponsors.

Unlike PE, whose volatility is less appealing for risk-averse investors, private credit offers a lower risk profile and provides steady income with less price fluctuation. These loans usually have protections like collateral and covenants and often have floating interest rates, helping investors during market ups and downs.

The appeal of private credit is evident in its explosive growth: its AUM nearly doubled to USD 2trn in 2024 from the start of the decade.¹⁷ More capital is flowing into the lower middle market, a segment that is often illiquid and opaque yet offers higher returns. This has drawn the attention of central banks and regulators, including the IMF, the Federal Reserve and the Bank for International Settlements, all of whom are concerned

about financial stability risks and systemic vulnerabilities in the market.

Sustainability is emerging as a key theme in the private credit market. More investors are now targeting deals financing renewable energy projects, energy efficiency upgrades, clean tech and infrastructure for electric vehicles (EVs). Countries like the UAE have seen growth in private credit focused on sustainability-linked projects, thanks to government policies encouraging green finance, streamlined regulatory frameworks and innovative funding platforms that support mid-sized enterprises vital to economic diversification.

Traditionally, private credit and PE operated in distinct corners of the alternative capital market. Today, however, these boundaries are blurring. Hybrid capital structures, where debt and equity are engineered together to optimise risk-adjusted returns for both lenders and owners, are becoming more common. Nearly two-thirds of PE firms now use private credit to finance acquisitions.¹⁸ Instruments like mezzanine financing and preferred equity, which sit between senior debt and equity in the capital structure, may become more prevalent especially during times of economic turmoil, given PE's inherently cyclical deal flow.

The future of alternative investments will not be a binary choice between private credit and PE, but rather a sophisticated blend of both.



1.5 Real estate

Real estate, which includes physical, income-producing investments in residential, commercial and industrial properties as well as land, accounts for almost 10 per cent of the alternative universe. The asset class is by no means immune to macroeconomic headwinds such as volatile interest rates and inflation; but it is largely insulated from the effects of US tariffs. Real estate also traditionally offers a degree of inflation protection, sustaining its appeal among investors seeking steady income and portfolio diversification.

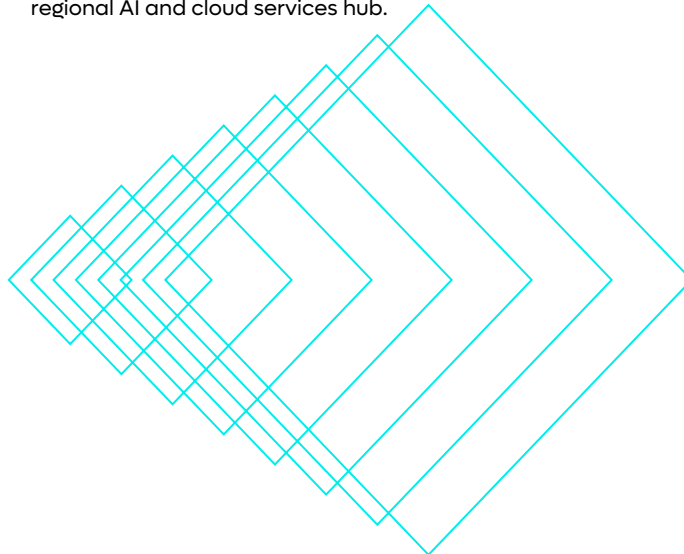
Investors who want yield, inflation protection and diversification are cautiously re-entering commercial property, after higher interest rates triggered a valuation derating of some 20 per cent across developed economies such as the US, UK and Europe, creating attractive entry points.

Prime residential markets are demonstrating steady growth, with global prices rising 2.8 per cent in the year to March 2025.¹⁹ The Middle East and Asia are leading the way. Dubai's prime residential prices, for example, have stabilised at just over 16 per cent growth after soaring 200 per cent in roughly four years to Q1 2024, followed by deceleration.²⁰

Prices are forecast to rise nearly 10 per cent in 2025, driven by rapid population growth, limited luxury supply and a busy development pipeline.²¹

Industrial property is expanding rapidly as AI, cloud computing and digital infrastructure fuel worldwide demand for data centres. The Gulf is emerging as a key hub as it capitalises on lower land and electricity prices, renewable energy capacity and access to private capital. Data centre power capacity in the region is estimated to triple to 3.3 GW in the next five years.²²

The UAE is at the forefront, developing new large-scale AI data centres including a 20-hall energy-efficient facility by Dubai-based operator Khazna and a 10-square-mile AI campus jointly designed with the US as a regional AI and cloud services hub.



1.6 Infrastructure and sustainability

Infrastructure involves long-term, physical assets that are essential for the functioning of the economy and society at large. It includes transport (roads, bridges and airports), communication networks (fibre optics and satellites), social infrastructure (schools and hospitals), transition and adaptation assets (renewable energy plants, smart grids and battery storage) and digital infrastructure (data centres).

Sustainability themes are redefining development and investment strategies and opening new avenues for attractive alpha generation. Key areas include retrofitting existing structures, deploying energy-efficient technologies and integrating nature-based solutions to enhance environmental performance.

Demand is also growing for cooling infrastructure, reflecting adaptation needs in hotter regions.

In the UAE, buildings with district cooling systems are a key part of this trend. District cooling uses centralised chilled water to cool multiple buildings more efficiently than traditional air conditioning, cutting energy use by up to 50 per cent. Dubai aims to meet 40 per cent of its cooling demand this way by 2030.²³ Empower's Business Bay district cooling plants, for example, will serve 188 multi-use buildings and skyscrapers, using thermal energy

storage, an energy-efficient solution that eases pressure on the grid by chilling water during off-peak hours, as well as treated sewage effluent instead of desalinated water.²⁴

Energy transition is attracting infrastructure investors to projects that feature energy-efficient buildings, renewable energy infrastructure and related enabling technologies such as grid, EV charging facilities and battery storage. Meeting net-zero targets requires substantial funding – over USD 6trn a year by mid-century – with much expected from private sources.²⁵

In parallel, enhancing resilience to climate risks – such as heatwaves, floods and droughts – is a core consideration, as climate change begins to show its claws. Infrastructure developments increasingly incorporate measures that safeguard assets against these threats, embedding long-term risk management in design and financing.

Sustainability is also growing in digital infrastructure, particularly AI-powered data centres and energy facilities. Given their high energy and water use, they must become more resource-efficient and climate resilient. This calls for more investment in advanced cooling, water management, renewables and green buildings.



1.7 Hedge funds

Hedge funds, which account for more than a quarter of the alternative universe, are gaining scale and influence within the broader alternatives industry.

Erratic market trends and elevated volatility – like those investors experienced over the past year – are often the lifeblood of many hedge funds, providing the dislocations and opportunities their strategies are designed to exploit. In 2025, hedge fund capital hit a record USD 4.7trn, attracting the largest quarterly net asset inflow since 2014.²⁶

The environment proved particularly fertile for stock pickers, with long/short equity strategies, which seek to exploit valuation discrepancies between securities, leading the charge. Event-driven strategies – which focus on out-of-favour, deep value equity exposures and M&A speculations – also performed well.

However, not all hedge funds are created equal. The ability to profit from volatility hinges on manager skill, risk controls, fund size and a proven track record. Established names managing over USD 5bn took the lion's share of inflows with well-known firms such as TCI and Bridgewater posting double-digit gains in the first half of 2025.²⁷

Others have struggled to translate favourable market conditions into outperformance. The

traditional edge of hedge funds – exploiting inefficiencies and generating unique alpha – is eroding as rapid advances in data analytics and machine learning commoditise the industry. Today, anyone with a computer can emulate specialised, data-driven investment approaches that once distinguished hedge funds, lowering barriers to entry and squeezing returns.

Robust performance of public equities – especially among a few dominant US tech giants – has made it difficult for hedge funds to justify typically high fees and attract capital, driving investor interest to low-cost, passive strategies.

Investors are increasingly questioning the traditional “2 and 20” model – 2 per cent management fee and 20 per cent performance fee – especially after mediocre performance. Extended lock-up periods, sometimes lasting for months or even years, also dampen the appeal.

Notably, the University of California's endowment and pension fund has fully divested from hedge funds. Its Chief Investment Officer Jagdeep Singh Bachher said that during each of the market upheavals in 1999, 2008 and 2020, “hedge funds didn't hedge us”.²⁸



For those seeking true diversification and the pursuit of alpha, hedge funds remain a compelling choice, particularly multi-strategy and systematic vehicles.

These funds are uniquely positioned to deliver uncorrelated returns by flexibly allocating risk across diverse assets, geographies and investment styles, thereby enhancing portfolio resilience in volatile markets. Systematic and quantitative strategies, empowered by advanced research, AI and machine learning, offer the potential to capitalise on fleeting market dislocations and structural inefficiencies.

This combination of sophisticated technology and dynamic risk management enables hedge funds to pursue higher risk-adjusted returns, making them a critical complement to traditional portfolios.

AI in investment: Surrendering control or generating alpha?

AI adoption in the investment industry has now reached a tipping point. Major quant funds like AQR Capital Management, Two Sigma and Winton increasingly rely on algorithms over human judgement.

AQR's co-founder Cliff Asness has said they have "surrendered more to the machines," using AI to guide portfolio decisions and identify market patterns – even without fully understanding why.²⁹

Feng Ji, founder of Baiont, a leading Chinese quant fund, warns that quant managers who fail to embrace AI risk being "eliminated by the market" within three years, underscoring AI's growing importance in staying competitive.³⁰

But AI use is no longer confined to traditional quant strategies. A comprehensive academic review of industry surveys shows a sharp increase in non-quant adoption as AI tools are increasingly embedded into the daily workflow of fundamental long/short equity and event-driven strategies.³¹

Beyond alpha generation, AI promises to save costs and boost operational efficiencies. Norway's USD 1.8trn SWF expects to save roughly USD 400mn annually – about 20 per cent of its trading costs – by deploying AI to trade less frequently but with greater efficiency.³²

AI is also transforming fundamental research. Goldman Sachs Asset Management, for example, uses Natural Language Processing to analyse over 400,000 hours of earnings call audio.³³ By assessing the sentiment from corporate management during these calls, the AI models provide insights into potential future company performance.

1.8 Crypto and digital assets

Digital assets – intangible digital stores of value, including cryptocurrencies, digital tokens, stablecoins and tokenised real-world assets of equities, bonds or commodities, recorded on blockchains – are becoming an increasingly important segment of the alternative investment universe. While still a smaller slice compared with other alternatives, digital assets punch above their weight by constantly dominating headlines and capturing investor and media attention.

Since their emergence at the start of the century, cryptocurrencies have undergone a remarkable transformation. Once dismissed as volatile speculative gambles, they are now entering the mainstream, establishing themselves as credible alternatives to traditional assets like the dollar.

AUM reached a record USD 220bn in July 2025, led by strong inflows into cryptocurrencies – the flagship digital assets.³⁴

Major US banks, from BNY Mellon and State Street to Citibank, have launched or plan to offer crypto custody, trading and blockchain initiatives, responding to growing client demand for long-term growth opportunities. An EY survey shows more than half of investors plan to allocate over 5 per cent of their AUM to cryptocurrencies.³⁵ Almost 80 per cent expect prices to rise, and nearly 70 per cent see crypto as the biggest opportunity to generate attractive risk-adjusted returns.³⁶

Regulatory reforms are reducing uncertainty and encouraging institutional participation. The US GENIUS Act sets transparent rules for stablecoin issuers on reserves, audits and compliance, giving the sector a clear path for growth. Together with the European Union’s Markets in Crypto-Assets (MiCA) regulation, these laws strengthen confidence and support wider adoption.

Powered by a new wave of institutional interest and clearer regulation, Bitcoin hit an all-time high above USD 120,000 in July 2025, rising nearly 50 per cent since the November 2024 US election.³⁷

As market confidence grows, financial leaders are changing their tone. JPMorgan CEO Jamie Dimon, who famously branded Bitcoin a worthless “pet rock” useful only to criminals, has moderated his stance as the bank considers Bitcoin ETFs or crypto-backed lending.³⁸

Stablecoins, digital tokens pegged to fiat currencies or assets, are reshaping global payments.

Issued mainly in dollars on public blockchains and backed by audited reserves, they provide real-time, low-cost alternatives to legacy systems (see Figure 4).

Figure 4: Stablecoins offer capabilities that address limitations of legacy payment systems³⁹

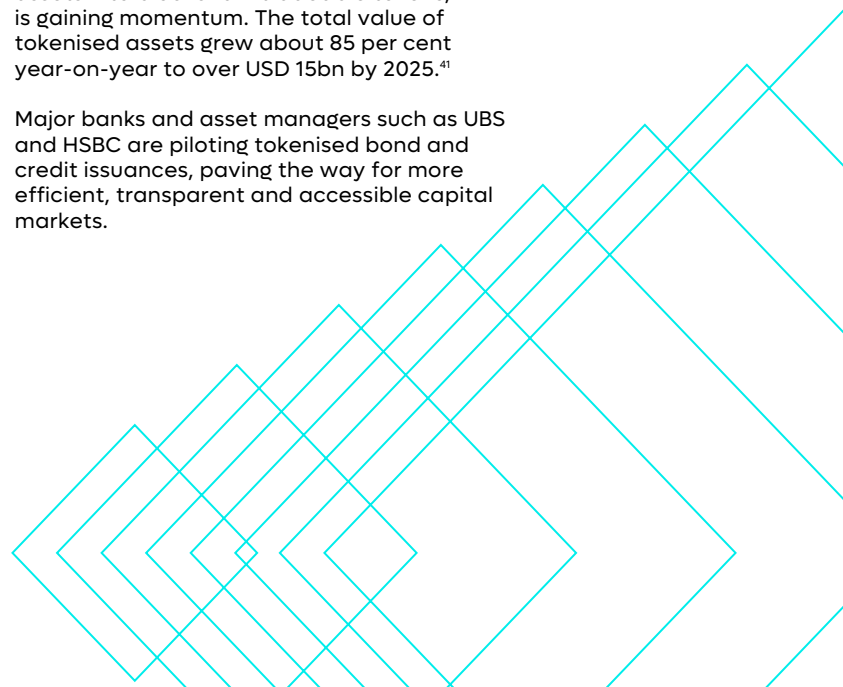
Figure 4: Stablecoins offer capabilities that address limitations of legacy payment systems³⁹

	LEGACY PAYMENT RAILS	STABLECOINS
SPEED	1-5 business days	Near-instant settlement
COST	• International wire: USD 15–50 per transaction • Automated clearing house: USD 0.20–1.50 per transaction • Credit card: 1.5–3.5 per cent of transaction	• <USD 0.10 per transaction
CROSS-BORDER	• Relies on correspondent or domestic banking system; additional foreign transaction (FX) fees	• Borderless, minimal, or non-existent FX fees
AUTOMATION AND PROGRAMMABILITY	• Manual interventions, settlement frictions • Limited API and programmability capabilities	• Fully digital, smart-contract-enabled programmability
SECURITY	• Established banking standards • Employs technology to mitigate fraud risk	• Cryptographically secure and irreversible but catastrophically vulnerable to wallet or key theft risks
TRANSPARENCY	• Limited visibility into transaction steps	• Fully transparent transaction reporting on blockchain
SETTLEMENT RISKS	• Intermediary or correspondent dependency risks	• Peer-to-peer, with no intermediary risks
AVAILABILITY	• Banking hours or days constraints	• Fully operational 24/7/365

Stablecoin supply is estimated at USD 250bn, with usage broadening to cross-border payments, remittances and treasury management. Stablecoins have still considerable room to grow, given they facilitate only about USD 30bn of transactions daily – less than 1 per cent of global money flows.⁴⁰

Tokenisation, which converts real-world assets into blockchain tradeable tokens, is gaining momentum. The total value of tokenised assets grew about 85 per cent year-on-year to over USD 15bn by 2025.⁴¹

Major banks and asset managers such as UBS and HSBC are piloting tokenised bond and credit issuances, paving the way for more efficient, transparent and accessible capital markets.



Interview with Wael Younan, Co-Head of Sovereign Wealth Management, TCW



Mr. Younan serves as Co-Head of the Sovereign Wealth Management group at TCW and Senior Executive Officer (SEO) of TCW Asset Management (DIFC) Limited. In this role, he works closely with sovereign wealth clients globally to deliver differentiated solutions to help address their investment objectives. Prior to joining TCW in 2024, he spent over 13 years at Goldman Sachs in its Asset Management Division, most recently as a Managing Director and Global Co-Head of Strategic Partnerships and Wealth within the Multi-Asset Solutions business. He was previously a Client Portfolio Manager in Goldman's Fundamental Equities business. Before joining Goldman Sachs, Mr. Younan was a Manager in the Risk and Advisory Services practice at KPMG LLP. Mr. Younan is Vice President and Treasurer of the Board of Directors of Exhale to Inhale,

a non-profit organization that works to empower survivors of domestic violence through yoga. He earned his BA at the American University of Beirut and MBA at American University in Washington, DC.

→ How are sovereign investors approaching alternatives in today's environment?

Sovereign investors are leaning more actively toward alternatives as they seek diversification and resilience in an environment of market volatility, persistent US inflation and geopolitical uncertainty. Traditional fixed income and broad equity strategies no longer provide the breadth that is needed, so sovereigns are placing greater emphasis on assets that can provide inflation hedging, deliver yield, or are uncorrelated to traditional markets.

The approach is more disciplined than in past cycles. Sovereigns view alternatives as a structural, not tactical, component of their portfolios, and are deploying capital with sharper selectivity around themes. Alternative credit, in particular, has matured into an USD 7.6trn market and continues to expand. What began as a tactical yield play has now become a strategic allocation. Many sovereigns are carving private credit out of the PE

bucket - either creating a distinct private credit allocation under the alternatives umbrella or sometimes combining it with liquid fixed income into a broader credit allocation.

Private credit is navigating a period of meaningful stress as it matures into a scaled asset class. Stress is evident in rising Payment-in-Kind (PIK) interest, maturity extensions and covenant breaches. For investors, that dispersion creates both risk and opportunity. At TCW, we believe we're entering one of the most interesting periods for private credit but also one where discipline matters more than ever. Our long history in credit has taught us that resilience is built through rigorous underwriting and patient deployment.

SWFs are looking for differentiated and tailored exposures – customised solutions that mix public and private credit, or seeding opportunities that deliver GP economics. Asset-backed finance is drawing particular attention, as it underpins critical sectors in the economy such as consumer finance and small business lending.

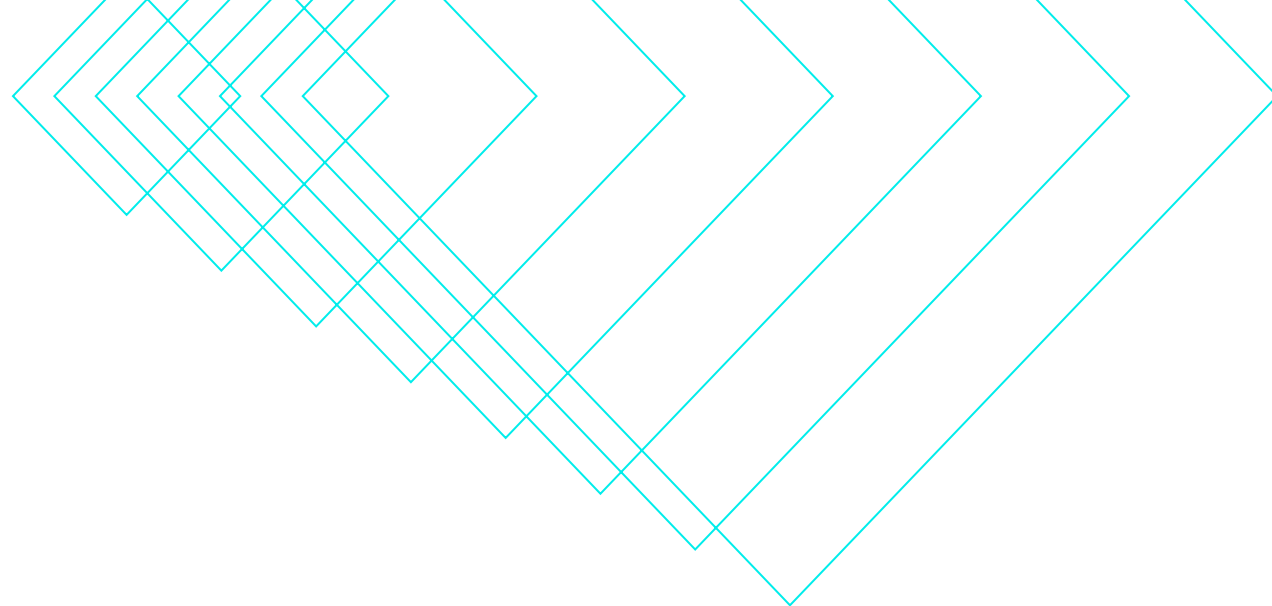
SWFs are mindful of liquidity and volatility in alternatives, so they are prioritising strategies that can withstand

market stress without forcing premature exits.

→ How do you expect SWFs to approach opportunities in emerging markets over the next one to three years?

To give you the headline answer, SWFs are likely going to continue increasing their exposures to emerging markets, but in a more selective and strategic way. The breadth and depth of emerging markets, combined with attractive valuations, provide ample opportunity to generate alpha through active overweights and underweights even as tariff wars remain the top risk to the global economy. Emerging market economies should benefit from looser global monetary policy, supply chain realignments, improving inflation trends and prudent domestic policies. While emerging market economies aren't expected to fully avoid the projected slowdown in global growth, we see areas of strength in countries with solid domestic fundamentals supported by prudent economic policies.

Debt markets, both hard currency and local, will be important. Local currency bonds are becoming more attractive as yields rise, though allocations will



likely be paired with hedging strategies. Beyond debt, SWFs are eyeing real assets and infrastructure in emerging markets in various sectors.

We at TCW note emerging market debt – sovereign, corporate and local currency – has outperformed many developed market peers. We remain optimistic about the growth prospects for emerging markets over the medium term due to several factors, including looser monetary policies in major economies, the potential for continued dollar weakness (although at a slower pace than experienced in H1 2025), shifts in global trade patterns marked by increased diversification and intra-emerging market flows, and a rebound in investment due to the likely realignment of supply chains. Opportunities exist in both emerging market debt and equity, particularly in regions benefiting from stronger commodity trends, policy improvements and currency tailwinds.

Regional selectivity will define this next phase, as markets with more stable governments will be prioritised, while riskier or less transparent markets will be approached with caution.

→ **With digital assets and tokenisation moving into the mainstream, are SWFs beginning to explore this space within their broader alternatives portfolios?**

There has been a small but noticeable increase in SWFs assessing direct investments in digital assets compared with a few years ago. In the GCC, for example, some sovereigns have invested in blockchain or crypto startups. That said, digital assets, including stablecoins, still face significant regulatory and institutional adoption hurdles. They are not yet seen as replacements for traditional reserve assets and remain more peripheral, optional exposures rather than core allocations.

Tokenisation is an emerging theme, but not yet embedded at scale. Still, we see it as part of the next wave of democratisation in finance. Just as ETFs and index funds opened markets to millions, tokenisation could allow investors to own a fraction of a skyscraper, a vintage car, or a private credit pool, bringing alternatives to the mainstream.

→ **How do you see SWFs leveraging technology and data analytics to enhance investment decision-making and risk management?**

That is going to be quite interesting. Just looking at AI alone, the number of meetings where AI has been mentioned, across both sovereign and non-sovereign contexts, has been striking over the past year. It's going to remain a topic of interest globally.

We think sovereigns will look at it both directly, through allocations, and indirectly, primarily via liquid strategies.

At TCW, we consider AI and power as part of a set of thematic or opportunistic investments that sovereigns can access and will be increasingly relevant going forward.

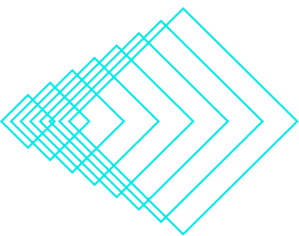
→ **Looking ahead, which sectors or themes do you believe will be most compelling for sovereign investors seeking long-term, resilient returns?**

SWFs, like other asset allocators, are navigating a period of heightened volatility and structural change, making the search for durable, long-term

themes more important than ever. In conversations with allocators, the focus is increasingly on sectors and strategies that balance resilience with growth potential, and that can withstand cycles while capturing secular trends. By nature, they are long-term allocators, and we see several themes standing out:

First, rebuilding allocations to fixed income: sovereigns are attracted by the higher yields on offer, relative value versus equities, and the need to rebalance portfolios. Bonds remain a core stabiliser, and despite higher rates, fixed income provides both income and diversification. What's interesting is that we are seeing a barbell approach to their fixed income exposure, with high-quality liquid bonds on one side and higher-yielding strategies in both public and private securitised and credit on the other.

Second, private credit: this is here to stay. Sovereigns will continue to allocate, but with greater selectivity in terms of managers and exposures. We also expect to see more interest in asset-backed financing, special situations and rescue financing.

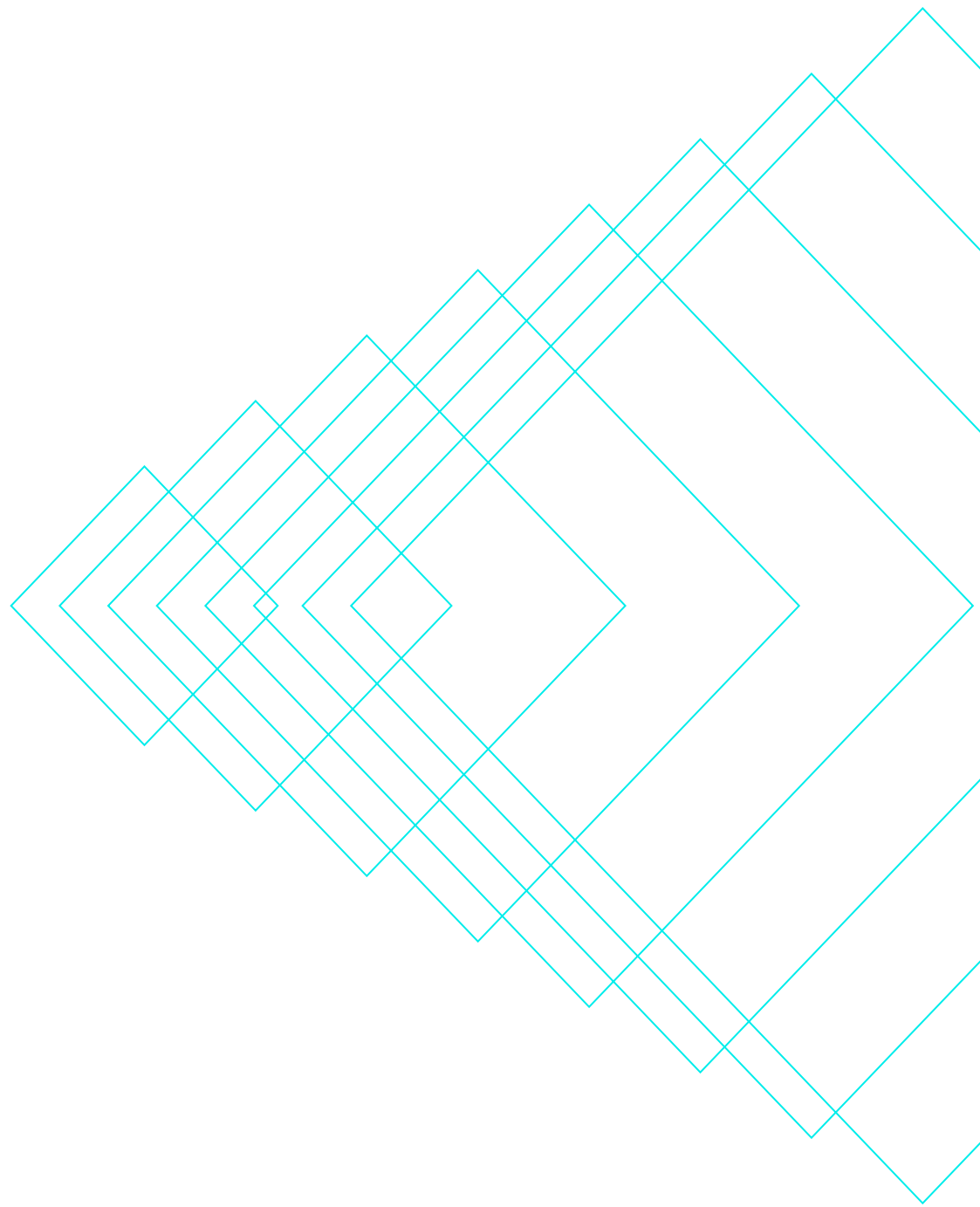


Third, capturing alpha through thematic and opportunistic equities. We see interest in opportunistic and thematic equity investments focused on identifying transformative secular trends that will drive change, and therefore investment opportunity, over the next decade. There are several PE and VC funds that focus on these areas. SWFs want to take advantage of some of these long-term, secular themes in their liquid portfolios as well. In this environment of rising volatility and global fragmentation, we believe the most durable opportunities are being shaped by structural forces, not just cyclical ones. And two of the most powerful forces today are AI and the infrastructure required to power it. Power and AI are two key investment themes, with electrification driving structural demand and AI reshaping productivity, infrastructure and capital allocation.

Blended public-private structures are particularly attractive because they can be tailored to sovereign needs by offering enhanced yield, diversification and tactical flexibility. For example, a mandate may combine liquid fixed income for stability with private credit or infrastructure for higher return potential.

We're leveraging TCW's investment platform to deliver integrated solutions across public and private markets. The traditional divide is dissolving. Borrowers and investors now toggle between capital sources in real time, and TCW is architecting the structures that make that possible. The trend is also toward customised vehicles rather than pooled funds, enabling sovereigns to exercise greater governance, align terms more closely with their objectives and capture economics in ways that mirror their scale and influence.

At TCW, we've been supporting sovereign clients for more than 40 years, managing assets in the region since the 1980s. That long track record positions us well to continue partnering with sovereigns globally, wherever they are in their capital structure and capital needs.



Interview with James Allan, CEO, Middle East & Africa, JLL



An industry veteran with two decades of experience in real estate across highly competitive markets, James Allan, CEO of JLL in the Middle East and Africa (MEA), is responsible for leading the company's 1,650 employees to drive growth across key business lines, elevate service offerings and deliver top-tier advice and high-quality work for clients throughout the region.

Prior to his current role, James was the Country Head of JLL in Indonesia. In this capacity, he was instrumental in steering strategic decision-making and operations for the business in the country. Having worked for over 17 years in Asia, James first made the transition to Shanghai from London in 2006 and later to Jakarta in 2018. His deep-rooted expertise in real estate encompasses diverse areas, including leasing, residential, capital

markets and tenant representation. Before his tenure in Indonesia, James was heading the Office Leasing Advisory for JLL's Shanghai office where he was also a Tenant Representation specialist. Notably, he also held a significant position as a Board member for JLL Asia Pacific's Leasing and Tenant Representation.

James, who has an MSc in Real Estate Appraisal from the University of Reading, is also a certified Fellow of the Royal Institution of Chartered Surveyors (FRICS) and holds several additional certifications, including LEED Green Associate, SFA Securities Representative and an ACI Pre Diploma in Foreign Exchange Money Markets.

→ What are the most significant global trends impacting real estate and infrastructure as alternative asset classes?

The accelerating pace of digitalisation and AI adoption is a key global trend that is fundamentally reshaping demand in the Middle East and Africa's (MEA) real estate sector. Government initiatives supporting data sovereignty and smart city ambitions are catalysing demand for specialised assets like data centres and logistics facilities. Fueled by the rise of 5G networks and the increasing

adoption of AI, the MEA data centre market is projected to grow to USD 9.61bn by 2029.

Secondly, the ongoing focus on sustainability and ESG considerations has made these central to investment decisions. Investors are increasingly prioritising real estate assets with strong green credentials and climate resilience. This trend is directly influencing capital flows and asset valuations.

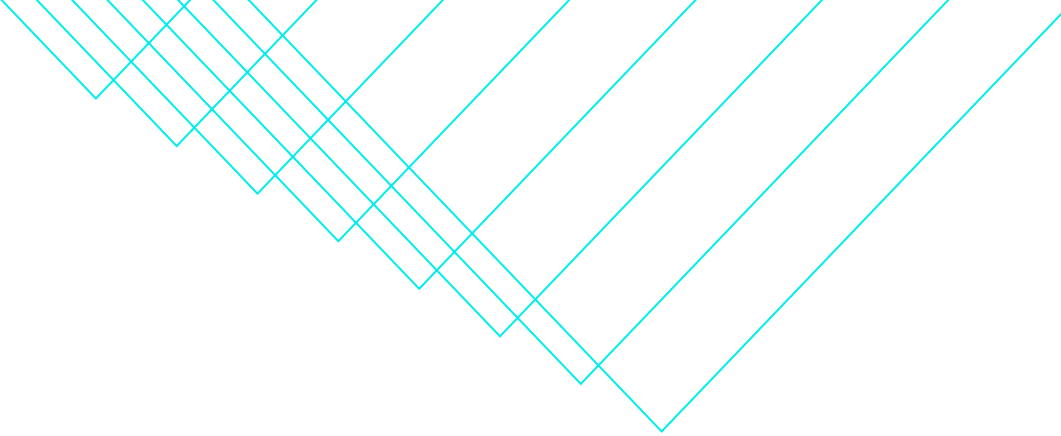
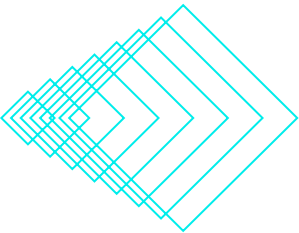
Thirdly, geopolitical shifts and evolving trade policies are introducing both uncertainty and new opportunities, requiring agile investment strategies. While these can create headwinds, they also spur localised growth and diversification efforts.

Finally, demographic shifts and urbanisation continue to drive demand for diverse asset classes, including living and specialised logistics, especially with the ongoing concentration of populations in urban centres and evolving lifestyle and consumption patterns. These trends collectively demand adaptive and forward-looking investment approaches to secure long-term value, significantly impacting alternative real estate and infrastructure.

→ How is Dubai's real estate market evolving? What makes it attractive to international investors?

Dubai's real estate market has demonstrated remarkable resilience and dynamism and is now attaining enhanced maturity as it progressively becomes more institutionalised. This is evident with the emirate setting record activity in capital markets in 2024. This evolution is driven by strong macroeconomic fundamentals, including projected GDP growth and future-focused government strategies like 'We the UAE 2031', aimed at fostering economic diversification and strategic infrastructure development. The market's attractiveness to international investors stems from several factors – a compelling narrative of growth and opportunity, a focus on digital connectivity and ongoing urbanisation. The high quality of life in Dubai attracts a diverse expatriate population and global talent, fuelling consistent demand for upscale residential and commercial properties.

Crucially, Dubai is seeing a shift beyond traditional real estate segments, with alternative assets like data centres and last-mile logistics increasingly integrated into developments. The ongoing investments in advanced



infrastructure and sustainable urban planning position Dubai as a potential market for competitive rental yields and strong capital appreciation, particularly in prime locations and emerging growth corridors. This blend of strong government support, economic diversification and a maturing, institutionalised market makes Dubai a highly appealing destination for global capital.

→ **With surging demand for data centres and AI-related infrastructure, how do you see these assets reshaping the real estate investment landscape? What opportunities do you see in the UAE specifically?**

As the applications of AI, cloud computing and data-intensive applications expand across nearly all industries, global economies are scaling digital infrastructure, creating new asset class priorities. This rapid expansion is driving the establishment of hyperscale data centres, which are creating new tech hubs and catalysing broader real estate development to accommodate the needs of a growing skilled workforce. The sector's high growth is creating long-term investment opportunities across housing, office and industrial spaces, hotels and retail developments.

In the UAE, the data centre landscape is evolving at an unprecedented pace, supported by the UAE's AI strategy and [Dubai's Strategic Vision for the Data Center Economy](#). The focus on data sovereignty and smart city development further fuels this growth, creating a robust ecosystem for data centre development in the country.

For investors and stakeholders, this presents a compelling investment opportunity, and more market players are considering them as a viable investment option that aligns with the region's digital transformation journey. While it allows for diversification of portfolios away from traditional real estate, the very nature of data centres as mission-critical infrastructure with high anticipated financial return on investment (ROI), appeals strongly to investors looking for stable and predictable income streams.

→ **Are you seeing shifts in the types of investors entering real estate and infrastructure markets? How are their risk appetites or strategies evolving?**

Yes, there is a noticeable shift as traditional institutional investors are increasingly diversifying their portfolios

to include asset classes like data centres, logistics and living, recognising their long-term growth potential and resilience. There's also a growing influx of capital from private equity and sovereign wealth funds and family offices, often seeking higher yields for niche or value-add opportunities.

The risk appetites of investors are becoming more nuanced. While global challenges persist, savvy investors are demonstrating a willingness to engage with markets that offer strong fundamentals and clear growth narratives, such as the MEA region.

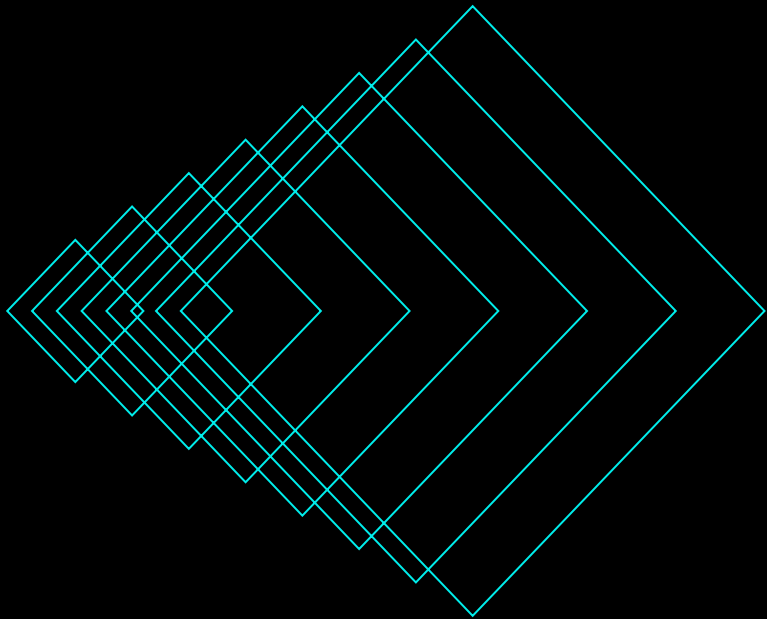
Strategies are evolving to prioritise assets that align with megatrends like digitalisation, sustainability and urbanisation. This includes a greater focus on operational efficiency, technological integration and ESG compliance. Investors are also increasingly looking for opportunities in less traditional sectors and are more open to public-private collaborations to mitigate risk and unlock new development avenues.

→ **What role do you see real estate and infrastructure playing in investors' broader alternative asset allocations over the next one to three years?**

As traditional asset classes face volatility and lower yields, the stable, income-generating potential and diversification benefits of real estate and infrastructure become even more attractive to investors. We anticipate a continued shift towards alternative and emerging assets like data centres and industrial logistics, driven by structural demand changes from e-commerce, AI and evolving demographics. Investors will increasingly allocate capital to these sectors, recognising their essential role in the digital economy and urban development. Additionally, the growing emphasis on sustainability and ESG will continue to fuel investments in green and resilient real estate and infrastructure.

While global economic policies and trade tariffs may present headwinds, the long-term growth drivers in regions like MEA are expected to remain positive in H2 2025. Government initiatives and ongoing strategic investments will further solidify real estate and infrastructure's position as a core component of diversified alternative portfolios, offering both capital appreciation and stable returns.

2. **Emerging markets:** Driving growth and opportunities in alternatives



2.1 Emerging markets' unique offering of alternative opportunities

Emerging markets offer compelling reasons for superior returns in alternative investments, presenting structural advantages that go beyond familiar economic statistics.

Many emerging market economies enjoy faster GDP growth than developed markets underpinned by dynamic, youthful populations that drive robust consumption, productivity and labour force expansion. On average, emerging markets are outpacing developed peers by 2-3 percentage points, a gap that is expected to persist in the coming years.⁴²

This momentum is shifting global economic power eastward and driving long-term needs for infrastructure, real estate and financial and tech services – prime areas for alternative investments.

Many emerging market governments are also stabilising inflation and promoting prudent fiscal and pro-business policies designed to attract international capital.

Importantly, emerging economies are not just consumers of global capital: they are also increasingly incubators of innovation, particularly where local solutions are needed for sustainability, infrastructure and technology adoption. Because their capital markets are less mature than those

in advanced markets, many high-growth opportunities – especially in technology and sustainability – never make it to a stock exchange.

For example, emerging markets trade at price-to-earnings ratios of around 15, well below developed counterparts.⁴³ This persistent valuation discount reflects that many innovative companies rely on patient private capital to fuel long-term growth and innovation.

This makes alternatives not just a supplement to public exposure, but the primary route into emerging markets' real economy for investors.

Take infrastructure. A number of emerging market cities are expanding faster than roads, power grids and data networks can be built, creating infrastructure deficits that are estimated to require as much as USD 10trn of investment by 2040.⁴⁴

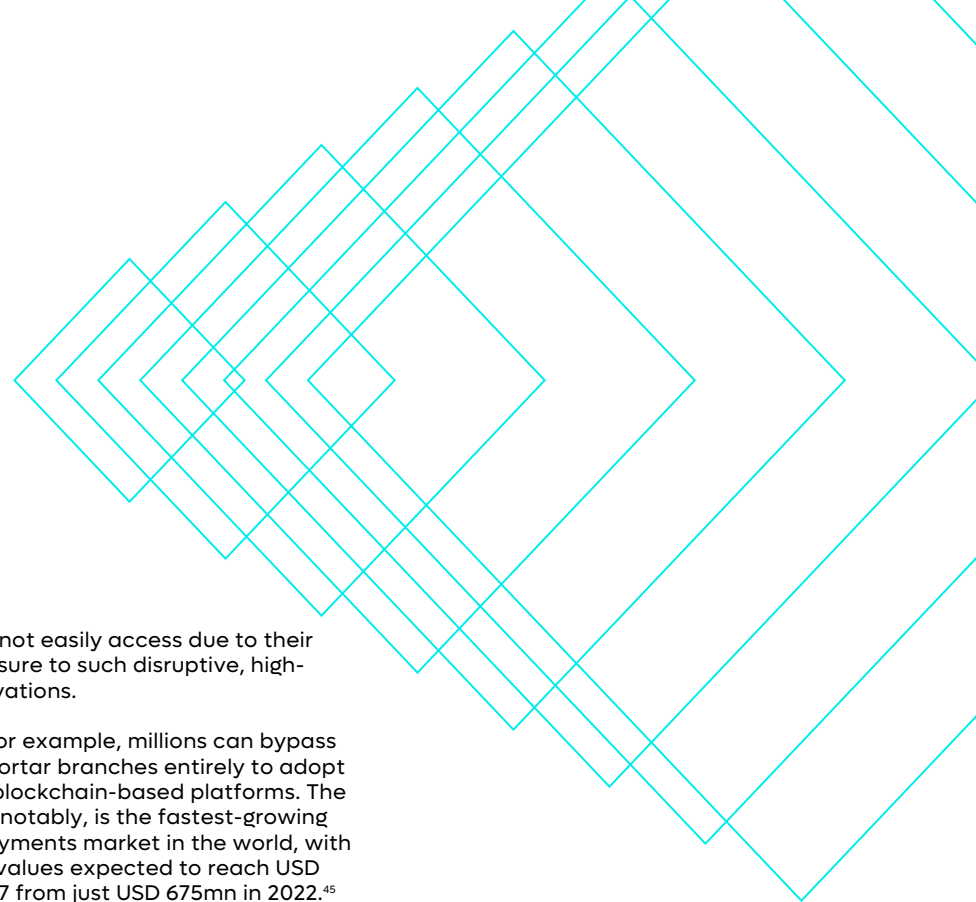
Fortunately, advances in technology and AI allow these countries to skip over legacy systems. This leapfrogging accelerates a broader shift in economic power from West to East, enabling emerging markets to adopt cutting-edge technologies more quickly than many developed markets. It offers opportunities that are uniquely accessible in the alternatives market, ones that public

markets cannot easily access due to their limited exposure to such disruptive, high-growth innovations.

In banking, for example, millions can bypass brick-and-mortar branches entirely to adopt mobile and blockchain-based platforms. The Middle East, notably, is the fastest-growing real-time payments market in the world, with transaction values expected to reach USD 2.6bn by 2027 from just USD 675mn in 2022.⁴⁵ Mobile payment solutions like UAE-based Careem Pay – which remains a private company – are rapidly expanding.

A similar leap is underway in the fight against climate change. In the UAE, for example, large-scale solar projects and AI-powered tools are optimising power usage and lowering emissions.

This so-called greenfield advantage – adopting novel solutions from scratch and accelerating progress – makes emerging markets ideal test beds for new solutions in FinTech and climate, and for investors providing patient, long-term capital who in turn gain access to attractive, uncorrelated returns and exposure to fast-growing sectors.



2.2 Dubai: A premier gateway into alternatives

As global investors seek attractive opportunities in alternatives, many naturally look to emerging markets for attractive growth. But regulatory complexity, governance gaps and operational risks have posed real challenges, turning them away from investing directly in these markets.

This is where Dubai steps in. It combines the transparency and protections of developed financial centres with direct access to high-growth economies and industries, making it an attractive gateway where alternative investors feel confident bridging the two worlds and structuring, deploying and scaling alternative investments across emerging markets.

Dubai is already a magnet for regional and global capital, with deep sovereign and private pools of wealth, providing direct access for investors and managers rather than them pursuing it across disparate markets. Highly skilled professionals from across the world are motivated to relocate to Dubai and help deploy this capital, adding depth and expertise to the ecosystem and strengthening its role as a hub for alternative investments. Crucially, because many emerging markets are still relatively shallow, the potential gains for early entrants are larger – a key attraction for alternative investors seeking outsized opportunities. This is combined with the hallmarks of

developed market infrastructure, safety and governance, all at the heart of some of the fastest-growing emerging markets.

Consider the journey of a European family office or a private credit fund manager. They are attracted by emerging growth potential, but often wary of fragmented legal systems and opaque governance. For them, Dubai offers a strikingly different experience: transparent, internationally aligned regulation and a robust governance framework anchored in DIFC. Ranked 11th in the 2025 Global Financial Centres Index alongside London and New York, Dubai gives investors confidence and easy access to the world's most promising emerging markets, including the Middle East, Africa and South Asia (MEASA).⁴⁶

Beyond its location between East and West, DIFC's legal and structural frameworks rival, and in some cases surpass, those in leading financial centres in developed markets: adaptive, internationally aligned regulations, transparent governance and robust investor protections.

The Centre offers regulatory certainty and operational clarity which the global alternative industry demands. Managers based in DIFC can operate with the same confidence and predictability investors expect in top-tier developed markets – an

advantage rare to find in regions linked so directly to emerging market growth.

The Dubai Financial Services Authority (DFSA), DIFC's independent regulator, has introduced a mandate to promote financial services, particularly alternatives like hedge funds, private credit and crossover strategies, through reforms that improve fund structuring, compliance and risk oversight, making DIFC a magnet for alternative managers.

Looking ahead, DIFC's planned introduction of Variable Capital Company Regulations in 2025 will enhance investment structuring and asset management flexibility – key benefits for alternative fund managers seeking efficient vehicles to deploy capital across diverse and complex strategies. Legal updates through the DIFC Laws Amendment Law will align security, insolvency and employment laws with global best practices.

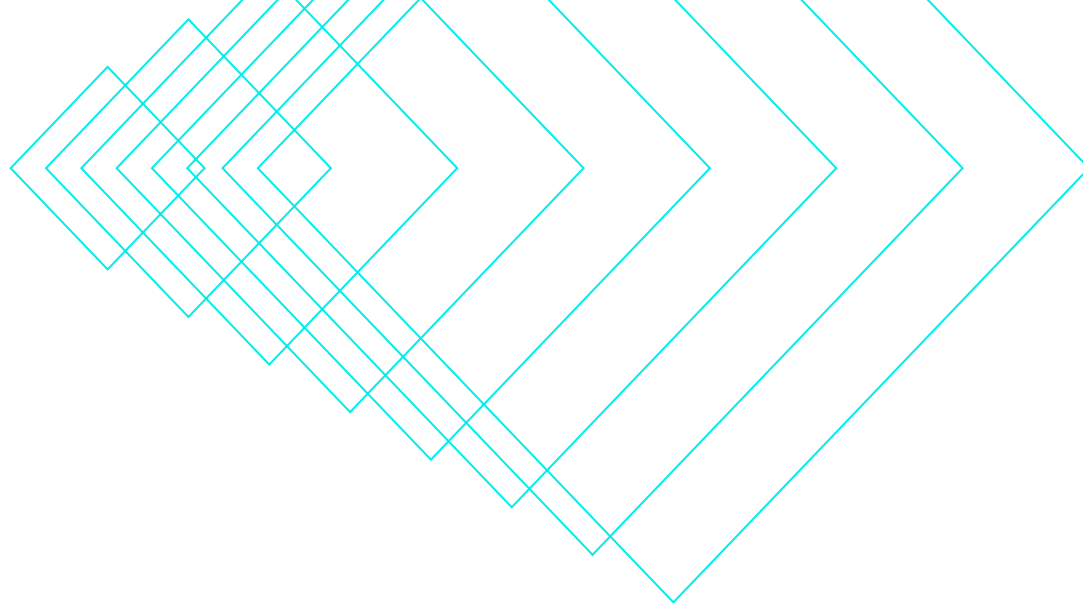
DIFC gives investors powerful tools for efficient cross-border investment. These include investment holding companies (legal entities which own and manage shares or assets in other companies), Special Purpose Vehicles (SPV, separate legal entities that isolate financial risk or act as a dedicated vehicle for a particular investment) and dedicated family office structures (tailored legal and operational frameworks to manage multi-generational wealth).

These structures are especially relevant for alternatives, providing the necessary legal and operational frameworks to accommodate sophisticated investment strategies, risk management or succession planning within the rapidly evolving global alternative industry.

For example, a European family office wishing to back tech start-ups across the Middle East and Asia can use a DIFC SPV to pool investments efficiently under one structure and in a tax-neutral environment – free from corporate income or capital gains tax, or withholding tax on dividends and profits – while applying consistent governance.

Dubai's world-class physical and digital infrastructure augments its role as a gateway to the region's fast-growing markets. Notably, its major investments in 5G wireless networks, fibre-optic broadband and cloud data centres build a tech-rich backbone that supports FinTech startups and innovation for alternative asset platforms, including blockchain fund administration.

It is beneficial for managers and investors too. A private credit fund based in DIFC, for instance, can use blockchain-enabled fund administration to record investor subscriptions, capital calls and distributions



on a transparent ledger, reducing admin costs, meeting compliance requirements and enhancing investor trust – all running on Dubai's secure, high-performance cloud infrastructure.

Together, these advantages make Dubai a gateway into alternatives: a hub where regional and global capital converges, backed by deep sovereign and private pools of wealth. It attracts motivated global talent to help deploy this capital, while offering investors the protections, governance and infrastructure of a developed financial centre, connected directly to high-growth, high-opportunity emerging markets.

DIFC Funds Centre: Reinventing fund management

The DIFC Funds Centre, launched in the first quarter of 2025, is a purpose-built facility for hedge funds, asset managers and boutique investment firms looking to grow and shape alternative investments in the region. This first-of-its-kind dedicated ecosystem has no comparable alternative elsewhere.

The Centre offers physical office space designed with the sector's needs in mind. It provides 24/7 secure access for managers working across time zones, enhanced privacy measures such as soundproof meeting rooms and controlled entry points, in which strategies can be discussed in confidence, ergonomic layouts and flexible work environments such as shared desks. These features help accommodate rapidly changing operational demands and propel growth in innovation and alternatives.

But its value lies beyond the walls of the office space. The Centre fosters informal, peer-to-peer interactions to encourage fund managers and asset professionals to share insights and exchange views on market sentiment or regulatory shifts. This allows them to better capture the "zeitgeist" of the market, while still protecting the confidentiality that the industry demands.

In addition to community, the DIFC Funds Centre brings practical advantages that resonate with fund managers. Its accelerated time-to-market allows firms to establish and launch new funds or strategies in a fraction of the usual timeframe, positioning them to act swiftly

on opportunities. Its plug-and-play model provides managers with immediate access to the infrastructure, services and regulatory clarity, ensuring operations can begin with minimal friction. Built-in operational flexibility also enables managers to adapt and scale as strategies evolve.

This initiative is part of Dubai's strategy to attract more fund managers and boost its financial services industry. And the results are clear: the number of hedge funds in DIFC grew 72 per cent to a record high of 85 at the end of the first half of 2025. Newcomers such as RV Capital and Silver Point Capital have chosen DIFC alongside established giants like Millennium and Point72.

As of 30 June 2025, DIFC is home to over 440 asset and wealth management firms – including 85 hedge funds, 69 of which manage over USD 1bn. Collectively, these make up the region's largest cluster of alternative investment and asset management firms. Additionally, over 10,000 funds are being managed or marketed from DIFC, reflecting the depth of the ecosystem.

While other global financial hubs may offer similar services, DIFC aims to stand out as a launchpad for capital deployment into global markets by providing a tailored, all-in-one platform built around the unique dynamics of fund management.

Interview with Chiara Chabanne, Senior Executive Officer and Portfolio Manager, Hudson Bay Capital



Chiara is a Portfolio Manager and SEO at Hudson Bay Capital Management (DIFC) Ltd where she runs a Long/Short Equity strategy focused on global consumer and consumer-related sectors. Prior to joining Hudson Bay in June 2023, she spent three years as a Portfolio Manager at Schonfeld Strategic Advisors and was a Partner and Portfolio Manager at Moore Europe Capital Management. She began her career in the Equity research department at JPMorgan, most recently covering the general retail sector. Mrs. Chabanne graduated cum laude with a BA in Business and Management of Industrial Companies from Università Commerciale Luigi Bocconi.

→ **What are the most significant global trends currently shaping hedge fund and alternative investment strategies?**

Traditionally London and New York have been the world's leading financial centres. But with the emergence of the Middle East, we are seeing a seismic shift in where and how asset managers do business. They aren't just heading to Dubai for tax and lifestyle. There is a serious financial ecosystem being built here to rival the established centres. That means new investment opportunities and sources of capital. As an investment professional, it's an opportunity to be part of a generational shift in the global financial system, one that I think will only accelerate in the years to come.

→ **What unique advantages does Dubai present for hedge funds, and how do these compare with traditional financial centres such as New York or London?**

Everything here is frictionless. Setting up an office was extremely easy. Hudson Bay Capital received the license to operate in just five weeks. It was unbelievably efficient. London and New York's big advantage is their legacy – market infrastructure and talent built up over generations. But the exciting thing about Dubai is that it is building a world-beating financial ecosystem from the ground up. That means that it's able to learn the lessons of the older financial systems and implement

technology to make things easier.

And it's not just the financial system that is growing. Dubai is becoming a burgeoning centre for AI and infrastructure projects. There is incredible potential for our firm Hudson Bay to grow alongside wider economic and technological development in the region.

→ **How do you see the adoption of AI and other emerging technologies influencing investment decision-making?**

Even in its early stages, AI is already impacting investment research. Every market data provider is rapidly implementing machine learning to its data to deliver greater insights to investment professionals, and funds are starting to build their own bespoke systems. Modern day investors are swamped by information. AI can help filter out the noise and allow you to focus on actionable investment ideas.

And it's not just the investment tools that are useful. Efficiency saving software that summarises emails or plans calendars gives junior analysts and fund managers alike more headspace to focus where it counts – on the markets.

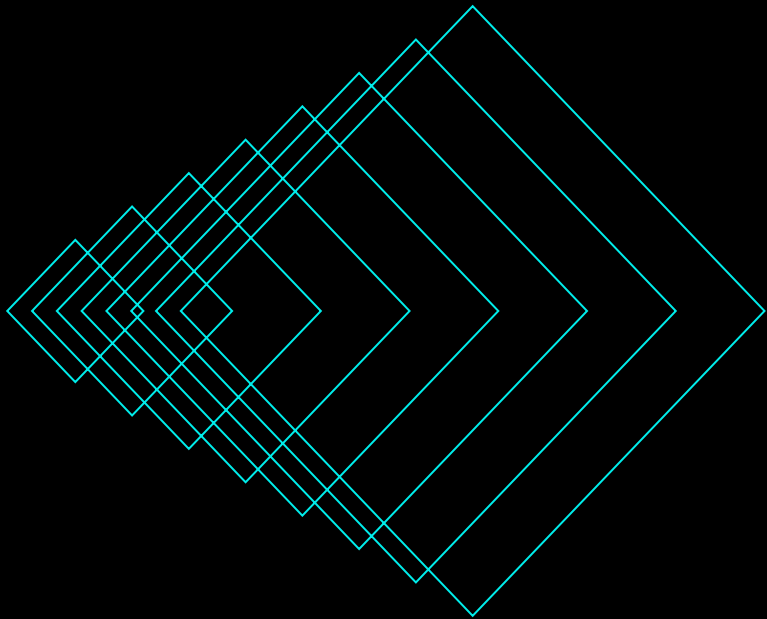
→ **How are investor priorities around ESG and sustainable investing evolving within alternative assets, and what role is Dubai playing in driving growth and innovation in this space?**

For some investors, ESG remains a key factor in allocation. Dubai has made its commitment to ESG principles clear, encouraging improved reporting from market participants and encouraging local investors to think about this too. Leadership from a market body like DIFC puts sustainability front and centre in investors' minds.

→ **Looking ahead, which sectors or asset classes do you see offering the most compelling growth opportunities??**

We are in a period of immense change – from geopolitics to technology. We still don't fully know how the AI revolution will change business, or how global relations will be recast in the immediate future. The trick though is not just riding the wave of the moment, but doing it again and again. We are an international firm, which means that we have expertise from across the world collaborating on opportunities across markets. In the UAE, we span Asia and Europe, providing us access to a huge tranche of the global economy.

3. **The future frontier of alternatives:** Crypto assets and digital economy



3.1 Tokens of change: Deepening emerging market alternatives with digital assets

Emerging markets stand at the forefront of a new financial era. From stablecoins and tokenisation to decentralised finance (DeFi), digital assets represent more than just tech trends; they signal a fundamental shift in how value is created.

By deepening alternative investments through digital assets, emerging markets are pioneering new ways to generate growth, unlock liquidity and expand access to capital in ways that traditional finance markets cannot match.

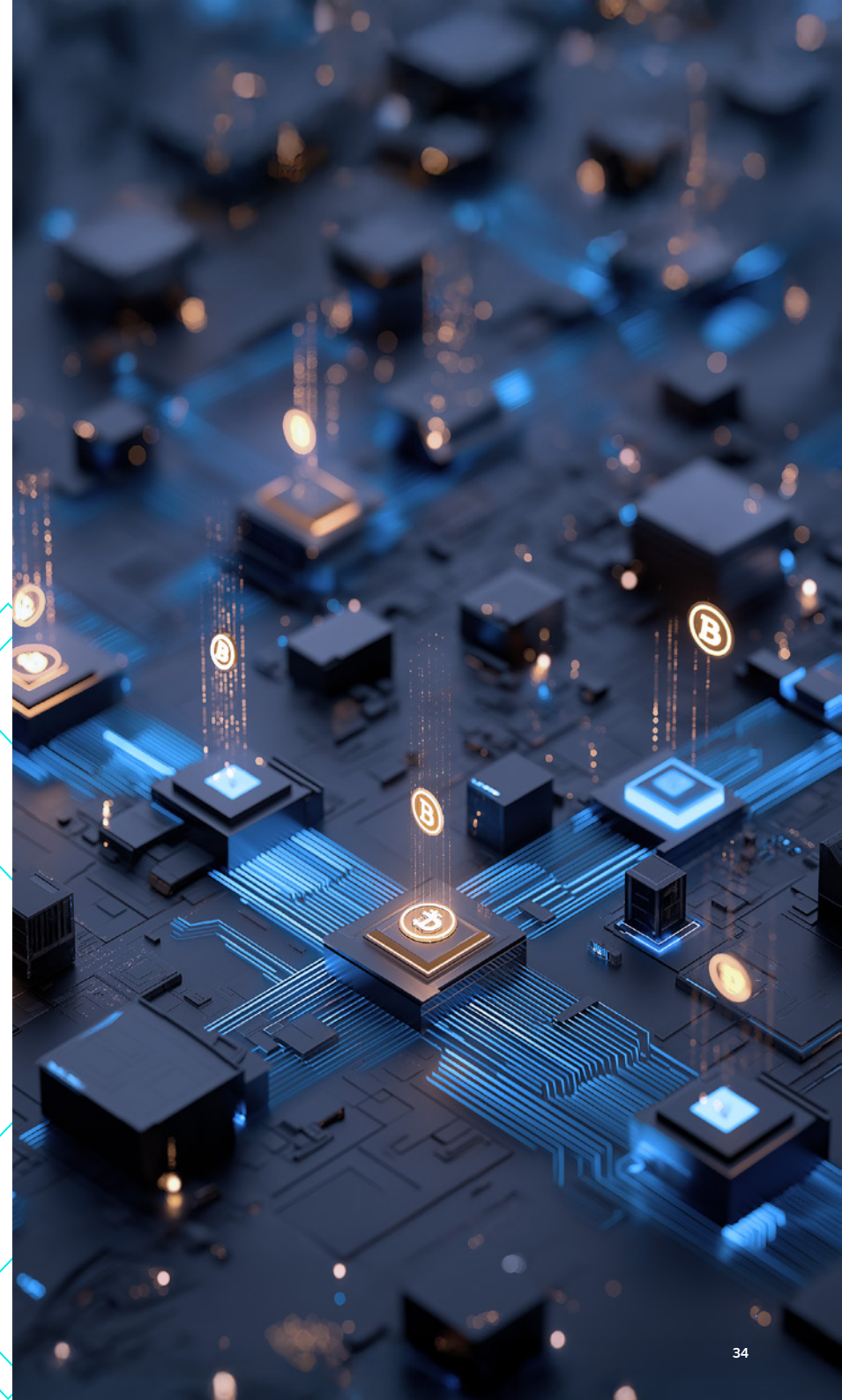
For more advanced emerging markets in the Gulf and Asia, crypto and digital assets are becoming viable alternatives to traditional investments, fuelling economic diversification, widening access to capital and unlocking long-term value that conventional stocks and bonds often cannot match.

Crucially, digital assets allow emerging markets to compete on the strength of ideas, innovation and intellectual capital, rather than purely on the size of their economies or market capitalisation of established companies – which are often backward-looking indicators that fail to capture future growth potential and emerging sectors.

Digital assets can lay the groundwork for entirely new industries in FinTech, blockchain

infrastructure, digital commerce and tokenised asset markets – industries that are borderless by design and capable of attracting both global investment and top-tier talent.

As Apple co-founder Steve Jobs has famously said: “Innovation distinguishes between a leader and a follower.”



3.2 Emerging markets: Leading architects of the next era of global alternatives

Building on this strategic trend, a group of advanced emerging economies are taking the lead in shaping the future of digital finance – which forms an increasingly integral part of the broader alternative market. Their focus on innovations like DeFi and tokenisation offers the promising growth potential that is attracting global investors. This leadership reflects both a recognition of a shift in the global economy where the engine of growth and innovation moves from West to East and a deliberate strategy to capture a strategic advantage.

DeFi – characterised by automated smart-contract trading, tokenised assets and real-time settlement – is central to this evolution. By applying DeFi to traditional financial instruments such as bonds, foreign exchange and funds, emerging markets set the rules, while their developed counterparts lag. This edge positions them strongly in the booming alternatives industry (see Chapter 1) and attracts top banks, asset managers and HNWLs.

At the same time, opportunities emerging from this investment – from tokenised private credit to blockchain-facilitated infrastructure financing – offer new avenues for global alternative investors seeking market access, uncorrelated returns and enhanced transparency.

Emerging market governments are deploying capital directly into digital assets. For example, Dubai’s property regulator Dubai Land Department (DLD) is actively investing in blockchain and digital asset initiatives, partnering in 2025 with Crypto.com.

Their investments are not mere opportunistic bets – they are woven into national and institutional portfolio strategies, often backed by partnerships with global alternative investors. The effect is clear: their participation is bringing institutional legitimacy to what was once an experimental market, accelerating mainstream adoption.

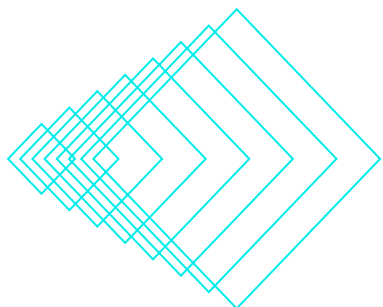
Emerging market financial centres have outpaced their developed counterparts in building environments to promote digital asset innovation.

In contrast to the US, which has only recently begun piecemeal regulation, emerging centres have established purpose-built regimes for years (see Figure 5), giving them decisive first-mover advantage.

Figure 5: **Crypto regulation at a glance** ⁴⁷

Figure 4:
Crypto regulation at a glance ⁴⁷

	REGULATORY FRAMEWORK	REGULATORY FOCUS	SPEED OF REGULATION
US	GENIUS/CLARITY Act (July 2025)	Investor protection, risk management, legal clarity, risk cautious	Catching up fast
UK	Full crypto framework under consultation		Moderate, final rules expected in 2026
EUROPEAN UNION	Markets in Crypto Assets Regulation (went into force in 2025)		Completed in 2025
UAE	Emirates Blockchain Strategy (2018), VARA (formed in 2022)	Pro-business, pro-innovation, clear licensing, investor protection	Fast
SINGAPORE	Updates to Payment Services Act (2019), Financial Services and Markets Act (2022)	Pro-business, pro-innovation, clear licensing, investor protection	Progressive
HONG KONG	Virtual Asset Trading Platforms Licensing (2022), Stablecoins Ordinance (2025)	Investor protection, market integrity	Moderate



Dubai, through the Virtual Assets Regulatory Authority (VARA) and DIFC, has established detailed licensing regimes, specialist dispute resolution mechanisms and regulatory clarity for everything from stablecoin reserves to capital requirements.

These frameworks give the ability to operate under robust standards with regulatory certainty and a predictable compliance path – advantages still lacking in many developed economies. They also instil greater confidence in alternative investors deploying capital into digital assets.

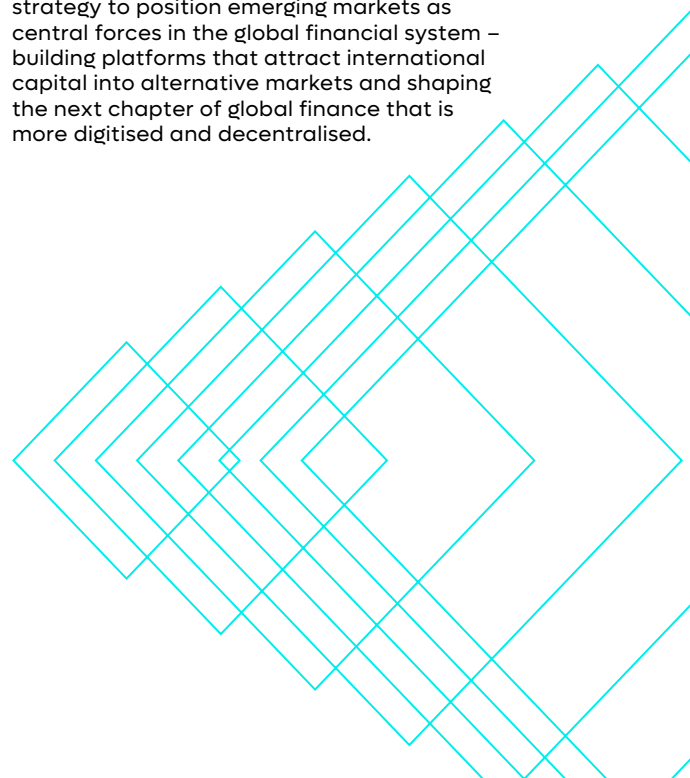
Likewise, DIFC's creation, with the Dubai Electronic Security Authority, of a dedicated Digital Economy Court ensures that disputes in tokenisation, DeFi and digital securities are resolved within a recognised legal framework that provides enforcement, protection and certainty comparable to traditional finance.

Singapore is running trials with global banks and asset managers to show how traditional assets – like government bonds and foreign exchange – can be tokenised and traded securely on linked blockchain networks. If successful, this will help prove that DeFi can work at scale while meeting the compliance and risk standards institutional investors require.⁴⁸

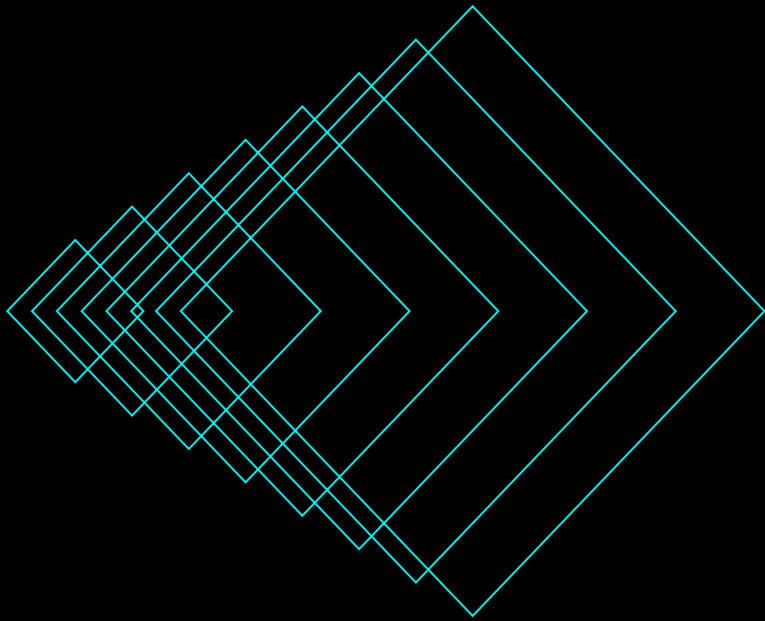
Hong Kong opened retail access to spot

Bitcoin and Ethereum ETFs.⁴⁹ It is also issuing a handful of licences for fiat-backed stablecoins, with applications from international trade to retail payments.

Taken together, these hubs are not operating in isolation, forming part of a broader strategy to position emerging markets as central forces in the global financial system – building platforms that attract international capital into alternative markets and shaping the next chapter of global finance that is more digitised and decentralised.



Conclusion

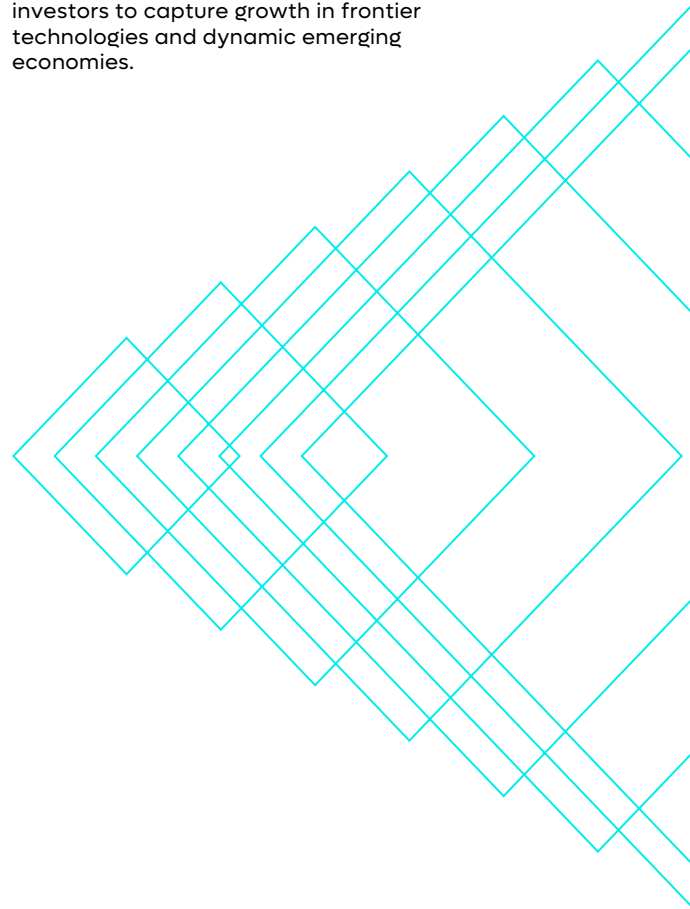


The future of alternative investments is undergoing a profound transformation, driven by shifting global dynamics and innovation. As traditional markets face challenges from slower growth, increased volatility and a fragmented political and economic landscape, alternatives have become essential for investors seeking diversification and resilient returns. With global AUM surpassing USD 20trn, alternatives are gaining traction among institutional investors and HNWIs alike.

Emerging markets stand out as engines of growth for alternatives, fuelled by rapid economic expansion, youthful demographics and innovation leapfrogging legacy systems. Digital assets, including cryptocurrencies and tokenised real-world assets, are playing a central role in this evolution, enabling faster and alternative access to global capital. Markets like Dubai represent the new frontier: a strategic gateway for alternative investors to deploy capital into high-growth emerging sectors and economies, while also ensuring robust governance and investor protection.

Looking ahead, alternative investments are poised to become an increasingly important part of investors' capital allocation, especially in PE and private credit innovations, real estate and infrastructure focused on AI and sustainability as well as sophisticated hedge fund strategies. At

the same time, embracing digital assets and leveraging hubs like DIFC will position investors to capture growth in frontier technologies and dynamic emerging economies.



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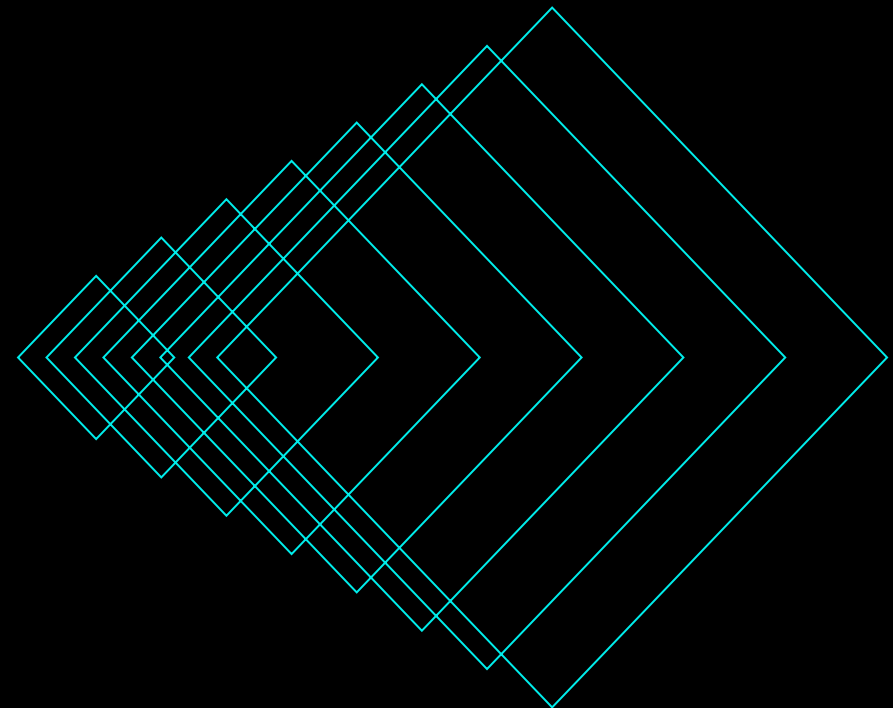
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About Dubai International Financial Centre

Dubai International Financial Centre (DIFC) is one of the world's most advanced financial centres, and the leading financial hub for the Middle East, Africa, and South Asia (MEASA), which comprises 77 countries with an approximate population of 3.7bn and an estimated GDP of USD 10.5trn.

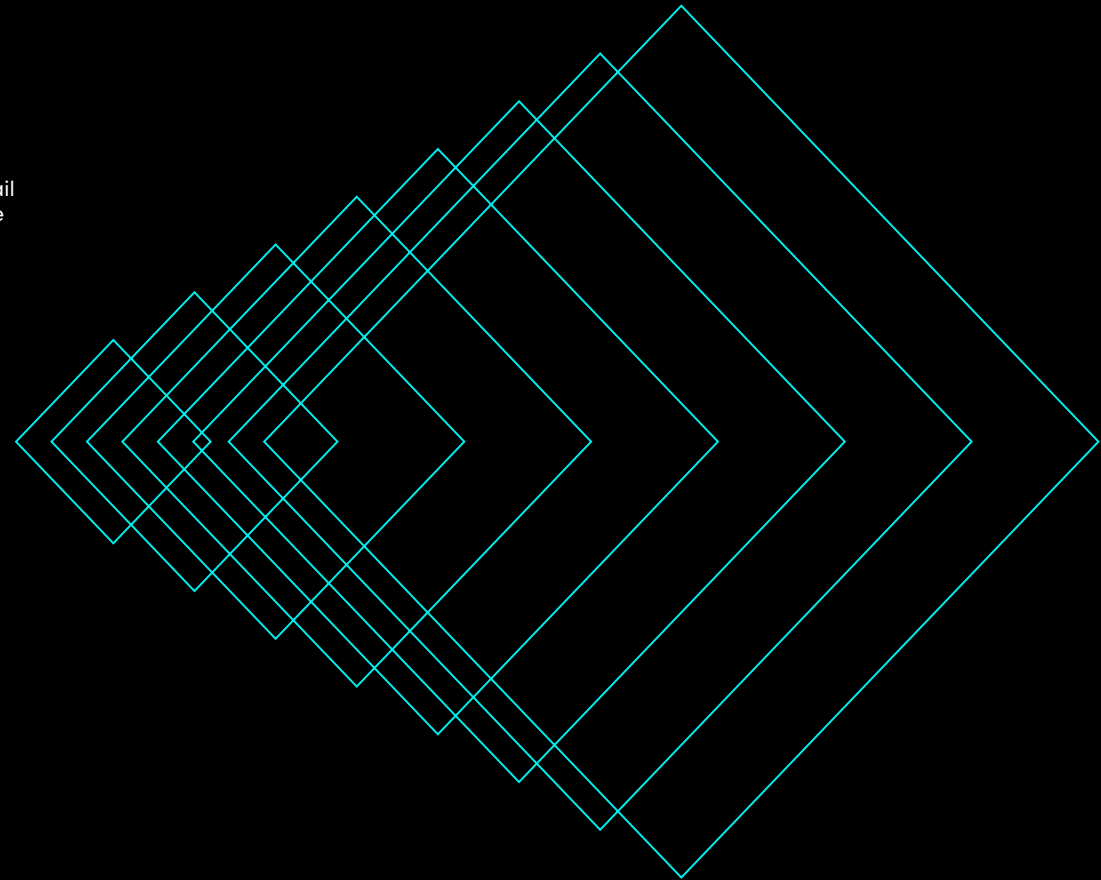
With a 20-year track record of facilitating trade and investment flows across the MEASA region, the Centre connects these fast-growing markets with the economies of Asia, Europe, and the Americas through Dubai.

DIFC is home to an internationally recognised, independent regulator and a proven judicial system with an English common law framework, as well as the region's largest financial ecosystem of 47,900 professionals working across over 7,700 active registered companies – making up the largest and most diverse pool of industry talent in the region.

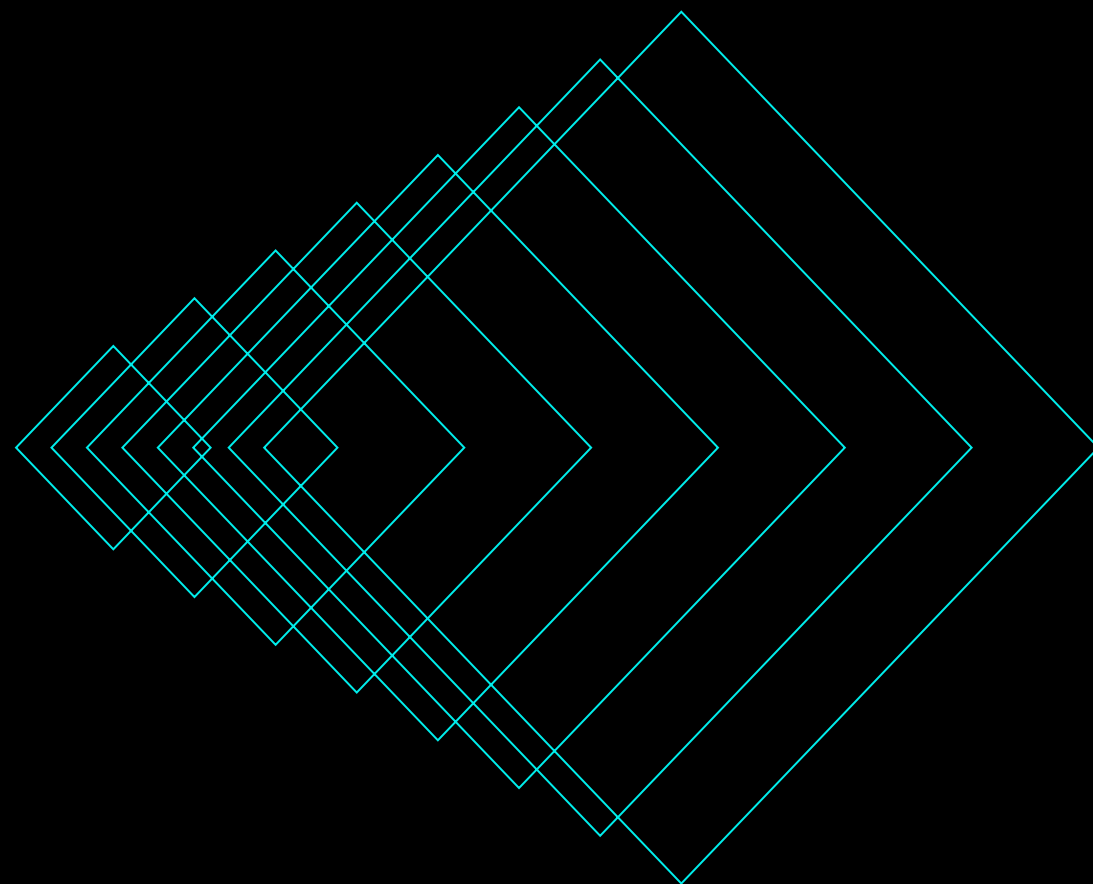
The Centre's vision is to drive the future of finance through cutting-edge technology, innovation, and partnerships. Today, it is the global future of finance and innovation hub offering one of the region's most comprehensive AI, FinTech and venture capital environments, including cost-effective licensing solutions, fit-for-purpose regulation, innovative accelerator programmes, and funding for growth-stage start-ups.

Comprising a variety of world-renowned retail and dining venues, a dynamic art and culture scene, residential apartments, hotels, and public spaces, DIFC continues to be one of Dubai's most sought-after business and lifestyle destinations.

For further information, please visit our website: difc.com, or follow us on LinkedIn and X [@DIFC](#)



Driving the Future of Finance



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