

Outlook25

Alternatives



Outlook²⁵

Alternatives

Contents

- 1 Letter from our Global Head of Alternatives Consulting, Nick Fienberg
- 2 Credit Investment Managers
- 3 Private Equity Investment Managers
- 4 Real Estate Investment Managers
- 5 Private Equity Mergers & Acquisitions



Letter from our Global Head of Alternatives Consulting, Nick Fienberg

In 2024, the Alternatives industry was a complex environment to navigate, notably as a result of higher interest rates, tightening liquidity, and a growing change in investor demands. As we have moved into 2025, the industry appears to be cautiously optimistic, with improving market sentiment playing a pivotal role. Many firms continue to demonstrate resilience and agility, positioning themselves to adapt and thrive amid evolving market dynamics and disruptions.

Continuing Transformation in 2025

Across the globe, we have seen a persistent spotlight on transformation across our clients, driven by an awareness of the rapid advancements in technology, a need to focus on operational efficiencies, a recognition of how investor expectations are changing, and a noticeable convergence between Private Market asset classes. Although regional variations are present, firms across the globe undoubtedly recognize the opportunities offered by the advancements in technology, particularly when it comes to operational efficiencies. Innovations such as Artificial Intelligence ('AI') have the potential to deliver improvements both within operations and to the overall client experience, whilst scalability can be achieved through the tried-and-tested method of streamlining and modernizing internal infrastructure coupled with the use of effective automation.

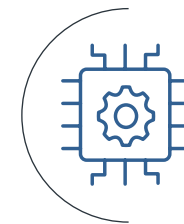
Alongside this, what was once viewed as traditional boundaries between Private Market asset classes are becoming increasingly blurred, as firms look to satisfy client demands and expand their product offerings. In addition, the industry is playing witness to fundamental changes to its structure, due to the disruption created by the introduction of FinTech firms and the continued expansion from traditional Asset Managers in the Alternatives space. We envisage that in an evolving landscape such as this, firms with the ability to adapt and innovate will hold the keys to long-term success.

Industry Trends

As we begin the new financial year, Alpha's Alternatives Outlook brings focus onto the following key industry trends that we believe are set to continue to impact the Alternatives industry, namely: continued **technological advancements**; the need for **operational efficiency and scalability**; **ever-increasing demand for data**; **evolving end investor profiles**; and continued **diversification of the industry**.

Our Outlook

As we begin the new financial year, Alpha's Alternatives Outlook brings focus onto the following key industry trends that we believe are set to continue to impact the Alternatives industry, namely: continued technological advancements; the need for operational efficiency and scalability; ever increasing demand for data; evolving end investor profiles; and continued diversification of the industry.



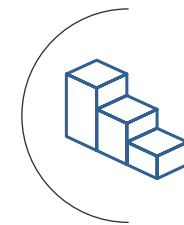
Utilization of Technological Advancements

Firms have recognized the need to either embrace fragmented systems or move onto unified platforms, to streamline internal operations whilst providing a single source of truth across investments, risk, and performance data. This is a particularly acute challenge for those firms investing across multiple asset classes, however those that successfully wield this ability will find it repays dividends thanks to increased efficiencies within internal processes that ultimately lead to an improved client and employee experience. Newer technological innovations will remain a key topic in 2025, with many (if not all) Investment Managers recognizing that AI-powered tools and platforms are a key advancement that will require incorporation into current operational models – but they must be underpinned by a robust data strategy.



Increased Operational Efficiencies and Scalability

Firms that are looking to support larger asset bases should look to review internal models and processes, to ensure they can support the greater volume without the need to proportionately increase headcount (therefore increasing costs). The ability to take advantage of organizations' current infrastructure could bring initial benefits, however the large majority of Investment Managers may need to automate and invest in operating systems and data platforms that bring scale to their businesses.. Although this is an upfront investment, there is no doubt that this will lead to corresponding savings in the future through the ability to scale the business without increasing costs.



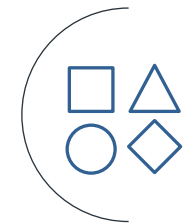
Ever-increasing Demand for Data

As top managers diversify their product mix through multi-strategy asset classes, geographic footprint, and investor profiles (e.g. institutional vs. retail), the operating models are becoming more complex with many internal stakeholders, technologies, and service providers. That complexity is driving the demand for a unified operating model which includes consistent processes, intentional technology decisions, and a unified data strategy. A sound data strategy is critical with the ever-increasing demand for reporting, which is growing in scope, volume, frequency and with shorter timelines. These drivers are a catalyst for firms to focus on their enterprise transformation and data strategy.



Evolving End Investor Profiles

Investment Managers have recognized the need to tap into additional capital, which has resulted in an industry-wide 'widening of the net' to include Retail Investors. Given the difference in approaches required to satisfy the differing demands of Institutional and Retail clients, products must be tailored before they can be put out to market. In addition, Investment Managers should consider their investor engagement models and client interactions, to ensure that the frequency and quality of reports meet client expectations without placing an undue burden on internal teams.



Diversification within the Industry

Shifts within the market have brought new pressures to Investment Managers, due to the rise of newer types of firms in this space. FinTech disruption looks to provide end investors with greater transparency, whilst the more traditional Asset Managers continue to diversify their portfolios through incorporating Alternative asset classes. What were once rigid distinctions between private credit, private equity and real estate investing are becoming less distinctive as firms diversify their strategies and look to expand their offerings to obtain greater market share and capital. Asset class diversification is happening both organically and inorganically through consolidation which provides a good opportunity to lead the integration effort.

Credit Investment Managers

The Brief for 2025

The Private Credit markets continue to see growth with interest rates sustaining and inflation as a continued risk for the Fed. The industry has seen continued diversification within the investor base, with Asset Owners allocating a large percentage of their balance sheet to credit and expanding comfort within the retail markets to allocate a sleeve of capital to alternatives. Collateralized Loan Obligation ('CLO') investors are reengaging the market after a few years of softer appetite, with AAA tranche spreads expected to tighten throughout the year. Asset Managers continue to diversify their product offering, both horizontally and vertically. Managers are moving upstream in the credit quality spectrum, lending to more investment grade borrowers and are launching and expanding Asset Based Finance and Real Estate lending offerings to their clients.



What are industry leaders focused on?



Increasing product offerings both through organic and acquisitive means to expand the breadth of offerings they can provide to their investors. With an influx of insurance capital to Private Credit, firms are actively looking to maximize the breadth of that relationship

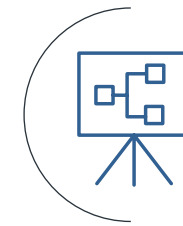


Expanding their capital base to a retail footprint with a maturation of Private Credit education, leading with the launch of publicly traded Business Development Companies ('BDC') to capture the increased investor appetite in Private Credit



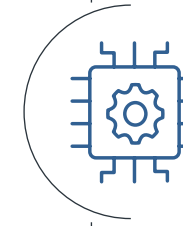
Automating the most time-consuming processes through a variety of technology solutions. Investment managers see an enormous growth curve for the Private Credit markets and understand the operating model that carried them to their existing AUM footprint is not viable for the next growth wave

Expected areas of investment



Unified Data Strategy

Investing in creating a comprehensive data strategy, unifying deal, security, positional, and fund related data to a unified environment to drive a single source of truth across the firm to a unified environment



Model Automation

Increasing attention on moving the firm's most critical models out of Excel into an integrated modeling platform. This includes fund models, valuations, liquidity management, and reconciliations, driving a more scalable and repeatable business



Investor Infrastructure

Defining a revised investor approach that supports both the institutional and retail channels. Institutional managers are having to reconstitute their investor approach to drive wealth adviser education and awareness of product availability and differentiation to their competition

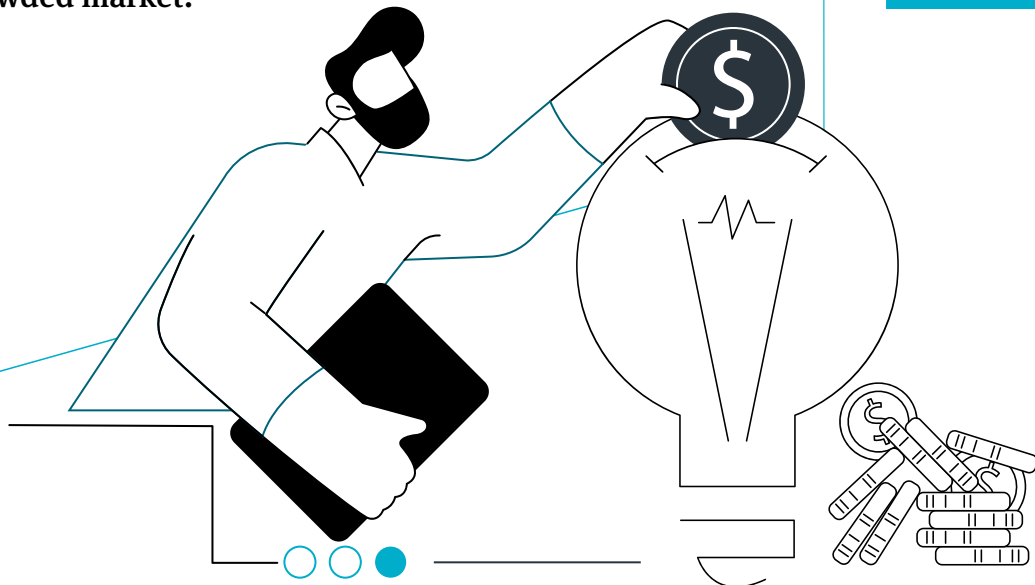
Private Equity Investment Managers

The Brief for 2025

In 2025, Private Equity firms are navigating a rapidly evolving landscape shaped by key trends.

Industry consolidation continues as larger firms acquire smaller competitors to gain scale, expand capabilities, and strengthen market positions. Investors are increasingly demanding greater transparency, pushing firms to provide clearer insights into fees, returns, and investment strategies. Competitive fundraising pressures are intensifying, requiring firms to differentiate through innovative strategies and strong track records. Additionally, the growth of Private Credit as a compelling alternative for investors is forcing Private Equity firms to adapt their offerings, ensuring they remain attractive by demonstrating superior value creation and tailored solutions.

This environment challenges Private Equity firms to innovate operationally and strategically while maintaining their competitive edge in a crowded market.



What are industry leaders focused on?



Enhancing client interactions, leading Private Equity firms are investing in personalized communication strategies and transparent reporting mechanisms to meet evolving investor expectations



Aligning comprehensive data strategies is critical for Private Equity firms to fully leverage Artificial Intelligence ('AI') capabilities, facilitating more informed decision-making and supporting seamless consolidation efforts



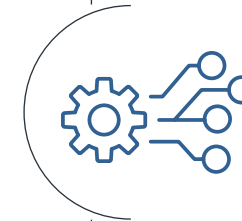
Implementing advanced automation technologies, firms are overhauling management company operations to improve efficiency, reduce operational costs, and enhance oversight of portfolio companies

Expected areas of investment



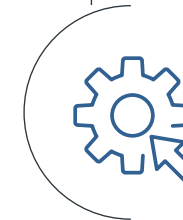
Value Creation

Transitioning from traditional Key Performance Indicators ('KPI') tracking, firms seek to actively drive portfolio growth by implementing advanced performance monitoring tools, fostering operational innovation, and embedding value creation teams within portfolio companies. This shift enables firms to identify actionable insights, enhance strategic decision-making, and create measurable, sustainable improvements in portfolio performance



Workflow Automation

Streamlining end-to-end workflows across management, reporting, and compliance processes to reduce inefficiencies and improve team productivity. Deal flow automation remains a critical component, accelerating sourcing and execution while freeing up resources for strategic activities



Management Company Operations

Investing in the modernization of their operational infrastructure, emphasizing advanced resource planning systems, centralized compliance tools, and robust treasury and fund accounting solutions. This focus enables real-time performance tracking and enhanced decision-making while supporting scalability as portfolios grow

Real Estate Investment Managers

The Brief for 2025

The Real Estate sector continues to be shaped by the global economy and advancements in technology, requiring investors to be agile and insightful. In 2025, the focus is on not only leveraging technologies such as Artificial Intelligence ('AI') and Machine Learning ('ML'), but also on embedding them into core operations. This requires a strong foundation of organized, standardized and accessible data. Data governance is now a central strategy, and robust IT infrastructure, coupled with specialized personnel, are essential to leverage data effectively. In 2025, Real Estate firms are moving beyond simply adopting new technologies to fully embedding them into their core operations. This approach, combined with a strong focus on sustainability, data security, automation and advanced analytics, is enabling leaders to navigate the complex and dynamic Real Estate landscape effectively.

What are industry leaders focused on?



Prioritizing the integration of data across various platforms and using AI and ML to gain deeper, predictive insights into market trends, risk management, and operational efficiency. This focus is aimed at optimizing investment decisions and enhancing portfolio performance



Focusing on bolstering cybersecurity measures and ensuring robust data protection protocols, due to an increased reliance on technology and the growing amount of data. This is not just about compliance, but about safeguarding critical information assets and maintaining investor trust



Looking across their technology stack automate processes to achieve efficiencies as well as creating scalability. There is a move away from siloed processes to ensuring visibility and transparency across all functions and teams

Expected areas of investment



AI-Powered Predictive Analytics Platforms

Investing in sophisticated platforms that can forecast market trends, assess risk, and optimize investment strategies. The targeted outcome is improved decision-making, reduced risk and enhanced returns



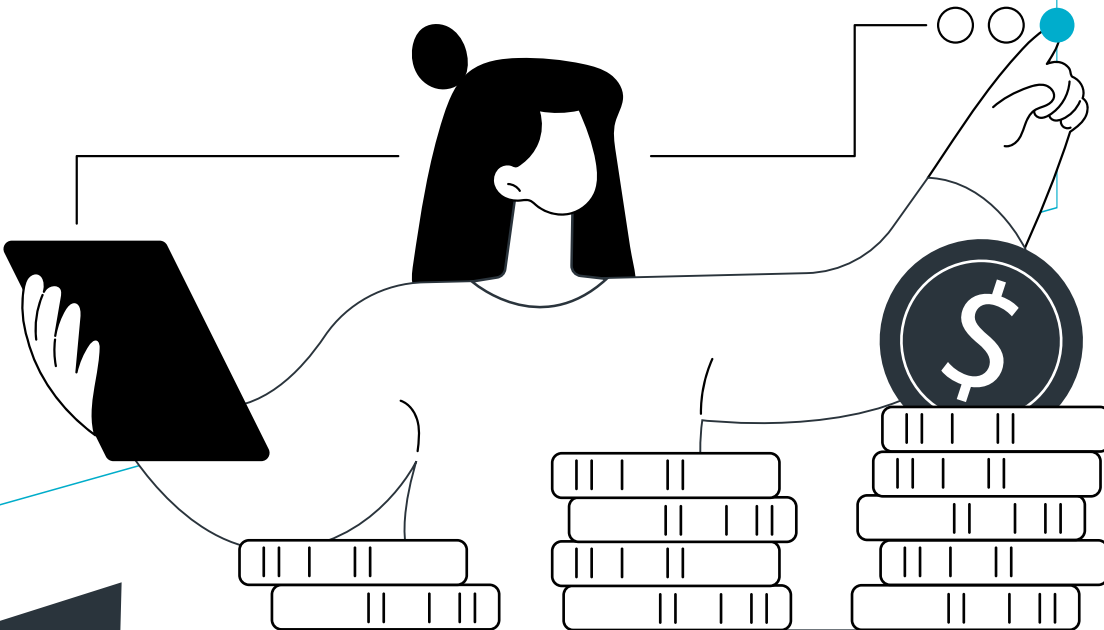
Enterprise Resource Planning ('ERP')

Increasing focus on modern fit for purpose ERP platforms and how they can be leveraged for core processes and functions. These systems can now automate end-to-end processes, connecting seamlessly with point solutions and reporting platforms



Investor Experience

Focusing on the investor experience through advanced digital platforms that provide real-time portfolio insights and seamless communication channels. These platforms aim to enhance transparency and investor satisfaction with the goal of attracting and retain investors in a competitive fund-raising environment



Private Equity Mergers & Acquisitions

The Brief for 2025

Private Equity ('PE') is deploying record levels of dry powder and resurging deal activity (new and exits) due to renewed market confidence, a stabilizing macroeconomic environment, and favorable interest rates.

Technology-driven acquisitions will be significant. Understanding the role of technology and Artificial Intelligence ('AI') to create value through enhanced efficiency and performance is crucial, including assessing opportunities within the existing portfolio.

Daily responsibilities will center on assessing opportunities and risks associated with potential deals. Due to the altered macroeconomic environment, firms should assess and revisit their value creation plans for their existing portfolio.



What are industry leaders focused on?



Pursuing targets with technology differentiation, where technology innovation and digital / AI capabilities support scale and efficiency



Maximizing exit opportunities considering improved economic conditions and valuation stability are driving increased exits for PE portfolios



Prioritizing high-impact acquisitions to secure long-term value creation, with a focus on operational efficiency, operating leverage and scalability

Expected areas of investment



Trust & Corporate Services

Continuing to focus on trust and corporate services due to recurring revenue, high margins and regulatory-driven demand, ensuring stable cash flows and long-term value creation



FinTechs in Alternatives

Capitalizing on the growth trends of the Alternatives asset class to facilitate investor participation and increase transparency



Professional Services

Supporting Private Equity investment into the professional services sector, highlighted by significant transactions such as Apax Partners' acquisition of Evelyn Partners

Alpha Financial Markets Consulting is a leading global consultancy to the financial services industry. Alpha combines highly specialist sector-focused strategy, management consulting and technology expertise to support the client transformation lifecycle.

Founded in 2003, it now has over 1,180 consultants across North America, UK, Europe, MENA and APAC.



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For more information please contact:

enquiries@alphafmc.com, +44(0) 207 796 9300

Alpha

alternatives.alphafmc.com

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