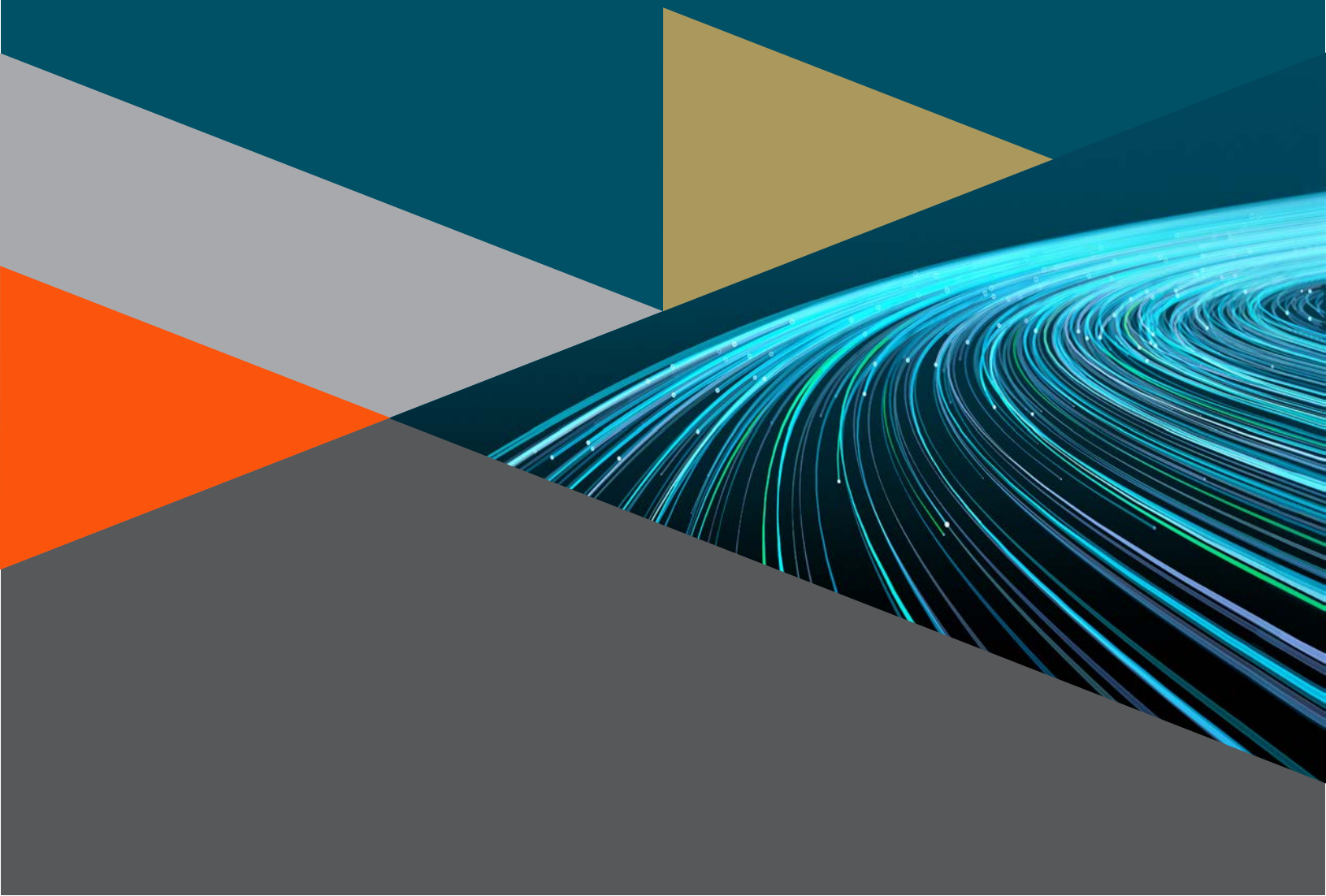
BNY MELLON

From Alternative *to Mainstream*



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Foreword

The specter of market volatility brought on by large-scale events, such as global pandemic-related lockdowns in early 2020, has had a strong influence on investor approaches to their portfolios. Investors are responding by building resilience into their portfolios to navigate a future with the potential for enormous surprises. Alternative asset managers face a complex mix of opportunities and challenges presented by strong investor appetite for diversification, as well as broader industry pressures.

BNY Mellon, in conjunction with Mergermarket, surveyed 100 institutional investors and 100 alternative asset managers on their perceptions of current trends in the space and on whether the two sides are moving in the same direction. The findings show changing investor and asset manager attitudes and behavior, in some cases contrasting with our 2017 research report, *The Race for Assets.*[1]

In addition to shifting investor needs, alternative asset managers face structural changes within their organizations. A majority of alternative asset manager respondents cite forces of increased competition and changing economics as top factors driving structural change. They see increased product innovation as another significant structural game-changer. Like their peers in the broader asset management industry,[2] alternative asset managers are deploying digital and data analysis technologies to increase efficiency, overcome regulatory hurdles, promote product innovation and improve reporting.

[1] https://www.bnymellon.com/us/en/insights/content-series/the-race-for-assets.html

[2] https://www.bnymellon.com/us/en/insights/asset-management-transformation-is-already-here/survey-research-series-overview.html

The need for robust data management and analytics is also bringing new complexities to the fore. Alternative asset managers emphasize the challenges of aggregating and managing data across fragmented systems, and point out the obstacles of unstructured data sources, reliability, completeness, and freshness of data.

The structural responses to investor demand and changing internal priorities provide important context for the range of asset classes and allocation trends.

The collective perspectives of investors and managers underscore the five outstanding themes outlined on the following page. In some cases, our survey uncovered potential disconnects between investors' priorities and those of alternative asset managers. In others, the perceptions and opinions of both investors and managers dovetail strongly.

As alternative investment leaders assess how best to respond and reposition themselves in today's challenging market environment, it is clear that a new approach to future-proof business models, investment strategies and operational processes is needed.

James Slater
Global Head of Client Coverage
BNY Mellon

Based on our findings, we will explore five overarching trends.

1.

The scramble for scale or specialism:

As market forces pressure managers to increase operational efficiency, the largest will become larger, while specialist managers will attract capital from investors seeking to fine-tune their alternative asset exposure.

2.

The case for customization builds:

Investors increasingly seek options that offer greater control than pooled vehicles, as well as lower fees and more transparency.

3.

Going digital:

Greater digitization is critical for managers to achieve their objectives for operational efficiency, data management and serving rising market participation of "digitally native" investors.

4.

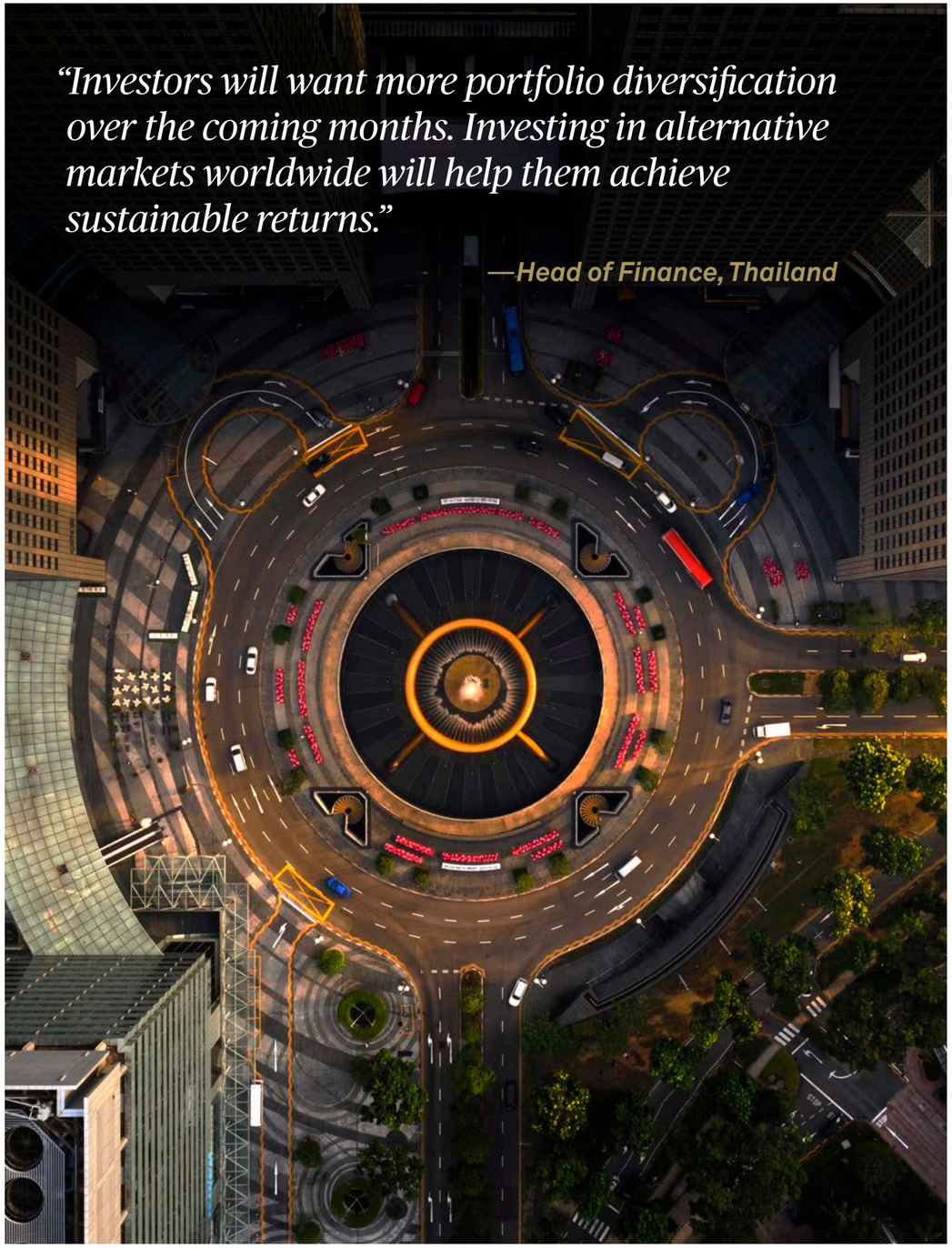
The "retailization" of alternatives:

Managers and service providers will need to work together to solve for the challenges that the retail market poses.

5.

ESG will become imperative:

Strong tailwinds already behind ESG, combined with emerging generations of investors and potential regulatory pressure, will drive change through the industry.



"Investors will want more portfolio diversification over the coming months. Investing in alternative markets worldwide will help them achieve sustainable returns."

—Head of Finance, Thailand

Chapter 1:
Alternatives Ascending

Investor demand for alternative asset classes is still on the rise.

Alternatives have moved from being a relatively small island in the investment world toward the mainstream in institutional investor exposures. By the end of 2020, alternative assets under management (AUM) reached approximately US$10.7 trillion.[1] Forecasts now estimate the alternatives segment to grow to US$17 trillion in AUM by 2025.[2]

Our survey reflects a similar likelihood, and beyond that, it provides insights into the role that mainstreaming will play in this growth.

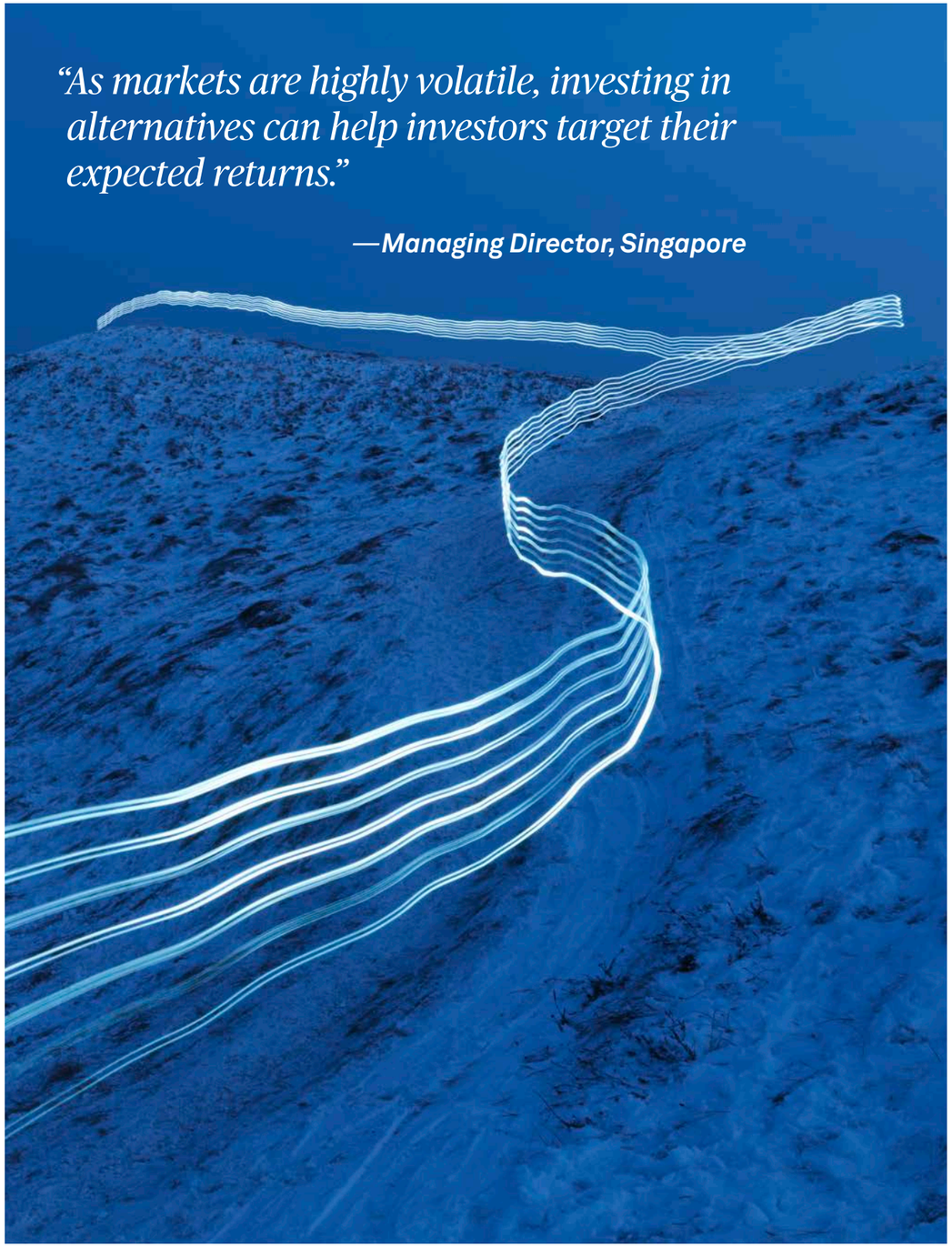
Upward Forces

The search for yield in a persistently low interest rate environment has been a significant driver of the rise of alternatives, as we found in both our last alternative asset survey in 2017[3] and in 2021. Alternatives can offer the potential for outperformance versus traditional asset classes.

Many alternative asset types, particularly those with illiquid, closed-ended structures, are also at least partly shielded from volatility, an especially attractive reason for diversification in uncertain times.

[1,2] Preqin data: https://www.preqin.com/future

[3] https://www.bnymellon.com/us/en/insights/content-series/the-race-for-assets.html



Fine-Tuning Allocations

The upheavals of the past couple of years have influenced investors' preferences within the world of alternatives. In many sub-asset classes, however, they have remained consistent with, or even intensified, their previous leanings.

ALLOCATION TRENDS

Institutional investors' past, current and expected alternative asset allocations over the next 12 months.

	2019 allocation (%)	Expected allocation over next 12 months (%)	% increase or decrease
Private equity	24	27	3%
Hedge funds	7	8	1%
Real estate	26	23	-3%
Private debt/loans	24	25	1%
Infrastructure	14	14	No change
Natural resources	5	4	-1%

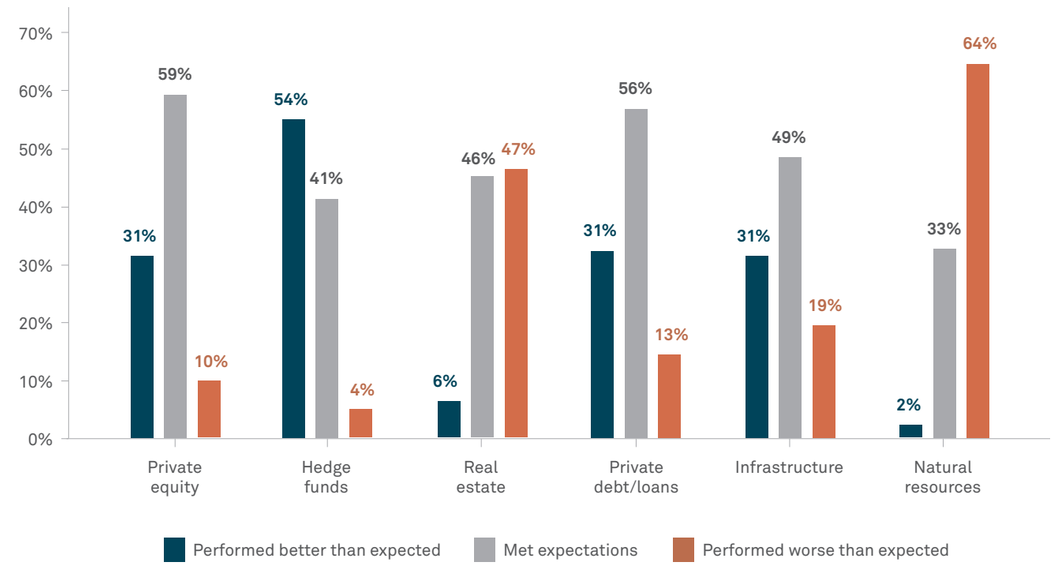
Institutional investors appear largely satisfied with their current allocation levels across alternative asset types, with proportions remaining broadly stable. However, there are some subtle shifts. The performance of each sub-asset class over the past 12 months offers clues as to why investors are making these allocation decisions.

Hedge funds, which fell out of favor among some investors in the years leading up to the pandemic, have largely performed well since the outbreak of the crisis. Private debt, private equity and infrastructure have also done relatively well over the past 12 months.

Perhaps unsurprisingly, given the pandemic-related disruption to property segments such as city center offices and retail, nearly half of investors say real estate has performed below expectations. Worse still has been natural resources, reflecting lower demand through 2020 as lockdowns reduced consumption and curtailed economic activity.

PANDEMIC PERFORMANCE

Institutional investors shared how the alternative assets in which they are invested performed over the last 12 months amid COVID-19.

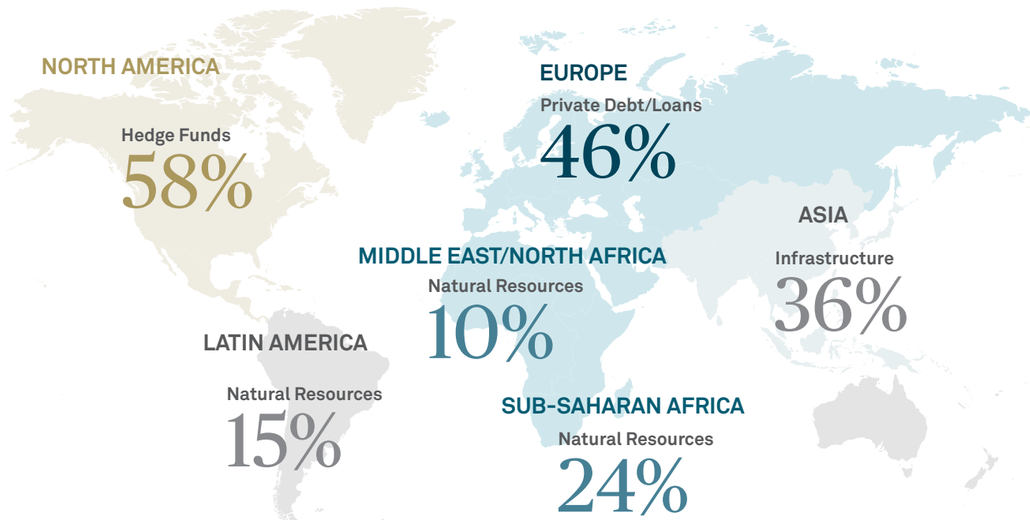


Regional Potential

Institutional investor perceptions differ by region, based on local macroeconomic factors. Those same factors add further nuance around which sub-asset classes they describe as attractive within each region.

HOTSPOTS FOR GROWTH

The map below shows the percentage of institutional investors who said they are most interested in increasing allocations in specific region and asset class combinations, as indicated.



Private Equity *Retains the Crown*

As in our previous studies, private equity remains the most popular alternative asset type among institutional investors.

Stocks of dry powder have accumulated for such investments, capitalizing the industry with copious amounts of funding. The industry remains well-capitalized, despite a travel-ban-inflicted decline in fundraising in 2020 (down 19% by value and 20% by volume versus 2019, according to Private Equity International).[3] Private equity firms globally had at least US$1.48 trillion of dry powder available at the end of Q2 2020, per Preqin figures.[4]

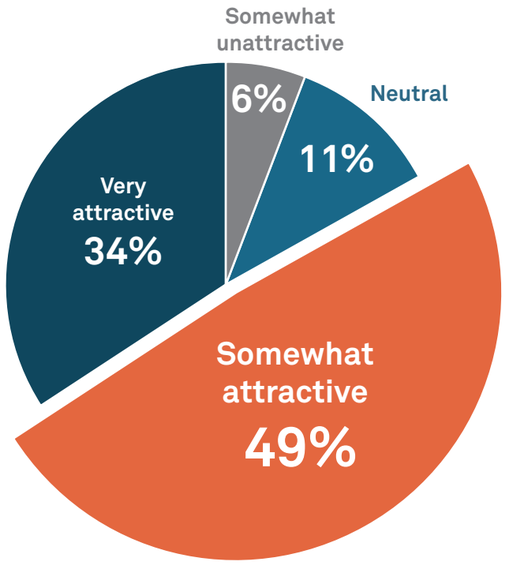
"The amount of dry powder has grown. That allows for radical decisions and cross-border transactions. Private equity firms are able to respond quickly to opportunities when they are identified because of the capital at their disposal."

—Investment Director, Netherlands

[3] https://infogram.com/1pe3960rlgkwepfmpekmvdqn2wtlrl0x9ld?live

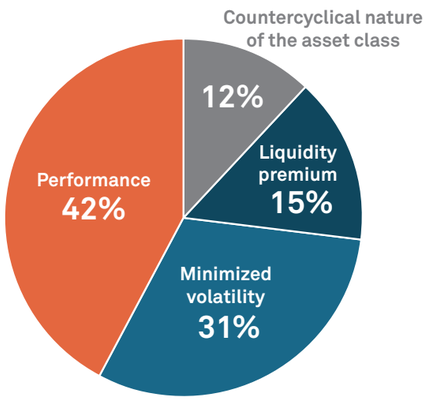
[4] https://www.preqin.com/Portals/0/Documents/About/press-release/2020/July/PEVC-Q2-2020.pdf?ver=2020-07-08-154129-593

How attractive will private equity investment be in the coming 12 months?

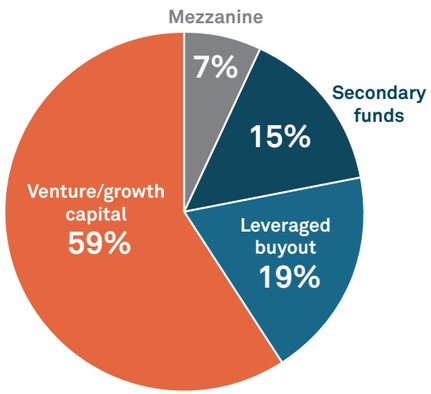


Strong performance and minimized volatility are the main points of attraction for investors, not to mention private equity's reliability through the vagaries of the pandemic crisis. Within the category itself, venture capital and growth funds have flourished, likely fueled by COVID-related technology valuations.

What is the main attraction of private equity that would encourage you to increase your allocation?

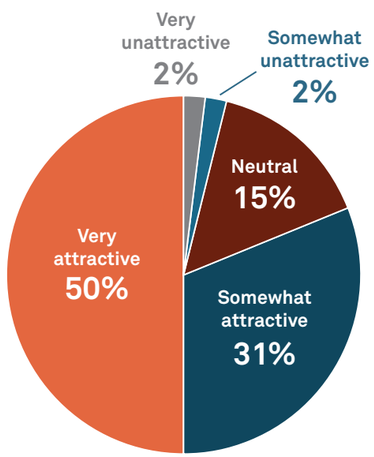


Which private equity fund type is your top choice to provide the best returns over the next 12 months or longer?



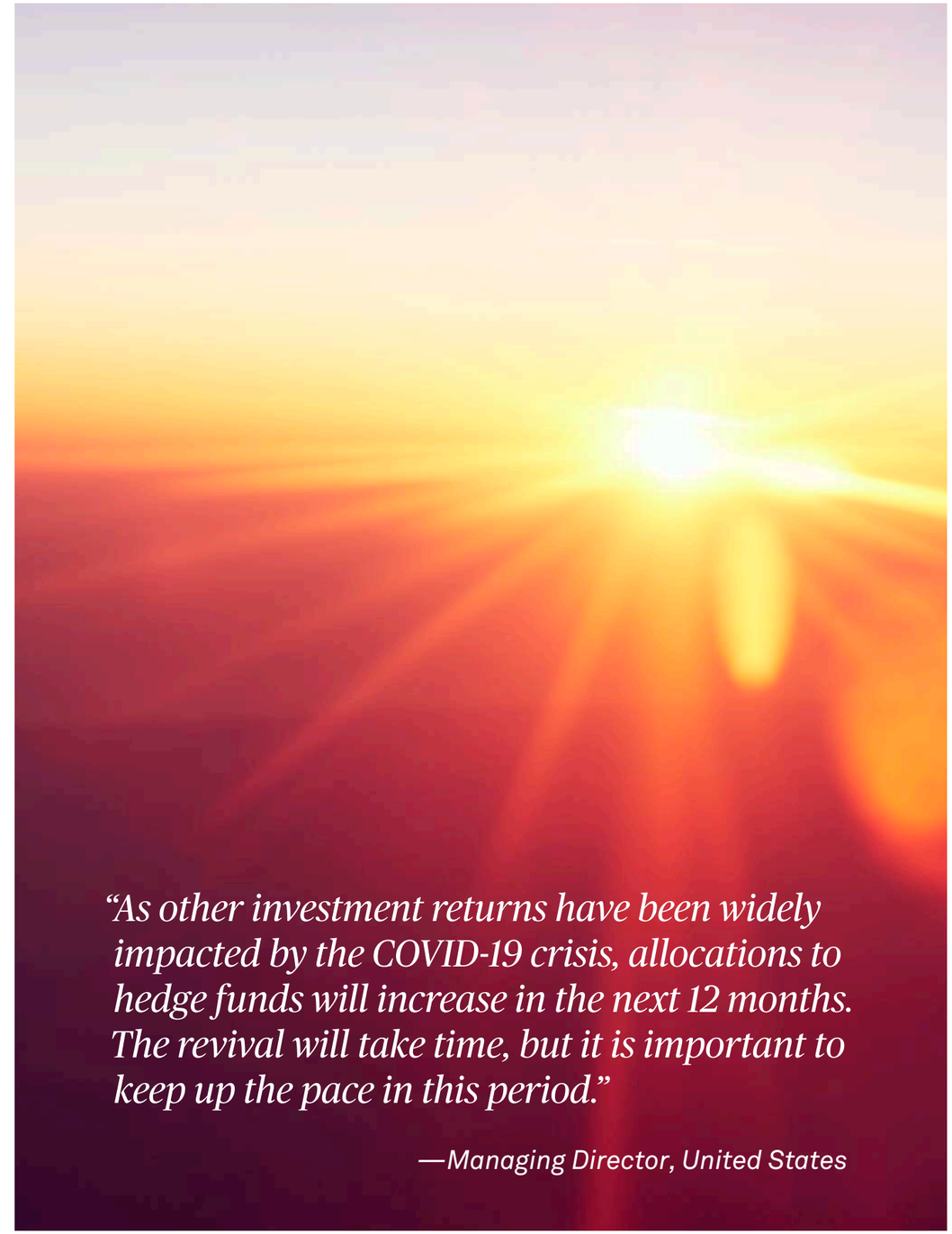
Hedge Funds *Burn Bright*

Among alternative sub-classes, our study found how far hedge funds' performance has exceeded investors' expectations. The recent strong performance of hedge funds will likely put this sub-class in good stead over the coming 12 months, with 81% ranking hedge fund investment as very or somewhat attractive. This ranking is up significantly from our 2017 survey, when 59% said they felt positive about the industry's prospects.



How attractive will hedge fund investment be in the coming 12 months?

The results reflect wider industry trends. As noted earlier in this chapter, 54% of investors say hedge funds' performance has exceeded expectations, the highest proportion of all alternative asset classes.



"As other investment returns have been widely impacted by the COVID-19 crisis, allocations to hedge funds will increase in the next 12 months. The revival will take time, but it is important to keep up the pace in this period."

—Managing Director, United States

Special Situations Rebound

The economic disruption and uncertainty stemming from the pandemic have also shifted investor views around hedge fund strategies. Investors are particularly interested in special situations, with 50% ranking it in the top three hedge fund strategies by attractiveness, followed by market neutral with 40% and distressed with 27%.

Conversely, in our 2017 survey, investors viewed distressed and long-short strategies as most attractive, while special situations ranked fifth and market neutral garnered just 3% of respondents' first-place votes.

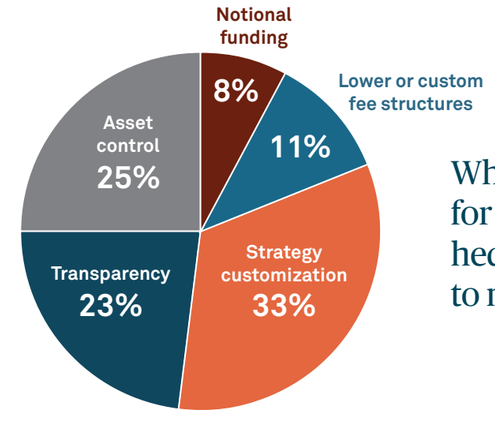
Investor Ranking	2017	2020
1	Distressed	Special situations
2	Long-short equity	Market neutral
3	Global macro	Distressed

Bespoke Demand Galvanizes Managed Accounts

Investors' demand for more bespoke exposure and terms also plays a significant role in current views and future prospects for hedge funds. Our survey results reflect this trend as investors continue to increase allocations to managed accounts, at the expense of standard funds and funds of hedge funds.

	2017 proportion	2020 proportion	Expected proportion over next 12 months
Managed accounts	17%	23%	**29%**
Fund of hedge fund	68%	33%	**32%**
Standard fund	15%	44%	**39%**

High demand for bespoke arrangements is also apparent in how investors ranked the factors driving their decisions to increase managed account allocations.



What is the main driver for increasing your hedge fund allocation to managed accounts?

"The value of dedicated managed accounts – which afford investors more control over assets, as well as greater transparency and customization – has been clearly reaffirmed during the COVID-19 crisis, and there's every reason to expect this trend to continue."

—Josh Kestler, *Global Head of HedgeMark,[5] BNY Mellon*

[5] BNY Mellon's HedgeMark® specializes in supporting institutional investors in the development and operation of their own private dedicated managed account platform.

Private Debt *Stands in the Gap*

The private debt market has grown rapidly over the past 10 years. Private funds have stepped into the gap left by traditional lenders in the wake of the 2008 financial crisis. As our survey shows, this sub-asset class makes up around one-quarter of institutional investor alternatives allocations.

Additional industry data support this finding. Private debt AUM grew from US$315 billion in 2010 to US$848 billion in 2020 and is projected to reach nearly US$1.5 trillion by 2025.[6]

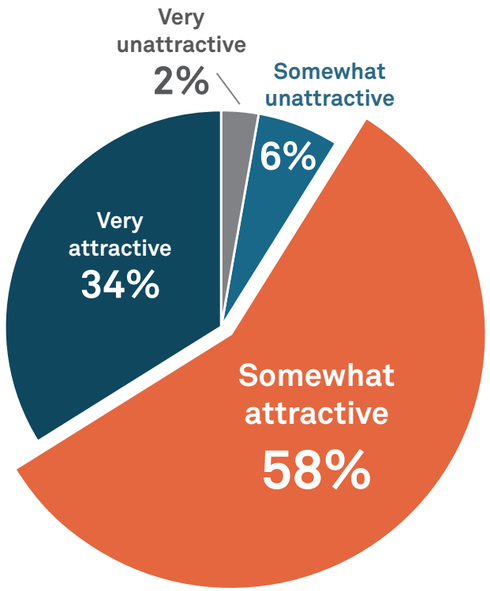
Forward-looking investor optimism about private debt prospects continues unabated. Nearly all of respondents see private credit and loans as attractive over the next 12 months.

"We have to think about the present market conditions when determining the most attractive asset classes. Minimized volatility is an attractive feature, and private credit's long- and short-term potential has been vital to our portfolio management and diversification strategies."

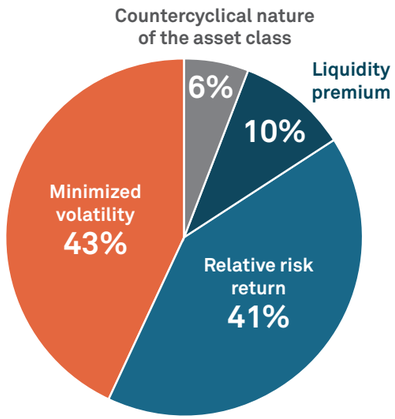
—Investment Director, Netherlands

[6] https://www.preqin.com/future

How attractive will private credit/loan investments be in the coming 12 months?



Investors are particularly drawn to private debt's capacity to minimize volatility and relative risk return.



What is the main attraction of private credit/loans as an asset class that would encourage you to increase your allocation?

One of the benefits of private debt highlighted by respondents is the choice of strategies available. Among these, syndicated loans, direct lending and private debt funds of funds are the most popular for investors currently.

Investors plan to increase their exposure primarily to direct lending, mezzanine and CLOs. They also see promise in European private credit, reflecting the increasing number of options available in the region, pushing North American private debt out of its top position from our 2017 study.

Conversely, investors say they are looking to decrease their allocations to commercial real estate debt and to distressed debt/special situations. Ongoing uncertainty surrounding working and consumer patterns and the longer-term financial impacts to company balance sheets due to the pandemic are likely causes of this intent to decrease.

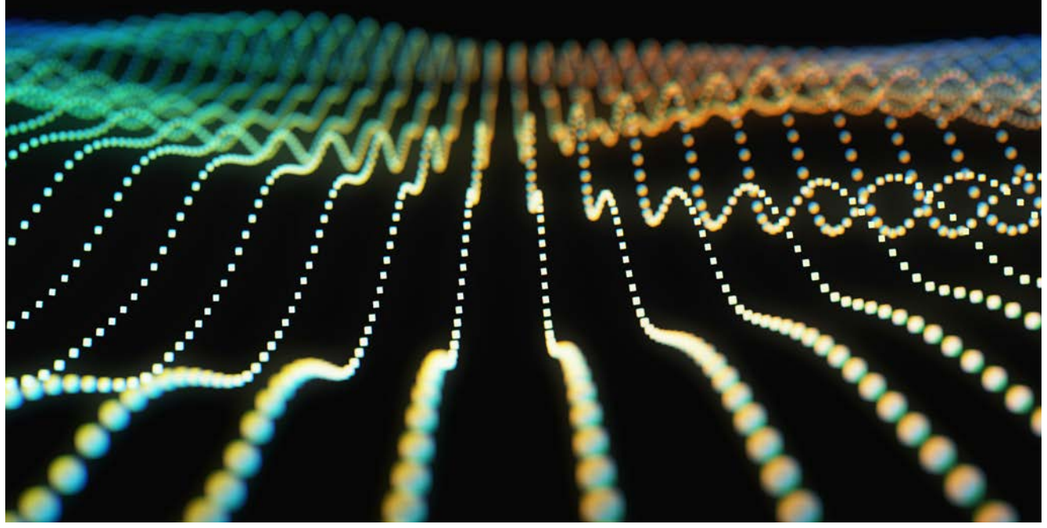
Choice of strategies

Institutional investors shared their plans to increase, decrease or make no change to their private credit/loan exposure in the next 12 months.

	Decrease (%)	No change (%)	Increase (%)
CLOs	5	28	68
Commercial real estate	39	39	23
Direct lending	3	18	80
Distressed debt/ special situations	23	30	48
Infrastructure debt	13	55	33
Mezzanine	6	23	71
Private debt fund of funds	19	24	58
Senior debt	23	38	40
SME debt	8	58	35

"Private credit offers investors options through the cycle. When things are going well, and people are paying their loans, credit funds offer strong cash flows to pass on to investors via distributions. During more difficult times, strategies such as distressed debt can provide a natural hedge for the portfolio."

*—**Megan Gentilesco,** Head of Private Equity and Credit Fund Services, BNY Mellon*



Mixed Sentiments *for Real Estate*

With nearly half of investors reporting that real estate fell below expectations in 2020, it is unsurprising that many of them reported bearish attitudes about its prospects for the coming 12 months.

40%
of respondents believe real estate will be unattractive through 2021.

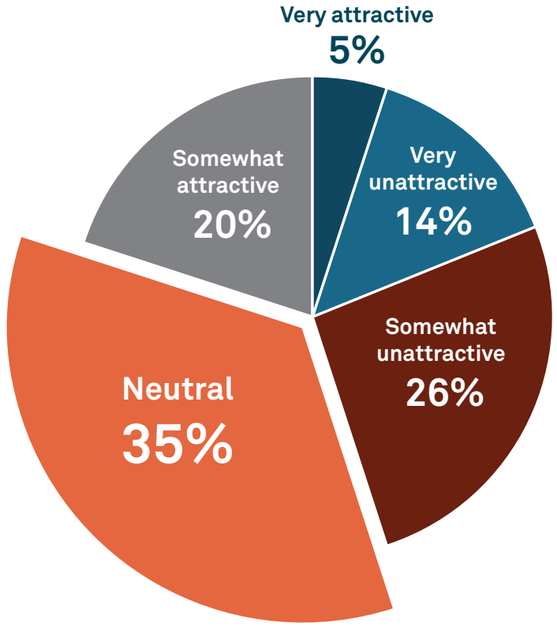
Remote working patterns could affect demand for city-center office and hospitality space, while the shift to online shopping could impact physical retail stores. Retail property prices in the US at the end of 2020, for example, were down 4.3% from 2019, according to Real Capital Analytics, while office space registered a 1.5% increase.[7]

This uncertainty could persist to some degree well beyond the pandemic. However, based on our survey findings, it has not translated into significant plans to decrease allocations. Respondents only expect a percentage point decline in allocations to real estate. Further analysis shows that they do not view real estate as a monolith. They view this asset class with a fair degree of nuance.

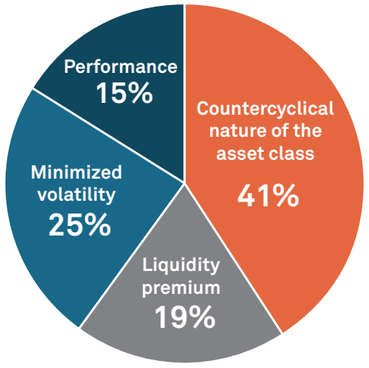
> *"Real estate assets are far more stable than liquid assets. Investors are aware that they are making long-term commitments and that growth rates will trend higher again. Post-pandemic, there will be more opportunities to consider domestically and in overseas markets."*
>
> ***—Head of Investments, South Africa***

[7] https://www.rcanalytics.com/us-prices-dec-2020-rcacppi/

How attractive will real estate investment be in the coming 12 months?



Furthermore, a sizable proportion of investors see promise in the countercyclical qualities inherent in many parts of the real estate sector. Apartment and industrial prices posted annual growth of 8.3% and 8.8%, respectively, in 2020.[8]

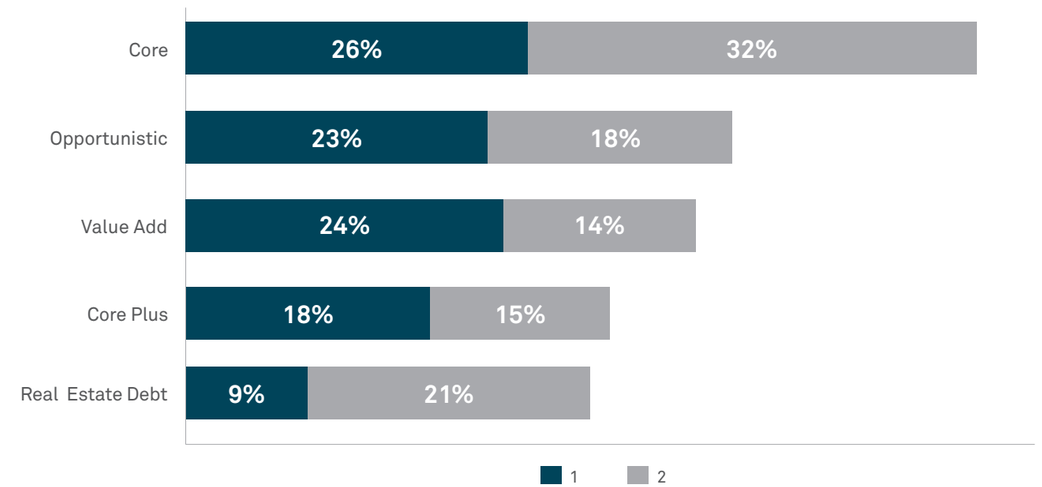


What is the main attraction of real estate as an asset class that would encourage you to increase your allocation?

[8] https://www.rcanalytics.com/us-prices-dec-2020-rcacppi/

In addition, many respondents are clear about the need for a long-term perspective when investing in property assets, including minimized volatility and the potential to acquire high-quality assets at lower cost in a more challenging market. These factors influence their preferences among types of real estate funds, such as for core funds.

Which types of real estate investment funds do you expect will provide the best returns over the next 12 months? (Select top two and rank them 1 and 2, where 1 is the type you expect to provide the best returns.)



"COVID-19 has slowed purchasing down in real estate in 2020 and 2021, but as we move through the year, there will be greater clarity by asset type, and an increased focus on debt, leading to an expectation of a strong fund launch year and positive vintage for 2021. We may also see some shift in the types of asset targeted, with value-add strategies coming to the fore in 2021 as pricing has lowered."

—***Dermot Finnegan,*** *Head of Private Markets, BNY Mellon*

Conclusion

As with our prior studies, the relative attractiveness of each asset class shifts over time. In aggregate, investor demand shapes the priorities that alternative asset managers will need to consider in competing for institutional capital.

At times, these priorities can differ from, or even contradict, the internal priorities of firms that manage alternative assets. Furthermore, mainstream investors are gaining greater access to investing in alternative assets through retirement plans and, increasingly, direct-to-consumer products.

Alternative asset managers have an opportunity to respond to that investor demand if they are ready to heed the underlying signals of investor needs and preferences, and engage with service providers who can help them achieve operational transformation and future-proof their businesses.

Chapter 2:
Getting Ready for Growth

Many alternative asset managers will have to adjust course to capitalize on greater investor demand, emphasizing bespoke solutions, compelling strategies and greater transparency.

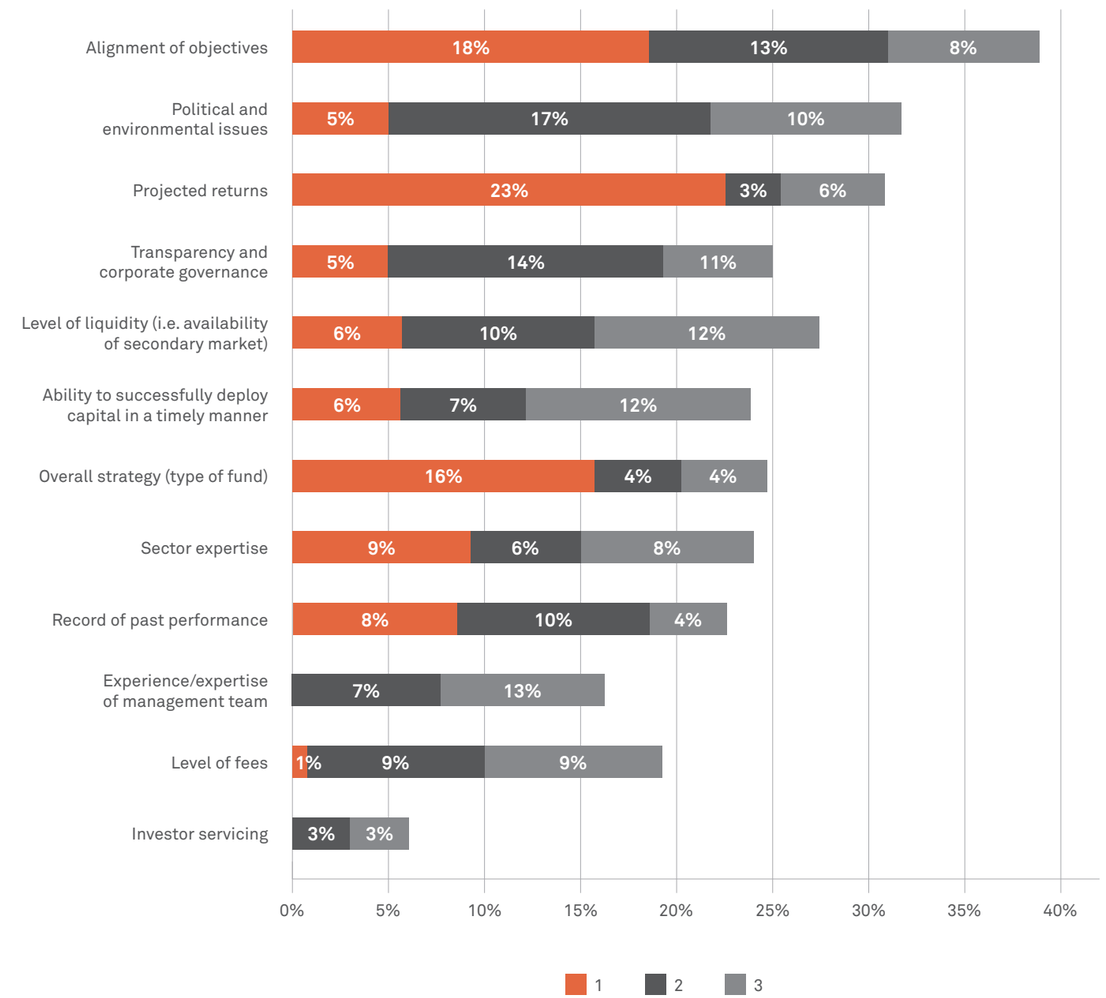
Strategy and Competition

The majority of alternative asset manager respondents expect increased allocations to alternative assets in 2021. These expectations are consistent with investor respondents' allocation trends outlined in chapter 1, which found that alternatives have moved towards the mainstream in institutional investor exposure after being a relatively small island in the investment world.[9] Managers rank investment performance as their topmost concern (*i.e.*, ranked as 1). Alignment of objectives with investors comes in second, followed by overall strategy.

However, the relative ranking shifts when considering factors that appear anywhere among the top three competitive factors (*i.e.*, ranked as 1,2 or 3). Alignment of objectives rises in managers' top three, followed by political and environmental issues. These rankings shed light on the potential future role of ESG in alternative investments, which will be explored in chapter 4.

[9] https://www.bnymellon.com/us/en/insights/from-alternative-to-mainstream/chapter-one-alternatives-ascending.html

What do you feel are the most important factors to make you competitive in the market? (Select top three.)



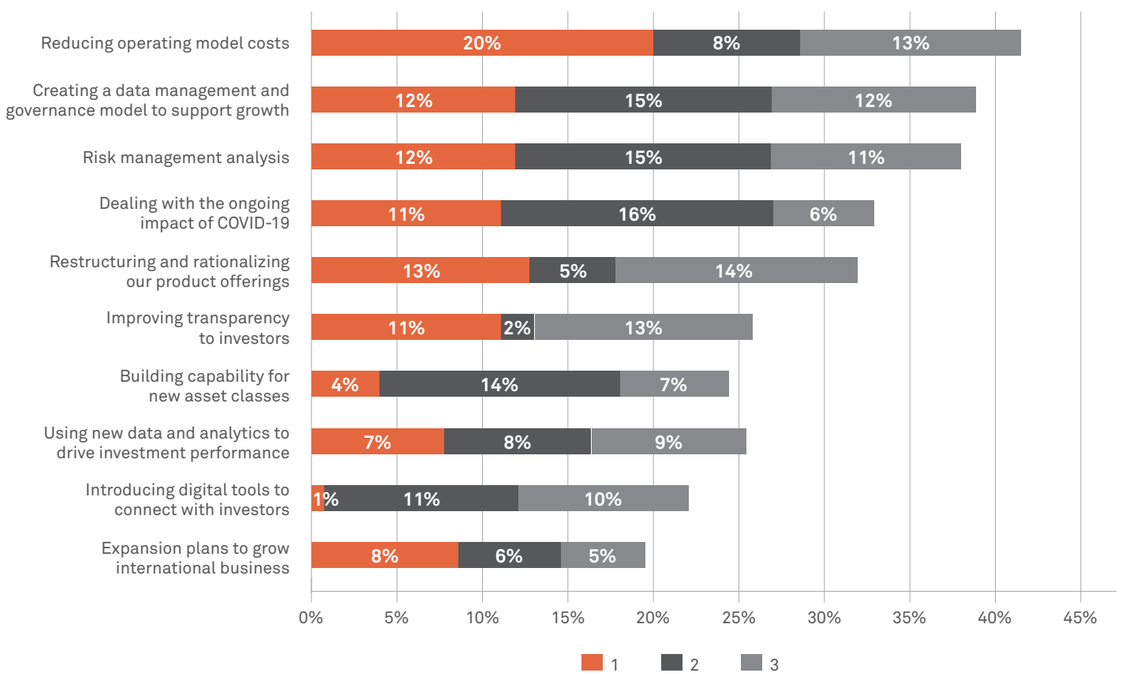
Transparency: *The View Depends on Where You Stand*

Strategic priorities for alternative asset managers show some divergence from investor views, especially when it comes to transparency.

For asset managers, the emphasis is on inward-looking factors, ranking reduced operating model costs first. Restructuring and rationalizing product offerings is next in line, followed by risk management analysis and creating a data management and governance model to support growth.

Specifically, the priority of risk management analysis may reflect a desire to understand how investments might perform in a changed economic environment. Significant shifts in business and consumer behavior have occurred in the wake of COVID-19. Such capabilities can present new opportunities and uncover previously unforeseen risks and challenges due to major geopolitical or economic developments.

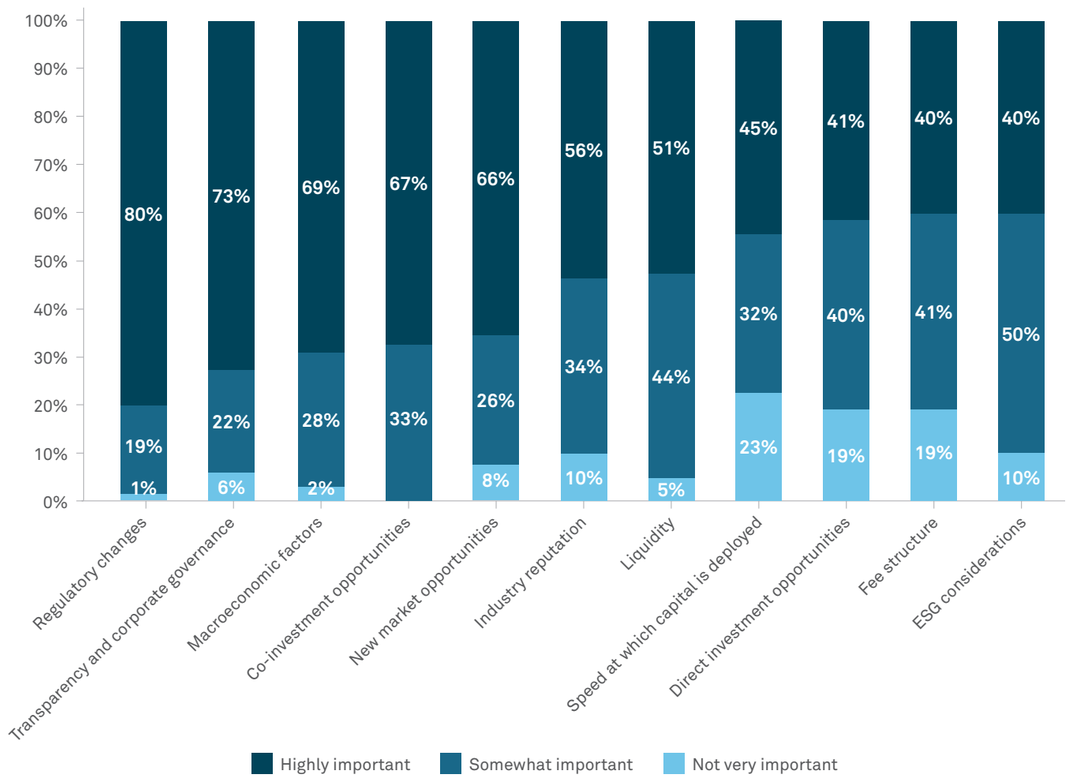
What are your strategic priorities? (Select top three.)



By comparison, one factor that matters greatly to investors places lower on asset managers' agendas. Improving transparency fell below 30% in our 2021 research, a marked shift from our 2017 study when 71% of asset managers surveyed said they would "offer more transparency in the next 12 months" to investors.[10]

However, even in 2021, investors name transparency as one of the main barriers to investment in some alternatives. It is second to macroeconomic factors for private debt and at the top of the list for hedge funds. For private equity, 73% of investors describe transparency and corporate governance as highly important when deciding to maintain or increase their allocations.

How important are the following factors when deciding whether to maintain or increase your PE allocations?



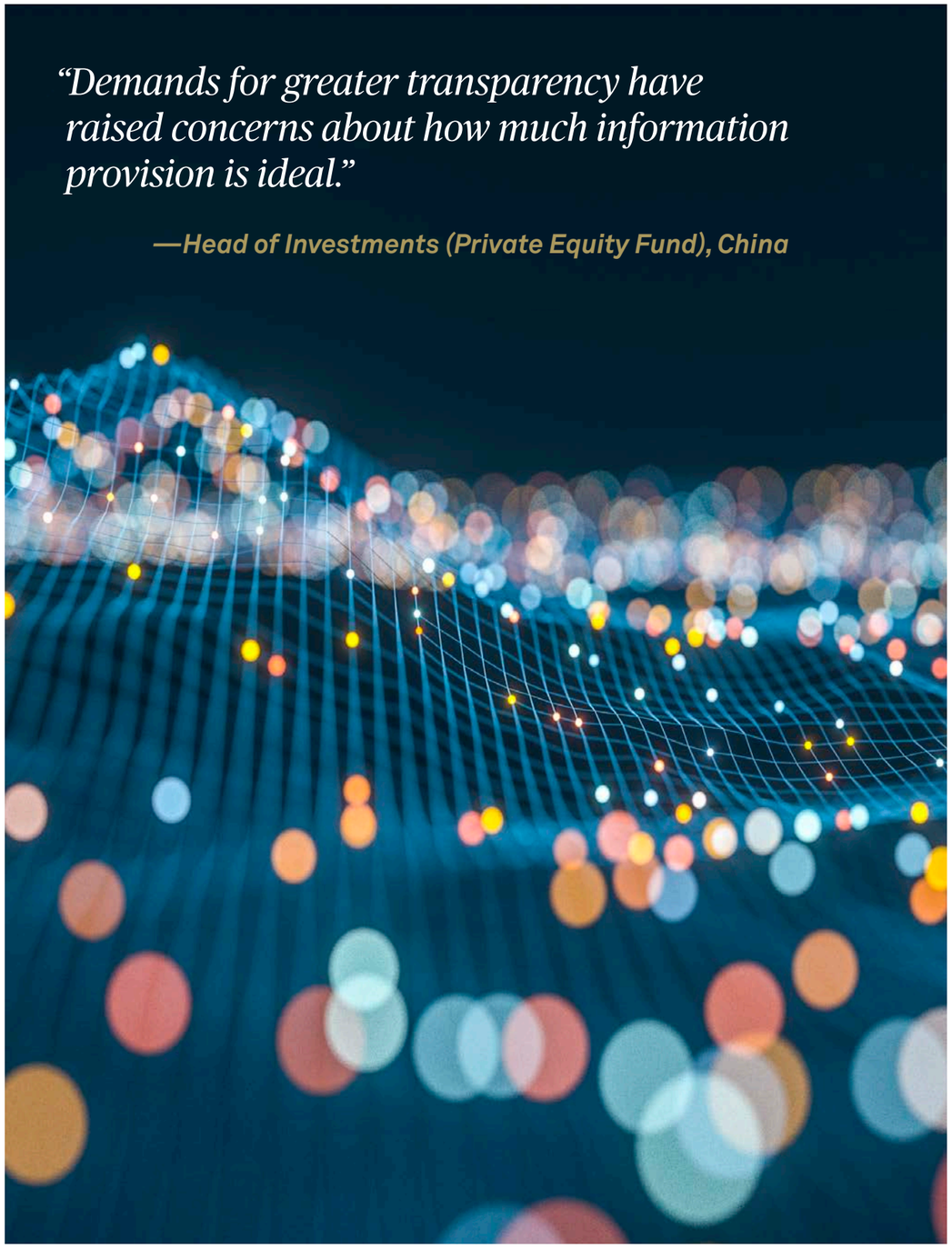
[10] https://www.bnymellon.com/us/en/insights/content-series/the-race-for-assets.html

It may not be a total divergence in priorities, however. By prioritizing data management, managers could already be taking steps towards providing the transparency investors crave.

For example, in private markets, information often comes in an unstructured format, with data difficult to extract and report in an easily digestible way. The significant differences between the requirements of investors compound this difficulty. Providing transparency at scale to a wide variety of investors may require alternative asset managers to direct significant resources toward creating manageable data pools before they can extract the right information.

"Demands for greater transparency have raised concerns about how much information provision is ideal."

—Head of Investments (Private Equity Fund), China



It is also important to point out that alternative asset managers have already expended considerable resources on improving investor reporting. Part of the reason for the apparent disconnect around transparency may stem from a divergence between the reporting alternative asset managers need for their own purposes and the varying requirements of different investor types.

> *"Even if the asset manager is providing full and timely transparency on the dimensions that make sense for their particular strategy, an asset owner will have significant data challenges in mapping their own risks and exposures across strategies."*
>
> ***—Frances Barney,** CFA, Head of Global Risk Solutions, BNY Mellon*

For example, in private equity, the Institutional Limited Partners Association (ILPA) has led several initiatives to encourage improved reporting over the past five years, including a reporting template for fees, carried interest and expenses and a portfolio company metrics template. Initiatives such as these have aimed to foster best practices and bring standardization to the market.

The pandemic has also had a more recent impact by raising the bar on what investors expect from their alternative asset managers. In the early stages of lockdown, many managers provided investors with detailed fund- and asset-level information to help them understand the impact of COVID-19 on their portfolios. Nearly two-thirds of private markets fund managers (63%) surveyed recently by IHS Markit said they had perceived a change in the depth and breadth of reporting required by stakeholders.[11]

[11] https://ihsmarkit.com/research-analysis/under-pressure-are-private-equity-firms-prepared-for-the-data-.html, April 30, 2021

Fees Remain a Point of Contention

Fees remain a negotiation point for investors. Still, fee pressure falls strikingly far down the list of challenges identified in our survey.

Only 4% of alternative asset managers say fee pressure is the most important challenge they face in the near term, the smallest share of any answer option. Just 13% describe it as a top-three issue. In terms of competitiveness in the market, a mere 1% of alternative asset managers surveyed say that fees are the single most important factor.

For investors, talk about fees depends on the type of alternative asset. They direct most of their attention to fees at private equity and hedge funds. As mentioned earlier in this report, 31% of investors surveyed (the largest share) identify lower or custom fee structures as a major secondary concern for increasing their hedge fund allocation to managed accounts. When deciding whether to maintain or increase their PE allocations, 81% of investors identify fee structure as either highly or somewhat important. By contrast, in 2017, 97% of investors said fee structure is important when considering asset managers.[12]

[12] https://www.bnymellon.com/us/en/insights/content-series/the-race-for-assets.html

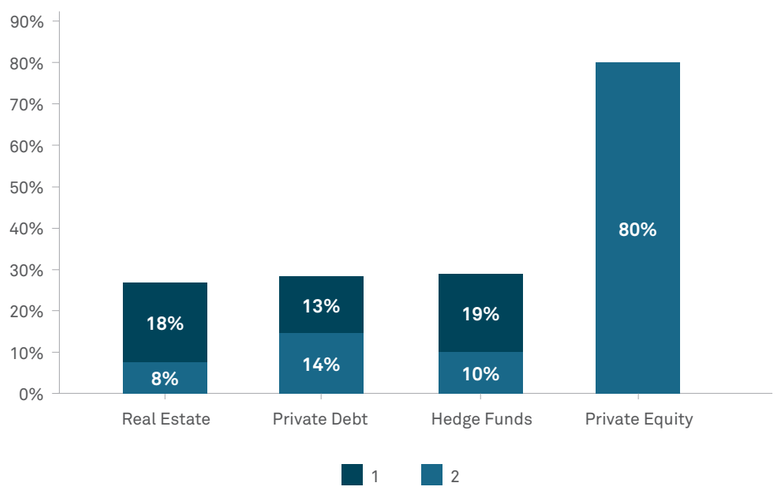
> *"There is increased pressure to reduce fees. Clients are making comparisons, without necessarily appreciating the impact on the quality of performance and returns."*
>
> ***—Managing Director (Hedge Fund), United States***

Regulatory Challenges Pose Obstacles, *Real and Perceived*

Among institutional investors, 80% consider regulatory changes as highly important in their allocation decisions for private equity. This is the highest response for the question, mirroring the responses of our 2017 survey.

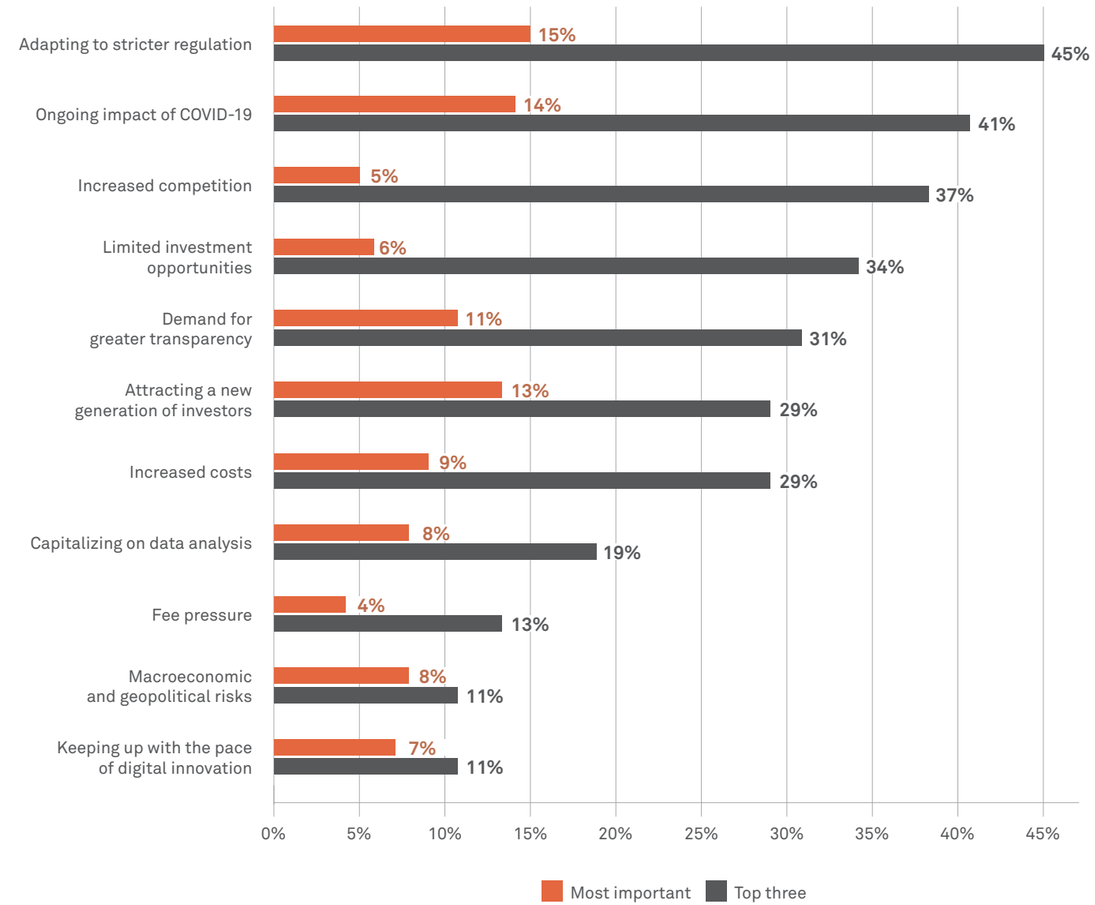
Regulatory changes are also high up the list of obstacles investors face when deciding whether to allocate more towards private debt and real estate, where this is the third biggest barrier.

Investor Perceptions of Regulatory Change as #1 or #2 Obstacle to Allocation



These responses align closely with those of alternative asset managers, for whom adapting to stricter regulation is the biggest short-term challenge.

What are the main near-term challenges facing your organization?



"The pandemic has seen a flight to data. There is a lot of detail in real estate and, while reporting may have been pretty good in many parts of the industry already, COVID-19 saw increasing information requests, some of which may become standard."

—Neal Armstrong, *Head of U.S. Real Estate Services, BNY Mellon*

Alternative investments have contended with increasing regulation for some time—an inevitable consequence of their growing significance in the economy and investors' portfolios. Managers also face an increasingly complicated web of regulation when expanding into new products and geographies.

A handful of regulatory initiatives stand out for their significance to alternative as well as traditional asset managers.

- Alternative Investment Fund Managers Directive (EU)
- Uncleared margin rules for OTC derivatives (U.S.)
- Prudential rules for private fund managers (U.K.)
- Private Funds Act, revisions to Anti-Money Laundering (AML) regulations, and revisions to the Cayman Islands Monetary Authority's (CIMA) administrative fines regime (Cayman Islands)
- LIBOR cessation (global)
- ESG-related regulation (U.S. and EU):
  - Considerations for the Advisers Act, the Investment Company Act, and ERISA, as well as stated examination priorities issued by the SEC's Office of Compliance Inspections and Examinations ("OCIE") and the formation of the ESG Subcommittee of the SEC's Asset Management Advisory Committee ("AMAC")[13]
  - New EU regulations such as the Sustainable Finance Disclosure Regulation (SFDR) and other ESG-related legislative activity

As a result, some alternative asset managers may concentrate on regions where regulation has a lighter touch. However, another view is that increasing regulation will allow alternative asset managers to attract new pools of currently-constrained capital. As regulatory frameworks for alternatives become more aligned to those in mainstream investments, the case builds for unlocking sources of capital from investors under regulation that currently prevents them from investing in this part of the market.

[13] https://www.dechert.com/content/dam/dechert%20files/knowledge/publication/2021/3/Environmental-Social-And-Governance-Investing-Considerations-US-And-EU.pdf

"With regulations becoming stricter, we will have to involve more consultants and advisory firms as we consider new market entry positions. It's a risk, but we cannot postpone plans because of regulatory pressures."

—Investment Director (Multi-Asset Fund), United States

"For long-term growth opportunities, Asia-Pacific markets are ideal, followed by Sub-Saharan Africa. The main reason is the ease of investing in these regions–regulations are not as strict as in Europe or the Americas."

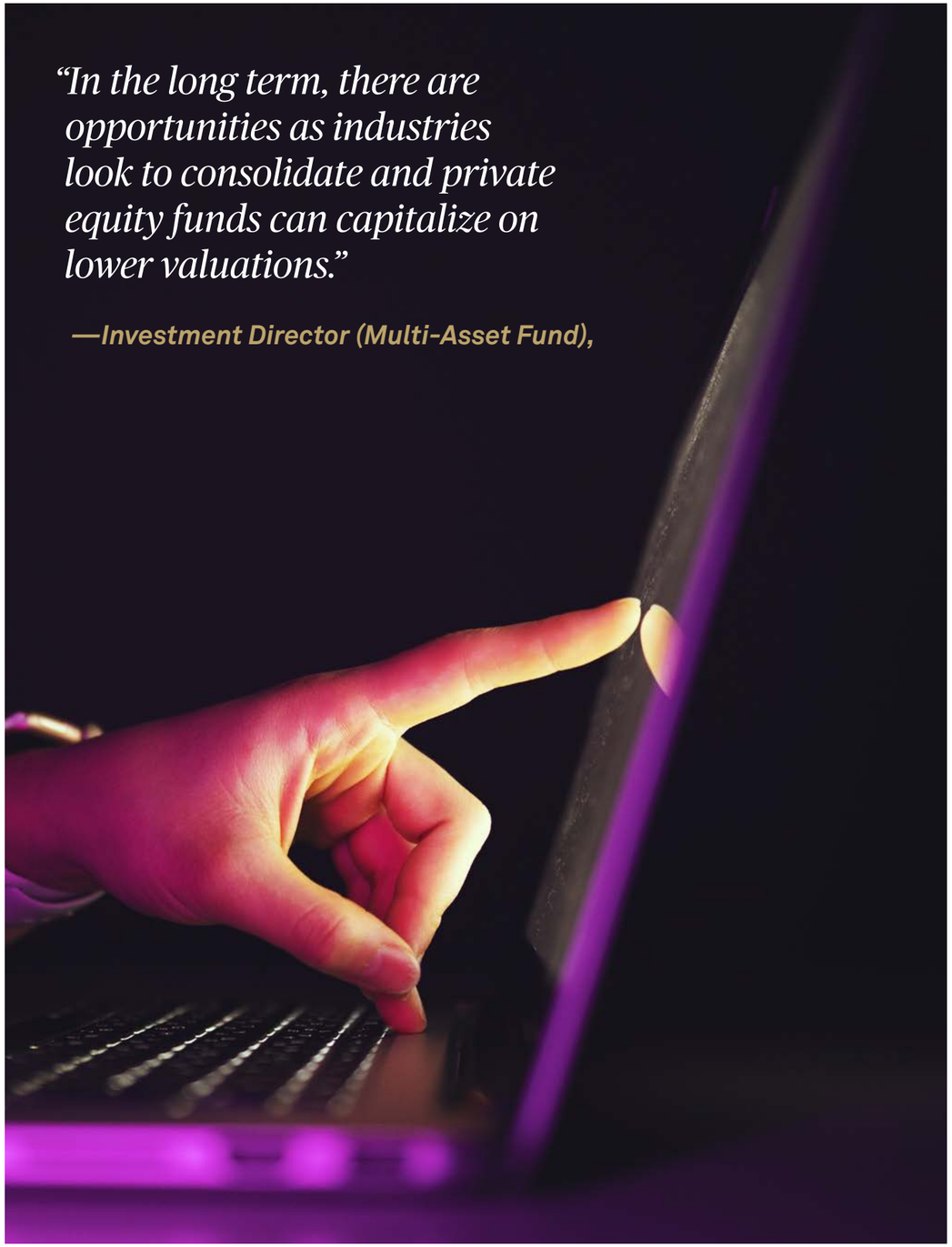
—Private Equity Fund Manager, Australia

Macro Concerns Vary *by Asset Class*

Investors cited macroeconomic factors as a substantial obstacle to allocating more capital to hedge funds (second most popular answer, with 34% identifying this as a top-two hurdle) and in real estate and private debt (top answer for both, with 31% and 39%, respectively). However, for alternative asset managers, macroeconomic and geopolitical risks are second from the bottom in their list of near-term challenges.

This difference of opinion may reflect the fact that many managers, while dealing with some difficult situations in their existing portfolios, perceive longer-term opportunities in a period of dislocation. Many private credit funds, for example, have relatively broad mandates, enabling them to target opportunities appropriate to different stages of the cycle.

In addition, as discussed in Chapter 1, many investors view real estate as a solid countercyclical option despite the challenges faced by the segments most affected by COVID-19. Given its high levels of dry powder, private equity may also be in a good position to generate strong returns through a downturn.



Competitive Questions, *Bespoke Answers*

Alternative asset managers see increased competition as the third biggest near-term challenge to their organization, with 37% selecting it as a top-three issue.

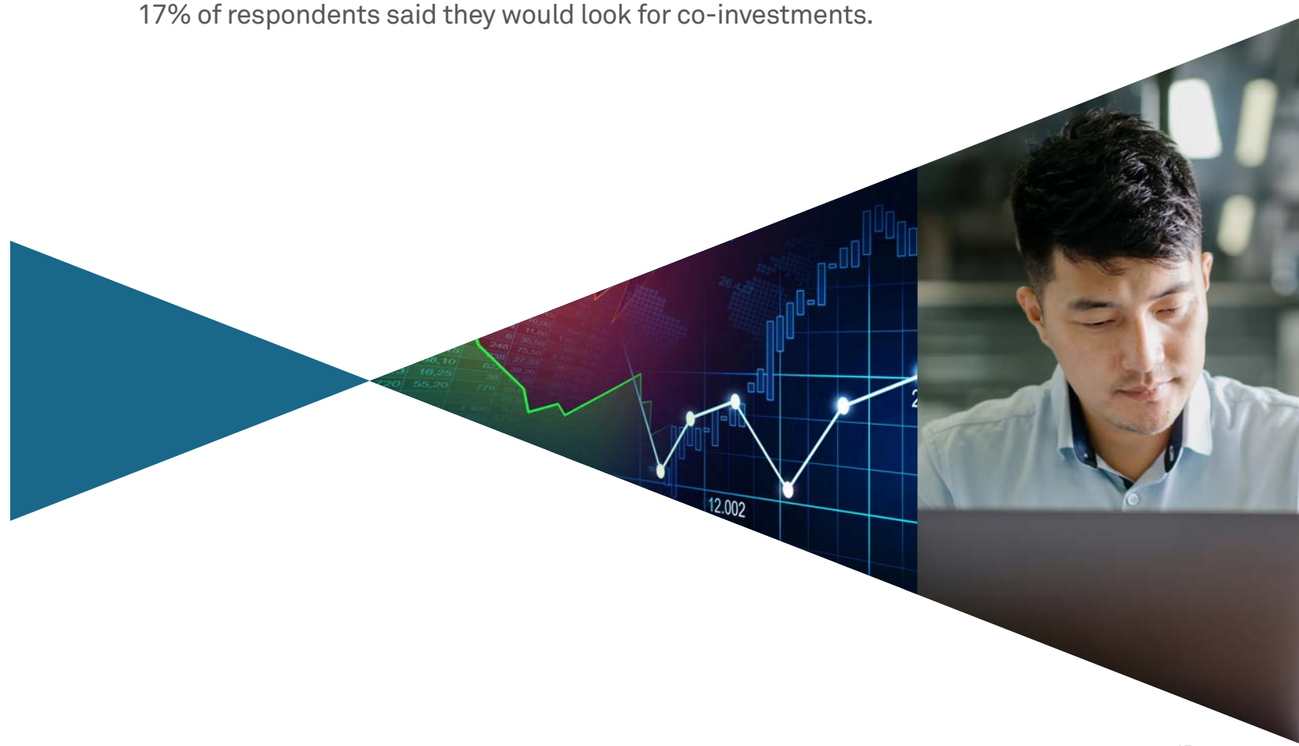
"The increase in competition is one of the main considerations because we have to invest in constant growth and look for inorganic expansion measures."

—Managing Director (private debt fund), United States

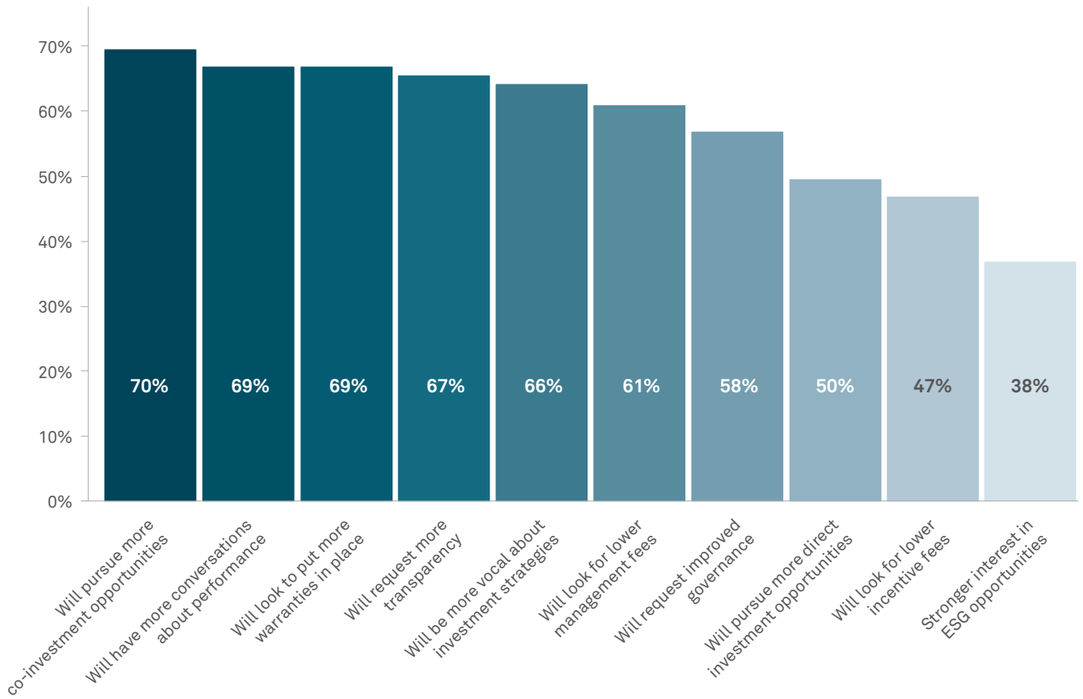
One response is to offer bespoke solutions across a variety of strategies and access points to meet differing investor needs. Providing investors more control and exposure at a granular level while also potentially reducing fees and growing assets under management (AUM) can be an attractive competitive proposition. The rise of co-investments in private equity, managed accounts in hedge funds and separate accounts in private debt are part of this move towards customization.

Investor appetite for these strategies is especially apparent in private equity. Our survey shows investors will increasingly look for co-investment opportunities from their private equity managers as they seek exposure to investments with low-to-no management fees. As shown above, a full 100% of survey respondents say that the opportunity to co-invest is highly or somewhat important.

Demand for co-investments is evident in responses to how investors expect to change their approach to investing in private equity over the next 12 months as well. Here, the top answer is pursuing more co-investment opportunities. Pursuing co-investment is even slightly ahead of conversations about performance and requesting more transparency. At 100%, it is also a significant jump from our 2017 survey when only 17% of respondents said they would look for co-investments.



In which ways do you expect your approach to investing in PE to change in the next 12 months?



Co-investment values and volumes—already on the rise—look set to swell over the next year. Figures for this part of the market are difficult to collate since deals and their details are rarely made public, but estimates by advisory firm Triago suggest that 2019 saw co-investments worth US$66 billion, up from US$55 billion a year earlier.[14]

[14] https://www.privateequityinternational.com/pei-300-through-co-investment-lps-share-the-dealmaking-burden/

"We've seen a lot of activity in separate accounts in private debt since the pandemic as large managers seek single investors to target specific opportunities."

—Dermot Finnegan,
Global Head of Private Markets
Fund Administration, BNY Mellon

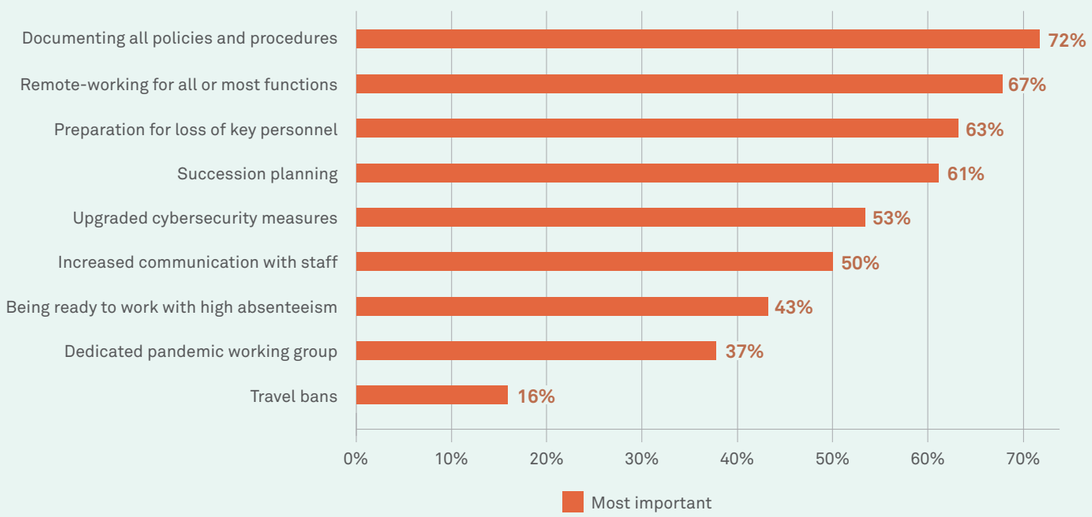
COVID-19 Challenges Continue

The ongoing impact of COVID-19 represents alternative asset managers' second-biggest near-term organizational challenge, with 41% mentioning it in their top three. COVID-19 also adds to the challenge of limited investment opportunities, with more than one-third (34%) naming this factor a top-three challenge. *(See chart p. 39)*

Alternative asset managers are working through these challenges on several fronts. The greatest business continuity priority is documenting all policies and procedures, followed by work-from-home for all or most functions, preparation for the loss of key personnel and succession planning.

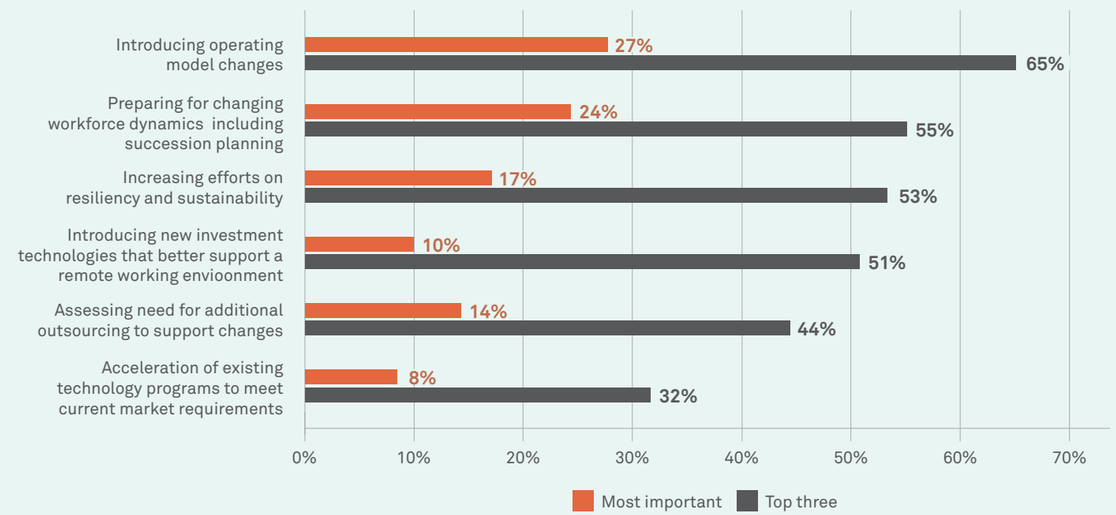
Upgrading cybersecurity measures sits in the middle of the pack. Presumably, cybersecurity has been an ongoing workstream for many years now, but it may be that some alternative asset managers are in danger of complacency. Reports of cyber-attacks on managers have increased substantially since the start of the pandemic and there have been some successful high-profile malware attacks.

What plans have you put in place to maintain business continuity during the COVID-19 crisis?



The pandemic has also led to a shift in priorities for alternative asset managers. Nearly two-thirds say they are introducing operating model changes, which will likely increase efficiency and enable the fourth-ranked priority of supporting remote working through increased technology adoption. They also have their eye on succession and changing workforce dynamics, again reflecting a move towards more remote working patterns. Increasing efforts on resilience and scalability come in a close third. Nearly half are assessing the need for additional outsourcing to support changes.

As a result of the pandemic, how do you envisage your priorities shifting?



"Short-term returns have slumped because of COVID-19. Sourcing new opportunities has been difficult because of physical restrictions."

—Managing Director (Private Equity Fund), South Korea

Conclusion

Given the factors that investors prioritize, we believe alternative asset managers will look to bespoke solutions, compelling strategies and levels of transparency as significant sources of their greatest competitive advantages. Performance conversations and warranties may also come under consideration. With these conditions and the broader picture of investor demand in mind, alternative investment managers will have to adjust course to thrive by meeting demand with flexibility.

We summarize these efforts with the following six observations:

- Performance is paramount.
- Risk management analysis attempts to relate performance to the changing investment environment.
- Alternative asset managers need to create manageable data pools to extract the right information.
- There is ongoing and increased pressure to reduce fees.
- Increasing regulation may offer a silver lining by letting alternative asset managers unlock new pools of currently constrained capital.
- Investors are looking to co-investment opportunities to reduce management fees.

Despite the risks and challenges generated by the COVID-19 downturn, many alternative asset managers perceive longer-term opportunities in a period of dislocation. Those able to react with agility may be positioned to outperform their competitors.

Chapter 3:
Going and Growing Digital

Data, technology and outsourcing are the future of asset management. These imperatives will reshape alternatives as they move towards the mainstream.

The Digital Shift

Digital transformation is sweeping across industries the world over. Alternative asset management is no exception. Well before the pandemic, many alternative asset managers started shifting towards digital and data management systems to drive efficiencies and innovation. In our research, we focused on why both short-term and long-term pressures make the adoption of new technologies more urgent than ever.

Nevertheless, paper-based systems remain commonplace in some parts of the alternatives universe, such as real estate. It is still not unusual for private equity firms to rely on spreadsheets for data management and analysis. Many of our survey respondents highlight the urgency of adopting new technologies, with the pandemic only increasing the pressure to digitalize.

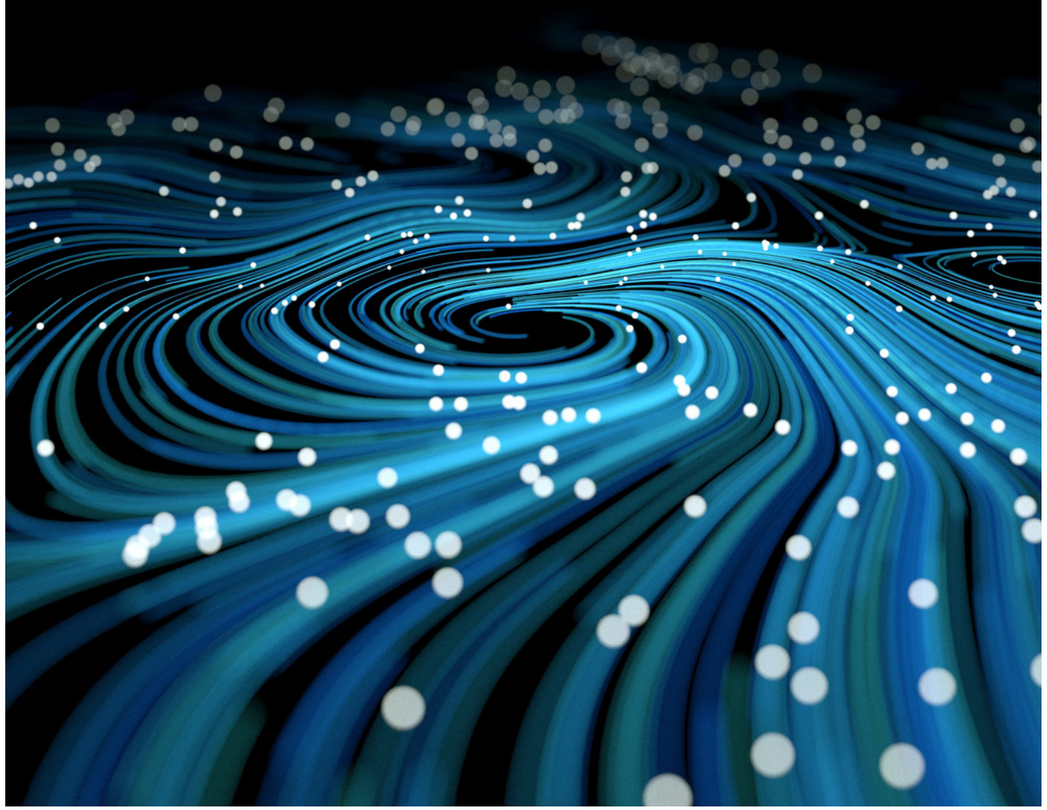
For instance, in situations where physical or "wet" signatures were once the norm, such as filing tax-related forms, digital signatures are now taking over, driven by restrictions on travel and in-person contact. Regulators are expected to expand the use of e-signatures and even make such changes permanent.

More broadly, mastering digital technologies is essential to industry priorities, especially by reducing operating model costs, creating a data management model to support growth and supporting risk management analysis.[15]

[15] See Chapter 2: *Getting Ready for Growth* for further context on these and other strategic priorities.

"The pace of digital innovation has increased substantially. With many firms in the sector opting for digital transformation strategies, it has become evident that we cannot do without these up-to-date systems."

—Managing Director (Real Estate Fund), United States



The Cloud Is *the Foundation*

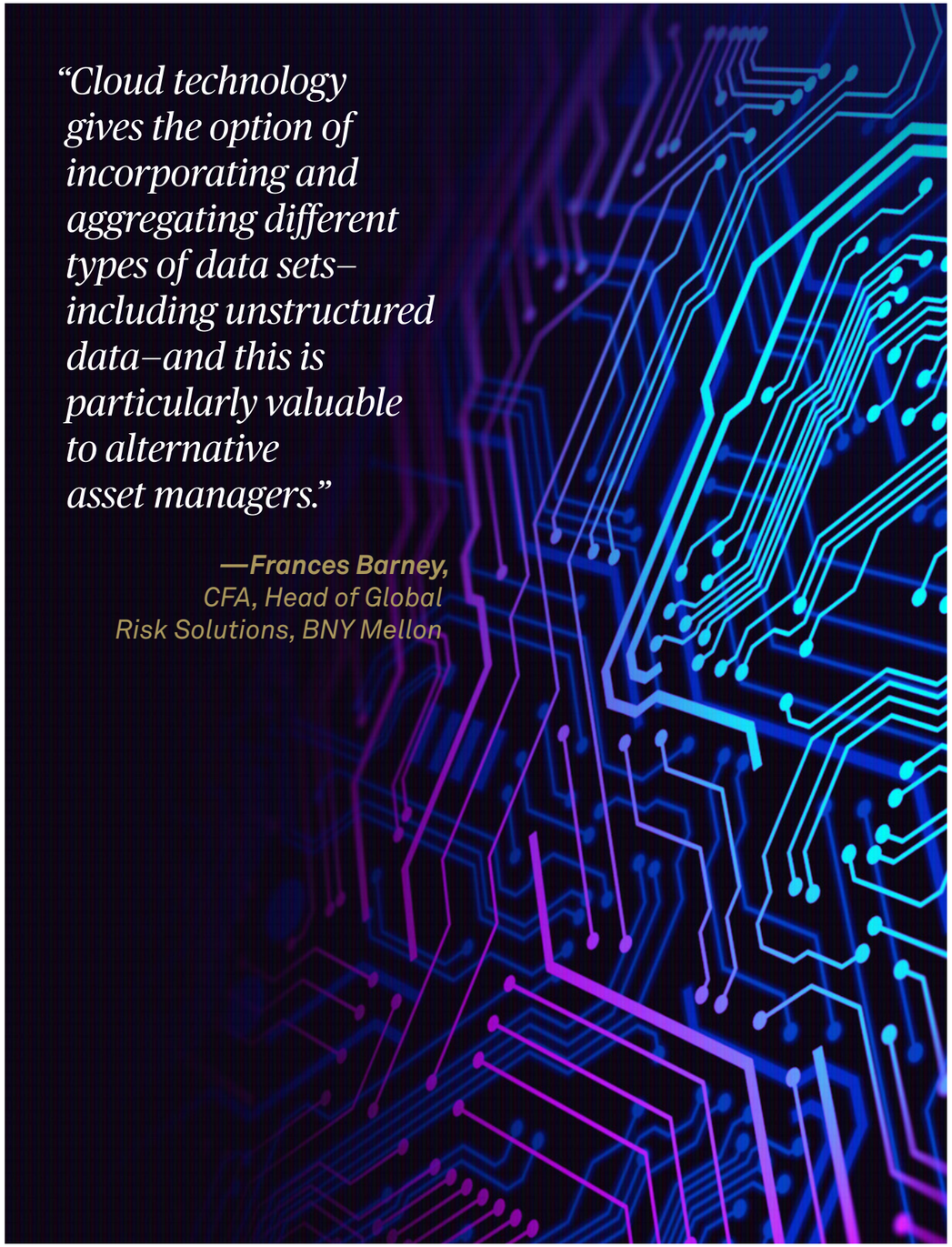
Alternative asset managers have several types of technology on their minds, ranging from cloud computing to more nascent technologies such as blockchain and robotics. Staying on top of developing technology is crucial.

Our parallel study of the broader asset management industry[16] finds that increasing adoption of cloud-based solutions is the first step towards digitalization. Almost all respondents in that survey (96%) said they believe cloud computing will drive digital and operational transformation in their organizations.

Quotes from participants in our alternative assets study echo that finding. Cloud computing can serve as a point of departure for organizations as they add new digital services or products and wean themselves off paper-based processes or spreadsheet-based analytics. More broadly, it becomes the foundation for smoother collaboration between staff, a major benefit for large and multinational organizations.

"Innovation has become a huge part of the digital environment. For any purpose or transaction, having the latest digital technology is important for the competitive edge to show."

—Investment Director, United Kingdom



"Cloud technology gives the option of incorporating and aggregating different types of data sets–including unstructured data–and this is particularly valuable to alternative asset managers."

—Frances Barney,
CFA, Head of Global Risk Solutions, BNY Mellon

[16] https://www.bnymellon.com/us/en/insights/asset-management-transformation-is-already-here/survey-research-series-overview.html

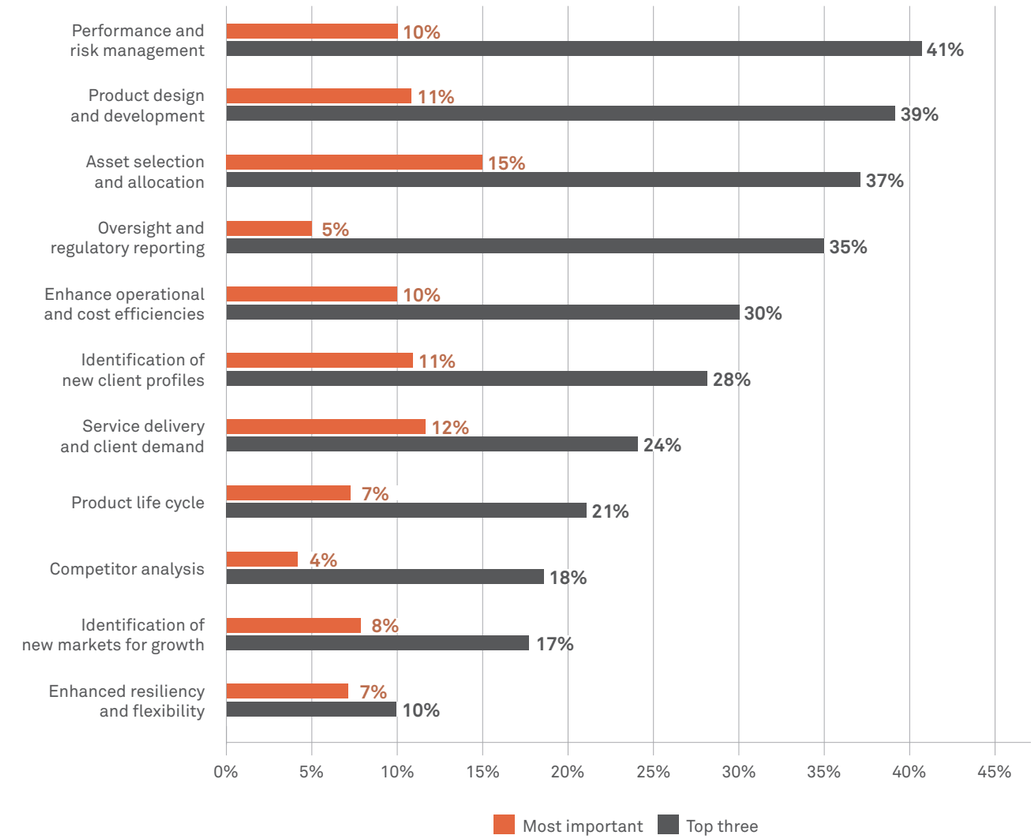
The Unseen Value *in Data*

As we found in our broader asset management study[17], asset managers are trying to harness digital technologies to support a data-centric world while growing and serving their investors with agility. Data is also critical to their performance and risk management and asset selection and allocation functions.

The same is true for alternative asset managers, especially as alternatives continue on their path towards the mainstream. Among alternative asset managers, the top three use cases for data and analytics are performance and risk management, product design and development and asset selection and allocation. These use cases are all core competencies integral to generating returns for investors.

[17] See Chapter 2: *Getting Ready for Growth* for further context on these and other strategic priorities.

What are your top use cases for deploying data and analytics?



"Data analytics offer asset managers enormous opportunities to streamline their business end-to-end, drive investment performance and assess risk. They will make workflows faster and offer better ways of measuring success from the front right through to the back office."

—***Kenny King,*** *Managing Director, Asset Servicing, Global Head of Alternatives, BNY Mellon*

It is increasingly important to ensure that data is accessible across an entire enterprise as alternative asset managers work to derive the greatest value from the data they hold. Wider access, or data democratization, represents a sea change in how organizations distribute data, both within their enterprise and in communications with clients. It requires not only technology solutions but also cultural evolution within organizations.

Still, while the benefits of democratizing data are clear, alternative asset managers have no illusions. Creating the right architecture will be challenging.

Reflecting themes that are common across asset management[18], the most-cited obstacle to effective data management for alternative asset managers is the difficulty of aggregating data across fragmented systems, with 48% of survey respondents placing it in their top three challenges *(see chart on page 59)*. In today's environment, there are a plethora of systems used across different fund management functions. This issue is often even more acute in alternatives, where many platforms are necessarily bespoke or specialist.

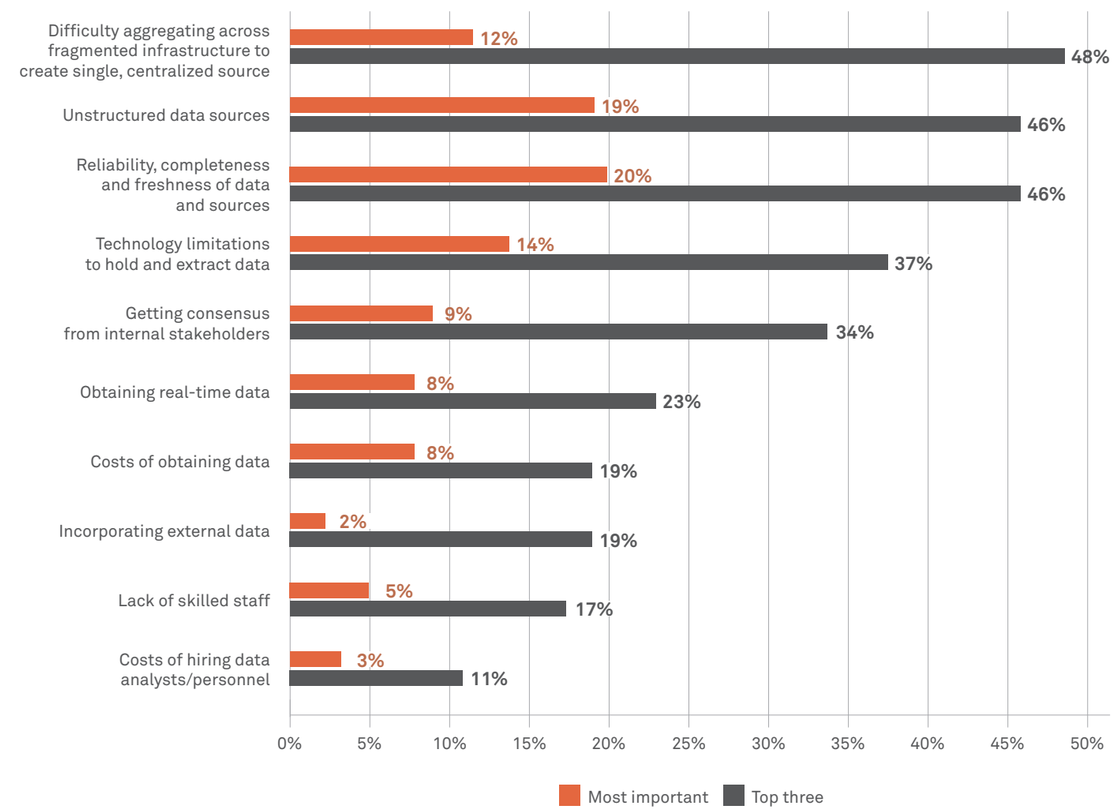
Unstructured data sources and the reliability, completeness and freshness of data are also obstacles to effective data management, with 46% of managers rating both as top three issues (see chart on page 11). Again, alternative asset managers are likely to struggle more than most with this, given that private equity, private debt and real estate rely heavily on unstructured data.

[18] https://www.bnymellon.com/us/en/insights/asset-management-transformation-is-already-here/survey-research-series-overview.html

"Having a single source of truth is the most important factor in generating data on which we can base decisions. Unless this is present, the data processing and analytical results are not applicable. Data management platforms are also not consistent–they don't offer the ways of analyzing data we require."

—Partner (Private Equity Fund), United States

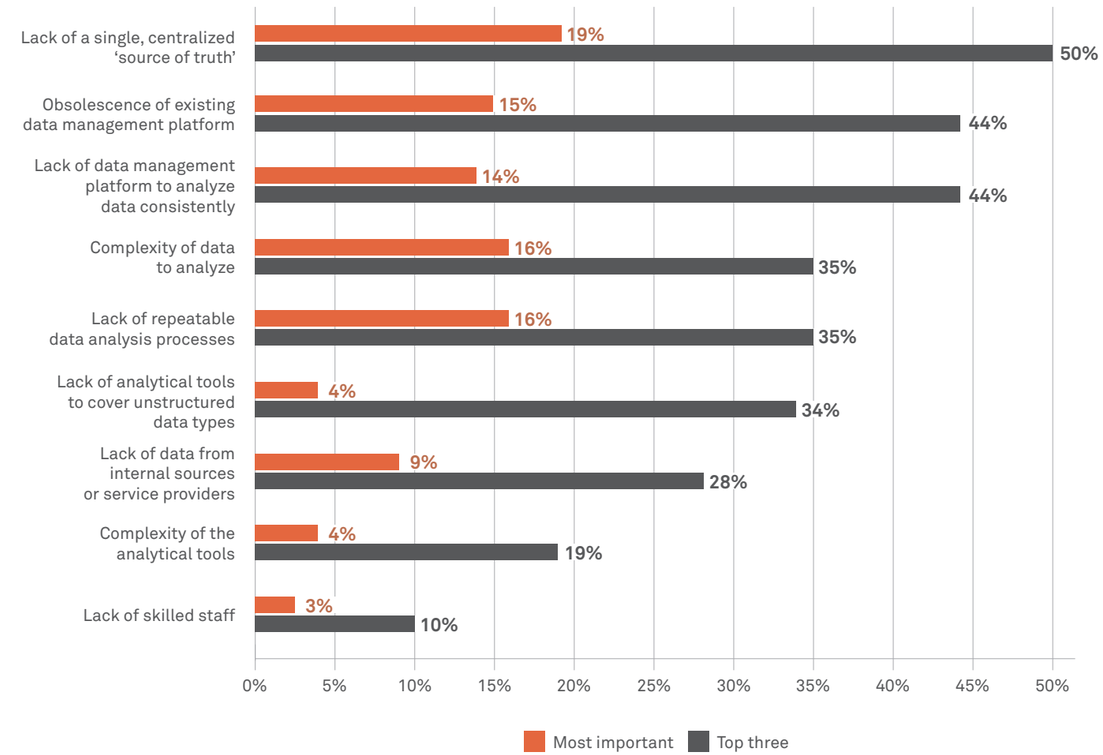
Which of the following are the main barriers to managing data (*i.e.* collect, store, clean) effectively?



When it comes to extracting meaningful insights from data, alternative asset managers face similar challenges, constraining their ability to make data-driven decisions. Again, lack of a single, centralized source of truth is the biggest such challenge, with half placing it in their top three. They also face issues of obsolescence in their existing data management platform *(see chart on page 61)*.

Given the more bespoke systems that alternatives require, alternative asset managers also flag as challenges the lack of a data management platform to analyze data consistently and the dearth of analytical tools that cover unstructured data types.

Which of the following are the main barriers to extracting meaningful insight from your data?

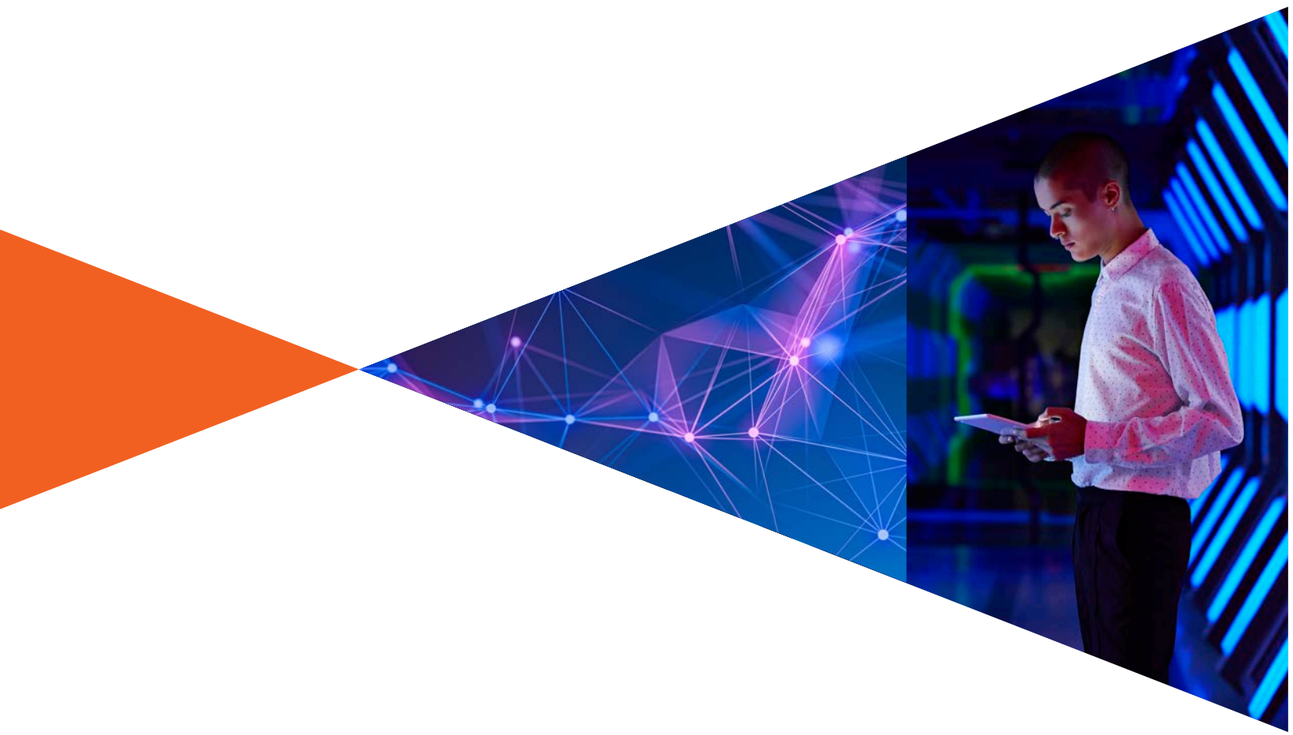


"There are multiple barriers that affect extraction of useful information. Integrating new platforms and solutions into our existing data platform takes time and expertise to complete."

—Managing Director, Private Equity Fund, South Korea

Unwinding these challenges will require building a single repository of information that simplifies retrieval and gives the right people access to the right information. Common technology solutions include data warehousing or so-called data lakes, which store and manage raw data from multiple sources and in multiple formats, including unstructured data.

However, conversion risks can be high, and the process far from pain-free. A clear view of what the organization is trying to accomplish and access to the right resources and partners are essential to smooth the path.



Outsourcing *Unlocks Opportunity*

Alternative sub-asset classes are at differing points in their outsourcing evolution.

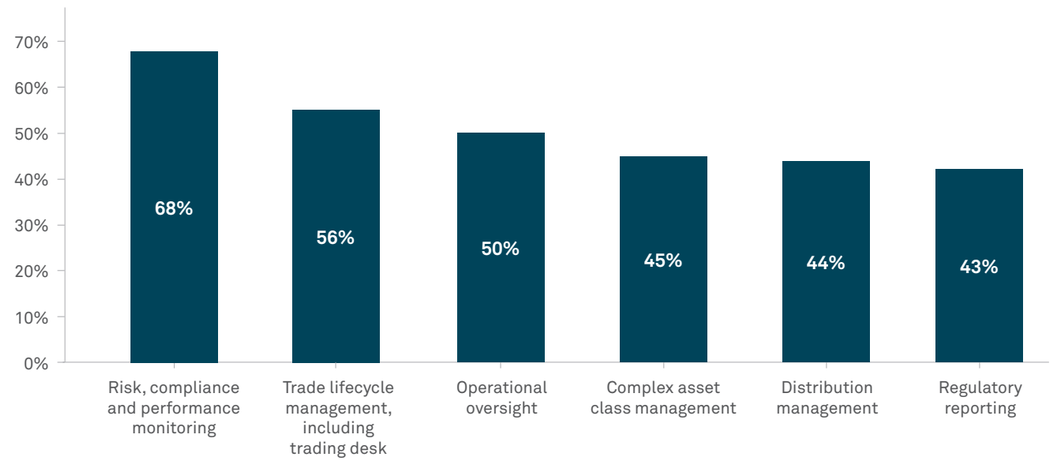
New governance requirements after the Madoff scandal in 2008 drove hedge funds toward more outsourced models earlier than other alternative asset managers. Private equity and real estate, meanwhile, have traditionally kept more functions in-house. However, as they branch out into more complex products, look to scale up and, in some instances, reduce costs, managers of those two sub-asset classes increasingly see outsourcing as a way of removing some of the pain points associated with setup and ongoing operations.

Among those looking to expand their outsourcing relationships, most are looking at risk, compliance and performance monitoring. This development may reflect the concerns around keeping pace with changing regulation that we covered in the previous chapter.

Trade life cycle management, including trading desk, is the second most popular option for outsourcing. Most of these needs are naturally likely to be relevant for hedge funds, which are increasingly looking at shifting traditionally front-office functions to the back and middle office as they focus on enhancing investment performance.

> *"With the increased opportunities to outsource and lower operations costs, we have to think about what functions we would be ready to take out of house."*
>
> ***—Managing Director (Real Estate Fund), United States***

If you are planning to explore or expand your relationships, in which areas of business are you most likely to outsource?



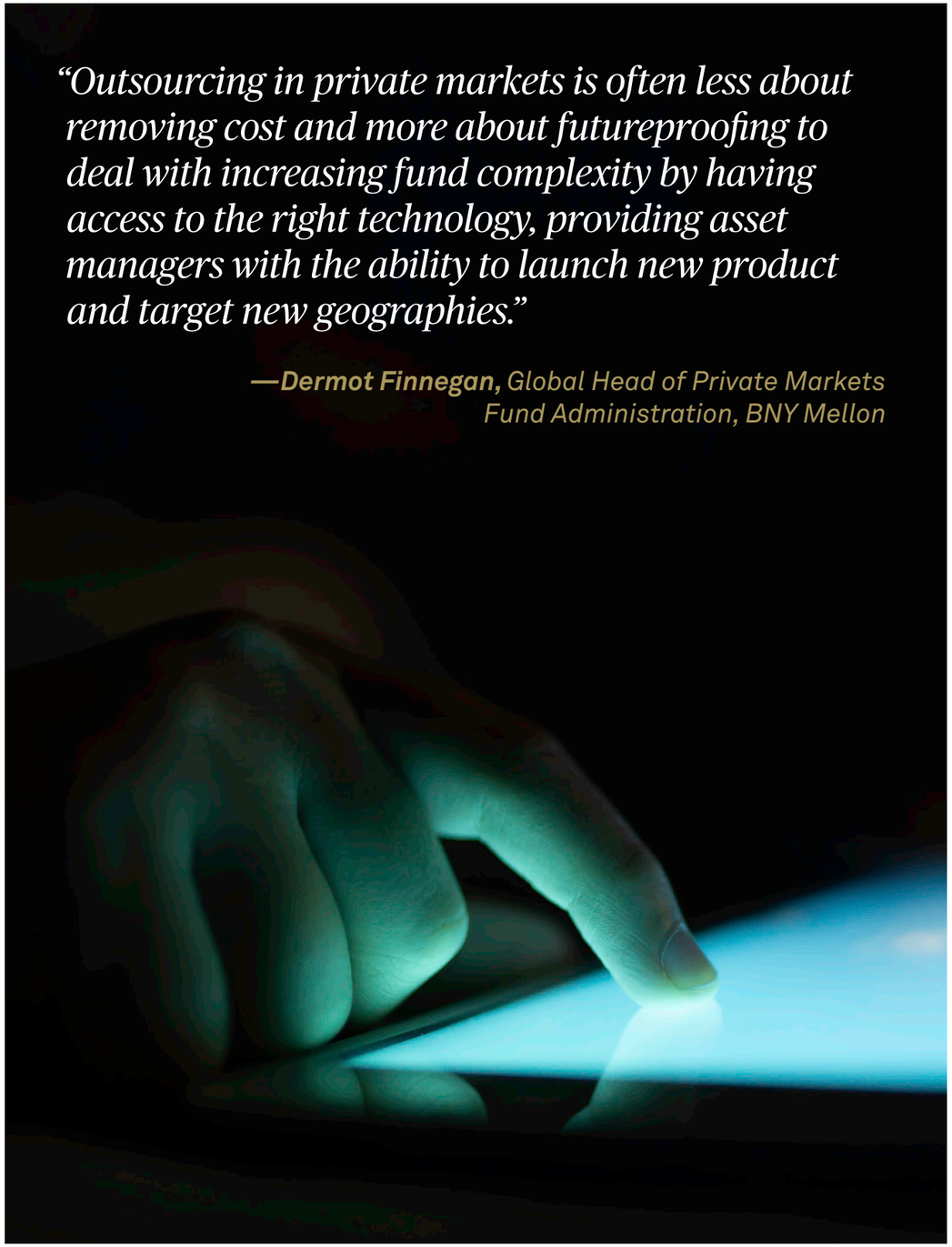
The move toward digitalization and data management will likely trigger an additional wave of outsourcing across alternatives. As we noted above, performance and risk management are the top use cases for deploying data and analytics technology.

"The industry is changing fast, and there are more opportunities to outsource processes that we lack the time or talent to manage internally."

—Managing Director, Private Equity Fund, Australia

"Outsourcing in private markets is often less about removing cost and more about futureproofing to deal with increasing fund complexity by having access to the right technology, providing asset managers with the ability to launch new product and target new geographies."

—Dermot Finnegan, *Global Head of Private Markets Fund Administration, BNY Mellon*



Conclusion

Data, technology and outsourcing are the future of asset management for alternatives as well as the broader industry, and mastering digital technologies is essential to managers' priorities.

In the quest for growth and increased AUM, alternative managers will need to adapt with a sharpened focus on data management, analytics and digitalization. Only the fittest will survive by establishing the right architecture for the future.

Three key takeaways emerged from our research:

- The pandemic has increased the pressure to digitalize.
- Among alternative asset managers, the top three use cases for data and analytics are performance and risk management, product design and development, and asset selection and allocation.
- The biggest obstacle to effective data management is the difficulty of aggregating data across fragmented systems.

Chapter 4:
Looking Towards the Future

New products, new money and new channels are having a transformative effect on alternative asset managers.

After a decade of stellar growth, alternative asset managers stand at the precipice of profound change. Many are looking to build up or refocus their firms' operations to adapt to new market opportunities and manage potential threats.

Structural Change *Intensifies*

The most significant factor driving structural change in managers' organizations is increased competition, mentioned by 50% of respondents as a top-three issue. The concentration of capital among the largest alternative asset managers may help explain this perception. According to Private Equity International, ten of the largest private equity funds raised in the first three quarters of 2021 accounted for 26% of total fundraising.

Many large firms are also becoming multi-asset managers in a bid to provide investors with a one-stop shop for their alternatives exposure. In BNY Mellon's broader industry survey, *"Asset Management: Transformation Is Already Here,"* we found that 72% of asset managers expect to increase their offerings across hedge fund, private equity, private debt, infrastructure, and real estate vehicles.[19] Such firms can use their scale to provide a menu of more bespoke options and maintain blue-chip reputations among investors.

[19] https://www.bnymellon.com/us/en/insights/asset-management-transformation-is-already-here/survey-research-series-overview.html

Other managers can struggle to compete with these large firms on fees and investment strategies. There is still plenty of room for smaller players specializing in specific niches, but the middle ground looks set to be increasingly tough territory.

Changing industry economics contribute to further pressure for alternative asset managers. Respondents rank that as the third biggest factor driving structural change, placed in the top three by 39% of respondents and garnering the largest share (19%) of most-important votes.

For example, hedge funds largely said goodbye to the traditional "two and twenty" fee model long ago, with management fees at an average of 1.37% and performance fees at 16.36% at the end of Q3 2020, according to HFR[20].

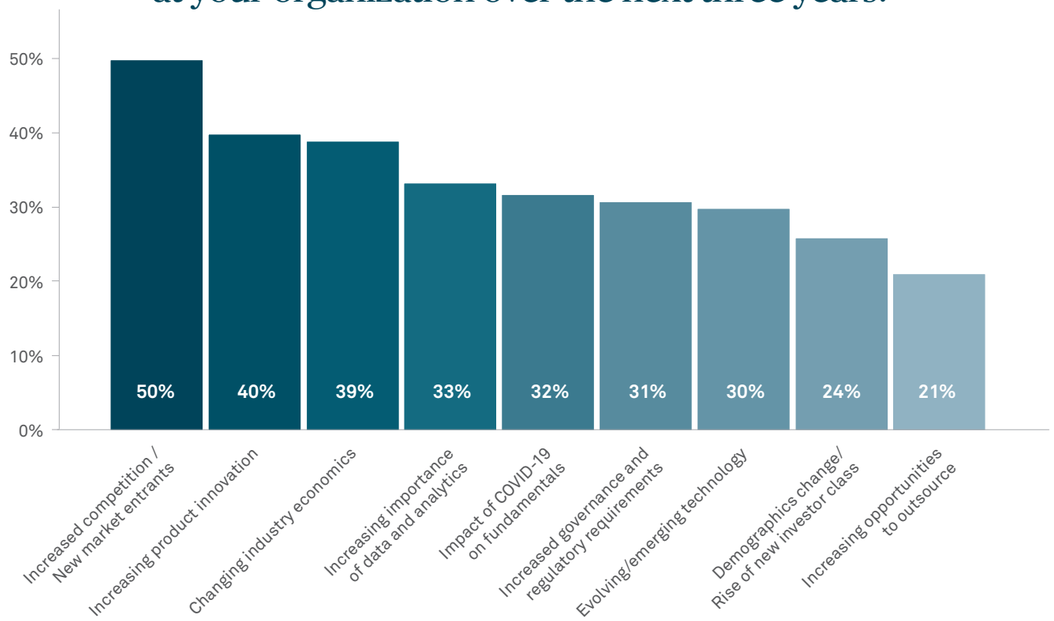
Other alternatives have not been immune to fee pressure either. The trend towards co-investments in private equity, for example, is in part an attempt by investors to decrease the average cost of investing since management fees and carried interest are either lower or not levied on such investments.

Increasing product innovation is also a crucial factor behind structural changes at alternative asset management firms, with 40% placing it in the top three. This ranking is perhaps unsurprising in a market that identifies competition and changing industry economics as major factors. Product innovation can help asset managers address both these points.

[20] https://www.hfr.com/news/hedge-fund-launches-rise-as-industry-positions-for-growth-in-2021

Other factors driving innovation include the adoption of digital technologies, demographic shifts (younger investors have very different expectations from their predecessors), and the rise of new investor classes, including retail.

What factors will most likely drive structural changes at your organization over the next three years?



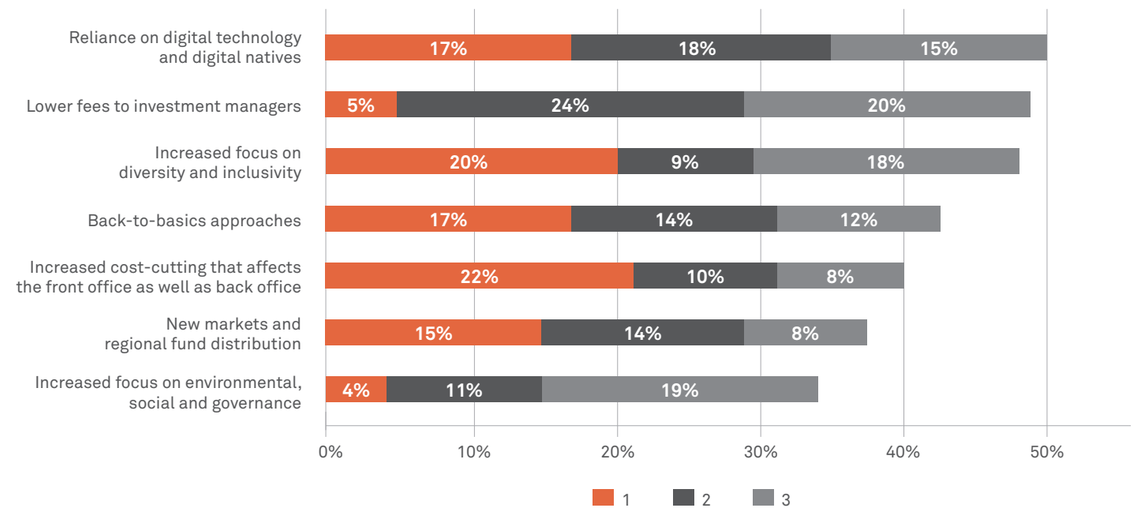
All of these factors are apparent in the most significant trends that managers identify for the alternative investing space over the next 12 months.

"There is more competition from global players, and new entrants to alternatives assets have been doing well. They are offering lower management fees to their clients, which has attracted our attention."

—Partner (Hedge Fund), United Kingdom

Reliance on digital technology and digital natives is the most commonly cited factor overall. However, with 22% of first-place votes, the number-one trend is increased cost-cutting that affects both front and back offices.

What do you predict will be the most significant trends in the alternative asset investing space over the next 12 months?



"Investors are raising the bar on their investment organizations; they want to allocate to organizations that promote and embrace people with a range of gender, experience and cultural backgrounds to enhance decision-making and improve investment outcomes."

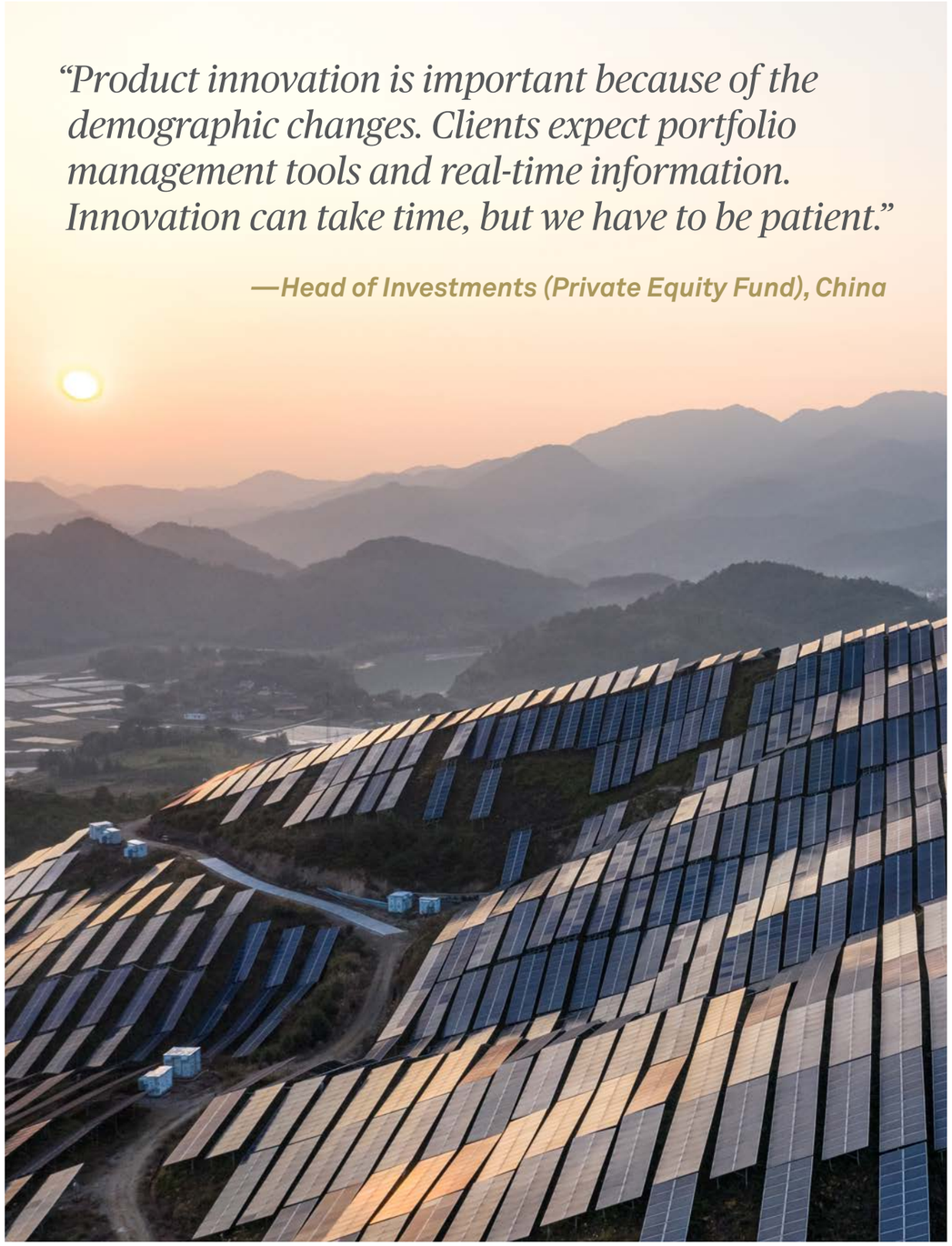
—Kenny King, Head of Alternatives, *Asset Servicing, BNY Mellon*

In second place is an increased focus on diversity and inclusivity. Attention paid to surging social and racial inequalities has left a mark on the alternative investment industry. Our survey suggests there is now a greater understanding that diversity can improve decision-making within the industry.

Investors and industry associations are helping promote the diversity and inclusion agenda as well. In summer 2020, the Alternative Investment Management Association (AIMA) teamed up with Albourne Partners to develop a new diversity and inclusion questionnaire for hedge funds. At the end of 2020, the Institutional Limited Partners Association (ILPA) launched its Diversity in Action initiative to make the private equity industry more diverse and inclusive.

"Product innovation is important because of the demographic changes. Clients expect portfolio management tools and real-time information. Innovation can take time, but we have to be patient."

—Head of Investments (Private Equity Fund), China



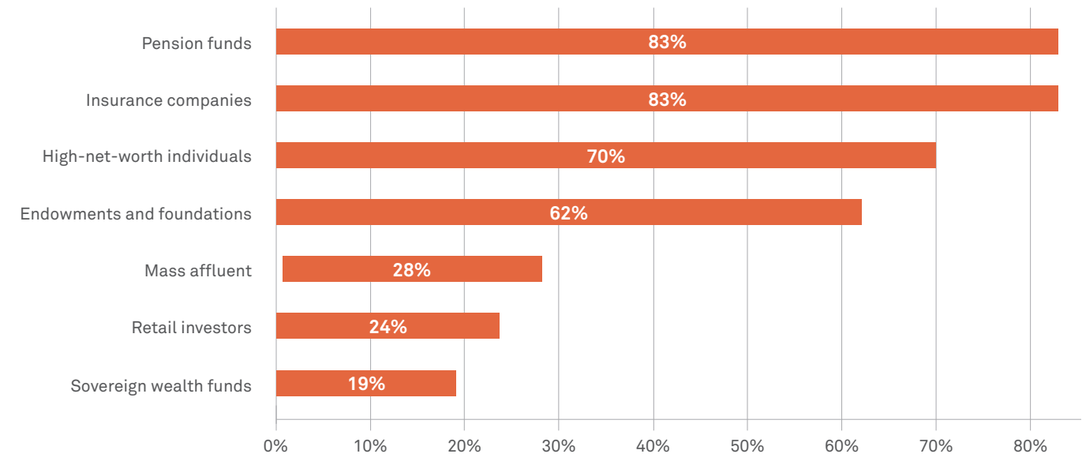
Sources of *New Money*

When it comes to the sources of future capital for alternative assets, 83% of managers are anticipating growth in commitments from their existing insurance company and pension fund investors, with endowments and foundations coming in second.

However, the strong showing of high-net-worth individuals as sources of future capital is worth noting. Much of this capital is likely to be directed at alternatives through family offices, an investor class that has expanded significantly over the past few years.

Global Family Office Report 2019 from UBS and in partnership with Campden Wealth Research found that the number of single-family offices had risen by 38% over the preceding two years to 7,300. According to the same annual report in 2021, family offices' institutional approach to asset allocation, with approximately 40% dedicated to alternative investments, generated solid returns in 2020. Based on the year's average global strategic asset allocation, in U.S. dollars, a notional portfolio would have yielded a return of 8.1%, with a downside risk of 11.9%.

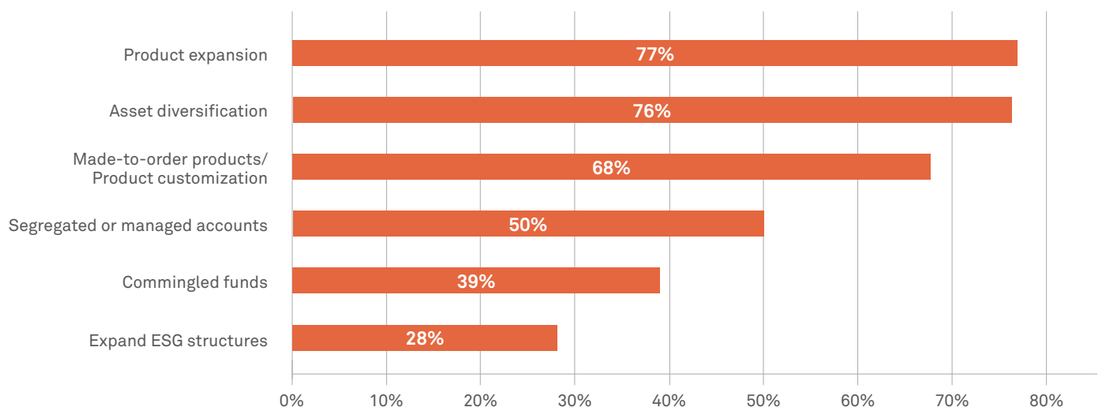
Within your customer base, in which of the following investor classes do you expect to see growth in levels of investment over the next three years?



Alternative asset managers are looking to adopt numerous strategies to target the investor classes they see as offering the most growth potential. Over three-quarters are expanding their product offering and diversifying assets.

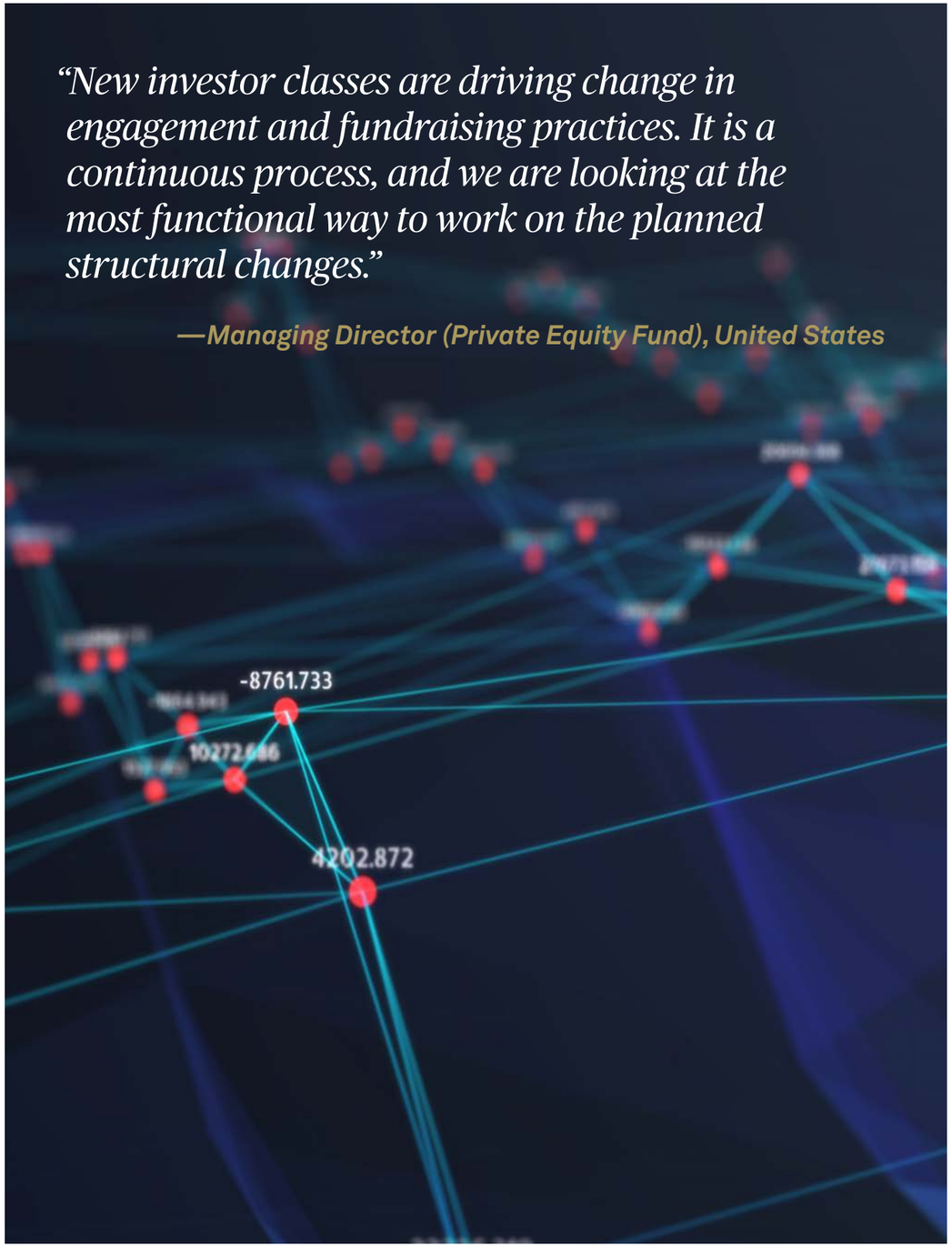
However, the most critical strategy, echoing some of the survey's other findings around co-investments, is building made-to-measure or customized products as a means of growing assets under management (AUM). Asset managers must also pay attention to their ability to attract up-and-coming investors, including segments at greater scale.

Which strategies are you employing to target the investor class where you expect to see the most growth?



"New investor classes are driving change in engagement and fundraising practices. It is a continuous process, and we are looking at the most functional way to work on the planned structural changes."

—Managing Director (Private Equity Fund), United States

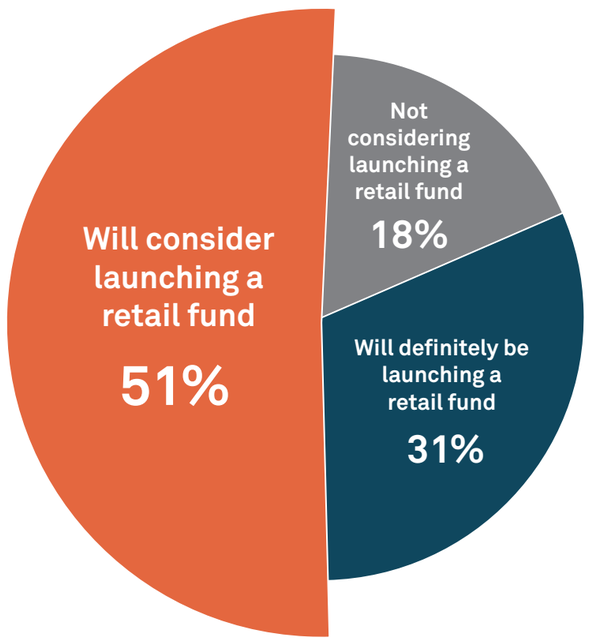


The Coming *Retail Revolution*

While retail investors currently account for a small proportion of alternative asset managers' pools of capital, the next few years could see some significant changes. The industry has discussed this trend for many years as savings products such as retirement plans become increasingly individualized and as defined benefit schemes are phased out.

Nearly one-third of managers in our survey say they will definitely launch an alternative investment fund aimed at the retail market, with even more saying they will consider doing so.

What are your plans for setting up an alternative investment fund for retail investors in the next 12 months?



"We will see more individual investors looking to access alternative investments. While this raises questions around liquidity, we will see asset managers create wrappers that enable individuals to invest smaller ticket sizes, most likely via intermediaries."

—Daniel Tennant, *Managing Director, Global Client Management, Alternatives, BNY Mellon*

Meanwhile, public markets investments have become increasingly concentrated in large companies in sectors like technology, reducing investors' options and their ability to build in diversification. By December 2021, Apple, Microsoft, Amazon, Tesla and Google accounted for 24% of the S&P 500 Index market capitalization.[21]

In response to this ongoing trend, the U.S. Securities and Exchange Commission issued regulatory guidance in 2020 that could expand retail investor access to alternatives. While precise proposals are not yet in place, this guidance may even allow private markets investments such as private equity in 401(k) pension plans. Any move on this front could precipitate an avalanche of retail capital into alternatives.

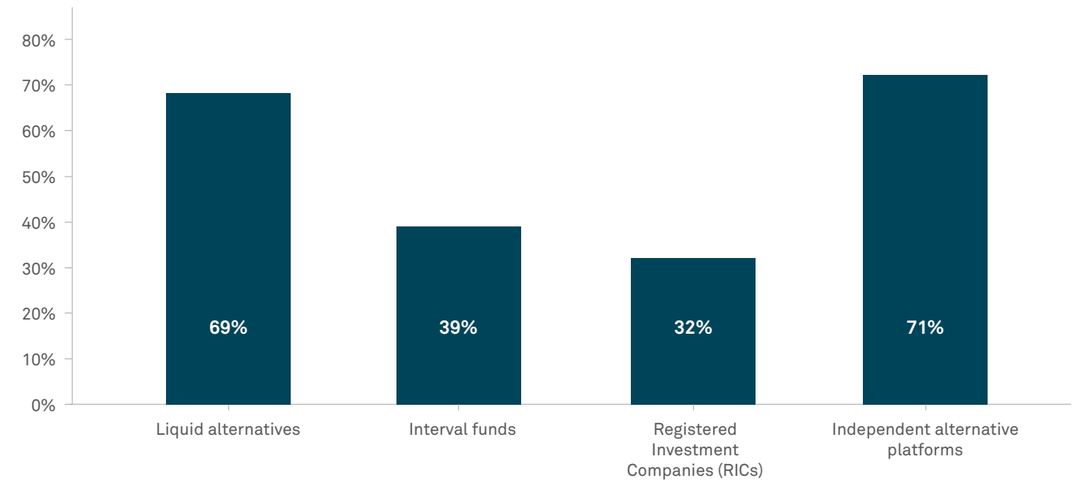
To attract retail capital, alternative asset managers will need to put significant effort into designing the right products with liquidity appropriate for the retail space, as well as building effective distribution channels. Many will be quite unfamiliar with these areas.

As a way to tap into the retail market, respondents' flag independent alternative platforms and liquid alternatives funds as the preferred options over Registered Investment Companies (RICs). This sentiment implies more of an appetite for direct exposure to alternatives rather than through intermediaries.

> *"As traditional pension funds give way to more individually administered savings plans, asset managers will need to tap new sources of capital. The move to attracting retail investors will drive innovation in fund structures, distribution and investor choice.*
>
> ***—Megan Gentilesco,** Director, Alternative Investment Services, BNY Mellon*

[21] As of market close December 2, 2021

What type of alternative investment fund or strategy are you considering to engage retail investors?



ESG:
A Changing World

Environmental, social and governance (ESG) considerations have continued to rise on the investment agenda. Many investors now view sustainability as a key part of their stewardship role in managing long-term capital.

In the alternative asset investment sphere, 61% of the 400 LPs polled by Preqin in 2020 believe that ESG will become an integral part of the industry over the next three years.[22] As of October 2021, Preqin estimates there are US$3.10 trillion of private capital assets under management (AUM) managed by firms that are committed to ESG investing, representing 36% of total private capital AUM ($8.52 trillion).

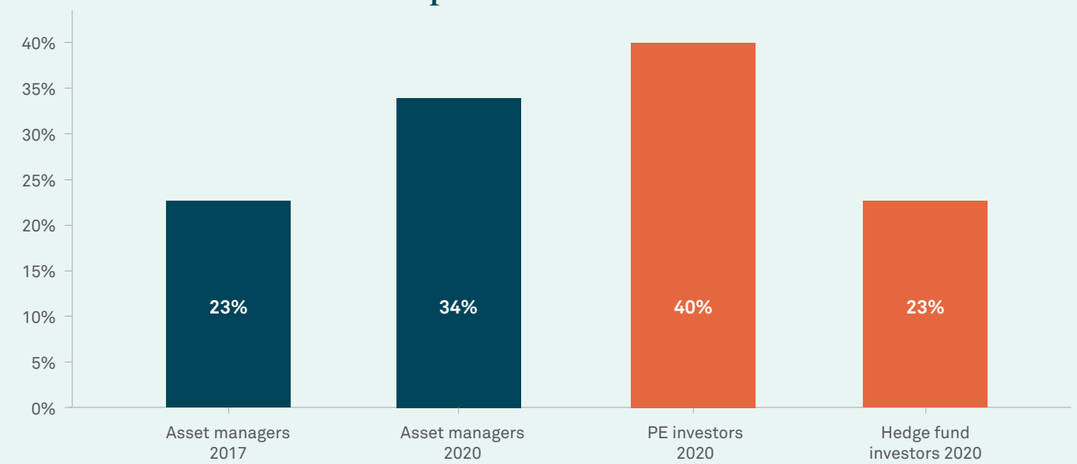
The views of alternative asset manager participants in our survey show that ESG is a significant trend in the space, even as they focus on other trends such as cost-cutting or diversity and inclusion. Overall, increased focus on ESG garnered 34% of top-three responses on significant trends in the space, up from 23% in 2017.

While ESG does appear on the radar, however, just 4% identify ESG as the most significant trend for the next 12 months.

This view of ESG supports the results from our broader asset management study, in which 50% of respondents say they are looking to increase ESG strategies overall. Even with a greater focus on ESG considerations among institutional investors, this study finds that only 40% of investors view ESG as highly important in their private equity allocation decisions. The number declines to 23% with hedge funds.

[22] www.preqin.com/insights/research/reports/esg-in-alternatives-navigating-the-climate-crisis

Importance of ESG



While ESG appears to be less of a priority in alternatives than other factors, it does remain on investors' radars. As noted above (*see chart on p. 31*), alignment of objectives rises to 39% in managers' top three, followed by political and environmental issues at 32% each. It may be a question of relative priority in the current market climate, where greater transparency dominates attention for investors and competitive pressures for asset managers.

Some of this reluctance may also be attributable to the difficulty of monitoring and reporting ESG performance. A wide range of metrics and tools in the market for measuring and communicating ESG progress could be overwhelming. It may also reflect the current focus on diversity and inclusion (part of the ESG spectrum) among managers, which is easier to measure.

> *"New ESG perceptions have emerged, and there is more precedence given to responsible investing and green initiatives than there was before."*
>
> ***—Investment Director (Multi-Asset Fund), United Kingdom***

Greater urgency may also emerge in response to regulatory pressure. From March 2021, the European Union has required EU-based alternative asset managers to implement ESG policies and report on how ESG factors are being integrated into decision-making under the Sustainability-Related Disclosure Regulation. The U.K. is taking similar steps on sustainability reporting.

Furthermore, by choosing a lesser-focus on ESG matters, alternative asset managers may be missing both potential risks and returns. BlackRock founder and CEO Larry Fink outlined this risk in his 2021 letter to CEOs: "We know that climate risk is investment risk. But we also believe the climate transition presents a historic investment opportunity."

Finally, alternative asset managers with a strong ESG track record may find it easier to attract capital from younger generations, who care more deeply about sustainability. A recent survey of high net worth families by Barclays Private Bank in October 2020, *Smarter Succession: The Challenges and Opportunities of Intergenerational Wealth Transfer,* found that 68% of those aged 60 or older say their children have taken the lead on ethical and social investment matters for the family. AUM growth opportunities exist as well for firms that intentionally create a positive impact through their investments alongside generating returns. In 2020, analysis by the Global Impact Investing Network last updated in 2020 put the size of the impact investment market at US$715 billion, surging from an estimated US$4 billion in 2010.[23]

[23] https://thegiin.org/research/publication/impinv-survey-2020

"Firms are looking at incorporating ESG principles, and we are analyzing the implications on the firm's bottom-line. Product innovation is an integral part of our discussions these days. We are thinking about the strategic changes that need to be made internally."

—Chief Investment Officer (Multi-Asset Fund), United States

Conclusion

Institutional investors continue to clamor for alternative investment exposure. New investor classes are getting in on the act. As the industry further extends its reach, it could even shed its "alternative" label. To summarize what alternative asset managers in our study are thinking about this future, the following forces are reshaping the industry, nudging it ever closer to the world of mainstream asset management:

- Product innovation can support investment strategies.
- Diversity can improve decision-making within the industry.
- High-net-worth individuals will serve as important sources of capital.
- Alternative asset managers will increasingly attract retail clients as a new segment.
- Asset managers with a strong ESG track record may find it easier to attract capital from younger generations.
- ESG is less of a priority than other factors but is playing a key role in private equity decisions.

Across these forces, deeper structural changes to the industry and shifting investor expectations are prompting alternative asset managers to scale up, reduce costs and innovate in order to stay ahead of the game in an increasingly competitive market. The more that institutional investors and retail investors engage, the more growth opportunities there may be. It comes down to alternative asset managers' choice to follow this evolution or, instead, specialize further.

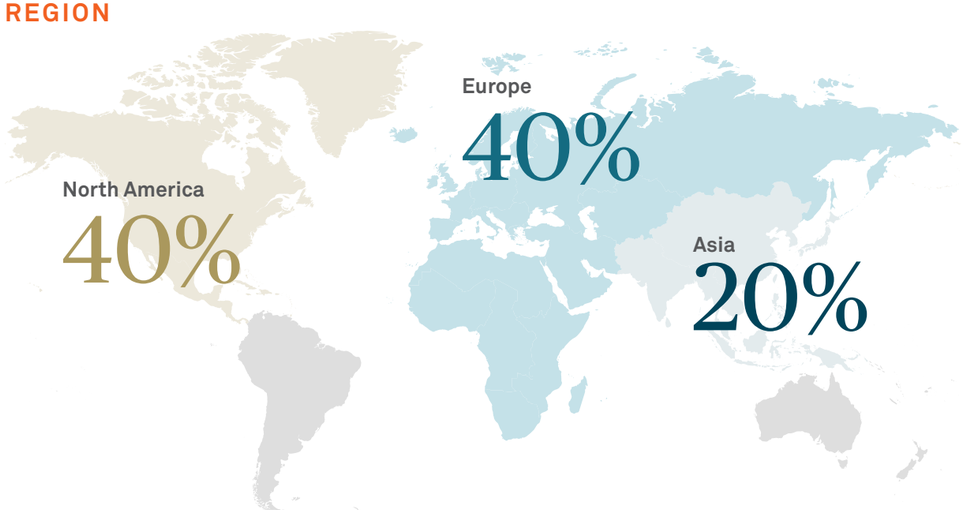
For More Findings

In previous chapters of *From Alternative to Mainstream*, we provide background and insights on the trends that feed into the deeper structural changes addressed in this chapter. For further analysis, we invite readers to consult previous chapters of this report.

Appendix: *Methodology*

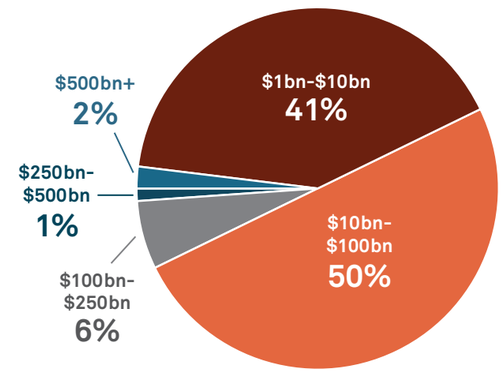
In Q3 and early Q4 of 2020, Mergermarket surveyed 100 alternative asset managers and 100 institutional investors from the U.S., EMEA and Asia-Pacific regions to gain insights into key trends in the alternative assets space. C-level and senior executives (job titles: Chief Executive Officer, Chief Investment Officer, Managing Partner, Partner, Managing Director and Investment Director) from alternative asset managers with AUM from US$1 billion to US$500 billion participated in the survey. C-level and senior executives (job titles: Chief Financial Officer, Chief Investment Officer, Managing Partner, Partner, Managing Director, Finance Director, Investment Director and Head of Investment) from institutional investors with AUM of US$1 billion to US$500 billion participated in the survey. All responses are anonymous. Data is presented in aggregate.

REGION

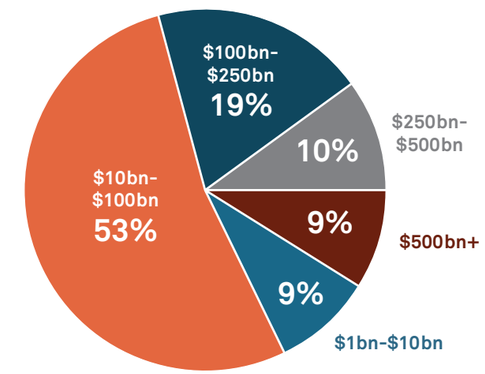


ASSETS UNDER MANAGEMENT*

Alternative Asset Managers



Institutional Investors



ASSET MANAGER BREAKDOWN

Hedge fund 25%	Private equity fund 25%	Credit/private debt fund 20%
Real estate fund 20%	Multi-asset fund 10%	

INSTITUTIONAL INVESTOR BREAKDOWN

Investment manager/ Fund-of-fund manager 30%	Pension fund/ Trustee 30%	Insurance company 20%
Endowment/ Foundation 10%	Sovereign wealth fund 10%	

*All figures are in USD

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