2025 EY Global Alternative Fund Survey – AI Simulation Edition

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Executive summary

From months to minutes – artificial intelligence (AI) simulation redefines market insight.

	2024	2025
Published	December 10, 2024	November 13, 2025
No. of survey questions	48	48
Respondents	200 institutional investors (human) 224 alternative fund managers (human)	30,000 agents representing institutional investors 30,000 agents representing alternative fund managers
Methodology	Worked with market research firm Savanta to interview leaders from their respective fields: institutional investors and alternative fund managers (N = 424)	Worked with AI simulation company Aaru to re-run the same survey questions using AI agents and a much larger sample (N = 60,000)
Survey duration	Six to nine months	Hours/days

From 2024 to 2025: three strategic insights shaping the future of private markets		
Key finding 1: Operational modernization becomes a mandate	▪ In 2024, only 2% of institutional investors were looking for alternative fund managers to enhance middle/back-office processes and technology.	▪ In 2025, that number jumped to 16%, with 20% also demanding improved investor reporting and transparency from alternative fund managers.
Why it matters	▪ This marks a shift from performance-centric evaluation to operational maturity as a core due diligence metric. Fund managers must now demonstrate infrastructure readiness – not just investment acumen.	
Key finding 2: Retail expansion is pressuring margins	▪ In 2024, managers pivoted towards private wealth channels, with 31% citing it as a top strategic priority and 58% prioritizing investor base diversification.	▪ In 2025, there is a strategic pivot to retail - managers deepen focus on HNW/UHNW channels and evergreen structures, fueling innovation but increasing service demands and operational complexity, which continues to pressure margins.
Why it matters	▪ The rise of retail is not just a headline - it's a structural shift redefining competitive advantage, margin profiles and long-term growth for alternative fund managers. Institutions must adapt to maintain their edge as retail expansion accelerates.	
Key finding 3: Fee pressure is persistent, driving operational efficiency	▪ In 2024, fee pressure was rising - 76% of investors applied pressure on management fees and 59% on incentive fees.	▪ In 2025, fee and expense scrutiny remain equally high - institutional investors continue to enforce cost discipline, prompting managers to modernize cost structures through automation, outsourcing and scalable operating models.
Why it matters	▪ Fee discipline is now a permanent fixture - forcing alternative fund managers to innovate and transform operations to protect margins and meet rising service expectations. Operational efficiency is the new competitive battleground.	

Private markets are entering a new phase of growth – one that demands both innovation and efficiency.

Following the release of our *2024 Global Alternatives Fund Survey* – a biennial pulse check of over 400 institutional investors and alternative fund managers – the EY organization partnered with **Aaru**, an AI simulation startup, to model directional shifts from 2024 to 2025. This simulation offers a forward-looking lens into how private markets are evolving, revealing the dual imperative to capture emerging opportunities while scaling operations in an environment of rising costs and transparency pressures.

Growth-oriented opportunities:

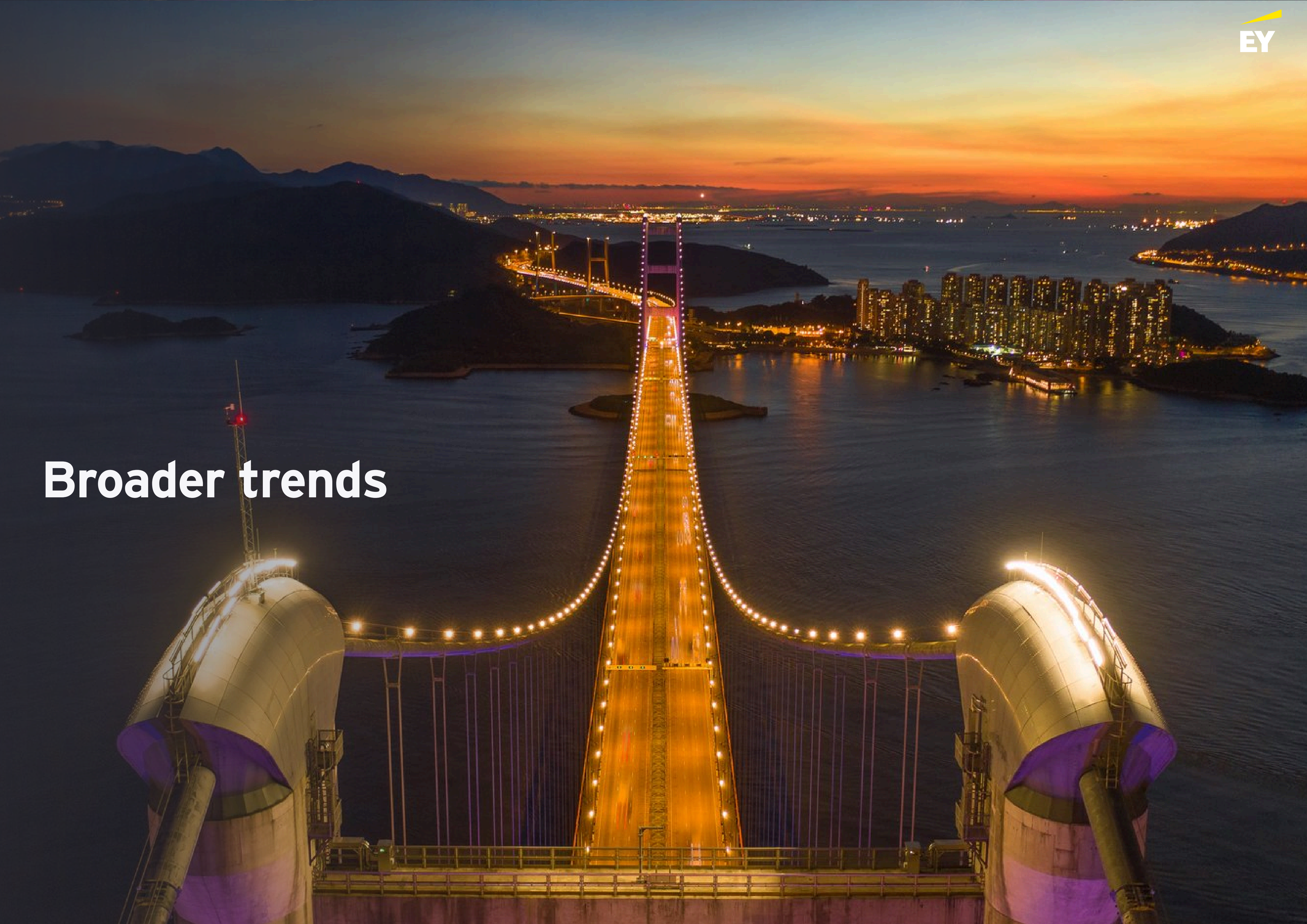
- **Retail as the next frontier** – Democratization is accelerating particularly at higher wealth tiers, driven through product innovation and new channels like retirement.
- **Regional rebalancing** – Fundraising is consolidating in North America and Europe, while APAC cools and the Middle East continue to emerge as an important source of capital.
- **Product innovation** – Evergreen structures (an umbrella category including hedge, interval and tender off funds) and secondaries are unlocking liquidity and enabling broader investor access.

Efficiency-oriented opportunities:

- **Scalability as a growth enabler** – Rising expectations for transparency and customization are pressuring manager's margins. Managers are responding with digitization, AI-driven automation, outsourcing and offshoring to unlock operating leverage and enhance client service.

Implications and next steps:

- **Innovate with discipline** – Balance creativity in product design with consistency in client experience, governance and compliance.
- **Align growth with market tailwinds** – Focus on retail channels, regional shifts and product evolution to stay ahead.
- **Redefine scalable growth** – Build flexible operating models and technology architectures that support expansion without proportional headcount.
- **Drive efficiency through transformation** – Accelerate automation, digitization and AI adoption to sustain profitability and meet investor expectations.



Broader trends

Broader trends

Priorities

Alternative fund managers prioritized growth and innovation while investors are demanding operational modernization.

Alternative fund managers are leaning into AI for alpha generation and product expansion — while investors expect it to drive efficiencies in cost, reporting, and middle- and back-office modernization, revealing a misalignment in strategic priorities.

Investors demand for more efficient alternative fund managers:

16%

want tech/process upgrades in 2025 (vs. 2% in 2024)

20%

want managers to have streamlined investor reporting and greater transparency

But alternative fund managers continue to pursue growth:

31%

see accessing private client capital as the top strategic priority

Broader trends

Priorities

Strategic implications

Alternative fund managers:

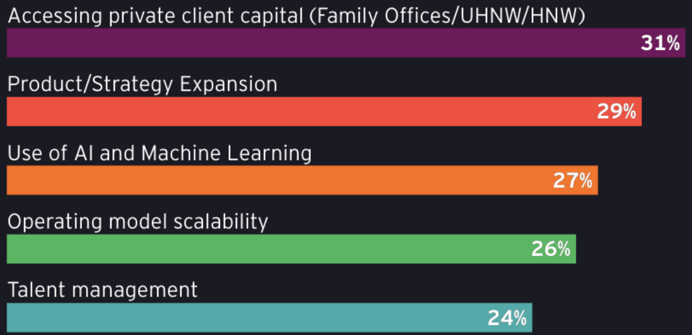
- Reframe strategic priorities to align with investor expectations.
- Invest in operational infrastructure to support transparency and scale.
- Use AI and automation to decouple headcount from growth.

Institutional investors:

- Push for modernization as a core due diligence metric.
- Prioritize partnerships with managers demonstrating operational maturity.
- Influence strategic alignment through mandate design.

Alternative fund managers strategic priorities

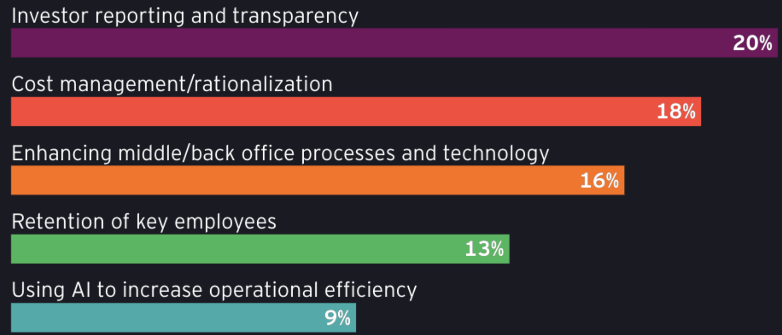
What are your top three strategic priorities in the next two years? Select your top three.



Source: 2025 Aaru Lumen Alternative Fund Survey Simulation Q8 alternative fund managers

Institutional investors top strategic areas of focus

Assuming asset levels are stable (or growing) and performance meets expectations, in which of the following areas should managers be strategically focused to positively benefit investors? Rank your top three items below.



Source: 2025 Aaru Lumen Alternative Fund Survey Simulation Q13 Institutional Investors

In 2024, fee pressure was rising. In 2025, it's reshaping operating models.

Institutional investors are enforcing cost discipline while managers face rising service demands — driving a shift toward scalable, tech-enabled delivery.

76%

of institutional investors are applying pressure on management fees

58%

of institutional investors are applying pressure on incentive fees

Institutional investors are demanding leaner, more transparent cost structures, with zero tolerance for non-investment overhead. Alternative fund managers are responding by rethinking operating models to deliver scalable, tech-enabled service that meets rising expectations without inflating cost.

Broader trends

Costs

Strategic implications

Alternative fund managers:

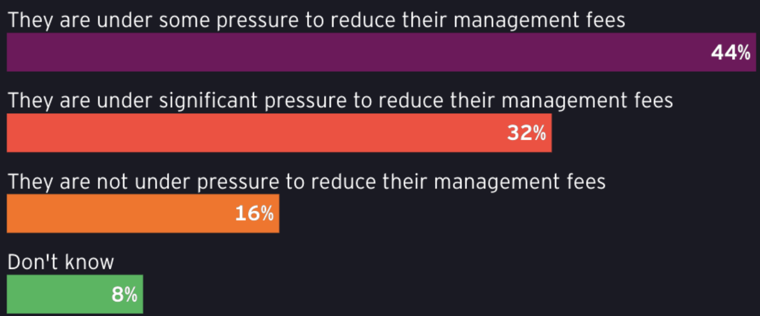
- Modernize cost structures through automation, outsourcing and operating model redesign.
- Deliver institutional-grade service at lower marginal cost.
- Reassess product pricing and expense allocation.

Institutional investors:

- Demand transparency and cost discipline.
- Evaluate manager readiness for scalable service delivery.
- Use fee pressure as leverage for operational transformation.

Institutional investors are applying pressure on alternative fund mangers to reduce management fees

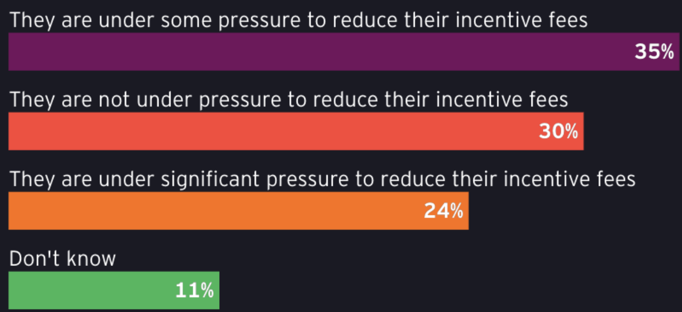
To what degree are you placing pressure on alternatives fund managers or general partners to reduce their management fees?



Source: 2025 Aaru Lumen Alternative Fund Survey Simulation Q30 Institutional Investors

Institutional investors are applying pressure on alternative fund managers to reduce incentive fees

To what degree are you placing pressure on alternatives fund managers or general partners to reduce their incentive fees?

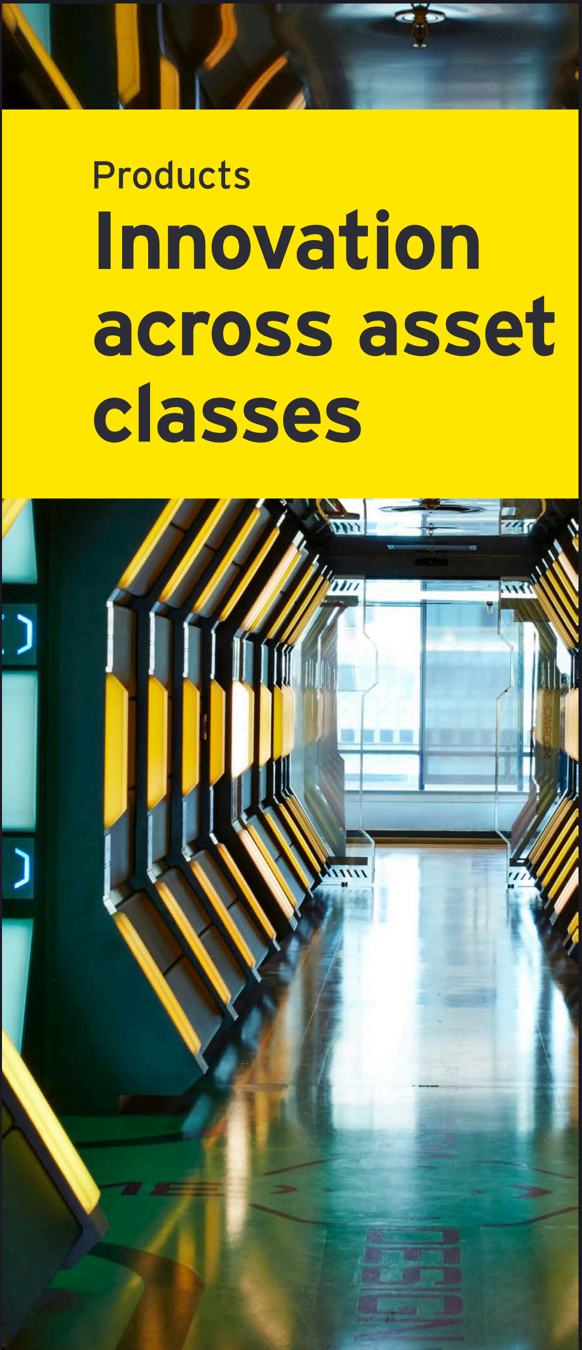


Source: 2025 Aaru Lumen Alternative Fund Survey Simulation Q31 Institutional Investors

Products

Products

Innovation across asset classes



In 2025, product innovation is accelerating across asset classes.

Managers are rapidly innovating with growth in retail centric evergreens and the rise of secondaries and continuation vehicles all of which provide new liquidity solutions and flexibility for both managers and investors.

44%

of institutional investors plan to increase allocation to secondaries

Liquidity innovation is accelerating

Institutional investors are planning to increase allocation to secondaries, driven by forced liquidations and extended timelines for private company exits.

At the same time, evergreen structures are expanding across private equity and credit. These structures are gaining traction as managers respond to liquidity demands and seek to capture new sources of capital.

Together, these shifts reflect a broader evolution in product design — one that prioritizes flexibility, continuity and access in a market where traditional exit windows remain constrained.

Products

Innovation across asset classes

Strategic implications

Alternative fund managers:

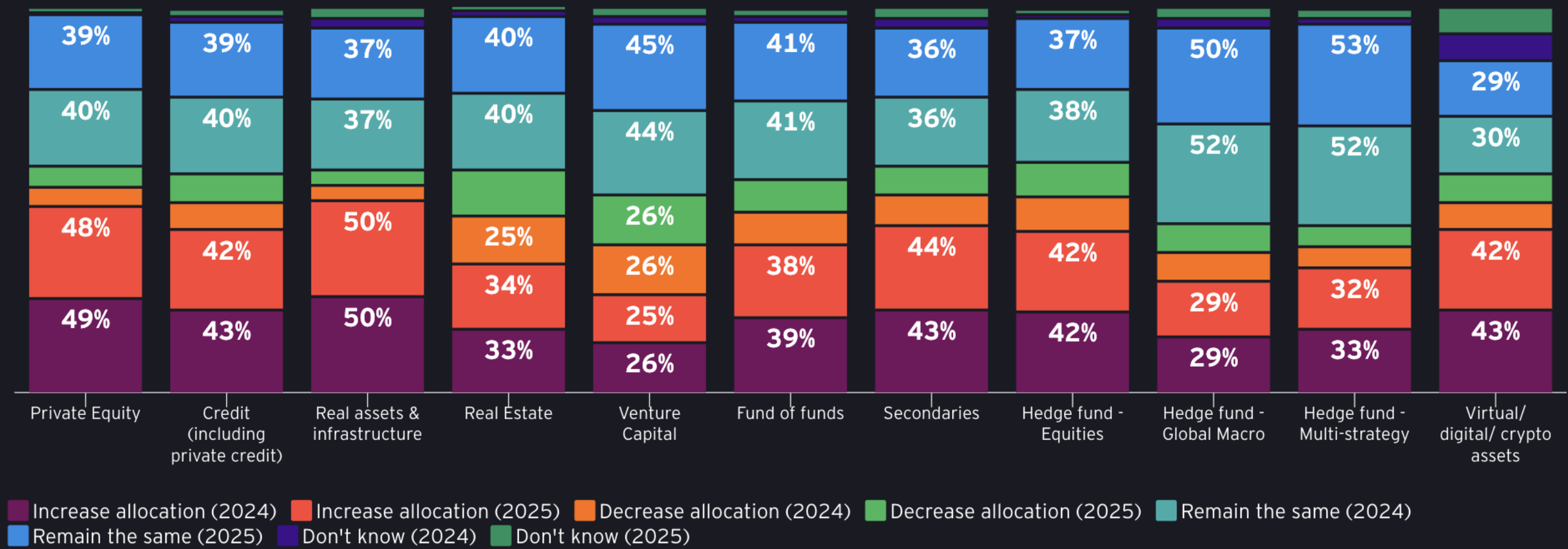
- Expand secondaries and evergreen offerings to provide investor liquidity and meet client demands.
- Innovate product design for flexibility and retail access.

Institutional investors:

- Reassess liquidity needs and evaluate new product structures.
- Engage managers on product structure and alignment.

How investors plan to adjust allocations in 2025

Do you plan to increase, decrease, or maintain your target allocation to the following asset classes in the next three years?



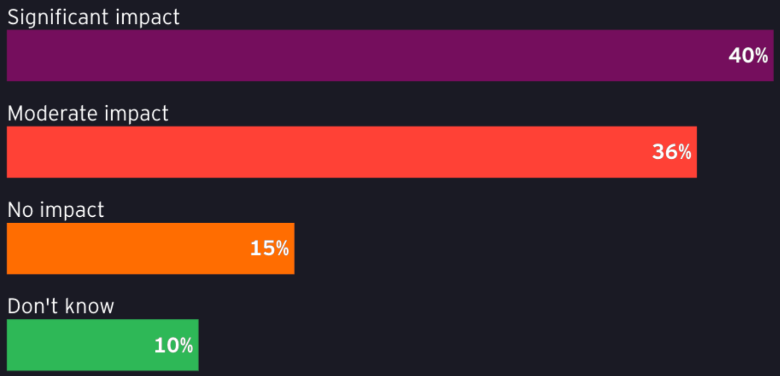
Source: 2025 Aaru Lumen Alternative Fund Survey Simulation Q5 Institutional Investors

Products

Innovation across asset classes

Slow exit markets impact on institutional investors

How impactful has the slow exit market within closed ended PE/VC funds been on your business?



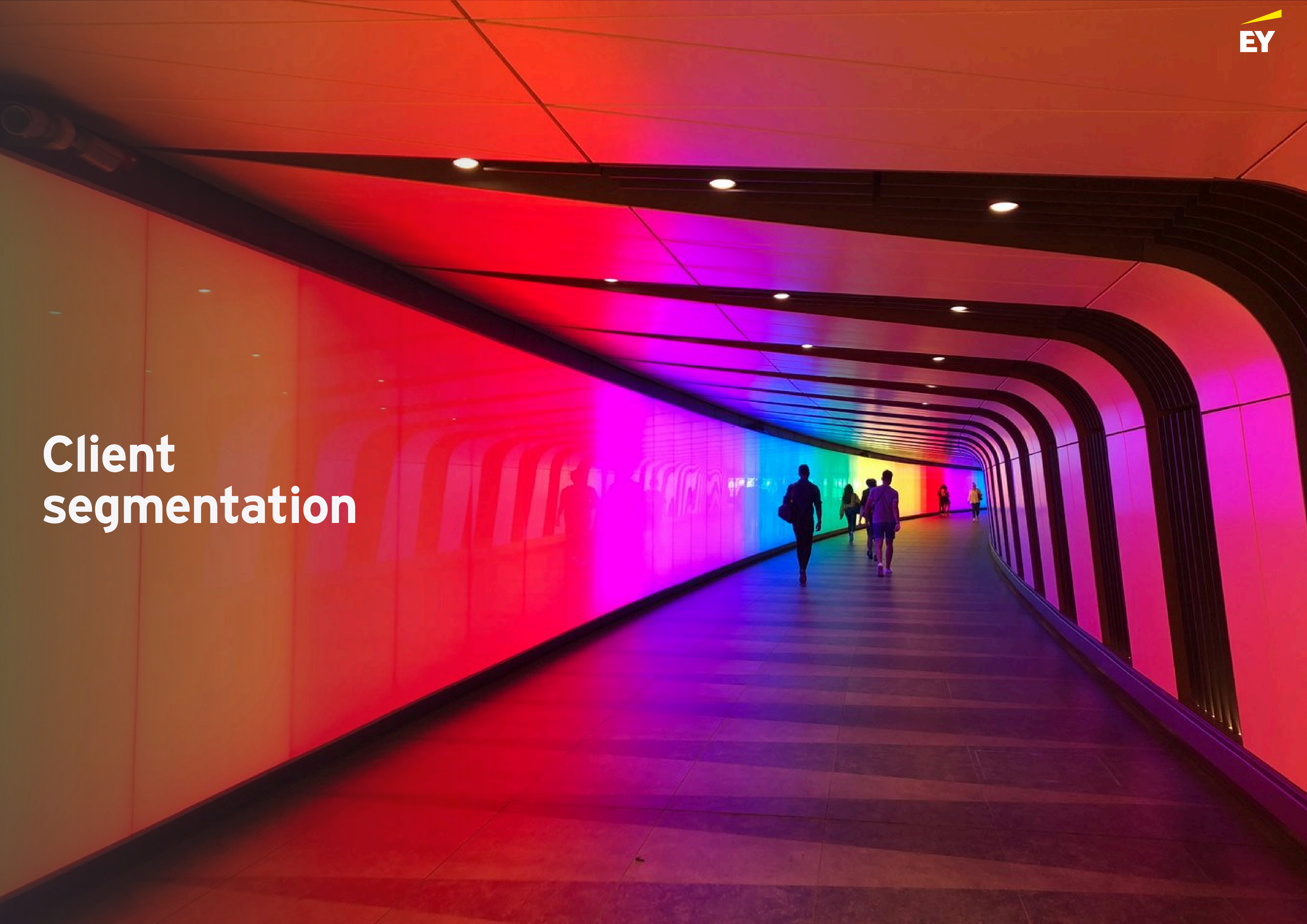
Source: 2025 Aaru Lumen Alternative Fund Survey Simulation Q17 Institutional Investors

Delayed fund payments impact on institutional investors

What impact are the delays in receiving money from close-ended funds having on other investment decisions? Select all that apply.

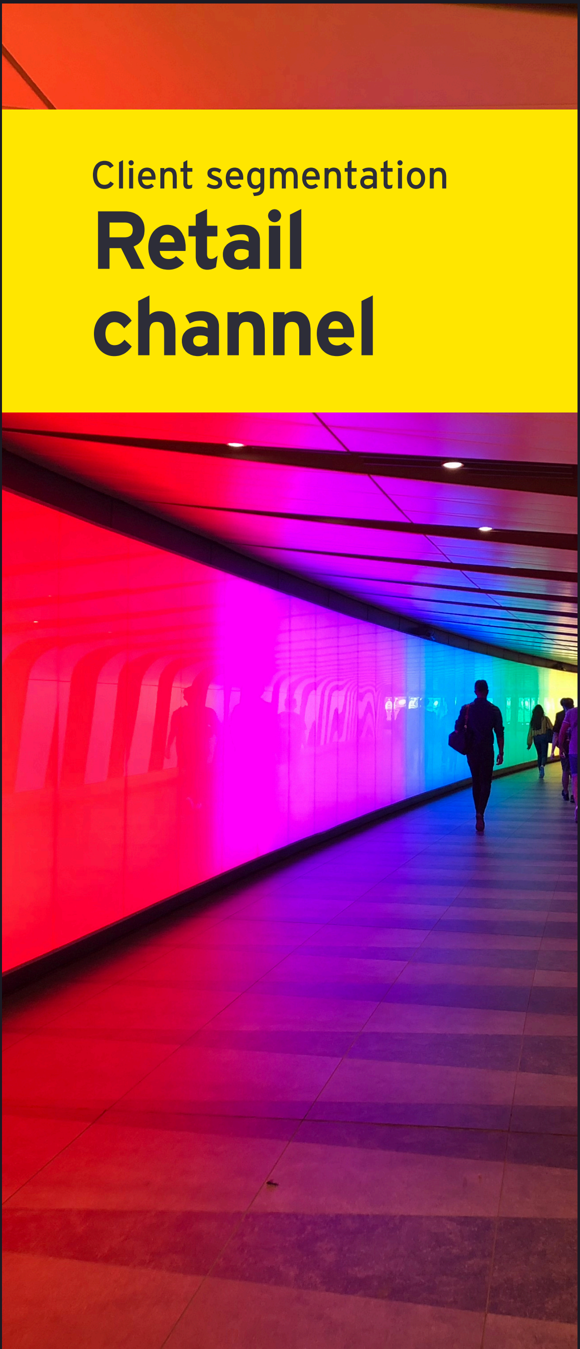
Source: 2025 Aaru Lumen Alternative Fund Survey Simulation Q18 Institutional Investors

Client segmentation



Client segmentation

Retail channel



In 2024, private wealth was rising. In 2025, it's dominant.

Alternative fund managers are pivoting toward wealthy retail investors, reshaping distribution and product design. Mass market retail reach remains more limited.

31%

of managers cite private wealth as top priority

58%

prioritize investor base diversification

37%

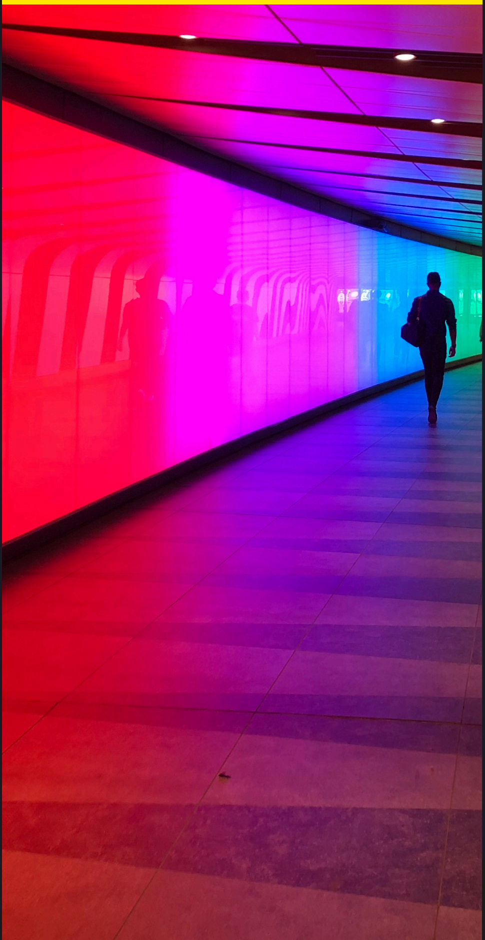
expect increased engagement with HNW/UHNW channels

Only **12%** of alternative fund managers focus on the mass market (households under **US$250K** in investable assets), which reflects a segment that is under adopted and not a primary target.

The shift reflects a strategic pivot toward retail from traditional institutional channels.

Client segmentation

Retail channel



Strategic implications

Alternative fund managers:

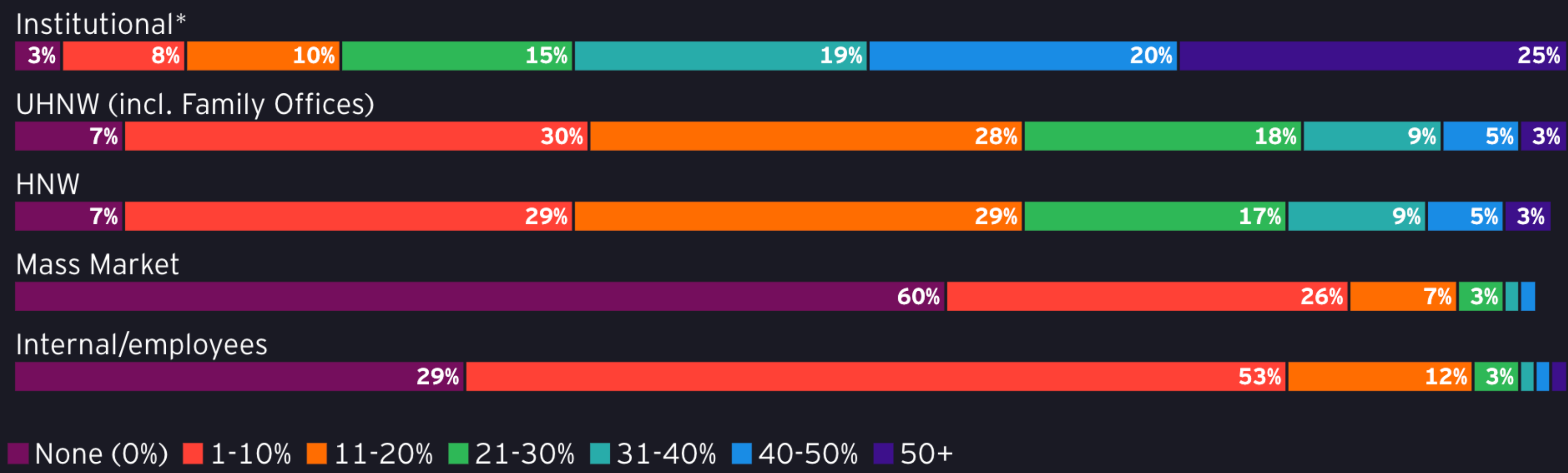
- Build scalable onboarding and operations for the retail channel
- Design products that meet retail channel needs.
- Rethink distribution and service models for private wealth channels.
- Treat retail as a long-term digital transformation opportunity.

Institutional investors:

- Prepare for diluted influence and increased competition for manager attention.
- Push for top tier service, education and distribution coverage.

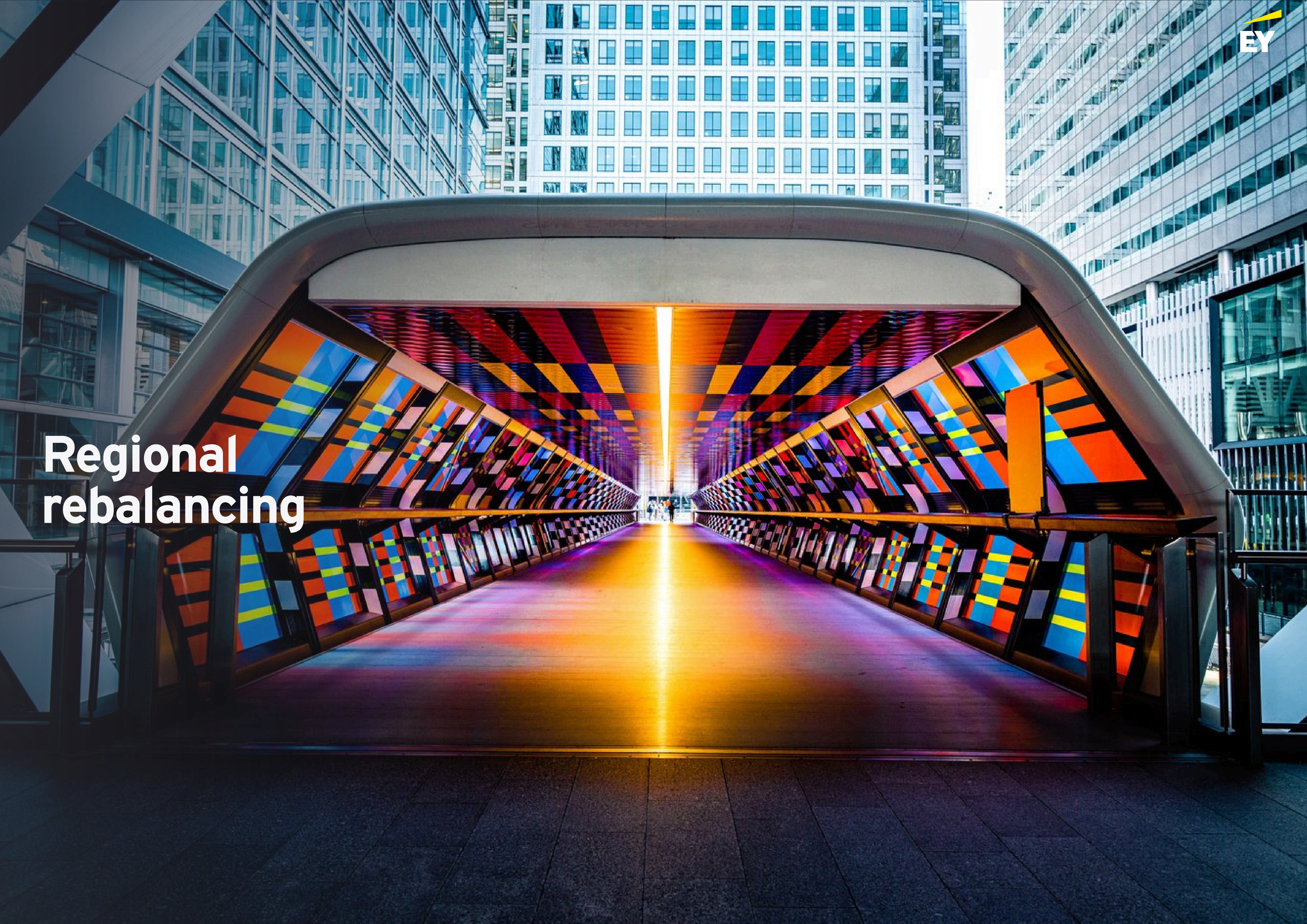
Allocation ranges across investor types

What is your current investor profile?

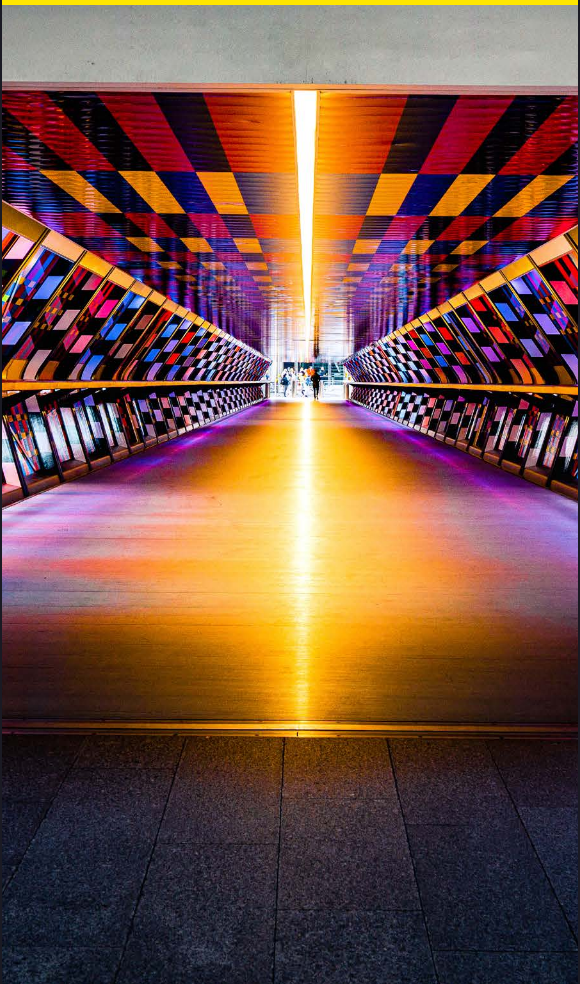


Source: 2025 Aaru Lumen Alternative Fund Survey Simulation Q14 Alternative Fund Manager

Regional rebalancing



Regional rebalancing



Top fundraising regions have rebalanced in 2025

North America and Europe have grown, Asia-Pacific has cooled and the Middle East is emerging as a capital hotspot.

Fundraising momentum is shifting — and managers are following the capital.

1

Managers are shifting focus to the US, Western Europe, Canada

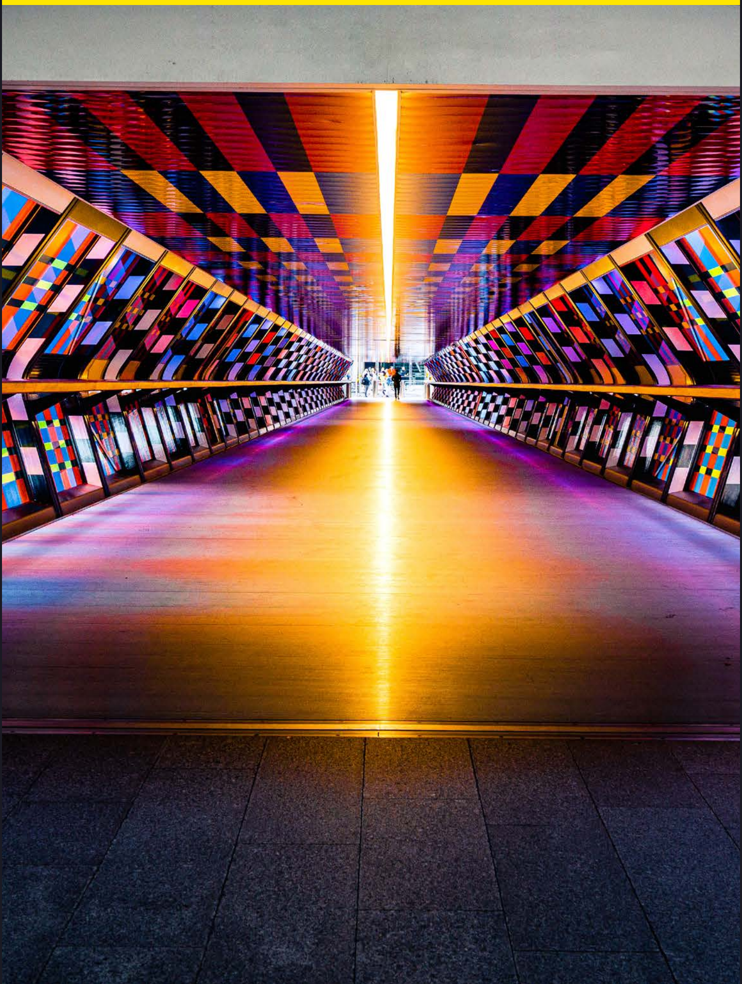
2

Asia-Pacific was somewhat deprioritized; Middle East gaining traction

3

Local presence is now expected by investors

Regional rebalancing



Strategic implications

As capital flows shift across regions, both alternative fund managers and institutional investors must recalibrate their strategies to stay aligned with emerging fundraising dynamics.

Alternative fund managers:

- Double down on North America and Europe.
- Expand into Middle East to capture new flows.
- Adapt Asia-Pacific strategies or differentiate offerings.

Institutional investors:

- Monitor regional capital flows and access implications.
- Engage managers on localization and regional strategy.
- Adjust partnership strategies to align with fundraising shifts.

Enablers

Enablers

AI, automation and offshoring

In 2024, cost levers were siloed. In 2025, they’re converging.

Managers are blending AI, automation and offshoring to scale efficiently, protect margins and meet rising service expectations.

- Large managers are investing in proprietary AI; smaller firms use off-the-shelf tools.
- Offshoring operational tasks is increasing as firms seek cost-effective support.
- Digitization and cloud platforms are now essential for transparency and scalability.
- Managers are blending these levers operating models to deliver scalable, tech-enabled service that meets rising expectations without inflating cost.

Enablers

AI, automation and offshoring

Strategic implications

Alternative fund managers:

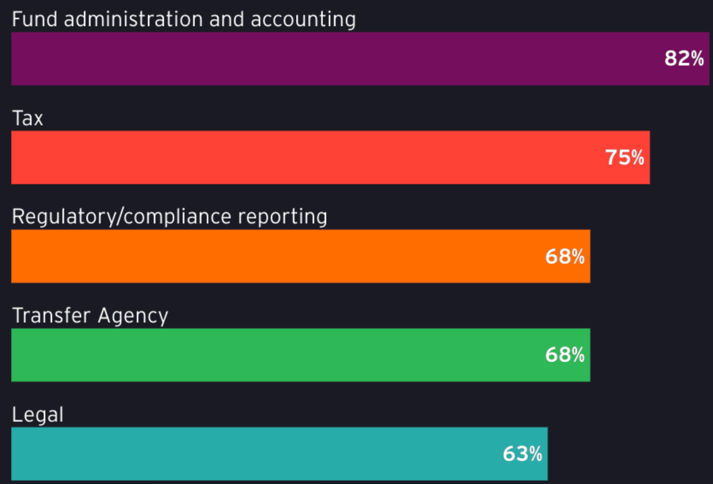
- Blend cost levers to decouple headcount and AUM growth.
- Prioritize governance and transparency in tech adoption.
- Use digital platforms to enhance service and reporting.

Institutional investors:

- Evaluate manager use of technology to drive scalability.
- Assess impact on service quality and compliance.
- Engage on transformation strategy and roadmap.

Functions commonly outsourced to third parties

What functions do you currently outsource to third parties? Select all that apply.

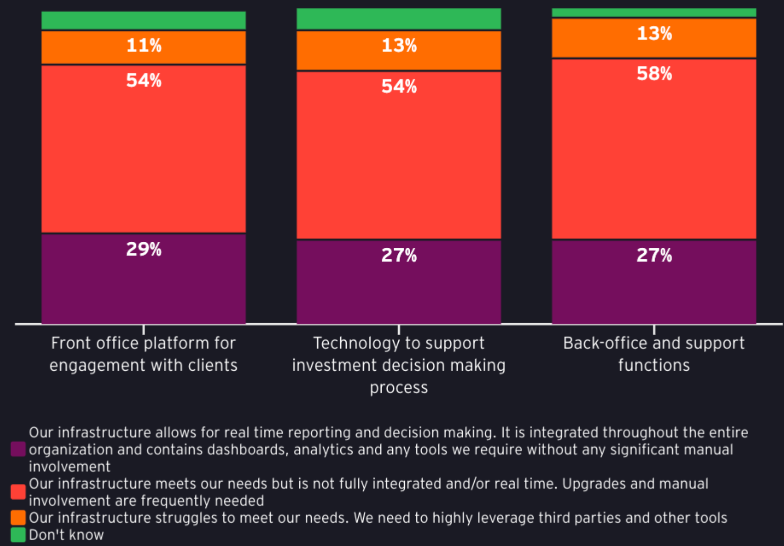


Source: 2025 Aaru Lumen Alternative Fund Survey Simulation Q23

Alternative Fund Manager

Most alternative fund managers rely on partially integrated system

How advanced is your firm's data and technology infrastructure?

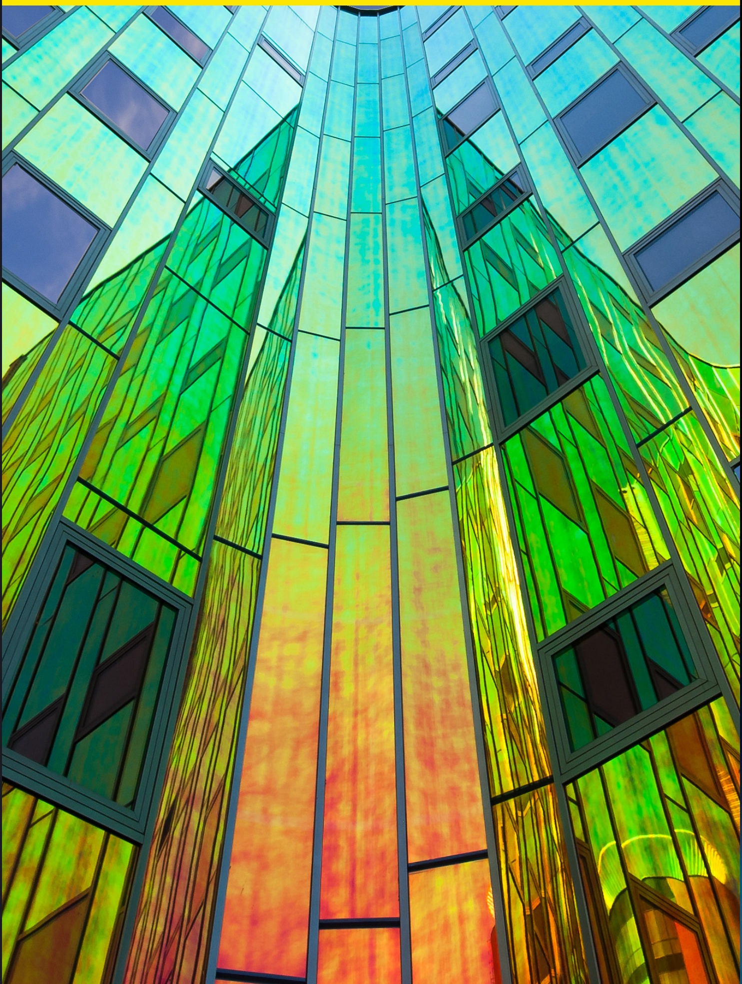


Source: 2025 Aaru Lumen Alternative Fund Survey Simulation Q27

Alternative Fund Manager

Implications for CxOs

Implications and next steps



In 2024, growth was linear. In 2025, it must be scalable.

The next phase of private markets requires disciplined innovation, strategic alignment and operating models that scale without proportional headcount.

Key actions for alternative fund managers:

- Innovate with discipline: balance creativity with governance.
- Align growth with market tailwinds: private wealth, regional shifts, product innovation.
- Redefine scalable growth: flexible tech architectures and distribution.
- Drive efficiency: accelerate automation, digitization, and AI.

Key actions for institutional investors:

- Engage managers on transformation: demand transparency and tech-enabled service.
- Sharpen value proposition: collaborate to maintain relevance.
- Monitor market shifts: adjust strategies to capitalize on trends.
- Co-create scalable solutions: design products and processes for evolving needs.

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Methodology overview

Simulation framework

This study was conducted using **Aaru**, a proprietary agentic simulation platform powered by advanced language models. The platform emulates strategic decision-making behaviors of institutional investors and alternative fund managers, enabling high-fidelity insights into market sentiment, allocation strategies, and technology adoption.

Each of the 60,000 simulated agents – representing institutional investors and alternative fund managers – was calibrated using a behavioral modeling framework designed to reflect real-world decision-making. This included role-specific behaviors, historical investment behavior, scenario-based reasoning and institutional constraints.

Respondent segmentation

The simulation included two primary respondent groups:

- **Alternative fund managers**, segmented by **assets under management (AUM)**:
  - Tier 1: AUM over US$20b
  - Tier 2: AUM between US$2b and US$20b
  - Tier 3: AUM under US$2b
- **Institutional investors**, segmented by investor type and AUM:
  - Sovereign wealth funds, pension funds, endowments, insurance companies, family offices and banks
  - Tiered by AUM: over US$30b, US$2b to US$30b, and under US$2b

Each agent was designed to reflect role-specific behaviors, regional investment behaviors and strategic priorities.

Geographic Distribution

Respondents were distributed across **North America, Europe, and Asia-Pacific**, with large managers and investors concentrated in North America and emerging interest in Southeast Asia and MENA regions.

Survey Configuration

The simulation included over **40 structured questions**, covering:

- Strategic priorities
- Investor base evolution
- Technology and AI adoption
- Capital-raising strategies
- Operational models
- Risk and scalability concerns

Question formats included multiple choice, ranking, matrix selections and sentiment scales to simulate realistic decision-making.

Thank you for reading

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