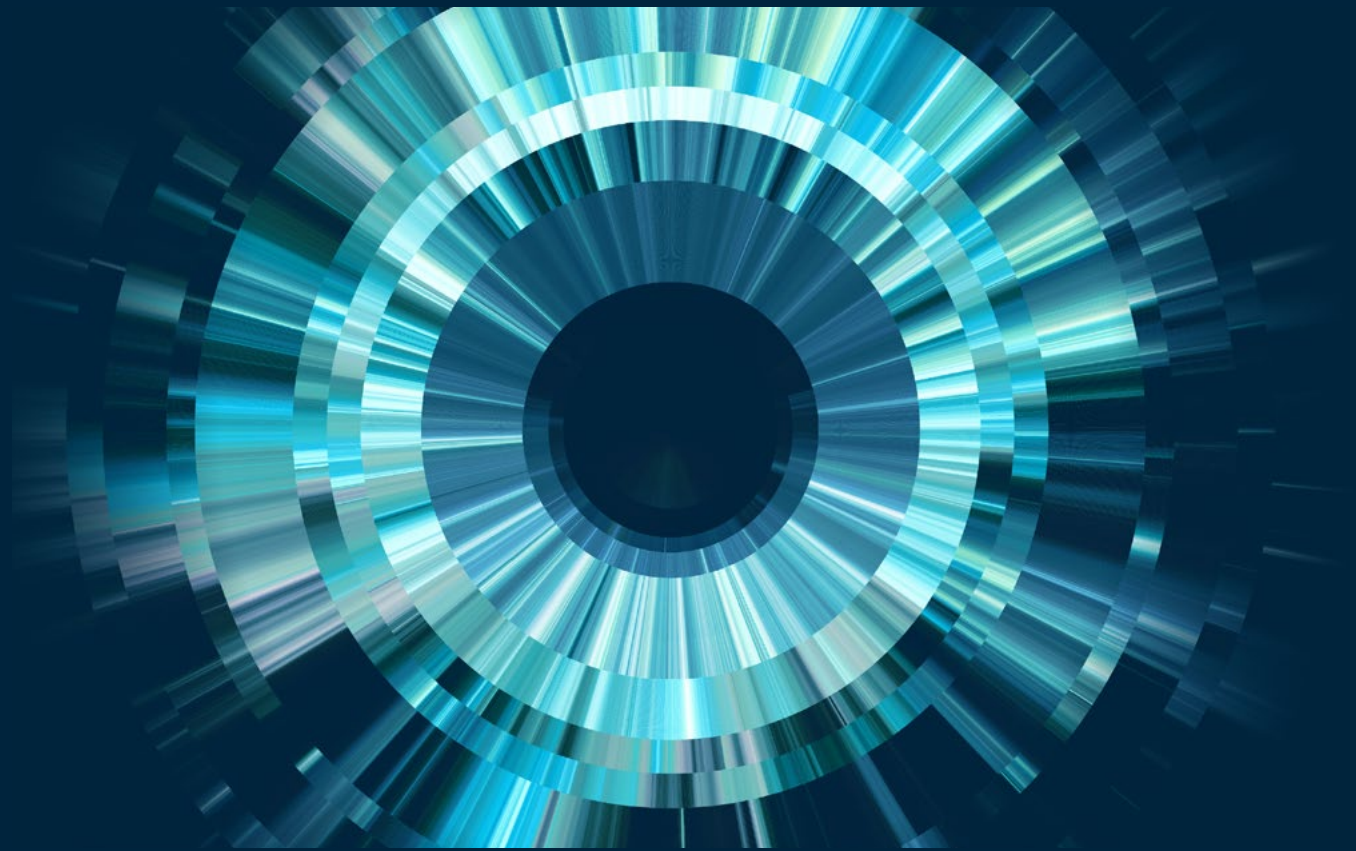




Alternatives, Now to Next Series

SCALING ALTERNATIVES ACROSS CURRENCIES & CHANNELS

As distribution broadens across wealth channels and currencies,
the operating model becomes the differentiator.

THE OPERATIONAL COST OF SCALING PRIVATE MARKETS FUNDS

Private markets are entering a new phase of growth. Strategies that were once reserved for institutional investors are being adapted for wealth channels, global platforms and broader investor access. As a result, private market managers face a more complex, multi-currency operating environment.

“Historically, a private markets fund might have had a small number of sophisticated or institutional investors, one or two currency share classes, high minimum investments, simple currency requirements and a quarterly NAV cadence,” says Alan Doyle, Global Head of Alternatives, Fund & Investor Solutions at BNY. “Retail alternatives funds look different. There are lower minimums, broader global distribution, more currencies, larger and more diverse investor registers. Incremental share classes in a broader range of currencies may be seeded in response to more effective global distribution trends presenting in private markets. NAV cycles may additionally move from quarterly to monthly, weekly or, in some cases daily, subject to investor demand characteristics.”

Crucially, as the global nature of the investor base broadens, foreign exchange (FX) exposures arise across more discrete points in the fund life cycle. Each event — subscriptions, redemptions, capital calls, distributions, valuations and portfolio investment activity — must be captured, validated, reported and, where appropriate, translated into a hedging decision in a time-sensitive manner.

THE OPERATING MODEL IS THE DIFFERENTIATOR

For managers, the opportunity created by retailization is significant, but scale brings execution risk. “The operating model that worked for a closed-end fund with a small group of institutional investors cannot easily support a fund distributed across multiple wealth platforms, currencies and liquidity cycles,” says Christine Waldron, Global Head of Fund & Investor Solutions at BNY. “When activities sit across fragmented systems and providers, complexity grows faster than managers’ ability to control it.” Competitive advantage will increasingly come from operating models that connect fund administration, investor servicing, data, liquidity and FX hedging requirements.

A scalable alternatives model starts with the operational foundation. For Fund & Investor Solutions, that includes fund accounting, administration, [transfer agency](#), valuation, NAV delivery and investor servicing. When those

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activities are coordinated through a common model, clients can support more investors, more currencies and more complex fund structures without unnecessary handoffs or risk.

The benefits of that integrated model extend beyond BNY-administered funds. Some of the largest global managers operate funds across multiple administrators and service providers. There is significant operational efficiency to be gained in partnering with a dedicated FX overlay partner across funds and fund administrators in order to streamline and standardize the FX hedging process using a purpose-built currency hedging platform.

WHY PRIVATE MARKETS MANAGERS NEED CONNECTED FX INFRASTRUCTURE

In traditional closed-end funds, portfolio hedging is typically managed by a dedicated treasury team. This model rapidly becomes strained when a manager begins to distribute private market funds via wealth channels to a global investor pool.

“Many private markets managers are now encountering problems that their legacy infrastructure was not built to support,” says Fred Clarke, Global Head of FX Overlay Sales at BNY. “Launching an umbrella structure with multiple funds, dozens of share classes, regular inflows and outflows, with currency exposure considerations at both portfolio and investor levels is a significant undertaking which requires specialist platform capabilities to support.” Managers are increasingly seeking a more robust infrastructure model and an experienced partner to provide the automation needed to launch funds and share classes, support distribution at scale and mitigate operational risk.

FX needs to be managed across the full lifecycle — investor flows, capital calls, distributions, share class and portfolio activity. Tackling each element separately only increases complexity and operational risk.

At BNY, the operating roles are distinct but connected. Fund & Investor Solutions provides the administration and investor servicing foundation, including the subscription and redemption register, NAV production and fund accounting data. Through [FX Hedge Direct](#), BNY supports hedging requirements with a platform designed to deliver currency risk management and execution at scale.

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About BNY's FX Hedge Direct

FX Hedge Direct captures agreed hedging parameters, calculates the required transactions and supports execution in line with client requirements. It also supports governance: daily reporting, transaction cost analysis and counterparty oversight give managers transparency across the hedging process without requiring them to internalize every operational step.

Find out [more](#).

MANAGING CURRENCY RISK AS A COMPONENT OF PERFORMANCE

“As private markets fund distribution continues to evolve, managers require more than efficient execution alone to manage expanding currency exposures.”

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Global Head of Execution Services, BNY

Currency risk in private markets needs to be considered at several levels. At the portfolio level, a fund may have a base currency but hold assets denominated in other currencies. At the investor or share-class level, the fund may raise capital in currencies that differ from its base currency.

Private markets hedging introduces elevated execution and liquidity considerations. Underlying assets are less liquid than traditional equities, bonds or cash equivalents.

“As private markets fund distribution continues to evolve, managers require more than efficient execution alone to manage expanding currency exposures,” says Jason Vitale, Global Head of Execution Services at BNY.

“They need integrated operating models that optimize for execution, liquidity, and elevated levels of operational risk—enabling transparent execution and liquidity-conscious workflows underpinned by infrastructure programs specifically designed to support growing investment programs whilst allowing clients to remain focused on their core investment responsibilities.”

The commercial impact of hedging decisions can be significant. For example, unhedged euro- and sterling-denominated share classes in a US dollar-based fund may deliver materially different returns due to currency movements, whereas hedged share classes can help align investor outcomes more closely with the base currency return. Currency exposure can therefore have a direct impact on investor experience, product suitability and distribution success.

LEVEL OF EXPOSURE	PRACTICAL IMPLICATIONS
 Portfolio or Asset Level	Managers may choose to hedge non-base currency exposure at the portfolio or asset level, particularly where underlying investments are denominated in different currencies and FX volatility could materially affect returns, cash flows or portfolio valuations. This is typically an investment or risk management decision.
 Shareclass or Investor Level	Where a share class is offered as currency-hedged, the manager is generally expected to hedge the FX exposure between the share class currency and the base currency of the fund. This is typically a product feature designed to reduce currency-related return variation for investors.

HOW DATA AUTOMATION UNLOCKS PRIVATE MARKETS SCALABILITY

Effective use of data is central to managers' ability to scale globally, distribute more widely and manage complexity without adding unnecessary operational burden or risk. FX teams need portfolio holdings, share class NAVs and investor flows to calculate exposures and execute hedging activity. New subscriptions, redemptions, capital calls and other investor movements all influence the hedging workflow, making the quality, consistency and timing of data critical.

Yet alternatives servicing has long involved multiple systems of record, point-to-point data feeds and semi-manual workflows. This may be workable at low volumes with infrequent reporting cycles, but becomes harder to sustain as managers add funds, share classes, currencies and more frequent liquidity events. Many processes remain more manual than in long-only environments. NAV packages sent for approval by email, for instance, can delay FX teams who need to act within a defined window.

The practical opportunity is to move from these manual, fragmented processes toward standardized data, trigger-based workflows and exception management. BNY has been working to normalize alternatives data into common data sets flowing through a single, structured channel — replacing differently formatted

feeds from separate accounting and investor servicing systems with standardized data that internal users, including FX teams, can consume more efficiently. Where managers rely on multiple third parties instead, new feeds must be built and maintained, adding cost, complexity and operational risk.

A more connected model uses defined events to move data through the system automatically. The value of this technology grows with scale. Moving from five share classes to 50, or from two funds to 10, multiplies the data points, approvals, trades, reports, counterparties and exceptions that must be managed. A strong technology platform — such as BNY's [FX Hedge Direct](#) — can absorb that complexity, helping firms scale without adding operational burden.

Looking ahead, artificial intelligence may support further efficiency gains — but its usefulness will depend entirely on the quality of the underlying data. The near-term priority is therefore to establish consistent, structured and timely data flows across fund accounting, investor servicing, valuations, cash flows and FX exposures. Once that foundation is in place, managers will be better positioned to move toward faster insights, more accurate reporting and genuinely decision-ready data.

IN PRACTICE

Eliminating Operational Bottlenecks

When a client approves a NAV through an online portal, for example, that approval can trigger immediate file delivery to FX and other internal consumers. This reduces ambiguity around timing, improves auditability and helps teams plan around complex NAV calendars — particularly important given that alternatives funds can have variable approval cycles, with monthly or quarterly NAVs approved anywhere from T+10 to T+20 or later. With automated data delivery and defined toll gates, delays can be identified and escalated earlier rather than creating downstream bottlenecks.

WHY THE OPERATING MODEL DECIDES WHO WINS IN PRIVATE MARKETS

As private markets continue to expand across wealth channels, managers are adapting and identifying the elements necessary to launch funds, add distribution, support new currencies and manage risk in a more dynamic environment than the traditional closed-end institutional private fund model.

In doing so, the choice of operating model is decisive — and can be a crucial differentiator. Managers cannot rely indefinitely on spreadsheets, manual approvals and fragmented provider relationships; they need infrastructure that allows them to grow without creating avoidable operational risk.

Rather than treating currency management as an overlay, successful managers — those best positioned for the next phase of growth — will treat it as part of the infrastructure that supports global distribution.

The next phase of private markets growth will reward managers who act now: integrate currency management into the operating model, standardize the data that feeds it, and partner with infrastructure built for the scale that lies ahead.

FROM NOW TO NEXT

Read our previous “Alternatives, Now to Next” article exploring how a more unified operating model can support growth and scale:

[Simplify to Scale: A Unified Operating Model for Private Credit and Alternatives](#)

To learn more about our broader capabilities, visit:

[Fund & Investor Solutions](#)



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