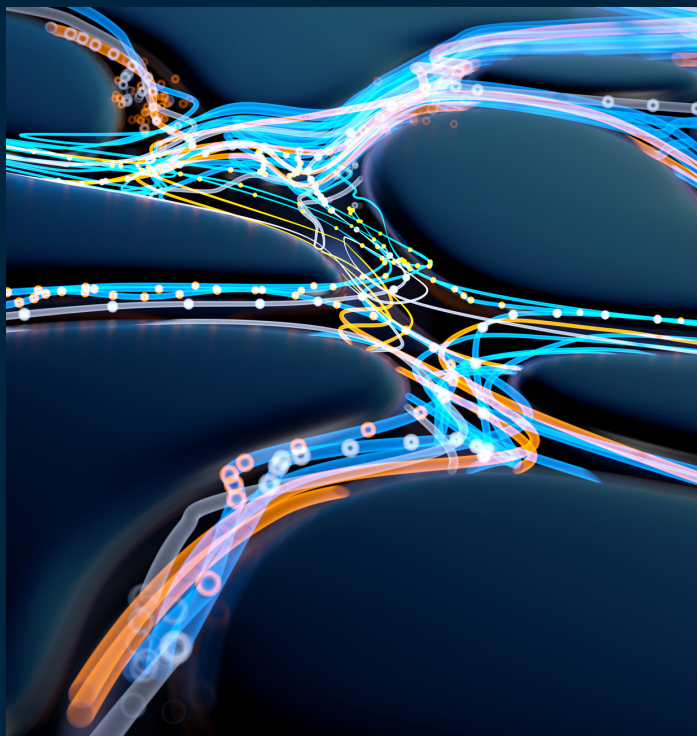


TECH-DRIVEN ALPHA IN PRIVATE MARKETS

Putting Alts Investors in the Driver's Seat



CAN AI HELP INVESTORS ACHIEVE GREATER ALTERNATIVE INVESTMENT ALPHA?

Today's private markets technology is at a tipping point, akin to where personal navigation was nearly three decades ago. Until the 1990s, navigation relied on written or printed directions, which were disconnected from real-time conditions and prone to inaccuracy. Since then, personal navigation systems have transformed into digitally connected, multi-input applications, leveraging real-time geo-positioning data to continually optimize routes and save time for travelers – reshaping how we navigate the world.

Similarly, despite the scale and sophistication of alternative investments today, many investors are still navigating the management of these portfolios through complex operating models rooted in fragmented systems, manual processes and static data.

While there has been a proliferation of technology delivering point solutions to address these challenges, the private markets evolution that is underway and powered by artificial intelligence (AI) can create the advanced digital foundation needed for investors to move beyond operational efficiency improvements and drive alpha in private markets portfolios.

To take the pulse on where asset owners are on the tech transformation journey, BNY, in collaboration with Stanford's Research Institute for Long-Term Investing (SLTI), surveyed nearly 20 asset owners representing over \$1 trillion in assets under management (AUM). Their views illustrate the challenges and opportunities of investing in alternative assets and give a glimpse into the potential industrywide transformation.

ALTERNATIVES HAVE BECOME A CORE PORTFOLIO PILLAR

Over the past decade, alternatives have evolved into a core part of portfolio allocation for many institutional investors, driven by the pursuit of higher yields and diversification. With global alternatives AUM projected to reach \$29.2 trillion by 2029, the alternative investment landscape is expanding rapidly, encompassing new asset classes and fund structures¹. Traditionally dominated by private equity and hedge funds, infrastructure and private credit are emerging as key growth areas, driven by demand for digital infrastructure, climate investing and innovative financing solutions. As the nature of these assets and funds becomes increasingly complex with nuanced investment strategies, varied liquidity profiles and intricate risk dynamics, investors are facing new challenges in managing their portfolios effectively. To address investment constraints around liquidity, thematic exposure and returns, investors are using various structures like semi-liquid funds, rated notes and separately managed accounts.

While long-term growth drivers remain intact, the current macroeconomic environment has underscored the challenges of managing private market portfolios, highlighting the need for dynamic portfolio management, advanced technology solutions and a unified view of risk and exposures amid market volatility.

¹ Cameron Joyce, "Future of Alternatives 2029," Preqin, September 17, 2024, <https://preqin.com/insights/research/reports/future-of-alternatives-2029>.

“Private markets have scaled like software — but most asset owners are still running them on spreadsheets. The complexity is compounding, and so is the cost of not adapting.”

– Dr. Ashby Monk, *Executive and Research Director, Stanford Long-Term Investing*

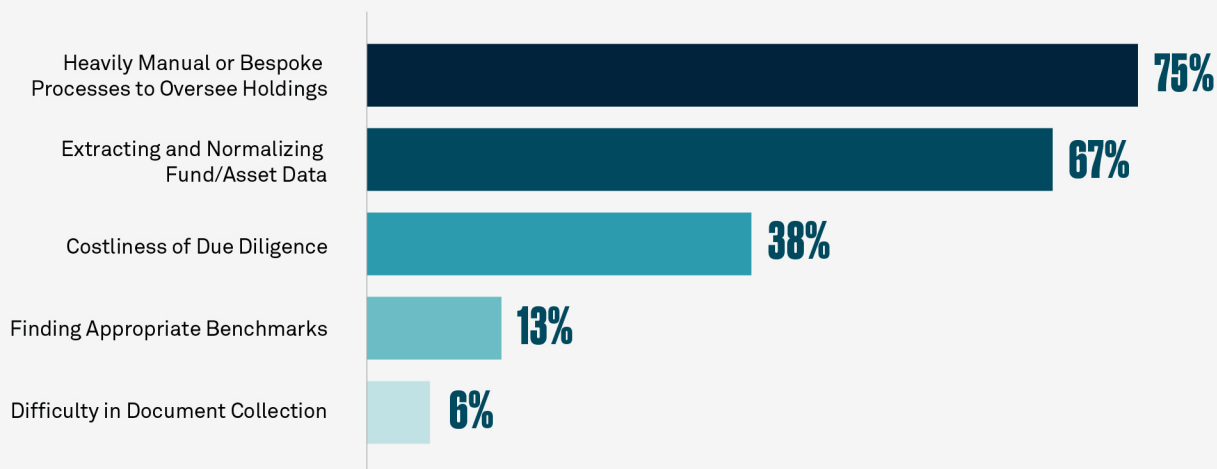
NAVIGATING MANAGEMENT COMPLEXITIES OF ALTERNATIVE ASSETS

The growth and expansion of alternatives investing comes with the added operational complexity of managing these portfolios. Unlike public securities, alternatives typically require a set of nonstandard documents and unstructured data, which creates operational challenges in overseeing portfolios and measuring performance. Most of the asset owners surveyed reported that significant barriers to increasing their alternative investments allocation include the heavily manual or bespoke processes required to oversee holdings (75%), as well as the challenges of extracting and normalizing fund and asset data (67%) (*Figure 1*).

In addition to the complexity of the information received, a diverse set of tools is used across asset classes. Almost half of respondents (44%) note that they use three to five systems or technologies to support their alternatives operations, typically across areas such as accounting, reporting and data management. While investors are using basic tools, such as spreadsheets, to manage their businesses, the level of sophistication often varies based on their size and operational budget. In short, investors are plotting the course of their alternatives investment journey with varying sets of manual and online directions to guide the way.

FIGURE 1: OPERATIONAL BARRIERS TO INVESTING IN ALTERNATIVES

Percentage of responses ranked highest or high barrier



Source: BNY/SLTI 2025 survey.

“At BNY, we’re seeing a growing demand from asset owners for consolidated views of private market exposures alongside public market exposures, enabling them to make more informed decisions and better navigate the evolving landscape of alternative investments.”

– Anders Reinertsen, Managing Director, Global Head of Asset Owners Americas, BNY Asset Servicing

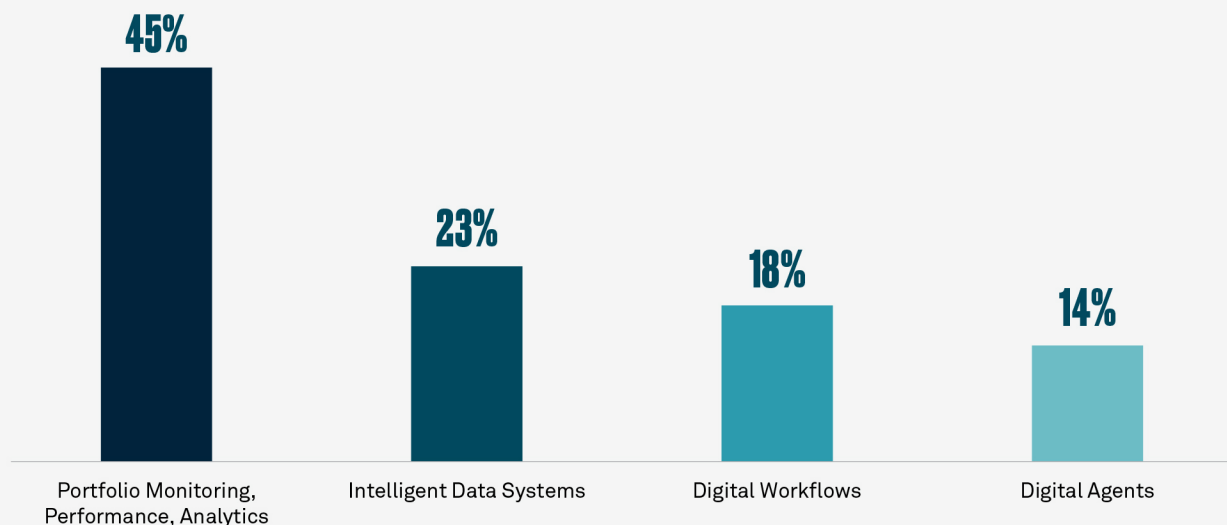
TECHNOLOGY AT A TIPPING POINT, BUT BARRIERS REMAIN

To address the expansion and complexity of their business, asset owners are taking steps to optimize processes, working with fund administrators and other partners who can provide scalable tech solutions to support their growth and offer access to an expanding set of private market technologies. Today, these solutions primarily offload key middle- and back-office functions in areas such as digital data extraction and reporting, which helps reduce risk from manual processes and free up internal resources. However, as information becomes more digitized, asset owners are looking for solutions that can do more than just keep the engine running. Nearly half of asset owners surveyed (45%) are pursuing

advanced technology tools to aid in portfolio monitoring and performance and analytics, while a quarter (23%) are seeking help with establishing intelligent data systems (Figure 2). Asset owners are searching for fund information more quickly and want the ability to consolidate across many information sources so they can secure a more robust view of their private market exposures and a better understanding of how those exposures are changing over time. Solutions driven by accurate, real-time data can quickly surface insights and inform decision-making, keeping investors on course even when faced with unexpected detours.

FIGURE 2: ASSET OWNERS SEEK TOOLS FOR IMPROVED INVESTMENT DECISION-MAKING

In what areas are you looking for new solutions from partners or service providers?



Source: BNY/SLTI 2025 survey.

CAN AI SAVE THE DAY?

To manage the growth and complexity of private markets, some asset owners have begun utilizing AI, particularly to support their operational processes, with 71% of respondents indicating that AI is at least minimally integrated into their operations (Figure 3). AI can be a key tool in helping to solve the challenge of unstructured data. A growing number of investors are using tools to extract data and digitize documents and reports, creating a growing collection of previously unavailable private market data.

While AI is proving to be a significant force for industry players that leverage the technology to largely automate repetitive, detail-intensive processes, it has not yet delivered on its full promise. The complex nature of private market assets and processes necessitates specialized AI that can analyze the nuances of alternatives data, workflows and reporting to provide better exception management and reduce the need for human-driven processes. Additionally, as AI tools continue to evolve and the digitized data sets create a more expansive set of training data, these tools can support key decision-making processes such as analyzing risk exposures and assessing valuations, which will catalyze more investment into alternatives.

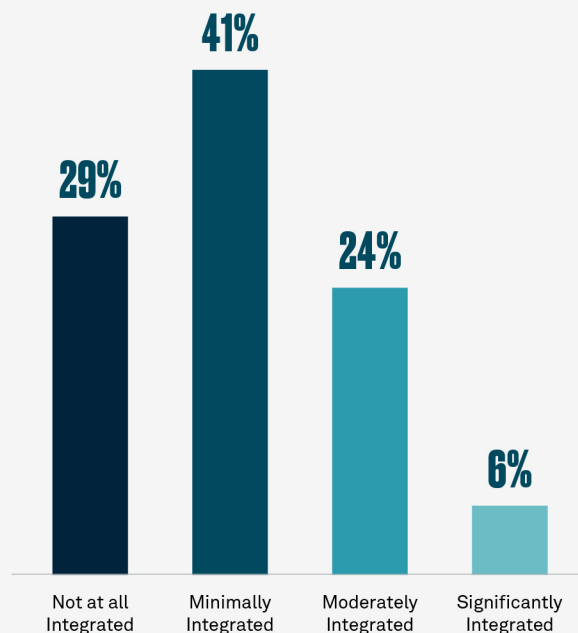
However, the growth of AI introduces new risks, particularly around information accuracy and security, and investors are being thoughtful in how they are integrating it as part of their overall operational governance and design.

“We’re unleashing the power of AI right where it counts — in the hands of our investment professionals. With direct, intelligent access to their data, they can surface insights in real time, make faster decisions and unlock more value for alternatives. This is AI as a partner, not a backseat driver.”

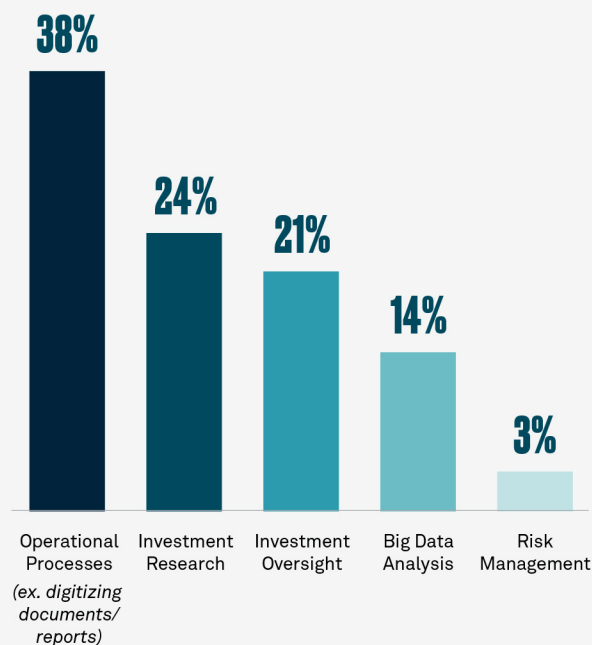
– **Tony Payne**, Chief Technology Officer,
British Columbia Investment Management
Corporation (BCI) – a leading Canadian
institutional investor harnessing the
power of AI in private markets.

FIGURE 3: EXPLORING AI'S UNTAPPED PROMISE

How well is AI integrated into your investment process?



In which processes are you using AI today?



Source: BNY/SLTI 2025 survey.

DATA IS KEY TO UNLOCKING MORE ALTERNATIVES INVESTING

Just like the evolution of GPS systems, data is crucial to the potential of technology in the investment, management and administration of private markets. Today, asset owners face challenges in getting usable data to help them measure and manage the performance of their portfolios. Data is often fragmented, delivered from different sources, over varying time periods, in different formats with different entity identifiers (Figure 4). Asset owners seeking a consolidated review of their portfolios often struggle to create a single source of truth for their portfolio that can provide a vantage point to a clean set of information on all of their underlying assets to fully understand exposures.

It is difficult to overstate the value of getting underlying data in order. Building a strong foundation of clean and structured

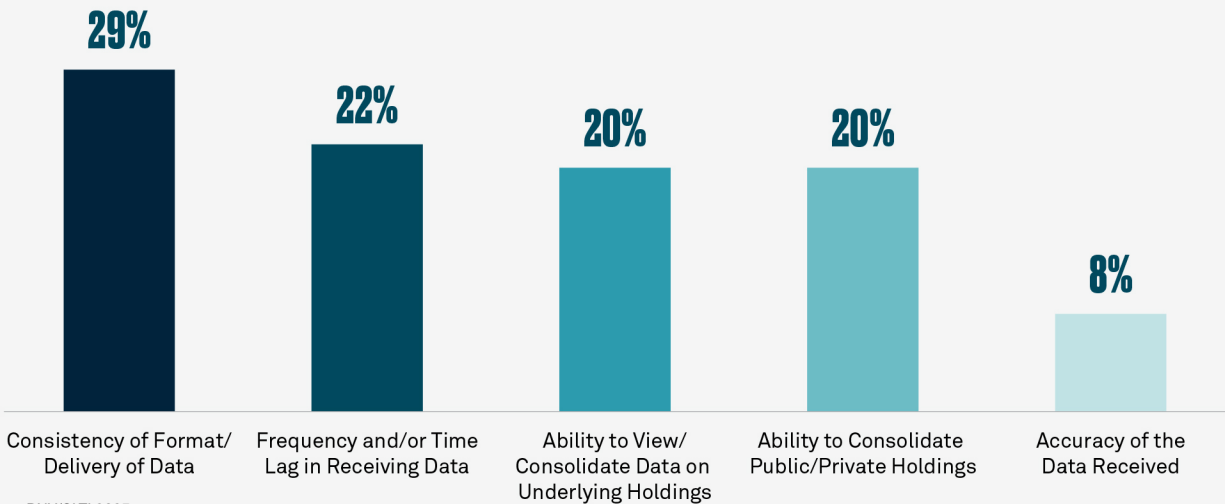
data is among the first and most important steps towards readying organizations to maximize the value of AI and the future transformational promise it holds.

CONCLUSION

Against the backdrop of a changing public markets investing landscape, alternative investments have become a key tool in driving alpha in an institutional portfolio. The next generation of private markets technology, along with the advances in AI, has the potential to further transform alternatives investing and enable dynamic management of the total portfolio. For investors, success increasingly depends on having the right tools and infrastructure to support real-time decision-making to help navigate growing complexity and managing risk across diverse private market exposures.

FIGURE 4: THE ROAD AHEAD: A STRONG DATA FOUNDATION IS KEY

Please identify the top three challenges associated with receiving and utilizing private markets data today



Source: BNY/SLTI 2025 survey.

BNY is the corporate brand of The Bank of New York Mellon Corporation and may be used to reference the corporation as a whole and/or its various subsidiaries generally. This material does not constitute a recommendation by BNY of any kind. The information herein is not intended to provide tax, legal, investment, accounting, financial or other professional advice on any matter, and should not be used or relied upon as such. The views expressed within this material are those of the contributors and not necessarily those of BNY. BNY has not independently verified the information contained in this material and makes no representation as to the accuracy, completeness, timeliness, merchantability or fitness for a specific purpose of the information provided in this material. BNY assumes no direct or consequential liability for any errors in or reliance upon this material.

This material may not be reproduced or disseminated in any form without the express prior written permission of BNY. BNY will not be responsible for updating any information contained within this material and opinions and information contained herein are subject to change without notice. Trademarks, service marks, logos and other intellectual property marks belong to their respective owners.

© 2025 The Bank of New York Mellon. All rights reserved. Member FDIC.

