

Competing at Scale: How Alternatives Managers Can Build Strategic Edge



Alternative investments have entered a new phase of maturity. Private equity, private credit, real assets, and other alternative investment strategies are core to institutional portfolios. With alternative assets totaling \$18 trillion in 2025 and projected to approach \$30 trillion by 2030,¹ the scope of this shift is significant. The demand for these products goes beyond institutions into the private wealth channel, increasing the complexity and scale necessary to support this growth. At the same time, the operating model in place to support this growth remains largely unchanged.

As transaction and investor volumes increase, product structures evolve, and transparency demands intensify, managers face compounding pressure: delivering greater precision and efficiency while navigating persistent margin compression. Operating models for alternatives managers are still shaped by fragmented workflows and settlement processes built for a smaller, less dynamic ecosystem. To make this transition, managers are focused on building scale through strategic operating model improvements and prioritizing interoperability between digital and traditional systems in an ecosystem with increased digitization. Additionally, the need to enhance market access and liquidity management remains a key element of differentiation for managers. Within each of these themes, there are important steps managers can take to differentiate themselves and deliver for their clients in the next phase of market growth.



Building Scale Through Strategic Operating Models

With alternative assets under management (AUM) growing and a broader investor base driving new complexity, managers are focused on better servicing the expanding needs of their clients. Inefficiencies within the current operating model compound risk and the cost to mitigate, which have implications beyond the fund level for investors, counterparties, and capital flows. Keeping operations in-house increasingly means adding headcount in non-investment functions, directly impacting margins and reinvestment capacity.

Managers are looking for ways to scale through enhancing processes and leveraging AI-based tools, particularly for high-touch efforts such as client onboarding. Leading managers recognize that differentiation comes from their ability to operate through complexity efficiently and at scale, maintaining control while preserving margins. Specifically, they are focused on reducing points of failure through more synchronized data, less reliance on manual reconciliation, and more automated and reliable execution, which will lower cost to serve and allow them to spend more time on strategic decision-making.² For many, this involves outsourcing non-investment functions to trusted

partners. Firms that can maintain control and consistency with appropriate tools will be positioned to scale, innovate, and sustain profitability.

A core component of building scale is the quality, timeliness, and availability of data. With greater portfolio complexity, managers are ingesting growing volumes of data, often from 8–12 providers³ across more than 57,000 private funds globally.⁴ Being able to readily access and extract information is paramount to effectively deploy capital, manage risk, communicate performance, and meet transparency expectations. In fact, 67% of LPs identified fund-level transparency as their most pressing concern in aligning with GPs.⁵

Having data that is consistent and accessible across platforms and tools helps teams rely on a single source of truth rather than working across disparate sources, which is foundational to scaling the business without a corresponding increase in operational cost. Data infrastructure is therefore a competitive differentiator and must be held to the same level of governance as other core functions, ensuring both data accuracy and availability at the point of need and enabling a feedback loop to continuously refine models. For this, managers should align with partners who can deliver data flexibly. Treating data as a core asset will better position managers to enhance decision-making, improve transparency, and compete more effectively as the market continues to evolve.



There's been a clear focus on simplifying technology stacks, streamlining data flows, and implementing exception-based controls to reduce reliance on manual processes. Firms that combine modern architecture with centralized, high-quality data and clear functional ownership are better positioned to automate workflows, strengthen controls, and focus on oversight and decision-making rather than reconciliation.”

Global Head of Operations, ~\$400B+ Private Markets GP

The Role of Digitization and Interoperability

In progressing towards the next phase, there is a clear need for a modernized and automated agentic translation layer that can standardize inputs and enable a seamless flow of information across the investment lifecycle. This foundation would allow workflows to execute within defined parameters, shifting human involvement while powering real-time insights that improve decision-making.⁶ This transformation is not only about digitizing existing processes, but also about re-architecting how those processes interact within an increasingly interconnected ecosystem.

Managers are looking to digitize their processes in several ways including orchestrating workflows across the investment lifecycle, digitizing investor interactions, and enabling real-time portfolio monitoring and reporting. However, without connectivity across administrators, custodians, banking partners, liquidity venues, and emerging digital infrastructure, digitization risks creating additional complexity if managers are forced to maintain parallel processes across traditional and digital systems. The ability to readily move assets and collateral across networks will determine how much of the projected \$15–\$20 billion in forecasted annual efficiency gains⁷ is ultimately captured.

CASE STUDY

One ~\$5 billion global alternative asset manager that embraced the importance of this approach has incrementally invested in an interoperable infrastructure during their growth journey and is now positioned to be able to grow AUM by 2-3 times while maintaining current resourcing levels. This expansion of sustainable operating margin is enabled by a strategic, focused emphasis on driving scale across the enterprise.

Enhancing Market Access and Liquidity Management

As alternative assets scale and capital becomes more constrained, liquidity is increasingly a structural driver of performance. Leading managers' ability to efficiently deploy, return, and redeploy capital is a direct lever impacting returns, balance sheet efficiency, and client outcomes. Capital is often drawn with built-in buffers and held for periods before being deployed, as timing gaps persist between fundraising, capital calls, and deal execution.⁸ Cash drag from called capital sitting at the fund level prior to investment can be significant, even for short delays: a five-day lag in deploying capital in a 5% interest rate environment equates to roughly seven basis points of foregone return on that capital. Scaled across funds, vintages, and deployment cycles, these inefficiencies can meaningfully erode performance.

Some managers are starting to take proactive steps to minimize friction across activities, responding with structured liquidity mechanisms to appeal to a wider audience. For example, the growth of semi-liquid vehicles with periodic redemption features, alongside the expanded use of subscription credit facilities and more dynamic capital call practices, allows managers to better align capital inflows with deployment and reduce their idle balances. These approaches are designed to limit cash drag while providing investors with more optionality than traditional closed-end structures. In parallel, virtual account solutions are emerging to provide managers with consolidated, real-time visibility across the legal entities within a fund structure, enabling more precise cash positioning and movement.

While these approaches introduce control, they also increase the frequency and precision required in capital movement, further exposing the inefficiencies embedded within the existing operating model. Selecting the right service providers to partner with is strategic; for example, firms experienced in dealing with high volumes of retail investors are best positioned to provide fund administration services for semi-liquid structures. New fund structures and product innovation are also being driven by exit delays and other macro themes, which introduce additional complexity. Ultimately, managers that can minimize idle capital, compress settlement times, and improve visibility into capital flows will be positioned for long-term success.

Final Thoughts

These are no longer emerging priorities; they are differentiators that enable managers to raise and deploy capital faster than their competitors. Firms that establish strategic operating models, leverage trusted partners, and lean into market modernization, all while prioritizing liquidity optimization, data architecture, and interoperability, will be better set up to convert operating excellence into commercial advantage. The outcome is a more agile, transparent, and efficient system built to keep pace with the next phase of alternative asset growth.



We've become more deliberate in how we manage liquidity. It's now part of how we think about overall fund performance.

Head of Fund Finance,
~\$100B Private Equity Manager

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FOOTNOTES

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