

A WORD FROM CHERRY BEKAERT

Adapting and thriving: Navigating the evolving alternative asset landscape

1. What is driving growth in the alternatives sector?

Alternatives typically include hedge funds, PE, real estate, VC, private credit, and other fund management strategies. According to industry reports, AUM in the private markets (including evergreen funds) reached \$18.7 trillion in 2024.³ Several factors are driving growth in the sector, including:

Enhanced investor accessibility

- **Emerging managers and assets:** Emerging managers are key drivers of growth in the sector. They bring new perspectives, challenge conventional thinking, and embrace innovation, including the launch of new asset classes such as fractionalized assets, cryptocurrency, and NFTs.
- **Strategy specialization:** The emergence of new asset classes and niche markets creates opportunities for fund managers to tap into often less crowded spaces. For instance, a manager might specialize in a technology subsector or a type of real estate in an underserved geographic region.

Performance and risk mitigation

- **Higher returns:** In an unstable rate environment and fluctuating public markets, investors are increasingly looking to private markets for potentially higher returns and diversification benefits. Historically, alternatives such as PE and VC have shown favorable returns over longer periods compared with public equities.
- **Desire for greater diversification:** Alternatives often exhibit lower correlation with traditional public market assets, offering investors a way to diversify their portfolios and reduce overall risk.
- **Pension fund allocations:** Institutional investors, such as pension funds, are increasing their allocations to private markets in search of long-dated, profitable assets to match their liabilities.



Robert "Bob" Yurglich

Partner, Asset Management Industry

With over five decades of experience, Bob specializes in serving the unique needs of asset management clients by leveraging his knowledge of the securities industry to provide comprehensive audit, tax, and accounting services. Bob's extensive experience includes

advising hedge funds, private equity, broker-dealers, private credit, real estate, venture funds, and funds of funds, making him a trusted advisor to his clients.



Scott Moss

Partner, Financial Services Industry Leader

Scott has spent over 30 years working closely with clients in private equity, venture capital, investment banking, and other financing industries. Over the course of his career, he has participated in over 1,000 M&A mandates with a cumulative value in excess

of \$10 billion. Specializing in accounting for business combinations, Scott is also a sought-after speaker and author on all aspects of M&A.



Joseph "Joe" Schwarz

Partner, Asset Management Industry

Joe leverages over a decade of experience to effectively serve clients spanning virtually all asset classes, having audited numerous fund complexes with AUM in excess of \$10 billion. Joe specializes in auditing both

traditional and emerging alternative assets, including digital assets, private credit, and real assets, and advising on valuation considerations, structuring of alternative investment entities, and portfolio company auditing and accounting matters.

2. How are technological innovations playing a role in the sector?

Innovations such as blockchain, AI, and automation are significantly reshaping the investment opportunities landscape.

³: "2029 Private Market Horizons," PitchBook, Zane Carmean, Nathan Schwartz, and Miles Ostroff, May 1, 2025.

Blockchain and smart contracts

Blockchain is revolutionizing the way assets are tokenized and traded. Smart contracts powered by blockchain technology can also enhance transparency and efficiency in investment transactions, reducing the need for intermediaries.

- **Digital assets:** Blockchain underpins cryptocurrencies and other digital assets, such as bitcoin and ethereum, which have demonstrated significant growth, attracting investors seeking higher returns, despite volatility.
- **Tokenization:** Blockchain enables the tokenization of assets such as real estate, art, and commodities, making them more accessible and liquid, opening investment avenues in previously illiquid markets.
- **VC and blockchain startups:** Investing in early-stage blockchain and cryptocurrency startups can yield high returns. VC firms specializing in blockchain offer a way for investors to gain exposure in this space.

AI and automation

AI algorithms can sift through vast amounts of data from various sources to assess companies, industries, and market trends. This enables the identification of potentially high-value investment opportunities and undervalued assets, offering a competitive edge.

- **AI-driven companies:** Investing in companies that develop and implement AI technologies across various sectors, such as healthcare, finance, and transportation, offers exposure to significant growth potential.
- **Software and platforms:** Investing in companies providing AI software, machine learning platforms, and data analytics tools presents opportunities as AI adoption increases across industries.
- **Automation technologies:** Companies specializing in robotics, industrial automation, and process automation offer investment opportunities as businesses seek to improve efficiency and reduce costs.

3. What are the key challenges facing the industry?

Amid an uncharted technology territory and uncertain economic posture, the alternatives sector faces a

myriad of challenges, including increased regulatory and compliance scrutiny.

- **Regulations:** Compliance requirements create complexities for asset managers in terms of reporting, transparency, controls, and operational efficiency. While private funds operate under a different regulatory framework than public funds, regulators are addressing the growth and accessibility of private markets through disclosure requirements, antifraud provisions, and other compliance obligations.
- **Cybersecurity:** Funds are known to house important and confidential investor information, which positions them as targets for hackers. Threats, data privacy concerns, and algorithmic biases are some of the challenges that investors must navigate in the age of digital innovation.
- **Technology risks:** While blockchain and AI are exciting and exhibit massive growth potential, uncertainty around legal frameworks, data integrity, transparency, and other operational challenges contribute to a high-risk environment.
- **“Retailization” of private funds:** Regulatory changes are facilitating the creation of registered investment companies that can hold private fund assets, allowing retail investors access to these opportunities while adhering to current regulations. Retailization, however, presents challenges related to investor protection, regulatory inadequacy, and the potential for systemic risk.
- **Market volatility:** Anticipated trade and tax policy changes will challenge asset managers to adapt their investment strategies to respond to macroeconomic uncertainties and capitalize on emerging trends in a rapidly changing investment environment.

4. What is your view of the future of the alternatives sector?

There are favorable growth trends for the sector, particularly as new asset classes emerge, innovation and technology progress, accessibility for new fund managers increases, and investors look to hedge against market volatility and seek greater returns.

We may continue to see this evolution bob and weave during times of economic uncertainty, but we do not expect any wild divergence from the overall growth trajectory.



SPICER JEFFRIES LLP
CERTIFIED PUBLIC ACCOUNTANTS

is now



Cherry Bekaert

COMMITTED TO Serving The Asset Management Industry

Pairing Spicer Jeffries' renowned securities industry reputation with Cherry Bekaert's comprehensive audit, tax and advisory services to guide you forward.

COMBINED INDUSTRY RELATIONSHIPS:

3,600+

Funds

3,500+

Portfolio Companies

COMBINED TEAM:

500+

Professionals

cbh.com/AssetManagement