

# The outlook for capital raising in alternative investment funds 2023/24

A report by Ocorian

# Introduction

The fund management industry has endured a difficult period with fewer funds launched and the amount of capital raised at some of the lowest levels seen for years.

However, 2023 has brought signs of hope that conditions are improving for the market, and this is demonstrated in an independent study that Ocorian conducted during Q2 2023 through specialist market research company PureProfile among 100 alternative fund managers across the UK, US and Europe.

The study focused on the views and outlook of alternative fund managers and their attitudes towards fund launches and capital raising in the next year to 18 months. It also looked specifically at what they felt are the biggest challenges they will face and need to overcome in order to be successful.

Their answers provide some fascinating insights into the market and support our view that despite a difficult period, there is optimism for the months ahead in terms of fund launches, capital raising and inflows.

## About Ocorian Fund Services

Ocorian's fund services team delivers operational excellence across fund administration, AIFM, depositary and accounting services to the world's largest financial institutions along with dynamic start-up fund managers and boutique houses.

Our team of over 400 funds specialists work across all major asset classes of alternative investment funds such as private equity, real estate, infrastructure, debt and venture capital, whilst our specialist Islamic Finance team is a leading provider of Sharia-compliant investment structures.



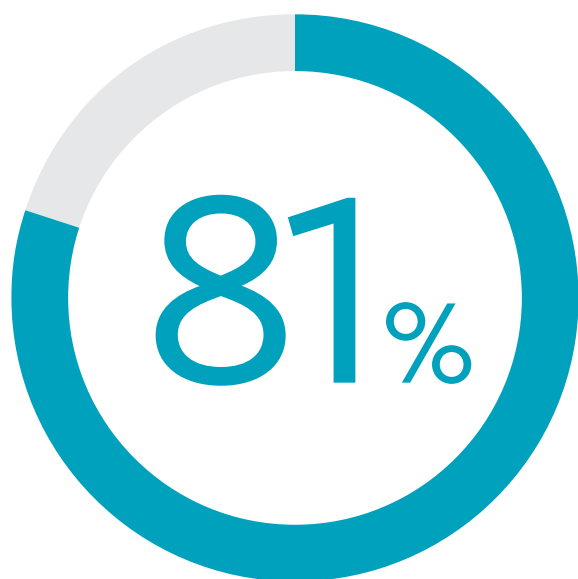
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# Optimism around capital raising and fund launches

## Levels of fund raising will be higher

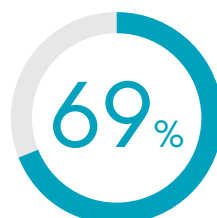
Alternative fund managers are optimistic about fund launches and capital raising over the next 18 months. More than eight in ten (81%) say levels of fund raising will be higher over the next 18 months compared to the previous 18-month period.



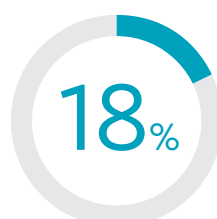
of fund managers are **more optimistic** about capital raising



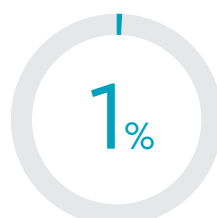
are **very bullish** and say it will be **dramatically higher**



are cautiously optimistic, stating it will be **slightly higher**



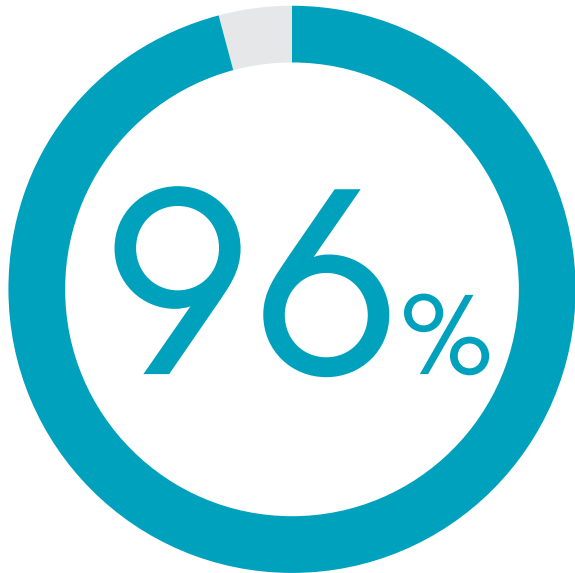
say it will be **about the same**



**Just 1%** say it will be lower

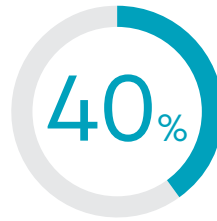


## Fund managers are optimistic about their ability to raise capital



of managers predict **more capital will be raised** in 2023 than in 2022

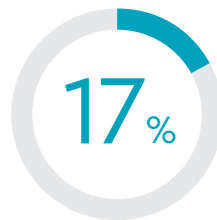
It isn't just about a rise in confidence to successfully launch new funds. The data shows optimism about the ability to raise capital with 96% predicting that more capital will be raised in 2023 compared to last year.



think there will be **over 25% more capital raised** than in 2022



think there will be **10 - 25% more** raised



think up to **10% more**

*"Despite not being out of the woods yet, we expect to see high performing fund managers with the right strategy, good governance, and a transparent approach around ESG will benefit from the improving sentiment in the market."*

**Chris Bickley**

Business Development Director – Fund Services

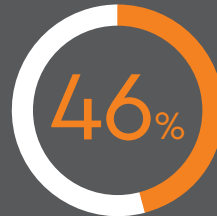
## Fund managers expect more fund launches



are **confident in the ability** of alternative fund managers to **successfully launch new funds** in the next 18 months



of fund managers are **very confident** about their ability to launch new funds



are **quite confident** about their ability to launch new funds



are **not feeling confident** about alternative fund managers' ability to launch funds

*"While it's still a challenging economic environment and with a number of geopolitical issues making fund raising more difficult in some markets, it's encouraging to see how positive alternative fund managers are feeling, predicting both higher levels of fund launches and more capital being raised overall."*

**Paul Spendiff**

Head of Global Business Development, Fund Services at Ocorian

## Asset classes that fund managers are most bullish about

The managers picked the top five asset classes they expect to benefit the most from fundraising over the next 18 months:



1 Private equity



2 Infrastructure



3 Real estate



4 Private debt



5 Hedge funds

*"Private equity as an asset class is a very broad church. It covers a wide variety of asset types and investment styles. For instance there are cases of ultra-large buyout firms and fin-tech firms that have cancelled, cut back expectations or delayed their fund raisings whilst the mid-market has fared better and renewables has investors queuing around the block. So, whilst the overall prediction for private equity as the asset class expected to benefit most from growth in the 18 months ahead, there's real diversity in terms of sector and it's not a rosy picture for all."*

**Paul Spendiff**

Head of Business Development,  
Fund Services at Ocorian

*"We think the next 18 months is going to be a story of two halves. We're unlikely to see a huge amount of fundraising activity between now and the end of 2023, but as we go into 2024 – as our research suggests – we expect to see an uplift in levels as activity ramps up."*

**Richard Hansford**

Head of Business Development – Fund Services

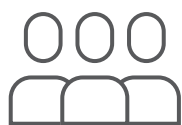
# Where are fund managers looking to raise capital?

## Top five geographies alternative fund managers believe will be targeted most for fund raising



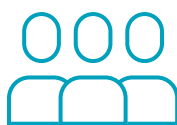
All Fund Managers

- 1 Canada
- 2 US
- 3 UK



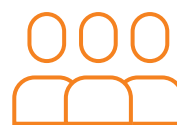
US Managers

- 1 Canada
- 2 Nordics
- 3 UK



European Managers

- 1 US
- 2 Canada
- 3 Middle East



UK Managers

- 1 US
- 2 US
- 3 Middle East

## Canada is ranked top for fund raising

Canada was the highest ranking amongst all fund managers, suspected partly due to its relatively strong economic performance with S&P Global Ratings Economists ranking it as surprisingly resilient in 2023. The US and UK came second and third respectively.

## Appetite for fund raising strongest from US investors

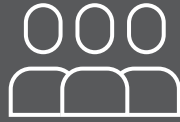
The appetite for fund raising for alternatives is strongest in the US with 37% of alternative fund managers expecting a dramatic increase in allocations to alternatives while 48% expect a slight increase. In the UK 36% expect dramatic increases in allocations to alternatives while 34% predict a dramatic increase in allocations in Europe.

## Where are asset managers looking to fund raise for the first time?



### All Fund Managers

- 1 Middle East
- 2 Canada
- 3 UK/US



### US Managers

- 1 Canada
- 2 UK
- 3 Nordics



### European Managers

- 1 Middle East
- 2 Canada
- 3 US



### UK Managers

- 1 Middle East
- 2 Canada
- 3 US

The Middle East is where the most alternative fund managers plan to fund raise for the first time over the next 18 months with 60% choosing the region ahead of 58% choosing Canada. Around 53% will try the US or the UK for the first time.

Canada, the UK and US are the top regions for US fund managers to try for the first time while for Europeans it is the Middle East, Canada and the US and for UK fund managers it is the UK with the Middle East, Canada and the US equally popular.

*"The Middle East tops the tables for all fund managers to look to fundraise for the first time, which is unsurprising given its recent strong growth, supported by elevated oil prices and an ongoing post-pandemic recovery."*

**Lynda O'Mahoney**

Global Head of Business Development – Private Client

*"Our research shows that in a difficult fund-raising environment, alternative fund managers are increasingly looking outside their domestic markets and targeting new pools of capital."*

*"Each geography comes with its own set of regulations meaning that effectively launching and managing funds can be extremely complex, particularly when entering markets for the first time, so managers must ensure they have the right skills and experience in place and more importantly the right partners; that can assist them as they navigate towards the right structures and operating model."*

*"We can see evidence of this with the establishment of more complex parallel structures to meet the specific investor requirements in each country."*

**Manli Zarandian**

Fund Services at Ocorian



# Regulation is the biggest challenge for successful fundraising

## The five biggest challenges are:



Regulatory environment



Issues around reporting



Liquidity profile



Asset availability



Economic environment

The research asked managers to rank the biggest challenges and they identified the current regulatory environment as the biggest obstacle to successful fund raising for alternative asset class funds.

This ranking top is understandable given that real asset managers are first and foremost professionals in managing real assets – they understand the practicalities involved in managing real estate, infrastructure and companies.

Issues around reporting were ranked as the second biggest challenge to successful fund raising. These findings come as the industry faces increasing global regulatory pressures and impending regulatory changes, as well as increased scrutiny from regulators over sustainability practices and reporting.

*"Asset managers have been hit by an avalanche of new regulation in recent years. AIFMD, SFDR, ESMA pre-marketing rules, MIFID 2 are all examples of regulation that has increased the regulatory burden and reporting requirements for asset managers. It's not a surprise that investment managers view the regulatory environment as presenting the biggest challenges to raising capital and distributing funds."*

**Richard Hansford**

Fund Services at Ocorian

## Preferred methods of raising capital

-  1 Private placement
-  2 AIF marketing
-  3 Agent driven
-  4 Platform driven
-  5 Broker
-  6 Seed investment/  
cornerstone  
driven

## Preferred methods of fundraising

The study asked alternative fund managers to select their preferred methods of raising capital.

Private placement is ranked as the most important method with 83% planning to use it in the next 18 months.

Alternative investment fund (AIF) marketing is the next most important method of raising capital with 47% planning to use it in the next 18 months.

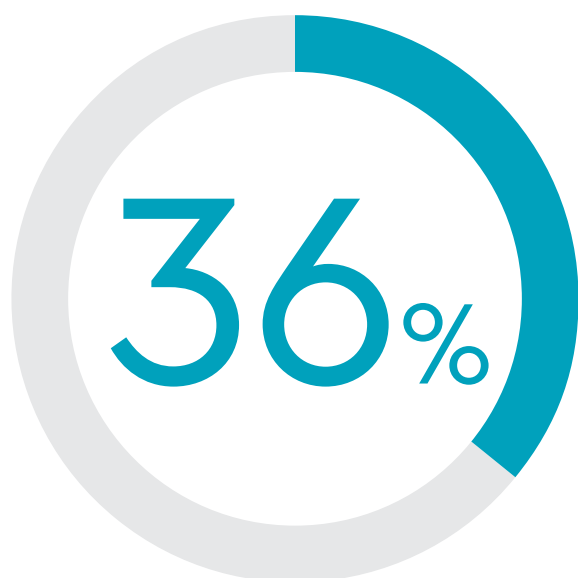
Using a broker is listed as the third most important method with 35% of alternative asset managers saying they will enlist the expertise of a broker to raise capital for funds in the next 18 months.

*"But the good news is that these are all easily solvable problems. A third-party fund services provider such as Ocorian can take care of an asset manager's administration, compliance and reporting requirements, as a natural extension of the in-house team. So much of the reporting that's needed can be automated, making the processes quicker and easier for fund managers and most importantly, for investors – who have higher expectations and increasingly want more detail and more regular reporting. Even the ability to transfer information and the latest reports to investors in a secure way is harder for smaller fund managers to do, but partnering with the right firm such as Ocorian, means managers can easily overcome these hurdles."*

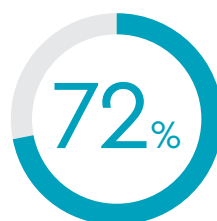
**Manli Zarandian**  
Fund Services at Ocorian

# Inflows and more attractive investment opportunities set to increase

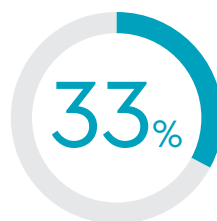
Increasing confidence across the sector is feeding positivity around increased inflows. Almost nine in ten (87%) alternative fund managers believe inflows into alternatives from pension funds will increase over the next 18 months. Around two fifths (36%) expect a dramatic increase.



expect a **dramatic rise in inflows** to alternatives from **pension funds**



of alternative fund managers expect inflows into alternatives from private banks to **increase over the next 18 months**



expect these to **increase dramatically**

While it's positive to expect such an increase in inflows from pension funds and insurers over the next 18 months, the challenge is that they have additional reporting requirements than other asset owners. Alternative fund managers need to acknowledge this in, for example, the level of transparency in their reporting.

## How alternative fund managers see inflows into alternatives increasing over the next 18 months



*"Fund managers who compete with pension funds for investors will need to present the very best picture in reporting and fund administration. It will take resource, time and budget to ensure managers have the right controls and processes in place to be eligible to tap these sources of inflows."*

*"Those managers that cannot achieve this in-house might look to third party providers in order to achieve this, and this is where a firm like Ocorian can help."*

**Richard Hansford**

Fund Services at Ocorian

Around 61% expect inflows into alternatives from corporates to increase over the next 18 months, with 34% expecting dramatic increases, which is just behind HNW individuals (64%) and retail investors (63%).

*"Seeing HNW individuals and retail investors being so highly rated by fund managers points to a real democratization of assets, and a significant shift from three years ago. Given this speed of movement compared to three years ago, it will be fascinating to see where this ends up in five years' time."*

**Andrew Stewart**

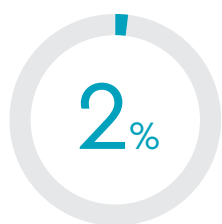
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# ESG is increasingly important in fund investment decision-making

ESG has become a major factor in investment markets in recent years and our study shows ESG credentials and strategy are the biggest influencers when it comes to making fund investment decisions. It is more of an influence than the investment fund's manager and its capital growth record. They rank as second and third for investors when deciding where to invest.



alternative asset managers agree that it will become **harder to launch new funds** unless they have a strong ESG focus.



**Just 2%** believe fund launches are straightforward **without an ESG focus**

As well as driving fund investment decisions ESG is important for innovation in the sector. Alternative fund managers believe it has the second biggest impact on innovation trumped only by growing pressure from investors for new solutions and advances in technology.

These results show that fund managers are still having to make some difficult choices when it comes to ESG. They know it will become harder to launch new funds unless they have a strong ESG focus, but at the same time there are still some managers who opt to underplay their green credentials as they're worried about being exposed to additional regulatory scrutiny.

*"We're seeing the rise of 'green bleaching' – the opposite of 'green washing'. Fund managers are underselling their green credentials in order to avoid unwanted additional regulatory scrutiny.*

*"This provides them with more flexibility to market their funds in a specific way in different markets. In parts of the US or the Middle East, for example, the ESG agenda is still very much in its infancy, compared to the Nordics, which is at the cutting edge of ESG and sustainability – meaning many managers want the freedom to market themselves to these investors in very different ways."*

**Andrew Stewart**

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## The drivers alternative managers think will have the biggest impact on innovation in the alternative asset management sector



1 Growing pressure for new solutions



2 ESG



3 Advances in technology / data analytics



4 Greater data on how different alternative asset classes perform in different market environments



5 Investor sentiment



6 Tax changes



7 Regulatory changes

*"ESG continues to become ever more embedded in all aspects of private markets, with managers, investors and advisors integrating at least some level of ESG considerations and reporting across the investment value chain."*

*"Many investors have an ESG policy in place and expect investment firms to similarly have clear policies, approach and measurable KPIs in place."*

*"However, this acceleration of adoption leads to both operational complexity and a noticeable divergence in approaches, both regulatory and political."*

*"Topics such as social equality, diversity, labour rights and even climate change are inherently politicised. LPs and GPs are therefore navigating a politically sensitive, operationally burdensome, regulatory nuanced environment on ESG. This presents a practical challenge for COOs and CFOs and that is why increasingly they look to support from their fund administration providers."*

**Yegor Lanovenko**

Co-Head of Fund Services

# Conclusion

**While it's still a challenging economic environment with a number of geopolitical issues making fund raising more difficult in some markets, it's encouraging to see how positive alternative fund managers are.**

They are predicting more fund launches and more capital raising as well as increased levels of inflows across all sectors and in particular from pension funds, private banks and corporates.

There are still plenty of challenges and not just tumultuous economic conditions and market volatility. The industry is faced with global reporting burdens, coupled with an evolving regulatory environment. Many investors are requesting more bespoke reporting, transparency and detailed asset-level reporting which are stretching the operational teams of even the largest alternative asset managers.

In order to succeed, fund managers must meet these requirements and at the same time deliver the highest standards of ESG reporting and credentials, as ESG is of the utmost importance – ultimately driving strong, long-term performance and having a huge impact on innovation.

Alternative fund managers are increasingly looking outside their domestic markets and targeting new pools of capital. Each geography comes with its own set of regulations meaning that effectively launching and managing funds can be extremely complex, particularly when entering markets

for the first time. Managers must have the right skills and experience in place and more importantly the right partners to assist them as they navigate towards the right structures and operating model. We can see evidence of this with the establishment of more complex parallel structures to meet the specific investor requirements in each country.

We expect to see high performing fund managers with the right strategy, good governance and a transparent approach around ESG to benefit from the improving sentiment in the market and firms such as Ocorian are ideally placed to support their investor administration and reporting.

## About the research

Ocorian commissioned independent research company PureProfile to interview 100 alternative fund managers across real estate, private debt, private equity and infrastructure, residing across the UK, US, France, Germany, Netherlands, Sweden, Switzerland, Finland and Norway during April 2023.

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So whether you're launching a new fund or migrating an existing structure or want to ensure regulatory compliance or enter new markets, we take care of the day-to-day business so you can concentrate on managing your fund and delivering value to your investors.

Contact our Fund Services Business Development Team to discuss your project or visit Ocorian Fund Services for more information.

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- Fund accounting
- Investor services
- Fund administration
- Depositary services
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- SPV & holding companies

### Expertise

- Private equity
- Real estate
- Venture capital
- Listed funds
- Private debt
- Islamic finance
- Infrastructure

## Domiciles

### Americas

- Bermuda
- BVI
- Cayman Islands
- US

### APAC

- Hong Kong
- Singapore

### EMEA

- Guernsey
- Ireland
- Isle of Man
- Jersey
- Luxembourg
- Mauritius
- Netherlands
- UK



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- Directors & substance services
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- Share plan administration
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## Capital Markets

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- Listing agent
- Escrow agent

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- Business succession
- Philanthropy
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- Compliance consulting
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- Regulatory reporting
- Compliance training
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1,500+

Staff worldwide



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Structures  
under administration



8,000+

Clients



50+

Years of providing  
administration services



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