

# Alternative Industry and Technology Outlook

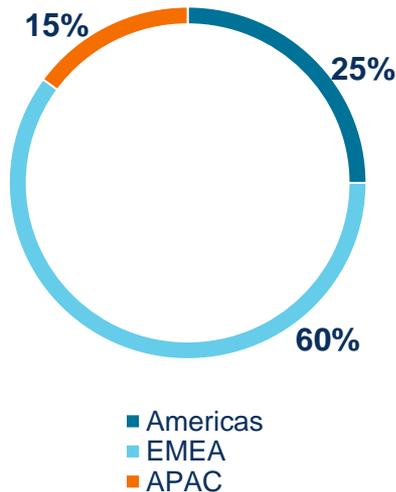
Featuring Results of the State Street/Mercatus  
2019 Alternatives Managers Survey,  
the State Street 2019 Alternatives Survey and  
the State Street 2018 Growth Survey

# 2019 State Street/Mercatus Alternatives Managers Survey

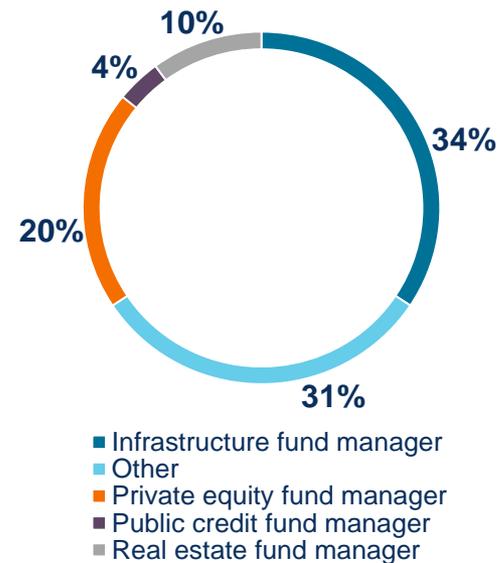
## About the research

- State Street and Mercatus fielded a global survey of 218 alternative investment executives from 27 countries, during August and September of 2019
- Respondents spanned infrastructure, real estate, private equity and private debt managers

### Respondents by Geography



### Respondents by Sector



Note: Percentages may not sum to 100% due to rounding

# Alternative Investment Industry Outlook

- Industry participants are strongly optimistic asset levels will rise and that alternatives will occupy a larger position within institutional portfolios
- However, investor and manager expectations of the alternative asset classes likely to dominate this growth differ

Believe that alternative investment strategies will represent a greater proportion of institutional portfolios in five years

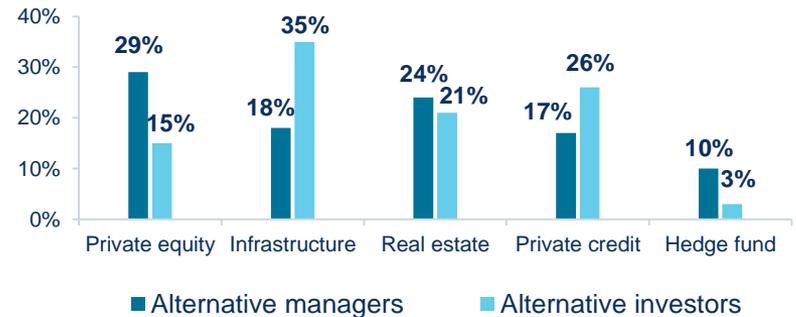


Managers

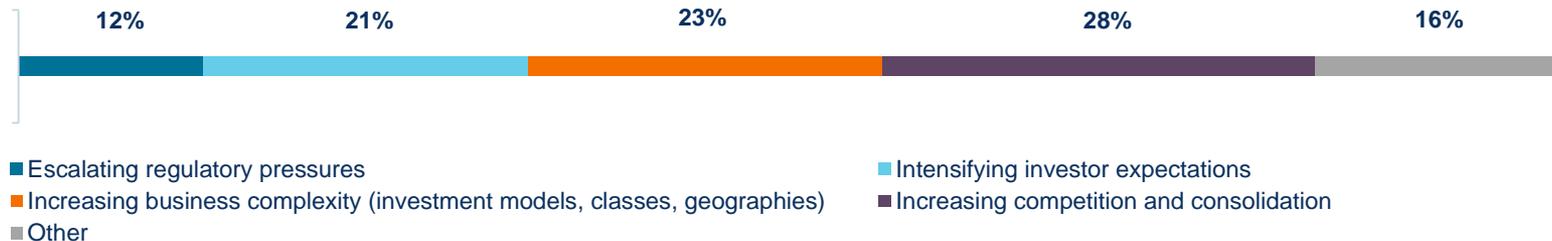


Investors

Of the following strategies, which will attract the most institutional investor allocations over the next five years?



## Alternatives managers' main industry trends



Source: State Street/Mercatus Alternatives Managers Survey 2019  
State Street Alternatives Survey 2019

# Emerging Technology

- 30% of respondents cited **emerging technology** as the likely biggest driver of growth for their organization over the next five years – the second highest choice after economic growth – a response to the growing complexity highlighted previously
- Consistent with State Street’s 2018 Growth Survey, in which all investment institution types rated emerging technology within investors top five-year growth drivers

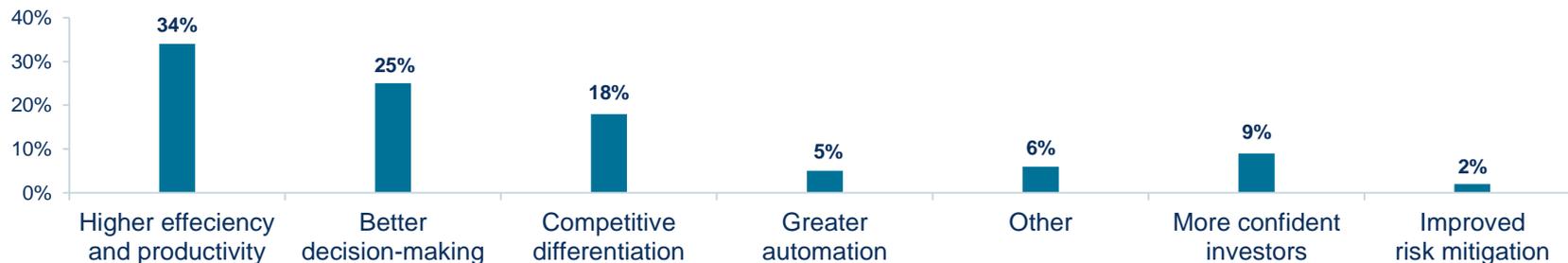
## Alternatives managers’ prioritization of emerging tech investment



## Ranking of emerging technology investments as ‘Immediate’ or ‘Important’ priority



## Most important benefits of emerging tech investment



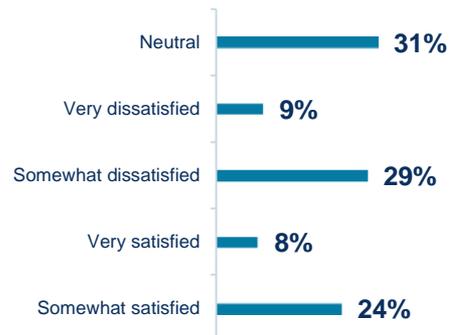
Source: State Street/Mercatus Alternatives Managers Survey 2019

# Data is a Significant Concern for Alternatives Managers

## Business areas with most scope of improvement today



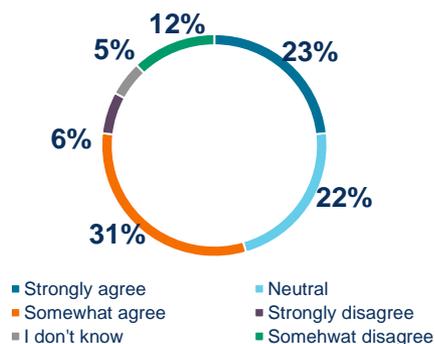
## Satisfaction with ability to use data for investment



Of alt managers dissatisfied with data use for investment and asset allocation

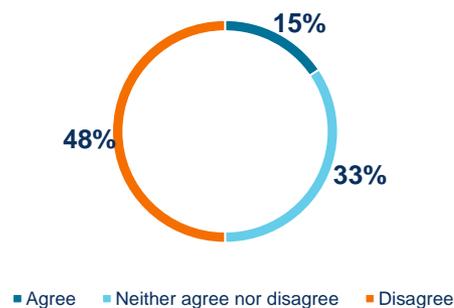
## Satisfaction with data transparency

### Asset managers



Believe investors are satisfied with data transparency

### Asset Owners



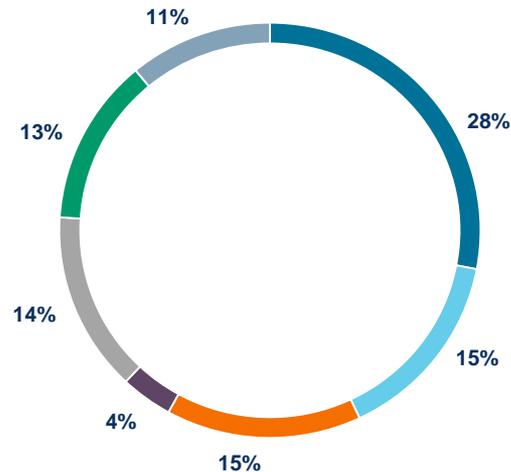
Are satisfied with data transparency

Source: State Street/Mercatus Alternatives Managers Survey 2019  
State Street Alternatives Survey 2019

# Significant Challenges Impede Emerging Tech Application

- Integrating new technology systems with legacy processes is the top challenge to realizing tech-driven efficiencies – this was also the case for the wider pool of 2018 Growth survey respondents
- But culture-based impediments also play a role: 30% of respondents cite either poor targeting of budgets or workforce adoption as major challenges

What are the biggest challenges for your organization in leveraging emerging tech across the business?



- Integrating new technologies with our existing infrastructure and processes
- Reluctance of business teams to change how they work
- Lack of expertise to manage the roll-out process across the organization
- NA

- Emerging technology R&D poorly targeted at specific business use case or outcome
- Insufficient budget/capital/ROI to prioritize
- Not flexible enough to cover diversity of investments / asset classes

Source: State Street/Mercatus Alternatives Managers Survey 2019

# Conclusions

- Alternative assets are growing: Creates increased competition
- Alternative management is increasingly complex; requires investment in technology, data and people
- Alternative managers need to know their clients: Align investment expertise and deliver data transparency

Source: State Street/Mercatus Alternatives Managers Survey 2019  
State Street Alternatives Survey 2019

# Important Information

2726923.2.1.GBL.RTL  
Expiration date: 10/31/2020

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