

2025 Outlook: Evolving Models and Strategies in Asset Management



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In 2024, the asset management industry experienced significant growth, with global assets under management (AUM) reaching a record \$132 trillion by June, rebounding from the previous year's decline.

This expansion¹ was driven by strong market performance and healthier net flows, despite challenges such as outflows from higher-fee active equity mutual funds and adjustments in private markets.

Despite this growth, the industry faced several challenges, including fee compression due to the shift from active to passive investing, rising operational costs and the need for continuous innovation to meet evolving client expectations. Additionally, geopolitical tensions and economic uncertainties prompted U.S. asset managers to expand their presence in Europe, intensifying competition and compelling European firms to innovate or pursue mergers to remain competitive.

Below are several predictions that are expected to impact the industry in 2025 and beyond:

Growth in Alternative Investments and Outsourcing Models

In 2025, alternative assets are expected to play an increasingly significant role in client portfolios, driven by investors' pursuit of diversification and enhanced returns. According to a [recent CAIS-Mercer survey](#), more than half (62%) of financial advisors currently allocate between 6% and 25% of clients' portfolios to alternative asset classes, with 85% of them expecting to increase allocations to one or more alternative asset classes further within the next year. Private debt (91%), private equity (93%) and real estate (96%) are the top asset classes.

Outsourcing models are evolving to meet these challenges, with fund managers increasingly adopting technology-driven solutions. The co-sourcing model will gain further traction in 2025, enabling fund managers to maintain control and real-time data access while benefiting from the specialised resources of fund administrators.

Additionally, the continued rise of hybrid funds—blending features of open-ended hedge funds and closed-ended private equity structures—will create new opportunities but also require sophisticated infrastructure and expertise to manage effectively. As alternative investments and innovative outsourcing models reshape the financial landscape, fund managers and administrators must remain agile, adapting to ensure sustainable growth and operational excellence in a rapidly changing environment.

The Rise of AI and Digital Transformation

The adoption of Artificial Intelligence (AI) and Machine Learning (ML) has already revolutionised fund administration. These technologies enable predictive analytics, automate decision-making processes and

enhance operational efficiency. [By 2025, the hedge fund industry is expected to see a 15% rise in AI-driven investment strategies](#), with over 60% of firms adopting advanced machine learning techniques.

As AI and ML continue to evolve, fund management processes will become more streamlined and data-driven. Next generation reporting tools will unlock deeper insights, identifying patterns often missed by manual analysis and enabling increasingly sophisticated, real-time decision-making. The advantages are clear: efficient management of large data volumes, bolstered security measures and advanced compliance monitoring. For fund administrators, investing in these technologies will be critical to staying competitive, meeting investor demands and driving innovation. The result will be a transformed industry landscape—one marked by agility, precision and operational excellence.

Navigating Complexity in the Regulatory Landscape

Regulatory and compliance challenges are expected to intensify for fund managers, necessitating heightened responsiveness and adaptability. The implementation of the Digital Operational Resilience Act (DORA) in the European Union, effective January 17, 2025, will establish a unified framework for digital resilience in the financial sector. DORA mandates comprehensive Information and Communication Technology (ICT) governance, risk management, standardised incident reporting, cyber resilience testing and oversight of third-party ICT service providers, including a framework for critical providers.

Simultaneously, in the United States, the Securities and Exchange Commission (SEC) has introduced new rules for private fund advisers, emphasising detailed reporting on fund performance, fees, expenses and internal rates of return. These regulations aim to enhance transparency and protect investors, requiring fund managers to implement robust compliance frameworks to meet the heightened disclosure standards.

As the regulatory landscape expands, fund structures are becoming increasingly complex, necessitating specialised knowledge to manage intricate arrangements across multiple jurisdictions. This complexity underscores the critical role of third-party fund administrators, who are equipped to handle the demands of multifaceted structures and fulfil growing reporting requirements with a standardised approach. By leveraging their expertise, fund administrators can reduce operational risk, enabling fund managers to concentrate on their core competencies in an environment of escalating regulatory scrutiny.

Rising Demand for Cross-Domicile Services

The global investment industry will continue to see fund managers expanding into new markets to access growth opportunities and diversify portfolios. This expansion requires a sophisticated understanding of regional regulations, market dynamics and operational complexities across jurisdictions. Fund managers will not only respond to multi-jurisdictional challenges but anticipate them, ensuring seamless operations in a diverse and evolving regulatory landscape.

Navigating cross-border complexities demands expertise in regulatory compliance, legal structure intricacies, tax and cultural variances. These challenges extend to investor reporting, where meeting jurisdiction-specific transparency standards adds further layers of complexity. To address this, fund administrators must combine specialised knowledge with a robust technological infrastructure. This includes advanced analytics for risk management, secure data handling and rigorous compliance monitoring. Waystone's consistent global service model is well-positioned to tackle these challenges, ensuring efficient, scalable and compliant solutions that support fund managers' international ambitions in an increasingly interconnected investment landscape.

Mass Personalisation Drives Client-Centric Services

The asset management industry will increasingly focus on delivering customised investment portfolios at scale to meet evolving client expectations. Investors now demand solutions tailored to their preferences, risk profiles and financial goals, driven by a desire for personalised advice and products that align with their values and desired outcomes. As achieving alpha becomes increasingly challenging, personalised products are emerging as a compelling alternative to low-cost beta strategies.

Asset managers are leveraging advanced data analytics, artificial intelligence (AI) and machine learning (ML) to offer mass customisation across their entire business. According to [Accenture](#), four out of five asset managers see “customisation for the masses” as a key growth driver over the next five years. This shift is transforming client interaction from a narrow sales and marketing focus into an organisation-wide strategy, integrating personalised communication, customised investment products and value-driven outcomes.

Successful administrators in 2025 will combine technology with client insights to deliver tailored solutions at scale, enhancing engagement and satisfaction. By prioritising client strategies, asset managers will not only meet investor demand but also differentiate themselves in an increasingly competitive landscape.

Sustainable Finance as a Core Investment Strategy

Environmental, Social and Governance (ESG) factors have become integral to investment strategies. By 2025, it's anticipated that more than 50% of hedge funds will integrate ESG criteria into their investment processes², reflecting a growing trend towards sustainable finance. This shift is driven by investor demand for responsible practices and regulatory pressures, necessitating robust frameworks to assess and report on ESG metrics.

The focus on ESG-centric strategies not only aligns with investor values but also unlocks opportunities for sustainable business growth. However, a key challenge in 2025 will be demonstrating that ESG-focused portfolios can deliver competitive returns. While demand for sustainable strategies continues to rise, ESG portfolios—often concentrated in technology—have experienced volatility. In contrast, industries less aligned with environmental sustainability, such as energy and commodities, have maintained strong performance, challenging the narrative of ESG portfolios outperforming traditional investments. Balancing sustainability goals with consistent financial outcomes will be critical to addressing investor expectations.

Increased Focus on Cybersecurity

With the growing sophistication of cyber threats, cybersecurity will remain a top priority for asset managers in 2025. As digital platforms become integral to fund operations, the sector faces escalating risks from lookalike domains, fraudulent websites and advanced phishing tactics, particularly in the financial industry. Clone websites that mimic legitimate operations are increasingly targeting asset management firms, exploiting smaller online footprints to harvest investor data. These developments demand proactive measures, combining advanced technologies with regulatory compliance to mitigate risks effectively.

Client Service Remains About People and Relationships

The importance of client service in fund administration will remain rooted in personal interactions and relationships throughout 2025, even as technology continues to transform the industry. As fund managers adapt to an increasingly dynamic environment, delivering exceptional client experiences will be a key differentiator.

In 2025, enriching the investor experience will centre on personalisation, transparency and clear communication. While technology will play a critical role—offering speed, efficiency and tailored solutions—it is the human element that will continue to define successful administrators. Fund managers will prioritise customised services and proactive communication to address the evolving expectations of investors.

In conclusion, 2025 could be a transformative year for the asset management industry, shaped by innovation, evolving investor expectations and an increasingly complex global landscape. Navigating these changes will demand agility, technological advancement and a steadfast commitment to delivering client-centric solutions that balance personal service with operational excellence.

Stay Ahead with Waystone

Waystone provides a comprehensive suite of [administration solutions](#) designed to meet the diverse needs of our clients across various sectors, helping them to stay ahead of the curve by leveraging cutting-edge technology, deep industry expertise and a standardised, global service model. By anticipating challenges and embracing opportunities, we remain committed to delivering the tailored, exceptional service that sets us apart and empowers our clients to succeed in 2025 and beyond.

If you have any questions or would like to sign-up to receive our communications, please contact [Karen Malone](#) or your usual Waystone representative via the below.

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¹McKinsey.com: [Beyond the balance sheet: North American asset management 2024](#)

²HedgeThink: [The Future of Asset Management](#)