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NORTHERN TRUST GLOBAL
ASSET OWNER PEER STUDY 2025

ASSET OWNERS IN FOCUS

A comprehensive look at how asset owners are navigating investment strategies, operational challenges, and emerging opportunities in a dynamic market.

Contents

Executive summary

In a rapidly shifting financial landscape, institutional asset owners face a complex balancing act. From rising market volatility and evolving regulations to accelerating technological changes, the landscape requires agility, transparency and efficiency, making it crucial for organizations to refine their investment strategies while evolving operational frameworks to support them.

Northern Trust's inaugural peer study of 180 asset owners across North America, EMEA and APAC seeks to determine how asset owners are aligning their strategies with both market and operational challenges – and where they are choosing partners to support them. Our diverse group of respondents includes senior leaders from pension funds, OCIOs and multi-managers, family offices, sovereign wealth funds, endowments, and other institution types (see Fig. 1). Their portfolios, ranging from less than $1 billion to over $500 billion, reflect a range of approaches shaped by their institutional mandates, geographic footprint, and market view (see Fig. 2).

FIG. 1 BREAKDOWN OF INSTITUTIONS

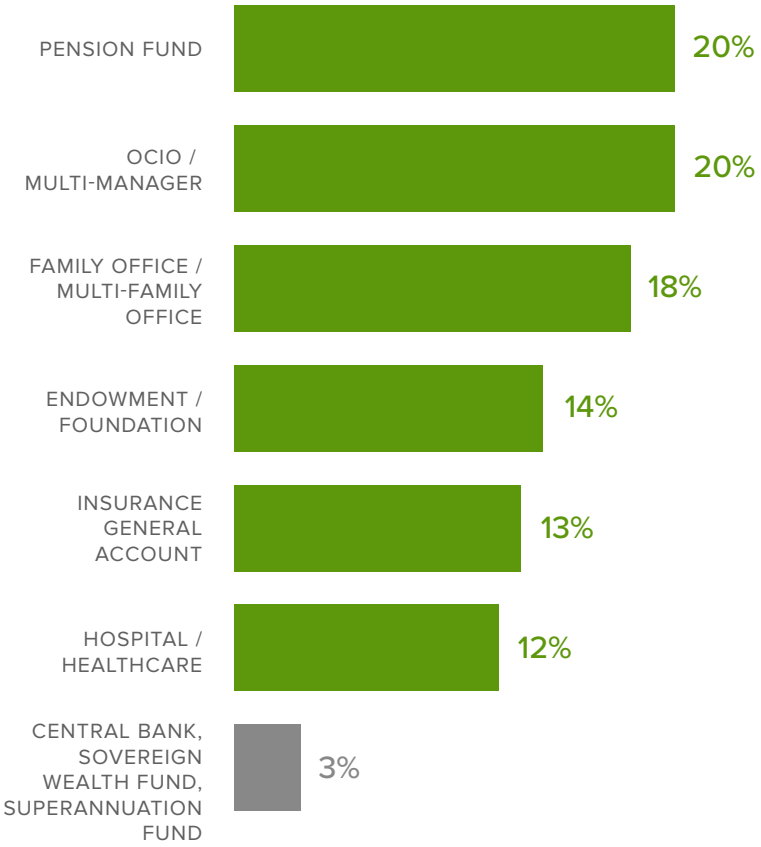
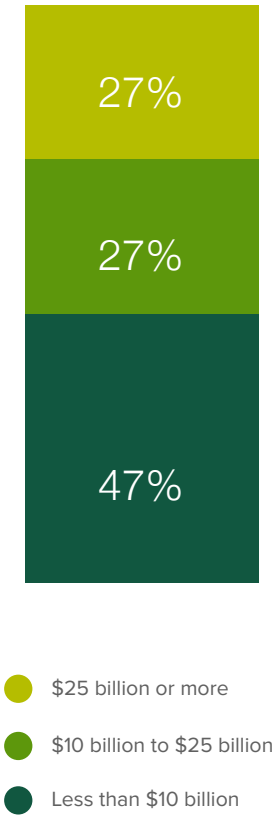


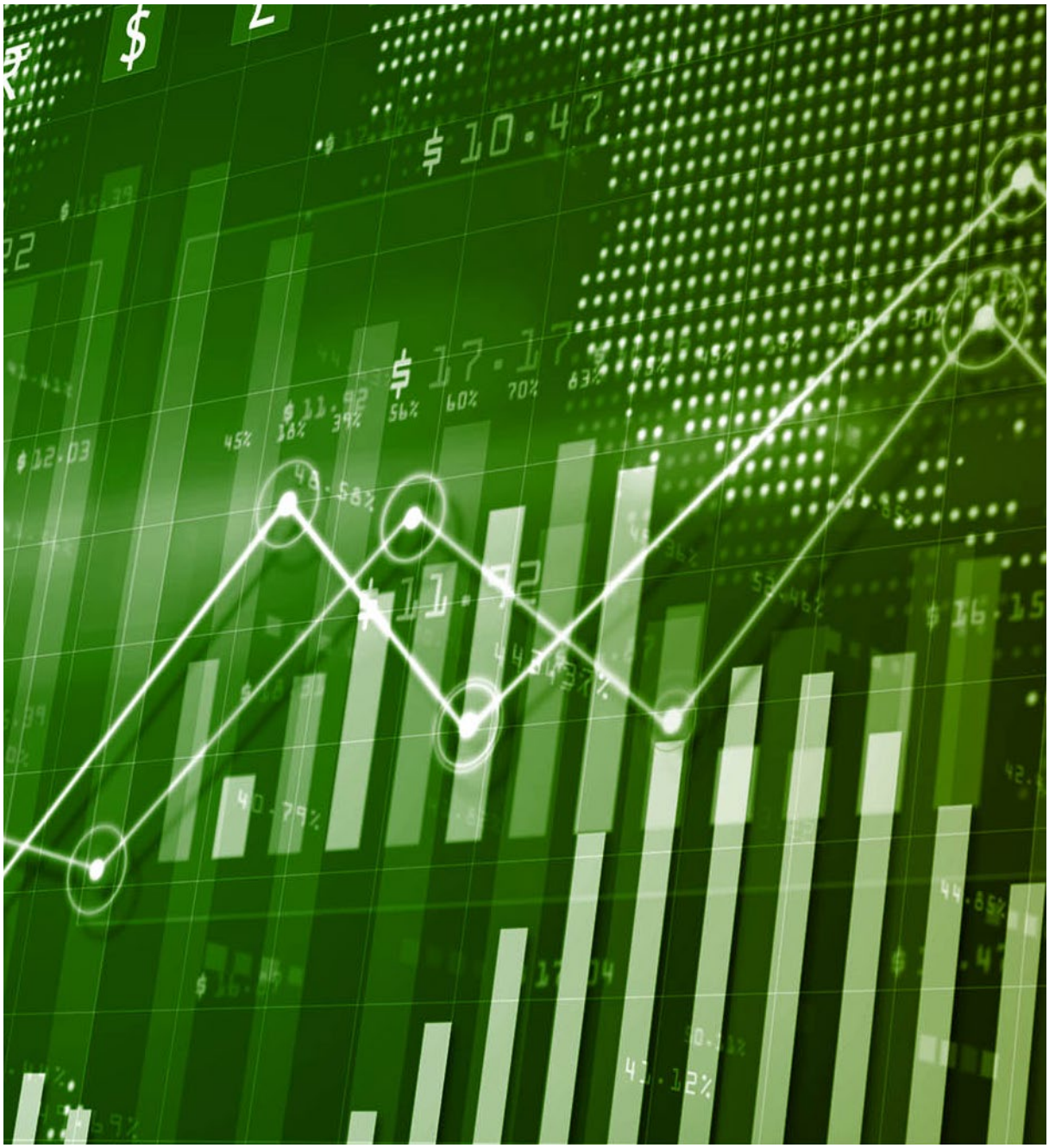
FIG. 2 INSTITUTION AUM RANGES*



*Due to rounding, not all figures in this report will sum to 100%.

The study found that asset owners are prioritizing investment diversity, with well-balanced portfolios of public and private assets. They are also focused on liquidity management, likely amid growing allocations to alternatives and derivatives, which require strategies that balance flexibility and resilience. Simultaneously, operational efficiency is becoming a cornerstone of success, driven by investments in technology such as automation, portfolio analytics, and compliance tools to enhance precision, scalability, and decision-making. Service providers also play a pivotal role, with client service, expertise and cost-effectiveness becoming key considerations in strengthening partnerships. Together, these priorities are shaping how asset owners refine their strategies and frameworks to navigate today's challenges and deliver long-term success.

By revealing both shared challenges and those that are specific to certain regions, organization sizes, and asset owner types, this report provides context for asset owners looking to measure their practices against the industry and navigate a way forward.



Key insights

Diversifying allocations amid market shifts.

Asset owners continue to maintain diversified portfolios to take advantage of market movement, looking beyond equities and fixed income to embrace alternative asset classes. Private markets, derivatives, and even digital assets are playing a larger role.

- Public equities average 42% of asset owners' portfolios, followed by fixed income (27%), and private markets (13%).
- 86% of respondents invest in private markets and 68% in hedge funds, absolute return, and other diversifiers.

Balancing risk and opportunity.

This continual shift toward alternative assets introduces new complexities, both in terms of investment and operations. Liquidity management has become a focus, as has risk management.

- Liquidity has become more important for 60% of respondents in the past year. Cash allocations average 11%, and 50% of those for whom liquidity has become more important say their higher cash reserves are a strategy to manage liquidity.
- Asset owners that allocate 20% or more to private markets are more likely to consider risk management a top challenge.

Harnessing innovation through technology.

Technology and automation are at the forefront of efforts to improve operations and investment management. Asset owners are investing in tools that improve data accuracy, compliance, and risk management.

- 79% of respondents are increasing technology adoption to improve operations, and 57% are increasing automation.
- 51% plan to increase technology spending in portfolio analytics, 49% in portfolio management, and 48% in compliance.
- When asked how service providers can help manage data and technology needs, more than a third of respondents felt receiving enhanced risk management and analytics from them would be most valuable.

Operational efficiency at the core of success.

Asset owners are turning to outsourcing and technology, among other strategies, to improve operations. Partnerships with service providers help respondents scale operations and stay focused on core activities.

- More than one-quarter (27%) of respondents outsource investment office operations, with North America (31%) and large asset owners[1] (33%) leading the charge.
- Some 68% of these are looking for support with research, and 52% for support with investment analytics.

[1] Small asset owners are those with <$10bn AUM. Medium asset owners have between $10bn and $25bn AUM. Large asset owners are those with >$25bn AUM.

Trends in investment strategy and asset allocation

Amid ongoing cost pressures and a volatile macroeconomic environment, institutional asset owners need effective but adaptable asset allocation. Our survey identifies several trends in allocations, portfolio management, and liquidity considerations, as asset owners balance long-term targets with the flexibility to capitalize on emerging opportunities.

A closer look at asset allocations

Today's asset owners, regardless of size, domicile or institution type, maintain diversified portfolios across public and private markets. Most recognize that a strategy of maintaining a healthy exposure to alternative asset classes – both in pursuit of growth and to manage concentration risks – is essential in today's volatile market landscape.

PUBLIC EQUITIES continue to make up the bulk of asset owner portfolios, with an average allocation of 42% (see Fig. 4). North American institutions are particularly equity-heavy, dedicating nearly half (49%) of their portfolios to this asset class, while institutions in EMEA and APAC allocate 34% and 39%, respectively. Family and multifamily offices, too, lean more heavily on public equities (46%), as do OCIOs and multi-managers (45%) and healthcare institutions (43%), compared to endowments and foundations (34%) who historically lean to portfolio allocation that favors a balance of public and private market investments.

FIXED INCOME, at 27% of the average portfolio (see Fig. 4), shows a steady allocation across institution types. Large organizations hold slightly higher fixed income holdings (31%, compared to 28% for medium and 25% for small).

PRIVATE MARKET INVESTMENTS, including private equity, real estate and infrastructure, make up 13% of the average portfolio (see Fig. 4). Pension funds (14%) and endowments and foundations (15%) are slightly more bullish compared to insurance general accounts (10%). Asset owners in EMEA tend to allocate slightly more to private market investments (15%), compared to those in North America (11%) and APAC (13%). Importantly, 86% of all respondents have at least some exposure to private markets.

Private markets have seen a surge of interest in the past decade, driven by investors' pursuit of higher returns in a low-yield environment, as well as a greater need for diversification. The long-term nature of many of these investments fits well with large asset owners' time horizons and objectives, but this tolerance of illiquidity is not the only driver. Many private markets investments also offer access to novel solutions to today's mega-trends – sustainability, aging populations, and technological development, to name just a few – which may be too niche or nascent to yet be accessed widely on public markets.

For organizations that have a keen interest in and allocation to private markets, risk management is key to their operational set up. Institutions that allocate 20% or more to private market investments are more likely to consider risk management complexities as a top three challenge. In contrast, those that allocate relatively little to private markets have a keener focus on cost management.

Perhaps surprisingly, the size of an asset owner seems not to be a factor in its propensity to allocate to private markets. Despite typically having more resources to dedicate to identifying opportunities and managing risks, we found large organizations (13%) do not allocate more to private markets compared to their small (13%) and medium (13%) counterparts. This indicates the broad appeal of the private markets sphere to asset owners of all sizes and sophistication.

CASH allocations average 11% (see Fig. 4) but vary by region, from 8% in North America to 12% in EMEA and 15% in APAC. For many asset owners, cash provides a liquidity buffer, helping them meet their collateral obligations, as well as quickly capitalize on emerging opportunities.

Notably, those with cash holdings that are mostly managed in-house have a slightly higher allocation to cash (12%, vs. 9% for those with mostly external management of cash holdings). Those asset owners who manage cash reserves in-house will want to be sure they have the best data and tools for tracking their cash positions to meet their obligations. Those that do not have these capabilities in-house may want to partner with their service providers who can provide this crucial information to them.

The need for liquidity

Liquidity management has become a priority for asset owners, giving them the flexibility to exit volatile positions as well as capitalize on emerging opportunities.

Nearly two-thirds (60%) of respondents say liquidity has become more important in their investment strategies in the past year, including 23% who say it has become much more important. Within this majority, 75% cite the interest rate environment as a primary driver, while some also point to higher returns (44%) and changes in risk strategy (43%) (see Fig. 3). Liability-driven investing is not a strong driver across the board, at 22% – however, this jumps to 40% among insurance general accounts.

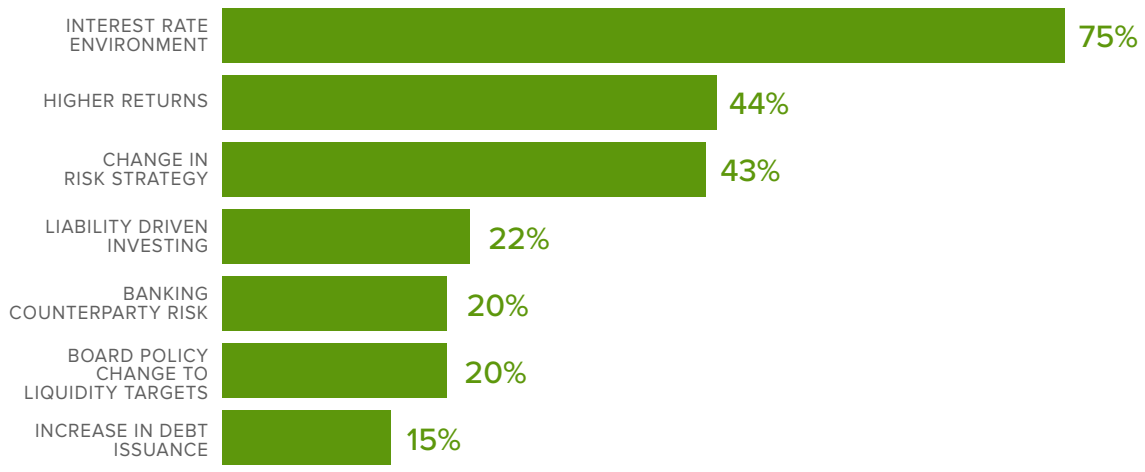
This focus on liquidity is even more pronounced among certain respondent groups. Those with higher alternative asset allocations are more likely to say liquidity has become much more important. Nearly half (45%) of those with cash holdings also employ derivatives, which may explain the relatively high cash allocation due to collateral requirements to manage margin calls and mitigate counterparty risk.

To safeguard liquidity, asset owners for whom liquidity has become more important employ various strategies, including investment in short-term, lower-risk cash vehicles (63%) and increased cash allocations (50%). Counterparty risk monitoring is also viewed as important, with 41% of institutions using this strategy. These liquidity-preserving measures reflect a shift toward resilience, positioning portfolios to meet unexpected cash demands or capitalize on tactical opportunities.

With complex portfolio demands becoming increasingly commonplace, many asset owners rely on robust, agile and appropriate frameworks to capture, manage and monitor such operations.

It's likely these institutions will both increase investment in their internal systems, as well as engage in partnerships with external providers that have the services they need for proper oversight along with relatively niche aspects of the operational side of portfolio management.

FIG. 3 REASONS FOR LIQUIDITY BECOMING MORE IMPORTANT TO INVESTMENT STRATEGY

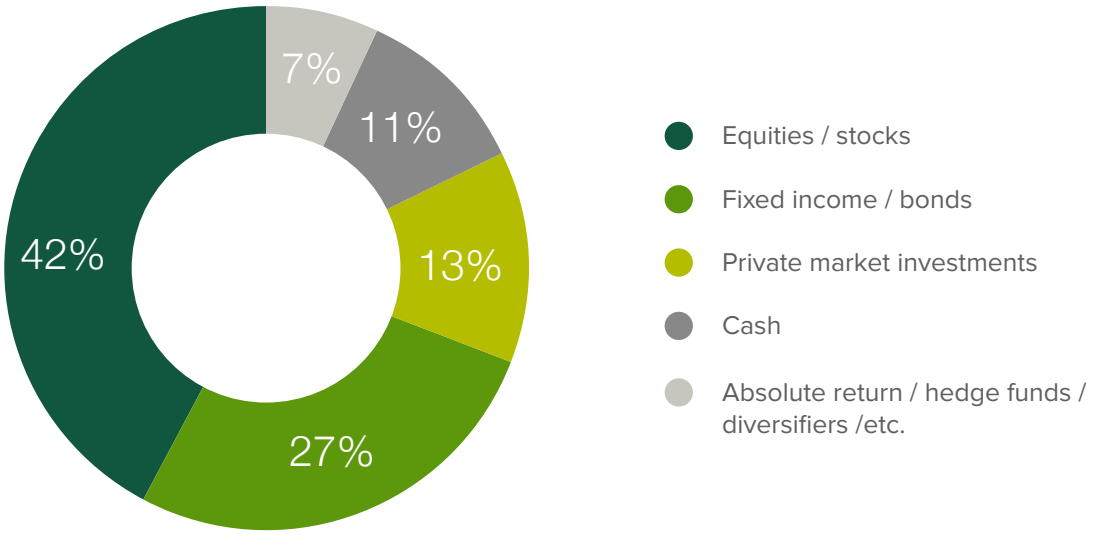


NICHE ASSETS, such as absolute return, hedge funds and diversifiers, make up the smallest portion of the average portfolio, at 7% (see Fig. 4). Institutions in EMEA are more invested in these assets, at 10%, compared to 5% in North America and 7% in APAC.

By investor type, endowments and foundations (10%) and hospitals and healthcare (10%) have the highest allocation to these assets, with the lowest coming from insurance general accounts, at just 4%, potentially due to parameters around their risk and liquidity tolerance and ultimate return objectives.

Notably, a quarter (25%) of all asset owners allocating 20% or more to these alternatives are endowments or foundations, likely due to the willingness of these asset owners to pursue higher-return, less-liquid strategies that support their missions over the medium- to long-term.

FIG. 4 A TYPICAL ASSET OWNER PORTFOLIO



* For illustrative purposes only and not a recommendation to sell, buy or hold a particular asset.

From commodities to crypto: The appeal of alternative assets

Alternative assets continue to be a compelling focus for asset owners, offering opportunities for both growth and diversification. The vast majority (86%) of respondents invest in private markets, while 68% invest in hedge funds, absolute return investments and other diversifiers.

Of the respondents that invest in private markets, 67% hold private equity, making it the most popular alternative asset, followed by commercial real estate (55%), private credit and direct lending (49%), and residential real estate (46%).

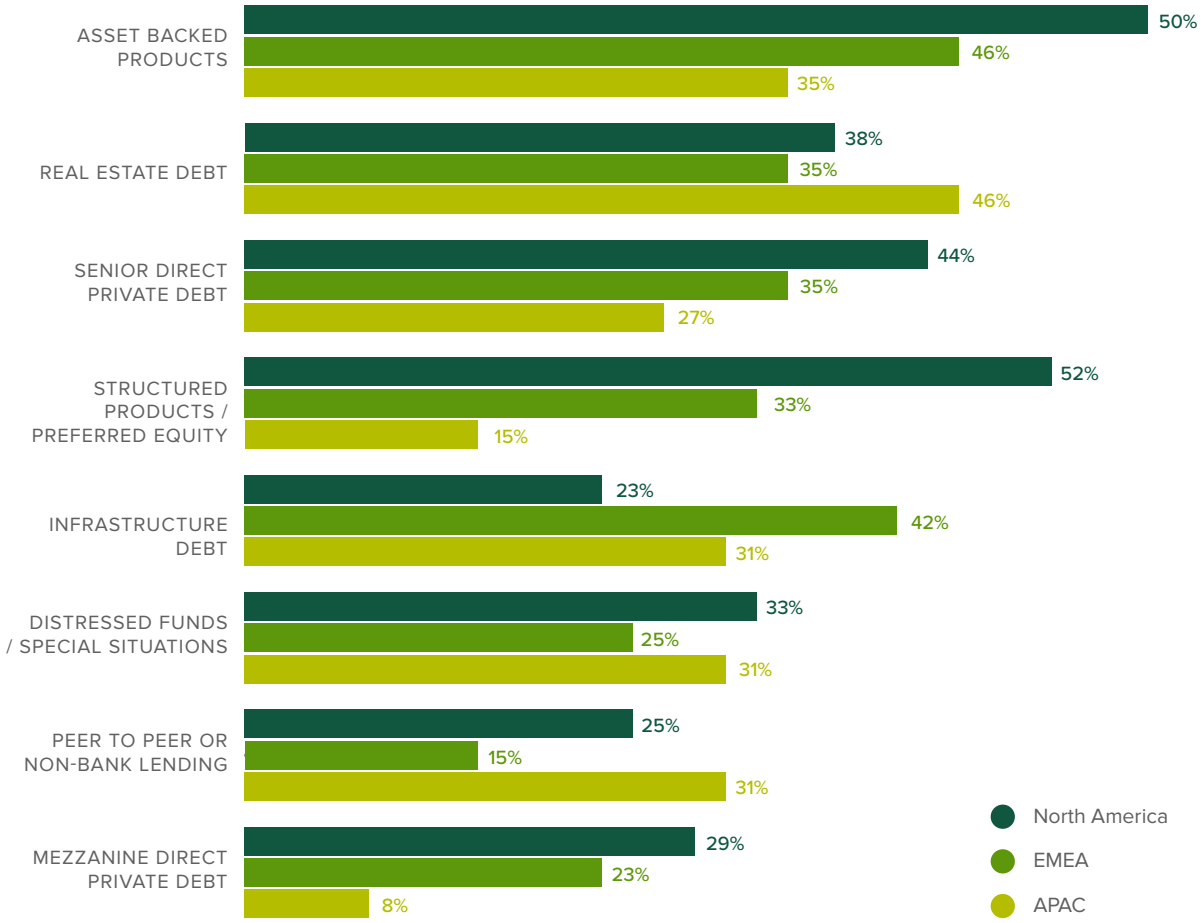
Corporate real estate is less popular, at 29%, as are metals and other commodities (24%). Notably, gold continues to be an important safe haven asset in today's volatile environment. When considering investments in natural resources, renewable or clean energy stands out: on average, 33% of natural resources and energy investments are allocated to renewable and clean energy. EMEA respondents lead the charge, with nearly half (49%), followed by APAC (40%) and North America (28%). This is likely driven by strong regulatory support, ambitious sustainability targets and growing demand for ESG aligned portfolios in EMEA.

Cryptocurrencies and other digital assets are another niche private investment, invested in by 21% of those that allocate to private markets. While current allocations to these assets – which include cryptocurrencies, stablecoins, central bank digital currencies (CBDCs), and digital tokens – are low, this is nonetheless a dramatic shift from just a few years ago, when most asset owners had little to no exposure to this sector. This rise in interest has been supported by the growth of digital infrastructure, as well as digital assets' role in supporting the growth and development of private assets more broadly, as digitization can enable a greater degree of transparency and efficiency.

Of those with private debt investments, 45% allocate to asset backed products, 39% to real estate debt, and 37% to both preferred equity and senior direct private debt and structured products (see Fig. 5 for breakdown by region). Large institutions are also drawn to more specialized areas such as infrastructure debt (56%, compared to 28% of medium and 21% of small) and distressed funds or special situations (44%, compared to 28% and 22%).

The growth of private debt within the broader private markets landscape over the past decade cannot be overstated, with this area of fixed income now a mainstay in many institutional portfolios. The breadth of funds available, along with managers and originators' willingness to create portfolios that fit with long-term investors' objectives, means this asset class has offered significant opportunities.

FIG. 5 PRIVATE DEBT STRATEGIES EMPLOYED

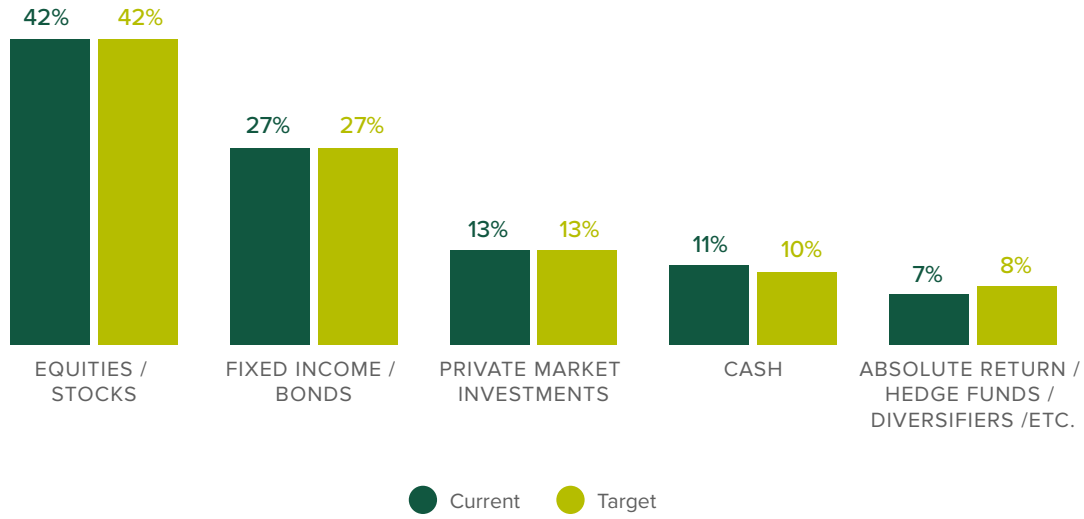


Private real estate is a key allocation for alternative investment portfolios, with 79% of respondents that invest in private markets investing in some form of real estate asset. On average, 26% of real estate investments are directed toward sustainable or energy-efficient properties, with higher proportions in APAC (31%) and EMEA (30%) than in North America (20%).

The role of target allocations

On average, asset owners' targets are right in line with their actual distribution, suggesting that respondents are able to successfully achieve their desired portfolio allocations. Overall, asset owners aim to keep 42% of their portfolio in public equities, 27% in fixed income, 13% in private market investments, 10% in cash, and 8% in absolute return, hedge funds, and diversifying investments (see Fig. 6).

FIG. 6 AVERAGE CURRENT VS. TARGET DISTRIBUTION OF ASSETS



Yet, asset owners also allow for portfolio flexibility: 82% say they have set thresholds for deviating from their targets to accommodate market shifts.

Most institutions (71%) set a threshold to stay within +/- 10% of their targets, though 11% are more flexible, allowing up to +/- 20% leeway. North American (87%) institutions are more likely to have a policy target threshold compared to EMEA and APAC (both 78%) (see Fig. 6 for specific targets).

The flexibility offered by these thresholds not only avoids additional trading costs but also saves precious time – for both investment and operations teams – that may have been spent rebalancing portfolios to stay in line with targets.

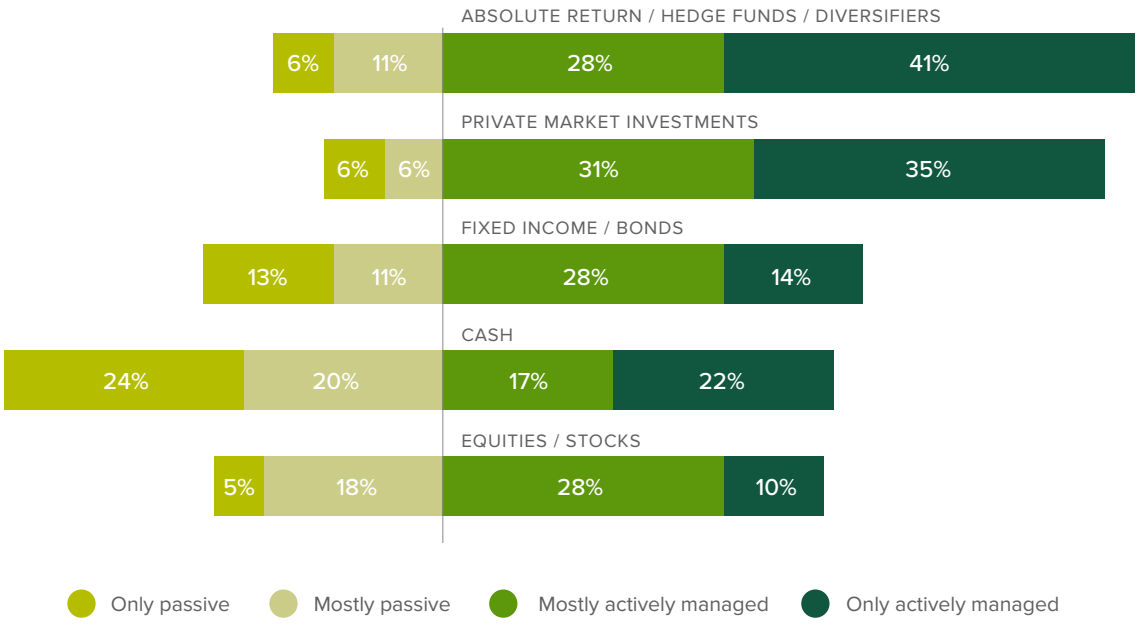
To be able to consistently achieve target allocations, asset owners need to ensure frameworks are correctly established, monitored and managed, as well as updated to reflect changing investment and operational targets and needs. Having the right data and automation are key for asset owners' investment teams to be able to remain within targets, and close cooperation with partners can help by providing a range of middle- and back-office services.

Management styles: Active vs. passive

Asset owners show a preference for active management, especially for alternative assets that demand specialized expertise. For private market investments, 66% of asset owners adopt a primarily active management approach, leveraging third-party expertise to navigate these complex asset classes. Absolute return, hedge funds and diversifiers also tend to be managed actively, at 69% (see Fig. 7).

Public equities and fixed income show a balanced approach, with 38% and 42% of respondents favoring active management, respectively. Cash showed the highest proportion of passive management, at 45%.

FIG. 7 PASSIVE VS. ACTIVELY MANAGED ASSET CLASSES



The decision to manage in-house or externally also varies by asset class. Public equities and fixed income are predominantly managed internally by 39% and 40% of institutions, respectively. Cash, meanwhile, is managed internally by nearly two-thirds (64%).

Alternative assets, by contrast, are more likely to be managed externally, allowing institutions to access specialized expertise without the need to build in-house capabilities. Private markets investments are more likely to be managed by third parties, with 55% of respondents favoring this approach. Hedge funds and other diversifiers also see a higher rate of external management, at 64%.

Whether asset owners choose active versus passive and in-house versus external management, they must have flexible operating models to support their needs. Having the right tools is key to running both smooth operations and being set up to achieve the portfolio outcomes with which the investment teams are tasked.

There is no right answer or correct model. Instead, asset owners of all styles and sophistication are increasingly investigating and investing in hybrid and outsourced models that both offer the opportunity to shape frameworks internally and partner with third parties where necessary or beneficial.

Balancing investment challenges with risk management

As asset owners continue to maintain sophisticated portfolios – particularly in a decade marked by economic and geopolitical uncertainty – effective risk management is essential.

For asset owners, the challenges ahead are considerable, with internal and external forces shaping their approaches to risk. From refining asset allocations to adapting to regulatory shifts, institutions are navigating an environment where the ability to forecast and mitigate risks is essential to sustained success.

Top internal investment challenges

The coming 12 months present many internal investment challenges for asset owners – and this is not lost on respondents.

Respondents' ability to optimize asset allocation strategies is their uppermost internal investment concern over the coming year, identified as a top three challenge by 46% of respondents (see Fig. 8), including some 18% that ranked it as their top challenge. This could mean that, while asset owners' current allocations align with their targets, they may face challenges in adapting to changing market conditions or fine-tuning their allocations to achieve the best outcomes. To stay aligned, asset owners may need to update or enhance existing tools and resources. For instance, access to better data and analytics could enable more informed decision-making and help identify opportunities for reallocation.

Efficiently managing costs, navigating the regulatory environment, and executing investment strategies follow closely in asset owners' ranking of the internal investment challenges they face. Indeed, the challenges posed by implementing investment decisions are amplified by tightening cost margins, as institutions work to navigate an environment in which achieving higher, risk-managed returns often requires resource-intensive processes.

The regulatory landscape challenge is more pronounced in EMEA, where 22% rank it as their top challenge, compared to 11% in North America and 10% in APAC. This is understandably the case, as the EMEA region's complex and ever-evolving regulatory landscape, including broad European Union regulations and country-specific laws, require careful oversight and compliance management.

Top external investment challenges

Of course, investment challenges are not exclusive to internal processes, and external risks can be particularly difficult for asset owners to predict.

The external investment challenges most frequently cited by respondents reflect macroeconomic factors, including interest rate changes (see Fig. 8), identified by 34% of respondents as their most pressing external concern.

Asset owners rank geopolitical instability as a close second (see Fig. 8), with 33% overall citing it as the top external challenge. Here we see some regional differences, with more than a third of respondents from North America (36%) and EMEA (35%) identifying geopolitical instability as their top external investment challenge, but only a quarter (25%) of APAC asset owners doing so. Domestic political instability followed in third place and was cited by 16% of asset owners in North America and 15% in APAC as the top external investment challenge, though by fewer in EMEA (8%).

The effects of climate change are recognized as a long-term challenge, with the potential to impact asset values, particularly in sectors tied to natural resources or infrastructure. Practical external investment challenges – general partners' terms and fee structures, and access to desired funds and managers – landed towards the end of the list (see Fig. 8).

FIG. 8

TOP INTERNAL INVESTMENT CHALLENGES (% selecting top 3)	**TOP EXTERNAL INVESTMENT CHALLENGES** (% selecting top 3)
1. Being able to optimize asset allocation strategies (46%)	1. Interest rate changes (77%)
2. Being able to efficiently manage costs (38%)	2. Geopolitical instability (73%)
3. Navigating the regulatory environment as it continues to change (36%)	3. Domestic political instability (54%)
4. Being able to effectively execute investment strategy (36%)	4. GP terms and fee structures (25%)
5. Ensuring we have timely, accurate and appropriate data…to be agile in our decision-making capabilities (33%)	5. Effects of climate change (23%)

Risk metrics key to effective management

Risk management, by its nature, requires a clear prioritization of metrics to assess potential vulnerabilities.

Liquidity risk is the most important risk metric (see Fig. 9), ranked in the top three by 54% of respondents, consistent with their emphasis on liquidity more broadly. One in five EMEA respondents (20%) cite this as their most important risk metric – twice as many as respondents in North America and APAC.

Regulatory risks, risk budgeting and management, and operational risks follow in second through fourth place (see Fig. 9), indicating a heightened awareness of compliance requirements and the operational challenges that accompany complex, diversified portfolios.

FIG. 9

TOP RISK METRICS (% selecting top 3)	**TOP RISK TECHNIQUES** (% selecting top 3)
1 . Liquidity risk (54%)	1. Risk analysis (63%)
2. Regulatory risk (41%)	2. Exposure management (52%)
3. Risk budgeting and risk management (38%)	3. Risk budgeting (44%)
4. Operational risk (37%)	4. Tactical sways or swings to asset allocation (36%)
5. Compliance risk (32%)	5. Measurement against reference portfolio (31%)

Risk analysis techniques

To monitor these risk metrics, institutions employ a variety of techniques. Risk analysis leads the way (see Fig. 9), with 30% of institutions placing it at the top of their toolkit and nearly two-thirds (63%) placing it in the top three, underscoring the importance of a structured approach to identifying and quantifying risk exposures. This method provides asset owners with a comprehensive approach to identifying and quantifying risks, considering various metrics at once.

Exposure management and risk budgeting – a structured approach that allocates risk across different areas within a portfolio – are the second and third most important risk analysis techniques (see Fig. 9).

Tactical changes to asset allocations are another prominent strategy. This technique allows institutions to make measured shifts to their portfolio in response to changing market conditions, reinforcing a flexible approach to asset allocation and helping to optimize investment strategies, a previously mentioned key internal challenge for asset owners (see Fig. 8). By leveraging tactical adjustments, asset owners can enhance returns or mitigate risks based on real-time market signals.

Technology and data at the core

Asset owners are navigating a complex investment environment, but as they refine their investment strategies, their operations must also keep pace. Asset owners anticipate several operational challenges to come to the fore over the next 12 months – and they're looking to technology as the solution to what they see on the horizon.

At the top of the list of operational challenges is increasing efficiency and automation, as organizations seek to reduce manual processes, enhance speed, and improve margins. The hiring and retention of skilled talent follows in second place, reflecting the tight labor market of recent years (see Fig. 10).

Harnessing the power of AI is the third highest focus (see Fig. 10), highlighting both its immense potential and the complexities of integrating it effectively. While many are still exploring how to fully leverage AI, its ability to streamline operations, enhance decision-making and unlock insights makes it a transformative force in shaping the future of asset ownership.

Respondents also express a desire to stay nimble as the needs of their investment teams change (see Fig. 10), both of which could point to a greater need for scalable third-party support or greater reliance on automation to support teams.

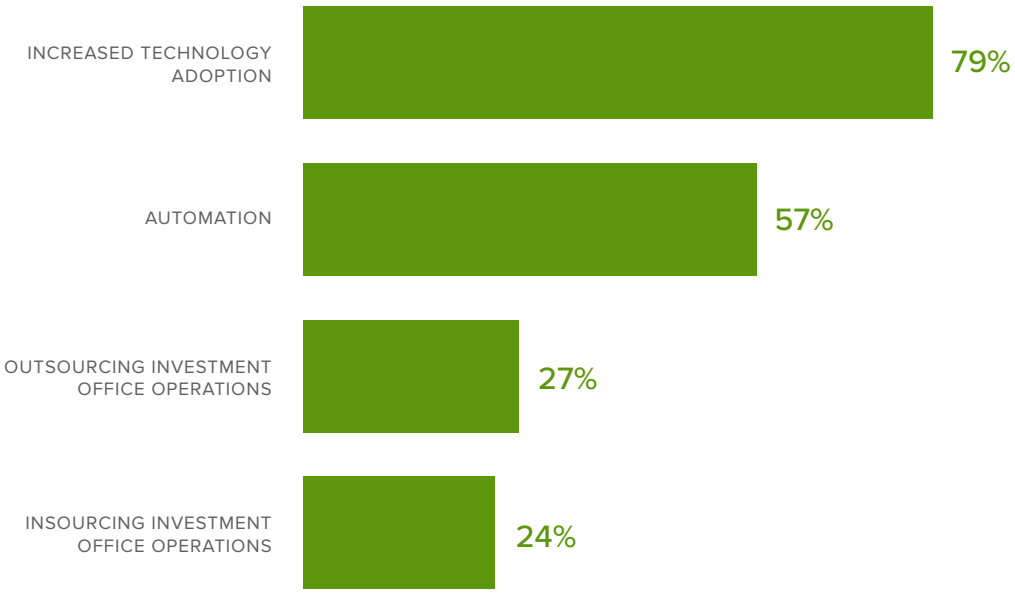
FIG. 10

TOP OPERATIONAL CHALLENGES: (% selecting top 3)
1. Increasing efficiencies and automation (77%)
2. Hiring and retaining the right talent (64%)
3. Harnessing the power of AI (56%)
4. Ability to be nimble as investment team needs change (53%)

Unsurprisingly against the backdrop of these challenges, asset owners are looking to technology and automation as key areas of focus (see Fig. 11). Most respondents (79%) report actively increasing technology adoption to help improve their operational efficiency, while 57% are investing in automation for the same reason.

Large asset owners have hit the ground running in this regard, with 92% pursuing technology adoption, compared to 74% of their small counterparts and 77% of medium ones. The focus is also strong in North America, where 90% are increasing their technology adoption, compared to 78% in EMEA and 60% in APAC. Automation shows a similar trend, adopted by 60% of North American respondents, 63% of EMEA and 40% of APAC.

FIG. 11 ACTIONS TAKEN BY ORGANIZATION TO MAKE OPERATIONAL PROCEDURES MORE EFFICIENT



Overcoming technology and data challenges

Despite this focus on technology and automation, the departments that are responsible for undertaking the raft of new technological processes seem to be poorly staffed. This may reveal a growing need for outsourcing to access technological innovation as both investment and operational complexity continue to build within institutions.

Almost half (47%) of the respondents lack a Chief Information Officer (CIO), and half do not have a Chief Technology Officer (CTO), roles that are crucial for overseeing technology strategy and infrastructure. The absence of a Chief Information Security Officer (CISO) is even more pronounced, with 66% of respondents lacking this role, potentially leaving organizations vulnerable to cybersecurity oversights. More than a quarter (27%) of respondents have none of these three key roles.

For technical support, most institutions rely on small, specialized teams. Of those who employ database administrators, around two-thirds (68%) of respondents employ between one and 10 database administrators, while 60% with teams of developers say they have fewer than 10. Asset owners in EMEA are likelier to hire developers, with 68% having this role, compared to 40% in North America and 43% in APAC.

Without sufficient staffing, along with upskilling and training for existing team members, these firms may face challenges as they attempt to leverage data for a wide and deep range of investment, operational and other outward-facing tasks. Data integration across different sources is the top technological challenge for asset owners (see Fig. 12), underscoring the difficulty of unifying data to create a seamless information flow. Data accuracy and consistency are also critical concerns, followed by challenges around the timeliness of data and increasing regulatory demands (see Fig. 12).

Data and technology concerns can ultimately impact investment objectives. Outsourcing technology and data expertise may provide the additional support needed to handle a growing number and range of reporting, analysis and staffing issues.

FIG. 12

TOP DATA & TECHNOLOGY CHALLENGES
1. Data integration across different sources (50%)
2. Data accuracy (46%)
3. Data consistency (39%)
4. Data timeliness (35%)
5. Increasing regulatory demands (31%)

A closer look at technology spending

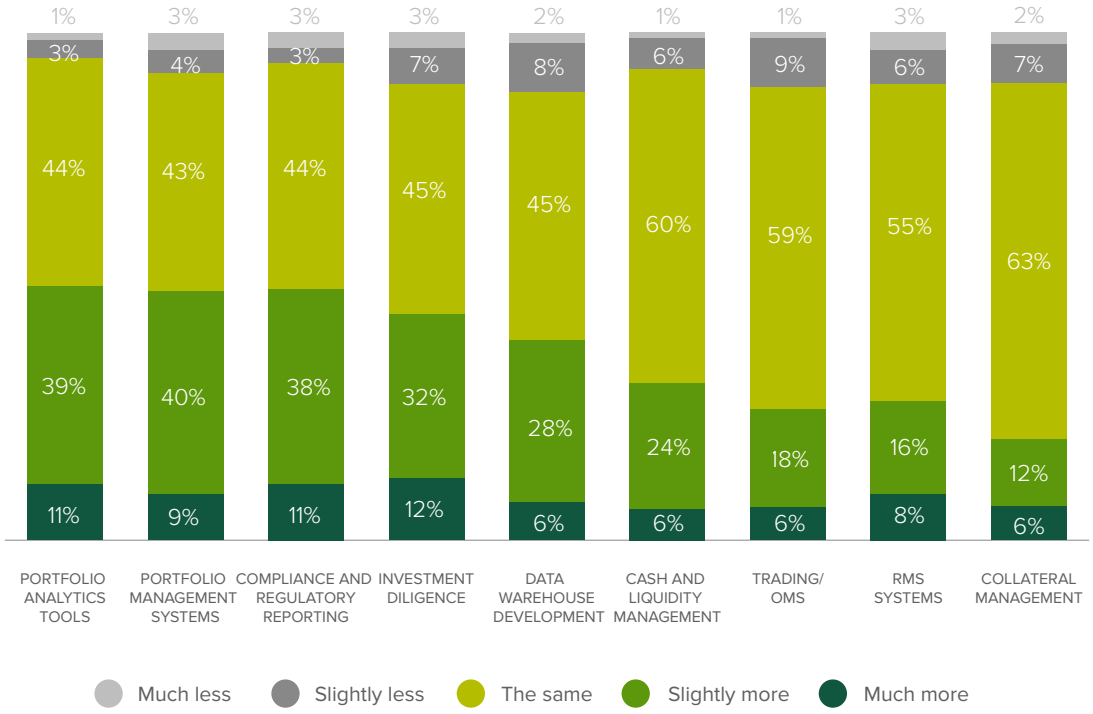
Over the next year, most institutions plan to hold their technology budgets steady in many areas, with 63% of respondents budgeting the same amount for collateral management, 60% for cash and liquidity management, and 59% for trading and order management systems (see Fig. 13).

However, some key areas are primed for increased spending. Portfolio analytics tools are expected to see spending increases, with 51% allocating more budget (see Fig. 13). This is another key area that may benefit from services available from outsourced providers, which can provide enhanced portfolio analytics that are continually refined and improved, ensuring asset owners have access to the latest insights.

Portfolio management systems are also slated for additional investment, with 49% of respondents increasing spending in this area. Compliance and regulatory reporting (48%) and investment diligence (43%) are also set to attract new spending (see Fig. 13).

While automation is doubtless having a transformational impact on asset owners' internal frameworks, it seems clear that, as complexity continues to increase within capital markets and portfolios, third-party support may remain a key to achieving long-term objectives. Along with offering resources that are dedicated to potentially niche elements of portfolio or risk management, third parties aim to continually upgrade and upskill to keep pace with market developments and support a range of clients through all market environments.

FIG. 13 CHANGE IN LIKELIHOOD TO SPEND ON TECHNOLOGIES IN NEXT 12 MONTHS VS. LAST 12 MONTHS



Optimizing operations through outsourcing

While many respondents are focused on improving their operations with technology and automation, others are pursuing outsourcing for similar reasons. In fact, this focus on outsourcing may be even more pronounced against the backdrop of today's technological demands, as asset owners rely on external service providers to help them understand, access, and scale new technologies.

Outsourcing drives efficiency

In a volatile market environment, asset owners must be properly resourced to meet both the expectations of their constituents and the demands of managing complex portfolios. However, just as in the technology functions explored above, relatively small internal teams may struggle to meet these demands, often influencing asset owners' decision to outsource.

Respondents typically rely on five or fewer full-time staff for each operational function. Investment accounting teams are particularly pronounced in this regard, with 58% of respondents relying on a team of five or fewer dedicated operational staffers (see Fig. 14 for average numbers per function).

Unsurprisingly, smaller organizations tend to have fewer operational staff than their larger peers. For instance, 71% of small asset owners have five or fewer operational staff dedicated to investment accounting, compared to 33% of large ones. Large institutions, meanwhile, are most likely to have between 31 and 50 operational investment accounting staff, with 17% selecting this option, compared to just 1% of their small counterparts.

Investment staffing follows similar trends, with most functions serviced by five or fewer full-time professionals. Almost three in five (57%) respondents have five or fewer dedicated private markets specialists. Again, larger teams are concentrated among large asset owners.

FIG. 14 AVERAGE OPERATIONAL / INVESTMENT EMPLOYEES PER ROLE / TEAM

As asset owners take stock of their internal resources and expertise, many make the decision to outsource. More than one-quarter (27%) of respondents are outsourcing their investment operations to make processes more efficient. This trend is more pronounced among those in APAC (40%), compared to North America (31%, driven by 38% in Canada), and EMEA (just 13%).

It is worth noting that both large asset owners (33%) and small ones (27%) are more likely to outsource investment office operations compared to their medium-sized counterparts (21%). For large respondents, this could be a result of holding sophisticated investment portfolios that need additional and complex resources. Small respondents, meanwhile, may look to outsourcing as a way to bolster the effectiveness of their portfolio and typically smaller team.

Among respondents that have outsourced investment operations, the most outsourced functions are document management and regulatory reporting and filing, both outsourced by 49%. This is followed by trade execution (45%), performance and analytics reporting (45%), and accounting administration for alternative investments (43%).

These tasks are among those that would require significant investment to properly operate internally, while also requiring ongoing cost to keep up to date and compliant. To staff the associated roles with the right talent may also take additional support, which many asset owners may not find the budget to cover.

Where service providers can add the most value

Amid this focus on outsourcing, asset owners look to their service providers for several areas of support.

When considering their operational challenges, half (50%) of respondents want support with technology product implementation and target operating model design, once again reflecting their focus on technology (see Fig. 15). This is closely followed by training to ensure the highest and best use of service provider tools (47%). This suggests a preference for providers that prioritize client service, usability, and ongoing support to ensure upgrades and product alterations are fully explained, tested, and trained before implementation on live portfolios or investment frameworks.

Other key functions where a service provider can add value include daily portfolio pricing (23%) and alternative asset administration (23%) (see Fig. 15).

FIG. 15

OPERATIONAL CHALLENGES WHERE SERVICE PROVIDERS CAN HELP	INVESTMENT CHALLENGES WHERE SERVICE PROVIDERS CAN HELP
1. Technology product implementation / target operating model design (50%)	1. Research (industry, sector specific, etc.) (68%)
2. Training to ensure highest and best use of service provider tools (47%)	2. Investment analytics support (52%)
3. Alternative asset administration (23%)	3. Data support / reporting solutions (47%)
4. Daily portfolio pricing (23%)	4. Investment due diligence support (46%)
5. Thought partnership given lens on the broader space (22%)	5. Thought leadership / best practices (42%)

Asset owners also express a desire for third-party support with the investment challenges they face. More than two-thirds (68%) of respondents cite research as a key area where service providers can be of assistance. More than half (52%) also desire support with investment analytics, while data support and reporting solutions are valued by 47% (see Fig. 15).

This need for research, analytics, and data aligns with the growing complexity of investment strategies, particularly for those investing in alternatives and diversifiers. These services not only provide critical insights into market trends but also support risk management, especially in volatile markets. Being presented with accurate and timely data can empower investment teams to make well-informed decisions that keep objectives in focus.

This aligns closely with the services that asset owners most frequently receive from their asset servicers: performance measurement, accessed by 60% of respondents, followed by risk measurement (51%), financial reporting and audit support (45%), and data management for feeds to other systems (43%).

The importance of data support

Within data and technology specifically, asset owners identify several key areas where service providers can help. Application integration tops the list of desired support services in this area, at 43% (see Fig. 16). Other technology-focused areas where asset owners desire third-party support include enhanced risk management and analytics, increased reporting capabilities and metrics, and access to real-time data, all three of which come in at 36% (see Fig. 16).

Small asset owners, in particular, value real-time data, at 45% compared to their medium and large counterparts (25% and 29%, respectively). Real-time access to data can be distinctly beneficial for these small firms, as it enables timely portfolio adjustments without the resource-intensive processes of more customized information gathering.

FIG. 16

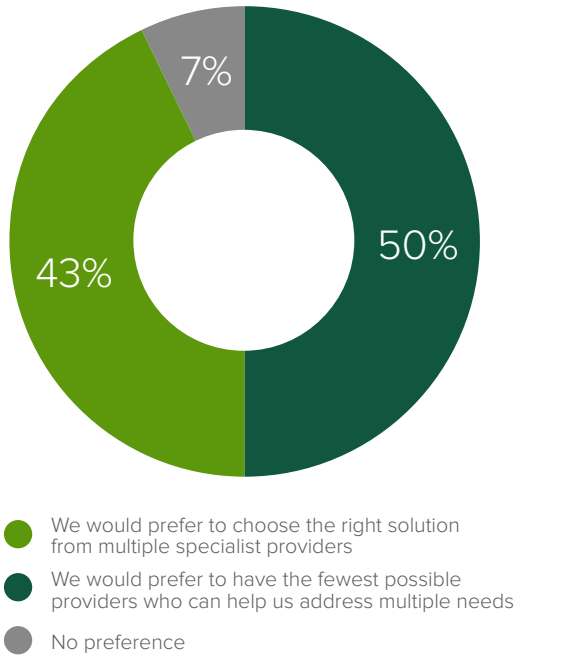
WHERE SERVICE PROVIDERS CAN HELP: DATA AND TECHNOLOGY
1. Better integration of applications (43%)
2. Enhanced risk management and analytics (36%)
3. Increased reporting capabilities and metrics (36%)
4. More real-time data (36%)
5. More data on investor behavior (27%)

Choosing a service provider

Most respondents (61%) use between three and seven external service providers across both investment operations and technology. However, a significant portion (16%) use more than 10 providers, while 10% use only one or two.

Asset owners are split as to how many providers they would prefer to have. Half (50%) express a preference for having the fewest possible providers, with each provider addressing multiple needs. Meanwhile, 43% favor keeping multiple specialist providers, selecting best-in-class solutions for each function (see Fig. 17).

FIG. 17 PREFERRED APPROACH TO PROVIDER SELECTION



Asset owners prioritize several factors when selecting a service provider. Beyond fees, client service and relevant expertise were most important. This illustrates that asset owners aren't focused merely on pricing, but also on the value they receive from service providers. It is noteworthy that while operating in a world of hard data and figures, allocating spend to finding and working with the right partners over the short, medium and long term is vital.

The path forward for asset owners

This peer study provides a valuable lens into the priorities, strategies, and challenges shaping the decisions of asset owners today. The findings underscore the ways in which institutions are responding to rising volatility, new market opportunities, and increasing operational demands with strategies that prioritize flexibility and efficiency.

The findings reveal a collective focus on liquidity, alternative asset classes, risk management, and automation as ways to improve investment outcomes and enhance operations. At the same time, the respondents highlight the diversity in their approaches — whether outsourcing operations, embracing private markets, or addressing the specific challenges that come with different regions, mandates, and institution sizes.

By benchmarking against their peers and understanding both shared and unique challenges, asset owners can refine their strategies to align with both their organizational goals and the broader market environment. These insights not only illuminate the current state of the industry but also provide a roadmap for addressing the challenges and growth opportunities in the years ahead.

Methodology

The Northern Trust Asset Owners in Focus Peer Study 2025 gathered insights from 180 senior leaders at institutional asset owners. Respondents were distributed across North America (80), EMEA (60), and APAC (40).

The survey included 40 questions across six areas: investment strategy and asset allocation, risk management, liquidity considerations, operational efficiency and service providers, technology and data infrastructure, and future challenges. Survey participants were predominantly in senior roles, at the director level or higher, and included leaders in both investment and operations roles (see Fig. 1 and Fig. 2 for AUM and institutional breakdowns).

Due to rounding, not all figures in this report will sum to 100%.

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