



Future-proofing investment operations: portfolio oversight in the private market era



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The imperative for a comprehensive Investment Book of Records Strategy (IBOR) covering public and private market assets.

The investment landscape is undergoing a significant transformation, marked by a pronounced shift in asset allocation by investors. Faced with low yields in traditional public markets and a desire for enhanced returns and greater diversification, asset owners such as insurance companies, banks, family offices, and endowments or pension funds are increasingly turning to private market assets such as private equity and private credit.

This growing appetite for less liquid investments is not merely a tactical adjustment; it represents a fundamental paradigm shift in portfolio construction. Consequently, this surge in demand is placing unprecedented pressure to adapt operational frameworks, most notably through the deployment of an IBOR platform capable of seamlessly supporting both public and private market assets.

In this piece, we delve into the driving forces behind this trend, the benefits and challenges it presents and the critical success factors for implementing a unified IBOR strategy in this evolving environment.

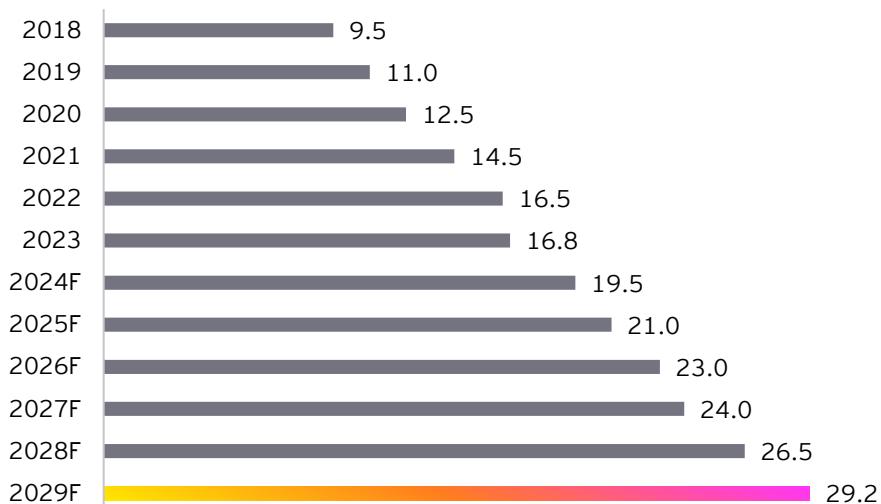


The democratization of private investments: a paradigm shift for asset owners

Growing trends in demand for private market assets

Global alternative assets under management (AUM) expanded significantly from 2018 to 2023, reaching US\$19.5t by the end of 2024. The rapid growth of private markets, supported by platforms raising capital for private companies, was a key driver of this trend. Looking ahead, global AUM for alternative assets is expected to climb to US\$29.2t by 2029, fueled by the enhanced access for individual investors and growing demand for portfolio diversification from institutional investors.¹

Alternative AUM (2018-29F) – US\$ trillion



Source: Preqin (Future of Alternatives 2029)

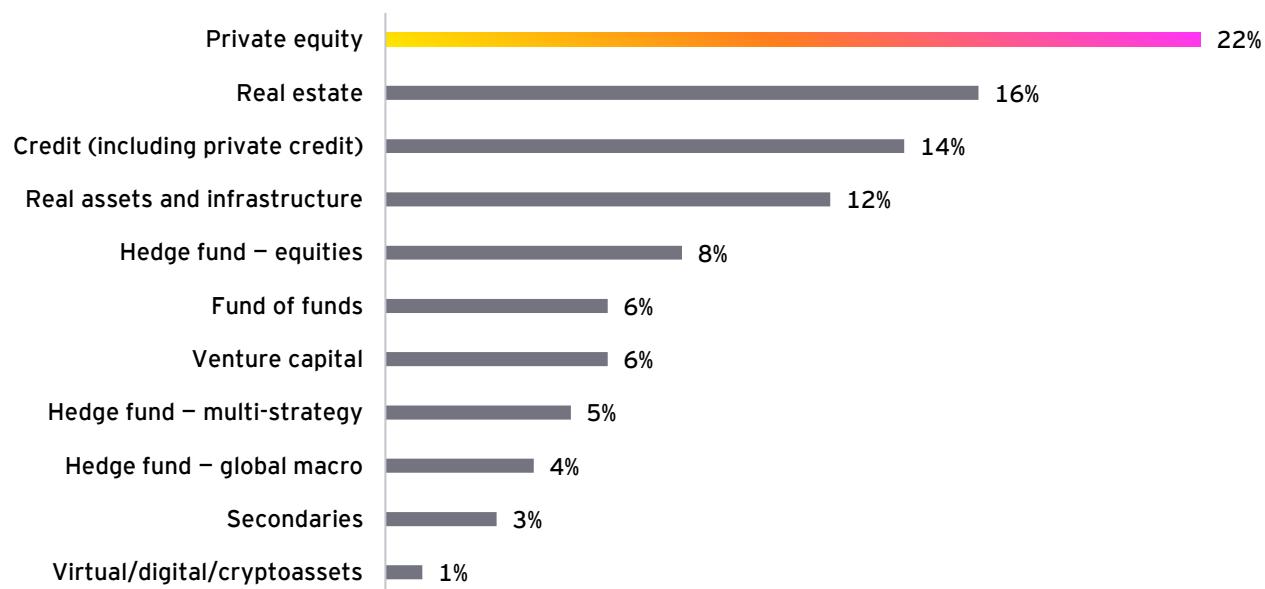
¹ 2024 EY Global Alternative Fund Survey: How can alternatives shape new horizons of opportunity, December 2024

Alternatives continued their growth momentum in 2023, offering stronger opportunities for investors in private debt and secondary fund markets.



On average, institutional investors' current allocations to alternative investments are concentrated most heavily in private equity (22%), followed by real estate (16%) and credit (14%).

Investors anticipate a notable shift in allocations, specifically regarding the proportion of AUM allocated to alternatives across various asset classes.





The increasing allocation to private market assets by institutional investors is a well-documented and accelerating trend. Encompassing the views of 800 institutions representing US\$19t in assets, a recent study reveals that a significant 66% of investors globally intend to increase their private asset allocations over the next five years. This commitment to private markets is further underscored by the fact that over 90% of these institutions now hold both private equity and private credit, a substantial increase from just 45% in 2021.² This data highlights the expanding and increasingly central role of private markets in institutional portfolios. Similarly, EY 2025 Q1 private equity study notes that private equity firms saw a 45% rise in deal volume compared to 2024 Q1, demonstrating private equity firms entered the year with strong momentum and desire.³

Further evidence of this shift comes from one Global Asset Owner Survey conducted in November 2024, which suggests that while nearly half of investors expect a reduced long-term illiquidity premium, their allocations to private markets continue to rise.⁴ This seemingly paradoxical situation indicates a fundamental re-evaluation of asset allocation models, where the perceived benefits of private markets outweigh concerns about potentially lower premiums.

Insurance companies are particularly demonstrating a strong appetite for private market assets. Goldman Sachs Asset Management's 14th Annual Global Insurance Survey reveals that approximately 62% of surveyed insurance CIOs and CFOs plan to increase their firms' allocations to private markets in 2025, with private credit expected to be a significant driver of returns.⁵ This view is further emphasized that the central role of insurers is highlighted in the expansion of private markets, especially in private credit and structured asset strategies.

² Investors Increasing Private Market Allocations - Nuveen, March 2025

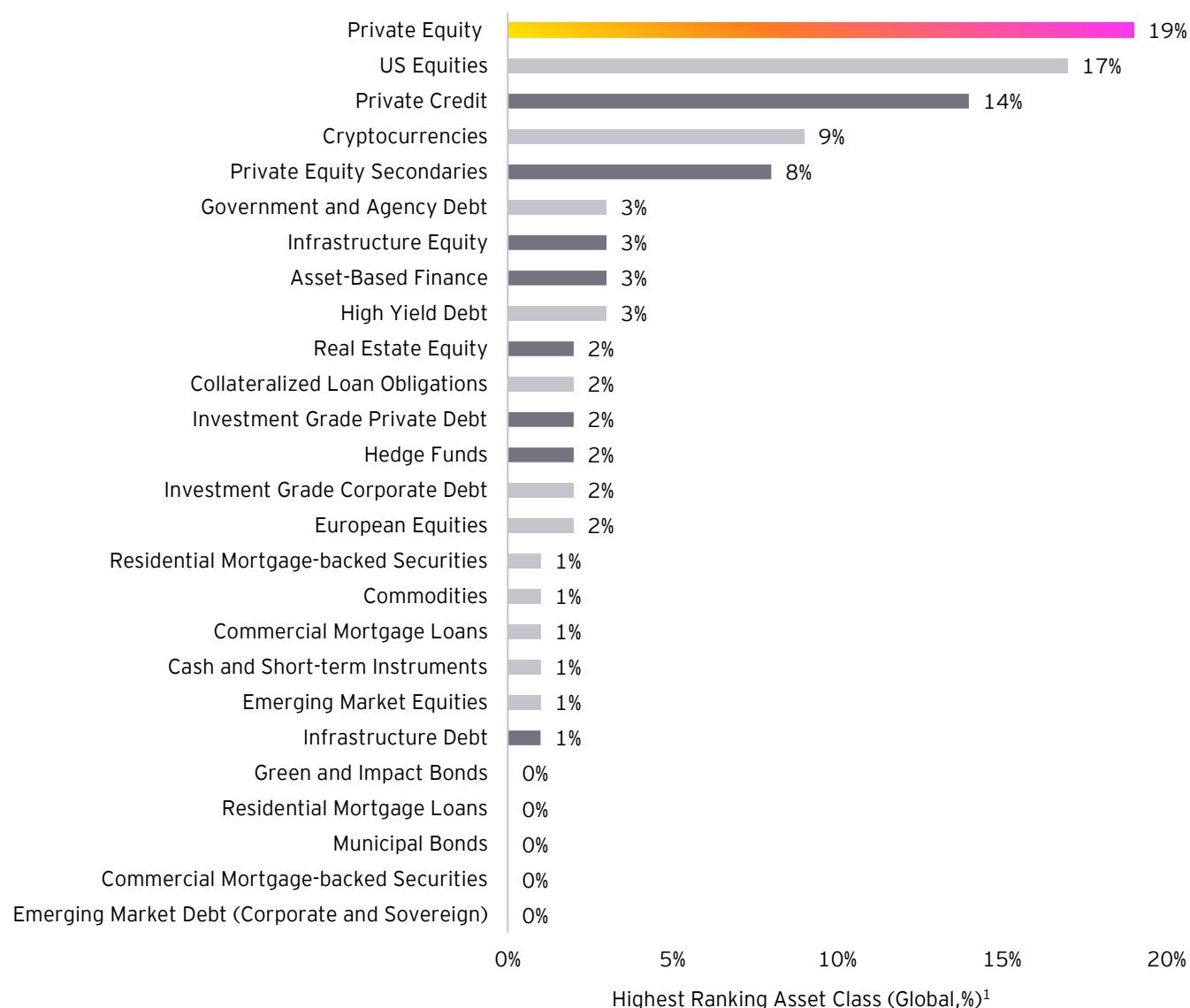
³ Private Equity Pulse: key takeaways from Q1 2025, April 2025

⁴ Private Markets and the Asset Allocation Imperative, March 2025

⁵ 2025 Global Insurance Survey, March 2025

Ranking the five asset classes that are expected to deliver the highest total returns in the next 12 months.

In contrast to our findings in 2024, insurers have chosen Private Equity over US Equities as the asset class with the highest potential for delivering highest total returns in the next 12 months. Private Credit maintains its position in the top five for 2025, with cryptocurrencies making a new entry into the top five. Private Equity Secondaries retain their fifth spot for anticipated the highest total returns over the next 12 months, consistent with its ranking in 2024. Noteworthy changes include a decline in rankings for Cash and Short-term Instruments, as well as Emerging Market Equities, from the previous year.

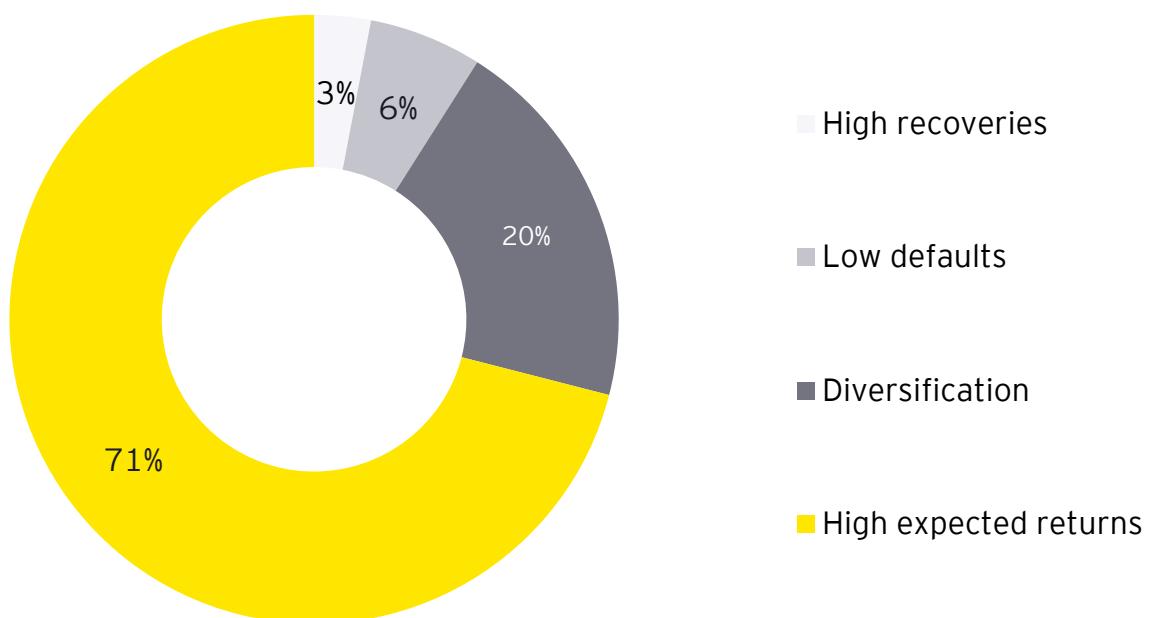




Ranking the motivations for investing in Private Credit

The majority of insurers (71%) allocate funds to Private Credit due to its high expected returns, while a significant portion (20%) also see benefits in diversifying portfolios. A minority of insurers highlighted the asset class's potential for high recoveries and low defaults as drivers for investment.

Motivation for investing in Private Credit (ranked highest, global, % wise split)



Source: 2025 Global Insurance Survey, March 2025

Family offices, traditionally at the forefront of wealth preservation, are also increasingly incorporating private equity into their portfolios. Looking forward over five years, about 39% family offices plan to add to direct private equity investment.⁶ While many family offices have subsequently reached their allocation limit for illiquid investment in their portfolios because of the wave of investments in illiquid assets from 2010 to 2020, they continue to express the desire to have increased exposure to private equity and private credit, and their intention to increase exposure to alternative assets is still robust.

Family office or family trust with largest allocation in private equity



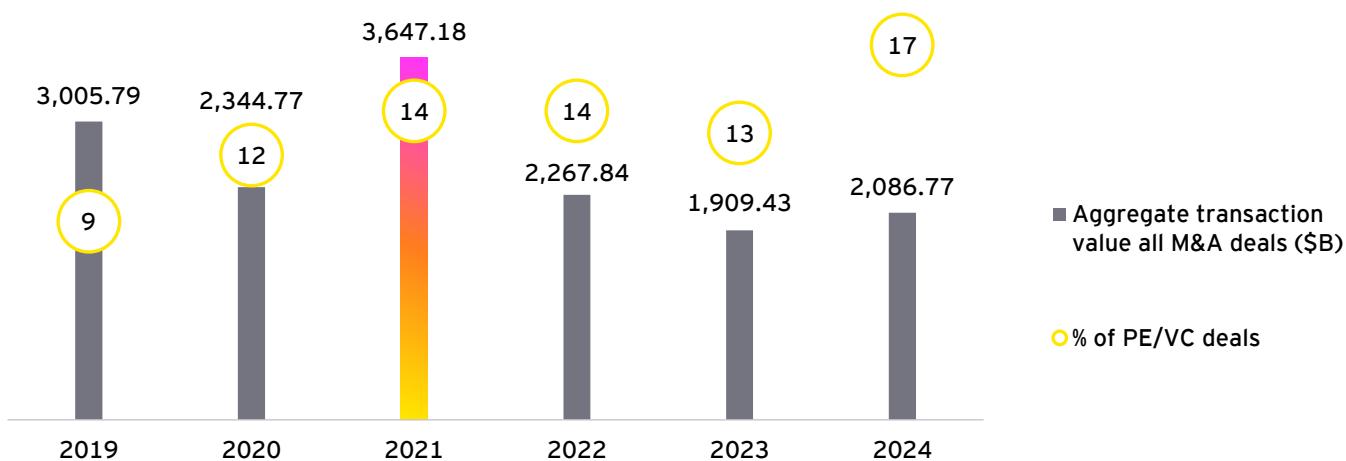
Source: S&P Global Market Intelligence analysis on family office, March 2024

⁶ Global Family Office Report, 2024

Endowments and pension funds have been early adopters of private market strategies, shifting away from public markets in pursuit of higher returns and diversification benefits. By 2023, US state pension funds had allocated an average of 40% of their assets to alternatives, up from 30% in 2018, with private equity experiencing the largest gains.⁷

This consistent data across various sources and investor types paints a clear picture of a significant and global trend. The increasing allocation to private market assets is not a fleeting phenomenon but a strategic shift in how institutional investors approach portfolio construction. The specific emphasis on private credit among insurers suggests a targeted search for yield and a suitable match for their long-term liabilities, while the diversification within private credit towards asset-based finance indicates an evolving understanding of risk and return profiles. Despite the overall trend is strong, nuances exist across different private market segments and investor types, highlighting the need for flexible and adaptable investment management strategies.

Global private equity and venture capital M&A deals compared to overall M&A deals since 2019



Source: S&P Global Market Intelligence analysis on M&A deals, January 2025

⁷ Unlocking Retail Access to Private Funds: Navigating Complex Regulations, February 2025



Benefits of investing in private market assets

The growing demand for private market assets is underpinned by a compelling set of advantages that these investments offer to asset owners and allocators. These benefits primarily revolve around the potential for higher returns, enhanced diversification and the ability to hedge against inflation.

Private equity and private credit have historically demonstrated the capacity to generate higher returns compared to their public market counterparts. This outperformance is often attributed to the illiquidity premium – the additional return investors demand for tying up their capital for longer periods in less liquid assets. Furthermore, the active management inherent in private equity, where firms strategically work to enhance the value of their portfolio companies, can also contribute to superior returns. Data from EY 2025 Q1 survey illustrates this point, showing that global private equity acquisitions increased 45% by volume and value more than doubled versus Q1 2024. The private equity landscape is also witnessing an unprecedented era of consolidation and the emergence of mega-managers, a trend significantly influenced by the evolving economic and regulatory environment.⁸ Similarly, private credit offers the potential for higher yields compared to traditional fixed income investments, driven by both the illiquidity premium and the complexity involved in structuring these privately negotiated loans.

Beyond the potential for higher returns, private markets offer significant diversification benefits to an investment portfolio. These assets often exhibit lower correlation with publicly traded stocks and bonds, which can help to reduce the overall volatility of a portfolio. Private equity provides access to a vast universe of private companies, many of which are in high-growth sectors and at various stages of development than those listed on public exchanges. This expanded investment opportunity set allows for a more nuanced and potentially more resilient portfolio. Within private markets, further diversification can be achieved across various sub-asset classes, industries, geographies and company sizes. Private credit also contributes to diversification by offering exposure to unique corporate credit or asset-backed investments that may not be readily available in public markets.

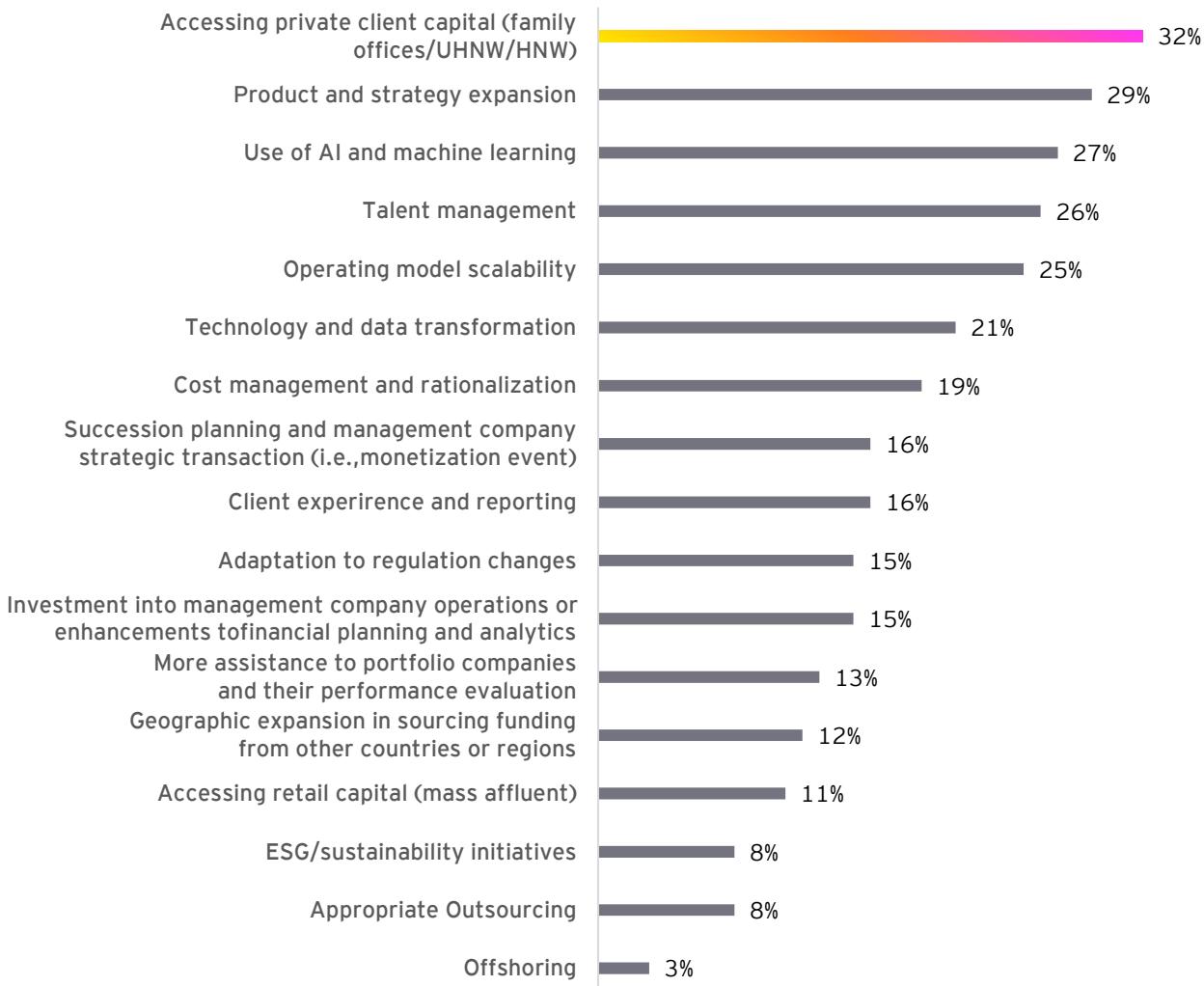
In the current macroeconomic environment, where inflation remains a concern, certain private market assets offer attractive inflation hedging characteristics. Real assets such as real estate and infrastructure tend to hold their value and generate cash flows that increase with rising prices. For instance, rental income from real estate and tariffs from infrastructure projects can often be adjusted upwards in line with inflation. Private credit, especially direct lending, often features floating interest rates that can provide a hedge against rising interest rates, which are frequently implemented to combat inflation. This feature allows investors to potentially maintain the real value of their returns in an inflationary environment.

⁸ Private Equity Pulse: key takeaways from Q1 2025, April 2025

Growth in demand for private assets is blurring traditional boundaries across the financial services spectrum.

Alternative fund managers around the world see the high net worth segment as a key driver of growth, prioritizing access to their capital over the next three years, with North American firms placing particular emphasis on this goal. Traditional wealth managers are also focused on leveraging alternatives as a strategic enabler for growth to serve wealthy investors, as has been confirmed by wealth management industry analysis recently conducted by the EY organization.

Accessing the capital of wealthy clients among your top three strategic priorities in the next two years will be the highest strategic priority.

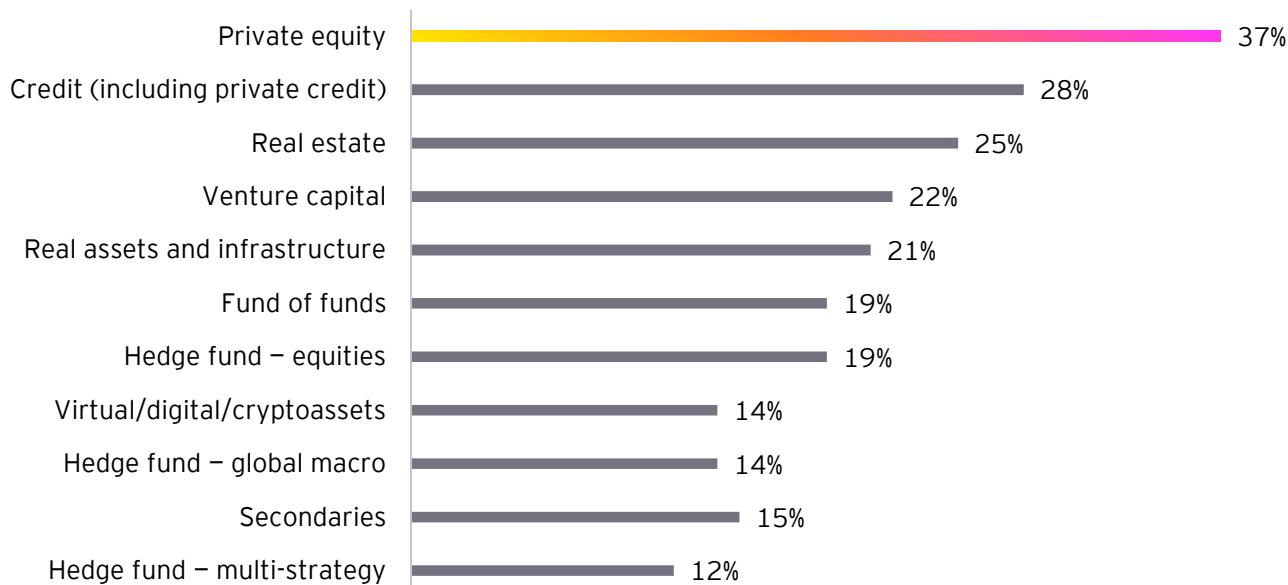


These ambitions reflect strong demand for the high returns and diversification offered by alternative investments. In recent years, private markets have started to become more accessible, particularly in the US, with emerging trends also in Europe, the Middle East and Asia. Some developments include:

- Increasing M&A between traditional and alternative fund managers, as well as niche acquisitions.
- Growing collaboration between alternative fund managers and wealth managers to create alternatives platforms offering semiliquid structures, such as interval funds or private business development companies (BDCs).
- The expansion of third-party investment platforms.
- The use of strategic partnerships, to add alternative elements to investment solutions aimed at accredited investors.

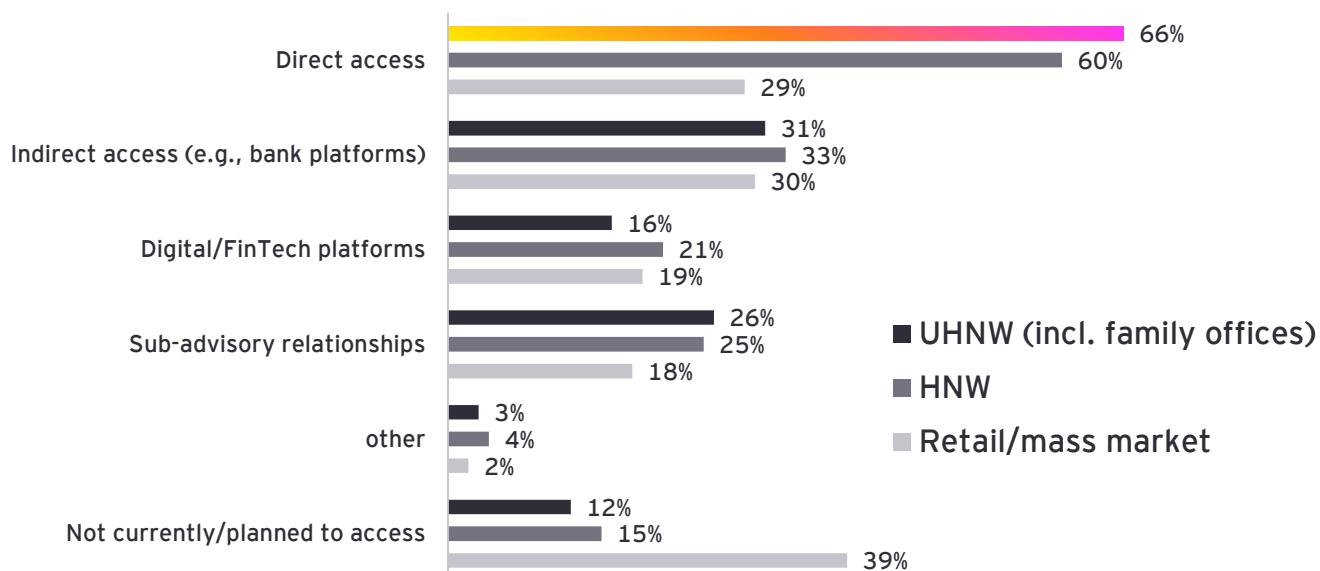
Private equity is a top priority across asset classes, with 37% of firms planning to target individual investors with this asset class (rising to 49% in Europe). Credit funds are also a significant focus (28% globally and 35% in North America), along with real estate (25% globally, 35% in North America). Notably, 14% of those surveyed plan to offer digital or crypto assets to individual investors.⁹

The asset classes across various structures that you are targeting for retail capital include:

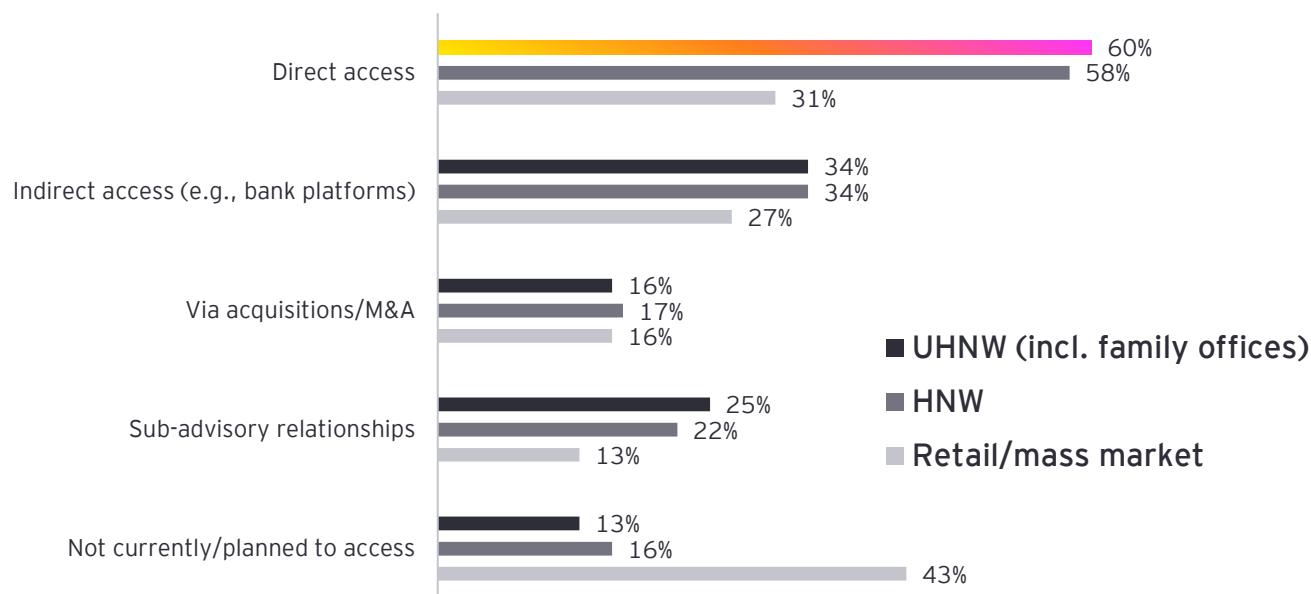


⁹ 2024 EY Global Alternative Fund Survey: How can alternatives shape new horizons of opportunity, December 2024

UHNW and HNW are the most popular current and future targets for your firm, with access primarily sought through direct channels currently.



EY suggests how your firm can plan to access the following customer streams in the next one to two years.

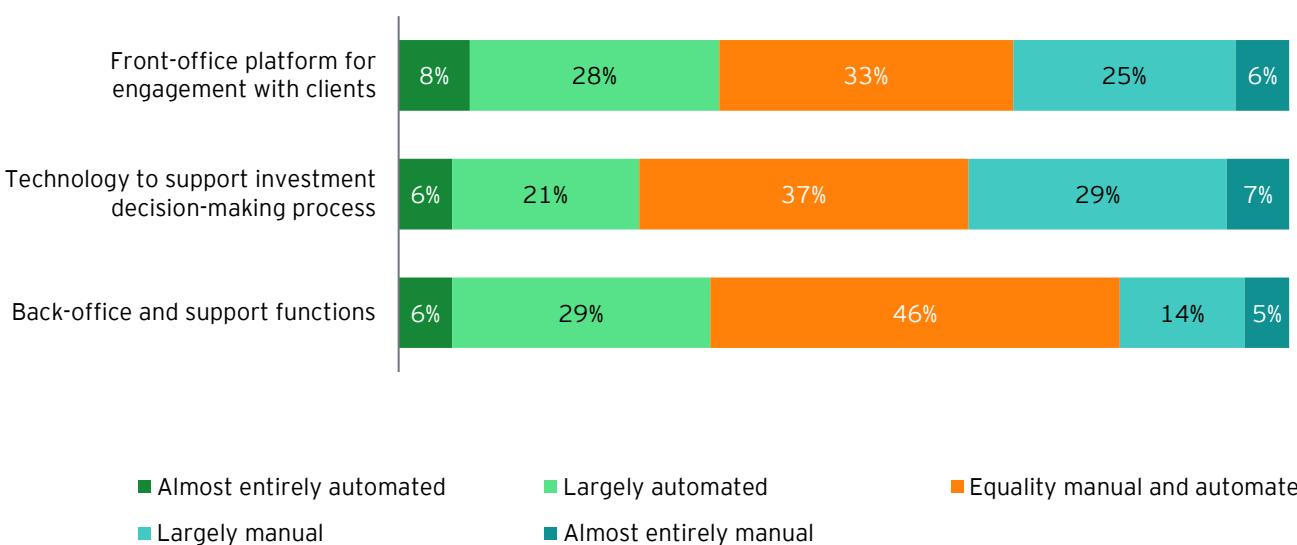


Revisiting traditional operating models

The relentless growth in demand for private market assets is compelling financial players to rethink the contours of their traditional operating models. As public markets grapple with volatility, regulatory scrutiny and lower yields, financial players are expanding their private market holdings to capture alpha in high-growth sectors and hedge against inflation through real assets and floating-rate private credit. This strategic pivot is not merely a reaction to market dynamics but a deliberate redefinition of risk, reward and operational scope, pushing firms to innovate, adapt, and embrace the complexities of illiquid investments to meet the evolving demands of asset owners.

The inherent illiquidity of private assets introduces complexities in valuation and reporting, underscoring the necessity for sophisticated systems. Data management and integration also post challenges for alternatives fund managers. When asked how advanced their firms' data and technology infrastructure was, over half of the respondents said that while it meets current needs, it does not provide real-time information or is not fully integrated across back-office support functions, technology support of investment decisions or for the front-office platform for client engagement.

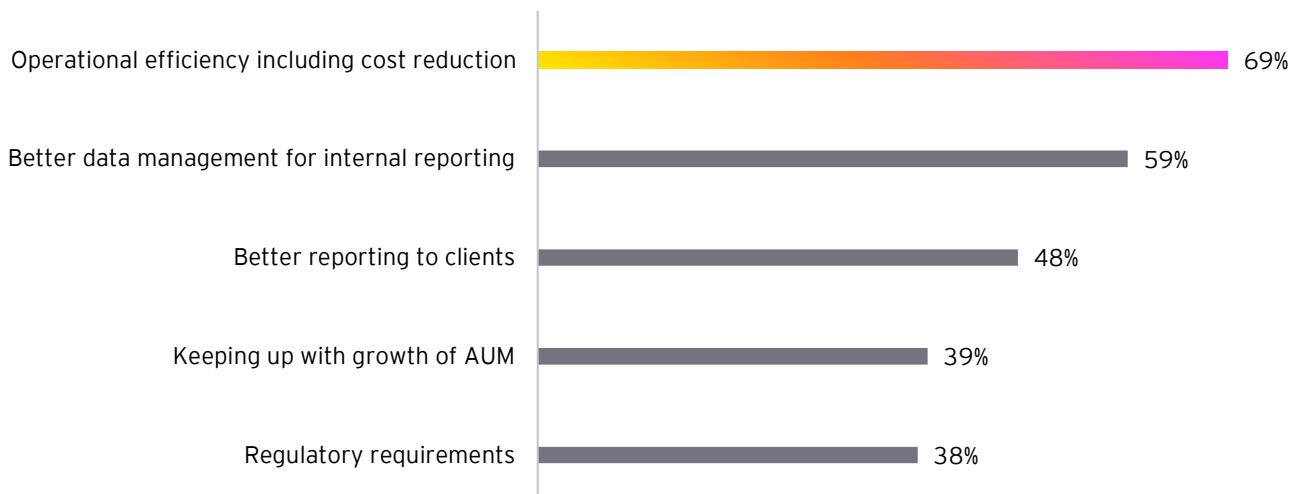
Managers report gaps in automation where current technology and infrastructure do not meet their needs.





To address these gaps, investment managers plan to increase technology spending right across their core activities to improve efficiency, reporting and decision-making. Key motivations for tech investment include cost reduction (69%), better data management (59%) and better client reporting (48%), with 39% of firms aiming to keep up with AUM growth and 38% focused on meeting regulatory requirements.¹⁰

The top five drivers that influence your need to invest in technology



¹⁰ 2024 EY Global Alternative Fund Survey: How can alternatives shape new horizons of opportunity, December 2024



The Multi-Asset Investment Book of Records (M-IBOR): a necessity to address investor needs

Defining an IBOR strategy

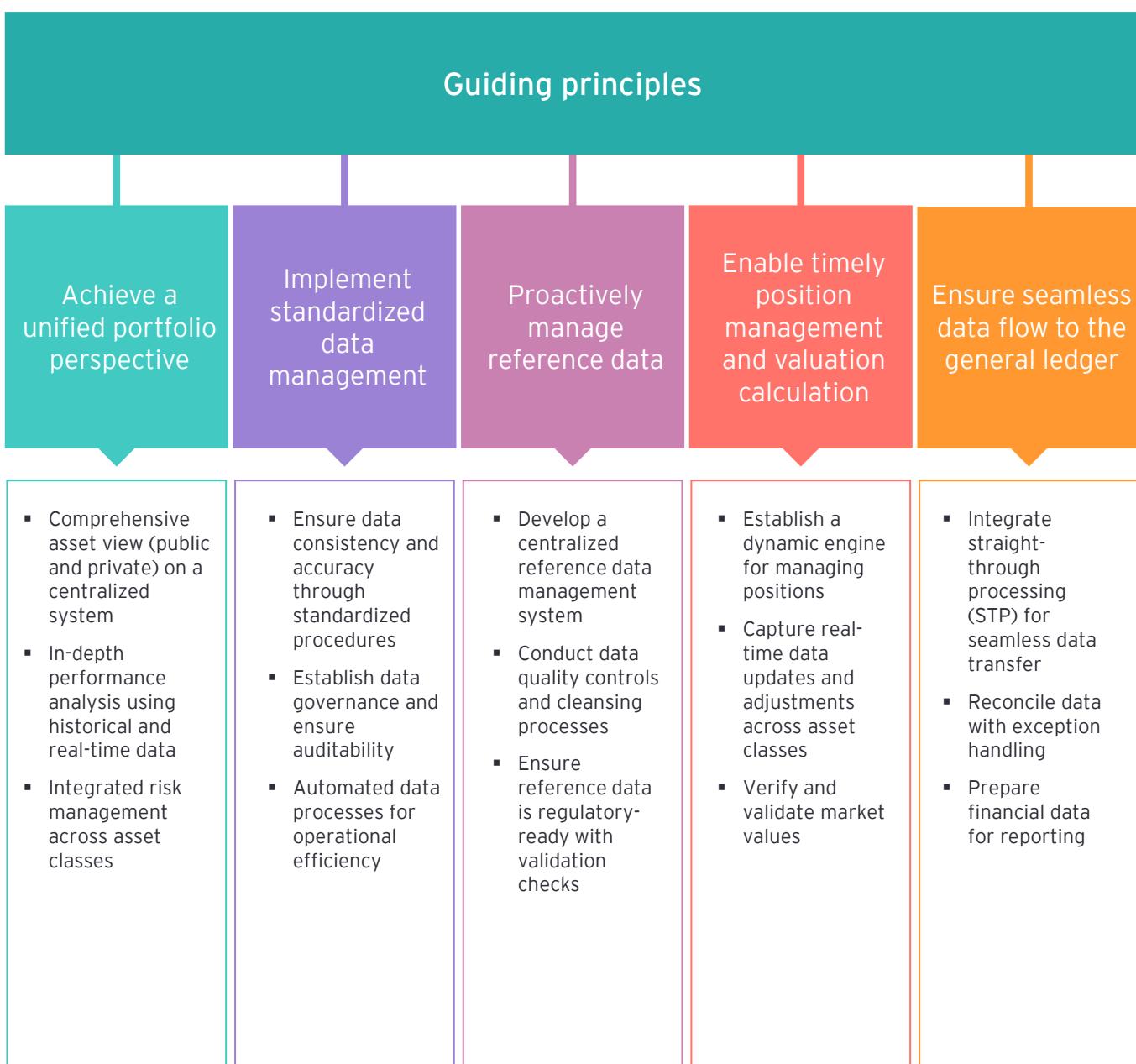
In response to the increasing complexity of investment portfolios, particularly with the growing allocation to private market assets, the IBOR has emerged as a critical component of modern asset management infrastructure. An IBOR strategy focuses on the implementation and utilization of a centralized system that provides a real-time, accurate and consolidated view of all investment data. This encompasses a comprehensive record of portfolio holdings, investment transactions and performance metrics, all updated to reflect the latest market activity.

The primary objective of an IBOR is to serve as the "single source of truth" for investment positions across the entire organization. This unified view is essential for supporting front-office functions such as portfolio management and trading, enabling informed and timely decision-making. Furthermore, the accurate and up-to-date information provided by an IBOR is crucial for effective risk management and ensuring regulatory compliance.

A key distinction exists between the IBOR and the Accounting Book of Record (ABOR). While the ABOR primarily focuses on historical accounting and financial data for back-office functions, including the generation of net asset value (NAV) and regulatory reporting, the IBOR provides a trading-centric perspective on investments. The IBOR often operates on a trade-date basis and is frequently updated intraday, offering a more immediate view of portfolio positions than the ABOR, which typically works on a settlement-date basis with end-of-day processing. In the context of the evolving investment landscape, a modern IBOR strategy must encompass the ability to seamlessly support a diverse range of asset classes, including both publicly traded securities and the increasingly significant private market investments.

Guiding principles to ensure an effective IBOR strategy

An effective IBOR strategy design will need to consider the five guiding principles below:





Adopting these five principles is not merely a suggestion; it is the bedrock upon which a resilient and high-performing investment management operation is built. In today's complex and rapidly evolving financial landscape, firms that fail to establish a robust IBOR, risk being hampered by data silos, inconsistencies and inefficiencies. This can lead to flawed investment decisions based on incomplete or inaccurate information, increased operational risks due to manual processes and reconciliation nightmares, and an inability to effectively respond to regulatory demands or provide investors with transparent and reliable reporting. By proactively embracing these principles, organizations lay the groundwork for agility, scalability and sustained success in a competitive market.

Furthermore, the interconnectedness of these five principles amplifies their individual importance. A unified portfolio view is only as valuable as the accuracy and consistency of the underlying data, which is directly dependent on standardized data management and proactive reference data handling. Similarly, the ability to dynamically manage positions and valuations relies on timely and accurate market data, and well-defined valuation models. Finally, the seamless flow of this high-quality information to the general ledger ensures the integrity of financial reporting. Neglecting any one of these principles weakens the entire IBOR framework, creating vulnerabilities and hindering the ability to generate meaningful insights, and drive optimal investment outcomes.

A commitment to these five guiding principles transforms the IBOR from a mere record-keeping system into a strategic asset. It empowers investment teams with the clarity and confidence to make informed decisions, strengthens operational efficiency by automating key processes and reducing errors, and fosters trust with investors and regulators through transparent and reliable data. In an era where data is paramount, a well-designed and diligently implemented IBOR, built upon these fundamental principles, provides a significant competitive advantage, enabling firms to navigate market complexities, capitalize on opportunities, and achieve their long-term investment objectives.

The growing recognition of the need for a centralized and real-time view of investment data is driving increased adoption of IBOR strategies among investment managers. Many firms are either actively implementing IBOR solutions or have concrete plans to do so to gain better oversight of their performance and risk exposures. An effective IBOR acts as a tool to enhance operational efficiency and reduce costs by reducing data duplication and errors.

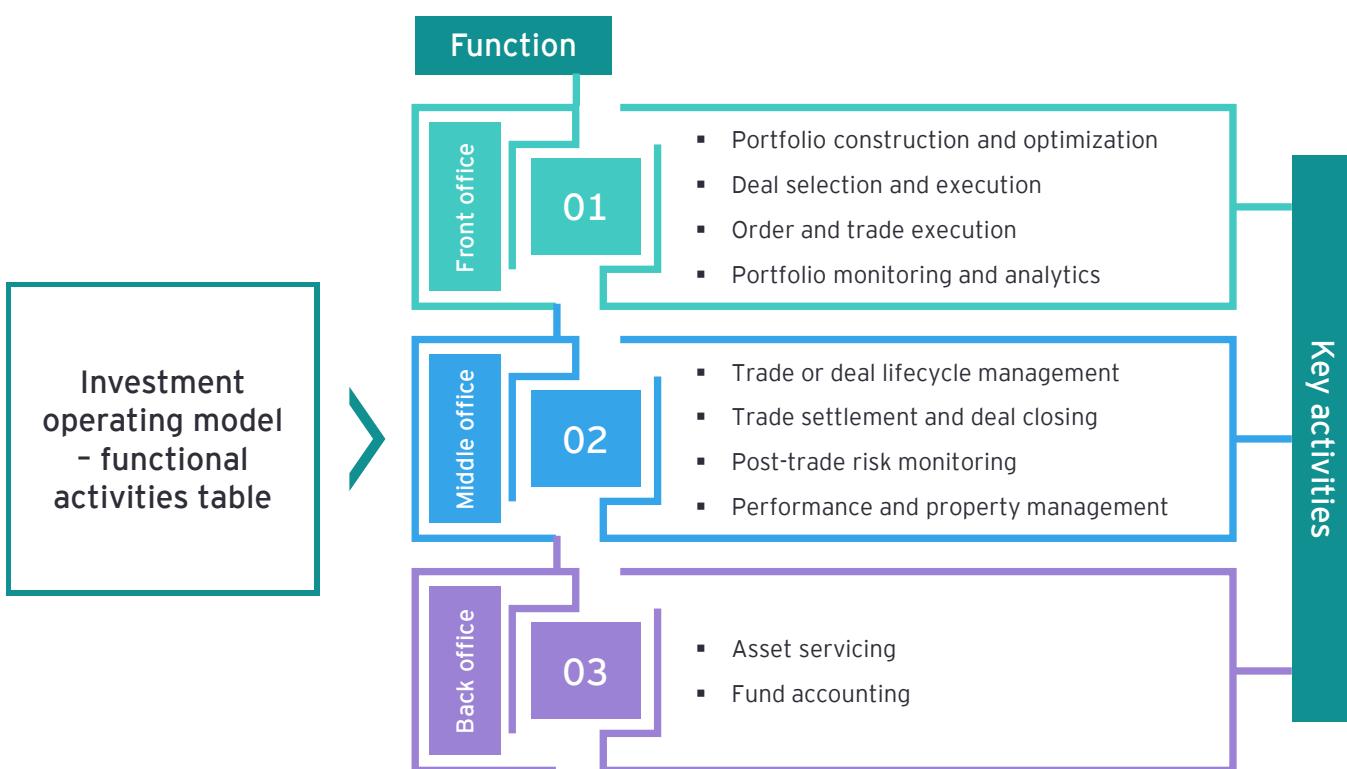
Investment managers are pursuing various approaches to adopt IBOR capabilities. Some are choosing to enhance their existing order management systems (OMS) or ABOR systems to incorporate the functionalities of an IBOR. Others are opting to leverage specialized outsourced providers that offer comprehensive IBOR solutions.

Blueprint for implementing your operation architecture across public and private markets

EY has advised asset managers in various transformation projects spanning the front office, middle office and back-office teams.

This experience has provided us with a proven framework to help restructure the overall operations flow into an operating model that is fit-for-purpose to handle both public market and private market asset holdings.

Identified below is our high-level blueprint for designing an integrated front-middle-back investment management operating model capable of seamlessly handling both public market assets and private market assets.



By providing a unified, dynamic view of portfolio holdings, transactions and valuations, a multi-asset IBOR eliminates data silos, enhances decision-making, and ensures regulatory compliance. This approach empowers managers to balance the liquidity of public securities with the higher returns and diversification of private investments, while navigating their unique complexities. With global alternative assets projected to exceed US\$20t by 2029, adopting a real-time IBOR is not just innovative – it is essential for staying competitive, agile and responsive to investor demands in a transformative investment landscape.



Conclusion: embracing integration for enhanced asset management

The investment management industry is at a critical juncture. The increasing demand from asset owners for private market investments presents both significant opportunities and complex challenges. Private equity and private credit offer the potential for higher returns, diversification and inflation hedging. But effectively managing these less liquid and often less standardized assets require a fundamental shift in operational and technological frameworks. The adoption of a unified IBOR strategy capable of seamlessly integrating both public and private market data is no longer a future aspiration, but an urgent necessity.

Investment managers must embrace a modern operating model that prioritizes data integration, technological agility and organizational alignment. Implementing a robust IBOR, underpinned by sound data management practices and a scalable technology infrastructure, is crucial for providing accurate and timely insights for investment decision-making, risk management and regulatory compliance. As the allocation to private markets continues to grow, the ability to achieve a comprehensive and integrated view of the entire investment portfolio will be a key differentiator for sustained success in the evolving landscape of asset management.



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