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Why, when, how

A guide to switching your AIFM provider

Sticking with a provider who doesn't meet your needs could be far more disruptive in the long term than moving to one who does.

Introduction

Alternative assets have had it good. The decade up to 2023 saw a boom fueled by low interest rates. Since then, rates have spiraled, steadied and edged downwards, but alternative investment funds (AIFs) have not felt the urge to throw out the party hats just yet. At the end of 2024, the net assets of European AIFs totaled EUR 8.2 trillion, a 13% increase on the previous year.

AIFs remain popular in Europe because smart managers have diversified investment options and increased operational efficiency. The meteoric rise of third-party alternative investment fund managers – AIFMs, commonly called management companies or ManCos for short – is a factor too.

In a nutshell, an AIFM is a regulated entity that acts as an authorized manager for an AIF. By taking over compliance, risk management and reporting functions, they let fund initiators focus on the things they do best. So far so reassuring.

Good third-party AIFMs have become more important as asset strategies have become more specialized and deals more complex. Regulation around infrastructure, real estate and private credit investments (to name just three) is strict. Contracts are bespoke. Asset management in these areas requires specialist knowledge and unerring attention to detail.

With that in mind, it's no surprise that there are now more than 200 authorized AIFMs in Ireland, compared to just eight in 2013. In 2024 there were over 260 authorized AIFMs in Luxembourg and 240 in Jersey.

Third-party AIFMs have become a go-to solution for managers who are starting new funds, entering new jurisdictions or simply weighed down with the management of increased regulatory risk.

But third-party AIFMs are not all the same. Recent years have seen consolidation in the sector, and the creation of a number of "mega" ManCos. In Luxembourg, most ManCo leaders expect that consolidation to continue. It's also worth noting that AIFMD II, the EU's revision to the Alternative Investment Fund Managers Directive (AIFMD), comes into effect in April 2026 and may place more pressure on hard-pressed managers.

Here a few doubts creep in. Mega ManCos offer industrialized AIFM services and off-the-shelf support. This is efficient – until it isn't. They favor larger clients with conventional portfolios.

Some fund managers are beginning to report dissatisfaction with the depersonalized services they receive. Unwarranted fee hikes and data errors are compounded by slow communication and a reactive approach. Smaller or niche managers feel unseen.

In these cases, it's reasonable to look elsewhere. But many fund managers don't because they fear the cost and disruption of switching AIFM provider. However, sticking with a provider who doesn't meet your needs could be far more disruptive in the long term than moving to one who does.

In the rest of this guide, we'll discuss the triggers for switching, what good looks like – and why moving AIFM provider might be the best operational decision you make this year.

SECTION 1

The red flags of poor service

Alternative asset management is a highly regulated environment. It's also highly competitive. Funds can ill afford an underperforming AIFM – but how do you know when you have a problem?

Here are four red flags.

1 Staffing problems

Compliance and risk management teams don't come cheap. Competition between AIFMs – and between third-party AIFMs and the internal ManCos of large asset managers – has drained the talent pool. Mega ManCos that compete on price are especially vulnerable to staffing and skills deficits that impact on clients.

How does that affect you? The impact might be felt in poor response times or the lack of a personalized service, combined with frequent changes to your CRM. You might find yourself explaining data or reporting errors to unhappy LPs. If you're tired of having to oversee the work of your AIFM and re-explaining your operating model to replacement staff over again, then something is seriously wrong.

2 A lack of expertise

Mega ManCos service a broad range of clients across both UCITS and AIFs. They can't do everything well and they may not be masters of your trade.

Newer and smaller fund managers in particular often sidestep larger competitors with more specialized or bespoke strategies. A broad ManCo service provider who focuses on scale over service may lack expertise in private equity, infrastructure, real estate, private debt or other non-standard assets. If you don't know whether or not an AIFM has expertise in what you do, ask them.

3 Legacy technology

Keeping up with evolving global and local regulation requires a significant investment in technology. The good news here is that most ManCos get it. In Luxembourg, for example, four out of five ManCos (83%) are using GenAI applications for automation, analysis or other tasks.

Nevertheless, using technology effectively requires integration, smooth data flows across applications and expertise. Not every AIFM does it well. Technology should meet the needs of both GPs and LPs, providing everything from faster onboarding and real-time insights to workflow automation and transparent reporting.

Signs your current AIFM might not have the tech you need include inconsistent, fragmented data and the repeated need to manually re-key important information.

Pressure on pricing

Inflation and the talent squeeze have hiked AIFM costs. Complying with AIFMD demands serious capital. It all puts pressure on AIFMs to ditch their least profitable clients or substantially renegotiate fees. A drop-off in service or the failure to offer appropriate technology might be a sign of a ManCo under significant financial strain.

> It's the hours you lose managing issues, correcting errors and having to step in when your provider should.

The inertia trap

When's the right time to switch AIFM provider? If red flags keep flying, the answer is now.

With heightened regulatory scrutiny and the growing popularity of more complex asset classes, a dysfunctional relationship with your management company is a recipe for failure. It could lead to a raft of issues, from late regulatory filings to missed investment opportunities. Your reputation with investors is on the line.

Unfortunately, many managers who should move don't. The inertia trap keeps them where they are. Anxieties over the perceived risks of switching mingle with sunk cost bias and cynicism ("they're all the same") to produce paralysis.

But "better the devil you know" is not a strategy and it's not the best you can do.

If you have concerns, conduct a review of your third-party AIFM service. Even if you don't, conduct an annual review of the relationship. Is the service provider meeting your needs? Is it proactive and future-facing? Is your business a priority? If you answer "no" to any of these questions, inactivity may be the biggest risk of all.

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SECTION 2

Better is out there: what your next AIFM provider looks like

A good AIFM will effectively support you for the full lifecycle of a fund. But what does good look like for you?

Specialist knowledge

Regulators are not disinterested box tickers. They want to know that alternative funds are properly managed and valued. Scrutiny can be intense. The risks of non-compliance include fines and – worse – a reputation for playing fast and loose with the rules.

If you're launching a "vanilla" equity fund, compliance isn't too difficult. If you're following a more specialized strategy, you need an AIFM with subject-matter expertise. With real estate, private equity, infrastructure or private credit, the devil is in the details. These asset classes require a nuanced understanding of transaction processes, risk limits, investment restrictions, and a hundred other things. Your AIFM should have it.

A wide service offer

Typical AIFM services include:

1. Pre-marketing and marketing services
2. Portfolio management services (under advisory or delegation arrangements)
3. Risk management services, including monitoring of risk limits and investment restrictions
4. Oversight of the valuation process
5. Annex IV, SFDR and other regulatory reporting
6. Delegate oversight

Pre-marketing activities are heavily regulated in the EU, with the cross-border distribution of funds (CBDF) regulation, determining what GPs can and can't do. Your AIFM needs to be on top of these rules.

Transaction management under an advisory arrangement requires a firm understanding of the relevant asset classes in combination with legal expertise and solid project management skills. Your AIFM should have a track record as a hands-on enabler, rather than simply sitting on the fence and reacting to your requests.

But that's not all. To run a fund, you need depositary services and fund administration functions alongside specialized AIFM services. If your service provider can package them all, so much the better for overall efficiency. Put it like this: would you rather be dealing with three providers (each with their own technology, culture and processes) or one?

Relationship building

Does your ManCo know your name? You don't have to be on the CEO's Christmas card list, but they should know you well enough to provide a tailored service and pick up the phone when you call. A good AIFM relationship is built on strong personal connections and a long-term outlook.

Before committing to an AIFM relationship, look at retention rates.

Significant staff and client churn is a red flag. Then conduct thorough due diligence that includes meeting the team you'll be working with and getting a feel for how they work.

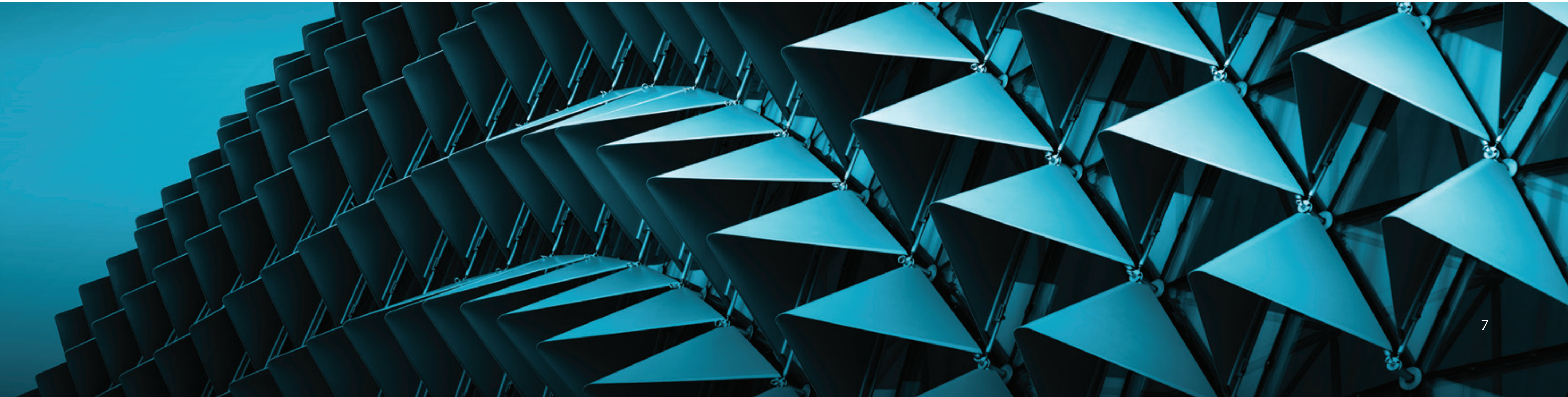
Sophisticated technology

Effective and efficient AIF management is built on a foundation of good technology. For GPs, a modern technology stack means faster onboarding, seamless migrations and real-time insights. For LPs, it delivers timely and transparent reporting, strong ESG data and trusted performance views.

In short, a fund management application should be a single source of truth across jurisdictions, processes and the lifecycle of your fund. It should provide clarity and confidence under scrutiny. It should automate whatever can be automated, bringing speed and accuracy to your operations.

Your AIFM should be able to provide this technology or work with technology you already have.

> "Ocorian seem to be the only provider where the teams all talk together and know what's happening."
>
> Goldman Sachs



The ten steps to switching your AIFM provider

Decide to switch

Carry out a risk assessment, identify current gaps in service levels and set expectations. Draw up a road map for change.

Engage legal counsel

Appointing a reliable law firm is crucial. It can be your existing legal counsel, but check they have the knowledge to oversee the transition.

Get AIF board approval

The board will want to know the potential impact of the switch on operations, performance and risk.

Get shareholder approval

Notify shareholders after consulting legal counsel, giving them enough information to make an informed decision. They may need to vote.

Plan for data transfer

The new AIFM will need a complete picture of the fund's holdings, investors and performance.

Get tax advice

Tax advisors can help ensure the switch is smooth and compliant. They should have specialist knowledge across relevant jurisdictions.

Conduct due diligence

Check a potential new AIFM's track record, regulatory compliance, fee structure and risk management approach. Conduct an on-site visit.

Communicate early and clearly

Keep key stakeholders in the loop throughout the process. Be open and honest and create a channel to address stakeholder concerns.

Dot the i's

Contracts and SLAs should include clearly defined performance expectations. Set risk management policies and update fund documentation.

Get regulatory approval

Specific requirements vary depending on jurisdiction and the type of AIF and/or ManCo, so talk to your legal counsel.

SECTION 3

Bringing clarity to alternative investment fund management

Why choose Ocorian as your third-party AIFM? In a word: clarity.

For example, we hold AIFM, administrator and depositary licenses, bringing clarity to your supplier management processes. We offer a comprehensive range of multi-level services for you, your investors, your funds and your investments. We can fill in gaps or provide a complete outsourced service. It's up to you.

Multi-level asset manager services

You	Your investors	Your funds	Your investments
Management company administration and governance	Investor onboarding and KYC / AML processing	Fund administration and accounting	SPV incorporation and administration
Outsourced and fractional CFO services	Capital call and distribution administration	Financial reporting and NAV production	Corporate accounting and bookkeeping
Regulatory authorisation, licensing and compliance support	Investor register maintenance and transfer services	Depositary and regulated fund roles	Board governance and company secretarial services
Fund structuring and vehicle formation	Investor reporting and data portal services	Fund treasury and cash management	Loan servicing and asset-level administration
Directors, company secretarial and domiciliation services	FATCA / CRS classification and reporting	Lifecycle event support (launch, restructuring, wind-down)	Portfolio company and employee benefit trust services

We meet your needs with a mix of state-of-the-art technology and human experience. Our people are steeped in the nuances and intricacies of alternative investment funds. We oversee private equity, private debt, real estate and infrastructure portfolios, both for direct investments and via fund-of-funds, bringing clarity to alternative asset classes.

Our technology is the robust foundation of our services. It's a single, trustworthy source of truth across assets and jurisdictions. It reduces uncertainty and increases confidence. It supports you through the full fund lifecycle.

Working out of Luxembourg and Dublin, we're a bespoke provider of tailored AIFM services. We value small and large clients equally. We have over 750 private market clients. Our AIFM has operated since 2008, with several client mandates dating back to our first steps in the independent ManCo space.

For asset managers and other fund initiators, clarity is everything. It brings confidence to your decisions and builds trust with investors. It lets you focus on capital raising, asset management and generating returns. That's why clarity is at the core of Ocorian's AIFM services.

Complete lifecycle solutions for Asset Managers

Step 1
Set-Up
Establishing a compliant and efficient new fund

Step 2
Raise
Getting fund arrangements ready while raising capital

Step 3
Deploy
Efficiently deploying investor capital into assets

Step 4
Return
Returning capital to investors and winding down the fund

Ocorian in action: Foresight Group

Foresight Group is a leading international investor in real assets. As the firm's European footprint grew, so did the complexity of managing AIFs under AIFMD. Rising costs, evolving rules and limits on scalability led Foresight to switch its European operations to a third-party AIFM model.

Foresight needed a partner with relevant expertise in real asset funds, strong risk and compliance credentials and a track record in complex transitions – and a team they knew they could work with day to day.

After a thorough process, Ocorian stood out for both capability and fit. Working with Foresight and its legal partners, we secured regulatory approvals with the CSSF and ensured the seamless migration of critical functions.

> "The difference was clear from the start. Ocorian's team had a clearly established track record, knew the intricacies involved, where the potential pitfalls were, and gave us absolute confidence throughout."
>
> James Dobler, Head of Compliance, Foresight Group

Our AIFM services now provide Foresight with a range of benefits:

Lower costs

Reduced fixed overheads and more predictable expenses

Strengthened compliance

Confidence that regulatory obligations are met, including under AIFMD and ESG frameworks

A scalable platform

Ready to support new fund launches and cross-border expansion

Scan to view the full case study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We provide uncommon simplicity.
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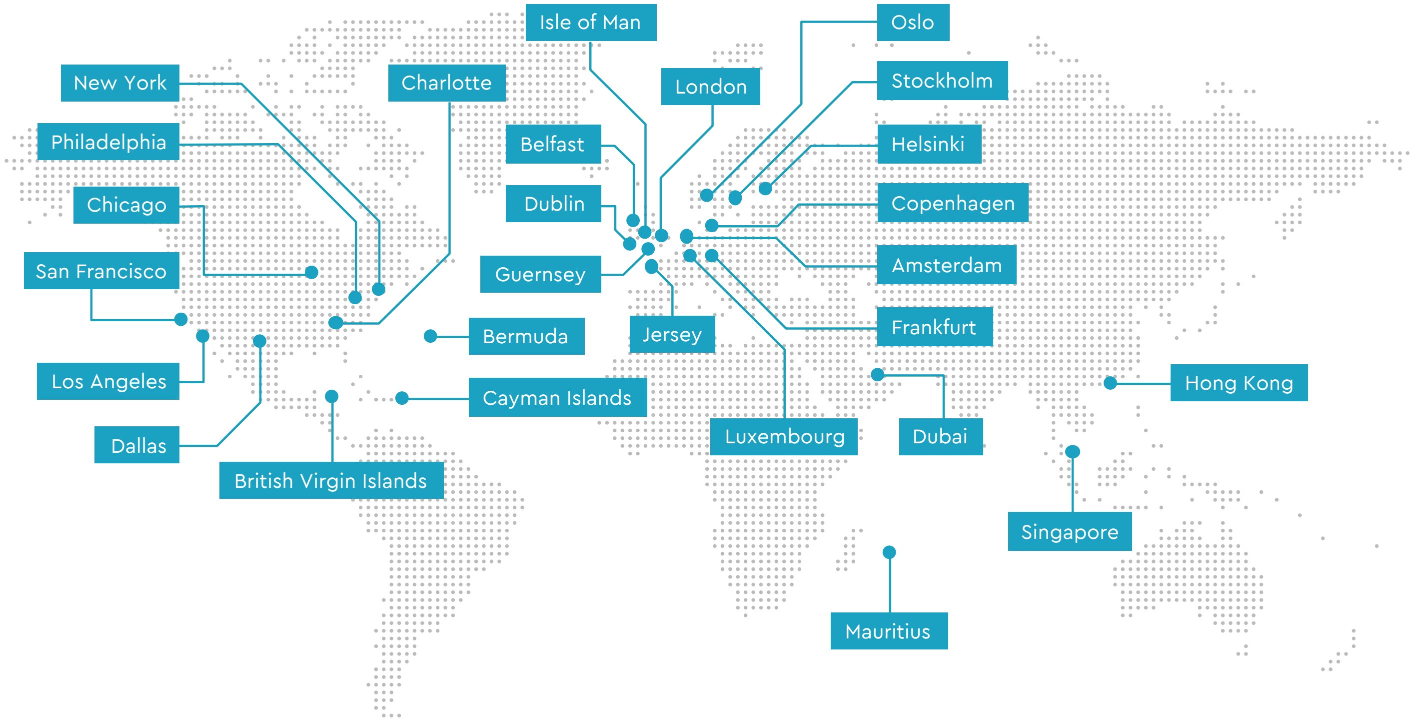
If you'd like to know more about our AIFM services, please get in touch.



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25+
Office locations

2,000+
Staff worldwide

20,000+
Structures under administration

9,000+
Clients

50+
Years of providing asser manager services

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