OCORIAN

Navigating opportunities and risks in the global financial landscape

Outlook 2024

Introduction

For its Outlook 2024 report Ocorian, the specialist global provider of market leading solutions to financial institutions, asset managers, corporates and high net worth individuals, commissioned an international survey[1] amongst senior executives at major companies and investment managers with family offices, private equity, venture capital and real estate funds as well as senior capital markets executives.

In this comprehensive report, we analyse the key findings from the views of the 301 senior executives surveyed in the UK, Middle East, Asia and North America, exploring their concerns, aspirations, and strategies that are shaping the financial landscape.

Ocorian's Outlook 2024 report uncovers the key risks they are most concerned about as well as the growth opportunities they see.

1 In November 2023, Ocorian commissioned independent research company PureProfile to conduct a global study of 301 senior executives. The survey was carried out among board directors at companies with annual turnover of more than $250 million, fund managers working in family offices, private equity, venture capital and real estate; and senior executives working in capital markets focused on structured credit, CLOs, securitisation, mortgage-backed securities and asset- backed securities. Respondents to the survey, which was conducted in November 2023, were based in the UK, continental Europe, Asia, the Middle East and North America and included 150 alternative fund managers, 50 family office investment managers, and 50 senior capital markets executives.

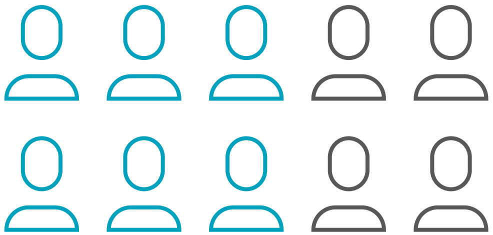
In this report, find out:

- Why global investment risk appetite is growing
- How and why fund managers and corporates are investing in AI
- Anticipated fund inflows for 2024
- Why regulation and compliance are top of the agenda
- What fund managers and corporates expect to spend on outsourcing in 2024
- How family offices are planning to invest in 2024
- How institutional investors are targeting growth

Riding the wave: global investment risk appetite surges

Seizing opportunities amidst economic shifts

Ocorian's study showcases a robust surge in global investment risk appetite. Nearly six out of 10 (57%) senior executives questioned anticipate a significant increase in risk appetite, more than double those predicting a decrease.



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senior executives questioned anticipate a significant increase in risk appetite

Acquisitions become more attractive

The global economic landscape is poised for a shift, and Ocorian's Outlook 2024 report reveals that businesses are gearing up to ride the wave. A remarkable 57% of senior executives questioned are bullish on increasing their organisations' investment risk appetite. The optimism stems from a collective belief that deal pricing will turn more favourable, with 67% highlighting this as a top reason for their increased risk appetite. Notably, expectations of lower inflation and interest rates also contribute significantly to this positive outlook.

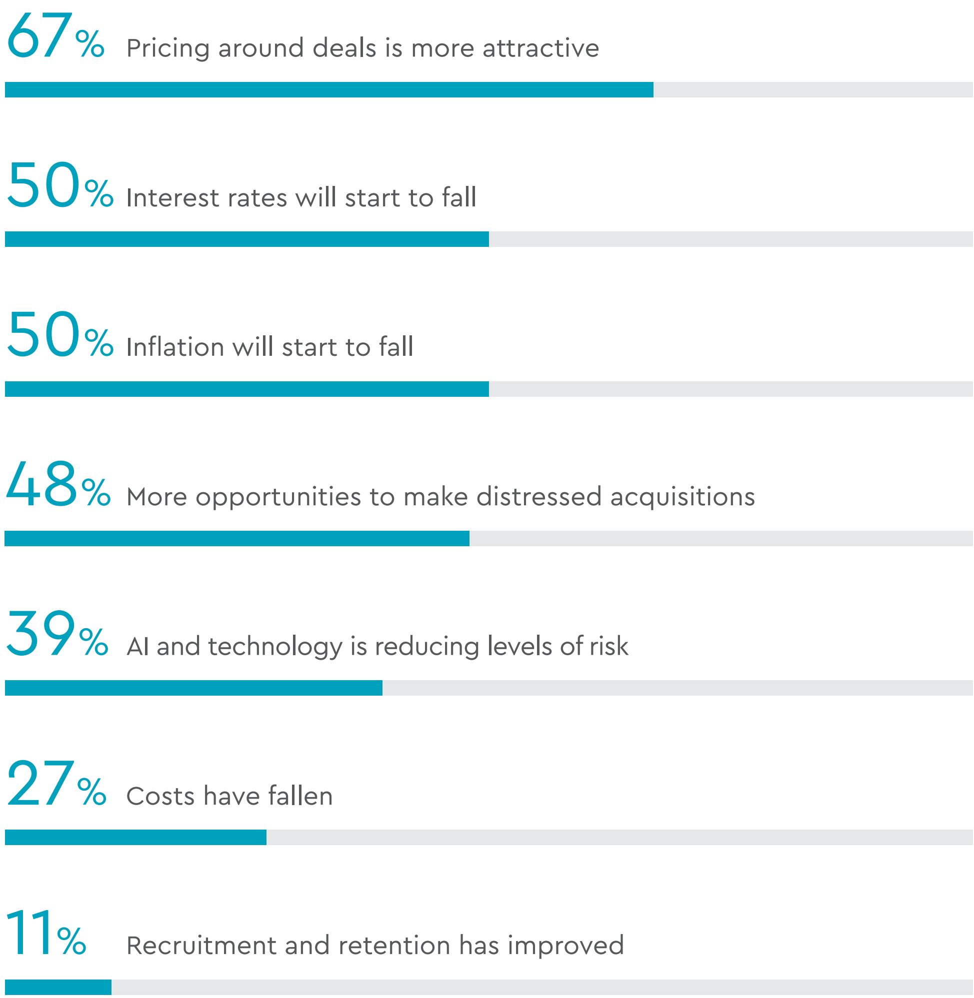
While the horizon appears promising, there are still concerns. Political uncertainty on a global scale is a predominant worry for 54% of firms experiencing a dip in risk appetite. The intricate dance between optimism and caution reflects a nuanced approach by businesses in an ever-evolving economic landscape.

Paul Spendiff, Head of Business Development – Fund Services, at Ocorian, said: "Investment risk appetite is clearly increasing with senior executives and major investors expecting a shift in global macroeconomic conditions as well as more opportunities for acquisitions at more attractive prices.

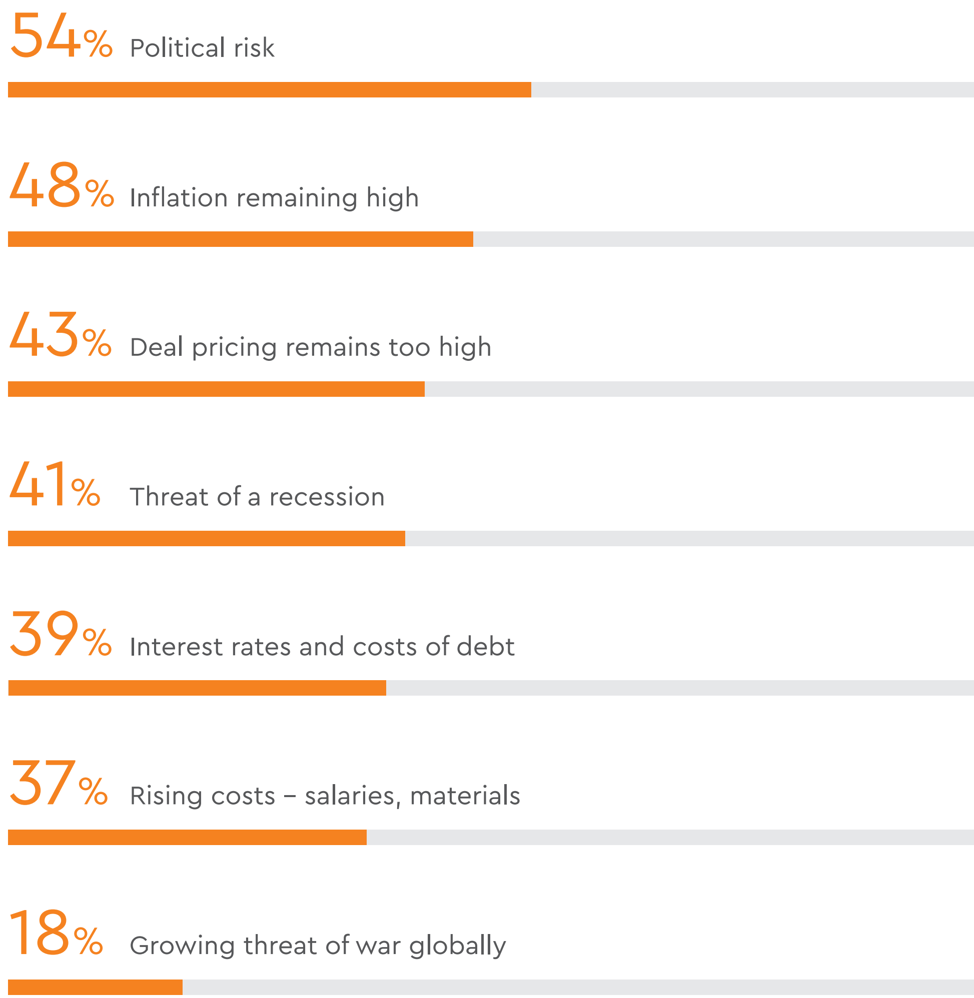
"The optimism about the year ahead and growing confidence is tempered by a focus on risk management and there is evidence from the study that companies have invested this year in new technology and risk management staff in order to expand in the year ahead.

"That focus is being maintained and we are seeing growing demand for our services as we help our clients solve these complex issues. In addition there are major concerns about the year ahead ranging from global political uncertainty and heightened global tensions in the Middle East and Ukraine as well as the risk of recession in major economies."

Key reasons for investment risk appetite rising



Key reasons for investment risk appetite falling



AI ascends: Artificial Intelligence is reshaping possibilities

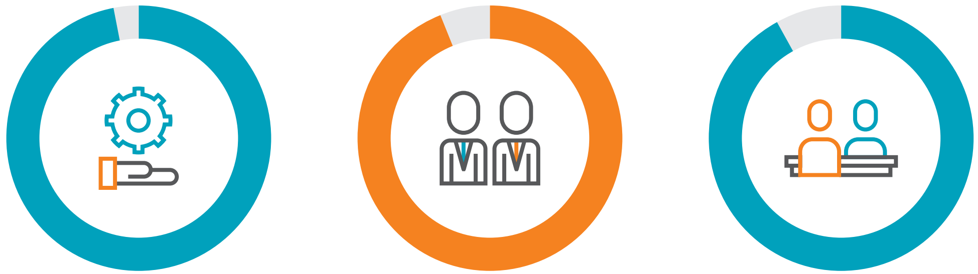
Fund managers, family offices, board directors and corporates embrace artificial intelligence

Ocorian's research uncovers a significant shift in focus among alternative fund managers, board directors of leading firms with an annual turnover of over $250 million, and family office professionals towards Artificial Intelligence (AI).

Focus on AI intensifies as projects deliver strong results

The financial sector is undergoing a transformative journey, and Ocorian's latest research reveals that AI is at the forefront of this evolution. An overwhelming 97% of alternative fund managers, 94% of board directors, and 92% of family office professionals acknowledge the importance of AI in their company's success over the next five years, indicating a seismic shift in strategic priorities. Success stories abound, with 91% alternative fund managers, 88% family office professionals, and 82% of board directors reporting strong results from AI test projects, marking a significant endorsement of the technology's potential.

Compliance and regulation take centre stage as the most promising domains for AI applications, reflecting the industry's commitment to leveraging technology for efficiency and risk management.



97% of alternative fund managers

94% of board directors

92% family office professionals

acknowledge the importance of AI in their company's success over the next five years

Yegor Lanovenko, Co-Head of Fund Services at Ocorian, said: "It is clear that generative AI has transformative potential for productivity, ways of working and the economy as a whole. When new technologies emerge, they benefit different sectors at different times. First companies spend time experimenting with generative AI, before starting to plan to deploy on a larger scale.

"This research shows AI is being embraced by the alternative funds sector with fund managers globally along this pattern, recognising its potential and competitive advantages for first movers.

"Alternative fund managers are moving from an experimentation period after achieving success with pilots to larger scale adoption for real-world use cases across investment operations, compliance and managing risks.

"Given the continued investment into AI globally, we can expect more AI products to hit the market, and there is potential for alternative managers to take the lead in early adoption with the help of partners with a strong technology and innovation ethos to navigate the emerging regulatory landscape, implementation and privacy considerations.

"Alternative fund managers see a growing role for AI in compliance and regulation as well as identifying and selecting investments but that is likely to change as firms make more use of the technology and it underlines the need for partners with strong technological understanding."

Capitalising on confidence: alternative fund managers' fund flow predictions for 2024

Charting a course for capital raising surge

Ocorian's global study predicts a much more buoyant year for alternative fund managers, with around 85% of private equity, venture capital and real estate fund managers questioned forecasting an increase in capital raising by their company in 2024 compared with 2023. The optimism came from alternative fund managers in the US and Asia predominantly with those surveyed in the UK and Europe more muted in their confidence.

Diversification takes centre stage as the primary driver, with 68% citing it as a key reason. Notably, fund managers express confidence in the sector as a whole, with expectations of a surge in fund launches across various asset classes.

68%

of respondents cited diversification as a key reason for optimism

85%

of private equity, venture capital, and real estate fund managers anticipate a surge in capital raising by their firms in 2024 compared with 2023

Alternative fund managers expect capital raising and fund launch surge

Alternative fund managers are forecasting a strong year for capital raising at their firms and new fund launches across the industry as investors are increasingly looking to diversify.

A resounding 85% of private equity, venture capital, and real estate fund managers anticipate a surge in capital raising by their firms in 2024 compared with 2023. The key reason for optimism is the growing investor appetite for diversification, cited by 68% of respondents, compared with 65% who said difficulties and volatility in the fixed income market is driving increased interest in alternative assets.

Not only are individual firms optimistic, but the sector as a whole is poised for growth, with fund managers predicting increased activity across various asset classes.

Yegor Lanovenko, Co-Head of Fund Services at Ocorian, said: "There is a high level of confidence about the year ahead among alternative fund managers both for their own funds and for the sector as a whole, with different regional sentiments emerging.

"For alternative fund managers in the US and Asia in particular, 2024 looks set to see a strong rise in capital raising as well as a surge in fund launches across all major asset classes, driven by investor appetite for diversification and exposure to alternatives, as well as the expectation that inflationary and interest rates environments have peaked.

"This expected surge in capital raising and fund launches turns the spotlight on efficiency and operational excellence, and fund managers increasingly rely on expert support and trusted partners to handle their fund launches and operations at scale."

> " The focus on capital raising and fund launches turns the spotlight on efficiency and operational excellence. "

Asset class

	Increase by up to 10%	Increase by 10% to 25%	Increase by 25% to 50%	Increase by more than 50%	Stay the same	Decrease
Infrastructure	11%	19%	26%	38%	3%	1%
Private debt	10%	18%	29%	38%	4%	1%
Venture capital	11%	22%	27%	36%	3%	1%
Real estate	14%	25%	29%	26%	5%	1%
Private equity	9%	31%	33%	23%	3%	1%

Regulatory realities: why compliance tops the agenda

Navigating regulatory seas amidst rising fines

Ocorian's study brings regulatory concerns to the forefront, with 78% of senior executives expecting an increase in fines for breaking regulations. Despite 74% believing their market is over-regulated, 86% anticipate a further rise in regulation levels over the next five years. The intricate challenge of adhering to regulations across jurisdictions is reflected in the study, with 59% foreseeing increased difficulty.

78%

of senior executives expecting an increase in fines for breaking regulations

Regulation and compliance top of the agenda as professional investors and large corporates expect the level of fines they face for breaking regulations to increase

The rising regulatory tide in the financial sector lifts all boats, and Ocorian's latest study unveils the industry's preparedness for the challenges ahead.

A significant 78% of senior executives are bracing for an increase in fines for regulatory non-compliance, underscoring the heightened scrutiny faced by financial institutions. While 74% express concerns about over-regulation in their markets, a striking 86% foresee an uptick in regulatory levels over the next five years.

The complexity of navigating regulatory landscapes across jurisdictions is not lost on industry players, with 59% anticipating increased difficulty.

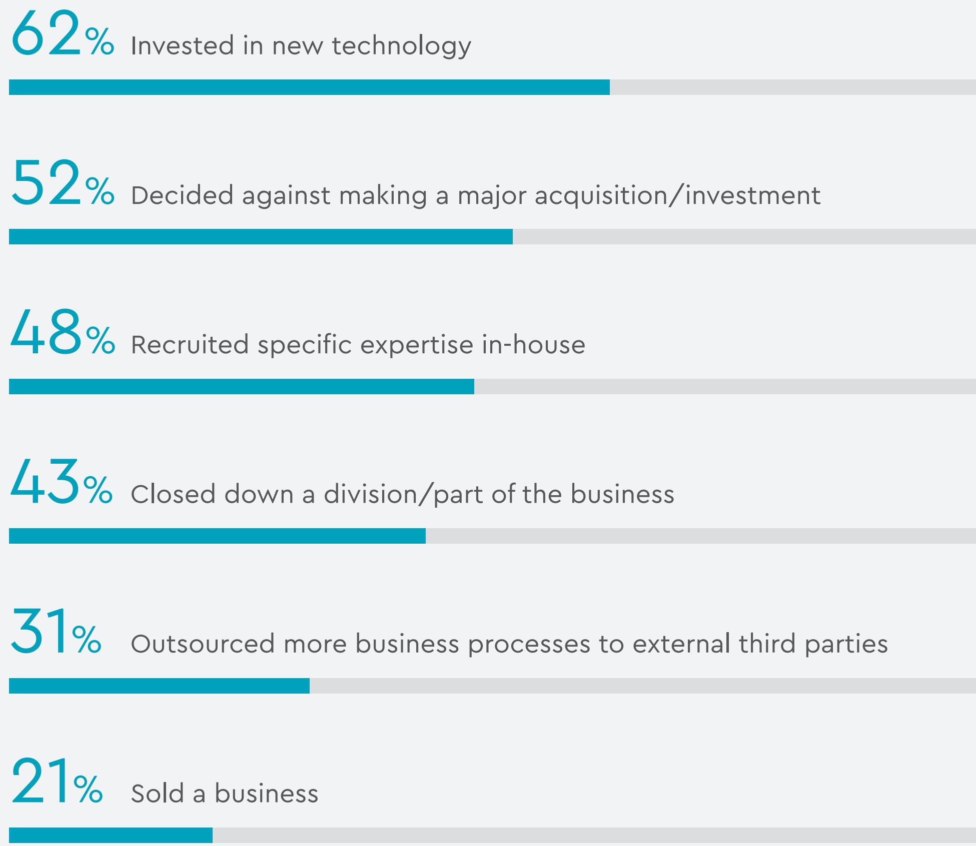
Aron Brown, Head of Regulatory & Compliance at Ocorian, emphasises the balance: "It's surprising to see that 37% of the firms surveyed believe their organisations are too focused on compliance and regulation and not on commercial aspirations.

"Whereas what we've seen with our clients is if you get it right in the first place you become more efficient and are more attractive to investors. Good governance and robust compliance preparedness enhances commercial prospects and wins business. We see investors are increasingly cautious about where they invest so if they can find a good governance and compliance framework, they are more likely to invest.

"As our clients grow the nature, scale and complexity of their business, the regulatory demands also increase, this has implications in terms of their investment in compliance and the expectations upon them from their investors. Some are increasingly outsourcing to third parties like us to support them in this area, and they are also increasing their budgets for ensuring they are compliant.

"Indeed, 88% of those professionals we interviewed expect the organisations they work for to increase their budgets for regulation and compliance over the next five years."

Percentage of professional investors and corporate executives interviewed who said their organisation had done this over the past five years because of regulatory concerns



Strategic sourcing: outsourcing trends in 2024

Outsourcing: the cornerstone of efficiency

Ocorian's study reveals a growing reliance on outsourcing among alternative fund managers, board directors, and family office professionals.

While outsourcing budgets for regulation and compliance have expanded, there is still dissatisfaction with outsourcing due to responsiveness, limited scope, and technological challenges.

Providers need to evolve their service models to meet their clients' nuanced needs

Efficiency takes centre stage as alternative fund managers gear up for increased reliance on outsourcing, as shown by Ocorian's study.

98%

have already witnessed a surge in outsourcing levels in the past two years

46%

planning to increase the level of outsourcing by between 25% and 50%

Almost all (99%) private equity, venture capital, and real estate fund managers are set to increase outsourcing over the next three years, underscoring the critical role played by external partners. Notably, 98% have already witnessed a surge in outsourcing levels in the past two years.

Nearly all (98%) board directors of companies with an annual turnover of over $250 million questioned plan to increase the level of outsourcing at their organisation over the next three years with nearly two out of five (37%) planning to increase the level of outsourcing by between 25% and 50%.

Almost all (98%) family office professionals questioned plan to increase the level of outsourcing at their organisation over the next three years with nearly half (46%) planning to increase the level of outsourcing by between 25% and 50%.

While the switch to outsourcing is clear the study highlights pockets of dissatisfaction (10%) among fund managers with outsourced services. Responsive, high-touch service and a consolidated solution are their key expectations, with technological glitches and limited service scope cited as primary concerns.

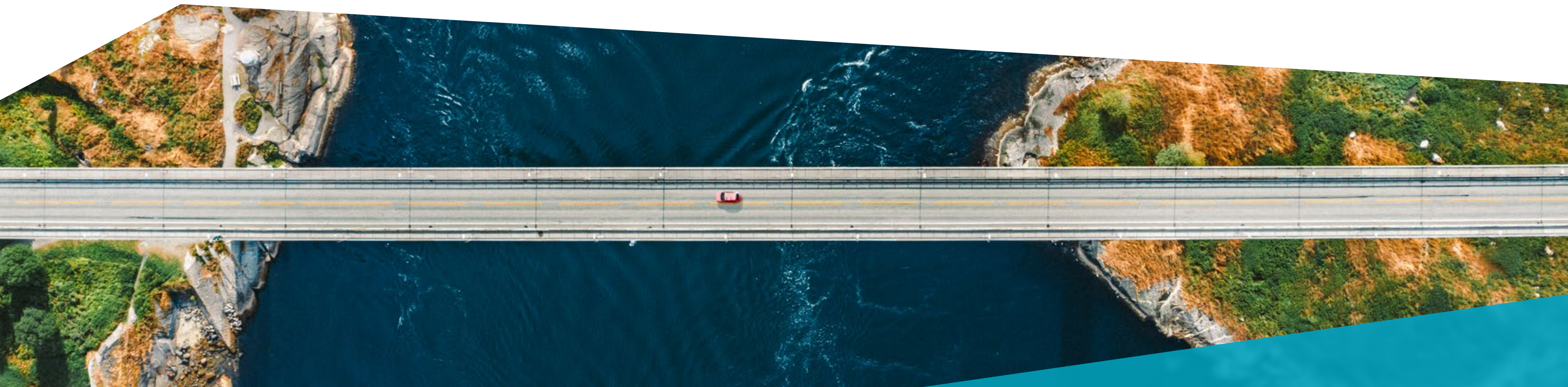
Paul Spendiff, Head of Business Development – Fund Services, at Ocorian emphasises the need for strategic partnerships: "Outsourcing of services is clearly already very important to alternative fund managers and set to grow in importance over the next three years with almost all firms planning to increase their level of outsourcing.

"Increasing confidence about fund launches and capital raising is very much reliant on the expert support of outsourcing partners but there are issues companies need to address if they are to become successful partners for fund managers.

"There are significant numbers of fund managers who are unimpressed with the service they receive and quite often on basic issues such as expertise. Where outsourcers fail to improve and expand their product offering managers are increasingly switching to firms offering high touch service and a single source consolidated solution."

The predicted increase in the level of outsourcing over the next three years among alternative fund managers

- 21% Increase by up to 25%
- 46% Increase by between 25% and 50%
- 31% Increase by more than 50%
- 1% Stay the same
- 0% Decrease



The predicted increase in the level of outsourcing over the next three years among family office professionals

18% Increase by up to 25%

46% Increase by between 25% and 50%

34% Increase by more than 50%

0% Stay the same

2% Decrease

The predicted increase in the level of outsourcing over the next three years among board directors of companies with an annual turnover of over $250 million

39% Increase by up to 25%

37% Increase by between 25% and 50%

22% Increase by more than 50%

3% Stay the same

0% Decrease

Family fortunes: investment plans for family offices in 2024

Family offices focus on realistic valuations and a shift towards more direct investments

Ocorian's study reveals an active year ahead for family offices, with 94% planning acquisitions. Realistic valuations are a key reason for increasing acquisitions at 62% of family offices, signalling a balanced approach. As strategic shifts unfold nearly half (49%) will focus on direct investing in companies.

94%

of family offices planning acquisitions

Family offices are on the acquisition trail

The trajectory for family offices in 2024 is one of active engagement and strategic evolution, as highlighted by Ocorian's study. A staggering 94% of family offices are gearing up for acquisitions, demonstrating their proactive stance in the market. Notably, realistic valuations emerge as a crucial factor for 62% of family offices, emphasisng a balanced and strategic approach to investments.

Strategic shifts are underway, with almost half of family offices (49%) placing a strong emphasis on direct investing. This marks a departure from traditional investment routes and sets the stage for a year of diversified investments across various asset classes.

Amy Collins, Head of Family Office at Ocorian, said: "The family office sector is growing rapidly and going through a series of tactical and more structural changes – as the study shows – with family offices set to go on a buying spree in the year ahead.

"With interest rates having been so low for so long, the increases have created a new way to look at certain asset classes. Where the principals served by family offices, whether they be younger or simply of a different generational mindset, are more focused on exploring private equity and direct investment opportunities, we are seeing more of that as a trend – this is a trend we identified in our research at the start of 2023 where almost all of the family office professionals questioned[2] said that the sector is increasingly investing in alternatives and the switch is a long-term trend. Around 42% strongly agree with the view.

"Many family offices had largely held back from the markets and wider investment during the pandemic and its aftermath before changing course during 2023 and increasing investments across a range of sectors and particularly the alternative fund sector.

"It's great to see that the family office professionals we questioned foresee much more activity in 2024 and the positive outlook they're suggesting, but we do wonder whether this will be the case of if it will buffer into 2025 and beyond."

2 In March 2023, Ocorian commissioned independent research company PureProfile to interview 134 family office investment managers working for family offices which use third-party private client services providers to support in the preservation and protection of their clients' wealth. The investment managers interviewed are responsible for assets under management of $62.45 billion and include 63 working for multi-family offices. The global study interviewed family offices in the US, UK, Canada, China, Germany, India, Norway, Saudi Arabia, Singapore, South Africa, Sweden Switzerland, UAE, Denmark, France and Japan.

Asset class

Asset class	Increase allocation dramatically	Increase allocation slightly	Stay the same	Decrease allocation slightly	Decrease allocation dramatically
Investment grade credit	52%	24%	18%	2%	4%
Real estate funds	34%	42%	18%	4%	2%
Infrastructure	34%	30%	32%	2%	2%
Non-investment grade credit	32%	40%	20%	6%	2%
Private equity	26%	48%	20%	4%	2%
Global equities	24%	64%	10%	2%	0%
Private debt	22%	60%	10%	8%	0%

Increase allocation dramatically = Increase allocation slightly = Stay the same = Decrease allocation slightly = Decrease allocation dramatically

Structured finance surge despite regulatory storms

Ocorian's study unveils a robust surge (94%) in structured finance allocations by institutional investors, defying regulatory concerns (90%). The allure of innovation (48%) and defensive qualities propel this trend, reshaping the financial landscape amidst regulatory uncertainties.

48%

allure of innovation qualities propel this trend

Institutional investors target structured finance despite regulation worries

Institutional investors are navigating regulatory storms with confidence, as indicated by Ocorian's study on structured finance trends. Despite widespread regulatory concerns (90%), a resounding 94% of institutional investors are signalling an increase in structured finance allocations. The allure of innovation and the defensive qualities of structured finance investments are cited by 48%, underscoring the sector's resilience and adaptability.

Regulatory hurdles notwithstanding, institutional investors are forging ahead, redefining the financial landscape.

Christoph Schwarz, Business Development Director at Ocorian said:
"Structured finance stands out as a beacon of opportunity, with institutional investors recognising its potential for innovation and risk mitigation even in the face of regulatory uncertainties. Our research shows there is a growing expectation that institutional investors will dramatically increase allocations to structured finance instruments and securitisations as increased innovation in the sector drives interest.

"It seems regulation however remains a major concern to investors in the sector and could be a drag on increased allocations despite the other benefits that structured finance products provide for institutional investors.

"Regulation is expected to improve but institutional investors need to be careful and selective with allocations to the sector and work with expert partners who can provide the necessary support."

Talent crunch: scarcity of talent in compliance and legal roles

Industry professionals agree they are struggling to recruit compliance staff

Ocorian's study reveals growing regulation recruitment challenges among alternative fund managers, board directors, and family office professionals.

The study found 73% board directors, 77% alternative fund managers and 84% family office professionals are facing challenges in hiring for compliance and legal roles.

84%

of family office professionals are facing challenges in hiring for compliance and legal roles

The survey points to an increasingly complex regulatory landscape and rising salary demands as major reasons for the recruitment struggle.

Additionally, 75% board directors, 69% alternative fund managers, and 64% family office professionals predict recruitment difficulties will intensify.

Specialist compliance expertise in remains in high demand

Alternative fund managers, board directors, and family office professionals are facing issues with the scarcity of talent in compliance and legal roles. Ocorian's research exposes a stark reality: 73% board directors, 77% alternative fund managers and 84% family office professionals are grappling with difficulties in recruiting individuals with the requisite expertise for their compliance and legal departments.

Looking ahead, the prognosis appears grim as 75% board directors, 69% alternative fund managers, and 64% family office professionals anticipate the recruitment problems will become even worse. This paints a challenging picture for alternative fund managers seeking professionals well-versed in navigating the intricate world of compliance.

The primary hurdles identified in this recruitment dilemma are twofold. First and foremost is the increasing complexity of regulatory issues faced by these organisations on a global scale. Navigating a labyrinth of evolving regulations requires a specialised skill set, and the scarcity of individuals possessing this expertise is a significant roadblock. The second major impediment is the escalating salaries demanded by compliance and legal professionals, ranking as the second most critical challenge. As the demand for specialised skills grows, so do the financial expectations of these sought-after professionals.

Aron Brown, Head of Regulatory & Compliance at Ocorian said: "Fund managers, corporates, family offices, and board directors of leading firms are facing issues on a wide range of fronts as they struggle to recruit the expert and experienced compliance and regulatory staff their businesses need.

"On the one hand they need to address issues with increasing regulatory complexity while also addressing issues with growing competition for compliance staff driving salaries and the cost to them higher."

"We're increasingly seeing growing demand from existing and new clients for support on regulatory and compliance issues as the growing complexity of their businesses increases their costs. That is driving more outsourcing to third parties like us as firms recognise the need to ensure they are compliant."

Unlock new value with Ocorian – your global partner in financial services

Ocorian is a market leader in administration, regulation and compliance solutions for funds, corporates, capital markets and private clients. Embark on your financial journey with confidence. For tailored solutions, contact Ocorian's expert team. Navigate 2024 with strategic insights and operational excellence.

Navigate any regulatory storm and ensure you are compliant

Assisting with a broad range of compliance services Ocorian's subsidiary compliance consultancy service, Newgate Compliance, delivers pragmatic and flexible solutions to help clients meet often complex, evolving and increasing regulatory obligations. The team led by industry experts and ex regulators helps clients with the submission of regulatory authorisation applications, provision of Money Laundering Reporting Officers (MLROs), the implementation of compliance frameworks and governance structures, as well as regulatory and compliance training for employees.

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50+
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