

2025

Trends Impacting Investment Operations, Meradia's 2025 Viewpoint

SUMMARY

A modern Target Operating Model in investment management is no longer a "nice to have" but a necessity in an increasingly competitive, data-driven, and highly regulated landscape. Firms cannot cut their way to success in the marketplace as technological innovation and operational efficiency is the source of future outperformance relative to peers. Firms who have been unable to evolve become acquisition targets by firms that have. The implications are clear: **modernizing your operating model isn't just about efficiency; it's about surviving in an increasingly competitive landscape.**

Meradia has brought together some of the best minds in investment operations to identify the eight most impactful trends in 2025 and what these mean, not just today but for the future of our industry.



ABOUT THE AUTHOR

Laurie Hesketh, CIPM is a Managing Director who oversees strategic engagements for Meradia's clients. Laurie leads and advises on the complex nuances involved in transformation projects from a change management perspective. She is an expert in investment performance as well as the accounting and market data inputs that drive meaningful analytics. A seasoned consultant, Laurie has served many organizations including asset managers, asset owners, wealth managers, service providers as well as key industry vendors. Having started her career in technology as an application developer and then application architect, she has a strong understanding of the technological underpinnings that are necessary for large-scale transformation and repeatability.

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SIMPLIFICATION (MODERNIZATION) OF THE OPERATING MODEL

Modern operating models use contemporary data architectures, integrate applied and embedded artificial intelligence capabilities, and strive to continuously improve process automation to realize scale, agility, operational efficiency, and data-driven decision-making. Almost without exception, every firm Meradia speaks to is, at their core, trying to simplify their operating stack to create scale (do more with fewer heads), improve their time to market, or reduce costs. Indeed, simplification is such a current imperative that firms are more and more willing to give up non-core functionality or operational independence to achieve it.

We see evidence of simplification everywhere we look. Firms are finally closing data centers with the last final push to adopt fully cloud-enabled ecosystems. We are evolving in the direction of sharing data through vendors like Snowflake instead of moving it via flat files and SFTP. Continuously seeking a nirvana of a robust multi-book solution to eliminate having to capture and process everything more than once. Firms are looking to use AI solutions to automatically generate investment narratives or to provide insight into why a control has failed. *Simplification* is the real drive behind modernization efforts.

COMPLEXITIES OF 'POPULAR' ALTERNATIVES AND PRIVATE INVESTMENTS ARE ENFORCING CHANGE.

We can hardly justify referring to Alts as alternative investments given their prevalence. The operational challenge is that investment creativity has outpaced technological advancement in core platforms. This has exacerbated Excel-based and custom solutions at a time when simplification is the overarching goal. The rapid expansion of alts investments is an impediment to simplification. The increased use of private markets funds and credit facilities has caused existing infrastructure to take a step backward in achieving straight-through processing goals and exacerbated pain in weak operational stacks long in need of upgrade.

The market's expectation is that the platforms they rely on will keep up. Most, unfortunately, haven't as their underlying data architecture wasn't built to handle this brand of complexity. Opaque investment vehicles create challenges tracking exposures and handling lagged valuations. As digital asset investments also enter mainstream portfolios, they bring their own challenges. Best-of-breed solutions have emerged to serve this new crypto market. The complexity and challenge then become how to incorporate best-of-breed necessity back into a singular, total portfolio/fund view to enable top-down analysis and simplify reporting.

EMERGENCE OF REAL MULTI-BOOK

The concept of Multi-book has been a unicorn in the industry for over a decade, but the industry is starting to see real traction, FINBOURNE, FundGuard, and SimCorp, boast options that seem both viable and practical. In the early stages, yet, Meradia remains close to evolving use cases as this capability, when mature, will revolutionize how firms operate.

Multi-book systems will ingest trades and correctly handle them appropriately for multiple views of a portfolio, with the easiest example being having both ABOR and IBOR views by appropriately applying their different accounting rules. Those views also have to address separate needs with timing impacting when Net Asset Values (NAVs) are cut (ABOR) vs. what the Front Office and Investors expect daily analytics and returns to include. Next challenge is building the interactions and connections enabling other industry participants (brokers, custodians, vendors and asset managers alike) to successfully capture and leverage this new combined set of functionalities within a modern cloud environment. Adequate oversight and controls across each view, plus the development of a new cadre of back-office specialists that are savvy enough to understand front-office IBOR requirements will be another maturation hurdle. As most clients identify their lack of back-office capabilities as their weakest link, 2025 presents a strong opportunity for this segment to really show growth.

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DATA SHARING –VALUE POTENTIAL HAS BECOME VALUE REALIZED

Snowflake and its cloud-native ecosystem have delivered on their promise to enable scalable, secure data sharing to replace our old methods that moved data via various means. This modern data architecture, while not new in 2025, is also not fully adopted. Like it or not, we know what modern is, but that is not the same as having an application architecture that is actually modern. Old data movements of files via SFTP are still the norm. That said, firms' investments in data sharing and cloud-native architectures in years prior suggest that 2025 will begin the massive migration from old to new methods. All vendors and most clients are rapidly making moves to incorporate data sharing into core platforms. Front-to-back platforms coupled with services get the most value from these investments, with many, including STT's Alpha, utilizing cloud sharing at its core.

Core, legacy operational (accounting, performance, reporting, etc.) platforms have unsurprisingly lagged in-house development in modernization. We expect a convergence where gains in data sharing will rapidly impact core functions and gain momentum in 2025 as firms try to either retrofit legacy platforms to eke out more scale, solve challenges, or embark more fully in a major operational overhaul.

AI PRESENTS OPPORTUNITY TO CREATE SCALE IN INVESTMENT OPERATIONS

Meradia's clients are looking at Artificial Intelligence in one of two ways:

1. How can it help me scale?
2. How can I use it to create competitive advantage?

Forays for Investment Operations, thus far, have primarily centered around gains in efficiency. Emerging AI use cases that are truly moving the needle to help firms create scale. While our list may not be exhaustive, there are some areas worth highlighting for Investment Operations:

1. Portfolio Commentary

Sophisticated, financially savvy, large language models incorporate AI-generated commentary to explain market movements relative to investments in one or more portfolios. Client reporting will be helped or replaced by AI-generated commentary and supplemented by interactive tools whereby investors use natural language to inquire, "How's my portfolio performing today?" "Compare x fund to y fund." Or "What are the top stocks in my portfolio?" FactSet launched this capability at Focus (their user conference) in 2024, while STT and BNY are actively investing in similar capabilities.

2. Data Ingestion

Mapping data from one source to another has long been an arduous task with interface development, taking weeks to months. New prompt tools are auto-recommending what data goes where and rapidly transforming how we think about data mapping.

3. Teaching Machines to do Repetitive, Complex Tasks

If machines can learn to more accurately read radiology reports than a doctor or are better evaluators of a prisoner's likely recidivism than a judge, why can't a machine learn to evaluate a bad price, identify data anomalies, or suggest fixes?

Make no mistakes. AI will replace many operational tasks, and it should. Competitive firms will integrate AI into workflows and embed it in applications to unlock new efficiencies and insights.

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THE RACE TO A TOTAL FUND VIEW FOR DATA-DRIVEN DECISION-MAKING

Total Fund view. What is it? At its core is the ability to walk up and down a complex multi-asset structure drilling into components to answer difficult questions about alpha generation and exposure. Most Asset Owners, OCIO, and general insurance accounts want it. We've heard it called the Total Portfolio View, the Whole Portfolio View; at Meradia, we refer to it as **Total Fund View**.

The transformational shift we are seeing in the Asset Owner space is almost entirely driven by this fundamental objective. This is another area where demand is outpacing technological advancement as the challenge is difficult. The Total Fund view is a valuation, data aggregation/classification, and performance analytics challenge all rolled into one. Solving it requires systems that can handle and flex despite inherent data messiness, including a mix of internal and external portfolios, public and private assets, synthetic exposures, and a multitude of performance methodologies that must be aligned to walk up and down the structure.

The solution must make sense both at the investment level (bottom-up), the total level (top-down), and innumerable aggregation scenarios in between. The data, methodology, and flexibility challenge is no small feat to deliver. This space is rife with charlatans who pretend to understand it but don't and solutions that over-deliver in sales pitches but struggle in implementation.

2025 will see progress, but it's a race. All major platforms/service providers that cater to this market are both actively pursuing it and in flux. Inherent complications discussed earlier make this capability hard to master. It is unclear if 2025 will see any clear winners that can check enough boxes to meet the tough demands, but we will see both strife and progress.

PERSONALIZATION AT SCALE AND TECHNOLOGICAL LEAPFROGGING CONSTRAINED BY REGULATORY ENVIRONMENT

Direct Indexing, Personal ETFs, after-tax returns and customized presentations. For Meradia's wealth clients, personalization is the name of the game. Clients want to feel like their experience is tailored to their bespoke needs with the speed and efficiency of standard service offerings. Operational infrastructure is challenged to balance the desire for a superior client experience with scale. Adding fuel to this fire, the regulatory environment – or fear of it – constrains innovation. Controls over personal identified information (PII) is a deterrent to outsourcing, for example.

Wealth managers who have neglected important infrastructure investments continue to be forced to solve scale challenges with bodies reducing margins. Wealth managers differentiate by being first (or close followers) to market for new products or services.

TRICKY TRANSFORMATIONS: DON'T DRIVE THE CAR WHILE FIXING THE ENGINE

The imperative to modernize, share data, incorporate new asset types, and simplify operations with a complete view of their assets means everyone is tinkering with their engines while cruising down the highway. That's why you choose a vendor – because they have the resources to share development and data costs across clients. That said, in every implementation, we are trying to drive while their mechanics are actively working on developing their engine's capabilities.

This is why it's more important than ever to bring in experts, not just in change management but in the platforms themselves. A great consulting firm helps see around corners, sequence projects, and minimize the costs of schedule overruns. The future is now. Embrace change and choose the right consulting partner to help with your firm's journey.

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TRICKY TRANSFORMATIONS: DON'T DRIVE THE CAR WHILE FIXING THE ENGINE (continued)

At Meradia, we pride ourselves on bringing the expertise – bringing the operations and technology gap with experience in both camps. We know the vendors leading the race and can help break down large, complex transformational journeys to minimize risks and create value throughout the engagement.

MERADIA IS STAYING AHEAD OF THE TRENDS.

In today's competitive, data-driven, and regulated investment landscape, modernizing your operating model is essential for achieving enhanced efficiency, client satisfaction, and long-term growth. Firms that fail to evolve risk falling behind or becoming acquisition targets.

At Meradia, we specialize in guiding investment managers through the complexities of operational transformation. Our team leverages decades of experience in investment performance measurement, front-to-back office operations, and technical platforms to optimize your firm's functionality. We assist clients in aligning data strategies with business objectives, implementing AI-driven processes, and modernizing data architectures to drive operational efficiency and business innovation.

Modernization isn't just an initiative; it's a necessity for staying competitive. If your firm is ready to evolve, we're here to help. Let's start the conversation.