

2024 SURVEY RESULTS

Alternative Data Poised for More Growth in the Age of AI

Alternative Data Enters the Age of AI

Executive Summary

Over the last six years, investment management professionals have steadily increased their use of alternative data to improve decision-making, optimize portfolios, improve due diligence, and boost returns. Now, with widely available artificial intelligence-powered tools at their fingertips, they are poised to analyze exponentially more data to extract more valuable insights.

Since 2019, Lowenstein Sandler has surveyed investment advisers for hedge funds, private equity firms, and venture capital funds to understand their use of alternative data. Now a global market [estimated at over \\$9 billion](#), alternative data includes forms of information not contained in company filings, press releases, analyst reports, or other traditional sources, such as credit card transactions, geolocation, and mobile device data.

This year's survey results offer a valuable snapshot of alternative data's evolution and integration into the investment management industry. Notably, 67 percent of respondents¹ say they are using alternative data, an increase of five percentage points from 2023 and more than double the 31 percent from 2022. Moreover, 94 percent of current alternative data users plan to increase their budgets allocated to it.

The results confirm that alternative data has entered a more mature phase of growth. No longer a novelty, investment professionals see it as an essential, albeit imperfect, tool needed to compete.

The range of alternative data used by investment firms remains wide. The sources that saw the biggest percentage point increases from earlier surveys came from cloud platforms (+17), app usage (+17), biometric data (+16), and web scraping (+20).

Alternative Data Sources with Largest Percentage Point Increases from Previous Surveys

+17 cloud platforms	+16 biometric data
+17 app usage	+20 web scraping

¹ Traditionally, hedge funds have been the heaviest alternative data users, followed by private equity and venture capital firms. This year, many respondents self-identified as private equity funds; however, lines between hedge and private equity are often blurry, as a fund may not neatly fit into one category versus the other. Hedge funds may make illiquid, private investments along with a liquid/public company portfolio.

Executive Summary

Merger of Alternative Data and AI

Of course, alternative data is only as valuable as the analysis that can be extracted from it. The emergence of generative AI has dramatically increased its potential utility.

When we surveyed respondents last time, it had only been a year since ChatGPT's public debut in November 2022. Still, investment professionals expressed widespread bullishness about AI's potential to make alternative data more valuable through its ability to recognize patterns and draw insights.

Results from this year's survey show that their optimism has not waned. Over half said they use AI for investment research/portfolio optimization/trading (61 percent) and summarizing research and materials (58 percent). Among respondents using AI for investment research/portfolio/trading, 85 percent believe they will be using it much or somewhat more in the coming year. Among those not using AI, 43 percent plan to adopt it for next year.

Another sign that AI has become deeply embedded in investment management: 87 percent of respondents said their firm has a formal policy about its use,

“ Alternative data is no longer novel, but the combination with AI creates the possibility for original insights at a scale and speed that was previously unattainable. We have entered a new era of investment that will be shaped in large part by technology's exploitation of data. ”

— **Scott H. Moss**

Co-chair, Investment Management Group
Chair, Fund Regulatory & Compliance
Lowenstein Sandler LLP

suggesting firms have made it central to operations. In addition, 68 percent reported having policies regarding the use of AI with alternative data.

The rapid adoption of the use of AI, including around investments and trading, highlights the need for robust policies and procedures governing the use of AI by investment firms. These policies and procedures need to be tailored to the firm's uses of AI in its operations and provide for legal and compliance approval and oversight over the use of AI, particularly where AI may be used as part of the investment decision-making process.

Key Findings



of respondents said they are currently using alternative data, compared with 62% in 2023 and 31% in 2022.



of respondents are using AI to help with investments and trading.



of current alternative data users plan to increase their 2025 budgets for alternative data, with more than **six in ten** of those projecting an increase between 11–25%.

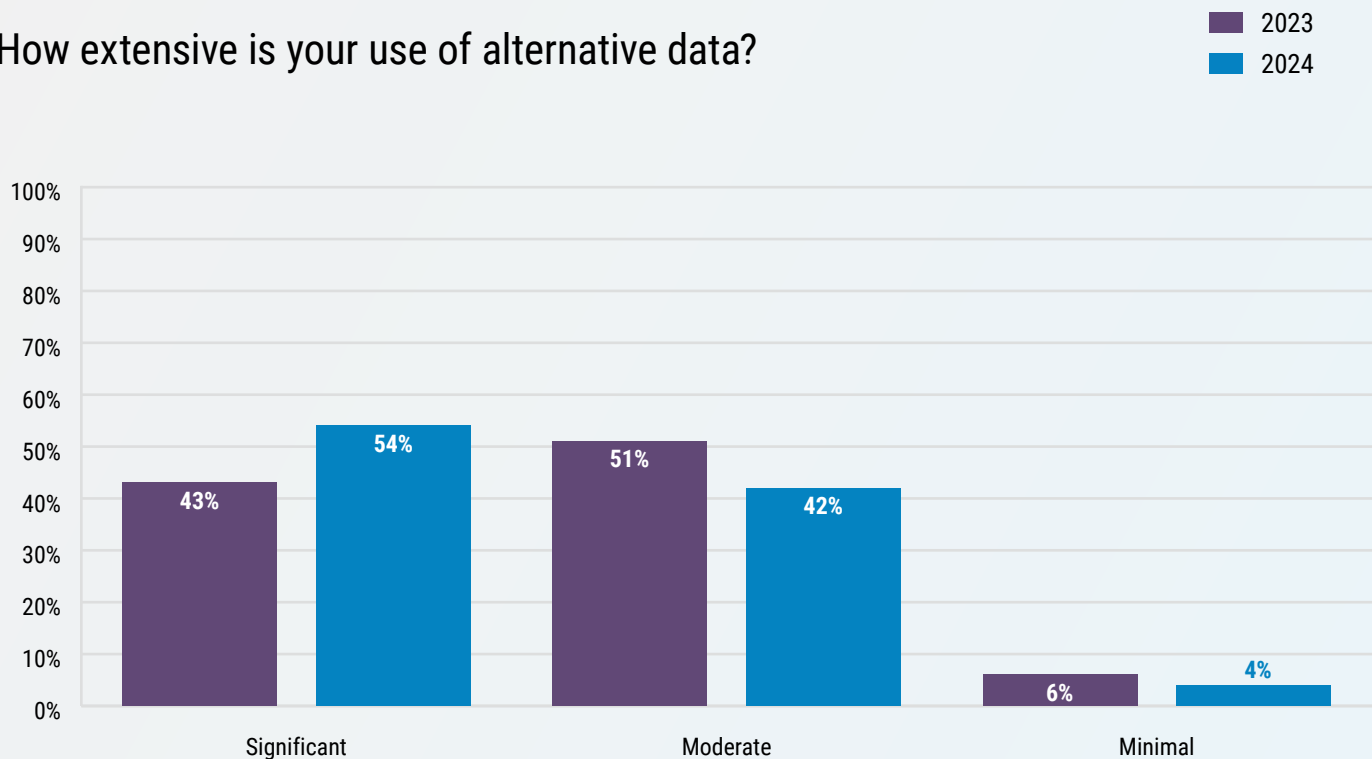


of respondents using AI for investment research/portfolio/trading believe they will use it much or somewhat more in the coming year.

Alternative Data's Place in the Mainstream

Like the [last survey's results](#), these provided additional evidence of alternative data's place in the mainstream of the investment management industry. 💡 **For the second straight year, more than 60 percent of survey respondents said they currently use alternative data; moreover, 54 percent indicated they use it extensively.**

How extensive is your use of alternative data?

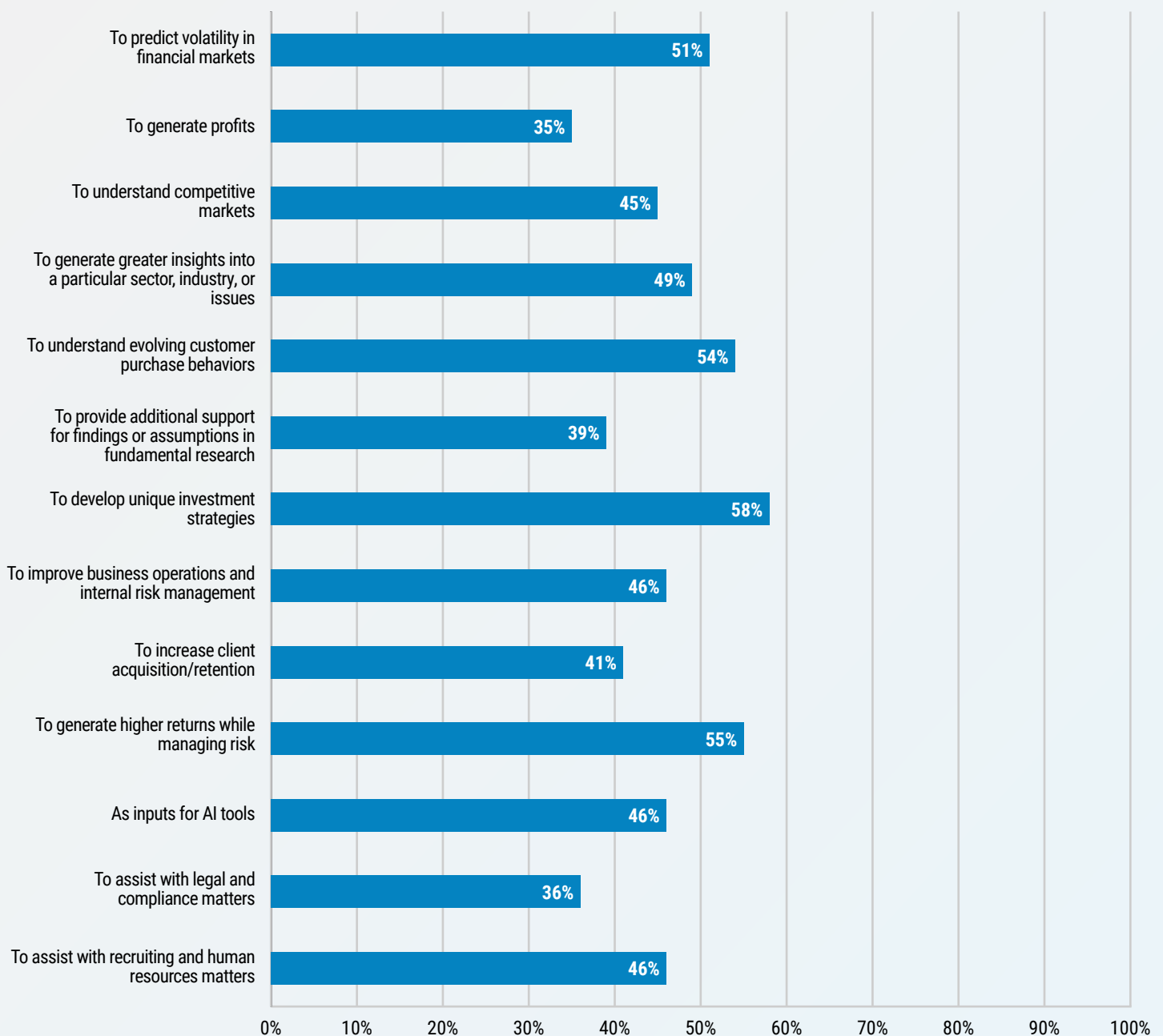


Alternative Data's Place in the Mainstream

Another indication of alternative data's staying power is the many purposes for which respondents use it. Among the most popular purposes cited in this year's survey were developing unique investment strategies (58 percent), generating higher returns while managing risk (55 percent), understanding evolving customer purchase behavior (54 percent), and predicting volatility in financial markets (51 percent).

For which of the following purposes do you use alternative data?

2024



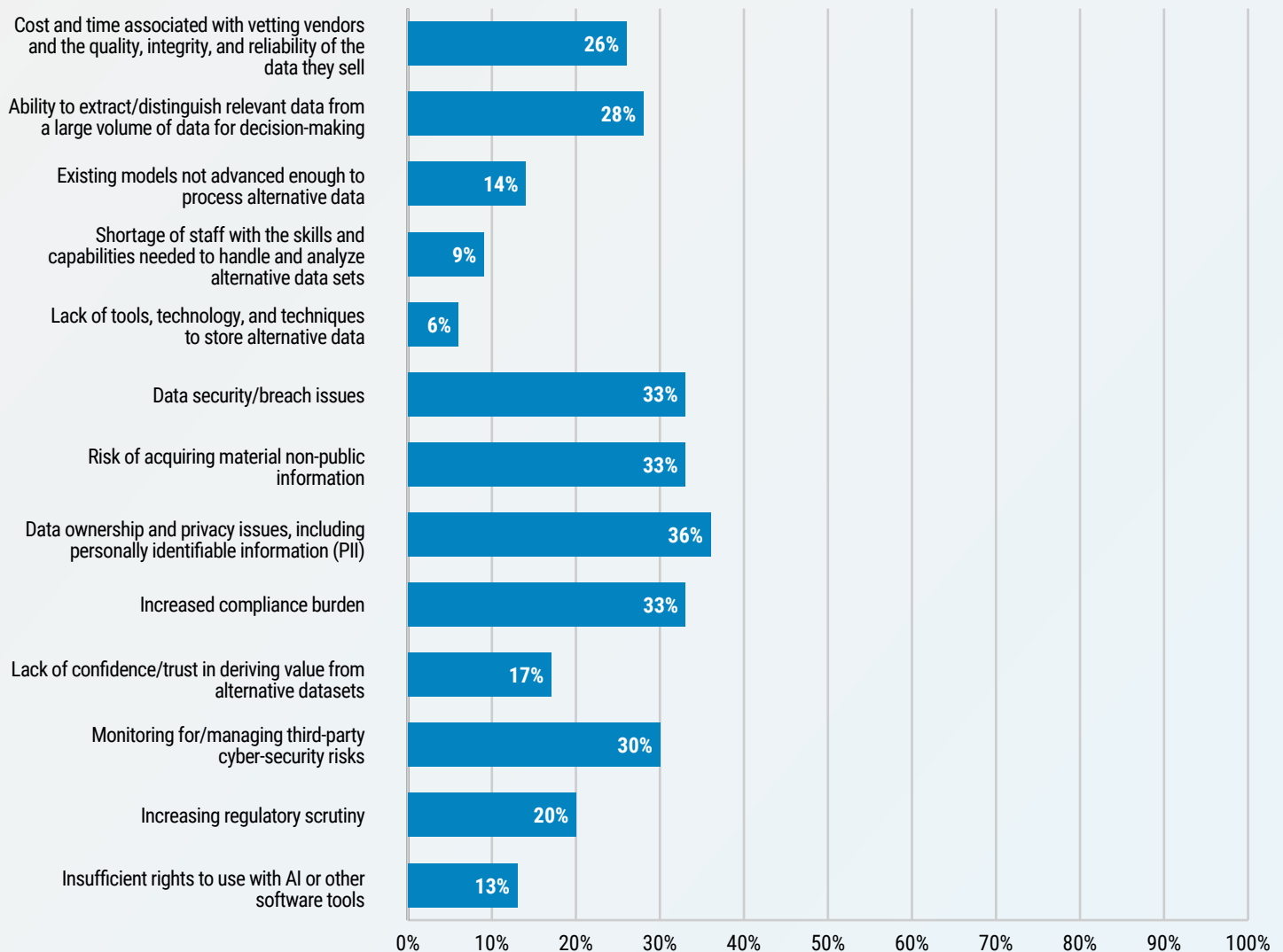
Alternative Data's Place in the Mainstream

The many risks of using alternative data have not disappeared with more regular usage. In this year's survey, the most frequently cited concerns with alternative data were ownership and privacy (36 percent), increased compliance burden (33 percent), data security/breach issues (33 percent), and risk of acquiring material non-public information.

Notably, some worries about using alternative data have decreased from previous surveys. Concerns over a shortage of qualified staff needed to analyze the data and lack of tools to store it, for example, seem to have become less salient as alternative data has become more mainstream. Among those respondents whose firms have not used alternative data, trust in the quality of the data remains a key reason.

Which of the following are your major concerns when gathering/purchasing and using alternative data?

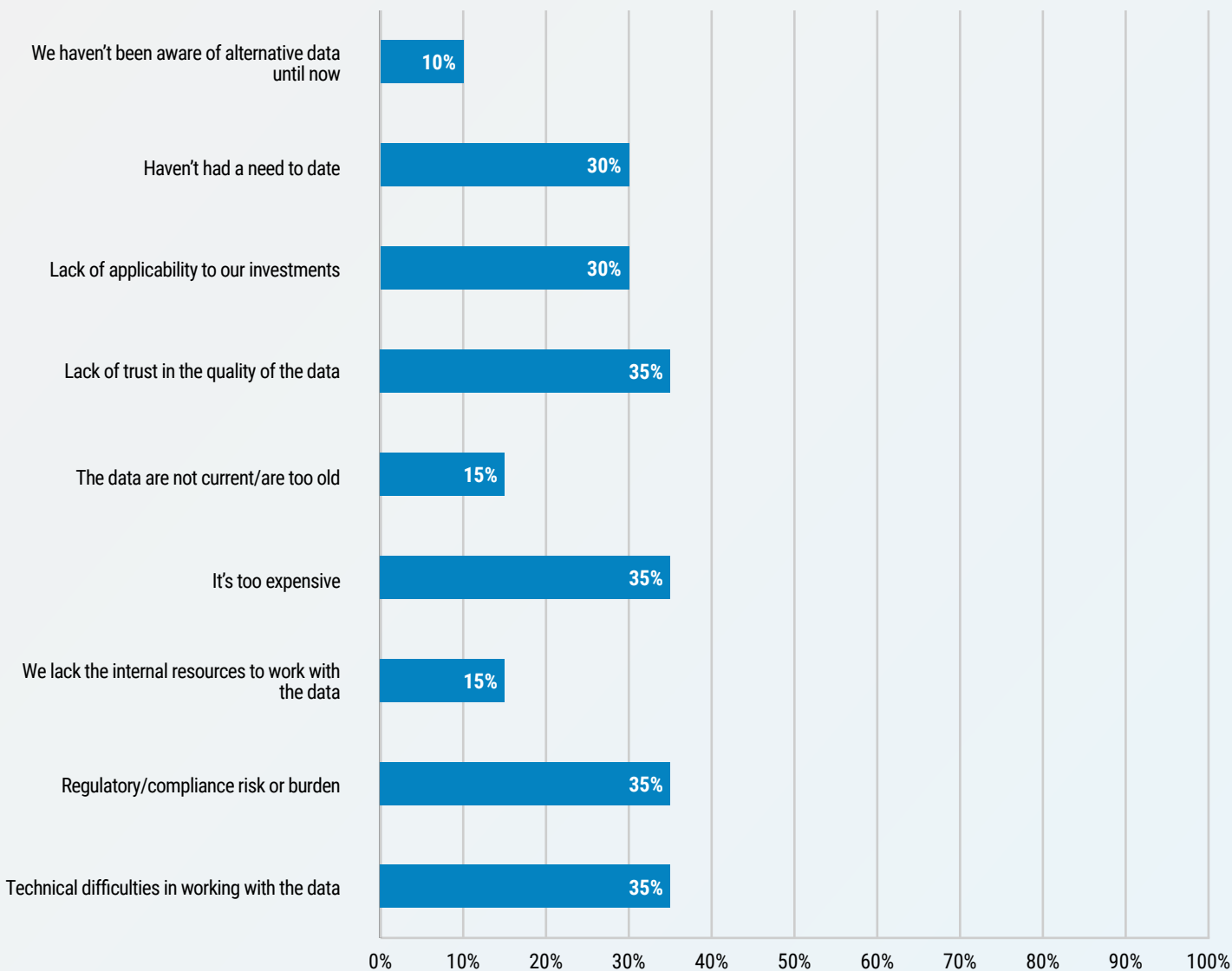
2024



Alternative Data's Place in the Mainstream

Why does your firm not currently use alternative data?

2024

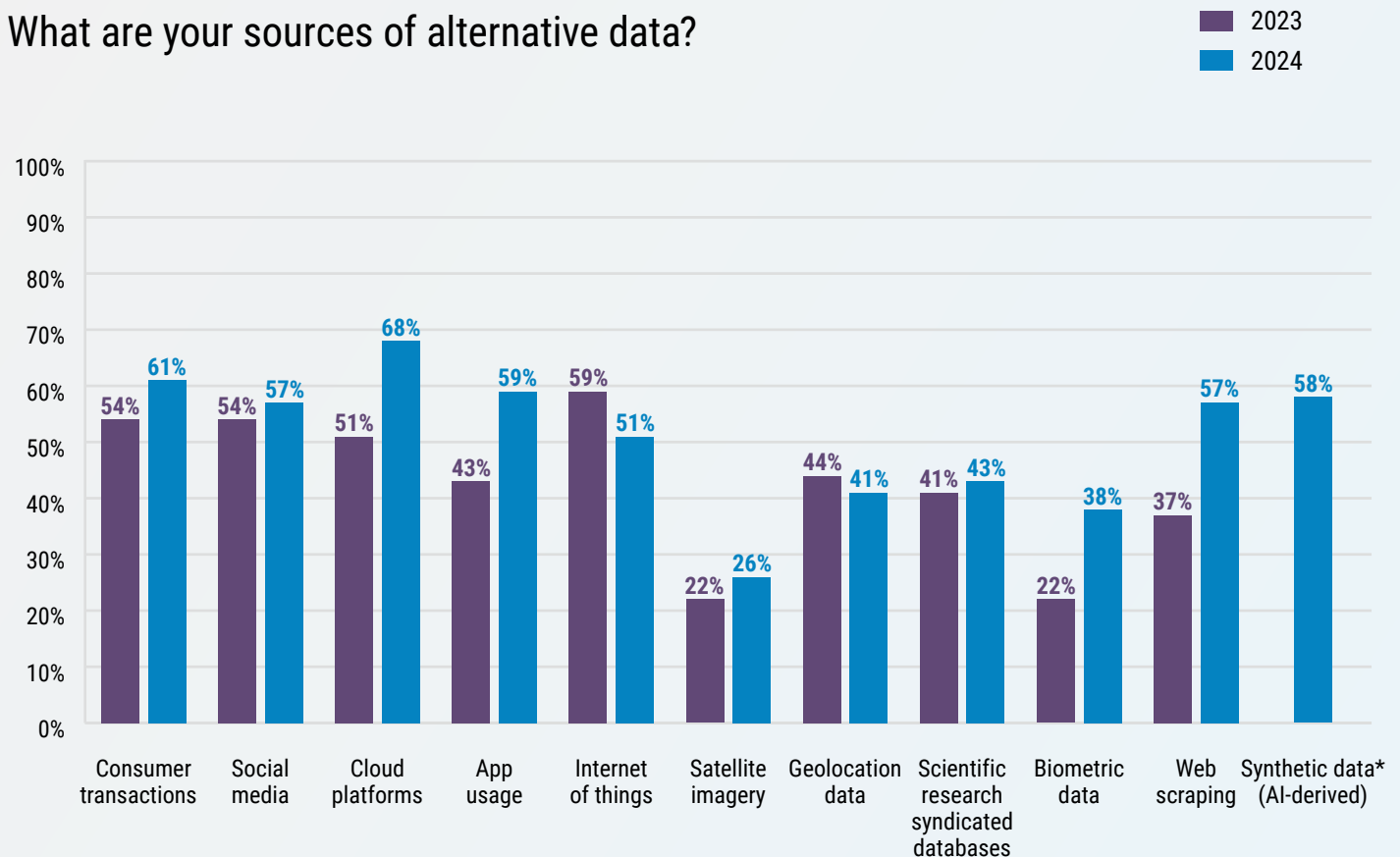


Strong Demand Across Various Sources

Investment managers continue to draw alternative data from a wide range of sources. In our [last survey](#), the Internet of Things, which connects objects to the Internet via technology such as sensors and software, was the most popular answer. In this survey, the top answers were cloud platforms (68 percent), followed by consumer transactions (61 percent), and app usage (59 percent). Overall, we observed percentage point drops in just two categories, suggesting a high demand for information across the board.

For the first time, we asked respondents about synthetic data generated by machine learning and algorithms used to mimic real-life scenarios. Our survey results show that synthetic data is already playing a role.

What are your sources of alternative data?

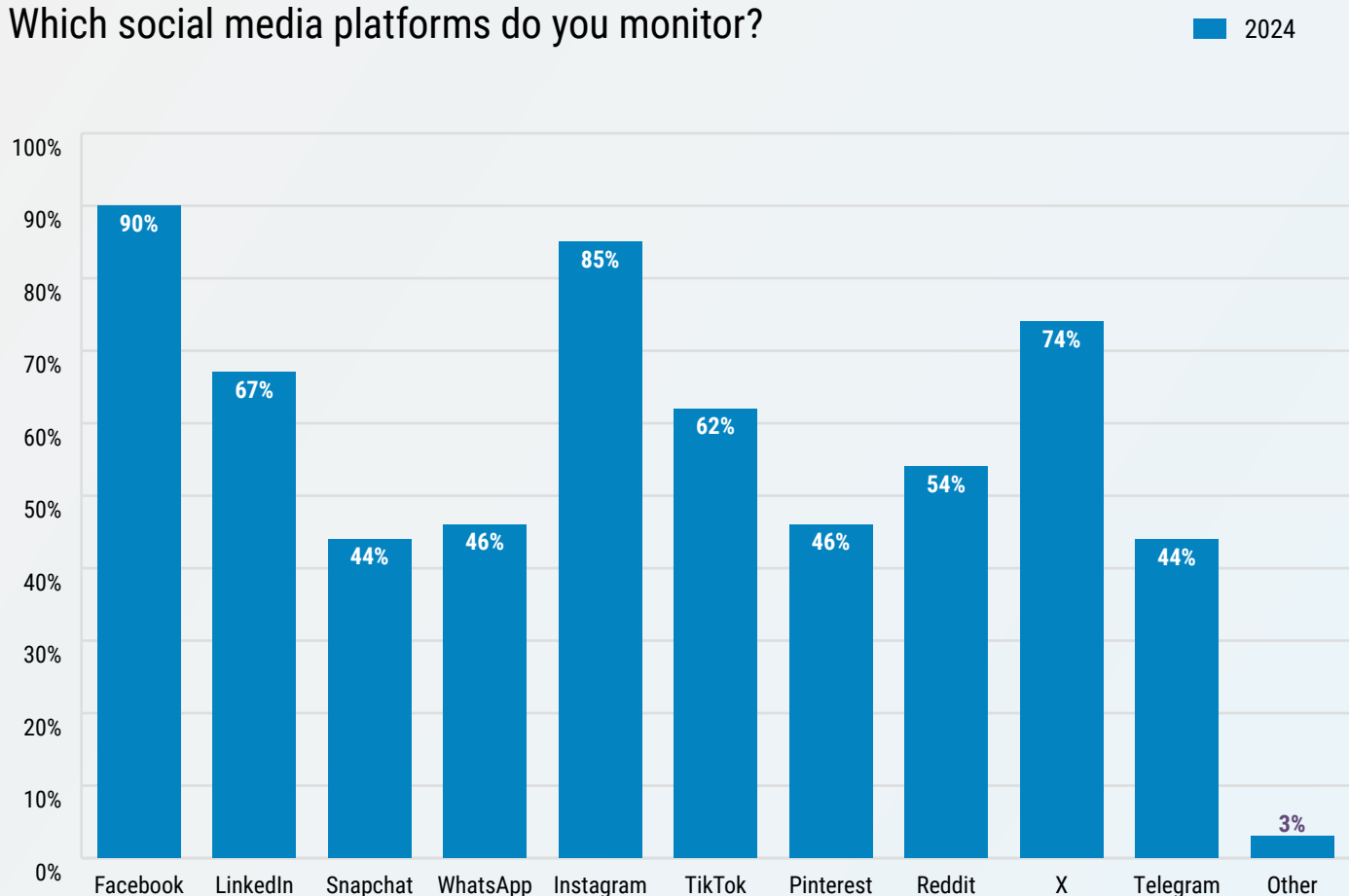


*Synthetic data (AI-derived) was not an answer choice in the previous survey.

Strong Demand Across Various Sources

With billions of users worldwide, the top social media networks offer investors rich data sources on consumer and retail trading sentiment. Among survey respondents who said they monitor social media networks, Facebook, Instagram, and X were the most cited. But the results also show significant interest in several other networks such as TikTok.

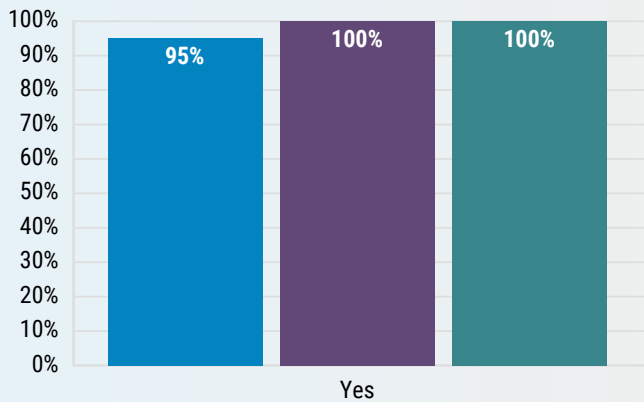
Which social media platforms do you monitor?



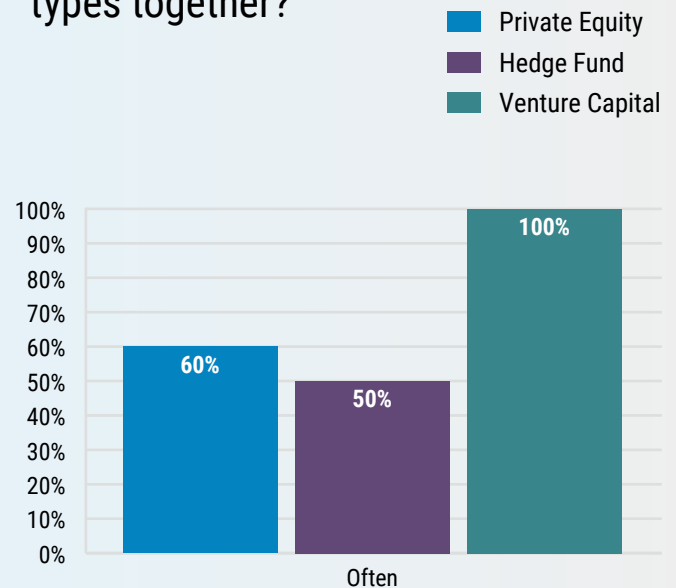
Strong Demand Across Various Sources

In another sign of alternative data's established use in mainstream investment management, 💡 **94 percent of alternative data users said they use it in combination with fundamental analysis to make investment decisions**, a significant percentage point increase from the previous two surveys. Furthermore, 61 percent said they use both often, which is also a higher percentage than the previous two surveys.

Do you use alternative data in combination with fundamental analysis to make investment decisions?



How often do you use both data types together?



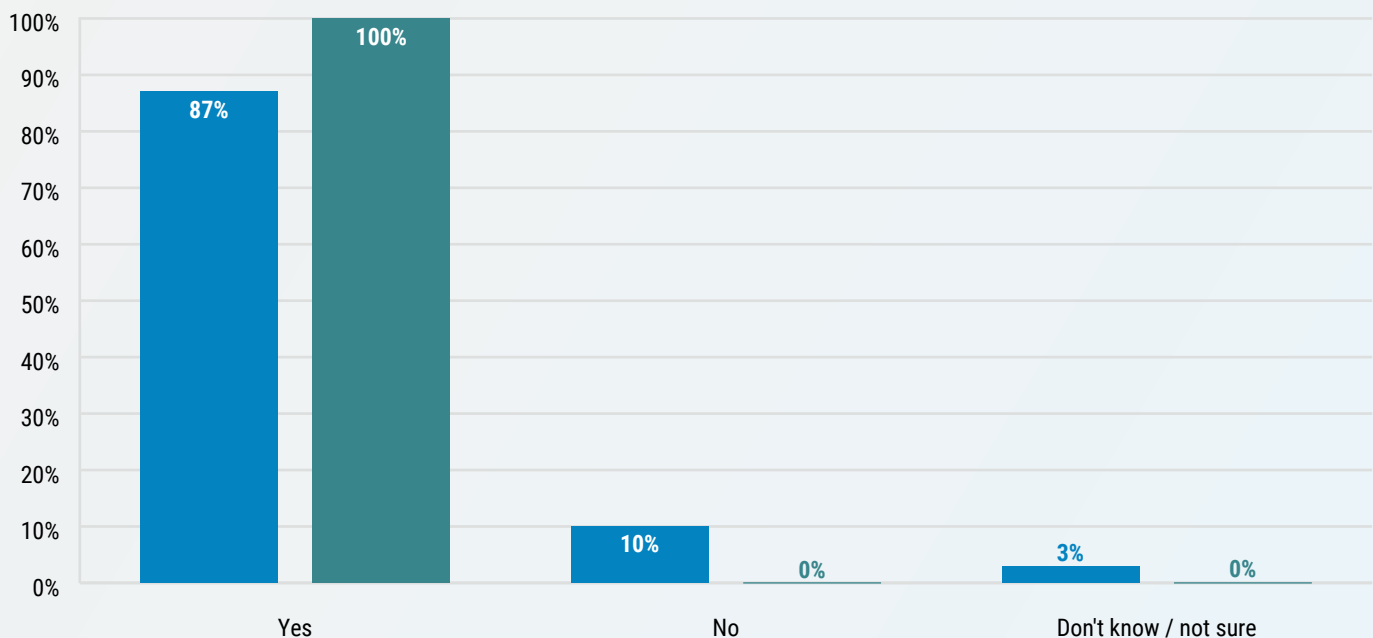
Fast Adoption of AI

Results from our survey suggest that it has not taken long for the investment management industry to adopt AI.

💡 Eighty-seven percent reported that their firm has a formal policy for using AI in connection with investments/trading.

Does your firm have a specific formal policy regarding the use of AI in connection with investments/trading?

Private Equity
Venture Capital



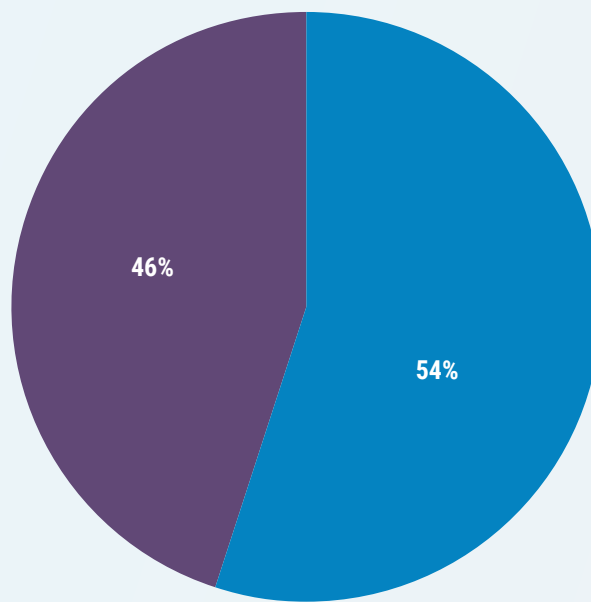
**No Hedge Fund survey respondents indicated that they have formal AI policies and are therefore not represented in the above chart.*

Fast Adoption of AI

More than half of respondents said their firm uses AI systems extensively for investment research/portfolio optimization/trading. Furthermore, nearly all respondents said their firm will use AI more for those purposes than they currently do in the next 12 months. These results suggest a frenetic arms-race-level competition to leverage the technology effectively.

To what extent is your firm currently using any AI systems for investment research/portfolio optimization/trading?

- To a moderate extent
- To a large extent

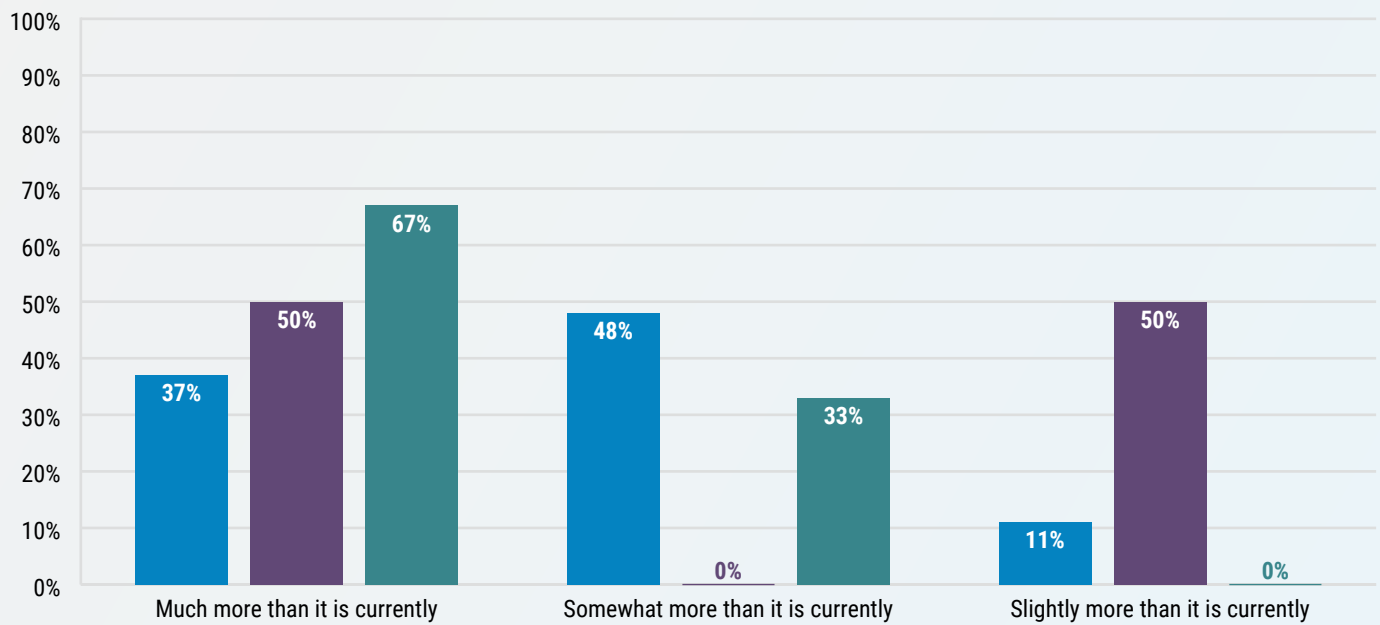


**No Hedge Fund survey respondents indicated that they currently use AI systems for investment research/portfolio optimization/trading and are therefore not represented in the above chart. "To a small extent" and "Not at all" were also possible answers, but no Private Equity or Venture Capital survey respondents selected them.*

Fast Adoption of AI

To what extent will your firm use AI systems for investments/trading in the next 12 months?

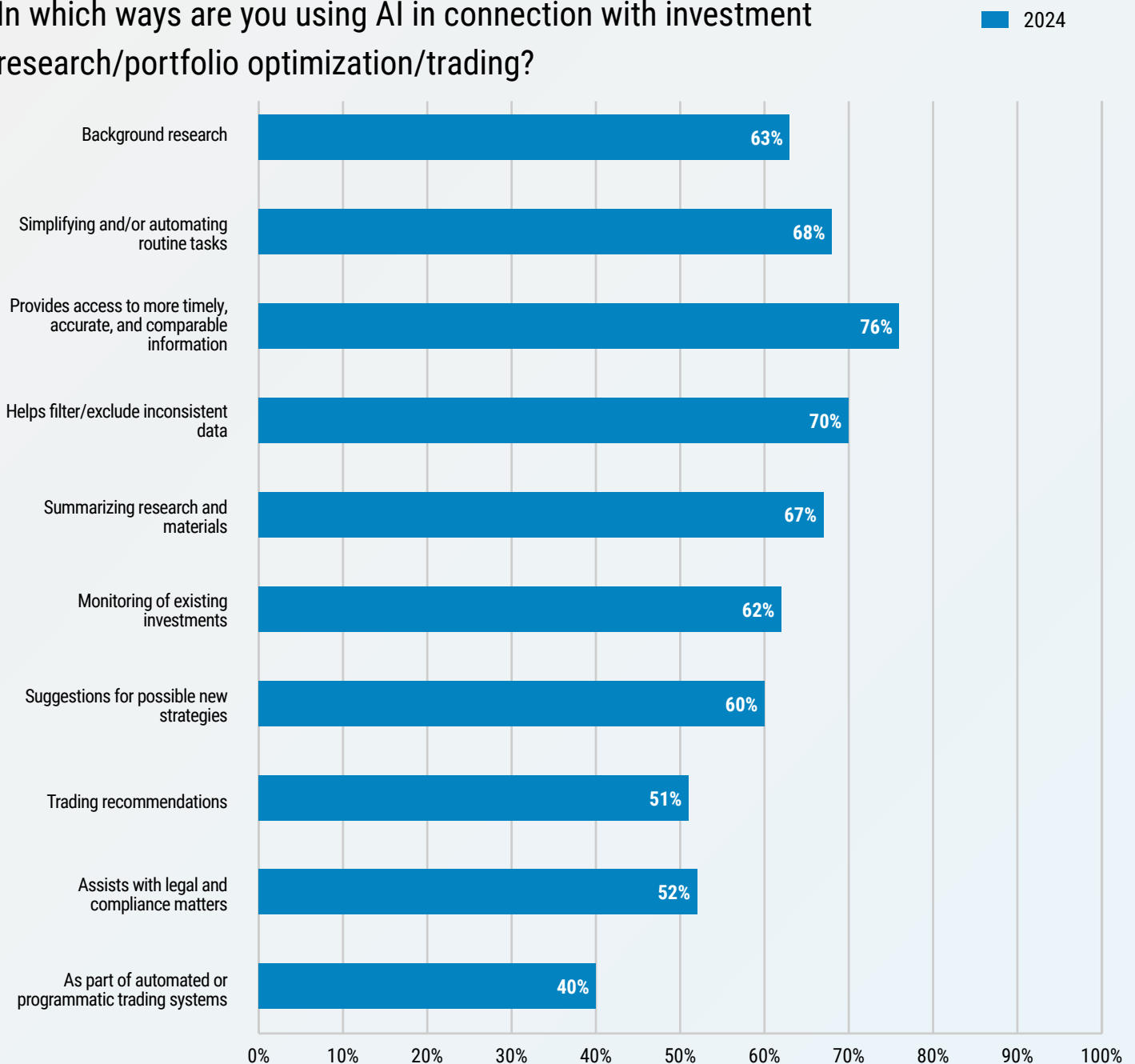
Private Equity
Hedge Fund
Venture Capital



Fast Adoption of AI

Investment researchers have discovered multiple ways to leverage AI to support their investment research/portfolio optimization/trading operations. Among the most popular answers in our survey were getting access to more timely, accurate, and comparable information (76 percent), filtering/excluding inconsistent data (70 percent), and summarizing research and materials (67 percent).

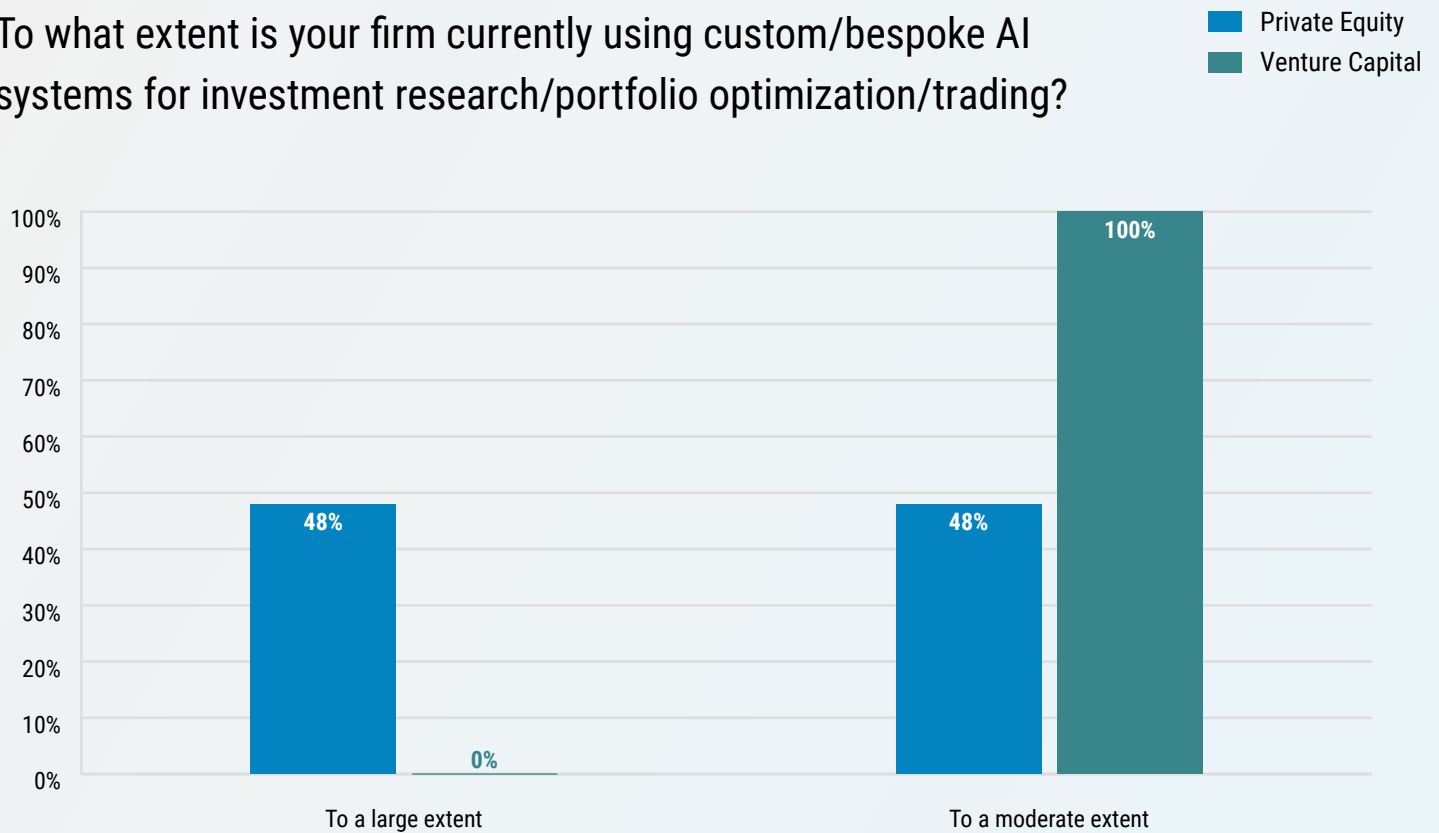
In which ways are you using AI in connection with investment research/portfolio optimization/trading?



Fast Adoption of AI

Generally, most AI systems are only as good as the data with which they are trained. Therefore, it is no surprise that most survey respondents said their firms are using custom/bespoke AI systems, which cannot be replicated by competitors. Furthermore, most firms rely on data obtained from third parties or their own to train their AI systems.

To what extent is your firm currently using custom/bespoke AI systems for investment research/portfolio optimization/trading?

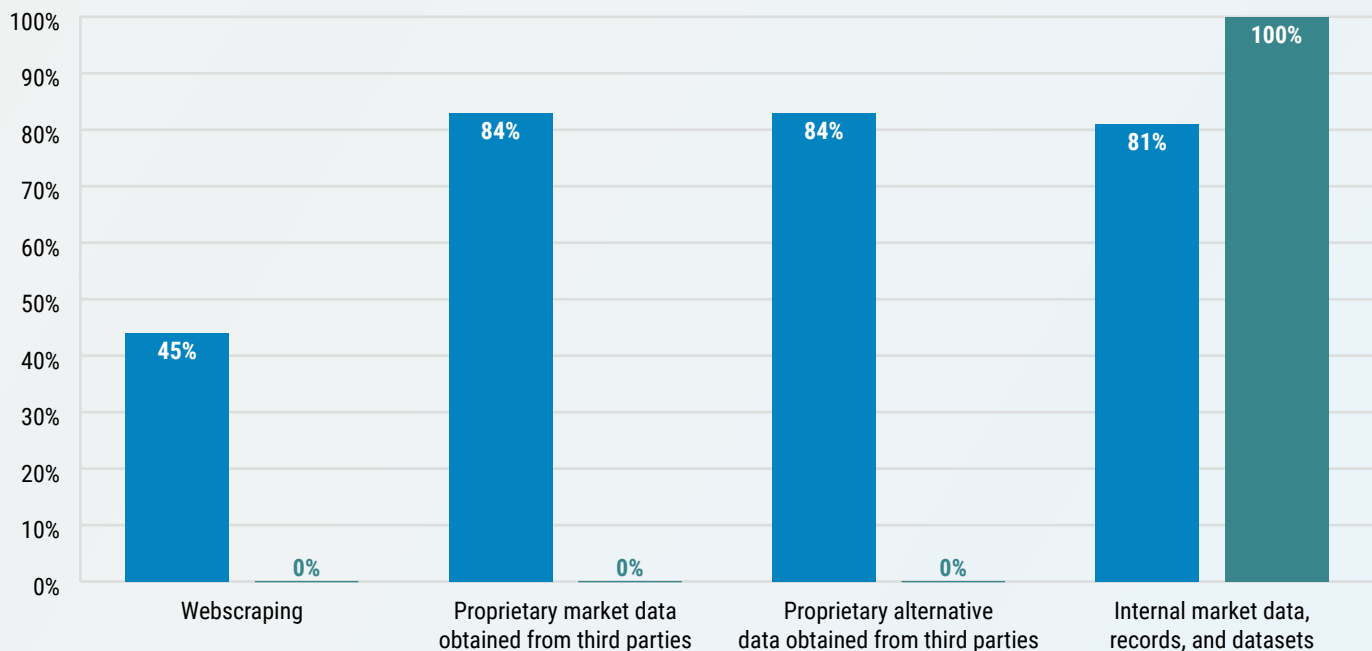


**No Hedge Fund survey respondents indicated that they currently use custom/bespoke AI systems for investment research/portfolio optimization/trading and are therefore not represented in the above chart. "Not at all" was also a possible answer, but no Private Equity or Venture Capital survey respondents selected it.*

Fast Adoption of AI

Which of the below data types is used as training data for your firm's custom/bespoke AI systems used in connection with investment research/portfolio optimization/trading?

■ Private Equity
■ Venture Capital

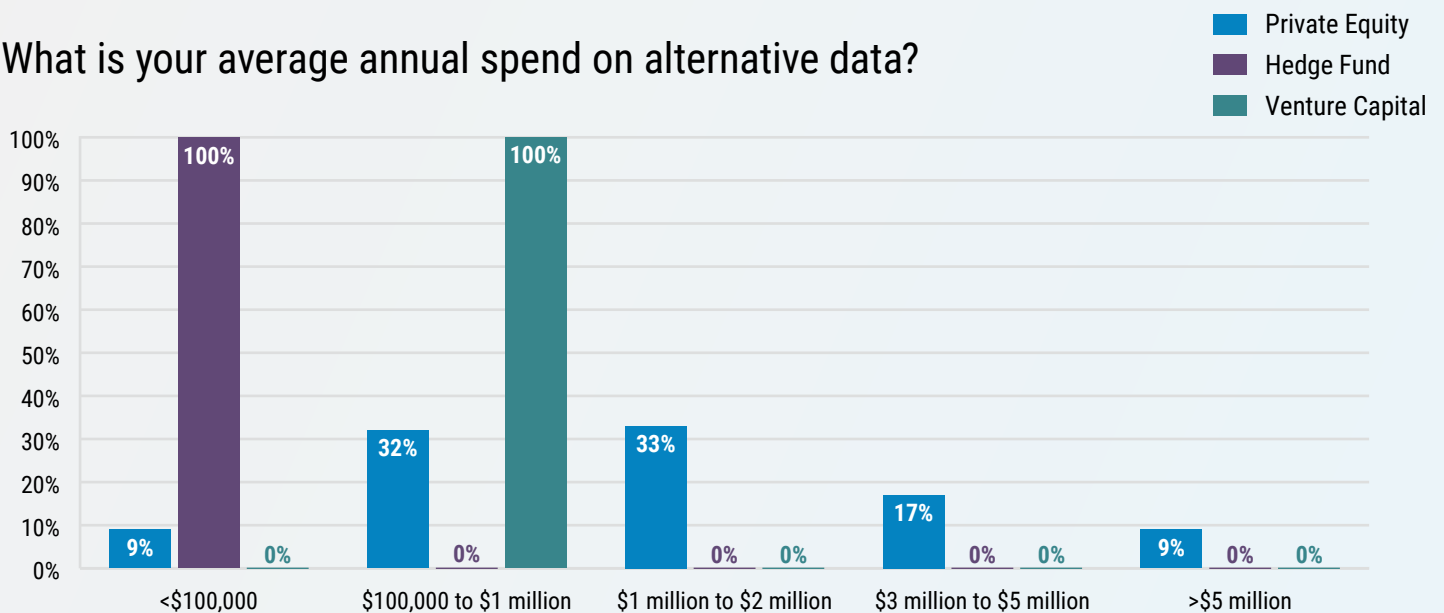


**No Hedge Fund survey respondents indicated that they currently use custom/bespoke AI systems for investment research/portfolio optimization/trading and are therefore not represented in the above chart.*

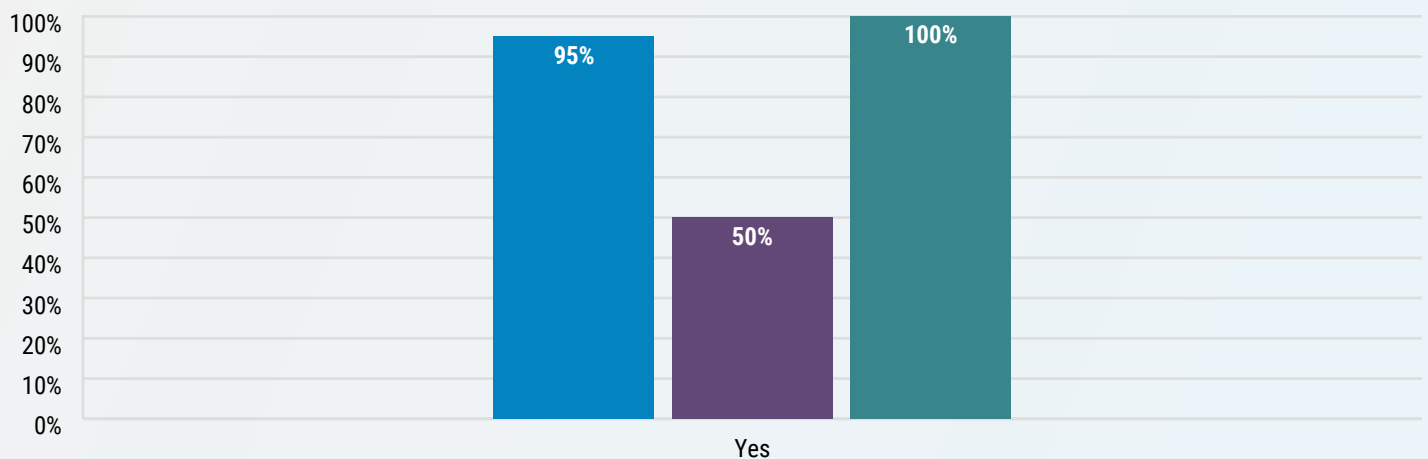
Growing Budgets for AI and Alternative Data

As the advances in AI have made clear, the power of its output depends on the quality of its input. Thus, it is unsurprising that spending on alternative data remains robust and is likely to grow significantly. 💡 **More than half of respondents say their organization annually spends \$1 million or more on alternative data.** Moreover, 94 percent said their organization plans to increase its budget devoted to it.

What is your average annual spend on alternative data?



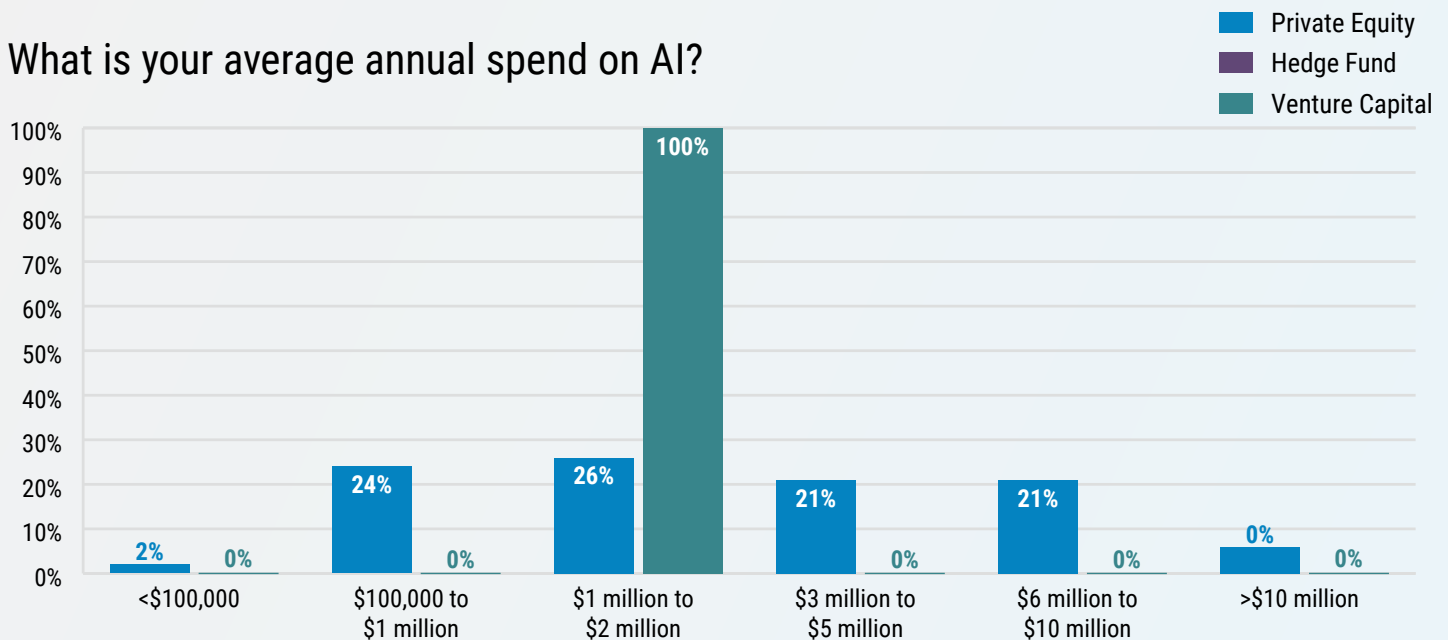
Does your organization plan to increase its alternative data budget?



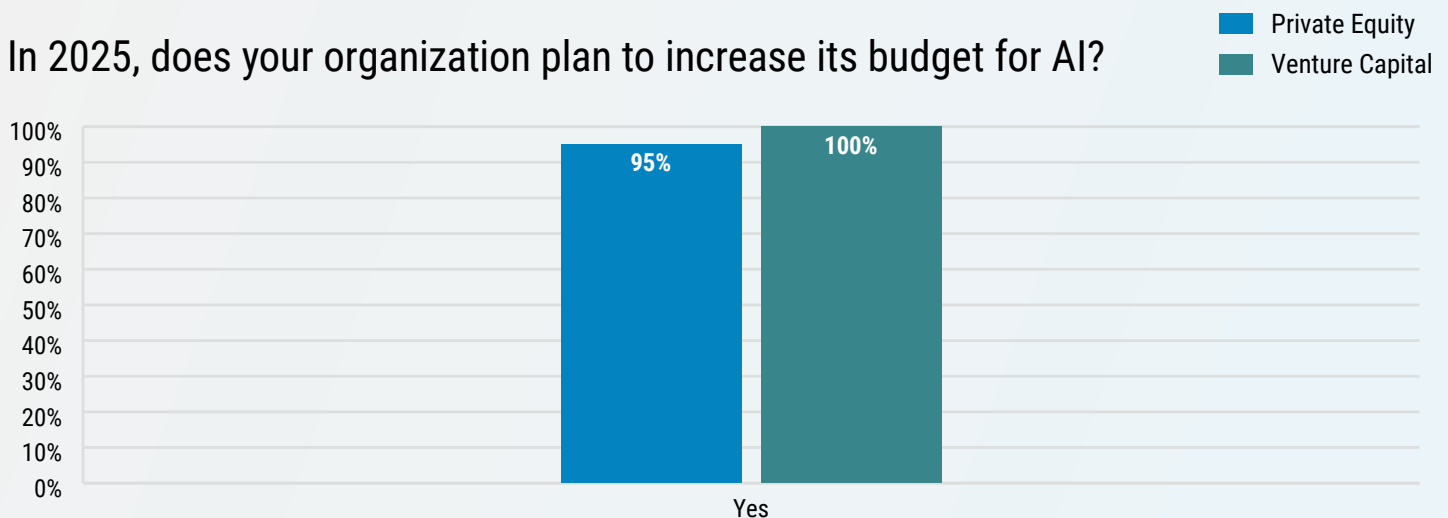
Growing Budgets for AI and Alternative Data

Most survey respondents reported spending significantly on AI and said they expect to spend more next year. Most said their firm's average annual spend on AI was at least \$1 million, and 💡 **95 percent expect their budget this year to increase.**

What is your average annual spend on AI?



In 2025, does your organization plan to increase its budget for AI?



**No Hedge Fund survey respondents indicated that they are currently spending on AI and are therefore not represented in the above chart. "Don't know/Can't say" was a possible answer to "What is your average annual spend on AI?", and "No" and "Don't know/Not sure" were also possible answers to "In 2025, does your organization plan to increase its budget for AI?" but no Private Equity or Venture Capital survey respondents selected them.*

Report Methodology



From November 29, 2024, to January 14, 2025, 103 respondents completed an online survey to assess investment organizations' use of alternative data. The results were tabulated, analyzed, and released in February 2025.

Respondents included professionals from private equity firms (95 percent), hedge funds (2 percent), and venture capital firms (3 percent). Thirty-eight percent held C-level titles, while other respondents included senior managers/managers (22 percent) and managing directors (15 percent).

Regarding company size, 36 percent of respondents came from organizations with more than 500 employees. A slightly smaller percentage, 29 percent, came from companies with 201–500 employees, while 22 percent were from organizations with 51–200 employees. Most (51 percent) represented organizations with \$500 million to \$5 billion under management. Twenty-two percent managed less than \$500 million, and 27 percent managed over \$5 billion.

[Lowenstein Sandler LLP](#) is a leading advisor on legal and compliance issues surrounding the use of alternative data and AI. The firm conducted similar surveys in [2019](#), [2021](#), [2022](#), and [2023](#).

About the Authors



SCOTT H. MOSS

Partner

Chair, Fund Regulatory & Compliance
Co-Chair, Investment Management Group

New York

T: +1 646.414.6874

F: +1 973.597.2335

smoss@lowenstein.com

Highly respected by industry peers for his depth of regulatory knowledge, Scott Moss has counseled hundreds of investment management clients in the implementation of compliance programs, as well as in the development of plans to ensure ongoing adherence to emerging regulatory standards.

He possesses a thorough knowledge of the entire panoply of the overlapping securities and commodities laws, rules, and regulations affecting his clients. Scott is part of a team that “always understands the issues at hand, responds very quickly and is able to suggest creative solutions to issues that are often very complicated.” (The Legal 500)

Scott’s extensive experience includes representing offshore and U.S.-based funds, investment advisors, broker-dealers, commodity pool operators, and commodity trading advisors in formation and structuring, securities and commodities regulation, mergers and acquisitions, and other financial transactions.

Scott continues to be recognized by *Chambers USA* and *Chambers Global* as one of America’s Leading Lawyers for Businesses for Regulatory & Compliance.

Scott is also a prominent author and lecturer on corporate law, securities transactions, and investment management. His advisory roles include:

- Adjunct Professor at Rutgers Law School, “Hedge Funds and Investment Adviser Seminar” (2008–2017)
- Former Appointed Director of the Board of Directors for the Managed Funds Association (MFA), which represents the global alternative investment industry and its investors by advocating for regulatory, tax, and other public policies that foster efficient, transparent, and fair capital markets (2021–2023)
- Member of the Steering Committee of the Lawyers’ Advisory Forum and Conference Committee for the MFA
- IA Legal and Regulatory Subcommittee and Speaking Faculty of the National Society of Compliance Professionals

About the Authors



BORIS LIBERMAN

Partner

Co-Chair, Derivatives
& Structured Products

New York

T: +1 212.419.5882

F: +1 973.597.2400

bliberman@lowenstein.com

Boris Liberman provides strategic advice to sophisticated investment management firms regarding all aspects of implementing their investment and trading strategy while remaining compliant with appropriate regulatory regimes. With years of experience advising funds and institutional investors on the trading of securities, commodities, derivatives, and other asset classes, Boris is also proficient in a multitude of agreements with varying complexity required by market participants globally.

Boris is considered a thought leader in the industry on the subject of compliance policies and regulatory developments relating to alternative data and the AI components of alternative data. He has written multiple articles and regularly speaks on the topic.

Deeply knowledgeable about the wide range of both U.S. and non-U.S. laws and regulations that impact the trade of assets, Boris helps investment managers and investors optimize, and think more strategically about their trading strategy, treasury function, financing costs, and counterparty risk management. He also helps to implement these strategies through the creation of trading compliance manuals and effective best practices.

From his years of leading a team at a global investment management firm, as well as in private practice representing funds and private equity clients, Boris has developed a unique set of skills and acquired wide-ranging experience in dealing with all aspects of investment strategy implementation.

He has specialized knowledge of relevant rules and regulations impacting trading documentation globally, including in key emerging markets such as China, Brazil, Saudi Arabia, India, Turkey, and Russia. Boris provides counsel to investment managers and asset owners who wish to access these markets across various investment instruments. He helps asset owners optimize their due diligence process in evaluating investment managers, and he provides strategic advice as to how asset owners should think about investment managers and dealers, as well as various trading instruments.

As an active member of various buy-side industry groups, Boris has been involved in conversations dealing with most key regulatory developments impacting investment strategy implementation worldwide. Over the course of the last 12 years, he has negotiated thousands of agreements, spanning all asset classes.

About the Authors



GEORGE DANENHAUER

Counsel

Investment Management

New York

T: +1 646.414.6879

F: +1 973.422.6855

gdanenhauer@lowenstein.com

George Danenhauer is counsel in the firm's Corporate department and is a member of the Investment Management group. He has broad experience representing investment management clients, with an emphasis on alternative data and related compliance issues and drafting and negotiation of a wide range of commercial agreements.

George has spearheaded efforts to draft and implement compliance policies, procedures, and checklists regarding alternative data, including systematic due diligence and related contract negotiations in connection with the onboarding and renewal of alternative data vendors.

His experience also extends to investment advisory, commodities and other regulatory filings applicable to investment management clients and the drafting and review of offering memoranda, private placement memoranda, and other fund governing documents.

About Lowenstein Sandler

Lowenstein Sandler's [Investment Management Group](#) is one of the leading practices of its kind in the United States. With more than 100 of our 350+ lawyers dedicated to serving funds and investor clients worldwide from our headquarters in New York City and offices across the nation, we are a force in the industry. Representing many of the nation's largest and best-known asset managers, institutional investors, broker-dealers, commodity pool operators, and commodity trading advisors, the Investment Management team provides the full spectrum of legal services to hedge funds, private equity funds, distressed debt funds, credit funds, venture capital funds, real estate funds, fund of funds, and other pooled investment vehicles, as well as to investment advisers and others in the investment community.

Lowenstein Sandler is a national law firm with over 350 lawyers based in New York, Palo Alto, New Jersey, Utah, and Washington, D.C. The firm represents leaders in virtually every sector of the global economy, with particular emphasis on investment funds, life sciences, and technology. Recognized for its entrepreneurial spirit and high standard of client service, the firm is committed to the interests of its clients, colleagues, and communities.

About OvationMR

[OvationMR](#) is a global insights provider based in New York City. With its proprietary B2B respondent panel, OvationMR collaborates with some of the world's biggest companies and helps researchers, marketers, and brand builders discover insights that help businesses grow. Founded in 2016, OvationMR specializes in hard-to-reach B2B decision makers and is a leader in B2B marketing research.