

2025 SURVEY RESULTS

AI's Integration Into Alternative Data Fuels New Opportunities and Challenges



Executive Summary

As the integration of alternative data with artificial intelligence (AI) systems accelerates, investment firms are experiencing both expanded opportunity and heightened responsibility.

AI is proving highly beneficial in surfacing new signals, streamlining research, and unlocking new sources of alpha from complex, high-velocity datasets. At the same time, its use is heightening firms' exposure to model risk, governance gaps, and evolving data rights—requiring firms to implement disciplined controls, auditable decisioning, and a clear data provenance strategy to effectively translate innovation into durable performance.

These conclusions are based on Lowenstein Sandler's latest survey of investment advisers at private fund managers (private equity firms, hedge fund managers, and venture capital firms). Since [2019](#), the firm has conducted an annual survey (except in 2020) to understand the role of alternative data in the investment community. Now a global market estimated at over \$15 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, satellite imagery, and mobile device data.

Results from the latest survey suggest the popularity of alternative data continues to grow. The percentage of respondents currently using alternative data reached 90 percent, up from 67 percent last year and 62 percent in 2023. Only 4 percent of respondents indicated that private fund managers do not expect to use alternative data in the future. Moreover, over two-thirds of respondents reported having alternative data budgets exceeding \$1 million.

Total Alt Data Usage

Private Equity Firms, Hedge Fund Managers, and Venture Capital Firms

90%
2025



67%
2024



62%
2023



Variances from 100% in charts on following pages are attributable to rounding.

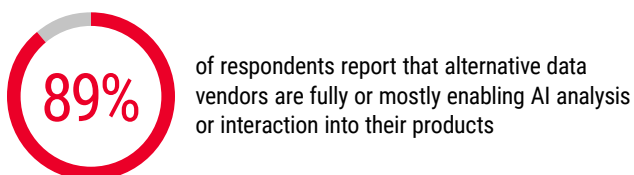
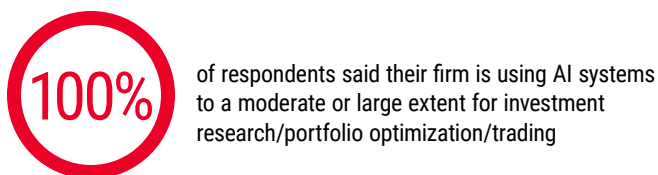
Executive Summary

New Opportunities, New Challenges

Of course, any analysis of the alternative data market is incomplete without considering the impact of AI, which has become central to operations across investment firms. 🧠 **Private fund managers are applying it to multiple functions, most notably investment research, portfolio monitoring, and data summarization.** AI use is no longer confined to quantitative or innovation teams—it supports everything from front-office decision-making to human resources and recruiting.

At the same time, AI has raised new concerns about—among other things—data security, regulatory scrutiny, vendor reliability, and the risk of acquiring material nonpublic information. Those concerns are particularly salient in the alternative data ecosystem, where vendors are adding AI-enabled features. Survey results show that firms are encountering higher costs, tighter licensing terms, and greater restrictions on AI-related data usage, particularly for model training. The result is a more complex commercial and governance environment.

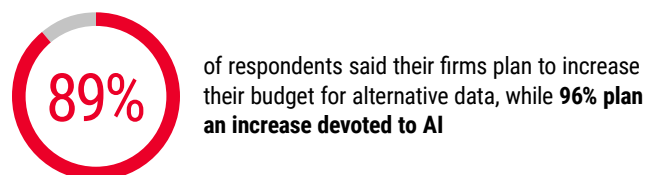
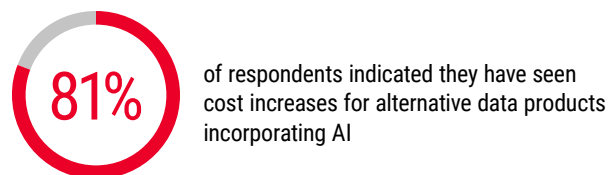
Key Findings



“ Like practically every segment of the economy, alternative investment is being reshaped by AI. Investment firms are leveraging it across their business, including by deriving new insights from the data they collect to make decisions. But effective adoption isn’t so simple. The challenges involved will require human judgment to get it right. ”

— **Scott H. Moss**
Partner
Chair, Fund Regulatory & Compliance
Co-chair, Investment Management Group
Lowenstein Sandler LLP

Still, none of those challenges seem to slow the integration of AI and alternative data. There is evidence that firms are tackling many of the challenges—for example, nearly nine in 10 respondents said they have formal policies in place for the use of AI in investment and trading.

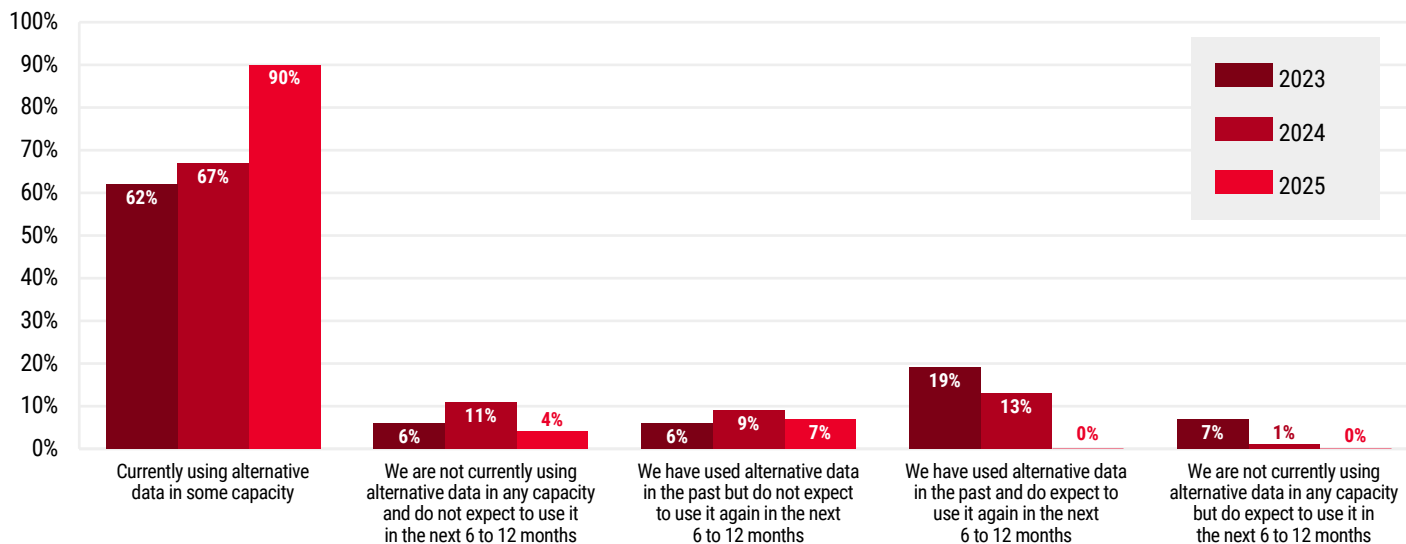


Explosive Growth, Fueled by AI

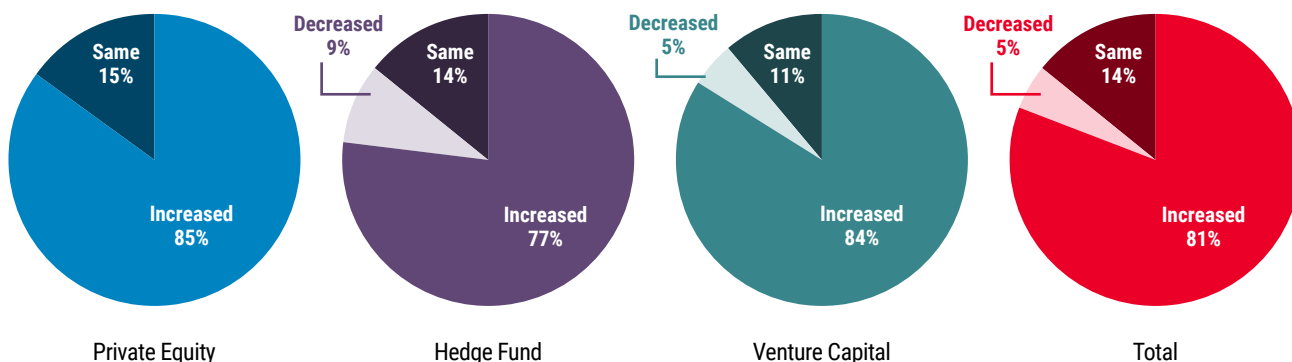
To most of the professional investment community, alternative data is an old story, but its explosive growth isn't. **💡 The intelligence firm Neudata estimates that the alternative data market for investment managers could reach nearly \$40 billion by 2030, double its current size.** Further, in 2024, market spending on alternative data grew 34 percent, according to Neudata, exceeding the 21 percent average annual growth since 2020.

Those numbers jibe with the findings in this survey—the 90 percent of survey respondents who said they are currently using or plan to use alternative data is higher than in the previous two years. Enthusiasm for its use is evident across asset classes, including private equity and venture capital, which saw significant increases compared with prior surveys.

Which of the following describes your firm's current level of alternative data usage?



Which of the following describes your firm's current use of alternative data in 2024 and the first half of 2025?

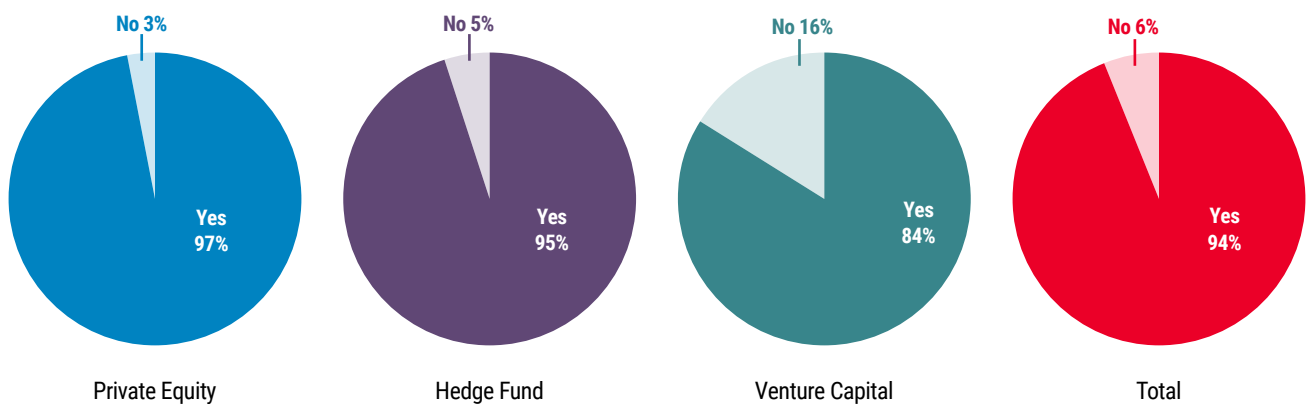


Choices indicated: "Increased usage last year and first half of this year"; "Decreased usage last year and first half of this year"; "The same as the prior year"

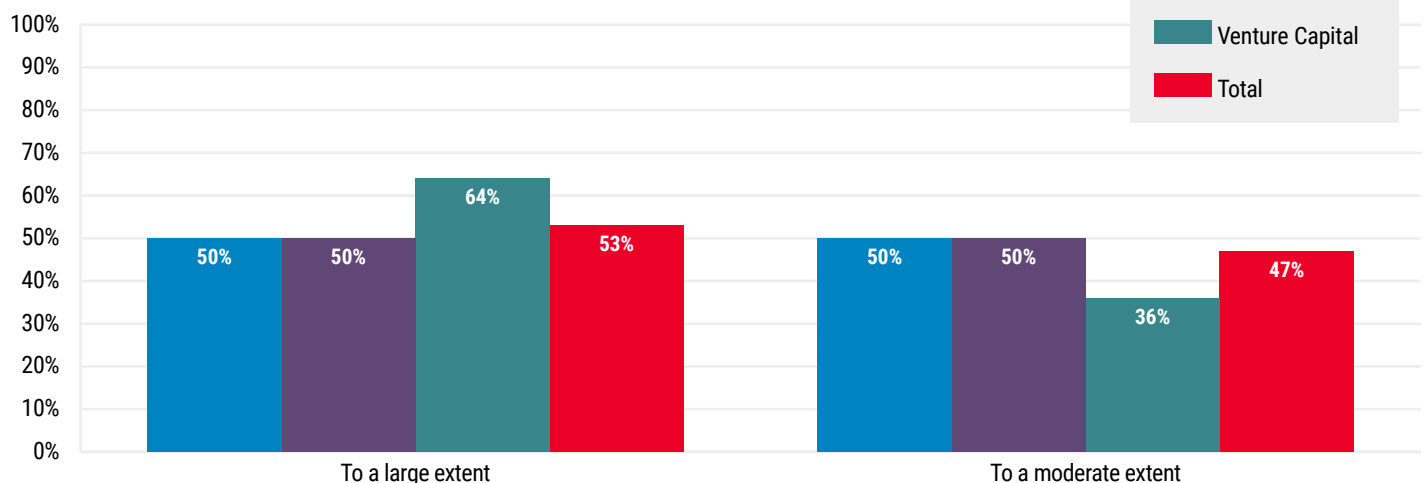
Explosive Growth, Fueled by AI

The explosion of alternative data is being significantly fueled by the emergence of AI to exploit it. While some unconventional sources, such as satellite imagery and credit card transactions, have long existed, advances in large language models and machine learning have made them potentially more valuable. AI has enabled the harvesting and analysis of large datasets, allowing investors to extract more value and make new connections. Technology is also enabling investors to more easily combine traditional metrics and analysis with alternative data.

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



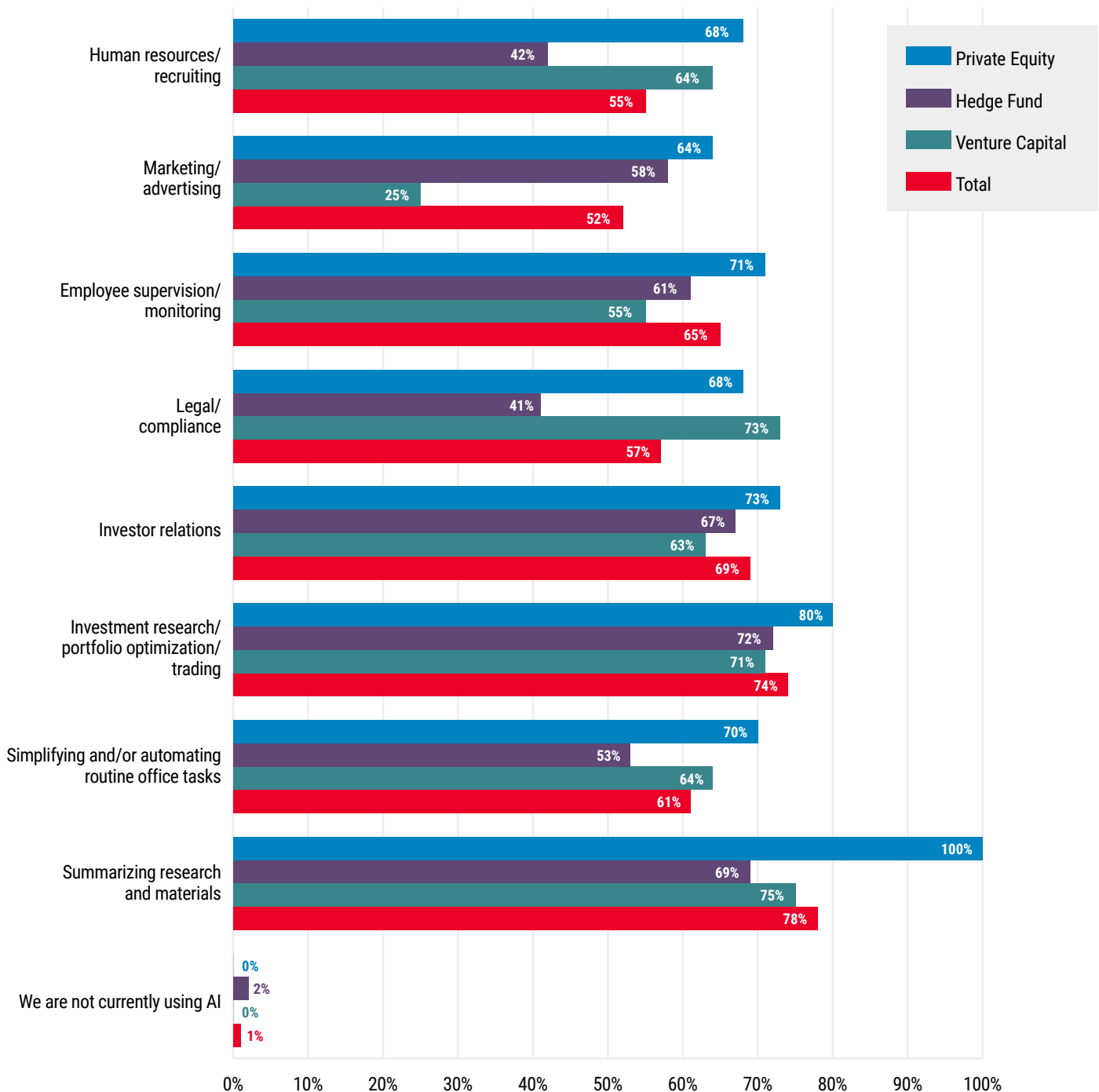
To what extent is your firm currently using any AI systems for investment research/portfolio optimization/trading?



No survey respondents indicated that their firm is currently using any AI systems for Investment Research/Portfolio Optimization/Trading "To a small extent" or "Not at all" and are therefore not represented in the above chart.

Explosive Growth, Fueled by AI

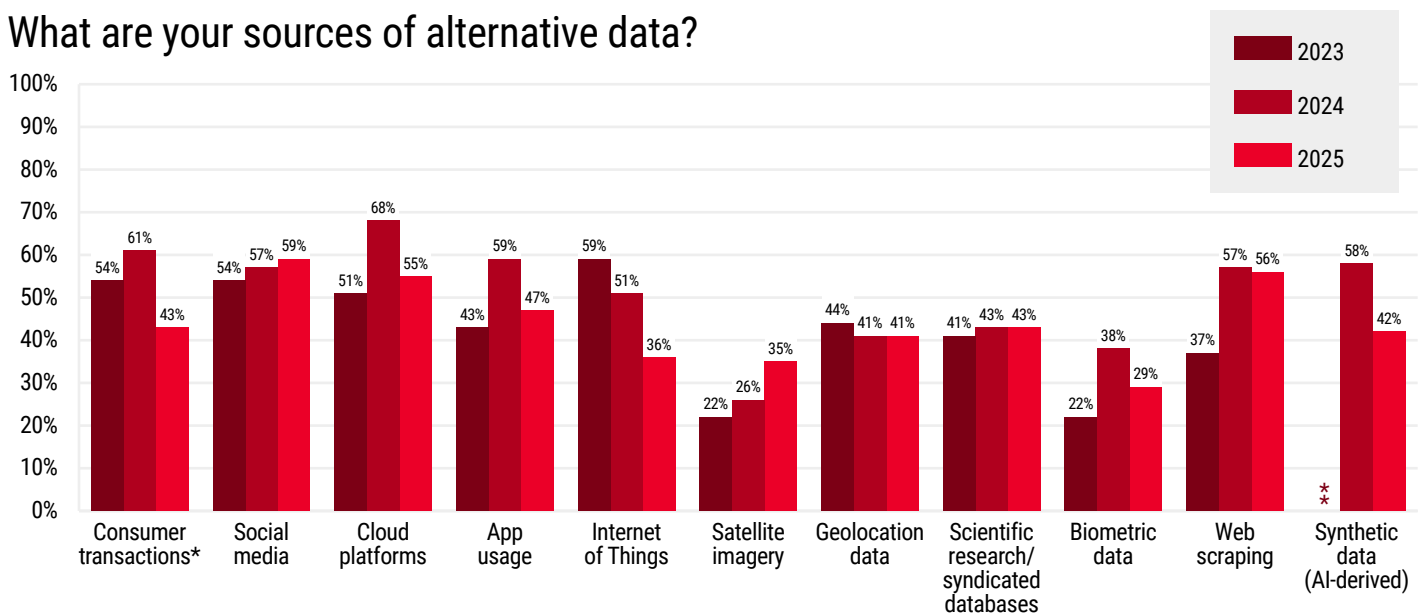
In which of the following areas does your firm expect to be using AI in the next 12 months?



Navigating New Market Dynamics

With new sources of alternative data proliferating rapidly, there's more urgency to exercise greater discretion in deciding which to incorporate into investment decisions. 🚫 In a world of information abundance, the key to driving alpha is often not how much data you interpret but how well you interpret reliable data. As investors sort the wheat from the chaff, there will likely be continued volatility in the alternative data market, with some sources favored and others not. It was not surprising that the percentage of respondents using certain sources, such as the Internet of Things and consumer transactions, declined compared with previous years.

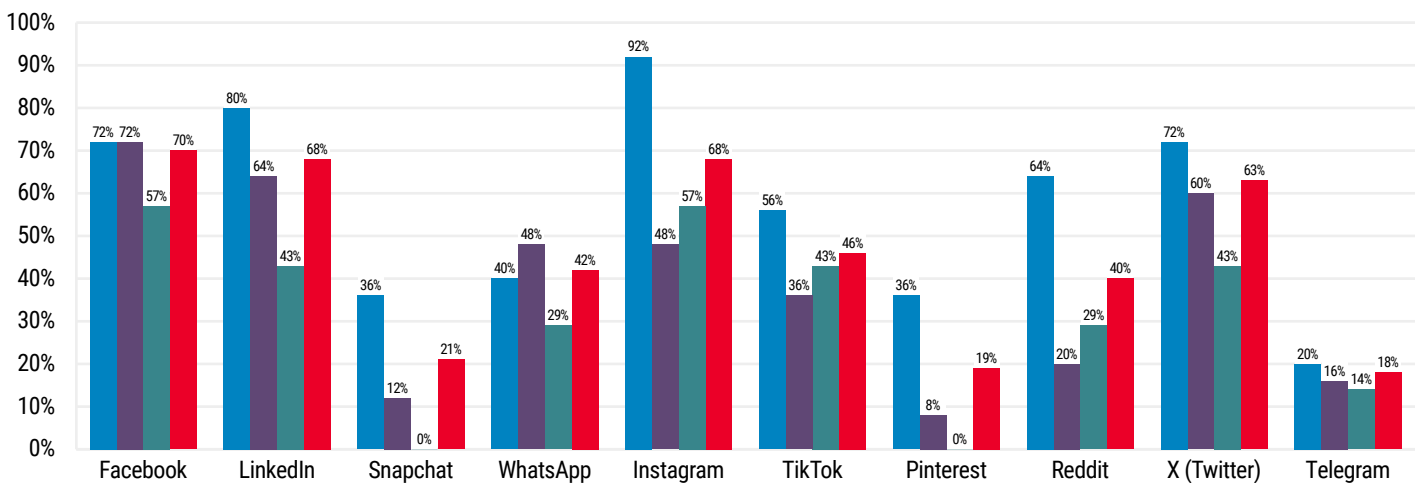
What are your sources of alternative data?



*In survey, "Consumer transactions" was "Consumer transactions, including credit card, debit card, and personal/investment/loan account data"

**"Synthetic data (AI-derived)" was not an answer choice in the 2023 survey

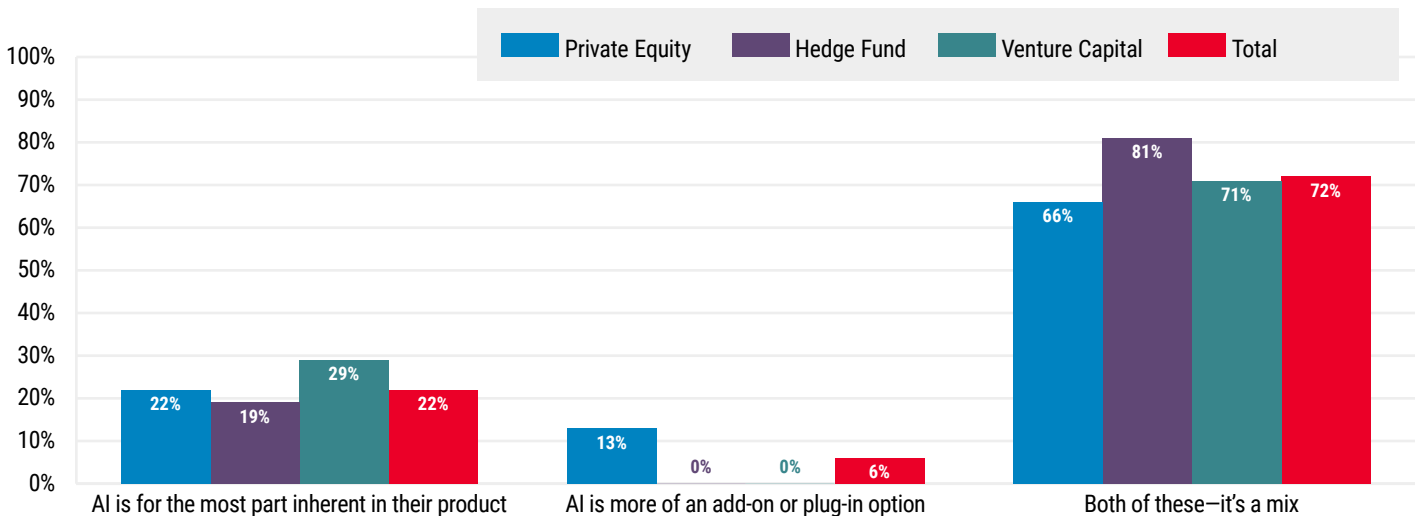
Which social media platforms do you monitor?



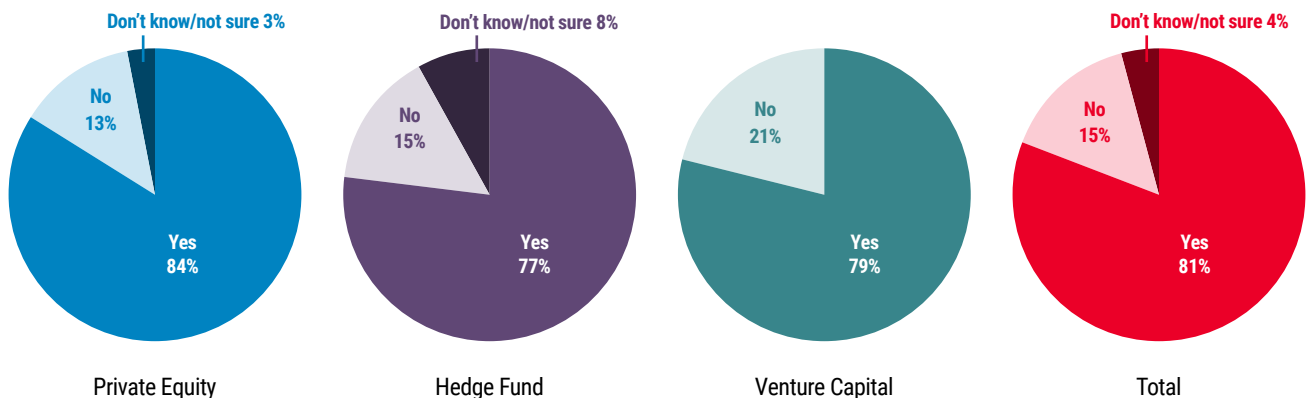
Navigating New Market Dynamics

Alternative data providers recognize that the value of their data depends, at least in part, on how it is interpreted. It's not surprising that survey respondents report seeing AI functionality being added to alternative data products to help investors maximize value. Also unsurprising are the reported price increases for the newly added features.

Are alternative data providers making AI functions inherent in their products?



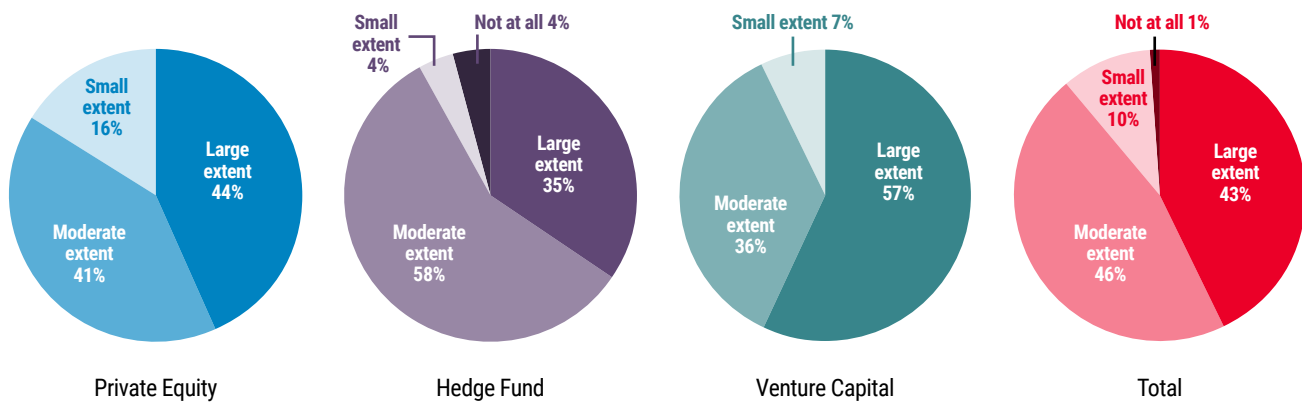
Have you seen an increase in costs for any alternative data products that are now incorporating AI tools/analysis?



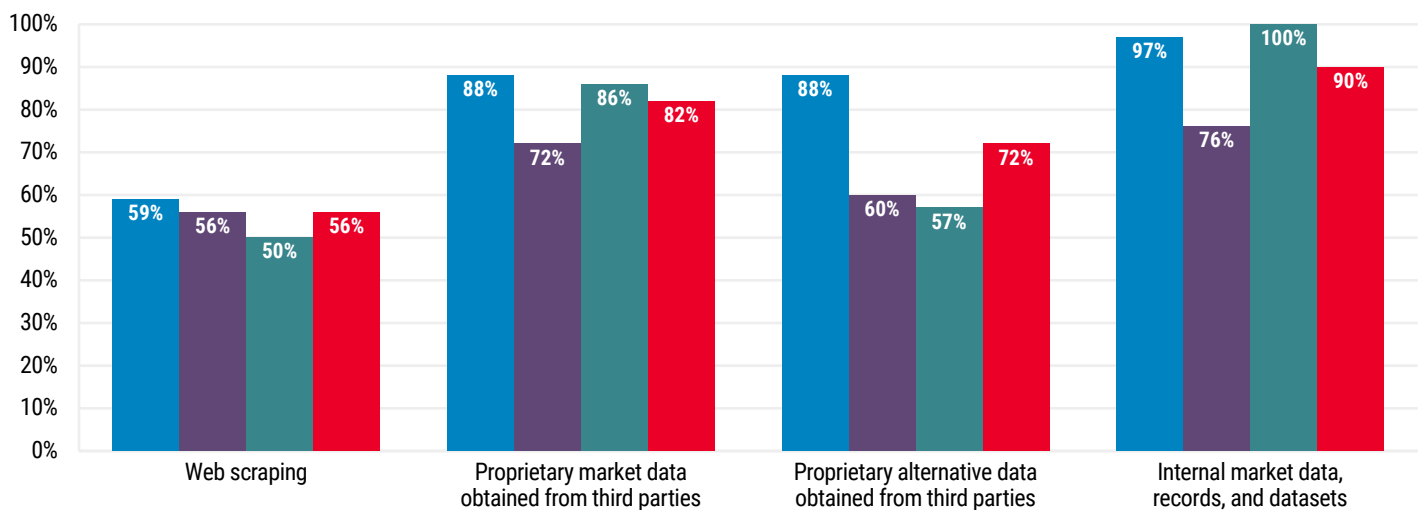
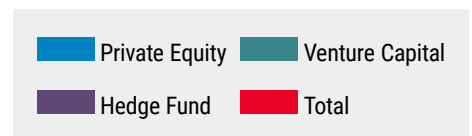
Navigating New Market Dynamics

💡 Another factor shaping the alternative data market is the “buy it or build it” choice facing investment firms: whether to develop custom AI solutions and data sources or buy them off the shelf. Developing custom AI systems and data sources requires significant investment and takes more time than buying off-the-shelf options, but it offers firms greater control and a better chance of differentiation. The latest survey results indicate that many firms are opting to develop custom AI systems and source data internally and externally.

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

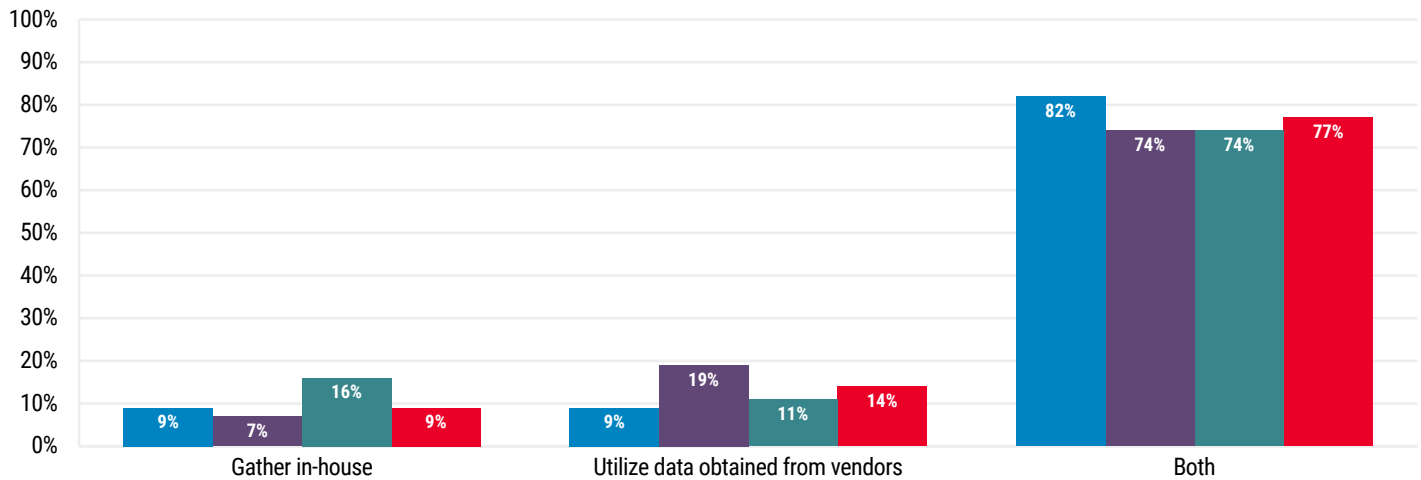


Which of the below data types is used as training data for your firm’s custom/bespoke AI systems used in connection with investment research/portfolio optimization/trading?

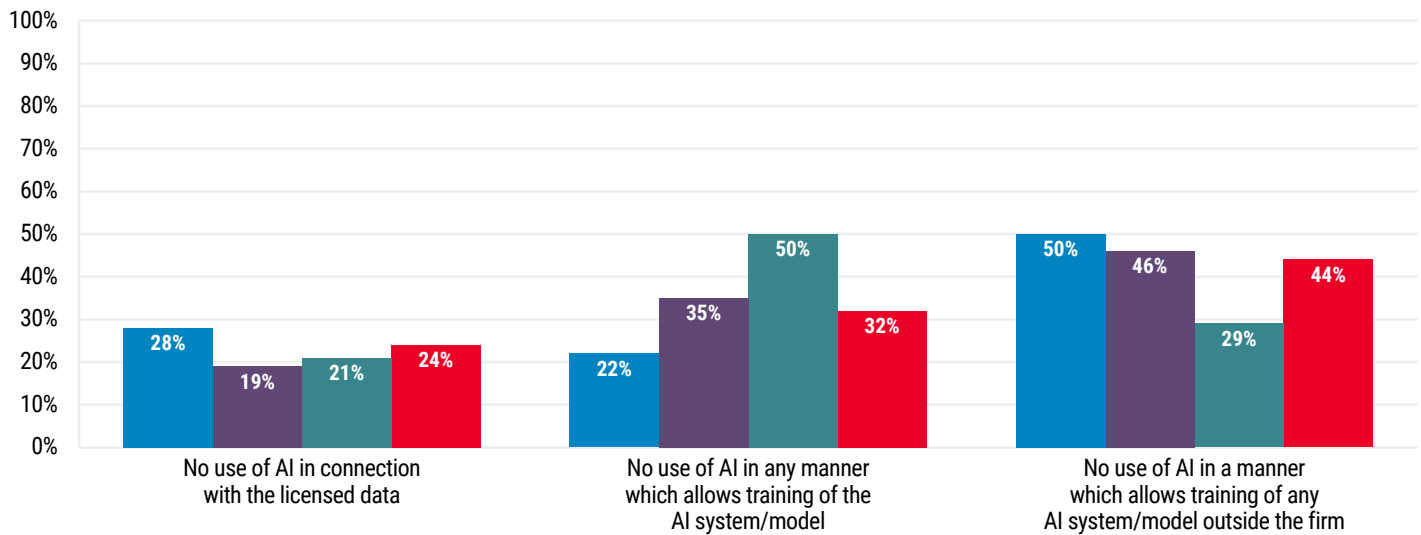


Navigating New Market Dynamics

Does your firm gather alternative data in-house or utilize vendors?



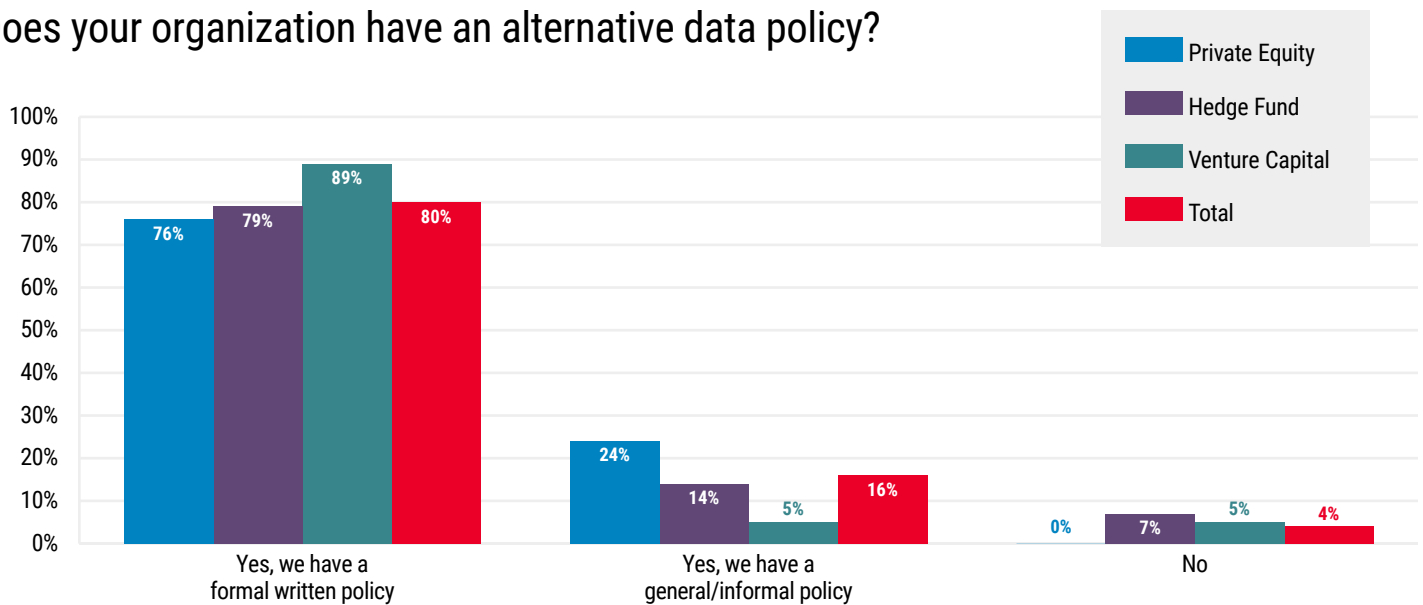
Which of the following AI restrictions do you find acceptable in your use of alternative data?



Identifying and Addressing New Risks

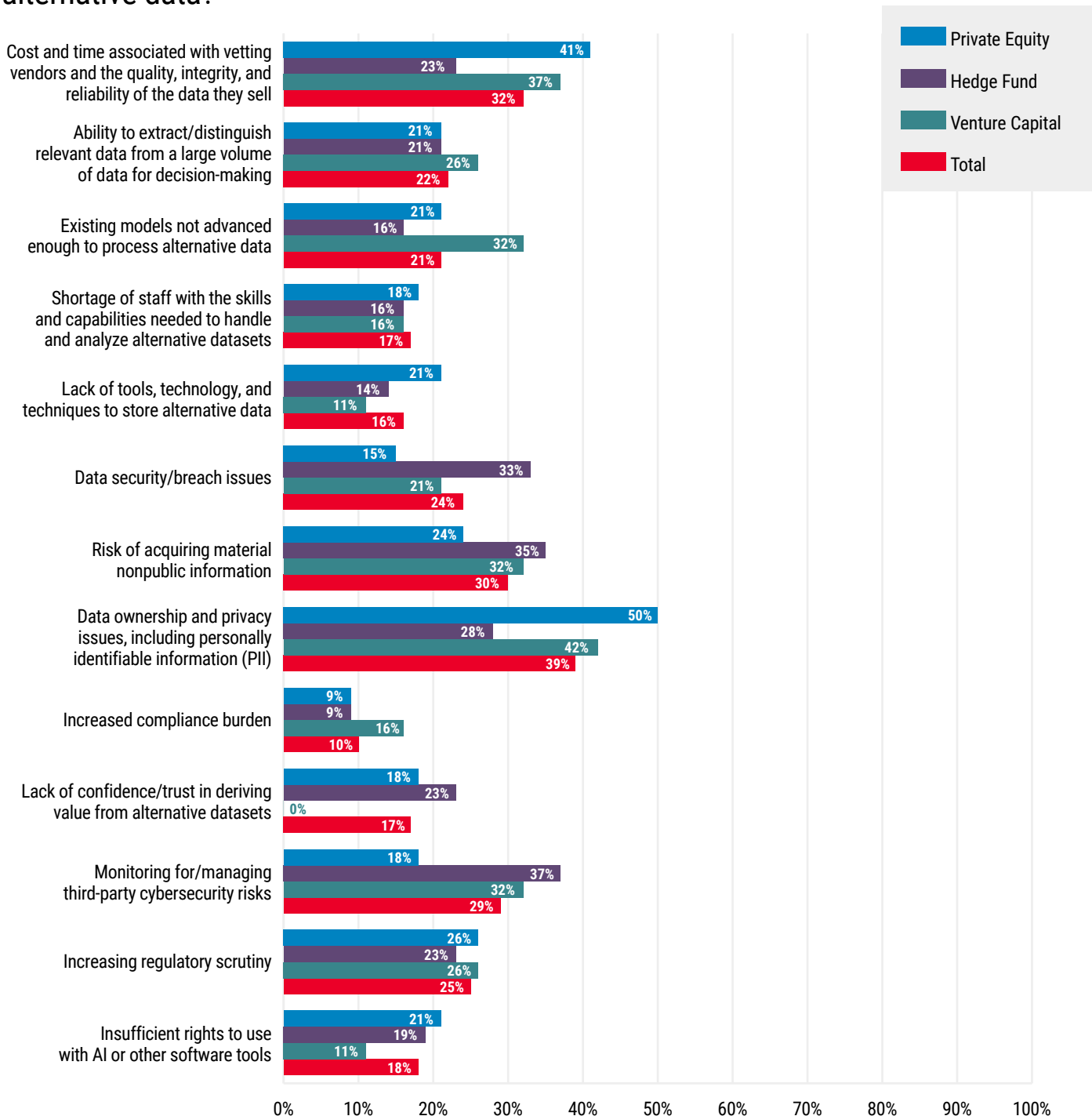
The proliferation of alternative data sources has introduced new risks that require guardrails, due diligence, and active management. Among the top concerns cited in our most recent survey are data ownership and privacy issues, the time required to vet vendors, and the risk of accessing material, nonpublic information. Some also expressed concerns over insufficient rights to use the data with AI or other software tools. As a sign of alternative data's staying power and its potential pitfalls, many respondents across asset classes reported that their firms have a written policy on its use.

Does your organization have an alternative data policy?



Identifying and Addressing New Risks

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

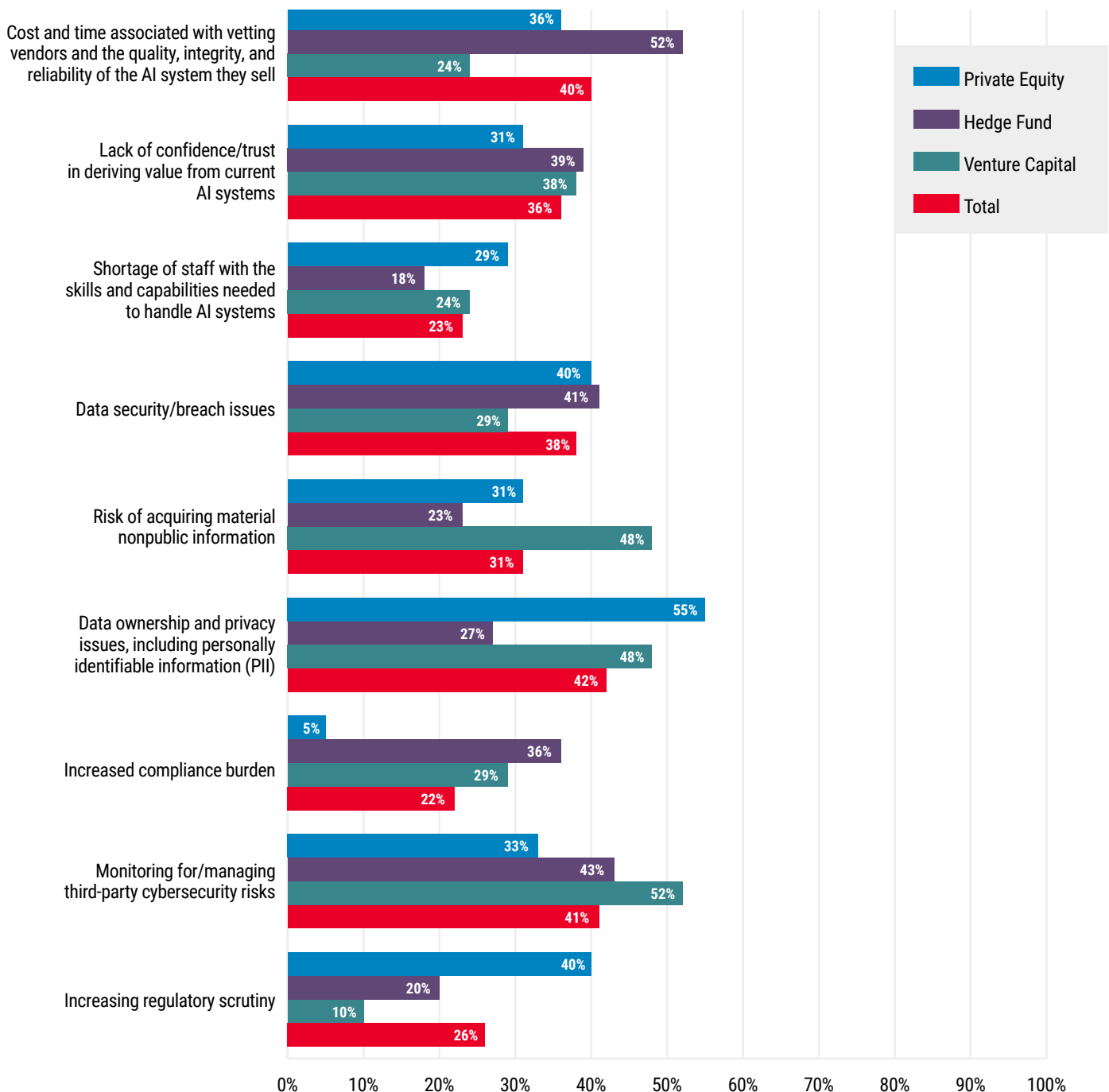


"Other" was indicated by 2% of Hedge Funds; 1% of Total but is not represented in the above chart.

Identifying and Addressing New Risks

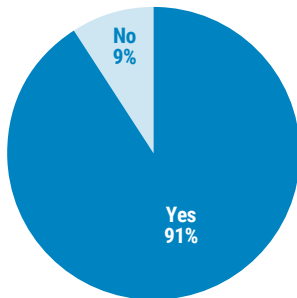
Concerns also abound about AI usage. Among the most cited issues in the survey were data ownership and privacy (42 percent), monitoring and managing cybersecurity risks (41 percent), and the time and costs required to vet vendors on the quality, integrity, and reliability of AI systems (40 percent).

Which of the following are your major concerns when purchasing and using AI?

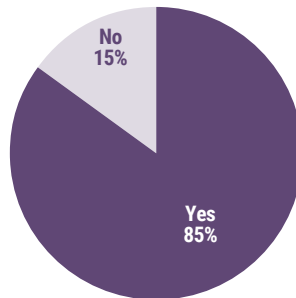


Identifying and Addressing New Risks

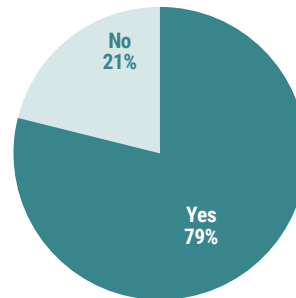
Does your firm have a specific formal policy regarding the use of AI in connection with investment research/portfolio optimization/trading?



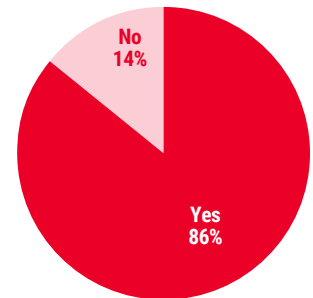
Private Equity



Hedge Fund

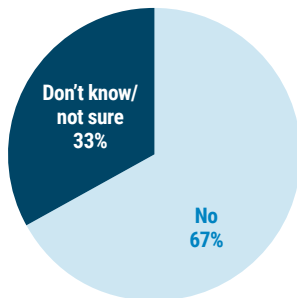


Venture Capital

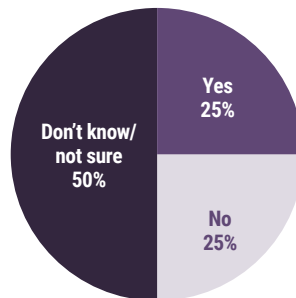


Total

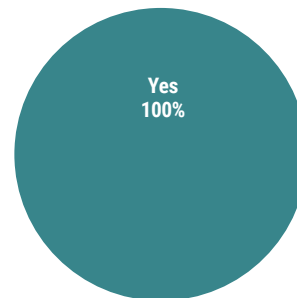
Do you think your competitors have a specific formal policy regarding the use of AI in connection with investment research/portfolio optimization/trading?



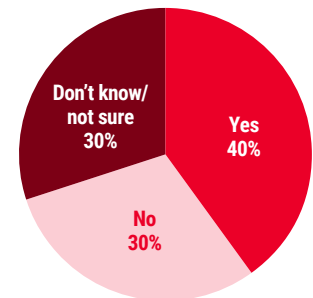
Private Equity



Hedge Fund



Venture Capital

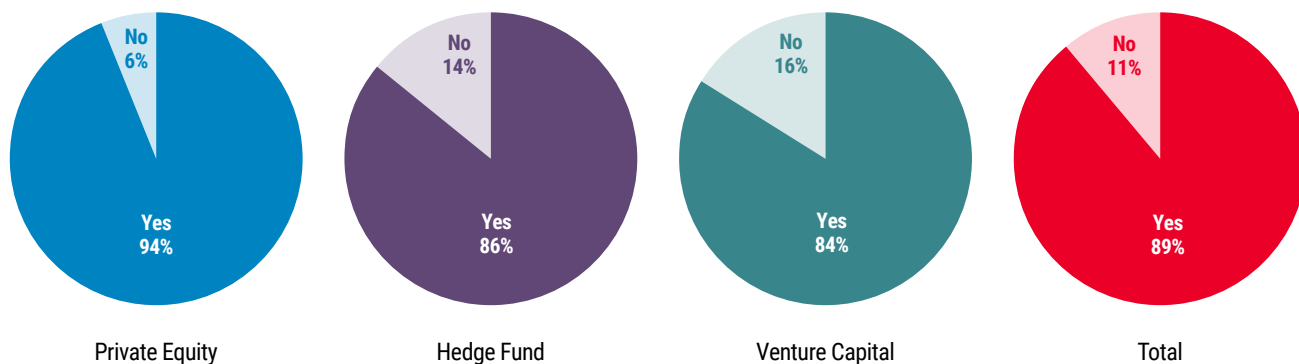


Total

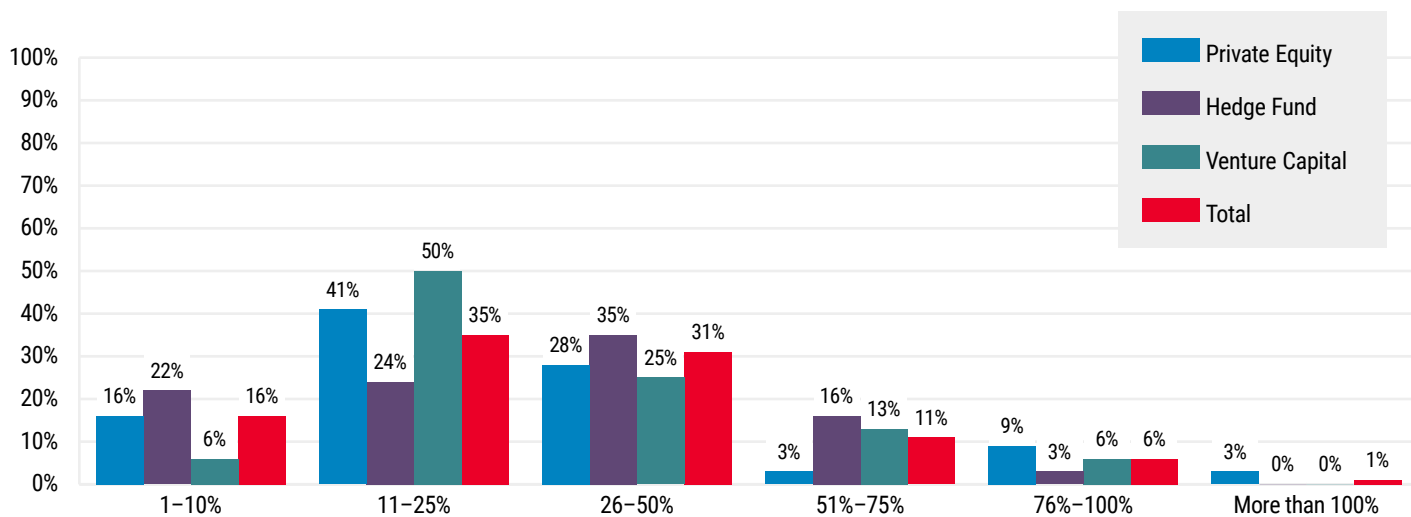
Growing Budgets Create Arms Race

Despite concerns among many investors about alternative data and AI, there are no signs of any scaling back—quite the opposite. Plans for increased spending suggest that investment firms view data and technology as central to their future and that they must invest to keep pace with the competition. The result foretells a prolonged arms race to secure every possible advantage.

In 2026, does your organization plan to increase its budget for alternative data?

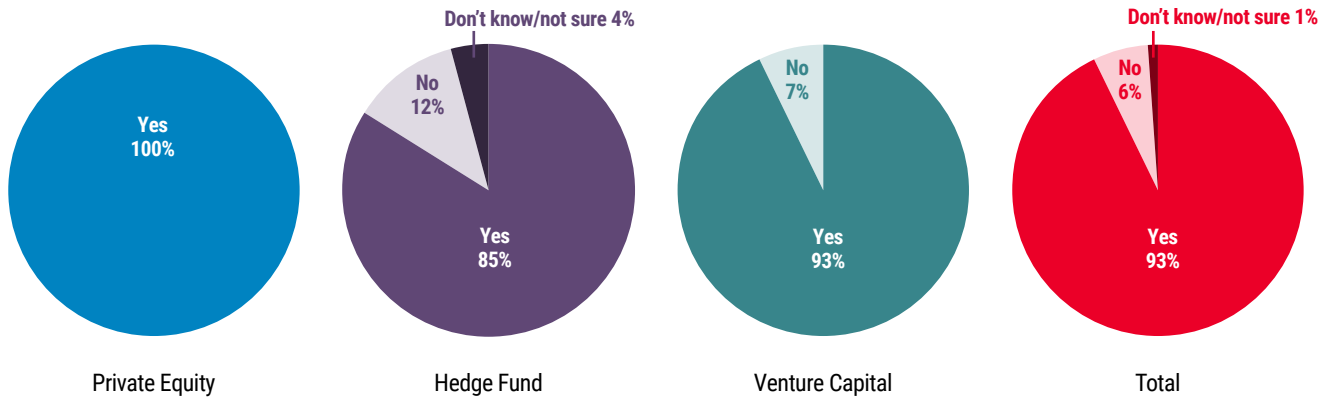


By what percentage does your organization plan to increase its budget for alternative data in 2026?

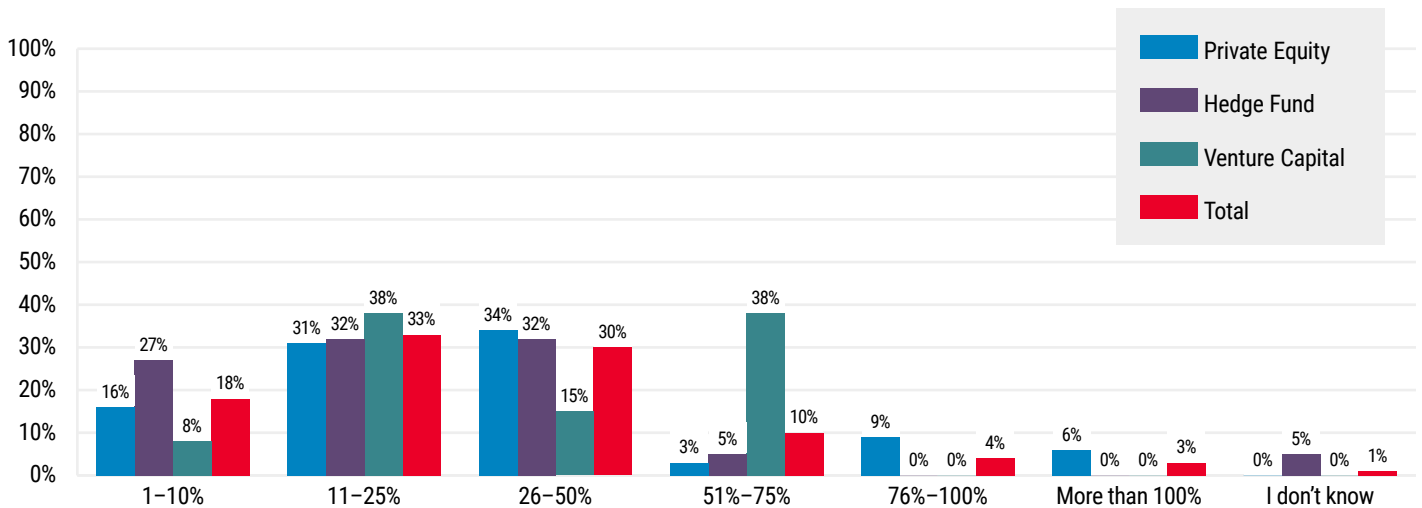


Growing Budgets Create Arms Race

In 2026, does your organization plan to increase its budget for AI?



By what percentage does your organization plan to increase its budget for AI in 2026?



Findings and Approach

Conclusion

The 2025 survey findings make one thing clear: alternative data is no longer experimental—it is now a foundational element of the investment research process. Adoption has reached a record 90 percent of respondents, with budgets continuing to expand. At the same time, the rapid integration of AI into alternative data workflows is accelerating the ability to generate insight and uncover alpha, while elevating the need for strong governance, model risk oversight, and clear data provenance. Firms that pair innovation with disciplined controls and auditable processes will be best positioned to convert technological advancement into sustained competitive advantage.

For questions or additional market color in this area, please reach out to the [authors](#) of this report.

Report Methodology

From November 9, 2025–December 8, 2025, 107 respondents completed an online survey to assess investment organizations' use of alternative data. The results were tabulated, analyzed, and released in February 2026.

Respondents included professionals from private equity firms (39 percent), hedge fund managers (41 percent), and venture capital firms (20 percent). Twenty-eight percent held C-level titles, while other respondents included portfolio managers (21 percent) and managing directors (13 percent).

Regarding company size, 33 percent of respondents came from organizations with more than 500 employees. A slightly larger percentage, 38 percent, came from companies with 201–500 employees, while 26 percent came from organizations with 51–200 employees. Most (61 percent) represented organizations with \$500 million to \$5 billion under management. Eleven percent managed less than \$500 million, and 28 percent managed over \$5 billion.

[Lowenstein Sandler LLP](#) is a leading adviser on legal and compliance issues surrounding the use of alternative data and AI. The firm conducted similar surveys in [2019](#), [2021](#), [2022](#), [2023](#), and [2024](#).

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 advisers, broker-dealers, commodity pool operators, and commodity trading advisers 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)
- Former member of the Steering Committee of the Lawyers’ Advisory Forum and Conference Committee for the MFA
- Regular speaker at MFA conferences

About the Authors



BORIS LIBERMAN

Partner

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 400+ 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 advisers, 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 400 lawyers based in New York, Palo Alto, Roseland, Salt Lake City, San Francisco, 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.

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