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HEDGEWEEK®

SEPARATE WAYS II

THE SMA PLAYBOOK FOR 2026

EXECUTIVE SUMMARY

Separately managed accounts are no longer a novelty. Last year's report documented their rapid rise – nearly half of hedge fund managers offering them, with universal adoption among the largest funds. That growth story has been told.

This year, we're telling a different story: what happens when the market matures.

Capital raising remains the defining challenge for hedge fund managers in 2026. For many, SMAs have become a lifeline – a way to access institutional capital when traditional fundraising channels are difficult. Allocators want them. The largest investors increasingly expect them. For emerging and mid-sized managers, offering an SMA can be the difference between winning a mandate and being passed over.

But as adoption has grown, so has the operational reality. Allocators are discovering that the transparency and customisation they demanded comes with a resource burden many weren't prepared for. Only 28% say they have sufficient internal resources to fully utilise SMA data. Managers, meanwhile, are building infrastructure to meet customisation demands while trying to keep costs manageable – with nearly half citing customisation as their top operational challenge.

There are also early signs of a more discerning market. Some allocators – particularly smaller teams – are questioning whether the complexity is worth it, with a few consolidating back into commingled structures. Others point to the rise of large multi-strategy platforms as an alternative route to diversification. The SMA growth story isn't over, but it's entering a more mature phase where execution quality matters as much as having an offering.

This report, based on surveys of 100 hedge fund managers and 50 allocators globally, examines how SMAs are playing out in practice. We explore where allocator appetite remains strong, why some are growing apprehensive about operational complexity, and how managers are building SMA infrastructure at a time when getting it right can determine whether they raise capital or get left behind.

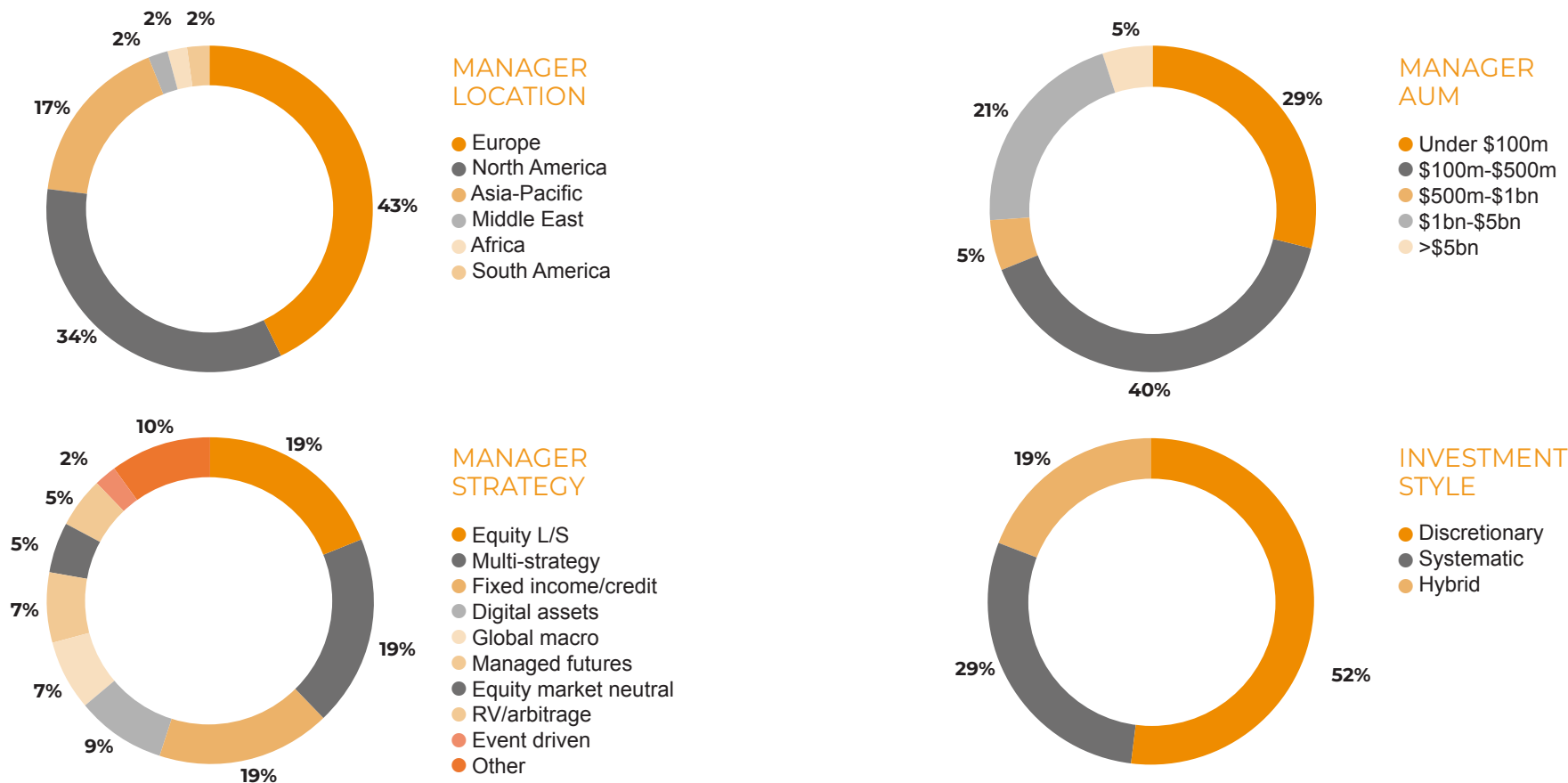
For managers, this is a guide to competing for institutional capital. For allocators, it's an honest look at what SMA programmes require. For both, it's a playbook for what comes next.

MANAS PRATAP SINGH
HEAD OF HEDGE FUND RESEARCH

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Chart 1.1 Manager Survey Demographics



A key source of data in this report is the results of our Hedge Fund SMA Survey conducted in Q1 2026. The survey collected responses from 100 hedge fund managers and 50 allocators globally, spanning various AUM ranges, strategy types and geographic regions.

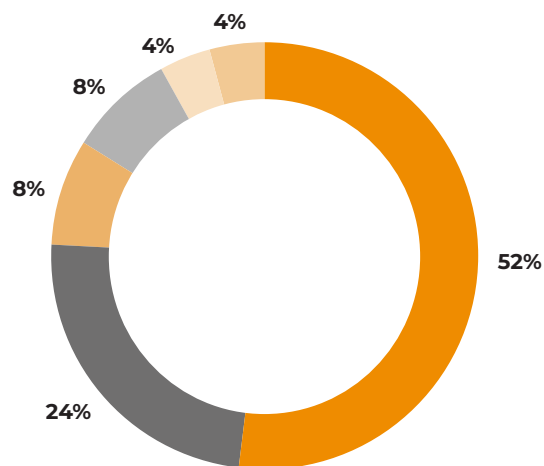
Further insights were gathered during interviews with industry experts, including representatives from SS&C Technologies, Maximal Asset Management, Erlen Capital Management, EverestQuant, and selected allocators including a large US state pension plan and a mid-sized

endowment who asked not to be named.

The manager survey captured a diverse range of fund sizes, from emerging managers with less than \$100m AUM to established players managing over \$5bn. Strategy types

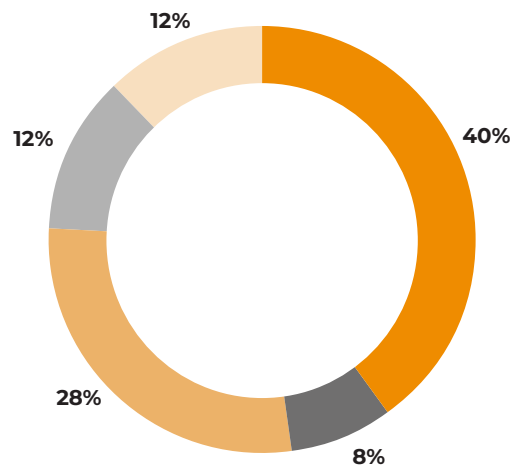
represented include multi-strategy, equity long/short, fixed income/credit, global macro, managed futures, and digital assets.

Chart 1.2 Allocator Survey Demographics



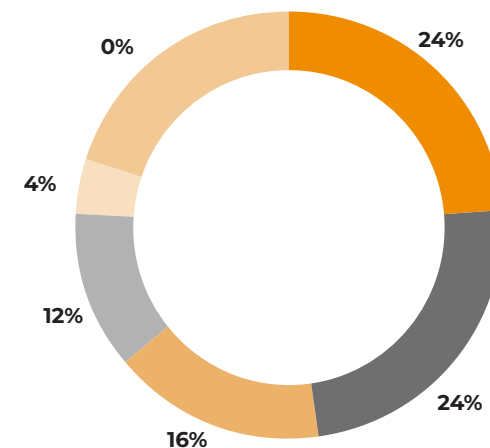
BY REGION

- Europe
- North America
- South America
- Other
- Middle East
- Africa



AUM RANGE

- Under \$500m
- \$500m-\$1bn
- \$1bn-\$10bn
- \$10bn-\$50bn
- Over \$50bn



ALLOCATOR TYPE

- Family office
- Wealth manager
- Fund of funds
- Pension fund
- Bank/Private bank
- Other

The allocator survey included pension funds, family offices, funds of funds, wealth managers, and endowments, with AUM ranging from under \$500m to over \$50bn.

Regional distribution provided global perspectives, with 34% of manager respondents from North America, 43% from Europe, and 17% from Asia-Pacific. Allocator respondents skewed toward Europe (52%) and North America (24%).

KEY FINDINGS

1

Demand continues, but growth is maturing

Six in ten managers and allocators report that SMA demand increased over the past 12 months, yet only 9-15% describe growth as "significant." Zero respondents reported declining demand. The explosive growth phase appears over; the market is now in a period of steady adoption and operational refinement.

2

The allocator resource gap is real

Only 28% of allocators say they have sufficient internal resources to fully utilise SMA transparency data. 39% describe themselves as "stretched," 11% struggle to process the data, and 22% have outsourced the function entirely. The promise of transparency is only valuable if you can act on it.

3

Customisation: Top priority and burden

67% of allocators cite customisation as a primary driver of SMA interest, overtaking transparency (56%) for the first time. Yet for managers, customisation demands are also the biggest operational headache, cited by 47%. Allocators want bespoke, but bespoke is expensive to deliver.

4

Outsourcing is accelerating

When asked where they need third-party support, 63% of allocators selected risk reporting and analytics, followed by data aggregation (50%) and performance attribution (50%). Only 19% say they handle everything in-house. The allocators who are succeeding aren't trying to do it all themselves.

PART I: SMAS AND THE CAPITAL RAISING CHALLENGE

How Managed Accounts Are Becoming
a Capital Raising Lifeline



A FUNDRAISING LIFELINE

Capital raising in 2026 remains difficult. Allocators are selective, due diligence is longer, and ticket sizes are harder to secure. In this environment, SMAs have become more than a product offering – they’ve become a fundraising tool.

Consider EverestQuant. When Marton Peter Price and his co-founders began building their systematic trading infrastructure in January 2024, they spent eleven months on technology before even thinking about launch. “We wanted to do it very properly,” Price recalls. The firm went live in late 2024, and within seven months had raised \$100 million – a remarkable achievement for a new manager in a difficult fundraising environment.

The secret? Most of it came through SMAs. “It helps us build AUM and track record quicker,” Price explains. For allocators, the structure offered what they increasingly demand: capital efficiency, transparency, and control. For EverestQuant, it opened doors that might otherwise have remained closed.

Our survey data confirms this is not an isolated case. 60% of allocators report that SMA demand increased over the past 12 months, with 15% describing growth as “significant.” On the manager side, 62% report increased demand. Critically, zero respondents on either side reported declining demand.

The outlook remains positive. 80% of allocators expect the SMA market to grow over the next 12-18 months, with 30% anticipating significant expansion. Managers are similarly bullish – 78% expect growth, with only 2% foreseeing any decline.

Chart 1.3 SMA demand over past 12 months

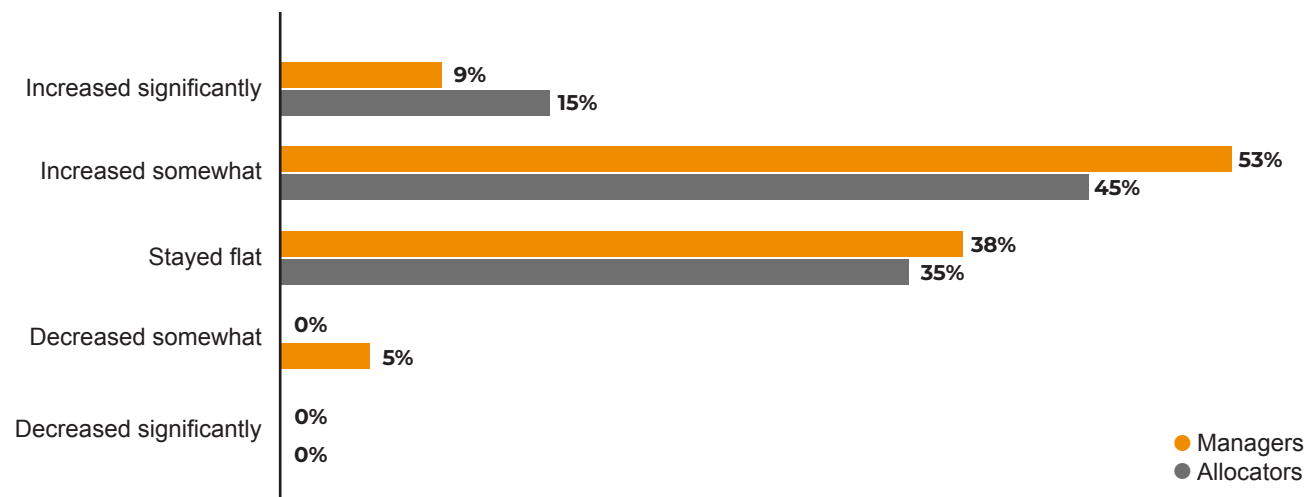
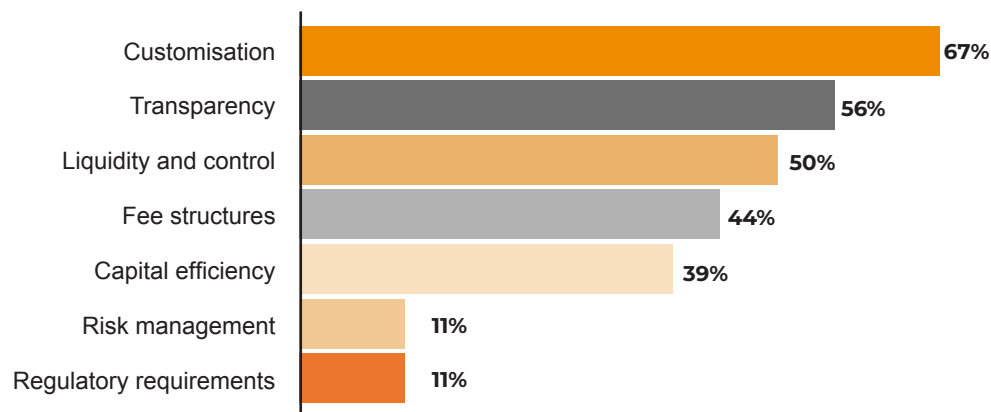
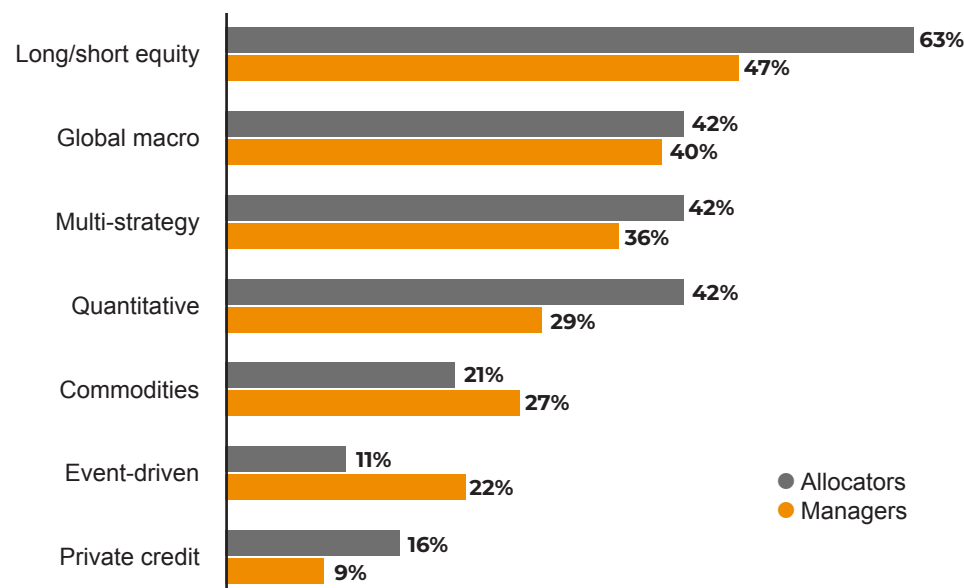


Chart 1.4 SMA market outlook for next 12-18 months



Chart 1.5 Primary drivers of allocator interest in SMAs**Chart 1.6** Strategies best suited to SMAs

WHAT ALLOCATORS ACTUALLY WANT

When we asked allocators what drives their interest in SMAs, the answers revealed a notable shift from last year. Customisation has overtaken transparency as the top priority:

- Customisation: 67%
- Transparency: 56%
- Liquidity and control: 50%
- Fee structures: 44%
- Capital efficiency: 39%

Price breaks down the appeal into three factors: “Capital efficiency, transparency, and control. If an allocator is set up with a leading prime broker, they fund the margin plus buffer for a liquid strategy like ours – very capital efficient. They get transparency and can build trust quicker, starting small and scaling up. And they have full control.”

But not all customisation is created equal. Bruno Schneller, Managing Partner at Erlen Capital Management, distinguishes between what matters and what doesn’t: “Genuinely valuable customisation improves portfolio construction, risk control, or capital efficiency – tailored risk limits, exclusion lists, leverage parameters. Nice-to-have customisation is cosmetic. The most successful relationships are built around a small number of well-defined objectives, not endless bespoke tweaks.”

STRATEGY FIT

Both managers and allocators agree on which strategies work best in an SMA wrapper. Long/short equity tops both lists, followed by global macro and multi-strategy approaches.

Allocator view

- Long/short equity: 63%
- Global macro: 42%
- Quantitative: 42%
- Multi-strategy: 42%

Manager view

- Long/short equity: 47%
- Global macro: 40%
- Multi-strategy: 36%
- Quantitative: 29%

The consensus at the bottom is equally telling: private credit ranks lowest on both sides (9-16%), suggesting illiquid strategies remain a difficult fit.

REGIONAL DYNAMICS

Last year's report highlighted that Europe was lagging North America in SMA demand. This year, that gap appears to be closing.

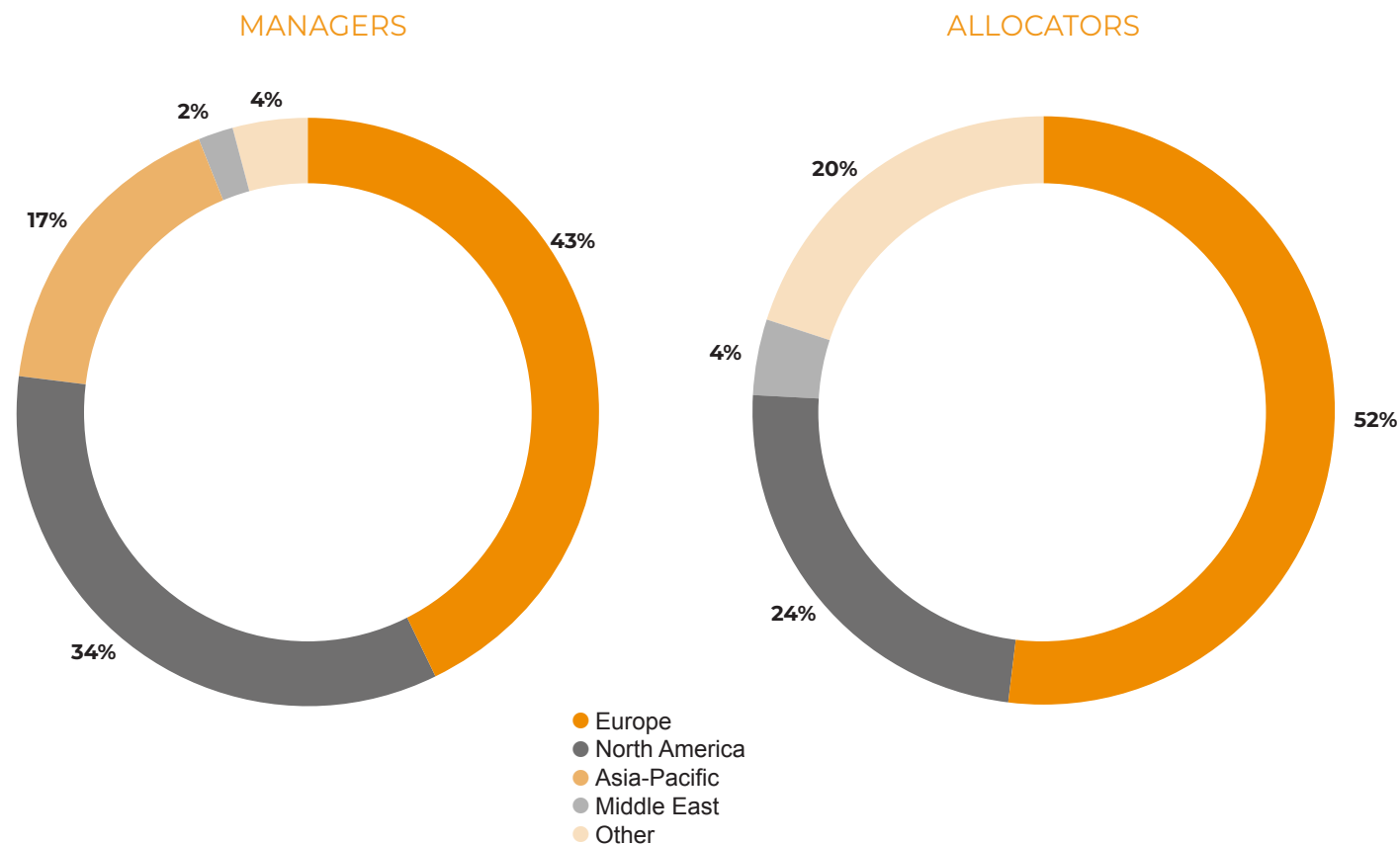
According to Jason Costa, Head of Hedge Fund Services for North America, SS&C GlobeOp, it's because many investors are "seeing the benefits and value that SMAs have provided in the US – the transparency, customisation and control that commingled funds don't offer. It probably makes them stickier with their customers too."

Costa points to a specific catalyst: "Global investors who've seen the advantages of managed accounts in the US are pushing European managers to offer these. It's demand for transparency, but it's being pushed by the US."

The Middle East remains one of the most active regions for SMA adoption, particularly among family offices. Costa sees a few structural reasons for this: "The different regional governments are pushing for economic diversification away from traditional investments. There's a tonne of opportunity in technology, energy, infrastructure, and more liquid products. SMAs are a good way to diversify into other asset classes."

He adds that the region's investment culture aligns well with the SMA model: "That region tends to be more hands-on, more in the detail, so the SMA really works well for them in terms of customisation and transparency."

Chart 1.7 Demand for SMAs by region





JASON COSTA

Head of Hedge Fund Services | North America, SS&C GlobeOp



Just over a quarter of allocators feel fully resourced to process SMA data. What separates those who manage successfully from those who struggle?

The successful larger firms have built in-house infrastructure, including employing the necessary resources to support SMA platforms. Others have looked to service providers like SS&C that are well positioned to service these platforms at scale. Those who've gone down these two avenues have been successful. Others who've tried to build things internally have been somewhat unsuccessful and have been doing so at a higher cost – which ultimately detracts from the returns that SMAs are supposed to deliver.

Risk reporting and analytics topped the list of where allocators need third-party support. What specifically are they asking for?

The benefits of an SMA are around transparency, customisation and control. So, allocators are looking for tailored reporting, more real-time transparency, the ability to manage investment guidelines like ESG, portfolio optimisation, performance attribution, tax management and liquidity reporting. All of those are different service functions that Managers would have to build in-house or source from multiple providers. That's where SS&C is well positioned – we have the ability to tackle all of those things at scale.

For emerging managers who need to offer SMAs to compete for capital but don't have enterprise-scale resources, what's the minimum viable infrastructure they should build?

They need tools for risk and performance analytics, robust reporting engines for customisation, liquidity management and a tax solution. Some of these, like risk and liquidity management are inherent in what managers do but when it comes to performance analytics, tax and robust reporting, that's where a service provider can help. Coupling these components with a technology stack that incorporates intelligent automation and uses artificial intelligence used to manage exceptions, normalize data and provide quicker customised reporting, that's really where SS&C separates itself in adding value.

Where do you see AI making the biggest near-term impact on SMA operations?

I see AI having the biggest impact around functions like data normalisation, exception management, customised reporting, as well as assisting with middle office functions. Areas that have previously been the most labour intensive are where AI is extracting value the quickest. It's functions like reconciliation and loan processing but it's also the oversight tools and exception management.

For example, if I'm looking at exceptions, whether reconciliation-related or performance-related, how can I identify those quickly so I can get more real-time curated reporting out to investors and other stakeholders more timely? On the investor side, AI is well positioned to customise reporting to an institutional or other investor's specific requirements, including highlighting where they might be deviating from an investment guideline or covenant.

Some smaller allocators are considering consolidating back into commingled funds due to operational burden. How would you counsel managers whose investors are questioning whether SMA complexity is worth it?

We've heard from some customers who are performing a cost-benefit analysis to understand whether the complexity and operational burden SMAs come with are worth it. It comes down to ensuring that managers highlight the benefits investors are getting – transparency, control, customisation, consistency. If it's too operationally burdensome or too costly and managers are not seeing the reward vs the cost, then commingled funds might make more sense for them. But if investors are keen on receiving greater transparency, customised tax solutions, customised liquidity management, more control and the other benefits SMAs offer, then SMAs are the right product for them.

How do you see SMAs fitting alongside the growth of large multi-strategy platforms?

Broadly, they're complementary. Large multi-manager platforms look at SMAs as a way to grab talent as well as expand into new areas of expertise among other things. New or emerging managers are starting with managed account opportunities and those who are successful get absorbed by these multi-strat firms. In specific niche cases there can be competition, but ultimately, it's complementary.

What will separate leading SMA managers and service providers from the rest over the next two years?

Historically, it's someone who's recognised that partnering with a provider who does this at scale is a huge advantage – not having to take it all on themselves. In the future, artificial intelligence will enhance that further. But the key point is that even though firms can use AI in-house, they have to deal with hallucinations and whether they have the right curated data set. With a provider like SS&C, we're utilising AI within our software to enhance the already curated data we have, producing faster, more accurate and timely results.

PART II: THE ALLOCATOR REALITY CHECK

When Transparency Creates More Problems Than It Solves

THE RESOURCE GAP

The most striking finding in this year's survey is the gap between what allocators want from SMAs and what they're equipped to handle.

Nearly three-quarters of allocators either lack sufficient resources to process SMA data or acknowledge the gap by outsourcing the function.

This is the central tension of the SMA market in 2026: allocators demanded transparency for decades, and now most can't fully use it.

Schneller at Erlen Capital confirms this:

"The promise of SMAs is powerful, but the operational workload is often underestimated. Many allocator teams are lean by design, so there's a real risk of becoming data-rich but insight-poor."

Price at EverestQuant sees it from the manager side: "We have hundreds of trades on many days, and allocators can view every single one. But often they view it more in the aggregate. What most allocators seem to want is holistic transparency and control, not granular daily analysis."

SIGNS OF CONSOLIDATION

There are early indications that SMA enthusiasm may be cooling at the margins. A mid-sized endowment allocator told HedgeWeek: "As a small team, we try to limit our operational burden. Shifting away from SMAs into commingled funds helps reduce complexity."

Chart 2.1 Allocator resource capacity for SMA data

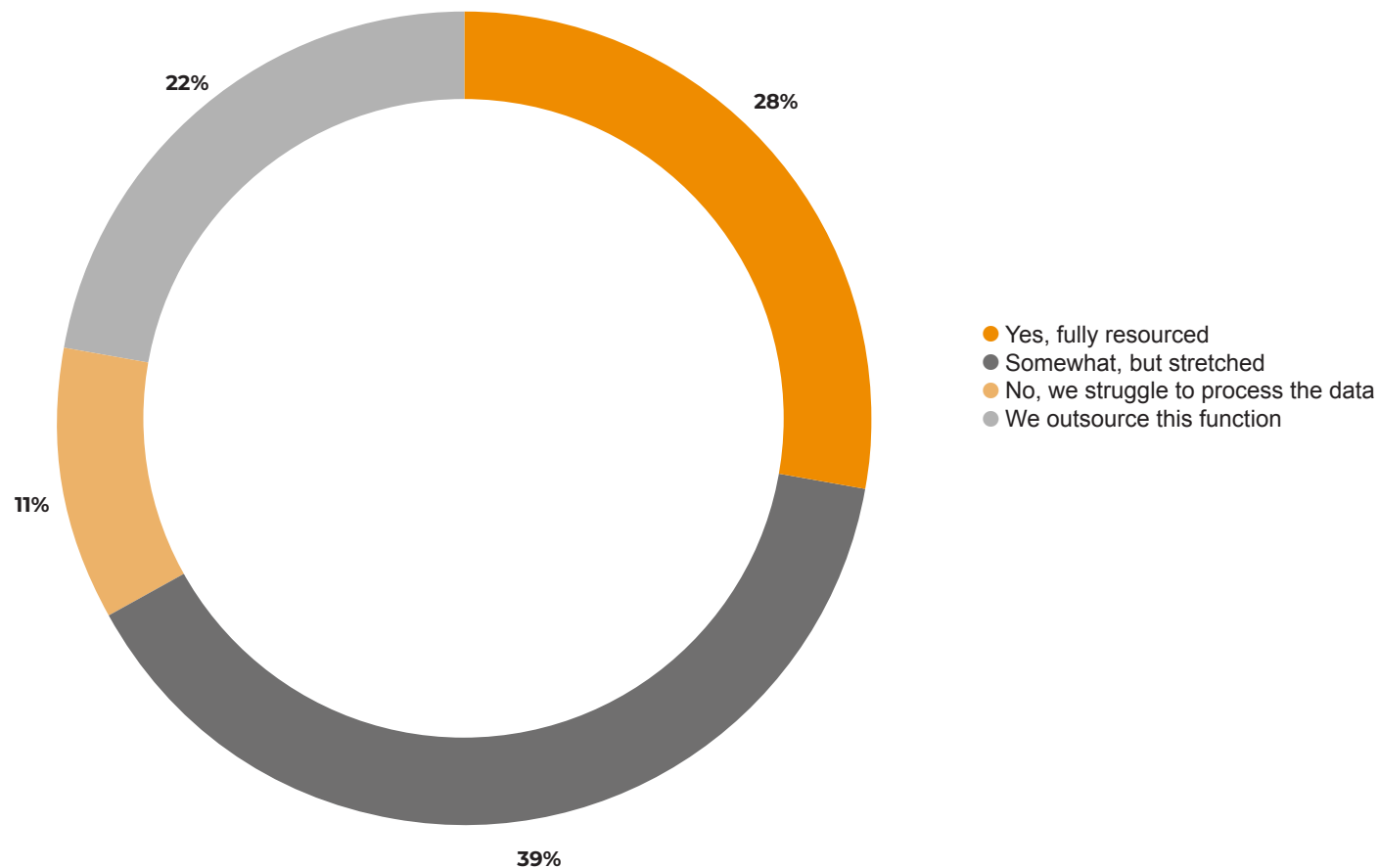
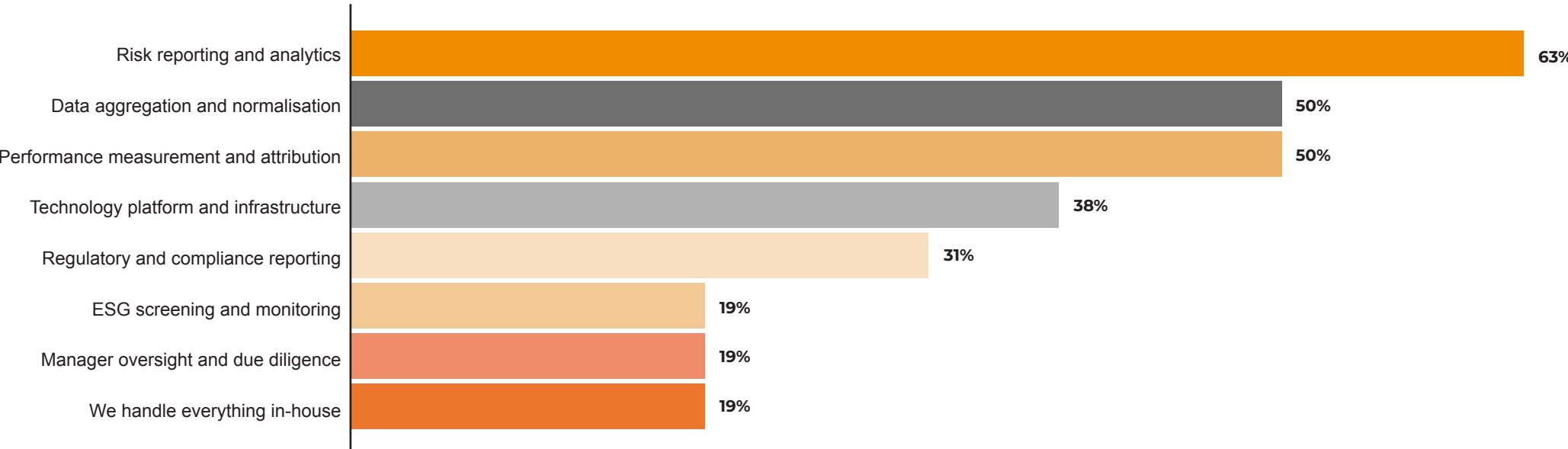


Chart 2.2 Where allocators need third-party support



This doesn't mean SMAs are falling out of favour – our survey shows continued growth. But some allocators are becoming more conscious about when an SMA makes sense.

HOW THE SMART ALLOCATORS COPE

The allocators making SMAs work aren't trying to process everything. They're selective. "We focus on a small number

of decision-relevant use cases – risk aggregation, exposure monitoring, liquidity and concentration – and build repeatable processes around those," Schneller explains. "Where it makes sense, we lean on third-party tools rather than building internally."

- Risk reporting and analytics: 63%
- Data aggregation and normalisation: 50%
- Performance measurement and attribution: 50%
- Technology platform and infrastructure: 38%
- Regulatory and compliance reporting: 31%

Only 19% say they handle everything in-house.

WHEN TRANSPARENCY PAYS OFF

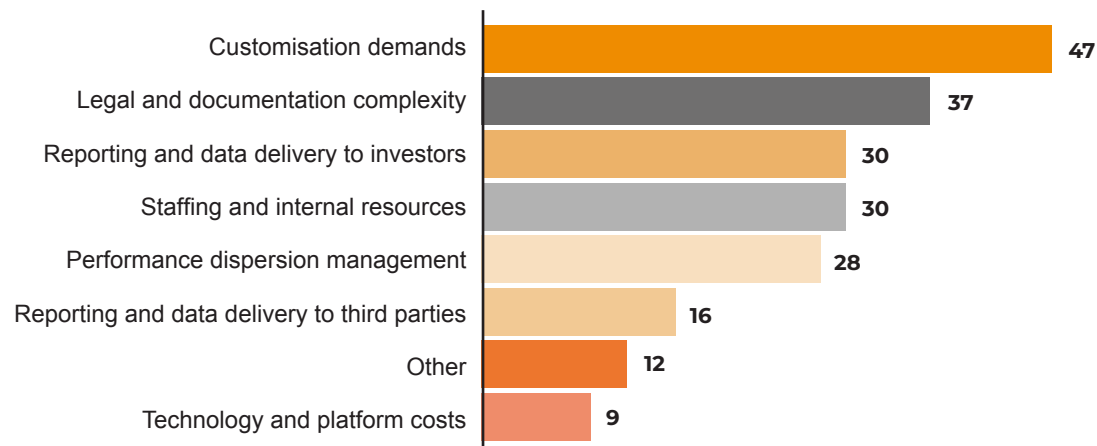
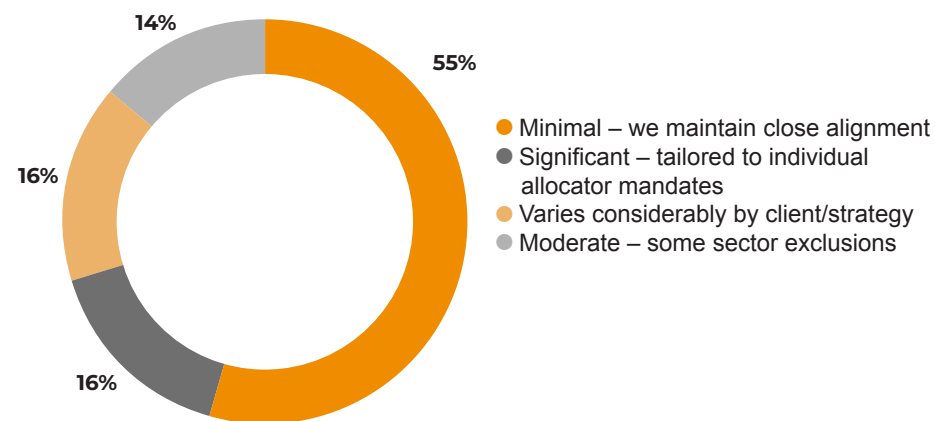
Despite the challenges, allocators who use SMA transparency will gain genuine edge. The key is turning data into action.

Schneller describes a concrete example: "We've had situations where position-level transparency revealed unintended factor concentrations across managers – exposures not obvious from fund-level reporting. In one case, this led us to reduce an allocation because the portfolio was more exposed to a specific macro regime than we were comfortable with. Without SMA transparency, that risk would only have shown up during stress."

PART III: BUILDING SMA INFRASTRUCTURE

What It Takes to Run an SMA Programme Well



Chart 3.1 Biggest operational challenges for managers**Chart 3.2** Performance divergence permitted in SMAs

THE MANAGER'S DILEMMA

For managers, the challenge is building SMA infrastructure that meets allocator expectations without breaking the bank – particularly for emerging firms competing against larger players.

- Customisation demands: 47%
- Legal and documentation complexity: 37%
- Reporting and data delivery: 30%
- Staffing and internal resources: 30%
- Performance dispersion management: 28%

Yet here's the tension: when asked how much performance divergence they permit in SMA accounts, most managers said that they keep things close to flagship.

- Minimal alignment: 55%
- Moderate (some exclusions): 14%
- Significant customisation: 16%
- Varies by client: 16%

Managers are building infrastructure for bespoke portfolios while largely running them *pari passu*. If most SMAs look like the flagship anyway, what's all the extra work for?

GETTING THE FOUNDATION RIGHT

The answer lies in preparation. The managers who struggle are those who bolt on SMA capability as an afterthought.

The ones who succeed build for it from day one.

Price at EverestQuant spent nearly eighteen months on infrastructure before taking SMA capital. "We started building in January 2024 and didn't launch until late that year – eleven months spent just on building the systematic infrastructure. It took another six months to launch from there. But when we got there, when allocators wanted specific commodity-level risk exposures, that was easy for us. We built it properly, and that helped us have these conversations."

His advice for managers weighing an SMA programme: "Get the systems fully buttoned down from the ground up. Systematic execution frameworks, your PMS and OMS, best-in-class

infrastructure. Then running two SMAs *pari passu* isn't an operational challenge. But if you don't build that initially, it becomes a significant hurdle later."

Byron Wilson, Portfolio Manager at Maximal Asset Management, takes a similar approach: "Any customisation request must not adversely impact other investors or materially affect the overall strategy. For specific mandates like ESG or tax-aware investing, SMAs keep the assets separate and manageable rather than commingling them."

He adds that platforms like Eze Eclipse help Maximal provide "flexible frameworks for custom reporting without heavy in-house IT maintenance."

WHAT ALLOCATORS EXPECT FROM TECHNOLOGY

Allocator expectations around technology are rising steadily.

Reporting and reconciliation top the list – the basic plumbing. API connectivity is increasingly expected as allocators integrate SMA data into their own systems. AI-driven analytics remains nascent at 12%, but is an area to watch.

WHAT MAKES SMA RELATIONSHIPS WORK

Beyond technology, allocators have clear views on what separates good SMA managers from frustrating ones.

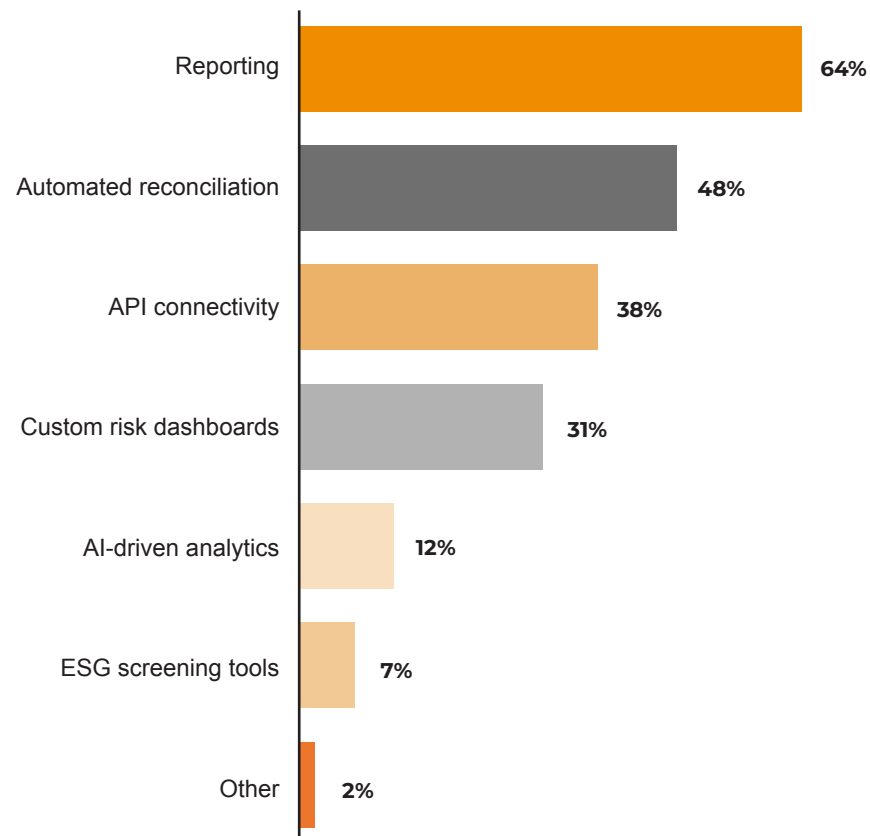
Schneller's advice is direct: "SMAs are not just 'funds in a different wrapper.' They require operational maturity, robust reporting, and continuous engagement. Allocators don't want data – they want usable, reliable information delivered consistently."

He adds: "Managers must be realistic about what can be customised without degrading the strategy. The best relationships are where managers are clear about what's possible,

what's sensible, and what's not."

Price echoes this from the manager side: "What surprised me is how little visibility we had on margin and cash management on the allocator's side. It's a trust game both ways – you have to be sure the SMA is managed professionally on both ends."

Chart 3.3 Technology capabilities allocators expect



CONCLUSION

THE SMA PLAYBOOK

SMA's are no longer new, and the growth story alone is no longer sufficient. The market has matured to where execution quality matters more than simply having an offering.

Many managers' experience illustrates both the opportunity and the requirements. Raising tens of millions a few seven months as a new manager is remarkable – but it takes a lot longer of infrastructure building to get there. “My advice is for everyone to embrace it – it's probably not going away,” Price says. “But be very well resourced and prepared on the infrastructure side.”

For allocators, the challenge is equally clear. Don't ask for data you can't process. The 28% who feel fully resourced have figured out how to extract value. The rest need to either build capacity, outsource intelligently, or reconsider whether SMA's suit every allocation.

Schneller's approach captures the right mindset: “We focus on a small number of decision-relevant use cases and build repeatable processes. Where it makes sense, we lean on third-party tools rather than building everything internally.”

Looking ahead, Schneller expects “a bifurcation: some allocators will deepen their SMA programmes, while others will rationalise and move back toward commingled structures where the operational burden outweighs the benefits. The next phase will be less about novelty and more about execution quality.”

For both managers and allocators, the playbook comes down to this: be selective, be realistic, and focus on what actually adds value. SMA's work when both sides understand what they're signing up for. They create friction when expectations and capabilities don't match.

The era of SMA growth continues.
The era of SMA discipline has begun.



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