



Asset & Wealth Management Benchmarking Insights | Alternatives



Expenses

March 2026

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Overview

Overview

PwC's Asset & Wealth Management practice is pleased to publish the results from our **Asset & Wealth Management Benchmarking Insights Series for Alternatives**.

Our benchmarking series is designed to **gather, analyze and share information** about key industry trends and metrics. This report summarizes industry practices related to **Expense trends for funds**. In this report, we will explore topics related to expense policies and governance, current trends in fee and incentive structures, and inflationary pressures. Other reports in this series address other industry practices related to valuation, financial reporting, fund of funds, organizational structure, and use of service providers.

The information reflected in this report leverages the knowledge and experience garnered from providing audit services to leading alternative asset management firms. Our expense policies and procedures report captures information from **over 55 US-based alternative asset management firms** across various product types and strategies representing **over \$2.4 trillion of assets under management (AUM)**. Participants include a combination of hedge funds, private equity funds, credit funds and other alternative fund types such as business development companies and real estate funds.

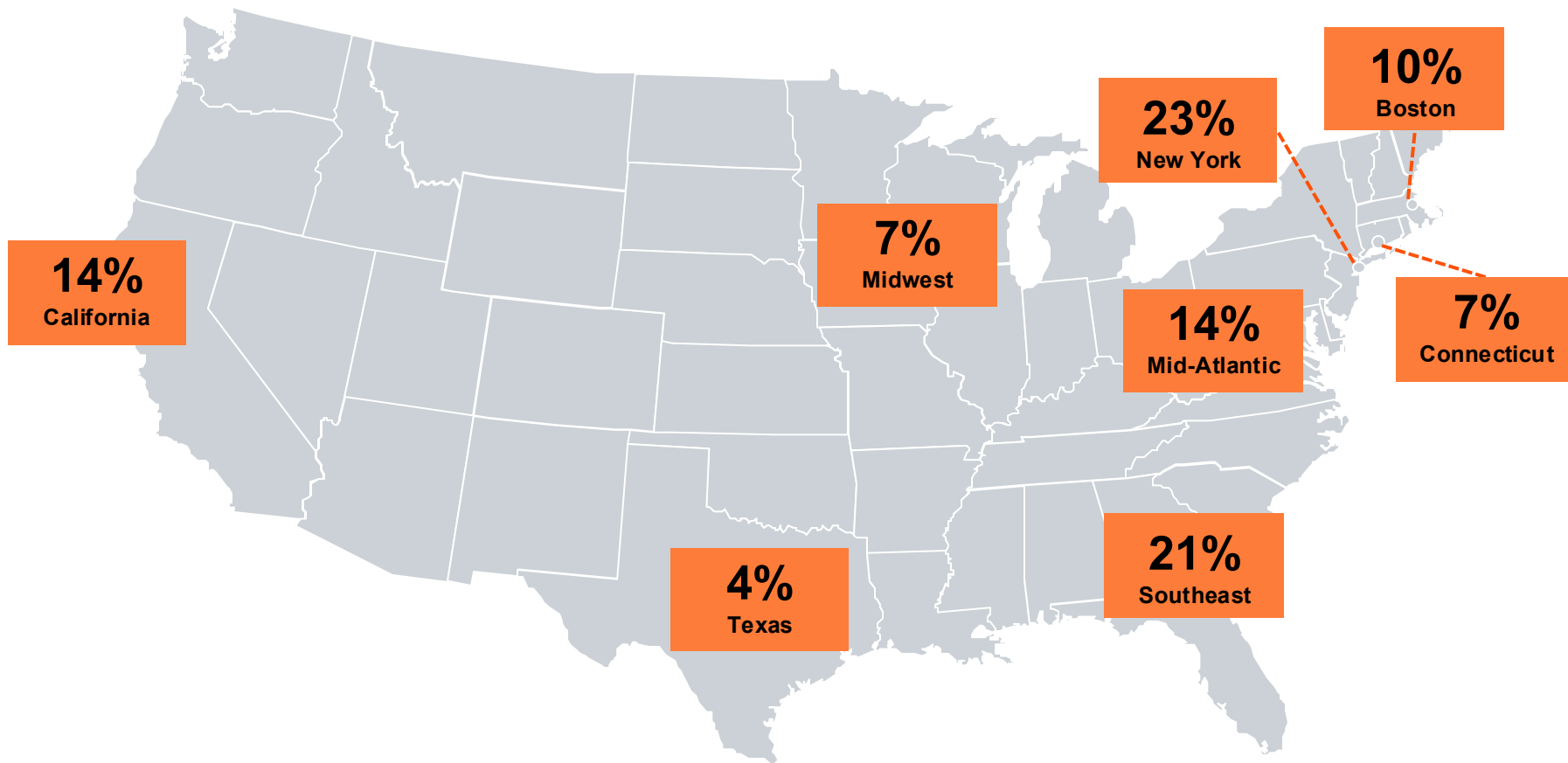
Because of the diverse nature of alternative asset managers, **these results should not be considered representative of all alternative asset management firms**. Furthermore, many of the concepts in this report are influenced by the specific facts and circumstances of each participant. Accordingly, these results should be viewed as directional, rather than authoritative, and do not necessarily represent practices that are applicable in all situations. Lastly, some of the data in this report can be compared to data in previous reports that we have published on the same topic. However, note that there are some survey participants who participated in prior surveys but did not participate in the 2025/2026 survey and vice versa. Therefore, differences should not be interpreted as trends. Should you have any questions about the data herein, we encourage you to reach out to our team. Refer to the back of the report for our contact information.

We hope that you find this report interesting and useful as you evaluate your organization on the topics highlighted herein.

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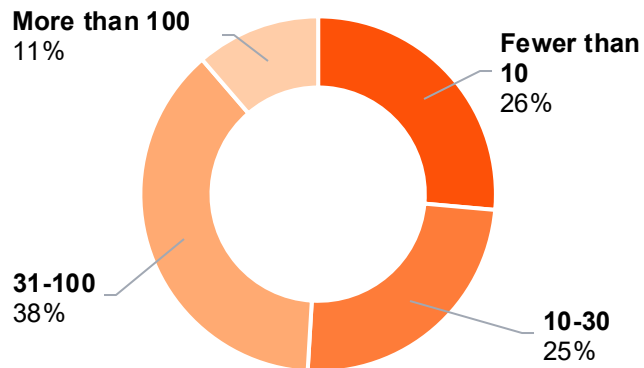
Participant Demographics

Participant Locations

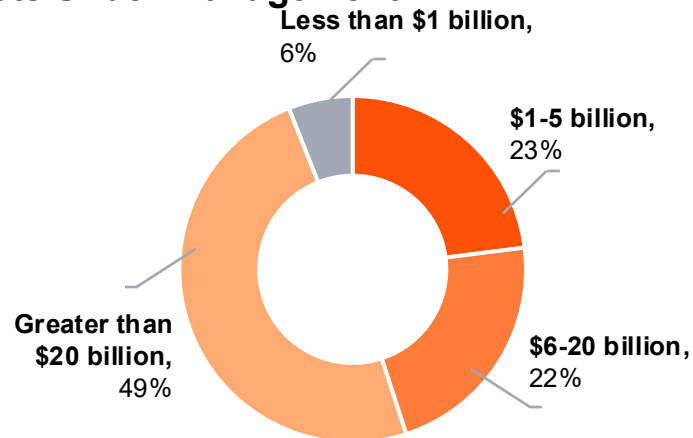


Participant Demographics

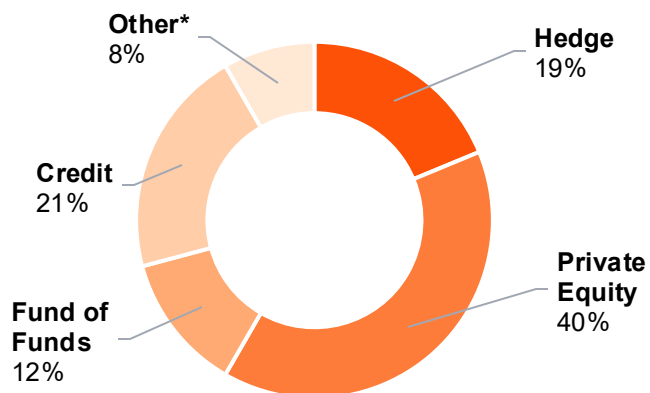
Number of Funds Managed



Assets Under Management



Primary Type of Funds Managed by the Advisor



*Other represents Real Estate, Commercial RE, Real Assets, and Venture Capital

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Expense Benchmarking

Recent Trends



79% of participants have launched new funds in the past two years.

Of those participants, **48%** charge lower fees for the new funds compared to the organization's older funds. Some respondents indicated that an increase in side letters has contributed to fee reductions. Regarding alternative fee structures, participants noted that only a small minority of closed-ended funds have adopted net asset value (NAV)-based management fees instead of the traditional committed capital basis.

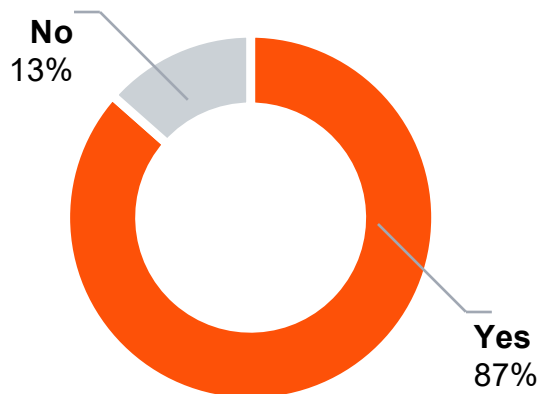
A majority of our participants do not have a formal governance mechanism such as a steering committee to oversee the allocation of operating expenses amongst funds/product offerings. We note that many managers apply similar allocation methodologies such as percent of commitments or percent of NAV (combined 26% for those methodologies).

Heightened investor attention to costs is prompting the industry to adopt new fee structures and improve transparency into expense allocations.

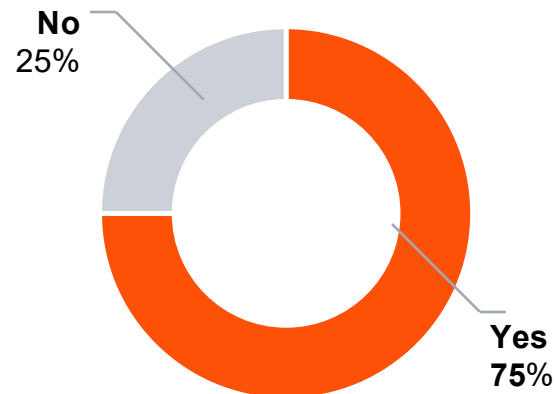


Expense Policies

Does the advisor have a written policy governing the identification and allocation of operating expenses between the advisor and the funds?



Does the advisor have a written policy governing the identification and allocation of operating expenses amongst the funds/products?

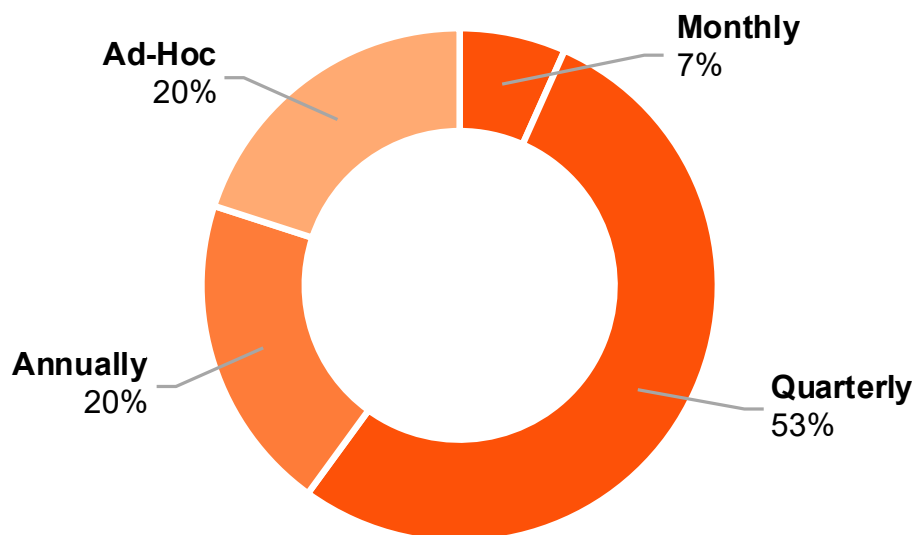


In addition to the data shown above, 72% of participants do not have a formal governance mechanism, such as a committee, overseeing the allocation of expenses.

Current oversight focuses more on preventing investor harm, though existing obligations under the Advisers Act and Form PF remain. Companies should expect fewer new federal mandates but prepare for ongoing scrutiny and a patchwork of state and international disclosure requirements.

Expense Policies (cont'd)

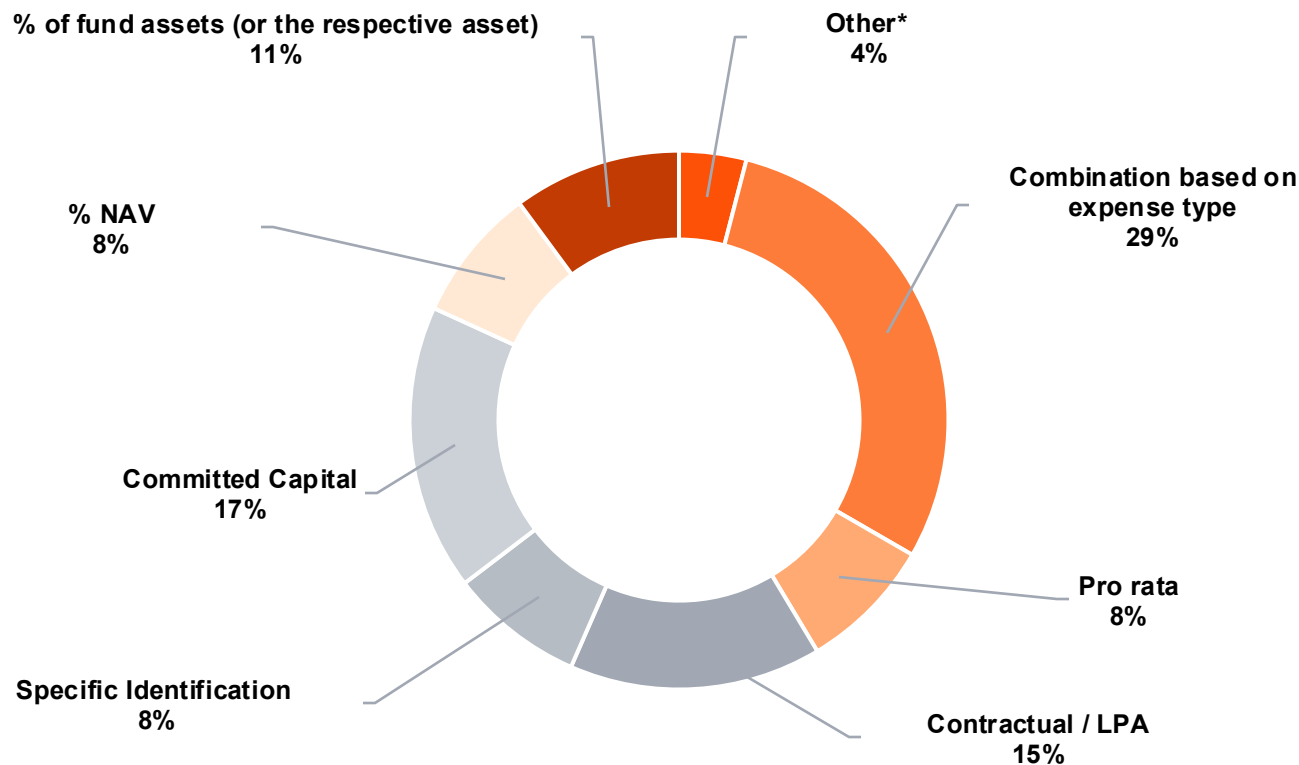
For those advisors with a formal governance mechanism, how frequently does the committee meet?



Among those participants with a formal governance mechanism in place, the committee predominantly convenes on a quarterly basis (53%), with a portion also meeting on an ad hoc basis (20%). This reflects differing approaches observed within the industry.

Expense Policies (cont'd)

What is the methodology used to allocate expenses amongst funds?

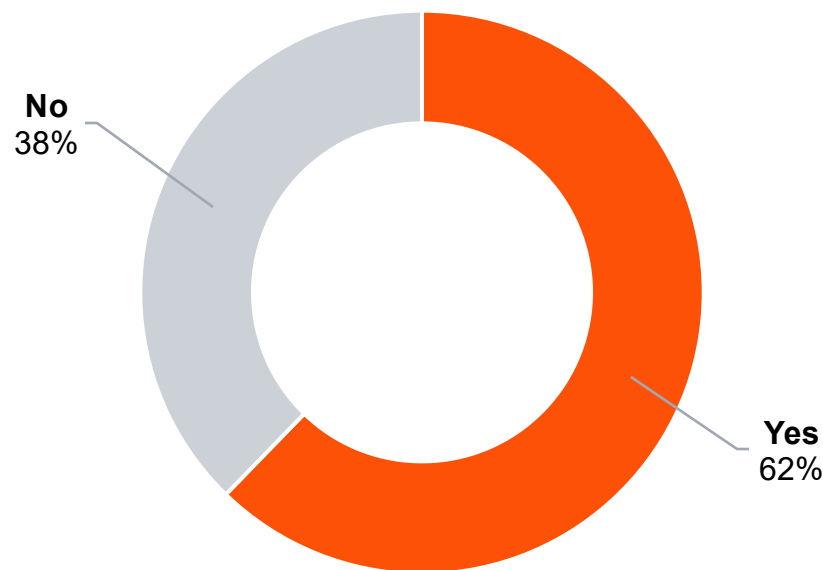


*Other includes time/fund size and invested capital

The majority of respondents indicated that the typical methodology used to allocate expenses amongst funds was a combination based on expense type. Additional methodologies include allocations based on committed capital, or contractual rate. Many fund managers have moved from allocating shared expenses purely by NAV to a combination of allocation bases (NAV, committed capital, AUM, usage, headcount/time, deal counts, entity counts) to better match the actual cost drivers, reduce risk of cross-subsidization across vehicles, and meet investor and regulatory expectations for “reasonable” and transparent allocations.

Expense Policies (cont'd)

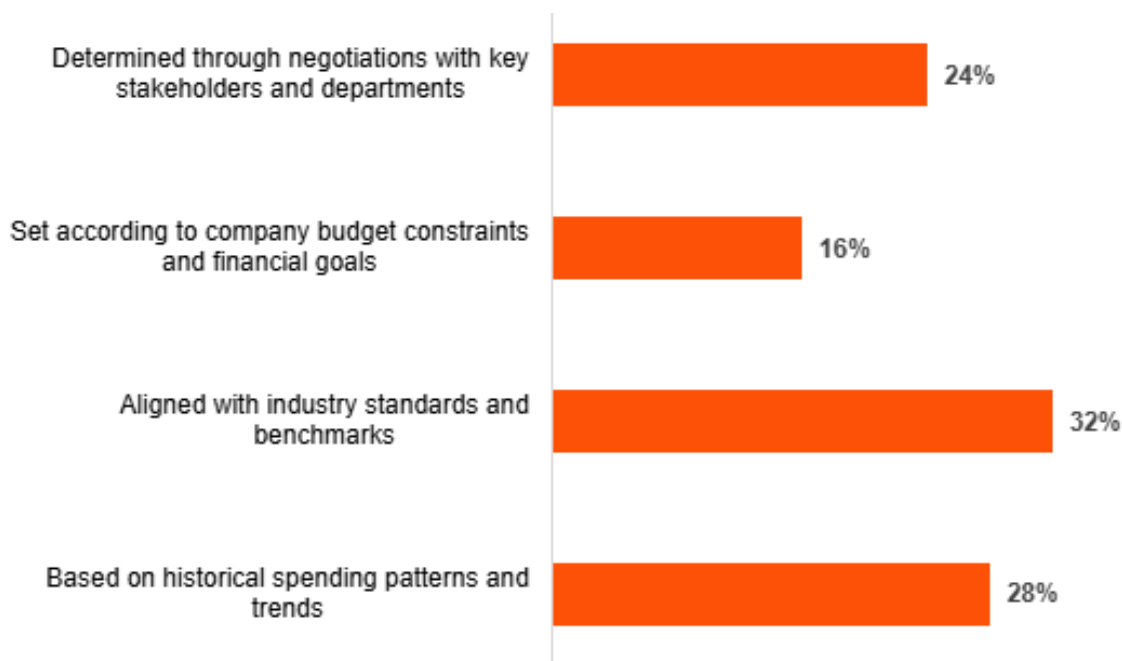
Do any of the funds have a cap on expenses?



Among those participants with expense caps, 57% have a variety in practice by fund, while 43% have an explicit threshold for caps stated in the LPA. Many expense caps are limited to certain expenses (e.g., organization costs and offering expenses). Common drivers of these caps include management policy and negotiations with specific investors. Management-driven caps create budget predictability and signal alignment by limiting manager-controlled costs—particularly those that can pressure early-period performance optics—while still allowing flexibility across vehicles. In turn, anchor and institutional LPs at times insist on explicit limits to satisfy internal governance and “all-in fee” policies.

Expense Policies (cont'd)

If the funds have an expense cap, how was the expense cap determined?



Participants noted that there is no “one size fits all” approach to determining an appropriate expense cap. Managers take into consideration a wide range of sources to determine an approach that works best for all stakeholders in the fund. Aligning expense caps with industry standards and benchmarks could build investor confidence and demonstrate strong governance. By adhering to widely accepted limits, the data could signal transparency, fairness, and a commitment to cost control, which would help attract and retain investors who are increasingly scrutinizing fees and expenses. While aligning expense caps with industry standards would enable clearer comparisons and benefit investors, the survey results indicate that participants are taking varied approaches rather than consistently following those benchmarks.

Annual Closing Process

How is adherence to the expense cap monitored and reported?



The data suggests monitoring is largely retrospective, with 50% of respondents relying on annual reporting requirements that identify issues only after the period has ended. This suggests most firms detect cap utilization late, increasing the risk of surprises, manager overages, and reactive investor communications. Also, formal governance is relatively rare: Only 7% use oversight committees, which is not unusual given the wide range of size and scale within the alternative investments industry.

Recent Trends in Fee & Incentive Structures



The data presented on the following pages reinforce a trend that's been building for several years: managers are moving away from the traditional 2/20 primarily through compressed management fees, while leaving performance fees/carry closer to legacy norms.

Management fees are viewed as operating-cost recovery, so they're easier to lower through scale, technology, and shared services, and in doing so, help address investor concerns about the total ongoing cost of owning alternative investments.

By contrast, incentive/performance fees and carry are paid only when capital is compounding above hurdles and are the core alignment mechanism. Rather than cutting the headline rate, LPs and managers tend to refine how performance pay is earned—e.g., via hurdles, crystallization schedules, or tiered carry—so the rate looks stickier.

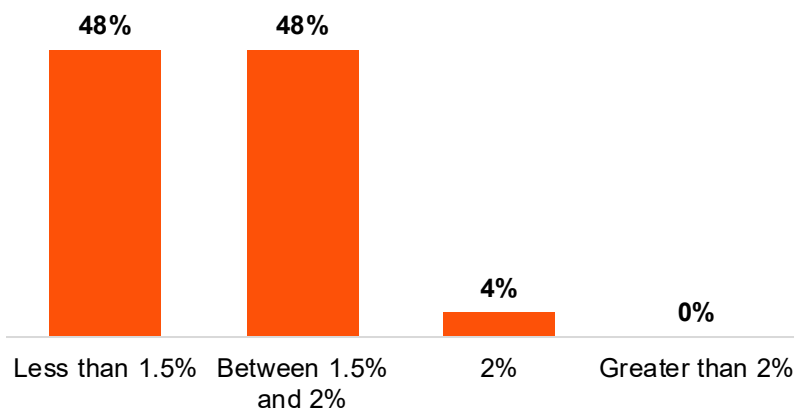
In practice, advisors use breakpoints, step-downs, offsets, and fee waivers to make management fees more investor-friendly, especially in open-ended vehicles where operating leverage is greatest, while preserving performance compensation structures to maintain alignment and talent retention.



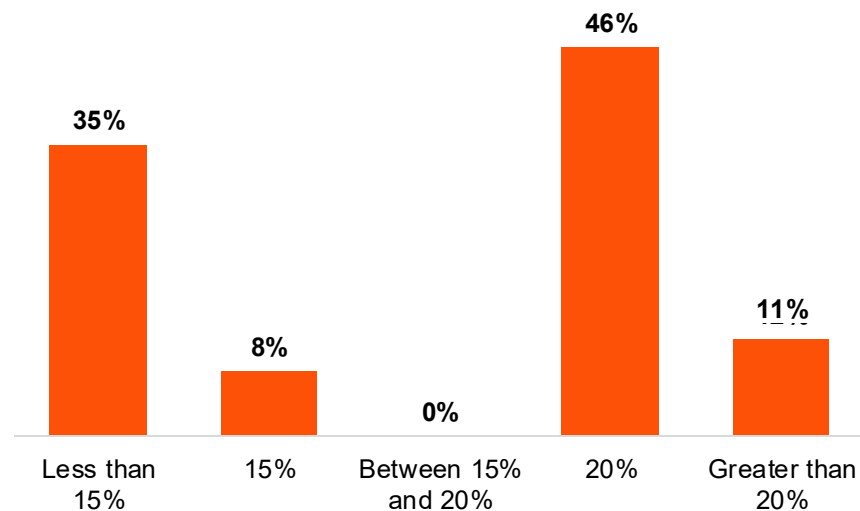
Recent Trends in Fee & Incentive Structures (cont'd)

Management Fees and Incentive/Performance Fees for Open-Ended Funds

What is the annual management fee rate?



What is the carried interest rate?

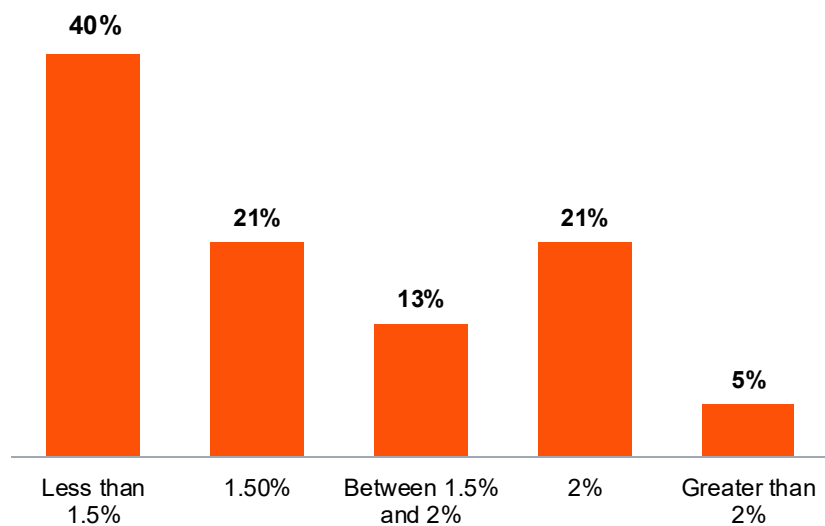


Advisors continue to move away from the 2/20 fee structure, but how has this borne out in practice? Of the participants with open-ended funds, 96% now charge less than 2% for management fees, once factoring in side letters, and 43% charge less than 20% for incentive/performance fees. Additionally, based on the responses from our participants, the range of annual management fee rates for open-ended funds ranges from 0.35% to approximately 2%.

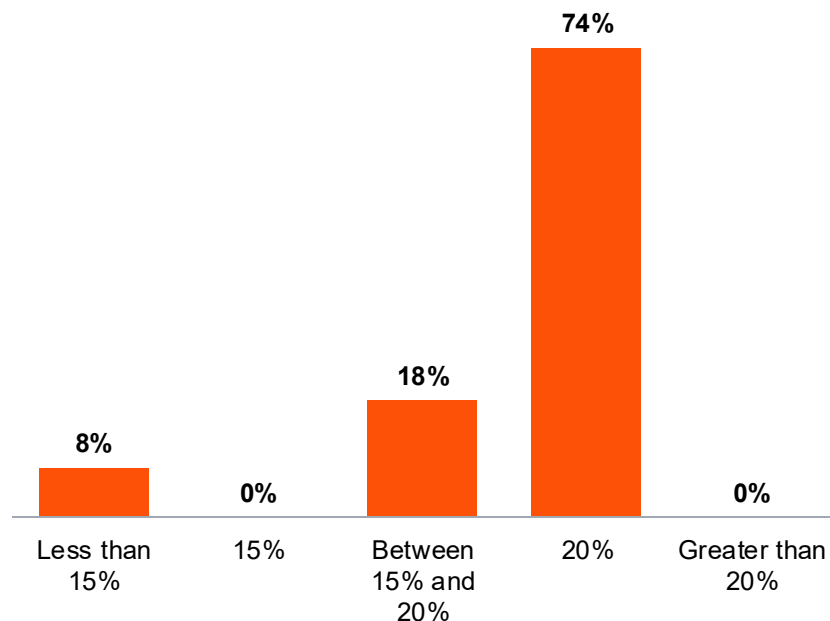
Recent Trends in Fee & Incentive Structures (cont'd)

Management Fees and Carried Interest for Closed-Ended Funds

What is the annual management fee rate?



What is the carried interest rate?



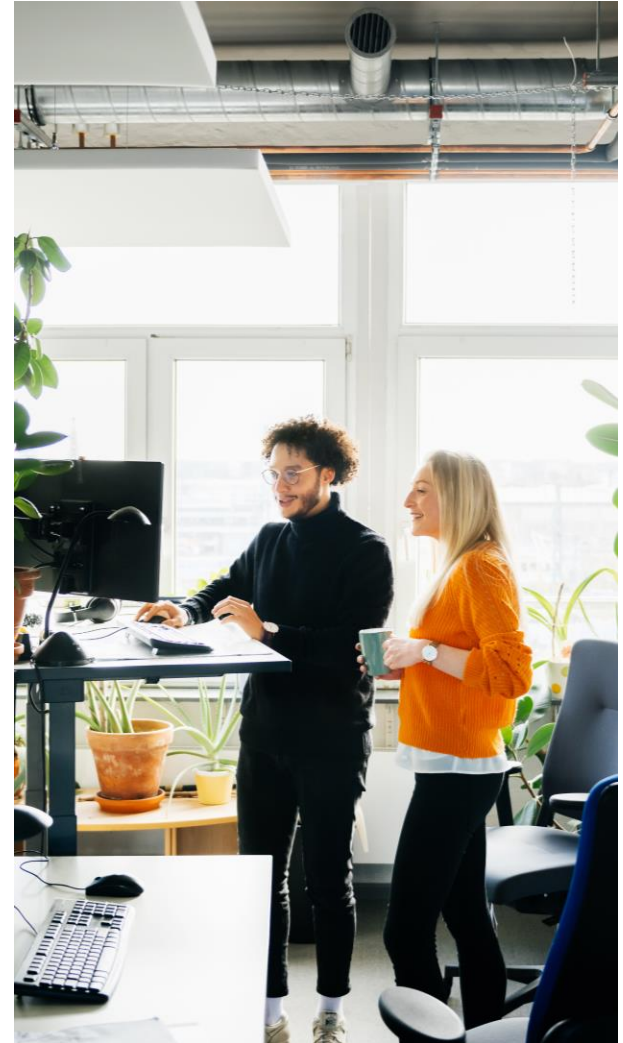
Management fees show clear compression: 61% of respondents are at or below 1.5%, 21% still charge 2%, and only 5% exceed 2%, suggesting a split between a growing low-fee cohort and a sizable minority that maintains the traditional 2% level. Carried interest is far more standardized, with 74% reporting 20% carry and a remaining 26% below 20%, underscoring 20% as the prevailing market norm. Investor pressure on headline costs, the influence of sizable investors, and competitive fundraising have pushed management fees down.

Management Fees



Management fees across private funds are undergoing steady pressure as investors demand greater value, transparency, and alignment of interests. Private equity managers are responding by adjusting fee structures, offering more tailored arrangements, and simplifying disclosures. Hedge funds are experiencing similar dynamics, with increased competition and evolving investor expectations encouraging more flexible pricing models and a shift toward performance-linked structures.

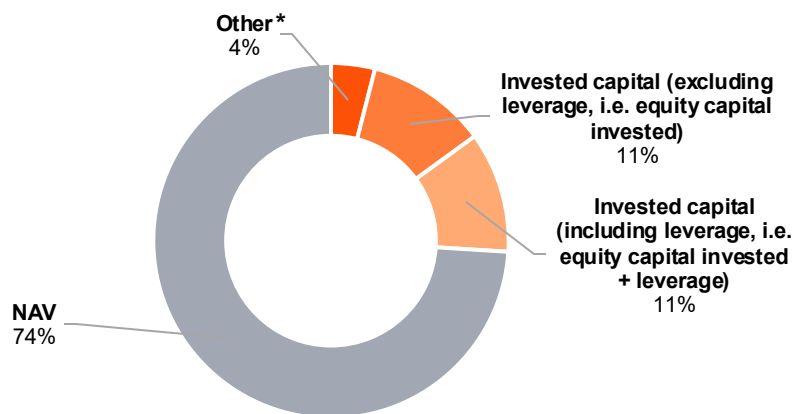
Across the broader private-markets landscape, firms are adopting hybrid fee models, enhancing customization, and leveraging technology to reduce operational costs. Larger managers continue to benefit from scale, while smaller firms face heightened pressure to differentiate through pricing, performance and structure. Overall, the industry is moving toward more transparent, investor-aligned, and adaptable fee frameworks that reflect a changing competitive and regulatory environment.



Management Fees (cont'd)

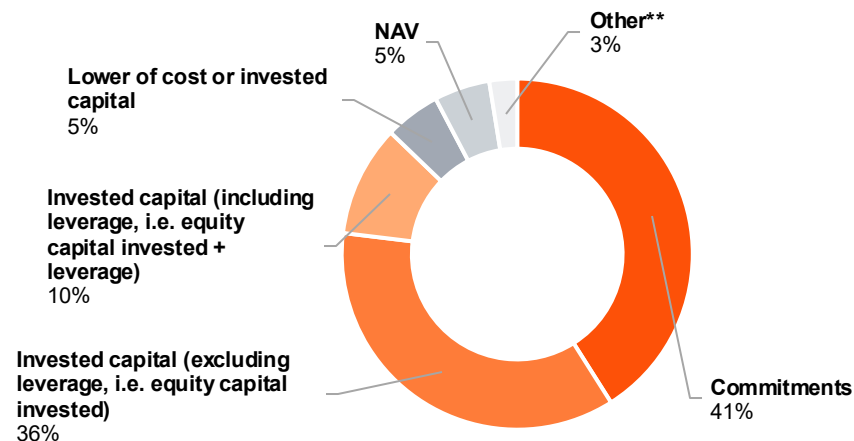
What is the basis upon which management fees are charged to the funds?

Open-ended funds



*Other includes capital commitment, limited partner's aggregate capital account balance, and lower of cost incurred by the management company to manage the entity or a % of invested capital.

Closed-ended funds

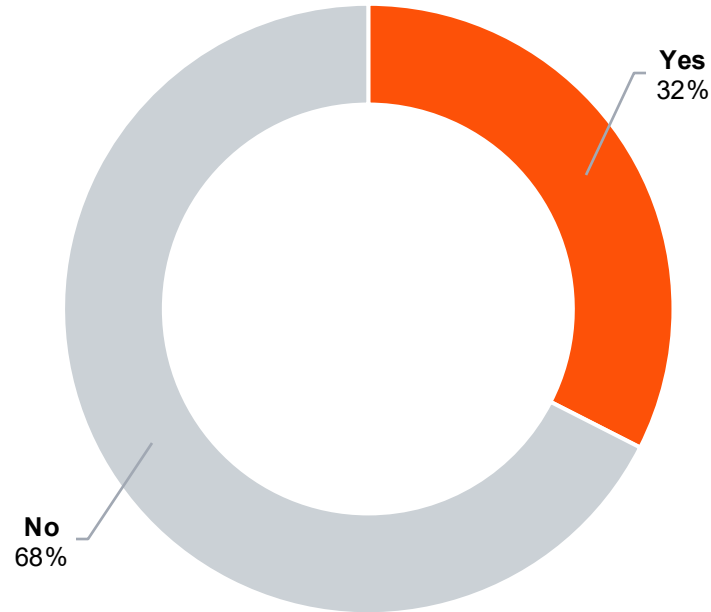


**Other includes AUM, cost, lower of costs incurred by the management company to manage the entity or a % of committed/invested capital, and aggregate principal balance of all collateral loans.

For 60% of closed-ended funds, the basis upon which management fees are charged changes at specific points during the fund's life cycle. This is reflected in the diversity of fee bases used, with commitments (41%) and invested capital excluding leverage (36%) being the most common metrics for calculating management fees. Such changes in fee basis are typically triggered by milestones like the end of the commitment period, the end of the investment period, or key fund anniversaries. In contrast, open-ended funds primarily base their fees on net asset value (NAV), which accounts for 74% of fee calculations, with a smaller portion based on invested capital (11%). This highlights a fundamental difference in fee structures between open- and closed-ended funds, with closed-ended funds often adjusting fee bases to better align management fees with the evolving risk and asset profile over the fund's lifespan.

Management Fees (cont'd)

For the co-invest vehicles, is there a management fee charged?

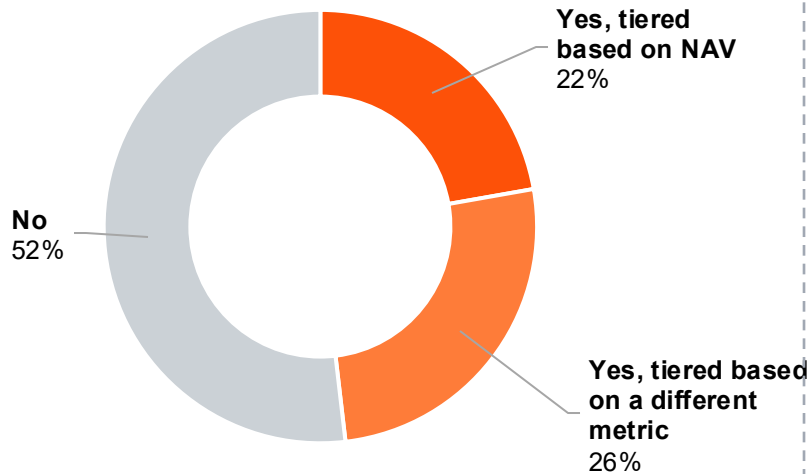


Based on the responses from our population, 47% of advisors surveyed held co-invest funds. Of those advisors with co-invest funds, only 32% charged a management fee. Co-invest vehicles may not charge a management fee to help win and retain investors, anchor commitments, or raise additional funds to close a deal.

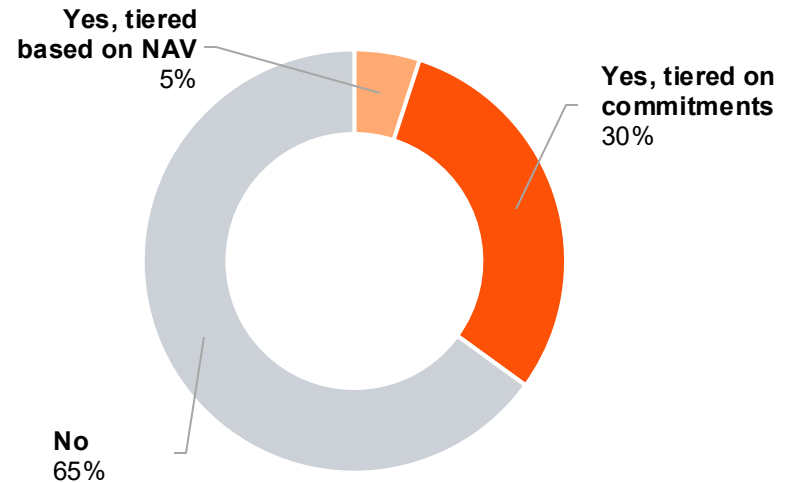
Management Fees (cont'd)

Are management fee rates tiered?

Open-ended funds



Closed-ended funds

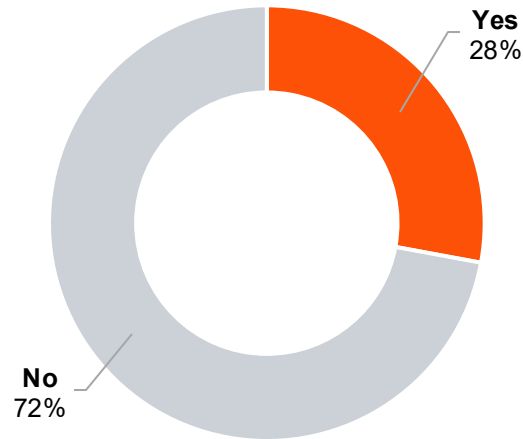


Management fee tiering varies by fund structure, with open-ended funds more commonly tiered based on NAV and closed-ended funds more commonly tiered based on commitments.

Management Fees (cont'd)

Has the advisor put in place a management fee waiver program?

Closed-ended funds

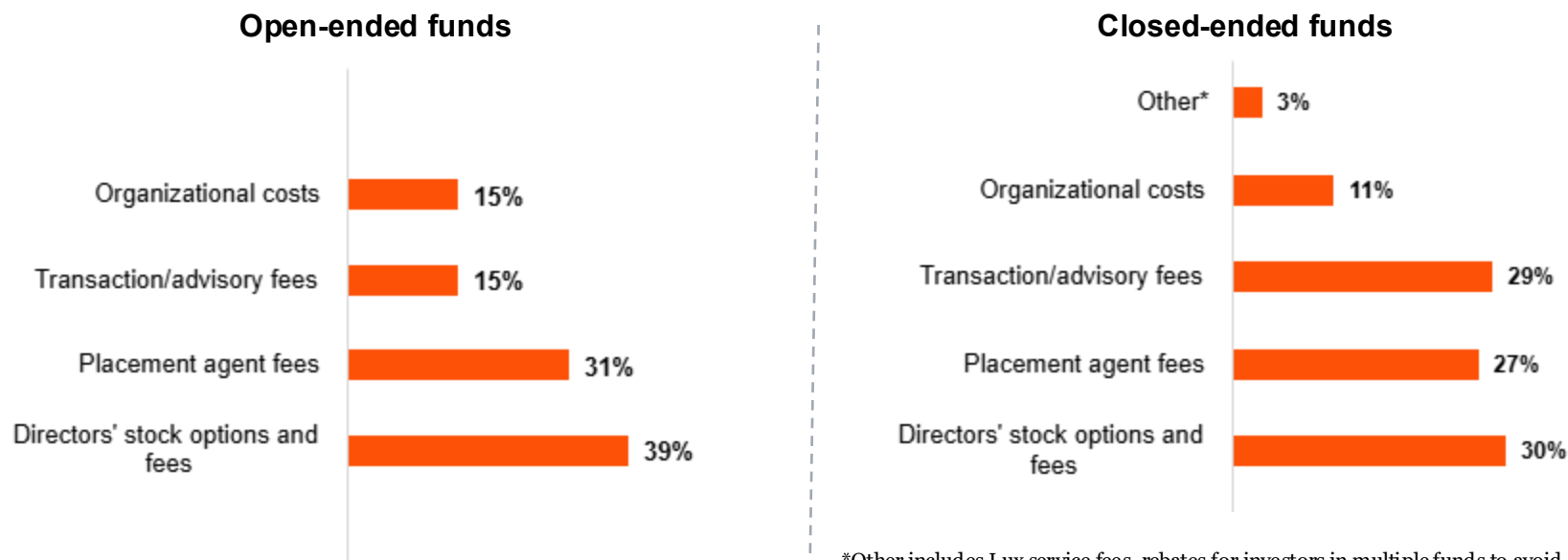


For closed-ended funds specifically, management fee waivers are most commonly put in place at the discretion of the investment manager. Closed-ended funds may allocate management fee waivers toward funding of GP obligations.

Management Fees (cont'd)

What type of other fees earned or incurred by the fund are used to offset management fees?

Note that these percentages should be read in the context of the total of categories presented within the charts below (i.e. respondents indicated that of offsets present in open-ended funds, 15% are due to organizational costs).



*Other includes Lux service fees, rebates for investors in multiple funds to avoid duplicative management fees, consulting fees, break-up fees, monitoring or advisory fees, legal fees, and board fees.

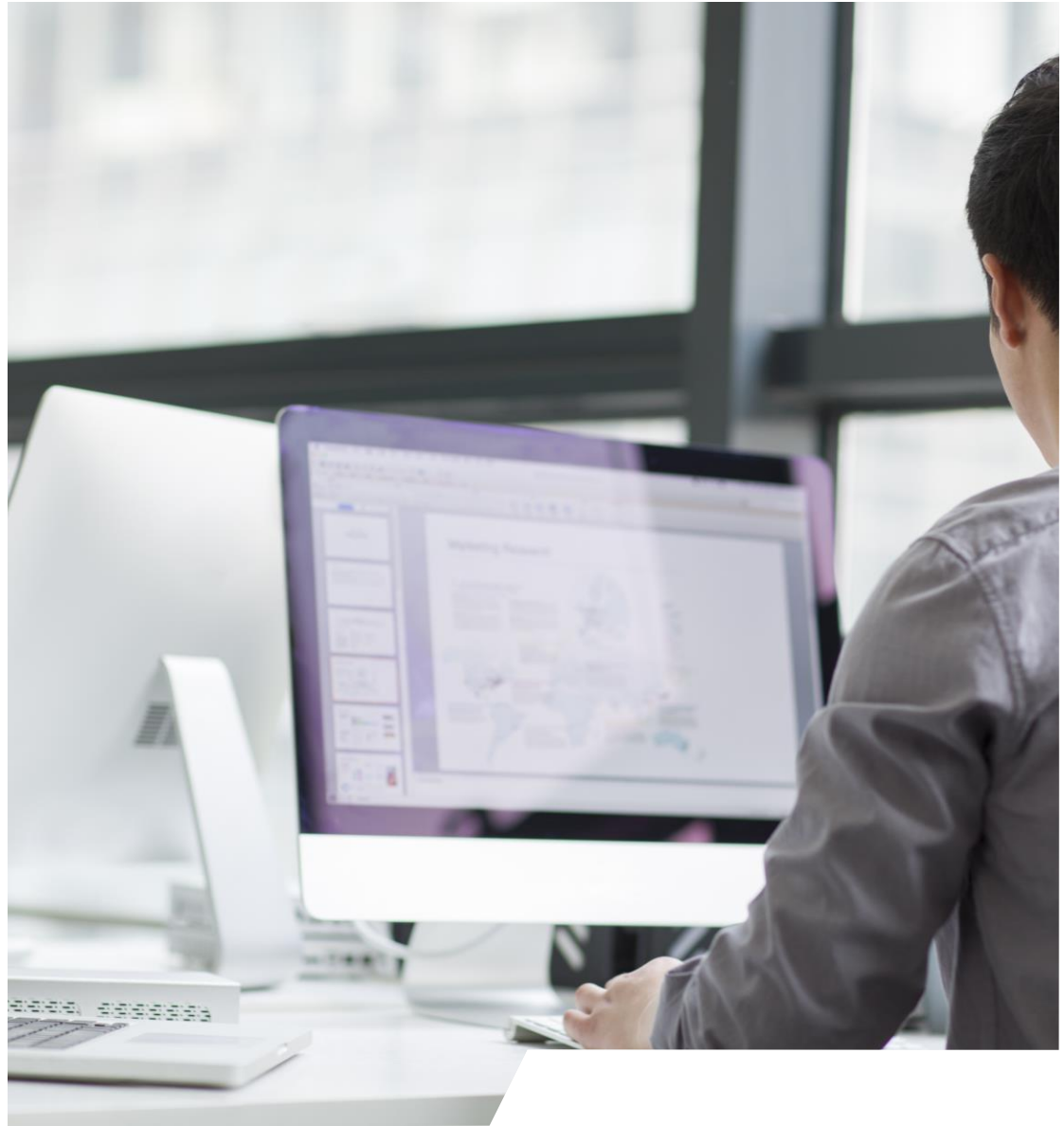
Management fee offsets are more common in closed-ended funds, with 55% of participants reporting at least one type of offset, compared to 12% for open-ended funds. In closed-ended funds, transaction/advisory fees, placement agent fees, and directors' stock options and fees each account for 86% of offsets, while organizational costs and directors' fees are less common. Open-ended funds mainly offset fees through placement agent fees and directors' stock options and fees, accounting for 70%. When applied, fee offsets typically reduce management fees dollar for dollar, meaning 100% of related fees are offset. This highlights how closed-ended funds use a wider range of fee offsets to manage management fee expenses.

Incentive/Performance Fees and Carried Interest



Similar to current trends in management fee structures, advisors are tailoring incentive/performance fee structures and carried interest structures as well. Tiers and varying rates by share class or tranche are not uncommon, and many advisors continue to reduce or waive incentive/performance fees or carried interest for affiliated investors.

Based on the responses from our participants, the ranges of the performance/incentive fee rates for open-ended funds and carried interest rates for closed-ended funds are generally 1% to 22.5% and 10% to 30%, respectively.



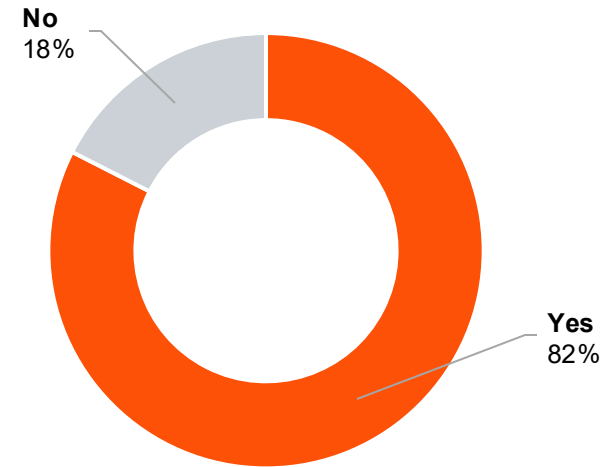
Incentive/Performance Fees and Carried Interest (cont'd)

Is there a hurdle rate/preferred return?

Open-ended funds



Closed-ended funds



For open-ended funds where respondents indicated that a hurdle rate exists, the hurdle is typically tied to an index (with or without a spread) rather than expressed as a fixed percentage return on contributions. This reflects the common practice of aligning performance expectations with a market benchmark rather than a predetermined rate.

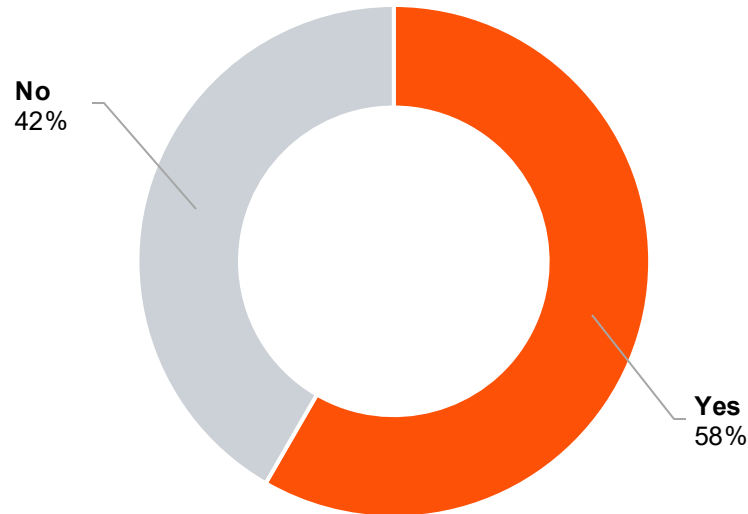
For closed-ended funds where a preferred return is reported, the preferred return is commonly calculated based on unreturned capital contributions (or aggregate contributions), rather than using an index-based approach. This distinction aligns with closed-ended fund structures, where preferred returns are generally tied to contributed capital and capital recovery mechanics.

*Outliers were excluded from these ranges.

Incentive/Performance Fees and Carried Interest (cont'd)

For the co-invests, is there an incentive structure in place?

Co-Invest Funds

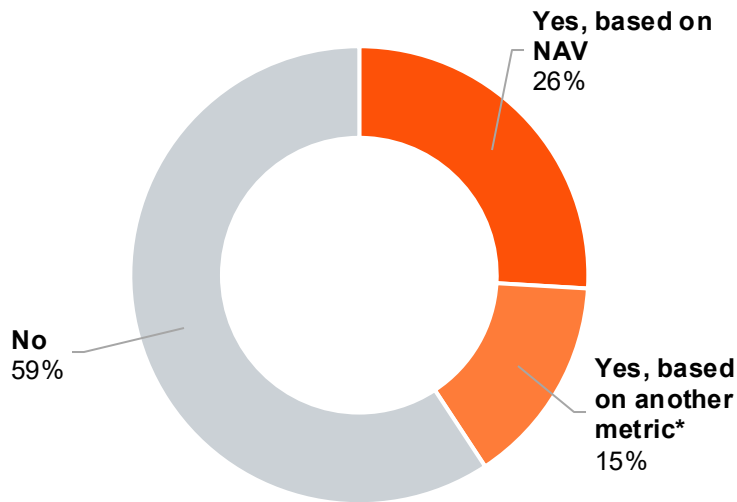


Of advisors with co-invest funds, 58% have an incentive structure in place. For the majority of the co-invest funds, the nature of the incentive structure is carried interest.

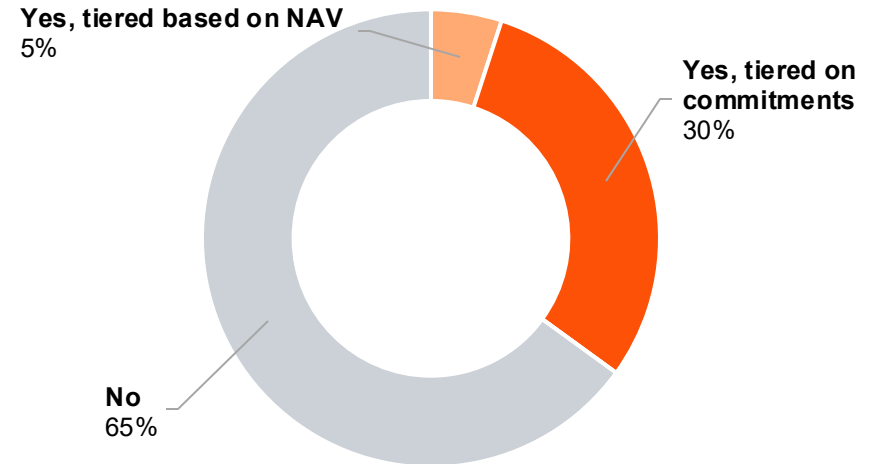
Incentive/Performance Fees and Carried Interest (cont'd)

Are incentive/performance fee rates or carried interest rates tiered?

Open-ended funds



Closed-ended funds



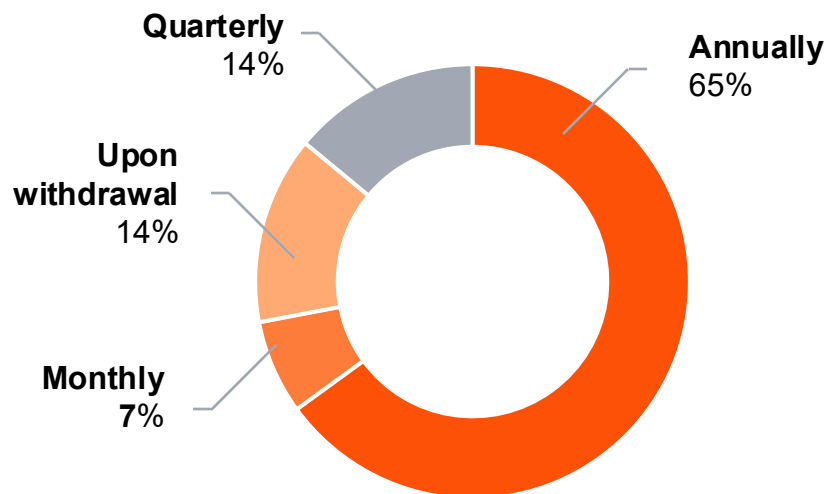
*Other metrics include net profit, share class/series and varying at the investor-level.

Beyond tiering, incentive/performance fees and carried interest often vary by investor; affiliates typically pay lower rates than non-affiliates, and fees may also differ by share class or tranche.

Incentive/Performance Fees and Carried Interest (cont'd)

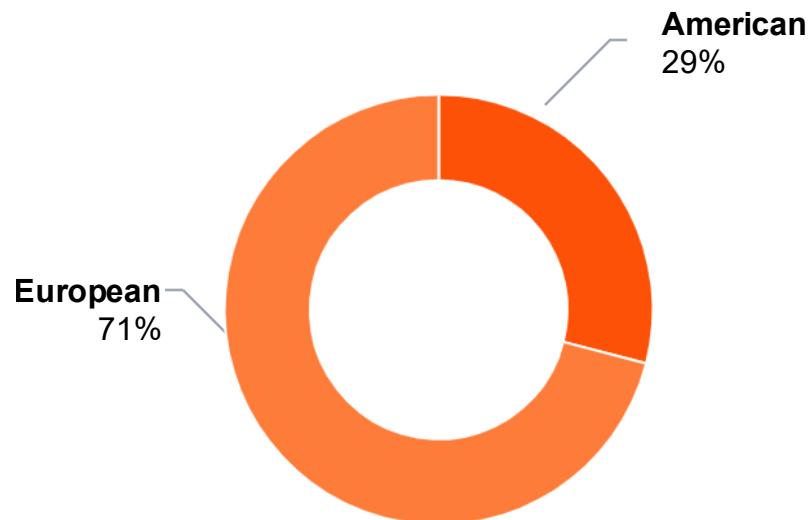
How often do performance/incentive fees crystallize?

Open-ended funds



Is carried interest charged under the American or European distribution model?

Closed-ended funds

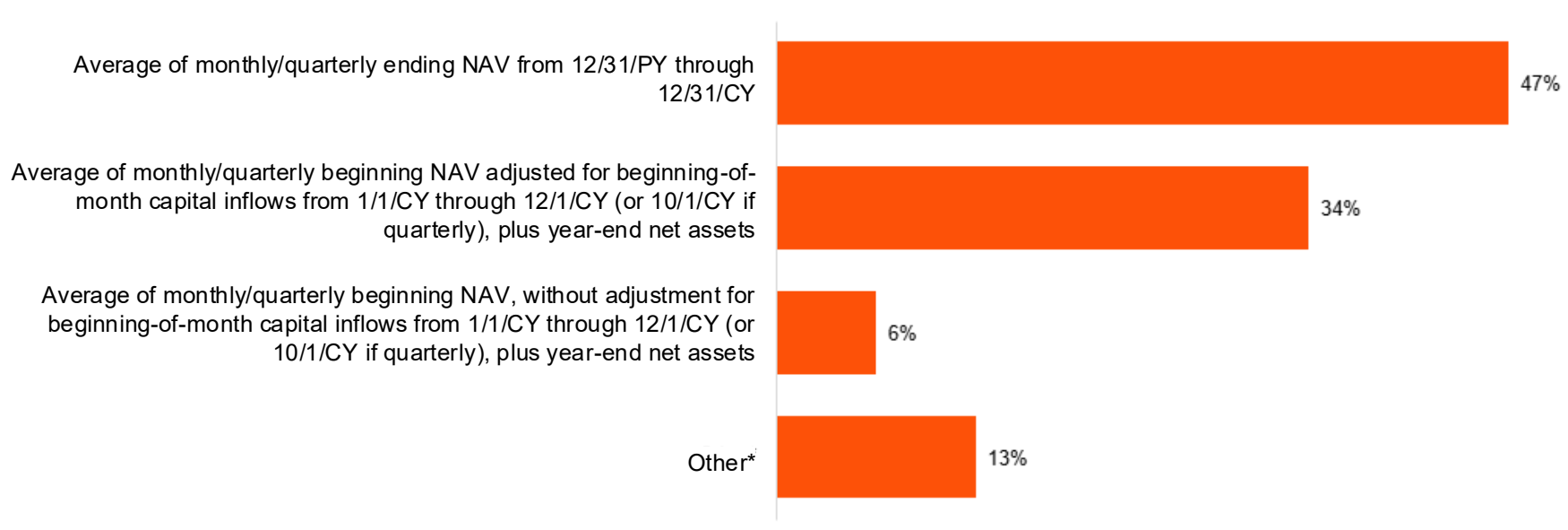


For open-ended funds, performance or incentive fees most commonly crystallize annually, with smaller portions crystallizing quarterly, monthly, or upon withdrawal. For closed-ended funds, carried interest is most often allocated using the European waterfall, in which the manager receives carry only after investors have first received all contributed capital plus the preferred return on an aggregate fund-level basis. In contrast, the American waterfall calculates carry deal-by-deal, allowing the manager to earn carry earlier across individual realized investments, but subject to a potential clawback at fund wind-up to true-up investor returns.

Because crystallization mechanics apply to open-ended structures and waterfall models apply to closed-ended structures, these results relate to different fee processes and are not intended to be compared directly. Respondents using both said they choose one model per fund, not both models applied within a single fund.

Expense Ratios

How does the advisor calculate average net assets for the expense ratios in the financial highlights?

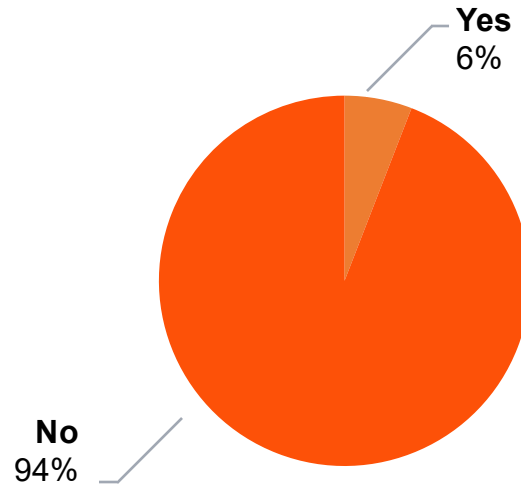


*Other includes weighted average LP capital, average LP capital adjusted for capital inflows/outflows on the actual cash flow date, and daily weighted NAV.

The illustrative examples in the AICPA Audit & Accounting Guide for Investment Companies allows for several methods in calculating the average net assets denominator for expense ratios, provided that the result is reasonable and consistently applied.

Non-Standard Expense Ratios (cont'd)

Does the advisor present any non-standard expense ratios to investors?



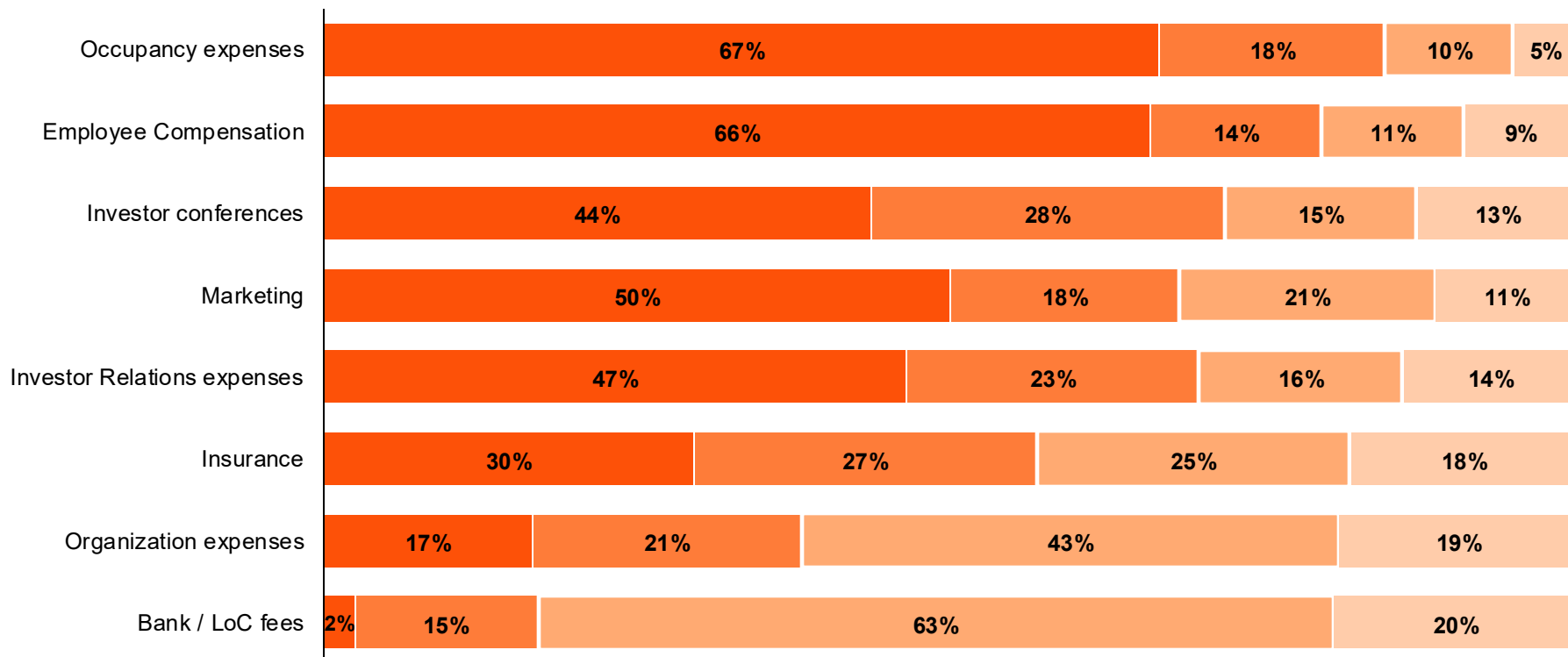
For participants that do present non-standard expense ratios within the notes to the financial statements, they include the following:

- Performance carry ratio
- Interest expense ratio
- Investment expense ratio
- Expenses as a percentage of commitments
- Operating expense ratio
- Admin fee ratio
- Performance allocation shown separately as a percentage of NAV

Treatment of Expenses

How are expenses charged to the advisor/funds?

G&A Costs



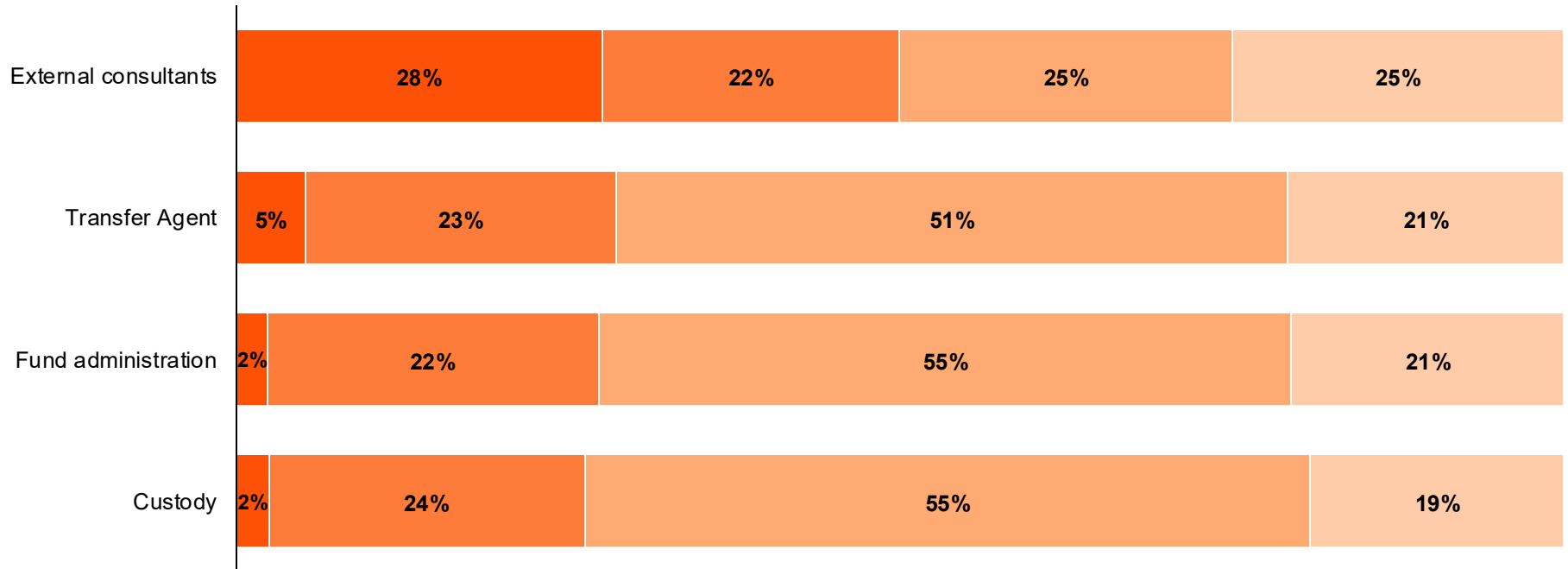
- Borne by the advisor (not passed through to funds)
- Charged to the advisor and then allocated to funds
- Directly charged to fund
- Both allocated and direct.

Percentages reflect applicable responses only; not all categories apply to all participants.

Treatment of Expenses (cont'd)

How are expenses charged to the advisor/funds?

Service Providers



■ Borne by the advisor (not passed through to funds)

■ Charged to the advisor and then allocated to funds

■ Directly charged to fund

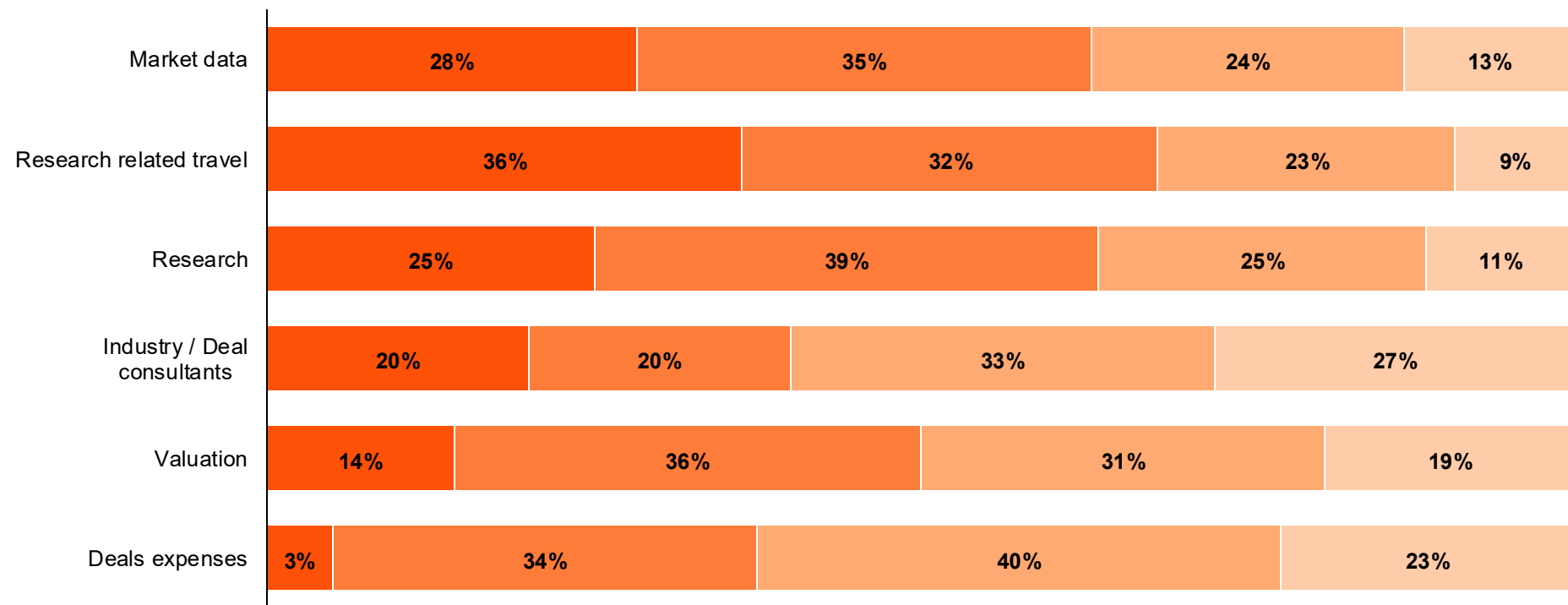
■ Both allocated and direct.

Percentages reflect applicable responses only; not all categories apply to all participants.

Treatment of Expenses (cont'd)

How are expenses charged to the advisor/funds?

Investment Related Expenses



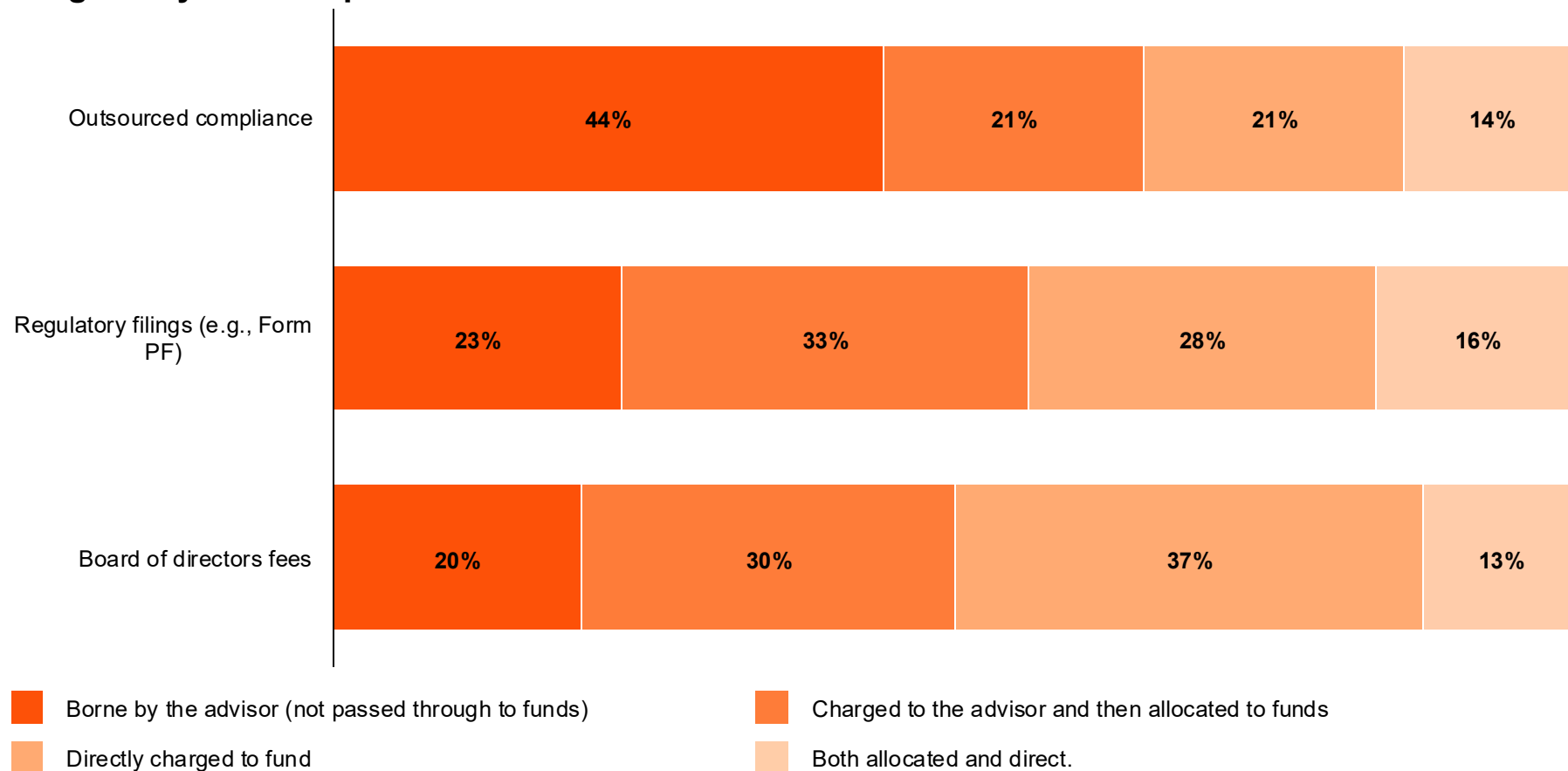
- Borne by the advisor (not passed through to funds)
- Charged to the advisor and then allocated to funds
- Directly charged to fund
- Both allocated and direct.

Percentages reflect applicable responses only; not all categories apply to all participants.

Treatment of Expenses (cont'd)

How are expenses charged to the advisor/funds?

Regulatory and Compliance Fees

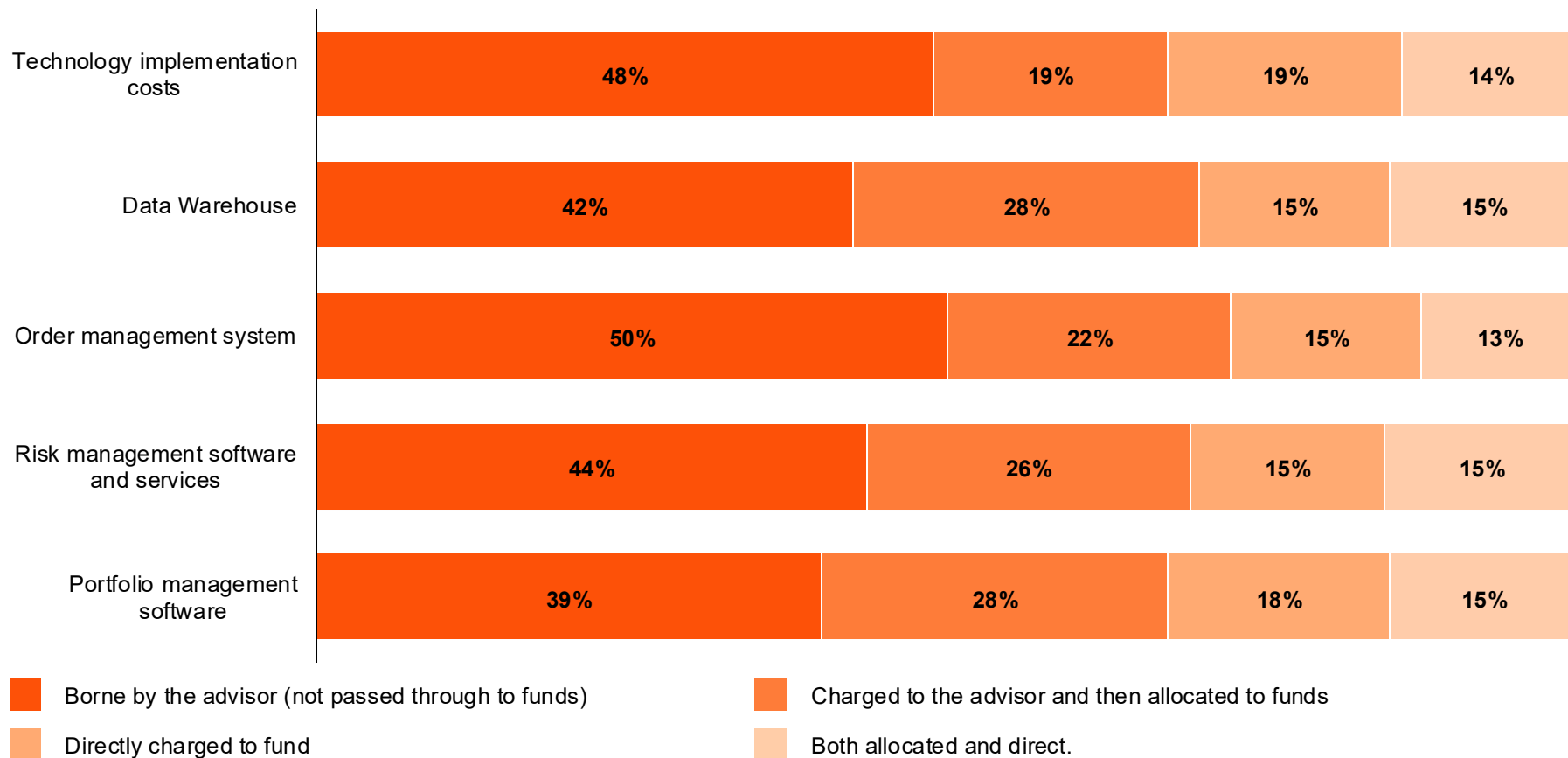


Percentages reflect applicable responses only; not all categories apply to all participants.

Treatment of Expenses (cont'd)

How are expenses charged to the advisor/funds?

Technology Fees

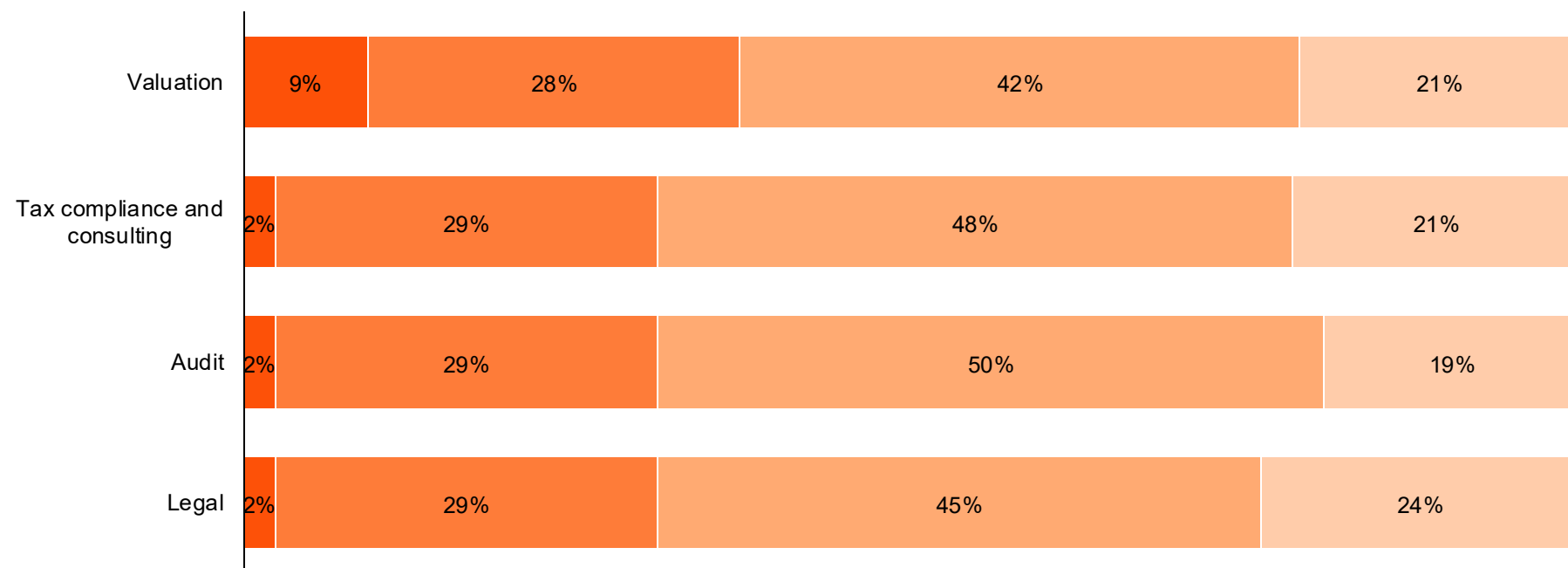


Percentages reflect applicable responses only; not all categories apply to all participants.

Treatment of Expenses (cont'd)

How are expenses charged to the advisor/funds?

Fund-Level Professional Fees



■ Borne by the advisor (not passed through to funds)

■ Charged to the advisor and then allocated to funds

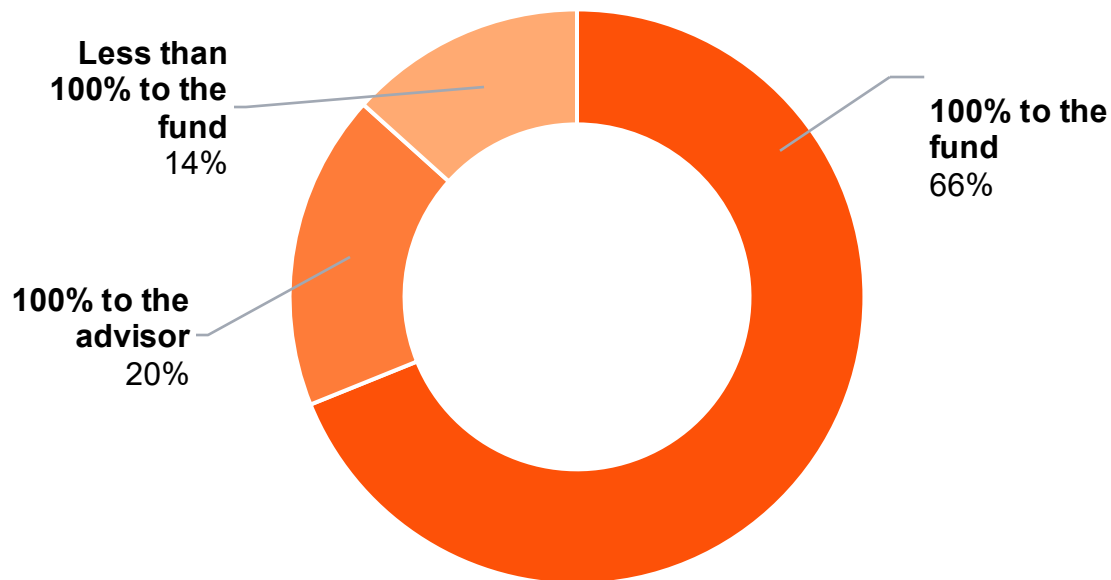
■ Directly charged to fund

■ Both allocated and direct.

Percentages reflect applicable responses only; not all categories apply to all participants.

Treatment of Expenses (cont'd)

How are broken deal costs charged to the advisor/funds?



Of participants who noted that broken deal costs are charged to both the advisor and the fund, most indicated that up to 50% of the costs are generally charged to the fund. As investment managers continue to face fundraising headwinds, many investors may demand that managers bear a more meaningful portion to avoid performance drag; in the current competitive fundraising landscape, managers accept larger shares of broken deal costs.

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