Exabel

RESEARCH REPORT

Alternative Data Buy-side Insights & Trends 2026

Insights from 100 fundamental portfolio managers and analysts on the application of alternative data in investment management – including, future outlook, challenges, budgets, technology and the role of AI.

Introduction

Alternative data* remains a critical driver of alpha generation for institutional investors. The market continued to expand through 2025, with no signs of slowing. Notably, 100% of survey respondents agreed that the use of alternative data is becoming increasingly important for firms seeking innovative sources of alpha. Investors are now looking ahead to next-generation technology platforms and AI to further enhance how alternative data informs investment strategies.

In January 2026, we commissioned Pureprofile to conduct an anonymous survey with 100 fundamental portfolio managers and investment analysts across the US, UK, Singapore and Hong Kong, collectively managing approximately ~$2 trillion in assets. The goal was to understand their attitudes, adoption levels, and challenges related to alternative data.

Our findings show that:

- Institutional investors continue to embrace alternative data as a key source of differentiated insight versus traditional datasets, reflected in rising budgets, a growing number of datasets, and increased demand across new categories.
- As investment in alternative data increases, respondents expect greater reliance on third-party technology providers to integrate and analyze data efficiently at scale.
- AI is already playing a pivotal role in alternative data workflows, though investors still face challenges in implementation and effective usage.

Key Findings

57% of investment managers said that employment data would provide “an outsized informational edge in the near future”

43% of investment managers stated that “data evaluation” was the most challenging stage of the alternative data workflow

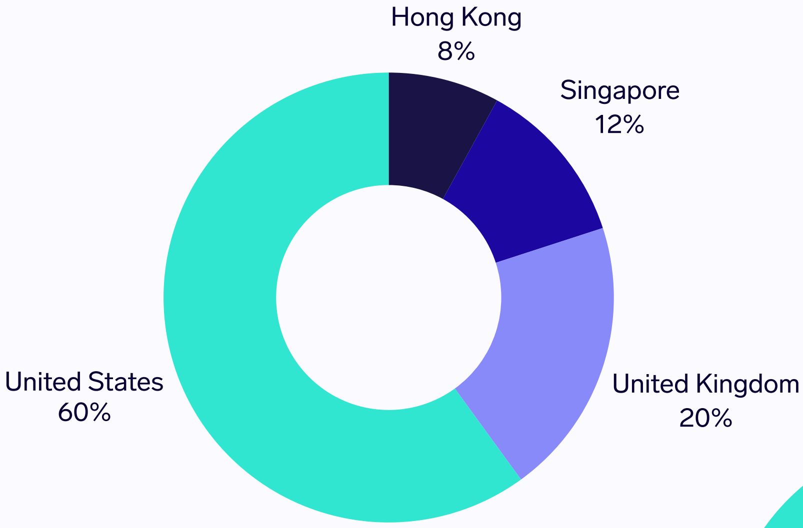
71% of investment managers said that combining data from different sources was the most frustrating challenge when working with alternative data

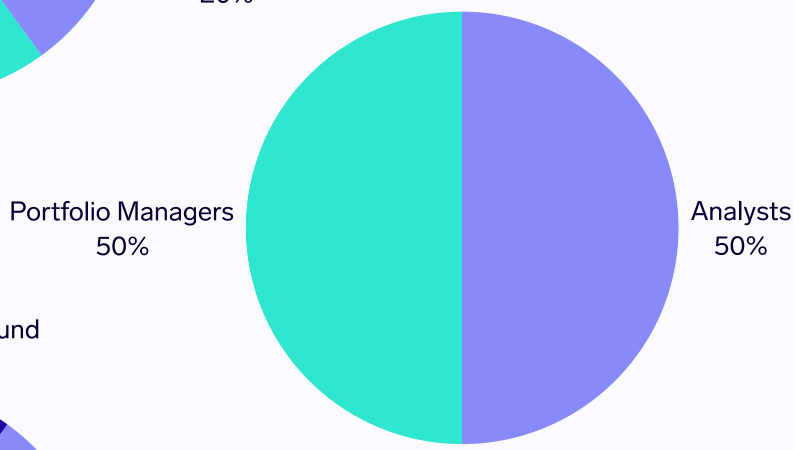
94% of investment managers are already using AI and/or machine learning in their alternative data research process

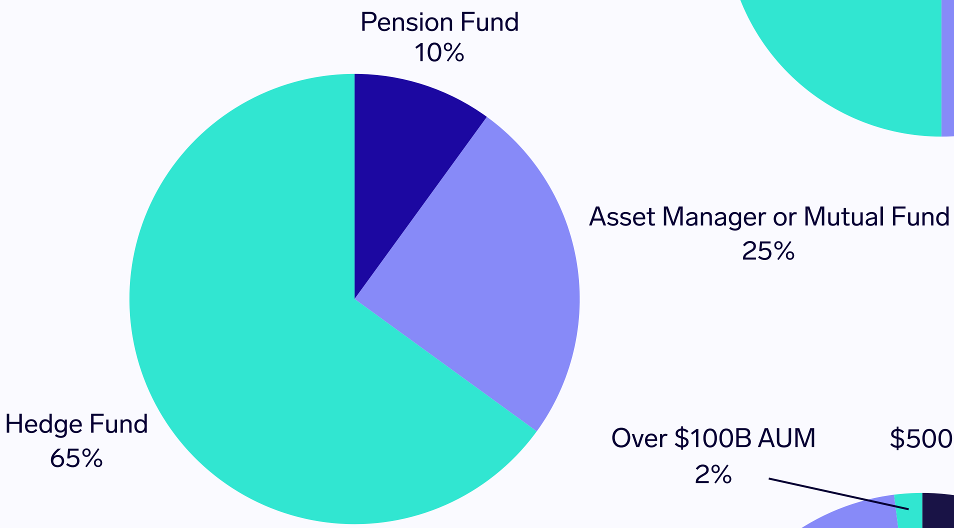
**Alternative data refers to non-traditional data sets that investors use to support their investment strategies. Some examples of this include data on credit card transactions, mobile devices, satellite imagery, social media sentiment, product reviews and traffic to websites.*

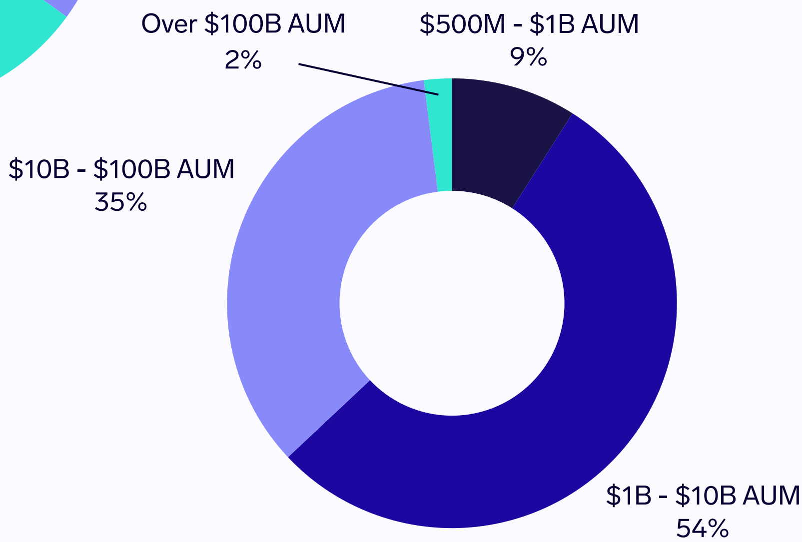
Respondent Demographics

We surveyed 100 active portfolio managers and investment analysts from discretionary public equity funds with ~$2T collectively in assets under management (AUM). Of the 100 respondents surveyed, the following charts show breakdown of types of funds, AUM, job functions and geography.







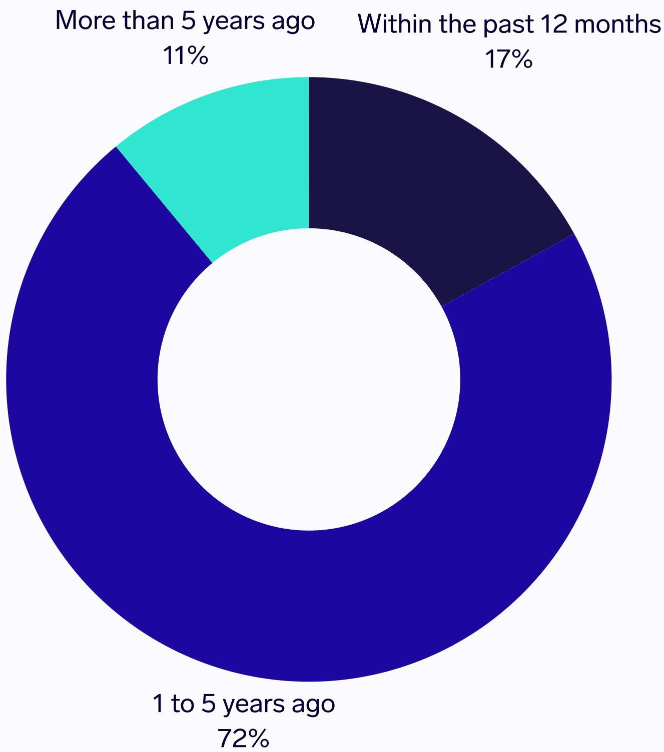


Current Usage of Alternative Data Amongst Investors

To understand the current adoption and usage of alternative data, respondents were asked when they first began using it and how many datasets they currently employ in their investment research.

All respondents reported using alternative data to support their research. A large majority (72%) began using it within the past one to five years, while 11% have been using alternative data for more than five years.

A further 17% only started within the last 12 months, highlighting continued momentum in recent adoption.



In terms of breadth of usage, 74% of respondents currently use between two and four alternative datasets, and 23% use between five and ten. Only 3% reported using more than ten datasets, and none indicated reliance on a single dataset.

5-10
23%

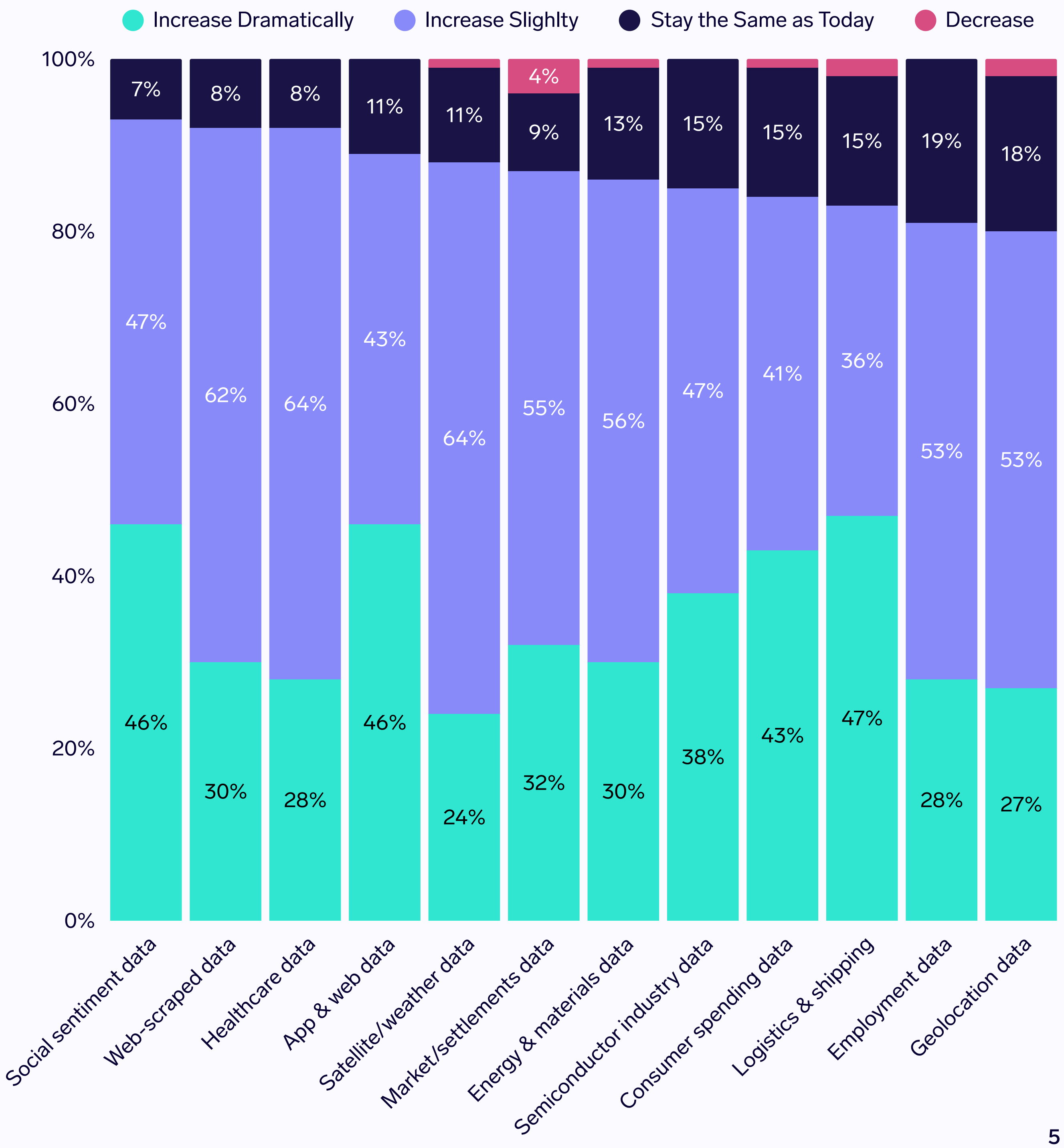
2-4
74%

10+
3%

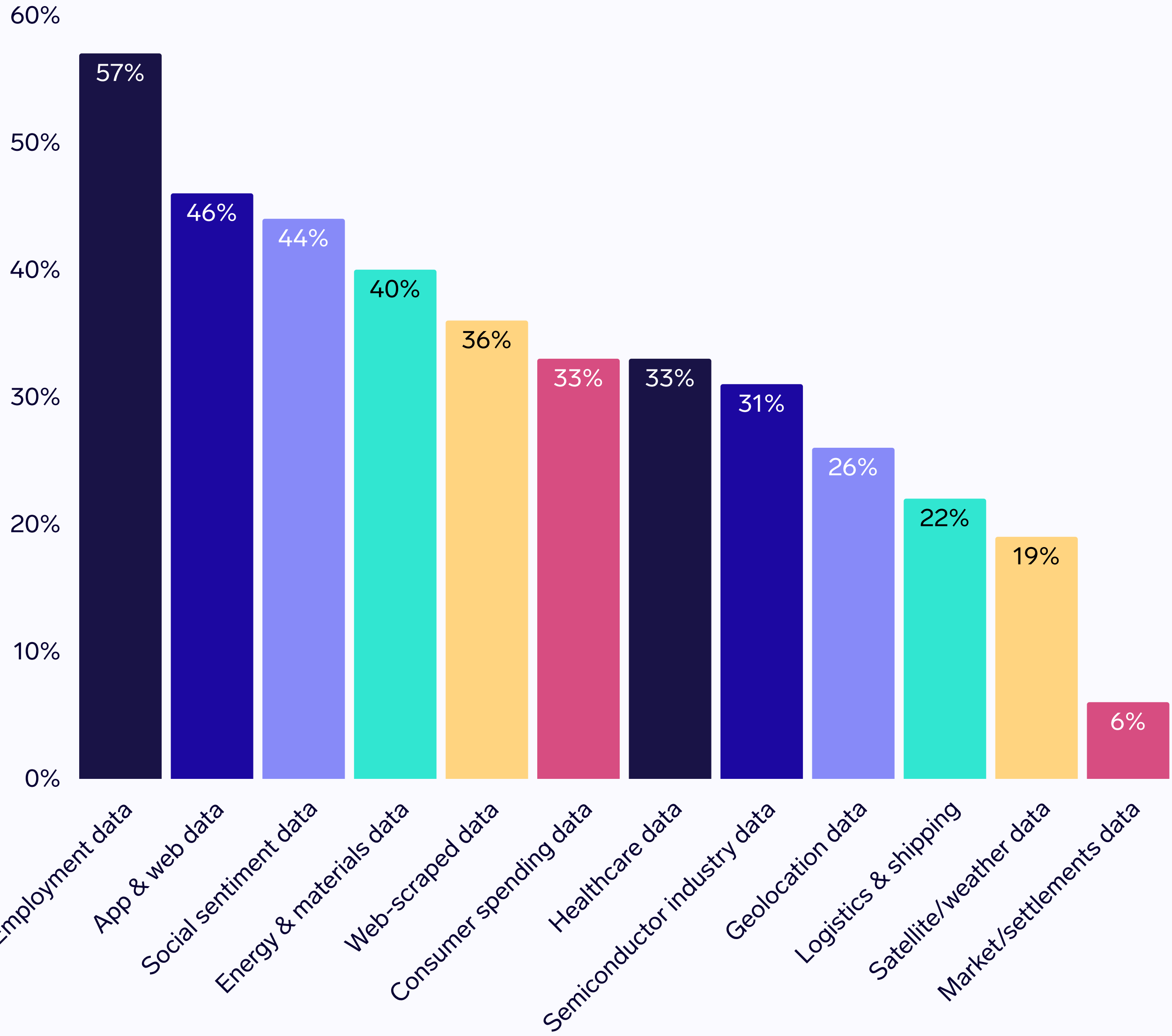
Outlook for Growth and Demand

Looking ahead, investment managers were asked how they expect their use of alternative data to change over the next two years. An overwhelming 98% of respondents said usage will increase, while only 2% expect it to remain at current levels.

The alternative data market is therefore set to continue its year-on-year growth into 2026 and beyond. When asked which categories they expect to use more over the next three years, 47% anticipated a significant increase in the use of logistics and shipping data. This was followed closely by app and web data and social sentiment data, with 46% of respondents expecting a dramatic rise in usage for each of these categories.



As adoption of alternative data continues to expand, extracting meaningful value, and turning it into a competitive advantage, will become increasingly important. When asked which maturing categories of alternative data are most likely to deliver an outsized informational edge in the near term, more than 57% of respondents highlighted employment data. A further 46% pointed to app & web data, and 44% cited social sentiment data as categories expected to provide significant advantages going forward.



Growing Focus on Third Party Vendors for Data Sourcing

Third party vendors remain the primary source of providers for alternative data, with 52% of investment managers stating that between 50 to 75% come from vendors. Around 43% said that between 25% to 50% of their data is provided via third parties with 5% stating that vendors provide between 75% to 100% of their data.

In the future, the reliance on third-party vendors is expected to increase. Around 94% of portfolio managers and analysts surveyed, anticipate an increase in their dependence on third-party vendors as a source for their alternative data over the next three years.

Challenges of Working with Alternative Data

While many investment managers are already using alternative data across multiple categories and plan to continue doing so, portfolio managers and analysts still encounter significant challenges in practice. The most commonly cited obstacle is integrating data from disparate sources, a difficulty highlighted by 71% of respondents.

Lack of technical resources also was highlighted as one of the challenges, with 57% stating that access to data engineers was a barrier in their process. Thirdly, 56% of respondents stated that a difficulty was “comparing different datasets that are similar”.

71% Combining data from different sources into a singular prediction

57% Technical resources (data engineers)

56% Comparing different datasets that are similar

48% Processing raw data into a useable format

26% Mapping data consistently to entities

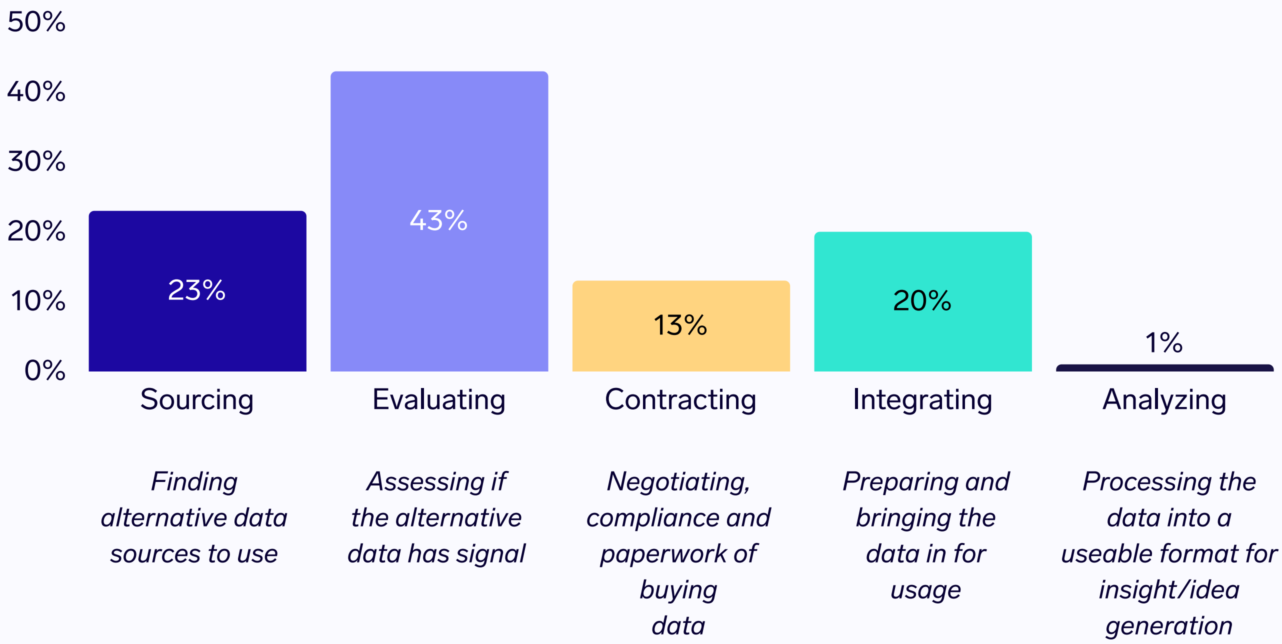
12% Using multiple interfaces to combine datasets

The most significant investment managers are facing today is the quality of data, with 37% of respondents highlighting this as the most significant barrier to extracting value from alternative data. This challenge is closely followed by the amount of data available, with 31% of investment managers stating that they have “too much alternative data, and it is difficult to prioritize”.

Barriers to extracting value from alternative data	Percentage of professional investors surveyed who selected this as the most significant barrier
The quality of alternative data that we have bought has not been good enough	37%
We have too much alternative data, and it is difficult to prioritize this	31%
It is difficult to integrate alternative data into our systems	24%
Not enough internal resources (e.g. data analysts) to make the most of the data	8%
The data isn’t presented in a useable format	0%

Data Evaluation and Integration

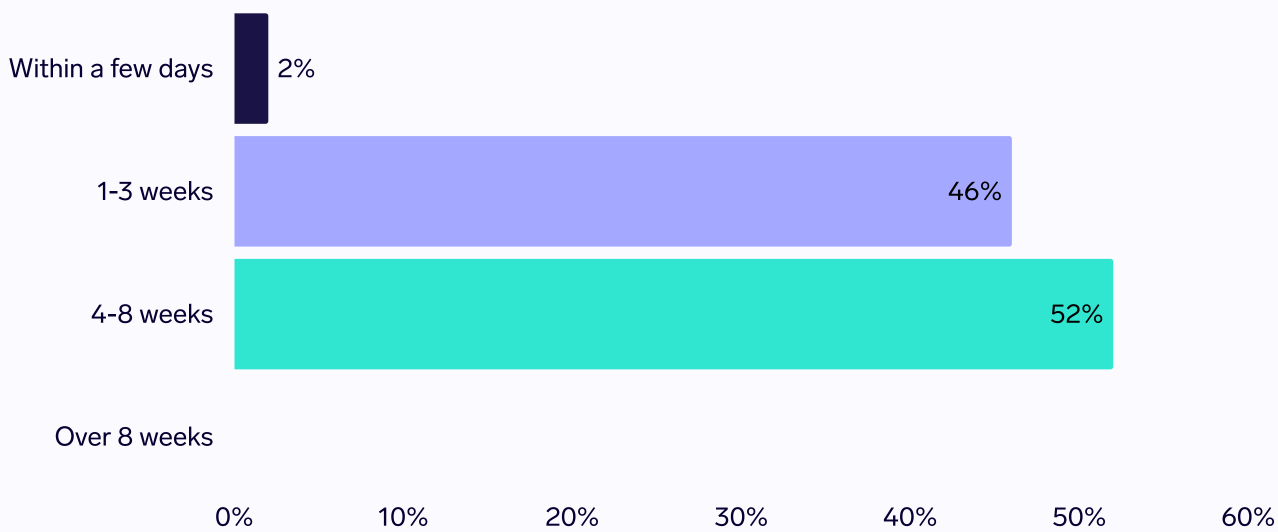
The greatest difficulty for investment managers working with alternative data appears to be at the evaluation stage. When asked which part of the alternative data workflow is most challenging, 43% of respondents selected evaluation. A further 23% cited sourcing, followed closely by data integration at 20%.



Reflecting these challenges, respondents were also asked how long it typically takes to evaluate a new dataset. Just over half (55%) said the evaluation process takes one to three weeks, while 45% reported four to eight weeks.

After evaluation and contracting, onboarding time remains significant. For 52% of investment managers, onboarding a new alternative dataset typically takes four to eight weeks, while 46% reported one to three weeks.

Typical Time Taken to Onboard Dataset



Resources for Analysis

Finally, we asked portfolio managers and analysts about the internal resources they have dedicated to alternative data, including budgets, staffing, and the technology required to analyze and work with it.

When asked how investment managers are allocating their budgets, we found that responses mostly allocate around 10–50% of the budget towards headcount, showing personnel is important but not the largest expense. For software/tech, investment is higher, with the majority spending 25–75%, reflecting the emphasis on tools to analyze and manage data. When buying the data, spending is more evenly spread, typically 25–75%, indicating a balance between buying data and supporting it with staff and technology. Overall, funds prioritize technology while maintaining meaningful investment in both people and data.

	Up to 10%	Between 10% and 25%	Between 25% and 50%	Between 50% and 75%	Between 75% and 100%
Headcount	0%	29%	39%	15%	17%
Software/ technology	1%	10%	36%	41%	12%
Buying the actual data itself	0%	25%	29%	34%	12%

Additionally, 100% of respondents stated that their firm has a dedicated alternative data lead, an increase of 16% from our previous 2025 survey* (where 11% of respondents said they did not have a dedicated lead).

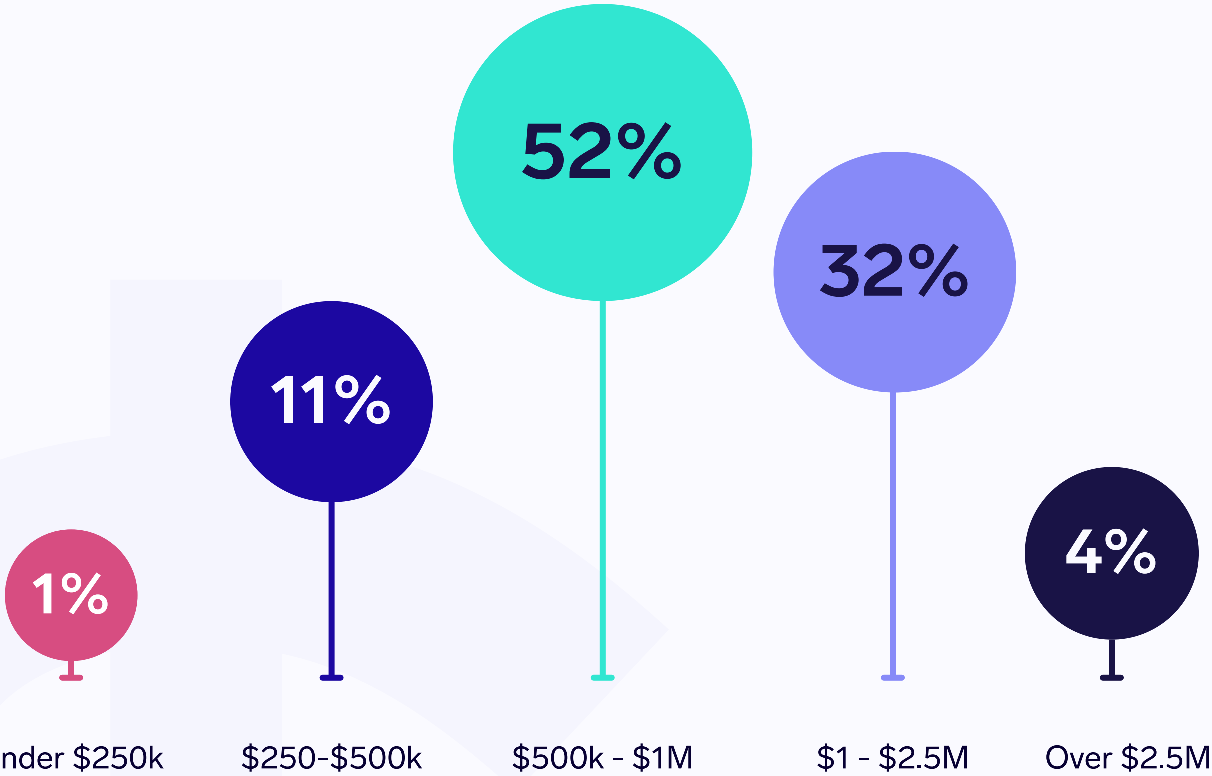
When asked about senior management's commitment to using alternative data in investment research, over 58% of respondents described them as "quite committed," while approximately 42% rated them as "very committed."

Exabel's Alternative Data Buy-side Insights & Trends 2025

Budgets for Alternative Data

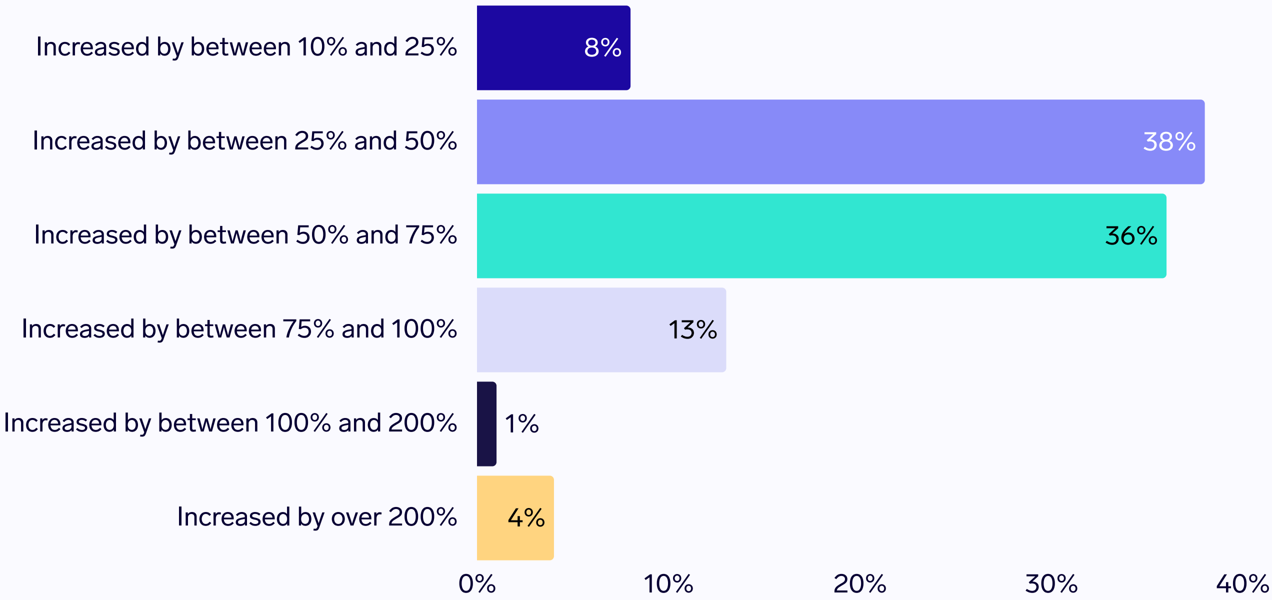
Spending* on alternative datasets is concentrated in the mid-range. The majority of firms (52%) currently spend between $500k and $1M annually, with a further 32% allocating $1M to $2.5M. Only a small minority are at the extremes: 1% spend $250k or less, 11% spend $250–500k, and 4% spend more than $2.5M. Overall, the results suggest that most firms are making meaningful, but not yet "huge" investments in alternative data, with budgets clustered between $500k and $2.5M per year.

Annual Spend on Alternative Datasets

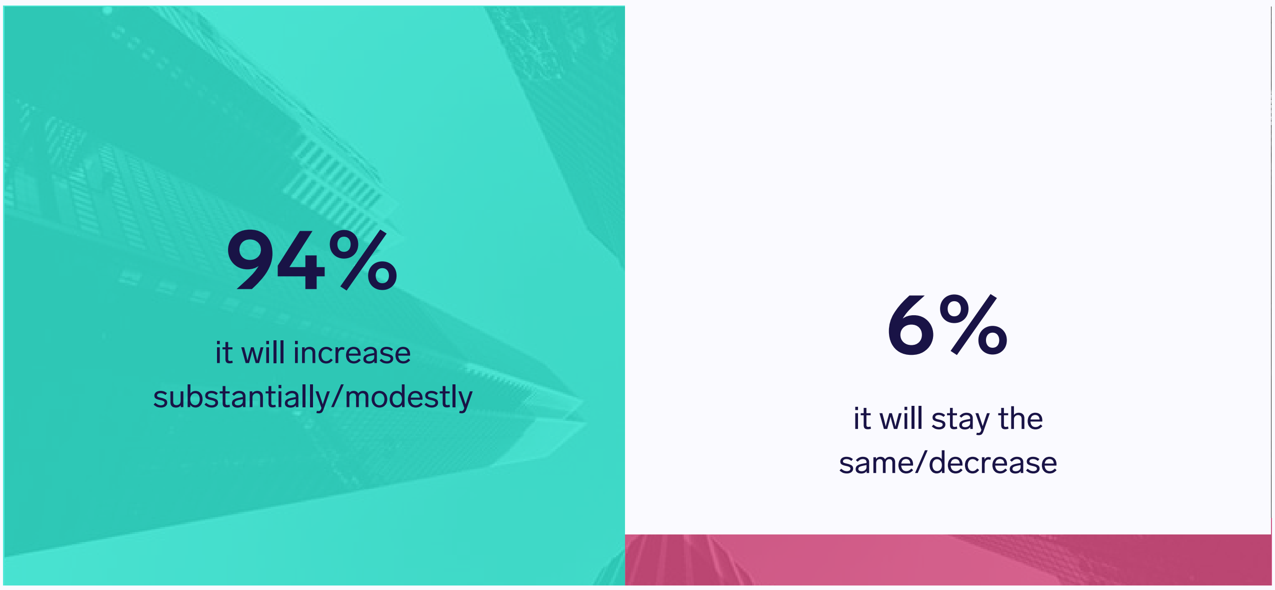


**$ amounts in USD*

Budgets for buying and managing alternative data have increased when compared to the previous two years. 38% of respondents stated that their budgets have increased between 25%-50% when asked how this has changed from the past two years. Around 36% indicated that budgets had grown by 50-75%, further highlighting the growing appetite for alternative data among portfolio managers and analysts. Our survey found that 4% of respondents stated that their budget had increased by over 200%.



Furthermore, the demand for alternative data among investment managers is expected to rise. In the near future, investment managers' budgets for acquiring and utilizing alternative data in 2026 are projected to increase compared to 2025. 76% of respondents stated that their budgets will "increase modestly", with 18% expecting a substantial increase. Only 6% of respondents stated that their budgets will "stay the same".



Technological Revolution: Alt Data Platforms

As investment managers continue to face challenges in leveraging alternative data, the role of supporting technology has become increasingly critical.

When surveyed about the systems they use to analyze this data, 69% of portfolio managers and analysts reported using vendor-provided platforms, followed by 54% using third-party software. Despite these specialized tools, many funds still rely on more basic solutions, such as Excel, Tableau, and other disparate systems, with 52% of respondents indicating use of these tools.

When analyzing alternative data, which of the following systems do you use?

Systems provided by data vendors	69%
Third party software systems	54%
Basic tooling (Excel, Tableau, etc.)	52%
In-house built software systems	41%

When asked how their use of third-party software to analyze alternative data might change over the next five years, 99% of portfolio managers and analysts indicated it would increase, while just 1% expected it to remain the same. The main driver is cost-effectiveness, with 67% agreeing that purchasing software is more economical than building and maintaining in-house systems. Around 57% noted that third-party solutions provide a more consistent way to work with diverse data types and sources. Even among those currently using in-house systems, over 59% plan to increase adoption of third-party software, citing its greater effectiveness compared with internal tools.

67% "It is more economical to use third party systems than invest in our own in house"

57% "They provide a more consistent way to work with different types and sources of data"

59% "They are more effective than our in-house systems for analyzing the data"

7% "It's a specialized area that needs specialized tooling"

The Role of AI and Machine Learning

Over the past year, AI has advanced rapidly and its adoption has broadened across industries, investment management included. Nearly all respondents (98%) agreed that AI is crucial for turning alternative data into actionable insights and enabling more dynamic investment strategies than those based solely on traditional, slower-moving metrics; over a third strongly agreed.

Usage is already widespread: 94% of portfolio managers and analysts report actively using AI or machine learning in their alternative data research today, with the remaining 6% planning to do so within the next 12 months.

Applications of AI

The actual implementation of AI within investment managers' processes when working with alternative data varies, with the largest number of respondents at 63% stating that they are using it for ideation (using AI to look for new investment ideas/signal insights). Closely followed by 62% saying they are using it for summarizing insights from data (generating a summary of underlying data trends).

63%
Investment Ideation

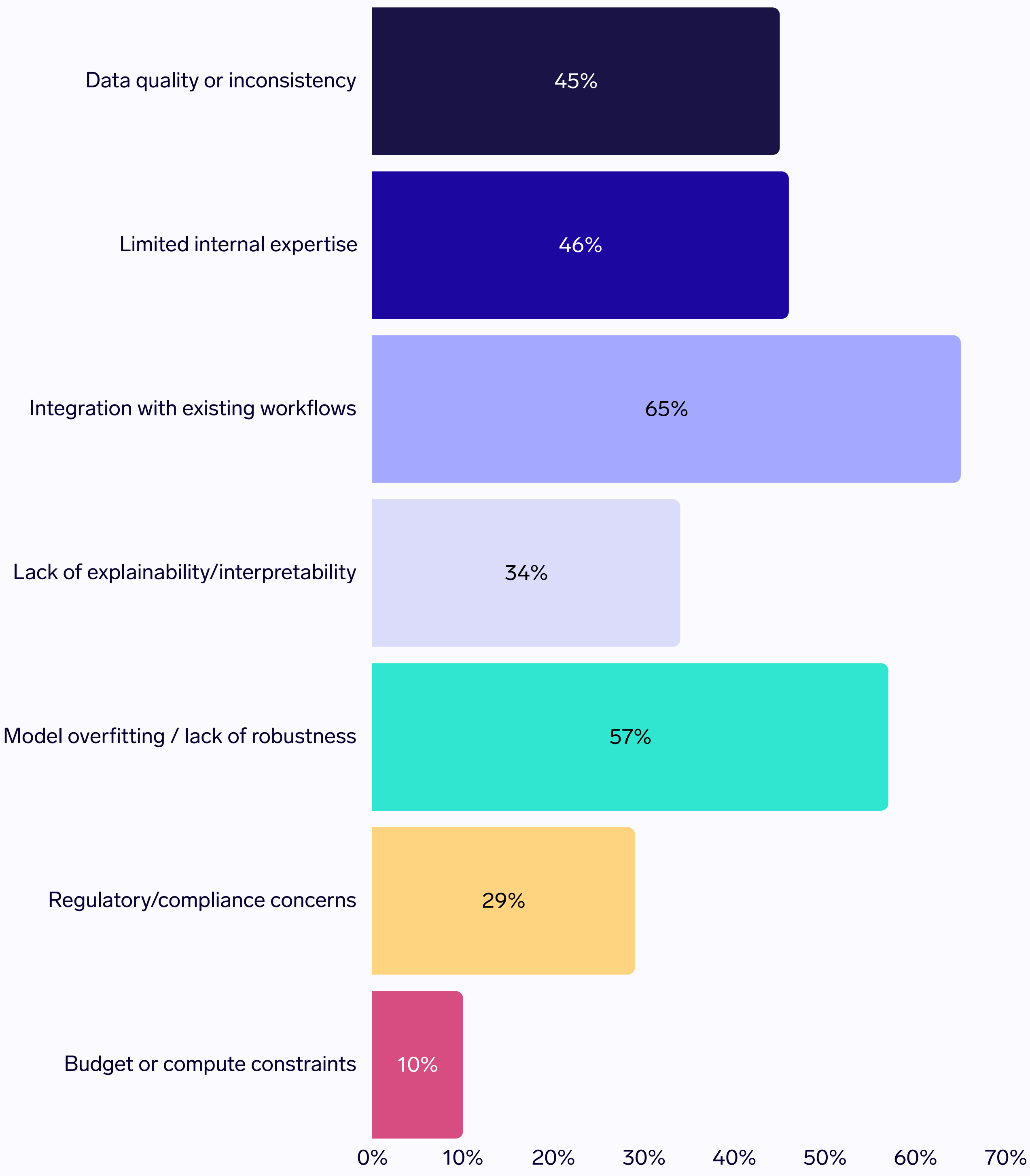
62%
Summarising Insights

42%
Automating Manual Tasks

26%
Combining Data Sources

Challenges of AI

However, investors are still facing challenges of working with artificial intelligence and machine learning when applying it to alternative datasets. The most common challenge highlighted by portfolio managers and analysts is integrating AI into existing workflows, with 65% highlighting this. In addition, around 57% were concerned with model overfitting and lack of robustness of AI when applying it to their investment strategies. The third most common response was respondents indicating that their firms had "limited internal expertise" for leveraging AI, with 46% stating this as one of their challenges.



Summary and Implications

The 2026 report reinforces that alternative data has moved firmly into the investment mainstream. All respondents report using alternative data today, the vast majority having adopted it within the last five years, with usage expected to expand further over the next two years. Nearly all participants anticipate increased deployment of alternative datasets, with particularly strong growth expected in logistics and shipping, app and web activity, and social sentiment data. Employment data, app and web data, and social sentiment are also seen as the categories most likely to deliver outsized informational advantages in the near term.

Budgets and organizational commitment are rising alongside adoption. Most firms currently spend between $500k and $2.5m per year on alternative datasets, indicating meaningful, though still disciplined, investment levels. Senior management commitment is high, with respondents overwhelmingly describing leadership as committed or very committed to the use of alternative data in investment research. Reliance on third-party data vendors is already substantial and is expected to increase over the next three years as firms scale coverage and seek new data sources for driving alpha generation.

At the same time, the survey highlights clear execution challenges. Integration of disparate datasets, data engineering capacity constraints, and comparing similar datasets remain the most common operational hurdles. The evaluation stage is viewed as the single most challenging step in the workflow, with sourcing and integration also featuring prominently. Typical evaluation cycles range from one to eight weeks, and onboarding frequently requires a similar timeframe. Data quality and the difficulty of prioritizing among “too much data” emerge as leading barriers to value extraction.

Looking forward, investors clearly see technology, particularly surrounding the application of AI, as central to overcoming these obstacles and unlocking scalability. Respondents anticipate increasing reliance on third-party technology solutions to integrate, analyze, and operationalize alternative data efficiently at speed and scale, complementing continued growth in dataset coverage and spending.

Overall, the 2026 survey paints a picture of a market that is maturing rapidly: widespread adoption, rising budgets, expanding datasets, and strong executive sponsorship, tempered by practical challenges around evaluation, integration, and data quality. Firms that successfully industrialize their alternative data workflows and harness AI-driven analytics look best placed to convert this momentum into durable investment edge in the years ahead.

About Exabel

Exabel is an end-to-end platform designed to help investment teams seamlessly integrate alternative data with traditional financial metrics. The platform offers advanced analytical tools that enhance KPI forecasting, uncover key drivers, and streamline workflows, empowering teams to make more informed investment decisions.

The platform supports hierarchical modeling, linking KPIs through fundamental relationships, similar to traditional financial modeling, and incorporating them into the KPI forecasting process. This produces more accurate and consistent predictions.

Exabel's approach also enables the selection of the most relevant alternative data sources for each KPI. For example, US-, Europe-, or Asia-specific datasets can be applied to regional segments, while geolocation or web-traffic data can be used to distinguish between in-store and online channels. This ensures that models leverage the strongest available signals while delivering harmonized predictions across a company's financials.

In December 2024, Exabel was acquired and is now part of the BattleFin Group.

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