



AIMA

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The Long-Short



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Your window to the alternative investment universe, providing the latest insights from special guests from across the industry.



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20,000+

Member network



AUM of manager
members



60+

Countries where our
members are based



2,000+

Corporate
members



1,000+

Number of member
firms represented on
AIMA working groups
and committees



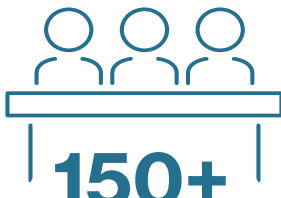
2,500+

Individual participants
on working groups and
committees



80,000+

Downloads of AIMA's podcast,
The Long-Short, and growing



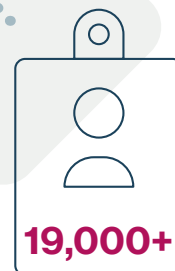
150+

Number of committees
and working groups



250+

Number of
AIMA events



19,000+

No. of attendees
at AIMA events



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Message from AIMA's CEO



This edition of the AIMA Journal truly reflects the breadth and diversity of the alternative investment universe. Inside, you will not find a single overarching theme or just another round of commentary on the age of AI, but rather practical insights into how alternative investment firms are embracing change across multiple new frontiers.

For example, in recent months, interest in prediction markets and event contracts has gathered pace. As participation grows, including among asset management firms, compliance questions quickly move up the agenda. Therefore, this edition opens by looking at why prediction markets may be your next compliance priority. In anticipation, AIMA is ensuring members are informed to ease any potential headache through educational webinars and other resources – one of which you can find [here](#). This webinar dives deeper into the compliance considerations for fund managers as this new marketplace develops.

Elsewhere, exploring another emerging theme of quantitative investing, a contributor asks whether the so-called “Quant Winter” has truly thawed, or whether recent performance simply reflects a more selective environment, where process and data quality are becoming more decisive differentiators.

This edition also examines wider themes shaping the industry's future, from cybersecurity and operational resilience to reflections on neurodivergence in finance and its potential link to decision-making in technical strategies. Another piece even considers how generational wealth transfer among Canadian farm families may gradually reshape long-term capital flows.

Meanwhile, on the global stage, geopolitics continues to shape positioning and risk. A contributor looks at how sustained volatility is shaping hedge fund strategies and offshore governance considerations, including the role of the US dollar and the responsibilities facing directors in conflict-affected jurisdictions. Taken together, these articles offer a comprehensive snapshot of an industry adapting in real time to new pressures and opportunities.

For those looking to engage further with these themes and more, I would encourage readers to explore AIMA's [AIMA's events calendar](#) and make full use of AIMA's global expertise and reach.

Sincerely,

Jack Inglis
CEO, AIMA





AIMA CONFERENCE CALENDAR 2026/2027

June

LONDON 24 Jun | AIMA Technology & Innovation Day

September

SYDNEY 15 Sep | ACC Private Credit Investor Forum

SYDNEY 17 Sep | AIMA Australia Annual Forum

October

LONDON 7 Oct | Alternative Credit Council Global Summit

TORONTO 14-15 Oct | AIMA Global Investor Forum

HONG KONG 28 Oct | APAC Credit Refresh

HONG KONG 29 Oct | AIMA APAC Annual Forum

January

CHINA TBC | AIMA China Live

February

DUBAI 4 February | AIMA Middle East Forum

MIAMI 22 February | Private Credit Investor Forum

March

LONDON TBC | AIMA Global Policy & Regulatory Forum

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Did you predict this? Why prediction markets may be your next compliance headache

Prediction markets and event contracts have gone mainstream. Prediction market platforms offer contracts on virtually any event you can imagine, and, increasingly, advisers and their personnel—including portfolio managers—are signing up. A wave of new developments, including the imminent launch of the first ETFs built around event contracts, means the pace of change is only accelerating.

Code of ethics / Personal trading policies

Most codes of ethics were written before event contracts existed. An adviser's duty of loyalty to its clients may require it to take steps to protect clients from such abuses by the adviser's personnel, and section 204A of the Investment Advisers Act of 1940, as amended (Advisers Act), requires the adviser to enforce its policies and procedures designed to prevent misuse of material non-public information (MNPI). An access person with MNPI on, for example, an FDA advisory committee vote or a merger arbitrage event, who then purchases an event contract tied to that information could be transacting on exactly the kind of information your MNPI controls are designed to protect against, but in a way you might not be able to easily monitor.

Should access persons be reporting event contract transactions even though these contracts are not "securities" under the federal securities laws? Firms that have not revisited their personal trading policies recently should ask whether their current preclearance and/or reporting requirements capture event contracts that could implicate the misuse of MNPI, and whether they need to be amended to do so explicitly. Alternatively, do your existing certifications cover these transactions? Event contracts can also raise questions about whether adviser personnel are taking positions contrary to trading they are engaged in on behalf of clients. While this risk is typically disclosed, the underlying fiduciary duty remains important, as does compliance monitoring. A portfolio manager who is short a stock for a client account while holding a long position in a prediction market contract that profits from negative news about the same company presents a conflict that your existing monitoring may not detect. Such holdings can also raise reputational risks.

While the Commodity Futures Trading Commission (CFTC) lacks a direct Rule 10b-5 equivalent, it has several Commodity Exchange Act of 1936, as amended (CEA), tools to address MNPI misuse in derivatives markets. Under CEA Section 6(c)(1) and CFTC Regulation 180.1, the CFTC can pursue misappropriation-based fraud claims against anyone who breaches a confidentiality duty by trading on MNPI. The "Eddie Murphy rule" (CEA Section 4c(a)(4)(C)) separately prohibits misappropriating non-public government information to trade futures or swaps. Finally, CEA Section 4c(a)(3) bars government employees, members of Congress, and judicial officers from trading derivatives on non-public information obtained through their positions.

Direct investments and research tools

Some portfolio managers are already trading event contracts directly or using prediction market pricing as a research signal. Neither is inherently problematic, but both require careful thought. Are event contracts within your investment mandate? How are they valued for NAV purposes—a question that becomes acute when the underlying contract has a binary settlement structure. If you are using event contract prices to inform investment selections, has the adviser accurately disclosed the strategy? Does trading such contracts—which are typically listed as swaps on CFTC-regulated designated contract markets—implicate CFTC registration requirements for the adviser or its

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personnel? These are not theoretical questions; they are ones your legal and compliance teams should be able to answer today.

The new frontier: Prediction market ETFs

In early 2026, several ETF providers filed with the Securities and Exchange Commission (SEC) to launch ETFs built entirely around political event contracts. These funds cover political outcomes for the 2028 presidential race and the 2026 House and Senate midterms. Other fund groups filed near-identical slates of ETFs shortly after.

The structure of these products is straightforward but unforgiving. Each fund will have exposure to swap agreements linked to those binary contracts. Those exchange-listed contracts settle at US\$1 if the referenced outcome occurs and at US\$0 if it does not – meaning a fund backing the wrong party will lose substantially all of its value on or shortly after election day. While some of these funds are designed to roll into the next election cycle once an outcome is determined; others would simply terminate. In April 2026, sponsors filed registration statements with the SEC for additional prediction market ETFs on other topics such as the price of crypto and oil next year and whether there will be a recession in 2026.

For investment advisers, recommending or allocating client assets to a fund that will either double or go to zero based on a binary political outcome requires careful suitability and best interest analyses. How does an adviser document that such a fund is consistent with a client's investment objectives? What risk disclosures must accompany any recommendation? The fact that the underlying exposure will now be available through ordinary brokerage accounts – and, potentially, retirement accounts – only expands how many advisers will encounter these issues.

Training

Training employees is also critical. Many may think that event contracts are just “bets” and completely out of scope of compliance rules. That is not always true. The potential arrival of SEC-registered ETFs that hold CFTC-regulated event contracts on political and other outcomes shows that prediction markets are only growing. They may soon be offered to anyone through an ETF structure, accessible through standard brokerage accounts, and your firm's policies, training materials, and monitoring tools should reflect that reality.

Conclusion

Prediction markets have moved from the fringe to the mainstream faster than most compliance programs have adapted. The arrival of registered ETFs holding political event contracts is not the end of this evolution – it is the beginning of a broader wave of event-contract-based products that will test the boundaries of existing regulatory frameworks. Advisers who treat this moment as a prompt to review and update their policies, training, and monitoring now will be better positioned than those who wait for the first regulatory inquiry to arrive.



In April 2026, sponsors filed registration statements with the SEC for additional prediction market ETFs on other topics such as the price of crypto and oil next year and whether there will be a recession in 2026.

The background of the entire page features a complex financial visualization. It includes a bar chart on the left side with blue and purple bars, and several overlapping line graphs in blue, orange, and green that trend upwards and downwards across the frame. Dashed white lines form a grid-like pattern, suggesting a coordinate system for the data. The overall color palette is dominated by deep blues, oranges, and purples, creating a professional and tech-oriented aesthetic.

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The quant renaissance: Winter's thaw?

The quantitative investing landscape has enjoyed a remarkable revival since the 'Quant Winter' of 2018-2020. After several favourable years, some investors are naturally questioning whether this positive momentum can continue. Here, we address this question by examining how the evolution of systematic equity investing has created opportunities for genuine differentiation.

The root causes

Our research identifies two primary drivers of past underperformance: adverse macro environments and the inherent sensitivity of traditional factors to them. This sensitivity introduces risk that cannot be easily diversified away through traditional portfolio construction techniques.

While individual macro relationships provide valuable insights into factor behaviour, economic conditions reflect the complex interaction of multiple variables, including interest rates, inflation, growth expectations, policy settings, and market sentiment. To capture these interactions, we leverage Man Numeric's MacroScope model,¹ a framework that identifies how variables combine to create distinct market environments and their implications for systematic investment strategies.

We identified four distinct macroeconomic regimes:

- **Crisis/recession periods (Regime One):** Times of acute economic and financial stress, characterised by defensiveness, elevated volatility, correlation spikes between asset classes, and significant liquidity constraints.
- **Recovery/early expansion periods (Regime Two):** Post-crisis phases when accommodative policy measures remain active and markets begin to normalise, often presenting favourable conditions for systematic investment strategies.
- **Mid-cycle expansion (Regime Three):** Periods of stable economic growth, moderate volatility and balanced policy settings, featuring normal factor performance patterns and economic conditions that often represent the optimal environment for quantitative investment strategies.
- **Late cycle/overheating (Regime Four):** Periods of extended economic expansion with potential overheating concerns, policy tightening, and compressed risk premiums. These phases typically precede Quant Winters, featuring 'everything rally' dynamics where correlations between different investment approaches increase.



Valerie Xiang
Portfolio Manager
Man Numeric

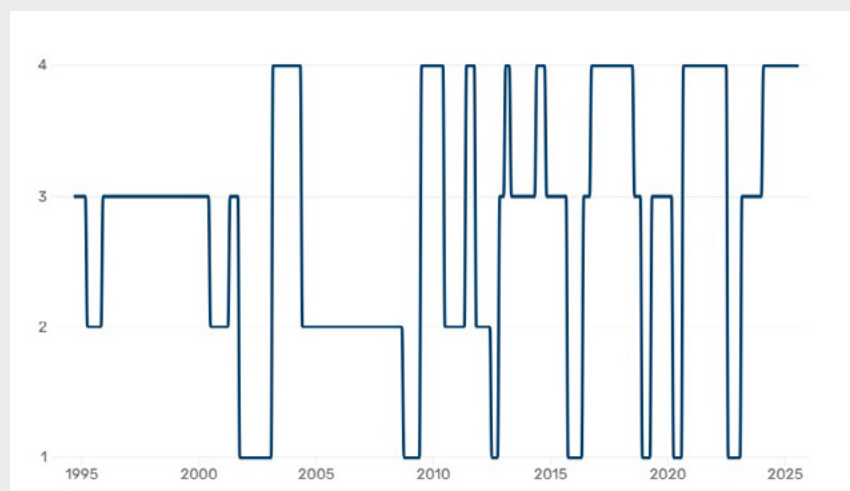


Ori Ben-Akiva
Director of Portfolio Management
Man Numeric

¹ See: <https://www.man.com/insights/under-the-macroscope>

Figure 1 illustrates how the economy has cycled through these regimes over the past three decades.

Figure 1: Macroeconomic regimes (Aug 1994-July 2025)



Source: Man Numeric. 1=Crisis/recession periods, 2=Recovery/early expansion periods, 3=Mid-cycle expansion, 4=Late cycle/overheating.

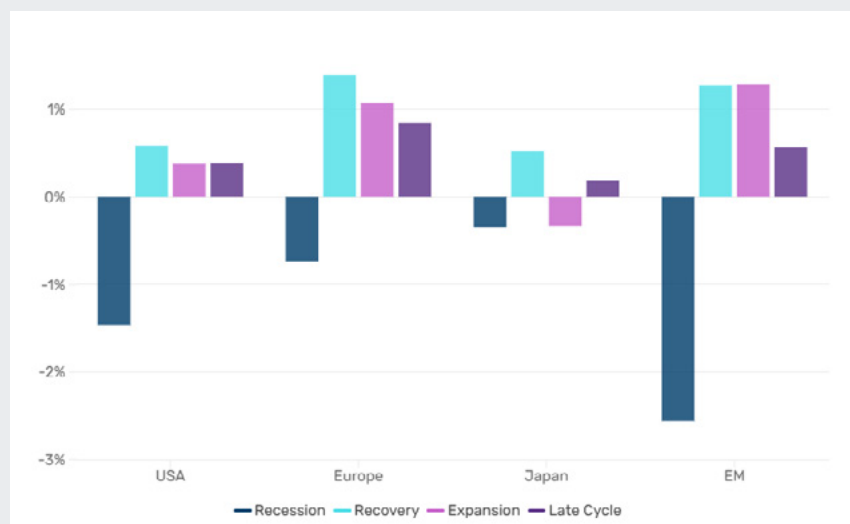
Macro-dependent performance

This regime framework demonstrates that generic factor performance can be highly dependent on macro conditions.

Using momentum as an example, during crisis/recession periods (Regime One), momentum factors show consistent underperformance across all geographic regions, as established trends reverse rapidly and correlations between securities spike.

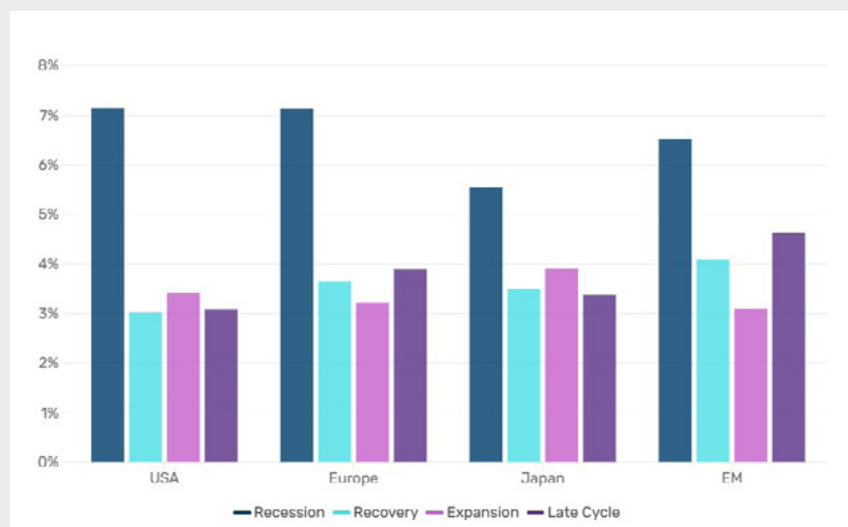
Volatility in cross-sectional momentum factors increases substantially during recession periods compared to normal market conditions.

Figure 2a: Momentum² factor performance by macroeconomic regime
Long-short quintile spreads, sector-neutral



2 Momentum factor defined as 39-week price momentum lagged by four weeks from S&P Capital IQ Alpha Factor Library.

Figure 2b: Momentum factor volatility by macroeconomic regime



Source: Man Numeric, S&P Capital IQ, Jan 2005-July 2025.

Multi-factor: not so diversifying after all?

Importantly, these patterns extend beyond momentum to encompass all major factor categories, meaning that the benefits of multi-factor diversification may be overstated during periods when macro regime shifts create correlated headwinds.

During normal market conditions, macro factors typically explain 15-25% of generic factor return variation, leaving substantial room for idiosyncratic factor performance and diversification benefits. However, during stress periods, this percentage can potentially spike dramatically – reaching peaks of over 40% during the GFC around 2009 and again during 2018-2019. These substantial increases in R-squared values during Quant Winters demonstrate that macro factors often become the dominant driver of factor returns (putting bottom-up company fundamentals in the backseat). This occurs precisely when diversification is needed most, fundamentally altering the risk-return characteristics of factor-based strategies.

This pattern becomes even more concerning when examining crowding among quantitative managers. Macro factors consistently explain a larger proportion of variation in live manager returns compared to generic factor returns. This difference likely reflects several aspects of real-world portfolio construction that amplify macro sensitivity beyond what pure factor returns would suggest.

Constraints and timing

Quant portfolios are constructed with sector constraints, position sizing rules and risk budgeting frameworks that can inadvertently concentrate macro exposures. Many managers also employ similar risk management overlays such as volatility targeting that trigger synchronised portfolio adjustments during stress periods, effectively creating common macro exposures that don't exist in the underlying factors themselves.

The timing of factor exposures also matters – managers who rebalance on similar schedules or respond to similar signals may inadvertently synchronise their macro sensitivities even when their underlying factor philosophies differ.

When macro sensitivity increases, much of the diversification benefit that investors expect from allocating across multiple quant managers disappears. As these shared macro sensitivities dominate returns precisely when diversification is most valuable, the result is reduced portfolio-level diversification benefits and increased systemic risk during Quant Winters.

Preparing for future market cycles

Some quant managers have addressed the core structural vulnerabilities behind past Quant Winters, simultaneously creating new sources of alpha generation and risk management. This transformation encompasses three dimensions to create a more robust and resilient framework:

1. Enhanced diversification through alternative data and novel data science techniques

Alternative data models have nearly tripled in recent years, providing real-time insights into business fundamentals before they appear in financial statements. This creates temporal advantages and independence from traditional accounting frameworks that reduce susceptibility to macro sensitivities.

Machine learning techniques capture complex, non-linear relationships in high-dimensional datasets where traditional statistical approaches struggle, providing pattern recognition capabilities that extend far beyond conventional analytical capacity.

2. Dynamic factor selection and model combination

Our dynamic approach utilises machine learning and macro-informed weighting to create a forward-looking, adaptive factor combination. This methodology continuously evaluates changing market conditions and factor relationships to optimise combinations in real time, moving beyond backward-looking metrics to embrace predictive analytics and regime-aware positioning.

3. Macro regime resilience

Perhaps the most critical evolution in systematic investing is the development of macro regime resilience. This does not necessarily require explicit regime detection or regime adaptive modelling. Rather, it involves constructing alpha sources and factor combinations that are inherently more robust to macro regime changes through their fundamental design and diversification properties.

Conclusion

The opportunity for transformation is undeniable. This evolution represents more than technological advancement; it reflects a deeper understanding of market dynamics and systematic risk. The integration of alternative data, machine learning, and regime awareness has created what we believe is a new foundation for systematic investing – one that potentially maintains the benefits of quantitative approaches while finally addressing their historical vulnerabilities.

This is an abridged version of a paper originally published on [Man Institute](#).

Geopolitical volatility takes centre stage: Hedge fund strategies & directors' duties in the shadow of conflict

Immediately following the Iran war announcement on 28 February, 2026, futures, foreign currency and crypto markets observed sharp swings. Some offshore funds with volatility strategies benefited, while others with long-term growth ideas hoped that the hit on their valuations would return to normal once the conflict was over. The war also exacerbated existing fundraising, cash flow and financing challenges, requiring offshore directors to adapt and continuously analyse impacts, while adhering to sound governance practices.

While navigating this environment, two important things for offshore directors to understand were the role played by the United States Dollar generally and during geopolitical conflicts. In addition, the United States is reportedly a net energy exporter.¹

Regarding the role of the US Dollar, the Federal Reserve explained:²

“A key function of a currency is as a store of value which can be saved and retrieved in the future without a significant loss of purchasing power.

Additionally, many foreign countries leverage the effectiveness of the US dollar as a store of value by limiting the movements of their currencies with respect to the dollar – in other words, using it as an anchor currency.”

The Federal Reserve added:

“The international role of a currency can also be measured by its usage as a medium of exchange. The dominance of the US dollar internationally has been highlighted in several recent studies on the currency composition of global trade and international financial transactions. The dollar is overwhelmingly the world's most frequently used currency in global trade.

In part because of its dominant role as a medium of exchange, the US dollar is also the dominant currency in international banking.

Issuance of foreign currency debt – debt issued by firms in a currency other than that of their home country – is also dominated by the US dollar.”

The Federal Reserve concluded:

“In sum, absent any large-scale, lasting disruptions which damage the value of the US dollar as a store of value or medium of exchange and simultaneously bolster the attractiveness of dollar alternatives, the dollar will likely remain the world's dominant international currency for the foreseeable future.”



Alric Lindsay
Cayman Fund Director

1 <https://www.eia.gov/energyexplained/us-energy-facts/imports-and-exports.php>

2 <https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html#fn4>

Turning to the role of the US Dollar during conflicts, a Reuters article dated 2 March, 2026, explained that it acts as a “global safe-haven.” Investors typically react by purchasing US Treasury securities, which are described as “risk-free” assets.³

Highlighting previous debates about the US Dollar as a safe-haven, the Reuters article said:

“The renewed safe-haven bid comes after months of growing doubt about the dollar’s reflexive appeal during times of stress, scepticism that took root when the currency failed to rally during last year’s tariff-induced global market selloff.”⁴

The tariff in question was Executive Order 14257, titled “Regulating Imports With a Reciprocal Tariff to Rectify Trade Practices That Contribute to Large and Persistent Annual United States Goods Trade Deficits.”⁵

Following the tariff announcement, the US Dollar fell sharply, as confirmed by the US Dollar Index on TradingView.⁶ (Note that, based on some reactions on TradingView, it was suggested that the fall in the US Dollar index may have been imminent due to other factors and the 2 April, 2025, tariff announcement merely “accelerated” the fall.)

While the USD fell against major currencies, the value of pairs like the EUR/USD increased.⁷

This was reversed at the start of the Iran conflict in 2026 when the investors sought the US Dollar as a safe haven.

Offshore fund managers with volatility as a primary strategy may have benefited from intraday price action since the start of the war. For those without this strategy and who experienced fundraising and financing difficulties before the war, the picture was more mixed.

For example, some long-biased or fundamental equity positions saw valuation pressure. In these circumstances, fund managers and directors were expected to closely monitor developments, hoping that an end to hostilities would allow underlying corporate earnings, balance sheets, and sector trends to regain primacy.

In the case of offshore funds seeking financing arrangements with lenders to support liquidity, they had to be mindful of their fiduciary duties to the offshore fund and its investors while securing facilities. This included the duty not to exercise powers for an improper purpose.

Offshore fund directors will be familiar with this duty as it was reiterated in the *UK Privy Council case of Tianrui (International) Holding Company Ltd v China Shanshui Cement Group Ltd*.⁸

3 See the Treasury International Capital (TIC) data published by the U.S. Department of the Treasury on March 18, 2026, releasing January 2026 data and stating that “Foreign residents decreased their holdings of U.S. Treasury bills by US\$10.2 billion” (see <https://home.treasury.gov/news/press-releases/sb0418>). The TIC data dated April 15, 2026, releasing February 2026 data, highlighted that “Foreign residents increased their holdings of U.S. Treasury bills by US\$91.6 billion (see <https://home.treasury.gov/news/press-releases/sb0448>), the first TIC data release immediately following the start of the war. (<https://home.treasury.gov/news/press-releases/sb0418>)

4 <https://www.reuters.com/world/africa/dollar-reclaims-safe-haven-mantle-iran-strikes-rattle-nerve-2026-03-02/>

5 <https://www.federalregister.gov/documents/2025/04/07/2025-06063/regulating-imports-with-a-reciprocal-tariff-to-rectify-trade-practices-that-contribute-to-large-and>

6 <https://www.tradingview.com/chart/TEXAKE8f/?symbol=CAPITALCOM%3ADXY>

7 <https://www.tradingview.com/chart/TEXAKE8f/?symbol=CAPITALCOM%3ADXY>

8 <https://jcpcc.uk/cases/judgments/jcpc-2023-0002>

In this case, the Board concluded:

“... a shareholder has a right of action against the company to challenge the allotment of shares by the board of directors on the basis that the allotment was made for an improper purpose in circumstances where the allotment will cause detriment to the shareholder.”

However, if the offshore fund is bordering on insolvency, the directors should consider the interests of creditors.

This was discussed in the case of *BTI 2014 LLC (Appellant) v Sequana SA and others (Respondents)*.⁹

The judgment in this case highlights that “A company’s creditors always have an economic interest in its continued solvency so that it can pay its debts to them.”

However, “The relative importance of that economic interest or stake holding as against the economic interest or stake holding of the company’s shareholders increases when a company is bordering on insolvency.”

The judgment added:

“It is this shift in relative economic interest or, in Lord Briggs’ nontechnical words, “skin in the game”, that gives rise to the fiduciary duty to the company to give separate and proper consideration to the interests of a company’s creditors.”

The judgment concluded:

“Where a company is insolvent or bordering on insolvency the West Mercia duty involves a fiduciary duty of the directors to the company to take into account and give appropriate weight to the interests of the company’s creditors as a body. Where the company is irretrievably insolvent, the interests of those creditors become a paramount consideration in the directors’ decision making.”

The takeaway for offshore fund directors is that, although capital may be urgently required, the interests of lenders cannot supersede the best interests of the fund or its investors if the offshore fund remains solvent. Directors should review financing agreements with this in mind to ensure alignment with the fund’s investment objectives and investor protections.

Conclusion

Ultimately, war brings new considerations to the forefront of the mind and management of offshore funds.

However, in the process of resolving urgent commercial concerns, offshore fund directors cannot put on blinders when it comes to their fiduciary duties. In fact, they must cement their minds into robust scenario planning, liquidity management, and clear governance frameworks. This will inevitably involve an in-depth review of the offshore fund’s exposure to geopolitically sensitive assets and ensuring that the offshore fund directors consider the proper interests. Only by doing this can they effectively discharge their duties in decision-making processes.

9 https://supremecourt.uk/uploads/uksc_2019_0046_judgment_a33492fe08.pdf

The age of middle office – why managers no longer face all-or-nothing outsourcing decisions

For years, the outsourcing conversation in alternative asset management has been framed as a binary choice. You either keep your middle office in-house which requires significant time, internal resourcing and tech investment, or you hand it over to a third-party provider and brace for months of operational disruption. This framing has deterred many managers from exploring outsourcing – even when parts of their operations are visibly struggling to keep pace with growth, complexity, and regulatory change.

But this framing is increasingly at odds with reality. And the managers who recognise this first are quietly gaining a competitive edge.

The numbers are hard to ignore

There has been a decisive shift in industry sentiment. According to Alternative Funds Insight (AFI), 58% of multi-strategy managers now identify the middle office – including treasury management, trade operations and collateral management – as their most likely function to outsource. The operational data supports this direction of travel, as Citco's recently released Q1 Middle Office Report reported that treasury activity is accelerating, with volumes up 15% year-on-year. These are not marginal adjustments; they reflect a structural change in how managers are thinking about operational infrastructure.

The drivers are well understood across the industry. Managers are under pressure to grow AUM without proportionate increases in headcount – an ambition that is becoming increasingly unattainable without leveraging outsourcing solutions. Regulatory complexity is intensifying – T+1 settlement, now live across the US, Canada, and Mexico, is one recent example of how the compliance and operational burden continues to expand. Managers are increasingly recognizing the value of turning to service providers to deliver follow-the-sun coverage – ensuring seamless, round-the-clock operational continuity across global time zones – and saving them the considerable expense of building and maintaining international teams in-house.

Indeed, as portfolios become more sophisticated – with greater allocations to derivatives, structured products, and cross-border securities – the middle office functions required to support them have grown correspondingly complex.

The myth of the all-or-nothing model

What has changed most significantly is not the case for outsourcing itself – that has been well-established for some time – but rather the model through which it is delivered. The middle office is not a monolith. It spans trade operations, reconciliations, collateral management, treasury, performance measurement, data management, and more. Each function carries its own complexity, its own talent requirements, and its own technological demands.



Ryan Fitzgerald
Head of Middle Office Solutions
Citco Fund Services

Treating these as a single, indivisible unit made sense when service providers only offered rigid, bundled solutions – but that era is over. The question leading providers are now being asked is not “can you take over our middle office?” but rather “can you take over this part of our middle office, while we retain control of everything else?” For managers who have spent years building genuine operational expertise in specific areas, this distinction matters enormously.

Selective outsourcing: exercising control more deliberately

Consider treasury operations. For many mid-sized managers, maintaining a fully resourced, technology-enabled treasury function in-house – covering cash forecasting, liquidity management, FX hedging oversight, and counterparty exposure monitoring – represents a significant, long-term overhead. Yet treasury is rarely a firm’s core differentiator. Selective outsourcing allows managers to access institutional-grade capability without the associated headcount commitment, freeing internal resource for higher value activity.

Trade operations and collateral management tell a similar story. As instrument complexity grows, the operational burden of trade confirmation, settlement oversight, margin call volumes, and exception management has intensified. For in-house teams already stretched across multiple asset classes and time zones, this is precisely the kind of high-volume, process-intensive work that benefits from specialist scale. A dedicated provider handles thousands of these events daily; an in-house team, by contrast, may encounter them only periodically.

The most sophisticated managers are drawing a deliberate line between what differentiates them and what doesn’t. Functions that are operationally necessary but strategically neutral are strong candidates for outsourcing. Functions embedded in the investment process – proprietary performance attribution methodologies, bespoke operational handling for niche asset classes – are worth protecting. This distinction between operational infrastructure and strategic capability is the lens through which outsourcing decisions should be made.

Technology is reshaping what’s possible

The evolution of outsourcing models has been enabled, in large part, by technology. Leading asset servicers have built integrations across every major middle office, portfolio management, and accounting system. Cloud-based platforms now offer a single point of entry for wire transfers and cash management, addressing the fragmentation that has historically made outsourcing transitions operationally fraught.

Artificial intelligence (AI) is adding another dimension. In treasury management, AI is moving beyond process efficiency to active decision support – analysing large volumes of data to provide actionable insights and, where appropriate, executing decisions based on predefined parameters. For managers evaluating outsourcing, the technology infrastructure a provider brings to the table is now as important as the operational expertise.

A partnership model built around your needs

The shift underway in middle office outsourcing is, in many respects, analogous to the adoption of cloud technology over the past decade. What began as a cautious experiment among early movers has become the operational standard. The middle office is following a similar trajectory.

What this requires from service providers is genuine flexibility – not bundled solutions repackaged with optional add-ons, but a real capacity to integrate with existing in-house teams, work within established workflows, and scale as a firm’s needs evolve. It requires a different kind of conversation at the outset: one focused on understanding what a manager actually needs, rather than what a provider happens to offer.

For managers navigating this landscape, the message is straightforward. The all-or-nothing model is a false choice. Managers no longer need to choose between full outsourcing and full in-house operations: there is an in-between.

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Expense allocation for hedge fund managers: Evolving trends and practices

Hedge fund manager expense practices are firmly in the spotlight driven by rising operating costs, technology needs, complex regulatory obligations, fee compression, and heightened investor focus. The traditional “2 and 20” fee model has mostly been replaced by discounted or tiered management fees, higher hurdle rates, and segregated managed accounts with bespoke (generally lower) fees. Against this backdrop, managers seeking to preserve margins and protect revenue are reassessing the allocation of costs between the fund and the management company.

Competition for talent from large multi-manager platforms has put further strain on managers’ net revenues. As managers with traditional fee structures compete with multi-manager platforms that typically pass through a broader range of costs to their funds, many are revisiting historic assumptions about expense allocation. Market practice has evolved such that allocating a wider range of expenses to the fund is now viewed as commercially acceptable, so long as disclosure is clear and aligned with investors’ expectations and that returns are compelling. Meanwhile, sophisticated investors are benchmarking expense allocation practices across managers, with heightened scrutiny for opaque or inconsistent treatment.

Despite increasing acceptance as a commercial matter, regulatory scrutiny of expense allocation has persisted for more than a decade and is likely to remain a priority in the coming years, particularly for SEC-registered advisers and UK FCA-authorised managers. Enforcement actions and regulatory guidance have focused on expenses not clearly authorised by governing documents or applied inconsistently, as well as overly generic or misleading investor disclosures about expenses.

Practical challenges with certain expense categories

The fundamental principle of most expense allocation policies is the assessment of relative benefits – expenses should be allocated based on whether they primarily benefit the fund or the manager. While some expenses have historically been treated as manager-level (such as office rent and back-office employee compensation), and others as fund-level (such as fund audit and investment-related costs), various mixed expenses sit in a grey zone requiring legal and commercial judgment. These are often the most contentious in investor negotiations and regulatory reviews.

Expense pass-through models historically associated with multi-manager platforms are increasingly influencing the wider market. Many single-strategy managers are now reassessing long-standing assumptions about which costs may appropriately be allocated to funds. That reassessment, however, cannot be driven by economics alone. Broader expense pass-through may be achievable, but only if supported by clear contractual authority, thoughtful application of the relative benefit principle, and disclosure that is specific and consistent across offering documents, internal policies and investor communications.

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Research expenses

Research costs span a wide spectrum, including expert networks, conferences, and research-related travel. Increasingly, market data and alternative data subscriptions are also included in this category. Investors often argue that such expenses are inherent to the investment management service already paid for by the management fee, while managers view certain research inputs as directly linked to portfolio decision-making and therefore appropriately borne by the fund. Treatment often depends on strategy – activist, credit, or event-driven strategies may justify comparatively greater allocations of research expenses to the fund than traditional long/short equity strategies, given the intensity of diligence required. Market data and alternative data fees raise similar questions, particularly where specialised datasets are necessary to implement a strategy but also deliver broader firm-wide benefits. In the UK, the debate sits alongside detailed rules on how investment research may be paid for under MiFID II “inducements” regime.

Marketing and investor-related expenses

Marketing costs – travel, gifts, meals and entertainment, and associated regulatory filings or reporting – remain an area of sensitivity. Investors often see these as primarily benefiting the manager, while managers counter that broader distribution helps the fund benefit from economies of scale. SEC exam staff frequently flag instances where managers allocate marketing expenses inconsistently with the governing documents. In addition, placement agent fees continue to require particularly careful handling. In the U.S., institutional investors affiliated with state or municipal governments are frequently prohibited by law from bearing such fees, with potentially serious consequences including legal penalties or mandatory withdrawal.

Third-party consultants

A broader range of consultant costs are now being allocated to funds, especially where a clear nexus to portfolio decision-making can be demonstrated. This allows single-strategy managers to pass through investment-related expenses in a similar manner to multi-manager platforms, but additional disclosure and conflicts issues can arise when consultants are compensated for idea generation. These include fee netting considerations and incentive alignment, whether the consultant's ideas are exclusive and proprietary to the fund, and issues regarding MNPI. The closer these outsourced functions get to “core” advisory functions, the greater the likelihood of regulatory attention.

Technology costs

Technology costs – OMS/PMS, modelling tools, terminals, and software development – are among the most challenging to allocate. For systematic strategies such as macro and quant funds, these systems are integral to generating returns and implementing investment strategies. Macro and quant managers have typically treated related technology costs as directly linked to portfolio decision-making. By contrast, investors often analogise core technology infrastructure to staff compensation traditionally borne by the manager. Challenges are particularly acute when engineers design proprietary systems or AI tools that support multiple strategies for the manager. Any shifts in the approach requires clear authorisation in governing documents, and should be supported by written allocation methodologies.

Insurance (D&O / E&O coverage)

Insurance premiums present nuanced allocation issues, particularly where policies provide joint coverage for fund and manager risks. Market practice has evolved toward more granular approaches, with some managers allocating the portion of premiums attributable to fund-specific coverage while absorbing adviser-level protection at the management company. Clear disclosure of allocation methodology and scope of cover remains essential.

Conclusion

The central principle is that expenses should be allocated according to relative benefit, supported by transparent disclosure in governing documents and consistency across investor documentation (offering documents, side letters and DDQs). Managers should maintain a written expense allocation policy that articulates clear and consistent methodologies for mixed-benefit expenses, and should seek to avoid ad hoc allocations whenever possible.

Measuring minds, measuring markets, and investors who stayed independent

Recently I had a fascinating lunch with some young and bright minds, with plenty of foresight. One of the things we discussed was neurodivergence and its link to the finance industry, especially in value investing: a niche and highly technical sector. As a parent who has spent the past good 10 years learning about, and advocating for, the neurodivergent community, I find it especially interesting.

Why? Let me explain.

Measuring minds

In 1905, a French psychologist named Alfred Binet was asked to solve a practical problem: which schoolchildren in Paris needed extra support? So, he built a test that contains 30 simple tasks, arranged from easy to hard. It was never meant to **define** a child by the way; it was meant to **help** one.

In 1908, Henry Goddard travelled to Europe, discovered Binet's test, brought it back to the Vineland Training School in New Jersey, translated it into English, and published his version in December 1908. By 1911 it was in public schools, by 1912 William Stern had turned it into the IQ quotient, and by 1913 Goddard was administering it to immigrants at Ellis Island. In other words, Binet's measuring tool had been exported to America, repackaged as the IQ test, and turned into something he never intended: a sorting machine. Children were ranked, labelled, and tracked. A tool designed to identify who needed help became a tool for deciding who was "normal" and who wasn't.

By the time Leo Kanner described autism in 1943, and Hans Asperger independently described similar children in Vienna a year later (hence the term "Asperger Syndrome"), the framework was already in place. Not a framework for understanding how different minds work, but for classifying how far they deviate from an expected norm. The diagnostic manuals that followed, from the DSM-III in 1980 to the DSM-5 in 2013, and its text revision in 2022, refined the categories. But the underlying logic remained: measure the distance from "standard." Define the deviation.

I would imagine Binet himself would have hated this. He believed intelligence was **changeable**, not fixed. He called the idea that his test could stamp a permanent number on a child's potential "brutal pessimism."

The measuring stick was never the problem. What we did with it was.



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Measuring markets

The finance industry did exactly the same thing.

In 1957, the S&P 500 was created. It started out as a tidy index of 500 American companies, designed as a measuring stick for the market. Nothing more.

In 1974, ERISA introduced fiduciary rules for pension funds, and the easiest way to prove you weren't being reckless was to stay close to the index. In 1976, Jack Bogle launched the first retail index fund. By the 1990s, consultants had invented tracking error budgets, style boxes, peer-group comparisons and packaged them in a neat, conformed box.

As a result, a generation of fund managers learned that underperforming your benchmark for two quarters was a career event, but owning the same fully valued stocks as everyone else was "prudent." (Hence, we constantly talk about ONE big, realistic risk for allocators picking emerging managers: the career risk.)

That was when the measuring stick became a constraint. And just as Binet's test went from helping children to sorting them, the S&P 500 went from measuring the market to shaping the people who invest in it.

The neurodivergent edge

Here's where these two histories meet.

The qualities that make someone benchmark-agnostic: the ability to tune out consensus, to fixate on a single idea with unusual depth, to feel genuinely uncomfortable following a crowd, to hold a contrarian position long after the social pressure says "conform", these overlap remarkably with traits associated with neurodivergence.

My personal favorite is pattern recognition that others miss: connecting dots amongst thousands of them. My second is the ability to hyperfocus on details that most analysts skim past (this rings especially true in the European SMID-cap space, where so much is overlooked and misunderstood). An almost physical discomfort with doing something just because everyone else is doing it. A willingness, and in most cases an inability to do otherwise, to think in systems rather than narratives.

I'm not saying every great investor is neurodivergent, by the way. But I am saying that the investment industry spent fifty years building a system that rewards conformity, and the people who've consistently beaten it tend to be the ones who were never wired for conformity in the first place.

That's not a coincidence. In both fields, education and finance, the people who thrived most were the ones the measuring tools were least equipped to understand.

“The qualities that make someone benchmark-agnostic: the ability to tune out consensus, to fixate on a single idea with unusual depth, to feel genuinely uncomfortable following a crowd, to hold a contrarian position long after the social pressure says “conform”, these overlap remarkably with traits associated with neurodivergence.”

Central Bank of Ireland updates and enhances the Irish alternative funds regime

The Central Bank of Ireland (the Central Bank) has substantially modernised and simplified its rulebook governing Irish regulated AIFs and AIFMs (the AIF Rulebook), representing a significant milestone for Ireland's alternative funds industry. The publication of the revised AIF Rulebook follows on from a collaborative consultation between the Central Bank and the Irish funds industry and introduces several reforms which will be welcomed by private/ alternative fund managers and sponsors alike.

In addition to aligning the Irish regime with AIFMD 2.0,¹ several longstanding restrictions that previously constrained the structuring and operation of Irish-domiciled qualifying investor alternative investment funds (QIAIFs) have been removed or modernised. The most notable areas of reform, particularly for private fund managers and sponsors, relate to loan origination, borrowing capabilities and the use of intermediary investment vehicles. Positive changes have also been made to retail investor alternative investment funds (RIAIFs), European long-term investment funds (ELTIFs), AIFMs and AIF depositaries. The key changes are summarised below.

Direct lending

The Central Bank has removed the domestic loan origination QIAIF regime from the AIF Rulebook. This is a significant development for private fund managers and sponsors as it harmonises the Irish framework with AIFMD 2.0 which now provides a single, directly applicable regime for loan-originating AIFs across the EU.

In practice, this means that Irish-domiciled QIAIFs engaging in loan origination will no longer be subject to a separate, Ireland-specific set of rules. This will simplify the regulatory landscape for managers and sponsors structuring direct lending strategies through Ireland and will level the playing field in Europe more broadly.

The AIF Rulebook provides that non-EU AIFMs may now manage closed-ended loan origination QIAIFs, subject always to compliance with the relevant provisions of the AIFM Regulations.

Borrowing capabilities

The previous prohibition on a QIAIF acting as guarantor for third parties has been removed (a restriction which was considered out of step with market practice by limiting the ability of QIAIFs to provide downstream financing or credit support within their investment structures). The new ability for QIAIFs to participate in cross-collateralised borrowing arrangements within their investment structures is a significant development, which will simplify fund financing arrangements.

Intermediary investment vehicles

The AIF Rulebook now introduces an “intermediary investment vehicles” framework, which expressly covers special purpose vehicles, aggregators, subsidiaries and co-investment structures used by a QIAIF to implement its investment strategy.



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1 Directive (EU) 2024/927 of the European Parliament and of the Council of 13 March 2024

The previous regime required Central Bank approval for subsidiaries and mandated that QIAIF directors form a majority of the subsidiary board. This could be operationally burdensome and did not reflect the typical governance arrangements of private fund special purpose vehicles and holding structures.

These requirements have been replaced by a regime focussed on disclosure, due diligence and ongoing oversight, giving fund managers and sponsors considerably greater flexibility in how they structure their investments through intermediary investment vehicles. The reform brings the Irish position more closely into line with the approach taken in other European jurisdictions.

Fund and share class features

The AIF Rulebook now expressly provides for a variety of features commonly used by private funds, including capital commitments, side letters, differentiated investor participation (including excuse and exclude rights), and management participation for carried interest purposes.

The AIF Rulebook further clarifies that QIAIFs (open-ended, open-ended with limited liquidity and closed-ended) may allocate assets at a share class level, provided the arrangement; (i) is not made for the purposes of pursuing a separate investment objective of that share class, (ii) does not result in a share class operating as a de facto separate sub-fund, and (iii) is not created to circumvent other requirements of the AIF Rulebook.

Controlling shareholdings

The AIF Rulebook has been updated to remove the previous rule which restricted QIAIFs from acquiring shares carrying voting rights which enable them to exercise significant influence over the management of an issuing body. This is a welcome reform particularly for managers and sponsors pursuing private equity strategies.

Liquidity management tools

The AIF Rulebook now incorporates provisions aligning product-level rules with the new requirements of AIFMD 2.0 in relation to the selection, disclosure and use of liquidity management tools in respect of open-ended and open-ended with limited liquidity QIAIFs.

Warehousing

The previous requirement for a QIAIF not to pay more than the current market value for warehoused assets has also been removed, subject to prospectus disclosure.

ELTIFs and RIAIFs

The ELTIF chapter of the AIF Rulebook has been updated to incorporate relevant updates from the QIAIF chapter, as well as to align with AIFMD 2.0.

Targeted changes have been made to the RIAIF framework to align with AIFMD 2.0 requirements. The Central Bank has indicated that further and more substantive changes to the RIAIF framework will also be considered as part of a proposed broader review of Ireland's AIF framework.

Conclusion

Taken together, the revisions to the AIF Rulebook represent a meaningful modernisation of the Irish AIF regime. The changes to the loan origination framework, borrowing capabilities and intermediary investment vehicle structures further enhance Ireland's competitiveness as a domicile for private credit, private equity and real assets strategies.

Cybersecurity governance in alternative investment management: Building a resilient operational framework

This article outlines practical cybersecurity governance principles for hedge fund managers, alternative credit managers, and funds of funds, examining how firms can move beyond compliance box-ticking to embed cyber resilience into their operational and oversight frameworks.

The operational stakes

Cybersecurity has become an unavoidable governance priority for alternative investment managers. For hedge funds and credit managers, the exposure is direct: trading systems, fund accounting platforms, investor data, and proprietary research all represent high-value targets. For funds of funds and multi-manager platforms, the risk is compounded, a manager's cyber posture is not merely its own concern, but a material factor in the aggregate risk profile of the allocating vehicle.

Cyber incidents at financial firms routinely generate costs upwards of millions of dollars when downtime, forensic investigations, recovery efforts, and regulatory notification are taken into consideration. But direct financial impact is not the only concern. Operational disruption during a live trading period, or the unauthorised disclosure of investor information, can cause lasting damage to a firm's reputation, investor relationships, and regulatory standing that no balance sheet figure fully captures. Managers that treat cybersecurity as a compliance function, rather than a core operational discipline, are leaving a material blind spot in their risk strategy.

Why alternative managers face elevated exposure

The operational model of many alternative managers creates conditions in which cyber risk can accumulate faster than controls mature. Several characteristics amplify this vulnerability:

Rapid growth and platform change. Expansion into new strategies, additional prime brokerage relationships, or third-party administrator migrations introduces new data flows and access points that may outpace the firm's security architecture.

Complex third-party ecosystems. Fund administrators, technology providers, cloud platforms, data vendors, and outsourced IT functions each represent a node on the firm's extended attack surface. Without adequate oversight and controls in place, a vulnerability in a service provider can become a vulnerability in the fund.

Lean security functions. Many mid-market managers have not yet built dedicated in-house cybersecurity capabilities or invested in a specialised outside provider. Security responsibilities are frequently distributed across IT generalists or shared with operations, leaving critical gaps in monitoring and response readiness.



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Uneven baseline controls. Even well-resourced firms can exhibit inconsistencies in foundational hygiene, patching cadences, multi-factor authentication (MFA) coverage, access controls, and backup integrity, particularly where infrastructure has grown organically over time.

Increasing investor and regulatory scrutiny. Institutional allocators now routinely include cybersecurity assessments in operational due diligence and regulators in major markets have introduced or are developing specific expectations around cyber risk governance. A credible programme is increasingly a prerequisite for capital raising, not merely a back-office nicety.

A practical governance framework

Building a mature cybersecurity posture does not require a firm to overhaul its entire infrastructure overnight. A phased, risk-prioritised approach, one that establishes a consistent baseline and repeatable governance process, is both more achievable and more durable. The following elements are essential.

Conduct regular baseline risk assessments

No two firms carry identical risk profiles. Infrastructure complexity, third-party relationships, regulatory obligations, and the sensitivity of data handled all vary. A structured baseline assessment provides a ranked view of operational and technical gaps across key domains: identity and access management (IAM), endpoint security, cloud infrastructure, critical business applications, and information security policies.

Assessments should be conducted on an annual cycle, at a minimum, but also if there is:

- Material operational change in a new platform migration
- A new outsourcing arrangement
- A significant headcount expansion

The output should be a prioritised risk register that can be reviewed meaningfully by senior management and, where appropriate, reported to the board or investors.

Define and track key security metrics

What gets measured gets managed. Managers should establish a consistent set of security performance indicators that allow them to track posture over time, identify deterioration early, and demonstrate continuous improvement to stakeholders. Relevant metrics include:

- **MFA coverage:** the proportion of users, systems, and applications protected by multi-factor authentication
- **Endpoint protection deployment:** the extent of detection and response tooling across workstations and servers
- **Patch management compliance:** adherence to defined timelines for remediating critical and high-severity vulnerabilities
- **Open vulnerability count:** unresolved vulnerabilities tracked by severity and age
- **Incident response readiness:** completion of required exercises such as annual tabletop simulations

Regular review of these indicators at the senior management level drives accountability and supports the kind of evidence-based reporting that institutional investors and regulators increasingly expect.

Formalise a Written Information Security Programme (WISP)

Documented policies are the foundation of any defensible security posture. A Written Information Security Programme (WISP) translates the firm's security requirements into clear, enforceable expectations that staff, vendors, and service

providers can follow consistently. It also creates an audit trail that demonstrates the firm's governance approach to regulators and allocators.

A practical WISP should establish non-negotiable minimum standards MFA adoption, least-privilege access controls, backup management, and incident reporting procedures while retaining the flexibility to address the firm's specific data types, operational model, and regulatory obligations. Ownership and review responsibilities should be clearly assigned at the senior level, with a defined cadence for policy refresh as the threat environment evolves.

Implement a structured remediation roadmap

Once gaps are identified and policies are in place, remediation must be sequenced and resourced. Firms should prioritise the highest-risk exposures first, which are gaps with the greatest potential for operational disruption or data loss, and build phased milestones that allow steady progress without disrupting day-to-day operations.

Implementation toolkits, technical guidance, and standardised vendor arrangements can accelerate adoption and reduce cost. Where firms operate multiple legal entities or managed accounts platforms with distinct infrastructure footprints, a templatised approach to the baseline process ensures that new operational environments are onboarded to the same security standard from day one.

From compliance to resilience

The direction of industry standards is clear: regulators, institutional investors, and counterparties will only increase their expectations around cybersecurity governance in the years ahead. For alternative investment managers, the question is no longer whether to take cyber risk seriously, but how to build a programme that is proportionate, credible, and continuously improving.

Firms that embed cybersecurity into their operational governance rather than treating it as a periodic compliance exercise will be better placed to protect investor capital, sustain institutional relationships, and compete in an environment where operational due diligence has become as important as investment track record.

Crypto authorisation is a test of operational credibility

Regulatory expectations are redefining institutional standards

Crypto oversight in the UK is entering a decisive phase. The shift from anti-money laundering registration to a full Financial Services and Markets Act authorisation regime is not simply an expansion of rules; it is redefining how firms are judged.

A clear trend is emerging across the industry. Authorisation is won through operating model evidence, not policy documents. This reflects a broader transition from intent to execution, where firms are assessed on demonstrated outcomes rather than future intentions.

Crypto is no longer an experimental allocation or adjacent capability. It is an area where regulatory scrutiny, operational design, and investor expectations are converging quickly.



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Authorisation is becoming a filter for institutional capital

One of the most important consequences of the new regime is its impact on capital allocation and a sign of trust in the firms with whom you want to do business. Authorisation is increasingly acting as a filter that distinguishes institutional-grade firms.

Investors, allocators, and market participants are placing greater weight on operational design, governance quality, and control effectiveness. Regulatory readiness is becoming a proxy for broader operational maturity.

This has two clear implications:

- Firms that can demonstrate credible, well-evidenced operating models are more likely to attract institutional capital and execution flow. Authorisation signals that a firm has moved beyond experimentation and can operate within a structured, accountable framework.
- Firms that cannot demonstrate this level of readiness risk being excluded, regardless of strategy or performance. In this sense, authorisation is not only a regulatory milestone. It is a gatekeeper for scalable market participation.

Coherent operating models are the foundation of credibility

At the centre of this shift is the expectation that firms must present a coherent, end-to-end operating model through which credibility is assessed. Firms must define the scope of the activities they conduct within or into the UK and align these with the appropriate permissions. Applying for permissions that cannot be operationalised from day one introduces immediate credibility risk.

Beyond scope, the emphasis is on integration. Governance, prudential planning, safeguarding, conduct, and operational resilience must function as a single system. Fragmented frameworks are difficult to defend under scrutiny.

Firms that succeed are those whose business plans, control frameworks, and technical systems align. They present a consistent narrative supported by evidence and demonstrate how risks are identified, managed, and monitored in practice.

Investors and allocators are repricing operational risk

For hedge fund managers, alternative credit managers, and funds of funds, this shift is changing how operational risk is assessed.

Crypto introduces a risk profile that differs structurally from traditional asset classes. Private key management, smart contract vulnerabilities, and fragmented liquidity cannot be fully addressed through legacy controls. As a result, investors and allocators are asking more detailed and technically informed questions:

- How are custody arrangements structured and controlled?
- What surveillance capabilities exist across both on-chain and off-chain activity?
- How resilient are operations to events such as network disruption, protocol failure, or cross-venue contagion?

These questions go directly to asset protection, execution quality, and the integrity of investment outcomes.

Operational design is therefore becoming a core component of due diligence. Firms that cannot clearly evidence their control environment may find that access to capital becomes more constrained.

Gap analysis distinguishes intent from execution

A defining feature of the authorisation process is the focus on demonstrable effectiveness. Firms must assess whether frameworks exist and whether they function as intended. The distinction between intent and execution is often significant. Policies may appear comprehensive, but without supporting evidence, such as testing results, management information, and key risk indicators, they provide limited assurance.

For many firms, this process highlights the need for meaningful adaptation. Crypto-specific risks require targeted design rather than extensions of traditional models.

Execution readiness is becoming the key differentiator

With the authorisation window expected to open on 30 September 2026 and readiness targeted by 2027, timing is a critical consideration. Firms can now engage with the FCA through the pre-application support service (PASS) ahead of the authorisation gateway opening. As a result, focus is shifting from the application process to the operational realities of functioning within a regulated environment.

Rather than waiting for final rules, leading firms are building and testing operating models using existing regulatory guidance. This includes developing phased business plans, securing appropriate senior management expertise, implementing core systems, and embedding governance processes.

Execution readiness has become a clear differentiator. Firms that demonstrate tangible progress and credible delivery are more likely to move efficiently through the authorisation process. By contrast, firms that rely on future-state plans without evidence of implementation are likely to face delays and additional scrutiny.

Crypto-specific risks require purpose-built control environments

A common misconception is that crypto can be incorporated into existing financial services frameworks with limited adjustment. In practice, digital assets require purpose-built control environments.

Custody and key management are central. Firms must demonstrate secure handling of private keys, robust segregation, and resilience against cyber threats, supported by appropriate technologies and governance.

Market conduct introduces additional complexity. Surveillance must account for fragmented liquidity, cross-venue activity, and on-chain behaviour.

Operational resilience must also be redefined. Firms need to demonstrate the ability to operate through severe but plausible scenarios, including network disruptions, protocol failures, and third-party dependencies.

Crypto is not simply higher risk. It is different in kind and must be treated accordingly.

Firms should act now to strengthen credibility

Firms preparing for FCA authorisation can take several practical steps to strengthen their position.

- **Clarify scope and permissions early:** Define all UK-facing activities and align them with permissions that can be operationalised.
- **Undertake detailed gap analysis:** Focus on evidence of effectiveness rather than policy coverage.
- **Build integrated operating models:** Ensure consistency across strategy, governance, and controls.
- **Invest in crypto-specific capabilities:** Prioritise custody, surveillance, and resilience solutions designed for digital assets.
- **Strengthen governance and accountability:** Embed clear roles, effective oversight, and robust management information.
- **Adopt an execution-first approach:** Demonstrate progress through implementation, testing, and iteration.
- **Plan for continuous evolution:** Design frameworks that can adapt to regulatory and market developments.

Governance and culture will determine long-term positioning

While technical capability is essential, governance and culture ultimately determine how effectively risks are managed. Boards and senior management must demonstrate active engagement, informed decision-making, and clear accountability. This includes setting risk appetite, reviewing performance, and challenging outcomes where necessary.

Cultural alignment is equally important. Incentives and behaviours must support robust conduct and investor protection. Firms that embed these principles are more likely to sustain credibility over time.

Authorisation will separate institutional-grade firms from the rest

Those that invest early in operating model design, execution capability, and governance will be best positioned to succeed. Those that underestimate the shift may find themselves constrained by both regulators and the market.

In practice, many firms are seeking independent, specialist support to challenge their operating model design, validate control effectiveness, and ensure readiness stands up to regulatory scrutiny. This external perspective can be particularly valuable translating complex regulatory expectations into practical, defensible operating models.

In the emerging regime, credibility will not be assumed. It will be tested, evidenced, and continuously reassessed.

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Cayman Islands introduces new regulatory framework for tokenised funds

The Cayman Islands has approved targeted amendments to the Mutual Funds Act, Private Funds Act and the Virtual Asset (Service Providers) Act to create a clear regulatory framework for investment funds that use blockchain-based tokenisation to represent investor interests.

The amendments, which became effective on 24 March 2026, are designed to provide legal certainty for managers and operators and maintain robust investor protection standards.

Overview

The new framework confirms that both mutual funds and private funds may issue digital tokens representing fund interests, without falling within the virtual asset issuance regime under the Virtual Asset (Service Providers) Act (as revised) (the "VASP Act"). Instead, tokenised funds will continue to be regulated under the Cayman Islands funds legislation, subject to additional obligations tailored to the characteristics of digitally represented interests.

Key features of the amendments

1. Tokenised funds defined within existing fund categories: Tokenisation is treated as a technological overlay rather than a new category of regulated fund. Tokenised mutual funds and private funds remain subject to the same regulatory regime as traditional funds, with the legal register of interests continuing to constitute the final record of ownership.
2. Clarified relationship with the VASP Act: The issuance, transfer or redemption of tokenised fund interests by regulated funds will not constitute a virtual asset issuance under the VASP Act. This removes prior uncertainty and ensures tokenised funds are not subject to duplicative regulation.
3. Record keeping and annual operator confirmation: Tokenised funds must obtain and securely maintain all records of the issuance, creation, sale, transfer and ownership of tokenised interests (including any additional data the Cayman Islands Monetary Authority ("CIMA") may require) and make them available within periods specified by CIMA. Operators must also provide an annual confirmation that such records have been properly kept and maintained.
4. Transfer approvals: Tokenised interests may only be transferred with operator approval in accordance with the fund's offering document. In practice, most tokenised funds adopt a whitelist of pre-approved investors who have satisfied all KYC and investor suitability requirements.
5. Additional disclosure and risk management: Offering documents must describe any token-specific risks associated with digital tokens, such as cybersecurity, transferability and operational risks, and explain how these risks are addressed or mitigated for investors.
6. CIMA power to set token characteristics: CIMA may impose specific restrictions on the characteristics of the tokenised interests, and the fund must ensure compliance with any such restrictions.



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7. Periodic reporting: Tokenised funds must comply with any periodic reporting requirements that CIMA specifies under the applicable Act.
8. CIMA's supervisory powers extended: CIMA's supervision is expressly extended to inspections of the underlying technology and token transactions for tokenised funds, in addition to its existing powers.

Practical considerations for managers

Managers considering establishing or transitioning to a tokenised fund structure should ensure:

- operational controls over token issuance and transfers are robust;
- offering documents include appropriate disclosures and explanations;
- KYC/AML processes are fully maintained despite any efficiency gains from tokenisation; and
- systems are in place to respond promptly to CIMA requests for token-related information.

Practical considerations for investors

Investors should note that:

- legal ownership continues to be recorded on the fund's official register;
- transfers require operator consent and are not unrestricted; and
- technology-related risks may apply depending on the distributed-ledger infrastructure used.

Conclusion

The introduction of the tokenised fund amendments reinforces the Cayman Islands' commitment to innovation while maintaining its established regulatory standards for investment funds. The updated framework provides long-awaited clarity for managers, service providers and investors seeking to utilise tokenisation within a regulated, institutional-grade environment.

For guidance on establishing a tokenised fund or converting an existing structure, please contact a member of our Investment Funds team or your usual Campbells contact.

The background features a dark space with glowing orange and blue lines and dots, resembling a network or star map. A large, thick, teal-colored curved shape, resembling a stylized 'C' or a swoosh, is positioned on the right side of the image. The Campbells logo is in the top left corner.

CAMPBELLS

Our insight. Your advantage.

Our Investment Funds team supports the establishment and operation of Cayman and BVI funds. We provide managers and onshore counsels with structural sophistication, regulatory insight, and proven results across the investment cycle.

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Passing the torch: The opportunity arising from the generational wealth transfer of Canadian farm families

The scale of the opportunity

The numbers are staggering. Nearly 75% of Canada's CAD785+ billion farmland asset base is expected to change hands within the next decade^{1,2}. This translates to more than half a trillion dollars in family-held farmland wealth that will need to transition to the next generation. This is not a distant scenario – it is already unfolding, and it will only accelerate.

Canadian farmland is not just land. It represents heritage, livelihood, and one of the crown jewels of the national economy. It underpins Canada's role as one of the world's leading agricultural exporters⁴. In 2024, agriculture and agri-food contributed more than CAD149 billion to Canada's GDP, representing about 7% of the total economy, while supporting millions of jobs and supplying essential commodities to global markets³. With nearly two-thirds of farm cash receipts tied to exports, the stewardship of Canadian farmland is inseparable from global food security.⁴

At a time of climate volatility, geopolitical instability, and fragile supply chains, the reliability of Canadian farmland has never been more important. Its continuity, however, depends on collaboration among farm families, investment capital, and policy makers.

Shifting demographics: Canada's aging farmers

The demographic reality underscores the urgency. Over 60% of farmers are now 55 or older, while the portion of farmers under 35 has decreased from 12% to 9% over the past two decades^{5,6}.

The pipeline of young farmers is shrinking.

Meanwhile, farmland has never been more valuable. In Ontario, where farmers require a minimum of about 1,000 acres to run viable operations, high-quality farmland now commands above CAD20,000 per acre. The next generation of farmers faces significant barriers to entry when factoring in land and equipment costs. In the Prairies, viable operations often require 3,000 acres or more to achieve sufficient scale, when considering various factors such as the crop prices and average yields for the major crops grown in each region. The capital intensity is daunting, and many young farmers lack access to sufficient equity or credit.



Kent Willmore
Founder & CEO
Crescero Natural Capital

- 1 Statistics Canada. Balance sheet of the agricultural sector, at December 31 (Table 32-10-0056-01).
- 2 Manitoba Co-operator. The dawn of a new generation: Celebrating Canada's farming future.
- 3 Agriculture and Agri-Food Canada. An overview of the Canadian agriculture and agri-food system.
- 4 Global Affairs Canada. Agricultural trade data and market access.
- 5 Statistics Canada. Census of Agriculture, 2021.
- 6 Statistics Canada. Census of Agriculture, 2001.

The outcome has been consolidation. Canada's farm count has dropped from nearly 247,000 two decades ago to fewer than 190,000 today, a 23% decline^{6,7}. Ownership remains overwhelmingly in family hands, but fewer families are carrying the responsibility.

Addressing this challenge requires buying and optimising farmland and leasing it back to farming operators. This approach not only provides an exit opportunity for existing farmland owners but also lowers the barriers for the next generation of farmers looking to expand their operations or enter the farming industry.

Succession planning: Building bridges with capital

Despite the scale of the issue, only 12% of Canadian farms have a written succession plan. This gap reflects the complexity of family dynamics, diverging interests among heirs, and the difficulty of discussing money, control, and legacy. Often, the conversation happens too late when illness, financial strain, or family disputes force decisions.

Closing the succession gap is not only about planning, but also about having access to capital resources. Even well-prepared families struggle to align transition goals with the financial means to achieve them. That is where investor capital becomes essential. Here are some of the ways that value can be created for both investors and farm families.

- **Diversified returns for investors:** By purchasing, optimising, and managing farmland with discipline, the goal should be to deliver steady risk-adjusted returns from this uncorrelated asset class.
- **Liquidity for the retiring generation:** Decades of work deserves to be rewarded. Providing capital that allows farm families to unlock their equity and exit gracefully is essential.
- **Improved cash flow management:** Capital provided during the sale and leaseback of farmland can be used to reduce debt, enhance cash flow management, and strengthen the financial health of the farming operation.
- **Continuity for the next generation:** Operators who want to farm should not be excluded because of capital barriers. By leasing land back to farmers, the industry can provide them with an opportunity to scale or start their operations without incurring the financial burden of purchasing farmland.
- **Contributing to global food security:** By keeping farmland productive and family-operated, Canada can continue to provide the world with essential food.
- **Preserving natural capital:** An essential part of any land management strategy should be to optimise farmland by enhancing natural capital in partnership with farm family operators. This both increases long-term returns to investors and reduces the risk of the asset class.

Embracing the road ahead

The coming decade represents both a challenge and a generational opportunity. Canada is on the cusp of the largest wealth transfer in its history, representing over half a trillion dollars in farm real estate value.

Private capital has a critical role to play. Leasebacks, shared-equity partnerships, and joint ventures are practical, proven mechanisms to ensure continuity. When structured thoughtfully, they create true win-win outcomes, whereby investors gain unique access to scarce assets, and farm families are provided with new opportunities.

For investors, this transition of wealth creates a timely opportunity to enter an uncorrelated asset class. Farm values have continued to appreciate at a steady pace over the long-term, driven by many factors including the increased global demand for food and the rapidly decreasing supply of land to meet this demand. By investing alongside farm families, investors can capture differentiated returns while contributing to one of Canada's most vital economic and social outcomes.

Disclaimer: This article is for informational and educational purposes only and reflects the personal opinions of the author, Kent Willmore, Founder & CEO at Crescero Natural Capital. It is not intended as investment advice or a recommendation to purchase or sell any financial product. Prospective investors should consult with a qualified financial advisor and conduct their own due diligence before making any investment decisions. Investments in farmland are subject to risks, including market, regulatory, and environmental risks. Any performance data in this article is for illustrative purposes only and may not be indicative of future results. This document has not been reviewed or approved by the Ontario Securities Commission (OSC) or any other securities regulatory authority.

APAC buy-side firms embrace AI, automation to optimise business processes

The “wait and see” era for AI on the buy side is over. In this new survey of 50 buy-side firms across Asia-Pacific, Bloomberg and WatersTechnology reveal an industry that has moved decisively past experimentation and into live, production-grade adoption of AI and automation. From research desks leveraging AI at scale to API-driven dashboards consolidating portfolio, risk, and market data into a single view, firms are retooling their operations to compete in a market that rewards speed, accuracy, and efficiency. The report also charts a growing appetite for private markets exposure – the technology and workflow demands that come with it.

AI adoption moves into production at scale

Various flavors of artificial intelligence have, for some time now, been moving inexorably from proofs of concept and experimental use-cases to live production environments supporting a range of buy-side functions. Nearly three-quarters (72%) of respondents are already using AI moderately and plan to extend their use of the technology in the future. Conversely, only 2% of respondents are not using AI and have no plans to do so, underlining the extent to which the technology has been embraced across the buy side.

Unsurprisingly, research and market analysis are the two business processes most widely supported by the application/adoption of AI, and for good reason: these are functions where speed, scale, accuracy and pattern recognition tend to yield measurable advantages across the buy side. They are also functions into which buy-side firms have traditionally been forced to commit significant resources to make the most judicious, transparent, repeatable and defensible business and investment decisions.

APIs and automation to the fore

In recent years, application programming interfaces (APIs) have emerged as a crucial enabling technology across the buy side, allowing firms to streamline access to data, automate trading workflows, enable application interoperability and generally improve operational efficiency. According to the findings from this survey, buy-side firms most frequently use APIs to support their reporting functions and the creation of custom dashboards (28%), underscoring their role as enablers of real-time analytics and efficient information exchange. That only 16% of respondents do not use APIs demonstrates their widespread acceptance as key components of buy-side firms’ tech stacks and digital ecosystems.

Workflow automation emerged as the principal area impacting respondents’ portfolio management and trading teams, highlighting the importance buy-side firms place on enhancing traditionally manually intensive tasks, not only in the interest of operational efficiency but also to ensure high levels of accuracy and transparency. This drive for operational efficiency is in part fueled by the sector’s shift toward private markets – currently the “darling” of the buy side as firms seek alpha, diversification and yield. Given that these tend to be illiquid assets, portfolio and risk analytics has emerged as a key function for enhanced workflow efficiency.



Bing Li
Asia-Pacific Chairman
Bloomberg



Sunny Chhabria
Head of Asia Buy-side
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Bloomberg

Key findings

- 72% of firms already use AI moderately, with research and market analysis leading implementation.
- 84% of firms use APIs across the investment life cycle, and 66% are prioritising workflow automation for portfolio management and trading teams.
- 62% of firms plan to grow their private markets exposure, led by private credit, intensifying the need for integrated analytics and reporting platforms.

Operating models under pressure

As buy-side firms confront rising cost pressures, tighter regulatory scrutiny and increasingly complex multi-asset strategies, AI and automation is no longer a future aspiration – it is a strategic imperative. Bloomberg's technology enables firms to move beyond fragmented systems and manual dependencies toward an integrated, scalable operating model that supports the full investment lifecycle. By streamlining front-to-back workflows, reducing operational risk and embedding robust compliance and reporting controls, firms can replace reactive processes with proactive oversight.

Advanced portfolio construction, risk and data management capabilities deliver the transparency and precision required to support defensible investment decisions across public and private markets. At the same time, centralising data and research within a unified, AI-ready environment allows organisations to eliminate manual bottlenecks in the front and middle offices while ensuring client and regulatory reporting is both seamless and audit-ready.

In an operating environment where efficiency, agility and governance define long term success, adopting Bloomberg's automation tools can help firms transform complexity into a sustainable competitive advantage.

Benchmark your firm

Whether you're benchmarking your firm's AI maturity, evaluating how peers are deploying APIs across the investment life cycle, or building the case for workflow automation in the front office, this report offers important data-backed regional insights.

Access the [full survey findings here](#) to find out how your firm's technology and operational priorities compare to 50 peers across Singapore, Australia and the wider APAC region, and where the industry is heading next.

When hedging outcomes and fund reporting diverge



Kevin Mitchell
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Hedge Effective Advisory

Market volatility has renewed focus on how hedging outcomes flow through fund financial reporting and distributions. For investment managers, the challenge is no longer simply whether a hedge is economically effective, but whether the related accounting and tax treatment properly supports the intended outcome. Misalignment can create confusion for investors, unexpected volatility in distribution calculations, and added complexity for finance teams.

Introduction

Periods of market volatility often expose a problem that can remain largely unnoticed in more stable conditions: the disconnect between economic hedging outcomes and how those outcomes are reflected in financial reporting and investor distributions.

Across foreign exchange, commodities, and interest rate exposures, realised hedge gains and losses can produce results that are economically sound yet difficult to interpret when accounting, tax and distribution frameworks are not aligned. In practice, this can lead to volatility in reported earnings or distributable income that does not reflect the commercial intent of the hedge.

For fund managers and finance teams, a well-designed hedging strategy alone is no longer sufficient. The supporting accounting and tax framework must be carefully considered to ensure outcomes are presented clearly and consistently to stakeholders.

The growing visibility of misalignment

In alternative investment structures, performance is assessed not only on underlying returns but also on how those returns are presented. This is particularly relevant where derivatives are used to manage risk exposures.

A hedge may perform exactly as intended from an economic perspective: it offsets risk and stabilises fair values. However, if the associated accounting or tax treatment recognises gains and losses at different points in time, the reported outcome can appear inconsistent. The root cause is typically a timing mismatch between the hedge instrument and the underlying exposure: realised gains or losses from hedging are recognised at each hedge maturity, which is commonly much shorter than the timeframe of the underlying investment; this gap is often measured in financial years.

This can create challenges in explaining performance, particularly to investors who focus on distributions or periodic results. The issue becomes more pronounced during periods of sharp market movement. Currency fluctuations, interest rate changes or commodity price shifts can amplify the recognition of hedge-related gains or losses, increasing volatility in financial statements or distributions even where the underlying economic position remains stable.

As a result, managers are increasingly asked not only whether a risk has been hedged, but also whether the broader reporting framework accurately reflects that strategy.

Where misalignment typically arises

- **Timing differences:** The most common source of divergence is timing. Gains and losses on hedging instruments may be recognised in different periods from the underlying exposures they are intended to offset, creating temporary mismatches that affect reported earnings or distributable income.

- **Framework interaction:** Hedging outcomes sit at the intersection of accounting standards, tax rules and fund distribution policies. The critical first step is to assess whether a hedge will meet the qualifying criteria under AASB 9 Hedge Accounting. Once confirmed, the tax treatment can follow. Each framework operates under different recognition principles, and without careful alignment these differences can compound.
- **Operational complexity:** Even where a framework exists to support alignment, maintaining eligibility and compliance can be demanding. Documentation requirements, ongoing testing and monitoring all play a role. A breakdown in any of these areas can reintroduce volatility or create uncertainty in reported outcomes. For most fund managers, handling this complexity in-house is a step too far but specialist systems and hedge accounting experts are available to provide this service.

The role of TOFA in the Australian context

For Australian fund structures, a key consideration is the Taxation of Financial Arrangements (TOFA) framework. Broadly, TOFA is designed to reduce mismatches in the timing of gains and losses arising from financial arrangements, including certain hedging activities.

Where the relevant requirements are met, TOFA can help align tax outcomes more closely with the economic purpose of the hedge. However, the framework introduces its own considerations: eligibility must be established at the outset, and ongoing compliance is required to maintain the intended treatment.

If these requirements are not met, or if circumstances change, timing mismatches can re-emerge, increasing complexity in both reporting and investor communication, particularly where outcomes differ from expectations.

For fund managers, this reinforces the importance of viewing hedge effectiveness through multiple lenses. Economic performance, accounting treatment and tax outcomes all contribute to the overall result presented to investors.

Implications for fund managers

Four priorities stand out for managers navigating this environment:

- **Cross-functional alignment:** Investment, finance and tax teams must work together to ensure hedging strategies are supported by appropriate frameworks from the outset.
- **Documentation and governance:** Clear policies, robust processes and ongoing monitoring are essential to maintain consistency and avoid unintended outcomes.
- **Investor communication:** Where timing differences or framework interactions create volatility, managers need to be able to explain these effects clearly and confidently.
- **Periodic review:** As markets evolve and regulatory expectations change, structures that were once adequate may require refinement. Managers benefit from regularly reviewing whether their frameworks remain fit for purpose.

Conclusion

Hedging remains a critical tool for managing risk in investment portfolios. However, in a more volatile and scrutinised environment, its effectiveness is increasingly judged not only by economic outcomes but also by how those outcomes are reflected in reporting and distributions.

Misalignment between these elements can create confusion, volatility, and operational challenges. Addressing this requires a broader perspective that considers accounting, tax, and investor expectations alongside traditional hedging objectives.

For fund managers, the focus is shifting from simply executing hedges to ensuring that the full framework supporting those hedges delivers outcomes that are both economically sound and clearly understood.

Seizing Asia’s event-driven opportunity: A compelling investment case

Asia’s corporate landscape is experiencing a structural transformation, creating a fertile environment for event-driven investing.

Four powerful forces – corporate governance reform in Korea, shareholder activism in Japan, a resurgence in Hong Kong’s equity capital markets and a recovery in Asia-Pacific private equity – are converging to build one of the richest pipelines of corporate events in the world.

Korea’s corporate governance transformation

South Korea has enacted the most significant corporate governance reforms in its modern history. Amendments to the Korean Commercial Code passed in mid-2025 fundamentally strengthen minority shareholder rights and board accountability.

Directors are now explicitly required to act in the interests of all shareholders, cumulative voting is set to become mandatory for large companies, the 3% voting cap for audit committee appointments has been tightened, and hybrid shareholder meetings will be required.

These reforms complement the Corporate Value-Up Program, launched in 2024, which provides guidelines for listed companies to voluntarily disclose corporate value enhancement plans – in turn creating a pipeline of catalyst-driven opportunities.

Table 1: Korea Commercial Code Reforms Timeline and Shareholder Impact

Reform Element	Effective Date	Impact on Shareholder Rights
Expanded Director Duties	July 2025	Immediate legal standing for shareholders
3% Voting Cap Extension	July 2026	July 2026 Enhanced audit committee independence
Mandatory Cumulative Voting	September 2026	Minority board representation
Hybrid Shareholder Meetings	January 2027	Improved shareholder accessibility



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Japan's shareholder activism revolution

Japan has emerged as the world's second busiest market for shareholder activism, surpassed only by the US and accounting for 22% of all global campaigns in 2025.¹ This reflects fundamental changes in corporate governance and capital allocation.

The Japanese market's structural characteristics make it particularly attractive for activism: extensive cross-shareholdings being unwound, significant cash hoards on balance sheets, improving corporate governance codes, and a regulatory environment increasingly supportive of shareholder engagement.

Crucially, the activists are achieving tangible results, creating opportunities for event-driven strategies to capture value. Activists won 75% of contested director seats in 2025, up from 65% in 2024, indicating increasingly effective campaigns and greater minority shareholder support.²

The activist focus on capital efficiency is resonating with mainstream institutional investors and aligning with regulatory reforms.

Table 2: Growth in Japanese Activism Activity (2024-2025)

Metric	2024	2025
Total Activist Campaigns	102	22
Shareholder Proposals	336	398
New Companies Targeted	91	113
Proposals with 30%+ Support	32	40

Hong Kong's capital markets renaissance

Hong Kong has staged one of the most remarkable turnarounds in global capital markets history, reclaiming the top spot for IPO fundraising globally for the first time since 2019.

Total equity capital markets fundraising (including IPOs, follow-ons, and convertibles) reached USD 103 billion in 2025, up 164% from the previous year.³

This robust new issuance comes alongside strong aftermarket performance, deep secondary liquidity, and sector rotation – together creating an ideal environment for event-driven strategies to capture value across IPO allocations, follow-on participations, convertible arbitrage, and special situations.

In particular, the popularity of dual A-to-H listings – where companies list in both China (A-shares) and Hong Kong (H-shares) – opens the door to arbitrage opportunities and event-driven plays around price convergence.

Asia Pacific private equity momentum

Private equity transaction activity across Asia Pacific has returned to sustained growth after several years of market adjustment. The breadth of activity across the region signals a structural rather than cyclical recovery. India delivered double-digit growth in both deal value and count in 2024, becoming a standout performer. Japan saw deal volume

1 Lazard. (2026, January 4). Annual review of shareholder activism 2025. Lazard Research & Insights. <https://www.lazard.com/research-insights/annual-review-of-shareholder-activism-2025/> - & Pictet Internal Data

2 Computershare. (2025). 2025 Japan AGM season review: Activist campaign success rates. Computershare Research.

3 HKEX https://www.hkexgroup.com/Media-Centre/Insight/Insight/2026/HKEX-Insight/ECM-performance-in-2025?sc_lang=en

surge 25% year-over-year in H1 2025, reflecting increased strategic investment in technology and innovation.⁴ Even Southeast Asia, despite quarterly volatility, recorded improving transaction activity.⁵

Critically, the composition of PE activity has shifted decisively toward control transactions. This shift toward buyouts creates multiple event-driven opportunities, including secondary buyouts, sponsor-to-sponsor transactions, public-to-private deals, and corporate carve-outs.

Looking forward, the improving IPO market in Hong Kong provides an increasingly viable exit route for PE-backed companies. The convergence of easing interest rates, improving valuations, and record dry powder positions the region for accelerated exit activity through 2026.

Investment implications

The convergence of corporate governance reform, shareholder activism, renewed IPO activity and an improving private equity landscape creates an unusually fertile environment for event-driven investing in Asia.

The sheer volume of corporate events – record activism campaigns in Japan, historic ECM issuance in Hong Kong, and robust PE transaction activity regionwide – ensures a deep pipeline of catalyst-driven opportunities. Unlike markets where events are episodic, Asia now offers structural, sustained activity across multiple geographies and event types.

Event-driven strategies can capture value across diverse situations:

- Activist campaigns and proxy contests in Japan
- IPO allocations and aftermarket trading in Hong Kong
- Follow-on offerings, block trades, and convertible arbitrage
- PE secondary transactions and sponsor-to-sponsor deals
- Public-to-private transactions and take-privates
- Merger arbitrage and corporate restructurings
- This diversity provides natural portfolio diversification and reduces single-strategy risk.

The sophistication of market participants has increased dramatically. Leading global activists, blue-chip PE firms, and institutional-quality ECM deals dominate the landscape. This reduces event risk and increases the probability of successful outcomes.

Regulatory environments across the region have become increasingly supportive of capital markets activity. Japan's corporate governance reforms, Hong Kong's streamlined listing procedures and A-to-H initiatives, and regional PE-friendly policies all support sustained activity levels.

With strong aftermarket performance in Hong Kong IPOs, high activist success rates in Japan, and improving PE exit multiples, the risk-reward profile for event-driven strategies appears highly attractive.

For investors seeking to capitalise on these themes, the time to position is now. The momentum is building, the pipeline is robust, and the opportunity set has never been more compelling.

4 <https://mondovisione.com/media-and-resources/news/apac-deal-activity-up-by-3-yoy-during-h1-2025-finds-globaldata-2025730/>

5 https://www.ey.com/en_sg/newsroom/2025/10/private-equity-deal-value-in-southeast-asia-rose-in-q3-2025-due-to-large-ticket-transa

Marketing material

This marketing document is issued by Pictet Asset Management.

Any investment incurs risks, including the risk of not getting back amounts initially invested.

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U.S. Treasury Clearing is fast approaching: Are you ready?

This article outlines some of the key considerations for legal teams grappling with the upcoming rules: the difference between key clearing models and the template documentation available in the market (along with the associated legal opinions).

Introduction

The U.S. Securities and Exchange Commission (the SEC) adopted the U.S. Treasury Clearing Rule in December 2023 (the Final Rule). The mandate represents a fundamental structural change to the world's largest and most liquid government securities market, requiring the clearing of U.S. Treasury cash and repurchase (repo) transactions. The key objectives of the Final Rule are to reduce counterparty and systemic risk and increase market transparency.



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Client Director
DRS

In January 2025, the SEC approved a one-year extension to the initial deadlines, moving the compliance date for eligible cash transactions to 31 December, 2026, and for eligible repo transactions to June 30, 2027. This adjustment reflects the scale of the challenge facing market participants, as they seek to align operational frameworks and contractual terms with central clearing counterparty (CCP) requirements.

“Done-With” or “Done-Away”?

In broad terms, there are two legal and operational models to facilitate clearing; “Done-With” and “Done-Away”. The core difference in the two models is with regards to the relationship between the clearing and the execution services.

Under a Done-With model, execution and clearing are bundled as one service delivered by a single bank/broker-dealer - the trade is executed with a bank/broker-dealer who then in turn will clear the trade at a CPP. By contrast, under a Done-Away model, the trade is executed with one bank/broker-dealer (Executing Broker) but cleared through a different bank/broker-dealer (Clearing Broker).

The Done-With model has been in place for a number of years in the U.S. Treasury Clearing market through sponsored repo platforms and its benefits are well known. Because of the market's familiarity with the model, the leading trade association in the U.S., the Securities Industry and Financial Markets Association (SIFMA) published in 2024 the final version of the Master Treasury Securities Clearing Agreement for the “Done-With” model (SIFMA Done-With MTSCA).

As a result, some broker-dealers and buy-side participants have started the process of negotiating the SIFMA Done-With MTSCA.

However, much of the market are “patiently” waiting for an equivalent Done-Away template to be made available before they kick things off as the Done-Away model is regarded as offering several potential benefits including:

- Consolidation of clearing operations through a preferred Clearing Broker whilst maintaining relationships with a number of Executing Brokers;

- Negotiating only one clearing agreement with a preferred Clearing Broker and then clearing all their trades through that intermediary;
- Gaining margin efficiencies by aggregating and netting all trades with a single Clearing Broker.

There is an expectation that SIFMA will publish a Done-Away MTSCA template in June 2026 to give participants one year to familiarise themselves with the model, set up operationally with a CCP, seek the relevant opinions and execute the relevant documentation. If this template does not emerge soon, the market may have to satisfy clearing obligations through the Done-With model and later on re-assess their position once the Done-Away documentation is published. The resourcing, timing and cost implications of the latter option are unsurprisingly no one's preference.

The Done-With SIFMA documentation

There are broadly three different forms of documentation that can be used to facilitate Done-With clearing, and SIFMA have published forms of agreement for each of these.

The first one, as mentioned above, is the SIFMA Done-With MTSCA, a standalone clearing agreement (albeit one that operates in tandem with the parties' existing GMRAs or MRAs).

Secondly, is the Master Treasury Securities Clearing Annex, which is an annex to an existing MRA or GMRA.

Finally, there is a form of amendment to a FICC clearing agreement, which would be used only by parties who already have an existing clearing agreement entered into prior to the introduction of mandatory clearing.

The most commonly used in the market so far is SIFMA Done-With MTSCA. Its structure follows a modular approach insofar as it has a standard form preprint and a schedule of elections and variables, split up into standard form elections and free text options to offer the ability to customise the relationship.

Despite the SIFMA Done-With MTSCA being intended to be standard and largely non-negotiable, there are a number of areas of contention emerging that are requiring a material amount of focus and discussion. These include:

- Cross agreement set-off;
- Cross default;
- Linkage between the SIFMA Done-With MTSCA and the related MRA/GMRA;
- Porting of transactions;
- Management of failed trades;
- Conditions for exercising a right to close out; and
- Allocation of indemnity risk.

Legal opinions

Approximately 30 legal opinions are intended to be sought from key jurisdictions for the purpose of confirming netting and collateral enforceability for cleared U.S. Treasury repo transactions. The opinions will only cover the SIFMA Done-With MTSCA (with the

66
There is an expectation that SIFMA will publish a Done-Away MTSCA template in June 2026 to give participants one year to familiarise themselves with the model, set up operationally with a clearing house, seek the relevant opinions and execute the relevant documentation.

Fixed Income Clearing Corporation as the incumbent CCP). Future opinions may cover any Done-Away documentation that emerges in due course, as well as the recently approved clearing houses, with ICE Clear Credit now being live and the CME Securities Clearing Inc. expected to launch soon.

Some of the key issues that will be addressed in the opinions are:

- Local courts' treatment of choice of law and jurisdiction;
- Use of collateral in case of default;
- Cross border collateral enforceability;
- Netting and set-off; and
- Insolvency risks.

Conclusion

In this article we have highlighted some key issues and considerations that have emerged to date, but things are developing rapidly as the market adjusts to the mandatory clearing model. We expect to see further developments as impacted parties adapt to the evolving market and better understand the intricacies of new operational models and documentation that emerge in the coming months.

For more information visit [US Treasury Clearing - DRS - Alternative Legal Solutions](#).

Stop kidding yourself about credit

In our [previous AIMA article](#), we argued that the lines between European public and private credit were increasingly blurring. Markets have evolved further since, but investor perception has not. The gap between credit on the surface and what lies underneath produces three lessons that matter for how capital is being allocated today.

The uncomfortable truth is that these lessons are not new. What is striking is that the market seems to have forgotten them, and we wonder when it will notice.

The average doesn't tell you anything about the range

Don't confuse the index with the opportunity set. Tight indices describe the mean, not the range. In European credit today, around 20% of the total market spread is generated by just the widest 5% of issuers.¹ The range is where opportunity lives.

Beneath the calm waters of headline spreads flows a powerful undercurrent. The market has bifurcated into the 'haves' and 'have-nots'. Some companies continue to demonstrate resilient free cash flow and manageable leverage. Others are surviving largely because refinancing risk has been delayed rather than solved. The split is visible in the data: roughly 18% of European credit currently trades above 1,000 basis points, a different market entirely from the names anchoring the index inside 275 basis points.²

Past performance is not an indication of future results

Historic default and recovery statistics may be a poor guide for the years ahead.

In recent years, forecast default waves never broke onto shore, as sponsors stayed supportive, lenders extended maturities, and capital was both cheap and plentiful for refinancings. Businesses that would previously have defaulted have been carried through amend-and-extend transactions, PIK structures, and liability management exercises (LMEs). The maturity wall has been pushed further out, but borrowers are sailing towards it faster than before.

Three structural shifts explain why the eventual reckoning is likely to look different from the playbook investors are used to, and why questions that were once legal footnotes are now central to underwriting.

First, the early warning system disappeared some time ago. Covenant-lite is now the norm across large parts of the leveraged finance market. Maintenance covenants previously forced a conversation between borrower and lender at the first sign of operational stress, while enterprise value was still intact. Stress now stays hidden for longer, and by the time it surfaces, value has typically already been destroyed.

Second, capital structures are more crowded at the top. Modern documentation gives borrowers wider latitude to incur additional secured debt, move collateral into unrestricted subsidiaries, and reorder priorities outside traditional frameworks.



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1 Bloomberg Pan-European High Yield (Euro) index as of 11-May-26

2 Ibid

The result is materially more senior and pari passu debt secured against the same collateral pool than historic recovery datasets assume.

Third, the restructuring toolkit can be used to redistribute value on a non-pro rata basis. Uptiering transactions can be used to subordinate non-participating lenders and drop-down financings can shift collateral to new-money providers. The result is that creditors who appear to sit in similar parts of the capital structure can end up with very different outcomes depending on which side of an LME they land on.

Taken together, these shifts mean default rates alone are an increasingly poor proxy for underlying market stress, and historic loss-given-default assumptions flatter forward returns.

If you can't get out, you should get paid more

Through a decade of low rates and abundant capital, investors traded liquidity for spread on attractive terms. Direct lending paid a clear premium over broadly syndicated loans, and the illiquidity itself felt costless because few investors needed to exit. As private credit AUM has scaled and competition has intensified, that premium has compressed, even as the same borrowers are increasingly financed by both markets on similar terms.

Private credit can still offer advantages in areas such as structuring flexibility, lender control, and long-term capital alignment. However, the premium that investors receive for sacrificing liquidity has narrowed materially. The issue is not just that the premium is thinner; it is that the cost of illiquidity has been hidden like a rock beneath the surface – it's always been there, but only when the tide goes out is it plain to see.

Periodic valuations and held-to-maturity treatment are features of the asset class, not flaws, but the smoothing they generate creates time series that need careful interpretation. Public markets clear information continuously and, at times, uncomfortably; private markets clear it episodically and quietly. The underlying credit risk may be similar but the visibility is not.

For a lender, the practical question is whether the spread pickup on a private loan still compensates for giving up daily price discovery, the ability to reposition into dislocation, and the option to exit at a market-clearing price. In many parts of the market today, we think the honest answer is that it doesn't.

The full picture

Public credit is not boring because an index is tight. Private credit is not safer because marks move less. The two markets have converged in borrowers, documentation, and behaviour.

The three lessons all point the same way: averages hide dispersion, historic loss assumptions underweight modern restructuring dynamics, and liquidity – long treated as a costless concession – is being repriced in real time. The practical implication is to look harder at the parts of the market most investors are looking past. Dispersion in public credit, recovery analysis at the single-name level, and the optionality that comes with daily liquidity all carry more value today than the consensus reflects.

In our view, that is where credit investors are most likely to capture outsized returns over the coming years. The calm has held longer than anyone expected, but the undercurrent is still running and the tide will turn. When it does, debt will behave much the same way whether it was syndicated or privately held – the only difference is when investors realise the tide has already left them stranded.

This is an opinion piece by Kunal Shah, PVTLL Point. PVTLL Point LLP (FRN 1034789) is an appointed representative of G10 Capital Limited (FRN 648953), which is authorised and regulated by the Financial Conduct Authority.

Private equity's operational reckoning: Why transparency, scale, and data are now leadership issues

For years, private equity leaders could afford to view operations as a supporting function – important, but largely separate from the core work of investing, value creation, and fundraising. That separation no longer holds.

Today, operating models sit squarely at the intersection of LP trust, cost discipline, scalability, and leadership focus. As fund structures multiply and transparency expectations accelerate, the question is no longer whether operations “work,” but whether they are built to scale without becoming a drag on growth or economics.

This is a message that comes through strongly in State Street's upcoming 2026 Private Markets Study, our fifth annual industry survey focusing on private markets operations.

Data integrity, including accuracy, transparency and timeliness, was by far the most frequently cited operational weakness when respondents, a global mix of GPs and LPs, were asked where they wanted additional support from their service providers.

From back office to strategic infrastructure

Private equity operating models were designed for a simpler era. Smaller fund complexes, slower reporting cycles, and narrower investor bases made in-house administration viable for many firms.

That reality has shifted. Structural complexity continues to rise – from co-investments and continuation vehicles to GP-led secondaries, evergreen and semi-liquid strategies. LPs now expect faster closes, deeper portfolio insight, and data that can be delivered consistently across files, portals, dashboards, and reports. Regulatory expectations and governance standards continue to intensify. At the same time, the technology investment required to support this environment has grown well beyond what most investment organizations can sustainably build and maintain alone.

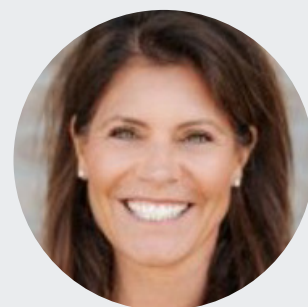
What was once a support capability has become mission-critical infrastructure. For leading managers, operating models are now a visible signal of institutional maturity.

Transparency is a structural shift – Not a service upgrade

Investor demand for transparency is not cyclical; it is structural. LPs are asking for more detail, delivered more frequently, and in more usable formats – portfolio monitoring, valuations, liquidity and cashflow views, and data that can be consumed directly into their own systems.

When transparency is layered onto legacy workflows, costs scale linearly with complexity. Each additional request drives incremental manual effort: more reconciliations, more exceptions, tighter close timelines, and growing staffing pressure. Often, these costs are hidden – embedded in headcount growth, audit risk, or longer delivery cycles rather than presented as a clear line item.

The firms managing this most effectively are reframing transparency as a data and operating-model challenge. By investing in standardized data foundations, governed definitions, automation, and reusable workflows, transparency can be built once and leveraged repeatedly, rather than rebuilt every quarter.



Jayne Rice
Senior Vice President
at State Street, Global
Head of Private Equity
State Street

The hidden cost of insourcing

Many private equity firms continue to believe insourcing provides greater control or lower cost. In practice, the most significant costs are often indirect and increasingly material: key-person risk concentrated in a small number of specialists; leadership distraction as senior executives are pulled into operational problem-solving; continued technology spend to keep pace with institutional standards; and scalability limits that surface during fundraising, product expansion, or geographic growth.

In an environment where LPs increasingly factor operational rigor into allocation decisions, these challenges quickly translate into commercial risk.

Operating models as a competitive filter

Operational maturity is now table stakes. LPs value standardization where it enables comparability—common definitions, consistent schedules, and repeatable reporting. At the same time, they expect flexibility to support different strategies, structures, and internal systems.

The scalable answer is not bespoke reporting built from scratch, but standardized underlying data models paired with configurable delivery. This shift is reshaping the economics of private equity operations, particularly for mid-sized and emerging managers who face institutional LP expectations without the benefit of scale.

This is one reason outsourcing and platform-based operating models continue to accelerate. Scale, industrialized processes, and purpose-built technology make it possible to deliver institutional-grade transparency without turning operations into a structural constraint.

A strategic reset, not a tactical fix

The most forward-looking firms are no longer treating operations as something to optimize incrementally. They are using the operating model itself as a strategic lever.

Partnering with a scaled provider such as State Street enables firms to redirect senior focus toward alpha generation and portfolio oversight, scale across funds and regions without rebuilding infrastructure, absorb expanding transparency and regulatory demands without linear cost increases, and improve LP due diligence outcomes through consistency, auditability, and timeliness.

State Street's approach combines fund administration, investor servicing, banking, and data capabilities with governance, automation, and industrialized controls. The objective is not simply better reporting, but more predictable operating economics and an operating foundation that can keep pace as strategies evolve.

The bottom line

Private equity has always been about disciplined allocation—of capital, talent, and attention. What has changed is the recognition that operating models are no longer neutral. They either reinforce a firm's strategy or quietly undermine it.

In a market defined by complexity, concentration of capital, and rising institutional expectations, how a firm runs its operations sends a clear signal to investors, regulators, and employees alike.

The managers best positioned for long-term success are those treating operations not as a legacy necessity, but as strategic infrastructure—designed to scale, built for transparency, and aligned with where private markets are headed.

The 2026 State Street Private Markets Study will be published in June.



Private equity
operations are no
longer “back-office” —
they are leadership
decisions.

Thank you for reading the
Edition 146 of the AIMA Journal.

If you would like to contribute to future editions,
please email [Caterina Giordo](#) and [Jorge Palmero](#).

PUBLICATION PLAN 2026

- **Q3 Edition 147**
Deadline for submission 5pm UK time Monday 20 July | Publication Monday 21 September

Please note the deadline to reserve a spot for the Q3 edition of the AIMA Journal is 5pm UK time Friday 3 July. Please note that availability is limited, and we cannot accept any additional contributions once all the spots have been filled.

- **Q4 Edition 148**
Deadline for submission 5pm UK time Monday 12 October | Publication Monday 23 November

Please note the deadline to reserve a spot for the Q4 edition of the AIMA Journal is 5pm UK time Friday 2 October. Please note that availability is limited, and we cannot accept any additional contributions once all the spots have been filled.

We kindly advise all contributors to email us prior to submitting to make sure we can include the contribution. We can't guarantee the inclusion of any last-minute submissions.

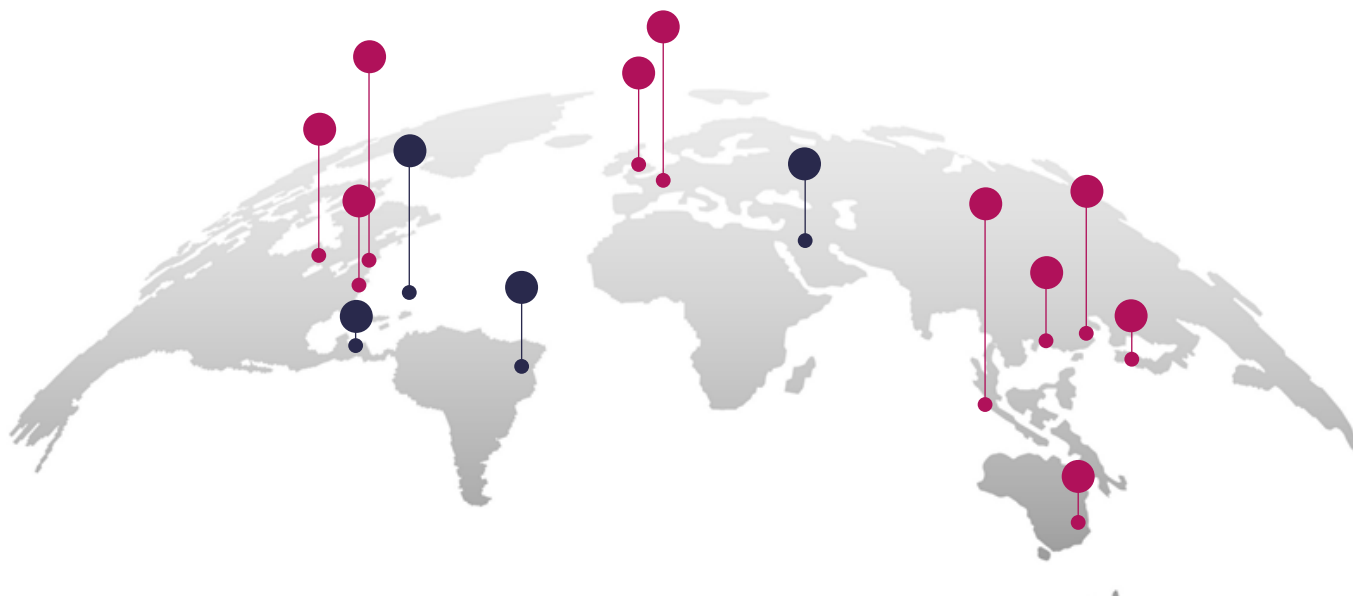
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