

AIMA CANADA FOUNDER INTERVIEWS

AIMA

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Chair AIMA Canada (2018-2024)

AIMA Global Council (Elected 2022)

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1 What was the market backdrop and alternative landscape in Canada at the time of your AIMA leadership position?

In 2018, when I was elected as Chair, the bull market was still in full swing, liquid alternatives (“alts” were not in effect, and it was pre-40-year high inflation and pandemic induced market impacts. Since then, the expansion of alts in Canada and worldwide has been exponential. Myths about private credit as “shadow banking” have been dispelled with the asset class evolving to a mainstream source of credit for all types of borrowers, including large players.

2 What motivated you to take on a leadership position with AIMA Canada, at that time?

Having been an actively involved in the industry throughout my career, I was driven to elevate the Canadian alts industry to the next level by making alts accessible to retail investors, raising the bar for wealth adviser resources and thought leadership, strengthening engagement of institutional investors, and building an association that could effectively advocate for the industry.

3 What key successes did you achieve during your leadership? (What are you most proud of?)

I am proud of the tremendous strides we made in democratizing alts by leading the charge for the liquid alts regime, developing risk ratings for fair access, and facilitating distribution through education and awareness. We cultivated strong relationships with regulators and delivered on our advocacy mandate. An expert network of peer forums, a focus on investor engagement, and supporting members in building industrial grade infrastructure has been paramount. It is rewarding to see that founding the Legal/Finance/Compliance Committee, bringing the Alternative Credit Council to Canada, and building out a comprehensive infrastructure for support of alts have become essential components of our value offering.

4 What key challenges did you face during your leadership? (How did you overcome?)

At the outset, regulatory advocacy was not a focal point in Canada, deep solid connections with allocators and other associations did not exist, and fulsome integration with AIMA Global was lacking. We overcame these challenges by: (i) building bridges with regulators, allocators, and associations; (ii) leveraging AIMA global vast resources; and (iii) executing on strategic priorities that mattered to our members.

5 How has AIMA Canada and the Canadian alternative industry evolved since you became Chair of AIMA Canada?

AIMA has expanded its reach and impact to evolve into an integral part of the Canadian alts' ecosystem. A new era was ushered in with the launch of liquid alts which have been tested and have proved their value now surpassing 24B CAD. Products are expected to multiply to meet demand and sales are set to increase through the MFDA channel. There is an ever-growing pool of managers launching liquid alts with large managers racing to establish their foothold in the space and behemoth financial institutions even acquiring their own retail distribution companies.

6 Looking ahead, what opportunities lie ahead for alternatives?

We are heading toward a golden age for alts with global assets set to double over the next 5 years and a 50/30/20 model set to emerge. There is a massive movement away from public markets in the face of economic uncertainty and geopolitical turmoil. Higher interest rates, greater volatility, and an impending recession are propelling higher allocations. Hedge funds that capitalize on shifts in volatility are seeing growth. Private credit is one of the fastest growing alt asset classes as banks retreat and record insolvencies and increasing capital costs make it a lenders' market. Distress debt opportunities forecasted in a delayed default wave are now materializing.

7 How has AIMA Canada benefitted the local ecosystem? The global industry?

AIMA was instrumental in the culmination of the liquid alt regime and is a strong advocate for access to risk mitigation and yield generating attributes of alts. The global industry has benefitted from the investor and manager connections and expertise created through the global flagship AGIF conference, the Investor Board, and Maple Model talent.

8 What headwinds do you see in Canada to grow the alternative investment management industry?

Managers are facing increased competition from global players and are grappling with narrowing distribution channels as dealers restrict third-party products in favour of proprietary and plain vanilla funds due to heightened risk aversion and unintended consequences of CFR. Despite progress precipitated by Risk Rating Guidelines ratings that don't reflect true risk continue to limit broad and fair access. Emerging managers are under consolidation pressures and struggle to access capital and grow and scale in a competitive landscape that favours larger players. Regulatory burden creates a competitive disadvantage as firms must also deal with rising costs of running a business.

9 Any advice or closing thoughts on the current or future state of alternatives in Canada and the important role that AIMA plays.

Today more than ever alts should be a core component of all portfolios, as a safe-haven from public markets and for better risk adjusted returns. We will support managers of all sizes and all asset classes to meet the challenges and opportunities that the next phase of evolution and innovation will bring. Fast-paced evolving market dynamics and rising costs and regulatory burden makes it imperative to support emerging Canadian talent so they can compete on the local and global stage. Private debt is emerging as a key catalyst to fueling the transformation toward a cleaner and more sustainable future through influence over lenders via sustainability-linked loans. Helping members navigate and implement ESG, big data, and DEI will be foundational to AIMA's role.