AIMA GLOBAL INVESTOR FORUM 2024

Leadership in Alternatives

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Ritz-Carlton, Toronto

KEY TAKEAWAYS

1. Alternatives continue to lead prominently in investor portfolios as the world seems more volatile and uncertain than ever.
Investors are increasingly looking to alternative investments to manage volatility, as diversification and understanding cash flow dynamics in alternative assets remain crucial in these uncertain times.

2. AI promises efficiency gains and is impacting public market benchmarks, but human intuition is still critically important.
AI is emerging as a significant investment opportunity, driving market dynamics, but it also brings challenges of concentration in public markets, raising the need for diversified strategies across sectors. Institutional investors are leveraging the technology in their processes, but as a co-pilot for better decision making with accountability.

3. Hedge funds are delivering on their portfolio promise as interest continues for downside protection and niche alpha generation with transparency, customization, and alignment of interests.
Hedge funds are moving towards greater transparency and partnership, which benefits both investors and fund managers. Managed accounts and solution-based strategies allow for customized portfolio management with both emerging and established managers.

4. Private credit has shown a stability of returns as assets grow.
The private credit market continues to grow beyond direct lending, with activity in specialty finance, structured credit, impact investing, infrastructure and secondaries gaining more attention. Direct lenders are working actively with borrowers to navigate a challenging macro environment and boutique funds are finding alpha in undercovered opportunities.

5. Longer private equity exits and tighter deal-making are creating liquidity challenges driving secondary markets.
The current economic environment is leading to longer private equity exit timelines, creating liquidity constraints. This shift is driving more activity in secondary markets, allowing investors to adjust their portfolios and manage liquidity.

6. Investors are looking to do more with less, highlighting the need for managers to be strategic, long-term partners who are not afraid to disclose when something goes wrong, though risk-adjusted performance overall is still essential.
Building long-term relationships with external managers who are transparent and strategic remains a top priority. The push towards fewer, more reliable managers who provide both qualitative and quantitative results is becoming more critical for achieving sustained performance amidst uncertain markets, with many turning to emerging manager launches to benefit from skilled, early alpha.

7. There is much speculation about how the multi-polar world will evolve, as the friend-shoring race continues to protect critical supply chain access and transition to a more sustainable future.
The global shift in economic power, marked by the U.S. retrenchment and China's rise, is reshaping investment strategies. Climate change is also driving a significant transition toward sustainable investments, with renewable energy and infrastructure becoming a primary focus as investors adapt to a new geopolitical and economic paradigm.

8. There is a blurring of lines between public and private assets, underscoring the need for investors to consider a total portfolio approach to asset allocation while ensuring there is an adequate liquidity premium.
As public and private credit markets converge, the distinctions between asset classes are fading. This shift requires investors to adopt a holistic, total portfolio approach that balances best opportunities and liquidity premiums with diversification across public and private markets to ensure consistent performance.