AIMA Journal

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Contents


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The Long-Short
Weekly Podcast
Your window to the alternative investment universe, providing the latest insights from special guests from across the industry.
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Message from AIMA's CEO

This edition of the AIMA Journal finds an industry navigating uncertainty with purpose. Inside, you'll find practical insights on how alternative investment firms are adapting to shifting macro conditions, evolving regulation, and international tax overhauls, and the widening influence of data and AI across business functions.

Yet, amid these challenges, the opportunity set in our industry is widening. From the continued boom of private credit and the rise of family offices as allocators to alternatives, to growth stories in markets like India, where improving credit regimes and manager depth are expanding the alternatives toolkit. Fund managers, allocators, and service providers who successfully leverage these themes will be best placed to thrive going forward.

Elsewhere, Dubai, Abu Dhabi, and Riyadh are attracting global fund managers at a pace, by leveraging sovereign capital supported by increasingly sophisticated regulatory frameworks. For hedge fund managers and private credit managers alike, the opportunity is real, but so is the need for local fluency and strong governance. For the UAE specifically, I defer to AIMA's primer on establishing an alternative asset management business in the UAE.

We also feature guidance on meeting new compliance expectations, building scalable operating models, and strengthening investor relations, priorities for both global platforms and emerging managers. As one article notes, compliance is the last line of defence – the firm's goalkeeper.

AI still dominates headlines and one article tackles the thorny "build versus buy" debate for firms investing in AI capabilities. For deeper reading, readers can visit AIMA's new research on how managers are using generative AI, and how investors expect them to deal with the risks.

Finally, as barriers to entry shift and investor expectations rise, we spotlight AIMA's Next Generation Manager group, a practical community for peer exchange, allocator connectivity, and hands-on guidance to help emerging managers navigate a fast-changing market.

As always, thank you to our contributors, members, and partners for making this Journal an essential source of industry knowledge. We hope it continues to be a valuable resource for our members worldwide.

Sincerely,

Jack Inglis
CEO, AIMA

AIMA CONFERENCE CALENDAR 2025/26

October 2025

LONDON	**08 Oct**	Alternative Credit Council Global Summit
TORONTO	**15-16 Oct**	AIMA Global Investor Forum
HONG KONG	**27 Oct**	APAC Credit Refresh
HONG KONG	**28 Oct**	AIMA APAC Annual Forum

February 2026

DUBAI	**3 Feb**	AIMA Middle East Forum
MIAMI	**23 Feb**	AIMA & ACC's Private Credit Investor Forum
SHANGHAI	**TBC**	AIMA China Live

March 2026

DUBLIN	**03 Mar**	AIMA Global Policy & Regulatory Forum
SINGAPORE	**12 Mar**	AIMA Singapore Annual Forum

May 2026

NEW YORK	**TBC**	AIMA Digital Assets Conference
TOKYO	**14 May**	AIMA Japan Annual Forum
LONDON	**TBC**	AIMA Next Generation Manager Forum

June 2026

MONTREAL	**TBC**	AIMA Montreal Forum

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Empowering the future leaders: Inside AIMA's EMEA next generation manager initiative

Jordan Hogan
Associate Director, Membership
AIMA

The hedge fund industry is evolving, and so are the people driving its next chapter. As barriers to entry shift and investor expectations grow more complex, emerging managers face both immense opportunity and heightened scrutiny.

Recognising this, AIMA continues to commit to its EMEA Next Generation Manager (NGM) initiative, a platform designed to support and amplify the voices of early-stage hedge fund and alternative investment managers with less than US$1bn in AUM. Through events, targeted resources, and a working group, the initiative assists these managers in navigating a rapidly changing environment.

AIMA Next Generation Manager Forum

At the heart of the NGM initiative is the AIMA Next Generation Manager Forum, a flagship conference designed specifically for early-stage managers. Held annually in London, the forum provides a dedicated space for next-gen fund leaders to explore real-world challenges and opportunities. The agenda features panels, operational deep-dives, regulatory updates, and peer-to-peer breakouts, all tailored to the realities of running a growing fund with limited resources.

Beyond content, the forum fosters invaluable networking. It connects managers with allocators, experienced industry professionals, and service providers in a collaborative environment that emphasises practical learning and relationship-building.

AIMA also hosts a series of annual events in APAC, Acorns of APAC, which is part of its initiative to support the growth of the fund management industry in the region, and the forums are designed to cover important considerations new managers may have.

Next generation manager group

Complementing the forum is the AIMA Next Generation Manager Group, a dynamic set of over 50 individuals that shapes the broader direction of the initiative. Comprised of emerging managers, and AIMA staff, the group provides ongoing input into the needs and priorities of the emerging manager community.

The group meets quarterly, typically hosted by one of AIMA's service provider members. These sessions create a collaborative forum where managers can share challenges, exchange ideas, and learn from one another. Past discussions have covered topics such as cybersecurity, regulatory developments, hiring trends, and capital introduction services, all tailored to the needs of next generation managers.

A parallel peer group for investment managers in the US meets monthly to share insights and ensure the initiative reflects the unique needs of managers across regions.

Thought leadership and insight

AIMA's thought leadership for emerging managers is another pillar of the NGM initiative, providing practical, actionable insights.

Central to this research is AIMA's partnership with Marex on the biennial emerging manager survey. The latest edition broadened its scope to include firms managing up to US$1 billion in AUM, allowing for a more comprehensive comparison. The report examines fund fees, average headcount, operational and breakeven costs, and the time required to secure new investments. It is divided into two sections: one highlighting insight from managers' flagship funds and the other focusing on firm-level findings, with time-series analysis included where relevant.

Crucially, AIMA's thought leadership is rooted in collaboration and developed with input from NGM members and industry partners. It reflects lived experience, not just theory, and is geared toward long-term sustainability and success.

Conclusion

The AIMA EMEA Next Generation Manager initiative is more than a program; it's a platform to encourage change. By supporting emerging managers through forums, working groups, and actionable insights, AIMA is helping to build a stronger, more inclusive, and innovative alternative investment industry for the next generation of leaders.

If you are interested in joining AIMA's EMEA Next Generation Manager initiative, please contact Jordan Hogan via jhogan@aima.org.

AIMA's thought leadership is rooted in collaboration and developed with input from NGM members and industry partners.

It reflects lived experience, not just theory, and is geared toward long-term sustainability and success.

Impact of Pillar 2 on credit funds

Charles Yorke
London Tax Partner
A&O Shearman

Pillar 2, which seeks to introduce a global minimum corporation tax, is one of the most significant developments in the international tax world in recent years. Pillar Two is another name for the OECD's Global Anti-Base Erosion Model Rules – a proposal agreed by over 135 countries that is part of a package designed to ensure that the largest multinational groups pay their "fair share" of tax.

It is an interesting time for Pillar 2, which has once again found itself on the front pages of newspapers. US President Trump and his administration are strongly opposed to Pillar 2 and have recently reached an agreement with the G7 to exempt all multinational groups headquartered in the US. This is a major development, as it removes 30–40% of the world's multinationals from its scope. There is genuine uncertainty as to how this will work and whether this will prove to be the death knell for the entire project. It therefore seems like a good time to revisit what Pillar 2 actually is.

At its core, the proposal is simple: multinational groups should pay tax at an effective rate of at least 15% in every jurisdiction in which they operate. In theory, the calculation is straightforward: how much tax does the group pay in country X, how much profit does it make there, and then divide one by the other. However, the details of the rules are extremely complex, and setting this all out here is beyond the scope of this article.

Instead, this article focuses specifically on the practical impact of Pillar 2 on credit funds. The problem is that Pillar 2 was drafted with the world's largest multinational corporations in mind – particularly those in the digital economy. The tagline for Pillar 2 remains "*Tax challenges arising from the digitalisation of the economy*". The rules are not designed in a way that sits easily with fund structures, which can result in some surprising, perverse, and sometimes unfair outcomes.

Most credit funds are out of scope

Pillar 2 only applies to groups with annual revenues that consistently exceed €750 million. This is a very high threshold for credit funds, and only the largest will come anywhere near it.

Further, and even if this threshold is passed, there is an exemption for investment funds which can be helpful for credit funds. For private equity funds, by way of contrast, there are all sorts of concerns about how well the exemption works in this context: not only is a PE fund is more likely to meet the €750 million annual revenue threshold, if it does, the exemption is very limited in scope, as it only exempts the fund vehicle and holding structure – not the companies in which the fund invests. Whereas, the exemption generally works much better for credit funds, normally exempting both the fund structure and its assets entirely.

The consolidation trap

However, there is a trap and we all need to be wary.

The €750 million annual revenue test is applied by reference to consolidated financial statements, whether prepared under IFRS, US GAAP, or other similar accounting standards. This means that you must watch out for whether the fund's manager or any investors might consolidate the fund.

While this is not usually the case, I have seen consolidation occur more frequently than I once assumed might be the case. Most commonly, it is the fund manager itself that consolidates. Under IFRS 10, a range of factors feed into the consolidation analysis. It is not just whether the manager invests in the fund; it also includes performance fees and the presence of effective kick-out rights.

Occasionally, an investor might consolidate. This is unlikely in the case of widely held funds, but much more likely for funds of one or where there are very significant anchor investors. Some investors are exempt from consolidation because they are themselves investment funds.

As mentioned above, President Trump has ensured that US-headquartered groups will be exempt, which in practice means that you are probably safe if a US-headquartered group consolidates the fund. Given how many asset managers are based in the US, this is significant.

Consequences of consolidation

What if the GP or an LP does consolidate?

This is not a problem if the GP or LP does not have €750 million of annual revenues. However, they often do. If so, the credit fund will be brought within the scope of Pillar 2, and it will be necessary to assess whether the fund pays tax at an effective rate of 15% in every jurisdiction in which it operates.

For those wondering whether the exemption for investment funds might help here – it does not. The investment fund exemption is available if it is the fund itself that prepares consolidated financial statements. However, it does not normally apply if the fund is consolidated by the GP or an LP.

Pillar 2 only applies to groups with annual revenues that consistently exceed €750 million.

This is a very high threshold for credit funds, and only the largest will come anywhere near it.

If it is within scope, the fund will need to assess whether it pays sufficient tax. Of course, funds normally pay very little tax, as the whole point of structuring a fund is to ensure that tax is paid at the level of the investors wherever they are based, rather than at the fund level.

The limited tax paid by funds is not necessarily a problem under Pillar 2. Limited partnerships do not pay tax because they are tax transparent, and Pillar 2 caters for this, but usually only when the partner is itself a tax-paying corporate or exempt. Tax-exempt fund vehicles (such as an Irish ICAV) are intended to be exempt by government policy. Again, Pillar 2 can accommodate this by treating tax paid by investors on dividends as tax paid by the fund.

Sometimes, asset-holding companies sit beneath the fund vehicle and do not pay tax because they have minimal accounting profits (such as an Irish section 110 company). In principle, this should also be acceptable under Pillar 2, but getting comfortable that there are no unexpected Pillar 2 tax liabilities is not straightforward as there are many rules to work through.

One complication is that you do not normally test the effective tax rate by looking at the fund alone, but instead you must consider the position of all members of the consolidated group located in the same jurisdiction together and look at the overall blended results. This significantly complicates the analysis. In summary, if a credit fund falls within Pillar 2, tax advisers will need to review the fund structure and expected cash flows very carefully and consider how they are treated under the rules.

Even if no additional tax is payable, new systems and processes may be needed to collect the necessary data to do the relevant computations and to comply with the reporting obligations. Investors could be impacted if the fund's returns are reduced by Pillar 2 taxes or these increased compliance costs.

Who pays the tax?

Tax regimes are fond of acronyms, and once a credit fund is within Pillar 2, there are many to consider: IIR (income inclusion rule), UTPR (under-taxed profits rule), QDMTT (qualified domestic minimum top-up tax). These are very complex, but at their core, they are trying to determine who must pay any tax due and where. There are three main options:

- The parent of the consolidating group pays the tax where it is based (IIR)
- The fund pays the tax itself where it has been set up (QDMTT)
- Members of the consolidating group pay a portion of the tax (UTPR)

None of these are good outcomes (and the end result may be a combination of the above). Non-consolidating LPs will not be pleased if the fund pays the tax and the problem is shared among investors, especially if the issue is caused by a GP or another LP. Similarly, a GP will not be happy if it pays the tax, given most of the economic returns flow through to investors.

Do we need to worry about this when we do not even know whether Pillar 2 will go ahead?

Unfortunately, the horse has already bolted.

Pillar 2 has been in force in the UK, the EU, Australia, and Canada since the beginning of 2024. In Japan, it took effect on 1 April 2024, and in Hong Kong on 1 January 2025. It is still unclear how the agreement between the US and the G7 will be implemented for US groups outside the US, and we have yet to see what it will mean for groups headquartered outside the US.

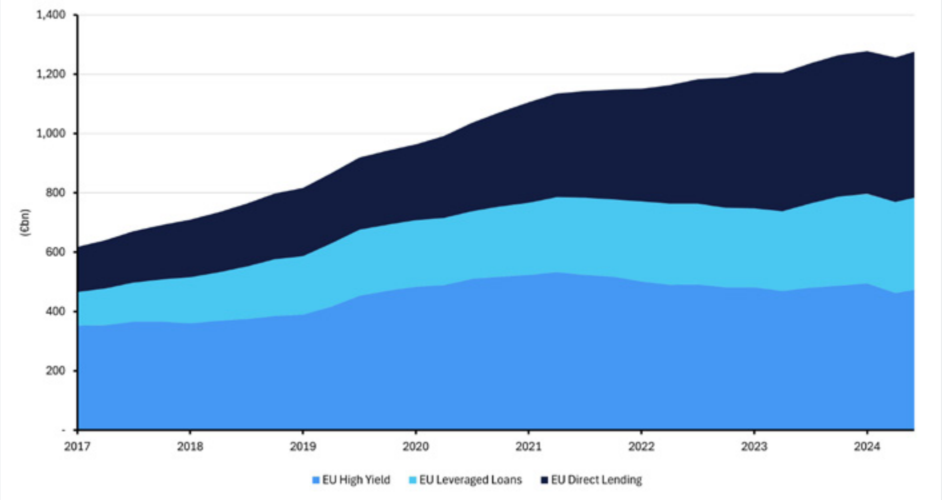
For now, the only prudent course of action is to continue to do your best to ensure your fund is not caught by Pillar 2, or, if it is, to understand the consequences.

The convergence of European public and private credit markets

It's hard to ignore the growth both in absolute and relative terms that the European private credit market has witnessed in recent years. Although European bank market share has declined 10 percentage points since the global financial crisis, it remained at a high of 76%[1] in 2024 (vs 21% in US). This compares with non-bank lending market share in Europe and the UK which currently stands at 12% vs 75%[2] in the US, indicating that the market in Europe and UK for non-bank lenders has room for substantial growth.

Further still, despite the European and UK economies (US$23tn)[3] approaching the size of that of the US (US$29tn)[4], its combined private and public leveraged credit market comparatively stands at only a quarter of the size. With ongoing anticipated growth comes maturation. This article highlights a growing convergence between private and public credit markets as defined by pricing, risk assumed and addressable market; a trend we expect will continue.

Kunal Shah
Chief Investment Officer
PVTL Point



Source: Bloomberg, Preqin as at Apr-25.

1 Pitchbook, Bloomberg, ECB
2 Apollo
3 IMF data as of December 2024
4 IMF data as of December 2024

We focus on a subset of the private credit market, namely direct lending which makes up c. 50%[5] of global private debt assets under management. Direct lending transactions can range vastly, both in terms of size (€25m-1bn) and price (margins ranging from 4.5-8%). Reflecting an acutely different macro backdrop, the European direct lending market saw a substantial shift in use of proceeds in 2024. Whereas 2021 and 2022 activity was fuelled by post COVID deal making activity and funding a surge of leveraged buyouts (LBOs), current sponsor backed deal flow is centred around refinancings, recapitalisations and bolt-on m&a. An active asset raising environment in recent years together with an evolving addressable market has resulted in a pile of dry powder.

Direct lending transactions can range vastly, both in terms of size (€25m-1bn) and price (margins ranging from 4.5-8%).

This sizeable dry powder has resulted in both the direct lending and broadly syndicated debt markets often competing to underwrite the same exposure, risking a 'race to the bottom' in economics and legal protection. In a world with a structurally higher cost of funding, credit investors must assess their a) ability to be repaid (= cashflow analysis) and their b) remedies in a downside case (= legal analysis). With that in mind, understanding the convergence between private and public markets becomes important.

The meteoric rise in direct lending has created a 'need' to deploy. During its 2024 investor day, Ares estimated the quantum of dry power as being as much as €70bn. This has manifested itself through a series of 'forward flow agreements': arrangements where banks originate loans on behalf of private credit buyers. Recent examples include, Oaktree-Lloyds, PNC-TCW, Arini-Lazard and AGL-Barclays. Indeed, many borrowers are able to pursue dual track processes whereby terms are negotiated between arranging / syndicate banks and direct lenders, in seeking the most optimal borrowing terms. A borrower may be able to choose between high yield bonds, leveraged loans and/or private debt – all competing to underwrite the same risk.

According to data aggregated by Debtwire, despite the rise in AuM and therefore dry powder, direct lending activity still dwarfs that of broadly syndicated debt (c. 10-30% on a quarterly basis over the last 16 quarters), which may result in more aggressive underwriting going forward.

Notwithstanding the earlier mentioned evolving use of proceeds, according to Debtwire, more than a third of direct lending proceeds in 2024 were allocated to LBOs, while high yield and syndicated leveraged loans accounted for less than 10%. The shift away from public market funding underscores the fact that sponsors are increasingly turning to unitranche and club financing solutions, potentially for greater flexibility on structuring. It is worth noting that the distressed debt market is peppered with a pipeline of LBO vintages of 2021-2022, coinciding with a post pandemic boom and access to cheaper financing.

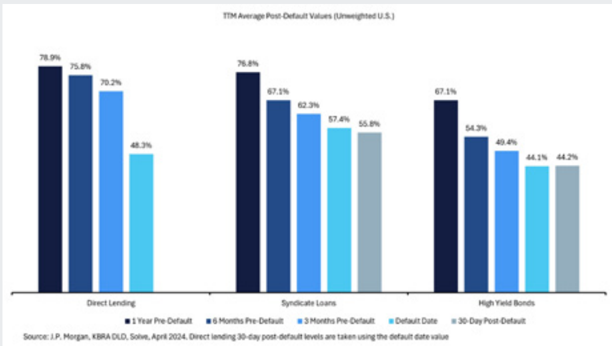
Approximately 50%[6] of direct lending deals in Europe during Q125 were used for refinancing activity. Growing pressure from private credit funds to refinance broadly syndicated debt is evidenced with the refinancing of the UK retailer, The Very Group's £575m high yield bond with a £600m private credit transaction at a sizeable uplift in the cost of funding. Further, the deployment of dry powder has resulted in an appetite for larger transactions, such as the €2.3bn public to private funding for Hargreaves Lansdown earlier in 2025. Octus estimates that roughly 11% of European direct lending deals in Q125 were greater than €500m in size, or 39%[7] by volume (vs 13% in 2020).

5 Preqin, Q125
6 Debtwire
7 Apollo

The period over which the European direct lending market saw substantial growth coincided with a structurally lower risk-free rate environment. Whether debt is broadly syndicated or not, the cashflows afforded to the borrower remains unchanged. Put simply, interest coverage ratios and therefore sustainable debt capacity works the same whether the borrower issues a high yield bond, leveraged loan or a unitranche loan. In particular, the earlier mentioned surge of LBO fuelled underwriting will be hitting a maturity wall in 2026 and 2027, potentially against a much higher cost of funding backdrop. The cracks in public markets are often clear to see with an active secondary trading market, although greater transparency has also begun to emerge in private credit more recently.

Bloomberg news reported in May 2025 that Apollo is partnering with JP Morgan, Goldman Sachs and three other banks to trade private credit and syndicate investment grade debt on a broader scale. Apollo CEO Marc Rowan predicted that in 18 months some investors won't be able to tell the difference between private and traditional credit. On the more distressed end of the spectrum, one needs to look no further than French headquartered telecom equipment distributor Netceed, which saw a significant portion of its €1.8bn debt structure held by traditional direct lenders, and subsequently traded in the secondary market at approx. 30c in Q125 as it heads for a comprehensive financial restructuring. According to Macfarlanes, whilst private credit secondary has tripled in two years, it remains only 2-3% of total private credit AuM.

An April 2024 report from JP Morgan private bank, citing research by the Federal Reserve based on data from the rating agency KBRA, showed that direct lending exposures are typically marked at materially higher prices in the months preceding a default.



The more mature market in the US shows direct lending losses match that of syndicated debt markets over a prolonged period, suggesting comparable underlying credit quality as the market has grown. In Europe, there are a growing number of cases where direct lenders are enforcing and taking ownership of borrowers, such as HPS and Permira taking the keys of UK holiday home operator Away Resorts, or Pemberton taking over German job site Univativ in October 2023, and more recently Carlye is rumoured to be in talks to hand over Dainese, the Italian sportswear company, to creditors HPS and Arcmont in one of the first potential private credit takeovers in Italy (as reported by Bloomberg). Direct lending mandates will inevitably evolve to accommodate for enforcement downside, as has been seen within public credit over the last decade.

According to Latham & Watkins "there is a growing alignment between private credit and syndicated loan markets, with private credit adopting similar covenant structures, pricing, and terms". The development of stronger relationships between direct lenders and private equity sponsors has resulted in more flexible funding structures for borrowers. Covenant dilution exists across syndicated and non-syndicated markets. Post crisis, a typical direct lending transaction may have benefitted from 4+ covenants vs 0-1 financial covenants in more recent deals. Pay In Kind (PIK) toggle (i.e. the ability to defer cash interest) features remain a differentiating factor in private credit deals and has largely fallen away in primary market syndicated debt deals.

Finally, we are increasingly seeing opportunistic private credit funds providing new money financing (often on a super senior basis) to stressed public market corporates. A volatile macro backdrop, induced by trade policy uncertainty, is likely to see this trend continue. The provision of fresh capital by one or a small number of third-party creditors may provide the shareholder(s) with optionality for future financial restructurings. Such examples include the provision of €200m super senior financing to French PVC producer, KemOne, as announced in Q125 or the more recently announced £130m credit line provided to British carpet maker, Victoria, both to replace existing revolving credit facilities and the provision of fresh liquidity.

In conclusion, we see the growth of the European direct lending market resulting in greater overlap with that of the more established public credit market. As European direct lending continues to mature, we expect there to be smaller inefficiencies able to be captured, particularly on larger transactions – evidenced through looser documentation and tighter pricing. Given we consider syndicated and non-syndicated markets to behave similarly in a structurally higher cost of funding environment, the greater liquidity and transparency of public markets should be appealing to investors.

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

The Middle East's financial renaissance: A new era for hedge funds?

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In recent years, the Middle East has emerged as a powerhouse in the global financial landscape, attracting some of the world's most prominent financial executives and institutions. This surge of interest is not merely a passing trend but a calculated move by global financial services giants, recognising the region's potential and strategic importance in the world of finance.

Key cities such as Dubai and Abu Dhabi in the United Arab Emirates, as well as Riyadh in Saudi Arabia, are witnessing an influx of international financial expertise. This transformation is turning the region into a global hub for hedge fund investment, marking an unprecedented shift in the financial landscape.

Several factors contribute to the Middle East's growing appeal for hedge funds and other financial institutions. The region offers a combination of low taxes, a favourable time zone that bridges Asian and European markets, and a comprehensive regulatory framework that provides stability and clarity for investors. These advantages have led to a significant increase in Assets Under Management (AUM) in the region, with a remarkable 13% growth to US$2.3 trillion in 2023 alone.

This financial boom aligns perfectly with the ambitious economic diversification initiatives undertaken by countries in the region. The UAE, Saudi Arabia, and Qatar are actively working to move beyond their traditional oil-dependent economies through visionary programmes such as Vision 2021 and Vision 2030. These strategies focus on developing a wide range of sectors, including technology, tourism, healthcare, and renewable energy, creating a wealth of new investment opportunities for hedge fund managers.

A key indicator of this economic transformation is the robust Initial Public Offering (IPO) market in the UAE. In 2024, the country witnessed eight significant IPOs, demonstrating the region's growing appeal to both local and international investors. The Abu Dhabi Securities Exchange (ADX) saw listings from Lulu Retail, NMDC Energy, ADNH Catering, Agility Global, and Alef Education, while the Dubai Financial Market (DFM) welcomed Talabat, Parkin, and Spinneys. Notably, Talabat's US$2 billion IPO on the DFM in November and Lulu's listing collectively raised US$3.7 billion, accounting for about half of the total IPO proceeds in 2024.

The numbers speak for themselves. Abu Dhabi Global Markets (ADGM) has experienced an extraordinary 226% increase in assets under management, attracting global financial giants and cementing its position as a key player in the financial world. This growth is particularly significant for hedge funds looking to expand their presence in emerging markets and capitalise on new opportunities.

Saudi Arabia, under the transformative Vision 2030 plan, has positioned Riyadh as a hedge fund powerhouse. The implementation of sweeping economic and regulatory reforms has created a robust investment ecosystem, attracting global capital and fostering local market development. This environment is particularly conducive to hedge funds seeking new opportunities and market inefficiencies to exploit.hed

Dubai, already recognised as one of the world's fastest-growing financial centres, is experiencing a significant rise in hedge fund activity. These funds play a crucial role in enhancing market liquidity and contributing to the region's high-growth sectors. The city's appeal is further enhanced by its concentration of wealth, with over 72,000 millionaires calling Dubai home – triple the number of any other city in the region and the third-largest concentration of wealthy individuals within the BRICS bloc.

Financial centres like ADGM, the Dubai International Financial Centre, and Riyadh have established innovative regulatory frameworks and business-friendly policies, including tax incentives that are particularly appealing to hedge fund managers.

The success of hedge funds in the Middle East hinges on their ability to navigate the region's complexities. While the Gulf States offer attractive opportunities, success requires a thorough understanding of local laws, customs, and business practices. Financial centres like ADGM, the Dubai International Financial Centre, and Riyadh have established innovative regulatory frameworks and business-friendly policies, including tax incentives that are particularly appealing to hedge fund managers.

Technology plays a pivotal role in this evolving landscape. The complexity of hedge fund strategies demands sophisticated technological solutions. Digital transformation, including cloud-based solutions, digital platforms for investor communications, and artificial intelligence (AI), has become essential for success. AI-powered tools are revolutionising risk management, trade execution, and data analysis, enabling more efficient operations and better decision-making.

Sovereign wealth funds in the region, such as the Public Investment Fund (PIF), Abu Dhabi Investment Authority (ADIA), and Qatar Investment Authority (QIA), have become significant global investors and pioneers of digital transformation. These funds have substantially expanded their investment portfolios beyond traditional oil revenues, strategically deploying capital across international markets. They embrace cutting-edge technologies across their operations, utilising artificial intelligence for market analysis, blockchain for transaction transparency, and advanced data analytics for portfolio optimisation.

The region's financial hubs are also undergoing rapid digital transformation while expanding their investment offerings. The Dubai Financial Market, Abu Dhabi Securities Exchange, and Saudi Stock Exchange (Tadawul) have implemented state-of-the-art trading platforms and market monitoring systems.

This technological advancement supports a broader range of investment products, from traditional equities to digital assets, requiring more robust investment management solutions.

As the Middle East continues to evolve as a global financial hub, it presents unprecedented opportunities for hedge funds and financial institutions. The region's combination of strategic location, favourable regulatory environment, technological advancement, and economic diversification initiatives makes it an attractive destination for global investors. The influx of top financial talent and institutions is not only reshaping the regional financial landscape but also influencing global investment trends.

In conclusion, the Middle East's financial renaissance indeed represents a new era for global hedge funds. As the region continues to attract top talent and institutions, it is poised to play an increasingly significant role in shaping the future of global finance.

The convergence of traditional financial expertise with cutting-edge technology and innovative economic strategies is creating a dynamic and exciting environment for investors and financial professionals alike. As this transformation unfolds, the Middle East is set to cement its position as a key player in the global financial ecosystem, offering unparalleled opportunities for growth and innovation in the years to come.

More than a pitch deck: Marketing lessons for emerging managers

Lawrence Obertelli
Head of EMEA Prime Service Sales
Marex

What does effective marketing and investor communication really look like for emerging managers? At early-stage firms, marketing is rarely a standalone function. Marketing, sales, capital raising and investor relations (IR) all blend into a single, high-stakes effort, usually shouldered by a very lean team. For many managers, marketing is not about building a brand department. It's about telling the right story, in the right way, to the right people, all while managing every other aspect of the fund.

This was a topic that was covered in the AIMA Next Generation Manager Forum this year. As moderator of 'The Marketing Piece' panel, we explored marketing challenges and opportunities – a topic which is fundamental for fund growth. Here are five key takeaways from our discussion.

1. There's no single approach, and that's the point

One of the most valuable aspects of the discussion was the range of organisational models represented – from managers with dedicated marketing, IR and business development teams, to those where one person was doing it all, relying on experience and time management more than headcount. What united them wasn't their structure, it was focus. In resource-constrained environments, knowing where to direct time and attention makes the difference.

We took a moment to clarify the often-blurred language around fundraising. While many use terms interchangeably, they play distinct roles:

- **Marketing** is the packaging and the narrative that builds credibility.
- **Sales** is about getting meetings, getting in front of the right people.
- **Capital raising** is converting conversations to allocations and anchor support.
- **Investor relations** is keeping investors engaged and informed after the close.

Emerging managers don't need four departments. But they do need all four functions, even if handled by one person. Understanding the difference is essential for avoiding blind spots and building credibility from day one.

2. The toolkit matters, but the narrative comes first

Our panellists agreed: before you invest in systems or slick design, get your message right. That means aligning internally on the fund's target investor base, value proposition and investment philosophy. You then need to ensure everyone involved in fundraising can articulate that clearly.

Once the narrative is set, professional materials become essential. Fact sheets, pitch decks and a unified elevator pitch were flagged as non-negotiables. So too was early preparation for operational due diligence (ODD). Several panellists recommended the AIMA Due Diligence Questionnaires (DDQs) as a foundational checklist, useful even before fundraising begins.

Outsourcing to designers or messaging specialists can be helpful, but with limited budgets, most agreed: spend on what investors see first. Don't overengineer backend systems before you've got meetings lined up.

Getting in the room with allocators isn't just about cold emails or eye-catching materials.

It's about relevance and relationships.

3. Capital raising is a process, not a campaign

Getting in the room with allocators isn't just about cold emails or eye-catching materials. It's about relevance and relationships.

Panellists emphasised the importance of warm introductions, whether through capital introduction teams, existing LPs or personal networks, as the most effective route to meaningful investor engagement. Events, particularly cap intro-focused ones, were cited as valuable for building visibility and long-term relationships, even when tickets don't come quickly.

Interestingly, some panellists found that a valuable aspect of cap intro support wasn't just the introductions themselves, but the strategic feedback that came with them. Insights on positioning, messaging and allocator perceptions helped refine their approach and improve hit rates over time.

4. Be a resource, before the pitch

One of the most effective ways emerging managers can stand out is by becoming a credible, visible resource for prospective investors, before the fundraising conversation begins.

Several panellists spoke to the value of sharing insight and expertise through content, whether it's market commentary, thematic views or strategic perspectives. This kind of thought leadership not only builds brand presence, but also reinforces the firm's credibility in its area of expertise.

In practical terms, consistent LinkedIn activity was highlighted as a low-cost, high-impact tool, particularly when content is relevant, timely and authentic. Being seen as a helpful voice in your space can lead to better engagement, warmer conversations and increased confidence from allocators who already feel familiar with your thinking.

5. Investor relations - the real work starts after the close

Investor relations often becomes more visible post-allocation, but it's not an afterthought – it's a critical part of the capital raising engine. Effective IR helps retain capital, generate referrals and lay the groundwork for future allocations.

The guiding principle? Be consistent, transparent and proactive.

As one panellist put it: "*Stick to deadlines. Stick to the data. Don't omit the negative.*" Timely, accurate communication matters – not just in strong markets, but especially when performance is under pressure. Trust can unravel quickly when communication feels selective or slips off schedule.

Tools like structured CRM tracking, regular investor updates and disciplined newsletter distribution were flagged as foundational to maintaining confidence and responsiveness.

Finally, the panel emphasised that who you raise capital from matters as much as how. Investors aligned with the fund's strategy, time horizon and risk profile tend to make IR more constructive, especially during drawdowns.

Practical advice for the early days

Panellists each shared one piece of advice they wish they had received earlier in their journey. A few stood out:

- People buy people. Be yourself. Focus on getting the second meeting, not delivering perfection in the first.
- Don't agonise over things that investors don't care about. Time is limited, use it on what matters.
- Be disciplined with early allocations. The decisions you make at the start shape everything that follows.
- Triple-check everything. Operational precision is part of building trust.

These comments struck a chord because they reflect the real-world pressures managers face. There's no secret formula, but there are smart ways to prioritise.

Whilst marketing may not be top of the list when launching a hedge fund, perhaps it should be. Not in the traditional sense, but in the broader context of storytelling, trust-building and long-term investor engagement. As one panellist put it, emerging managers aren't just selling performance. They're selling conviction. And that starts with clarity, consistency and confidence in the message.

Thanks to Neil Hamilton (PVTL Point), Alice Hill (Tresidor), Melissa Hill (Xeqos), and Yuko Thomas (Tetragon) for their insights, and to AIMA for continuing to spotlight the realities of launching and scaling in today's environment.

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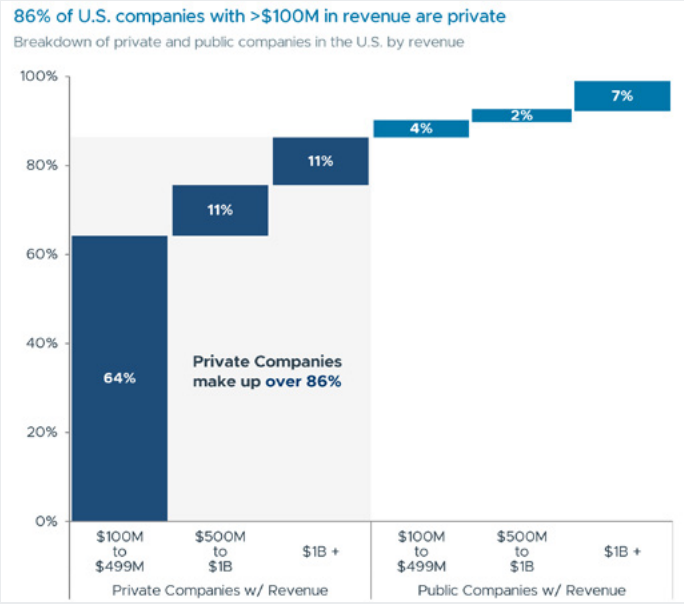
Harnessing technology to broaden access to private markets investments

Thomas Johnston
Managing Director, International Client Solutions,
iCapital Canada

Private investor allocations to alternative assets have substantially lagged their institutional counterparts. But today, technology platforms are now streamlining administrative processes and reducing paperwork, thereby enabling the inclusion of a greater number of investors with smaller investment amounts. Additionally, product enhancements, such as more evergreen vehicles with embedded liquidity features, are alleviating many challenges associated with private market investing. These advancements will give access to a new cohort of investors, profoundly affecting the industry.

Alternative investments can offer investors the potential for enhanced returns, greater portfolio diversification benefits, additional income opportunities, and some mitigation of downside risk, depending on the strategies selected and prevailing market conditions. However, these investments may also involve higher risks and less liquidity compared to traditional investments.

Various converging factors are contributing to the increased incorporation of private market assets in client portfolios. Notably, structural changes such as the growth of private markets, a decrease in the number of public companies, companies opting to go public later with higher valuations, and greater diversification within key industry sectors like IT, software, and healthcare - all predominantly controlled by private firms - are significant drivers of this trend. In the US alone for example, 86% of all companies with greater than 100MM in revenue are private.



Source: S&P Capital IQ, [iCapital Alternatives Decoded, slide 27], with data based on availability as of February 2023.

All of these factors have helped see alternative assets triple every ten years from 2000. Institutional investor allocations to alternatives have grown to represent over 30% of a typical portfolio. However, despite accounting for over half of total global wealth, allocations within high-net-worth investor (HNWIs) portfolios remain in single digits.[1]

Banks and wealth managers have historically found the investment minimums for direct investments into funds too high for most investors, while the cumbersome, paper-based subscription process is burdensome to administer. Equally, for fund managers, the marketing, subscription, processing, and servicing required to accept a large volume of smaller investments were beyond their capabilities.

Today, advanced technology has effectively overcome these barriers. Companies such as iCapital[2] offer a state-of-the-art platform combined with necessary research, education and pricing efficiency, which have successfully mitigated these challenges. This results in enhanced client experiences and increased efficiencies for wealth and asset managers, leading to improved investment outcomes for their clients.

Three ways technology is bolstering access

Origination and due diligence

Platforms are available today that support origination, access facilitation, and due diligence, helping ensure investors are presented with a shortlist of high-quality managers, while lower investment minimums make alternative investments accessible to a broader range of clients. Automated transaction processing and performance reporting further simplifies the experience.

Profiles and subscriptions

Subscription documents and limited partnership agreements are lengthy and require multiple signatures. Historically, this has required printing, signing, and shipping, and, when multiplied by hundreds of clients, was labour-intensive and prone to error. Today, this can be entirely digitised, enabling scale and minimising errors.

Client servicing

Solutions are available today that offer a centralised repository where advisors can log into a single portal to access documents for all alternative strategies and send them to clients or interested parties within seconds, again, enabling scale for the adviser and ensuring the client is receiving relevant content in a timely manner.

The case for education to unlock private market potential

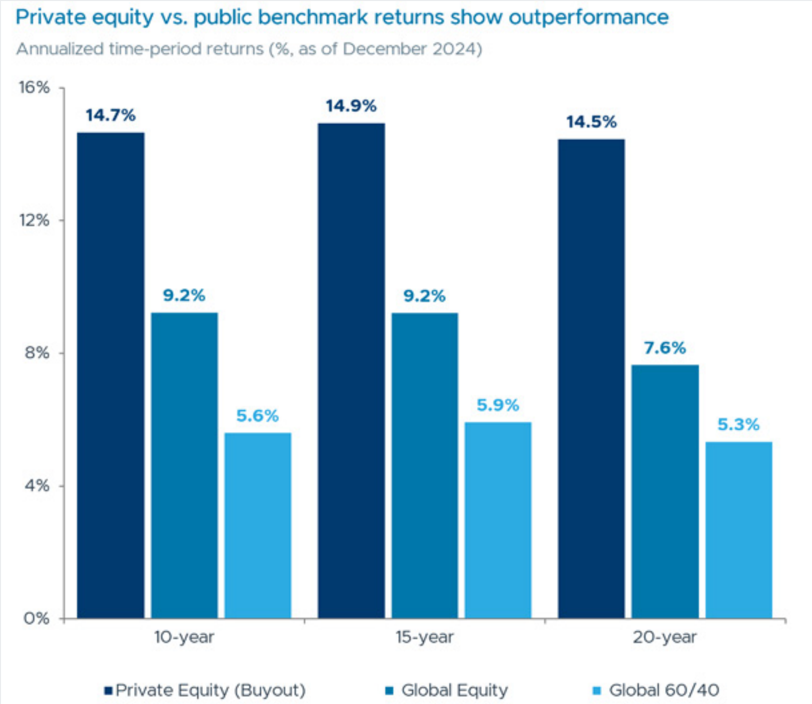
While technology will continue to spur an increase in demand for the asset class, given the nuances and complexities of private markets investing, these technology solutions must be complemented with high-quality educational material, tailored specifically towards financial advisors and their clients. To illustrate the need for this, a 2023 Bain study asked private investors to name the top three alternative investment management firms. The most popular response: 'I don't know'.[3] Given the scale of the variance in performance among top and bottom quartile managers in alternatives, it is clear that more needs to be done here.

The speed and sustainability with which private investors increase their allocation to alternatives is directly correlated with the ability of the industry to provide high-quality, accessible educational content.

1 Preqin, iCapital Alternatives Decoded, slide #14, with data based on availability as of Apr. 30, 2025.
2 Institutional Capital Network, Inc.
3 Bain Global Private Equity Report 2023.

A call to action: Making alternatives accessible to the private investor

Compelling evidence shows that alternatives positively impact an investor's portfolio over the long term (and our expectation is for current trends in the market to bolster this use-case). As shown in the chart below, the asset class has historically outperformed and provided diversification benefits across multiple market cycles. Additionally, incorporating alternatives into a portfolio can enhance the risk-return profile, improving returns with lower volatility compared to a portfolio constructed exclusively of public market assets.



Source: Bloomberg Index Services Limited, MSCI, Preqin, iCapital Alternatives Decoded, slide #29, with data based on availability as of Apr. 30, 2025

In addition to the benefits felt by HNWIs investors, if the industry is successful in articulating the benefits of alternatives to private investors and providing them with the necessary tools for well-informed decision-making, the opportunity for wealth and asset management firms is pronounced. Private clients are expected to significantly increase their allocation to alternatives, from US$4 trillion in 2022 to US$13 trillion by 2032. This represents a compound annual growth rate (CAGR) of 12%. In contrast, institutional investors' allocation is projected to grow from US$22 trillion in 2022 to US$47 trillion by 2032, reflecting an annual growth rate of 8%.[4] Technology has removed the barriers. There is now no excuse for the benefits of the asset class not to be accessible to a much broader investor base.

4 Bain & Company, GlobalData, Preqin Pro, iCapital Alternatives Decoded, slide #22, with data based on availability as of Apr. 30, 2025

In the age of AI:
Should I build or buy technology?

Alice Tang
Co-CEO
Amplify AI Group

Will Liang
Co-CEO
Amplify AI Group

For alternative fund managers, the classic decision of **buy vs build** is more than just a technology question - it's a strategic one.

The simple heuristic often used is this:

Buy commodities. Build for competitive advantage.

But in reality, this decision has become significantly more complex, for three key reasons

1. Poor experiences with off-the-shelf products
2. Frustrations with custom-built solutions
3. Internal dynamics - from stakeholder preferences to capability gaps to budget pressures

There are four myths we should talk about in the build v buy decision:

1. Time: A product is more efficient and effective

With today's advancement in technology, there is a real risk that multi-year technology implementations are superseded by new technologies even before it is fully implemented. This applies to buy or build.

Buying 'off the shelf' is more efficient and effective if it really does the job that you require. But here are the common pitfalls:

- Many executives look to what their peers are doing as the benchmark or what is 'market'- as the saying used to go, no one gets fired for using IBM. With the pace of AI, the ability to rebuild an existing technology solution at a lower cost is unprecedented. Will your vendor keep up?
- We often get seduced by a fantastic demo, but the reality falls short when applied to our business.
- Much of the 'off the shelf' products require significant work to put the right data in to make the technology effective, which are hidden costs to an 'off the shelf' product.

To increase the odds of both buy v build technology projects succeeding, consider a phased pilot which will give you a chance to test out your technology, technology partner or internal team.

2. Stakeholders management: critical to both build and buy

Managing stakeholders is a key requirement in the selection and implementation of a system, whether this is build or buy.

The management of stakeholders are critical in the selection process and many large organisations will opt for the use of RFPs in managing stakeholders and demonstrating governance. However, as many have experience, an RFP does not guarantee that the result is effective.

During implementation, having a defined scope from a cross functional team who can clearly articulate a small set of requirements to go live, is important. Much like living in a house before doing major renovations, stakeholders will have a 'wish list' which can derail all projects.

3. Budgets: a bigger budget would solve our problem!

Even if I have an unlimited budget, results are not guaranteed. There are a number of reasons for this.

Many industry-leading technologies may not be as configurable as you think or may be set up for a different part of the market - the classic example would be geographical nuances that most systems are unable to readily cater for and this could be operational requirements (like accounting or tax) or market calculations (interest rates are calculated inclusive of days in some markets but exclusive in other markets). Having clear requirements, and clear objectives remain critical.
In addition to this, has the cost of maintaining multiple systems in the medium term, fully costed or considered? The cost begins from the selection process, through to ongoing due diligence, their maintenance of infrastructure, complexity of multiple systems' data and technology footprint and cyber security.

The other costs which are not apparent are the internal and external touch points with each service that you sign up to from a more relationship perspective. A strong relationship is critical to get your requirements on the roadmap.

4. Expertise - for implementation and ongoing

Resourcing for the implementation and beyond is critical. Where you do not have access to expertise, the simple default is often to 'do nothing'.

For both build or buy, having the right advice: either internal or external, becomes a key part in the selection. Do you have, on your side, someone who has solved a similar problem before?

It is difficult to work out whether the technology advice you are getting is appropriate for your business. This is often the reason to go to a product as their proposition is clear and there is someone who can maintain this product.

With the pace of technology accelerating, there is a third option, choosing a technology partner. In the Australian market, firms have started outsourcing their technology to a partner in order to keep up with the market. The right technology partner can apply the appropriate technology for your business and will invest in attracting and retaining talent.

Conclusion: The Yin and Yang: It's a spectrum, not a switch

The truth? No 'off-the-shelf' product is truly out-of-the-box. Every implementation needs configuration.

And no ‘custom build’ happens without off-the-shelf components (e.g., databases, cloud providers, APIs).

This is a spectrum decision. Not a binary one.

The reality is much more nuanced.

Recommendation

Having delivered over US$39 million worth of technology projects for asset owners and managers in private markets in the last 9 years, here’s what we have learned:

- Buy when a proven, market-leading solution aligns clearly with your goals (e.g., CRM or deal room platforms).
- Have the right technology foundation in place - consider the role of a modern data warehouse.
- Build or partner when:
  - The solution needs to evolve with your strategy.
  - Data complexity is high.
  - AI can unlock new efficiencies.
  - Internal buy-in is mixed and trust in vendors is low.

In every case, make sure:

1. A capable technologist is in the room for the decision.
2. Broader data architecture is considered to avoid spaghetti systems.
3. You’re aligned on 1-2 key objectives (with non-negotiables).
4. The person leading the project has solved this similar problem before.
5. Take a longer-term view and focus on what gives you a sustainable edge.

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Beyond uncertainty: A modern data architecture unlocks operational excellence in 2025

Make capital investment work harder with innovative technology for efficiency across the financial ecosystem

Jon Hodges
SVP, Head of APAC Strategy
FIS Trading and Asset Services

Executive summary

To understand how inefficiencies in financial systems can impact an organisation's bottom line, it's important to have a clear picture of how the global money lifecycle works.

Businesses are losing out on an average of US$98.5 million a year as a consequence of cyberthreats, fraud, regulatory hurdles and operational inefficiencies, according to landmark new research from FIS® (NYSE: FIS) in collaboration with Oxford Economics.

Research of more than 1,000 business leaders across six industries quantified the impact of disruptions and inefficiencies across the money lifecycle, revealing a stark paradox: while 55% of respondents reported that their companies have invested in generative AI and machine learning to meet their strategic objectives, 56% have not yet achieved the expected market agility, with 73% citing the high cost of implementation and maintenance as an obstacle to AI automation, as well as 58% citing integration challenges as their primary barrier.

A notable trend among the executives and business leaders surveyed was the significant investments their organisations are planning to make in AI and automation technologies.

Showing signs of optimism despite obstacles, 56% of respondents said their companies plan to employ AI to increase their organisation's agility in response to market dynamics, while 48% anticipated it would enable them to gain new customers.

This reveals a fundamental truth: a sophisticated data architecture has become the critical differentiator for alternative investment success. The research, surveying 1,000 senior executives, shows that despite widespread technology adoption, firms struggle with three core challenges:

1. **Data acquisition:** 51% face data quality issues and are still grappling with paper documents, with an explosion in data and no 100% digital scenario on the horizon, previous generation Optical Character Recognition (OCR) and Robotic Process Automation (RPA) tools are struggling to keep up.

2. **Data harmonisation**: 37% struggle with system connectivity, with more complex products and services, as well as the push to new distribution channels, interoperability is seen as a critical barrier to scaling.

3. **Data consumption:** 64% lack expertise, highlighting the challenges in hiring and retaining talent with the right blend of business and technical skills.

Organisations with a robust data architecture and citizen development framework, demonstrate faster decision making, reduced inefficiencies and superior performance during volatile periods. The question isn't whether to invest, but how quickly to build a strategic foundation that will make capital investment work harder to unlock growth.

The integration imperative

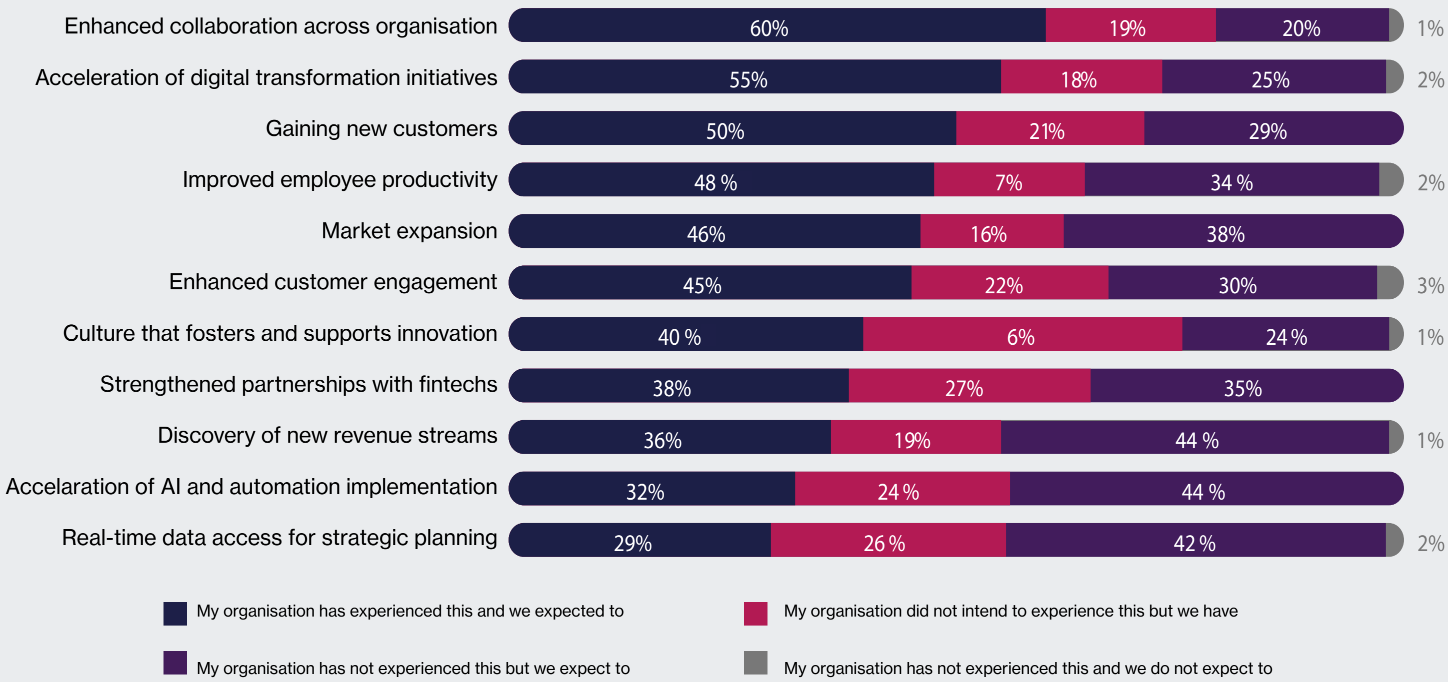
Picture a European hedge fund during August 2024's yen carry trade unwind. The fund's artificial intelligence (AI) analytics should have provided early warnings. Instead, its collection of fragmented trading and risk systems delivered conflicting signals, while legacy workflows delayed critical data updates. The result: preventable losses.

The survey indicates such problems are widespread. The research shows that while financial firms have invested in AI and machine learning in a bid to leverage their data analysis and signalling possibilities:

- **56%** have not achieved the market agility they expected.
- **48%** failed to realise their customer acquisition goals.
- **43%** still have not realised targeted revenue streams.

The root cause isn't technology; it's the foundation beneath it. Having a modern, unified data architecture to underpin firms' trading and risk management tools has become a strategic imperative.

Figure 1: The technology investment-outcome gap



Challenge 1: From fragmentation to integration

Modern trading operations demand precision across multiple asset classes and time zones. Yet 51% of firms struggle with data quality, particularly when aligning with unstructured documents given many term sheets, confirmations and regulatory filings still arrive as PDFs.

Figure 1: The technology investment-outcome gap

With an ever-growing amount of data to process, hiring more bodies is no longer sufficient, nor economically viable. Optical character recognition and robotic process automation-based technologies, which have been deployed in the last 5-10 years, are now giving way to modern AI which can understand the context and relationships within documents, not just extract text. Instead, industry leaders are implementing:

- Semantic understanding of complex financial documents.
- Natural language voice processing for compliance.
- Real-time validation at point of capture.

Implementing data improvement transformations produces measurable outcomes, including significant reductions in trade breaks, faster regulatory reporting, and improved P&L accuracy through real-time position marking.

A holistic, cross-asset framework for order, portfolio and risk management offers investment firms a further edge. Instead of data silos scattered across disparate trading, risk and compliance systems, a single, multi-strategy, multi-asset class ecosystem can consolidate data to provide complete views of desk- and enterprise-level positions. Advanced trading and risk management tools fed by real-time data will help stakeholders make informed decisions about portfolio adjustments, trading strategies and capital allocation to stay within defined risk tolerances and enable investments to work harder to deliver alpha.

Advanced trading and risk management tools fed by real-time data will help stakeholders make informed decisions about portfolio adjustments, trading strategies and capital allocation to stay within defined risk tolerances and enable investments to work harder to deliver alpha.

Challenge 2: Scaling alternative markets

Once exclusive to institutions, modern technology is now driving a wave of democratisation in alternative strategies. Seeing new and diversified fundraising opportunities, many private equity firms are rolling out semi-liquid funds and hedge funds are offering separately managed accounts and creating products that cater to wealth platforms. European ELTIF structures and US interval funds offer new vehicle options. Minimum investments have dropped from millions to thousands. But democratisation brings exponential increases in operational complexity. The harmonisation challenge encompasses:

- Accommodating multi-class structures with varying terms.
- Cross-border compliance requirements.
- Diverse investor reporting standards.

Research shows almost 40% of firms are exploring market diversification, yet 37% struggle with the requisite system connectivity. To be successful, firms need:

- Master data management to support exponential investor growth.
- Automated workflows in place of paper-based processes.
- Modern architecture that enables distribution partnerships and multi-asset cross-asset and front-to-back platform integration.

Challenge 3: AI-ready foundations – from investment to implementation

Despite 73% of the Oxford Economics survey respondents citing high AI costs and 64% lacking expertise, accelerating AI adoption is a priority for alternative investment firms. The solution lies in democratising data access.

Despite 73% of the Oxford Economics survey respondents citing high AI costs and 64% lacking expertise, accelerating AI adoption is a priority for alternative investment firms. The solution lies in democratising data access.

Low-code/no-code platforms can transform business users into ‘citizen data scientists’ by breaking down traditional barriers through:

- Visual workflow builders.
- Pre-built AI models.
- Natural language querying.

It enables portfolio managers to build custom analytics without technical support dependency; risk managers to create real-time dashboards; and compliance teams to automate surveillance.

Maintaining the governance-performance connection will be critical. Data lineage ensures explainable AI, while audit trails satisfy regulatory scrutiny across jurisdictions.

Conclusion: The data advantage in an uncertain world

The three data pillars – acquisition, harmonisation, consumption – should form an integrated ecosystem. Research validates this approach: 60% experienced enhanced collaboration through technology investment, while 49% fostered data-driven cultures.

Successful implementation requires sequencing, with a focus on:

- Immediate term: High-precision data acquisition tools.
- Medium term: Scalable harmonisation layer.
- Long term: Democratised consumption platforms.

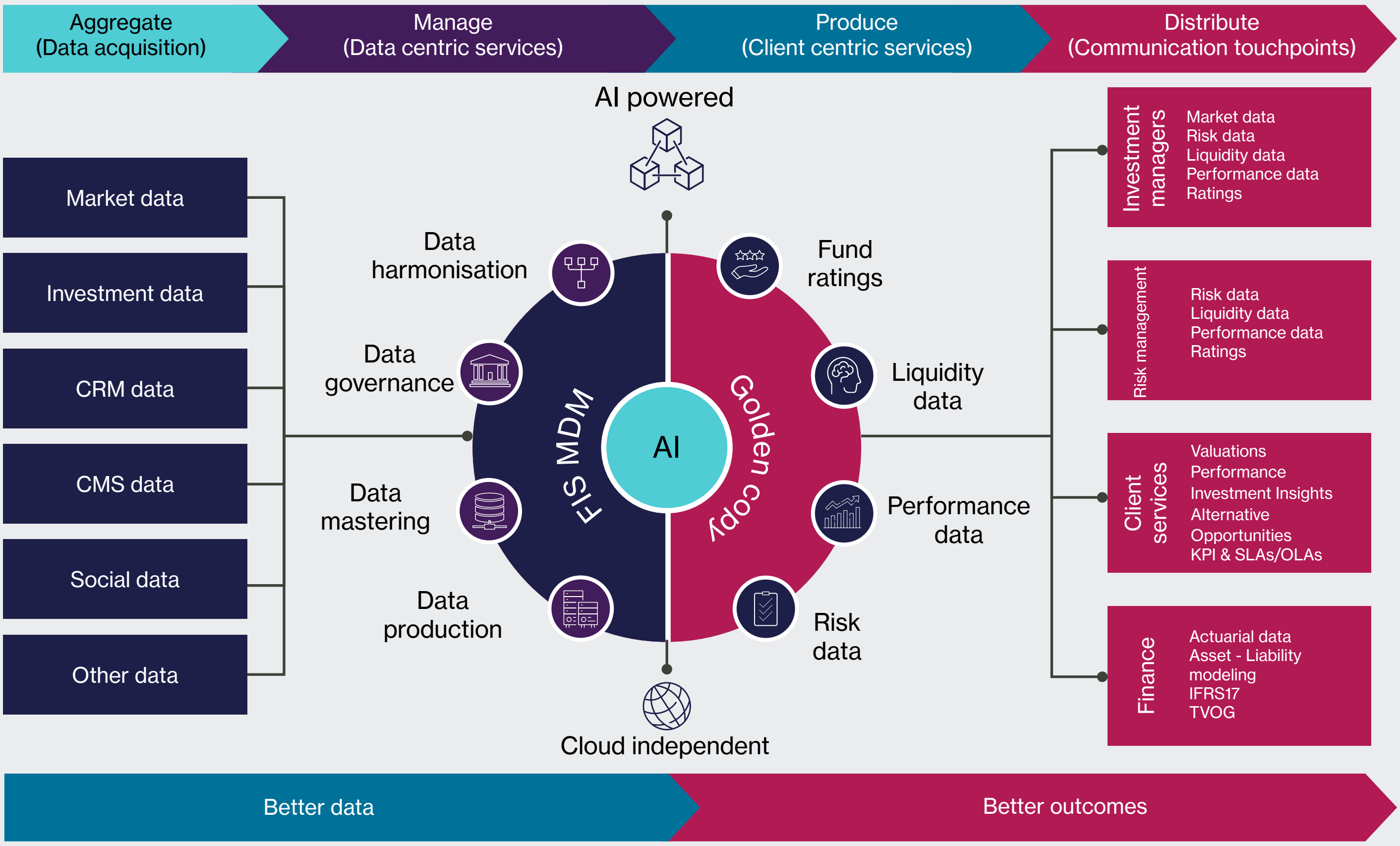
When done well, the return on investment is compelling, materialising through faster market response, reduced manual processes and improved ability to capture opportunity. And as investors diversify globally, multi-jurisdictional complexity makes a flexible data architecture even more essential.

The urgency is clear: competitive windows are narrowing. Early adopters establish compounding advantages while regulatory sophistication increases. Organisations that recognise data architecture as foundational will outperform peers across all market conditions.

The question isn't whether to invest in data capabilities, but how quickly you can build the integrated foundation that transforms AI potential into measurable business advantage.

Source: FIS and Oxford Economics The Harmony Gap: Finding the Financial Upside in Uncertainty study.

Figure 2: Data value chain



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Uncovering hidden risk by integrating statistical with fundamental models

Diana Baechle
Senior Principal
Simcorp

Integrating statistical and fundamental risk models can unveil hidden risks, providing a new perspective that enhances short-term risk management. Discrepancies in forecasted risk between these approaches can offer critical insights and serve as early warnings signs for shifts in risk dynamics. By leveraging multiple methods to estimate risk, investors can converge on a more accurate risk evaluation, improving both short-term decision-making and overall portfolio resilience.

Multi-factor risk models

Robust risk analysis enables portfolio managers to determine if the level of risk undertaken aligns with expected returns and provides asset owners with a consistent framework for portfolio evaluation.

Multi-factor risk models, including both fundamental and statistical approaches, are instrumental in predicting portfolio volatility, identifying key sources of risk, and highlighting holdings that improve diversification.

These models address the complexities associated with risk modelling based on the volatilities and correlations of individual assets, which may become unmanageable as the number of assets grows. Factor models effectively reduce the dimensionality of the forecasting process and mitigate noise in asset-to-asset correlations by introducing common factors that capture asset relationships.

Moreover, these models enable the decomposition of risk into systematic (market risk) and idiosyncratic (stock-specific risk), identifying key factors driving portfolio dynamics. Systematic risk is the risk explained by the factors in the multi-factor risk model and is non-diversifiable, reflecting the commonalities among asset returns. Specific risk is quantified as residual variance unexplained by the model's factors; it is diversifiable, idiosyncratic risk.

Multi-factor models also facilitate consistent risk analysis across portfolios, irrespective of the number of assets involved or the investment style.

Fundamental vs. statistical models

Traditional **fundamental risk models** have primarily served as the basis for equity risk management, being extensively utilised due to their compatibility with investment processes and stock selection methodologies. These models employ regression analysis and feature an intuitive and consistent framework comprising fixed factors (such as market, style, and industry factors) that are easily interpretable. These factors provide a rigorous econometric framework for understanding both return and risk.

However, these models might not fully capture the variety of risks investors face. When clusters of related assets within a portfolio or the broader market are influenced by novel and unforeseen factors not considered within the established set of fundamental factors, the effectiveness of the fundamental risk model in explaining market or portfolio behaviour diminishes.

Statistical models utilise a machine learning technique based on Principal Component Analysis (PCA), which does not rely on predefined factors but aims to maximise the model's explanatory power. Unlike fundamental models that depend on predetermined structures, statistical models derive their explanatory factors directly from observed returns data.

These models adapt to changing market conditions more swiftly by identifying common return patterns among groups of assets on a daily basis. Although the number of statistical factors is fixed, the interpretation of each factor may vary daily, reflecting the current influences on the market or portfolio. Statistical factors are purely numerical and don't inherently offer intuitive insights. However, their significance can be interpreted – though doing so requires a solid grasp of the portfolio strategy and a deeper analysis of the underlying holdings.

This adaptability allows statistical models to respond efficiently to short-term data fluctuations, potentially enhancing their accuracy over short forecast horizons. These models could play an important role in distinguishing between systematic and idiosyncratic risk, helping to identify transient systematic risks that might not be detected by fundamental models.

Case Study 1 – Managing active risk in a Large-Cap Momentum strategy

This case study examines a simulated US Large-Cap Momentum investment strategy, rebalanced monthly and constrained to a 3% tracking error (active risk) relative to the S&P 500, using a US fundamental short-horizon risk model. By construction, the strategy had large positive active exposures to the Medium-Term Momentum and Size style factors, which were the main contributors to both its active return and risk for the period under study (Jan. 2021 – Feb. 2024).

Over the 38-month period, the strategy outperformed the S&P 500 by 1,285 basis points (or 3.09% annualised). However, its realised tracking error was 3.86%, exceeding the 3% forecasted limit set by the fundamental model. This discrepancy highlights a gap between forecasted and actual risk.

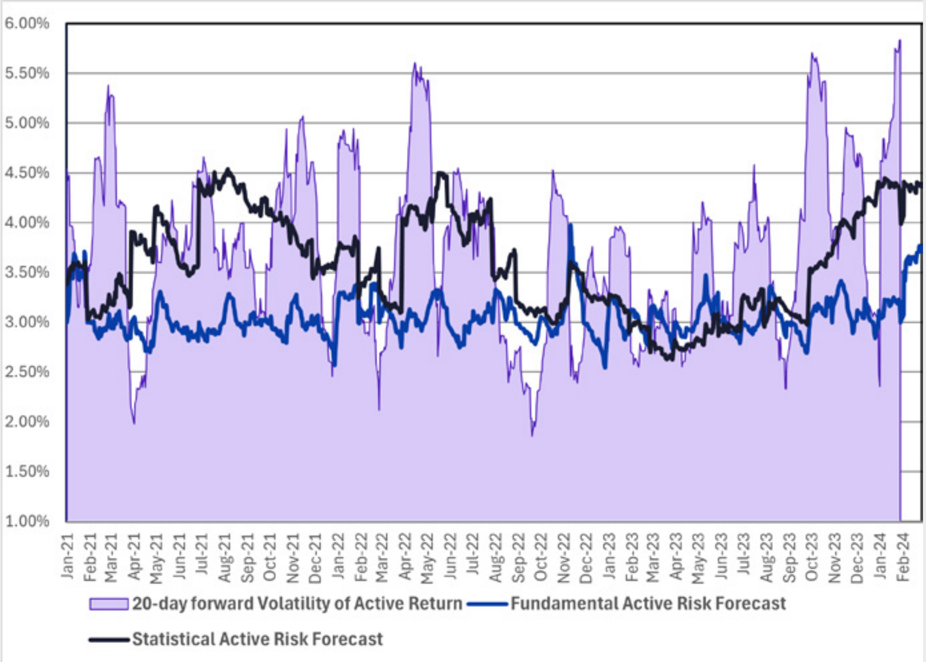
When comparing the accuracy of the fundamental and statistical model forecasts against the 20-day forward volatility of the US Large-Cap Momentum strategy's active return, the statistical model more effectively captured the higher risk levels of the strategy, even though it fell short of fully capturing the extreme peaks and troughs in realised volatility.

Although there were brief periods of alignment between the two models – such as early 2021 and from the third quarter in 2022 to October 2023 – significant divergences were observed. The statistical-minus-fundamental spread remained significantly positive for most of the period, indicating that additional, unaccounted-for factors may have influenced the strategy's returns and risk.

The findings suggest that relying solely on a fundamental risk model may not fully capture the strategy's risk profile. Investors could enhance risk management by incorporating multiple risk perspectives and applying an additional risk constraint during strategy optimisation.

Specifically, applying total or active risk constraints based on both the statistical and fundamental models during portfolio rebalancing could help manage unexpected volatility, especially during short-term disruptions.

Figure 1. Large-Cap Momentum strategy: Realised vs. fundamental & statistical forecasted short-horizon active forecasts



Source: Axioma US 5.1 Fundamental and Statistical Short-Horizon Equity Factor Risk Models

Case Study 2 – Capturing transient themes such as 'meme'

Once a positive spread between the statistical and fundamental risk forecasts is identified for a portfolio, a deeper analysis can be performed to evaluate the discrepancies at the factor and stock level.

Consider an equal weighted portfolio of 20 stocks that have attracted significant public attention: "pure" meme stocks (e.g., GME, AMC), newsworthy stocks (e.g., Tesla, Palantir), cryptocurrency-related stocks (e.g., MicroStrategy, Coinbase), and AI-focused stocks (e.g., Nvidia, Qualcomm) – referred to here as "Meme Portfolio." [1]

The statistical model not only accurately accounted for greater overall risk compared to its fundamental counterpart for this Meme Portfolio, but it also captured a higher level of systematic risk. This suggests that the statistical model identified more commonalities among these 20 stocks.

Further analysis identified that Factors 1, 2, and 4 collectively accounted for approximately 75% of the factor contribution to Meme Portfolio's systematic risk. These factors comprise the majority of the factor risk in the market portfolio and thus are not the factors of interest.

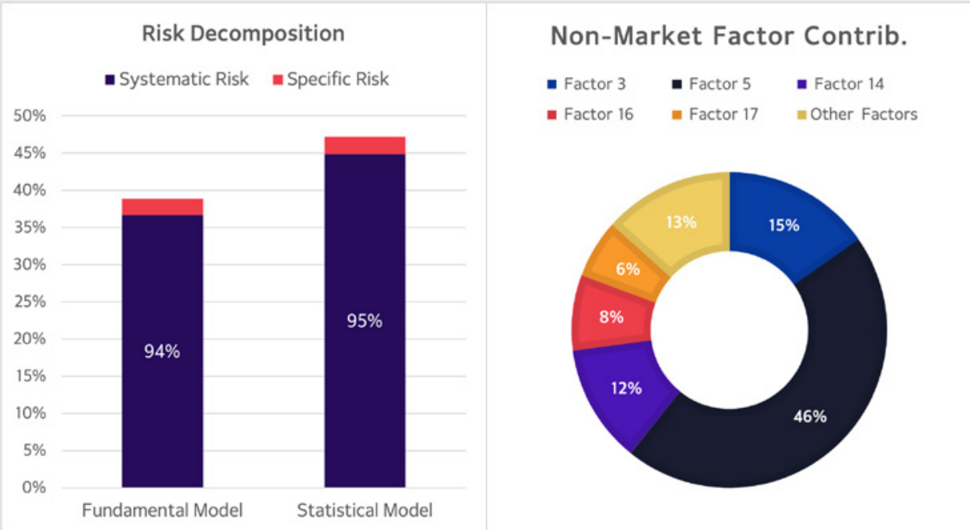
More interestingly, non-market statistical risk was concentrated in a relatively small set of factors. Specifically, five statistical factors (Factors 5, 14, 15, 17, and 19) accounted for an additional 20% of the total statistical systematic risk, potentially capturing an underlying theme.

Digging deeper at the stock level, the majority of the newly discovered systematic risk in the Meme Portfolio was concentrated in crypto-related companies, which in aggregate accounted for 60% to 80% of the risk spread between the two models in April 2025.

1 Analysis as of April 30, 2025.

Using the statistical model in conjunction with the fundamental model, we were able to determine three key insights. Firstly, the statistical model forecast was more closely aligned with the realised risk of the portfolio, identifying additional risk. Secondly, the statistical model picked up more commonalities among the assets in the portfolio indicating higher systematic risk. Lastly, the majority of the additional risk was concentrated within a subset of assets.

Figure 2. Risk decomposition and non-market factor contributions



Source: Axioma US4 Statistical and Fundamental Short-Horizon Equity Factor Risk Models

Conclusion

By integrating statistical models with traditional fundamental risk models, investors can achieve a more comprehensive understanding of portfolio risks. Statistical models are particularly effective at capturing short-term and/or transient changes in risk. This capability is crucial for risk mitigation, especially in volatile environments where fundamental risk models may struggle to account for portfolio behaviour influenced by unforeseen, fleeting trends.

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Alternatives managers gear up for a period of transition

Elliot Refson
Head of Funds
Jersey Finance

Adaptability has long been a key skill for managers in the global alternatives funds space. In recent years, volatile market conditions, shifting investor appetite, regulatory change and geopolitics have all required fund managers to demonstrate that they are adept at adjusting their sails.

But change has, by and large, been incremental, rather than seismic. Now, the established norms in the global alternative and private investment sector are being challenged like never before – on multiple fronts and at pace, as the industry looks to be entering a period of substantial change and transition.

It's something that is explored in a report recently published by Jersey Finance in partnership with IFI Global. This sets out how a number of largely unrelated factors are coming together to create a period of intense change – change that is manifested through investor diversification, product diversification and structural diversification. The report explores how these changes are set to transform the hedge, private equity and wider alternative funds space over the coming years.

While the impact on managers is set to be significant, if they can grasp what these changes mean and take action, then there are some exciting opportunities on the horizon.

Investor diversification

At the heart of this change is the premise that asset raising is no longer as straightforward as it once was. After 15 years of growth, many managers in the alternative investment sector are currently facing more challenging conditions than they are accustomed to.

Many institutional investors, such as pension funds, have reached their target allocation thresholds for the sector, while the end of the once booming IPO market is also contributing to the challenging picture.

This environment has prompted many managers to diversify away from their traditional institutional investor base and look to new audiences – including family offices and the broader high-net worth market, who remain under-allocated to the sector.

Bain's Global Private Equity Report, for instance, finds individual investors control approximately 50% of the US$295tn in global AUM, yet account for only 16% of AUM managed by alternative investment managers. However, 53% plan to raise their allocations to the alternatives sector over the next three years.

There is clear mutual benefit for both managers and investors here – on the one hand, many private asset managers are needing to diversify their investor base away from their traditional reliance on large institutional investors; on the other, there is a growing desire amongst family offices and high-net worth investors to increase their allocations to private market assets.

There are challenges to this. Accessing alternatives can be opaque, cumbersome and costly. In addition, there is a reliance on advisors and relationships to source deals, and there can be challenging minimum investment levels for private and family office investors.

Thankfully, diversification is manifesting across the sector in other ways too, to help address these issues and move the dial further.

Structures and products

Acceleration in the creation of new products and adoption of new structures is enabling managers to cast their net wider.

At a structuring level, there is significant evidence of a move over recent years from standard fund vehicles towards more innovative non-traditional entities, including corporate structures. This looks to be a long-term change in investment structuring in which managers have a different range of options available for investors, depending on what they are looking for. The days of relying upon traditional collective investment funds, for many managers, may be over.

In addition to standard pooled funds, many managers also now offer investors managed accounts, co-investments, funds of one and various other hybrid fund structures. With fees relating to managed accounts having come down considerably in recent years, it is estimated that up to three-quarters of financial advisors in the US could be using managed accounts in the coming years, according to research from Investment Trends and SPDR. Some private equity managers have also diversified into open-ended (3)(c) funds.

In tandem, the rise of blockchain technology and tokenisation is further transforming the market. Blockchain in particular is increasingly providing a way into alternatives and private markets for high-net worth investors.

The application of tokenisation can help to break down existing barriers for investors – giving them improved liquidity, transparency and control over their allocations, but without the extra fees. This is particularly significant in high-value investments such as real estate, private equity and infrastructure. Real assets backed by blockchain technology can be securely traded, tracked and owned, and can greatly aid liquidity and transparency, whilst also substantially reducing minimum investment levels.

In structuring terms, tokenisation can, dependent on the jurisdiction, be treated as corporate securitisation structures, rather than pure fund structures, reinforcing the trend in the move away from standard fund vehicles towards more innovative structuring frameworks.

There are still hurdles to overcome. Regulatory uncertainty is still perceived to be a major obstacle – according to EY Parthenon, 24% of high-net worth investors identify regulatory uncertainty as a significant challenge, for instance.

Nevertheless, tokenisation's impact on the alternative and private markets stands to be transformative - total tokenised market capitalisation is forecast to reach around US$2 trillion by 2030 (McKinsey, 2024). At the same time, high-net worth investors anticipate allocating an average of 8.6% of their portfolios to tokenised assets by the end of 2026, and plan to allocate a greater portion of their portfolios to these assets than institutional investors do (EY Parthenon, 2023).

The potential for managers here is clear.

On the product front, meanwhile, strategy diversification is having an increasing influence. It is likely that the strategies that have led private capital markets in the past, such as private equity, will not be as dominant in future. Private credit and sustainable investing are projected to come much more to prominence than they have done to date, over the next few years.

Private credit assets are continuing to grow, having now surpassed the US$2 trillion mark, against a backdrop of higher rates and a slower private equity deal environment. The asset class is expanding into new areas, including a wide variety of asset-based financing structures.

Private credit assets are continuing to grow, having now surpassed the US$2 trillion mark, against a backdrop of higher rates and a slower private equity deal environment. The asset class is expanding into new areas, including a wide variety of asset-based financing structures.

Meanwhile, sustainable investment is booming - but what is happening is partly going undetected. This is because the private assets industry hasn't yet got the right tools to measure what is going on. Sustainable investing is still too often wrapped up with ESG and retail mutual fund issues. Equally, much of the investment that is going into the renewable energy sector - a large part of sustainable investing - is being counted in the infrastructure category. The 2024 Natixis Private Assets Report, which surveyed 500 institutions worldwide, found that the sustainable sector is now the biggest opportunity in private markets, and it is likely that, as the sustainable sectors grow, each will become a recognised category in its own right. The renewable sector is often already categorised this way, and biodiversity/nature will likely become so too. Other sustainable sectors could well also follow.

Reconfigure

The major changes shaping the alternatives landscape suggest that, over the coming years, managers will be able to bring new products to market like never before, whilst investors will have a wider choice of strategies and structures available to them.

Diversification in investor audience, in structuring and in product offering are, although distinct and separate trends, coming together and intertwined, to reconfigure the alternatives environment.

This has clear ramifications for managers, who must ensure they are ahead of the curve in having the right tools, skills and strategy to seize the opportunities that this new era of alternatives can offer. Domiciles too will need to provide the certainty, digital environment and progressive regulatory frameworks managers require to meet investor needs.

Combined, these changes appear seismic. And – collectively - they are but, at the same time, at the mid-point of this decade, the outlook for alternatives has never looked more promising.

The trends shaping the sector mean that, over the coming years, intrepid managers will be able to bring new products to market like never before, giving private investors the wider choice of strategies and structures they crave - in so doing creating new capital growth opportunities, facilitating wealth creation, and driving change in ways that simply do not - currently - exist.

Jersey: A Compelling Alternative

In the current climate, alternative fund managers are adopting global strategies and seeking to raise capital in growth markets around the world.

Jersey appeals as it's a long-established jurisdiction that has expertise in handling alternative funds business. It has carved a niche as a specialist centre in alternative funds, which now account for around 87% of funds administered in Jersey.

- **A tax neutral jurisdiction** for international business. This makes Jersey's funds solutions far less complex than in other jurisdictions.
- **Alternative fund providers** of varying sizes and areas of specialisation
- **A regulatory framework** that has evolved specifically for alternative asset classes
- **A range of regulatory regimes** offering different levels of regulation depending on the investors' needs
- **Flexible fund structures** allowing for innovative investment strategies and bespoke investor protection mechanisms
- **An outstanding quality of life** for those managers looking to relocate

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Get in touch with our regional market development team or view our latest funds solutions on our website.

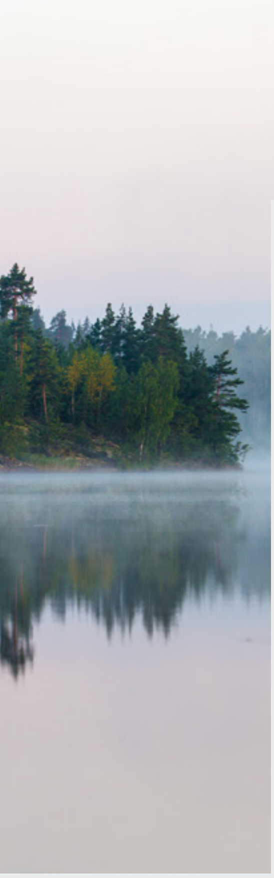
Jersey:

The compelling long-term and future-proof solution for funds and managers

US$695 bn

Total funds business in Jersey

as of 31 March 2025



The rise of the family office

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Over the past five years, the Cayman Islands has witnessed a significant rise in family offices choosing to establish themselves as fund clients within the jurisdiction, reflecting a broader global trend of ultra-high-net-worth families seeking sophisticated, flexible, and well-established wealth management solutions which offer family offices direct control over investments.

This growth has coincided with the introduction of the Private Funds Act 2020, which regulates closed-ended funds in the Cayman Islands, and which provided a robust statutory framework aimed at providing greater regulatory oversight of vehicles such as private credit funds, private equity, venture capital, real estate and infrastructure. This legislation has also enabled family offices to strategically deploy capital and implement bespoke investment strategies, manage intergenerational wealth, and facilitate co-investment opportunities, within a secure and efficient environment which further protects investors by requiring independent verification of assets, robust cash monitoring and periodic valuation procedures.

The rise of family offices as fund clients is also reflected in the broader growth of private funds domiciled in the Cayman Islands, which increased by over 36% from 2020 to 2025. Private funds now account for a majority share of funds registered with the Cayman Islands Monetary Authority (CIMA), underscoring the jurisdiction's growing importance as a preferred location for private capital deployment by family offices and other investors.

A sophisticated destination

The Cayman Islands' appeal as both a physical domicile for family offices and the jurisdiction of choice for their investment vehicles is multifaceted. The islands offer a highly sophisticated financial sector comprised of experienced professionals in finance, legal and accounting fields with cross-border expertise in a variety of investment fund structures, wealth management and trust structuring. Furthermore, Cayman's legal system, while based on English common law, has been deliberately modernised over the past decade to accommodate innovative and bespoke financial structures, and to provide a familiar and trusted environment for both institutional investors and wealthy families worldwide.

Furthermore, the Cayman Islands is internationally recognised as a tax-neutral jurisdiction with no direct taxes including income, capital gains, or inheritance tax, which is highly attractive to high-net-worth individuals (HNWIs) already paying taxes in their home jurisdictions. This fiscal environment, combined with automatic financial reporting standards like CRS and FATCA, ensures compliance with global transparency norms while maintaining tax efficiency and sharing of information with over 100 other countries who have signed up to similar reporting structures globally. As a result, the jurisdiction has directly benefited from striking a much-needed balance between strong regulatory oversight and operational efficiency. For example, although details are maintained at local registered offices on island, registers of shareholders and limited partners are private, and offering documents are not publicly disclosed, which appeals to families prioritising discretion in their wealth management. Furthermore, single-family offices benefit from exemptions from the usual private funds and securities investment business regulation which in turn reduces compliance burdens and, therefore, overall expenses.

The Cayman Islands is evolving as a hub for digital asset innovation and fintech, with regulatory frameworks keeping pace with developments such as virtual assets and decentralised autonomous organisations (DAOs).

The presence of established family offices, including a well-known ultra-high-net-worth family office situated in the Cayman Islands since the 1990s, has only helped cement the Cayman Islands' reputation and attract a growing number of other single-family offices from the Middle East, Asia, Europe, and the Americas. This growing community has resulted in greater collaboration, co-investment opportunities, and access to larger and more diverse investment prospects.

The trend, however, is not only about structuring wealth but also about physical relocation and residence. Historically, families used the Cayman Islands primarily for asset structuring, but recently, many have chosen to base their family offices and even reside in the Islands, attracted by the political and economic stability and robust institutional framework. The jurisdiction also boasts much sought-after privacy, luxury properties, amenities and lifestyle benefits which notably emerged on the tailwinds of COVID-19. This shift marked a significant change in the Cayman Islands' role from a mere financial structuring hub to a vibrant community for family offices and their networks of family members, advisers, and key employees.

Innovation in digital assets

The Cayman Islands is evolving as a hub for digital asset innovation and fintech, with regulatory frameworks keeping pace with developments such as virtual assets and decentralised autonomous organisations (DAOs). This shift in specialisation has particularly attracted family offices interested in diversifying into new asset classes and technologies, supported by specialised teams in private capital, trusts, fintech, and regulatory compliance.

Digital asset innovation has played a pivotal role in accelerating family office migration to the Cayman Islands over recent years. Family offices are increasingly incorporating digital assets into their investment strategies, leveraging the jurisdiction's tax-neutral status and advanced trust laws, including recent reforms allowing for perpetual trusts. This integration facilitates long-term wealth preservation and succession planning in a rapidly evolving asset class. The jurisdiction's proactive approach to regulating and supporting the digital asset ecosystem has made it a highly attractive destination for ultra-high-net-worth families seeking to incorporate blockchain-based investments and emerging technologies into their portfolios.

A framework for regulating virtual asset service providers was first introduced in the Cayman Islands in May 2020 pursuant to the Virtual Assets (Service Providers) Act (VASPA). The VASPA was enacted following recommendations made by the Financial Action Task Force and provides a statutory framework for the regulation of virtual asset service providers in the Cayman Islands. This regulatory framework reassures family offices about compliance and risk management, encouraging them to establish structures in Cayman to hold and manage digital assets securely.

Furthermore, the jurisdiction's unique Foundation Company structure introduced to the Cayman Islands under the Foundation Companies Act 2017, which blends features of companies and trusts and allows for "ownerless" entities, aligns well for projects involving Decentralised Autonomous Organisations (DAOs), including decentralised protocols and platforms that utilise DAOs. This flexibility enables family offices to participate in or even establish blockchain ventures while maintaining governance tailored to their needs.

These innovations, coupled with Cayman's sophisticated financial services industry with specialised legal, fiduciary, and regulatory teams experienced in digital assets and fintech, has effectively supported family offices in navigating the complexities of digital asset investment, custody, and governance.

This synergy between progressive legislation, bespoke legal structures, expert services, and lifestyle advantages has effectively positioned Cayman as a leading global hub where family offices can confidently embrace the combination of traditional asset management and the newer digital asset frontier while preserving and growing multi-generational wealth. This trend is only expected to continue as more HNWI, and wealthy families seek integrated, secure, and forward-looking wealth management solutions in a jurisdiction that has struck a delicate balance between tradition with innovation.

Fund managers attuned to this evolution will be well-positioned to serve and partner with this influential capital base.

The jurisdiction's unique Foundation Company structure introduced to the Cayman Islands under the Foundation Companies Act 2017, which blends features of companies and trusts and allows for "ownerless" entities, aligns well for projects involving Decentralised Autonomous Organisations (DAOs), including decentralised protocols and platforms that utilise DAOs.

New Cayman Islands beneficial ownership access rules: What fund managers and lawyers need to know

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The Cayman Islands has long been recognised as a leading jurisdiction for investment funds, offering a robust regulatory framework while maintaining efficiency, ease of use and confidentiality. However, in line with increased global anti-money laundering (**AML**) and counter-terrorist financing (**CTF**) standards, the jurisdiction has introduced new regulations governing access to beneficial ownership information which directly affects Cayman Islands investment funds.

The Beneficial Ownership Transparency (**Legitimate Interest Access**) Regulations 2024 came into force on 28 February 2025 (the **LIA Regulations**) together with the accompanying Guidance on Applying for Access to Beneficial Ownership Information on the basis of Legitimate Interest and for the Protection from Disclosure (the **LIA Guidance**). The LIA Guidance clarifies who can access beneficial ownership data and under what circumstances. These changes are critical for fund operators (e.g. board of directors or general partner), sponsors and investment managers, legal practitioners, and corporate service providers to understand, as they impact compliance obligations and disclosure risks.

This article examines:

- The legal framework for beneficial ownership transparency in the Cayman Islands.
- Key provisions of the LIA Regulations and LIA Guidance
- Who qualifies for "legitimate interest" access?
- Practical implications for Cayman Islands funds and their advisors.

1. Background: Cayman's beneficial ownership regime

The Cayman Islands has maintained a centralised beneficial ownership register since 2017, in compliance with the Global Forum on Transparency and Exchange of Information for Tax Purposes and Financial Action Task Force (FATF) standards. Until 31 December 2024, fund operators and managers could rely on exemptions from their funds or "registered persons" in maintaining a beneficial ownership register. Substantial changes to the regime were introduced on 1 January 2025 with the Beneficial Ownership Transparency Act, 2023 of the Cayman Islands (the BOT Act), in particular highlighting that investment funds registered under the Mutual Funds Act (as revised) or the Private Funds Act (as revised) (Regulated Funds) no longer benefitted from an exemption and would need to either (i) appoint a contact person under the alternative route to compliance (see further below) or, (ii) maintain a register of beneficial owners.

In addition, while access to beneficial ownership information was only restricted to competent authorities (e.g., the Cayman Islands Monetary Authority (CIMA) and law enforcement) under the previous regime prior to 1 January 2025, the Cayman Islands made a commitment to introducing publicly accessible registers of beneficial ownership information in line with the draft Overseas Territories (Publicly Accessible Registers of Beneficial Ownership of Companies) Order, prepared by the UK Secretary of State to comply with the requirement under section 51 of the UK's Sanctions and Anti-Money Laundering Act 2018. The BOT Act hinted at providing such access to members of the public (in addition to competent authorities), and the recent LIA Regulations and LIA Guidance set out the framework for certain members of the public to apply to the competent authority to request access to beneficial ownership information, relating to a Legal Person (as defined under the BOT Act). The new rules aim to prevent abuse of corporate structures while balancing privacy and legitimate business confidentiality.

2. Key provisions of the LIA Regulations and LIA Guidance

(a) Who may apply for access to the search platform and what information/documents will need to be provided for proof?

(i) a person engaged in journalism or bona fide academic research;
- Evidence of their identity and credentials, for example copies of current and valid official identification and credentials, links to published works, recent approvals obtained as a journalist or academic researcher in other jurisdictions, and other such documentation as may be requested by the Competent Authority; and
- Evidence that the Legal Person subject to the application is linked to money laundering or terrorist financing by providing court reports, media articles, and any other documentation that evidences the link; and

(ii) a person acting on behalf of a civil society organisation whose purpose includes the prevention or combating of money-laundering, its predicate offences or terrorism financing; or
- Evidence of their identity, for example copies of current and valid official identification; and
- Evidence that the applicant is acting on behalf of a civil society organisation whose purpose includes the prevention or combating of money laundering, its predicate offences, or terrorism financing, for example copies of official identification and credentials, published details of the civil society organisation's purpose, links to the registration details of the civil society organisation, and other such documentation; and
- Evidence that the Legal Person subject to the application is linked to money laundering or terrorist financing by providing court reports, media articles and other documentation that evidences the link; and

(iii) a person seeking that information in the context of a potential or actual business relationship or transaction with the legal person about whom that information is sought,
- The nature of the potential or actual business relationship or transaction with the Legal Person, providing details of the relationship or transaction, and documentation such as those capturing details of any proposals; and
- Evidence that the applicant is sufficiently interested in entering into a business relationship or transaction with the Legal Person, or evidence that the applicant has entered into a business relationship or transaction with the Legal Person, by including documentation such as due diligence already undertaken on the Legal Person, any contracts or other related documentation; and

In each of the above cases, a statement that access is being sought for the purposes of journalism or bona fide academic research / on behalf of the civil society organisation / in the context of a potential or actual business relationship or transaction with the Legal Person about whom the Information is sought and that the Information is sought for the purpose of preventing, detecting, investigating, combating or prosecuting money laundering, its predicate offences, or terrorist financing is also to be submitted. This statement should include details of the proposed relationship or transaction and how the Information from the Legal Person's Beneficial Ownership Register fits into that relationship or transaction.

(b) Requirement for "Legitimate Interest"

In each of the above cases, such person may only apply for access if there is a legitimate interest in that information for the purpose of preventing, detecting, investigating, combating or prosecuting money laundering or its predicate offences or terrorist financing.

(c) Required fee

US$37 for one legal person and US$122 for multiple legal persons.

(d) Available information on the search platform

(i) For an individual
- Name of beneficial owner;
- Country of residence;
- Nationality;
- Month and year of birth; and
- The mechanism of control they have over the Legal Person.

(ii) For a reportable legal entity
- Name;
- Registered office;
- Legal form;
- Registration number; and
- The mechanism of control they have over the Legal Person.

(iii) For a deemed beneficial owner
- Name;
- Registered office;
- Legal form; and
- The mechanism of control they have over the Legal Person.

(e) Access restrictions

Under the Beneficial Ownership Transparency (Access Restriction) Regulations, 2024 (the Access Restriction Regulations), individuals (including senior managing officials) are able to apply for protection from public disclosure for a fee of US$1,200 where they believe that the disclosure of information relating to them and their association with the Legal Person, will place them, or a person living with them, at serious risk of:

(i) Kidnapping;
(ii) Extortion;
(iii) Violence;
(iv) Intimidation; or
(v) Other similar danger or serious harm.

(f) Key takeaways

(i) General public access is not allowed – unlike many other jurisdictions, the Cayman Islands maintains a restricted approach especially with the Access Restriction Regulations.
(ii) Fishing expeditions will not be permitted – requests must be specific, evidence-based, and proportionate.

(iii) Journalists and activists do not have automatic access. They must prove a direct link to suspected criminal activity.

(iv) In general, it is expected that Regulated Funds will nominate a contact person (e.g. an administrator licensed in the Cayman Islands) to hold up to date information on their beneficial owners that can be provided to the relevant Cayman Islands authorities within 24 hours of any request, rather than maintaining a register of beneficial owners. This is on the basis that (i) beneficial ownership information is generally held by the Regulated Funds' administrator (or other licensed entity on behalf of the Regulated Fund), and (ii) only competent authorities can request beneficial ownership information from the relevant contact person.

3. Practical implications for Cayman Islands funds and advisors

(a) For fund managers

(i) For Regulated Funds who elect to maintain a beneficial ownership register, other than ensuring that the beneficial ownership register is up-to-date, no proactive disclosure required unless a valid request is made.

(ii) Ensure nominee arrangements comply with disclosure rules if investigated.

(iii) Monitor foreign regulations, as some jurisdictions (e.g., EU) may demand additional disclosures from Cayman Islands funds.

(iv) If required/applicable, apply for protection from public disclosure.

(b) For lawyers and compliance officers

(i) Advise clients on confidentiality risks when structuring ownership.

(ii) Prepare for increased scrutiny from foreign regulators seeking Cayman Islands ownership data.

Conclusion: A balanced approach to transparency

The Cayman Islands' recent beneficial ownership reforms strike a careful balance between transparency and privacy, ensuring compliance with global AML standards while protecting legitimate business confidentiality.

For now, the regime remains more restrictive than public registers in the EU and UK, but fund managers and advisors should:

1. Stay informed on evolving international standards.
2. Ensure robust compliance with disclosure obligations.
3. Be prepared for targeted requests from regulators and law enforcement.

As the regulatory landscape evolves, the Cayman Islands' approach may face further adjustments – particularly if FATF or OECD requirements tighten and to reflect the Cayman Islands commitment to enhancements to their beneficial ownership register, on a legitimate interest basis, with more streamlined processes for multiple search requests, including on fees, as was highlighted at the recent meeting between the UK's Minister of State for the Overseas Territories and Cayman Islands Premier in London on 17 June 2025. For now, the jurisdiction retains its appeal as a secure, well-regulated funds hub with sensible safeguards against misuse.

We regularly advise fund managers and onshore law firms on the formation and maintenance of Cayman Islands funds. Please reach out to your usual Carey Olsen contact, or one of the contacts listed here, if you require further guidance in relation to the above.

The Cayman Islands segregated portfolio company: Why managers are using SPCs again

Dan Beckett
Partner
Maples Group

The Cayman Islands has long been a global leader in the structuring of investment funds, offering a flexible and robust legal framework that appeals to fund managers and investors alike. Among the various vehicles available, the Segregated Portfolio Company (SPC) has experienced a fascinating journey - rising to prominence, falling out of favour, and now enjoying a resurgence. This article explores the evolution of the Cayman Islands SPC, the reasons behind its decline, and the factors driving its renewed popularity among fund managers.

Understanding the segregated portfolio company

An SPC is a unique form of company incorporated under the Cayman Islands Companies Act (the Act). Unlike a traditional company, an SPC can create multiple segregated portfolios (sometimes referred to as 'cells' or 'sub-funds') within a single legal entity. Each portfolio's assets and liabilities are legally separated from those of the others and from the general assets of the SPC. This structure allows for the efficient management of multiple investment strategies, products, or client accounts under one corporate umbrella, while maintaining strict segregation of liabilities.

Creation and regulation of segregated portfolios

Establishing a segregated portfolio is effected by resolution of the directors, so very quick, and there is no requirement to separately register the SP with the Registrar of Companies. There is an annual filing made with the Registrar of Companies in January each year listing the SPs then in existence. Similarly in a funds context it is the SPC that is registered with the Cayman Islands Monetary Authority (CIMA), not the individual SPs. Although not separately registered, each SP of a CIMA-registered SPC must be notified to CIMA once established and comply with CIMA regulations applicable to a registered mutual fund or private fund. Therefore, single investor segregated portfolios and any other segregated portfolio that does not fall within the definition of a 'mutual fund' or 'private fund' are still required to meet the applicable minimum investment requirements and to submit annual audited financial statements.

Segregation of assets and liabilities; execution of documents

Under the Act it is a duty of the directors of an SPC to establish and maintain procedures to segregate SP assets from the company's general assets, and the assets of other SPs. Practically this will include opening bank, custody and trading accounts in the name of the applicable SP, and ensuring all contracts are executed in the name of the SP. The statutory segregation of assets and liabilities has been supported in decisions of the Cayman Islands Court.[1] To augment these provisions, it is common practice to also seek to include contractual protection in agreements to limit the recourse of a counterparty to the assets of the applicable SP, and where appropriate, non-petition wording to prevent a counterparty from seeking to wind up the SPC. In addition, any act, matter, deed, agreement, contract, instrument under seal or other instrument or arrangement which is to be binding on a segregated portfolio must be executed by the SPC on behalf of the relevant segregated portfolio. Failure to observe this formality can jeopardise the segregation of assets and liabilities. Particular care must be taken to ensure that any authorised signatory of, or attorney appointed by, the SPC is aware of these execution requirements.

The rise: Early popularity of SPCs

SPCs were introduced in the Cayman Islands in 1998, inspired by similar structures in other offshore jurisdictions. During the early to mid-2000s, SPCs became a favoured structure for multi-strategy hedge funds in particular. Their flexibility and efficiency made them an attractive option for managers seeking to diversify offerings and attract a broad investor base. The legal separation of assets and liabilities between portfolios provided comfort to investors and managers, ensuring that the failure of one portfolio does not impact others. Managers could launch new strategies or products quickly and cost-effectively, without the need to establish a new legal entity for each. The Cayman Islands' regulatory regime allowed SPCs to be used for a wide range of purposes, including hedge funds, insurance vehicles, and structured finance products.

The fall: Challenges and decline in use

Despite their early success, the use of SPCs began to wane in the late 2000s and early 2010s. While the Act provides for the segregation of assets and liabilities, there was limited case law testing the robustness of these protections, particularly in cross-border insolvency scenarios. Concerns arose about whether courts in other jurisdictions would respect the segregation, especially in the event of the SPC's insolvency. Another key hurdle was that the prevailing iteration of the Companies Act during this time provided that if contractual execution formalities were not correctly observed, the directors could be personally liable for the liabilities of the company and the segregated portfolio under the applicable agreement or instrument. Directors were therefore wary of serving on the boards of SPCs. The contractual limited recourse and non-petition language described above was also sometimes hard to include in all counterparty agreements, particularly standard form trading documents.

The rise again: Renewed interest in SPCs

In recent years, however, the SPC has experienced a notable resurgence.[2] Several factors have likely contributed to this renewed interest:

Evolving investor needs. The investment landscape has evolved, with investors seeking more customised and flexible solutions. Family offices, institutional investors, and high-net-worth individuals increasingly demand tailored investment products, co-investment opportunities, and managed accounts. SPCs are ideally suited to meet these needs, allowing managers to create bespoke portfolios for different clients or strategies within a single legal entity.

1 Re Performance Insurance Company SPC (IOL) (Unreported, 6 April 2022).
2 Annual registrations hit 341 during 2007, but fell to 183 in 2011. In 2024, numbers were back up to 412.

Cost and operational efficiency. The cost and administrative burden of establishing and maintaining multiple standalone entities can be significant, particularly for managers running a range of strategies or products. SPCs offer a cost-effective alternative, enabling managers to launch new portfolios quickly and efficiently, with shared service providers and streamlined governance.

Cross-border recognition. Between the statutory regime, limited recourse wording and constitutional documents, the concept of segregation between SPs is now well understood and recognised by foreign courts and has been reflected in a range of insolvency proceedings.[3] Counterparties and lenders are now accustomed to interfacing with SPCs and it is easier to agree limited recourse and non-petition wording, including in trading documents. This has made SPCs a more viable option for managers with global investor bases.

Personal liability. The personal liability provisions of the Companies Act with respect to directors of SPCs who fail to correctly attribute an obligation to an SP have been removed, making independent directors more amenable to the structure.

Recent trends: Examples of how managers are using SPCs today

The SPC has seen a resurgence in the context of Cayman Islands structures that are geared towards the Japanese market. Investors in Japan have long preferred the Cayman Islands unit trust as an offshore investment vehicle.[4] Often such trusts are established as umbrella trusts with multiple sub-funds or series trusts each of which invest in different strategies or have different investors. The SPC mirrors the segregated cell structure of the umbrella unit trust and so can serve as a corporate blocker in the structure. Another advantage is that shares in the SPC are regarded as 'securities' within the meaning of the Financial Instruments and Exchange Act (Act No. 25 of 1948), meaning the unit trust can obtain securities investment trust status in Japan.

Another trend we are seeing SPCs used for is managed account platforms. Sponsors are able to offer investors their own SP which is segregated from the other funds on the same platform. The fixed costs of running the platform are split across all the segregated portfolios and so it is a cost-effective way to establish an SMA. As the infrastructure is all in place, establishing a new SP is very fast, so sponsors and investors can capitalise on new opportunities quickly.

Conclusion: The future of the SPC

The SPC is not the perfect investment vehicle for every scenario. In addition to the practical steps to ensure that the assets and liabilities of each SP are segregated, parties need to think about including contractual terms limiting recourse of counterparties, and make sure that disclosure to investors is clear and comprehensive. In an insolvency situation, the remedy for a creditor is the appointment of a receiver of the applicable SP, but because the SPC is a single legal entity, there is a theoretical possibility that a creditor could seek to wind up the entire SPC even if other SPs are solvent.[5]

However, after a period of decline, SPCs have re-emerged as a useful structure for managers seeking flexibility, efficiency, and robust risk segregation. The combination of evolving investor needs, and regulatory innovation has positioned SPCs at the forefront of fund structuring in the Cayman Islands. As the investment landscape continues to evolve, it is likely that the use of SPCs will expand further, particularly in areas such as digital assets, private credit, and bespoke investment solutions. For managers and investors alike, the Cayman Islands SPC offers a compelling blend of flexibility, protection, and administrative efficiencies - making it a structure whose time has come again.

3 Recent decisions in Hong Kong and Australia have approved the concept of the segregation of assets and liabilities of SPs in different contexts. See: Tjin Joen Joe, Andy Tsjoe and Another v. Oakwise Value Fund SPC [2025] HKCFI 1281; and Coinful Capital Fund, SPC (in Official Liquidation) [2025] FCA 314.

4 See prior AIMA Journal Article on this: https://www.aima.org/journal/aima-journal---edition-141/article/golden-opportunities-in-japan-a-new-era-for-global-asset-managers.html

5 See Re Oakwise Value Fund SPC (Unreported, 16 December 2024)) It is important to note that this case does not in any way call into question the effectiveness of the statutory segregation between the SPC's portfolios

Beyond equities: Why Indian alternatives are the next frontier of opportunity

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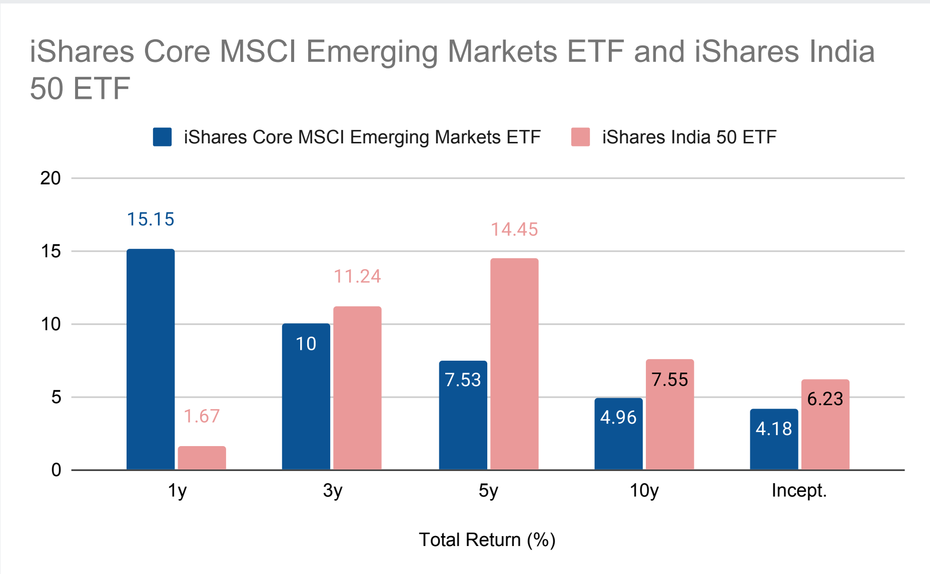
Over the last decade, Indian equities have sharply outpaced broader emerging markets – not just in sentiment, but in hard numbers. As of mid-2025, **the iShares India 50 ETF has outperformed the broader iShares Core MSCI Emerging Markets ETF across most key timeframes, barring the recent 1-year period (see Figure 1)**, reflecting India's reform-driven growth, resilient domestic demand driving up valuations and attracting sustained foreign inflows.

Figure 1: Average Annual Return (%) of MSCI EM index vs iShares India 50 ETF as on 30th June 25.



Source: https://www.ishares.com/us/products/239758/

India's weight in the **MSCI Emerging Markets (EM) Index has surged from ~4% in 2008 to over 18% in 2025**[1] - overtaking Brazil, Russia, and South Africa, and even briefly surpassing China during a phase of underperformance in early 2024.

But with earnings growth moderating and valuations stretched, is the premium still justified?

Earnings vs valuations?

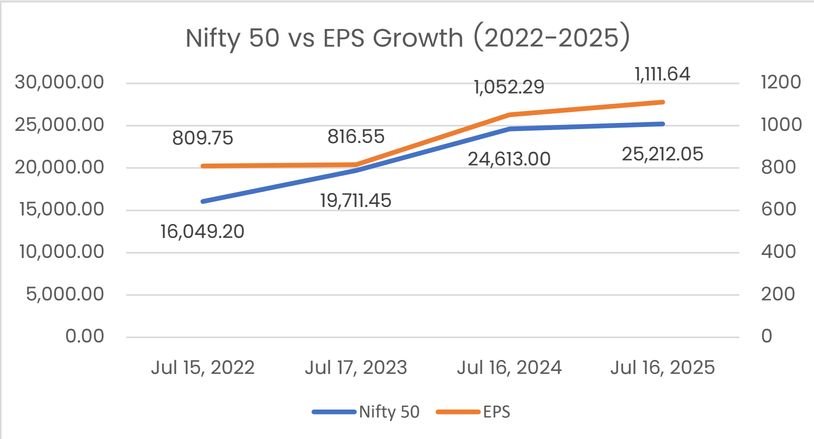
The divergence between market valuations and earnings fundamentals has become increasingly apparent. EPS growth across large-cap indices is decelerating, with key sectors like IT services, consumer discretionary, and pharma witnessing mid-single-digit revenue expansion. Meanwhile, valuations remain elevated – the Nifty 500's median P/E has averaged 23.8x over three years and still hovers near 25x as of July 2025.

1 MSCI

Between July 2022 and July 2025, the Nifty 50 rose at a CAGR of **11.95%, while earnings grew just 8.24%** – highlighting that **price expansion has outpaced profit growth**. This divergence underscores the market's reliance on sentiment over fundamentals. **Corporate margins**, which had benefited from post-COVID cost savings and pricing power, are now plateauing amid rising input costs and weak consumption revival.

Nifty 50 vs EPS growth: A clear divergence

Figure 2: Nifty 50 growth (11.95%) outpacing EPS growth (8.24%) since July 2022.

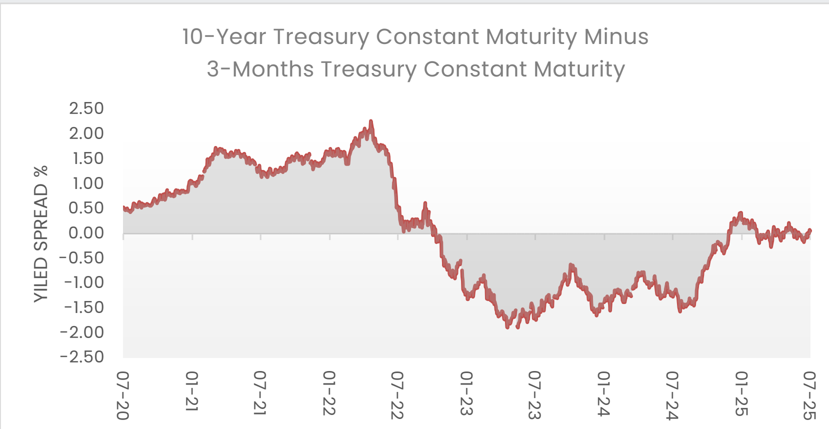


Source: *https://www.screener.in/company/NIFTY/*

Global signals: Inverted yield curve, high real yields, sticky inflation

Outside India, global signals point to increasing risk aversion. The inverted US yield curve – where the **3-month Treasury yield exceeds the 10-year** – has persisted for most of 2023–2025. Simultaneously, **10-year US TIPS yield now exceeds 2%**, a dramatic shift from the near-zero era of the 2010s. This surge in real rates reduces the relative appeal of richly valued equities.

Figure 3: Yield spread of 3-months treasury constant maturity and 10-year treasury constant maturity



Source: *https://fred.stlouisfed.org/series/T10Y3M*

Against this tightening global backdrop coupled with Indian equities becoming increasingly expensive, HNIs and UHNIs are increasingly seeking uncorrelated return streams – particularly in markets with macro resilience and structural alpha.

Enter India's alternatives: From US$400 billion to US$2 trillion

As public market valuations stretch and traditional debt instruments struggle to offer real returns, investors are increasingly reallocating toward India's growing alternatives ecosystem. The total alternative assets under management in India are estimated at **US$400 billion (approximately 33 lakh crore)**. This includes **US$156 billion in SEBI-registered AIFs** and rest from broader pools such as offshore vehicles, family offices, and unlisted structures. The market is projected to **grow five-fold to over US$2 trillion (165 lakh crore) by 2034**, driven by rising HNI participation, policy support, and demand for uncorrelated, higher-yielding assets.[2] Reflecting this momentum, Alternative Investment Fund (AIF) commitments have surged at a CAGR of ~31% over the past five years, accounting for approx 20% of MF AUM as of March 2025 – far outpacing the mutual fund industry's 24% growth during the same period.

Within the AIF universe, Category II AIFs – which include private equity, real estate, and private credit account for around **10.3 lakh crore (~US$120 billion)**, while Category III (hedge and complex trading) funds represent approximately **2.29 lakh crore (~US$27 billion)**.

Over the past five years, several alternative asset classes have **outpaced traditional mutual funds (approx. 12% as per AMFI)** and public equities in terms of returns and resilience.[3]

- **Private equity and venture capital funds**, particularly generalist VC strategies in India, have consistently delivered IRRs of 20–25%.
- **Private credit strategies**, structured as Category II AIFs, typically yield 12%–15% (gross, pre tax and fees) annually, in INR terms; with strong performance driven by mezzanine deals, special situations, and mid-market lending.
- Meanwhile, listed **REITs and InvITs** with stable income streams and tax-efficient structures are delivering **dividend yields exceeding 6%**, with select vehicles offering up to **14.6%**.

However, the rise of alternatives has been led by two key instruments – market-neutral hedge funds and private credit – offering steady returns with low correlation to market volatility.

A closer look: India's hedge funds and absolute return strategies

Globally, hedge fund assets surpassed US$4.1 trillion in 2024 and are projected to cross US$5.5–US$6.3 trillion by 2030.[4] Within this universe, absolute return and market-neutral strategies account for 15–20%, underscoring their role in managing volatility and delivering uncorrelated alpha in institutional portfolios.

In India, the absolute return space – primarily under Category III AIFs – remains small but is gaining traction. As of March 2025, the AUM under absolute return strategies is estimated at 15,000–20,000 crore (US$1.8 Bn - US$2.5 Bn),[5] with growing participation from UHNIs and family offices. These strategies typically deliver returns in the range of 9–12%, bridging the gap between traditional fixed income and equity.

To understand the direction of this space, we spoke to Prashant Kothari, Portfolio Manager at India Alternatives, based in Singapore. He believes India continues to offer compelling long-term equity potential, backed by structural domestic demand and a deepening capital market

2 Avendus Capital's India Goes Alternatives report
3 Industry interactions
4 Preqin and With Intelligence
5 Eleveight Research

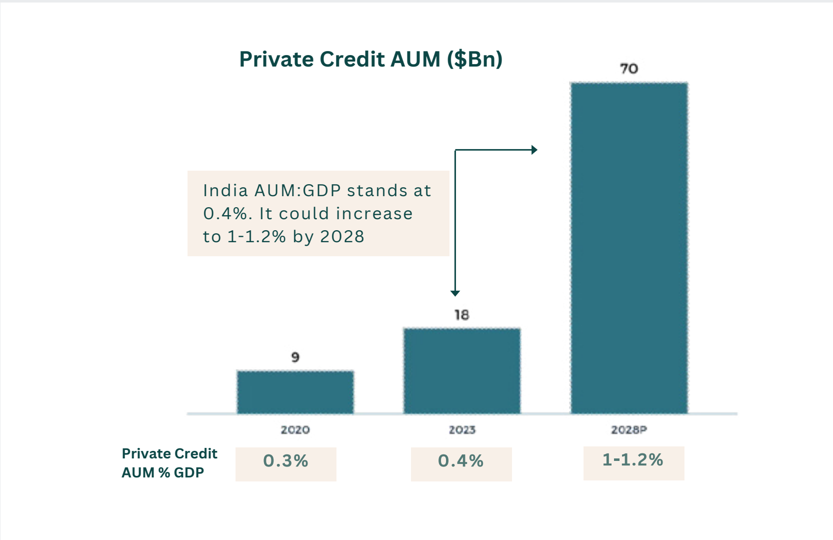
ecosystem. However, he cautions that current valuations are "being driven more by abundant liquidity than by fundamental GDP or earnings growth," raising the need for portfolio insulation. Investors seeking resilience amidst potential market volatility, should consider diversifying into alternatives – including market-neutral strategies, gold, and silver – for better downside protection. India Alternatives also run a similar strategy, the Alpha Equity Absolute Return (EQAR) fund, which has delivered equity-like returns while maintaining a market-neutral profile. Its Sharpe ratio exceeding 3 underscores its ability to produce superior risk-adjusted returns, irrespective of broader market movements. These funds typically pursue arbitrage across sectors, long-short pairings, volatility spreads, and factor tilts to generate consistent alpha with minimal drawdowns.

Market-neutral funds are now evolving into multi-asset absolute return strategies, combining structured fixed income, tactical long-short equity, and even allocations to digital assets or REITs. However, taxation continues to be a bottleneck – Category III AIFs are currently taxed at the highest marginal slab, diminishing net post-tax returns. This makes offshore fund structures or IFSC-based wrappers (like in GIFT City) increasingly attractive for global allocators seeking India exposure.

Private credit in India: From US$25 billion to US$70 billion

Private credit is fast emerging as one of the most powerful stories in India's alternative investment landscape. Once viewed as a niche corner of the market, it now stands at an estimated US$25 billion in assets under management (AUM) in 2024, with credible projections suggesting this could scale to US$70 billion by 2028. This dramatic growth is underpinned by rising demand from HNIs and family offices, deepening credit disintermediation, and regulatory tailwinds that have brought private lending into sharper focus.

Figure 4: Private credit AUM India as % of GDP*



Source: Praxis.
**GDP refers to nominal GDP*
Private credit has seen marquee deals over FY24–25, led by the record US$3.4 billion refinancing of Shapoorji. Other major transactions include a US$750 million deal for Mumbai International Airport and additional deals worth ~US$1.7 billion.

We spoke to Shyamal Karmakar, CEO of RV Capital India, one of the largest private credit fund managers in Asia. Karmakar believes that India's private credit space is entering a breakout phase, supported by strong structural and regulatory tailwinds. According to Karmakar, the segment is being reshaped by growing demand from both resident and NRI HNIs seeking 4–5% alpha over traditional fixed income. He highlights that this surge has been catalysed by:

1. The rationalisation of debt taxation between AIFs and mutual funds (April 2023), combined with.
2. Macro stability, declining NPAs (from 14.5% in 2018 to 2.3% in 2025), and.
3. Improved resolution frameworks under the Insolvency and Bankruptcy Code (IBC).

For Karmakar, private credit's appeal lies not just in yields. Performing private credit (PC) funds in India deliver gross returns in the range of ~14%–18%, often matching or exceeding Nifty-50 returns. Incidentally, RV Capital's own India Credit Plus Fund is currently delivering a gross return (pre fees and taxes) of ~20.9% and net IRR of ~17.6%.

Conclusion: From beta to alpha, India's alternatives are ready

As global markets wobble under macro uncertainty and India's public equity valuations hover at highs, the next wave of alpha is likely to come from alternatives. Whether through market-neutral strategies or private credit, India's alternative investment landscape is growing not just in size, but in sophistication.

With robust governance, deepening fund manager expertise, and a hungry investor base, the India alternatives story is no longer a subplot; it's becoming the main act.

Disclaimer: This article has not been reviewed by the Monetary Authority of Singapore.
Nuvama Disclaimer

Are V-shaped recoveries becoming more frequent?

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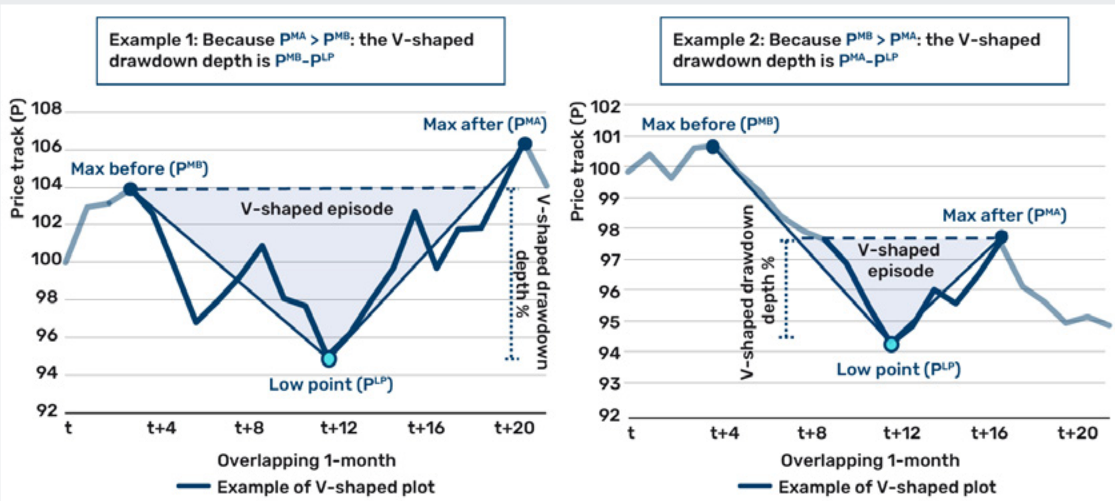
The events of April 2025, when the S&P 500 plunged more than 10% in the first six trading sessions, only to recoup almost all of its losses by the end of the month, reignited the debate on the frequency of V-shaped recoveries. History has shown us that not all market corrections are short-lived; a small sell-off can precede a major fall in equity markets, as we saw in 2008 and 2020.

But is the current environment different? This is a question we are increasingly asked, reflecting concerns that post-COVID market dynamics and heightened policy uncertainty may be characterised by more rapid market snapbacks. We decided to investigate by examining the April 2025 rebound in the context of V-shaped recoveries through history.

April 2025 recovery: outlier or sign of a structural shift?

We first need clear criteria to identify V-shaped recoveries. We examine cumulative daily returns for the MSCI World since 2000 across all one month (defined as overlapping 21-day) periods. In each period, we identify the lowest point of cumulative return and then identify the maximum values before and after that point. We then define the depth of the V-shaped recovery as the difference between the lower of the two maximum values and the minimum point, as illustrated below.

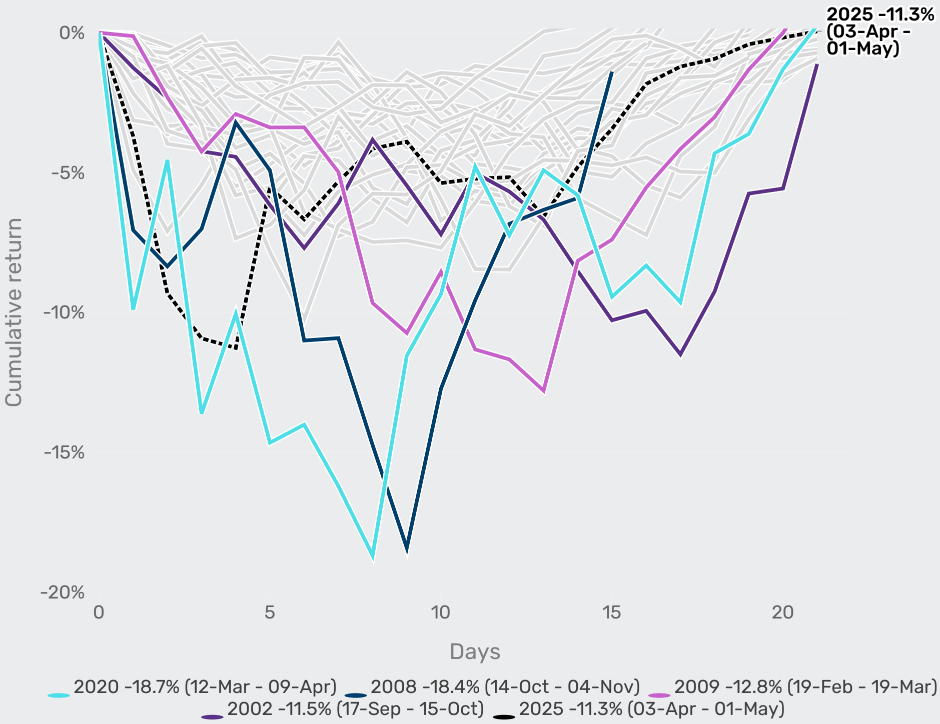
Figure 1. Defining a V-shaped recovery



Schematic illustration. Source: Man Group, as of May 2025.

Figure 2 plots the deepest V-shaped recoveries in the MSCI World since 2000 by selecting the most pronounced reversal each year. It shows that April 2025 was among the steepest and sharpest moves to date, comparable to those V-shaped recoveries seen during major market downturns, including the dot-com bust, Global Financial Crisis (GFC) and COVID.

Figure 2. Maximum V-shaped recovery over one month by year for MSCI World since 2000

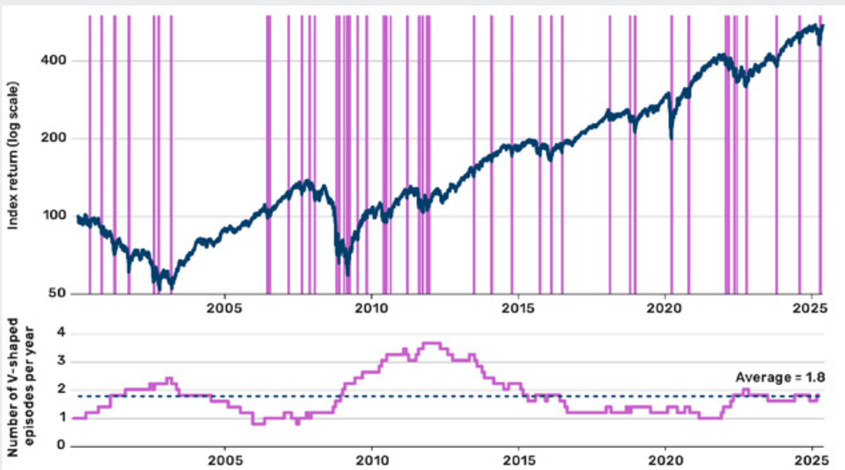


Date range: Jan 2000 – April 2025. Source: Internal Man Group Databases, Bloomberg.

Have V-shaped recoveries become more frequent?

Next, we examine one-month V-shaped recoveries of at least 5% (excluding overlaps) since 2000. The top chart in Figure 3 displays the MSCI World's cumulative returns, with qualifying one-month recoveries highlighted in pink. The bottom chart shows the rolling five-year average number of events per year.

Figure 3. MSCI World returns, highlighting 5% V-shaped recoveries in one month



Date range: Jan 2000 – April 2025. Source: Bloomberg, Man Group Internal Databases.

While V-shaped recoveries tend to occur more frequently amid heightened market volatility, our analysis shows that they have emerged across various market environments: during prolonged downturns (2001–2003), following marked corrections (2009 and 2020), and even within sustained bull market phases (2006 and 2014). Although April 2025's V-shaped recovery was notable for its speed and depth, Figure 3 does not suggest it was indicative of a broader, structural shift toward more frequent rapid rebounds. Instead, perhaps the notion that their frequency is increasing lends support to the Baader-Meinhof phenomenon, or frequency illusion, particularly when considering the recency of the 'Yenmageddon' event that interrupted 2024's summer hiatus.

Is it different this time?

With all the above said, there are lingering questions about whether the current environment is unique relative to history. Given the US administration's appetite for bold policy approaches and reversals, some investors are concerned that there may be more V-shaped recoveries in the near future. While this is certainly a possibility, it is dependent on some assumptions.

First, it assumes that markets do not adapt to new information. More specifically, reversals on broad-based reciprocal tariffs, Federal Reserve independence and China-specific tariffs mean market participants now have to price in the probability of policy U-turns. This is expected to lead markets to react less negatively to bold policy movements, thus creating lower risk of V-shaped recoveries.

Second, it assumes that these announcements can be effectively rolled-back. While any policy can technically be reversed, markets dislike such uncertainty. Financial theory suggests that when markets face repeated dramatic policy shifts, investors should demand higher risk premiums to hold assets, pushing prices lower. Continued V-shaped recoveries would suggest that the market is persistently agnostic to this risk.

We do not discount the prospect of increased volatility in markets, including further V-shaped recoveries. However, we strongly believe that markets are likely to incorporate the information available to them and adjust their reaction function accordingly.

Empowering institutional investors: The shift toward a total portfolio view

Melanie Pickett
Head of Asset Servicing, Americas,
Northern Trust

In today's volatile and fast-evolving market environment, institutional investors are managing a complicated array of public and private assets across their portfolios, each with varying levels of risk assessment needs. Yet operating models and systems, which have mostly developed over the years in silos based on asset class or a single business function, make it difficult to attain a unified view of risks and returns. As portfolios have increased in complexity, the need for improved analytics and better data to optimise asset allocations has grown.

In fact, in a recent Northern Trust global asset owner peer study of 180 senior leaders, 52% of respondents said they are looking for improved investment analytics and 36% are looking for more real-time data in order to better manage their portfolios.

To remain viable and seize opportunities, institutional investors need to graduate from a siloed model to a holistic, total portfolio view that provides comprehensive insight into performance, risk, exposure and liquidity over the entire portfolio. This view is crucial to enable active, real-time management and to make timely, data-informed decisions that align with the investor's strategic and tactical asset allocations, particularly in light of the shift towards factor-based investing and risk budgeting.

The challenge of obtaining a total portfolio view

Global exposure to alternatives continues to grow, with 86% of respondents to the Northern Trust study investing in private markets. Asset owners face mounting pressure to bring clarity to increasingly complex portfolios. This is compounded by dynamic market conditions, such as interest rate changes and geopolitical instability, as well as evolving regulations.

With nearly all of the study respondents reporting they have exposure to private markets, a forward-thinking approach to portfolio optimisation and data-driven solutions is crucial. Yet most asset owners have invested in technology infrastructure primarily supporting liquid assets with a separate solution for non-liquid assets, making it difficult to consolidate and analyse data across both public and private assets.

Asset owners seek greater insight and control

As expectations rise, asset owners are looking for innovative investment analytics, greater transparency and data integration with investment advisors and data vendors, even for illiquid holdings. Data accuracy, consistency, and timeliness have also become top priorities as asset owners strive for a more holistic, real-time view of the total portfolio. A third of global asset owners cite ensuring they have timely, accurate, and appropriate data to support agile decision-making as a top challenge – alongside the ability to optimise asset allocation strategies.

Meeting these demands requires analytics tools that are not only sophisticated enough to handle the complexities of private markets but also scalable. Increasingly, asset owners are turning to providers that can support this level of interoperability as they look for solutions in combination with services that enable side-by-side viewing and analysis of public and private assets.

A unified approach

As data becomes a strategic asset in its own right, a total portfolio view empowers asset owners to harness it more effectively across the entire investment lifecycle. From more efficient and effective investment decisions to more consistent performance monitoring and proactive risk management, a total portfolio approach offers a comprehensive framework for navigating today's complex market environment. A single provider that can support both the technology and middle office services needed to achieve this view adds even greater value - reducing operational complexity, improving data consistency, and strengthening governance across the portfolio. This unified approach is key to building a resilient, data-driven investment strategy.

Encouragingly, institutions remain highly receptive to new technology and innovation, with nearly 80% of respondents citing increased technology adoption as a way to make their operations more efficient and nearly 60% looking to increase automation, enabling more modern, data-driven and unified investment data frameworks.

Positioned for the future

The shift towards a unified, total portfolio view represents a transformative step for institutional investors. Embracing innovative technology and analytics is not just about staying competitive but about fundamentally enhancing the investment process. By integrating data across all asset classes, from liquid to illiquid, and leveraging advanced tools for real-time insight, asset owners can achieve a more agile, responsive, and informed investment strategy. This holistic approach not only addresses the complexities of modern portfolios but also aligns with the growing demands for transparency, regulatory compliance, and risk management. As the investment landscape continues to evolve, those who adopt a comprehensive, data-driven approach will be best positioned to navigate the challenges and seize the opportunities of tomorrow's markets.

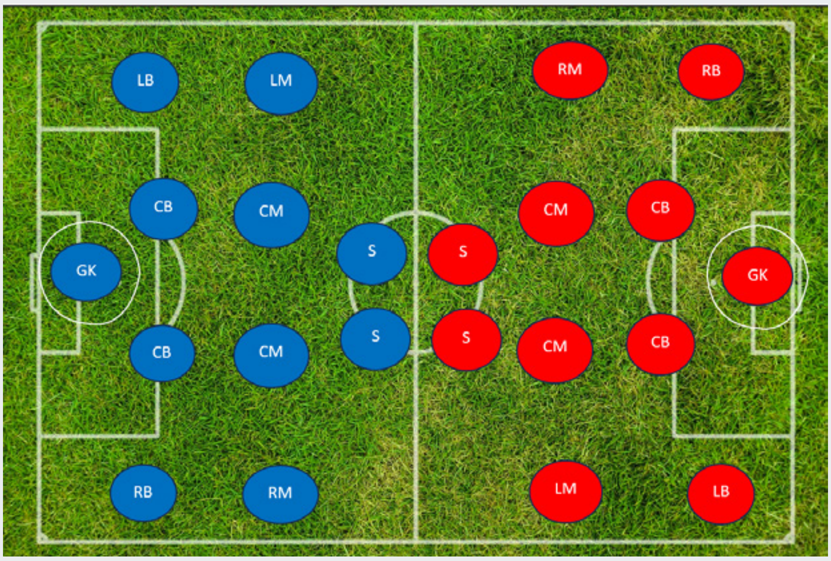
The last line of defence: Why compliance is your 'goalkeeper' and why that matters

Ranjeet Sahni
Compliance Lead, APAC
Jain Global (Singapore)

Executive summary

- If you compare a hedge fund to a football team, you could argue that Compliance is best represented by the goalkeeper.
- As with goalkeepers, Compliance is becoming more influential in the way their team is run but the stakes are high, and mistakes can be costly.
- Both are team games. Like the goalkeeper, Compliance needs to work well with other departments to ensure the team's overall success.

Below, I have compared some of the departments of a hedge fund to a typical set up of a football (soccer) team with a '4-4-2 formation'. There is no right or wrong here and one can debate the formation set up and the assignment of departments forever and a day. Hopefully, I have piqued your interest with this analogy even if you do not usually care for football!



Key:
- "GK" = Goalkeeper
- "CB" = Centre Back; "LB" = Left Back; "RB" = Right Back, all of whom form the "Defence"
- "CM" = Centre Midfield; "LM" = Left Midfield; "RM" = Right Midfield, all of whom form the "Midfield"
- "S" = Strikers, who form the "Attack"

Compliance is the goalkeeper

The role of a goalkeeper? Keep the ball out of the back of the net. With reference to Compliance, ‘keeping the ball out of the net’ means, in its simplest terms, not having any regulatory breaches. Historically, these breaches were at firm level but with regimes such as the Senior Managers and Certification Regime (SMCR) in the UK, Manager-in-Charge (MIC) in Hong Kong and the Individual Accountability and Conduct Regime (IAC) in Singapore, individuals are now more at risk of being punished by regulators than ever before. This all means ensuring that Compliance is up to date with all applicable regulatory requirements, educating staff where relevant and ensuring that all investment guidelines (whether external – e.g. a UCITS fund –or internal) are correctly mapped and implemented in your order management systems. In other words, get the basics right. Know what your firm can and cannot do. Also, understand what your firm should or should not do, accounting for your firm’s own risk appetite, current areas of enforcement/regulatory focus and understanding what peers are doing.

The role of goalkeepers is now shifting, with more decisions for them to make. For example, is a short pass to the defence the optimal decision or is it better to kick the ball ‘Route One’[1] style to the midfielders/strikers? Likewise, Compliance must constantly assess when to escalate, when to advise and when to hold the line. Decision making for Compliance has always been vital but now more than ever, given the individual accountability regimes noted above. Higher pressure. Higher stakes. One mistake can cost your team the game (or your firm its regulatory licence, depending on how egregious the mistake was), irrespective of the number of saves made beforehand.[2] Some of the very best goalkeepers play for teams where they are not called into action for most of the game but when they do, they know what decisions to make and when.

Compliance’s influence on the business (in hedge funds in particular) has grown and firms whose Compliance teams work closely alongside the business (instead of *against* it) will prosper in future. It is the same with goalkeepers – they are becoming a more influential part of the game than before – e.g., comparing transfer fees and contracts being commanded by the best goalkeepers in the world now versus 20 years ago.

Who else made the starting XI?

Defence (CB/LB/RB) = Operations/Finance/IT

Whether it’s a daily reconciliation process, trade matching, ensuring enough capital has been injected or ensuring that the right IT vendors have been selected and that everything is working as it should with the right cybersecurity controls, I argue that a good mixture of these three departments would make a good defence. Strong policies, procedures, and controls here are vital, meaning fewer errors and mistakes so mistakes are kept under control, irrespective of what is happening in ‘attack’ ahead of them.

I would argue that Compliance is most likely going to speak with the ‘defence’ on a day-to-day basis to ensure that processes, procedures, and controls remain fit for purpose and are being implemented accordingly. However, it is vital for Compliance to have ongoing communication with *all* team members to ensure it understands the direction of travel for the business and how Compliance can help the firm get there.

Midfield (CM/LM/RM) = Risk/Research Analysts/Execution Traders/Treasury

Midfielders carry the ball up the field and have excellent passing accuracy, and attacking midfielders put through balls/crosses into the box, in both cases creating scoring chances for their strikers.

1 Route One originated from a 1960s TV quiz show called “Quizball” in which questions (graded in difficulty) led to scoring a goal, with Route One being the direct path.
2 “Individual bouncebackability” for Compliance when one makes a mistake is very important, as I have noted previously.

Research analysts and execution traders are akin to these roles with both the recommendations that they come up with and how to achieve best execution once an idea has been agreed to.

Defensive/central midfielders control the tempo by keeping possession and create space around them to let the attacking midfielders and strikers put themselves in promising positions to pounce. Giving the nature of what both Risk (managing market, credit and liquidity risk amongst others) and Treasury (managing cash, collateral, optimising liquidity and reducing financing costs) do, my view is that this is where those teams are best placed on a football pitch, comparably.

Striker (S) = Portfolio Managers

They say the hardest thing to do in football is to put the ball in the back of the net. This is why strikers are the most coveted position. The greatest spotlight. The highest paid. The most scrutiny. In a crude nutshell, it is the same for Portfolio Managers, is it not? Their decision making ultimately dictates the success (or failure) of their fund.

Manager = Chief Investment Officer (CIO); Assistant Manager = Chief Operating Officer (COO)

It is vital the CIO and COO collaborate efficiently with each other, especially given their responsibilities for team selection, strategy selection and motivation, with the aim of getting the best out of the team individually and collectively.

The manager must have unfettered confidence in their assistant manager and that relationship is no different between a CIO and their COO. In football, the assistant manager is not usually in the limelight but their work with all the players cannot be underestimated. This rings true for COOs when they collaborate with both investment and non-investment staff.

Final whistle/full-time

A strong Compliance function does not just react – it anticipates, adapts, and contributes to team success. Clean sheets are not lucky – they are the result of preparation, collaboration, and smart positioning.

Compliance, like goalkeeping, is a lonely job when things go wrong, but essential for things to go right. The best funds understand that and make Compliance a core part of their game plan.

Thank you for reading the
Edition 143 of the AIMA Journal.

If you would like to contribute to future editions, please email Caterina Giordo and Jorge Palmero.

PUBLICATION PLAN 2025

- **Q4 Edition 144**

Deadline for submission 5pm UK time Monday 20 October | Publication Monday 24 November

Please note the deadline to reserve a spot for the Q4 edition of the AIMA Journal is 5pm UK time Friday 3 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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