

P E R S P E C T I V E S

INDUSTRY LEADERS ON THE FUTURE OF THE HEDGE FUND INDUSTRY

Next Generation of Managers Annual Conference, London

June 2018

SUMMARY

AIMA

Perspectives examines how the industry is changing itself in order to remain relevant to tomorrow's investors.

Based on in-depth interviews with **25** of the **leading figures** in the hedge fund industry.

Participants include the **managers** of prominent hedge fund firms, major **allocators** to hedge funds, and renowned industry **academics**.



PANELLISTS

The AIMA logo consists of a dark blue square with the letters 'AIMA' in white, positioned above a horizontal magenta bar.

AIMA

Moderated by **Tom Kehoe**, AIMA

Jennifer Mernagh

Aberdeen Standard Investments

Michael Turner

Man FRM

HEDGE FUND INDUSTRY WILL CONTINUE TO EXPAND, WITH NEW STRATEGIES

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1

The hedge fund industry will increasingly offer a range of products to meet the needs of its investors; smart beta and alternative beta will be particularly important.

2

These products are far less capacity-constrained than alpha, and can be offered for a lower price.

3

This will allow the industry to absorb more institutional capital, and continue to grow.

4

Investors will, however, continue to pay for alpha, even as its production becomes more difficult.

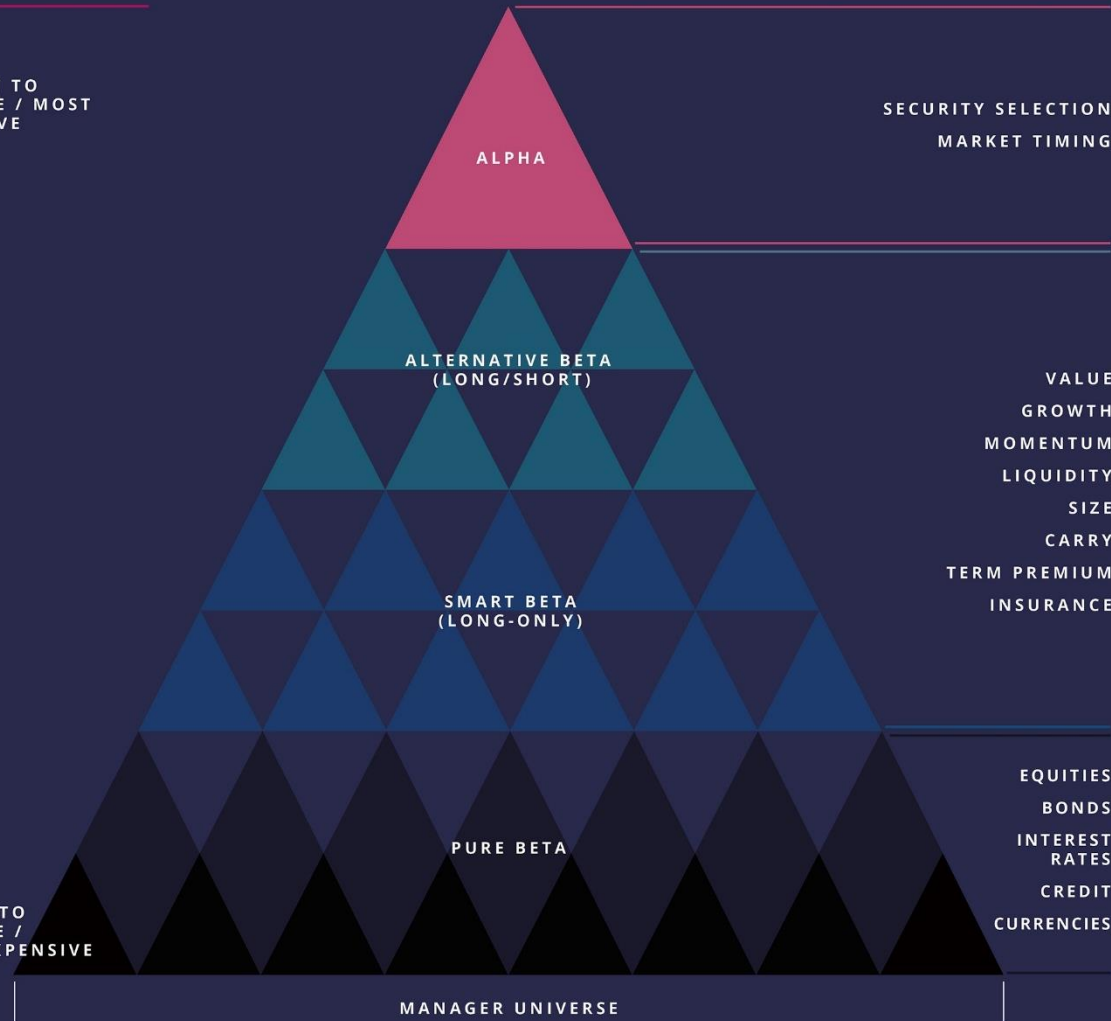
THE NEW HEDGE FUND PRODUCT TAXONOMY

DIFFICULTY TO
PRODUCE / PRICE



HARDEST TO
PRODUCE / MOST
EXPENSIVE

EASIEST TO
PRODUCE /
LEAST EXPENSIVE



Source: AIMA Research
(Note: not to precise scale)

ARTIFICIAL INTELLIGENCE WILL SOON BECOME CRUCIAL TO THE HEDGE FUND INDUSTRY

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1

Discretionary and systematic hedge fund firms will soon need AI capabilities to sort through the vast amounts of data to which they now have access.

2

AI will be particularly important in short-term trading: firms operating in this area will likely need sophisticated AI capabilities.

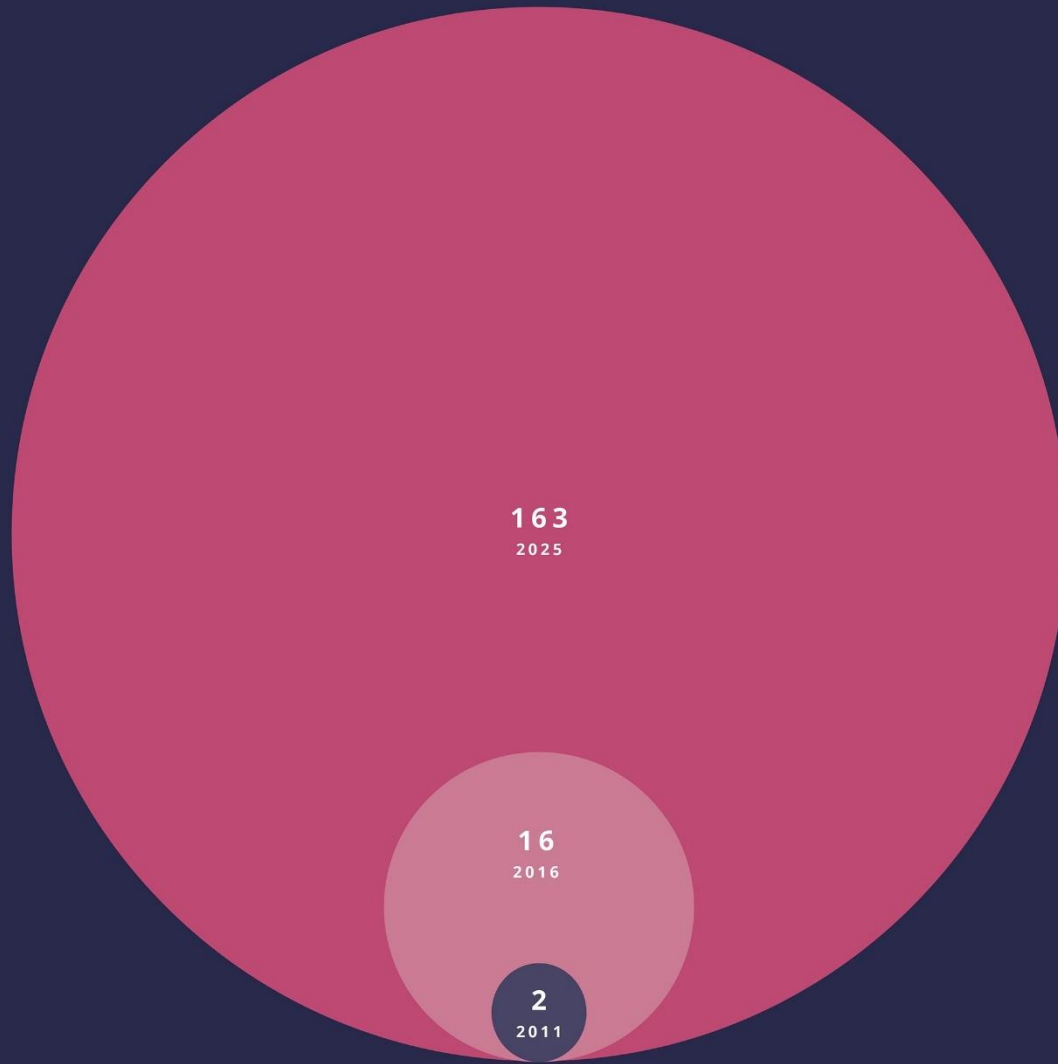
3

The complexity of financial markets data means that, for the foreseeable future, AI will not be able to replace human investment professionals.

4

Hedge fund firms that do not develop AI capabilities to aid their human employees may soon find themselves at a competitive disadvantage.

GROWTH IN GLOBAL DATA
(TRILLIONS OF GIGABYTES)



Source: IDC/Seagate, Data Age 2025 (2017)

RESPONSIBLE INVESTMENT IS HERE TO STAY

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1

Responsible investment will become ever more popular in the hedge fund industry, in a long-term structural trend.

2

Institutional investors and millennials are particularly concerned that their investments are responsible.

3

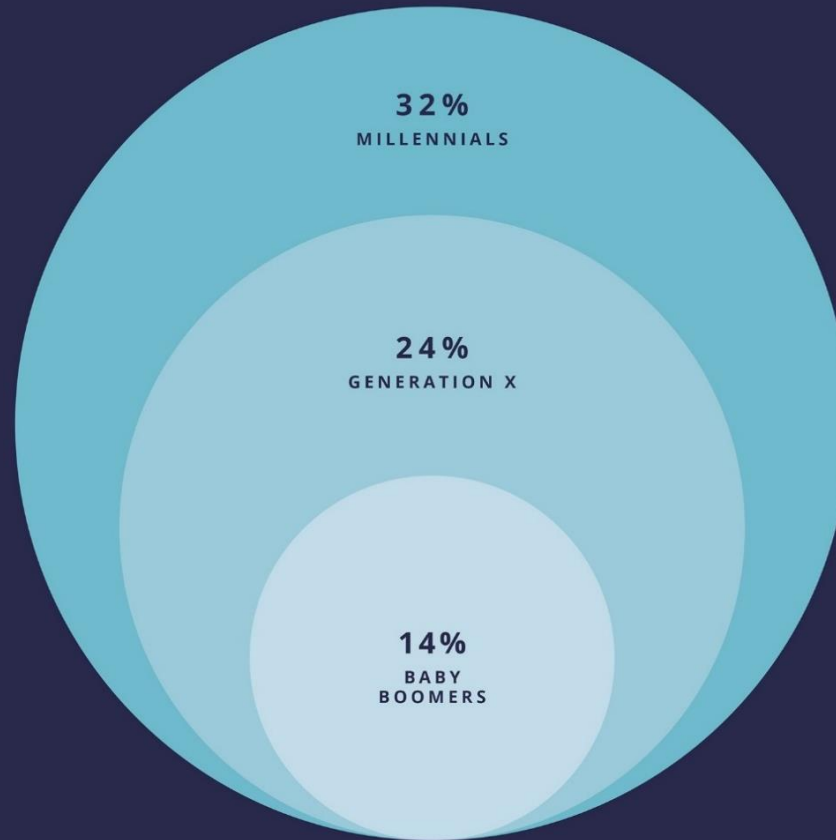
New technology is allowing hedge fund firms to implement responsible investment at a low cost.

4

In the coming years every hedge fund investor will be able to find a firm offering robust responsible investment.

THE GENERATIONAL DIVIDE IN ATTITUDES TOWARDS RESPONSIBLE INVESTMENT

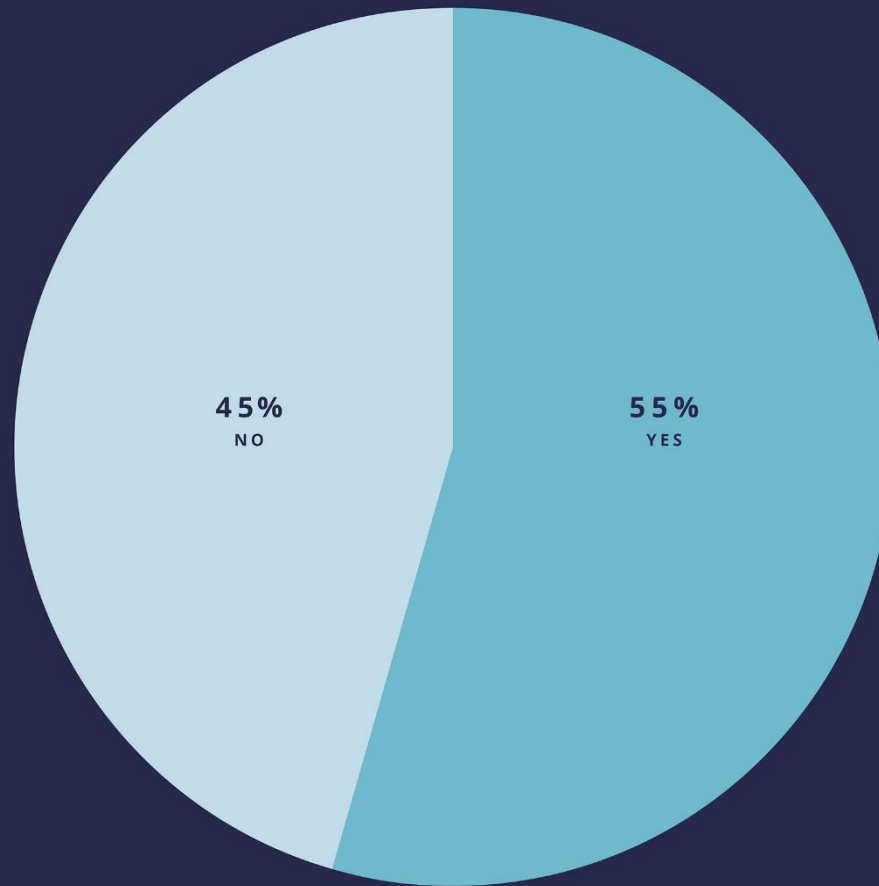
Percentage of generation saying they invest in companies based on positive impact



Source: US Trust, 2017 US Trust Insights on Wealth and Worth (2017)

THE GROWING POPULARITY OF RESPONSIBLE INVESTMENT

Percentage of firms that have seen increased investor interest
in responsible investment in the past 12 months



Source: AIMA/CAIS Research
(Findings based on AIMA investment manager survey held in Q4 2017)

THE HEDGE FUND FIRM OF THE FUTURE

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1

Hedge fund firms will be increasingly staffed by highly quantitative talent, such as engineers and physicists.

2

In attracting the very best and brightest, hedge fund firms will have to compete for top talent with the technology sector.

3

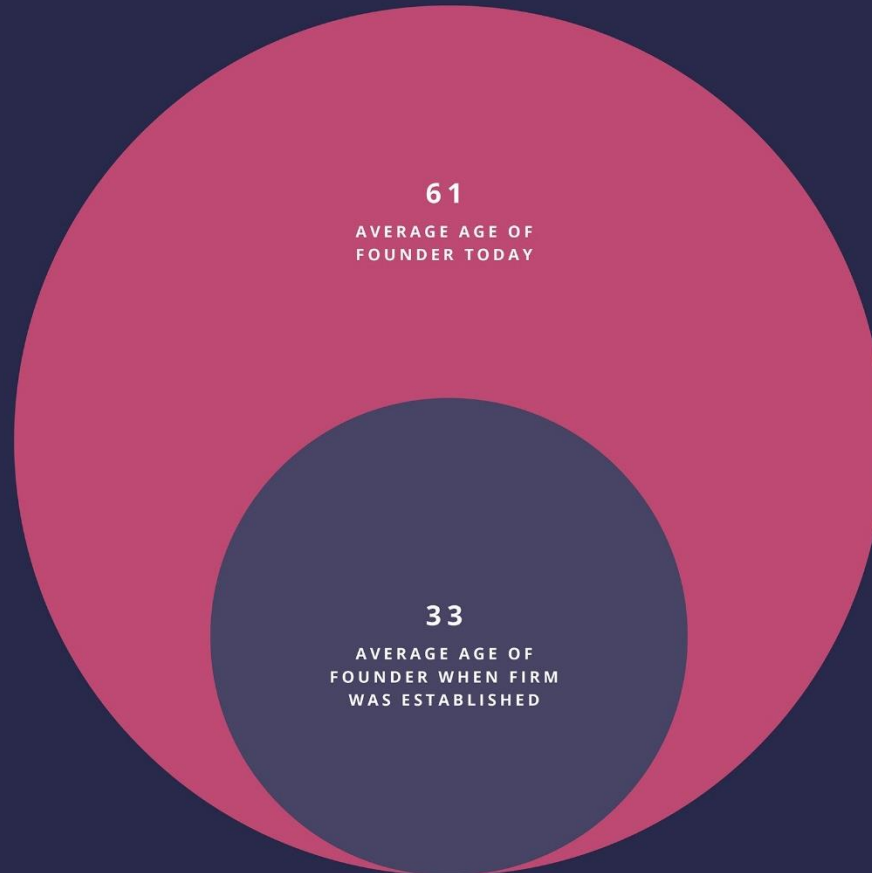
Hedge fund firms are encouraging internal collaboration and flattening their internal hierarchies.

4

Hedge fund firms are creating robust succession plans and working to win the trust of the public.

AGEING HEDGE FUND FOUNDERS

Average age of leading hedge fund founders



Source: AIMA Research
(Based on a population of hedge fund manager principals
who founded their firms before 1995)

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