



AIMA

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Message from AIMA's CEO



AIMA is constantly engaging with regulators and policymakers around the world. At the start of each year, we bring those conversations into the open at AIMA's Global Policy and Regulatory Forum, where fund managers and investors sit across the table from the policymakers shaping the rules that govern their businesses. The most recent forum took place in March in Dublin, and one theme that stood out to me was the keen focus on growth and competitiveness, and how that agenda is expressed differently across regions and national markets.

This edition of the AIMA Journal continues that conversation, and unsurprisingly, private markets feature prominently. Contributors explore the forces shaping alternative investment markets, including the evolving roles of private credit and asset-based lending, governance priorities for private asset managers, regulatory developments across key jurisdictions, and the growing influence of technology, digital assets, and tokenisation on the industry's future.

As one contributor notes, these markets continue to grow, and greater regulatory attention is both inevitable and welcome. Articles examining asset-based lending, retailisation, and the regulatory priorities for private markets in the year ahead will help readers navigate a rapidly evolving landscape. For additional reading, AIMA's recent blog on the most important [takeaways from the AIMA 2026 Private Credit Investor Forum in Miami](#) offers timely perspectives from market participants.

Elsewhere, one article examines how India's equity markets are becoming better equipped to absorb market shocks. Earlier this year, we hosted our first in-person event in India, exploring how GIFT City is reshaping access to Indian markets, the key levers for fund managers, and the next phase of growth in the country's investment ecosystem.

Another contribution examines the realities facing emerging managers launching a hedge fund today, highlighting the importance of strong operational foundations, credible strategies, and alignment with investors in an increasingly competitive environment.

Digital assets, and more specifically tokenisation, have been a recurring theme in the AIMA Journal in recent years. While one contributor explores the rise of stablecoins, another examines the emergence of tokenised funds and the opportunities they present for alternative managers. AIMA has been closely tracking tokenisation's evolution from concept to practice. Our recent report, [Tokenizing Alternatives](#), offers an in-depth look at the opportunities, challenges and regulatory developments shaping this transformation.

Many of these themes, from private markets to digital assets and the next generation of fund managers, will be front and centre at [AIMA's upcoming global events](#). Whether it is our [Digital Assets Conference in New York](#), the [Next Generation Manager Forum](#) in London, or the [AIMA Global Investor Forum](#) in Toronto, these gatherings provide valuable opportunities for learning, networking and collaboration. We encourage members to take advantage of these forums to stay ahead of the industry's evolving landscape.

As always, thank you to our contributors, members and partners for making this journal an essential source of industry knowledge.

Sincerely,

Jack Inglis
CEO, AIMA





AIMA CONFERENCE CALENDAR 2026

May

- NEW YORK** 14 May | AIMA Digital Assets Conference
- TOKYO** 14 May | AIMA Japan Annual Forum
- LONDON** 19 May | AIMA Next Generation Manager Forum

June

- MONTREAL** 17 Jun | AIMA Montreal Forum
- LONDON** 24 Jun | AIMA Technology & Innovation Day

September

- SYDNEY** 15 Sep | ACC Private Credit Investor Forum
- SYDNEY** 17 Sep | AIMA Australia Annual Forum

October

- TORONTO** 14-15 Oct | AIMA Global Investor Forum
- LONDON** 7 October | Alternative Credit Council Global Summit
- HONG KONG** 28 Oct | APAC Credit Refresh
- HONG KONG** 29 Oct | AIMA APAC Annual Forum

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Alternative investments: A pocket guide to asset-based lending

Given the continued growth and focus on the private credit market as a viable alternative investment that provides a meaningful risk rated return and mitigated downside exposure, Academia Business Capital thought it might be a reasonable time to discuss our target market and private credit product. Based on the latest insights and trends, here is a refresher article covering key aspects of asset-based lending (ABL).

A pocket guide to asset-based lending

ABL has emerged as a vital financing tool for businesses seeking flexible, collateral-backed credit solutions. Especially in today's dynamic economic environment, ABL offers a lifeline to companies with valuable assets but inconsistent cash flow or limited access to traditional credit.

What is asset-based lending?

ABL is a form of secured financing where a business borrows money by pledging its assets such as accounts receivable, inventory, equipment, or real estate as collateral. Unlike traditional loans that rely heavily on creditworthiness and cash flow, ABL focuses on the value and liquidity of the borrower's assets.

Types of collateral used

ABL lenders typically prioritise assets that are easily valued and monetised. Common forms of collateral include:

- **Accounts receivable** – Often eligible up to 85–90% of face value.
- **Inventory** – Advance rates typically range from 50–75%.
- **Equipment & machinery** – Valued based on age, condition, and market demand.
- **Real estate** – Offers higher loan amounts but requires formal appraisal.
- **Intellectual property & marketable securities** – Increasingly considered in modern ABL structures.

How ABL works: Borrowing base & advance rates

The borrowing base is the cornerstone of ABL. It represents the maximum loan amount a borrower can access, calculated as a percentage of the eligible collateral's value. Advance rates vary by asset type and lender risk appetite. For example:

- **Receivables:** 80–85%
- **Inventory:** 50–75%
- **Equipment:** 50–75%
- **Real Estate:** 75–90%

ABL facilities are often structured as revolving lines of credit, allowing businesses to draw and repay funds as needed, with monthly adjustments based on asset valuations.



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Benefits of asset-based lending

ABL offers several strategic advantages:

- **Flexible access to capital** – Especially useful for growth, acquisitions, or seasonal needs.
- **Faster approval** – Collateral-focused underwriting speeds up the process.
- **Higher borrowing capacity** – Particularly for asset-rich but cash-poor companies.
- **Covenant-light structures** – Compared to traditional loans, ABL often has fewer financial covenants.

Risks, considerations and requirements

Despite its benefits, ABL comes with risks:

- **Asset risk** – Default may result in loss of critical business assets.
- **Valuation volatility** – Collateral values can fluctuate, affecting borrowing capacity.
- **Operational burden** – Requires regular reporting and monitoring of asset performance.
- **Over-leverage** – Businesses must avoid pledging too much of their asset base.

ABL vs. traditional lending

Feature	Asset-based lending	Traditional lending
Basic for loan	Asset value	Creditworthiness & cash flow
Speed	Faster	Slower
Flexibility	High	Moderate
Collateral required	Yes	Often optional
Ideal borrower	Asset-rich, cash poor	Strong financials & credit

ABL is particularly attractive to businesses that may not qualify for conventional loans but have valuable assets to leverage.

Industries that commonly use ABL

ABL is widely used across sectors where working capital and tangible assets are central:

- **Manufacturing** – Machinery, inventory, and receivables.
- **Retail & distribution** – Inventory-heavy operations.
- **Transportation & logistics** – Equipment and fleet financing.
- **Oil & gas services** – Capital-intensive operations.
- **Technology & SaaS** – Increasing use of recurring revenue receivables as collateral.

Recent trends in asset-based lending (2026)

The ABL market is experiencing rapid growth, projected to reach over US\$1 trillion in the next several years. Key trends include:

- **Fintech integration** – AI-driven credit decisioning and automated borrowing base calculations.
- **Cross-border expansion** – ABL is increasingly used in international transactions.
- **Non-traditional collateral** – Intellectual property and SaaS receivables gaining traction.
- **Private credit appetite** – Insurers, pensions, and family offices are increasing allocations to ABL strategies.

Governance priorities for private asset managers in 2026

Private markets continue to grow, and with that growth comes sharper regulatory attention. Throughout 2026, we expect regulators to double down on three pillars: valuation governance, controlled private-market liquidity, and the responsible adoption of AI. For managers, each trend brings both pressure and opportunity, and the firms that respond proactively will differentiate themselves with investors and regulators alike.

1. Valuation conflicts and governance

Conflicts of interest have always existed in private markets, but regulators now see valuation-related conflicts as one of the riskier points in the sector. Their focus is not only on identifying conflicts but also on the quality of governance, the robustness of oversight, and the clarity of documentation surrounding key valuation judgements.

Supervisors increasingly expect managers to demonstrate:

- **Clear accountability frameworks**, where ownership of valuation decisions is unambiguous and supported by strong committee structures.
- **Granular records of how material judgements were reached**, why methodologies were selected, and how conflicts were mitigated.
- **Defined triggers for ad hoc valuations**, helping mitigate stale marks and giving investors confidence that pricing reflects market reality.
- **Transparent reporting**, with greater disclosure around assumptions, sensitivities and the treatment of outlier events.

The use of continuation vehicles, cross asset transfers, and performance marketing based on unrealised gains is only intensifying scrutiny.

Where conflicts are material, regulators increasingly view the use of independent third party valuers as good practice, but delegation alone is no longer sufficient. Supervisors are now probing:

- Oversight of external valuers
- Identification of conflicts within valuation service providers
- Disclosure of scope, methodology and frequency of external valuations

2. PISCES and the rise of controlled private market liquidity

Another structural shift set to shape 2026 is the emergence of controlled liquidity mechanisms through platforms such as the Private Intermittent Securities and Capital Exchange System (PISCES).

These platforms introduce periodic trading windows for private company shares, giving companies control over pricing parameters, investor eligibility and disclosure obligations. They provide a way to improve liquidity without importing the full weight of the public markets regime.



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For alternative managers, PISCES introduces both strategic opportunities and governance challenges:

Opportunities

- New tools for portfolio management, including partial exits, liquidity events, and earlier recycling of capital.
- A potential avenue to enhance investor liquidity without disrupting fund structures.

Risks

- Pricing governance in semi liquid trading windows.
- Information asymmetry between existing and incoming investors.
- New conflict scenarios for managers coordinating transactions across multiple funds or vehicles.

Managers engaging with PISCES style platforms will need to ensure that their valuation processes, conflicts frameworks, and disclosure controls are capable of operating in a more dynamic secondary environment.

3. Artificial intelligence: supervision shifts from interest to expectation

AI adoption accelerated across the alternative investments ecosystem. Regulators are moving from curiosity to heightened supervisory expectation, including:

- Human oversight: ensuring that AI-supported decisions remain anchored to accountable individuals.
- Explainability and documentation: maintaining evidence that AI use aligns with conduct requirements.
- Governance and risk frameworks: particularly for models that influence portfolio decisions, client outcomes or regulatory reporting.

Managers should expect increasing pressure to demonstrate:

- Clear policies governing AI deployment.
- Defined responsibilities for model validation.
- Controls around data lineage, data quality and bias.
- Training and competence frameworks for staff interacting with AI tools.

The message is clear: AI can be transformative, but regulators expect firms to balance innovation with governance discipline.

Final thoughts: The governance agenda is reshaping expectations for managers

Conflicts management, valuation governance, emerging liquidity structures and AI adoption are becoming mutually reinforcing themes. Together, they reflect a supervisory environment that values:

- **Transparency.**
- **Accountability.**
- **Robust oversight.**
- **Investor-centric outcomes.**

For managers, 2026 isn't simply about compliance, it's about strengthening the governance foundations that will support growth, resilience and investor trust in an increasingly complex private markets ecosystem.

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Cyclical versus structural drivers in private assets performance: The case for continued allocation

Opportunities in private markets have shifted, and generating better-than-public-market returns now requires a new focus on operational excellence and identifying companies and opportunities aligned with structural forces.

In State Street's upcoming paper, *Private Markets at an Inflection Point: Reconciling Performance Challenges with Strategic Imperatives*, we argue that there is significant potential for alpha across private markets asset classes despite disappointment in recent performance data, underscoring that traditional justifications for private markets allocations have weakened.

The background

State Street's private equity index reveals that private markets have lagged the S&P 500 over every horizon from three months to ten years.

However, the current underperformance stems primarily from cyclical rather than structural factors, reflecting monetary regime change and commensurately higher costs of leverage, rather than permanent impairment of leverage and multiple expansion as mechanisms for enhancing equity.

This loss of liquidity in the market, occasioned by increased cost of leverage and availability of money, has made exits more difficult to achieve and reduced exit timing as a generator of returns. The market for Initial Public Offerings has contracted, eliminating another exit mechanism.

As interest rates stabilise and valuation multiples find equilibrium, these drivers should transition from headwinds to neutral or potentially positive contributors.

However, the competitive landscape suggests that future returns will depend increasingly on operational improvements and sophisticated selection, as financial engineering opportunities diminish in efficient markets.

Operational excellence in private equity as an alpha source

During the 1980s-1990s, multiple expansions — acquiring companies at lower valuation multiples and exiting at higher multiples — and leverage generated most returns, reflecting an era of financial innovation and deregulation. The 2000s witnessed the rising role of operational improvement as competition compressed arbitrage opportunities and forced genuine value creation.

The primary culprit in recent underperformance stems from systematic multiple compression across private markets. Driven by record inflows, entry multiples for buyout transactions reached historic highs during 2020-2022 and remain at or near record levels in North America and Europe, according to McKinsey data.

Our analysis shows that the future will favour managers with hands on transformation skills — those able to lift revenue growth and margins despite macroeconomic frictions. Top quartile operators have demonstrated a persistent Investment Rate of Return (IRR) gap over peers, and dispersion across managers is wider than in public markets — evidence that selection and operating depth, not generic asset class exposure, determine outcomes.



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For investment committees, this implies concentrating commitments with managers who can prove operating levers — from governance and incentive redesign to capital allocation and tech enablement — rather than relying on market beta or exit multiples.

Private equity's value-creation model is evolving. The era of easy returns through financial arbitrage has ended, replaced by a more challenging environment demanding genuine operational excellence. Firms demonstrating superior operational capabilities — digital transformation expertise, sustainability integration and supply chain optimisation — will capture disproportionate value, while those dependent on financial engineering may face structural disadvantages.

Opportunities in real assets

The confluence of deglobalisation, energy transition and infrastructure modernisation creates massive capital requirements ideally suited for private equity's operational value-creation model. These sectors require not only capital but also operational expertise in project development, stakeholder management and regulatory navigation.

The complexity of these projects creates barriers to entry that protect returns for firms with genuine operational capabilities, while government support mechanisms provide downside protection that partially offsets liquidity risks.

Geopolitical fragmentation, while creating cross-border friction, simultaneously generates regional opportunities requiring specialised expertise. For example, the United States administration's industrial policy emphasis on domestic semiconductor production and clean energy infrastructure creates privileged investment opportunities with government support.

Real asset strategies within private markets also offer explicit inflation protection. Infrastructure, timber and certain real estate operating partnerships embed contractual escalators that broad equity indices only imperfectly replicate. These characteristics are particularly valuable under persistent inflation scenarios where nominal returns mask real value erosion.

Secondaries coming to the fore

The secondary market's evolution enables new value creation strategies. General partner-led continuation vehicles allow extended holding periods for operational improvements to fully materialise, while secondary transactions at 13.8% average discounts create opportunities for operational specialists to acquire assets mid-transformation. These mechanisms suggest that private equity's value creation model is adapting rather than failing, with operational improvement ascending as the dominant driver while financial arbitrage diminishes.

Conclusion

Private markets remain essential portfolio infrastructure — but for fundamentally different reasons than historical precedent suggests. They matter not because they offer superior risk-adjusted returns through financial engineering, but because they provide strategic participation in operational transformation that passive public market exposure cannot replicate.

The question facing institutions is clear: Do they possess the operational sophistication, patient capital and strategic commitment to navigate this transformation while capturing its strategic advantages?



Private equity's value-creation model is evolving.

The era of easy returns through financial arbitrage has ended, replaced by a more challenging environment demanding genuine operational excellence.



Cyclical versus structural drivers in private assets performance

The case for continued allocation

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What emerging managers get wrong when launching a hedge fund

Launching a hedge fund in today's environment requires far more than a strong investment idea. Emerging managers must balance realistic budgeting, credible strategy selection, robust compliance, and high-quality service providers to meet increasingly demanding allocator expectations. Those who get these fundamentals right are far better positioned to survive the early years, build investor confidence, and capture new capital as launch activity rebounds into 2026.

A nascent hedge fund manager may have a promising strategy and a strong circle of friends-and-family investors, but launching a successful hedge fund is no easy feat. Many aspiring managers carry the flawed belief that "if you build it, investors will come," launching without a clear plan to attract and retain capital. Investors today scrutinise operations and strategy from day one, and even minor weaknesses can cost a new manager credibility and capital.

The worst year in a decade for new hedge fund launches was 2024. While activity has picked up in 2025, capital raising remains difficult, with investors showing a preference for proven names. Allocators remain engaged but highly selective. Barclays' 2025 Hedge Fund Outlook found that hedge funds are set to receive the largest net allocation increase among asset classes, though preferences vary sharply across strategies and investor types.

The longer-term odds remain daunting. Goldman Sachs' Hedge Fund Survivorship study shows that only half of hedge funds are still in business after six to seven years.

New managers often fall into four avoidable traps: underestimating start-up costs, misreading investor appetite, overlooking compliance and investor readiness, or hiring service providers on price rather than quality. Each mistake can erode trust and undermine a manager's ability to establish a track record.

Misjudging start-up costs

Pressure on fees and costs affects how managers plan for launch budgets. Legal counsel, administration, and compliance are often undervalued. Many assume they can launch with minimal spend, only to face higher costs and operational headaches later. Emerging managers can underestimate the sheer number of moving parts — legal documentation, regulatory filings, administration, and compliance — that require upfront investment.

I used to tell prospective managers they needed at least US\$250,000 to launch. Today, the minimum is closer to US\$100,000, reflecting competitive service provider programmes. However, US\$100,000 remains a very thin budget, and starting too lean can create risk later.

According to [Seward & Kissel's 2024 New Manager Hedge Fund Study](#), average management fees for equity funds fell to 1.38% in 2024, while performance fee rates have also declined. Lower fee revenues leave managers with less cushion to absorb operational mistakes, making accurate cost planning at launch even more vital.

Bottom line: Tight budgets can lead to breakdowns mid-launch, investor frustration, and a higher probability of failure before managers have built a track record.



David Goldstein
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Misreading investor appetite on strategy

Allocators are selective about strategies. Barclays' Hedge Fund Outlook shows rising interest in complex approaches like Stat Arb and multi-manager platforms. These may appeal to investors but demand significant infrastructure and oversight. For new managers, chasing trends without the right scale can create operational and financial strain from the outset.

Quant-driven strategies are one example. Quantitative investing is a methodology applied across long/short, multi-asset, or derivatives strategies. It relies on systematic models, data, and technology for portfolio optimisation and risk management. While many emerging managers lean on hypothetical back-tested results, sophisticated allocators recognise their limitations. Investors typically want evidence of live implementation and disciplined risk controls before allocating.

Quant models may also involve high-frequency trading, generating heavy transaction costs. Unless a manager launches with substantial assets, fees and technology costs can overwhelm performance. Starting small with a strategy that only works at scale is a structural error that often leads to early failure.

Investor preferences remain grounded. In my estimation, long/short equity still dominates new launches (60–70%), while niche strategies remain on the margins. Launching with an out-of-favour approach can make an already difficult fundraising environment even harder.

Bottom line: Strategy choice is as critical as operations. Managers who overestimate allocator appetite for trendy or complex models often struggle to raise or retain capital.



Strategy choice is as critical as operations.

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Overlooking compliance and investor readiness

First-time managers often assume compliance is a one-time setup rather than an ongoing obligation shaped by shifting rules. The regulatory environment is constantly evolving, making it difficult to keep pace without external expertise.

Compliance strength must be built early. For example, one manager launched with administration and compliance support in place from the start, allowing a smooth transition from an onshore fund to a Cayman master–feeder structure. Providers guided them through complex requirements and helped avoid major setbacks.

Investor readiness also goes beyond paperwork. Sophisticated allocators scrutinise the investor experience, expecting digital subscription processes, timely reporting, and intuitive investor portals as standard. Without these, allocators may hesitate to commit.

Investor confidence is fragile. Changing administrators or fixing compliance gaps forces managers to explain themselves, raising questions about stability and past reporting. Every minute spent explaining operational missteps is time not spent demonstrating investment performance.

Bottom line: Compliance and investor readiness are inseparable. Regulators expect it, investors demand it, and failing to plan for both can derail a launch early.

Skimping on service providers

According to the Seward & Kissel study, 70% of new hedge funds in 2024 offered reduced-fee founders' classes, highlighting investor pressure on economics. Cutting corners early may damage a manager's reputation at the very moment they need to inspire confidence.

The most essential partners in a launch are the fund's law firm, administrator, tax and audit provider, compliance advisor, and prime broker. Yet many first-time managers select providers based on price or try to self-administer. Managers often underestimate how much credibility third-party oversight carries in investor due diligence.

Experienced investors expect independent fund administrators as a basic "check the box" requirement. Operational shortcuts can give allocators an immediate reason to say "no".

Early provider missteps are hard to unwind. In one example, a manager chose the lowest-cost administrator, only to face repeated reporting errors. Within a year, they were forced to switch providers, destabilising the fund at its most critical stage. Such changes must be explained to investors and can raise doubts about the accuracy of previously provided information.

Bottom line: Choosing the wrong service provider up front can create operational challenges and damage investor credibility.

Hedge fund launches in 2026

Launching a hedge fund remains complex and challenging. Misjudged start-up costs, poor provider choices, unrealistic fundraising expectations, weak compliance planning, or flawed strategy decisions can undermine a fund before it gains traction. Managers who overlook these fundamentals often find themselves repairing preventable problems instead of proving performance.

As the rebound in hedge fund launches carries into 2026, success will depend on more than generating returns. Allocators are engaged but highly selective, and hedge funds are positioned to capture new capital. Investors will be watching closely for managers who combine credible strategies with disciplined execution.



Choosing the wrong service provider up front can create operational challenges and damage investor credibility.



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From policy to participation

How policy reforms recast FII–DII dynamics in Indian markets

India's equity markets are often described as volatile, yet their deeper story over the past few years has been one of steady institutionalisation. While global cues continue to influence sentiment, the market's internal architecture has evolved meaningfully. A major driver of this evolution has been a deliberate policy push, across both the cash and derivatives segments, aimed at transparency, risk containment, and investor protection.

These reforms have coincided with a rapid rise in market depth, a sustained shift of household savings towards financial assets, and a stronger domestic institutional bid that has increasingly offset foreign risk-off flows.

A key marker of this transition is the expansion of India's mutual fund industry. As of December 2025, the Indian mutual fund industry's Assets Under Management (AUM) stood at US\$922 billion, rising over six-fold in the last decade.¹

This reform-led transformation has therefore reshaped the behavioural balance between Foreign Institutional Investors (FIIs) and Domestic Institutional Investors (DIIs), creating a more resilient market ecosystem. In earlier cycles, heavy FII selling often translated into sharp drawdowns and liquidity stress.

For instance, in 2025, foreign portfolio investors have been net sellers of Indian equities to the tune of approximately US\$18-19 billion.² Today, India's markets have become better equipped to absorb such shocks, with domestic capital acting as an increasingly dependable counterweight.

Key policy reforms across cash and derivatives markets

India's regulatory evolution has largely been guided by one principle: participation must grow alongside discipline. SEBI's recent measures reflect a broader intent to deepen markets without compromising systemic stability.

1. Strengthening corporate governance and disclosure standards³

In the cash market, SEBI has continued to raise disclosure expectations, sharpen scrutiny on related-party transactions, and strengthen compliance standards for listed entities.

For FIIs, such reforms make India's market structure resemble developed-market frameworks. For DIIs, they build trust in the long-term integrity of listed companies.



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1 <https://www.amfiindia.com/articles/indian-mutual> INR 80,23,379 crore at an assumed exchange rate of INR 87 per USD;

2 <https://economictimes.indiatimes.com/markets/stocks/news/at-18-4-billion-fpi-equity-sales-hit-new-record/articleshow/125968517.cms>

3 <https://knmindia.com/sebis-2025-reforms-what-global-investors-must-know-about-indian-deal-making/>

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2. Market microstructure and risk management reforms

A key pillar of SEBI's reform agenda has been strengthening market plumbing, including tighter risk management systems, improved surveillance, and enhanced transparency in trade reporting.

The intent is clear: liquidity must be deep, but also clean. Measures aimed at curbing excessive speculation, improving margin discipline, and monitoring market conduct have enhanced the quality of participation.

3. Derivatives Reforms to Reinforce Investor Protection

SEBI's recent derivatives-focused reforms,⁴ including proposals around position limits, product suitability, and margin structures, are aimed at ensuring that derivatives remain aligned with their core purpose: hedging and risk management.

Budget-linked commentary has also indicated a tilt towards encouraging long-term investing behaviour, reinforcing the broader policy theme that capital markets should support wealth creation rather than short-term gambling.

Impact on volatility, liquidity quality, and systemic stability

The resilience of India's market structure is increasingly visible in the way domestic institutions absorb the volatility caused by FII exits. In multiple market phases in 2024 and 2025, DII inflows continued even as FIIs reduced exposure, reflecting a structural domestic bid. For instance, India's mutual fund SIP inflows have remained consistently above US\$3 billion per month in FY 2025-26, reinforcing the predictable liquidity base DIIs can deploy into market corrections.

Figure 1 - Month-wise SIP contribution collected from FY 2016-17 onwards⁵

Month	SIP Contribution in USD millions									
	FY26	FY25	FY24	FY23	FY22	FY21	FY20	FY19	FY18	FY17
Total during FY	29,501	34,447	24,295	19,996	16,833	12,984	14,298	13,631	10,337	6,555
March		3,086	2,350	1,830	1,666	1,241	1,234	1,185	1,095	647
February		3,095	2,340	1,755	1,546	1,017	1,216	1,190	988	604
January	3,563	3,143	2,297	1,776	1,556	1,084	1,219	1,186	1,022	611
December	3,563	3,150	2,148	1,740	1,528	1,138	1,217	1,180	957	593
November	3,384	3,014	2,082	1,706	1,487	987	1,182	1,174	907	580
October	3,394	3,015	2,064	1,672	1,421	1,054	1,178	1,174	865	513
September	3,375	2,918	1,956	1,664	1,399	1,052	1,180	1,136	849	552
August	3,249	2,803	1,929	1,627	1,341	1,053	1,176	1,126	801	522
July	3,272	2,778	1,859	1,556	1,299	1,058	1,189	1,111	761	498
June	3,134	2,531	1,797	1,574	1,237	1,070	1,160	1,111	730	494
May	3,068	2,489	1,799	1,575	1,192	1,098	1,169	1,074	705	476
April	3,061	2,425	1,674	1,521	1,162	1,132	1,177	984	657	466

Liquidity quality: Depth with greater discipline

India's liquidity profile has improved because of a structural domestic capital base, supported by growing mutual fund assets, insurance allocations, and retirement savings. This domestic pool has become a powerful counter-cyclical liquidity source.

Systemic stability: A market less dependent on external cycles

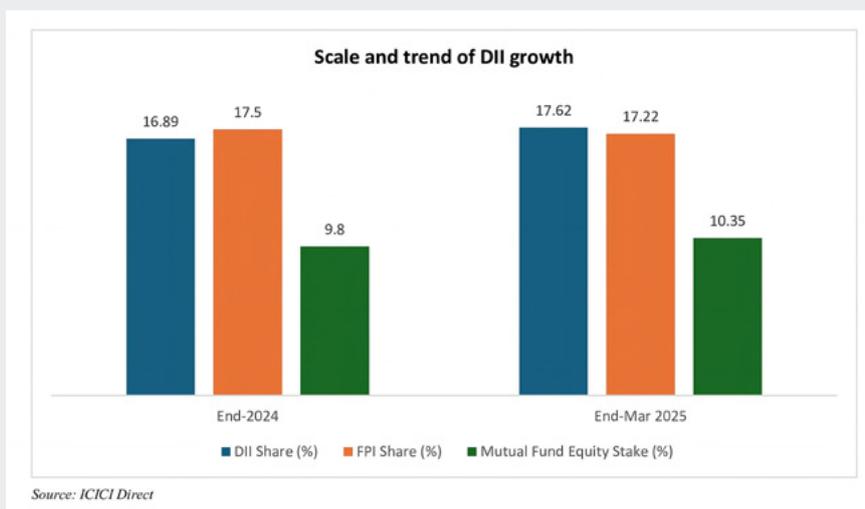
Perhaps the most meaningful outcome of these reforms has been improved systemic resilience, reflected in rising domestic participation over foreign flows. By early 2025, DIIs overtook foreign investors in India's equity markets, holding 17.62% of equity compared with 17.22% for FIIs. 27.1% of market capitalisation was domestically owned, making markets less dependent on foreign flows.⁶

4 https://nsearchives.nseindia.com/web/mediaattachment/2026-01/Market_Pulse_January_2026_FINAL.pdf

5 <https://www.amfiindia.com/articles/mutual-fund> Assuming exchange rates (INR per USD) are: FY17 – 67; FY18 – 65; FY19 – 68; FY20 – 70; FY21 – 74; FY22 – 74; FY23 – 78; FY24 – 82; FY25 – 84; FY26 – 87

6 <https://www.ibef.org/blogs/growing-power-of-india-s-diis>

Figure 2 - Trend of DII growth⁷



Behavioural changes between FIIs and DIIs during volatility and policy transitions

Policy reforms have not only changed the market’s structural stability - they have also influenced investor behaviour. FIIs continue to operate with a global opportunity lens. Their allocations to India are influenced by comparative valuations, earnings momentum, currency stability, and global risk sentiment.

Morgan Stanley’s India equity commentary has highlighted India’s differentiated earnings profile and structural growth advantage relative to many peers, reinforcing why FIIs tend to re-enter India quickly after risk-off phases .

Yet, DIIs have arguably undergone the most profound behavioural shift, with domestic mutual funds, insurance companies, and pension-linked capital becoming structurally stronger over the past decade.

How policy evolution enabled sustained FII and DII participation

India’s policy trajectory reflects a deeper understanding of capital market development: participation is a function of confidence.

For FIIs, confidence comes from predictability, regulatory stability, and reduced governance risk. SEBI’s reforms around disclosure, surveillance, and risk management have reduced tail risks and strengthened institutional credibility. For DIIs and retail-linked capital, confidence comes from investor protection. Stricter oversight of intermediaries, better compliance enforcement, and clearer rules for product suitability are essential to sustaining long-term participation.

India’s policy reforms are not aimed at restricting participation, but at improving its quality. This is precisely what has enabled sustained FII and DII engagement even during global volatility cycles. India’s growth story, therefore, is increasingly supported not just by macroeconomic strength but by financial market architecture that inspires trust.

Conclusion

India’s capital markets are entering a more mature phase, shaped by policy reforms that prioritise transparency, systemic stability, and investor protection. The impact of these reforms is visible in the evolving relationship between FIIs and DIIs, which signals that India’s market future will not be defined only by how much foreign capital participates, but by how robustly domestic and foreign investors can coexist within a disciplined, well-regulated ecosystem.

In that sense, India’s equity markets are no longer simply responding to policy. They are increasingly being shaped by it, moving from policy intent to participation-led maturity.

7 <https://www.ibef.org/blogs/growing-power-of-india-s-diis>

CRS 2.0 comes to the Cayman Islands

With effect from 1 January 2026, significant changes have been made to the Cayman Islands CRS Regulations to implement the OECD's CRS 2.0.

Since 1 January 2016, the Cayman Islands has participated in the Common Reporting Standard (CRS). Ten years after it was introduced, the Cayman Islands Tax Information Authority (International Tax Compliance) (Common Reporting Standard) Regulations (CRS Regulations) have undergone their most significant amendments to date to implement updates made by the OECD to the CRS, known as "CRS 2.0".¹ The changes tighten data quality expectations, move key deadlines forward, require a local Principal Point of Contact (PPoC) and expand the scope of reportable data, particularly to address virtual assets. Cayman Islands Financial Institutions (CFIs) should familiarise themselves with the changes and ensure they are ready for the new regime.

We have provided an overview of the key changes for CFIs.

Registration requirements

Entities that become CFIs must now submit a registration form by 31 January following the calendar year in which the entity became a CFI; a move forward from the previous 30 April deadline. A transitional deadline of 30 April 2026 applies for entities that became CFIs during 2025.

Importantly, the "required information" that a CFI must provide upon registration has expanded. Newly added is the date on which the entity became a CFI; any number given to the CFI by the General Registry, the Cayman Islands Monetary Authority or another regulatory or supervisory body; a correct statement of the CFI's classification; and the details of a PPoC in the Cayman Islands.

Where any of the required information included in the registration form changes, a change form must be submitted within 30 days. Failure to do so could result in penalties.

Both registration and change forms are required to be "adequate, accurate and current" – in other words, they must contain all the details specified in the regulation, be correct and reliable and be as up-to-date as is reasonably practicable.

Principal Point of Contact

As noted, CFIs must now appoint a PPoC in the Cayman Islands. All CFIs that have not appointed a local PPoC have until 31 January 2027 to notify the Tax Information Authority (TIA) of such appointment. An industry advisory has been released which provides some clarity around what is meant by "in the Islands". Essentially, the PPoC requires a physical address in the Cayman Islands, i.e. not solely a mailing or correspondence address.

Due diligence

CFIs have always been required to establish, implement, maintain and comply with written CRS policies and procedures. However, such policies and procedures are now required to expressly

¹ The amendments to the CRS Regulations have been made by the Cayman Islands Tax Information Authority (International Tax Compliance) (Common Reporting Standard) (Amendment) Regulations, 2025.



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comply with the reporting and due diligence requirements in Sections II to VIII of the CRS itself (replacing the prior reference to Part 2 of the CRS Regulations).

This seemingly small change is likely to have a substantive impact on the content, and level of detail, of a CFI's written CRS policies and procedures; although it should not materially change the substance of what is required to be done in practice.

The CRS Regulations themselves now stipulate that a CFI must collect a "valid" self-certification at or before the opening of a new account. This requirement is subject to a limited "temporary lack of self-certification" carve-out for exceptional circumstances (where a self-certification cannot be obtained in time for opening of a new account, CFIs must apply pre existing account procedures until a valid self certification is obtained and validated). What will constitute a "valid" self-certification is also now defined. CFIs will need to update their on-boarding procedures to meet this new requirement.

Reporting requirements

From 2027 onwards, CFIs must submit both the CRS Return and the CRS Compliance Form by 30 June of the year following the reporting year (e.g. by 30 June 2027 for the 2026 reporting year). These deadlines accelerate prior timelines, which were previously 31 July for CRS Returns and 15 September for CRS Compliance Forms.

The CRS Return and CRS Compliance Form must also now be accompanied by a declaration that the information is "adequate, accurate and current".

The information that a CFI must report for each Reportable Account under the CRS itself has been expanded to include: whether the Account Holder or Reportable Person has provided a "valid" self-certification; where the Account Holder is an Entity, the role by virtue of which each Reportable Person is a Controlling Person of the Entity; whether the account is a joint account and the number of joint account holders; the account type (including whether it is a Pre-existing Account or a New Account) and, in the case of any Equity Interest held in an Investment Entity that is a legal arrangement, the roles by virtue of which the Reportable Person is an Equity Interest Holder.

Penalties and enforcement

The framework for imposing penalties has moved in two directions. On one hand, penalties no longer accrue interest and are limited to a combined primary-and-continuing penalty maximum of CI\$50,000 per offence. On the other, the TIA is no longer required to give a breach notice prior to issuing a penalty notice for reporting offences. This means there will be no ability to make written representations to the TIA and "informally" appeal any proposed penalty. The only formal avenue of appeal will be via the courts.

Virtual asset coverage

Finally, the CRS itself has been updated to reflect the developing virtual asset landscape, modernising a range of definitions to cover certain electronic money products, digital currencies, an interest in certain crypto-assets, as well as certain "Relevant Crypto-Assets" that can be used for payment or investment purposes. While many crypto-asset service providers are expected to be in scope of the OECD's Crypto-Asset Reporting Framework (those that, as a business, provide a service effectuating "exchange transactions" and "transfers" for customers involving relevant crypto-assets), some activities (for example, entities investing, administering or managing crypto-assets on behalf of others) may be captured under the CRS.

Conclusion

The introduction of CRS 2.0 represents a substantial change to the Cayman Islands CRS regime. While some transitional periods apply, CFIs should be taking steps now to get acquainted with, and prepare for, the new CRS regime (including updating policies and procedures and on-boarding protocols, once anticipated guidance is released) as reporting for the 2026 reporting period, due on 30 June 2027, will be under the new CRS 2.0 regime.

Why sensitivity is not risk management: Rethinking interest rate and FX scenarios for decision-making

Many alternative investment managers rely on sensitivity analysis to understand interest rate and foreign exchange risk, yet those outputs often fail to meaningfully inform decisions. This article explores why traditional approaches, particularly parallel curve shocks, lack context around market expectations, and argues for a more systematic, scenario-driven framework that better aligns risk analysis with portfolio structure and strategic decision-making.

Interest rate and foreign exchange sensitivity analysis is a foundational tool in the risk management toolkit of alternative investment managers. Most firms produce sensitivity metrics regularly. Many do so with rigor and technical care. Yet despite this effort, sensitivity analysis tends to break down under stress, providing limited guidance at the very moments when informed, forward-looking risk decisions are required.

The challenge is not the availability of data or analytical capability. It is context.

Too often, sensitivity outputs are treated as endpoints rather than inputs. Parallel shocks are applied, tables are generated, and results are archived. While this process may satisfy internal reporting requirements, it rarely provides the insight needed to guide portfolio construction, hedging strategy, or capital allocation. True risk management begins where sensitivity analysis ends.

The limits of parallel shocks

Traditional sensitivity analysis typically asks a narrow question: what happens if rates or currencies move by a defined amount? Parallel curve shifts, in particular, have become a default stress test due to their simplicity and comparability. However, simplicity comes at a cost.

Parallel shocks provide little context around market expectations. Real-world market environments are shaped by asymmetry, regime changes, and evolving narratives about growth, inflation, and policy. Yield curves steepen, flatten, and twist in response to these forces. Short-term and long-term rates often move in different directions, and basis relationships change as liquidity and risk sentiment shift.

By construction, parallel shifts abstract away this context. They assume uniform movement across tenors that rarely occurs in practice. As a result, they risk missing the conditions most relevant to future decision-making. The analysis may appear precise, but its explanatory power is limited.

Portfolio structure matters

One of the most important, and often overlooked, aspects of scenario analysis is that identical market moves can produce very different outcomes depending on portfolio structure.

Consider a simple conceptual example. An environment characterised by falling short-term rates and stable or rising long-term rates may present significant challenges for certain fixed income strategies, particularly those exposed to duration or curve positioning. The same environment, however, may be highly favourable for balance sheet-driven strategies that benefit from wider spreads or improved reinvestment economics.



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In other words, there is no universally “stressful” scenario. Stress is portfolio-specific. Sensitivity frameworks that rely solely on generic shocks struggle to capture this nuance, leaving decision-makers with an incomplete picture of how risk is likely to manifest.

From measurement to decision context

Recognising these limitations does not require abandoning sensitivity analysis. It requires reframing its role.

More mature risk programmes start with decisions in mind. Rather than asking how a portfolio responds to arbitrary shocks, they ask which market environments are most relevant to their strategy and objectives. Scenario design becomes a means of exploring plausible futures, not an exercise in mechanical calculation.

This shift places emphasis on decision context. Scenarios are evaluated based on their implications for earnings, valuation, liquidity, and capital, rather than raw deltas. Exposure is aggregated across instruments and risk factors to provide a holistic view. Most importantly, results are interpreted through the lens of defined risk objectives and constraints.

Systematic risk decisioning

At the heart of this approach is systematic risk decisioning. What distinguishes effective risk management is not the number of scenarios considered, but the discipline with which decisions are made.

Systematic risk decisioning applies a consistent framework to evaluate exposure, assess trade-offs, and determine action based on organisational objectives rather than individual preference or recent experience. Sensitivity analysis becomes one input among many, informing judgment rather than substituting for it.

Without this structure, risk decisions tend to become reactive. Analysis is used to explain past outcomes rather than shape future ones. Over time, this erodes confidence in both the metrics and the process.

The role of consistency and governance

Maintaining this discipline over time is challenging, particularly in environments where analysis is fragmented across teams or individuals. Inconsistent assumptions, undocumented changes, and duplicated models can all undermine the reliability of sensitivity outputs.

Consistency is not about enforcing a single view of the future. It is about ensuring that scenarios, assumptions, and decision rationales are applied and revisited systematically. This consistency supports clearer communication between front office, operations, and risk functions, and it provides a stronger foundation for governance and oversight.

Looking ahead

For alternative investment managers, the goal of risk management is not to predict the future. It is to make informed decisions under uncertainty. Sensitivity analysis remains a valuable tool, but only when it is embedded within a broader framework that emphasises context, portfolio structure, and disciplined decision-making.

By moving beyond parallel shocks and static assumptions, firms can better align risk analysis with the realities of modern markets and the needs of decision-makers. In doing so, sensitivity analysis evolves from a reporting exercise into a strategic capability.

Sensitivity is not risk management



 Derivative**PATH**

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Find out more at [DerivativePath.com](https://www.DerivativePath.com)

Private markets and efficiency in 2026

Looking ahead to 2026, we're seeing some clear trends: liquid alternatives and the retailisation of private markets are really gaining momentum. There's a big push for efficiency, with firms turning to technology and AI to cut costs and scale up. Private credit, evergreen funds, and hybrid structures are hot topics. Plus, outsourcing and smart tech partnerships are now essential, as AI changes everything from picking investments to streamlining operations.

Trends to build on in 2026

Two major trends have stood out in 2025: the rise of liquid alternatives and the retailisation of private markets. Institutional allocations to alternatives continue to grow, and the sector is becoming more accessible to high-net-worth individuals and retail investors through innovative fund structures and investment platforms. Private credit, real estate, and infrastructure remain key client segments, and we're seeing notable growth in evergreen and semi-liquid vehicles.

Additionally, firms are extremely focused on cutting costs. They are leveraging technology, demanding more from their service providers, and seeking ways to scale their operations efficiently.

Growing demand for operational efficiency and flexibility

We've seen a significant uptick in demand for retail transfer agency (TA) and standalone TA services, as well as private credit fund administration. There's also been more interest in lift-out conversations and evergreen vehicles, especially evergreen credit. Asset allocator services, particularly for large pension funds, have also become increasingly popular. These trends are driven by firms wanting greater operational efficiency and the ability to offer more flexible investment structures to their end investors.

Trends shaping firms' priorities in 2026

While firms' priorities will continue to align with the trends I mentioned earlier, there's a growing emphasis on the impact of new technology and AI solutions to further improve operations in day-to-day work, areas where we excel as leaders in this space. Another major focus is scaling operations across data, operations, risk, and monitoring, so outsourcing partnerships and technology investments are becoming even more critical. I also anticipate that lift-out discussions will continue to be a trend. Additionally, the increased prevalence of fund structures that provide liquidity options is blurring the lines between traditional and alternative asset managers. We're seeing hybrid products and evergreen vehicles that combine public and private portfolios.



Elaine Chim
Global Head of Fund Services
Apex Group

The growing importance of AI to stay ahead

The impact will be transformational across the entire lifecycle of the alternatives industry. For investment selection, AI tools can help scan for suitable portfolio company targets by performing analysis on vast amounts of information and performing complex investigations that would be impossible manually. In fund operations, AI is already replacing high-volume, low-risk tasks with minimal human intervention, as seen in our use of Graphite for [transfer agency services](#). AI also enables ongoing monitoring, such as identifying covenant breaches, tracking KPIs, and providing real-time alerts for irregular activity, as well as automating valuation updates. Going forward, managers will need to either leverage their own AI tools or work closely with vendors who are already leading in this space to stay ahead of the curve.

[Read more on our Financial Services Industry Outlook for 2026](#)

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Why alternative managers should be alive to the rise of stablecoins

The digitalisation of the asset management space is continuing to evolve at pace. Tokenisation and digital assets are, for instance, increasingly part of the private markets landscape. Now, stablecoins are central to the conversation too.

Despite being around for more than a decade - stablecoins first emerged in 2014 with the introduction of USDT (Tether) - 2026 looks set to be a pivotal year in their journey, with the industry seeing a rapid acceleration in terms of issuance and volume.

A form of privately issued digital asset, stablecoins operate on both public and private blockchains, the underlying principle being that they are a digital currency that can be used for regular and routine transactions because of their stable value.

And, as a recent paper entitled '[The Impact of Stablecoins](#)' published jointly by IFI Global and Jersey Finance shows, stablecoins are increasingly adding real value to the alternative investment space, representing a significant opportunity for bringing liquidity, inclusivity and operational benefits to the private markets.

Natural evolution

2025 was a significant year for stablecoins, with the sector growing by 20% in the third quarter of the year (JP Morgan, 'What to Know About Stablecoins', September 2025). In fact, the sector's growth is currently outpacing that of traditional asset classes. Today, it has reached a total market capitalisation of close to US\$300 billion (RWA.xyz, February 2026).

This growth is largely driven by greater adoption by institutional investors, with stablecoins becoming an established part of the investment industry, as investors recognise the benefits they can bring to the investment process and wider infrastructure.

Key benefits of stablecoins for private funds, for instance, include enhanced liquidity in a sector that has traditionally been highly illiquid, improved investor accessibility, cross-border interoperability and speed.

At the moment, investing in a private asset fund, for example, is a multi-day process – but the use of stablecoins can deliver significant efficiencies. By enabling near-instant settlement, stablecoins streamline the transfer of value between parties, reduce reliance on traditional intermediaries and deliver cost-efficiencies.

Furthermore, asset managers can have the option to programme dividend payment or profit distribution through smart contracts. Stablecoins act as the medium of exchange within these contracts, allowing for automated dividend distributions and profit sharing. This can reduce cost and enhance the transparency of fund operations.



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Head of Funds
Jersey Finance

At a time when many private fund managers are facing pressure from rising operational costs (a recent Calastone report forecasts a 32% increase in fund processing costs for asset managers over the next three years, for example) and when they are looking to diversify their investor base, this could be of considerable help.

Most commonly, however, stablecoins are being considered in connection with tokenisation. Stablecoins are an integral part of tokenisation as they provide a stable medium-of-exchange and near instant settlement for assets on chain, something that has the potential to lead to significant growth in secondary market activity.

Overall, the appeal of stablecoins is in making private capital nimbler and more attractive to any LPs who are currently put off by the illiquidity in this sector. And the evidence is that uptake will continue to grow in practice - 70% of UK and US private fund managers surveyed for the Jersey Finance/IFI Global report said they were considering incorporating stablecoins into their operational development.

The indications are clear - supporting stablecoin development is a substantial opportunity and represents a natural step in the evolution of the investment funds landscape. Exploring the full opportunity presented by stablecoins, and assessing how to adapt, will be critical for managers in the coming years.

Challenges

This acceleration in the adoption of stablecoins is not without its challenges, though. Managers and other participants face a number of structural, operational and regulatory issues.

Cash and treasury management arrangements are an example of this. Managers will be required to create new systems to track, verify and reconcile stablecoin transactions, which will likely be on multiple ledgers, whilst also maintaining their traditional operational processes at the same time.

Custody and counterparty arrangements are going to be another challenge as stablecoins are not yet fully supported by most traditional regulated custody providers. Managers will need to transition from their existing TradFi service providers to regulated digital asset custodians, who have the infrastructure and experience in supporting the settlement, reporting and compliance of digital assets. In addition, the counterparty risks associated with the stablecoin issuer must be managed, particularly if the issuer is an offshore entity.

Finally, compliance and regulatory reporting processes are often ill-suited to handle blockchain-based instruments. Stablecoin transactions may well trigger anti-money laundering (AML), know-your-customer (KYC) and sanctions-screening obligations that differ from those applied to traditional payments. Integration with standard reporting systems also remains incomplete, as most financial market infrastructures are built around traditional payment rails, rather than tokenised cash equivalents.

Critically though, none of these challenges are insurmountable – and from a regulatory perspective, emerging frameworks around the world are signalling a shift towards recognising stablecoins as an integral part of the future financial system.

In the US, for instance, the introduction of the GENIUS Act has given the stablecoin market a clearer regulatory pathway. The Bank of America estimates that there will be a US\$75bn bump in stablecoin supply from the introduction of the GENIUS Act alone (CoinDesk, 'Stablecoin Supply to Grow as Much as US\$75B Following Passage of GENIUS Act', July 2025).

Stablecoins are an integral part of tokenisation as they provide a stable medium-of-exchange and near instant settlement for assets on chain, something that has the potential to lead to significant growth in secondary market activity.

Vital link

Challenge or not, what is clear is that stablecoins are a major part of the new digital infrastructure that is coming to the asset management industry. They are no longer peripheral; they act as a vital link between traditional and decentralised finance and have the potential to be transformational to the private markets.

Foundational to liquidity, operational efficiency and inclusivity in private markets, in 2026 stablecoins look set to play an increasingly important part in the next era of private capital formation. Against that backdrop, asset managers will not be able to ignore them.

The report, 'The Impact of Stablecoins', can be found [here](#).



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Tokenisation as future-proof distribution vector and alpha opportunity

This article covers the advent of tokenised funds and the opportunities it offers fund managers exploring alternative investment vehicles.

As of November 2025, a little over US\$36 billion in tokenised real-world assets exist across 249 issuers. What this enables asset managers to do, is leverage tokenisation across two complementary perspectives: (i) as a distribution vector accessing previously underserved capital, and (ii) as an investment opportunity enabling novel alpha generation paired with operational improvements.

Tokenisation as distribution vector for on-chain capital accessibility

With HNWI and UHNW investors rapidly deploying capital into tokenised private credit, on-chain capital — which includes stablecoins and crypto-native investors, represents approximately US\$290 billion in direct investment demand for professionally managed funds. These investors have so far, lacked native access to diversified yield-bearing alternatives and money market solutions with composability.

Simultaneously, tokenisation has democratised access for mass affluent: with minimum private equity investments reducing from US\$5 million to US\$20,000, thus expanding the addressable investor base 10-50x.

Consider this: US\$48 billion flowed into private credit in H1 2025 alone, with 40% of HNWI investors targeting >20% portfolio allocations to private assets. Simultaneously, evergreen fund structures have scaled to over US\$350 billion AUM across 520 funds. The result: massive addressable private market capital now seeking fractionalised, liquid tokenised structures. Furthermore, an investor can trade private credit commitments on secondary markets within hours, previously impossible, while accessing 8-12% yields with \$10-50K minimums, instead of US\$500K minimums.

Generational wealth transition and digital-native preferences

Over the next two decades, US\$124 trillion is expected to transfer from baby boomers to younger generations, with millennials inheriting US\$45.6 trillion. Younger investors today allocate 12% of portfolios to digital assets and show 10 times higher willingness to deploy capital into private credit and alternatives than Baby Boomers.

For asset managers, this creates a massive structural advantage: younger inheritors possess investable assets but lack exposure vehicles matching their preferences, i.e. digital settlement, 24/7 accessibility, transparent on-chain data, composability.

Asset managers tokenising funds, establish brand positioning and distribution relationships, before traditional competitors recognise the shift.



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COO - Asset Management
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Laser Digital



Florent Jouanneau
Head of Distribution, Asset
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Laser Digital

Investment opportunities: Novel alpha mechanisms

When tokenised funds become native DeFi assets, they unlock yield farming, recursive leverage (looping), collateral multiplication, and cross-protocol composability strategies — mechanisms that simultaneously generate investor returns while reducing funding costs. Some use cases include:

- **Yield farming and collateral deployment:** Traditional Treasury holders receive single-layer yields while tokenised holders capture base yield plus collateral deployment income.
- **Recursive leverage and looping:** Tokenised private credit enables conservative recursive borrowing: depositing funds as collateral, borrowing stablecoins, redeploying borrowed capital into additional fund positions, while maintaining >200% collateralisation ratios.
- **Cross-protocol composability:** RWA tokenisation has shown to enable autonomous yield-generating machines, automating returns across multiple protocols.
- **Institutional private credit strategies:** Tokenised private equity feeders can enable almost instant liquidity in stablecoins, unlocking compliant, real-time liquidity backed by U.S. Treasuries with 9-12% projected returns plus automated distributions.



Depending on how tokenisation is performed, tokenisation may require changes to your offering documentation and/or agreements with your service providers as well as regulatory notifications.

The playbook for asset managers approaching tokenisation

Asset managers should consider how to approach tokenisation considering various criteria, some of which include:

- **Product selection:** Prioritise products suitable for mass affluent (US\$1M-30M net worth) seeking private market access, particularly illiquid asset classes where fractionalisation creates demand.
- **Infrastructure:** Leverage partnerships with institutional-grade platforms with proven ability to launch on-chain investment funds, rather than building internal infrastructure.
- **Legal & regulatory considerations**
 - Depending on how tokenisation is performed, tokenisation may require changes to your offering documentation and/or agreements with your service providers as well as regulatory notifications.
 - With respect to looping strategies and alike, these strategies require careful governance. Asset managers that enable looping or yield farming must explicitly authorise or restrict such practices in fund documentation.
- **Risk management:** Implement collateral monitoring infrastructure to track downstream deployment. Reserve a fixed buffer (say 10-15% AUM) in liquid instruments for frequent redemption support. If investing in recursive looping strategies, consider maintaining a significant (e.g. >200 percent) low LTV ratio, to pare potential liquidation loss (LLTV) and maintain healthy ratios. And finally, consider stress-test scenarios modelling >50% token value declines and demonstrate how your strategy is resilient to shocks.

The decision among asset managers to approach tokenisation has become a matter of “how” and “when”, considering the market’s competitive positioning from US\$35.83 billion toward US\$100+ billion by 2027.

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People strategy in alternative investment

How to elevate your people strategy beyond industry benchmarks

For many years, alternative investment managers have been regarded as leaders in employee benefits and reward. High compensation, comprehensive healthcare and above-market pension provision have historically underpinned a strong employee value proposition. Yet, as the industry evolves, with technology and AI becoming even more crucial to business operations, we are witnessing a shift in talent acquisition. The question facing firms today is not whether their benefits are competitive, but whether their people strategy is genuinely aligned with the workforce they are trying to build for the future.

Having worked with alternative investment firms of all sizes for over 15 years, one striking observation is how little the core benefits architecture has changed over that period. Our most recent UK Workforce Trends Report, due for release in March 2026, reinforces this point; around 96% of alternative investment firms continue to offer Private Medical Insurance, with the majority covering pre-existing conditions. Healthcare remains the cornerstone benefit, driven by high expectations and high utilisation. However, the report also highlights that 82% of organisations across all sectors now offer Private Medical Insurance, making higher-tier benefits more uniform across all industries.

Similarly, there are longstanding norms that persist in other areas. Life assurance at four times salary has long been the standard level offered, with approximately 70% of alternative investment firms offering this level of cover, compared with closer to 50% in many other industries. Pension provision also reflects historical leadership. Prior to automatic enrolment, non-contributory employer rates of 10% and above were not uncommon, implemented by firms that chose to offer generous retirement provision before this became law. While automatic enrolment has since introduced greater variability, alternative investment firms still tend to sit ahead of the wider market, with higher employer contributions where pensions are based on base salary alone.

Taken together, this data tells a familiar story. Alternative investment has traditionally offered depth and richness in benefits. However, it also highlights a growing issue. As other industries invest heavily in their people propositions, the gap is narrowing. Benchmarking against peers may provide comfort, but when everyone follows the same norms, differentiation disappears. Employee benefits offerings run the risk of becoming generic, expected, and ultimately invisible.

In the present environment, firms are starting to recognise this. There is a noticeable shift towards more life-stage focused benefits, particularly in areas historically underrepresented within core provision. This shift reflects the commitment from our industry to invest in creating a more inclusive environment, but there is still some way to go if we want to continue diversifying talent streams. Recent discussions with senior leaders at smaller alternative investment firms highlight growing attention on women's health, menopause support and broader health issues not routinely addressed by traditional healthcare plans. For organisations with a substantial proportion of female employees across long careers, they represent material workforce issues.



David Cartwright-Forbes
Head of Specialist Markets
Gallagher

Other areas where we see a growing demand tell a similar story. Gender reassignment and inclusive health benefits were rarely discussed in the alternative investment context, even five years ago. In other sectors they are now considered non-negotiable. Compared to technology, professional services and parts of financial services, alternative investment has been slower to adopt some of these more progressive elements of employee support.

There are several reasons for this lag. The industry has long prioritised performance and cash-based reward, with benefits playing a supporting, rather than strategic, role. Decision-making structures have historically reflected gender imbalances, shaping benefits through a narrower lens. Founder-led cultures, particularly in early-stage firms, have often assumed that paying people well is sufficient, leaving individuals to address personal needs independently. Overlaying all of this is a degree of stigma and discomfort around sensitive health topics that has limited open discussion.

Yet demographics are shifting, and with them the relevance of these issues is increasing, especially for non-investment roles where compensation is less significant, and the overall employment experience carries greater weight. Benefits increasingly need to reflect not only who a firm employs today, but who it wants to attract tomorrow, and what it stands for as an employer.

Looking ahead, our recent survey asked firms what actions they have taken in the last 12 to 18 months to support attraction and retention. The responses extended beyond benefits into areas such as organisational purpose, culture, employee communication and employer brand. These dimensions are often more challenging for alternative investment firms than for other industries and defining a purpose beyond financial performance is inherently complex; cultures may emphasise individual performance and progression over collective identity. As firms scale, communication relies heavily on next-line leaders to be the culture carriers and to translate intent into lived experience, which can dilute the original message.

Historically, high compensation has reduced the perceived need to focus on these areas. However, this assumption is becoming increasingly fragile. The nature of alternative investment is changing, as is the talent it requires. Firms are competing for technology, data and operational specialists who are accustomed to more agile, people-centric environments. Younger generations place greater emphasis on transparency, purpose and balance alongside reward. The hiring pool is broader, more diverse and less willing to accept legacy models without question.

For alternative investment firms, this creates a clear strategic imperative. If it is accepted that people genuinely drive business performance, then a forward-looking plan for building, engaging and retaining talent is no longer optional. Benchmarking remains useful, but it is not sufficient, and firms must move from copying market norms to deliberately designing people strategies that align with their values, demographics and long-term ambitions.

Organisations that move beyond benchmarking to elevate their people strategy will not only strengthen their employee value proposition but also position themselves more effectively for an industry that is evolving in both form and expectation. The future of people strategy in alternative investment is less about adding more benefits, and more about making clearer, more intentional choices about what truly matters to your people.



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