



# AIMA GLOBAL INVESTOR FORUM **2020**

*Alternatives for a new future*



## Highlights



Jack Inglis  
CEO, AIMA

The **AIMA Global Investor Forum** convened 460 industry professionals from 26 countries on October 6 and 7 to discuss the next chapter of the alternatives industry and to celebrate AIMA's 30th anniversary.

Expert panels and keynote interviews covered timely topics such as the role of alternative assets in investors' portfolios, what next generation managers need to do in order to succeed and the growing awareness of the importance of diversity and inclusion efforts, alongside 1-on-1 meetings that drove charitable donations to [Help For Children](#) to fund the fight against child abuse.

## Alternative investments are here to stay

- A recent JP Morgan study predicted that the expected return for a 60/40 allocation for the next 10 years would be at 3.5%, which is far lower than investors have come to expect. The disappointment of anaemic returns from traditional investments is leading to more investors turning to the alternatives space for solutions.
- The hedge fund industry has been very resilient through the current pandemic-induced market turmoil, much as it avoided many of the stresses experienced during the 2008-09 crisis. Investors across all jurisdictions shared the view that the industry has passed the acid test when it comes to operational robustness.
- In addition to the advantages that alternative investments can offer portfolios, they are also benefiting the real economy. Private credit firms, for example, have actively been ensuring that their investee companies have sufficient liquidity to weather this period of economic crisis.

## Investors are seeking alpha production and drawdown protection

- In a world of low interest rates, aging demographics and a backlash against globalisation, alternatives can provide a good source of steady and stable returns that are important to matching liabilities – a key aspect for investors such as pension funds.
- Large allocators also need strategies that can do this at scale. While questions abound regarding industry capacity, there is plenty of room to grow. The hedge fund industry grew from \$250bn a quarter of a century ago to around \$3trn today, but during the same period the public equity markets have grown from \$20trn to \$115trn.

## Responsible investing remains a priority to drive both change and returns

- Investors around the world are increasingly committed to ESG and responsible investment. It is becoming more common for investors to use data, from traditional and non-traditional sources, to develop ESG models to evaluate external managers and the impact of external factors like climate change and to ensure that they are implementing the right kind of policies to drive positive change.
- Regulation driven by European regulators will also have an impact on managers outside the region in terms of both reporting and data collection.

## Innovation, culture, and alignment are the keys to success for the industry's next chapter

- Hedge funds tipped for success have been at the forefront of adopting new technology and remain committed to innovation for both portfolio management and risk management
- Despite the challenges of breaking out, opportunities remain for the next generation of investment managers. Investors that actively invest with early stage managers appreciate that newer investment managers generally offer better transparency and fees, and, in the hedge fund space particularly, these "hungry" managers can quickly adapt their strategy to changing market environments.
- For those managers who are starting out, the biggest piece of advice is to be open and transparent with allocators. This can include having skin in the game or designing a fee structure that ensures alignment of interests with their investors.
- Mainland China offers an abundance of new talent and technology but requires careful due diligence.
- Investment managers are increasingly aware of the necessity to recruit more diverse talent and create cultures of inclusion. While it must be taken seriously by the firm's senior leadership, all the people that work at the firm need to live this ethos.
- A strong culture can also help navigate the perils of succession planning and transition the investment management firm to the next generation, which must be considered a multi-year, and multi-role process with the right incentives.

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**Alan M. Schrager**  
OHA



**Amanda Pullinger**  
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**Andrea Ash**  
RPMI Railpen



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Fund Australia



**Heather Cooke**  
The Audra Group  
Family Office



**Hon. Tara A. Rivers**  
Cayman Islands  
Government



**Hua Fan**  
China Merchants Bank  
Wealth Management



**Ian Colon**  
Maples Group



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**Carolyn Cartier-Hawrish**  
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**Chinwe Odimba-Chapman**  
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**Danilo Simonelli**  
Ontario Teachers'  
Pension Plan



**Isaac Septon**  
The Observatory



**James Ellison**  
Equity Trustees  
Fund Services



**Jeff Bunce**  
Mercer Canada



**John Claisse**  
Albourne Group



**Dawn Slevin**  
Environmental Liability  
Solutions Europe



**Desiree Wang**  
J.P. Morgan



**Doug Smith**  
Kent Strategies



**Eduard van Gelderen**  
PSP Investments



**Jo Taylor**  
Ontario Teachers'  
Pension Plan



**Joanna Roberts**  
CMPA



**John McCormick**  
Blackstone Alternative  
Asset Management (BAAM)



**John Ventress**  
Lombard Odier  
Investment Managers



**Elena Manola-Bonthond**  
CERN Pension Fund



**Jonathan Bailey**  
Neuberger Berman

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**Joyce Chan**  
J.P. Morgan



**Justin Feldman**  
Alliance Bernstein



**Karen Sihra**  
CPP Investments



**Kellie Sauls**  
TRS of Texas



**Panayiotis Lambropoulos**  
TRS of Texas



**Peter Stapleton**  
Maples Group



**Rizwan Jamal**  
Affiliated Managers Group



**Robert E. Furdak, CFA**  
Man Group



**Karl Wachter**  
Magnetar Capital LLP



**Kevin Neubauer**  
Seward & Kissel LLP



**Lewis Prescott**  
Mingshi International



**Liam O'Sullivan**  
RPIA



**Roy Kuo**  
Church Commissioners  
for England



**Sriram Jaganmohan**  
Miras Investments



**Stephen Meli**  
Foley & Lardner LLP



**Tom Sabourin**  
Polar Asset Management



**Magdalena Hakansson**  
AP1



**Michelle Perry**  
Aksia



**Murray Steel**  
Man Group



**Niamh Ryan**  
Simmons & Simmons



**Toshikazu Yamazaki**  
Asset Management One  
Alternative Investments



**William C Jenkins**  
River & Mercantile  
Solutions



**William J. Kelly**  
CAIA Association



**William Ma, CFA, CAIA**  
Noah Holdings Limited



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