

CLOSING NOTE: LETTER FROM THE OUTGOING AIMA CHAIRMAN



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Outgoing Chairman of AIMA's Council
September 2016 to September 2020
Current Council Member

It is appropriate at AIMA's 30th anniversary to look at how our industry has grown in that period and—more important—where it can go from here.

The hallmark of the alternatives industry over the past 30 years has been change, and adapting to change—implicitly recognizing that ours is an opportunistic, nimble industry, responding rapidly to new developments and the ever-evolving needs of society.

Over the next 30 years, we can expect more of the same—but here, “more of the same” means more continued, dynamic change rather than any kind of stasis.

Our investor base has changed, and we have changed to accommodate it. Where we used to manage primarily for wealthy individuals and families, today most of our assets come from institutional investors, who themselves are managing funds for millions of retirees and other beneficiaries.

Our regulatory environment has changed, and our industry has become somewhat more concentrated. Those two tend to work hand in glove in a positive feedback loop: increased regulation creates barriers to entry, making scale more valuable, creating a demand by the public (and the industry's financial competitors) for more regulation. There is scant evidence of any change in that trend.

The markets have changed, and we have changed in response to them. Today we think of things like quantitative investing, artificial intelligence, neural networks, alternative credit and ESG considerations as the newer things we focus on, while not abandoning the tried-and-true analytical methodologies and hedging techniques that gave us our initial breath of life with Alfred Winslow Jones, if not Ben Graham.

We are an attentive, opportunistic industry, carefully watching the landscape, ready to pounce on the next opening, hopefully before any of our competitors.

We invest enormous sums in the search for profitable investment opportunities, using every imaginable means. In times of disruption, those opportunities present themselves in ways not previously considered. When we are successful, our myriad investors and their beneficiaries reap the benefits.

Where will our industry be at some point in the future? Who knows? All we can be certain of is that we will not be where we are now. We will have moved on from the themes of today, some of them identified above, and will be finding new boundaries, new methodologies, to seize the moment. At the same time, the methodologies that are today the new frontiers will still be in our arsenal to the extent that they have proved successful and productive.

That said, two areas of immediate adjacency stand out for the near future. As markets evolve geographically, alternative funds, and AIMA, will be there. China is an obvious candidate for substantially increased investments, but some emerging areas of Asia Pacific, as well as Latin America and Africa, are witnessing the green shoots of early growth. Internally, too, we are all recognizing the need to broaden our recruiting horizons.

Throughout history, talent has been spread more diversely than opportunity, and if we are to continue making the best talent available to our investors, we need to put aside familiarity bias and find that talent wherever it may be. Progress has been slow, but it is visibly accelerating.

We are the petri dish of the financial markets, and through the financial markets, of the global economy itself. The goal, as always, is to maximize returns relative to the associated risks; the more effectively we do that, the more efficiently will the markets allocate capital to enterprises, thereby ensuring economic vitality.

AIMA itself will also evolve in the future. It has ably led the global industry over the last 30 years, and there is no reason to expect less in the years to come. There will be challenges. Our industry is an essential part of capitalism, perhaps capitalism in its most elemental form. Time and again, capitalism has proven that with a reasonable modicum of regulation, it is the most effective economic engine for maximizing human well-being. Nonetheless, that verity continues to be questioned.

Lessons that have been learned through experience are forgotten in subsequent generations. In the largest essentially capitalist markets in the world, advocates of socialism continue to attract a following, primarily among some who have not learned the lessons of economic history, and have not experienced life in different systems.

I have every hope and confidence that the alternatives industry will withstand those challenges, and will proudly lead the way into the markets of tomorrow.

A closing personal note, if I may. This marks the end of what has been four years as Chairman of AIMA. It has been a privilege and an honor. To the energetic and capable individuals who have served with me on Council, to our Chief Executive, Jack Inglis, and his Deputy, Jiri Krol, to the dedicated Staff of AIMA, and to our thousands of members, I will forever be grateful. I look forward to continuing to contribute, in whatever capacity, as we claim AIMA's place in the future.