Changes afoot in the alternative investments industry

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The alternative investment industry is expanding and evolving rapidly across the world. In the past 10 years alone, assets under management (AUM) have tripled to over US$9 trillion. Hedge funds are an integral part of this growth story, with industry AUM doubling in size to over US$3 trillion and the number of fund managers surpassing 6,000.

Singapore punches way above its weight despite its tiny population and size. Albeit a small market, the hedge fund industry in the city-state continues to thrive, accounting for about 20 per cent of the total hedge fund AUM for the Asia-Pacific region. It is a popular choice for managers as a base for their hedge fund operations to access the Asian and global markets. According to latest Eurekahedge data, Singapore accounts for 16.4 per cent of the Asian industry population by head office location - behind Hong Kong but ahead of Australia, United States, United Kingdom and Japan. In 2019, Singapore-headquartered firms outperformed the global hedge fund industry, taking the top spot with an annual performance year-to-date of 10.23 per cent.

Exciting changes are now afoot, all of which are set to be game changing for the alternative investment industry.

Until recently, Singapore did not have a corporate structure for use as a fund vehicle by hedge funds, private equity or real estate managers. The Alternative Investment Management Association (AIMA), the global representative of the alternative investment industry, has been instrumental in the emergence of a new corporate structure, the "Variable Capital Company" (VCC). Together with other industry representatives, AIMA believes the much-anticipated launch of the VCC will help to deliver on industry demands for a local onshore fund vehicle that has global appeal to both managers and investors.

BUSINESS OPPORTUNITIES

AIMA strongly supports Singapore's efforts to attract investment fund assets onshore and boost additional growth of the local alternative asset management industry on the back of the VCC framework. The availability and increasing use of the VCC will create business opportunities for fund service providers, and will enhance the suite of fund structuring options in Singapore, helping the region to remain highly competitive with other established fund domiciles.

Additionally, a substantial part of AIMA's effort to advocate the interests of alternative investment managers in Singapore remains our ongoing interactions with various policymakers and regulators, such as the Ministry of Finance, Monetary Authority of Singapore, Cyber Security Agency of Singapore and Inland Revenue Authority of Singapore. Consequently, AIMA is proud to have hosted the Monetary Authority of Singapore on roadshows in Hong Kong, the US and Europe.

As opportunities abound for Singapore-based alternative investment managers, it is important to keep industry participants - fund managers, investors and policymakers - educated and informed about trends and developments in Singapore and beyond. On the ground, AIMA's increased activity in Singapore reflects this. Last year alone, AIMA
held 41 events in the Republic, a 28 per cent increase from 2017. So far, the association has held over 30 events this year, with several key events and research papers still to come.

This week, AIMA welcomed delegates to the 2019 edition of its annual Singapore forum. The event brought together some of the best local and internationally renowned hedge and private fund managers, investors, policymakers and other industry thought leaders to share insights and reflections on the changing alternative investment industry. The panel covering how the industry is navigating culture, diversity and inclusivity was a particularly timely one, with a special focus on human resources this year, as well as the launch of our Diversity & Inclusion paper, The Alternatives.

NEW ERA

Likewise, the debate over whether we are experiencing a new dawn in private credit coincided opportunely with our upcoming Financing the Economy paper and inaugural Asia-Pacific private credit research paper. The growth of private credit, not just in Asia-Pacific but across the world, is a fascinating one - since the start of the new century, assets under management for the industry have grown fourteen-fold. Recognising its growing importance, AIMA established the Alternative Credit Council, a global body that represents asset management firms in the private credit and direct lending space. Singapore’s rapid expansion in this space shines through - in three years alone, Singapore-domiciled investors’ private debt mandates have nearly doubled, with AUM for the region increasing threefold.

This year is a special one as it marks AIMA’s 15th year in Singapore and our 20th anniversary in Asia-Pacific. From humble beginnings in 2004 with a member base of only five, AIMA’s presence in Singapore has grown exponentially boasting 159 members as of 2019. In the last 15 years, we have also reached new heights on a global front - from around 870 corporate members in 46 countries, AIMA currently accommodates a global network of 2,000 members in over 60 countries. AIMA will continue its dedicated work alongside hedge fund managers, regulators and institutional investors to educate various stakeholders about the interests of the industry.

The launch of the Singapore VCC marks the start of a new era, with high levels of vested interest from managers and optimistic prospects for the local alternative investment industry. The future looks bright for hedge funds in Singapore.

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