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Innovation to Play Critical Role in Managing Hedge Funds: KPMG/MFA/AIMA Survey Finds

*Improving compliance and controls cited as top reason,
increased focus on benefits of AI and machine learning also cited*

NEW YORK, Oct. 20 – Hedge fund managers are innovating and increasing their investment in technology to create new competitive advantages and to address regulatory and operational issues, according to a new study by KPMG International, the Alternative Investment Management Association (AIMA) and Managed Funds Association (MFA) titled *Transformative Change: How innovation and technology are shaping an industry*. An overwhelming percentage of hedge fund managers, 90 percent, say they are investing in technology today to improve controls and compliance, with an almost equal number, 88 percent, identifying efficiency objectives as a top reason. [Click here](#) for the full report.

The survey polled more than 100 global hedge fund managers representing approximately US\$300 billion of assets under management (AUM).

“Hedge fund managers may not be building slick customer apps just yet, but they are clearly focused on making sure they are innovating – in the front, middle and back office – to ensure they remain competitive,” said Robert Mirsky, KPMG’s global head of hedge funds.

Of those polled, 58 percent of managers say that AI and machine learning will have a “medium to high” impact on the sector over the next five years. As one hedge fund manager noted in the study, “AI is going to continue to make inroads in the sector. There’s a very strong business case for replacing humans with algorithms in a lot of areas of the business.”

Seventy-four percent said they believe automated trading technologies will have at least “some impact” on hedge fund returns over the next five years. Virtually all – 94 percent -- fully expect technology to have an impact on competition over the next 5 years.

“Hedge fund managers are making investments in their future and are focused on becoming more efficient in both their regulatory compliance and operations,” said Richard H. Baker, President and CEO of MFA. “Ultimately, this should lead to a stronger sector with tighter controls and improved performance – something that regulators, investors and managers can all support.”

The survey found that 32 percent of hedge fund managers polled are already using predictive analytics to uncover new trends and new opportunities. However, 42 percent (largely smaller funds) said they are still unsure of the value and are just monitoring the industry and 27 percent said they don’t expect predictive analytics to play any role in their trading strategy.

As hedge funds start to rely more heavily on technology, many managers are becoming increasingly concerned about data risk. Hedge fund managers around the world are clearly worried about the safety of their most valuable data, with 83 percent of respondents ranking cyber security as an important technology capability that will attract significant investment.

“This new survey underlines how the alternative investment industry continues to invest in technology across the entire fund management organisation,” said AIMA CEO Jack Inglis. “Investment in new technologies will help to keep the industry ahead of the competition over the long term, delivering consistent and positive risk-adjusted returns for investors while continuing to address the ever-increasing regulatory burden.”

About KPMG International

KPMG is a global network of professional services firms providing Audit, Tax, and Advisory services. We operate in 155 countries and have 174,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

About MFA

Managed Funds Association (MFA) represents the global alternative investment industry and its investors by advocating for sound industry practices and public policies that foster efficient, transparent, and fair capital markets. MFA, based in Washington, DC, is an advocacy, education, and communications organization established to enable hedge fund and managed futures firms in the alternative investment industry to participate in public policy discourse, share best practices and learn from peers, and communicate the industry's contributions to the global economy. MFA members help pension plans, university endowments, charitable organizations, qualified individuals and other institutional investors to diversify their investments, manage risk, and generate attractive returns. MFA has cultivated a global membership and actively engages with regulators and policy makers in Asia, Europe, the Americas, Australia and all other regions where MFA members are market participants. For more information, please visit: www.managedfunds.org.

About AIMA

AIMA, the Alternative Investment Management Association, is the global representative of the alternative investment industry, with more than 1,700 corporate members in over 50 countries. AIMA works closely with its members to provide leadership in industry initiatives such as advocacy, policy and regulatory engagement, educational programmes, and sound practice guides. AIMA's core objective is to provide leadership to the alternative investment industry, and to be its pre-eminent voice globally. AIMA's team engages proactively and constructively in shaping the financial markets reform debate, drawing upon the expertise and diversity of its membership. AIMA is closely aligned with and promotes the best interests of the alternative investment industry in order to enhance the wider understanding of its function. AIMA has cultivated positive and lasting relationships with regulatory, fiscal and governmental authorities around the world, whilst upholding engagement with the media in order to achieve a more accurate and informed tone of news. AIMA is committed to developing industry skills and education standards and is a co-founder of the Chartered Alternative Investment Analyst designation (CAIA) – the industry's first and only specialised educational standard for alternative investment specialists. AIMA is governed by its Council (Board of Directors). For further information, please visit AIMA's website, www.aima.org.