

The Ambition is to Become the Amazon of Asset Management

London (HedgeNordic) – In the same way that Amazon has revolutionised online shopping, the Asset Management Exchange (AMX) is transforming the way institutional investors and asset managers do business.

The goal of AMX, the brainchild of Oliver Jaegemann, Chief Executive, is to reduce the inefficiencies and fragmentation embedded in the investment process, making it easier for managers and institutional investors to interact, by standardising, centralising and streamlining the process of investing. “Our institutional platform takes care of the operational and legal complexities so that investors and managers can focus on what really matters: generating returns.”

Platforms for retail customers have been around for some time but that type of setup does not satisfy the governance requirements for institutional investors.

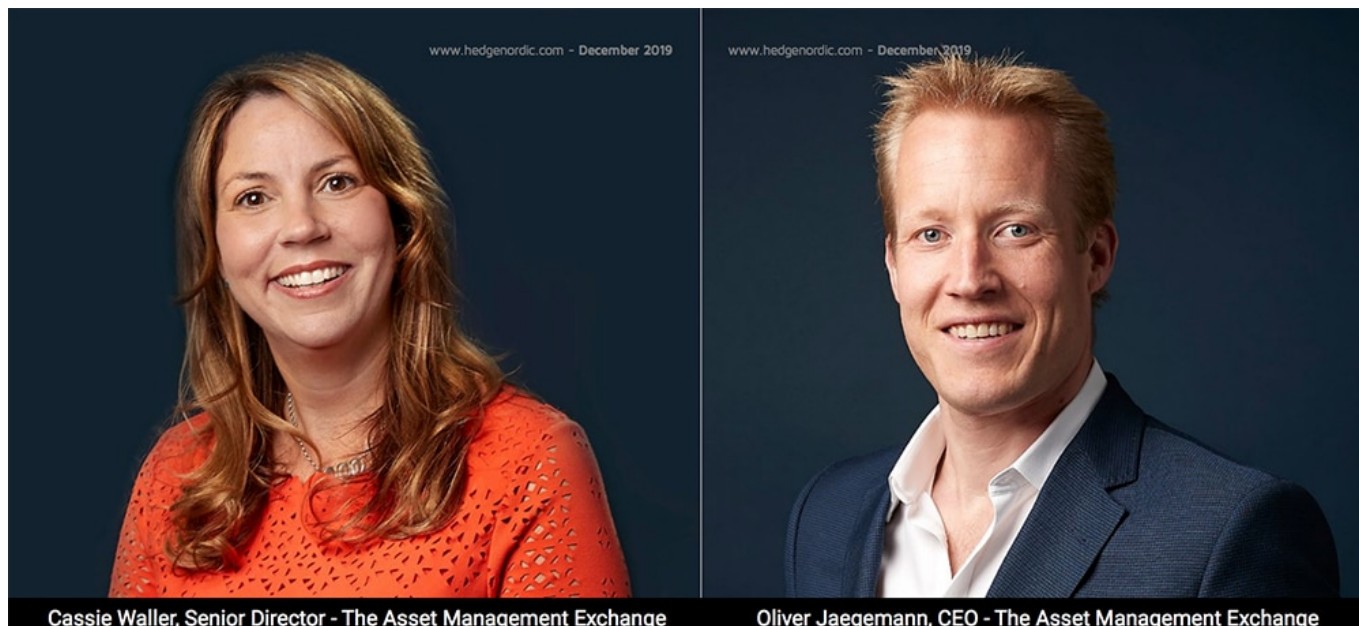
Platforms for retail customers have been around for some time but that type of setup does not satisfy the governance requirements for institutional investors, Jaegemann explained, adding that technology is fast changing the opportunities for institutional platforms such as AMX.

AMX is owned by Willis Towers Watson, the global consultancy, but operates independently so that it can be truly open-architecture and available to every player in the investment industry.

Jaegemann wants to make clear that AMX is not a fund of funds or in any way tied to its parent’s recommendations. “We are entirely driven by investor demand. We do not pick managers or make any investment decisions or set strategies,” he emphasised. AMX is also open to all intermediaries across the industry to help implement investment recommendations and decisions.

AMX’s more than 80-strong team negotiates with managers, transitions assets, provides reporting and adds another layer of oversight, thereby improving governance. Over 50 investors have joined the platform bringing over US\$9 billion in assets across 24 funds.

The benefits of the platform to asset managers, such as hedge funds, is fairly obvious – global distribution capabilities and the facilitation and launch of tax efficient fund structures, leveraging scale to drive down costs for the investor and increasing operational efficiencies for the manager. In addition, AMX provides the fund structure, management company and takes care of the operational setup and implementation for all asset managers on the platform.



Asset managers can work with AMX to set up and launch their fund structures; using AMX as an extension of their distribution and product teams. For emerging managers, this approach could mean that niche strategies, that once might have been too difficult to launch, can now be launched on the platform. For existing managers, such as Lansdowne Partners, Magnetar Capital and Systematica, AMX provides an additional distribution channel, a European fund structure and access to potential new investors.

This leaves the fund managers time to focus on their best skills, generating performance, rather than on admin and hiring expensive internal teams.

Cassie Waller, Senior Director, said AMX smooths the onboarding of new clients' assets through its streamlined processes and dedicated teams. "This leaves the fund managers time to focus on their best skills, generating performance, rather than on admin and hiring expensive internal teams," she added.

AMX prides itself on its independent oversight capabilities which improves governance and reduces risk, providing better outcomes for both managers and investors. The only reason to remove a manager would be if there were operational issues or legal red-flags, but it's never happened to date. "It is pure economics. In a scenario where there have been significant redemptions and maybe only one investor left in a fund we would flag that and give the investor the metrics of the situation and that it might no longer be cost-effective to remain," Jaegemann explained.

He also said that AMX is agnostic as to what type of funds are on the platform as it is driven by client demand. "When it comes to ESG, we are mindful of AMX's own impact, but we do not select funds based on these criteria as it is based solely on client demand. As ESG and impact investing grows in importance we expect to see more of these funds on the platform. In addition, should pension funds require measurement on ESG data such as the size of carbon footprints, AMX would be happy to negotiate with data providers to get this service on behalf of the clients on the platform.

AMX has already attracted several hedge funds for the above-mentioned reasons. Institutional investors have been increasing their allocation to alternatives, including hedge funds, but many baulk at the costs and smaller pension funds may not be able to invest in segregated accounts because of their size. This in general would see their assets allocated to a pooled fund. Again, many

may want to avoid this setup because it does not offer the pension fund enough visibility of either the investments or the associated services such as prime brokerage, custody, legal and audit.

For institutional investors, large and small, AMX offers the benefit of additional oversight and simpler implementation as well as lower costs. The cost savings alone on AMX, through greater purchasing power as AMX negotiates fees with managers and other service providers, has attracted attention. "We continuously monitor costs make sure that investors are only charged for allowable expenses." Jaegemann said.

The transparency of the platform offers true visibility into the costs paid by an investor to a manager, including trading costs. Costs such as travel, marketing, manager expenses and non-strategy specific costs are not allowed.

The risks and exposures of each fund is monitored daily by a specialist risk team at AMX and investors also gain access to performance reporting through the AMX portal. Through the portal investors can implement their entire portfolio, thereby cutting down duplicate costs. This also reduces time spent on administration and due diligence as fund structures and contracts are standardised. The platform also enables quicker implementation of investment strategies with a streamlined process through a dedicated onboarding team.

We notice that the mentality there is different compared to many other places. They understand change is needed and are open to conversations.

Standardisation and simplification of processes increases the ease of monitoring and allows investors to focus on strategy selection. Jaegemann does not see any capacity issues for the foreseeable future but welcomes competition as he believes investors are better served with healthy competition in the market. Institutional investors are not necessarily known for being quick to adapt to change but Jaegemann and Waller say there are areas where resistance to change is not so ingrained. One of them is the Nordic region, and Sweden in particular, where AMX sees potential growth for the future. "We notice that the mentality there is different compared to many other places. They understand change is needed and are open to conversations," Waller said.

Tightening EU-wide and domestic regulation and pension reform has brought attention to the Swedish national defined contribution platform, managed by the Swedish Pensions Agency. The cull of funds there, and among fund platforms offered by insurers and other pension providers, has also forced the industry to focus on governance and costs, making AMX an attractive proposition for the Swedish market.

Among other countries and regions AMX is focusing on is the US, for sheer size, and South Africa because of the regulatory regime changes, the increased demand for transparency and governance and a desire to provide the end investor with the best solution in the most cost-efficient way. Both South Africa and the Nordics, are examples of where change in the investment industry is happening now. AMX can help address these changes by providing the infrastructure to make these pension reforms a reality.

There will always be those resistant to change but AMX's ambitions are likely to continue to attract investor and manager interest as long as the hunt for returns in a cost-efficient way is the name of the game.