

Digital Platform To Facilitate Investment of Non-Traditional Funds Assets for Individual Investors

CONTEXT

The Investment Management Association of Singapore (IMAS) was formed in 1997, to represent a body of investment managers in the investment and fund management industry.

Around the world, there are noticeable changes underway in how and why investors - both large institutions and individual investors - access and execute their investment strategies. The past 10-plus years has seen a dramatic growth in passive or “index” investing and a recent acceleration in the shift from active to index investing. At the same time, in seeking returns to outperform market indices in an era of low interest rates and challenging developed market growth, many institutional investors have been increasingly turning to private market “alternative” investments to look for enhanced risk-return opportunities. Many market participants and commentators believe that some alternative investments are, in fact, becoming “mainstream” and will be part of tomorrow’s “traditional” investment toolkit.

Active investments typically -

- Focus on investing in “traditional” assets such as public stocks, bonds and cash
- Aim to beat a given benchmark with the expectation of higher returns by selecting investments/securities, often thought of as “stockpicking”
- Are available to institutions via funds or separately managed accounts and to individual investors via funds such as mutual funds with low to intermediate investment minimums

Whereas index investments typically -

- Also focus on investing in traditional assets such as public stocks, bonds and cash
- Track a rules-based benchmark (for example, follows an index such as the US S&P500)
- Can be viewed as efficient risk allocation tools with a high level of liquidity
- Are available to both institutions and individuals via funds, separately managed accounts and ETFs with very low investment minimums

Private market alternative investments typically -

- Invest in unlisted, private, assets not available on public exchanges or as over-the-counter securities (e.g. unlisted shares of private companies, equity or debt investments in real estate, infrastructure-related investments, and direct unlisted loans to finance projects or corporates)
- Have a high-degree of idiosyncratic risk, depending on the particular alternative investment, and therefore require a higher degree of knowledge and understanding
- Are available to institutions via funds and separately managed accounts, and to individuals via funds, often domiciled in locations such as Cayman Islands, Luxembourg or Dublin
- However, with generally high investment minimums, intermediated access through wealth or advisor platforms, and with more complex fee structures - which are designed to align with the more involved investment management in the sector but can be harder for individuals to understand - often only very wealthy individuals have access
- Increasingly, private market alternative funds invest in assets that may appeal to individual investors with a focus on Environmental Social and Governance (ESG) or impact investing.

Prompted by these trends, and particularly with alternative investments becoming mainstream, there is likely to be an opportunity for individual investors to expand into certain alternative investments that have historically only been available to institutions and very wealthy individuals. In the infrastructure space, one example is investing in renewable energy projects where a number of large funds exist but are not generally available to individual investors. Given the private (and less transparent) and specialist nature of the asset class, and their current business/legal setup model to work with large institutional investors, these funds are not set up to manage hundreds or thousands of individual investors.

Therefore, we are now keen to explore a digital solution that can pull in relevant information to help individual investors to get access to information, greater understanding of alternative asset class, and have access to such investments. At the same time, any such solution should provide both investors and fund managers with a platform at scale to minimise or reduce administrative and cost burdens.

PROBLEM STATEMENT

How might we make information and access to non-traditional private funds more readily available for individual investors, providing them equal opportunity to invest in these funds without additional administrative or cost burdens for both the investors and fund managers?

WHAT ARE WE LOOKING FOR?

A prototype solution that

- Enables individual investors to review non-traditional private funds as an investment option
- Provides a low cost / low burden onboarding and servicing process
- Helps the individual investor understand the risks of investing in a private fund, through using a common language to compare funds and assess risk (using data from public and non-public sources)

We recognise that this is a complex challenge within the asset management industry. Proposed solutions that address the issues in whole or part (e.g. risk, transparency of information, administration, etc.) are invited and welcomed.

There are no restrictions on the geographic location of the problem solvers who may choose to apply to this challenge. However, the prototype needs to be demonstrated in Singapore.

POSSIBLE USE CASE

Watching Netflix one day, I see a documentary on how technology is being used to turn off-shore wind into energy and reduce the impact of climate change. This meets some of my personal interest in the ecological future of our planet.

Wondering how I could invest in this, I search online for a company involved in the documentary, "Wind Farm International" and read that they are a private company, majority owned by an alternative investment fund, "Wind Alts Fund GP".

Clicking through to Wind Alts Fund GP, I reach a website that allows me to see a detailed explanation of the investment opportunity, including risks, such as not having quick access to the funds, not expecting returns for 5-7 years until their projects start generating revenue etc, and a comparison to other "traditional assets" such as stocks and bonds. I log on to the new digital platform (new solution) to see what options I have on other similar non-traditional assets to compare. After reviewing the cost to onboard, servicing fees involved and having this investment, Wind Alts Fund GP, as a product listed in the digital platform, I decide to invest after reading through the risk and am taken through an onboarding process. On an ongoing basis, the same platform provides me with updates on my investment as it matures.

WHAT'S IN IT FOR YOU

- SGD \$20,000 of prize money for a prototype (see Award Model)
- Partnering with IMAS and a number of our industry partners who have deep knowledge of the problem statement and has the industry context across global markets
- Opportunity to develop a future product with global scaling potential, or other long-term partnership for mutual gain

- Co-creating a solution that is applicable to other regulated environments and jurisdictions
- Collaborate with IMAS (Investment Management Association of Singapore) to reach out to the greater community for exposure, refinement and deployment
- Opportunity to pitch to industry audience in:
 - IMAS Digital Accelerator Program Showcase in March 2020
 - IMAS-Bloomberg Investment Conference in April 2020
 - For more information, visit www.imasdap.com

EVALUATION CRITERIA

Solution Fit	To what extent does the proposed solution address the problem statement effectively?
Solution Readiness	How ready is the proposed solution to go to the market? Is there any evidence to suggest capacity to scale?
Solution Advantage	Is the solution truly innovative, does it make use of new technologies in the market, and can it potentially generate new IP?
Company Profile	Does the product have user and revenue traction? Do the team members possess strong scientific/technical background?

AWARD MODEL

30% of the prize money will be awarded to each selected finalist at the start of the prototype development process, with the remainder 70% to be awarded during the prototype development process, based on milestones agreed between IMAS and the solver.

Note that a finalist who is selected to undertake the prototype development process will be required to enter into an agreement with IMAS that will include more detailed conditions pertaining to the prototype development.

DEADLINE

All submissions must be made by **14 February 2020, 1600 hours (SGT/GMT +8)**.
IMAS and IMDA may extend the deadline of the submission at their discretion.
Late submissions will not be considered.