**Quant Investing**

For typical hedge funds the general/limited partnership is the most common legal structure. In this structure, the general partner assumes responsibility for the operations of the fund, while limited partners can make investments into the partnership and are liable only for their paid-in amounts. As a rule, a general/limited partnership must have at least one GP and one LP, but can have multiple GPs and many LPs. The structure for the General Partner(s) specifically is typically a Limited Liability Company. The general partner's responsibility is to market and manage the fund, and perform any functions necessary in the normal course of business, including hiring a fund manager, and managing the administration of the fund's operations. Hedge funds are unique in that they have high levels of flexibility with the capital that is managed. The typical hedge fund operational model is dependent upon offering alpha that other funds cannot. They collect a management fee and more importantly an incentive fee that is directly related to the manger turning profits. The incentive fees make managers want to constantly improve alpha for their continuing clients. The foundation of the Quantopian community was built upon the idea of empowering people financially by utilizing open source development with easy access to the highest quality data. Fawcett and Bredeche understood that thousands of young quants had viable ideas and passion. Young quants were unable to access tools that would allow for the quant industry to be put on a level playing field, thus empowering the future of the industry. To incentivize quants to use and improve the quality of the platform, algorithm performance was evaluated on an ongoing basis. The best algorithms are awarded money to start a new micro hedge fund with help from Quantopian; this results in profits for the algorithm developer and Quantopian. If I were a member of Quantopian, I would share my first successful algorithm’s source code and adamantly answer user questions/issues. By creating a little community of very intelligent quants the algorithm can get improved initially which results in more profit for everyone. After the first success if I was able to capitalize on other strategies I would start a business myself because there would be more long term value in gathering my own clients.

The quant community is immensely valuable to the longevity of Quantopian. Without empowering the quant masses, profit becomes exponentially tougher. The idealistic outcome for Quantopian would be for the communities’ algorithms to be as great as possible, this would result in constant cash flow with minimal effort as a residual of the developers and algorithms success. To build a robust, fun, and long lasting community Quantopian constantly looks to inject new ways to gather inclusive engagement from the community by benefiting them directly. For example, the company hosts monthly contests in which the winning algorithms get cash to help advance their ideas. The genius of community building from Quantopian is their focus on the offline experience; they constantly have developer meet-ups, keynotes, and conferences. This extraciirrcular effort leads to a direct benefit for the company in the long term, by empowering the potential Quantiopian developers off and online everyone wins. An alternative compliment to Quantopian’s approach would be to have the company set up meetings with great investors of the industry/markets. This would empower developers with a more holistic view of the economy/markets which could then enable an even better algorithm. Quantopian has found its niche because it has fixed numerous inefficiencies in the industry. Most people have great algorithm ideas but are just not empowered with a platform and education to do so. Although the idea of Quantopian is great there are some downfalls to the idea of crowdfunding. For example, a young passionate quant could become hostage to the company itself. Once the algorithm is a part of the community or company it is no longer yours in entirety. This can lead to reduced leverage in personal business affairs, where you may be reaping less profit than deserved. An area where crowd sourced quants has excelled is empowering new developers that have a plethora of ideas but nowhere to paint them out. Whereas with the more professional trajectory, these great ideas can be lost in the whirl wind of competition because they were never empowered from the start.

Personally I don’t believe the Quantopian crowd-wisdom model is fundamentally disruptive to the collective hedge fund industry. Rather, I believe that Quantopian is an early representation of where the industry as a whole is heading in the long term. I fully am confident in saying that the model of Quantopian will be around for a while, but as a complimentary feature to hedge funds rather than an overall disruptive infrastructure. Quantopian and future companies like it are set for growth as the internet becomes more of a commodity, but I believe the industry as a whole will start to open up its backend to the developer community. Although Quantopian’s largest competitor QuantConnect is superior in many fashions they were unable to capitalize fully on the community building. Quantopian was able to grow quicker by offering more of a helping hand in the form of a true relationship with the quant community and developers that has long lasting ROI. I personally believe they were able to do this by sticking close to the mission of the company – to empower individuals financially by offering competitive platforms and tools.

Numerai’s unique crowd-wisdom model is a fuller process approach to the quantitative investing process. By focusing on predictions from user generated training sets, there was a bigger focus on member privacy and intellectual property which could result in a better long term future for the individual quantitative developers. It seems to me this will only benefit highly sophisticated developers, which lacks the idea of financial empowerment for all. For this reason, I believe that Quantopian has greater potential to grow into a major player in the short and long term. The company has breed an environment of open source collaboration and educational/financial empowerment. This environment is the infrastructure for any successful business that seeks to be sustainable. If I were to be chosen to lead Quantopian I would have a few fronts to pursue strategically over the upcoming years. First off I would make a directive to infiltrate and community build in the derivative data field. There are not many open source directories that allow for high quality options data with unique insights from wise sources. By offering data, resources, and education in the derivatives markets, not only could the client base expand, but I believe that again more people would be financially and educationally empowered. Secondly, I would launch an initiative for new technologies and investment markets in alternative data such as cryptocurrency data/products, REITS, and royalty contract payouts e.g. “music or business royalty deals”. I would hope our second initiative would bring a new wave of community towards the platform while strategically positioning the company for the adaptable future of finance and specifically quant investing.