

Alternative Investment Managers:

What is the Alternative Investment Sector?

The alternative Investment Industry is an industry based on investment in asset classes besides stocks, bonds, currencies. Some of the alternative investments would include asset classes such as real estate, Hedge funds, Venture Capital, Financial derivatives, commodities, precious metals, etc. Some of the biggest industries within the alternative investment management sector are Hedge Funds, Private Equity, and Venture Capital Firms. Some of the largest companies within the Alternative Investment Management Sector include hedge funds such as Bridgewater associates, Paulson & co, Blackrock, Two Sigma Investments, AQR Capital Management. Some of the largest Private Equity Firms include the blackstone group, The Carlyle group, KKR, etc. Some of the largest Venture Capital Firms include, Greylock Partners, Sequoia Capital, Kleiner Perkins Caufield & Byers (KPCB), etc.

Porter's 5 Forces

The five forces are threat of entry to the market from other organizations and companies, supplier power, buyer power, availability of substitute products and/or existing competitors. The alternative Investment management is made up of many sub industries that don't compete with each other but compete within their industry. The big 3 industries are Venture Capital, Hedge Funds, and Private Equity Firms. The largest Hedge Fund is Bridgewater associates with under 169 billion dollars assets under management. One of the largest Venture capital firms is Kleiner Perkins Caufield Byers (KPCB) with over 110 deals in 2015. The largest private equity firm by PE capital is The Carlyle Group with over 30 billion dollars in PE capital.

The threat of new entrants into the alternative investment management industry is moderate. The amount of capital required to be a threat to the alternative investment management industry is pretty high. At the same time the alternative investment industry like the commercial banking sector is also under attack by the Fintech sector. Fintech companies and startups have a huge possibility of replacing some of the smaller alternative investment management companies and even eventually take some of the marketshare away from some of the larger companies within the Alternative Investment Management sector. Some of the Fintech startups that are really promising are Fundrise,

Betterment, Wealthfront, HedgecoVest, stocktwits, equityzen, transferwise, SoFi, etc. All of these companies listed within the Fintech sector are trying to replace some of the various subsectors within the alternative investment industry such as Asset Management, Hedge Funds, Investment Management, Real Estate, etc.

The supplier power is low because the alternative investment management don't need much parts from other suppliers in order to sell the products. Most of the Alternative Investment Management industries such as Private Equity and Venture Capital mostly involve human to human interaction. Hedge Funds especially those that specialize in high frequency trading supplier power might be more moderate as they need servers and powerful computers to do quantitative analysis, machine learning, and data science algorithms. They also need to make sure they have fiber wires or place their servers very close to their trading exchanges to shave off milliseconds for high frequency trading.

The Alternative Investment Management Sector does not have many issues currently in terms of existing competitors, but the rise of the FinTech sector may spell doom for its continuation as a

sector. The buying power for the Alternative Investment Management is not of concern due to the fact that they help keep the economy going. Venture Capital Firms invest in startups and companies and if they weren't there they would be no innovation. Hedge Funds specialize in investing in Ultra-High Net Worth Individuals. The threat of substitution is very moderate as there is a possibility that it could be substituted by some of the companies and startups within the Fintech Sector. The difficult part would be replacing the Human Interaction part of Alternative Investment Management. If the Fintech Sector could make it more comfortable for humans to place the trust in robotics and Artificial Intelligence than the Fintech Sector could be a serious contender to the Alternative Investment Management.

New risk and reward equation

- 1. Determine the specific areas to improve in your organization, or what performance target a technology investment is trying to achieve.**
- 2. Understand how the new technologies will enable that level of**
- 3. performance—and weigh the value of achieving that performance against the cost of the technology.**

Understand the operational and organizational implications of the technology

and how it aligns with the factory of the future vision.