

AI-MANAGED FUNDS HOTLY DEBATED, VIEWS CAUTIOUS



Recently, a Chinese subjective private equity company publicly announced that it will apply AI technologies to replace the investment work of fund managers, which has attracted much attention in the industry. The private equity said that it plans to employ four researchers of the company and an artificial intelligence-based robot to independently manage five different private equity funds.

Regarding this hot news in the private equity community, many private equity professionals interviewed generally present their "cautious" analysis and opinions.

Shortcomings

In traditional subjective stock investment management, what are the prerequisites for AI to completely replace human fund managers? What difficulties are you currently facing? What replacement processes might emerge in the future?

In response to the above questions, the person in charge of a multi-billion Dollar long-term subjective private equity company in Shanghai told a reporter from China Securities Journal that according to the traditional investment decision-making process, before a stock is decided to be bought by a fund manager, it generally goes through in-depth researches, stock price observations, and on-site investigations of the listed company. Apart from these researches and other important considerations, other relevant conditions need to be met as well to enter the investment decision-making process and transaction stage; and after the decision is made, it is still necessary to track the stock for stock management. "On the whole, a large amount of investment research work has a high degree of manual participation, and it is difficult to be replaced by AI." The private equity source said.

In addition, the private equity person also pointed out that at present, the investment method with the highest AI

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participation in the Chinese private equity industry is undoubtedly the quantitative strategy, but even so, it still requires professionals to conduct subjective or comprehensive analysis on key points such as risk control indicators and shareholding weights. The combination of subjective and quantitative settings might be able to meet the product design requirements.

At the same time, several officials from the multibillion Dollar private equity funds said that under the current private equity industry norms, "pure AI management funds" actually have obvious compliance loopholes. Under the existing legal framework, the fund manager, as the first person responsible for fund investment, is also an indispensable and strictly regulated part of the legal relationship of private equity funds.

Quantitative Track Already Applied

With regard to the integration of AI-related technologies and models in financial investment, many top quantitative private equity professionals also generally pointed out that over the years, quantitative investment has been carried out using more in-depth applications of AI.

According to Kuande Investment, from a certain point of view, "AI completely replacing fund managers" is actually a false forecast. On one hand, in the quantitative investment industry, a qualified quantitative manager should aim at investment results instead of paying too much attention to whether it is "pure AI". On the other hand, quantitative investment belongs to the scientific investment paradigm of "human brain + computer". With the continuous development of artificial intelligence, the combination of human brain and AI will continue to evolve and enrich, and will continue to optimize investment efficiency. In recent years, the scenario-based application of AI in the field of quantitative investment is comprehensive: Whether it is an auxiliary productivity tool represented by various types of Copilot (Windows AI assistant developed by Microsoft), or using a large language model "close to the AGI level of the text level" to process alternative data of text type, and using deep learning technology as a representative Machine learning for market pricing, generating trading signals, optimizing asset allocation, risk measurement, risk prediction, dynamic risk control, etc. From the perspective of the institution's own development, the company will also continue to embrace the application of new technologies and continuously integrate them into every part of the quantitative framework.

According to Mingshi Fund, in the institution's "five-ring multi-core" quantitative pipeline investment research model, the AI node is an important part, which is mainly used in signal construction and factor mining. In addition, AI technology is also involved in the company's alternative data processing, transaction decision-making and other investment research nodes. With the continuous upgrading of computing power resources, the coverage of AI in all aspects of the company is expected to continue to increase in the future.

Decision Making More Scientific

Another private equity, Century Frontier said that the vigorous development of AI has greatly improved the efficiency of quantitative investment. Its productivity upgrade is of great benefit to the development of quantitative investment. The relevant decision making can make the research process more comfortable. Basically, the technological update brought about by AI is an important part of the overall system engineering optimization of quantitative investment. On the whole, quantitative investment is a comprehensive system engineering. Although AI can effectively improve investment efficiency, it cannot be directly equated with quantitative models and quantitative strategies.

As the head manager of a company that focuses on FOF strategies, Zhang Wei, deputy general manager of Wanfeng Youfang Private Equity, further stated that from a technical point of view alone, AI currently mainly assumes the role of "enabling" and "boosting" investment. The conditions for independent fund managers to make

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independent investment decisions are not mature. There is no one-size-fits-all method for investment itself, and how to find the "correct" knowledge for AI to learn autonomously is one of the difficulties. In addition, Zhang Wei cited the practice of the institution as an example, saying that in the field of asset allocation in FOF investment, the asset allocation management system self-developed and launched by the company many years ago used AI technology to automatically identify products and generate product features, and analyze the model according to the strategy, screen out excellent managers and conduct "multi-dimensional portraits" of different products.

Zhang Wei believes that, on the whole, FOF managers need to have the ability to mine and identify excellent investment advisors and strategies at the bottom, and also have the ability to track and judge the manager's investment and portfolio optimization, and also need to develop their own major asset allocation, risk cost, risk control management, and post-investment management capabilities. In these investment processes, AI can play a powerful supporting role. With the rise and application of large models, AI will have more rooms to play in the processing of complex data and models, the optimization of asset allocation, and the improvement of investment decision-making efficiency.

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