Verbatim: SALT Preview

Compiled by Hema Parmar and Melissa Karsh

Ahead of the SALT Conference this week in Las Vegas, we asked attendees what topics they want to see discussed, as well as those themes that probably won't be addressed during the event. Answers, received via email, were condensed and edited.

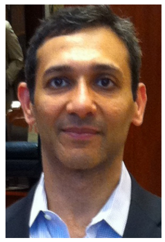
Rob Christian, Head of Investment Research, K2 Advisors

- "We feel a lot of the discussion at the event will be focused on which hedge strategies could see renewed interest, especially for those that can generate sources of alpha from some of the meaningful policy changes, including the big three of tax reform, deregulation and infrastructure changes the Trump administration has been discussing. These discussions seem to be energizing pockets of the markets and some hedge fund managers strategies in the first half of this year. We think we could also see renewed interest in long-short equity, particularly as it relates to opportunities in Europe; event-driven, as managers may benefit from U. S. tax code changes that could act as catalysts for U.S. corporate activity; and relative value, which could benefit from divergent paths of central banks in major economies around the world."

Anthony Todd, CEO, Aspect Capital

- "The hedge fund industry is coming under increasing scrutiny from investors who want to ensure that their investment expectations are met. The issues under consideration include the fees paid, in particular the value received for those fees, as well as the repeat-ability and scale-ability of the returns generated by the industry."
- "Investors are increasingly disaffected with the performance of traditional discretionary hedge funds and the availability of new data sources is blurring the traditional lines between systematic and discretionary management. Against this backdrop, the rise in liquid alternative investment strategies is one of the top recent developments in the industry."

Milind Sharma, CIO, QuantZ Capital Management



- Hopes will be discussed: "Why is equity volatility anomalously at historic lows while geopolitical risks (as well as other measures of uncertainty) are now the highest since World War II? VIX averaged 11.7 in Q1 2017 (the second-lowest quarter in its history) before plunging to a 9 handle. Moreover, S&P 500 realized volatility during Q1 was at 50 year lows logging in over 100 sessions in a row without a down day exceeding -1 percent. Consequently, many funds are being lulled into a sense of complacency and are either levering up or even shorting volatility for yield enhancement. That usually does not end well especially in the ninth year of the second-longest U.S. expansion with valuations so stretched. Hence, it behooves investors to consider insurance while volatility is cheap and before the (beta) storm hits."
- What won't be discussed: "Is fundamental stock picking dead and what are the implications for active management should the preponderance of assets migrate toward passive ETFs?"

Basil Williams, Co-Head of Portfolio Management, Paamco

- Hopes will be discussed: "How the industry is repositioning itself after several years of lackluster performance. What strategies can differentiate themselves on a go forward basis?"
- What won't be discussed: "Rethinking of fee structures, unbundling of beta and alpha as investors demand better alignment of interests."

Barsam Lakani, Head of Prime Finance Sales, Jefferies

- Hopes will be discussed: "1.) How will hedge funds and allocators be adapting to a more computer-led, automated world? Similarly, how has artificial intelligence and big data changed the investment management role and approach? More and more we hear about the relevance of big data and trying to find an edge in the investment process, so how can AI be an influencer in this regard?" 2.) Innovative and creative fee breaks and share class structures: too much scrutiny has been placed on fees and the fund providers have been questioned a lot about fees and terms. How is the supply side reacting and what creativity is there beyond just discounted fees? 3.) Passive versus active management. There are now more stock indices to trade in than stocks themselves and considering volatility remains at relative lows, how are investors reacting and the role of active fund management?"
- What won't be discussed: "1.) Succession planning. Is there any at all or do firms just fold and subsequent spin-offs emerge? 2.) We have lost too many people to physical and mental illness. What are we doing about it and should we be doing more? 3.) People often talk about cybersecurity provisions of the investment adviser, but how about that of the investor? If I'm providing transparency and sensitive data to a group, what measures are taken to counter cyber-attacks and my data getting out there?"