

A New Fund Order..

Robo: "Power is not a means; it is an end."

by JB @JonSBeckett

NFO

“Sanity is not statistical”

ROBO

– *George Orwell (1984)*

JB Beckett and New Fund Order





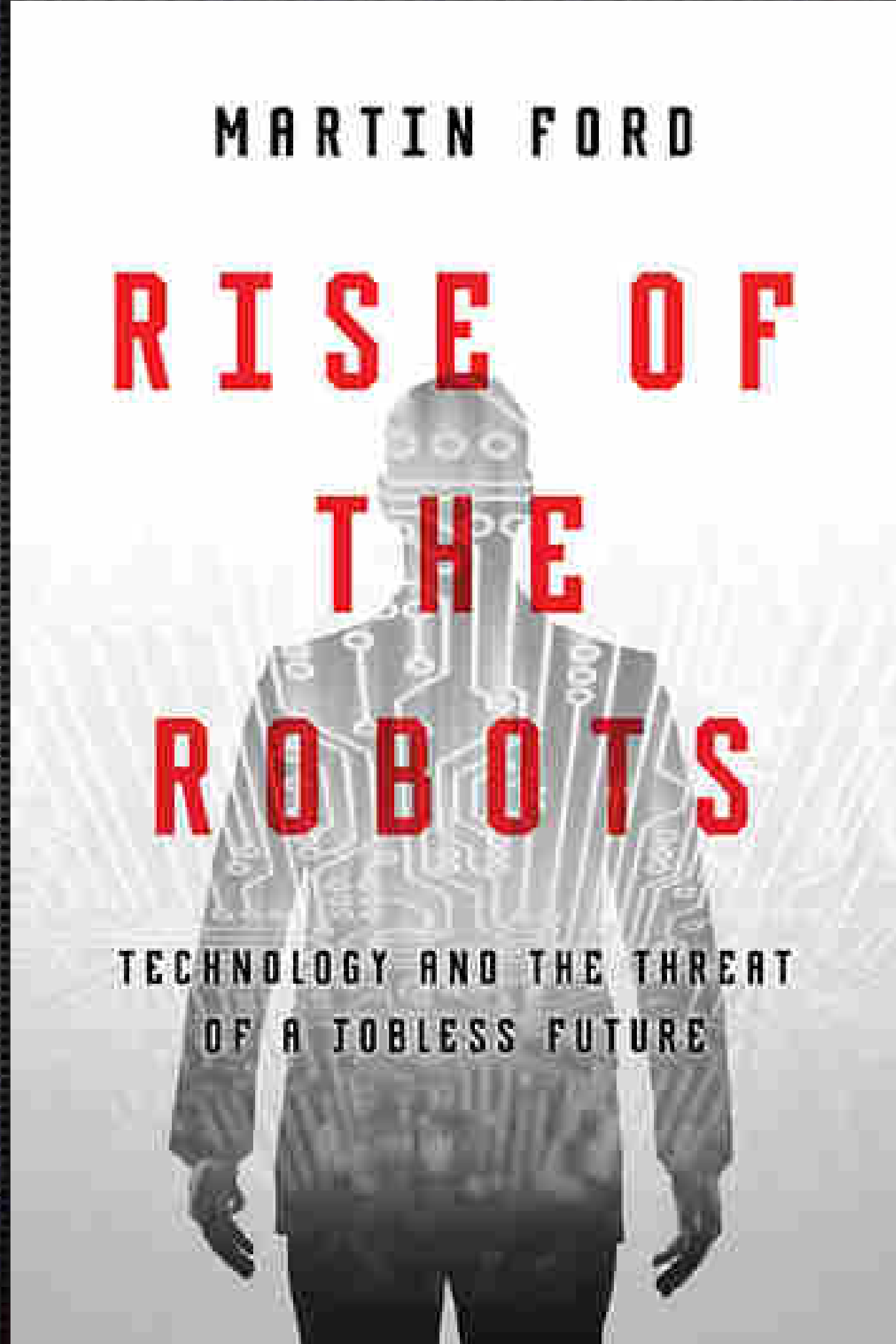
Control..

THE HUMAN CONDITION?

ROBO...

"the hurdle machines have to cross to out-perform humans with college degrees isn't that high."

Martin Ford, Author 'The Rise of the Robots'



DRONES...

Algo' Error: 'Hello,
you are about to die....

Can I sell you some
life insurance?'



FINANCE USED TO BE...



OBSOLETE...



Technology



Human Computers
Pit Traders, Runners

Modelling Actuaries

Market Makers

Clerks

Data Entry Keyers

Sell Side Analysts

HOW WE PERCEIVE FINTECH...

"Until they became conscious they will never rebel, and until after they have rebelled they cannot become conscious."

1984



A large crowd of people is gathered at night, filling the lower two-thirds of the frame. In the background, a large, brightly lit portrait of a man with a mustache is visible. To the left and right of the portrait are two illuminated signs that read "INGSOC". The scene is dimly lit, with the primary light sources being the portrait and the signs.

THE 'OLD FUND ORDER'

Asset Management has been..

- Human-human intensive
- Digital restricted to servicing and communication
- High premium; low transparency

OLD FUND ORDER: SYMPTOMS

Fund Buyers



Poor Stewardship and ESG

Star Manager Culture

Rise of Passive

Supertankers

Biases

DISADVANTAGES OF 'BIG'

Supertanker Funds..

- Burgeoning size relative to holding, exposures
- Reinvestment burden and slippage costs
- Redemption risk, star manager syndrome
- Dilution of alpha, rising risk mgt
- Cash drag to cover box flows



CONSULTANTS?





THE ORIGINS OF THE 'P' MODEL

AGGREGATION OF PRICE

$P + P + P + P + P \dots + P_i?$

- Embedding Price into Multi-P rating
- Judgemental versus Tangible factors
- Aggregation - Value Proposition Trap
 - Alpha BUT not at any cost

CONVINCING V CONVICTION

Behavioural Biases

Incentives

Relationship

Mediocre Choices

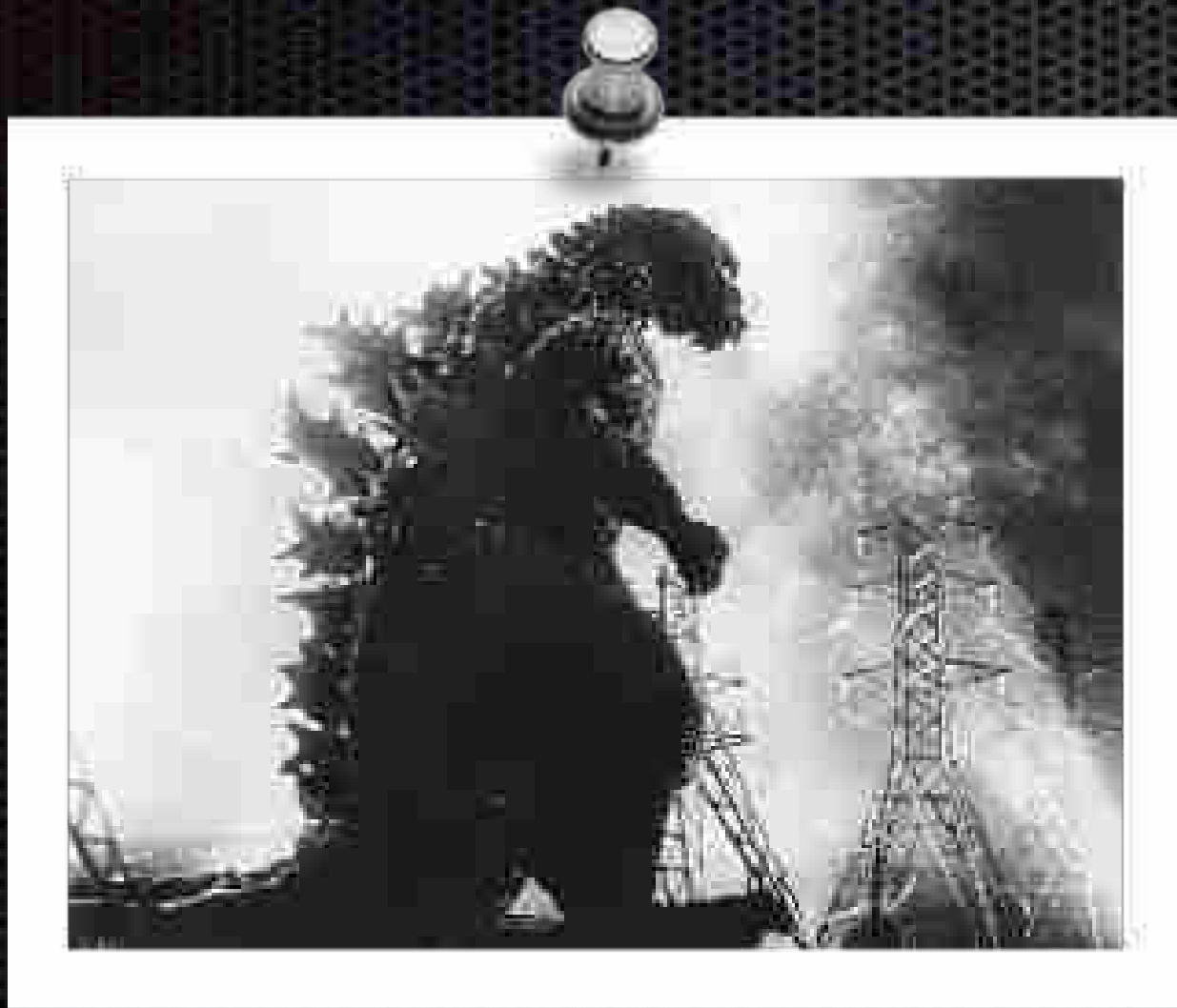
Impact on Cost



OPTIMUM ECONOMIC VALUE

- Self-Regulation giving way to Big Brother
- Scrutiny and shortening of value chain
- Fee compression and transparency
- Easier access through technological innovation
- Increased individualism and investor choice

OEV: DISRUPTION



Electronic Trading

Program-Program

Simpler Value Chains

Falling Costs and Fees

Automation. De-humanised

Robo-advisors

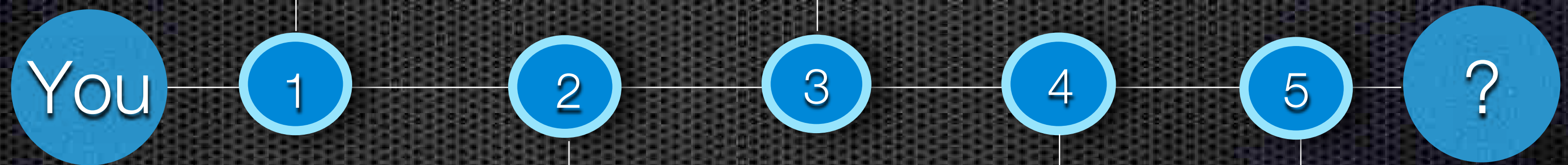
Disintermediation

Traditional roles give way to Fintech

NFO: THE NEXT 20? YEARS?

Robo Everything

Block Everything (IOT)



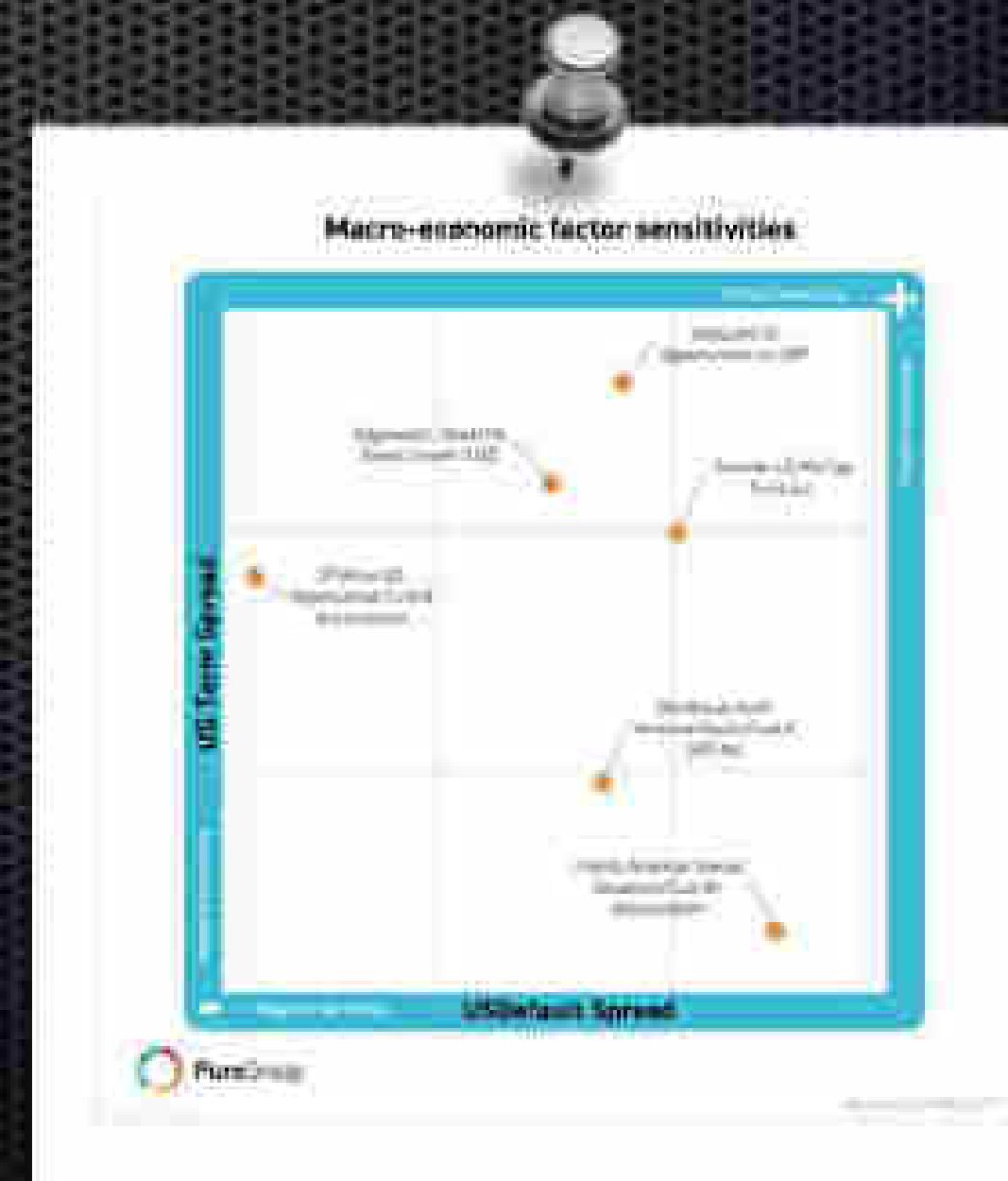
Automated
clearing

T Zero

ETF2.0

PUREGROUP.IO

- Innovative quantitative models to assess funds
- Dynamic Distribution Technology - XALT
- Multi-factor analysis
- Innovating Fund Distribution
- Improving messages to buyers



SHARINGALPHA.COM

- Start-up aims to be 'Morningstar meets TripAdvisor'
- Allows fund influencers to assess and upload ratings
- Investors can track fund selectors' track records
- Construct theoretical portfolio of funds
- 'Wisdom of crowds' philosophy, free to use

GUIDETODOOR.COM



- Global Digital Due Diligence platform
- Best practice: APFI and Guidance Panels
- Digitally secure data in the Cloud
- Creates efficiency for Asset Managers and Buyers
- Allows customisation; avoids conflict

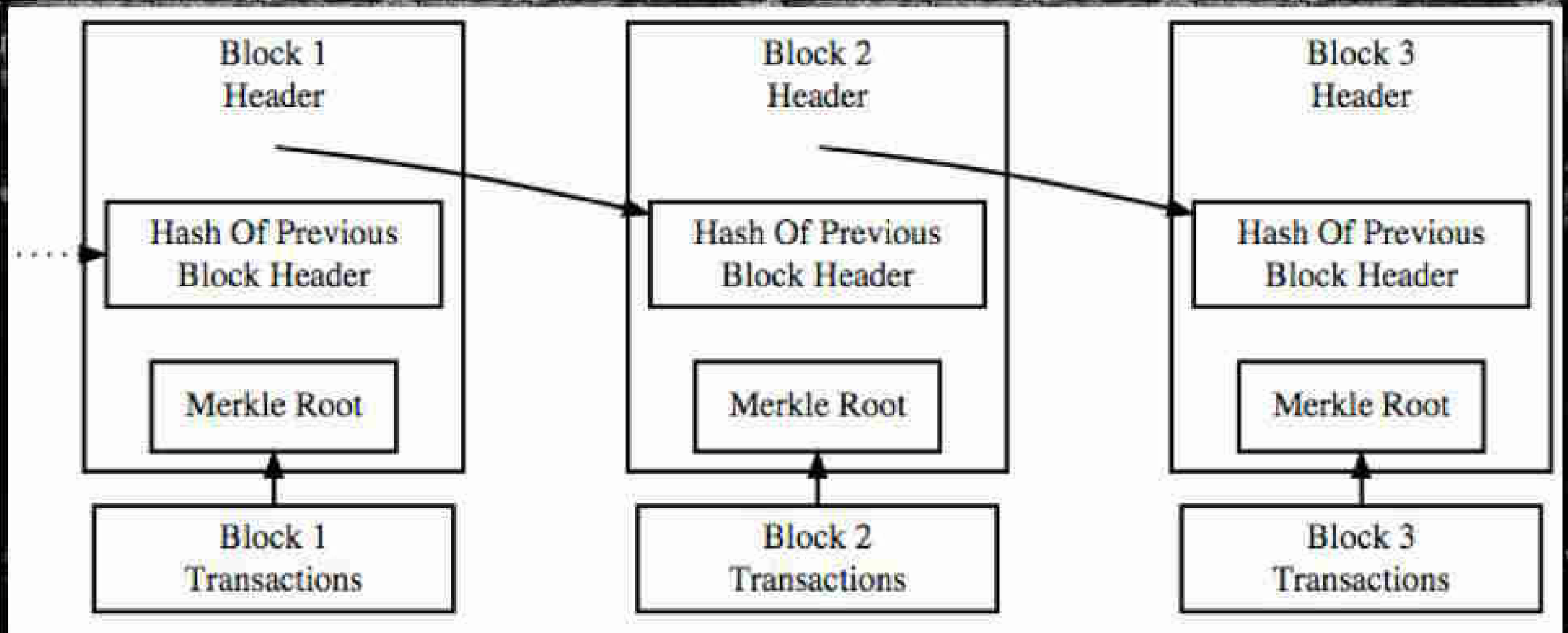


SUSTAINALYTICS.COM
THESOUTHPOLEGROUP.COM

- Carbon research
- Sustainability intelligence
- Sector ESG reports
- Index construction
- Corporate Governance advisory

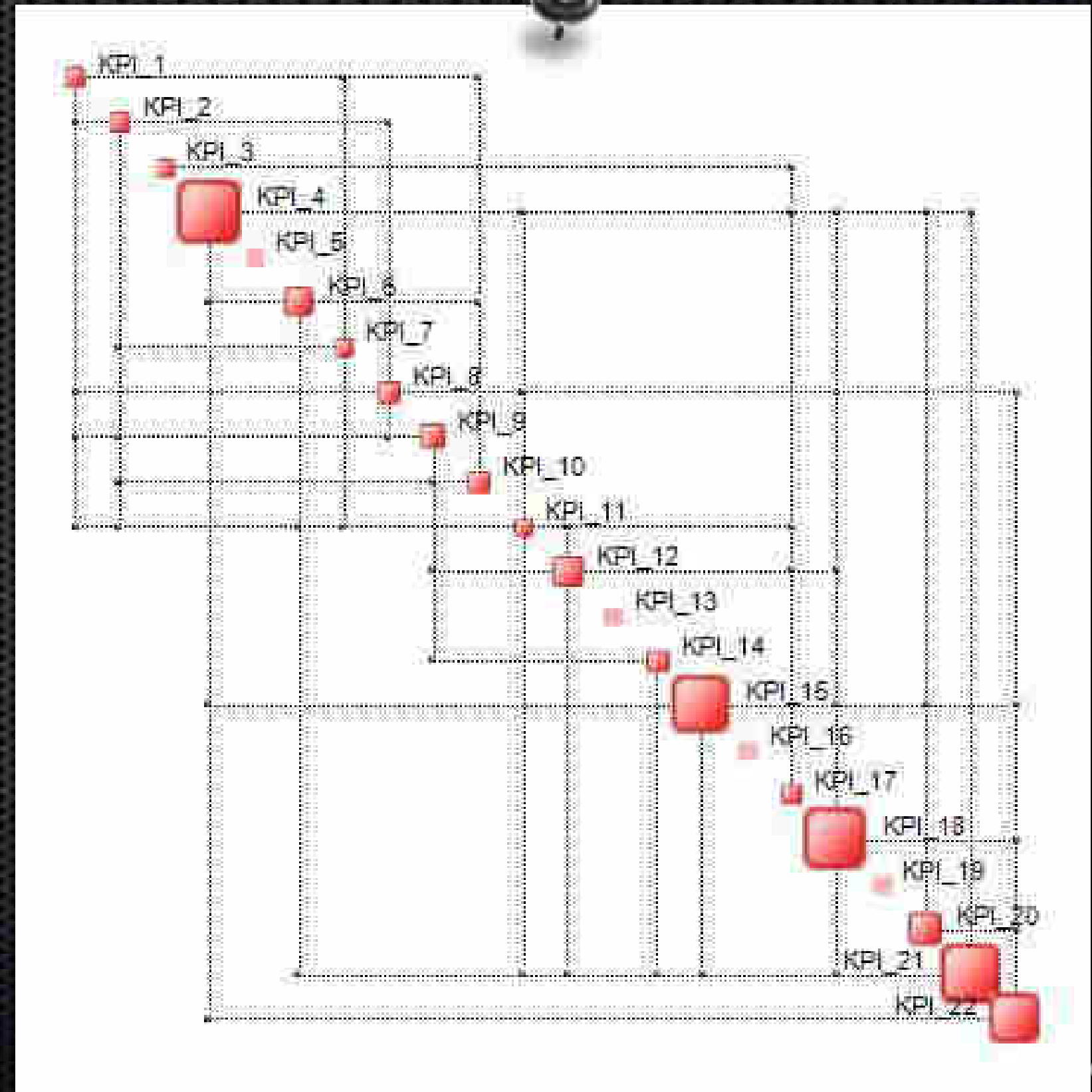


BLOCKCHAIN BASED ETF?



ONTONIX/ UNIVERSAL RATINGS

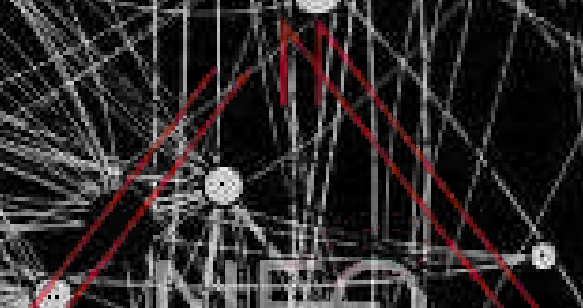
E.g. Complexity network
by ontonix.com





THE KEY TO A SELF LEARNING

RUN **D.N.C.**



FINTECH FIDUCIARY IS GO?

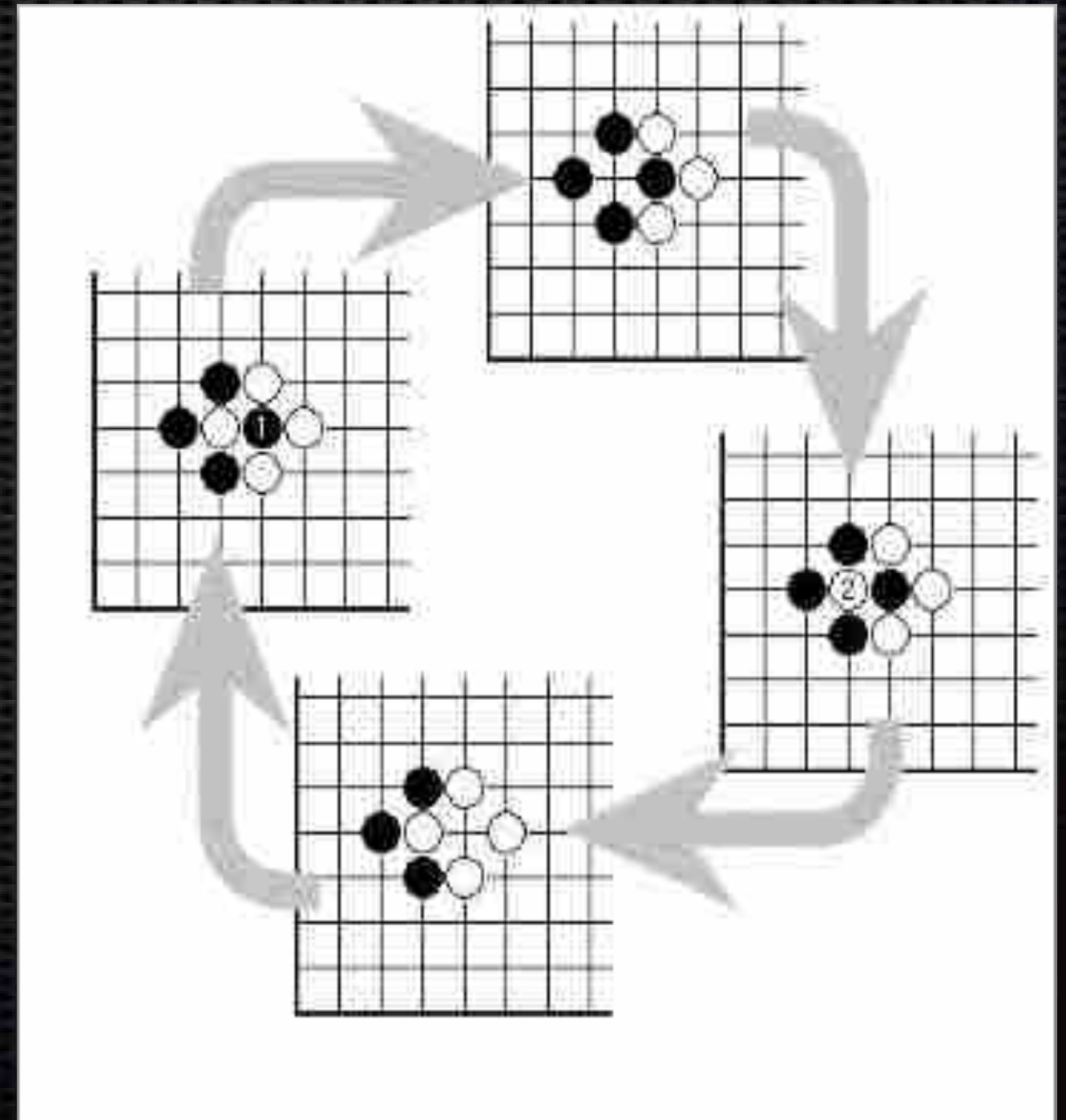
Agency?

Machine Learning

Judgmental nudges

DNC + Program Synthesis

Asimov's Laws

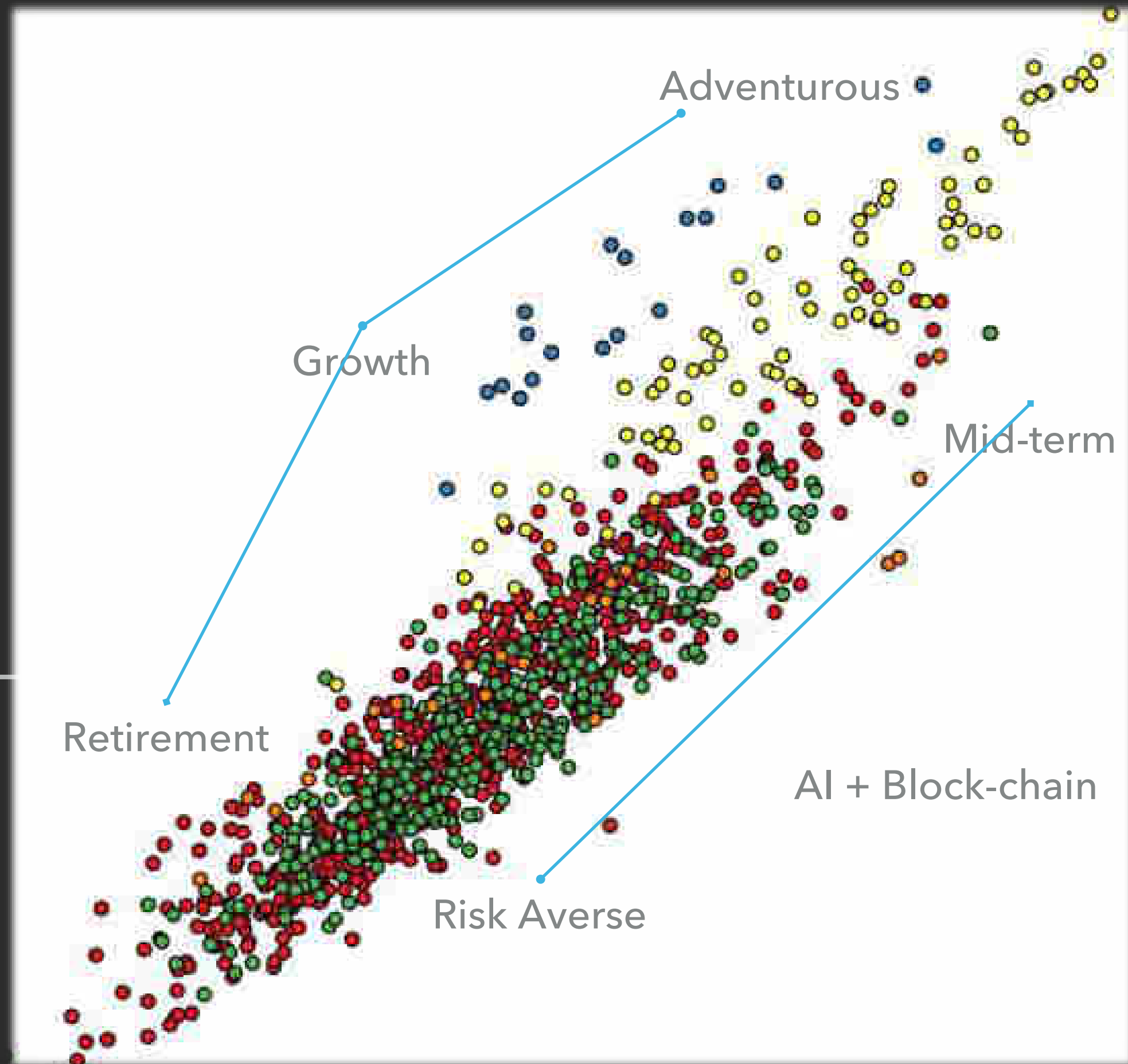


ASIMOV'S LAWS

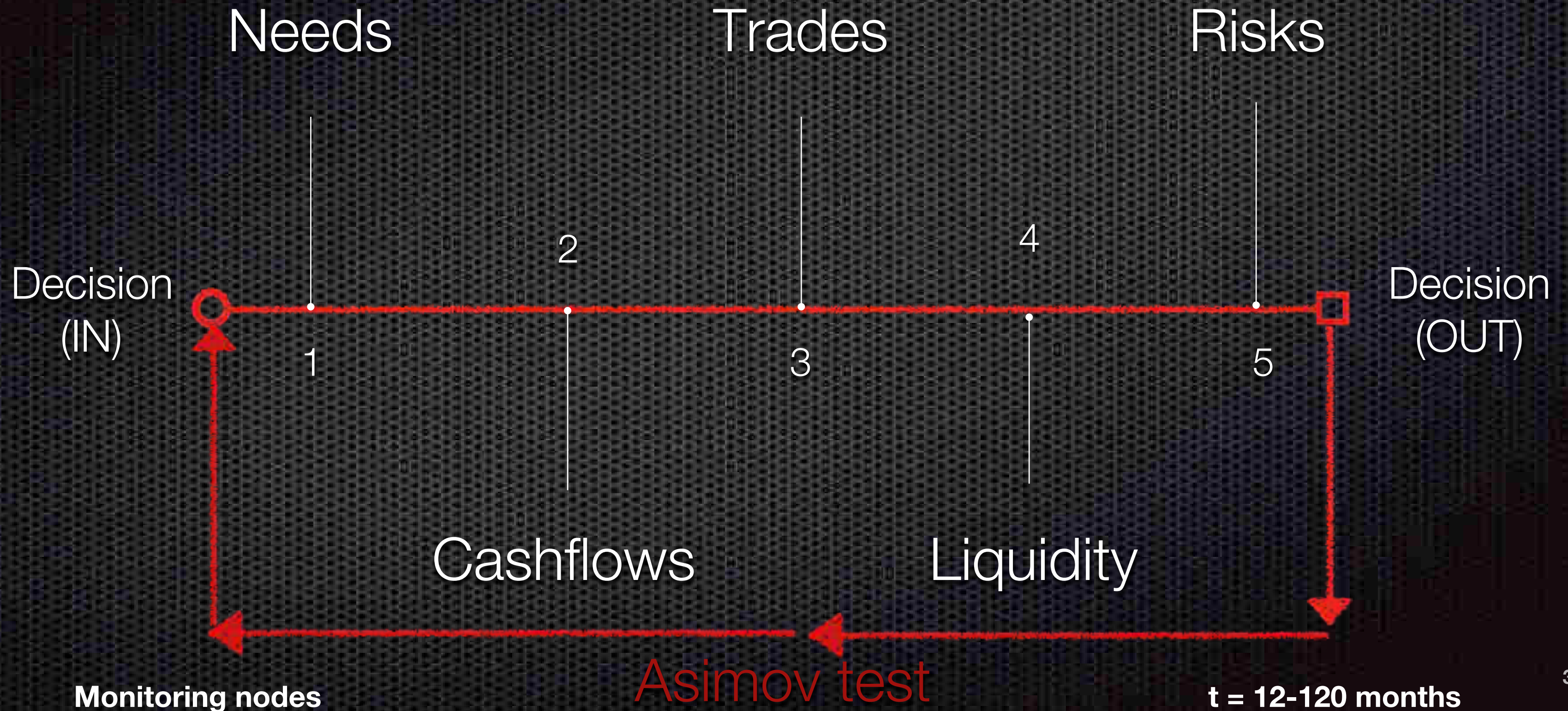
- 3 Laws of Robotics
 - Hard-coding protections and controls
- Fiduciary responsibility upon programmer
 - How to know controls are working?
- Knowing if client's needs have changed..
 - Responsibility and Accountability?



ETF 2.0?



MAPPING A ROBO



“the more the division of labour
and application of machinery
extend, the more does
competition extend among the
worker”..”

- Karl Marx, Das Kapital



Jbbeckett@simpl.com

by JB @JonSBeckett

DON'T WORRY...

BE HAPPY!