



Investing in the age of AI:

The case for emerging
manager quant funds



With private markets maturing and majority of assets under management flowing to mega funds that are commonly rigid in their strategies, investors are at an opportune moment to take advantage of evolving technologies by investing in quantitative funds, particularly in young, emerging manager funds that are naturally nimbler with their strategy and better positioned to fully take advantage of new technology. With the advent of AI and the rate at which technology has been developing in recent years, emerging manager quant funds founded by a team with a strong background in tech and finance are best positioned to take advantage of the markets. These funds provide direct exposure to the latest technology in AI and machine learning not as an equity owner, but as an indirect user who harnesses vast compute power and data capabilities to make informed investments.

Dissecting an Emerging Manager Quantitative Fund

Quantitative Funds

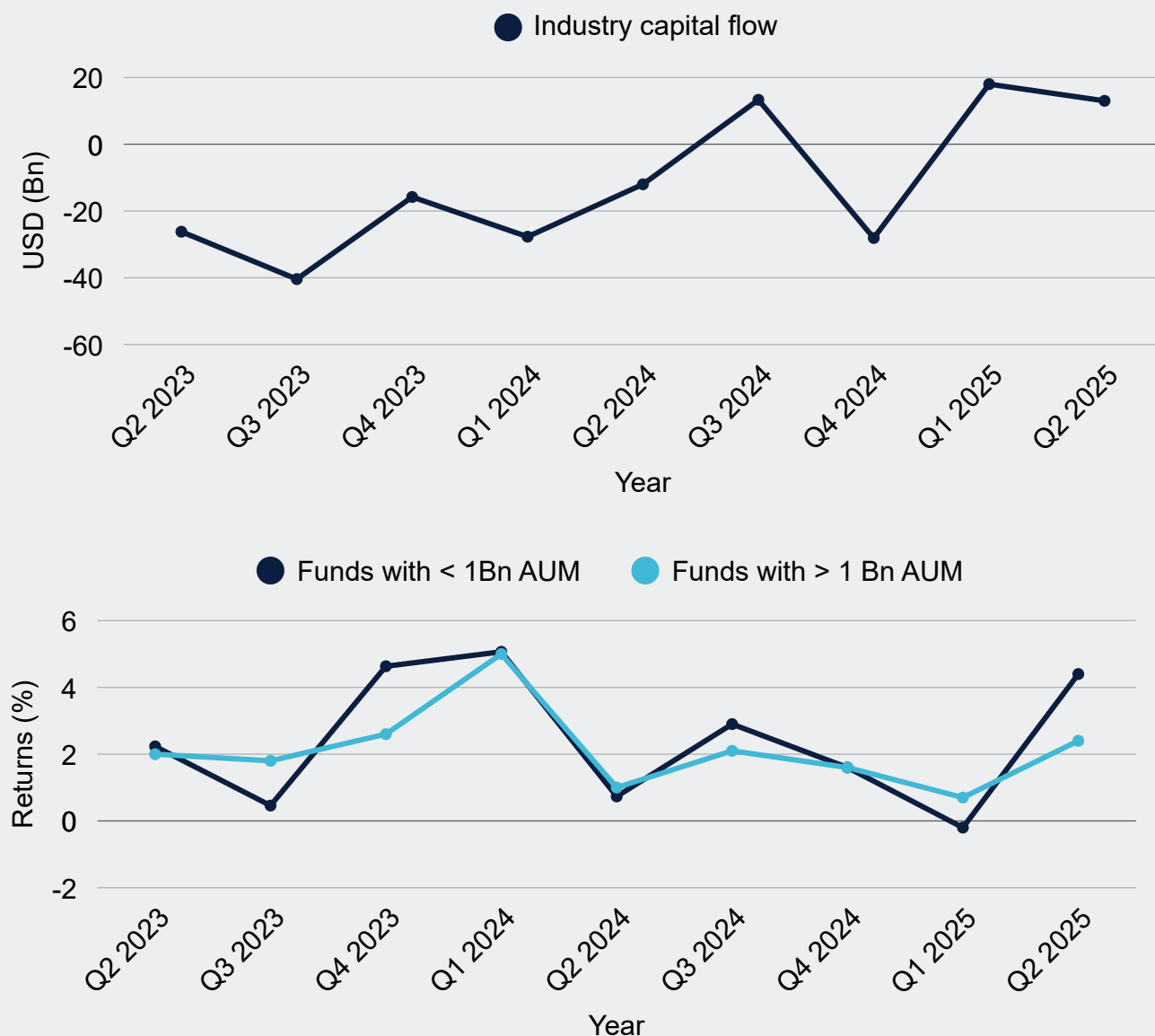
The systematic and data-driven approach to capital management is and has been a longstanding school of thought that is central to a lot of successful funds. Long before the invention of the internet, funds have made use of data as input to mathematical models to optimize capital allocation, marking the beginnings of quantitative funds. As the ability to process data got better over the years, more and more funds have relied on this systematic approach, relying on automated signals and data-driven insights. Today, it is estimated that more than \$1 trillion US Dollars are held as AUM by quant funds, with the largest ones having more than \$USD 90 Bn in AUM. Because of the advancement of artificial intelligence and machine learning techniques in collecting incomprehensible amounts of data, modern-day quant funds now use technology that synthesizes and turns data into insights that give their fund managers an advantage in the market. The most advanced quant funds receive context-aware automated trading signals that are then coursed through machine learning models that analyze how insights can be translated to tangible market moves.

Emerging Manager Funds

The emerging manager industry revolves around new, smaller funds often managed by first-time fund managers. Oftentimes, these fund managers are not really without experience, but rather come in as spinouts from big firms in finance (ex-Wall Street traders, investment bankers, financial consultants). While these funds are often smaller in size, typically having no more than a billion dollars in AUM, they are sought out by investors who are willing to take the risk on unproven, highly-motivated managers. Pitchbook (2023) showed clear proof that emerging-market managers outperform established peers, stating a 200 basis point gap and a 9% delta in likelihood of being in the top quartile of returns. These higher returns are possible despite a disadvantage in scale because smaller funds have more flexibility with their strategy and often have niche and innovative strategies that bigger funds overlook.



Hedge funds are quickly gaining strength, seeing it's sixth straight month of positive inflow for June to end Q2 2025. This comes after hedge funds showed resilience amid market volatility, posting a 4.74% growth in Q1. This marks a strong recovery following negative inflows in the last three years.



As hedge fund inflows reached record-high levels in 2025, institutional allocators have sent strong signals to private investors by favoring the emerging manager market over established funds. AIMA's 2025 survey shows that 40% of allocators are actively seeking small pods and new shops to grow their capital against a lowly 13% that are seeking to re-invest with current managers. This is echoed by a strong sentiment for separately managed accounts, with 42% of decision-makers explicitly calling out this preference. This comes after high volatility in the markets rewarded nimble funds that were able to shift their strategies without the institutional rigidity of the mega funds.

As allocators and investors search for new funds with more transparent operations and highly personalized strategies through the aid of technology, emerging manager quant funds are well-positioned in an asset class that is having a resurgence in capital inflows.

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