



Q&A

The pursuit of alpha and how to achieve it

Unlock real-time insights for investment
management, with efficiency, flexibility
and control



Q: What is alpha in investment management?

A: Alpha refers to the excess return generated by an investment strategy compared to its benchmark (which represents the market's movement as a whole). In essence, it is a measure of an investment manager's ability to outperform the market by adding value relative to a passive strategy.

Achieving alpha is challenging, especially in traditional stock and bond markets today. As Investopedia noted: "Empirical evidence comparing historical returns of active mutual funds relative to their passive benchmarks indicates that fewer than 10% of all active funds are able to earn a positive alpha over a 10-plus-year time period, and this percentage falls once taxes and fees are taken into consideration."¹

Q: How are investment managers pursuing alpha in today's landscape?

A: Faced with resurgent market volatility, many investment managers are turning to alternative asset classes such as private equity, venture capital and private credit that have lower correlations to traditional stock and bond markets, and hold out the potential for portfolio diversification, reduced volatility and higher returns.

Alternative investments offer a broader range of return sources designed to succeed across market conditions. They access different risk premia and

a wider set of opportunities to generate alpha. According to Northern Trust research directors, "capturing alpha from alternative investments benefits the portfolio's risk-adjusted return far more (and far more reliably) than capturing alpha from public equity."²

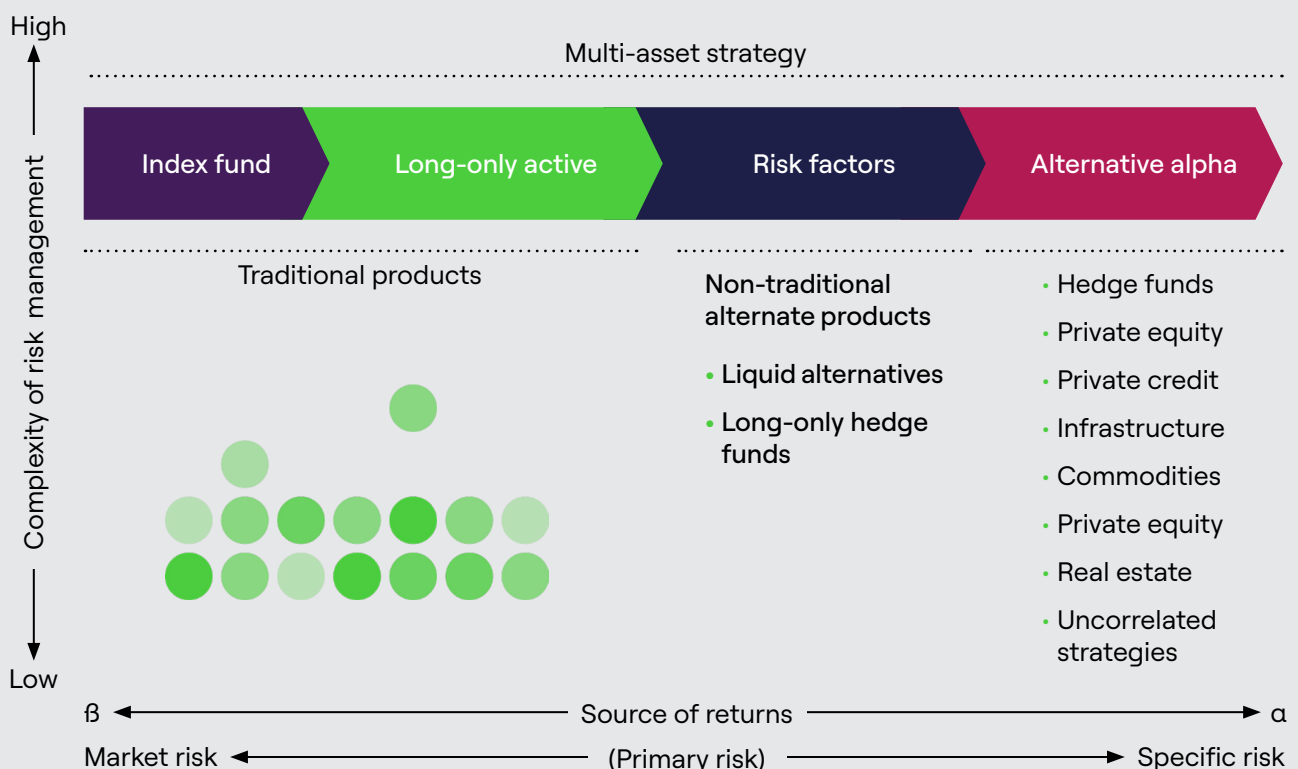
"Multi-strategy funds have become increasingly popular as they allow firms to optimize alpha by combining the expertise of "best-of-breed" managers. These funds counter the challenges faced by large asset managers whose size limits their ability to outperform the index. By employing multiple strategies such as long/short equity, global macro, and investments in private assets, firms can achieve risk diversification and generate excess returns. This approach allows for strategic allocation across asset classes, enhancing returns in different market conditions. Managed by experienced professionals, these funds effectively identify opportunities in the market. Managers gain operational efficiencies from shared technology resources and it helps managers optimize risk for greater returns, making multi-strategy funds a compelling choice in today's competitive market" observed Pontus Eriksson, executive director, FIS® Trading and Asset Services.

But while alternative asset classes can enhance overall portfolio performance, they come with additional risks, including longer capital lock-up periods and greater management complexities.

¹ Alpha: Its Meaning in Investing, With Examples, Investopedia, February 23, 2024, 2021

² Allocating to alternatives, Northern Trust, January 12, 2024

Expanding roles of alternatives



Q: What challenges do alternative investments introduce?

A: Alternative investments bring far greater operational challenges than traditional equities and bonds. Lacking liquid markets and transparent daily market prices, valuations are based on complex, often subjective methodologies. Tracking capital commitments, managing subscription and redemption processes, and handling complex fee structures demands advanced capabilities. Regulatory frameworks and compliance requirements vary widely depending on asset class, investment structure and jurisdiction.

To manage these asset classes, investment managers must be able to support complex workflows, ensure compliance and manage risks effectively. Smaller, resource-constrained firms in particular may find their reliance on manual processes and outmoded technology inadequate for handling these complexities, leading to costly and potentially damaging inefficiencies.

Q: How can advanced technology help?

A: Advanced technology has become crucial in managing diversified, multi-asset strategies efficiently. Using multiple legacy platforms and manual workarounds adds layers of cost and potential for errors. And when data is siloed across disparate systems, investment managers struggle to obtain the complete, real-time view of portfolio positions and risk needed to optimize investment performance, service customers and maintain regulatory compliance.

An integrated multi-asset class technology platform enables firms to streamline operations, access real-time data and improve decision-making. With automation and scalable solutions, managers can reduce costs, enhance performance, manage risks and stay competitive in fast-moving markets.



Q: How can investment managers tackle their increasing cost pressures?

A: To combat shrinking margins and rising costs, investment managers need to minimize operational inefficiencies wherever possible. Consolidating multiple legacy systems onto a single, multi-asset class, front-to-back platform minimizes vendor and support costs, and reduces manual processes, saving time and money. End-to-end automation of trading and portfolio management processes streamlines expenses. Plus, firms can add new markets, asset classes, products and strategies to boost revenue and make investments work harder without increasing headcount and infrastructure.

Q: What about strengthening risk and compliance management?

A: To proactively monitor and manage their risks, investment managers need a real-time view of all portfolio positions, to ensure they factor their firm's risk appetite into every trading, hedging or capital allocation decision. Tools like continuous pre- and post-trade compliance monitoring help maintain adherence to the numerous trading and financial regulations they face.

Adopting a holistic, cross-asset technology framework enables firms to consolidate data in one place and obtain a complete view of their desk- and enterprise-level risk positions. Feeding advanced risk management tools with real-time data then allows stakeholders to make informed decisions about portfolio adjustments, trading strategies and capital allocations to ensure they comply with defined internal policies and external regulatory requirements.

Q: What benefits do cloud-based investment management platforms offer?

A: Cloud-based platforms take the implementation and maintenance cost and hassle out of technology deployment, lowering the total cost of ownership – making them especially attractive to smaller and mid-sized asset managers and owners. By ensuring the platforms are robust and secure, vendors can optimize system performance, minimize downtime and guard against data breaches. Fast, easy upgrades allow investment managers to stay current on the latest versions without disrupting workflows, while ready scalability enables firms to adapt to evolving market demands and business needs.

Q: Why is digital transformation so important in investment management?

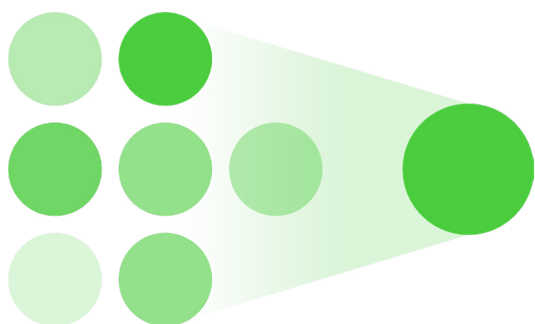
A: Digital transformation equips asset managers with rich tools to enhance operational efficiency, customer engagement and risk management. By automating processes and providing data-driven insights delivered through easy-to-use dashboards, digital platforms improve the user experience and support faster, better-informed decisions, helping firms meet the demands of today's fast-paced markets.



Q: How can firms future-proof their operations with technology?

A: Technology is increasingly central to investment management, enabling firms to manage portfolios, navigate market developments and meet their regulatory responsibilities while streamlining costs. But not all technology is created equal.

With alternative assets becoming more prevalent and trading volumes surging, investment firms need to future-proof their operations. That requires integrated technology solutions that provide seamless support across asset classes, strategies and markets – eliminating manual tasks, and delivering the ready scalability and flexibility to capture opportunities as they arise. And by leveraging innovations like AI-driven insights and cloud-based platforms, firms can stay agile, cut costs and remain competitive in a constantly evolving industry.



Q: How does FIS Cross-Asset Trading and Risk Suite meet investment managers' needs?

A: The FIS® Cross-Asset Trading and Risk Suite (formerly Front Arena) is designed to help investment managers sustain a competitive edge. It provides an all-in-one solution for managing global order, portfolio management, and risk operations across asset classes, from equities and fixed income to complex derivatives, private markets and digital assets.

Combining tightly-integrated functionality and scalable deployment options – including SaaS, cloud, and on-premise configurations – Cross-Asset Trading and Risk Suite automates workflows, reduces operational costs, provides exceptional resilience to manage market volatility, and consolidates data for enhanced real-time risk management and regulatory compliance. With the tools to manage sophisticated investment strategies and accelerate portfolio construction, investment managers can unlock trading opportunities in any market to make investments work harder and deliver the alpha their customers seek.

[Learn more](#)

Money at rest Money in motion Money at work™

FIS trading and risk solutions help you put capital to work and capture alpha. Our **technology** powers the global economy across the money lifecycle.



**Money
at rest**

Unlock seamless integration and human-centric digital experiences while ensuring efficiency, stability, and compliance as your business grows.



**Money
in motion**

Unlock liquidity and flow of funds by synchronizing transactions, payment systems, and financial networks without compromising speed or security.



**Money
at work**

Unlock a cohesive financial ecosystem and insights for strategic decisions to expand operations while optimizing performance.



fisglobal.com/contact-us



linkedin.com/company/fis



x.com/fisglobal

This material is for information purposes only of the intended recipient. We have taken care in the preparation of this information but will not be responsible for any losses or damages including loss of profits, indirect, special or consequential losses arising as a result of any information in this document or reliance on it (other than in respect of fraud or death or personal injury caused by negligence). Terms and conditions apply to all our services. The content of this material may not be reproduced without prior consent of FIS.

© 2025 FIS. FIS and the FIS logo are trademarks or registered trademarks of FIS or its subsidiaries in the U.S. and/or other countries. Other parties' marks are the property of their respective owners. 3964488



**Advancing the way the world
pays, banks and invests™**