

OPPORTUNITY #32

WHAT IF INVESTMENT INFORMATION IS PERFECT?

THE ERA OF PERFECT INVESTING

Complete and real-time availability of data and models means that everyone can invest with perfect information, eliminating arbitrage and equalising financial returns

WHY IT MATTERS TODAY

Emerging technologies, from artificial intelligence (AI), big data and analytics, to blockchain, the cloud, Internet of Things (IoT) and robotics, have changed the face of the financial industry.³²⁷

The digitisation of investing has enhanced the client experience, increased efficiency and unlocked opportunities for individuals who previously may not have had access to investing or even contributed to better investment outcomes.³²⁸

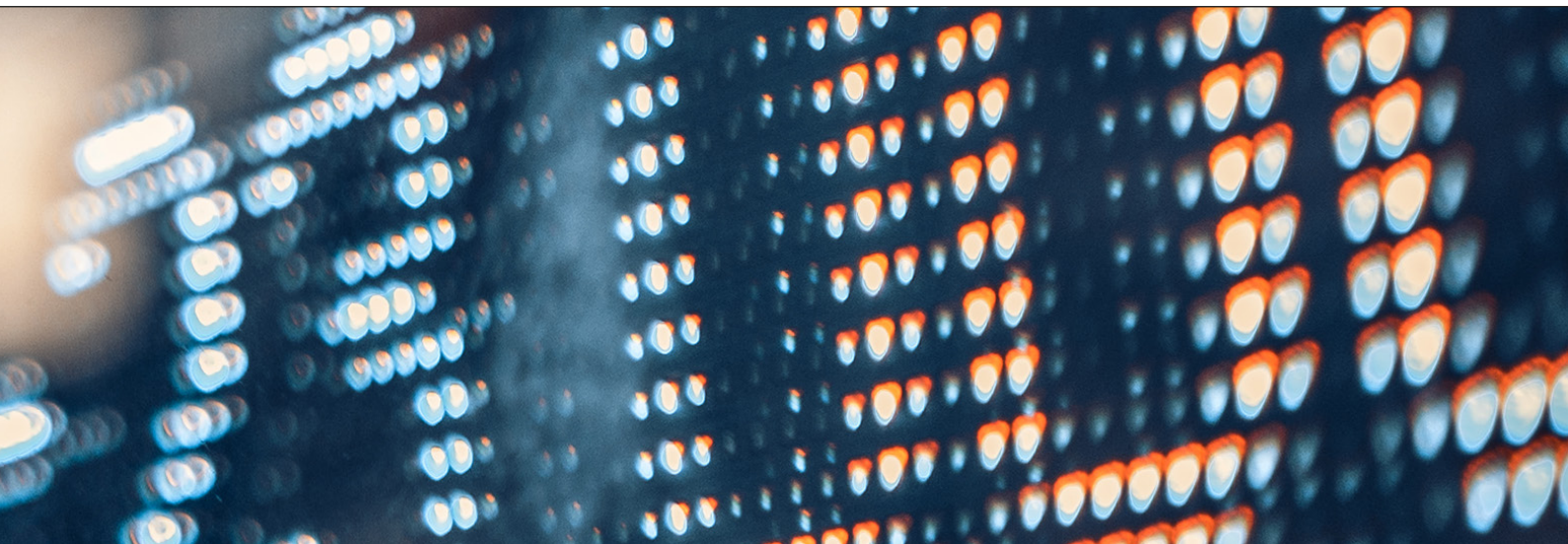
Even though the number of new invest-tech companies fell from a peak of 81 launches in 2014 to single digits in recent years,³²⁹ venture capital funding hit a record high of \$2.8 billion in 2018, growing at a compound annual growth rate (CAGR) of 47% from 2008.³³⁰

Partly driven by a growing population of investors, the global financial technology market is expected to grow to \$124.3 billion by the end of 2025 at a CAGR of around 24%.³³¹ In contrast to previous generations, 31% of millennials (aged 25 to 40) in the United States started investing before age 21³³² and 67% of investors aged 18 to 40 overall own stocks,³³³ with 40% of these stock investors owning cryptocurrency.³³⁴

Fintech in the Middle East is growing rapidly with a CAGR of 30%.³³⁵ By 2022, it's predicted that over 800 fintech companies in the Middle East will raise over \$2 billion in venture capital funding³³⁶ with demand partly driven by half of the 400 million people in the region who are under the age of 25.³³⁷

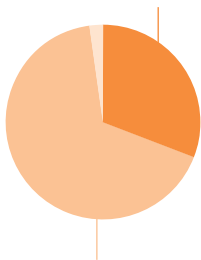
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THE OPPORTUNITY TOMORROW

AI trading systems already execute multi-million-dollar transactions, replacing human decisions with precise computations based on complex formulas. However, financial markets remain characterised by uneven and partial information. Advances in machine intelligence and the emergence of quantum computing, powered by deeper and more accessible data, could reduce this asymmetry. Further, if regulators intervene to support open access to these technologies and data, everyone could use the same information to make their investments.

BENEFITS

Financial systems become simpler and capital allocation more efficient as arbitrage and speculation based on inconsistent information are eliminated. There are new opportunities for investors. Global market volatility is eradicated, and financial returns on investment become more stable and widely shared.

RISKS

The initial emergence of powerful investing models could foreclose this future by leading to a winner-takes-all dynamic as the market quickly becomes dominated by a few large companies using more sophisticated machine intelligence models. Alternatively, the displacement of incumbent financial companies could cause disruption. There is also a risk of the widespread impact of a malicious or accidental corruption of data.

UNINTENDED CONSEQUENCES

Perfect investing may mark the end of investing altogether.