



Scaling an Emerging Manager

A robust, open-architecture platform is critical but beware, traditional prime brokers often expect their customers to be technologically self-sufficient.

Introduction

Emerging hedge fund managers – those with under \$500mn in AUM – are on the rise. Between 2019 and 2024, the number of emerging managers grew by 11% to 2,969, with almost two-thirds based in North America. Today, emerging managers comprise about 30% of the overall hedge funds universe.

Investors look to emerging managers for diversification and outperformance. Between March 2020 and February 2025 emerging fund managers delivered a five-year annualized return of over 16%, compared with an approximately 8.5% return from their larger, more established peers, Preqin data shows.

Another factor underpinning the growth in emerging hedge funds is their competitive fees. Among managers pursuing equity strategies for example, the average management fee charged by small managers is under 1.3% versus over 1.5% for the largest managers. Meanwhile, the average performance fee charged by small managers is approximately 17% versus over 18% among the largest managers, according to Preqin data.

But today's market conditions and investor expectations pose challenges for emerging managers, who operate with lean resources. In addition to navigating increasing volatility, these managers face more complicated reporting requirements than they have in the past. Investors now expect sophisticated analytics, including detailed portfolio exposures, factor correlations and attribution analysis, regardless of a fund's size or stage. The proliferation of vehicles to facilitate investment, such as separately managed accounts and first loss platforms, have added complexity when it comes to allocation as well as data aggregation. As funds look to grow and scale, these pressures become more pronounced.

“Investors now expect sophisticated analytics, including detailed portfolio exposures, factor correlations and attribution analysis, regardless of a fund's size or stage.”

Scalable Technology is Essential to Growth

For many emerging managers, infrastructure planning often takes a backseat to performance and fundraising. Operational readiness can feel like a secondary problem to be solved later, once growth materializes. Technology then becomes a chicken or egg problem; until managers have secured sufficient capital, they can't afford the infrastructure they need to attract more investors. And yet, they often can't grow their investor base without scalable technology.

As such, overlooking the importance of scalable technology can be a costly mistake. It isn't just growth in AUM and trade volumes that drives complexity for emerging managers, but expansion into new products, regions and vehicles. Each step introduces new operational demands and challenges, including multi-currency reporting, daily customized reporting and real-time aggregation across counterparties. For small funds that often rely on a combination of fragmented systems and manual spreadsheets, investing in new infrastructure may seem prohibitive – but putting plans in place from early on and assembling the right stable of partners can alleviate these growing pains before they arise.



For small funds that often rely on a combination of fragmented systems and manual spreadsheets, investing in new infrastructure may seem prohibitive.

How the Right Prime Broker Can Help

Emerging managers looking to plug technology gaps often find that large prime brokers expect their customers to be self-sufficient. No matter the size of their fund, when working with established prime brokers, managers must independently ingest start-of-day files, distribute end-of-day files and integrate data across multiple order, execution and portfolio management systems.

That's why emerging managers need a prime broker who understands their unique requirements and can help them integrate scalable technology into their daily operations. The right prime broker can offer managers access to a robust, open architecture platform that eliminates time-consuming manual reconciliations; automates critical workflows; and ensures accurate, real-time visibility of key metrics, such as investment exposures, P&L analytics and margin requirements. Further, this class of technology is both horizontally and vertically scalable, offering managers a path to expand their technological footprint without costly upgrades or the need to convert entire technology stacks as their strategies evolve.

Beyond operational support, the right prime broker can assist with the services emerging funds need to grow their business. This includes targeted capital introductions to help managers connect with suitable asset allocators, corporate access to unique issuers presenting differentiated investment opportunities and equity research to support managers' in-house teams.

The right prime broker should also be able to help with critical functions where missteps can be costly, such as treasury management, risk oversight and liquidity management. With an expert, collaborative partner shouldering these complexities, managers are freed up to stay focused on their core strengths – managing risk and generating the alpha their investors expect.



With an expert, collaborative partner shouldering these complexities, managers are freed up to stay focused on their core strengths – managing risk and generating the alpha their investors expect.

Adapted from a report that appeared in the Hedge Funds Q1 2025: Preqin Quarterly Update. This report contains proprietary Preqin data obtained through Preqin's research efforts.

The Clear Street Solution: Your Prime Brokerage Checklist

When evaluating potential prime brokers, emerging managers should keep a few key considerations and questions in mind, including:

Does the prime broker offer a scalable and integrated technology platform?

- *"How does your technology platform support real-time data integration, multi-currency reporting and expansion into new asset classes or vehicles?"*
- *"Can we access all reporting, margin and financing data from a single portal or API, or do we need to log into multiple systems?"*
- *"Is your platform modular, allowing us to add capabilities as we grow without needing to rip and replace infrastructure?"*
- *"Can we customize dashboards or workflows based on our strategy and operational model?"*

Is the platform truly open-architecture and easy to integrate with existing (and potential future) systems?

- *"What support do you provide for integrating your systems with our OMS, EMS and PMS platforms? How hands-on is your team during onboarding?"*
- *"Do you support FIX connectivity, and how configurable is your API layer for custom reporting or automation?"*
- *"How flexible is your data model when it comes to supporting non-standard fund structures or alternative assets?"*
- *"What's your track record of integrating with emerging portfolio or fund admin technologies?"*
- *"If we switch service providers (e.g., fund admin or tech stack), what's the lift on your end to maintain a seamless experience?"*

What level of operational support can we expect?

- *"Can you walk us through the day-to-day operational support your team provides for firms of our size? How can we right-size this support as our needs evolve over time?"*
- *"What additional services are you able to provide? How responsive are you to your clients' needs for new services?"*
- *"How do you handle high-touch scenarios, such as trade breaks, securities lending fails or corporate actions?"*
- *"How do you support us during critical periods like fund launch, strategy pivots or redemptions?"*
- *"Are there self-service tools for common operational workflows, or do we need to go through your team each time?"*

The Clear Street Solution: Your Prime Brokerage Checklist

When evaluating potential prime brokers, emerging managers should keep a few key considerations and questions in mind, including:

Does the prime broker's overarching platform support related activities, such as fundraising and business development needs?

- *"Do you offer capital introduction services tailored to emerging managers, and how do you evaluate allocator fit?"*
- *"How proactive is your capital introduction team in making introductions or promoting our fund?"*
- *"Do you provide insights on fundraising trends or allocator preferences across different strategies and fund sizes?"*
- *"Can your team assist us beyond trading, risk management and capital raising? What additional business consulting services do you offer?"*
- *"Does your business consulting offering span launch, budgeting, ODD preparation, vendor selection, marketing and other key functions?"*

Does the prime broker provide risk and treasury support tailored to small teams?

- *"How do you support treasury, liquidity and risk management for emerging funds with limited internal resources?"*
- *"Do you provide margin transparency tools or pre-trade margin analytics to help us manage financing costs proactively?"*
- *"Can we delegate elements of our treasury operations to your team, such as cash sweeps, financing optimization or collateral management?"*
- *"How do you help us monitor and mitigate counterparty risk?"*
- *"Do you offer scenario testing or stress analytics on our positions and margin requirements?"*
- *"Can we access real-time data on cash balances, margin usage and liquidity buffers?"*
- *"Do you support short locates or synthetic access for hard-to-borrow names? If so, how transparent are the associated costs?"*

Request a meeting with our team today to learn more.

[Request a Meeting Now](#) ↗



The Team



Mark Daniels

Head of Platform Sales

Mark Daniels is Managing Director, Head of Platform Sales at Clear Street, where he focuses on delivering client-driven trading and clearing solutions across global markets. With more than 20 years of experience, he has built and led teams that partner closely with asset managers, hedge funds and institutions to navigate evolving market structure, regulatory change and technology needs. Prior to joining Clear Street, he held senior roles at Marex, Bank of America Merrill Lynch, UBS, Morgan Stanley and Goldman Sachs, developing platform capabilities and client solutions.



Jud Howson

Head of Client Solutions

Jud Howson is Head of Client Solutions at Clear Street, leading development of Clear Street Studio™, the firm's proprietary prime brokerage, risk and trading platform. In this role, Jud also leads our Business Consulting practice, supporting fund managers' operations through all stages of growth. With 20 years of experience in capital markets, Jud joined Clear Street from Wells Fargo Securities, where he served as Managing Director following the firm's acquisition of Merlin Securities.

Request a meeting with our team today to learn more.

[Request a Meeting Now](#) ↗



Disclosures

Clear Street does not provide investment, legal, regulatory, tax, or compliance advice. Consult professionals in these fields to address your specific circumstances. These materials are: (i) solely an overview of Clear Street's products and services; (ii) provided for informational purposes only; and (iii) subject to change without notice or obligation to replace any information contained therein. Products and services are offered by Clear Street LLC as a Broker Dealer member FINRA and SIPC and a Futures Commission Merchant registered with the CFTC and member of NFA. Additional information about Clear Street is available on FINRA BrokerCheck, including its Customer Relationship Summary and NFA BASIC | NFA ([futures.org](https://www.futures.org)).

Copyright © 2025 Clear Street LLC. All rights reserved. Clear Street and the Shield Logo are Registered Trademarks of Clear Street LLC.

