



# The rise of the hyperscalers

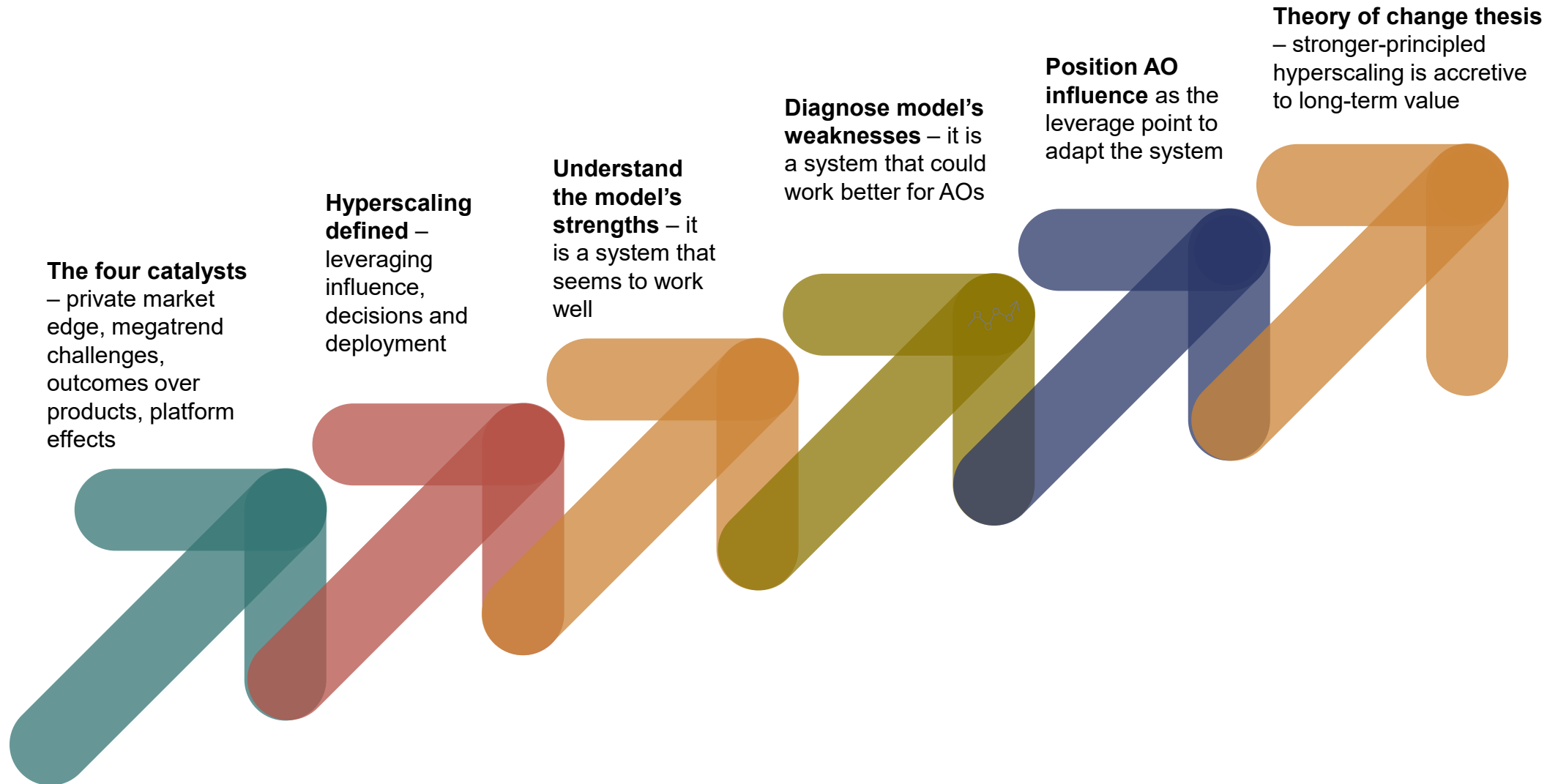
Hyperscalers in investment

Thinking Ahead Institute

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# Investment industry hyperscalers

## Outline

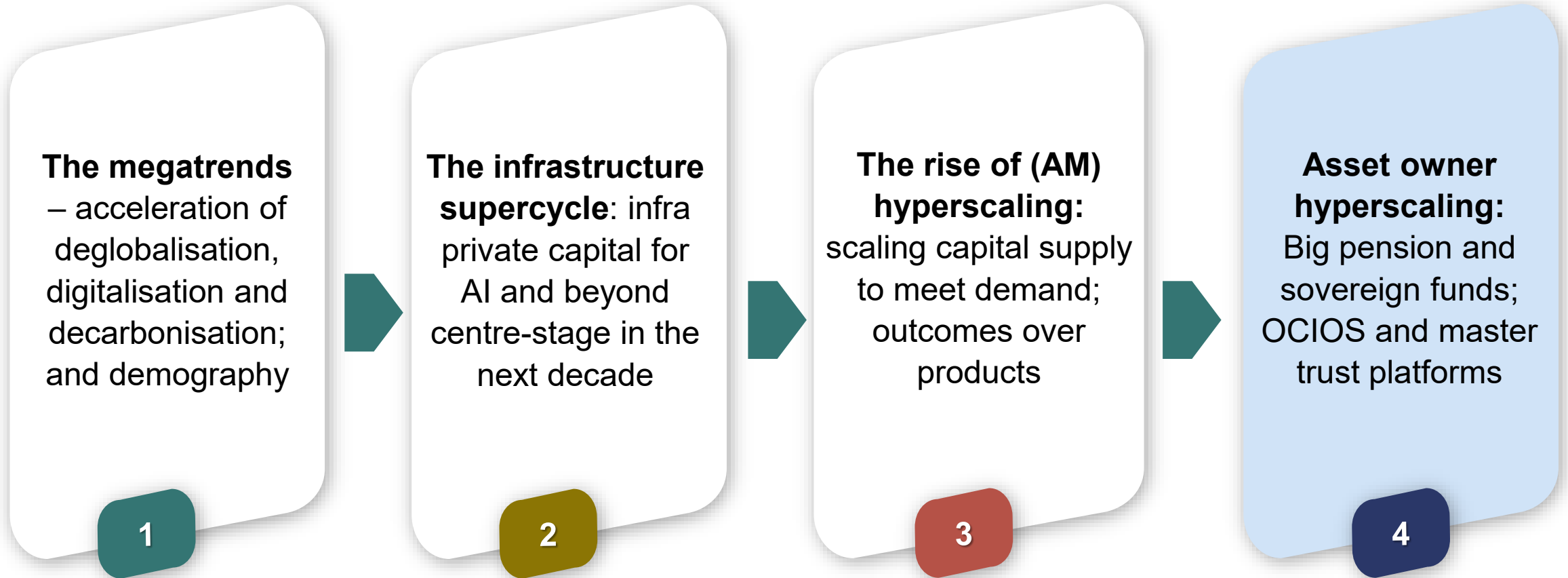


# Hyperscaling 1.0

# (1) Catalysts driving a changing ecosystem

The asset management industry transitioning through a series of structural shifts

Megatrends create extraordinary capital demand | Infrastructure is where that demand concentrates | Hyperscalers emerge as the institutions capable of meeting it. The thesis is hyperscaling as an **adaptive response to a new economic era**



## (2) Investment industry hyperscalers defined

Asset Owners and Asset Managers play distinct and complementary roles in leveraging scale and influence

- A hyperscaling asset owner
- converts scale, governance, decision capabilities & relationship capital
- into influence on outcomes
- drawing on better access, economics & execution,
- to support enhanced value creation

- A hyperscaling asset manager
- converts scale, deployment capabilities & relationship capital
- into influence on outcomes
- via origination, platforms, distribution, megatrends; and operating capability
- to support capital capture in scale



### (3) The OCIO hyperscaler defined bridging the AO and AM hyperscalers

The OCIO (fiduciary manager, mastertrust, superfund, PRA) occupies a bridging position in the ecosystem between AOs and AMs. They scale up the asset owner and asset manager best practices with five features

**Hyperscaling  
asset owner**

#### Hyperscaling OCIO...

- converts scale, governance, decision & deployment capabilities, and relationship capital
- into influence on outcomes
- via better agency, access, economics & execution
- to support accelerating value creation

...scales up drawing on these features:

1. brand rights with AOs
2. ask rights with AMs
3. modular solutions with AO/AM skills
4. stronger agency with AO principles
5. influencing brand as thought leader

**Hyperscaling  
asset manager**

## (4) Hyperscaling sits alongside other rewards for scale in the ecosystem

But the system can tip into a phase changes if these factors reinforce each other

### Four scaling forces at work requiring investment industry awareness and resilience



#### Scaling & Hyperscaling

- *Scaling is the big getting bigger under a reinforcing loop: Scale → lower cost / better tech → more flows → more scale*
- The AM industry still remains with considerable active management diversity but with increased economy of scale a driving force it has its decisions driven through fewer nodes



#### AI

- *With AI scaling, declining marginal analytical cost and infrastructure scale effects create structural pressure toward convergence around shared architectures*
- Whether that convergence reinforces resilience or fuels fragility will depend on governance standards.



#### Indexation

- *Market efficiency under a current 40% indexed 60% active mix has healthy sized inefficiencies supporting active management*
- *Even under much larger indexed allocations than today, the incentives for active managers to seek mispricing, generate price discovery and support the conditions for fair pricing;*



#### Consolidation

- *Industry consolidation through M&A is real and visible, but it is not the main driver of scale which comes more from flows.*
- *M & A accelerates capabilities growth and alternatives platforms for leaders (acquirers) not mid-tier (targets) so this aligns directionally with the reinforcing loop.*

# (5) The hyperscaling proposition is working but with some structural vulnerabilities

Evolving design short of systemic stabilisers

## Hyperscalers convert scale into better capability, access and effectiveness

- 1. Scale engine - cost & access efficiency**
  - Lower cost to investors (scale + technology)
  - Broad, low-friction market access
- 2. Decision and deployment engine – org-alpha scaled**
  - Integrated platforms: origination + structuring + execution
  - Ability to deploy capital into large, complex opportunities
- 3. Relationship engine - access and platform effects**
  - Preferential access to deals, data, partnerships
  - Shaping terms in private markets in global relationships
- 4. Learning and compounding engine - data + feedback**
  - Data + AI + repetition improves decision quality
  - Continuous learning loop in the Intelligence Stack
- 5. System engine – economics, environment, social**
  - Long-term capital that can address systemic issues
  - Consistent stewardship across markets

## But hyperscalers also adds concentration which creates systemic & governance fragility

- 1. Systemic fragility - concentration risk**
  - Large flows amplify market moves
  - Liquidity mismatches can trigger forced selling
  - Correlations increase across assets
- 2. Incentive misalignment - agency at scale**
  - Stewardship concentrated with influence often exercised indirectly and opaquely
  - Product, flow, and benchmark incentives dominate
- 3. System externalities – low attention**
  - System-level outcomes (beta, resilience) underweighted
  - Climate, inequality, AI risks insufficiently priced
  - Influence can be weak in under-specified mandates

**Risks and vulnerabilities could be mitigated with a stronger agency and better-specified mandates**

# A hyperscaler 2.0

# (1) The hyperscaling evolved system – with resilient and systemic elements

Asset Owners can play a more distinct role in leveraging their ownership and buyers influence

## HYPERSCALING EVOLUTION

- The hyperscaling system is working well as an instrument of effective finance.  
**But should it, or could it be more sustainable?**
- The metrics for hyperscaler ‘success’ are short-term and don’t reflect broader value.  
**But should it, or could it be more reflective of sustainable value**
- The AMs are the driving force for hyperscaling.  
**But should, or could the AOs be applying more agency influence?**



## SHIFT FROM

- AMs productise scalable opportunities
- AMs set the AO menu
- AMs 5-year product logic
- Relative performance & liquidity dominate
- Long-term system influence is incidental
- Governance introduces systemic fragility & less decision diversity.
- A system with frictions

## SHIFT TO

- AOs specify long-term investment needs;
- AOs set the AM mandate
- AOs 30-year asset logic
- Long-horizon & system resilience dominate
- Long-term system influence is intentional
- Governance supports healthy system and long-term outcomes
- A system that reaches balance

## (2) Sensitive intervention points

Small, well-targeted interventions that produce disproportionately large, systemic change

**Sensitive Intervention Points (SIPs)** where a relatively small, well-targeted intervention produces disproportionately large, systemic change.

- In systems thinking: **leverage points** (Meadows)
- In complexity economics: **sensitive intervention points**
- Complex systems are: **non-linear**, driven by **feedback loops**, subject to **tipping points** and **path dependence**

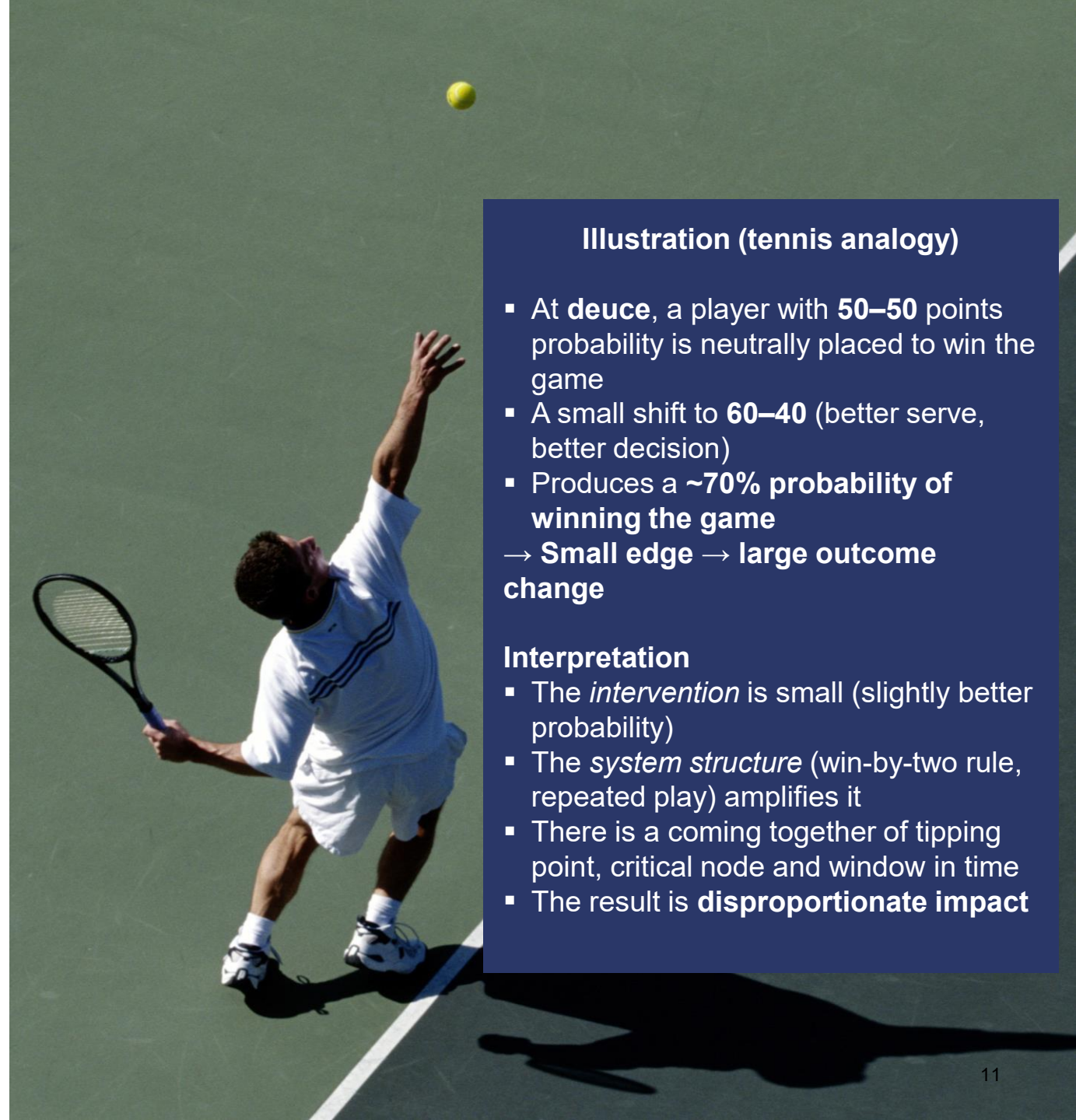
→ **Not all interventions are equal**

→ **Most interventions do very little**

→ **A few interventions change everything**

**Where SIPs occur:**

- **Tipping points**  
thresholds where change accelerates (e.g. cost curves)
- **Critical nodes**  
influential actors or institutions (e.g. hyperscalers)
- **Windows in time**  
moments when change cascades (timing/momentum)



### Illustration (tennis analogy)

- At **deuce**, a player with **50–50** points probability is neutrally placed to win the game
- A small shift to **60–40** (better serve, better decision)
- Produces a **~70% probability of winning the game**  
→ **Small edge** → **large outcome change**

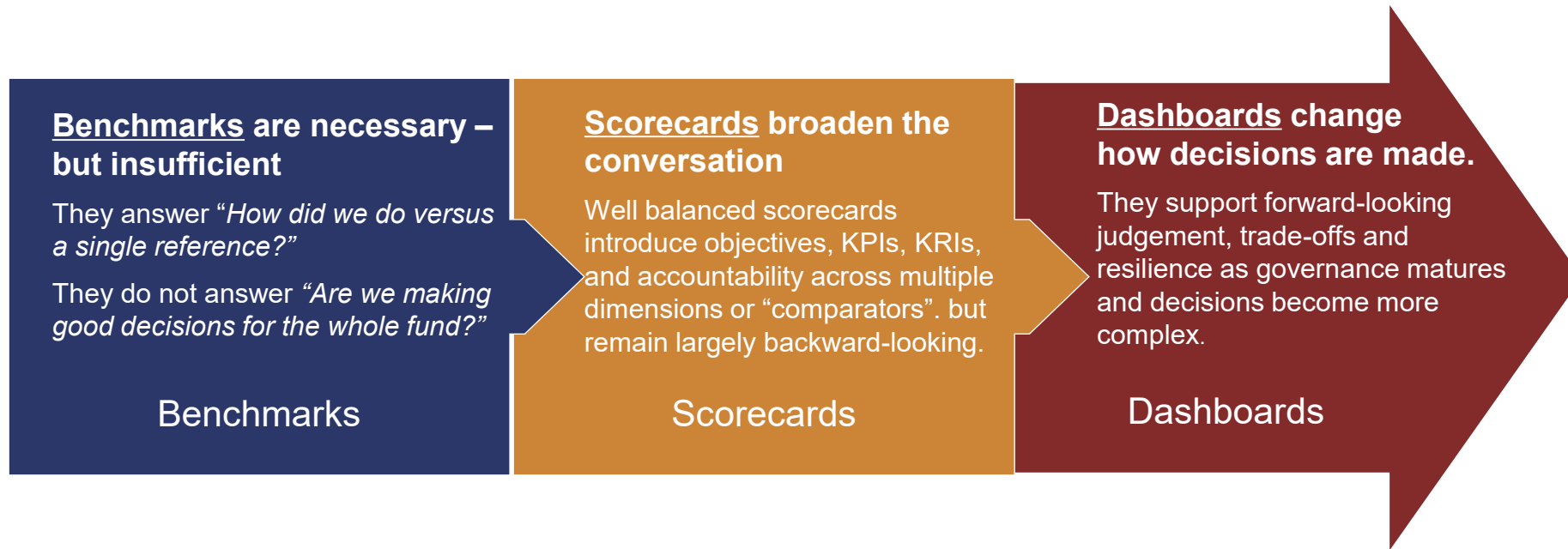
### Interpretation

- The *intervention* is small (slightly better probability)
- The *system structure* (win-by-two rule, repeated play) amplifies it
- There is a coming together of tipping point, critical node and window in time
- The result is **disproportionate impact**

### (3) The metrics can strengthen

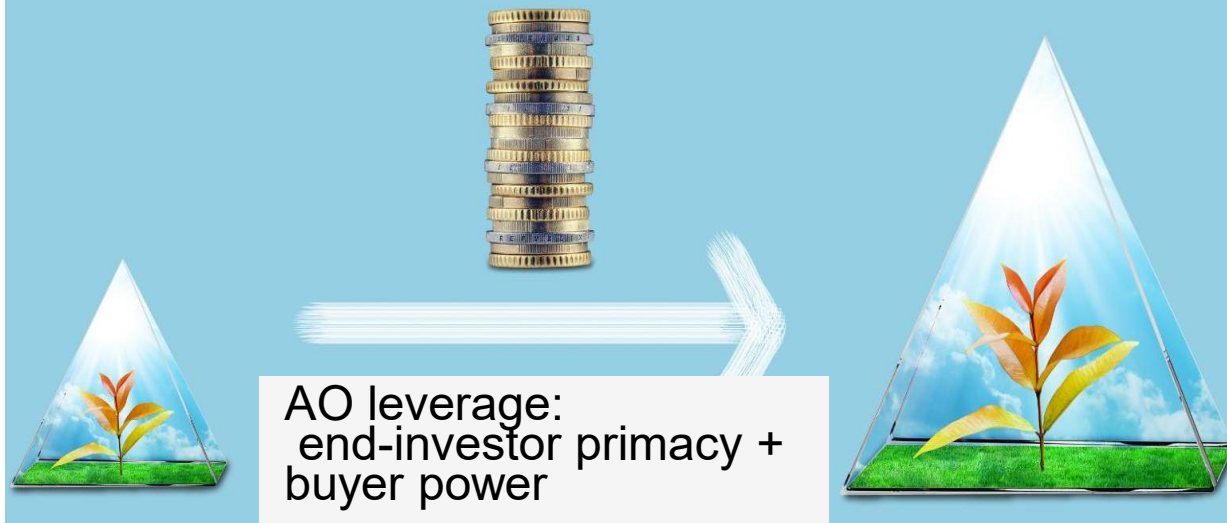
What gets measured gets managed. Diminishing the benchmark focus and introducing multiple comparators, scorecards and dashboards.

Ideally you need a 360 degree metrics field – looking back and forward, zooming in and out



# Conclusion. Hyperscaling Systems

- Mercantile systems optimise transactions.
- Resilient systems optimise the conditions under which value endures.



## AM-led Hyperscaling 1.0 Model

The hyperscaling system is extremely efficient mobilization of critical capital through products driven by mercantilist, transactional models.

## Critical Intervention Point

Asset owners hold underutilized agency to reshape investment demand toward long-term, customized parameters and specified mandates.

## Shift to more Resilient 2.0 Model

Moving to a resilient system emphasizing sustainability, intertemporal efficiency, and three-dimensional focus: risk, return, and resilience through real-world impact.

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