Transforming Data to Insights
Overcoming Multi-Asset Data Hurdles

Rob Wood
Managing Director, Australia
Jacobi

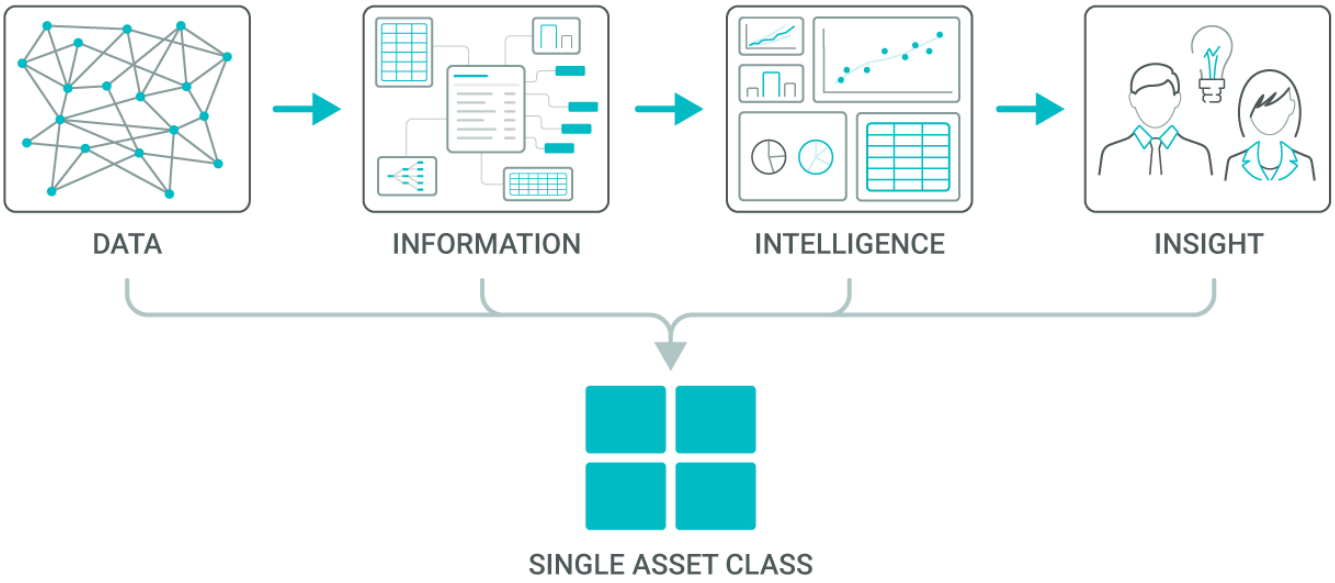
www.jacobistrategies.com

Transforming Data to Insights: Overcoming Multi-asset Data Hurdles

1. Introduction

Data is the bedrock of the investment management industry. Organizations that can efficiently harness data and develop processes to draw valuable insights can enjoy lucrative competitive advantage - sometimes for decades.

In the early days competitive advantage could be derived simply from organizing data into a meaningful and accessible form (information). Advanced analytics then followed, turning information into intelligence, but again a range of sophisticated service providers have reduced the ability for managers to differentiate in this way. Long term value now resides in drawing and applying insights from intelligence.



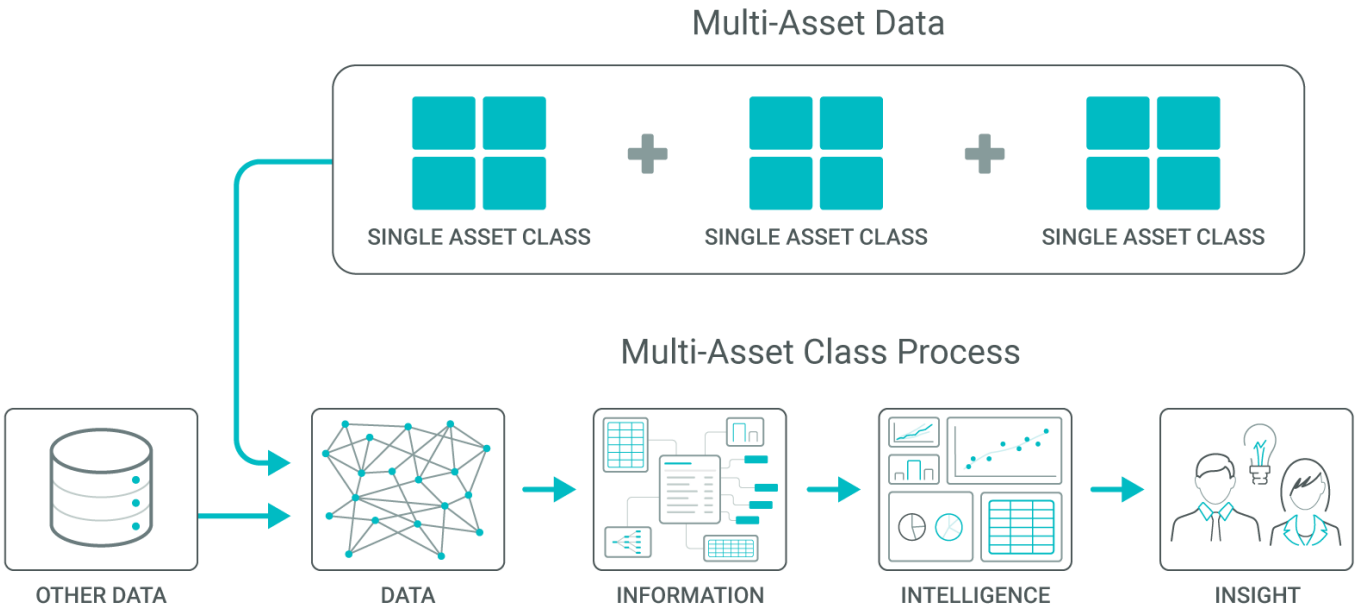
This is no more evident than in individual asset classes where specialist providers have combined a range of data sources and provided value-adding analytics. Managers of listed equities are a great example where market data, fundamentals, and even sell-side survey and ESG data have been aggregated in single platforms providing analysts and portfolio managers valuable tools and resources. Even private asset classes have seen large scale buildout of premium data and analytics providers.

2. Multi-Asset Managers left behind

Unfortunately, in the multi-asset space, data aggregation and analytical tools have not advanced to the same degree as for managers of individual asset classes. Issues affecting the aggregation of data for multi-asset class portfolios can be as simple as differing return methodologies at asset class level (time-weighted return vs internal rate of return), sourcing appropriate comparative risk factor series, or vendor data licensing extensions. While contributing factors are many, data aggregation issues across multiple asset classes present particular hurdles:

- The sources of data are many: both internal and external to the organization
- Internal data sets required from asset class specialists can be ad hoc in nature, making it difficult to systematize data collection and reporting
- Data frequency and methodology varies widely across constituent asset classes. (It only takes data to be unavailable for one asset class to limit the usefulness of an entire data set)
- Data may not be additive across asset classes, such as risk analytics generated from the bottom-up
- Data standards vary and are often driven by the applicable level of governance or investment vehicle (e.g. individual securities versus Limited Partnerships)
- Accessing required data and information can be problematic and may incur costs (eg. technical/licensing)

Additionally, within organizations there can be departmental interdependencies (or wish lists) such as individual asset class product research ratings, valuations and forward-looking assumptions, or aggregate portfolio characteristics that need to be coordinated.



A rational response to addressing the data challenges for multi-asset teams has been to source and assemble data in-house. An in-house solution provides a high level of control over sourcing, standardization and access, however, this often leads to data sitting in a tangled web of spreadsheets. While this approach comes with the advantage of flexibility, it is resource intensive, brings operational risk, and importantly it lacks scale. Increasingly, organizations are looking to establish firm-wide data warehouses.

3. Feeding the Multi-Asset portfolio designers

Development of data warehouses has proliferated in many enterprises. Asset owners, money managers and consultants now recognize the need for a firm-level solution cutting across all asset classes. This is as much driven by a desire for better data governance and economic pragmatism as it is by the users of data requiring better return outcomes.

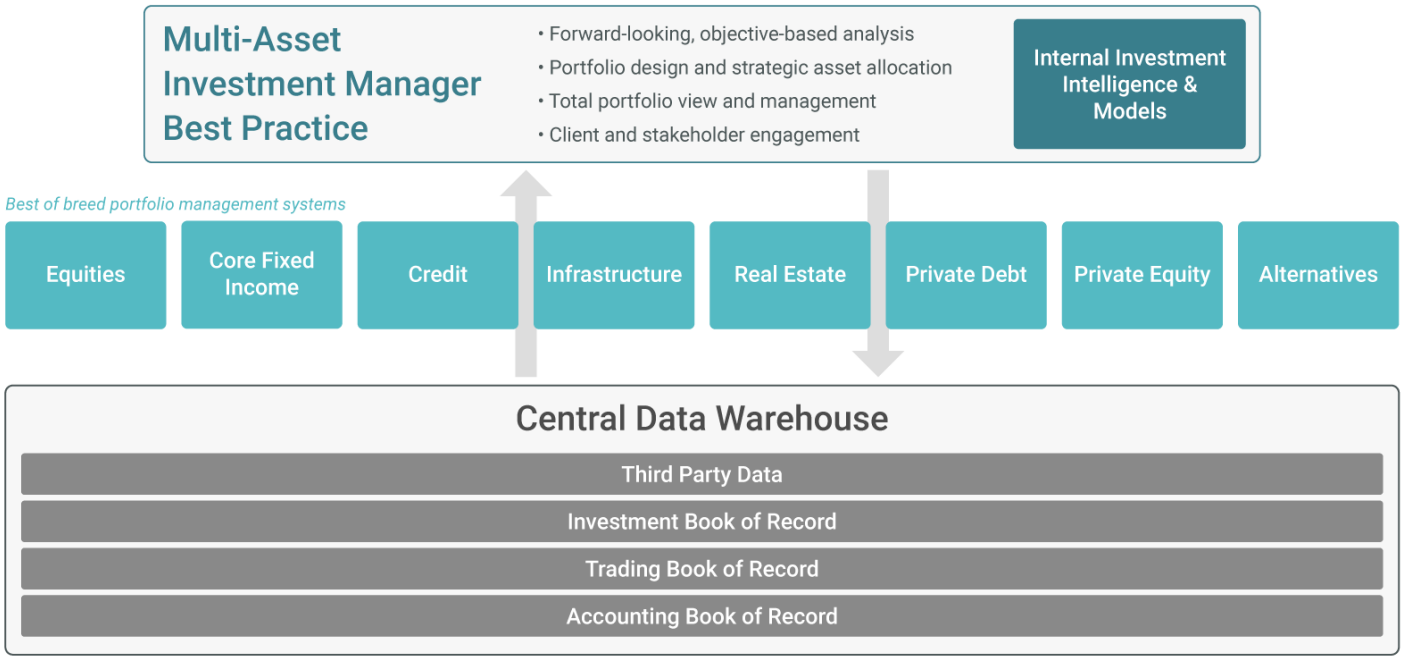
As shown in the above diagram, data could include a subset of the asset class raw data feeds, asset class analytics output (e.g. portfolio summary characteristics) and value-added insight (e.g. forward assumptions). Additional raw data feeds, such as economic data, benchmarks or external product data are likely also required.

Data warehouse builds are complex and can take time. The complexity of the build depends on the size of the enterprise and it's not uncommon to rationalize a firm's mix of data vendors as part of that process. This can be lengthy and even on completion, can leave end users with difficulty accessing data they previously had readily accessible on terminals and in spreadsheets. Consultation is therefore required with data consumers across organizations to guide design and implementation.

4. Enabling Data for Analytics and Insight

Remember that the endgame here is the transformation of data into insight, leading to better client outcomes (and ideally more clients!). Whilst moving data from spreadsheet to warehouse may cut vendor costs and improve organizational coverage, it is not a technological leap for multi-asset teams. The information still needs to plug into analytical tools which in many cases means straight back into spreadsheets.

For multi-asset portfolio designers, ready access to the full breadth of data is critical. Multi-asset managers should be focused on consolidating the more persistent generators of excess returns. This means using the data platform at speed and scale, connecting a refined dataset into their value-adding systems and analytics. Their single asset class peers have enjoyed this kind of ubiquity for a long time. The below diagram shows what best practice for a Multi-Asset Investment Manager could look like.



At Jacobi we recognize the criticality of data connectivity. We spend enormous amounts of time helping our clients with data aggregation on our platform. Those connections cover the spectrum of sources both external and internal and utilize a range of technologies such as API, SFTP, bulk CSV upload among others.

We also recognize that our clients are at different stages in their data evolution. The platform must accommodate all levels of data sophistication and be able to grow with them technologically. Whatever process our clients employ, to deliver multi-asset analytics, insight and reporting to the desktop and client, data is just the first step.

About Jacobi

Jacobi's multi-asset investment platform has its roots in institutional management and brings together investment expertise and market-leading cloud-based technology. Headquartered in San Francisco, the company is led by a team of experienced investment professionals and engineers.

For more information on Jacobi's highly customizable technology to support the scaling of investment processes and client engagement, please contact us or visit www.jacobistrategies.com

Contact:

United States/Canada
Liz Gartsman
+1 (757) 510-1330
liz@jacobistrategies.com
www.jacobistrategies.com

Australia/Asia
Michael Mewton
+61 (0) 434-069-897
michael@jacobistrategies.com
www.jacobistrategies.com

Europe/Middle East/Africa
Chris Barnett
+44 78-4663-3415
chris@jacobistrategies.com
www.jacobistrategies.com