



New Technologies Changing Asset Management:

Key Considerations for Investors

Asset managers are seeking differentiated sources of alpha to achieve consistent outperformance. Many hope to discover unique investment insights by analyzing Big Data (a.k.a. “alternative data”) with innovative technologies like machine learning. How do you know if firms are using these technologies effectively enough to improve investment outcomes?

Below is a checklist of questions to ask asset managers when conducting due diligence on this topic:

11010 0010 Data

- ☐ What is their current number of alternative data sources and how much has that number grown over time?
- ☐ What is their annual budget for new data sources and has it grown each year over the last five years?
- ☐ Describe the processes in place to assess new sources of data.
- ☐ What procedures does the asset manager follow to ensure its investment process is not compromised by privacy breaches of personal data?



Expertise

- ☐ How many data and computer scientists are dedicated to the firm’s investment teams, and what are their years of experience in their fields and their tenure at the firm?
- ☐ What special steps (if any) is the firm taking to recruit and retain its data and computer science talent?
- ☐ In what ways are data science, computer science and other technology expertise integrated into the investment process?
- ☐ In what ways are data and computer scientists included in the vetting process for incorporating (or improving) new technology to ensure that the new technology will add value?



Innovation

- ☐ Over the past year, in what ways has the asset manager innovated the technologies that it uses to analyze alternative data within its investment process?
- ☐ Give examples of the ways that innovations over the past year have found differentiated sources of alpha.
- ☐ How is innovation incentivized on the team (e.g., is it connected to compensation)?
- ☐ How long is the typical innovation cycle, from idea to implementation in live portfolios?



Culture

- ☐ Does the asset manager have a culture of collaboration and constructive debate (that can sustain innovation over time)? Give examples.
- ☐ On a daily basis, how exactly do data and computer scientists collaborate with team members with more traditional investment roles and backgrounds?
- ☐ Meet with data scientists (and other technologists), portfolio managers and junior level members on the team. How would they describe their team’s culture?
- ☐ Is knowledge sharing required and facilitated among all team members through formalized means, such as through an intranet page?

Want to know more?



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