

# Leveraging Data And Technology To Create Investment Alpha

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## Paul Fahey

11:51:58AM

Alright, I guess we'll jump right in. Thank you everybody for joining us. [inaudible], so I'll be careful to manage the time today. This panel today is going to focus on using investment data science or investment technology to derive, develop and preserve alpha. Joining me today is Clare Flynn Levy, who's the founder and CEO of Essentia Analytics, Greg McCall, Co-Founder and President of Equity Data Science, Chuck Doerr, President and CIO of OpenFin, and Matt Angrist, Director financial services at AlphaSense. As we've heard this morning, managers consume and produce a lot of data in their investment process.

And the ability to develop resources to extricate the value from that is limited to a maybe a handful of firms across the globe. So, as we look at all of this data, and the growing amount of data that firms are consuming, how do they extract the value from the data that they are getting from multiple places? And a question that keeps coming up for us, is the value they get from their own data, which seems to be one of the the most untapped data sets in our industry.

I'm going to give each one of the panellists an opportunity to sort of give their background on where they are by asking questions, and Chuck, I'm going to begin with you.

How did your background and experiences, and your role in your firms helped you develop a view on what we're talking about today?

## Chuck Doerr

11:51:40AM

Yes, thanks Paul, and thanks everyone for being here today. You know, for the last 22-23 years I've been helping firms deploy software onto these, sort of front office, very locked down desktops, that are honestly really hard to operate on. So, my previous role I was CTO at Intercontinental Exchange Creditex. We did this, we sort of automated a lot of across season in the CTX market. More recently, in the last 10 years or so, I've been at OpenFin, one of co-founders of OpenFin and what we do, what we've really done, is democratized the ability for people to deliver software onto desktops, but, more importantly, allow that software to talk to other bits of software that are on that same desktop. We're all using a number of different applications, a number of different data sources, a number of different things to get our jobs done and generate returns. But, we have the hardest IT environment to actually operate, and to successfully be able to bring different tools together, both visually, but also doing lightweight integrations between them, is increasingly, increasingly important. We see front office users using 30-40 plus different applications, and so, the ability to sort of bring that stuff together into a place where people can visualize things better and make better decisions, that's really what we're focused on.

## Matt Angrist

11:53:10AM

Yes, so I've been at AlphaSense now for nine years. Prior to that, I worked that some of the bigger

firms out there, Bloomberg, Refinitiv, CapIQ. And, while they're all doing an incredibly good job in the quantitative aspect of bringing numerical data, charts, graphs and pricing, they were not as good on showing structure in the qualitative side. And so, AlphaSense is basically set out to create a search technology that understands language so you can use it as a user, as an analyst, as a fund, as a portfolio manager, to search for certain keywords that will help find variations of that language across hundreds of millions of documents in seconds that we provide to these clients to search, basically bridging the gap between the quantitative and the qualitative. Really, there's a lot of opportunity there and a lot of excitement in that unstructured space.

### **Clare Flynn Levy**

11:53:57AM

Hi, everyone. I'm Clare Flynn Levy, the founder and CEO of Essentia Analytics, and for those of you who don't know Essentia, we are basically sports analytics for fund managers. So, my background, I was a fund manager for many years myself, first long only, and then hedge, and I was a tech specialist, and Essentia is the thing I wish I had. I've built the company to solve the problem that I had, that was not unique to me, which is visibility on what it is that you're doing in decision making, because, as a fund manager, making decisions is your job. Which types of decisions do I make well, and which ones do I keep screwing up? What commonalities are there between my good decisions and my bad decisions? And are there certain types of decisions I should not be making? You kind of know that intuitively, read books about it, but actually, finding out for yourself what your sports statistics look like for your own decision making is something that you can't do without significant data analytics. So, we take your historical decision making, analyse it for patterns, and then, sort of hold up the mirror, talk you through it, and then, use what we call -Nudges-, which are little interventions, little notifications that help you remember to do an extra bit of your process when you're back in an area where your decision making has been detrimental in the past. So yeah, my experience has very much guided what we do at Essentia.

### **Paul Fahey**

11:55:31AM

I think we're going to get back to how you do that [inaudible]. Greg?

### **Greg McCall** MD of Converged Services Platforms, BT Group Plc

11:55:35AM

Hi, Greg McCall. Thank you very much. I'm co-founder of EDS. EDS originally developed inside of multiple funds, dating back to 2012, to ultimately scale their investment process. Scalable up, meaning as their assets grow, having supporting infrastructure, as well as out, so, as their investment teams grow, ensuring the repeatability of their process. Our tools and analytics are utilized by the very front of the front office, the portfolio managers, the analysts, the traders, for the things they do on a daily basis: idea generation, research management, portfolio construction, risk management, performance attribution. Our clients' modern teams, they're looking to better organize better aggregate, similar to Clare, how to learn from the decisions they're making and the current tools that they're using are just not applicable. My background, I've spent 25 years as a fundamental investor, so certainly I've utilized the tools that are available, mostly Excel in Bloomberg, to be perfectly honest, and I also followed technology stocks. And so, I was fortunate to see the growth of kind of many firms such as SalesFirst, Salesforce, WorkDay, AnaPlan, ServiceNow, to understand the value that they're bring to their customer base, so that we can try to replicate that value for our clients.

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**Paul Fahey**

11:57:16AM

So, Greg, I wanna speak with you, but beyond, you know, the inefficiency of an analog process. What our managers currently use to make it difficult to fully assess the valuable data be at their own, the reference data, market data. What is stopping them from really extracting that value?

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**Greg McCall** MD of Converged Services Platforms, BT Group Plc

11:57:33AM

Well, look, certainly, just from a pure productivity standpoint, the value of some of the next generation platforms, such as EDS, is more than justified. But outside of that, to what Claire we're speaking about earlier, it's how do we learn from the decisions we're making? How do we optimize the data that we have access to? How do we organize that data so it's right in front of you, so that you can both make decisions, make actionable decisions, but also, understand and see the different inputs that you can put together in order to make those decisions, make the most informed decisions possible? If fundamental investors, you know, rely i.e. on the Mosaic theory, at the end of the day, we're piecing together a lot of different elements, from quantitative data to when we partner with others. And to bring all of that data together in one platform allows you to ultimately learn from that, to inform and to drive continuous improvements in your investing process over time. Now, the last thing I would say is, you have to really make it easy, and simple, and configurable, and I think that has been historically the challenge with software providers.

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**Paul Fahey**

11:58:57AM

And you talked in the past about the single pane of glass and that popular approach. Just, Matt, if you want to, you talked, as part of your intro, about the multiple firms that you work with previously and how they all do a very good job at what they do. But, to Greg's point, about bring all of that together and having someone be able to analyse the data in an actionable insight. Wanna touch on that a little bit?

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**Matt Angrist**

11:59:20AM

Yeah, so, I think one of the things you mentioned, optimization, efficiency, and one of the things we see is that, many of you know that they're also reading earnings calls, they're reading filings, reading press releases and they're doing it very manually today. They're controlling things through these documents to try to find information. And so, basically, what we've done to kind of remove that anti-creative process, we said "Hey, let's bring all that content in one place where you can search", let's say you wanted to find every company in the world that's talking about market share increase, but they're filtered as "our market size has grown". Those mean the exact same thing, they're just being discussed interchangeably, and there's so much content where there's proper research filing transcript where they're talking about that concept. So, for an analyst today to be able to come into one search box, type in: market share increase in EMEA, and we find every company that's mentioned that inside of an earnings call in seconds, spit up the list of companies, showing the sentences from those documents where they're talking about that, and they have to worry "Am I typing the right word in my Control F search? Have I opened the right documents? Did I open the right company? Am I missing companies?". We're basically a solvent to that problem. I bring all that content and that search technology, all into one place. And then, we've also done, saying where we provide all this content automatically as part of the day one, you're first given

the platform, you have broke research, filing transcripts, but we also allow our clients to upload their own content.

## Multiple speakers

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12:00:44PM

[Matt Angrist] So, we see that a lot of our clients have their own research that they're putting out internally, only for their own firm to see. They're uploading those into our platform, we're doing all the same indexing and that searching on top of that. So now, they have both an internal and external view of everything that anyone in their company is looking at or talking about, as well as the outside world, what's the outside saying, what's the earnings call saying, what's the analyst asking on the earnings call. So kind of bring it all to one place and allowing to do their jobs much more efficiently and not worrying "Am I missing out on key information or companies?" that are out there and that they should be looking at. [Paul Fahey] There's a lot of talk, I mean, one of the things that I picked up this morning is digitizing a lot of that. Historically, you know, you talk about analysts reading documents. I think a number of the firms that are here this morning are trying to get away from anyone reading any documents. But Clare, if we look at, you know, we talk about the efficiency in the process. But, how can those analytics then be leveraged to look beyond what we call, the traditional measures of performance? I mean, you talked a lot about, we talk about performance as a number, but clearly that's an end result of something that has happened before.

[Clare Flynn Levy] Exactly. I mean, performance is not a measure of skill, it's a measure of outcome, and it's hopefully a function of skill, but it's also a function of luck. And getting the luck and the skill confused is just something that all investors are doing when they're just looking at performance numbers. And yet that's all they, you know, end investors and a lot of institutional investors, have had available. So, they've been taking performance and then trying to work backwards to figure out "Is this person any good at this?". What we do is, take it from the other way around. We start with the trade data and look at what was this person actually doing, and then we look at it. I mean, I'm not joking about sports, as we look at their hit rate, batting average, we look at their pay off, kind of like slugging ratio, and we're looking at that, not just at the high level, but at every different type of decision and context in which, you know, an exit timing decision into a falling market, adding decision into a particular sector when that sector has been outperforming, or something like that. In doing that, you can actually arise that understanding with a lot more accuracy. What is this person doing better than chance? What is he/she doing that is actual skills? And that is, I think, transformational for any end investor who has access to that information, because they can just make a much clearer, smarter decision about which managers to hire? [Paul Fahey] And repeatable. [Clare Flynn Levy] Approve. Yeah. You can look at their consistency over time, their market cycles, and so on. I'm sure you've read, acting hiring managers struggle to outperform their fees and there are people who will say "Well, the only way to find out if the manager is skilled is to go through 20 years of their performance, and if they are consistently good, then you know they're skilled. Well, we don't have 20 years. You can do it much faster by looking at their actual decision-making. And yes, if you have 20 years of data, all the better, but you don't actually need that.

[Paul Fahey] Chuck, we come back to you then. We've talked about, if you look at yourself in the mirror, you consume the data. How do they then focus on that to continuously improve on what they've done historically, and a lot of talk this morning about digitizing information, how do they take that and turn all that data into information, into insight, and then continue to improve from there? [Chuck Doerr] Yeah, I mean, with the amount of, sort of, velocity of innovation that we're trying to consume right now. The thing that we see, from where we said, because, you know, we

sort of, enable a lot of firms to deploy on to desktop that are hard to get on to and hook into all the various systems that are there. The thing that we see from end users, like, for people who are actually trying to do the trading, trying to generate values to their firms, is that they want to be able to go out there and select best of breed solutions, right? And they want, just like they do in their personal lives, like when they're downloading apps on their phone, they want to have a reasonable expectation that that, you know, best of breed solution is going to interact with everything else that they have. They wanted to be able to suck internal data into it and visualise it, they want to do interoperability with other sort of niche data sets. And, they really wanna build a path there where they can make decisions, right? But also, welcome in all of these new, innovative technologies. And again, they sort of expect them to work. The same way that I go to the App Store and search for a lift app, I find a lift app, I try it out, it doesn't work, throw it away, get a new one, until I find the best one, right? I'll talk to my friends, like "Hey, I'm using this thing", and I wanna be able to try that in my environment. You know, getting a software for the desktop, get it hooked into different systems, there's huge hurdles to do that. And so, sort of, lowering the hurdles to get those solutions onto desktop, lowering the hurdles for people who are actively managing to try out the solutions, to determine what best of breed is. So they can tell the difference. That's something that we really see people, not struggling with, but we help them with that a lot.

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**Paul Fahey**

12:06:04PM

Greg, you've talked a lot about the continuous improvement, and obviously, once you have-and Chuck, you used the expression cockpit, which you use regularly as well, how do you see that playing out this continuous improvement in the consumption of multiple data sets, external and internal?

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**Greg McCall** MD of Converged Services Platforms, BT Group Plc

12:06:21PM

Yeah look, EDS was really built internally from the vantage point of the traders and the PM and the analysts and the patients that these folks have is very low. And so it has to be easy for them to interact with the data, both qualitative as well as quantitative. You have to be able to configure and conform to both their unique investment process, we talk about the way you invest specials, EDS makes it scalable. So you have to conform to each individual firm's data that they access both internal and external. But you also have to be able to organize it in a way and allow them to organize it in a way that matches their specific needs and their specific decision-making process. That's the hard work that comes before you drive continuous improvement because once you have it in that type of format, then it's automated, then it's more systematic. It's still fundamental and it allows you then to capture all that exhaust and then from a pure AI data science perspective, what you're really doing from there is you're running either visual time series or you're getting deeper into regression and correlation. But ultimately, if you don't have access to that exhaust in a very simple, configurable way to match each client cost-effectively with rapid implementation, that continuous improvement process can be really, really difficult. Now the good news is, there is EDS, and others on this panel who are interacting, interfacing directly with the front office, players like Snowflake on the back end, who are bringing high-performance analytics databases, we can calculate real-time performance attribution, both pre-trade and post-trade on millions and billions of ROS today in the cloud secure, something you really couldn't do unless you spent a lot of money and a lot of time in the past.

## Multiple speakers

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12:08:36PM

And then you have the bigger industry players like Northern trust and others that are also investing in the front office as well. So it's actually quite a unique period of time for the front office in terms of the investment from a number of different players coming together to provide a lot of value, and a part of that value is how do you drive that consistent improvement in your process to your shareholders? [Paul Fahey] Yeah, it is creating this large ecosystem. A number of the participants this morning talked about not fixing the managers' process but supplementing, augmenting, so when you talk about AI it's that augmented intelligence helping the managers.

## Paul Fahey

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12:09:22PM

I put a parentheses around the first word in this question what I'm going to use it anyway. Why do managers need to evolve to survive and how can you help them? And Clare, I've heard you talk about this a number of times. But what are some of those challenges you see in engagement with the managers who, once you hold that mirror up to them some like what they see because it helps them get better, but not everybody tends to embrace it out of the box?

## Clare Flynn Levy

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12:09:49PM

I mean look, we're talking about human beings, right? And if I said to any one of you that I'm going to look at bunch of data about every decision you've ever made and then I'm going to show you what you're good at and what you're not good at, like whether you just clinch immediately, like, "Oh God, I don't want that." That's a very human reaction and that's like your fight or flight right, your immediate, "I don't want that." The question is, are you an evolved human that can use their frontal lobe and think more critically about that? Like, "Ok, my first instinct is to be afraid. My second thought is: maybe this would be a competitive advantage. I've seen what it's done for every sport out there to have that sort of data analytics mirror. And what if I had that and could put my ego to one side and understand I'm not perfect? No one ever thought I was perfect, and identify the things that I am good at." Because this machine is not going to tell you that you're horrible at everything. If you've been a fun manager for any length of time, you're probably good at something, right?

It's about playing to your strength and identifying what it is, which types of decisions do I make well and in which circumstances, and I'll spend my energy just on that and not all the things that I keep screwing up because I know I screw things up. So you have to get past that sort of reptilian brain response into the more critical thinking one and realize that this is where it's going. And if you don't want to play that game, okay, but you're probably not going to have much time left because all your competitors are going to have access to this sort of ability and they'll have an advantage over you and that's not something that the fund management industry is that ready to hear, at least haven't been historically, but more and more it's gathering pace. We work with maybe the very largest asset managers in the world at this point. So it's know sort of common sense but you have to get past the fact that you're a human being and it's okay to be afraid, just push through it.

## Paul Fahey

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12:11:56PM

Matt, on that, we did a study last year where we saw on average 60 plus percent of managers were using somewhere between five to seven data sources beyond what they consume themselves. My expectation is that number is going to grow significantly. If we listen to what Clare is talking about, it's looking at themselves, consuming more data to get better. Are you just seeing that trend grow or is it something that will be around for a while but disappear?

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**Matt Angrist**

12:12:25PM

Yeah, I mean, I think every one of our client is always looking for an information edge of potentially new content, exclusive content, "What can we get from you guys that we can't get elsewhere?" For example, we actually acquired recently a company called Stream Research by Mosaic, which is the expert network transfer library, and so many of our clients, many hedge funds have been using expert network for a long time and they're doing the calls themselves. This was a way for us to create a database of, 15,000 plus transcripts that have occurred between buyside analysts and experts in the field, and now they're able to utilize a search engine to search across all 15,000 of those. It's growing by 2000 per month, but before that they were having to do one-on-one calls with an expert hoping to find the information they were looking for, and so this basically gave them the database of unique insight that they never had access to before, and so now, just seeing that and seeing that we're able to provide unique content that hasn't been out there, that has been a big new reason for a lot of new clients coming on board, just trying to access new information.

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**Multiple speakers**

12:13:27PM

So I'm going to go off script just a little bit, just based on some of these feedbacks, some of what I heard this morning. It can't just be all about the data. I know we're exposing more data sets, the growth of data and access to data, and we're digitizing more of it to get it more accessible, but can it just be about better data now we're making better decisions? Chuck, do you want to? [Chuck Doerr] Yeah, I mean, people are flooded with data, right? So search is super important so you can get to the right information when you have something that you're researching. But I think you know what Clare was talking about before: the sort of nudge concept, the sort of exception based workload where there's some insight that's coming through the data set that you have access to or through some analysis that is being done on your coworkers where they might have identified something, or that the systems have identified that, "Hey, your coworkers have identified this little bit of alpha," right? Pushing this notification to someone's desktop with actionable context on it so that you can then drop into sort of all of your primary data sources and build a view of what you should be doing given the market conditions, given the sort of expert software driven nudge that you're getting. We are getting more and more assistance, right? We're getting more data, fewer people, we need to be way more efficient, and we can't tolerate errors, right? So you have to reduce the operational risks, increase the efficiency and that really requires things like acceptance-based workflows, it requires you to have incredible search so that you can actually take in all these different things. And then you have to visualize it, right? You have to come to a place where you say, "Hey, this is an action you need to take." You use the information and you, "Now I know what to do. I know I need to call this customer or I need to go and investigate this market." We need to be super powered by our technology, have a gloss over our weak points and have it really play to our strengths.

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**Greg McCall** MD of Converged Services Platforms, BT Group Plc

12:15:43PM

I would just point to a few of our clients where having access, to your point, a single plane of glass or a cockpit across internal data such as earnings estimates, or when was the last time we spoke to a company sitting right next to an MSDI Bara or a Wolf research factor around momentum, sitting next to market data, sitting next to position level data. Having that in one and then all of that you can sort, etc, it helps them-- when is a stock or an investment long [inaudible]? How am I identifying these mismatches within the portfolio, within my team? Really importantly is looking across my intelligence, can I identify names where the conviction and the position size don't really match.

And so having all of this aggregated and then organized according to each individual fund and each individual analyst and team member, I think those are some of the advantages of- yes, additional data sets are critical- how you fold them into your decision-making process can be really truly beneficial and valuable and easy to deploy. I mean, the most important thing I think hopefully this audience takes away from everybody up here is access to this technology is now cost-effective, it's not complex. The ramp-up times are very, very quick. Firms like us offer kind of a proof of value or proof of concept, so we're proving our value to you upfront, so it's very low risk and it's very, very high reward. Because of that, most of us on this panel have very high conversion rates because we're ultimately providing the answers to the questions that the clients have or the value that they're seeking.

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**Paul Fahey**

12:18:00PM

I think one of the things that we've acknowledged- and this is a conversation we had with a prospective client a couple of weeks ago, one that you're familiar with Clare, the changing demographic of the portfolio manager. So we had I want to say 20 something, late 20 something portfolio managers, and it's not just that they're accepting of the technology, they're actually demanding of it. You mentioned the iPhone earlier, they're living their lives through this technology, and they want and they're demanding the same tools in their commercial life as they are in their private life to be able to do their job and do it effectively. And you talked about what people should take away, it's a little bit more cost-effective now, it's ease of implementation because whether they're SaaS-based solutions there's not a big implementation budget, not a big implementation lift on behalf of the client. What else- and I'll start with you Chuck- what else if someone were to take away one thing about how can the technology and the investment data science derive alpha, preserve alpha, what's one thing that you would say that they need to focus on?

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**Chuck Doerr**

12:19:11PM

Yeah, it's really about embracing the rate of change that we're experiencing now, right? The rate of changes isn't going to slow down, right? You need to create a flexible environment in front of you so that you really can best breed your way to be better than the people you're competing against for alpha, really pulling together the sort of consumerization of technology with beautiful visualizations and again, stitching that stuff together in front of people in a way where they can rapidly make high-quality decisions. The way that we get there is by embracing the innovation, right? So we've got have an environment that is innovation-forward on everyone's desktops.

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**Matt Angrist**

12:19:57PM

I would just second that. I think being around hedge funds for the last 20 years and just seeing all the new technology that are coming out, a lot of really cool unique platforms out there, that I think you realize that yes, there are great big players, there are also really smaller players that are doing really awesome things in the space and by just bring in new technology, or at least trying it out and testing it out, I think just helps grow and helps you sort of adapt to newer technology and fragmentation in the space. And so, just continuing on Chuck's notes, we see a lot of our clients that are looking to bring in their own internal information, like how many shares do they hold on this position alongside AI technology, and bring all that to helps these guys make better decisions across all the information they have. So using your tool to kind of do that have been definitely a unique thing that definitely I'm hearing a lot more about. So, just continuing to evolve from the technology perspective looking at new tools.

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### Multiple speakers

12:20:55PM

Greg, you started to talk about the biggest change you're seeing is the accessibility. But beyond just ease of access, cost-effectiveness, what is the one thing that you would say, this is what will help you be better at what you're doing and generate alpha and preserve alpha, and do it in a you've talked about sustainable and repeatable process?

**Greg McCall** MD of Converged Services Platforms, BT Group Plc

12:21:20PM

So a consistent feedback loop on a daily basis that's streamlined and automated, that is a hundred percent in line with your daily activities. That ability to go about your daily work looking for ideas, having ideas around portfolio construction, talking to management teams and taking down notes, understanding what you're exposed to, these are just the daily actions of our clients and the exhaust that they're creating through our platform is automatically positioned within the platform to help them make decisions. So, for example, if we're looking to buy or upsize the portfolio, which are the stocks that we've had the most accurate forecasts on? Right in front of you, dynamic time series. So it's easy for PM to look at, it's also quite easy for an analyst, very empowering for an analyst to be in a position to be able to show the decision-makers how well am I doing, how are my forecasts, are we getting things like getting the earnings right or getting the multiple rights. All of those are historically separate [inaudible] parts of the decision-making process. You have a risk team, you might have a separate vendor come in and look across attribution. There's a new opportunity that's happening today where firms are bringing all of that together in one platform completely customized and configured to the workflow of each individual person. It's not unlike what the sales force does for sales teams work. We're not creating a new environment. We're looking at the successes in the past and repeating them for the buy-side, for the PM channel, and the traders.

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### Multiple speakers

12:23:30PM

And that goes a little bit to your earlier comment. I'm going to give you the last word but you've heard me use this expression that if we're going to apply this level of intelligence and technology to sports and games, money ball, and so on, we have a moral obligation to apply that same level of intelligence to the retirement assets of millions and millions of people. So if you were to leave the audience with one thing Clare, what would it be? [Clare Flynn Levy] I mean, the data that you already have is a gold mine. I love coming to the Air Summit and I was a speaker at the very first Air Summit, and I love listening to all the cool stuff that companies are doing and watching it

change over the years, it's been amazing. And I'm a fan of so much of what's been presented today. But what so much of it is doing is looking outward at other people's behavior, so that you can predict it more accurately, faster, whatever you like, but that's about other people who you cannot control. You can control your own behavior, so if you have data about yourself and your own decision-making and you are willing to take a look in the mirror at that data, you can actually do something about that. To me, that's like a way bigger win because it's a far more predictable win. So I would leave you with that. If you're sitting on years of trade data and you've never taken a look at it to see which types of trades have we done well and poorly, and really dug into that, you have a huge opportunity, go do it.

Thank you. I have two minutes, so happy to take any questions from the audience. The panel will be around so you can interrogate them outside afterward politely, but happy to take any questions from the audience. Do we have one now? No, with that then, Claire, Chuck, Matt, and

