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# Modernizing Workflows to Produce Alpha

*Morgan Dunbar*
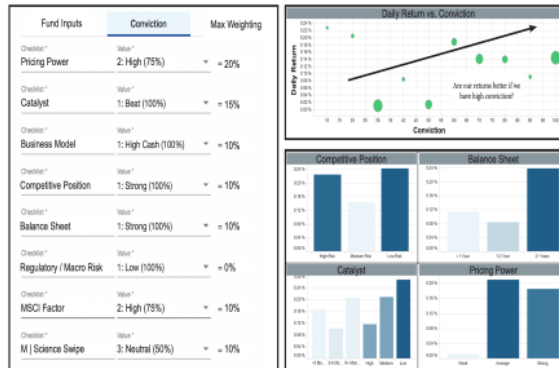AIR Summit
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**In this week's AlphaTech column, Morgan Dunbar looks at Equity Data Science, or EDS, a company that provides a cloud-based infrastructure that analyzes the investment process, spanning idea generation, portfolio construction, risk management and attribution reporting. The goal with increased efficiency and transparency to the process, is to have a framework for improvement that should yield increased and more persistent alpha.**



At AIR Summit we focus on helping asset managers discover new and innovative approaches to generating alpha and modernizing their investment processes. In the course of this work we see a steady stream of alternative data and the applications of leading-edge technology such as NLP and AI to specific use cases across the investment process. Many of these represent a quantum leap of sorts for our member organizations in that they require incremental changes – to technology, culture, investment philosophy – in order to be practically implemented. Moving from ingrained to imaginable requires work on what is implementable.

An area where many of our members focus on tackling this challenge is rooted in workflows. Whereas in more recent memory asset managers deploying quantitative or passive investment strategies have been empowered by building from a blank sheet of paper, fundamental investors tend to have a host of legacy challenges inherently embedded in their process. This includes siloed functional areas, "traditional" data, managing internal and external research, idea generation by committee, "intuitive feel" versus objective data-driven feedback and a general level of opacity in the evaluation and assessment of overall success or failure, among others.

There are a number of tools and platforms available to asset managers to assist them in overcoming these issues. There are market leading Research Management Systems such as VisibleAlpha [AIR 1.0] and Red Deer [AIR 2.0]; Alpha Capture platforms such as TIM and AIMPaaS; and Behavioral Analytics programs like Essentia Analytics [AIR 1.0]. While excellent tools led by subject matter experts in their respective areas, many of these platforms are focused on a single component of the end-to-end investment process, rather than the continuous workflow journey of that process.

**Configurable Workflow Infrastructure + Process Analysis**

Equity Data Science, or EDS, presented at AIR Summit 5.0 in 2019. EDS provides cloud-based investment process infrastructure that spans idea generation, portfolio construction, risk management and attribution reporting. The company was founded in 2017, although the early development within some leading funds dates back to 2013, and counts among its clients leading hedge funds, asset managers and corporates. The essence of EDS' offering is applying a configurable technological framework that allows investment managers to streamline and continuously measure the impact of their processes, providing a transparent loop from which to manage and iterate.
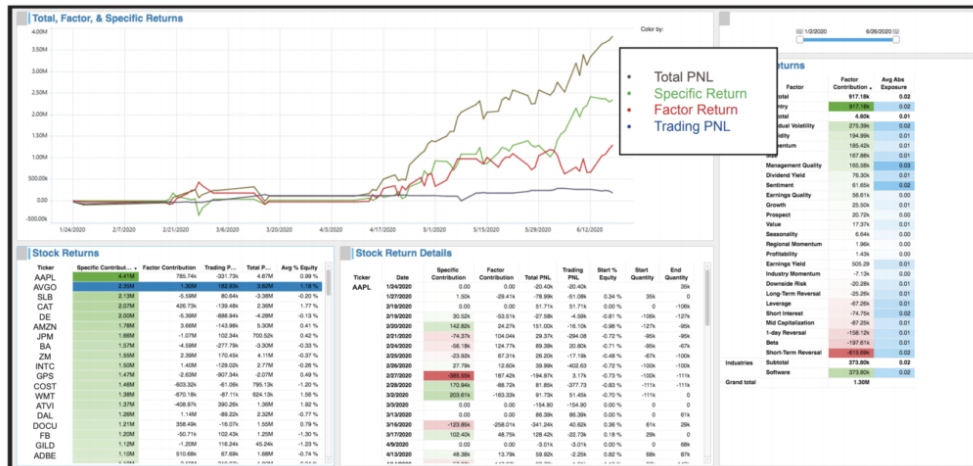
**Idea Generation, Optimized and Organized**

A key feature of the EDS platform is their approach to idea generation. Central to the offering is their RMS which can ingest internal and external research, traditional and alternative data, is integrated with tools such as Excel, email, notes etc., and leverages their proprietary tag and dynamic search functionality. Customizable tear sheets are updated in real time and include version auditing, sharing and alerts.

**Portfolio Construction Integrated with Process Review**

Portfolio construction features in EDS focus on helping investment teams routinely measure and refine their investment process. Real time updates to the dashboard incorporate internal and external inputs to inform decisions around tasks such as position sizing and support trading decisions. These inputs include traditional items such as price targets and estimates, but also uniquely incorporate the measurement and analysis of things like conviction. By documenting and tracking every change and decision, EDS provides a constant view of where a portfolio actually is relative to intent and changing metrics. This allows teams to identify and focus on both areas of success and concern.

**Integrated Risk and Reporting**

EDS provides a host of standard risk management and analytics features, including simulation, optimization, and risk/return attribution analysis. But perhaps what is most interesting is their approach to integration. By

partnering with leading vendors such as MSCI and FactSet, EDS provides integration with data related to model inputs such as Factors or ESG, allowing for more granular analysis through those lenses.
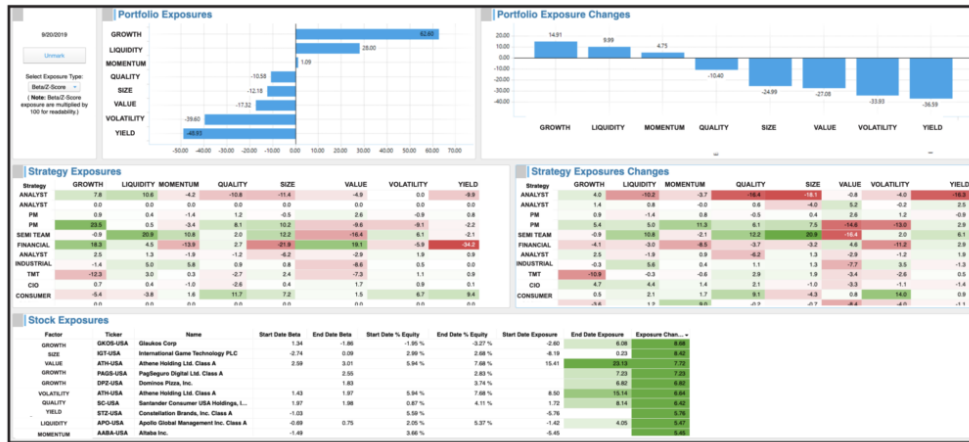
**Improved workflows yield improved processes**

Ultimately what we find compelling about platforms like EDS is less about a feature set focused on a single component of the investment process but more about what a holistic approach to measurement and analysis of the entire process yields in opportunity for improvement. Such platforms are not trying to reinvent or replace fundamental investing but rather bring efficiency and transparency to the process, thereby providing a framework for improvement that should yield increased and more persistent alpha. This is the essence of our mission at AIR Summit.

*Morgan Dunbar, the former Head of Electronic Execution at Nikko Citi in Tokyo and Founder of BECS, is the Managing Partner of the AIR Summit, an industry membership organization and event focused on emerging and innovative technologies within the capital markets industry. He is also a Partner at Bendigo Partners, a global investment and advisory firm serving Private Equity, Financial Services firms and emerging FinTech companies.*