Data and Analytics: A New Toolkit for Asset Managers

Featuring highlights of the State Street 2013 Data and Analytics Survey conducted by the Economist Intelligence Unit
About the Research

A global survey of more than 400 asset managers and institutional asset owners on investment data and analytics, conducted by the Economist Intelligence Unit on behalf of State Street (August and September 2013). The survey included 74 traditional asset managers (focused on equities or fixed income strategies).

Respondents by Region
- North America: 34%
- Europe: 33%
- Asia Pacific: 33%

Respondents by Type
- Diversified Asset Managers: 20%
- Insurers: 18%
- Traditional Asset Managers: 19%
- Pension Funds: 16%
- Alternative Asset Managers: 11%
- Banks: 8%
- Other: 8%

Source: State Street 2013 Data and Analytics Survey conducted by the Economist Intelligence Unit
Disruptive Industry Trends Require a Rethink of Data Strategies

**Asset managers are redesigning their operating models and data infrastructures in response to five forces of change**

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<thead>
<tr>
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<th>Strategic impact</th>
<th>Data challenge</th>
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<tbody>
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<td>New standards on risk</td>
<td>Investors and regulators demand greater transparency</td>
<td>Integrated data analytics across more complex portfolios</td>
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<td>Outcome-based investing</td>
<td>Benchmarks will be more personalized around investor goals</td>
<td>Custom benchmarks require new data and tools to measure performance</td>
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<td>Regulatory complexity</td>
<td>Increased reporting requirements in multiple jurisdictions</td>
<td>Flexible reporting platforms; compliance rules integrated into operational systems</td>
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<td>Electronification of trading</td>
<td>Decision-makers in front office need to be able to act faster on investment insights</td>
<td>Need for real-time data as well as better order management and portfolio optimization tools</td>
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<td>Support for new markets</td>
<td>Need broader insights to select investments and ways to service local needs</td>
<td>Systems that can adapt to meet local market demands, while retaining benefits of scale</td>
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The Industry is Investing Heavily to Keep Pace

% Change In Investment into Data and Analytics Over Past Three Years
(Traditional asset manager respondents only)

- Significantly increased our investment (>20%) - 11%
- Slightly increased our investment (1-20%) - 77%
- Made no change - 12%
- Slightly decreased our investment (1-20%) - 0%
- Significantly decreased our investment (>20%) - 0%

Source: State Street 2013 Data and Analytics Survey conducted by the Economist Intelligence Unit
Investment is Targeted at Decision-Making in the Front Office

How Investment Will Be Prioritized Across a Range of Data Tools

(Traditional asset manager respondents only)

- Portfolio optimization: 26% significant increase, 57% slight increase
- Order Management Systems / Execution Management Systems: 42% significant increase, 39% slight increase
- Benchmark data: 32% significant increase, 41% slight increase
- Performance analytics: 22% significant increase, 47% slight increase
- Risk analytics: 22% significant increase, 35% slight increase

• Decision-support for the front office becomes a priority
• Need to move closer to real-time information

Source: State Street 2013 Data and Analytics Survey conducted by the Economist Intelligence Unit
Data and Analytics are Now a Firm Priority for Institutional Investors …

Data is the Key to Addressing a Wide Range of Strategic Concerns
(Traditional asset manager respondents only)

- More than 9 out of 10 (93 percent) institutional investors view data and analytics as a high strategic priority
- For 35 percent, data and analytics is the most important strategic priority

Source: State Street 2013 Data and Analytics Survey conducted by the Economist Intelligence Unit
Yet the Industry is Polarized by Its Approach

Data is a competitive asset …

• 66 percent of traditional asset managers believe data will be a key source of competitive advantage in the future
• 88 percent increased investment in data infrastructure in the past three years

But few know how to use it

• Only 23 percent of asset managers are reaping the full benefits from their data and analytics capabilities today
• Our research reveals that a capability gap is opening up between data leaders and data laggards

An Industry Divided by Data

1. “Data Leaders” – Companies in the survey whose data and analytics are already a source of competitive advantage
2. “Data Laggards” – Have yet to gain full benefit from their data

Source: State Street 2013 Data and Analytics Survey conducted by the Economist Intelligence Unit
Data Leaders are Better Prepared for the Challenges Ahead

Data leaders are more confident in ...

- Generating forward-looking insights from data
- Integrating risk and performance analytics
- Optimizing their electronic trading strategies

By contrast, data laggards are ...

- More likely to get distracted by the complexity of data management
- Less likely to feel their data capabilities are keeping pace with the growth of their business

Source: State Street 2013 Data and Analytics Survey conducted by the Economist Intelligence Unit
Data Leaders Have Smarter Tools for Managing Risk, Compliance and Performance

% that view area as a strength  (All respondents)

Tools for regulatory compliance
- Leader: 81%
- Laggard: 63%

Multi-asset class risk tools
- Leader: 60%
- Laggard: 38%

Custom benchmarks/indices
- Leader: 70%
- Laggard: 59%

Source: State Street 2013 Data and Analytics Survey conducted by the Economist Intelligence Unit
## Defining a New Service Model

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<th>Challenge</th>
<th>Data Readily Available</th>
<th>Adaptable Systems</th>
<th>Smarter Insights</th>
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<tr>
<td>• Accuracy of information is the top data challenge for traditional asset managers (cited by 43 percent)</td>
<td>• Systems must adapt to support multiple geographies, asset classes and regulatory regimes</td>
<td>• Only 18 percent of traditional asset managers have all of the talent they need to manage data effectively</td>
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<td>Solution</td>
<td>• Trusted data providers</td>
<td>• Systems that support global reporting</td>
<td>• New outsourcing models focused on insight as well as cost</td>
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<td>• Integrate data to achieve “one version of the truth”</td>
<td>• Integrated view on risk and performance</td>
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In Summary: New toolkit for asset managers

**Better risk and performance analytics**
- Asset managers moving into more customized solutions will need risk and analytics tools with multi-asset class capabilities

**Manage Regulation**
- Develop reporting systems with the flexibility to meet evolving regulatory demands across multiple jurisdictions

**Integrate Your Data**
- Traditional asset management firms need to invest in enterprise data warehouses and better data governance

**Accelerate Investment Decisions**
- Better, more accurate and timely data is key to making better investment decisions and being able to act on these insights in real time

**Future-Proof Your Systems**
- Traditional asset managers need flexible systems that can adapt as investment goals and strategies evolve