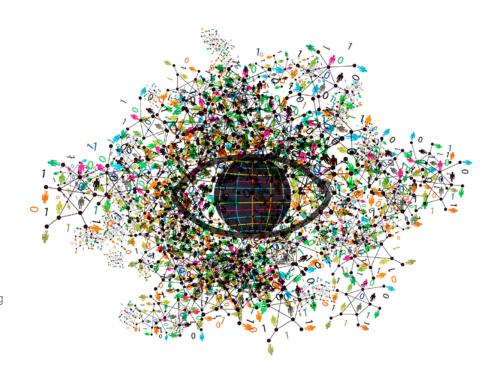# BIG DATA, MACHINE LEARNING, AI...
blah blah blah!

BLOG POST BY JAYESH PUNATER

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It's been a tough year for performance and it's been equally difficult to find alpha. The demise of active asset management has been predicted and the move to Exchange-Traded Funds (ETFs) and robo-advisors is now imminent.[1]

In the wake of these large shifts, many funds are beginning to look for new ways to leverage data and uncover insights throughout the investment process to recapture their "edge." Leading quant funds, the "big boys", have been at it for years – so how is the rest of the industry going to catch up?

To better understand the current situation, Gravitas has been speaking to many industry participants and uncovered the following:

1. More and more funds are looking to get a better handle on structured data (market data, corporate actions, re-orgs, etc.). By using data mining and analytical tools/services, such as Eagle Alpha and Arcadia, funds are gaining insights that may support or disprove a fundamental investment thesis. Even the Trump campaign employed a data analytics group, Cambridge Analytica, to help them appropriately target the swing states.[2]
2. There is a move toward gaining access to "unstructured" data such as parking tickets, credit card information, railway track information, satellite images, clicks and ticks on websites, etc. to gather the reality of consumer behavior from third party providers like Yodlee and Adaptive Management.
3. Some funds are leveraging machine learning to look for intelligence within these data sets. Analyzing the gathered information, patterns, and insights provides intel that professional human investors may not be able to see (certainly not as rapidly or accurately as with algorithms). The top quant funds all use forms of AI during their investment processes.[3]
4. The insights derived from AI create recommendations upon which funds are eventually able to make investment decisions. In some cases, AI trading technology is completely autonomous from human help, such as the technologies developed by Sentient Technologies.[3]

This newfound role of Big Data begs the question: *will portfolio managers eventually be replaced with AI?*

No, I don't believe this will happen in the next twenty years. However, the move towards utilizing data analytics together with many new sources of data to assist with investment decisions is upon us. The shift towards technology is already being embraced in the investment world. In-house teams and startups are creating more functionality of data, which leads to different roles in the investment process. Anything from satellite data to shipping bills of landing to IP addresses by smart phones are being sold and leveraged, and the trend is rapidly growing.

In fact, my assumption for 2017 is that the use of big data and analytics in the front office to generate alpha will dwarf any other manager initiative. This new focus will create countless opportunities for firms providing data tools and an unlimited appetite for voracious consumers open to new tools that will give them an edge!

As a middle office and technology provider, Gravitas is actively looking at service models to help clients and industry leverage these trends.

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JAYESH PUNATER
Founder & CEO

*Jayesh Punater is the Founder and CEO of **Gravitas** and has more than 22 years of experience working in entrepreneurial, high growth companies servicing the financial industry.*

Founded in 1996 as a technology consulting firm, Gravitas has been servicing the financial services industry as a trusted provider of IT services including infrastructure, cloud hosting and support. Over two decades later, Gravitas has evolved into a middle office fund services platform exclusively for asset managers.

Gravitas provides fund and technology services enabled by dedicated professionals, industry standard processes and world-class technology to create smart scale and reduce operational risk and overall costs.

Gravitas is headquartered in New York with 275+ employees working out of its five worldwide locations in Chicago, Greenwich (Connecticut), Mumbai and Ahmedabad, and at various client sites. The firm has cultivated a roster of 80+ client firms that manage over $1.2 trillion in AUM globally.

Gravitas was most recently named "Best Alternative Investment Outsourcing Platform" in the 2016 Wealth & Finance International Awards and "Most Innovative Hedge Fund Solutions Provider, US" in the 2016 Acquisition International Awards. The firm has also been recognized as "Best Middle Office Solution" in the 2015 HFM US Hedge Fund Services Awards and "Best Outsourced Solution" in the 2015 HFM US Technology Awards. Other HFM US Hedge Fund Services Awards won by Gravitas include: "Most Innovative Technology Provider" (2014), "Best Outsourced Technology Infrastructure Provider" (2013) and "Best Overall Technology Firm" (2012).