

Alternative Data for Alpha

January 31, 2017

Executive Summary:



Executive Summary

The buy side today has access to data and information that would have been unheard of 20 years ago. Whereas in the past they relied primarily on research and information from their sell-side trading counterparties, today they have as much, if not more, real-time access to news and information than their dealers do.

The downside to this change, however, is that finding an edge in investing is harder than ever. With data access so ubiquitous, finding the needle in a haystack that no one else has found often feels impossible. This is where alternative data enters the picture.

Crowdsourced research and social media sentiment analysis fit that bill and have captured the interest of investors and fintech providers around the world. But confining your view of alternative data to a Twitter stream limits the potential alpha. Private company business performance, logistics data and satellite imagery can and already do create alpha for investment strategies that need insights beyond what the most commonly analyzed data can provide.

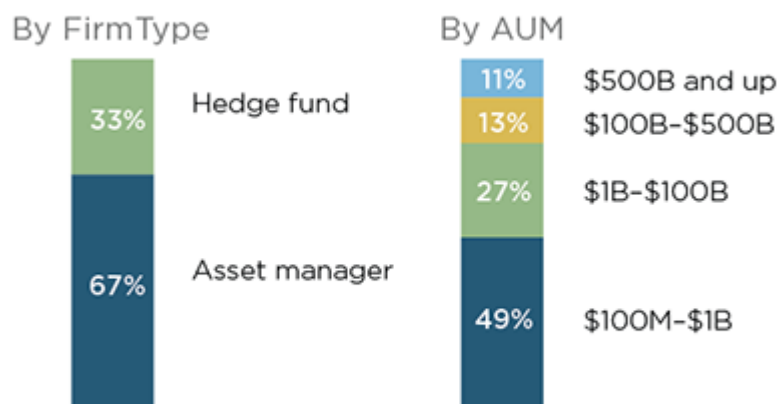
But roadblocks to alternative data access remain. Concerns over cost, data completeness and integration are holding back investors from what, in theory, seems to be an obvious step forward. For those that can solve these issues first, however, utilizing unique data sources such as private company performance information, social media sentiment or satellite imagery, investors can once again find an edge on their competition with the resulting alpha the prize.

Methodology:

Between October and November 2016, Greenwich Associates interviewed 69 U.S.- and European-based chief investment officers, portfolio managers and traders at investment managers with between \$100 million and

\$1 trillion assets under management. Interview topics included, but were not limited to, current and planned use of alternative data sources, roadblocks to utilizing new data sources, and platforms used to access and analyze alternative data.

RESPONDENTS



Note: Based on responses from 46 asset managers and 23 hedge funds.
Source: Greenwich Associates 2016 Alternative Data for Alpha Study



The data reported in this document reflect solely the views reported to Greenwich Associates by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Greenwich Associates compiles the data received, conducts statistical analysis and reviews for presentation purposes in order to produce the final results. Unless otherwise indicated, any opinions or market observations made are strictly our own.

©2020 Greenwich Associates, LLC. All rights reserved. No portion of these materials may be copied, reproduced, distributed or transmitted, electronically or otherwise, to external parties or publicly without the permission of Greenwich Associates, LLC. Greenwich Associates,® Competitive Challenges,® Greenwich Quality Index,® Greenwich ACCESS,™ Greenwich AIM™ and Greenwich Reports® are registered marks of Greenwich Associates, LLC. Greenwich Associates may also have rights in certain other marks used in these materials.