



Delivering Data and Analytics in a Time of Change

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The investment management landscape continues to change rapidly amidst the COVID-19 pandemic. Mounting regulation, technological advancement, changing client demands, business transformation initiatives, and industry consolidation are presenting asset managers with both new opportunities and new risks.

Institutional investors and their underlying stakeholders are repositioning themselves as the broader economy, a range of industries and various investment classes face an uncertain future. We all face many unanswered questions about the persistence of the pandemic threat and associated impacts to the health of people, businesses and broader economies.

A key trend that has accelerated amid all this change is the critical importance of timely access to data that can easily support an internal team’s ability to understand, execute and justify investment decision-making. Particularly amid a move to where the majority of us are working remotely, a number of key data themes have emerged among the operations teams of Canadian asset managers and asset owners.



ENSURING DATA QUALITY

Organizations are investing time, money, and energy in ensuring the quality, accessibility and security of their data – and asking fundamental questions about how to maintain this as data needs are constantly evolving. This has increased the need for a very robust governance framework and enhanced strategic

management of their data. This may mean a team dedicated to supporting the data needs across the organization – and gathering the requirements of who needs what data and what rules must be applied – to ensure the data is fit for purpose. Technology – especially AI-based tools – can play a significant role to help make sure that your process to validate data is exception-based and has minimal resource overhead. If there are too many manual interventions required the process will not be sustainable.



DATA MANAGEMENT

Data quality, consistency, availability and accessibility stand as the enduring challenges of data

management. These factors are at the forefront of considerations for institutional investors as they receive varied demands from agents, including compliance officers, accountants and risk managers, as well as the operational requirements of portfolio management and trade processing systems. In addition, new challenges are emerging, such as rising data volumes and the need to manage alternatives and unstructured data sources.



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Institutional investors are demanding more timely, transparent and credible data for their investment decision cycles. To meet the need, institutional investors are taking steps such as subscribing to multiple asset servicing and technology firms. This multi-provider model is useful for diversification of risk exposure, but creates challenges from a data aggregation perspective. The concept of creating a single data source, which standardizes and stores data from multiple providers to carry out instant, informed and intelligent activities, is gaining importance among many investors.



DATA-DRIVEN INVESTMENT OPERATIONS INSIGHTS

Amid recent market volatility the demand for analytics and reporting has significantly increased. Delivering data to internal clients is only a starting point, as firms are facing additional pressures and expectations around modelling unique securities, decomposing performance results to discern exposure to high risk sectors and more. These expectations assume that firms have the ability to aggregate, calculate, validate and distribute data quickly.

In these unprecedented times, investment operations teams have experienced novel scenarios such as negative interest rates or oil futures that dipped below zero. The demand for analytics only increases in a volatile market as industry participants aim to insulate their assets from risk or try and figure out ways to capitalize on the volatility and further grow their assets.

One of the most common questions being asked right now surrounds the exposure across a broad universe of assets under management (AUM). In an ideal world, AUM decomposition data can be aggregated and analyzed by simply adding a couple of portfolios together. However, portfolio structures vary and may not have all of a firm's assets on the same platform.

For many, Microsoft Excel has been the go-to technology platform for data. Excel is popular for good reason: it is near-universally installed in user machines, low cost, and known to corporate IT teams from an information security perspective. Perhaps most importantly, most users have sufficient basic familiarity with its uses and interface, for example users can easily copy or paste data into a spreadsheet and apply a formula to get analytics. Advanced Excel users can rival any SQL code developer as they build out complex macros based on data pulled in from multiple sources.

Conversely, Excel also continues to introduce risks: complex spreadsheets can be easily shared and exported, but may not have documentation on how they were built, can lack data quality oversight and can be quite a manual process to maintain. As demands for complexity and interoperability rise, these challenges only compound further.

In Canada, we continue to see demand from institutional investors looking not only to bring in this unstructured data, but also connect multiple sources of it and derive their own scores similar to creating their own benchmark to evaluate the impact of ESG on their investment decisions.



ESG

As investors are increasingly looking into how Environmental, Social, and Governance (ESG) factors can be incorporated into the investment decision-making process, ESG represents a new data challenge.

ESG often involves a large set of unstructured data that needs to be incorporated into analytical calculations, including internal and external reporting. Furthermore, third-party ESG data providers use varying methodologies, and as a result lead to a variance in scores.

There is no universally accepted standard for ESG reporting yet, although some countries are working towards a common taxonomy such as the European Union that agreed to a universal taxonomy in 2019. Canada has various requirements across the provinces, for example pension plans in Ontario are required to disclose how they consider ESG in their Statements of Investment Policies and Procedures (SIPPs).

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The COVID-19 pandemic hasn't surfaced novel challenges, but it has given organizations a sense of urgency on solving some of these challenges. In order to figure out what is required during this time, putting in the effort to conduct internal reflections and analyses will better equip organizations for the changes to come in technology, processes, or even people.

Considerations for clients moving forward

Firms should aim to transition to a data-centric organization that can quickly and accurately support the decisions being made in the organization. **We encourage our clients to ask key questions as they chart their way through these uncertain times.**

- Have you mapped the data lineage and end-to-end processing requirements in your organization?
- Do you have too many separated platforms and need to look at data centralization?
- Have you created a data governance structure or team that has oversight for data across the investment process?
- Have you also identified the use cases and data needs of your organization?
- Who needs what and when? Do you have the tools to support this in a timely and accurate fashion?
- What are some of the unmet data needs in your organization?

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For more information

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