

>> Survey Report

Investment Data Practices Under the Spotlight

October 2019



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Foreword

MarkLogic works with many leading financial services organizations on solving their data challenges better and more quickly. A key challenge for these organizations has been, and we believe will continue to be, to make full use of their research data and to derive the maximum value from it.



MarkLogic commissioned this independent research to better understand how capital markets firms are using data to generate differentiated insights and empower better and faster decision-making in the pursuit of alpha. Moreover, we were keen to determine if there were limitations in current data management systems and approaches holding capital markets firms back in achieving desired outcomes, such as enhancing the customer experience, optimizing investment decisions and managing risk more effectively.

WatersTechnology, with its deep experience in capital markets technology adoption, was the natural choice for helping us undertake this initiative. *WatersTechnology* not only conducted the survey, but also provided the valuable insights contained in this paper.

At MarkLogic, we believe that data lies at the heart of any organization's future strategy and will play a major role in how capital markets firms overcome growing market pressures. We also know the firms that make that data easy to find and use across their enterprise and with customers will be best positioned to deliver future success.

We hope you find this paper insightful and useful in driving your own strategies.

**Giles Nelson, chief technology officer,
financial services, MarkLogic**

Key Findings

- 51% of respondents reported that their investment research data is dispersed around the organization and that it is poorly managed.
- While no respondents to the survey had implemented single investment research hubs, 56% reported that they were considering such initiatives.
- 64% of respondents believe that the primary business benefit accruing to those firms with single investment research hubs is the ability to make better investment decisions.
- 68% of respondents indicated that their data is stored in too many locations across the business.

Introduction

Capital markets firms have never been more hard-pressed than they are right now to make the most judicious business and investment decisions. The effectiveness of these decisions is largely contingent on the data underpinning them and, if poorly managed and stored in multiple locations across the business, can lead to inefficiencies and an inability to access it within the required time frames. Recent research by *WatersTechnology* and MarkLogic indicates that, while businesses on both sides of the industry continue to struggle with their general data and information management, appreciable numbers are now actively looking to develop and implement a single data platform to enhance their business and investment decision-making.

There is little doubt that the capital markets have changed in recent times. As an industry, it is now barely recognizable compared with the halcyon days of the early 2000s when even the most conservative asset managers were able to make double-digit returns as a matter of course, while the sell side lived off the fat provided by a mix of proprietary trading activities and extensive buy-side commissions.

Now, a number of far-reaching regulations, introduced in the wake of the global financial crisis and in response to investor demands for more transparency into fees, is forcing capital markets firms to become more accountable and innovative. The pressure on these firms to provide services and returns commensurate with their clients' expectations, while also providing returns on equity, has never been greater.

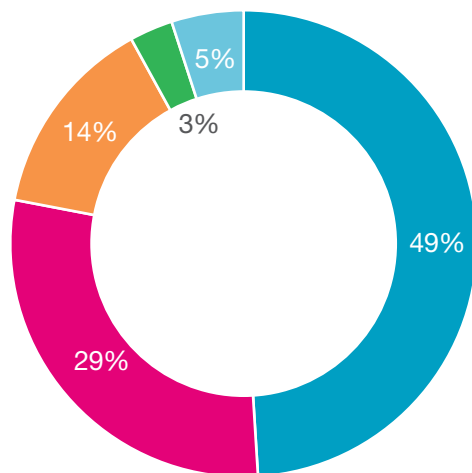
Add to those challenges the double whammy of inexorably shrinking management fees and the growing threat to the active asset management community from passive managers, while also factoring in the need for asset managers to justify by way of auditable evidence every investment decision they make, and the picture of an industry in a state of flux becomes clear. However, firms still need to manage money and provide their clients with a range of services in order to generate revenues. As a consequence, data management technology now plays a critical role in underpinning most capital markets firms' business activities.

The Survey

In mid-2019, *WatersTechnology* undertook a survey to enable MarkLogic to better understand how investment firms in major global markets were managing investment research data. Survey participants were asked 15 questions on demographics, practices, challenges and opportunities. The following findings represent responses from 104 investment practitioners and IT staff.

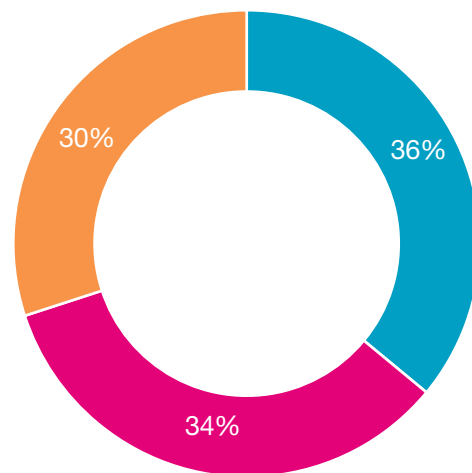
Respondents represented a variety of capital markets firms, including investment banks (49%), traditional asset managers (29%) and broker-dealers (14%), spread evenly across North America, Europe and the Asia-Pacific region (see questions 1 and 2).

1 What type of firm do you represent?



- An investment bank
- An asset/wealth manager
- A broker-dealer
- A hedge fund
- Other

2 Where is your organization based?



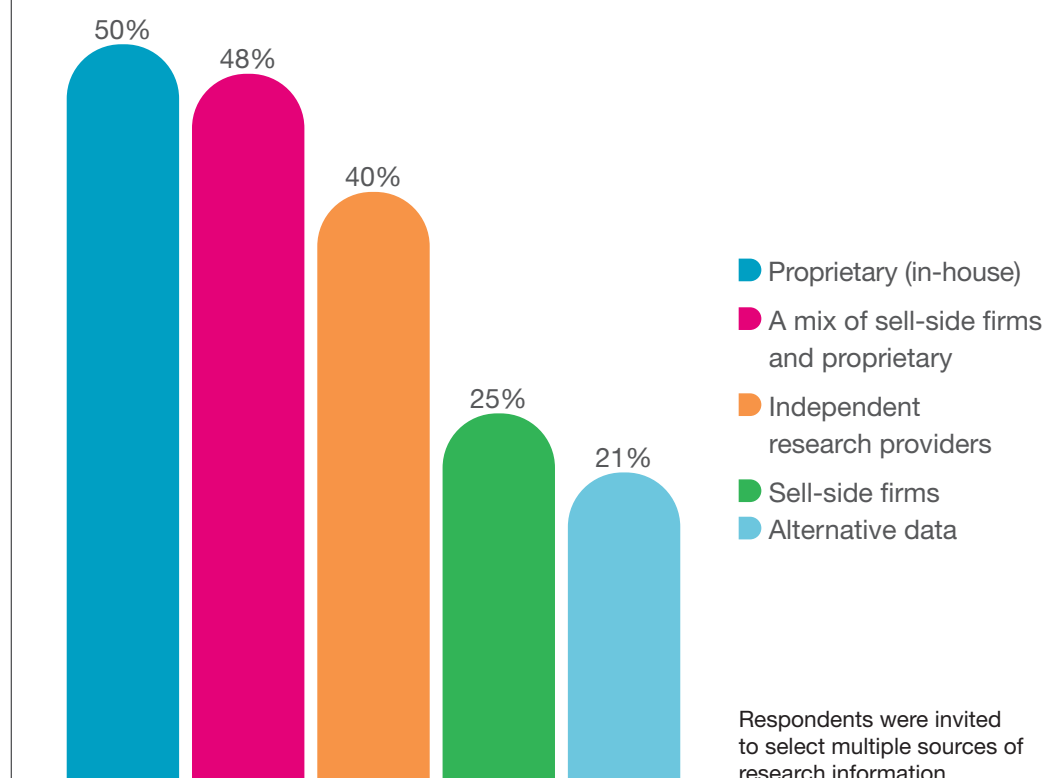
- North America
- The UK/European Union
- Asia-Pacific

Question 3 focused on the source of respondents' research information/data, where 50% reported that they currently source or generate the bulk of it internally, while 48% obtain it from a mix of sell-side firms and internal sources, with independent research firms supplying 40% of respondents. Those statistics are likely to change, given the likelihood that a number of sell-side firms will exit the research market in the future, while the trend of specialist research analysts leaving the sell side and establishing niche research businesses catering to the specific needs of the buy side is likely to gather impetus.



The current mix of research information favors in-house and sell-side sources, but independent providers are expected to grow in importance

3 From where do you currently source your research information?

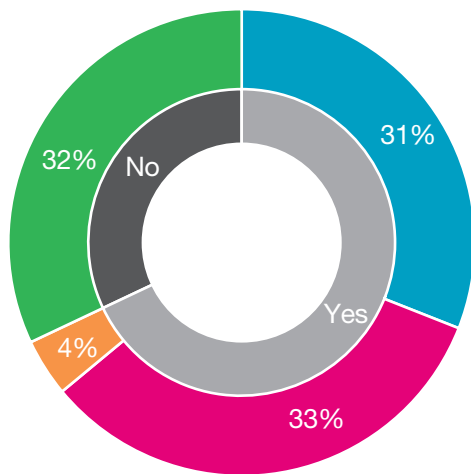


Heart of the Matter

The intention of the survey was to gauge firms' data/research management practices—specifically where they currently store their research information or data—and their ability to access and share the data underpinning their investment and business decisions (questions 4 and 5). Results indicated that 68% of respondents' research information/data is currently stored in too many locations. However, 32% reported that their data is currently stored in a central location and that it is easily accessible, a finding that appears at odds with a number of the survey's other findings, most notably those concerning the limitations and challenges facing respondents' organizations (question 8).

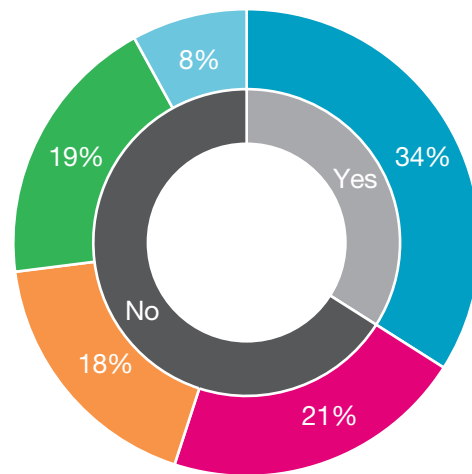
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68% of respondents indicated that their data is stored in too many locations across the business

4 Is your organization's research information stored in too many locations?



- Yes, our data is stored in multiple, disparate systems/locations
- Yes, but we are addressing this situation
- Yes, but we have no plans to address this situation
- No, all our data is stored in a centralized, easily accessible location

5 Can you access all your organization's research data in one place?

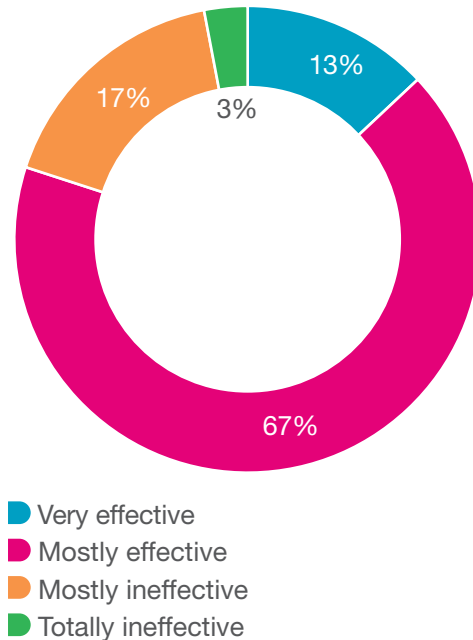


- Yes
- No, and it negatively impacts performance/investment decisions
- No, but it does not impinge on performance/investment decisions
- No, but the organization is working on a project to remedy this
- No, and there are no plans to change this

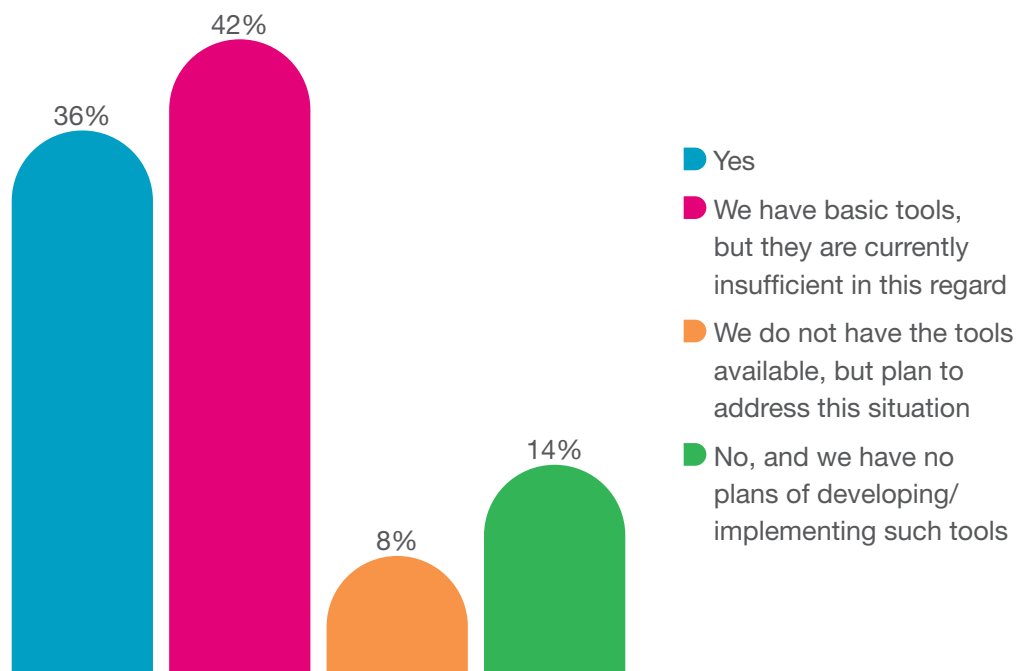
Question 5 drilled down into the tangible effects that storing information in multiple locations and systems across the business had on the effectiveness and efficiency of firms' day-to-day practices. Sixty-six percent of respondents to the survey reported that it cannot be accessed in a single place, and more than one in five (21%) said that such scenarios negatively impact their performance and/or investment decisions. Significantly, 19% acknowledged their shortcomings and are currently working on projects to remedy the situation.

Questions 6 and 7 covered research tools and the extent of their effectiveness (question 6) and their ability to enable the creation of personalized, authoritative research for their clients in a timely manner (question 7). Eighty percent of respondents believe their research tools to be either very effective or mostly effective in informing investment decisions, although when it comes to the tools used to create personalized research, the result is far less satisfactory: 42% reported that, while they have the tools to author research for their clients, they are insufficient for the task at hand.

6 How effective are your research tools in informing investment decisions?



7 Does your organization author research for customers, and are your tools effective in enabling timely personalized research?



Limitations

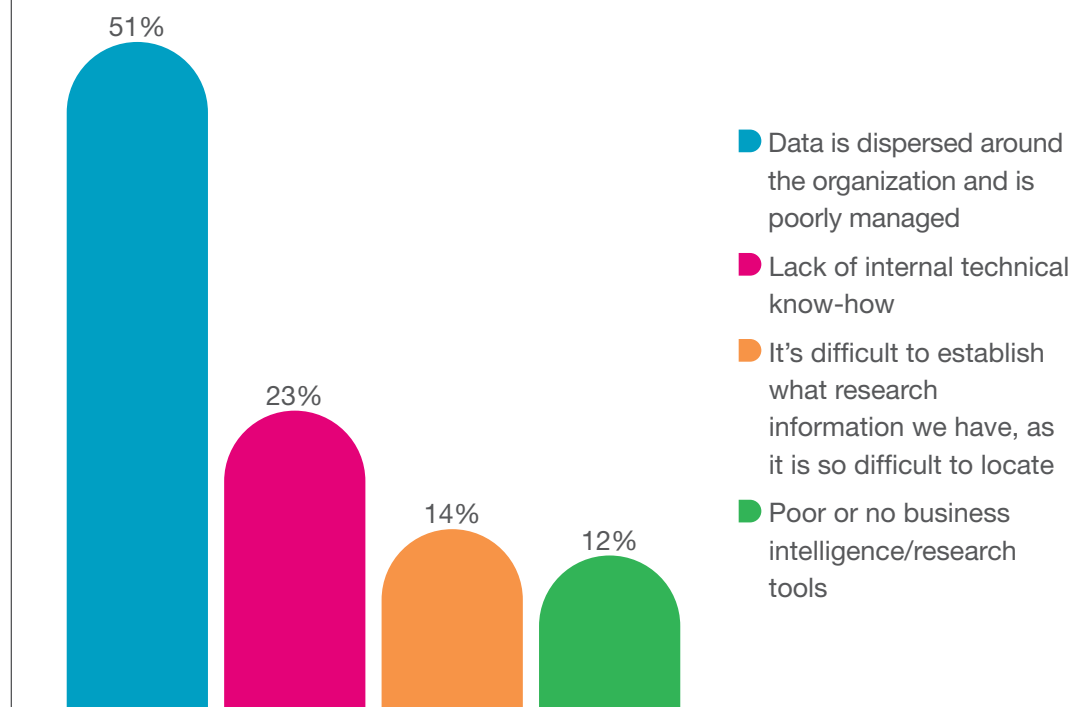
Looking at the obstacles for the research from question 7, we find that data silos and data management capabilities are preventing that research from being realized. Question 8 focused on respondents' limitations and challenges with regard to the ability of staff members to access research

data, a crucial part of the money management process for buy-side firms. Fifty-one per cent believe their data to be dispersed around the organization and that it is poorly managed, while 14% felt that it was difficult for them to establish what research information they had within the business, given that it is so difficult for them to find.

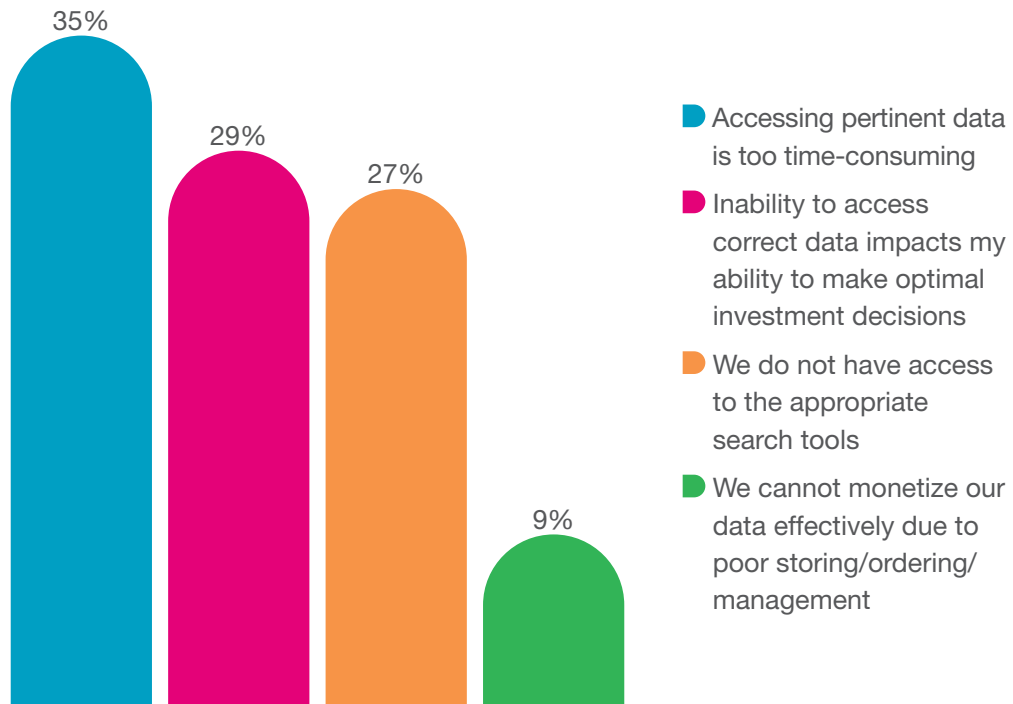
Question 9 maintained the theme of how poorly managed data impacts firms' various day-to-day business processes, with 35% of respondents reporting that accessing the pertinent data for their roles is too time-consuming, while 29% believe that their firms' current data management procedures impact their ability to make optimal investment decisions. Question 10 dealt with the frequency with which respondents evaluate their content/research management technologies, with almost 80% either managing that process on an ongoing basis or quarterly, underling the value they place on their content management tools and the extent to which they continue to enhance them.

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51% of respondents believe their data is dispersed around the organization and is poorly managed

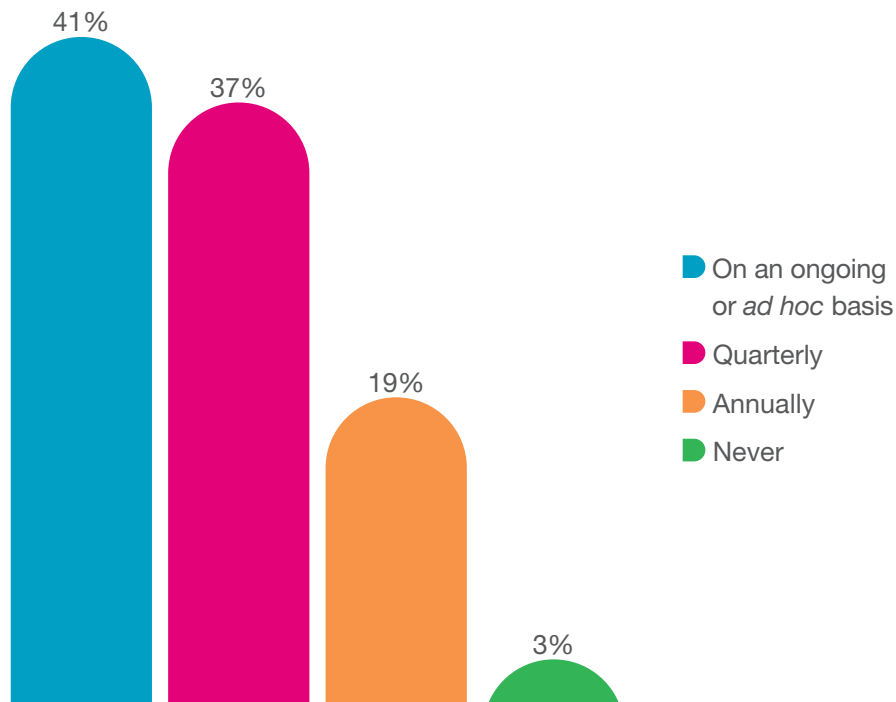
8 What are the limitations and challenges facing your organization in providing internal users with access to research data?



9 How does poorly organized research data affect your organization's day-to-day performance?



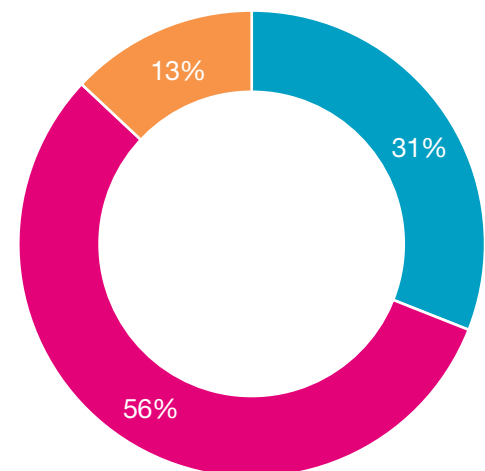
10 How often does your organization re-evaluate its content/research management technologies?



A Single Hub

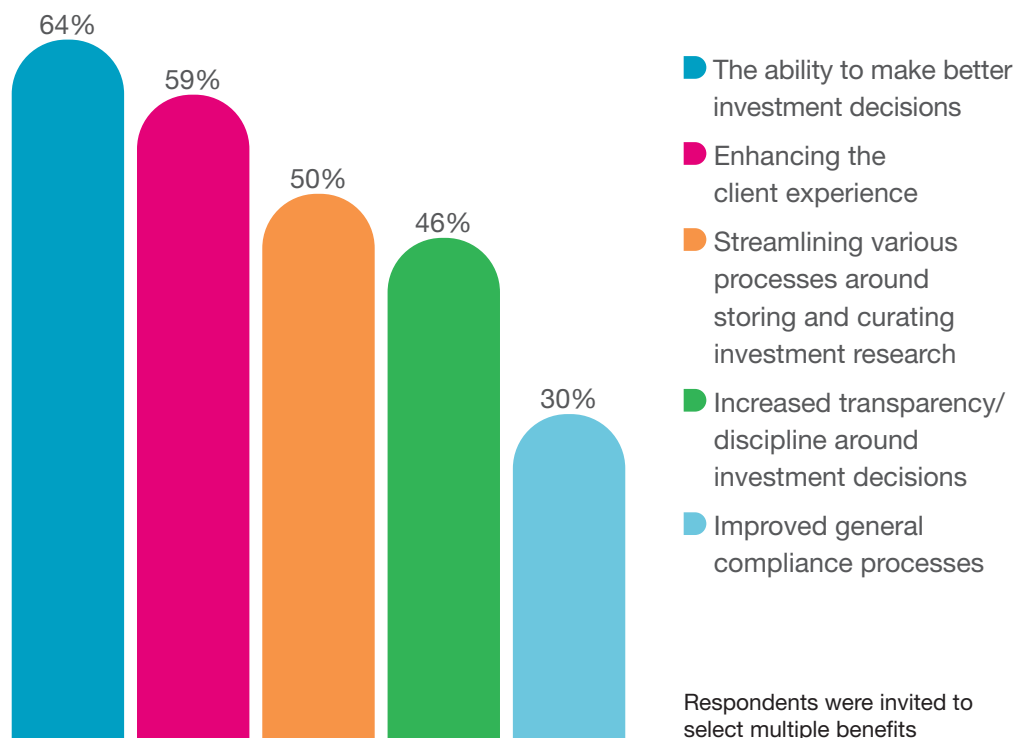
In the coming years, expect a majority of these organizations to be using a data hub model. Question 11 focused on the extent to which respondents had already developed a single investment research hub, with not one reporting that they had already implemented such a system. Significantly, however, 56% reported that they were considering such a move. Given that such projects can be time-consuming, the significance of more than half of all respondents still actively considering such initiatives despite the technology and operational commitments, underlines the business and commercial potential these platforms hold, the specifics of which are addressed in question 12. Respondents were asked to evaluate the tangible business benefits offered by a single investment research hub/location, with 64% reporting that it would enhance their ability to make better investment decisions, while 59% believed it would improve the client experience.

11 Does your firm currently have a single investment research hub?



- Not at present
- No, but we are considering building/developing one
- No, and we have no plans to build/develop one

12 What are the business benefits accruing to firms that have developed a single investment research hub?



The worst-kept secret currently in the industry is the extent to which AI technology— machine learning, smart algorithms, advanced data analytics capabilities and natural language processing, among others—will transform a large number of existing business processes.

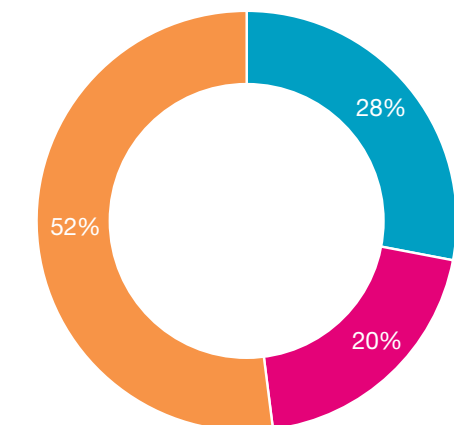


The worst-kept secret currently in the industry is the extent to which AI technology will transform a large number of existing business processes.

Questions 13 and 14 dealt with how firms might go about developing a single data hub if and when they decide to, and their current use of artificial intelligence (AI) technology to augment their content and/or research practices. Once the decision to embark on such a project has been taken, arguably the next critical decision is how exactly the project is going to be managed and delivered. More than half (52%) of respondents to question 13 reported that they would opt for a mix of internal and external sources for their platform build, illustrating the extent to which capital markets firms now look to third-party technology providers for help with large and often complex projects.

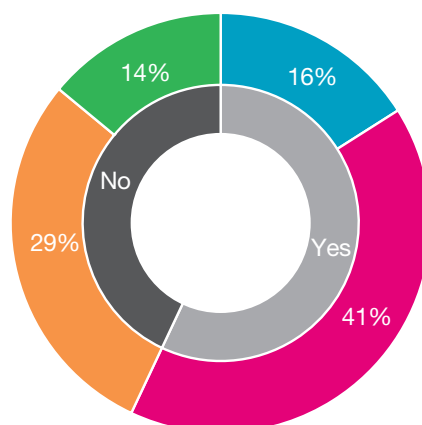
The responses to question 14 reflected this acceptance, with 57% of respondents reporting that they were already using AI to manage or enhance their research content. However, closer scrutiny of the results show that only 16% reported their results to be “promising”, indicating the extent to which data system limitations and the various challenges precipitated by them are impacting the efficacy of firms’ AI initiatives.

13 Where would you source the technology to build an investment research hub?



- Internally (proprietary)
- Externally (from the third-party technology provider)
- A mix of internal and external

14 Do you use AI technology to manage/enhance your content/research?



- Yes, and the results are promising
- Yes, but it's too early to say whether the investment has been worth it
- No, but we are considering implementing certain AI tools
- No, and we have no plans at present to implement such technologies

Challenges Facing Capital Markets Firms

The capital markets industry has changed significantly over the past 20 years, with two significant drivers impacting the market structure and operating environment: the global financial crisis and the revised Markets in Financial Instruments Directive (Mifid II). It is the latter, however, that has had the greatest impact on the nature of the buy-side/sell-side relationship, especially when it comes to the consumption of research.

In examining the data, it is clear that roughly two-thirds of capital markets firms struggle with research data that is poorly managed or difficult to access.

- 68% report that research information is stored in too many locations (question 4).
- 66% of respondents are unable to access all research information in one place (question 5)
- 64% have insufficient tools (question 6).
- 77% report poorly managed data that is either difficult to locate or inaccessible due to a lack of tools (question 8).

If their investment analysts don't have access to the data they need to inform their decisions then, at best, their conclusions might be suboptimal and, at worst, wrong. For any organization that wants to make the best, most robust investment decisions, having access to information is essential.



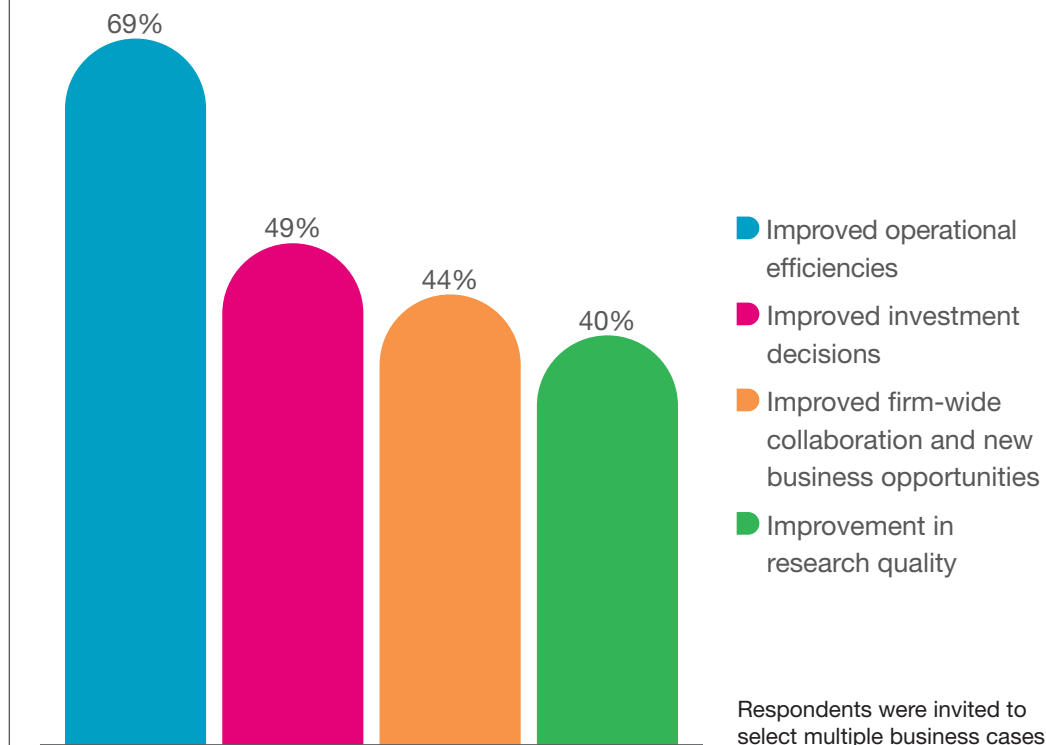
Business case justifications for investment research hubs driven by improved operational efficiencies was cited by 69% of respondents, followed by better investment decisions, by 49%.

It is also important to understand how such a conclusion was derived. If there are questions from investors, regulators, or someone within the organization—even months later—those decisions need to be justified. Tracking the lineage of decisions is critical. The ability to revisit investment decisions

and “interrogate” them by scrutinizing the underpinning data also has a significant regulatory angle. Mifid II requires asset managers to justify their investment decisions and provide clients and regulators with the necessary transparency and granularity.

Question 15 of the survey dealt with arguably the greatest challenge facing chief information officers, chief data officers, IT directors and the business users they serve when it comes to launching any new data or technology initiative: making the business case for such a project. With the introduction of Mifid II, any technology project has to be supported by a clear, logical and demonstrable business case. Buy-side and sell-side firms simply cannot afford to sponsor speculative IT projects.

15 What is your business case for developing a single investment research hub?



Conclusion

Capital markets firms are not making full use of their research data, primarily because of inefficient and ineffective data management techniques, processes and procedures. The sheer volume of data and its various sources and formats is one of the primary challenges facing firms, a challenge that would be satisfactorily addressed by a single data platform with a single user interface serving the entire business.

The MarkLogic Data Hub for investment research and authoring¹ provides a solution to the single data platform issue. Its multimodel database leverages both structured and unstructured data, providing a real-time, enterprise-ready platform that collects all available research and data in a single central, easy-to-access location. This data hub provides a single source of truth for core investment operations, serving existing and future applications with a trusted repository for key information.

These capabilities enable a capital markets firm to more securely and rapidly access data relevant to all processes, trades and investment decisions. Investment analysts can fine-tune the research, in turn to fine-tune their decisions.

Developing and delivering a single, enterprise-wide data hub ought to be considered by every firm. Given the clear benefits delivered by such projects, the question capital markets firms ought to be asking themselves is not whether they can afford to embark on such an initiative, but whether they can afford not to.

1. MarkLogic (2019), *Faster Investment Insights from a 360° View of Your Data Assets*, www.marklogic.com/solutions/industry/financial-services/investment-research-authoring/

About MarkLogic

Data integration is one of the most complex IT challenges, and our mission is to simplify it. The MarkLogic Data Hub for investment research is a highly differentiated data platform that eliminates friction at every step of the data integration process, enabling organizations to achieve a 360° view faster than ever. By unifying existing enterprise data siloes, the MarkLogic Data Hub for investment research provides a single source of truth for core investment research creation, searching, alerting, distribution, monetization and access—serving existing and future applications with a trusted repository for key information. By simplifying data integration, MarkLogic helps organizations gain agility, lower IT costs and safely share their data.

Organizations around the world trust MarkLogic to handle their mission-critical data, including six of the top 10 banks, five of the top 10 pharmaceutical companies, six of the top 10 publishers, nine of the 15 major US government agencies, and many more. Headquartered in Silicon Valley, MarkLogic has offices throughout the US, Europe, Asia and Australia.

Explore online to find answers about how the MarkLogic technology can help your organization, at www.marklogic.com/solutions/industry/financial-services



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