

Opinion

The Future of Asset Mgmt Talent is Tech-Savvy and Multidimensional

July 27, 2018

Seeking alpha in active investment management is all about finding an edge in information and understanding how to use it. Years ago, this meant looking at fairly standard data from corporate balance sheets and economic releases and trying to use this information more effectively than competitors. But today, the puzzle we want to solve has grown more complex.

To this end, firms have always sought to hire analytical people who could bring a diverse set of viewpoints to exploring the drivers of stock and market returns. But nowadays, the people we hire are no longer being asked to simply take standard data and analyze it better than our competitors. We are now looking at the challenge of information itself – what to use, how to get it, and figuring out which questions it is best suited to answer. The volume and types of information available to investors have increased significantly over the last few years. Big data and machine learning – algorithms, decision trees and neural networks – are forming a new landscape. This has real implications for recruiting, as the competition for talent has increased.

As a quantitative manager, our firm's experience offers a window into the skills that many investment firms will be looking for as they plan for a data-driven future. Beyond wanting to hire the best and brightest candidates, technical skills have increasingly become essential. There is simply too much information out there to effectively assess it all through manual research. So, firms need people who can create efficient, scalable tools to organize and analyze data. STEM backgrounds and coding skills have long been on our list of essential attributes in research hires. We believe it will not be long before this becomes completely mainstream.



John Chisholm

co-CEO of Acadian Asset Management

These changes will have major implications for the way firms assess and compete for talent. As companies increasingly work with quantitative information, this will drive a shift in hiring to focus on a dynamic combination of financial and quantitative skills. And we are already beginning to see responding changes in the talent pool. Master of Science in Financial Engineering programs are proliferating, and colleges are increasingly adding data science and machine learning courses to their degree programs. At the same time, computer science programs are featuring financial data and investment applications more heavily in their curriculum.

But talent needs are evolving in the age of big data, even for a quant firm like ours. Take the problem of evaluating development stage companies – companies with no earnings history. With no earnings to assess, what other types of data might help evaluate these companies? What is the best source of that information, and how should the data be organized and investigated? Is this alternative data clean and well-populated? If not, what techniques could make it usable? Investment professionals need to know how to ask the right questions, and how to use well-chosen data sets to answer them.

Some firms have addressed the new landscape of data by creating "data science" or "AI" groups within their investment teams. There is also the growth of outsourcing, as data providers create products that seek to replicate the output of an in-house data science effort. We have found that there is no single approach that serves as a silver bullet. However, the more fully integrated the data science expertise can be with investment research and decision making, the better.

Our firm has always searched for new data sources and tested various machine learning techniques for handling them. By emphasizing experience with big data and machine learning more in our projects, training staff on these sources and techniques, and screening candidates more aggressively for these skills, we ensure that this expertise is embedded organically throughout the organization, and not kept with a separate "priesthood."

The best investment research comes from the full integration of ideas and data, of hypothesis and investigation. Understanding the full potential of data is essential to coming up with the best research ideas. For that, you need a powerful combination of investment insight, technical skills, analytical ability, and something more. That something more is the intuition that helps focus in on what is most relevant in the many potential avenues of inquiry. And relevance is always defined by our ultimate goal, which is to create value from good fundamental investments. AI and machine learning are simply a new evolution of tools and talent to get there.

Disclosure & Disclaimer

This article has been reproduced and republished and is used with permission from Money-Media. This material expresses the views and opinions of the authors and is being provided for informational purposes only. It should not be construed as investment advice, or an offer to sell or a solicitation of an offer to buy any security or as an endorsement, recommendation, or sponsorship of any company, security, index, strategy or advisory service, or to establish any investment relationship with Acadian. This material has not been updated since it was published and may not reflect the current views of the author(s) or recent market activity. No representation or warranty, express or implied, is made as to the accuracy, reliability or completeness of such information. Historical economic and performance information is not indicative of future results. The views expressed are subject to change based on market and other conditions.

This article may not be reproduced or disseminated in whole or part without the prior written consent of Money-Media.