Reimagining Buy-Side Data Management

DIGITAL REPORT 2021

REIMAGINING BUY-SIDE DATA MANAGEMENT

State Street report reveals how cloud-based data management is giving firms a competitive advantage, reducing costs and driving innovation

Margin compression driven by investor's growing adoption of low-fee index funds increasingly forces buy-side firms to do more with less. Headcount reductions and mergers have become commonplace as investment managers struggle to grow assets and slash operating costs.

At the same time, more data than ever is available, with the potential to help firms differentiate their product offerings, surface new sources of alpha, and reduce their trading and reporting costs.

State Street's fourth annual Growth Readiness Study shows an increased appetite for the use of alternative data and engaging external providers to improve investment intelligence. Sixty seven percent of respondents report that the use of alternative data in investment analysis, such as satellite images, social media posts, foot traffic and transition data, has become a priority for their organization over the past year.

But firms struggle to manage and harness their data, constrained by siloed databases and legacy technology that makes data governance, curation and access both difficult and inefficient. Compounding


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"The asset management industry is experiencing a major shift. Historically, investment data was consumed in the moment. Storing and curating historic data was prohibitively expensive and operationally intensive. Cloudbased data warehouses have shattered that barrier. These platforms capture the volume, velocity and variety of data generated from trading, risk, compliance and portfolio management systems, capabilities that seemed impossible just a decade ago"

JOHN PLANSKY
HEAD OF STATE STREET ALPHA, THE DATA CLOUD

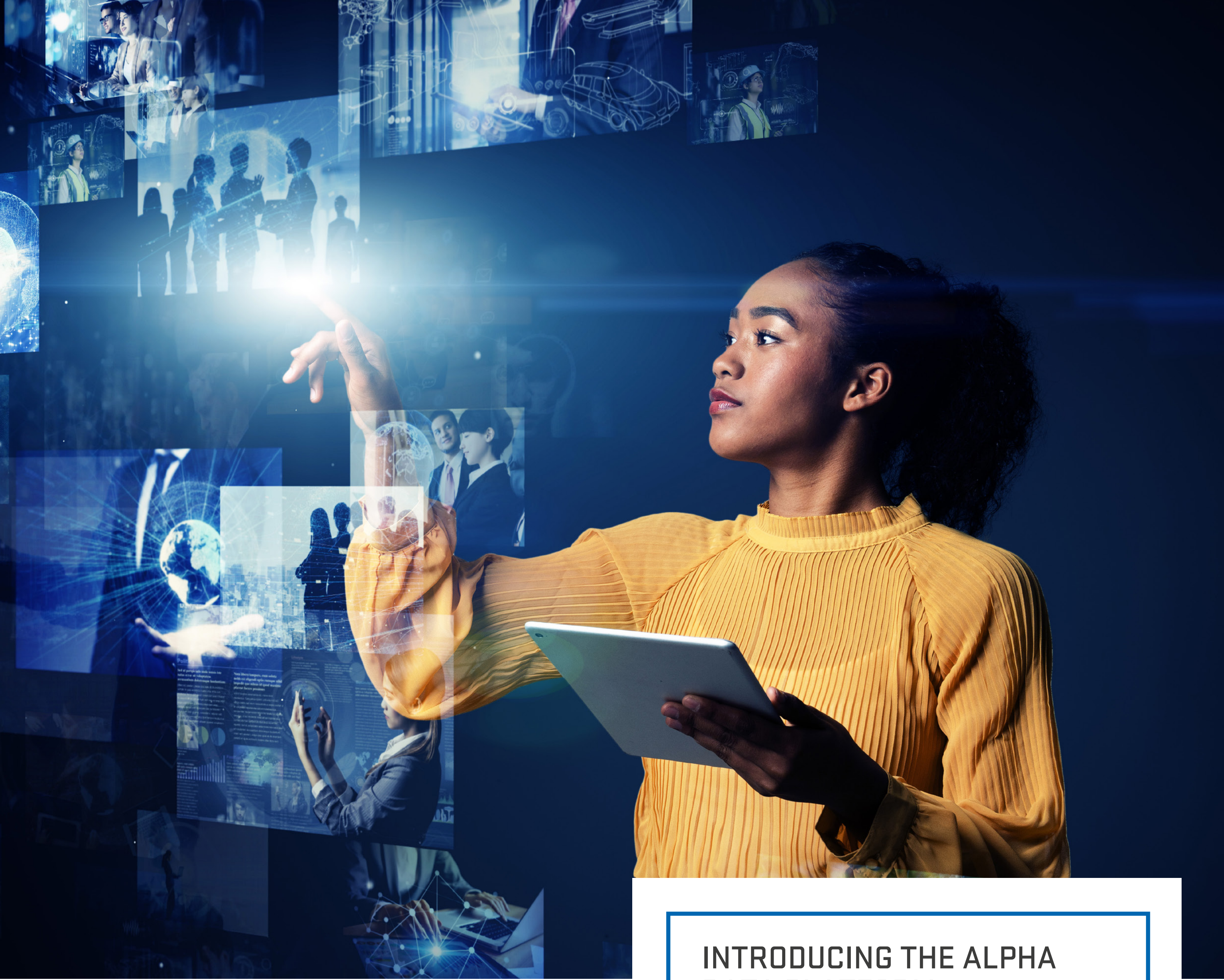
these obstacles is the trend toward downsized operations teams, whose remit includes data management.

Much of this data has an extremely short shelf life, so timely delivery is paramount. Investable cash, encumbered collateral and securities on loan lose much of their value if the data isn't available to the front office in near real time.

With traditional data warehouses, the cost and operational overhead of capturing the depth and breadth of data across the front, middle and back office was prohibitively expensive and often impossible. This meant that significant amounts and sources of data were either discarded or inaccessible to the business on a timely basis. These solutions were also built primarily to capture and store data, with little thought given to enabling self-service reporting and visualization capabilities for investment professionals.

The date cloud

To address these shortcomings, investment service and solution providers have embraced cloud-based data management. By eliminating the need for investment managers to bring internally hosted and maintained data centers on line, data clouds provide on-demand scalability for firms expanding into new geographies, launching new product offerings or consolidating acquisitions. Operations can now be outsourced to the data cloud provider, empowering firms to focus on generating returns, managing portfolio risk, and raising and retaining assets.



Data clouds have facilitated significant innovation in platform architectures. Static data models have become extensible, enabling firms to easily onboard new data sources. Notably, cloudbased data marketplaces now enable both startup and incumbent vendors to offer novel structured and unstructured data to asset managers looking for differentiated investment ideas.

Time-to-insight is also accelerated by the data cloud. By storing data "in-place" and eliminating data movement, queries that once took hours now run in seconds. In turn, this enables powerful self-service data visualization and reporting so portfolio managers, traders, analysts and risk officers can access and analyze the

DID YOU KNOW...

INTRODUCING THE ALPHA DATA PLATFORM

At State Street, we're reimagining the future of data management for investment firms, asset owners and wealth managers. State Street Alpha is the industry's first front-to-back platform from a single provider. The Alpha Data Platform, powered by Snowflake® and leveraging the Snowflake Data Marketplace, forms the foundation of Alpha, enabling firms to seamlessly capture and leverage both internally generated and externally acquired data to drive new investment insights, bring innovative products to market faster, and reduce their trading and reporting costs.

information they need to drive immediate and better informed decisions and insights.

Enabling new synergies

In a recent article on data-related challenges facing investment managers and asset owners, Head of State Street Alpha, John Plansky articulated a number of synergies from cloud-based data management.

By providing a near real-time and easily accessible view of asset manager data, the data cloud enables more profitable securities lending, optimized collateral and cash management, and better-informed corporate actions elections aligned with long-term investment policies and strategic allocations.

Portfolio managers and quantitative analysts increasingly leverage machine learning (ML) and artificial intelligence (AI) to gain new insights and design portfolios potentially capable of delivering uncorrelated risk-adjusted returns. ML and AI require large volumes of high-quality historic data to extract features that have predictive value.

By leveraging the data cloud's deep time series storage and feature engineering capabilities, investment professionals can create models that form the foundation of

more robust and differentiated portfolios. Centralized storage and on-demand access via the data cloud furthermore accelerates the ability to quickly vet new sources of structured and unstructured data that can drive insights.

By capturing detailed, time-stamped trade data from their order and execution management systems, and enriching it with market prices and other information from sell-side firms and external providers, traders gain important insights. Knowing which execution algorithms are most effective under varying market environments and identifying liquidity venues and broker/dealers providing the most efficient executions for the markets and asset classes they trade in help firms reduce trading costs.

Re-constructing a particular trade or investment decision to satisfy investor or regulatory queries is typically a time-consuming, spreadsheet-based exercise. By capturing the breadth and depth of data at any point in time, compliance staff can instantly recreate the market conditions traders and portfolio managers were operating under at the time of the trade.

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