

THE DATA GOLD RUSH

HOW PENSION FUNDS CAN BECOME DATA PROSPECTORS



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There is now a common maxim that more data has been generated in the past two years, than in the entirety of human history.

According to estimates, the volume of business data worldwide, across all companies, doubles every 1.2 years. As our means to create data has increased so has our ability to consume and analyse it. For example, decoding the human genome originally took 10 years to process; now it can be achieved in one week.

A pension fund's investments and liabilities generate hundreds of thousands of data points. Traditionally it has been extremely difficult for a pension fund to distil value from this information, because of issues around storage, accessibility, and lack of sheer computational power. Fortunately advances in technology mean that data is now stored in 'places' such as lakes and clouds to ease the means by which users can extract it.

However, the question should not just be 'how can we store and manage all this data?' but 'how can we take advantage of it?' There is something of a 'gold rush' to find the hidden treasures embedded within terabytes of data, and a new breed of gold miners known as data scientists. In response, custodians and third party administrators are creating new services designed to leverage data by identifying and creating previously hidden signals.

THE KEY CHALLENGE – DATA AGGREGATION AND VISUALISATION

It stands to reason that a pension fund's key objective (paying current and future retirees) is more likely to be met if the organisation can make decisions based on the greatest amount of relevant information.

In order to create the full view of their investments and liabilities, pension funds have to harmonise data into a common format, and then scrub and aggregate it. This is a time-consuming and challenging task. The key challenge lies in the aggregation of data, primarily because data comes from multiple sources. A custodian however is able to aggregate that data and a custodian investing in the right technology now has the opportunity to become something of a 'super custodian', akin to a data or technology company, aggregating data from multiple managers and multiple custodians, and making this data available to clients in useable and consumable chunks.



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THE INVESTMENT OFFICE – BECOME A DATA PROSPECTOR

Data as a Service (DaaS) is a relatively new concept. It can support institutional investors such as pension funds to extract greater value from the data they are receiving from a plethora of different sources.

The Investment Office is a collection of 'data services' currently being developed by BNP Paribas. It is an ecosystem of service outputs, where an institutional investor can become a data explorer by visualising and interacting with their data. It can accommodate all stakeholders – CFO, CIO and operational staff – helping them to meet their daily activities and the organisation's overarching goals.

SO HOW DOES IT DO THIS?

The Investment Office uses 'big data' technology to combine disparate data from existing services such as custody and middle office alongside external data sets such as market and client data. It uses both structured data, such as accounting and performance data, and non-structured data such as social media and news feeds.

A user is alerted to critical issues but even more importantly is provided with the necessary tools to perform his or her own analysis such as what-if simulation, asset allocation analysis, new risk adjusted measures comparing performance, risk, ESG and capital data in new analytical measures. For example before selecting a new manager, the solution can assess how the manager's investments will impact the overall fund – asset allocation, ESG scores, the risk profile etc.

Aggregating and visualising data is one key element. The Investment Office will also allow the user to explore data through a dedicated sandbox (a user specific virtual space for clients to experiment with their data), dynamic data visualisation, client run APIs and state of the art reporting. All of this changes the classic user experience making interaction with a custodian both interactive and customisable to the individual.

CONCLUSION

DaaS will provide pension funds access to their disparate data, provide it in common formats and draw connections that previously could not readily be made. In doing so, pension funds can extract greater value from the services they receive from their providers and make better investment decisions. The Investment Office is one data visualisation and mining solution being developed by BNP Paribas to help asset owners on their journey to becoming a data prospector.

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