The Global Pulse

BigDough Solutions
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S&P Global
Market Intelligence

Welcome

Welcome to the 8th edition of S&P Global Market Intelligence Global Pulse. In this edition, our newsletter focuses on topics such as the addition of alternative & sustainable datasets, the innovation of sharing schedules, the introduction of AI insights into our BigDough applications, and the advantage of revealing an individual's investment playbook.

Our BigDough Solutions group tackles these topics and more through several detailed interviews with market participants and contributions by our product experts. Constant collaboration with key stakeholders from our client base and market community allows us to be informed and share key trends and observations.

We now share some of those collaborative conversations with you in this article. Please read through our commentary in this edition and reach out to us with all your feedback.

Best,
Newton Ray
Associate Director, Product Analysis & Design

Newton Ray
Associate Director,
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ESG & Sustainability

Sustainable investing has been on the rise for the past several years as more investors seek to align their portfolios with their ethical, environmental, and social values. Investment managers have recognized this growing trend and have been quick to launch ESG-focused funds. These funds are marketed as having specific sustainability goals, such as reduced carbon emissions, ethical labor practices, or community engagement.

Further, many who subscribe to a sustainable investment approach believe that it does not impede financial returns and instead helps to increase long-term returns by protecting investments from risks. Many studies by the likes of McKinsey, Deloitte, Harvard Business Review, and Forbes have shown that a more diverse workforce drives more innovation and profitability.

However, sustainable investment practices are not without controversy. Politics has stormed into the conversation with some claiming that sustainable investment approaches threaten to impede investment funds fiduciary responsibility. Other groups are concerned with the concept of "greenwashing" whereby funds tout a sustainable investment strategy in marketing documents that are seemingly not aligned with the securities held in their portfolios. This highly debated topic of "greenwashing" has led to growing demand for better understanding and transparency in institutional investors sustainability mandate and how that aligns with the actual holdings within their portfolios.

Regulators have taken notice and are diving, or wading, into this debate. In Europe, the EU created the Sustainable Finance Disclosure Regulation (SFDR) with a goal of helping investors that want to put their money into sustainable companies and projects will have information necessary to

make informed decisions. In the United States, the SEC has proposed changes to "Name Rule" which would require that 80% of a fund's portfolio matches the asset advertised by the name of the fund. At a meeting on the Securities and Exchange Commission (SEC) "Name Rule", SEC chair Gary Gensler stated, "A fund's investment portfolio should match a fund's advertised investment focus". There are trade organizations on the other end of the spectrum that believe the most recent proposed changes to the "Name Rule" would be subjective, cause confusion among investors as well as encourage superficial judgements based on the fund name. Generally speaking, Asia is earlier on the path of adopting ESG and, of course, differences will emerge across the region in how ESG investing is viewed and implemented. To find success in this market, it is imperative to move beyond generalizations by region, country, or investor type and see each portfolio through its investment approach and portfolio.

The BigDough Solutions team has set out to provide the sell-side banks/brokers with comprehensive insight into the institutional investors approach to sustainable investing, illuminating their stated investment approach alongside a view into their portfolio holdings. The BigDough dataset has been expanded to include investor sustainability focus, sustainability specific job functions & titles, as well as S&P Global ESG scores. This new dataset allows our clients to run searches to find investors based on their job function, over 150 focus criteria, and/or their positions in securities within a range of ESG scores. The in-depth profiles of investors, the funds they manage, and the contacts involved in the investment process provide key details regarding the sustainability investment approach and focus areas. Brokers will be able to quickly identify the right investors to target to ensure they are matched with the best opportunities based on their sustainability objectives.

Our team is available to provide a demo of this new data within BD Advanced and discuss how this information can help your firm build and grow the sustainability portion of your business.
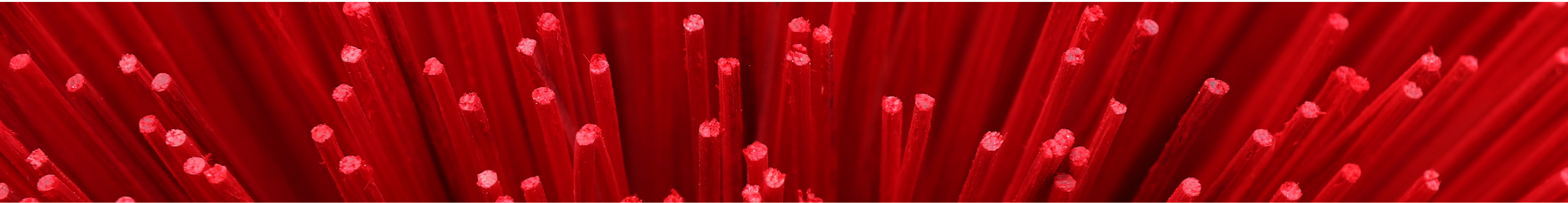
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Cross Client Calendar – Equity Capital Market Event Ecosystem

"Why was this idea of shared schedules within our Events platform introduced? Who benefits from using this functionality?"

What are some growth opportunities this workflow creates? What are the future phases? The role of an Equity Capital Market coordinator involves many moving parts.
All of which are sensitive to the timeliness, accuracy, and the viewership of their events.

Many of those aspects are handled manually and have been for many years. The control of these types of events, rightfully so, have been kept close to the chest. However, that does create a key person risk that many firms would like to avoid. It also creates an inevitable possibility of human error. To ease that level of risk, **S&P Global Market Intelligence's Event Planner** has introduced the "Cross Client Calendar" enhancement which is built with transparency & efficiency at the forefront.

The functionality is meant to reduce Outlook traffic between coordinators involved in co-hosting deal related events and give all those involved a centralized location to share and view schedules. "CCC," as we are deeming it, provides innovation when managing meeting logistics associated with pre-IPOs, SPACs, PIPE events, Testing the Waters, among other deal-related event types. A real-time hub of purposefully shared information with all parties involved creates that speed and precision that is required by event planners.

Per an ECM coordinators and syndicate at a bulge bracket bank,

"Our collective feedback is positive based on what we have seen. It appears to be a feature/tool that can reduce email traffic with other banks and make it more efficient for roadshow coordinators to share and receive meeting updates."

The **S&P Global Market Intelligence, BigDough Solutions** team saw an opportunity to create an ecosystem for ECM coordinators and syndicate teams to see all things deal related in one place. With our integration with Equity Bookbuild and now an event sharing capability, coordinators and traders can have access to the tools they need to seamlessly create, coordinate, and communicate across desks. The advancement of the CCC functionality and the development of the ECM ecosystem will bring further innovation and technology to the industry.

A fair amount of the ECM coordinators using our Events platform already have an established relationships with their peers or have worked together on past co-hosted events together. Here at S&P, we want to help those ECM desks with that continued cohesion with fellow brokers. If we can assist in making the organization of the event the simplest aspect of the deal process, we have done our job to service our clients.

We are prepared to demonstrate this functionality and are willing to incorporate your feedback to take co-hosted roadshow coordination to the next level.

Newton Ray
Associate Director,
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Prospecting with New Insights!

If you feel that every other news story, article, and panel discussion has been centered around AI revolutionizing the world, you're not alone…

I often repeat the advice offered by many experts in the AI space directing consumers to filter out innovation from the noise, by identifying the use-cases that are most relevant, truly enhance efficiency and make their experiences with technology better.

So, what is our BigDough Solutions, S&P Global Market Intelligence group doing in this space to provide you more efficiency and a more innovative experience? I am glad you asked!

BD Advanced (BDA), the preeminent Buyside database for cross asset institutional Investor data has now integrated AI/ML capabilities into its global prospecting and targeting searches. The leading source for identifying buyside accounts, funds, and contacts with their holdings, has enriched its profiles with BigDough powered AI suggestions.

In this first phase a new "BD Insights" tab now displays a list of suggested records as part of both the People & Institution profile pages. This innovation reduces user clicks and shortens searches to find more relevant contacts and accounts. Since the Profile pages are some of the most frequently accessed pages, this provides users quick access to similarly focused records that they should also consider engaging with.

These records may be existing clients they may already have relationships with or even provide prospects that they may want to review further. As the name implies, BD Insights is designed to provide additional insight into similar Accounts and Contacts that can lead the user to similar successful engagements.

With over 25 years in the market, the BigDough data set continues to evolve how professionals prospect across the globe. Check out the backstory and planned future development of BD Insights in my interview with both the Product Manager, Wilson Fan, and Data Scientist, Srini Govindaraj, that developed and implemented the AI/ML model:

Q&A

In the process of coming up with the AI/ML model for BD Advanced suggested contacts/accounts, what were some examples of the BD data components used to drive it? And why start there?

"Using available data and application logs combined with discussions with our business teams, we identified user workflows that can indicate how frequently a record is being used by our users. The more frequently users engage with a particular record will elevate that record's underlying score and can indicate an increase likelihood for a successful interaction. We are currently pulling stats from features like Actions, Meeting, Emails and others to help drive the model as these are generally the most commonly used features within the system."

Wilson Fan

The reasons we prioritized actions data as a basis for recommendation was that actions such as setting up a meeting or sending an email shows a stronger intent, than a viewing of a profile without taking any action. This allowed us to build good quality suggestions for users.

Srini Govindaraj

How will the model continue to adapt overtime to provide the market with the best prospect matches for their queries?

The incorporation of a feedback loop into the model will ultimately help the model learn and adapt over time. Allowing the users to indicate if a suggestion was useful or not can help either reinforce or adjust the model. Additionally allowing user level settings to help influence the model can allow for users to have more personalized suggestions. User would be able to set their preferences as to what elements are most important to them and those can be incorporated into the model.

Wilson Fan

What parameters were used to determine that the model was working and will provide immediate benefit to the market?

The model was thoroughly tested using data split based on time. The model was developed in a historical timeframe and made to recommend on untested new more recent data, this was then compared with what had happened and how good the model's recommendation was. 'Lift' was the measure used to compare and select the most useful models. This helped us assure that our suggestions will make the process of information discovery multiple times faster.

Srini Govindaraj

How do you anticipate that this AI/ML offering will advance in BDA in the future?

I believe that our investment into AI/ML is absolutely essential in regard to our expansion of our product. To remain competitive, we need to continuously adapt our product.

Wilson Fan

The application of Large Language Models to make information discovery faster will be a key feature soon. The addition of more meaningful data sources to understand the user needs / behavior would be another aspect.

Srini Govindaraj

How can our clients expect that models like this and this type of innovation will appear in the rest of our BigDough Solutions ecosystem?

We are only scratching the surface of how what we can do with AI. We can expand the suggestion model into other entities like Funds & Securities or explore things like incorporation of Ownership content to perform portfolio analysis to provide suggestions of other securities to hold/sell.

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Elucidating an individual investor's playbook and strengths

AQR Capital Management published a paper in 2018 entitled "Buffet's Alpha" that analyzed almost 30 years of Warren Buffett's investments using 13F filings holdings data and identified several key factors, including his tendency to buy higher quality, cheap, and lower risk equities, that were the foundation of his successful long track record.

It would likely be challenging to find many portfolio managers who have anywhere near 30 years of documented investments linked directly to their discretion to enable an accurate recreation of their investment strategy across different market regimes, but there is still significant potential to use historical holdings data to predict many investors' "playbooks" and assess their strengths using a much shorter history of their investment actions.

Investment holdings data has been a valuable source of insight for investors, investment banks, and brokers for a long time, starting with the minute a new 13F filing is released to the public and rapidly dissected by investors and the media to identify any major investments and divestments made by the fund's portfolio managers since the prior reporting period. The data provides a valuable prospecting tool for equity and fixed income brokers and salespeople to quickly identify all clients that are holding the same or comparable securities that their trading desks are looking to buy or sell. However, combining Big Dough's personnel data with funds' holdings data histories has the potential to create a model that could predict how a portfolio manager may react to shifts in market cycles starting with their

first analyst role at a fund in addition to assessing how adept they are at timing when they enter and exit positions.

The predictive value of the holdings data history revolves around it capturing the monthly or quarterly changes in a fund's investments which can be linked to historical equity or bond prices, valuations, indices, and fundamental financial data histories in CapIQ to fit the model. Admittedly, the holdings data does lack the date or dates when the buy or sell trades were executed, which could mask if a portfolio manager made the investment decision based on new earnings releases, news, or a rapid change in valuations during the reporting period. This deficiency can be somewhat remedied by using the high/low ranges of the included factors during the reporting period and it may be possible to pinpoint the trade day(s) for very large positions by identifying major upticks in daily trading volume during the period. The model could be capable of identifying the historical triggers that may have made a portfolio manager decide to initiate a sector rotation in the past, which could enable the user to preemptively reposition before the rotation becomes apparent in the fund's next 13F filing.

Building a model that predicts an investor's behavior will have significant challenges but assessing money managers' investment strengths and weaknesses should be relatively straightforward when using historical holdings data with those same factors required to build the model. In the case of credit funds, the simple assessment of a portfolio manager's proficiency, during different parts of a credit cycle, in buying distressed credits that cure or selling out of positions before they become distressed could help identify an individual's proficiency for each sector and enable funds to better optimize investments teams around credit cycles. These same assessments can also help investment banks and brokers to target investors more effectively with specific offerings that match a portfolio manager's sector proficiencies.

In the real world, predicting a professional investor's actions with a high degree of accuracy would likely require extensive amounts of data that captures investors' day-to-day actions, which would be well beyond what is contained in the holding's history. However, there would likely be some degree of predictive power for those investors with longer track records and could assist salespeople with prioritizing client outreach and improve the likelihood of a trade being executed. In addition, the strengths and deficiencies of an investor's playbook could also provide that investor with additional insight into their own behavior that could inevitably improve their performance.

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S&P Global Market Intelligence

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