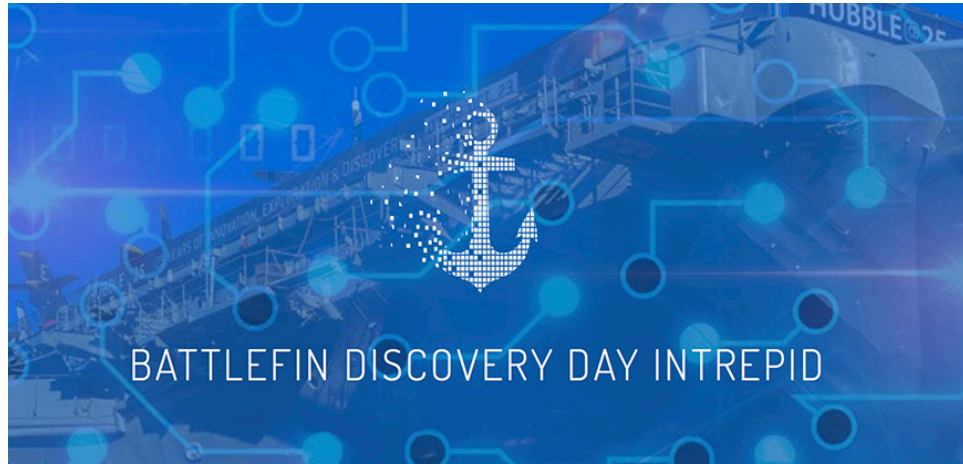FLASH REPORT

Takeaways from BattleFin Discovery Day Intrepid 2017

BATTLEFIN DISCOVERY DAY INTREPID

Source: www.battlefin.com

Fung Global Retail & Technology attended BattleFin Discovery Day Intrepid 2017, which was held at the Intrepid Sea, Air & Space Museum in New York City.

The event was hosted by BattleFin, an alternative asset management firm that uses technology and data science to produce uncorrelated absolute returns for its firm and investors.

The topic of the day was data, and the conference brought together alternative data providers, data-driven hedge funds, emerging managers and investors. Below are selected takeaways from the event.

1) There is a wealth of data to be obtained by "web scraping."

2) There is also a wealth of data to be obtained from analyzing satellite images.

3) Data is helpful/essential in analyzing real estate (and retail).

4) Data has limitations and it will not replace human analysts (just yet).

5) "Exhaust data" is useful but has its own limitations.

About BattleFin Discovery Day
Fung Global Retail & Technology attended BattleFin Discovery Day Intrepid 2017, which was held at the Intrepid Sea, Air & Space Museum in New York City. The event was hosted by BattleFin, an alternative asset management firm that uses technology and data science to produce uncorrelated absolute returns for its firm and investors. The topic of the day was data, and the conference brought together alternative data providers, data-driven hedge funds, emerging managers and investors.

Selected takeaways from the event follow.

1) There Is a Wealth of Data to be Obtained by "Web Scraping"
The three companies on the panel—Benzinga, Thinknum and Yipitdata—collect and package data for investors, based on "web scraping," i.e., by collecting data on publicly available websites and monitoring changes in that data. For example, scrapers can monitor the websites of shopping malls to determine which retailers have moved in or out of the mall in order to calculate up-to-date store counts that enable investors to

evaluate a company's earnings ahead of the public announcement. Another example involves scraping the website Zocdoc—an online digital health platform that allows patients to book doctor appointments—however, these activities can produce terabytes of data, which cannot be processed by many small firms. In a final example, scrapers can monitor the job postings on a company's website to create a determination of business activity or strategy.

2) There Is also a Wealth of Data to be Obtained from Analyzing Satellite Images
Other companies—such as panelist companies Orbital Insight, TellusLabs and Ursa— analyze satellite images in order to glean data. For example, satellite images can be used to calculate agricultural harvests more accurately, and they are also used to create accurate assessments of oil inventory. Satellite images are especially useful when dealing with countries such as China that are restricted for foreigners, or in which government information is sparse or released with heavy delays. This type of real-time data can be used to estimate the results from government reports, which are typically published after a delay, which offers significant investment opportunities.

3) Data Is Helpful/Essential in Analyzing Real Estate (and Retail)
Panelists 1010Data and Altos Research provide data for real-estate investors. These types of data providers, for example, link credit and debit-card data to a map of retail tenant space in order to determine retail sales. Moreover, data such as hotel room rates provide a real-time view of real-estate values, whereas much real-estate data has a one- or two-month time lag when published. Many of these providers link data collected from public and proprietary sources to stitch together a more comprehensive view of the world. In several cases, investors have used this type of data to predict a company's earnings before it is publicly released, enabling investors to take positions so as to benefit from the moves in stocks following earnings announcements.

4) Data Has Limitations and it will not Replace Human Analysts (Just Yet)
Not all data can be used as is. For example, the speaker gave the example of analyzing news data. For example, negative headlines sell newspapers better than positive ones, and the tone of the news must be normalized. Coverage related to Microsoft receives more favorable mention near its local Seattle headquarters, whereas coverage in other areas can be more negative, and the tone of the news needs to be compensated for. Despite the explosion in the availability of data, especially "alternative data" (data gleaned from nonofficial sources), panelists from BattleFin, B23, and Prosper Insights & Analytics (which has collaborated with Fung Global Retail & Technology on several projects) argued that data will always remain an asset that assists, rather than replaces, humans, and needs to be tuned and retuned using human judgment.

5) "Exhaust Data" Is Useful but Has its Own Limitations
Exhaust data is noncore data that is generated and which can be monetized. One example of exhaust data consists of the surplus data on the signups and cancellations for the Netflix video service. One project analyzed every click created by every Netflix user over the past two-and-a-half years—an enormous amount of data—in an attempt to determine which users are likely to cancel their service. There was much discussion about whether exhaust data is noise or the true source of alpha (i.e., investment performance above the market performance), and further discussion by the panelists from Sift Insights and Jumpshot centered on the quality of the original data and issues encountered surrounding how to segregate data into the test set or for generating signals.

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