

Holistic Stock Assessment through Integrated Use of Internal and External Knowledge

CONTEXT

With a history dating back to 1959, Nikko Asset Management (Nikko AM) is a leader in the Asian financial services industry, with approximately USD 230.8 billion in assets under management as of 30 September 2019.

Headquartered in Japan with offices throughout Asia and the rest of the world, Nikko AM offers a range of investment management solutions across a wide spectrum of asset classes, including equity, fixed income and multi asset, to institutional investors as well as retail and private investors through intermediaries, such as banks.

In the ultra-competitive asset management industry, picking investments that are mispriced e.g. value investing or of high quality with sustainable returns requires collective efforts and complementary expertise from a team of analysts and portfolio managers.

A typical equity investment process entails the following:

- Investment analysts generate stock ideas to consider, based on their ongoing research screens, thorough analyses and relationships with companies.
- Analysts will then present these investment ideas to the portfolio managers to consider and recommend the ones to investigate and evaluate more comprehensively.
- Additional qualitative and quantitative data will be used for the detailed analyses.
- Portfolio managers select 30–40 stocks and make adjustments to the stocks already held.
- The equity team conducts risk management (looking at company sustainability, valuations and other risk metrics) and conducts ongoing maintenance of the portfolio.

Nikko AM is keen to build on its key investment principles when looking to improve the performance of its strategies. These include:

- Sticking to the investment selection process, which is what investors want and expect
- Meeting with companies (at least once) when assessing their investment potential
- Seeking out opportunities that are mispriced

- Leveraging the past data and knowledge (financial performance, analyst insights, previous screening results and others) to shape present insights
- Using technology to assist, support and augment investment decisions but not to replace human capital
- Endeavour to be consistent in the strategies and investment processes to manage the 'bad' days and maximise the 'good' days

PROBLEM STATEMENT

How might portfolio managers make more informed investment decisions by bridging both internal and external data in a structured and unstructured context, with a user-friendly assessment framework?

WHAT ARE WE LOOKING FOR

A prototype solution that will enable portfolio managers and equity analysts to swiftly access and retrieve relevant key information, including both internal and external data, structured and unstructured. This may include:

- Data ETL (extract, transform and load) to integrate internal and external data points on stock performance to derive market opinion or consensus expectations
- A dynamic visualisation dashboard with stock's historical performances, together with other alternative overlays
- A flexible framework where analysts could conveniently maintain their investment recommendations and highlight key qualitative convictions
- Highlight and monitor user-defined factors, such as key trends relevant to industry, analyst investment recommendations and other portfolio managers position changes

There are no restrictions on the geographic location of the problem solvers who may choose to apply to this challenge. However, the prototype needs to be demonstrated in Singapore.

POSSIBLE USE CASE

A portfolio manager has just met with a company and captured some notes that would influence the internal model and investment thesis for the company. He would like to input these notes as another factor of this company's assessment model. Later on, an equity analyst also reviewed this company and incorporated an additional factor that has not been considered in its previous investment thesis, e.g., ESG (Environmental Sustainability Governance) analysis. Subsequently, the company announced a new corporate development which has not been incorporated previously and the analyst would again update and incorporate such information into the internal model.

The solution brings together a set of metrics (qualitative and quantitative) that provides a good overview of the investment potential of the stock, assembling the key factors in a way the portfolio manager needs, including the use of specific risk criteria, such as existing internal valuations, external market trends and analysts' written notes.

The information is then assessed by the portfolio managers who quickly review the stock opportunity and can easily see where the potential is using the

relevant investment strategies. This saves time, increases confidence in the decision-making process and provides an internal audit trail for transparency. It also enables the portfolio manager to relook into this stock position in the future to assess if the decision to buy or sell remains sound and substantiate.

WHAT'S IN IT FOR YOU

- SGD 20,000 of prize money for a prototype (see Award Model)
- Partnering with Nikko AM which has deep industry knowledge of the problem statement and industry context across multiple markets
- Opportunity to develop a future product with global scaling potential or other long-term partnership for mutual gain
- Co-creating a solution that is applicable to other regulated environments and jurisdictions
- Opportunity to pitch to industry audience in:
 - IMAS Digital Accelerator Program Showcase in March 2020
 - IMAS-Bloomberg Investment Conference in April 2020
 - For more information, visit www.imasdap.com

EVALUATION CRITERIA

Solution Fit	To what extent does the proposed solution address the problem statement effectively?
Solution Readiness	How ready is the proposed solution to go to the market? Is there any evidence to suggest capacity to scale?
Solution Advantage	Is the solution truly innovative, does it make use of new technologies in the market, and can it potentially generate new IP?
Company Profile	Does the product have user and revenue traction? Do the team members possess strong scientific/technical background?

AWARD MODEL

30% of the prize money will be awarded to each selected finalist at the start of the prototype development process, with the remainder 70% to be awarded during the prototype development process, based on milestones agreed between Nikko AM and the solver.

Note that a finalist who is selected to undertake the prototype development process will be required to enter into an agreement with Nikko AM that will include more detailed conditions pertaining to the prototype development.

DEADLINE

All submissions must be made by **14 February 2020, 1600 hours (SGT/GMT +8)**. Nikko AM and IMDA may extend the deadline of the submission at their discretion. Late submissions will not be considered.