

### Active asset managers stand to improve profit margins by 35% through using alternative data

*Quinlan & Associates sees role for alternative data for active managers*

**Hong Kong, 7 September 2017** – Quinlan & Associates, an independent strategy consulting firm specialising in the financial services industry, has released a thought leadership paper looking at the role of alternative data in the asset management industry.

This latest report, titled *Alternative Alpha: Unlocking Hidden Value In The Everyday*, explores the process of using alternative data in investment research and its associated benefits.

The report examines the underperformance of active asset managers and reviews their responses, such as introducing passive products, cost-cutting, and engaging in M&A activities to capture economies of scale. “While we understand the current strategic rationale [...], we believe this race to the bottom sits at odds with what the active asset management industry should be focusing on: alpha-maximisation”, said Benjamin Quinlan, CEO & Managing Partner at Quinlan & Associates and lead author of the report.

Alternative data has been garnering attention from the asset management industry. “In a world where traditional financial information is ubiquitous and where investment analysis remains largely homogenous, we believe alternative data provides a critical avenue by which active managers can look to stay relevant”, said Yvette Kwan, COO & Partner at Quinlan & Associates and co-author of the report. “Alternative data has profound implications for asset managers, both from a revenue and a cost perspective”, added Mr. Quinlan.

Quinlan & Associates systematically considers how to evaluate alternative data in order to extract maximum alpha-value. Its proprietary framework looks at the most appropriate types of data to utilise and the machine learning techniques to analyse the data that are available, amongst other things.

The report argues that alternative data can help active managers mitigate the current challenges in alpha-generation, leading to a potential revenue uplift of 15%. It also suggests that by streamlining the currently manual research process, alternative data can drive cost reductions of up to 15%, resulting in a direct increase in profit margins. “Considering factors such as existing fund performance, AuM trends, and ongoing fee pressures, we believe leading active managers that can effectively leverage alternative data stand to improve their profit margins to 50-55% by 2022, up from an industry average of 40% at present”, said Hugo Cheng, Consultant at Quinlan & Associates and co-author of the report. Through utilising alternative data effectively, every AuM of USD 100 billion can be translated to a profit of USD 400 million, an uplift of USD 100 million when compared to the current profit level. “At a time when alpha capture has become considerably more challenging, it is time for active managers to go in search of alternative alpha”, added Mr. Quinlan.

#### About Quinlan & Associates

Quinlan & Associates is an independent strategy consulting firm specialising in the financial services industry. The Company is the first firm to offer end-to-end strategy consulting services. From strategy formulation to execution, to ongoing reporting and communications, Quinlan & Associates translates cutting-edge advice into commercially executable solutions. With a team of top-tier financial services and strategy consulting professionals, and a global network of alliance partners, Quinlan & Associates provides its clients with the most up-to-date industry insights from around the world, positioning the Company as a leader in this field.

For more information, please visit [www.quinlanandassociates.com](http://www.quinlanandassociates.com).

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