

Adopting technology to win

Volker Stümpfen and Maria Töpfer argue that a blend of artificial and human intelligence is the key to navigating the evolving investment landscape.

Investment practices, like many sectors, are undergoing a technological metamorphosis. From the rise of ESG investing that capitalises on voluminous sustainability data towards algorithm-enhanced strategies among passive and active investors alike, the tides of change are evident. Moreover, with the concentration of capital among tech-savvy asset managers and an impending wealth transfer to a younger, digitally native generation, we are witnessing a rapid evolution, driven in part by big data and artificial intelligence, which is fundamentally altering how investors gather information and make decisions.

This article explores how technology, specifically artificial intelligence (AI), machine learning (ML), including natural language processing (NLP), is not just reshaping but also enhancing the strategies employed by IR professionals to engage with relevant investors.

The evolution of fundamental investment research

Sophisticated research houses and active asset managers hunting for alpha are increasingly leveraging AI, ML, and NLP for efficient and in-depth analyses of conventional data, geospatial information, and alternative (unstructured) data.

Geospatial data, which includes satellite imagery and location-specific data, can enhance the understanding of retail sales patterns and the competitive landscape. Meanwhile, digital information, like app downloads, online sales data, and search trends, provides insights into consumer behaviour and sentiment.

The capabilities of NLP have evolved to yield deeper, more nuanced insights from text-based data, such as earnings call transcripts, company filings, and social media posts. Modern NLP models can dissect tone, context, and the voice of the text, offering an advanced level of analysis. AI can differentiate between the various segments of an earnings call, such as the presentation and the Q&A session, and adjust its attention based on the context.



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A key takeaway for IR professionals is the growing importance of managing the Q&A section during earnings calls.

Additionally, data accuracy is vital, particularly the information provided by data aggregators. IR teams should actively monitor the correctness of this data, given its considerable influence on ML models.

Leveraging data for IR

The proliferation of data analytics and AI is not only revolutionising how investment decisions are made, but also how IR teams engage with investors. Investment history, portfolio composition, engagement history, meeting notes and investor feedback present invaluable insights.

Regulations like Europe's SRD II even afford companies a more in-depth understanding of their investor base through shareholder disclosure requests. Regular application of such requests generates valuable data on shareholder composition movements. Thus, it is paramount for IR professionals to collect, consolidate, and leverage this data effectively.

Enhancing investor engagement strategies

AI and ML technologies can sift through large volumes of structured and unstructured data to identify and analyse



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information that is most relevant for the IR team. ML algorithms can identify patterns and trends in this data that may not be immediately apparent, providing insights that can guide investor engagement strategies.

For investor segmentation data-driven strategies can be highly effective. By grouping investors based on shared characteristics an IR team can create tailored communication and engagement strategies for each segment. AI and ML can automate and enhance this segmentation process by continuously analysing investor data and adjusting the segments as needed.

Conclusion

The blend of artificial and human intelligence is the key to navigating the evolving investment landscape. Leveraging data, ML, and AI can transform the IR programme, streamlining processes, enhancing decision-making, and fostering more meaningful investor relationships.

But while technology provides powerful tools, human interpretation and strategy remain crucial. By combining AI and HI, IR professionals can adapt to the changing investment landscape, ensuring their companies stay competitive and their investor engagements stay relevant in this dynamic era. ■