

Two Centuries Taps Behavioral, ESG Data In Investment Process



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Quantitative asset manager Two Centuries Investments is analyzing data not traditionally found on a company's balance sheet — like brand reputation, customer satisfaction and employee engagement — to make long-term investment decisions, according to the firm's CEO Mikhail Samonov.

Samonov believes these intangible assets can now account for more than 80% of a company's value but are less likely to already be reflected in its stock price, creating a strategic opportunity for asset managers with access to that information.

Over the last few years, he has reviewed over 140 proprietary datasets and selected a small subset that has been collected manually and has historical consistency, depth and predictive ability. "Around 2010-2011, I started asking questions that could not be answered with traditional data," he explained. "What I wanted to know had to deal a lot with a company's intangible assets that are not on the balance sheets."

This approach is typically limited to a smaller set of companies that are typically large and more consumer-focused, which Samonov acknowledges. "One example of such data is Glassdoor data where employees share their comments and rank the company's leadership," he said.

Two Centuries Investments, which was founded last May, is on track to manage north of USD5 million in assets by the end of this September. Throughout his career, Samonov managed over USD5 billion in quantitative equities for PineBridge Investments and over USD1 billion in multi-asset and alternative factor strategies for Forefront Analytics.



Mikhail Samonov

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Samonov sees substantial growing value in alternative data, but admits it reminds him of the "quant gold rush" of the late 1990s. Back then, the quant industry developed as a result of what is today known as traditional data and more widespread access to powerful computers. But many quant funds ended up not delivering value, he said.

"Data and computing power are only tools," he explained. "Investing needs to start with original thinking, great questions, personalized style. Then the tools are very helpful. If the tools come first, then idea quality suffers and a lot of copying takes place which does not deliver value in the end."