

Transformational Technology

The stories of artificial intelligence (AI) and machine learning in financial services are often focused on its ability to create an edge in investment performance. But behind the scenes, in the middle and back-office, these technologies are revolutionising some of the sometimes decades-old processes and enabling teams to do more with less. The future looks bright for client service, but perhaps less so for the infamous spreadsheet.

On the impact of technology in asset management...

The One of the questions that we take very seriously at Ostrum is how a changing world and new technological innovations and changing rules of the game are shaping the future of asset management? By way of an illustration, if we were to look back at the events of spring 2016, who could have predicted that the UK would vote for Brexit? Consider too the US election in 2016 – who firmly believed that Donald Trump would become the next POTUS?

While we don't use the technology at Ostrum, the answer to both of those questions is Quantcube Technology. This is an AI and machine learning system that tracks of 70,000 data-points daily related to economic and political events in a bid to help investors improve their forecasts, whether it's for the true economic growth rate of China or the probability of political elections.

On the Ostrum Labs...

We look to harness new technology not only to help improve investment performance, but also to build more efficient and robust operational business models and deliver better service to our clients. We have developed The Ostrum Labs, which is a means to identify, incubate and test these new technologies and techniques.

We believe that new technologies and techniques will not only help transform client experience but also revolutionise the investment process.

We do not believe that machines will replace humans, we believe that machines will help humans.

On Blockchain...

Blockchain offers a new way to transact in financial services. We believe that Blockchain will ultimately revolutionise the industry and change the way asset managers build relationships with distributors. It will also help asset managers better understand the ultimate consumer of their investment products. In summer 2017, we were the first asset manager to complete a transaction into a mutual fund processed entirely through Blockchain, via our partner, FundsDLT.

On the use of AI...

We use AI to improve the efficiency of our operational processes. As an asset manager with a significant proportion of our assets in fixed income, each day our middle-office have to analyse and price over 4,500 bonds. There can often be significant variation in the available price information and therefore it is often difficult to establish an accurate price for some bonds. Typically around 3% of these bonds, roughly 150 in total, would have to be manually analysed by a team of between 4 and 5 people armed with an unwieldy spreadsheet.

However, since deploying AI, we have been able to reduce the number of bonds that require manual intervention to less than 5. And, thanks to the additional information provided by AI in the form of pricing clusters, we now only require one person to conduct the same analysis, allowing our teams to concentrate on adding value in our endeavours.

Ostrum¹
ASSET MANAGEMENT



Ibrahima Kobar
CIO
Ostrum Asset Management

“ New technology... will not only transform client experience but revolutionise the investment process. ”

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