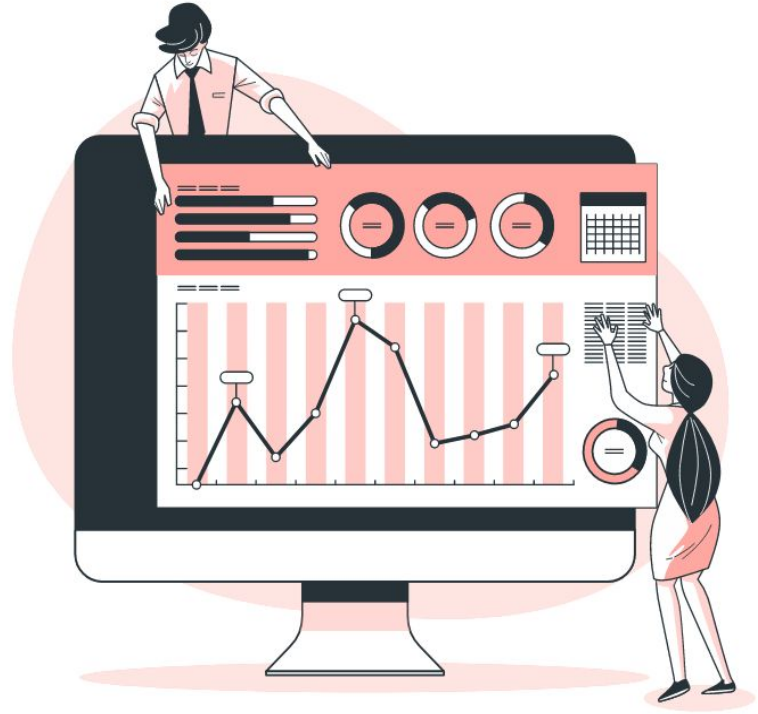


Disrupting Benchmarks

A New Age of Investing

Andro Tikvica
SP DS Capstone



Introduction



Asset Management Consultants.

We are not financial investment advisors, our business is aimed at identifying the best way to position investment portfolios to facilitate smoother fundamental research and more consistent financial modeling.

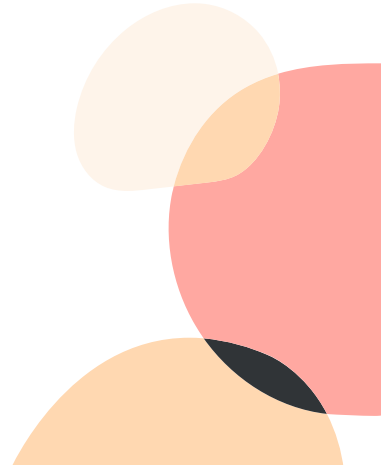
Background

- Benchmarking in Asset Management
- Relative Outperformance
- Examples of stocks that didn't fit within a benchmark:
 - Tesla
 - Airbnb
 - Ferrari
- Why is this important?
 - Missing Out Performers
 - Incorrect Valuation

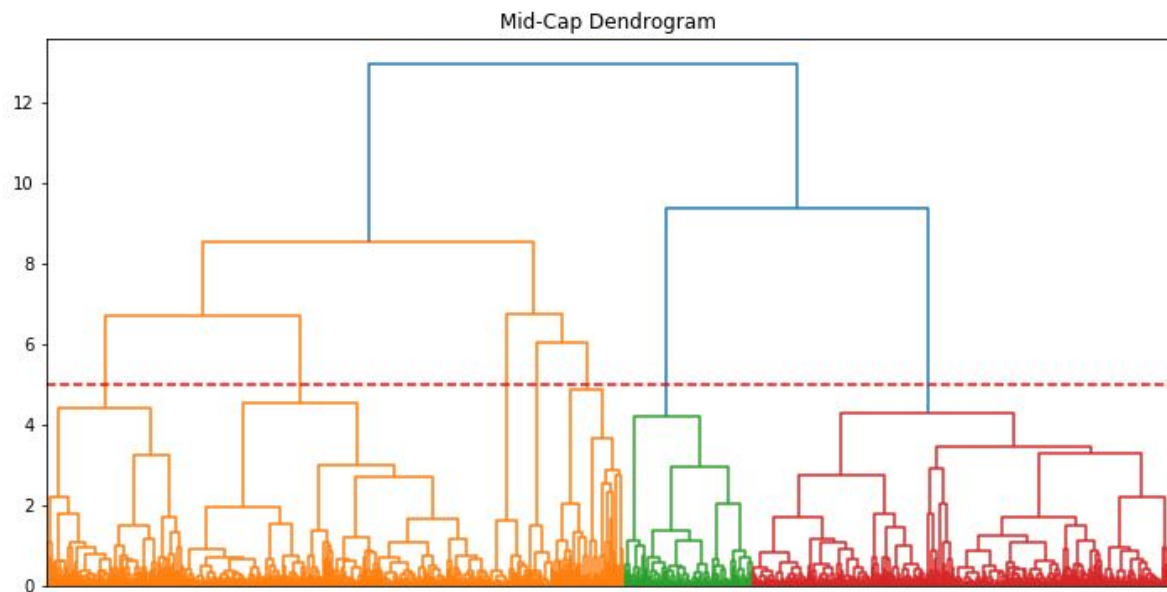
Our Services



1. Creating new Benchmarks
2. Assigning new stocks to Existing Benchmarks



New Benchmarks



Our Toolbox:

Hierarchical Agglomerative Clustering

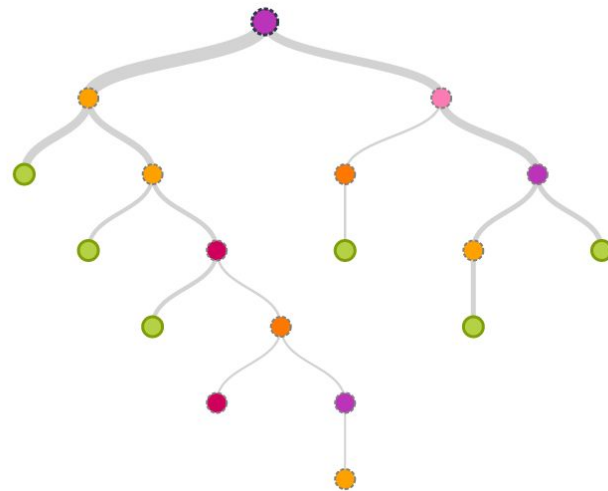
Caveats:

Split by Market Capitalization

Can be tuned to suit your desired benchmark structure

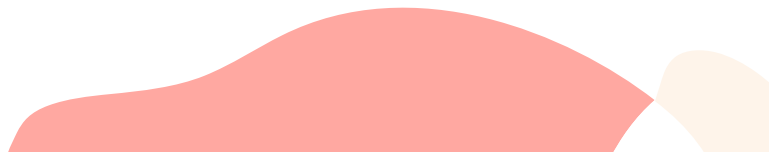
Classifying New Stocks

- How to fit new stocks into existing benchmarks?
- Decision Trees - Flipping the process
- Accuracy:
 - Small-Cap 70.0%
 - Mid-Cap 80.7%
 - Large-Cap 81.5%





The Next Steps

- Calculating seasonality of the stocks
 - Have more inputs from active Asset Managers as to current benchmark positioning
 - Test impact of benchmarking on valuing companies
 - Test model on other stock markets (London Stock Exchange, China, etc.)
- 

Thank You!

Any questions?



CREDITS: This presentation template was created by Slidesgo, including icons by Flaticon, infographics & images by Freepik and illustrations by Storyset

Appendix

Workflow:

1. Clean the data - A lot of it was unusable and massive outliers
2. K-Means Clustering - Wildly inaccurate. Tends to make groups based on distance from center so very unevenly distributed
3. Hierarchical Agglomerative Clustering - Better results, even more so when split by Market-Cap
4. Decision Tree - Once you have labels, create model to assign new stocks to the groups
 - a. Can also be used on different benchmarks