**TIM**
An Acuris company

Smartkarma Insights

Abstract

Smartkarma identifies talented research providers from around the world and aggregates their insights for the investment community. Smartkarma insights cover 42 countries and all 11 GICS sectors, generating returns of 16% annually since inception with a Sharpe ratio of 1.43.

Smartkarma insights are complementary to trade ideas, so consumers of trade ideas will be able to apply the lessons they've learned from 14 years of trade idea history to the similarly structured research insights that Smartkarma makes available.

Overview

- History: Live data from November 2014
- Research providers: 225
- Coverage: 3,343 organizations globally
- Top ten countries covered: Japan, China, South Korea, Australia, India, United States, Singapore, Thailand, Indonesia, Taiwan
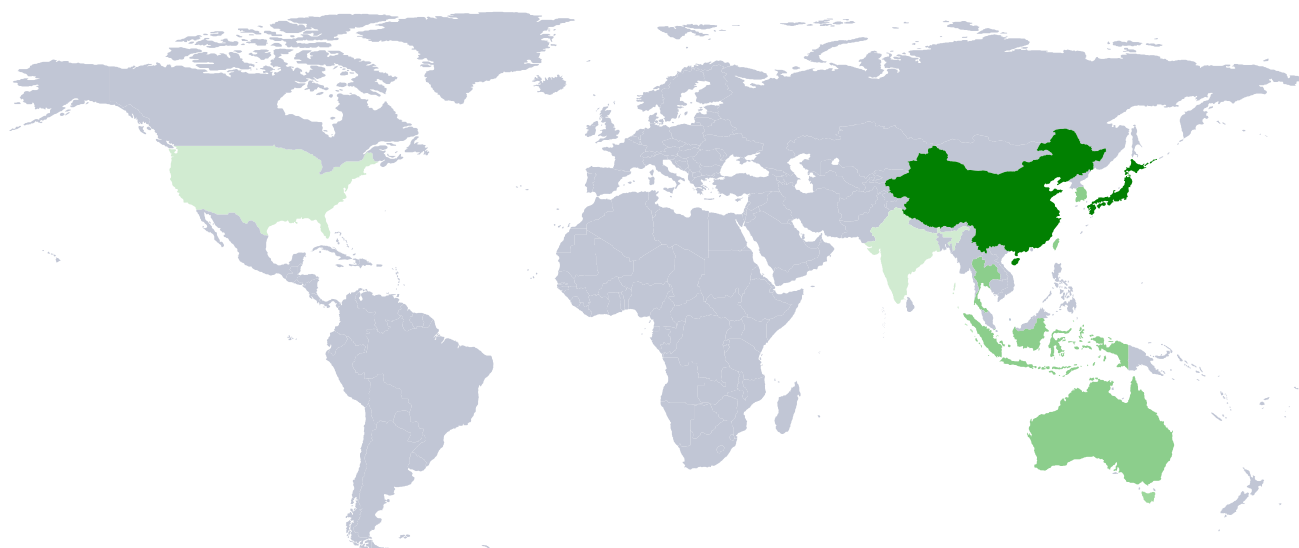
- Percentage of research providers local to the countries they cover: 31%
- Short percentage: 31%
- Market cap distribution:
    - » Large Cap (>5 bn USD) 35%
    - » Mid Cap (1–5 bn USD) 33%
    - » Small Cap (<1 bn USD) 32%

Introduction

Smartkarma is Asia's largest independent network of investment research providers with a growing community of over 200 researchers covering over 2,800 names globally across all 11 GICS sectors.

Participants in Smartkarma's network are seasoned experts from a variety of domains, from established independent research organizations (e.g., Euromonitor, Morningstar), through specialist and boutique firms, to independent research providers and specialist funds.

Smartkarma's experts offer adaptive research, tailored through feedback on the platform to the interests of investors. Smartkarma's platform combines technology and community to provide genuine insight to investment managers.

Strong performance

Smartkarma is based in Singapore, and its insight volumes and strong performance in Asia reflect its roots in the region.

Top ten countries by Insight volume:

- Japan
- China
- South Korea
- Australia
- India

- United States
- Singapore
- Thailand
- Indonesia
- Taiwan

Cumulative returns

Cumulative returns for all non-IPO ideas are 80% since inception with just four down quarters, or 16% annualized since November 2014. (We assess Smartkarma IPO insights separately below.)

Here we show cumulative returns since inception from a simple model that opens a position for each insight and holds for 20 days, rebalancing daily to maintain equal weight:
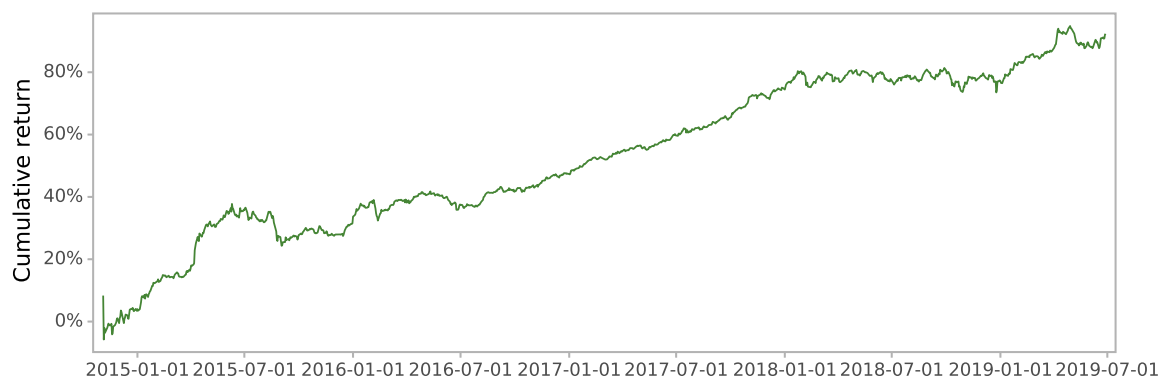

Figure 1: Cumulative returns, 2014– present

Quarterly returns

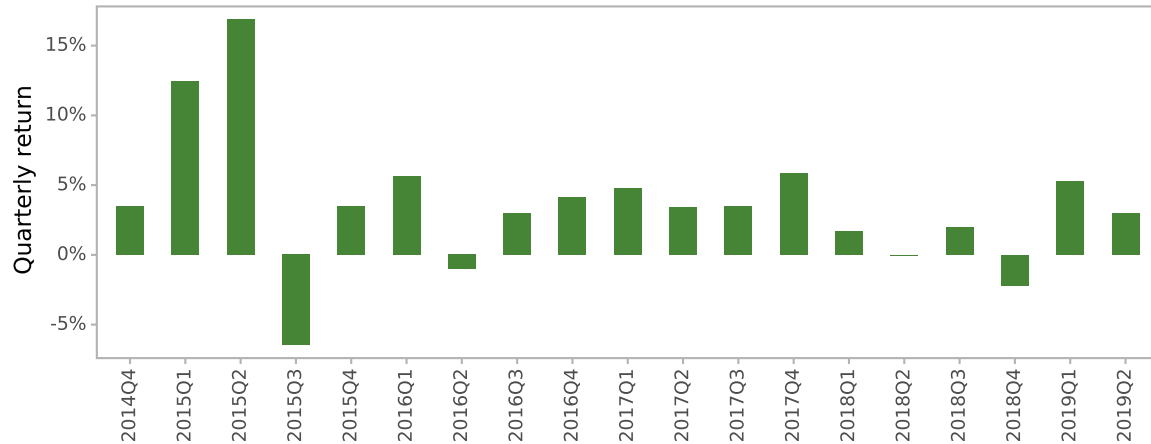Here we show the same since-inception returns as above broken down by quarter:

Event studies

Smartkarma insights average 150 bps return for longs over a 20-day holding period, and 32 bps for shorts ten days out. (As with trade ideas, shorts generate their maximum return more quickly.)

The following event studies show insight performance for regions with substantial historical insight volume (i.e., where insight counts are greater than 100). Both longs and shorts show consistent positive performance both in aggregate (as shown in the chart below), and partitioned by region.
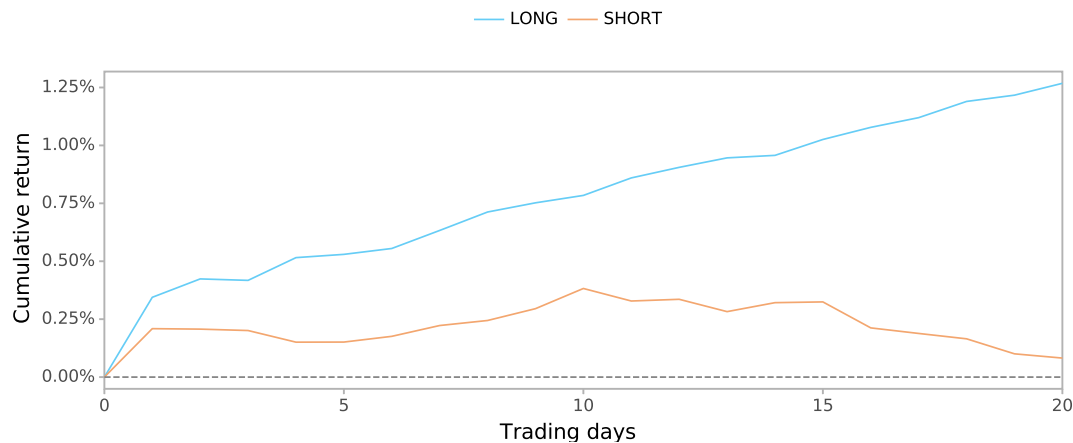
IPO analysis

IPO calls represent 8% of insight volume from 17% of contributors. IPO Insights have different return profiles for longs versus shorts. Longs are 5% of all insights and underperform, returning –1.38% historically. IPO shorts perform better, returning 3.82% on average.
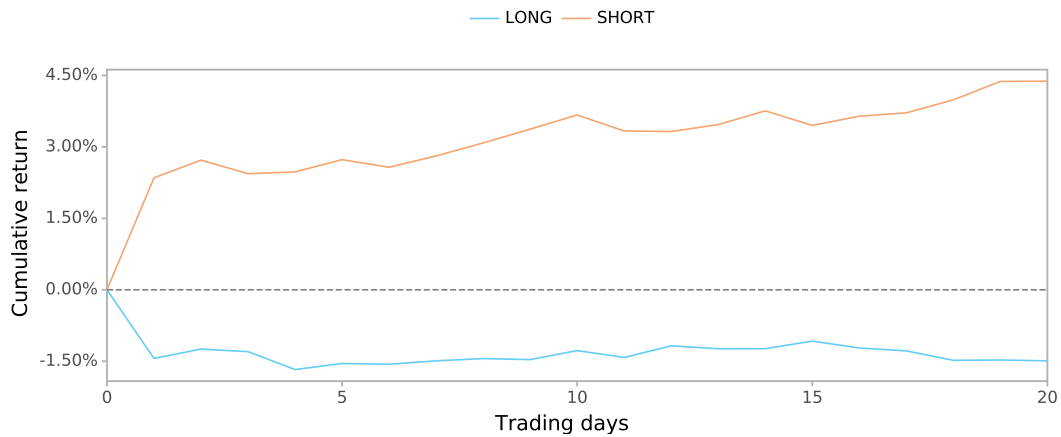

Figure 4: IPO event studies

Strong engagement

Smartkarma contributors average around 30 insights in a typical year. Some extremely prolific contributors contribute much more, showing strong engagement with the platform.
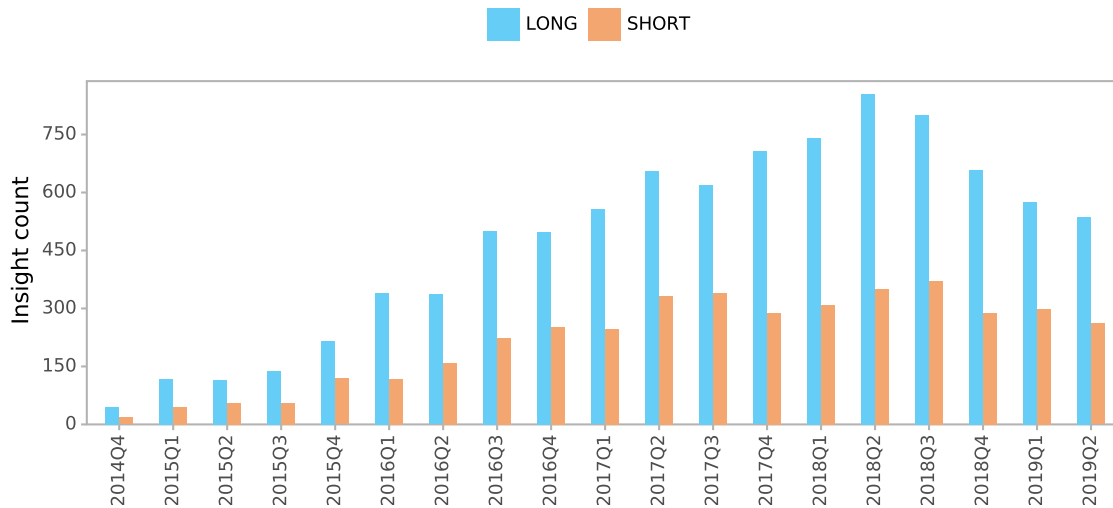

Figure 5: Insight counts per quarter, longs and shorts

Since inception, the number of shorts in the Smartkarma data set has consistently exceeded 30%, similarly to trade ideas, reflecting the independence of Smartkarma researchers.
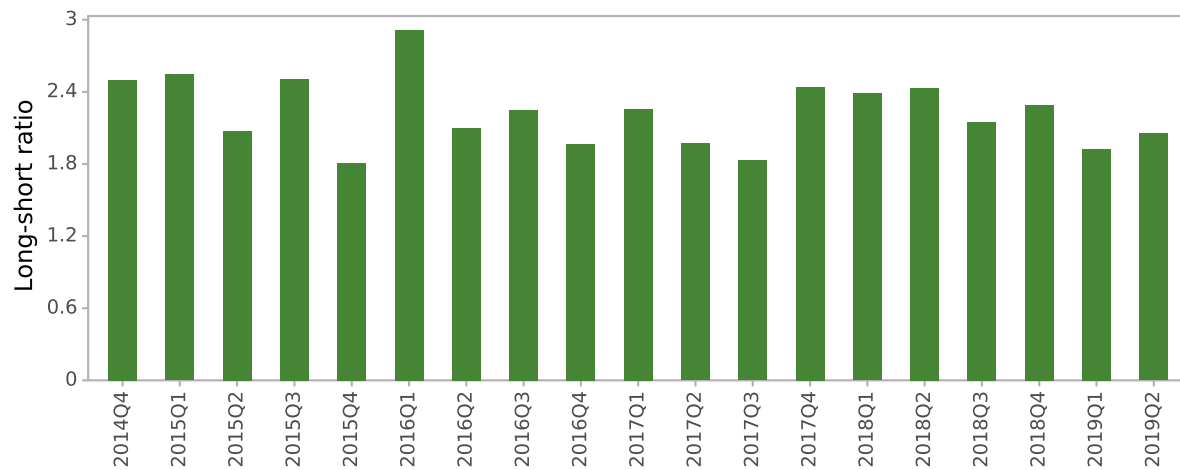
Strong growth

The Smartkarma network is expanding as regulatory requirements change the demand for independent research. Insight volumes have increased from 50 per month in 2015 to over 400 per month today, driven by the expansion of Smartkarma's curated network.
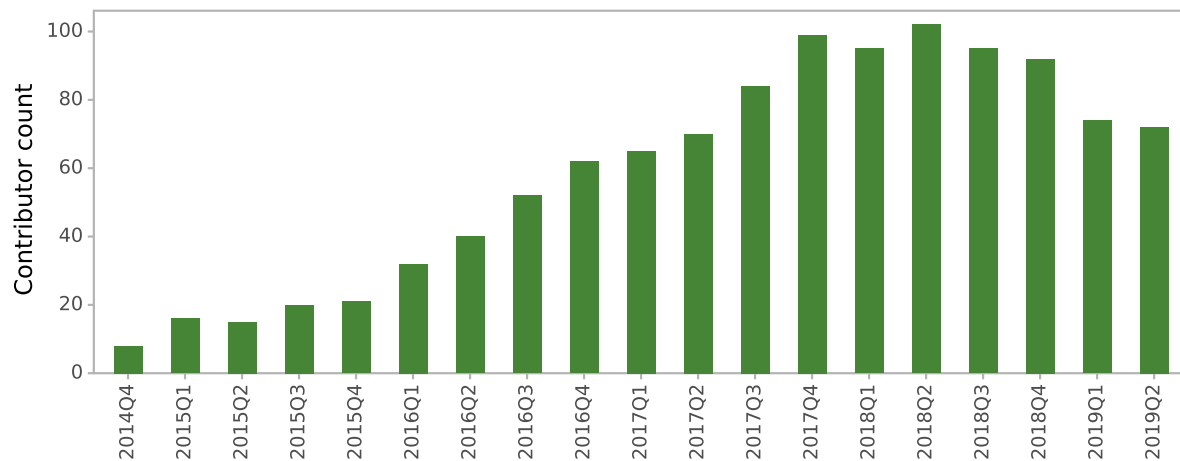
Coverage counts are expanding similarly:
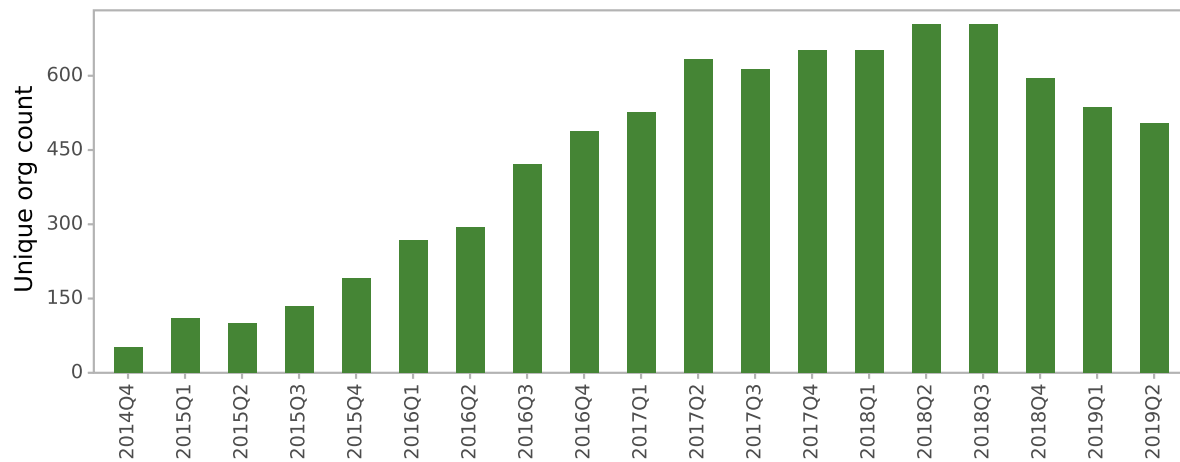
Insight volumes in Europe and North America continue to grow, and other established regions show positive returns on average for both longs and shorts, as shown below:
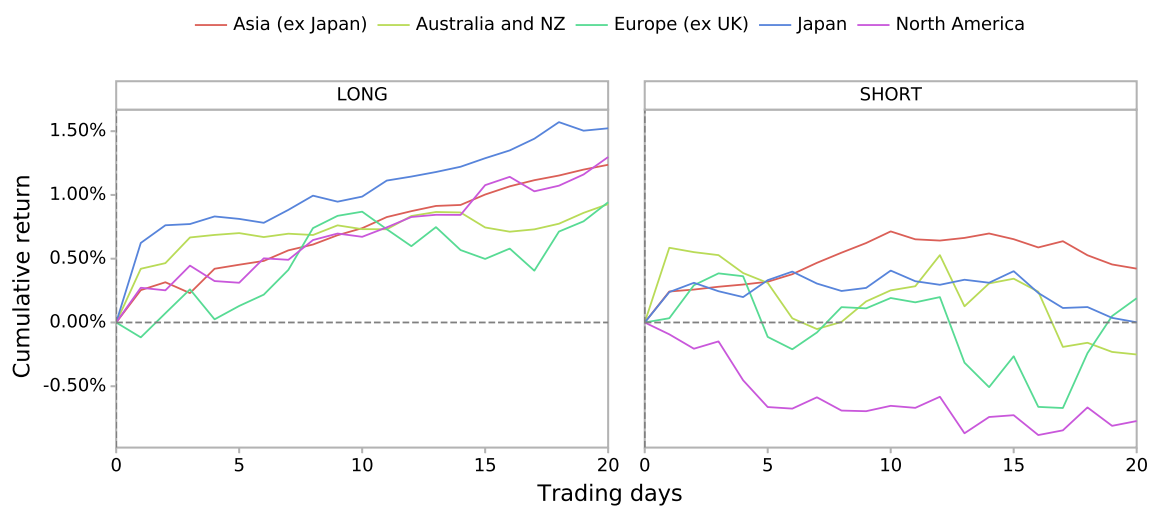
This table gives a quarterly view of Insight, organization, and contributor growth along with returns and Sharpe ratio:

Quarter	Insight Count	Long	Short	L/S Ratio	Org Count	Contributor Count	Cumulative Return	Annualized Sharpe
2014Q4	63	45	18	2.5	51	8	3.44%	0.7
2015Q1	163	117	46	2.5	111	16	12.42%	5.6
2015Q2	169	114	55	2.1	100	15	16.88%	4.8
2015Q3	193	138	55	2.5	134	20	-6.45%	-2.4
2015Q4	334	215	119	1.8	190	21	3.46%	2.5
2016Q1	458	341	117	2.9	268	32	5.60%	2.6
2016Q2	496	336	160	2.1	293	40	-1.01%	-0.7

2016Q3	724	501	223	2.2	422	52	2.96%	2.8
2016Q4	751	498	253	2	487	62	4.13%	4.3
2017Q1	802	556	246	2.3	527	65	4.80%	6.8
2017Q2	989	656	333	2	634	70	3.43%	4.8
2017Q3	959	620	339	1.8	614	84	3.43%	3.8
2017Q4	995	706	289	2.4	651	99	5.94%	6.3
2018Q1	1050	740	310	2.4	651	95	1.81%	1.2
2018Q2	1205	854	351	2.4	704	102	−0.05%	0.0
2018Q3	1172	800	372	2.2	704	95	1.98%	1.6
2018Q4	947	659	288	2.3	595	92	−2.22%	−1.1
2019Q1	874	575	299	1.9	536	74	5.20%	4.7
2019Q2	797	536	261	2.1	503	72	2.99%	1.6

Strong partnership

A great deal of analysis and collaboration underlies research calls on the Smartkarma platform, and participants in TIM's trade ideas network will be able to take advantage of these insights in a form that is familiar to them.

Our API delivers Smartkarma insights as discrete recommendations that represent the sentiment behind each research insight in a similar form to trade ideas: we show stock, contributor, direction, and time horizon along with other supporting details.

TIM has used its proprietary mapping technology to create a point-in-time history to facilitate backtesting, and as shown above, our own testing shows performance in line with (and sometimes exceeding) idea performance across the major regions into which Smartkarma offers insight.

We believe that Smartkarma's offering is close enough to TIM ideas for our expertise to be useful in establishing its value, and orthogonal enough to offer additional value to our clients, both in Asia where Smartkarma originated, and in other regions as its new approach to research proves successful.

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