Alternative Data Services
Insights to help you refine alternative data to create business value

**Lifecycle of Alternative Data—Risk management perspective:** Organizations need to source alternative data and manage its use through key lifecycle activities

<table>
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<th>Sequential lifecycle activities</th>
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<tr>
<td><strong>Initiation of Strategic Change</strong></td>
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<td><strong>Strategy and Vision Setting</strong></td>
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<td>Understand and evaluate how alternative data benefits the investment strategy and investors (e.g., cost-benefit analysis)</td>
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<td><strong>Acquisition</strong></td>
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<td>Identify source of data (i.e., vendor) and perform due diligence of vendor and data sources</td>
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<td><strong>Implement controls</strong></td>
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<td>Establish controls over usage and management (i.e., develop fluid architecture) of data in consideration of current investment models</td>
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<td><strong>Investment decision-making</strong></td>
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<td>Evaluate the usefulness and implementation of alternative data in investment decision-making processes</td>
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<td><strong>Risk assessment</strong></td>
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<tr>
<td>Evaluate risk(s) (e.g., financial, operational, regulatory, reputational, strategic, and technological) associated with incorporating alternative data</td>
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<td><strong>Model incorporation</strong></td>
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<td>Develop methods to incorporate alternative data as inputs to investment models</td>
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<td><strong>Performance monitoring</strong></td>
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<td>Assess the efficacy of output of alternative, data-informed investments and adjust as necessary</td>
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Case for Alternative Data
Alternative data is transforming investment processes across the industry, from hedge fund management to long-only mutual funds to private equity managers. We consider any nontraditional dataset supporting investment decisions to be alternative data (e.g., geospatial information and social media), also referred to as “dark analytics.” The lure of alternative datasets and the potential for a true information advantage can also bring risk. Managing the transformation of the investment process effectively can speed up the process, while simultaneously mitigating the risks such as the utilization of alternative data.

Deloitte’s Alternative Data Services can help you chart a new course around alternative data. With Deloitte you have access to in-depth knowledge of alternative data, along with industry-focused leading practices and award-winning innovations to address risks and improve performance.

**Case Study**
Deloitte has focused its long-standing development and risk management expertise on the advent of alternative data. We recently helped a client mitigate reputational risk and protect its intellectual property as this leading investment manager sought to incorporate alternative data into its investment process. Our experience and insight transformed their approach and virtually eliminated risks that were not previously under consideration.

**Ongoing lifecycle activities**

- **HR**
  - Recruit and manage talent that can handle alternative data
- **Regulation monitoring**
  - Monitor for new developments in the regulatory landscape and determine if alternative data use is compliant
- **Quality assessment**
  - Validate quality and integrity of data from vendor
- **Model risk management**
  - Validate the integrity of investment models that use alternative data and the efficacy of alternative data in providing effective and useful signals
Deloitte Alternative Data Services
We can help you confidently implement alternative data through four tailored service offerings.

1. Cybersecurity practices can be developed to protect your firm as soon as you engage with data vendors to access alternative data.

   Alternative data may carry greater risk than traditional data because of the way it is sourced and processed. Many of the service providers are young firms with entrepreneurial cultures. Deloitte can provide assurances on the confidentiality and security of alternative data, an important step in lowering your exposure.

   Services we offer:
   - Security Risk Assessment
   - Vulnerability Assessment

2. Using alternative data may require new system architectures and advanced analytic engines.

   Over the last few years, many IM firms have started to tap into the potential of alternative data to generate alpha by building big data analytics (BDA) and cognitive capabilities. Our clients have found that these projects run more effectively with help from outside experts. Deloitte has the experience to help you transform your alternative data operating model.

   Services we offer:
   - Operating Model Transformation Services
   - Data Model Transformation Services

3. The ecosystem supplying alternative data is young and entrepreneurial; EERM is called for as these new suppliers come online.

   Service provider organizations that create, gather, and/or distribute alternative data often operate with immature risk and control frameworks. This may present increased third-party risk to firms, who use alternative data providers within its extended enterprise. Deloitte can assist you in enhancing your extended enterprise risk management efforts by tailoring your oversight approach to appropriately identify and manage the risks associated with utilizing such third parties. We can also help optimize performance and assist with monitoring the costs associated with the services.

   Services we offer:
   - Quality Assurance, Due Diligence, and Data Review Services
   - Extended Enterprise Risk Management Program Design and Development
   - Alternative Data Vendor Assessments
   - Alternative Data Risk Assessments and Remediation

4. The regulatory system covering alternative data is developing; Deloitte can help build the right foundation.

   The common definitions of public and private information are transitioning. IM firms must think about regulatory and compliance aspects of alternative data, including controls around material non-public information, exclusivity of the data obtained and others. Deloitte can assist the second and third lines of defense to develop risk mitigation techniques and to test programs across the alternative data lifecycle.

   Services we offer:
   - Regulatory, compliance, and controls' services over alternative data
   - Internal audit co-sourcing/out-sourcing using our alternative data specialists

Please visit our Alternative Data website to learn more:

Let’s talk
Contact us to gain perspective on navigating alternative data to create business value:

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