



ESSENTIA-ANALYTICS.COM



Skill, Technology & Survival of the Fittest

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A photograph of two oryxes in a dusty, arid landscape. The oryxes are facing each other, with their long, spiraling horns locked in combat. They are kicking up a cloud of dust from the ground. The background is a hazy, light-colored sky and ground.

**Active management
is now
Survival of the Fittest.**



**It's still all about human
decision-making.**

**Today, artificial intelligence is solving
small world problems.**

**Investment decision-making
is a large world problem.**

Focus on skill, not performance.

$$O = L + S$$

Outcome = Luck + Skill
(Performance)

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Outcome = Luck + Skill
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$$S = CD + UD$$

Skill = Conscious Decisions + Unconscious Decisions

↑ ↑ ↑
Process. Discipline. Self-Awareness.

Focus on skill, not performance.

$$O = L + S$$

Outcome = Luck + Skill
(Performance)

$$S = CD + UD$$

Skill = Conscious Decisions + Unconscious Decisions

In the long term, the investor with the most skill wins.

A black and white photograph of a large flock of sheep. The sheep are densely packed, filling the entire frame. They are looking in various directions, some towards the camera and others away. The text "We're hardwired to herd and react." is overlaid in the center of the image.

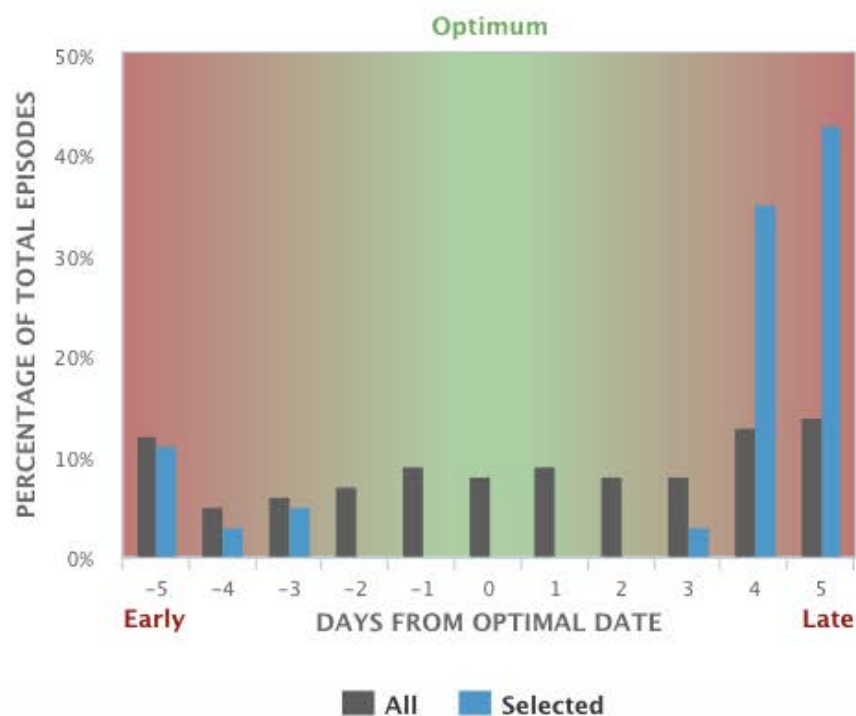
We're hardwired to herd and react.

The World's Best Traders Do It

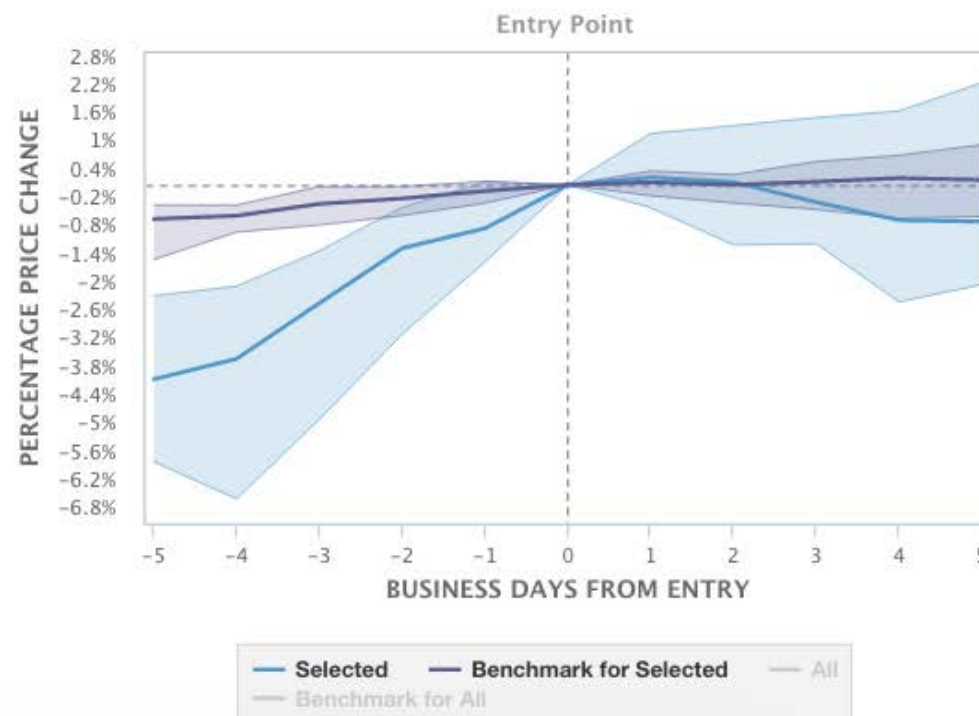


\$700M L/S EQUITY MANAGER

Entry Performance Summary



Average Entry Pattern



A person wearing light-colored trousers is walking a tightrope. The tightrope is a thin red line that stretches across the frame. The person's feet are visible, and they are balancing on the line. The background is a blurred cityscape with mountains in the distance under a cloudy sky.

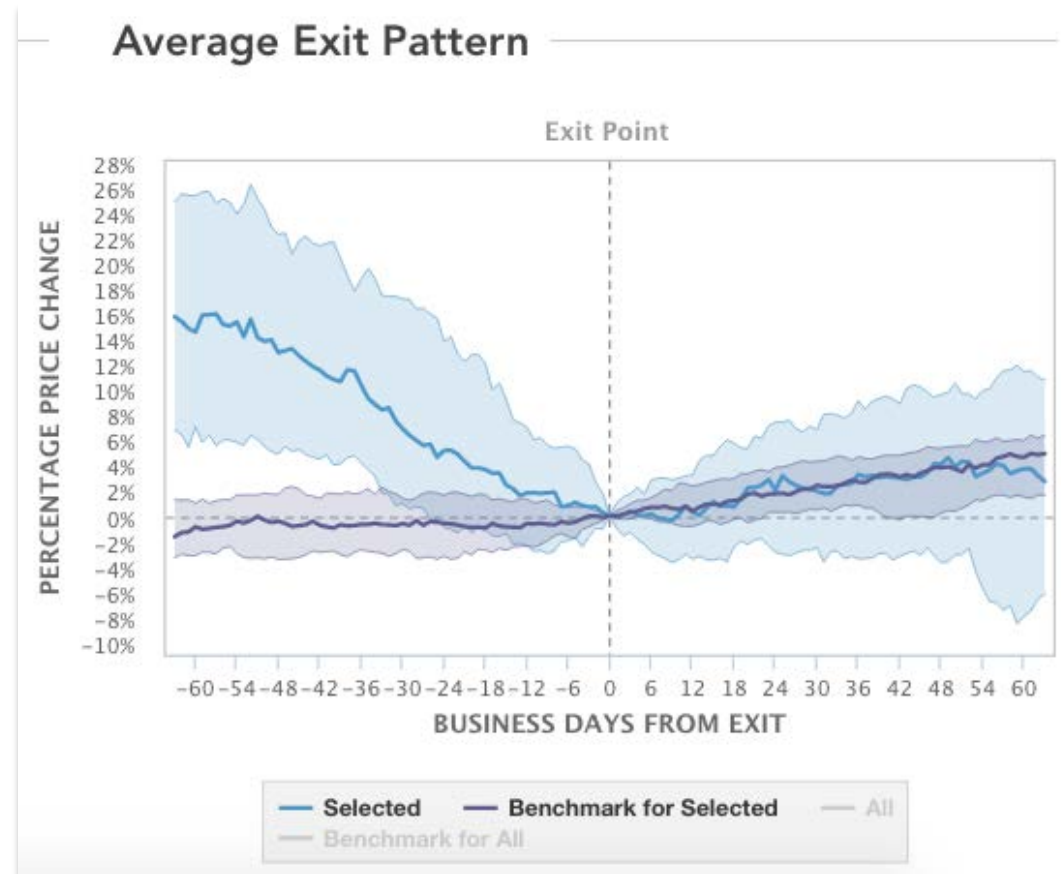
We're hardwired to avoid loss.



The Vast Majority of Investors Do It



\$12bn GLOBAL EQUITY MANAGER

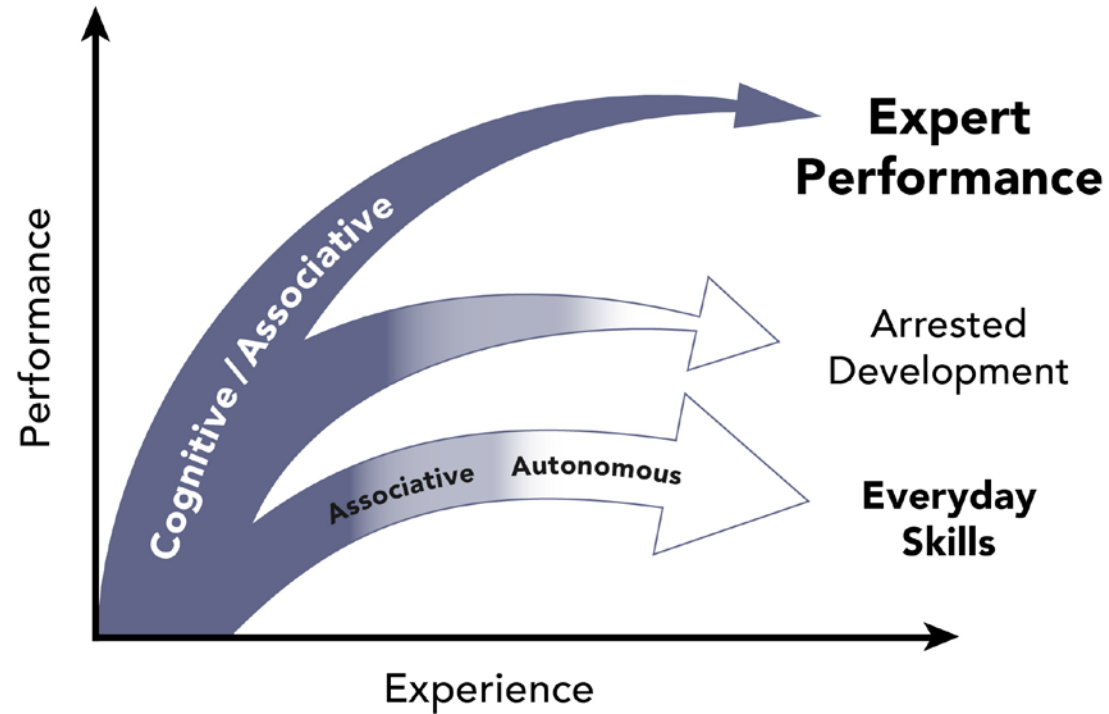




Spot the Difference

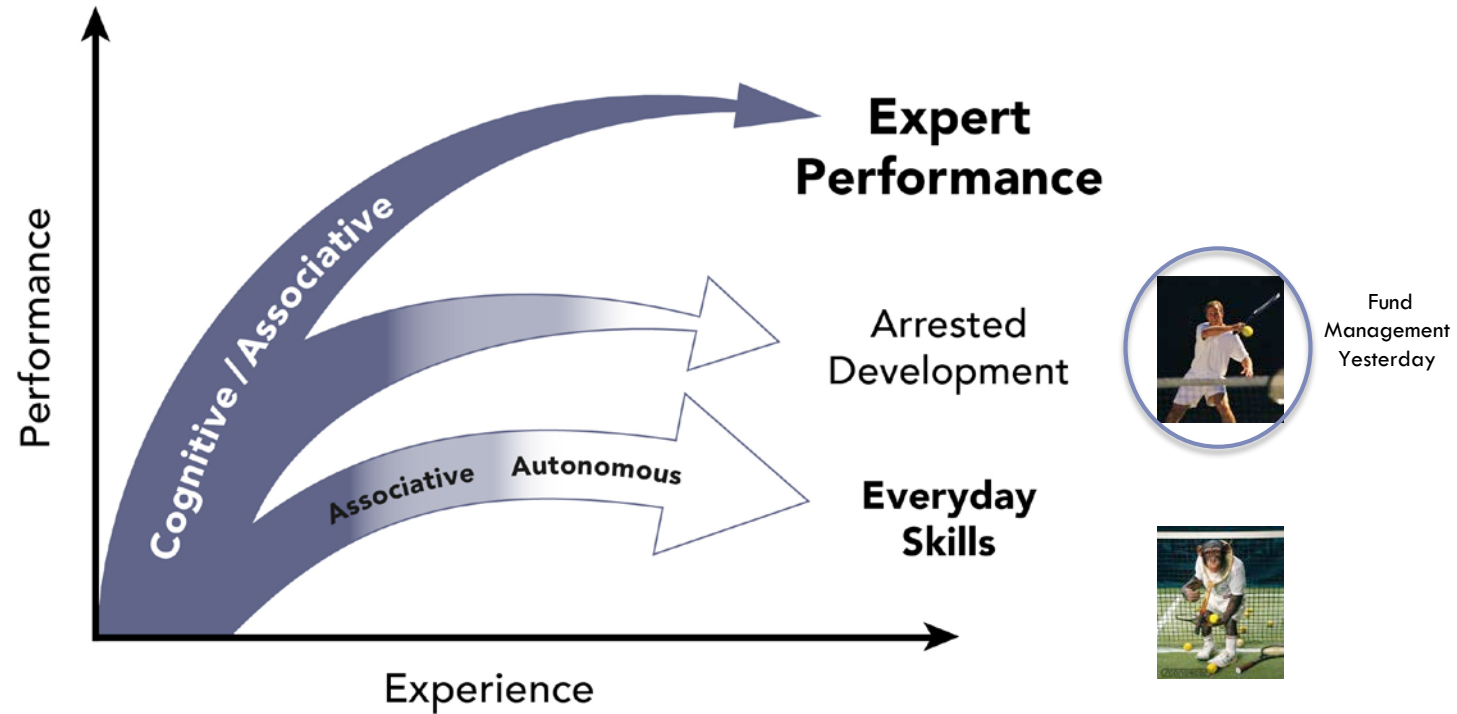


Purposeful Practice



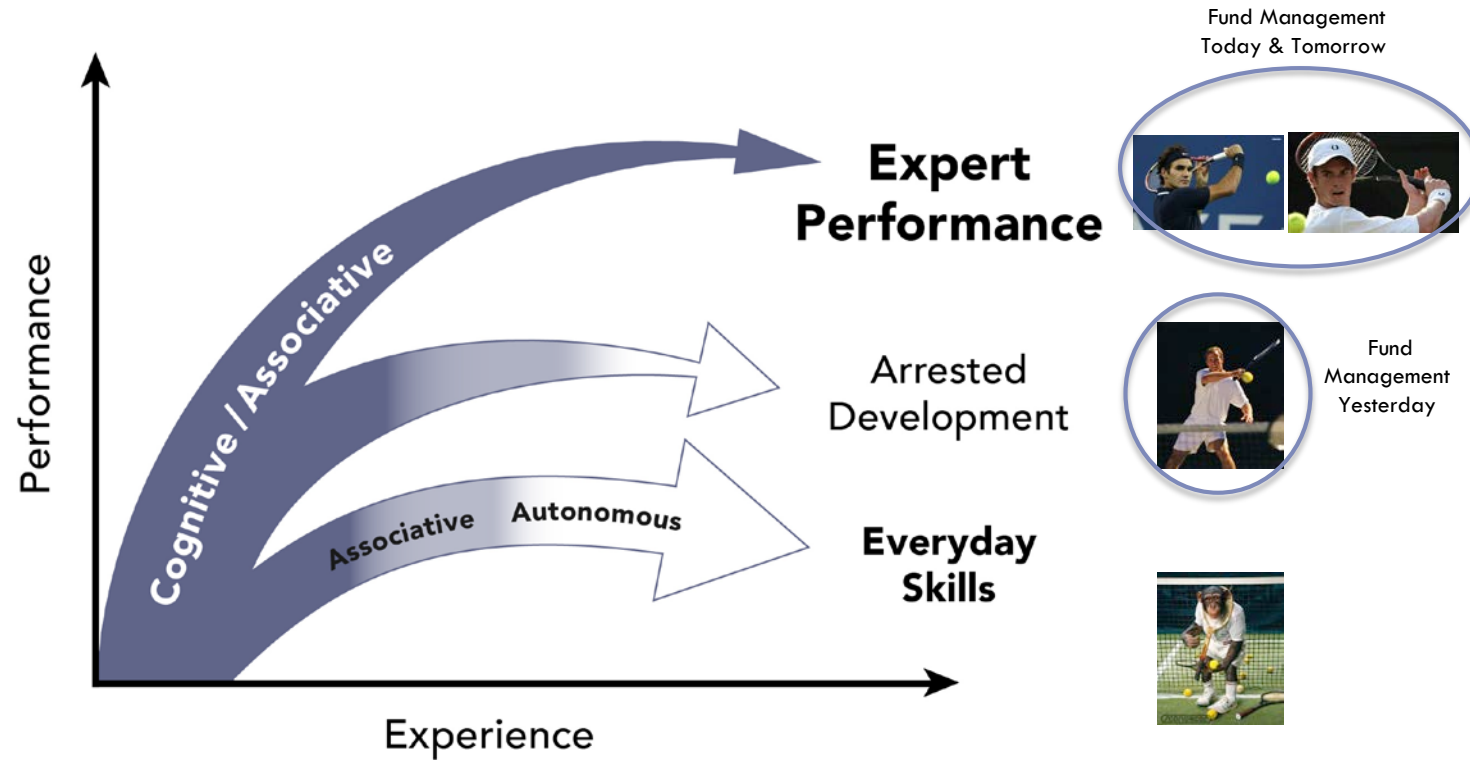
Source: Ericsson, K. A. (2009). Discovering deliberate practice activities that overcome plateaus and limits on improvement of performance. International Symposium on Performance Science, p.12.

Purposeful Practice



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Purposeful Practice



Source: Ericsson, K. A. (2009). Discovering deliberate practice activities that overcome plateaus and limits on improvement of performance. International Symposium on Performance Science, p.12.



Excellence Is Achieved By Maximizing Skill

Skill = Conscious
Decisions + Unconscious
Decisions



Process.



Discipline.



Self-Awareness.



Are You Already Using a Data-Driven Feedback Loop?

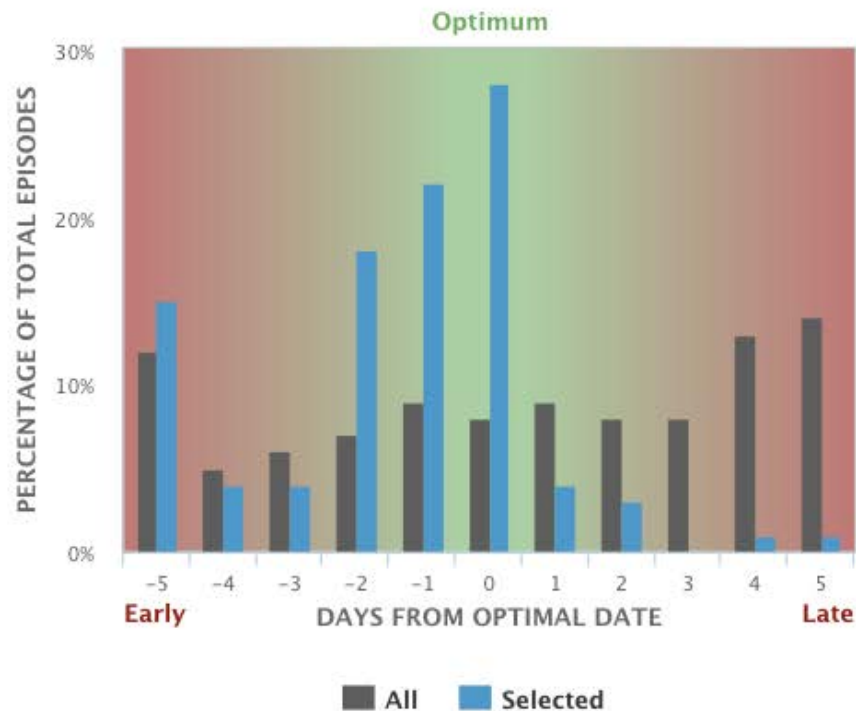


Play to Your Strengths

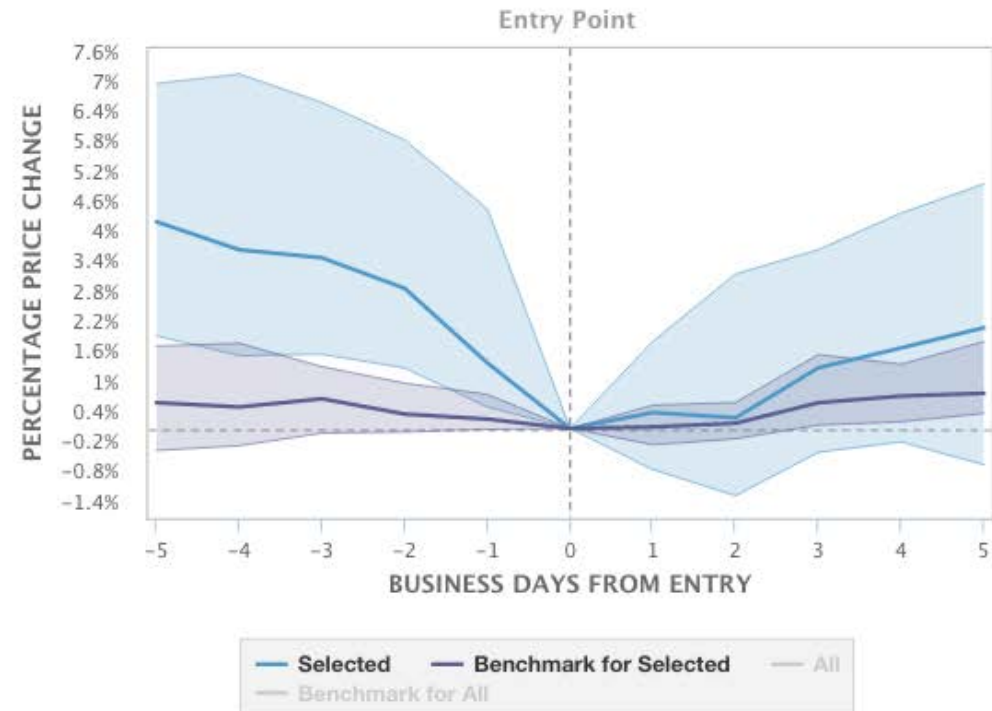


\$700M L/S EQUITY MANAGER

Entry Performance Summary



Average Entry Pattern

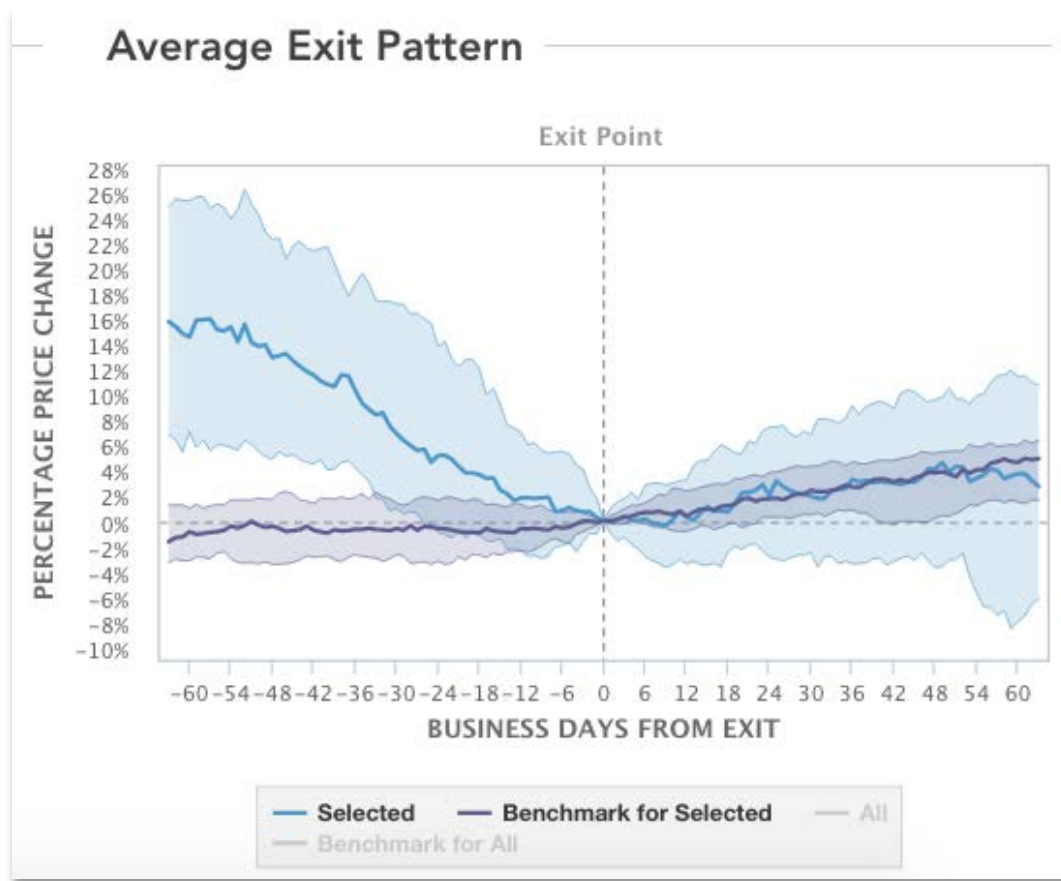




Minimize Your Weaknesses



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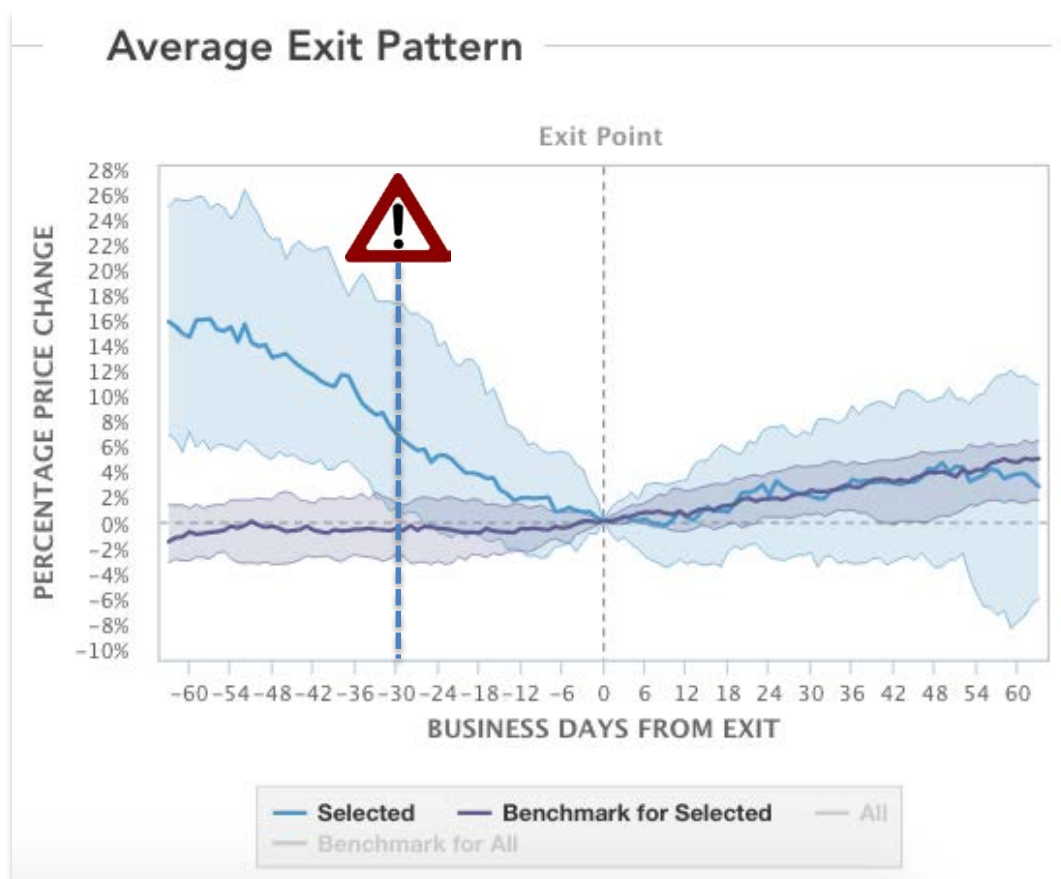




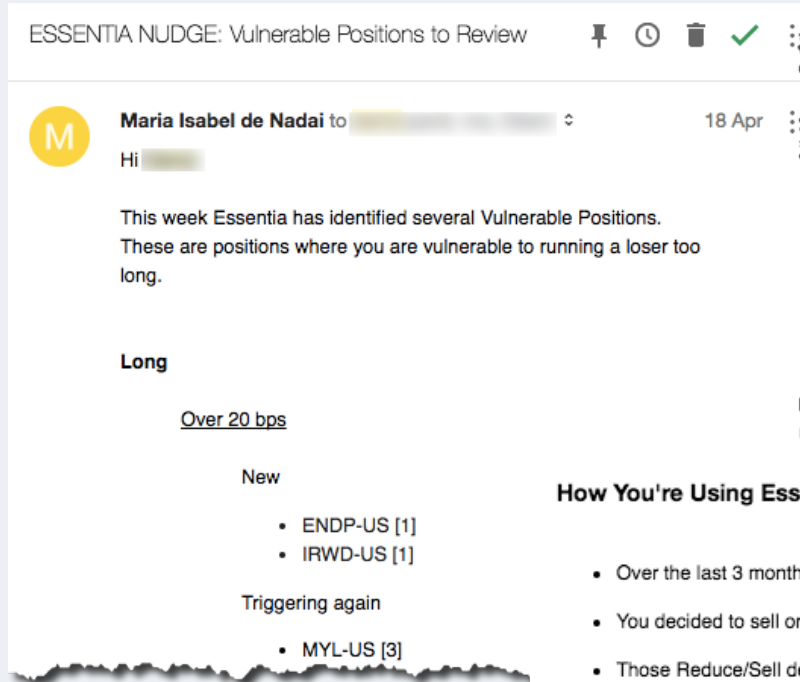
Minimize Your Weaknesses



\$12bn GLOBAL EQUITY MANAGER



One Small Nudge...



Who it's for: PMs who are exiting losers late

What it does: Improves exit discipline;

Mitigates loss aversion

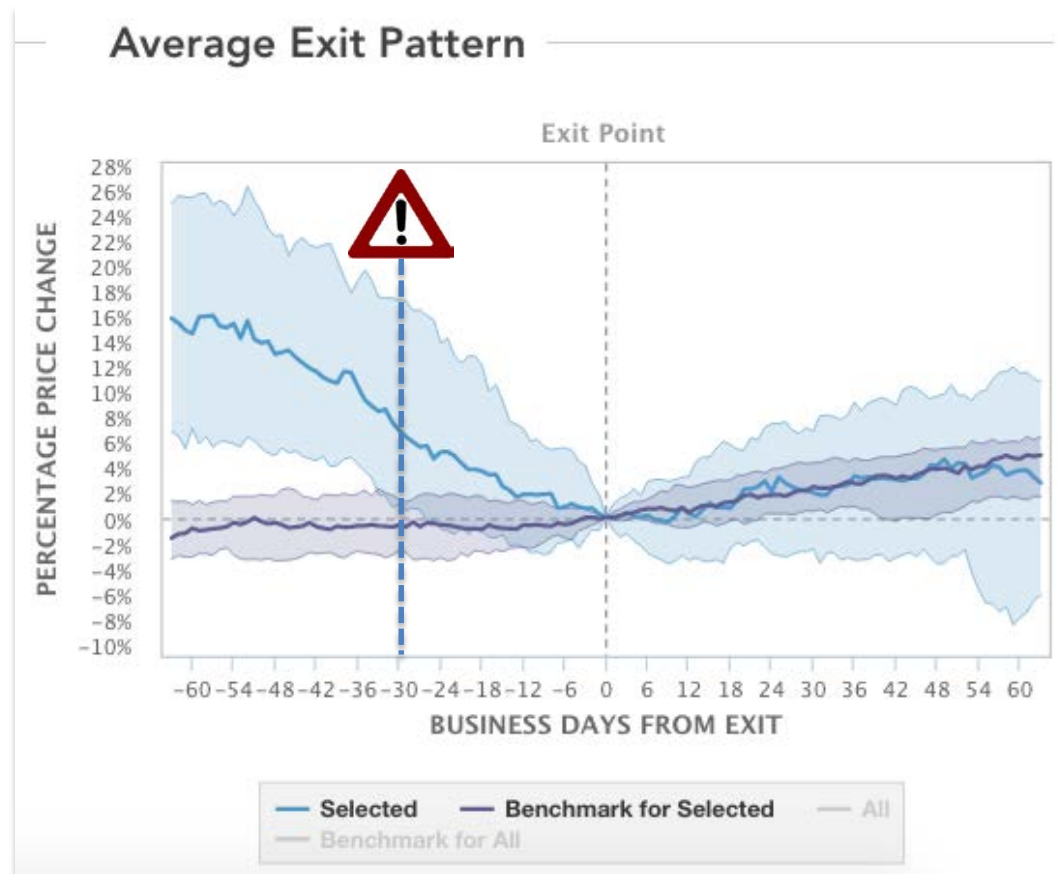
How You're Using Essentia to Add Alpha

- Over the last 3 months, 13 names appeared on your VPL Nudge
- You decided to sell or reduce 8 of those, on the back of it - a Hit Rate of 75%
- Those Reduce/Sell decisions added **ROI of 9.8% per episode**, on average, or **1.3% on a portfolio level (\$9.1m)**
- You decided to do nothing or add to 5 of the names that appeared
- All 5 of those decisions added value - a Hit Rate of 100%
- Those Hold/Add decisions added **ROI of 8% per episode**, on average, or **1.1% on a portfolio level (\$7.3m)**

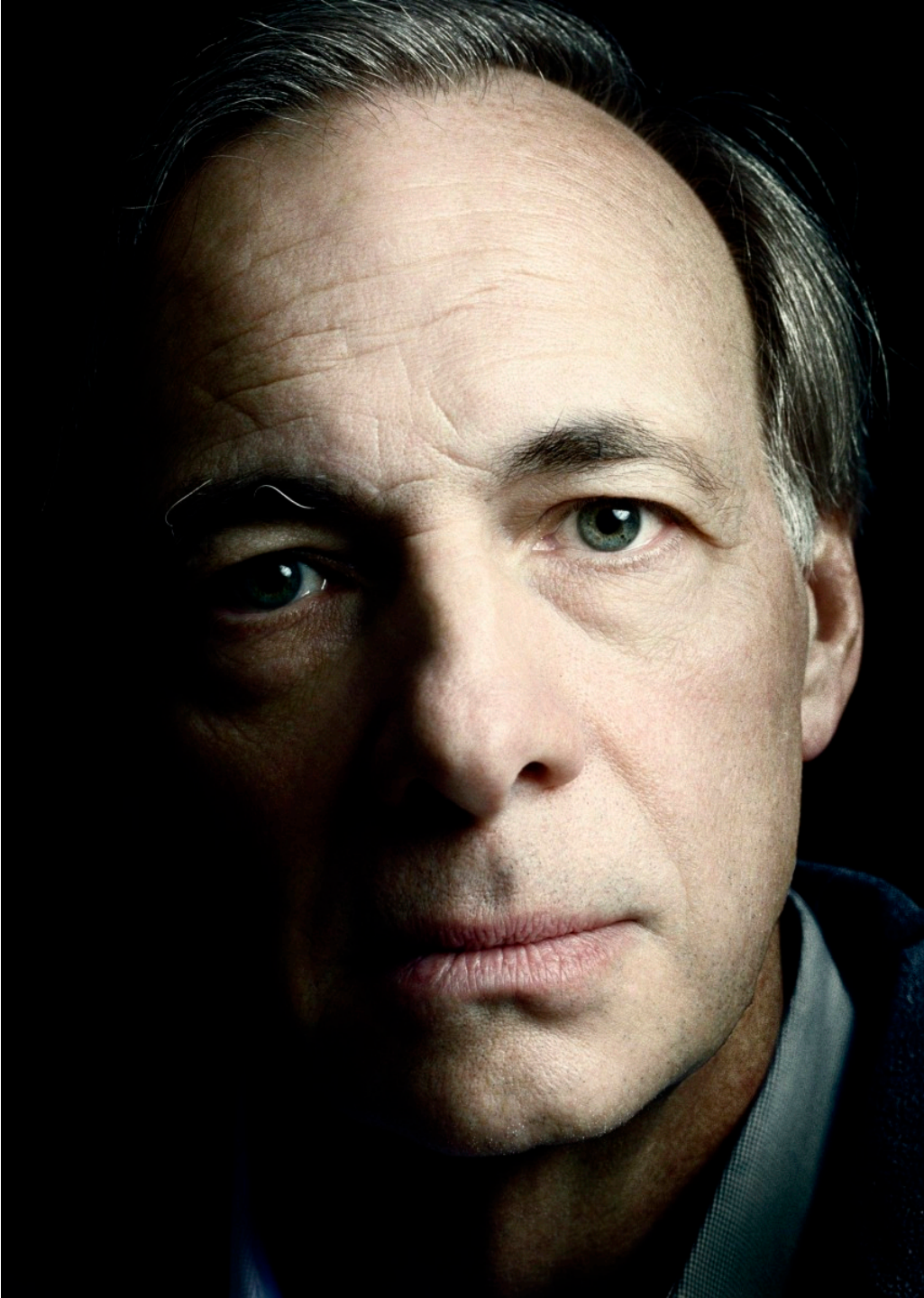
... Can Make a Significant Difference to Alpha



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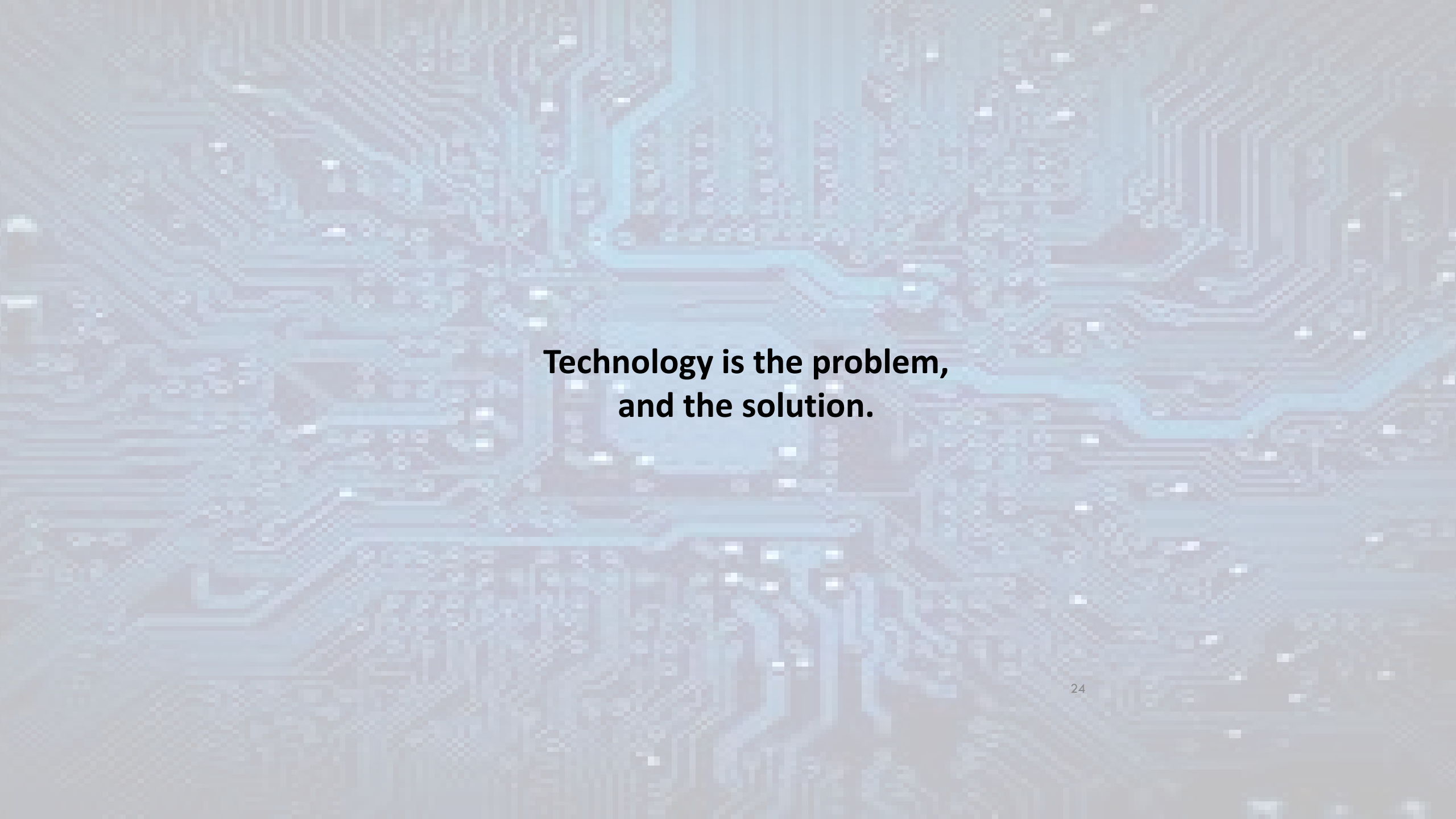


Exiting
1 month earlier =
+0.14% p.a.



“I believe that the biggest problem that humanity faces is an ego sensitivity to finding out whether one is right or wrong and identifying what one’s strengths and weaknesses are.”

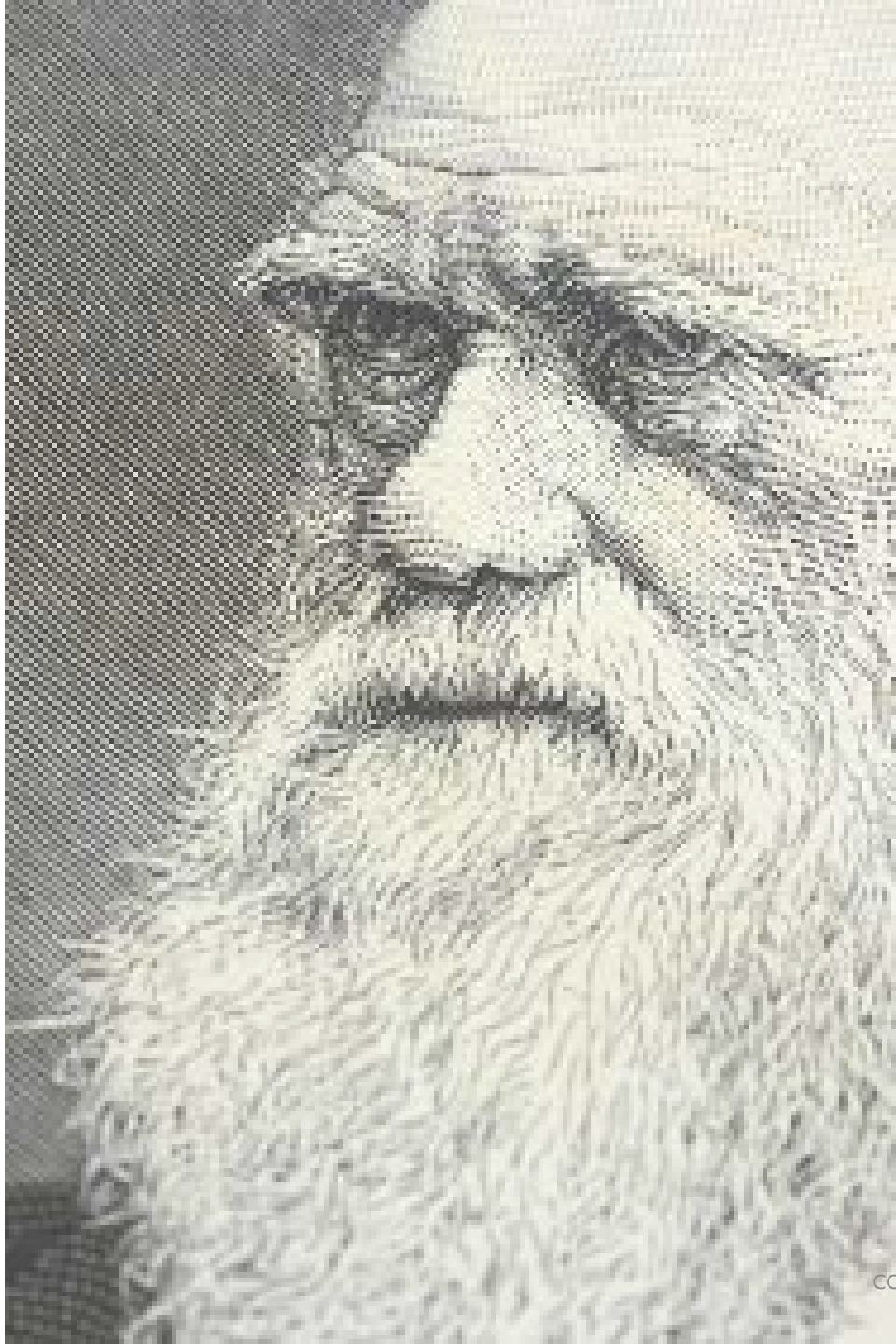
Ray Dalio

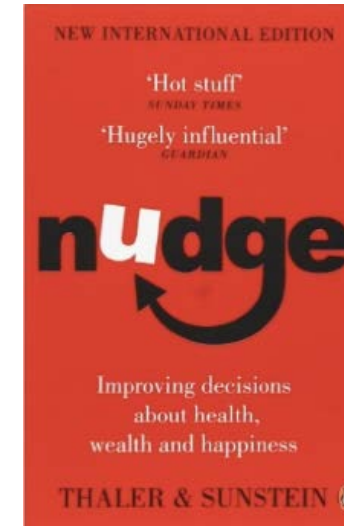
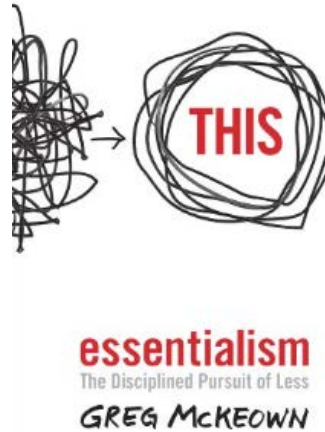
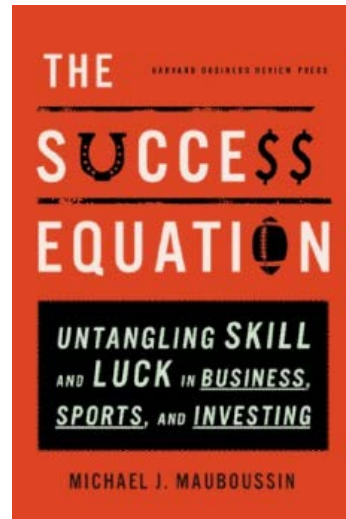
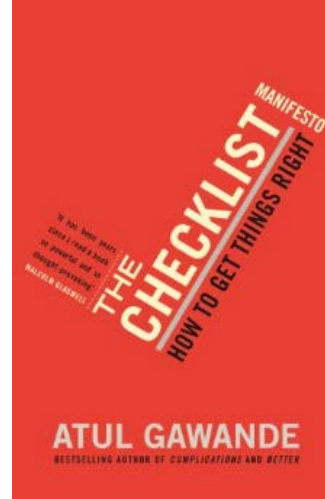
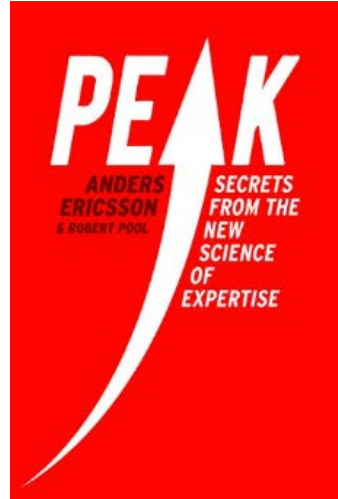


**Technology is the problem,
and the solution.**

“It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to *change*.”

Charles Darwin







Get in touch:

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