

Leading the Industry Debate on Investment Skill

Research Drives Everything We Do

Our **Inalytics Research Database of over 1,000 institutional portfolios** serves as the primary data source for numerous studies and white papers, both by Inalytics and academic partners, e.g. [Selling Fast and Buying Slow¹](#) and [Alpha Decay²](#), and these continue to inform and advance the understanding of investment skill within the asset management industry.

1. AKEPANIDTAWORN, K., DI MASCIO, R., IMAS, A. and SCHMIDT, L.D.W. (2023), *Selling Fast and Buying Slow: Heuristics and Trading Performance of Institutional Investors*. *J Finance*, 78: 3055-3098.

2. Di Mascio, Rick and Lines, Anton and Naik, Narayan Y., *Alpha Decay and Institutional Trading* (November 21, 2017). Available at SSRN: <https://ssrn.com/abstract=2580551> or <http://dx.doi.org/10.2139/ssrn.2580551>

15 - Behavioural Finance

Please contact us for access to this paper

Summer 2024

Breathing Life into the Arcane World of Behavioural Finance

In this study we test the academic literature by challenging some well-known biases against our Inalytics Research Database to see if they actually exist in practice and their impact on portfolio returns, with some interesting outcomes.

14 - What Does Investment Skill Look Like?

Click here for access to this paper

Spring 2022

Skill: gone the way of the dodo?

Investment skill is the *raison d'être* of the asset management industry: managers sell it and clients pay for it. In spite of this, empirical evidence of its existence, and what it looks like in practice, is sparse. In fact, there is a mountain of words, papers and opinions arguing that it's as likely to be spotted as the extinct dodo.

In this paper we show that investment skill exists and what it looks like.

12 - Research: The Foundation for Alpha

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Summer 2020

Investment skill and the research process

The research process is the first building block in the investment process and a key metric of investment skill; it is where ideas are generated and fight for a position in the portfolio. The importance of research is undoubted. However, what is the relationship between successful decision making in the research process and the ultimate goal of alpha generation?

11 - Selling over Earnings Announcements

[Click here for access to this paper](#)

Summer 2020

10 - Track records luck or skill?

[Click here for access to this paper](#)

Spring 2020

9 - Does it pay to own companies that do the right thing? (updated)

[Click here for access to this paper](#)

Spring 2016

8 - Does it pay to own companies that do the right thing?

[Click here for access to this paper](#)

Summer 2013

Investment skill in selling decisions

In this research paper, we explore whether selling made after earnings announcements is better than average using both a traditional analytical framework and the Inalytics Research Database.

Separating luck from skill

The saying “Give me lucky generals” has often been attributed to Napoleon.

In fact, Napoleon was almost certainly misquoted. It is more likely he was quoting Cardinal Mazarin, who noted that one must not ask of a general; “is he skilful?”, but rather “is he lucky?”

Clearly the consequences of relying on luck in investment are not as significant as in war, but nevertheless, they can be costly.

The value of good governance

Does the relationship between a company’s market capitalisation, its corporate governance and its share price return stand the test of time?

This research paper examines the potential performance benefits for investors when considering good corporate governance, and how this is affected by company size.

Does strong corporate governance lead to outperformance?

Does it pay to own companies that do the right thing? Or is it as St. Augustine famously said, “Lord, make me pure, but not yet”.

This research paper addresses the question by analysing whether the share prices of companies with good governance outperform the market and, by extension, if poor governance is associated with underperforming share prices.

7 - Skill + Risk = Winner

[Click here for access to this paper](#)

Spring 2013

6 - Evidence of Skill - UK Local Authorities

[Click here for access to this paper](#)

Summer 2012

5 - Running Winners

[Click here for access to this paper](#)

Spring 2012

4 - Separating Luck from Skill

[Click here for access to this paper](#)

Spring 2011

3 - Track Records - Luck or Judgement?

[Click here for access to this paper](#)

Winter 2008

Client inspired research

This paper addresses a question posed by an Inalytics' client; Nick Greenwood, Pension Fund Manager of The Royal County of Berkshire Pension Fund, who asked:

“Do highly concentrated portfolios perform better than more diversified ones?”

Identifying investment skill

Focusing on decisions and not track records, our research analyses the distribution of Hit Rate and Win/Loss Ratios and investigates these measures as a quantifiable indicator of investment skill. This paper focuses on a cross section of the portfolio managers used by UK Local Authorities.

The power of letting winners run

This research paper demonstrates that investment skill exists, introduces a way to identify it and shows that there is almost 500 bps pa difference between the performance of portfolio managers who have skill, and those who do not. This means that asset owners and asset managers can objectively measure investment skill over the long term.

Do superior track records equate to investment skill?

In this study we provide evidence that even fund managers with no skill in stock picking have still been able to outperform the standard Australian equity benchmark.

Seeking to understand investment behaviour, we examine whether superior track records equate to investment skill to understand what makes a skilful portfolio manager.

Track records are poor guides for the future

Does investment skill exist and, if so, how valuable are track records in measuring it? These are perennial questions in the investment industry where, in reality, a track record of outperformance can be the result of sustained investment skill, or the result of blind luck.

We strongly believe that looking beyond track records and working to understand the investment behaviour that drive track records can offer far more insight.

2 - Are Fund Managers Poor Sellers?

Click here for access to this paper

Spring 2007

Running winning positions and cutting losing positions

One of the key characteristics in successful fund management is the ability to understand and play by the rules of probability, by running winning positions and cutting losing positions.

This sounds simple, though psychological and behavioural hurdles faced by investors have made this more challenging to do in practice than in theory. Behavioural finance has observed phenomena that present barriers to investor decision making. In this case, we look at investment managers' propensity to sell poorly.

1 - Identifying Investment Skill

Click here for access to this paper

Summer 2005

Does investment skill exist? Defining and measuring investment skill

Our first research paper illustrates how quantifiable skill can be identified in the investment process and confirms how behavioural biases impact performance. The paper addresses:

1. Do investment decisions generate alpha?
2. Is weighting different stocks in the portfolio an efficient process so that the larger positions generate greater alpha?

The importance of the alpha generating decisions is self-evident. However the second question is crucial as it isn't sufficient for portfolio managers to be able to generate good ideas and identify winning positions; they need to be sized correctly with conviction.

Research Ideas?

We are always interested to work on new ideas, leveraging our research database to test out concepts.

Please feel free to contact us to discuss ideas.

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