BrandLoyalties.com Special Commentary

04/25/2018: Three Simple Ways To Monetize "Big Data"

(Web page version is here)

Incorporating alternative data into the investment process can be a challenging task. Web based "Big Data" is no exception. If the web's 20 zettabytes (a 20 followed by 21 zeros) of data isn't daunting enough, the abundance of fake news and GDPR concerns might cause your compliance department second thoughts.

BrandLoyalties, Inc. has been dealing with all of these issues for years -- providing cost effective and compliance friendly metrics to institutional investors since 2012. They measure the daily "web luminosity" of the brand names owned by nearly 2,000 publicly traded US corporations and provide metrics that track the dynamics of consumer "brand loyalty" over time. And they offer three straight-forward ways to monetize their daily metrics:

1) BrandLoyalties' top-ranked equities have a consistent track record of outperforming their peers. A simple long-only and moderate turnover strategy of quantitatively investing in the top 20% of their ranked equities from January 2008 through March 2018 would have provided excess returns of 6.92% relative to the Russell 3000□ (download a fact sheet here).

2) Brandloyalties' year-over-year metrics provide discretionary managers with guidance on whether quarterly corporate revenues may surprise, often weeks ahead of corporate announcements.

3) Brandloyalties, Inc. self-publishes a number of consumer-driven Smart Beta Indices on its website (BrandLoyalties.com), several of which have notable excess performance over their history (2008 to present).

If you would like to learn more about BrandLoyalties ' daily "Big Data" metrics, please contact:

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Additional Information on BrandLoyalties.com

The quantitative BrandLoyalties.com rankings have been published daily to institutional clients since 2012 and are available for dates as far back as 2006 at no cost for back-testing. While the rankings are proprietary, they are derived systematically by using compliance-friendly, totally anonymous and lexicographic based "Big Data" analysis, which gauges online consumer interest relative to both prior periods and to their peers.

If you would you like to know more about BrandLoyalties.com or how the marketing strategies of your favorite consumer-oriented equity are playing out in "real time", please download our highly informative "White Paper", watch a 20 minute "Big Data" video, or read our article in the Summer 2015 "Smart Beta" issue of the Journal of Index Investing .

How Does BrandLoyalties.com Track and Rank "Brand Loyalties"?

Savvy investors have always been interested in gauging consumer loyalties. Traditionally, consumer surveys, focus groups and even retail traffic counters have been deployed to understand whether certain stores, brands and products may be gaining or losing market share. Perhaps most famously, Peter Lynch became an investing legend while managing Fidelity's Magellan fund, by maintaining an awareness of consumer preferences. Today, BrandLoyalties synthesizes over one hundred million online consumer citations every day to offer investors "Big Data" metrics for over 1,800 U.S. listed equities (plus another roughly 500 Asian and 200 European equities). These leading indicators are derived systematically from online consumer activity and may provide independent guidance and trend information ahead of quarterly earnings reports.

In the largest and timeliest "focus group" ever assembled, each and every day hundreds of millions of people disclose exactly what products they like and which they avoid. They do so mostly unconsciously, by leaving behind on-line digital clues that define their preferences as consumers. The challenge is extracting these brand loyalty declarations from

the twenty *zettabytes* of on-line cat videos and other digital debris. But when done right, resourceful portfolio managers can deduce the level of consumer activity at the leading edge of corporate revenue streams -- capturing shifting brand loyalties before even "corporate insiders" fully grasp how their own customers are behaving.

A corporation's "Brand Loyalty" is a recognized, critical, fundamental and dynamic intangible asset that is simply not available from earnings reports. It can only be measured by understanding how consumers currently view the products of the corporation. BrandLoyalties' daily corporate metrics derive from each day's number of on-line consumer citations of the brand names owned by those corporations (i.e., each corporation's current "web luminosity"). Year-over-year changes in brand name citation rates, the current quarter's citation growth rates, and relative citation "share" are becoming the key anticipatory metrics for upcoming corporate revenues.

These new fundamentals are currently being used by major hedge funds and institutional investors. And "Big Data" has recently become a hot topic in the Journal of Index Investing . The reason is simple: roughly 40% of the Russell 3000□ have strong and persistent correlations between citation share growth and revenue growth.

"Big Data" is big in the sense that it comprises the billions of daily on-line product searches, coupon queries, price comparisons, posts at product review forums, store location or hours queries, auction site activity, restaurant reservations, mobile app inquiries ("Siri, where is the nearest Starbucks?"), Facebook "likes" and "unlikes" or simple tweets (#LoveMyTesla). "Unfortunately, the infrastructure, technical resources and specialized knowledge necessary to quickly make sense of such vast amounts of data is often beyond the scope of existing in-house researchers at most asset managers," explains BrandLoyalties' Tony Seker. "Yet it is these very same metrics that are now providing a key edge to major hedge funds and institutional portfolio managers. We see it as our job to provide those metrics in a simple and practical form."

The comprehensive suite of metrics at BrandLoyalties.com includes the real-time rankings of over 1,800 major US equities (plus another 500 Asian and 200 European corporations) based on the constantly changing rate of on-line brand name citations, changes in the citation "share" of those equities over the trailing quarter, the historic correlation of such citation shares to reported revenues and equity price movements, and alerts for sudden changes in

citation rates that may signal an unfolding or significant PR event.

Signals derived from BrandLoyalties.com's proprietary metrics can be generated well before earnings announcements and generally before guidance is provided. Each equity exhibits a unique lag time between when a signal is generated from the online data and subsequent price movement in the stock -- a lag time that is dependent on equity-specific details such as fiscal reporting calendars and the length, complexity and inertia of the corporation's product distribution channels. BrandLoyalties.com provides 'best fit' lag times to clients for each security to help portfolio managers optimize the timing of their transactions.

Clients may also choose to opt-in for daily email alerts which highlight the equities exhibiting the most significant changes. While data aware investors are naturally interested in identifying equities with growing real-time brand loyalty, clients may also mitigate risk in existing portfolios by monitoring or avoiding stocks which display fading customer loyalty, rapidly changing opinions or major PR events.