



“WALLACE” is the name of my wealth advisor

Canaccord buys into Castle Ridge Asset Management's AI platform

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Is WALLACE the future of wealth management? Hedge fund investment company, Castle Ridge Asset Management Ltd., based in Toronto, believes strongly it is and, in the spring of 2019, was backed up financially by Canaccord Genuity Group Inc. of Vancouver. Castle Ridge accepted a strategic investment from Canaccord at that time allowing Castle Ridge to expand its distribution channel with Canaccord Genuity Wealth Management, which manages over \$60 billion in client assets in Canada, the UK & Europe and Australia (<http://bit.ly/2T17ohi>).

Who's WALLACE? It's the name of Castle Ridge's proprietary Artificial Intelligence platform, which the company says continuously learns and evolves by analyzing vast quantities of financial market data. "Through major breakthroughs in Machine Learning and self-evolving evolutionary computing," the company says, "WALLACE uncovers unique market patterns that go far deeper than typical quantitative or systematic strategies. One of WALLACE's most powerful features is its ability to anticipate positive events, like acquisitions, or negative events, like market pull-backs. Unlike traditional or static investment strategies that often fail when market conditions change, WALLACE adapts and thrives. As a result, Castle Ridge avoids the pitfalls of human bias and ego to deliver Alpha under ever changing market conditions."

WALLACE, however, is only one example of platforms already operating in the AI environment; a significant number of other companies such as GreenKey Technologies LLC of Chicago, Kavout Corp. of Seattle, EquBot based in San Francisco, Sigmoidal LLC of Warsaw and AITrading from London, have all entered the AI trading market (<http://bit.ly/2TgNePr>). And, in fact, a survey commissioned by financial data provider Refinitiv and carried out by Greenwich Associates (<https://refini.tv/3ael8dr>) found that 85% of banks, investors and capital markets service providers surveyed said they plan to increase their spending on data management technology in the next three to five years. This includes everything from cloud storage environments to data lakes to real-time market data management tools.

Another interesting finding of the survey is that 95% of survey respondents believe alternative data will become more valuable to the trading process in the next three to

five years. Alternative data includes data that may provide trading or investing signals once analyzed alongside market movements but has not been considered relevant to trading or investing until recently. A common example is the use of mobile phone GPS data to gauge foot traffic at a specific retailer in an effort to predict revenue changes.

But just what is the definition of AI, especially in the context of investment management? According to Deloitte Touche Tohmatsu Ltd.'s report, "*Artificial intelligence: The next frontier for investment management firms*" (<http://bit.ly/2T3MUEG>), it is a suite of technologies, enabled by adaptive predictive power and exhibiting some degree of autonomous learning that: dramatically advances the ability to recognize patterns; to anticipate future events; create good rules: make good decisions; and communicate with other people. Specific to investment management, AI promises to generate additional alpha, enhance operation efficiency, improve product and content distribution and manage risk.

But while there seems to be a substantial movement towards heavily incorporating AI technology into the investment management sector, not all investment firms are ready to jump in with both feet. For example, Edward Jones L.P. acknowledges that AI and its related tools, such as robo-advisors, can support many applications like mobile banking or selecting investments for specific funds, but the company also believes that investing is a highly personal matter, which means that an investor may well benefit from some human intelligence, not to mention empathy. That human touch, says the company, applies to qualitative questions such as: how can I save for post-secondary education for my children and my own retirement at the same time; if I change jobs, should I leave my retirement investments in my former employer's plan, or move it to my new employer's plan; or what's the best way to guard my financial independence if I ever need some type of long-term care, such as an extended stay in a nursing home? The company suggests that when it comes to investing, a personal touch may never become obsolete.