

Research Comments

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Data and Information: The Influence of the Internet on the Management of Investment

What is the difference between data and information? What causes the transformation of data into information? For those of us in the financial industry the internet has had a tremendous and wide-reaching effect on the flow of our information. I liken this to the microwave oven effect: How did we ever live without it? Think for a moment back to the days before widespread e-mail use and the growing popularity of the Bloomberg, with its multimedia capabilities. Information was generally distributed via regular mail, telephone, and more recently, the facsimile machine. Seems archaic, doesn't it? Most information received in printed form today may, in fact, not be information at all. It might more relevantly fall into the category of archival data. That is, data that can be stored somewhere for long periods of time (although not efficiently) and converted back into information at a later date, say after you've deleted your in-box. Even this may be giving more credit to regular mail and printed material than they deserve. Do you ever delete your in-box?

The drawback to significant gains in efficiency, searching and storage capabilities comes in the form of volume. Notwithstanding the hundreds of e-mails I receive regularly, most of them actually contain information, as opposed to data only (the distinction being that information is something you can actually use, and data, well, it's just data). Even taking into consideration this "volume effect," I'm firmly in the camp of e-mail and internet fans. How did I ever live without it?

The trick to all of this is the successful integration of massive amounts of data, the conversion of data into information, and the ability to separate relevant information from irrelevant information. For either data or information to be useful it must first be distilled, then transformed through knowledge and interpretation from a static state to a dynamic state. Further, it must progressively and incrementally raise your level of knowledge, it must improve your efficiency level measurably, and it must result in better decision making. It is not enough merely for the delivery of information to occur with speed. After all, knowledge arises from the intelligent interpretation of information, and the ability to make bad decisions with speed does not lead to career longevity.

The question remains, what influence does technology-driven information have on the management of investment research? The management of investment research should encompass the following elements: 1) efficient receipt of raw investment data such as 10Qs, 10Ks, S4s, proxies, 8Ks, and other relevant data; 2) timely processing of data into information; 3) accurate dissemination of information in standardized formats (financial models, etc.); 4) skilled interpretation of credit information and how that information impacts bond prices; 5) firm-wide, real-time access to investment information and 6) continued leveraging of technology as it relates to the research process itself.

At Garner Asset we would like to believe that we have these items well in hand. First, each member of our firm has automated access to documents in real time, as they are filed with the SEC. Second, each analyst is assigned specific industries and specific credits within these industries to follow continuously. Data is transformed in a timely fashion into information by each individual

and then is distributed in standardized formats to each member of the firm via our network. As to item number four, all I can say is that we've been conducting investment research for a long time: I hope our constituency would agree that we bring some level of skilled interpretation to the table. Finally, we are diligently focused on the future of technology, with a particular emphasis on how technology can actually be employed to enhance our business, not merely for the sake of technology itself. After all, data without knowledge and interpretation is not information.