

Harnessing GenAI

Redefining the Investment Research
Landscape

By: Da Wei | Founder & CEO of Orbit Financial Technology



info@orbitfin.ai

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Abstract

This whitepaper delves into the transformative impact of Generative AI (GenAI) on investment research, focusing on its role in streamlining tasks, leveraging unstructured data, and enhancing the speed to market for investment opportunities. While GenAI cannot be a standalone service, without appropriate oversight and tweaking in line with strategy changes, it acts as a facilitator, providing structured information for more efficient analysis.

As we peer into the horizon of GenAI's potential, the paper anticipates an evolution marked by innovation, customization, and scalability. Analysts, once primarily engaged in manual data gathering and analysis, are now poised to become architects of sophisticated strategies. They will play a central role in refining and fine-tuning models, ensuring optimal performance, and carefully curating data sources to extract the most valuable insights.

The paper explores the personalized nature of research, the automation possibilities, and the potential future developments in the financial services industry.

Introduction

In 2023, Generative AI's (GenAI's) ascendancy signified a technological watershed, akin to the mobile and subsequent smart phone's transformative impact. The ecosystem, structured into; infrastructure, model, and application layers, achieved notable valuation milestones. NVIDIA, OpenAI, Meta, and Microsoft emerged as leaders, each marking significant achievements in market valuation.

This whitepaper explores GenAI's impact on financial services, with a focus on investment research, advocating for a data-centric approach and the strategic exploitation of unstructured data.

A Data-Centric Approach to Investment Research

The introduction of GenAI into investment research has sparked a mix of excitement and caution, particularly around data security and the risk of generating false or misleading information (hallucination).

A critical strategy to mitigate these risks involves breaking down complex tasks into measurable, atomic components, ensuring accuracy and reliability. For example, instead of aggregating vast datasets in the hope of generating valuable insights (model fine-tuning), investment managers might apply rigorous data quality controls, step-by-step model execution, and detailed pre-processing at a source document level.

Prior to making appropriate use of GenAI and Large Language Models (LLM's), two elements need to be closely considered; 1) Is the underlying data accurate, reliable and in the right shape and 2) What are the specific outcomes we are trying to achieve with the data. In the case of the underlying data, this is an area which cannot be underestimated, and care is essential to ensure underlying data fed to LLM's is from tagged and known sources, which are reliable. In addition, converting the data to a semi-structured, tagged state will deliver enhanced accuracy on the output from the LLM. This can be a very laborious and time-consuming task, especially when considering unstructured data, which is often the source for investment research, to fully understand the mechanics, structure and true value of an underlying asset.

This method highlights that the caliber of input data—its sources, types, latencies, and preprocessing—plays a more significant role in the outcome than the sophistication of the model itself.

Unstructured Data Going into Mainstream

In the ever-evolving landscape of data analysis, the role of Large Language Models (LLMs) has transcended the confines of structured data, unlocking unprecedented opportunities to extract valuable insights from unstructured data. While structured data applications remain valuable for specific tasks, the advantage of harnessing unstructured data is far-reaching and transformative.

In industries such as finance, where information is currency, unstructured data takes diverse forms, including corporate filings, news sentiment, and fundamental data. The richness of this unstructured data is often overlooked, as it exists beyond the realms of numerical market data. LLMs, with their advanced natural language processing capabilities, have emerged as a game-changer in efficiently processing and deriving meaningful insights from such diverse and unorganized datasets.

One of the primary advantages of LLMs lies in their ability to process documents in multiple languages, providing a comprehensive approach to information analysis. For financial analysts seeking a quicker and more reliable pathway to actionable insights, LLMs offer a robust solution. Their versatility allows for the extraction of relevant information from various sources, making them an invaluable tool in the quest for comprehensive and timely data.

Consider the financial sector, where market sentiment plays a pivotal role in decision-making. Traditional methods often involve manual analysis of news articles and social media feeds to gauge sentiment, a time-consuming and subjective process. Large Language Models (LLMs) revolutionize this by automating the analysis of vast amounts of textual data in real-time. By swiftly assessing news articles and social media feeds, LLMs provide an accurate and up-to-the-minute understanding of market sentiment, enabling investors and analysts to make informed decisions promptly.

Moreover, LLMs excel in navigating the intricacies of lengthy regulatory documents. In an environment where compliance and regulatory changes can significantly impact investment strategies, the ability to streamline the analysis of such documents is critical.

LLMs efficiently sift through the complexities of regulatory language, extracting pertinent information and presenting it in a digestible format. This not only reduces uncertainty but also accelerates project timelines, allowing financial professionals to stay ahead of regulatory developments and make proactive, well-informed decisions.

In a practical sense, imagine a scenario where an investment firm is considering opportunities in a foreign market. Traditionally, the analysis of market sentiment, regulatory landscapes, and fundamental data in a different language would require extensive human effort and time. With LLMs, this process becomes exponentially more efficient. The models can quickly analyze news articles and regulatory documents in multiple languages, providing a comprehensive overview of the market and uncovering potential opportunities or risks. This not only saves time but enhances the accuracy and depth of the analysis, empowering decision-makers with a more holistic understanding of the foreign market.

Personalized Research

The intersection of GenAI and LLMs has ushered in a new era of highly personalized experiences for research analysts. The robustness of LLMs not only enables personalized research outputs but also empowers analysts to configure models capable of executing multi-stage screening tasks, without possessing advanced technical or coding skills. This transformative capability, when coupled with access to correct and reliable data, propels analysts into a realm where they can easily identify companies or investment opportunities meeting stringent criteria with unprecedented precision.

The shift towards personalized research experiences represents a paradigm shift in the way analysts interact with data. No longer confined to conventional data analysis methods, users can now articulate queries in natural language, fostering a more intuitive and dynamic engagement with data. This transition enables a nuanced understanding of market trends and opportunities, tailored to individual user needs rather than relying on generalized market reports.

Imagine an investment analyst seeking insights into the growth prospects of the renewable energy sector in Southeast Asia. In the traditional approach, this task would involve extensive manual data analysis, potentially overlooking crucial information due to the sheer volume of data. However, with the integration of GenAI and LLMs, this process becomes streamlined and highly personalized. The analyst inputs a natural language prompt, specifying the desired focus on the renewable energy sector in Southeast Asia. The LLMs, equipped with advanced natural language processing capabilities, swiftly navigate through vast datasets, extracting relevant information from sources such as news articles, corporate filings, and regulatory documents.

What sets this approach apart is not only the speed at which information is gathered but also the customization of the insights. The resulting report is not a generic overview but a tailored analysis, leveraging the latest unstructured data to provide a comprehensive understanding of the renewable energy sector's growth prospects in Southeast Asia. The analyst gains a competitive edge by receiving insights directly aligned with their specific inquiry, enabling them to make well-informed decisions with greater confidence.

Taking personalization to the next level, analysts can now configure LLMs as bots to perform multi-stage screening tasks autonomously. Assuming access to correct and reliable data, analysts can define stringent criteria and set these bots in motion to identify companies or investment opportunities that meet these criteria. For instance, an analyst focusing on sustainable investments could configure a bot to screen through vast datasets, filtering out companies based on environmental, social, and governance (ESG) criteria. The bot, driven by the capabilities of GenAI and LLMs, performs this screening process with unparalleled precision, ensuring that the identified opportunities align seamlessly with the analyst's sustainability goals.

This level of personalization not only enhances efficiency but also elevates the quality of decision-making in investment research. Analysts are no longer overwhelmed by the sheer volume of data but are equipped with intelligent tools that understand and adapt to their specific objectives. The combination of GenAI and LLMs empowers analysts to focus on high-value tasks, leveraging their expertise while the automated bots handle routine screening, ensuring no potential opportunity goes unnoticed.



Massive Scale Automation

With comprehensive control over data and the application of LLMs, financial institutions can achieve automation on an unprecedented scale. By implementing customized workflows, clients can maintain proprietary logic and data confidentiality, facilitating a new level of operational efficiency. An example of this could be an automated system that scans, analyzes, and summarizes the financial health and market position of potential investment targets from unstructured data sources like news portals, financial blogs, and corporate financial statements. This approach not only conserves resources but also ensures that investment decisions are informed by the most current and comprehensive data available.

The Future of Research Automation

In the dynamic realm of investment research, the integration of GenAI and LLMs has ushered in a new era, reshaping the landscape of research automation. This paper takes a closer look at the **six levels of research automation**, dissecting the role of LLMs and GenAI at each stage and emphasizing their critical contribution in ensuring precision while advancing towards an automated future.

Level	Data Gathering	Data Analysis	Strategy Formulation	Oversight	Continuous Learning	Strategy Innovation
L0(Manual)	Manual	Manual	Manual	Required	None	None
L1(Assisted)	Automated (Basic)	Manual	Manual	Required	None	None
L2(Partial Automation)	Automated	Automated (Basic)	Manual	Required	None	None
L3(Conditional Automation)	Automated	Automated (Advanced)	Automated (Suggestions)	Required	Basic	None
L4(Hight-Level Automatio)	Automated	Automated	Automated	Limited	Advanced	None
L5(Fully Automated)	Automated	Automated	Automated	Strategy focused	Advanced	None
L6(Adaptive and Proactive)	Automated	Automated	Automated	Strategy focused	Meta-Learning	Yes

Here's a quick guide to what each column represents



Data Gathering

Automation level in collecting and sorting relevant financial data.



Data Analysis

Automation level in analyzing collected data, including both basic and advanced methods.



Strategy Formulation

Automation level in formulating investment strategies based on data analysis and risk assessment.



Oversight

Requirement for intervention in the GenAI process.



Continuous Learning

The system's ability to learn from past actions to improve future performance.



Strategy Innovation

The system's ability to develop new investment strategies or theories autonomously.

Level 0: Manual Investment Research (L0)

Characteristics: Level 0 represents the foundational stage where every aspect of investment research, from data gathering to analysis and decision-making, is executed manually without any automation support. This approach heavily relies on specialist market and sector expertise, introducing potential limitations such as time-consuming tasks and the risk of oversight.

Tasks Involved: Automation takes the form of tasks such as automatic data scraping and basic alerts on market movements. Despite these automated interventions, analysts remain actively engaged in the crucial aspects of analysis and decision-making, ensuring a more efficient workflow.

Level 2: Partial Automation (L2)

Characteristics: Level 2 witnesses the incorporation of AI and machine learning for specific functions, such as technical analysis or short-term trend prediction. Individuals remain significantly involved in interpreting results and making key investment decisions, emphasizing a collaborative approach.

Tasks Involved: Automation becomes more sophisticated, including tasks such as automated technical analysis, natural language processing for sentiment analysis, and basic predictive analytics. Analysts benefit from enhanced efficiency in handling specific components of the research process.

Level 3: Conditional Automation (L3)

Characteristics: Level 3 represents a significant leap as the system gains the ability to perform comprehensive investment research, encompassing complex analysis and generating potential investment strategies. The individual role is more focused on model configuration, fine tuning, oversight and approval before executing any decisions, ensuring a controlled environment.

Tasks Involved: The introduction of advanced machine learning algorithms becomes prominent, focusing on predicting long-term trends, risk assessment, portfolio optimization, and suggesting strategies. Analysts play a supervisory role, ensuring the appropriateness of automated decisions and maintaining a strategic edge.

Level 4: High-Level Automation (L4)

Characteristics: Level 4 elevates automation to a high level, empowering the system to autonomously perform investment research, make decisions, and execute trades under specific conditions or within designated market sectors. Despite this autonomy, analysts, as well as more strategic tasks, are necessary for exceptional or unexpected market events.

Tasks Involved: In addition to the tasks from the previous levels, Level 4 involves real-time market analysis, trade execution, and continuous learning to adapt to new market conditions. Analysts increasingly transition to a monitoring and oversight role, focusing on strategic decision-making rather than day-to-day tasks.

Level 5: Fully Automated Investment Research and Decision-Making (L5)

Characteristics: Level 5 represents a pinnacle in research automation, where the system can autonomously perform all aspects of investment research, strategy formulation, risk assessment, and trade execution without any human intervention. This level marks a considerable achievement in efficiency and accuracy. Analysts have the freedom to shape strategy and conduct continuous monitoring of LLM's / GenAI results, in order to tweak and refine.

Tasks Involved: At this level, all tasks are fully automated, and the system interprets and adapts to unexpected market events, regulatory changes, and economic shifts with unparalleled accuracy. The emphasis is on ensuring precision in automated decision-making.

Level 6: Adaptive and Proactive Investment Automation (L6)

Characteristics: Level 6 transcends mere automation, endowing the system with advanced cognitive functions that allow it to innovate and develop new investment strategies. The system can adapt to or even anticipate regulatory changes, economic shifts, and market disruptions.

The key roles here are strategic review on an almost continual basis and ensure control is retained on executed decisions

Tasks Involved: In addition to full automation, Level 6 engages in meta-learning and strategy innovation, potentially contributing to financial theory and setting new standards for investment research. The focus is on pushing the boundaries of innovation and adaptation, ensuring the system remains ahead of the curve.

Conclusion

The industry, it would be fair to say, is currently somewhere around Level 2 in the base case, and the journey towards fully automated investment research is just beginning. It is fair to say that it could take 10 – 15 years of innovation before the industry reaches Level 5 or 6, if it all – but this paper sets a roadmap of what could be achieved via GenAI.

The integration of more data sources, enhancement of computational platforms, and flexible utilization of LLMs are key components in elevating research automation. Future developments may encompass real-time monitoring of global financial news and social media to predict market movements, sophisticated sentiment analysis tools providing investment recommendations, and the creation of a seamless, highly adaptive system delivering deep, actionable insights with minimal human intervention.

The collaborative efforts between LLMs, GenAI, and evolving technologies promise to reshape the future of investment research, ensuring precision, innovation, and efficiency in a dynamic and information-driven financial landscape. This journey holds the potential to redefine how analysts approach their work, freeing them from routine tasks and allowing them to focus on strategic decision-making and value addition to the investment process.

At the core of this transformation is the redefinition of analysts' roles, moving beyond traditional responsibilities to embrace a more strategic and nuanced position within the investment process. As GenAI becomes ingrained in the fabric of investment research, analysts find themselves at the forefront of defining overarching strategies that guide the trajectory of investments.

One notable aspect of this evolution is the enhanced accuracy and personalization brought about by GenAI. By leveraging advanced machine learning algorithms and LLMs, analysts can now extract meaningful insights from vast pools of unstructured data, such as corporate filings, news sentiment, and fundamental data. This capability not only augments the accuracy of financial analysis but also allows for a highly personalized approach tailored to individual user needs.

Moreover, the future of investment research is envisioned as more efficient, with automation playing a pivotal role. GenAI empowers analysts to streamline their workflows, automating routine tasks and allowing them to focus on more strategic aspects of their roles. This shift from manual, time-consuming tasks to a more streamlined, automated process is expected to result in increased efficiency and productivity within the financial services industry.

As we peer into the horizon of GenAI's potential, the paper anticipates an evolution marked by innovation, customization, and scalability. Analysts, once primarily engaged in manual data gathering and analysis, are now poised to become architects of sophisticated strategies. They will play a central role in refining and fine-tuning models, ensuring optimal performance, and carefully curating data sources to extract the most valuable insights.

The landscape of investment research is on the brink of a significant overhaul, where human ingenuity converges with the capabilities of GenAI. Analysts will not only interpret data but actively shape the course of investment strategies, leveraging the power of automation to enhance their decision-making processes. This evolution is not just about embracing new technologies; it's about unlocking the full potential of GenAI to create a future where financial analysis is not only accurate and personalized but also efficiently navigated through strategic insights and refined models.



W: www.orbitfin.ai

E: info@orbitfin.ai