

Intangible assets, fundamental analysis and uncovering hidden value

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Intangibles are making up an increasing percentage of the global economy. And understanding their impact can give investment

In the past, businesses' assets were tangible — they included things like a factory or machinery. But the portion of the world's economy that doesn't fit this definition is getting larger. For a growing number of companies, assets may include intangible resources, such as proprietary software, networks, brand recognition and algorithms.

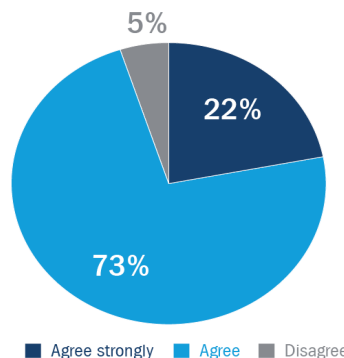
How do equity and debt researchers think about intangible assets? Do certain metrics begin to take on greater importance, while others take on less? How does one assign value to a company (and decide whether a stock price makes sense) when assets are composed of property that lack a physical presence?

We conducted an industry-wide survey of investment professionals to capture their views on the role of intangibles in investing, examining their attitudes on existing methodologies for measuring intangibles and evaluating opportunities.

They agree that the analysis of intangibles can provide a competitive advantage to investors, and research on intangibles is increasingly important in analytical work. However, while investors are able to find information about intangibles readily available, they believe that it's often unreliable, incomplete or inaccurate.

▶ Survey says: Intangibles reveal strength of companies' business models

“A company's intangible assets contain important information about the future strength of its business model.”

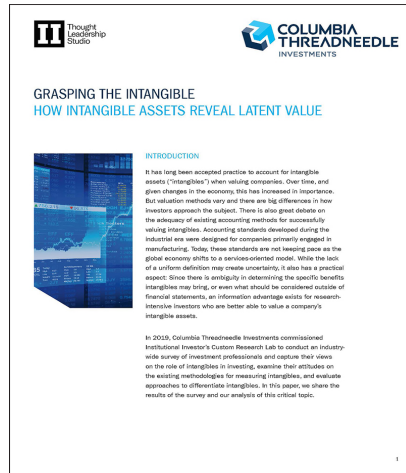


Source: Columbia Threadneedle Investments and Institutional Investor's Custom Research Lab Survey, 2019. Institutional Investor gathered a total of 170 responses from senior investment decision makers at asset-owning institutions in North America, Europe and Asia. In addition, Columbia Threadneedle interviewed 12 CIOs, directors of investment, portfolio managers and consultants at additional institutions.

Bottom line

Intangible assets represent a growing part of analysts' work in assigning a market value to companies across sectors and industries. Yet there is wide variation in how investment managers address this subject. An active manager's ability to understand intangible assets is a competitive advantage, and research intensity can help a firm assign value to resources that are an increasing component of our data-driven and wired world.

Read the full report for complete survey results and analysis





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