



The Future of Fundamental Analysis: Can Humans and Machines Co- Exist?

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Two Epochs

• Fundamentalists (Knowledge)

Capture **large alpha** from earning surprises & time on market

1920s

2000s

• Quants (Compute)

Analyze historical prices & factors to find mispricings.
Systematic & backtested small alpha + leverage =
large alpha

New Technology

Generative Pre-trained Transformer
(GPT)

Large Language Models
(LLM)

Who are the winners?

Open Mind & Humble



Why me?

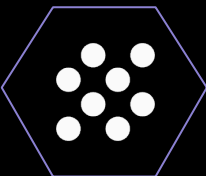


Andi Kerenxhi, CFA

Building AI for Investors seeking to capture alpha | Ubineer President |



- 8+ years experience as software equity analyst
- HBS Sc from University of Toronto-Quantitative Analysis Mathematical Finance, Management and Economics



Ubineer

What Assumptions are priced in?

- Humans will encounter many LLMs or multimodal models per day
- The models will do semi-complex tasks
- Agency/Morality will still reside with Humans
- We are really early and not close to a local maxima

Priced in Assumptions # 2

- More products are required:
 - Chat is not the only interface
- Connectivity is in place so if a product works it will capture market share quicker than previous generations
- We will still chew gum the same way

Questions Asked of LLMs Q4 2022

1. Human Creativity can't be replaced

2. Limited Context

3. It is not Current

4. It can't Compute

All Solved in 6 Quarters

1. Human Creativity can't be replaced



2. Limited Context



3. It is not Current



4. It can't Compute



WolframAlpha



Our main learnings

Large Language Models (LLM)

Require

Correct Compute &
Information



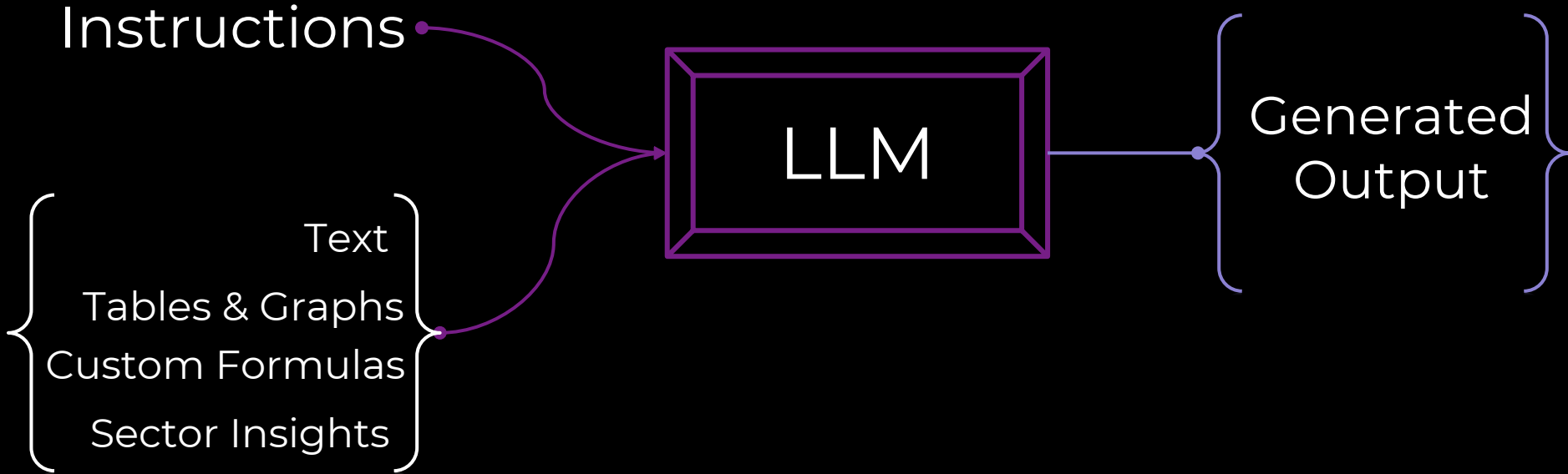
A tough question to ask?

What should

NETFLIX

content strategy be?

What an LLM needs?



Text Example



NETFLIX INC (NFLX) ⓘ

DATA POINTS EXTRACTED: 39,429

DATA AVAILABLE + Create View

Total data points:	Data points in Numbers:	Data points in Text:
39,429	36,622	2,807
+58% since last filing	+550 since last filing	+3% since last filing

Quarterly & Annual Reports

10 K & 10 K/A

REPORTING DATE	FILING DATE	LINK	STATUS
12/31/2023	01/26/2024	https://www.sec.gov/Archives/edgar/data/1065280/000106528024000030/nflx-20231231.htm	PROCESSED
12/31/2019	01/29/2020	https://www.sec.gov/Archives/edgar/data/1065280/000106528020000040/form10k419.htm	PROCESSED
12/31/2018	01/29/2019	https://www.sec.gov/Archives/edgar/data/1065280/000106528019000043/form10k_q418.htm	PROCESSED
12/31/2015	01/28/2016	https://www.sec.gov/Archives/edgar/data/1065280/000106528016000047/hflx201510k.htm	PROCESSED
12/31/2009	02/22/2010	https://www.sec.gov/Archives/edgar/data/1065280/000119312510036181/d10k.htm	PROCESSED

Show All >

10 Q & 10 Q/A

REPORTING DATE	FILING DATE	LINK	STATUS
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Automated
Data Capture

Tables and Graphs



Automated
Data Input

Balance Sheet Components

Layers / Companies / NETFLIX INC (NFLX) / Balance Sheet Components

NETFLIX INC (NFLX)

Create a Layer

Balance Sheet Components

Balance Sheet Components

Content Assets, Net

Content assets consisted of the following:

	As of December 31,	
	2023	2022
	(in thousands)	
Licensed content, net	\$12,722,701	\$12,732,549
Produced content, net		
Released, less amortization	9,843,150	9,110,518
In production	8,247,578	10,255,940
In development and pre-production	844,627	637,706
	18,935,355	20,004,164
Content assets, net	\$31,658,056	\$32,736,713

As of December 31, 2023, approximately \$5,777 million, \$2,860 million, and \$1,842 million of the \$12,723 million unamortized cost of the licensed content is expected to be amortized in each of the next three years. As of December 31, 2023, approximately \$3,766 million, \$2,622 million, and \$1,793 million of the \$9,843 million unamortized cost of the produced content that has been released is expected to be amortized in each of the next three years.

12-31-2023 09-30-2023 06-30-2023 03-31-2023 12-31-2022 09-30-2022 06-30-2022 03-31-2022 12-31-2021 09-30-2021 06-30-2021 03-31-2021 12-31-2020 09-30-2020 06-30-2020 03-31-2020

Formulas...



Create New Layer

1. Select A Company
NETFLIX INC (NFLX)

2. Select Visualization Method ?
Data Graph Text

3. Choose metrics or text
Formula: A Enter an indicator
Equation: ?
Get Quarterly Reported As Actual

4. Tags
Add tags for filtering, separate tags |

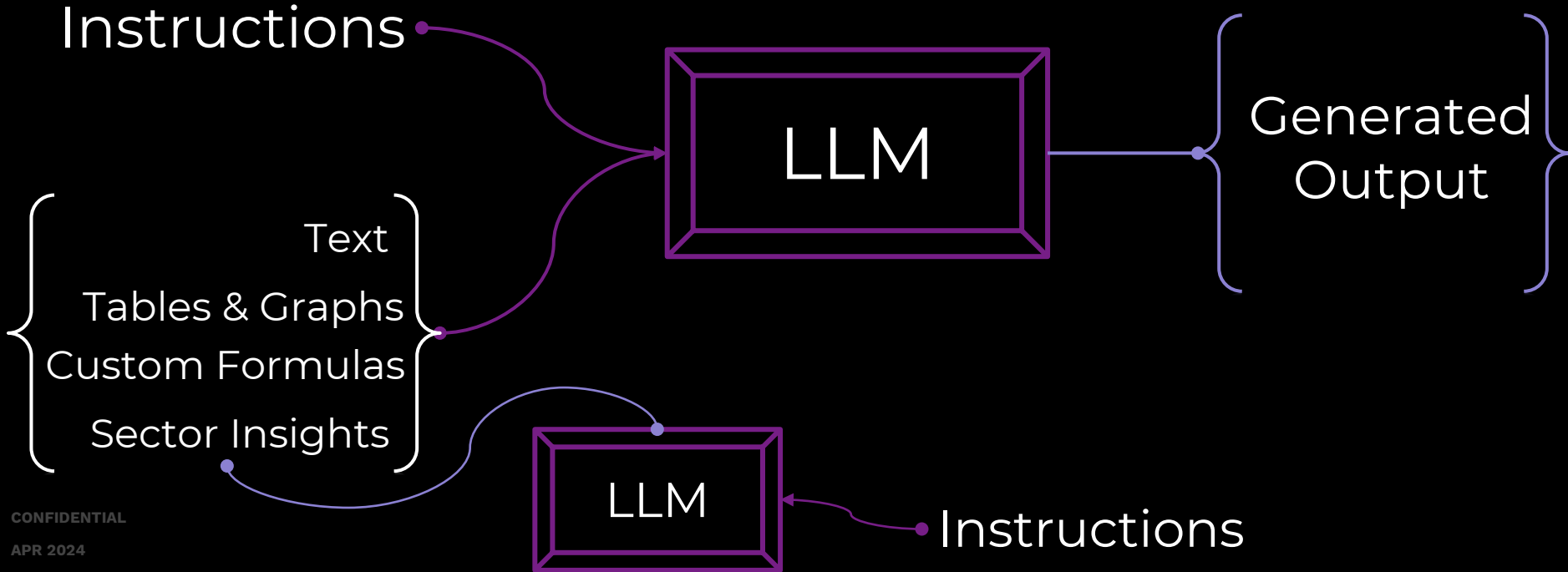
5. Name the layer

Intangible Assets By Major Class (A)
Intangible Assets By Major Class (B)

Create a Layer

Automated
Data Input

Get smaller LLM to Create Layers



Layers generated by LLM?

Instructions

**14 Layers
over four
companies**





LLM Generated output

It is optimal for Netflix to focus on licensing valuable content from their competitors, while continuing to produce their most popular shows. This strategy allows Netflix to not only acquire exclusive content from successful producers, but also to maintain control over a portion of their library to increase brand loyalty and revenue from subscribers.

By acquiring valuable content from competitors, Netflix can take advantage of their financial difficulties and provide a solution to their short-term debt problems. This will also allow Netflix to diversify their content offerings and attract more subscribers.

Additionally, partnering with established content creators allows Netflix to utilize the resources and experience of those creators to produce and market the content effectively.

Licensing exclusive content from competitors also allows Netflix to build a strong competitive position, keeping them ahead of other streaming platforms in terms of content offerings.

Finally, licensing content from competitors will also allow Netflix to maintain a balance of their content that can be used to sell to other streaming platforms, which could also make them an attractive asset to be acquired by a bigger company.

In summary, by licensing valuable content from competitors while maintaining their in-house production capabilities, Netflix can maximize their revenue from subscribers, diversify their content offerings, and maintain competitive position.</s>



Verified by management

Another example is the licensed title *Suits*. This legal drama originally premiered on USA Network in 2011 and ran until 2019. Despite having been available on other streaming services, the debut of seasons one to eight on Netflix in July broke viewing records. According to Nielsen, *Suits* was the

⁴ Views are based on the first 91 days of release. For titles released less than 91 days (denoted with an asterisk), data is from launch date through October 15, 2023. We publish weekly our top titles based on engagement at [Netflix Top 10](#).

NETFLIX

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most-watched title across film, original TV and acquired TV on streaming in the US for 12 weeks starting in late June (614M view hours - a new Nielsen record). Over that same time frame, *Suits* generated 1B view hours on Netflix globally⁵. Licensing has always been an important part of our programming strategy. As the competitive environment evolves, we may have increased opportunities to license more hit titles to complement our original programming. We believe this will deliver additional value for our members (i.e., engagement), as well as for rights holders who benefit from the increased awareness and revenue that Netflix delivers, in addition to the new life that success on Netflix can drive (e.g, *Friends*, *The Office*, [a new series from the *Suits* universe](#)).

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Is this a new data set or an edge?

**In-depth
Analysis**

**Smarter
Insights**

**Breadth/
Scale**

Our Mental Model with LLMs

- If a task is iterative and simple, LLMs will win.
 - Capture/organize data from the web
 - Parts of coding
- LLMs will make us more knowledgeable
 - Above example
 - Specific Agents

A low probability future?

Fundamentalists understand the underlying businesses better than the Quants.

But ... Don't adapt quickly to technology.

Machine augmented decisions

1. Fundamentalist thinks of a question
2. Research done by LLM “analyst”
3. Value Accretive or Destructive is decided by the Fundamentalist



Conclusion

1. Fundamentalists: will feel like they are working with many really smart friends
2. Quant world and Fundamental world should converge
3. Winner: whoever generates the most valuable tokens



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Ubineer Thanks!

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