



The Standard & Poor's Backtester™ team partnered with the Blueprint Growth team to responsively add features and functionality to the Backtester platform that supported their initiative to create a leading-edge suite of funds based on fundamentals.

Customer Profile

David G. Thomson is founder and Chairman of The Blueprint Growth Institute, a specialized management-consulting firm focused on helping companies achieve exceptional growth, and the author of the book, "Blueprint to a Billion®: 7 Essentials to Achieve Exponential Growth" (John Wiley & Sons). This book was the #4 Best Selling Book for 2007 at 800CEOREAD.com. David also created Blueprint Growth Investors, LLC as a result of extensive research with Standard & Poor's. Blueprint Growth Institute website: www.blueprintgrowth.com.

Background

During his tenure as a McKinsey & Company Associate Principal and HP and Nortel Networks senior executive, David Thomson observed that when the "economic tide" comes in, many companies float or grow and then fail when "the tide goes out." This sparked a curiosity to answer the questions, "How does one create a high growth company in up and down market cycles?" And more specifically, "What does it take to become a billion dollar revenue company?" His quest to uncover the success pattern of America's highest growth companies, led him on a 3-year research project. David searched for a quantitative approach that could serve to identify the common factors across growth companies independent of industry or economic cycle.. He examined 8,000 U.S. IPOs since 1980 and found that the results were not industry specific, but rather the 5% that achieved one billion in revenue came from a variety of industries.

While his book, "Blueprint to a Billion: 7 Essentials to Achieve Exponential Growth" is about management strategies, David discovered that those same factors could be used to develop investment strategies. To help formulate his investment strategy, David engaged Dr. Tommi Johnsen, an Associate Professor at the Reiman School of Finance at University of Denver, to assist the Blueprint Growth team with their proprietary quantitative research and analysis.

Challenge

David identified a set of core success factors for America's highest growth companies during his research for the book. However, several challenges would need to be overcome in order to transition David's insights about billion dollar companies into an investment strategy. The first was to identify a set of fundamental data items and financial ratios that were based on publicly available information and applicable to companies in various sectors while capturing the "7 Essentials" identified in the book. A second challenge was expanding the research beyond the North American market to include growth companies in developed and emerging markets. Perhaps the biggest challenge was packaging this strategy in a suite of



Summary

Customer Profile: David G. Thomson is founder and Chairman of The Blueprint Growth Institute, a specialized management-consulting firm, the founder of Blueprint Growth Investors, LLC, and the author of the best selling book, "Blueprint to a Billion."

Background: For his best selling book, David's research was driven by the quest to uncover and study the success factors of America's highest growth companies.

While his book is about management strategies, David believed that those same factors could be used to develop investment strategies. To help formulate his ideas as an investment strategy, David engaged Dr. Tommi Johnsen, an Associate Professor at the Reiman School of Finance at University of Denver.

Challenge: David and Tommi faced several challenges as they planned to transition David's research into an investment strategy. They needed: a comprehensive global database of fundamental and market data that included growth companies in developed and emerging markets; a platform with analytical capabilities to run complex scenarios and in-depth statistical analysis, test historical data and integrate custom data sets; and a platform that could help them assess the significance of factors, build potential portfolios, iterate over ideas quickly and provide customizable outputs.

Solution: The Compustat database currently covers 98% of the world's market cap and provided the depth and breadth of fundamental and market data required for the Blueprint Growth team's research. Standard & Poor's Backtester provided the comprehensive solution they needed — providing the flexibility to test historical data and integrate custom data sets and complete in-depth statistical analysis, so David and Tommi could assess the significance of factors, and analyze portfolio attribution, test theories and models quickly and provide customizable outputs.

Results: Standard & Poor's Compustat databases provided David Thomson the high quality data he needed to conduct his research.

Both Backtester and Research Insight proved critical to the integration of the Blueprint Growth investment strategy development. Backtester's agile environment enabled the Blueprint team to develop sophisticated solutions because theories and solutions could be rapidly and easily tested and fine-tuned without significant overhead and development time.



'fundamental' investment products consistent with traditional Wall Street paradigms. The quantitative research had to identify high growth companies destined to be tomorrow's leaders based on fundamentals in order to build a US and global suite of funds that beat all growth benchmarks.

Solution

To meet these challenges, David approached the Standard & Poor's Backtester team and asked for help in getting the tools and support he needed.

A comprehensive database of fundamental and market data along with analytical capabilities to run complex scenarios was needed. With North American data on over 26,800 active and inactive companies, covering 99% of the U.S. and Canadian market cap, and historical data back to 1950, the Compustat® database provided the necessary depth and breadth of fundamental and market data required for the research necessary to come up with the set of companies that reported revenue of a billion dollars. The clean, consistent and deep fundamental and market data enabled the identification of a set of basic data points and ratios that were consistent between these companies, regardless of industry.

Additionally, Standard & Poor's Backtester provided the comprehensive solution needed to make use of the breadth and depth of data while providing the flexibility to test historical scenarios and integrate custom data sets. Backtester enabled the significant and in-depth statistical analysis necessary to assess the significant factors, build potential portfolios, iterate ideas quickly, and provide customizable outputs and functionality.

The Backtester team partnered with the Blueprint Growth team to responsively add features and functionality to the Backtester platform in support of their initiative. A good example of this partnership is the creation of a performance attribution module. Blueprint Growth participated as a beta client during its development. Backtester's attribution feature enabled the Blueprint team to start with a hypothesis, test it over the historical periods necessary and evaluate their portfolio construction strategy. The attribution analysis tied the results to the strategy, thus enabling further refinement of their suite of funds.

As the Blueprint Growth team built their investment suite of products, the Backtester team partnered with them to incorporate functionality into the platform, enabling them to stay ahead of the development cycle. The Backtester team has been both responsive and proactive to David and Tommi's needs – building in functionality that Blueprint Growth Investors required and thinking outside the box to provide an end-to-end workflow solution.

Additionally, the Backtester team was able to collaborate with other Compustat teams and other S&P divisions, such as the S&P/Citigroup Indices, to develop and deliver the necessary data and platform integration solutions the Blueprint Growth team needed. Competing backtesting databases and platforms have to pull together pieces of non-integrated databases in order to make it all work together. This generally means that the integration has to be done in-house by the user, which can prove to be a very expensive venture because data components are purchased à la carte and programming resources are usually required. By comparison, Backtester is a cost-effective solution because it has all of the analysis components integrated.

Results

The Standard & Poor's Compustat North America database provided David with the high quality database he needed to conduct his research for his best-selling book, "Blueprint to a Billion," as well as the data foundation to continue the Blueprint Growth team's research for their investment strategy development. As the Blueprint Growth team expands their strategy to include developed and emerging markets, they can rely on Compustat global data to provide the information needed.

In addition to Compustat data, Standard & Poor's Backtester has played an integral role in bringing Blueprint Growth's new product to market. Both Backtester and Research Insight® proved critical to the integration of the Blueprint investment strategy development. In many products, a user is confined to someone else's view and methodology; however, Standard & Poor's Backtester is a very flexible platform. Backtester provided a speed of implementation not readily available through other products. This agile implementation enabled the Blueprint team to develop much more sophisticated solutions, because theories and implementation solutions could be rapidly and easily tested and fine-tuned without significant overhead and development time.

After several years of development, David is incorporating Blueprint Growth Investors, LLC and preparing to pilot the first set of the Blueprint Growth funds. "The cutting-edge research of the Blueprint Growth team leverages the latest capabilities of Compustat and Backtester in order to identify the fundamentals of America's highest growth companies," stated JP Tremblay, Sr. Director of Product Development for Compustat. Despite the current economic cycle and the resistance to investing, David believes "This is the best time to innovate. We are testing our funds to outperform the market in up and down cycles. The next generation growth funds will need to be built on a fundamental approach. The Blueprint Companies continue to demonstrate that they are leaders for the next growth cycle." Future strategies will continue to incorporate Compustat fundamental data, S&P/Citigroup Indices, and Backtester as they move into production.

"The Blueprint strategy's goal is to blaze a trail to redefine growth based on revenue and fundamental growth factors. We would not be ready for our market pilots today without the Backtester and look forward to taking our approach to the next level in partnership with the S&P team."

David G. Thomson



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