Reinventing Buy-side Infrastructure

Buy vs. Build has given way to Partner or Perish.

In collaboration with TABB Group
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About this report

This report is based on one-on-one interviews completed in October and November 2013, covering a range of topics focused on current buy-side technology initiatives, business drivers and the changing attitudes toward buy versus build. We spoke with key industry executives responsible for IT and operations strategies at traditional investment management firms with assets under management (AUM) ranging from $50 billion to $500 billion, and at hedge fund firms with AUM ranging from $100 million to $3 billion. Our reference to “investment managers” encompasses all types of money management firms across the spectrum of the buy side.
The asset management industry is going through a transformative period dominated by two somewhat conflicting trends: growth and uncertainty.

Uncertainty becomes a self-fulfilling prophecy when it discourages the kinds of investments necessary to achieve growth. Simply put, some buy-side firms are not acting quickly or decisively enough. In many cases, legacy systems do not meet today’s needs or tomorrow’s promise. Workarounds are time consuming, and ad hoc reporting is an insufficient and suboptimal long-term solution. Both introduce some measure of additional risk. Assets under management, investor demands and regulatory requirements are still growing, but budgetary immobility requires technology initiatives to deliver far more efficiently.

Technological stagnation is coming to an end. Buy-side firms are taking a hard look at how they can amplify the value they add to some processes and reduce their involvement in areas where they add little value or where there exists a community of service providers whose solutions are demonstrably better and/or more cost-efficient. The choices and solutions are hardly homogeneous. Outsourcing and managed services are not a one-size-fits-all business proposition.

Buy-side firms are still likely to retain control of portfolio and risk management areas, even when outsourcing the systems and processes involved. Some buy-side firms outsource chains of functions to full-service providers, others choose individual functions. However, within this wide variation of implementation choices, a clear trend is emerging.
Top Buy-side Technology Initiatives
Introduction

There is unprecedented growth in the complexity and number of business and regulatory requirements affecting today’s asset managers. The heightened sense of uncertainty facing the investment management industry makes long-term business forecasting incredibly difficult. The opposing desires to grow revenue and reduce overhead are pressuring these firms’ IT departments to provide more value to the business as reporting requirements increase (see Exhibit 1).

EXHIBIT 1: Top technology initiatives 2014

“Technology has to provide value to the business. If you’re not providing value, then you’re just keeping the lights on.”

— Hedge Fund ($3 bn AUM)

Flat budgets must accommodate both competitive growth and regulatory requirements, forcing a far smarter use of precious resources. Revenue growth remains the primary driver behind budgets but is twinned with operational efficiency to avoid budgets being consumed by compliance and risk management costs alone.

Business growth is bringing additional complexities across the spectrum of investment management firms: the client base is extending to include global pension funds and sovereign wealth firms, while the number and variety of managed accounts are expanding. Meanwhile, the strategies within a firm are broadening to include a mixture of liquid and illiquid assets, fundamental and quantitative, multi-asset class and international. Customized portfolios bring new requirements for monitoring, trading, accounting and reporting. Legacy systems are quickly reaching their limits and Excel spreadsheets cannot satisfy the demands for sophisticated risk management and audit trails, let alone the requirements of institutional investor due diligence teams.

With business expansion, there comes increasing regulatory requirements across each region, asset class and type of investment vehicle. For hedge funds, compliance with Europe’s Alternative Investment Fund Managers Directive (AIFMD) brings requirements similar to many of the new regulatory obligations imposed under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), which was signed into U.S. federal law in July 2010.
Reporting and Data

Of all the initiatives cited by participants, those relating to reporting have the highest importance and level of intensity of resource allocation since reporting initiatives must satisfy many demands (see Exhibit 2). Customizable and intuitive reporting tools will both satisfy current clients and attract new money. Robust data management, coupled with robust reporting tools and solid governance models will transform data into actionable information and analytics, improving portfolio management, risk reporting and compliance, and providing input to the trading desk.

From the buy-side perspective, few trends have garnered more interest in 2013 than the investment book of record (IBOR), a new addition to the industry lexicon, yet, an old idea. While the definition varies from firm to firm, the idea behind an IBOR is that it provides investment managers with a timelier, holistic view into investment data across the entire organization. How a buy-side firm organizes its books of record has become more complex, yet, increasingly important given the multitude of reporting needs from clients to risk managers to regulators. There is pressure to have a single golden copy that centralizes intra-day positions across all asset classes that can be used to feed both the front and back office. There is a uniform view that efficient data management facilitates business growth at an affordable cost; firms that can embed data fluency throughout the enterprise, seeding clean and consistent data throughout the pre- and post-trade life cycle will have an advantage over its peers.

EXHIBIT 2: Reporting initiatives breakdown

“"We want to make strides in data governance, formalizing the process and getting the owners assigned. The data around the company is the oil that’s going to run the next generation of businesses.”

— Hedge Fund ($3 bn AUM)

Source: TABB Group, SEI.
Buy-side firms with broad businesses are often in the unenviable place of being a small client of many software and data service providers and rely on manual and/or custom-built interfaces. This results in a process that is satisfactory when everything is running smoothly but is fragile and requires continual manual intervention to fix errors. Poor or unplanned design of operational and IT infrastructure often increases complexity and the number of workarounds. As a result, outsourcing middle- and back-office processes is gathering momentum. Even firms that have historically relied on proprietary software are leaning toward managed services and outsourcing because of the increased quality, cost-efficiency and scalability.
Budgets—Flat and Focused
Technology Projects Re-emerge

Although the number of regulatory requirements continues to grow, a temporary breathing space in the immediate calendar is allowing buy-side firms to pick up long-standing projects shelved in 2008 due to the economic downturn and that have, until now, been overshadowed by regulatory emergencies and decimated budgets. Weaknesses in technology and processes are quickly being exposed by the combination of increased regulation, investor demands and fund/portfolio growth, creating both an urgent need and a tremendous opportunity for investment managers to reinvent their infrastructure. It is a trend that began in the early part of 2012 in the form of feasibility and scoping projects. It is expected to continue well into 2015 and beyond, as buy-side firms progress along an infrastructure upgrade life cycle.

Budget Drivers

Although long-term operational efficiency is important, the key driver in determining budgets is the 12-month revenue horizon (see Exhibit 3). Every firm we spoke with has at least one or two large initiatives, designed to be a differentiator, rather than a budget sprinkled across the software development schemata. Spending is focused on transparency, visibility and process efficiency, and automating or outsourcing noncore competencies. In addition to facilitating revenue generation, some leading buy-side firms are able to reduce IT spend while accomplishing more because of some of the operational efficiencies.

Major initiatives over the last year have focused on client reporting projects, data management and warehousing, portfolio monitoring, risk analytics, and CRM tools. Legacy systems and piecemeal solutions are giving way to golden copies of security masters, data hubs and automation, as hedge funds adopt traditional asset management operating procedures. Convergence among IT solutions has enabled some to scale back sources of data, reduce the number of database technologies and outsource disaster recovery sites.

“My budget has remained flat and will be flat next year, while my AUM has gone up 35% in two years. Everybody is asking us to do more with less every year.”

— Asset Manager ($260 bn AUM)
Operational efficiency is critical but few find it straightforward (see Exhibit 4). In addition to changing and streamlining systems in full-scale production, operational efficiency must both reduce costs and be a revenue-enabler simultaneously. Better cash forecast and a solid projection of future worth will make the IT and operations departments shine brighter than the speed and ease of booking transactions.

“Across all the different initiatives, we are seeking to gain scale or leverage existing platforms, get rid of things we don’t need, reduce expenses as well as reduce manual processes.”

— Asset Manager ($75 bn AUM)

Rebalancing the Budget

Budgets that have been constant or slightly down from 2012 to 2013 are expected to be flat in 2014. In some cases, this is not necessarily viewed as a negative but as a sign of greater efficiency. According to TABB Group’s industrywide estimates,1 buy-side firms will spend $22.7 billion in 2014 as budgets remain in line with 2013 (see Exhibit 5). However, business lines and regulatory-related reporting are growing disproportionately to budgets, putting pressure on the budget process, business cases and resource management.

The maintenance or ongoing costs of running an investment management firm typically account for 60% of the budget.2 Of the remaining 40%, top initiatives generally account for half, leaving just 20% for discretionary projects, the piece that is most usually eroded by unforeseen requirements. If managers can reduce the mandatory percentage of the pie in a stagnating budget scenario, this can result in a decisive competitive advantage; a firm that can reduce operating expenses by 10% to 20% can free this capital for new projects, or reduce the firm’s overall outlay accordingly.

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1 TABB Group maintains technology spending estimates across the capital markets industry, using a proprietary methodology developed over 10 years and based on continuous conversations with key industry IT executives.

2 TABB Group, SEI.
EXHIBIT 5: U.S. buy-side spending estimates ($ bn)

Typical budget breakdown

- **Mandatory**: 60%
- **Top initiative**: 20%
- **Other prospects**: 20%

Source: TABB Group, SEI.

“Administrators who can really fully service a client are huge ... who can truly perform hedge-fund-in-a-box computing where it’s not just administration but an infrastructure.”

— Hedge Fund ($1.7 bn AUM)

### Data Management

A common theme throughout our interviews was to achieve more effective data management, with a focus on compliance, risk management, investor reporting and portfolio monitoring. While some have bought data warehouses and others built their own data hubs, the need to be in control of the output is uniform. Whether internally or externally resourced, respondents expected that better data management will result in operational efficiencies by improving the quality and timeliness of content, and overlaid with data aggregation tools, would help them run the business better.

New regulatory requirements, which ultimately become maintenance items, put data management front and center. Yet the complexity of these requirements and the resulting reporting through such regulations as the Foreign Account Tax Compliance Act (FATCA), AIFMD and Form PF have highlighted the difficulty to access and manage the data, while keeping an auditable trail of content and changes. In Ernst & Young’s 2013 hedge fund survey, 41% of hedge funds anticipated that extraterritorial regulations would prevent them from marketing, investing and operating in those affected territories.\(^3\) An ad hoc project approach to each regulatory requirement quickly consumes a major portion of a budget. Although regulators are not generally asking for new data, the data required remains difficult for managers to uncover, collate, formulate and audit year in and year out.

Post-trade Outsourcing Momentum
Outsourcing on the Rise

Increasingly, firms are deciding to outsource entire post-trade processes. The decision starts when a firm determines they are not adding value to the process and that moving it to an external party does not put them in a competitive disadvantage while posing little operational risk. But moving from a fixed-cost scenario to variable, and obtaining cost savings is a key factor in the decision whether to outsource. Many managers that decide to outsource also see some type of competitive advantage that can be delivered through this model, such as supporting a broader set of investor types, overseas expansion and new asset classes in addition to gaining better analytical tools and data quality in support of trade execution, portfolio analysis and investment compliance. In addition, many managers gain significant systems improvement and improve their operational due diligence profile by outsourcing.

The baseline functionality for back-office outsourcing is streamlined and scalable processes applied consistently across recordkeeping, corporate actions, reconciliation, settlement and cash movement. Some managers with whom we spoke have plans to outsource as much as they can to groups that specialize in the post-trade life cycle. Other firms look to have partial outsourcing of areas such as collateral management or portfolio accounting that allows for the books and records to be managed by a third party, but the extracts and liaison to the front office and clients remain under the firm’s direct control.

Independent audits and tax and compliance reports are marketing tools at a time when third-party validation and proof of tight risk management reassures skittish investors, and can positively impact the ebb and flow of assets. Consolidated reports, online dashboards and websites turn data into interactive graphics, creating on-demand and often bespoke access to performance and underlying portfolio information. This allows investors to serve themselves, increasing the likelihood of value-added interaction and reducing the resource requirement on the asset manager to provide rote and low-value service.

“Everybody thinks about big data, they want a tool around it, just so they can get all this information. But they forget how hard it is to extract good information from data.”

— Hedge Fund ($2.78 bn AUM)
A manager’s bench strength is also a primary driver behind middle- and back-office outsourcing. Asset managers may choose to outsource corporate actions or collateral management, for example, to an administrator or bank with a team of experts rather than rely on a single expert in-house. As concluded in Ernst & Young’s 2013 hedge fund report, as the ratio of back-office to front-office staffing declines, “Most hedge fund managers have enhanced their ability to achieve scale in the back office.” Yet there remains pressure on those areas that do not directly generate revenue to scale efficiently and keep up with the growth, speed and breadth of demand for data from investors and regulators alike (see Exhibits 7 and 8).

EXHIBIT 7

Average ratio of back- and front-office full-time employees per $1 bn in AUM

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1.17%</td>
</tr>
<tr>
<td>2013</td>
<td>0.97%</td>
</tr>
</tbody>
</table>

Source: Ernst & Young.

EXHIBIT 8

Top challenges related to data and data management (hedge funds)

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased regulatory demands</td>
<td>40%</td>
</tr>
<tr>
<td>Availability of data</td>
<td>37%</td>
</tr>
<tr>
<td>Accuracy of data</td>
<td>34%</td>
</tr>
<tr>
<td>Timelines</td>
<td>34%</td>
</tr>
</tbody>
</table>

Source: TABB Group, SEI.

Middle Office – Slow but Growing

The outsourcing of middle-office functions has been steadily growing but has been occurring at a slower rate than those in the back office due to in part to the higher level of risk management functionality and firm customization, and the level of market maturity. Collateral management, for example, underpins the management of exposure levels, utilization of assets and counterparty risk but is just one input to risk analytics, where IT provides additional value in the calculation and attribution of risk. Therefore, while they seek to retain tight control and ultimate responsibility for the risk and client-facing functions of the firm, investment management firms will increasingly outsource the processes that create the data that is the input into their risk management modules. Indeed, in a report on data management in the private equity arena,5 48% of the 118 private equity executives said that better data management would improve the quality of investment decision-making. Furthermore, among conversations with over 100 head traders at U.S. equity buy-side firms, data management was the top initiative for 32% of firms (see Exhibit 9).

EXHIBIT 9: Top initiatives among buy-side firm traders

<table>
<thead>
<tr>
<th>32% Data</th>
<th>27% Process</th>
<th>25% Technology</th>
<th>21% Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCA improvements</td>
<td>Trading process</td>
<td>OMS</td>
<td>Manage research bills</td>
</tr>
<tr>
<td>Internal data</td>
<td>International markets</td>
<td>EMS</td>
<td>Reduce brokers</td>
</tr>
<tr>
<td>Venue analysis</td>
<td>Desk centralization</td>
<td>Multi-asset class</td>
<td>Refine broker vote</td>
</tr>
<tr>
<td>Real-time TCA</td>
<td>New products</td>
<td>Straight-through processing</td>
<td></td>
</tr>
<tr>
<td>New data feeds</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: TABB Group.

“We are changing our systems on the back end to provide start-of-day information to our critical trading applications. It’s a conversion of the outsourced middle-office provider for internal data sources.”

— Asset Manager ($280 bn AUM)

5 TABB Group, “Private Equity Reporting: Turning Data into Intelligence,” January 2014.
Indeed, investment management firms are increasingly viewing operations as a source of competitive advantage and a key to future success rather than the outdated view that operations were just a distraction from the “real business” of investing.

The outsourced provision of internal data creates an opportunity for the investment manager to free up internal resources to focus on adding value to the portfolio management and investor servicing functions and customizing solutions to better fit the needs of the data recipients.

The Trade-offs

The burden of technology changes, system integration and risk of regulatory noncompliance all point an easy finger to the potential offered by outsourcing. Growth of business lines has mushroomed business requirements and a system deployed 10 years ago is often an uneven fit for today’s business, even if upgrades are current. There are many choices in the varying degrees of service delivery, from hands-off delivery to hosted platforms in vendor environments with a transfer of personnel.

In-sourcing or proprietary development brings the highest level of ownership and an ability to customize on demand but comes with the need for constant and current domain expertise, coupled with integration skills for products brought in-house. Small firms worry about monthly expenses that might increase once they are locked into a product, coupled with an inability to influence the business direction and development queues of large vendors. In addition, firms with a combination of account/fund types, multiple asset types and wide geographical mix struggle to find an economical mix of external partners. The broader the combination of products, office locations, product structures and asset classes, the more often specific requirements for one or more of these areas is supported suboptimally.

Internal spending on IT still accounts for 60% to 70% of most budgets, but the trend is continuing toward external expenditure as the default consideration (see Exhibit 10). Views vary on which pieces of the value chain should remain proprietary but commonly revolve around areas that are client-facing or have to do with active portfolio and risk management. As some products hit a wall of functionality or reach a natural end of life, the default consideration today is to buy rather than build, and focus internal resources on internal developments that will create a competitive edge or which are considered highly proprietary.
“Our plan is to outsource as much as we can. We’re going to continue to feed back all the data to ourselves, and hold it here, so that we can slice and dice it however we need it.”

— Hedge Fund ($2.7 bn AUM)

Outsourcing levels range from service providers managing entire sets of functions to a transfer of personnel to existing administrators, custodian banks/prime brokers or specialized middle-office providers for increased efficiency, business fit and improved economics. Additionally, as more firms adopt business process outsourcing (BPO), partial outsourcing is becoming commonplace, whereby a firm may outsource some back- or middle-office functions but not all. In these situations, only some of the functions are handed off, typically because the firm is either not yet comfortable giving up control or the service provider’s expertise is not yet sufficiently robust for all the functions to be handed off. Alternatively, information technology outsourcing (ITO) deals enable the use of offshore firms to augment onshore resources pools and staff IT projects, applications and infrastructure service delivery. In both models, service-level agreements ensure the control of processes and functions remains in-house.

Integration Challenges – People and Systems

Many firms we interviewed raised the issue of expertise and integration management in their consideration of outsourcing, both internally and at the service provider. The combination of people, process and technology required for many of the processes along the value chain is not easily replaced by a single technology or system; individual functions may be well defined but investment managers often struggle to bring all the functions together in an optimal model. Few providers reach across the entire asset management value chain, and if an outsourced solution covers 90% of the required functions, for example, the manager is still left to develop a proprietary solution or workaround for the remaining 10%, which involves retaining some level of internal staff.

Complexity arises when multiple sources of data are required to complete individual functions. The client onboarding process is one example of this: Most commonly a proprietary function, it requires pieces of information to be woven together from different parts of the organization including compliance, legal, portfolio management, operations and IT. For some, transferring the onus for the constituent pieces to a single provider to manage and run the platforms ensures consistency and efficiency, and minimizes integration efforts. For others, the capabilities of a single provider may fall short of both functional requirements and investor expectations of employing best-of-breed systems.

Buy-side firms feel they face an unhappy choice between needing to devote resources to integrating best-of-breed system solutions, or settling for an integrated front-to-back application that is short on functionality. The way the technologies combine together becomes exponentially more important as multiple data sources and processes are combined into managing risk, client reporting, portfolio monitoring and trading, compliance testing and research, and post-trade functions.
Selecting Service Providers
Choose Wisely

Service provider selection can be a drawn-out experience. The ultimate goal is to establish a long-term relationship with a provider who understands the investment management firm, is easy to work and grow with, offers value for money, and has a good industry reputation that can help in the sales process.

In truth, buy-side firms are often blinded by choice and under great pressure to choose wisely. The differences in product functions, services, sizes and expertise defy a straight comparison and smaller firms, without the support of a consultant, say they have to figure out alone how individual systems and process will fit their overall business model. Peer reviews can be negated by differences in fund sizes, types, invested assets and staffing. Unwinding external relationships is often expensive and painful with possible domino effects to the investor base, and will usually occur only due to changes at the corporate level of the investment manager resulting in a review of processes, a change in the fund’s business making the service provider a suboptimal fit, or a change in product quality or service of the provider.

Call Me Partner

Regardless of the size of the firm, all investment management firms want a good working relationship with their providers such that they can consider them partners and not merely vendors (see Exhibit 11). They expect insightful thought leadership, business acumen and strong subject matter expertise, and do not want to be schools of learning for the benefit of their competitors. In addition, clients who do not generate a significant amount of revenue for an individual service provider may end up in a catch-22 situation: The client does not warrant a high level of service, so as a result, they would prefer to sign short-term contracts so they can at least use the annual renewal to put some pressure on the service provider. But this paradigm generally does not lend itself to win-win partnerships.

Business alignment underpins good relationships. Managers want to ensure the service provider’s long-term road map matches their own requirements and it will continue to invest in, and maintain, its platforms. In addition to adhering to, and embracing industry standards and controls such as the SSAE 16 and ISAE 3402, managers also expect their providers to hold at least regular meetings to revisit and understand product development cycles and launches, and to plan how new growth areas will be handled and funded.
**EXHIBIT 11: Expectations of service providers**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Expectations</th>
<th>Buy-side views</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partnership</td>
<td>Business alignment, Thought leadership, Subject matter expertise, Depth of bench, Being valued as a client</td>
<td>“We try to partner with people that are able to provide some thought leadership and show that they have a continuing investment in their technology platform.”</td>
</tr>
<tr>
<td>Product</td>
<td>Breadth of functionality, Robustness and scalability, Clear product road map, Easy integration, Asset class and instrument-type coverage</td>
<td>“You can have a great partner but if they don’t have a relevant solution they are not going to help you.”</td>
</tr>
<tr>
<td>Service</td>
<td>Adherence to industry standards (e.g., SSAE 16 processes and controls), Economic service plans, Quick response time, Notification of issues and resolutions</td>
<td>“You’ve got to have service-level agreements. It’s about clear expectations, about communicating expectations, deliverables and timing. It’s about being reasonable. It’s about being a value-rated client.”</td>
</tr>
<tr>
<td>Security</td>
<td>Corporate stability, Proven technology, Site safety, Protection of data, Manager’s continued access to own data</td>
<td>“We’d love to be with somebody for a long time and have everything go great, but if that doesn’t happen, we don’t want to feel like we’re handcuffed, and that it’s difficult to move.”</td>
</tr>
</tbody>
</table>

*Source: TABB Group, SEI.*

Existing relationships are powerful as they are known partners, often mitigating integration headaches and offering most-favored nation pricing. However, although the asset management arms of larger organizations may have the option to leverage their internal brethren’s existing infrastructures, they are also beholden to best practices and governed by their fiduciary responsibility, whether they outsource to an internal group or an external party.
The Economics

Continuity in the product road map coupled with breadth and depth of functionality helps make service providers stand out. Custom builds can be expensive, and workarounds add kinks of inefficiency. Functionality dilemmas occur when individual vendor products have shortfalls or the selection is small, creating a trade-off between smaller choices of solutions or multiple separate solutions.

Alongside functionality that must be developed as an add-on, licensing fees and various levels of support can radically change the economics. Managing the sophistication and complexity of best-of-breed solutions can be both time-consuming and costly if the buy side is responsible for dealing with multiple vendors, integrating with existing systems and processes and making functions seamless. Poor or suboptimal integration can quickly lead to exception management issues and the high consumption of scarce resources.

Emerging or Best of Breed?

Cutting-edge technology from an emerging company hungry for anchor clients offers the economies, customization and speed of integration that is attractive in today’s market, especially to small firms who may have a greater influence. But technology risk is a consideration, and the corporate stability and the long-term viability of the company are important, since changes in ownership usually bring changes in management and service levels.

A second consideration is the due diligence surrounding the security of information and the environment. Nobody has money to waste, but the pain of a bad fit far outweighs a slight premium for a good partnership and cheap rapidly becomes expensive. Asset management arms that can outsource to their parent organizations should conduct the same level of due diligence as with an external vendor, as the primary fiduciary responsibility is to their client base, within corporate guidelines for dealing with external vendors.
The Opportunity to Reinvent Infrastructure Is NOW
Conclusion

From our research and one-on-one interviews with key buy-side operations and IT executives, clear direction emerges that, now more than ever, investment management firms need to maximize their technology initiatives as they balance the demands of growing businesses with stagnant budgets. Particularly with a near-term horizon, revenue generation is key — and notwithstanding FATCA and AIFMD demands — there is a race for some to use the current regulatory breathing space to implement new systems, processes and controls.

Everywhere there are reporting requirements. Investors demand more transparency and interactive portfolio solutions; global regulatory and compliance reports turn ad hoc projects into long-term maintenance items; and the ability to grasp the “data nettle” and transfer data information into insight and intelligence for portfolio managers, traders, operations staff and investors alike, creates a differentiator as they seek a competitive edge.

An increasing trend toward outsourcing, especially with regard to middle- and back-office solutions, creates streamlined processes and operational efficiencies, freeing up investment managers’ IT and operations teams to focus on adding proprietary value. An array of available service provider solutions leaves the buy side almost spoiled for choice, yet, many struggle with the trade-offs of long-standing versus emerging technology, best-of-breed versus integrated solutions, and which providers will prove to be the best long-term partners as they grow and evolve.

Given the demand for growth amid uncertainty, together with the desire to add value across the board, operational capabilities have become key to investment managers’ competitive advantage and business success. We believe that the current environment creates an opportunity for managers to reinvent their infrastructure by strategically partnering with service providers that not only support their current business goals, but provide additional or new functions and activities, which will support future objectives as they expand and extend their service offerings.
About the companies

TABB Group

TABB Group is a financial markets research and strategic advisory firm focused exclusively on capital markets. Founded in 2003 and based on the methodology of first-person knowledge, TABB Group analyzes and quantifies the investing value chain, from the fiduciary and investment manager, to the broker, exchange and custodian. Our goal is to help senior business leaders gain a truer understanding of financial markets issues and trends so they can grow their businesses. TABB Group members are regularly cited in the press and speak at industry conferences. For more information about TABB Group, visit tabbgroup.com.

SEI

SEI (NASDAQ:SEIC) is a leading global provider of investment processing, fund processing, and investment management business outsourcing solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of March 31, 2014, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers $582 billion in mutual fund and pooled or separately managed assets, including $239 billion in assets under management and $343 billion in client assets under administration.

SEI’s Investment Manager Services division provides comprehensive operational outsourcing solutions to support investment managers globally across a range of registered and unregistered fund structures, diverse investment strategies and jurisdictions. With expertise covering traditional and alternative investment vehicles, the division applies customized operating services, industry-leading technologies, and practical business and regulatory insights to each client’s business objectives. SEI’s resources enable clients to meet the demands of the marketplace and sharpen business strategies by focusing on their core competencies. The division has been recently recognized as a Top Rated Fund Administrator by Global Custodian, as “Best Administrator – Client Service” by CTA Intelligence, “Best Fund Administrator” by Buy-Side Technology and “Most Innovative Fund Administrator” (Over $30B AUA) in the U.S. for hedge funds and “Best Administrator – Technology Provider” in Europe by HFMWeek.
SEI Knowledge Partnership

The SEI Knowledge Partnership is an ongoing source of action-oriented business intelligence and guidance for SEI’s investment manager clients. It helps clients understand the issues that will shape future business conditions, keep abreast of changing best practices and develop more competitive business strategies. The Knowledge Partnership is an initiative of SEI’s Investment Manager Services division.

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The SEI Knowledge Partnership is a service of the Investment Manager Services unit, an internal business unit of SEI Investments Company.