

Hitting a technology roadblock?

Seven reasons for hedge funds to upgrade their portfolio management and reporting platforms

WHITEPAPER

This paper points out the perils for investment managers of sticking with outdated technology. New technologies, particularly those that seamlessly and purposefully share data, present enormous opportunities for efficiency and enhanced client experience.

Technology waits for no one

As the asset management industry undergoes rapid change, firms need to constantly review their businesses, service offerings, infrastructure, and overall approach to ensure they are staying ahead of the curve.

Now, more than ever, investment managers need to take into account the recent macro changes in technology, client expectations, demographics, and new emerging competition in their business plans. Whatever has made firms successful up to now won't necessarily get them where they want to be tomorrow.

Most people today are comfortable and expect an online or mobile experience for everyday conveniences. This includes financial information and advice.

Meanwhile, the massive baby boomer demographic—the historic sweet spot for asset managers—is now rapidly making its way to retirement and transitioning from wealth accumulation to distribution, threatening the long-term sustainability of firms that have relied on this demographic for most of their growth. Firms are trying to figure out how to serve the next, more tech-savvy generation of investors.

Add on top of these trends the emergence of low-cost, online robo-advisors—not just the small players, but the behemoth brands such as Schwab and Vanguard that are gathering billions in AUM in a matter of weeks—and pricing pressures on traditional and alternative asset management fees would appear to be right around the corner. Compounding this fee compression potential is a much more complex and costly operating environment driven by increased regulations, competition for talent, and a need to provide a broader service set to meet the changing needs of affluent investors.

When added up, these macro trends are putting pressure on investment managers' ability to attract and retain clients, while serving them profitably. Industry experts agree that one lever managers can push to solve this problem is to invest in technology to bridge the gap.

While the majority of firms count portfolio management as the hub of their technology platform (83% and 84% forecasted adoption by year-end 2017¹), many firms haven't pieced it all together and may still be using spreadsheets on the side. According to The Kitces Report, a popular industry blog, Excel spreadsheets are still "incredibly popular" among managers for everything from "specialized" analysis of a client situation to keeping track of specific workflows or even assessing business metrics. Adding to this issue is that without the latest technologies, firms risk falling even further behind.

So, what does this mean? Forward-thinking managers are looking to enhance the client experience they are providing to include more transparency and provide investor information beyond legacy portfolio management and performance reporting systems.

The good news for the industry is that there is a renaissance happening in technology, corresponding with the growth of the asset management industry that can provide comprehensive solutions that create scale, efficiencies, an enhanced client experience, and a compelling return on investment.

If that is the case, why then, are so many firms still stuck on legacy systems? How did the industry end up with this technology disconnect?

When added up, these macro trends are putting pressure on managers' ability to attract and retain the best clients while serving them profitably.

Seven reasons to upgrade your portfolio management and reporting platform

#1—Data management difficulties

Chief among the challenges is attempting to manage data across a firm using disparate systems that do not integrate with each other. Manually re-keying data between systems runs the risk of errors and inconsistencies, as well as inhibiting the ability to verify accuracy. If your platform does not eliminate manual processes, update all data with a single change across systems, or deliver timely reporting, then it is time for a change.

#2—Client communications

Investors today expect high-quality reporting that is transparent.

Today's modern systems leverage powerful document vaults and client portals with security features to seamlessly deliver information to clients in a timely fashion.

#3—Complex investments

With the growth in alternative investment usage and demand by clients, portfolios are becoming more and more complex. Portfolio management and performance reporting systems need to have advanced capabilities to be able to automatically incorporate data about fixed-income, alternative investments, and other hard-to-value products in order to provide an accurate picture. Without this

capability, firms are saddled with manual, offline processes in separate systems or spreadsheets. Significant time and resources are spent tracking down valuations and re-keying them into the system, which creates the risk of errors and inconsistencies.

#4—Lack of integration

Firms are likely using multiple systems to accomplish various business processes. There are efficiencies to be gained by integrating systems to share data seamlessly.

Top firms are using end-to-end portfolio management systems that consolidate the work of multiple systems into a single platform, built on open architecture that allows for easy integration with other capabilities, including CRM, risk analytics, and more.

#5—Compliance and business risks

As today's regulatory environment becomes more complex, firms need to be able to respond to audits and information requests in a timely manner. In order to meet regulatory reporting requirements, firms need a core system that can automatically aggregate and standardize data from multiple sources. By eliminating manual efforts, firms save time and money, and have greater confidence they have accurate information, data integrity, and consistency, reducing not only compliance risk, but also operational risk.

#6—Support and service

When looking for technology partners, it's important to validate that their service and support will be there when you need them most. Can they provide front-line support and troubleshooting? Top firms focus on selecting vendors with proven track records, a history of service and support, and the ability to easily migrate to the newest versions.

#7—Evolution of the technology landscape

The one constant in technology is change. New platforms, new interfaces, new data management approaches—all of which continue to improve—are constantly moving the industry forward. Many legacy systems, however, are desktop and server based—an approach that requires investments in hardware, costly IT resources to update and customize, as well as ongoing maintenance to secure.

A solid cloud platform typically offers a streamlined IT infrastructure, scale, elegant user interfaces, strong security, minimal maintenance, simple integrations, and seamless mobile access. You'll also be able to count on them to constantly research the latest and greatest technologies and continue to innovate as part of their platform promise. Isn't that what a technology partner should do?

The good news is that investment management firms using the latest technologies enjoy enhanced productivity and profitability.

Key features of an advanced wealth management platform

- Portfolio management and reporting capabilities in a single platform
- High-quality daily aggregated and reconciled data to the asset level
- Alternative investments tracking and fixed income support
- Backing of high-touch service team

The way forward

As discussed throughout this paper, firms that focus on next-gen technology will experience better productivity across their office and have opportunities to improve client experience. As firms get to that next stage, they will need to keep going. More than ever, firms need to embrace technology solutions that help drive collaboration with their clients.

Furthermore, industry study after industry study highlight that firms who adopt leading edge digital technologies have higher satisfaction, higher revenue, and higher productivity. What's not to like?

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