

Case Study

“The people at Advent Outsourcing Services working on our mid- and back-office operations feel like part of our team.”

Marc Volpe, Chief Financial Officer, Quantopian

Geneva® and Advent Outsourcing Services™ support a unique quantitative investment model

Is Quantopian an innovative technology start-up or a new breed of asset manager? It's actually both. Launched in 2011, the founders built an open source development platform on which anyone can research and create algorithms for trading strategies. “We're crowdsourcing investment ideas for an institutional asset management product,” explains Chief Financial Officer Marc Volpe.

After rigorous testing of the algorithms and due diligence on their authors, Quantopian's research team selects strategies to trade in the firm's 1337 Street Fund. “The fund's mandate is an absolute return, pure alpha strategy focused only on US equities,” Marc says. “The goal is to evaluate all the algorithms our users write and invest in the ones that best fit our investment mandate.” Authors of successful strategies are incentivized by a 10% performance-based royalty.

Unique accounting challenges

This novel approach to investing, the first of its kind, presents some unique and complex accounting challenges — which explains why the firm selected SS&C Advent's Geneva platform for fund accounting. “We care very deeply about the attribution of P&L to each underlying algorithm,” Marc says. “We are very active users of strategy accounting within Geneva.”

Geneva enables Quantopian to account for the performance, and thus the payout, of each of the algorithms in its fund. “The algorithms are set up as standalone strategies in Geneva,” Marc explains, “and each calculates its own P&L. That allows us to take the trading P&L for the portfolio as a whole and split it up by author, so that we can easily track each author's royalty. The strategy level reporting in Geneva is also useful,” he adds. “It allows us to give each author a performance snapshot for their algorithm at the end of the month.”

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PROFILE

Client: Quantopian

Location: Boston, MA

Description: Manager of algorithmic quantitative investment products

BACKGROUND

- Firm launched in 2011 with a unique, crowdsourced quantitative investment model
- Needed an accounting platform that could handle complex P&L allocations
- Preferred to outsource mid- and back-office operations

SOLUTION

SS&C Advent's Geneva® portfolio management platform

- Cloud delivered via Advent Outsourcing Services
- Combined with outsourced operational services

Outsourcing Operational Services

Besides choosing Geneva, Quantopian also elected to have it deployed in the cloud through Advent Outsourcing Services. This not only reduces the need for in-house IT infrastructure and staff, but it also allows the firm to offload many operational activities to SS&C Advent's dedicated global service team.

"The fact that the Advent team can provide operational services allows me to spend more of my time looking at the results coming out of Geneva and thinking about our process to make sure our data is properly reconciled. I query the data every day and make sure the results meet my expectations. I like the fact that I can use my time to do that analysis."

The distribution of the SS&C service team around the globe works to the firm's advantage, Marc points out. "We send files overnight from our order management system, our prime broker and our administrator. So, by 4 AM Eastern, the Advent service team is already hard at work. I usually get in between 6:45 and 7:45 in the morning, having already received emails from the service team members, notifying me of any file failures and giving me the reconciliation results."

"They're part of the team"

Marc has found that the Advent Outsourcing team adds value beyond performing back-office operations. "We're a demanding client," he notes. "Our systematic approach requires accurate start-of-day reporting. Specifically, we need to know each position at the start of the day, which requires us to anticipate certain position-changing corporate actions before they happen. It's not an easy request and it certainly results in a lot of work for the outsourced service team. But they've done a great job with it."

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In addition to daily email communication, Quantopian has a weekly call with the outsourcing services team. "It's been very helpful to have that periodic check-in," Marc says. "Sometimes there are things we can't resolve over email, whether it's a support issue or something that requires development work, and it's helpful to get on the call and talk it out."

Advent Outsourcing Services has several team members experienced with Quantopian, all of whom have years of experience in operations, and have gone through an intensive Geneva certification. This provides resiliency and redundancy in coverage. "The team members are very earnest, they're genuinely helpful, and they want to do a good job for us," Marc observes.

Quantopian leverages SS&C GlobeOp, another arm of the SS&C family for fund administration. This relationship pre-dates Quantopian's engagement with Advent Outsourcing Services. The two groups maintain a strict professional wall and don't interact directly unless requested by the client. "I am very impressed by how the GlobeOp and Advent teams have maintained their independence," Marc notes. "I have a separate dialogue with each team and there is no contact on our behalf without my consent, which I appreciate."

BENEFITS

- Reduces internal IT and operations overhead
- Responsive overnight service ensures positions are reconciled at start of business
- Geneva enables fast and accurate P&L allocations and performance payouts
- Single-provider service gives firm direct access to Geneva development expertise

Direct access to Geneva experts

Marc came to Quantopian with a favorable opinion of Geneva from previous experience, and he had looked at third-party Geneva hosting and outsourced service vendors in an earlier job. But he wholeheartedly endorsed Quantopian's decision to outsource with the provider that actually built Geneva.

"An advantage of going with Geneva through Advent Outsourcing Services is that I'm getting access to development resources within Advent," he says. "I have people on my team, for example, trying to figure out the optimal way to set up swaps in Geneva. If we need access to a Geneva expert, we can always call on them."

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