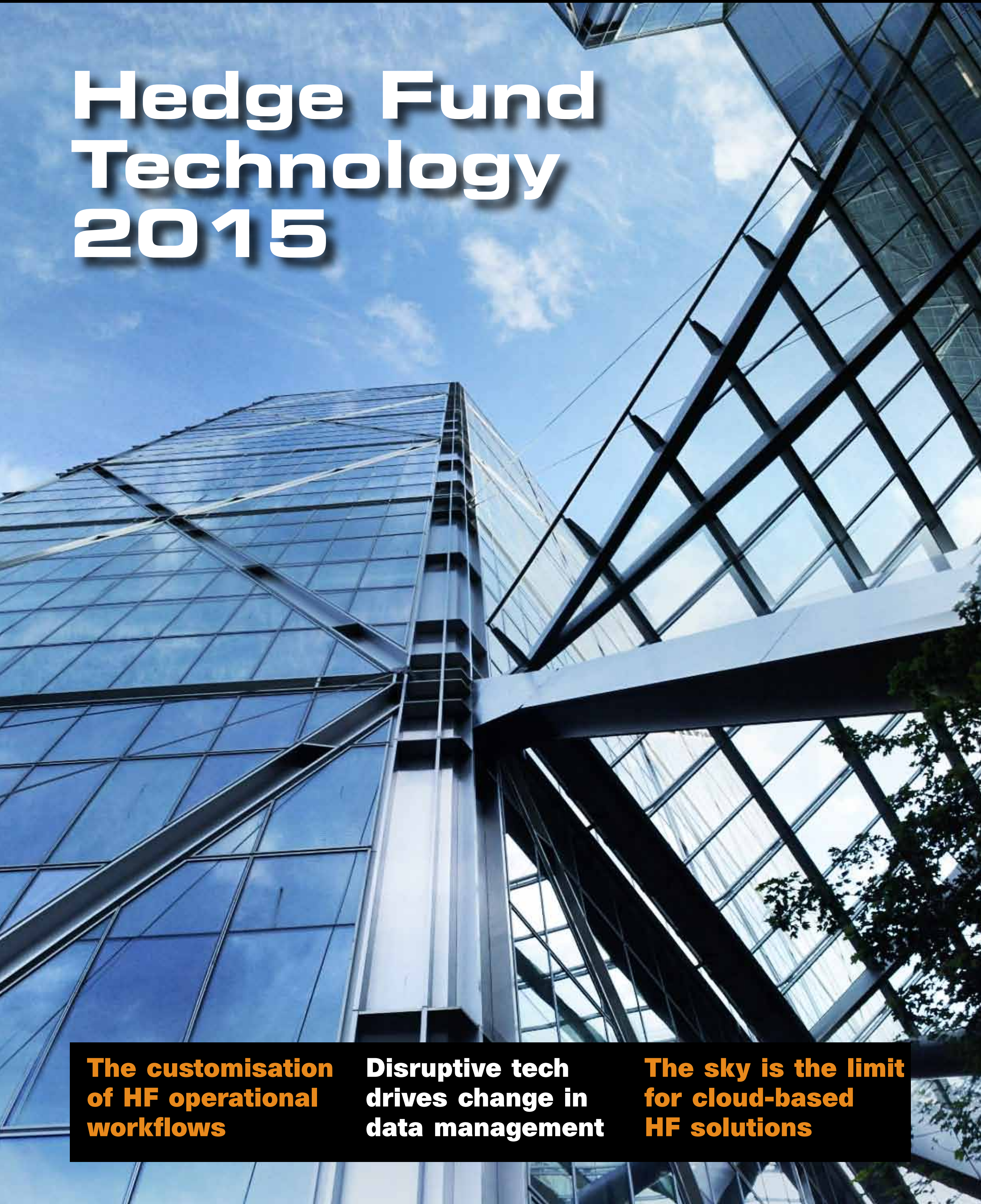
hedgeweek special report
www.hedgeweek.com
May 2015

Hedge Fund Technology 2015



The customisation of HF operational workflows

Disruptive tech drives change in data management

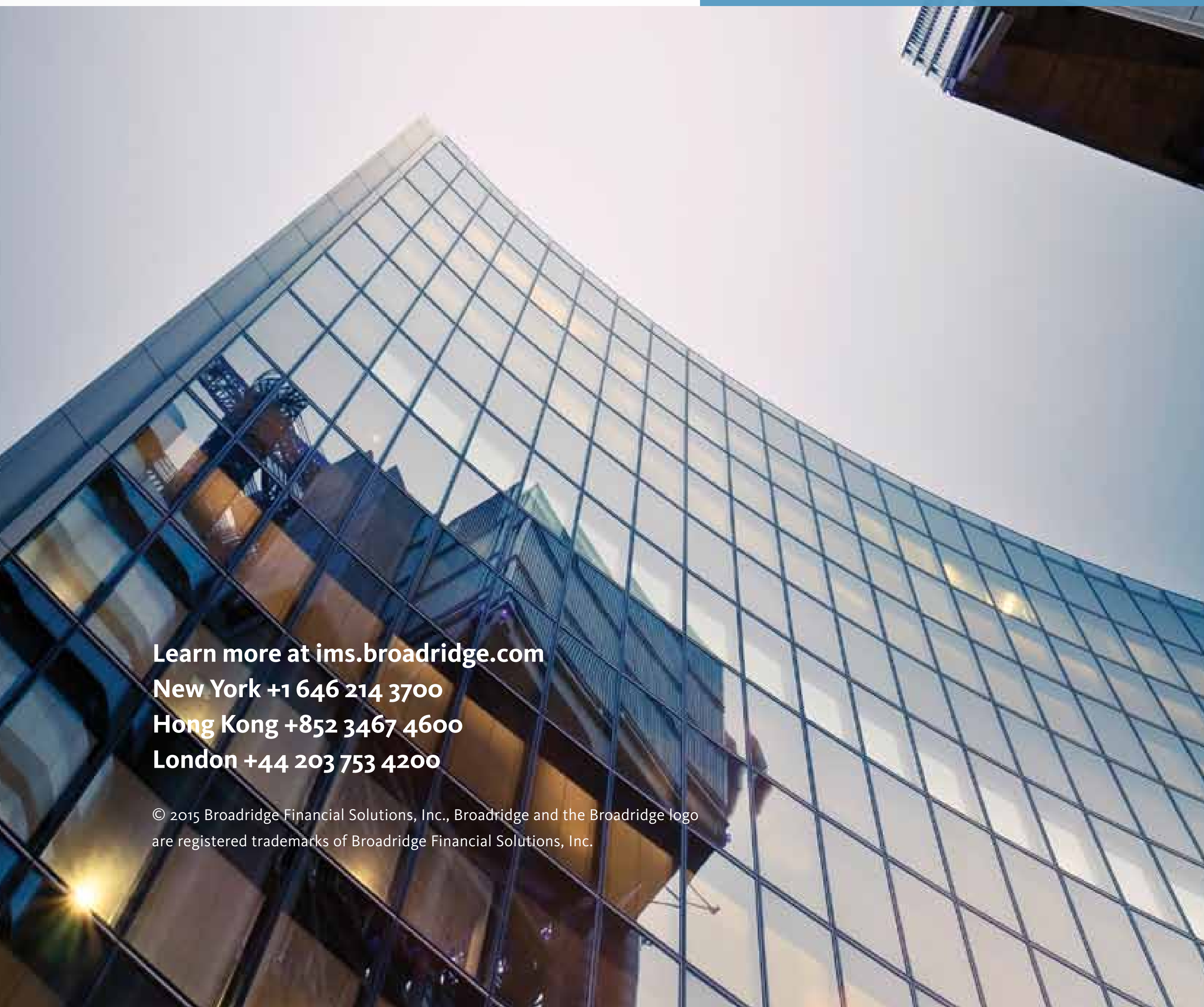
The sky is the limit for cloud-based HF solutions

More Intelligent Portfolio Management, Risk and Trading Solutions

Broadridge®

Front-to-back office solutions for investment managers from risk through portfolio accounting

- Order and Portfolio Management
- Risk Management
- Reference Data Management
- Managed Data Services
- Hosting
- Dynamic Reporting
- Performance Measurement & Analytics



Learn more at ims.broadridge.com
New York +1 646 214 3700
Hong Kong +852 3467 4600
London +44 203 753 4200

Putting industrial-grade infrastructure in place

Interview with Bennett Egeth

There has been an acceptance across many top-tier hedge funds that some of the operations they perform, whilst important, are not clear differentiators but rather diversions to their core task.

"Ultimately, the ability for a hedge fund to grow and reproduce is a function of its ability to raise capital and generate alpha," says Bennett Egeth, President of Broadridge Investment Management Solutions. "Anything that doesn't fall into those two buckets is non-differentiating, and thus not a good way for the manager to spend time and resources.

"There is an increasingly widespread acknowledgement that the skill needed to run the technology and operational infrastructure of a fund is no longer viewed as a differentiator. Funds are looking at ways to save money and optimise infrastructure by focusing on what they do best."

Take third-party administrators as an example. Over the years, managers have opted to appoint these firms to run their back-office operations, reducing the need to maintain an in-house investment book of records (IBOR).

Performance reporting, shareholder accounting, risk data, regulatory reporting all need to come off the IBOR. As such, the services that managers require go beyond the purview of what their administrator is providing. Managers are turning to third-party technology vendors to effectively become an extension of their operations function as part of a managed services arrangement.

Egeth says: "Most technology providers will host the software to avoid setting up equipment and data centres and the interfaces to their prime brokers and administrators are managed on the hedge fund's behalf. From an investor perspective, this significantly decreases the operational risk. If an investor is doing operational due diligence on a fund, what might they prefer to see: Seven or eight internal systems that the manager has built? Four or five purchased systems? Or the option to go in and evaluate a single solution hosted by one technology provider?"

Bennett Egeth, President of Broadridge Investment Management Solutions

This shift towards using managed services is helping managers achieve institutional-quality infrastructure at a fraction of the cost. A hedge fund's IT team doesn't have to worry about constantly updating source code. Rather, because the software is industry-standard and used consistently across multiple funds and strategies, any software fixes that are applied for one fund, are automatically applied to all other funds.

"The point is, solutions sets today are much broader and include portfolio management, reference data management, pricing, risk and data warehousing. When an investor walks in to conduct due diligence and sees integrated, institutional-quality solutions, it decreases the overall risk," adds Egeth.

As an example, Egeth cites a USD3.5 billion credit fund with a complex asset class mix across its fund products. They are able, with the equivalent of half a person in their operations team, to supervise the reconciliations to their 12 prime brokers and their administrator as well as to manage the technology infrastructure that Broadridge provides to them.

"It's a great example of how to use technology to leverage and scale the management and control of a manager's service providers," says Egeth, who agrees that start-ups could benefit immensely from this trend. After all, they have to work the hardest to convince investors and regulators alike that they are a safe place to invest.

"A USD50 million hedge fund can now start off, on day one, with just as sophisticated an operational infrastructure used by some of the top tier hedge funds in the world," concludes Egeth. ■