

Challenges Facing the Industry

There are now about 8,350 active hedge funds worldwide. Hedge funds assets have grown from less than \$40 billion in 1990 to over \$875 billion in 2004. The hedge fund industry is growing at about 20 percent per year¹.

While high net worth individuals remain the main source of capital, hedge funds are becoming more popular among institutional and retail investors. Funds of hedge funds and other hedge fund-linked products are increasingly being marketed to the retail market.

Issues of cost, poor liquidity, and an awkward fit with the current regulatory regimes have been challenges for many of these vehicles.

After a decade of controversy and rapid growth, and in a context of increasing regulatory requirement and decreasing margins, Funds of Hedge Funds and Investment Advisors are dedicating an increasing portion of their revenue to technology investments capable of supporting their business.

Scope

In order to improve the decision rationale, shorten the long selection process and protect decision makers from the vendors hype often associated with the search for a technical solution, Arubis has investigated multiple aspects of a panel of Funds Accounting Systems with a view to identify the capabilities, strengths and weaknesses of these systems

From an initial list of 34, 12 vendors were selected for in-depth review of the areas listed in the table below. The emphasis was always given to a holistic approach where all business needs would be covered in an integrated and coherent fashion.

<p>Functional aspects</p> <ul style="list-style-type: none"> • Funds administration • Investors & clients accounting • Sales & agents management • Portfolios modelling and simulation • Contact Relationship Management • Analysis & Risk • Documents & Publications • Investor & client interface • MIS on-line enquiries and reporting • Compliance • Straight-through-Processing • Document management 	<p>Non functional aspects</p> <ul style="list-style-type: none"> • Technical platform • Connectivity • Extended data and process model • Security and audit • Accessibility • Look and feel
<p>Company and services</p> <ul style="list-style-type: none"> • Company strength • Maintenance model • Set up and migration 	<p>Costs</p> <ul style="list-style-type: none"> • Software • Maintenance and support • Implementation • Customisation

Results

On the basis of answers to a 200 points questionnaire, vendors' documentation, products' demonstrations and discussions with vendors and their clients, Arubis has built a set of weighted score tables for functional and non functional aspects. In this market where price structure and range differ wildly, Arubis has also built a set of estimates for comparative yearly costs over three years.

Format

For general information, results are offered in the form of a 35 pages document comprising a SWOT for each product, a matrix of compared scores by section, a matrix of detailed answers and scores and a cost comparison table.

For companies in the process of identifying solutions for their own operations, the results of the survey and their related documentation are offered in a database format with a tool that offers the flexibility to change weights both at section and questions level in order to fit the particular requirements of the company..

¹ Source Thomson West