



Performance Measurement Systems: Trends and the Competitive Landscape

SUMMARY

When selecting or upgrading an investment performance measurement system, understanding the competitive landscape is an important factor. To facilitate the choice, many asset management firms engage in a comprehensive RFP process. This paper is a guide for asset managers who are considering a new or upgraded investment performance system. Here within are important trends and a review of vendors that illustrates strengths and weaknesses regarding key functionality.

APPROACH

Meradia's team has extensive performance expertise and experience with evaluating and implementing performance measurement systems and other key operational platforms. Asset managers rely on information to make decisions, whether for investment or organizational purposes. To safeguard the accuracy, depth, and quality of the information gathered, Meradia combined live software sales demos with interviews of product managers, customers, and fellow implementation specialists. Data collection efforts assessed several key system factors: look and feel, ease of implementation, product features, weaknesses, and product roadmap/vision.

These evaluations allowed Meradia to highlight standout systems in each category, allowing firms to prioritize which categories to use when choosing a performance measurement system. Having objective and clear information and analysis helps firms to make decisions that best suit their long-term business plans, while minimizing the risk that arises from a poorly-chosen software implementation.

TRENDS IN INVESTMENT PERFORMANCE MEASUREMENT: SYSTEMS AND VENDORS

- 1. Performance measurement is a data management function** – The strength and reliability of performance systems is heavily dependent upon the quality and quantity of data fed from upstream systems and sources. Systems typically include embedded workflow and ETL (Extract, Transform, and Load) functions to ease burdens that might result from multiple data sources and related staff.
- 2. Move to provide market data** – To provide detailed analytics, performance systems must depend on the availability and quality of index and security reference data. Data Aggregators such as RIMES and IDC have moved into the product space, working closely with product vendors including Bloomberg and Wilshire, to leverage their data assets in a new way. Software vendors, like StatPro, have migrated into the data aggregation space. Traditional stand-alone vendors are also beginning to work with market data providers to facilitate business process outsourcing or to speed integration for new, smaller clients.
- 3. Limit dependencies on constrained IT resources** – Constrained IT budgets impact implementation timelines, and products now include more features to simplify implementations: user-friendly ETL capabilities, self-service workflow definitions and easy-to-customize white label reports.
- 4. Outsourcing** – Asset managers continue the trend of outsourcing operations, causing a shift in the competitive landscape, with custodians and software vendors now competing for business. Whether customers are looking to outsource the hardware/technology through a hosted software model or to outsource the entire operation through a Business Process Outsourcing service, software vendors are being asked to bring service as well as the underlying software to the table.

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TRENDS IN INVESTMENT PERFORMANCE MEASUREMENT: SYSTEMS AND VENDORS (continued)

5. **Expanded product breadth** – Firms embrace best-of-breed product approaches to simplify the implementation process, and typically apply this methodology across the investment performance measurement function. Others will sacrifice some functionalities in exchange for improving consistency and centralizing data assets, choosing instead to push software vendors to expand their product offering to better meet the firm's needs. For example, today, most performance products claim robust GIPS composite capabilities, whereas ten years ago, this feature was rarely seen. Vendors also claim fixed income and risk analytics features to check off as many RFP boxes as possible.

COMPETITIVE PRODUCT REVIEW

Vendor	Software Product
Bi-Sam	B-One
Bloomberg	Portfolio Analytics
DSTi	Anova
Eagle	Eagle PACE
FactSet	Portfolio Analytics
SimCorp	Dimension
SS&C	PORTIA Perform
SS&C	Sylvan
Statpro	Revolution
Statpro	SPA
Wilshire	iQuantum

Ease of Integration – Eagle and Bi-Sam earned high marks in delivering easy-to-use, robust ETL functionality that transforms data inputs and dashboards to help manage, review, and re-submit data exceptions. Both products have reputations for long implementations, though firms considering either should understand that this is the result of complex clients and implementations, not product or service deficiencies.

Accurately measuring investment performance requires highly-dependent, complex data from multiple sources including custodians, market data vendors, and internal data teams. Eagle has a strong data management reputation. Both Eagle and Bi-Sam are viewed favorably by large firms with complex data inputs and extensive requirements for using performance outputs in other internal systems.

Asset management firms that lack an internal structure for robust market data should consider products like FactSet Portfolio Analytics or StatPro Revolution. Both products have their own security master, indexes and classifications needed to support most performance reporting needs, thereby helping firms avoid the significant overhead required to build an effective market data model.

Technology – To assess the future technological viability of performance systems, Meradia examined the age of the underlying system architecture. Several vendors are making strides with respect to improving technology architecture. Some products have evolved to meet changing business and technology trends; others appear to have invested little. Technology trends include cloud computing, compatibility with mobile devices, open data architecture, and thin web clients.

- StatPro has made a significant bet on Cloud computing which could pay off if their current client base does not erode.
- Eagle is partnering with MicroStrategy to develop mobile computing technologies. Eagle continues its mobile-focused R&D and partnerships across all product lines to keep its products at the forefront of technology innovation.
- DST is revamping its older HiPerformance product with Anova to help clients centralize and leverage data assets from multiple sources.
- FactSet continues to enhance its technology architecture, allowing it to quickly process complex, extremely large datasets and deliver real-time performance to the front office.

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COMPETITIVE PRODUCT REVIEW (continued)

Toolset Breadth – Top vendors in this category include Bi-Sam, Wilshire and Sylvan. Each offers full product suites that cover all aspects of performance measurement. These vendors provide typical performance system functionality, but also add highly-desired features such as robust GPS Composites capabilities, Fixed Income and Equity Analytics, and Pre-Post risk functions. DST competes in this category but falls short in offering robust composite features.

Business Process Automation – Bi-Sam is in a class by itself with true BPM-like functionality including customizable workflows that can be defined at the organization, group, or individual level; and allow controls via dashboards. When managing many inputs, work capabilities are critical, especially with calculations that require signoffs and outputs with a seemingly endless distribution list. The next tier of vendors including Eagle, SimCorp, and DST, offer pre-defined exception checks and customization. Vendors that lag in this category expect workflows to be handled outside the system. The best performance tools have robust workflow processes; however, most do not. During 2013, all vendors claimed that workflows were part of product development plans. In 2014, which vendors failed to deliver on this claim will become apparent.

Slicing & Dicing/Analytics for Decision Makers – FactSet clearly outshines all the other products Meradia considered. The real measure in this category is whether investment decision makers (portfolio managers) use the analytics. While some stand-alone systems have made great strides, the only products that rise to this standard are FactSet, Wilshire, and Bloomberg. Each have the underlying market data needed to take the decomposition to levels that are meaningful and compelling. Historically, the main difference between an analytics engine and a performance engine has been the analytics themselves, and the underlying data required for effective production. This gap has narrowed, and is expected to continue to shrink, as performance vendors improve their analytics capabilities.

Controls – Bi-Sam, SS&C Sylvan, DST Anova, and Eagle all offer effective controls, providing clear audit trails of edited data. Controls are critical to the person responsible for signing off on the consistency, repeatability, and audit-ability of the performance returns at the end of each month, quarter, or year. Required control features include, the ability to set effective dates for classification and security reference data changes, closing a performance book of records, and handling back-dated transactions.

Distribution – Bi-Sam, Eagle, and Sylvan are standouts in this category. From a distribution perspective, the best tools offer flexible reporting for quick internal reports, and APIs to provide highly customizable data access. Asset management firms view performance returns as data assets, using the returns in many different forms. As a result, many performance systems become the foundation of a data warehouse, and vendors like Eagle and DST have built their products accordingly. Returns are used in client reports, portfolio management systems, internal websites, portfolio accounting and regulatory reporting and analytics. Vendors that underperform in this category have limited user-defined report capabilities and cumbersome data extract processes. While DST has a robust data warehouse, it falls short with respect to reporting.

CONCLUSION

Choosing one performance system, or group of systems, over another is a decision best made by considering the firm's current needs and anticipating future challenges. For some firms, developing their own client reporting using slick API tools will be a top priority. Other investment firms are content to provide clients with canned, system-generated reports, but will instead place the highest value on portfolio analytics. Still others will view flexible technology as vital to their long-term plans. Given the variety of choices and possibilities, many firms turn to experienced, well-versed, and vendor-agnostic partners like Meradia to navigate an extensive RFP process that maximizes technology investment value. Meradia has a well-earned reputation for delivering clear, unbiased, and objective analysis that guides investment firms through the vendor selection process.



Laurie J. Hesketh, CIPM, Managing Director, leads strategic engagements for clients by delivering tangible, actionable results. She has an exceptional ability to proactively identify and resolve issues, as well as work closely with clients as they embark on the difficult process of implementing change. From her hands-on experience as an analyst and developer to an architect and leader of global change initiatives, Laurie has demonstrated her ability to manage and execute all phases of the project lifecycle. Her strong foundation in Investment Operations and Investment Performance Measurement, Manufacturing Operations, Business Analytics, and Information Technology offers clients a unique blend of skills and cross-industry perspective. Laurie is the go-to person for data management and investment performance system projects.

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