



DRAINS ON THE MARKET DATA BUDGET

How often have you heard an investment manager say, "We don't use that benchmark anymore."? Probably more often than you've heard, "This benchmark is no longer being used and we have properly retired it. By doing so, we no longer need to pay for this data or go through the daily exercise of consuming, calculating and auditing it."

Market data costs absorb a material portion of an investment manager's budget allocation and benchmarks represent an important piece of that allocation. It is not as simple as taking the index such as S&P 500, the Russell 3000 or the Bloomberg Barclays Global Aggregate. In many cases, the manager is also consuming the underlying constituent data or index breakdowns of these indices, whether it be by GICS sector for an equity index, by country for an international index, by credit quality, sector or maturity for a bond index.

Getting the index is just the start of the process. As the manager sets up an appropriate benchmark to measure the investment portfolio against, they are likely creating blends of these indices, or calculated variants – index plus 60 bps to serve as our benchmarks. Firms may be paying a service provider to do this or setting it up in internal systems. No matter how firms provision the information, there is a tangible cost associated with set up, monitoring and maintenance.

Frankly, the benchmark side of the equation is probably the most straightforward. What about the actual underlying investments? Although firms can easily pay for instrument level benchmark information, how well does this information align with the investments in the portfolios? Do firms have the supporting information for all those instruments? Whether sourcing the data from Bloomberg, Reuters or elsewhere, organizations are dedicating human and budgetary resources to manage this information. Firms

are usually paying for credit ratings from multiple sources and then layering on an in-house rating system. The same is often true of our equity sectorization. In the end the aim is to slice and dice investment portfolios to measure the effectiveness of investment decisions which requires this critical dataset. How often then as a product is retired, or a strategy modelling exercise comes to a close, are the market data needs audited and costs retired?

MERADIA CAN HELP

Meradia's team is well versed in implementing data management platforms, and in aligning data needs with the demands of analytics and reporting teams. We leverage that expertise to help investment management firms audit their data management costs. It is rare that a project truly pays for itself; however, in this case Meradia has the expertise to identify these material cost saving opportunities.

Mick Cartwright, CIPM

Mick is a Managing Director and an Enterprise Data Management specialist with over 20 years of experience in the asset management industry. Mick has an excellent, referenceable track record leading and delivering strategy, system and data delivery and integration projects across the front, middle and back offices.

About Meradia

Founded in 1997, Meradia provides strategic advisory and implementation services to the investment management industry. Our team of experts has a global reputation for excellence leading and executing transformational and operational initiatives across the entire investment process. In pursuit of unparalleled credibility and client service, we seek to be the dominant niche provider of investment operations and technology consulting services. We align front, middle and back-office organizations and technical platforms with your business's direction and vision.