



Vendor Spotlight: FundGuard

SUMMARY

A frequently asked question Meradia encounters is our opinion on various vendors. To assist our audience, we have launched a Vendor Spotlight Series, engaging in open dialogues with vendors to discuss industry trends, product positioning, and their collaborations with clients and partners.

In this first installment, Jeremy Welch, Manager for Meradia's Trading and Investment Operations practice, interviews Diane McLoughlin, Program Management Director at FundGuard. With 35 years of experience, Diane has led onboarding teams for over 150 clients and has previously held leadership roles at Clearwater Analytics and Eagle Investment Systems, a BNY company. Jeremy and Diane discuss how FundGuard's AI-driven investment accounting platform alongside Meradia's expertise in investment operations and technology consulting. We cover the adoption of modern technology and data management, emphasizing the integration and implementation process, and highlighting how both companies are enhancing scalability, reducing costs, and improving customer experiences in the investment industry.

One of the initial items that caught Meradia's attention was FundGuard's approach to bringing on strategic partners. Can you give us some insight into this approach and why it's working for both sides?

DIANE (FUNDGUARD): Together with our strategic partners and clients we are creating much needed industry scale and delivering a new era investment accounting utility: An industry-supported, single operating model that flows front to back across asset classes, regions, and functions.

Our clients are shaping the future of investment accounting and will be the first to see the benefits of a high-quality utility that is informed by cross-industry collaboration, removes the pain and risk of back-office processes, and frees up time and resources for true differentiators. Also, our multi-tenant architecture enables an incredible advantage for all our current and future clients, especially for those operating on a smaller scale.

The perceived objective for FundGuard isn't a full front to back solution in its current state, which requires firms to bolt on other services/providers. How is FundGuard looking to build out partnerships to deliver a fully holistic platform that is currently trending in the marketplace?

DIANE (FUNDGUARD): Today we are focused solely on investment accounting - across all asset classes, providing the bookkeeping for all accounting views in any jurisdiction, as either separately managed portfolios or those managed as regulated funds. However, we recognize that our clients need many additional investment management capabilities tied to accounting to conduct their operations. That is why we have a dedicated focus on partnerships for everything from implementation and translation support by consultants in the field through to front office tools, such as OEMS systems, market data providers, performance and attribution systems and those supporting fund and regulatory reporting.

Interestingly the market once sought all-in-one capabilities from the legacy incumbent providers who offered such solutions, but firms have since discovered that no one vendor can excel at filling all the nuanced needs. Now the pendulum is swinging. Clients still have an interest in maintaining a single vendor relationship but are looking to those vendors to provide access to best-in-class capabilities via partner integrations. Today's modern technology fulfills this requirement, with functionality such as the development of microservices that can be delivered with monthly, QA-tested releases and direct service to service integration.

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One thing FundGuard continually keeps in mind when implementing any new system is both an opportunity and a risk as careers are made or broken from overseeing such a transformation. How does Meradia help mitigate a client's risk from this perspective?

JEREMY (MERADIA): We agree that these large-scale transformation projects are pivotal to not only our client's careers, but also the company's success. They have chosen Meradia as a trusted partner in this path to ensure they are getting experience from those who have done these projects not just a few times but live them daily. This experience takes into account the bigger picture at each decision, which helps the overall project's success. A big part of this is keeping the key stakeholders well informed and seeing all the moving parts and components of the transformation process, especially those they do not directly control but can have an impact on their own efforts.

As FundGuard is a piece of a larger solution; how does this impact potential implementations with clients while only knowing some of the underlying systems/platforms/operations?

DIANE: FundGuard will always be thorough and transparent with our prospective clients and their consultants who support their transitions. We always seek to identify all components that may be impacted by FundGuard so that we can avoid adverse impact to the final delivery, and to assure our clients are getting the full benefit of their transition.

That said, FundGuard's partnership program is designed to mitigate or eliminate any surprises or lags that any of our clients' retained systems and processes could introduce. As stated, we are tightly focused on investment accounting, while acknowledging that we can't fully serve clients without integration with other platforms and services. We are actively building complementary relationships and integrations with leading and emerging providers in the market. And due to our confidence in our technology, we are comfortable making commitments to our clients that we can and will support their needs within any implementation plan.

How does Meradia manage the scope and phases in the strategy change where the client is looking at their entire solution architecture?

JEREMY: The biggest step we take is first identify their Maturity Scale by taking an initial analysis of where they are now vs where they want to go. This is critical to judge because as you can imagine the bigger the gap the bigger the risk for overall success. Also, no one is willing to take on long term projects that do not provide incremental value anymore, so understanding the overall gap allows us to better understand how to build a realistic plan into segments that show value along the journey. Think of it as planning a weeklong bike tour, as the tour guide you need to identify some great stops along the way to keep people engaged and look forward to each of the destinations as they must put in the work to get there. By the end of the tour people look back and see the entire journey they have accomplished, but during it they are focused on the next stop. A key component to this is not overloading that first initial step, so momentum and buy-in from everyone begins early in the project. Another would be to clearly identify the scope within each segment and minimize the creep from occurring.

In the market today, what are the product trends FundGuard sees as driving the need for new accounting technology?

DIANE: The desire to consolidate accounting systems in the back office stems from years of tacking bespoke systems onto a primary system to accommodate different asset classes, jurisdictions and other use cases - resulting in what is now a labyrinth of disjointed data and operational silos, Couple these challenges with fee pressure and shrinking margins; client demand for digital delivery; product changes (retail hybrid funds for instance) and single provider solutions - and the pressure to change is extreme.

FundGuard is meeting this demand for change with our real-time, low-touch investment accounting platform, which delivers a single source of dynamic, cross-enterprise accounting data for all business views (ABOR, IBOR, GAAP/Tax, etc.), all from a single instance of all trading activities. By leveraging today's modern technology, we are delivering multiple benefits to the industry:

- **Scalability and Risk Mitigation:** Our state-of-the-art enterprise cloud technology and NoSQL/Big Data approach boosts security, compliance and innovation.
- **Significantly Reduced TCO:** By leveraging the savings of modern workflows, automation and the cloud, our clients will enjoy an ROI that far outweighs the fear of transition.
- **Unparalleled Customer Experience:** Our clients will delight their investors by delivering unparalleled digital experiences and access to meaningful data in real time.
- **Access to the Industry Hivemind:** FundGuard's utility model enables cross-market collaboration to move the industry forward rather than tackling new regulations and legislation alone.

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A common implementation challenge is when a legacy system has had to force a new asset type into a legacy asset type (think modeling a derivative as a bond). How does Meradia help clients unwind the workarounds from an asset type perspective?

JEREMY: There are always workarounds, I mean who has never seen one of these in a legacy Operation team who are not utilizing some blend of Excel/Access before? That said every case is usually different in some way, but understanding what the work around does as well as how it is being executed, is critical, so the first step we take is to document in detail what is occurring and why. Even if this becomes a massive task, and we have seen some epic ones, we have always seen this task as beneficial overall as it expedites identifying replacements and solutioning.

In most instances, firms today typically have different accounting systems that specialize in each of their books of records. How does FundGuard eliminate these redundancies?

DIANE: If parallel systems are providing more than one book of record on a given portfolio, say IBOR for performance measurement and risk analytics and a full ABOR accounting for the portfolio as a fund, we can eliminate the need for two systems in parallel. FundGuard can produce both books from the same single data stream and light touch operation, saving tech costs (software and hardware) and the heavy operational redundancy.

With the performance and risk analyst acting as the canary in the coal mine, what data causes the greatest management issues when preparing calculated results from two different sources? What have been the traditional best ways to manage/correct these problems?

JEREMY: We prefer to use the phrase "Lifeguard at the Data Waterfall." There is not even a close second to answering this question: it's all about security mastering. This unfortunately is not the sexiest answer for higher ups though, that this "simple" issue is the root cause for a good amount of the more complex ones that they brought us in to solve. Often, the only way to highlight this root security master issue is to again fully document how and why it is causing the issue we were brought in to resolve, which is much further down the data's lifecycle.

Any successful implementation will first have a solid parallel run against a legacy system, what are the primary challenges FundGuard has encountered during this period?

DIANE: Once we identify the nuances between FundGuard and the legacy platform, the parallel is simple, as we can mirror the legacy by affixing our rules engine to mimic it and use our embedded recon to check for deviations.

An example of this is with our Contingent NAV clients, where we take the same data provided to their primary accounting platform and calculate the fund NAVs within tenths of a penny precision. And when used for backup, after the FundGuard-to-primary platform reconciliation, FundGuard can start the next day with the primary data, avoiding the pitfalls of trying to parallel systems over time, or building on the FundGuard processing day over day, when the primary is unavailable.

The data lineage within FundGuard and the precision of our reconciliation tool lets us quickly find any nuances between systems. With that we can lead the client to the best outcome, such as improving their operation with the better data we can produce, whether that be how we use more precision in our calculations, more granularity in our general and sub-ledgers, and other improvements to their data.

For FundGuard, the interesting outcome of the Parallel run is when we identify and flag the deficiencies in a prospective client's legacy system. It is often a challenging moment for a client to acknowledge that the system they currently have is wrong and how that gets communicated. Has Meradia experienced this and how have they helped in this situation?

JEREMY: Assuming by deficiency you mean an error in what they are doing or using today. This is a common situation for us since our clients are usually looking to replace functionality and systems for a reason and one of those are gaps that cause these errors. The overall approach is the same for us, but how the communication and therapy scale that we need to help manage depends on the magnitude of the error and its downstream impacts. We first need to help our client understand how and why the situation has happened, then help them create their "PR campaign" internally to ensure everyone is properly aware of the magnitude and how the problem is being resolved. This last piece is critical as mistakes happen, but how the team and organization handle the communication of them both internally and externally is a key difference maker in the industry.

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Are there any trends for firms proposing to change their existing operating model when looking to implement FundGuard?

DIANE: The largest trend driving change is digitalization, which has triggered demand for data management, multi-book and multi-source aggregation, and the need for novel delivery approaches across the asset managers' operations and to and from their service providers, partners, and clients. This is significantly changing the operating model, but often by adding overhead as these approaches try to overcome time lags, inconsistency of terms amongst systems, and errors created throughout the system due to new processes, people and cultural changes.

However, FundGuard's cloud-native, low-touch, multi-book investment accounting platform manufactures timely and trustworthy data (with complete data lineage). Firms pivoting away from their traditional systems to leverage FundGuard's new era technology can transform their operating model by leveraging this single source of truth to deliver fit for purpose data across all relevant front, middle and back-office functions. This will eliminate most of the data management activities needed to digitalize firms that are still using old technology. Add to this the fact that creating and maintaining all this foundational information is more cost effective and more reliable from the start.

With all the focus on digitalization, how prepared are Meradia's clients to take advantage of new data distribution methods? What is most prevalent how do you help them prepare for these changes?

JEREMY: This is where our Maturity Scale analysis really highlights how prepared organizations are to take on digitalization, as everyone in the industry is realizing the opportunities like new data distribution methods that are either inefficient or not feasible within their existing IT structures. Advising them is a key component on the back end of that initial analysis to ensure the core principles they begin to build from are solid. An example, establishing and maintaining their single source of truth for their underlying data and re-pointing everything downstream to the origin instead of cloning the data repeatedly as it moves downstream.

How is FundGuard enabling firms to change their operating model to become more efficient?

DIANE: FundGuard is uniquely positioned in the marketplace to drive material FTE efficiencies, establish a consistent global accounting operating model, transform product offerings to be API-driven, cloud-based and real-time, and leverage financial and operational data to deliver meaningful insights and operational improvements, while limiting the transition costs and duration. The benefits of these efficiencies include:

- Better data, better analytics, more integration, and the ability to evolve quickly are all central to today's customers, many of whom have already gone digital and expect the same from their service providers.
- Delivery of a differentiated customer experience and support for increased regulatory oversight, enabled by a single source of truth delivered in real-time to enable sophisticated, cross-business operations and data insights.
- Seamless movement of data and the processes and decisions that flow from that across the organization (digitalization needs to start from the back and should remove barriers, not add new ones).
- Better decision making and enhanced analytics (and increased profitability and customer satisfaction) with modern trading and front office dashboards powered by real-time data that is consistently, immediately and seamlessly integrated across all touch points.
- Seamless incorporation of new products and asset classes into existing systems - at a speed and level of efficiency that is not possible with legacy, on-prem tech.

With new technology there are typically drastic changes to current operating processes, significantly reducing headcount requirements in some areas while redefining and creating new roles in others. How does Meradia prepare its clients for these changes?

JEREMY: When it comes to potential headcount adjustments the key focus is keeping the analysis and messaging factual. Understanding how the technology changes will impact the organizational staff allocation is ideally removing the non-value-added aspects of the organization and items that are candidates for things like off-shoring. This gives the organization the ability to understand where their value-added opportunities are within their new transformed operating processes. This is usually where there are multiple options to choose from and we will help advise our client on the pros/cons for each.

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Another hot trend is AI and its impact on our industry. Does FundGuard see this continuing to expand from the research side into the operations and back-offices areas of firms?

DIANE: Rightfully, AI's first applications (40 years ago) have been focused on investment ideas and decision making. With broader, easier access to the tools today, distribution - market targeting, sales facilitation, and automated client capture - has been the next focus of AI application, which makes sense since that is what brings the assets.

But indeed, there are so many operational pain points that can be solved with AI and machine learning. For example - perhaps less glamorous, but quietly huge - creating a chart of accounts and establishing general ledger debit and credit posting rules can be extremely challenging in any investment accounting system due to several factors inherent in the complexity and dynamics of investment portfolios. At FundGuard we are using AI and machine learning to drive a wizard-like process where FundGuard suggests its own complete GL Accounts and Posting Rules based on a client's responses to a set of questions about the types of securities they trade, and how they would like to view trial balance data.

We are also using AI for internal NAV production "cost" analysis - where AI engines can present responses to inquiries such as the ten funds with most correction/cancel activities; most critical task alerts over the past week, month, etc.; file sources with most failures; the top five users initiating routines/activities manually, or which reports, and query views are not getting enough use.

If not already, how far away is AI from expansion into the market?

DIANE: True expansion will continue to be inhibited by all these legacy AI-overlay applications using individual instances of software. You can't get the benefit of true crowdsourcing across front, middle, and back-office workflows. This can only be achieved with truly cloud native systems that are one code-base and multi-tenant. With siloed legacy systems, you can't capture the true power of AI because you don't have the benefit of scale.

Additionally, the siloed approach is missing the opportunity of the crowd-sourced AI application on the manufacturing of the data in the first place. By monitoring, validating and cleansing information as it arrives through a tight integration from the source, AI in FundGuard is now ensuring that the information delivered is fitting from the start.



Jeremy Welch leverages his deep knowledge of project management and investment performance to support our clients through their most challenging outsourcing decisions. He is an expert in investment operations outsourcing with over 15 years of experience. Jeremy frequently serves as the bridge between outsourcers and end-clients to ensure the smooth onboarding of global platforms.



Diane McLoughlin, Program Management Director, FundGuard, brings 35 years of customer onboarding experience to the FundGuard leadership team. With a focus on accounting and data management solutions in the middle and back office, she has built several onboarding teams that have implemented over 150+ clients ranging from large asset managers and insurers to small start-ups. Prior to joining FundGuard, Diane served as Head of Global Delivery at Clearwater Analytics and Chief Client Officer at Eagle Investments Systems, a BNY Mellon company.

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