

14 For '14

14 Things We Think for 2014



14 things we think we think for 2014...

1 IBOR: You Can Handle The Truth

The topic of IBOR has received a lot of attention recently, but the marketing push and the mystique of the acronym are wearing off. IBOR is simply a data set that includes the **most up-to-date position information a manager has available**. Today's investment management process requires timely position information and customization that, for most, can't be bought off the shelf. The complexity of achieving this important goal can be significant for managers, but shouldn't cloud the definition: a consistent and reliable service, supported by technology, where managers can turn for position data. We expect significant IBOR-related activity to continue in 2014 but believe a definition and solid industry-view will emerge, allowing firms to better understand the truth behind IBOR.



(Courtesy: Columbia Pictures)

*I want the truth!
You can't handle the truth.*

2 The RFP Is Dead. Long Live the POC!



(Courtesy: DreamWorks)

I immediately regret this decision.

The Request For Proposal (RFP) isn't really dead but for certain segments of the market, it feels that way at times. Formal RFP processes are still the norm for service provider selections but Proof of Concepts (POCs) have changed the way the industry is engaging and selecting applications across the investment management lifecycle. The consolidation of industry vendors and providers, a more networked community, risk aversion and a desire to show immediate progress are all contributing factors to why POC's have been used for a significant percentage of selections in 2013. 2014 will see an acceleration of this trend for systems and providers small and large.

3

Quality Conundrum

10+ years ago, freshly minted MBA's and college graduates gravitated to careers in Management Consulting and Financial Services; now their target occupation and career desires have shifted – think “The Social Network”. Our best and brightest want to wear flip flops and hoodies to work; they want to work the hours of their choosing, often resulting in unconventional work-days; they want to be rewarded handsomely in the form of equity in a high-growth company. They want all of this now, and don't want to wait for it. It used to be a badge of honor to be seen as a “sticky” employee – think 2-3 jobs over a 12-15 year span – now, it is not uncommon to peruse a CV in which a young candidate has had 7 different jobs in 8 years. Loyalty has gone out the window for a vast percentage of the workforce (regardless of industry), and the challenge is how do we get it back? We don't think the answer is a simple one, but there are a few things that you should be asking yourself, regardless of whether you work for an investment management firm, software vendor, services organization or consulting firm – Do I believe in my brand? Do I know what it stands for? Do I see a long-term career with my present employer? Does my present employer look after me; will they have my back when the going gets tough? If the answer to any of these questions is ‘No,’ then it is probably time to get on LinkedIn and jump back into the marketplace. If the answer is ‘Yes,’ then we would suggest that you re-double your efforts and get after it! The chances of the next Sean Parker, Mark Zuckerberg or Larry Page reading this are probably slim to none – and that's okay. There is nothing wrong with carving out a rewarding and impactful career in Financial Services – the grass is most certainly not always greener on “the other side.”



(Courtesy: Columbia Pictures)

Sorry! My Prada's at the cleaners! Along with my hoodie and my [...] flip-flops!

4 Hosted Options? “Yes!”

Hosted application models have been around for some time now, but there are still vendors in the market that are resisting or taking half steps to an offering. Not for long if they want to remain relevant. We see this trend intensifying in 2014 where clients want options and are asking themselves – “Why do we want to run these systems in-house, in our data centers? Isn’t there another way?” They are finding out increasingly that the answer is “Yes”; there is another way. The benefits achieved from hosted technology, whether it be lowering maintenance costs, re-purposing existing hardware or simplifying their overall infrastructure footprint can be advantageous to clients regardless of size or complexity. Without a proven, hosted option, vendors will sacrifice new client opportunities.



(Courtesy: MGM)

I'll have what she's having.

5 The LEI Becomes Reality



(Courtesy: Universal Pictures)

If you build it, he will come.

2013 was the year that Dodd-Frank-driven change became reality for investment management firms. While 2013's effort was concentrated on adding collateral management and derivatives central clearing capability in the States, 2014 will be the year for the Legal Entity Identifier (LEI). The technological changes required to investment management systems and the need for strong internal and external governance will become real for investment managers in 2014, as will the time and cost required to support the new requirement.

6 Data Evolution

Big Data receives a lot of media attention outside of our industry, but has yet to receive broad adoption within it. We **don't** see 2014 as the year big data arrives on the buy-side but we do see managers leveraging tools born out of the big data movement. Technologies like Hadoop and MapReduce were created to support big data concepts and allow for better handling of large, structured and unstructured data sets. Investment managers will actively be evaluating these technologies in 2014 to support their analytics and data programs and their findings will likely crystalize what the next generation data warehouse will look like for our industry.



(Courtesy: Universal Pictures)

*Roads? Where we're going,
we don't need roads.*

7 Outsourcing Outlook



(Courtesy: Paramount Pictures)

*The question isn't what we're going to do,
it's what we aren't going to do.*

Outsourcing will remain a focus of investment management firms in 2014, even with the robust activity of the last few years. While firms focused heavily on achieving cost savings in outsourcing deals in the past, they are now looking for the service provider to do more. Investment managers are looking to leverage service providers to enable them to expand into new asset types and services that they don't currently offer, all while enhancing their level of service to their clients. For example, these enhanced services may include more robust client reporting and performance analytics. Global firms are also looking to consolidate their operations into one global model, a goal that can be achieved with outsourcing.

8

Vendor Consolidation = Vendor Risk

Vendor consolidation (and in some cases, attrition) in our space over the past 3+ years has left the industry with precious few choices with which to entrust functions vital to the Investment Management business. Order Management, Portfolio Accounting, Enterprise Data, Middle Office Outsourcing and Client Reporting, to name a few, have all been impacted. This shrinking market has created broader, more dynamic relationships, but has also introduced an aspect of vendor concentration risk that is not good for the industry. The resulting effect of this consolidation has only heightened the criticality of the due diligence and decision-making process when selecting vendors and service providers that will enable your organization to flourish. We are seeing an evolution of sorts right now in the vendor/service provider marketplace with clear-cut winners and losers up and down the functional spectrum of our space. We expect this 'survival of the fittest' trend to continue into 2014 and beyond, as niche stand-alone, independent vendors and service providers become a thing of the past, and continue to give way to those organizations offering integrated technology, services and data offerings.



(Courtesy: DreamWorks)

Recent research has shown that empirical evidence for globalization of corporate innovation is very limited and as a corollary the market for technologies is shrinking.

9

Risk Data: We Have a Problem

Multi-asset growth and an appetite to leverage alternative asset classes has led to a proliferation of analytics products within buy-side firms, and a new data challenge. Analytic tools are largely cloud-based, asset type-specific solutions and require significant data aggregation and integration support. The data management challenge of providing analytical data, across asset classes, in a transparent and controlled environment, will be a significant area of focus for many managers in 2014. With a new roster of analytics tools coming to market and the desire for intraday performance, strong and precise management of analytical data will be a 2014 imperative.



(Courtesy: Universal Pictures)

Houston, we have a problem.

10

Looking for Global Regulatory Harmony



(Courtesy: Warner Brothers)

What we have here is a failure to communicate.

As Dodd-Frank, AIFMD and Solvency II become more of a reality in the coming year, their largely regional focus will continue to make achieving an efficient, global operations environment difficult. The struggle to maintain global regulatory compliance will continue in 2014 between managers and regulators. A question that continues to be asked by global managers today is when will the pendulum swing back to support the investment management function's focus on their end investors, as opposed to regulators? A balance cannot be struck until global regulatory coordination becomes a reality. Until then, global managers will continue to spend significant time and resources trying to keep up with regional regulatory change and driving efficiency in silos.

11 Best of Breed, Now More Inclusive

2014 will be the year when 'Best of Breed' moves beyond being a technology-only conversation. Key areas of technology and operations-oriented investment, including everything from trade capture and fund accounting to collateral management and client reporting, are now supported by a range of delivery options. Those include rapidly maturing outsource providers, installed technology, hosted applications and everything in between. The impact of this change to buy-side managers is significant, as the decision making process has become increasingly complex – it is imperative that today's IT leaders get acquainted with the myriad of offerings now available in the marketplace. It wasn't long ago when our clients would approach us for assistance with their build vs. buy decision; it's frankly, not that "simple" anymore. The conversation has shifted to buy vs. build vs. outsource vs. ASP vs. managed service and so on, depending on the challenge that you're trying to solve. We strongly recommend that investment management firms take a step back and review their holistic IT and operations strategy globally prior to taking the leap into today's increasingly complex solutions landscape.



(Courtesy: Fox Searchlight)

A liger...it's pretty much my favorite animal. It's like a lion and a tiger mixed-bred for its skills in magic.

12 Global Platforms, To What End?

The concept of adopting a single global operating platform is a solid aspirational objective, but is it a realistic goal? Given the proliferation of investment products, increased regulation and global distribution necessary in today's marketplace, how practical is it to expect that a single, all-encompassing operating platform is going to address the challenges prevalent in the industry? It is not a badge of honor to boast that you've "successfully" adopted and implemented a single, global platform, if you've got 2,000+ spreadsheets, and assorted workarounds to address the shortcomings in your model. In our view, a solid and well thought-out data strategy and accompanying architecture are paramount in ensuring that key components, including accounting and order management systems, can be supported by federated or best-of-breed ecosystems. IT leadership in our space is maturing rapidly and coming to the realization that a componentized approach centered on an adaptable data-centric model will enable future flexibility as their needs and challenges continue to evolve.



(Courtesy: Universal Pictures)

You're going to need a bigger boat.

13 The Juice To Lead Data Forward

With all of the attention that the data topic has received recently, the development of enabled and effective data leadership roles for buy-side firms has been a slow process. Whether it's a Chief Data Officer (CDO) title or something less grandiose (think Chief Data Steward, Head of Information Delivery), the key is whether the role has any real power, influence, budgetary control and 'rope' to drive real change. Is this role a figurehead with no real authority or does the CDO (or like titles) have real juice to sit alongside their CXO counterparts and drive change?

We're all curious to see how many firms can make the investment in a true strategic data leader in 2014 and beyond. A very senior, data-oriented role is needed at most investment management firms; and it needs to go beyond the operational/BAU data roles that already exist to ensure that data is thought of as a strategic asset with the vision that goes along with it.



(Courtesy: Warner Brothers)

There is a difference between knowing the path and walking the path.

14 Citisoft Forecast: Data-Enabled Growth

Our client relationships are built on trust, accountability and the recognition that our client's success is our success. In 2014, Citisoft will be defined by the trusted partnerships we have forged with our existing clients and the new partnerships established with firms looking to enhance operational efficiencies within their investment operations. The investment management industry has evolved in a reactive mode to changes in technology solutions that streamline and enhance trade processing, data management and reporting. As we move into 2014, we will see more investment firms and service providers begin to look proactively at their technology stack and operational capabilities as a competitive advantage in the marketplace. Whether its through outsourcing capabilities or implementing new technology, asset management firms will ride the wave of technology to new levels through increased focus on systems enhancements and data management initiatives to support front office investment strategies. Just as Apple has demonstrated that a complete ecosystem of music, photos, video and communications is not only desirable but possible, so to will asset managers finally realize the benefits of a data centric ecosystem to support all investment management functions.



(Courtesy: Paramount Pictures)

It's not personal, Sonny. It's strictly business.



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