

DATA... The 4-Letter Word That Keeps Mutual Fund Executives Tossing & Turning Night After Night

DATA warehouse

DATA scrubbing

DATA aggregation

DATA mining

DATA stewardship

DATA base

DATA-driven

DATA OVERLOAD

Consider Dan T.

Until 90 days ago, Dan was a confident, highly accomplished senior sales executive, running distribution for a large, prominent mutual fund company. Over the course of Dan's 27 year financial services career with three brand name asset management companies, he gained a formidable reputation as a savvy sales and marketing pro with the skills and wherewithal to build high performance distribution organizations.

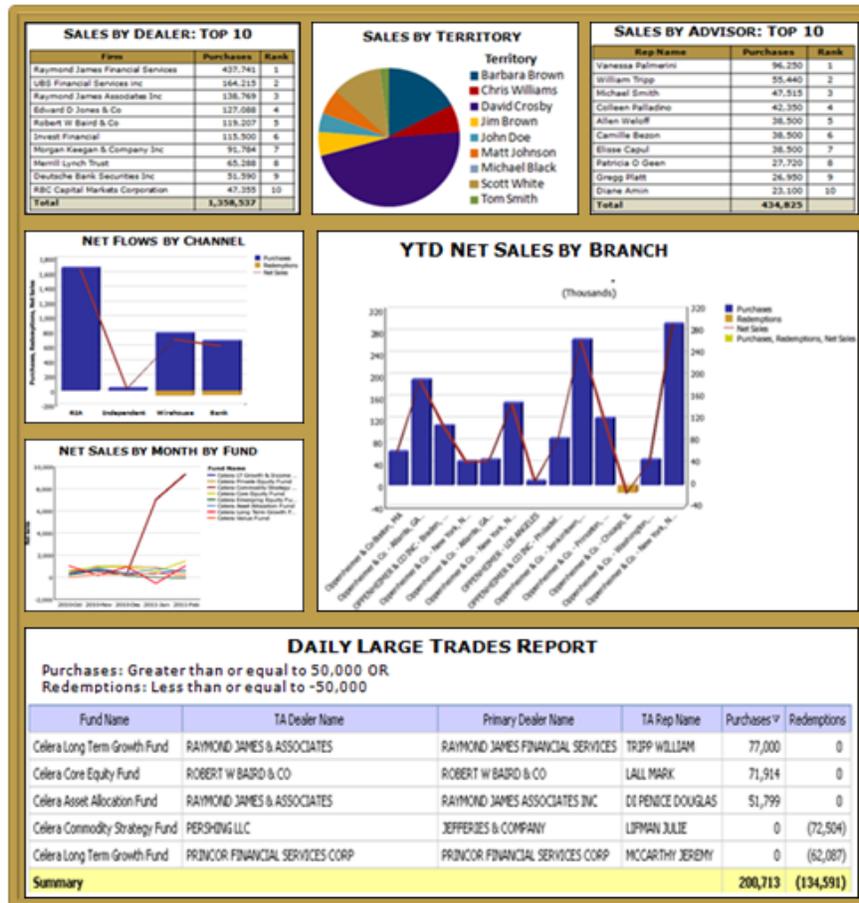
In 2008, an all-star portfolio management team at Dan's firm jumped ship to found its own boutique asset management company. By year end 2011, from a grub stake of \$20 million of "friends and family money," the new start up could boast an impressive \$2 billion in assets under management, including both institutional accounts, and two long short mutual funds, which were launched 14 months ago. Dan and his former colleagues kept in touch, periodically getting together to catch up and compare notes about their respective business challenges and opportunities.

In early January of 2012, the two principals of the new firm invited Dan to breakfast, and put on the hard court press for him join their fast-growing venture as an equity partner, to head distribution and manage their small sales team. In his mid 50s, Dan felt that the new intellectual challenge, financial upside and personal satisfaction that he anticipated in a fast paced, seat of your pants, entrepreneurial organization represented a capstone career opportunity he simply could not pass up.

Notwithstanding what he viewed to have been his thoughtful and probing due diligence effort prior to assuming his new role, Dan quickly learned that many elements of infrastructure he'd just taken for granted throughout his 2½ decade large-company career, simply were not in place in his new firm.

Welcome to a start up, Dan.

There are more than a few veteran asset management executives who have made the leap from large company roles to small and mid size organizations. Many, if not all, are accustomed to starting their day with a cup of coffee, a first-thing-every-morning graphical dashboard of key business metrics, and access to on demand analytics of critical business variables, sliced and diced in every way imaginable. Dedicated IT and operations staffs have been standing by “on call” to translate or interpret complex reports, sort out confusing information, or track down answers about perplexing or troubling transactions.



Daily Desktop Dashboard of Critical Business Variables

By contrast, except in highly unusual circumstances, small and mid size firms, particularly those in their start up or ramp up stages, operate mean and lean when it comes to building systems infrastructure common to supporting distribution in asset management companies with tens of billions or hundreds of billions of assets under management. More typically, entrepreneurial startups run too fast trying to build scale to invest the time or energy to develop data management systems, business intelligence tools and sales support structure. Not unlike most entrepreneurs in the early stages of company building, many small and medium asset managers invest substantially in sophisticated portfolio management systems, while doing their business analytics on the back of an envelope or a scratch pad.

5 Steps through the Complex "Minefields" of Asset Management Industry Data

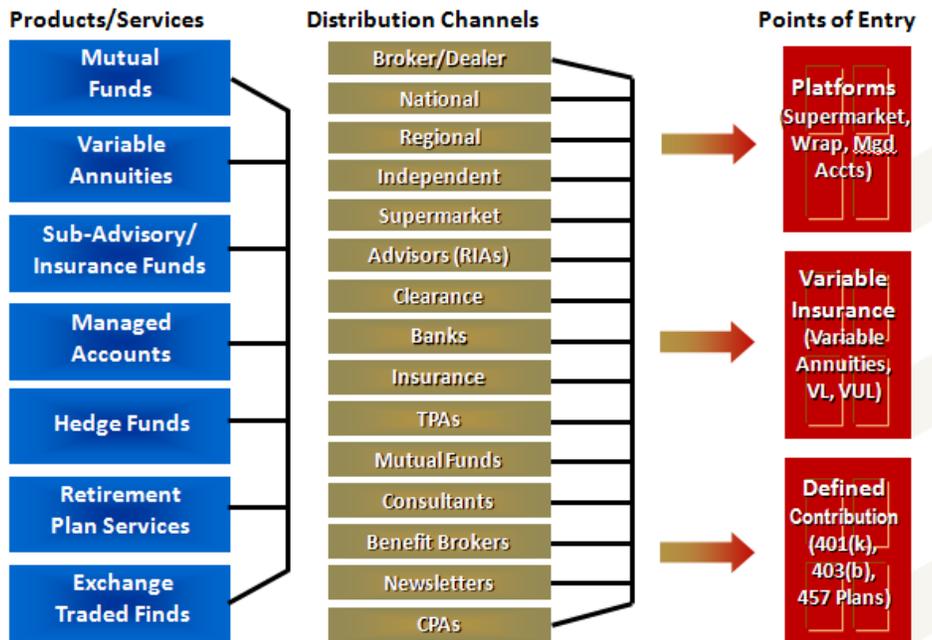
1

Understand the landscape of asset management distribution

The landscape of asset management distribution continues to be a work in progress. Business practices of advisors, broker dealers, and intermediaries through whom they transact business, morph on an ongoing and continual basis into new and seemingly ever-more-complex models. Just when industry mavens think they finally have a handle on how asset management services are priced, bundled and distributed, an

innovative advisor, marketing manager, record keeper, or provider comes up with a new service, product or pricing structure that gathers attention and momentum, and in short order becomes widely adopted throughout the industry.

Making headway through the complex minefields of asset management industry data has to start with gaining a perspective on the landscape of asset management distribution.



2

Learn how the structural framework of clearing operates

Probably no industry structural framework confounds small and medium size asset managers more than the proliferation of clearing platforms and custodians through whom advisors and their dealers clear their transactions.

For a small or medium size asset manager, understanding at least the most common variations of business models and business practices among advisors, brokers, planners, broker dealers and record keepers is a prerequisite for sorting through and crafting channel strategies, focus firm strategies, wholesaler territories and other distribution-specific initiatives.

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3

Aggregate transaction & clearing data

As any operations manager in a top flight transfer agency will affirm, getting a handle on how and through which clearing platforms an asset manager's shares are being purchased and redeemed, and through which intermediaries, is not a task for the faint of heart. Systems infrastructure, both hardware and software is expensive, and sorting through the IT options and alternatives suitable for complex and time-sensitive data downloads is just the tip of the iceberg in terms of understanding where an asset manager's business is coming from.

By a wide margin, the more critical and expensive "assets" required to aggregate and warehouse transaction and clearing data come in the form of experienced IT engineers and programmers who have a demonstrated spirit of ingenuity, combined with adequate industry experience to build the bridges and downloads from transfer agencies, record keepers, and the proliferation of clearing platforms, to aggregate transaction data into a single data warehouse. As all too many asset management executives can attest, an incomplete or fuzzy picture of where business is coming from, can quickly derail a distribution strategy.

And that's not the half of it... warehousing transaction and clearing data brings most asset managers face to face with the reality that many advisors, in many distribution channels transact their business through more than one clearing platform, depending upon whether they are acting in the capacity of a fee-based advisor, a commission-paid registered representative, doing business through their own RIA or through their broker dealer's corporate RIA. Add the dynamic nature of advisor recruiting and retention in the industry, and identifying and keeping track of advisors, brokers and planners is a daunting and complex effort. Scrubbing and cleansing may bring to mind dental hygiene practices or janitorial work... but when it comes to tracking who's doing business with you, advisors, brokers and planners on the front line of any asset manager's distribution effort, data scrubbing and cleansing involves the tedious, complicated and painstaking detective work that interprets advisor and broker codes, and puts a face to a unique data identifier, so that an asset manager can connect with the financial professionals who are recommending and taking positions in their funds.

4

Crack the omnibus account "nightmare"

Contrary to what might be expected, getting a grip on where an asset manager's business is coming from does not become more straightforward when transaction data is aggregated and warehoused... omnibus sub accounting makes the puzzle of who's recommending and redeeming a company's fund shares or separate accounts, even more confounding. Omnibus accounting has been known to bring seasoned sales and marketing managers "to their knees" in frustration. One veteran distribution exec reports that he literally "started pulling out his hair" trying to crack the omnibus account puzzle; another reported "omnibus account nightmares."

For large brand name asset managers, it's not uncommon to have teams of operations, IT and back office personnel dedicated exclusively to sleuthing through mountains of data, in order to crack the omnibus account puzzles which are the underpinning of understanding who's doing business with their firm. For small and mid size asset managers, particularly in their first few years of operation, the ability to staff up with experienced operations and IT personnel is generally not an option; financially or otherwise.

5

Make sense of mountains of data

A veteran distribution executive recently left a large prominent mutual fund organization to head sales and marketing at a mid size firm with \$5 billion in fund assets. He talks about his first weeks on the job in terms of “angst” and “anxiety” (his phrase is “sheer terror”) as he tried in vain to work his way through mountains of incomprehensible internally-generated computer reports... just trying to make sense of the data to conduct a straightforward assessment and SWAT analysis. He describes that the frustration of attempting to make sense of impenetrable data almost brought him to tears.

Accustomed to having dashboard graphical reports at the tip of his finger and a click away, he reports that a constant refrain from a classic novel of a sailor stranded in a lifeboat at sea played constantly in his mind: “Water... water everywhere, and n’er a drop to drink.” In his case, he was surrounded by oceans of data, and yet he couldn’t find a drop of actionable information to consume.

Information is power. Transforming data into databases and data-informed reporting and business intelligence is the underpinning of crafting informed business strategy.

For more information about how to navigate the complex landscape of asset management industry data, call us.

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