



Breaking Down Silos:

A Connected
Investment Experience

THOUGHT LEADERSHIP

In the face of changing investor expectations and competitive pressures, asset and wealth managers are reevaluating their offerings and the systems that support them. Recent years have seen a significant diversification of products, particularly among firms that serve a mix of institutional and private wealth clients.

In response to increasing investor demand for more personalized and tax-advantaged investment solutions, many firms are moving private clients from model portfolios, mutual funds, and institutional-style strategies into separately managed accounts (SMAs). This allows for a higher level of customization to client preferences and restrictions, which in turn enables a firm to better differentiate its offering and add value, while commanding a premium compared to pooled account fees.

However, firms face significant hurdles in scaling their business to meet investor and client demands efficiently. In addition to managing a handful of strategies and funds, they now find themselves managing and making decisions on hundreds or even thousands of individual portfolios. As those portfolios require more active management, trading volume escalates, putting enormous pressure on trading and compliance platforms. Managing data becomes

increasingly complex as well, as more volume means more data flowing through the firm's systems, raising the risk of latency, inconsistency, and errors.

Eight essential investment management platform capabilities

In this changing environment, firms are likely to find their existing technology platforms can only handle so much complexity before they start to buckle under the strain. To gain agility and scale portfolio management without compromising quality, firms need to take a holistic view of the technology platform that supports their core investment management activity. Specifically, to achieve greater speed, efficiency, and accuracy in the face of mounting complexity and volume, a modern connected investing platform is essential and needs to address the following issues:

1. Stronger integration between portfolio management and trading

The path from the portfolio manager's decisions to execution by the trading desk needs to be streamlined and compressed. That means having tools that automate and accelerate portfolio modeling, construction, rebalancing and trade creation, and that link directly into the trading application.

2. Scalable portfolio management

Modern portfolio managers need the ability to accommodate highly personal preferences for a large number of investors with optimal efficiency within a portfolio modeling framework. For example, if clients want their portfolios to incorporate more personalized preferences, the manager should be able to quickly identify and substitute suitable securities while keeping the portfolio in line with the model's risk and return characteristics. Similarly, to meet a client's tax optimization objectives, the manager needs an efficient way to identify tax-loss harvesting opportunities and reinvestment options.

3. Portfolio analytics

Portfolio management teams should have access to sophisticated analytics to help them understand and explain their exposure and the drivers of performance. The analytics

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component needs to integrate seamlessly with the portfolio accounting and reporting system to ensure the integrity of the data underlying the analytics processes.

4. Institutional-strength trading

Increasingly, firms will need institutional-strength trading capabilities that support multiple asset classes and provide real-time visibility across the entire trade and post-trade lifecycle, from order management through execution and settlement. Built-in automated pre- and post-trade compliance checking can further streamline complex trading processes.

5. Single source of truth

Portfolio and trading teams should be working off the same data that they can trust to be current and reliable. That means consolidating front-, middle- and back-office data in a single cloud data store underlying all applications, enabling access to disparate data sets. The data pool supports a robust Investment Book of Record (IBOR) for firm-wide data consistency, providing teams with a single source for real-time, intraday views of portfolios, positions and cash.

6. Microservices architecture for integrated applications

Services such as transaction, portfolio and market data can be delivered via microservices that feed into the core applications. This eliminates the need for multiple, disparate interfaces and allows for modularity, enabling firms to select the specific services they need and build out the menu of services available over time.

7. Cloud delivery

Cloud deployment gives firms the flexibility to add or swap out modular components as needed and upgrade any component without disrupting the platform. With enhancements introduced quickly and easily firms achieve virtually unlimited scalability without adding to their in-house technology stack.

8. Front-to-back consolidation

A key goal of platform modernization is to reduce the number of discrete systems (and technology providers) a firm must integrate and rely on. By integrating portfolio management and trading with a high-performance portfolio accounting engine, all served by the same underlying data pool, firms can significantly streamline front-to-back processes and data flows.

Changing investor demands present significant challenges for asset and wealth managers, but they also present an opportunity for firms to expand their offerings, enhance their value, protect margins and reinforce client relationships. A modern technology platform designed to support scalable portfolio management, high-volume trading and firm-wide integration can help accelerate time to market and equip firms to fully capitalize on this opportunity.

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