

Buy Side

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OUTSOURCING

Neuberger Berman Rolls Out Latest Version of SunGard's Portfolio One

Following months of beta-testing, New York-based powerhouse investment adviser Neuberger & Berman (NB) recently brought SunGard Portfolio Solutions' Portfolio One outsourced portfolio management software package online. NB will continue to use SunGard's outsourced service to support some \$40 billion in assets under management.

With money managers constantly hopping from system to system, NB is the exception to the rule, with the firm recently marking the 20-year incumbency of its portfolio system. NB

brought the latest flavor of SunGard's outsourced service into full production Jan. 1.

The service was originally developed and marketed by Shaw Data Systems as Shaw On-Line. SunGard Data Systems subsequently bought Shaw Data in 1992 and has operated the vendor as a business unit. Shaw On-Line was eventually re-worked and renamed Portfolio One. This latest release features a browser-based, front-end report writing tool.

While under the SunGard umbrella, it

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PERFORMANCE MEASUREMENT

Eyeing Japan, Magnum Tweaks Its IT

Launching a campaign into the Japanese market, IT staffers at Magnum Global Investments are fine-tuning the firm's internally developed performance measurement applications. Although officials have considered vendor-supplied systems, after spending months mulling

over numerous off-the-shelf offerings, they realized there just isn't anything out there to fit the specific needs of a large fund-of-funds manager.

Based in Nassau, Bahamas, Magnum Global Investments is a worldwide offshore fund-of-funds management firm supporting a family of 18

funds valued at some \$400 million. Magnum also runs a consulting arm, Magnum U.S. Investments, located in Miami. Magnum officials recently announced that the firm is actively seeking both to introduce its existing investment funds to Japan, as well as

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Y2k COMPLIANCE

SEC Posts Y2k Readiness Reports

For those IT departments still dragging their feet when it comes to Y2k readiness, the Securities and Exchange Commission just provided a little push. With the financial industry gearing up for a battery of Y2k tests slated to begin next month, the SEC recently posted a searchable database on its Web site providing access to

Y2k readiness reports that were filed with the SEC from thousands of investment advisers, mutual funds, broker/dealers and transfer agents.

The voluminous searchable database (accessible at www.sec.gov) includes more than 13,000 reports describing SEC-registered firms'

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SEC

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state of Y2k readiness, costs to address the Y2k problem, Y2k risks and contingency plans. Investment advisers were required to complete the form on their readiness for Y2k late last year, to be followed by another filing due June 7. The SEC created this database using the answers to the questions on the first form.

The form for investment advisers has two parts. Part I of the form contains information about the advisers; Part II contains information about any mutual funds. Not all investment advisers are required to file this form. An investment adviser is required to file the form if it is registered with the SEC, and has more than \$25 million in assets under management, or manages an

investment company (mutual fund) registered with the SEC. An investment adviser is not required to file if it is not registered with the SEC (e.g., it is registered with a state), or registered with the SEC, but has less than \$25 million under management.

According to SEC figures, investment advisers manage roughly \$15 trillion in assets, including over \$5 trillion in mutual funds. Realizing the importance of Y2k readiness in this field, the SEC turned an eye toward the buy-side with the November 1997 letter issued from Chairman Arthur Levitt to all registered investment advisers, stressing the importance of Y2k planning and devoting adequate resources to modifying computer systems.

At the same time the SEC initiated an ongoing dialogue with industry groups, launched examinations that include on-site Y2k reviews, and offered analysis of Y2k dis-

closures made by investment companies. In July 1998, the SEC published a release outlining the disclosure obligations of advisers, funds and others. The SEC later announced a moratorium on the implementation of new SEC rules that require major reprogramming of systems by, among others, investment advisers and funds. The moratorium is designed to encourage firms to allocate sufficient resources to remediation of the Y2k problem.

Meanwhile, the SEC has sat down a number of times with the Investment Company Institute (ICI) to promote Y2k readiness and discuss the status of Y2k assessment, remediation, and disclosure efforts in the industry.

The ICI has urged its members to participate in the Securities Industry Association's industry-wide test program scheduled to begin in March, 1999. ●

Magnum

Continued from front page

develop one or more hedge funds marketed internationally and run by a Japanese investment manager—who has yet to be selected.

As a fund-of-funds manager, Magnum doesn't participate in the day-to-day trading and management of the funds. The firm relies on a collection of internally based performance measurement and tracking applications to keep tabs on the funds. Magnum does use one vendor-supplied tool—Strategic Financial Systems' PerTrac 98 asset allocation and investment analysis software.

"We're more concerned with the overall allocation we've made to hedge funds, looking more long-term," says David Friedland, president of Magnum U.S. Investments. "Obviously, we are tracking the investments very closely, but more on a weekly basis, than hourly like a trader would."

Magnum relies upon MeesPierson Inc.'s Fund Services division to perform the accounting on an outsourcing basis.

Prior to their launch into the Japanese market, officials and IT staffers at the firm re-evaluated the IT applications, and considered several vendor-supplied offerings.

"The various software out there is specific to a mutual fund, or to a hedge fund, and really doesn't fit the specific needs of a multi-dimensional type business like ours," says Friedland.

Friedland says Magnum did interview a number of different vendors last year. "The industry is really lacking in this area, and we'd be interested in seeing anything available for valuing fund-of-funds."

When it became apparent that there weren't any suitable applications to meet Magnum's requirements, the firm fell back on its in-house expertise. IT staffers rolled up their sleeves, but as Friedland says, the process really only required some minor tweaking.

"What we're offering the Japanese market is really just the same products we're offering in other markets at the moment," says Friedland. "So we have the systems in place to monitor the underlying investments that we will offer the Japanese institutions." ●

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SENIOR ASSOCIATE EDITOR Craig McGuire.....cmcguire@mfi.com
 EDITOR-IN-CHIEF Ivy Schmerken.....ischmerken@mfi.com
 DEPUTY EDITOR Justin Data.....jdata@mfi.com
 PRODUCTION EDITOR Cathleen Danaher.....cdanaher@mfi.com
 SENIOR VICE PRESIDENT Annie Feldman.....afeldman@mfi.com
 GROUP PUBLISHER Peggy Schecter.....pschecter@mfi.com
 ASSOCIATE PUBLISHER John Ecke.....jecke@mfi.com
 MARKETING MANAGER Jennifer Kreshtool.....jkreshtool@mfi.com
 CIRCULATION MANAGER Michael Bennett.....mwbennett@mfi.com

Contact Craig McGuire for news development, comments and questions. He can be reached at 212.615.3074, faxed at 212.279.3958 or e-mailed at cmcguire@mfi.com

EDITORIAL OFFICE

One Penn Plaza, New York, NY 10119-1198
 Phone: 212.714.1300

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FOR REPRINT INQUIRIES

Shelley Johnson 415.9052783 sjohnson@mfi.com

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Disgruntled PM&A Users Vent in Spaulding Survey

Some of the portfolio management and accounting system vendors who co-sponsored the Portfolio Accounting & Year 2000 Survey recently released by Somerset, N.J.-based The Spaulding Group (TSG) may be having second thoughts about having participated in the project.

Co-sponsors of the survey include the following vendors: Advent Software, CheckFree Investment Services, Global Investment Systems, Princeton Financial and SunGard Portfolio Systems. The survey, though, solicited responses from users of 25 different systems, including 22 vendor-supplied packages, two in-house developed offerings and one unknown.

The majority of the respondents' answers reflected either an air of dissatisfaction or indifference. In his analysis, TSG President David Spaulding writes, "You'll find that the averages tend to fall in the 'somewhat' category (somewhat pleased, somewhat user friendly, 'somewhat supportive,). I don't know about you, but 'somewhat' doesn't make me sound terribly excited."

More importantly, of the 2,500 surveys sent to money managers in August last year, only 85 responded (a 3% rate). With almost all systems evaluated by a single-digit num-

ber of respondents, the responses may not be exactly indicative of each vendor's client base, but they do point to at least some level of dissatisfaction (see sidebar).

While the overall tone of the 82-page survey regarding accounting systems wasn't negative, it wasn't exactly encouraging for vendors either. Spaulding says, "The conclusion? That there's tremendous room for improvement in most aspects of this very critical area of a money management firm. We feel that the portfolio accounting system is the core system within the firm. We'd like to see better scores the next time we do this survey."

When it comes to Y2k, though, the Spaulding report gives higher marks. "It appears most firms are taking this matter quite seriously and have taken the appropriate action to prepare for its arrival," says Spaulding. "This, in spite of the surprising responses to the first question in this section: I was quite surprised that 63% felt 'It's important, but probably not as important as some people would lead you to believe.'"

TSG provided complimentary copies of the report to firms that participated in the survey. Copies are available for purchase from TSG for \$495. ●

Neuberger

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appeared that Shaw Data may have floundered at times. However, the vendor has kept a firm grip on a core user base that reads like a Who's Who on the institutional buy side. In addition to NB, these include asset management divisions at Nicholas-Applegate, Trust Company of the West, Columbia Asset Management, Morgan Grenfell, among others.

"I can actually get to my data from anywhere that I am, as long as I have access to a browser," says Freddy Tenaglia, NB's director of application development.

"That gives me a lot of leverage of where I'm displaying the data and how I distribute it to my end users. So if I've got people who are marketing that need access to account information to talk about the relationship with their clients, basically all we do is connect to a WAN connection, LAN connection, or CompuServer connection and they've got access to the data."

Previously, NB met these needs with a combination of vendor-supplied manual reports, internally developed reports and a limited Web-based application. "Now we have all these technologies combined into one piece that fits nicely into our operation," says Tenaglia. ●

Excerpts From The Spaulding Group's Portfolio Accounting & Year 2000 Survey:

"Overall, we have a very good relationship with our supplier despite their slow response to fixing certain bugs." (DST International)

"Have had great difficulty working around the proprietary database underlying the product, we have also had great frustration attempting to get needed changes (like the capital gains re-class legislated last year wasn't implemented until 98Q2, and then there were problems." (Financial Models)

"GIS has taken a great step forward with its move to a Windows GUI environment. We are desperately looking forward for them to move in the RDBMS world for full integration. The functionality (and code) is now very stable after many years of refinement." (Global Investment Systems)

"Feel it is an accurate accounting system, but data is difficult to access. The most satisfied users of the system have programming staffs and budgets to support them. We only have one person who we can say knows the system inside and out." (Colonial Management)

"We have had a terrible experience with our systems upgrades from DOS to Windows. Client support has been pathetic. We also dislike the difficulty we have getting information out of the system." (Thomson Investment Software)

"Security APL [Checkfree] does not handle foreign securities or currency, only ADRs; Security APL is just fair in fixed income such as asset backs, CMO's and Mortgages."

"The support that we have received from the vendor has been so poor that we had to hire outside consultants to solve system problems and to provide assistance. Our opinion of the vendor is very negative." (Shaw Data-NIDS)

"We are excited about going forward on a system that will be a vast improvement over what we have had." (Advent)

"Support is good but expensive." (Advent)

"Advent seems very willing to help us reach our needs and goals. They continually improve their software. They listen to their clients."

"We have been trying to migrate from Novell Server to an NT server in the last four months. The problems every time we try seems to be different from the last. The vendor seems to be clueless on how to go about helping us migrate. They did not have the know-how." (Princeton Financial)

"WinDX does not intend to become Y2000 compliant so I would highly recommend it not be considered by others. Portia on the other hand is somewhat reliable and overall I would somewhat recommend its use for certain applications." (Thomson Financial)

"I can't really say anything nice about FIN, other than their system is incredibly stable. Unfriendly, hard to use, ugly, unclear-but stable." (Financial Models)

"We dislike our current vendor and its program mainly because the program is noticeably antiquated." (CheckFree Investment Software)

"Hell will freeze over before we would switch to Advent. They are arrogant and cocky. It costs 2-3 times more to install than they quote because of all the consultants required for training and implementation." (Financial Models)