

Stability As Important As Ability for Some IT Managers

In a merging world, it's a question of reliability, support.

BY CRAIG McGUIRE

In this, the age of mergers and acquisitions, portfolio management and accounting software vendors are being constantly swallowed up and spit out. Products are reworked, renamed, or sometimes just retired. Out of the loop, most end-users are left scratching their heads. Some, fed up with the merger merry-go-round opt out and look for more stable replacements. That next time around, though, they're looking for a little bit more security than core functionality and a clever pitch.

Earlier this year, officials at New York-based equity management firm Fred Alger & Co. started getting nervous with the FUND accounting system they use to support 18 mutual funds valued at some \$5 billion. Fred Alger first installed FUND in the mid-1980s. "We acquired our current system back in 1986 when we started our open-end funds, and it was the [National Investor Data Services] system," says Fred Alger Senior Vice President Rick Blum. "Over the last several years they've undergone two acquisitions — the most recent being acquired by SunGard." SunGard purchased a slew of systems from Premier Solution Systems in 1997.

What made Blum and his colleagues at Fred Alger nervous, though, were not doubts about the SunGard organization, but questions whether or not SunGard would offer adequate mutual fund accounting support for FUND. Blum says, as one of the few remaining mutual fund clients still on FUND, as opposed to the system's large number of investment advisor user-firms, Fred Alger officials were simply afraid of falling through the cyber-cracks. "We had real concerns about their capability and willingness to continue to support the system," says Blum.

SunGard Portfolio Systems president David Foster counters that the FUND system was never designed to support mutual fund processing and is focused on private money management firms. "SunGard has other products that are specifically focused on mutual fund accounting, namely Invest One," says Foster.

Foster points out that one of the other systems that SunGard inherited from Premier is the Port system. "The Port system is in fact one of the primary systems that we not only support but are growing rapidly here for the money

“We had real concerns about their capability and willingness to continue to support the system.”

management marketplace," says Foster.

After deciding to replace FUND, Fred Alger gave the nod to Princeton, N.J.-based Princeton Financial Systems' PAM for Mutual Funds. This time around, though, officials at the firm honed in not only on the core capabilities of each candidate, but on each vendor's organizational strengths as well.

In the end, while Princeton bested a sizable field of competitors for Fred Alger's business, it was the reputation and security of the vendor's parent, State Street Bank & Trust, which acquired

Princeton in October 1996, that carried the most weight during evaluations.

"It's good to have a company like State Street backing your accounting vendor," says Blum. "Let's say they change some tax rules, we're confident Princeton will have the resources to implement whatever software changes are needed."

Though officials at the firm nodded their heads in approval at PAM's functionality, Blum says as a domestic equity manager, Fred Alger's requirements are really not that demanding.

"We don't get involved with derivatives, foreign securities or any other exotic instruments on the Street, so in that sense we are pretty plain vanilla" says Blum. "We don't need a system with a lot of bells and whistles to handle the types of securities we manage."

In addition to PAM, Fred Alger also licensed Princeton's Asset Match and Import and Data Acquisition modules. "From the outset, we were interested in the functionality that the modules we eventually selected offer our operation," says Blum. "The asset and cash match module will enable us to match our cash

activity and positions automatically with our custodian bank."

Blum plans to have at least a few funds in full production on PAM by the end of the year, bringing the remaining funds live by the middle of the first quarter next year. Fred Alger also runs Integrated Decision Systems' IM2 system to provide portfolio management and accounting support for approximately \$5 billion in managed assets separate from the funds PAM will support. Blum says Princeton's presence at the firm will not threaten IDC's incumbency. ☉