La technologie à l'appui du management de transition

Il y a encore peu de temps, les gestionnaires d'actifs devaient utiliser des outils manuels pour que la transmission d'un fonds puisse s'effectuer correctement. Aujourd'hui, grâce à l'expansion des systèmes de technologie assistant les gérants dans leur démarche, le processus de transmission est grandement facilité. Cependant, le réel progrès ne consiste pas en un changement de processus, mais plutôt dans une mise en œuvre plus efficace et mieux contrôlée. Les fonds les plus importants et les organisations les plus complexes sont les premiers à bénéficier de ces avancées, qui rendent la gestion d'actifs accessible au plus grand nombre.

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■ Fifteen years ago before transition management was heard of and funds were less aware of the costs and risks of restructuring, the manner in which those restructures took place was both manual and laborious.

This is however unsurprising, for as with many other spheres of our life the use of technology was not as widespread and invasive then as it is now, and in most fund management firms the technology did not extend far beyond the fund valuation systems. So let us consider how technology has improved the efficiencies of restructuring your fund.

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In the infancy of transition management as a third party service, the use of technology was limited. Probably the most important tool that we had at our disposal was the humble spreadsheet. Fund valuations from the outgoing managers were received in spreadsheet form and the «wish list» portfolios desired by the new managers were also received in this format. In fact in the very early days it would not have been unusual for even this information to be provided in paper form, which would then have to be manually keyed into spreadsheets.

The existing assets would have been reflected onto the portfolio management systems and thus we could use the functionality of these systems to produce an asset allocation for the actual fund holdings. Back in the spreadsheets a number of calculations would then have been carried out to determine the asset allocation of the target, or wish list, portfolios and compare this to that of the actual fund as produced by the valuation systems. The spreadsheets were also the source of information for all of the key decisions made throughout the transition for managing the asset allocation and stock selection risks. These spreadsheets were used to determine the exact holdings required to satisfy each of the managers'portfolios and thus determine the securities retained by the fund and the transactions that would be required to implement the restructuring. In the absence of any electronic order management system, the spreadsheets were also used to monitor the progress of the deals and thus the transition. Finally spreadsheets were again used to reconcile the portfolios that were eventually handed over to the new managers.

All of this work would have taken a number of days given the substantial amount of manual data collection, inputting information into accounting systems and spreadsheets and subsequently checking and rechecking the data. This in essence was the transition process although there were many other areas where again the lack of technology slowed the process, made analysis more difficult and increased the operational risks of effecting these substantial portfolio changes.

The impact of the technology

So how has the technology evolved since those early days?

The real secret of technology is not in changing the process but in making the implementation more efficient and more controlled. Today any third party transition manager must have developed systems that assist the management of the entire process, from start to finish. Of course having moved on in time, most of our lives as well as many areas of the fund management and investment world have become more automated. The access to data is more readily available and the advances in technology have meant that the tools some of us use today are beyond that we might have hoped for only a few years ago. The different types of transition manager have also developed their tools from different starting points. The fund management style transition providers will have tended to develop from a fund management/project management perspective whilst the transition brokers will have started at the trading end of the business.

Whilst for the transition managers based in a fund management house, the normal fund accounting systems might be used as a basic source of recording the current portfolios. Thus allowing all of the standard fund management reporting to be provided, the transition management tools have deviated away and become bespoke stand alone systems that complement the entire transition process. As the transition management business developed the first steps were to improve the basics of many of the tasks that had hitherto been carried out on the trusty spreadsheets. The key to improving the technology was to remove the dependence on some of the standard tools, such as spreadsheets. Whilst spreadsheets were sufficient for low volumes of fund restructuring, this also limited the range of funds that could benefit from the services of a transition manager. Thus small, yet more robust, databases were built with various calculations attached. The database could be provided with all of the underlying holdings of the existing portfolios either from a spreadsheet provided by the custodian or directly from the accounting systems. All of the wish list positions for each manager could be supplied into the database, typically imported from the same spreadsheets supplied by the new investment managers.

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With the advent of better market data tools the database could readily be fed with the information required from these sources and then many of the tasks which hitherto had been slow to undertake could be simplified and speeded up. Many of the risks that had been inherent in spreadsheet based systems had been removed in one fell swoop, by being in a more robust environment. These first bespoke tools could calculate the nominal positions required to fulfil the manager's target percentage holdings. Then using the market data and classification information held within the database a comparison of the asset allocation of the existing assets and that of the target assets was easily produced. Standardised reports could be generated that allowed the management of these exposures.

Transition management, an essential service

The power of databases for making comparisons could then be exploited to determine the retained assets, i.e. those that were held in the existing portfolio and desired by the new managers in the new portfolios. Thus establishing the residual purchases and sales required to complete the portfolios was also a straight forward computation.

Suddenly the various tasks that may have taken several days in a spreadsheet had been cut down to the time taken for the computing power of the PC on which the database resided and the ability to collate all of the data together.

From this step on, the monitoring of the executions of the required transactions could be automated with the use of the new order management systems that were starting to be installed. The transactions once executed could then be fed back to the database to reconcile the positions held. The transition brokers approached the business with a trading emphasis and thus the technology that they would have designed started in this arena. From a dealing perspective additional data was becoming more readily available and far better analysis of the transactions could be undertaken, both before dealing and after. As the requirements of this pre-trade and post-trade analysis in turn were further defined, tools to automate the analysis were developed.

The trading tools started to allow better quantitative analysis of all of the risks and trade-offs in the transition. It became possible to put a structured framework around the discussion of how long each transition should take and the portfolio risks could be better assessed and managed.

Some of the transition brokers have stayed very firmly in the trading arena and some of the fund manager style transition providers have continued to focus mostly on the management of the process. However a few providers have tried to encompass all of these skill sets. These providers offer and provide an all encompassing comprehensive service that is supported by the technology that has also brought together the best of both of these worlds into fully integrated transition management systems.

Whilst the evolution of systems occurred, the automation also allowed those offering a «full-service» to improve the quality and reliability of their offerings. The new technology enabled smoother reconciliation of assets and assessment of the impact of corporate events on both the assets held and those desired by the new managers, areas both critical when the dealing is implemented over a period days. Furthermore fund managers could, now, seamlessly make changes to their wish lists with the technology enabling rapid reaction to these changes.

With the rapid developments of the technology applied to the management of fund restructures, transition managers have been able to apply their skills to reduce costs and control the risks for a wider range of clients.

The systems that some providers now have in place allow an open and transparent process whereby all clients can know how their transition would be undertaken, how long it should be expected to take and progress and performance can be measured. For the transition manager, complexities can be appraised, risks managed and the process implemented within a robust and reliable framework.

As I have illustrated fifteen years ago, the service now known as transition management, was labour intensive, risky and reserved for the biggest funds undertaking the most complex reorganisations. The development of specialist Transition Management teams using bespoke tools has resulted in a service that can be cost-effective, smoothly implemented and a necessity for every fund considering a reorganisation.

In some ways these advances could be compared to the motor industry, where once owning a motor car was reserved for only the very wealthy, whereas now it is considered a necessity for most. ●