

# DEEP INTERNAL EXPERTISE KEY TO DRIVING AUTOMATION

JILL CALTON, OF UMB, CONSIDERS THE EVOLVING ROLE OF HEDGE FUND ADMINISTRATORS IN THE FUTURE



**Jill Calton** oversees operations for alternative investment servicing at UMB Fund Services, providing leadership and oversight to hedge fund, fund of fund and private equity fund servicing teams. UMB offers a complete line of products and services to the fund industry, including administration, accounting, distribution, investor services, transfer agency, and custody services.

**HFMWeek (HFM):** What are the most significant changes for the hedge fund space that will affect the role of administrators in the near future?

**Jill Calton (JC):** The demands of institutional investors continue to drive the changes and evolution we see in the hedge fund space. For several years now, investors have pushed for more transparency, lower fees and greater liquidity. As such, hedge fund managers and fund administrators continue to develop technology, structures and services to accommodate investor demands. The demand for alpha has also significantly contributed to changes in the hedge fund space as investors seek products that can generate alpha with little to no correlation to the market. Realising this potential has been challenging for hedge fund managers in recent market conditions.

The retail investor is also playing an important role in the evolution of hedge funds. Financial advisers with clients who cannot qualify for the accredited investor status are looking to place their clients' assets in alternative funds, and are finding a way to do this in publicly traded funds. We have seen traditional hedge fund managers offer a registered alternative product in order to attract assets in this space. While this brings opportunity for an expanded offering for fund managers, it also brings about additional reporting requirements as broker/dealers are now involved and asking for specialised reporting that works with their own systems and meets their clients' needs.

For example, at UMB we've seen interest in closed-end interval funds surge in the past year. As the market shifts from active to passive products, investors are looking to diversify their portfolios to include products that are uncorrelated to the market but still provide some level of liquidity. We expect the pace of new fund filing to continue for the foreseeable future. Now that large institutional asset managers are entering the market, the educational growth should accelerate and lead to increased momentum in this structure. As managers explore niche product structures like interval or tender-offer funds, fund administrators need to be prepared and experienced in delivering consultative expertise, along with the right processes and technologies to support their needs.

**HFM:** How are fund admins responding to the ever increasing demands from institutional investors?

**JC:** Ultimately, administrators must embrace technology

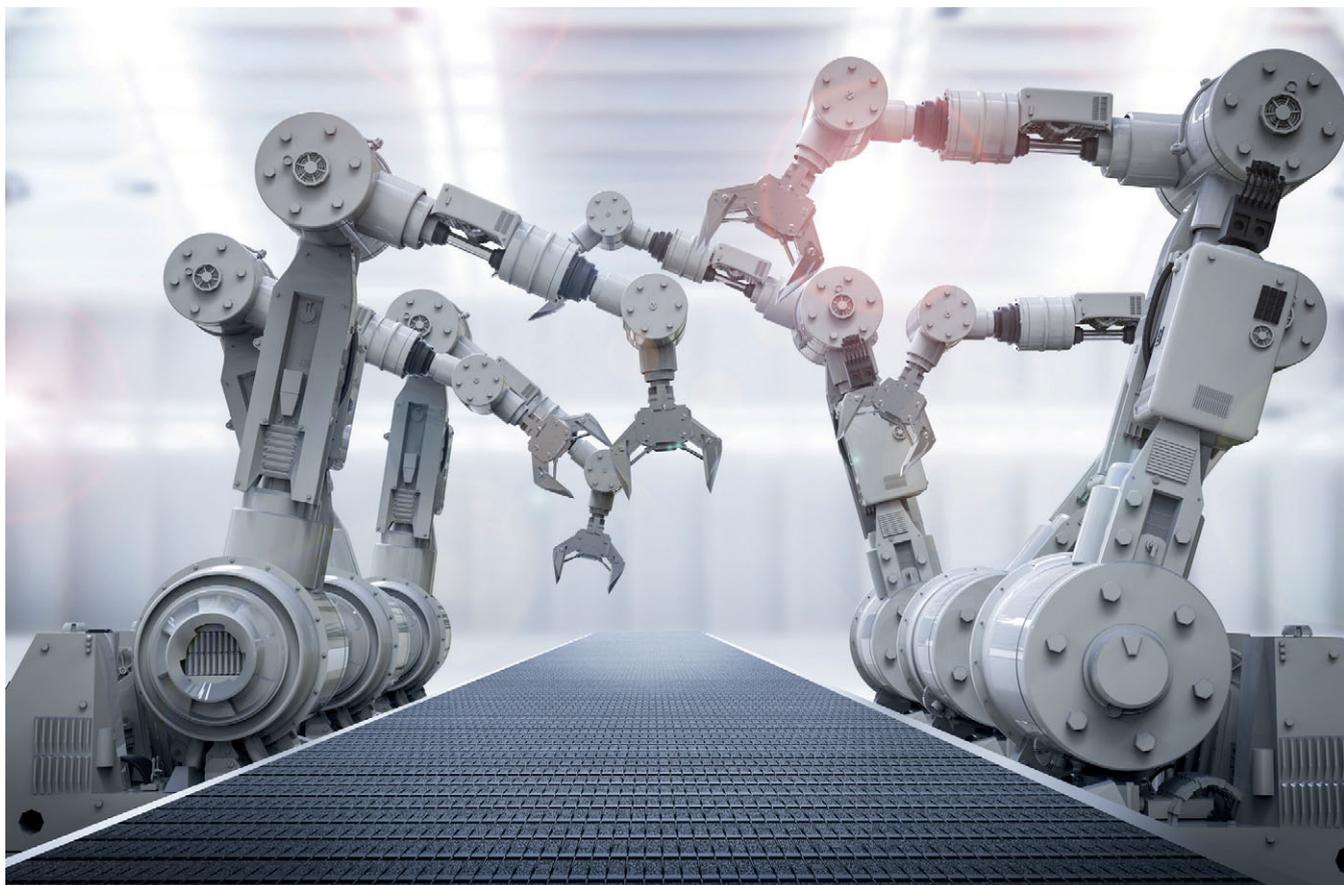
in order to keep up with the changing market landscape along with evolving client and investor needs. Administrators must be able to readily adapt to the likes of new and complex fund structures, strategies and reporting requirements. Investors not only want transparency, they also want faster access to their data – waiting for reporting days or even weeks after a period ends lies firmly in the past. Institutional investors want daily feeds that will be seamlessly integrated into their own technology in order to aggregate their investments information. Technology paired with high-touch client service is the key to delivering on these requests.

At UMB, we have been able to meet these demands by partnering our experienced team with proprietary technology. We have a unique process of identifying common best practices across our client base and supplementing them with customised solutions. The flexible nature of our proprietary system, FastPro, has been a key part of offering customisable reporting. Because we own the system, we have the ability to quickly react to the ever-changing needs of clients and investors. For example, we were able to customise the build-out of private equity portfolio company data aggregation and reporting tools for clients using our state-of-the-art web portal and mobile app. Managers have the ability to run reports on demand as well as search the sites for keywords and to filter and refine information to instantaneously find what they need. Demands for data transparency from our clients and their investors will only continue, and administrators must be on the forefront of delivering these enhancements.

**HFM:** Admin M&A activity continues at pace – will the evaluation of fund admins change in light of this?

**JC:** While we expect administrator merger and acquisition activity to continue taking place, bigger doesn't necessarily mean better when it comes to service and technology. The focus will continue to be on the value proposition offered by fund administrators. Although the role of a fund administrator is viewed as a commoditised offering by some, we believe that the strongest and most beneficial relationships with clients are centred on quality service and the meaningful insights that come from an experienced and talented support team.

Fund managers look to administrators to not only help them with more prescriptive offerings, such as account-



ing and investor services, but also with creative thinking and insights to help grow their business – something that is difficult to find in a purely transactional relationship.

**HFM:** What characteristics of future admins will ensure their continued success in a crowded market?

**JC:** We believe successful fund administrators of the future need to be nimble and adaptable in their support of asset managers and investors. Administrators with deep experience in the complexities of alternative investments, including emerging and new product types, will continue to be of great value.

Administrators need strong leadership skills and deep expertise in order to understand and drive changes within an organisation. Investing in associate development and focusing on engagement and retention of those associates will be important to the value proposition offered by administrators. Those administrators with highly trained and educated staff, coupled with a compelling and unique technology offering, will better ensure their success.

**HFM:** How will fund admins continue to thrive in the future?

**JC:** In order to thrive in the future, administrators

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will need to develop and retain internal talent who understand the strategic goals of managers and investors, can harness technology and drive continued automation. Administrators need to pioneer new accounting and regulatory frontiers and work directly with fund managers, attorneys and auditors to ensure a framework is in place. Adapting to change with strong leadership requires a strong technology backing that can conform as well. Technology must keep pace with the evolving alternative products. Administrators need to have strong partnerships with system providers or have invested in a product that can be quickly updated.

At UMB Fund Services, we want our clients to feel prepared for the future, and be able to navigate throughout what is often a complex and challenging market environment. We can provide the tools, strategic data and technology to support our clients, but this is secondary to our people and their insights. The people that make our organisation are our strongest asset, biggest differentiator and what ultimately brings the greatest benefit to our clients. We are positioned to thrive because we are focused on leveraging our deep team of talent to assist in navigating through those complexities and finding real opportunities to help our clients grow today and into the future. ■