

The Powering Possibilities Podcast

Singapore's Expanding Hedge Fund Market and the Need for Flexibility

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Welcome to SS&C's podcast series.

SS&C is a global provider of services and software for the financial services and healthcare industries. 18,000 financial services and healthcare organizations, from the world's largest companies to small and mid-market firms rely on SS&C for expertise, scale, and technology. Now let's get started.

Toni Nientied: All right. Good morning, good afternoon, good evening. This is a podcast where we're talking about launching hedge funds and the typical overall operational difficulties that you can run into with those kinds of things. And how much it can help to select the right partners from the get-go.

There's three of us here in the present in this podcast today. Myself, Toni, I'm part of the business development team for SS&C in the Asia-Pacific region. I've got my colleague, Frank Maltais. He is the regional director of SS&C Eze and then we have our special guest today, someone who's a fluent Japanese speaker and he has an Australian and Swiss citizenship. He's been active in the Asia-Pacific region for about four decades. He's been involved in the structuring and launching over 100 funds, different kinds of structures and all since 2005.

He's registered with MAS, ASIC, US SEC and he is a member of, hold yourself, there's a lot of abbreviations coming, but he's a member of AICD, IBA, the AIMA, SVCA, IMAS and the AVPN. In March 2021,

he was also appointed as an inaugural Executive Committee Member and Co-Chair of the Promotion and Advocacy Working Group of the Singapore Funds Industry Group, which is a collaboration between the MAS and the Singapore Funds Industry. And this group is charged with developing the funds industry in Singapore. Who am I talking about, no other, no less, Mark Voumard, the founder and CEO of Gordian Capital. Mark, Frank, welcome.

So, the premises of today, when someone launches a fund, for managers interested in launching a fund, what are the pitfalls? What are things that he can look out for? What are the benefits of choosing the right service providers and the right partners to work with? Mark, I would love to hear your opinions about this.

Mark Voumard: Sure. Thank you very much. Firstly, for inviting me to the podcast, it's been great to be talking with you both. We have an excellent relationship with SS&C and use them as both the fund administrator for a number of our funds. And we also work with Eze on our order management, execution management and portfolio management systems. Our firm has been around since 2005, and as pioneers, I guess, in the industry in Asia at least, it's pretty clear that the same business needs that drove our growth in continue to drive it out.

Managers require an institutional platform to provide a regulated operational

infrastructure, which replicates the ecosystem of a much larger and sort of established asset management institutions. What does it do really allows investment professionals to focus on their portfolio avoiding unnecessary distractions. The cost of regulation, compliance, and infrastructure has increased exponentially over the last decade. And of course, for new launches nowadays, you've got to meet additional requirements that have come with the arrival of institutional investors.

Back in the early 2000s, or even in the 1990s, there were very few institutional investors in our world of alternatives, primarily family offices. And I guess the operational levels required those days were a bit different. So we've been working with hedge funds, supporting them on our platform since 2005. We expanded into private assets in 2014, and that was really driven by manager and investor demand in a private asset investment vehicle, a very different hedge fund involving substantial and sometimes very complex fund structures and working a lot with some tax and legal service differentiate to hedge funds.

But in terms of where we bring some support is obviously speed to market. As you mentioned, we've launched about 106 funds to date. We have launched funds to cover public markets, private markets. We've launched funds in Cayman, Singapore, Luxembourg currencies. So investment managers need to:

Number one, obviously, they need to know what their strategy is, but then they need to think about what kind of fund structure, is it gonna be a Cayman unit trust, Cayman corporate limited partnership, Singapore unit trust and partnership, private limited companies, variable capital companies, Luxembourg UCITS. There's sort of a bewildering array of domiciles and fund investment vehicles to choose from. And many very experienced investment professionals don't know about fund structures, why would you expect them to? They've been focusing on research, portfolio construction and so on. So we tend to act sort of a consultant role, advising them on the appropriate structure and fund domicile for their strategy.

What's really sort of interesting now is this sort of institutional infrastructure that's required, again as I mentioned, we use Eze, as I preferred, provider for OMS, EMS and PMS. Institutional investors expect a lot more than, obviously, the smaller family offices in the 1980s and 1990s and they need a large team of operational professionals to support the investment professionals. Again, they need to focus on their skill set, they run the money, we run the business. And it's important also, that as we perform this role, we don't conflict with our clients. So Gordian Capital doesn't invest in the funds. We don't see the funds that we don't run any project capital. Institutional investors are focusing very much on what is the fiduciary role and obligations of the manager. We think that's sort of important part. I'll sort of stop there, but there are some of the things that we do and some of the things that are important for managers nowadays.

Toni Nientied: Yeah, you mentioned an interesting point regarding family offices versus, let's say, the more wider funds that actually reach out to a larger investor base. So there is the whole additional side of actually dealing with multiple external investors. We see that from the fund administration fees where, for family offices, we send out the NAV and the trial balance, basically the NAV statement.

But if you have 100 different investors that the bill needs to be allocated, and the statements need to go out to all the different investors. There is more higher-level focus on data security, making sure that the different investors don't receive data from anybody else, and that was a good element.

So in your interaction with your clients, which are basically also our clients, how do you come to a conclusion? Or how do you typically go into the conversations with them?

Mark Voumard: In terms of that, maybe let's talk about the selection of service providers. Obviously, the fund, if it's a hedge fund, will have a prime broker, administrator, auditor and so on. To a certain degree, it's horses for courses.

So for smaller funds, I mean, quite small funds, they can work with perhaps smaller service providers. But if you're looking for institutional money, you really got to go with a name that's recognized. This can mean higher costs, but it means obviously that you need to have a higher fund AUM to start. SS&C is obviously the largest fund administrator in the world. You guys have seen every strategy and you know you're actually able to serve everything. I guess from a startup to an institutional jurisdictional launch.

Toni Nientied: Yeah, we have the technology to support it.

Mark Voumard: Guys, I sort of see, I guess I see SS&C as a technology company that actually provides fund admin and other services within an institutional framework.

So you guys are fund administrators. Obviously, we work with Frank on Eze on the order management, portfolio management, risk management systems in terms of technology. But when I look at your company, it's a listed company. And interesting enough, we're seeing now some of the trends, we're seeing that some of your competitors are being backed by private equity groups, and they're making a lot of acquisitions

globally. And they're busy integrating those acquisitions. I know that SS&C was backed by private equity as early as 1994. It was General Atlantic, one of the pilots of private equity in the U.S. backed you guys, and then you were listed since 1996.

And then that listing has allowed you to make over 60 acquisitions since then. In that sense, you're sort of pioneers in that model. But we're now seeing the rest of the industry starting to get private equity investment. And the idea is that you move from just being a simple administrator, to being in a role to offer a wider range of services. But that's something that your firm has obviously been working on for the last 30+ years.

Toni Nientied: Yeah, the other day, I recalled you mentioned something about that the roadmap to Eze, because Eze was onboarded in Gordian not too long ago. So most curious, could you tell us a bit more about how did you come to the decision that Eze was the right partner and basically to change your internal infrastructure?

Mark Voumard: Sure, as I said, we've been around since 2005. We've always had sort of the concept of open architecture. It was very important that when managers were joining us, we were not telling them you must use this fund administrator, or you must use this auditor, or you must use this prime broker. Because many of the managers joining us, well, pretty much all the managers joining us were very experienced investment professionals, and they brought prior relationships.

So over the years, we've sort of developed a very wide and deep pool of service providers we work with. But given the focus on technology, we had some half a dozen trading systems and we're just becoming a bit unwieldy. So, we decided that although with administrators, auditors, PBs, security brokers that sort of managers still had that, like I said, open architecture, we decided as a firm we had to make a decision in terms of the technology.

So after an exhaustive search, which included input from a number of our managers, many of them have worked across different firms and used different systems, we decided to work with Eze. The fact that it was part of SS&C, the fact that they've got a strong presence here in Singapore and also in Asia Pacific region. We have an office in Japan, so it made us sort of interested. And the fact that, for one of the funds that we recently appointed Eze as the technology provider, was just launching at that time and decided to work with SS&C as the fund administrator.

So going forward, we have some managers who are using Eze. The idea is that new managers will be encouraged, opt to use Eze. To be honest, if they're stuck on using one system, then fine, we maybe can't change their mind, but the idea is to just produce economies of scale. It allows us to just work much more efficiently, and so far so good.

So again, we're working with converting some of the existing managers across to it. But it's multi-asset globally, I think there's something like 2,000 hedge funds around the world that use it. So it's a proven product.

Toni Nientied: Frank can probably elaborate a bit more on Eze's presence. Frank.

Frank Maltais: First of all, Tony, thank you for the invitation to the podcast. It's very appreciated. In regards to your question, Eze working with Gordian Capital, it's simply a privilege to work with Gordian Capital. I think from a business perspective, Eze has been around for 25 years. We served more than 2000 clients as of today, but what really makes the difference here in working and partnering really effectively with Gordian Capital is the fact that it's an ecosystem that we support in the marketplace, Mark just mentioned in Japan, Singapore, but really throughout the entire region.

Not everyone's gonna buy technology. Some launched funds will want to partner to work with a hedge fund platform. In this case, Mark is very well positioned at this market to help incubate some of the funds and help them grow. Once they've grown to certain size, Mark is basically saying we're gonna let you go. And that's exactly the right thing to do for the hedge fund community. We want everyone to be successful. To Mark's point earlier about flexibility, that's exactly what Eze's valuable proposition is all about.

So many hedge funds will come to us, in fact, asset managers in general, right? This doesn't have to be a hedge fund, could be all kinds of money managers. They will come to Eze and they will look at the technology, they will look at what the trade workflow is, what the asset class coverage is and based on that requirement, we're gonna be able to offer the right value proposition at the right price. And that I think is well compatible with the conversations that we had with Gordian Capital and Mark, in this respect, to really help Gordian as a hedge fund platform to really onboard all kinds of funds, whether the small-medium size, big size, and whether they are quantitative funds or long conservative. There's really all kinds of funds here that Eze's technology is well compatible with.

Again, it's simple, it has more than 2,000 clients. We've been around in the industry for 25 years. So from our perspective and being part of SS&C really, it's more than just software. It's really best practice. It's expertise. It's people on the ground. It's really the combination of all of that from our perspective makes Eze a very strong value proposition in Asia, if not globally. And Tony, maybe I'd like to touch quickly before we'll give it back to Mark. Maybe I like to touch quickly as to what our observations have been lately in this market in regards to funds that want to launch, whether they look at a hedge fund platform such as Gordian Capital or they want to require their own software

technology, whether it's Eze or any other software solutions out there. I think there's a few interesting points for funds to consider.

First one is transparency. I think that in this industry, when it comes to due diligence, when it comes to getting investors and trying to get some seeds money, transparency is really key. What that means here is that investors have become more rigorous when it comes to evaluating a fund to invest in. For example, we find that more and more investors want to know what rules on place to satisfy that demand, rules that can be from the technology standpoint, in terms of automation, but also from a business perspective in terms of reporting financial statements. Having the right processes in places is really key.

And again, coming back to Gordian Capital. For Gordian to have access to the Eze platform is really aligned well with the automation and the platform to provide that kind of reporting requirement. So transparency is really key. You may argue yes, we're stating the obvious, but it's especially true in this, what it is in becoming a very competitive environment and really something that's based on automation and technology.

The second point quickly is in regards to the investors demand when it comes to still align, in fact, with the policies when it comes to compliance rules in place and investing different markets and supporting different mandates. Requirements change, right? So what you set up today may not be what you need tomorrow. And from that perspective, you need the platform that will adapt. That will be flexible. We don't want to have things all hard-coded. And then once the fund wants to change the strategy because there's some new opportunities in different markets, you want a technology platform that will adapt quickly, that will turn around quickly. So that's number two.

Number three, obviously, we want funds to grow, right? We want the AUM to double and triple the size. That's really a great story whether it's for Gordian or the fund itself. It's a fantastic story. From that perspective, there's a lot of regulations and complexities around those funds. Really going into that journey and leveraging sophisticated compliance and investment solutions can really help and make their life much easier.

And the last one, I'm keeping that as being a very important point is, cyber security, data security, governance, and all of the good stuff here that MAS is happy to help everyone with. MAS has a number of policy guidelines on the website. We wanna make sure that, actually to turn that around, you wanna make sure as a fund, you are compliant with all of those policies. So you need the partner like Eze or effectively I know the technology provider that will support those MAS policies in the Singapore market or anywhere else. Mark just mentioned Japan, same goes in Japan, same goes in Hong Kong and Sydney.

So you really want to work with a global provider, in that case, SS&C, that again has been around for more than 25 years that will understand not only the technology requirements, but also the legal and compliance implications, let alone the regulations, in that case, MAS for Singapore. Toni.

Toni Nientied: Thanks for the breakdown. We really agree.

There's a couple of points that actually I would like to circle back to. You mentioned the transparency. We often have to report transparency reports to the investors as well. We see that amongst their clients quite a bit, and as you mentioned, you need the technology in place to even come to those reports that you can share. Another element was the cyber security, like another part of SS&C, that's Intralinks.

We don't have a representative here from Intralinks say in this podcast right now, but if it comes down to data-sharing, contract-sharing, like on a secure data room online. That is like Intralinks' top of the market in that. And that was also one of the expansions in SS&C's portfolio basically in a number of years back. And then the flexibility, that was also an important point where the hot topic of the last year is the ESG reporting, which everybody's talking about it. Nobody really figured out yet what exactly needs to be reported. But within SS&C, we work together with Sustainalytics to have set a report that we can actually from the portfolio, from the manager, from our database, we can run reports that can actually break down about how much 1% of your portfolio, 1% of the AUM is? For what percentage is an ESG rating available?

So let's say if there's 60% and then we break down out of the 60%, what is the ESG score for that portfolio? And that can be very similar as the transparency report can be reported to underlying investors as well. So any development in the market can be a change in them, let's say, like a Cayman regulation changes, or the investor need for information changes. Any of that can trigger us to have to change anything in our services that we provide. And Mark probably would agree that, like a large institutional structure ourselves, where we have all these different expertise across our 25,000 people that we have working on a global scale. We always have these task groups that can help with these kind of elements.

And also yourself, like, as you mentioned, the market in the beginning and investment professional. They want to launch their own investment firm. They want to focus on their investments, and they don't want to be bothered too much with, maybe that's not the right word for it, but too much of the administrative work that needs to be done around it.

Mark Voumard: Yeah I mean, as soon as you go cross border, everything instantly becomes more complex, right? And over this part, you need support that offers scale, technology, and obviously for SS&C, global presence. Right? So, yeah, absolutely agree.

Toni Nientied: All right. I think we circled it around nicely and got back to where we started. Thanks Mark and thanks Frank for joining. I hope we can do this again and about some other topics in the future. It was blessed having you here. And for the listeners, thanks for joining us and stay tuned for more to come in the future.

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