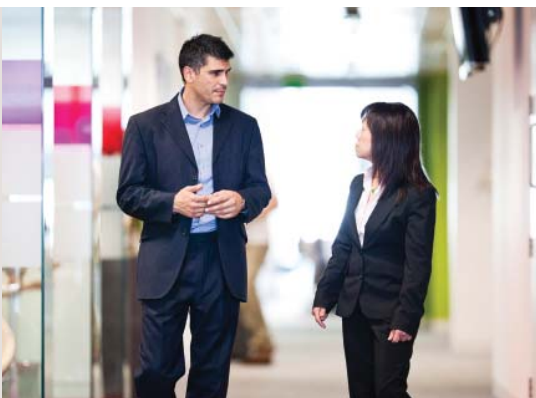


SELECTING A HEDGE FUND ACCOUNTING SOLUTION – AN INSIDER’S PERSPECTIVE

Investing in a software solution to support your hedge fund can provide an incredible advantage in many areas. The right solution can provide your firm with a competitive advantage while you meet investor demands and attract new capital.



A few reasons for investing in a portfolio accounting solution are:

- Precision and transparency
- Increased operational efficiency
- Reports to meet industry demands
- Greater compliance
- Ability to meet new regulations
- More scrutiny from investors

Built by hedge funds, for hedge funds, SunGard’s VPM manages some of the industry’s most sophisticated hedge funds and fund of funds.

The challenge of selecting a solution and getting it successfully implemented given a particular budget and time frame is very challenging. In today’s competitive market many vendor solutions may appear to have little to differentiate them when the due diligence process is quick and has little depth. There are many stakeholders, each with unique and important needs, and when the opinions of your peers and industry associates are often contradictory it adds difficulty to the selection process.

The following is a guide on what to consider when selecting a hedge fund portfolio accounting solution from an insider’s perspective.

The Software

1

Decide what you need to achieve and how the solution can provide your firm with a distinct competitive advantage. Experience shows the real needs are:

- **Improved transparency:** Click-through reporting and automated position management gives the best view of a portfolios exposure
- **Improved operational efficiency:** Improve operations and effectively do more with less
- **Reliable numbers:** Reliable, trusted and auditable from a single source
- **Quick response:** Requests for information; both internally and from investors
- **Better report management:** The ability to create custom reports as required by investors and managed from a central location
- **Architecture:** Built off industry-standard technology allowing seamless integration to third party tools while being a scalable solution allowing for tandem growth with your business

2 **Define possible future needs.** Consider strategies your firm could move into such as real estate, distressed debt, or maybe overseas operations? Future-proof your installation.

3 Use demos, RFPs and tools to help narrow the list of possible vendors. Done rigorously, you will be surprised how few vendors you have left at this point.

Now that you have established which solutions can meet your functional needs, it is time to consider other factors that will help in deciding whether you will achieve your goals.

The Company

THE COMPANY YOU DO BUSINESS WITH IS AS IMPORTANT AS THE SOFTWARE YOU CHOOSE.

4 **Has each vendor run your actual data through their software, so that you can observe how the system would work in real life?** Although this may be difficult and time consuming for the vendor, it will help you identify those that are committed to the success of your business. This will also help you identify any weaknesses in the solution that may have been avoided in the first demo. It will also help you determine how well they have understood your needs.

5 **Assess the vendor teams.** Can they answer your questions at the meeting or do they constantly have to get back to you with answers from the home office? Your business deserves the best. If the vendor does not inspire confidence during the sales process, it may be a red flag of things to come.

6 Ask them to let you speak to a number of reference clients that are similar to your business. Every vendor will tell you that they have many happy clients. **Put each vendor's word to the test.** If they have many referenceable clients as they claim, they should be able to provide you with relevant references in a timely fashion. If they cannot deliver on this promise, you should have concerns.

7 **Consider the stability of the vendor you may select.** Distinguish who the major players in the market are – is the solution scalable, built on open architecture and is it a true portfolio accounting solution or just "tweaked" to meet certain needs. A portfolio accounting platform is a major investment. Do your due diligence on the vendor as you would with any partner and investment. Be sure that the vendor you choose is financially stable and that they are not likely to undergo major changes that could impact your business.

After Purchase

BEFORE YOU SIGN A CONTRACT, TRY TO GET A FEEL FOR WHAT THE COMPANY WILL BE LIKE TO WORK WITH AFTER YOU HAVE FULLY COMMITTED.

- 8 **Does the vendor you are considering have a credible plan for implementation fully outlined with associated costs?** You should be skeptical of claims that clients have gone live in “weeks”. Implementations are a serious undertaking and vendors that are not attentive to the period between contract signatures and go-live are likely to have higher failure rates. Check the resumes/ CVs of the team who will be working on your implementation to make sure the project lead has ample experience to make your project successful.
- 9 **Check the depth of capabilities available to ensure there is a deep set of skills to support your project,** even if someone on the team should leave. Ask the question, “How many people do you have on your team with more than 3 years experience with the system?”
- 10 **Will the vendor add value to your implementation by giving the best advice on how to approach difficult decisions** that need to be made in the process or will they leave you to fend for yourself? Do they have the experience to help you make the correct decisions?
- 11 **What follow up on support do they provide for existing clients?** User groups, training sessions and on-site services all help you to get the most from your investment and ensure the system does not become a white elephant.
- 12 **How can the vendor mitigate your risk?** Many firms can only devote 1 or 2 people to a software implementation so there is significant key person risk. Ask how the vendor can support you if something goes wrong on your side.

Conclusion

Despite the considerable benefits that investing in a system can bring hedge funds, the perceived costs and risk of failure leave many to put off the investment until it is absolutely necessary. Firms may continue to use spreadsheets or other error prone processes that may effectively reduce their bottom line and disengage an investor’s interest in investing in your funds.

Selecting the right portfolio accounting solution is as important as choosing the right partner. It is important to pick a vendor that demonstrates their commitment to enabling you to achieve your goals today while providing a plan to help propel you in the future.

About SunGard's VPM

SunGard's VPM is a comprehensive, multi-currency back-office solution and transaction repository, and is designed specifically for hedge funds. VPM supports virtually any asset type including equities, fixed income, futures, bank debt (including multi-currency revolvers), repo and swaps. In addition to managing virtually any asset type, VPM provides easy-to-use navigation and the ability to integrate with a variety of systems, as well as external data and information vendors.

For more information on VPM and SunGard's portfolio of alternative investment solutions, visit www.sungard.com/vpm/learnmore.

VPM-At-A-Glance

- Used by some of the industry's leading hedge funds
- Expertise in implementing portfolio accounting software for 17 years
- Part of SunGard since 2006, and has been stable and profitable since 1993
- Average employee tenure: 5+ years
- Ongoing support after the sale including:
 - account management
 - extensive training programs, both online and in-person
 - user groups organized by SunGard VPM



**SunGard's VPM Voted
Highly Commended
Fund Accounting and
Reporting Systems Firm**

*VPM was awarded
Highly Commended
Fund Accounting and
Reporting System
2009 by Hedgework
Awards*