



## THE BUSINESS CASE FOR ASP:

*Critical Success Factors for  
Today's Leading Investment  
Firms and Asset Servicers*

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## TABLE OF CONTENTS

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- 2 Introduction
- 3 Gaining Momentum
- 4 A Vast Clientele
  - ASP – ASAP
  - Customization
- 5 Security
  - Stability and Reliability
- 6 Sealing the Deal
  - Looking Ahead

## INTRODUCTION

Over the past several years, the investment management industry has revealed its appreciation for the increasingly sophisticated and secure solutions offered by leading application service providers (ASPs). Within some of the industry's largest asset management firms and third party administrators, the ASP model for investment accounting and portfolio management systems has proven itself many times over - currently processing trillions in assets and gaining increased adoption with each passing year.

An alternative to costlier installed platforms or complete business-process outsourcing packages, ASP's hosted model gives companies access to top-flight software applications that facilitate such integral processes as trading, portfolio management, compliance, performance measurement attribution, investment accounting and transfer agency, while also offering complete hardware/software maintenance, support and disaster recovery-all without compromising a company's need for control.

Today's leading ASP providers have the scale necessary to stay on top of cutting-edge solutions. This means ASP clients can benefit from many current IT initiatives ranging, from data mirroring and replication, to disk-to-disk backups and virtualization, all utilizing Internet bandwidth. It also means that technology providers can deliver new technology and functionality to their ASP clients faster than to their installed clients by leveraging their ASP infrastructure.

What's more, ASP providers can spread the cost of infrastructure enhancements over multiple users, providing a cost-efficiency advantage over the installed application model. Although the "software as a service" approach (SaaS) shows significant promise, some of today's leading ASP offerings already incorporate similar benefits, such as automatic upgrades and a high level of ongoing functionality.

Fast, low-cost implementation combined with improvements in secure technology make ASP a compelling option for large and small, traditional and alternative investment firms seeking to offload deployment servicing functions in order to focus on their core competencies. In prior years, concerns about ASP ranged from security issues to breadth of functionality, complex processing requirements, and lack of customization. Technology providers knew that the only way to earn market acceptance for ASPs in the investment community, especially for more sophisticated applications, was to overcome these concerns.

## GAINING MOMENTUM

Regulatory demands, greater competition and an increasingly diverse menu of investment products compel asset management firms to continually improve their infrastructure in order to keep pace. At the same time, the cost of building and maintaining IT systems internally, including software upgrades, back-ups, and disaster recovery programs, continues to rise, putting added pressure on margins and requiring a constant demand for highly skilled personnel. As companies increasingly see the need to reduce operational costs and concentrate on their core competencies, they are finding it attractive to seek an efficient third-party platform to help them meet their goals.

Leading ASP providers are well poised to address market needs. But with the rise in outsourced opportunity comes a unique set of demands, requiring that providers stay in step or be trampled underfoot. Today, asset managers and third party administrators require a consistent level of execution, particularly with regard to confidentiality and information protection, as well as maintaining best practices around these functions. While the ability to meet sophisticated requirements resides within the industry's elite ASP solutions, including integration with other systems while maintaining proper controls, not all ASP services are able to keep pace with the varying demands imposed by individual clients.

As institutional investors and asset managers continue to move toward hedge funds and other alternative investment products in greater numbers, it becomes increasingly important to provide support systems that are streamlined and straight-through, particularly as the boundaries between traditional and non-traditional investing continue to blur. Additionally, providers must be able to clearly demonstrate the cost-effectiveness and value-added capabilities of ASP, while offering a selection of customized investment-servicing platforms for an increasingly diverse market.

DEPLOYMENT MODELS	
Installed	ASP
<ul style="list-style-type: none"> <li>• At Client-managed data center</li> </ul>	<ul style="list-style-type: none"> <li>• At ASP managed data center</li> </ul>
<ul style="list-style-type: none"> <li>• Managed by client technology team               <ul style="list-style-type: none"> <li>• Hardware</li> <li>• Software</li> <li>• Pricing and data</li> <li>• Disaster recovery</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Managed by vendor               <ul style="list-style-type: none"> <li>• Hardware</li> <li>• Software</li> <li>• Pricing and data</li> <li>• Disaster recovery</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• Releases shipped to client</li> </ul>	<ul style="list-style-type: none"> <li>• Automatic, scheduled upgrades</li> </ul>
<ul style="list-style-type: none"> <li>• Upgrade project managed by client</li> </ul>	<ul style="list-style-type: none"> <li>• Upgrade project managed by client</li> </ul>
<ul style="list-style-type: none"> <li>• Remote login support</li> </ul>	
<ul style="list-style-type: none"> <li>• Various integration options</li> </ul>	<ul style="list-style-type: none"> <li>• Various integration options</li> </ul>

## A VAST CLIENTELE

Today firms of all sizes seeking a best-of-breed product in order to preserve capital while concentrating on core business activities would be remiss to not investigate the merits of ASP. For small- to mid-tier buy-side firms without the means to support an internal application, ASP represents a golden opportunity to cover front, middle and back-office operations in a cost-effective and highly efficient package, giving investors the potential for higher returns and diminished risk through technologies that might otherwise be unattainable. In effect, many mid-size firms are benefiting from the same sophisticated functionality previously available only to large firms. These mid-size firms have the flexibility to adopt progressively more complex investment strategies and be confident that their technology infrastructure can keep pace.

At the same time, large firms that require coverage for specific areas such as back office or investment accounting without incurring the expense of a full-time IT staff are prime candidates for ASP. In investment accounting, for example, installed applications features such as multicurrency functionality, coverage for virtually every asset type, automated exception management, and role-based workflow have been incorporated into ASP platforms. By addressing the problem of delivering large-scale, complex processing on a global basis, leading ASP providers have attracted multinational firms looking to establish multiple applications over numerous locations, thereby eliminating the need for an installed platform. Indeed, fast growing markets like Asia and other emerging regions represent a significant opportunity for ASP providers with a global reach.

## ASP – ASAP

Rapid implementation remains one of the chief benefits of ASP. Given today's exceedingly fast-moving markets, deploying a new system quickly and efficiently (and inexpensively) is paramount. ASP does just that, in many instances, allowing clients to be up and running in a matter of weeks. Clients must be secure in the knowledge that their ASP solution will be able to easily integrate with internal trading, custody and reconciliation systems and processes. Using abstraction layers and open standards, leading vendors have factored in such requirements, thereby assuring successful ASP deployment.

While providers with a longstanding record of fast and cost-effective system delivery may have a leg up on the competition, initial speed to market isn't the end-all. ASP providers also need to ensure that ongoing upgrades and software installations will be implemented with the same degree of efficiency, and in many instances can be loaded at the flip of a switch.

## CUSTOMIZATION

The importance of combining scale, breadth of functionality and customization cannot be overestimated. Providers should be able to offer solutions that span the entire spectrum of workflows and operations, addressing the specific needs of the client through customized reporting capabilities, role-based workflows tailored to multiple users, connections to multiple market data sources, and more. Solutions should also be flexible enough to allow the company to focus on its own client relationships.

## SECURITY

Vast improvements in secure ASP technology have dramatically reduced concerns over relinquishing data and compromising control. Encrypted communications circuits, intrusion detection systems, multi-layered firewalls, router-based access control and secure storage of authentication credentials - not to mention frequent back-ups and multiple sites for the safekeeping and access to a client's data - are essential elements for providers seeking to host and manage the most mission-critical applications. Additionally, vendors must be able to deliver platforms that sport fast, efficient and error-free VPN or direct-line connectivity, have the ability to connect with multiple-market data sources, and offer easy access to data in both shared and dedicated environments.

## STABILITY AND RELIABILITY

The number of providers has grown since the early days of ASP, giving clients more to choose from. While price is a compelling factor, service reliability over the long haul is of greatest importance. The tech shakeout during the early part of this decade demonstrated all too clearly the vulnerability of start-up or undercapitalized third-party providers. As such, ASP is beneficial only if an experienced, reliable vendor is selected. Clients who perform due diligence on a prospective provider require a history of stability, ongoing investments in product development, and support staff with the expertise and knowledge to make the technology work to its fullest extent.

### KEY FACTORS FOR ASP INVESTMENT SERVICING SOLUTIONS

- Rapid deployment with up-front costs minimized; speedy access to additional functionality
- Access to top-flight software applications covering the same full range of functionality found in corresponding installed applications
- Complete disaster-recovery program including back-up storage in multiple safe locations
- Highly skilled professionals who can tailor the application to the specific client needs
- Provider hosts all hardware/software applications
- Ability to handle complex processing requirements

## SEALING THE DEAL

Demonstrating the value of risk management first-hand is essential to winning over even the most skeptical clients. Accordingly, vendors should be prepared to show how the software can specifically address a company's problem areas, as well as how the provider's support staff can effectively integrate with the client's own personnel. Additionally, service level management standards offered by the ASP provider ensure a level of accountability often missing in an internal relationship. This gives businesses more visibility and greater control of their environment.

## LOOKING AHEAD

Increased complexity, competition and consolidation within the investment industry will likely continue and widen the trend toward outsourced solutions, as asset managers continue to divest themselves of non-core activities. The need for a consistent delivery method across a single, efficient platform bodes well for firms seeking proven investment accounting and portfolio management ASP solutions. The availability of today's comprehensive ASP offerings, which provide cost-effective IT functionality on an outsourced basis, makes for a very compelling argument going forward.

At the same time, increased competition will compel technology providers to continually make ASP product innovation a top priority as they refine and develop their platforms as never before. As the markets become even more complex, demand for more sophisticated solutions and integrated global platforms will increase. Times are good for firms evaluating investment servicing solutions on an ASP basis as technology providers seek to differentiate themselves around quality of product functionality and high-quality client service. The more challenging it becomes to do business from an operational, compliance and reporting standpoint, the more these benefits will assert themselves - and ASP users will find themselves with inherently strong competitive advantages in capturing market share.

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## SUNGARD AT A GLANCE

- More than \$2.5 trillion in assets processed on ASP asset servicing applications
- Nearly 8,000 funds supported on ASP applications
- Offering ASP solutions for over 10 years

### About Asset Arena

Asset Arena is SunGard's global suite of solutions for front-to-back-office investment support, serving asset managers, third-party administrators, insurers and pension fund managers. Available as an integrated solution set or as individual offerings, Asset Arena covers the entire investment management life-cycle, including trading, compliance, investment accounting, portfolio management and performance measurement and attribution.

### About SunGard

With annual revenue exceeding \$5 billion, SunGard is a global leader in software and processing solutions for financial services, higher education and the public sector. SunGard also helps information-dependent enterprises of all types to ensure the continuity of their business. SunGard serves more than 25,000 customers in more than 50 countries, including the world's 50 largest financial services companies. Visit SunGard at [www.sungard.com](http://www.sungard.com).

### FOR MORE INFORMATION

Email: [assetarena@sungard.com](mailto:assetarena@sungard.com)

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