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PerTrac Links to SunGard for Funds of Funds

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New York-based PerTrac Financial Solutions is integrating its front- and middle-office platforms with SunGard Data Systems' InvesTier investor and portfolio accounting system, providing fund of hedge funds managers and administrators with a nuts-to-bolts solution.

"More and more frequently fund of funds managers attracted to InvesTier's portfolio and investor accounting functionality also want investor relationship management software or investment management tools," said Gary Mills, director of Wayne, Pa.-based SunGard's alternative investments business. "This partnership provides that functionality as part of an integrated solution."

The combined system includes PerTrac CMS for workflow management, as well as investment analysis, portfolio modeling and allocation, and relationship management tools. "When we launched PerTrac Portfolio Manager in January and strengthened the integration between our existing analytic and CMS platforms," said PerTrac president and CEO Gerry Mintz in a statement, "it became clear that integration with a strong back-office accounting platform was the only missing component in our offering."

Meredith Jones, managing director of PerTrac, acknowledged that fund managers tend to be reluctant to change back-office systems. She added, however, that too many fund of funds managers are still using inefficient spreadsheets or homegrown systems. "There comes a trigger point where they develop an interest in more sophisticated automated products and decide they cannot or do not wish to invest in building systems on their own," said Jones. "Most fund of hedge funds managers do not want to be in the software business and recognize that outsourcing is ultimately the best choice."

Emanuel Mond, president of SunGard's alternative investments unit, called the partnership with PerTrac "a logical choice as they have a proven record of providing analytic and workflow solutions to many funds of hedge funds around the globe." He added that the joint offering will give fund managers "a comprehensive spectrum of tools for the day-to-day management of their funds."

InvesTier, which focuses on the alternative investment industry, tracks fund investments and investor contributions and redemptions, calculates complex fees, records and allocates gains and expenses and performs tax allocations for over 1,000 funds of funds and single-manager funds.

Assets in funds of funds exceeded \$1.3 trillion last year and are expected to climb to \$2.2 trillion by 2011, according to Boston-based Aite Group. Fund of funds managers have to continually screen the managers they select and their investment styles, analyze return behavior over multiple periods and market cycles, conduct correlation analysis and optimize the portfolio, as well as analyze both current and prospective risk.

Though many fund managers outsource their back-office work to administrators--either custodian banks or specialist shops--they often continue to perform shadow fund accounting and partnership accounting. That task is made more complex because of multiple investor fee schedules including performance-based fees, individual shareholder positions across multiple partnership deal structures, investor contributions, withdrawals and transfers and relationship accounts.

There is an array of software catering to single-manager funds, but the funds of funds technology market is only about ten years old, according to Aite. There are some two-dozen vendors specializing in either front-, middle- or back-office work. While PerTrac and SunGard are teaming to create a front-to-back solution, so have InvesTier rivals BackStop Solutions Group and Digital Shape Technologies. PerTrac's competitors include AlternativeSoft, Cogenti and Matrix-Aims.

In addition to funds of funds, PerTrac counts banks, brokerages, consultants, plan sponsors, family offices and investment managers as clients. More than 2,000 firms in 50 countries use its PerTrac Analytical Platform, CMS and Portfolio Manager solutions.

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