

Fund managers struggle to resolve scalability issues in performance teams

London, 12 April 2006 – Investment managers still have scalability issues in their performance departments. This is despite increasing investment in new systems over the past few years, research by Investit, the leading investment management consultancy, has shown. Performance teams also continue to lag front office product developments, especially when reporting on the growing use of derivatives used by portfolio managers. However, managers are recognising the importance of their performance functions – many teams expect further investment in systems and resources over the next 12 months.

Investit surveyed the performance teams of 20 major investment management companies as part of its Performance & Risk Survey. This survey looks at performance and risk systems, performance roles and remuneration and future trends - and allows investment management companies to benchmark their performance functions against peers. Interestingly, only one of the third party administrators wanted to take part – despite investment managers' growing interest in outsourcing performance functions.

Over the past five years, the number of major system implementations in performance departments has grown considerably – 74% of survey participants initiated a systems implementation in the past two years. These implementations have not all been smooth. Performance teams have become more conservative when estimating implementation timescales and yet Investit's research found 40% of performance system implementations failed to complete on time.

Despite the large number of system implementations, performance measurement and attribution continue to be unscalable processes. The greater the number of funds measured or analysed, the larger the performance team - and the higher the spend on systems and people. Investment managers also plan to invest more in performance teams over the next 12 months.

Performance teams continue to lag front office developments, especially in the growth in use of derivatives. The survey showed clear evidence that performance teams have to measure an increasing number of funds investing in derivatives. However, at the same time, 45% of performance teams cited functionality gaps in support for derivatives as one of their major concerns relating to performance systems.

“While there has been an increased investment in performance teams over the past few years, teams are still having to increase resources in line with the number of funds on which they have to report; it's not yet a scalable business” said Vikki Turton, Consultant in the Performance & Risk Practice at Investit. “And performance departments are still finding challenges reporting on derivatives - a challenge they need to resolve quickly, as portfolio managers' appetites for these instruments show no signs of waning.”

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About Investit

Investit is the leading investment management consultancy. It has a unique range of services, providing expert advice across all areas of investment management companies, from front to back office. Investit also offers detailed research and benchmarking services. Investit was founded in 1998 and includes five core expertise areas: investments, client management, performance and risk, operations and technology. In 2002, Investit People was added to provide specialist recruitment services to support project work. Investit Intelligence completes the offering with a range of specialist surveys and detailed research papers. For more information, go to www.investit.com.

About Investit Intelligence

Investit Intelligence is a customised information tool for all people concerned with turning high-level business plans into reality. Investit Intelligence consists of a number of research and survey services.

- **Investit Intelligence Member Service**

The member service is an interactive service where members take an active role in selecting, shaping and researching topics by voting on new discussion and research ideas.

- **Investit Intelligence Business Process Assessment – defining best value**

BPA is a service where Investit works closely with COOs of investment management companies to identify the value output of all business processes and how that compares with peers – it's an essential decision-making tool.

- **Investit Intelligence IT Value Survey**

The IT Value Survey looks in detail at the spend, effectiveness and plans of companies IT departments. It is an annual survey particularly designed for COOs and Heads of IT.

- **Investit Intelligence Performance & Risk Survey**

The Performance & Risk Survey is the only tool specifically designed for, and by, Performance heads in Investment Management companies. It looks at performance and risk systems, performance roles and remuneration, future trends and benchmarks against peers.

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