

CASE STUDY: HBM Fund Services



LINEDATA SERVICES' INTEGRATED BACK-OFFICE SOLUTION:

BETTER TECH + BETTER SERVICE = IMPROVED REVENUES

Robert Schaeffer, Managing Director, HBM Fund Services knew that hedge funds are conservative and that they avoid being first when it comes to choosing a vendor. To make this start-up fund administration firm a success, he knew that HBM would need a strong technology partnership that would provide the tools to outperform and outmaneuver bigger, well-entrenched competitors.

"HBM wanted to be able to service hedge funds of all types, so we wanted to make sure we had the most robust platform that was available," said HBM's Schaeffer. "We knew that we were in a very competitive space, but we never wanted a client to go with a competitor solely because we had an inferior technology platform. We wanted to make sure that we had a technology platform that was the equal of anything offered by our larger competitors out there. We wanted something that was both robust and could handle a variety of asset classes, fixed income instruments, currencies – you name it. And we also wanted something that was easy to use and could easily provide useful data back to our clients."

Linedata's integrated back-office solution helped HBM create this full-service, differentiated offering, making for a successful launch of the business. With Linedata's integrated back-office solution, HBM was able to win and service multiple clients right out of the gate in 2009, a year marked by consolidation and downsizing in the third party administration industry; since launch, HBM has developed a client roster of more than 30 funds with \$3 billion in assets under administration.

FLEXIBILITY AND CUSTOMIZATION

Schaeffer said that the system he chose also needed to be able to handle a variety of strategies, tax regimes and security types.

"The clients that we have are a real mix. We have some very 'vanilla' long-short US equities, some dealing with foreign debt, others with private equity, currencies, fixed income... basically, we have clients all over the board, so we wanted a tool where we wouldn't have to reinvent the wheel each time, where we could service the broad range of clients that we had."

"I have been in the business for more than 12 years, and I know that most clients ask their administrator for some customization of reports," said HBM's Schaeffer. "Some requests are material, and others are purely cosmetic. Either way, most administrators say flat-out, 'no,' to these requests, because they simply don't have a reporting package which includes this kind of flexibility."

Linedata's reporting tool includes a report writer, which allows users to create and customize their own reports. This contrasts with other competitors in this space which offer only pre-canned reports, which require paying the vendor for specific customizations.

"We decided that if people wanted to customize their reports, we wanted to be in a position where we would never have to say 'no' to a client," Schaeffer said.

BUSINESS SITUATION



HBM Fund Services Group is a full-service firm providing middle- and back-office support, fund administration for hedge funds, fund of hedge funds and private-equity funds. When the company launched in early 2009, it needed a robust technology platform comprehensive enough to service all fund types, but also intuitive enough that it could be used quickly.

In addition, the firm wanted to be able to offer a high level of customized reporting – including web-based reporting – to provide clients with critical information when, how, and where they wanted to see it.

Finally, it needed a technology partner that could provide the support and expertise to satisfy even the most demanding IT due-diligence.

SOLUTION

HBM implemented Linedata's integrated back-office solution, which included the award-winning, integrated fund accounting solution MFact, and the integrated partnership accounting and shareholder accounting solution MShare, along with robust web-based reporting and report generation through Linedata Reporting.

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ROBUST INFRASTRUCTURE AND A STRONG PARTNERSHIP

Schaeffer knew that HBM would need more than just a strong technology solution. It would also need a partner that could help the firm turn the client IT due-diligence process into another sales opportunity.

"Linedata is our technology partner," said HBM's Schaeffer. "We wanted to make sure disaster recovery protocols were in place so, if we came into a situation where the client really wanted to kick the tires, we could go to Linedata and bring them to the table as part of our team, and basically go toe-to-toe with the client on any questions that they might have."

"It's great that we have a partner with the expertise to basically dazzle any IT person on the other end of the table. We didn't want to buy the product from a firm who would leave us on our own to maintain it, which is the case with most of the other firms we looked at," Schaeffer said.

INTUITIVE FUNCTIONALITY HELPS HBM DO MORE WITH LESS

Linedata's integrated back-office solution is easy to use, which means that clients can get up to speed on the system quickly, and even junior staff members can get the full functionality of this advanced platform. This translates into lower costs for HBM, which can focus its resources on adding to its team of administrators, rather than bolstering IT.

"Linedata is a very menu-driven, user-friendly system regardless of tax considerations or security types. It is a much more user-friendly program and software package than most of the competitors that I've had experience with. We didn't have a desire to have an in-house person from the partner maintaining the system for us," said Schaeffer. "We want to spend our resources on adding fund accountants not on adding IT staff. With the training we've received from Linedata, it's very intuitive, even for lower level people. As a result, they're up to speed relatively quickly, which lowers cost and overhead."

FAST SETUP SAVES MONEY

Much of the deep functionality of Linedata's integrated back-office solution is available 'out of the box,' which means that setup is intuitive as well.

"I remember when I was with another firm, we were shopping a new platform. We looked at (another big player in the space), which everyone looks at. This solution was just as comprehensive but much more complex," said HBM's Schaeffer. "You can't use it 'out of the box,' in the sense that it requires a lot of customization, which involves having a team of programmers to make the changes.

With Linedata, user permissioning can be customized, but it is set up to run without additional development work required. Integration with the accounting system is turn-key, and does not have to be built. "With the other guys, the meter is running and you're spending money," said Schaeffer.

"With Linedata, we felt we were able to get that level of customization right out of the box," Schaeffer said.

KEY BENEFITS

- Easily Customizable
- Highly Intuitive, Easy-To-Learn Platform
- Robust Infrastructure
- Strong Technology Partnership
- Industry Leading Web-Based Reporting

KEY STATISTICS

- 10 reporting clients in the Americas, Caribbean and Europe since 2009 launch
- 68 firms using MFact globally
- 55 clients using MShare for shareholder and partnership accounting



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WEB-BASED REPORTING: A KEY DIFFERENTIATOR FOR HBM

Web-based reporting was a critical part of the service offering for HBM, and a key strength for Linedata's comprehensive back-office solution.

"HBM and its clients are big fans of web-based reporting," said HBM's Schaeffer. "Before, most funds would get their information on a monthly basis, and the fund administration business was optimized to deliver information on that schedule. Now, some of our competitors still haven't made the adjustment to the new environment; if their clients want an inter-month report, their fund administrators will struggle."

"At HBM, we can use Linedata to just shoot them an e-mail letting them know when they are updated, or providing the information to them daily or inter-day. It's a cleaner, quicker way of delivery that clients appreciate. It's also a must-have for our many clients that are more mobile, travelling between Asia, Europe, and the Americas. For them, being able to access information anywhere, and at any time, makes their lives a lot easier," Schaeffer added.

For many funds, this information is critical, and HBM has found its web-based reporting to be a key service differentiator, as some larger competitors still struggle with the technology.

"It's interesting because people have been talking about web-based reporting for years, but there were few taking advantage of it," HBM's Schaeffer said. "Even now, there are many larger companies that we compete against offering fund administration services, which are still struggling to provide web-based reporting to their clients."

We're a small company, but Linedata Services really helps us go toe-to-toe with our largest competitors; we really do have something special under the hood when it comes to technology."Schaeffer said.

DO HEDGE FUNDS REALLY CARE ABOUT THE TECHNOLOGY? (YES!)

Robust technology isn't just a differentiator for HBM, but also a key element in the investor due-diligence for many of its hedge-fund clients. While good technology at a third-party administrator certainly won't win capital for a hedge fund, inadequate technology could easily lead to an investor taking a pass on an investment.

"For funds that are talking to new investors right now, they will probably need to show that they have a fund administrator, and that their fund administrator's infrastructure is state-of-the-art," HBM's Schaeffer said. "This is a make or break for a lot of investors when it comes to choosing a fund."

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