

Aite Matrix Evaluation: Investment and Fund Accounting Systems

This excerpt provided compliments of Temenos.

APRIL 2020

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INTRODUCTION

Over the last two decades, buy-side institutions have gone through several waves of outsourcing of the middle- and back-office functions to third-party providers. One of the commonly outsourced functions is investment and fund accounting, the process that provides accurate position-keeping, valuations, and reporting to end investors of the portfolio or fund. Despite the waves of outsourcing, some firms still have internal accounting systems, in part to keep in-house records and to ensure validity of third-party figures and in part as a backup system in case of loss in service from outsourced providers. In addition, not all firms rely on outsourcing and perform these functions entirely in-house. These two broad buy-side segments are the common users of investment accounting system technology, in which funds are made available, and are focused on achieving greater automation and straight-through processing (STP) rates.

At the same time, fund administrators and larger asset servicers, such as the global custodians, have seen an increase in business as part of the move toward outsourcing. These groups are also big users of accounting third-party vendor systems, with some also being providers of technology to the buy-side market. Vendors of accounting system have the challenge of appealing to both buy-side firms and asset services to maximize business opportunities, especially in an environment of significant M&A activity and industry consolidation.

This Impact Report explores some of the key trends within the investment and fund accounting space and discusses the ways in which technology is evolving to address new market needs and challenges. The Impact Report also compares and contrasts the leading vendors' offerings and strategies, and it highlights their primary strengths and challenges. Finally, to help financial institutions make more informed decisions as they select new technology partners, the report recognizes specific vendors for their strengths in critical areas.

METHODOLOGY

Leveraging the Aite Matrix, a proprietary Aite Group vendor assessment framework, this Impact Report evaluates the overall competitive position of each vendor, focusing on vendor stability, client strength, product features, and client services.

The following criteria were applied to develop a list of vendors for participation:

- Vendor solutions must have functionality required to meet investment and fund accounting across a breadth of asset classes. This includes capabilities of the platform to be an ABOR for a buy-side firm.
- Systems must be able to calculate or facilitate the calculation of GAVs and NAVs for portfolios and funds.

Participating vendors were required to complete a detailed product request for information (RFI) composed of both qualitative and quantitative questions, conduct a minimum 60-minute product demo, and provide active client references. In total, 38 buy-side and fund administration institutions provided feedback on 16 vendor platforms.

THE PLAYERS

This section presents comparative data and profiles for the individual vendors that participated in the Aite Matrix evaluation. This is by no means an exhaustive list of vendors, and firms looking to undergo a vendor selection process should conduct initial due diligence prior to assembling a list of vendors appropriate for their own unique needs. Table A presents basic vendor information for the participating solutions.

Table A: Evaluated Vendors

Firm	Headquarters	Year founded	Sample clients
BNY Mellon Data and Analytics Solutions	Wellesley, Massachusetts	1989 (as Eagle Development Group)	Boston Company Asset Management, MFS Investment Management, Federated Investors
Broadridge	Lake Success, New York	2007	Not disclosed
Calypso	San Francisco	1997	Apex, Banque Pictet & Cie
Enfusion Systems	Chicago	1996	Not disclosed
Finastra	London	2017	KAMCO, China RE, Lyxor
FIS	Jacksonville, Florida	1968	Not disclosed
FundCount	Norwood, Massachusetts	1999	Paget-Brown Trust Company, The Lupton Company, MBG Capital
JUMP Technology	Paris	2006	Rothschild Asset Management, Montaigne Capital, Crédit Agricole Life Insurance Europe
Linedata Icon	Paris	1998	HSBC, BNP Paribas, Scottish Friendly
Linedata Mfact	Paris	1998	Not disclosed
Profile Software	Athens, Greece	1990	Twenty First Capital, Mada Capital, Arrow Capital
SimCorp	Copenhagen, Denmark	1971	Challenger, UBS Asset Manager, PGGM
SS&C APX	Windsor, Connecticut	1986	Ziegler Capital Management
SS&C EZE	Windsor, Connecticut	1986	QQQ Capital, Salt Rock Capital Partners, Kriya Capital
SS&C Geneva	Windsor, Connecticut	1986	Adelphi Capital, CACEIS
Temenos	Geneva	1994	Northern Trust, Citi, BNP Paribas

Source: Vendors

THE MARKET

The following market trends are shaping the present and future of the investment fund accounting technology market (Table B).

Table B: The Market

Market trends	Market implications
Consolidation in the asset manager and fund administrator space impacts the total addressable market.	M&A activity in both the asset management and fund administration spaces impacts negatively on the total addressable market for vendors in the accounting system space. Deals such as the recent Franklin Templeton acquisition of Legg Mason are usually followed up by internal vendor rationalization in a cost synergy drive. ¹ In the fund administrator space, groups such as the Apex Group have been heavily active; Apex Group acquired four fund service providers in 2019 alone, with cost measures and removal of duplicate systems a likely consequence. ²
Outsourcing continues to be a major theme, with vendors now pivoting to meet the demands of oversight operation models and growing calculation of contingent NAVs.	Outsourcing has increased in many clients that use investment and fund accounting systems over the past decade. This has led to vendors in the space looking at supporting the industry in other ways, the most recent being the provision of a lighter accounting system that can support contingent NAV calculations. These systems are less expensive and less strenuous to implement for buy-side institutions. Asset service providers are also looking to offer these systems as an independent check on all third-party administrators.
Exception management and STP are priorities for firms with in-house operations.	For any firms performing investment and fund accounting in-house, the drive is to increase STP rates and focus on exceptions. Platform development in this space has focused on how to best automate dataflows from external systems, calculations, exception handling when errors occur, and workflows to support fixes. However, firms have incorporated manual processes at key events, such as NAV signoffs. This slows down the daily process but increases the level of human involvement oversight.

1. Sophie Baker and James Comtois, "Franklin Deal for Legg Mason Turning Heads," Pensions & Investments, February 24, 2020, accessed March 20, 2020, <https://www.pionline.com/money-management/franklin-deal-legg-mason-turning-heads>.
2. Jenna Lomax, "Apex Continues Acquisition Streak With Broadscope," Asset Servicing Times, March 21, 2019, accessed March 11, 2020, http://www.assetservicingtimes.com/assetservicesnews/article.php?article_id=9357.

Market trends	Market implications
Operational dashboards are the most common development for accounting systems.	Operational dashboards add an extra layer for users to interact with. Most users will only need to work on this interaction layer, as it is fully integrated to feed the accounting engines and perform fixes. These dashboards provide critical information around the status of valuations, highlighting issues, or team burdens from a management perspective. Additional data are also collected with integrated analytics to understand where and why exceptions do occur and helps buy-side firms solve issues to lower the error rates.
Industry shift to alternative assets and illiquid structures creates demand for a unified system that can handle a wider range of investments.	The increasing allocation to alternative investments and illiquid structures such as private equity presents a unique challenge for firms. Institutions tend to have a specialist system to handle these types of investments. For many multi-asset firms, a unified system that can handle all fund structures and instruments types is desired. Many incumbent systems with in-depth public market instrument support can only support illiquid instruments at a shallow level and do not have all the unique workflows or calculations to meet the demands of the illiquid or private investment space.
A single solution for the investment books of record (IBOR) and ABORs is desirable.	A single solution—one that can cover both middle- and back-office book of records, along with an integrated general ledger (GL)—is also becoming more important. This includes corporate actions of processing, performance attribution, and measurement, along with a more real-time view of positions and cash. Many firms have separate systems in place to support the middle office and back office—a setup that could be leading to overlaps and additional costs.
The proliferation of front-to-back systems leads to more competition for systems that do not expand.	Some firms take the further step by looking for a solution that can meet front-to-back office needs, from order management to accounting. This is one step further than the combined middle- and back-office system, with the number of vendors in this space also competing with the traditional accounting engines.
The importance of hosted and cloud deployments for accounting system architecture and deployment is growing.	Capital market firms are all reevaluating underlying technology stacks and have greater desire for at least vendor-hosted systems. The desire to manage technology in-house, especially outside the front-office system, has fallen over time. A step further for buy-side institutions is the acknowledgement of the benefits of cloud-native architecture in the industry's quest for operational and technology modernizations.
Greater focus on oversight and transparency also drive further development in vendor platforms.	Some of the platforms have looked to improve oversight and transparency capabilities for fund administrators in particular. This entails providing buy-side clients of these institutions with some actions with the accounting application, or at least with read-only portals. The functionality usually includes web access to review NAV calculations and controls before signoff.

Market trends	Market implications
Insurance-owned asset manager firms are more likely to have in-house accounting systems than are pure investment managers.	According to market feedback, this segment is more likely to use an in-house accounting system than rely on third-party providers than are traditional investment firms. Insurance firms have unique accounting and regulatory reporting requirements, such as Solvency II.
Regulatory and standards changes impact functional and calculation requirements.	Updates to accounting rules and methodologies drive further development in accounting systems as well. This includes International Financial Reporting Standard (IFRS) 9, effective as of 2018, more recent changes for hedge fund accounting rules, and Solvency II amendments that have significant impact on insurance-based asset managers.
Demand for open systems and real time is driving an API-first strategy for vendors.	Firms often want access to underlying data within systems, and APIs support the ease of data flowing between applications and to and from third parties, which is essential for systems of the next decade.

Source: Aite Group

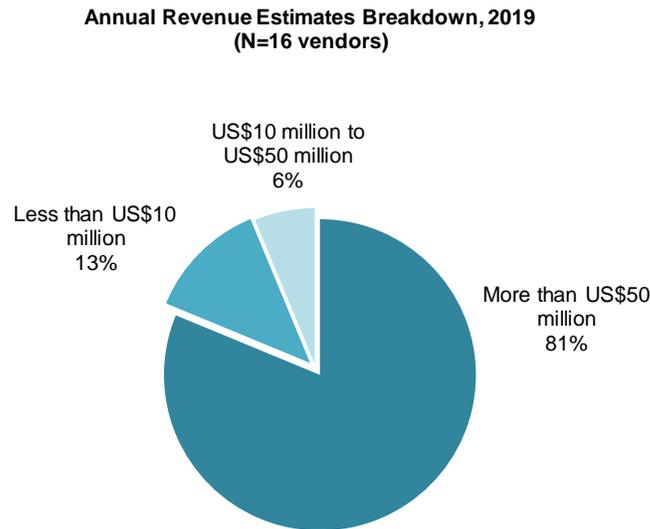
KEY STATISTICS

This section provides information and analysis on key market statistics as well as projected IT spending related to the vendor market.

ANNUAL REVENUE ESTIMATES ANALYSIS

A large majority of vendors in the space have more than US\$50 million in annual revenue (Figure 1). This reflects the mature market in the accounting space and how larger vendors tend to have acquired specialist accounting system vendors in the past. This has resulted in several vendors offering multiple accounting products. Vendors with less than US\$10 million tend to be specialist vendors, focused on a specific type of buy-side institution or region.

Figure 1: Annual Revenue Estimates Breakdown



Source: Vendors

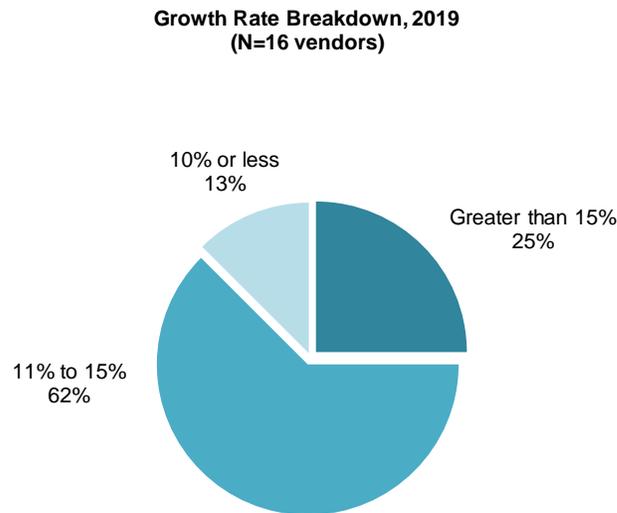
PROFITABILITY ANALYSIS

Vendors across the investment fund accounting space have all reported positive profits despite the trends toward outsourcing. This is a result of larger firms being supported by multiple product lines and smaller vendors finding the right niche in which demand continues to drive growth opportunities. Moreover, the outsourcing trend seems not to have eliminated opportunities for vendors, in particular for buy-side firms that deploy in-house shadow accounting of outsourced providers.

GROWTH RATE ANALYSIS

Figure 2 provides a measure for the revenue growth experienced by the profiled vendors. The majority of firms (62%) report growth between 11% and 15% in 2019. Only a quarter have experienced growth greater than 15%, suggesting double-digit growth is something to expect from these vendors, but firms are unlikely to deliver much higher figures than 15%. Lastly, 13% of vendors have reported 10% of revenue growth or less, which reflects the large organizations that have a large revenue basis from which to grow.

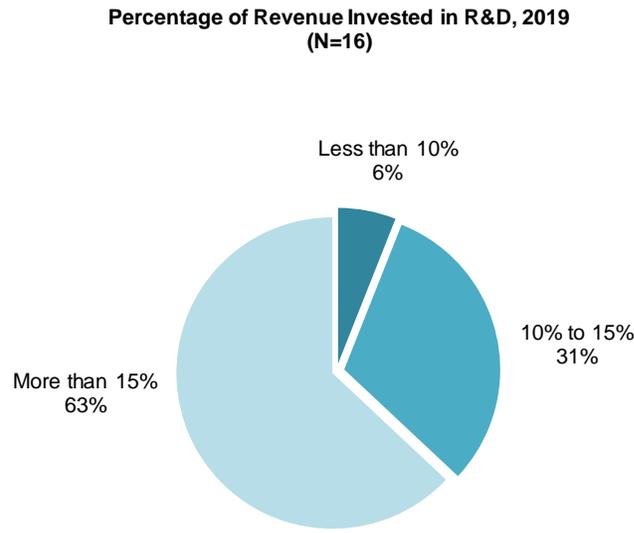
Figure 2: Growth Rate Breakdown



Source: Vendors

R&D INVESTMENT ANALYSIS

Figure 3 shows that even for a mature market, R&D investment for investment and fund accounting is still vital for firms to keep pace with changing demands. Consequently, most vendors (63%) have invested more than 15% of revenue in the previous year into R&D. Approximately a third (31%) of vendors invested 11% to 15% of revenue. Both groups are likely to keep pace with the demand for operational dashboards, greater workflow tools, and broader asset class coverage. Other vendors are investing to expand the functional capabilities across the front-to-back investment life cycle. Moreover, highly innovative vendors are also likely developing machine-learning-based tools to support greater automation. Only 6% of vendors are investing less than 10% of revenue in R&D and are likely candidates to fall behind other vendors due to the competitive marketplace.

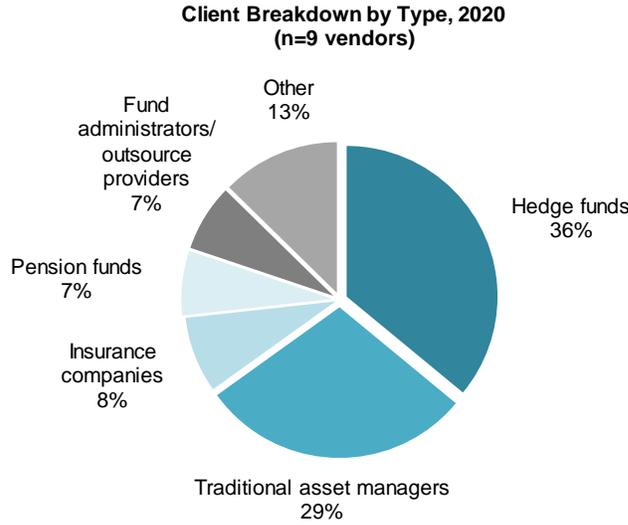
Figure 3: Percentage of Revenue Invested in R&D

Source: Vendors

CLIENT BREAKDOWN BY TYPE

Not all providers have given a full breakdown of clients, but out of those vendors, the largest group within the buy-side segment are hedge funds (36%). This is due to a few vendors that specialize in this area and have clients on the smaller side in terms of AUM. This can be contrasted with traditional asset managers, which is the next largest group in terms of individual firms (29%), but they tend to be bigger, often with over US\$50 billion in AUM (Figure 4). The next largest group is insurance companies, a sizeable group that offers a multitude of fund structures that require specific accounting and rules for regulatory reporting needs. Fund administrators and pension funds follow at 7% each; the former is a smaller group in terms of absolute numbers but are major users of investment and fund accounting systems. Other types of institutions make up 13% of the total reported client base and include registered investment advisors (RIAs), corporate treasurers, family offices, and endowments.

Figure 4: Client Breakdown by Type

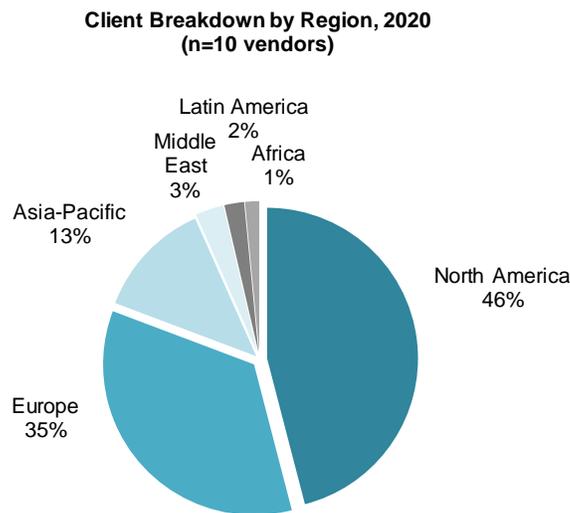


Source: Vendors

CLIENT BREAKDOWN BY REGION

In terms of regional breakdown of clients for those vendors that have disclosed them, North American (the U.S. and Canada) clients are the largest group, at 46% (Figure 5). Europe is the next-largest group (35%), followed by the Asia-Pacific (13%), the Middle East (3%), Latin America (2%), and Africa (1%). Core markets in North America and Europe continue to be large revenue drivers for vendors, but the higher growth rates have been reported to be coming from the Asia-Pacific region.

Figure 5: Client Breakdown by Region

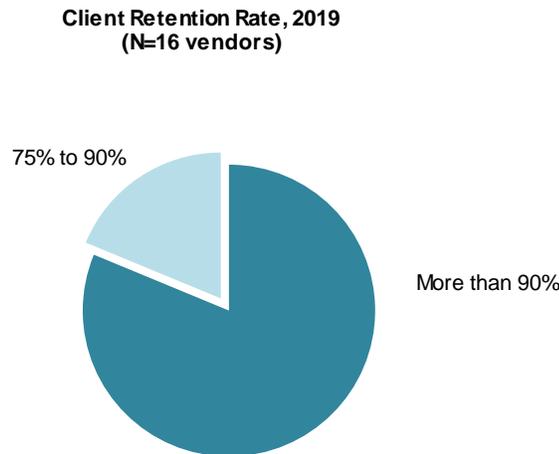


Source: Vendors

ANNUAL CLIENT RETENTION RATE

Client retention is a good indicator of client satisfaction and stickiness. For investment and fund accounting vendors, the majority (81%) have experienced over 90% client retention (Figure 6). However, nearly a fifth of vendors report client retention of 75% to 90%. This implies there are still buy-side firms transitioning between vendor platforms, even though moves off accounting systems tend to be more sporadic due to the core nature of these platforms and prioritization of other areas for digital transformation for investment.

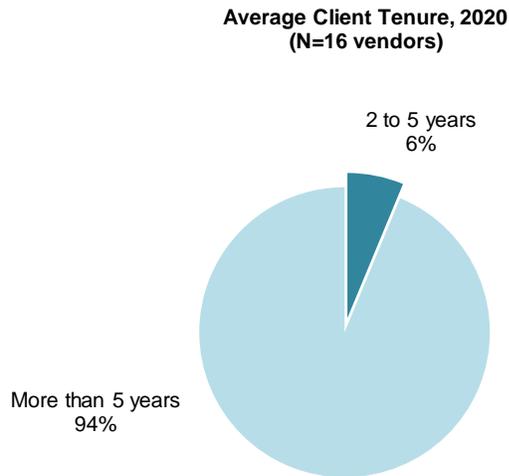
Figure 6: Client Retention Rate



Source: Vendors

AVERAGE CLIENT TENURE

The client stickiness in the investment and fund accounting space is demonstrated by the average client tenure for the vendors (Figure 7). Almost all vendors (94%) have average client tenure of over five years, with only 6% of vendors with average client tenures of between two and five years. This reflects the mature nature of the market and lack of new entrants in the markets.

Figure 7: Average New Client Tenure in the Last Three Years

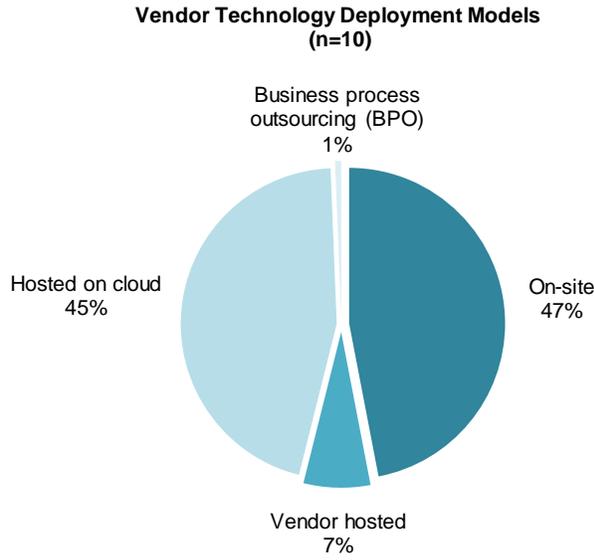
Source: Vendors

DEPLOYMENT OPTIONS ANALYSIS

Figure 8 and Figure 9 demonstrate that on-site deployment is the most common type of deployment model, with 47% and 71% of the sample, respectively. The difference between the two numbers reflects the removal of one vendor in the latter figure, which changes the landscape significantly. The removed vendor has a large number of clients and is an entirely cloud-based platform. Inclusion of this vendor figures skews the results toward cloud-hosted deployments. In terms of popular public cloud vendors, Amazon Web Services and Microsoft Azure are most often mentioned by accounting system vendors.

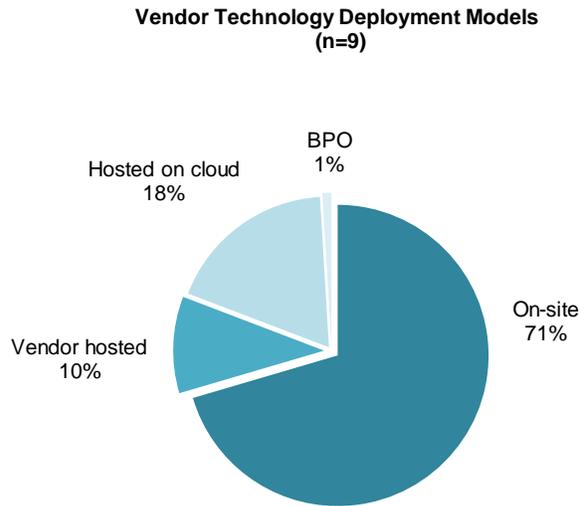
The true global figure is more likely to be a small majority for on-site installations, in between the two figures provided. This is driven partially by the lack of historical availability of cloud solutions and caution around outsourcing technology infrastructure and management at some firms. Moving forward, it is likely that cloud-hosted and full-managed-service models will grow in popularity. This is exemplified by the need to access applications remotely, as during the coronavirus outbreak in early 2020.

Figure 8: Deployment Options



Source: Vendors

Figure 9: Deployment Options Alternative



Source: Vendors

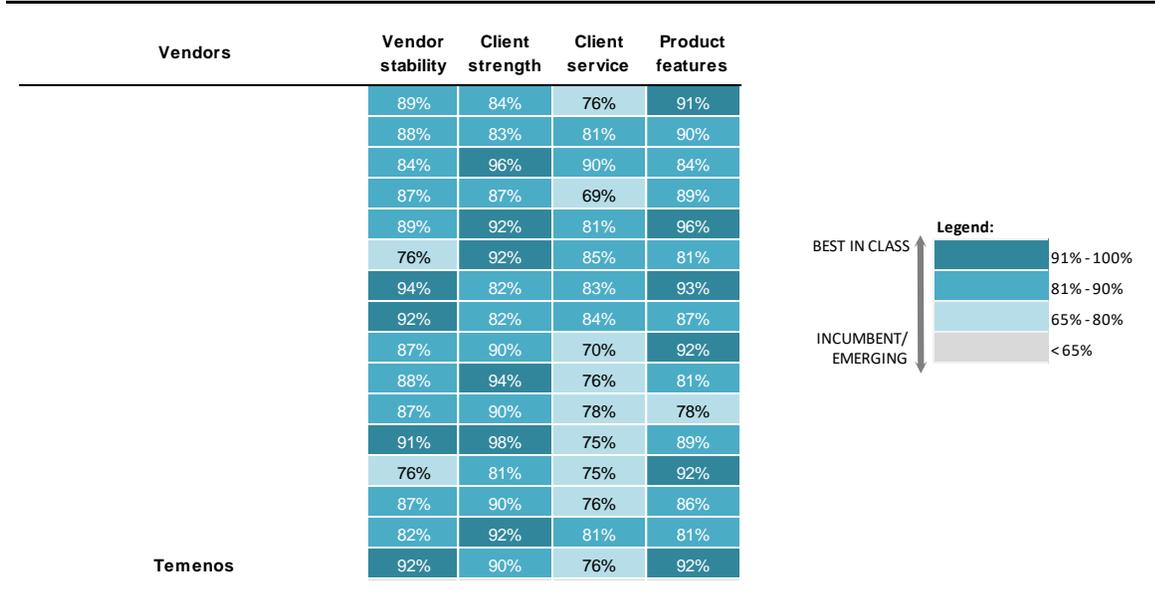
AITE MATRIX EVALUATION

This section breaks down the individual Aite Matrix components, drawing out the vendors that are strong in each area and how they are differentiated in the market.

THE AITE MATRIX COMPONENTS ANALYSIS

Figure 10 provides an overview on how each vendor scored in the various areas of importance. Each vendor is rated, in part, based on its own data provided when responding to the RFI distributed by Aite Group as well as on product demos and follow-up discussions as part of the Aite Matrix process. Ratings are also driven by the reference customers of the examined vendors to support a multidimensional rating.

Figure 10: Aite Matrix Components Analysis by Heat Map



Source: Vendors, Aite Group

VENDOR STABILITY

The core metrics to be a leader in the vendor stability criteria are financial strength and stability, demonstrated by sizable revenue streams, strong growth rates, profitability, and significant reinvestment in R&D. Also valued is the interaction with and the trust of management teams, measured by the respondent client base. Interviews with clients suggest this interaction has been regarded as mixed from adequate to strong overall. Risk management is also a key measure, such as business continuity plan testing and strong data privacy policies and procedures. The vendors that scored very well (above 90%) in this category include Temenos.

CLIENT STRENGTH

For client strength, vendors are evaluated against both the number of clients and the diversity of their client base. This includes diversity by client segment and geographical location. Client

retention rates and the degree of concentration of the client base are also factors, along with feedback from clients on vendor reputation and their likelihood of replacing the current vendor solution in the near future. All vendors have scored reasonably well in this category. Temenos scores well, which is unsurprising due to its large size.

CLIENT SERVICE

The client service criterion evaluates vendors on the level of client service and support, such as 24/7 support, global and localized support, implementation and maintenance costs, and the vendor's ability to deliver on promises. Also included is the ease of implementation. Client feedback also includes overall perceptions of service and support provided, and value for money. This criterion is one in which all vendors have quite a bit of room for improvement in the area of client service.

PRODUCT FEATURES

The final major criterion takes into account the range of functionality across the investment and fund accounting requirements. The vendors' support for the fundamentals such as accounting rules and calculations of GAVs and NAVs, and dealing with various pricing or valuation methodologies and with integrated exception management and robust workflow support all impact overall scoring in this category. The range of implementation options is also a small factor, but more importantly, the breadth of investment structures supported and the feedback from client conversations are factors in the final scoring of vendors—in particular for the latter, client scores on the overall features and functionality, influence over product roadmap, and user experience.

Many incumbent vendors score very well, including Temenos—above the 90% category. Highly scoring vendors did so because of the range of functionality on offer, the usability of their solutions, and client satisfaction with their overall features and functionality.

However, these scores only provide a guideline, as it's quite complex to capture functional efficiency across multiple asset classes, from public and private instruments, along with side support for various fund structures. As previously suggested, selectors of investment and fund accounting technology should make sure to use their customized criteria with an asset class focus and look for best-of-breed functionality to support those needs, while using functionality scores in Aite Group's report as a broader market view.

THE AITE MATRIX RECOGNITION

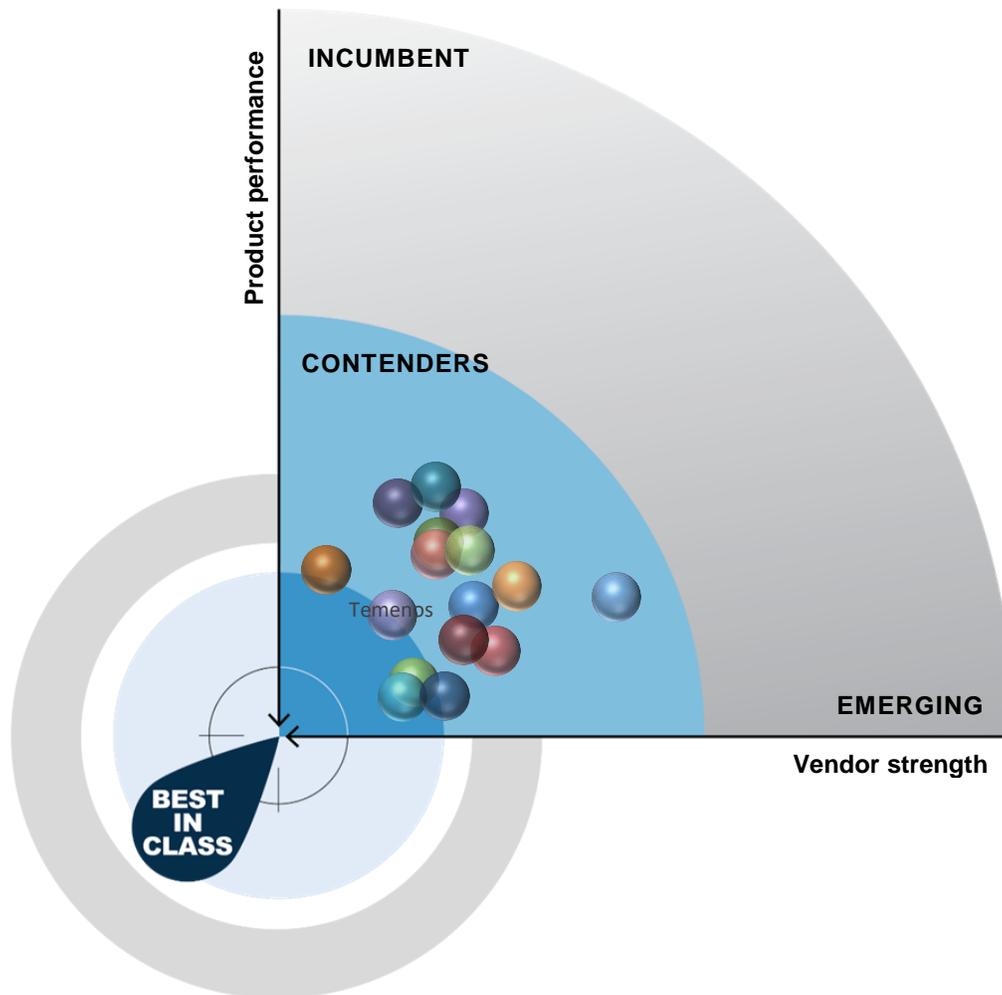
To recap, the final results of the Aite Matrix recognition are driven by three major factors:

- Vendor-provided information based on Aite Group's detailed Aite Matrix RFI document
- Participating vendors' client reference feedback and/or feedback sourced independently by Aite Group

- Analysis based on market knowledge and product demos provided by participating vendors

Figure 11 represents the final Aite Matrix evaluation, highlighting the leading vendors in the market.

Figure 11: Investment and Fund Accounting Aite Matrix



Source: Vendors, Aite Group

BEST-IN-CLASS VENDOR: TEMENOS

Temenos is a well-known name in the banking and wealth realm, but with the acquisition of Multifonds in 2015, it added another dimension to the business with a strong client base in the buy-side and large asset servicer community. The Multifonds Global Accounting solution is another solution that forms part of the incumbent universe for investment and fund accounting.

- **Vendor strength:** Temenos is a larger global fintech firm with over 6,000 employees and 3,000 clients globally across its product set. It has strong revenue figures and a

history of investing revenue back into R&D into its products. The firm's leadership team has been in place for over a decade, and the branding of the solution has been kept consistent post-acquisition by Temenos.

- **Product performance:** The Multifonds Global Accounting meets a broader set of requirements in the middle and back-office accounting and reporting needs. The solution scores well in terms of both client feedback and functional requirements, from support of multiple asset classes, fund structures, multi-share class accounting, and jurisdictions. The system also has a strong focus on automation, exception-based processing, and workflow/workday management of the end user.

BEST IN CLASS: TEMENOS

Founded in 1993, Temenos specializes in software for banks and financial services. The company has been listed on the Swiss stock exchange since 2001. Temenos' venture into the investment and fund accounting space is a result of the 2015 acquisition of Multifonds. Clients on the platform include BNP Paribas, Citi, RBC, HSBC, Union Investment, and GAM.

AITE GROUP'S TAKE AND MARKET FEEDBACK

Temenos Fund Administration (Multifonds) is a product line of the financial technology firm focused on the investment and fund accounting space. The core solution, Multifonds Global Accounting, is a single global platform that combines workflows and production management techniques. The platform was first launched to the market in 1996 and is now used by nine of the top 15 global administrators, with over 30,000 funds serviced at a value of over US\$7 trillion. Multifonds is geared toward custodians and fund administrators, but it is also implemented by traditional asset managers and insurance companies.

The solution supports both middle- and back-office systems, with an IBOR and ABOR provided on a single platform. This means the platform can perform multiperiod valuations with customizable pricing and valuation rules, as well as customizable charts of accounts and posting rules. Multifonds Global Accounting also supports multiple asset classes, fund structures, multi-share class accounting, and jurisdictions. The system is designed and developed with a focus on automation, exception-based processing, and workflow/workday management of the end user. For compliance and risk governance, clients can instigate a four-eye policy, implement manual workflows for NAV signoffs, and have access to management views via multiple user-defined dashboards. The system can also be used to support the transfer of agency requirements.

is a customizable platform with system parameters that can be adjusted to meet the specific needs of clients. In terms of integration, data from other systems and third parties can transmit via web services (RESTful APIs), flat file transfers, or database interfaces. Clients suggest the strength of the solution is the breadth in the global accounting coverage across regulatory standards, especially in Europe and the Asia-Pacific region. This is exemplified by the platform supporting funds in over 30 jurisdictions. Clients also comment on the strength of the core accounting engine, with calculations able to be rerun with minimal time lag across multiple funds.

Overall, clients have not seen any significant change in the level of service received since the Temenos acquisition, and the feedback has been good on the service level at implementation and ongoing support. However, some clients suggest improvements can be made to the upgrade process, but this is an area that has improved more recently and is less of an issue for hosted and cloud deployments. In addition, clients are benefiting from complementary Temenos products that are being integrated into the suite, including Temenos DataSource for market and reference data, and Temenos Analytics for big-data analytics.

BASIC FIRM AND PRODUCT INFORMATION

- **Headquarters:** Geneva

- **Founded in:** 1993
- **Number of employees:** 8,000
- **Ownership:** Public company
- **Key financial information:** Annual revenue more than US\$981 million in 2019, positive profitability, and more than 20% of revenue invested in R&D
- **Key products and services:** Multifonds Global Accounting
- **Target customer base:** Asset managers, fund administrators, and global custodians
- **Number of clients:** More than 3,000 at a firm-level
- **Average net new clients per year (or average client tenure):** On average, six net new clients per year for Multifonds, with an average client tenure over 10 years
- **Global footprint:** Offices in the U.S., Canada, Europe, Japan, the Asia-Pacific, Latin America, the Middle East, and Africa
- **Implementation options:** On-site, vendor hosted, and cloud hosted
- **Vendor provided average implementation time:** New customers have gone live in as little as four months, and a typical project will go live within six to 18 months. There is generally no significant difference between on-premises or hosted versions.
- **Pricing structure:** Undisclosed

KEY FEATURES AND FUNCTIONALITY BASED ON PRODUCT DEMO

- Interactive dashboards are available for management with key performance indicator measures to monitor progress against SLAs for fund administrators.
- It has an integrated exception-based workflow capability to manage workloads of teams, manage workloads of teams, automate multiple steps to improve automation, and also incorporate manual steps such as NAV sign-off. A clear schedule for the start of daily tasks is available in one of the workflow tools, which can allow users to see an impact or delay on other things.
- Over 230 controls are available in real time with logical checks, which includes comparing transactions to market prices, identifying duplicated trades, and ensuring no differences between the GL and open items.
- All actions and manual interventions are recorded with time stamps, user ID, trial balance checks, and corresponding explanations for the GL.
- It has a Jasper reporting tool.
- Start of day, intraday, and end-of-day valuations can be scheduled or run on an ad hoc basis. The platform can be hosted on AWS, Google Cloud Platform, MSFT Azure, Oracle, or Syncordis.

- It offers multiple pricing sources, price types, fund-specific pricing, fair value, and swing price support. Flexible data views are provided with Excel-like functions to input in columns and filter by entering names.

TOP THREE STRATEGIC PRODUCT INITIATIVES OVER LAST THREE YEARS

- Provided ongoing investment in support for new product types—e.g., insurance, bank debt, ETF basket management and partnership accounting, and also new jurisdictions, such as Canada, France, South Africa, and Taiwan market support.
- It migrated R&D processes to UTP, Temenos' proprietary DevOps platform. Among other benefits, this allows Temenos to deliver more frequent releases and run nightly automated regression tests.
- Temenos implemented a new RESTful API framework in the product.

TOP THREE STRATEGIC PRODUCT INITIATIVES IN THE NEXT 12 TO 18 MONTHS

- Complete the migration of the application technology stack to a cloud-native, cloud-agnostic architecture, including a new HTML5 user experience that will be rolled out across the product using Temenos' proprietary user experience platform
- Continue to invest in middle-office capabilities
- Integrate Temenos Explainable AI (XAI) to improve operational efficiency by reducing errors and false positives in exception management

CLIENT BREAKDOWN

Temenos did not provide a client breakdown for its Multifonds Global Accounting product.

CONCLUSION

Buyers:

- **Reconsider oversight measures and resilience:** If the firm outsources fund and investment accounting without an internal backup or validation system, understand the risks and potential drawbacks of not having a formal system in place, which can lead to reputational damage or even fines for delays or errors in areas such as NAV reporting.
- **Asset class capabilities and fund structures vary with platforms:** Buy-side firms should ensure asset class capabilities when selecting the ideal vendor partner. Many vendors offer multi-asset class support but vary on the degree to which they can support and automate specific instrument types or fund structures.
- **Look for a vendor that matches with the future planned operating models:** If the firm is looking to consolidate on a few or even onto a single platform, several systems in the investment accounting space can cover a large degree of the front-to-back workflow. Similarly, if the firm is using the internal system to shadow external books of records, pay attention to the shadow framework, the level of embedded reconciliation capabilities, and the provision of oversight dashboards.
- **Consider hosted services:** Some buy-side firms are slow to move to hosted or cloud deployments because of security concerns. However, many admit that public cloud providers have stronger measures in place to protect against cyberattacks. The current market trend is toward hosted or SaaS-based offerings, which could lower the costs of managing applications and IT infrastructure.
- **Large buyers, such as large asset managers and asset servicers, should consider processing power and scalability:** The largest asset servicers in the world have trillions in assets managed administered for buy-side clients across thousands of funds. The platforms must be able to support the scale and the valuation cycles required by these firm.
- **Evaluate the openness of the system and the integrated reporting:** Many firms prepare reports and documents directly from their accounting system. If this is the case, examine the report automation and customization capabilities, or if data is extracted from the system to external systems, such as external reporting or BI, ensure data can be easily accessed, with APIs becoming the more common approach for bidirectional data flow.

ABOUT AITE GROUP

Aite Group is a global research and advisory firm delivering comprehensive, actionable advice on business, technology, and regulatory issues and their impact on the financial services industry. With expertise in banking, payments, insurance, wealth management, and the capital markets, we guide financial institutions, technology providers, and consulting firms worldwide. We partner with our clients, revealing their blind spots and delivering insights to make their businesses smarter and stronger. Visit us on the [web](#) and connect with us on [Twitter](#) and [LinkedIn](#).

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