

## Investors drive rapid information provision

By *Oliver.bradley*

Created 26/05/2010 - 08:20

The demand from investors for better information, delivered more rapidly than before and in a form that can be easily understood by investors and third-parties is the considerable challenge that hedge fund administrators face today.

“Asset managers, promoters, boards of directors, regulators and auditors all need comfort that the prices underlying a fund of hedge fund NAV are real and sourced directly,” says Regis Veillet, head of sales and client relationships for Societe Generale Securities Services (SGSS) in Luxemburg. “That means an emphasis on quality, timing and providing supporting evidence.”

Price-chasing of NAVs has become an increasingly important activity in this respect as fund of hedge funds demand frequent and fresh data to calculate their own NAVs. Notes Veillet: “This is not as simple an activity as it looks and often involves a great deal more than simply calling the transfer agent. Sometimes, the funds can’t be bought or sold so we seek to obtain performance numbers instead and apply them to the previous month’s NAV to create a fresh valuation.”

A crucial aspect of creating useful data is the methodology behind it – the capacity to demonstrate its inherent quality. This applies to the pricing of underlying assets too. “We have developed the capacity to price OTC derivatives such as CDSs and we also give clients the opportunity to speak directly to our financial engineer so they can see the methodology and view the source of the data if required,” says Veillet.

Funds of funds require transparency not just for valuations but also for administration issues such as orders and redemptions. “They want to know where their order stands in the pipeline,” says Eric Chartry, head of global fund trading at SGSS Luxemburg. “They expect to receive a certain NAV on a certain date, so we constantly check and have built in a series of alerts to make sure this happens.” Demand for order tracking has increased hugely since it was revealed that some Madoff clients had no or poor evidence of whether orders were actually sent and at what times or dates.

Equally, funds of funds want to be sure that redemption payments are received in a timely fashion. Again, this issue has become vexed because of the wave of redemptions that accompanied the 2008 drawdowns and the continued volatility in the markets. Says Chartry: “Redemption payments are now often complicated by gates, they are partly paid in tranches and sometimes balances can be put in side-pockets which are themselves sub-divided into different classes. We have the architecture to see how many tranches exist, what has been paid and what remains to be paid.”

The proliferation of illiquid assets and the difficulties in dealing with them in the wake of the credit crisis has led to complexity in administering gates, side-pockets and partly-paid share classes. This complexity is not new but has been intensified by the sheer volume in recent times. “It is important to automate these processes to reduce the operational risk that comes with a manual interface with transfer agents,” says Veillet.

SGSS believes only a provider with financial muscle can deliver what the market requires after a time of great upheaval. Veillet notes: “In a few months, the industry has gone from managing exceptions to the wholesale industrialisation of complex processes. In some cases, complete new infrastructure has to be created and this can only be done by a service provider that is backed with the kind of resources we have, from one of Europe’s largest banks.”

[Please click here to to read the full Hedgeweek Special Report on Innovation 2010 \[1\]](#)

**Source URL:**

---

<http://www.hedgeweek.com/2010/05/26/48167/investors-drive-rapid-information-provision>

**Links:**

[1] <http://www.hedgeweek.com/sites/default/files/HW Innovation 10.pdf>