# The global route to daily NAVs

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One of the key reason investors seek managed accounts is that they want transparency and liquidity, so service providers must be able to administer managed accounts on a daily basis –as Custom House does. More than a third of the funds or accounts for which we provide net asset values receive daily dealing NAVs.

As administrator of the Innocap platform, which is structured as a Maltese master-feeder fund, Custom House uses its global network of offices, which includes operations in Chicago and Singapore as well as the group’s headquarters in Malta, to relay work between time zones around the world.

With a master fund containing more than 60 sub-funds representing managed accounts, the system must be capable of reconciling many trades a day, up to a peak of more than 60,000. Trade capture may start at the end of the working day in Chicago but most of it is carried out in the morning in Singapore.

Once the open positions and trades are reconciled, European offices – Malta or Dublin – begin calculating NAVs of the master sub-funds, a process completed in Chicago alongside the NAVs of the feeder funds. Thanks to this global production line, Innocap receives the NAVs by 3.45 p.m. Chicago time on T+1.

It’s a complex process that relies on a good IT system throughout the global operations. Some European administrators have made acquisitions in Asia that use different systems – very hard, expensive and time-consuming to integrate or replace. Employing the same system worldwide enables the organisation to see any accounts at any time in any office, as well as providing a very good disaster recovery system.

In addition to the Innocap platform, Custom House also administers managed accounts for other managers alongside flagship funds that hold the same assets in their portfolios. Complications may arise where managed account investors want different reports from those provided to fund investors, such as more detailed attribution between different markets, currencies and instruments, or different commodity contracts, needed to carry out risk analysis.

Seeing the manager’s positions on a daily basis is an important risk and portfolio management tool. Investors may not know that one of their managers is cancelling out the strategy of another because they happen to hold two different market views. Managed accounts provide transparency. Equally, daily liquidity means that investors can exit their positions and be paid very quickly. By contrast, a fund investor that wants to liquidate at the end of March may not be paid for three months.

The growth of managed accounts offers a solution to fund of funds managers that suffered during the crisis because they were unable to redeem out of their underlying investments and now need certainty of being able to match the liquidity offered to their own investors.

One major problem with a managed account compared with a fund investment is that an active manager, particularly a CTA, will provide reams of daily trading confirmations and statements – conceivably a bank box every morning. This imposes practical management and physical staffing problems for fund of funds managers, or indeed any institutional investor that an independent administrator, capable of providing the appropriate reports on a daily basis, can resolve.

Investors need an independent service provider to carry out accounting, oversight and administration, but not even managed accounts remove the need for proper due diligence and operational best practice.

Dermot Butler, Custom House Group

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