

20 March 2007 **Funds of hedge funds industry faces operational challenges**

Industry growth has raised a need for more sophisticated and robust solutions to avoid costly mistakes

Increasing operational risk and the urgent requirement for investment in efficient fund trade-processing infrastructure is arguably the biggest challenge facing the funds of hedge funds industry going forwards, according to Rupert Vaughan Williams, one of the founding principals of financial technology group Comada.

Comada is a specialist developer of technology products designed to substantially reduce operational risk in the fund of funds industry. According to Vaughan Williams: "Fund managers need software solutions that will not only integrate with their existing infrastructure, but also provide core technology from front to back. Whether the perceived challenge is specific or broad, no solution is likely to meet it properly unless it integrates all the processes from distribution to portfolio management through to settlement."

No mean feat in a notoriously disparate and outsourced industry where data management is tricky to perform smoothly and accurately. "Hedge fund technology must treat funds as securities in their own right if it is to deliver a formula that will continue to meet the end-to-end challenges fund managers are facing," says Vaughan Williams. "Right now there is still an overwhelming reliance on spread-sheets, and inaccurate data, and it is costing managers, and by extension their investors."

According to a recent study, 61% of funds of hedge funds believe that better internal technology could help them to deal with the perennial problem of liquidity mismatches. Research by Omgeo last year has shown that an automated post-trade environment could reduce operational costs by up to 75%.

Comada has recently launched a software product for funds of hedge funds designed to help them counter the imminent threat of operational meltdown in their front, middle and back offices. M.A.T. Share has been created to help managers run portfolios where the principal investment securities are hedge funds, by helping managers to track trades into and out of underlying funds, and maintain detailed records on the funds they are invested with, or are currently tracking.

"M.A.T. Share was designed to fulfil a need amongst funds of hedge funds operations for a robust tool that could be inserted into their business to provide managers with an accurate picture of their portfolios," says Dave Shastri, co-founder of Comada. "It allows employees to keep track of trades, and share information between the various functions within the firm and with service providers."

M.A.T. Share is available as a fully-supported software package, which can be internally or externally hosted. It can be used to facilitate a comprehensive range of functions within a typical fund of funds business, amongst them portfolio monitoring, trade confirmation and process flow, liquidity management, cash flow, document library, performance measurement and data integration. It is the first of a revolutionary series of applications Comada is planning to launch in order to help asset management businesses to cope with the increased pressures of institutionalisation within the hedge funds industry.

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