

Solving the Distributed Investment Manager Problem

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Corporations use many Investment Managers:

Major corporations have unique problems when it comes to managing their operational capital. Corporations are international in scope, operating in markets around the world. These corporations also need to respond effectively to rapidly changing business conditions, and the potential for significant fluctuations in cash flow. For these reasons, the corporations need to have significant operational cash reserves, distributed in markets around the world.

At the same time, corporations are held responsible by their shareholders for the returns they provide on the capital they manage. They can not afford to have this operational cash sitting on the sidelines, gathering dust. These corporations are not necessarily investment specialists, so they hire Investment Managers to invest their capital for them.

Corporations want better returns, but complexity increases

A large corporation can have multiple Investment Managers around the world, each of which is investing in different vehicles, in different markets. The corporation needs to track the performance of all these managers, in order to report back to their shareholders about how they are providing returns on their operational capital.

Herein lies the problem. Tracking the performance of all these managers investing large sums of money, in different markets, for different divisions can become an extremely complex task.

What the corporation wants to do:

The corporation wants a standard and centralized means for tracking and analyzing the performance of all these managers. As with any foundation, large trust or pension plan, the corporation wants to evaluate their managers, determine how well they are performing against target criteria, and make decisions about whether to change their selection of managers, or better compensate those that exceed expectations.

In order to accomplish this, the corporation needs a centralized performance data repository, and a standardized and low cost means for the corporations distributed investment managers to get their performance data into that repository for analysis. Once the data is collected, organized and available, there are multiple means for performing the analysis, and making decisions about investment managers.

One possible solution:

With the ubiquitous availability of the Internet, a highly secure and stable web application can provide a highly effective solution to the problem of distributed performance data collection and analysis.

The corporation would need to maintain a list of all the Investment Managers around the world that are managing working capital, with contact information. Based on the corporation's frequency of performance review, the application can email a hyperlink and secure login instructions to each of the Investment Managers.

When the Investment Manager clicks on the link in the email, their browser opens a secure login screen which acts as an entry point to a secure web based application. This application connects the Investment Manager directly to the centralized performance data repository. The Investment Manager follows a set of easy to use screens, where they enter summary performance data as requested by the corporation. The application stores this performance data in the central repository, at which point it is available for analysis by the corporation's performance analytics personnel.

Summary

The corporation now has a means for tracking the performance of Investment Managers from around the world. The corporation receives the data in a standardized and useable format. The Investment Manager has a low cost and simple process for reporting their summary performance data, satisfying the corporations need for accountability to specific criteria. The corporation can provide information to their investors about the returns on working capital.

Who is Capnetix?

Capnetix builds, deploys and hosts secure, outsourced web based applications for the financial industry. With expertise in building highly robust, configurable, and flexible solutions, Capnetix is positioned to provide a wide range of information services (including outsourced fund administration) to financial professionals.

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