CASE STUDY

UNIT PRICING OPERATIONS

Supporting a global asset manager by providing an integrated and scalable unit pricing operation

HiPortfolio's specialised unit pricing capability has delivered EFFICIENCY & CONTROL to enable a scalable business process with a robust oversight model.

Background

One of Australia's leading wealth management groups provides investment, superannuation and retirement products to individuals, corporate and superannuation fund investors. As a longstanding client of DST Global Solutions, they have used HiPortfolio at the core of their investment management business for 14 years, supporting the full breadth of fund structures and asset classes of their global model. A highly efficient, scalable unit pricing operation is fundamental to their business success.

The Challenge - Unit Pricing Optimisation

Unit pricing is a collation exercise, bringing together the component parts of each fund. The operations team must capture all of the relevant data, as at a defined market position, value the assets, calculate the unit prices, validate, approve and release. Our client calculates over 1,000 funds on a daily basis.

Timeliness versus Control - unit prices are usually calculated against onerous internal and external service level deadlines. The pressure to achieve the delivery deadlines often conflicts with the ability to apply effective controls and checking procedures necessary to produce the required levels of accuracy. The process in operation at our client was heavily manual, unable to clearly highlight potential errors with sufficient detail to allow rapid resolution and reliant on the skilful analysis of hard copy reports by their unit pricing operators.

Risk - unit pricing carries a high operational risk and is subject to a strict compliance regime. Errors in unit prices can be extremely damaging from both a financial and reputational perspective. The manual nature of the client's control environment increased the potential for errors to remain undetected.

Resource - high levels of automation are required to create the necessary operational efficiency, reducing both the required headcount and the operational risks associated with manual intervention. The headcount necessary to service our client's existing unit pricing process with the required controls and timelines was considered too high due to the manual framework, with resulting cost implications.

The Solution - HiPortfolio's Unit Pricing Workbench

A key driver underpinning the client's decision to select HiPortfolio's Unit Pricing Workbench (UPW) was the fully integrated nature of the workbench within HiPortfolio's investment and fund accounting solution. This provides comprehensive data access across the entire system, removing the requirement to import or export data between other external applications, thereby simplifying the infrastructure, and reducing processing time and potential points of failure.

A HIGHLY EFFICIENT, SCALABLE UNIT PRICING OPERATION is fundamental to their business success.

DST

■ Managing the Unit Pricing Operation

Workflow and Exception Management

Manage · Monitor · Measure

| Income, Tax & Corporate Actions | Trade Processing | Asset Pricing | Valuation | Unit Price Production | Verification / Approval |

Pre-NAV Production | **Unit Price Calculation**

Centralised Pricing Functionality - UPW has provided a console for initiating and monitoring the stages of the unit pricing process, linking the necessary calculation components to ensure automated completion in the correct sequence.

Flexible Attribution Control Reporting - the UPW reporting functionality enabled bespoke control reports to be constructed, at transaction and fund level, tailored to the client's specific requirements. Exception based in design, using 'locked-in' data snapshots between the 'prior day' and 'current day' pricing points, these removed the need for manual report compilation and focused on those items in need of further investigation.

Workflow Monitoring - information is viewed via customised screen-based dashboards, which display the status of the unit price calculation and facilitate the price approval process. Performance versus client defined service levels are monitored within UPW, enabling management reaction and escalation where deadlines are at risk or missed. Trend analysis is compiled by applying the various filters and sort criteria available, providing management information of current and historic unit price calculation performance.

Management by Exception - a formal, fully audited exception management process, tailored specifically to the client's needs, has been introduced via the workbench. Client defined tolerance parameters control

the automated exception environment, with a full audit trail of investigation/ overrides. Calculated unit prices can move straight through to the approval stage if no exceptions are generated.

Low Risk Implementation - DST fully supported the project throughout its entire implementation phase incorporating business definition, report construction testing and roll-out. This approach facilitated a rapid and low risk deployment strategy for the client.

Benefits Delivered

UPW replaced a previously very labour intensive manual process for the client. Reports now completely disassemble the structure of funds, showing all aspects of assets and liabilities, allowing unlimited exception checking to be applied to every level of a fund. Exception checks are applied automatically as part of the fund pricing calculation process and carried through an audit trail to allow informed decisions on each exception. Changes can be made directly through the workbench enabling values to be adjusted.

Overall efficiency gains have increased the ratio of funds administered by each fund accountant, reducing the ongoing cost of the service. Manual analysis has been significantly reduced resulting in improvements to error detection and unit price calculation completion times. Workflow monitoring of the status of the unit pricing process and service level monitoring has

improved the client's ability to manage the overall process more efficiently.

Future Plans

An ongoing partnership approach between DST and the client has enabled continued improvements in efficiency to be realised. The scope of deployment has expanded to tasks performed prior to the overall unit pricing calculation, with the focus moving towards pre-requisite tasks completed prior to commencing the unit pricing routines, such as income, asset prices and trades.

The General Manager at the client said of the solution:

"HiPortfolio's unit pricing workbench helped us significantly reduce manual accounting tasks while providing the speed and high accuracy we needed. We have reduced risk, improved scale, and lowered the average time taken to validate an individual fund from two hours to as little as two minutes"

"This dramatic reduction in time taken to calculate unit prices has enabled us to increase the ratio of funds to fund accountants. Performance has improved and, importantly, the new system is fully integrated."

"The system has contributed to better services and greater transparency for our clients."

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