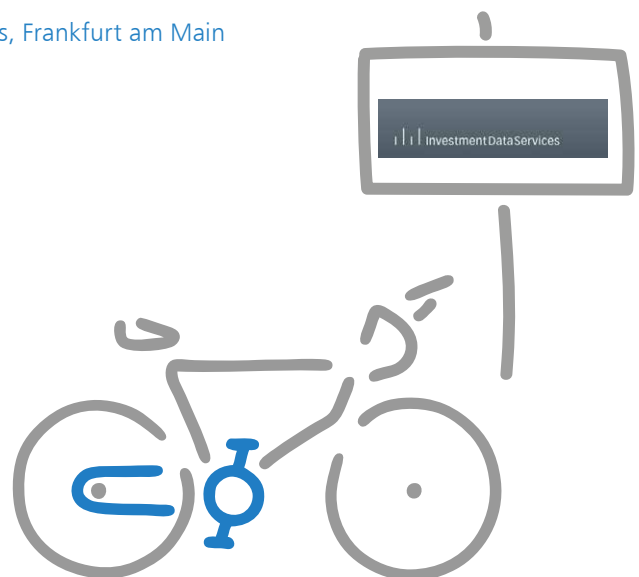


project case

Automated calculation of the performance fee charges

„We used to calculate our outperformance and administration fees using an Excel solution. The daily calculations were very time consuming and error prone, due to the manual process. We are very satisfied with the new software. calculo is used on a daily basis, saving time and making our processes more reliable.“

Stefan Zinn, IDS GmbH - Analysis and Reporting Services, Frankfurt am Main



IDS GmbH - Analysis and Reporting Services

For the automated calculation of performance-based fees IDS, Analysis and Reporting Services Frankfurt relies on Sowatec's fees management platform calculo.

Our customer and the project

IDS GmbH – Analysis and Reporting Services (IDS) – a subsidiary of Allianz SE – is an internationally operating provider of operational investment controlling services for asset managers and institutional investors.

IDS offers a wide range of premium solutions for performance and risk analyses, investment compliance and consolidated reporting. In addition, IDS administers related business processes as a managed service.

IDS GmbH offers investment companies a managed service for the calculation of performance-based administration fees. For its automated fee calculations, IDS has introduced the powerful and flexible calculo software. Since 2011, IDS also offers the service to custodian banks. By making use of IDS's services for the calculation and monitoring of administration fees and reimbursements customers save money and meet supervisory requirements.

Challenge

IDS is expanding its customer portfolio. The number of retail funds is increasing with the growing number of new customers. The result is that manual outperformance and administration fee calculations are no longer sufficiently scalable, as spreadsheet-based calculation programs are error-prone and require a lot of time and human resources.

Goal

To implement an auditable and efficient system solution to automate performance-based fee calculations.

Solution

We automated calculation of performance fees through calculo. calculo's Business Rules Management (BRM) based technology supports the service provider throughout the fee calculation process: from data import, billing and release to reporting.

calculo supports service provider models in the entire process of fee calculations.

In Conversation

Stefan Zinn, Product Manager, Head of Retail Fund Reporting Services, IDS GmbH – Analysis and Reporting Services, Frankfurt am Main, November 2011.

Mr Zinn, what services does IDS perform for your customers?

For investment companies we calculate performance-based management fees for mutual and special funds on a daily, weekly, monthly or annual basis. In addition, we provide regular reports and, as a qualified partner, answers to all manner of questions about performance-based management fees.

Customer benefits

- Improved process and billing quality
- Fully automated settlement of all fees, incl. administration, performance-based and custodian fees
- Traceable and transparent reporting
- Calculations in line with different accounting methods
- User interface can be customised by the business users

calculo: even for small volumes

“We recommend our service to custodians and asset managers even if they only have small volumes. Businesses benefit from an immediately available and audit-proof solution that is highly reliable and creates efficiencies in the areas of staff, IT and implementation.”

What methods do you use and for how many funds do you calculate performance indicators?

We calculate the outperformance fees for over 250 mutual and special funds in Germany, Luxembourg and Ireland. Besides the standard method, we use the “high-water-mark” method and the “high-to-high” method in various combinations, according to our customers’ needs.

Does that not place high demands on internal Business Process Management (BPM)?

That’s right. That is why we work in teams of several employees who are all involved in the daily fee calculation processes and are very familiar with the system. Because we always have enough employees on hand for the fee calculations, we achieve high process reliability.

What demands did you have when you were looking for a suitable provider of fee management software or solution?

We were looking for a competent partner who could prove convincingly that they had the technical expertise and experience in the area of fee calculation.

Our list of criteria for a suitable software included the following clear demands:

- Application-specific authorisation system
- High availability
- Easy to use
- Automated data import
- Rule-based control routines
- Multi-stage approval process

What were the main focus areas for the project overall?

During the introduction of calculo, the focus was on the precise and accurate modelling of the calculation methods. That is why we set aside sufficient time for the project and placed high importance on an extensive trial period. The trial included a three stage approach:

1. Back tests: Checking calculations against historic calculations
2. Parallel runs: Parallel calculations on the old and new system
3. Special investigations of test cases and exceptions

*“ We are very satisfied with calculo.
We are using it on a daily basis
— saving time and making our
processes more reliable.”*

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As a result, IDS is now also offering custodian banks the automated calculation and control of various fees as a managed service.

What does this service include?

Our service covers everything from supporting the daily checking of the net asset value of fees and accruals, to the recalculation of complex outperformance and performance-based compensation models. Custodian banks benefit from the extensive experience of IDS and Sowatec in the calculation of fees and reduce human and material resource requirements.

Were your project goals achieved?

We are very satisfied with the software. calculo is now an integral part of our daily business process management. It saves time and makes processes more reliable.