HEDGENORDIC

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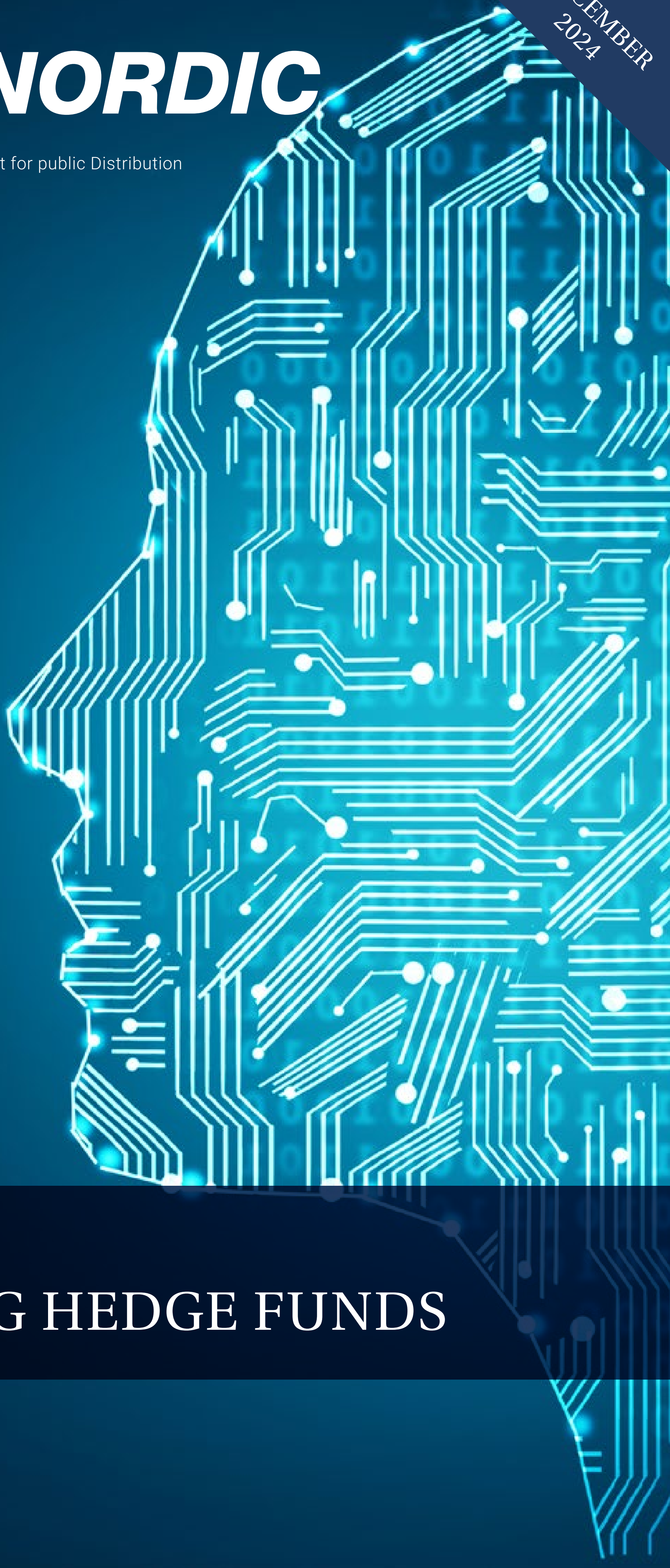

SPECIAL REPORT

(EM)POWERING HEDGE FUNDS

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HEDGENORDIC

INTRODUCTION

HedgeNordic is the leading media covering the Nordic alternative investment and hedge fund universe. The website brings daily news, research, analysis and background that is relevant to Nordic hedge fund professionals from the sell and buy side from all tiers.

HedgeNordic publishes monthly, quarterly and annual reports on recent developments in her core market as well as special, indepth reports on “hot topics”.

HedgeNordic also calculates and publishes the Nordic Hedge Index (NHX) and is host to the Nordic Hedge Award and organizes round tables and seminars.

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Editor´s Note …

Driving Performance Through Technology and Solutions

In the competitive hedge fund space, success often hinges on the ability to make swift, strategic decisions supported by cutting-edge technology and robust operational infrastructure. Hedge fund managers increasingly rely on an array of external providers to optimize their operations. From ensuring efficient trade execution to enhancing data analysis, from regulatory compliance to seamless investor relations, today's hedge funds are deeply intertwined with advancements in tech and fintech solutions.

Welcome to (Em)Powering Hedge Funds, HedgeNordic's Special Report dedicated to the critical technologies and solutions that fuel the engine of modern hedge fund management. In this issue, we showcase the companies, platforms, and innovations that are shaping the future of alternative investments. We look into how these tools are redefining efficiency, mitigating risks, and unlocking new opportunities for alpha generation, allowing managers to focus on what they do best: investing.

THE EVOLVING NEEDS OF HEDGE FUND MANAGERS

Today's hedge fund ecosystem is defined by complexity. Markets are more interconnected than ever, regulations are continuously evolving, and data is multiplying at an unprecedented rate. To navigate this environment effectively, hedge fund managers require solutions that go beyond basic portfolio management. They need technologies that provide a strategic edge, whether through real-time data analytics, algorithmic trading platforms, or innovative investor reporting tools. This is where the contributions of tech and fintech providers become essential.

Take, for instance, the domain of data management and analytics. Hedge funds must harness and interpret vast streams of data—from traditional financial indicators to unstructured alternative data sources such as satellite imagery or social media sentiment. Providers of data platforms and AI-driven analytical tools empower managers to uncover hidden patterns, anticipate market trends, and make more informed trading decisions.

Similarly, execution and trading technology is an indispensable aspect of hedge fund operations. Automated trading systems, low-latency execution platforms, and algorithmic trading solutions are designed to optimize trade efficiency and reduce costs. Market timing, execution precision, and seamless access to liquidity are mission-critical for any fund, and tech providers specializing in execution services ensure that managers have the tools to operate swiftly and securely, even in volatile markets.

REGULATORY COMPLIANCE AND RISK MANAGEMENT

In an industry under constant regulatory scrutiny, hedge fund managers must also place significant emphasis on compliance and risk management. Solutions that streamline compliance with evolving regulations—such as anti-money laundering (AML), Know Your Customer (KYC) requirements, and broader governance frameworks—are crucial. Tech providers offering automated compliance platforms, real-time risk monitoring, and integrated reporting systems help hedge funds maintain transparency and integrity while mitigating legal and reputational risks.

Risk management goes beyond compliance. Hedge fund managers use sophisticated risk analytics platforms that assess portfolio exposures, model potential scenarios, and optimize position sizing in real time. This proactive approach enables them to anticipate and respond to market shifts, safeguarding assets while positioning themselves for future gains. Companies providing these services are not just vendors but strategic partners in a fund's overall performance and sustainability.

STREAMLINED OPERATIONS AND ENHANCED CONNECTIVITY

Operational efficiency is another pillar of successful hedge fund management. The demands of fund administration, performance reporting, and investor relations require seamless integration between front, middle, and back-office functions. Third-party fund administrators leverage technology to automate valuation processes, generate accurate NAV calculations, and produce comprehensive performance reports. These advancements free managers to concentrate on strategic investment decisions while ensuring that all operational components run smoothly.

Moreover, investor communications and relations are becoming increasingly tech-driven. Platforms that facilitate transparent, timely, and engaging communication with investors not only enhance trust but also simplify capital-raising activities. Fintech solutions that offer tailored investor portals, automated reporting, and data visualization tools elevate the investor experience and help fund managers build lasting relationships.

THE POWER OF INNOVATION

Ultimately, what drives the hedge fund industry forward is its ability to innovate and adapt. As strategies become more sophisticated, so too must the technologies that support them. This is why hedge funds continue to forge strategic alliances with external providers, leveraging advanced solutions to stay ahead of the curve.

In this issue of (Em)Powering Hedge Funds, we explore how these external providers are revolutionizing the industry. By showcasing the latest in technology and operational solutions, we aim to provide hedge fund managers and industry insiders with insights into the tools that are transforming the landscape.

Kamran Ghalitschi
PUBLISHER, HEDGENORDIC

Tidan Capital's Hidden Asset: Technology in a Multi-Fund Transformation

By Stephen Roberts – Enfusion


Stephen Robers, Enfusion (left) and Stuart Abel, Tidan Capital

„In the Nordics alone, we have managers running Credit, Long/ Short Equity, Systematic, Global Macro, and Event-Driven strategies."

Stephen Roberts, Enfusion

The Nordic region is a growing force in global hedge fund markets, recognized for its innovation and strategic agility. Within both the region and in Europe more broadly, Sweden stands out as a significant market, one of the largest hedge fund hubs on the continent.

With over a hundred funds based in Sweden, the market is fragmented, and innovation is at a premium. In this competitive industry, operational agility and scalability are paramount. Technology providers play a critical role in helping funds streamline operations and manage complexity.

In 2024, Enfusion's SaaS platform, integrating trading, risk management, and compliance, became the hidden asset powering Tidan Capital's ambitious transformation from a single-strategy fund to a multi-fund boutique. Tidan needed support for multiple assets and highly configurable workflows to evolve their strategies as market conditions change.

"Enfusion works with a broad spectrum of European hedge funds and asset managers, ranging from multi-billion Euro firms to launches with under €200 million. Our multi-asset class platform supports a wide range of strategies. In the Nordics alone, we have managers running Credit, Long/ Short Equity, Systematic, Global Macro, and Event-Driven strategies," explained Stephen Roberts, Vice President of Sales at Enfusion.

FROM SINGLE STRATEGY TO MULTI-FUND BOUTIQUE

Tidan Capital's decision to embrace innovation has proven instrumental. As industry complexity and investor expectations rise, Tidan has proactively integrated cutting-edge solutions to enhance both strategic execution and operational efficiency.

Tidan's origins lie in its capital structure arbitrage strategy, a single-strategy fund focused on mispricings across the capital structure. By analysing relative value between debt and equity instruments, Tidan's team identified opportunities where the market mispriced the risks between these related instruments. This approach not only generated alpha but required a rigorous, data-driven process.

> "It was imperative from day one to offer institutional quality. We achieved that with scalability and despite the complexity of what we wanted to achieve."
>
> Serge Houles, Tidan

When Tidan first launched, the firm's founders recognized that scaling this strategy—while maintaining institutional-quality risk management—would require a robust technological infrastructure. William Wilson, one of Tidan's co-founders, recalled this pivotal decision, "When we selected Enfusion, we were focused on building a platform that could handle both the complexity and the growth we anticipated. We knew that to achieve our ambitions, we needed a technology partner capable of growing with us and adapting to the diverse strategies we envisioned."

"The decision to partner with Enfusion was a strategic one. We needed a solution that would not only support our single-strategy focus on capital structure arbitrage but also allow us to scale into a multi-strategy environment without sacrificing the agility that had been key to our early success," added Michael Falken, Tidan's Chief Investment Officer.

As Tidan's flagship capital structure arbitrage strategy grew, so did the firm's ambitions. The team saw an opportunity to leverage their deep market insights to introduce new strategies such as Themis, Nova, and Asterion. These new strategies introduced new layers of operational complexity, spanning different asset classes, time horizons, and risk profiles.

- Themis captures mispricings in equity markets, focusing on long and short positions across sectors. It aims to exploit dislocations between fundamental value and market prices while maintaining market neutrality through careful hedging and stringent risk control.

- Nova is a volatility arbitrage strategy that leverages deep insights into option market behaviours, with a focus on pricing anomalies in equity index options. The strategy profits by dynamically adjusting to evolving market conditions.

- Asterion, Tidan's systematic macro program, utilises a short-term, contrarian approach driven by behavioural finance principles. By capitalising on overreactions and herding behaviour in the macroeconomic landscape, Asterion seeks to profit from recurring patterns in asset prices, often targeting short-lived trends.

The shift from a single-strategy fund to a multi-fund boutique was no small feat. The technology that supported their initial strategy had to evolve with them, ensuring operational continuity while enabling the firm to explore more diverse investment opportunities. Enfusion's ability to support this transformation—by providing flexible workflows and a unified infrastructure—was instrumental in maintaining Tidan's core focus on delivering alpha while expanding its strategy set.

"It was imperative from day one to offer institutional quality. We achieved that with scalability and despite the complexity of what we wanted to achieve," said Serge Houles, CEO, Tidan Capital.

MEETING AMBITIOUS REQUIREMENTS

To successfully implement these strategies, Tidan needed a robust, yet flexible operating model that would seamlessly integrate multiple portfolios, support instruments across the capital structure, and scale to an expanded team. They faced a challenge seen across the hedge fund industry—growing without increasing cost or operational complexity.

It was clear that scaling up would not be feasible without the proper technology.

"A system which constrained me as a portfolio manager or slowed down my decision-making process would have been out of the question," according to Magnus Linder, Portfolio Manager, Tidan Capital.

Tidan needed a core investment platform that offers a modern, flexible approach for core activities like order origination and execution. At the same time, they required centralised and consistent risk, compliance, and reporting across the funds.

ENFUSION: THE HIDDEN ASSET FOR TIDAN'S SUCCESS

Enfusion's SaaS platform helped power Tidan's evolution. It allowed Tidan to launch new strategies while maintaining control over portfolios, trade execution, risk management, and compliance. The platform's flexibility ensured that all three strategies could function cohesively within the same infrastructure.

Moreover, Enfusion's real-time capabilities enabled Tidan to make timely, data-driven decisions across all strategies, ensuring market responsiveness without sacrificing precision. This confidence and data quality were critical for Nova, where quick reactions to options market anomalies were essential for success. Tidan also leverages Enfusion's open architecture by pulling data from Enfusion's API for its fully systematic strategy.

By integrating trading, risk management, and compliance into one system, Enfusion allowed Tidan's portfolio managers to focus on their strategies without being bogged down by operational hurdles. It also helps Tidan ensure accurate NAV calculations.

With a solution that eliminated the need for multiple vendor systems and significantly reduced operational costs, Enfusion provided the foundation for Tidan's growth, quietly but effectively facilitating the firm's transformation.

Beyond technology, Enfusion's team played a crucial role in Tidan's transition. Their collaborative approach, backed by extensive experience in the Nordic region, helped Tidan refine requirements and optimise workflows for each strategy.

"Enfusion's project team were outstanding. It's like having your own dedicated PMO for the project. I am not aware of another vendor that provides so much within the software costs," added Stuart Abel, COO of Tidan Capital.

A UNIFIED PLATFORM FOR STRATEGIC REACH AND OPERATIONAL EFFICIENCY

Tidan Capital underwent a significant transformation by consolidating all three strategies into a unified platform. This consolidation streamlined operations and maintained efficiency during a rapid expansion.

Tidan achieved growth without added complexity. By consolidating multiple strategies into a single system, Tidan maintained centralised risk control and compliance while gaining real-time oversight across the firm's entire portfolio.

"Tidan now has an operational platform which allows us to scale and onboard diverse new strategies flexibly without exponentially increasing costs or creating operational complexity," said Serge Houles, CEO of Tidan Capital.

The unified platform kept Tidan's total cost of ownership (TCO) as low and efficient as possible by eliminating the need for multiple systems and minimising operational overhead. This allowed the firm to allocate more resources toward investment performance rather than operational management.

STAGED FOR FUTURE GROWTH

Tidan Capital's transformation into a multi-fund boutique has positioned it for future growth. With an efficient infrastructure in place to manage diverse strategies, the firm can now expand its offerings and explore new opportunities in the hedge fund space.

Tidan's ability to adapt quickly and scale without operational hurdles has established it as a versatile player in evolving market dynamics. While the Enfusion partnership was instrumental in providing the right tools, Tidan's forward-thinking approach, operational nimbleness, and strategic vision will drive its continued success.

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Adam Persson, Head of Business Development for Securities Services in the Nordics

BNP Paribas Ramping Up Nordic Alternatives Push

By Hamlin Lovell – HedgeNordic

BNP Paribas is continuing to expand its presence in the Nordics, leveraging its extensive resources and expertise to provide a comprehensive range of services to Institutional clients in the region. With over 1,000 staff in the region, BNP Paribas has a strong footprint in the Nordics and is increasingly sought after for prime brokerage, fund services, and other market solutions.

Historically, BNP Paribas has most been renowned for serving macro and credit strategies, but the acquisition of Deutsche Bank's global prime finance and electronic equities business in 2019 and full acquisition of Exane's equity research and execution business in 2021 broadened out the offering. The bank has also expanded its capabilities in private capital, including hybrid strategies that combine both liquid and illiquid assets.

With an integrated Global Markets and Fund Services offering, the bank specialises in long/short equity funds, credit, global macro, and high-yield managers, as well as systematic and quantitative managers. BNP Paribas is taking a flexible approach, allowing firms to start with one core service and gradually expand to a diverse range of offerings over time. "We want to be a one-stop shop in the alternatives space, offering bundled services or à la carte" says Adam Persson, Head of Business Development for Securities Services in the Nordic region, who is based in Stockholm.

> "We want to be a one-stop shop in the alternatives space, offering bundled services or à la carte."
>
> Adam Persson

DEDICATED FUND SERVICES FOR HEDGE FUNDS

BNP Paribas is the world's fifth largest custodian and a leading European provider of fund administration services, with Ireland being an important operational hub for its hedge fund services. The acquisition of Credit Suisse' fund administration business in 2016 was helpful and was recently bolstered in 2023 by referral agreement with HSBC and the migration of a large portion of its fund administration clients to BNP Paribas.

BNP Paribas' full-service offering does also give managers the option of outsourcing some middle-office and back-office functions, though this is a case-by-case decision and some managers prefer to keep these activities in house.

BNP Paribas maintains good relationships with other prime brokers, including SEB, and often works alongside them to provide a range of services. "It is very unusual to have only one prime broker. As custodian and fund administrator we work closely with several prime brokers" says Persson.

Commercial realities mean that smaller and earlier stage firms may need to demonstrate a willingness to use multiple services in order to secure a relationship with the bank. "Smaller clients have more bargaining power if they choose a bundle of services versus a mono-product relationship, which may not be profitable enough. Larger clients may already have a range of service providers in place and might choose a smaller proportion of services," says Persson.

CROSS ASSET PRIME SERVICES

BNP Paribas ambition is to be the #1 European prime services provider. Credit and FX prime brokerage sits under the same umbrella as the traditional equity prime brokerage platform. The bank's financing and cross-margining models are also designed to reduce the amount of collateral and margin required, making it easier for clients to manage their risk.

By combining its markets expertise with the collateral and custody experience, BNP Paribas offers its clients a global and integrated platform for execution and clearing of both listed and OTC derivatives. "We leverage this business structure to provide the full package of investor services to our clients, including prime brokerage services and securities financing" says Juha Sternberg, Senior Business Development Manager for Derivatives Execution & Clearing in the Nordics and based in Stockholm.

"We provide access to 70+ derivatives exchanges and major CCPs via direct membership, across the global product range from commodity derivatives, financial listed derivatives and cleared OTC derivatives" Sternberg continues. To stay in the forefront as a leading derivatives provider in Europe, BNP Paribas continues to invest in its platforms to enhance client experience, resilience and risk management capabilities.

BNP Paribas has a good inventory, and can also source it elsewhere or re-use inventory. "We borrow a lot from institutional clients, including our custody clients. We have an interest to grow our custody business in the Nordics, and with that our Nordic sourcing network" says Persson. As the business grows, and BNP Paribas becomes custodian for more institutional clients such as pension funds, there is a virtuous circle as more connectivity brings more access to borrow.

"We provide access to 70+ derivatives exchanges and major CCPs via direct membership, across the global product range."

Juha Sternberg

Juha Sternberg, Senior Business Development Manager for Derivatives Execution & Clearing

A FULL RANGE OF GLOBAL MARKETS CAPABILITIES

In addition to its prime and fund services, BNP Paribas can add value to clients via research and execution capabilities across all asset classes. Within equities alone, the bank's local Nordic presence includes a team of seven – from research analysts, sales and sales trading to derivatives specialist – serving as a gateway to the firm's global product suite.

Capital introduction is another key area of focus for BNP Paribas, which takes a case-by-case approach to matching managers with investors. The bank has strong relationships with large allocators and has recently produced a report on hedge fund allocation trends based on interviews with 197 allocators managing over $870 billion. According to the survey, 86% of investors are planning to make new hedge fund allocations, of which 26% will be allocating using new cash. Fundamental equity strategies dominate investor interest followed by credit and discretionary macro.

A HUMAN AND LOCAL CULTURE

Unlike some other firms, BNP Paribas is committed to maintaining a human touch in its fund services offering, recognizing that not everything can be automated. They view digital capabilities as a powerful support rather than a replacement. The bank is looking for sustainable growth and is committed to delivering a premium service to its clients.

Overall, BNP Paribas is well-positioned to strengthen its position in Europe's hedge fund market, particularly in the Nordics, where it is seeing interesting launches in equities, credit, and macro strategies.

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Multi-Asset Investment Architecture (MAIA)

Community Ecosystem; Cloud-Native, Extensible, Cross-Asset, High Performing Platform

Frank Glock, Chief Revenue Officer - MAIA Technology

By Hamlin Lovell – HedgeNordic

MAIA has been delivering its solution commercially for five years but its technology has been in the making for much longer. MAIA's blueprint was developed by business, operational and technology practitioners at Fulcrum Asset Management, a leading London-based independent alternative investment manager specialising in macro-driven cross asset investment strategies. Following several successful years of use at Fulcrum, in 2019 MAIA spun out. Today their relationship is no different to any other client as it operates as a fully-autonomous business entity.

MAIA view themselves as a next generation FinTech, offering 'everything-as-a-service' with extensive functionality, a genuinely open architecture and compelling pricing to future-proof their client's businesses. MAIA sees many industry peers struggling to deliver meaningful value to clients as they are challenged by their own outdated technology that in turn reduces RoI, compromises service levels and can foster performance challenges. In other words working around tech debt.

MAIA's Chief Revenue Officer, Frank Glock, argues: "many of the established vendors in the asset management space are 30-50 years old and encumbered by high costs for both onboarding and ongoing support of their respective clients. Even in the Alternatives space, the largest two players are rapidly approaching quarter-century birthdays and face challenges with interoperability".

INTEROPERABILITY AND ALLIANCES

Clients can seamlessly integrate MAIA with in-house and third-party systems and service providers. "As the central nervous system to the investment process, we have transparent and malleable APIs driving an interoperable architecture to simplify integration. The model not only delivers cross-enterprise functionality in a single platform but brings teams together -interactively - via a communication network designed to optimize productivity, responsiveness and greatly reduced TCO across an investment firm." says Glock.

MAIA has also formed alliances with other technology firms and service providers including

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bulge bracket names such as Amazon AWS infrastructure, Bloomberg, and Factset. There are also partnerships withtrading venues and service providers like OMGEO and MarkitWire for market and industry communication, as well as more specialist solutions. "Our strategy is designed around building a 'community ecosystem' that is ultimately accretive to our end clients' business outcomes," says Glock.

SWITCHING, ONBOARDING AND AUTOMATION

Clients have switched to MAIA due to ever-increasing running costs for software licensing, resource and infrastructure at other providers; limited asset class or market coverage and gaps in interoperability and commoditized support.

When there is a blank canvas, MAIA has onboarded early-stage start-ups in a matter of weeks, and also claims to be faster than competitors at switching over from other vendors.

"The MAIA platform accelerates operational agility through its advanced architecture, automation tooling, cloud framework and data integration and optimization framework," says Glock. For instance, MAIA boasts that some clients have achieved STP (Straight Through Processing) well above 95%, reducing manual interaction, accelerating transaction processing, and reducing operational costs. This helps MAIA to support ultra-high trade volumes and the firm has one client who processes hundreds of thousands of executions per day.

CLIENT BASE EXAMPLES

MAIA's client base is well diversified by asset class, strategy, geography and size. It serves a broad and very diverse set of firms ranging from relative start-up businesses to established, 'Billion Dollar Club' managers converting away from legacy technology. In terms of the asset class and strategy, it can range from simple equity long/short to highly complex derivatives. "In some ways we are still relatively young but are onboarding a new client every 6-8 weeks," says Glock.

> "The model not only delivers cross-enterprise functionality in a single platform but brings teams together -interactively - via a communication network designed to optimize productivity, responsiveness and greatly reduced TCO across an investment firm."

MAIA has a growing client footprint in the Nordic region. A couple of notable firms include a long/short global equity manager and a systematic macro firm.

Stockholm-based global macro firm Truepenny Capital Management, founded by ex Nektar manager, Thomas Orbert, which HedgeNordic covered earlier this year here: Truepenny One Step Closer to Launch - HedgeNordic and Gothenberg-based long/short equity group Protean received HedgeNordic's "Rookie of the year" award for 2022.

CHOOSING THE RIGHT CLOUD MODEL

"Cloud native" is becoming ubiquitous but it means different things to different firms. Glock argues that: "our cloud native model was a deliberate design mandate from the outset. It gives us faster implementations, shorter upgrade times and optimized support. This improves cost efficiency, operational agility and scalability for our clients".

MAIA uses a public cloud single tenant model through the Amazon Web Services global infrastructure, which is secure and dedicated to clients. It sits in the same jurisdiction as the client business. "We have avoided a private cloud, multi-tenant infrastructure where data is hosted in a single jurisdiction because firms place huge emphasis on the protection of their data and have certain obligations under GDPR and other legislative directives to ensure data remains private. In a similar vein, other examples of jurisdiction-led data-sensitivity where we are well positioned includes Singapore and Switzerland," explains Glock.

API-LED AND MULTI-LANGUAGE SUPPORT

Glock explains how, "full programmatic control is delivered by our Client Gateway, which is an API 'wrapper' that allows clients to programmatically interact with any data point, event or workflow throughout our platform. It is a bi-directional interface that allows clients to subscribe to datasets and receive updates in real-time. This is a big evolution away from REST APIs that require frequent polling in order to get data".

A variety of programming languages can be used. The MAIA application is mainly written in Java but the Client Gateway has multiple language implementations including c#, GoLang, Python, Java and an XML interface. Other languages can also be supported upon request.

IBOR IMPROVEMENTS

One example of enhanced functionality is that MAIA boasts a dynamic real time IBOR (Investment Book of Record). "This marks an advance on batch processing or ad hoc manual updates that are used to perform calculations across the IBOR providers and have many drawbacks including stale data and slow response times," explains Glock.

COMPETITIVE COSTS

MAIA believe they are competitive on costs: "We always strive to offer compelling economics from the outset. Our clients evidence tangible savings on running costs, 'doing more with less'/rationalizing vendor relationships and enabling them to scale through the deployment of our platform. These provide compelling savings in comparison to other vendors in our peer group," claims Glock.

CONCLUSION

MAIA offers an advanced, future-ready technology platform designed to streamline operations, reduce costs, and enable scalability. Our cloud-native, single-tenant model, supported by Amazon Web Services, prioritizes data security and jurisdiction-specific compliance. MAIA's competitive pricing, automation, and high Straight-Through Processing (STP) rates help clients cut operational costs and accelerate transaction processing. With extensive interoperability through open APIs, clients experience a responsive ecosystem that drives efficiency across the investment value chain. Serving both start-ups and billion-dollar managers, MAIA's scalable infrastructure adapts to firms of any size.

Contact us to discover how MAIA can help transform your business.

Future-Proofing Risk and Portfolio Management with AI and Gen AI

By Hamlin Lovell – HedgeNordic

Jay Dermody, Head of MSCI ONE

"As the product lead for MSCI, I am naturally biased, but I believe the AI is transforming at MSCI the analysis of risk. Using the improving power of generative AI, we can start to measure how events are propagating through markets. Traditional factor models and time series analyses do a great job of capturing correlation, but now we can begin to capture causation as well," says San Francisco-based Jay Dermody, Head of MSCI ONE, whose product management team helps provide actionable risk and performance insights for clients.

360-DEGREE RISK MANAGEMENT: A NECESSITY FOR TODAY'S RISK LEADERS

The risk management function is evolving in ways that demand new infrastructure and technology to provide a 360-degree view of risk and informed investment decisions. This enables the risk management function to move from a back office control and compliance activity to a more strategic role.

MSCI participated in HedgeNordic's 2024 roundtable on hedge fund operations, though its technology goes well beyond operational matters.

"Risk management must now be integrated into the end-to-end investment decision processes. This includes managing risks across multiple horizons, including macroeconomic trends to micro-level details and multiple spectrums, across market risk, credit risk, liquidity risk and inevitably climate risk," says Sammi Shih-Yung Hsu, Head of Nordics Analytics Consultant at MSCI, who sits in London, UK. "Outdated infrastructure may struggle to handle the complexities and the large amount of data in a timely manner," she continues.

Dermody underscores this point: "Risk management is increasing in complexity. We see this through the growth in alternative assets, including privates, and more demand for personalisation and customisation. At the same time, risk managers are increasingly asked to contribute as part of the investment team. We need to wrap our arms around this complexity with modern infrastructure, streamlined data collection, more specific models to capture hotspots and hedges, and a single view of risk across funds and portfolios."

SMART TECH TOOLS AND SOLUTIONS

Fortunately, technology can provide smart tools and solutions to elevate functionality and efficiency for both risk monitoring and advisory. Modern cloud technology, data warehousing and AI tools have the potential to provide better access to models and data, reduce errors in data-handling, and enable faster time to analytics. MSCI is continuously innovating to provide their clients with a better risk infrastructure.

> "Risk management is increasing in complexity. We see this through the growth in alternative assets, including privates, and more demand for personalisation and customisation."
>
> Jay Dermody


Sammi Shih-Yung Hsu, Head of Nordics Analytics Consultant - MSCI

> "Risk management must now be integrated into the end-to-end investment decision processes. This includes managing risks across multiple horizons…"
>
> Sammi Shih-Yung Hsu

They work directly with hedge funds, collecting their data and leveraging it for the total portfolio across many dimensions and time horizons.

GET A BROAD VIEW OF RISK AND RETURN WITH FACTOR MODELS

Factor models are used by various investment managers to understand various sources of risks and return. MSCI also offers multi-factor risk models that help investors focus on factor exposures across asset classes in a consistent manner. "We specialize in data, content, factor models, and indexes. We started our model journey half a century ago, with the launch of Barra multi-factor risk models that are used to understand the investment characteristics that drive the risk and return of a portfolio via an integrated and consistent framework. Equities, fixed income, and privates are reported and we model how they all fit together into a portfolio and how each

asset class and asset is likely to respond to market changes. We incorporate this into stress testing and scenario analysis," explains Dermody.

MSCI's pyramid-shaped framework goes from macroeconomic factors at the top, to position-level drivers of risk and return at the bottom. It can be sliced and diced by time frames and factors across multiple assets. The MSCI Multi-Asset-Class (MAC) factor model is a multi-dimensional approach encompassing factors from macroeconomic to single security levels, across asset classes like equity, fixed income, derivatives, and private assets. It supports various use cases such as risk reporting, portfolio management, and asset allocation, with timeframes ranging from one day to over five years. Many hedge funds use the tool for both risk management and portfolio construction across a variety of discretionary and systematic strategies. Earlier this year, HedgeNordic covered how MSCI analytics is enabling systematic credit and fixed income strategies in "The Systematic Revolution and 'Equification' of Fixed Income."

NEXT GENERATION FACTOR MODELS

In addition to the traditional factor models based on quantitative data in financial statements, estimates, and datasets that are widely used, MSCI also offers next generation factor models that look at factors like sustainability, crowding, and machine learning, helping investors understand the impact of changing market conditions on their portfolios. "In the future, we will be able to provide richer analyses, such as understanding the impact of upside or downside surprise of a USA CPI release on a user's portfolio," points out Dermody.

All of this can be customised, personalised, and manipulated through interactive dashboards.

CASE STUDY: MARCH 2023 MINI-BANKING CRISIS

After the March 2023 mini-banking crisis, post-event analysis revealed crowding models had identified risks through equity factor models, correlations, and trends. MSCI Analytics models and solutions tracked risk factor performance and contagion between US national banks and US regional banks, and between EU banks and US banks. The models identified how regional banks started to move in a cluster based on peer similarity scores and correlations. The models also picked up some uptick in the volatility regime but did not find it was persistent. Models additionally identified tail risk based on five metrics used to gauge security crowding. All this informed users' stress testing and sensitivity testing, flagging heatmaps needed for sector and stock selection.

HARNESSING SNOWFLAKE

MSCI chose Snowflake for synthesising multiple datasets cohesively to provide a single source of truth for portfolios. "Snowflake is our provider of choice and it pushes content and client results into the environment. This removes the need for operationally complex traditional processes. Snowflake is superior to the traditional FTP flat file downloads that are still being used by some firms while others opt for APIs," says Sammi Hsu.

The method works efficiently and provides compelling functionality for data, vendors, and clients. It graphs connections between MSCI content and clients or consumers and reduces data download timeframes from hours to seconds. "Snowflake can retrieve vast amounts of data very fast. It can pull the necessary information out of a table with 4.5 billion rows of datapoints in about 5 seconds. The datasets cover all asset classes, models, regions and countries, over multiple timeframes," says Dermody. Clients can also apply AI capabilities to Snowflake's datasets.

DATA PARTNERSHIPS

MSCI partners with over 80 data vendors covering market, liquidity, and fundamental data underpinning factors. Clients can access this data and also keep an eye on any bugs and issues. "We pull in the user holdings alongside user data sources such as client-specific fixed income pricing models," says Dermody. High-quality sustainability data, including climate factors, is included in the factor model framework.

REGULAR COMPLIANCE FUNCTIONALITY REMAINS

The system's extensive enhancements have not led it to overlook the essentials. It continues to carry out the day-to-day tasks, such as flagging up anomalies and limits, which are most often user-defined limits relating to compliance and regulation such as maximum position sizes or tracking error constraints.

UPGRADE CONSIDERATIONS, CLOUD, AND, CODE

Generative AI is embedded in the core package for new subscribers but it´s not included in the standard package for all subscribers, who may need to upgrade. Costs vary with usage and depends on whether clients have an existing license with Snowflake.

MSCI and Snowflake are agnostic to the choice of cloud provider, which could include Google, Microsoft Azure, or Amazon AWS.

Flexible APIs from Snowflake and MSCI enable users to use the computer language of choice when further analyzing risk results. Python has fast become the language of choice for data analysis, while Java or C++ is also commonly used for production workflows. MSCI has also created an interactive, Gen-AI-powered chat agent that can write and execute Python code in order to answer client questions.

OUTLOOK

There is plenty more in the pipeline. Dermody continues to meet AI startups in the San Francisco Bay area to share new functionality and features that could further empower clients to do more investigations faster. "We will continue to add more use cases and more users to create a consistent source of truth throughout the enterprise. Our goal is to find that needle in a giant haystack of thousands of data points for our clients," he sums up.

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The Challenge of Oversight and Control


Carl-Fredrik Svensson and Fabian Lindegren (Founders, Daymi)

By Carl-Fredrik Svensson, CEO – Daymi

Good oversight is becoming increasingly harder as the industry continues to grow with more outsourcing partners, new software and renewed interest in automation. At the same time, the need to be able to prove oversight and control is increasing, not only driven by the continuous introduction of new regulations, with DORA being the latest addition, but also with the rise of Operational Due Diligences (ODD) that are now becoming more popular even for smaller allocators.

At the same time many managers are under pressure to keep costs down, and with the latest innovations in AI even smaller managers are looking into automation. But at the same time, the in-house teams shrink, they must now oversee a growing number of processes, automations and service providers, introducing new challenges when it comes to oversight and governance.

Through the Daymi platform we have worked with over 70 supervised companies and gained insights into how to effectively make sure, even as a smaller manager, you can stay in control and demonstrate and prove this effectively during audits, ODDs and regulatory reviews. Daymi is a central repository of tasks, controls, procedures, sign-offs and issue logs enabling easy oversight.

> "With every new fund launch, reliance on systems and outsourcing vendors becomes more entrenched in the Nordic hedge fund industry..."

EVOLVING RESPONSIBILITIES IN A COMPLEX ECOSYSTEM

With every new fund launch, reliance on systems and outsourcing vendors becomes more entrenched in the Nordic hedge fund industry, reflecting trends seen earlier in other parts of the world. In the UK, for instance, outsourcing has been so prevalent for so long that finding junior operations talent has become nearly impossible, forcing companies to off-shore even when they don't want to.

For COOs, balancing compliance and cost efficiency results in the need to understand a wide range of operational and compliance tasks. Because even as tasks and processes are outsourced, they are still the manager's responsibility and must answer to the regulators. The introduction of DORA has reinforced this principle, clearly defining the need for oversight and control of outsourced processes, although from an ICT-focused perspective.

WHAT IS OVERSIGHT?

Oversight is needed in order to make sure all parts of the business are being performed in a compliant way. This goes from board level down to the execution of day-to-day operational or compliance tasks. One challenge is the amount of controls every business has, scattered and documented across different platforms and functions, such as the controls coming out of your policy documents as one, and your daily checklist as another. The major challenge many firms face is the lack of a central repository where it's accessible, just finding what controls a business has can be very time consuming.

The other part is the need to be able to prove your controls and demonstrate their effectiveness. Auditors, investors, and regulators focus heavily on evidence of execution and control, which can sometimes feel counterintuitive to people involved in carrying out the work. Many times, it can feel like the focus is on a sign-off or written instructions instead of actually performing the work in the correct way. However, it's in the nature of audits. Many firms struggle and spend a lot of time trying to prove they are in control every audit. The timing issue here is a concern if you end up in a regulatory review, where failing to deliver within the stated timeline, can automatically trigger a much broader investigation. The indication a delayed response gives is that the company is lacking a control environment.

Looking at the past years fines, weak internal controls are often cited as a core issued within the companies receiving fines.

> "The single biggest problem we face with oversight is the lack of centralization."

KEY MAN RISK – A RISING CONCERN

Because of the need to keep the costs down, staff are kept to a minimum. There's not only an issue with finding people who can take on the role as a COO for example, but there's a key man risk. Having poor oversight in place, leaving it up to one of a few key staff members to run this, without insight puts the firm at great risk. As a smaller manager, this is one of the greatest concerns for an investor and will be a focal point during an ODD – failing to demonstrate control can result in lost funding.

HOW TO IMPROVE OVERSIGHT

The single biggest problem we face with oversight is the lack of centralization. Controls, procedures, sign-offs and evidence is often spread throughout the business and their outsourcing partners. However, in most cases, we spend most of the time designing complicated controls and follow-ups. The problem is seldom that a control is not elaborate enough, it's rather the lack of controls or no evidence of it.

Instead, the best way is to try to make everything as easy and actionable as possible. In essence, the most vital parts of your oversight is that everyone can easily know when the control must be done, how it should be performed, deliberate sign-offs for logging and accountability, and that you show this to external stakeholders.

Do not allow every team or function of your company to solve their oversight as they want. Oversight consists of many layers, as a business it's essential to be able to keep oversight on every part of the business – preferably in real-time.

EMBEDDING CONTROL IN YOUR BUSINESS

Strong governance and effective oversight are more critical than ever. With increasing regulatory demands like DORA and more frequent ODDs, fund managers must ensure not only robust controls but also the ability to demonstrate compliance at any time.

To succeed, focus on consolidating the key information – when a control is due, how it should be performed, deliberate sign-offs are in one place. The consolidation must also apply to the different parts of the company, aving 3-4 different ways to solve oversight in different teams breaks company-wide oversight.

This will not only make the execution and follow-up easier as it gets integrated in your day-to-day, it will also make it easy to demonstrate your control environment and build trust with investors, regulators and other stakeholders.

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WHERE STRATEGY MEETS STRUCTURE: A Smarter Governance Model for Hedge Funds

Julia Haglind and Sofia Beckman, Co-Founders of North House

Over the past two decades, hedge funds have faced an increasingly complex regulatory landscape. Each wave of new regulation brings greater expectations for transparency and accountability, driven by regulatory bodies and investors. This "regulatory tsunami" impacts nearly every level of the organization, from strategic board decisions to daily tasks.

As regulatory pressures grow, the cost and complexity of compliance increase – exposing governance weaknesses, disrupting strategic planning, and adding to employees' workload. Left unaddressed, this strain can weigh down company culture and hinder a firm's agility in a highly competitive market.

CURRENT CHALLENGE AND IMPACT

In response to new regulations, firms have layered on policies and procedures. This has created a complex, disjointed governance framework that's hard to manage and enforce. For fast-growing companies, scaling quickly while meeting evolving regulatory demands often results in an even more fragmented governance structure. Rather than providing clarity, this approach often creates inefficiencies and weakens organizational effectiveness.

This burden is acutely felt in the boardroom, where directors are tasked with steering the firm's direction and managing strategic risks. However, mounting administrative demands have shifted their focus away from these priorities. Sofia Beckman, Co-Founder of North House, explains, "Boards are drowning in documentation and low-value approvals, leaving little bandwidth for strategic decision-making." Instead of shaping the firm's future and addressing critical risks, boards are mired in routine processes that stifle their effectiveness. To reclaim their strategic role, governance frameworks must streamline administrative tasks and refocus boards on oversight that drives long-term success.

The challenges also impact employees, who often struggle with outdated, unclear, or inaccessible policies. "As we've seen, employees struggle to engage with policies that resemble bureaucratic

By Sofia Beckman – North House

> "With cost pressures mounting, firms need to view the compliance and legal area as critical expenses to control."

paperwork rather than practical guidance," Beckman adds. "Beyond affecting job performance, it reduces compliance to a superficial box-ticking exercise, undermining its purpose. Employees may struggle to see it as a tool that genuinely supports their work."

A lack of digital tools further compounds these issues. Compliance and legal tasks remain heavily dependent on manual work, lagging behind other functions in adopting technology. Industry estimates suggest that 50-70% of these tasks remain labor-intensive, requiring significant resources to keep documents current with regulatory standards. This manual approach raises costs and limits oversight, as outdated processes make tracking compliance challenging. Firms that outsource these tasks risk inheriting inefficiencies and potential compliance vulnerabilities if their vendors don't prioritize digitalization and streamlined processes.

"With cost pressures mounting, firms need to view the compliance and legal area as critical expenses to control," Beckman says. "In a fee-sensitive industry, managing these costs efficiently isn't just beneficial—it's a strategic necessity."

Regulators are intensifying scrutiny, increasing sanctions, and requiring firms to demonstrate compliance in action—not just on paper. This shift makes it essential for firms to understand their compliance risks—often underestimated and difficult to quantify. As Beckman puts it "Digital transformation is key—within a few years, every firm will need simple, data-driven systems to handle these demands efficiently. For firms focused on cost control, adapting early can turn a costly challenge into an advantage, helping them stay resilient while managing expenses."

BUILD A SCALABLE GOVERNANCE FRAMEWORK

Creating an adaptable, effective governance framework requires planning and investment. Here are essential steps to build a system that reduces manual work, controls costs, and promotes a proactive approach:

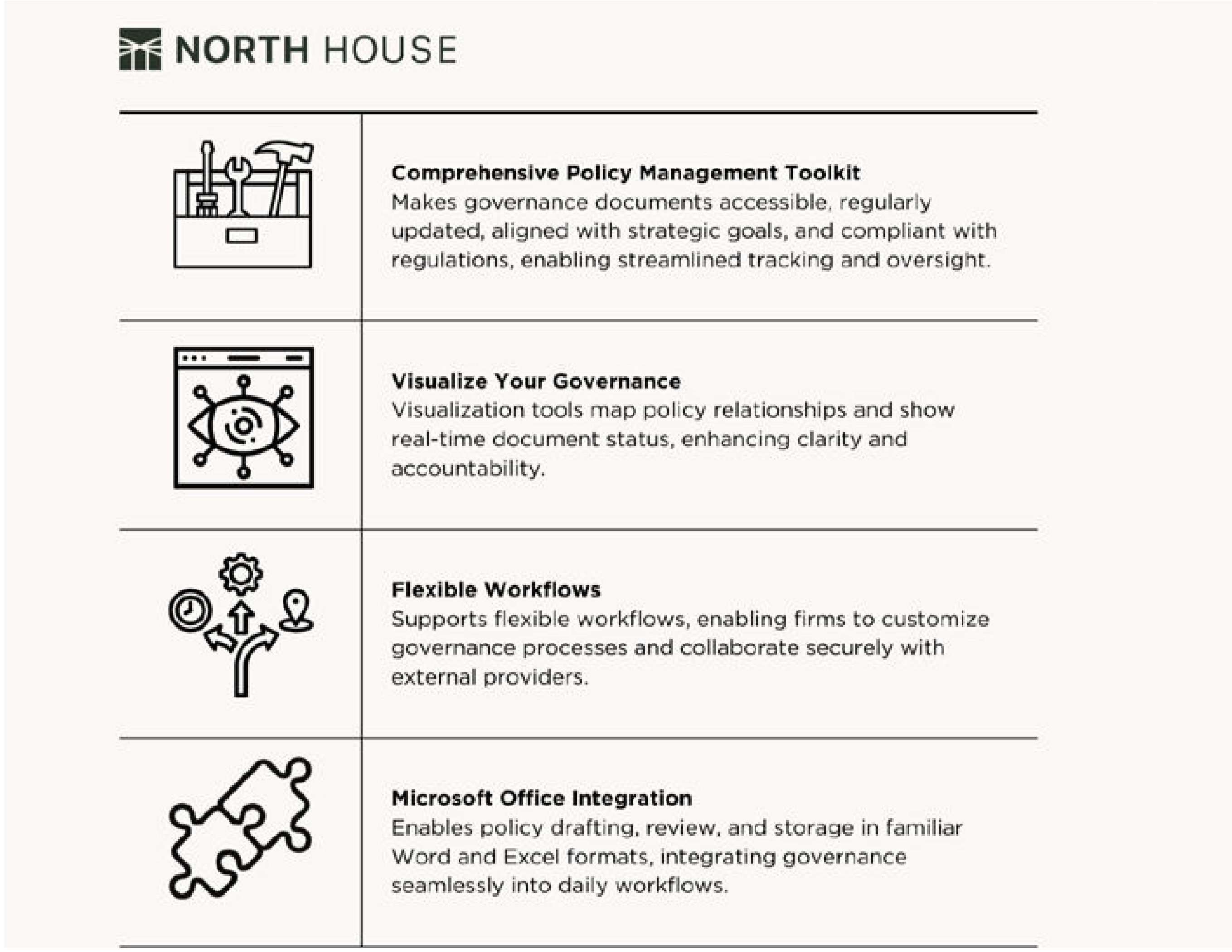
1. Define Clear Policy Boundaries
Clearly distinguish between policies and procedures. Policies should address the "why" by outlining strategic goals, risk tolerance, and regulatory adherence, while procedures focus on the "how" of daily tasks. Appoint a Governance Process Owner to ensure policies are relevant, regularly reviewed, and aligned with organizational objectives. Adopt a "Policy of Policies" that include guidelines for structure, ownership, mandates, and standardized templates, as outlined in points 2 to 5 below.

2. Use Templates to Standardize
Standardized templates reduce legal jargon and improve accessibility, making it easier for employees to understand and follow policies. Consider offering "cheat sheet" versions for quick reference.

3. Empower Operational Leaders
Delegating operational tasks to the CEO and senior leaders allows the board to focus on strategic priorities. A strong example is AI: the board sets responsible use guidelines, while the CEO and teams implement these principles through clear instructions and training. This approach also works well in cybersecurity and data privacy, where the board's principles shape operational procedures.

4. Assign Policy Ownership
Policy ownership should lie with senior managers who understand the business, not defaulting to legal or communications teams. This ensures policies are practical, relevant, and integrated into the organization's operational context. For specialized areas, legal teams or external advisors can provide expertise efficiently, while operational leaders drive content and implementation.

5. Focus on Essentials
Every word carries a cost in time and effort, particularly for board members and employees who must read, interpret, and implement policies. Overly detailed or redundant language not only increases the burden but also risks diluting critical messages. Conciseness ensures that essential information is communicated clearly and efficiently, reducing the time required for comprehension and application. For example, a lengthy AML policy with every KYC step can become cumbersome. Instead, use a two-



layered approach: maintain high-level policy guidance in one document and place detailed procedures in an instruction layer.

6. Streamline Distribution
Make policies easily accessible, and distribute only relevant ones to each role. Core policies, such as the Code of Conduct, IT Security, and AML, should be mandatory for all employees, with annual attestation to confirm understanding. Reinforce this approach with training initiatives to deepen engagement.

7. Invest in People and Tools
Building an effective governance framework begins with a strong foundation. Invest in skilled personnel and technology that automates and tracks key tasks. Competent personnel and modern tools create a governance system that is resilient and adaptable.

NORTH HOUSE PLATFORM

North House's governance platform is purpose-built for regulated firms, offering hedge funds a structured solution that simplifies document management and strengthens transparency across the organization. Designed to foster collaboration and clear ownership, the platform simplifies delegated responsibilities. It streamlines document distribution and attestation, ensuring firms remain audit-ready. This digital framework enables firms to accelerate and simplify governance processes, fostering an efficient, organized structure that promotes both responsibility and transparency at every level.

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Participants (left to right): Caroline Thomsen (IG Prime), Joakim Lundmark (Coeli), Martin Rundling (ProxyP), Patrik Säfvenblad (Volt), Peter Chan (MSCI), Andi Woolass (Enfusion), Martin Redgård (Epoque), Kamran Ghalitschi (HedgeNordic), Richard Fenton (IG Prime), Stuart Abel (Tidan), Oscar Severinsson (Origo), Joakim Agerback (GSF), Daniel Mackey (Protean) and Stephen Roberts (Enfusion)a

Outsourcing vs. Insourcing: Key Strategic Choices for Asset Managers

By Eugeniu Guzun - HedgeNordic

The financial landscape is constantly evolving, presenting asset managers with a wide range of complex decisions regarding technology, operational efficiency, regulation, and more. In a roundtable discussion featuring chief operating officers (COOs) from Nordic hedge funds and asset managers, along with service providers Enfusion, MSCI, and IG Prime, HedgeNordic addresses some of these questions and explores how asset managers are working to stay ahead in a rapidly transforming industry.

One of the strategic decisions facing asset managers is finding the right balance between outsourcing and insourcing different functions. Andi Woolass, EMEA Head of Partnerships at Enfusion and moderator of the discussion, highlights that this decision involves multiple considerations, such as outsourcing the trading function versus having an in-house desk or outsourcing middle-office functions to minimize the need for multiple full-time equivalents (FTEs), among others. Ultimately, the decision between insourcing and outsourcing is crucial for enhancing operational efficiency and ensuring regulatory compliance, which significantly influences an asset manager's competitiveness, scalability, and cost-effectiveness.

Daniel Mackey, Chief Operating Officer of stock-picking fund boutique Protean Funds Scandinavia, believes that most boutique asset managers in the Nordics "don't aspire to grow to a scale where insourcing many functions makes practical sense, whether during the startup phase or even after achieving scale." From Mackey's perspective, outsourcing allows managers to "maintain cost flexibility as they grow or seek to sustain that scale." He emphasizes that "outsourcing where possible makes sense, enabling managers to stay lean, flexible, and focus on what we do best – creating value for investors."

The team at systematic investment manager Volt Capital Management are "strong believers in outsourcing," according to Chief Investment Officer Patrik Säfvenblad. "We aim to outsource as much as possible, and eight years into the history of Volt, we have gradually expanded the range of functions we outsource," says Säfvenblad. One of the areas the Volt team outsourced was fund administration, followed by risk management, and more recently, Information Technology (IT). "Outsourcing IT infrastructure and related services has been a very positive move, freeing up time for our team. We plan to continue down this path, looking for more functions to outsource," Säfvenblad adds. Beyond cost benefits, he highlights another key benefit of outsourcing – flexibility. "It's far easier to replace the fund administrator than to lay off your internal team. Especially when your organization is under stress, outsourcing offers much greater flexibility in how you manage operations."




Martin Rudling, Chief Operating Officer at fund boutique Proxy P Management, offers a more philosophical perspective, stating that "if we look upon this subject holistically, we all have to outsource." He likens fund management firms to car manufacturers, explaining that "from an outsider's perspective, we are seen as a single entity – like a BMW car that uses brakes from Bosch and various other components from different suppliers." Rudling believes there are many functions and components that can be effectively outsourced, allowing firms to "distance themselves from potential issues." He acknowledges that while "as a manager, it can be reassuring to detach from certain challenges, it's essential to remember that outsiders, including investors, perceive us as a unified whole." Therefore, he emphasizes the importance of collaboration with outsourcing partners. "The full responsibility ultimately rests with us. Regardless of how your operations are organized, we appear as a singular entity."

Richard Fenton, responsible for Prime Brokerage Sales at IG Prime, notes that this outsourcing trend extends beyond the Nordics saying that "For an emerging manager who hasn't spun out of a large firm with an established track record, the primary focus is on building that track record." Managers with under $50 million in assets are often inclined to outsource many functions, particularly in the middle office. "Outsourcing helps maintain lean costs, allowing you to focus on generating alpha," he adds. Fenton has witnessed funds that began with $25 million successfully scale to $500 million while operating with lean organizations. However, he emphasizes that the choice between outsourcing and insourcing functions "depends entirely on the strategy and capital requirements from day one. If you don't have significant funds for a complete tech stack, a physical COO, a CTO, and a robust middle office team, you must keep your operations lean."

Coeli Asset Management, which manages over $6 billion across a diverse range of products, "has structured our firm a bit differently than smaller boutiques", according to Joakim Lundmark, Head of Fund Administration at Coeli. "We have developed an in-house support platform that includes compliance and risk management, along with lean teams in the middle office, distribution, and other critical functions," explains Lundmark. Coeli partners up with independent fund managers to form joint ventures "where incoming portfolio managers create their own MIFID companies, which are operated by Coeli so they can focus solely on portfolio management," he elaborates. Consequently, Coeli provides a comprehensive suite of services, including middle office, settlement, and distribution, with most functions managed internally. However, Coeli does outsource "non-value-adding functions such as fund accounting and custody." Lundmark emphasizes that for managers launching funds with less than $30 million in assets under management, "it's essential to focus purely on the investment strategy; you can't take on too much additional workload beyond that and continue to be efficient."

Martin Redgård, a fund manager running two distinct systematic strategies, has opted for a similar setup offered by Coeli by partnering up with AIFM Group, to which he has outsourced all fund services. "If you want to get off the ground with a small amount of assets and mitigate costs at an early stage, it comes down to finding a service provider who can agree to cover the costs of setting up the fund and bear the ongoing costs," expounds Redgård. "I was fortunate enough to find this partner early on, allowing me to launch with minimal capital." Essentially, Redgård has outsourced most middle-office functions related to managing his funds, enabling him to focus entirely on strategy design and execution.

FRONT-TO-BACK VERSUS BEST-OF-BREED

When asset managers consider outsourcing, they face a choice between a comprehensive front-to-back solution or a best-of-breed approach where they select specialized providers for different functions. Andi Woolass of Enfusion raised this question with the managers around the table, asking whether they prefer a "fully integrated solution that synchronizes all aspects of the trade lifecycle, or a best-of-breed structure that enables them to cherry-pick systems, such as an EMS or other management tools tailored to specific needs, which requires more effort in integration and coordination."

Stuart Abel, Chief Operating Officer of the expanding multi-fund boutique Tidan Capital, believes that "everyone would choose a single provider if that solution offered exactly what they needed and wanted. However, finding such a partner is nearly impossible, and a one-size-fits-all approach often ends up being one-size-fits-none." He emphasizes that while all asset managers operate within the same industry and engage in similar activities, "every fund and every manager is very, very different." Abel contends that a best-of-breed solution "sounds like a utopia that I'm not sure will ever exist."

Abel suggests, "selecting a solution that meets the majority of your needs while bolting on extra components as necessary. If a manager has an excellent overall front-to-back system but falls short in risk management, for example, the manager can bolt on a specialized risk system." He notes that due to the diverse and specialized nature of strategies, "we all require tailored solutions based on our specific strategies, and there will always be a need for add-ons." For Abel, "it's about finding a balance between a one-stop shop and best-of-breed solutions to enhance that foundation."

As a larger asset manager collaborating with various portfolio management teams, Coeli Asset Management has chosen a comprehensive one-stop shop that can be enhanced with best-of-breed solutions. "We rely on the broader, well-established Paladyne system, which allows us to plug and play best-of-breed solutions," explains Joakim Lundmark of Coeli. He adds that "if we require an enhancement, we can easily integrate it into the system." Given the diverse range of strategies under the Coeli umbrella, Lundmark works with six or seven custodians, all of which are connected to the main system and can onboard with virtually any prime broker. "We have established the need for a solid foundation to stand on, similar to a one-stop solution that addresses about 80 percent of our required functions. From there, we collaborate with other specialized providers, such as those offering risk solutions, to create a stable system that every strategy can utilize," describes Lundmark.

Richard Fenton of IG Prime, which provides Prime Brokerage solutions, aligns with Lundmark's perspective, emphasizing that seamless connectivity is essential for most managers. "We are asked time again, 'If we execute through you, how does it feed into our back office, our fund administration, and our middle office?'" Fenton shares, highlighting the key concerns of IG Prime's clients. "Systems have to be connected to the reporting chain and easily reconcilable. Adding extra layers of operational burdens on funds is a non-starter," he expands.

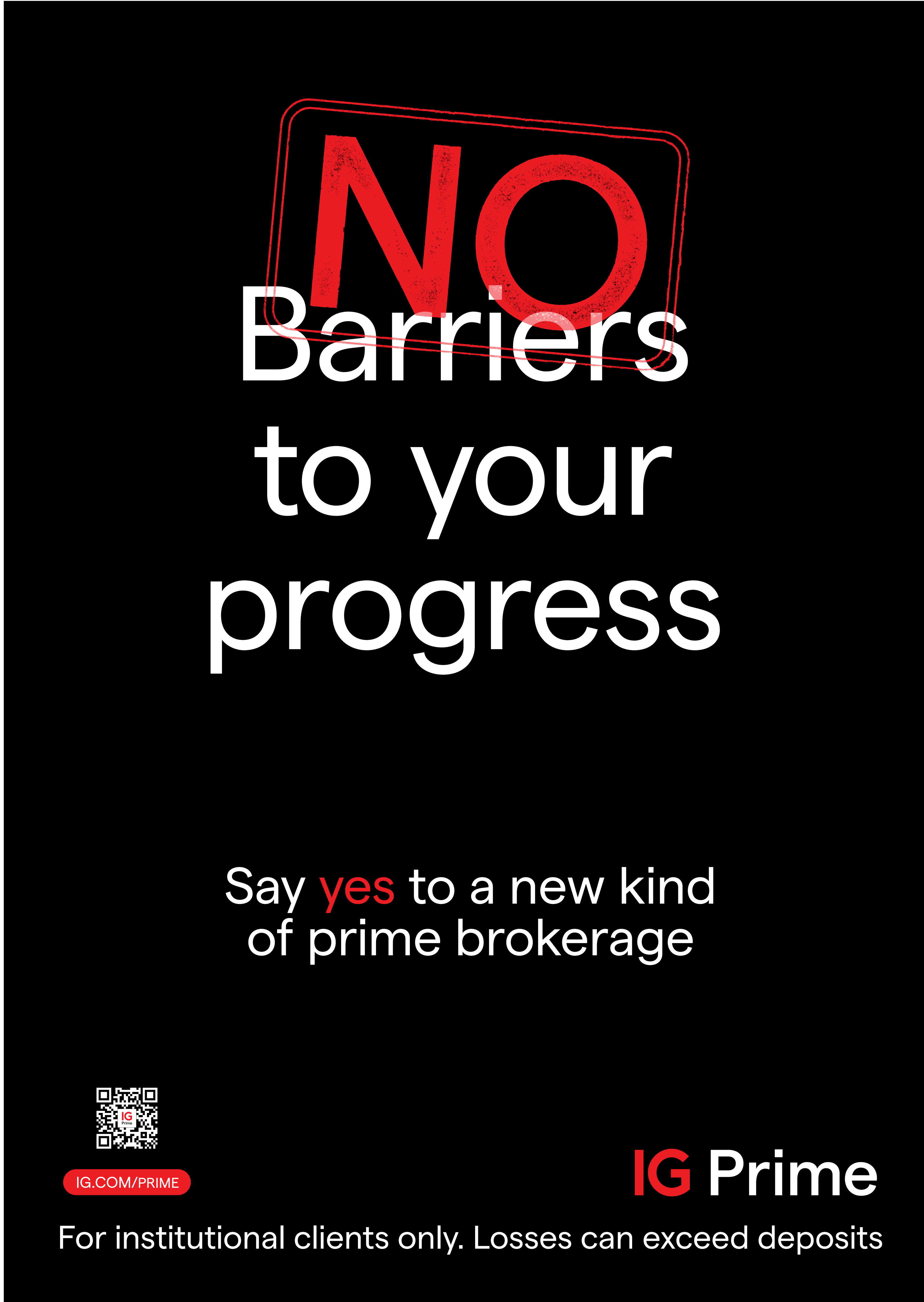
Peter Chan, Executive Director and Analytics Business Manager for EMEA at MSCI, agrees, highlighting that "a key challenge is removing the barriers for a best-of-breed approach, ensuring our clients don't bear the costs of maintaining multiple systems when they decide to replace existing functionalities with different providers." As a risk analytics provider and other services, MSCI has observed growing flexibility in integrating its analytics tools with platforms from various service providers. "This trend extends beyond the hedge fund space, it includes asset owners, asset managers, IT infrastructure, and service providers across the board," Chan notes.

According to Patrik Säfvenblad of Volt, choosing best-of-breed providers not only enables asset managers to select the optimal solutions tailored to their specific needs but also enhances their credibility. "Outsourcing risk analytics to MSCI, for example, adds credibility to your reporting, just as partnering with a reputable administrator for fund administration further strengthens credibility," Säfvenblad explains.

Daniel Mackey of Protean echoes this sentiment, noting that "when you're a new firm looking to establish your reputation while engaging with institutional investors globally, it's beneficial to have some well-known names among your service providers." However, he emphasizes that "one should not choose providers just because of their name." More importantly, by partnering with multiple service providers, managers can gain access to various perspectives rather than just one. "If you rely on a single provider for 80 percent of your services, you'll only hear the narrative they want you to hear," says Mackey. "In contrast, working with multiple service providers allows you to adopt a best-of-breed approach for each function, giving you valuable insights and talking points while connecting with others, including potential service providers, to stay informed about industry developments."

Martin Rudling of Proxy P Management agrees, stating that "if you rely solely on one provider for all your needs, hoping they will serve you for the entire duration of the fund, you risk becoming unaware of what's happening in the services world and what opportunities you might be missing." Mackey from Protean adds to this perspective, concluding that "it's important to have reputable names to enhance credibility, but equally crucial is partnering with providers that can address our specific needs."

Although Martin Redgård outsourced all functions to a single provider by running his funds under the AIFM Group platform, he would evaluate the cost-benefit analysis on a function-by-function basis. "I would never consider outsourcing anything related to trading or investor activities. However, several functions may have a clear break-even point," Redgård explains. "Outsourcing a function is either profitable or not. Identifying areas where you can carve out profits, especially in a small operation, is essential for long-term survivability."



Hannah Smith, Head of Marketing – Edgefolio

Investor Relations in 2025

By Hannah Smith - Edgefolio

Fund marketing and investor relations are two sides of the same coin. As with most subscription sales, there is no value in winning new clients if you cannot hold onto them. This is especially true when your client is an institutional investor; this is not an easy client to win.

When it comes to technology, there is a lot of focus on building pipelines and the investor onboarding journey. But what comes next? How can you continue to engage your investors? How can you continue to develop the relationship? How can you be one step ahead in every conversation and activity?

ALWAYS ONE STEP AHEAD

The relationship between investors and hedge funds is seemingly simple. They invest money; you deliver a return. A transaction between two parties. However, this simplicity is built on two fallacies.

The first is obvious: performance is not guaranteed. A challenge of investor relations is to expand investor

"Investor relations teams need to be able to have informed and meaningful conversations at the drop of a hat. Access to accurate information is essential."

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relationships beyond this basic transaction. A relationship based solely on performance exposes you to significant flight risk should performance dip.

The second fallacy is that performance is all that matters. Investors will assess your understanding of how you achieved past performance, and in doing so, the probability you can deliver consistent returns. They want to get to know your leadership team and their pedigree. They want to know what your fund does differently from all the other funds out there. Putting performance to one side, why do you exist?

You could consider this evaluation "complete" once the investment is made, but in reality, this is an ongoing and perpetual assessment. There will always be a fund out there with better performance or a stronger brand, so you need to be proactive in defending your territory. The investor needs to have access to the information they want with sufficient transparency. They need to receive excellent service and always feel like conversations are meaningful and informed. They need to see compelling content that sets out your expertise and pedigree. There needs to be a personal relationship that leads the investor to want to work with you.

So how can IR teams get ahead of investor expectations? How can they drive relationships forward and be as proactive as possible?

ACCESSIBILITY AND TRANSPARENCY

Personal relationships are an important component of hedge fund investor relations. In-person meetings, phone calls, and individual emails build a rapport and cannot be replaced with automation. However, they can be heavily augmented through technology.

When it comes to sharing information, automation and digitization are very important. Whereas once a PDF distributed at a set frequency would suffice, investors now want to access performance data online. Similarly, they want important documents to be hosted online rather than shared by email. This is a far simpler method of exchanging information and contributes to a perception of trustworthiness and transparency. For emerging managers, it also conveys an appearance of sophistication that would usually be expected from a more established manager.

An investor portal lets the fund manager share performance data, content, and fund information in a single, protected, and compliant location. A data room delivers secure document sharing with watermarking and tight access control. This is all self-service, eliminating latency and delivering a great digital experience to sit alongside the personal relationship. This is a double win, as it offers a better service for the investor and eliminates an administrative burden for the IR team.

Investor balances are important information for investors but are often very challenging for hedge funds to visualize or share. This can lead to delays on ad-hoc requests and limited visibility for both the manager and investor. To deliver meaningful transparency to investors, hedge funds need to find a way to overcome this. Ideally, investor balances should be available in the customer relationship management (CRM) system alongside other key client information, at the manager's fingertips at any time.

EDUCATED AND INFORMED ENGAGEMENT

As already discussed, personal relationships are very important when it comes to investor relations. However, here too technology plays an important supporting role.

When an investor speaks to a hedge fund, they expect a certain degree of familiarity. This includes professional information—such as exposure, redemption terms, or team structure—and personal details, such as a recent holiday destination or family setup. To build a personal relationship, good salespeople will use information to build a sense of familiarity.

Information about clients is gathered through various activities and interactions and may involve several team members. It is important to take a "hive" approach to investor insight, ensuring information across the business flows to a central location and is accessible to all. This is essential in delivering educated and informed communication with your investors.

Investor engagement with your digital presence can also offer insight. Did the investor previously open your emails and recently stop? When did they last log into your investor portal? Did they view their redemption documentation in the data room? When did you last meet with them?

You also need to have access to the right investor insights to have a meaningful conversation that builds trust, addresses concerns, and warms the relationship up. Waiting for an investor to call you when they are unhappy puts you on the back foot.

It is worth noting that not all investors look the same or want to be engaged in the same way. What is a warning symbol for one investor—e.g., declining a meeting—is standard behavior for another who prefers digital engagement. You need to build a baseline for each investor to understand what makes them tick and deliver more of that, and to identify when they are not happy to know how to best rectify the situation.

> "Investor relations requires excellent interpersonal skills, which cannot be replaced. Technology can however streamline, support and even guide this interpersonal activity."

INVESTOR RELATIONS THAT RUN ON RAILS

Understandably, investors want to feel like they are working with detail-oriented and organized professionals. They have put their trust in your investment team, and your IR team needs to further build that trust. To achieve that, it is important to set out your minimum standard for investor relations internally.

Some aspects will be established in contracts—for example, your minimum reporting commitment. However, internally you can set a minimum schedule for much more and use your investor relations technology to manage this workload and visualize progress. This is especially important when working in a team, ensuring nothing falls through the cracks.

You may, for example, meet or otherwise check in with your investors in person at a set frequency, send a monthly newsletter, call investors in the event of negative performance, hold webinars to accompany performance reports, or suggest an interim meeting with any investor who has not opened your past three emails or hasn't logged into the investor portal for a month or more.

The right investor relations platform presents these data points so you can prioritize your workload. It also automates reporting, offering real-time visualization of your achievements and what remains to be done. Often, IR teams spend a lot of time working on internal reports requiring a lot of manual effort. There are two problems here. First, this time would be much better spent with clients or working on client-facing activities. Second, this reporting is always backwards-looking, reporting on what has—or has not—been achieved. This might steer the focus for what comes next but with a significant lag, reducing your team's impact.

Working with the expectation that the investor relations team will just know which investors need their attention can lead to missed signals and poor service for your investors. Ultimately, tight control of your IR operations benefits the investor, who will receive a consistent and professional experience and feel valued. They might prefer to imagine you wake up thinking of them each day—rather than them appearing on a dashboard—but the outcome is the same.

TECHNOLOGY: THE GREAT ENABLER

As a discipline, investor relations requires excellent interpersonal skills with robust organization and task management. The former is in the hands of the individuals in the team, and they should focus on execution; that is to say, directly servicing clients.

Technology can streamline, support, and even guide this interpersonal activity. A limited number of dedicated fund marketing and investor relations technology solutions—such as Edgefolio's FundPortal—let IR teams deliver an excellent service, manage their operations and reporting, and free the team to focus on direct client work.

First, an IR tech solution can provide the "on-demand" accessibility and transparency investors want. Through an investor portal and data room, clients can access information in a modern and convenient way. The investor portal is also where you host content, letting you control the audience and track engagement. Your investors should feel like they are working with a solid and established fund and can access information as they need it.

Second, IR tech can underpin your interpersonal engagement by ensuring you have the right information for every conversation. At the core of the IR tech solution is the CRM, which is your single source of truth for your clients. Combined with the investor portal and data room, plus email marketing, this becomes a full-service IR tech solution. Every interaction across all channels goes into the CRM, and the CRM guides every interaction across channels. By selecting a solution that displays investor balances in your CRM, you ensure this vital piece of information is available.

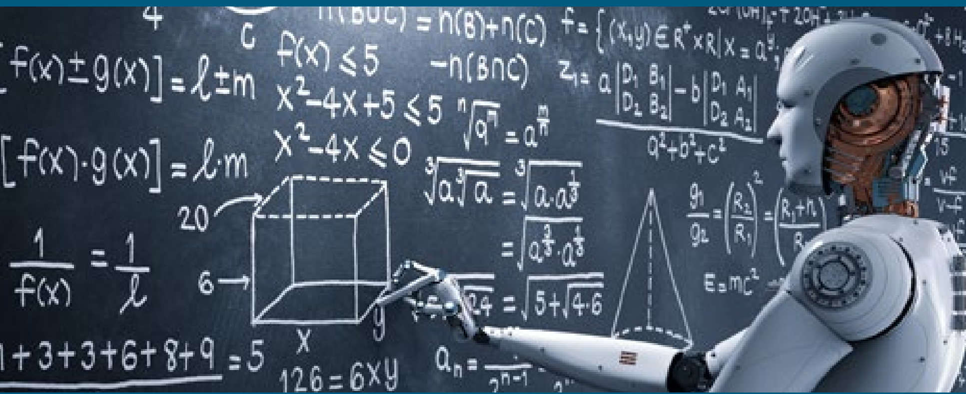
Finally, your IR tech should let you set a standard of service, execute, report, and reiterate. IR tech lets you work in a consistent way that avoids a lack of focus. That is not to say the team has no agency as to how to engage clients, but it sets minimum engagement levels and keeps all the plates spinning. The IR operation should be immune to personnel changes, with the CRM as a single source of truth, and dashboards and tasks guiding your focus. The reports and dashboards that steer the team also deliver internal reporting without diverting time away from the core task.

CONCLUSION

Investor relations teams need to anticipate their clients' needs and expectations to avoid being caught by surprise or disappointing the investors they serve. An IR technology solution is fundamental to achieving this.

Digital channels deliver the transparency investors seek and streamline information distribution. Investor data is captured across channels and is put straight into the hands of the IR team. Investor balances are available at the click of a button. Dashboards and tasks guide the team and automate internal reporting. The result is a team that can focus on what it does best: building great relationships with your investors.

“Your single access point to the Nordic Hedge Fund Industry”



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