

CLIENT REPORTING TOOLS FOR HIGH-NET-WORTH INVESTORS

BY GINA LAUER

IF YOU'RE SPENDING hours (or even days) juggling data and information in Microsoft Excel, Word, or PowerPoint in an attempt to put together a polished and impressive-looking report for a high-net-worth client, you may be working too hard.

Fortunately, several companies that cater to the financial services industry have simplified the client-reporting process—and at the same time, with the help of data-aggregation tools, sophisticated graphics, and information layering, can help an advisor or trust officer produce a report in a matter of minutes—not hours.

“High-net-worth clients are demanding more, so from a client-reporting perspective, they want to see their report in a specific format, [and] they want to see it personalized—and that requires firms to do a lot more from a technology perspective,” says Jerry Driscoll, Exstream Software’s vice president of financial services.

Exstream, a Lexington, Kentucky-based client communications software provider has 450 clients—about 30–35 percent in the financial services industry. The company’s Dialogue software allows investment firms to automate the reporting process and enable users “to read from all these disparate data sources, be able to design the documents in a form that users want to see it in, and personalize it,” Driscoll says.

Bob Stewart, president and CEO of InvestEdge, Inc. (Philadelphia, PA), notes that client reports are one of the few “tangible things” that clients see for the money they pay a firm or advisor to manage their investment assets.

InvestEdge focuses on serving the front-end needs of large, retail investment firms with \$1 billion or more assets under management. Its wealth-management platform includes not only tools for managing and measuring assets of high-net-worth clients, but for client reporting, as well.

The number of U.S. millionaire households has risen to a record 9.3 million as of mid-2006, according to TNS’s 2007 Affluent Market Research Program—an increase of five percent over the prior year. (The report defines “millionaire” as \$1 million in net worth, excluding the primary residence.)

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Promoting loyalty

As financial institutions clamor for the assets of wealthy clients, they quickly realize that personalized and detailed client reports help boost customer satisfaction and loyalty. “The clients, themselves, are pushing to see more-sophisticated reporting capabilities and...[investment] firms are fighting over the clients, and they have to offer a very competitive product to compete with each other,” Driscoll says.

Specialized client reports are in a different league from the monthly or quarterly statements customers typically receive from a clearing firm or



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fund company. Not only do they provide a customized (and often lengthy) view of a client’s holdings, but they can compare these holdings to various benchmarks and market data.

“What’s really important is that certain clients want to see different benchmarks. Everyone has different objectives. They want reports tailored to their unique circumstances,” Stewart says.

For many companies involved in client-reporting software, the evolution began in the mid- to late 1990s, driven by the capabilities of new technology.

“Generating reports is the most resource-intensive task our system must handle. To enable scalability, we utilize sophisticated parallel computing,” Stewart says. “We have a patent pending on how we do that.”

With the pooling and cross-flow of data, client reports evolved from offering basic information to delivering knowledge, Stewart says. “It’s the ability to present the data in something intuitive that can be compared and contrasted.”

Those comparisons may also provide a fund's Morningstar rating or compare it to other financial indexes, for example. It also allows users to look at allocations by objectives of a particular money manager.

"To make that transformation, that leap from information to knowledge requires a richer dataset. We designed the system



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to accept a number of different data sources: books-of-record data, third-party vendor data, and even held-away assets from custodians," Stewart says.

InvestEdge partners with data aggregator Evare to pull clients' asset information from outside sources (after obtaining a client's permission). "The advantage is that for the client, they get one single view of what their overall investments look like, whether or not they're managed by that firm," Stewart says. "There's an advantage to the bank, as well, because they [the banks] are able to take a look at what other assets that [person] has out there, with the potential of trying to bring them in-house as part of their investments."

A family's entire holdings

Another benefit of the system is that it allows an investment professional to create a report on the holdings of an entire family, if desired. Many high-net-worth individuals also hold accounts and trusts for other family members, and reports can be created collectively or separately, and show how those holdings are performing.

In addition, there are nuances built into the system that investment professionals don't always think about. Page numbering and building a table of contents can be a time-consuming task when putting together a report manually, particularly if the report runs more than 50 pages long. A personalized cover letter can also be added.

Ease of use is another benefit of the reporting system, which is "designed to be used by the investment advisor," Stewart says. "Screens need to respond very quickly; the design needs to be intuitive." Training to use the reporting system takes no more than four hours, he says.

There are several delivery options available, and those can be determined by the end user. "Everything is loaded in PDF form. The end user determines...whether to print it on site, print it though a statement processing-type facility, or deliver it electronically," Stewart says.

Electronic delivery often means sending an e-mail that will link a client back to an institution's Website, where they can use validation tools to open up an encrypted browser session to access the report. "You don't want to send reports through e-mail for privacy purposes," Stewart explains.

Glenview Trust Company (Louisville, KY) has been using

InvestEdge for more than seven years.

Reports for client meetings

"I use it [InvestEdge] for everything from looking at portfolios, digging in and making decisions on trades, executing those trades, and looking at what the portfolio might look like before and after the trade," says Scott Neff, a principal at Glenview Trust, which has nearly 325 client relationships and over \$2.1 billion in client assets under management. "I use it extensively on the reporting piece to run reports for clients, for meetings," he adds.

Neff said that before using InvestEdge, "I would pretty much have to build a client presentation by hand." That often meant creating reports in Excel and building slides in PowerPoint, but the process was still manually intensive.

Now he's able to print out a presentation in a matter of minutes. "And it's much nicer than anything I could have produced by hand. The efficiency is phenomenal." Exstream's Dialogue tool streamlines the reporting process, as well.

Reports vary from client to client, and versatility and choice are key components. Dialogue software, for example, offers users the option of 15 different chart types. Advisors also have the option of adding market commentary to a report, Driscoll notes.

Dialogue offers a number of different methods of output, too. "Some like to see it in PowerPoint, some like to see it in PDF. When it comes to print, there are other different types of print technology that we support, but we have 21 different output technologies or output devices that we support," Driscoll says.

Exstream recently introduced a new solution called Dialogue Live, integrated with Dialogue, which allows documents to be produced easily and rapidly on a more individualized level—particularly for customer-facing employees.

This product, says Driscoll, allows "non-tech users," such as an advisor, to modify the template of a document, make changes to it in a Web-based, controlled environment, and then have the option of printing the report locally or have it filed through the headquarters through normal fulfillment processes.

"We really feel it's going to change the whole client-reporting space, because if you look at client reporting, the financial advisor has to be able to set parameters that affect the look and feel of the document," Driscoll says. For example, an advisor could change the order of information, type of chart, or request investment performance for a particular time frame.

Exstream has found that financial services firms using Dialogue software get communications to market as much as 85-percent faster, reduce document product costs up to 80 percent, and triple customer response rates.

Not only does the automation of client reporting speed the process, it also reduces the chance of error. Because data is pulled from a repository instead of being manually 'hardcoded' into a spreadsheet or document, the potential for human error is greatly reduced.

It's not likely that Microsoft Excel and Word will disappear completely from a financial professional's desktop, but when it comes to client reports, software that allows advisors and investment firms to rapidly and easily create a sophisticated, consolidated view of a client's holdings and performance has become a valuable tool. □