

# Case Study

## Investment Trust



## Retention: Investment Trusts Board gets to grips with its investor's profitability.

Managing one of the largest and oldest Investment Trusts in the UK, Witan, like many in the fund management industry, has benefited from over 20 years of growth. However, in an extended bear market, "the industry is heading for a shake-out", according to Paul Myners, former head of Gartmore Investment Management, who leads a UK government review of the sector.

**Falling equity markets have brought a slump in profitability and exposed chronic structural weaknesses that were masked in better times. Over the past decade, the industry became accustomed to a rapid rate of cost growth. This created a ratcheted business model dependent on asset growth to sustain budgeted growth in payroll and other costs. The challenge for the industry will be to uncouple cost growth from asset growth.**

Financial Times, 20th January 2003

Demand for more transparency (and a "new" focus on operational effectiveness and profitability growth) by Investment Trust Boards and Fund Managers has created an urgency to manage these "other costs" - and an increased focus on operational efficiencies.

## Background

The Investment Trust industry has long declared that the administration of product plans (by various third party administrators) is costly and unprofitable for the Fund Manager but is necessary to increase liquidity for the Trusts' shares through the promotion of product plans. But what is this cost, and how can it be measured?

To answer key questions facing our client, Matrix-Data proposed a complete audit of third party administration costs against every individual trade of every customer. This provided our client with the intelligence to streamline costs without adversely impacting product attractiveness and liquidity. This also involved evaluating the impact of, and suggesting changes to, the marketing strategy and product development that would strike a balance between product appeal and profit maximisation.

## Results

The first stage of undertaking detailed analysis of this nature was to consolidate and integrate the various sources and formats of data. This created a single view of the investors' transactions by combining disparate data involving over 30,000 clients over a 3-year period. Our challenge was to input, process and interpret over 2 million transaction records from 3 different sources (two administration systems) for approximately 30,000 private investors with 50,000 investments in four different product plans.

Based on our analysis, our client is now able to streamline the number of third party administrators and is moving to a single-administration platform and charging structure. In addition, re-negotiation of out-of-date administrator agreements, particularly pricing and servicing requirements, and differentiated pricing for different types of investors and investment methods, has been achieved. Witan is well placed for future growth and has redressed an industry trend by pursuing more profitable and higher value PEP investors, while reigning in their expenditure on less profitable investor classes.

## About Matrix-Data's Billing Solutions

For more than 20 years, Matrix-Data has specialised in data solutions for the Financial Services Industry.

At the heart of these solutions lie Matrix-Data's unique sources of investment data, extensive market knowledge and our unique database technology.

We are able to rapidly load and transform huge volumes of disparate data into one "virtually joined" and compressed

repository, specifically designed for fast and complex analytics.

Our solutions are tailored for our clients' specific needs and can be applied cost effectively to any business, with the levels of support and spending that are most appropriate to their organisation.