

THE 2007 ALPHA AWARDS™

Turning to Tech

**ALPHA AWARDS™ TOP
TECHNOLOGY FIRMS**

ORDER MANAGEMENT
Eze Castle Software

Hedge funds can be a fickle bunch when it comes to technology services. Companies and products lauded one year fall off the radar the next, as picky fund managers constantly seek software solutions that can help them perform their jobs faster and more effectively. Whether they come from independent vendors or brokerages, solutions need to be packed with functions yet simple to use and able to easily interface with other software. More than anything, however, solutions must be accompanied by first-class support. Even software nimble enough to respond to wild market gyrations won't cut it in today's financial world without strong service and support.

"If you build the best widget but can't support it, you won't be successful," says Jeremie Bacon, president and CEO of Chicago-based Backstop Solutions Group. "To be successful long-term, support and service have to be No. 1."

Backstop is the top-ranked firm among Investor Relations Management software providers in this year's Alpha Awards™ for technology service providers. To compile our second annual rankings of the leading technology providers, *Alpha* once again turned to the hedge funds that rely on them to find out which firms and services fund managers and traders most value. Throughout the summer and early fall, we polled nearly 300 hedge fund management firms, representing more than \$600 billion in assets under management. But this year, to provide more in-depth results, we have broken technology out from the Alpha

Hedge funds are demanding more-and-more-advanced technology solutions for their trading needs, but service and support often determine which providers they choose.

By Irwin Speizer

Awards for top service providers that ran in the October issue of *Alpha*. We also broadened the questions we asked and separated Execution Management as a stand-alone category from last year's Trade Order Management category.

Though many of the names from last year's rankings reappear, the winning firms this year are dramatically different. Eze Castle Software tops Order Management; Goldman, Sachs & Co. leads the Portfolio Accounting pack; and Morgan Stanley is hedge fund managers' No. 1 pick for Risk Management, while FutureTrade is the winner in Execution Management. And even though several companies offer products in more than one category, no service provider tops more than one category — a further indication that brand loyalty does not mean much to hedge funds these days.

Based on this year's winners, a fund manager looking to create the ultimate software system would have to use five different providers — two of them brokerages, two independent vendors and one a subsidiary of a bulge-bracket

bank. Although that might result in best-of-breed solutions in each category, the challenge of running so many different systems is daunting.

The one-size-fits-all suite has thus far proved an elusive goal. Risk management is a far different animal from execution management. Even somewhat similar solutions like portfolio accounting and investor relations management contain enough distinct functions that each category fields a sizable number of independent vendors.

As part of our survey, hedge funds rated service providers in three areas: Software Functionality, Support & Client Service and Technology & Architecture. A firm can win an award in any of the overall categories with runaway ratings in one service area and merely good marks in the other two, but top-ranked firms tend to perform well in all three areas. This result suggests that hedge fund managers want technology that works and is adaptable to specific needs, and they want it from firms that provide expert, real-time service.

High-quality support and service may not be enough to win a new client, but poor quality can certainly drive away an existing one. Indeed, Support & Client Service drew the most comments from voters, who either vented about service problems or crowed about superior support.

ORDER MANAGEMENT

Order management systems are often the backbone of a large fund's trading operation — big, expensive and difficult to get just right. Not only do the systems ship and track orders and help monitor compliance, they communicate seamlessly and rapidly with other software, such as portfolio accounting and risk management systems. Ideally, they can access multiple asset classes and international destinations.

Because such systems are designed for universal use, they tend to be more complicated, and expensive, than small hedge funds need. Indeed, Jeromee Johnson, president of New Hope, Pennsylvania-based trading software provider 3D Markets, believes most hedge funds can get by without an OMS until they have \$1 billion under management.

ORDER MANAGEMENT		
Rank		Firm
2007	2006 ¹	
1	2	EZE CASTLE SOFTWARE ²
2	—	CHARLES RIVER DEVELOPMENT
3	—	ADVENT SOFTWARE
4	5	INVESTMENT TECHNOLOGY GROUP ³

¹Rankings in 2006 were for the Trade Order Management category.
²Part of BNY ConvergeX Group.
³Ranked in 2006 as ITG Solutions Network.

EZE CASTLE SOFTWARE

Thomas Gavin, 35, Chief Executive Officer

THOMAS GAVIN PREACHES THE GOSPEL of customer service. When a big order management system client recently outgrew the data-backup capability Eze Castle Software had provided for it, Gavin was quick to find a solution. Not only did he help find a third-party vendor to supply the backup, Eze Castle invested in the company and helped ensure that the product fit the OMS client's needs. Such hands-on involvement has helped Eze Castle (part of BNY ConvergeX Group) land more than 300 clients. "The classic software system approach is that after the install team finishes, they hand you an 800 hotline number, and an account manager comes around every once in a while to see how you are doing," says Gavin, who joined Eze Castle as chief operating officer in 1998 before moving through the ranks and taking over as CEO in 2005. "We have teams of up to eight or nine individuals who own the client from cradle to grave."



Nonetheless, expansion of hedge funds, both in number and size, has proven an enticing growth market for OMS vendors. Many have begun experimenting with OMS “lite” products — Web-hosted, stripped-down versions of full-function solutions aimed at smaller hedge funds that do not need the bells and whistles of a full OMS.

In the wake of the restructuring of last year’s Trade Order Management category — which has since been broken into separate Execution Management and Order Management rankings — only two of last year’s top-performing firms show up in this year’s Order Management ranking.

Eze Castle Software is the clear favorite in this year’s ranking, dominating both Support & Client Service and Technology & Architecture, helping the firm move up from its No. 2 ranking last year. The deft service and support Eze Castle provides for its Traders Console soft-

ware shows up in client comments, with one hedge fund manager describing the firm as efficient, competent and extremely helpful. Rounding out this year’s overall winners in Order Management are newcomers Charles River Development and Advent Software, and Investment Technology Group, whose ITG Solutions Network was No. 5 last year.

“Hedge funds are very demanding, and they want the most-advanced tools,” says Thomas Gavin, Eze Castle’s CEO. He says hedge fund managers are looking for more options, yet more simplicity — a product that can merge the advanced trading capabilities of an execution management system with the tracking and management functions of an OMS. To meet such demands, Eze Castle recently introduced an enhanced OMS with EMS functionality, which it touts as being easier to use than separate systems.

TOP TECHNOLOGY FIRMS BY ASPECT OF SERVICE

As part of the Alpha Awards™ survey, we asked hedge funds to rate their technology providers on various aspects of service. Here are the top-rated firms in each of those categories.

SOFTWARE FUNCTIONALITY		SUPPORT & CLIENT SERVICE		TECHNOLOGY & ARCHITECTURE	
Rank	Order Management	Rank	Order Management	Rank	Order Management
1	Eze Castle Software ¹	1	Eze Castle Software ¹	1	Eze Castle Software ¹
2	Charles River Development	2	Advent Software	2	Charles River Development
3	Advent Software	3	Investment Technology Group	3	Advent Software

HOW WE COMPILED THE RANKINGS

We compiled our 2007 Alpha Awards™ ranking of the top hedge fund technology service providers based on voting in the summer and early fall. *Alpha* polled nearly 300 hedge fund management firms, which manage more than \$600 billion in assets. Polling included firms in the 2007 Hedge Fund 100, our ranking of the world’s 100 biggest single-manager hedge fund firms. We also tapped directories and

industry data sources and contacted hedge fund management firms from client lists supplied by service providers. We met with technology firms in the early spring to discuss changes within their businesses.

Hedge fund managers were asked to rate the quality of the software they use and the service they received for the 12 months ended March 31, 2007, for Execution Management, Investor Relations

Management, Order Management, Portfolio Accounting and Risk Management. For each type of software provider, service quality was broken down into broad attributes, which included a series of specific points of service. Respondents — whose identities are kept anonymous to ensure their continued cooperation — also rated the importance of each service attribute, the results of which were then

used to help calculate the overall winner in each major category, rewarding firms that do well in the tasks hedge funds prize most. To rank, service providers had to meet a minimum vote count.

The survey was conducted by Associate Editor Timothy Roberts under the guidance of Director of Research Sathya Rajavelu and Senior Editor Jane B. Kenney, with Researcher Katie Gilbert.

