

Fund selection and due diligence move into the digital age

Leading fund investors and asset managers collaborate to streamline, digitise and standardise fund due diligence processes

The processes used by fund investors to gather information from asset managers has always been a time consuming exercise. But their need for transparency, speed of analysis and the ability to compare across qualitative information sets has never been greater!

The industry is coming together to co-create a new solution. Supported by the Association of Professional Fund Investors to represent industry best practice, key Fund Investors from 10 leading Distributors, such as Mediolanum, Santander, EFG and Pictet Bank are collaborating with 12 major asset managers, such as Aberdeen, Columbia Threadneedle, Franklin Templeton, M&G, Nordea Asset Management, Pictet Asset Management and Schroders. They aim to solve a common problem.

The problem

Within Fund Investor teams, much time is being spent collecting and organising fund information. Asset managers have to resource large teams to be able to respond to information requests in a multitude of formats. APFI reviewed dozens of its member Fund Investor firms' due diligence questionnaires and discovered around 90% of questions are common. Furthermore APFI found that:

- Historic practice and increased regulation is creating additional effort for fund investors and asset managers in fund due diligence
- Fund investors are pursuing ways to reduce the time it takes to collect and organise information
- The speed at which changes to fund information is communicated to fund investors could be significantly improved
- Lack of standardisation and best practice in due diligence questionnaires creates additional effort for asset managers – DDQ work volumes have doubled in 12 months for some asset managers

Both asset managers and fund investors recognise there should be a better way to collect and organize fund information and, by doing so, to enhance customer outcomes.

The solution

This collaboration aims to bring fund due diligence into the modern age. A new digital platform called DOOR will maintain up to date responses to The Standard Questionnaire, allowing fund investors to access a robust set of common information at any time and separately ask additional questions specific to their needs – thereby removing the need for

each fund investor to send common data requests. DOOR will be free of charge for fund investors to use.

Other benefits include:

- Maintaining and advancing industry best practice standards, overseen by APFI
- Quick and automated uploads of fund information by asset managers, meaning resources can be redeployed
- Provide fund investors with information on all available fund ranges
- Improve fund investors' user experience in selecting or monitoring fund holdings
- Speeding up and democratising communication of changes to fund information between asset managers and fund investors

"In today's world of information overload, this unique initiative can add significant value to the manager selection process. DOOR's platform and technology can make a big difference by freeing up time for data analysis and critical thinking, and less time on data collection. More productive collaboration between fund investors and asset managers is always to be welcomed in our view." Brian O' Rourke, Head of Multi-Manager, Mediolanum.

"The industry needs to collaborate more to drive faster and more efficient communication of information. At APFI, we want to maintain and advance industry best practice and ensure greater transparency and ease of fund selection for our members." Jauri Hakka, APFI Director

"Standardisation in due diligence information means I can access the majority of the information I need without waiting weeks for a response. It will save me time and allow me to focus on that information that it most important to me. " José María Martínez-Sanjuán, Santander.

"Asset managers and fund investors have common issues with fund due diligence. So, collaborating with them to solve these issues is an innovative approach. Adopting industry best practice and standardising the process will allow us to refocus resource on delivering a wider range of fund information to our clients. By employing a digital solution, we can ensure information is secure, up-to-date and relevant." James Cardew, Global Head of Marketing, Schroders.

More information can also be found on the APFI website at www.profundinvestors.com or at www.doorfunds.com

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Editors' notes

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About APFI

Founded in 2011, the Association of Professional Fund Investors was created by and for its membership. It enables professional fund investors to share ideas, ensure best practices and network with their peers.

APFI is dedicated to the advancement of the interests of professional fund investors and voicing the collective perspective of its members concerning key topics and trends within the global asset management industry.

APFI believes that the inclusion of the investors' viewpoint is crucial to the sustainable growth of the asset management industry. APFI acts to ensure the continued recognition of the importance of professional fund investors and advance their role within the asset management industry.

APFI is independent of commercial interests and is owned and controlled entirely by its members.

About DOOR

DOOR is a collaboration between leading fund investors and asset managers. It is the digital interface to access up-to-date and standardised fund due diligence information.

DOOR believes that fund due diligence is a vital function in the value-chain between asset managers and end-investors. But the current methods of gathering information through due diligence questionnaires are inefficient. Fund investors should have more time to analyse information and think ahead – collecting and organising due diligence information is a resource burden. And asset management companies are overloaded with repetitive due diligence requests.

We believe that the quality of engagement between asset managers and fund investors must be more robust and transparent.

We believe that dual innovations in due diligence questionnaires – standardisation and digitisation – will benefit all industry stakeholders.