



**Simon Koziel** of ProTrak International discusses why many Hedge Fund managers now consider CRM systems one of their “Core” Technology systems

## **CRM – A “Core” Technology for Hedge Funds**

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In today’s volatile markets and stressful economic environment hedge fund managers should consider a Client Relationship Management system as a “must have” piece of software. More hedge funds are realizing that CRM is a vital part of their “core” technology, along with their trading, risk management and accounting systems. “CRM no longer means ‘contact management’ for the sales team”, says Simon Koziel. “Our CRM system, ProTrak Advantage, was designed for investor relations and research and compliance groups, in addition to sales and marketing. Don’t forget that the “C” in CRM stands for client.” Koziel, whose company has been serving the institutional investment management community for over 25 years, is adamant that a CRM system must be tailored to the unique needs of hedge fund, FoHF and private equity managers. “A CRM system designed for the general market won’t work as optimally as an industry-specific solution. Nor will those vendor’s support teams have as good an understanding of the hedge fund manager’s business needs.”

But why are CRM systems now becoming a core technology component for hedge funds? Especially in this challenging economic environment, there are four factors that are critical to a hedge fund managers continuing success:

- Maintaining and growing existing clients
- Acquiring new business
- Meeting regulatory and compliance requirements (due diligence)
- Controlling internal business costs (doing more with less)

### **Maintaining Existing Clients**

It goes without saying that there are many unhappy investors out there today. Most hedge funds have had to activate their “gates” or put at least a temporary hold on cascading redemptions in order to survive. This, along with the performance tsunami and the much publicized Madoff scandal has created a crisis of confidence among disgruntled hedge fund and FoHF clients. In the past, frequent client communications were not the highest priority in the average hedge fund shop. Managers cannot “undo” the events of the past year, but greatly increased client communications and transparency can enhance client trust going forward.

“With the mass e-mail (blast e-mail) features in ProTrak Advantage, managers can easily send out weekly market commentaries or other communications to all clients. Communications can be targeted based on fund holdings or to clients who have called or emailed requests”, said Koziel. “And the ability to send out investor K1s and other statements as PDF attachments on personalized e-mails directly from the CRM system is of tremendous value.” For example, when the client calls with a question regarding the statement, the investor relations rep can access the e-mail and the PDF statement with just a few mouse clicks while the client is on the phone. The IR rep can immediately record the clients' questions and reactions in the CRM database and create a follow-up task for future action by another staff member. Functionality like this is not a luxury today, it is an essential component in the hedge fund managers' technology repertoire.

### **Acquiring New Business - Sales and Marketing**

Acquiring new clients in the current environment is particularly difficult, but hedge funds that stop trying will struggle to stay in business. “The technology needs of today's hedge fund sales rep go far beyond contact management as we used to know it”, adds Koziel. “The sales reps I speak with want to be able to enter and retrieve activities, calendar, contacts and e-mails to and from the CRM through their Blackberries.” All of this is possible with ProTrak's Blackberry license. In addition, the laptop license lets users use ProTrak in a “disconnected” mode, while with the ProTrak OnWeb license, reps can access the central database anywhere they have an Internet connection.

Maintaining a reliable, up-to-date sales database is the lifeblood of any organization. But if the CRM system is not user-friendly, the sales intelligence information will never make it from the rep's “brain” to the CRM “brain”. “Ease-of-use is one of the most critical factors for user adoption by the sales team”, says Rosso. “If the system is not easy to use, data will not be entered and information critical to the organization will be lost, particularly if the sales rep moves on.”

Often sales reps are used to storing their information in Microsoft Outlook and may be resistant to learning a new “system”. “With this in mind, we have implemented easy-to-use bi-directional synchronization between ProTrak and MS Outlook”, says Simon Koziel. “This allows those users who wish to continue using Outlook to do so, since the ProTrak database collects information critical for sales reporting and compliance.. We designed ProTrak from the ground up to work the way hedge fund managers and their support staff work. Typically, user adoption will always fall short if you expect users to make major changes in their daily workflow to satisfy technology imposed constraints.”

### **Compliance, Due Diligence and Audit**

With the crisis of confidence that exists in the investor community today, compliance and due diligence are more important than ever and a major factor that has made CRM one of the hedge fund manager's “mission critical” technologies. As a fully audited system, ProTrak maintains an audit trail of all user interactions. And, the comprehensive security controls provide selective

access to sensitive client data. E-mail attachments, both sent and received, are captured and preserved as part of the historical record. “Even if an e-mail originates from ProTrak but is modified in Outlook before it is “sent”, the modified e-mail and the Outlook header are stamped back into the ProTrak activity”, says Koziel. In this way, the compliance officer has an exact record of every transmittal.

Hedge funds now find it prudent to use multiple prime brokers and multiple administrators. ProTrak’s ability to import investor holdings and transactions from multiple sources (inhouse accounting systems as well as outside administrators) allows it to serve as a single point for client reporting. The IR staff can thus provide better transparency to investors through both ad-hoc reporting and customized reports such as K1 tax letters and client statements. In addition, liquidity analysis reports run from ProTrak let the manager see all possible Investor redemption scenarios so they can plan accordingly.

### **Managing Internal Cost (doing more with less)**

2008 has been a most difficult year for most funds and 2009 may not be much better. Many hedge fund managers find themselves in the uncomfortable position of having to cut costs through staff reductions. Yet pressures for client retention, new business acquisition, and increased regulatory oversight will increase greatly. This means that managers will have to “do more with less”. ProTrak greatly enhances productivity in the organization while collecting the critical information that supports investor relations, sales & marketing and compliance / due diligence. “Every department within the hedge fund organization has numerous time-consuming, repetitive tasks and processes that require gathering information and transmitting it via personalized e-mail attachments”, according to Koziel. “ProTrak’s workflow functionality lets staff automate these tasks. One can send out subscription documents or other fund documents to a prospect or investor with literally just a few mouse clicks. *And*, the entire transaction is immediately recorded in the historical record.”

The Research Department at funds of hedge funds will also find that ProTrak is a valuable part of their manager due diligence effort. According to Koziel, “The research analysts can easily document all manager interactions such as tasks, meetings, reports and emails and control the myriad of e-mail attachments received from invested and prospective managers using ProTrak’s Manager Directory.”

Year 2012, will be a year of new hedge fund regulations and heightened scrutiny. Transparency and substantially increased client communication will be essential to maintaining existing clients and capturing new investors. The ProTrak Advantage CRM solution will allow hedge funds, funds of hedge funds and private firms to do “more with less”, while addressing their investor relations, compliance and sales and marketing needs.

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