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Today's Tough Choice:

Same-Day Affirmation or Mandatory Matching



By Chris Kentouris

Fund managers may soon be faced to make a tough choice if they want to reduce operating risk and cost.

They will either have to affirm U.S. equity trades with their broker-dealers before settlement—a process otherwise called “match to settle”—on their own. Or they may have to use an electronic post-trade matching service that acknowledges the details of the transaction with the broker-dealer

right after the broker-dealer has confirmed the details but before the trade has settled.

A committee of the International Standardization for Institutional Trade Communications (ISITC) at a meeting in St. Louis on Sept. 12 suggested that fund managers be required to automatically and completely acknowledge the details of the trade with a broker-dealer, before

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tion with the broker-dealer right after the broker-dealer has confirmed the details but before the trade has settled.

SAME DAY, cont. on page 5

A System for Creating A Single Truth

By Tom Steinert-Threlkeld

Life used to be so simple.

You wrote the prospectus for your fund in **Microsoft Word**. You built the charts in **Excel**. You had the lawyer check the wording. You had the chief financial officer check the numbers. You made the fixes. You sent the final doc to the printer.

But now comes the summary prospectus, the push to deliver any and all information in interactive formats—and a proliferation of funds in your family. Is life really that simple?

Enter electronic publishing, mutual fund-style. **SUMMARY PROSPECTUS**, cont. on page 6

Technology

Corkins Leads Arrowpoint Across the Capital Spectrum

By Lee Barney

David Corkins, a star manager at Janus who successfully ran the **Janus Mercury** and **Janus Growth & Income** funds and executed an impressive turnaround on the flagship \$12 billion **Janus Fund**, started hedge fund **Arrowpoint Partners** in 2009—delivering returns of 33%. *Money Management Executive* spoke with Corkins about what it takes to attract high-net-worth and institutional clients in today's market, how he is investing his clients' money differently than other managers and how his firm's flexible approach has fared so well throughout the

Management Q&A

DAVID CORKINS, cont. on page 8

30- and 40-Somethings Have Highest Tolerance for Risk

26% of People 35-49 Would Assume Above-Average or Substantial Risk

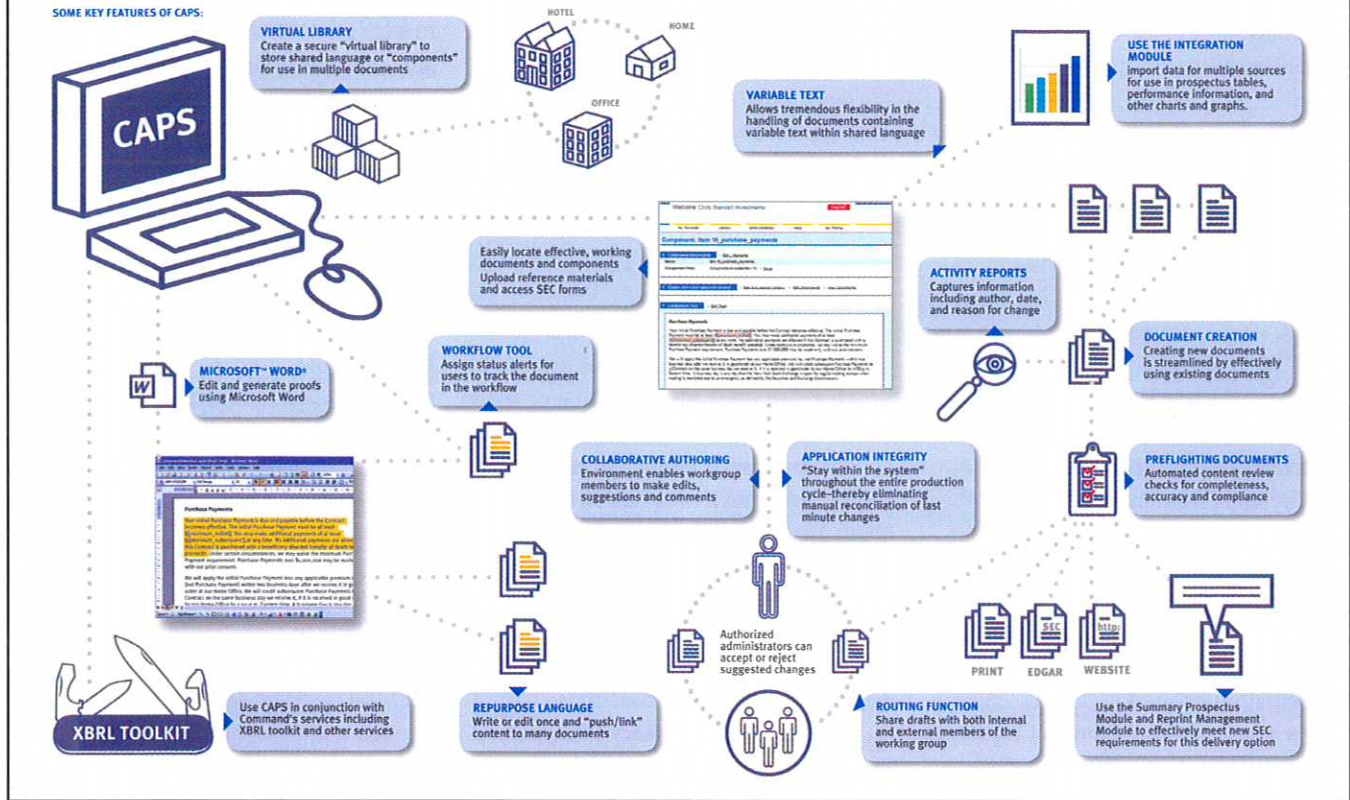
22% of People Under 35 would

19% 50 to 64 would, and

8% of People 50 to 64 Are Willing to Assume Such Risk

Source: Investment Company Institute

Many Documents, One Truth



Command's Automated Publishing System allows users to collaborate in creating one solid set of statements and statistics and reuse them, as needed, to publish prospecti, summary prospecti, and shareholder reports, on paper or electronically.

SUMMARY PROSPECTUS from page 1

The key is to write that paragraph once, create that financial statement once and then re-use it as many times as needed.

A statistic and a date bear out the imperative:

The stat: There are about 8,500 mutual funds in this country. Now, there are now more than 4,300 mutual fund summary prospecti available for standalone delivery, according to **New River**, a repository of mutual fund documents. Soon, there'll be a summary prospectus created every time a prospectus is born.

The date: Jan. 1, 2011. You may think that the **eXtensible Business Reporting Language** that the **Securities and Exchange Commission** is pushing is meant for public companies. These are the folks who want firms to tag every piece of their reports to shareholders in a form that can be used effectively online, in services that interact with investors according to their needs.

But the first day of the new year is when the SEC expects mutual funds to comply with its requirements to provide fund investors with risk-return summaries in XBRL format. This is so investors can download the information directly into spreadsheets and analyze it, using off-the-shelf software, or plug it into investment models. (See <http://www.sec.gov/rules/final/2009/33-9006.pdf>)

One response is to take those Word documents and Excel sheets and start feeding them into an electronic library. Then, use that library as the basis for rolling out prospecti, summary prospecti and shareholder reports, onto paper or outsiders' computer screens.

Such a system has been developed by **Command Financial**, a New York company that started out as a full-service printer for financial firms. Its Command Automated Publishing System (CAPS) ends the "one-off" approach to printing a prospectus, replacing it with a system that re-uses every

piece of information possible, multiple times, to creating a single truth about a fund, in all forms of output. Printing is just one option, according to President **Steve Penders**.

The technology was developed six years ago, as it became clear the production of prospecti was going to get more complex. Printing and mailing costs also have driven the changeover from paper to more and more digital files.

Focus groups and one-on-one interviews with mutual fund administrators led to its design. And the development has been in great part overseen by a house lawyer schooled in the **Investment Act of 1940** and its requirements. This vice president, **Christine Carr**, is responsible for creating, developing and implementing instances of the application at client sites.

"The meaningful elements of having a '40 Act attorney on staff is our products have really been developed from a client

SUMMARY PROSPECTUS,
cont. on page 7

SUMMARY PROSPECTUS

from page 6

perspective,” said Penders. “They have a sense that somebody who knows how they work has designed the tool.”

The core of the system boils down to two components: a language library, which stores pre-vetted statements on the fund’s goals, strategies, risks, fees, expenses and past performance; and, a data library, which stores re-usable tables of returns, net asset values and other financial highlights. Financial information on holdings also can be used for annual reports from a fund or fund company. These create building blocks, such as exact wording needed on foreign currency risk. The building blocks can be used not just for documents, but content presented on websites presenting details about the funds.

The application is updated to meet new SEC requirements and user requests. And is used to encourage collaborative editing of documents and routing of drafts in working groups.

“This is not at all a static application,” said **Bruce Bezpa**, vice president of marketing.

The work flow is built around convention. Users prepare the content for the libraries in Word and Excel. “This cuts times down tremendously, in getting the system up and running for people,” said Penders.

The system takes in the paragraphs and pages of data and provides “full blacklining” of any changes, in his term. In effect, any changes inside the system become part of an official audit trail.

The system also is designed to enforce SEC rules and confirm exceptions. If, for instance, 10 years of results are needed and the fund only has eight, a manager must sign off on that exception in the system. And give an explanation, in the process.

The system can trigger email to various administrators or lawyers in a fund company, when actions need to be taken. But return or outside email is not captured.

But when explicit justifications for a change or a choice are required, fields get presented that require explanations to be entered and saved. In effect, the system—and not a human—becomes the gatekeeper for compliance and auditing, keeping track of approvals.

The automation lives as an application

and is provided as a service on the Web. All libraries and the core application are at a central data center, with users accessing their company’s encrypted data through a browser, from office, home or hotel.

Sungard Data Systems provides business continuity, backup, disaster recovery and intrusion detection services. The primary data centers are in New York and New Jersey.

The information in the prospect and reports can be delivered in complete printed form, complete electronic documents, in the Portable Document Format, or online. Databases keep track of which investors have consented to receive information electronically.

Command has about a dozen mutual fund companies, with 1,000 funds all told, using its system; but does not disclose names.

Customers subscribe to the system and get a payback by savings in administration as well as postage and distribution.

“We’ve used CAPS to manage the content for all our prospectuses, and it paid for itself in cost-savings within a year,” a senior attorney from a Boston-based fund family said.

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