

CELENT

**X**CELENT Awards 2010

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# Client Reporting Tools

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## Executive Summary

Client reporting tools render and automatically generate detailed reports for end investors on the performance of their investments. Given the increased demand to reduce costs, address scalability concerns, and reallocate resources towards retaining clients, client reporting tools have received more attention in the past 12 months. Against this backdrop, Celent has undertaken this report to profile and benchmark the offerings of 16 vendors in this space, and provide an understanding of the client reporting technology market in both Europe and North America.

The solutions providers covered and ranked in this report are: Advent, Assette, BI-SAM Technologies, Black Diamond Performance Reporting, CorrectNet, DST Global Solutions, Envestnet, Expersoft, Factbook, InvestEdge, Kurtosys, Private Client Resources, SS&C Technologies, Thomson Reuters, Vermilion, and WealthTouch. Additionally, Celent recognizes that Rokit Solutions, First Rate, and DeskNet also provide offerings in this space, but did not participate in our study so they were not included in the rankings.

There are several steps and functionalities surrounding the generation of reports that allow vendors to differentiate themselves. As such, Celent has defined and grouped the vendors into three categories based on the layers and functionalities that the firms address. Celent's grouping is as follows:

- Pure reporting vendors: Players focused primarily on the rendering, generation, and delivery of reports.
- Hybrid vendors: These vendors offer support across various dimensions of the client reporting and analytics process.
- Comprehensive vendors: This group of vendors offer client reporting tools as an addition to their product listing. Many of these players offer client reporting tools—addressing one or more of the above layers—as a module within a larger wealth management platform.

The report compares vendors along four overarching categories: Advanced technology, Breadth of functionality, Customer base (number of clients), and Depth of client services. Rankings are provided in each vendor category.

Our findings are as follows:

No one solution is considered best in all categories, but rather differentiated themselves in and among the various functionalities. Within the breadth of functionality category, Kurtosys was the most notable vendor, followed closely by CorrectNet and Vermilion. In the advanced technology category, Vermilion received the highest score. CorrectNet had the largest customer base. In the last category, depth of client services, CorrectNet was at the top, followed by Vermilion.

Among the hybrid vendors, all vendors performed well, offering a range of functionalities based on what layers of the client reporting they addressed. Ultimately, WealthTouch received the highest score in terms of breadth of functionality by addressing all aspects of client reporting, with Private Client Resources coming in second. Private Client Resources came out on top in terms of advanced technology. Black Diamond had the most clients among the hybrid vendors. Lastly, WealthTouch was in the top in terms of depth of customer services, followed by Black Diamond.

Among the comprehensive vendors, no one vendor was the best in all categories. In terms of breadth of functionality, InvestEdge was most notable, followed by Envestnet. In the advanced technology category, SS&C Technologies received the highest scores, with Advent coming in second. Envestnet and Advent had the largest client bases among comprehensive vendors. In the last category, depth of client services, the top quartile was dominated by Advent, followed by SS&C Technologies, Thomson Reuters, and DST Global Solutions.

The report begins with an overview of client reporting and offers definitions and an elaboration of drivers for adoption. A market overview section follows to describe how the market has evolved in the past 18 to 24 months. A detailed profile for each vendor follows, identifying its strengths and weaknesses. Also included in the study is the vendor comparison section, which evaluates each solution's features and functionalities and further compares vendors by various functionalities. The last sections include a ranking of client reporting technology vendors according to their grouping through the ABCD dimensions and Celent's considerations of where client reporting is headed.

# Market Overview

## Developments and Trends

Over the past few years, the client reporting technology market has continued to evolve. Some key changes include:

- **Fragmented market.** There are many technology players providing client reporting tools both in North America and Europe. The technology players can be grouped by the functionalities they offer and the type of client they pursue. There are those companies that offer just the client reporting layer, and those that offer data aggregation and performance reporting, all the way to the delivery of reports. There are a selected few players that will provide solutions to solely family offices, private banks, or firms targeting the ultra high net worth segments, and they tend to offer end-to-end solutions across client reporting functionalities.
- **Increased regulatory environment.** Cost-basis requirements starting in January 1, 2011 will put additional compliance pressures on firms. In response to these concerns, many firms are looking to third party providers to service their reporting requirements. Demand for client reporting tools comes from all types of financial services organizations, including retail banks, private banks, brokerages, and family offices. A strong demand also derives from RIAs, both independent or affiliated to a firm.
- **Manual process still underway at firms, but increase in demand of reporting tools.** The financial downturn and market volatility have led to a greater demand from investors for more sophisticated, up-to-date reports, and greater communication between advisors and clients. Over the past 12 months, wealth managers have recognized that automating the reporting process allows managers to reallocate their time from report generation to account retention, and can also provide benefits in cost reduction and report accuracy. Although many firms continue to use manual processes, Celent anticipates that firms will increase their spending budgets for client reporting tools by approximately 5–10% over the next year.

- **A combination of deployment methods.** Most vendors in the client reporting tool space offer the ability for firms to pick between an ASP and an in-house deployment method. ASP seems most common when it comes to pure reporting solutions, while a combination is more common for the hybrid and comprehensive categories.
- **Services and functionalities trickling from institutional side to retail investors.** As a differentiator for family offices and private banks, firms have begun offering performance measurement and reporting tools previously available solely to the institutional investors. Attribution, cash flow expectation, and integrated risk metrics are trickling down to the retail space. As the market develops, we will see these functionalities trickle down across retail segments.
- **Content and data accuracy is key.** As vendors seek to differentiate themselves, they aim to capture more data from more places. Investors expect firms to be able to capture data and report on alternative assets. This has led to a growth in partnerships with data aggregators such as ByAllAccounts. Further, vendors pride themselves on being data-agnostic, with their ability to integrate with various data sources and portfolio accounting systems.
- **Aggregation is done differently across regions.** Different countries have different rules with regards to reporting and to data acquisition. In order to show a complete picture of the investor's wealth, firms are placing increasing importance on aggregation. In the North American market, turning to third parties for account aggregation is becoming increasingly popular. In Europe, it is more common to see firms do the aggregation themselves.
- **Vendors use partnerships to complement their offerings.** The fragmentation of this market makes the role of partnerships particularly prevalent. Vendors who provide strictly the presentation layer require calculated performance data from other systems, while performance analytics systems will partner with pure reporting firms to pump up their offering. For example, DST Global Solutions partners with Kurtosys to provide the reporting and presentation layer, while their performance attribution solution provides the analytics. Thus, each system is bolstered. Further, many client reporting systems will partner with data aggregators to pull in transactional information from held-away accounts or

assets. For example, InvestEdge will partner with Evare or ByAllAccounts to import data not on the books-of-record system.

- **Scale as a differentiator.** The higher the number of accounts a firm has, the more time consuming it becomes to create reports on a manual basis. Thus scalability is a key factor in determining which solution a firm will purchase. Vendors that are highly scalable are able to manage 300,000+ accounts without a strain on their system. Using the solution, firms should be able to review and produce daily reports in the morning, and monthly and quarterly performance end reports no more than five days after month- and quarter-end respectively.
- **Client demand for advanced functionality.** In response to client demands, vendors have improved functions in the following areas:
  - **Risk analytics.** Complex financial products that allow multiple hedging and leveraging strategies, as well as the investors' heightened sensitivity to risk, has placed greater demand on the advisor to provide analytics. Vendors have responded by either offering third party integration of risk tools, or internally developing integrated risk metrics such as liquidity and exposure into their reporting solutions.
  - **Data management.** Here we are referring to simplifying the data collection in a centralized location. Solutions may allow users to set parameters for data, customize feeds, and provide an integrated workflow. Pure reporting firms such as CorrectNet and Vermilion offer data management solutions to enhance their product offering.
  - **Interactivity.** The delivery of reports to an online portal allows vendors to leverage Web 2.0 technologies to create greater interactivity in the reports. For example, an investor can view a pie chart and manually drill-down into the chart data to see what data comprises it.
- **Increasing demand for greater customization and configuration.** Each firm has its own nuances in how it presents its data to the end user. In many cases, the way this data is presented is used as a key differentiator. Further, as investor portfolios become more sophisticated, account level configuration becomes increasingly important. The most successful vendors will be able to work with firms and create customized templates for businesses, and have the flexibility for clients to configure reports all the way to the account level.

Some technology firms offer tool kits for business users so that they can make these changes without having to go back to the vendor.

- **Greater variety of delivery methods to the end user.** Vendors have improved their delivery formats to include html, xml, and excel data files, as well as automatic email attachments. Firms are likely to use a secure web portal, whereby they can provide end-users with a log-in access to view reports. Additionally, firms can set up security permissions to determine which reports clients can view through the web portal. Vendors have indicated that while most clients have requested this option, end client use is below 5%. This delivery method is more developed in North America than in Europe, although vendors participating in the European market expect this delivery method to increase in popularity. Despite the variety of deliveries, the most common method remains PDF delivery to the end user.
- **European clients demand more sophisticated reporting.** The European market demands greater accuracy in the data, and also uses more sophisticated reports that incorporate cashflow expectation, attribution, and risk. This can be attributed to greater regulatory scrutiny in Europe. Celent expects greater sophistication in the North American market as regulations tighten, and as more investors become conscious of risk.
- **Increased use of document management.** Over the past 12-18 months, vendors have added document management features. Clients may upload and view various fund factsheets, previously published reports, and other documents that will provide a more complete picture of the account. These documents allow the advisor to leverage more insight and knowledge on an account for the sake of improved communication with the investor.

# WealthTouch

## XCELENT Functionality 2010

## XCELENT Service 2010

WealthTouch is headquartered in Denver, CO, USA, and has more than 50 employees. Originally founded as a multi family office (MFO) service provider in Colorado, the vendor now sells across the US, and has expanded into Europe and Latin America. The vendor provides data aggregation and client performance reporting, financial administration reporting and bill pay, and document management solutions to 400+ financial services clients, primarily family offices and global private banks, but also brokerages, and bank affiliated brokerages. Clients using WealthTouch products target primarily high net worth and ultra high net worth customers.

WealthTouch offers three web-based solutions to their clients:

- **Consolidated client reporting:** The tool is a multi-asset, multi-currency, multi-manager/custodian aggregation, reconciliation and performance reporting platform providing a dashboard-to-transaction level view and analysis of an investor's total wealth across the globe. As a complete outsourced service, clients do not need any technology or operations infrastructure to utilize WealthTouch's services. Clients and advisors are able to access their data through WealthCenter, the vendor's proprietary, secure web-based data and reporting portal, which can be fully private labeled and customized for each client and/or firm.
- **Financial Administration:** WealthTouch is also a complete outsource provider for expense management, general ledger and bill payment services, where all assets and liabilities are tracked in a unified chart of accounts. This service is available on a standalone basis, or can be fully integrated with the investment portfolios reported/tracked by WealthTouch—

enabling clients to generate on demand consolidated financial statements as well as other billing, income and expense-related reporting.

- **Document Management:** As a companion service to its other solutions, WealthTouch offers a secure online document repository, which includes a comprehensive archive of all manager and custodial statements for a client's entire portfolio, along with the various documents involved in family office operations.

WealthTouch offers a tiered service model, whereby clients can purchase the necessary point solutions they need. As required, clients can select the full service data aggregation, reconciliation, and reporting solution, or may opt instead for solely aggregation and reporting. This tiered servicing enables WealthTouch to provide its platform to a wide range of portfolio sizes and complexities.

WealthTouch aggregates client's financial data using multiple custodial/manager and third party electronic feed methods, as well as manager and custodial statements. Once the data is aggregated, it is normalized and mapped into the system. Subsequently, it is also enriched, when required, with additional data feeds, including pricing, benchmarks, bond ratings, corporate actions, etc., and delivered back to the client, on demand directly through the online portal. WealthTouch interfaces to multiple data import and export protocols, including SFTP, SOAP/Web Services, XML, and multiple APIs. Data quality is ensured through a multi-tiered reconciliation process which includes both daily and monthly/quarterly reconciliation workflows. The data verification/reconciliation process covers dozens of data points at the individual transaction level detail.

Advisors can make changes to report templates by using the customizable elements available to them. Through the system, advisors are able to access data directly, and quickly understand how transactions have triggered changes, including performance, in the portfolio. This is possible because WealthTouch's platform includes an integrated general ledger with its reporting functionality so all aspects of the flows within a portfolio are accurately captured. End clients are able to access the reconciled, consolidated data through the online client access portal, WealthCenter, and can generate reports on-demand, in either PDF, Excel or HTML formats.

WealthTouch offers a number of advantages to clients: rapid deployment, flexible security master (dynamic portfolio groupings, asset classification, etc.), and detailed performance, asset classification, attribution, multi-currency and transaction reporting. Advisors can

drill down on the portfolio entity structure and to view performance returns at multiple levels. Other advantages and disadvantages are listed in Table 1 below.

Two of the most significant enhancements over the past 12-18 months include: expanded multi-currency portfolio reporting, and an expansion of its global infrastructure to support international private banking clients. In response to client demands, WealthTouch has expanded its risk and attribution models, partnership tracking and document management capabilities. Additionally, WealthTouch will continue to enhance its financial administration offering to meet the growing market interest in a single platform that integrates the bill pay and expense information with the investment portfolios reported/tracked by WealthTouch.

**Table 1: WealthTouch—Analysis**

| Pros  | Cons   |
|---|--|
| Proven solution in the HNW and UHNW markets given its ongoing institutional relationships with multiple global private banks, and its initial historical ties as the original core technology foundation for MyCFO.           | Lacking some brand recognition based on its historical roots.  |
| Can backload transactional history for as many years as it is available from client custodians/managers/other host systems.   | No workflow management tool.   |
| Reconciliation process includes daily, monthly and quarterly workflows, and full cost-basis reconciliation when requested.  | Solution geared for the HNW and UHNW clientele, so not geared for those firms targeting the lower end of the market. |
| Real-time performance reporting allows clients to see immediate changes in the portfolio  | Only outsourced, remote hosting deployment option available.   |
| Two classification layers -- one layer allows clients to keep classifications as already stated on a family by family basis, and the second layer of classification facilitates generalized classification across portfolios. |  |
| Document management repository flexible enough to archive custodial statements for a client's entire portfolio and also the wide variety of family office documents.  |  |
| Solutions are modular and be implemented standalone by clients.   |  |
| Bill payment and financial reporting services where all assets and liabilities are tracked in a unified and integrated chart of accounts.   |  |
| Performance is calculated real-time on multiple levels including security, account, asset class, manager, entity, and portfolio.  |  |
| Easy creation of reports.   |  |
| Breadth of aggregation on alternative asset data (including hedge funds, private equity, real estate, etc).   |  |
| End-client access and generation of reports (through WealthCenter), and iPad, iPhone delivery methods.  |  |

Source: WealthTouch, Celent analysis

# Vendor Ranking

Celent’s ABCD Vendor View is a proprietary representation of a vendor marketplace designed to show at a glance the relative positions of each vendor in four categories: Advanced technology, Breadth of functionality, Customer base, and Depth of client services.

The Celent ABCD Vendor View shows relative positions of each solution evaluated and does not reflect an abstract evaluation. Each vendor solution is judged relative to the others in the group. In this report, the factors used to evaluate each vendor are listed in Table 2.

**Table 2: ABCD Categories**

| Category            | Factors Included   |
|---------------------|--|
| Advanced technology | <ul style="list-style-type: none"><li>■ Integration to other systems and architectures</li><li>■ Number and sources of data feeds</li><li>■ Deployment options</li></ul> |
| Breadth of features | <ul style="list-style-type: none"><li>■ Features per vendor comparison section starting on page 62</li></ul>   |
| Customer Base       | <ul style="list-style-type: none"><li>■ Number of clients</li></ul>  |
| Depth of Services   | <ul style="list-style-type: none"><li>■ Implementation and scalability</li><li>■ Partnerships</li><li>■ Range of clients and regional presence</li></ul>                 |

Source: Celent

In order to create apples to apples comparisons between vendors, each of the players is grouped and ranked according to the categories that Celent has created in this report. To review, the three categories include:

- Pure reporting vendors: Players focused primarily on the rendering, generation and delivery of reports.
- Hybrid vendors: These vendors offer support across various dimensions of the client reporting and analytics process.
- Comprehensive vendors: This group of vendors offer client reporting tools as an addition to their product listing. Many of these players offer client reporting tools—addressing one or more of the above layers—as a module within a larger wealth management platform.

The first of the two figures in each vendor category represents Advanced Technology and Breadth of functionality measures, and the second figure in each category represents the vendor's Customer base (number of financial institutions) and Depth of client services. Within each vendor category, all vendors were graded on the same scale, regardless of their target market.

## Hybrid Solutions Ranking

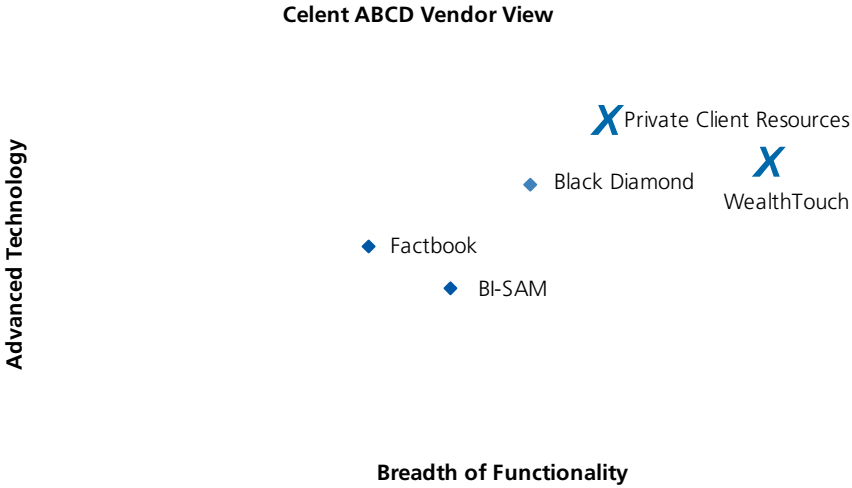
Within the breadth of functionality category, WealthTouch scored the most points among hybrid vendors, followed by Private Client Resources. Both vendors, whose primary business is the high net worth and ultra high net work customer market, support multicustodial aggregation and daily reconciliation. All vendors performed well in this category with little difference separating them. BI-SAM Technologies stood out for its analytics module, Black Diamond scored high on its report content, and Factbook featured a variety of delivery methods. Ultimately WealthTouch stood out with high scores of its performance calculations, with its coverage of multi-lingual and multi-currency presentation, and its multi-channel delivery that included iPad and iPhone. PCR is currently developing some of its performance calculations, which will increase its breadth of functionality.

In the advanced technology category, PCR stood out, with WealthTouch in second. Black Diamond and Factbook followed closely behind. PCR is the leader due to its ASP deployment, in addition to its proprietary data feeds to various custodians.

Black Diamond has the largest client base among the hybrid vendors.

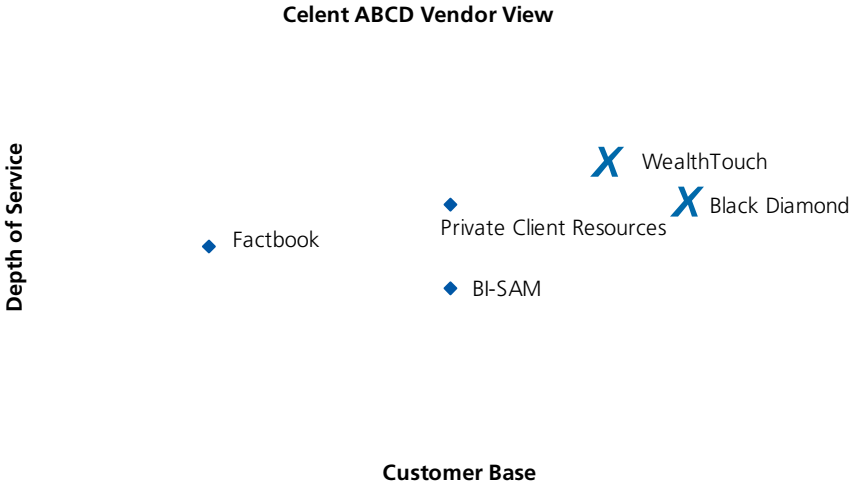
In the last category, depth of client services, the top spot is dominated by WealthTouch, followed by Black Diamond. WealthTouch's position is given to its range of clients, global presence, and focus on the retail market. BI-SAM and Black Diamond provide good scalability support.

**Figure 1: ABCD Vendor View: Advanced Technology & Breadth of Functionality-Hybrid Vendors**



Source: Celent analysis

**Figure 2: ABCD Vendor View: Customer Base & Depth of Service-Hybrid Vendors**



Source: Celent analysis

## Leveraging Celent's Expertise

If you found this report valuable, you might consider engaging with Celent for custom analysis and research. Our collective experience and the knowledge we gained while working on this report can help you streamline the creation, refinement, or execution of your strategies.

### Support for Financial Institutions

Typical projects we support related to wealth management include:

**Vendor short listing and selection.** We perform discovery specific to you and your business to better understand your unique needs. We then create and administer a custom RFI to selected vendors to assist you in making rapid and accurate vendor choices.

**Business practice evaluations.** We spend time evaluating your business processes, particularly in wealth management services and IT infrastructure. Based on our knowledge of the market, we identify potential process or technology constraints and provide clear insights that will help you implement industry best practices.

**IT and business strategy creation.** We collect perspectives from your executive team, your front line business and IT staff, and your customers. We then analyze your current position, institutional capabilities, and technology against your goals. If necessary, we help you reformulate your technology and business plans to address short-term and long-term needs.

### Support for Vendors

We provide services that help you refine your product and service offerings. Examples include:

**Product and service strategy evaluation.** We help you assess your market position in terms of functionality, technology, and services. Our strategy workshops will help you target the right customers and map your offerings to their needs.

**Market messaging and collateral review.** Based on our extensive experience with your potential clients, we assess your marketing and sales materials—including your website and any collateral.

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