

Allfunds: Offering clients a global platform

Basim El-Shoura, Allfunds Bank's Investment Solutions Specialist who covers Asia, presented a workshop on the rise of outsourcing by wealth managers and how the Firm's Investment Team also selects the most suitable funds for its global client base.

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EL-SHOURA BEGAN HIS WORKSHOP by explaining that Allfunds is the leading European B2B platform, working with more than 1,200 fund managers intermediating around EUR370 billion of assets, across more than 64,400 funds that are accessed by over 600 institutions in 44 different countries.

“We are a one-stop shop for all things fund related,” he explained to the audience attending his workshop at the Hubbis Investment Solutions Forum in Singapore. “We offer reporting solutions, we offer fund execution and custody solutions, and we offer investment solutions.”

Open architecture

In 2017, Allfunds processed some 12.7 million trades, all automatically and with no manual intervention. “We thereby help financial institutions to scale up their busi-



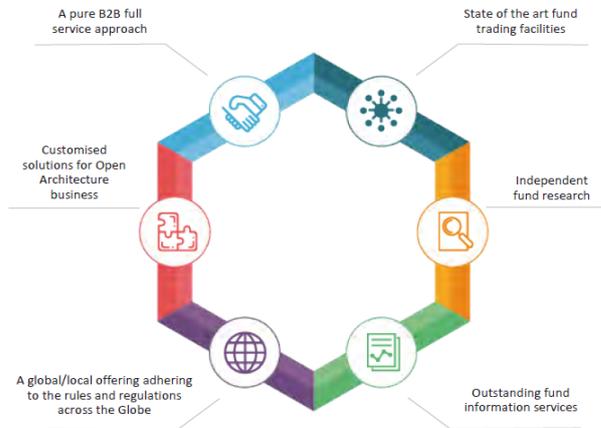
BASIM EL-SHOURA
Allfunds Bank

ness without increasing their infrastructure and costs,” he explained to attendees at the Forum. “With our open architecture we do not favour any funds or any provid-

ers, we favour best of breed solutions for your end customers. You have optimal products to offer with lower cost and considerably greater ease and speed.”

SIMPLIFICATION, SUPPORT & COST EFFICIENCY

Allfunds was created in response to the increasing complexity of the financial industry, enhanced by the demand for simplification, agility, flexibility and operational efficiency. Allfunds facilitates the administration of our clients' third party fund distribution.



He noted that wealth managers spend much of their time working out how to add value to their clients and to do that they need to access and provide the best products in the timeliest manner. “They are often impeded, once having selected a fund, by know-your-client (KYC), by due diligence requirements and so forth. Those factors cause delays, create client frustration and generally cause a lack of immediacy and responsiveness.”

He went on to explain that the Allfunds platform removes many of these headaches by connecting electronically to the service providers, fund managers and financial institutions who, through what he termed a seamless platform, can access the 64,400 plus funds available.

“It is vital to understand that all this can be achieved without the need for multiple due diligence and operational steps,” he added. “And the platform also provides the latest data and information the RMs need to be most effective.”

Solutions by selection

El-Shoura then zoomed in directly on the investment solutions ex-

pertise that Allfunds has developed. “The objective of the investment team is to narrow down from the 64,400 plus funds we offer to focus on what the team considers the best opportunities for investors globally.”

He explained that the Team comprises of a Fund Research Team and the Investments Solutions Team. The Research Team conducts a thorough quantitative and qualitative due diligence process to select the best and most suitable funds for Allfunds’ clients. The Investment Solutions Team, which El-Shoura helps lead for Asian clients, is essentially responsible for understanding client investment objectives, risk requirements, and also legal requirements. “And of course,” he added, “clients have very different requirements as we work across the globe.”

The Research Team is split by asset class and these include equities, fixed income, multi-asset and alternatives. “Within the Equity Team we have specialists that focus on niche sector strategies, as well as analysts who are experts on specific regions around the world. On the fixed income side, we cover every-

thing from global aggregate, to high yield, to emerging market debt.”

El-Shoura also noted that the Team produces special reports on niche asset classes in aid of educating clients of lesser known strategies and trends in the market, for example a well-regarded recent White Paper on the Chinese bond market.

He also highlighted the Risk Team, which covers operational due diligence risk, not investment risk. “Rather than just carrying out investment due diligence on funds,” he elucidated, “we also understand the responsibilities of asset management house operations teams, the custodians and administrators of all of the funds that we select.”

Quantifying the risks... in-house

There is a quant team that builds out Allfunds’ own proprietary tool. “This really sets us apart from a lot of our competition, which mostly uses third parties to carry out their quantitative analysis and screenings. We however have a tool, developed over the last 14 years, that enables this to be done efficiently.” The Investment Solutions Team



is global in perspective and reach. “Although we are based in London, we will no doubt soon establish a presence within Asia,” he added. “I have been in Singapore for several days and am excited by how well-received the concepts of investment consulting and outsourcing have been received. And even if not outsourcing, then taking on a second opinion from a credible fund research team. There is clearly strong demand here in Asia.”

The monitoring of investments is also a key area where clients have requested additional support from Allfunds. Many clients have selected hundreds, if not thousands of funds for their underlying clients. However, the most difficult aspect is the maintenance and monitoring of such lists. He explained, “At Allfunds we are able to monitor not only the performance and risk metrics associated with a fund on a weekly, monthly or quarterly basis but we also have the ability to notify clients should an important action occur such as a fund manager leaving, a fund soft/hard closing or a fund house merging with another via a Fund Alert note.”

El-Shoura then highlighted some of the key selection criteria. These include three major requirements,

namely a three-year minimum track record, at least EUR50 million of assets under management (AUM) and the fund must also be on the Allfunds Bank Platform.

Categorisation of funds is also essential to put the funds within the correct peer groups. Then Allfunds can begin the quantitative screening via their proprietary quant tool named ‘Phoenix’, which ranks funds according to a number of risk metrics, such as performance, volatility, capital preservation, risk reward, and also momentum.

Tailor-made ideas

“Phoenix is also adaptable to the needs of different clients,” he added, “making it both more efficient and more targeted, especially when we look across the world at different investment time horizons. Whilst the Fund Research team puts great emphasis on achieving risk-adjusted returns for the funds which they select, they appreciate that this is not something that all clients want. “For example, the European investment time frame might be three to five years, whereas in Asia, especially in China, and actually Latin American as well, clients want high returns in a short time period. To accommodate their preferences,

we can, for example, increase the weighting to the momentum metric within our Phoenix methodology.”

The next step in the process is the qualitative due-diligence, where Allfunds meets with the portfolio managers. “This is the real stand-out element of our investment research process,” El-Shoura emphasised. “Here in Singapore, for example, most fund selectors only use quant analysis which is done largely with tools from third parties, whereas we are receiving a lot of interest from those same fund selectors due to our 360-degree analytical approach and our direct connection to the fund managers we select.” Meeting regularly with managers to analyse their investment process, philosophy, performance and teams is pivotal to the research process.

He added that the final steps of the process include an investment committee, consisting of key research team members. Funds are pitched by the relevant research analyst whilst the team try to find flaws in his/her argument. “Finally, funds that pass are selected for ‘The Insight List’ which is 360 best of breed funds that sit on the platform across more than 120 peer groups,” he concluded. ■