

Necessity: the mother of invention

Elise Coroneos talks to SunGard's Carol Kaufman about her path to the big time

It isn't going too far to call Carol Kaufman the brains and brawn behind SunGard Investment Management's investor accounting solution, InvesTier. Not only did she conceive and develop the system from the ground up, but was considered so integral to its success that SunGard brought her on board when it acquired the system in 2002.

The road to Kaufman's current success in the investment technology arena was really a detour from her original career path. She had studied for undergraduate and graduate degrees working with emotionally disturbed and learning disabled adolescents before making the change to systems and business development. "A lot of times, people tell me that my academic work was the perfect background for working in this industry," she jokes.

Kaufman came to her current profession almost by happenstance. While working with her husband, a commodity trading advisor, in the basement of their house in 1979, she decided there had to be a better way to keep track of trades than with the system they were using. These were the old days, before the widespread use of office computers or even fax machines, when the only way to confirm a trade was either over the phone or via snail mail.

To that point, Kaufman had been staggering under the weight of elaborate spreadsheets to keep account of the firm's trades and results, which were executed at 11 different futures commissions merchants. This was in addition to her other responsibilities, which included marketing, placing orders and reconciling trading accounts.

The event that broke the camel's back was when an accounting error occurred while she was on vacation, leading to "a couple of live cattle positions wandering off the spreadsheet. I realized at that point that we had to get organized," says Kaufman.

Baby steps

As a first step, Kaufman developed a very basic way to keep track of trades on a mainframe. When the couple's trading advisory business closed in 1982, she decided the time was ripe to focus on developing her accounting system full-time. In 1983, she formed Organizer Systems and hired a programmer to enhance and commercially package the rudimentary portfolio system she had designed.

At this time, she also entered into a professional relationship with Richard Oberuc whose systems development experience she found useful. For his part, Oberuc was looking to start his own trading advisory firm, Burlington Hall Asset Management, and needed the operational skills Kaufman had honed in the basement of her home.

They agreed to swap skills. Oberuc developed a second system for Organizer Systems, an investor accounting system, in addition to setting up Burlington Hall. And Kaufman worked with Oberuc to establish his trading advisory business, which included finding seed money, while working to grow Organizer Systems.

"Richard was really the person who wrote the initial version of the investor



accounting system back in 1984, which today is InvesTier," says Kaufman.

Kaufman and Oberuc ended their formal business relationship in 1986. The two are still close friends today, she says.

By this time, Organizer Systems had moved out of Kaufman's basement to an office in New Jersey, which housed the firm's accountants, and an office on Long Island, which housed the programmers. Kaufman hired Mike Melzer as head of systems whose team of programmers maintained and enhanced Organizer Systems' two products, the portfolio system and the investor accounting system. She also hired a team of fund accountants to help with customer support.

Kaufman was now ready to step into the big time. of transitioning the firm from its use of an external timesharing computer to acquiring an in-house mainframe. To achieve this goal, Kaufman negotiated with Unisys to buy a mainframe for \$250,000. "It was probably the scariest thing I had ever done," says Kaufman, who not so many year before had

been earning \$17,000 a year as a school teacher in Michigan.

Around 1990, Kaufman consolidated the firm's two offices into one location in Paramus, New Jersey, and decided to rewrite the investor accounting system to make it Web-based and Microsoft compatible, incorporating fund-of-funds capability into the product. This decision had a major effect.

The updated accounting system that hit the market in September 2001 attracted a slew of prospects and vendors wanting to work with Organizer Systems – so much so that the firm's 25 employees were insufficient to deal with the demand.

"We realized that we just could not integrate all the different software with all the different vendors as well as support the existing clients and bring new clients on," says Kaufman. "I realized we just couldn't get to the next level without a real partner."

Enter SunGard

Around the same time Kaufman realized she would need a partner to enable Organizer Systems to grow its products and be able to attract and support significant, substantial industry clients, so too, SunGard Investment Management Solutions was evaluating its own technology offerings in the hedge fund marketplace.

"SunGard had realized that although their flagship investment accounting portfolio product, INVEST ONE[®], had been quite a success, their clients were starting to diversify into hedge funds and were asking for partnership accounting," says Kaufman.

Kaufman had an initial meeting with SunGard during MAR/Hedge's Bermuda hedge fund conference in September 2001. This led to serious discussions in the spring of 2002 about the possibility of SunGard's acquiring Organizer Systems. "We both had a picture of what we believed the hedge fund industry needed, and when we held up each of our pictures, they were the same," says Kaufman.

These pictures consisted of boxes showing trade order management flowing to risk management, flowing to portfolio accounting, flowing to investor accounting, flowing to performance attribution – all the different products that could be integrated to create a straight through processing solution on one common platform.

SunGard officially acquired Organizer

Systems in November of 2002. Besides the investor accounting system, SunGard also brought Kaufman on board and allowed her to maintain autonomy over the group of people and products she brought with her. In addition, it provided her with the resources and support necessary to take her project to the next level.

InvesTier[™], the main product Kaufman brought to SunGard, and of which she remains president, enables hedge funds and funds of funds to keep track of each investor's contact and investment details and the effect of profit and loss on individual accounts. It also performs complex fee calculations and generates fund and investor reporting.

It gives a user the ability to export or customize information for its investors via the use of more than 200 standard reports encompassing such areas as balance sheets, income statements, capital spread reports and investor and tax statements.

For funds of funds, InvesTier[™] keeps a check on liquidity, subscriptions and redemptions. In addition, it allows a fund of funds to track its investments and value them in three ways: as a value of the fund of funds investment, as a price per share or as a rate of return.

Integration

Kaufman and her team have also worked with another SunGard operating unit to integrate InvesTier[™] with what is SunGard's existing investment portfolio accounting module, INVEST ONE[®], which is capable of processing and valuing a hedge fund's underlying instruments like stocks, bonds, futures and swaps. It processes some \$9 trillion in assets globally every year.

The first version of this integrated portfolio and investor accounting system, called HedgePower, was released in the fourth quarter of 2004. It was been created to be scaleable to cater to an industry that is continuously changing. "HedgePower gives us the capability of offering a full suite of products that really address a range of the back office processing demands of the alternatives industry," says Kaufman.

Kaufman is resolved to continue to identify trends in the industry in an effort to stay ahead of the game. One of these trends is the blurring of the lines between alternative and traditional asset managers. "Different types of structures are taking on characteristics of hedge

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Carol Kaufman, SunGard

funds, so there is much more diversification within the industry," she says.

This includes different types of legal structures, which SunGard aims to cater to within its InvesTier[™] framework. For example, the firm recently completed a customization of InvesTier[™] for one of its clients to accommodate a new legal structure out of the Cayman Islands called "segregated portfolio companies," referred to as SPCs.

"It is the latest, hottest, legal structure and because we listened to our client, we have already incorporated it into InvesTier[™] and consequently HedgePower," says Kaufman.

This process took eight months and involved coming up with written business, functional and technical specifications. The road to production included coding, unit testing, integration testing, quality assurance, documentation and migration to alpha and then beta – the full life cycle of an InvesTier[™] enhancement.

Kaufman's knowledge about alternative investments is widely acknowledged. In addition to product development at SunGard, she is an active member of the Managed Funds Association's conference committee, and is on the executive board of the Hedge Fund Association. □