

LIQUID HOLDINGS

\$90M Hedge Fund Selects Cloud Platform & Services
to Simplify Investment Processes

A Case Study from Liquid Holdings – 2014

CUSTOMER

Type: Investment advisor with multiple hedge funds and separately managed accounts

Location: Colorado

AUM: \$90M

CHALLENGES

- Complex internal operational procedures to manage intra-day investment workflows due to data discrepancies across disparate systems
- Difficulty constructing a firm-wide view of risk in a timely manner, and delivering results at levels of granularity demanded by investors without manual intervention
- Time and cost to work with four vendors to address current and ongoing requirements

SOLUTION

- Single platform to manage and maintain investments from trade inception to reporting
- Highly customizable real-time performance and risk analysis and investor reporting
- Outsourced managed services covering middle-office operations, data and IT management

MID-SIZED MANAGER POISED FOR GROWTH

The firm, an equity long/short options specialist, currently manages \$90 million in assets through a variety of fund structures, including three separate hedge funds and multiple separately managed accounts (SMAs). The firm, which launched five years ago, contracted with four service providers (OMS / EMS / FIX Network / Hosting Provider) to manage its investment management operations and workflow. As the firm added new SMAs and counterparties, its workflow became cumbersome, in particular due to data discrepancies between the different systems.

The investment team implemented manual-corrective measures to ensure all structures were accurately tracked, and, as a result, found itself constrained by the time and cost associated with the processes. With the firm in capital raise mode, its portfolio manager was tasked with re-engineering operations. The project's top priorities were 1) achieving up-to-the-moment, granular views of the drivers of performance in each structure; 2) reducing the number of systems, processes, and costs to run the business; and 3) gaining access to real-time risk controls to address transparency requirements.

THE LIQUID PLATFORM: END-TO-END CAPABILITIES & SERVICES

The firm chose the Liquid platform because it saw value in our real-time OERMS (order, execution and risk management system), including its ability to address the firm's top priorities today and long-term as the firm executed its growth strategy. Critical requirements which drove the selection of Liquid included:

One partner to support firm's growth:

access to a single platform to manage the firm's investment workflow intra-day for better decision making

Continuous operations:

outsourced services and data management to eliminate cumbersome processes handled by the investment team and ensure all portfolios are ready for the start of day

Active risk:

real-time analysis and reporting with custom views required by the PM team and investors

Cloud delivery:

lower total cost of ownership as well as built in disaster recovery and business continuity plans



*A Client Case Study:
\$90M Hedge Fund Selects Cloud Services
to Simplify Investment Processes*

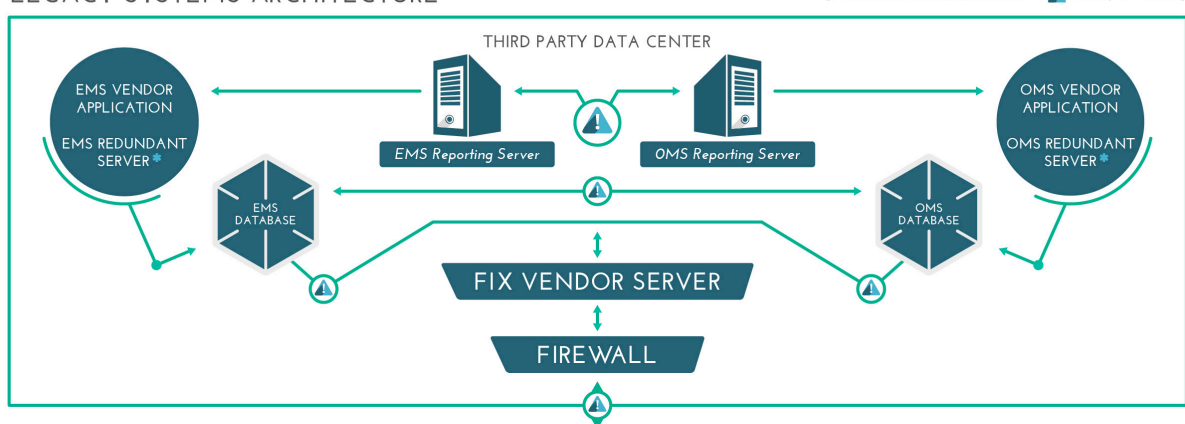
ONE PARTNER TO SUPPORT FIRM'S GROWTH

The Liquid platform allows the investment team to choose the exact execution, compliance, and governance capabilities required to run its front-office, streamlining workflows with hotkeys and allocation schemes that sync the firm's investment processes with its growing list of investors and counterparties. Partnering with Liquid allowed the firm to replace four vendors with a single partner that will allow the firm to cost-effectively scale its front and middle-office.

The firm paid \$150k annually to maintain its legacy systems, which did not include time spent to manually tie out portfolio data. It now pays \$60K for Liquid, representing a 60% annual cost savings.

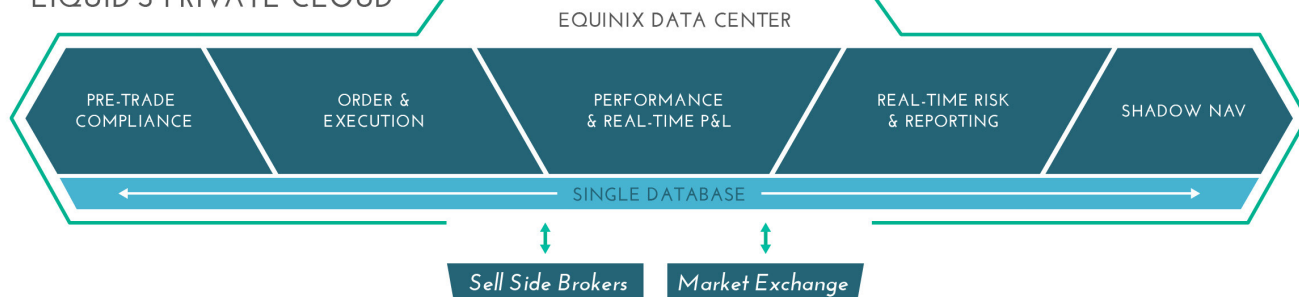
Partnering with Liquid also delivered value back to the firm's counterparties by eliminating hidden costs or 'toll-fees' the OMS vendor charged sell-side brokers to trade with their clients.

LEGACY SYSTEMS ARCHITECTURE



The firm's legacy infrastructure included systems and services from different vendors, which introduced multiple points of failure and non real-time environment that required manual procedures to produce actionable portfolio information.

LIQUID'S PRIVATE CLOUD



Liquid is powered by a single database for real-time, accurate analysis and reporting across the front and middle-office. It is hosted in Equinix with direct connections to leading global market exchanges and sell side brokers. This ensures secure data management, eliminates multiple points of failure and latency, and provides resilient disaster recovery and business continuity planning.



*A Client Case Study:
\$90M Hedge Fund Selects Cloud Services
to Simplify Investment Processes*

CONTINUOUS OPERATIONS

Additionally, the firm retained Liquid as its outsourced middle office, which ensures all the information the firm uses as part of the investment management process is up-to-date, accurate and correctly shadows the NAV produced by its administrator.

The firm uses Liquid managed services to ensure all transaction, allocation, and settlement information is correctly transmitted to the firm's prime broker and fund administrator; to collect the brokerage statements, corporate actions information, exchange fees and other cost-basis information for the fund; and to run a daily reconciliation on the fund's behalf,

proactively resolving any trade breaks and other outliers as they arise.

The managed services not only allow the firm to remain agile in dynamic markets, but also ensures the integrity and security of its data far beyond what was possible with their incumbent infrastructure made up of traditional, on premise software; since Liquid houses its technical infrastructure in multiple, geographically distributed, reciprocally-redundant Equinix data centers, the firm's mission-critical data is continuously available and secure, allowing it to continue business operations even in the face of displacements or natural disasters.

ACTIVE RISK

Liquid's 'position-aware' portfolio and risk analytics allow the firm's investment team to utilize performance and risk indicators that update in real-time as transactions are executed in the system. Using Liquid, the portfolio manager now has a complete view of market and liquidity risk, P&L, and returns, which can now be pro-actively shared with the investment team and investors.

Per the portfolio manager, "Our latest investors want evidence of tested, repeatable risk controls as well as a client portal to independently view and understand what's going on with their allocation. The Liquid platform allows me and my team to deepen our relationship with our investors since we can provide qualitative and quantitative answers down to the most granular analysis."

FUTURE IMPLEMENTATION

The firm and Liquid Holdings maintain a strong partnership since the Liquid platform went live in early 2014. In the second quarter of 2014, the firm's head of portfolio management actively engaged Liquid's product management team to lend his expertise to improve on the platform's depth of order management and compliance capabilities.

"We are looking forward to seeing how we may use the new compliance and OMS functions to further improve our processes. We know that we can trust Liquid Holdings to continue developing more depth across its capabilities which will benefit our business."



Liquid offers the only true end-to-end solution that was built for the cloud to provide the seamless control and superior speed required to manage alternative investments more effectively. Liquid is an elegant solution that lets you concentrate on what you do best—generate alpha. And it has been designed to scale up effortlessly right alongside your business.

*Liquid Holdings Group, Inc.
800 Third Avenue 38th Floor
New York, NY 10022
+1 844-GET-LIQD
liquidholdings.com
marketing@liquidholdings.com*

