

Tapping AI for Buy-Side Growth

Asset managers wanting to thrive in today's landscape of squeezed margins must learn how to capitalize on innovative AI tech to deliver top-line growth, according to SS&C Technologies.



As investors have transitioned from active to passive management, asset managers have increasingly focused on reducing their fee structures to remain competitive. In today's razor-thin margin environment, successful firms will be those who can better optimize their middle and back-office operations. Two key factors that enable firms to achieve this optimization are economies of scale and the use of advanced, innovative technology.

The case for economy of scale is well understood, but how you get there is materially different today than in the past. New products in the middle- and back-office investment space use innovative artificial intelligence (AI) technologies such as machine learning,

natural language processing (NLP) and robotic process automation to deliver unparalleled operational efficiency, reduced costs, and enhanced insights.

Solutions are now available that leverage AI technologies to achieve levels of efficiency in investment accounting and operations that cannot be attained by traditional technologies. The availability and advantages of "smart" tools tilt the scale strongly in favor of asset management firms that can sustain continuous investment in the technology and expertise to leverage AI effectively. It will become increasingly hard for firms that do not capitalize on these technologies to compete. Asset managers that cannot—or choose not to—invest in innovative solutions will

need to leverage a hosted solution or platform service model from a vendor that is heavily invested in this space.

Big Benefits

Innovative technologies will play a crucial role for asset managers, who find themselves moving further into derivative and alternative products, such as swaps or IR futures for global hedging, limited partnerships, private equity deals, or real estate assets. The need to leverage advanced technology together with asset-specific operational and accounting expertise becomes even more critical. Without these technologies, the investment model may not be scalable enough to generate healthy margins/net returns.

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The alternative asset space is ripe for the application of innovative tech such as NLP and predictive analytics. Alternatives require processing of high volumes of complex data collected from various counterparties, such as partners, administrators and property managers. This data is often available only in unstructured formats and must be carefully reviewed, parsed and processed for accurate and timely revaluation of these assets, their associated cashflows and revenue/expense streams.

NLP capabilities can help automate the retrieval, review and parsing activities associated with such large volumes of unstructured data and documents. Similarly, predictive analytics can help by suggesting and automatically populating missing or delayed data values and elements based on common or historical activities associated with each of these assets or deal types. Through the use of technology advancements such as NLP, machine learning and robotics, investment operations and accounting teams can now review,

correct and/or confirm data values in a simple manner for prompt revaluation of individual assets at the close of each period. In addition, corrections and modifications made by investment operations and accounting teams can be fed back into the AI processing engines to enable them to continuously learn and improve accuracy and confidence levels for future document or event processing.

The Options

Firms that transition their investment accounting and operations to a hosted solution or a platform service model can achieve more than cost savings. If the service/solution provider is utilizing the latest technologies, the added efficiency and accuracy delivered by these solutions will allow asset managers to deliver faster, more comprehensive services to clients. This enables the middle and back-office functions to be leveraged as a strategic growth initiative, rather than simply as a cost center.

The ability to access next-generation technology capabilities through

a hosted or platform service model is a valuable option for smaller firms that lack the scale and/or expertise to effectively leverage these new tools on their own. And, refocusing from cost reduction to top-line growth is also a positive strategy for larger firms that want to focus resources on building business, rather than managing IT infrastructure.

Keeping pace with new technologies in investment accounting and operations is a critical success factor for all asset management firms. Solutions that leverage AI to achieve improvements in the quality, cost, and timeliness of middle- and back-office processes are available today, and they're continuously evolving. Asset managers who have yet to tap these technologies are already starting to fall behind. [wt](#)

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