

June 2009

Operations Manager Upfront: In-source vs. outsource

Excerpt from AsianInvestor profiling MIR Investment Management's Armik Ayoubdel, COO, and the firm's operations management strategy.

MIR Investment Management is a boutique institutional fund manager specializing in Australian and Asian equities. Standard & Poor's named it Australia fund manager of the year in 2007 and its investment performance has led one publication to gush "MIRaculous." A bit over the top. But the firm is not only proud of its performance numbers, but of the IT and operations team that it says gives it a competitive advantage.

Founded in 2004, MIR Investment manages three types of funds from its Melbourne, Sydney and Singapore offices: Australian equities and since 2007 Asia ex-Japan equities and Asia-Pacific ex-Japan equities inclusive of Australia and New Zealand. As of May 2009, the firm had assets under management (AUM) worth A\$4 billion (\$3 billion).

Through a series of internal meetings in 2006, MIR decided what to in-source – cash forecasting, reconciliation, performance reporting and account opening – and what to outsource – just about everything else.

Armik Ayoubdel, Sydney-based chief operations officer (COO) at MIR Investments, calls the resulting hybrid model "the right in-source-outsourced model".

Ayoubdel was not there for the firm's initial insource/outsource decision but has been a part of the regular reviews of the strategy since joining MIR in October 2007. Appointed COO just this past April, he was previously head of IT and dealing. Ayoubdel oversees the firm's IT, dealings and back-office streams with a total headcount of nine in the firm's Sydney office.

The three partners MIR wanted to work with are Charles River, BNP Paribas and Whites Outsourcing. [...]

"Once we determined what services we wanted to keep in house, it gave us the capability to start to automate and keep the operations team 'lean and mean,'" he says. "We went into this knowing our capabilities and what we wanted to keep in house and, due to the capabilities we did have, it allowed us to build a model which works for us and allows us to really get the whole STP working end-to-end."

Currently, MIR is STP in Asia and STP+1 in Australia.

Ayoubdel credits MIR's internal development capabilities and the selection of the Charles River Investment Management System for allowing the firm to so successfully implement its hybrid operations model. Describing the selection of Charles River for its "superior" compliance and inputting capabilities, he says the system's configurability allowed MIR to customise the system to its needs. Since the initial selection, MIR has added the "full suite" of Charles River modules, including the developer's FIX Network, Post-Trade and IMS version 8.2.

For those unfamiliar with the Charles River model, the firm sells its electronic fund management infrastructure to firms like MIR who [...] configure the infrastructure to their needs, maintain it and upgrade it much like one does a Window's browser.

Ruminating on the firm's investments in operations, Ayoubdel is satisfied with MIR's capabilities. When prompted, the only difficulty MIR has encountered operating Asia and Asia-Pacific equities out of Australia that he can think of is staying up-to-date on the various countries' exchange fees.

Ironically, Ayoubdel espouses MIR's firm belief in an "on the ground presence" in the markets where it manages money while it lacks an operations capability outside Sydney. That on-the-ground presence is limited to a team of six analysts in Singapore.

In terms of the economic crisis, MIR's AUM is down like most other fund managers. The firm's website cites an AUM of A\$6.4 billion in December 2007 versus today's A\$4 billion. Ayoubdel sees opportunity in the downturn. "The economic climate that we're in allows us to take a breather," he says. "We can sit down, review our systems with the people who actually do the work and focus on what needs to be automated next."