

FRONT-TO-BACK SYSTEM HELPS ASSET MANAGER GROW ASSETS, NOT COSTS

Pzena Investment Management, a New York based firm with approximately \$32 billion in assets under management and a focus on deep value, has expanded its use of Microsoft-based INDATA from the front office to a fully integrated front-to-back-office system.

For two years, Pzena used INDATA as a portfolio management and trading tool, explained Keith Komar, Pzena's director of portfolio administration. Now it uses the full suite, including electronic trading, customer relationship management, and the DTC reporting module. As the firm has grown from \$2.9 billion in 2001, it has relied on technology improvements to hold down costs. The firm has approximately 50 employees.

"It is a very disciplined shop. We are value-oriented and we have always stuck to our guns," he said.

The firm's concentration on value across all asset classes appears to be working. The Pzena Value Service, Mid Cap Value Service, and Small Cap Value Service are closed to new investors, but investors can still buy into its Large Cap Value Service.

"Biggest benefit is that from a technology standpoint, and the user's standpoint, this Windows-based system is something that everyone is familiar with," said Komar.

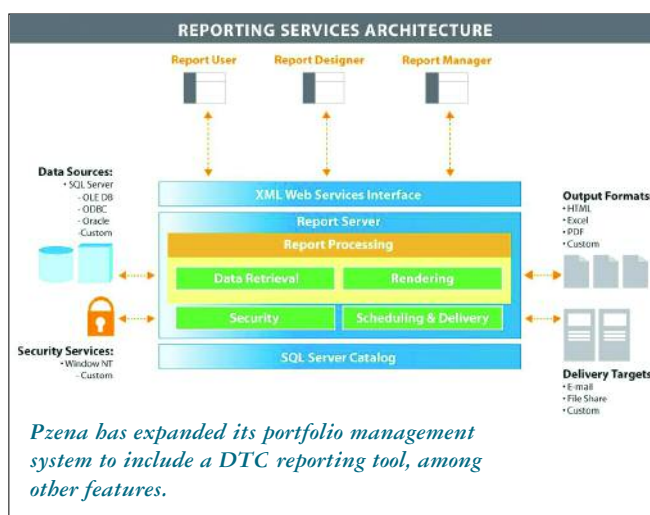
The firm had been using a service bureau DOS product, which required users to type in commands. With the Windows-based INDATA, staff can use a mouse to point and click. "This allows us to train new people very quickly and has a big comfort level. Since using the full INDATA suite, we have hired three new people. Within a week they can find their way around the system, and that includes time to get used to how we do things here. It makes life easier for everyone," he added.

Moving its back office from a service bureau to an in-house system presented some challenges, and rewards, for the firm.

"When you take on a system, you become responsible for the information and you have to make sure the data is applied correctly. Now you have the server and all your data, while before it was stored at a third party site."

But the benefits are clear – now the firm has immediate access to its data.

"When you want to run a quick report you can go in and query the database on the fly," Komar said.



"You grab the fields you want from the tables you want and create what you want pretty much instantly. I have been able to learn how to create reports, and if I can do it anyone can. It's a huge benefit."

INDATA uses Microsoft SQL Server Reporting Services, which has impressed Komar.

"You can create these reports using all of the database; that's an incredibly powerful reporting tool. It is like having an interactive report – you can look at something on your desktop and expand areas, shrink them back, and put them in Excel to play with in many different ways," he said.

Now the firm is looking for an internal financial management software system, and Komar has found one that is entirely Microsoft-based. Financial reporting is relatively easy, he said – the firm bills its clients for fees and pays its bills. But a lot of the information on clients, such as names and addresses, already exists in the portfolio accounting package from INDATA, which could help the firm streamline its systems.

"I told the controller that I can get him the files from the portfolio accounting SQL Server database and map some fields into the financial accounting system. The ease of access will help us work between systems," Komar said. "You don't want people typing information into three different systems; it's inefficient, and someone is going to get something wrong. When you need to update information on multiple systems, at some point something will be missed, and you won't have accurate data across

your database. Now we can put it all in one place and feed it out to the other systems."

Within Pzena, six people do operations such as account specific information, and three work on the portfolio administration side, managing the accounts in accordance with the portfolio managers' strategies.


"We implement the strategy and put all the trades into all the portfolios and send it to a trader who can work on it. The operations people then will reconcile with the

DTCC and the custodians with an automated reconciliation tool," Komar said.

Komar's goal is to automate as much as possible to reduce costs and errors. From the order creation to the trading desk to execution, the process requires just a couple of clicks and hardly any hands touch it.

"Every time a person gets involved there is a chance for error," he said.

The firm hasn't tried to measure the savings, but Komar can see the efficiencies of its operations. With 450 accounts, three people are managing and implementing the investment decisions on behalf of the portfolio managers, and it doesn't require their full day.

"With INDATA, we can go on the DTC intraday, so if we do a trade at 10 a.m. we can reconcile it and affirm it on trade date. We don't have to wait for an overnight batch process to make a correction. By 4 p.m. the only trades you have left are those made later in the day," Komar said. "We can focus on just the exceptions and the important items in the portfolio. Our assets have been doubling every year for the last two or three years, and trading has grown tremendously. With INDATA, the traders' efficiency has increased dramatically and we are done at the end of the day because the data keeps flowing. Everybody in operations administration and trading can see the benefits." 

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