HOW TO UNLOCK PORTFOLIO PERFORMANCE AT EACH STAGE OF THE TRADE LIFE CYCLE

A 4-part guide on how technology can optimize trading and portfolio management workflows

FLYER FINANCIAL TECHNOLOGIES

INTRODUCTION

The importance of financial investment planning may be snagging many of the headlines across the investment management media landscape, but the role of portfolio management in an investment professional's value proposition is still just as important as it's ever been.

In fact, the increased need for personalized portfolio management has achieved an even greater level of importance.

With efficient and personalized portfolio management, investment professionals can provide a confident answer. But all too often, they may be confident in their ability to construct a solid portfolio – but not in their ability to execute their investment decisions.

From the first step of trade construction through the nuances of working a trade with a specific broker, investment professionals have a lot of responsibility on their hands during the trade life cycle.

In this ebook, you'll learn how to discover efficiency in the four key areas of the trading life cycle:

- Chapter 1: Trade Creation
- Chapter 2: Trade Order Management
- Chapter 3: Trade Allocation
- Chapter 4: Post-Trade Processing

Read on to learn how you can automate the most time-consuming parts of the trading process, while still maintaining complete control over your portfolios and the investing outcomes of your clients and their financial goals.

FINDING EFFICIENCY DURING TRADE CREATION

Portfolio management and athletics have a lot in common; the first step is all-important.

Take football, for instance, the first step off the line of scrimmage can be the difference between a wide receiver running past a defensive back and catching a game-winning touchdown, or being shut down and taken out of the play.

For investment professionals, the first step is also critical—especially when it comes to the trading process. In short, the first step has to be right. Always.

If data isn't accurate or if your trading system is slow, you can miss an opportunity. In a fast moving market, accurate and efficient tools are imperative to provide good performance and value to your clients.

As an investment professional, your investment strategy is unique to you and your clients needs. You have to be confident that whatever technology you're using to handle your trading workflows and flexible technology can make all the difference to ensure that the first step is always right.

This section covers common problems that investment professionals face during trade creation, and how Co-Pilot, Flyer's portfolio management and trade order management tools, can help execute investment decisions faster.

PROBLEMS FACED BY INVESTMENT PROFESSIONALS IN TRADING

The experience with trade creation tools is oftentimes too complex and not intuitive. It's an unfortunate truth that technology can get in the way, but it should support you in making rapid decisions, not slow you down.

PROBLEM 1: CHALLENGES MANAGING PORTFOLIOS AT SCALE

Many portfolio management and trading systems offer a cookie cutter approach to trade construction. Whether you have a high-net-worth client, or someone saving for retirement, in today's environment, both demand individual attention and in many cases, cookie cutter doesn't cut it.

But that reality makes managing portfolios at scale difficult, and repetitive tasks become a burden to efficiently doing your job.

PROBLEM 2: ONGOING PORTFOLIO MANAGEMENT IS TIME-CONSUMING

In the day-to-day, ongoing maintenance that must be done to keep clients in line with their goals is time-consuming. Some firms try to address these time management issues with rebalancing, but if you're an investment professional serving clients with complex investment goals, you can't simply batch their portfolios into a mass rebalance and call it a day.

In some cases, mass rebalancing is the right method for managing client portfolios, but we've seen a significant shift to personalized and customized portfolio management, especially with the rise of direct indexing in wealth management, replicating what's been commonly done in the asset management industry.

Like asset managers, you spend your days reviewing drift reports to see where clients may be overweight in certain asset classes or sectors. And sometimes, you might decide that being overweight is okay. Investment management is as much an intellectual activity as it is a mathematical one.

The question you have to ask yourself is this:

"Is the technology I'm using to support my investment decisions helping me do my job faster, more effectively and with more confidence? Or does it get in the way?"

If you feel like your current system gets in the way more than it should, you don't have to give up hope and stay with a cookie cutter solution. There's another, better way.

HOW FLYER CO-PILOT ENHANCES TRADE CREATION

When you need to make a decision and act on it, you want speed, flexibility and accuracy on your side. Flyer's Co-Pilot serves as your agile portfolio management and trade creation tool so your technology enhances your process, instead of impeding it.

Here are just a few examples of how Co-Pilot can help unlock efficiency during trade creation:

You may view a cash flow report to determine if some accounts received a deposit, and with Co-Pilot, you can set automatic triggers to tell you when there is available cash to spend in accounts. If you want to get out of a security across the board and either buy something else, or leave it in cash, and decide later where to put that cash to work, 'tactical trade creation' can handle these situations and more with just a few clicks.

Whether it's from the view of positions, models, cash, account conditions or other factors, Co-Pilot is built to be as flexible as your workflows dictate.

FINDING EFFICIENCY DURING TRADE ORDER MANAGEMENT

If trade creation is the first half, then trade order management is the all-important second half. That's because even if you get that critical first step perfect, an error in the second half can impact the initial performance of the investment in your client's portfolio.

So how can you ensure that you're delivering the absolute best for your clients in every single trade? The answer is in your technology. The right tech can make trade order management an easier and all-around more efficient experience.

In this chapter, we've got your guide to consistently achieving best execution for your clients – without the hassle.

WHY IS IT IMPORTANT TO ACHIEVE BEST EXECUTION FOR CLIENTS?

As defined by FINRA, "Best execution is a significant investor protection requirement that essentially obligates an investment professional to exercise reasonable care to execute a customer's order in a way to obtain the most advantageous terms for the customer."

THE RESULTS

HAPPIER CLIENTS

When you get the best execution possible on your trades, you're likely to end up with better performance, which in turn gives you satisfied clients. Putting tech at your fingertips that allows you to easily control your trade order management processes.

CONSISTENCY

Consistency in your trade workflow matters. For instance, when the Securities and Exchanges Commission (SEC) reviews firms, they look at your ADV to compare what you say you'll do versus what you're actually doing.

If your ADV says you'll do your best to trade the same across all accounts, you need tech to support your ability to do that so you can prove it during your next exam.

TRADE ROTATION

In a situation where trade order blocking is not viable or attainable, and having competing orders, defining a rotational strategy is critical to avoid competing against yourself.

APPLYING ADVANCED TRADING TECHNIQUES

Advanced trading techniques, such as limits, algorithms, and alternative trading systems (ATS) have historically been reserved for institutional investment professionals using execution management systems and very advanced OEMS systems.

Our innovative Flyer Co-Pilot trade order management software now brings these capabilities to the masses and enables investment professionals everywhere to access them at scale.

Here's a quick look at what you can expect.

TRADE ORDER BLOCKING

Trade order blocking is an important (some might say critical) functionality for efficient order management.

Your trading tech needs to offer trade blocking for one simple reason – it allows you to ensure all your trades get executed at once and avoids competition, so every client gets the same price, whether they've invested $10,000 or $100,000 with you.

WORKING THE ORDER

The ability to work an order by slicing it into smaller increments (to get a better feel for the liquidity in that security) and taking advantage of trade algorithms and trading instructions is where trading technology shines. That's because there's a difference between sending a market order and truly working an order.

In days gone by, you might have picked up the phone to call your trade destination when placing an order. If the price wasn't where you wanted it, you'd instruct them to hold. Working an order allows investment professionals to have more involvement in the ultimate trade execution price, which results in better control of the outcome to unlock better investment performance.

Instead of sending market orders, trading algorithms, such as a VWAP algo, lets you set parameters when creating trades that pass your desired trade parameters to the trade destination so they know how you want to work the trade. You can even add a note to "call me before you execute this" if you want that old-school phone experience.

Another bonus? You can execute a portion of an order instead of the full amount to see how they execute, then finish the order if you like the way the trade is worked.

Another way to achieve better execution is the ability to "trade away" from your clients directed destination. This allows you to block the order by side and symbol and then look to the street for a more competitive execution price. This avoids potentially competing against yourself by trading the same symbol at two different destinations.

FINDING EFFICIENCY IN TRADE ALLOCATION

The best quarterbacks to ever play in the NFL (looking at you, Peyton Manning and Tom Brady) always knew to study defenses before the play even began. That way, they would know exactly where they wanted to throw the ball after the snap.

As the "investment" quarterback, your responsibility is first and foremost to your clients. You're not in a situation like hedge funds, who can buy and sell shares for the fund and then distribute to various strategies; you're closer to the action, regularly making individualized decisions for each client to help move them closer toward their goals.

That's why we're talking about trade allocation processes in this chapter – including how Flyer's Co-Pilot platform improves on the allocation phase of trade order management.

TRADE ALLOCATION

At the end of the trading day, you need to allocate the appropriate shares to your underlying accounts based on your set criteria, whether the orders have been either partially or completely filled.

There are two ways to go about doing so, (1) human intervention to manually generate the allocations and upload them or (2) using software to automatically handle the generation and electronic submission of the allocations.

FULLY EXECUTED ORDERS

Since an order has a target allocation for each portfolio, Co-Pilot will auto-allocate and no action is required.

PARTIALLY EXECUTED ORDERS

Partially executed orders require distribution of the executions in a fair and equitable manner across portfolios. Co-Pilot automates this process by providing distribution methods. As a default, Co-Pilot will prorate the distribution of shares for each portfolio. There is an exception:

> *In cases where the order is a partial fill and you choose to use a method other than our standard pro-rata (where shares are equally doled out to accounts that need them), you'll have to take some steps to finish things off correctly. Co-Pilot will allow you to change allocation methods to your preferred methodology, and in some cases avoiding unnecessary fees.*

If you'd like, you can even retain the remaining unallocated quantity on partially filled orders for trading the next day to fill them then, or choose to cancel the remaining.

ALLOCATION DISTRIBUTION METHODS

There are four primary methods of allocation distribution:

PRO-RATA

This common method delivers fair allocation and distribution based on an account's target allocation quantity.

RANDOM

The random method avoids commission charges on small allocations.

SEQUENTIAL

This method allocates based on target quantity size.

MANUAL

A manual method, as the name suggests, allows portfolio managers to allocate everything manually

AVERAGE PRICING

There are two average pricing tactics: Pricing by Order and Pricing by Destination.

Average Pricing by Order allocates average prices across a single block order. For example, if Manager A puts in an order early in the day and gets an execution at $26, but Manager B later in the day gets their trades executed at $25 for the same security, the Average Pricing by Order process would deliver $26 to Manager B.

In contrast, the Average Pricing by Destination method employed by Flyer would average those amounts and deliver trades for the security at $25.50 between both blocks, if both portfolio managers work at the same firm.

Why is Average Pricing by Destination the viable option?

Simple. Because it's a more fair and equitable outcome across all your accounts and clients. It mitigates the possibility of one portfolio having much better performance than another simply because it was traded at a different time in the same day.

STREAMLINING POST-TRADE PROCESSING

The post-trade process is like the fourth quarter of a big game – you may have the lead going in, but you have to do the work to finish things off to snag the win for your team.

Unfortunately, the fourth quarter for post-trade processing can be arduous and time-consuming for your team at the end of the day, when everyone is wrapping up and ready to head home.

That's where Flyer comes in.

Co-Pilot OEMS will automatically communicate those allocations electronically to your custodians and brokers.

With these functions simplified and expedited, your team is free to wrap up their day without the rush. In the fourth and final section of this guide, we're covering everything you need to know about how technology can give you the assistance you need to complete post-trade processing faster and easier, so everyone feels like a winner.

AUTOMATE THE MUNDANE PARTS OF POST-TRADE PROCESSING

Co-Pilot OEMS leverages Flyer Trading Network, a trade order routing and allocation network, to electronically transmit post trade notifications to your brokers and custodians And you receive acknowledgment of receipt and communicate that information back to you in real-time.

When electronic delivery is not an option, you can rest easy knowing Co-Pilot OEMS has already done the grunt work of correctly formatting a file specifically for each counterparty and communicating it via an SFTP file drop or making the file available to you for upload.

What does that look like for your team? A moment to sit back and relax as you send an order for execution and Co-Pilot takes care of the rest.

MAKE THIRD PARTY TRADE MATCHING TOOLS ACCESSIBLE

For most investment professionals, tools like Central Trade Match (CTM™) and Omgeo Oasys are an expensive and prohibitive solution. Co-Pilot offers an alternative – getting you similar results at a fraction of the cost.

To visualize how Co-Pilot OEMS can replace your costly alternative while still delivering stellar results, check out the workflow below:
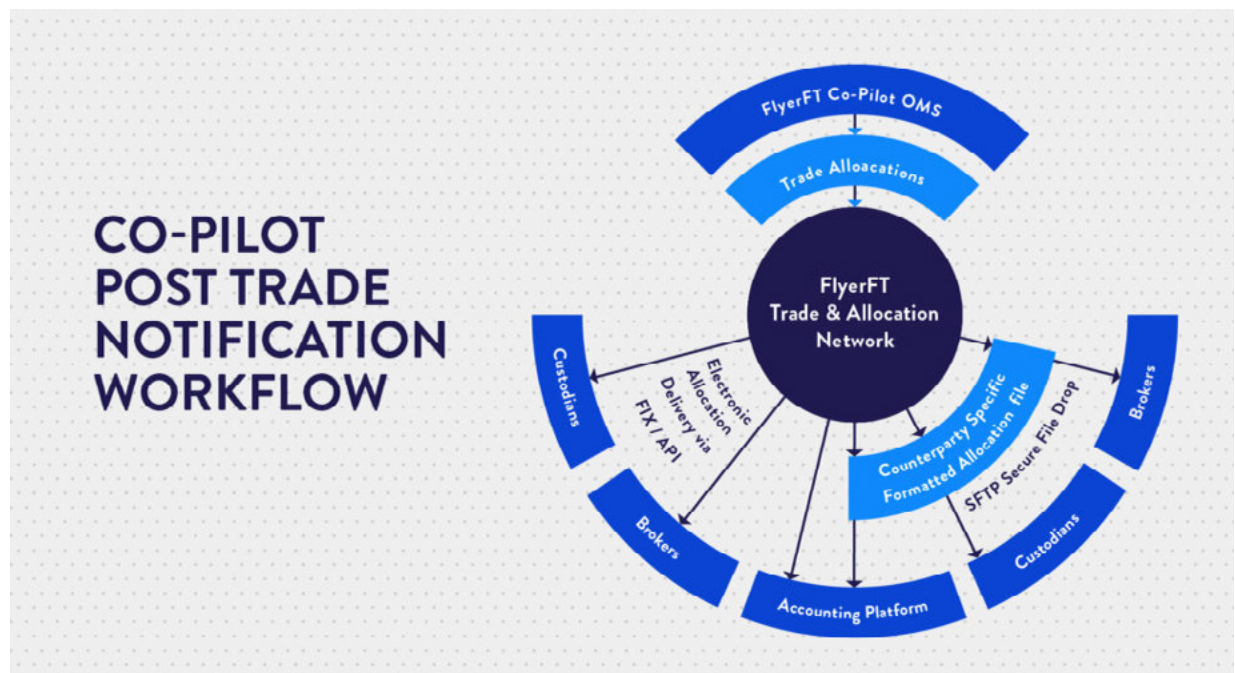
We also understand that some firms have their reasons for sticking with an Omgeo CTM™, and we haven't left them out. Co-Pilot OEMS offers an integration directly into Omgeo CTM™ tools as an alternative route for sending your allocations, easing the entire process no matter how you prefer it.

THIRD PARTY ACCOUNTING INTEGRATION

The final major way we ease post-trade processing headaches is by working with third party accounting systems to pull in your reconciled data for trading.

As we have throughout each step of the trade order management process, we've also automated this process for a streamlined experience.

You already know that Co-Pilot OEMS notifies custodians and brokers of trades, but we also notify your accounting system of choice to make sure you have accurate, up-to-date information in every account for portfolio performance and reporting.

We send trade allocations intraday or at the end of the day, It's your choice whichever works best for your workflow. By the next morning, those trades are reconciled with what the custodian has sent.

Have other third-party integrations you're interested in? We've got you covered. Flyer is third-party accounting agnostic – we can integrate via file or API for both start-of-day tax lot positions and end-of-day allocations.

CATCH CO-PILOT IN ACTION

EQUIP YOUR FIRM WITH ROBUST, EFFICIENT, AND POWERFULLY INTEGRATED CLOUD-BASED TRADING.

Whether you're an investment professional who needs to manage one account, or a manager who needs to rebalance hundreds of households, Co-Pilot centralizes investment strategies and models, positions, and trading across all major asset classes so you can finish your work quickly and with confidence.

[Click here to request your free demo of Co-Pilot OEMS](#) and to learn more about how you can create more efficient workflows with Flyer.

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