SimCorp

FRONT OFFICE THOUGHT LEADERSHIP SERIES

BUILDING THE HIGH-VELOCITY FRONT OFFICE

A playbook

Our Front Office Thought Leadership Series unveils the breakthrough strategies reshaping investment management. Five game changing articles reveal exactly how tomorrow's winners are pulling ahead—and the specific moves your firm needs to make now. Which strategies will define your competitive advantage?

CONTENTS

PART 1 OF 5: DECISION VELOCITY FOR THE FRONT OFFICE

Contributors

Alun Cutler
Senior Director
SimCorp

Ben Keeler
Partner
Citisoft

Investment managers face unprecedented market complexity, where the ability to transform data into actionable insights—decision velocity— has become the defining competitive advantage. Meeting this challenge requires more than incremental improvements; it demands a fundamental reimagining of how data flows through investment organizations.

AI has amplified the data imperative by raising the stakes of data quality. Since AI systems only perform as well as their underlying data, inconsistent or fragmented information doesn't merely slow decisions—it amplifies poor ones at scale. "The challenge isn't just about having more data," observes Alun Cutler, Senior Director at SimCorp. "It's about having the right data, in the right format, at exactly the right moment when decisions matter most."

This reality exposes a critical flaw in traditional technology architectures that artificially separate pre-trade and post-trade environments. Stale positions, outdated cash projections, and incomplete risk assessments can result in a critical lack of common understanding. "Portfolio managers and traders require seamless, trusted data to support both analytical rigor and market instincts; on the other hand, information gaps often negatively influence alpha capture and agility," adds Ben Keeler, Partner at Citisoft.

The trust advantage

The consequences of fragmented data extend far beyond delayed trades. As Keeler points out, "when data quality falters, the essential 'trust and verify' principle degrades into costly skepticism and redundant reconciliation processes that further delay critical decisions, in turn creating material drag on performance." This transformation turns investment professionals from strategic thinkers into data validators—a fundamental misallocation of talent that compounds each verification cycle.

This challenge intensifies as execution speed and rapid strategy deployment increasingly define leading investment firms. Markets don't wait for systems to catch up. Cutler stresses,

"Organizations that can't deliver real-time, trusted data across their entire investment lifecycle will find themselves perpetually behind—not just in execution, but in identifying opportunities altogether."

Consequently, robust operational data platforms have evolved from competitive advantage to survival prerequisite. These platforms enable confidence in shared information while supporting AI-augmented decision-making across business functions.

CASE STUDY: REAL-WORLD IMPACT FOR A GLOBAL ASSET MANAGER

The theoretical challenges of decision velocity become starkly practical when examining how a major global asset manager, a SimCorp client, with EUR 180+B AUM transformed their operations.

“We were making critical investment decisions based on stale data,” noted the firm’s COO. “Our portfolio managers were spending more time reconciling position data than analyzing markets.”

The complexity challenge

The firm’s problems were interconnected, causing individual issues to worsen and damage the company’s overall performance.

Position data delays between front and back-office systems compromised portfolio managers’ ability to capture alpha opportunities, while system fragmentation across over 100 different applications—including custom Excel models—created persistent data inconsistencies.

More critically, slow transitions between systems hampered the front office’s ability to respond to market events, transforming potential opportunities into missed opportunities. Manual compliance processes created overnight exposure risks and complicated rapid portfolio adjustments, while implementation timelines for new strategies extended due to system constraints and manual data integration requirements.

The integration solution

Rather than addressing symptoms individually, the firm opted for a comprehensive platform spanning front, middle, and back-office functions.

This strategic approach streamlined their technology landscape by significantly reducing the required systems. It established a unified data model that eliminated manual reconciliation and ensured all teams operated from identical datasets. The result was the elimination of data inconsistencies and delays that had previously constrained decision-making speed and accuracy.

The cloud-native architecture delivered real power directly to end users, enabling portfolio managers to review risks and performance data on any dimension in the moment—drilling down to granular level detail or zooming out to any categorization, validating and confirming insights while ideas were forming to build conviction.

The transformation also centered on automated compliance workflows that shifted from post-trade to pre-trade verification—

fundamentally altering their risk management approach from reactive to proactive.

Lastly, through careful phased implementation, the firm delivered immediate business value without disrupting ongoing operations, achieving front office transition from legacy systems to the new platform in just 10 weeks.

Measurable impact

The results validated decision velocity as a strategic imperative across multiple dimensions.

- **Enhanced portfolio performance:** Portfolio managers gained real-time visibility into positions and exposures, enabling improved alpha capture through faster opportunity identification and execution.
- **Rebalanced optimization:** Integrated key-rate optimization with compliance checks now generates optimal rebalance outcomes in under 10 seconds—a process that previously required 8 people working a full day.
- **Advanced compliance & risk management:** Real-time monitoring of over 6,000 compliance rules and pre-trade compliance checks replaced the limitations of end-of-day processing, providing continuous oversight and control.
- **Integrated analytics:** Comprehensive risk analytics integrated directly into the front office delivered unprecedented visibility into portfolio dynamics, enabling faster responses to market events and regulatory changes.
- **Operational excellence:** System rationalization consolidated over 100 applications into a single integrated platform, reducing total cost of ownership while process automation eliminated manual work and freed staff for strategic initiatives.
- **Scalable growth:** Most remarkably, assets under management nearly doubled within seven years without proportional increases in operational headcount, demonstrating how decision velocity translates directly into profitable, scalable business expansion.

THE PATH FORWARD: A ROBUST DATA FOUNDATION

The client transformation validates what Keeler identifies as the three fundamental characteristics of high-performing investment management businesses:

1. a data-centric operating model that transcends traditional functional silos
2. unwavering trust in both acquired and derived data
3. organizational agility to capitalize on strategic opportunities as they emerge

Keeler notes that,

"These characteristics remain elementary yet critical in our always-on, data-driven market environment—and they cannot be automated, outsourced, or solved by AI utilities alone. Investment professionals who consume data to inform action and generate returns drive every asset management firm's success, but their effectiveness depends entirely on data quality and the operational trust that quality engenders."

While Cutler agrees that competitive advantage requires absolute confidence in data quality, he emphasizes a crucial caveat: the entire process from ideation to execution must remain frictionless. After all, only executed opportunities generate returns. The global asset manager's experience reinforces this principle—"true decision velocity demands seamless integration that transforms market insights into portfolio outcomes without institutional barriers, technological delays, or data uncertainties undermining performance," he concludes.

PART 2 OF 5: THE BLURRING LINES ACROSS THE FRONT OFFICE

Contributors

Edward Kuczma Jr., CFA
Lead Principal
Commercial Development
SimCorp

Director
Ernst and Young LLP

"The traditional organizational structure of financial institutions is undergoing a profound transformation. Rigid boundaries between portfolio managers, traders, and risk managers are dissolving into more fluid, collaborative approaches," observes Edward Kuczma, Lead Principal for Commercial Development at SimCorp.

This evolution represents a strategic response to technological innovation, changing market dynamics, and intensifying competitive pressures that collectively demand more integrated operations. Director, Ernst and Young LLP, asserts,

"Success demands viewing the investment ecosystem holistically, as focusing on isolated components while ignoring interconnected elements exposes firms to greater future challenges."

Market forces driving convergence

Our contributors see several interconnected factors that are accelerating the reconfiguration of front office functions, each building pressure for more integrated approaches:

- **Compressed decision time frames:** With settlements required within 24 hours (T+1), the traditional luxury of sequential handoffs between teams has become impractical, creating pressure for more integrated workflows.
- **Cost rationalization:** With over 70% of technology budgets maintaining legacy systems, many firms are consolidating functions and eliminating redundancies to survive pressure on margins.
- **Alpha generation challenges:** As markets grow more efficient and passive investing expands, extracting alpha through traditional methods becomes increasingly difficult. Portfolio managers must integrate trading expertise and risk awareness into investment processes while transforming unprecedented volumes of data into actionable insights.
- **Regulatory evolution:** The evolving regulatory landscape demands more sophisticated, real-time risk monitoring and compliance capabilities. This shift naturally brings risk management functions closer to investment decision making and execution, further blurring traditional boundaries.

Technology enablers transforming the front office

Three technological developments directly address traditional system limitations:

- **Cloud native architecture:** Unlike traditional front office systems that evolved as separate, specialized applications with distinct data models, cloud native architectures create unified data models spanning the entire investment process. This integration enables real time data access across functions and supports elastic scaling of computational resources based on demand, facilitating a more cohesive approach.
- **Artificial intelligence:** AI and machine learning are revolutionizing how front office professionals interact with data and systems. Portfolio construction algorithms now automatically incorporate trading cost models and risk parameters; trading systems employ predictive analytics to optimize execution; and risk platforms use machine learning to identify patterns that might escape human analysts.
- **Composable design:** This architectural approach enables institutions to assemble precisely the capabilities they need rather than conforming to rigid systems. This flexibility supports customized workflows that span traditional boundaries, enables rapid adaptation to changing conditions, and allows selective automation while preserving human judgment for complex decisions.

THE EMERGING FRONT OFFICE OPERATING MODEL

A new front office operating model is emerging. Our contributors share insights across all critical dimensions: distinct characteristics that demand strategic implementation, the risks organizations must navigate, and long-term implications for sustainable transformation in today's complex financial landscape.

Key characteristics

- **Role evolution rather than elimination:** Technology reconfigures specialized experiences without eliminating its value. Instead of traditional handoffs between portfolio managers and traders with delayed risk reports, integrated tools now enable simultaneous evaluation of investment theses, execution options, and risk implications before initiating trades across the investment lifecycle.
- **Decentralized decision making with centralized oversight:** Decision authority moves closer to investment ideation while maintaining enterprise visibility. Portfolio managers gain autonomy of execution within risk parameters, traders focus on complex transactions as standard executions automate, and risk professionals evolve from gatekeepers to advisors and system architects, enhancing the overall investment process.
- **Multidisciplinary investment professionals:** Perhaps the most significant shift is the emergence of professionals with broader skill sets spanning traditional boundaries. These practitioners integrate fundamental investment analysis with quantitative techniques, combine portfolio construction expertise with trading cost awareness, and balance risk sensitivity with alpha generation mindsets.

Risks and Challenges

- **Professional dilution:** Broader responsibilities risk diluting professional experience essential for complex situations. Maintain centers of excellence while encouraging skill development, ensuring depth alongside breadth.
- **Change management complexity:** Behavioral and cultural changes prove more challenging than technical implementation. Clear strategic vision and comprehensive Change Management are essential since transformation directly impacts daily workflows. Successful adoption depends on helping stakeholders understand both personal and firm wide benefits.

- **Regulatory and control considerations:** Some regulatory frameworks assume traditional separation of duties between functions. Integrated approaches must maintain appropriate controls and documentation to satisfy regulatory requirements, balancing innovation with compliance.

Implementation strategies

- **Assessment and prioritization:** Identify functional boundaries that most constrain business objectives, with particular consideration around ways of working that may have been defined by legacy systems or process limitations rather than optimal design. The portfolio management-trading interface often represents the greatest bottleneck, where integrated tools can deliver rapid improvements.
- **Technology integration:** Create modern data layers bridging legacy applications rather than wholesale replacement of existing systems to enable more integrated workflows. Middleware solutions can extract data from specialized systems and present it in unified dashboards, creating cohesion without disruption.
- **Talent development and organizational alignment:** Develop cross training programs and collaborative incentive structures that break down functional silos while leveraging technology to automate mundane tasks. This human-centered approach unlocks technological potential by enabling investment professionals to pursue diverse career paths and deliver enhanced client value.

Strategic considerations

- **Competitive positioning:** Assess how integration aligns with your Value Proposition. Some organizations may derive greater value from specialized expertise, while others may benefit more from integrated approaches emphasizing speed and flexibility.
- **Client experience impact:** Consider how changes will affect client service and engagement. More integrated approaches often enable better client service through faster response times and more holistic solutions, potentially creating competitive differentiation.
- **Phased implementation:** Carefully evaluate whether phased rollouts or big bang implementation better suits your needs. A staged approach, beginning with specific asset classes or investment strategies, often provides the optimal balance of risk and reward while allowing organizational learning.

THE PATH FORWARD: A PURPOSE DRIVEN COLLABORATION

The blurring lines across the front office represent a fundamental shift in investment decision making and implementation. Kuczma emphasizes,

"Financial institutions that thoughtfully embrace this transformation achieve significant advantages in operational efficiency, decision quality, and client service. The front office of tomorrow will be defined by fluid, purpose driven collaboration supported by intelligent technology."

"The emergence of cloud native architectures and artificial intelligence is revolutionising the end to end investment operating model, with front office starting to realise benefits through real time data access, visualisation and predictive analytics," adds Director, Ernst and Young LLP. "This technological evolution empowers portfolio managers to evaluate investment opportunities, assess execution options, and understand risk implications simultaneously, enhancing the overall investment process and allowing them to spend more time on what matters to their clients."

The views reflected in this article are the views of the author and do not necessarily reflect the views of the global EY organization or its member firms.

PART 3 OF 5: PUSHING THE BOUNDARY OF PORTFOLIO CONSTRUCTION

Contributors

Pam Vance, PhD
Senior Director
Product Lead for Portfolio Construction
SimCorp

David Bardsley
Head of Wealth & Asset Management Advisory
KPMG in Canada

As front office operations accelerate, portfolio construction has emerged as the critical intersection where strategic investment decisions converge and materialize. Pam Vance, PhD, Senior Director, Product Lead for Portfolio Construction at SimCorp, explains,

"In today's challenging investment landscape, where generating pure investment alpha grows increasingly elusive, portfolio construction has become the battleground where every basis point of outperformance is fought for."

This evolution has transformed portfolio construction into a scientific discipline that must skillfully balance an intricate web of competing inputs, constraints, and objectives. Success requires a sophisticated optimization framework capable of simultaneously addressing multiple dimensions of investment complexity: from capturing alpha signals and implementing comprehensive risk controls, to seamlessly integrating compliance requirements, minimizing transaction costs and market impact, capturing tax efficiency, and delivering mass customization.

This sophistication extends beyond mere execution to the conceptual framework. David Bardsley, Head of Wealth & Asset Management Advisory at KPMG, notes, "The conventional method of constructing portfolios by diversifying across asset classes often leads to unintended risk factor exposures. Forward-thinking firms are now intentionally curating their risk factor exposures - incorporating market, currency, and risk premia considerations - which not only enhances diversification and streamlines tactical asset allocation but represents a fundamental shift from traditional allocation frameworks."

A leading global institutional investor—a SimCorp client—managing over $340B AUM, launched new quantitative strategies, creating a need for sophisticated portfolio construction tools that could match their ambitious investment objectives.

CASE STUDY: REAL-WORLD IMPACT FOR A GLOBAL INSTITUTIONAL INVESTOR

Critical challenges

- **Building and testing quantitative equity long-short strategies**
  Despite their extensive experience in fundamental equity strategies, the client encountered a transformative shift when expanding into global multi-factor quantitative strategies. These new strategies required more than just a rebalancing system. The client needed a sophisticated platform that could rigorously test alpha signals and validate diverse portfolio construction methodologies before deployment.
- **Managing multi-dimensional complexity**
  The strategies' multi-factor, long-short nature introduced layers of complexity that required careful balance. The team faced the dual imperative of managing ex-ante risk while maximizing alpha factor exposures across both long and short positions. Additionally, the portfolios' substantial size and exposure to less liquid markets threatened significant trading costs that could erode returns without proper management.
- **Coordinating multiple portfolios under one umbrella strategy**
  Though each strategy had unique objectives and constraints, they all operated under a unified P&L center with a shared risk budget. This integrated structure demanded advanced trading cost and risk management capabilities that could simultaneously optimize at both the individual strategy and umbrella fund levels, ensuring cohesion across the entire investment platform.

Strategic solutions

- **Advanced portfolio optimizer:** A sophisticated mathematical solver that rapidly identifies optimal solutions to complex investment problems, enabling both high-frequency portfolio rebalancing and comprehensive strategy back-testing.
- **Multi-portfolio optimization:** An enhanced computational approach that simultaneously evaluates risk factors and trading implications across all strategies—both individually and collectively—ensuring cohesive portfolio management.
- **Integrated market-impact models:** The optimizer's advanced algorithms excel at handling non-linear optimization problems, incorporating market-impact models directly into the portfolio construction process rather than as an afterthought during the trading phase.

Business outcomes

- **Successful strategy launch and on-going alpha capture**
  The client successfully launched their global quantitative equity strategies, rapidly growing assets under management and expanding their strategy suite based on initial success. The API-first architecture enabled continuous testing of signals, factors, and strategies while automating portfolio rebalances—a critical advantage in volatile market conditions.
- **Seamless risk management across portfolios**
  The optimizer's open architecture provided flexibility to use either natively embedded or imported third-party risk models. This allowed simultaneous risk and alpha factor control at both individual portfolio and umbrella fund levels, with handling of long-short exposures within a unified framework.
- **Enhanced trading decisions**
  Trading performance improved through intelligent constraints including minimum trade sizes, round-lotting parameters, and integrated market-impact modeling. The multi-portfolio optimization capability further enhanced execution by facilitating cross-trades between strategies, significantly reducing external transaction costs and market impact.

"In today's challenging investment landscape, where generating pure investment alpha grows increasingly elusive, portfolio construction has become the battleground where every basis point of outperformance is fought for."

THE PATH FORWARD: THE FUTURE OF PORTFOLIO CONSTRUCTION

Our contributors share five key insights that will shape next-generation portfolio construction:

1. Investment success depends primarily on strategic asset allocation frameworks. A 2020 Vanguard study confirmed the seminal Brinson, Hood & Beebower findings that asset allocation—not security selection—drives the vast majority of portfolio return variability over time[1]. This underscores why leading asset managers are prioritizing robust, technology-driven portfolio construction processes.
2. Risk management operates as an integral component of the construction process itself. Vance emphasizes, "The sequential approach of building portfolios first and assessing risk later has given way to unified optimization frameworks where performance targets and risk parameters are evaluated simultaneously. This integration creates inherently more resilient portfolios capable of withstanding diverse market environments."
3. The multidimensional complexity of today's portfolio requirements—spanning factor exposures, ESG criteria, tax efficiency, and trading costs—demands exponentially more sophisticated optimization capabilities. The ability to handle non-linear relationships and competing constraints now differentiates industry leaders from followers in the pursuit of sustainable alpha generation.
4. This evolution extends to portfolio structure itself, with forward-thinking institutions designing "all-weather" strategies organized around risk factor contributions rather than traditional asset classifications. These approaches, often implemented through dynamic overlay mechanisms, deliver superior adaptability to changing market regimes—a critical advantage in today's heightened volatility.
5. Sustainability continues to be an important objective for investment managers, driving the integration of comprehensive scenario testing as the emerging frontier in sophisticated total portfolio design. Bradsley concludes,

"By simultaneously optimizing for both financial resilience across diverse economic conditions while advancing sustainability goals, leading firms are creating truly holistic investment approaches that satisfy both performance objectives and evolving stakeholder demands."

[1] "The Asset Allocation Debate: Provocative Questions, Enduring Realities", Vanguard Investment Counseling & Research (August 2020).

PART 4 OF 5: THE OMS/EMS EVOLUTION—BEYOND THE SWIVEL CHAIR

Contributors

Grant Lowden
Global Head
Front Office Sales
SimCorp

Matt Desmond
Enterprise Architect
Cutter Associates

The trading desk stands at the epicenter of transformation in investment management. Long-established boundaries between order management systems (OMS) and execution management systems (EMS) are dissolving as firms confront an uncomfortable reality: the traditional "swivel chair" approach—with traders constantly switching between disconnected platforms—has become unsustainable in today's high-velocity markets.

This convergence is giving rise to unified OEMS platforms that synchronize activities in real-time across the investment lifecycle. These integrated systems address the increasingly complex workflows spanning portfolio management, trading, risk, and compliance processes. By creating a seamless data environment, this integration not only enhances decision quality—from idea generation through execution—but significantly reduces operational risk through elimination of reconciliation points and processing delays. Matt Desmond, Enterprise Architect at Cutter Associates, adds,

"Advanced OEMS platforms are introducing powerful capabilities that traditionally belonged only to specialized EMS systems—advanced algorithmic trading tools, sophisticated transaction cost analysis, and integrated pre-trade analytics."

FOUR MARKET FORCES DRIVING CONVERGENCE

Our experts share their insights into the key factors influencing the execution management landscape:

1. **Evolving market dynamics in execution management**
   The traditional execution-only model—where brokers subsidize technology on behalf of asset managers—faces new challenges in today's market environment.

   Commission unbundling regulations, declining brokerage rates, and the concentration of trading flow among fewer brokers have created a more complex landscape for EMS providers. Unsustainable economics have catalyzed significant market consolidation. Established providers are navigating this transition through strategic acquisitions, business model refinements, and pursuit of innovative partnerships and collaborative opportunities.

   "We're witnessing a fundamental restructuring of the EMS market that shows no signs of slowing. As traditional revenue sources evaporate, only providers with diversified and sustainable business models will survive this transitional period. Asset managers must factor vendor stability into their strategic decisions," explains Grant Lowden, Global Head of Front-Office Sales at SimCorp.

2. **The strategic value of optionality**
   Optionality has emerged as a crucial strategic concept in trading architecture, effectively balancing stability with flexibility. Forward-thinking firms maintain core trading capabilities within their primary platform while selectively leveraging external solutions only when specialized functionality delivers meaningful value. This balanced approach helps firms manage technology risk while creating a more resilient operational foundation.

   A unified data core serves as the architectural cornerstone, significantly reducing integration risk through fewer system connection points. This streamlined architecture effectively minimizes the operational vulnerabilities and data discrepancies that typically plague fragmented environments, while preserving the strategic flexibility to deploy specialized tools for specific trading scenarios. The result is a trading ecosystem that can adapt to evolving market conditions without introducing unnecessary complexity or compromising system integrity.

   "The operational overhead of maintaining separate EMS connectivity is substantial but often overlooked. Each executing broker requires dedicated FIX mapping, regular

technical testing, and ongoing maintenance—all-consuming valuable IT resources that could be directed toward innovation rather than integration," states Desmond.

3. **The multi-asset reality gap**
While many EMS systems offer multi-asset capabilities, most face practical limitations—particularly in complex markets like fixed income.

The breadth of coverage across the approximately 18 million available fixed income securities varies widely among providers, with many focusing primarily on the most liquid instruments. This creates considerations for firms when evaluating specialized fixed income EMS solutions against their actual trading needs, especially when standard market access platforms adequately handle most common trading scenarios.

As investment strategies increasingly span traditional equities, fixed income, alternatives, and private markets, the unified OEMS approach offers compelling advantages. "The unified OEMS model enables significantly more seamless scalability, particularly when expanding into new asset classes or adapting to evolving regulatory requirements. Rather than implementing and integrating entirely new systems, firms can extend their existing platform capabilities, dramatically reducing time-to-market and implementation risk," adds Desmond.

4. **Organizational evolution and changing roles**
The technological convergence of trading systems mirrors important organizational shifts within investment firms. Traditional boundaries between portfolio managers, traders, risk managers, and compliance specialists are blurring as teams collaborate more closely than ever before. This evolution requires technology that facilitates rather than hinders cross-functional integration.

"The most effective investment organizations no longer operate in functional silos. Leading firms are implementing innovative approaches like "storyboarding"—contextual documentation of trading decisions that creates feedback loops between portfolio managers and traders. This collaborative approach improves decision quality while building valuable institutional knowledge that enhances future trading strategies," explains Lowden.

THE PATH FORWARD: THE EVOLUTION OF TRADING TECHNOLOGY

The most advantageous position for asset managers is maintaining control of their foundational trading capabilities while selectively accessing specialized tools for specific use cases. This balanced approach delivers both operational stability and technological flexibility.

Supporting this evolution, API-first architectures are emerging to enable more interoperable frameworks, directly addressing the optionality sophisticated managers require. Meanwhile, market dynamics are encouraging providers to adapt their business models and explore new partnerships and integrations, particularly affecting mid-tier providers seeking to differentiate their offerings.

These industry shifts will accelerate the transformation of EMS payment models, with more providers transitioning from broker-funded to buy-side charging as traditional revenue streams become increasingly unreliable. In response to these changes, enhanced collaboration tools are developing to facilitate integrated investment decision-making across previously siloed functions.

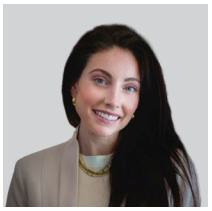
Lowden concludes,

"Asset managers who thrive will embrace strategic optionality, avoiding both unnecessary complexity and dangerous capability gaps. This balanced approach will provide the stability required for operational resilience while maintaining the flexibility to adapt as trading requirements and market structures continue to evolve, positioning firms for sustained competitive advantage."

PART 5 OF 5: HOW AI IS TRANSFORMING FRONT OFFICE INVESTMENT INTELLIGENCE

Contributors

Tanguy de Grandpré
Senior Director
Product Management
SimCorp



Courtney A. Lemenze
Gen AI
Asset Management Lead
Accenture

Artificial intelligence has evolved from experimental to mission-critical growth engine for front office investment teams, fundamentally transforming how they work and create value. Yet despite this transformative potential, a striking implementation gap persists across the industry.

Tanguy de Grandpré, Senior Director, Product Management at SimCorp observes,

"What we're witnessing is a pivotal moment where AI transitions from promise to performance. The firms that master this transition won't just optimize existing processes—they'll unlock entirely new sources of competitive advantage through augmented intelligence."

A recent poll conducted by SimCorp underscores this reality: while 75% of financial institutions view AI capabilities as essential differentiators, they still struggle to translate this recognition into actionable implementation strategies.

The challenge isn't about understanding AI's potential—it's the absence of clear pathways from strategic vision to operational reality. Without proven use cases to follow or governance frameworks to guide them, firms find themselves caught between the urgency to act and uncertainty about how to proceed. This gap represents both a market challenge and a significant opportunity for forward-thinking firms.

The RAG revolution: Turning data into intelligence

For investment professionals seeking practical AI solutions, the breakthrough lies in Retrieval Augmented Generation (RAG)—a solution that connects AI to the firm's proprietary data.

Think of RAG as a super-powered search engine that understands context. By linking AI to research notes, earnings transcripts, PDFs, and databases, firms can now query vast collections of unstructured data and previously siloed information using plain English with remarkable precision. Investment analysts report finding decade-old ESG commentary or obscure contract details in seconds—tasks that previously consumed hours of manual searching.

RAG offers another critical advantage: it shows its sources. Unlike basic AI that might generate plausible sounding but incorrect information, RAG must reference specific passages from authorized documents. This built-in fact-checking dramatically improves reliability—essential for investment decisions where accuracy drives performance.

The technology reaches its full potential when paired with a hybrid approach: AI understands what you're asking for, while proven calculation engines handle the math. Investment professionals can express goals in plain English and receive instantly assembled views combining narrative insights, verified calculations, and supporting evidence—creating a seamless bridge between human intuition and machine precision.

Market reality: Human-AI partnership dominates

While AI adoption accelerates across investment management, one principle remains unchanged: humans remain accountable for investment outcomes, regardless of AI sophistication.

Courtney A. Lemenze, Gen AI Asset Management Lead at Accenture explains,

"The responsibility paradigm hasn't shifted—it's evolved. We're seeing augmented workflows where AI dramatically accelerates analysis, but investment professionals retain decision authority. This isn't about replacement; it's about amplification of human expertise at an unprecedented scale."

This balanced approach transforms daily workflows. Research analysts compile comprehensive reports faster using AI assistance. Portfolio managers review and refine AI-generated investment ideas before committing capital. Traders authorize AI-suggested trades before execution. This deliberate structure reflects both regulatory requirements and practical wisdom—harnessing AI's speed while maintaining human oversight where it matters most.

REDEFINING FRONT OFFICE EXCELLENCE WITH AI

1. **Four shifts transforming front office workflows**
   The human-AI partnership is catalyzing profound changes in how investment professionals interact with information systems. Four interconnected shifts are reshaping front office efficiencies:

   - **Natural language interaction:** Instead of learning complex commands, professionals simply describe what they need in plain English. AI understands context and extracts relevant details automatically.
   - **Focus on results:** Rather than building complicated queries, teams request specific insights directly. The system handles the technical complexity behind the scenes.
   - **Simplified access:** Technical barriers disappear. No more manual database queries or programming—AI translates requests into sophisticated data operations, letting professionals focus entirely on investment strategy.
   - **Scenario thinking:** AI generates multiple perspectives on investment decisions, mirroring how experienced managers naturally approach problems—enhancing rather than replacing human judgment.

2. **Architecture that reinforces front office authority**
   The most successful implementations combine AI's flexibility with proven calculation engines, creating a hybrid system that delivers crucial advantages:

   - **Regulatory compliance:** Existing risk controls and governance frameworks remain intact, ensuring compliance isn't compromised by new technology.
   - **Factual accuracy:** Portfolio analytics come from validated engines, preventing the errors that can plague purely AI-generated analysis—critical when real money is at stake.
   - **Faster implementation:** Teams enhance existing systems rather than replacing everything, reducing risk and preserving valuable institutional knowledge.
   - **Future flexibility:** Components can be upgraded independently as technology evolves, protecting investments while enabling innovation.

3. **Strategic imperatives for the front office**

- **AI as a performance multiplier**
  "The most successful AI implementations we're seeing treat these technologies as force multipliers," notes de Grandpré. "They expand the speed and breadth of analysis exponentially, but they're designed to enhance professional judgment, not replace it. Firms achieving breakthrough results understand this distinction fundamentally."
- **Data quality determines success**
  Implementation challenges typically stem from poor data organization. Without proper mapping between plain-English requests and underlying data sources, even sophisticated AI fails. Strategic investment in data foundations multiplies returns across every AI initiative, transforming data architecture from cost center to competitive weapon.
- **Specialized models deliver better results**
  Domain-specific AI models trained on the firm's proprietary research often outperform generic systems while costing less to operate. This targeted approach addresses efficiency concerns while delivering solutions tailored to specific functions—from equity research to credit analysis.

THE PATH FORWARD: THE COMPETITIVE EDGE FOR FRONT OFFICE TEAMS

Firms acting decisively today position themselves to redefine investment management's future. Through human-AI partnership, front office teams achieve performance breakthroughs—scaling expertise, accelerating insights, and dramatically improving decision velocity.

Success transcends technology deployment. Change management, cross-functional alignment, and clear articulation of AI's enabling role prove critical. Leading firms embed these tools into workflows, upskill teams, and foster cultures balancing innovation with accountability.

Lemenze concludes,

"This transformation isn't about deploying AI for its own sake—it's about reimagining how investment ideas are generated, validated, and executed." The winners will be those who invest in proper data foundations, embed human-in-the-loop governance, and train specialized models reflecting their unique investment approach. In a world where insight speed creates competitive advantage, AI has evolved from optional to essential."

ABOUT SIMCORP

SimCorp is a provider of industry-leading integrated investment management solutions for the global buy side.

Founded in 1971, with more than 3,000 employees across five continents, SimCorp is a truly global technology leader that empowers more than half of the world's top 100 financial companies through its integrated platform, services, and partner ecosystem. SimCorp is a subsidiary of Deutsche Börse Group.

The Axioma analytics suite by SimCorp provides investment management solutions to a global client base, including asset managers, asset owners, hedge funds, wealth managers, and sellside firms.

For more information, please visit www.simcorp.com.

LEGAL NOTICE