

First Sentier Investors revolutionizes its treasury and risk management.

First Sentier Investors

First Sentier Investors is a global asset management group offering high-quality, long-term investment services to clients. The company is a part of the Mitsubishi UFJ Trust and Banking Corporation, which is a wholly owned subsidiary of Mitsubishi UFJ Financial Group, Inc. As a standalone global investment management business, First Sentier Investors manages more than AU\$228bn* of assets on behalf of institutional investors, pension funds, wholesale distributors and platforms, financial advisers and their clients.

INTRODUCTION

When First Sentier Investors was acquired by Mitsubishi UFJ Financial Group (MUFG), it went from being part of one of the largest banks in Australia to a standalone global investment management business. The treasury program used when part of the bank system was very powerful and excelled at current mark-to-market valuations but did not have the functionality to perform more comprehensive, in-depth FX, risk and liquidity forecasting, and management analysis. The Australian Infrastructure Investments team of First Sentier Investors required a system more aligned to a corporate treasury desk with more robust analysis tools to monitor risk exposures. Better compliance and reporting functionality were also needed for First Sentier Investors to meet fiduciary obligations to its investors and regulators.

*As of December 2020

A GTREASURY CASE STUDY



KEY RESULTS



Ability to manage an extremely complex investment portfolio in one robust platform—from anywhere



In-depth insight into current and future liquidity required to meet obligations to investors



Automated management of multifaceted debt facility requirements



Greater control of fraud risks with clear segregation of front, middle and back-office duties

THE CHALLENGE

With a complex investment universe consisting of 18 individual investment portfolios spread across five hedge funds that feed into two master funds, First Sentier Investors' infrastructure treasury team takes a multi-layered approach to managing the total risk and liquidity of the funds. The team must track the exposure across all FX hedges in the entire portfolio, then by each feeder fund, and finally at the individual asset level to ensure adequate liquidity will be available when investments mature.

Adding to the complexity is the fact that each fund in the portfolio has its own management fee structure that must be calculated, tracked and reported.

Capital gains and losses on individual assets in the portfolio must also be reported to investors for tax purposes. That is not to mention all the reporting that must be generated to meet compliance requirements.

On the flip side, the treasury team must also track the availability, usage and fees associated with the debt facilities available to the funds under management. Each of the lenders has a different participation level in the overall available facility, and every debt instrument has its own limit. With each drawdown, the instrument type must be tracked against the sub-limits as well as the overall limit to ensure the drawdown does not overdraw the overall facility limits.



We are a corporate treasury desk with the scrutiny of a financial institution. We must monitor and manage our investments, but also perform our fiduciary duty to our investors, as well as meet our regulatory obligations and reporting requirements to maintain compliance.

SIU CHAN Senior Treasury Manager at First Sentier Investors, Infrastructure Investments Australia

THE SOLUTION

First Sentier Investors chose GTreasury's Financial Instruments, Risk Management and Hedge Accounting solutions to revolutionize its treasury management operations. GTreasury's single database design allows the Infrastructure Investments team to visualize, manage and report on the entire investment portfolio from deal initiation through settlement using one integrated system.

Other key benefits for First Sentier Investors are GTreasury's built-in security across all functions and SaaS-based access, which became especially valuable during the COVID-19 pandemic. GTreasury's robust rules engine allowed

First Sentier Investors to set up clearly defined user roles and responsibilities to segregate duties and minimize risk. With user roles in place, the company was able to outsource back- and middle-office functions to a third-party partner and free up the internal team for more in-depth analysis and strategic planning. Chan explains, "I can review the deals entered into the system by our back-office partner, but I can't actually amend them. On their side, one person is responsible for trade capture, then someone else is responsible for confirmation, which is a middle-office role. The system works very, very seamlessly once you set it up properly."



We can now run daily stress tests to look at what liquidity will be required to retain in the fund to manage all our positions in the next 12 months, 18 months and more.

SIU CHAN Senior Treasury Manager

THE RESULTS

With the implementation of GTreasury, the Australian Infrastructure Investments business now has a holistic view of the entire portfolio of assets to manage risk, FX hedges, capital gains/losses and fees. All FX hedges are allocated at the asset level allowing automatic calculation of capital gains and losses for tax liability reporting. The treasury team can easily run FX stress testing to ensure adequate liquidity will be available when investments mature.

Treasury policy at First Sentier Investors requires money trades to be paid out at maturity rather than rolling over automatically. The company distributes the funds to investors at maturity then settles with the money market, while replacing the investment to manage the overall mix in the portfolio. Maintaining adequate liquidity is essential to meet the requirements of the ever-changing portfolio.

“Being able to run those scenarios and have the information at our fingertips is very valuable for us to maintain our in-the-moneyness while having enough cash to distribute to our investors,” said Chan.

At the same time, First Sentier Investors can easily visualize and manage the overall debt position and availability and status of all facilities via the GTreasury facility limits dashboard. The team can drill down through the dashboard to view the details about each element of the debt portfolio.

Finally, GTreasury’s native reporting functionality makes it far less complicated for the treasury team to generate the reports and documentation required for investors and compliance oversight. Dashboards, graphs, and tables can be easily exported to present to executive management to help them make informed business decisions.



GTreasury provides the clarity to act.

GTreasury is the leading innovator of integrated SaaS treasury and risk management solutions for the digital treasurer. We offer any combination of cash management, payments, financial instruments, risk management, accounting, banking and hedge accounting—all seamlessly integrated, on-demand worldwide and fully secured. Headquartered in Chicago, with offices serving EMEA (London) and APAC (Sydney), our global community includes more than 800 customers and over 30 industries reaching 160 countries worldwide.

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