

Case Study: Heartwood Wealth Management Limited

The Client

Heartwood is an independently-owned firm specialising in providing investment management and wealth management services to private clients and charities. Founded over 20 years ago, the company has grown steadily and organically and currently has over £1 billion of funds under management. With over 90% of the business owned by two-thirds of staff, Heartwood believes that a boutique owned mainly by the people who work in it is the best model for a wealth and investment management business.

The Challenge

Heartwood acts as both fund manufacturer (with Capita as the Authorised Corporate Director) and as fund buyer, dealing into the CF Heartwood fund range and other OEICs. The number one priority was to automate fund dealing into the CF Heartwood range. Secondary benefits emerged during the on-boarding process and Heartwood is now dealing with a dozen fund managers via Calastone, both onshore and offshore.

Question: Why did you select Calastone, rather than any of our competitors?

Answer: The ability to connect to the network quickly at minimal cost offered us immediate payback for no capital outlay. Because Capita was already a Calastone participant, it was easy for us to improve our STP rates and reduce the cost and risks of trading.

Question: What were Heartwood's concerns?

Answer: None really: Capita were already on-board and this made it easy for us to deal into the CF Heartwood fund range which in turn has improved our operational efficiency.

Question: How many fund trades do you place in the market on an average day?

Answer: Fifteen to thirty

Question: What percentage of these trades was automated?

Answer: None fully although 35% approx were semi-automated.

Calastone's Solution

Question: How much did it cost to implement Calastone?

Answer: To date, nothing: we opted for the EMS file upload solution which has enabled us to connect very quickly, our only cost being time. We have however a small internal project to extract a file from our order management system that will deliver full STP internally.

Question: You are now trading in the market using Calastone to host your SWIFT BIC. What operational benefits has this delivered?

Answer: Orders are not re-keyed or relayed by phone or fax which has improved time to market, reduced costs per trade, reduced risk and improved scalability.

Question: Do you envisage that you will expand your use of Calastone's services in the future?

Answer: Yes... we are actively looking to connect to the main fund providers in order to realise the advantages of STP. We are also keen to use the settlement and reconciliation modules where possible to improve our manual processing procedures.

Question: How long did it take to go-live?

Answer: Once the due diligence had been completed and the decision had been made to connect to Calastone we went live in approximately four weeks.

Question: How much money do you now save as a result?

Answer:

In the first five months of transacting our order flow via the Calastone Transaction Network, we saved more than £12,000. The average cost per trade has reduced by 68.7% and we have experienced zero errors. This contrasts with the past where we had incurred some small losses resulting from manual order entry.

The Outcome

Question: Are you happy with the end result?

Answer: Heartwood is continually looking for ways to improve order flow processing for our fund transaction processing. Calastone's ability to connect the entire funds market without having to invest in costly technology infrastructure not only brings us cost efficiencies but also increases STP levels significantly. We have been impressed with the ease of connecting to Calastone's single pipe and with the testing and implementation environment provided by the Calastone team.

The Future

Question: Where did you hear about Calastone?

Answer: We picked up on some press coverage and decided to investigate further, the rest as they say... !

Question: How do you see the UK settlement landscape evolving over the next two years?

Answer: Initiatives like Calastone's order-routing, settlement and reconciliations services will make dealing and settling mutual funds as easy as any other asset class. Reduced costs and improved STP will bring operational efficiencies which offer the foundations for further consolidation for clearing and settlement across Europe.

With thanks to Paul Roberts, Heartwood's Associate Director of Operations

Key Project Facts and Figures	
Project set up cost	£0
Internal project one-off cost	With IT for assessment
Project maintenance cost	£0
Testing time required per new fund manager link	1-2 hours
Break-even period	Immediate
Cost saving to date (5 months)	£12,000

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