



Invest | Pro™

a Constellation Software Inc. Company



Best Practice in Investment Operations

Driving Excellence for Pension Schemes
and Australian Superannuation

This paper is best suited to: Finance, Investment Operations, Technology and Risk Professionals. This paper is adapted from a keynote speech delivered by Mr. Cian O'Driscoll from Financial Risk Solutions (FRS) at the IBR Conference IOC Forum, October 2025, in Sydney.

Introduction

Investment operations have entered a period of rapid transformation. As portfolios grow in complexity and regulators heighten expectations around accuracy, transparency, and governance, both UK pension schemes and Australian superannuation funds face increasing pressure to improve how they manage cash allocation, rebalancing, and oversight.

Traditionally, many of these processes have been supported by spreadsheets, flexible and familiar tools that have long been relied upon for critical calculations and workflows. But as structures become more layered, derivatives more common, and daily transaction volumes higher, these manual approaches introduce risks that are no longer acceptable.











This paper explores the operational challenges inherent in cash allocation and rebalancing across UK pension schemes and Super funds, the growing importance of NAV oversight, and the rising opportunity to use automation and specialised software such as Invest|Pro™ to deliver a resilient, scalable, and future-ready operational foundation for your department.

Drivers of Change: Why Operational Models Must Evolve

Across the organisations we engage with, one question consistently emerges:

“ How can we measure the benefits of moving away from manual processes toward dedicated operational software? ”

The answer lies in examining the drivers of change across three categories: quantitative outcomes, qualitative benefits, and financial improvements.

Category	Measurement Type	Assessment
 Processing Time	Quantitative Metrics	Measure the time it takes for both automated and manual processes to complete a task to see efficiency gains.
 Error Rates	Quantitative Metrics	Track the frequency of errors, as automation typically reduces human errors, leading to greater accuracy and fewer costly mistakes.
 Cost	Quantitative Metrics	Calculate the overall cost to run your process vs what the cost is with software.
 Productivity	Quantitative Metrics	Assess how much work can be completed in each period. Automation often boosts productivity significantly.
 Scalability	Quantitative Metrics	Evaluate how easily each process can handle increased workloads; automation allows for growth without proportional increases in manual effort or labor.
 Data Accuracy and Visibility	Qualitative Factors	Automated processes generate more consistent and accurate data, providing better insights for decision-making compared to potentially flawed manual data.
 Employee Engagement	Qualitative Factors	Consider the impact on employees. Automation can free up staff from repetitive tasks, allowing them to focus on more strategic or creative work.
 Customer Satisfaction	Qualitative Factors	Assess how the changes affect the customer experience. Automation can lead to faster service and more consistent delivery, improving satisfaction.
 Cost-Benefit Analysis	Financial Analysis	Conduct a detailed cost-benefit analysis to compare the upfront costs of automation (software implementation, training) against the long-term savings from reduced labor, fewer errors, and increased efficiency.
 Return on Investment (ROI)	Financial Analysis	Calculate the ROI of the automation project, considering both initial and ongoing costs versus the financial and risk reduction benefits gained.

Understanding Super Fund Structures: Complexity at Scale

While UK pension schemes and Australian Super funds share broad similarities, Super funds often operate within significantly more complex structures. This complexity stems from several defining characteristics:

Investment Options and Member Choice

Super funds provide both single-sector options (e.g., Australian equities, international bonds) and diversified portfolios. Member choice requires operational flexibility and real-time management of contributions, switches, and withdrawals.

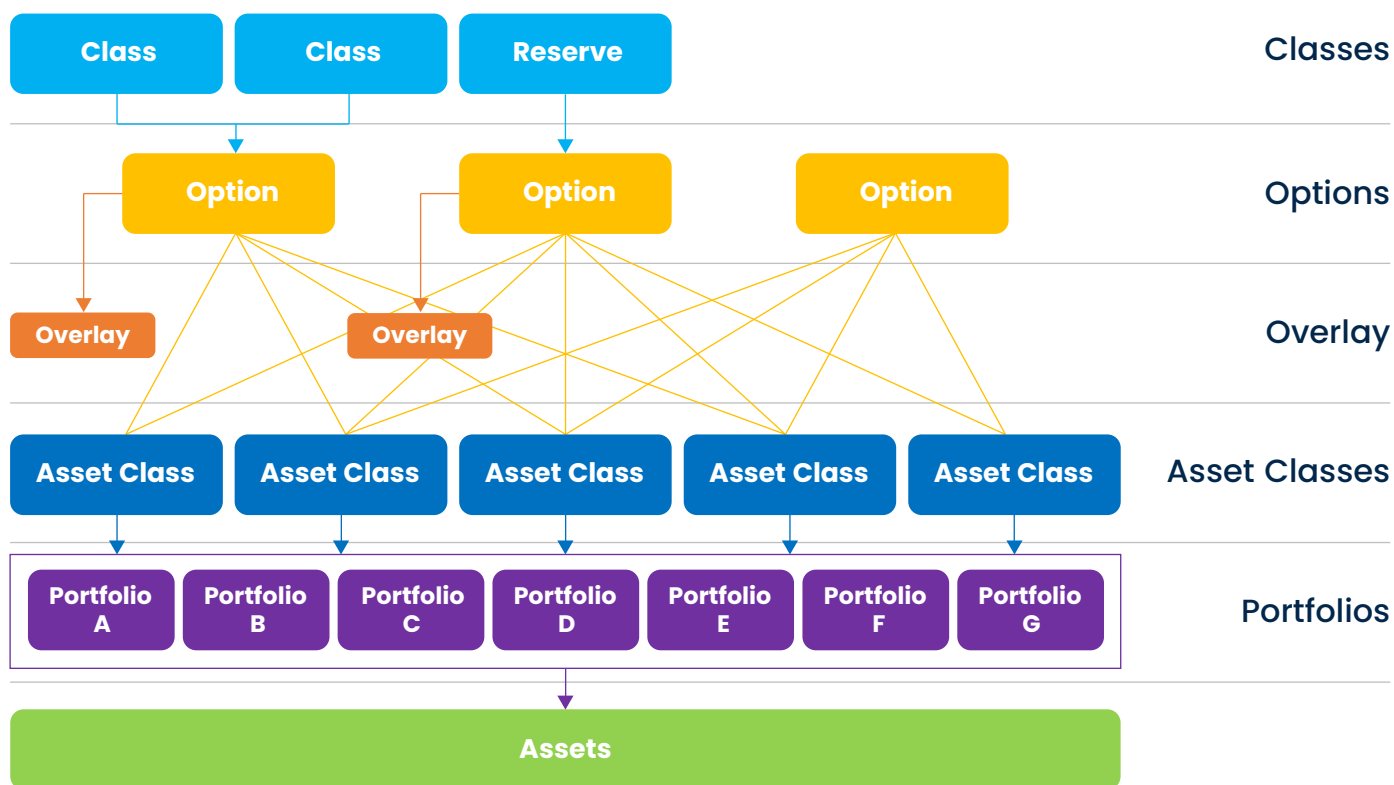
Fund-of-Funds (FoF) Structure

A typical Super fund follows a tiered, multi-layer model:

1. Member investment options
2. Asset class portfolios
3. Sector or sub-sector portfolios
4. Underlying investments

This structure introduces multiple layers of cash flow, unitisation, and valuation, each requiring accurate and timely processing.

Cash Allocation & Rebalancing



1 Superfund structures can be complex. Often with 2-3 layers depending on the design.



2 Much more active cash management is required to manage and tweak cash flows to underlying asset classes.



3 Internal rebalancing with the banker fund is a common approach to reduce costs.

Multi-Level Unitisation

Every layer issues its own units. While unitisation adds efficiency and transparency, multi-level structures greatly increase the number of calculations, data feeds, and reconciliations that must be managed daily.

Hedging and Overlay Management

Super funds frequently use currency, duration, or equity overlays to fine-tune exposures without transacting in physical markets. These derivative strategies improve efficiency but add operational complexity.

Cash Management Differences



Unlike UK pension schemes, Super funds:

- May hold cash higher in the structure
- Use overlays to hedge cash,
- Selectively push cash through the structure depending on liquidity needs

This flexibility supports tactical decision-making but increases the operational burden.

Rebalancing Frameworks: Traditional, Overlay-Based, and the Banker Fund Method

Super funds employ three primary rebalancing methodologies:

Traditional Rebalancing

Aligns weights to targets by trading physical holdings. This mirrors UK pension fund processes but incurs trading costs and may involve illiquid assets.

Overlay-Based Rebalancing

Adjusts exposures through derivative overlays without disturbing physical holdings—it can be faster, less expensive and more tactical.

The Banker Fund Method (Unique to Australia)

There is a single large portfolio—the banker fund—this absorbs imbalances from other funds.

Benefits include:

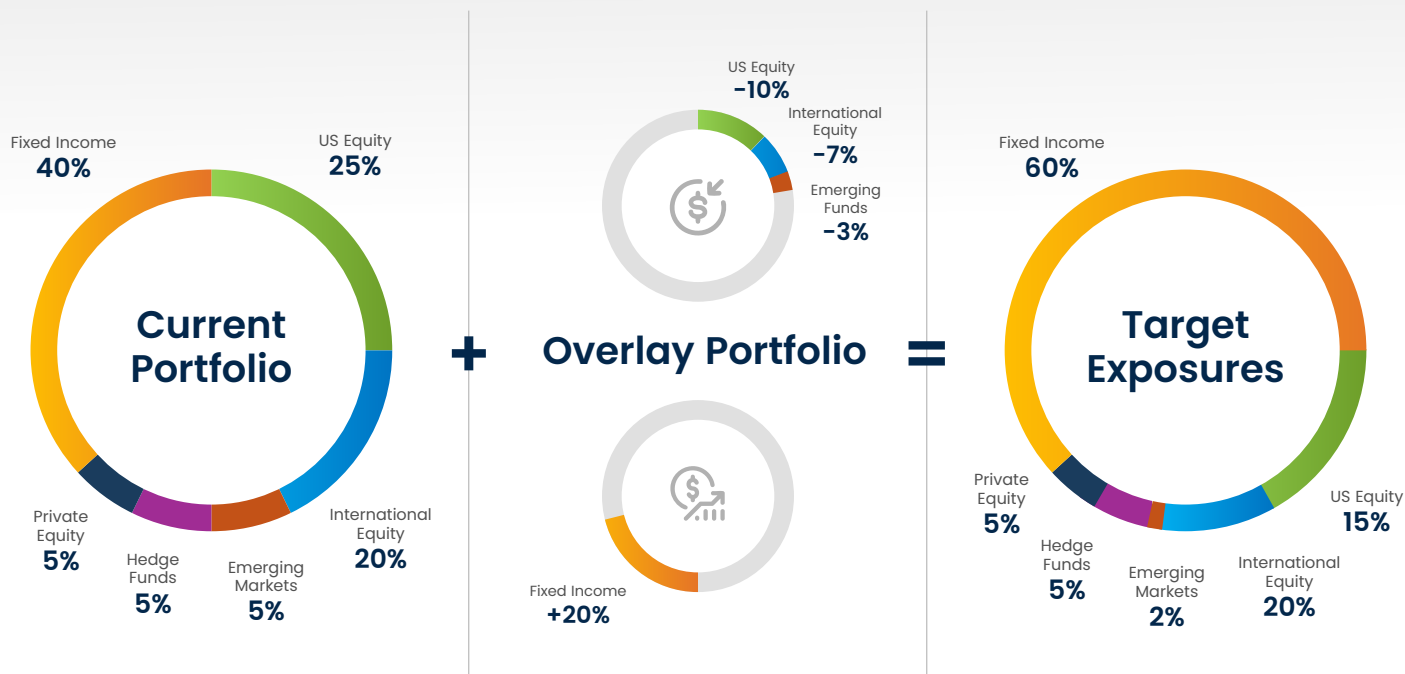
- Reduced external trading costs
- Avoidance of illiquid asset transactions
- Greater internal efficiency

However, equity concerns may arise if one option's rebalancing requires the banker fund to take on exposures that conflict with its own investment strategy or member expectations.

This highlights the need for strong governance, audit trails, and robust monitoring.



Rebalancing



Notional Rebalancing: Managing True Economic Exposure

As overlays become more common, traditional rebalancing, based on physical holdings, no longer provides a complete picture.

Notional rebalancing instead examines total exposure, including derivatives.

It answers questions like:

- What is the portfolio's actual equity exposure after futures overlays?
- How does leverage affect risk alignment?
- Does the portfolio comply with investment mandates and APRA performance test requirements?

Notional rebalancing provides:

- More precise exposure alignment
- Improved risk management
- Greater cost efficiency (derivatives instead of physical trading)
- Better flexibility for tactical decisions.

As overlay usage grows across Super funds, the operational processes required to perform these calculations accurately demand more automation, more controls, and more consistency.







The Case for Greater Automation in Superannuation

While the Superannuation industry is sophisticated in its investment strategies, many operational workflows in the industry remain highly manual. This creates:

- Increased operational risk
- Slower decision cycles
- Inconsistent outcomes
- Reliance on key individuals
- Significant difficulty scaling as funds grow

By contrast, the UK's more regimented, rules-based operational model demonstrates the benefits of high-automation operating environments.

A structured automation framework can derisk and help Super funds:

1	 <p>Improve Scalability Rule-based cash allocation and passive rebalancing reduce manual workloads.</p>	3	 <p>Increase Efficiency Automated overlays and hedges can be applied consistently.</p>
2	 <p>Reduce Operational Risks By removing key-person dependencies and spreadsheet logic.</p>	4	 <p>Lower Costs Fewer transactions, fewer manual interventions, fewer operational errors.</p>

Automation does not constrain strategic decision-making it supports it by ensuring consistent execution.

Leveraging Invest|Pro™: A Pathway to Operational Excellence




Platforms like Invest|Pro™ provide a scalable, resilient alternative to manual workflows by automating:

- Cash allocation
- Multi-level unitisation
- Traditional and notional rebalancing
- Derivatives and overlay operations
- Exposure calculations
- Reporting and analytics
- Potentially trade execution

This helps organisations:

- Reduce operational workload
- Align portfolios to strategic and tactical objectives
- Mitigate risk through audit trails and threshold alerts
- Strengthen compliance through reporting automation
- Free teams to focus on high-value investment activity



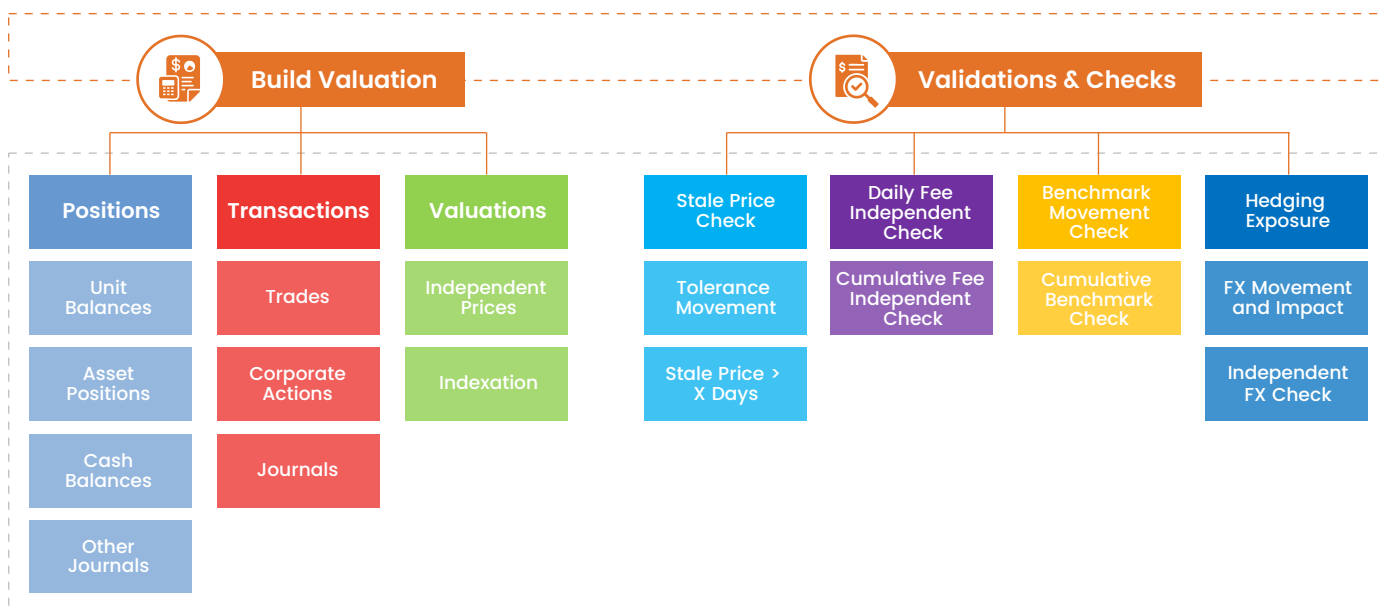
Investment Operations	Spreadsheets	Dedicated Software	Improvement to the overall workflow
 Cash Allocation	Moving cash down a structure can be difficult utilising a spreadsheet. Scalability and changes are tedious.	Complex fund structure can be created and maintained easily. Cash can automatically move down the structure based on pre-defined rules.	Automating cash management, allocation, and rebalancing processes based on clearly defined rules will help funds to scale more efficiently.
 Rebalancing	Rebalancing on spreadsheets requires additional human capital. Rebalancing decisions are made manually and can lead to human error.	Rebalancing the entire portfolio across asset classes with minimal manual intervention.	Rebalancing decisions can be made easily, and the best rebalance option can be chosen based on your conditions improving overall operational efficiency.
 Audiability and Controls	Spreadsheets offer flexibility and a low-cost solution but more robust solutions should be assessed.	Dedicated software tools reduce operational risk via controls and audit trails. Operational decisions are pre-defined, and this reduces manual input.	Automation reduces operational workload, speeds up execution, and ensures that portfolios remain aligned with strategic and tactical objectives.

Strengthening Oversight: From Spreadsheets to NAV Contingency Solutions

NAV oversight is fast becoming a priority. Many organisations still rely fully or in part on spreadsheets for:

- Daily unit price validation
- Reconciliations
- Contingent NAVs during outages

But spreadsheets lack scalability, auditability, and resilience.



Technology-led Solutions Offer

Contingent NAV

- Derives an expected NAV using indexation from the last verified NAV.
- Provides a reliable valuation during administrator outages.
- Avoids replicating the full book of records.




Shadow NAV

- The most accurate, independent oversight approach, but resource-intensive.
- Some funds now shadow specific components (e.g., fees, tax accruals) to balance cost and precision.

Integrating NAV oversight into the same platform used for cash allocation and rebalancing creates a single operational ecosystem, reducing duplication and improving governance.

Conclusion

As investment structures become more complex and as regulatory expectations increase, both UK pension schemes and Australian Super funds must evolve their operational models. Traditional spreadsheet-based workflows no longer provide the resilience, scalability, or auditability required.

NAV Oversight Method	Effort	Speed	Reliability	Accuracy	Scalability	Notes
 Spreadsheets	Low	Medium to Slow	Low (Fragile)	Medium to Low	Low	Manual, error-prone, not scalable
 Contingent NAV	Moderate	Fast	High (Reliable)	Medium to High	High	Based on indices; good for early alerts
 Shadow NAV	High	Medium	High	Very High	High	Full replication; high control & audit

Automation, particularly through platforms like Invest|Pro™, offers a powerful opportunity to transform manual, fragmented processes into controlled, efficient, and high-governance workflows. By streamlining cash allocation, rebalancing, overlay management, and NAV oversight, funds can minimise risk, enhance decision-making, and build an operational foundation capable of supporting long-term strategic success.

“ In an industry where precision matters and the pace of change is accelerating, investing in operational excellence is not just beneficial – it is essential. ”

About Financial Risk Solutions Ltd (FRS)

The award-winning* Invest|Pro™ platform is relied on by blue-chip financial services and BPO clients to reduce operational costs, increase efficiencies and mitigate risk in the manufacture and management of investment products. More than 150,000 funds are managed on the Invest|Pro™ platform today.

Delivered cloud-hosted or on-premise, Invest|Pro™ securely automates multiple complex fund administration processes including unit-pricing, cash allocation and rebalancing; oversight and validation of operational activity performed by outsourced partners; and in Europe monitoring and reporting for PRIIPs, KID requirements, and Pillar III asset reporting for Solvency II.

FRS is part of the Constellation Software Inc. group and headquartered in Dublin, Ireland, with offices in London, Boston and Melbourne.

For more information visit frs ltd.com or follow FRS on LinkedIn at www.linkedin.com/company/frs-ltd



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David Kenny

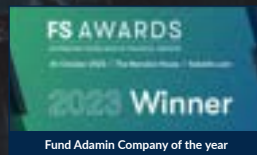
Head of Commercial, FRS



Frank Carr

CMO, FRS

- 2025 – Pensions Technology Provider of the Year – Irish Pensions Awards •
- 2024 – Pensions Technology Provider of the Year – Irish Pensions Awards •
- 2023 – FS Awards Fund Admin Company of the Year • 2023 – Global WealthTech 100 List •
- 2021 – Xcellent Technology Award 2021 • 2020 – GRC Product of the Year – Asia Risk.Net Awards •
- 2020 – Pensions Technology Provider of the Year – Irish Pensions Awards



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