



Invest | Pro™

a Constellation Software Inc. Company



Fund of Funds in a New Competitive Era

Why Operational Excellence Is Now the Key Differentiator

This thought leadership paper draws on FRS's 26+ years of Fund of Funds technology expertise and publicly available market data. This paper was written by Frank Carr, CMO at Financial Risk Solutions (FRS).

As private equity giants jostle for market share and regulators raise the bar, Fund of Funds managers face a defining moment.

The firms that thrive will not simply be those with the best assets they will be those with the operational infrastructure to manage complexity at scale.

The Market Has Changed – Have Your Operations?

The Fund of Funds (FoF) model is continuing its remarkable global ascent. In the US defined contribution market alone, Target Date Funds, the dominant FoF vehicle for the 401(k) generation held an estimated USD \$5.2 trillion in assets as of end-2025, a figure that has grown substantially since. Across the Pacific, Australia's Superannuation sector manages AUD \$4.5 trillion (USD \$3.15 trillion) in a sophisticated FoF architecture. In the UK, Master Trusts and major life assurance companies have embedded FoF as the structural default for tens of millions of pension savers.

But a new competitive dynamic is reshaping the landscape. A recent Financial Times report highlights how established private equity FoF pioneers are facing net redemptions at their flagship funds as US powerhouses including KKR and Apollo aggressively court the same institutional and individual investors. The report notes that as big institutional backers have slowed commitments, these rivals have started to target individual investors far more aggressively, with new funds and experienced staff deployed to seize market share.

The implication for FoF managers is clear: product innovation, pricing pressure, and distribution reach will matter more than ever. But so will the operational engine that sits behind these products. In an environment where investors are scrutinising performance, fees, and transparency with unprecedented rigour, operational failures are no longer simply an inconvenience they are a competitive liability.



\$5.2trn

US 401(k) assets in Target Date Funds (2025 up from 2.3trn in 2019)

AUD \$4.5trn

Australian Superannuation AUM in 4-layer FoF

The top 5 US providers hold 81% of the market share

\$1.8trn

Vanguard

\$0.7trn

Fidelity

\$0.6trn

BlackRock

\$0.6trn

T.RowePrice®

\$0.4trn



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The Real Complexity Behind Fund of Funds

For those outside the engine room, FoF models appear elegantly simple, a parent fund investing in a curated portfolio of underlying Building Block Funds (BBFs). In practice, the daily operating model is one of the most complex investment administration environments in financial services.

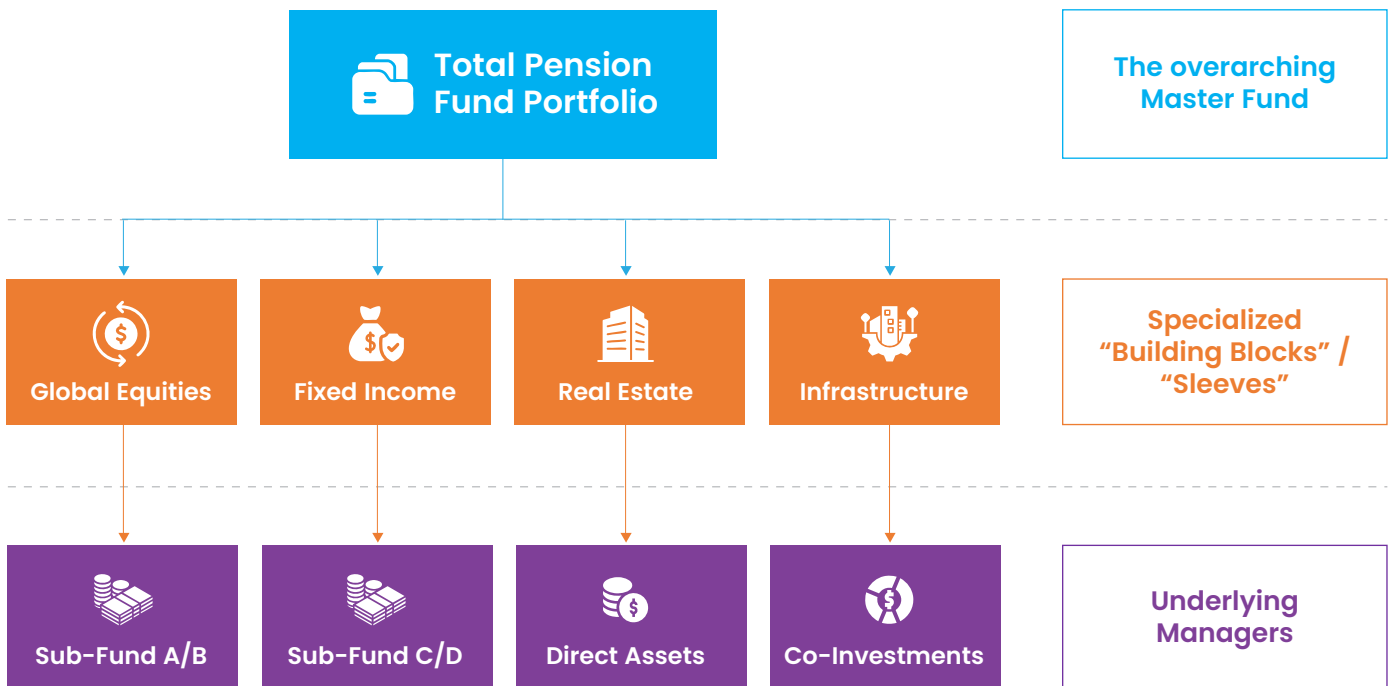
And that is the simplified version. Most UK life companies operate FoF hierarchies with up to ten layers. Managing this in spreadsheets or legacy systems is not just operationally inefficient it is a material risk.

Consider a typical UK life company operating a two-layer FoF structure. Each business day requires: importing and validating aggregate subscription and redemption orders from multiple policy administration systems; converting those into precise orders for each child BBF based on target allocations, accruals, existing cash balances, and pending settlements; routing market orders through automated systems with variable confirmation timelines; pricing the parent FoF and all child BBFs; reconciling the inevitable cash mismatches that arise when unit prices change between order and settlement; and managing the rebalancing of the entire structure back to its strategic target allocations.



“ Any FoF sponsor who wishes to manage this process efficiently and with minimal operational risk will need technology which specifically addresses these challenges. ”

— Frank Carr , CMO, FRS



Rebalancing: The Hidden Operational Burden

Rebalancing alone illustrates the complexity. As BBF unit prices move daily, actual allocations drift from their strategic targets. FoF managers must decide when to rebalance and how. Purely calendar-driven rebalancing (monthly or quarterly) generates unnecessary transaction costs. Tolerance-based rebalancing (triggered when any holding drifts beyond a defined band, e.g. 3%) demands real-time monitoring across every fund in the hierarchy.







The gold standard today is Intelligent or Smart Rebalancing using daily subscription and redemption flows to gradually steer actual allocations back toward targets, without triggering costly market transactions. This approach can eliminate the need for scheduled rebalancing events entirely, materially reducing dealing costs, settlement costs, dilution levies, and bid/offer spread costs that are ultimately borne by investors, even if they flow through the BBF performance line.

For Target Date Funds increasingly the default product in US and UK defined contribution markets rebalancing is even more nuanced: allocations must shift systematically across a pre-defined glide path, year by year, as cohorts of members approach retirement. Managing this automatically, accurately, and without errors is an infrastructure challenge that demands purpose-built technology.



When Building Block Funds (BBFs) Are Suspended or Soft-Closed

No FoF manager can anticipate every market event, but every FoF manager must have a plan for them. The suspension of property funds in the UK and Irish markets in recent years lasting six months or more in several cases demonstrated how quickly a suspended BBF can create allocation distortions across a parent FoF. Technology must automatically detect a suspension and recalculate target weightings for the remaining active BBFs, ensuring new money is invested appropriately and existing investors are not disadvantaged. The same logic applies to soft-closed funds, where inflows are restricted but outflows remain possible.

Operational Challenge	Invest Pro™ Solution
 Complex multi-layer FoF hierarchies	Manages an infinite number of layers of fund hierarchy with full automation across every level.
 Cash mismatch & gearing risk	Automated cash allocation tools minimise gearing and market risk.
 Rebalancing – frequency & tolerance	Configurable frequential, tolerance, and Smart/Intelligent rebalancing in a single platform.
 Suspended, soft-closed and gated funds	Automatically redirects flows when a BBF is suspended, soft-closed and gated funds, no manual intervention required.
 Cross-border settlement timing	Handles variable confirmation delays across time zones and jurisdictions.
 Regulatory compliance	Built-in PRIIPs, KID, Solvency II Pillar III reporting across EU and UK jurisdictions, Schedule D in the US and CPS 230 in Australia.

The Invest|Pro™ Advantage: Built for FoF Complexity

For over 26 years, Financial Risk Solutions (FRS) has been at the forefront of investment administration technology for Fund of Funds managers. Our award-winning Invest|Pro™ platform has been specifically engineered to address the challenges outlined in this paper not as an afterthought, but as a core design principle.

Today, more than 150,000 funds are managed on Invest|Pro™ by leading life assurance companies, pension schemes, asset managers, and superannuation funds across the UK, Europe, US, Australia, and Asia. These organisations chose Invest|Pro™ because they needed a single, integrated platform capable of managing the full FoF lifecycle: from order management and unit pricing, through to rebalancing, cash allocation, shareholder position management, and regulatory reporting.

A Platform Designed for a Changing Competitive Landscape

The FT's account of Partners Group one of private equity's most storied FoF pioneers facing net redemptions as KKR and Apollo expand their FoF offerings to individual investors is a signal the entire industry should heed. The democratisation of private markets, the growth of evergreen and semi-liquid structures, and the entry of US giants into previously European-dominated markets are all compressing the margin for operational error.

For established FoF managers, the answer is not simply to cut fees or launch new products. It is to build the operational infrastructure that makes complexity invisible to investors where rebalancing happens automatically, where pricing is always accurate and timely, where regulatory reporting is generated without manual intervention, and where new fund structures can be onboarded rapidly when market opportunities arise.

Invest|Pro™ is that infrastructure. Whether you are managing a ten-layer retail FoF, a two-layer superannuation hierarchy, or a target date glide path across 40 vintage years, our platform scales with you delivered on-premise or cloud-hosted, with a configuration depth that rivals built solutions at a fraction of the cost and risk.



Why FRS Invest|Pro™

-  Nearing three decades of specialist FoF investment administration expertise, across UK, EU, US, Australia and Asia
-  Full support for frequential, tolerance, Smart/Intelligent rebalancing and TDF glide path automation
-  Automated handling of suspended, soft-closed, and gated BBFs with real-time allocation recalculation perfectly suited to illiquid assets
-  Multi-layer fund hierarchies managed natively
-  Cross-border order management with configurable confirmation delay handling to support multiple dealing cycles.
-  Fully integrated unit pricing, cash allocation and trade order management
-  Built-in PRIIPs KID and Solvency II Pillar III reporting for EU and UK regulatory compliance, Schedule D for US and CPS230 for Australia
-  Fully multi-currency
-  Award-winning platform



“ The platform that turns Fund of Funds complexity into competitive advantage. ”

— Invest|Pro™

Speak to Our Team

If you are a life assurance company, platform, asset manager, wealth manager, or superannuation fund that manages or is planning to launch Fund of Funds products, we would welcome the opportunity to demonstrate how Invest|Pro™ can add value to your operational model.

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 frsltd.com or follow FRS on LinkedIn at www.linkedin.com/company/frs-ltd



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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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