



C O N F L U E N C E

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**CONFLUENCE PREDICTS “PERFECT STORM” OF FORCES TO HIT THE BACK OFFICE,
ACCELERATE DATA CONSOLIDATION AND AUTOMATION IN 2009**

(PITTSBURGH, PA – December 17, 2008) The credit crunch will strike squarely at fund companies’ back offices, and will force systemic changes in the way they operate in 2009 and beyond, according to Confluence, the global investment management industry’s leading provider of automated data management solutions. Confluence believes that fund companies will allocate scarce IT dollars to initiatives that support transparency and issues such as risk control and compliance, especially if manual processes remain prevalent.

“A perfect storm of forces is coming together. These include reduced staff levels and greater workloads; heightened regulatory demands; lower revenues; a proliferation of new, complex products; and the globalization of regulatory and accounting standards,” said Kirk Botula, Executive Vice President and Chief Operating Officer, Confluence. “These forces will push fund administrators to change their processes while providing more value to their companies. This means that fund companies will take a renewed look at automation as a way to systemically consolidate and streamline activities, while lowering the risks inherent in their error-prone manual processes.”

Confluence is predicting that in 2009:

- Back-office staffing for fund companies will not return to previous levels, as fund administrators elect technology as a longer-term, scalable solution to the challenge of reconciling high priority-projects with the need to reduce costs. They will seek technology they can leverage in new ways as requirements and priorities change.
- Transparency and control will reign supreme, as investors expect greater disclosure of portfolio holdings. This will translate into regulations that require stepped-up reporting activity (e.g., more detail and frequency of holdings reporting). Financial Accounting Standards (FAS) No. 157 and FAS No. 161 are just the beginning in terms of new disclosures. FAS No. 161, for instance, requires additional disclosures for derivative investments within financial statements in annual and semi-annual reports—including the grouping of derivatives by type, tabular reporting by derivatives group, and classification for hedging versus non-hedging purposes.

In addition, Confluence believes that fund companies will undertake more transparency initiatives voluntarily as a method to help instill investor confidence once again.

- While the need for XBRL (eXtensible Business Reporting Language) as a de-facto standard is more evident than ever, the timing of this is in question. The merits of automation as a means for providing more timely and relevant disclosure to shareholders will have even greater value in 2009 as a result of the current market crisis and the demand for greater transparency. Yet, the timing for adoption of filing risk/return summaries through XBRL is unclear. Confluence continues to closely monitor developments.
- Expense management and related reports will become high priority items, as the decline in assets takes a toll on overall expense ratios, and fund companies look to stay competitive with pricing. As a result, they will need better controls to track, allocate and budget for fund expenses.

“Manual systems lack the flexibility and control fund administrators must have to meet these demands, and they will not support complex global regulatory and accounting requirements,” added Mr. Botula. “Now more than ever, operations based on manual systems and disparate data silos cannot accommodate current needs, or scale into the future.”

Mr. Botula is pleased to elaborate on these predictions. To schedule interviews, please contact Robert Minicucci, Warner Communications, at 339-206-1722 or robert@warnerpr.com.

About Confluence

Founded in 1991, Confluence is a global leader in fund administration automation. Confluence helps investment management companies gain unprecedented control by automating every step of the fund administration process—including the collection, creation, confirmation, and delivery of investment product data. Results are lower costs, reduced risk, decreased reporting turnaround times, and the scalability to automate more processes without additional resources. Confluence solutions are used by 40 percent of the leading global investment managers, and more than 60 percent of US mutual funds. The Unity™ platform from Confluence addresses a wide range of problems from performance measurement to customized reporting for a full array of domestic and international managed investment products, including mutual funds, funds of funds, collective funds, separate accounts, and variable products, as well as hedge funds and other alternative investments. Major fund companies such as the Principal Financial Group®, T. Rowe Price, and Russell Investments; and service providers such as The Bank of New York rely on Confluence. Headquartered in Pittsburgh, PA, Confluence serves the international fund industry with key locations in London and Luxembourg. For more information, visit www.confluence.com or e-mail info@confluence.com.

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