INVESTOR EXPECTATIONS RISE WHILE THE WORLD LOCKS DOWN

Despite the disruption brought on by the COVID-19 crisis, investor expectations remain high.

Private equity managers are now faced with a new problem: Coping with the immediate need for data and reporting as panicked investors demand daily, if not hourly, information on how their portfolios are faring.

Not all private equity managers are equipped to handle this increased inquiry volume, let alone the complexity of managing their employees' remote working capabilities while maintaining efficiency.

Many smaller firms don't have the bench strength to be able to adequately manage and shift staff responsibilities or the technology or bandwidth to remotely keep up with current demand. And for firms straining their internal back offices to handle these increasing reporting demands and the challenges of cybersecurity requirements with a remote-access workforce, not having the right people and technology in place can put the entire infrastructure at risk.

"Private equity firms are stretched thin as they try to help their portfolio companies stay afloat, get data, and reassure their LPs. They're being pulled in too many different directions," Rhonda Casey, Alter Domus Managing Director, Private Equity, said.

Did you know...

Outsourcing back office activities continues to be a key continuation strategy for private equity fund managers.

Stuart Wood
Director
+1 312 262 3156
Stuart.Wood@cortlandglobal.com

Rhonda Casey
Managing Director, Private Equity
+1 312 300 5816
Rhonda.Casey@cortlandglobal.com

New Demands, New Challenges

Many firms have Business Continuity Plans (BCP) they can activate, however, having a remote workforce for an extended period of time poses a large risk. Outsourcing back office activities continues to be a key continuation strategy.

“Never has the world faced such a daunting crisis, and many of our clients tell us that if they hadn’t outsourced, it would have been difficult to ensure their back office runs seamlessly,” Rhonda explains.

That’s because firms that make use of outsourced solutions spend less time ensuring that their back offices are functioning efficiently, and instead have more time to spend focusing on the key aspects of their business and existing relationships with their investors.

“In short, private equity firms that have not yet outsourced are giving their peers a competitive advantage because instead of focusing on their investment strategy and the operational needs of underlying portfolio companies, they are spending time on non-value add tasks for their clients” Stuart Wood, Alter Domus Managing Director, said.

Timing is Essential

No one knows how long the disruption from COVID-19 will last, but savvy managers understand that when it comes to servicing their investors, time does not stand still. And that’s why so many of them are relying on their outsourcing partners to help them get through this crisis. Thanks to significant preparation efforts,

Alter Domus has seen no disruption in the company’s ability to service clients, even new clients coming on board now. “Some managers worry that they’ve waited too long to outsource their fund administration, but currently, we are able to onboard new managers in a matter of weeks,” Rhonda revealed.

“The sole and only focus of our business is to make sure that there is no disruption in timely, efficient and accurate reporting to investors,” Stuart said. “We are using all of our resources and ability to ensure that's happening from top to bottom.”

Your Present Relationships Will Determine Your Long-Term Success

Investors expect their managers to be fiduciaries of their investment under any and all circumstances, and if managers stumble through this crisis, it puts that relationship at risk. But it’s those very relationships that build your business and can lead to future commitments for follow up funds.

Because investors expect managers to provide good returns and demonstrate results — even in a pandemic — if anything stops the flow of information that investors need to make wise decisions, they will lose confidence. Managers can’t expect investors to grant them leeway because of the crisis. Instead, they have to rise above it and continue to provide the level of transparency investors expect while adhering to existing timelines.

“You’ve worked hard to develop your relationships with your investors. Many institutional investors invest with a lot of different managers and will be comparing to see which managers were able to continue to provide data on a timely basis. Competition for investor attention continues to be fierce and firms that suffer disruptions will risk souring relationships, invite comparison and potentially provoke additional due diligence concerns if they can’t expertly handle this crisis.” Stuart said.