

KEYNOTE INTERVIEW

Creating value through data



*Timely access to information has become critical for GPs and LPs alike, and the importance of data to value creation is only set to increase, say **Tim Toska** and **Jared Broadbent** at Alter Domus*

The pandemic has accelerated digitisation in private equity, but how significant a role will automation and data management play moving forward? Tim Toska, global head of private equity at Alter Domus, and Jared Broadbent, head of fund services in North America and former co-founder of Strata Fund Solutions, which was acquired by Alter Domus earlier this year, explain why a manager's ability to process data is becoming a differentiator and what this means for fund administration.

Q How have GPs' use of technology and data management tools evolved over the past year?

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Jared Broadbent: There was already a movement towards digitisation and increased operational effectiveness using technology, but we saw that accelerate very quickly. Prior to the pandemic, our team had worked on developing a digital subscription fulfilment tool for our clients. It transformed an inefficient paper process into a digitised, secured, streamlined and collaborative tool for our clients and their investors. GPs that were hesitant or slow to adopt such a tool found themselves under pressure to move fast.

Internal processes and technologies for moving data also went into hyperdrive. The receipt and transfer of information from GPs to LPs and from portfolio companies to GPs was highlighted during these unique times. We are still just at the beginning of what is possible around digitising those processes. There is a continued focus by GPs on being able to provide transparency and data to LPs in meaningful ways.

Tim Toska: Technology solutions around portfolio monitoring have been more and more prevalent over the last few years, but we are now seeing a move towards using the same tools and additional data mining to get a deeper

insight into industries as a whole, including the competitor landscape and dislocation at a more macro level in order to gain a competitive advantage.

Q How have investor expectations changed?

What are LPs now demanding?

TT: As the investor base of private equity continues to grow and become more diversified, we can expect continued pressure in providing timely and transparent data. We have already seen an increase in demand due to the influx of retail investors and other investors that are not as familiar with alternatives. That demand for data is not going to lessen any time soon.

JB: Expectations have changed quite drastically around the level of data LPs want, and there is a greater need for them to understand the drivers of value in a portfolio. Investors are looking for more granular insight on challenges facing portfolio companies and how those businesses are managing in their markets. LPs also want to know more about how fees and waterfalls are being calculated, which has traditionally been quite opaque.

In addition, the pandemic has put more focus on business continuity planning and operational resilience, meaning LPs are asking more questions on cybersecurity and critical infrastructure.

Q Digital transformation has moved from being an issue of cost-saving to being part of the value proposition.

Can you give examples of this?

TT: At a more macro level, the focus has been on the digitisation and automation of various data points to quickly identify overall market trends and tie those into decision-making around capital deployment at an industry and investment level. With more dry powder than ever before, there is an increased focus on identifying the investment opportunities in order to provide the best returns for investors,

and digital transformation plays a big role in that value proposition.

For investors, LP portals have shifted to focus on sophisticated dashboards that allow investors to have real-time access to their fund level returns, but also the transparency to understand the drivers at the underlying investment level. This type of transparency provides investors with a clear view of their portfolios and allows them to make informed decisions regarding the whole asset class. GPs are able to differentiate themselves during fundraising by assuring their potential investors that they will be able to provide timely and updated data through those portals and can demonstrate the value they are creating and how they are achieving it.

JB: GPs are always trying to demonstrate their value during fundraising, and digital transformation inspires confidence among investors that the manager's successes can be repeated because they have the data to back up their processes and a clear track record of how value has been created.

Q What role might automation and robotics play in the future?

TT: Automation and robotics are going to be critical for GPs and, alongside them, for fund administrators. These are early days, but we are seeing more activity around data transfers between systems and API connectivity to facilitate timely requests and allow managers to react quickly to market issues.

JB: It is going to be critical to invest in automation and robotics because the ability to process information into actionable intelligence will be a key differentiator. The volume of information in the market now is a huge positive but managers are focused on achieving returns for investors. The way to achieve those going forward will be driven by identifying the best deals and determining ways to create value – you cannot stress enough the value of efficiently

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transforming that data through the use of automation and robotics tools.

Q How are fund administrators responding to the growing use of tech from the front to the back office?

TT: Fund administrators are embracing this technological evolution because it is now less about a focus on cost efficiencies and more about overall value drivers. Fund administrators are part of the value chain – where perhaps in the past we might have been valuable to the back office only, we are now getting more involved in investor relations because the data that we provide is critical across that organisation.

JB: Because of our key role as creators of so much of the data, we are intertwined with the day-to-day operations of our clients and we must continue to evolve and invest in technology. The best administrators will make sure they are able to help clients capitalise on data, from investor relations to operations and beyond.

We have a group at Alter Domus entirely focused on investing in automation and we see the importance of enabling connectivity between systems going forward. We do not believe any one firm will solve for every nuance, so the ability to transfer data between systems efficiently will be extremely important and we will continue to invest in that. ■