



# A 21<sup>st</sup>-Century Asset Class Demands a 21<sup>st</sup>-Century Data Solution

## THE PRIVATE EQUITY DATA REVOLUTION STARTS NOW

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**By Michael Rucci, CEO**

You're doing well; your funds are growing and you're primed to keep expanding. But as you grow, your operational heft — headcount, technology, infrastructure — grows too, dragging on the very benefits of scale you were seeking in the first place. Meanwhile, your investors are demanding more transparency, more personalized reporting, better analytics — and lower fees.

There's no denying the greater role that technological firepower plays in every aspect of our lives — and private equity and multi-strategy managers

are increasingly focused on leveraging it to gain efficiencies and strategic insights. They understand that to survive, their operating model must evolve: complex data management and reporting are no longer just nice-to-haves.

But leading a data revolution in a generations-old market takes more than understanding or "vision." What's needed today are *fast, efficient, data-driven platform technologies custom built for this unique market* — a kind of Bloomberg feed for alternatives. Those technologies are already established in liq-

uid securities and traditional investment platforms, but not in private equity or real estate, where limited partners can only look at financial statements and “hope” they are correct.

So how do you get from here to there? It starts with making a mindset leap around data — where it’s no longer static numbers that live somewhere on a spreadsheet, but a *dynamic asset* in its own right, and potentially a source of significant competitive advantage.

### **When big data is as basic as dial tone, the real opportunities begin**

From ticker-tape to terminals to trading algorithms, technology has always driven the evolution of the market — and today, that evolution more closely resembles a revolution. We are in the midst of a *paradigm shift to a data culture*, where data will be seen as a commodity, as banal as dial tone. Those who recognize and embrace that paradigm will have a clear advantage. But getting your organization over that hump is no small task.

Embarking on an end-to-end transformation of both your reporting and administration infrastructure — in the midst of conducting your business — is extremely challenging (ask any organization that has gone through a major technology upgrade): the risk is great and the margin for error, vanishingly small. And besides, why would you want to? You entered the alternatives business to attract limited partners, make shrewd investments, and grow — not to get bogged down in technological and administrative burdens, and watch your profits shrink while your risks expand.

This is why outsourcing of noncore, back-office functions continues to gain momentum in the

market. According to Ernst & Young’s 2019 Global Private Equity Survey, nearly 4 in 10 funds have

increased their use of outsourcing to mitigate margin erosion, and the share of managers outsourcing their regulatory reporting tripled over just two years — from one-quarter to nearly three-quarters.<sup>1</sup>

While today’s economic environment and increased client sophistication pose

new challenges for private equity, the right digital technology implemented in the right way by the right partner will open new opportunities — and help position funds for long-term success.

### **Connect the dots, connect the solutions**

Any alternative asset contains dozens (if not hundreds) of pieces of metadata from multiple private-market sources that are neither automated nor uniform — unique attributes collected and calculated by various parts of the organization at various stages of the asset lifecycle. And what happens to all that data? Typically, much of it ends up manually entered on spreadsheets, and stored somewhere in silos across the organization — a process that’s not only inefficient, but also risky and error prone.

Yet here’s the true opportunity cost: many of those numbers have significant potential value — if looked at and analyzed as part of a larger strategic puzzle.

When you work with a fund administrator who has that data culture in their DNA, the efficiencies you gain — speed, compliance, security, ubiquity, access — are just the table stakes. The deeper rewards flow from what you do with that data: when you connect the dots to gain deeper insight into

Are you ready to  
make a mindset leap  
about your data?



<sup>1</sup>Ernst & Young: 2019 Global Private Equity Survey

the assets you are contemplating and the portfolio companies you are managing. And when you are able to satisfy your investors' growing appetite for bespoke reporting on their portfolios.

Consider how many leading indicators and algorithms a private equity or real estate fund must use to analyze the health and forward-looking prospects of an operating asset, or a cashflow-producing asset, or even a business idea. What if you could put every bit of that data to strategic use? What if, instead of just measuring and understanding what happened with a fund, you could understand why it happened — right down to the holdings level? What if, from there, you could extrapolate what *could* happen... and act based on that information?

*That's the kind of business intelligence that can add a completely new dimension to your strategy — one that enables speed-to-intelligence.* And it's increasingly going to be the marker of success for the alternatives industry.

### **How innovation translates into a market edge**

Uber and Lyft didn't teach us how to hail a cab, and Airbnb didn't teach us how to provide lodging. They taught us how to apply a new business model to an old industry, and use data science to make it profitable. They weren't innovating for innovation's sake.

The same goes for outsourcing fund administration, which has naturally evolved into a commoditized service, encompassing everything from dynamic reporting, treasury services and due diligence to waterfalls, tax support and portfolio performance data. At MUFG Investor Services, we've already integrated many leading enterprise solutions. But we know that what really counts

is *enterprise flexibility, extensibility and visibility.* (After all, better technology is only better if it's accomplishing what you need it to.)

To us, innovation means more than off-the-shelf bells and whistles, more than people, more even than ideas. It's about intelligence in design and application. It's about how you weave the pieces together into a living, breathing,

flexible solution that adapts to the needs of both managers and investors. And it's about how you execute that solution.

Embracing digital disruption will continue to challenge many fund administrators, but if done right, it will be worth the growing pains, for both you and your stakeholders. A successfully implemented outsourced solution that fully leverages the power of data and business analytics can restore the benefits of economies of scale — while meeting the bespoke reporting demands of your most sophisticated investors. And it will reduce risk while saving you considerable time and money.

### **MUFG Investor Services: A culture of digital transformation**

At MUFG, we have more than 300 years of history in finance, with a legacy of global capabilities, security and strength. But we knew that to revolutionize the private equity industry's approach to data management, we were going to need fresh thinking and new perspectives.

Over the last five years, we've invested millions in rebuilding our operations from the ground up — transforming our DNA to embrace technology, innovation, and speed to insight, and hiring technologists and data scientists who are just as outstanding in their fields as are our accountants and

What if you could  
connect the dots...  
and put *all* your data  
to strategic use?



client services managers. Better still, as part of the world's fifth-largest financial institution, we can provide your fund or investment vehicle with the full spectrum of commercial banking and financing services — *all with a single point of entry and a single point of accountability.*

We know it's no longer enough for fund administrators to automate routine tasks. It's our job to open up this huge data resource to our clients, to help them embrace a 21st-century data culture, and to position them for long-term success by giving their investors what they really want: efficient, meaningful data reporting and analytics, at a moment's notice.

We're privileged to have the means and market strength to make this transformation, and it has become our firm commitment — to evolve data solutions based on explicit client needs, and to enable technology capabilities that will lead the alternatives space for decades to come.

**To learn more about how we can help you optimize the strategic value of your data, please contact**

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