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Strong partnerships as PE industry adapts

By A. Paris

In what has been a tumultuous year for all sectors, private equity has had to adapt in the face of the investment and operational challenges thrown up by the Covid-19 pandemic. Amid the struggles, fund raising efforts remained strong and general partners (GPs), together with their service providers, stepped up and adjusted to this new environment.

Data from Preqin shows a record number of funds on the road, albeit will a smaller total capital target than in the past couple of years. "Managers may be purposefully staying smaller and nimbler in order to more quickly take advantage of the market opportunities that the pandemic has presented," the data provider notes.

However, the industry is also facing a decline in actual fundraising, with only 237 funds closed in the quarter, down 18.3 per cent from Q2 2020. The data indicates that despite the smaller total capital target a number of funds have, investors are seeking security in larger managers with larger funds, with the average fund size up 26 per cent compared to the prior quarter. This could be partly driven by the difficulties investors face in having to carry out operational due diligence on virtual platforms.

"The environment has caused a fair amount of introspection on how firms operate. It also had an impact on how investors think about diligence and operational capabilities and infrastructure of the firms they're investing in," comments Joe Patellaro, Managing Director, SS&C Global Head of Private Equity Services.

This year has also seen an acceleration in the adoption of technology. "GPs have been creative and bond and have transformed, adapted and evolved to become and agile resilient industry," notes Steve Roberts, Private Equity Leader at PwC Germany in the firm's private equity trend report for 2020. "The way forward is continued diversification with a lot of focus on technology and using tools such as AI to source more and better deals but also to expedite holding periods, increase the value of portfolios and create industry leaders and disruptors," he adds.

Jill Calton, SVP Director of Alternative Investments at UMB Fund Services echoes this sentiment: "Private equity's ability to adapt and evolve, embrace challenges and create opportunities will be front and centre in the upcoming year. The sector is well positioned to take advantage of the uncertainty in the marketplace.

"Technology is going to be key. With the likelihood of remote operations continuing the ability to adapt and leverage technology to accomplish tasks that were traditionally handled in person is very clear. The greater the reliance on technology also leads to greater risk and susceptibility to cyber-attacks."

Though bringing with it a variety of challenges, the Covid-19 crisis has pushed the private equity sector beyond its comfort zone. Des Johnson, CEO of Centaur USA highlights: "GPs have traditionally relied heavily on face to face interactions in an industry that has always been quite conservative. With the technology developments and acceptance that has come with the lockdown, GPs are quickly realising that technology is a support to them as they adapt and modernise. New technology tools and security protocols are bringing about greater productivity and cost efficiencies, and this has led to an upswing in the outsourcing of administration operations." ■

Growing retail demand for PE

FIS: Best Accounting & Reporting Software

Private equity firms look likely to continue operating remotely and engaging virtually with investors. And as more retail investing strategies and 401k plans in the US embrace private equity, the industry is also seeing greater demands for access to information and higher standards of reporting.

Dan Kaytes, Head of Product and Delivery for Private Markets at FIS, says technology is playing a critical role: "Technology solutions are helping to service the demands of the private equity investor. Technology is also providing organisations with scale, while process automation enables team members to focus on higher value tasks and activities."

Technology solutions have also been thrown into further focus as a result of the Covid-19 pandemic. Kaytes notes: "Covid-19 is driving digital transformation across all industries. It has emphasised the need to ensure everyone can continue to deliver for the firm regardless of their work location.

"Technology is key to enabling collaboration among team members and portfolio companies. FIS are continuing to invest in delivering solutions using Cloud technologies to facilitate access to systems and data remotely and securely."

Kaytes also identifies a growing need for access to data, which consequently drives decision making: "Highlighted by Covid-19, asset managers have refocused their strategies and what funds they're going to be invested in. So the need to access accurate and timely information is more important than ever. Managers want technology to do the paper shuffling whilst their analysts concentrate on the real value add, which is investment decision making."

Further, the rise in available data underscores the importance of the ability to efficiently process this information to generate meaningful insight and reporting. Kaytes outlines the FIS effort in responding to this: "FIS is taking advantage of advanced technology, such as public cloud and artificial intelligence and machine learning, to create services and solutions which can consolidate, correlate and aggregate data to increase user productivity and in turn reduce costs. FIS' Rainmaker solution is a prime example of the value that advanced analytics can provide."

The private equity industry is also witnessing increased investor sophistication, particularly in the retail space. This is directly related to 401k plans now having access to PE. According to Kaytes, this will likely lead to managers having more money to invest in the space but it could also pose a challenge. He comments: "As 401Ks are for retail consumers, the expectation is this going to drive the need for more standardisation and more transparency. We expect regulators to increase their level of oversight. Investran's robust accounting engine and flexible reporting solutions enable our clients to adapt to meet any new requirements.



"There is also a growing need for information on the go. As PE becomes 'mainstream', investors expect transparency and detail. Players in the industry are moving to the cloud for faster and easier access. The mobile version of FIS' Data Exchange caters for the modern-day technology user. Reporting no longer one-dimensional; Data Exchange allows investors to slice and dice with dashboards and different metrics filters." ■



Dan Kaytes
Head of Product Management & Delivery, Private Equity, FIS

Dan Kaytes is head of Product Management and Delivery for the Private Equity business at FIS. In his role, Dan helps drive and deliver the vision for FIS' Private Equity solutions. He engages with clients and the FIS team to ensure the delivery of the solutions' product roadmaps.

Partnering for growth and success

SS&C GlobeOp: Best Fund Administrator (GP's with assets >$30bn)

Private equity firms' trend to partner with third-party service providers was well underway ahead of the Covid-19 crisis. The pandemic has accelerated the consideration for many PE firms to outsource a number of aspects of their operations and form strong alliances with service providers who can engage and integrate with their business.



"Firms continue to focus on how to drive operational excellence. Part of that includes assessing what firms do well and what are their core competencies. Through this process, managers also identify where they can take advantage of service providers and partners who can assist them. In the past six, 12, 18 months, this evaluation has yielded different results than it had if a firm had last done it five or ten years ago. Firms are being thoughtful and creative in assessing service provider partnerships. These are broad strategic considerations across many firms and not just binary outsourcing decisions," says Joe Patellaro, Managing Director, SS&C Global Head of Private Equity Services.

"The way investors think about diligence, operational capabilities and infrastructure of the firms they're investing in is also evolving, particularly in a fully remote environment," Patellaro notes. "We are a strong partner in this regard, managers can focus on deal flow, generating returns while being able to trust SS&C to provide the back-office support and infrastructure"

He also identifies the growing need for access to data: "The need to access, share and integrate data for Private Equity managers only continues to increase, particularly as more firms expand into different areas and need to bring together different, sometimes disparate sets of data for both internal consumption and external reporting purposes. This trend drives the search for partners like SS&C to be able to provide tools and resources that allow for data aggregation, mining and reporting across a broad spectrum of types of funds and investments."

As a large global firm, SS&C has both seen and been a part of this change in momentum. Patellaro comments: "We have broad and deep experience both within PE as well as more broadly across alternatives and funds in general. So, when a large asset manager or investor is contemplating who can help, scale and global footprint are important as is the breadth of services a firm can provide."

Though bringing unwelcome disruption, the current environment has proved to firms they can work well with the right external service provider. SS&C has been proactive in reaching out to clients as the coronavirus crisis broke out to see what they need help with. "This went far beyond fund administration. As a large, global service and technology firm across a wide variety of segments, we were able to pivot quickly to the current environment and lend our support to many clients around the world," said Patellaro.

SS&C Technologies has struck a balance between being responsive to what the market dictates while making the most of a trend in growth already underway within the PE outsourcing sector. ■

Joe Patellaro
SVP, Managing Director, Global Head of Private Equity Services, SS&C Technologies

Joe is an SVP and Managing Director and has been with the SS&C Private Equity Services business since 2002. As the Global Head of the Private Equity Services business at SS&C Joe is responsible for global strategy and evolution of the Private Equity Services business, and interacts with many internal and external constituents worldwide in staying current on industry, technical, and regulatory matters.

Joe has been in the professional services industry since 1987. Prior to joining SS&C, via the SS&C acquisition of Citi's fund services business in 2016, Joe spent over 15 years at Arthur Andersen, last as an audit partner and the partner-in-charge of the emerging markets practice in the Stamford, Connecticut office.

Joe is a graduate of Hofstra University and serves on the Board of Trustees of Family and Children's Association, a Long Island-based non-profit organisation, and the global Board of Trustees of Help for Children.



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PE managers recognise the power of their data

UMB Fund Services: Best Fund Administrator – Technology

Private equity is well positioned to take advantage of the uncertainty in the marketplace, with technology forming a firm foundation for these efforts. In this context, PE managers are recognising the power their data holds and their need for accuracy and flexibility in this regard continues to grow as their investors become increasingly sophisticated.



"Once a relatively simple task, fund administration has become a resource intensive and complex activity requiring a higher headcount, greater expertise, and more sophisticated technologies than ever before. We continue to see rapid growth in our private equity business," remarks Jill Calton, SVP Director of Alternative Investments at UMB Fund Services.

Calton notes how there can be the perception that investor and partner data might be held captive by administrators. This would mean the PE manager can't readily access and work with the data for purposes such as sales and marketing or advanced reporting and analytics.

However, this is not the case, especially at UMB. Calton explains: "We are readily able to respond to managers' data requests and, just as importantly, managers can perform searches, run complex queries and export data. We know that their data is just that–their data. We recognise data is vital for managers and we are always enhancing the ways they can access it."

"UMB recognised early – more than 10 years ago – that managers would need far more than just "reporting." That recognition was a leading reason for our decision to build a fully proprietary system, which we maintain with internal software-engineering experts."

The firm has always had a single, robust system and in-house technical experts. As a result, UMB clients have always been ahead of the curve in the industry with respect to their ability to access and make use of not only reports and document repositories, but the underlying data itself.

Calton discusses the challenges PE managers face: "More than most asset managers, private equity firms have long recognised the need for playing offense as part of their strategy around fund data. In this sense, "offense" includes using fund data in customised reporting as well as sales and marketing efforts.

"Private equity managers may have tolerated this operational stress longer than most other types of asset managers because they know the value of their data and that the flexible use of it is also important. But many can no longer tolerate risks of errors, operational delays and–to put it bluntly–looking a bit mom-and-pop to their increasingly sophisticated investors."

By and large, private equity's ability to adapt and evolve, embrace challenges and create opportunities will be front and centre in the upcoming year. "With the likelihood of remote operations continuing, the ability to adapt and leverage technology to accomplish tasks that were traditionally handled in person is very clear," Calton advises, "The greater reliance on technology also leads to greater risk and susceptibility to cyber-attacks. Private Equity firms and portfolio companies will increase their focus and management of cybersecurity both internally and with third party providers. In addition, the shift to e-signatures to streamline and automate the process for investor flow and deal flow will become more standard." ■

Jill Calton
EVP/Executive Director Alternative Investments, UMB Fund Services

Jill leads the alternative investment servicing business of UMB Fund Services, which offers a full range of back-office services for alternative investment funds. Her responsibilities include organisational leadership, strategic development and fiscal management. This includes overseeing the teams that provide fund accounting, administration, investor reporting, tax and audit services for the company's alternative investment clients. She previously served as a managing director overseeing one of these client service teams.



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PE firms adapting to current trends

Jensen Partners: Best Recruitment Company for Executives & Best Recruitment Company for Investor Relations & Asset Raising

As private equity firms expand across geographies, strategies and sectors, there is a growing need for professionals with specialised skillsets and relationships and relationships in emerging markets. Further, the focus on diversity and impact investing is marking a shift in the industry which is also coming to terms with the transition to virtual platforms.



Sasha Jensen, founder and CEO of Jensen Partners, outlines: "The private equity industry continues to grow in size and prominence. The combination of an economic crisis and record levels of dry powder have private equity firms positioned to take on an ever-greater share of the global economy, particularly in some of the areas hardest hit by Covid-19."

"We have seen fundraising volumes and demand for experienced PE marketers remain at high levels throughout most of 2020, with only a brief blip in hiring activity in the first quarter as the entire world hit pause."

Jensen notes how PE firms have been expanding across geographies, sectors and strategies: "What used to be an industry defined by buyout firms concentrating mostly on the US and European markets has transformed into a truly global industry that touches almost every corner of society. We have seen an increase in demand for marketers with relationships in East Asia and South Asia, two fast-growing regions with massive potential financial markets."

There has also been a rise in demand for marketers with specialised skillsets, such as product specialists who can go into the technical details of how a particular investment strategy is designed to work.

ESG and impact investing is also surging as several PE firms launched impact funds in the past couple of years. Jensen remarks: "We expect this trend to continue as market and regulatory forces put sustainability at the centre of all business and investment decisions. In 2019, we started tracking all ESG and impact marketing moves, and our data shows that there is more demand for these specialists than ever."

"We are still in the first wave of private equity firms launching impact funds, and if these funds continue to attract capital and generate attractive returns then there will undoubtedly be second and third waves coming soon. Private equity firms can play an important role in transforming our social and environmental systems to the forefront by integrating ESG and impact into their investment decisions."

Diversity map

Jensen Partners remains focused on building a data-centric model for executive search. The firm believes the combination of quantitative and qualitative data is essential to finding the ideal candidates and building the right team. The increased attention given to diversity and the growing demand for marketers with specialised skillsets confirms this belief, with many private equity firms now looking at their marketing and distribution teams with new eyes.

Later this year, the firm plans to introduce a powerful new tool called the "Visual Diversity Map." Jensen explains: "This tool will allow us to illuminate the gender and racial background of each marketing candidate across private equity firms, private credit firms, real estate investment firms, real asset investors, infrastructure equity and credit managers, hedge funds and private fund placement groups. We will also be able to track and illustrate the level of diversity on a distribution/sales platform, with details on recent diverse hires, departures and promotions."

"In addition, thanks to this tool, we will be capable of identifying the diverse rainmakers and rising stars among marketing, business development, investor relations, institutional sales and product specialist professionals across the alternative investment space."

The creation of this tool is aligned with the changes being observed in client needs. Jensen notes: "There is an increased focus on diversity at all levels of private equity organisations, particularly in regards to hiring people of colour and giving these employees more opportunities for development and advancement."

"We have been tracking the diversity of all marketing moves since 2018. We use this data to help spotlight how private equity firms are doing at addressing the gender and racial gaps in their organisations. This data is shared both with private equity firms and with the market as a whole so that we can all see what progress is being made and what challenges still remain."

According to Jensen, the process of addressing diversity issues within the PE firms themselves and also among portfolio companies is an uphill struggle: "This is not a battle that will be won in 2020 or 2021. However, PE firms can take important steps now by reporting on their current diversity metrics and making pledges to increase the representation of women and people of colour. The key will be to follow through on these pledges with action, either by setting hiring targets and quotas or helping nurture the next generation of talent through mentorship and entrepreneurship programmes."

Transition to a virtual world

She goes on to identify the additional shift which has taken place in light of the Covid-19 pandemic: "It has altered how many private equity firms approach fundraising and hiring. Raising capital from institutional investors and meeting with potential employees both require a personal touch, something that is difficult to achieve over Zoom."

"But rather than slow down fundraising or hiring, many private equity firms have pivoted and embraced a more decentralised model that allows people to meet and decisions to be made without the typical levels of bureaucracy. This is a welcome change that is likely to persist beyond the pandemic, so marketing candidates should get comfortable now with a Zoom-heavy future."

The persistence of a virtual world will continue to put pressure on marketers. Jensen observes: "Private equity firms, just like the rest of us, are trying to adapt to a new normal. This is especially true of marketers, who are used to traveling around the world to meet with investors in conference rooms and hotel ballrooms. These meetings have almost entirely shifted to a virtual format, putting increased pressure on marketers to be able to build and manage relationships even at a distance."

She mentions how although many of the characteristics that define a successful marketer remain the same in this new scenario, some factors have undoubtedly changed: "For instance, marketers today are expected to be tech-savvy and comfortable running meetings and calls via virtual platforms like Zoom and Skype. Marketers must also find a way to keep their team members motivated and investors comfortable from a long distance, which requires strong interpersonal skills."



"We evaluate all marketing candidates for their track record and investor relationships, but also to ensure they are well-positioned to succeed in a post-Covid world. Our 360 Investor Referencing methodology is particularly helpful in identifying candidate strengths and weaknesses, providing private equity firms with a greater degree of confidence that they are making the right choice." ■

Sasha Jensen
CEO & Founder, Jensen Partners

Sasha Jensen, Founder and CEO, launched Jensen Partners in 2012 with the focus on solely identifying the pre-eminent human capital talent for raising capital within the alternative investment industry. In fact, Sasha was described as "the most successful executive recruiter for asset gatherers" by Institutional Investor magazine. In 2020, Jensen Partners expanded its team to Europe with the addition of two senior professionals. In February 2020, Peter Mayer, previously a partner from PJT Partners, was appointed Head of Europe. The following month George Lewis was named Managing Director, Infrastructure practice in London. Over the last five years, Sasha's firm has received several rounds of institutional funding, experienced transformational growth and expanded to 14 professionals located in New York and London. Further, Jensen Partners' executive recruiting model applies a 'big data' approach to mapping out the entire fund distribution teams at the largest alternative investment platforms, totalling more than 600 firms.

Uniquely, Sasha's experience recruiting distribution specialists spans nearly two decades. She was previously the Director of Alternative Asset Management Recruiting for The Gerson Group in New York and London. Before joining Gerson Group, Sasha served as the Global Head of Fund Distribution for Kinsey Allen International. Sasha was previously an investigative journalist and latterly worked as Head of Investigations of the Sunday Independent and Saturday Star newspapers in Johannesburg. Sasha graduated with an upper-class double-honours in Philosophy and Literature from University of Warwick.

Agility and focus in a new virtual world

Options: Best Cloud Services Provider

The Covid-19 pandemic highlighted financial firm vulnerabilities, as changes in the way people work have led to an increased awareness of cybersecurity and a keen focus on the best tools to facilitate remote working. *Private Equity Wire* spoke with Options, Microsoft Gold Partner and recent winner of Private Equity Wire US Award "Best Cloud Services Provider" around agility in the virtual climate.

Stevie Morrow, COO at Options comments on firm integration in a virtual world: "Two tools stood out – Microsoft 365 and Citrix Workspace – we relied on these to make sure that we could move swiftly to remote working. We had already moved to these tools in 2019 and knew we had to flip to fully WFH footing in early February to stay ahead of our client demand. Citrix and Microsoft 365 have made our remote working and supporting our clients much easier, collectively we have been able to stay in touch, collaborate and remain productive."

He underscores how these remote working tools have been critical to the cyber-security dimension which has taken on increased importance in the current environment: "We see ourselves as a bridge between the private and public cloud and all the experience we've had in building and managing a private cloud can be transferred to the public cloud. We overlay a lot of the management, automation and security to provide the same level of protection for people working remotely."

Michael Russo, VP of managed applications at Options outlines the importance of being agile: "The ability to be fleet-footed and to look for a provider who can do that is imperative. If it wasn't already critical before the pandemic, recent, global events have really highlighted the importance of having a strong team behind you."

As more firms move away from on-premise solutions, Russo notes: "Companies are exploring the hybrid and public side with outsourced management versus going with your traditional on-premise mode and/or on-premise teams.

"There are companies that have fairly robust IT teams. However, many simply do not have the appetite to either ramp up or expand them. The trend we've seen is moving away from the traditional on-premise models and investing in the "as a service" model. The fact Options' managed services are fully SLA backed also yields an attractive, value-add difference when compared to the traditional on prem model."

Discussing current trends, Morrow says: "We've seen a real growth in the banking world to outsource technology and relying on external vendors. That creates challenges and difficulties for banks. We enable them to consolidate a lot of those technology endpoints into one vendor. We are able to do this at scale by leveraging our expertise in the cloud and automation – our auto-NOC and auto-SOC are game changers in enabling us to identify, report and often resolve operational and security incidents in real-time across millions of events."

According to Russo, infrastructure as a service (IaaS) is due to become more diverse: "It won't be the all or nothing model we've seen in the past where you have your traditional IaaS, platform as a service (PaaS) and SaaS.

"There'll be a bigger marketplace for the, "as a service" offerings as a whole, allowing companies to have greater flexibility than ever before, where they don't potentially have to choose one." ■



Michael Russo
VP, Managed Applications, Options

Michael Russo is responsible for the development of Options' Managed Application services, cloud offering, security and the overall delivery of the firm's product roadmap. Michael brings nearly two decades of industry experience to Options from Finastra and OpenLink Financial, where he oversaw global business development and growth of the firm's burgeoning cloud-based solutions. He was a key contributor and leader in the expansion and development of the firm's cloud strategy, market analysis, business development, and overall service delivery.



Stephen Morrow
COO, Options

Stephen Morrow is Options' COO and is responsible for overseeing the firm's key strategic accounts and global operations. Stephen was previously Vice President of the Exchange Solutions division at NYSE Technologies, NYSE Euronext's commercial technology division. Previous to this, he held the position of Managing Director for the Exchange Solutions division at NYSE, focusing on product management and international deployment. Prior to joining NYSE, Stephen was Director of Exchange Solutions at Wombat Financial Software.

JENSEN PARTNERS
EXECUTIVE SEARCH

Identifying and Securing the Ideal Human Capital to Raise Long-Term Patient Capital

Jensen Partners is an award-winning executive search and corporate advisory firm that identifies and places leading capital-raising and investment candidates within the alternative investment industry. To do so, Jensen Partners takes a data-driven approach to all mandates

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Insight helps protect and create value in an uncertain environment

CohnReznick: Best Tax Adviser

The onset of the coronavirus pandemic postponed or brought a halt to most deals in the private equity pipeline, shifting the emphasis of most firms to the health and survival of their portfolio companies. However, as private equity firms have gained more insight into today's uncertain market conditions, they have increased their comfort level and deal activity has begun to accelerate. As uncertainty remains the order of the day, firms look to their partners for support in creating and finding value.

"Most GPs have been a resilient group through the coronavirus pandemic. To maintain this strength, they need access to timely and relevant intelligence to make good fund, portfolio company and transaction decisions. In addition, they need creative solutions to complex challenges," comments Jeremy Swan, Managing Principal, Financial Sponsors & Financial Services industry practice at CohnReznick.

The coronavirus affected all industry sectors, with some contracting and others expanding. As a result, each private equity firm's needs are even more unique in this environment, depending on the composition of their portfolio.

Swan expands on this: "From an operational perspective, some may be focusing on supply chain improvements, workforce enablement, or cash management. Others may be exploring distressed investments as an opportunity to add a new platform or seeking to acquire spin-offs from strategics who are looking to shed assets.

"For both buyers and sellers, it's important to give careful thought to the industry in which they operate and how they might mitigate risk areas. While so much is unknown and outside of one's control, proactively addressing potential issues upfront, while being flexible and nimble, will ensure a more favourable outcome. These actions may not prevent a change in EBITDA multiples or valuations, but it's better to take an offensive posture rather than a defensive one to make the most of this potentially tough situation."

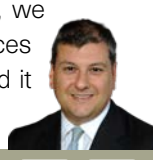
GPs are facing a number of challenges which include navigating government stimulus programmes during the transaction process, continued restrictions on travel and face-to-face meetings, uncertainty due to the outcome of the US presidential election and US tax policies as well as the realisation of the full impact of the Covid-19 crisis on the final purchase price of transactions.

"Over the course of the investment lifecycle, certain defining moments have the potential to generate significant value. Too often this value goes unrealised as firms lack the market intelligence, experienced resources, and industry expertise to make well-thought decisions in an environment that may be uncertain, unstable or unfamiliar," Swan notes.

The private equity team at CohnReznick supports clients by providing insight into how value is created and preserved to achieve their desired vision. These professionals also possess the technical skills and relationships needed to realise value, together with the ability to capture that value with speed, efficiency and integrity.

Throughout the pandemic, CohnReznick demonstrated its ability to help clients make well-thought decisions amid uncertain market conditions. To this end, the firm expanded its transaction advisory services team and its restructuring and dispute resolution team to assist clients in protecting and creating value.

"Our firm has the right team and capabilities in place to provide intelligence and industry insight to support action. We offer tailored solutions that leverage exceptional analytics and financial modelling tools. In addition, we have connected leaders who mobilise resources on demand to deliver value when clients need it most," Swan concludes. ■



Jeremy Swan
Managing Principal, Financial Sponsors & Financial Services, CohnReznick

Jeremy Swan is the National Director of CohnReznick's Financial Sponsors & Financial Services Industry practice and also leads the efforts of the Firm's M&A Consulting Services practice. With more than 20 years of experience advising financial sponsors and emerging private and large, multinational portfolio companies, Jeremy has extensive experience working with financial sponsors as both an investment banker and a consultant. He has expertise in mergers and acquisitions, IPO readiness, financing transactions, post-acquisition integration, and operational and financial due diligence.

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Market forces support outsourcing trend in PE

Centaur Fund Services US: Best Fund Administrator (GP's with assets <$30bn)

As fund administration complexity and regulatory burdens grow, technology is playing an increasingly critical role in the fund administration process. General partners (GPs) can reap the benefits of third-party systems without the cost and time associated with implementing and maintaining these systems in-house. This allows investors to have real-time access to reporting through portals where they can view data at any time, across multiple investment structures in multiple jurisdictions with complete transparency.

The coronavirus has been the single most influential event this year and has understandably had a significant impact on the private equity industry. Technology is playing a key role in how GPs are adapting to these pressures.

Des Johnson, CEO of Centaur USA comments: "GPs have traditionally relied heavily on face to face interactions in an industry that has always been quite conservative. With the technology developments and acceptance that has come with the lockdown, GPs are quickly realising technology is a support to them as they adapt and modernise. New technology tools and security protocols are bringing about greater productivity and cost efficiencies. This has, in turn, led to an upswing in the outsourcing of administration operations."

He explains that in the current environment, Centaur has been proactive in keeping funds connected with their investors and advisors: "This can be done in many ways, such as hosting virtual board rooms as well as delivering accurate and timely reporting. Digital collaboration is also on the up. With virtual messaging and document sharing tools, GPs, LPs, fund administrators and other parties are collaborating like never before.

"Fund administrators need to offer immediacy, personalisation and transparency, all on an accessible and secure platform. However, person-based client service should never be compromised and should work with technology to provide advice and assistance based on experience. At Centaur, we have the technology platform to fully support our PE clients. We also get on the phone with clients and walk them through best practice, how we have seen others resolve issues, what we saw in prior crises etc."

The pace of change in technology is considerable and keeping abreast of these developments and incorporating them into their business is one of the key challenges GPs are grappling with. Johnson outlines: "GPs need to embrace new technologies. Data is now produced and accessed in real time, so GPs need to offer their investors personalised, up to date, transparent information on an accessible and secure platform. With rising in-house costs and increased regulation, GPs are increasingly turning to outsourced service providers as a viable strategic decision. This can enable them to enjoy the benefits of best-in-class technology without the time and cost associated with in-house systems."

In addition to cost and regulation, increasing market pressure on GPs to deliver accurate reporting with greater transparency is also driving the outsourcing trend. Johnson concludes: "Investors are demanding operational excellence from their funds and are increasingly demanding third party administration. When you add increased regulation, operational risk and a once-in-a-century global pandemic to this scenario, you can see the logic of outsourcing these functions to an external provider with specialist skills and the inevitability that outsourcing is where this market is moving." ■



Des Johnson
CEO/Partner, Centaur Fund Services US

Des Johnson is based in New York. Des has grown the business significantly over the last few years and Centaur now has over 150 people across 9 offices administering over USD35N in assets. Prior to joining Centaur Des was Managing Director and Global Co-Head of Investor Services at SS&C. Des has experienced all aspects of the Investment fund Industry since 1998 working in Ireland, Bermuda and New York. Des has held senior management positions at Citibank, BISYS and IFS/State Street. Des has a BA (Hons) in Business from Dublin Business School.



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Des Johnson,
CEO Centaur Fund Services USA
Des.Johnson@Centaurfs.com

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Remaining modern by embracing change

Prosek Partners: Best PR & Communications Agency

The world is moving fast and the biggest challenge general partners (GPs) face is to remain "modern." This means ensuring a myriad of elements are taken into account when looking to grow their organisation. These include integrated communication channels, diversity and technology. Further, industry demand for sustainability and the shift to remote working caused by the Covid-19 crisis has led to an expansion of duties and services for firms in the marketing and communication arena.



"There has been increased collaboration with portfolio companies, especially in the early days of the pandemic where GPs needed assistance in communication across their investments quickly, frequently and transparently," notes Jen Prosek, managing partner and founder of Prosek Partners.

Discussing the primary pressures GPs having to tackle in the current environment, Prosek comments: "GPs need to develop global and integrated communication channels for all stakeholders. They must focus on building a diverse organisation to attract investors and the next generation of leadership.

"Another dimension involves leveraging best-of-breed technology, from machine learning to artificial intelligence, for more efficient back-office operations, portfolio management, deal sourcing.

"From a communications standpoint, with so much dry powder in the market competing for a smaller subset of opportunities, we believe it is important for GPs to convey a sense of strategic partnership with target companies and emphasise their commitment to help them thoughtfully scale and grow their businesses over the long term."

In this context, Prosek Partners aims to be a holistic partner with its clients and is now working more closely with GPs on issues outside of the firm's core work of brand building for fundraising, deal sourcing and exits. Prosek explains: "This year has allowed Prosek to offer its full suite of services to PE firms to include internal communications and editorial and design services as well as crisis communications and issues management."

One of these developments is in the sustainable and ESG space. As the focus increases for firms and portfolio companies to be run sustainably, Prosek has seen its ESG and impact-investing practice no matter the size of the firm, as well education and programmes on diversity recruitment and D&I integration.

The other and more obvious change is a result of the Covid-19 pandemic as the working world moved online. Prosek remarks: "A remote-work world has forced GPs and their investors alike to rely on video as one of the main forms of communication.

"At Prosek, we have been working closely with our clients to ensure that they moved seamlessly to a Zoom or Zoom-like format. We guided them every step of the way in moving their fundraising efforts, AGMs and due-diligence meetings to more advanced video platforms, whether live or pre-recorded and produced. For our firm, this has led to growth in its video and digital offerings to become a studio which now produces compelling streaming storytelling." ■

Jennifer Prosek
Managing Partner, Prosek Partners

Jennifer Prosek is the founder and CEO of Prosek Partners, a leading international public relations and financial communications consultancy with offices in New York, London, Los Angeles and Connecticut. The firm ranks among the top 10 independent public relations firms in the US, and among the top financial communications consultancies in the US and UK. Prosek is a published author and frequent speaker. She is on the board of directors of the Arthur Page Society and BritishAmerican Business. Prosek received her MBA from Columbia University and a BA in English literature from Miami University.

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Using data on the road to digitalisation

RFA: Best Technology Infrastructure Provider

Private equity is seeing considerable interest from institutional investors hunting for return. Although the pandemic has impacted valuations, it has also triggered the potential for opportunity creation and caused a shift in the type of investments being made. As the sector moves to broader digitalisation, PE managers are also using big data in a more proactive manner.

"Assets under management in private equity have continued to grow from strength to strength off the back of exceptional performance. Institutional investors – a number of whom are struggling to generate decent returns because of the unprecedented low interest rates and general market volatility – have observed how well private equity strategies are doing, and are piling in, often by re-allocating away from other alternative asset classes such as hedge funds and real estate," George Ralph, managing director, RFA, points out, "admittedly, Covid-19 has impacted portfolio valuations, but it is also prompting more private equity managers to move away from leveraged buy-outs and instead make investments into credit or distressed debt."

Ralph notes that although Covid-19 is creating all sorts of problems for the industry, private equity has weathered the storm reasonably well. He comments: "One of the challenges the industry is facing revolves around dry powder. As so much capital has entered into private equity, some managers are struggling to find ways to put it to work.

"Other private equity firms – while increasing their AUM quickly and significantly – are finding it hard to scale up their operational processes. This is an area where RFA can provide support."

The rise of digitalisation and the increased use of data sits at the core of the service RFA can offer clients. Ralph remarks: "Financial institutions have recognised the power that data can harness. In the case of private equity, big data is being used more proactively to shape investments and implement organisational changes.

"We fully expect more private equity firms to be making use of big data in order to drive business-wide improvements. Our role is to help facilitate their digital journey. We do this through our global managed data services product, which supports data warehousing, ingestion and analytics; all of which are fully protected by our award-winning security platform designed for fund managers."

Private equity managers also need to adapt to the new working environment. Ralph believes business as usual is unlikely to return anytime soon in the next 12 to 18 months, meaning remote working practices are poised to be the new normal for some time yet. "In order to thrive during these extremely difficult times, private equity managers need to put digitalisation at the core of everything they do, whether it be investor reporting or client engagement. By utilising technology intelligently, private equity firms will be able to flourish during this crisis, and beyond," he advises.

In addition to the focus on digitalisation Ralph points out that managers are dealing with growing regulatory and client reporting requirements: "With investors unable to conduct physical meetings because of social distancing rules, the volume of institutional client reporting requests has jumped exponentially. In order to meet investor demands, private equity firms need to have in place robust systems to accurately compile the data, process the information and then distribute the reports in a way that is accessible for end investors. To carry out this role effectively, private equity firms must ensure that they have good quality data and excellent technology systems to process it." ■



George Ralph
Managing Director, RFA

George Ralph CITP, has successfully founded three technology firms along with C-level advisory services include M&A to numerous firms. George is a true leader and has been managing teams internationally, and leading technology transformation projects for over 20 years. A certified GDPR, Cyber assessor, Auditor, Architect and widely experienced cybersecurity and RegTech professional, George has extensive technical experience in network and server architecture, large scale migrations utilising leading technology brands, and IaaS offerings.



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