



2023 Report

# Fund Administration Technology: Private Equity's New Differentiator

How elite GPs are distancing themselves from peers and meeting evolving LP demands

Table of Contents

3 Executive Summary

4 Section 1: Complexity resets expectations

9 Section 2: Technology is creating a new class of GPs

12 Section 3: Service supercharges technology

18 Section 4: Getting on the path to digital transformation

22 Conclusion

24 Methodology





Executive Summary

Despite rising fund complexity, LPs are expecting more data, faster from their GPs. In a survey conducted for Gen II by The Harris Poll, we found that some GPs are underestimating these growing expectations.

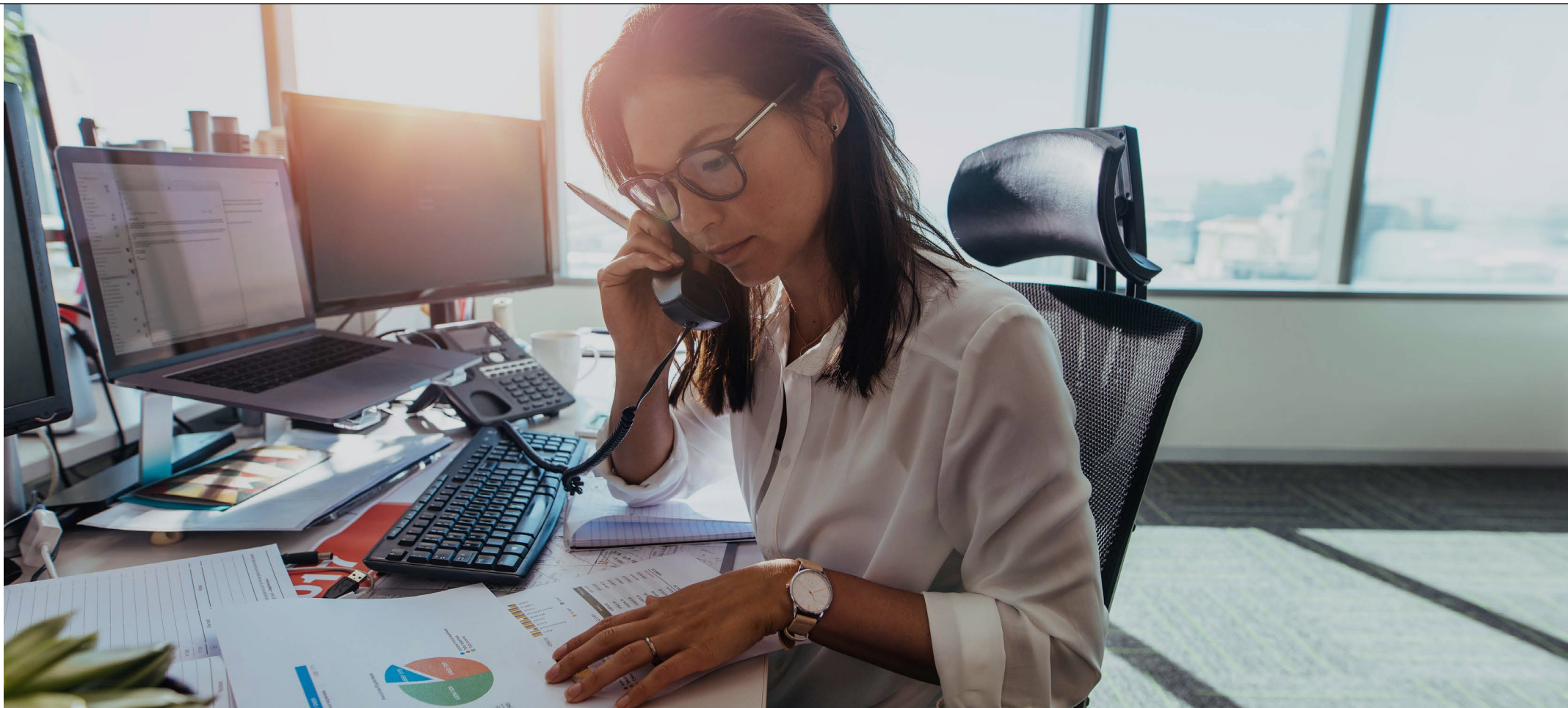
Our research shows increasing demands for reporting speed and transparency, and an apparent gap between how GPs and LPs view the importance of fund administration technology.

While LPs’ investment decisions are significantly influenced by automation, many GPs are remarkably hesitant to adopt transformative technology — either concerned about the risk associated with change or unsure of the benefits that advanced solutions might provide.

Elite fund sponsors, however, are digitizing. They know there

is considerable risk in failing to meet LP expectations of transparency and responsiveness. Interestingly, we learned that GPs who are committed to leveraging technology also tend to outsource. In doing so, they benefit from enhanced reporting capabilities and superior service.

In this report, we’ll take a look at what new pressures GPs are facing, examine how LPs now choose GPs who embrace digital transformation and show why advanced fund administration can both meet growing investor demands and be the differentiator.



Key findings

- An elite class of GPs seeks the most sophisticated technology to address growing fund administration complexity
- Automation influences LPs willingness to invest with a fund sponsor
- GPs are not meeting LPs expectations for service levels in fund administration

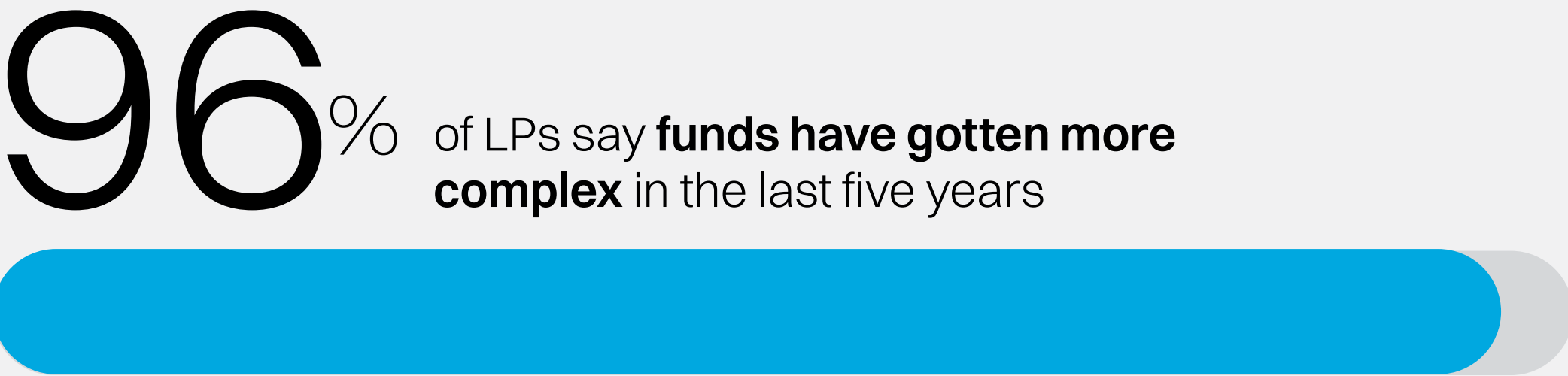
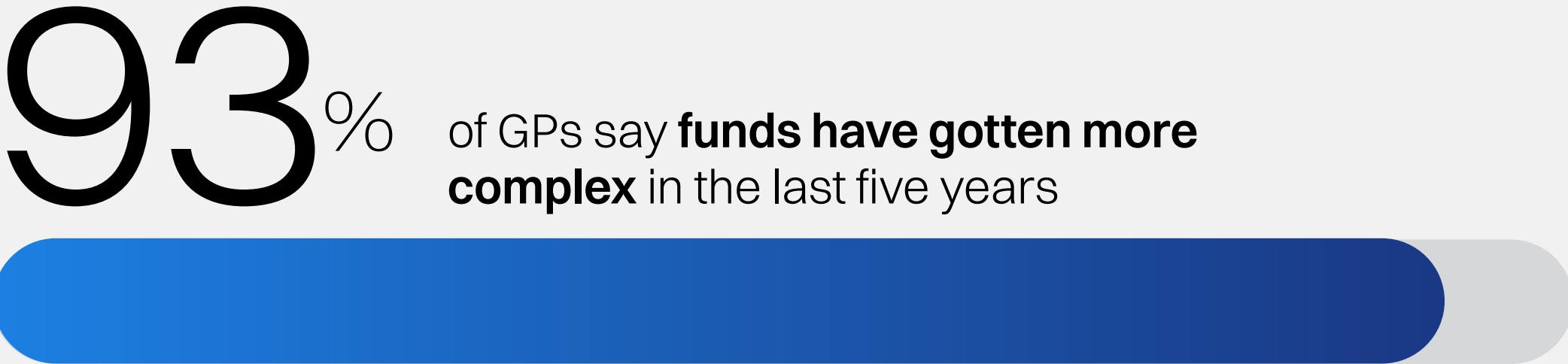


Section 1: Complexity

# Complexity resets expectations

It's no longer enough for private equity firms to have the best deal teams. Growing fund complexity and increasing LP demands for speed and transparency in reporting require best-in-class fund administration services.





# With increased complexity, fund administration performance demands are growing exponentially

With the proliferation of complex fund structures, increasing regulation, expanding investor reporting requirements and legacy manual processes, the performance demands on private equity fund administration have become acutely more challenging.



79%

of those who are actively looking to outsource/change say that **funds have gotten very/somewhat more complex**

# For many GPs, complexity is a serious, growing challenge

While virtually all those surveyed say funds have gotten more complex — 57% of GPs and 61% of LPs take it further, saying funds have gotten a lot more/somewhat more complex.

1

2

3

4

# Complexity is driving LP desire for faster reporting

Pressure for greater transparency is a top source of frustration for both GPs (33%) and LPs (39%), adding to the already challenging private equity fund administration environment. This issue is compounded by LPs desire for faster reporting from their GPs. Institutional investors are particularly demanding when it comes to how fast they want their data.

88% of LPs say the **speed of reporting will increase** in the next five years



43% **institutional investors** strongly agree that **near real-time reporting** will be needed in the next five years





## Take Away

# Mastering fund administration complexity must be a priority for GPs

Private equity firms place enormous emphasis on assembling the best dealmakers.

The deal team is key to spotting and analyzing opportunities quickly. But to compete today, GPs must demand the same high standards of performance throughout the firm, including (and especially) in fund administration. A high-performing private equity fund administrator can help quickly navigate steadily rising stakeholder expectations and stay ahead of everincreasing operational complexities as well as the labyrinth of regulatory requirements.

— Jeff Gendel, Principal - Business Development, Gen II Fund Services





## Section 2: Technology

# Technology is creating a new class of GPs

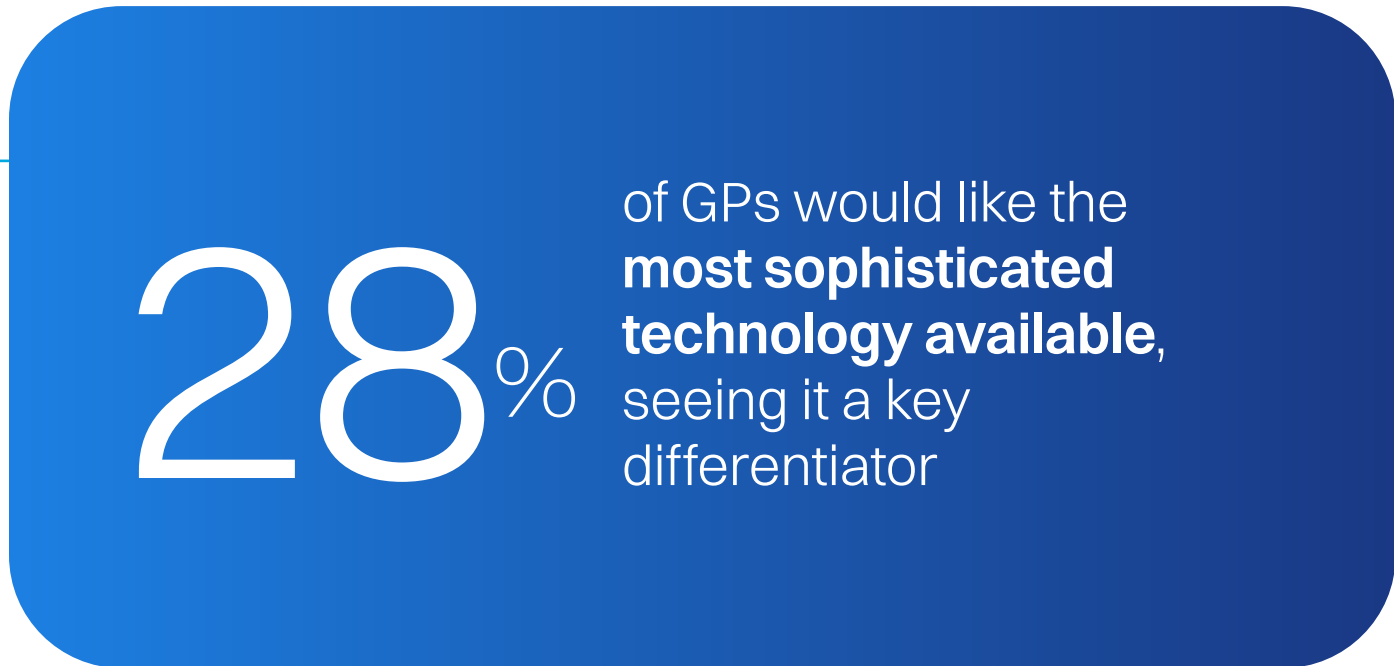
An elite class of GPs is using fund administration technology to distance themselves from their peers. Meanwhile, others are reluctant to adopt the latest solutions, even when they intuitively understand the benefits.



# A stark disparity in how GPs view new technology

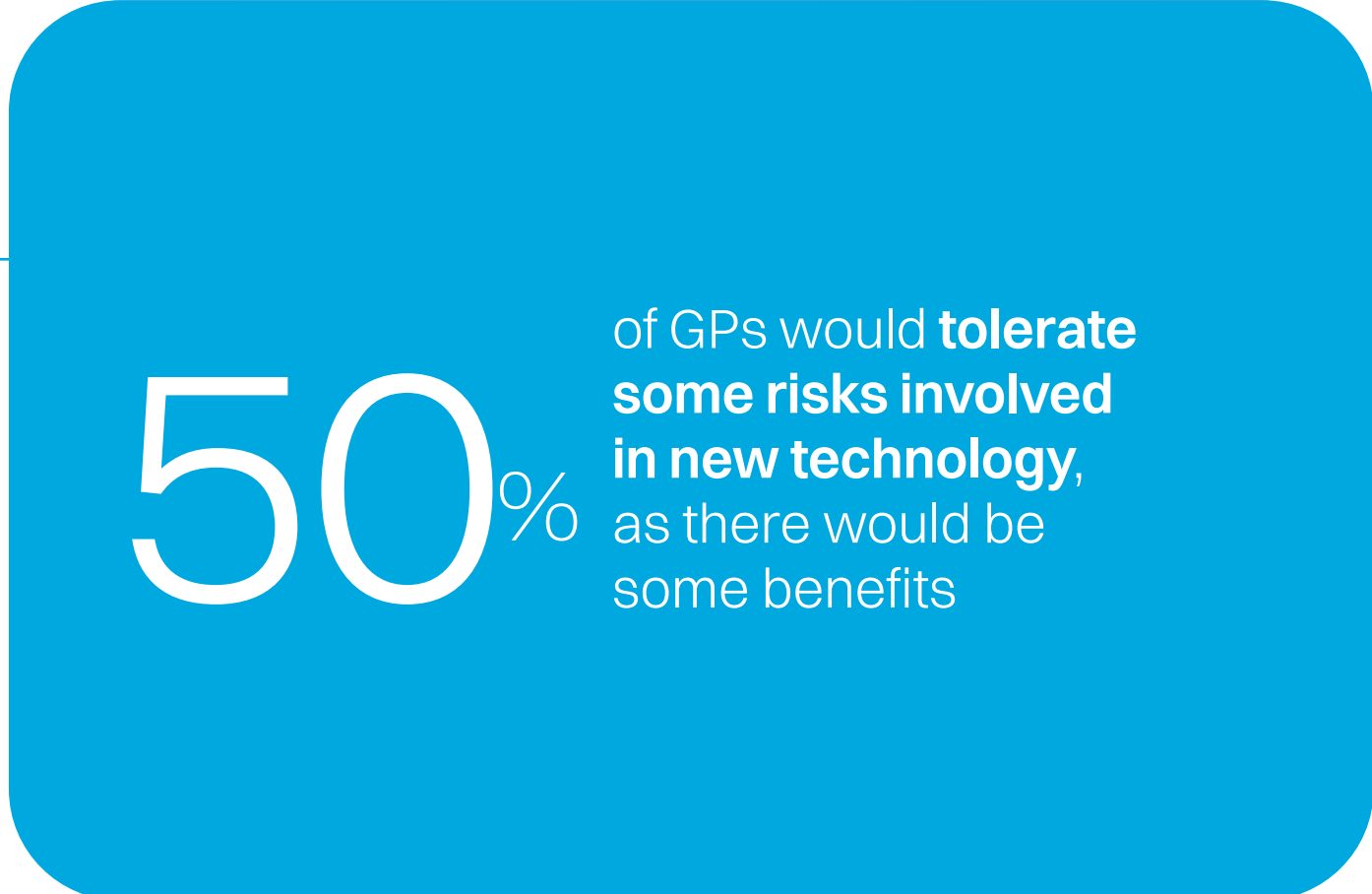
## The emerging elite

There is a distinct group of GPs who are eager to be on the cutting edge of technology. They understand the correlation between technology risk and reward, and have committed to gaining and maintaining market advantage by digitizing their fund administration. Interestingly, our research shows that this elite class of GP also tends to outsource their fund administration.



## The vast middle

Half of GPs surveyed stand somewhere in the middle, being both open to change and risk averse. What's more, of those who see themselves as on pace or behind in digital transformation, 48% want to change but are reluctant. Without advanced solutions, however, many of these firms lack the internal capabilities to meet LPs demands.



## The view from the bottom

While the elite forge ahead, our research shows that for every GP seeking the latest digital tools, there is a GP who is avoiding technology adoption. We see a material number of GPs lagging the elite.





## Take Away

# Technology will play an ever growing role in differentiating GPs

Digital platforms help GPs elevate the investor experience to one that is convenient, flexible and personalized – like what's expected in other industries. Funds that cling to legacy processes will be left behind, while digitization is a way to satisfy investors and gain strategic advantage in a highly competitive environment.

— Nikolaos Perros, Chief Operating Officer, Gen II Fund Services





Section 3: Service

# Service supercharges technology

Fund administration technology is the means for speed and transparency. Service raises the stakes and is the path to valuable insights.





22%

of LPs say they are  
somewhat/very  
**dissatisfied with their  
fund administration**

# A material number of LPs are not happy with their fund administration

Implementing advanced technology can help GPs meet new demands by automating operations to provide more transparent and timely reporting, but technology alone is not the answer, and most LPs aren't happy with current processes. When asked how they feel about fund administration overall, 66% say they are only "somewhat satisfied." Nearly one-quarter are "somewhat or very dissatisfied."



1

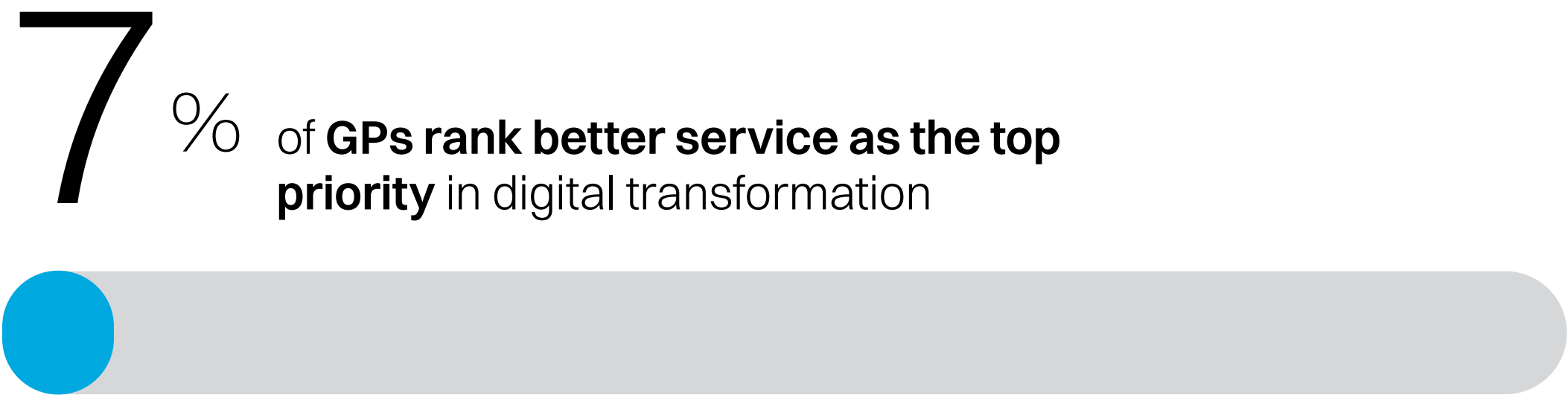
2

3

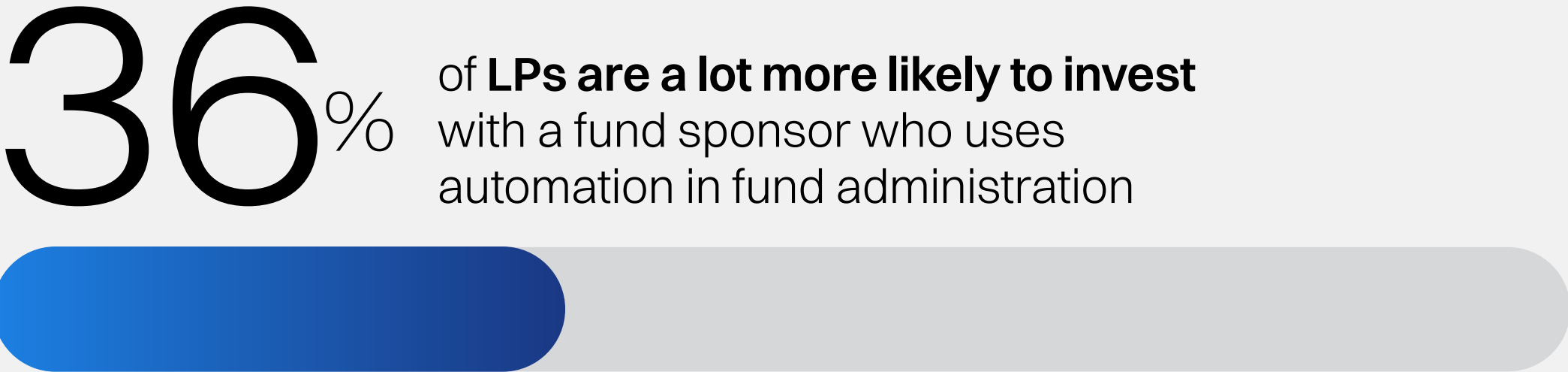
4

# Close the satisfaction gap by wrapping technology with service

With more than double the number of LPs than GPs valuing service as a top priority, LPs are more dissatisfied than GPs realize. LPs want an exceptional experience. GPs can deliver this and attract and retain LPs as well as stand out from the competition by providing powerful insights through advanced technology.







# Big investors are particularly attracted to GPs who use automation to power their service

While the elite forge ahead, our research shows that for every GP seeking the latest digital tools, there is a GP who is avoiding technology adoption. We see a material number of GPs lagging the elite, with 22% saying they don't want the risks associated with changing their fund administration technology. Of this group, 1 in 5 admit they are behind in digital transformation.

1

2

3

4



## Take Away

# Blending advanced technology with expert service is essential to meeting LP expectations

The private equity industry has reached the point where digital platforms are table stakes to compete.

LPs are no longer relying exclusively on personal assurances from their GPs. They're asking more pointed questions and expect data to back up the claims, with their demands carrying over to operational transparency and the use of modern technology infrastructure. Anything that makes it easier for an LP to consume and process their data makes a GP much more attractive for future investments.

— Steven Millner, Chief Executive Officer/Co-Founder, Gen II Fund Services





## Case Study

# Scaling and serving with ready access to fund data

Our data shows that LPs want more transparent, accessible performance reporting and that they expect to receive it faster. As one emerging buyout firm grew to become one of the world's leading private equity houses, internal finance teams could not meet these demands.

Operations began to slip as the firm scaled and manual, in-house reporting got in the way of personalized, bespoke service. Spreadsheets could not surface the data needed for benchmark and performance reporting — at the fund and the investor level, aggregated and disaggregated, with look throughs to portfolios.

Re-dos and investor complaints became routine, until the firm partnered with Gen II for a large-scale data cleanup and implementation of Sensr®.

The results:

- A fully integrated performance reporting tool
- Structured data sets
- Custom report dashboards based on investor needs
- Ability for a range of teams to generate reports
- Fast, accurate reports, on-demand





Section 4: The Path to Digital Transformation

# Getting on the path to digital transformation

Digital transformation in fund administration involves change management, as people, processes, and technology must be integrated to establish enduring change, facilitate scale and meet investor confidence and satisfaction.



87% of LPs say fund sponsors need to provide **near real-time reporting**

86% of LPs say fund sponsors **should provide data-as-a-service**

# Move away from in-house to leave manual processes behind

In-house fund administration is expensive, resource intensive and requires specialized expertise. When GPs have to worry about infrastructure, staffing and training, then they're also distracted from making more deals.

In addition, manual efforts to extract insights from data buried in spreadsheets can't live up to the standards of today's digital world. LPs are used to getting what they need quickly, easily and with confidence in the data. They expect the same in private equity. GPs can meet these expectations through the right fund administration partner.



1

# Start by digitizing one fund and see how to fully unlock technology's potential

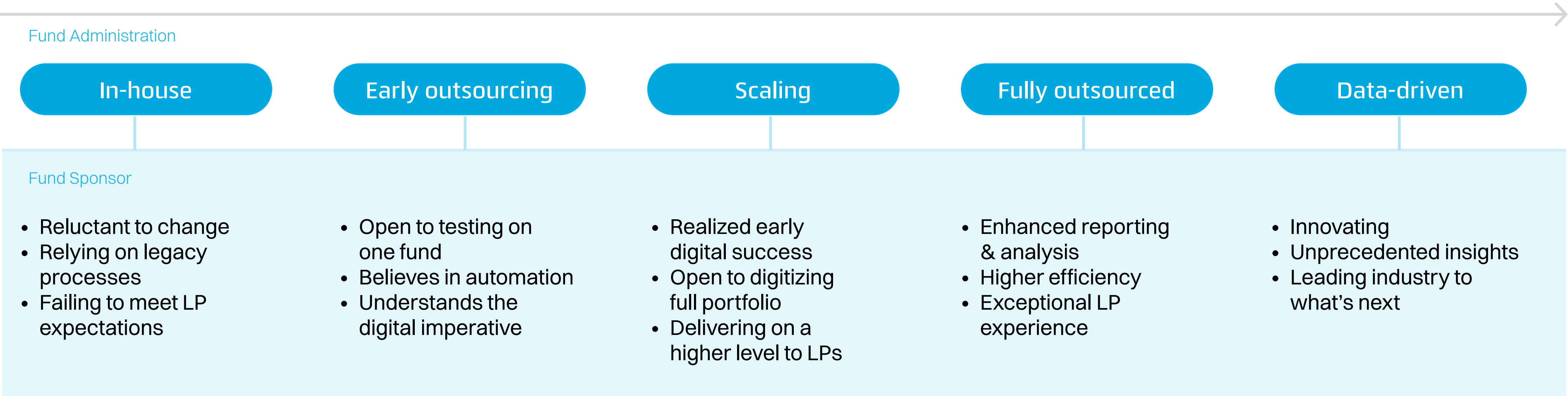
A fund administration partner with advanced technology is the fastest path to digital transformation. Experienced experts have the specialized knowledge and skills necessary to design, develop and implement digital solutions effectively and efficiently.

But the shift does not have to be an all or nothing journey. Change can start small. Starting with one fund to roll out more advanced technology will help you understand what works best for your particular operation. From there, you can scale and, ultimately, innovate.

2

## Steps to digital transformation

3



4



1

2

3

4

# Adopt the digital transformation playbook of elite GPs

The elite class of GPs we surveyed — those who are typically ahead in their digital transformation journeys — also outsource. They understand that the right fund administration partner makes the transition to digital seamless while freeing fund sponsors to focus on optimizing investment objectives.

Fund administration experts are experienced in solving a range of complex problems, can anticipate and address potential implementation issues and design scalable, secure solutions. Best-in-class technology leads to more efficient operations that meet business needs and LP demands and are a competitive edge.



70%  
of GPs who say they are **ahead in digital transformation** are also **more likely to outsource**





# Conclusion





## Conclusion

Our data confirms that the case for outsourcing has never been clearer. It shows that GPs who are ahead in digital transformation also outsource, and that LPs — especially institutional investors — are a lot more likely to invest with a fund sponsor who automates.

However, there are still those who are reluctant to change and continue to cling onto manual processes. They are also the ones falling behind and unable to manage increasing fund complexity and LPs' expectations for greater speed, more transparency and higher service levels. Ultimately, this could lead having a smaller investor pool to work with.

It doesn't have to be that way. Digital transformation has never been more accessible, particularly with a practiced outsourcing partner whose expertise can lead the way. Having a modern operation is an opportunity to elevate fund

administration from a back-office accounting function to a strategic business driver — one that extracts value from data, generates real impact and empowers GPs.

Using an expert service partner means having instant access to institutional-grade infrastructure with tools specifically designed to handle large volumes of fund data and complex reporting requirements. In turn, CFOs, investor relations and senior management can deliver the highest quality insights to investors and stay ahead of the competition. Right where every GP wants to be.



# Methodology

On behalf of Gen II, The Harris Poll conducted a 14-minute online survey in the US from November 28 to December 18, 2022, among LPs and GPs in Private Equity.

**General Partners (Investment Operators):**

US residents, age 18+

Work at a Private Equity Firm

**Holds a relevant Job Title/Role:**

Vice President/Senior Vice President or other decision maker, in strategy, valuation or fund management

Investment Operations Manager

Investment Director

Asset Manager

Head of Investment

Investment Project Manager

Investment Officer

Investment Manager

Investment Accounting Manager

Head of Operations

**Limited Partners (Investors):**

US residents, age 18+

Involved in the PE Industry

**Employed by a relevant organization:**

Private Equity (PE) Firm

Private Pension Fund

Endowment or Foundation

Public Pension Fund

Investment Banking Firm

Fund-of-Funds

Corporate Pension Fund

Insurance Company or Bank

Family Office

Superannuation Fund

Financial Advisory Firm

Sovereign Wealth Fund

**Holds a relevant Job Title/Role:**

Angel Investor/HNWI (those who have liquid assets of at least \$1 million)

Asset Manager

Investment Director

Investment Manager

Investment Accounting Manager

Investment Operations Manager

Head of Investment

Investment Project Manager

Head of Operations

Portfolio Manager

Serial Entrepreneur

Vice President/Senior Vice President or other decision maker, in strategy, valuation or fund management



# Gen<sup>II</sup>