

Q&A: Allvue

Why data has become paramount in private equity and private debt

What has been the impact of COVID-19 on alternative investments?

The COVID-19 crisis is unprecedented and has stressed systems and capacity throughout the financial world. In public markets, there were huge price swings on a daily basis early in the crisis, and a number of markets, including the New York Stock Exchange and NASDAQ, had to suspend trading on multiple occasions when price declines reached trigger levels that threatened to exhaust market liquidity. However, private markets move at a different pace. The crisis has stressed and sometimes overwhelmed private market infrastructure and, in some instances, exposed inefficiencies in existing processes.

What challenges did private market GPs and LPs encounter?

Operationally, private market participants faced the same immediate challenges as everyone else – how to switch to remote working almost overnight while ensuring security and reliability. The market dislocations that accompanied the COVID-19 crisis also prompted a demand for more information. GPs and LPs faced a market shift of almost unprecedented scale and pace, which had significant implications for their investments and potential consequences for their investment model: They needed to understand the impact of changing markets rapidly so they could respond accordingly.

Market disruption also opens up opportunities. GPs and LPs need to be able to take advantage of them. It is very important to get visibility into the risk and reward to ensure you achieve your investment goals.

Why were some GPs unprepared?

GPs have increasingly adopted new technologies. However, over time, GPs have adopted different point solutions or used Excel to manage the different parts of a fund's lifecycle. This has created disparate data throughout the organization without a coherent workflow. As a result, to put information together results in many manual stop gap processes. With the speed and severity of market changes in March and early April, and increased demand of information, the manual stop gap processes could not scale to the demand for information. In some cases, the GPs couldn't serve their investors and internal stakeholders effectively.



Ryan Keough

Chief Revenue Officer

Ryan has over 30 years of experience in running software businesses and leading sales teams. Prior to Allvue, Ryan spent 7.5 years in London at Finastra and Misys, where he served as EVP of International and was responsible for all go-to-market teams and client facing activities for the European, Middle Eastern and Asian Pacific territories. Additionally, Ryan was the Misys Global Head of Sales prior to the merger of Misys and D+H. Ryan also held several leadership roles in Europe and the US for SunGard and GLTrade. He holds a Bachelor of Science degree from Cornell University and served as a Captain in the US Army Reserves for 11 years.

What were the most common problems GPs faced in fast-moving markets?

The core problem for both private equity and private debt is the use of multiple systems—both for single asset classes and across multiple asset classes—and the lack of a holistic data strategy. There's often an absence of common workflows to support gathering, approving, and distributing data and reports, and no single integrated source of data due to the use of multiple point solutions. Ultimately, this can lead to the inability to aggregate and reconcile data to support the visualization and reporting needs of internal deal teams and LPs for better decision making.

How can GPs address these challenges?

GPs require a holistic solution that enables clients to monitor and manage their investments and distribute information to investors and stakeholders. They ideally need a single technology instance across all asset classes, ensuring standardization, easy comparison, and better visibility—also one that scales easily when required. Otherwise, they require multiple solutions that can not only integrate with one another but also provide a holistic data source across the fund's entire lifecycle and multiple asset types.

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Such a solution should have a number of key features. The first is a data warehouse that aggregates data from multiple systems and sources, including accounting. Having information in one place gives GPs visibility across their alternative investments at a glance. A workflow engine that captures portfolio company information and manages reporting via a standardized workflow is also valuable. It allows team members in multiple locations to stay connected and prevents duplication of effort or miscommunication. A flexible data presentation layer can let users visualize the data through dashboards and queries with drill-down capabilities, enabling a deeper dive into the data.

What are the benefits of such solutions for LPs?

Other than the efficiency and risk management gains associated with a holistic solution across multiple asset classes, which will ultimately benefit LPs, there are a number of specific benefits.

For instance, the ability to support data distribution through web browsers, mobile devices, tablets, and investor and fundraising portals is important as it gives LPs greater flexibility in how they gain access to information.

GPs that rely on Excel and manual processes are invariably limited in the information they provide to LPs because bespoke reporting is time consuming. Business intelligence tools can automate both standardized and bespoke report scheduling and on-demand creation, effectively giving LPs greater control of the information they receive and its timing. At the same time, the need for report generation can be reduced by integrating dynamic dashboards into investors portals. LPs can simply gain access to information on demand via self-service capabilities. This doesn't have to be costly. By choosing a solution with scalable technology, GPs can offer customized services to LPs without adding bottom-line costs or increasing head count.

Why are improved systems and data key to taking advantage of emerging opportunities?

For many portfolio managers, volatility can provide opportunities to reap outsized returns. Most obviously, significant prospects are emerging due to price dislocation in the debt markets. For GPs and their LPs, there is an opportunity to use their credit expertise to provide liquidity, serving as a bridge to economic recovery. The more prolonged the crisis, the greater the opportunities. For instance, with movie theaters now closed for the rest of the year, companies in the sector are in trouble but could bounce back once COVID-19 has subsided.

Speed, efficiency, and access to information are key in order to get ahead of bad news or to pick up on companies that need support—and differentiate them from those that are in serious trouble or may require other forms of investment, such as a takeover, or need to declare bankruptcy. Data must be drawn from multiple reliable sources, both internal and external, and be as close to real time as possible so managers can make fast, informed decisions and head off competition for attractive opportunities. Data also needs to be automatically aggregated to give investors full visibility and free up teams to focus on analysis and making investment decisions rather than collecting information. It's also important that data flows from trading to settlement to ensure data integrity and efficient processes.

What long-term impact will the COVID-19 crisis have on GPs' and LPs' expectations in terms of solutions?

The experience of the COVID-19 crisis has been a wake-up call for many GPs and made LPs aware of the shortcomings of the information they receive during turbulent times. While both public and private markets have recovered significantly since March, there's considerable uncertainty about the pandemic and the global economy that will weigh on markets. Consequently, it would be naïve to assume a repeat of the market turmoil in March is impossible.

Growth of the industry will continue as the alternative markets provide attractive returns with a good risk profile. This expansion will only continue the need for the best solutions to help firms scale and meet their business goals.

Interest in Allvue's solution, which spans multiple asset classes, and is robust enough to withstand volatile markets, is growing rapidly. But the rationale for our holistic solution extends beyond the current challenges facing private debt and equity markets. The solution provides more timely and reliable data so managers can make better decisions, mitigate risks, exploit opportunities, and improve business performance by increasing capital efficiency. By streamlining the collection, management, and reporting of data—and offering full integration from front to back office—errors, operational risk, and overhead are reduced. Our solution is also scalable, accommodating new business or asset classes.

Our goal has always been to empower both internal and investor stakeholders by eliminating the boundaries between systems, information, and people, so that decision makers receive the information they need when they need it. COVID-19 has only accelerated these needs and made it more mission critical than ever.