

THE DATA JOURNEY: FIVE STEPS TO TURN DATA INTO INFORMATION

Featuring Yuriy Shterk
from Allvue Systems

In order to transform data into actionable insights, GPs need sophisticated strategies. Yuriy Shterk, Chief Product Officer at Allvue Systems, explains the steps needed to bridge the data gap in an increasingly complex marketplace.

With competition fierce for deals and fundraising, General Partners (GPs) remain sensitive to the fact that success requires the ability to quickly and accurately process vast amounts of data into valuable information. But many GPs still lack a holistic approach to collecting, processing, storing, analysing, and reporting to stakeholders the enormous amounts of information they have.

And, as many GPs expand into multi-asset class and multi-currency investments, the challenge only becomes more complex. Spreadsheets are no longer up to the task. And reliance on manual processes can lead to data loss, errors, and an increased allocation of resources to administrative tasks – all of which can have a significant negative impact on a company’s bottom line.

To avoid these pitfalls, GPs need a more sophisticated strategy for collecting, distilling, and presenting data. Below, we outline five steps GPs can take to efficiently and accurately transform their raw data into actionable insights.

STEP 1: COLLECT DISPARATE DATA IN A FLEXIBLE, DETAILED SYSTEM

The data journey begins with one of the most time-consuming and risk-prone of processes: data collection. GPs require copious amounts of data to make informed business decisions quickly, but that data often comes from a variety of sources – such as portfolio companies, fund administrators, and others – in numerous forms and formats and across a wide variety of asset classes.

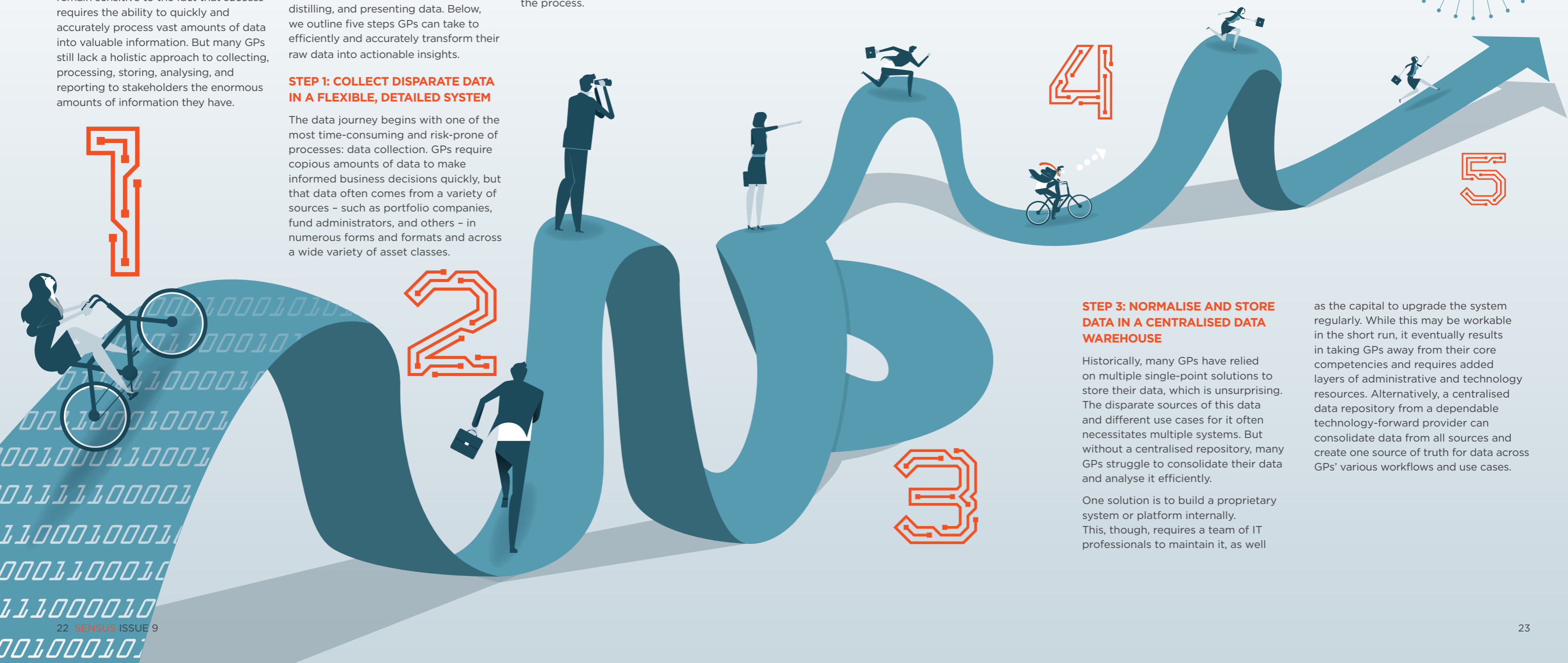
Optical character recognition (OCR) functionality and data processing systems have made it possible to streamline significant portions of the data collection process, by automatically extracting key data from third-party documents. GPs then need a system flexible enough to manage this diverse collection of data and, just as importantly, detailed enough to allow GPs to complete the second step of the process.

STEP 2: PROCESS DATA WITHOUT LOSING ITS KEY CHARACTERISTICS

After GPs collect data from a wide variety of sources, they need to be able to process it in a way that retains key characteristics of that data, such as its point of origin, that make it useful.

The point of origin example, in particular, has become more pressing recently, as more and more GPs delve further into multiple alternative assets –

such as private equity, venture capital, loans, real estate, and CLOs. GPs with portfolios that hold both lightly regulated private market investments and heavily regulated public market investments need to be able to judge risk and exposure across asset classes and industries to make swift decisions. Understanding where the underlying data originates from is essential for those assessments.



STEP 3: NORMALISE AND STORE DATA IN A CENTRALISED DATA WAREHOUSE

Historically, many GPs have relied on multiple single-point solutions to store their data, which is unsurprising. The disparate sources of this data and different use cases for it often necessitates multiple systems. But without a centralised repository, many GPs struggle to consolidate their data and analyse it efficiently.

One solution is to build a proprietary system or platform internally. This, though, requires a team of IT professionals to maintain it, as well

as the capital to upgrade the system regularly. While this may be workable in the short run, it eventually results in taking GPs away from their core competencies and requires added layers of administrative and technology resources. Alternatively, a centralised data repository from a dependable technology-forward provider can consolidate data from all sources and create one source of truth for data across GPs’ various workflows and use cases.



STEP 4: VISUALISE YOUR DATA IN A WAY THAT ADDS VALUE

The growing impact of cyber attacks – Once your data has been processed and aggregated in a data warehouse, this repository can act as your single source of truth across the reporting and data analysis needs of your front- and back-office teams. But in order to gain greater visibility into portfolio exposures and risks, you need to be able to easily visualise your data.

Data visualisation can help GPs quickly analyse and identify trends in the large amounts of data they consume – revealing opportunities, singling out performance issues, and identifying trends. Further, customised dashboards and automated workflows can increase a GP’s ability to turn data into information that can be shared both internally and externally.

Once GPs can visualise the data, they need to understand what it is trying to tell them, which requires reporting and analytics tools. Leveraging tools that are part of a single-solution business intelligence system will give GPs a powerful way to analyse disparate data sets and turn them into usable information. These reports can then be shared with internal stakeholders and investment teams, who can better gauge the efficacy of their investment decisions across the business and their portfolio.

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STEP 5: A DEPENDABLE REPORTING STRUCTURE

Lastly, GPs need to solve the communication dilemma across their range of stakeholders. While LPs have always wanted more information from their GPs, the pandemic highlighted the need to access a wide range of portfolio and fund data, across asset classes, in order to produce consolidated reports for both internal stakeholders and investors.

Generating standard and bespoke reports to communicate these insights is crucial, especially in times of market disruption, but most GPs don’t have the technical resources or experience when it comes to the data modeling required for reporting.

Automated, customised reporting and on-demand reporting and dashboards can help deal teams easily visualise the performance of their investments so they can quickly make informed decisions. By using an all-in-one solution that includes fund- and investment-level data with drill-down capabilities, deal teams can easily access the granular information, when they need it, by working off the same source of truth as other internal teams.

LEVERAGING A SYSTEM BUILT SPECIFICALLY FOR THE PRIVATE MARKETS

As GPs fight for deals among record high levels of dry powder, they need to be able to complete the data journey more quickly and accurately than ever before. Yet many are still relying on legacy technologies not built for the private capital industry or for the complexity their portfolios have taken on.

GPs require a solution that lets them manage, aggregate, analyse, and visualise data, as well as one that can help them automate processes, reduce risk, and better serve their investors by providing quick and easy access to information.

The challenge of data will only become more complex in the coming years. GPs who make the investment now in a system that will be able to support them as they grow will benefit both from a competitive advantage and de-risked processes. ★

