ALLVUE

Co-Sourcing: **A Win-Win for Fund Managers**

A growing number of alternative investment fund managers are realizing that the hybrid model of co-sourcing can allow them to leverage a fund administrator without losing control of their data.

Executive **Summary**

- Co-sourcing combines the best of both insourcing and outsourcing to offer compelling benefits for both fund managers and fund administrators.
- Co-sourcing gives fund managers unprecedented control over data, greater flexibility and convenience for them and their investors, improved security, and a single source of data that can improve the speed and quality of their decision-making.
- Choosing the right technology partner alongside of the right fund administrator is critical to effective co-sourcing: flexibility, scalability, security, and data control are critical to ensuring fund managers achieve the full range of benefits possible.

Why the Market is Ready for Co-Sourcing

Everyone in the alternative investments industry is familiar with the idea of outsourcing. For decades, PE and VC fund managers have increasingly embraced the opportunities it offers.

Improved efficiency and cost savings as well as the simplicity and the reassurance that comes with working with an external partner have been key attractions. For some fund managers, outsourcing is now the default option.

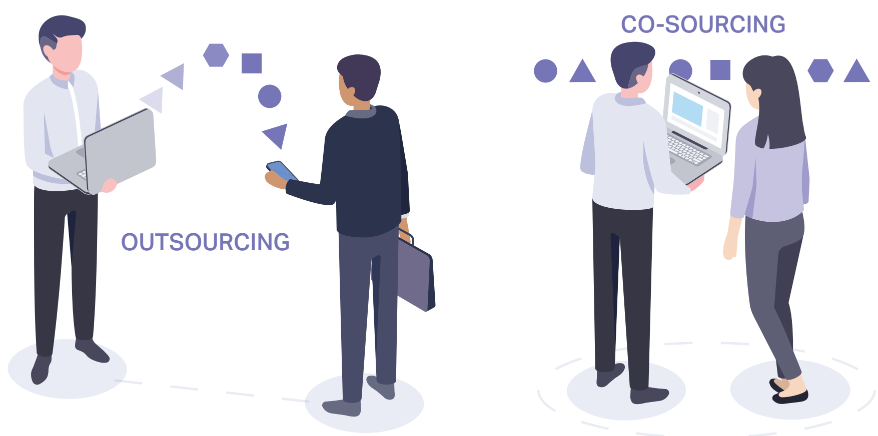
Of course, not all fund managers favor outsourcing. Some like to maintain greater control over their data or want to build up expertise in house, and are willing to absorb the higher costs associated with internal administration.

Others make decisions on a case-by-case basis: managers launching a new strategy might decide to outsource to avoid the time and expense of setting up new internal infrastructure. But, once a manager reaches a certain AUM, they may move operations in house.

Fund administrators have therefore long accepted that they simply can't win over the entire alternative investments industry to the merits of outsourcing.

But there is an alternative that gives fund managers the service they want without forcing them to surrender control of their data.

Co-sourcing offers the best of both outsourcing and insourcing – it's a clear win-win for fund managers.



With Co-Sourcing
fund managers control the data without having to manage it.

What Is Co-Sourcing?

Co-sourcing involves a fund administrator executing a fund manager's accounting and reporting workflows through that fund manager's back-office software system.

One way to see the arrangement is to view the administrator as effectively working in-house at a fund management firm as a seconded or temporary employee. If a particular individual from the fund administrator is unavailable, the administrator automatically replaces them. The client doesn't have to get involved in recruiting.

Crucially, the fund administrator inputs information into the fund manager's systems. That means the fund manager keeps control of their data but doesn't have to allocate internal resources to its management.

Keeping control of data means that fund managers can more easily respond to queries from their LPs as they don't need to ask the fund administrator to help. Equally, the fund administrator no longer has sole responsibility of following up on all queries and can focus on where a GP needs them the most.

Co-sourcing eliminates much of the duplication that comes with today's outsourcing arrangements. LPs often expect fund managers to keep shadow books on their own fund accounting system. This results in an administrative burden for the fund manager and the fund administrator, which has to supply information back to their client. With co-sourcing, all the data already sits with the fund manager.

How Co-Sourcing Compares to In-House and Outsourced Fund Administration

	In House	Outsource	Co-Source
Software License	With GP	With Fund Admin	With GP
Staff	Internal	External	Blend
Control	High	Low	High

Why Co-Sourcing Delivers for Fund Managers

With Everything in Your System, You're in Control

With co-sourcing, you own the technology. Your administrator enters and updates your fund's financial activities directly on your fund accounting system. This means you maintain real-time access to your data. Cash flow and performance data remains under your control and at your fingertips, so you can easily share it with key stakeholders when needed. You can provide up-to-date investment performance information to your deal team or fund performance metrics to your IR team or LPs. And, when market turbulence prompts urgent queries from your investors, rather than having to request data from your administrator, you can quickly drill into the real data in real time or grant investor access.

Additionally, because the data stays in-house, your technology team can pipe data to your internal CRM, data warehouse and other systems, bringing a true 360° view to help support more informed strategic decisions.

Co-Sourcing gives
fund managers enhanced control, greater flexibility, improved visibility, and robust security.

You Have the Flexibility to Change Access – Or Even the Provider

Working with different administrators can introduce complexity, not least because of the need for GPs and LPs to use multiple investor portals.

Co-sourcing helps you achieve one integrated consistent customer experience for your investors. LPs don't have to log into multiple web portals to get their K-1s, improving convenience and increasing customer satisfaction.

Because all your data and systems are in-house, it's easy to move to a new provider should you need to. Access can be given or removed with a simple call or email. The traditional high cost of changing providers is eliminated.

Making a Golden Record a Reality

A key goal for many fund managers is to achieve a single source of data – a so-called golden record – in order to ensure accuracy and help fund managers make faster, better-informed decisions.

With co-sourcing, you don't need to maintain a separate set of shadow books or deal with cumbersome, time-consuming manual processes. You see everything your admin is inputting in real-time in your own system and can validate this golden record against any other source (bank, custodian, your deal team) any time you choose. This not only provides a welcome source of reassurance, but also saves time and money.

Keeping Your Data Safe

All your confidential data remains safely inside your domain. You grant your administrator access to your system directly, so there's no need to transmit confidential data via email in order to answer important investor questions. You have instant access to your data, and simply log in to your system and run the report you need.

You or your admin can create any ad-hoc report securely within the system – without risk of sensitive or confidential data being exposed.

Choosing the Right Technology Partner Is Key to Effective Co-Sourcing

But to make co-sourcing work effectively, it is essential to implement the right technological solution. Allvue's co-sourcing is revolutionizing the alternative investment industry, offering unrivalled flexibility, scalability, security and data control.

> Allvue's co-sourcing solution give you flexibility, scalability, security, and data control.

To learn more about Allvue:

www.allvuesystems.com