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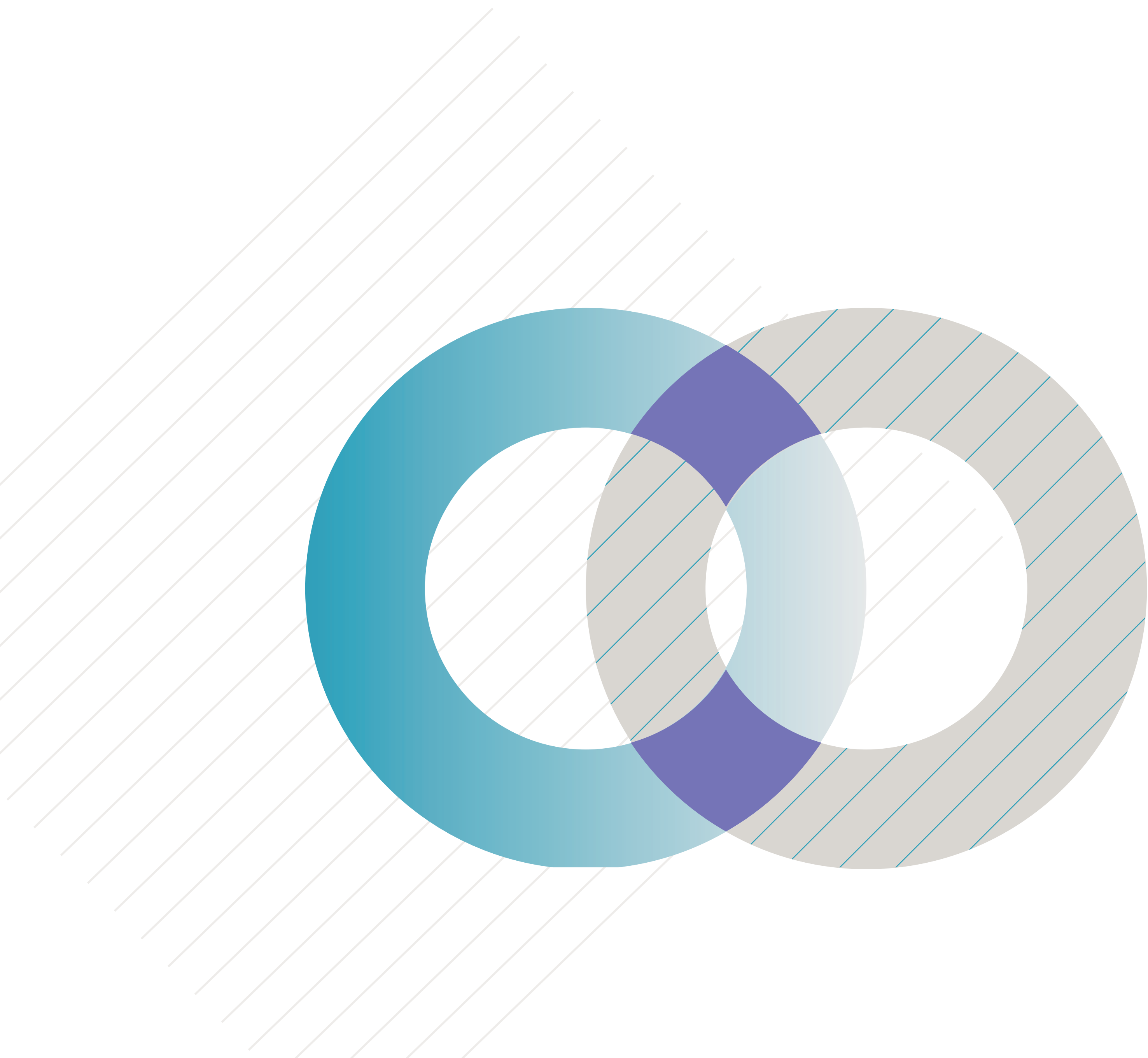
Co-Sourcing:
The Next Frontier of Fund Administration



Executive **Summary**

- Blending the best of both insourcing and outsourcing, co-sourcing offers compelling benefits for both fund managers and fund administrators.
- Co-sourcing opens the door for fund administrators to build a wider relationship with a fund manager, creates new revenue-generating opportunities, reduces technology challenges, improves efficiency, and cuts vendor costs.
- Choosing the right technology partner is critical to effective co-sourcing: flexibility, scalability, security, and data control are critical to ensuring both fund managers and administrators achieve the full range of benefits possible.

The Biggest Challenge Facing a GP Today Is Data

Data, in many ways, is the building block of the private equity industry. And, as such, data management has become central to GPs' workflows. In-depth portfolio analysis, drill-through reporting, timely client communications – all of it depends on streamlined, flexible, and accurate data management.

But the challenges of data management are only becoming more complex. Increased regulation and emerging trends like ESG require GPs to capture more data and at a greater level of complexity. Additionally, the increasing number of stakeholders that often need immediate access to that data – both internal and external, from auditors to lawyers, compliance teams, investors, and service providers – has turned "the data path" into "the data delta."

Historically, fund administrators have been one more channel on that delta. They are a crucial one – not only executing essential tasks for their GP clients but also managing back-office data that is crucial to client relations and other core operations – but still another instance where data flows away from a GP.

What if, though, there were a way for fund administrators to remove a channel from the data delta, to simplify their clients' data management processes while still providing their services with the same level of expertise and precision?

This is the opportunity of co-sourcing.

What Is Co-Sourcing?

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

With co-sourcing a fund administrator executes its client's accounting and reporting workflows through that client's back-office software system. The GP gets to leverage the services of the fund administrator without having to lost control over their data.

The fund administrator becomes a true provider of professional services instead of a data-entry clerk or tech administrator. Instead of competing on report turnaround times, administrators can emphasize their accounting, legal, and operations expertise to build a deeper relationship with clients.

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 the burden of following up such queries.

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. With co-sourcing, all the data already sits with the fund manager.

What's more, co-sourcing avoids the complexity and costs associated with in-house fund administration while delivering many of the benefits of insourcing for fund managers, and a new business opportunity for fund administrators.

Why Co-Sourcing Delivers for Fund Administrators

Fund Administrators can build new relationships, free up resources, and enjoy increased efficiencies through co-sourcing.

Creating a New Relationship and Revenue Stream

In the past, some GPs eschewed a traditional outsourcing model because of their concerns about loss of control over their data. Fund administrators were able to point to the breadth and depth of the services they provided as a benefit that outweighed the data challenge, but those GPs not convinced often walked away.

Co-sourcing gives fund administrators another option. To those skeptical GPs, fund administrators can offer co-sourcing as a way to allow the GP to still alleviate their accounting and reporting workload in a way that actually simplifies their data management process.

Freeing Up Resources by Allowing Clients to Self-Service

Co-sourcing results in one source of truth in the client's system. The client authorizes you to access and update their back-office data. And they use the same data, in the same location, to run their reports.

This golden record gives your clients the ability to self-service. They can check bank account balances, run fund financials, export an investor capital account, or validate IRR performance on portfolio companies – all from this same instance in real time, without needing to submit requests to you.

The result is that co-sourcing saves you, as the fund administrator, time and resources and leads to much higher customer satisfaction. It helps to streamline or eliminate manual processes, allowing you to focus more on the value-added work that helps your clients run their firms better.

De-Leveraging Your Technology Risk and Cutting Complexity

Whether building a system in-house or partnering with one or multiple vendor solutions, the outsourcing model means that you must accommodate your clients' technological requirements.

With co-sourcing, your team logs into a separate unique instance for each individual client. Your client works with their software vendor to determine how their data is accessed – because the fund manager data isn't on your system, you no longer play middleman.

Co-sourcing allows fund administrators to de-leverage their technology risk, reducing complexity and providing peace of mind.

Reducing Pressure on Your System

With co-sourcing, fund manager data is not added to your fund accounting instance. That means you can better manage your technology costs while also reducing the pressure on your system and database, potentially improving performance. You can add new clients with minimal incremental investment in servers and software.

There's no need to repeatedly exchange sensitive and confidential investor information via email, and also zero chance that one of your clients will ever see another client's data by mistake. Co-sourcing means that you have no responsibility for setting access to data. Your client's data is safe.

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

Co-sourcing offers a powerful opportunity for fund administrators to help simplify their clients' data management processes while also creating a new revenue stream. It allows clients to use their data and administrators to deliver top-notch professional services through the support of seamless technology.

Allvue's Software as a Service platform is uniquely suited to a co-sourcing environment because it frees both the fund manager and the fund administrator from ongoing systems maintenance. With Allvue, the co-sourcing solution 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.

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