



GP Survey 2023

Meeting the Market Moment:
Probing Top GP Challenges
Amid New Volatility



Introduction



Probing private capital managers' top challenges in today's market environment

The private markets space is still enjoying growing popularity, especially as a haven from the volatility that liquid markets have been exposed to over the tumultuous last months.

But with this still-growing popularity brings heavy data and reporting demands from investors that GPs must meet, especially as they seek to hold their ground amid new manager entrants to the alternatives space. With this increased competition, certain managers are choosing to expand into new asset classes seeking new growth avenues.

Despite these ongoing challenges of LP reporting, data management, and increased manager competition converging with a new and stressful market outlook, many GPs feel they aren't equipped with the right strategies and solutions to meet the moment, while our data shows passed-up opportunity for streamlined fund operations.

In this report we discuss:

- Heightened LP Demands
- Pressure to Evolve with Ballooning Competition
- Data and Operational Struggles
- Co-Sourcing: A Creative Solution to an Old Problem
- Looking Ahead – How Allvue Can Help

Heightened LP Demands

As LPs have gathered years of experience in the private markets and built higher allocations to alternatives, they've become more confident in the private markets space as well as hungrier for more and deeper data into these holdings.

Amid market volatility, this desire for more insight only grows – and GPs are feeling the strain of this added work.

Overwhelmingly, GPs name LP demands as their biggest challenge



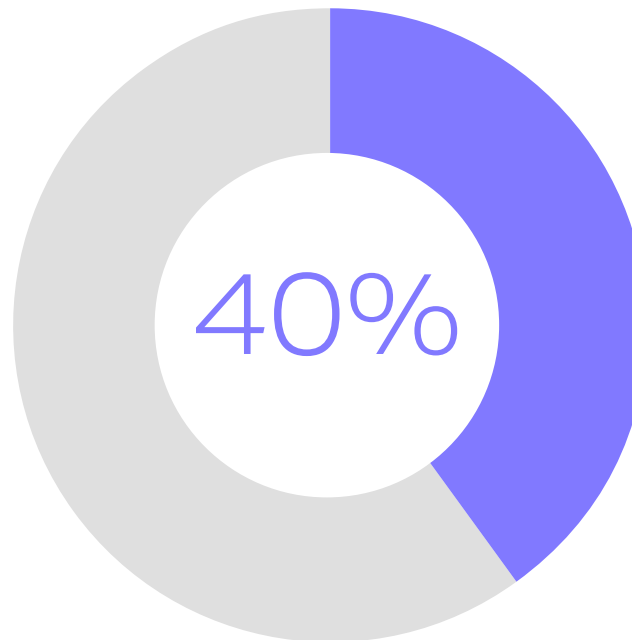
named LP and regulator demands as their top operating challenge.



Routine reporting demands from LPs and regulators.



Ad hoc data demands and questions from LPs.



Demand is especially hot among LPs for private debt allocations.

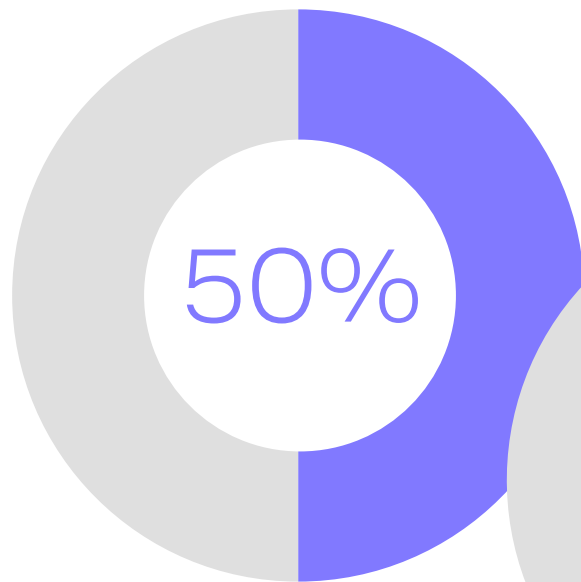
of private debt GPs noted that increased investment demand from LPs as a result of private markets growth has had a top impact on their firms.

Pressure to Evolve with Ballooning Competition

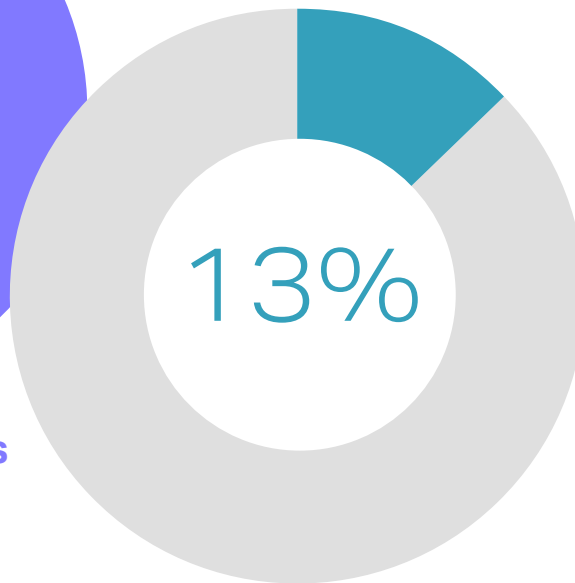
Feeling the pressure

Managers who feel the pressure to expand to new asset classes, and feel the impact of that pressure on their operations...

... compared to a much smaller portion among private markets managers



Traditional Managers



Hedge Fund Managers

8%

Private Equity Managers

6%

Venture Capital Managers

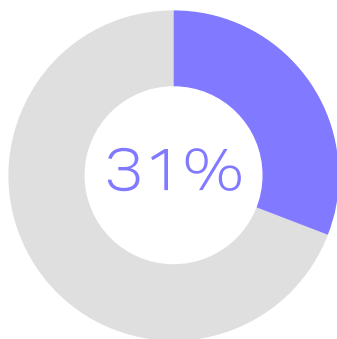
0%

Private Debt Managers

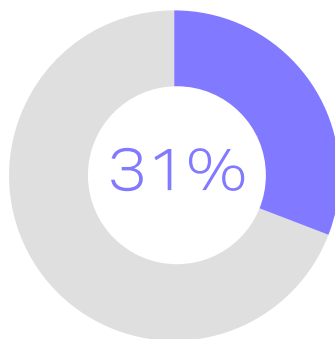
Still, a key portion of private markets managers admit to feeling the impact of high competition as new entrants crowd the industry.

Acting on the pressure

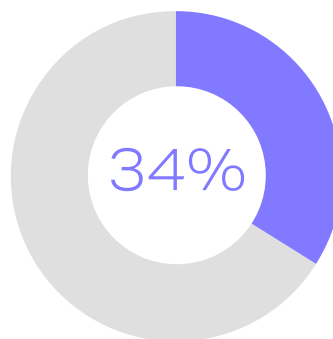
Private Equity Managers



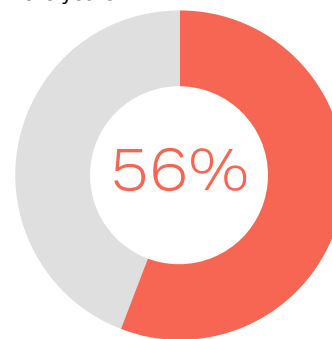
Venture Capital Managers



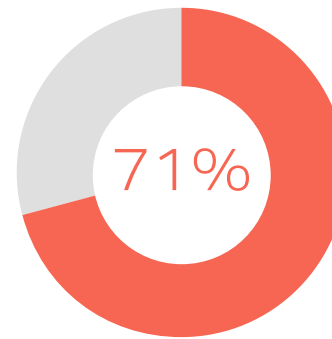
Private Debt Managers



Traditional managers that say they are interested in expanding to new asset classes in the next 3-5 years.

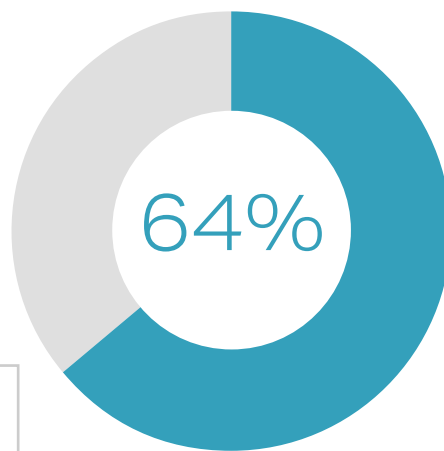


Managers with over \$10B in AUM interested in new asset classes

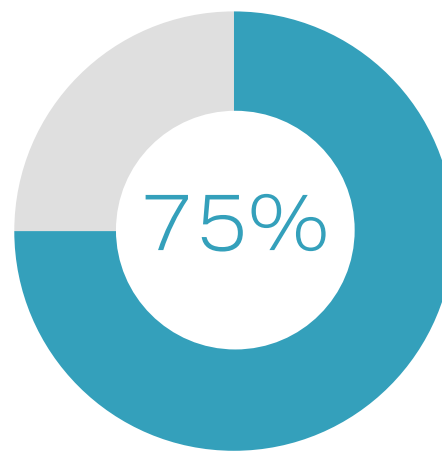


However, PE and VC managers are an exception.

Managers NOT interested in expanding to new asset classes in the coming years



PE Managers



VC Managers

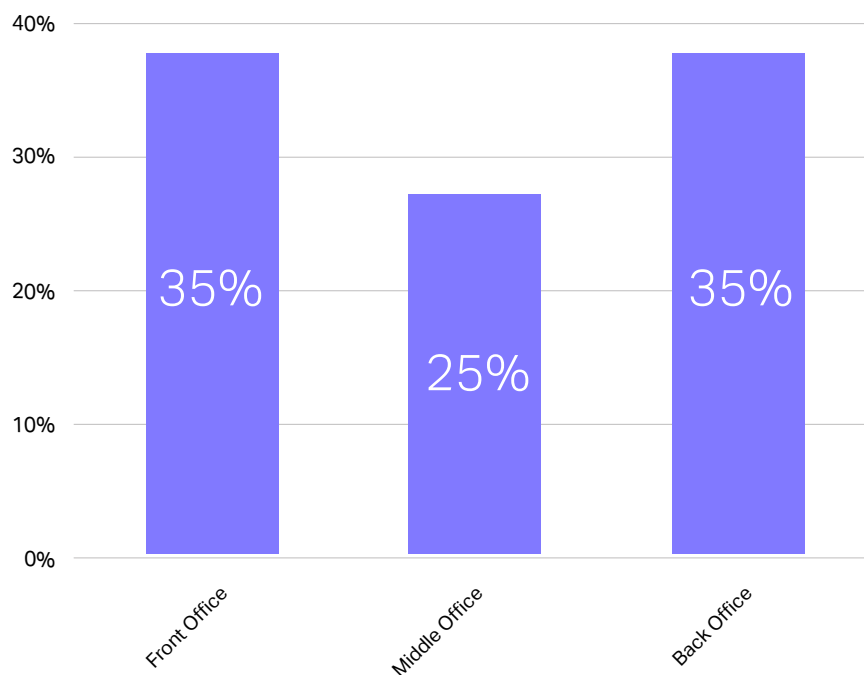
Data and Operational Struggles

In investigating where managers struggle the most in their operations, at face value their challenges seem evenly split between front, middle and back office.

But a closer look shows unique challenges depending on the asset class the manager covers. Traditional managers, much less burdened by data transparency and access to insights than their private markets counterparts, mostly struggled with back-office operations.

A key struggle for private markets GPs is accessing their middle-office data, particularly portfolio company data – likely a task with more private market emphasis as LPs have asked for more and deeper data surrounding their holdings.

Exploring which operations category brings the most challenges

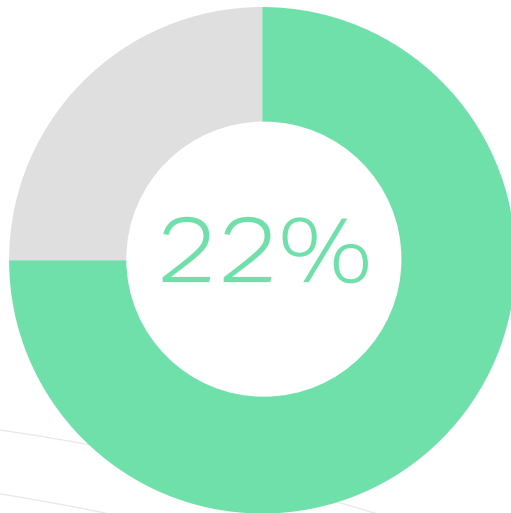


PE vs Traditional Managers

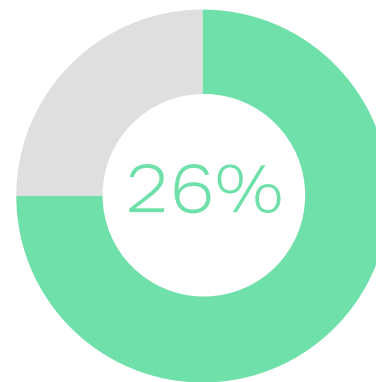


- PE managers that named [middle office operations](#) as their top struggle
- Traditional managers that named [back office operations](#) as their top struggle

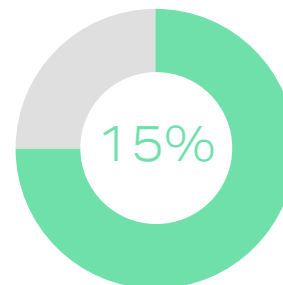
Digging deeper into middle office challenges



PE firms that cited [access to portfolio company data](#) as their largest obstacle to managing operations.



VC firms that said the same.



Plus, 15% of VC firms noted lack of data transparency as a challenge

Co-Sourcing: A Creative Solution to an Old Problem

A large majority of GPs polled use fund administrators, but the survey revealed that they are not using their service providers or technology options as effectively as possible – especially in tandem.

For example, most GPs who responded to the survey have not heard of co-sourcing as a tool to manage their operations and most still manually oversee their data management.

Co-sourcing directly tackles many of the LP communications and data access burdens that GPs describe in this data, and we expect to see co-sourcing as a back-office operations strategy grow significantly in the coming years.

Smaller firms employ co-sourcing more than larger firms 13% of firms under \$2.5B and 15% of firms \$2.5-10B have adopted it, while no firms over \$10B cited adoption.

What is co-sourcing?

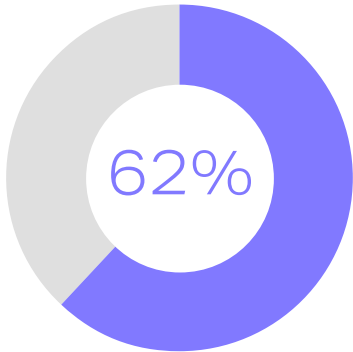
Co-sourcing is an operating model between fund managers and fund administrators where a fund administrator executes its client's accounting and reporting workflows through that client's software system instance. The GP is able to then keep their data in-house, while still outsourcing the administrative burden.

The current state of private capital back-office operations



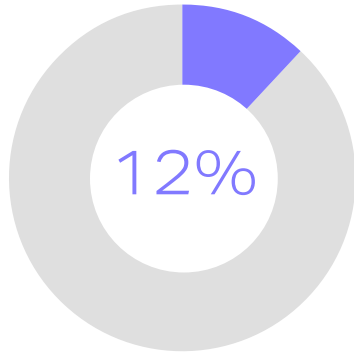
89%

of GPs surveyed use a fund administrator



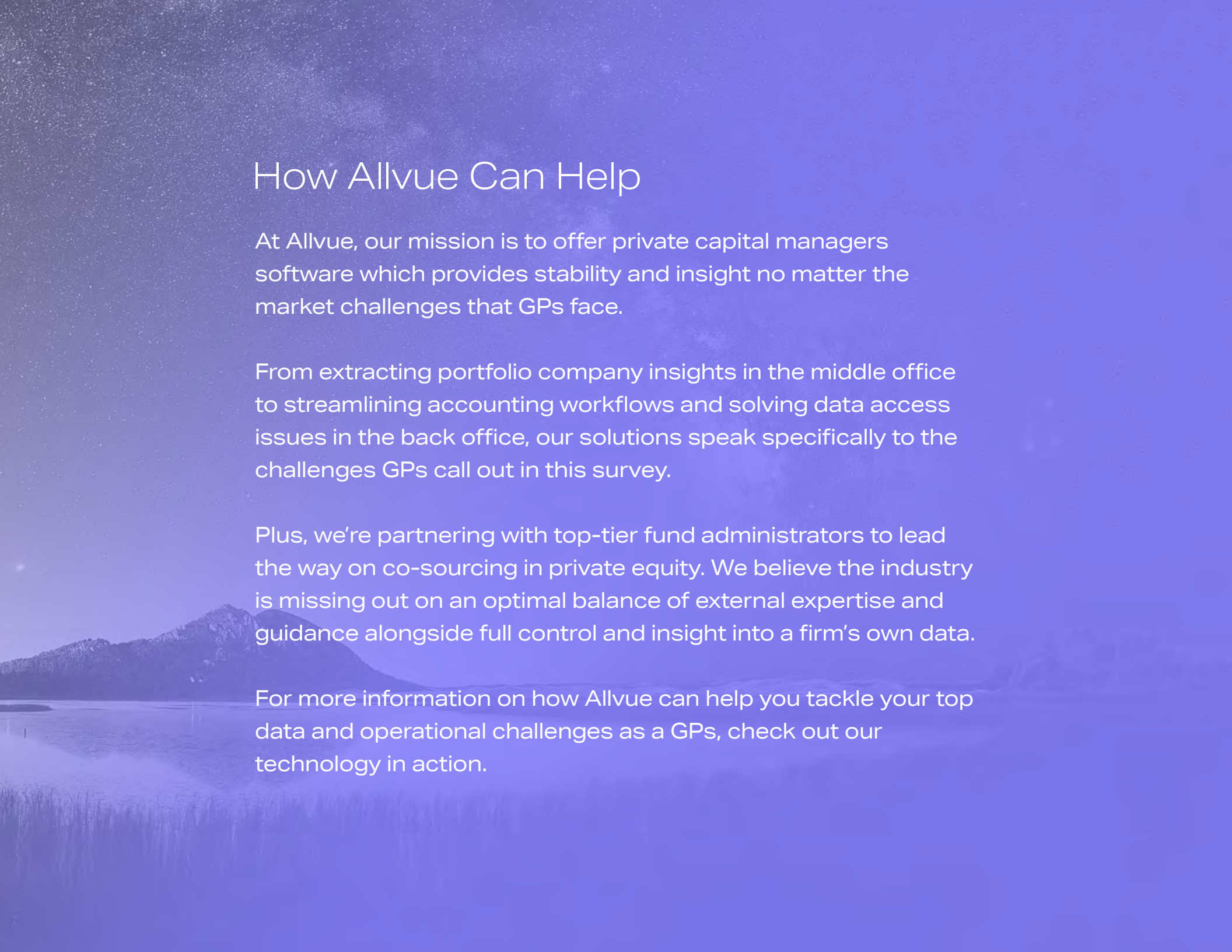
62%

of GPs have never heard
of co-sourcing



12%

of GPs currently
use co-sourcing



How Allvue Can Help

At Allvue, our mission is to offer private capital managers software which provides stability and insight no matter the market challenges that GPs face.

From extracting portfolio company insights in the middle office to streamlining accounting workflows and solving data access issues in the back office, our solutions speak specifically to the challenges GPs call out in this survey.

Plus, we're partnering with top-tier fund administrators to lead the way on co-sourcing in private equity. We believe the industry is missing out on an optimal balance of external expertise and guidance alongside full control and insight into a firm's own data.

For more information on how Allvue can help you tackle your top data and operational challenges as a GPs, check out our technology in action.



About Allvue

Allvue is a leading provider of technology for investment managers in the private capital and credit markets industry. Its mission is to empower superior investment decisions by pairing modern cloud-based software solutions with capabilities across multiple asset classes. Allvue's software solutions serve the entire investment lifecycle and are seamlessly integrated to provide a comprehensive product suite, serving investment managers of all sizes worldwide.

Allvue was established in 2019 through the merger of Black Mountain Systems and AltaReturn two leading providers of investment technology solutions. Allvue is based in Miami, FL. With a commitment to innovation and a focus on multiple asset classes, Allvue's software solutions allow its clients to operate and grow their businesses more effectively by automating manual processes, improving data accuracy and consistency across workflows, and delivering enhanced analytics

Methodology:

The survey was conducted at the SALT iConnections New York Conference in May 2023 and includes 100 responses from GPs.

To learn more about Allvue:

www.allvuesystems.com