ALLVUE

Selecting a Technology Solution to Manage Private Debt:
Top 5 Considerations

Table of Contents

03 Introduction

04 Competitive Pressure and Increased Allocations to Private Markets

05 Managing Investor Expectations

06 Lifecycle Management and Automation

06 Dynamic Reporting and Data Security

07 Allocation and Funding

08 Selecting the Right Platform

09 Conclusion

Introduction

Private debt has witnessed substantial growth, driven by regulatory changes, investor demand, and evolving market dynamics.

Despite a decline in fundraising, assets under management (AUM) have surged 27 percent to $1.7 trillion, and private debt posted the highest investment returns of any private asset class through the first three quarters of 2023. (Global Markets Review –2024 [McKinsey & Company Website]) In the ever-evolving landscape of private debt management, picking the right technology solution is key in terms of ensuring continued growth, operational efficiency, regulatory compliance, and investor satisfaction.

This whitepaper outlines the top five considerations when selecting a technology solution to manage private debt, addressing regulatory drivers, investor and borrower demand, private equity requirements, and institutional investors' increased allocations to private markets. Furthermore, it explores the top five essential benefits a robust tech platform should offer.

Market Challenges and How Technology Can Help

Investors face the unique challenges of managing private debt in a market that is rapidly evolving while, while meeting investor expectations. To scale and grow institutions must select a solution that supports offers a range of capabilities. Technology should address the entire spectrum of client needs, providing a versatile, integrated platform equipped with adaptable dashboards and reporting features to drive strategic decision making.

1. Competitive Pressure and Increased Allocations to Private Markets

"36% of institutional investors have already allocated more than half of their portfolio to private markets"

Institutional investors are significantly increasing their allocations to private markets, including private debt. This shift is driven by the pursuit of higher yields and diversification benefits. According to a State Street survey, 36% of institutional investors have already allocated more than half of their portfolio to private markets, and this number is expected to increase to 41% over the next three to five years. Additionally, 59% of institutions have already allocated at least 30% to private markets, with projections reaching 71% by 2028. To remain competitive, firms must have the right solution in place that integrates with existing systems and provides superior portfolio and research management.

Technology Solution Requirements

- Configurable, Multi-Asset Class Support: Technology should offer support across all private asset classes to enable investors to evaluate information, compare performance, manage risk, and conduct robust analysis to make efficient asset allocation decisions.
- Integration with Existing Systems: The technology platform must also seamlessly integrate with existing systems to ensure a smooth flow of information to support workflow automation, reporting for future global and regional compliance measures and investor demands for performance.

2. Managing Investor Expectations

Meeting investor expectations is of paramount importance to keep them satisfied so they will reinvest in future funds. Institutional and ultra-high net worth investors are increasingly allocating funds to private debt due to its potential for high risk adjusted returns and portfolio diversification. However, these investors demand greater transparency, timely reporting, and detailed performance insights.

Technology Solution Requirements

- Comprehensive Investor Management: Investors should have access to a secure portal that offers updates about performance and document sharing of statements, tax information such as K1s, investor contact information, and wire instructions.
- Advanced Portfolio Management: The platform should offer advanced reporting capabilities, enabling detailed performance analysis, risk assessment, and customized reporting for different investor types.

3. Lifecycle Management and Automation

Investors have long relied on disparate systems to manage data and workflow processes across origination, portfolio management, fund accounting, investor reporting, and back-office administration. Disparate systems and lack of proper organizational workflow often lead to manual work, strained resources, and sub-optimal results. Data management and reporting should be automated and fully configurable and easily accessible, leading to reduced operational overhead and better support for investors.

Technology Solution Requirements

- Front to Back Office Management: The platform should easily manage complex processes throughout the entire investment lifecycle by accurately tracking portfolio and pipeline data.
- Automated Alerts: As both financial and non-financial deliverables are uploaded, investors should be able to track covenants along with other important information via triggered alerts.

4. Dynamic Reporting and Data Security

Reporting and transparency requirements are constantly evolving for private debt managers and can be complex due to the nature of the asset class. Key regulations such as the Dodd-Frank Act, the Alternative Investment Fund Managers Directive (AIFMD), and Basel III might have significant implications for private capital markets in the future. These regulations will aim to enhance transparency around underlying assets, reduce systemic risk due to market factors, and protect investors. Compliance with these regulations will require sophisticated business intelligence for robust data management, dynamic reporting capabilities, and clear audit trails.

Technology Solution Requirements

- Transparency and Scale: A technology platform should be scalable, and able to accommodate changes in regulatory requirements, and flexible enough to integrate with other compliance tools.
- Data Security and Privacy: Given the sensitive nature of financial data and the emergence of Artificial Intelligence (AI), the solution must ensure data security and privacy, adhering to standards such as General Data Protection Regulation (GDPR) and California Consumer Privacy Act (CCPA).

5. Allocation & Funding

Private debt is a strategic tool for investment diversification, portfolio structuring and optimization. Efficient credit decisions, allocation, and management processes are essential in the private credit market. Private debt managers are expanding their oversight to encompass a broader array of funds and investment vehicles, such as separately managed accounts (SMAs), necessitating robust allocation and compliance functionalities to ensure precision in allocations. When considering technology to support these processes, firms should consider selecting a platform that is purpose built with industry knowledge gained from understanding the specific needs of private debt firms. Platform providers should have a track record of industry expertise.

Technology Solution Requirements

- Research Management: The platform should support thorough due diligence processes, providing integration to tools for market research, and support financial analysis. It should also offer detailed insights into portfolio performance, risk exposure, and return metrics.
- Easy Access to Data: Institutional investors require customized reporting that aligns with their specific mandates and regulatory requirements. The solution should offer flexible reporting options and templates with user-defined dashboards, and customizable views and reports on all data to enable informed decisions. Views and reports on all data should give users up to the minute insight into how portfolios are performing in a way that is relevant to their organization.

Selecting the Right Platform

Selecting the right technology solution for managing private debt is not just about meeting current needs but also about future-proofing operations. Here are the key benefits an ideal tech platform should offer:

1. Operational Efficiency

- Automation of Routine Tasks: By automating routine tasks such as data entry, reporting, and compliance checks, the platform can significantly reduce manual errors and improve efficiency. The right solution should also help to automate pipeline, investment approvals, and portfolio monitoring reports ensuring that you have up to date information at your fingertips.
- Streamlined Workflows: Manage deal pipeline, spread financials, track covenants and approvals, and monitoring processes all in one place.

2. Enhanced Decision Making

- Real-Time Analytics: Access to real-time analytics and dashboards enable better decision-making by providing insights into portfolio performance, market trends, and risk exposures.
- Portfolio Monitoring: Advanced analytics tools can help monitor market movements, borrower behavior, and investment outcomes, enabling proactive decision-making.

3. Improved Risk Management

- Research Management: The platform should offer tools for comprehensive risk and due diligence research and monitoring with advanced Excel integration and reporting.
- Advanced Analytics: The platform should have analytics to calculate historical and projected rate of return and analyze origination and deal activity with easily configurable dashboards and reports.

4. Superior Client Service

- Investor Portals: Dedicated portals for Limited Partners (LPs) provide easy access to information, enhancing transparency and client satisfaction.
- Personalized Communication: The platform should support personalized communication, enabling tailored updates, notifications, and reporting.

5. Scalability and Flexibility

- Adaptability to Market Changes: The technology solution should be adaptable to market changes, regulatory updates, and evolving business needs, ensuring long-term viability.
- Modular Architecture: A modular architecture allows for the addition of new features and integrations as needed, without disrupting existing operations.

Conclusion

Selecting the right technology solution for managing private debt is critical for achieving operational efficiency, regulatory compliance, and investor satisfaction. By considering regulatory drivers, investor demand, private equity requirements, and institutional investors' increased allocations to private markets, firms can make informed decisions that align with their strategic goals. An ideal tech platform should offer comprehensive compliance management, advanced reporting and analytics, robust fundraising management, and customizable reporting, among other benefits. By leveraging the right technology platform private debt managers can enhance their competitive edge, improve risk management, and deliver superior client service in a dynamic market environment.

01

Learn about our offerings

From equity to credit, front office to back, Allvue's suite of products and packaged solutions can cover your needs.

02

See our software in action

From sophisticated reporting, to seamless data sharing across LPs see Allvue's capabilities via our library of two-minute demo videos.

03

Reach out for a demo

Contact our team with your bespoke software needs and set a time for a demo personalized to your challenges.

Allvue's Private Debt Performance By the Numbers

6 out of 10

of the top private debt managers use Allvue's credit solutions

120+

of the top private debt managers use Allvue's credit solutions

440+

use Allvue's alternative investments software solutions

Industry-leading Solutions for New and Emerging Private Debt Firms

Growth-oriented private debt firms face challenges like heightened LP and regulatory data and reporting requirements, increased competition, and resource strains from increasing volumes of data management. Private debt managers can rapidly scale their operations effectively by implementing targeted software solutions.

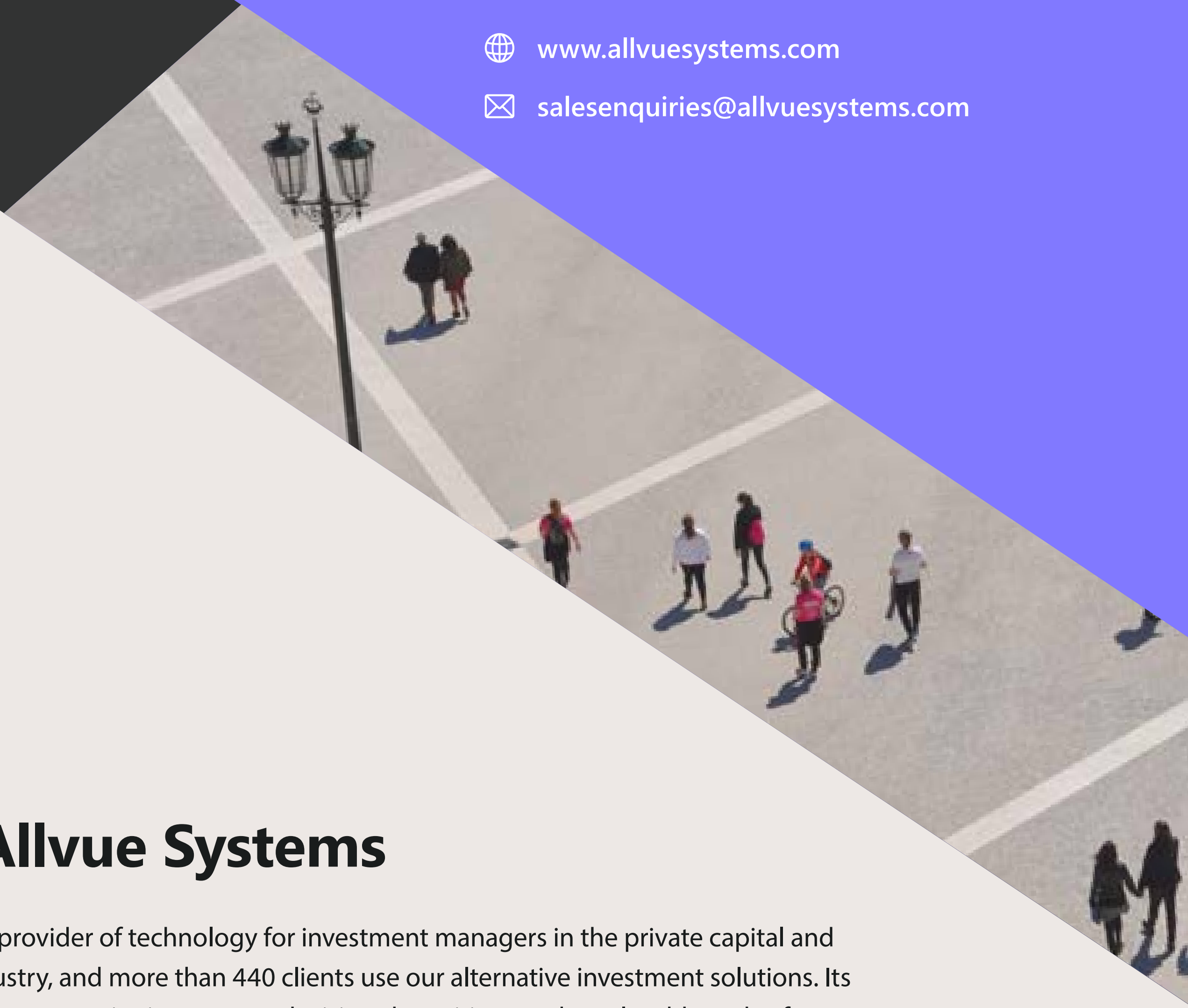
That's why Allvue created Private Debt Essentials, a packaged solution set including portfolio management, research, and accounting solutions designed to help private debt managers optimize processes and maximize growth.

Learn more about Allvue

Allvue 's modern suite of solutions can power every aspect of a private debt manager's business from **portfolio management** to compliance, **accounting**, and **reporting**. Allvue's Private Debt solutions provide a fully integrated, highly configurable suite of solutions to manage the entire investment lifecycle. User defined dashboards and reporting, custom research and monitoring, the ability to track and analyze prospecting activity, and integrated deal funding and portfolio allocation capabilities are designed with experience from working with more than 120 industry leading private debt managers, with six residing in the top 10.

www.allvuesystems.com

salesenquiries@allvuesystems.com



About Allvue Systems

Allvue is a leading provider of technology for investment managers in the private capital and credit markets industry, and more than 440 clients use our alternative investment solutions. 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 life cycle and are seamlessly integrated to provide a comprehensive product suite, serving investment managers of all sizes worldwide.

Allvue was established in 2020 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.

Resources

1. Global Markets Review –2024 [McKinsey & Company Website] (https://www.mckinsey.com/industries/private-capital/our-insights/mckinseys-private-markets-annual-review)

2. Alternative Investment Fund Managers Directive (AIFMD). (n.d.). [EU Commission Website (https://ec.europa.eu/info/business-economy-euro/banking-and-finance/investment-and-investor-protection_en)

3. Basel III: International Regulatory Framework for Banks. (n.d.). From [Bank for International Settlements] (https://www.bis.org/bcbs/basel3.htm)

4. Dodd-Frank Wall Street Reform and Consumer Protection Act. (n.d.). From [U.S. Securities and Exchange Commission] (https://www.sec.gov/spotlight/dodd-frank.shtml)

5. GDPR Compliance. (n.d.). From [EU GDPR Website] (https://gdpr.eu/)

6. Private Debt Market Overview. (2023). From [Preqin](https://www.preqin.com/insights/research/reports/private-debt-market-overview-2023)

7. Institutional Investors Boost Private Allocations: State Street. From [Investor Strategy News], (2024) (https://ioandc.com/institutional-investors-to-boost-private-allocations-state-street/)

8. State Street Private Markets Survey Reveals Public to Private Shift is Set to Grow Further (April 2024) (https://www.abfjournal.com/dailynews/state-street-private-markets-survey-reveals-public-to-private-shift-is-set-to-grow-further/)