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# Best Practices Around Private Equity Data Management

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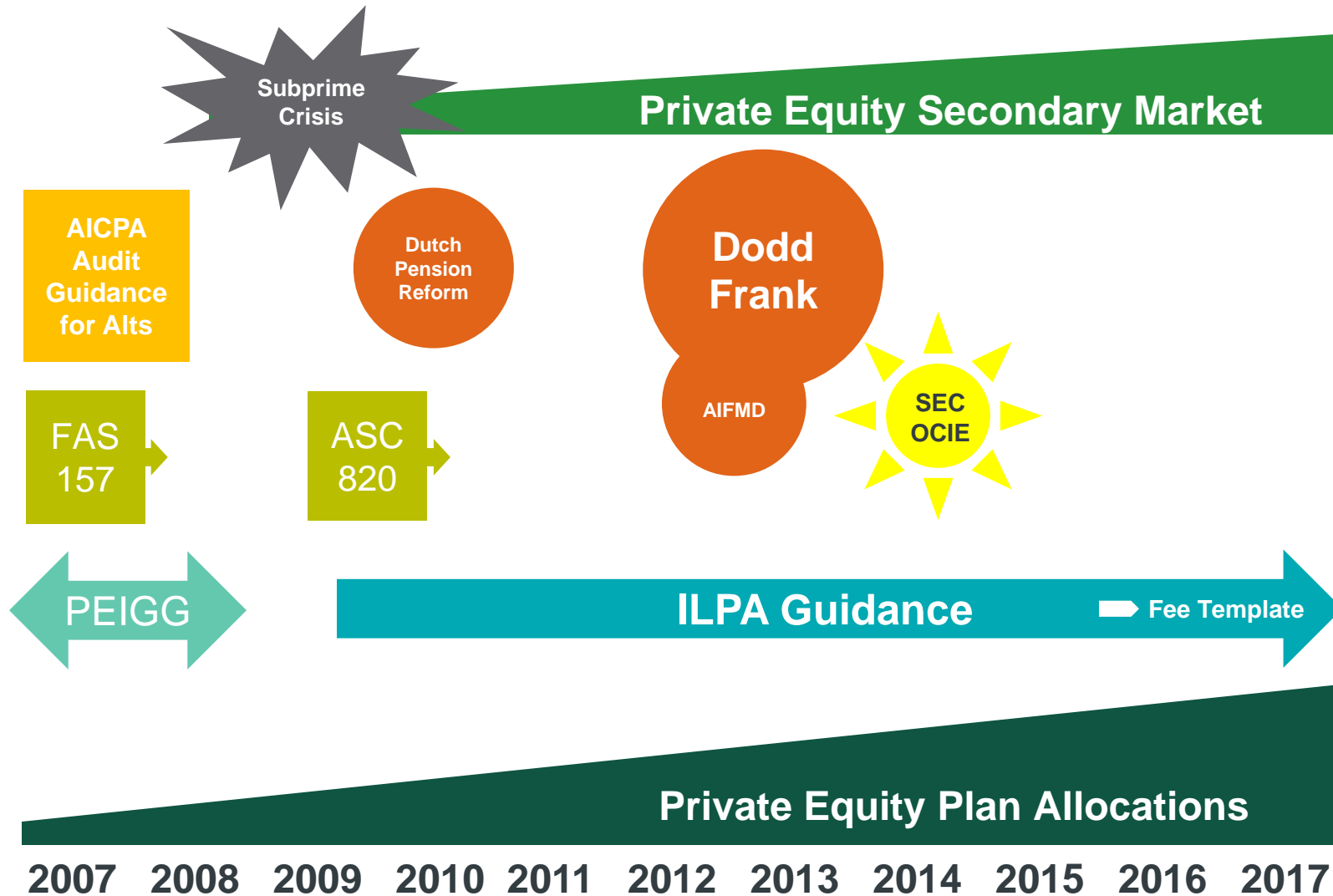
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# AGENDA

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# A BRIEF HISTORY

*Key events and catalysts of the past decade have shaped asset owner diligence and reporting.*



# THE DEMANDS OF PRIVATE EQUITY ASSET OWNERSHIP

The worry points for asset owners are expanding and changing.

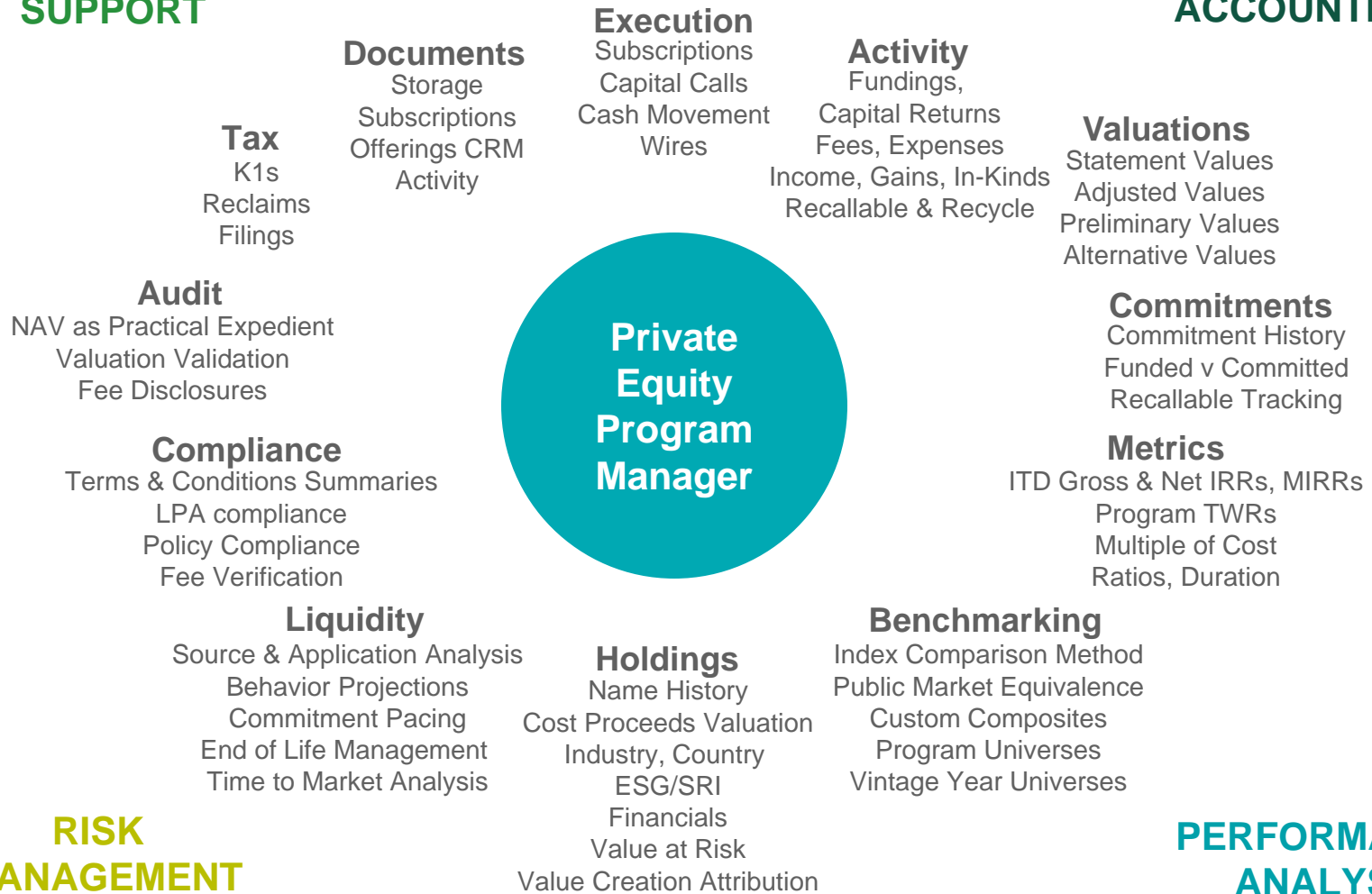


# THE TASKS OF PRIVATE EQUITY OWNERSHIP

Tasks can be grouped into domains and types with activities growing as oversight requirements increase.

## ADMINISTRATIVE SUPPORT

## FUNDING & ACCOUNTING



## RISK MANAGEMENT

## PERFORMANCE ANALYSIS

# THE NATURE OF PRIVATE EQUITY DATA

*The manual nature of private equity creates unique administrative challenges.*

## No Standard Investment ID

- No CUSIP, SEDOL or ISIN
- Service providers create their own conventions
- Each investor in a fund requires a unique identifier

## Non-Standard Statements

- Activity notices and statement formats vary
- Details vary
- Source locations vary

## Delayed Valuations

- Quarterly valuation
- Managers create valuations
- Valuation arrival up to 60 days after period end

## Ambiguous Fee Details

- Net management fees usually reported
- Offsets often not available on statement
- Carried interest usually netted from distributions

## Limited Holdings Transparency

- Fund holdings arrive late in quarterly reports
- Financials often not available
- Holdings data requires enrichment prior to use

# INDUSTRY STANDARDS

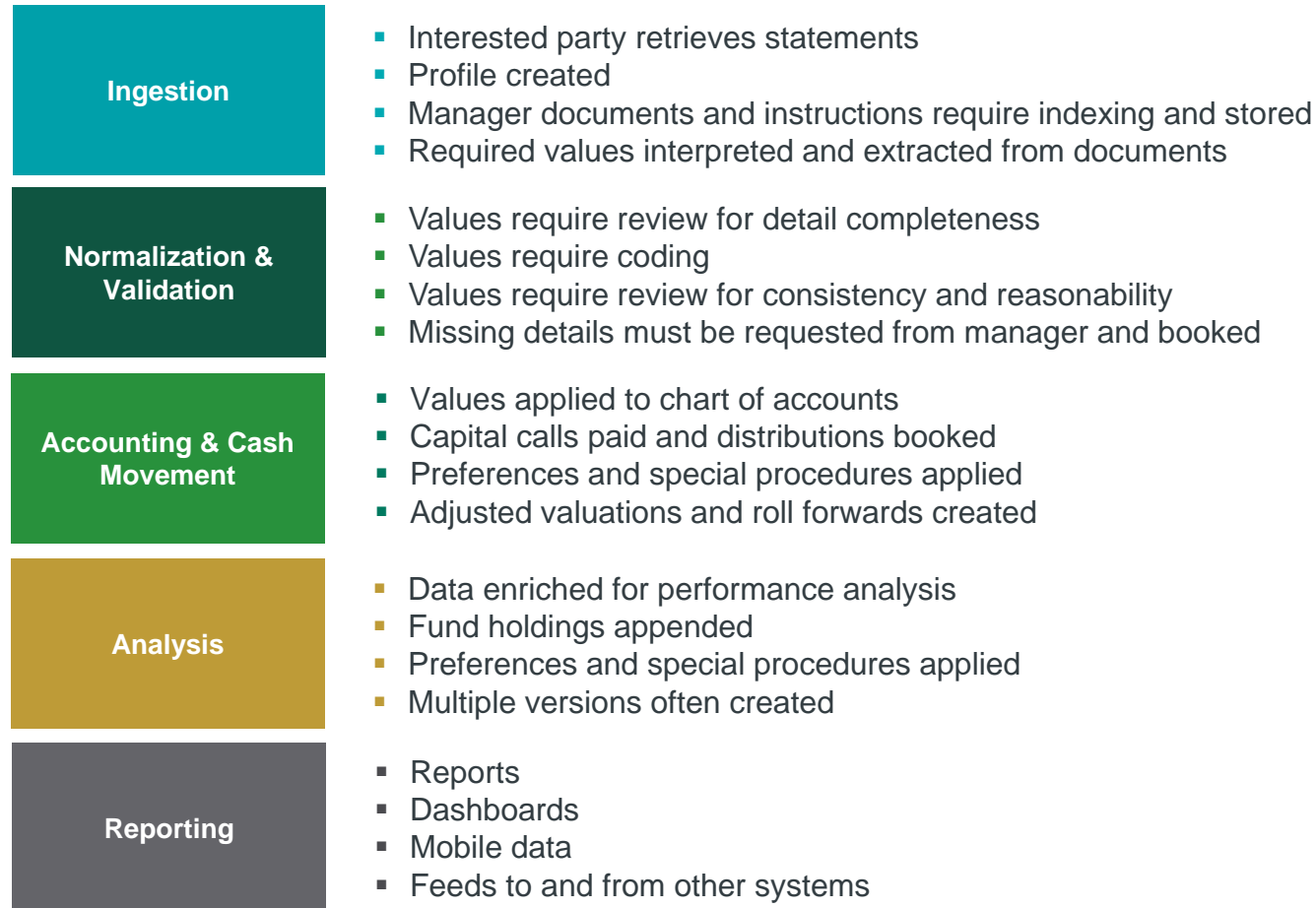
*Industry promoted standards exist with varying efficacy.*

	Limited Partners (asset owners)	General Partners (asset managers)
Data Standards	<b>Institutional Limited Partners Association (ILPA)</b> <ul style="list-style-type: none"><li>• Call and distribution templates</li><li>• Periodic report templates</li><li>• Fee templates</li><li>• Embraced by asset owners</li><li>• Slow adoption by managers</li></ul>	<b>International Private Equity and Venture Capital Valuation Guidelines Group (IPEV)</b> <ul style="list-style-type: none"><li>• Emphasizes statement completeness</li><li>• No templates</li><li>• Principles based</li><li>• Wide adoption</li></ul>
Performance Standards	<b>CFA Institute Global Investment Performance Standards for Asset Owners (GIPS)</b> <ul style="list-style-type: none"><li>• Calculations</li><li>• Benchmarking</li><li>• Disclosures</li><li>• Widely embraced</li></ul>	<b>CFA Institute Global Investment Performance Standards for Asset Managers (GIPS)</b> <ul style="list-style-type: none"><li>• Calculations</li><li>• Composites</li><li>• Disclosures</li><li>• Widely embraced</li></ul>

*Industry promoted standards do not supersede accounting or regulations.  
Accounting standards allow asset owners significant latitude.*

# PRIVATE EQUITY DATA PROCESSES

*After commitments are made, the asset owner must manage the inefficient information flow.*





# THE STATE OF INFORMATION TECHNOLOGY

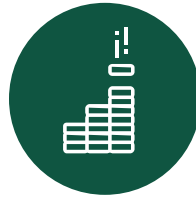
*Technology is rapidly evolving and increasing information delivery efficiency .*

## Aggregation



- Holdings entity valuation data to GP
- GP to LP transparency data
- News and big data

## Data Exchange



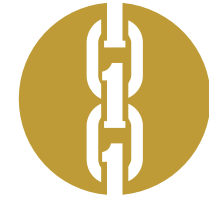
- Secure document delivery
- Completeness validation
- Peer to peer networks

## Artificial Intelligence



- Robotics
- Machine learning
- Cognitive computing

## Blockchain



- Digital identities
- Trade execution
- Frictionless settlement finality
- Real-time data reporting

# TRANSPARENCY

*There are five important areas of transparency for the asset owner.*



*Transparency is contingent upon the cooperation of the general partner and the requirements of the asset owner.*

# ASSET OWNER PRACTICES

Practices vary by size and asset owner segment including use of external service providers.

## ADMINISTRATIVE SUPPORT

### Documents

- CRM systems
- Diligence Tools

### Tax

*Outsourced assistance*

### Audit

- Process scrutiny
- Limited indie valuation
- Fees as a checklist item

### Compliance

- Pre-trade validation
- Fee verification models
  - ESG/SRI

### Liquidity

- Operational liquidity
- Market liquidity models
- Cash flow forecasts

## RISK MANAGEMENT

## Execution

- Call process outsourcing
- Instruction validation

## Activity

- From statements
- Accounting frozen



Private Equity Program Manager

## Holdings

- Data services
- Financial data
- Value creation attribution
  - Proxy VaR

## FUNDING & ACCOUNTING

### Valuations

- Adjusted values for close
  - Rollforward or
  - actual at year end
- Proxies & estimates

### Commitments

- Uneven recallable treatments
  - Recallable tracking

### Metrics

- Multiple IRR versions
- Actual v adjusted values returns
  - Fee impacts
  - Debt impacts

### Benchmarking

- Public index plus premium
  - Custom composites
  - Vintage year comps

## PERFORMANCE ANALYSIS

# QUESTIONS

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**Best Practices in Private Equity Data Management**

# SPEAKER BIOGRAPHY



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As a Global Product Manager, Paul develops investment reporting and analysis services used worldwide by institutional clients and family offices. He specializes in alternative assets reporting, including the tracking, measuring, and administering of private equity and hedge fund portfolios. His experience at Northern Trust includes extensive risk & performance analysis consulting and investment policy development. Paul has also authored magazine articles and whitepapers on investment analysis topics.

Prior to joining Northern Trust, Paul worked at SEI Corporation in their consulting services unit (formerly A.G. Becker). His experience at SEI includes product management, where he developed quantitative performance measurement analyses, capital markets research and asset/liability studies. Paul is a member of the research council of the Institute for Private Capital. Paul received a Bachelors degree from DePaul University and is a Certified Product Management Professional.

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