

The Evolution of Fund Administration

We have entered the 3rd age of fund administration, with Alter Domus leading the way through its investment in, and deployment of first-class technology to power alternative markets. Here we detail the merits and minuses of each stage.

1st Generation:

The In-House Admin Model

With private markets smaller in scale in the 1990s and early 2000s, many asset managers administered fund operations with internal teams, using in house staff or contractors.

+ Pros:

- **Full data access**
- **Information transparency**
- **Ease of communication & oversight & KPI agreement.**

- Cons:

- *Relatively unsophisticated Private fund & ALTS accounting, reporting & analytical tools*
- *Significant excel use & non-systematic process control*
- *Time & cost consuming for CFO and team*
- *Need to keep up with technology & regulatory change*
- *Perceived as limited financial or profit value to the business*
- *Challenging to scale funds*
- *LP due diligence exercise work / beginnings of ISAE 3402 - SOC II.*



2nd Generation:

The Rise of the Fund Administrators

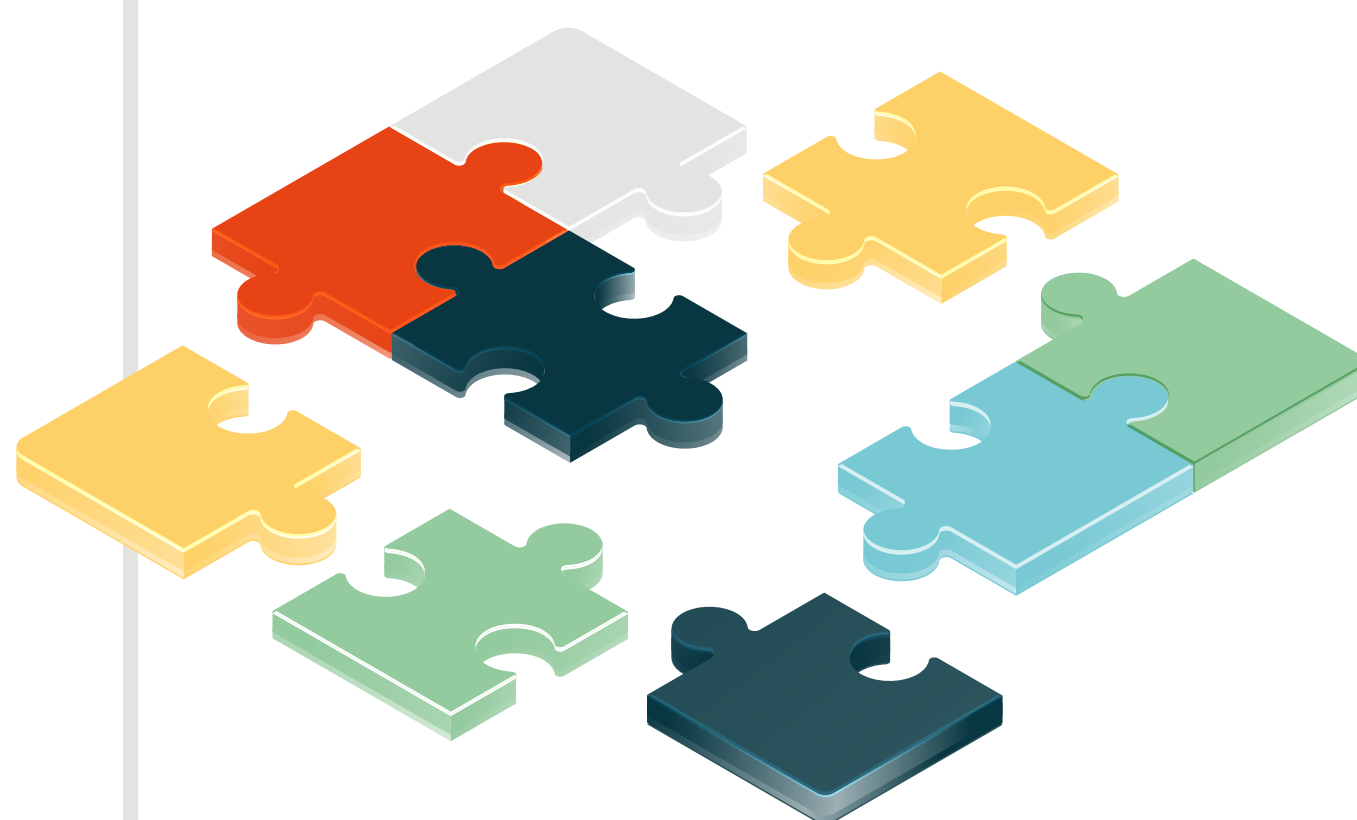
Investment in alternative markets funds rapidly grew in the wake of the great financial crisis. The challenges of scaling up, plus more complex operational issues this growth created for asset managers, led to the evolution an industry of 3rd party fund administrators.

+ Pros:

- **Increased ability for Managers to grow their business volumes, geographies, and to scale operations**
- **Fund related costs recharged to Funds & LPs**
- **Enhanced operational efficiencies**
- **Increase in documented process management & KPIs**
- **Use of ALTS focussed fund accounting & reporting systems (e.g. Investran, eFront etc)**
- **In House recruitment eased by greater external resource pools.**

- Cons:

- *Reliance on legacy interaction & communication (e.g. phone, email)*
- *No collaborative systems*
- *Need for admin oversight - shadow accounting*
- *Lack of data transparency and control*
- *Retained costs and management of systems, etc.*



3rd Generation:

Technology-enabled Fund Operations

With private markets investment now a mature, fully-fledged part of the financial firmament, and volumes of funds and data exponentially rising, only the enhanced use of technology, such as Alter Domus Digital Workflow Application for private equity, can sustain and support AUM growth.

+ Pros:

- **Collaborative process between client and 3rd party admin**
- **Provides on line information and differentiating value to LPs**
- **Accurate, actionable digitized data, online KPIS**
- **Processes and procedures coded into automated workflows**
- **Workflow Automation and AI enhances efficiency, accuracy, and cost control**
- **Reduction in Manager/Admin oversight workload and email/excel comms**
- **Ability to integrate 3rd party fund admin data.**



Learn more about Alter Domus private equity fund administration service and our digital workflow application technology [here](#).