State of Digital Transformation in the Alternative Asset Industry

2024

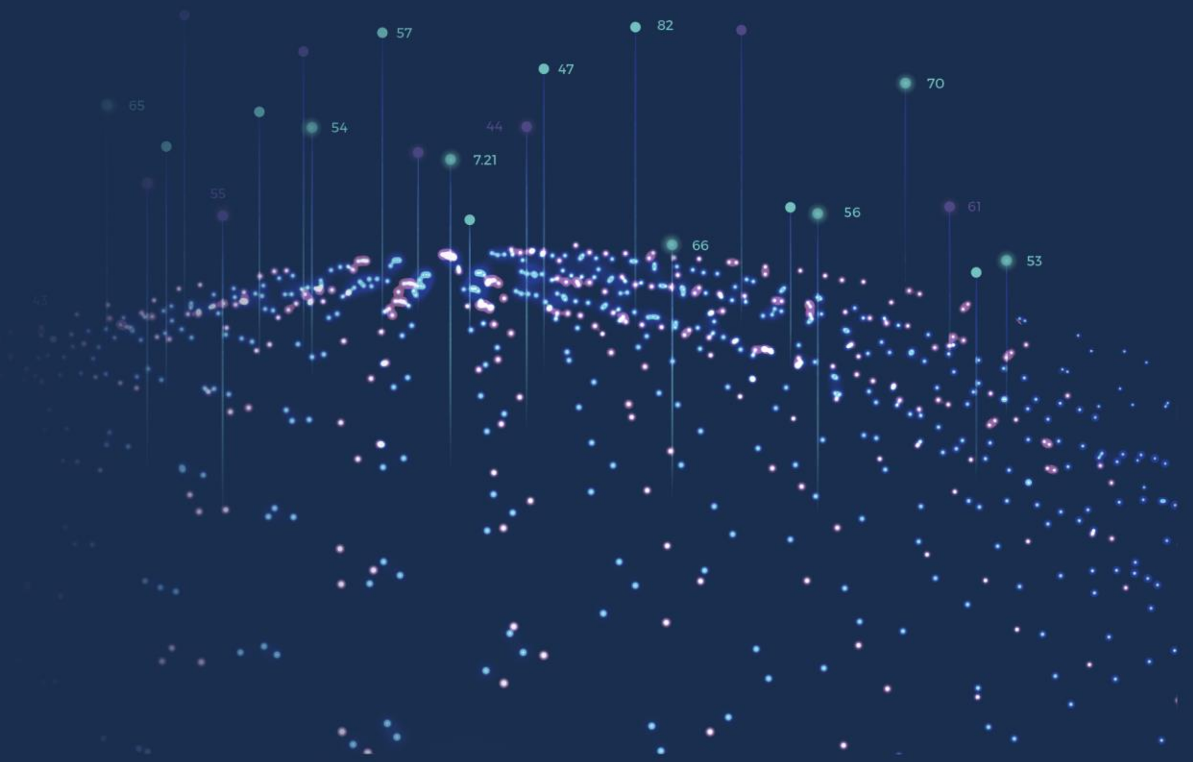
Curated by InvestorFlow LIONPOINT An Alpha Group Company

Contents

Welcome to the InvestorFlow-Lionpoint State of Digital Transformation in the Alternative Asset Industry 2024 Report.

The alternative asset management industry is at a critical juncture with emerging trends demanding forward-thinking digital transformation strategies. As alternatives become increasingly mainstream, General Partners (GPs) are democratizing private funds. This creates a growing demand for alternative investments and a willingness among investors to explore new opportunities. Navigating and capitalizing on these trends is deeply intertwined with the rapid advancements in AI and technology infrastructure.

In the current economy, Limited Partners (LPs) are demanding greater levels of transparency from GPs. Taking advantage of investable opportunities requires the technology to support not only transparency in reporting but also agile adaptation with low overhead costs as SEC and audit requirements continue to change.



In the alternative asset industry, technology has often taken the form of point solutions or fragmented systems. The current landscape is prompting a strategic reassessment. Firms must now evaluate whether their technology infrastructure merely supports or fundamentally defines their strategic objectives. This shift is propelled by the evolving demands of a sophisticated investor demographic.

Consequently, there is an imperative for firms to deliver increasingly tailored services to their investors, aligning with the digital transformation initiatives necessary to leverage new trends in alternatives.

In late 2023, **InvestorFlow** and **Lionpoint, an Alpha Group Company,** surveyed alternative asset managers to understand their strategies for digital transformation. The research included 28 use cases across four areas:

I. Investor Relations

II. Deal Origination, Pipeline Management, and Execution

III. Tech & Data Strategy

IV. Portfolio Management & Valuations

Participants were asked to rate each use case on a sliding scale of 1 to 100:

How important is this to you?
(Importance)

How well is your organization doing this today?
(Effectiveness)

We compared the Importance scores with the Effectiveness scores, noting how large gaps between Importance and Effectiveness reveal the most challenging areas where further strategy, change management, and industry expertise may be required.

This led to four key insights:

Insight 1

As LPs' demand for comprehensive fund data grows, GPs are facing increased pressure to provide timely and accurate reporting.

Insight 2

Due to increased competition and changes in fundraising strategy, GPs must foster stronger and more active relationships with their LPs.

Insight 3

Having a top-to-bottom tech strategy unlocks key efficiencies for GPs, allowing them to stand out from their competitors.

Insight 4

Getting ahead of the curve for AI/ML will be a key differentiator for GPs in a crowded marketplace.

Top 10

Most Important Use Cases, Indicating the Biggest Priorities

The most important categories according to our respondents give insight into the current state of alternatives in 2024. In the face of a challenging fundraising environment, increased LP scrutiny has turned GPs' focus toward investing in technology to support the timeliness and accuracy of reports. Reporting, digital transformation, and fundraising using CRM are the top priorities shown by the data.

Top 10 Most Important Use Cases, Indicating the Biggest Priorities

1

82

Ensuring information necessary for LP reporting (routine & ad hoc requests) is available and accurate

2

76

Ensuring your firm has a centralized system to manage all known LP's (prospective/current), historical engagement, and key firmographic details

3

76

Proactively assessing security risks & regulatory reporting requirements and investing in best-in class technology, infrastructure, and training to ensure risk is minimized

4

71

Automating analysis of data from multiple sources to provide clear, real-time insights into key investor needs

5

70

Institutionalizing and centralizing firm data to ensure stakeholders have real-time access to role-appropriate information from any device

6

70

Having the speed and capability to enact system development or modifications

7

69

Standardizing and automating collection of Portfolio Company information (financials/corporate dev.)

8

68

Centrally managing and tracking the workflows, inclusive of diligence and compliance, related to progressing investors through a fundraise process

9

68

Standardizing and automating the creation of valuation and reporting models

10

66

Centralizing and streamlining firm-wide reporting by leveraging cloud infrastructure to ensure all tech systems/data streams are interconnected via a data warehouse/data lake

Top 10

Least Effective Use Cases, Indicating the Biggest Challenges

The least effective categories indicated by the data are as expected, given the recency of AI in alternatives. While there is little doubt about the promise of AI, few in the private markets are effectively incorporating AI today. Firms also report challenges in tracking an intermediary's role in sourcing deals. GPs have data about potential opportunities but have trouble analyzing it all to strengthen investment decisions. Too many front-office systems and a lack of expertise in gleaning real-time insights to strengthen client relationships emerge as additional top challenges.

Top 10 Least Effective Use Cases, Indicating the Biggest Challenges

Rank	Score	Use case
1	37	Leveraging AI/ML/other automated solutions to accelerate and improve Deal Origination & Execution
2	37	Leveraging AI/ML/other automated solutions to accelerate and improve Portfolio Management & Valuations
3	39	Leveraging AI/ML/other automated solutions to accelerate and improve Tech & Data Strategy
4	46	Ensuring the firm has a centralized way to proactively leverage data (regardless of source), to automatically identify and engage right-fit investment opportunities
5	46	Minimizing internal systems by consolidating as many workstreams and data sources as possible into a single platform (CRM/ERP/etc.)
6	46	Leveraging AI/ML/other automated solutions to accelerate and improve Investor Services
7	46	Automating analysis of data from multiple sources to provide clear, real-time insights into key investor needs
8	47	Tracking, analyzing, and leveraging in future engagements the highest value banker relationships based on quality of deals sourced
9	47	Standardizing and automating the creation of valuation and reporting models
10	48	Accurately forecasting and optimizing investment returns based on all available data inputs

Top 10

Gaps Between Importance and Effectiveness, Indicating the Biggest Opportunities

The biggest gaps between Importance and Effectiveness, reflecting opportunities for future-forward firms, are:

Reporting: Top reporting opportunities include the availability and accuracy of reporting data for routine and ad-hoc reporting, standardizing and automating external reporting and valuation needs, the collection and standardization of Portfolio Company information, and ensuring that all front office software is integrated.

CRM: Participants are ready for a CRM that can glean real-time insights that can be used to strengthen client and prospect relationships.

Systems Improvement: This includes ensuring systems are sufficiently flexible to adapt to the firm as needs change and making those changes when needed.

AI/ML: There is a large opportunity to leverage AI/ML across the board.

Top 10 Gaps Between Importance and Effectiveness, Indicating the Biggest Opportunities

1

26

Ensuring information necessary for LP reporting (routine & ad hoc requests) is available and accurate

2

25

Automating analysis of data from multiple sources to provide clear, real-time insights into key investor needs

3

21 Standardizing and automating the creation of valuation and reporting models

4

20 Having the speed and capability to enact system development or modifications

5

19 Leveraging AI/ML/other automated solutions to accelerate and improve Deal Origination & Execution

6

18 Ensuring the firm has a centralized way to proactively leverage data (regardless of source), to automatically identify and engage right-fit investment opportunities

7

15 Standardizing and Automating collection of PortCo information (financials/corp dev)

8

15 Centralizing and streamlining firm-wide reporting by leveraging cloud infrastructure to ensure all tech systems/data streams are interconnected via a data warehouse/data lake

9

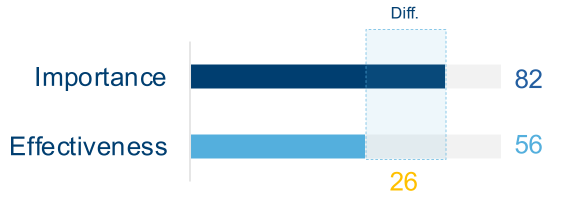
15 Proactively assessing security risks & regulatory reporting requirements and invest in best-in class technology, infrastructure, and training to ensure risk is minimized

10

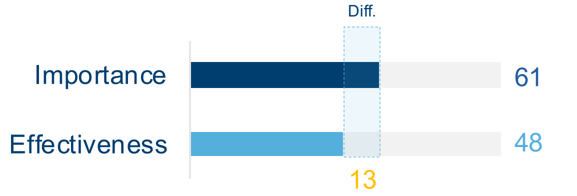
14 Institutionalizing and centralizing firm data to ensure stakeholders have real-time access to role-appropriate information from any device

Insight 1: As LPs' demand for comprehensive fund data grows, GPs are facing increased pressure to provide timely and accurate reporting.

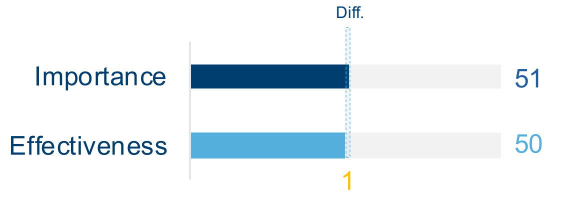
Ensuring information necessary for LP reporting (routine & ad hoc requests) is available and accurate



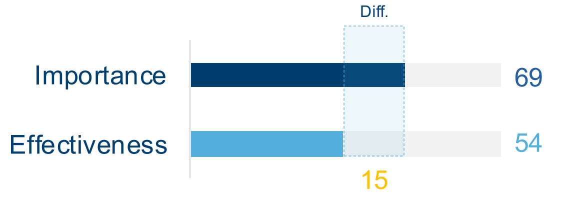
Accurately forecasting and optimizing investment returns based on all available data inputs



Utilizing workflow technology to capture ESG related metrics and embed these into overall portfolio performance reporting.



Standardizing and automating collection of PortCo information (financials/corp dev.)



Key Takeaway: Accurate LP reporting can be solved through integrated platform solutions for a more streamlined and efficient fundraise process. Teams can, at a glance, understand more about investors to build a precise and accurate target list for fundraising. Timely and accurate reporting also benefits roadshow planning, investor meetings, outreach, and relationships.

"Fund level performance and investment categories are distributed monthly. At the individual level they are done ad hoc and as needed by investor inquiry."

"We are doing most of our ESG tracking manually."

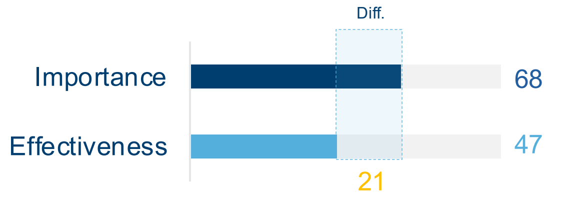
Marketing and Investor Relations Professional
Investment Management Firm

"Our whole Portfolio Management team manages this on Excel to my knowledge at the moment. While I'd love to get them off spreadsheets, some of their calculations may be very complex and I'm not sure if there would be adoption, though it's something to explore."

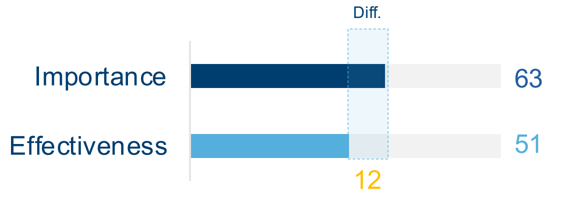
Strategic Initiatives Manager
Global Alternative Asset Firm

Insight 1: As LPs' demand for comprehensive fund data grows, GPs are facing increased pressure to provide timely and accurate reporting.

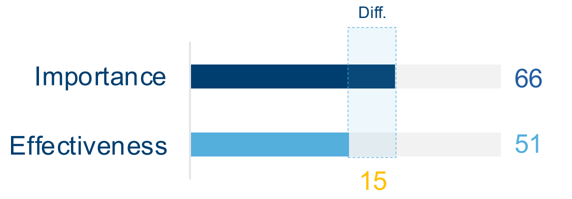
Standardizing and automating the creation of valuation and reporting models



Ensuring Investors have real-time visibility into portfolio valuation and performance at the asset level



Centralize and streamline firm-wide reporting by leveraging cloud infrastructure to ensure all tech systems/data streams are interconnected via a data warehouse/data lake

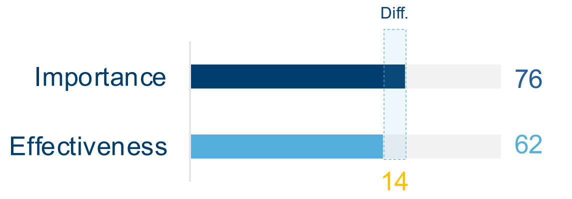


Key Takeaway: Standardizing and automating reporting allows teams to use the data to create valuable insights and analysis ranging from investors and their needs to common themes across pipeline transactions. Teams can also use the reporting to forecast upcoming closing transactions and upcoming fund commitments in each close and easily anticipate closing commitments and transactions.

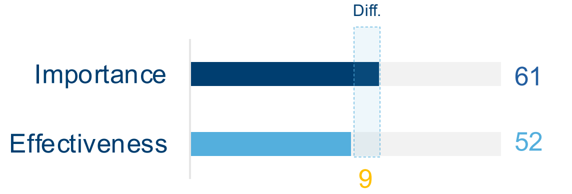
> "Right now the spreadsheets are being given to the Human Capital team from the deal teams for manual entry. I standardized the template, but even then, it's a challenge because the Human Capital Team doesn't like to input it, and those updates then typically fall to our team (Salesforce) to handle."
>
> Strategic Initiatives Manager
> Global Alternative Asset Firm

Insight 2: Due to increased competition and changes in fundraising strategy, GPs must foster stronger and more active relationships with their LPs.

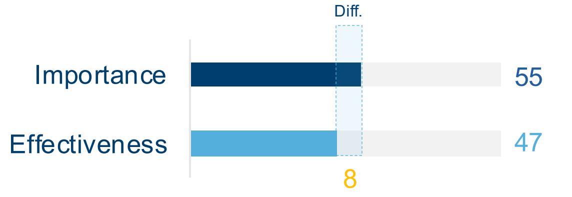
Ensuring the firm has a centralized system to manage all known LPs' (prospective/current), historical engagement, and key firmographic details



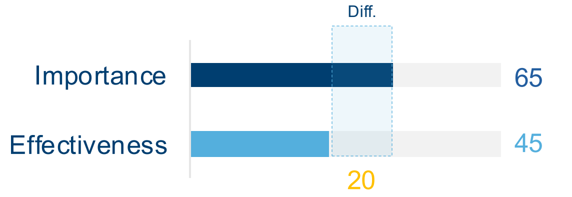
Clearly documenting and tracking progress of all portfolio projects (digital transformation/acquisition/etc.) in a centralized system available and editable to all relevant stakeholders



Tracking, analyzing, and leveraging the firm's highest-value relationships at the right time in an opportunity's lifecycle



Ensuring the firm has a centralized way to proactively leverage data (regardless of source), to automatically identify and engage right-fit investment opportunities



"We could do a much better job at logging and maintaining Opportunities."

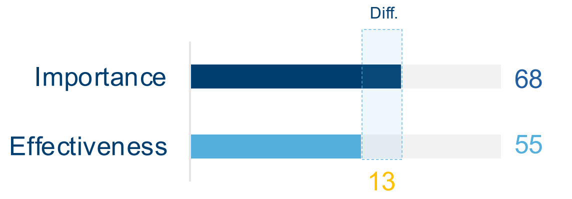
Marketing Coordinator
Capital Management Firm

"There are different portfolio projects going on and being handled by different teams. I'm currently working on a project with our leveraged Procurement team on projects that relate to onboarding vendors to handle their pharmacy benefits, travel, etc. We have a Portfolio Management Team tracking deal coverage contacts, but not to the extent of digital transformations and acquisitions—this is a good idea to run with."

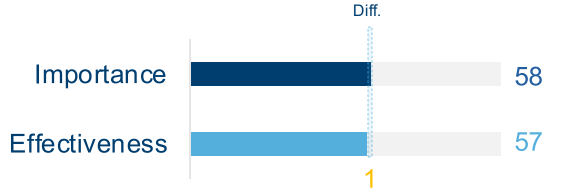
Strategic Initiatives Manager
Global Alternative Asset Firm

Insight 2: Due to increased competition and changes in fundraising strategy, GPs must foster stronger and more active relationships with their LPs.

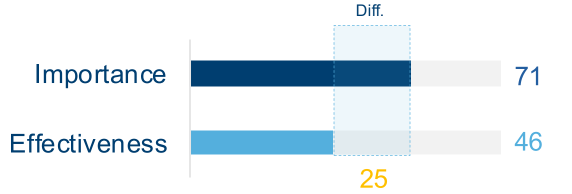
Centrally managing and tracking the workflows, inclusive of diligence and compliance, related to progressing investors through a fundraise process



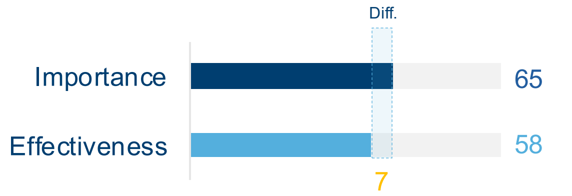
Using historical activity to accurately forecast future fund participation



Automating analysis of data from multiple sources to provide clear, real-time insights into key investor needs



Proactively monitoring and identifying when an opportunity has met right-fit criteria to quickly progress in the pipeline



"Basic characteristics of deals are populated in Salesforce, no need for increase formulaic work. Minor issues like sorting Pipeline are handled via Excel though could be improved via better sorting of Salesforce data."

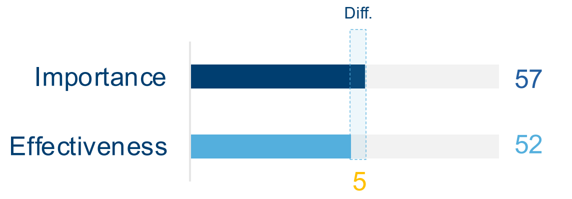
Marketing and Investor Relations Professional
Investment Management Firm

"I think it would be interesting to deploy a marketing automation tool, which can help streamline marketing for the product teams. Not only would this provide us with reporting and overall insight campaign effectiveness, it would allow us to keep a cleaner contact database with bounce back notifications (which we could then update Salesforce with)."

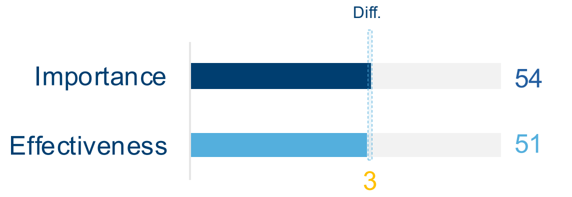
Strategic Initiatives Manager
Global Alternative Asset Firm

Insight 2: Due to increased competition and changes in fundraising strategy, GPs must foster stronger and more active relationships with their LPs.

Consistently engaging the market with outbound marketing and business development campaigns to build brand recognition and create deal opportunities



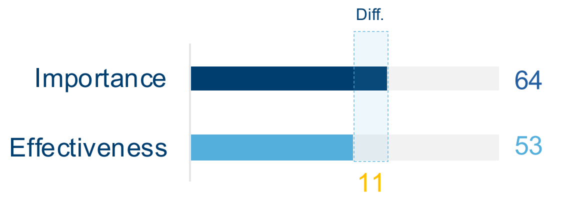
Having visibility into the overall investment in each deal (i.e., staffing/intermediaries/opportunity cost)



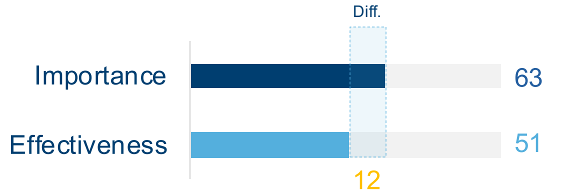
Key Takeaway: People, process, technology, and data are the core pillars supporting organizational success. A routine review, and emphasis on resolving hindrances within each pillar permits business insights to be drawn from internal expertise and error-free data. Clarity of data origination and utilization across the business is a common area to enhance within business processes. Data is the currency of business insights; confidence in the secure, accurate and uniform application of data enables firms to better place time and effort on the execution of strategy.

Insight 3: Having a top-to-bottom tech stack strategy unlocks key efficiencies for GPs, allowing them to stand out from their competitors.

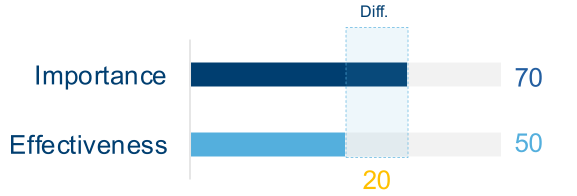
Continuously reviewing and assessing current solutions, evaluate firm needs, and investing in best-in-class technology for all firm stakeholders



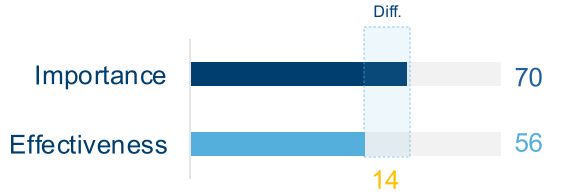
Deploying and adopting technology to streamline investor onboarding and related processes



Having the speed and capability to enact system development or modifications



Institutionalizing and centralizing firm data to ensure stakeholders have real-time access to role-appropriate information from any device



“Partnering with the right tool is more important than partnering with any tool. We are able to function without any, so continuing to evaluate until pricing and staying power matches the product/solution.”

Analyst
Private Equity Firm

“There are subscription document technologies that would make things easier for us/LPs/our Admin, but they are expensive to setup/connect with Admin.”

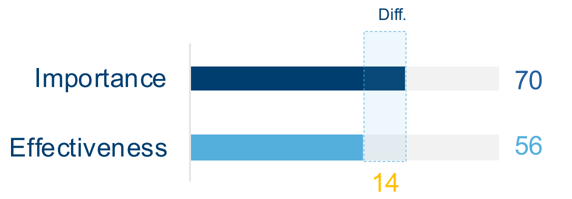
Marketing and Investor Relations Professional
Investment Management Firm

“We haven't gotten a chance to develop our mobile experience, but this keeps getting deprioritized.”

Strategic Initiatives Manager
Global Alternative Asset Firm

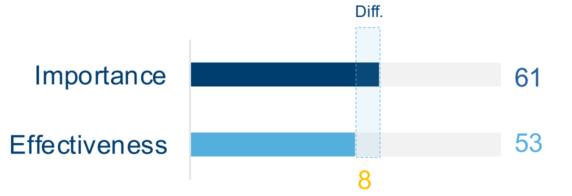
Insight 3: Having a top-to-bottom tech stack strategy unlocks key efficiencies for GPs, allowing them to stand out from their competitors.

Minimizing internal systems by consolidating as many workstreams and data sources as possible into a single platform (CRM/ERP/etc.)



Proactively assessing security risks & regulatory reporting requirements and investing in best-in class technology, infrastructure, and training to ensure risk is minimized

Ongoing strategic planning includes a clear roadmap of firm goals and needs regarding technology systems and data sources (both proprietary and 3rd party)



Key Takeway: Aggregating data from multiple systems for reporting is fundamental to producing accurate and timely LP reporting, generating marketing presentations, and responding to DDQs. But for some GPs there is also an appetite to deliver an end-to-end experience that encompasses the entire client journey and better enables product distribution.

"

”Our organization consistently has trainings (SOX, Compliance, etc.) and reminders on ensuring we are following the proper protocol. Our company also has review committees to fully evaluate tools before they're onboarded (security, infrastructure, process, etc.).”

Strategic Initiatives Manager
Global Alternative Asset Firm

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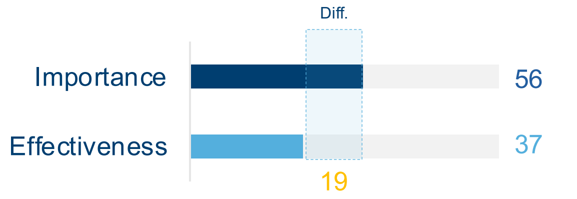
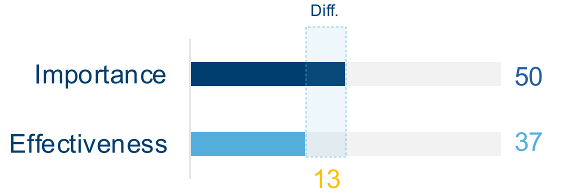
Insight 4: Getting ahead of the curve for AI/ML will be a key differentiator for GPs in a crowded marketplace.

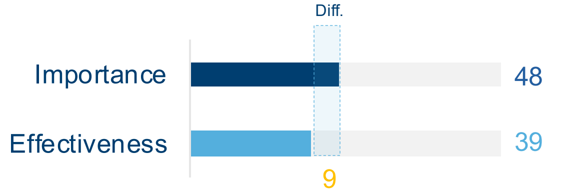
Leveraging AI/ML/other automated solutions to accelerate and improve Deal Origination & Execution



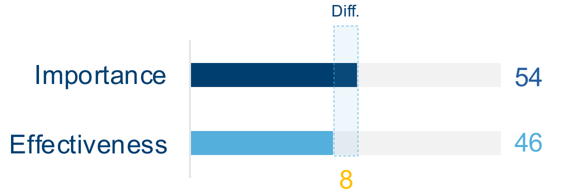
Leveraging AI/ML/other automated solutions to accelerate and improve Portfolio Management & Valuations



Leveraging AI/ML/other automated solutions to accelerate and improve Tech & Data Strategy



Leveraging AI/ML/other automated solutions to accelerate and improve Investor Services



Key Takeaway: While the market is still in the early stages of AI adoption, forward-looking GPs are experimenting with AI on deal sourcing and origination use cases such as investment memo analysis. Although the rate of adoption is unclear, it will undoubtedly create a competitive advantage for those that able to harness AI to identify the most attractive deals more quickly and expedite decision-making.

> “It would be interesting to use AI/ML to generate simple reporting requests on the fly.”
>
> Strategic Initiatives Manager
> Global Alternative Asset Firm

Change Management and Industry Expertise Can Help Solve Digital Transformation

Change management and industry expertise are crucial components of successful digital transformation for private markets.

The starting point for charting a path to future success is a clear view of a firm's goals and developing a plan to get there that encompasses technology, business processes, an approach to talent and ways to do more for the same spend. We believe that a deep understanding of data is the best place to start. When combined with a change management methodology, our clients are able to see real success as they embark upon firm-wide transformation.

Change management is essential for effectively implementing digital transformation initiatives within private market firms. It involves managing the human side of change, including addressing resistance, fostering buy-in from stakeholders, and ensuring smooth adoption of new technologies and processes. Clear communication, training programs, and leadership support can facilitate successful change management, which includes:

- Establishing a clear vision and strategy for digital transformation, aligned with the organization's objectives and priorities
- Engaging stakeholders at all levels of the organization to gain their support and involvement in the transformation process
- Providing adequate training and support to employees to ensure they have the necessary skills and knowledge to leverage new technologies and data-driven insights effectively
- Creating a culture of continuous improvement and agility to adapt to evolving market dynamics and technological advancements

Industry expertise is critical for developing a data strategy tailored to the unique needs and challenges of the private markets. It involves deep knowledge of the industry landscape, regulatory requirements, investment processes, and best practices. Leveraging industry expertise enables firms to design data solutions that address specific pain points and deliver actionable insights to drive business growth and competitive advantage. This includes:

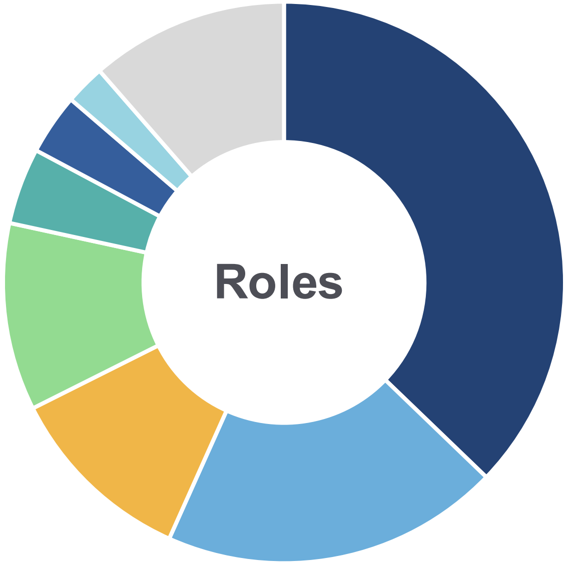
- Conducting a thorough assessment of the firm's current data capabilities, processes, and technology infrastructure to identify areas for improvement and optimization
- Collaborating with industry experts, including consultants, data providers, and technology vendors, to develop a comprehensive data strategy that aligns with the firm's goals and objectives
- Leveraging industry benchmarks and peer comparisons to evaluate performance, identify trends, and make data-driven investment decisions
- Staying abreast of industry trends, emerging technologies, and regulatory changes to ensure the firm remains competitive and compliant in a rapidly evolving market landscape

Successful digital transformation in private markets requires a holistic approach that encompasses both change management and industry expertise. By effectively managing change and leveraging industry knowledge, firms can unlock the full potential of their data, drive operational efficiencies, and capitalize on new opportunities for growth and innovation.

Appendix

Respondents' Profile: End Markets and Roles

Private Equity	56.1%
Real Estate	13.4%
Real Assets	5.1%
Other	4.7%
Hedge Fund	4.1%
Fund Administrator	2.9%
Venture Capital	2.6%
6 Other End Markets	11.1%



Operations	37.2%
Leadership	19.5%
VP	10.9%
Investor Relations	10.8%
Partner	4.4%
CFO	3.5%
CEO	2.3%
11 Other Roles	11.4%

Contributors

InvestorFlow

InvestorFlow is the leading industry cloud for the alternative assets industry that turns relationships into capital, investment opportunities, and partnerships.

InvestorFlow's customer relationship management and investor relations solutions suite powers fundraising and deal cycles through investor and fund reporting for the leaders in private equity, venture capital, and real estate investment.

InvestorFlow's client base includes 25 of the top 50 alternative asset managers, with more than $6 trillion in assets, 750 funds and 90,000 limited partners. InvestorFlow is headquartered in Menlo Park, California, and has offices throughout North America, in the Dominican Republic, and in London.

Contributors

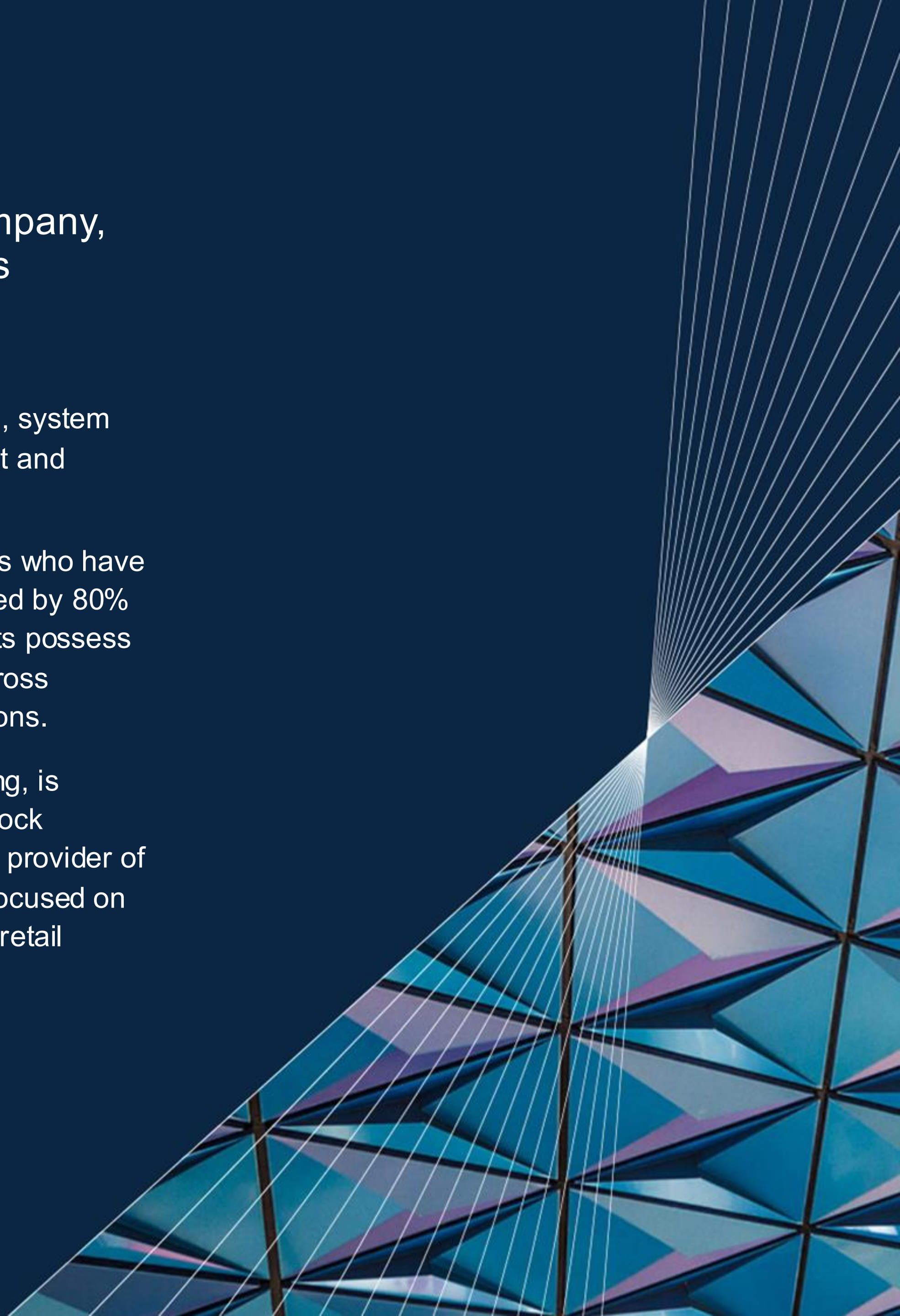
LIONPOINT
An Alpha Group Company

Founded in 2014, Lionpoint, an Alpha Group Company, is focused on strategy, technology and operations consulting services to alternative investment managers, investors and advisors.

Our services include strategic advisory, operations transformation, system selection & implementation, data & analytics, project management and managed services.

Our team of 250+ full-time consultants is made up of professionals who have joined with practical operations and technology experience. Trusted by 80% of the 50 top private markets managers worldwide, our consultants possess the right balance of strategic and applied knowledge to deliver across targeted functional initiatives to large-scale business transformations.

Lionpoint’s parent organization, Alpha Financial Markets Consulting, is headquartered in the UK and quoted on the AIM of the London Stock Exchange. Alpha Financial Markets Consulting is a leading global provider of specialist consultancy services to the financial services industry focused on three key sectors: asset and wealth management, insurance and retail investment, and alternatives.



Contributors

FORESIGHT

Foresight's industry leading solution helps B2B SaaS companies grow faster and more efficiently with a technology-enabled value framework designed to measure, improve, and communicate customer value.

Working primarily with large, complex solutions providing mission-critical software to their customers, Foresight helps companies increase NRR without increasing headcount by putting value at the center of all customer engagement. Founded in 2021, Foresight is headquartered in Nashville, Tennessee, and supports customers globally.

juiceanalytics

Juice Analytics empowers people to share meaningful insights from their data to change minds and drive action. Our client base includes leading technology platforms, data start-ups, and public sector organizations.

We have deep expertise in healthcare, education, financial services, and data science. We engage with clients through a combination of technology capabilities and consulting services.

Our Juicebox platform is a one-of-a-kind data storytelling solution for creating interactive web applications. Our expert team of designers work with clients to design revenue-generating data products, reporting, and dashboards. Through these collaborations, our clients have launched new data solutions that generate millions of dollars in incremental revenue.

Juice was recently named Nashville's Technology Company of the Year. Our leadership team has played a prominent role in the evolution of the data visualization industry, typified by our popular book entitled Data Fluency, Empowering Organizations with Effective Data Communications.

InvestorFlow

LIONPOINT

An Alpha Group Company