



LIONPOINT

An Alpha Group Company

How Advanced  
Analytics will Drive  
Private Equity Forward

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While trying to keep pace with rapid changes in the industry, many asset managers are finding it challenging to deliver quality projects on time due to a lack of comprehensive data management resources.

Introduction by

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“As alternative assets under management is predicted to top \$14 trillion by 2023 and the number of fund managers to increase to over 34,000, the operational and technology challenges facing the industry continues to increase.<sup>1</sup>”

Historically, private market investors have looked at the performance of their portfolio through retroactive snapshots. These encapsulate specific time periods of a quarter or a year.

Even as little as five years ago, investors were relatively comfortable existing in a more offline world with access to various informational checkpoints that ticked a few necessary boxes. Other than a personal phone call to the portfolio company's CFO to say: “How's business?”, an accessible, interconnected framework of data was not the norm.

Since then, there has been a significant shift in the need for data access because more investors are pouring money into private markets as they explore more opportunities to diversify. The rapid growth of new private market fund managers has introduced an ‘arms race’ for capital, leading to an inflection point to look within their own data assets for differentiated insights. The need to access data in real-time to measure portfolio performance as well as industry benchmarks is not only growing but has become crucial.

The evolution of private market investing has led to a greater reliance on data. More than ever, managers need to be more efficient at analyzing and reporting on dense amounts of structured and unstructured data as it relates to prospective and existing investments.

We have seen our clients explore opportunities ranging from AI-driven deal sourcing to optimized value creation across their portfolio with a deep dive into the investment's ‘big data’ areas (i.e., sales funnel, operating expenses, or hiring and talent management).

The pressures from investors and limited partners for access to more transparent, innovative, and mature data technology is growing. The need to leverage said data as an asset and have a more comprehensive understanding of investments is putting a strain on the current reporting capabilities of many private market firms.



**The rapid growth of new private market fund managers has introduced an ‘arms race’ for capital, leading to an inflection point to look within their own data assets for differentiated insights.**

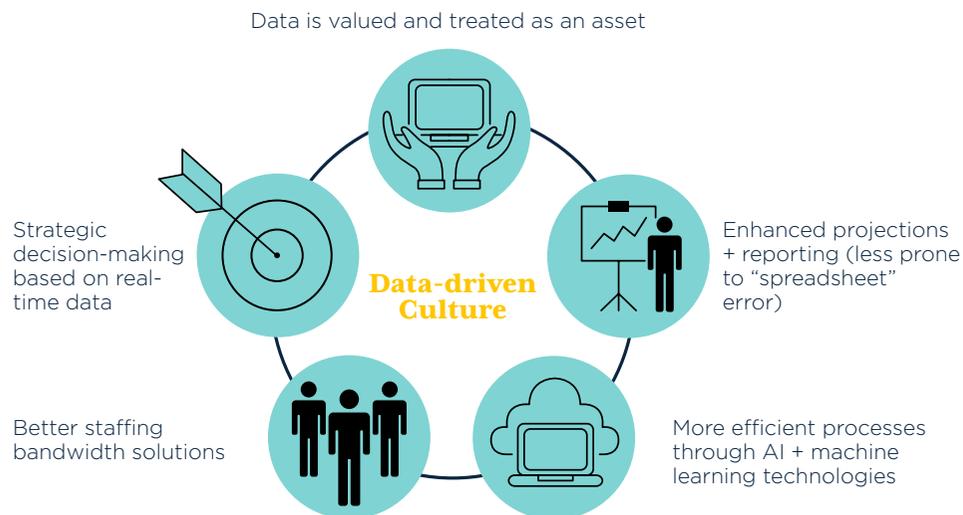
# Democratization of Data

In industry-agnostic terms, *data democratization* is an ongoing process of enabling everyone in a company or organization to work with data, feel confident about speaking about data, and make data-informed decisions to elevate and build customer experiences.

To achieve true data democracy, firms must first evolve from within by providing the right tools to enable everyone to work with data and understand that data democratization is an ongoing and evolving process. This leans into company-wide shifts in perception and operations and empowers employees with the understanding and comfortability to use that data effectively.

Even with emerging technologies and a firm understanding of the need for greater data access, swift changes in the data landscape and growing expectations from teams and clients still makes it difficult to fully solve day-to-day data challenges.

## A Democratized Data-Driven Ecosystem



## Reasons Data Democratization is Important

With the emergence of technologies that make data interpretable and sharable to non-data analysts, data can now pass safely and efficiently from a centralized hub to the masses within a firm and/or to investors. To truly benefit from data democratization, budgetary investment in curated software, technologies, and training is imperative. The ability to break down dense data through customizable analytics tools that can unify data in one centralized location or dashboard is key. No matter their role, each person accessing the dashboard should be able to access filtered data and visualizations relevant to their needs to create better opportunities for the company and investors.

Implementing operational and technology improvement strategies to further data democratization can:

- Reduce operational costs
- Optimize business processes
- Reduce management risk
- Enhance portfolio value for clients

Visually accessing data points so that consumers of the data can analyze metrics, goals, objectives, and KPIs, allows for more data-driven decisions. This, of course, means that team training is essential to understanding how to participate and leverage data effectively. Companies like Lionpoint, have access to tech-savvy vendor teams with various industry lenses that encompass a cross-section of skill sets and abilities that allow for better data curation, accuracy, training, and sharing of information. While true data democratization is still in its early phases, the path forward is clear. If rolled out effectively, data democratization can elevate firms to new performance heights and creates a more unified vision through the sharing of information.

# Leveraging Data *as an Asset*

A report published by McKinsey & Company<sup>1</sup> revealed that asset management firms are applying advanced analytical techniques across the full value chain. In asset acquisition, sales and marketing have seen 5–30% higher revenues due to personalized marketing and predictive algorithms to improve productivity in sales. In investment management production, there has been an increase in performance due to automated absorption of big data research and improved trade execution algorithms. In asset administration, the middle and back office has marked a 10–30% lowering of overhead costs due to decreased costs for data management and increased process automation.

The need for better monitoring of investments and their corresponding risks is growing quickly. Covid-19 has further emphasized the importance of utilizing data to better monitor investments. The pandemic introduced unprecedented levels of unpredictability and the ability to manage and predict risks has become crucial.

AI tools and advanced data were once in the hands of a limited group of top-tier funds. However, as data becomes more accessible across organizations, it makes more sense for others to run live data models — a movement that is gaining popularity across the sectors and continues to grow. As firms navigate their future in a post-pandemic landscape, access to data has become more important than ever.

Private market firms with a data-enriched view of their portfolios have a significant advantage over their peers. There has been vast growth in curating a firm-specific understanding from alternative data vendors. These vendors offer information on previously ignored data that now paints a more robust picture of worldwide economic activity.

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**“Competition for capital through fundraising, identifying differentiating investment insights and the ability to create an independent data environment untethered to our technology solutions for ultimate agility have been key drivers for our investments into data technology.”**

**-Edie Ashton, CIO of TCV**

**REFERENCES / SOURCES:**

[www.waterstechnology.com](http://www.waterstechnology.com)

<sup>1</sup> [www.mckinsey.com/industries/financial-services/our-insights/advanced-analytics-in-asset-management-beyond-the-buzz](http://www.mckinsey.com/industries/financial-services/our-insights/advanced-analytics-in-asset-management-beyond-the-buzz)

# What's Next for Data-Driven Investors?

Transactional analysis has exponentially turned the spotlight on the importance of data, how it is used in decision-making, and how to forecast value creation through various acquisitions or investments. Many leading firms are turning to cloud-based engineering to help analyze massive datasets through various lenses in a condensed time frame.

As the private markets industry continues its maturity in deploying core operational technologies, there will ultimately be a need to unify the data generated from those systems. Historically, firms have leveraged excel spreadsheets and bespoke technical solutions to solve challenges related to data unification, however, this model remains unscalable. The ability to embark on a journey to enterprise data maturity has often been arduous and costly. In the current data technology landscape, we can leverage cloud-based solutions to deploy a cost-effective technology strategy iteratively to provide the greatest value to business users.

This redesigned deployment model has resulted in faster 'time-to-market' data solutions, a higher rate of adoption, and ultimately, an increased level of data literacy throughout the organization. Once firms have created

an ecosystem for a mature data strategy, the foundation has been laid for continued innovation opportunities in the future.

The industry is already seeing what those opportunities might look like through:

- Enhanced deal sourcing
- Leveraging AI capabilities
- Unlocking the power of 'big data' by accessing the data environment of portfolio companies
- An increase in the rapidity of investment diligence efforts

Because Lionpoint approaches data solutions by implementing strategies to consolidate data across multiple different formats, locations, and source systems, rolling out data solutions becomes a much more seamless, curated, and strategic procedure.

## Data Solution Process

@preqin S&P Global  
LinkedIn FACTSET

< Potential Data Sources



< Automated Integration of Data



< Cloud-Based Data Platform



< Consolidated and Enhanced Business Intelligence

# Conclusion



**Lionpoint operates at the intersection of private markets and technology and the data that supplies the private markets industry.**

The key solution in private markets is integration. To meet rising investor expectations, private market firms will have to put money to work to improve their data management and reporting processes. Having an integrated platform allows a manager or team members to venture into new asset classes, access performance capabilities, and help generate an active return on investment.

A customized data platform can combat staffing issues and provide agility which leads to faster responses to client reporting demands as well, which also assists with risk management.

The right data platform should improve accessibility to:

- Deal management
- ESG reporting
- Cloud-based management
- Elevated portfolio monitoring

With a growing demand for investment data from the current and emerging class of investors, expectations are higher than ever, and investors want access to data that is as familiar to them as systems that are in place for public assets.

Outdated data tracking systems are bending to the increasing pressure with the need for access to updated, clean, and relevant information. Those who see the value in integrating modernized data technologies and strategies into their operations will quickly stand apart in their ability to scale, capitalize, make more accurate projections, understand trends, and to better assess investment opportunities as they continue to emerge.



# LIONPOINT

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