



Data Solutions - Practice Management Insights

# Revolutionizing Alts Investment Reporting: It's Time to Update Legacy Practices

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In recent years, investors have shown a heightened interest in alternative investments, driven by their desire to attain substantial returns with reduced exposure to market risk and the high volatility typically associated with publicly traded stocks. Alts platforms like iCapital have disrupted the industry and streamlined an inefficient process around investing in alts and managing the associated data. Yet advisers still face the challenge of managing the data for alts purchased off-platform (perhaps inherited from a legacy adviser). Off-platform alts data-tracking, reporting, and auditing challenges can put them at risk of regulatory issues or missed investment opportunities and quickly become overwhelming. To provide a holistic alts offering, advisers need to manage the alts data from across the ecosystem, both on- and off-platform. Fortunately, technology and associated support services are stepping in to help investment managers address these challenges, bridging certain reporting gaps and opening new opportunities for optimizing portfolios.

Where do reporting problems typically start? Off-platform alternative asset reporting is a nuanced process with data collection, processing, and utilization challenges. Looking closer, several areas create pain points, increasing the potential for missed opportunities and decision-stalling for investors and their wealth management teams.

### I. Data quality and lack of uniformity

"The complexities in tracking and managing off-platform alternative investments start with the avalanche of data that needs to be processed," says Jeremy Langlois, Managing Director, Data Solutions at iCapital, the data and reporting specialists within the firm. "Alternative investment data can be delivered from various sources, such as custodians, specialized alternatives platforms, or directly from fund managers. This translates to data lacking uniformity, subject to its originator." Additionally, alternatives could either be invested by wealth manager discretion or directly through fund managers, creating even more complexity in the type of data that requires tracking. This is a complicated endeavor for wealth managers and their teams, who rely on human effort to aggregate the right data from emails, pdfs, portals, and other formats, and then process that data further downstream.

### II. Data schedules and the human element

Creating uniformity in reporting for alternative investments is a challenging task. There currently isn't a catch-all solution. Aggregating data for alternatives with less uniform fiscal

schedules is difficult and time-consuming. Combining liquid custodial data with alternative assets into a cohesive report requires a thorough understanding of the transactions and performance metrics that drive the analysis and ultimate decision-making. This, too, is a labor-intensive manual process subject to human errors requiring further careful auditing. Overwhelmingly, current alternative investment reporting practices are both time consuming and fraught with extra steps necessary to ensure accuracy and reconcile unavoidable human errors. Moreover, teams within the same organization often create their own reporting frameworks, resulting in redundant overlaps and a lack of uniformity.

### III. Data nuances

Another problem is accurately tracking capital calls, distributions, and related capital account statements. When advisers track alternative investments outside of a portfolio accounting system or other software, it can hinder accurate reporting due to the inability to capture the nuances of different transaction types. For example, alternatives often involve different distributions, like generic (short and long-term) or return of capital, each being either recallable or non-

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**Jeremy Langlois**  
Managing Director,  
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recallable. “Even more tracking problems are encountered with system drawbacks that limit the information necessary to accurately report it, like netted transactions or broad characterizations,” adds Langlois. Reporting on alternative investments requires a broader range of transaction events to ensure accurate performance reporting, especially for private equity, hedge funds, and real estate investments.

Is there a better way of reporting alternative assets?

There is! Reporting uniformity, agility, and efficiency can be achieved by adopting a technology-enabled and human-driven approach. Technology alone is not a magic solution.

Technology helps by unifying the process, removing some of the blind spots, and removing friction points. It is a valuable tool that can improve the reporting process, but only when paired with human talent, which can more adequately inject nuanced discernment and thus augment reporting activities and the resulting output. For enhanced reporting, a balanced approach that elevates the human involvement must be embraced, promoting transparency and efficiency throughout the process. We are still in the early stages of transformation, but there is an opportunity to embrace change and improve your existing reporting operations.

For more information about about our off-platform alts data management, as a stand-alone service or as part of a full reporting system operation, contact the Data Solutions team at iCapital at [info.datasolutions@icapitalnetwork.com](mailto:info.datasolutions@icapitalnetwork.com).





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