



Data Solutions - Practice Management Insights

The Case for a Centralized Alts Data Management Approach

September 2024



Alts Purchased Off-Platform and Reporting Challenges

For advisers and clients, providing accurate, timely, and holistic reporting on disparate asset classes, oftentimes held around the world, can be challenging unless specialized reporting technology is introduced. This challenge can be compounded when reporting on alternative investments, that often do not have available data feeds. Of course, alts platforms like iCapital offer an end-to-end solution for identifying, investing, managing, and reporting on alts. So if the investment is purchased and lives in the iCapital ecosystem, data management is easy. But many legacy investments are still managed off-platform. Simply put, depending on the investment's origination, alts data management can be time-consuming and a headache, even for seasoned administrative professionals. And alts are becoming more common in UHNW portfolios. "We've seen allocations in alternative investments grow to 30-40% of portfolios," said Jeremy Langlois, Managing Director, Data Solutions at iCapital, the data and reporting specialists within the firm, "so the challenge of managing and reporting on alts data is only growing."

The Current Situation

Advisers often service their clients with a team-based approach - a dedicated team is aligned with each family/client to provide bespoke services. This approach has many benefits for the end client in the high-touch world of serving UHNW families. Most notably, having a small team with an intimate knowledge of the client's family dynamics, financial goals, and preferred servicing approach can add great value. However, the team-based approach also comes with several drawbacks, including some that create risks for the firm:

- With each administrative team deploying its own process, the firm inherently delivers different service levels across advisors. And of course, some processes are inevitably more efficient and accurate than others.
- Inefficiencies waste time and money, and inaccurate reporting could leave gaps in revenue drivers to the firm (depending on the fee structure for tracking alts), not to mention potential financial regulatory issues.

- The disruption caused by using different tracking and reporting approaches if and when an analyst leaves the firm and a replacement needs training.

A Better Way: Process Over Heroism

To be successful in any high-touch service industry, firms must deliver exceptional attention to detail. Unfortunately, mere mortals cannot be counted on to deliver consistency and accuracy over long periods of time without proven best practices and defined processes - what we like to call "process over heroism." This approach removes the human judgment factor as much as possible.

The best way to provide a consistent service level across any firm is through a centralized process built on best practices, and this is no different for wealth management firms with the added challenge of tracking and reporting on alternative investments.

"The challenge of managing and reporting on alts data is only growing."



Jeremy Langlois
Managing Director,
Data Solutions

A centralized process provides many benefits to firms that adopt this approach:

- **Enhanced branding and messaging.** All end-product reports and dashboards will carry consistent branding and messaging. In short, the firm's ethos will be better represented across all clients.
- **Uniform deliverables.** A consistent process will result in more consistent deliverables to clients across all teams, single-report delivery dates, and better client expectation management.
- **Better data.** A process backed by best practices inevitably ensures better data cleanliness. And incorrect data on one investment can cast a shadow over an entire portfolio's accuracy.
- **Scalability.** Firm growth is more easily supported with a centralized and scalable process. Don't let inefficient processes hold back growth

The Rise of Outsourcing

To eliminate the risks associated with the complex task of tracking and reporting on alts that are held off-platform, many firms are outsourcing this function to specialist firms, with several companies delivering slick technology solutions. However, alts data management becomes more complicated and time-consuming as alts portfolios expand, and a technology-centric alts solution is not a silver bullet.

"iCapital's Data Solutions team leverages proprietary technology to extract and label alts data," explains Langlois. "But what sets us apart is the bookend human interaction of experts still required for proper set-up and customization as well as data importing and validation to ensure data quality. Our clients rely on us to handle the details and expect accuracy every time."

Our advice: centralize the process (and outsource to an expert if necessary) and provide better alts data management results for clients and your firm.

For more information about our alts data management support, 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.





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