

# 5 ways technology can improve your operational efficiency

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**1. Technology is transforming alternative fund operations**

**2. Fund managers and investors are keen to understand what technology their partner or service providers are using**

**3. Below, we outline the 5 main tech trends driving positive change for private markets managers today**

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*Technology is transforming all aspects of alternative fund operations, from how we deal with regulatory change to how we meet LP demands. As a result, the relationship between fund managers and their administrator is changing, too. Here, [Charlotte Light](#) and [Will Relf](#) explain how you can harness technology to transform your business*

Fund managers and investors are often looking for guidance when it comes to understanding what tools and technology are available to solve specific problems and are keen to understand what their partners or service providers are using, to help them improve their operational effectiveness.

At the end of last year, research into how CFOs are integrating and adopting technology in automation and data capture found that progress was slower than expected. This is driven by a lack of standardisation in the industry broadly but also a lack of skills to effectively optimise their operating model and then integrate technology to drive efficiency. Despite the slower than expected

adoption, expectation for these technologies is high with almost 6 in 10 of the 114 [CFOs surveyed](#) expecting automation to serve them best in data capture, with portfolio monitoring a close second. At the same time, among those surveyed, data capture and data cleaning were seen as the greatest challenges by almost 60% of them.

This disconnect between how technology can optimise a fund manager's business then and realising that potential can be addressed by taking a measured approach to digital transformation and partnering with those who have the people and skills to integrate the right tools at the right time for you.

Below are the 5 main tech trends driving positive change for private markets managers today:

### **Aligning the technology priorities between manager and service providers**

It's important to maintain open and transparent communication around business priorities, planning and technology developments between managers and their service providers. This helps to align technology plans and allow service providers to develop an approach which is in the best interests of their clients and themselves. This two-way communication ensures both parties know what needs to be done in the short-term or where an initiative has a longer-term horizon. It also allows the provider to share what solutions are available now or will be soon, and which are unlikely to be available for a while, helping to set expectations. Service providers can't invest in implementing everything at once - both operationally and financially this is impractical. However, using client business drivers to prioritise and put in place a programme that systematically works through clients' needs, developing solutions to resolve the biggest problems impacting the broadest number of clients at once, creates higher value experiences for both.

### **Optimise before you automate**

The potential cost of automation for automation's sake is huge, which is why optimising your operating model before automating processes is imperative. This is another area where the lack of standardisation and desire for bespoke work in the industry is an impediment to progress. When you add to this that demand for skills across the data and automation ecosystem is immense, ranging from engineering to visualisation, analysis and interpretation it presents a big

challenge.

Alignment and an open dialogue between client and service provider or partner here is critical and compromises are necessary on both sides of the relationship to get optimum outcomes. We are also seeing a lot of interest around artificial intelligence (AI) and service providers should have people focused on understanding its evolution, along with those who understand automation and how to prepare operating models and processes before implementing. Expertly executed automation and AI tools can deliver efficiencies and bolster risk management, when implemented correctly.

### **Smooth data management**

Data management remains one of the most persistent challenges for the alternatives industry. In a 2021 survey, the Alternative Investment Management Association (AIMA) found that ‘many asset managers are struggling to keep up with increased demands from their investors. Their data is often siloed and not standardised, requiring manual intervention, which makes producing a unified, overall view of private market portfolios difficult, and a public-private portfolio view a dream’.

For service providers, it is a challenge managing the disparate technologies used across their client base and how to optimally move data around and between these different systems or bring the data together to show aggregated views. Building data platforms and use of APIs is becoming the norm in managing this dynamically. This challenge brings administrators and clients closer together as shared access to up-to-date and high-quality data becomes paramount.

Certainly, the direction of travel for Aztec will be disintermediation of the application layer, so that we can integrate in a way where data moves efficiently between organisations irrespective of the applications being used. An integrated technology landscape, with a data platform and data management technologies at the centre of the integration strategy, enables consistency of an organisation’s core data across systems. Consistent and high-quality data greases the wheels of operations for teams interacting with the integrated systems and applications. This enables trusted insight to drive strategic decision making.

An example of how Aztec is solving this problem for clients is through our market-leading [Loan Servicing Unit](#) for private credit clients. Our loan system

(eFrontDebt) immediately integrates into our core General Ledger and Investor Allocation system (eFront FIA) providing real time updates of the NAV records. So, there are no delays or loss of data porting information from one system to another and no reconciliations cobbling together reports from separate systems.

### **Building trusted relationships**

Technology and what it can deliver is only a part of what makes for a relationship built on trust between managers and their administrators. In an industry that deals with vast sums of money and high levels of complexity, trust is necessary in high levels too, and people deliver this. The investment in servicing teams who are not only experts in their field, but who facilitate service efficiently and manage risk through the effective use of technology, are the differentiator between what makes for a long-term partnership or being simply a service provider. This human part of the equation will remain important regardless of what technology delivers for businesses.

### **Customising the LP experience**

In the past, GPs were happy to keep administrators at arm's length from LPs, however as LPs demand more seamless and digital experiences and more detailed reporting, it has created a need for a closer partnership between client and administrator to deliver on these expectations.

Two concrete examples are:

How Aztec Group has helped to solve a specific AML pain point for managers. The technology solution, Aztec Verify, does AML top to bottom in an automated way. Most of our clients and investors love the digitisation of the process, however some prefer a more human-centric process. So, partners need to be able to deliver both, depending on their clients' needs and readiness to adopt new technologies.

Aztec Invest is another tool that helps solve a client challenge with investors, it is an integrated solution that covers subscription, onboarding and AML, and reporting for many more investors with a rich digital experience.

Increasingly, market-leading service providers need to get into the trenches with managers to help put solutions on the table that provide better tools and access for investors.

Technology is an enabler of more efficient operating models and better service delivery, but to realise its potential all stakeholders need a robust, evolving technology plan, built on a foundation of trust developed through regular, transparent communication with their service provider.

To find out more about our integrated technology solutions, how we manage our own data, and products such as Aztec Verify and Aztec Invest, please contact [Charlotte](#) or [Will](#).