Fund of Funds in Focus – Data made simple

Fund of funds managers operate in a data-intensive environment, requiring seamless access to information from both general partners (GPs) of the underlying funds they invest in (level 1 data), and the portfolio companies held by those funds (level 2 data).

The ability to efficiently collect, process, and analyze this data is critical for performance monitoring, risk management, and reporting. However, due to variations in data formats, reporting schedules, and transparency levels across different funds, data extraction using manual processes can be slow, inconsistent, and error prone.

In this article we'll explore how technology is transforming how fund of funds managers handle these challenges, enabling more efficient data aggregation, automation, and advanced analytics. By leveraging these solutions, fund of funds managers can streamline operations, gain deeper insights, and enhance investor reporting.

Collation and processing of GP data

GPs provide fund of funds managers with essential data, including fund valuations, cash flows, capital calls, distributions, and performance metrics. Traditionally, this data has been delivered in a mix of formats – PDF reports, spreadsheets, and proprietary portals – making it difficult to standardize and analyze.

1. Automated data aggregation

Modern data extraction tools powered by artificial intelligence (AI) and natural language processing (NLP) can process unstructured reports, such as PDFs and emails, and convert them into structured, machine-readable formats. Additionally, application programming interfaces (APIs) facilitate real-time data transfer between GPs and fund of funds managers, ensuring timely updates.

2. Centralised data warehouses

Cloud-based platforms now consolidate GP data into structured repositories, allowing fund of funds managers to track fund performance in real time. This not only reduces reliance on spreadsheets but also enables more sophisticated comparative analysis across multiple GPs.

3. Advanced performance analytics

Machine learning algorithms are increasingly used to assess GP performance, predict future returns, and detect anomalies in reported data. By leveraging predictive modelling, fund of funds managers can make more informed decisions on capital allocations and risk exposure.

Collation and processing of portfolio company data

Beyond GP-level insights, fund of funds managers also need visibility into the underlying portfolio companies within each underlying fund. This data is crucial for understanding diversification, sector exposure, ESG compliance, and potential risks. However, gathering this information is even more complex, as portfolio companies report at different intervals and may not adhere to standardized formats.

1. Automated portfolio monitoring

Technology platforms now enable real-time monitoring of key financial and operational metrics across portfolio companies. This is made possible through data scraping, APIs, and optical character recognition (OCR) tools that extract insights from financial statements, investor reports, and even news sources.

2. Risk and exposure analysis

AI-driven tools help assess sector concentration, geographic exposure, and financial instability across portfolio companies. These tools provide fund of funds managers with a clearer picture of risks within their portfolio, enabling them to take proactive steps in risk mitigation.

3. ESG and compliance tracking

With increasing investor demand for ESG transparency, automated compliance tools now integrate portfolio company data with global ESG benchmarks and reporting standards. This ensures that fund of funds managers meet investor expectations while staying compliant with regulatory requirements.

Technology is revolutionizing how fund of funds managers collate and process both GP and portfolio company data. Automation, AI, and advanced data integration tools eliminate inefficiencies, provide deeper insights, and improve risk management. By leveraging real-time data aggregation, predictive analytics, and cloud-based solutions, fund of funds managers can enhance decision-making, optimise fund performance, and ensure regulatory compliance. As the industry evolves, embracing these innovations will be key to maintaining a competitive edge, improving transparency, and delivering stronger investor outcomes.

How Aztec can help

Aztec Group is at the forefront of technology designed to "simplify scale" and help fund of funds managers better manage data volume and the composition and performance of portfolio companies.

Powered by AI and machine learning, our end-to-end data management solution, **Aztec Xtract**, automates the collation, extraction, and standardization of fund and portfolio company data for fund of funds structures.

Once processed, the data undergoes rigorous validation by our teams of expert accountants, ensuring accuracy and consistency. It is then seamlessly delivered through a secure, intuitive dashboard, enabling real-time analysis and reporting at the click of a button.

The result is reliable, structured, and decision-ready data that empowers fund of funds managers to act with speed and confidence.

To learn more about Aztec Xtract and how we're supporting fund of funds managers with their data management and broader operational requirements, please contact James Duffield, Karen McSorley, or Scott Kraemer.