

Investors: the tale of our clients' clients

Matt Chick, Associate Director of Private Equity, explains the key role administrators play in helping their clients retain the trust of investors.

A company's most valuable asset is its reputation. This is especially true within financial services, where investors must have complete confidence in the people managing their money, and where regulators ensure all companies live up to the highest standards. Across the private equity investment landscape, limited partner (LP) investors are the lifeblood of our clients' businesses. These investors may be much larger and invest in far greater quantities than the person on the street, but the customer service principles are equally as important.

The role of the fund administrator

As fund administrators, we recognise that we have a dual responsibility: we must ensure that we fulfil our operational and regulatory obligations to our clients, but that's not enough. We must do so in a way that not only protects the reputation of our clients with their investors, but actively enhances it. Here's what we believe constitutes 'best practice' when it comes to managing client and investor expectations.

Striking the right tone from the start

It's important to make sure any new client relationship gets off on the right foot. An administrator's primary role is to safeguard the fund and its investors, so the first job is to ensure any new investor meets all necessary due diligence requirements. Appropriate controls and measures will help to protect all parties from any fraud risk, but this is just the starting point. A good administrator will ensure that these regulatory requirements are carried out in the most user-friendly way possible, without causing any unnecessary friction, confusion or burden.

In practice, this means taking the time to prepare due diligence documentation

and processes in a way that makes them simple to complete. But a well laid-out form isn't enough. It's also important to have a knowledgeable, reactive and dedicated support team on hand to assist the investor and deal with any issues that arise, or to deal with any confusion. Each potential new investor may need a bit of guidance or support to explain their personal circumstances or to determine how to complete the onboarding process. This is a vital time for the administrator to make sure the new investor is brought on board in a way that makes them feel positive and secure about the latest financial relationship they've embarked upon - and ensure the fund closing process proceeds quickly and efficiently.

Managing the ongoing relationship

Good administration support doesn't end at the onboarding stage. In fact, now more than ever, it's essential to have a responsive, experienced and understanding client-facing team that can help investors with their queries or concerns.

The administrator will already have significant day-to-day interactions with LPs, whether sending out quarterly investment reports, capital call and distribution notices or handling general queries. But even in these 'business as usual' circumstances, it's imperative for the administrator to leave a good lasting impression, and to feel like a natural extension of the investor's relationship with the manager.

The administrator holds a significant amount of information in their accounting system, and it's therefore typically their responsibility to manage and deal with day-to-day investor queries and requests. As a result, the manager places a considerable amount of trust in the administrator's team. It's no surprise, then, that slow communication and error-ridden reporting can severely damage an investor/client relationship, particularly in an uncertain investment environment.

So, to maintain strong relationships with investors, a good administrator needs to consistently demonstrate their professionalism and expertise, supporting their knowledge with robust processes and dedicated specialist systems, avoiding risks of errors. But it's just as important for an administrator to act quickly and exhibit their more attentive and human side, particularly over the phone or on email. This can be a real differentiator.

Of course, there's only so much that any administrator can do on its own, which is why it also remains the responsibility of the investment manager to maintain good communication during difficult times. Taking recent months as an example of how to respond during a crisis period, we've seen many of our clients conduct a number of initiatives aimed at keeping their investors in the loop:

- Publishing and distributing regular and ad hoc investor updates on portfolios, as well as comprehensive Q&A materials to explain any potential impact on investors
- Hosting online presentations and video webinars
- Weekly calls with key limited partners that give them the opportunity to ask questions directly

These initiatives serve several different purposes. Of course, it's essential to offer full disclosure and transparency during difficult times. But it's also about maintaining a positive ongoing relationship with the LPs. This is about preserving the integrity and trust of the investment manager's business as much as the investment itself.

Using technology to streamline investor communications

Good investor communications also need to be secure and efficient. A large portion of the private equity industry still relies on email to send investment reports, as well as potentially sensitive or confidential documents. But this is changing, and more managers are recognising the benefits of moving their investor-facing materials online. This can be achieved by adopting secure communications portals, supplied and managed by the administrator.

Why use an online investor portal?

The most obvious point about a secure online portal is that it minimises the potential for valuable financial data to get into the wrong hands. To reduce the likelihood of fraud, and in response to more people accessing information remotely, most good portals offer multi-factor authentication, requiring users to provide two pieces of evidence to access their portal account. This might include a password and a temporary access code, for example.

A secure portal delivers several positive benefits to investors as well. For a start, a portal can help to satisfy the ever-increasing demand for information, by acting as a comprehensive data warehouse. It's possible to securely upload huge reams of information, such as historical reports and accounts, and make that information readily available to investors. And with a secure portal, investors don't have to wait for a printed copy to arrive – they can be notified by email when a new report is available to view and download online.

For the investment manager, a portal can also provide far greater insight into which investors choose to download their reports or, perhaps just as important, those that don't. Lastly, a good investment portal serves as a valuable extension of the manager's brand, offering complete branding and a fully tailored user experience. The result is another valuable touchpoint for managers when distributing content and providing service to their clients – the investors.

Best practice blends technology with the human touch

Letting down your client is troubling enough, but disappointing their investors is another thing altogether. From the outset, administrators must always be at the top of their game to ensure that both their clients and their clients' investors receive timely, accurate and transparent communications, securely and efficiently. This begins with building experienced and dedicated administration teams that apply a customer-focused mindset by design. But to complete the picture, administrators must provide a comprehensive offering that is tailored to each client, backed by industry-leading technology. The result is a picture of seamless administration service, focused and well-informed fund managers, and investors that feel confident in the operations supporting their investments.