The right tech to scale with private credit's growth

In an exclusive article for ACI, Kevin Hogan and Todd Werner discuss how technology is reshaping the Private Credit industry and why integrated tech solutions are essential for success.

Private credit is scaling fast, projected to hit $2.6 trillion by 2029 according to JP Morgan. Fund managers still relying on siloed systems are in for a rude awakening. The future is integrated, automated, and investor-ready. The asset class's rapid expansion, coupled with increasingly complex strategies to meet borrowers' needs, means that firms must adapt, and fast. Fund managers can no longer rely on the fragmented data systems that were sufficient for a simpler, lower volume, and less sophisticated industry.

Private credit investors are also becoming more mainstream and include wealth management platforms, pension funds and insurance companies. These institutional LPs are more demanding, having historically been exposed to daily public market trading strategies. Regulatory bodies too are turning their attention to private credit, mandating transparency, and clarity as the asset class expands in size and scope.

To meet these needs private credit is leaning into technology adoption to better manage:

1. Volume – larger funds mean more transactions and scaling is essential to meet demands.

2. Automation – properly harnessed and embedded in daily processes to deliver a competitive edge.

3. Data – real-time data collection and analysis from a single point of truth is a differentiator.

4. Liquidity – robust investor servicing technology to support evergreen and semi-liquid fund structures, designed to attract capital from new sources, including retail investors.

5. Products – advanced waterfall functionality to support complex fund structures, such as rated note feeders, which are used to attract insurance capital seeking exposure to private credit returns with favourable risk-based capital treatment.

6. Transformation – orchestrated management of both internal and client-facing change is imperative to identify required adjustments and implement them effectively.

As a market-leading administrator, Aztec is adopting industry relevant technology at pace. We are helping our clients to do the same.

A good example of how technology has overhauled the industry is machine reading capabilities. Now high volumes of unstructured data, such as agent notices and client invoices, can be processed to extract core information, ready it for review, and deliver real-time reports to clients. More specifically for private credit, Aztec's unique integrated loan and GL model, incorporating expert teams, best-in-class technology, and data management expertise provides comprehensive and timely reports for managers to make investment decisions based on integrated data.

Technology solutions like this provide tailored solutions for fund accounting, loan administration, and investor communications. Coupled with a dynamic digital workspace like Aztec Connect and a seamless investor experience like Aztec Invest, which manages investor fundraising and onboarding, enhancing delivery and transparency. This uplifts the overall investor experience.

Key to the ongoing adoption and implementation of industry-specific technology is understanding what fund managers now need to manage their business more efficiently, while evolving and scaling processes to take advantage of the rapidly evolving opportunities private credit offers.

Private credit's inflexion point for technology adoption is most likely to succeed if delivered through partnerships where clients and providers ensure systems and processes implemented meet the current needs and future wants of both parties.

This disciplined approach to business transformation is best realised through expertly planned change management, which Aztec is adept at as we continue our own successful evolution as a transatlantic, market-leading private markets fund administrator for alternative investments.

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