

Fund of Funds in Focus - Connecting the layers: the role of a specialist administrator

In the world of fund of funds, success is built on more than just strong investment selection. The operational complexity of managing multiple layers of stakeholders – General Partners (GPs), fund of funds managers, and Limited Partners (LPs) – requires seamless coordination, efficient processes, and a deep understanding of diverse needs.

In this article we'll explore the central role a specialist fund of funds administrator plays in connecting the layers between these stakeholders, ensuring capital moves smoothly, data flows accurately, and reporting meets the highest standards of transparency. Without an experienced administrator, the intricate web of relationships that define a fund of funds can become fragmented, leading to inefficiencies, miscommunication, and even reputational risks.

The three key stakeholders in fund of funds

A fund of funds structure creates a multi-tiered investment ecosystem, each level having distinct responsibilities, expectations, and reporting needs. The administrator addresses the needs of all three, ensuring that data is accurate, communication is effective, and operations run smoothly.

General Partners (GPs) of underlying funds

GPs are the managers of the alternative investment funds to which a fund of funds allocates capital. Their role is to source deals, manage portfolios, and generate returns, but they also need to facilitate data access and operational clarity for their investors – which includes fund of funds managers.

What GPs expect from a fund of funds administrator:

- **Efficient capital flow management** – ensuring timely capital calls and distributions.
- **Data aggregation and reporting** – providing standardized, accurate

performance metrics for inclusion in fund of funds reporting.

- **Minimized administrative burden** – streamlining communication to avoid excessive information requests.

Without proper coordination, GPs may struggle to deliver the required data in the right format and on time, slowing down investor reporting and creating bottlenecks.

Fund of funds managers

Fund of funds managers act as the middle layer, deploying capital into underlying funds and constructing a diversified portfolio. Their challenge is that they don't just have to monitor their own fund's performance – they also need to track dozens or even hundreds of underlying funds. This requires sophisticated reporting, risk management, and compliance oversight.

What fund of funds managers expect from an administrator:

- **Efficient data collation, management and processing** – aggregating performance, risk, and operational data across multiple GPs into a single, standardized view.
- **Regulatory and compliance support** – managing [AIFMD](#), FATCA/CRS, Solvency II, and other global regulatory requirements.
- **Cash flow and liquidity oversight** – tracking capital calls, commitments, and distributions to optimize portfolio liquidity.
- **Side letter management** – ensuring customized investment terms for certain investors are properly executed.

For fund of funds managers, a strong administrator isn't just a back-office function – it's a strategic partner that ensures they have accurate and timely data to make informed investment decisions and meet their own investor obligations.

Limited Partners (LPs) investing in the fund of funds

At the top of the investment chain sit LPs – institutional investors, family offices, and [high-net-worth](#) individuals who commit capital by investing into the fund of funds. Their focus is on performance, transparency, and operational efficiency of

the fund of funds structure itself.

What LPs expect from a fund administrator:

- **Detailed, timely, and accurate reporting** - investors expect standardized reporting that aligns with ILPA, IFRS 9, and other regulatory frameworks.
- **Look-through data on portfolio exposures** - more LPs are demanding visibility into underlying funds and even portfolio companies to assess risk at a granular level.
- **Seamless onboarding and compliance** - LPs require efficient KYC/AML processes, clear capital call schedules, and digital access to fund performance.

Poor data accuracy, delayed reporting, or inconsistent communication can quickly erode investor trust and jeopardize fundraising for future funds.

4 ways an administrator connects the layers

An experienced fund administrator serves as the connective tissue between GPs, fund of funds managers, and LPs, ensuring that all stakeholders receive the information and service they need.

1. Data aggregation and reporting

One of the biggest operational challenges for a fund of funds structure is data collection and standardization. The GP of each underlying fund may have different reporting formats, inconsistent valuation methodologies, and varying levels of transparency. A skilled administrator:

- Normalizes and consolidates data from multiple underlying funds into a standardized format for fund of funds managers and LPs.
- Provides automated performance tracking and benchmarking to streamline reporting.
- Implements real-time investor portals that allow LPs to track fund performance without waiting for periodic reports.

2. Managing capital flows efficiently

The movement of capital – from LP commitments to fund of funds, through to underlying funds, and back to investors - requires precise oversight. A fund administrator:

- Executes capital calls and distributions with precision, ensuring no mismatches in liquidity.
- Maintains real-time commitment tracking to help fund of funds managers optimize portfolio construction.
- Facilitates cash flow forecasting so LPs can plan capital allocations effectively.

3. Compliance and regulatory support

Fund of funds operate across multiple jurisdictions, facing regulatory scrutiny from both investor home countries and fund domiciles. A fund administrator:

- Manages KYC/AML onboarding for LPs and ensures compliance with FATCA/CRS and other international regulations.
- Handles reporting obligations under AIFMD, Solvency II, and [SFDR](#), reducing regulatory risk for fund managers.
- Ensures accurate NAV calculations and fee transparency, critical for LPs seeking clarity on expenses.

4. Enhancing investor communication

Communication breakdowns between GPs, fund of funds managers, and LPs can cause delays, frustration, and can lead to trust issues. A fund administrator acts as a centralized point of contact, ensuring:

- LPs receive timely updates on capital calls, distributions, and portfolio performance.
- Fund of funds managers get clear, standardized reports from multiple GPs, reducing operational friction.
- GPs aren't overburdened with redundant data requests, as administrators efficiently manage data flow.

The value of a specialist administrator

A fund of funds administrator plays a critical role in connecting the layers of stakeholders, ensuring capital moves efficiently, data flows accurately, and investors receive a best-in-class experience. Without a strong administrator, fund of funds managers face operational bottlenecks, investor dissatisfaction, and regulatory risks.

Not all fund administrators are equipped to handle the complexity of a fund of funds structure. A specialist administrator brings:

- Deep expertise in multi-tiered fund structures with complex investor requirements.
- Advanced technology solutions for automated data aggregation and real-time investor access.
- Regulatory expertise to manage global compliance obligations seamlessly.

By effectively managing the relationships between GPs, fund of funds managers and LPs, a specialist administrator doesn't just support the back office - it becomes an essential partner in the investment ecosystem.

In an increasingly complex investment landscape, fund managers who leverage high-quality administration services can turn operational challenges into a competitive advantage - delivering the transparency, efficiency, and trust that investors expect.

How Aztec can help

Aztec Group is at the forefront of [technology](#) designed to “simplify scale” and help managers better manage data volume and deal with the operational complexity of fund of funds.

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 FoF managers with their data management and broader operational requirements, please contact [James Duffield](#).



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