

# Spotlight on secondaries: Unlocking portfolio company transparency

*In this article, [Metz Vara](#), [James Duffield](#) and [Ore Adegbotolu](#) explain the importance reporting at the underlying portfolio company level. By providing granular data, managers preparing stakes for the secondaries market can offer incoming and outgoing investors a clearer view of the underlying assets that form part of the offer, supporting insight-led decision-making and building trust.*

Secondaries transactions are complex and there is a growing need to look beyond fund-level data and drill down into the performance of the underlying portfolio companies. By offering a clear window into the fund's portfolio company performance, sellers make their stakes more attractive, reduce friction in the sales process, and often achieve better pricing and faster execution.

Information on the financial health, risk exposure, and operational performance of each individual company can provide deeper insights for investors into the overall portfolio, enhancing decision-making, and improving risk management. However, achieving this level of transparency comes with challenges that require innovative solutions, including technology-driven data aggregation and analysis.

## The value of detailed portfolio company performance data

Traditionally, secondaries stakes have been evaluated based on a GP's track record, strategy, and fund-level performance. While this remains critical, a fund's success ultimately depends on the performance of the underlying portfolio companies. Investors are requesting this information to guard against unforeseen risks, such as concentration in underperforming sectors, liquidity issues, or misalignment with environmental, social, and governance (ESG) considerations. For fund managers, not being able to provide access to this detailed information undermines the trust of both incoming and outgoing investors.

By analyzing portfolio company data, investors and managers can:

**Gain a deeper understanding of investment risks** - a GP with strong fund performance at a high level, can offer a deeper dive into portfolio companies to reassure investors that there isn't an overexposure to struggling industries, financial distress in key holdings, or potential regulatory risks.

**Improve decision-making for capital allocation** - comparing portfolio company performance across different GPs allows investors to make more informed allocation decisions, identifying which managers are consistently delivering value. GPs too are able to leverage this information to show their own performance against that of their competitors.

**Enhance ESG and compliance oversight** - with growing investor and regulatory focus on ESG, managers must show that underlying companies align with sustainability goals, ethical business practices, and regulatory requirements.

**Strengthen investor confidence and reporting** - investors increasingly demand greater transparency into how their capital is deployed. Providing insights at the portfolio company level can improve reporting quality and build trust.

## **Challenges in tracking portfolio company performance**

However valuable having this data might be, fund managers face several challenges in accessing, analysing, and sharing this information. Among them are limited transparency, data availability and standardisation, and the lag in data reporting. Unlike publicly traded companies, private market portfolio companies often have limited disclosure requirements, so GPs may not always be able to provide granular insights into individual company performance.

Also, portfolio companies report financial and operational metrics in different formats, and don't always collect the same data points, making it difficult to aggregate and compare data across multiple funds. Added to these challenges is the reporting lag. Private equity investments operate on longer timelines, and portfolio company data is often reported with a significant time lag. This means by

the time fund managers receive and analyze data, market conditions may have changed.

To solve these perennial challenges, GPs need the support of a system such as **Aztec Xtract** that blends technological capabilities with expert teams to gather data from disparate sources and in different formats, standardize it and then verify it.

While the level of granularity varies depending on GP reporting standards, industry norms, and regulatory requirements, most fund managers track a core set of financial, valuation, risk, and operational metrics.

Below we outline some typical reporting metrics and scenarios:

## 1. Financial performance metrics

Most commonly requested in GP reports:

**Revenue growth** – a key indicator of a company's market strength and ability to scale.

**EBITDA (earnings before interest, taxes, depreciation, and amortisation)** – used as a benchmark for operational profitability.

**Net profit margin** – provides insights into cost efficiency and profitability.

**Cash flow generation** – important for assessing liquidity and sustainability.

**Debt-to-equity ratio** – a common risk indicator measuring financial leverage.

### Typical scenario:

In secondaries transactions both incoming and outgoing investors receive revenue, EBITDA, and net profit margin figures as part of quarterly fund performance reports. Cash flow and leverage data are often included annually or when a significant event (e.g. refinancing, acquisition) occurs.

## 2. Valuation and exit metrics

Commonly tracked by potential buyers and sellers in secondaries transactions to assess investment outcomes:

**Enterprise value (EV) and valuation multiples** – helps assess how GPs are valuing portfolio companies compared to industry benchmarks.

**Realised vs unrealised gains** – indicates how much value has been crystallized through exits versus paper gains.

**Exit routes (IPO, M&A, secondary sales)** – provides insight into GP strategy and market conditions for liquidity events.

**Typical scenario:**

Valuation updates typically occur quarterly, with additional insights provided when a portfolio company exit event takes place.

### **3. Risk exposure metrics**

Used to identify vulnerabilities across portfolio companies:

**Sector and geographic concentration** – helps assess diversification across industries and regions.

**Customer and supplier dependency** – a high reliance on a single customer or supplier can pose significant risks.

**Regulatory and legal risks** – compliance with evolving regulations, particularly in heavily scrutinized industries such as healthcare and finance.

**Typical scenario:**

Both incoming and outgoing investors analyse diversification metrics quarterly, while deeper due diligence on regulatory risks may be done annually or during a fund review.

### **4. Operational performance metrics**

Assesses business efficiency and scalability:

**Revenue per employee** – measures workforce productivity and efficiency.

**Customer retention and growth metrics** – indicates long-term viability and competitive positioning.

**Product development and R&D spend** – signals innovation potential and future growth opportunities.

**Typical scenario:**

GPs typically provide only high-level operational performance data, however both incoming and outgoing investors can request enhanced reporting access to facilitate a secondaries transaction.

## **5. ESG and sustainability metrics**

Growing in importance due to investor and regulatory pressures:

**Carbon footprint and sustainability initiatives** – key for funds with ESG mandates.

**Diversity, equity, and inclusion (DEI) statistics** – helps assess social impact and governance practices.

**Compliance with ESG Frameworks (e.g. UN PRI, SFDR, TCFD)** – ensures alignment with regulatory and investor expectations.

**Typical scenario:**

Larger institutional investors and impact-focused fund of funds demand more frequent ESG reporting, but for most, these disclosures occur annually or upon request.

## **The transformative role of technology**

Technology is playing a transformative role in helping to overcome these challenges and gain better visibility into portfolio company performance and facilitate secondaries transactions. Thus, reducing friction in the sales process and securing better pricing and faster execution for sellers.

Here's how:

**Automated data aggregation** – APIs and optical character recognition (OCR) allow fund managers to extract structured data from reports, financial statements, and regulatory filings, reducing reliance on manual data entry.

**AI-driven analytics and machine learning** - machine learning models can analyze vast amounts of data, detect anomalies, and identify patterns that may signal financial distress or growth potential within portfolio companies.

**Real-time performance dashboards** - cloud-based portfolio monitoring platforms provide fund managers with real-time financial and operational data, improving responsiveness to market changes.

Drilling down into portfolio company performance is no longer just an option for fund managers - it is a necessity. As investors demand greater transparency, ESG considerations are more important, and market risks more complex, fund managers must go beyond traditional high-level GP reporting and analyze the underlying assets driving returns to build trust with investors.

By leveraging technology and focusing on key financial, risk, operational, and ESG metrics, fund managers can gain a competitive edge and optimize their stakes on the secondaries market.

## How Aztec can help

Whether it's managing large volumes of unstructured and unstandardized data from multiple sources or navigating highly nuanced and complex structuring, investor management and governance requirements specific to secondaries transactions - your fund operations deserve more than a standard administrative approach.

With specialist teams, purpose-built technology, and a proven track record in supporting your peers, we understand the unique demands and complexities you face - and can apply this rich insight and experience directly to your funds. What's more, our end-to-end data management solution, [Aztec Xtract](#), blends AI and automation with specialist human expertise to deliver reliable, structured and decision-ready data that empowers you to act with speed and confidence.



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