



Beyond Enterprise Data Management into the Challenges of Alternatives Data Management

SUMMARY

If you think the journey to mastering your enterprise data management (EDM) is difficult, consider the teams wrestling with alternatives data management (ADM). Increasing correlation between traditional investments (equities and fixed income) and the pursuit of Alpha has fueled the expansion into alternative investments. Beyond allocations to external managers and hedge fund managers, this segment extends to private equity, private credit, real estate, real assets, infrastructure and more. Each brings its own complexity. When you layer in fund of funds, primary and secondary investments; the customary drill through for traditional investments is just not possible.

Although alternative investment teams use dedicated vendor tools; they still rely in some way on Excel and significant manual efforts to wrangle their alternatives data. ADM challenges are not just internal to the team working to meet their own analytic and reporting needs, but external as well. In an analytics-led and data-driven world, firms want to see the whole picture to understand how the full range of investments roll up. CIOs and many others need to examine exposure, risk and performance from a holistic viewpoint, rather than from individual asset class silos. This paper explores the challenges of blending EDM and ADM to drive this complete viewpoint.

WHAT EDM HAS & ADM WANTS

Within our traditional data platforms and EDM programs we strive for timely availability of trusted data. There is a lot of work that goes into delivering those five words, 'timely availability of trusted data':

- operational efficiency through automation,
- data quality metrics and tracking,
- data catalogs,
- data lineage,
- effective process, and
- dedicated teams and a top-down understanding of and commitment to the value of 'good,' well governed data.

The EDM programs do have something working for them that ADM teams dream of – the availability of relatively standard structured and consistent data – acknowledging this is a vast over-simplification of the challenges of EDM, something this paper does not attempt to discuss.

THOSE FIVE ENVIABLE WORDS: TIMELY AVAILABILITY OF TRUSTED DATA

There is not yet a magic bullet to solve for the challenges of ADM but understanding the challenges and how they might be stumbling blocks on our road to the holistic top-down picture is key.

The first of the five words is '*timely*.' Our traditional assets are easily valued and counted at the end of the day and indeed intra-day. While there may be minor differences between fixed income pricing services, the data is easily available. Similarly, index and benchmark data is easily accessed from broad market through segment and all the way down to instrument level. Conversely, the ADM team might be dealing with quarterly estimated valuations, with final valuations coming in after a further three-month delay. How do we blend these two data streams together to provide, on any given day and not just at quarter end, a valuation of our entire portfolio?

Next, we consider '*availability*.' Despite the best efforts of ILPA to promote standardization, or the offerings from data aggregation and provision service providers, the ADM team is often at the mercy of the vagaries of the General Partners. Key information for valuations or transaction details may be buried in documents, spreadsheets or PDFs. These are not always automatically delivered and may require access to a portal to retrieve. There are steadily improving offerings that leverage RPA

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THOSE FIVE ENVIABLE WORDS: TIMELY AVAILABILITY OF TRUSTED DATA (continued)

techniques together with AI/ML to gather and present this information in a standardized format; however, these are as of yet an imperfect solution. The ADM team needs both effective process and knowledgeable people to moderate, interpret, remediate and approve the inbound information.

Finally, lets dive into the rabbit hole of 'trusted data.' Without reliable, automated methods to aggregate the statements and to accurately reflect interim activity, consumers of the data must proceed with caution. Data may not only be stale, but also be incomplete due to capital calls (or distributions) without an off-setting adjustment to increase or decrease the valuation. One way to instill trust is for the presenter to disclose the last valuation date and adjustments for recent activity. When we try to merge infrequently valued alternatives data with daily, precise valuations of traditional investments we must strive to provision appropriate 'completeness' and 'final value' metrics so data consumers understand the blend.

CONCLUSION

There are no easy answers to the challenges of ADM, but just as EDM has evolved and thrived over the years, we expect the same of ADM. As ADM as a function matures and integrates with firms' EDM approaches, an understanding of the different challenges is key to effectively planning for and provisioning truly integrated environments. As we work through these journeys with our clients, there are other factors at work. The pivot from EDM supported by traditional on-premises structured data warehouses to data pipeline platforms in the cloud introduces myriad possibilities. We look forward to seeing ADM teams leverage new capabilities and techniques positioning them to deliver efficiently both internally and as part of the holistic investment team.

HOW MERADIA CAN HELP

When an investment management firm is ready to integrate alternative and traditional data sets, it is important to develop a plan and educate all stakeholders. Not all challenges can be addressed in a single mitigating action. Plotting a course to deliver incremental value and resilience is critical. Meradia brings a comprehensive toolkit to help clients solve business and technology challenges including proven methodologies and skills to:

- Architect enterprise data platforms,
- Develop information delivery strategies,
- Identify appropriate vendor partners, tools and platforms; and
- Integrate and transition new solutions to production.



Mick Cartwright, CIPM, is a Managing Director and an Enterprise Data Management specialist with over 20 years of experience in the asset management industry. Mick has an excellent, referenceable track record leading and delivering strategy, system and data delivery and integration projects across the front, middle and back offices.



Christine (Tina) M. Madel, CFA, is a Principal Consultant with Meradia who brings more than 30 years of experience in the investment management industry to her clients. She leverages her deep business and technical experience, project management acumen, and relationship-building skills to solve complex challenges for clients. She has honed the ability to gather and distill information, and then deliver executive-level communications.

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