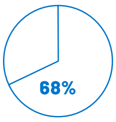
KEY FINDINGS

Decoding Perspectives on Emerging Managers

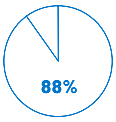
10 Takeaways and Trends from Private Markets GPs and LPs

Together with Private Equity Wire, we surveyed over 140 LPs and GPs to shine a light on sentiment towards investing in emerging fund managers, as well as the key challenges and opportunities many face. In October 2023 we will release this joint research report: Embracing the New– Decoding LPs' Perspectives on Emerging Fund Managers. Here are the highlights.



Signs of caution

68% of LPs are invested with emerging fund managers, but the likelihood of investors confirming new allocations to emerging managers in the next 12 months is very low. GPs echo this sentiment – with most reporting a challenging fundraising landscape and their intent to focus on established markets like North America and the EU.



Secret sauce

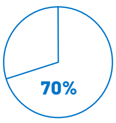
LPs who invest with emerging managers are looking for higher alpha (88%) or unique investment strategies (70%) – the majority of GPs and LPs agree that investors who shun emerging managers due to a limited track record are missing out.

Transparency trumps all

The top three most influential factors for LPs when choosing GPs are team expertise, transparency and reporting quality and alignment with LP philosophy. LPs' top expectation from emerging fund managers? Transparency in investment decision making and risk management.

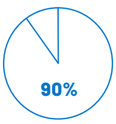
Deal breakers

Due diligence constraints and compliance concerns are the biggest red flags for LPs when evaluating emerging fund managers. Tight resources, scalability issues, back-office inefficiencies and poor risk management are noted as additional challenges.



Outdated technology

Most GPs (60%) report considering AI in their tech stack, but 70% also say their operational infrastructure needs an upgrade – 36% already use third parties for better tech expertise and 48% are considering it.

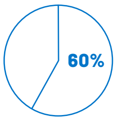


Resource constraints

9 out of 10 LPs cite the "potential for higher returns" as a reason to allocate to emerging managers – but some struggle to spare investment staff from administrative tasks. More than half of emerging managers highlight time and resource constraints.

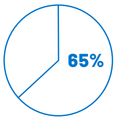
Efficiency gains drive tech spend

Time is valuable for emerging managers looking to establish themselves with the best possible start. Technology investment is driven by efficiency and automation to reduce manual work (69%) versus cost savings (27%).



A future with AI

60% of GPs say are scoping the use of artificial intelligence in their business to drive efficiency gains – and a fifth are piloting or implementing it.



Popularity of private equity

Just 32% of respondents confirmed an allocation to hedge funds in Q2 2023, less than a third of the 65% allocating to private equity. Even at a time of rising rates and inflation, private market strategies are proving more popular than public.

Face-time counts

Remember when the pandemic was going to make all meetings virtual, forever? Not anymore. LPs placed big importance on "on-site visits and face-to-face meetings", saying they were the most effective method of interaction.

About SS&C

SS&C Technologies enables alternative asset managers and investors to scale and focus on core competencies while streamlining and creating efficiencies across investment and fund operations. We provide global operations services, fund administration and technology to today's largest fund managers as well as deep experience supporting new and emerging fund managers. We cover all asset classes including private equity, private credit and real assets with industry-leading experience.

Provide your detail via the QR code to receive a copy of the full research report delivered to your inbox in October 2023.

Methodology: Private Equity Wire surveyed a panel of over 140 LPs and GPs in July-August 2023.

For more information, visit ssctech.com