


SUNGARD

LIMITED PARTNERS:
UNLIMITED INFORMATION
AN INVESTRAN WHITEPAPER

Limited Partners: Unlimited Information

INVESTRAN QUICK FACTS

- 9 out of the top 10 PEI 300 use Investran
- 45% of Committed Capital on the PEI 300 is supported on Investran
- 1 Trillion USD are managed on Investran directly by GP's
- All 13 members of the Private Equity Council use Investran

KEY COMPONENTS

- Front-office portfolio and investor relationship management
- Centralized portfolio and partnership accounting and reporting system
- Web-based investor relations and portfolio monitoring tool

In today's competitive climate investors of all types are seeking greater transparency and detailed insight into the performance of their investments and this includes Private Equity investors.

Along with more favorable partnership agreements and reduced management fees, LPs are requesting comprehensive information about their GPs' portfolio-company positions, valuations and exposures, as well as other pertinent detail. No longer is historical performance a sufficient-enough rubric for gaining LP investment capital; if a GP wants the job, LPs must be given the data. A middle-market executive attending last January's 2010 Private Equity International CFOs and COOs Forum put it bluntly: "There is pretty much nothing that our LPs could ask for that we wouldn't give them."

As part of its "Private Equity Principles" set of standards issued late last year, the Toronto-based Institutional Limited Partners Association (ILPA), a non-profit association serving limited-partner investors in the global private-equity industry, included the following transparency guidelines:


- Fee and carried interest calculations should be transparent and subject to limited partner and independent auditor review and certification
- Detailed valuation and financial information related to the portfolio companies should be made available as requested on a quarterly basis
- Investors in private equity funds should have greater transparency as requested with respect to relevant information pertaining to the general partner
- All proprietary information should be protected from public disclosure

This means that GP's must have robust and reliable systems to meet the ever growing demands for information. The days of relying on spreadsheets and archived information are gone as new information requirements are a daily event so it is essential to be able to respond in a timely manner.

For GPs, the key challenge is having the right mix of resources to compile and process relevant information for its investors, using the most appropriate and secure communication channels possible. In today's information age this requires the intelligent application of technology.

More Transparency

Despite recent setbacks, private equity continues to gain favor among institutional investors. Surveys reveal that limited partners that have been active in the business for several years continue to be enthusiastic about private equity as an asset class, and will either remain at current levels or, in some instances, may increase their allocations over the near term. Additionally, new pockets of capital are beginning to open up worldwide. Like their counterparts in the west, sovereign-wealth funds and pension funds in various emerging markets are seeking higher-returning asset classes, and are looking to private equity to meet their needs.



“Limited partners today demand to see private equity develop into an industry in which risks are systematically controlled, systems are demonstrated in use, investors are consistently kept abreast of developments good and bad, and value is added by dint of the GPs being smart, not lucky.”

David Snow, *editor-in-chief*,
PEI Media

At the same time, the events of the recent past have compelled these same investors to demand increased transparency and better reporting. “Limited partners want much more data, including information about portfolio companies, the status of other limited partners, as well as more detailed forward-looking information,” said PEI’s Snow in a recent interview. “And they want it sooner and also presented in a better format than has previously been the case.”

General partners understand that meeting these demands requires substantial investments in technology and personnel. At the same time, GPs face substantial budgetary headwinds, including considerable pressure from LPs to reexamine how management fees are calculated. All of which means that, going forward, GPs will likely have to learn to do more with less, while providing better services at the same time.

The vast majority of the market is comprised of middle-market and smaller firms, which, unlike their larger, better-established peers, may find it more challenging to cope in an environment with lower fees and, consequently, fewer resources with which to adequately serve their LP client base. Hence, these companies are more likely to retain an outsourced service provider to upgrade current systems in order to improve the way they report and store information.

Moving away from Excel spreadsheet usage – to date the default method of disseminating private-equity based information – is a key part of this effort. “Different firms will reach pain points at different times, and therefore will upgrade based on individual need,” says Snow.

Customize Me

While their needs may vary, most LPs can agree on one thing: one-size-fits-all solutions are not acceptable. Says Snow, “In addition to the upgraded technology, firms also need real customization, not to mention a fair amount of hand-holding. And because there is no mandated standard, everyone is going to approach the business a bit differently – as a result, they will benefit from the kind of new technology system that can be customized to the experiences and the preferences of the individual firm.”

At a SuperReturn private-equity conference held in Berlin earlier this year, LPs voiced their concerns over issues related to GP transparency. While the flow of information has increased, many LPs say there is still plenty of room for improvement, particularly in areas such as portfolio performance and new deals. Attendees at January’s PEI Forum concurred that GPs need to boost their accounting and valuation capabilities, including more frequent financial reporting which will reduce reporting windows to below 30 days.

Conclusion

Unlike the heady climate that produced the huge gains pre-crisis, today’s private-equity returns are much more modest, and are largely generated by real market fundamentals. Understandably, LPs now expect much more thorough servicing in order to justify the expense and energy needed to maintain a private-equity program.

Consequently, LPs are being far more selective about where their money goes. "LPs are basically doing an evaluation of the firm itself in order to determine the quality of the firm's infrastructure," remarked an executive attending the January PEI Forum, "and if the LP doesn't like what it sees, the GP may not get the commitment."

So what's in it for GPs? A lot more equity, say experts, who argue that LPs who receive the information they need and in a timely manner will be much more willing to make fresh commitments of investment capital.

In order for private-equity firms to continue to be successful fundraisers, they will be compelled to meet the many due-diligence requirements of their LPs. Says PEI's Snow: "Before any LP makes the decision to commit funds to a particular GP, the first thing they are likely to say is, 'Show me your systems, because I'm not going to hand over the money unless I'm sure I have the transparency into the content and material you are going to deliver, and in a timely fashion as well.' LPs want to be much more active and involved, they want to fully understand the dynamic of the funds at hand – the days of the 'silent partner' are really over."

Armed with the right kind of technology, general partners can deliver what their LP's want when they want it.

In short, using a streamlined front, middle and back-office integrated system can pave the way for the kind of timely and comprehensive reporting mechanisms that will continue to be a leading requirement of LPs as the industry moves forward – and, in turn, create a far more collaborative and harmonious relationship between GP and LP.

How SunGard Can Help

SunGard's Investran can help both LP's and GP's alleviate frustration around the ever-increasing flow of information and data requirements. Supporting 300+ global clients of all shapes and sizes, Investran is a fully integrated solution encompassing front-, middle- and back-offices for private equity and alternative assets firms. An independent services provider, SunGard Investran is sensitive to both LP and GP needs, with a client base that represents both parties. Over 13 years of experience through up and down cycles has provided the Investran team a unique perspective and ultimately delivered a solution that can answer both parties challenges with full transparency and comprehensive reporting.

SunGard Investran is fully web-enabled, with centralized portfolio and investor accounting and reporting, giving a single entry point for data firm-wide. Investran provides users a with on-demand access to more detailed, granular reports (which include accounting data commitments, capital balances, financial statements, IRR's and time weighted returns).

Investran's robust back-office functionality for accounting and reporting maintains a true physical general ledger and embodies an in-depth knowledge of the entire accounting process to increase GP efficiencies.

For more information on Investran visit www.sungard.com/investran/learnmore.

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About SunGard's Investran

SunGard Investran is an integrated application suite that automates front-, middle- and back-office processes for private equity and alternative investment firms. Investran helps improve business efficiencies to facilitate collaboration, support deal flow and automate accounting. Firms rely on Investran's integrated capabilities to help meet their needs in the entire investment life-cycle, including relationship management, reporting, monitoring, accounting, fund raising and deal pipeline management.

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Investran awarded **Software Provider of Year 2009 and 2010** by Private Equity News

About SunGard

SunGard is one of the world's leading software and technology services companies. SunGard has more than 20,000 employees and serves 25,000 customers in 70 countries. SunGard provides software and processing solutions for financial services, higher education and the public sector. SunGard also provides disaster recovery services, managed IT services, information availability consulting services and business continuity management software. With annual revenue exceeding \$5 billion, SunGard is ranked 380 on the Fortune 500 and is the largest privately held business software and IT services company.

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