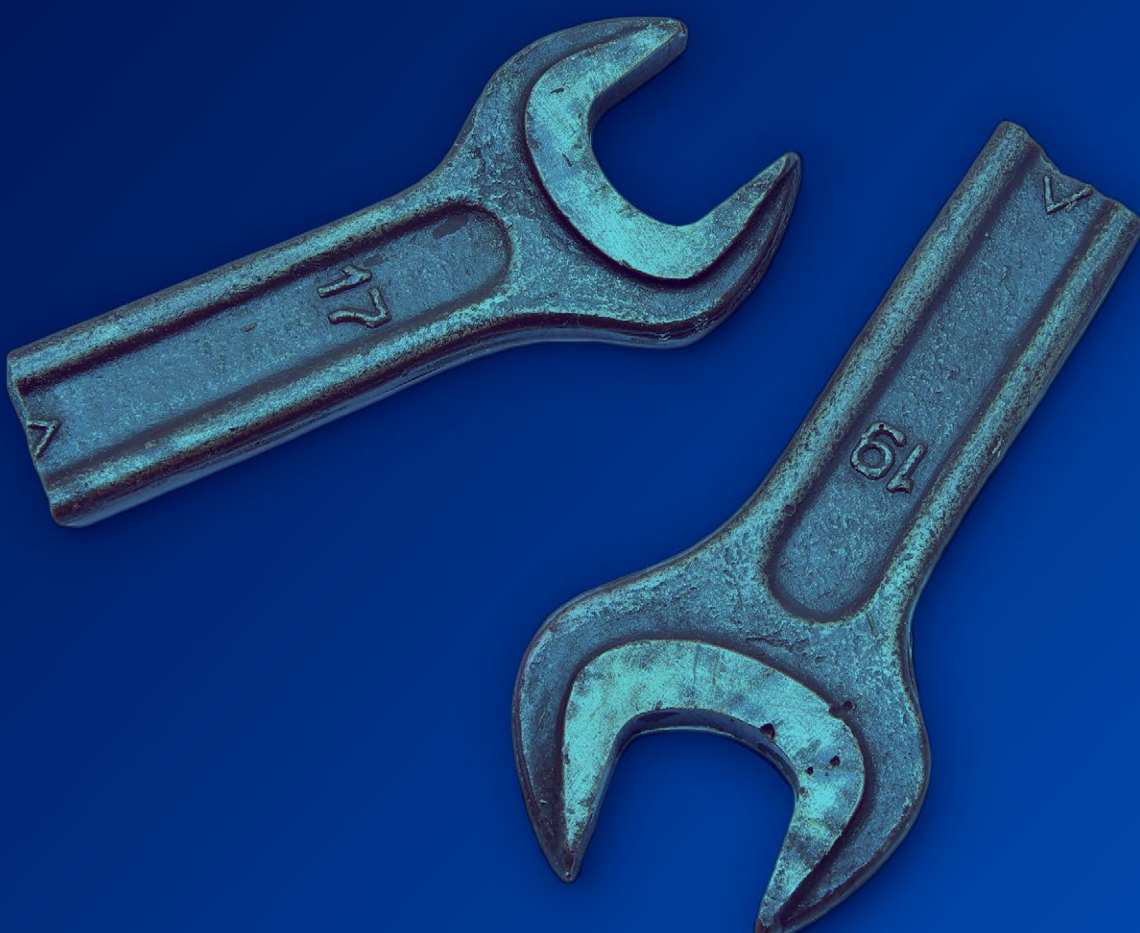
BACKSTOP SOLUTIONS®

Every MINUTE matters.®

WHITE PAPER

HOW YOUR RMS CAN **UNLEASH (OR STIFLE)** YOUR INVESTMENT TEAM'S EFFECTIVENESS



> *While there are commonalities between asset classes, each asset class also has a unique set of relevant data and criteria.*

As Chief Investment Officer (CIO) of your firm, your investment team is responsible for conducting a tremendous amount of vital research and analysis on multiple asset classes. You rely on this information to develop and execute short- and long-term investment strategies and bring the best recommendations to your clients and/or board of directors. To fulfill your responsibilities, you frequently ask for reports of various types from your investment team. Depending on the request, creating the needed output may prove difficult because of data silos and process differences that often occur across multiple asset classes. Consequently, your team's overall productivity suffers, the team's messaging and analysis becomes disjointed, and the ability to execute on opportunities in a timely manner may be lost.

DIVERSE DATA

Silos have their origin in the diverse nature of various asset classes. While there are commonalities between asset classes, each asset class also has a unique set of relevant data and criteria. For example, reviewing a hedge fund requires data that would not be applicable to reviewing a real estate investment, and vice versa. Here is a non-exhaustive sampling of similarities and differences:

<table>
<tr><th>ASSET CLASS</th><th>COMMON FOCUS</th><th>UNIQUE FOCUS</th></tr>
<tr><td>CD / Money Market</td><td rowspan="6">• Name / Unique ID
• Investment Strategy
• Investment Methodology
• Investment Thesis
• Asset Classification
• Benchmarks
• Peer Stats
• Exposures
• Management Expenses
• Portfolio / Policy Adherence
• Liquidity</td><td>• Yields
• Duration and Ratings
• Institutional Fee Table</td></tr>
<tr><td>Mutual Fund / UCITS</td><td>• Yields / Dividends
• Share Class / Accessibility
• Expense Ratios</td></tr>
<tr><td>Hedge Fund</td><td>• Legal Terms / Domicile
• Management and Incentive Fees
• Capacity / MFNs
• Gross / Net Exposure</td></tr>
<tr><td>Private Equity Funds</td><td>• Closed Date
• Investment Period
• Management Fees and Carry
• Portfolio Cos / Related Exposure</td></tr>
<tr><td>Real Estate</td><td>• Leverage and Terms
• Income / Appreciation / Total Return Streams
• Sq Ft / Occupancy</td></tr>
<tr><td>Direct Investments</td><td>• Financial Statement Ratios
• Legal Structure
• Valuation</td></tr>
</table>

Further complicating matters, each asset class dictates the team's informational needs. Many data elements require more than a simple quantitative field; there may be notes, assessments, histories, rationales, and more that must be memorialized. For example, legal terms reviews on private equity deals may be represented as a legal memorandum. This qualitative data fleshes out the "story" of each investment opportunity, complementing the quantitative data to create a more complete narrative.

There are many instances where this combination of quantitative plus qualitative data delivers value. For example, it gives you visibility not only into *what* you own from an exposure or risk standpoint, but also on *why* you own each investment. By reviewing your investment thesis, opportunity outlook, and other notes and documents, you have the ability to analyze your investment decision processes and determine why you do (or do not) want to remain invested in a certain way.

SOFTWARE & INFRASTRUCTURE TOOLS

The software your investment team is expected to use is, in all likelihood, inflexible in nature.

With the unique character of each asset class firmly in focus, consider the infrastructure in place at your firm. The software your investment team is expected to use is, in all likelihood, inflexible in nature. That is where problems begin. On the one hand, the software may be designed to support a certain asset class. If that is the case, then the corollary is that it is *not* tailored to other asset classes. On the other hand, the software may be designed generically. In that situation, it will simultaneously *have* fields that are irrelevant and *lack* fields that are relevant for each asset class.

Now, suppose your investment team is set up so that each team member specializes in a different asset class. If your team members attempt to use the available software, they find themselves frustrated because they cannot track, view, or analyze data in the way that is most convenient for them. They therefore eschew the "approved" software platform and find or create software that enables them to do their work faster and easier. Each time that happens, a silo is created.

Inflexible software also causes issues and leads to silos as investment policy and its underlying universe of asset classes evolves. For example, investment maturity for DB pension plans in the private space begins with private equity funds, evolves into investing in secondaries, and then proceeds to co-investments. Finally, the team is comfortable to begin investing directly and saving on fees. The various stages of investment evolution require differing levels of data analysis and assessment — and, therefore, different software capabilities. Much like a pipeline, ***what you don't own*** matters: it shows your "bench," that is, the investments you want to add or trade into. How your team adapts to meet those needs materially impacts portfolio composition and expected returns.

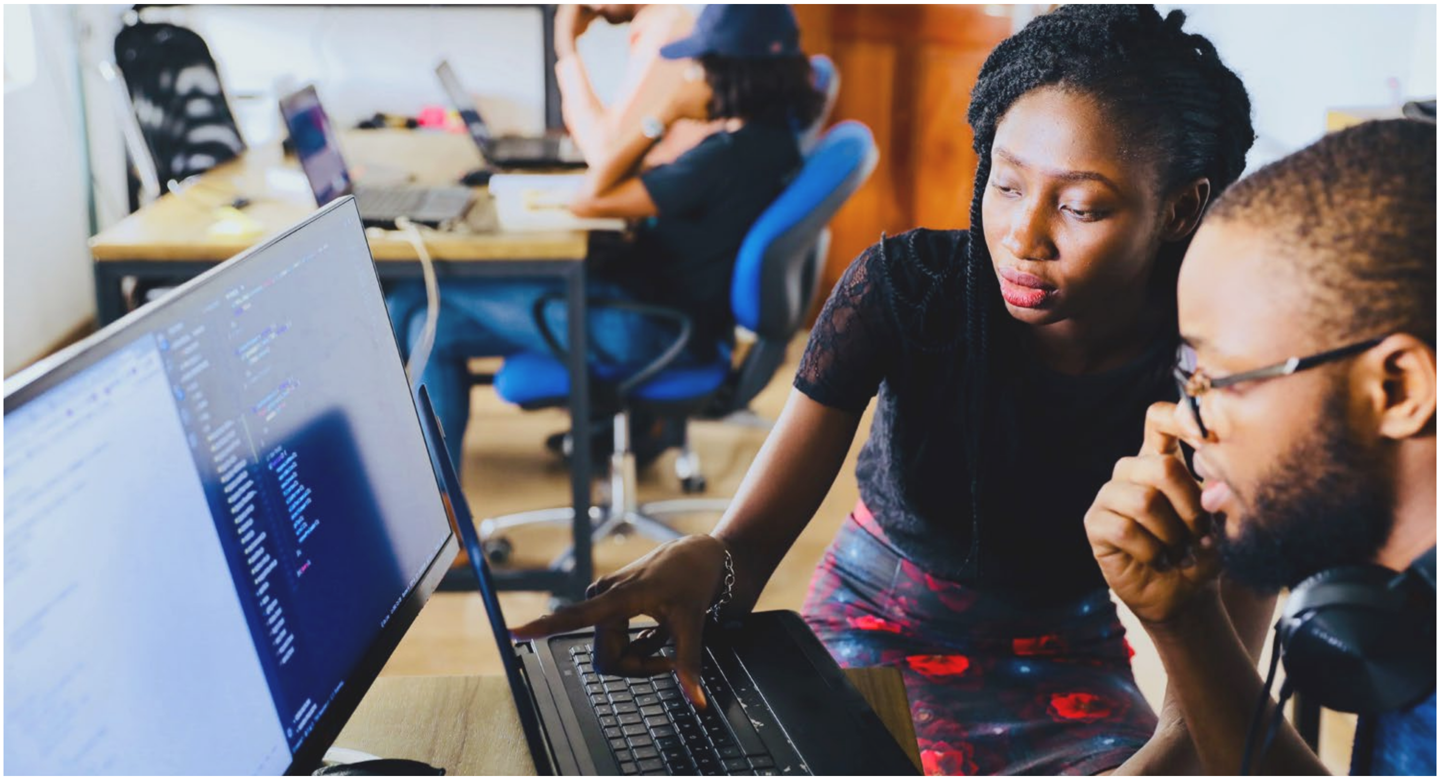
BACK-END HEADACHES

Investment teams do not silo data to be difficult or to create problems. On the contrary, they avoid existing software platforms or engage in workarounds to better suit their mandated analyses. They are simply seeking ways to increase their efficiency and overall team performance.

That sounds good – but there is a problem. *Increasing* efficiency on the front end by siloing data ends up *decreasing* efficiency on the back end when data needs to be rolled up, analyzed, and reported to you, the CIO.

*The key is to invest in a technology platform that is designed for the investment industry with the **configurability** to adapt to your future.*

Whenever you make a request of your investment team that draws on multiple asset classes, your team members have to pull data from all the silos. This often requires manual effort to create one cohesive view of your current portfolio and pipeline. This complicated exercise takes significant time and resources, negatively impacting your team's overall productivity. Such inefficiency is what happens at the end of each month, each quarter, and each year – and any other time you request a report from your team.



END-TO-END EFFICIENCY

The last thing you want is for your investment team to be plagued with inefficiency on either the front end or the back end. Fortunately, technology has advanced so that such inefficiencies can be eliminated in their entirety. The key is to invest in a technology platform that is designed for the investment industry with the configurability to adapt to your future. What this means in practice is that each member of your investment team should be able to:

- Interact with relevant data and investment process dictated by the asset class.
- Immerse each team / role into the data that is relevant and actionable to their analysis and professional focus.
- Combine quantitative and qualitative data based on the needs of each asset class.
- Allow for idiosyncratic asset class aggregation for improved messaging and clarity.
- Aggregate and normalize the portfolio views.

On the front end, such a platform removes the unintended data silos and workarounds by supporting research and investment processes across asset classes. This includes more common asset classes such as hedge funds, private equity, real estate, fixed income, and equities to less-common asset classes such as natural resources, oil exploration, and fine art. On the back end, the platform allows team members to easily and quickly roll up data across multiple asset classes since all the data resides in a single, central repository.

Ultimately, it comes down to this: silos and inefficiencies are created when software is too inflexible to meet the real needs of your investment team. Flexible technology that is purpose-built to support the complexities of the investment industry removes the need for your investment team to turn to external solutions. In return, your team is able to work at peak efficiency and productivity on both the front- and back-ends; you get the data, analysis, and holistic picture you need to make key investment decisions; and your organization is better positioned to meet its investment goals. It is a triple-win result that never stops delivering value.

ABOUT BACKSTOP SOLUTIONS

Because every minute matters, Backstop's mission is to help the institutional investment industry use time to its fullest potential. We develop technology to simplify and streamline otherwise time-consuming tasks and processes, enabling our clients to quickly and easily access, share, and manage the knowledge that's critical to their day-to-day business success. Backstop provides its industry-leading cloud-based productivity suite to investment consultants, pensions, funds of funds, family offices, endowments, foundations, private equity, hedge funds, and real estate investment firms.

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