

EXPERT INSIGHTS:

Colm Doyle
Head of Solutions EMEA, SEI



Turning chaos into clarity: The challenge of private markets data.

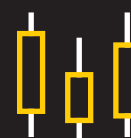


Rapid growth in private markets and their increasing appeal to both traditional institutional and retail investors presents a huge opportunity for fund managers, but it also creates a significant data challenge.

Private market fund managers have become increasingly sophisticated in using data and presenting the information to investors. However, keeping pace with the growing demand and maximising the potential of data can still be daunting. A range of factors contribute to the data challenge, but essentially, the demand stems from three factors—investors, regulators, and fund managers themselves—all eager to leverage data to enhance returns and operational efficiency.

Private market fund managers are not short of fund data, but it's often not available in standardised formats. Some data is structured, some is semi-structured, and some is completely unstructured and unique, ranging from spreadsheets to PDFs, emails, and even filing cabinets filled with paper. Meanwhile, the market of third-party information is fragmented with multiple suppliers, not to mention multiple methodologies. Another challenge arises from the bespoke nature of private market investments and their underlying assets, which have low correlation with public markets. Additionally, the illiquidity in most underlying private assets creates difficulties in regular valuations.

Creating in-house solutions to bring all this data together for analysis or presentation to investors is a costly and never-ending task. That's why using a service provider to assist with data management is becoming an increasingly attractive solution.



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Investor demand

The huge opportunity that private market managers currently have is often described as the 'democratisation' of private markets. This includes private retail investors, but more significantly, institutional investors such as pension funds, which are drawn to private assets because of their attractive risk-return profile and as a source of diversification. Both of these investor types are familiar with public markets and have well-established expectations for standardised data on valuations, performance, governance, and more.

Regulatory demand

Regulators in different markets are moving at a variety of speeds to address private markets, but the direction of travel is common to all. They want more transparency and more standardisation to help inform and protect investors. The sheer growth of private markets has prompted regulators to look at the industry from a systemic point of view, seeking to understand the overlaps, degrees of concentration, leverage, and risks that exist across the private asset world.

Investors and regulators are also expecting a growing array of data on sustainability and environmental, social, and governance (ESG) metrics. Many investors, particularly in the institutional space, are attracted to investments that can provide credible ESG data and sometimes formal designations such as 'green' or 'sustainable'. Regulators, naturally, want to ensure that such data and labels are demonstrably fair and accurate. This challenge is not unique to private markets. Equity and fixed-income funds are also battling to collate and standardise ESG metrics. But again, the distinct, or even bespoke nature of many private investments, means they require their own solutions.

Gaining a data edge

While the data challenge can be a burden, it also presents a huge opportunity for funds to gain an edge through effective data management. Meeting regulatory hurdles and investor expectations is part of that. But the key is to develop more sophisticated data-based analysis and insight to deliver returns and ensure maximum efficiency in operations. Emerging technologies within AI offer enormous potential for further improvements. But the foundation of AI relies on data that is accurate, clean, and managed as systematically as possible. Without a strong data management foundation, funds will be unable to take advantage of the next phase of the digital revolution.

Building sophisticated data management in-house is often costly, requiring ongoing, dedicated teams and a solution that needs to be scalable from day one. True scalability isn't just the ability to add more data; it's also about adding new types of data when investors and regulators require extra information or the fund ventures into new types of private assets.

An established service provider like SEI can assist you with a data management solution that's designed to be cost-effective and scalable—able to grow with any fund regardless of its ambitions. We manage a vast array of publicly available data, either through licensing with data providers or through our own collation of public filings by funds. Our capabilities include providing bespoke solutions, building in specific datasets and sources for individual clients.

An application programming interface (API) is the most common solution clients use to access that data, but other options like data portals are available, depending on what is the best choice for the client. While we manage the heavy lifting of data management, clients can apply their own distinct talents in research, analysis, and data presentation to create added value that gives them an edge.

It's often said that data is the most valuable commodity of the modern age, and this description holds a lot of truth. But extracting value from data to meet the expectations of investors and regulators and maximise its competitive value starts with professional data management services.



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Colm Doyle
Head of Solutions EMEA, SEI

As Head of Solutions in Europe, Colm works with business and IT leadership to develop business-led transformations, delivering strategies and operating models that enhance customer-facing capabilities.



Learn more about SEI at seic.com/EuropeAssetManagers.

United States

1 Freedom Valley Drive
P.O. Box 1100
Oaks, PA 19456
610-676-1000

Ireland

One Charlemont Square
Level 2
Dublin, D02 X9Y6
+353 1 638 2400

Luxembourg

26, Boulevard Royal
Luxembourg L-2449
+352 27 00 2750

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