Backstop

ION ANALYTICS

Research Reports

Raising and retaining capital

A Productivity Study with BD and IR Professionals in Alternative Investments

Introduction

The workweek includes only so many hours, and asset managers are already working overtime. The average alternative investment manager, according to our new survey of investor relations and business development professionals, works 52 hours each week.

To anybody in this high-pressure, ever-changing industry, those long hours are likely no surprise. But, as investor relations and business development professionals push beyond the limits of traditional 9-to-5 workdays, they may also want to ensure that they're spending their hours on the right things.

And that's what our survey of more than 100 asset managers set out to answer: Do asset managers believe they are using their hours productively on the tasks they deem to be the most valuable, or are they squandering an inordinate amount of time on less strategic work? **(We understand "asset managers" refers to those who make investment decisions, but for brevity in this research report, we are using it to refer to the BD/IR professionals working inside alternative investment managers.**)

Our goal with this survey was to understand how much time asset managers are spending on core business development and investor relations tasks versus other non-core tasks to identify opportunities for improvement in their day-to-day working lives. In other words, are they making time work for them or against them, and is there room for improvement?

…as investor relations and business development professionals push beyond the limits of traditional 9-to-5 workdays, they may also want to ensure that they're spending their hours on the right things.

Our survey found:

Asset managers' days are unpredictable. Nearly one-third of their time with allocators is unplanned. In other words, more than one of their 10-hour days each week — some 13 hours — are taken up with impromptu meetings with allocators.

Asset managers are doing double duty. Some 60% of managers told us they are involved in both capital raising and retention.

Asset managers know they could be working more effectively. As they considered their responsibilities, nearly 80% said they've thought to themselves, "There must be a better way of doing this," within the last week.

Asset managers are spending nearly an entire day each week on less strategic work, on the top five non-core, non-value-added tasks, as rated by managers in the survey (though not all managers agree on which tasks are critical and which are unimportant).

In their comments in the survey, asset managers indicated an awareness that they are spending too much time on non-essential tasks.

"Overall inefficiency of the process," one wrote.

"A huge time sink," shared another.

"Too much wasted time," said another.

But respondents also affirmed that certain characteristics of their workday are necessary and appropriate, such as performing double duty in capital raising and retention. What's more, their often unpredictable days are an unavoidable aspect of their job, especially as they build critical relationships with allocators. Those inevitable aspects of an asset manager's day — stretched across responsibilities amid regular disruptions — requires having the right information at their fingertips at all times.

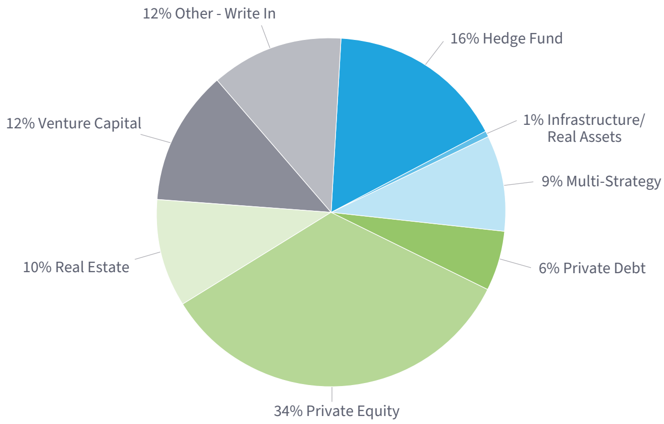
Here's what we uncovered in our ***2022 Alternative Investment Manager Productivity Survey*** of Investor Relations and Business Development Professionals.

Demographic Breakdown of Survey Respondents

Our research included key alternative investment manager segments, including hedge funds, infrastructure, multi-strategy, private debt, private equity, real estate, and venture capital. Most respondents worked at firms with less than $5 billion total capital raised, less than 50 employees, and five or fewer offices.

By Organization Type

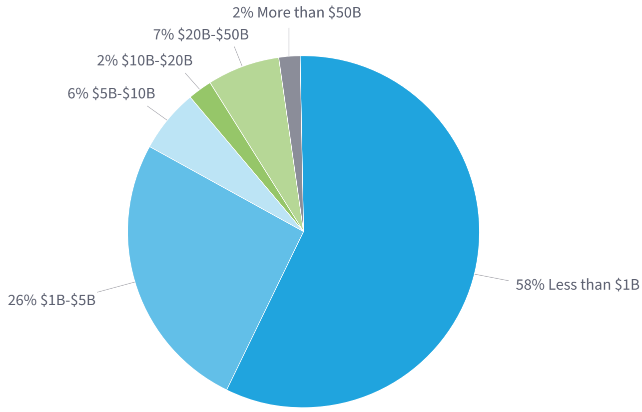
What best describes your organization?



Note: Percentages on this and other charts may not total 100 due to rounding.

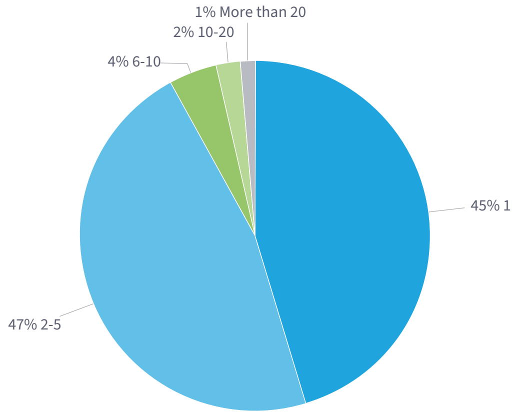
By Total Capital

How much total capital has your firm raised?



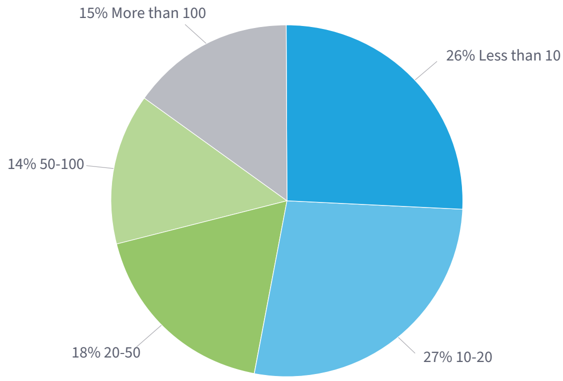
By Number of Offices

How many offices does your organization have?



*By Number of Employees**

How many employees does your organization have?

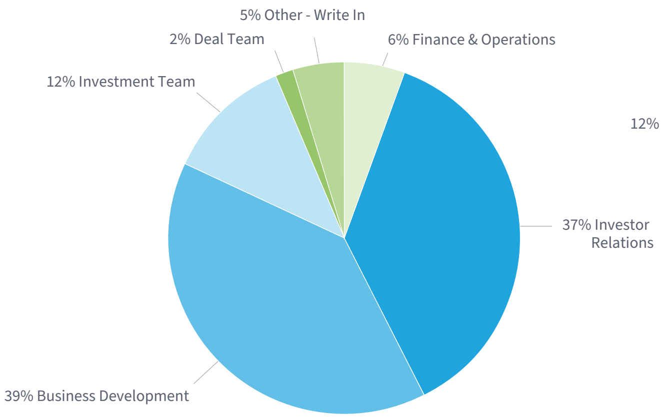


Demographics of the People Surveyed

The majority of respondents were younger professionals in their 20s and 30s who work at the manager or director level, primarily in investor relations and business development.

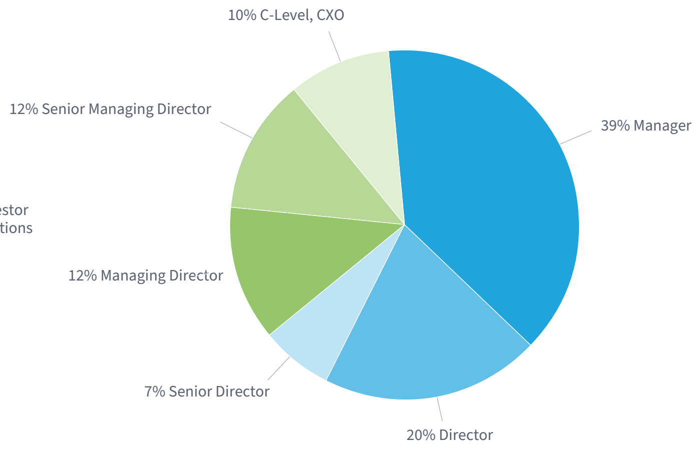
By Department

What best describes the team or department in which you work?



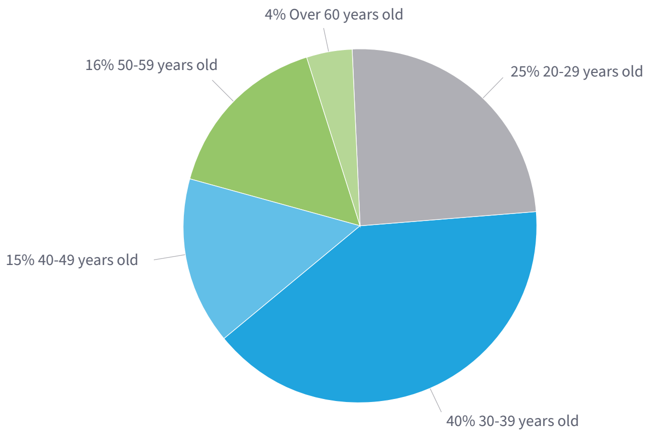
By Job Level

What is your job level?



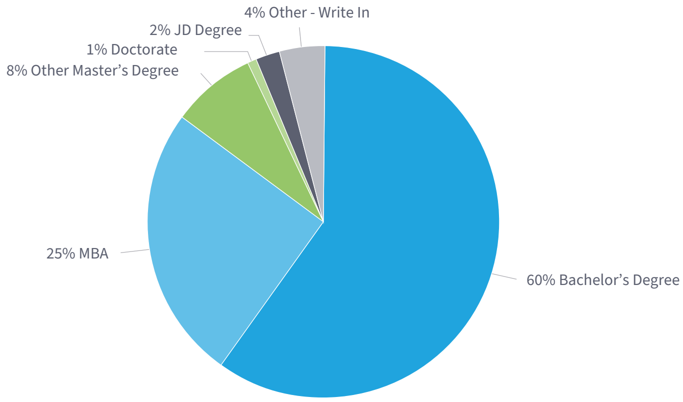
By Age

What is your age group?



By Education Level

What is your highest level of educational attainment?



Hours In Your (Working) Lives

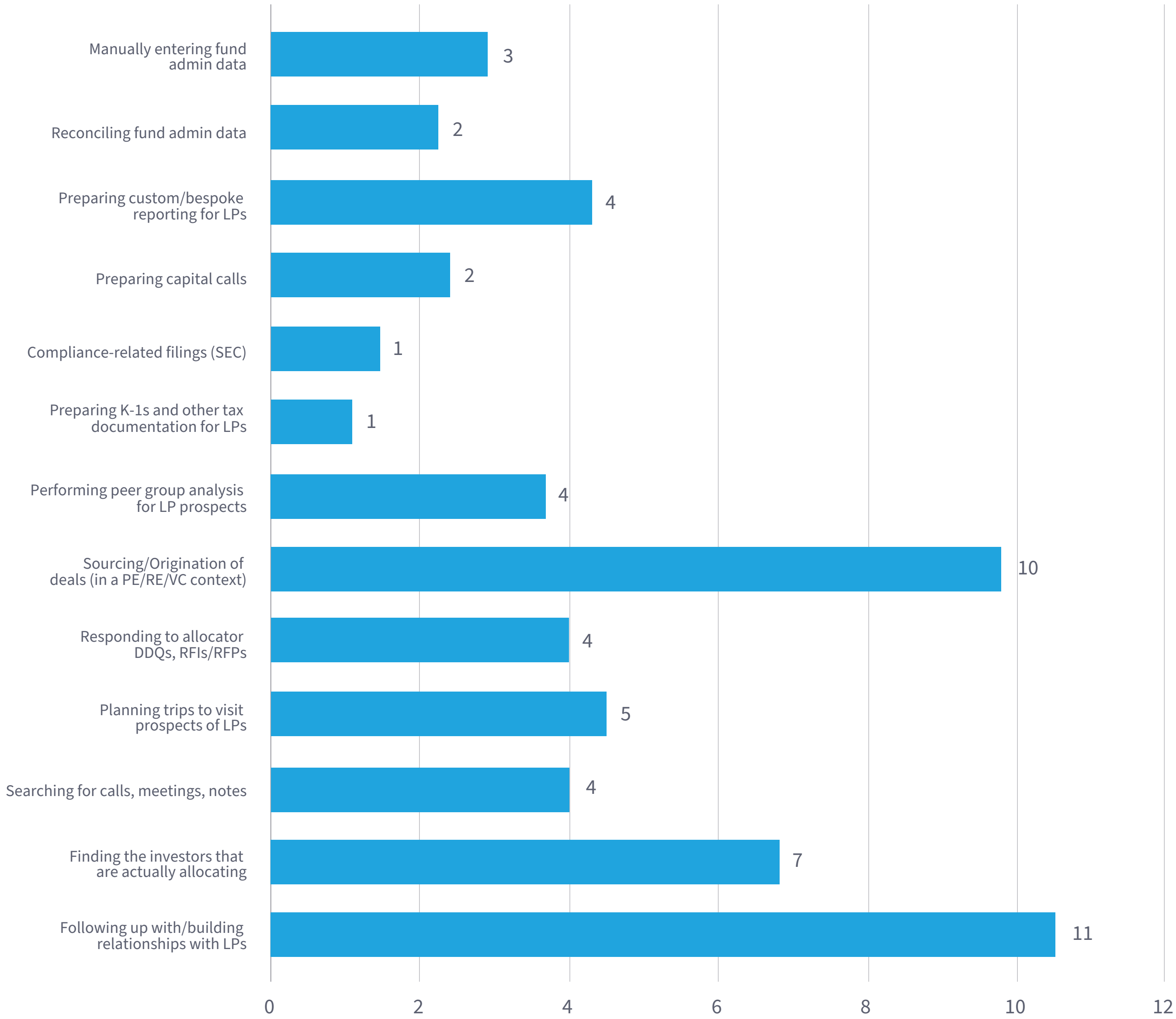
Asset managers may actually be working more hours than they think each week. According to our survey, they estimated that they work, on average, 52 hours weekly. But, when we tallied up the hours they told us they spent on tasks, the number was 58.

For good reason, two tasks that are critical to an asset manager's responsibilities take up a large chunk of their time — sourcing of deals and relationship building constitute about one-third of their working hours each week.

"It is time-consuming to get in front and build relationships," one asset manager told us.

But other responsibilities add up, too. Manually entering fund admin data, reconciling fund admin data, compliance-related filings, and searching for calls, meetings, and notes amount to 10 weekly working hours.

Hours per week



Core vs Non-Core

In any job, including asset management, not every task is equal in strategic value. Some duties rise to the top — critical to the success of a manager and the firm. Others may still add value, but are more mundane.

Among 13 tasks and responsibilities, we asked asset managers to rate which are core; non-core, but value-adding; and non-core and non-value-adding. There wasn't complete agreement among participants.

The good news for asset managers is that according to our survey, most of their time during a given week — nearly 70% — is spent on core tasks. Responsibilities that are both non-core and non-value- adding — manually entering fund admin data, reconciling fund admin data, and compliance-related filings — make up only 12% of respondents' time.

Core

67% of time spent

- Preparing custom/bespoke reporting for LPs
- Preparing capital calls
- Sourcing/Origination of deals (in a PE/RE/VC context)
- Planning trips to visit prospects or LPs
- Finding the investors that are actually allocating
- Following up with/building relationships with LPs

Non-core, but value-adding

21% of time spent

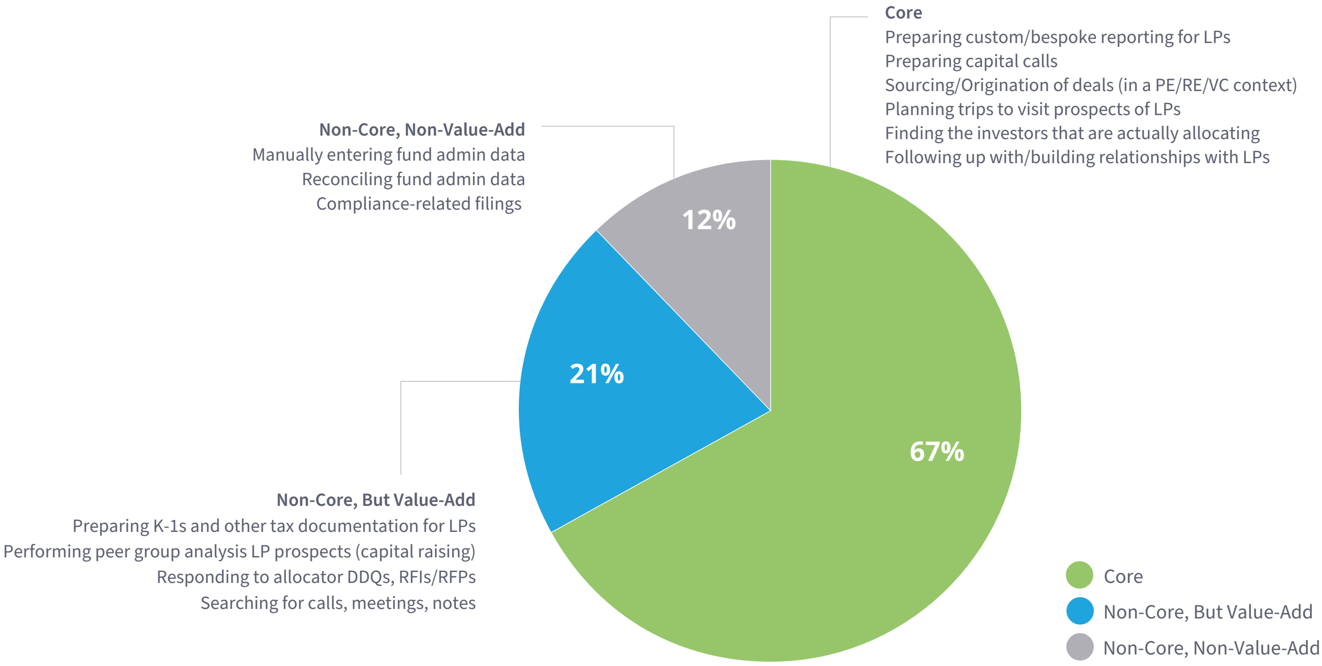
- Preparing K-1s and other tax documentation for LPs
- Performing peer group analysis for LP prospects (capital-raising)
- Responding to allocator DDQs, RFIs/RFPs Searching for calls, meetings, notes

Non-core, non-value-adding

12% of time spent

- Manually entering fund admin data
- Reconciling fund admin data
- Compliance-related filings (SEC)

Percentage of Time Spent on Activity Categories



The most important tasks, according to the survey, revolve around cultivating connections with allocators and preparing and closing deals — building and nurturing relationships on the client side of the business and generating investment performance on the other, asset managers tell us.

“The more time that you can spend with people out at events and then in meetings in person and on Zoom, the more quickly you can move that relationship along,” one asset manager told us. “In investor relations, you should be out meeting and talking to everyone and anyone five days a week.”

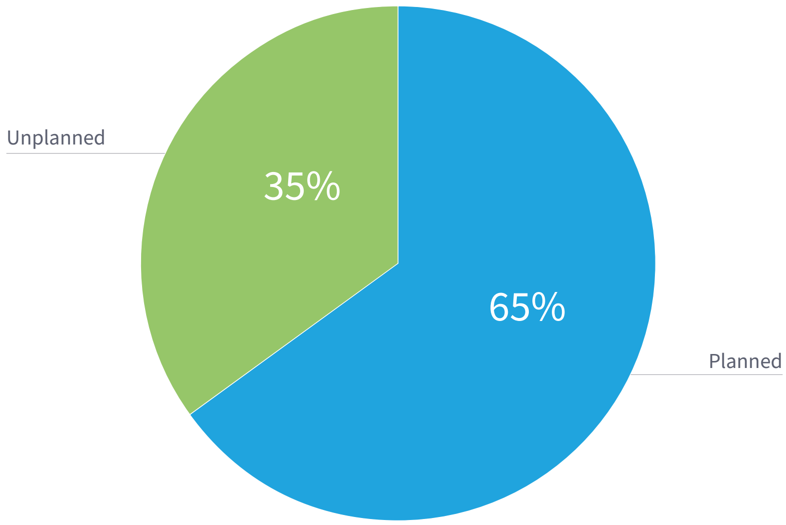
	Core	Non-Core, But Value-Adding	Non-Core, Non-Value-Add
Manually entering fund admin data *Percentage*	15%	37%	48%
Reconciling fund admin data *Percentage*	26%	34%	40%
Preparing custom/bespoke reporting for LPs *Percentage*	46%	39%	15%
Preparing capital calls *Percentage*	40%	32%	28%
Compliance-related filings (SEC) Percentage	30%	34%	36%
Preparing K-1s and other tax documentation for LPs *Percentage*	28%	37%	35%
Performing peer group analysis for LP prospects (capital-raising) *Percentage*	42%	43%	14%
Sourcing/Origination of deals (in a PE/RE/VC context) *Percentage*	55%	27%	18%
Responding to allocator DDQs, RFIs/RFPs *Percentage*	42%	47%	10%
Planning trips to visit prospects or LPs *Percentage*	48%	42%	10%
Searching for calls, meetings, notes *Percentage*	25%	50%	25%
Finding the investors that are actually allocating *Percentage*	70%	21%	8%
Following up with/building relationships with LPs *Percentage*	86%	11%	3%
Other *Percentage*	38%	28%	34%

Unplanned Interactions Expected

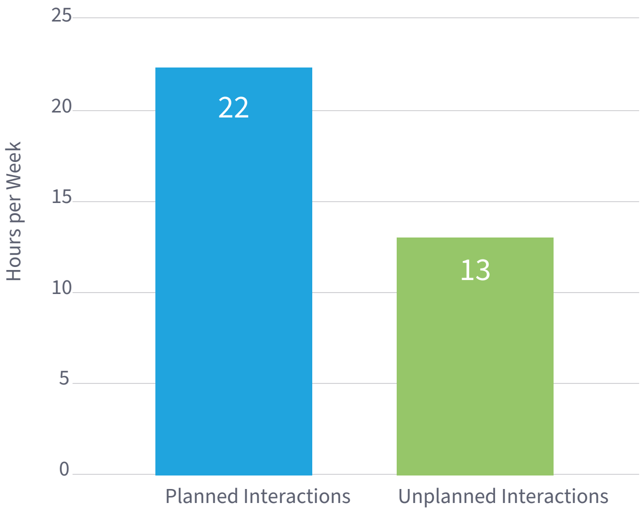
Interactions with allocators are some of the most important work that asset managers do daily. But, often, our survey found, those meetings weren't on managers' calendars. Asset managers told us that over 30% of their interactions with allocators are unplanned — or about 13 hours per week. When so much time is spent on impromptu conversations, managers have less control over their own working hours. But that doesn't mean these spur-of-the-moment calls, emails, and messages aren't valuable and vital.

"Incoming inquiries can make you overwhelmed," an asset manager told us. "But it is a core part of the job."

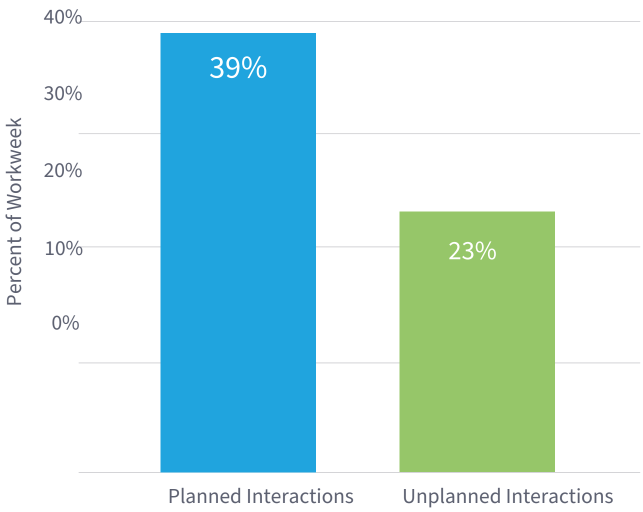
Interactions with LPs: Planned vs. Unplanned



Planned vs. Unplanned Interactions in Hours



Planned vs. Unplanned Interactions as Percent of Work Week



As participants tell us, unplanned interactions are both important and inevitable. No asset manager can anticipate everything a client will want. And, often, neither can the client. Sometimes asset managers field an out-of-the-blue call from an auditor with a simple inquiry. Other times, the market creates circumstances that spark questions from clients — a selloff for a particular security, position, or manager, or a story on the front page of the *Wall Street Journal.*

Responding to these client inquiries in a timely and professional fashion can help a manager differentiate themselves. One asset manager told us that his firm's goal is to respond to clients within an hour and to resolve issues or inquiries within a day.

"Responding to client inquiries is critically important; clients value that," he said. "And if you have the right tools and systems that provide the data you need, it's a lot easier to respond to them quickly

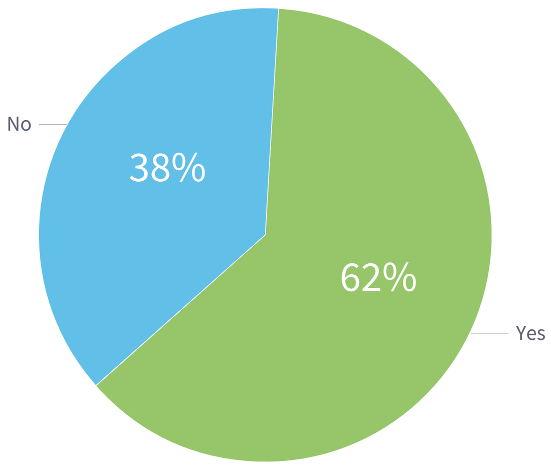
Doing Double Duty

Asset managers are often working in two roles — hunting for new allocators and cultivating existing relationships. In our survey, nearly 60% said they were practitioners of both capital raising and retention. For managers with dual roles, capital raising gets most of their attention — about 54% of the time is devoted to those responsibilities.

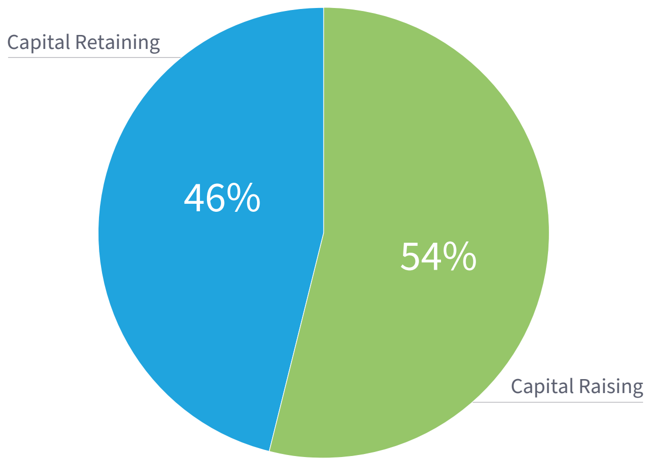
"You can't avoid double duty," one asset manager told us.

"That's because it all comes down to vertical integration," said another. "You land them, and you are the person who is in charge of retaining them as well," he said. "When you do that, you cultivate a much more personable relationship that's sticky and has a longer lifetime value. If there are more people involved in the relationship, it becomes more impersonal. And it's easier for the client to go elsewhere."

Are you doing double duty as a practitioner of both capital raising and retaining? Planned vs. Unplanned



Time Allocation Between Capital Raising and Retaining



But working on both sales and retention doesn't come without its challenges. "It would be nice to have more hours in the day," one asset manager told us. If you do both, you need software that tracks data and information for both sides of the equation effectively. For asset managers tasked with double duty, a "CRM can be a really critical source of organization value," one told us.

> "You land them, and you are the person who is in charge of retaining them as well. If there are more people involved in the relationship, it becomes more impersonal. And it's easier for the client to go elsewhere."

A Smarter Way

With competing demands on their time and customer needs driven by external forces in the market, asset managers have a lot on their plate on any given day – ranging from mundane to strategically important activities. But, as they go about their days, our survey found that nearly 80% of asset managers indicated that within the scope of their responsibilities they are thinking daily or weekly that "there must be a better way."

Think about your daily or weekly responsibilities. When was the last time you thought to yourself, "There must be a better way of doing this?"

Value	Percent
Today!	40%
Within the past week	36%
Within the past month	16%
Within the past 2 months	7%
Other - Write In	2%

And it's worth noting that the tasks that prompted those thoughts most frequently — manually entering fund admin data and reconciling fund admin data — are responsibilities that technology can easily automate.

What were you working on when you had that "there must be a better way" thought?

Value	Percent
Manually entering fund admin data	18%
Finding the investors that are actually allocating	17%
Reconciling fund admin data	14%
Sourcing/Origination of deals (in a PE/RE/VC context)	7%
Searching for calls, meetings, notes	7%
Other - Write In	7%
Responding to allocator DDQs, RFIs/RFPs	5%
Following up with/building relationships with LPs	5%
Planning trips to visit prospects or LPs	6%
Performing peer group analysis for LP prospects (capital-raising)	4%
Preparing custom/bespoke reporting for LPs	4%
Preparing capital calls	4%
Preparing K-1s and other tax documentation for LPs	2%
Compliance-related filings (SEC)	1%

Another stressor involves a critical job for asset managers: finding the investors that are actually allocating. They're a bit of a needle in a haystack, managers tell us.

"When going to networking events, it is difficult to meet actual allocators," wrote one manager. "The likelihood is slim, and the circle is very tight."

The work to hunt them down is tedious. Wrote another: "Much of my outreach searching for allocators requires a normal grind of data gathering and front-end lifting. Where that process actually bears fruit is with the follow-up emails after the initial 'first touch.'"

Technology can help here, too. Disciplined use of a CRM could potentially solve this problem for asset managers, allowing teams to collaborate via a portal where calls and meetings with allocators are available to all.

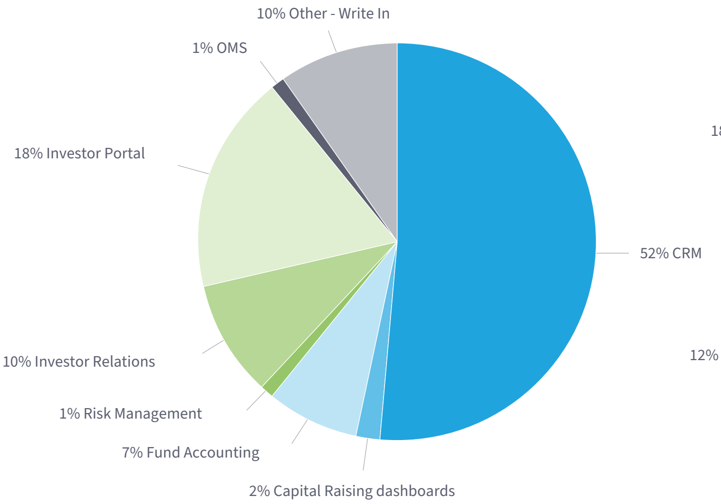
Stacking Up Tech

Technology has transformed the working world — automating manual tasks and allowing professionals to spend time on the most valuable responsibilities. Among asset managers, most — 55% — say they are satisfied with the solutions and technology they're using.

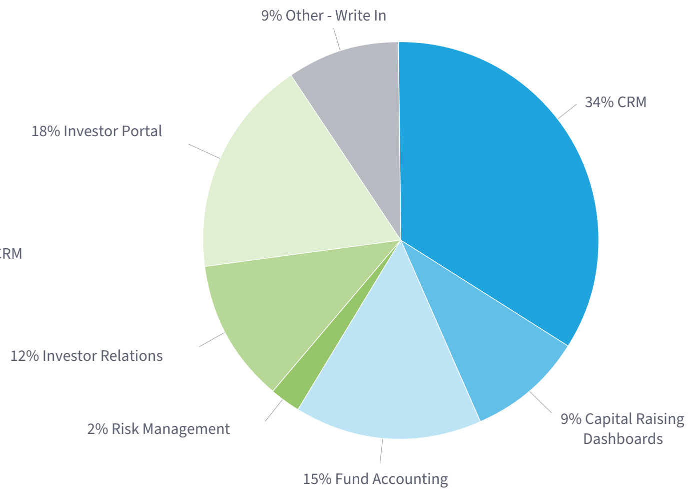
How satisfied are you with the solutions and technology you use to get your job done?

Value	Percent
Very Satisfied	6%
Satisfied	50%
Indifferent	25%
Not satisfied	17%
Extremely unsatisfied	2%

What technology are you the MOST satisfied with?



What technology are you the LEAST satisfied with?



And CRMs? Managers love them and hate them. CRMs are the technology solution that managers are most — and least — satisfied with, according to our survey.

"Most people overcomplicate their CRM to a point where it becomes annoying for people to use and difficult and time-consuming," one asset manager told us.

Discipline and data hygiene are important when maintaining a CRM, and data feeds are an important part of streamlining that. So is using a CRM that's purpose-built for your industry. Among institutional investors, it's very hard to use a generic CRM for your specific needs — repurposing it so that it represents the strategies you have, the funds you have underneath each strategy, the vehicles you have underneath each fund, and the share classes you might have underneath each vehicle

An area of future research would be to explore the different practices between those who give their CRM high marks and those who don't. Our hypothesis is that the more disciplined the organization's approach to data hygiene and completeness of records, the more valuable the CRM is as a solution.

"If you asked most people, they would tell you that at least half of the data in their CRM is garbage," one asset manager told us. "There has to be a better way."

Capital Raising Challenges

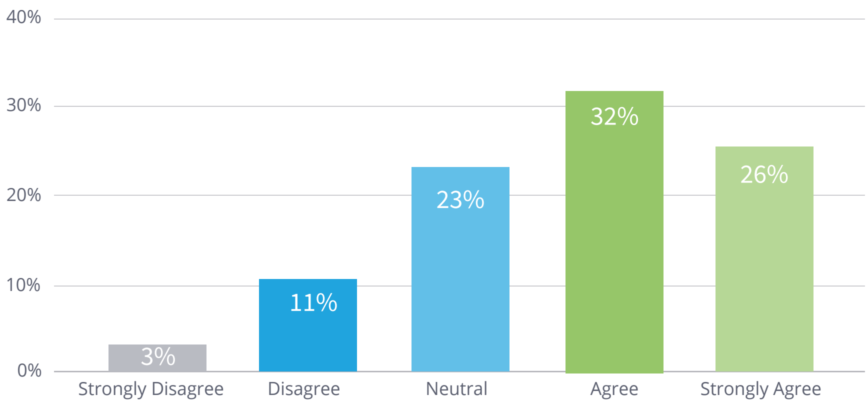
In today's market, one thing is certain: There's no certainty. A looming recession, coupled with lagging private equity valuations and emerging ESG (environmental, social, and governance) expectations and regulations, are poised to make asset managers' day-to- day even more complicated. That makes having the right information at their fingertips more important than ever.

Here are three issues facing asset managers now.

1. Market Environment

The majority of respondents — 58% — agreed or strongly agreed that capital raising is difficult because of the current market environment.

Capital raising is difficult because of the current market environment.



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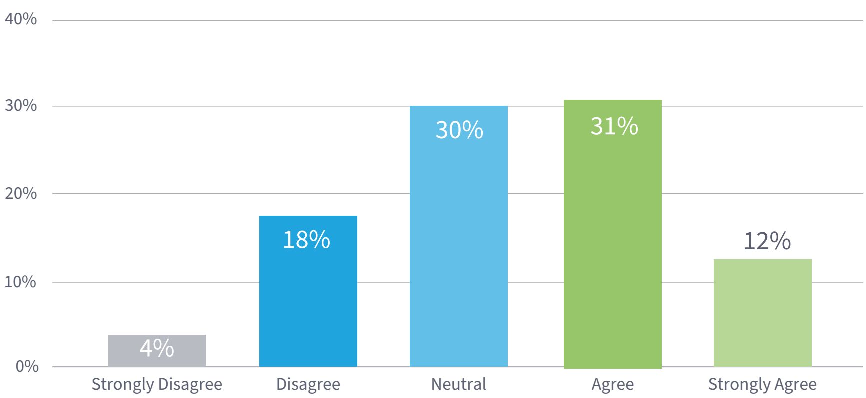
2. Topped Up Troubles

Asset managers were mixed on whether raising their next fund is challenging because institutional allocators have already topped up on their asset class. Some 43% of respondents agree or strongly agree this is an issue. About one-third of respondents were neutral on the question, and the remainder disagreed or strongly disagreed.

Raising our next fund is challenging because institutional LPs have already topped up on our asset class.



Note: Percent on this chart does not total 100% as the answer choice of "not applicable" was omitted.

Did You Know?

Amid the so-called Great Resignation, research is increasingly showing that employees will walk away from a job because of inadequate software that makes it more difficult to do their job.

71% of global business leaders agree that employees will consider looking for a new job if they don't have the tools and technology they need to be productive.

Freshworks' 2022 State of Workplace Technology

77% of workers are fed up with outdated tech.

2022 Paycom Survey

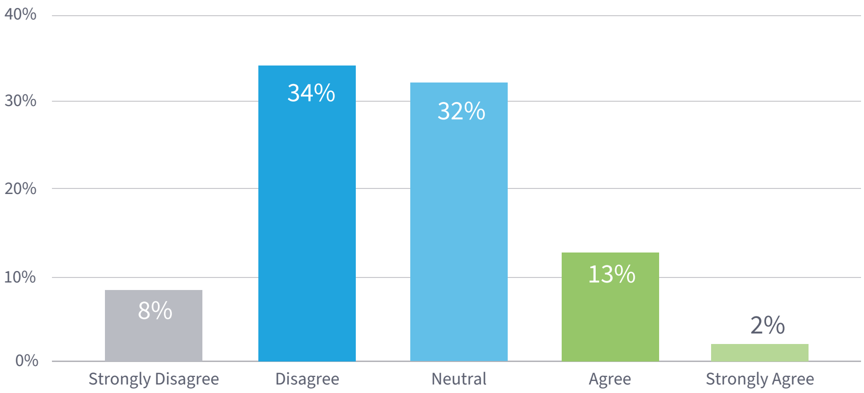
49% of workers said they will leave their job if they are frustrated with the technology they use at work.

Workfront's 7th Annual State of Work report

3. ESG Impacts

One-third of respondents were either neutral or disagreed on this question: Raising capital is challenging because of having to provide ESG requirements. While interest in ESG among institutional investors is growing, according to our 2021 report, What Allocators Are Really Doing About ESG, managers told us the problem remains the same: while there is interest in tracking ESG-related metrics, there is little agreement about what and how data should be tracked.

Raising capital is challenging because of having to provide ESG requirements.



Note: Percent on this chart does not total 100% as the answer choice of "not applicable" was omitted.

Asset Managers Say

Shell Shocked

"Both equities and bonds have sold off. Usually, there is a negative correlation between equities and bonds, but it is strongly positive now. And some people are a little shell shocked. They're thinking, 'Nothing's working in my portfolio. Everything is down. What am I getting wrong?' It takes a while to process. It then takes longer to raise capital.

Monday Morning Quarterbacking

"Investors were plowing into deals and investments that they didn't understand in the past couple of years. They over-invested in areas when they should have been exiting. Broadly speaking, now is a great time to invest to the extent you have liquidity. But many don't have it because they have over allocated to assets they didn't understand including crypto and NFTs because they ran out of things to allocate to when money was flowing more freely. Now, everyone is Monday morning quarterbacking."

Conclusion

Overall, asset managers are doing a great job focusing on the tasks that matter most in their busy working lives. Just 12% of work hours are spent on non-core tasks that add little value to their daily work — manual entry of fund admin data, reconciling fund admin data, and searching for calls, meetings, and notes.

And the good news is that it's possible to shave even more time away from those mundane tasks so asset managers can focus on bringing in new business and building strong relationships with allocators in these challenging times.

With the benefits of Backstop's solutions that are tailor-made for institutional inventors, our customers are taking advantage of solutions that automate manual processes like entering and reconciling fund admin data. And, with information about calls, meetings, and notes all stored in one place, we make it easy for teams and departments to share intel and collaborate. When business news breaks and allocators come calling with questions or concerns, Backstop users have the information they need to quickly respond.

As the economic climate grows more complex and uncertain in the coming months and years, boosting asset managers' productivity will only help them respond to new challenges and provide the kind of service to allocators that will build solid, long-lasting, and lucrative relationships over time.

Asset Managers Say

Waiting for Revaluations

"Investors see stocks move every day. But private equity valuations lag public market valuations, and those private assets have not been revalued down yet. So, at the moment, they appear to be overweight to private equity. Now the question is, what is the speed with which the valuations come back down and the allocations come back into balance? They were topping up. But now the dynamic above is making things look like they are overweight."

Excuses, Excuses

"Already topped up on our asset class is a convenient excuse. No matter how topped up they may be, practical experience says there is always room for a great deal. So, you have to present your value proposition and really differentiate to create the FOMO that you need."

Not Enough Data

"It is more challenging because there are more requests from clients for the ESG information, but there is not a lot of standardization in terms of what they ask for or what data is available. There simply isn't a lot of standardization around the question or the data."

About Backstop Solutions

ION Analytics, a leader in services, data, and predictive capabilities for global capital markets, acquired Backstop in late 2021 with a shared desire to help clients break down the barriers to data access and deliver better decisions. As part of ION Analytics, our industry-leading services redefine the way firms operate in private markets, reshaping the institutional investment industry at the intersection of human insight and machine intelligence. Our core strength lies in developing technology that serves as a definitive source of truth, empowering you with actionable insights, and seamless institutional knowledge sharing, while optimizing day-to-day success.

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