

Emerging Managers: Choosing a Fund Administrator

One of the most important decisions newly established managers of venture capital and private equity funds (“**Emerging Managers**”) will face is deciding whether, and if so, to whom, to outsource the administration of their funds and SPVs. Choosing an administrator is a critical decision which can significantly impact on the quality and efficiency of an Emerging Manager’s fund operations, investor relations and costs.

In this article Dave Bridger, Corvus Group’s Head of Fund Administration services, provides his high level views on the key qualities that Emerging Managers should look for when selecting which fund administrator to partner with.

Introduction

Owing to team size, team composition and available financial resources, Emerging Managers will often look to outsource their fund administration and accounting functions to a third party administrator rather than handle such matters in-house.

Outsourcing has many benefits, not least the freeing up of key staff and financial resource which can be applied towards other business critical matters, such as capital raising and investment work.

At a high level, fund administrators play a crucial role in managing the middle and back-office operations of investment funds and their associated SPVs, handling everything from investor onboarding to managing cash movements, investor reporting, compliance monitoring and meeting regulatory requirements.

If the decision to outsource has been made, Emerging Managers face the daunting task of choosing which fund administrator to partner with. The role of the administrator can be broad and, as outlined above, can touch on all areas of fund operations, including reputational and financial load-bearing matters which can materially impact the relationship between an Emerging Manager, its investors and its contractual counterparties.

It is essential therefore that a fund administrator possess the requisite technical skills to deliver the services required in addition to leveraging

technology to drive operational efficiencies and the quality of its service outputs.

However, in my experience, Emerging Managers must look beyond these (admittedly important) factors and consider each prospective administrator more broadly. For instance, it is important to assess whether a prospective administrator has a genuine appreciation of the various demands placed on Emerging Managers generally and on any given client’s business in particular. Team stability and confidence in the individuals who will be assigned to service work on a daily basis is also vital, as is a shared business values and working culture alignment.

The ultimate aim is for an administrator to operate as a seamless extension of an Emerging Manager’s own team. Therefore, when selecting a fund administrator, an Emerging Manager should consider the same things as it would when interviewing for a key position within its own team.

Key considerations

In my view, some of the key questions an Emerging Manager should ask itself include:

1. **Building Trust and Collaborative Partnerships:**

- *Does our administrator understand our business?*

In order to provide you with the level and quality of support you need, it is imperative that your administrator understands your

business and the environment it operates within. Whether that be your sectoral or geographic focus, the nature of your investor base, the internal expectations within your business or the operational, legal and/or regulatory requirements to which you are subject, it is imperative that your administrator does not view its function or your business in a vacuum. A genuine understanding of the wider economic, operational, legal and regulatory contexts in which an Emerging Manager operates is key to a fund administrator providing a solutions-focussed service which is tailored to the specific needs of its clients.

- *How confident are we that the administrator will provide us with the dedicated time and uninterrupted focus we need to deliver results within the timeframes and to the standards we expect?*

As an Emerging Manager the likelihood is that you will be one among many other clients of a fund administration business and that you may also be one of its smaller clients. Whilst an administrator may claim to have experience successfully serving a multitude of clients of different sizes, the truth is that servicing a wide portfolio of clients can easily result in teams being stretched too thinly, which in turn can result in the unconscious prioritisation of 'bigger' clients. An Emerging Manager should always therefore seek to get comfort that their administrator is committed to fully supporting them to standard they require.

- *Are we confident in the team members chosen to service our work?*

As part of the selection process you should ask to meet the team members who will be servicing your work. Many administrators pitching to prospective clients will present heads of department, business development leads and in-house technology experts, none of whom will be dealing with your staff, investors and other

counterparties on a daily basis. Furthermore, whilst an administrator may have access to the latest and greatest technology, that technology will only perform to the standard of the persons operating it. Understanding who your day-to-day contacts will be and being confident in their capabilities is therefore vital.

- *Are we confident in the stability of the team allocated to us?*

You should be confident that you will talk to the same people day in, day out, enabling them to get to know your organisation, your business drivers and what you stand for. In turn, this will enable you and your administrator to build a mutual understanding of one another, enabling you to trust them to operate as a true extension of your own team.

- *Are we culturally aligned?*

A collaborative partnership with your fund administrator can only be cultivated if your business values are aligned. Whether it be availability and responsiveness, a focus on accuracy and attention to detail, a mutual understanding of your risk appetite or simply a shared approach to dealing with professional counterparties, cultural business alignment will ensure that you and your fund administrator see your world through the same prism, ensuring that your administrator's service outputs are intuitively attuned to your needs.

2. Openness and transparency:

- *Do we feel confident that we can engage in an open, truthful dialogue with our administrator?*

Open communication and a receptiveness to feedback (whether positive or negative) is key to fostering accountability, creative problem-solving and driving ever-improving service standards. It is somewhat inevitable that issues will arise at some point during your relationship with

your administrator; technology and people are not infallible, despite best efforts to be so. What is essential then is how your administrator responds to issues when they arise. Deflecting blame onto others, presenting excuses or simply refusing to admit a mistake was made all undermine the relationship of trust and understanding that is essential to any client/administrator relationship. You should feel confident that your administrator will take accountability when issues arise and work with you in an open and honest way to address them and take steps to eliminate or minimise the risk of repetition.

- *Is our administrator clear on what we are expecting from them?*

You should feel confident that your administrator truly understands your key business drivers and what is expected from them in order to deliver services at the times and in the manner you require. Each client has unique needs and an administrator should be doing its utmost to understand them. Administrators which take a generic 'one size fits all' approach to service provision, or who fail to pose the detailed questions required to attain a genuine understanding of your business, are likely to over promise and under deliver. There must be an open and honest discussion at the outset of and throughout the procurement and on-boarding process in order to avoid surprises, hidden fees or missed deadlines down the road.

3. **Flexibility:**

- *Does our administrator take a flexible, pragmatic and 'solutions-first' approach to service provision?*

As a young business, Emerging Managers need to be adaptable and move quickly. An administrator who can take a flexible and pragmatic approach to service provision is therefore essential. Those administrators demonstrating a rigid, 'institutional' mindset will often fail to operate at the

speeds required by Emerging Managers, with service delivery becoming stymied in internal red tape leading to delays and, potentially, lost opportunities. It is also imperative that your administrator demonstrate a willingness to go the extra mile to support your objectives. Whether it be demonstrating the willingness and ability to deliver on flexible reporting requirements or innovative problem-solving skills, an administrator that can adapt its approach to meet your business needs will be a huge asset, not least when facing the pressure of important deadlines such as fund or deal closes.

The Corvus approach

We believe that Corvus Group is uniquely positioned to partner with Emerging Managers looking to outsource their fund administration functions.

By combining our administration services offering with our legal and operational advisory solutions, a hosted capital raising service and a modern, legacy free technology platform, we can support Emerging Managers on all aspects of their advisory businesses, throughout the lifecycles of their funds and across their investment value chains.

We don't provide our services in a vacuum and understand the need for practical, solutions-focussed service outputs. With a team led by experienced industry professionals and close collaboration across our administration and advisory business verticals, we take the steps required to truly understand your business drivers, operations and challenges. This enables us to take an adaptable, informed and pragmatic approach to service provision and deliver contextualised, tailored advice and solutions which build resilience in and create value for our clients' businesses and investment structures.

If you would like to speak with us regarding our services or any of the topics raised in this article, please do not hesitate to contact us.

The Corvus Group is an independent provider of administrative and advisory support services to the closed ended funds and asset management industries.

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