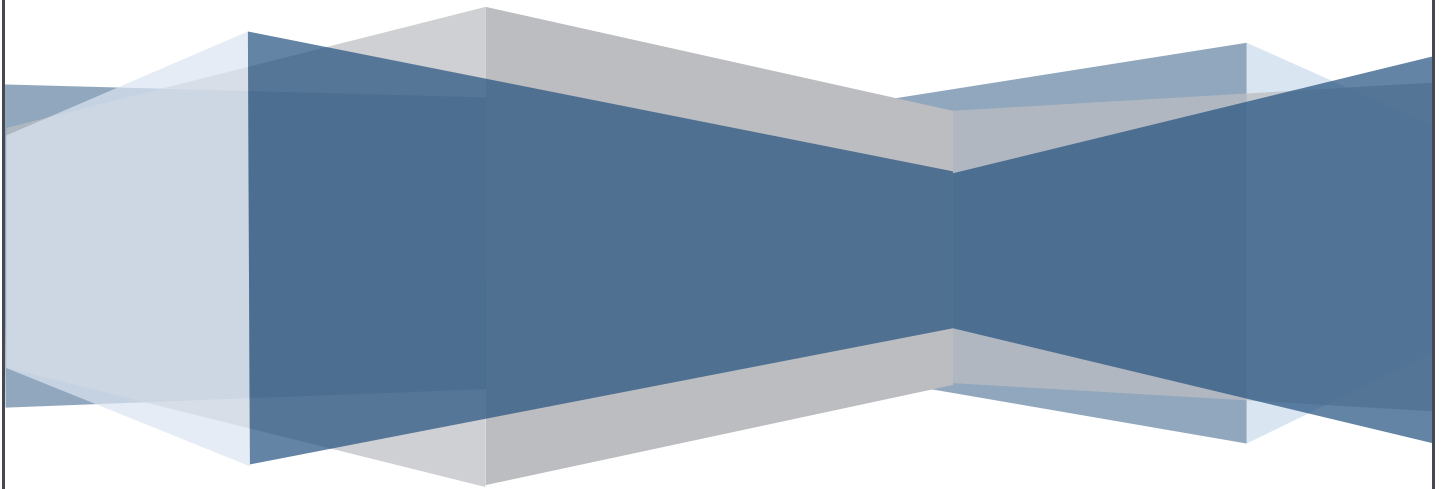


Data Reconciliation



We simplify change
exclusively for the alternative
investment industry.



CONSULTING SERVICES | CAPITAL ADVISORY | TECHNOLOGY SOLUTIONS

Whitepaper Key Highlights:

- Enhancing data reconciliations allows you to be confident in meeting rigorous investor and regulator demands.
- Automating complex, high-volume data reconciliations improves data control, transparency, and consistency when reporting to investors.

Environmental Changes

Fund managers have come under increased scrutiny from both investors and regulators. As a result, the alternative asset industry has become interested in improving data control, transparency, and consistency in addition to requiring more timely access to accurate data. Historically, the extent of interest in a fund manager's activities has been primarily by an investor who wanted to understand the manager's historical performance. In today's environment, investors and regulators are peeling back the curtains of a fund manager's business and requesting access to information beyond performance – information such as portfolio data, exposure to other fund managers, and management of books and records. It is our opinion that this increased focus stems from two areas:

1. Alternative assets becoming more mainstream with larger allocations being made to alternative asset funds
2. Fairly recent financial market distress, some of which can be directly correlated to rouge alternative asset managers who conveyed falsified data

In May 2014, Andrew J. Bowden of the U.S. Securities and Exchange Commission's Office of Compliance Inspections and Examinations delivered a speech entitled "Spreading Sunshine in Private Equity." The speech focused on increased SEC review related to operating partners and, more specifically, to disclosures made by PE fund managers to LPs about allocation of fees and expenses to funds and portfolio companies, advisory fees paid by portfolio companies, and internal valuation methods.

Comments like Mr. Bowden's – in conjunction with laws and reforms enacted such as Freedom of Information Act, Dodd-Frank Wall Street Reform, and Consumer Protection Act – convey a clear message that information, which historically has been private, is increasingly becoming public domain. This public availability of information should place data accuracy at the top of any fund manager's priority list.

Data Request Landscape



The extent of information requested by LPs and regulators varies based on multiple factors – type of investment, size of the fund, reporting structure, level of sophistication, and others. In addition, ad hoc information requests by LPs are increasingly common, and regulatory reports require formats and methodologies that frequently differ from fund managers’ internal standards. These varying data requests place a tremendous burden on a manager’s back-office.

What can be done to support the increased effort that is an outcome of this environmental change?

SteelBridge recommends managers consider technology to automate the complex, high-volume data reconciliation activities that are currently done manually. Deploying automated data reconciliation will create operating efficiency of daily business processes, increased data accuracy and timeliness, and will free valuable resource time to focus on ad hoc, non-standard data requests. Automated reconciliation also presents an opportunity to coincide with the efforts of industry associations such as ILPA (<http://ilpa.org>) and the Private Equity Growth Capital Council (<http://www.pegcc.org>), who are attempting to standardize information that is exchanged.

“The industry has institutionalized, we need to move away from excel based, visual data reconciliation. The risk of disseminating erroneous data or missing defined timelines can be a reputational catastrophe.”

- James Haluszczak, SteelBridge Managing Partner

Data Reconciliation Types

SteelBridge has worked with managers reconcile a number of items, some of the items that have received the most focus are:

- Banking and Cash
- Securities and assets held
- Financial Reports distributed to clients and investors
- Distribution and Fee calculations
- IRRs and Multiples
- Benchmarks
- Debtors – Sales – Accounts Receivable
- Payroll – Human Resources – Fund Management Company
- Creditors – Purchases – Accounts Payable
- Return on Assets (ROA)
- Return on Equity (ROE)

Not all reconciliation should be systematically automated, so how does a manager decide on what should be automated?

We reconcile data to validate that the data ties between two or more sources but how does a manager make a good decision about what should be automated vs. what reconciliations should continue manually? There are a myriad of questions that need to be answered before a manager will invest in automation. We feel that you can begin making that decision by answering three simple questions:



Approach to Automated Data Reconciliation

SteelBridge takes a methodical approach to implementing the right data reconciliation. We work with managers to mitigate the risk associated with disseminating erroneous data, while at the same time freeing resources to focus on ad hoc high-value activities. We ensure our recommendations and implementation activities address both short-term tactical needs and long-term strategic solutions. We solve reconciliation challenges by helping clients identify gaps and implementing solutions to allow for continuous monitoring:

- Current State Business Analysis
- Requirements Gathering and Design
 - Data Sources
 - Key Data Elements
 - Data Retention Requirements
 - Metrics and Reporting
 - Break Management Reports
- Tool Selection Comparison Analyses
- Tool Implementation and Testing
- Future State Operational Change
- Continuous Audit and Compliance Monitoring

“As private equity becomes a more significant allocation of portfolios, investment professionals are requesting more information and metrics on their investments.”

- Luis Burgos, SteelBridge Director and Head of the Technology Services practice

Sounds simple, right?

We know that automation can be a costly endeavor, so to help determine what automation makes sense we work with our clients to identify true, pragmatic ROI metrics. This analysis allows them to make informed cost-benefit decisions around freeing human capital to focus on the ad hoc requests LPs and regulators are more frequently requesting.

Why Work with SteelBridge?

Our team has extensive experience related to data automation and reconciliation. We have helped firms successfully deployed SSAE No. 16 (formerly SAS-70) and SEC Regulation 206 compliant reconciliation standards. And our goal is to develop controlled operating environments where a manager’s team can achieve direct line of sight into their data and any issues that may arise with that data as the risk of disseminating erroneous data or missing defined timelines can be a reputational catastrophe.

Partner with SteelBridge for Data Reconciliation

SteelBridge recognizes the challenges that data reconciliation presents to investment managers and the significant, positive impact automation can have on organizational efficiency. It is our business to ensure that your data is of the highest quality and passes the reconciliation process without any problems.

About SteelBridge

SteelBridge is a boutique advisory services firm with deep expertise in alternative investments. We have a passion for helping our clients identify and affect change to improve process and technology for more effective organizations. We help general partners, limited partners, third party administrators, software vendors, and portfolio companies. At SteelBridge, we hold ourselves to the highest standards by providing exemplary services for our clients.

To learn more call us at 646.737.7960 x1008, visit us at www.steelbridgeconsulting.com, or join us on our Facebook and LinkedIn pages for more information:



Let us show you why we are the leading boutique advisory services firm in the alternative asset space.

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