

Luxembourg

SPECIAL REPORT 2019

TRUST

Third party AIFMs focus on PE internal processes

COMPLEXITY

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Increase commitments with more confidence

Data demand drives asset servicers towards technology

Interview with Dr Daniel Schmidt

As the private capital markets develop further and regulation continues to increase, asset servicers shoulder growing reporting and supervisory burdens on behalf of their clients. As a result, an automated technology solution to manage the sheer volume of data needed to invest in this area can provide operational efficiency and also allow for more cost effective investment by limited partners (LPs).

"The demand for deep and more granular data is much higher today than it was 10 years ago," says Dr Daniel Schmidt, CEO, CEPRES. "In the past it was possible to invest in private capital markets by just looking at the headline fund information. But now the market has grown and developed. The emergence of a number of sub-asset classes has driven the need for deeper data at the portfolio company level as well as for information which will help the LPs understand the sources of risk and performance."

From a data perspective, private capital investment is like a pyramid Schmidt says. Ten years ago, the market was at the narrow end and investors only had to digest and analyse a few data points which could easily be transferred via excel. Today, the industry is at the wide end of the pyramid, needing to gather and consume thousands of data points in an efficient and secure manner.

The growth in data gathering by General Partners (GPs) on behalf of LPs is driven by the market development and the regulatory focus on the space. To this end, Schmidt explains

this heightened demand is leading more LPs to delegate the task of data management to their administrators.

"The administrator can choose to use excel and share unsecured data, via unsecure channels, leaving themselves open to huge liability risks. Or they can build this part of their business based on technology which is secure and confidential," Schmidt says.

The technology offered by CEPRES has two goals. One is to manage the data flows in a secure way and build a bridge between the GPs and the investors. This allows for an exchange of granular, and often sensitive, data with a high level of confidentiality and security.

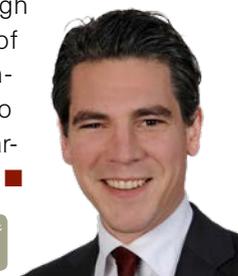
The second is to support the asset servicers and fund administrators. "Our technology helps them build analysis for regulators as well as for their clients. They can manage, monitor and analyse data flows for both their clients and for regulators using the same technology solution," notes Schmidt.

CEPRES is the largest data connector between LPs and GPs and provides access to expert analytics of more than 70,000 operating companies. During the last 10 years, 100's of pensions, insurers, banks, sovereign funds, endowments, family offices and advisors have conducted due diligence on \$26 trillion of private investment value (Buyout, Growth, Venture, Private Debt, Infrastructure and Real Estate) via the CEPRES platform.

Schmidt says the whole industry is on the cusp of broad based

digitalisation. The investment processes in private markets have, historically been very manual, but now more LPs, GPs and their service providers are going digital and making these processes much more efficient.

"The goal for all the players in the market is to improve their profit margin - the LP wants to make better and faster investments, the GP to raise funds more easily and the asset servicers to offer a sophisticated service," comments Schmidt. "By having a lower cost base and building on technology instead of running manual non-standardised processes with high effort, each of these companies are able to improve their margins or returns." ■



Dr Daniel Schmidt
CEO & Managing Partner, CEPRES

Daniel is the CEO and Founder of CEPRES. He has more than 20 years' experience in private equity investing and corporate business development. Before founding CEPRES, Daniel served as Managing Director at Deutsche Bank Private Equity Partners and led the buyout of CEPRES from Deutsche Bank in 2010. He studied Business Administration at the University of Mannheim in Germany and at Trinity College, Dublin. He earned his PhD with honors from Goethe University in Frankfurt am Main, Germany and was the recipient of an EU-funded research project for the advancement of private equity. Daniel has prior working experience with Daimler, Merrill Lynch and VCM Capital Management as an Investment Principal.