

— Outsourced models are changing:

Is now the time to consider
upgrading from your
existing fund administrator?



belasko.



In today's evolving financial landscape, private capital fund managers and general partners (GPs) face increasing pressures to enhance performance, reduce costs, and manage risks effectively. Outsourced models have long been a cornerstone of the private capital fund industry, offering solutions to these challenges. However, market dynamics, technological advancements, and changing investor expectations are driving a need to re-evaluate existing outsourcing arrangements.

This whitepaper delves into the changing nature of outsourced models, explores key value drivers for operating model reviews, and provides insights into making strategic decisions about outsourcing.

Ultimately, it addresses the pressing question: is now the time to upgrade from your existing fund administrator?

A response to market conditions

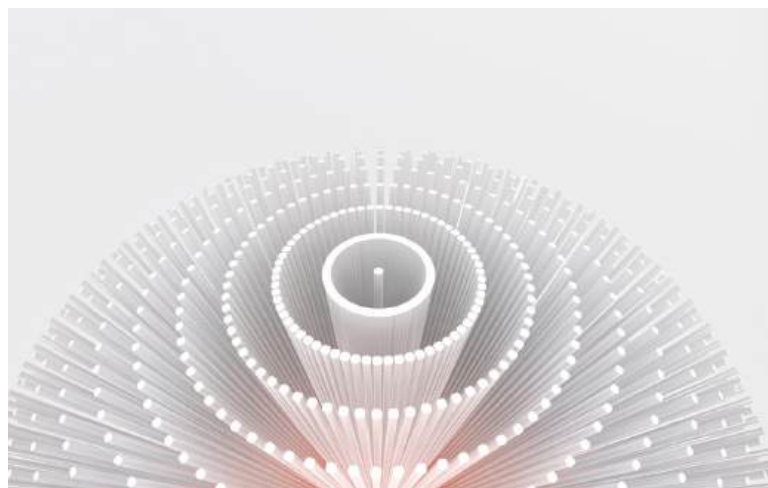
Outsourced models are well ingrained within the private capital fund industry, in part because fund structures are often domiciled within a different jurisdiction (e.g. Channel Islands, Luxembourg) to the core finance function of the fund manager (e.g. UK).

We have also seen that outsourcing has been used as a tool within the industry to enhance performance by improving operational efficiency, managing risk and reducing cost.

Historically, more material adjustments to existing outsourcing arrangements and the use of third-party service providers have correlated with market downturns as inflexion points. For example, following the Global Financial Crisis it has now become uncommon for fund managers to replicate the fund accounting maintained by their fund administrator for reconciliation purposes.

Flash forward to today, following an extended period of challenging fundraising conditions (noting the number of private capital funds closed globally in 2024 was at its lowest point since 2014), a high degree of fundraising concentration to the biggest managers and general deal inactivity, managers are once again more actively undertaking operating model reviews in order to enhance performance.¹

There are also supply-side factors with the emergence of alternative service providers with market differentiating features. This includes fund administrators that have more highly tailored service models and optimised technology or specialist



software providers and consultants seeking to solve specific challenges through automation and Artificial Intelligence (AI).

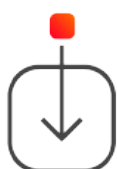
Market perceptions have also shifted, whereby it's more commonplace for fund managers to transfer existing fund administration mandates to new providers when faced with an opportunity to improve client service levels and reduce cost. With the right process and governance in place, it's a much easier process to transfer existing structures and services to a new provider and can be beneficial to consider such a transition sooner than later.

“Following a period of challenging fundraising conditions, managers are actively undertaking operating model reviews in order to enhance performance”

¹ Preqin: <https://www.preqin.com/insights/research/blogs/private-capital-fundraising-challenging-2024-hints-at-areas-for-growth-in-2025>

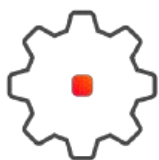
Four value drivers that underpin an operating model review

With market conditions influencing a trend for managers to review their operating models, what are the four core value drivers and objectives that underpin an operating model review and what are the benefits of an operating model change for your business?



Cost reduction

You may be able to achieve cost saving targets without compromising on performance or quality by working differently with your existing and/or transferring to a third-party service provider (such as your fund administrator). A new provider may be able to offer fee reductions by taking a longer-term view on the relationship or be able to leverage a more efficient operating model themselves.



Operational effectiveness

Identifying the processes and/or deliverables that take up the weight of internal resource and time may help apply focus in the right areas. A consideration of whether there have been opportunities missed because of sub-optimal reaction times may be relevant.



Risk management

Identify the historical errors and/or any specific areas of discomfort that your team has over legal, tax and regulatory changes which may position an adjustment to a specific part of your operating model. Identifying areas of risk may yield a different level of interaction with your fund administrator and other third-party service providers to help manage risk better overall.



Investor experience

Fund managers may have specific objectives around enhancing the investor experience on an ongoing basis or there may be some direct or indirect investor feedback that needs to be addressed. Adjustments to processes and experience enhancements through the application of technology may be a route to attracting new capital inflows.

Considerations when changing your operating model

Fund managers and GPs have two primary routes when reviewing their operating models: maintaining the current scope of outsourcing or changing it by either insourcing or increasing the level of outsourcing.

Reviewing the options

Insourcing activities currently performed by a third-party

This involves identifying and bringing activities that are currently managed by external service providers back into the organisation.

Objective	Attainability via insourcing
Cost reduction	Possible where additional technology or expertise isn't required. Reducing the scope of one outsourced service may inadvertently increase the scope of another outsourced service e.g. taking accounting in-house may increase the cost of outsourcing calls and distributions.
Operational effectiveness	In-housing an activity would provide greater influence and control of a process which may allow you to act faster but would need to be considered in the context of other interconnected processes.
Risk management	In-housing would likely increase the direct risk to the fund manager or GP as outsourcing can provide a level of protection and an increased pool of specialist resource.
Investor experience	Aside from greater influence and control of a process which may result in the attainability of improved responsiveness, you may have some specific technology that you might want control of implementation and operation.

Outsourcing activities currently performed in-house

Increasing the level of outsourcing has historically been used as an option by fund managers and GPs to enhance performance by improving operational efficiency, managing risk and reducing cost.

Objective	Attainability via outsourcing
Cost reduction	Increasing the amount of outsourced activity may enable a gross reduction in the cost of already existing outsourced activity. This may also allow for specific technology cost reductions or direct resource focusing on such activity to be released.
Operational effectiveness	By outsourcing, greater focus may be applied by in-house resource to other activity integral to the operation of the fund and/or can have greater focus on more strategic initiatives.
Risk management	Outsourcing would likely decrease the direct risk to the fund manager or GP as outsourcing can provide a level of protection and an increased pool of specialist resource.
Investor experience	An outsourced provider may offer specialist technology that may enable an enhanced investor experience.

Considerations when changing the scope of services outsourced

- **Regulatory permissions** – are regulatory permissions required to undertake the activity?
- **Expertise and resourcing** – what level of specialist expertise and/or resourcing is required to undertake the activity?
- **Opportunity cost** – is there a benefit of freeing up specific resource and/or an opportunity cost of allocating additional activities?
- **Systems and data strategy** – what's the strategy around in-house system capability and the maintenance of data as an asset?
- **Risk management and control** – will a change in operating model require an investment in procedural environment?
- **Relationship with your service provider(s)** – is it likely that your relationship will change as a result of an adjustment to scope of services? Could this change provide other benefits or represent any risks?
- **Contractual position with service provider(s)** – if services are being terminated, what is the notice period (typically 3-6 months)?
- **Time for service provider to onboard the additional services** – for additional services, what's the timeframe to onboard and embed additional services? Is there a mechanism in place to ensure additional services are embedded successfully?

Strategic decisions about insourcing or outsourcing should be based on a thorough assessment of capabilities, costs, and strategic alignment.



Same scope of services, different outcome

Fund managers and GPs can also achieve their objectives without altering the outsourced scope meaning you can achieve a different, more improved, outcome to the current setup whilst maintaining the same scope of services for your outsourcing arrangements.

Running a tender process

Running a tender process to validate pricing levels or empirically support a reduction. Apply caution to significantly lower pricing because new providers won't understand the requirements in the same way as your existing service provider(s).

Following a robust process and having a consistent methodology is key to reducing the time on your team to run a process, for example the BVCA² provides a template for running a Request for Proposal (RfP) for fund administration services that could be requested from a tendering party.



Feedback and service improvement monitoring

Any material outsourced provider, particularly your fund administrator should have a mechanism in place for feedback to be provided. If there isn't one, request one is setup and identify areas of improvement well ahead of time to ensure the best possible outcome. Once the meeting is held, there should be a reporting mechanism agreed whereby the service provider can demonstrate whether they've met the agreed service improvements requested and/or explain the action they're taking. The stronger the relationship, the more this type of meeting will be encouraged particularly if there's an opportunity to champion examples of outperformance.

Technology

Are there technology solutions that can be deployed to achieve your objective(s) whether cost reduction, operational efficacy, risk reduction or an improved investor experience? These solutions may be available under your current service provider(s) or may some direct require investment.

² bvca.co.uk/policy/Industry-Guidance-Standardised-Documents/RFP-for-Fund-Administration-Services



Enhanced performance

We've explored how adapting outsourced models can enhance performance, ensuring that fund managers remain responsive to market conditions and are partnered with the best service providers. Balancing cost, quality, and strategic alignment is crucial for deriving maximum value from outsourcing arrangements.

Switching to a new fund administrator can be beneficial for enhancing performance and ensuring your operational needs are met more effectively and efficiently. A fresh approach from a new provider can lead to enhanced service quality, better technology integration, and cost efficiencies, ultimately driving improved performance and growth for your fund.

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Benefits of changing your fund administrator

Changing fund administrators can provide several benefits, including:

- **Service quality:** improved service quality, transparent communication and responsiveness, often outweighs cost considerations. Seek out administrators who can promptly address your needs and meet expectations.
- **Growth:** changing administrators often reflects the evolving needs of the fund. You may require more extensive services prompting a switch to accommodate growth and reduce staffing needs.
- **Technology gaps:** advanced automation, faster reporting, and improved data transparency are essential. Administrators must maintain cutting-edge technology to handle regulatory scrutiny and continue innovating.
- **Market consolidation:** M&A activity, and subsequent integration challenges, can disrupt service quality, key contacts, and fee structures. Switching administrators can help avoid any negative impacts.
- **Fund complexity:** navigating complexity demands administrators with expert knowledge and those with dedicated specialists provide a competitive edge.
- **Cost:** Fee negotiations are common at renewal. Some administrators will be willing to reduce fees or provide more services without significant cost increases.

Now may be the optimal time to consider upgrading your fund administrator to one who can support your growth and enhance your performance through tailored solutions and innovative technology.

Why change to Belasko?

Belasko offer tailored, full scope fund administration, focused on delivering the highest quality solutions across the entire fund lifecycle and across multiple asset classes.

We've worked closely with our clients on developing and improving their operating models to enhance their performance and have helped a number of managers transition seamlessly from their previous service provider to us.



Independent:

We're independently owned with a commitment to client service excellence and building long-term relationships.



Solution driven and commercial:

We're solution driven and focused on addressing your specific needs supported by customisable technology.



Transparency:

We're clear in our approach when it comes to service standards and fixed fees.



Seamless onboarding:

We apply a comprehensive onboarding toolkit developed through deep experience of largescale lift outs and new fund launches.



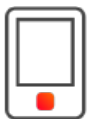
People focused:

We put our clients are the heart of our business. We recognise good service is delivered by excellent people.



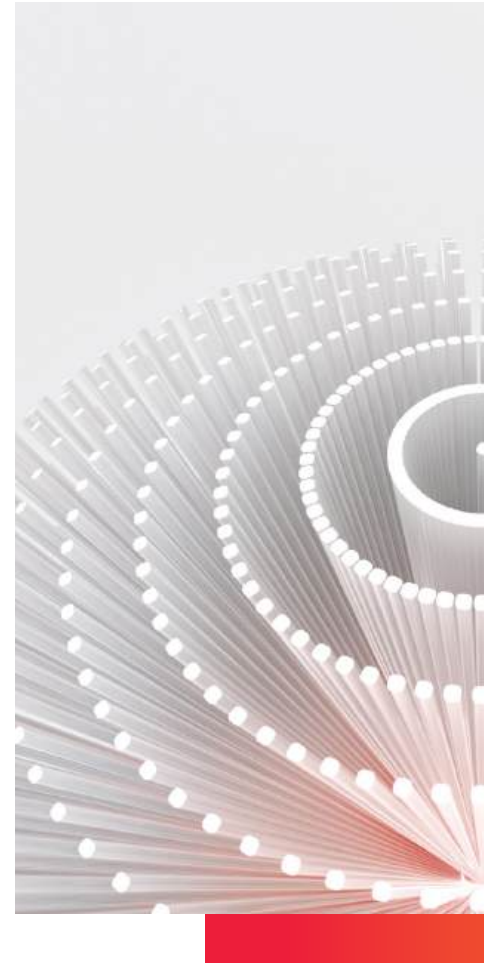
Strategic partnership:

We want to be more than just your provider, but an extension of your team as a trusted partner. You will also have direct access to our senior management with consistent, clear and concise communication.



Technology enabled:

We encourage a culture of innovation, leveraging automation and AI to drive high standards of quality and efficiency, aiming to be always one step ahead and at the forefront of the industry developments.



If you'd like to discuss how we can support you, get in touch today at www.belasko.com.

What our clients say



We are a European debt fund manager with operations in Guernsey and Luxembourg. Following a few ownership changes at our previous service provider, we experienced a continued reduction in service quality, responsiveness and we noticed our fees were increasing. Based on feedback from peers, a review of the market and a competitive process, we selected Belasko, and, two years on, we know that we have made the right decision at the right time. Our rationale for the selection included the following:

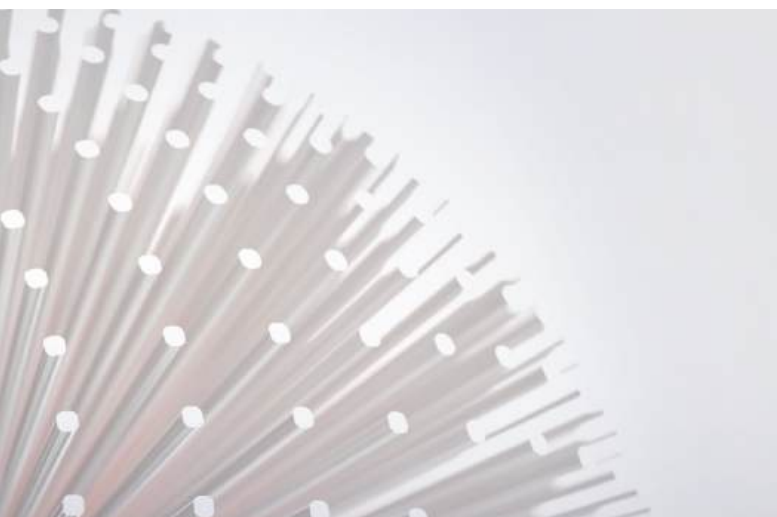
- Their team allocation is tailored to the needs of our firm across our locations.
- Their leading technology with a GP portal gives us access to the fund ledgers without having to wait for emails and files, speeding up our internal processes.
- Their technology solutions give our investors access for their notices and reporting.
- Their experienced team who provide us with central leadership for a multi-location operating model.
- They offer a value-for-money proposal that we had long missed.

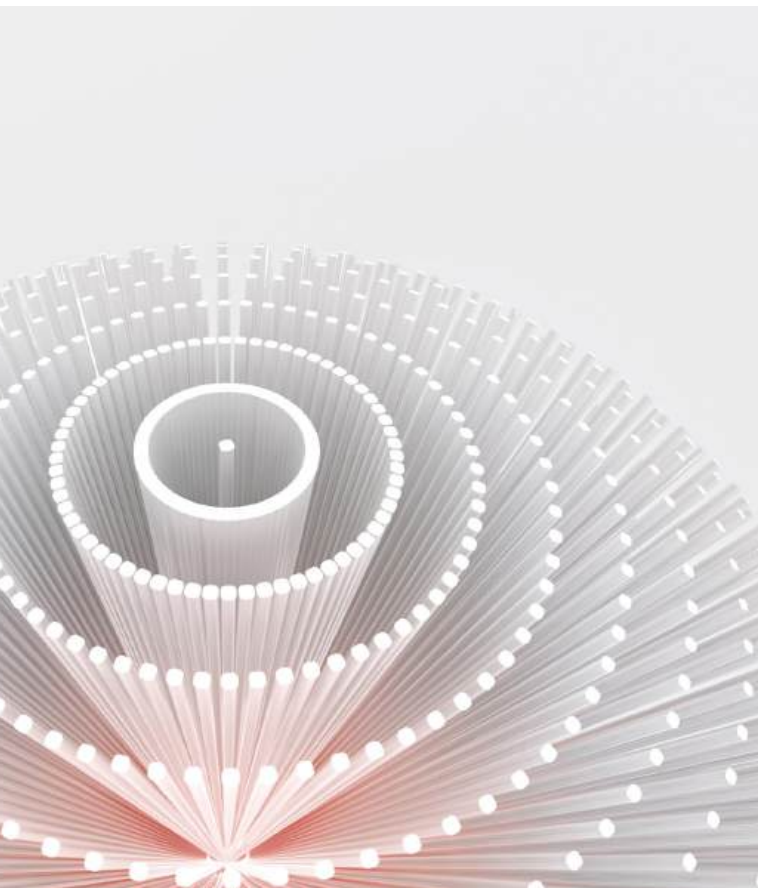
Thomas Spring, Syntaxis Capital



We manage funds investing in UK commercial real estate. We decided to review the market for an alternative provider following a sustained period of service that did not meet our high standards, ultimately impacting our investors and our ability to operate the structure efficiently. Following a market review, Belasko provided us confidence of their ability to work efficiently and, in a considered manner with our large investor base, produce accurate and timely information. They were also able to provide executive coverage to our account so that we could confidently address the day-to-day challenges of operating a UK real estate fund. 18 months on, I am delighted to have moved to Belasko who continue to deliver exceptional service.

Sasha Stupa, Riverside Capital





What our clients say



We are a European credit manager and have invested over \$3.4bn in the private debt markets. We selected Belasko based on their willingness to develop a long-term relationship with Apera, assisting us with the administration of our European carry entities. We have been impressed with the team's commitment and service levels and look forward to a continued excellent working relationship with Belasko.

Rob Shaw, Apera Asset Management



Our primary business is investment in stressed and distressed companies in the UK. Our competitive advantage revolves around our ability to find solutions for complex transactions and our speed of execution. Accordingly, we need a fund administrator that can move quickly and understand our structures. As a stock exchange listed fund, we also need to meet reporting requirements and provide transparent disclosures. We recommended a review of the administration market to our Board of Directors following a period of operational service delivery shortfall and the acquisition of our previous fund administrator. Following a review, we selected Belasko, whose team demonstrated technical competence, a passion to develop the relationship and a stable technology-enabled platform. 18 months on, we continue to be very happy with our decision to move to Belasko.

Alex John, R-Capital



As a large and growing venture capital manager with multiple funds in our portfolio, we are exceptionally busy. We needed an administrator who is responsive and can be flexible to our needs, an effective partner aligned in supporting the growth of our business. We selected Belasko based on the service team and integrated technology that we felt would add significant value to our platform.

Two years into our relationship, we have experienced a seamless transition experience with full data migration and an integrated service model. We enjoy high quality standards of service and appreciate their flexible partnership approach. Belasko has demonstrated the benefits of economies of scale that can be achieved through building a scalable operating platform with the right partner.

Duncan Easterbrook, RTP Global