

Overcoming the Data Challenge in Private Markets

The multi-faceted appeal of private markets is driving higher allocations. Diversifying from public markets is a key reason, followed by opportunities to find good returns in private markets, and also generating attractive yields. Both owners and managers generally share these views.

The four private markets all have their own attractions; capital growth for private equity, income generation for private debt, inflation protection for real estate and a combination of a long-term focus and diversification for infrastructure. Against this, asset owners say high or unclear fee structures, illiquidity and overcrowding in certain assets, are the biggest barriers to private markets investing.

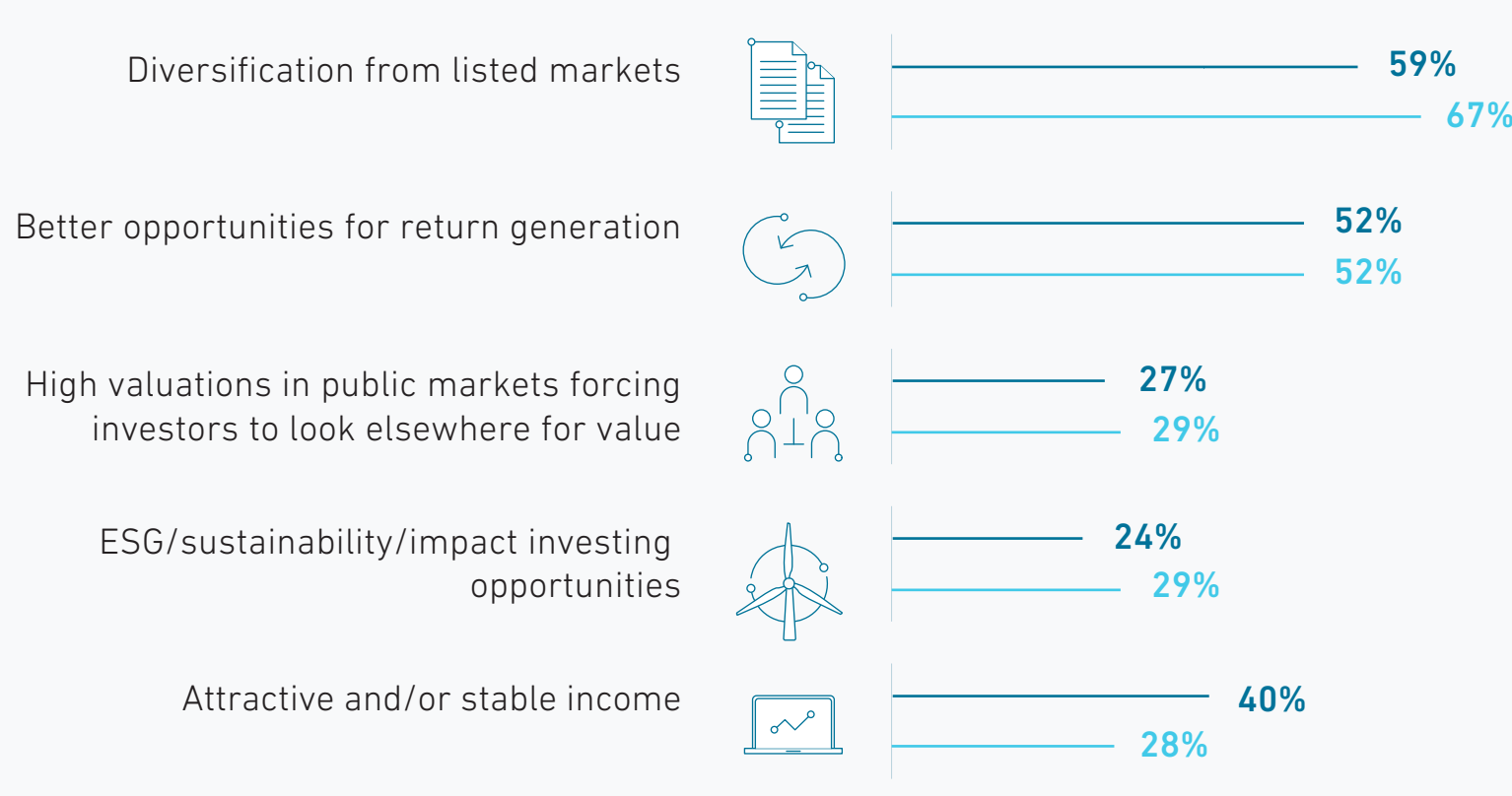
Asset managers say private market assets will rise from 30% to 35% of their portfolio



While asset owners believe it will increase from 22% to 28%.

Why are private markets gaining momentum?

Diversification and better return opportunities are the key drivers for growth.

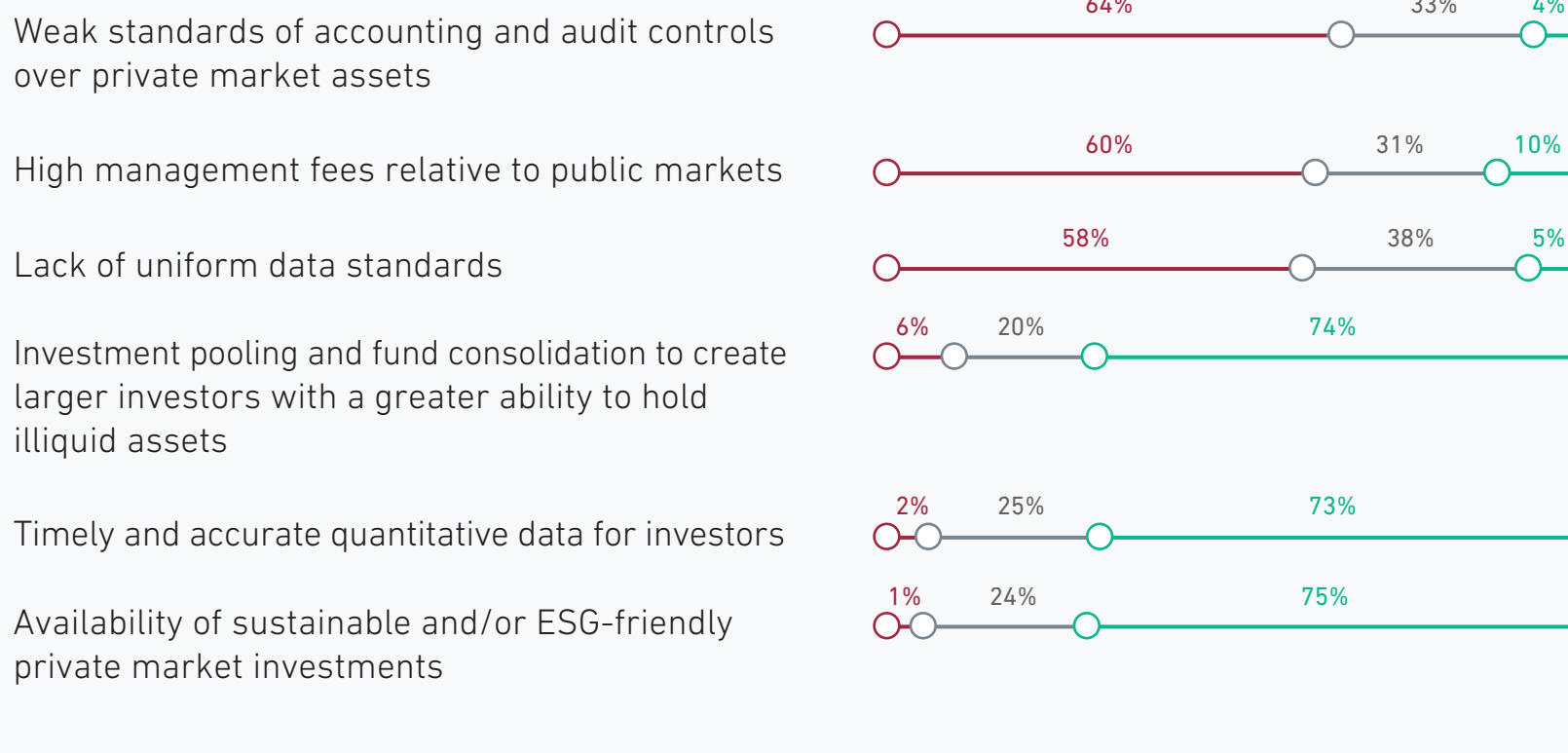


Increasing investment from institutions coupled with greater access for individual investors are set to add fuel to the fire.

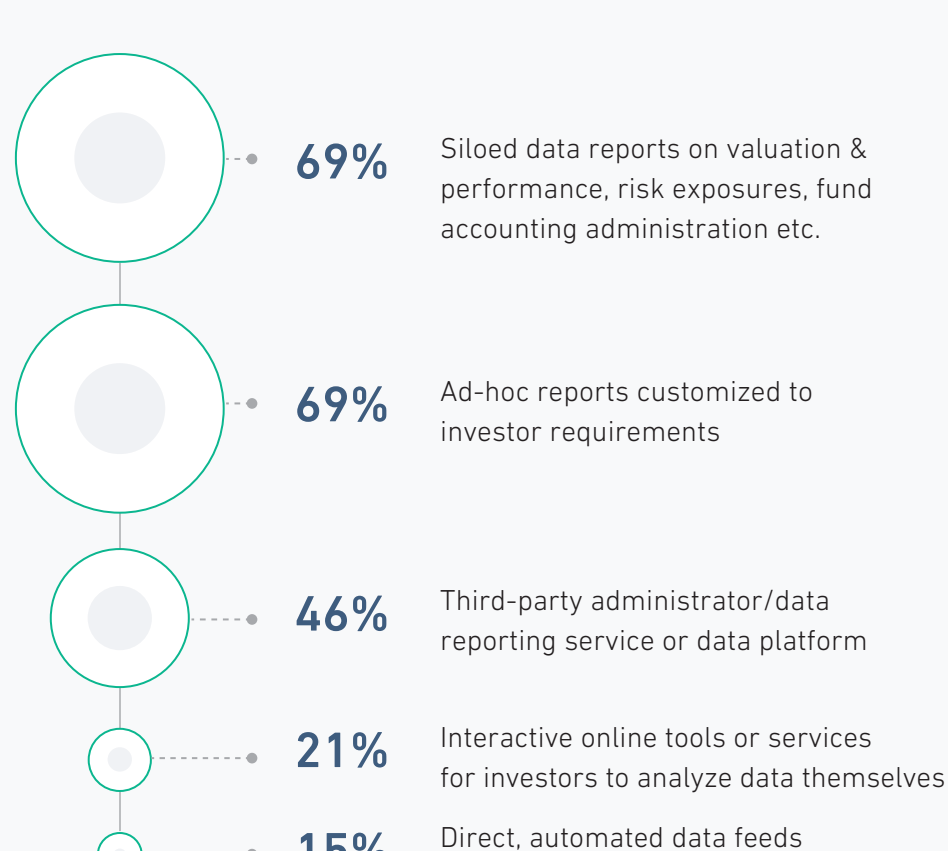
What are the challenges?

Weak standards of accounting, high management fees and lack of uniform data standards are holding back further growth in private market investments.

Timely and accurate quantitative data, as well as ESG-friendly options, could provide a big boost.



Managers mostly rely on siloed and outdated data management systems, along with a significant amount of manual processes, which limits their ability to meet investor demands on transparency and reporting. Cost is the biggest barrier holding back much-needed technology upgrades.



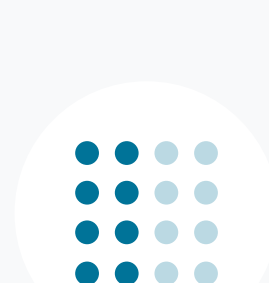
68%

of asset owners say there is a significant opportunity cost to deal with private markets data.

58%

say checking data management and data quality is now part of the due diligence process for manager selection.

What are the key priorities for asset owners and asset managers?



The majority of asset managers and asset owners see ESG as a top priority, but the lack of ESG data standards is holding back progress. Nearly half 49% of managers say developing or acquiring ESG data tools for reporting and analysis is on their agenda in the next two years.

Asset Manager

79%

The lack of ESG data standards for private market investments makes it hard to compare performance and to report objectively.

Asset Owner

67%

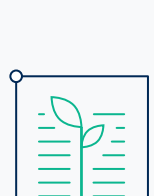
The lack of ESG data standards for private market investments makes it hard to compare different investments and to assess their ESG performance

Asset owners want more transparency on private market funds and an all-around higher quality service when it comes to data provision. Asset managers are looking to meet this demand by investing in a variety of data tools and technologies.

Asset Manager plans for data & tech

49%

Develop or acquire data tools for ESG analysis and reporting



47%

Develop or acquire data tools for Portfolio monitoring



45%

Develop customized investment solutions



40%

Develop in-house data management systems



Asset Owners on how data & tech can drive more investment

68%

The use of technology to give more transparency to private market products/funds, e.g. more information available online to potential investors



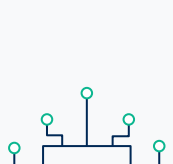
48%

Private markets products/funds to be available to investors via investment platforms



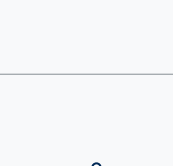
47%

More use by managers of integrated data platforms to aggregated private markets data, with controlled access given to investors, e.g. via an online portal



47%

Greater investment in data management systems to improve the quality, speed and variety of data formats provided to investors



Footnote: * Respondents in the study: 85 asset managers and 85 asset owners primarily from North America and Europe.