Case Study: Improving Mid- and Back-Office Operations to Drive Fund's Ability to Take On More Capital

Critical gaps in your operating model impact your ability to scale and support asset growth. With a scalable and flexible platform and standardized processes, your private credit firm is poised for growth and can take on more capital with reduced risk.

Overview

F2's Alts team helped a $20+ billion Private Credit Fund revolutionize its operating model by improving mid- and back-office processes, facilitating asset processing, enhancing internal and external reporting capabilities, streamlining workflow, and optimizing daily procedures. We created a best-practice automated operational workflow across its platform and played a strategic role in the multi-year buildout of its back-office. As a result, the client achieved institutional infrastructure, overall transparency, and actionable insight for internal and external stakeholders.

Challenge

Ineffective accounting structure. The fund couldn't independently shadow their administrator, had inefficiencies in asset processing, and lacked oversight with the administrator due to staffing deficiencies.

Cumbersome report fulfillment. Manual processes and the inability to process ad-hoc internal/ external requests led to rudimentary reporting with gaps in management, portfolio, accounting, and investor reporting.

Manual workflow. The fund utilized unreliable and inapplicable systems including customizable databases bundled with MS Excel.

Outcomes

Conducted operational review. F2 identified areas of weakness in the fund's accounting, operations, and technology and then worked to enable full shadow on all legal entities, accurately value the liquid book daily, track credit positions and financing costs, add a soft monthly close to the quarterly close cycle, fix historical pricing and its errors, and automate the currency hedge process. One advantage the firm gained was reducing the quarterly close cycle by two weeks.

Improved automation and data mining, aggregation, and normalization. F2 provided data for internal risk reporting and PE-specific reporting, produced underlying data for risk reporting at management level, and developed role-specific custom reporting for internal operations groups. We also support data warehouse development. All of this, enhanced the fund's reporting capabilities for internal and external stakeholders.

Automated workflow and eliminated custom spreadsheets and databases. F2 built standardized processes and implemented controls and integration with the front-office trading system. We also automated its manual cash reconciliations daily for 100's of accounts across over 200 legal entities and added the ability to perform and supply position and cash reconciliation, track record, statement of investments, and end of day profit and loss reconciliations.

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