

TRENDS IN HEDGE AND P/E DUE DILIGENCE

2019 TOP 15 OPERATIONAL TRENDS: THE INCREASES AND DECREASES



THE TOP MISSING INTERNAL CONTROL AT MANAGERS TODAY IS THE LACK OF MIDDLE AND BACK OFFICE WRITTEN POLICIES AND PROCEDURES.

HERE ARE 2019'S MOST NOTABLE OPERATIONAL TRENDS:

Increases

1. Increased number of available portfolio management and fund accounting systems.
2. Increased number of PE funds moving from self administration to independent fund administration.
3. Increased number of managers conducting employee annual background checks.
4. Increased number of allocators outsourcing their operational due diligence to ODD specialists.
5. Increased number of self administered PE firms outsourcing their AML to Cayman Islands specialists.
6. Increased number of managers using third party valuation agents for level 3 assets.
7. Increased transparency and standardization of investor reporting in hedge funds.
8. Increased team diversity at managers.
9. Increased use of regulatory consultants and compliance software applications.
10. Increased focus on manager financials and manager audits.

Decreases

1. Decreased number of managers using private servers, with most managers now using private cloud for file back up, Office 365 for email, and SaaS for applications.
2. Decreased service provider fees and decreased software costs.
3. Decreased manual middle office processes in hedge funds (e.g. reconciliations and trade confirmations).
4. Decreased number of managers hiring family and friends.
5. Decreased use of third party marketers.

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