

# PRISM INSIGHTS

## TRENDS IN OPERATIONAL DUE DILIGENCE



### The 2020 Operational Due Diligence Changes.

Due diligence on fund managers is changing **quickly**.

Here is a summary of **Who led the change, What prompted the change, What are the changes, and Why everyone is benefitting:**

ODD originally started in the late 1990s as a way for allocators to avoid investing in a fraud, and has now grown into **an operational risk management construct between investment managers and their many (sometimes hundreds or thousands) of investors.**

BUT NOW, **CHANGE IS HERE.**

#### Who led the change?

**Global pension plans.**

#### What prompted the change?

A **fresh look** at fairness, efficiency, transparency, and costs. **COVID-19** further placed the **spotlight** on yesterday's ODD **duplication and inefficiency.**

#### What are the changes?

**Fund wide ODD reviews** and **Remote ODD reviews.**

The solution is for fund managers to obtain an **independent ODD audit on themselves, for their investors' use, which is becoming a new norm.**

**Remote ODD also works effectively**, and coupled with a formal repeatable process with agreed upon transparency between the investment manager and the ODD provider; it works even more efficiently than the mobile version of going on site and traveling the world. Formal background checks and technology layered onto a remote ODD review, help strengthen the due diligence process.

#### Why is everyone benefitting?

**Reduced costs.**

The **fund wide independent ODD review** "audit" is a way to reduce costs exponentially across both the allocator's and investment manager's bottom lines. Reducing travel time and travel expenses also drastically reduces costs.

**Hedge fund and private equity operational due diligence since 2009.**

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