Fund Administrator of the Year

MAINSPRING FUND SERVICES

Stephen Geddes, founder and CEO at Mainspring, discusses how hands-on, tech-enabled fund administration is driving transparency, enhanced reporting, and stronger GP-LP relations.

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By *Simon Thompson*

What is Mainspring's core offering and how have you enhanced it with technology?
PE fund administration is relatively straightforward. We often ask clients the question: What else could we be providing as ancillary services? The message always comes back that the industry just needs to produce good reporting on time. Ultimately, it comes down to trust and reliability, which sounds like a low bar, but indicates that the industry is not sufficiently well serviced by its providers.

Mainspring provides good quality reporting on time and we're nice people to deal with. We have coupled this core accounting service and structure with tech-empowered services. We've taken industry standard technology in the market and layered additional high-quality, intuitive software onto it.

We've connected a highly secure portal and interface that represents all the data being held in an attractive way, through visuals, charts and graphs to give both GPs full access to the fund's information, and LPs access to reporting. We have taken this one step further using our Investment Platform. This is facilitated by our technology and offers flexible fund structuring solutions for GPs to give their investors and staff options to invest into funds, or as co-investors into specific deals.

What is the biggest benefit of tech-enabled fund administration?
Technology is the key to delivering a robust and consistent fund administration service. For monitoring and reporting over the course of the fund's life, investors can see their portfolio and returns, across all funds and co-investments, while GPs see information at the fund level, investor level and investment structure level.

We can deliver per investor bespoke reporting to all the key fund stakeholders, to specific timelines, in many formats. The real value add for GPs is how it makes them look in front of their LPs. They can quickly answer LP questions without having to spend onerous amounts of time and resources compiling and formatting all this information. Because we do the accounting on a monthly basis the data sets are also live, as opposed to simply being updated each quarter.

Many of the GPs you provide services for are first time funds, what kind of additional support do these firms usually need?
We are very good at looking after first time fund managers. Many of our clients were first time fund managers when we took them on. What you usually have is people who are fantastic at critical PE functions, such as doing deals and giving investors strong ROI, but are now taking on a role that is much broader. Very often they have come out of PE houses where everything else was done and taken care of for them. They have never run or had to fully understand how the operations work.

We often find ourselves having to provide an advisory service so they can begin to understand how the machine works. We typically provide ad hoc support, as each fund is different. Generally speaking we help project manage new clients from the point of reviewing their fund, over the 6-18 months until they raise. Hand holding and this human touch, is not something that comes as standard in the market. However, this is something we actually do as a specialist, owner managed business.

Speaking more broadly, what are some of the key challenges you see GPs facing in the current market?
A major challenge faced by GPs is finding investors. GPs have to look the best they possibly can, to get the LPs attention and because there are loads of GPs out there. LPs can be quite demanding. GPs have got to be able to deliver returns, but there's also so much around the story and the high level of professionalism that they have to present, to support their capital raising.

How are the demands of regulators, ESG reporting and compliance impacting how PE funds will be administered going forward?
Ever increasing levels of regulatory pressure is ramping up reporting pressure. It is about being able to extract information out of portfolio companies to present this better. While our systems are perfectly designed for working with this data, building quality data reporting from portfolio companies is something that has to happen first.

LPs have raised money from investors such as pension funds which put them under scrutiny, and demand information on their level of ESG exposure. At the larger end of the market this demand is being satisfied, but at the smaller end, most of these companies aren't yet generating this data. LPs will start demanding this information from ever smaller fund managers. Extracting this information and presenting it in a usable way, is something that the industry is only now beginning to tackle.●