

# The co-sourcing model: how to achieve efficiencies for fund managers

Petra Funds Group and FIS collaboration unlocks streamlined operations with technology innovation



Due to higher costs, maintaining an internal middle- and back-office has prompted private capital managers to seek alternative fund administration models. These models must allow managers to maintain control over their data while still reaping the benefits of partnering with a third-party fund administrator. This white paper, created by Petra Funds Group—an expert in fund administration for private equity and debt funds—and FIS®, a global leader in financial technology, explores how private capital managers can unlock innovative technology designed to optimize their operations. By adopting a co-sourcing fund administration model, established managers can make their investment money work harder to streamline processes without sacrificing oversight, enabling smarter, more efficient fund management.

Increasing global regulatory and investor demands are making it essential for private capital managers to have access to their data to respond timely to requests. This dynamic has led private capital CFOs to not only engage a reputable fund administration partner to streamline their middle- and back-office operations, but also explore alternative fund administration models, namely co-sourcing.

According to the Private Equity International 2024 Private Funds CFO Insight report, 72 percent of CFOs are partnering with a fund administrator. However, the traditional fund administration model is not the right fit for every manager. In recent years, hybrid fund administration models have emerged, providing CFOs with options when assessing the right solution for their firm.

Co-sourcing is a hybrid fund administration model where the fund administrator augments the manager's internal teams, working off the same systems to manage all operational aspects of the fund. The firm retains possession of their data while gaining the expertise of a third-party provider to manage all fund administration deliverables, making it appealing to CFOs. Co-sourcing middle- and back-office operations enables private capital managers to unlock operational resources, freeing up valuable time to focus on what truly matters – portfolio management and fostering relationships with LPs. Investment capital works harder when innovative technology streamlines operations so that managers can redirect their time to manage and grow their investments.

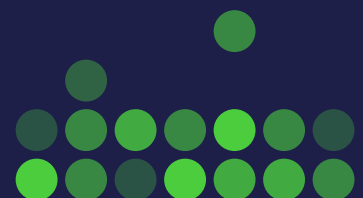
For established private capital firms, co-sourcing eliminates the need for complicated and time-consuming system conversions. The focus is on building a fund administration team to work alongside the client's existing internal team – one that works in harmony with the client and supports its existing processes, workflows and investor reporting requirements.

“With a co-sourcing model, private capital managers maintain complete control over their data and unique processes while accessing a deep bench of experienced private equity and credit professionals who have worked in-house at similarly structured managers.”

- John Collins,  
Managing Partner at Petra Funds Group

“Co-sourcing may not be the solution for every fund manager,” adds John. “However, the model is an interesting choice for established private capital firms managing multiple funds where proprietary data, systems and processes (often with years of history) make system conversions, at worst, risky and time-consuming and, at best, unappealing.”

- John Collins,  
Managing Partner at Petra Funds Group



"Engaging experienced fund administration and technology partners early in the evaluation process can inform decision-making," notes Paulo Nunes, Senior Director, Product Management at FIS. "The decision to partner with a third-party provider for middle- and back-office functions is not straightforward for every manager due to the complexity of their internal operations. Consulting with experts helps firms determine whether a fully outsourced or co-sourcing fund administration model is best for their needs."

To succeed at co-sourcing, a fund administrator needs a team working in harmony, with deep in-house private fund accounting knowledge, who understands the complexities and nuances of each client's accounting processes.

### Co-sourcing model drivers

Managing a private fund's internal operations has become increasingly complex. The acceleration of global regulation, increased frequency and complexity of investor requests, challenges with retaining talent, and expense management have led CFOs to examine fund administration solutions more closely.

A primary driver of the increased complexity is more frequent and data-intensive investor requests. From bespoke reports to nuanced capital account statements to lengthy DDQs, operations teams are under intensified pressure to provide discernable data swiftly.

These increased demands lead to staff attrition, another driver of the push toward a co-sourcing model. Retaining experienced staff is challenging in today's labor environment. With limited opportunities for upward mobility within private capital firms and increased workloads, middle and back-office employees often seek advancement opportunities elsewhere.

CFOs can manage these variables through a co-sourcing model where the fund administrator's experienced team becomes an added resource during peak reporting cycles or to tackle ad hoc projects.

This flexibility enables CFOs to manage costs while adding experienced resources to help their teams during high-volume reporting periods.

In addition to examining various fund administration models, CFOs are leaning more heavily on their technology partners to identify areas where processes can be streamlined, security can be tightened, and data can be accessed quickly and transposed into a report-friendly format.

Private capital managers are increasingly leveraging cloud computing and Software as a Service (SaaS) offerings to enhance and unlock operational efficiency and increase data security. By adopting cloud-based solutions, these firms can streamline processes, enabling seamless collaboration between the manager and the fund administrator through real-time data sharing and integrated communication platforms.

The transition to cloud environments also bolsters cybersecurity measures, as Service Organization Control (SOC) certified cloud service providers invest heavily in advanced security protocols and continuous monitoring to protect sensitive financial data from cyber threats. As a result, private capital managers benefit from reduced operational costs, improved data accuracy and robust cybersecurity protocols, all while ensuring timely responses to investor and regulator requests.

### Gaining efficiency and expertise

Co-sourcing creates a single central source of truth, making responding to investor requests more efficient. Compared to a traditional fund administration model where CFOs and fund administrators keep separate books and records and perform "shadow accounting", a co-sourcing model has all parties working off the same systems and policies, ensuring money invested in technology works harder to eliminate the need for complex data reconciliations and processes among systems.

"As the frequency and complexity of investor and regulator requests intensify, having immediate access to data will become even more valuable to private capital CFOs,"

"Data is vital, and accessing it swiftly to respond to requests has become a must for CFOs. With a co-sourcing model, managers maintain real-time access to their data and can also leverage the expertise of their fund administrator to fill any knowledge or people gaps."

- John Collins,  
Managing Partner at Petra Funds Group

"Managing private capital firms' fund operations has grown more complex in recent years, straining back-offices,"

"Private capital CFOs are looking for ways to manage costs while maintaining access to their data so their teams spend less time responding to information requests and more time on value-add work."

- Paulo Nunes,  
Senior Director, Product Management at FIS



Co-sourcing also shines a light on the value of gaining a team of experienced private equity professionals. Working alongside a manager’s existing team, these experts assist private capital CFOs in meeting the unique demands and nuances of middle and back-office operations.

Additionally, co-sourcing keeps data centralized at the private capital manager rather than being passed between the fund administrator and manager. This approach unlocks a cohesive financial ecosystem view with insights for strategic decisions to expand operations while optimizing performance.

“The importance of having a single source of truth cannot be overstated,”

“Today, private capital firms gather and maintain data across various areas to respond quickly to regulatory and investor requests. Co-sourcing allows this data to remain under the clear control of the investment firm.”

– Paulo Nunes,  
Senior Director, Product Management at FIS

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Money  
at work

Unlock a cohesive financial ecosystem and insights for strategic decisions to expand operations while optimizing performance.

## About Petra Funds Group

Petra Funds Group is a leading global provider of fund administration, middle and back-office support, regulatory compliance, and ESG services for private equity and private debt funds. Founded by private equity executives in 2021, Petra offers expert led fund administration solutions to private fund managers in the U.S. and Europe that enable them to scale their operations, reduce costs, and focus on their core competencies. For more information, please visit [www.petrafundsgroup.com](http://www.petrafundsgroup.com).

## About FIS

FIS is a financial technology company providing solutions to financial institutions, businesses and developers. We unlock financial technology that underpins the world’s financial system. Our people are dedicated to advancing the way the world pays, banks and invests, by helping our clients confidently run, grow and protect their businesses. Our expertise comes from decades of experience helping financial institutions and businesses adapt to meet the needs of their customers by harnessing the power that comes when reliability meets innovation in financial technology. Headquartered in Jacksonville, Florida, FIS is a member of the Fortune 500® and the Standard & Poor’s 500® Index. To learn more, visit [FISglobal.com](http://FISglobal.com). Follow FIS on LinkedIn, Facebook and X (@FISglobal).is a member of the Fortune 500® and the Standard & Poor’s 500® Index.



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