

Altigo

Improving the Alternative Investment Client Experience

What firms need to know to stay ahead of an important industry shift

Introduction

Alternative investments are a multi-trillion-dollar industry. But currently, a large portion of alternative investment transactions are processed manually, with paper documents mailed, faxed or emailed between sponsors, advisers and their investor clients. While this is how things have been done for decades, alternative investments have fallen far behind other segments of the overall investment industry. Mutual funds, for example, began moving away from the check-and-app process in the '80s.

There are a number of problems posed by these manual processes, including high error rates, a slow and expensive investment process and information security issues — all of which creates an unsatisfying user experience and can deter financial professionals and investors from getting involved in alternatives. Luckily, emerging technology solutions have arrived to pave the way for an improved alternative investment experience, similar to the current process for mutual funds. These tools overcome many of the problems with manual investment processes and benefit sponsors, advisers, their investors, as well as third-party participants such as transfer agents, fund administrators and custodians.

CASE STUDY:

A LEADING SPONSOR REAPS THE BENEFITS OF STRAIGHT-THROUGH PROCESSING*

The Challenge

An experienced tax-advantaged real estate sponsor uses a paper-based investment process that has an extensive cycle-time — over three weeks for investments that are submitted correctly the first time. They reject over 30 percent of subscriptions into their offerings due to NIGO errors, which they then send back to their affiliated brokers for corrections. This correction process doubles the investment time to six weeks and costs the sponsor money, as they cover postage for all mailings of the subscription documents. During the lengthy capital raise, they are spending money on marketing and investor communications, while committed investor funds are unable to generate returns until the raise is complete.

The Solution

After adopting the Altigo straight-through processing platform, the sponsor has been able to reduce their cycle time down to two days for digital subscriptions, with one stand-out investment going from the opening of a new purchaser questionnaire to signing and acceptance in under 40 minutes. Subscription documents submitted through their platform have a 4 percent NIGO rate, saving them money on mailings and preventing unnecessary increases in cycle time.

The Result

When comparing an average investment without straight-through processing to one using their new technology platform, the sponsor was able to achieve a 90 percent reduction in cycle time and a 47 percent reduction in the cost to process an investment. These changes allowed them to speed up their raises and put capital to work more quickly. In addition, their advisers and investors have expressed increased satisfaction with the updated investment process and a desire to use it for other investment products.

**This case study is based on one of our clients and may not be representative of the experience of all customers. It is not a guarantee of performance, and they have not been compensated.*

MARKET TREND

The Opportunity for Technology Disruption in the Alts Industry

The \$10.5T+ Alternative Investment industry is growing quickly, but rife with barriers that may be hindering adoption and holding the market back from even greater potential.

THE CURRENT MANUAL ALTS SUBSCRIPTION PROCESS



3+

documents mailed for signature



5+

individuals needed to sign



≥30%

NIGO error rate on documents requiring rework



3+

weeks of total time to complete

STRAIGHT THROUGH PROCESSING TECHNOLOGY PROVIDES A BETTER WAY

Technology platforms like Altigo streamline the investment process creating new opportunity.

- ✕ Allows for attachment of firm documents into a single package and eliminates the need for mail.
- ✕ Provides quick and easy electronic signature options for all signatories.
- ✕ Reduces NIGO error rates to 5% or less, decreasing the amount of required rework.
- ✕ Takes 1 week or less to complete an investment from beginning to end.

Essential features of a straight-through processing technology solution

Information collection workflow

Straight-through processing technology automatically populates documents, rather than advisers, brokers or clients having to visually scan documents for blank spaces to fill out. A user-friendly workflow can dynamically adapt the information it requests about investors to gather exactly what is needed for a successful subscription, omitting fields that are irrelevant to that particular investor.

Additionally, business rules in the process ensure that the correct type of information is provided in a given field. This eliminates needless errors that can be expensive and time-consuming to correct, creating a more pleasant experience for both financial professionals and their clients.

Electronic signatures

Signing paper subscription documents is rapidly becoming a thing of the past — not just because it takes more time, but because it's a much less investor-friendly process. Securities industry participants are increasingly comfortable with the legality of electronically facilitated transactions as the Federal E-Sign Act, the North American Securities Administrators Association (NASAA) Statement of Policy, and SEC & FINRA regulatory guidance have affirmed the use of electronic signatures.

The leading electronic signature provider, DocuSign, has bank-grade security features, is certified to work with financial services, and is trusted by some of the largest institutions in the industry. Most subscription automation solutions will have DocuSign or a similar service integrated into their technology offering.

Information security & data privacy

Protecting sensitive information is an important obligation of every financial services professional. Leading straight-through processing platforms will provide third-party SOC 2, Type II audits of their information security and data privacy controls. Secure file sharing and data encryption are must-have services when utilizing online means of communication with investors. Cloud-based file-sharing software allows users to securely and compliantly store and share sensitive documents. Financial professionals and potential investors can be invited to access files through a secure folder with restricted access.

API and integration

If you want to get the most out of your technology solutions, they must be able to integrate with your existing tools, as well as external services and vendors you or your investors utilize. Look for an open architecture platform that can connect with fund administrators, transfer agents, custodians or other service providers.

What makes sense for your business?

As more and more of the world turns to digital solutions, alternative investments cannot be left behind. Investors are used to doing their banking, stock trading, and more online, so they have come to expect a certain experience. Placing obstacles in the path to investment, in the form of error prone, insecure manual processes, will inevitably have negative effects on retention. Firms that adopt technology solutions to automate subscription processing will be ahead of the curve when those services become the new standard.



Altigo, an electronic order entry and subscription processing platform from WealthForge, is built to address common industry roadblocks, enable marketplace connections, and facilitate alternative investment transactions between reps, advisers, asset managers, custodians and transfer agents.

CORPORATE CONTACT

Email sales@wealthforge.com or call 866.603.4115 to learn more

Contributor



Bill Robbins, CEO, brings more than 25 years of experience in growing brokerage platforms and provides strategic oversight and leadership at WealthForge. Prior to joining WealthForge in 2015, he served as president of BB&T Securities Services, leading teams that supported the firm's brokerage platform and operations.

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