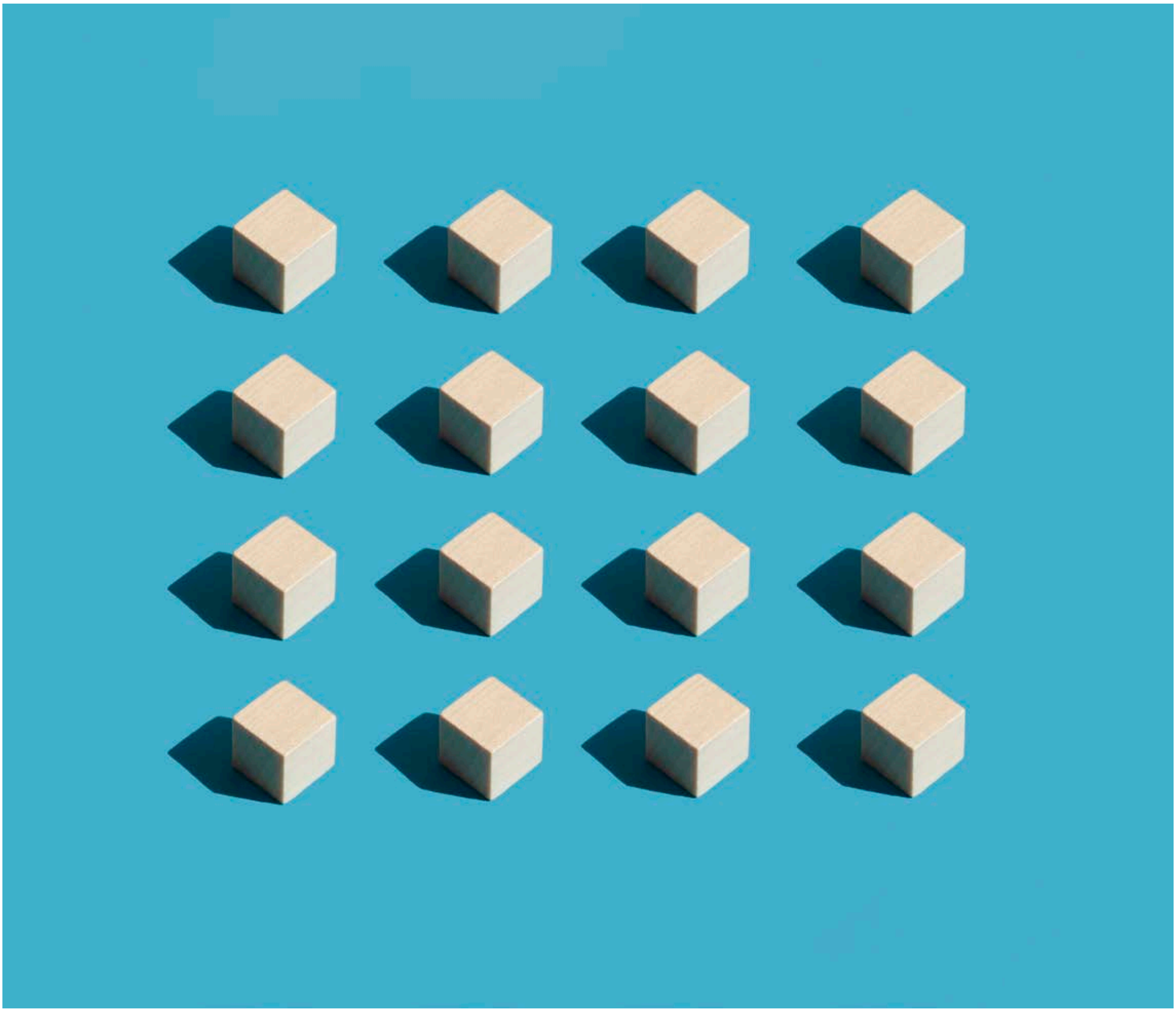
Rethinking replication.

The case for a leaner fund administration model.

A research study by SEI in association with Cutter Associates.



Foreword.

Over the last few years, I’ve had the same conversation with countless private markets managers: How did we end up here?

“Here” is a place where many firms are grappling with a complex patchwork of fund administrators and replication processes. In many cases, these administrators were onboarded over time without considering an end state technology and operating model. Managers launched products across domiciles, responded to regulatory expectations, and expanded through M&A. Before long, they found themselves with a plethora of fund administrators and the extensive resources needed to make sense of it all.

To manage these fragmented operating models, firms began building out internal infrastructure to replicate the work of each administrator, just to be able to answer seemingly basic questions like “What’s my firm-wide exposure to this company?” or “How much in management fees did we collect last year?”

This has become the norm, but it doesn’t have to be.

The reality is that replication—once considered a nice-to-have—is now a major drain on resources. It demands investment, technology, and time. In this research, 43% of private markets firms say more than half of their non-investment staff are involved in replication or oversight, pulling them away from more valuable tasks.

Modern administrators can now act as a primary partner, servicing multiple asset classes and domiciles, consolidating data from secondary admins where necessary, and delivering full data visibility for fund managers. Today’s leading administration platforms—ours included—offer direct access to data and real-time transparency that can integrate directly with clients’ internal systems, mitigating some of the reasons for in-house replication.

This shift is important because the pressure on private markets firms isn’t easing. Investor demand is strong—global private markets AUM has grown by nearly 20% each year since 2018[1]—but competition is also fierce. Funding concentration has reached its highest level in over a decade as investors flock towards large, established managers.

The firms leading the way in reducing replication (both in-house and across many administrators) are often those that are growing the fastest. They recognise that, as they scale to meet investor demand, the required investment in the technology and staff to support replication is simply unsustainable. Their competitors may need to consider this model, too, if they hope to keep pace.

We commissioned this research by **Cutter Associates** because we see a better path forward—one that reduces replication, manages risk, and helps firms reallocate their people and resources towards what really matters.

Bryan Astheimer

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[1] “Global Private Markets Report 2024: Private markets in a slower era,” McKinsey & Company, March 28, 2024.

Executive summary.

Oversight and replication are often accepted as the cost of doing business in private markets. But are the time and resources spent on these tasks sustainable—or even necessary?

This report is based on a proprietary survey of senior decision-makers at private markets firms headquartered in North America, the UK, and Europe, each with at least $2 billion in assets under management.

The surveyed firms span a range of asset classes, including private equity, private debt, real estate, infrastructure, and hedge funds. The research was conducted by Cutter Associates at the end of 2024.

Respondents told us:

Outsourcing is widespread—but so is replication

Private markets firms rely heavily on outsourced fund administration—92% use external administrators for key functions, including accounting, valuations, and capital calls. Yet replication is also widespread. Many firms duplicate their administrators' work in-house, with 55% keeping an internal accounting book of record and 43% saying more than half of their non-investment staff are involved in oversight or replication.

Replication costs are high, and not just financial

Replication demands time, staff, and technology. One-third of firms are concerned by the technology costs, but these aren't the only drain on resources. Replication delays reporting (47% say by three or more days) and threatens data visibility. Despite this, many firms feel compelled to maintain the status quo due to risk concerns or sunk investments in internal systems.

The fewer fund administrators, the better

The majority of firms (57%) work with multiple administrators—in some cases, more than seven. However, they **want fewer, higher-quality providers.** In fact, 58% say one provider is their ideal number, and 21% would like just two. With the right partner—one that offers quality data, multi-domicile coverage, and seamless system integration—the case for consolidation is strong.

The replication model is shifting

One-quarter (24%) of firms are actively reducing replication, and another 55% say they would consider it as part of future strategic plans. Nearly two-thirds (62%) say the ability to reduce replication influences their choice of fund administrator. Firms don't need to change everything overnight: a phased approach, beginning with one new product launch, is a practical first step.

Read on to discover:

- Current administration and replication models used by private markets firms
- The ideal models to which they aspire
- And what it will take to get there

The current state of oversight and replication.

On paper, the vast majority of firms appear to have embraced outsourcing.

Yet, despite this high level of reliance on service providers, comparably few firms trust these partners enough to avoid replicating the very same processes in-house. In fact, firms still devote enormous resources to oversight and, more critically, replicating what their administrators are already doing.

Often, replication is less a strategic choice and more a consequence of structural evolution. Regulation, for example, has compelled many firms to appoint a new administrator for each new jurisdiction. Over time, managers found themselves managing an expanding ecosystem of providers, often with little integration between them.

92%

of firms outsource fund administration.

> "Replication has been brought about by necessity, not design. Each new asset class and strategy has often meant a new administrator, leaving firms juggling an unnecessary number of providers."
>
> — Bryan Astheimer, Head of SEI's Investment Managers business, EMEA

Even managers that began with just one administrator have not been immune to this trend as the general partner (GP) market rapidly consolidates. The number of deals involving GPs as targets reached a record high of 141 in 2024, nearly double the previous year.[2] As consolidation increases, firms' number of administrators can balloon almost overnight.

This proliferation of fund administrators leads directly to increased in-house replication. Each provider delivers outputs in slightly different formats, making it difficult for managers to harmonise the data. Without a universal standard, many firms feel compelled to recreate datasets internally simply to make them usable across the business.

This fragmented setup is reflected in current operating models. More than half (57%) of firms use more than one fund administrator, including 14% that have more than seven providers.

[2] "US Public PE and GP Deal Roundup: Q4 2024," PitchBook, Feb. 26, 2025.

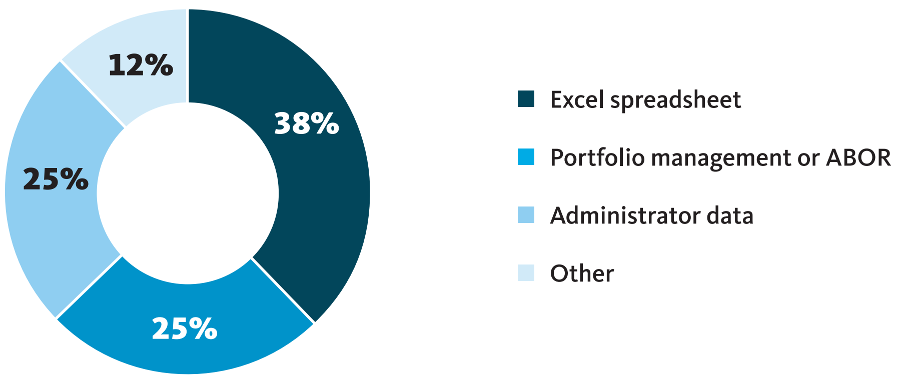
Replication is the norm.

45% replicate the accounting book of record (ABOR) in-house using a general ledger, while another 10% do so with limited functionality.

The research reflects a challenge with trust in the administrator and their data quality reflected by less than 47% of firms considering their administrator's data the primary source for their ABOR.

Even among firms that don't keep an internal general ledger, many rely on manual methods of oversight: 38% use Excel spreadsheets, 25% reconcile data with their portfolio management or ABOR, and another 25% consume administrator data and run analytics to check for consistency. Notably, none of the surveyed firms outsource the replication process to a third party.

Methods of oversight



The irony is that many firms **do recognise the value** of their administrators, even as they replicate their work. The most common reason for outsourcing, and the top driver for 77% of respondents, is to support firm growth and achieve scale. Respondents' secondary driver is to leverage a provider's talent, expertise, and technology.

77%

of respondents say the reason for outsourcing is to support firm growth and achieve scale.

A caution-driven model: Can it scale?

Ultimately, the current model reflects a deep-seated caution. Outsourcing is common, often to many providers, but trusting the outsourced data is not. As a result, replication has become embedded in operating models.

The questions for many private markets managers are whether this is sustainable, and whether it supports growth.

Cost and impact of current model.

High levels of replication are a drain on resources—not just in terms of the associated cost, but also the time it eats up and contributes to strain on investor relationships alongside protracted net asset value (NAV) timelines. With the right partner, these issues could be reduced.

Trapped in oversight: Consumption of significant staff resource

In many firms, a significant share of staff is dedicated to non-core activities. One-third (33%) of respondents have more non-investment staff than investment professionals, and at small firms (those with less than $20B in AUM), this jumps to 50%.

These employees' time is taken up by replication and oversight. In fact, 43% of respondents say more than half of their non-investment staff are involved in these activities. This is valuable time that could otherwise be directed towards investor servicing, operational innovation, or other value-add projects.

Legacy tech investments hinder innovation

Budgetary concerns mirror this operational strain. Nearly a third of firms (31%) say they are concerned about the technology costs associated with replication.

Firms that have invested heavily in these systems may struggle to pivot, not because the model is optimal but because so much had already been committed. This dynamic, a kind of sunk-cost fallacy, leaves firms hesitant to dismantle what they have built, even when those systems are no longer servicing their growth.

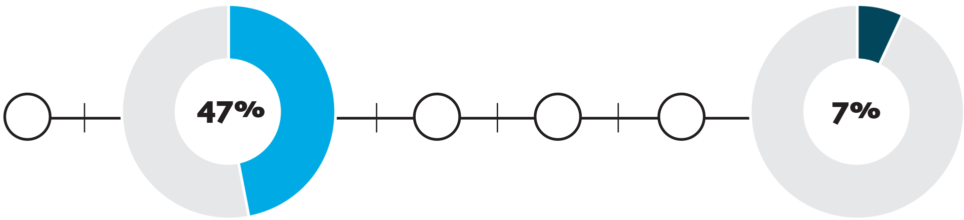
31%

of private markets managers are concerned about the technology costs of replication.

Replication isn't just a drain on resources. It may also strain investor reporting and, therefore, relationships.

Half (47%) of firms say that replication processes extend their valuation and reporting cycles by three or more business days, including 7% that say more than 10 days are added. In a competitive fundraising and investment environment, that delay can be significant, especially as investors increasingly expect speed.

Respondents replication extension to their valuation and reporting cycles timeline



> "Many firms don't realise just how much they've spent maintaining multi-admin environments. The costs are spread out across systems, teams, and time, but they add up."
>
> — Bryan Astheimer, Head of SEI's Investment Managers business, EMEA

So, why do so many firms still replicate?

Most firms (59%) say operational and reputational risk is their primary reason for replicating fund administrator data. The secondary driver is often investor demand, followed by access to higher-quality or real-time data. These are smart goals, but they no longer require full in-house replication to achieve.

Modern fund administration platforms now offer founder-level access, meaning full, fast insight without data needing to be replicated in-house. As a result, data is immediately visible and typically integrated through direct portals or APIs, to allow for easy access and resolution of queries.

Evidently, the costs of firms' current model are high. **If they consider their ideal model of fund administration, what would it look like?**

The ideal target model.

What if services from one trusted fund administrator could be used with confidence?

For many private markets firms, that is exactly the goal. Over half (58%) say one administrator is their ideal number, while 21% would like just two. Evidently, fewer is better.

While most firms see one administrator as ideal, there is recognition that more may sometimes be necessary—particularly when a single provider cannot service every relevant asset class or domicile. Still, the goal remains to keep the number of administrators as low as possible, with a primary provider that absorbs and harmonises data from any unavoidable secondary ones. Thus, the result is the same—one primary fund administrator, providing a single, complete dataset, eliminating the need to replicate data in-house.

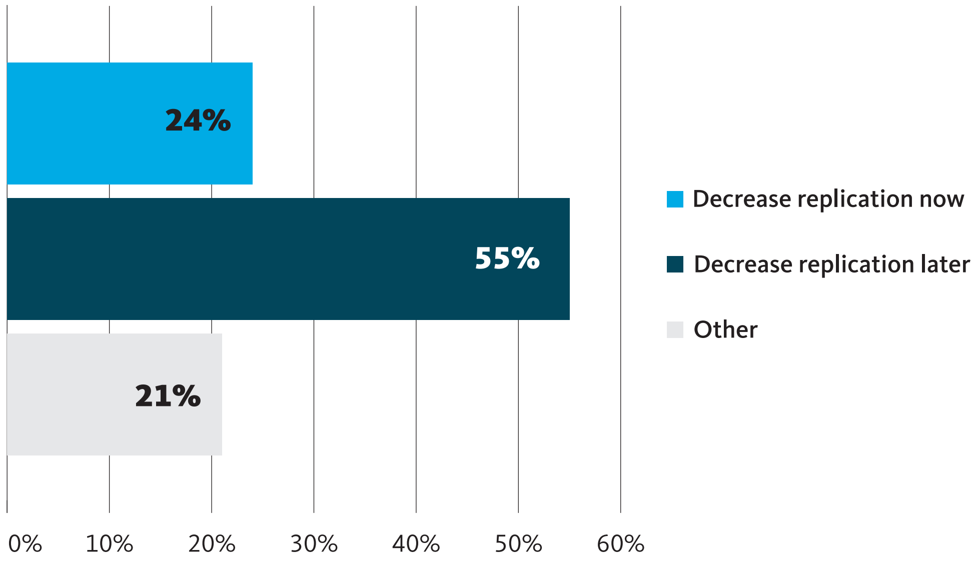
58%

of firms would like just one fund administrator.

A streamlined model not only reduces complexity; it can actually improve outcomes. With fewer administrators, firms gain operational clarity, better system integration, and lower vendor risk. Streamlined data architectures can even allow for more efficient decision-making and faster responses to investor and regulatory needs. Naturally, lower costs are also a driver: fund administrators generally charge on a tiered scale, so with higher AUM concentrated with a single provider, net costs can be reduced.

There is growing momentum behind this shift. A quarter of respondents (24%) are actively planning to decrease replication, while another 55% would consider it as part of a future strategic plan. Additionally, 62% consider reduced in-house replication as a factor when choosing a fund administrator.

Respondents replication strategy



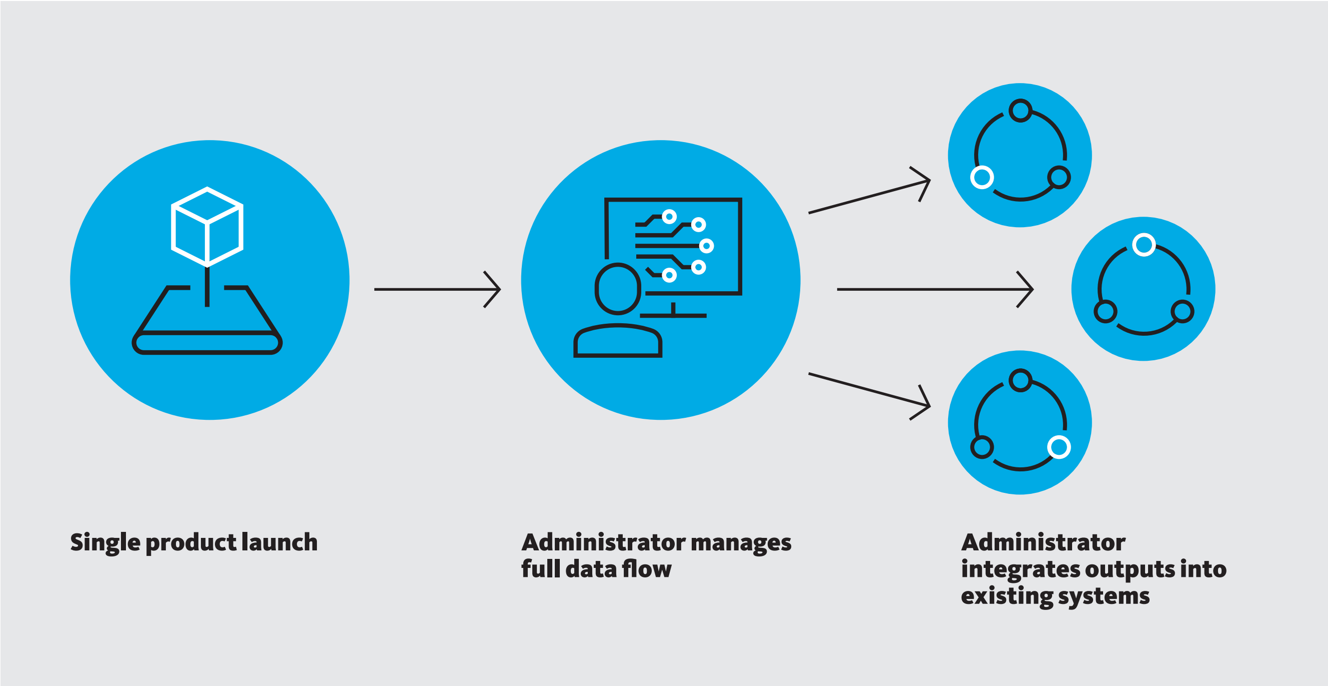
So, what convinces firms to reduce replication?

Two-thirds (63%) of firms say better-quality data from their administrator would be a factor in decreasing replication, while 56% say choosing the right, trusted administrator would influence their ability to do so.

Importantly, this shift doesn't require a wholesale, overnight transformation. Many firms are beginning with a single new product launch, allowing their administrator to manage the full data flow and then integrating the outputs into existing systems. This phased approach mitigates the operational risks of a fast transformation, while allowing firms to test a low-replication model and learn its benefits.

56%

say the right administrator could reduce replication.



The time-constrained nature of private markets adds to this approach. Strategies with older vintages can simply be phased out, while replication is reduced on newer strategies over time.

> "High-growth firms are reaching an inflection point: as they scale, the cost of replication becomes unsustainable. If you want to keep pace with the market, you have to consider a different approach."
>
> — Bryan Astheimer, Head of SEI's Investment Managers business, EMEA

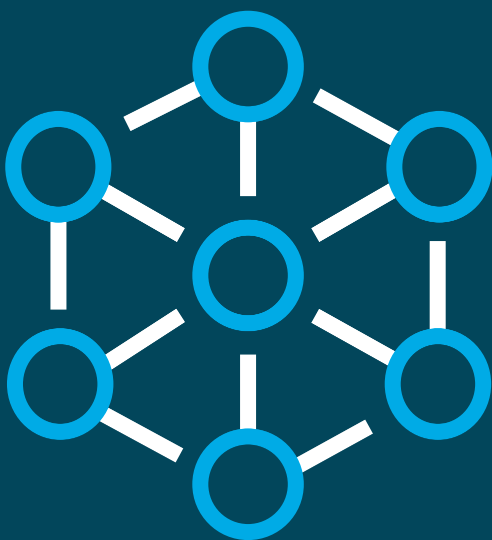
Conclusion.

Replication has long been accepted as a necessary part of doing business in private markets, but that acceptance is beginning to shift. As firms scale, manage tighter margins, and respond to changing investor and regulator expectations, the value of a low-replication model is becoming increasingly apparent.

Reducing replication at the same time as enhancing data and analytics to allow for higher value oversight—both across multiple fund administrators and within internal systems—allows firms to reallocate time and talent to more strategic work. It reduces vendor risk, lowers costs, and creates the conditions for better, faster decision-making. In a competitive investment environment, where cost-effectiveness fuels firms' successes, these efficiencies are truly valuable.

But this kind of transformation doesn't happen in isolation. It requires the right partner: one that has the technology and operational infrastructure to support multiple asset classes, span jurisdictions, and provide the data needed to facilitate intelligent decisions which drive growth.

At SEI, we've invested in the infrastructure to make this model a reality. Our experts offer coverage across major jurisdictions, real-time data access, and seamless platform integration with clients' existing systems, enabling firms to reduce replication without losing visibility.



Learn more about how SEI can support your drive for productivity and growth, and reduce replication while increasing trust.

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