

How TopQ+ helped CalTech increase consistency of performance data across GPs for apples-to-apples comparisons

CASE STUDY

The Caltech Investment Office oversees the Institute's investment management activities, managing over \$2.5 billion with the goal of providing increased support for the Institute's academic and research programs.

Of the \$2.5 billion, around 11% is allocated to private equity. Brian Chen is an Investment Associate at Caltech responsible for oversight of the private equity portfolio, including the evaluation and analysis of fund investment opportunities.

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Improving Processes

Prior to using the performance analytics functionality of TopQ+ the process for carrying out track record analysis of a manager and compiling reports relied solely on spreadsheets and was a "much more labor intensive process," Chen said. Another key issue for Chen and his colleagues was that "managers have different ways of presenting their data, which often makes it difficult to make direct comparisons."

When Chen was introduced to TopQ+, he was keen to investigate the solution further as he could see how it would help make the due diligence process more efficient and effective and help them meet their goals as an institution.

Consistent Data and Due Diligence

Chen uses TopQ+ as a tool to analyze managers' track records. "I want to make sure that what's being reported in the marketing materials is consistent with what actually happened with their fund," Chen said.

If there is a significant discrepancy, I'll bring it up with the fund and try to understand the cause. The performance analytics functionality of TopQ+ provides a formulaic way to carry out this track record analysis and we can also be sure manager performance comparisons are all on an apples-to-apples basis.

When it comes to the analysis and output of his work, Chen finds benefit in the consistency TopQ+ provides. "An area the Performance Analytics functionality of TopQ+ has been really helpful in is in providing consistency across all of our charts and graphs we're creating for investment committee memos. It provides me with comfort on the cleanliness of the data and is a product that makes our process more robust."

Caltech

Firm Profile:

University Endowment

Geography:

California

eVestment Client Since:

2014

Subscriptions:

TopQ+



Brian Chen

Director



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Ease of Access to Data

"An area that TopQ+ been helpful in is the process of getting the cash flow and other data from the manager," Chen said. "By requesting data from managers, it shows us how robust their internal processes are in terms of having this data available and ready, and how robust their own operations are."

On the topic of requesting and receiving performance data for his analysis, Chen said he feels private equity managers are in general more open to supplying more detailed data to investors. "It's certainly becoming a much more transparent industry. I've generally had good responses from managers for data requests."

Providing Deeper Insight

Chen also finds the graphical representation of track record performance a benefit in the due diligence process. "There's a great range of analysis provided which is also customizable. This has been really useful in evaluating managers and even utilizing in our memos," Chen said.

"TopQ+ represents the data in a very visual format which makes it easy to identify things like whether the manager's returns have gotten worse as they've made bigger investments, the distribution of returns across different investments or what percentage of investments were loss-making," he said.

We didn't have that level of graphical analysis readily available previously, so TopQ+ has been great in providing that.

Responsive and Effective Support

Chen found the setup and getting to grips with TopQ+ very straightforward. "I haven't felt a whole lot of friction in using TopQ+ and not having that friction has made it something that adds to our process rather than just becoming a cumbersome piece of a process," he said.

Chen also appreciated the quick and effective service when he had specific questions. "Whenever I've out reached out with questions, the team has always been very responsive and able to identify and resolve whatever my issue was."

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