Client Success Showcase: Due Diligence/Research Management

Each firm researching funds has a unique process and key information that they want to track. Use this guide as a reference for structuring your team’s due diligence process in Backstop. In particular, this document covers using interest levels, entering and accessing due diligence, and using custom layout fields to track and report on your investment research process.

Tip: See also the “Fund Research / Due Diligence: Process Guide” on the Support Site - https://support.backstopsolutions.com/capital#researchingFunds.

Interest Level

Use this standard field to track the status of a fund within the due diligence process. The field options can be managed by navigating to Quick Links: System Tools > Portfolio > Interest Levels.

Things to Consider

- Consider naming each option with a numerical prefix, in order of your due diligence process (e.g. 1 – Universe, 2 – Investment Due Diligence, …, 6 – Invested, 9 – Deferred, etc.). This can be especially helpful when sorting results in a Report Builder. See Figure 1 as another example, using different names.
- Options can be variant between Hedge Funds and Private Equity Funds.
- Once changes are made and saved in this System Tool, the options are reordered alphabetically.

Figure 1 - Quick Links: System Tools > Portfolio > Interest Levels

Tip: You can export this list of options to Excel or PDF to review with your team.

Select “Add Line Item” to add more options.
Options not in use can be deleted with the checkboxes in the “Delete” row and then “Save.”

Figure 2 - Interest Level option when creating a fund (or editing a fund)
Entering Due Diligence

Enter activity (i.e. meetings, calls, notes, documents, and email) to track interactions, updates, and documents regarding the fund and related entities. All input forms are focused on making the submission process as streamlined as possible, lowering the burden on the end user, but at the same time, allowing for detailed enough information capture to support access at future points, as well as impact reporting.

Entering Meetings, Calls, and Notes

- Navigate to the entity that the activity is regarding.
- From the “Add Activity” dropdown, select the appropriate activity type.
- See Figure 3 and Figure 4 for tips on entering this activity and using the text editor (TinyMCE).

![Figure 3 - Example Meeting](image)
Text Editor Menu (TinyMCE)

Figure 4 - Text Editor

Tip: Learn more about using the rich text editor - https://support.backstopsolutions.com/stayintouch#rtfHTML.

Adding Documents

- Add documents manually by navigating to the entity, and from the “Add Activity” dropdown, select “Add Document” or click and drag the file(s) to the DROPZONE area (on the right side of the entity record).
- Add documents en masse by using the DROPZONE on the entity or by navigating to System Tools > CRM > Upload Multiple Documents. Each file name needs to use the same parser and be uploaded to the same entity type. See the Document Upload Tool resources for more details - https://support.backstopsolutions.com/customize.

Adding Email

- Email is brought into Backstop in one of three ways: Exchange Integration Email Capture, the Outlook Add-in or when sent from Backstop’s Email Center.
- Note: When using the Outlook Add-in you have the option to pull in attachments as documents and emails as notes. Pulling in attachments as documents is especially useful when using Backstop to track documents received from managers or consultants.
- Learn about the Email Center, the Outlook Add-in, and Exchange Integration - https://support.backstopsolutions.com/stayintouch.

Things to Consider

- Use Activity Tags for each piece of activity regarding due diligence, so that they may be easily located and reported on. This can be especially helpful when tracking specific documents (e.g. Due Diligence Questionnaire). See the “Reporting and Auditing” section of this document for more details.
- Add activity on the Fund if it is directly regarding the fund. Otherwise, activity can be inherited through relationships. Hover over the inheritance icon to see which relationship is causing the related activity to be listed on the fund.
- Backstop includes system-defined inheritance rules between management companies and the funds they manage.
- You have the option to create an “important” note, so that it is displayed at the top of the activity list in All Activity.
- The Outlook Add-in can be used to bring over email, notes, and documents with specified activity tags and assigned to funds.
- Note that email can also be auto-synced in multiple ways. Learn more with the “Getting Email into Backstop: Basics” guide - https://support.backstopsolutions.com/stayintouch.
Accessing Due Diligence

Filtering
As the volume of due diligence grows on a manager or fund, being able to filter on “All Activity” enables users to quickly recall information.

Key Word Searching
In addition to filtering based on defined attributes of the activity, Backstop provides a full text index allowing users to search on any key word, even inside an uploaded document. See Figure 7.
Things to Consider

- Use the filters to tailor the list of activity (e.g. based on an activity tag or only display documents). See Figure 5 and Figure 6.
- Use Activity Search if you would like to search for activity on that fund (or stored anywhere in the system) based on a key word or phrase. See Figure 7.

Tip: Learn more about activity tracking - https://support.backstopsolutions.com/stayintouch.

Custom Fields

Custom Layout fields can be created whenever you want to track information that is not offered as a standard field in Backstop. When tracking a full due diligence process in particular, Custom Layouts are a great way to organize and maintain this data. See Figure 8 for an example.

Things to Consider

- Before creating your custom layout fields in Backstop, we suggest first outlining what you want to track and how you want it organized. To help you through this process, see the enclosed worksheet with some examples.
- When mapping this out, determine the tab name, group name, field name, and each selection option (if applicable).
- For tracking information pertaining to both Hedge Funds and Private Equity Funds, create a custom layout on Funds. Other fields may vary between the two fund types; therefore, you can additionally create a custom layout on Hedge Funds and one on Private Equity Funds. See Figure 9 for a list of custom layout entity type options.
- Regular custom layout groups are used when wanting to track fields with an absolute value that will infrequently change (e.g. field: “Vehicle Type”). Whereas, if wanting to track fields with the history of changes made over time, create a Time Series custom layout group (e.g. field: “Average Number of Holdings”). See Figure 8.
Multiple fields can be in each group, and custom layouts can consist of multiple groups of either type. For example, in Figure 8 “Fund Level,” “Fee Schedule” and “Strategy Features” are Regular groups, and “Key Statistics” is a Time Series group.

When entering information on custom layouts, it can be done manually, with an upload, or via Report Builder results (as an exception, Time Series fields cannot be updated in Report Builder results).

If you would like consultation on building a Due Diligence custom layout for your process, please connect with your Relationship Manager or our Professional Services team.

Tip: Learn more about creating and managing Custom Layouts - https://support.backstopsolutions.com/customize.

Example Fields

<table>
<thead>
<tr>
<th>Field Name</th>
<th>Description</th>
<th>Standard or Custom Layout Field</th>
<th>Tab</th>
<th>Group</th>
<th>Type of Field</th>
<th>Review Frequency</th>
<th>Date Last Reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Level</td>
<td>Numbered list of status options</td>
<td>Standard Field</td>
<td>n/a</td>
<td>n/a</td>
<td>Dropdown List</td>
<td>Yearly</td>
<td></td>
</tr>
<tr>
<td>Risk Controls</td>
<td>Provide a brief overview</td>
<td>Custom Layout Field</td>
<td>Fund Detail</td>
<td>Fund Level</td>
<td>Large Text</td>
<td>Yearly</td>
<td></td>
</tr>
<tr>
<td>Sent Due Diligence Questionnaire</td>
<td>Yes or No</td>
<td>Custom Layout Field</td>
<td>Fund Detail</td>
<td>DDQ Status</td>
<td>Dropdown List</td>
<td>Yearly</td>
<td></td>
</tr>
<tr>
<td>Articulated Strategy</td>
<td>Select a number 1 – 5 (5 being the strongest)</td>
<td>Custom Layout Field</td>
<td>Scoring</td>
<td>Investment Strategy</td>
<td>Dropdown List</td>
<td>Yearly</td>
<td></td>
</tr>
<tr>
<td>Phase I – Initial Information Sources and Analysis</td>
<td>Enter the date</td>
<td>Custom Layout Field</td>
<td>Management Search Process</td>
<td>Stage</td>
<td>Date</td>
<td>Yearly</td>
<td></td>
</tr>
<tr>
<td>Field Name</td>
<td>Description</td>
<td>Standard or Custom Layout Field</td>
<td>Tab</td>
<td>Group</td>
<td>Type of Field</td>
<td>Review Frequency</td>
<td>Date Last Reviewed</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
<td>---------------------------------</td>
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<td>-------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Manager has experience managing portfolios of similar size and complexity?</td>
<td>Yes or No</td>
<td>Custom Layout Field</td>
<td>Management Search Process</td>
<td>Investment Management Criteria</td>
<td>Dropdown List</td>
<td>Yearly</td>
<td></td>
</tr>
<tr>
<td>Date of Termination</td>
<td>If applicable</td>
<td>Custom Layout Field</td>
<td>Manager Termination</td>
<td>Termination Information</td>
<td>Date</td>
<td>Quarterly</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Create Your Own…

<table>
<thead>
<tr>
<th>Field Name</th>
<th>Description</th>
<th>Standard or Custom Layout Field</th>
<th>Tab</th>
<th>Group</th>
<th>Type of Field</th>
<th>Review Frequency</th>
<th>Date Last Reviewed</th>
</tr>
</thead>
</table>
### Reporting and Auditing

Create reports to easily list information on multiple funds and to audit what is missing. This section highlights some common types of reports. Feel free to adjust and add to this list as you see fit.

### Things to Consider

- Use Reports on a Schedule to receive an email with Report Builder results on a regular basis (e.g. daily, monthly, etc.). Learn more about reports (and Reports on a Schedule) - [https://support.backstopsolutions.com/reporting](https://support.backstopsolutions.com/reporting).

### Fund Onboarding Data Checklist

Report on pertinent data (notes, documents, standard data fields, custom data fields) for funds to ensure all information has been collected and properly captured during your initial diligence on funds.

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**Table:**

<table>
<thead>
<tr>
<th>Field Name</th>
<th>Description</th>
<th>Standard or Custom Layout Field</th>
<th>Tab</th>
<th>Group</th>
<th>Type of Field</th>
<th>Review Frequency</th>
<th>Date Last Reviewed</th>
</tr>
</thead>
</table>

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**Figure 10** - Funds Report Builder with Interest Level and Activity
Report Builder
- Funds Report Builder

Add Columns
- Fund > General > Interest Level
  - Group by this column
- Fund > General > Fund Name
- Fund > General > Asset Type
- Fund > General > Fund Management Fee
- Fund > General > Fund Incentive Fee
- Fund Manager > General > Full Name
- Fund Manager > Event > Last Activities (see column configuration example below)
- Management Company > General > Full Name
- Management Company > Location > Primary Location Street Address
- Fund > General > Last Activities
  - Add as many times as needed for each activity
  - Configure each:
    - Column Name – Rename for each
    - Format - Effective Date Only
    - Activity Type – Select option(s)
    - Activity Tag – Select option(s)

Add Filters
- Interest Level – is one of – [select active interest levels]

Run Report
- Click on the Effective Date links to open the activity.
Monitoring Due Diligence Audit

As a key component to ensuring your due diligence is complete and current, you can quickly and easily report on exactly what is missing. In particular, report on any missing due diligence documents.

![Audit Missing Documents](image)

**Report Builder**
- Funds Report Builder

**Add Columns**
- Fund > General > Fund Name
- Fund > General > Last Activities
  - Add as many times as needed for each activity
  - Configure each to show “Effective Date,” specify the activity type(s), include an “Earliest Effective Date” (and optionally “Earliest Entered Date”), and leverage activity tag filtering

**Add Filters**
- [Activity] – is – [leave blank]
  - or
- [Activity] – is – [leave blank]
  - etc.

**Run Report**
- Look for missing activity.
- Note: If the report results are empty, then all activity should be up to date.
Additional Resources

Learn more about core features of Backstop with the Support Site - https://support.backstopsolutions.com. In particular, check out these resources pertinent to Due Diligence:

- Custom Layouts - https://support.backstopsolutions.com/customize
- Activity - https://support.backstopsolutions.com/stayintouch
- “Getting Emails into Backstop: Basics” guide - https://support.backstopsolutions.com/stayintouch
- Reporting - https://support.backstopsolutions.com/reporting