

Maximising private market returns through strategic portfolio monitoring

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Private markets are evolving rapidly; to stay ahead, private equity (PE) and venture capital (VC) firms need to ensure optimum use of available resources and a proactive stance against the competition. An area of focus that can offer a significant edge is portfolio monitoring. Effective portfolio monitoring empowers general partners (GPs) to strategically optimise the complexities of their portfolios by consistently tracking investments and analysing multiple key parameters, leading to long-term value creation by minimising risk.

What is portfolio monitoring?

Portfolio monitoring is the consistent process of tracking investment portfolios by keeping an eye on multiple parameters such as financial information, potential competitors of invested companies and market trends, and drawing an analysis based on these factors. Portfolio monitoring helps stakeholders regularly review returns, compliance and potential risks in their portfolio and to make the needed informed adjustments to achieve the best from a portfolio.

What are the challenges of portfolio monitoring?

Due to the nature of PE&VC investments, portfolio monitoring requires tracking not only numbers but also far more delicate areas, ranging from complex deal structures and unpredictable market exits to diverse investments.

Challenges faced:

- **Non-standardised financial/KPI reporting:** Due to PE&VC firms' investments across sectors and geographies, there is an inherent lack of standardisation in financial/key performance indicator (KPI) reporting.
- **Manual data collection:** From collecting reliable data to generating reports, the process requires a lot of manual intervention and valuable time.
- **ESG data challenge:** As firms became more mindful in investing, particularly considering economic, social and governance (ESG) metrics, gathering verified and consistent ESG data becomes a challenge, often leading to shorting fall of ESG commitments during annual limited-partner (LP) reviews and fund raising.
- **Ownership-related complexities:** Complex ownership is inherent in the PE&VC sector; each time funds are raised, the percentage of ownership is impacted, and staying up to date with cap table changes becomes challenging.

Best practices in portfolio monitoring

As the PE&VC sector faces significant competition, it needs to adopt best practices while monitoring portfolios:

- **Comprehensive reporting:** Rather than portfolio companies reporting KPIs as they see it, they should use a standardised reporting template, to ensure financial reporting is more streamlined and consistent. This reduces the manual effort involved on the part of PE&VC firms in consolidating data from multiple sources.
 - **Regular performance reviews:** A main requirement of monitoring portfolio reporting is consistent performance review. This goes beyond providing insights on portfolio performance and re-assesses wider investment theses such as current market trends and potential issues, helping re-align strategy.
 - **Risk assessment techniques:** Risk identification and assessment is a key part played by portfolio monitoring. The following are techniques that help mitigate potential risk:
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- **Key risk indicators (KRIs):** These are metrics that signal potential risks and include a company's cash runway, customer churn rate and missed product deadlines.
- **Scenario analysis:** Effective risk assessment analysis includes creating detailed models showing different scenarios such as economic downturns and market shifts and how portfolio investments would react in such situations.
- **Qualitative risk analysis:** Significant potential risk could be hidden in qualitative data such as board decks and communication among leaderships, signalling issues such as a change in strategy, change in management or delay in product development. Hence, keeping a close eye on qualitative data is essential for assessing potential risks.
- **Digitalisation for real-time insights:** Integrating technology into portfolio monitoring has resulted in solid results, providing seamless access with more accurate insights and consuming less manpower. By using automated reporting tools, firms can track KPIs and other data in real time; when integrated with the cloud, such data becomes accessible from anywhere, resulting in faster informed decisions.
- **Valuation approach:** Consistently updating valuation is an important factor in portfolio monitoring, as it gives a sense of how portfolio companies are evolving and ensures firms are prepared for investor discussions, audits or exit planning.
- **Compliance oversight:** Effective portfolio monitoring ensures that compliance requirements such as regulatory filings, tax reporting and disclosures are met so firms can avoid penalties and operate smoothly.

How is portfolio monitoring evolving?

Portfolio monitoring is evolving from manual, spreadsheet-based processes to technology-driven systems. Firms are adapting streamlined data aggregation, advanced analytics and visualisation-based cloud technologies that are more dynamic and help enhance portfolio efficiency.

These innovations have not only streamlined the data process but also provide deeper analytical insights and ensure greater transparency and security than do traditional methods:

Basis	Traditional practices	Technology-driven practices
Data collection	Manual data collection	Real-time data collection
Analysis	Basic statistical analysis	Advanced analytics and big data analysis
Decision-making	Human-driven decisions	AI and machine learning automated decisions
Reporting	Periodic reporting	Enhanced, real-time reporting
ESG considerations	Limited ESG consideration	Integrated ESG metrics
Risk management	Manual risk assessment modelling	Predictive risk modelling and automated risk management
Performance tracking	Historical performance reviews	Continuous performance tracking and benchmarking
Visualisation	Basic charts and graphs	Advanced visualisation interpretation
Data sources	Scattered data sources	Unified data sources

How Acuity Knowledge Partners can help

We offer one-stop [portfolio monitoring services](#) to enhance the portfolio-related experience of PE&VC firms with advanced tools such as Foliosure that provide accurate data, tracking, custom reporting and real-time insights.

[Foliosure](#) is an optimised cutting-edge technology that, combined with human intelligence, streamlines data collection, validation and analysis, ensuring users can make informed decisions and make the most of portfolio performance.

Sources:

- [Portfolio Monitoring Software for PE & VC | Acuity Knowledge Partners](#)

- [Data and analytics in credit portfolio management | McKinsey](#)
- [Best Practices for Effective Private Equity Portfolio Monitoring](#)
- [Strategies for Successful Private Equity Portfolio Monitoring | USPEC](#)
- [Best Practices for Monitoring Your Securities Portfolio in 2025 copy](#)
- [Portfolio-Monitoring-Best-Practices.pdf](#)
- [Portfolio Monitoring and Management in Private Equity Funds – Indus Valley Partners](#)
- [Tech-Powered Portfolio Management: How OCIOs Leverage Technology To Drive Superior Results –Cornerstone Portfolio Research](#)
- [Advantages of Real-Time Portfolio Monitoring Software | MoldStud](#)

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Acuity Knowledge Partners is a leading provider of high-value research, analytics and business intelligence to the financial services sector. The company supports over 650+ financial institutions and consulting companies through a team of over 6,000+ subject matter experts who work as an extension of the clients' teams based out of various global delivery centres.

We empower our clients to drive revenues higher. We innovate using our proprietary technology and automation solutions. We enable our clients to transform their operating model and cost base.