



Sumit Gupta is the co-founder of Oxane Partners, a technology-driven solutions provider to the alternative investments industry. Prior to founding Oxane Partners, Sumit was part of the structured credit desk at Deutsche Bank, focusing on illiquid credit transactions in Europe. Founded in 2013, Oxane Partners has grown to a team of 150-plus across offices in London, New York and New Delhi. For more information, visit: [www.oxanepartners.com](http://www.oxanepartners.com) or write to us at [info@oxanepartners.com](mailto:info@oxanepartners.com)

# The digitalisation mandate in alternative credit

Sumit Gupta of Oxane Partners reflects on the evolution of alternative credit, the strategic and operational goals for investment managers, and how they are preparing for the post-Covid-19 world.

## Q What were the origins of Oxane Partners and what are your focus areas?

**A** Vishal Soni and I were part of the structured credit desk at Deutsche Bank, and we founded Oxane Partners in 2013 with a vision of bringing together best-in-class technology and depth of asset class expertise to serve alternative investment managers. In a space where transactions vary vastly in structure, asset type and data flows, we realised there was an unmet need in the illiquid credit market. From the start, we knew we needed a combination of technology and domain expertise to unlock the full potential of digitalisation for our clients. In the past seven years, we have grown to a 150-plus member team across our offices in London, New York and New Delhi, supporting the portfolio management needs of investment firms across all illiquid credit asset classes.

## Q How does alternative credit compare with the broader securities industry?

**A** The broader capital markets have forged ahead in their digital journey, but alternative investment firms have lagged behind. While the AuM in alternative credit has gone through exponential growth over the past decade, technology adoption in the sector remains low, especially on illiquid credit. Fund managers still struggle with spreadsheets, manual processes and disjointed systems that lead to chasmic inefficiencies. They miss out on opportunities to harness their data for timely decision-making. But with growing investor expectations, increasing competition among managers and tightening regulations, credit investment firms are finally opening up to

transition from Excel tools and manual processes to technology-driven solutions.

## Q What are the key drivers of the digitalisation mandate?

**A** The search for higher yields has intensified investor interest in alternative investments in the past decade. But with the growing interest and increasing allocation from institutional investors, fund managers are now grappling with increasing investor demands, tightening regulations and growing cost pressures. The coronavirus pandemic has accelerated introspection among investment managers on the need for connectivity, efficiency, transparency and insights across the investment management value chain. Digitalisation is having a far-reaching impact in everything from enhancing data accuracy and availability, automating manual processes to transforming investment management with proactive portfolio surveillance, improved investor experience, and streamlined regulatory compliance. It offers a veritable opportunity to improve productivity, lower risks and move from data to insights faster.

## Q How are you assisting your clients in achieving their objectives?

**A** We have seen first-hand how technology enables first-movers to accelerate ahead. Technology enables investment managers to readily access all their data, proactively monitor portfolio performance, risk exposure and meet all reporting demands swiftly. Be it diversification of investment strategies, geographic expansion or scaling up

AuM, technology provides the strategic lever that managers need to execute their strategies.

We are working with many GPs who are managing multi-billion-Euro credit portfolios – across distressed debt, asset-backed lending, portfolio financing, CLOs, direct lending and speciality finance trades. With an embedded asset expertise and a proven technology ecosystem, we enable investment firms to manage their evolving stream of unstructured and structured data and create a ‘tappable data-lake’ and streamline its portfolio management processes. We are currently monitoring over €70bn of AuM on behalf of our clients.

**“We have seen firsthand how technology enables first-movers to accelerate ahead.”**

### **Q Are you seeing any shifts in the industry due to the coronavirus pandemic?**

**A** The disruption and uncertainty caused by Covid-19 has redirected investment managers’ attention to connectivity, ready access to data and the agility to respond to dynamically changing market conditions. Recently, we conducted a survey of senior private markets investment professionals to understand the impact of the pandemic on their portfolio operations. The results revealed that the pandemic has led to a considerable reprioritisation of technology for nearly half the respondents. Portfolio management solutions and mobile-enabled technology emerged as the top priorities of investment firms.

The pandemic has been a wake-up call for the industry, and we foresee investment managers undertaking serious efforts to digitalise their entire value chain from fundraising to originations, due diligence, portfolio management, reporting and operational workflows. We are already seeing these observations taking shape in our conversations with fund managers, who are now pursuing digitalisation with a renewed urgency.

### **Q What are the key considerations investment managers should keep in mind when looking to transform their operations?**

**A** Given the bespoke nature of alternative credit investments, there can be no one-size-fits-all solution. Investment managers need solutions that are bespoke enough to fit their business needs and not the other way around. Any solution should reflect their unique perspectives and should ideally complement technology with commensurate domain expertise. Investment managers should also evaluate if the solution can easily adapt, evolve and support diversification to new asset classes and strategies. In the post-Covid-19 world where resilience and continuity are of the utmost importance, investment managers should also evaluate support services and outsourcing to help them achieve these objectives. While the initial focus for most digital transformation projects starts with productivity and efficiency gains that help in cost optimisation, the long-term benefits are often a strategic transformation that helps investment managers in optimising resources, building agility and improving risk management.

### **Q What are some of the upcoming trends and themes in the industry?**

**A** The industry is steadily but surely moving towards data-driven investment management. Digitalisation will redefine the operating model for alternative credit investments. In the backdrop of recent market dynamics, business continuity, agility and future-proofing investment operations have become top priorities for most investment managers. Getting the data foundation right, building redundancy, and resilience in operations are gaining momentum as investment managers equip themselves to deal with the protracted market volatility and uncertainty. As investment managers make progress with their digital initiatives, streamlining portfolio management for better risk controls is one of the core focus areas. The industry as a whole is gaining momentum in adopting portfolio management solutions that will help them better manage their data-lake, deepen portfolio understanding and drive the emergence of new investment strategies.