

## Technology How portfolio management is coming of age



Expert commentary by **Kanav Kalia**

**P**ivate debt has become increasingly attractive for investors looking to grow their credit allocations and searching for higher yields. As deal structures become more complex, it is imperative for portfolio managers to evolve their portfolio management, data workflows and risk management systems if they are to continue to grow with agility.

### Digital acceleration

Private markets were confronted with uncertainty at the start of the pandemic. This put every workflow to the test, from business continuity to analysing portfolio impact and sharing timely information with senior management, regulators, investors, rating agencies and other parties. This led to deliberations on agility, transparency and accuracy.

In our 2020 survey of private markets investment professionals, nearly half said covid-19 had led to a re-prioritisation of investment management technology. Portfolio management and mobile-enabled solutions were the most sought-after. A *Risk Publications* survey of risk professionals at banks showed that amid demands for stringent credit risk analysis and faster decision making, the top challenge is organising, handling and analysing data in a timely and efficient manner.

### Complexities growing in banks

We have seen an increasing trend towards digitising portfolio and

risk management within large investment banks where traditionally there has been hesitation in activating digitisation projects because of the scale and diverse nature of the investments.

The challenge is manageable with funds, but becomes insurmountable within the banks owing to the multiple desks, each of which runs its own complex strategies. Although there might exist some solutions for managing specific strategies, a unified solution that covers the broader illiquid credit spectrum is still missing for most.

### Age-old buy-vs-build puzzle

Trading desks and risk managers in banks have had apprehensions about off-the-shelf technology being

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able to meet their needs, when each deal has its own nuances, and being of sufficient scale as the banks grow.

An internally developed solution might seem the best way forward. However, developing a scalable solution is often an all-consuming process that requires dedicated allocation of time and resources. For most banks, it can be a challenge. But with the right solution provider, portfolio managers can evolve quickly and apply the solutions to multiple asset classes.

### Technology and domain experts

When managing diverse assets, finding the right technology is only part of the puzzle. Banks need technology that can work across the spectrum of illiquid credit investments, but they also need a well-rounded solution helmed by domain experts with the right industry experience. These experts do not just institutionalise data management workflows but ensure accuracy of entire portfolio data. Such a model can enable resources to be channelled into more critical activities for better efficiency.

### Multi-asset approach

A flexible multi-asset portfolio management solution can unify disparate data management, risk analytics and reporting tools into a decision-driving engine. The future of private debt portfolio management will be underpinned by leveraging data, enabling automation, and activating a holistic view of risk and performance.

Private debt has a long way to go with internal challenges, but external market triggers and evolving investor preferences are nudging it towards mainstream digitisation. ■

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