The PROFILE

MANAGING DIRECTOR, HEAD OF CLIENT AND PARTNER DEVELOPMENT AT ARCESIUM

DAVID NABLE

By Krystal Scanlon

The Drawdown (TDD): What is Arcesium and what does it do?
David Nable (DN): Arcesium has two primary lines of business: We're a global financial technology company and a professional services firm. We build modern enterprise data management foundations using cloud-based technology. Our goal is to create a single source of truth for disparate investment data sets, at an exceptionally large scale. Additionally, we have context-specific business processes and workflow tools, which are typically for post-investment activities. We deliver these various solutions to financial services organizations, commonly hedge funds, banks, institutional asset managers, and increasingly so, private equity firms.

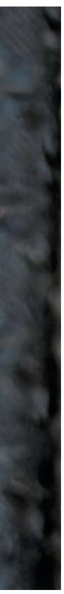
In terms of our background, we spun out of the D.E. Shaw group and launched this business as a joint venture with Blackstone Alternative Asset Management. Both companies backed us and were our first clients at the time, and they have been fantastic partners ever since.

More recently, J.P. Morgan made a strategic minority investment, continuing the trend of key clients also backing the company.

TDD: You recently launched PerformA, a performance allocations product which aims to simplify investor accounting. CEO Gaurav Suri recently said PE significantly needs these types of products. Can you tell me more about this?
DN: Put simply, private equity managers have more complexity in this area of their business than other client segments. This wasn't something we necessarily expected. It came about because we had conversations with the broader market about modern data management principles, such as how firms break down their data silos and run their business in a modern, data-centric way. In those discussions, the challenges of managing investor performance data kept coming up.

PE firms tend to have the most complicated calculations, including various waterfall and hurdle computations. As a result, their Excel spreadsheets are far more complex than those at, for example, hedge funds, which introduces greater risk. Often, sophisticated managers have heirloom Excel spreadsheets, which have been passed down from controller to controller over the years. There is so much data and formulae within the spreadsheet, it quickly becomes delicate and can easily break. We initially built PerformA alongside a strategic client and have been running it in production for many years. We hadn't seriously contemplated broadly commercialising it when we first created it. However, we decided to do so based on what we had seen in the market.

TDD: What upgrade plans do you have for PerformA in the future and what other solutions or add-ons are in the works?
DN: We deliver our technology in a SaaS model, so we're pushing out upgrades every month. PerformA is one example in our broader story of data management. The overall theme of PerformA is around supporting even more complex calculations. For example, managers compete



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for investors, negotiate unique terms, or prepare one-off terms with their investors and allocators. They are constantly creating sophisticated business agreements which are difficult to model in Excel. PerformA is built to keep up with these types of economic models. Of course, there will always be room for improvement and upgrades as the industry sees more complexity.

The other main theme is largely influenced by our clients. Some clients, particularly the tech-savvy, younger cohort of accountants, are incredibly comfortable with programming. They're not necessarily coders, but they're comfortable in Python or various other modern programming languages. Thus, we aim to provide end users with the tools to build their own calculators in the same way they designed their formulae in Excel, only this time using our application.

TDD: Where else do you think PE lacks good technology solutions and what do you think could rectify this issue?

DN: There are currently hundreds of software vendors selling very narrowly targeted point solutions. If you buy a series of point solutions, you wind up with multiple sources of truth. Many of these systems are very difficult to integrate with one another and they have rigid ways of being deployed. In these instances, you can have up to 40 or 50 applications and a massive team attempting to get them all to work together and operate off the same data. Candidly, that's where everyone is failing.

We think a better design approach is to provide the tools and products which allow a client to build a foundational enterprise data management framework. This is true across all asset classes, but especially in private equity. There are thousands of data points relevant to a PE manager which need to be housed in one central place.

We have high-quality applications managers can use with our data management platform, but there will always be some niche process we might not have yet considered, and that's okay. The point is to develop our products in such a way that any manager can integrate them with any other application, rather than lock them into our ecosystem and create more limitations for them down the line.

TDD: What plans do you have for the PE space in the future?

DN: We've seen tremendous interest in ESG data management from PE managers, more so in Europe, but it's certainly becoming prevalent in the US as well.

There is much more interest from PE firms to glean better insights into their investments from proper data management principles. That may be deciphering what data they want, how to obtain it, how to normalise it, and how to get the best use out of it, even if it comes in unstructured formats.

Originating from the D.E. Shaw group, we have a strong hedge fund background. Data management, machine learning, and organising data so professionals can gain insights is all in our DNA. The PE industry is slowly seeing the value and importance of data and as such, we see a significant growth opportunity to help these firms achieve this through our technology. ◆