

Solutions and Technology for Asset Managers



**William Haney – CEO
BI-SAM**

CEOCFO: Mr. Haney, What is the focus at BI-SAM today?

Mr. Haney: BI-SAM provides solutions and technology to help asset managers. Those are entities that manage the world's money. We help those asset managers accurately calculate whether their performance is going up, down or sideways and what is driving that performance of their investment.

CEOCFO: Is it difficult to provide accurate investment information?

Mr. Haney: It can be, as the general process of generating performance figures is onerous, due to underlying data that is used to generate the calculations. However, the mathematics themselves are relatively straightforward and not necessarily a point of differentiation amongst all of the vendors who provide performance measurement and attribution analytics. It is the underlying data, first, that is problematic. Even before you begin to calculate investment performance, there is plenty of opportunity to get it wrong, due to all of the data elements that must be managed: data quality and the granularity of data, and the way the data matches up around complex security types, global trades and currency effects. One of the things that our solutions pay particular attention to is giving workflow to our users so that they can validate, enrich and stage data in a way that is really transparent, so that there are no surprises when the calculations kick-off and they have the opportunity to correct data before production begins. That is one of the most important drivers around accuracy. The second driver of accuracy is how important it has become post-credit crisis. Pre-credit crisis, we had a long bull market, where everyone was in great spirits and happy with their returns. Then along comes the credit crisis, which decimated performance. Post-credit crisis, we have been in a relatively low yield environment because of the interest rate policies of the world's central banks. Asset owners - those of us who have the money and give it to someone else to manage - have changed our perspective. We no longer say, "Sure, charge me a bunch of fees, manage my money and I will not ask tough questions." We now want very granular and highly accurate information on what the money managers are doing, the reasons they are doing what they are doing, and the returns they get for us. Further, every week, every month, every quarter, we want to see the results of the investment process and how it has either underperformed or outperformed my next best alternative for managing that money.

CEOCFO: Would you give us an example of what you include in the mix that maybe others do not or where you are able to make that difference in how you present the data?

Mr. Haney: One example is really the flexibility of the systems to provide many different perspectives on sources of poor or great performance, good returns or bad returns. The system or platforms allow a user to look at that information either at a total portfolio level or at different layers of aggregation within a portfolio by accounts, asset class, strategy, style or market cap. They can even go down to the security level and understand how that particular holding or that trade has impacted performance. Asset managers and/or their investors might want all of those different perspectives on their monthly or quarterly report or they may be using some of our online tools to change their views so that they get many different perspectives on how that money is performing.

CEOCFO: Can asset management companies choose what goes in the mix, so as to affect the way the results look?

Mr. Haney: Because of regulations, the regulators put a great deal of specific pressure on asset managers to be true and forthright in calculating accurate performance statistics, but there is some interpretation as to what that means. However,

more importantly, if an asset manager knowingly misinterprets performance, they can get in a tremendous amount of trouble and be levied with serious fines. At the outset, asset managers know that they have an obligation to be as accurate as they can be, without spending hundreds of millions of dollars. They do have choice along the way in taking decisions about what data feeds the calculation and they have flexibility in choosing the various calculation methodologies. Therefore, they do have choice and sometimes that choice does impact the level of transparency or the degree of granularity. In the past four to five years, many asset managers have made a decision that they really need to upgrade their performance generation processes and they want what the market calls a *golden source of performance statistics* to be used internally. Performance information is shared with their clients, prospects, and the regulators, and they want consistency in the numbers. In other words, asset managers do not want their portfolio managers using one system and their sales and marketing team using another method to calculate performance.

CEOCFO: You have been CEO since October 1, 2014; what has or may change in the company under your leadership?

Mr. Haney: Two things will change at BI-SAM under my leadership. The first is that we are going to go from being known as largely a European company with some outposts in the US and Asia. We are going to transform BI-SAM into a truly internationally minded company.

"We want to go and find every global asset manager across the world and sell them our platforms." - William Haney

CEOCFO: Why now?

Mr. Haney: We are making that change now because we have a strong product set and the time to go and scale BI-SAM globally is now. We have proven the worth of the platforms and we want to go and find every global asset manager across the world and sell them our platforms. I am indifferent about where that asset manager is domiciled, whether it is Toronto, Hong Kong, or Melbourne, we want to be nimble enough to sell and service any large asset manager on the planet.

The second thing that has changed under my leadership is that historically we have had one software product called B-One. But as of April 16, we have launched a new web based platform called BI-SAM GO, which enables a broader range of asset managers with varying performance resources and data requirements to leverage the benefits of a dedicated performance measurement system. The launch of BI-SAM GO has placed BI-SAM into a new phase of its evolution. Whereas we used to be a software company, we have - with the launch of our new web-based platform - become a services company. That transition from software to services is more dramatic to the organization than people realize. It is a very big mindset change and it means that we need to think very differently about whom we hire and how we think about the offering. Those are the two biggest changes since October: going global and moving from a software mentality to a services mentality.

CEOCFO: What is the competitive landscape? Are many companies offering a generically similar product?

Mr. Haney: There are. The competitive landscape is actually quite broad. All of the front office users of typical market data or analytical packages, of which there are hundreds of thousands, all have performance measurement and attribution capabilities embedded in their normal daily desktop tools. It is very prevalent. Then you go to the back office operation tools of an asset manager, known as portfolio accounting and management systems; all of those have some degree of performance calculation capabilities. Then, since 20 years ago, many of the biggest asset managers built their own calculation systems. They had proprietary systems that were designed, built and maintained by their own in-house technology staff. Then you have the rise of what we call, mid-office systems – operationally minded systems brought by a vendor like us, which bring something different to the table. The difference can be described as twofold: One is that we are an industrial strength calculation engine, which means that we can scale across thousands of portfolios and millions of transactions; and we can do it all in a very short window each night. That scale becomes really important. Number two is that all of that data workflow, data validation and enrichment is becoming more and more important over time. Therefore, the mid-office systems like ours are doing a great deal more heavy lifting on the inbound data than was previously needed. We have a few competitors directly in this mid-office space, in addition to the less *performance-specific* systems used in the front and back offices.

CEOCFO: How will you break through and get the attention of the asset managers?

Mr. Haney: We will break through by doing two things: One is to maintain our leading position as the most modern, sophisticated platform in the market. To do this, we devote a very high percentage of our revenue to product and development, so maintaining the market's confidence that we are the freshest, most sophisticated platform is critical. Number two, is that we have a fantastic client base. The logos and names that we secured as the first 50 clients are really

impressive, but we will probably need another 100 very impressive logos. Therefore, convincing those other top tier institutional asset managers across the globe is very important.

CEOCFO: *Do you see certain geographic areas as easier targets for you?*

Mr. Haney: The US market is the largest market in terms of asset management, and we have a relatively small penetration at this point. That is one of the reasons the owners of BI-SAM wanted an American CEO. So our biggest geographical challenge is to conquer America. I do not know if that is going to be easy, but the nice thing about North America, particularly the U.S., is that it is a very large, relatively homogeneous market culturally to sell into. This does not make it easy, but it makes it more uniform than trying to sell into Europe, where the Italian, German, Spanish and Nordic cultures are all vastly different places to do business. It is the same with Asia. Therefore, we do have a slight advantage in having a great deal of opportunity in North America, where the approach to market is relatively more straightforward.

CEOCFO: *Put it all together for our readers. Why pay attention to BI-SAM today?*

Mr. Haney: BI-SAM is a high growth private equity backed technology play that is going through a transition like many other technology companies. It is a transition from software to service, and to the cloud. Those transitions are never easy, but it is the right thing to do. However, making that change from a technology architecture perspective and getting people to think differently about what we are doing is quite difficult. So watching BI-SAM go through this evolution and come out successful can provide many lessons to those following our story.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine



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