

The First True Portfolio Management and Multi-Asset Class Application for the Limited Partnering Community



Josh Smith
CEO & Co-Founder
Solovis, Inc.

CEOCFO: *Mr. Smith, what is the concept behind Solovis?*

Mr. Smith: We bill ourselves as the first true portfolio management, reporting and analytics solution for the limited partner community. Our clients are family offices, endowments foundations, pension funds, insurance companies and OCIOs. The global asset allocators of trillions of dollars in capital, they manage their money entirely differently than the way you or I would perhaps manage our money through a broker or some form of a 401K. The limited partner world has been relatively untouched in terms of software and services that are provided to them. We are dedicated to their needs as a technology first organization.

CEOCFO: *Has it been overlooked because of the complexity? Why has the limited partner community been a stepchild?*

Mr. Smith: Because the limited partner community for a long time was relatively passive. Billions of dollars in pension assets were managed by two or three people in an office. They hired large consultants like Cambridge Associates and Mercer to essentially manage the portfolios. The trend over the last 15-20 years has been for a greater degree of control and sophistication to come into these organizations. Since the financial crisis, that sophistication has grown massively. As such, their requirements have changed. It's about data hungriness and analytical power and speed and flexibility. The decision making processes of these organizations have dramatically changed. I believe that even though these organizations have been around for hundreds of years in some circumstances, the paradigm by which they invest is relatively new. If you take a step back, there is a foundation of investment philosophy called the endowment model of investment management that was pioneered by a gentleman named David Swensen, who is still the chief investment officer for the Yale University endowment. That started to come through to fruition in the 90's. As Yale started to put together this way of investing that, the majority of pensions, endowments, foundations and family offices now leverage to invest, that was relatively recently if you consider that Yale was the first one to expose it in the 90's.

CEOCFO: *What are some of the pieces you are able to put together for a client?*

Mr. Smith: Solovis is a soup to nuts solution for understanding your performance and risk, understanding what is driving your returns and how you differentiate yourself from passive strategies. Solovis is a product that allows an organization to analytically decompose all aspects of managing their active portfolio, from performance to risk, future risk, liquidity, and exposure tracking. A global pension may invest in 300-500 hedge funds and each hedge fund has a unique liquidity term. If you put money into a hedge fund, you may only be able to get 33% of your money out every three years. Then there are stipulations in terms of the notice dates that you have to give for this. You multiply that across 200-400 hedge fund investments and that is a tremendous amount of analytical horsepower necessary to understand what seems like a simple question about funding liabilities. Those are things that our system does very well. When you invest in a private equity fund, it can be challenging for LPs to answer questions about the underlying portfolio companies in the fund. How much Uber do we own through all of our private equity funds? Are we under exposed or over exposed to where we want to be in the pension fund or in the endowment to Uber, potentially as an investment? Solovis also tracks the fact that you invest in multiple private equity funds and allows you to track the drawdown cash flows individually and aggregated across things like vintage year or sector. To be able to track and analyze that information, across 100-300 such type investments is very powerful. Then to also be able to potentially project what you can expect from those investments in terms of them distributing money back to you or them calling money from you for investment it is very critical part of investment management at this level of investing and our solution is the only one out there that does this cohesively.

CEOCFO: *How are you able to make it easy?*

Mr. Smith: First and foremost we come from this space. We were investors, operators and technologists in this space. We worked for a global outsourced CIO that managed over \$15 billion in capital for some of the most prestigious institutions like Rockefeller Brothers Foundation, Middlebury College, Smith College, University of Tulsa, and The Houston Endowment. That company was based out of Charlottesville, Virginia. Living through the financial crisis also played in a big part in how we approached the challenges of LPs. We got to see where the rubber met the road, what the questions were that were being asked at a very detailed level. We understood how those things were being done. If you consider that Solovis was first of its breed, a software package designed for this community, that means that they were doing it some other way beforehand, and the way they were doing it was almost exclusively Microsoft Excel. Microsoft Excel can break down on you and does not have the capacity to hold certain amounts of data or do certain types of analytics. We are really the only firm out there that had the ability to say we aren't spinning a product out of an organization. Most of the competition spent ten years building a product as part of their recent institution or for a couple of initial clients and then spun that out to the world. When you do that, software is inevitably built in a particular way that is not necessarily scalable to 100 or 1000 organizations. We have a technology first approach and a cloud technology approach to building scalable, easy to use software with modern software paradigms. That is very unique. The fact that we are a web based, cloud hosted, java script, front end based web reporting application with the speed and flexibility similar to that of using Facebook on a day to day basis, as opposed to the old architectures of enterprise systems. Solovis is nothing like those clunky, hard to use interfaces.

CEOCFO: *Are your potential clients looking for a better solution?*

Mr. Smith: One hundred percent.

"We bill ourselves as the first true portfolio management, reporting and analytics solution for the limited partner community. Our clients are family offices, endowments foundations, pension funds, insurance companies and OCIOs... That world of investment management has been relatively untouched in terms of software and services that are provided to them. We are dedicated to their needs as a technology first organization." - Josh Smith

CEOCFO: *How do they find Solovis and how do you reach out to potential customers?*

Mr. Smith: Solovis is unique in that we were able to go through our imbedded networks, myself and my co-founder's networks, to get some very prestigious clients right off the bat. One of them that I can mention that is a publically announced investor is Northwestern University. We have other top ten universities, foundations and family offices. We executed exceptionally with those clients right off the bat. They have been evangelists for our product. It is a very tight knit group of people. There are only so many pensions in the United States. There are only so many endowments. We can literally put on a piece of paper all five thousand firms in the US who could be potential clients of ours. We know the market and our market importantly knows one another. We have executed consistently well across those clients and now have an excellent word of mouth process going for us. We really leverage that to the best extent possible. We are also actively involved in thought leadership, op-eds, and quotes in the press. We want people to know that Solovis is more than just a piece of software that takes feedback from the market develops it. We are more than that. We started in this space and understand it. We absolutely listen to our clients, but we are actively involved in thought leadership and pushing the boundaries of new ways to analyze this space. I think our clients and prospective clients hear, see and react to it in terms of coming our way.

CEOCFO: *What surprises a client when you show them what you can do?*

Mr. Smith: Nothing that Solovis is doing is so mathematically complex that it requires a PhD. in rocket science. I think what people think is that there is finally a system on the market that they can manage private equity, hedge funds, derivatives and stocks, all within one platform. Historically it was Bloomberg, I can manage my stocks, bonds and derivatives, and then attempt to use another product for my hedge funds. Then with another product, I could manage my private equity funds. Everyone would have to cram the other asset classes into other systems and try to make them talk to one another or have to do with one system and try to make it work, but it was never designed to work for them. With Solovis, you have a system that is truly multi-asset class, and the biggest reaction we get is to the inherent speed and flexibility of our solution. As an example when I am doing a demonstration over Wi-Fi, we have been accused of staging our demonstrations because it is so fast, and effective. The awe that we get is the fact that finally there is a solution out there that people can manage their entire portfolio in without having to find five other things to do that with.

CEOCFO: *What is your business strategy for the next year or so?*

Mr. Smith: We are incredibly focused on the top institutions and family offices in the United States. We want them using our software. We want them leveraging our product. We think that the consortium that our clients bring to each other in

terms of knowledge sets, communication and things they can learn from one another is tremendous. Our business strategy is to be the go-to solution for the limited partner community to not only have a piece of software but to have information. Over time, Solovis has become as much a data and information player as it is a software package that is technologically driven. It is in our DNA and we are exclusively focused on this community. Our business strategy is to give these limited partners the ability to learn from one another, grow, influence a software that is exclusively dedicated to them and reap the business benefits of that, which are tremendous. If you think that our average license fee is a hundred plus thousand dollars a year per client, we do not need a million clients; we need 50-100 clients to be a very successful business. We are well on our way to that and our strategy is ready to continue executing on that and continuing to be a data and information player for these limited partners.

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



Solovis, Inc.

For more information visit:
www.solovis.com

Contact:
Josh Smith
844-765-6847
jsmith@solovis.com