

Mercatus

An Innovative Platform to Manage Alternative Investments

This story dates back to 2009 when two entrepreneurs discovered that the capital markets were focused on good investable grade assets and portfolios. They saw this as an opportunity to start an investment banking firm specializing in solar and renewable energy assets. However, after setting up operations, the founders realized that it was a complex task involving a heap of documents, data, and financial models that had to be sorted, consolidated, and analyzed, especially with hard assets like solar and wind farms. To be the best, they created their own software to collect and consolidate the disparate data into a dynamic hub for faster analysis and decision making. That's when a client dealing with solar financing and various other asset classes approached Mercatus to buy their data management software.

This is how the investment bank—known as Mercatus—became an accidental software company and started offering a flexible, integrated platform to manage

all kinds of alternative asset classes. The company's solution proved significant for companies that were relying heavily on spreadsheets and legacy systems to manage and exchange data for driving decisions across the investment processes.

Silicon Valley-based Mercatus now assists a vast global client base with a comprehensive data and investment management platform. The company offers its clients a simplified way to aggregate their constantly growing set of data and models into a centralized repository, with the analytics for faster, more accurate and predictive investment decision making. The beauty of Mercatus is it centralizes email conversations, Excel spreadsheets, documents, financial models, etc., but Mercatus has the secret sauce to dynamically and intelligently connect and protect the disparate data elements and corresponding models to deliver super-charged analysis, reporting, and real-time executive dashboards, accessible across the entire organization. Say good-bye to data silos, operational inefficiency, and weeks to run an ad-hoc report or forward-looking scenario.

Over the years, investment organizations have been building their financial models and valuations using Excel while grappling with the immense amount of data generated by acquisition, diversification, and globalization of assets and funds. To find a solution to this, Mercatus

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Mercatus helps alternative asset investors gain holistic, real-time visibility and traceability into every asset, fund, and portfolio, for superior decisions and returns



Haresh Patel

discovered a way to host these models in the cloud and created a platform to analyze financial models, which dynamically connects the data sources that are required to feed the model. “We thought about the financial model first, followed by the inputs/outputs, and in doing so we changed the paradigm in the marketplace. We are reinventing how business is done in the world of asset management and alternative investing,” mentions, Haresh Patel, Co-founder and CEO, Mercatus.

As a side benefit to the software platform, the company collects volumes of anonymized data and applies robust analytics with the help of data scientists to generate a large stream of insights, trends, and predictions, which clients can leverage to be more competitive when they enter a new marketplace. Customers can also use their own data in order to improve financial performance, internal workflows, and investment decision making based on the client's financial model(s). According to Patel, the best time to start asset portfolio management is at origination, but most people think about it much later in the process, after assets are performing and the assumptions and commitments made at origination are on employee hard drives (if they are still with the firm).

Mercatus caters to asset and investment managers, fundraisers, fund administrators, and those who deal with large alternative asset portfolios, including energy, infrastructure, real estate, and private equity. One of Mercatus' clients is among the world's top five investors in wind assets. The investor recently obtained five wind portfolios which comprised an aggregation of multiple company portfolios. It took four to five weeks for them to perform scenario stress test analysis on those wind assets, and as there were over 500 different complex financial models. Mercatus centralized their financial models using its platform and reduced the timeframe of stress test from 23+ days to a mere 2-3 hours, which helped the investor to optimize the wind portfolio's time-to-sale.



Mercatus offers its customers support for forward-looking risk scenario analysis in any investment, in terms of forecasts, valuations, stress tests, and other scenario planning. While other organizations take weeks and months to

predict changes in global currency or global inflation rates, with Mercatus, investors can now perform the same task within minutes and hours, giving customers the ability to be better investors and improve their time-to-market, time-to-sale, and position of their assets.

According to Patel, there is some basic plumbing that customers need to deal with in order to build a powerful, forward-looking analytic engine used for critical go/no-go decisions. “Our goal is to make sure investors—to stay competitive—have the necessary ‘plumbing’ for accessing real-time, insights-driven data across their organizations. It needs to be as natural as turning on a tap for water in their home.”

When asked about the roadmap, Patel associates it with the company's name, which means marketplace. In his opinion, Mercatus can help create the marketplace through which fund managers trade their assets with one another. “What's missing in the trade process today is standards, and if we become the de-facto

standard then everybody can have a more uniform way of looking at the asset class and can trade more efficiently with each other,” says Patel. In the private equity sector, customers struggle to connect with their limited partners (LPs) and general partners (GPs). Mercatus aims to help establish seamless communication, transparency, and collaboration between LPs, GPs and their development

partners and portfolio companies, which can contribute to increased capital flow in the marketplace. The company is undertaking R&D initiatives to employ technologies such as artificial intelligence (AI), machine learning, and blockchain. These technologies are capable of automating the underwriting and diligence processes in addition to analyzing portfolio or assets for better investment decision making. **CM**