

Chief Executive Officer Robert King (L) and Senior Director/Sri Lanka Country Head Chanakya Dissanayake (R) are embracing building the new brand of Acuity Knowledge Partners.






Equistone Partners, a private equity firm, recently acquired a Sri Lanka based financial research outsourcing firm. Renamed Acuity Knowledge Partners, the company is now gearing up for global expansion with Sri Lanka as the benchmark

Acuity Knowledge Partners looks to Sri Lanka as its fastest -growing market

By Chandeeпа Wettasinghe



Equistone Partners Europe, a mid-market private equity investor, recently acquired the financial research outsourcing firm Moody's Analytics Knowledge Services from Moody's Corporation. Following a rebranding as Acuity Knowledge Partners, Chief Executive Officer Robert King and Senior Director/Sri Lanka Country Head Chanakya Dissanayake sat down with Echelon to discuss the company's plans to grow its Sri Lankan footprint. Following are excerpts of the interview:

Why did Moody's sell its business, and why did Equistone acquire it?

Robert King: Moody's decided to divest a profitable and stable business, which was the largest of its kind in the world in terms of both revenue and clients, as it wasn't part of their core service of providing data subscriptions and ratings for sovereigns or businesses. Equistone acquired Acuity because of the value and growth it offered.

The biggest attraction was the people who have the strength and depth to take the business through the next phases of its journey. Acuity has also delivered 10% compounded annual growth over the past four years, this was another key reason. I was with Moody's Corporation for 20 years, and I left Moody's to join Acuity because I believe in its future.

Chanakya Dissanayake: This year, especially, the business has seen above-average growth from Europe. After the global financial crisis and the MiFID II financial regulations in Europe, demand stagnated, but now we see demand returning. The European asset management segment has been one of our growth drivers. We've also been pursuing sizeable private equity firms and investment banks, and we now serve nine of them. We are also benefiting from environmental, social and governance (ESG) research becoming mainstream in Europe and the US.

What will be different in how Acuity does business after this buyout?

► **King:** Our core offerings are going to remain the same. We feel our core plan of serving the financial services market and institutions is where we operate best. That's where our institutional knowledge is. That's our core plan. Will we innovate? Will we develop improved solutions based on new technology? Absolutely. That's been part of our plan for the past three years. ESG research is an excellent example of where we've made investments to improve our capacity, and it's resonating with our clients.

What sort of technological solutions will you offer?

► **King:** More in the way of combining automation technologies with our great people. I think the future of our business is that combination - where we apply domain-specific solutions, whether it's automated updates with equity research models

or whether it's alternative data extraction and analysis outside of financial statements. There may be datasets that we may not have looked at before that data science enables us to look at now. Whether it's social media data, satellite imagery, weather data, or economic pattern data, it's finding different ways to get unique insights into a company or credit.

► **Dissanayake:** We were the first to begin data science and quantitative analysis for finance in South Asia. We were able to win some of those mandates from day one and we will continue to develop on that.

What challenges will you face now that you are not a part of Moody's?

► **King:** The truth is that within Moody's, we were pretty much a standalone business. We weren't reliant on Moody's for anything in particular. The biggest challenge will be establishing the new brand, but our brand is our people. We have 17 years of heritage with over 300 institutional customers – the who's who in the financial world. So while we have established a new brand, we have a lot of the same building blocks and heritage to stand on.

► **Dissanayake:** We were concerned about how some of our global investment banking and asset management clients would perceive our brand change. But we were surprised in a positive sense when in the two months since we announced the acquisition, we added five or six bulge-bracket investment banks and asset management clients from Asia, Europe and the US. Our strongest quarter so far in our corporate history came immediately after Moody's announced the divestment. Given that Equistone has a rich heritage, a 40-year tenure as a private equity firm that was formerly a part of Barclays, our clients view our acquisition by Equistone with confidence.

Being a firm of analysts, we look at companies, both outside and our own,

and Equistone's background sent a strong signal to our 2,700 global employees as well.

What is your global footprint like?

► **Dissanayake:** We are huge in the Indian subcontinent, with large delivery centres in Gurgaon and Bangalore, and we are the only company among peers that has quite a large delivery centre in Sri Lanka, now in its 17th year. Besides, we run the largest delivery centre in Beijing, supporting our asset management, hedge

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fund and investment banking clients in Asia, and a delivery centre in Costa Rica supports US East coast clients that want same-time-zone support. We also have offices in Hong Kong, London and New York, where the staff are based in the same locations as our clients.

How significant is Sri Lanka to Acuity's global operations?

► **King:** Chanakya sits with 270 staff here in Colombo. The headcount has grown 20% this year, and we expect to add somewhere between 10% and 20% more so that Colombo will have at least 300 plus next year. Colombo is our fastest-growing delivery location and where

we have, as you know a history, given that it's the founding location of the forerunner to this company. We are still very committed to growing here. It's not a market where we can maybe have thousands of employees, but certainly the market that will give the fastest growth.

► **Dissanayake:** Sri Lanka is where the investment research business started in 2003, with Amba Research, so it's the spiritual home of our business.

What is unique about the Colombo office compared to the others?

► **King:** What we're very proud of here is our relationship with the local universities. It's probably our deepest and most successful partnership with the education sector in any country. We employ 40-60 graduates from seven universities a year here in Sri Lanka and, frankly, I'd like to have that in other countries. We try it, and Sri Lanka is our standard, in terms of educational partnerships.

► **Dissanayake:** Fresh graduates that we have hired, with three to four months of intense training, have been doing associate-level work for some of the best and most demanding capital market players globally. Our graduates are on par with any globally, and they tend to have British accounting qualifications in addition to their undergraduate degrees.

We can also leverage our proximity to Bangalore (India), which is just a short flight away. It is one of the fastest-growing knowledge capitals in the world, with all the large financial-sector players globally using the talent pool there.

Whenever we have scaled up new teams and have wanted very specialised experience, we have easily tapped the talent in Bangalore, built the expertise and then grown from there. So, Colombo has benefitted. Having observed Bangalore's technology, and financial-sector consultancy services firms meet rising US demand, I believe that Colombo has significant potential to do so as well,

even to work with Hong Kong, China and London.

How has Acuity helped develop Sri Lanka's capital market?

► **Dissanayake:** Over the past 17 years, we have been the most significant capital market talent creator. That's not only within our firm. If you look at the current capital market firms, almost all the heads of research, senior asset managers, directors and firm owners built their careers with us. Even if you look at artificial intelligence and machine learning start-ups, many of the founding members with a data science background got their quantitative training through us, working with our clients. Around 44% of the CFA Charterholders in Sri Lanka have at one point worked with us, and our training programme is CFA-accredited. Our partnership with the Securities and Exchange Commission and the Colombo Stock Exchange to train the top 100 students in capital market analysis each year has now transitioned to the direct relationships we have with the top 16 universities.

We have almost weekly engagements with these universities, with knowledge sharing, curriculum reviews and guest lectures. We have been the technical partner for all the major universities for the CFA Institute's Research Challenge for more than five years now. We are quite proud of these and the fact that we have broken the narrative that you can't scale things in Sri Lanka.

What are the benefits for someone who joins Acuity?

► **Dissanayake:** People join us to get a global capital markets experience. There is also diversity in expertise to be had here, with fixed income, buy or sell-side investment banking and hedge fund research. It's very structured. Later in their careers, those who have wanted to build a career in Sri Lanka's capital market have made that change. Some have moved on to work in our offices in London, Costa Rica, Beijing and Hong

Kong, while others have joined leading global financial services firms; so there's total global mobility. Actually, some of our major customers are alumni of the firm.

Do you have any Sri Lankan clients?

► **Dissanayake:** No, and it's something we have consciously stayed away from because our business model, the people we hire, how we have to compensate them and our scalability come from servicing clients in the US, Europe and Australia.

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How has the Colombo office evolved since 2003?

► **Dissanayake:** We've grown from just ten people when I joined as one of the first employees to 270 people now. It's not only the scale here; many have been seconded to different offices, for example, to start some of them, such as Costa Rica, and have come back, while others provide leadership in places like Beijing.

What were some of the challenges that you've had to overcome?

► **Dissanayake:** We haven't faced many location-specific challenges, other than attracting the right talent at the start. Besides that, obviously the 2008 financial crisis.

► **King:** The 2008 crisis was very chal-

lenging for our customers and therefore, very challenging for us. We still actually grew through that period. Although our growth rate declined and our client mix shifted a bit from big-bracket investment banks that dominated the mix before the global financial crisis to more mid-tier investment banks that emerged in Europe after the crisis. Later a new segment of private wealth management clients came into the mix. We had to pursue those clients, that's how we grew during that time.

What is on Acuity's growth horizon?

► **King:** We serve over 300 financial institutions globally, and we still believe there are substantial growth prospects in our subsectors. We have seen incredible growth serving the private equity subsector. We serve over 70 private equity firms globally, but there is a market of thousands. In corporate lending, we serve over 20 customers, but again there are thousands of potential clients. We've gone from 100 customers to 300 in the past three years and we see no letup in that.

What can the Colombo office look forward to in the next three years?

► **King:** We're very committed to growing here and we'd like Sri Lanka to outpace our global growth. It's an excellent location for us, a great source of talent. We have a rich heritage. We've had great experiences as an employer here. We feel it's an office that is successful. It's very viable for our customers, who are very happy to partner with us in Sri Lanka, and so it's a crucial part of our global strategy.

► **Dissanayake:** We are blessed to have a strategic position in South Asia. India is rapidly emerging as a global economic superpower. Even countries like Bangladesh achieve 8% growth, and we are right in the middle. So we feel quite blessed to be in the centre of the fastest-growing region in the world. Being in this region provides us with so many opportunities. ●