

# Forced to “upgrade” your investment fund software?

## A buy-side buyer's guide for weighing all your cloud and SaaS options

### It's time to clear up a few things about the cloud and SaaS

If you're like many investment managers today, the terms “upgrade” and “new version release” probably trigger anxiety and concern for your team instead of eagerness and excitement. It's an unfortunate reality, but an understandable one, given that so many fund managers have experienced firsthand the pain of “upgrades” which turn into costly and disruptive re-implementation projects lasting many months or even years.

Now, as the juggernaut legacy vendors of investment management software prepare to move the bulk of their clients to the cloud, a huge wave of migration-related headaches is about to sweep through the industry. And as usual, clients are being promised that this latest “upgrade” will be worth the significant time and effort required. After all, moving to the cloud is supposed to solve many common problems, offering better time to market, accessibility, scalability, agility, productivity, and ease of future upgrades. Sounds great, right?



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## All cloud models are not the same

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The truth is, these forced migrations may not actually deliver all the benefits clients expect from being “in the cloud” because **all cloud models are not the same**. The structure of the cloud setup matters immensely, particularly the tenancy model, and affects every aspect of the client experience, from onboarding to daily operations to ongoing maintenance. Despite the recent growth in, interest in, and adoption of the cloud, accelerated by the surge of COVID-19, there is still much confusion about the different cloud models and their distinct pros and cons.

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## Cloudwashing: When vendors move legacy software to the cloud and sell it as SaaS

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Compounding the confusion, the terms “cloud” and “SaaS” (Software as a Service) often appear in the same breath, leading many to assume they are synonymous. But in fact, SaaS is one subset of cloud-based software (albeit the most common and familiar one), and not all SaaS offerings were built in the cloud. Some SaaS applications have been built on-prem and simply deployed to a cloud-based server, which may limit or negate the benefits promised by the cloud – such as efficiency, scalability, and resilience.

Moving legacy software to the cloud and selling it as SaaS is what’s known as vendor **cloudwashing**. The problem with legacy software running on the cloud is that it’s still legacy software: Challenges with interoperability, data integration, and inefficiency are likely to persist no matter where the software is hosted.

Given the lack of clarity, for managers forced to migrate to a “cloud-based SaaS offering,” it’s worth taking a close look at the underlying structure of what you’re being sold to understand if you’ll really get what you want from the technology, or if you would be better served by shifting to a different model. In this buyer’s guide, we’ll define key terms and examine the important differences in various cloud and SaaS offerings, so you can make better informed decisions about your next upgrade.

# Cloud 101: Public, private, and hybrid

**In its simplest terms, cloud computing means on-demand access to computing resources hosted at a data center located off your premises. Public, private, and hybrid cloud models each offer a different mix of features and benefits.**

## Public cloud: A shared ecosystem

When most people first think of “the cloud,” they’re envisioning public clouds. The big three names in public cloud are Amazon Web Services, Microsoft Azure, and Google Cloud Platform. Public cloud providers own and operate core infrastructure, including hardware, software, servers, and storage; public cloud resources are delivered over the internet.

Any company or entity can pay for access to a public cloud, whose infrastructure is shared among other cloud customers (or tenants). Tenants can benefit from cost efficiency, on-demand scalability, and high reliability without having to purchase hardware or software or do maintenance work. But while each tenant provisions their own resources, public clouds are inherently using underlying shared resources. Any mistakes, attacks, or data center outages could compromise firm data.

According to market intelligence and advisory services provider IDG, public cloud dominates the overall cloud market: Public cloud spend will see a compound annual growth rate (CAGR) of over 21% through 2025, reaching \$809 billion. But while public cloud infrastructure may work for many industries and companies, and for non-sensitive functions, asset managers may find that private clouds offer a better solution for critical or proprietary functions, especially when it comes to having greater control and security.

## Private cloud: A more controlled environment

A private cloud, also known as an enterprise cloud, provides many of the same zero-footprint benefits as public cloud computing, but is set up in a more controlled environment, usually with greater security and oversight. The primary draw of private cloud environments is that they are easier to customize in order to meet specific business, IT, security, and regulatory requirements.

In vendor-hosted private clouds, the vendor acts as a single administrator and can provide higher levels of service and support than a public cloud vendor might. Cloud providers working within the investment management sector, like Enfusion, also have a comprehensive understanding of financial regulations’ nuances and are often SOC 2-certified<sup>1</sup>, providing extra assurance of data security and controls. Additionally, with a private cloud model, the hosting vendor has complete control of the environment and doesn’t have to rely on external providers to operate the system. This can be important if a manager is subject to a regulatory audit of its core providers – something a public provider isn’t likely to be able to satisfy.

The appealing benefits of private cloud have accelerated its growth in recent years, outpacing that of public cloud. According to IDG, private cloud spend will grow at a faster CAGR of 31.0%, though from a much smaller revenue base of \$5 billion in 2021. For asset managers, we anticipate that private cloud adoption will grow at a rapid pace over the next few years.

## Hybrid models: A popular choice

Many organizations use a hybrid cloud configuration, or a combination of public and private clouds to meet their different hosting needs. For example, asset managers might utilize public cloud computing for processing publicly available data to inform their strategies, while using a proprietary or vendor-hosted private cloud with higher-level security for managing personal and trade data. Some firms embrace cloud hosting while still maintaining an on-premise server for their most sensitive information. We expect hybrid models to continue to be a popular choice for asset managers, with private cloud in particular gaining popularity for meeting firms’ growing needs.

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1. SOC 2 stands for System and Organization Controls 2, a set of standards established by AICPA used to audit service organizations on the controls relevant to security, availability, processing integrity, confidentiality, and privacy.

# Single-tenant vs. multi-tenant cloud hosting

Now that we have discussed the differences between public and private clouds, let's look more closely at a factor that deeply impacts client experience: the tenancy model. Cloud models can be single-tenant, where one software instance and its supporting infrastructure support one client, or multi-tenant, where multiple clients share the same software instance and supporting infrastructure. Let's examine the differences between single-tenant and multi-tenant models.

## Single-tenant

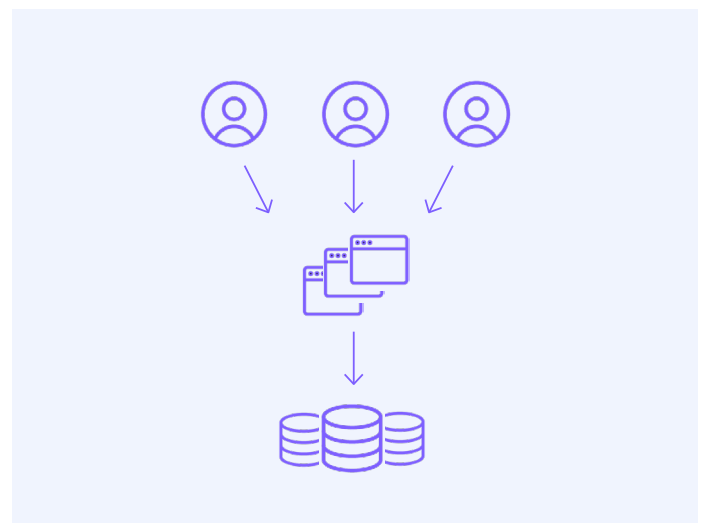
For asset managers considering migrating their investment management software to the cloud for the first time, a single-tenant model might seem at first glance like the best and safest option – indeed, that's how legacy OEMS vendors will often present the case. Single-tenancy certainly has its advantages, but it also has its drawbacks (see comparison chart).

The higher levels of customization and control that might make single-tenant models appealing are also the reason they cost more, require more setup and maintenance, and are not as easy to upgrade. Many who move to a single-tenant model are surprised to find that they continue to experience disruptive upgrades despite being in the cloud, since new versions of software are likely unique to their specifications and must be implemented individually (in contrast to a multi-tenant update that rolls out to all clients at once). The fact that some single-tenant vendors maintain a full-time “upgrade services” team indicates how onerous upgrades can be.

## Multi-tenant

On the other hand, multi-tenant private cloud models offer the advantages of cost efficiency, fast deployment, little to no maintenance, and easy upgrades. The shared infrastructure means multi-tenant clients have constant access to more (or less) computing capacity when they need it.

The main concerns about multi-tenant architecture are that it offers less customization and that it uses shared resources. However, the biggest misconception about multi-tenant models is that they are not secure enough for asset managers' needs. In fact, in a multi-tenant model like Enfusion's strict security protocols and safeguards prevent any clients from accessing the data layer directly. Clients can feel confident that their data will be segregated and protected. Enfusion is Service Organization Control (SOC) 2 Type 2 compliant, which represents one of the most rigorous audits technology vendors can undergo.



## Weigh your priorities

The bottom line when choosing between single-tenant and multi-tenant models is: Weigh your priorities. Do you need total control and customization of your software, or would you be satisfied with a secure, best-in-breed platform already used and trusted by many successful asset managers? Are you willing to spend a lot more on implementation, maintenance and disruptive upgrades? Or would you rather spend less to stand up quickly, be free of maintenance responsibilities and benefit from frictionless updates? All these factors should shape your calculation of total cost of ownership (TCO) and what model would best fit your needs.



### SINGLE-TENANT



### MULTI-TENANT

	SINGLE-TENANT	MULTI-TENANT
<b>Structure</b>	One software instance and supporting infrastructure per client	Clients share one software instance and supporting infrastructure
<b>Onboarding time</b>	Can be slower because each client is a unique deployment	Shared infrastructure can reduce setup time by 6 to 12 months
<b>Security</b>	High level of security given that each client's data is isolated	High level of security if designed so that tenants cannot access the data layer directly
<b>Maintenance</b>	Maintenance is required	Maintenance is the responsibility of the cloud software provider
<b>Upgrades</b>	Software updates must be conducted individually, and have the potential to be time-consuming and disruptive	Software updates are handled by the provider and can happen seamlessly in the background
<b>Customization</b>	A high level of customization is possible since each client has their own version of software	Clients can customize many preferences that drive system behavior, including graphical look-and-feel components, report outputs and user-defined fields
<b>Computing capacity</b>	Clients can provision new resources and/or modify their virtualized resources, but typically at a cost	Clients have constant access to more (or less) computing power when they need it, thanks to distributed resources
<b>Cost</b>	<ul style="list-style-type: none"> <li>Costs more, due to dedicated resources, unique software instance, and higher level of customization</li> <li>Upgrades are also likely to come with costs attached</li> </ul>	<ul style="list-style-type: none"> <li>Costs less, due to shared resources and software instance</li> <li>Upgrades are usually built into the overall subscription price</li> </ul>

## The nuances of SaaS: Cloud-native vs. cloud-migrated

Just as “the cloud” is a core part of vendor pitches these days, so is “SaaS.” The Software as a Service model delivers applications over the internet, so clients can access them through a subscription and login. Historically, there has been a misconception that SaaS models are better suited for the needs of smaller firms, but today more and more top-tier managers are embracing and benefiting from SaaS platforms.

As with cloud models, when it comes to SaaS offerings, asset managers should look carefully at the origin and construction of the software being delivered online, because not all SaaS offerings were really built in or built for the cloud.

Some SaaS applications have been built on-prem and simply deployed to a cloud-based server, which may limit or negate the benefits promised by the cloud. Worse yet, vendors may just migrate a slightly updated version of their legacy software to the cloud and sell it as a new SaaS offering (the cloudwashing we mentioned earlier).

Even among “cloud-native” SaaS solutions, it’s worth looking closely at whether the vendor has a long track record for building in the cloud – like Enfusion, which launched in the cloud in 2006 – or if they have only recently embraced the cloud. Your vendor’s depth of experience will shape your user experience in the cloud.

As you might expect, many of the same issues of legacy systems reappear when they are simply relocated to the cloud – multiple silos, inconsistent data, a lack of interoperability, and the need for custom patches and manual workarounds. It turns out that relocating your racks doesn’t really solve your problems.

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### Relocating your racks doesn’t really solve your problems

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This important nuance of whether SaaS is really built for the cloud can also be discussed in terms of cloud-native vs. cloud-migrated. A cloud-native software platform is born in the cloud and, ideally, should be designed to take advantage of all the unique benefits cloud hosting enables, such as real-time, shared access to one golden data set; modular interoperability; flexible scalability; resilience; and agility. These are principles Enfusion has embraced since we launched the industry’s first cloud-native SaaS end-to-end platform for investment managers back in 2006.

Now, 16 years later, we see many vendors playing cloud catch-up, going through their own painful software migrations before asking their clients to follow suit. We hope this buyer’s guide has been helpful in demystifying the range of cloud-related terms and models. Below is a checklist of questions to help you understand and evaluate vendors’ cloud offerings.

#### Questions to ask cloud software vendors

- Is this a single-tenant or multi-tenant cloud hosting model?
- What security standards or certifications do you have in place to protect our data?
- Is your SaaS offering the same software as your previous on-prem offering? If not, how is it different and better?
- What aspects are we able to customize or configure?
- What is the pricing model of your offering? What add-on fees will most likely be required?
- How long will the initial implementation take?
- How much maintenance will be required over time? Is that included in the subscription cost?
- How often will I have to upgrade my software? Will it disrupt our operations? Are upgrades included in the subscription cost?
- How can we expand/reduce our computing capacity when needed?
- Will your solution enable one golden data set with real-time access?



**The choice is clear.**

To learn how Enfusion answers these questions and more, [click here](#) for our FAQs.

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