

New Online Platform Aims To Open Up The World Of Private Equity; Eyes RIA Sector

ELIANE CHAVAGNON
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iCapital told Family Wealth Report that the top 300 RIA firms with a minimum of \$300 million in AuM and no broker-dealer affiliation have \$850 billion under management in aggregate.

“This is our target group. The independent RIA market place has grown rapidly since the financial crisis in 2008 which triggered a mass exodus of financial advisors from Wall Street,” the firm said. “The RIA community today has less than a 2 per cent allocation to private equity, while the average allocation for the top 10 US endowments is 20 per cent. Most RIAs have limited access to top performing general partners and, when they do have access, it is often based on personal relationships – so highly episodic.”

The iCapital Network features details of over 2,000 private funds spanning private equity, real estate, venture capital, mezzanine, credit and real assets. It also includes fund manager profiles so that investors can search for and acquire information about general partners and their funds.

The network currently counts \$450 billion in investor assets – a figure the firm expects will reach at least \$850 billion by end-2014. (iCapital Network has operated in a limited beta mode since the spring of 2014 to build a roster of funds and investors.)

Other features include the ability for investors to conduct quartile analyses of fund managers by asset class, strategy, geography, size and performance through iCapital’s affiliation with the software company Burgiss. Meanwhile, general partners can provide limited partners with access to data such as investor presentations, private placement memorandums, limited partner agreements and related diligence materials through their individual Intralinks Fundspace “data rooms.”

Opening up the private equity sector

High minimum investment thresholds have historically made it difficult for many high net worth investors and family offices to invest in individual funds and to build a portfolio of private equity investments.

Indeed, over half (61 per cent) of investors such as family offices and private banks have decided not to put money into a private equity fund because of terms and conditions such as fees, according to a recent global survey by Preqin (see more here).

iCapital Network investors will therefore have access to a subset of funds at low investment minimums (\$100,000) through iCapital Private Access Funds, for which iCapital has teamed up with Gen II Fund Services to provide fund administration services.

The firm added that individual investors often lack the tools and information required to evaluate the private equity fund offerings they come across.

“The retail market represents an enormous, largely untapped pool of capital for the private equity industry,” said Nick Veronis, co-founder and managing partner of iCapital Network. “Fund managers should be exploring this channel now as it will become an increasingly important source of capital for them.”

Technology

“Having operated in the alternative investment space for more than 25 years, I remain astonished that the private equity fundraising processes have remained largely untouched by technology,” said iCapital Network director John Robertshaw, who is also vice chairman at Credit Suisse Securities and has been with the Private Fund Group for 19 years.

The firm told this publication that while equity and bond markets have been disrupted by the implementation of technology-based trading platforms, private equity is the one market that has yet to adopt technology platforms to disseminate information and/or automate the investment process.

“This will change in keeping with the paradigm that has developed in other areas of the financial markets,” it said.

iCapital has assembled a pool of private equity fund placement firms, initiated by Credit Suisse’s Private Fund Group but which now also includes Eaton Partners; Park Hill Group, an affiliate of Blackstone; Evercore’s Private Funds Group; Monument Group; and Capstone Partners. They collectively evaluate over 750 private funds each year.

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