

Dynasty Launches Alts Platform to Meet Indie RIA Demand

By Danielle Verbrigghe

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Dynasty Financial Partners has launched a new alternative investment platform, partnering up with a few new research and technology providers, as it aims to meet demand from high-end independent advisors for more access to hedge funds and private equity.

Dynasty has teamed up with alts platform **iCapital Network** to launch a new alts platform featuring limited partnership hedge funds and private equity, using a feeder fund structure to offer them at lower minimums.

iCapital will also provide research and due diligence on private equity investments. For hedge fund research, Dynasty has elected to use a firm called Atrato, replacing Wilshire Associates, which it had previously partnered with for hedge fund research. Dynasty's investment committee will continue to have final say on which funds it will ultimately offer. Previously, Dynasty had relied on hedge fund strategies structured as managed accounts, drawing on operational support from Wilshire.

The change will allow Dynasty to offer a broader menu of hedge funds and private equity, says Todd Thomson, chairman and investment committee chair of Dynasty Financial Partners.

"The roster of managers that we can make available with Atrato's research and iCapital's technology is significantly broader," Thomson says. "We needed to have the ability to be able to add managers to this platform and a lot of managers aren't willing to do managed account hedge funds."

Having a deep bench of limited partnership-hedge funds and private equity for qualified investors has become a competitive factor in being able to attract high-end teams to the Dynasty network, says Thomson. Overall Dynasty now works with 35 partner firms with more than \$20 billion in assets. These large teams demand access to hedge funds and private equity for high-net-worth and ultra-high-net-worth clientele, he says.

"It's going to be a huge recruiting tool," Thomson says.

In addition, some of the big teams that Dynasty attracts often bring with them rosters of managers that they already work with. That means Dynasty had to have a platform able to accommodate those managers, says Michael Moriarty, head of Dynasty's investment platform.

"Our solution needed to [accommodate] those advisors who came to us with their roster of managers," Moriarty says.

Breakaway wirehouse teams are seeking to replace the manager research and access to hedge fund and private equity that they previously got through central research groups, says Lawrence Calcano, managing partner of iCapital Network, which currently works with about 220 RIAs and 100 family offices. And that is a factor driving demand for the platform, he says.

"You continue to see a lot of large teams break away from the large wirehouse platforms," Calcano says. "As they leave those platforms where they were used to seeing a lot of alternative investment opportunities, they need to be able to replace that flow and that access to great managers."

iCapital, founded in 2013, launched its platform in 2015. Last year the platform raised more than \$300 million, Calcano says.

But iCapital is just one of a growing list of firms offering up alternative investment platforms for independent advisors. For example CAIS, which offers a menu of hedge funds and other alternatives, has formed partnerships with distributors including Envestnet, HighTower and Fidelity, as reported. Other platforms serving the space include Circle Squared Alternative Investments, Venovate, Artinvest and ACE Portal.

For its part, alts custodian Millennium Trust has recently launched a new technology platform for independent advisors offering a single access point to third-party platforms that offer alternative investments custodied at Millennium Trust. Initial partners include FNEX, which offers private placements, private funds and managed futures, PeerRealty, a real estate crowdfunding platform, StreetShares, which offers small business loans, and Money360, a firm which offers access to private placements and private debt.

While Millennium Trust doesn't perform due diligence or research on the underlying investments, this platform offers a more consolidated means of accessing these investments in a single custodial account.

The offering is intended to appeal to independent advisors, many of whom are migrating from captive brokerages where they had access to preset menus of alternatives, says Matthew Nitschke, managing director of Millennium Trust's alternative solutions group. Recreating that infrastructure and accessing alternatives can be one challenge facing breakaway advisors, he says.

"One of the challenges when they go to the independent model is creating this infrastructure and environment" Nitschke says.

At the same time, advisor interest in using alternatives for wealthy clients continues to grow, Nitschke says.

"We definitely see the uptick in the use of alternatives and this is a great way to help facilitate that trend and make sure they have access to quality providers," Nitschke says.

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