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# Q&A iCapital Sees Opportunity to Match Wealthy Investors, Family Offices With GPs

Single-family offices count private equity as a core component in their investment portfolio and many are planning to increase their exposure to the asset class, according to **iCapital Network** Managing Partner **Lawrence Calcano**. iCapital runs an online platform that allows advisers and smaller, accredited investors to assess private equity funds, then invest through one of the company's feeder funds. Calcano spoke to Bloomberg Brief's Ainslie Chandler. His comments have been edited and condensed.

**Q: What is iCapital's strategy?**

**A:** Most PE funds have been institutionally oriented, so the high-net-worth crowd has not had systematic access to great managers. When they find a manager, access to the information they need — both fund information and, importantly, benchmarking and comparative information — has been lacking.

The last piece is the minimums in these funds are extremely high. You could be a person with $25 million or $30 million but if the minimum investment in a fund is $5 million or $10 million, you are not going to be able to invest.

**Q: How many funds have you worked with and how much have you invested?**

**A:** We launched in late 2014. In 2015, we signed up registrations for our network worth about $1.4 trillion. Of that, last year we transacted around $300 million from high-net-worth investors, and we closed 11 funds.

**Q: You recently released a report on single family office attitudes towards private equity. What did that show?**

**A:** The biggest message is that single-family offices invest fairly significantly in private equity and see it as an instrumental part of their portfolio. Sixty-two percent of family offices are already invested in private equity. Of those, 90 percent use funds, 40 percent use direct investing. And two-thirds of those folks are planning on increasing their allocations. Of the people who are not investing, nearly 30 percent are planning on investing in private equity going forward.

The other piece that is quite interesting is that, if you look at their allocations, 70 percent of those investing in private equity have 10 percent to 20 percent of their portfolio allocated to private equity. Another 13 percent have 20 percent to 50 percent and more than 8 percent have greater than 50 percent. That tells us that private equity is a core, critical component to their investment portfolios.

**Q: What has the response of GPs been to your business? The smaller investor market is one they have been trying to reach.**

**A:** It's been extremely positive. If you are a GP and talking to Calpers, technology is nice but not necessary. If you are trying to raise a significant amount in the high-net-worth community, you need technology. Ticket sizes are not $200 million or $500 million, they are $100,000, $250,000 or $500,000, so $100 million of high-net-worth capital comes with 500 to 1000 people. So you need technology.

There are no new pension funds being formed, so the next frontier for serious capital is the high-net-worth channel. A lot of managers don't have the resources to build big teams, to go out and try to find all of the different investors. Some of the very largest GPs have announced initiatives to market to the high-net-worth investors, but the majority do not have that capability and don't want to invest in building out a large team.

**Q: What is your outlook for private equity in 2016?**

**A:** There are two big themes in the marketplace now. One is value, as it is the later stage in the credit cycle. People really have a value orientation in terms of general partners — in terms of buying things correctly and being able to manage it in a choppy economic environment.

The second theme is growth. It's very difficult to find growth in the public markets right now. If investors find a manager with a growth orientation, they can put money into funds and, when it compounds at a mid-teen rate, that's a very attractive opportunity. The other point I would make is that volatility in the stock market is really tough for people to manage, so the relatively illiquid nature of private equity in some respects is a positive today — not watching the portfolio get marked to market every 30 seconds.

**Q: What do you see as the big risks in the private equity market this year?**

**A:** We don't know what is going on with the economy. People are wondering if now is the right time to get into the energy market. There are a lot of tricky economic issues in the market that people are trying to figure out how to play. When you get in is also an issue.

If you were to put your money in an energy company today, if that company doesn't do well, you've got a problem. At least with private equity, managers will start deploying capital after the fund closes. They might be wrong on their first couple of investments but then they might be right on the next. Private equity managers have the opportunity to react to changes. As we have seen with a couple of very large managers, even if the first few investments are challenged, it could be that the successful investments swamp, from a return perspective, the losses in the first.

## AT A GLANCE

**Age:** 52 **Based in:** New York and Greenwich, Connecticut

**Career history:** Co-head of Global Technology Banking Group, Goldman, Sachs & Co.; analyst at Morgan Stanley

**Degrees:** B.A., Holy Cross College; MBA, Amos Tuck School of Business at Dartmouth

**Favorite recent movie:** Star Wars

**Favorite pastimes:** Playing hockey, golfing with buddies

**If you could have another career:** Theater, directing/acting