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RIA Platform Snaps Up Credit Suisse Hedge Feeder Biz

By Rachael Levy
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The push to bring hedge funds and liquid alts to independent advisors has stepped up with new distribution moves by **iCapital Network** and Highland Capital Management.

In iCapital's case, the platform will expand its hedge fund reach to advisors by buying Credit Suisse's U.S. feeder fund business. Credit Suisse is unloading its HedgeFocus arm in the wake of dismantling its advisor business last year.

HedgeFocus includes 20 hedge fund feeders – vehicles that package multiple investments from high-net-worth clients. The purchase brings iCapital's platform assets to about $2.1 billion, says **Lawrence Calcano**, its managing partner.

While the platform to date has focused primarily on bringing private equity funds to advisors, iCapital is looking to become a one-stop-shop for alts, targeting independent registered investment advisors (RIAs), brokerages, family offices and high-net-worth investors.

"We want to be the platform that people go to for a thoughtful alternatives portfolio," Calcano says.

The feeder vehicles will allow access into a range of hedge fund strategies, including event-driven, distressed, multi-strategy and activist funds, Calcano says. He declined to name the underlying hedge funds.

iCapital is expanding into a competitive space, which includes firms like DarcMatter and Crystal Capital Partners, says Larry Petrone, director of product consulting and research at kasina.

But targeting RIAs with these platforms can be a smart move in the long run because it can reach the next level of wealthy investors who aren't able to meet hedge fund investment minimums on their own, he adds.

"High-end independent RIAs, family offices – they have always had access to private funds," Petrone says. "What hasn't happened is [reaching] the lower tier of client, who has $2 million to $5 million in assets, where $1 million is out of their realm of possibility [to invest]. So these sites are trying to tap into that pool of capital."

The platform proliferation is partly due to advisor breakaways from the bigger banks and wirehouses, says Dick Pfister, CEO of AlphaCore Capital.

"The more breakaways you have, the more there will be demand for platforms that give access [to private funds] so that you can get in without a huge headache for the investor," Pfister says.

That difficulty of setting up relationships goes for the hedge funds, as well, particularly the managers that don't want to spend big dollars to set up the systems needed to onboard individual qualified purchasers, Pfister adds. Platforms can serve as a middle ground for that distribution work.

"Making these managers more accessible is a very good thing for investors," he adds. "Five to 10 years from now, we might not even call them alternatives anymore."

The retail affiliate of Highland Capital Management is also expanding its reach into the advisor world, with 14 recent sales hires targeting independent brokerage advisors with a slate of alternative investments.

The fresh Highland team is selling liquid alts, business development companies, real estate investment trusts and exchange-traded funds, as well as a slew of interval funds – registered alternative funds targeting accredited investors – that Highland plans to roll out later this year.

Sales teams should expect hurdles when selling liquid alts in particular to advisors, however, says Brad Ross, president of Highland Funds.

“Through no fault of their own, most advisors have not been educated on the alternatives space by their firms,” he says. “Education is needed to win the liquid alts space.”