

BlackRock plots illiquid alternatives push

BlackRock is looking to grow its illiquid asset business among registered investment advisers

By: Dervedia Thomas

BlackRock is eyeing an illiquid asset push to registered investment advisers. The firm previously pushed these strategies to institutions only but is now eyeing platforms such as iCapital Network and Artivist, which are making investment in hedge funds and private equity more accessible, Hollie Fagan, head of BlackRock's RIA business, told *FA*. She added RIAs are more interested in these investments now given concerns over low returns.

Easier access

iCapital Network and Artivist create feeder funds in which assets from qualified purchasers can be invested, Hannah Grove, chief marketing officer at iCapital, told *FA*. Qualified purchasers include those individuals that have \$5m in investments and companies with at least \$25m in investments.

Individual investors, RIAs and family officers are flocking to platforms such as iCapital because its investment minimum is lower—\$100,000 as opposed to the traditional minimums of \$5m. “What we provide to that network is a streamlined way to get access to these products at lower investment minimums than they would need if they're going to invest on a direct basis,” Grove said.

“For a lot of advisers this solves a problem for them. It allows us to expand their platform of capabilities and offer products that they might not have been able to offer without the service. The flip side of that is asset managers will get access to new pools of capital.”

These platforms also handle the paper work and due diligence needed to establish a qualified purchaser investment. This takes the hassle out of the process for both the RIA and asset management firms, Fagan noted.

“There's a lot involved in setting up the infrastructure to be able to work with those end investors,” she said. “BlackRock and most large alternatives managers have been traditionally focused on the institutional market. Firms like iCapital and Artivist saw an opportunity to democratize access by providing these technology platforms which really take a lot of the paper work and process that is in place for institutional clients and make it easier for RIAs to get access for their end investors.”

Firms such as Fidelity Investments have also tapped iCapital recently to give qualified RIAs access to private equity funds via its alternative investments platform. Fidelity has worked with CAIS, another platform provider which makes alternatives strategies, such as hedge funds, accessible with lower minimums. Additionally, Fidelity expanded its partnership with Goldman Sachs Asset Management, which it began in 2013, to offer additional portfolios of external private equity managers.



RIA demand

BlackRock is eyeing these platforms based on demand from RIAs, Fagan added. “In the past we focused on the '40 Act structures for alternatives but as we talk to more and more of our registered investment advisers they said, ‘We want access to your institutional platform,’” she said. “The technology is allowing a large QP manager like BlackRock to partner with them by setting up a feeder fund structure and then the RIA would come to iCapital or come to Artivist and invest for themselves or perhaps invest on behalf of their end-investors.”

Fagan added RIAs are looking to these alternatives now given concerns about low-returns from both the equity and fixed-income markets. “They're looking to diversify into more illiquid assets to achieve growth, particularly in retirement portfolios,” she said.

Illiquid alternatives are also a key way to help advisers differentiate from competitors and therefore grow their practices, Grove explained. “Offering access to these institutional quality private placements can be a real differentiator for a lot of advisers that historically have only focused on mutual funds and ETFs and maybe some separately managed accounts,” she said.

Educational push

BlackRock has already begun educating its RIA clients about these strategies at its alternative investment conferences, Fagan noted. “We're taking our RIA firms through our heritage and helping them understand our platform,” she said.

Many asset managers using iCapital's platform have been providing education around the risk characteristics, return expectations, the role these products can play in a portfolio and how they complement publicly traded stocks and bonds, Grove noted. “A lot of asset managers already make a lot of their investment professionals available to advisers,” she said. “All of that is valuable and it needs to continue particularly in the alternative space because it's relatively new for advisers.”