

## Hiring Spree Rolls on at Retail Alts Product Shops

By Tom Stabile September 28, 2016

An arms race for senior management positions over the past year at two platforms delivering private equity and hedge funds to financial advisors may soon move to the next phase, as **iCapital** Network, Artivist, and other players aim to build out their technology, marketing, and product teams.

The senior hires have come from a range of industry firms, including Merrill Lynch, Fidelity Investments, Goldman Sachs, TIAA, and Bridgewater Associates.

“It’s the biggest thing we’ve see on the alts side in the past 12 to 18 months, these platforms built to get capital from advisors to private equity and hedge and liquid alts [firms],” says Richard Risch, CEO at the Risch Group, a recruiting firm.

Even as these platforms have been growing, one competitor bowed out, with San Francisco-based Sliced Investing ceasing operations earlier this year and folding its team into StratiFi, a new financial technology shop. More exits and mergers are likely ahead, says John Shields, director in the investment management practice at Navigant, a strategic consultant.

“They’re all knocking on the same doors,” he says. “I think there will be some consolidation around the space.”

The push at both Artivist and iCapital over the past 12 months has primarily involved bringing in senior managers to lead functions such as compliance, marketing, sales, and platform implementation. Executives at both firms say their efforts to fill out the top ranks are largely complete, but hiring at the next levels is ahead.

“We have built a very strong senior team,” says Lawrence Calcano, CEO of iCapital. “As we grow, we’ll continue to add great people on each of their respective teams.”

Artivist, too, “is filled out from a senior management perspective” in core areas such as distribution, technology, and research, says CEO James Waldinger, as he noted that the platform is currently growing its marketing team.

“We are definitely opportunistic in our hiring, and the area where we are most opportunistic is technology,” he adds.

Other market players made senior leadership hires before this year, including CAIS, says Fred Kauber, who joined the firm last summer as its chief technology officer and now also is leading its marketing effort. CAIS is aiming for additional hires later this year and into 2017, especially on its technology, marketing, and product teams, he says.

“We’ve investing significantly in our technology team,” he says. “We are putting focus on the importance of delivering [educational] content and research to the broader advisor ecosystem.”

The timing of the hiring scrum has largely been to meet existing demand, say the executives, but the pace appears much faster than the way that turnkey asset management platform firms – the original third party product providers for independent advisors – grew in the last decade, says Shields. Firms such as Envestnet and FolioDynamix, which mainly have delivered traditional investments, hired at a more measured pace.

“To my recollection, they did not go out and hire way ahead of the game,” he says.

There is a difference in today’s market, however – the presence of large, established advisor hubs such as Fidelity, Schwab, HighTower Advisors, Focus Financial, and Dynasty Financial Partners, Shields says. Many of those players did not exist or did not widely use turnkey platforms a decade ago, but today these high-end advisor networks form a large market eager to “plug and play” into alts platforms, which could have spurred some of the senior leadership hiring.

And the alts platform mission to automate the clunky hedge fund and private equity investing process for advisors – by streamlining subscription, capital call, contract, custody, and reporting functions – also may have encouraged an earlier build-up, Shields says. “Some of these are venture-backed firms and may have a pile of cash where they can go and build the technology, with fingers crossed that the assets will follow,” he says.

The most active outfit hiring this year has been iCapital, which has searched for experienced industry pros, Calcano says. “You can’t hire junior people to play senior roles,” he says.

Artivest has been aiming at filling senior posts along its long-term growth roadmap, after initially having a primary concentration on technology, Waldinger says. “From a company-building and culture perspective, if you don’t start with technology, it’s hard to catch up,” he says.

The operational hurdles of managing performance and holdings reporting, paperwork, and other manual tasks were prime factors in the decision to shutter Sliced, which aimed to bring hedge funds to accredited investors at \$20,000 minimums, says Akhil Lodha, the platform’s co-founder, who now is StratiFi’s CEO. Sliced Co-Founder Michael Furlong initially joined StratiFi but has since left the firm.

The new outfit, which blended Sliced and an options advisory shop with \$367 million in assets early this year, aims to deliver automated overlay capabilities to independent advisors, Lodha says.

“They were looking to scale up their operations but were missing the technology, and it made a lot of sense to combine our firms,” he says. “Options are extremely complicated for the average advisor.”

Others may go the way of Sliced eventually because the broader alts advisor platform market still has a thick roster of competitors, Shields says, naming Morningstar, Orion Advisor Services, Gemini Cos., DarcMatter, and HedgeCoVest as others that are in the mix. One exit play for such firms might be a future merger with big turnkeys such as Envestnet, he says. “That’s not a bad liquidity strategy,” he adds.

iCapital’s slate of new executives includes:

- CFO **Tom Iacono**, coming from **General Electric**
- **Grace Kim**, head of investor relations, **Fir Tree Partners**
- **David Russo**, head of platform integration, **Credit Suisse Private Banking Americas**
- **Bryan Gallagher**, legal counsel, Goldman Sachs
- **Eli Entin**, head of product, **OnDeck Capital**
- **Mike November**, head of platform architecture, Bridgewater Associates
- **Kevin Scrivanich**, director of product management, **E\*Trade Financial**
- **Eileen Duff**, head of distribution, Credit Suisse
- **Peter Montgomery** and **Ryan Van Geons**, senior v.p.s for distribution, Credit Suisse.

And Artinvest’s recent haul includes:

- **Jon Feigelson**, general counsel and chief compliance officer, coming from TIAA
- **Clayton Cheek**, director of business development, **Chesapeake Capital**
- **Michael Kosoff**, senior director of investment research, Merrill
- **Binoy Talati**, senior manager of solutions, Merrill
- **Irina Tanenbaum**, director of investment research, **Juilliard School** endowment.