



## iCapital to Acquire Bank of America's Feeder Fund Business

By Danielle Verbrigghe September 19, 2018

Bank of America, the parent to Merrill Lynch and U.S. Trust, has reached an agreement to sell its \$20 billion feeder fund operations business to alts platform **iCapital Network**.

iCapital has agreed to acquire the Bank of America subsidiaries providing sponsorship, administration and advisory services to alternative investment feeder funds, the companies said yesterday. Those business currently represent approximately \$20 billion in client assets across private equity and hedge fund feeder vehicles.

The deal, which is expected to close in the first half of 2019, is anticipated to bring the total assets under service on the iCapital platform to more than \$25 billion.

Merrill Lynch and U.S. Trust feeder fund clients will remain clients of Bank of America, and will continue to access the platform as they always have, says Nancy Fahmy, head of alternative investments and specialty asset management for Bank of America.

"Everything from a client and advisor standpoint will remain the same," Fahmy says.

Bank of America's Investment Solutions Group will continue its role in sourcing, distributing and monitoring alternative investment feeder funds.

The decision to sell the feeder fund operations business was intended to "simplify and streamline" the firm's business but does not signal Bank of America's exit from the alternative investment business more broadly, according to Fahmy.

"We believe this is really a more efficient way for us to offer alternative investments to our clients on a go-forward basis," Fahmy says.

The sale follows an RFP process in which a number of firms bid on the business unit.

"We carefully considered a number of potential buyers," Fahmy says.

**• Nancy Fahmy**

Head of Alternative Investments and Specialty Asset Management for Global Wealth & Investment Management  
Merrill Lynch

**ROLES AND RESPONSIBILITIES**

Fahmy leads the alternative investments team and expanded her role as head of the specialty asset management starting in June 2018, as reported by *FundFire*. She serves Merrill Lynch and U.S. Trust clients. Fahmy now reports to **Keith Banks**, vice chairman of GWIM and head of the Investment Solutions Group. She previously reported to **Keith Glenfield**, head of investment products.

**REPORTS TO**

**Keith Banks**, vice chairman, Global Wealth & Investment Management, Head of the Investment Solutions Group

**WORK HISTORY**

Prior to Fahmy's current position, she was head of alternative investments and capital markets. She was also head of private equity origination and technical sales for twelve years.

**OFFICE LOCATION**

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2-4 World Financial Center  
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*Data as of 07/08/2018*

iCapital plans to offer jobs to 22 Bank of America employees who support feeder fund operations currently.

"We'll bring over the team of people who for decades have managed these underlying products," says **Lawrence Calcano**, CEO of iCapital Network. "They'll join iCapital as full members of the team."

This is the third such deal for iCapital, which previously acquired the private equity feeder fund business of Deutsche Bank last year, and the HedgeFocus business from Credit Suisse in 2016.

"We're super excited about this relationship," Calcano says.

Given the ongoing investment in technology and people to support feeder fund operations, it makes sense that firms like Merrill Lynch, Deutsche Bank or Credit Suisse would look to offload or outsource these functions, says Neil Bathon, founder and partner of Fuse Research Network.

"If they're going to be competitive, the amount of ongoing investment they need to put into the technology side makes these things unattractive," Bathon says. "I don't think there's any question that firms will seek outsourced partners that can keep them on in the business but they don't have to be bogged down in the ongoing investment to properly support it."

Once these types of deals get to a critical mass, they reach a tipping point, Bathon says.

"I think more and more consolidation will occur," on the servicing side, Bathon says. "Firms won't be able to justify having it in house... They're going to need to outsource."

Bathon expects that the use of alternative investments by advisors in the wirehouse, private bank and other high-net-worth wealth management channels will continue to gain traction.

"It's certainly not mainstream, because it's a high-net-worth type of offering, but I think private equity, distressed debt, private credit are going to be even more popular going forward," Bathon says.

Fahmy stressed that Merrill Lynch and U.S. Trust continue to be committed to offering alternative investments to clients.

“The transaction represents an evolution of our [alternative investment] platform,” Fahmy says. “We are still in the [alternative investment business]. We are still very focused on maintaining the highest value components of the business.” That includes distribution and providing guidance around alts, she adds.