

Schwab Launches Alts Platform for RIAs

By Dervedia Thomas October 28, 2019

Schwab Advisor Services has launched a new gateway for registered investment advisors (RIAs) to access third-party alternative investment platforms.

The new service, called Schwab Alternative Investment Marketplace, aims to offer private funds from platforms that seek to ease access to alts for advisors. These providers typically pre-qualify clients, offer electronic documentation and provide access to detailed fund information. Minimum investments start at \$100,000 and Schwab will waive fees for custody and capital calls.



Jalina Kerr

Schwab has offered unlisted alts products through its no-transaction-fee OneSource platform and an offering called Alternative Investing Custody Services.

The new marketplace aims to offer a wider array of alternative investments, says Jalina Kerr, senior v.p., client experience, Schwab Advisor Services.

“We’ve been hearing from our advisors for some time now that they continue to view alternatives as a pretty important part of the portfolios that they’re building out for their clients,” Kerr says. “The marketplace platform lets us tap into third parties who ... perform a lot of due diligence and have menus of their own private funds.”

iCapital Network is the marketplace’s first platform provider, and Schwab expects to add more platforms, according to Kerr.

While iCapital has worked with Schwab RIAs for several years, the marketplace allows them to eliminate some of the manual processes and fees, says iCapital CEO **Lawrence Calcano**.

“In the past, we couldn’t do electronic signature, every fund had to be manually added to Schwab’s list, Schwab had to do due diligence on every fund, there were fees associated with Schwab making the capital calls, so at every point there was just some friction in the advisor experience,” he explains.

CAIS is working to get its alts platform on Schwab's new marketplace, says Matthew Brown, founder and CEO. Offering access to platforms, which do due diligence on funds, rather than alts funds directly, makes investing easier for advisors because most — 67% — are still looking for information on how alts work and how they can be added to client portfolios, he says.

Launching an alts platform is consistent with the industry trend toward brokerages becoming "supermarkets" of technology and investment strategies, says Paul Ahern, president and founding principal of Winslow Capital Group. Ahern says he expects other asset managers to follow suit.

The platform may also help Schwab expand its high-net-worth and family office businesses, Ahern adds.

"This is a vehicle for Schwab to penetrate and have an offering to address [those] more upscale, more profitable segments of the industrial marketplace," he says. "Family offices are almost always a good launching vehicle for alternative strategies [and] private placements. They're usually out on the leading edge of looking at different types of strategies ... because they usually have a higher risk threshold [and] a more informed assessment process to consider these types of investments."

The RIAs on CAIS' platform have gravitated toward private equity, private credit, hedge funds and real estate, according to Brown.

"We do see a fairly even disbursement of assets in these areas," he says.

Within private equity, RIAs are particularly interested in growth capital investments, iCapital's Calcano says.

"Given the shrinkage in the public markets, in terms of just numbers of companies, and the way in which certain growth stocks tend to have very high crowding, we think growth is a strategy that people are very interested in," he says. "In the public markets, there might be 4000 companies, in which only a fraction are truly growth companies, whereas in the private markets, there are well in excess of 100,000 private companies. So, the choices that people have in the private markets to access growth companies [are] much more significant."

The low-interest-rate environment has also prompted RIAs to look at private credit and real estate, Calcano adds.