

PGIM Partners with iCapital to Expand Advisor Alts Distribution

By Danielle Verbrigghe August 13, 2020

PGIM Investments has reached an agreement with **iCapital Network** to provide a customized technology platform to distribute its alternative investment strategies to the financial advisor market.

PGIM, Prudential Financial's \$1.4 trillion global investment management business, hopes the technology will ease access for financial advisors and their high-net-worth clients to the firm's real estate, private credit and other private alts strategies. The platform will include automated subscriptions, administration, document management and reporting.

PGIM's alternative investments, including private real estate debt and equity, private credit, hedge fund and infrastructure products, had about \$235 billion in global AUM as of March 31. But the firm's alts business has historically focused primarily on institutional investors.

"PGIM has a long history of managing alternative asset classes which have traditionally been offered to the firm's institutional clients," said Stuart Parker, president and CEO of PGIM Investments, in a press statement. "We are excited to utilize iCapital's intuitive technology platform to provide PGIM's institutional-quality alternative investment solutions to our retail clients."

PGIM joins a long list of other managers using iCapital's technology to ease private alts distribution in the financial advisor market. PIMCO, for example, last year reached an agreement with iCapital to build a custom platform to distribute its alts products to advisors. J.P. Morgan Asset Management, Morgan Stanley Investment Management, Apollo Global Management, Carlyle Group, Blackstone and Brookfield have also turned to iCapital for custom, manager-branded alts platforms to distribute their own strategies to advisors.

PGIM's move is "really emblematic of the trend we've seen over the past four or five years around asset managers, [and] general partners really embracing the high-net-worth channel as

the next offering beyond their institutional roots, says **Lawrence Calcano**, chairman and CEO of iCapital Network.

After a tough spring, financial advisors are also showing renewed interest in hedge funds and alternatives generally, Calcano notes.

“The amount of interest in alternatives has continued to pick up steam,” he says. “We’re seeing that happening, and a lot of the asset managers have been slowly moving into this marketplace, some more aggressively than others.”

A variety of factors are drawing asset managers to target the high-net-worth alts market as an area of opportunity, Deloitte noted in its 2020 investment management outlook.

“Platforms, coupled with investment advice and risk controls, may be important ingredients in a coming change that opens access to alternative investments,” Deloitte analysts write in the report.

In addition to technology making private alts more accessible to advisors and high-net-worth investors, regulatory developments could potentially open up private alts to a wider array of retail investors, Deloitte writes in the report.

On the regulatory front, the Securities and Exchange Commission (SEC) is currently considering removing staff guidance that currently limits closed-end funds with significant illiquid assets to accredited investors. That move could potentially open up private equity and hedge fund strategies to a broader swath of retail clients, as reported by *FundFire Alts*.

As advisor and retail investor access to alts expands, so does the need for education, Calcano notes. Asset managers, including PGIM, are also investing in distribution and education for advisors, he says.

“A lot of the asset managers are really investing their resources to have people in the field to help educate the advisor community and help support the products,” Calcano says. Making sure advisors, and their clients understand the pros and cons of different product types is in everyone’s best interest, he adds.

Brokerages and other distribution firms have also tapped into iCapital’s technology to offer up menus of third-party alts products for their advisors. Janney Montgomery Scott, for example, last year, reached an agreement with iCapital to offer a menu of alts products to its financial

advisors. Schwab Advisor Services and Fidelity Institutional also provide RIA and other institutional clients access to alts through iCapital.

iCapital has also bolstered its platform and capabilities in recent years through acquisitions. In May the firm announced plans to acquire most of rival alts platform Artivist, cementing its position in as a leading tech provider for financial advisors. The firm still competes with several other providers including CAIS, PPB Advisors and CircleSquared.

iCapital has also picked up the feeder fund businesses of several wirehouses, including Wells Fargo, Morgan Stanley and Bank of America. The alts tech firm also acquired Deutsche Bank's U.S. private equity platform in 2017 and Credit Suisse's HedgeFocus unit the prior year.

iCapital serviced about \$52 billion in client assets across nearly 500 funds, as of the end of June. That asset figure is set to rise to roughly \$60 billion when the Wells Fargo feeder fund deal closes, according to Calcano.

The firm's goal is to serve as an end-to-end connector automating the high-net-worth alts business.

"What you're seeing is the connectivity of all the components of the industry onto a common platform," Calcano says. "That's really what we're driving at."