



Online Door Opens To Private Equity Universe

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High-net-worth investors and their financial advisors have a new portal to the universe of private equity funds with the launch Wednesday of iCapital Network's online marketplace.

The platform allows qualified investors and wealth managers to analyze—free of charge—more than 2,000 private equity funds that are actively raising money. The funds span sectors including real estate, venture capital, mezzanine and real assets. iCapital partners with data providers and portfolio-management software companies such as Prequin, Burgiss and Intralink allow users to research fund and manager profiles, performance data and peer-group data, as well as conduct quartile analyses of fund managers by asset class, strategy, geography, size and performance.

The system's iCapital Private Access Fund Program offers qualified investors and advisors access to a subset of those 2,000 funds, some with minimum investments as low as \$100,000, managed by select fund managers.

On the flip side, the iCapital Network enables private equity funds and their general partners to aggregate investor commitments. The system has been in beta testing since spring 2014 and has aggregated qualified investor assets of more than \$450 billion to date, according to New York-based iCapital, which expects that amount to reach at least \$850 billion by the end of the year.

The focus of the iCapital Network, though, is on making it easier for members of the "wealth community" to participate in private equity investing, according to Managing Partner Lawrence Calcano.

"When we talk to advisors, RIAs, family offices, the issues are, one, finding [private equity] funds; two, getting access; and three, investment minimums. A lot of funds have \$5 million and \$10 million minimums, so we create these Private Access Funds that allow people to invest as little as \$100,000 into a fund. Then we aggregate all of that and we become one limited partner in a general partner fund representing the interests of many underlying investors," said Calcano.

iCapital generates revenue by raising and administering Private Access Funds as well as from fund managers who pay to create “premium” online profiles that include roadshow-style videos in which managers offer firsthand details about their funds’ strategies and objectives.

iCapital’s fund selection committee chooses all the Private Access Funds on the system after they have been vetted by a group of six private equity fund placement firms, including Credit Suisse’s Private Fund Group; Eaton Partners; Blackstone affiliate Park Hill Group; Evercore’s Private Funds Group; Monument Group; and Capstone Partners.

“That group probably represents the most experienced due diligence machine in the industry. So when we start looking at funds that come through that funnel, they’ve been highly curated by those teams and we do our own diligence on top of that,” said Calcano.

iCapital also offers wealth managers complete administrative services for Private Access Funds, including capital calls, distributions, tax/K-1 preparation and investor reporting through a partnership with Gen II Fund Services.

“When we set up a Private Access Fund, we do all the legal work in establishing the fund. We’ve retained KPMG and McGladrey for the accounting and we also do all the back-office with our Gen II partners,” said Calcano.

For financial advisors, the result is a streamlined, systematic process that opens the entire private equity asset class to their clients, according to Calcano.

“We’re giving them a free tool to see everything in the private equity market and the tools to review track records, benchmark track records, and dig into the underlying data and documents on a fund,” he said. “And where we’re offering Private Access Funds, we give them the opportunity to invest in low minimum ways and then we’ll do all the back end. It’s a complete solution that will help them build their private equity portfolios on behalf of their clients.”