

UBS Strikes Deal to Ease Alts Investing for HNW Crowd

By Danielle Verbrigghe July 12, 2017

UBS plans to re-engineer the infrastructure it uses to deliver alternative investments to clients, tapping into technology from **iCapital Network** to streamline the process.

UBS has made a strategic investment in iCapital, a \$2.3 billion alternative investment platform for advisors, purchasing a minority stake in the company. This comes after BlackRock made a previous investment in the iCapital platform.

As part of the arrangement, UBS plans to use iCapital's technology infrastructure to simplify the process for advisors to access alternative investments like private equity and hedge funds, for qualified high-net-worth clients. This could alleviate some of the headaches associated with what could historically be a manual and paper-work-heavy process for private investments.

"Our primary goal is to enhance and improve the client experience and the financial advisor experience around our alternatives business," says Jerry Pascucci, head of alternative investments for UBS Wealth Management Americas, noting that the new relationship is intended to streamline operations, add more automation and consistency and enhance reporting.

Historically, UBS has primarily used proprietary technologies to power its alternatives business, as well as other parts of its wealth management business.

UBS
NUMBER OF ADVISORS 6969
FIRM-WIDE ASSETS \$1,200,000 Million
FEE-BASED ADVISORY ASSETS \$405,800 Million
DISCRETIONARY ASSETS \$178,322 Million
KEY PLATFORMS UBS - Portfolio Management Program (PMP), UBS - Strategic Advisor, UBS - ACCESS, UBS - Managed Accounts Consulting (MAC), ...
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However, as part of a plan to embrace newer digital technology, the company has recently made a number of partnerships with outside technology providers. The wirehouse has partnered

with BlackRock Solutions to give advisors and home office employees access to the Aladdin system for risk management and portfolio construction, as reported earlier this year. UBS has also turned to robo-advisor firm SigFig for access to digital advice technology. In 2015, UBS also hired Vestmark as part of a plan to overhaul its legacy managed account platforms.

“This [iCapital] partnership is part of a larger and broader digital strategy that UBS has—to offer a best-in-class platform to our advisors and help them deepen their relationships with clients,” Pascucci says.

UBS plans to transition some legacy products to the iCapital infrastructure and to use it for some new product offerings going forward.

The goal will be to eventually move over all of the alternative investments from the UBS platform to the iCapital system, says **Lawrence Calcano**, CEO of iCapital Network. That will include private equity and hedge fund investments, and may also eventually include things like real estate and other direct investments, according to Calcano. But moving everything may be a longer-term play and won’t happen immediately.

The goal is to create one “seamless” system for advisors encompassing everything from subscriptions, to operations and reporting on one unified platform.

Implementation will likely take place throughout 2017 and into 2018, Calcano says.

Overlap between the general partners already hooked up on the iCapital platform and those UBS has on its own platform may help facilitate the process, according to Calcano.

“There are a lot of large general partners that have selected iCapital in creating feeder vehicles,” Calcano says. “There’s a very high overlap between the general partners that UBS is interested in offering to their wealth clients and general partners that have selected iCapital as their wealth partner. It makes it that much easier for both sides.”

In simplifying the operational complexity advisors face in accessing alternatives, firms like UBS could prompt more advisors to use them, says Timothy Welsh, president of Nexus Strategy.

“The biggest drawback to working with alternative investments for advisors is historical lack of operational efficiencies,” Welsh says. “It’s tough to work with new clients and manage portfolios when you can’t really see the underlying assets, you can’t report on them in real time.”

“Anything that moves this process forward from a technology point of view, I think, will be welcomed with open arms from advisors,” Welsh says.

The partnership with UBS is a very big and strategic deal for iCapital, says Calcano. “We want to be the alternatives architecture for the entire industry,” he says. “Given the amount of alternatives that UBS clients invest in, it’s an incredibly important deal for us.”

iCapital competes with a number of other technology platforms, which have geared up menus of alternative investments targeting investment advisors. Others operating in the space include CAIS, Artinvest and Circle Squared.

“This is a significant pivot by iCapital to jump in the arms of a big wirehouse, whereas before they had [focused on] the independent space,” Welsh says. “I do think it is a harbinger of things to come.”

As competition intensifies amongst the alternative investment platforms, Welsh predicts more pressure on firms that aren’t able to land big partnerships. “The independent platforms will probably consolidate,” he says.