

Carlyle Taps New Partner for Retail Distribution

By Tom Stabile March 1, 2017

Carlyle Group is building a new partnership with **iCapital Network** that will help manage operations and administration on its private equity vehicles targeting the wealth management marketplace.

The new iCapital relationship includes the latest version of Carlyle's retail-oriented Private Equity Access series, a custom multi-product structure that invests in several of the five to 10 institutional strategies that the manager has in the market seeking capital during any given time period. Carlyle has had two previous versions of the multi-product strategy, and now has tapped iCapital to run operations on the third, according to a source with knowledge of the matter.

The partnership also involves iCapital creating a feeder vehicle for one of Carlyle's open end real estate funds. The firms filed documents earlier this year with the Securities and Exchange Commission outlining their partnership on that vehicle, the iCapital-Carlyle Property Investors Access Fund.

Carlyle retains legacy relationships with prior retail partners as well, such as a registered closed-end vehicle investing in several of its funds that is run by Central Park Group and that has more than \$900 million in assets, according to recent regulatory filings. It also has had various private institutional funds distributed via feeder vehicles to the wirehouse brokerages and other large advisory firms in recent years, including 10 such arrangements lined up for this year, according to the source familiar with the firm.

A Carlyle spokesman declined comment on the new arrangement with iCapital.

Carlyle began looking for a partner to help it manage the private equity multi-product vehicle last year, as it saw more capital flowing in from advisors but realized it didn't have a smooth system for administering the assets, the source says. With iCapital, Carlyle now has new operational capabilities, including the ability to handle subscription subdocuments online and to accept digital signatures.

In the arrangement, iCapital serves almost as a utility hosting the Carlyle product's online presence, with a white label site that all of the private equity firm's partners can access. The deal also allows iCapital to provide access to its own independent advisor clients, which has driven additional traffic to Carlyle's product site. The platform's salesforce is not directly taking on a distribution role, says the source.

Carlyle could have a fourth entry in the private equity access series out even this year, which might be timed to tap into some of the manager's flagship strategies, including its U.S., Europe, and Asia

buyout funds, all of which are due for new versions, according to comments from firm executives on recent earnings calls.

The new partnership is likely to be broader than just the initial projects between the two firms, says **Lawrence Calcano**, CEO at iCapital. The arrangement mirrors others in which iCapital has evolved from its original core business of a turnkey-style private alts product platform for advisors into an outfit that also provides custom technology to deliver private funds and other alternative vehicles for large asset managers. That model is similar to some of its competitors, including Artivest, which last year inked similar deals with Nuveen Asset Management and BlackRock.

“We provide all the technology from due diligence to distribution – the commitment process, electronic signatures, capital calls, distribution,” he says. “It’s technology to support the whole process.”

While firms like iCapital are competing to offer private funds easier access to the advisor marketplace, few alts managers have developed such operational capabilities on their own, nor have their fund administrators, Calcano says. For a manager moving from the model where it is taking in \$250 million mandates from large pensions to now adding capital in \$250,000 chunks from high-net-worth investors, “technology becomes a need-to-have,” he adds.

To further smooth the process for managers, iCapital is also partnering with private equity fund administrators to provide basic accounting and data management services, and integrating the entire effort. It has partnerships with Gen II Fund Services for private equity and BNY Mellon for hedge fund administration, though iCapital will also partner with other administrators on a manager’s request, Calcano says.

“We want to have as streamlined a data flow process as possible,” he adds.

That partnership model is likely to gain traction, says Bill Salus, CEO of Paddock Consultancy. It’s far less likely that fund administrators will venture into developing retail distribution platforms to compete with firms like iCapital, Artivest, CAIS, and Mercury Capital Advisors, he says.

Salus says during his recent tenure as an executive at Apex Fund Services, he often had retail alts platforms discussing ways to partner on back office and middle office operations.

“There are lots of hurdles around trying to put [retail platforms] together – not just the regulatory rules, but also mechanical and operations,” he says. “I don’t see administrators wanting to get into sales, but they will happily figure out ways to get involved as partners.”