

# Privcap / Report

Expert Webinar:

# Fundraising in the Digital Era

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How technology is disrupting  
private capital fundraising

## Experts

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**Paul Ferraro**  
The Carlyle Group

**Dan Vene**  
iCapital Network

# Fundraising in the Digital Era

## The Experts



### Paul Ferraro

Managing Director,  
Head of Private Client Group,  
The Carlyle Group



### Dan Vene

Co-founder & Managing Partner,  
iCapital Network

Technology is disrupting PE fundraising, with online platforms both broadening the investor pool and creating more efficient ways to raise capital and manage investor relations. In a recent interview with Privcap, two experts explain why this trend is **here to stay**.

**Privcap: Dan, can you describe how iCapital and The Carlyle Group have worked together? What does it look like from a technical point of view?**

**Dan Vene, iCapital Network:** Carlyle needed to think about a digital solution to attract a whole new channel of capital in the private wealth segment. Typically, most institutional-quality alternative managers have built their businesses over a couple of decades predominantly based on institutional wealth. Those investment sizes are often \$50, \$100, and even \$500 million to a single fund.

We wanted to provide a white label of our technology infrastructure that allows clients like Carlyle to onboard clients, process the KYC and the AML requirements, and help them through all the online subscription documents.

Today, they receive all of the ongoing reporting, commentary and performance reports from the underlying managers, the tax-related documents. In collaboration with Carlyle, we also manage all the third parties involved—tax, audit, admin—as well as set up the data room and electronic subscription document.

**Can you explain the online fundraising experience? How do you vet new investment opportunities and then make those opportunities available to wealth management clients?**

**Paul Ferraro, The Carlyle Group:** We're an institutional shop by nature, so we wanted to make digital fundraising as close to an institutional-type experience as we could. That starts with the data room for us. There's an investor relations person who's talking to their institutional clients, first gaining some interest in a particular offering and then opening up a data room for them. That data room is thorough and will include everything from a flip book, legal docs such as PPM and LPA, and description documents, cash flows on the previous funds, money in, money out, etc.

**Typically, Carlyle manages large institutional investors whose ticket size can support a high-touch relationship. How do you successfully support a high-net-worth individual who's investing, say, \$100,000?**

**Vene:** Using this platform, we're automating the entire life cycle of the investment and providing as similar an experience as possible. Interested investors and advisors are invited to the Carlyle white label platform, where they will receive educational materials on the firm and the investment strategies available.

We also have detailed track record information and a full diligence room. The platform handles many routine client inquiries and is available on mobile device formats.

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### What were the macro trends that drove the creation of platforms like iCapital?

**Ferraro:** It wasn't until the global financial crisis that we started to see these alternative businesses grow at the wires and at the private banks. For Carlyle, it became clear that this was a space we wanted to be in, but we didn't have the capabilities to manage or administer hundreds or thousands of smaller commitments.

We needed a solution to bring Carlyle into the 21st century. Today, we're still raising 80% of the assets in the wealth management site through the private banks and the wire houses, but we've committed ourselves to the RIA channel. We believe this is a big part of the future.

### Why does Carlyle feel it's worthwhile to set aside an allocation for a less traditional investor?

**Ferraro:** It's not a secret that the fundraising environment is good both institutionally and through wealth management.

We are committed to this space, and about 23 percent today of our total AUM is high net worth, whether that's the wealth management organizations or family offices. We want to allocate enough capital so that all of our clients are getting access to funds that are in such high demand.

### \$100,000 is the basic commitment minimums to clients. Why is \$100,000 the level that makes sense? Why not go down to \$10?

**Vene:** The administrative fees for anything lower than that is not practical for an access vehicle. There are a few products where the minimums are higher and even lower than \$100k. It is product specific, but the end asset owner or the end investor needs to have a net worth excluding their primary residence of at least \$5 million. And \$100k is a level that makes it possible for a

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high-net-worth investor to get diversified exposure to private equity.

### What happens if one of these retail clients defaults or is unable to continue contributing capital to the fund? Is there a mechanism to take care of them?

**Vene:** We have about 12,000 investors on the iCapital platform and have never had an actual default. Late payments, yes, but they've always been resolved.

That's important, because you don't want to put an entire vehicle, a commingled vehicle, and a number of high-net-worth investors in default because one person has not funded their commitment. Most of the time, they realize the gravity of a potential default and fund the capital call.

Another possible alternative is to sell to a secondary provider, who may be interested in buying that position, possibly with a small discount.

### Looking toward the future, how much capital do you think could come out of this newer market for alternative investments?

**Vene:** The data we've seen indicates that the RIA channel is currently less than 1 percent allocated to alternatives. But with the

volatility in the S&P 500, continued low yields on fixed income investments, we believe there will be a large shift and adoption of alternatives across the independent channel.

I also agree that 401(k) plans are an area that could provide huge opportunity. Regulatory and structural issues are why this trend will happen slowly over time, but firms like Carlyle and iCapital are investing heavily in making this easier and more understandable for people to make it part of their portfolio. We're both in this for the long term. ■

To learn more about digital fundraising, please listen and watch the full webinar and interview at [www.privcap.com](http://www.privcap.com)