Buyouts

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FIRMS & FUNDS

Hamilton Lane takes aim at retail investors

The $757bn alternative assets manager was a first mover in what is now becoming a crowded market.

What used to be elusive to the Main Street investor is now becoming commonplace, as more and more private equity firms are making plays to attract retail investors.

Hamilton Lane is among those targeting the niche retail market. In fact, the $757 billion alternative assets manager was a first mover, Steve Brennan, Hamilton Lane's head of private wealth solutions, told Buyouts.

"It is clear that there is a huge opportunity for additional capital to be allocated by individual investors into the private markets and we are an early entrant in the space," Brennan said. "We feel like that has given us an advantage."

Hamilton Lane takes aim at retail investors with two evergreen products: the Global Private Assets Fund for non-US investors and the Private Assets Fund for those based in the US. Each is made up of a blend of direct private equity investments, private credit investments and secondaries.

The platform launched just over two years ago and is already up to $1.6 billion assets under management. The funds' performance thus far is strong – as of September 30, the US fund is returning 21.07 percent since inception and 14.19 percent year-to-date.* The global fund is returning 16.59 percent since inception and 13.57 percent year-to-date.

Retail investors have long been touted as underserved in private markets, especially as compared with institutions. Today, however, as PE giants like Apollo, Blackstone and KKR create new retail-oriented capabilities, the space is beginning to look a bit crowded.

Hamilton Lane, Brennan said, is not worried about the pressures of competition, arguing that current penetration of the retail market represents only a fraction of the total opportunity set.

"We believe it is very much still an underserved segment of the market, and the opportunity set is huge," Brennan said. Compared to institutions, he said, which tend to allocate 5 percent to 30 percent of assets to PE "the individual investor space has not even dipped a toe in the water as far as exposure goes."

To add to this point, Brennan cited a 2021 wealth and asset management report from Morgan Stanley and Oliver Wyman. It projects additional high-net-worth allocations to private market investments will represent about $1.5 trillion of assets by 2025.

A walk down Main Street

Enabling private-market access to institutions has made up the vast majority of Hamilton Lane's business over its 30-year history. The firm is now building out a dedicated global team and tailored products to do the same for Main Street investors.

"We wanted to take our institutional PE deal flow and make that available to individual investors in a structure that makes sense for them," Brennan said. This approach, he added, would help these investors avoid some of the traditional hurdles faced by them when trying to access private markets.

For example, an institution wanting to invest in PE can start at $5 million and up, an amount that is impractical for many retail investors. To invest in Hamilton Lane's evergreen platform, exact minimums depend on the geography but in the US the minimum is $50,000. Outside the US, the minimums vary.

Other advantages of Hamilton Lane's model include being fully deployed at the outset of investment, versus making capital calls throughout the life of an investment period, Brennan said. The firm also intends to help retail investors achieve limited liquidity** and give them the benefit of simplified tax reporting, "including a 1099 instead of a K-1."

Hamilton Lane also provides education so that individual investors and their advisers can "better understand private markets," Brennan said. "This educational component, in addition to strong performance and returns so far, helped fuel our early growth."

Brennan joined Hamilton Lane in 2002. Before, he held client service focused positions at Goldman Sachs and BNY Mellon. ■

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*Returns shown less than one year are cumulative. Returns shown over one year are annualized. Returns shown net of all fees and expenses. Past performance is not a guarantee of future returns. Class I shares were offered as of January 4, 2021. The Share Class performance for periods prior to January 4, 2021 reflects the performance of the Evergreen Private Fund L.P. with an inception date of September 1, 2020.

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