



## Simplified access to private markets via custom funds

Written by our partners at Opto Investments. *Internal use only*

### Key takeaways

- tru Independence, via its partnership with Opto Investments, allows tru RIAs to create a fully-tailored, RIA-labeled fund composed of multiple underlying private funds, which you can on-board and manage via Opto's platform.
- We see many potential benefits from our partnership with Opto and the custom fund structure, including helping you meet rising demand for private markets and providing a tech-enabled, efficient, and scalable way to offer private funds to clients.

*"We pride ourselves on providing fiduciary advisors with the best combination of client service, human talent and fintech. With Opto, we have found a partner that allows us to offer our advisors access to a suite of unique and customized private market investments with leading-edge technology. This partnership underscores our shared values and reinforces our commitment to prioritizing clients' best interests."*

- Craig Stuvland, founder and CEO of tru Independence

### Why Opto feels the time is now:

For many years, advisors have faced a challenge. While they typically appreciate the potential power of private markets to enhance clients' portfolios and better meet their long-term goals, the investment options available to them have traditionally been - to put it kindly - limited.

In the early years of private markets, basic *access* to the different asset classes was the fiduciary's main challenge. There were few private fund managers that allowed access to smaller investors. This changed as private fund managers started to realize the scale of the potential demand from individual investors, and over the course of the 2010s, many (typically large) managers started to broaden access.

In more recent years, *quality and cost* have become the new frontier. While many managers were offering access funds for high-net-worth individuals (HNWIs), these were often generic - providing exposure to a broad set of the firm's funds - and relatively expensive. While access to private markets was available, many of the most exciting, emerging managers, remained out of reach for the majority of smaller investors.

A challenge throughout has been the additional *administrative burden* of executing private investments, and packaging them in a way that investors can understand and transact in with limited friction.

An appropriately structured custom fund - if executed with the right partner with an aligned fee structure and well-executed tech platform - can resolve many of the challenges around quality, cost, and administration.

## What do we mean by custom funds?

A custom fund, via tru's partnership with Opto, is a single, **fully-tailored** and **white-labeled** fund composed of multiple underlying private funds, which you can **on-board and manage** via our technology platform.

Taking these in turn, what do we mean by “**fully tailored**”?

These custom funds are a genuine partnership. Opto sits down with RIAs to help choose the fund composition that best suits the goals and profile of your practice and clients, including:

- Overall fund size
- Asset class allocation
- Sub-strategies
- Number of funds
- Fund type
- Investor suitability
- Fee structure

Opto can recommend specific funds in which they have high conviction (that suit your fund strategy), but if you have a specific manager with which you want to work, they can likely be integrated into a broader fund.

For example, you may want to create an “aggressive growth fund” for your less risk-averse clients with long investment horizons. This could, hypothetically, have a target size of \$50M, feature a 50% allocation to private equity, a 40% allocation to venture capital, and a 10% allocation to opportunistic real estate, split across ten different underlying funds. Or an “income fund” for investors approaching retirement age, with a focus on private credit, infrastructure, and core real estate. It truly is up to you - though tru and Opto are available to offer as much guidance as you may need.

Second, what do we mean by “**white-labeled**”?

This one is pretty straightforward. From your investors' perspective it is your practice's fund, fully branded with your firm name, colors, and logo. This white labeling includes client proposals, all fund materials, and all client communications across the lifespan of the fund.

Finally, what is included when we say “**on-board and manage**”?

Once a fund has been structured and finalized, you can distribute it to clients via a dedicated software platform, featuring a streamlined transaction workflow designed to minimize manual labor. An expanding range of integrations helps to bring investor profiles and existing allocations directly onto the platform. Sophisticated yet intuitive analytics can help you decide on a recommended allocation for each individual investor and generate proposals to share with them. Finally, a simple reservation system helps you allocate cash from those investors to your custom fund.

It is important to note that, given the number and structure of the underlying funds, these are traditional, closed-end, drawdown funds. They are fundamentally illiquid, and are only available to [Qualified Purchasers](#) (QPs).

When the custom fund has been successfully distributed, Opto's platform streamlines subscription document processes and centralizes investor documents, such as capital call requests and fund reports. All post-trade activity is reflected in custody and reporting providers, simplifying investment management across the lifecycle of the fund and providing your investors with a smooth experience.

## Why might a custom fund be right for you?

There are many reasons why a custom private markets fund might be right for you. Here are just a few of them:

- The most simple is **rising demand for private markets** among HNWIs: In August 2022, 29% of HNWIs invested in the private markets, but that number is [expected to increase](#) to hit 46% as soon as 2024. Skating to where the puck is going is always a good strategy (particularly if that puck contains billions of dollars).
- Private markets investing is naturally a long-term process. Fund cycles can last for upwards of 10 years. Providing a total solution via a diversified custom fund may help **encourage clients and their families to maintain a long-term relationship** with your firm.
- Investing in multiple single-fund offerings could be an alternative, but requires a significant amount of in-house due diligence. A specialist private markets partner may be able to handle that more efficiently and more effectively. Furthermore, investing in individual funds means a lot more paperwork to execute, distribute, and manage those investments. A custom fund (or at least an Opto custom fund) could **help minimize the administrative burden**.
- Custom funds can create **immediate diversification of exposure** to a part of the market with a much [broader range of potential outcomes](#). Diversification can narrow that range of outcomes and potentially reduce risk. Fund-of-funds structures have been shown to [significantly reduce downside risk](#).
- Investing via a specialist with established relationships and deep and broad networks, such as Opto, gives you **access to certain managers** that may be unavailable to you operating independently. In asset classes with a broader range of outcomes, manager selection and access are of paramount importance.
- White labeling helps **elevate and institutionalize your brand**, differentiating your firm as a leader in private markets, to both retain and attract clients in a fiercely competitive market. At the same time, your association with a sophisticated specialist, such as Opto, helps **build credibility for your investment program** in private markets.
- Custom funds executed with the right technology partner can **simplify the process of scaling up** to create a sustainable private markets program, given huge potential efficiencies in areas such as reduced paperwork and admin automation.

*To start a conversation with us about how we can partner with you to create a custom fund tailored to your practice, email tru at [Max@tru-ind.com](mailto:Max@tru-ind.com).*

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