Hedge Fund Administration

Should I stay or should I go?

Consolidation in the hedge fund administration industry is forcing remaining providers to think strategically about their future in the business, even where revenues remain attractive.

So who's next? Since the last *Global Custodian* Hedge Fund Administration survey, BNP Paribas has bought the alternative funds services business of Credit Suisse, APEX has acquired fellow independent Pinnacle, Mitsubishi UFJ has inked a deal with UBS Group to acquire the Alternative Fund Services business of UBS Global Asset Management and Citi has put its hedge fund admin business up for sale.

The half-decade before the 2014 survey saw a number of large one-off deals, such as the buy-out of Goldman Sachs Administration Services by State Street and, in the independent sector, SS&C's acquisition of GlobeOp. Mitsubishi UFJ and U.S. Bancorp have meanwhile completed a number of separate acquisitions. The former bought Butterfield Fulcrum and Meridan, two Bermuda-based fund administrators, and, as indicated, is set to relieve UBS of its HFA business. In November 2013, U.S. Bancorp acquired Dublin-based Quintillion, having already purchased AIS Fund Administration in 2012.

By any measure that is an impressive amount of M&A activity. In its assessment of the hedge fund administration industry, published late last year, consulting firm PwC identified 27 acquisitions of hedge fund administrators since 2006, 11 of which involved firms with assets under administration of at least $20 billion.

What is it about the hedge fund administration market that has half the service providers upbeat about growth prospects and the other half looking to get out? One answer – but clearly not the only one – is market saturation. "There's little doubt that hedge fund administration (HFA), or back-office outsourcing, is a maturing industry as over 80% of hedge fund AuM is administered by a third party," the report noted. "Unsurprisingly, over the past seven years, 43% of the asset growth among top 10 administrators came from acquisitions… Organic growth in hedge fund administration will be challenging as firms are forced to compete for a relatively static group of clients."

Jack McDonald, president and CEO of Conifer Financial Services, says the firm identifies two main drivers of consolidation: "Small providers need to create scale so they merge; and the divesting of large investment banks, where it is not their core focus means there are businesses out there for purchase."

The acquisition of Pinnacle by APEX earlier this year, one of the few transactions other than the SS&C/GlobeOp deal involving independents on both sides, is perhaps an example of the first driver identified by McDonald. "During this period of industry consolidation, we analysed all of the key drivers that have contributed to our success and concluded that it was in our clients' best interests that we link up with an entity that enables us to broaden our service offerings without sacrificing quality," said John P Kelly, managing member of Pinnacle at the time of the acquisition.

"Small providers need to create scale so they merge; and the divesting of large investment banks, where it is not their core focus means there are businesses out there for purchase."

Jack McDonald, Conifer Financial Services

Meanwhile some investment banks strategising on how best to comply with Basel III requirements and other capital-related obligations have been coming to the conclusion that fund administration businesses, even if still profitable, are too high maintenance. Citi appears to have come to the same conclusion, moving its hedge fund administration business into Citigroup Holdings in preparation for sale, despite the fact that, over the past year, it has increased its AuA by a third.

"There seem to be a number of contradicting perspectives," says William Keunen, global head of fund services at Citco, one of the largest independent hedge fund administrators. "Some banks like BNY Mellon, J.P. Morgan and State Street appear to see value in having a fund administration capability, while others, such as Goldman, UBS, Credit Suisse and now Citi feel quite the opposite. Right through the middle of this are the independents, who believe strongly in the opportunities for growth."

On the surface, transaction-based banks seem well-placed to provide fund administration services which draw on similar types of expertise as their existing custody and securities processing businesses, while also offering opportunities to expand the range of services offered. Keunen suggests, however, that for some banks cross-selling opportunities to fund admin clients may have proved less attractive than originally envisaged. "My view is, that said, as an independent, because of our focus on the core product and the capacity to add value around data and reporting, it remains a great business to be in," he says.

Stephen Lewis, regional head of Sales and Relationship Management – Europe, Maples Fund Services, takes a similar position, though more critical of the business case for bank-owned administrators. "Being an ex-custodian, I've always wondered about a fund administration model based on 'stack 'em high and sell 'em cheap'," he says. "I honestly don't believe you can expect to do the same thing for every single hedge fund. Fundamentally that's always been a problem." He points to the increasing expense associated with helping individual hedge funds comply with FATCA, Form PF and AIFMD. "You can't apply the same economies of scale to fund administration," says Lewis. "A number of larger custodians have looked at their books and decided that they cannot continue to service this kind of fund manager. This presents a significant opportunity for independent administrators who can provide a tailored offering."

> "Managers need accurate data to meet the needs of a diverse range of stakeholders… As these needs grow more complex, it's straining the abilities of older technologies."
>
> **Peter Sanchez, Northern Trust Hedge Fund Services**

Lewis also sees balance sheet considerations as likely to play a role in further consolidation. "The implications of MiFID II and Basel III are bound to have an impact," he says. Many banks will be reviewing their client relationships to determine whether the existing business model is sustainable."

Technology

The bulk of HFA acquisitions have nevertheless been made by bank-owned administrators on the positive side of Keunen's dividing line. The growing importance of technology, even though it does not feature high on respondents' lists of service priorities (see page 88), perhaps explains the enthusiasm among transaction banks for continued investment in what, despite Lewis' observation, they still regard as a scale business.

Apart from the perceived similarity between fund administration and other asset administration businesses, the opportunity to provide scale solutions with thinner unit margins depends on the ability to invest commercially in technological efficiency.

BNP Paribas' decision to buy the fund administration arm of Credit Suisse is seen by the bank as a harbinger of further investment in client-facing technology. "The acquisition of Credit Suisse's HFA business has brought us an opportunity to re-fashion our reporting suite and these are the exact areas we plan to focus on to bring additional benefit to our clients," says a bank spokesperson. In fact, a rollout of these new features is set to be announced in the coming months.

The decline of self-admin

A potential source of clients for the optimists, whether by acquisition or RFP, is the move, post-Madoff, away from self-administration. Investor pressure has increased on hedge funds to beef up third-party oversight by outsourcing their books and records. Depending how in-house administration is structured, that means either sales or service contracts. Citadel, for example, one of the world's largest hedge funds, sold its Omnium subsidiary to Northern Trust in 2011.

Northern Trust has since made significant investments in technology.

"I honestly don't believe you can expect to do the same thing for every single hedge fund."

Stephen Lewis, Maples Fund Services

"Managers need accurate data to meet the needs of a diverse range of stakeholders – investors, management, front office personnel, regulators and counterparties," says Peter Sanchez, chief executive, Northern Trust Hedge Fund Services. "As these needs grow more complex, it's straining the abilities of older technologies."

Will those independent administrators who have so far resisted the acquisition route, be able to continue to rely on organic growth, given earlier observations about market saturation? "We have really always focused on organic growth, because integrating an acquisition is a huge and distracting undertaking," says Keunen. "To the extent that acquisition opportunities arise that complement our existing services, we might see value in them, but the challenges of integration mean organic growth will remain our central objective."

To some degree, the constraints identified by Keunen arising from the integration process post-acquisition may also stand in the way of tempting clients away from their existing providers. Nick Pasco, CEO of HC Global, a California-based hedge fund administrator has found his firm playing an important role in helping hedge fund clients change their prime broker. He does not, however, see this as an additional business opportunity. "Clients don't like to move prime brokers or custodians," he says. "It only happens when primes exit the market or where, for some reason, a new prime is needed."

Similarly, for hedge fund managers that have already outsourced back-office operations, switching costs in the form of transition costs and business disruption risks are relatively high, notes PwC. "Moving books and records to a new administrator is a complex activity that carries the risk of errors and service level degradation if the data isn't transitioned correctly," says the PwC report. "As such, high client switching costs limit a firm's ability to compete for market share."

Price competition

Those administrators who see themselves as in for the long haul can expect pricing pressure from clients to be sustained. Since the credit crisis, institutional investors have increased the rate at which they negotiate lower management and performance fees with hedge fund managers, notes PwC. In response, hedge fund managers are reducing their own costs to offset the effect of management fee compression on their bottom line. "Hedge fund administrators are a target of these cost efficiency initiatives because they often represent a large percentage of a hedge fund manager's cost structure," says the report.

"Our sense on fees is that the industry is going through huge change and transformation. A lot of competition is getting out of the business because the margins are so tight," says Keunen. "Others are building a book of business to sell the business. They want to generate whatever revenues they can in an effort to build a book of business to sell on." Keunen suggests there are good reasons to challenge downward fee pressure. "Obviously we enter into pricing discussions with our clients in good faith, and in the knowledge that we have to compete, but overall we try to stick to our value proposition. In our experience, our true client partners appreciate that the industry needs to generate sufficient margins to enable ongoing investment in technology, people and processes."

At the same time, service demands resulting from regulation are likely to require further investment on the part of service providers. "Managers with global portfolios face another level of complexity," says Carl Lingenfelter, chief administration officer, Northern Trust Hedge Fund Services. "AIFMD, EMIR and numerous FATCA-style regulations are talked about as 'European' regulations. In reality, however, the actual requirements often fall to individual governments, and so there is a lot of nuance and variance that needs to be properly addressed. These regulations are in varied states of maturity, and while I think we will eventually see regulators approach consensus, it's tricky terrain at the moment, and I expect it will remain that way for a while." ■

SURVEY OVERVIEW

Maintaining standards in a changing environment

As new regulation impacts on provider business strategies, clients hope that standards can be kept at current high levels.

As we note in the Market Overview, the last twelve months have been challenging on many fronts for the hedge fund administration industry. A variety of business purchase and sale deals have been announced and the raft of new regulations and requirements shows no signs of slowing down. Against this difficult background the efforts of the professionals involved in the industry day-to-day are admirable and clearly much appreciated by clients, wherever in the world they are based, and whatever the size and complexity they embody.

Table 1 shows the scores for the Survey in eight categories and overall in each of the last three years. The level of consistency across thousands of clients and tens of thousands of data points would be extraordinary even in a relatively stable environment, let alone one with as much change as this one. While it is true that scores did decline in 2014 they still averaged better than 6 (very good) both overall and in six of the eight categories, a feat repeated in the current year's results. Changes between 2014 and 2015 were statistically insignificant but for the most part did edge marginally higher. A minor change in classification meant that the number of responses from Very Large clients was down slightly as a proportion of the total, as shown in Table 2. However, this would not have had a material impact on the overall scores or those seen in specific aspects of service. Similarly the growth in the proportion of Asian responses, at the expense of those in the UK (as shown in Table 3), makes little difference to the scoring. However the fact that more respondents were equity focused (see Table 4) with fewer Fund of Funds responses may have positively impacted overall scores slightly.

Unchanged priorities

In terms of priorities, Fund Reporting and Valuation was cited as the single most important aspect by 40% of respondents,

Table 2: Size

	% Responses by weight 2015	% Responses by number 2015	% Responses by weight 2014	% Responses by number 2014
Very Large	14.5	7.3	19.4	10.1
Large	36.8	25.7	35.7	25.8
Medium	21.5	22.6	19.6	21.6
Small	27.2	44.4	25.3	42.5

Table 3: Location

	% Responses by weight 2015	% Responses by number 2015	% Responses by weight 2014	% Responses by number 2014
Asia	16.9	18.4	13.8	16.2
Europe – ex UK	9.2	9.6	10.4	10.3
North America	51.4	51.0	50.2	50.4
UK	13.1	11.6	17.7	15.2
Rest of the World	9.4	9.4	7.9	7.9

Table 1: Overall scores

	2015 score	2014 score	2013 score	Difference 2015 vs 2014	Difference 2014 vs 2013
Relationship Management	6.24	6.23	6.19	0.01	0.04
Value Delivered	5.96	5.94	6.21	0.02	-0.27
Investor Services	6.13	6.11	6.20	0.02	-0.09
Fund Reporting & Valuation	6.11	6.11	6.20	0.00	-0.09
Compliance & Taxation	6.03	6.00	6.20	0.03	-0.20
Technology	5.77	5.78	6.00	-0.01	-0.22
Administration Services	6.13	6.17	6.19	-0.04	-0.02
Other Services	6.21	6.19	6.34	0.02	-0.15
Overall	**6.09**	**6.08**	**6.19**	**0.01**	**-0.11**

Table 5: Client priorities

	% No 1 mentions All responses 2015	% No 1 mentions All responses 2014	Priority ranking All responses 2015	% No 1 mentions Very large clients 2015	% No 1 mentions Very large clients 2014	Priority ranking Very large clients 2015
Relationship Management	26.9	26.0	17.5	19.5	27.0	16.5
Value Delivered	15.6	15.1	16.1	6.5	13.9	13.9
Investor Services	9.8	9.9	16.9	5.2	13.0	16.7
Fund Reporting & Valuation	39.2	41.4	21.3	51.9	40.0	24.5
Compliance & Taxation	1.2	1.1	9.3	1.3	0.9	7.7
Administration Services	1.3	0.9	8.2	0.0	0.0	6.5
Technology	3.2	2.7	9.3	5.2	3.5	13.4
Other Services	2.8	2.8	1.5	0.0	1.7	0.8

a very similar proportion to 2014. Table 5 highlights the fact that the other key areas, Relationship Management and Client Service on the one hand and Value Delivered on the other, remain consistent with 2014 and well ahead of the other five categories when hedge funds consider the effectiveness of the HFA provider. The Priority Ranking, based on an ordering of all priorities by respondents, shows a narrower differential between the least and most important elements, but the relative importance is unchanged.

Perhaps somewhat surprisingly among the Very Large client set, the key role of Fund Reporting and Valuation is even more pronounced. At the same time these clients pay less attention to Value Delivered. This probably reflects the fact that as a percentage of assets under management (AuM) the administration costs are less onerous for the largest funds. At the same time they no doubt also have used their greater negotiating leverage to earn themselves more attractive deals from their provider(s). Interestingly for this group Investor Services are much more important, impacting as they do on funds' relationships with their own clients. The fact that larger fund houses probably have more, and more diversified investors also no doubt makes it extremely important to get this service aspect right.

In comparing Tables 1 and 5, it is clear that generally providers are matching best scores with higher priorities. The only area of potential future concern is the apparent slight mismatch between the Very Large client focus on Technology (fourth most important and close overall in priority to Value Delivered) and the relatively poor scores. In terms of scores from these same clients in this category they are slightly weaker than the overall average. While they do not yet represent a serious problem, they do nonetheless suggest an obvious area for future focus among providers looking to administer the very largest funds. ■

Table 4: Fund type/strategy

	% Responses by weight 2015	% Responses by number 2015	% Responses by weight 2014	% Responses by number 2014
Equity Only	52.9	58.6	48.0	51.8
of which Event Driven	(8.1)	(7.9)	(13.0)	(11.0)
Relative Value	(8.8)	(7.0)	(14.6)	(11.9)
Macro Only	9.8	9.2	15.0	14.7
Other Only	7.3	7.2	11.0	12.7
Multi-Strategy	9.5	7.8	8.6	6.8
Fund of Funds	20.5	17.2	17.4	14.1

Methodology

Survey respondents were asked to provide a rating for each fund administrator on a numerical scale from 1(unsatisfactory) to 7 (excellent), covering eight separate categories of service and 30 individual questions. In general the "default" score remained at 5 (good). In total, despite industry consolidation more than 1,000 responses were received covering over 30 different administrators. This yielded, as in 2014, many thousands of data points for analysis. All responses have been used in calculating the respective positions of different institutions as well as the overall scores in different categories.

To ensure that the Survey results reflect relative importance and commitment by respondents, all responses were assigned a weight based on three characteristics; the value of assets under management within the manager; the level of complexity of their business in terms of services actually used and evaluated; and, where appropriate the number of different administrators being used. As a result the responses from the largest and most widely informed users accounted for up to five times the weight of the smallest and least experienced respondent.

In the Survey Overview two sets of information are provided. First is a review of the overall Survey results based on each of the eight categories and looking at the different individual questions. Because differences in performance between many providers are quite small, we have decided to not rate any providers better than others in terms of a Roll of Honour. Instead we have looked at the performance of individual administrators across different types of clients. Not all providers have a similar demographic profile, with the result that some do particularly well, and service large numbers of clients in some areas, but have little business and/or perform less well with other groups. Within each of these 'demographic' groupings we have identified those institutions who outperformed the average score for that group. We have also produced an overall list containing all providers receiving a reasonable proportion of all responses by weight.

Within the provider profiles we have explained the different demographic mix of different providers as well as listing their category scores. In the remarks we have sought to consider these 'raw scores' in the context of the profile of respondents and the qualitative comments offered by way of explanation of scores. To make sure that the 'raw scores' are not given excessive focus in the write-up we also make use of the *Global Custodian* normalisation algorithm when considering our assessment of performance.

FUND ADMINISTRATION AND REPORTING

Questions	2015	2014	2013
Fund Reporting and Valuation	6.11	6.11	6.20
Timeliness and accuracy of P&L reports to fund manager	6.20	6.20	
Timeliness and accuracy of fund books and records	6.23	6.22	
Ability and willingness to customise and integrate systems	5.93	5.94	
Consistency of report formats across all locations	6.18	6.18	
Ability and accuracy in financial and tax reporting to multiple accounting standards	6.16	6.11	
Ability to deliver useful performance measurement and attribution analysis	5.86	5.91	

As noted previously, this is the single most important aspect of service from a client perspective. The scores show that providers in general are meeting core service needs in terms of timeliness and accuracy of different reports. For those clients looking at provision in multiple jurisdictions, service providers are seen as meeting client needs for both consistency on the one hand, and local reporting standards on the other.

Across different size categories of respondents, scores very closely paralleled overall survey levels, with difference between Very Large and Small clients of around 0.25 points on each question. Although scores for European clients were lower, the difference was less than would have been expected and this was an area of outperformance for that client group.

INVESTOR SERVICES

Questions	2015	2014	2013
Investor Services	6.13	6.11	6.20
Timeliness and accuracy of reporting to investors	6.15	6.13	
Flexibility of reporting to investors	5.90	5.91	
Efficiency in handling orders	6.15	6.12	
Accuracy of records of investors and intermediaries	6.27	6.24	
Efficiency in handling investor queries	6.13	6.09	

Although the number of first place priorities for Investor Services was less than 10% of the total, its importance is shown by the fact that based on overall rankings it was the third most important category. With Very Large clients it actually ranked as second in importance. From a client perspective services are relevant because they want to keep their investors happy. Obviously the most important factor in that regard is investment performance. All other things being similar however, delivering good service to investors can make a difference to where assets are placed and whether or not they are moved. In that context the slightly lower scores for flexibility of reporting are not unexpected. For Very Large clients, with most investors and most transactions to handle, scores of marginally below 6.0 should still be regarded as strong. However, European clients whose reporting needs are arguably the most complex gave an average of only 5.62 for flexibility and this clearly implies clients there do see some room for improvement.

RELATIONSHIP MANAGEMENT AND CLIENT SERVICE

Questions	2015	2014	2013
Relationship Management and Client Service	6.24	6.23	6.19
Quality of personnel	6.32	6.31	
Proactivity of relationship managers	6.17	6.17	
Understanding of your specific requirements	6.23	6.22	

This is the category of service that typically attracts most comments, almost without exception positive. What is interesting in an environment of substantive change is the extent to which providers are seen as having low staff turnover. In terms of the growth of the business, the positive comments around the experience and quality of personnel also stand out.

Indeed as the above scores show, the latter saw an average score of better than 6.30 for the second year in succession. This was the one area where Very Large clients gave an average score better than 6.0 (very good) for all three questions. Even though their scores were lower than other size categories they nonetheless represent a level of excellence which is a tribute to the major providers as a group as well as to individually strong firms. It was the only category where European clients gave an average of better than 6.10. The combination of scoring and commentary suggests a very high level of capability with no real 'weak links' among the providers.

VALUE DELIVERED

Questions	2015	2014	2013
Value Delivered	5.96	5.94	6.21
Competitiveness of fees charges	5.88	5.84	
Value received relative to fees paid	6.05	6.05	

Scores for fees and charges always feature among the lowest scores in Surveys. Of perhaps more interest is how clients assess the balance between costs and value. Here the results are once again very solid across the Survey with and average of better than 6 (very good). Indeed the proportion of scores at less than 5 is low compared with similar Surveys conducted by the magazine. One area of concern to some clients however, especially smaller ones, is the level of incremental fees being levied by some providers to account for the increased burden of regulatory reporting. Even among this group general scores remain good, but the comments are less positive here than elsewhere. It is also worth noting that Fund of Funds clients generally gave relatively weaker scores here than in other service areas, suggesting they might have a particular sensitivity. In terms of priority, Value Delivered remains important for most clients and attracts one in six of the 'most important features' vote. However there is a noticeable difference between the responses from larger clients, who are generally less concerned and the smaller ones for whom this is more important.

TECHNOLOGY

Questions	2015	2014	2013
Technology	5.77	5.78	6.00
Effectiveness in adapting technology to your requirements	5.75	5.75	
Ease of integration of technology into your operations and investment process	5.79	5.78	
Levels of investment in technology and handling of new releases	5.77	5.80	

Technology is one of two areas where scores were lower in 2015. It was also the area that saw the lowest overall average score. The level of scoring across all questions based on size was consistent with the Survey, but it is worth noting that the question on adaptiveness of technology scored the lowest of any question in the Survey, while Investment in technology was the lowest scoring question among Very Large clients. For the larger providers the question for clients is the level of priority attached to HFA business compared with other related activities undertaken by their provider. For smaller players the client concern may be the fact that they are using non-proprietary technology and getting their enhancements requests prioritised is not always easy.

There is also always the question of where in the product development lifecycle any particular institution is at any particular point in time. Having said that, some institutions do manage to get better results than others and there are clear differences between service provision in this area. Technology is not seen as a major priority however, except among the Very Large clients. So being seen as better may not in fact deliver incremental new business. Again managing this trade off between investment, client satisfaction and competitive differentiation is a key priority for management of HFA providers.

COMPLIANCE AND TAXATION

Questions	2015	2014	2013
Compliance and Taxation	6.03	6.00	6.20
Accuracy, timeliness and completeness in compliance monitoring alerts	6.01	5.97	
Ability to support regulatory compliance reporting	6.06	6.01	
Ability to support tax reporting for investors in relevant jurisdictions	6.01	5.99	
Ability and accuracy of tax calculation and reporting	6.06	6.03	

Compliance and Taxation is a number one priority for very few clients. However, while rarely number one, it is moving up the priority list for many respondents. It is also an area where clients, particularly smaller ones want and need support from administrators. Comments generally suggest that the level of support is seen as good, though for some clients it comes at a cost that they would like to see reduced. Whether that is possible is not clear at this time. It is an area where different providers do have different ways of delivery; some dealing with issues internally while others outsource this aspect of service. Clients appear keener to see administrators offer this service themselves as the requirements become more specific and more directly related to the situation of their clients as well as themselves, becoming an adjunct to investor services. The good news for providers is that scores overall are marginally ahead of 2014 levels. Interestingly European clients, whose requirements are growing steadily more complex, are relatively well satisfied with services. Very Large clients, who may do more work for themselves, see this as generally less important than the survey respondents as a whole.

ADMINISTRATION SERVICES

Questions	2015	2014	2013
Administration Services	6.13	6.17	6.19
Effectiveness of board reporting	6.08	6.13	
Ability to conduct meetings (annual, extraordinary and board)	6.15	6.18	
Effectiveness of fund structuring advice and options	5.99	6.07	
Completeness and accuracy of information provided to auditors	6.27	6.25	

Perhaps somewhat perversely Administration Services do not feature as a very high priority for clients. This probably reflects the fact that many clients take these services as a given. No Very Large clients consider this their top priority and its overall ranking is next to last. It is also interesting to note that this is one of only two areas where 2015 scores were below those recorded in 2014. The drop was not significant but the trend is not moving in the expected direction. Across all responses the level of comments surrounding these services was very low and negative comments were almost non-existent. Coupled with the scores, this implies that client satisfaction levels are high and differences in scores are driven by other factors in relationships rather than core services.

Two scores are interesting in terms of different types of clients and both are in the area of fund structuring and advice. First is that Large and Very Large clients gave relatively poor scores. Perhaps they expect more help from administrators than the providers realise. Second is that Fund of Funds respondents also scored this area at a relatively disappointing level. Both perhaps offer some opportunity for competitive differentiation.

OTHER SERVICES

Questions	2015	2014	2013
Other Services	6.21	6.19	6.34
Effectiveness is supporting Fund of Funds	6.17	6.32	
Ability to support multiple prime broker relationships	6.35	6.37	
Effectiveness of Depositary Services	6.15	N/A	

Other services covers a number of requirements that may emerge or change over time. So the ability to support multiple prime brokers was for a while an important and differentiated capability being, post the financial crisis, a new area of focus for hedge funds. Over the last six years it has become relatively standard practice for even rather small funds based on AuM. It is perhaps not surprising that scores are now very good across the Survey. At the same time that is the only area of the Survey where Very Large clients outscore Small clients again illustrating that those who most need it are now very well satisfied with service.

This year we added a question concerning depositary services which are becoming more important as a risk control measure put into place by regulators and also seen by some hedge fund clients as offering an additional protective layer against mismanagement and fraud. Here again it seems that providers have risen to the challenge with scores at 6.15. Interestingly clients in both the UK and Europe gave scores close to 6.0 which suggests that the more demanding clients perceive a high level of service.

A few clients have commented that they would like their administrator to be more pro-active in delivering options in respect of these services but overall this represents an excellent response by the industry.

MIXING AND MATCHING

Tables 6 to 18 show the relative share of responses, based on weight received by the leading providers in different groups of clients. Table 6 illustrates the position across all responses to the Survey. Tables 7 to 10 show the different lists based on size of response. Tables 11 to 15 consider the ranking based on geographic region in which the client is based while the final three Tables (16 to 18) show the position based on three different types of fund manager. The Tables have 6, 8, 10 or 12 names included depending on how many providers have a reasonable critical mass of clients by number and share of responses by weight.

Where a provider is listed as an outperformer that means that their overall score across all service categories was better than the overall average for that particular size, location or type of client. So a provider could outperform the average for European clients, with a score that was lower than the overall score in the Survey, or not outperform among Small clients even though they were ahead of the overall Survey average. As might be expected approximately half of the named providers outperform in each category, however in some cases it is slightly more and others slightly less than 50%.

Fragmentation leads to a distinctive strength

What the Tables illustrate most clearly is two things. First the market for hedge fund administration service remains fragmented with many more providers maintaining critical mass than is the case in prime brokerage or electronic trading. Second, is the notion that providers have different areas of relative strength, both in terms of client numbers and client perceptions of service. These factors argue for the idea that hedge funds themselves need to make a considered an informed choice of administrator, based on where they are, how big they are and the type of business they run. This is even truer in an environment where providers are buying and exiting the business with some frequency.

Obviously the Tables reflect responses to the Survey which may or may not be truly representative of overall client numbers. They are therefore intended as a guide not a definitive ranking. Similarly while outperforming is better than not, failure to achieve the ranking should not be interpreted as implying service is not satisfactory.

As the comments above suggest, given the circumstances of the industry all providers appear to be performing at very high levels. ■

Table 6: Global outperformer

1	Apex	Outperformer
2	Citco	Outperformer
3	SS&C GlobeOp	Outperformer
4	IFS, State Street	
5	Maples	Outperformer
6	Deutsche Bank	Outperformer
7	BNP Paribas	
8	MUFG	
9	HSBC	
10	Northern Trust	
11	Circle	
12	Stone Coast	Outperformer
13	UBS	
14	Quintillion	Outperformer
15	BNY Mellon	
16	Conifer	
17	U.S. Bancorp	Outperformer
18	SEI	
19	Opus	Outperformer
20	ALPS	Outperformer

Table 7: Very large clients

1	SS&C GlobeOp	Outperformer
2	Citco	Outperformer
3	HSBC	Outperformer
4	BNY Mellon	
5	IFS, State Street	Outperformer
6	BNP Paribas	
7	Quintillion	Outperformer
8	MUFG	
9	U.S. Bancorp	Outperformer
10	UBS	

Table 8: Large clients

1	Citco	Outperformer
2	Apex	Outperformer
3	IFS, State Street	
4	SS&C GlobeOp	Outperformer
5	Northern Trust	
6	Stone Coast	Outperformer
7	BNP Paribas	
8	HSBC	Outperformer
9	MUFG	Outperformer
10	Deutsche Bank	

Table 9: Medium clients

1	Apex	Outperformer
2	SS&C GlobeOp	Outperformer
3	Deutsche Bank	Outperformer
4	Maples	
5	Citco	Outperformer
6	Quintillion	Outperformer
7	MUFG	
8	Circle	
9	Stone Coast	Outperformer
10	Northern Trust	Outperformer

Table 10: Small clients

1	Apex	Outperformer
2	Maples	Outperformer
3	Circle	Outperformer
4	Opus	Outperformer
5	Conifer	Outperformer
6	SS&C GlobeOp	
7	Deutsche Bank	
8	UBS	Outperformer
9	SEI	Outperformer
10	BNP Paribas	

Table 11: North American clients

1	SS&C GlobeOp	Outperformer
2	Citco	
3	Stone Coast	Outperformer
4	Apex	Outperformer
5	Conifer	
6	U.S. Bancorp	Outperformer
7	Deutsche Bank	Outperformer
8	BNY Mellon	
9	Northern Trust	
10	IFS, State Street	
11	MUFG	
12	BNP Paribas	Outperformer

Table 12: UK clients

1	Quintillion	Outperformer
2	Apex	Outperformer
3	IFS, State Street	
4	Citco	Outperformer
5	SEI	Outperformer
6	HSBC	
7	Deutsche Bank	
8	SS&C GlobeOp	
9	MUFG	
10	Maples	Outperformer

Table 13: European clients

1	Circle	Outperformer
2	Apex	
3	Citco	Outperformer
4	BNP Paribas	
5	SEI	
6	Maples	Outperformer
7	HSBC	Outperformer
8	IFS, State Street	

Table 14: Asian clients

1	Apex	Outperformer
2	Citco	
3	HSBC	
4	Maples	Outperformer
5	BNP Paribas	Outperformer
6	UBS	Outperformer
7	Deutsche Bank	Outperformer
8	Northern Trust	

Table 15: Rest of the world clients

1	Apex	Outperformer
2	Maples	
3	MUFG	
4	UBS	Outperformer
5	Circle	
6	IFS, State Street	

Table 16: Equity managers

1	Apex	Outperformer
2	Citco	Outperformer
3	Maples	Outperformer
4	IFS, State Street	
5	Conifer	
6	Deutsche Bank	
7	SS&C GlobeOp	Outperformer
8	Stone Coast	Outperformer
9	BNP Paribas	Outperformer
10	HSBC	
11	Circle	
12	Opus	

Table 17: Fund of fund managers

1	Citco	Outperformer
2	Apex	
3	UBS	
4	BNP Paribas	
5	IFS, State Street	Outperformer
6	HSBC	Outperformer
7	Circle	Outperformer
8	BNY Mellon	

Table 18: Macro managers

1	Apex	Outperformer
2	Citco	Outperformer
3	IFS, State Street	
4	Circle	
5	SEI	
6	Maples	Outperformer
7	SS&C GlobeOp	
8	BNP Paribas	Outperformer
9	UBS	Outperformer
10	Deutsche Bank	Outperformer
11	BNY Mellon	
12	Northern Trust	Outperformer

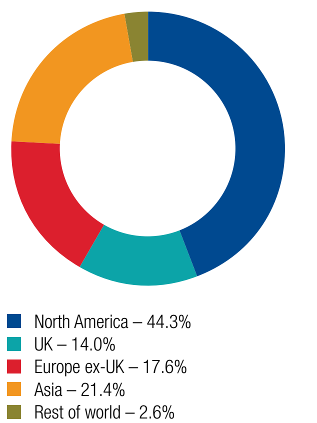
ALPS, A DST Company

ALPS Fund Services provides administration and related services to hundreds of mutual and hedge fund clients. While the level of responses seen in the hedge fund survey is lower than that in mutual funds, it nonetheless maintains a solid and very satisfied client base. All its clients are North American and the majority are at the smaller end of the size spectrum. This favours ALPS from a scoring perspective. However, application of the *Global Custodian* normalisation algorithm does not detract from the very strong overall performance. The average score of 6.28, though marginally lower than 2014, still represents by any measure an excellent level of client satisfaction.

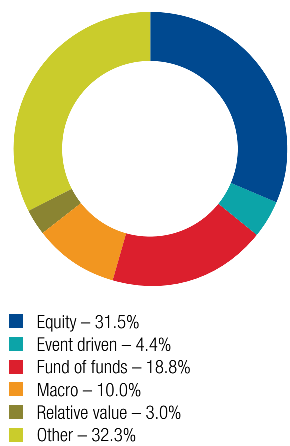
As might be expected given the background of the firm's business, ALPS scores particularly well in both Administration and Investor Services. In the latter case the average score is 6.50 (midway between very good and excellent) and was up 0.10 points on what was already a very good score in 2014. While Administration services saw a marginal decline, the actual score of 6.56 remains highly competitive. The scores are very strong across all sizes of client and different types of investment strategy. Scores for Relationship Management and Client Service were also high with an average of 6.38 built on excellent scores for Quality of Personnel. This was reinforced by a number of client comments about individuals and was summed up by one client as, "great people, great service".

Scores were noticeably lower in two areas, Technology and Compliance and Taxation. The latter saw scores comfortably above 6.0 (very good) but in Technology the average was a more modest 5.72. Both areas saw suggestions for enhancements from respondents. One client wanted ALPS to, "take ownership of the process of developing the tax returns". Another found the web portal provided by ALPS to be not very user friendly and a third was interested in a more dynamic web capability that would allow easier viewing of books and records. Finally one client had a specific concern related to the software supporting tax issues on foreign equity trades. None of these issues is necessarily of critical importance to all clients. Rather they reflect individual client concerns. Nonetheless ALPS should make sure that its core operational services remain as well regarded as its administration services. Overall ALPS continues to perform well with the client types on which it chooses to focus. Within this environment it remains highly competitive. As industry consolidation continues should expect to win more business in the future, based on the commitment of the firm to the overall funds servicing business and its key strengths. ■

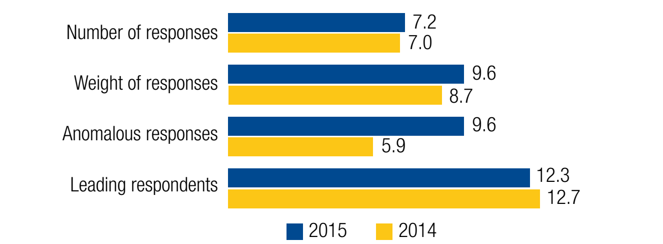
ALPS: by location (%)



ALPS: by type (%)



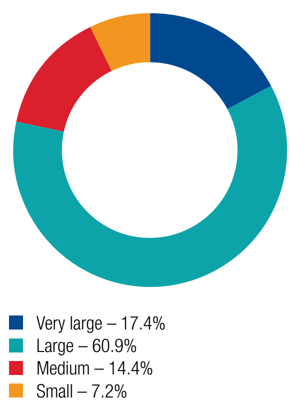
ALPS: weighted share of responses (%)



ALPS

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.38	6.48	6.26	-0.10	0.22
Value delivered	6.23	6.09	6.43	0.14	-0.34
Investor services (if applicable)	6.50	6.40	6.48	0.10	-0.08
Fund reporting and valuation	6.28	6.37	6.23	-0.09	0.14
Compliance and taxation	6.18	6.37	6.48	-0.19	-0.11
Technology	5.72	6.04	6.17	-0.32	-0.13
Administration services (If applicable)	6.56	6.59	7.00	-0.03	-0.41
Other services	6.11	6.29	6.39	-0.18	-0.10
Global outperformer	**Yes**	**Yes**	**Yes**		

ALPS: by size (%)



Apex Fund Services

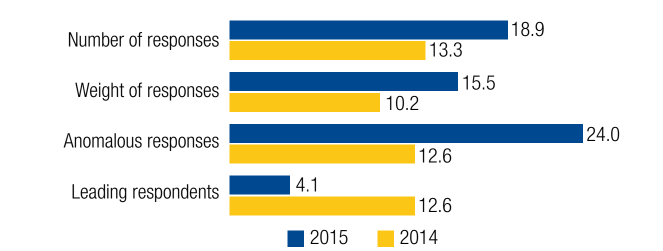
Apex once again demonstrated its excellent position in hedge fund administration, receiving more responses than any other provider and outperforming the Survey average in six of eight categories as well as overall. The number of funds and managers has continued its excellent growth and combined with market improvements mean that assets are up by almost one-third since January 2014. Respondents mainly fall into the Small category (70% by number), but are globally diversified with a strong Asian component. This may have favoured scores marginally but not materially. While overall scores declined marginally for Apex in 2015, they remained comfortably ahead of the 6.0 (very good) level. Client comments also suggest that Apex has lost none of its ability to deliver proactive service. As one North American manager noted, "without a doubt, Apex goes above and beyond and been proactive in addressing issues before they happen. The best provider on the street." Excellent Relationship Management and Client Service remains at the core of the Apex offering. Clients mentioned a number of individuals for particular praise, as well as highlighting areas where Apex had responded more quickly to client needs than other administrators. There were no negative comments in this area and scores were consistently strong across all questions.

Based on client comments, Apex seems to benefit from being responsive and flexible in its dealings with clients and working to help clients grow their own business, beginning with what one client described as a "great onboarding process". It is also reflected in their being the first administrator to formalise a Capital Introduction Service for their clients. While not covered in the Survey questionnaire, this is clearly an area of interest for Apex clients. This innovative approach extends to Technology where Apex comfortably beat the Survey average and scored particularly well with North American clients. However European clients were not as enthusiastic about technology with one commenting that, "increased technology support would be of assistance."

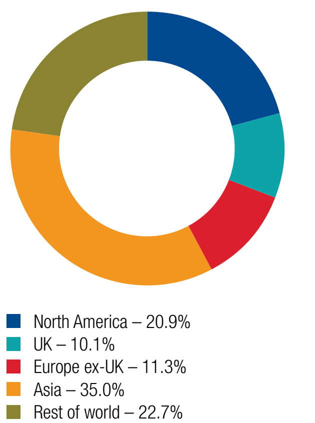
Apex marginally underperformed the Survey in Administration Services and although scores for Compliance and Taxation were up on 2014, the area still attracted some negative comments. These however were centred on the price of services provided rather than their quality or availability. Similarly one client found services expensive in specific jurisdictions. This reflects one of the challenges inherent in running a specialised business on a global scale. It also reflects the difficulty of providing smaller funds with services whose cost of delivery is not related to the value of funds under management.

Overall another excellent and competitive year for Apex, best summed up by one client comment, "Really good value overall, and I have worked with many fund administrators." ■

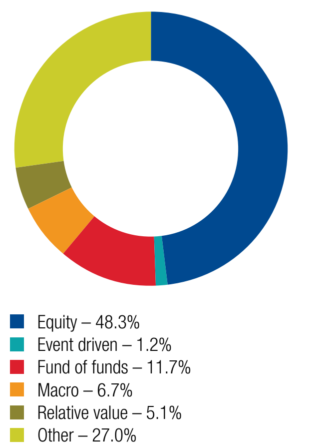
Apex: weighted share of responses (%)



Apex: by location (%)



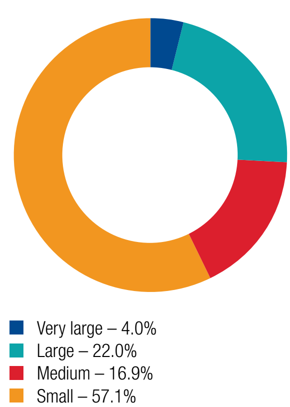
Apex: by type (%)



Apex

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.33	6.45	6.28	-0.12	0.17
Value delivered	6.16	6.15	6.24	0.01	-0.09
Investor services (if applicable)	6.19	6.24	6.43	-0.05	-0.19
Fund reporting and valuation	6.15	6.25	6.35	-0.10	-0.10
Compliance and taxation	6.10	6.03	6.21	0.07	-0.18
Technology	5.92	6.02	6.15	-0.10	-0.13
Administration services (If applicable)	6.12	6.17	6.63	-0.05	-0.46
Other services	6.18	6.19	6.40	-0.01	-0.21
Global outperformer	**Yes**	**Yes**	**Yes**		

Apex: by size (%)



BNP Paribas, including Credit Suisse

The results for BNP Paribas Securities Services this year include the business acquired from Credit Suisse. Last year's scores have therefore been recalculated for purposes of comparison. Prior to the acquisition, the bulk of BNP Paribas' client base consisted of smaller continental European hedge funds with under $100 million AuM, though the bank also maintained client relationships in the UK and North America (and a few in Asia). The acquisition of Credit Suisse Prime Funds Services, announced in August 2014, brought with it a large number of clients in the UK and North America. Together respondents for BNP Paribas and Credit Suisse accounted for approximately 3.7% of responses to the survey as a whole. On a combined basis, the majority of areas recorded a slight increase in scores, the most notable being in Value Delivered – a service category where clients are notoriously difficult to please. Three categories recorded slight declines: compliance and taxation, administration services and relationship management and client service.

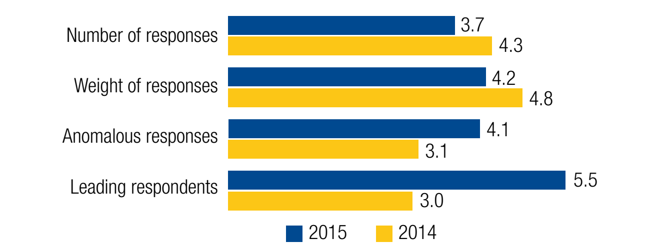
The bank's highest scores overall were awarded for its efficiency in order handling and the consistency of report formats across locations. The lowest scores, while still above Satisfactory, were in areas related to technology. Very large clients, in particular, felt that the ease of integration of the bank's technology into their operations and investment processes left much to be desired. UK-based clients, however, score the bank highly in this regard. The integration of Credit Suisse's operations into the bank's HFA services will provide an opportunity for further investment in this area. Client comments support the expectation of improvements in technology as a result of the merger of the two businesses.

The bank itself highlights the implementation of AIFMD as signifying a massive change in the hedge fund industry, placing providers at the centre of client strategies for managing the change. "The AIFMD Annex IV reporting requirements also presented our clients with a tremendous challenge," says the bank. BNP Paribas' reporting suite has meanwhile been undergoing a revamp, partly as a result of the merger, and new functionality is expected to include an ability to customise reports to a greater degree – another common request..

Ratings varied significantly by client segment. Amongst smaller clients, those based in Asia and those running macro strategies, BNP Paribas outperformed the market average by several basis points. By contrast, very large respondents, those in continental Europe and those running relative value strategies were significantly harsher in their judgments.

There is praise for personnel who are seen as flexible and straightforward. Critical comments, albeit mild, centre around IT tools and support and the compliance function. ■

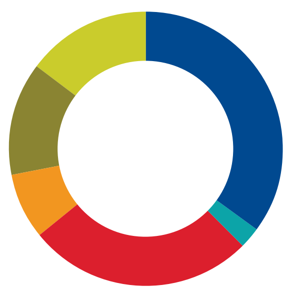
BNP Paribas: weighted share of responses (%)



BNP Paribas: by location (%)

- North America – 49.8%
- UK – 10.5%
- Europe ex-UK – 13.2%
- Asia – 23.3%
- Rest of world – 3.2%

BNP Paribas: by type (%)



- Equity – 35.2%
- Event driven – 2.3%
- Fund of funds – 26.9%
- Macro – 7.8%
- Relative value – 13.2%
- Other – 14.6%

BNP Paribas

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.06	6.12	N/A	-0.06	N/A
Value delivered	5.82	5.69	N/A	0.13	N/A
Investor services (if applicable)	6.22	6.11	N/A	0.11	N/A
Fund reporting and valuation	5.95	5.85	N/A	0.10	N/A
Compliance and taxation	5.88	6.06	N/A	-0.18	N/A
Technology	5.46	5.45	N/A	0.01	N/A
Administration services (If applicable)	5.96	6.09	N/A	-0.13	N/A
Other services	6.05	6.04	N/A	0.01	N/A
Global outperformer					

BNP Paribas: by size (%)

- Very large – 20.1%
- Large – 43.8%
- Medium – 19.2%
- Small – 16.9%

BNY Mellon

BNY Mellon along with some other of the leading global custodians, maintains a strong presence in the hedge fund administration business. It has almost 400 managers as clients and counts some of the very largest funds as respondents. In 2015 the level of responses was sharply lower compared with 2014 despite there having been an overall increase in client numbers. The scores are affected by this in two ways. First the proportionately higher level of Very Large and Large respondents means that BNY Mellon score is disadvantaged. Application of the *Global Custodian* normalisation algorithm would result in higher comparative scores. Second the smaller number means that the scores may not be as fully reflective of the overall business as has been the case previously. Given that overall response numbers for the Survey were close to those on 2014, the decline in BNY Mellon responses is anomalous and has not worked in their favour.

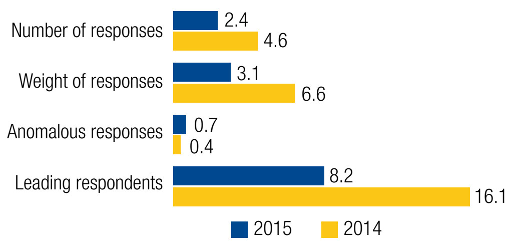
Even allowing for these factors however, it should be recognised that the scores are somewhat disappointing. Scores are lower by an average of 0.17 points across all questions, the second year of decline, albeit less pronounced than that between 2013 and 2014. The category scores remain above the default satisfactory level of 5.0 (good) in seven of the eight aspects of service but in no area are scores competitive with those recorded by the very best providers in the Survey.

BNY Mellon did perform relatively strongly in the support for multi-prime broker relationships and in custodian and depositary services. The latter is increasingly important and naturally follows from its role as a very large global custody bank. The former no doubt results from the relative focus on larger hedge funds that are more likely to have more than one, and in some cases a large number of prime brokers.

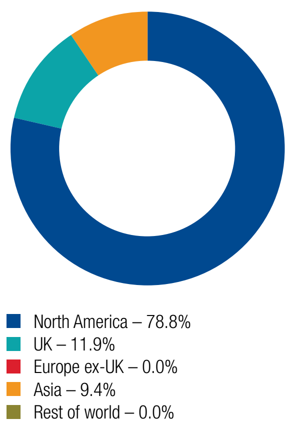
The one area that seems to have been a primary cause of lower scoring is Technology. Here scores were below 5.0 on every question. The new NEXEN system being adopted by the business is intended to offer clients an enhanced experience throughout the process. This should help the bank deal with requests from clients in the Survey for, among other things, 'less reliance on Excel and more on automated links' as noted by one respondent. Another commented that they would like to see, "the ability to log in to review activity when need and out of hours" while a third highlighted a desire for simplified "log in procedures" and "easier acceptance of automated data transfer".

Hopefully full roll-out of new technology will address these concerns and lead to better scores in 2016. ■

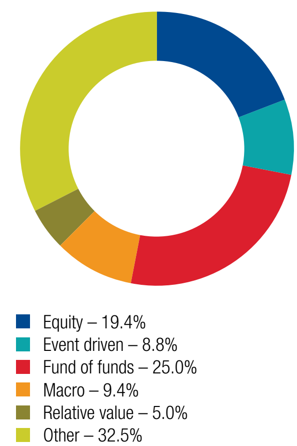
BNY Mellon: weighted share of responses (%)



BNY Mellon: by location (%)



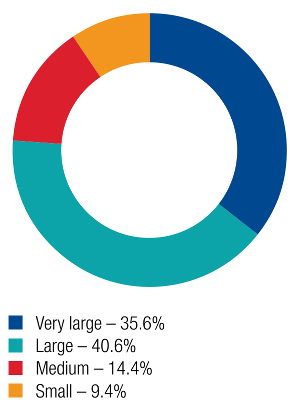
BNY Mellon: by type (%)



BNY Mellon

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	5.30	5.76	5.89	-0.46	-0.13
Value delivered	5.51	5.42	5.91	0.09	-0.49
Investor services (if applicable)	5.35	5.39	5.77	-0.04	-0.38
Fund reporting and valuation	5.39	5.57	5.97	-0.18	-0.40
Compliance and taxation	5.42	5.60	5.93	-0.18	-0.33
Technology	4.44	4.64	5.36	-0.20	-0.72
Administration services (If applicable)	5.22	5.64	6.23	-0.42	-0.59
Other services	5.63	5.59	5.96	0.04	-0.37
Global outperformer					

BNY Mellon: by size (%)



Circle Partners

Circle saw its business grow between 2014 and 2015, not least through its acquisition of Caledonian Global Fund Services. As a result response numbers in the Survey were higher in 2015 than the previous year. Even with this growth, client numbers are modest compared with the market leaders but nonetheless competitive with mid-tier specialist providers. The nature of the clients is that they are generally smaller funds with a roughly equal split between North America and Europe. The concentration on smaller clients could work in favour of Circle in terms of raw scores received, but in fact the responses generally came from among their larger clients and therefore this is less of a factor. Also the majority of responses were from clients in Europe rather than North America.

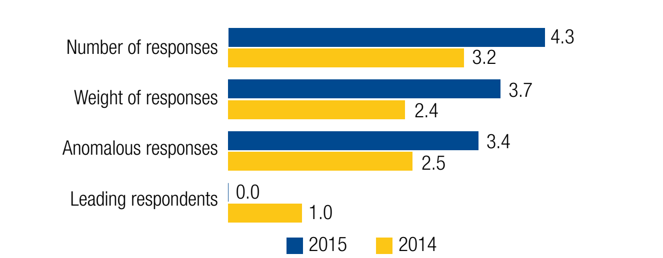
In terms of scores the overall average of 6.05 was up modestly compared to 2014, but did move Circle above the 6.0 (very good) mark that is necessary to be competitive with other specialist providers, targeting similar types of clients. The firm's business is built around strength in core administrative and investor services coupled with excellent client service. These factors are reflected in both the scores and the comments. As one client commented, "Circle has consistently provided quality administration services."

In Other Services, Circle achieved very strong scores for its ability to support fund of fund managers and is working effectively with multiple prime broker relationships. This contributed to a strong improvement in scores compared with 2014. As far as Relationship Management and Client Service is concerned, respondents praised the "excellent services" and the investment of time by senior management in some of the more critical day-to-day work. As a result Circle was able to record a score of 6.32 for responses to the question of "Understanding Client Needs".

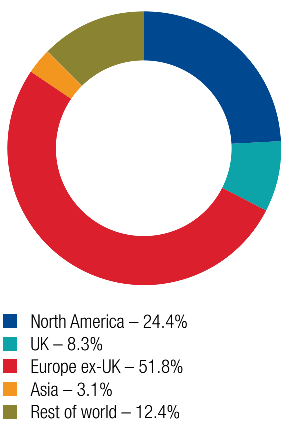
Mid tier providers do face challenges in some areas including technology. Circle scores in this category improved markedly after a dramatic decline in 2014. The average score of 5.52 is competitive even if it is clear that clients might like to see more. Web based access to portfolio information was a request from one respondent, while others wanted to see more delivery in the area of regulatory reporting, specifically in the area of AIFMD.

The latter has been a focus of development by Circle alongside FATCA reporting and the provision of custody support as well as front and middle office services. Overall Circle has clearly established a very solid position based around a focus on key service components and it will hope and expect to expand its position over the coming year. ■

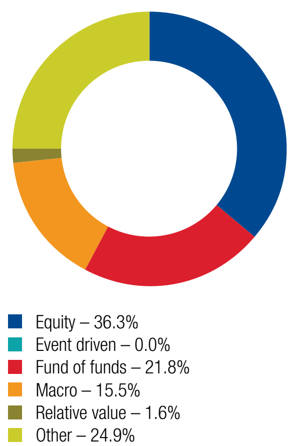
Circle: weighted share of responses (%)



Circle: by location (%)



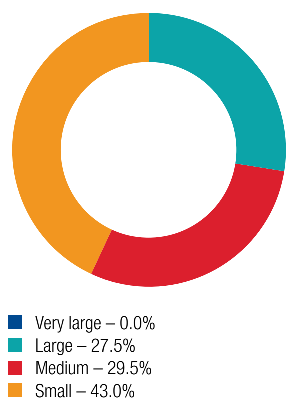
Circle: by type (%)



Circle

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.20	6.37	6.32	-0.17	0.05
Value delivered	5.87	6.01	6.23	-0.14	-0.22
Investor services (if applicable)	6.20	6.10	6.23	0.10	-0.13
Fund reporting and valuation	6.12	6.12	6.17	0.00	-0.05
Compliance and taxation	5.93	5.89	6.31	0.04	-0.42
Technology	5.52	5.03	6.08	0.49	-1.05
Administration services (If applicable)	6.17	6.02	6.52	0.15	-0.50
Other services	6.22	5.85	6.32	0.37	-0.47
Global outperformer			**Yes**		

Circle: by size (%)



Citco Fund Services

Citco clients comprise the second largest segment of the survey response basis, accounting for just over 7% of total responses. Citco Fund Services has some 470 active client relationships globally, of which almost three-quarters run single manager funds. Sixty-three percent of these are based in North America, some thirty percent in Europe and the remainder in Asia.

While Citco outperforms the market average overall, the gap is most noticeable in Citco's favour among very large clients as well as those based in Europe and UK. It scores less well among its smaller clients. The firm's highest overall score for an individual service area is for its ability to support multiple prime brokers. The quality of its personnel and the consistency of its report formats across locations were also near the top of its individual question scores.

Appreciation of different service areas clearly varies by client segment. Citco's skill and accuracy in financial and tax reporting to multiple accounting standards earns particularly high plaudits from UK-based clients and those running event-driven strategies. Similarly, UK and European clients give very high marks to all aspects of relationship management and client service.

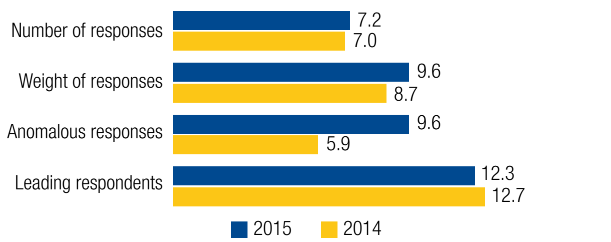
Amongst the less stellar results, small clients bemoan a lack of effectiveness in adapting Citco's technology to their requirements. Although still in the upper quartile of the 'Good' range, technology generally scores at the lower end of the firm's survey results. "Citco's investment in training their employees and continued technological improvements will help them continue to dominate the administration space," says one large US client.

Citco identifies several developments over the past year that have had an impact on both the operational and commercial environment for hedge fund administrators. While industry consolidation and cost pressures have attracted widespread attention, Citco points to the growing importance of cybersecurity. "Where previously the focus on maintaining the confidential nature of fund data was on keeping it protected from competing forces, the dialogue has now broadened to providing assurances that equipment and data are kept safe from all eventualities," says the firm.

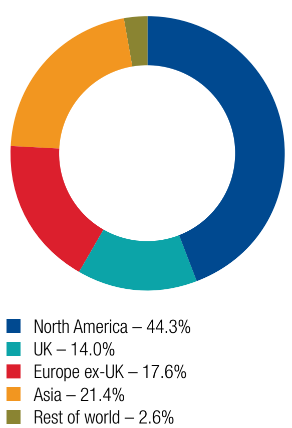
The rise of hybrids is also seen as a notable development. "The investment vehicles of choice, the so-called 'hybrid funds', are becoming an increasingly prevalent phenomena in the alternatives sector," it notes.

In terms of its own operational innovations over the past year, Citco points to a new look and feel for its client portal with extended functionality, a fully integrated proprietary transfer agency system and integration of global KYC workflow. It has also deployed an AIFMD Annex IV reporting solution. ■

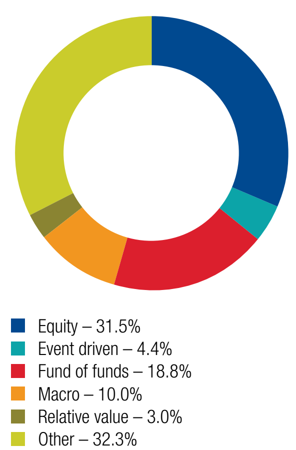
Citco: weighted share of responses (%)



Citco: by location (%)



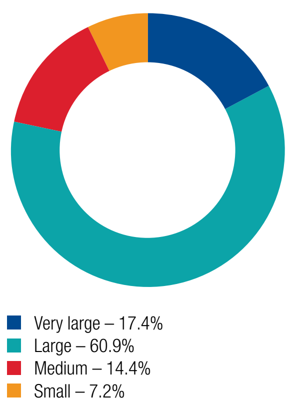
Citco: by type (%)



Citco

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.34	6.38	6.33	-0.04	0.05
Value delivered	5.92	5.93	6.22	-0.01	-0.29
Investor services (if applicable)	6.11	6.28	6.36	-0.17	-0.08
Fund reporting and valuation	6.22	6.34	6.34	-0.12	0.00
Compliance and taxation	6.10	6.13	6.42	-0.03	-0.29
Technology	5.86	6.07	6.11	-0.21	-0.04
Administration services (If applicable)	6.24	6.39	6.20	-0.15	0.19
Other services	6.33	6.40	6.42	-0.07	-0.02
Global outperformer	**Yes**	**Yes**	**Yes**		

Citco: by size (%)



Conifer Financial Services

Since last year's survey, Conifer has recorded a 48% increase in the number of hedge fund managers for which it serves as administrator. This is reflected in a rise from 200 to 251 in the number of separate funds managed by these clients and from 24 to 75 in the number of funds of funds.

The bulk of these – just over two-thirds – are under $100 million with the remainder spanning all other size categories. The vast majority of clients are located in North America with between seven and eight percent based in Asia ex-Japan.

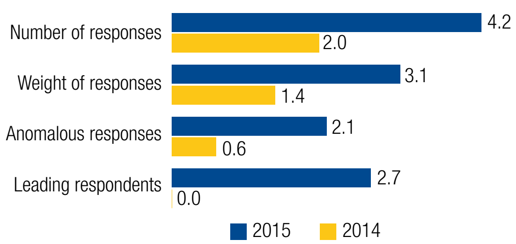
Conifer accounts for just over 4% of total survey responses. While overall, its results put it more or less in line with the global average, there is significant variation in appreciation by client segment. For very large clients as well as those running macro strategies and funds of funds, Conifer significantly outperforms the average. At the other end of the spectrum, large clients and those running event-driven strategies score the firm below par.

Client comment is, however, largely positive. One of its largest clients says, "Conifer is excellent in servicing client queries and producing customised work products. A bit more focus on the presentation and the ability to audit would be helpful. The only issue is that there seems to be a reluctance to proactively reach out." Another large manager notes that, "Conifer has consistently delivered excellent service to our firm. They are responsive to requests and their people are excellent. Their technology is exactly what our firm needs."

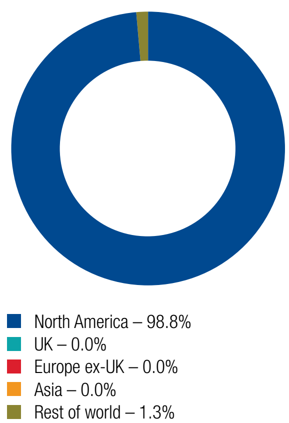
In the last twelve months Conifer has seen two major developments occur in its own dominion that have positively affected client and prospective client perceptions: the merger with Vastardis Capital was completed in May 2014, broadening Conifer's target market to include more asset types as Vastardis had more fund of funds, multi-manager and asset allocator firms in its book of business as well as an expert tax services team. In addition, a private equity investment in Conifer Financial Services by The Carlyle Group should facilitate a new phase of growth in technology and human resources.

Conifer notes that regulation has had an impact both on the service provider landscape and client interaction. Banks, it says, are having to scale back on business units deemed as high cost and low margin. The firm also identifies technology as an evolving force with providers needing to reinvest in their platforms to address the growing needs of the market. Conifer has two platforms, one for multi-manager and one for direct investment firms, offering security level detail. It is working to bring these two together. ■

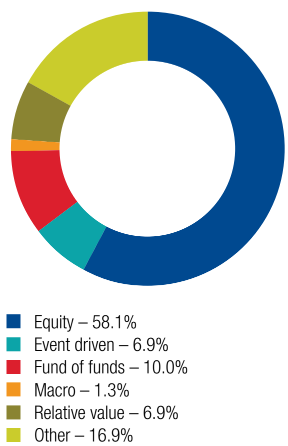
Conifer: weighted share of responses (%)



Conifer: by location (%)



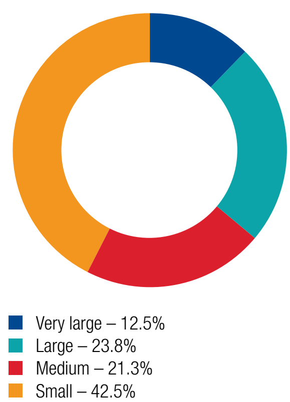
Conifer: by type (%)



Conifer

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.24	6.44	6.18	-0.20	0.26
Value delivered	6.02	6.16	6.37	-0.14	-0.21
Investor services (if applicable)	6.19	6.39	6.31	-0.20	0.08
Fund reporting and valuation	6.01	6.21	6.06	-0.20	0.15
Compliance and taxation	6.12	6.27	6.12	-0.15	0.15
Technology	5.59	5.63	6.15	-0.04	-0.52
Administration services (If applicable)	6.23	6.13	5.76	0.10	0.37
Other services	6.13	6.37	6.24	-0.24	0.13
Global outperformer		**Yes**			

Conifer: by size (%)



Deutsche Bank Fund Services

Deutsche Bank Fund Services' performance in the survey has improved consistently over the past three years. In 2013, its overall score was below the global average and its ratings for each service area were all fives (somewhere along the 'Good' spectrum), Last year, it matched the global average and this year has outperformed that average overall and in each service area. All of these are now rated between six (Very Good) and seven (excellent). Most generous in their ratings are very large clients, those in Asia and those running relative value strategies.

Deutsche bank's HFA business has grown over the past year. It now numbers 102 hedge fund managers among its clients, with 279 separate funds and 53 funds of funds. The bank currently has clients with AuM up to $10 billing with roughly 58% at the lower end of the scale (assets up to $100 million). Some three quarters of clients are situated in Europe and the remainder split between North America and Asia ex-Japan.

Deutsche Bank identifies five principal changes in the market environment that are likely to influence the services offered by the bank and its peers. First is an increased demand for real time data with increased pressure on alternatives administrators to reduce the time to market for data-related products.

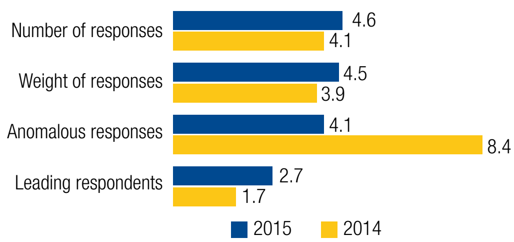
Secondly, as the trend towards consolidation in the administration industry continues, larger players have adopted multiple legacy systems. "Multiple systems raise the difficulty of consolidated reporting – on which larger clients with multiple asset classes place a huge emphasis," says the bank.

Deutsche Bank acknowledges that new regulations have kept managers and administrators busy, resulting in added complexity and cost. At the same time, the bank notes increasing demands from investors for better fee mechanisms, more flexible liquidity arrangements and better transparency, resulting in higher expectations of service provision. An added challenge comes from asset type convergence, with a merging of liquid and illiquid, private and publicly traded assets.

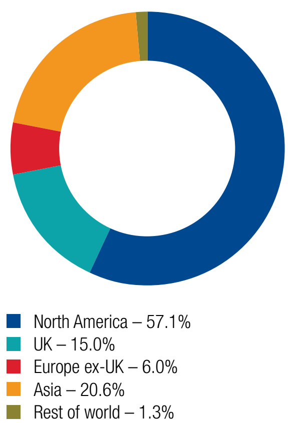
In terms of Deutsche Bank's own services, the past 12 months have seen the launch of an investment restriction monitoring tool to allow automated investment restriction checking. The bank has also updated its reconciliation technology and is integrating both these facilities with its Portfolio Accounting Systems. It has meanwhile introduced Annex IV regulatory reporting to its depositary offering and completed the rollout of its FATCA reporting services.

Additional resources directed towards technology, treasury functionality, swaps reporting/collateral reporting and tracking would be welcomed by one US manager, who, however, anticipates that the bank's recent technology innovations should go some way to meeting these requests. ■

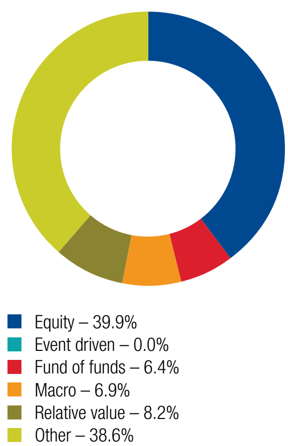
Deutsche Bank: weighted share of responses (%)



Deutsche Bank: by location (%)



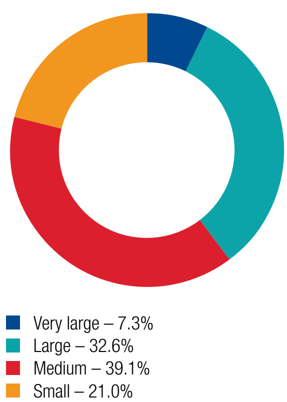
Deutsche Bank: by type (%)



Deutsche Bank

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.26	6.13	5.76	0.13	0.37
Value delivered	6.24	5.98	5.91	0.26	0.07
Investor services (if applicable)	6.25	6.19	5.89	0.06	0.30
Fund reporting and valuation	6.31	6.19	5.64	0.12	0.55
Compliance and taxation	6.05	6.08	5.57	-0.03	0.51
Technology	6.29	5.82	5.31	0.47	0.51
Administration services (If applicable)	6.32	6.00	5.50	0.32	0.50
Other services	6.50	6.08	5.42	0.42	0.66
Global outperformer	**Yes**	**Yes**			

Deutsche Bank: by size (%)



HSBC Securities Services

HSBC saw a drop in client numbers over the year to end-February 2015 and now counts 184 hedge fund managers with 321 separate funds and 166 funds of funds. Some 58% of these relationships are based in Asia ex-Japan, 28% in continental Europe, 9% in Europe and the remainder in UK.

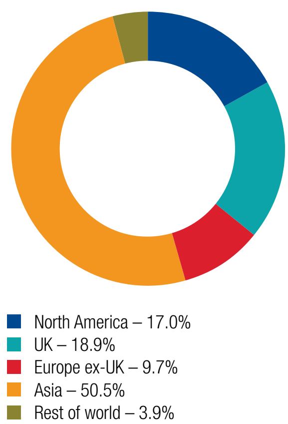
The bank accounts for just over 3% of total survey responses. Its scores have fallen somewhat over the past year so that although overall it remains above 6 (Very Good), it comes in a few basis points south of the global average. It does, however, outperform the average in two service areas: fund reporting and compliance.

"A trend we have seen for some time is the institutionalisation of investors into hedge funds, requiring hedge fund managers to consider multiple fund domiciles and regulatory frameworks," says the bank. While traditional hedge fund domiciles continue to dominate, HSBC points to evidence of an increase in EU-domiciled funds following the introduction of AIFMD. Liquid alternatives have, it says, also seen material growth under both the 40 Act and UCITS regulatory framework. "Hedge fund managers require providers that can offer services in multiple fund domiciles and under multiple regulatory frameworks with the opportunity for cross-border distribution key for both AIFMD and UCITS structures," says the bank. "The compliance obligations under AIFMD and Dodd-Frank have prompted managers to look to their HFAs for support with an increasing demand from managers looking to reduce operational overhead," the bank suggests.

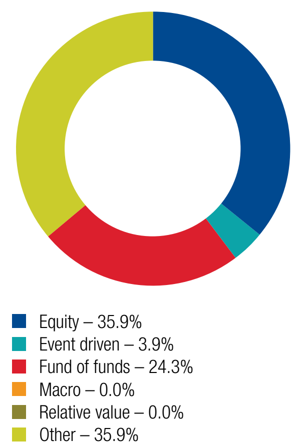
HSBC has extended its reporting solutions by offering Open Protocol reporting to hedge fund managers, an industry standard asset exposure and risk report enhancing transparency, and by introducing a regulatory reporting solution to cover manager's AIFMD Annex IV reporting obligations. "Given the breadth of our client base we have worked with all of the significant technology platforms which facilitate consolidation, review and dissemination of Annex IV reporting to competent authorities," says the bank. "We also commit to maintaining pre-mapped files with one of these vendors, allowing clients to further simplify the task of reporting, should the client select such vendor."

Assessments of the banks performance vary significantly by client segment. Amongst small clients and those based in North America, HSBC records significant outperformance (almost 50 basis points in each case). Client comments are few. One larger US manager reports that, "HSBC has demonstrated the ability to support our global needs." On the wish list of a smaller Hong Kong-based client is an enhancement to the HSBCNet system "to be able to view all investor details, NAV reports, etc, under one website log-in." ■

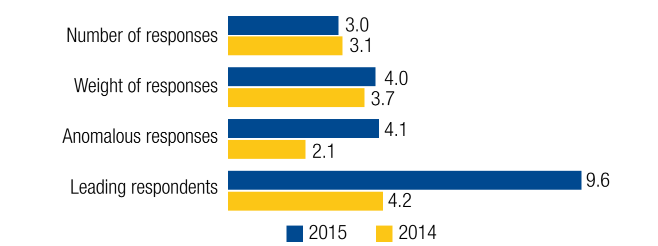
HSBC: by location (%)



HSBC: by type (%)



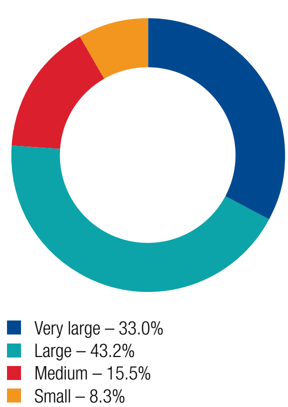
HSBC: weighted share of responses (%)



HSBC

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.22	6.52	6.00	-0.30	0.52
Value delivered	5.86	5.97	6.04	-0.11	-0.07
Investor services (if applicable)	6.07	6.33	6.02	-0.26	0.31
Fund reporting and valuation	6.17	6.37	6.02	-0.20	0.35
Compliance and taxation	6.06	6.07	6.03	-0.01	0.04
Technology	5.64	6.06	5.76	-0.42	0.30
Administration services (If applicable)	6.07	6.29	6.27	-0.22	0.02
Other services	6.21	6.19	6.12	0.02	0.07
Global outperformer		**Yes**			

HSBC: by size (%)



IFS, a State Street company

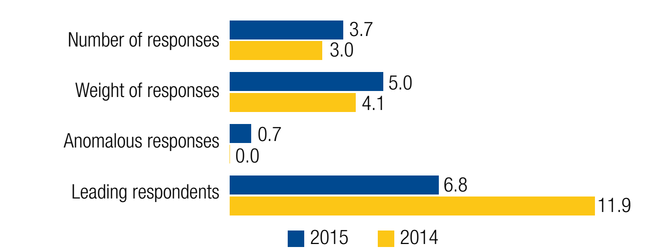
International Fund Services (IFS), a State Street company, is a major hedge fund administrator with almost 500 clients spread around the world including some of the very largest alternative investment funds. State Street is among the largest custodians in the world and the capacity to create a world leading capability clearly exists within the organisation as a whole. This year the number of responses for IFS is up on 2014 and scores are also noticeably better. Even so, while a gain of 0.28 points overall is commendable it still leaves IFS behind some of its smaller rivals with an average of 5.73. It would seem that the survey does not capture as many of IFS's smaller clients as might be expected. This undoubtedly has an effect on scoring for IFS. Indeed scores for Very large clients are competitive with the survey as a whole and application of the *Global Custodian* normalisation algorithm would confirm that IFS scores are much more competitive than the raw scores might suggest.

The most encouraging feature of scoring in 2015 is probably Relationship Management and Client Service. Here the IFS score improved by 0.35 points to a very competitive 6.10, with Quality of Personnel being regarded particularly highly by respondents. As one client summed up, "Very strong customer relationship. Coverage is exceptional and have had no problems during the relationship." Another commented on the "excellent team at IFS" and the fact that IFS is considered as partner rather than simply a provider. These comments illustrate the overall good level of satisfaction with services.

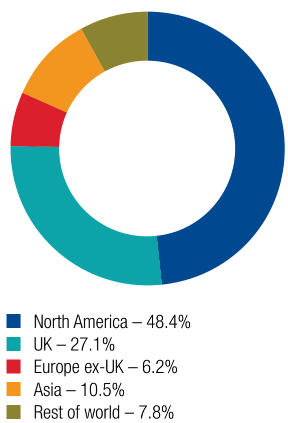
Scores are however somewhat weakened by performance in two areas; Value Delivered and Technology. In the case of technology it may be that client perceptions have to catch up with the reality of new services in the form of a revised investor portal offering dynamic balance and transaction data. One client commented that the 'dashboard' was not yet complete and another was looking for more flexibility. It seems quite possible that the new system will deal with both these requests.

In terms of Value Delivered, this is the one area where scores remain well behind those seen in 2013, despite a marginal improvement on 2014 levels. A number of customers, mainly but not exclusive small, commented unfavourably about the level of fees and particularly those in respect of regulatory reporting services. These new reporting requirements are a particular burden for smaller funds and many look to their administrator for cost effective assistance. This is one area that IFS may need to watch going forward. Nonetheless progress is clearly being made and more important is being reflected in improved client perceptions. ■

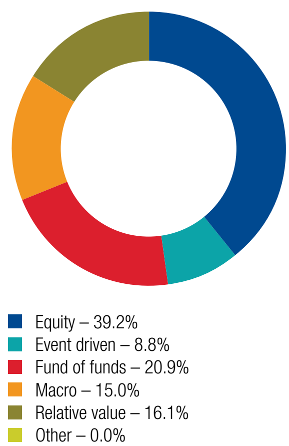
IFS: weighted share of responses (%)



IFS: by location (%)



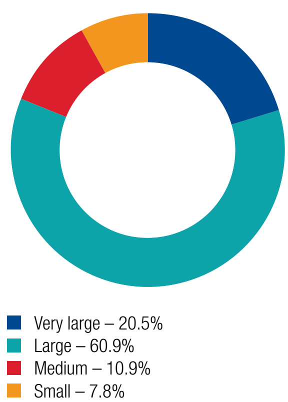
IFS: by type (%)



IFS

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.10	5.75	5.97	0.35	-0.22
Value delivered	5.43	5.38	5.89	0.05	-0.51
Investor services (if applicable)	5.84	5.51	5.86	0.33	-0.35
Fund reporting and valuation	5.85	5.43	5.91	0.42	-0.48
Compliance and taxation	5.59	5.22	5.75	0.37	-0.53
Technology	5.29	5.01	5.56	0.28	-0.55
Administration services (If applicable)	5.69	5.18	5.43	0.51	-0.25
Other services	5.83	6.09	6.10	-0.26	-0.01
Global outperformer					

IFS: by size (%)



Maples Fund Services

Maples Fund Services describes itself as a solid mid-tier player with a global operating model that allows it to compete with larger players, while still offering a boutique level of client service.

The number of managers Maples counts among its clients has risen by some 25% over the past year from 189 to 236. Of these, just over 70% are on the smaller end of the spectrum, with under $100 million under management, with the bulk of the remainder recording AuM of up to $1 billion and a handful of clients up to $10 billion. The number of separate funds covered by this client base is also up from 389 to 486 and the number of funds of funds from 58 to 65.

Over the past year, Maples has expanded its global footprint with the acquisition of the Hong Kong and Singapore operations of Vistra Fund Services. It has also begun a concerted focus to extend beyond its traditional client base of offshore funds into onshore US markets, with the opening of its Boston and San Francisco offices.

Its results in all but one category were up on 2014. Scores for value delivered, often seen as a proxy for fee levels, were a few basis points off, though Maples remains well above the market average in that area. Overall Maples outperformed the marked average by some 20 basis points.

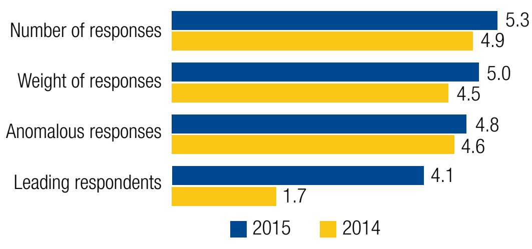
The biggest jump in scores is in the area of technology, in marked contrast to many competitors. The firm made a strategic decision in 2009 to invest significantly in technology as a potential differentiator and this now appears to be feeding through to the survey results.

Technology is, however, the area that scores weakest in terms of respondent priority. It is possible that Maples score reflects a degree of sample bias with Maples perhaps having a particularly tech-savvy client base. It may also reflect a strategy of selecting the appropriate technology support to match the aims and needs of each individual client.

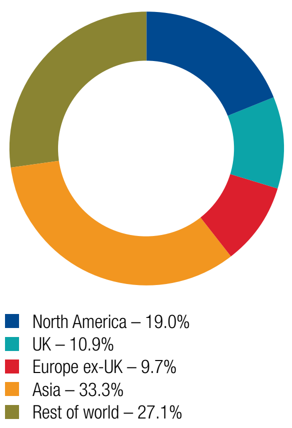
In terms of client categories, outperformance was most notable in scores awarded by large and very large clients and by those in continental Europe. By contrast, Maples reflected the market average score among small clients, who, however, are among the more generous scorers as a whole.

The majority of client comments are from the Asian region, specifically Hong Kong and Singapore. None are critical. "Please note that I am extremely satisfied. I know that an 'all 7's reply' might seem suspicious. But for our fund, everything just works," says one client. Another describes Maples staff as first class, responsive and flexible. ■

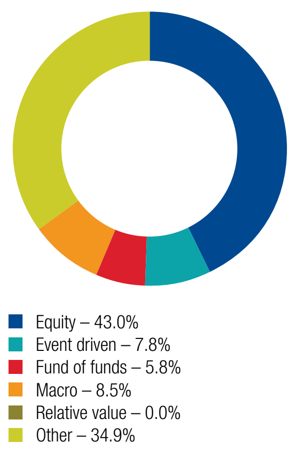
Maples: weighted share of responses (%)



Maples: by location (%)



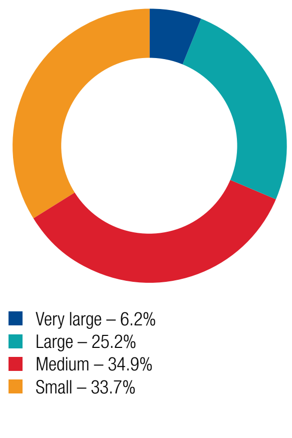
Maples: by type (%)



Maples

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.39	6.34	6.36	0.05	-0.02
Value delivered	6.05	6.11	6.11	-0.06	0.00
Investor services (if applicable)	6.23	6.10	6.37	0.13	-0.27
Fund reporting and valuation	6.31	6.14	6.32	0.17	-0.18
Compliance and taxation	6.36	6.13	6.38	0.23	-0.25
Technology	6.30	6.01	6.32	0.29	-0.31
Administration services (If applicable)	6.46	6.26	6.67	0.20	-0.41
Other services	6.47	6.23	6.42	0.24	-0.19
Global outperformer	**Yes**	**Yes**	**Yes**		

Maples: by size (%)



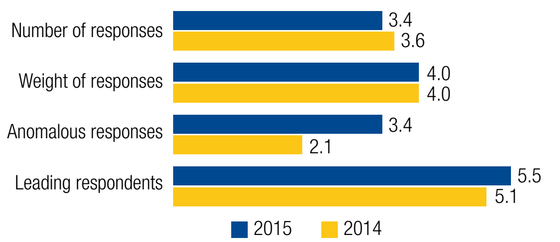
Mitsubishi UFJ (MUFG)

Mitsubishi UFJ Fund Services, part of Mitsubishi UFJ Financial Group (MUFG), completed the acquisition of Meridian Fund Services in May 2014 and this year represents the first period of review of the combined businesses. The overall results are very solid without being exceptional in any particular area. Scores are marginally lower overall, but the decline is not statistically significant and given the growth of the business the stability in scoring should be regarded as a positive. Indeed as one client being brought into MUFG commented, “We have only just moved to MUFG and could hardly have been more impressed. This is a first class organisation in every respect.”

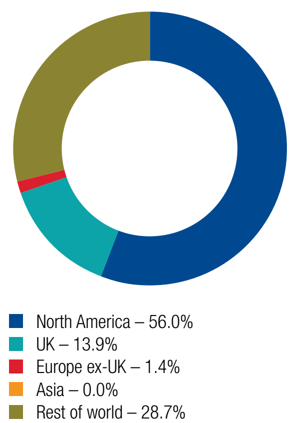
Of the eight categories covered in the Survey, MUFG recorded gains in three and declines in five. In three categories scores were above 6.0 (very good) while the others fell just short of this mark. The best performing area in terms of absolute scores was Relationship Management and Client Service where the average of 6.32 was higher than in 2014 and represented a strong showing. “Excellent, most highly qualified people who work as an extension of our team” was a comment that suggests the strength of the firm in this area. MUFG prides itself on training and development of staff and the results suggest that this approach is bearing fruit. MUFG is also working to enhance the technology that supports its business. Based on scores and comments MUFG may still have further work to do in this area. At 5.70 the scores for Technology were the lowest of all eight categories and slightly lower than the level seen in 2014. One client felt that improvement could be made to client reporting while another would like to see a ‘better investor/manager web interface’. Clearly MUFG is focusing in the right areas in terms of its investment in technology.

MUFG has a broad based mix of respondents which appear broadly representative of its client base. The majority of respondents were in the Large and Medium categories in terms of size. As a result the smaller clients may be under represented in the Survey which could work to the detriment of MUFG in terms of scoring. However, application of the *Global Custodian* normalisation algorithm did not have a material impact on absolute or relative scores. Very Large clients though fewer in number were generally complimentary and gave good scores though one client would have liked to see ‘better coordination across different locations’ and more consistency in ‘investor services requirements’. MUFG has positioned itself well to achieve its stated goal of further growth both organic and through acquisition as evidenced by its recent announcement of plans to acquire the UBS Alternative funds servicing business. ■

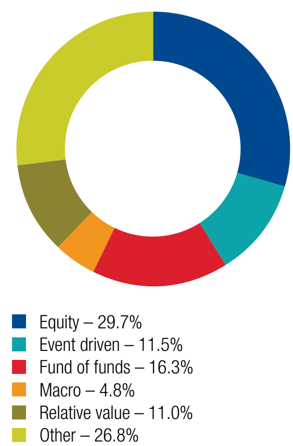
MUFG: weighted share of responses (%)



MUFG: by location (%)



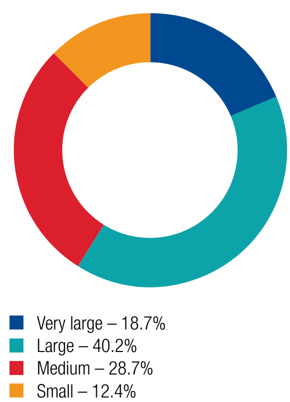
MUFG: by type (%)



MUFG

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.32	6.25	6.37	0.07	-0.12
Value delivered	5.92	5.96	6.39	-0.04	-0.43
Investor services (if applicable)	5.98	6.04	6.22	-0.06	-0.18
Fund reporting and valuation	6.08	6.23	6.31	-0.15	-0.08
Compliance and taxation	5.91	5.78	6.32	0.13	-0.54
Technology	5.70	5.79	6.16	-0.09	-0.37
Administration services (If applicable)	5.82	6.00	6.34	-0.18	-0.34
Other services	6.12	6.11	6.59	0.01	-0.48
Global outperformer			**Yes**		

MUFG: by size (%)



Northern Trust

Like some of the other large custodians, Northern Trust has developed a successful hedge fund administration business, leveraging elements of operations, technology and global infrastructure to develop the specific products and services needed by hedge funds. This is reflected in the Survey results which include responses across a variety of different sizes and locations of funds as well as varying investment strategies. Overall the scores in the survey in 2015 showed a slight improvement compared with the previous two years. The average of 5.75 (up 0.13) was still behind a number of its more specialist competitors, but ahead of those of other custodian banks. The client base is quite consistent with the overall survey and as such any difference between a normalised score and the raw scores would be modest in their case.

Clients praise its middle office capabilities and some regard its multi-asset class capabilities as a particular and important strength. However the bank attracts fewer comments than some providers in the area of Relationship Management and Client Service, despite seeing scores rise by 0.44 points to a very solid level of 5.95. The area where the bank scored highest was in Administration Services. Here the average of 6.02 was up by 0.21 points and consistent with overall results. Likewise scores for Investor Services rose by a healthy 0.40 points compared with 2014. It is clear that in these core areas Northern Trust is seen as making progress, but is nonetheless seen as having room for improvement.

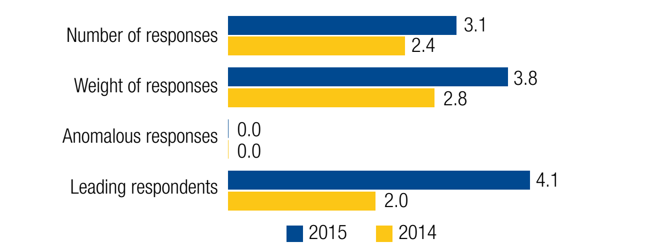
When asked to name areas where clients would like to see more, respondents mentioned a variety of aspects. These ranged from a specific request for daily NAV through to better integration of services within the bank to provide "additional cash management and currency options".

More than one client suggested that there was room for more customised reporting and indeed more flexibility in reporting generally. Finally there seemed to be a feeling that the bank could perhaps invest more in technology as a whole. The bank certainly has a continuing investment programme, with plans to deliver portfolio and analytics, risk reporting and enhanced tax support during the course of 2015.

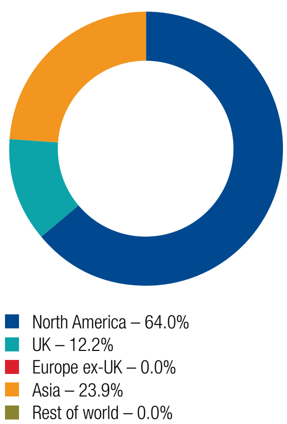
Northern Trust recognises that its clients need to offer investors enhanced reporting and, as scores suggest, it is already well regarded in this area and well positioned to meet growing expectations.

Custodian banks generally find it hard to match scores of the specialist administrators. However Northern Trust appears to be doing at least as well as its major custodian bank rivals in meeting the particular challenges of this client group. ■

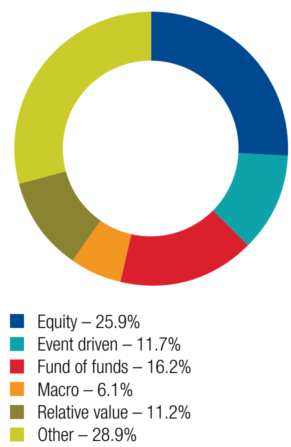
Northern Trust: weighted share of responses (%)



Northern Trust: by location (%)



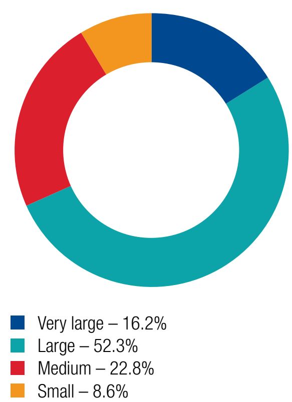
Northern Trust: by type (%)



Northern Trust

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	5.95	5.51	5.58	0.44	-0.07
Value delivered	5.65	5.54	5.74	0.11	-0.20
Investor services (if applicable)	5.90	5.50	5.33	0.40	0.17
Fund reporting and valuation	5.72	5.66	5.65	0.06	0.01
Compliance and taxation	5.52	5.43	5.48	0.09	-0.05
Technology	5.55	5.63	5.84	-0.08	-0.21
Administration services (If applicable)	6.02	5.81	5.99	0.21	-0.18
Other services	5.53	6.21	6.27	-0.68	-0.06
Global outperformer					

Northern Trust: by size (%)



Opus Fund Services

Opus notes a distinct increase in M&A activity over the past year, resulting from fund admins looking to increase technology and reporting abilities, particularly relating to the new regulatory environment and a desire to increase geographic footprint. "The regulatory environment has created barriers to entry for some managers, large and small, who are unprepared to accommodate regulator actions," says the firm.

Opus has recorded an impressive increase in client numbers, up from 135 in 2014 to 193 this year. The bulk of the client base consists of smaller managers with AuM of under $100 million, though they extend in size to up to $5 billion AuM. Together these clients account of 287 separate funds (up from 238) and 12 funds of funds (up from four). Apart from two UK based clients, all relationships are North America based.

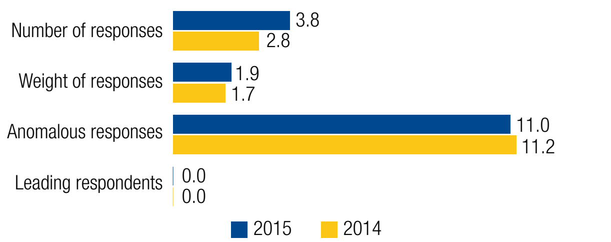
The firm accounts for 3.78% of total survey responses. It has maintained the high rating achieved in 2014, outperforming in all service areas, most notably in technology where Opus is more than 100 basis points above the global average. The firm's effectiveness in adapting its technology to individual client requirements is seen as particularly strong across all client segments. Those clients running event-driven strategies are the most generous, followed by equity, event-driven and relative value. Even among the last of these, however, outperformance is in the order of 40 basis points.

In terms of its own operations, Opus points to its growing footprint with the opening of a Portland Oregon operations and client service office and an expansion of both New York and Chicago Sales offices to accommodate increased demand for information and services. In terms of functionality, Opus has introduced the Sungard VPM Portfolio system to accommodate growth in clients and client fund complexities. It has also added FATCA, AIFMD and other regulatory solutions to fee quotations and services.

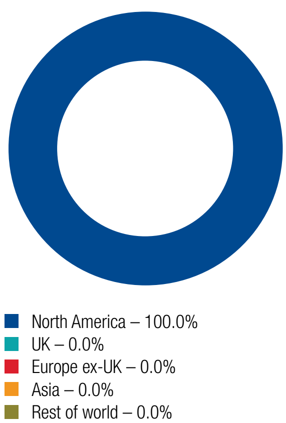
Client comments are numerous and, without exception, positive. Several individual staff members come in for praise. "Opus Fund Services is the epitome of professional – everyone on the team…has been a pleasure to work with," says one manager. "What differentiates Opus is their top marks for both people and technology," says another. "Their people listen, both on the accounting and controls side, and within their tech team when it comes to adding features."

One smaller US manager points to the value of the relationship in its entirety. "Opus has been a trusted business partner and served as more than an administrator," it comments. "They have helped me secure a new prime brokerage relationship as well as sourcing my auditor. Overall, they have been invaluable." ■

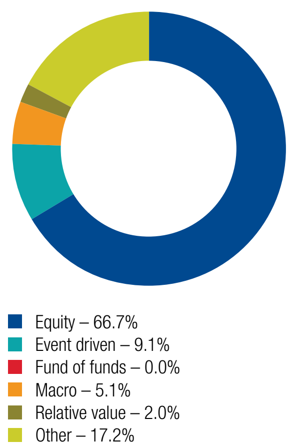
Opus: weighted share of responses (%)



Opus: by location (%)



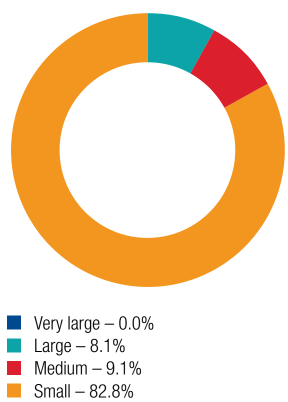
Opus: by type (%)



Opus

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.73	6.71	6.87	0.02	-0.16
Value delivered	6.81	6.70	6.97	0.11	-0.27
Investor services (if applicable)	6.71	6.60	6.87	0.11	-0.27
Fund reporting and valuation	6.71	6.77	6.91	-0.06	-0.14
Compliance and taxation	6.85	6.74	6.82	0.11	-0.08
Technology	6.78	6.76	6.88	0.02	-0.12
Administration services (If applicable)	6.67	6.93	7.00	-0.26	-0.07
Other services	6.74	6.95	6.98	-0.21	-0.03
Global outperformer	**Yes**	**Yes**	**Yes**		

Opus: by size (%)



Quintillion Limited

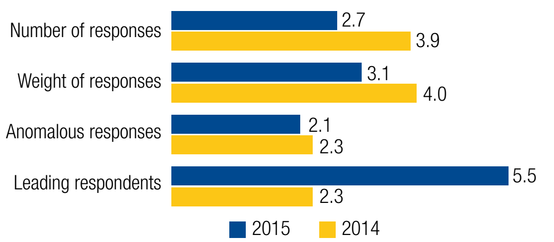
Quintillion continues to operate as a separate entity within the overall fund servicing business of U.S. Bancorp, covering clients based in the UK and continental Europe. The overall average score for Quintillion remains high and consistent between 2014 and this year. The average was 6.20 in 2015 down a statistically insignificant 0.02 points from a year ago. Once again scores for Relationship Management and Client Service stand out as being exceptional in any level, but especially given the predominance of generally lower scoring UK and European clients. Investor and Administration Services were also strong and both recorded an uptick in scores compared with 2014.

The business has always had and maintains an emphasis on delivering a high quality customer experience rather than having a simple focus on price or functionality. Scores from all clients are excellent in this area, averaging 6.44 and as with U.S. Bancorp Quality of Personnel is a particular standout. One client comments on 'incredibly low staff turnover', while another notes that in their view Quintillion is "an exceptional service partner in terms of controls, procedures and personnel." Various individual are noted as delivering exceptional responsiveness to enquiries and a pro-active approach to relationship management.

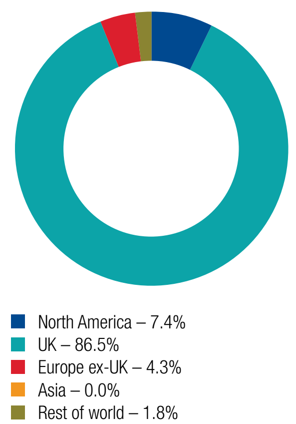
In terms of functional services it is interesting to note that the area of weakest scoring is in Compliance and Taxation. Though the score of 5.78 is perfectly satisfactory it is increasingly noticeable as being below that achieved by the firm in other areas. In fact these services are not provided directly by Quintillion, though the firm has the ambition to add them in due course and based on scores it would appear that clients would appreciate the potential gain in service provision that could result from greater involvement by Quintillion personnel in the delivery of these services. This is an area where European clients have greater than the North American clients of U.S. Bancorp. European clients would like to see more full Annex IV reporting capabilities as well as lower cost regulatory reporting in general. There is also an interest in provision of company secretary and custody services.

Quintillion is very much focused on growing its business in a measured way. This reflects new client take on, which was relatively modest in 2014 and the continuous addition of new services coupled with effective use of technology. As a result the firm has been able to maintain a very high level of service excellence while gaining certain benefits from being part of a larger group. As the industry undergoes further consolidation, providers would do well to learn from Quintillion how to make a success of business consolidation. ■

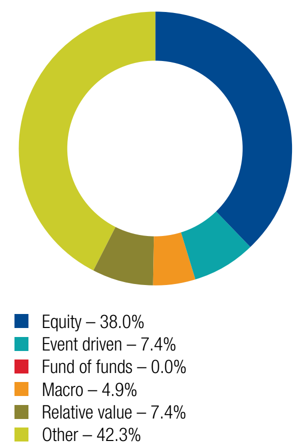
Quintillion: weighted share of responses (%)



Quintillion: by location (%)



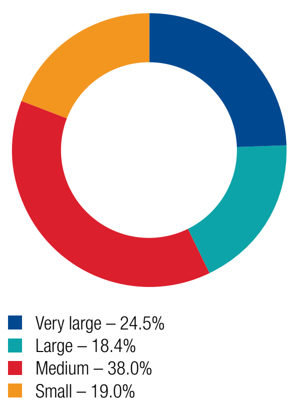
Quintillion: by type (%)



Quintillion

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.44	6.50	6.57	-0.06	-0.07
Value delivered	5.87	6.08	6.48	-0.21	-0.40
Investor services (if applicable)	6.34	6.32	6.42	0.02	-0.10
Fund reporting and valuation	6.21	6.21	6.37	0.00	-0.16
Compliance and taxation	5.78	5.90	6.42	-0.12	-0.52
Technology	6.19	6.19	6.43	0.00	-0.24
Administration services (If applicable)	6.31	6.13	6.39	0.18	-0.26
Other services	6.38	6.26	6.34	0.12	-0.08
Global outperformer	**Yes**	**Yes**	**Yes**		

Quintillion: by size (%)



SEI

SEI has seen its single manager client base grow by 17 over the past year with its fund manager relationships as a whole accounting for 1200 separate funds as well as 50 funds of funds. Although all AuM categories are included, firms with AuM of between $250 million and $5 billion account for roughly two-thirds of the total.

Some 58% of these relationships involve managers based in North America and 33% in the UK. There is a striking difference between its results from these two client segments. There is a full 100 basis point difference between the provider's overall score for each of these two client segments. As a result, SEI beats the market average for UK clients and falls short in North America. In terms of client strategies, relative value managers are the most generous and event driven managers the least.

The difference may partly be explained by the fact that SEI expended more effort in Europe in directly encouraging clients to complete the survey. This would be in keeping with past experience with *Global Custodian* surveys, where previous respondents may submit responses for providers who do not directly approach them. Feeling ignored, they may score the provider more harshly.

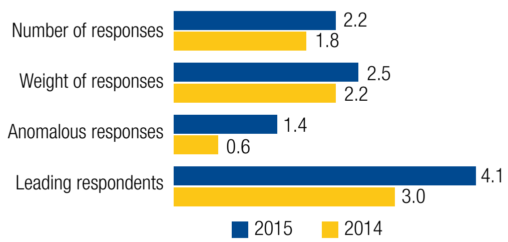
On the other hand, SEI points out that a higher percentage of its US client base are multi-asset managers with multiple products and as such are receiving a broader set of services, including global regulatory and performance reporting.

These differences are to some extent reflected in the few client comments received. One US based fund asks for more substantial performance attribution reporting. The only UK-based wish for further services is for "Clarity around SEI's ability to act as Depositary under AIFMD including all liability that it entails." Otherwise UK clients are complimentary. "We're very happy with what SEI do. Full marks," says one. "We have been very impressed with the service provided by SEI. A view reiterated by other stakeholders such as Fund Directors, etc," says another.

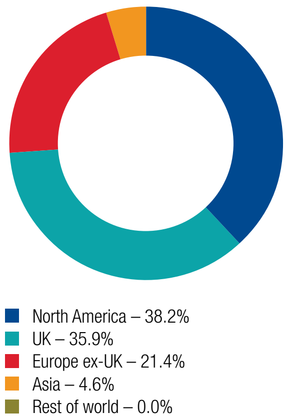
Overall, SEI's highest scores are for aspects of administration services, notably effectiveness of board reporting and ability to conduct meetings. Quality of personnel and ability and accuracy in financial and tax reporting to multiple accounting standards are also rated Very Good (6 or above).

At the other end of the scale, SEI's lowest score is for its ability to support regulatory compliance reporting. Here again, the regional difference is stark with US respondents as a group rating this particular aspect of service weak, while UK respondents award a Very Good assessment. We will await next year's results before hazarding any conclusions from these regional distinctions. ■

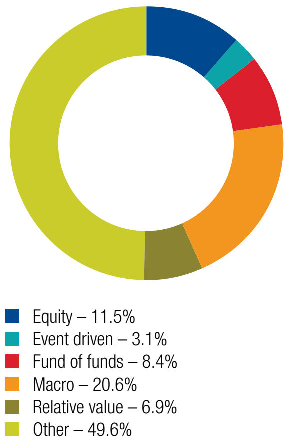
SEI: weighted share of responses (%)



SEI: by location (%)



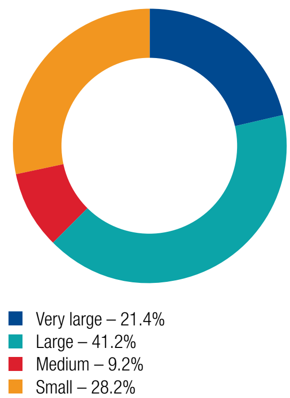
SEI: by type (%)



SEI

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	5.87	6.06	6.06	-0.19	0.00
Value delivered	5.36	5.79	5.91	-0.43	-0.12
Investor services (if applicable)	5.57	6.04	6.18	-0.47	-0.14
Fund reporting and valuation	5.75	6.00	6.08	-0.25	-0.08
Compliance and taxation	5.48	5.99	5.99	-0.51	0.00
Technology	5.41	5.82	5.91	-0.41	-0.09
Administration services (If applicable)	5.85	5.85	6.53	0.00	-0.68
Other services	5.55	6.27	6.15	-0.72	0.12
Global outperformer					

SEI: by size (%)



SS&C GlobeOp

SS&C GlobeOp is one of the largest hedge fund administrators whether measured by assets, funds or responses to the Survey. The firm has long been dedicated to servicing alternative investments and has maintained an enviable track record in terms of performance. For the second year in succession scores are higher. In 2015 all eight categories saw better scores than a year ago and the overall result is excellent, particularly taking into account the nature of the client base being served. The vast majority of responses were given by US based managers. Within that geography however, there was a broad mix of clients by size and type of assets under management.

The gains in scores for Relationship Management and Client Service are particularly impressive. In 2013 the average was a solid but unexceptional 5.88, whereas in 2015 it has moved up to 6.25. This is reflected in a large number of positive client comments including. "SS&C GlobeOp provides a very high level of service and cater to our needs well." Another was equally fulsome in praising the firm as, "Best of the best in hedge fund administration." With another client expressing a willingness to recommend the firm to others, it is clear that the general impression of clients is extremely positive. With flexibility and high quality service to the fore, this area has become an important competitive strength.

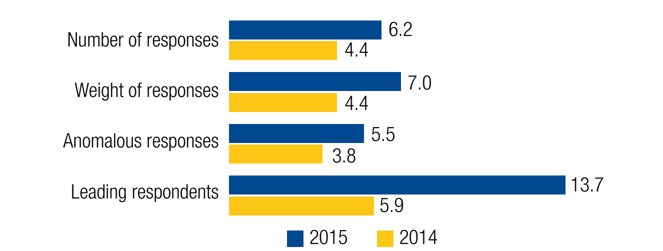
Good scores were also recorded for Compliance with one client praising SS&C GlobeOp as having "the best in class regulatory reporting capability." The firm also received plaudits for its ability to help clients meet the needs of their investors as well as being seen as a key part of the global success of another client.

As might be expected with any business of this size, there are clients who can always see room for further improvement and additional services. Most of the requests seem to focus on technology and reporting, including improving the flexibility of technology and data integration. EMIR reporting is important for some clients in Europe and valuation services for hard to value securities such as illiquid securities are also on the wish list for one client.

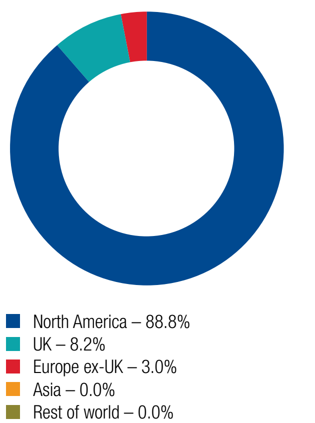
Given the breadth of client responses and the scale of business the number of suggested improvements to services is low and many clients are clearly satisfied that the existing services give them everything that they need.

With Very Large and Large clients giving very strong scores (above 6.0) it is clear that SS&C GlobeOp is meeting the needs of the most demanding clients. That positions it well to grow its business further in the future. ■

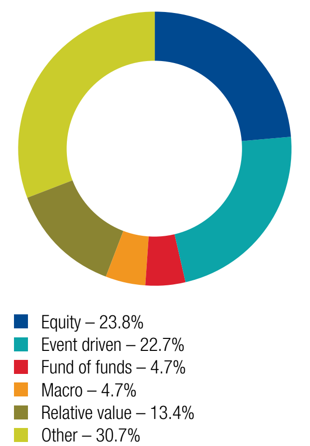
SS&C: weighted share of responses (%)



SS&C: by location (%)



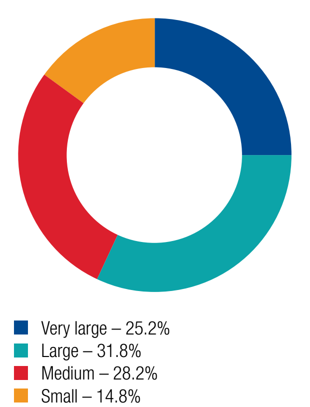
SS&C: by type (%)



SS&C

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.25	6.10	5.88	0.15	0.22
Value delivered	5.90	5.84	5.95	0.06	-0.11
Investor services (if applicable)	6.17	6.15	5.88	0.02	0.27
Fund reporting and valuation	6.21	6.05	5.94	0.16	0.11
Compliance and taxation	6.14	6.00	6.27	0.14	-0.27
Technology	5.86	5.80	5.90	0.06	-0.10
Administration services (If applicable)	6.24	6.06	5.31	0.18	0.75
Other services	6.42	6.40	6.46	0.02	-0.06
Global outperformer	**Yes**				

SS&C: by size (%)



Stone Coast Fund Services

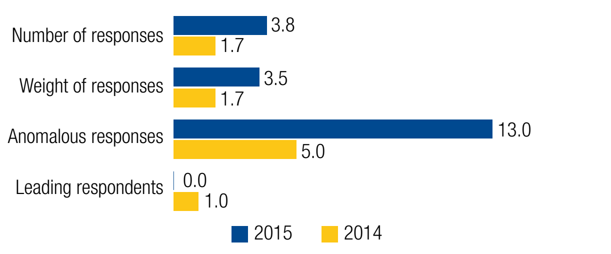
Stone Coast has benefitted in 2015 from having a larger proportion of its clients respond to the survey. Despite the fact that this has resulted in a slight decline in scores it provides the opportunity for a much broader assessment of client perceptions of service. In general these remain extremely positive for the third year in succession. As one client put it "Stone Coast is by far the best administrator I have ever worked with." Others were also highly complimentary and even commented on their willingness to recommend Stone Coast to others, which is the strongest possible endorsement. The respondents for Stone Coast did not include any of the very largest hedge fund managers. They were also heavily concentrated in North America. Both of these factors mean that the firm benefits in terms of raw scores compared with some competitors. Even allowing for this however, using the *Global Custodian* normalisation algorithm, the position of Stone Coast is extremely positive.

Much of the positive overall perception seems to stem from a very concentrated focus on customer service and in particular low turnover of personnel and a proactive approach to relationship management. This is reflected in the scores for Quality of personnel (responsiveness, knowledge, ability to get things done) and Understanding of your specific requirements, where raw scores were outstanding, averaging more than 6.75 out of a maximum of 7.0. Given the number of responses this level of consistency clearly reflect well on management, processes and of course personnel. Stone Coast maintains a single office focus and a bias towards hiring experienced personnel. From a strategic perspective it does not offshore services and seeks to take on new business in a controlled manner. These factors, together with its overall size, mean that it can and does control the quality of service that it delivers to clients.

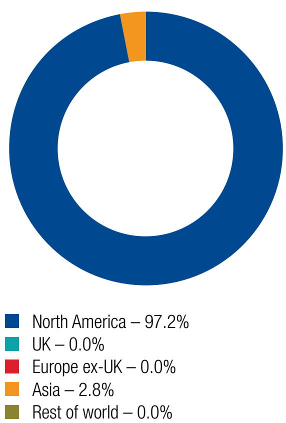
Client service only works so long as core products and capabilities are competitive. Here again Stone Coast seems to be doing the right things. Clients mention the willingness to "take on additional functions and capability to effectively complete ad-hoc projects." Being the size that they are does restrict some investment however. Clients mention a desire to see better technology and reporting and as one client commented, "I would like to see Stone Coast double down on technology solutions to keep pace with the larger administrators." In general clients are looking for more performance reporting as well as more on-line functionality.

Clearly Stone Coast delivers excellent service to a group of clients to with whom it has strong and successful ties. The temptation when doing so well is to grow too fast. Stone Coast seems to be resisting that temptation to the continuing delight of its existing clients. ■

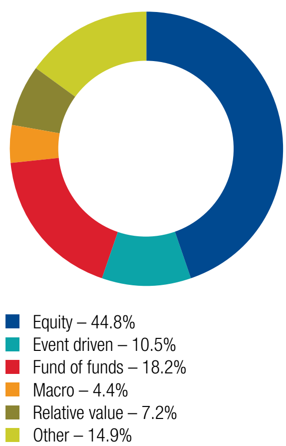
Stone Coast: weighted share of responses (%)



Stone Coast: by location (%)



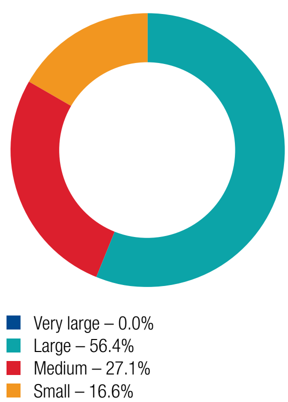
Stone Coast: by type (%)



Stone Coast

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.81	6.85	6.86	-0.04	-0.01
Value delivered	6.74	6.82	6.83	-0.08	-0.01
Investor services (if applicable)	6.70	6.85	6.86	-0.15	-0.01
Fund reporting and valuation	6.59	6.75	6.83	-0.16	-0.08
Compliance and taxation	6.62	6.89	6.90	-0.27	-0.01
Technology	6.28	6.70	6.70	-0.42	0.00
Administration services (If applicable)	6.60	6.96	6.94	-0.36	0.02
Other services	6.61	6.82	6.87	-0.21	-0.05
Global outperformer	**Yes**	**Yes**	**Yes**		

Stone Coast: by size (%)



UBS Fund Services

While the *Global Custodian* HFA survey was underway, MUFG Investor Services and UBS Global Asset Management announced an agreement for the former to acquire UBS' Alternative Fund Services business.

According to Junichi Okamoto, group head of integrated trust assets business group, franchise, global footprint, and notably its strong presence in Asia, are an excellent strategic fit."

Ulrich Koerner, president of UBS Global Asset Management noted that, "In light of the increasing drive towards scale in fund administration, we concluded that the future development of AFS in servicing its clients would be best ensured as part of an organisation with a strategic focus on asset servicing."

The transaction is expected to close in Q4 2015, subject to regulatory approvals and customary closing conditions. This will therefore most likely be the last year where UBS is profiled in its own right within the survey.

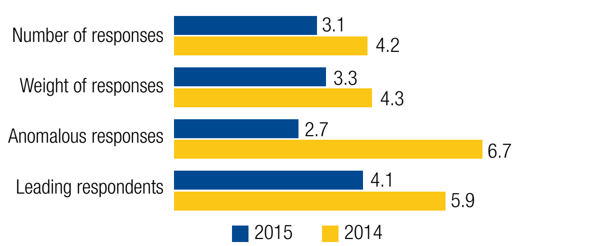
This year UBS accounted for 3.12% of total survey responses. The banks respondent sample was drawn from Asia (36%), North America (24%), UK and Europe (15%) and Rest of the World (24%). The distribution of respondents by client size was as follows: small, 45%; medium, 24%, large, 21% and very large, 9%.

UBS scores have slipped somewhat this year and while still ranking as "Very Good" (>6) overall, it does not quite reach the global market average, which it exceeded last year. UBS still outperforms in four service areas: compliance, other services, relationship management and client service and administration services. Technology appears to be the Achilles heel this year, dragging down the bank's average, though still registering between Good (5) and Very Good (6).

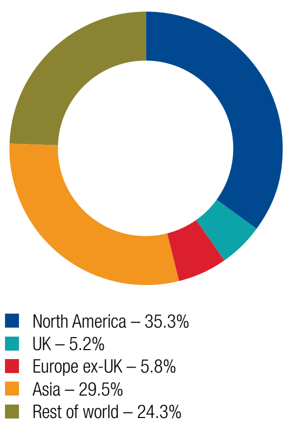
There is significant variation in ranking by client segment. The bank receives almost perfect scores from UK clients, while those in North America are far less generous on the whole. Small clients also appear to be more impressed with the service they receive than their very large counterparts. UBS outperforms the average among the former by 36 basis points and underperforms among the latter by 66 basis points.

Nevertheless, one of UBS' largest clients is among the most complimentary. "The UBS team in Cayman consists of a deep bench of highly talented and knowledgeable individuals," it comments. "The management team is active with both us and our clients in ensuring the highest quality of deliverables are met. We have been consistently pleased with them." The same client, however, urges "continued investment in technology to allow for scalability and to stay competitive with in the industry." Similarly, one smaller US client comments that, "Faster rollout on the technological development side would be great." ■

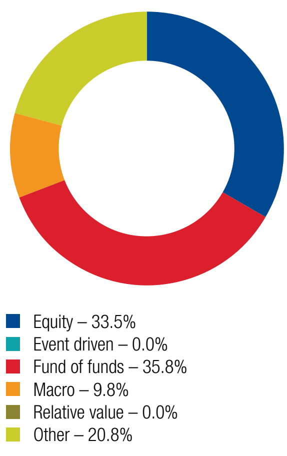
UBS: weighted share of responses (%)



UBS: by location (%)



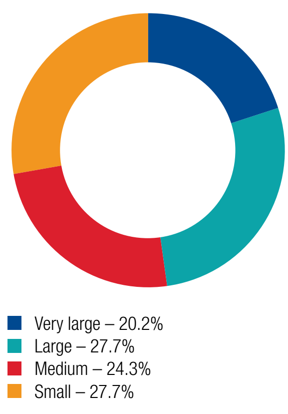
UBS: by type (%)



UBS

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.28	6.40	6.17	-0.12	0.23
Value delivered	5.92	6.08	6.45	-0.16	-0.37
Investor services (if applicable)	5.96	6.31	6.40	-0.35	-0.09
Fund reporting and valuation	5.96	6.22	6.37	-0.26	-0.15
Compliance and taxation	6.33	6.36	6.33	-0.03	0.03
Technology	5.31	5.78	5.48	-0.47	0.30
Administration services (If applicable)	6.16	6.55	6.61	-0.39	-0.06
Other services	6.32	6.17	6.61	0.15	-0.44
Global outperformer		**Yes**	**Yes**		

UBS: by size (%)



U.S. Bancorp Fund Services, LLC

Although U.S. Bancorp agreed the acquisition of Quintillion at the end of 2013 they remain sufficiently separate in terms of brand and business, most specifically geographic mix of clients, that we have maintained individual treatment. U.S. Bancorp has an exclusively North American business. Within that it has a good mix of clients in terms of size and type of investment strategy. The US concentration assists scores to some extent while the size component acts against them. Overall the impact is not statistically significant. Against this background the performance in terms of scores is highly creditable this year. The average score is up by 0.48 points to a very impressive 6.38. All categories saw an average score better than 6.0 (very good) compared with only one in 2014.

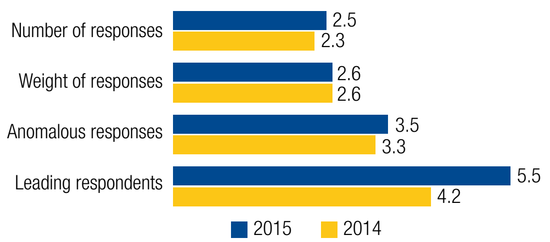
The business has an emphasis on delivering a high quality customer experience. Scores from all clients are excellent in this area, averaging 6.41 with Quality of Personnel a particular standout. One client comments on the fact that they are "extremely happy with the relationship managers", while another cites U.S. Bancorp as being "A pleasure to work with." One client would like to see them open an office on the West Coast but this does not get in the way of them providing very high scores. In some cases individual personnel are singled out for their flexibility and responsiveness. However one respondent also noted some gaps in the knowledge of more junior personnel, but even here scores did not dip below 5.0 (good).

In terms of functional services, the area of weakest scoring is in Technology, though even here the score is better than 6.0 (good) and much improved on 2014 scores (up 0.36 points). U.S. Bancorp clients would like to see more flexible reporting capabilities as well as lower cost regulatory reporting. In terms of technology specifically clients cite a desire to see greater flexibility in data output and the ability for user defined reports or higher levels of support to develop customer specific reports more quickly.

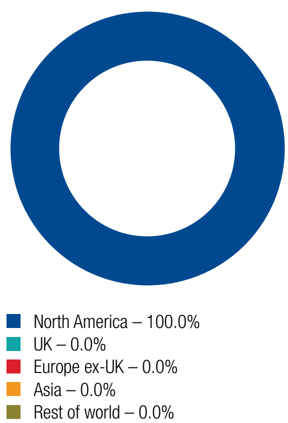
Performance attribution and benchmark reporting are also among requests from clients. U.S. Bancorp already recognises many of these and have deliverables in hand to meet them.

U.S. Bancorp appears to have done an excellent job in expanding its services, while at the same time maintaining a very high level of service excellence and innovation. It has shown in 2015 an ability to recover quickly from the relative disappointment of scores recorded in 2014. This augurs well for future growth in business especially as the commitment of some other providers is called into question. ■

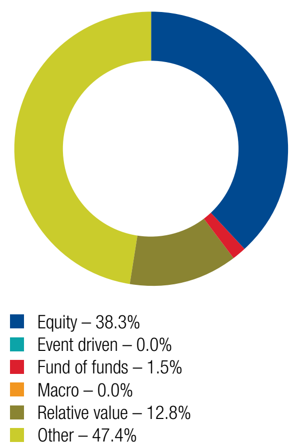
U.S. Bancorp: weighted share of responses (%)



U.S. Bancorp: by location (%)



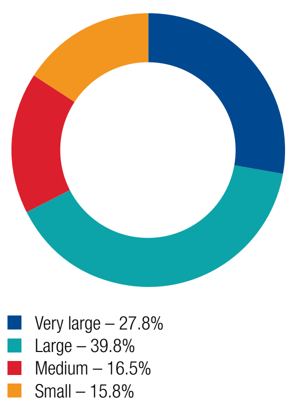
U.S. Bancorp: by type (%)



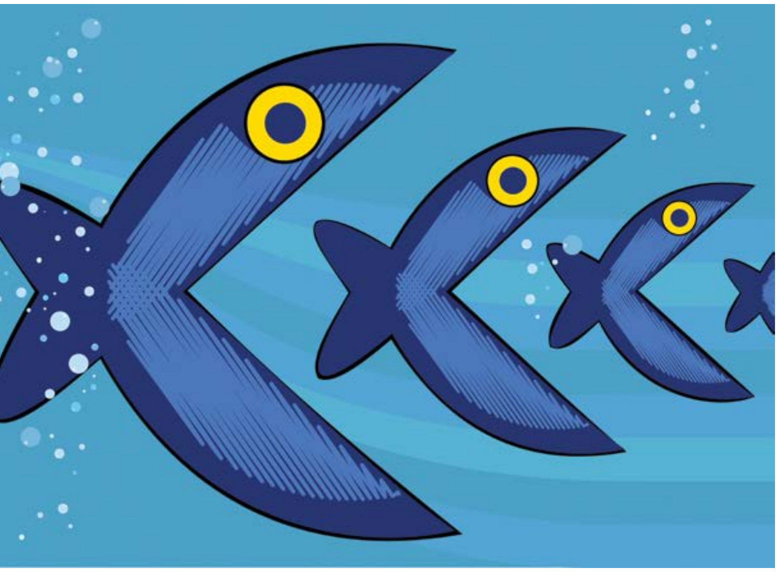
U.S. Bancorp

Service area	2015	2014	2013	Difference (2015-14)	Difference (2014-13)
Relationship management and client service	6.41	6.16	6.29	0.25	-0.13
Value delivered	6.24	5.93	6.54	0.31	-0.61
Investor services (if applicable)	6.48	5.98	6.37	0.50	-0.39
Fund reporting and valuation	6.37	5.88	6.38	0.49	-0.50
Compliance and taxation	6.50	5.57	6.33	0.93	-0.76
Technology	6.05	5.69	5.98	0.36	-0.29
Administration services (If applicable)	6.53	5.90	6.40	0.63	-0.50
Other services	6.41	5.81	6.19	0.60	-0.38
Global outperformer	**Yes**		**Yes**		

U.S. Bancorp: by size (%)



Other providers



> "Fund managers are leaving bank-owned administrators to work with privately owned, technology-focused administrators, because of quality of service and the fear that bank-administrators are exiting the business."
>
> **Commonwealth Fund Services**

Amongst the providers rated by survey participants were several with one response apiece. There were, however, a handful of providers with an insufficient number of responses to warrant a full analysis, but which nevertheless deserve to be recognised. The table lists these providers in order of number of responses from highest to lowest, which collectively account for 9-10% of the total survey sample.

The list includes both longstanding survey participants who this year appear to have chosen not to participate actively and others who are on the way up in terms of number of responses and who, if this trend is followed, can expect to receive full profiles in 2016.

Two names on the list below have already been mentioned in the market overview (see page 80): Pinnacle Fund Administration, which was acquired earlier this year by Apex; and Citi, which has chosen to sell its HFA business while it is still healthy. Prime Management is now part of SS&C GlobeOp, but received a number of responses in its own right.

Commonwealth Fund Services has a primarily North American client base, three quarters of which comprises smaller hedge fund managers (AuM < $100 million). It sees consolidation in the industry as an opportunity. "Fund managers are leaving bank-owned administrators to work with privately owned, technology-focused administrators, because of quality of service and the fear that bank-administrators are exiting the business," says Commonwealth. Clients do not want to be left working through an acquisition, the firm suggests.

The firm is seen as focused primarily on Canada. Its AuA has increased from under $1 billion at the end of 2012 to over $3.5 billion, an impressive achievement considering the size of the Canadian market. "Given our market share in Canada has reached a critical mass, and leveraging off our low cost of production thanks to the relative value of the Canadian dollar, this year we have begun to offer our services in the US market for mid-size hedge funds, says Commonwealth. "We hope later this year or early next year we will gain more US clients as a result of our efforts. "

HC Global's client base is primarily situated on the west coast of the USA. The number of managers it services has risen over the year from 88 to 109, the bulk of which are at the smaller end of the AuM scale. The firm sees the role of administrator in assisting clients to comply with increased regulatory demands as one of the important recent changes in the market environment. "We have been working on providing more value added services to our clients over the last twelve months in response to client requests, industry regulatory changes and investor demands," says the firm.

Trident Fund Services counts 93 hedge fund managers among its clients, responsible in total for 145 separate funds as well as 25 funds of funds. The firm has a global client base with 40% by number in North America, 20% each in Asia ex-Japan and Continental Europe, 10% in UK and 10% in Rest of the World. It provides a full array of hedge fund administration services.

Dublin-headquartered Trinity Fund Administration, while comparatively smaller with 40 hedge fund managers on its books, nevertheless has a global presence with 65% of clients based in UK and Europe and the remainder spread between Asia, North America and Rest of the World. Over the past year, it has set up a dedicated risk and regulatory team to help its diverse client base with technology-based risk management solutions. ■

Providers receiving between 0.3% and 1.5% of total responses
Commonwealth Fund Services
HC Global Fund Services
Trident Fund Services
Pinnacle Fund Administration
Prime Management Limited
Citi
Trinity Fund Administration
HedgeServ
Morgan Stanley
J.P. Morgan