



HFMWEEK

17<sup>th</sup>  
BIENNIAL

# ASSETS UNDER ADMINISTRATION SURVEY

PART ONE  
SINGLE MANAGERS

The second *HFMWeek* AuA Survey of 2011 paints a different picture from the dramatic growth seen in the first half of the year. But, following six months of turbulence and uncertainty, the sector has still maintained an upwards trajectory

BY TONY GRIFFITHS

**H**aving seen growth of 15% in single manager assets in the last *HFMWeek* Assets under Administration (AuA) survey, it was always going to be a tall order to expect a repeat in the year's follow-up. Picking up the baton in May, in time to capture one of the most turbulent performance quarters in the industry's history, it was soon clear that events were taking a very different trajectory.

However, the results of this, *HFMWeek's* 17th biennial study, need not come with a health warning. Far from it, in fact; for the six months from 1 May 2011 to 31 October 2011, *HFMWeek* calculates that the hedge fund industry has seen a small, but respectable, advance of 3%. Total industry assets now stand at \$3.34trn, up around \$100bn from \$3.24trn.

"Encouragingly, capital remains stable with outflows really only targeting underperforming funds," says William Keunen, global director of Citco Fund Services, who once again topped the list as the industry's biggest administrator. "Unusually, Citco has seen some large funds close down, namely Shumway, FrontPoint and Level Global,

and assets associated with those funds have largely offset new client business won over the course of the period."

As Keunen points out, with the exception of Northern Trust – whose survey-topping growth of 121% is owed largely to the acquisition of Omnium – the growth pattern broadly reflects trends within the industry where, for the most part, performance has been pegged back since Q2. As such, growth has been marginal.

While Citco's 2% advance is fairly typical of individual growth – the majority of firms experienced either slight advances or losses, or remained flat – there are a few noticeable exceptions. Bank of New York Mellon is up 11%, from \$313.8bn to \$348.3bn; HedgeServ has advanced 30% to \$91bn; and JPMorgan is now at \$55.1bn following a 29% rise. These are among a group of five firms to see double-digit billion-dollar gains.

The fourth is Citco, which has added \$10bn to its total, and the fifth, of course, is Northern Trust. As has already been noted, the Chicago-based administrator is up considerably, with its growth translating into gains of \$87.6bn – more than double the dollar advance of its nearest rival. The firm's success has catapulted it into the list's top ten.

The dramatic growth at Northern Trust is the driving force behind what is perhaps the survey's biggest change – the top ten largest administrators now account for the biggest share of industry assets than at any time during the study's history. Combined AuA at the top ten now accounts for 71% of the overall total.

Perhaps more significant still, if you bisect the current list along these lines, asset growth disappears from the lower half altogether and turns into a loss. Six-month growth at the top ten is 5%. The rest of the administrators on the list have experienced a retreat of around -2%.

The Northern Trust narrative of course skews these statistics somewhat, with several success stories further down the list, as well as a change in reporting that has dramatically lowered total AuA at CIBC. Nonetheless, almost all the noticeable growth remains in the top 20.

While just outside the top ten at 11, progress made at HedgeServ, arguably the most successful in terms of organic growth over the last six months, offers some insight into the continued shift towards bigger vendors.

"Our growth continues to be fuelled by managers, and their investors, looking to upgrade their current

## KEY THEME REGULATION

"The increase in regulatory reporting requirements, such as Dodd Frank/Form PF, Fatca and Finra 5131, will add an additional burden to hedge funds and provide an opportunity for administrators to expand their service offering," says a representative of Morgan Stanley Fund Services. Indeed, new services from GlobeOp and Viteos Fund Services designed to alleviate the

burden surrounding Form PF have made headlines in the last six months.

One small administrator, however, is less optimistic. "In Europe, the future of fund administration probably lies within the hands of the global custodians and prime brokers as the AIFM Directive clearly favours the custody function as being mandatory over the administration function," they say.

6 MONTHS

SINGLE FUNDS GROWTH FROM APR 11 - OCT 11

AR 11 position moved up/down		AUA (\$BN) OCT 11	AUA (\$BN) APR 11	GROWTH (%) APR 11 - OCT 11	
1	–	CITCO FUND SERVICES	530.00	520.00	2%
2	–	STATE STREET AIS GROUP ***	408.90	408.10	0%
3	3	BANK OF NEW YORK MELLON**	348.30	313.80	11%
4	4	GOLDMAN SACHS	205.30	206.80	-1%
5	5	CITI HEDGE FUND SERVICES	173.24	175.75	-1%
6	–	GLOBEOP <sup>3</sup>	171.00	167.00	2%
7	14	↑ NORTHERN TRUST <sup>6</sup>	160.20	72.60	121%
8	7	↓ MORGAN STANLEY FUND SERVICES	127.10	126.80	0%
9	8	↓ HSBC SECURITIES SERVICES <sup>1</sup>	123.91	120.36	3%
10	9	↓ SS&C FUND SERVICES	120.00	116.00	3%
11	15	↑ HEDGESERV	91.00	70.00	30%
12	11	↓ SEI	86.00	82.30	4%
13	10	↓ CACEIS INVESTOR SERVICES <sup>1</sup>	82.57	94.17	-12%
14	12	↓ CREDIT SUISSE	75.47	75.47	0%
15	13	↓ RBC DEXIA FUND SERVICES	75.10	73.00	3%
16	17	↑ IPMORGAN HEDGE FUND SERVICES	55.10	42.80	29%
17	16	↓ UBS FUND SERVICES **	50.90	51.08	0%
18	19	↑ CUSTOM HOUSE GLOBAL FUND SERVICES	42.98	36.70	17%
19	20	↑ BNP PARIBAS SECURITIES SERVICES	40.40	36.40	11%
20	23	↑ BUTTERFIELD FULCRUM GROUP *	25.00	25.00	0%
21	24	↑ LACROSSE GLOBAL FUND SERVICES**	22.50	22.50	0%
22	26	↑ AIS FUND ADMINISTRATION	22.00	21.00	5%
23	25	↑ U.S. BANCORP FUND SERVICES**	21.60	21.75	-1%
24	29	↑ DEUTSCHE BANK ALTERNATIVE FUND SERVICES	20.00	18.00	11%
25	30	↑ HARMONIC FUND SERVICES	19.80	17.20	15%
26	–	– SGSS*	18.90	18.90	0%
27	28	↑ MAPLES FUND SERVICES	18.22	18.23	0%
28	22	↓ TRIDENT FUND SERVICES	17.50	29.00	-40%
29	31	↑ KAUFMAN ROSSIN FUND SERVICES *	16.30	16.30	0%
30	33	↑ APEX	15.36	13.11	17%
31	34	↑ NOTTINGHAM INVESTMENT ADMINISTRATION	13.80	12.70	9%
32	–	– DAWA SECURITIES GLOBAL ASSET SERVICES **	13.19	13.23	0%
33	40	↑ CAYMAN NATIONAL	11.19	7.25	54%
34	36	↑ CONIFER FUND SERVICES	10.00	11.50	-13%
35	37	↑ VITEOS CAPITAL MARKET SERVICES LIMITED	9.72	10.43	-7%
36	38	↑ ADMIRAL ADMINISTRATION LTD	9.70	10.40	-7%
37	35	↓ MERIDIAN	9.50	12.00	-21%
38	39	↑ ALPS FUND SERVICES	8.50	8.00	6%
39	41	↑ UMB FUND SERVICES	6.35	6.21	2%
40	42	↑ ALPHAMETRIX <sup>360</sup> *	6.00	6.00	0%
41	44	↑ EQUINOXE ALTERNATIVE INVESTMENT SERVICES	6.00	5.60	7%
42	43	↑ COLUMBUS AVENUE CONSULTING	5.50	5.60	-2%
43	46	↑ EUROPEAN FUND ADMINISTRATION	5.18	4.95	5%
44	21	↓ CIBC *	3.25	36.10	-91%
45	47	↑ WOODFIELD FUND ADMINISTRATION	3.20	4.03	-21%
46	50	↑ INVESTMENT DATA SERVICES GROUP (IDS)	3.12	2.64	18%
47	48	↑ CALEDONIAN FUND SERVICES	3.05	3.05	0%
48	51	↑ FOLIO ADMINISTRATORS *	2.64	2.64	0%
49	53	↑ ISIS FUND SERVICES	2.38	2.25	6%
50	–	– INTERTRUST <sup>2</sup>	2.17	N/A	N/A
51	54	↑ MAITLAND FUND SERVICES	2.16	2.17	0%
52	–	– TRINITY FUND ADMINISTRATORS	2.10	2.40	-13%
53	57	↑ SFT FUND ADMINISTRATION <sup>7</sup>	2.10	1.78	18%
54	–	– CAPITA	1.85	2.25	-18%
55	56	↑ PINNACLE FUND ADMINISTRATION *	1.80	1.80	0%
56	61	↑ IFINA	1.60	1.40	14%
57	55	↓ PHOENIX FUND SERVICES	1.59	1.92	-17%
58	59	↑ CIRCLE PARTNERS	1.50	1.55	-3%
59	62	↑ VALLETTA FUND SERVICES	1.30	1.30	0%
60	63	↑ BANQUE PRIVEE E DE ROTHSCHILD	0.87	0.86	1%
61	66	↑ VASTARDIS FUND SERVICES	0.73	0.58	26%
62	60	↓ ATC FUND SERVICES	0.70	0.90	-22%
63	64	↑ G&S	0.65	0.73	-10%
64	65	↑ PANOPTIC FUND ADMINISTRATION	0.58	0.58	0%
65	67	↑ PRAXIS *	0.21	0.21	0%
66	69	↑ ACTIVE FUND SERVICES *	0.11	0.11	0%
67	–	– LEGIS	0.03	0.00	N/A
68	70	↑ RAWLINSON & HUNTER FUND SERVICES	0.00	0.05	-100%

TOTAL AuA APR 11

\$3.24trn

TOTAL AuA OCT 11

\$3.34trn

3%

6 MONTHS GROWTH



KEY THEME M&A ACTIVITY

Maintaining a steady rather than exponential rate of growth, M&A continues

to have an impact on administrators. Northern Trust's acquisition of BolSS and Citedal's Omnuim may have made the headlines, but it is by no means the only player. Abacus has bought Portal, while Close Brothers was divided up between Intertrust and Kleinwort Benson.

The industry "can expect to see increased levels of M&A in the hedge fund administration space in the small and medium-sized categories," says a representative of Morgan Stanley Fund Services. Not everyone is convinced though. CIBC believes such activity "appears to be levelling out with the amount of uncertainty in European economies and uncertainties with fiscal policy globally."

administrator," says Leo LaForce, the New York-based firm's head of marketing and communications. "Often we see large, seasoned managers that have evolved their portfolio complexity over time and now require an administrator that can meet their more advanced technology and service needs. A second scenario is where the manager or investors have been negatively impacted by their current administrator's lack of capabilities."

Several trends have emerged or continued in the last six months, and all seem to play into the hands of those administrators with the most comprehensive offerings.

Echoing the thoughts of most HFMWeek interviewees, John Wallace, managing director and co-head at Deutsche Bank Alternative Fund Services, whose single manager AuA has risen 11% to \$20bn, highlights three areas as drivers for growth: increased regulation, higher standards of best practices and increased pressure from institutional investors for hedge fund managers to have third-party valuations and independent custody of assets.

"In addition to the perennial focus on independence, new areas are evolving quickly," Citco's Keunen adds, "such as regulatory and tax reporting – Form PF and Fatca in the US, the AIFMD in Europe – and outsourced functions such as middle-office and technology, as managers seek to leverage administrator scale to trim costs and investment."

"Investors are holding the strings and they are pulling with all their might," adds Joe Holman from Columbus Avenue Consulting. "They demand more attention to infrastructure and operations. In the current environment, investors are looking at the reliability of the fund on a business level in addition to the talent of the investment manager."

HedgeServ's LaForce agrees. Managers are looking much more to the administrator as a "business partner", he says, a fact in no small part attributable to the growing influence of the institutional nature of the industry's investor base. "The rise of the investor in terms of creating more transparency continues to make hedge funds an attractive and comfort-

TOTAL AuA  
OCT 10  
**\$2.76trn**

TOTAL AuA  
OCT 11  
**\$3.34trn**

**21%**

1 YEAR GROWTH

**1**  
YEAR

SINGLE FUNDS GROWTH FROM OCT 10 - OCT 11

able investment for institutional pools of capital. This rise is underpinned by the fact that managers continue to partner with administrators to achieve high-quality institutional infrastructure, and that managers are providing increasingly greater position-level transparency to their investors.”

Indeed, transparency is the “buzz word” right now, says Kristin Steele at ISIS. “Institutional investors are demanding it and, in many cases, are looking to the fund’s administrator to provide these services”. Investors want to see more, she says, including; counterparty exposures, the proportion of holdings which have been independently priced and what securities are Level 1, 2 or 3.

Paul Nunan, managing director at Capita Finance Group Ireland, has seen a continuing trend in 2011, “where clients are switching to a daily-dealing environment, due to their investor base looking to have more frequent liquidity”. Hedge fund strategies within a Ucits regulatory structure have also become more prevalent, he notes.

Growth in sophisticated new products is certainly a theme. At Bank of New York Mellon AIS, whose \$34.5bn gain over the last six months is the second largest in the industry, Marina Lewin, global head of business development, has seen continued growth in hybrid funds, which blend the characteristics of hedge funds and private equity vehicles.

For GlobeOp managing director Ron Tannenbaum, pension funds establishing their own managed account investment programme rather than allocating to an established platform is a growth area to watch.

While still a relatively underused service, shadow administration is also on the rise. According to several interviewees, shadow mandates – whereby an administrator is hired to check and verify an initial administrator’s calculations – are increasingly becoming outsourced. It is unclear the extent to which this increases the likelihood of double-counting in a survey such as this.

Sentiment is relatively consistent. With larger, more sophisticated investors wanting deeper, more sophisticated solutions, administrators have their work cut out. According to Citco’s Keunen, however, those that can keep up with the pace will be rewarded, and sooner than some might expect. “I anticipate that this growth pattern will most likely change,” he says of the next six months. “Institutional investors appear ready to allocate more to alternative investments, so if performance also picks up, the industry stands to benefit widely.” ■

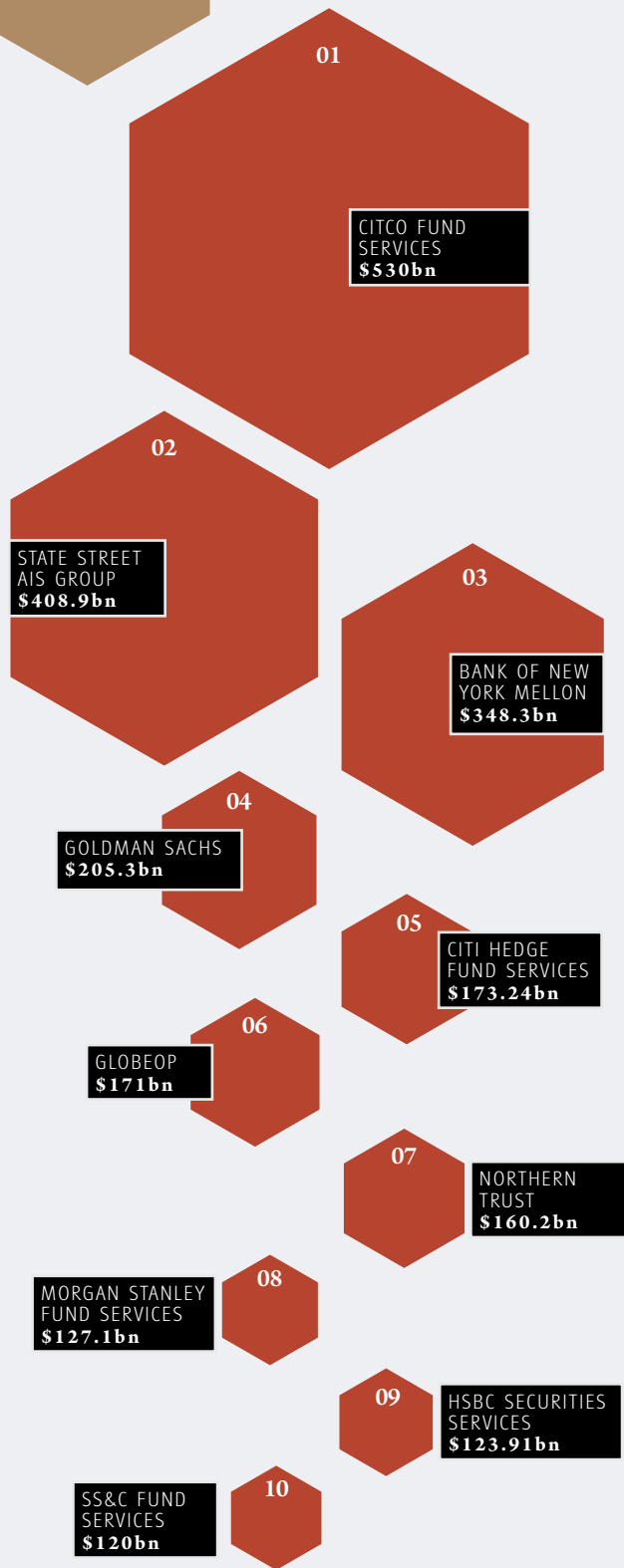
	OCT 10 position moved up/down		AUA (\$BN) OCT 11	AUA (\$BN) OCT 11	GROWTH (%) OCT 11 - OCT 10	
1	1	–	CITCO FUND SERVICES	530.00	475.00	12%
2	2	–	STATE STREET AIS GROUP 5 **	408.90	285.00	43%
3	3	–	BANK OF NEW YORK MELLON**	348.30	261.80	33%
4	4	–	GOLDMAN SACHS	205.30	202.80	1%
5	5	–	CITI HEDGE FUND SERVICES	173.24	154.80	12%
6	6	–	GLOBEOP 7	171.00	139.00	23%
7	13	↑	NORTHERN TRUST 4	160.20	67.00	139%
8	9	↑	MORGAN STANLEY FUND SERVICES	127.10	90.70	40%
9	7	↓	HSBC SECURITIES SERVICES 1	123.91	112.90	10%
10	8	↓	SS&C FUND SERVICES	120.00	110.00	9%
11	14	↑	HEDGESERV	91.00	47.00	94%
12	11	↓	SEI	86.00	77.00	12%
13	10	↓	CACEIS INVESTOR SERVICES 1	82.57	86.61	-5%
14	–	–	CREDIT SUISSE*	75.47	75.47	0%
15	17	↑	RBC DEXIA FUND SERVICES	75.10	36.54	106%
16	16	–	JP MORGAN HEDGE FUND SERVICES	55.10	39.00	41%
17	15	↓	UBS FUND SERVICES **	50.90	46.28	10%
18	20	↑	CUSTOM HOUSE GLOBAL FUND SERVICES	42.98	34.08	26%
19	18	↓	BNP PARIBAS SECURITIES SERVICES	40.40	35.20	15%
20	22	↑	BUTTERFIELD FULCRUM GROUP *	25.00	25.00	0%
21	29	↑	LACROSSE GLOBAL FUND SERVICES**	22.50	16.10	40%
22	24	↑	AIS FUND ADMINISTRATION	22.00	21.00	5%
23	25	↑	U.S. BANCORP FUND SERVICES**	21.60	20.91	3%
24	33	↑	DEUTSCHE BANK ALTERNATIVE FUND SERVICES	20.00	17.20	16%
25	27	↑	HARMONIC FUND SERVICES	19.80	18.50	7%
26	–	–	SGSS*	18.90	18.90	0%
27	30	↑	MAPLES FUND SERVICES	18.22	15.20	20%
28	21	↓	TRIDENT FUND SERVICES	17.50	25.10	-30%
29	28	↓	KAUFMAN ROSSIN FUND SERVICES *	16.30	16.30	0%
30	32	↑	APEX	15.36	14.15	9%
31	34	↑	NOTTINGHAM INVESTMENT ADMINISTRATION	13.80	12.70	9%
32	35	↑	DAWA SECURITIES GLOBAL ASSET SERVICES **	13.19	12.69	4%
33	47	↑	CAYMAN NATIONAL	11.19	5.10	119%
34	38	↑	CONIFER FUND SERVICES	10.00	6.90	45%
35	42	↑	VITEOS CAPITAL MARKET SERVICES LIMITED	9.72	5.60	74%
36	31	↓	ADMIRAL ADMINISTRATION LTD	9.70	15.20	-36%
37	36	↓	MERIDIAN	9.50	11.90	-20%
38	43	↑	ALPS FUND SERVICES	8.50	5.53	54%
39	48	↑	UMB FUND SERVICES	6.35	5.03	26%
40	–	–	ALPHAMETRIX360*	6.00	6.00	0%
41	46	↑	EQUINOXE ALTERNATIVE INVESTMENT SERVICES	6.00	5.30	13%
42	41	↓	COLUMBUS AVENUE CONSULTING	5.50	5.60	-2%
43	49	↑	EUROPEAN FUND ADMINISTRATION	5.18	4.90	6%
44	19	↓	CIBC 4	3.25	34.80	-91%
45	50	↑	WOODFIELD FUND ADMINISTRATION	3.20	4.52	-29%
46	55	↑	INVESTMENT DATA SERVICES GROUP (IDS)	3.12	2.55	22%
47	53	↑	CALEDONIAN FUND SERVICES*	3.05	2.93	4%
48	54	↑	FOLIO ADMINISTRATORS *	2.64	2.64	0%
49	56	↑	ISIS FUND SERVICES	2.38	2.30	3%
50	–	–	INTERTRUST 7	2.17	N/A	N/A
51	57	↑	MAITLAND FUND SERVICES	2.16	1.90	14%
52	58	↑	TRINITY FUND ADMINISTRATORS	2.10	1.80	17%
53	60	↑	SFT FUND ADMINISTRATION 7	2.10	1.80	17%
54	–	–	CAPITA	1.85	0.86	115%
55	59	↑	PINNACLE FUND ADMINISTRATION *	1.80	1.80	0%
56	65	↑	IFINA	1.60	1.25	28%
57	62	↑	PHOENIX FUND SERVICES	1.59	1.63	-2%
58	64	↑	CIRCLE PARTNERS	1.50	1.40	7%
59	69	↑	VALLETTA FUND SERVICES*	1.30	0.67	93%
60	68	↑	BANQUE PRIVEE E. DE ROTHSCHILD	0.87	0.82	6%
61	70	↑	VASTARDIS FUND SERVICES	0.73	0.57	28%
62	39	↓	ATC FUND SERVICES	0.70	6.82	-90%
63	66	↑	G&S	0.65	1.20	-46%
64	71	↑	PANOPTIC FUND ADMINISTRATION	0.58	0.52	11%
65	72	↑	PRAXIS *	0.21	0.21	0%
66	74	↑	ACTIVE FUND SERVICES *	0.11	0.11	0%
67	–	–	LEGIS	0.03	0	N/A
68	–	–	RAWLINSON & HUNTER FUND SERVICES	0.00	NEWCOMER	N/A

FOOTNOTES

- \* No new figures available
- \*\* Data as at 30 September 2011
- 1 Data as of end of June 2011
- 2 Acquired Close Fund Services. First time reporting to survey.
- 3 As a listed company GlobeOp cannot split data into Single Fund AUA/FoHF AUA
- 4 CIBC no longer calculates Fiduciary assets when serving as a trustee or director
- 5 The significant increase in AuA can partly be attributed to a business reporting methodology change that took place in Q2 2011
- 6 Acquired BoSS and Omnium. Data as of end of June 2011.
- 7 Formerly IFCE Fund Services



LARGEST ADMINISTRATORS BY AUA (\$bn)



TEN LARGEST ADMINISTRATORS BY % GROWTH

1	NORTHERN TRUST	121%
2	BANK OF NEW YORK MELLON	11%
3	SS&C FUND SERVICES	3%
4	HSBC SECURITIES SERVICES	3%
5	GLOBEOP	2%
6	CITICO FUND SERVICES	2%
7	MORGAN STANLEY FUND SERVICES	0%
8	STATE STREET AIS GROUP	0%
9	GOLDMAN SACHS	-1%
10	CITI HEDGE FUND SERVICES	-1%

OVERALL ADMINISTRATORS BY % GROWTH

1	NORTHERN TRUST	121%
2	CAYMAN NATIONAL	54%
3	HEDGESERV	30%
4	JPMORGAN HEDGE FUND SERVICES	29%
5	VASTARDIS FUND SERVICES	26%
6	INVESTMENT DATA SERVICES GROUP (IDS)	18%
7	IFCE FUND SERVICES	18%
8	APEX	17%
9	CUSTOM HOUSE GLOBAL FUND SERVICES	17%
10	HARMONIC FUND SERVICES	15%

RATIONALE

HFMWeek's AuA figures are carefully compiled using data supplied by individual administration companies. Each reporting body is expected to strip out leverage, private equity and property numbers to give an accurate picture of the current size of the hedge fund universe. Figures are rounded to two decimal places, whereas percentage growth expresses the full six-month figure.

IN THE NEXT ISSUE

Find out who tops the funds of hedge funds list in the second part of HFMWeek's AuA survey, in issue 246