

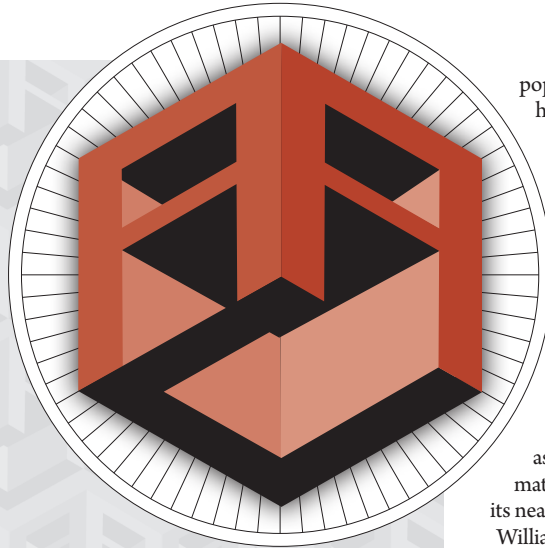
HFMWEEK

16<sup>th</sup>

BIANNUAL

ASSETS UNDER ADMINISTRATION SURVEY

PART ONE  
SINGLE MANAGERS



The biannual task of assessing the make-up of the hedge fund administrator space is upon us once more, and *HFMWeek's* first survey of 2011 shows an industry in the transcendent as the post-crisis recovery beds in. Turn over for a full breakdown of administrator asset growth over the last six months  
BY TONY GRIFFITHS

popular opinion perhaps, it suggests that, while the big have got bigger, the rest of the industry is keeping in touch.

There has been a noticeable drop in the number of firms reporting a drop in six-month performance, with a handful of smaller players growing their single manager business impressively. Viteos Capital Market Services, up 86% from \$5.6bn to \$10.43bn, and Conifer Securities, up 67% from \$6.9bn to \$11.5bn, are both worth a mention.

At the top of the pile, Citco retains its crown as the industry's biggest administrator. Jumping 9% in the last six months, its growth may not be quite as impressive as others in the top ten, but few can match its increase of \$45bn. With still over \$100bn on its nearest rival, it remains the sector's yardstick.

William Keunen, global director of Citco Fund Services, is not surprised by the boost in industry assets. "Performance in the latter part of 2010 was good and is broadly positive through April 2011 too," he says. "We are seeing continued net inflows while start-ups are beginning to pick up."

And Keunen sees no reason why growth can't continue. "The industry has matured greatly since the financial crisis and investors have been reassured about the sector's response in establishing the necessary credentials to warrant renewed investment," he adds.

State Street and Bank of New York (BNY) Mellon remain second and third in the rankings respectively. State Street's growth of 43% is the biggest in the top ten, although the increase is not entirely organic; in part attributed to a "business reporting methodology change that took place in Q1 2011". Some offshore assets that were previously excluded from State Street's Alternative Investment Solutions (AIS) group total are now included at the direction of senior management, a company spokesperson told *HFMWeek*.

Nonetheless, asset growth of \$123bn is an impressive

achievement, progress that George Sullivan, executive vice president and global head of State Street AIS, attributes largely to the increasing health of the industry at large, but particularly in Asia-Pacific, where he expects significant inflows over the next 12-24 months. "One of the key changes in our business model is the establishment and expansion of our hedge fund servicing presence in the Asia-Pacific region in 2011," he says.

Asia has certainly been a talking point of late. At the end of 2010, Citco pushed its Asia personnel past 300. According to Custom House chairman Dermot Butler back in March, the sector is split as to how much time to dedicate to Eastern enterprise, although for him there

was little doubt: "I believe the future is Asia," he said.

Asian expansion offers more than just fresh assets, and the additional benefits, such as a 24-hour service, complement a goal driving all of the top players – broadening the service package.

The six months since *HFMWeek's* last Assets under Administration (AuA) Survey have been memorable to say the least. Capturing a particularly strong finish to 2010 as well as 2011's healthy opening salvo, the period was awash with stories of performance spikes, launches and big allocations. As such, the fact that the results of this, *HFMWeek's* 16th AuA Survey, reveal strong progress will come as little surprise. The scale of said jump however, is a little more dramatic.

Since 31 October 2010, assets in single manager funds have surged \$430bn; a record-breaking rise that doesn't so much breach the \$3trn mark for the first time, as smash straight through it. As of the end of April 2011, total assets for single managers stand at \$3.24trn, up 15% from \$2.81trn six months ago. It is the biggest biannual rise in the survey's history, and the largest percentage gain since April 2007.

In terms of the names on the latest list however, little has changed. The make-up of the top ten remains the same and the impact of various M&A deals, though no doubt significant, continues at a drip rate rather than a surge. Only Credit Suisse's purchase of Prime Fund Solutions (PFS) has seen a change in the line-up – although fresh data for the consolidated group, now under the Credit Suisse banner, was unavailable due to a complicated integration process.

The top ten's grip is also similarly strong. In October 2010, assets at the ten biggest administrators accounted for 68% of total assets – now it is 69%. Incongruous with



KEY THEME  
M&A ACTIVITY

Overall M&A activity may have dipped slightly in recent months, but most administrators expect it to persist. "The top ten in our market continue to grow their market share and, while we have seen some new entries, it's probably the mid-sized administrators that are being squeezed, those who don't necessarily have the capital and the depth of resources to make all the investments to grow their business," says Rob Lockhart, vice president, business development manager at BNY Mellon. "Increased regulatory or technological requirements make for fertile ground for M&A activity – this is when the middle-tier administrators become targets for the higher echelon."

6 MONTHS

SINGLE FUNDS GROWTH FROM OCT 10 - APR 11

TOTAL AuA  
OCT 10  
**\$2.81trn**

TOTAL AuA  
APR 11  
**\$3.24trn**



OCT 10 position	↑	↓	↔	new	removed	up/down	AUA (\$Bn) APR 11	AUA (\$Bn) OCT 10	GROWTH (%) OCT 10 - APR 11
1	–						520.00	475.00	9%
2	–						408.10	285.00	43%
3	–						313.80	261.80	20%
4	–						206.80	202.80	2%
5	–						175.75	154.80	14%
6	–						167.00	139.00	20%
7	↑						126.80	90.70	40%
8	↓						120.36	112.90	7%
9	↓						116.00	110.00	5%
10	–						94.17	86.61	9%
11	–						82.30	77.00	7%
12	–						75.47	75.47	0%
13	↑						73.00	36.54	100%
14	↓						72.60	67.00	8%
15	↓						70.00	47.00	49%
16	↓						51.08	46.28	10%
17	↓						42.80	39.00	10%
18	↑						38.93	21.23	83%
19	↑						36.70	34.08	8%
20	↓						36.40	35.20	3%
21	↓						36.10	34.80	4%
22	↓						29.00	25.10	16%
23	↓						25.00	25.00	0%
24	↑						22.50	16.10	40%
25	–						21.75	20.91	4%
26	↓						21.00	21.00	0%
27	↓						18.90	18.90	0%
28	↑						18.23	15.20	20%
29	↑						18.00	13.40	34%
30	↓						17.20	18.50	-7%
31	↓						16.30	16.30	0%
32	↑						13.23	12.69	4%
33	↓						13.11	14.15	-7%
34	–						12.70	12.70	0%
35	↑						12.00	11.90	1%
36	↑						11.50	6.90	67%
37	↑						10.43	5.60	86%
38	↓						10.40	15.20	-32%
39	↑						8.00	5.53	45%
40	↑						7.25	5.10	42%
41	↑						6.21	5.03	24%
42	↓						6.00	6.00	0%
43	↓						5.60	5.60	0%
44	↑						5.60	5.30	6%
45	–						5.08	5.45	-7%
46	↑						4.95	4.90	1%
47	↑						4.03	4.52	-11%
48	↑						3.05	2.93	4%
49	↑						2.90	3.00	-3%
50	↑						2.64	2.55	4%
51	↑						2.64	2.64	0%
52	↑						2.40	1.80	33%
53	↑						2.25	2.30	-2%
54	↑						2.17	1.90	14%
55	↑						1.92	1.63	18%
56	↑						1.80	1.80	0%
57	↑						1.78	1.80	-1%
58	↑						1.69	1.69	0%
59	↑						1.55	1.40	11%
60	↓						1.40	6.82	-79%
61	↑						1.40	1.25	12%
62	↑						1.30	0.67	93%
63	↑						0.86	0.82	5%
64	↑						0.73	1.20	-40%
65	↑						0.58	0.52	11%
66	↑						0.58	0.57	1%
67	↑						0.21	0.21	0%
68	↑						0.14	0.14	0%
69	↑						0.11	0.11	0%
70	–						0.05	NEWCOMER	N/A
71	↓						0.00	10.80	-100%



Combined single manager AuA at the top ten biggest administrators now accounts for 69% of the total AuA, compared to 68% six months ago

“There is significant demand for enhanced service capabilities – we are talking to a number of fund groups who are assessing their options, whether it is outsourcing more work or opting for scalable industrial technology, rather than investing in isolation,” Keunen reveals.

Third-placed BNY Mellon – up 20%, from \$261.8bn to \$313.8bn – is continuing to develop its middle-office service, based on the model purchased as part of last year’s PNC Global Investment Servicing

acquisition, according to Marina Lewin, global head of sales. “We’re integrating some of the offerings we have outside of pure administration in the collateral management and custody space, as managers are looking at how they interact overall with their providers.”

“We have seen many established managers look to reassess their counterparties and infrastructure recently, as well as many having outgrown their initial niche administration provider and seeking broader capabilities,” adds Peter Sanchez, global head of business development and client service, at Chicago-based Omnium.

Recently purchased by Northern Trust, Omnium was one of the survey’s best-performers, growing 83%, from \$21.23bn to \$38.93bn. The new combined administrator, Northern Trust Hedge Fund Services, will also seek to move into full servicing for, among others, funds of hedge funds and private equity clients, while others are doing likewise.

“We see an increasing trend of confluence of hedge funds and private equity funds,” says Hans Hufschmid, CEO of GlobeOP, where AuA has grown 20%, to \$167bn, since October. “That requires us and other traditional hedge fund administrators to become experts in the private equity administration place.”

The Omnium sale may have made headlines recently, but Hufschmid thinks it may be a little misleading to look at it as indicative of a defining trend for the last six months. “Very little M&A has taken place but a lot more administrators are for sale – all small ones,” he explains. After a dip in activity, the next six months may see the talk become reality again – Close Fund Services is one such administrator in the survey on the verge of being sold.



26 of the administrators on the list, over a third, experienced double-digit growth or better in the last six months

1  
YEAR

SINGLE FUNDS GROWTH FROM APR 10 - APR 11

RANK	RANK CHG	FUND	AUA (\$BN)		GROWTH (%) APR 10 - APR 11
			APR 11	APR 10	
1	—	CITCO FUND SERVICES	520.00	440.00	18%
2	—	STATE STREET ALT INV SOLUTIONS GROUP 1**	408.10	235.00	74%
3	3	BANK OF NEW YORK MELLON 2	313.80	197.90	59%
4	4	GOLDMAN SACHS	206.80	192.70	7%
5	5	CITI HEDGE FUND SERVICES	175.75	154.61	14%
6	7	GLOBEOP 3	167.00	115.00	45%
7	10	MORGAN STANLEY FUND SERVICES	126.80	85.47	48%
8	6	HSBC SECURITIES SERVICE 4	120.36	126.88	-5%
9	8	SS&C FUND SERVICES	116.00	102.00	14%
10	9	CACEIS INVESTOR SERVICES **	94.17	85.66	10%
11	13	SEI	82.30	65.00	27%
12	11	CREDIT SUISSE 5	75.47	83.25	-9%
13	21	RBC DEXIA FUND SERVICES	73.00	33.18	120%
14	12	NORTHERN TRUST	72.60	72.80	0%
15	30	HEDGESERV	70.00	16.00	338%
16	14	UBS FUND SERVICES **	51.08	58.22	-12%
17	15	IPMORGAN HEDGE FUND SERVICES	42.80	38.00	13%
18	22	OMNIUM 6	38.93	24.13	61%
19	20	CUSTOM HOUSE GLOBAL FUND SERVICES	36.70	25.30	45%
20	18	BNP PARIBAS SECURITIES SERVICES	36.40	35.00	4%
21	19	CIBC	36.10	34.20	6%
22	34	TRIDENT FUND SERVICES	29.00	15.40	88%
23	23	BUTTERFIELD FULCRUM GROUP *	25.00	24.00	4%
24	31	LACROSSE GLOBAL FUND SERVICES	22.50	15.80	42%
25	28	U.S. BANCORP FUND SERVICES	21.75	17.59	24%
26	25	AIS FUND ADMINISTRATION	21.00	20.00	5%
27	26	EURO-VL (SGSS) *	18.90	18.90	0%
28	29	MAPLES FUND SERVICES	18.23	16.90	8%
29	24	DEUTSCHE BANK ALTERNATIVE FUND SERVICES 7	18.00	13.20	36%
30	27	HARMONIC FUND SERVICES	17.20	18.30	-6%
31	32	KAUFMAN ROSSIN FUND SERVICES *	16.30	15.70	4%
32	33	DAWA SECURITIES GLOBAL ASSET SERVICES **	13.23	15.67	-16%
33	39	APEX	13.11	9.92	32%
34	38	NOTTINGHAM INVESTMENT ADMINISTRATION	12.70	10.10	26%
35	36	MERIDIAN	12.00	12.05	0%
36	41	CONIFER FUND SERVICES	11.50	6.40	80%
37	50	VITEOS CAPITAL MARKET SERVICES LIMITED	10.43	4.00	161%
38	35	ADMIRAL ADMINISTRATION LTD	10.40	15.30	-32%
39	44	ALPS FUND SERVICES	8.00	5.35	50%
40	46	CAYMAN NATIONAL	7.25	5.10	42%
41	49	UMB FUND SERVICES	6.21	4.44	40%
42	42	ALPHAMATRIX360 8	6.00	6.00	0%
43	48	COLLUMBUS AVENUE CONSULTING	5.60	4.80	17%
44	70	EQUINOXE ALTERNATIVE INVESTMENT SERVICES	5.60	1.20	367%
45	43	SWISS FINANCIAL SERVICES GROUP **	5.08	5.83	-13%
46	54	EUROPEAN FUND ADMINISTRATION	4.95	3.07	61%
47	47	WOODFIELD FUND ADMINISTRATION	4.03	4.90	-18%
48	57	CALEDONIAN FUND SERVICES	3.05	2.19	39%
49	52	BANK OF IRELAND SECURITIES SERVICES	2.90	3.50	-17%
50	56	INVESTMENT DATA SERVICES GROUP (IDS)	2.64	2.63	0%
51	55	FOLIO ADMINISTRATORS *	2.64	2.64	0%
52	60	TRINITY FUND ADMINISTRATION	2.40	1.80	33%
53	58	ISIS FUND SERVICES	2.25	2.15	5%
54	63	MAITLAND FUND SERVICES	2.17	1.63	33%
55	68	PHOENIX FUND SERVICES *	1.92	1.54	25%
56	66	PINNACLE FUND ADMINISTRATION *	1.80	1.55	16%
57	64	IFCE FUND SERVICES	1.78	1.63	9%
58	61	CLOSE FUND SERVICES 9	1.69	1.78	-5%
59	69	CIRCLE PARTNERS	1.55	1.54	1%
60	40	ATC FUND SERVICES	1.40	6.82	-79%
61	65	IFINA	1.40	1.60	-13%
62	71	VALLETTA FUND SERVICES	1.30	1.01	29%
63	73	BANQUE PRIVEE E. DE ROTHSCHILD	0.86	0.78	11%
64	74	G&S	0.73	0.65	12%
65	75	PANOPTIC FUND ADMINISTRATION	0.58	0.52	12%
66	76	VASTARDIS FUND SERVICES	0.58	0.35	65%
67	77	PRAXIS *	0.21	0.21	0%
68	78	ATU FUND ADMINISTRATION (BVI) LTD *	0.14	0.14	0%
69	—	PSG ACTIVE FUND SERVICES LIMITED *	0.11	NEWCOMER	N/A
70	—	RAWLINSON & HUNTER FUND SERVICES	0.05	NEWCOMER	N/A
71	37	VARIMAN LLC 10	0.00	10.80	-100%

TOTAL AuA  
APR 10  
**\$2.70trn**

TOTAL AuA  
APR 11  
**\$3.24trn**

**20%**

1 YEAR GROWTH

**KEY THEME**  
SELF ADMINISTRATION

The trend in the US of funds moving from self-administration to a third-party service was first touted during the aftermath of the financial crisis. Any thoughts that it's over are wide of the mark, says Hans Hufschmid, CEO of GlobeOp. "There are still some very substantial hedge fund complexes that self-administer in the US. Some of these are contemplating moving to an independent outsourced operating model. I have seen articles that suggest the move from self-administration to independent third-party administration is nearly complete. Judging from what we see, the opposite is true — it's just beginning."

**THE IMPACT OF NEW FUND** regulation is another trend on the sector's lips. "This is a work in progress," says Hufschmid. "The starting gun is loaded, so to speak, but won't be fired for another year or two."

"I think the impact of Dodd-Frank on US launch activity is largely over," BNY Mellon's Lewin adds. "But the AIFM Directive, upcoming Ucits regulation and the impact of the Basel rules could be part of an ongoing trend that could impact M&A activity for funds and administrators alike."

Having seen such strong growth in the last six-months, most of the administrators that *HFMWeek* spoke to are tempering their expectations for the second half of the year. All agree that the industry is stronger, but concede that the chance of seeing a second 15% advance is unlikely.

"Based on my experience and the fact that we've seen a little more instability in the last month, I think that number will probably flatten in the second half of the year," explains Lewin. "The launch activity tends to be softer mid-year."

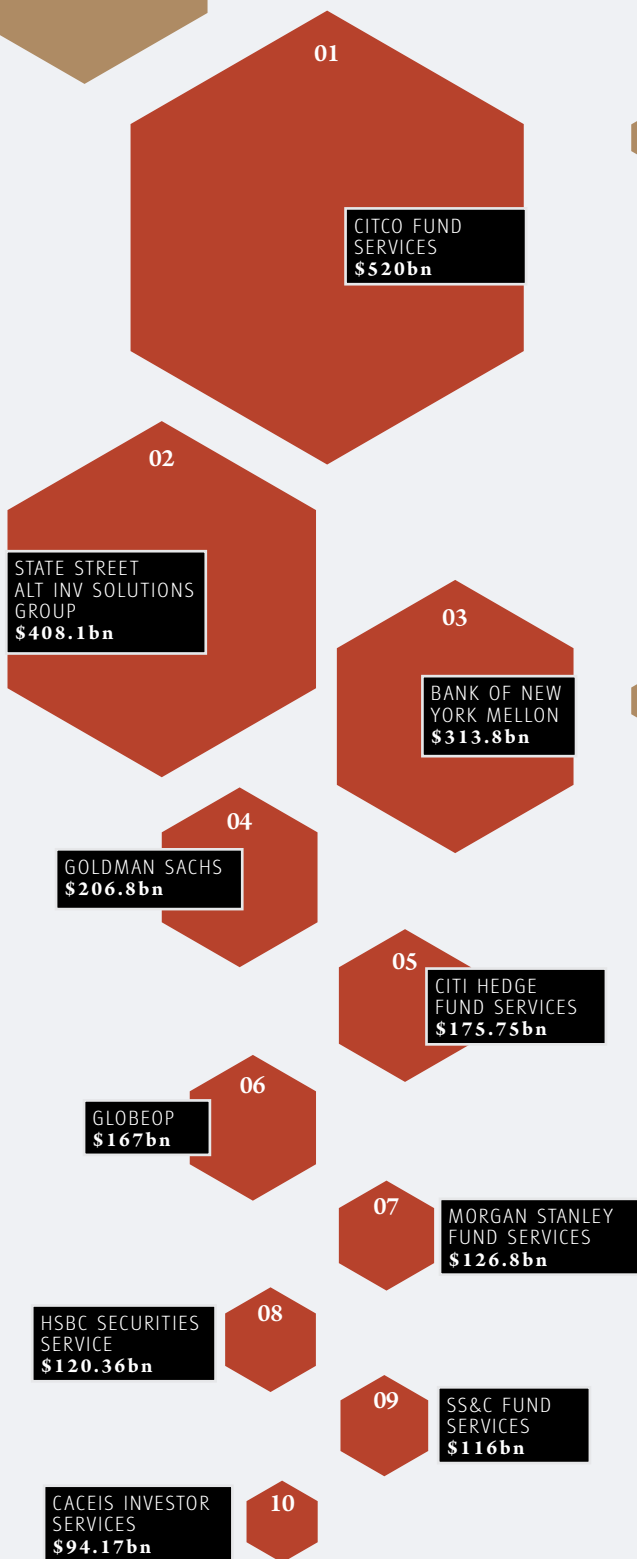
Even if the surge is over, its legacy looks to have put the hedge fund industry, and its administrators, on surer ground. ■

FOOTNOTES

- \* No new figures available
- \*\* Data as at 31 March 2011
- 1 The significant increase in AuA can partly be attributed to a business reporting methodology change that took place in Q1 2011
- 2 Data as at 1 Mar 2011
- 3 As a listed company GlobeOp cannot split data into Single Fund AuA/FoHF AuA
- 4 Data as at 31 Dec 2010
- 5 Formerly Prime Fund Solutions. No new data available due to consolidation
- 6 Data as a 28 Feb 2011
- 7 Data for April 2010 has been updated
- 8 Formerly Spectrum Global Fund Admin. No new data available.
- 9 Business in process of being sold
- 10 Exited fund admin space in Jan 2011



LARGEST ADMINISTRATORS BY AUA (\$BN)



TEN LARGEST ADMINISTRATORS BY % GROWTH

1	STATE STREET ALTERNATIVE INVESTMENT SOLUTIONS GROUP	43%
2	MORGAN STANLEY FUND SERVICES	40%
3	GLOBEOP	20%
4	BANK OF NEW YORK MELLON	20%
5	CITI HEDGE FUND SERVICES	14%
6	CITCO FUND SERVICES	9%
7	CACEIS INVESTOR SERVICES	9%
8	HSBC SECURITIES SERVICE	7%
9	SS&C FUND SERVICES	5%
10	GOLDMAN SACHS	2%

OVERALL ADMINISTRATORS BY % GROWTH

1	RBC DEXIA FUND SERVICES	100%
2	VALLETTA FUND SERVICES	93%
3	VITEOS CAPITAL MARKET SERVICES	86%
4	OMNIUM	83%
5	CONIFER FUND SERVICES	67%
6	HEDGESERV	49%
7	ALPS FUND SERVICES	45%
8	STATE STREET ALTERNATIVE INVESTMENT SOLUTIONS GROUP	43%
9	CAYMAN NATIONAL	42%
10	MORGAN STANLEY FUND SERVICES	40%

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 226