



# Hedge Fund Administrators

Simon Dhadwal examines the hedge fund administration industry, including the top 10 administrators servicing hedge funds and CTAs and key issues such as consolidation in this extract from the 2013 Preqin Global Hedge Fund Report.

The hedge fund administration industry is in the midst of significant changes. Many smaller fund administrators are finding it difficult to stand out from the crowd in a competitive industry, and consolidation is increasingly commonplace. In the figures below, we analyze the industry in 2013 by focusing on the leading fund administrators overall, the fund administrators most commonly utilized by hedge fund managers in 2012, the leading administrators of CTAs, and the distribution of fund administrators by fund assets under management.

Eleven percent of hedge funds employ Citco Fund Services as their fund administrator. BNY Mellon and SS&C GlobeOp are tied for second most utilized administrator, each servicing 7% of hedge funds.

## Fund Administrator Consolidation

There has been some significant M&A activity in the fund administration industry in the past year. State Street's purchase of Goldman Sachs' hedge fund administration unit in Q3 2012 has enhanced its own fund administration reach and has had a direct bearing on its status as one of the most prominent hedge fund administrators in the industry.

Likewise, SS&C GlobeOp was created by the sale of GlobeOp and all of its global fund administration services to SS&C Technologies in Q2 2012; it has benefitted from the consolidation, with 7% of hedge funds utilizing the firm for fund administration. In Q4 2012, SS&C

GlobeOp grew its hedge fund client base further with the acquisition of Hedgematrix, a boutique full-service fund administrator which services a wide variety of domestic and offshore hedge funds. This expansion through acquisition has been a success for SS&C GlobeOp, with the fund administrator servicing the second highest proportion of hedge funds launched in 2012 (7%), closely following Citco Fund Services, which serviced 11% (Fig. 2).

Bermuda-based Butterfield Fulcrum followed Citco Fund Services and SS&C GlobeOp as the third most utilized fund administrator by hedge funds launched in 2012. The firm was selected by 5% of hedge funds incepted that year. Northern Trust Fund Administration is another offshore-headquartered fund administrator favoured by hedge funds launched in 2012, having been utilized by 5% of these funds, the same proportion it represented of funds incepted in 2011. Citco Fund Services and SS&C GlobeOp were the two most utilized fund administrators by hedge funds launched in both 2011 and 2012; State Street, however, saw a decrease in the number of newly launched funds it represented, with the firm servicing 6% of funds in 2011 compared to 3% in 2012.

## CTA Fund Administrators

Fig. 3. examines the top 10 CTA fund administrators, which when combined service 43% of CTAs. NAV Consulting is the most utilized

Fig. 1: Top 10 Fund Administrators Servicing Hedge Funds

Firm	Proportion of Hedge Funds Serviced
Citco Fund Services	11%
BNY Mellon	7%
SS&C GlobeOp	7%
State Street	6%
International Fund Services	5%
Citi Fund Services	4%
HSBC Securities Services	4%
Northern Trust Fund Administration	3%
RBC Investor Services	2%
Butterfield Fulcrum	2%

Source: Preqin Hedge Fund Analyst

Fig. 2: Top Five Fund Administrators by Proportion of Hedge Funds Launched in 2012 Serviced

Firm	Proportion of 2012 Hedge Funds Serviced
Citco Fund Services	11%
SS&C GlobeOp	7%
Butterfield Fulcrum	5%
Northern Trust Fund Administration	5%
International Fund Services	5%

Source: Preqin Hedge Fund Analyst



Fig. 3: Top 10 Fund Administrators by Proportion of CTAs Serviced

Firm	Proportion of CTAs Serviced
NAV Consulting	10%
Citco Fund Services	7%
SS&C GlobeOp	4%
BNY Mellon	4%
Caceis Fastnet	3%
Custom House	3%
Trinity Fund Administration	3%
AlphaMetrix360	3%
Citi Fund Services	3%
RBC Investor Services	3%

Source: Preqin Hedge Fund Analyst

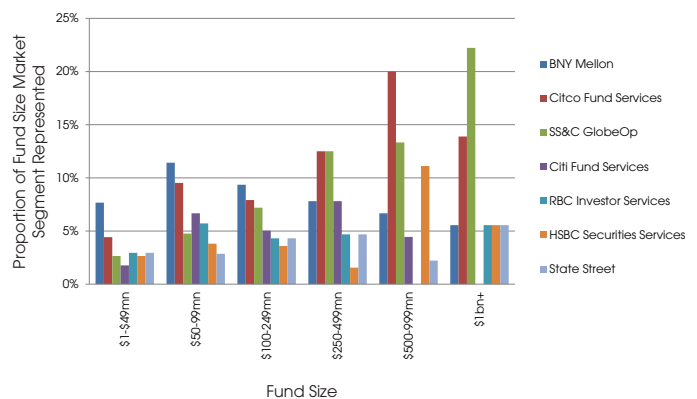
administrator by CTAs, with 10% of single-manager CTAs selecting the Illinois-based firm to meet their fund administration needs. Citco Fund Services represents 7% of CTAs, with SS&C GlobeOp and BNY Mellon each servicing a further 4%. Following these larger firms, relatively smaller players in the industry, such as Caceis Fastnet, Custom House, Trinity Fund Administration, and AlphaMetrix 360, make up the rest of the top 10 CTA fund administrators.

#### Fund Administrators by Fund Size

As is clear from Fig. 4, BNY Mellon is the most commonly utilized fund administrator among funds with smaller to mid-size assets under management, with the firm representing 8% of hedge funds with assets under management of between \$1mn and \$49mn and 11% of hedge funds with assets under management of between \$50mn and \$99mn. In contrast, Citco Fund Services and SS&C GlobeOp are both more active in servicing funds with assets under management of over \$500mn. Citco Fund Services represents 20% of funds with assets under management of \$500-999mn and SS&C GlobeOp provides administration services to 22% of funds with \$1bn or more in assets under management.

The seven leading fund administrators featured in Fig. 4 provide administration services to 58% of funds with assets under

Fig. 4: Proportion of Different Fund Size Market Segments Represented by Leading Fund Administrators



Source: Preqin Hedge Fund Analyst

management of \$1bn or more. In contrast, only 25% of hedge funds that have assets under management ranging between \$1mn and \$49mn use these seven largest administrators. This demonstrates there are opportunities for smaller, emerging administrators to secure business from newly launched hedge funds with less than \$50mn in assets under management.

#### 2013 Preqin Global Hedge Fund Report:

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The report provides detailed insight into the hedge fund industry, including:

- Industry overview by strategy
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