



SS&C and Mitsubishi MUFG acquisitions change the shape of admin table as growth elsewhere remains flat

WORDS BY SAM MACDONALD

With many strategies hit by the market volatility during the quarter, service providers remained mostly flat in growth and market share, according to the latest *HFMWeek/AlphaPipe* Service Provider Snapshot.

While outperforming major market indices, hedge funds made an overall loss of -1.22% in September, according to HFR data. It completes a fourth consecutive month of losses, the worst run since the 2008 financial crisis.

In the administration space there is a third new leader in as many quarters as SS&C GlobeOp's purchase of Citi's admin book boosted assets by 20% to overtake last month's table-topper Citco.

SS&C announced the \$425m acquisition of Citi's admin book over the summer with the deal set to close in January.

SS&C increased retail assets under management (RAuM) to \$1.18trn, up from \$984.3bn in Q2 and boosted its fund count by 30.4% from 1,084 to 1,414 over the same period. This means its market share of funds administered is up to 14.9%, up from 11.7% in Q2, while its assets market share is up to 20.4%, rising from 17% in the previous quarter.

Q3	Q2	ADMIN	FUNDS	%	RAuM (\$BN)	%
1	▲ 2	SS&C GLOBEOP/CITIGROUP	1,414	14.9%	1,181.6	20.4%
2	▼ 1	CITCO	1,165	12.3%	1,033.0	17.8%
3	- 3	STATE STREET GLOBAL FUND SERVICES	1,081	11.4%	1,051.6	18.1%
4	- 4	BANK OF NEW YORK MELLON	568	6.0%	467.4	8.1%
5	- 5	SEI	483	5.1%	145.2	2.5%
6	▲ 11	MITSUBISHI UFJ/UBS	403	4.3%	156.0	2.7%
7	- 7	NORTHERN TRUST	306	3.2%	344.9	6.0%
8	- 8	MORGAN STANLEY	297	3.1%	336.5	5.8%
9	▲ 10	HEDGESERV	266	2.8%	125.5	2.2%
10	▼ 9	U.S. BANCORP	262	2.8%	89.4	1.5%
11	▲ 12	NAV CONSULTING	200	2.1%	11.8	0.2%
12	▲ 13	JP MORGAN CHASE	194	2.0%	97.8	1.7%
13	▲ 14	UMB	168	1.8%	16.3	0.3%
14	▲ 17	KAUFMAN ROSSIN	131	1.4%	15.3	0.3%
15	▲ 18	STONE COAST FUND SERVICES	128	1.4%	34.3	0.6%
16	- 16	ALPS FUND SERVICES	125	1.3%	8.4	0.1%
17	▲ 20	BNP PARIBAS/CREDIT SUISSE	123	1.3%	64.7	1.1%
18	▲ 19	HSBC	118	1.2%	84.1	1.5%
19	NEW	ADMIRAL ADMINISTRATION	90	0.9%	16.6	0.3%
20	NEW	DEUTSCHE BANK	90	0.9%	11.6	0.2%
TOP 20 TOTAL			7,612	80.3%	5,292.3	91.3%
TOTAL HF ADMIN RELATIONSHIPS			9,479	100.0%	5,796.9	100.0%
LESS: MULTIPLE ADMINS			119	140.8		
TOTAL HFS ADMINISTERED			9,360	5,656.1		
TOTAL HFS (ALL SCHEDULE DS)			11,850	6,231.9		
% OF TOTAL HFS ADMINISTERED			79.0%	90.8%		
ALL PRIVATE FUNDS ADMINISTERED			38,686	11,775.8		
			19,562	50.6%	8,278.3	70.3%

Q3	Q2	ADMIN	RAuM (\$BN)	AVG RAuM (\$BN)
1	▲ 3	SS&C GLOBEOP/CITIGROUP	1,181.6	0.84
2	- 2	STATE STREET GLOBAL FUND SERVICES	1,051.6	0.97
3	▼ 1	CITCO	1,033.0	0.89
4	- 4	BANK OF NEW YORK MELLON	467.4	0.82
5	- 5	NORTHERN TRUST	344.9	1.13
6	- 5	MORGAN STANLEY	336.5	1.13
7	▲ 11	MITSUBISHI UFJ/UBS	156.0	1.00
8	- 8	SEI	145.2	0.30
9	- 9	HEDGESERV	125.5	0.47
10	- 10	WELLS FARGO	107.5	1.92
11	▲ 12	JP MORGAN CHASE	97.8	0.50
12	▲ 13	U.S. BANCORP	89.4	0.34
13	▲ 14	BROWN BROTHERS HARRIMAN	86.1	1.30
14	▲ 15	HSBC	84.1	0.71
15	▲ 16	BNP PARIBAS/CREDIT SUISSE	64.7	0.53
16	▲ 17	HARMONIC FUND SERVICES	57.4	3.38
17	▲ 18	CONIFER GROUP	47.9	0.55
18	▲ 20	STONE COAST FUND SERVICES	34.3	0.27
19	NEW	ADMIRAL ADMINISTRATION	16.6	0.18
20	NEW	UMB	16.3	0.10
AVERAGE			277.2	0.87

ADMINISTRATORS

The Citi acquisition means the average size of hedge funds administered by SS&C is down -7.7% to \$840m, compared to \$910m in Q2.

SS&C CEO Bill Stone has not ruled out another admin buy this year, although he says it is unlikely, and adds next year may present more acquisition opportunities.

“It’s mid-October and as always we are methodically opportunistic so we are looking at things; stuff can come quickly and get sold quickly but that is awful quick,” he says.

“I think it’s likely there will be people selling fund administration businesses [in 2016] and it is also likely that we will be bidding for them, whether or not we win that’s another issue but we have won a few [previously].”

The other notable riser, again through acquisition, is Mitsubishi’s MUFG Fund Services, which is acquiring UBS’s fund administration arm. MUFG jumped five places in the table to sixth place with RAuM now sitting at \$156bn, up 41.8% from Q2, and funds rising 63.2% to 403.

“The acquisition of the UBS Fund Services’ alternatives business, which is subject to regulatory approval, will upon close increase the AuA of MFS to approximately \$260bn. MFS will continue to search for addi-



THE ACQUISITION OF THE UBS FUND SERVICES ALTERNATIVES BUSINESS, WHICH IS SUBJECT TO REGULATORY APPROVAL, WILL UPON CLOSE INCREASE THE AUA OF MFS TO APPROXIMATELY \$260BN



KEN MCCARNEY, MUFG

tional strategic acquisitions over the coming years, with the goal of significantly increasing AuA,” says MUFG CEO Ken McCarney.

In terms of organic growth there were few tangible risers. Citco saw a small fall in its RAuM (down -2.3% to \$1.03trn from \$1,06trn) while Admiral Administration and Deutsche Bank were new entrants into the top 20 during the quarter.

“Although the figures here do not account for a much larger part of our client set, our strategy of organic growth and not buying competitor platforms is and will



DATA

\$1.18trn

SS&C RAuM following addition of Citi book

Q3	Q2	AUDITOR	FUNDS	%	RAuM (\$BN)	%
1	- 1	EY	2,570	22.8%	2,368.0	38.2%
2	- 2	PRICEWATERHOUSECOOPERS	2,515	22.3%	1,844.2	29.8%
3	- 3	KPMG	2,237	19.8%	998.7	16.1%
4	- 4	DELOITTE	1,258	11.1%	523.0	8.4%
5	- 5	MCGLADREY	479	4.2%	79.0	1.3%
6	- 6	EISNERAMPER	355	3.1%	63.1	1.0%
7	- 7	GRANT THORNTON	260	2.3%	141.3	2.3%
8	- 8	BDO	232	2.1%	71.3	1.2%
9	- 9	SPICER JEFFRIES	137	1.2%	4.0	0.1%
10	- 10	ELLIOT DAVIS DECOSIMO	61	0.5%	7.6	0.1%
11	- 11	COHNREZNICK	55	0.5%	10.8	0.2%
12	- 12	ARTHUR BELL	52	0.5%	3.8	0.1%
13	- 13	MARCUM	52	0.5%	4.1	0.1%
14	- 14	WITHUMSMITH+BROWN	51	0.5%	6.2	0.1%
15	- 15	ANCHIN BLOCK & ANCHIN	43	0.4%	7.4	0.1%
16	- 16	CITRIN COOPERMAN	36	0.3%	1.2	0.0%
17	- 17	RSM INTERNATIONAL	36	0.3%	8.7	0.1%
18	- 18	WEAVER	35	0.3%	1.3	0.0%
19	- 19	KAUFMAN ROSSIN	28	0.2%	1.8	0.0%
20	NEW	COHEN FUND AUDIT SERVICES	27	0.2%	0.7	0.0%
TOP 20 TOTAL			10,519	93.2%	6,146.2	99.2%
TOTAL HF AUDITOR RELATIONSHIPS			11,289	100.0%	6,197.2	100.0%
LESS: MULTIPLE AUDITORS			23	11.0		
TOTAL HFS AUDITED			11,266	6,186.2		
TOTAL HFS (ALL SCHEDULE DS)			11,850	6,231.9		
% OF TOTAL FUNDS AUDITED			95.1%	99.3%		
ALL PRIVATE FUNDS			38,686	11,775.8		
AUDITED			32,661	84.4%	11,207.6	95.2%

Q3	Q2	AUDITOR	RAuM (\$BN)	AVG RAuM (\$BN)
1	- 1	EY	2,368.0	0.92
2	- 2	PRICEWATERHOUSECOOPERS	1,844.2	0.73
3	- 3	KPMG	998.7	0.45
4	- 4	DELOITTE	523.0	0.42
5	- 5	GRANT THORNTON	141.3	0.54
6	- 6	MCGLADREY	79.0	0.16
7	- 7	BDO	71.3	0.31
8	- 8	EISNERAMPER	63.1	0.18
9	- 9	COHNREZNICK	10.8	0.20
10	- 10	RSM INTERNATIONAL	8.7	0.24
11	- 11	WEISERMAZARS	7.7	0.38
12	- 12	ELLIOT DAVIS DECOSIMO	7.6	0.13
13	- 13	ANCHIN BLOCK & ANCHIN	7.4	0.17
14	- 14	WITHUMSMITH+BROWN	6.2	0.12
15	- 15	MARCUM	4.1	0.08
16	- 16	SPICER JEFFRIES	4.0	0.03
17	- 17	ARTHUR BELL	3.8	0.07
18	- 18	RAINES & FISCHER	3.4	0.20
19	- 19	HORTY & HORTY	3.1	0.63
20	- 20	MAYER HOFFMAN MCCANN	2.8	0.13
AVERAGE			307.9	0.30

AUDITORS

ANALYSIS SERVICE PROVIDER SNAPSHOT

continue to be successful,” says Tim Fitzgerald, Deutsche Bank’s global head of fund services.

The top three prime brokers, Goldman Sachs, Morgan Stanley and JP Morgan, retained their stranglehold on the hedge fund sector with combined market share remaining at 45.2% in terms of the number of funds and rising marginally in terms of assets to 34.1%, up from 33.5% in Q2. There was no movement up or down the top 20 prime broker rankings.

Interactive Brokers achieved the biggest percentage increase in funds, up 4.2% from 168 to 175, while the biggest increase in RAuM came from Wells Fargo, which increased assets to \$30.9bn, up 3.9% from \$29.7bn.

The biggest percentage fallers were HSBC, which saw its RAuM drop -10.8% to \$189.4bn, down from \$212.2bn, and Jefferies, whose fund total fell -2.8% to 243, down from 250 in the previous quarter.

On a pro rata basis, Goldman saw its RAuM fall to \$700.8bn, down from \$702.8bn; JPM saw assets size rise 1.2% to \$669.2bn, up from \$661.4bn; while Morgan Stanley increased RAuM to \$621.2bn, up 2.7% from \$604.6bn in



DATA

45.2%

Market share of top three prime brokers

METHODOLOGY

AlphaPipe’s ADV Data service includes more than 100,000 private fund vendor relationships. The Snapshot focuses on 11,850 hedge funds managing \$6.2trn in RAuM. RAuM are not NAV and can vary significantly by strategy – most directly based on leverage given RAuM are most related to gross assets. These funds come from active SEC registrations as of 30 September. The AlphaPipe team has eliminated over-counting related to fund structure (excludes feeder funds), filing errors and vendor affiliates (counts a relationship with two offices of the same vendor only once).

The Snapshot includes funds managed by registered investment advisers and exempt reporting advisers, as well as single-manager funds and funds of funds. Although extensive, the data is not comprehensive given a number of international fund managers do not make ADV filings and service providers often support non-adviser organisations such as public funds or corporate pensions.

We have presented multiple views to address variability in firm structure – one large fund versus several smaller funds – that can impact a given vendor’s ranking. Given RAuM is only disclosed at the fund level and many funds use multiple prime brokers and custodians, we have presented RAuM two ways: full credit and equal pro-rata (based on the number of providers) to each vendor. RAuM figures are as full credit unless otherwise stated. Annual updates for most managers are in.

Let AlphaPipe’s ADV Change Report digest filings for you: Alphapipe.com/ADV

Q3	Q2	CUSTODIAN	FUNDS	%	RAuM (\$BN)	%
1	- 1	JP MORGAN	2,541	16.7%	2,135.3	10.8%
2	- 2	BNY MELLON/PERSHING	2,114	13.9%	3,055.3	15.4%
3	- 3	STATE STREET	1,035	6.8%	1,902.4	9.6%
4	- 4	BANK OF AMERICA MERRILL LYNCH	833	5.5%	956.0	4.8%
5	- 5	CITIGROUP	580	3.8%	1,020.8	5.2%
6	- 6	GOLDMAN SACHS	551	3.6%	716.7	3.6%
7	- 7	NORTHERN TRUST	523	3.4%	719.8	3.6%
8	▲ 10	WELLS FARGO	463	3.0%	760.2	3.8%
9	▼ 8	DEUTSCHE BANK	450	3.0%	490.4	2.5%
10	▼ 9	MORGAN STANLEY	446	2.9%	535.6	2.7%
11	- 11	U.S. BANCORP	360	2.4%	337.9	1.7%
12	- 12	UBS	344	2.3%	331.5	1.7%
13	- 13	HSBC	313	2.1%	1,117.4	5.6%
14	- 14	CREDIT SUISSE	290	1.9%	328.6	1.7%
15	- 15	FIRST REPUBLIC BANK	271	1.8%	115.3	0.6%
16	- 16	CITCO	242	1.6%	163.4	0.8%
17	- 17	FIDELITY/NATIONAL FINANCIAL SERVICES	191	1.3%	118.2	0.6%
18	▲ 18	CHARLES SCHWAB	185	1.2%	13.9	0.1%
19	▼ 19	BARCLAYS	178	1.2%	761.6	3.8%
20	- 20	BNP PARIBAS	115	0.8%	300.7	1.5%
TOP 20 TOTAL			12,025	79.0%	15,881.1	80.2%
TOTAL INDEPENDENT CUSTODIAL RELATIONSHIPS			15,231	100.0%	19,796.6	100.0%
LESS: MULTIPLE INDEPENDENT CUSTODIANS			6,473		14,318.0	
TOTAL HFS WITH INDEPENDENT CUSTODIANS			8,758		5,478.6	
TOTAL HFS (ALL SCHEDULE DS)			11,850		6,231.9	
% OF TOTAL HFS WITH INDEPENDENT CUSTODIANS			73.9%		87.9%	
ALL PRIVATE FUNDS			38,686		11,775.8	
FUNDS WITH INDEPENDENT CUSTODIANS			29,466	76.2%	10,291.2	87.4%

Q3	Q2	CUSTODIAN	RAuM (\$BN)*	AVG RAuM (\$BN)
1	- 1	BNY MELLON/PERSHING	1,196.0	0.57
2	- 2	JP MORGAN	846.8	0.33
3	- 3	STATE STREET	719.5	0.70
4	- 4	HSBC	272.3	0.87
5	- 5	NORTHERN TRUST	234.7	0.45
6	- 6	CITIGROUP	233.6	0.40
7	- 7	BANK OF AMERICA MERRILL LYNCH	189.8	0.23
8	- 8	WELLS FARGO	175.4	0.38
9	- 9	GOLDMAN SACHS	154.4	0.28
10	- 10	BARCLAYS	139.0	0.78
11	- 11	MORGAN STANLEY	109.4	0.25
12	- 12	BROWN BROTHERS HARRIMAN	102.6	0.98
13	- 13	DEUTSCHE BANK	89.5	0.20
14	- 14	U.S. BANCORP	84.6	0.24
15	- 15	UBS	78.1	0.23
16	- 16	CREDIT SUISSE	66.5	0.23
17	- 17	FIRST REPUBLIC BANK	57.9	0.21
18	- 18	CITCO	55.9	0.23
19	- 19	BNP PARIBAS	50.6	0.44
20	- 20	SCOTIABANK	31.3	1.25
AVERAGE			244.4	0.46

* PRO RATA

CUSTODIANS

ANALYSIS SERVICE PROVIDER SNAPSHOT

the previous quarter.

AlphaPipe CEO and co-founder Westley Chapman says: "Relative market share for prime brokers shows more of a top four – Goldman Sachs, Morgan Stanley, JP Morgan and Credit Suisse – who serve over half of all funds and added 99 funds as a group during the quarter."

It was a similar story in the auditor space where EY, PwC, KPMG and Deloitte remained dominant; the top two marginally increased their market share of total funds while KPMG saw a negligible fall in its share.

EY boosted its number of funds to 2,570, up 1.7% from 2,257 as assets fell -0.6% to \$2.37trn, down from \$2.38trn in Q2. PwC increased its fund count to 2,515, up 2.7% from 2,448 in the previous quarter, while assets rose 1.7% to \$1.84trn from \$1.81trn.

Third-placed KPMG saw its fund count increase by 0.8% to 2,237, up from 2,220, as assets fell 0.8% to \$998.7bn, down from \$1trn. Deloitte increased funds by 0.9% to 1,258, up from 1,247 and saw assets jump 0.9% to \$523bn, up from \$518bn at the end of June.

In fund terms the top four now have a fund market share of 76% and a 92.5% market share of assets.

Mike Serota, partner and leader of global hedge fund services at EY, says: "The industry is mature but

continuing to evolve. What we're seeing is the level of AuM necessary to thrive is not only higher than what would have been necessary in the past, but the timeline to achieve these critical thresholds has been shortened."

Mike Greenstein, US alternative asset management leader at PwC adds: "We expect to see continued growth in the industry and our business as alternative managers move to centre stage in the asset management industry, shift to creating a broader asset class and product mix and opening new distribution channels."

In the custodian table, Wells Fargo moved up two places to eighth in terms of number of funds having increased its count by 3.3% to 463 from 448, although it saw a -1.9% drop in RAuM to \$760.2bn, down from \$775.1bn.

JPM retained top spot despite a fall in its funds horde and its assets. The number of funds using its services fell -1.1% to 2,541, down from 2,570, while RAuM dropped 0.7% to \$2.14trn, down from \$2.15trn.

AlphaPipe's Chapman says: "Private funds in the AlphaPipe ADV database continued to grow, adding 456 funds overall and 165 hedge funds during the quarter. The Top 20 rankings have further bifurcated since AlphaPipe and *HFMWeek* began the quarterly rankings – all categories are now dominated by a top three or four." ■



\$2.37trn

RAuM of top auditor, EY

Q3	Q2	PRIME BROKER	FUNDS	%	HF RAuM (\$BN)	%
1	- 1	GOLDMAN SACHS	2,225	17.9%	2,478.6	11.9%
2	- 2	MORGAN STANLEY	1,774	14.3%	2,379.2	11.5%
3	- 3	JP MORGAN	1,619	13.0%	2,221.8	10.7%
4	- 4	CREDIT SUISSE	1,163	9.3%	2,384.7	11.5%
5	- 5	DEUTSCHE BANK	796	6.4%	1,686.7	8.1%
6	- 6	UBS	771	6.2%	1,525.4	7.3%
7	- 7	BANK OF AMERICA MERRILL LYNCH	608	4.9%	1,683.4	8.1%
8	- 8	CITIGROUP	580	4.7%	1,187.9	5.7%
9	- 9	BARCLAYS	429	3.4%	1,542.6	7.4%
10	- 10	BNP PARIBAS	316	2.5%	777.0	3.7%
11	- 11	FIDELITY/NATIONAL FINANCIAL SERVICES	277	2.2%	362.2	1.7%
12	- 12	JEFFERIES	243	2.0%	95.4	0.5%
13	- 13	BNY MELLON/PERSHING	220	1.8%	153.6	0.7%
14	- 14	WELLS FARGO	199	1.6%	30.9	0.1%
15	- 15	INTERACTIVE BROKERS	175	1.4%	22.4	0.1%
16	- 16	BTIG	162	1.3%	19.9	0.1%
17	- 17	SOCIÉTÉ GÉNÉRALE/NEWEDGE	130	1.0%	236.9	1.1%
18	- 18	HSBC	59	0.5%	189.4	0.9%
19	- 19	CHARLES SCHWAB	57	0.5%	8.4	0.0%
20	- 20	CONVERGEX GROUP	50	0.4%	1.9	0.0%
TOP 20 TOTAL			11,853	95.3%	18,988.1	91.4%
TOTAL PB RELATIONSHIPS			12,441	100.0%	20,772.0	100.0%
LESS: MULTIPLE PBS			5,863	16,010.2		
TOTAL HFS PRIME BROKERED			6,578	4,761.8		
TOTAL HFS (ALL SCHEDULE DS)			11,850	6,231.9		
% OF TOTAL HFS PRIME BROKERED			55.5%	76.4%		
ALL PRIVATE FUNDS			38,686	11,775.8		
TOTAL FUNDS PRIME BROKERED			7,821	20.2%	5,032.5	42.7%

Q3	Q2	PRIME BROKER	RAuM (\$BN)*	HF RAuM (\$BN)
1	- 1	GOLDMAN SACHS	700.8	0.31
2	- 2	JP MORGAN	669.2	0.41
3	- 3	MORGAN STANLEY	621.2	0.35
4	- 4	CREDIT SUISSE	579.9	0.50
5	- 5	DEUTSCHE BANK	336.0	0.42
6	- 6	BANK OF AMERICA MERRILL LYNCH	327.8	0.54
7	- 7	BARCLAYS	325.8	0.76
8	- 8	UBS	321.8	0.42
9	- 9	CITIGROUP	304.9	0.53
10	- 10	BNP PARIBAS	153.7	0.49
11	- 11	FIDELITY/NATIONAL FINANCIAL SERVICES	83.2	0.30
12	- 12	BNY MELLON/PERSHING	41.2	0.19
13	- 13	NOMURA	36.2	1.07
14	- 14	SOCIÉTÉ GÉNÉRALE/NEWEDGE	33.5	0.26
15	- 15	JEFFERIES	31.6	0.13
16	- 16	HSBC	25.2	0.43
17	- 17	WELLS FARGO	22.3	0.11
18	- 18	SKANDINAVISKA ENSKILDA BANKEN	19.0	2.37
19	▲ 20	CITADEL	10.9	1.56
20	▼ 19	RBS	10.9	0.78
AVERAGE			232.8	0.60

* PRO RATA

PRIME BROKERS