



Good inflows into hedge funds in the second quarter serve as boost to larger service providers

WORDS BY SAM MACDONALD; DATA AND ANALYSIS PROVIDED BY ALPHAPIPE

Strong inflows into hedge funds in the second quarter have been reflected in the performance of many of the largest service providers and administrators in particular, according to the latest *HFMWeek/AlphaPipe* Service Provider Snapshot.

Hedge funds enjoyed strong allocations in the second quarter of 2015 as investors added \$21.5bn of net new capital, according to Hedge Fund Research. This represented the largest quarterly inflow into hedge funds since Q2 2014 and brought total global industry capital to \$3trn. Inflows in the first half of 2015 amounted to \$39.7bn.

The *HFMWeek* study is made up of the 20 largest administrators, auditors, prime brokers and custodians operating in the US and it is the larger players who seem to be reaping the rewards of growth, along with a handful of smaller parties.

Although already top in terms of number of funds, Citco has

TOP 20 BY NUMBER OF FUNDS	FUNDS	FUND %	HF RAUM (\$BN)	RAUM %
1 CITCO	1,155	12.4%	1,057.4	18.3%
2 SS&C GLOBEOP	1,084	11.7%	984.3	17.0%
3 STATE STREET GLOBAL FUND SERVICES	1,052	11.3%	1,027.6	17.8%
4 BANK OF NEW YORK MELLON	558	6.0%	464.0	8.0%
5 SEI	482	5.2%	145.5	2.5%
6 CITIGROUP	315	3.4%	194.3	3.4%
7 NORTHERN TRUST	301	3.2%	350.6	6.1%
8 MORGAN STANLEY	288	3.1%	333.5	5.8%
9 US BANCORP	255	2.7%	87.7	1.5%
10 HEDGESERV	251	2.7%	119.1	2.1%
11 MITSUBISHI UFJ FINANCIAL GROUP	247	2.7%	110.0	1.9%
12 NAV CONSULTING	198	2.1%	11.7	0.2%
13 JP MORGAN	187	2.0%	91.3	1.6%
14 UMB	167	1.8%	16.3	0.3%
15 UBS	138	1.5%	46.6	0.8%
16 ALPS FUND SERVICES	124	1.3%	8.4	0.1%
17 KAUFMAN ROSSIN	124	1.3%	14.7	0.3%
18 STONE COAST FUND SERVICES	124	1.3%	34.2	0.6%
19 HSBC	121	1.3%	83.7	1.4%
20 BNP PARIBAS/CREDIT SUISSE	115	1.2%	58.5	1.0%

TOP 20 BY HF RAUM	HF RAUM (\$BN)	AVERAGE RAUM (\$BN)
1 CITCO	1,057.4	0.92
2 STATE STREET GLOBAL FUND SERVICES	1,027.6	0.98
3 SS&C GLOBEOP	984.3	0.91
4 BANK OF NEW YORK MELLON	464.0	0.83
5 NORTHERN TRUST	350.6	1.16
6 MORGAN STANLEY	333.5	1.16
7 CITIGROUP	194.3	0.62
8 SEI	145.5	0.30
9 HEDGESERV	119.1	0.47
10 WELLS FARGO	110.8	2.09
11 MITSUBISHI UFJ FINANCIAL GROUP	110.0	0.45
12 JP MORGAN	91.3	0.49
13 US BANCORP	87.7	0.34
14 BROWN BROTHERS HARRIMAN	85.7	1.34
15 HSBC	83.7	0.69
16 BNP PARIBAS/CREDIT SUISSE	58.5	0.51
17 HARMONIC FUND SERVICES	57.4	3.38
18 CONIFER GROUP	47.7	0.57
19 UBS	46.6	0.34
20 STONE COAST FUND SERVICES	34.2	0.28

TOP 20 TOTAL	7,286	78.3%	5,239.7	90.7%
TOTAL HF ADMIN RELATIONSHIPS	9,301	100.0%	5,774.6	100.0%
LESS: MULTIPLE ADMINS	115		139.8	
TOTAL HFS ADMINISTERED	9,186		5,634.9	
TOTAL HFS (ALL SCHEDULE DS)	11,685		6,234.7	
% OF TOTAL HFS ADMINISTERED	78.6%		90.4%	
ALL PRIVATE FUNDS	38,230		11,726.4	
% OF TOTAL FUNDS ADMINISTERED	19,246	50.3%	8,216.7	70.1%

AVERAGE	274.5	0.89
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ADMINISTRATORS

No duplicates due to filing errors, multiple offices of same administrator or multiple advisers to same fund with same vendor.

now stolen the top spot in the rankings for regulatory assets under management (RAuM) from State Street after boosting its RAuM by 4% from \$1.02trn to \$1.06trn over three months and increasing from 1,144 to 1,155 funds (up 1%).

“We are able to focus on our core asset servicing without having to worry about quarterly financials of a public company and trying to figure out complex mergers and what are company really stands for,” says Citco managing director Jay Peller.

State Street saw a -1.5% drop in its RAuM as it slipped into second place with RAuM falling to \$1.03trn across 1,052 funds. By number of funds, the firm slipped into third place in the 20 in the last *HFMWeek*/AlphaPipe study in April.

SS&C maintained its progress in a quarter where it completed its acquisition of Advent Software. The technology giant garnered the largest RAuM growth after adding an impressive \$70bn over Q2, taking SEC-filed assets to \$984.3bn, representing a jump of 7% from the end of March.

SS&C senior vice-president Rahul Kanwar says: “We saw strong growth in competitive takeaways, outsourcing of internal operations, as well as new fund launches. There is continued recognition in the marketplace that our differentiating technology in the cloud and on mobile devices, combined with the expertise of our staff, positions us well relative to the competition.”

BNP Paribas entered the top 20 administrators for the first time, displacing Admiral, thanks to the acquisition of the Credit Suisse admin arm, taking assets to \$58.5bn. Although BNY Mellon saw a 1.2% drop in the number of funds it administers, the bank did experience a boost in RAuM of 3.5% from \$448bn to \$464bn during the three-month period.

“Alternative investment servicing is one of the most exciting growth segments for BNY Mellon,” says Marina Lewin, global head of new business development, BNY Mellon Asset Servicing. “We’re focused on understanding our clients goals for the future and delivering efficiencies that help them grow their business and manage risk.”

Figures were also positive for SEI, which increased its fund capacity by 2.1% from 472 to 482 and saw RAuM rise by \$6bn to \$145.5bn at the same time.

Steve Meyer, president of SEI’s Investment Manager Services division tells *HFMWeek*: “Our clients have been packaging their investment expertise in a number of diverse ways, from LPs and Ucits to ’40 Act funds and separate accounts, according to the demands of intermediaries and investors.”

In the audit arena, PwC and Deloitte increased their fund count by 28 and 39 funds respectively but long-term table-topper EY continued its grip on the sector after increasing the RAuM it provides audit services by 6.4%



1,155

Total SEC-registered hedge funds administered by Citco

TOP 20 BY NUMBER OF FUNDS					TOP 20 BY HF RAUM					
	FUNDS	FUND %	HF RAUM (\$BN)	RAUM %		HF RAUM (\$BN)	AVERAGE RAUM (\$BN)			
1	ERNST & YOUNG (EY)	2,527	38.5%	2,381.7	37.0%	1	ERNST & YOUNG (EY)	2,381.7	0.94	
2	PRICEWATERHOUSECOOPERS (PWC)	2,448	29.3%	1,813.0	30.0%	2	PRICEWATERHOUSECOOPERS (PWC)	1,813.0	0.74	
3	KPMG	2,220	16.3%	1,006.9	17.0%	3	KPMG	1,006.9	0.45	
4	DELOITTE	1,247	8.4%	518.5	8.4%	4	DELOITTE	518.5	0.42	
5	MCGLADREY	470	1.3%	78.7	1.2%	5	GRANT THORNTON	141.1	0.55	
6	EISNERAMPER	352	1.0%	62.4	1.0%	6	MCGLADREY	78.7	0.17	
7	GRANT THORNTON	256	2.3%	141.1	2.4%	7	BDO	74.0	0.33	
8	BDO	225	1.2%	74.0	1.2%	8	EISNERAMPER	62.4	0.18	
9	SPICER JEFFRIES	136	0.1%	4.0	0.1%	9	COHNREZNICK	10.8	0.20	
10	ELLIOT DAVIS DECOSIMO	61	0.1%	7.6	0.1%	10	RSM INTERNATIONAL	8.3	0.24	
11	COHNREZNICK	55	0.2%	10.8	0.1%	11	WEISERMAZARS	7.7	0.38	
12	ARTHUR BELL	53	0.1%	3.8	0.2%	12	ELLIOT DAVIS DECOSIMO	7.6	0.13	
13	MARCUM	52	0.1%	4.1	0.1%	13	ANCHIN BLOCK & ANCHIN	7.4	0.18	
14	WITHUMSMITH+BROWN	48	0.1%	6.0	0.1%	14	WITHUMSMITH+BROWN	6.0	0.13	
15	ANCHIN BLOCK & ANCHIN	42	0.1%	7.4	0.1%	15	MARCUM	4.1	0.08	
16	CITRIN COOPERMAN	36	0.0%	1.2	0.1%	16	SPICER JEFFRIES	4.0	0.03	
17	RSM INTERNATIONAL	34	0.1%	8.3	0.0%	17	ARTHUR BELL	3.8	0.07	
18	WEAVER	34	0.0%	1.3	0.0%	18	RAINES & FISCHER	3.4	0.20	
19	KAUFMAN ROSSIN	27	0.0%	1.8	0.0%	19	HORTY & HORTY	3.1	0.63	
20	UNTRACHT EARLY	27	0.0%	0.7	0.0%	20	MAYER HOFFMAN MCCANN	2.8	0.13	
TOP 20 TOTAL					10,350	93.1%	6,133.1	99.2%		
TOTAL HF AUDITOR RELATIONSHIPS					11,117	100.0%	6,184.4	100.0%		
LESS: MULTIPLE AUDITORS					22		10.7			
TOTAL HFS AUDITED					11,095		6,173.6			
TOTAL HFS (ALL SCHEDULE DS)					11,685		11,685			
% OF TOTAL FUNDS AUDITED					95.0%		95.0%			
ALL PRIVATE FUNDS					38,230		11,726.4			
AUDITED					32,245	84.3%	11,148.5	95.1%		
						AVERAGE	307.3	0.31		

AUDITORS

No duplicates due to filing errors, multiple offices of same auditor or multiple advisers to same fund with same vendor.

from \$2.24trn to \$2.38trn.

“At EY we are committed to the hedge fund industry and continue to make investments in our people and technology to meet the industry’s needs,” says Mike Serota, EY Leader of global hedge fund services. “We have built a globally integrated hedge fund team that has helped us to serve the needs of all our clients - from emerging managers to established managers.

“These investments are critical as the industry continues to expand into new product classes and geographic regions and is facing an evolving regulatory environment. We are honoured and pleased that the market has recognised the strength of our services which has led to our success in winning new mandates,” he adds.

There was also some jousting for position further down the table as CohnReznick (55 funds and \$10.8bn in RAuM) and Arthur Bell (53 funds and \$3.8bn in RAuM) overtook WithumSmith+Brown and Marcum.

JP Morgan and BNY Mellon/Pershing maintained their hold on the custodian space with a combined market share of 30.8% by number of funds and 26.1% by RAuM. However, JP Morgan’s fund count fell from 2,613 to 2,570 (-1.6%).

The largest growth in the custodian side included First Republic, Wells Fargo and Northern Trust, which increased their portfolio count by 21, 28 and 35 funds respectively.

The only movers position-wise in the top 20 were Deutsche Bank moving up to eighth place in fund numbers and Morgan Stanley dropping one place to ninth, with 17th-placed Fidelity trading places with Barclays in 18th.

As has become customary in the prime broker space there was very little movement in terms of the top 20. Goldman Sachs remains top of the pile with an 18% share of the overall hedge fund industry equalling 2,205 funds and an 11.8% share of assets with RAuM of \$2.5trn.

The top four prime brokerages hold 54.5% of total hedge funds and 44.8% of hedge fund RAuM.

BNP Paribas’s prime brokerage RAuM jumped \$277.4bn although almost all of its net gain came from the highly leveraged Capula Global Relative Value Master fund.

Elsewhere, Société Générale/Newedge and BTIG added the most funds on a percentage basis while RBS broke into the top 20 by pro-rata RAuM in 19th place with \$11.9bn, displacing Scotiabank.

Another PB to show solid growth during the quarter was Barclays, which enjoyed a 3.4% increase in funds to 424 and a 14.5% boost in RAuM to \$1.56trn although this was not enough to force any movement in the top 20.

HSBC Prime Brokerage was notable for an 18.1% drop in funds to 59 although it boosted assets by 17.3% to \$212.2bn.



2,570

Number of SEC-registered hedge funds that use JP Morgan Chase as a custodian

TOP 20 BY NUMBER OF FUNDS	FUNDS	FUND %	HF RAUM (\$BN)	RAUM %
1 JP MORGAN	2,570	17.0%	2,149.7	10.7%
2 BANK OF NEW YORK MELLON/PERSHING	2,085	13.8%	3,080.7	15.4%
3 STATE STREET	1,012	6.7%	1,913.8	9.5%
4 BANK OF AMERICA MERRILL LYNCH	826	5.5%	991.5	4.9%
5 CITIGROUP	566	3.7%	1,017.6	5.1%
6 GOLDMAN SACHS	558	3.7%	721.6	3.6%
7 NORTHERN TRUST	502	3.3%	715.4	3.6%
8 DEUTSCHE BANK	449	3.0%	497.1	2.5%
9 MORGAN STANLEY	448	3.0%	543.3	2.7%
10 WELLS FARGO	448	3.0%	775.1	3.9%
11 US BANCORP	359	2.4%	340.2	1.7%
12 UBS	344	2.3%	332.1	1.7%
13 HSBC	327	2.2%	1,131.2	5.6%
14 CREDIT SUISSE	287	1.9%	326.0	1.6%
15 FIRST REPUBLIC BANK	260	1.7%	110.3	0.6%
16 CITCO	233	1.5%	161.5	0.8%
17 FIDELITY/NATIONAL FINANCIAL SERVICES	188	1.2%	140.6	0.7%
18 BARCLAYS	185	1.2%	778.9	3.9%
19 CHARLES SCHWAB	185	1.2%	13.9	0.1%
20 BNP PARIBAS	114	0.8%	277.3	1.4%

TOP 20 TOTAL	11,946	79.1%	16,017.7	79.9%
TOTAL INDEPENDENT CUSTODIAL RELATIONSHIPS	15,111	100.0%	20,042.5	100.0%
LESS: MULTIPLE INDEPENDENT CUSTODIANS	6,469		14,567.6	
TOTAL HFS WITH INDEPENDENT CUSTODIANS	8,642		5,474.9	
TOTAL HFS (ALL SCHEDULE DS)	11,685		6,234.7	
% OF TOTAL HFS WITH INDEPENDENT CUSTODIANS	74.0%		87.8%	
ALL PRIVATE FUNDS	38,230		11,726.4	
% OF TOTAL FUNDS WITH INDEPENDENT CUSTODIANS	29,130	76.2%	10,236.6	87.3%

TOP 20 BY HF RAUM	HF RAUM (\$BN)*	AVERAGE RAUM (\$BN)
1 BANK OF NEW YORK MELLON/PERSHING	1,197.4	0.57
2 JP MORGAN	849.6	0.33
3 STATE STREET	705.4	0.70
4 HSBC	276.5	0.85
5 NORTHERN TRUST	234.2	0.47
6 CITIGROUP	231.1	0.41
7 BANK OF AMERICA MERRILL LYNCH	191.4	0.23
8 WELLS FARGO	176.1	0.39
9 GOLDMAN SACHS	152.9	0.27
10 BARCLAYS	141.2	0.76
11 MORGAN STANLEY	108.8	0.24
12 BROWN BROTHERS HARRIMAN	102.2	1.00
13 DEUTSCHE BANK	88.7	0.20
14 US BANCORP	85.9	0.24
15 UBS	78.0	0.23
16 CREDIT SUISSE	65.3	0.23
17 FIRST REPUBLIC BANK	55.3	0.21
18 CITCO	54.8	0.24
19 BNP PARIBAS	45.8	0.40
20 SCOTIABANK	31.3	1.25

AVERAGE	243.6	0.46
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*PRO RATA

CUSTODIANS

Excludes custodians separately disclosed as prime brokers. No duplicates due to filing errors, multiple offices of same vendor or multiple advisers to same fund with same vendor.

METHODOLOGY

AlphaPipe's ADV Data service includes more than 100,000 private fund vendor relationships. The Snapshot focuses on 11,685 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 June. 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...
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18%

Proportion of SEC-registered hedge funds that use Goldman Sachs for prime brokerage

ALPHAPIPE

TOP 20 BY NUMBER OF FUNDS		FUNDS	FUND %	HF RAUM (\$Bn)	RAUM %
1	GOLDMAN SACHS	2,205	18.0%	2,506.2	11.8%
2	MORGAN STANLEY	1,743	14.2%	2,378.7	11.2%
3	JP MORGAN	1,589	13.0%	2,231.0	10.5%
4	CREDIT SUISSE	1,145	9.3%	2,403.3	11.3%
5	DEUTSCHE BANK	792	6.5%	1,718.2	8.1%
6	UBS	752	6.1%	1,542.8	7.3%
7	BANK OF AMERICA MERRILL LYNCH	591	4.8%	1,710.2	8.0%
8	CITIGROUP	568	4.6%	1,208.6	5.7%
9	BARCLAYS	424	3.5%	1,564.1	7.4%
10	BNP PARIBAS	314	2.6%	795.9	3.7%
11	FIDELITY/NATIONAL FINANCIAL SERVICES	277	2.3%	360.8	1.7%
12	JEFFERIES	250	2.0%	95.5	0.4%
13	BANK OF NEW YORK MELLON/PERSHING	221	1.8%	158.1	0.7%
14	WELLS FARGO	197	1.6%	29.7	0.1%
15	INTERACTIVE BROKERS	168	1.4%	22.0	0.1%
16	BTIG	158	1.3%	19.5	0.1%
17	SOCIÉTÉ GÉNÉRALE/NEWEDGE	128	1.0%	254.5	1.2%
18	HSBC	59	0.5%	212.2	1.0%
19	CHARLES SCHWAB	57	0.5%	8.4	0.0%
20	CONVERGEX GROUP	49	0.4%	1.9	0.0%

TOP 20 BY HF RAUM		HF RAUM (\$Bn)*	AVERAGE RAUM (\$Bn)
1	GOLDMAN SACHS	702.8	0.32
2	JP MORGAN	661.4	0.42
3	MORGAN STANLEY	604.6	0.35
4	CREDIT SUISSE	579.5	0.51
5	DEUTSCHE BANK	339.9	0.43
6	BANK OF AMERICA MERRILL LYNCH	331.2	0.56
7	BARCLAYS	324.7	0.77
8	UBS	320.5	0.43
9	CITIGROUP	303.0	0.53
10	BNP PARIBAS	153.2	0.49
11	FIDELITY/NATIONAL FINANCIAL SERVICES	82.5	0.30
12	BANK OF NEW YORK MELLON/PERSHING	42.1	0.19
13	NOMURA	37.2	1.13
14	SOCIÉTÉ GÉNÉRALE/NEWEDGE	33.9	0.27
15	JEFFERIES	31.9	0.13
16	HSBC	26.3	0.45
17	WELLS FARGO	21.7	0.11
18	SKANDINAVISKA ENSKILDA BANKEN (SEB)	19.0	2.37
19	RBS	11.9	0.85
20	CITADEL	10.9	1.56

TOP 20 TOTAL	11,687	95.3%	19,221.4	90.4%
TOTAL PB RELATIONSHIPS	12,265	100.0%	21,263.7	100.0%
LESS: MULTIPLE PBS	5,789		16,505.8	
TOTAL FUNDS PRIME BROKERED	6,476		4,757.9	
TOTAL HFS (ALL SCHEDULE DS)	11,685		6,234.7	
% OF TOTAL HFS PRIME BROKERED	55.4%		76.3%	
ALL PRIVATE FUNDS	38,230		11,726.4	
% OF TOTAL FUNDS PRIME BROKERED	7,716	20.2%	5,025.4	42.9%

AVERAGE	231.9	0.61
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*PRO RATA

PRIME BROKERS

No duplicates due to filing errors, multiple offices of same vendor or multiple advisers to same fund with same vendor.