



The final quarter of 2014 represented a potentially difficult period for hedge funds as oil price decline, geo-political unrest in Eastern Europe and a general fall in stock markets continued to take their toll.

According to the latest Hedge Fund Research data, total assets increased 1.1% in the fourth quarter to stand at \$2.85trn, a \$30bn increase from the end of September and up \$220bn since the start of 2014.

This slower growth is demonstrated by the latest AlphaPipe-HFMWeek Service Provider Snapshot as overall asset growth dropped compared to the first half of 2014.

Net hedge fund growth within the top 20 admins slowed during the quarter to 82, compared to a net growth of 105 the previous quarter.

Alphapipe chief executive Westley Chapman said: "Alphapipe's ADV Data Service shows continued growth in the level of private fund activity with the total number of hedge funds excluding feeders at 11,643 and gross assets at \$5.71trn, up on the \$5.61trn at the end of Q3."

Most of this growth was associated with the top two admins, Citco and State Street. "Growth for the leaders can be seen in audited RAUM where the top two accounted for almost all of the net growth, with others netting smaller moves," said Chapman.

EY retained its position at the top of the hedge fund

TOP 20 BY NUMBER OF FUNDS	FUNDS	%	HF RAUM (\$BN)	%
1 CITCO	1,139	12.5%	967.1	18.4%
2 STATE STREET	1,027	11.3%	924.1	17.6%
3 SS&C GLOBEOP	993	10.9%	826.1	15.8%
4 BANK OF NEW YORK MELLON/PNC (BNY, BONY)	606	6.7%	413.9	7.9%
5 SEI	474	5.2%	125.1	2.4%
6 CITIGROUP	417	4.6%	217.9	4.2%
7 NORTHERN TRUST	287	3.2%	304.9	5.8%
8 MORGAN STANLEY	273	3.0%	295.5	5.6%
9 U.S. BANCORP/AIS/QUINTILLION	241	2.6%	75.3	1.4%
10 HEDGESERV	228	2.5%	107.8	2.1%
11 MITSUBISHI UFJ FINANCIAL GROUP	199	2.2%	104.6	2.0%
12 JPMORGAN CHASE	173	1.9%	98.5	1.9%
13 NAV CONSULTING	139	1.5%	9.2	0.2%
14 ALPS FUND SERVICES	129	1.4%	8.2	0.2%
15 UBS	125	1.4%	44.0	0.8%
16 HSBC	119	1.3%	85.9	1.6%
17 STONE COAST FUND SERVICES	105	1.2%	26.8	0.5%
18 CONIFER GROUP/VASTARDIS	103	1.1%	46.7	0.9%
19 JD CLARK & COMPANY	103	1.1%	6.4	0.1%
20 KAUFMAN ROSSIN	101	1.1%	10.6	0.2%
TOP 20 TOTAL	6,981	76.6%	4,698.8	89.6%
TOTAL HF ADMIN RELATIONSHIPS	9,111	100.0%	5,242.8	100.0%
LESS: MULTIPLE ADMINS	119		121.9	
TOTAL HFS ADMINISTERED	8,992		5,120.9	
TOTAL HFS (ALL SCHEDULE DS)	11,643		5,710.0	
% OF TOTAL HFS ADMINISTERED	77.2%		89.7%	
ALL PRIVATE FUNDS	35,933		10,880.5	
% OF TOTAL FUNDS ADMINISTERED	49.6%		68.9%	

TOP 20 BY HF RAUM (\$BN)	HF RAUM (\$BN)	AVERAGE RAUM (\$BN)
1 CITCO	967.1	0.85
2 STATE STREET	924.1	0.90
3 SS&C GLOBEOP	826.1	0.83
4 BANK OF NEW YORK MELLON/PNC (BNY, BONY)	413.9	0.68
5 NORTHERN TRUST	304.9	1.06
6 MORGAN STANLEY	295.5	1.08
7 CITIGROUP	217.9	0.52
8 SEI	125.1	0.26
9 WELLS FARGO	108.1	1.86
10 HEDGESERV	107.8	0.47
11 MITSUBISHI UFJ FINANCIAL GROUP (MUFG, BTMU)	104.6	0.53
12 JPMORGAN CHASE	98.5	0.57
13 HSBC	85.9	0.72
14 BROWN BROTHERS HARRIMAN	78.5	1.19
15 U.S. BANCORP/AIS/QUINTILLION	75.3	0.31
16 HARMONIC FUND SERVICES	53.8	2.56
17 CREDIT SUISSE	50.0	0.56
18 CONIFER GROUP/VASTARDIS	46.7	0.45
19 UBS	44.0	0.35
20 STONE COAST FUND SERVICES	26.8	0.26
AVERAGE	247.7	0.80

ADMINISTRATORS

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

audit table, with its market share remaining flat from Q3 figures and its percentage of market share increasing marginally. PwC stayed in second place and increased market share in terms of both the number of funds and percentage of assets.

Chapman said: “The top 20 auditors remain unchanged with minor ranking moves at the bottom end. The top 20 now audit 10,246 hedge funds excluding feeders with the top three representing the entire growth in funds, while the remaining 17 auditors remained essentially flat with minor changes by firm. PwC made the largest move for the quarter, representing more than half of the net fund growth with a 76 fund increase.”

The big four audit firms hold on to a predictably dominant combined market share of 76.6% in fund terms, rising to a huge 93.7% in terms of AuA.

Some 50% of audit firms in the top 20 saw a reduction in the number of funds they service while just five saw an increase and a further five remained flat for the quarter.

PwC global head of alternatives Mike Greenstein said the audit firm is looking to attract leading emerging managers while also retaining large existing hedge funds.

“Hedge fund managers’ desire to grow and leverage scale needs to be matched by the auditor’s experience, insight, depth and breadth of services. Our continued

growth, as reflected in AlphaPipe’s results, demonstrates our ongoing success in working with both leading emerging managers and established managers,” he said.

With the deadline for the first round of AIFMD Annex IV reporting submissions less than a week away, the provision of services from administration providers has never been more important or under more scrutiny.

The top three in the admin space remained the same, in Citco, State Street and SS&C GlobeOp, although the latter two saw marginal decreases in market share.

BNY Mellon and SEI are the remaining two in a top five which makes up 46.6% of all hedge funds registered with the SEC and 62.1% of hedge fund assets under administration.

State Street global head of alternative investment solutions sales Maria Cantillon said the hedge fund industry remains positive about growth potential.

She said: “Despite the challenges facing the hedge fund industry, our findings show that many working in the sector are optimistic about its future prospects. This is being fuelled by challenges facing asset owners as they search for better returns and greater diversification. The hedge fund industry is maturing and becoming more transparent and competitive.”

Notably, Citigroup saw a net reduction of eight funds



1,139

Total SEC-registered hedge funds administered by Citco

TOP 20 BY NUMBER OF FUNDS					TOP 20 BY HF RAUM (\$BN)					
	FUNDS	%	HF RAUM (\$BN)	%		HF RAUM (\$BN)	AVERAGE RAUM (\$BN)			
1	ERNST & YOUNG (EY)	2,468	22.3%	2,061.5	36.5%	1	ERNST & YOUNG (EY)	2,061.5	0.84	
2	PRICEWATERHOUSECOOPERS (PWC)	2,432	22.0%	1,684.0	29.8%	2	PRICEWATERHOUSECOOPERS (PWC)	1,684.0	0.69	
3	KPMG	2,356	21.3%	1,003.0	17.7%	3	KPMG	1,003.0	0.43	
4	DELOITTE	1,212	11.0%	487.0	8.6%	4	DELOITTE	487.0	0.40	
5	MCGLADREY	463	4.2%	59.6	1.1%	5	GRANT THORNTON	126.7	0.52	
6	EISNERAMPER	312	2.8%	54.3	1.0%	6	BDO	71.7	0.33	
7	GRANT THORNTON	245	2.2%	126.7	2.2%	7	MCGLADREY	59.6	0.13	
8	BDO	216	2.0%	71.7	1.3%	8	EISNERAMPER	54.3	0.17	
9	SPICER JEFFRIES	113	1.0%	3.2	0.1%	9	WEISERMAZARS	12.1	0.47	
10	COHNREZNICK	53	0.5%	6.5	0.1%	10	RSM INTERNATIONAL	10.3	0.30	
11	ANCHIN BLOCK & ANCHIN	46	0.4%	8.2	0.1%	11	ANCHIN BLOCK & ANCHIN	8.2	0.18	
12	ARTHUR BELL	45	0.4%	4.0	0.1%	12	COHNREZNICK	6.5	0.12	
13	JOSEPH DECOSIMO AND COMPANY	45	0.4%	6.2	0.1%	13	JOSEPH DECOSIMO AND COMPANY	6.2	0.14	
14	MARCUM	43	0.4%	3.7	0.1%	14	ARTHUR BELL	4.0	0.09	
15	WALSH, JASTREM & BROWNE	39	0.4%	2.7	0.0%	15	MARCUM	3.7	0.09	
16	KAUFMAN ROSSIN	36	0.3%	2.2	0.0%	16	WITHUMSMITH+BROWN	3.6	0.12	
17	RSM INTERNATIONAL	34	0.3%	10.3	0.2%	17	SPICER JEFFRIES	3.2	0.03	
18	WEAVER	30	0.3%	0.9	0.0%	18	HORTY & HORTY	2.8	0.56	
19	COHEN FUND AUDIT SERVICES	29	0.3%	0.8	0.0%	19	WALSH, JASTREM & BROWNE	2.7	0.07	
20	WITHUMSMITH+BROWN	29	0.3%	3.6	0.1%	20	RAINES & FISCHER	2.7	0.18	
TOP 20 TOTAL					10,246	92.8%	5,600.3	99.0%		
TOTAL HF AUDITOR RELATIONSHIPS					11,045	100.0%	5,655.5	100.0%		
LESS: MULTIPLE AUDITORS					19		3.7			
TOTAL HFS AUDITED					11,026		5,651.7			
TOTAL HFS (ALL SCHEDULE DS)					11,643		5,710.0			
% OF TOTAL FUNDS AUDITED					94.7%		99.0%			
ALL PRIVATE FUNDS					35,933		10,880.5			
AUDITED					85.8%		95.4%			
AVERAGE						280.7	0.29			

AUDITORS

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

ANALYSIS SERVICE PROVIDER SNAPSHOT

in its admin business. The bank placed its \$380bn administration business up for sale earlier this month after repricing its services last year, which saw a number of lower value hedge funds seek new service providers.

A new entrant has made its way into the top 20 admin providers in the form of Portland-based Stone Coast Fund Services at the expense of Admiral Administration.

The firm moved into 17th place in the rankings, having boosted its number of funds to 105 and raised its AuA to \$26.8bn.

The *HFMWeek* October admin survey shows Stone Coast in 25th place with AuA of \$26.4bn.

Out of the top 20 administrators, some 11 increased their number of funds during the quarter, while three saw numbers drop and six remained the same.

HedgeServ has the smallest average fund size of £470m in the top 10 admins on AuA terms, while Wells Fargo has the smallest number of funds by some way, with just 58 administered.

Chapman said: "Citco remains top of the administrators, adding to its lead over the pack with Snapshot leading fund and RAuM growth. Stone Coast Fund Services, one of the newer administrators, enters the top 20 at 17th with the exit of Admiral Administration due to a decline in funds administered."

In the custodian arena, JP Morgan Chase remains in top spot, adding 35 hedge funds to its custodial services. BNY Mellon, State Street and Bank of America Merrill Lynch make up a top five, which has a combined market share of 48.4% of total funds.

In terms of assets, the top five hold a 48.3% combined market share with BNY/Pershing top custodian in RAuM, covering 2,035 funds of \$553m average in size.

The dominance of large banks in the prime broker space continues to prevail with no movement in position of any of the top 20 prime brokers for the second consecutive quarter.

Goldman Sachs remains in the top space, increasing the number of funds it services to and holding onto an 18.5% market share of hedge funds and a 12.9% share of assets.

Morgan Stanley, JP Morgan, Credit Suisse and Deutsche Bank make up the top five, which provide broker services to a combined 61.6% of the hedge fund market and 58% of total hedge fund assets.

Across the quarter, 11 of the top 20 prime brokers increased the number of funds they service, while three saw a decrease and six remained flat.

Goldman Sachs' average fund size in its prime brokerage is £290m, significantly lower than second-placed JP Morgan Chase, which has an average fund size of \$400m. ➤



DATA

2,727

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

TOP 20 BY NUMBER OF FUNDS	FUNDS	%	HF RAUM (\$BN)	%	TOP 20 BY HF RAUM (\$BN)	HF RAUM (\$BN)*	AVERAGE RAUM (\$BN)
1 JPMORGAN CHASE	2,727	18.8%	2,172.8	12.5%	1 BANK OF NEW YORK MELLON	1,126.1	0.6
2 BANK OF NEW YORK MELLON	2,035	14.0%	2,710.8	15.6%	2 JPMORGAN CHASE	881.5	0.3
3 STATE STREET	932	6.4%	1,641.9	9.4%	3 STATE STREET	623.7	0.7
4 BANK OF AMERICA MERRILL LYNCH (BOAML)	789	5.4%	893.6	5.1%	4 HSBC	253.0	0.8
5 CITIGROUP	558	3.8%	991.4	5.7%	5 CITIGROUP	203.4	0.4
6 GOLDMAN SACHS	499	3.4%	579.0	3.3%	6 NORTHERN TRUST	200.2	0.5
7 MORGAN STANLEY	424	2.9%	473.5	2.7%	7 BANK OF AMERICA MERRILL LYNCH (BOAML)	180.6	0.2
8 NORTHERN TRUST	417	2.9%	576.1	3.3%	8 WELLS FARGO	134.8	0.3
9 DEUTSCHE BANK	415	2.9%	526.7	3.0%	9 BARCLAYS	133.6	0.7
10 WELLS FARGO	396	2.7%	633.7	3.6%	10 GOLDMAN SACHS	108.3	0.2
11 UBS	353	2.4%	359.5	2.1%	11 BROWN BROTHERS HARRIMAN	96.4	0.9
12 U.S. BANCORP	327	2.3%	306.0	1.8%	12 DEUTSCHE BANK	94.3	0.2
13 HSBC	304	2.1%	964.1	5.5%	13 MORGAN STANLEY	87.9	0.2
14 CREDIT SUISSE	277	1.9%	391.7	2.3%	14 U.S. BANCORP	85.7	0.3
15 CITCO	236	1.6%	166.8	1.0%	15 UBS	78.9	0.2
16 BARCLAYS	185	1.3%	767.0	4.4%	16 CREDIT SUISSE	68.5	0.2
17 CHARLES SCHWAB	184	1.3%	16.5	0.1%	17 CITCO	53.3	0.2
18 FIDELITY/NATIONAL FINANCIAL SERVICES (NFS)	176	1.2%	53.8	0.3%	18 BNP PARIBAS	47.2	0.4
19 FIRST REPUBLIC BANK	148	1.0%	85.0	0.5%	19 FIRST REPUBLIC BANK	36.9	0.2
20 BROWN BROTHERS HARRIMAN	106	0.7%	122.2	0.7%	20 SCOTIABANK	25.8	1.0
TOP 20 TOTAL	11,488	79.1%	14,432.0	83.0%	AVERAGE	226.0	438,233,954
TOTAL INDEPENDENT CUSTODIAL RELATIONSHIPS	14,530	100.0%	17,386.4	100.0%	*PRO RATA		
LESS: MULT. INDEPENDENT CUSTODIANS	5,927		12,391.9		<h1>CUSTODIANS</h1>		
TOTAL HFS WITH INDEPENDENT CUSTODIANS	8,603		4,994.6				
TOTAL HFS (ALL SCHEDULE DS)	11,643		5,710.0		<p>Excludes custodians separately disclosed as prime brokers. No duplicates due to filing errors, multiple offices of same vendor or multiple advisors to same fund with same vendor.</p>		
% OF TOTAL HFS WITH INDEPENDENT CUSTODIANS	73.9%		87.5%				
ALL PRIVATE FUNDS	35,933		10,880.5				
% OF TOTAL FUNDS WITH INDEPENDENT CUSTODIANS	77.7%		87.6%				

DATA

18.5%

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

METHODOLOGY

AlphaPipe's ADV Data service includes more than 100,000 private fund vendor relationships. The snapshot focuses on 11,643 hedge funds managing \$5.7trn in regulatory assets under management (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 registrations as of 2 January 2015.

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 both registered investment advisers and exempt reporting advisers, as well as both single manager funds and fund of funds. While extensive, the data is not comprehensive given a number of interna-

tional 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 in 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.

Data for the HFMWeek/Alphapipe Snapshot is created by Alphapipe's ADV Change Report Service.

To get your FREE ADV Change Report go to alphapipe.com/adv

ALPHAPIPE

TOP 20 BY NUMBER OF FUNDS	FUNDS	%	HF RAUM (\$BN)	%	TOP 20 BY HF RAUM (\$BN)	HF RAUM (\$BN)*	AVERAGE RAUM (\$BN)
1 GOLDMAN SACHS	2,263	18.5%	2,242.6	12.9%	1 GOLDMAN SACHS	660.1	0.29
2 MORGAN STANLEY	1,709	13.9%	2,178.5	12.5%	2 JPMORGAN CHASE	635.0	0.40
3 JPMORGAN CHASE	1,598	13.0%	2,065.6	11.9%	3 MORGAN STANLEY	573.0	0.34
4 CREDIT SUISSE	1,187	9.7%	2,146.7	12.3%	4 CREDIT SUISSE	543.3	0.46
5 DEUTSCHE BANK	791	6.5%	1,361.3	7.8%	5 UBS	336.3	0.43
6 UBS	785	6.4%	1,466.3	8.4%	6 BANK OF AMERICA MERRILL LYNCH (BOAML)	313.9	0.53
7 BANK OF AMERICA MERRILL LYNCH (BOAML)	590	4.8%	1,415.0	8.1%	7 DEUTSCHE BANK	271.5	0.34
8 CITIGROUP	572	4.7%	908.4	5.2%	8 BARCLAYS	266.1	0.63
9 BARCLAYS	423	3.5%	1,133.7	6.5%	9 CITIGROUP	226.4	0.40
10 BNP PARIBAS	300	2.4%	439.8	2.5%	10 BNP PARIBAS	86.8	0.29
11 FIDELITY/NATIONAL FINANCIAL SERVICES (NFS)	294	2.4%	316.3	1.8%	11 FIDELITY/NATIONAL FINANCIAL SERVICES	70.5	0.24
12 JEFFERIES	244	2.0%	81.4	0.5%	12 BANK OF NEW YORK MELLON/PERSHING	41.8	0.19
13 BANK OF NEW YORK MELLON/PERSHING	224	1.8%	156.4	0.9%	13 NOMURA	31.6	0.85
14 WELLS FARGO	177	1.4%	16.1	0.1%	14 MORTGAGE-BACKED SECURITIES CLEARING CORPORATION	30.2	30.24
15 INTERACTIVE BROKERS	136	1.1%	12.9	0.1%	15 NEWEDGE	30.0	0.28
16 BTIG	131	1.1%	17.0	0.1%	16 JEFFERIES	25.7	0.11
17 NEWEDGE	109	0.9%	84.8	0.5%	17 HSBC	22.9	0.34
18 HSBC	68	0.6%	135.1	0.8%	18 CITADEL	17.0	1.89
19 CHARLES SCHWAB	56	0.5%	8.4	0.0%	19 RBS	14.0	0.67
20 CONVERGEX GROUP	42	0.3%	1.7	0.0%	20 WELLS FARGO	11.8	0.07
TOP 20 TOTAL	11,699	95.5%	16,188.0	93.1%	AVERAGE	210.4	1.95
TOTAL PB RELATIONSHIPS	12,251	100.0%	17,392.3	100.0%	*PRO RATA		
LESS: MULTIPLE PBS	5,773		13,091.8				
TOTAL FUNDS PRIME BROKERED	6,478		4,300.4				
TOTAL HFS (ALL SCHEDULE DS)	11,643		5,710.0				
% OF TOTAL HFS PRIME BROKERED	55.6%		75.3%				
ALL PRIVATE FUNDS	35,933		10,880.5				
% OF TOTAL FUNDS PRIME BROKERED	21.2%		42.0%				

PRIME BROKERS

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