



The first in a new series of quarterly updates of the 20 largest administrators, auditors, custodians and prime brokers ranked by SEC-registered hedge funds

WORDS BY TONY GRIFFITHS DATA AND ANALYSIS PROVIDED BY ALPHAPIPE

Information makes the world go round. Not that you need *HFMWeek* to remind you of that. The extent to which hedge fund professionals deal in, and with, data is almost unrivalled. This hasn't changed. What has, though, is the way data in the industry is consumed: how it's packaged and deployed, and where it's sent. What once was proprietary, is now the subject of an increasing number of investor and regulator requests.

This shift is perhaps best embodied by the investor drive for transparency and the subsequent calls for uniformed reporting templates. Information, investors rightly argue, is of little use if submitted raw. It's similarly hard to process if submitted in a variety of formats.

"Finding the most efficient ways to organise data and ODD information helps both managers and investors," explains Mike Greenstein, global and US alternatives investments assurance leader, at PwC. "The current process is inefficient and not scalable. Investors and managers can tackle this issue through a greater use of technology and by standardising as much information as possible."

The next stage in the evolution, then, is one of efficient packaging – as a succession of new templates and programs emerge, the way the hedge fund industry consumes data will move to the next level. And not only

| TOP 20 BY NUMBER OF FUNDS | FUNDS | % | HF RAUM (\$BN) | % |
|---------------------------------------|-------|-------|----------------|-------|
| 1 CITCO | 1,149 | 13.0% | 865.2 | 19.1% |
| 2 STATE STREET | 1,032 | 11.7% | 799.4 | 17.7% |
| 3 SS&C GLOBEOP | 900 | 10.2% | 729 | 16.1% |
| 4 BANK OF NEW YORK MELLON | 612 | 6.9% | 367.2 | 8.1% |
| 5 CITIGROUP | 437 | 4.9% | 193.5 | 4.3% |
| 6 SEI | 429 | 4.9% | 112.8 | 2.5% |
| 7 MORGAN STANLEY | 251 | 2.8% | 220.3 | 4.9% |
| 8 NORTHERN TRUST | 227 | 2.6% | 218.0 | 4.8% |
| 9 HEDGESERV | 193 | 2.2% | 60.3 | 1.3% |
| 10 U.S. BANCORP | 191 | 2.2% | 51.5 | 1.1% |
| 11 J.P. MORGAN CHASE | 164 | 1.9% | 88.2 | 1.9% |
| 12 JD CLARK & COMPANY | 158 | 1.8% | 16.1 | 0.4% |
| 13 UBS | 134 | 1.5% | 55.7 | 1.2% |
| 14 ALPS FUND SERVICES | 124 | 1.4% | 7.5 | 0.2% |
| 15 NAV CONSULTING | 116 | 1.3% | 6.3 | 0.1% |
| 16 HSBC | 112 | 1.3% | 99.5 | 2.2% |
| 17 MITSUBISHI UFJ SECURITIES HOLDINGS | 108 | 1.2% | 23.4 | 0.5% |
| 18 CREDIT SUISSE | 104 | 1.2% | 48.5 | 1.1% |
| 19 BUTTERFIELD FULCRUM | 101 | 1.1% | 75.7 | 1.7% |
| 20 ADMIRAL ADMINISTRATION | 101 | 1.1% | 16.6 | 0.4% |

| TOP 20 BY HF RAUM (\$BN) | HF RAUM (\$BN) | AVERAGE RAUM (\$BN) |
|---------------------------------------|----------------|---------------------|
| 1 CITCO | 865.2 | 0.75 |
| 2 STATE STREET | 799.4 | 0.77 |
| 3 SS&C GLOBEOP | 729.0 | 0.81 |
| 4 BANK OF NEW YORK MELLON | 367.2 | 0.60 |
| 5 MORGAN STANLEY | 220.3 | 0.88 |
| 6 NORTHERN TRUST | 218.0 | 0.96 |
| 7 CITIGROUP | 193.5 | 0.44 |
| 8 SEI | 112.8 | 0.26 |
| 9 HSBC | 99.5 | 0.89 |
| 10 J.P. MORGAN CHASE | 88.2 | 0.54 |
| 11 BUTTERFIELD FULCRUM | 75.7 | 0.75 |
| 12 HEDGESERV | 60.3 | 0.31 |
| 13 UBS | 55.7 | 0.42 |
| 14 U.S. BANCORP | 51.5 | 0.27 |
| 15 CREDIT SUISSE | 48.5 | 0.47 |
| 16 MITSUBISHI UFJ SECURITIES HOLDINGS | 23.4 | 0.22 |
| 17 ADMIRAL ADMINISTRATION | 16.6 | 0.16 |
| 18 JD CLARK & COMPANY | 16.1 | 0.10 |
| 19 ALPS FUND SERVICES | 7.5 | 0.06 |
| 20 NAV CONSULTING | 6.3 | 0.05 |

| | | | | |
|-------------------------------|--------|-------|----------|-------|
| TOP 20 TOTAL | 6,643 | 75.0% | 4,054.5 | 89.6% |
| TOTAL HF ADMIN RELATIONSHIPS | 8,835 | 100% | 4,524.9 | 100% |
| LESS: MULTIPLE ADMINS | 143 | | 121.7 | |
| TOTAL HFS ADMINISTERED | 8,692 | | 4,403.3 | |
| TOTAL HFS (ALL SCHEDULE DS) | 10,993 | | 4,914.5 | |
| % OF TOTAL HFS ADMINISTERED | 79.1% | | 89.6% | |
| ALL PRIVATE FUNDS | 33,119 | | 10,428.0 | |
| % OF TOTAL FUNDS ADMINISTERED | 51.1% | | 63.5% | |

| | | |
|---------|-------|-----|
| AVERAGE | 202.7 | 0.5 |
|---------|-------|-----|

ADMINISTRATORS

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

that, but the type and extent of the data accessible will change, too. Efficient packaging opens the door to information previously available but inaccessible; tangled in a web of noise, man hours and confusion.

All of which brings us nicely our latest initiative; the AlphaPipe-HFMWeek Service Provider Snapshot (SPS). Over these five pages, the first in what will be a series of quarterly publications will offer a rundown of the 20 most popular administrators, auditors, custodians and prime brokers among SEC-registered hedge funds (see methodology for more). This is not a comprehensive countdown. But it does offer a robust picture of the lay of the land, and a peek into the possibilities of well-processed, publicly available data.

A joint undertaking with AlphaPipe, a provider of ODD and data packaging, the snapshot is based entirely on the SEC’s ADV filings. Taken as they are, the forms are a noisy, intimidating collection of data points. Processed correctly – in this case thanks to the work of AlphaPipe’s New York-based team and their resultant data packaging service – and all manner of trends and conclusions can be obtained.

First up, administrators. Not to be confused with HFMWeek’s biannual AuA survey (a global survey where leverage is stripped out), the SPS has Citco back

on top thanks to a bigger SEC-registered client base, and one that oversees the largest proportion of regulatory assets under management (RAUM).

While a lot of the growth is organic, with existing clients launching new products and good performance, Citco Fund Services has seen a healthy amount of start-ups raise capital, says Jay Peller, the firm’s global head of sales and product development. Successful new managers are generally those who “have a track record and, therefore, are able to attract capital from the initial stages,” he notes.

The 8,835 administrator relationships reveal a fair amount of diversification versus other provider types with the top 20 representing only 75%, although the top five vendors support about half of the funds and two thirds of RAUM, explains AlphaPipe CEO West Chapman. “Administration is prevalent – 79% of all hedge funds and 90% of all RAUM,” he says. “Usage drops to only half of all private funds driven by much lower usage by private equity, venture capital and real estate funds.”

Administrators are largely independent with only 3% of funds and less than 2% of RAUM administered by affiliates, the data shows. Shadow administrators, meanwhile, are largely absent from the SPS as some



95%

Total number of SEC-registered hedge funds audited

| TOP 20 BY NUMBER OF FUNDS | | | | | TOP 20 BY HF RAUM (\$BN) | | | | | | | |
|--------------------------------|-----------------------------|-------|----------------|---------|--------------------------|----------------|-----------------------------|--------------|----------------|--|--------------|-------------|
| | FUNDS | % | HF RAUM (\$BN) | % | | HF RAUM (\$BN) | AVERAGE RAUM (\$BN) | | | | | |
| 1 | PRICEWATERHOUSECOOPERS | 2,342 | 22.4% | 1,469.2 | 30.1% | 1 | ERNST & YOUNG | 1,768.2 | 0.79 | | | |
| 2 | ERNST & YOUNG | 2,234 | 21.4% | 1,768.2 | 36.2% | 2 | PRICEWATERHOUSECOOPERS | 1,469.2 | 0.63 | | | |
| 3 | ROTHSTEIN KASS | 1,196 | 11.4% | 288.1 | 5.9% | 3 | KPMG | 582.8 | 0.56 | | | |
| 4 | DELOITTE | 1,191 | 11.4% | 419.2 | 8.6% | 4 | DELOITTE | 419.2 | 0.35 | | | |
| 5 | KPMG | 1,046 | 10.0% | 582.8 | 11.9% | 5 | ROTHSTEIN KASS | 288.1 | 0.24 | | | |
| 6 | MCGLADREY | 449 | 4.3% | 54.2 | 1.1% | 6 | GRANT THORNTON | 108.5 | 0.46 | | | |
| 7 | EISNERAMPER | 309 | 3.0% | 47.5 | 1.0% | 7 | BDO | 57.5 | 0.25 | | | |
| 8 | GRANT THORNTON | 235 | 2.2% | 108.5 | 2.2% | 8 | MCGLADREY | 54.2 | 0.12 | | | |
| 9 | BDO | 227 | 2.2% | 57.5 | 1.2% | 9 | EISNERAMPER | 47.5 | 0.15 | | | |
| 10 | SPICER JEFFRIES | 76 | 0.7% | 1.4 | 0.0% | 10 | ANCHIN BLOCK & ANCHIN | 7.8 | 0.16 | | | |
| 11 | COHNREZNICK | 59 | 0.6% | 5.7 | 0.1% | 11 | COHNREZNICK | 5.7 | 0.10 | | | |
| 12 | ANCHIN BLOCK & ANCHIN | 47 | 0.4% | 7.8 | 0.2% | 12 | JOSEPH DECOSIMO AND COMPANY | 5.6 | 0.12 | | | |
| 13 | JOSEPH DECOSIMO AND COMPANY | 45 | 0.4% | 5.6 | 0.1% | 13 | RSM INTERNATIONAL | 4.2 | 0.14 | | | |
| 14 | MARCUM | 45 | 0.4% | 2.9 | 0.1% | 14 | ARTHUR BELL | 4.0 | 0.09 | | | |
| 15 | ARTHUR BELL | 44 | 0.4% | 4.0 | 0.1% | 15 | MARCUM | 2.9 | 0.06 | | | |
| 16 | WALSH, JASTREM & BROWNE | 35 | 0.3% | 1.4 | 0.0% | 16 | RAINES & FISCHER | 1.9 | 0.07 | | | |
| 17 | RSM INTERNATIONAL | 31 | 0.3% | 4.2 | 0.1% | 17 | SPICER JEFFRIES | 1.4 | 0.02 | | | |
| 18 | KAUFMAN ROSSIN | 29 | 0.3% | 1.3 | 0.0% | 18 | WALSH, JASTREM & BROWNE | 1.4 | 0.04 | | | |
| 19 | COHEN FUND AUDIT SERVICES | 26 | 0.2% | 0.6 | 0.0% | 19 | KAUFMAN ROSSIN | 1.3 | 0.04 | | | |
| 20 | RAINES & FISCHER | 26 | 0.2% | 1.9 | 0.0% | 20 | COHEN FUND AUDIT SERVICES | 0.6 | 0.02 | | | |
| TOP 20 TOTAL | | | | | 9,692.0 | 92.7% | 4,831.8 | 98.9% | AVERAGE | | 241.6 | 0.22 |
| TOTAL HF AUDITOR RELATIONSHIPS | | | | | 10,460 | 100% | 4,887.2 | 100% | | | | |
| LESS: MULTIPLE AUDITORS | | | | | 20 | | 4.1 | | | | | |
| TOTAL HFS AUDITED | | | | | 10,440 | | 4,883.0 | | | | | |
| TOTAL HFS (ALL SCHEDULE DS) | | | | | 10,993 | | 4,914.5 | | | | | |
| % OF TOTAL FUNDS AUDITED | | | | | 95.0% | | 99.4% | | | | | |
| ALL PRIVATE FUNDS | | | | | 33,119 | | 10,428.0 | | | | | |
| AUDITED | | | | | 86.6% | | 95.8% | | | | | |

AUDITORS

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

prominent proponents only include the primary administrator in their ADV filings.

Even more than administration, audits are almost universal – 95% of all funds and 99% of all RAUM. “Auditors are much more concentrated, with the top five representing 77% of funds and 93% of RAUM,” Chapman notes. “In fact, the top two represent almost two thirds of the RAUM.”

The ADV audit submissions throws out one of the SPS’s more interesting quirks; with US heavyweight Ernst & Young (EY) conceding top spot in the fund number rankings to PwC. EY tops the chart by fund RAUM.

PwC’s Greenstein expects the main drivers of growth to continue on two fronts. “First, the desire to grow and leverage scale will drive today’s leading managers to broaden their asset classes, product offerings and distribution channels,” he says. “Second, the industry’s entrepreneurial roots will continue to drive emerging managers to create institutional-quality businesses.”

The SRS includes 10,884 custodial relationships after eliminating affiliated custodians and prime broker custodial relationships. The prime brokerage firms in the ranking represent entities separate from any simultaneous prime broker relationship. The greater number of funds with multiple custodial – and prime broker-

METHODOLOGY

AlphaPipe’s ADV Data service includes more than 100,000 private fund vendor relationships. The Snapshot focuses on 10,993 hedge funds managing \$5trn 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 1 January 2014. 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 funds of funds. While 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.



2,158

Number of SEC-registered hedge funds that use J.P. Morgan Chase as a custodian

| TOP 20 BY NUMBER OF FUNDS | FUNDS | % | HF RAUM (\$BN) | % |
|---------------------------------|-------|-------|----------------|-------|
| 1 J.P. MORGAN CHASE | 2,158 | 19.8% | 1,042.6 | 14.8% |
| 2 BANK OF NEW YORK MELLON | 1,545 | 14.2% | 1,384.9 | 19.7% |
| 3 STATE STREET | 701 | 6.4% | 519.5 | 7.4% |
| 4 BANK OF AMERICA MERRILL LYNCH | 570 | 5.2% | 404.9 | 5.7% |
| 5 CITIGROUP | 406 | 3.7% | 539.2 | 7.7% |
| 6 GOLDMAN SACHS | 402 | 3.7% | 280.2 | 4.0% |
| 7 DEUTSCHE BANK | 329 | 3.0% | 203.2 | 2.9% |
| 8 NORTHERN TRUST | 306 | 2.8% | 192.2 | 2.7% |
| 9 WELLS FARGO | 305 | 2.8% | 158.6 | 2.3% |
| 10 UBS | 270 | 2.5% | 251.0 | 3.6% |
| 11 MORGAN STANLEY | 262 | 2.4% | 179.3 | 2.5% |
| 12 U.S. BANCORP | 253 | 2.3% | 126.7 | 1.8% |
| 13 CREDIT SUISSE | 199 | 1.8% | 246.4 | 3.5% |
| 14 CITCO | 184 | 1.7% | 92.6 | 1.3% |
| 15 HSBC | 177 | 1.6% | 225.5 | 3.2% |
| 16 CHARLES SCHWAB | 173 | 1.6% | 16.1 | 0.2% |
| 17 FIDELITY/NFS | 147 | 1.4% | 16.0 | 0.2% |
| 18 FIRST REPUBLIC BANK | 127 | 1.2% | 59.2 | 0.8% |
| 19 BARCLAYS | 118 | 1.1% | 258.0 | 3.7% |
| 20 PERSHING | 100 | 0.9% | 9.3 | 0.1% |

| | | | | |
|--|--------|-------|----------|-------|
| TOP 20 TOTAL | 8,732 | 80.2% | 6,205.2 | 88.1% |
| TOTAL INDEPENDENT CUSTODIAL RELATIONSHIPS | 10,884 | 100% | 7,044.5 | 100% |
| LESS: MULT. INDEPENDENT CUSTODIANS | 3,401 | | 3,820.6 | |
| TOTAL HFS WITH INDEPENDENT CUSTODIANS | 7,483 | | 3,223.9 | |
| TOTAL HFS (ALL SCHEDULE DS) | 10,993 | | 4,914.5 | |
| % OF TOTAL HFS WITH INDEPENDENT CUSTODIANS | 68.1% | | 65.6% | |
| ALL PRIVATE FUNDS | 33,119 | | 10,428.0 | |
| % OF TOTAL FUNDS WITH INDEPENDENT CUSTODIANS | 86.1% | | 81.3% | |

| TOP 20 BY HF RAUM (\$BN) | HF RAUM (\$BN)* | AVERAGE RAUM (\$BN) |
|---------------------------------|-----------------|---------------------|
| 1 BANK OF NEW YORK MELLON | 722.0 | 0.47 |
| 2 J.P. MORGAN CHASE | 524.7 | 0.24 |
| 3 CITIGROUP | 332.3 | 0.82 |
| 4 STATE STREET | 319.0 | 0.46 |
| 5 BANK OF AMERICA MERRILL LYNCH | 122.5 | 0.21 |
| 6 NORTHERN TRUST | 107.3 | 0.35 |
| 7 CREDIT SUISSE | 101.7 | 0.51 |
| 8 GOLDMAN SACHS | 93.9 | 0.23 |
| 9 HSBC | 84.7 | 0.48 |
| 10 UBS | 78.1 | 0.29 |
| 11 BARCLAYS | 63.1 | 0.53 |
| 12 WELLS FARGO | 62.7 | 0.21 |
| 13 DEUTSCHE BANK | 57.2 | 0.17 |
| 14 U.S. BANCORP | 48.0 | 0.19 |
| 15 MORGAN STANLEY | 46.2 | 0.18 |
| 16 CITCO | 31.2 | 0.17 |
| 17 FIRST REPUBLIC BANK | 25.8 | 0.20 |
| 18 FIDELITY/NFS | 9.0 | 0.06 |
| 19 CHARLES SCHWAB | 7.4 | 0.04 |
| 20 PERSHING | 5.0 | 0.05 |

| | | |
|---------|-------|------|
| AVERAGE | 142.1 | 0.29 |
|---------|-------|------|

*PRO RATA

CUSTODIANS

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.

age – relationships thus required an extra calculation by AlphaPipe (see methodology). As such, the secondary rankings here are by ‘Pro Rata’ RAUM – in an effort to divide a fund’s assets equally among its registered primes.

This, of course, is not an exact science, but a fairer reflection of the state of play.

Still, whichever way you cut it, the SEC-registered hedge fund custodian market appears to be dominated by two: J.P. Morgan Chase and Bank of New York Mellon. The former tops the rankings by fund numbers, the latter by RAUM.

“Funds with custodians have on average 1.5 vendors; making the impact of double-counting larger for RAUM,” notes Chapman. “Yet, rankings are largely unaffected by giving each custodian in a multi-vendor relationship equal pro-rata RAUM credit.”

Few will be surprised to see Goldman Sachs top the prime brokerage rankings by both fund numbers and RAUM. The battle for the remaining two top-three positions is tightly contested, with J.P. Morgan, Morgan Stanley and Credit Suisse all in with a shout.

Slightly less than half of funds, but 80% of RAUM, use more than one prime broker, the AlphaPipe data shows. “The number of prime brokers used appears to correlate to RAUM with those funds using a sin-

MULTIPRIME UPDATE

| NUMBER OF PBS | HF | % | HF RAUM (\$BN) | % |
|---------------|-------|-------|----------------|-------|
| 1 | 3,460 | 55.9% | 699.9 | 19.0% |
| 2 | 1,448 | 23.4% | 687.9 | 18.7% |
| 3 | 646 | 10.4% | 575.1 | 15.6% |
| 4 | 300 | 4.8% | 663.3 | 18.0% |
| 5+ | 336 | 5.4% | 1,052.9 | 28.6% |
| TOTAL HFS | 6,190 | 100% | 3,679.1 | 100% |

gle prime broker averaging only \$200m RAUM,” says Chapman, “while those funds using five or more prime brokers average more than \$3bn RAUM.”

He adds: “Prime broker is the most hedge fund-specific role with only 22% of all private funds using them. Only 56% of hedge funds use a prime broker – largely driven by strategy and the need for prime brokerage services – but these funds are 75% of RAUM.”

Look out for an updated set of rankings for Q2 – again using AlphaPipe’s data – in April. ■



18.9%

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

| TOP 20 BY NUMBER OF FUNDS | FUNDS | % | HF RAUM (\$BN) | % |
|---------------------------------|-------|-------|----------------|-----|
| 1 GOLDMAN SACHS | 2,194 | 18.9% | 1,932 | 13% |
| 2 MORGAN STANLEY | 1,623 | 14.0% | 1,836 | 12% |
| 3 J.P. MORGAN CHASE | 1,562 | 13.4% | 1,796 | 12% |
| 4 CREDIT SUISSE | 1,093 | 9.4% | 1,827 | 12% |
| 5 DEUTSCHE BANK | 806 | 6.9% | 1,253 | 8% |
| 6 UBS | 789 | 6.8% | 1,295 | 9% |
| 7 CITIGROUP | 526 | 4.5% | 761 | 5% |
| 8 BANK OF AMERICA MERRILL LYNCH | 500 | 4.3% | 1,210 | 8% |
| 9 BARCLAYS | 382 | 3.3% | 1,016 | 7% |
| 10 FIDELITY/NFS | 293 | 2.5% | 233 | 2% |
| 11 BNP PARIBAS | 274 | 2.4% | 341 | 2% |
| 12 BNY/PERSHING | 223 | 1.9% | 119 | 1% |
| 13 JEFFERIES | 208 | 1.8% | 62 | 0% |
| 14 WELLS FARGO | 136 | 1.2% | 38 | 0% |
| 15 BTIG | 97 | 0.8% | 15 | 0% |
| 16 INTERACTIVE BROKERS | 97 | 0.8% | 6 | 0% |
| 17 NEWEDGE | 97 | 0.8% | 70 | 0% |
| 18 HSBC | 62 | 0.5% | 128 | 1% |
| 19 CHARLES SCHWAB | 50 | 0.4% | 5 | 0% |
| 20 CONVERGEX GROUP | 37 | 0.3% | 1 | 0% |

| | | | | |
|---------------------------------|--------|-------|----------|-------|
| TOP 20 TOTAL | 11,049 | 95.1% | 13,945 | 92.9% |
| TOTAL PB RELATIONSHIPS | 11,616 | 100% | 15,011.4 | 100% |
| LESS: MULTIPLE PBS | 5,426 | | 11,332.3 | |
| TOTAL FUNDS PRIME BROKERED | 6,190 | | 3,679.1 | |
| TOTAL HFS (ALL SCHEDULE DS) | 10,993 | | 4,914.5 | |
| % OF TOTAL HFS PRIME BROKERED | 56.3% | | 74.9% | |
| ALL PRIVATE FUNDS | 33,119 | | 10,428.0 | |
| % OF TOTAL FUNDS PRIME BROKERED | 22.0% | | 37.8% | |

| TOP 20 BY HF RAUM (\$BN) | HF RAUM (\$BN)* | AVERAGE RAUM (\$BN) |
|---------------------------------|-----------------|---------------------|
| 1 GOLDMAN SACHS | 578.1 | 0.26 |
| 2 J.P. MORGAN CHASE | 552.6 | 0.35 |
| 3 MORGAN STANLEY | 476.1 | 0.29 |
| 4 CREDIT SUISSE | 460.2 | 0.42 |
| 5 UBS | 291.3 | 0.37 |
| 6 DEUTSCHE BANK | 257.0 | 0.32 |
| 7 BARCLAYS | 242.1 | 0.63 |
| 8 BANK OF AMERICA MERRILL LYNCH | 239.4 | 0.48 |
| 9 CITIGROUP | 199.6 | 0.38 |
| 10 BNP PARIBAS | 63.0 | 0.23 |
| 11 FIDELITY/NFS | 56.0 | 0.19 |
| 12 BNY/PERSHING | 31.5 | 0.14 |
| 13 NEWEDGE | 23.7 | 0.24 |
| 14 JEFFERIES | 20.2 | 0.10 |
| 15 HSBC | 18.2 | 0.29 |
| 16 WELLS FARGO | 6.4 | 0.05 |
| 17 BTIG | 5.7 | 0.06 |
| 18 INTERACTIVE BROKERS | 3.4 | 0.03 |
| 19 CHARLES SCHWAB | 2.1 | 0.04 |
| 20 CONVERGEX GROUP | 1.2 | 0.03 |

| | | |
|---------|-------|------|
| AVERAGE | 176.4 | 0.25 |
|---------|-------|------|

*PRO RATA

PRIME BROKERS

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

AN INTERVIEW WITH ALPHAPIPE CEO WEST CHAPMAN

HFMWeek (HFM): What is AlphaPipe? What do you do?

West Chapman (WC): AlphaPipe is a due diligence information service for alternative investments and private funds. Our initial product, a secure questionnaire service, delivers due diligence and monitoring information from managers to investors in actionable form. Most institutional investors are meeting these responsibilities with great manual effort. In many cases they fail to realise the full benefit of available information like the Form ADV data set or the information locked within their email or files. Our platform also offers analysis tools and services to further enhance the efficiency and effectiveness of investment research, risk and due diligence teams.

HFM: Why did you start AlphaPipe?

WC: Too often I heard “there’s got to be a better way” from my colleagues, while at the same time believing correctly applied technology was the answer to growing volumes and continued inefficiency. Managers disclose and report more than ever before. Investor decisions employ analysis more than ever before – and not just on performance numbers. Today’s fact set includes deeper risk and operational control details. Information now floods investors and most try to absorb it all. Unfortunately, the vast majority arrives via emailed PDF and cannot be readily used in a systematic way. While true for all due diligence and monitoring, the information overload is particularly acute for ODD. In the current technology environment, every minute you spend gathering, structuring and normalising information just to begin an analysis is wasted. Because this waste is repeated across the industry, AlphaPipe recognises that the only way to address the issue is to do so using technology at the industry level.

“
OUR FUNCTION AND VALUE LIE IN EFFICIENTLY
PRESENTING OUR CLIENTS WITH THEIR DATA
READY FOR THEIR USE, NOT OURS
”

WEST CHAPMAN

HFM: Who does AlphaPipe help – managers or investors? And how?

WC: Both. AlphaPipe helps investors use the information they request from managers, while at the same time helping managers respond to requests without losing economies of scale. We customise our questionnaire service as each investor decides what questions are relevant for a given manager. Our standardised lists of answer choices for such items as service providers optimise data for immediate analysis. Our pre-population of answers from Form ADV filings and prior responses to AlphaPipe clients ensure that no one – investor or manager – ever enters the same information more than once. If they choose, managers can also use the platform to make proactive disclosures. We do all this while ensuring that our users retain full control of their information.



HFM: Who are your current clients?

WC: We are currently serving a group of investors who collectively manage about \$200bn and include endowment, fund of funds, sovereign wealth fund and investment consultant organisations. Our clients require a level of trust that can only be built with robust security and strict confidentiality.

HFM: Why did you create the ADV data service?

WC: The Form ADV data is a perfect example of the inefficiencies in the current environment. These filings contain a tremendous amount of industry information that is only minimally used because of the limits on its availability. Our primary purpose is to use the data to ensure we have comprehensive industry provider lists and a pool of pre-populated answers to enrich our questionnaire service. However, the full ADV data set and its evolution over time provide a treasure trove of insight. Our service updates regularly, normalizes for the vagaries in thousands of individual filings and makes the data easily available for analysis. Investors can use the service for quick looks at potential managers and context for unknown service providers. Managers can use the information for assessing service providers and making peer comparisons. Providers can use the service to understand their current business and to identify opportunities. I personally plan to use the service to identify all hedge fund managers in the Miami, Florida area... the winter chill is convincing me I need to visit one or two.

HFM: How does AlphaPipe use the proprietary information on your platform?

WC: It’s important to understand what AlphaPipe is and what it is not. We’re not a database or a bulletin board. We are a secure conduit for the proprietary communications between investors and managers. Our security practices preclude our accessing the encrypted data communicated through our service. Because I’m a ‘trust but verify’ guy, we subject ourselves to regular SOC reviews. Our continued success requires absolute independence to be accepted across all investors, be they investing directly, via managed portfolios or with the input of investment consultants. So, we are also not investment advisers in any capacity. Our function and value lie in efficiently presenting our clients with their data ready for their use, not ours.

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For more information, please go to: www.alphapipe.com