HEDGE FUND INTELLIGENCE

Absolute Return

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Citco tops admin ranking for eighth consecutive year

SS&C takes the lead in total clients served, MUFG jumps three spots, and Brown Brothers Harriman joins the list

Citco clinches the title of top hedge fund administrator for the eighth consecutive year with a 21.43% share of assets under administration accounted for in this year's Hedge Fund Intelligence ranking of administrators in the Americas. This year for the first time, SS&C surpassed Citco in the number of funds served following the firm's acquisition of Citigroup's Alternative Investor Services. The move helped bring SS&C's share of assets to 13.64%, up from 12.80% last year, and cut into Citco's dominance.

The top four administrators maintained their commanding lead from last year, serving more than 60% of industry assets under administration, and the top six have kept their ranks since 2014.

The administration ranking is now in its eighth year and is based on self-reported information from Americas-based, single-manager hedge funds in the Hedge Fund Intelligence database, as well as from public filings (full methodology overleaf). The top administrator chart includes firms with $10 billion or more in assets under administration.

In December, Mitsubishi UFJ closed a deal for the acquisition of UBS Global Asset Management's Alternative Fund Services business. As a result, the firm more than doubled its assets from last year and sailed past U.S. Bancorp and J.P. Morgan to 10th place, up from 13th.

New to the top administrators ranking is Brown Brothers Harriman & Co., which leapt four spots to grab 13th place after growing its assets under administration by more than half. This is due in large part to the firm's administration of PIMCO funds that have grown significantly in the past year.

Dominant administrators by hedge fund size

Fund size	Admin	Share
Up to $100M	SS&C	39.21%
$100M - $500M	SS&C	30.30%
$500M - $1B	Citco	30.30%
$1B - $5B	Citco	34.72%
500-1bn	Citco	37.21%

SIZING UP

Among smaller funds the dominant administrator is SS&C, which serves 39% of funds managing up to $100 million and 30% of funds managing $100 million to $500 million. Larger funds overwhelmingly choose Citco, which serves 30% of funds managing $500 million to $1 billion, 35% of funds managing $1 billion to $5 billion and 37% of funds managing $5 billion or more.

The chart below shows the distribution of both clients and assets administered by each of the top four firms based. While the data clearly show that a vast majority of assets under administration come from funds managing $1 billion or more, smaller funds make up the majority of clients for all four administrators. At SS&C, more than three quarters of clients are hedge funds managing less than $500 million.

NEW BUSINESS

Among the new fund launches tracked in the most recent New Fund Survey, Morgan Stanley and HedgeServ won the most new business, with larger funds on average favoring Morgan Stanley. BNY Mellon was technically the recipient of the largest percentage of assets from new funds, but this was due to the firm's administration of Bridgewater's new Optimal Portfolio fund, a $16 billion launch that included a substantial reallocation of client assets from other Bridgewater funds (that fund along with other Bridgewater funds explains the extreme ratio of assets to clients among the largest firms serviced by BNY Mellon, as presented in the above chart).

The number of hedge funds administering their own assets has continued to decline at a steady pace following the financial crisis. This year just 2.09% of assets tracked are managed by funds that self-administer, down from 2.43% in 2015 and 3.40% in 2014.

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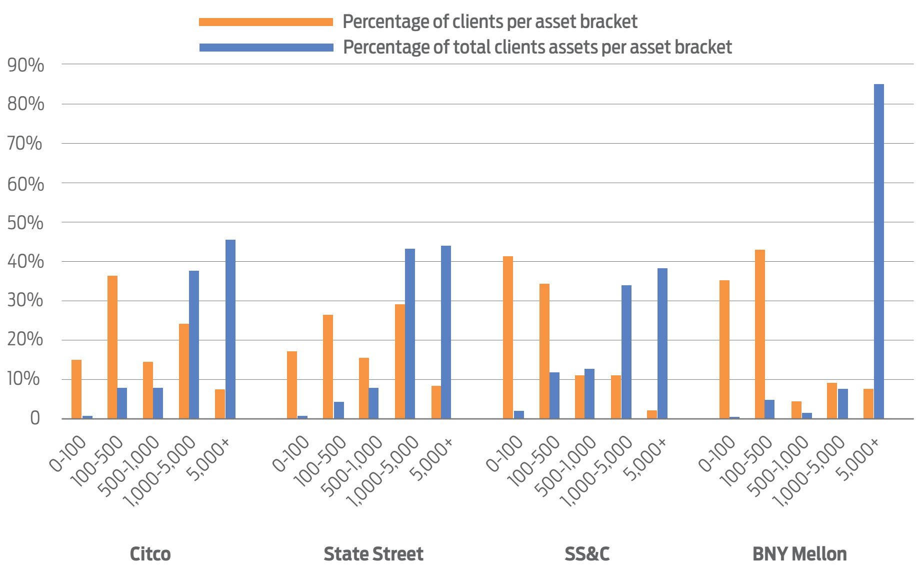
EFFICIENCY

For this year's administration ranking, six leaders from the top firms (Citco, State Street, SS&C, BNY Mellon, Northern Trust, and SEI) were asked about industry trends and challenges. Most report no major pressure to restructure their fees, despite investors pushing for hedge fund managers to charge less. As hedge funds are compelled to operate more efficiently, the administrators reason, they will move toward outsourcing more of their middle and back office functions.

"Managers that are receiving fee pressure have realized they need to become more efficient and more aligned with industry best practices," said Jim Cass, SVP and managing director at SEI's Investment Manager Services.

Citco's co-head of fund services Jay Peller said, "On one side we see fees going down but on the other side we see opportunities to increase revenues by delivering other ancillary services."

Clients by asset bracket at the top four firms ($M)



Adminstrators of US hedge funds: Market share by assets

Administrator	Funds	Assets ($M)	Share of Total Assets	Rank
Citco	229	273,039	21.43%	1
State Street	144	210,106	16.49%	2
SS&C*	288	173,765	13.64%	3
BNY Mellon	75	128,528	10.09%	4
Morgan Stanley	70	97,764	7.67%	5
Northern Trust	60	79,821	6.27%	6
HedgeServ	56	41,060	3.22%	7
SEI	35	38,457	3.02%	8
HSBC	46	34,589	2.72%	9
MUFG Fund Services	75	29,152	2.29%	10
US Bancorp	39	21,390	1.68%	11
J.P. Morgan	25	21,121	1.66%	12
Brown Brothers Harriman & Co.	10	15,335	1.20%	13
Internal	167	26,105	2.05%	
Other	621	83,715	6.57%	
TOTAL	**1,940**	**1,273,948**		

* SS&C's acquisition of Wells Fargo's Global Fund Services Business, announced today, would not, at this time, alter the ranking, though it would increase the firm's total assets under administration by about $3.4 billion.

Hedge Fund Intelligence research editor Amal Robleh contributed research to this ranking.

Full Methodology: The Hedge Fund Intelligence Americas fund administration ranking measures the market share of hedge fund administration firms based on information provided by hedge funds that report to the Hedge Fund Intelligence Americas Database, as well as using information from public filings. The rankings focus solely on Americas hedge funds and do not include assets related to private equity, real estate, long-only strategies or other alternative investment vehicles. The results are compiled from an analysis of 1,940 funds that indicated which administrators they employ. Those funds represent about $1.27 trillion or 93.34% of the total assets ($1.37 trillion) covered by the database. The remaining 6.66% of total assets consists of those funds which did not disclose their administrators and are not included in the charts above.