The second in *HFMWeek*'s quarterly updates of the 20 largest administrators, auditors, custodians and prime brokers ranked by SEC-registered hedge funds

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As anybody who follows the hedge fund industry knows: a lot can happen in three months. Indeed, since the launch of the AlphaPipe-*HFMWeek* Service Provider Snapshot earlier this year, there have been a number of changes to the rankings.

The hedge fund industry has been busy as 207 US hedge funds were launched during the first quarter of 2014, according to data provider Preqin. It has also seen assets grow to record levels during the first three months of the year as inflows continued despite challenging times for hedge fund performance. The growth of industry assets has been represented in the service provider space, with many providers noticing an uptick in total regulatory assets under management (RAuM).

Detailing the 20 most popular administrators, auditors, custodians and prime brokers among SEC-registered funds only, the first iteration of the Snapshot was warmly welcomed by the industry. Over the next four pages, we hope to give as clear a picture as possible about the structure of the industry from a service provider perspective as we approach the mid-year mark (*see Methodology for further details*).

With our partners AlphaPipe, provider of manager-investor communications and data packaging, the Snapshot has been gleaned entirely from Form ADV filings with the

Q2		1Q	ADMINISTRATOR	FUNDS	%	RAUM	%
1	=	1	CITCO	1,121	12.8%	988.7	19.5%
2	=	2	STATE STREET	988	11.3%	906.6	17.8%
3	=	3	SS&C GLOBEOP	961	11.0%	797.7	15.7%
4	=	4	BANK OF NEW YORK MELLON	574	6.6%	406.6	8.0%
5	▲	6	SEI	464	5.3%	121.7	2.4%
6	▼	5	CITIGROUP	419	4.8%	218.2	4.3%
7	=	7	MORGAN STANLEY	254	2.9%	282.4	5.6%
8	=	8	NORTHERN TRUST	246	2.8%	281.2	5.5%
9	▲	10	U.S. BANCORP	228	2.6%	71.7	1.4%
10	▼	9	HEDGESERV	217	2.5%	85.8	1.7%
11	▲	17	MITSUBISHI UFJ SECURITIES HOLDINGS	200	2.3%	95.5	1.9%
12	▼	11	JPMORGAN CHASE	156	1.8%	89.6	1.8%
13	▲	15	NAV CONSULTING	127	1.5%	8.8	0.2%
14	=	14	ALPS FUND SERVICES	125	1.4%	7.8	0.2%
15	▼	12	JD CLARK & COMPANY	124	1.4%	8.2	0.2%
16	▼	13	UBS	119	1.4%	38.2	0.8%
17	▼	16	HSBC	108	1.2%	82.6	1.6%
18	▲	NR	CONIFER GROUP/VASTARDIS	103	1.2%	47.7	0.9%
19	▲	20	ADMIRAL ADMINISTRATION	101	1.2%	16.9	0.3%
20	▼	18	CREDIT SUISSE	94	1.1%	45.2	0.9%
TOP 20 TOTAL				6,729	77.0%	4,601	90.6%
TOTAL HF ADMIN RELATIONSHIPS				8,737	100%	5,079.9	100%
LESS: MULTIPLE ADMINS				126	1%	139.1	
TOTAL HFS ADMINISTERED				8,611		4,940.7	
TOTAL HFS				11,179		5,515.3	
% OF TOTAL HFS ADMINISTERED				77.0%		89.6%	
TOTAL PRIVATE FUNDS				34,683		10,489.5	
% OF TOTAL PFS ADMINISTERED				49.2%		68.6%	

Q2		1Q	ADMINISTRATOR	RAUM	AVG RAUM
1	=	1	CITCO	988.7	0.88
2	=	2	STATE STREET	906.6	0.92
3	=	3	SS&C GLOBEOP	797.7	0.83
4	=	4	BANK OF NEW YORK MELLON	406.6	0.71
5	=	5	MORGAN STANLEY	282.4	1.11
6	=	6	NORTHERN TRUST	281.2	1.14
7	=	7	CITIGROUP	218.2	0.52
8	=	8	SEI	121.7	0.26
9	▲	NR	WELLS FARGO	95.7	1.84
10	▲	16	MITSUBISHI UFJ SECURITIES HOLDINGS	95.5	0.48
11	▼	10	JPMORGAN CHASE	89.6	0.57
12	=	12	HEDGESERV	85.8	0.40
13	▼	9	HSBC	82.6	0.76
14	▲	NR	BROWN BROTHERS HARRIMAN	75.0	1.27
15	▼	14	U.S. BANCORP	71.7	0.31
16	▲	NR	HARMONIC FUND SERVICES	53.6	2.55
17	▼	13	CONIFER GROUP/VASTARDIS	47.7	0.46
18	▼	15	CREDIT SUISSE	45.2	0.48
19	▼	13	UBS	38.2	0.32
20	▲	NR	STONE COAST FUND SERVICES	22.7	0.26
TOP 20 AVERAGE				240.3	0.80

ADMINISTRATORS

SEC to give as comprehensive a view as possible. Although anybody familiar with Form ADVs will know how cumbersome the filings are, AlphaPipe's New York-based team has packaged data to make it readily accessible.

Turning first to the hedge fund administrator space, Citco retains its position at the top of the leaderboard. It continues to hold the largest SEC-registered client base in the industry and has seen its portion of RAuM grow from the previous Snapshot, up from $865.2bn to $988.7bn at 1 April.

"The 8,737 administrator relationships reveal stability overall in the fund rankings with SEI as the only new entry to the top five providers," notes AlphaPipe CEO West Chapman. He says hedge fund coverage by administrators has also increased slightly since the previous Snapshot and is still well in advance of other private fund types.

SEI's ascent, which saw Citigroup drop to sixth place, was driven by the addition of new clients and growth in its existing client base.

"From an industry perspective, it is clear that business growth is bringing additional complexities across the spectrum of investment management firms – especially in the alternative arena," explains Steve Meyer, executive vice president of SEI's Investment Manager Services division.

One other driver for movement within the administrator top 20 was merger activity, with the increasingly acquisitive Mitsubishi UFJ propelling itself up the chart with the takeover of Butterfield Fulcrum, lifting the Japanese administrator to eleventh place from seventeenth. A merger of Conifer and Vastardis saw the combined group storm into eighteenth place.

In the administrator RAuM table, there was also a new addition with the entry of Wells Fargo in ninth place, which follows an alteration to AlphaPipe methodology. Stuart Feffer, co-head of Wells Fargo Global Fund Services, says there has been an uptick in activity during the first quarter and has an optimistic outlook for the coming months.

"Any time the environment for funds is strong, the environment for administrators is strong," he says. "We imagine our competition is seeing something similar to what we are."

SEI's Meyer forecasts further growth for administrators from the proliferation of liquid alternatives funds.

"This is both alternative managers moving into the registered fund arena and traditional mutual fund managers increasingly using strategies and securities more commonly found in alternative strategies," he explains. "We have been working with a number of clients in this area and

DATA

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Number of US hedge funds launched in Q1 2014

AUDITORS

Q2		1Q	AUDITOR	FUNDS	%	RAUM	%
1	▲	2	ERNST & YOUNG	2,343	22.0%	1,947.7	35.5%
2	▼	1	PRICEWATERHOUSECOOPERS	2,315	21.8%	1,697.6	30.9%
3	=	3	ROTHSTEIN KASS	1,235	11.6%	376.0	6.9%
4	=	4	DELOITTE	1,153	10.8%	464.0	8.5%
5	=	5	KPMG	1,063	10.0%	608.9	11.1%
6	=	6	MCGLADREY	440	4.1%	58.5	1.1%
7	=	7	EISNERAMPER	315	3.0%	53.7	1.0%
8	=	8	GRANT THORNTON	230	2.2%	113.2	2.1%
9	=	9	BDO	216	2.0%	67.0	1.2%
10	=	10	SPICER JEFFRIES	106	1.0%	2.9	0.1%
11	=	11	COHNREZNICK	56	0.5%	6.6	0.1%
12	▲	13	ANCHIN BLOCK & ANCHIN	46	0.4%	8.2	0.1%
13	▲	15	MARCUM	46	0.4%	3.5	0.1%
14	▼	12	ARTHUR BELL	45	0.4%	3.8	0.1%
15	▼	14	JOSEPH DECOSIMO AND COMPANY	44	0.4%	6.1	0.1%
16	=	16	WALSH, JASTREM & BROWNE	38	0.4%	2.7	0.0%
17	=	17	RSM INTERNATIONAL	35	0.3%	6.7	0.1%
18	=	18	KAUFMAN ROSSIN	34	0.3%	2.2	0.0%
19	▲	NR	WEAVER	29	0.3%	1.4	0.0%
20	▲	NR	UNTRACHT EARLY	28	0.3%	0.8	0.0%
TOP 20 TOTAL				9,817	92.3%	5,431.4	99.0%
TOTAL HF AUDITOR RELATIONSHIPS				10,641	100%	5,488.8	100%
LESS: MULTIPLE AUDITORS				21	0%	4.4	
TOTAL HFS AUDITED				10,620	5,484.4		
TOTAL HFS				11,179	5,515.3		
% OF TOTAL HFS AUDITED				95.0%	99.4%		
TOTAL PRIVATE FUNDS				34,683	10,489.5		
% OF TOTAL PFS AUDITED				86.2%	95.8%		

Q2		1Q	AUDITOR	RAUM	AVG RAUM
1	=	1	ERNST & YOUNG	1,947.7	0.83
2	=	2	PRICEWATERHOUSECOOPERS	1,697.6	0.73
3	=	3	KPMG	608.9	0.57
4	=	4	DELOITTE	464.0	0.40
5	=	5	ROTHSTEIN KASS	376.0	0.30
6	=	6	GRANT THORNTON	113.2	0.49
7	=	7	BDO	67.0	0.31
8	=	8	MCGLADREY	58.5	0.13
9	=	9	EISNERAMPER	53.7	0.17
10	=	10	WEISERMAZARS	12.0	0.52
11	=	11	ANCHIN BLOCK & ANCHIN	8.2	0.18
12	▲	15	RSM INTERNATIONAL	6.7	0.19
13	=	13	COHNREZNICK	6.6	0.12
14	=	14	JOSEPH DECOSIMO AND COMPANY	6.1	0.14
15	▲	16	ARTHUR BELL	3.8	0.09
16	▲	17	MARCUM	3.5	0.08
17	▲	NR	SPICER JEFFRIES	2.9	0.03
18	▲	19	HORTY & HORTY	2.8	0.56
19	▲	NR	WALSH, JASTREM & BROWNE	2.7	0.07
20	▲	NR	NAME NOT PROVIDED	2.7	0.17
TOP 20 AVERAGE				272.2	0.30

have created a specific turnkey solution for managers who want to enter this arena in an efficient and timely manner."

In the auditor space there has been movement at the top as EY overhauled rival PricewaterhouseCoopers as the top auditor in the SEC-registered hedge fund space. However, EY enjoys a significant lead on other audit firms when it comes to the number of relationships with individual management entities, as well as larger firms.

"The top two auditors – EY and PwC – have swapped places with minor changes in funds audited and now represent slightly more than two thirds of the RAuM," explains AlphaPipe's Chapman.

Interestingly a new member was also propelled into the top 20 RAuM: "Name not provided". The new entry reflected a number of funds who are in the process of rebidding their audits.

Although not included below, a new auditor ranking based on the number of advisers placed Rothstein Kass as the top administrator, representing 589 clients above EY's 580.

Howard Altman, chairman of Rothstein Kass, says 25% of new business has come from existing clients while the remainder has come from new clients. "We expect growth to come from the deeper penetration into the markets that we already serve so well," he adds. "Our brand, our

DATA

11,179

Number of hedge funds surveyed in the snapshot

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.

Q2		1Q	CUSTODIAN	FUNDS	%	RAUM	%
1	=	1	JPMORGAN CHASE	2,331	20.4%	1,241.5	14.5%
2	=	2	BANK OF NEW YORK MELLON/PERSHING	1,658	14.5%	1,514.9	17.7%
3	=	3	STATE STREET	780	6.8%	777.4	9.1%
4	=	4	BANK OF AMERICA MERRILL LYNCH	639	5.6%	467.1	5.5%
5	=	5	CITIGROUP	416	3.6%	646.6	7.5%
6	=	6	GOLDMAN SACHS	409	3.6%	263.3	3.1%
7	▲	9	WELLS FARGO	337	3.0%	196.8	2.3%
8	▼	7	DEUTSCHE BANK	322	2.8%	331.6	3.9%
9	▼	8	NORTHERN TRUST	314	2.7%	223.1	2.6%
10	▲	11	MORGAN STANLEY	282	2.5%	215.3	2.5%
11	▲	12	U.S. BANCORP	275	2.4%	228.4	2.7%
12	▼	10	UBS	248	2.2%	192.2	2.2%
13	▲	16	CHARLES SCHWAB	196	1.7%	16.9	0.2%
14	▲	15	HSBC	194	1.7%	423.9	4.9%
15	▼	14	CITCO	191	1.7%	81.9	1.0%
16	▼	13	CREDIT SUISSE	186	1.6%	243.2	2.8%
17	=	17	FIDELITY/NFS	165	1.4%	19.6	0.2%
18	=	18	FIRST REPUBLIC BANK	131	1.1%	81.0	0.9%
19	=	19	BARCLAYS	118	1.0%	306.5	3.6%
20	▲	NR	BROWN BROTHERS HARRIMAN	91	0.8%	110.6	1.3%
TOP 20 TOTAL				9,283	81.3%	7,582	88.5%
TOTAL INDEPENDENT CUSTODIAL RELATIONSHIPS				11,420	100%	8,568.4	100%
LESS: MULTIPLE INDEPENDENT CUSTODIANS				4,193	4,972.1		
TOTAL HFS WITH INDEPENDENT CUSTODIANS				7,227	3,596.3		
TOTAL HFS				11,179	5,515.3		
% OF TOTAL HFS WITH INDEPENDENT CUSTODIANS				64.6%	65.2%		
TOTAL PRIVATE FUNDS				34,683	10,489.5		
% OF TOTAL PFS WITH INDEPENDENT CUSTODIANS				73.4%	74.1%		

Q2		1Q	CUSTODIAN	RAUM	RAUM
1	=	1	BANK OF NEW YORK MELLON/PERSHING	753.7	0.45
2	=	2	JPMORGAN CHASE	652.0	0.28
3	▲	4	STATE STREET	427.7	0.55
4	▼	3	CITIGROUP	296.2	0.71
5	=	5	BANK OF AMERICA MERRILL LYNCH	136.3	0.21
6	▲	9	HSBC	132.9	0.69
7	▼	6	NORTHERN TRUST	120.2	0.38
8	▲	13	DEUTSCHE BANK	100.8	0.31
9	▼	NR	BROWN BROTHERS HARRIMAN	91.7	1.01
10	▼	7	CREDIT SUISSE	88.8	0.48
11	▲	14	U.S. BANCORP	88.1	0.32
12	▼	8	GOLDMAN SACHS	84.4	0.21
13	▼	12	WELLS FARGO	74.1	0.22
14	▼	11	BARCLAYS	73.7	0.62
15	=	15	MORGAN STANLEY	53.5	0.19
16	▼	10	UBS	51.2	0.21
17	=	17	FIRST REPUBLIC BANK	34.8	0.27
18	▼	16	CITCO	34.7	0.18
19	▲	NR	CHARLES, FREDERIC & CO.	18.8	0.32
20	▲	NR	PNC FINANCIAL SERVICES GROUP	18.3	0.35
TOP 20 AVERAGE				166.6	0.40

CUSTODIANS

thought leadership and our deep expertise provide a clear competitive advantage for us in this or any environment.

One less prevalent factor in the auditor space than other parts of the industry is inorganic growth. Indeed, if a rumoured deal between KPMG and Rothstein Kass were to go ahead, the combined auditor would be propelled towards the top of the table with combined regulatory assets of $984.9bn, although it would still remain some way behind the big two.

Although there remains little change among the top custodians, there has been a slight drop-off from the first quarter findings. Just 64.6% of the 11,179 hedge funds surveyed used an independent custodian compared with 68% during Q1.

"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."

He adds: "The only change to the fund ranking reflects Brown Brothers Harriman sliding into the Top 20 as Pershing was combined into Bank of New York."

There were several new entrants to the prime broker RAuM table, as Credit Suisse overtook rival Morgan Stanley to take third place. However, Goldman Sachs remains king in the prime brokerage space with RAuM of $669.3bn, compared with $578.1bn at the start of the year and also by number of funds.

According to the Snapshot data, RAuM for funds using PBs grew by 14% between the start of the year and the start of the second quarter to $4.2trn "with almost all of the growth occurring in funds with five or more primes which added $550bn in RAuM".

Look out for an updated set of rankings for Q3 – again using AlphaPipe's data – in September.

MULTIPRIME UPDATE

NUMBER OF PBS	HF	%	HF RAUM ($BN)	%
1	3,455	55.4%	691.2	16.5%
2	1,410	22.6%	772.0	18.5%
3	659	10.6%	632.1	15.1%
4	306	4.9%	482.3	11.5%
5+	406	6.5%	1,602.0	38.3%
TOTAL HFS	6,236	100%	4,179.6	100.0%

DATA

$669.3bn

Goldman Sachs' RAuM, which rose from $578.1bn at the start of the year

PRIME BROKERS

Q2		1Q	PRIME BROKER	FUNDS	%	HF RAUM	%
1	=	1	GOLDMAN SACHS	2,243	18.5%	2,517.1	12.7%
2	=	2	MORGAN STANLEY	1,653	13.6%	2,423.4	12.3%
3	=	3	JPMORGAN CHASE	1,580	13.0%	2,295.2	11.6%
4	=	4	CREDIT SUISSE	1,182	9.7%	2,575.3	13.0%
5	=	5	DEUTSCHE BANK	843	6.9%	1,702.2	8.6%
6	=	6	UBS	795	6.5%	1,618.0	8.2%
7	▲	8	BANK OF AMERICA MERRILL LYNCH	595	4.9%	1,587.6	8.0%
8	▼	7	CITIGROUP	589	4.8%	1,093.5	5.5%
9	=	9	BARCLAYS	440	3.6%	1,527.7	7.7%
10	=	10	FIDELITY/NFS	291	2.4%	295.6	1.5%
11	=	11	BNP PARIBAS	290	2.4%	452.1	2.3%
12	▲	13	JEFFERIES	237	2.0%	82.0	0.4%
13	▼	12	BANK OF NEW YORK MELLON/PERSHING	222	1.8%	153.9	0.8%
14	=	14	WELLS FARGO	167	1.4%	15.6	0.1%
15	=	15	BTIG	123	1.0%	16.7	0.1%
16	▲	17	NEWEDGE	107	0.9%	84.1	0.4%
17	▼	16	INTERACTIVE BROKERS	107	0.9%	11.9	0.1%
18	=	18	HSBC	67	0.6%	119.0	0.6%
19	=	19	CHARLES SCHWAB	55	0.5%	8.1	0.0%
20	=	20	CONVERGEX GROUP	40	0.3%	1.6	0.0%
TOP 20 TOTAL				11,626	95.7%	18,580.9	94.0%
TOTAL PB RELATIONSHIPS				12,148	100%	19,776.1	100%
LESS: MULTIPLE PBS				5,912	15,596.5		
TOTAL FUNDS PRIME BROKERED				6,236	4,179.6		
TOTAL HFS (ALL SCHEDULE DS)				11,179	5,515.3		
% OF TOTAL HFS PRIME BROKERED				55.8%	75.8%		
ALL PRIVATE FUNDS				34,683	10,489.5		
% OF TOTAL FUNDS PRIME BROKERED				21.2%	42.3%		

Q2		1Q	PRIME BROKER	HF RAUM	HF RAUM
1	=	1	GOLDMAN SACHS	669.3	0.30
2	=	2	JPMORGAN CHASE	629.9	0.38
3		4	CREDIT SUISSE	542.2	0.34
4	▼	3	MORGAN STANLEY	535.0	0.45
5	=	5	UBS	310.6	0.37
6	▲	8	BANK OF AMERICA MERRILL LYNCH	291.5	0.37
7	▼	6	DEUTSCHE BANK	276.0	0.46
8	▼	7	BARCLAYS	263.2	0.45
9	=	9	CITIGROUP	228.5	0.52
10	=	10	BNP PARIBAS	78.9	0.27
11	=	11	FIDELITY/NFS	66.6	0.23
12	=	12	BANK OF NEW YORK MELLON/PERSHING	39.1	0.17
13	▲	NR	MBS CLEARING CORPORATION (MBSCC)	30.2	0.14
14	▼	13	NEWEDGE	28.9	0.17
15	▼	14	JEFFERIES	25.3	0.21
16	▲	NR	NOMURA	23.0	0.21
17	▼	15	HSBC	19.1	0.18
18	▲	NR	CITADEL	14.9	0.22
19	▲	NR	RBS	12.7	0.23
20	▼	16	WELLS FARGO	11.6	0.29
TOP 20 AVERAGE				204.8	0.30