



Hedge Funds Review reveals results of first service provider awards

Service Provider Rankings 2011

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Service providers play a key role in the smooth operation of hedge fund management companies. Increased regulation and investor concerns over counterparty risks make their role even more central.

There were a few surprises in the first Hedge Funds Review Service Providers Rankings. Overall, the response was good, with over 1,000 hedge funds, funds of hedge funds and investors responding to the survey.

Respondents were a good reflection of the global distribution of the hedge fund industry. The majority of votes came from the Americas, in particular the US, followed by Europe (predominantly the UK, followed by Switzerland), accounting for around 25%-30% of the total, and the rest of the world, primarily from Hong Kong and Singapore.

The majority of responses came from single-manager hedge funds with the most common responders at senior management level such as chief operating officers, chief investment officers, chief financial officers and chief executives as well as portfolio managers. The role of service providers is taking centre stage as hedge fund management companies struggle with compliance requirements placed on them by regulation and more concerns over counterparty risks. Investors are keen to see recognisable names as service providers and have increased their due diligence to reflect their concerns over risk and operational controls.

These concerns were reflected by the results in most categories covered by the survey. For example, both Lyxor and Deutsche Bank came top of the rankings for managed accounts platforms, voted by hedge funds and by investors respectively.

Top of the prime services/broker ranking was Morgan Stanley, followed closely by Goldman Sachs, Credit Suisse, UBS and JP Morgan, reflecting in part the market share of these investment banks.

Goldman Sachs came top for capital introduction, prime financing and trading and execution while BNY Mellon was voted top custodian and Citco came first as fund administrator.

JP Morgan was top for clearing services and research. Onshore counsel went to Seward & Kissel with Ogier voted top for offshore legal services. Ernst & Young was voted top accounting/auditing provider while Hedge Fund Research was top index provider and Bloomberg voted first for market data.

Alpha Ucits was given top ranking for third-party marketing and for Ucits platform from a hedge fund perspective while Bank of America Merrill Lynch was top for Ucits platform from an investors' viewpoint. Eze Castle Software came first in the rankings for both trading system and risk and compliance management solutions, while Abacus Group was voted top for overall technology provider. Blackstone was top for seeding/incubation.

Unsurprisingly the Cayman Islands was the most favoured domicile but perhaps more surprisingly, Luxembourg was ranked second followed by Ireland, both onshore European Union jurisdictions.

Service provider ranking results 2011

Fund administrator

[Citco](#) (12.9%)
 JP Fund Administration (11.4%)
 Meridan Fund Services (10.7%)
 HSBC (10.2%)
 GlobeOp Financial Services (9.4%)

Custodian

[BNY Mellon](#) (16.4%)
 JP Morgan (13.5%)
 HSBC (11.7%)
 Goldman Sachs (10.1%)
 Deutsche Bank (10.0%)

Prime services/broker

[Morgan Stanley](#) (15.8%)
 Goldman Sachs (15.3%)
 Credit Suisse (12.8%)
 UBS (10.1%)
 JP Morgan (9.5%)

Capital introduction

[Goldman Sachs](#) (16.6%)
 Morgan Stanley (13.7%)
 Credit Suisse (11.0%)
 Newedge (10.4%)
 UBS (10.2%)

Prime financing (securities lending)

[Goldman Sachs](#) (15.3%)
 Morgan Stanley (13.1%)
 UBS (12.4%)
 Credit Suisse (10.9%)
 Deutsche Bank (10.5%)

Clearing service

[JP Morgan](#) (15.5%)
 Goldman Sachs (12.2%)
 UBS (11.2%)
 Morgan Stanley (10.7%)
 Newedge (9.1%)

Trading and execution

[Goldman Sachs](#) (12.8%)
 UBS (11.9%)
 Morgan Stanley (11.6%)
 Credit Suisse (10.4%)
 Deutsche Bank (10.2%)

Trading system

[Eze Castle Software](#) (15.8%)

Tradar (12.9%)
 Bloomberg (12.7%)
 Cymba Technologies (10.5%)
 Paladyne (10.2%)

Legal onshore

[Seward & Kissel](#) (13.3%)
 Kaye Scholer (12.6%)
 Dechert (10.8%)
 Sidley & Austin (10.6%)
 Simmons & Simmons (9.3%)

Legal offshore

[Ogier](#) (17.2%)
 Walkers (14.9%)
 Maples and Calder (13.7%)
 Mourant Ozannes (12.6%)
 Appleby (10.8%)

Accounting/auditing

[Ernst & Young](#) (15.2%)
 Rothstein Kass (14.9%)
 PricewaterhouseCoopers (13.3%)
 KPMG (10.4%)
 Deloitte (10.1%)

Technology provider

[Abacus Group](#) (12.9%)
 Alternative Soft (12.6%)
 Eze Castle Integration (11.3%)
 Cymba Technologies (10.1%)
 Tradar (9.0%)

Managed account platform from hedge fund/FoHF viewpoint

[Lyxor Asset Management](#) (18.0%)
 Deutsche Bank (13.2%)
 Innocap (11.0%)
 Man Investments (9.5%)
 AlphaMetrix (8.4%)

Managed account platform from investor viewpoint

[Deutsche Bank](#) (15.3%)
 Innocap (14.1%)
 Lyxor Asset Management (11.8%)
 Goldman Sachs (11.1%)
 AlphaMetrix (9.4%)

Ucits platform from hedge fund/FoHF viewpoint

[Alpha Ucits](#) (15.5%)
 Bank of America Merrill Lynch (15.2%)
 Deutsche Bank (12.6%)
 Credit Suisse (11.2%)
 Morgan Stanley (10.5%)

Ucits platform from investor viewpoint

[Bank of America Merrill Lynch](#) (21.6%)
 Alpha Ucits (19.6%)
 Deutsche Bank (7.2%)
 Morgan Stanley (6.2%)
 Lyxor Asset Management (4.1%)

Third-party marketer

[Alpha Ucits](#) (14.8%)
 Agecroft Partners (12.7%)
 Hampton Hedge Fund Marketing (11.3%)
 Hyde Park Investments (11.0%)
 Liability Solutions (10.7%)

Index provider

Hedge Fund Research (15.4%)

Credit Suisse (14.3%)
 Standard & Poors (12.9%)
 Barclays (11.8%)
 MSCI (11.6%)

Risk and compliance management solutions

Eze Castle Software (15.0%)
 Risk Metrics (11.5%)
 Misys (10.8%)
 HedgeOp (10.3%)
 Investor Analytics (10.1%)

Research

JP Morgan (15.9%)
 Morgan Stanley (15.2%)
 Goldman Sachs (12.6%)
 Barclays (12.6%)
 Bank of America Merrill Lynch (11.5%)

Market data

Bloomberg (35.2%)
 Thomson Reuters (25.1%)
 Markit (14.1%)
 FactSet (9.3%)
 Interactive Data (5.2%)

Seeder/incubator

Blackstone (14.1%)
 IMQubator (13.1%)
 Reservoir Capital Services (11.9%)
 Protégé Partners (10.7%)
 NewAlpha (10.2%)

Most favoured domicile

Cayman Islands (52.9%)
 Luxembourg (13.1%)
 Ireland (10.7%)
 Bermuda (2.9%)
 Switzerland (2.7%)

Methodology

Hedge Funds Review Service Providers Rankings 2011 are based on a poll carried out between October 4 and October 28, 2011. This poll should be considered a reflection of how market professionals view their service providers in terms of overall quality of service.

Eligible to vote are individuals from single-manager hedge funds or fund of hedge funds (FoHF) organisations and investors (for example, family offices, pensions funds, sovereign wealth funds, insurance companies, asset allocators) who invest into hedge funds or asset managers/others allocating to hedge funds and FoHFs.

When aggregating the results, Hedge Funds Review discounted what were considered to be invalid votes.

These include people voting for their own firm, multiple votes from the same person or IP address, votes from people using non-work email accounts, votes by people who choose the same company indiscriminately throughout the poll, votes by people who clearly are not eligible to vote and block votes from groups of people voting for the same company.

For instance, we do not allow block votes from 20 people on the same department/desk, in the same location, all voting in exactly the same way, within hours and in some cases minutes of each other. We see this as a clear attempt to unfairly manipulate the poll. This is a process we take very seriously.

The votes were weighted, with three points for a first place, two points for second and one for third. Only categories with a sufficient number of votes were included in the final poll result. The top company for each category is listed in terms of overall percentage of votes and to decide the overall winner, Hedge Funds Review used the overall percentage of votes for each category. The categories will be reviewed prior to the rankings next year to ensure the poll is not too long and includes relevant categories.

The organisation of the rankings will be reviewed for 2012 and feedback is welcomed.

Sectors represented

Single-manager hedge funds (69.3%)

Fund of hedge funds (15.2%)

Asset allocator into single manager/FoHFs (8.5%)

Investor into single manager/FoHFs (7.0%)

Methodology