



Mutual Fund Administration

More for less

New and pending regulatory priorities will add further scale pressure to the shrinking circle of US mutual fund service providers.

In each *Global Custodian* client perception survey, providers are asked to complete a provider questionnaire with information on how their business has developed over the past year and what changes or innovations are in the offing. These are backed up by interviews with a number of providers. To encourage them to speak freely, we have this year adopted the Chatham House Rule, quoting from fund administrators, but not identifying or attributing individual comments.

Whatever differences appear in business strategy among the various providers, there is consensus that the biggest challenge over the past year has come from a growing regulatory concern for investor protection. The SEC's goal is to increase transparency and leverage technology to facilitate and enhance data. As one provider puts it, "The data required is significant and includes risk metrics, flow information and other information regarding portfolio investments. The data needs to be collected and delivered in a tight timeframe as well. Firms will require strong processes and automation in the future to comply with the new rules."

Canadian mutual fund market participants and their asset servicing providers meanwhile continue to face an array of emerging regulatory and market changes, including new tax withholding requirements from the US and consolidated disclosure guidelines.

According to one US non-bank service provider, "The most prevalent issues currently are '40 Act reporting modernisation efforts, further regulating funds' use of derivatives, and reforms to liquidity risk management. The need for data has always been a critical factor for advisers and with technology advances, it only seems to grow stronger. Advisers are looking for data on demand, with the ability to customise reporting with little or no lead time."

Despite ongoing consolidation, both bank and non-bank providers continue to argue the merits of their own structures. No doubt both models will remain provided they have an efficient path to scaling up.

"We target three specific markets for fund services: registered

fund services, alternative investment products, and ETFs," says one large bank provider. "There are very few providers in the ETF market; in the AI market there are over a hundred administrators and in the registered market there are a dozen and shrinking."

They suggest three reasons for continued consolidation among providers in the registered fund space: the need for scale in technology, the growing demands for regulatory compliance and the supply of appropriate talent. "The level of investment is difficult if you don't have scale," they add. "For example, we have 40 people now just in tax and legal administration."

For potential clients, this will, however, be one consideration among many, including attitudes to personal contact and customisation. "When we get through to the final stages of an RFP process for a new client, we usually find two banks and two independents in the mix," says one dedicated non-bank provider. "Generally custody is not a major concern. The question is how responsive you are in the non-vanilla areas of service."

"We do see some priorities shifting among clients," one service provider observes. "There seems to be a much greater focus in administrator selection on stability and low staff turnover; if you keep your people you must be doing something right." Other topics coming to the fore include regulatory support, due diligence, cyber security and business continuity.

The higher profile of cyber security, in particular, has placed additional requirements on administrators to provide a safe environment for shareholders. "Clients are looking for industrial strength control," says one provider.

Looking ahead, proposed SEC reporting modernisation and liquidity risk management rules will present new challenges to the fund industry, since the associated reporting will require data not previously gathered by fund administrators and investment advisers. "This will be a great opportunity for data vendors," says one administrator ruefully, "The shareholder will end up footing the bill." ●

Back to their best?

Survey scores are back at their highest levels for many providers. Does that mean everyone is happy?

The decade long review conducted by Global Custodian in 2015 showed the client perception of North American mutual fund administration had recorded steady improvement up to and including the record scores achieved in 2013. However, 2014 and 2015 had then seen declines, albeit statistically insignificant ones in the period from 2014 to 2015. A superficial review of scores in 2016 shows the market back at its best. The overall average score was 6.27, a score only ever beaten in 2013 and even then the difference was only 0.01 points. So this is indeed a return to the very best levels of performance. As Table 1 illustrates, all eight categories of service posted gains and in most cases the improvement was statistically meaningful. In terms of an overall reflection of progress, perhaps the most pertinent fact is that scores for Value Delivered were up by fully 0.34 points, the second best performance gain of all, and reached an average of 6.00 (Very Good). Achievement of that level of scoring in that category has to reflect well on the industry as a whole and all the major providers operating within it.

Why so good?

The biggest improvement was seen in Distribution Support. Though not one of the most critical categories in terms of client importance but is still a key factor for some clients where

the provider is the named distributor for certain funds. As one client noted, “ALPS support for the primary distribution requirements is very good.” Other providers received similar levels of praise from relevant clients. However this is an aspect of service where more help is always possible and one client commented that its provider could and should do more. The area that attracted most and most consistent plaudits was Relationship Management and Client Service. While the average score of 6.27 was not the highest noted in the survey, the category remains the second most important to clients. BBH was seen by one client as being “very organised and focused to deliver high quality service” and BNY Mellon favourably impressed more than one client with its very accommodating and effective approach at dealing with ad-hoc requests. Meanwhile US Bancorp was noted as having “great customer service, excellent availability of staff and they always make sure they pay attention to detail.” One or two clients noted high turnover within some providers as well as a feeling that responsiveness was not that it could be on occasion. Turnover or lack of it is seen as a strong positive for most clients. Based on comments received it is clear that many clients have excellent long standing relationships with key provider personnel. Where they can be maintained it clearly works in the best interests of all. For larger providers that may simply

Table 1: Overall scores

	2014	2015	2016	Difference 2015/16
Relationship management & client service	6.06	6.01	6.27	0.26
Value delivered	5.79	5.66	6.00	0.34
Fund accounting	6.26	6.28	6.33	0.05
Fund administration & trustee	6.03	6.12	6.42	0.30
Distribution support	6.02	5.99	6.41	0.42
Reporting	6.22	6.17	6.18	0.01
Compliance & regulation	6.05	5.99	6.29	0.30
Operations & custody	5.97	6.03	6.18	0.15
Overall total	6.05	6.03	6.27	0.24

not be possible. Even for them though it appears that turnover levels are improving for the most part. It should be noted that the balance of comments was so strongly positive, that it would appear that these are isolated issues rather than being a systemic concern.

The single most important aspect of service from a client perspective remains Fund Accounting. This was also the area that attracted the very best scores. The average of 6.33 was ahead of the excellent score of 6.28 seen in 2015. Gains over the last three years have been modest but the trend remains positive. To the extent that providers succeed in delivering high quality service in the most important areas, this will tend to mean higher scores across the board. It is also clear based on responses from the same clients across a number of years that satisfaction with services is genuinely improving. While specific comments were less expansive in this area, a number of clients did regard it as the key strength of their provider(s) offering and also in a number of cases praised the “understanding and commitment of fund accounting personnel” as well as the quality of information they were able to provide.

Overall the position of all providers generally remains very strong. However, some specific concerns were raised about a range of different subjects. As such, despite the excellent scores it would appear that for some clients at least, things could be even better. Items that attracted specific negative comments included compliance monitoring, billing issues, slowness in responding to industry changes, technology to handle new requirements, the problems of growth as they impact on existing clients and poor settlement and failed trade reporting capabilities. These issues were not solely a problem, for a single institution nor did they appear to reflect across the board weakness. Rather they are reminders that however well things are going, it is hard to deliver consistently excellent performance across all aspects of what is a complex service to provide. Clients are far from homogenous in terms of requirements and priorities as well as having fundamentally different approaches to investment activity.

What matters?

Table 2 shows the relative priority attached by respondents to each of the eight aspects of service covered in the survey in both 2015 and 2016. What the Table illustrates is first and foremost the continuing importance of Fund Accounting. Its relative score increased by 0.47 points between 2015 and 2016 reaching 10.17. To put this into a slightly different context, fully 62% of all respondents regarded Fund Accounting as one of the top two priorities as far as service provision was concerned. Given the critical nature of fund accounting to mutual fund clients, such a level should not be a surprise. Nonetheless the level of consistency across different sizes and types of client is impressive.

Table 2: Relative priorities

	2015	2016
Relationship management & client service	8.50	8.73
Value delivered	7.57	8.01
Fund accounting	9.70	10.17
Fund administration & trustee	6.01	5.53
Distribution support	3.39	2.92
Reporting	5.15	4.99
Compliance & regulation	5.97	5.72
Operations & custody	4.94	5.36

The other clear ‘winners’ in terms of client priorities are Relationship Management and Client Service and Value Delivered. In both cases their relative level of importance increased in the last twelve months, in the case of Value Delivered by 0.44 points. There is no doubt that a combination of regulatory pressure on transparency and competitive pressures in a challenging market have focused attention of fund groups on charges and ensuring that they and their clients are getting the best possible value. A number of clients noted that custody services were not always as unproblematic as they expect. This may account for the gain in relative importance of Operations and Custody. These services tend not to be considered when they are going well, but to the extent there are issues, they can have greater impact than might be expected. Even so they still only rank 6th highest out of eight categories.

Fund Administration, Distribution Support, Reporting and Compliance all saw a decline in their importance compared with a year ago. Compliance and Regulation remains the fourth most important aspect of service, but interestingly only 16% of respondents regard it as a top two priority. It attracted a range of both positive and negative comments. State Street was noted as having “very strong compliance capabilities as well as good corporate actions and fund reporting capabilities.” However, another provider was seen as “failing to proactively give advice on regulatory changes and occasional failures to update compliance rules leading to inaccuracy in some monitoring.” There is no doubt that the compliance burden on all parties has increased recently and this has had an impact on administrators’ technology, personnel and processes. It may be expected that clients will become more demanding in this area and those that build or buy good compliance solutions may be able to gain competitive advantage.

Clients are also asked to name any service that they would like to see delivered that at present is not available to them. As might be expected this generated a very wide range of suggestions, with around 20% of clients offering at least one suggestion. Many were quite specific and may well relate

Table 3: Type of funds managed

	2015	2016
Equity	75.8	78.1
Fixed income	43.9	49.2
Fund of funds	17.4	19.7
Commodity/other	2.3	5.3

to the services of a particular provider. However taking the responses as a whole, technology appears to be the area where most suggestions were made, followed by handling of static and reference data. In terms of technology there was a general wish for more investment, especially in client facing, web-based capabilities. Clients also wanted better integration of data to facilitate the necessary financial and regulatory reporting and this is where static data becomes even more relevant. In terms of qualitative areas, the item that got most mentions was help with business development. In the prime broker world this is known as capital introduction and remains a key differentiator in the minds of hedge fund clients. A formal approach to helping client succeed in their core business, has never really 'come of age' in the mutual fund world. Clearly some clients wish that it would.

Is everyone happy?

Table 3 shows the proportion of responses, based on weight of respondent, accounted for by asset managers pursuing different strategies. It is interesting to note that the domination of equity managers was even higher in 2016 than in last year's survey. Nearly four-fifths of managers responding to the survey have equity funds under management, in many cases exclusively so. The relatively small proportion of respondents using fund of funds vehicles is perhaps a surprise. The fact that nearly half now have fixed income products shows some continuing growth in this segment of the funds market.

The most interesting data however is that contained in Table 4. This shows how the scores are broken down between equity only managers on the one hand and non-equity managers on

Table 4: Scores by type of fund managed

	Equity	Non-equity
Relationship Management and Client Service	6.63	6.04
Value Delivered	6.31	5.65
Fund Accounting	6.69	6.04
Fund Administration and Trustee	6.61	6.18
Distribution Support	6.48	6.01
Reporting	6.55	5.97
Compliance and Regulation	6.66	5.93
Operations and Custody	6.57	5.56

the other. Given the statistics in Table 3 it is clear that there are more of the former than the latter. What is very noticeable however is the difference in scores achieved within the two different groups. Taken overall, equity only managers gave scores that are around 0.50 points higher than those given by non-equity managers. In four categories the scores of non-equity managers were below 6.0. The scores for Operations and Custody among this group are significantly below what would be expected being 1.01 points less than those given by equity managers. It must be recognised that even a score of 5.56, while appearing to be low in relative terms, does nothing to suggest that there are serious problems in terms of how client see service delivery. However it must also be admitted that service provision for non-equity funds is seen as being inferior to that provided to equity funds.

This is just another reason to reflect on the survey results and perhaps for providers to realise that while clients remain very satisfied overall, there remains room for improvement for all, but most specifically for non-equity managers. That may represent the most effective way to differentiate services in the future in an effort to win more business. ●

Methodology

In the Mutual Fund Administration Survey, respondents are asked to provide a rating for each fund administrator on a numerical scale from "1" (very weak) to "7" (excellent), covering 8 distinct functional services. In general "5" (good) has been the 'default' low score of respondents. Up to and including 2014 responses were received from individuals based in North America, Europe, Asia and the rest of the world. This approach provided a broad cross-section of respondents and providers. In 2015 however we determined that the heterogeneity of a wide range of clients meant that meaningful comparisons were impossible. Rather than generating inconsistencies in the publication we determined that it would be better to concentrate on North American respondents only (U.S. and Canada). Last year we presented a ten year review reflecting the responses from North American clients only. This year, while maintaining the North American focus, we have reverted back to what is in effect a year-by-year analysis of performance rather than a decade long summary.

Each evaluation was weighted according to three characteristics of each respondent; their size, represented by the value of assets under management; the level of complexity of their business based on the range of services used; and the number of different administrators involved. In this way the evaluations of the largest and broadest users were assigned a weight of up to three times that of the smallest and least experienced respondent.

Over time it is inevitably necessary to make changes to the individual questions posed based on evolution in services required by clients and delivered by providers. At all times however we have sought to try to maintain as much consistency as possible between one year and the next, to ensure consistency between periods. Even as questions have changed we have ensured that each category has retained the same weight, with weights of individual questions adjusted depending on how many, and exactly what questions were in each years' questionnaire. By way of confirmation of this approach in 2016 we made no changes to the 2015 questionnaire and so results are directly comparable.

In 2016 we received more responses than ever before from North American clients. We would like to thank all those that have participated and helped us provide additional insight into an important aspect of the North American savings success story.

ALPS, a DST Company

ALPS claims 415 US clients with 1,146 funds under management. The bulk of these firms are at the smaller end of the scale with less than \$5 billion in assets under management. Accounting for just over 14% of total responses by weight, ALPS has seen its scores in all category areas increase with the exception of Operations and Custody, which nevertheless remains well above the market average at 6.37. This provider is ahead of its peers in all areas bar Distribution Support, where it matches the market average. It has also demonstrated significant improvement in perceptions of both Operations and Custody and Value Delivered. For the first time, the latter has risen above 6.00 (Very Good) – a rare occurrence in most Global Custodian surveys.

Comments are overwhelmingly positive. “ALPS is a great partner and culturally views itself as much with its clients. This makes all the difference,” says one mid-sized asset manager. Another confirms that, “ALPS is more of a partner than a service provider”, while a smaller firm is even more effusive. “Excellent client service with high quality individuals top to bottom,” it comments. In keeping with the survey as a whole, ALPS receives more generous scores from equity-only managers than their non-equity peers, except in the area of Fund Administration and Trustee Services. Client size seems to have little impact on perceptions, however, with similar scores achieved across the size spectrum.

In terms of service challenges, ALPS points to SEC regulations regarding liquidity, derivatives and report modernisation. The proposed regulations have the potential to be the biggest regulatory change for mutual funds in several years. “These are putting pressure on fund administrators to find solutions for these new requirements,” says the company. “ALPS is working diligently with its clients and vendors to develop cost-effective solutions.”

In conjunction with the initiatives to develop new solutions relating to proposed regulations, ALPS has also instituted a Client Advisory Board with the aim of engaging key clients in developing new services and improve existing service offerings. ●

ALPS client size (AuM)



- Up to \$100 million – 19.0%
- \$100 million to \$250 million – 4.8%
- \$250 million to \$1 billion – 19.0%
- \$1 billion to \$5 billion – 42.9%
- \$5 billion to \$10 billion – 9.5%
- \$10 billion to \$50 billion – 4.8%
- Over \$50 billion – 0.0%

MFA overall client size (AuM)



- Up to \$100 million – 8.2%
- \$100 million to \$250 million – 9.6%
- \$250 million to \$1 billion – 14.4%
- \$1 billion to \$5 billion – 27.4%
- \$5 billion to \$10 billion – 13.0%
- \$10 billion to \$50 billion – 14.4%
- Over \$50 billion – 13.0%

ALPS scores by type of fund managed

	Equity	Non-equity
Relationship management and client service	6.50	6.04
Value delivered	6.41	5.33
Fund accounting	6.78	6.39
Fund administration and trustee	6.38	6.63
Distribution support	6.56	5.64
Reporting	6.62	6.53
Compliance and regulation	6.76	5.38
Operations and custody	6.15	N/A

ALPS scores versus market average

	Relative to average
Relationship management and client service	0.15
Value delivered	0.12
Fund accounting	0.39
Fund administration and trustee	0.08
Distribution support	0.01
Reporting	0.45
Compliance and regulation	0.22
Operations and custody	0.19

ALPS overall scores

	2014	2015	2016	Difference 2015/16
Weighted share (%)	19.2	12.85	14.38	
Relationship management and client service	6.03	6.19	6.42	0.23
Value delivered	5.89	5.79	6.12	0.33
Fund accounting	6.35	6.69	6.72	0.03
Fund administration and trustee	6.13	6.29	6.50	0.21
Distribution support	6.40	6.05	6.42	0.37
Reporting	6.46	6.38	6.63	0.25
Compliance and regulation	6.21	5.79	6.51	0.72
Operations and custody	6.02	6.46	6.37	-0.09

Atlantic Fund Services

Atlantic's results for 2016 are hovering around the same high levels as last year with only Distribution Support falling below 6.00 (Very Good) after a 37 basis point drop. This is also the only area in which Atlantic falls below the market average.

Among this year's provider sample, Atlantic is unusual in receiving higher scores from non-equity clients than their equity-only peers. While the bank's responder base is weighted towards medium-sized clients this year, category scores are not markedly different by client size. A common theme in a number of client comments is the provider's responsiveness to queries. "Outstanding customer service and support when I need help or guidance," says one small client, though adding that, "There could be a little more automation in some of the info flow that goes between us and Atlantic." Another describes Atlantic as "very responsive to all and any questions and requests."

Several responses highlight the partnership aspect of their relationship with Atlantic. "Overall, Atlantic has been a consistent pleasure to work with as a partner," says one. "The responsiveness of Atlantic's team is second to none. They know their business and are an invaluable partner," says another. Several clients focus their comments on specific areas of service. "Since we are an Alternative Mutual Fund company utilising sub-advisors, we require a great deal of attention and the administrators must understand our product and needs. Atlantic has done an excellent job," says one client. "Fund accounting effort A+," says another, while the tax and legal team also comes in for praise. While describing Atlantic as "responsive and accurate", one investment advisory firm "would like to see a client facing web portal – and an electronic statement offering."

At a question level, Atlantic's highest scores are for efficiency of call centre shareholder services (especially during volume peaks), quality of personnel and efficiency in handling orders – the same top three as last year. At the other end of the scale, though still in the respectable mid-fives, come questions relating to Distribution Support, notably as regards electronic platforms and the effectiveness of supporting distribution through intermediaries. ●

Atlantic FS client size (AuM)



MFA overall client size (AuM)



- Up to \$100 million – 12.5%
- \$100 million to \$250 million – 16.7%
- \$250 million to \$1 billion – 33.3%
- \$1 billion to \$5 billion – 25.0%
- \$5 billion to \$10 billion – 12.5%
- \$10 billion to \$50 billion – 0.0%
- Over \$50 billion – 0.0%

- Up to \$100 million – 8.2%
- \$100 million to \$250 million – 9.6%
- \$250 million to \$1 billion – 14.4%
- \$1 billion to \$5 billion – 27.4%
- \$5 billion to \$10 billion – 13.0%
- \$10 billion to \$50 billion – 14.4%
- Over \$50 billion – 13.0%

Atlantic FS scores by type of fund managed

	Equity	Non-equity
Relationship management and client service	6.48	6.89
Value delivered	6.22	6.84
Fund accounting	6.41	7.00
Fund administration and trustee	6.51	N/A
Distribution support	N/A	6.63
Reporting	6.34	7.00
Compliance and regulation	6.54	6.90
Operations and custody	6.19	7.00

Atlantic FS scores versus market average

	Relative to average
Relationship management and client service	0.27
Value delivered	0.22
Fund accounting	0.14
Fund administration and trustee	0.10
Distribution support	-0.78
Reporting	0.35
Compliance and regulation	0.24
Operations and custody	0.10

Atlantic Fund Services overall scores

	2014	2015	2016	Difference 2015/16
Weighted share (%)				
Relationship management and client service	N/A	6.53	6.54	0.01
Value delivered	N/A	6.11	6.22	0.11
Fund accounting	N/A	6.61	6.47	-0.14
Fund administration and trustee	N/A	6.57	6.52	-0.05
Distribution support	N/A	6.00	5.63	-0.37
Reporting	N/A	6.59	6.53	-0.06
Compliance and regulation	N/A	6.42	6.53	0.11
Operations and custody	N/A	6.39	6.28	-0.11

BNY Mellon

BNY Mellon Asset Servicing accounts for 6.85% of survey responses by weight, slightly more than last year and a little less than in 2014. BNY Mellon’s U.S. Fund Accounting and Administration operation supports 123 clients representing \$2.7 trillion in assets across 3,366 portfolios. Services in Canada are provided through CIBC Mellon, a 50-50 joint venture of BNY Mellon and CIBC. CIBC Mellon’s Fund Administration group provides valuation for 90+ clients and over CAD\$365 billion in assets across over 1,000 funds/ 3,800 classes daily.

While 63% of BNY Mellon’s clients have assets under management of less than \$5 billion, it is the 5% in the largest category (>\$100 billion) that account for 65% of assets administered. Its results this year are mixed with an equal number of rises and falls. In general, the increases are larger than the drops with the exception of Compliance and Regulation, which has fallen from an impressive 5.94 to a relatively prosaic 5.28.

There is a significant distinction between the assessment of equity-only and non-equity clients. The former rank most service areas in the upper-sixes (7.00 equals Excellent), while the latter rank the bank’s services between 4.00 (Satisfactory) and the mid-fives (lower end of Good).

Some of the largest clients are very complimentary about the bank’s flexibility. “Unsurpassed relationship management and front-line client servicing team,” says one. “BNYM is very good at accommodating ad-hoc business requirements, adds another. Often, however, strengths are balanced with weaknesses in the comments. “BNYM’s technology team is slow to accommodate programming changes and new technology requirements,” complains one client, while a large Asia-based respondent suggests that, “Compliance Monitoring Accuracy is an issue.”

The bank itself notes that the SEC’s proposed Enhanced Reporting involves sweeping changes to the data and the frequency of data delivered to the SEC and will require “a significant effort to meet these requirements within the time frame for compliance by all parties.” ●

BNY Mellon client size (AuM)



MFA overall client size (AuM)



- Up to \$100 million – 0.0%
- \$100 million to \$250 million – 0.0%
- \$250 million to \$1 billion – 0.0%
- \$1 billion to \$5 billion – 0.0%
- \$5 billion to \$10 billion – 9.1%
- \$10 billion to \$50 billion – 27.3%
- Over \$50 billion – 63.6%

- Up to \$100 million – 8.2%
- \$100 million to \$250 million – 9.6%
- \$250 million to \$1 billion – 14.4%
- \$1 billion to \$5 billion – 27.4%
- \$5 billion to \$10 billion – 13.0%
- \$10 billion to \$50 billion – 14.4%
- Over \$50 billion – 13.0%

BNY Mellon scores by type of fund managed

	Equity	Non-equity
Relationship management and client service	6.52	5.33
Value delivered	6.56	4.50
Fund accounting	6.45	5.03
Fund administration and trustee	7.00	5.00
Distribution support	N/A	5.00
Reporting	6.00	5.19
Compliance and regulation	N/A	4.35
Operations and custody	6.71	4.88

BNY Mellon scores versus market average

	Relative to average
Relationship management and client service	-0.41
Value delivered	-0.51
Fund accounting	-0.93
Fund administration and trustee	-0.25
Distribution support	-0.61
Reporting	-0.83
Compliance and regulation	-1.21
Operations and custody	-0.25

BNY Mellon overall scores

	2014	2015	2016	Difference 2015/16
Weighted share (%)	7.73	6.36	6.85	
Relationship management and client service	5.79	5.47	5.86	0.39
Value delivered	5.47	5.10	5.49	0.39
Fund accounting	6.23	5.54	5.40	-0.14
Fund administration and trustee	5.96	5.79	6.17	0.38
Distribution support	5.80	6.00	5.80	-0.20
Reporting	5.69	5.45	5.35	-0.10
Compliance and regulation	5.67	5.94	5.08	-0.86
Operations and custody	5.82	5.14	5.93	0.79

Brown Brothers Harriman

Brown Brothers Harriman provides fund services to 1,501 portfolios in the US and 177 in Canada. It has 22 clients with portfolios above \$10 billion and 99 with assets below that level. Unlike many of the other providers rated this year, responses for BBH come predominantly from large and very large clients – often a tough crowd to please, given the breadth and complexity of their service requirements.

This year, the bank has seen declines in scores in five areas – Fund Accounting, Fund Administration and Trustee Services, Reporting, Compliance and Regulation and Operations and Custody. The score for distribution support has risen to 6.22, taking it from Good (5.00-5.99) to Very Good (6.00-6.99). Relationship Management and Client Service meanwhile has held steady at a high 6.28.

There is nothing in the client comments to point to any reason for the declines in certain service areas. What comments there are, coming in the main from the bank’s largest clients, are overwhelmingly positive. “BBH is very organised and focused to deliver high quality service to us,” says one very large asset manager, while another describes BBH as “our most trusted and capable business partner in the Mutual Fund servicing space.”

A large global investment bank with multiple providers confirms that, “the fund accounting team is the best in the business.” There is one caution from another client that, “The ‘silo’ business model is not always in line with the rapidly changing industry and we expect providers to move as rapidly.”

At the same time, however, they acknowledge that “BBH consistently provides top level relationship management and are willing to grow with their partners.”

In addition to questions relating to distribution support, BBH scores particularly highly at a question level for the proactivity of its relationship managers and the accuracy of its NAV calculations – in both cases well above the market average. ●

BBH client size (AuM)



Up to \$100 million – 0.0%
\$100 million to \$250 million – 0.0%
\$250 million to \$1 billion – 0.0%
\$1 billion to \$5 billion – 18.2%
\$5 billion to \$10 billion – 9.1%
\$10 billion to \$50 billion – 45.5%
Over \$50 billion – 27.3%

MFA overall client size (AuM)



Up to \$100 million – 8.2%
\$100 million to \$250 million – 9.6%
\$250 million to \$1 billion – 14.4%
\$1 billion to \$5 billion – 27.4%
\$5 billion to \$10 billion – 13.0%
\$10 billion to \$50 billion – 14.4%
Over \$50 billion – 13.0%

BBH scores by type of fund managed

	Equity	Non-equity
Relationship management and client service	6.79	6.54
Value delivered	5.66	5.50
Fund accounting	7.00	N/A
Fund administration and trustee	N/A	N/A
Distribution support	N/A	N/A
Reporting	6.50	6.19
Compliance and regulation	N/A	6.23
Operations and custody	6.64	5.00

BBH scores versus market average

	Relative to average
Relationship management and client service	0.01
Value delivered	-0.63
Fund accounting	-0.16
Fund administration and trustee	-0.74
Distribution support	-0.19
Reporting	-0.26
Compliance and regulation	-0.50
Operations and custody	-0.45

Brown Brothers Harriman overall scores

	2014	2015	2016	Difference 2015/16
Weighted share (%)	10.54	14.12	7.53	
Relationship management and client service	6.34	6.28	6.28	0.00
Value delivered	6.02	5.40	5.37	-0.03
Fund accounting	6.48	6.50	6.17	-0.33
Fund administration and trustee	6.65	5.90	5.68	-0.22
Distribution support	6.81	5.89	6.22	0.33
Reporting	6.36	6.13	5.92	-0.21
Compliance and regulation	6.41	6.06	5.79	-0.27
Operations and custody	6.26	6.09	5.73	-0.36

Gemini Fund Services

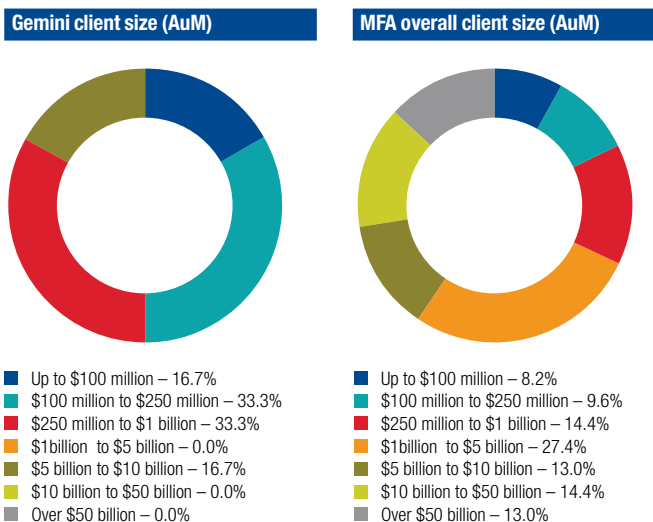
Gemini Fund Services has 173 clients covering 436 funds, 51 sub-funds and 908 unit/share classes. The bulk of these are at the smaller end of the spectrum with less than \$5 billion of assets.

Gemini's scores this year have shown significant improvement with all service areas recording increases of between 103 and 246 basis points – the most marked improvement in client perception in this year's survey. Gemini now exceeds the market average in five service areas. In the category of Distribution support, where it has jumped from Weak (3.00-3.99) to Very Good (6.00-6.99), it remains 24 basis points off the market average, but is clearly heading in the right direction. As with most other providers, it scores substantially higher among equity-only clients.

Client comments are all positive bar one grumble about the level of knowledge available from the call centre on specific funds. "Senior management is very accessible and provides strategic direction and insight into the competitive landscape, which helps us run our business," says one. Another suggests that, "Some recent technology upgrades have really been a nice value add. It seems that there are always improvements and tweaks being made to the service and technology to benefit us and keep up with regulations." Gemini is currently integrating a risk reporting regimen into its reporting that involves attribution and contribution reporting, VAR testing (Value at Risk), liquidity, leverage and other high risk areas.

As the firm itself puts it, "The proposed rules surrounding derivatives, leverage, liquidity, fiduciary standard, and reporting will create much greater demands on fund administration. The additional responsibilities coupled with fee compression on mutual funds will create the need for greater automation and reporting for advisors."

Gemini describes Mutual Fund Administration as evolving from meeting regulatory requirements to a pro-active risk reporting entity for board and advisors. "Boards are expecting a much higher level of service in helping manage high risk areas," it notes. ●



Gemini scores by type of fund managed

	Equity	Non-equity
Relationship management and client service	6.69	5.20
Value delivered	7.00	6.00
Fund accounting	N/A	6.00
Fund administration and trustee	N/A	5.04
Distribution support	6.61	4.89
Reporting	7.00	5.72
Compliance and regulation	7.00	6.71
Operations and custody	6.91	5.51

Gemini scores versus market average

	Relative to average
Relationship management and client service	-0.05
Value delivered	0.74
Fund accounting	0.38
Fund administration and trustee	-0.09
Distribution support	-0.24
Reporting	0.39
Compliance and regulation	0.64
Operations and custody	0.46

Gemini Fund Services overall scores

	2014	2015	2016	Difference 2015/16
Weighted share (%)				
Relationship management and client service	N/A	4.45	6.22	1.77
Value delivered	N/A	5.26	6.74	1.48
Fund accounting	N/A	5.30	6.71	1.41
Fund administration and trustee	N/A	5.30	6.33	1.03
Distribution support	N/A	3.71	6.17	2.46
Reporting	N/A	5.11	6.57	1.46
Compliance and regulation	N/A	4.81	6.93	2.12
Operations and custody	N/A	4.81	6.64	1.83

State Street

State Street provides fund services to 1466 clients in the US and 76 in Canada. These account for 44,668 and 1,646 respectively. Some three-quarters of respondents rating the bank this year are on the largest asset size bracket (>\$50 billion). State Street also numbers fewer equity-only clients among its response base. These two factors taken together might be expected to depress the scores achieved and indeed this is the case in 2016.

While ratings for Relationship Management and Value Delivered have increased somewhat, other category scores are down, most noticeably, Fund Reporting. Despite that, however, the bank's best results at a question level are for accuracy and timeliness of corporate actions, income tax and settlement reporting, which come under the umbrella of Operations and Custody.

By contrast, timeliness and accuracy of reports to the fund manager or promoter and ability and willingness to customise and/or allow self-customised reports both feature among the bank's weakest question scores. This year, none of the respondents rated the bank for Distribution Support; hence, this shows in the accompanying tables as 'not applicable'.

Client comments present a mixed picture. One very large global asset manager complains that "SSB has high turnover, very few strong members, and seems to lack a sense of urgency in servicing us." Another says that while State Street has strong compliance, corporate action, financial reporting teams, "Performance reporting frequently experiences system delays and fund reporting tends to be inflexible." It also appears that the wide reporting of billing errors at the end of 2015 has had a negative impact on client perception in this year's survey.

Given the size of State's Street's fund servicing business and the nature of its client base, it is perhaps unfair to judge it by the same yardsticks as smaller firms handling clients with less complex needs. Nevertheless, those respondents who have rated the bank this year are signalling room for improvement. ●

State Street client size (AuM)



MFA overall client size (AuM)



- Up to \$100 million – 0.0%
- \$100 million to \$250 million – 0.0%
- \$250 million to \$1 billion – 0.0%
- \$1 billion to \$5 billion – 0.0%
- \$5 billion to \$10 billion – 0.0%
- \$10 billion to \$50 billion – 25.0%
- Over \$50 billion – 75.0%

- Up to \$100 million – 8.2%
- \$100 million to \$250 million – 9.6%
- \$250 million to \$1 billion – 14.4%
- \$1 billion to \$5 billion – 27.4%
- \$5 billion to \$10 billion – 13.0%
- \$10 billion to \$50 billion – 14.4%
- Over \$50 billion – 13.0%

State Street scores by type of fund managed

	Equity	Non-equity
Relationship management and client service	7.00	4.75
Value delivered	7.00	4.00
Fund accounting	7.00	4.69
Fund administration and trustee	7.00	N/A
Distribution support	N/A	N/A
Reporting	N/A	4.06
Compliance and regulation	N/A	5.00
Operations and custody	7.00	4.17

State Street scores versus market average

	Relative to average
Relationship management and client service	-1.17
Value delivered	-0.73
Fund accounting	-0.73
Fund administration and trustee	-1.32
Distribution support	N/A
Reporting	-1.58
Compliance and regulation	-1.36
Operations and custody	-0.57

State Street overall scores

	2014	2015	2016	Difference 2015/16
Weighted share (%)	12.88	9.41	4.79	
Relationship management and client service	5.98	5.08	5.10	0.02
Value delivered	5.87	5.13	5.27	0.14
Fund accounting	6.34	5.82	5.60	-0.22
Fund administration and trustee	5.57	5.08	5.10	0.02
Distribution support	4.00	7.00	N/A	N/A
Reporting	5.87	5.85	4.60	-1.25
Compliance and regulation	6.06	5.77	4.93	-0.84
Operations and custody	5.89	5.47	5.61	0.14

Ultimus

Ultimus Fund Solutions has 79 clients accounting for 180 funds. For the most part, these are firms with assets under management below \$5 billion though larger firms are represented in the remainder. In December 2015, Ultimus completed its acquisition of Huntington Asset Services, a Columbus, Ohio-based administrator. This transaction increased Ultimus' assets under administration to over \$30 billion.

The response base for Ultimus this year is spread across firm sizes ranging from AUM of under \$100 million to those managing up to \$10 billion. The firm's stellar scores in 2015 would be a hard act to follow, but Ultimus has managed it with sevens (the highest possible question score) scattered liberally across the Ultimus results spreadsheet.

Client comments suggest that the firm's personnel rather than any particular aspect of its technology are responsible for this state of affairs. "Superb client relationship management and responsiveness", "Unbelievable communicators and exceptionally diligent", and "Great people. Personal touch. Don't feel like just a number," are a few of the numerous positive assessments.

Some are more specific. "Ultimus has a true partnership approach through which we have access to expertise across their organisation. For us, this is invaluable. They have in many ways acted as a consultant in helping us build," says one asset manager. "Exceedingly dedicated to client fulfilment, and very pro-active in all follow-ups and details, showing outstanding team play and coordination," is another comment in a similar vein. Very low turnover is also cited as an attractive feature of the company.

Ultimus itself identifies Fund Accounting, Fund Administration, and Transfer Agency as representing its core service offering and the primary focuses of its business. It also acknowledges the importance of robust technological underpinnings, "In 2015, we hired a new Chief Technology Officer who is leading the initiative to ensure that we offer our clients best of breed applications, automated processing, and flexible, customizable reporting," the firm says. ●

Ultimus client size (AuM)



MFA overall client size (AuM)



- Up to \$100 million – 14.3%
- \$100 million to \$250 million – 14.3%
- \$250 million to \$1 billion – 14.3%
- \$1 billion to \$5 billion – 42.9%
- \$5 billion to \$10 billion – 14.3%
- \$10 billion to \$50 billion – 0.0%
- Over \$50 billion – 0.0%

- Up to \$100 million – 8.2%
- \$100 million to \$250 million – 9.6%
- \$250 million to \$1 billion – 14.4%
- \$1 billion to \$5 billion – 27.4%
- \$5 billion to \$10 billion – 13.0%
- \$10 billion to \$50 billion – 14.4%
- Over \$50 billion – 13.0%

Ultimus scores by type of fund managed

	Equity	Non-equity
Relationship management and client service	7.00	6.92
Value delivered	7.00	6.64
Fund accounting	7.00	7.00
Fund administration and trustee	7.00	7.00
Distribution support	7.00	7.00
Reporting	7.00	7.00
Compliance and regulation	7.00	7.00
Operations and custody	7.00	7.00

Ultimus scores versus market average

	Relative to average
Relationship management and client service	0.71
Value delivered	0.81
Fund accounting	0.65
Fund administration and trustee	0.56
Distribution support	0.52
Reporting	0.70
Compliance and regulation	0.64
Operations and custody	0.78

Ultimus overall scores

	2014	2015	2016	Difference 2015/16
Weighted share (%)	N/A	N/A	14.38	
Relationship management and client service	N/A	6.98	6.98	0.00
Value delivered	N/A	6.82	6.81	-0.01
Fund accounting	N/A	6.98	6.98	0.00
Fund administration and trustee	N/A	6.95	6.98	0.03
Distribution support	N/A	6.91	6.93	0.02
Reporting	N/A	6.98	6.88	-0.10
Compliance and regulation	N/A	6.91	6.93	0.02
Operations and custody	N/A	6.86	6.96	0.10

U.S. Bancorp Fund Services, LLC

U.S. Bancorp Fund Services serves 333 clients with 2,386 funds. The majority of these have assets under management of below \$10 billion though the bank's client base does include several much larger firms. Firms with AUM of up to \$50 billion are represented in the bank's response base.

U.S. Bancorp has seen an improvement in all its service area scores this year. It now exceeds the market average in all areas bar Value Delivered – the only area not to reach a score of over 6.00 (Very Good). Looking at the individual question scores, this seems to reflect a view that the firm's fees are not among the most competitive. By contrast, it far outstrips the market average at a question level for timeliness of reporting to investors, accuracy of NAV calculations and proactivity of relationship managers. One asset manager singles out "strong relationship management and fund accounting" as particular strengths. "Our relationship manager has a vast understanding of the Mutual Fund industry and is proactive in anticipating our needs," says another. "She brings a great deal of knowledge, competency and experience."

One client describes the bank as very knowledgeable, friendly and team-oriented: "Every team knows our funds extremely well and is willing to help or customise any request or document. USBFS is our right-hand." Low turnover of staff is also highlighted. Comments are not entirely complaint-free. One fund manager asks for "more timely communication when there are policy changes." Another points to custody as needing improvement", though acknowledging that USB has been working on this.

Alive to the challenge of increasing regulation, U.S. Bancorp Fund Services maintains a committee of professionals across Fund Administration, Compliance, Legal Administration, Fund Accounting, Custody, Transfer Agent and Distribution dedicated to monitoring industry news, accounting pronouncements, and regulatory developments. On the anticipated changes to liquidity risk management rules specifically, the bank has established a task force to develop a comprehensive solution for liquidity reporting. ●

U.S. Bancorp client size (AuM)



MFA overall client size (AuM)



U.S. Bancorp scores by type of fund managed

	Equity	Non-equity
Relationship management and client service	6.54	6.45
Value delivered	5.79	5.15
Fund accounting	6.59	5.90
Fund administration and trustee	6.50	6.19
Distribution support	6.31	6.57
Reporting	6.41	5.79
Compliance and regulation	6.48	6.14
Operations and custody	6.40	5.59

U.S. Bancorp scores versus market average

	Relative to average
Relationship management and client service	0.35
Value delivered	-0.14
Fund accounting	0.20
Fund administration and trustee	0.12
Distribution support	0.01
Reporting	0.21
Compliance and regulation	0.19
Operations and custody	0.04

U.S. Bancorp overall scores

	2014	2015	2016	Difference 2015/16
Weighted share (%)	17.80	33.31	24.66	
Relationship management and client service	6.28	6.30	6.62	0.32
Value delivered	5.68	5.70	5.86	0.16
Fund accounting	6.11	6.22	6.53	0.31
Fund administration and trustee	6.23	6.18	6.54	0.36
Distribution support	5.81	6.03	6.42	0.39
Reporting	6.26	6.07	6.39	0.32
Compliance and regulation	6.01	5.98	6.48	0.50
Operations and custody	5.96	6.04	6.22	0.18