



# MUTUAL FUND ADMINISTRATION

# Jumping the hurdles

North American mutual fund clients have a relatively high opinion of the levels of service provision offered by their administrators. Maintaining that impression in the year ahead will be no mean feat.

**G**lobal Custodian's 2016 Mutual Fund Administration Survey found that despite individual differences in provider strategy, common themes emerged on the industry trends that would have the most impact over the following 12 months.

A year later and some of the same bug-bears identified then persist. The growing regulatory concerns from the US with the DOL fiduciary rule and liquidity risk management rules from the SEC are, for example, still cited by providers for their effect on the fund admin business.

On the DOL side, in particular, perceptions of how MFA services may be affected remain in contention with the delays to date in implementation. The Department of Labor (DOL) Fiduciary Rule, originally due to be phased in between April 10, 2017 and January, 2018, but now delayed until June, 2017 expands the definition of "investment advice fiduciary" under the Employee Retirement Income Security Act of 1974 (ERISA). This will impose greater ethical and legal obligations on all financial professionals working with retirement products.

In preparation for the regulations, a number of providers have told Global Custodian that the creation of new share classes was in the offing. "We are seeing a number of clients moving forward with creating new share classes, commonly referred to as clean shares, which will meet new DoL rules," said one provider. The delays have, however, put work that administrators, transfer agents, distributors and clients have nearly completed on hold. "Everything is in flux at the moment and here in the US we're in a period of uncertainty," added another administrator. "This said, most firms are moving forward preparing to be compliant with

the proposed rules so at some point in the future, whether this be 6 months, 12 months or 18 months, they will be ready".

Some intermediaries are taking advantage of the regulatory uncertainty to potentially reduce the number of funds on their platforms which helps them from a cost perspective and steer flows to their largest fund partners.

Beyond DOL, additional liquidity requirements will also have an effect on the MFA space notably the new Investment Company Reporting Modernisation and the Liquidity Risk Management Program Rules adopted by the SEC in late 2016. The new rules are designed, amongst other things, to improve the access and quality of information available to the SEC and investors about fund investments. Under such rules, the need for increased data automation will increase making the data component of service more important for MFA providers.

In spite of such challenges however, findings from this year's survey suggest that timeliness and accuracy of regulatory reports, compliance effectiveness and responsiveness to regulatory changes has increased. Increases of 0.30, 0.27 and 0.24 points respectively indicate that the MFA space has developed sufficient resilience to deal with whatever changes come at it.

## Technology innovation

Beyond regulations, providers are getting to grips with the digital age with a specific focus on technology implementation. A key distinction seems to occur over whether the technology investment is going into internal infrastructure or whether it's heading for the client facing developments.

The survey results point to a decrease in perceptions of quality and ease of

use of client-facing technologies. Some providers have speculated that such a decrease is down to providers prioritising internal technological infrastructure developments in light of regulations, leaving client-facing technologies to take a backseat role.

One MFA noted that the decrease in score in this area notwithstanding, its own technology priorities will in the near term be towards client-facing activities with ease of access to reporting being a particular focus. "Our investment is leading towards client-facing and we think reporting access is going to be much more user-friendly," says the provider. "With client-facing technology, it's critical to understand the exposure risks and ensure that proper security protocols are in place. We need to ensure all of the proper security and procedures are in place to make the effort successful."

Another provider points out that meeting client demands for streamlined access to more information has time and cost implications which need to be factored in alongside increased compliance and regulatory demands on internal infrastructures. "The number of channels through which clients are seeking access, whether it be through more traditional means or mobile technologies such as tablets and phones has evolved rapidly. This requires numerous streams of development of platforms to occur concurrently which is both timely and costly," says the provider.

While the MFA survey 2017 suggests that administrators are on top of the service challenges they are facing, the commercial, regulatory and operational environment in which they are operating will require continued agility.



## WHO WE ARE

—  
Thirty years in the business of  
converting, launching and  
servicing mutual funds



## WHAT WE DO

—  
Full service fund solutions:

- Administration
- Fund Accounting
- Transfer Agency
- Compliance
- Custody
- Distribution
- Fund Governance
- Series Trusts

CUSTOMIZED SOLUTIONS

**FOCUS ON WHAT YOU  
DO BEST, WE'LL HELP  
WITH THE REST.**

[www.atlanticfundservices.com](http://www.atlanticfundservices.com)  
Contact Jessica Chase at 207 347 2016

# Setting a high bar

The Global Custodian Mutual Fund Survey continues to reflect an impressive level of satisfaction on the part of North American clients.

In 2015, Global Custodian conducted a review of client perception of North American mutual fund administration over a ten-year period. This showed a steady improvement up to and including the record scores achieved in 2013. While slight declines were recorded in 2014 and 2015, last year's rebound has continued in the current survey. The survey average across all eight service categories in 2017 is 6.30 – the highest overall score so far.

As Table 1 illustrates, six of the eight service categories posted gains. In most cases the improvement was slight, but for Compliance and Regulation, the increase of 0.27 points was statistically meaningful.

Scores for Value Delivered improved further from last year's 0.34-point leap and now average 6.05. Across all Global Custodian surveys, it is rare for this category to rate above the high-fives as clients are understandably reluctant to signal that they are more than satisfied with the price they are paying. A score above 6.0 for Value Delivered reflects well on the industry as a whole and the major providers operating within it.

The only service category to record a double-digit decline is Distribution Support, which last year recorded the biggest increase. This, however, remains relatively low on the scale of client priorities, registering, as in 2016, eighth out of the ten categories. There were nevertheless several comments from clients suggesting Distribution Support as an area of weakness.

## Priorities

Table 2 shows the relative priority attached by respondents to each of the eight aspects of service covered in the survey in both 2016 and 2017. While the top three categories are the same in both years, the order has shifted. Last year, Fund Accounting and Valuation ranked first with Relationship Management and Client Service second and Costs and Value Delivered third. Once again, 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.

TABLE 2: RELATIVE PRIORITIES

Priority	2107	2016
Relationship management & client service	1	2
Costs and value delivered	2	3
Fund accounting and valuation	3	1
Transfer agency	6	5
Distribution support capabilities	8	8
Fund reporting	5	7
Compliance effectiveness	4	4
Quality of custodian services	7	6

In this year's survey, Relationship Management and Client Service has returned to top position. To some extent, the fact that all service categories score in the 'Very Good' range takes the pressure off the need to compare individual service. The measure remains useful, however, in suggesting which functions clients would pay most attention to in the event of a deterioration in service received from their existing provider.

An alternative way of looking at this is to analyse the percentage of respondents giving top priority to each service category. Table 3 shows that almost 50% of survey respondents considered Relationship Management and Client Service as their first or second priority. Last year, 62% of all respondents placed Fund Accounting in the same position. Operations and Custody remains at or near the bottom of the list. Custody is perhaps the ultimate 'traffic light' service – as long as the lights are working properly, they tend to be taken for granted and so it is with basic asset administration.

Interestingly, despite the strain on resources resulting from expanding compliance requirements, only 15% of

TABLE 1: OVERALL SCORES

TOTAL MFA	2017	2016	2015	Difference: 2017-2016
Relationship Management and Client Service	6.28	6.27	6.01	0.01
Value delivered	6.05	6.00	5.66	0.05
Fund accounting	6.42	6.33	6.28	0.09
Transfer Agency	6.54	6.42	6.12	0.12
Distribution support	6.14	6.39	5.99	-0.25
Reporting	6.22	6.18	6.17	0.04
Compliance and regulation	6.56	6.29	5.99	0.27
Operations and custody	6.17	6.18	6.03	-0.01
Average	6.30	6.26	6.03	0.04

**TABLE 3: PRIORITIES BY PERCENTAGE OF RESPONDENTS**

	1-2	3-4	5-6	7-8
Relationship management & client service	48.8	18.7	14.6	11.4
Costs and value delivered	39.0	28.5	17.9	6.5
Fund accounting and valuation	35.0	31.7	12.2	7.3
Transfer agency	16.3	17.1	25.2	26.8
Distribution support capabilities	11.4	11.4	19.5	44.7
Fund reporting	10.6	26.0	41.5	8.1
Compliance effectiveness	15.4	30.9	22.0	22.0
Quality of custody services	9.8	16.3	20.3	40.7

**Table 5: Scores by type of fund managed**

	Equity	Non-equity
Relationship management & client service	6.60	6.21
Costs and value delivered	6.31	5.97
Fund accounting and valuation	6.71	6.27
Transfer agency	6.65	6.36
Distribution support capabilities	6.29	5.78
Fund reporting	6.52	6.21
Compliance effectiveness	6.75	6.54
Quality of custody services	6.40	6.13
Average	6.53	6.18

respondents regard this as a top two priority.

**Asset type**

Table 4 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 remains high, even if it has slipped back a few percentage points since last year’s survey.

Three-quarters of managers responding to the survey have equity funds under management, in many cases exclusively so. The proportion of respondents using fund of funds vehicles remains around a fifth, while fixed income fund managers

**Table 4: Type of funds managed**

	2017	2016
Equity	75.4	78.1
Fixed income	41.0	49.2
Fund of funds	20.5	19.7
Commodity/other	19.7	5.3

are down from 49% to 41% of respondents. Conversely, managers of commodity and other fund categories have risen almost fourfold.

The data contained in Table 5 shows how the scores are broken down between equity-only managers on the one hand and non-equity managers on the other. While there are clearly more of the former than the latter, the gap in appreciation of service levels between the two groups is noticeable. Taken overall, equity only managers gave scores that are around 0.35 points higher than those given by non-equity managers. The latter scores have nevertheless improved since last year. In 2015, four categories rated by non-equity managers were below 6.0. This year, only two – Costs and Value Delivered and Distribution Support Capabilities – are in that position and even then are not far off the threshold.

**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). That year, we presented a ten-year review reflecting the responses from North American clients only. In 2016, while maintaining the North American focus, we reverted 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 maintain as much consistency as possible between one year and the next. 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 2017 we made no changes to the 2016 questionnaire and so results are directly comparable.

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

The preceding 12 months have been something of a mixed bag for ALPS according to this year’s MFA survey results.

As in 2016, the bulk of respondents for ALPS manage between \$250 million and \$5 billion in assets. While its overall weighted share of responses has risen from 14.38% to 18.40%, its category scores have, on the whole, declined by between 0.09 and 0.56 points. The exception is Operations and Custody, which is up 0.14 points.

Value delivered took a particular drop with a fall of 0.56 points. In ALPS’ defence however, this a category where respondents across the range of GC surveys are often reluctant to score generously as they do not want to give the impression that they feel they are underpaying.

Other results still show that ALPS retains its custody services strengths achieving an impressive score of 6.51, an increase of 0.14 compared to 12 months ago and 0.34 above the survey average for that category. Comments from participants back this up with one respondent complimenting ALPS on being “very responsive to requests,” adding that ALPS “can usually handle one-offs.”

Individual members of staff are commended for their services with one relationship manager being referred to as “exceptional” On the downside, ALPS should take note of one client’s comments suggesting that ALPS’ “distribution support could be better.”

According to ALPS regulations such as the DOL Rule, and the SEC’s new liquidity and modernisation rules have the potential to be the biggest regulatory change for mutual funds. “ALPS continues to devote considerable time and effort in planning for and implementing changes related to the new liquidity rule and new report modernisation rule delivered by the SEC,” says the provider. “ALPS is working with multiple external vendors in order to save our clients time and money as they develop procedures and processes to comply with the new rules.”

Results may not continue the glowing seal of approval that came ALPS’ way 12 months ago, but scores above the 6.00 category (Very Good) remain across the board with the exception of Value Delivered.

ALPS scores versus market average			
	2017	All	Difference
Relationship Management and Client Service	6.09	6.28	-0.19
Value Delivered	5.56	6.05	-0.49
Fund Accounting And Valuation	6.20	6.42	-0.22
Transfer Agency	6.21	6.54	-0.33
Distribution Support	6.09	6.14	-0.05
Fund Reporting	6.39	6.22	0.17
Compliance	6.42	6.56	-0.14
Operations and custody	6.51	6.17	0.34
	6.18	6.30	-0.11

ALPS client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

MFA overall client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

ALPS scores by type of fund managed			
	Equity	Non-equity	All
Relationship Management and Client Service	6.31	6.42	6.09
Value Delivered	5.77	5.94	5.56
Fund Accounting And Valuation	6.28	5.56	6.20
Transfer Agency	6.19	6.24	6.21
Distribution Support	6.03	6.87	6.09
Fund Reporting	6.47	6.13	6.39
Compliance	6.48	6.71	6.42
Operations and custody	6.33	6.88	6.51
	6.23	6.34	6.18

ALPS overall scores				
ALPS	2017	2016	2015	Difference: 2016-2017
Weighted share (%)	18.40	14.38	12.85	
Relationship Management and Client Service	6.09	6.42	6.19	-0.33
Value delivered	5.56	6.12	5.79	-0.56
Fund accounting	6.20	6.72	6.69	-0.52
Transfer Agency	6.21	6.50	6.29	-0.29
Distribution support	6.09	6.42	6.05	-0.33
Reporting	6.39	6.63	6.38	-0.24
Compliance and regulation	6.42	6.51	5.79	-0.09
Operations and custody	6.51	6.37	6.46	0.14

# Atlantic

Atlantic accounts for just over 12% of weighted responses in this year’s MFA survey, with clients ranging across the first five asset size categories as in 2016. The firm has certainly built on its 2016 results by paying specific attention to one category that proved to be its Achilles heel 12 months ago – distribution support. It has recorded a score of 6.17 in this category, representing an increase of 0.54 compared to the score of 5.63 in 2016 and more than recovering the last year’s score represented.

As far as the survey as a whole is concerned, Atlantic can regard 2017 as a success with all but one category coming above 6.00 (Very Good). Fund accounting, value delivered and transfer agency achieved increases of 0.25, 0.19 and 0.13 points respectively. Atlantic has also outperformed the market average in all areas with the exception of operations and custody. This was the only area where the provider received a rating below 6.00. Interestingly, clients with non-equity funds rate Atlantic significantly higher in this category than their equity counterparts (6.44 versus 5.69).

At an individual question level, Atlantic’s best result is for the timeliness of its NAV calculations (6.89), followed by its responsiveness to regulatory changes (6.79). Its most improved question scores are for aspects of distribution support. Its ability and effectiveness supporting distribution through intermediaries is up 0.59 points to 6.24 and through electronic platforms up 0.49 points to 6.24. At the other end of the scale, the quality and ease of use of client-facing technology has taken something of a tumble from 6.01 in 2016 to a merely satisfactory 4.74 this year.

Client commentary delivers ringing endorsements with one client noting, “Atlantic does a great job of going above and beyond and feels like an extension of our team by always doing what is best for the shareholders!” Another describes Atlantic as an “outstanding” service provider. One of the larger clients points out that, “As multi-strategy funds utilising subadvisors, we require more attention than normal mutual funds. Atlantic has always been responsive to our specific needs. Their knowledge and expertise has been important to our business. We have been working with Atlantic for over 10 years.”

Atlantic scores versus market average			
	2017	All	Difference
Relationship Management and Client Service	6.55	6.28	0.27
Value Delivered	6.41	6.05	0.36
Fund Accounting And Valuation	6.72	6.42	0.30
Transfer Agency	6.65	6.54	0.11
Distribution Support	6.17	6.14	0.03
Fund Reporting	6.51	6.22	0.29
Compliance	6.70	6.56	0.14
Operations and custody	5.94	6.17	-0.23
	6.46	6.30	0.16

Atlantic FS client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

MFA overall client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

Atlantic scores by type of fund managed			
	Equity	Non-equity	All
Relationship Management and Client Service	6.58	6.46	6.55
Value Delivered	6.52	6.17	6.41
Fund Accounting And Valuation	6.62	6.87	6.72
Transfer Agency	6.62	6.50	6.65
Distribution Support	6.10		6.17
Fund Reporting	6.32	7.00	6.51
Compliance	6.67	7.00	6.70
Operations and custody	5.69	6.44	5.94
	6.39	6.63	6.46

Atlantic overall scores				
	2017	2016	2015	Difference: 2016-2017
Weighted share (%)	12.21	14.79	n/a	
Relationship Management and Client Service	6.55	6.54	6.53	0.01
Value delivered	6.41	6.22	6.11	0.19
Fund accounting	6.72	6.47	6.61	0.25
Transfer Agency	6.65	6.52	6.57	0.13
Distribution support	6.17	5.63	6.00	0.54
Reporting	6.51	6.53	6.59	-0.02
Compliance and regulation	6.70	6.53	6.42	0.17
Operations and custody	5.94	6.28	6.39	-0.34

# Brown Brothers Harriman

According to data provided to Global Custodian in 2016, 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.

Responses for BBH in this year's MFA survey come predominantly from large and very large clients – often a tough crowd to please, given the breadth and complexity of their service requirements. The bank's response base has halved compared to 2016, though the majority of these participants are returnees.

Performance is mixed. While scores are up in five categories, the spread is wider than for many of its peers with a high of 7.00 for Transfer Agency Services and a low of 4.98 for Costs and Value Delivered. Client comment is sparse. While one of the largest clients says that, "BBH is very focused on delivering the best service they can to us and are proactive instead of reactive," another, who praises the bank's "willingness and ability to assist with special requests in a timely manner" nevertheless bemoans the "high cost" of the service. This is reflected at an individual question level, where BBH's lowest score, 4.54, is for competitiveness of fees charged – a drop of 39 basis points since last year's survey.

On a more positive note, BBH scores a perfect 7 for timeliness of reporting to investors and efficiency in handling orders. The former is also the question recording the most improved score (up 2.20). The largest fall at a question level is for the bank's ability and willingness to customise and or allow self-customised reports. This is down 0.72 points to 5.15.

BBH surpasses the survey average in two areas: Relationship Management and Client Service (+0.15) and Transfer Agency (+0.46). In three areas, it's underperformance is measurable: Costs and Value Delivered (-1.07), Fund Reporting (-0.64) and Transfer Agency Services (-0.27).

BBH has been a passive participant in this year's survey. While its scores are quite creditable, it is hoped that in 2018, greater engagement with clients will bring a return to form.

BBH scores versus market average			
	2017	All	Difference
Relationship Management and Client Service	6.43	6.28	0.15
Value Delivered	4.98	6.05	-1.07
Fund Accounting And Valuation	6.15	6.42	-0.27
Transfer Agency	7.00	6.54	0.46
Distribution Support	n/a	6.14	n/a
Fund Reporting	5.58	6.22	-0.64
Compliance	6.46	6.56	-0.10
Operations and custody	6.12	6.17	-0.05
	6.10	6.30	-0.20

BBH client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

MFA overall client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

BBH scores by type of fund managed			
	Equity	Non-equity	All
Relationship Management and Client Service	6.00	n/a	6.43
Value Delivered	4.50	n/a	4.98
Fund Accounting And Valuation	n/a	n/a	6.15
Transfer Agency	n/a	n/a	7.00
Distribution Support	n/a	n/a	n/a
Fund Reporting	n/a	n/a	5.58
Compliance	n/a	n/a	6.46
Operations and custody	6.60	n/a	6.12
	5.70	n/a	6.10

BBH overall scores				
	2017	2016	2015	Difference: 2016-2017
Weighted share (%)	1.83	7.53	14.12	
Relationship Management and Client Service	6.43	6.28	6.28	0.15
Value delivered	4.98	5.37	5.40	-0.39
Fund accounting	6.15	6.17	6.50	-0.02
Transfer Agency	7.00	5.68	5.90	1.32
Distribution support	n/a	6.22	5.89	n/a
Reporting	5.58	5.92	6.13	-0.34
Compliance and regulation	6.46	5.79	6.06	0.67
Operations and custody	6.12	5.73	6.09	0.39



After a year’s absence, Citi makes a welcome return to the MFA survey with an excellent set of results, scoring above the survey average in all areas. This is all the more impressive given that its 2017 responder base is skewed towards large client sizes by AuM compared to the global survey sample.

While there are no results to compare with on a year-on-year basis, the bank’s scores have risen significantly since 2015. For Distribution Support, Citi scores a perfect 7 – the highest possible score in the survey.

The largest category increase over that period is recorded for Reporting, up 1.87 points to 6.40. This is an area where the bank acknowledges having devoted significant effort. “Both as a result of increased regulatory filing requirements and scrutiny, as well as the evolution of Big Data, accessibility to real-time data and dynamic reporting have become paramount,” says Citi. “Clients and industry participants alike continue to require more data, more frequently, and across multiple delivery platforms driving significant technology investments by 3rd party administrators. Dynamic data management and data delivery tools are essential in meeting the evolving needs of investment managers.”

At an individual question level, all questions relating to distribution support capabilities receive a score of 7 as does efficiency of call centre shareholder services especially handling volume peaks. The lowest question score is for quality and ease of use of client-facing technology, which nevertheless scores a more than satisfactory 5.90.

Client comments focus largely on aspects of relationship management and client service. “Our RM at Citi understands our business needs and is an extension of our organisation within Citi,” notes one. “Excellent ability to manage multiple fund projects seamlessly. Experienced, knowledgeable staff,” says another.

In anticipation of growing service demands from ETFs, Citi has made large scale investment in its ETF processing engine. As a result, says the bank, Citi recently secured a mandate to provide full ETF Services including fund accounting and administration, custody, and transfer agency for an existing ETF Issuer, covering 11 funds with approximately \$1.2 billion in assets.

Citi client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

MFA overall client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

Citi scores by type of fund managed			
	Equity	Non-equity	All
Relationship Management and Client Service	7.00	6.00	6.66
Value Delivered	6.78	5.50	6.18
Fund Accounting And Valuation	6.94	5.50	6.60
Transfer Agency	n/a	n/a	6.57
Distribution Support	n/a	n/a	7.00
Fund Reporting	6.89	6.50	6.40
Compliance	7.00	n/a	6.76
Operations and custody	6.65	5.60	6.19
	6.88	5.82	6.55

Citi overall scores				
	2017	2016	2015	Difference: 2015-2017
Weighted share (%)	4.26	n/a	2.04	
Relationship Management and Client Service	6.66	n/a	5.84	0.82
Value delivered	6.18	n/a	5.24	0.94
Fund accounting	6.60	n/a	6.36	0.24
Transfer Agency	6.57	n/a	5.45	1.12
Distribution support	7.00	n/a	6.00	1.00
Reporting	6.40	n/a	4.53	1.87
Compliance and regulation	6.76	n/a	6.74	0.02
Operations and custody	6.19	n/a	5.16	1.03

Citi scores versus market average			
	2017	All	Difference
Relationship Management and Client Service	6.66	6.28	0.38
Value Delivered	6.18	6.05	0.13
Fund Accounting And Valuation	6.60	6.42	0.18
Transfer Agency	6.57	6.54	0.03
Distribution Support	7.00	6.14	0.86
Fund Reporting	6.40	6.22	0.18
Compliance	6.76	6.56	0.20
Operations and custody	6.19	6.17	0.02
	6.55	6.30	0.25

# Gemini Fund Services

Gemini Fund Services counts 127 clients for its MFA service, covering 439 funds and 991 unit/share classes. The bulk of these fund managers are at the smaller end with AUM of up to \$5 billion.

Amongst significant service developments over the past 12 months, Gemini counts the successful conversion of its accounting systems to the SunGard InvestOne system. “The conversion has resulted in additional workflows and automation that will enhance the client experience. In addition, we have worked with SunGard to integrate our financial reporting system with the accounting system to generate efficiencies and reduce errors,” says Gemini. “We have also converted to a new performance reporting system that will enable greater customisation for our clients. Gemini believes with all the investments in technology in 2016, we are positioned to have the best platform that will enhance the client experience.

A common experience with Global Custodian’s surveys is that investment in technology takes two years to feed through to client perception and so it proves with Gemini. Fund Accounting is down 0.98 to 5.73, while Operations and Custody is rated 5.42, down 1.22 points from last year. The provider’s highest category score now is now Compliance and Regulation, itself down 0.61 points from a stellar 6.93 in 2016.

At an individual question level, Gemini’s highest scores are for accuracy in monitoring portfolio investment restrictions (6.35) and timeliness and accuracy of regulatory reports (6.35). At the other end of the scale, most questions relating to Distribution Support score below 5.00 (Good).

Some of the explanation for this change in momentum may reside in the fact that only 25% of this year’s response base for Gemini are participants from last year. Interestingly, while virtually all question scores have recorded year-on-year declines, Gemini’s prior strong performance means that it retains a creditable performance in most areas. Value Delivered, for example, is still 6.07 (Very Good).

“Great to work with,” says one fund manager. “Very pro-business – great partner,” says another, though the same client feels greater help with distribution could be available.

Gemini scores versus market average			
	2017	All	Difference
Relationship Management and Client Service	5.65	6.28	-0.63
Value Delivered	6.07	6.05	0.02
Fund Accounting And Valuation	5.73	6.42	-0.69
Transfer Agency	5.82	6.54	-0.72
Distribution Support	4.80	6.14	-1.34
Fund Reporting	5.86	6.22	-0.36
Compliance	6.32	6.56	-0.24
Operations and custody	5.42	6.17	-0.75
	5.71	6.30	-0.59

Gemini client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

MFA overall client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

Gemini scores by type of fund managed			
	Equity	Non-equity	All
Relationship Management and Client Service	5.94	5.52	5.65
Value Delivered	6.78	6.03	6.07
Fund Accounting And Valuation	6.09	6.27	5.73
Transfer Agency	5.48	5.81	5.82
Distribution Support	5.14	4.18	4.80
Fund Reporting	6.40	5.91	5.86
Compliance	6.56	6.16	6.32
Operations and custody	5.56	5.55	5.42
	5.99	5.68	5.71

Gemini overall scores				
	2017	2016	2015	Difference: 2016-2017
Weighted share (%)	6.08	0.93	0.97	
Relationship Management and Client Service	5.65	6.22	4.45	-0.57
Value delivered	6.07	6.74	5.26	-0.67
Fund accounting	5.73	6.71	5.30	-0.98
Transfer Agency	5.82	6.33	5.30	-0.51
Distribution support	4.80	6.17	3.71	-1.37
Reporting	5.86	6.57	5.11	-0.71
Compliance and regulation	6.32	6.93	4.81	-0.61
Operations and custody	5.42	6.64	4.81	-1.22

# State Street

The size of State Street’s mutual fund administration business is not reflected in this year’s response base, which is 25% smaller than last year’s. It has, however, continued the decline in client perception recorded in 2016. While scores have improved in three areas – Transfer Agency (+5.68), Compliance and Regulation (+0.32) and Reporting (0.10) – it has fallen in other areas, most notably Value Delivered, which now scores a frankly inadequate 3.97. Relationship Management and Client Service records a merely satisfactory 4.44, down 0.66 points.

Client comments are sparse. One notes that it has had a long-term relationship with State Street “and knows our business and processes.” The client lauds the bank’s “ability to leverage a centralised client service team across multiple jurisdictional service sites.” It also describes State Street’s technology platform as “flexible and user-friendly.” Nevertheless, the same client points to “errors processing trades that require manual touch-points. Billing has been problematic and continues to be an area of focus.”

At an individual question level, only one score is 6 or above: accuracy of records of investors intermediaries. This is also the most improved result for State Street, up 1.03 points on last year. Other specific functions to record notable improvements in perception include timeliness and accuracy of regulatory reports, up 0.94 to 5.64 and ability and effectiveness in providing trustee services, up 0.71 points to 5.40.

The majority of movement has been in the other direction, however. The largest negative movements are for value received for fees paid (down 1.28 to 3.71) and competitiveness of fees charged (down 1.05 to 4.22). Distribution Support, which last year scored reasonably well, is not rated by this year’s respondents.

In the absence of provider comment and with few respondents providing extra colour through freeform comment, it is unclear, why State Street should be stuck on this downward trend. Scores are, however, now reaching a level where it will be hard to use its performance to attract new business though it is unlikely that existing clients will be motivated to look elsewhere, given State Street’s traditional position as a provider to some of the largest and most complex mutual funds.

State Street scores versus market average			
	2017	All	Difference
Relationship Management and Client Service	4.44	6.28	-1.84
Value Delivered	3.97	6.05	-2.08
Fund Accounting And Valuation	5.49	6.42	-0.93
Transfer Agency	5.68	6.54	-0.86
Distribution Support	n/a	6.14	n/a
Fund Reporting	4.70	6.22	-1.52
Compliance	5.25	6.56	-1.31
Operations and custody	5.23	6.17	-0.94
	4.97	6.30	-1.33

State Street client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

MFA overall client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

State Street scores by type of fund managed			
	Equity	Non-equity	All
Relationship Management and Client Service	4.33	3.33	4.44
Value Delivered	4.00	2.00	3.97
Fund Accounting And Valuation	4.00	5.00	5.49
Transfer Agency	n/a	n/a	5.68
Distribution Support	n/a	n/a	n/a
Fund Reporting	4.00	4.50	4.70
Compliance	5.67	5.00	5.25
Operations and custody	5.00	4.00	5.23
	4.50	3.97	4.97

State Street overall scores				
	2017	2016	2015	Difference: 2016-2017
Weighted share (%)	2.31	4.79	9.41	
Relationship Management and Client Service	4.44	5.10	5.08	-0.66
Value delivered	3.97	5.27	5.13	-1.30
Fund accounting	5.49	5.60	5.82	-0.11
Transfer Agency	5.68	5.10	5.08	0.58
Distribution support	n/a	5.89	7	n/a
Reporting	4.70	4.60	5.47	0.10
Compliance and regulation	5.25	4.93	5.85	0.32
Operations and custody	5.23	5.61	5.77	-0.38

# Ultimus Fund Solutions

Ultimus Fund Solutions counts 91 clients for its MFA service, covering 215 funds. This is a significant increase on last year, when it reported 79 clients and 180 funds. The bulk of these have assets under management of up to \$5 billion with the largest in the \$10-50 billion category. Having acquired a competitor firm in December 2015, total AUA has grown to \$55 billion plus.

From a results perspective, Ultimus has had an excellent year, surpassing the survey average in all service areas by between 0.41 and 0.82 points. Year-on-year, it has seen its own category scores vary little with the exception of Distribution Support, which is slightly down by 0.21 points to a still impressive 6.71.

Client comments are multiple and overwhelmingly positive. “Excellent client relationship management,” says one investment manager. “I have never worked with a service provider with a quality of staff as high as Ultimus in every discipline.” Another lauds “the highest level of professionalism with outstanding response times.” Such praise is not limited to the smaller clients. “They are excellent in managing our very high complexity and high volume trading strategies,” says one larger client. “They are very helpful in relating what they see happening in the asset management space.”

Ultimus itself notes that support for advisers seeking to grow their mutual fund business through acquisitions has become increasingly important. “The ability to keep expenses down and complexity to a minimum while helping advisers navigate conversions, changes of control, proxy solicitations, fund name changes, etc. is a critical function for an administrator to fulfil and can serve as a strong differentiator for the firm.” It points to its strength in legal administration as a useful resource for clients needing to merge or re-organise mutual funds.

In light of its growth, Ultimus has hired a significant number of new staff in the last year, including multiple hires in fund accounting, 1940 Act attorneys, paralegals, transfer agent professionals, and a new chief financial officer. “We view our professionals, who offer clients access to sought after expertise, as our most important differentiator and will continue to invest in talent as our firm grows,” says the firm.

Ultimus scores versus market average			
	2017	All	Difference
Relationship management and client service	6.96	6.28	0.68
Value delivered	6.87	6.05	0.82
Fund accounting and valuation	6.95	6.42	0.53
Transfer agency	6.95	6.54	0.41
Distribution support	6.71	6.14	0.57
Fund reporting	6.94	6.22	0.72
Compliance	6.98	6.56	0.42
Operations and custody	6.91	6.17	0.74
	6.91	6.30	0.61

Ultimus client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

MFA overall client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

Ultimus scores by type of fund managed			
	Equity	Non-equity	All
Relationship management and client service	6.98	6.87	6.96
Value delivered	6.90	6.67	6.87
Fund accounting and valuation	6.98	6.80	6.95
Transfer agency	6.96	6.83	6.95
Distribution support	6.98	5.62	6.71
Fund reporting	6.93	6.90	6.94
Compliance	6.98	6.97	6.98
Operations and custody	6.91	6.82	6.91
	6.95	6.69	6.91

Ultimus overall scores				
	2017	2016	2015	Difference 2016-2017
Weighted share (%)	25.66	14.38	11.03	
Relationship management and client service	6.96	6.98	6.98	-0.02
Value delivered	6.87	6.81	6.82	0.06
Fund accounting	6.95	6.98	6.98	-0.03
Transfer agency	6.95	6.98	6.95	-0.03
Distribution support	6.71	6.92	6.91	-0.21
Fund reporting	6.94	6.88	6.98	0.06
Compliance	6.98	6.93	6.91	0.05
Operations and custody	6.91	6.96	6.86	-0.05

# U.S. Bancorp Fund Services

U.S. Bancorp Fund Services counts 334 clients for its MFA business, accounting for a total of 2001 funds, 59 sub-funds and 3031 unit/share classes. While most of these have total assets under management of up to \$5 billion, they include a number of firms in the \$50-100 billion category.

The bank can certainly be pleased with the results it has attained from its respondents this year. All category scores apart from fund reporting are above the survey average. Year on year, the bank's own results are up in all areas with the exception of Relationship Management and Client Service and Distribution Support – at similar levels to last year – and Reporting, down 0.23 points, but still at a very respectable 6.16.

Clients speak positively of the service they receive, notably with regard to Relationship Management. “Client services/relationship management is above the rest and compliance services are excellent,” notes one fund manager. “Relationship management team is one of the most proactive and responsive teams I’ve ever dealt with,” says another. A few grumbles are reported, however. One client calls for “adequate staffing to meet Pacific standard time zone client needs.” Another would like to see greater customisation capabilities for fund reporting.

U.S. Bancorp itself has placed significant emphasis on preparing for upcoming regulatory changes. “We have established task forces of senior leaders and contributors from multiple business lines to guide the adoption of these changes,” it reports. “Our task forces meet with vendors to help ensure we are providing a complete and effective offering addressing the new requirements.” A new web client portal, Pivot, allowing for enhanced data delivery and customised and ad hoc reporting has been introduced as has enhanced risk reporting. We would expect client reaction to these system developments to feed through into next year's results.

Staffing levels have also risen. In the past 12 months, Staff numbers have increased by 7% to 1,403 employees. “Regulatory changes continue to drive administrators’ investment in talent, focus and technology initiatives,” says the bank. In addition, it notes, “Total fund expenses will continue to decline due to the market appetite for passive, index and ETFs.

U.S. Bancorp client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

MFA overall client size (AuM)



- Up to \$100 million
- \$100 million to \$250 million
- \$250 million to \$1 billion
- \$1 billion to \$5 billion
- \$5 billion to \$10 billion
- \$10 billion to \$50 billion
- Over \$50 billion
- N/A

U.S. Bancorp scores by type of fund (unweighted)			
	Equity	Non-equity	All
Relationship management and client service	6.84	6.47	6.61
Value delivered	6.20	5.96	6.31
Fund accounting and valuation	6.76	6.40	6.67
Transfer agency	6.70	6.52	6.62
Distribution support	6.01	6.35	6.39
Fund reporting	6.40	6.01	6.16
Compliance	6.76	6.38	6.59
Operations and custody	6.50	6.37	6.39
	6.52	6.31	6.47

U.S. Bancorp overall scores				
	2017	2016	2015	Difference: 2016-2017
Weighted share (%)	28.61	24.66	33.31	
Relationship management and client Service	6.61	6.62	6.30	-0.01
Value delivered	6.31	5.86	5.70	0.45
Fund accounting	6.67	6.53	6.22	0.14
Transfer agency	6.62	6.54	6.18	0.08
Distribution support	6.39	6.42	6.03	-0.03
Fund reporting	6.16	6.39	6.07	-0.23
Compliance and regulation	6.59	6.48	5.98	0.11
Operations and custody	6.39	6.22	6.04	0.17

U.S. Bancorp scores versus market			
	2017	All	Difference
Relationship management and client service	6.61	6.28	0.33
Value delivered	6.31	6.05	0.26
Fund accounting and valuation	6.67	6.42	0.25
Transfer agency	6.62	6.54	0.08
Distribution support	6.39	6.14	0.25
Fund reporting	6.16	6.22	-0.06
Compliance	6.59	6.56	0.03
Operations and custody	6.39	6.17	0.22
	6.47	6.30	0.17

## BNY Mellon

With a significantly smaller responder base than last year, BNY Mellon has hit a bump in the road, recording drops in all areas barring compliance and regulation. An increase of 0.71 points in this category score proved to be the standalone positive development, though it remains below the market average in this and all other service categories.

Transfer Agency recorded the next biggest fall, with a 0.67-point decrease compared to 12 months ago, followed by drops of 0.62 and 0.59 points in Fund Accounting and Relationship Management and Client Service respectively.

The drop in the Fund Accounting result takes BNY Mellon's overall score in this category to 4.78. That said, as this is the only category to score below 5.00, the threshold for Good, it is unlikely that existing clients will feel impelled to take any action in the near term.

It is hard to pinpoint specific reasons for the lower scores, given the lack of a statistically reliable number of responses. It is probably wise to wait for next year's results before drawing any significant conclusions.

BNY Mellon scores versus market average			
	2017	All	Difference
Relationship Management and Client Service	5.27	6.28	-1.01
Value Delivered	5.21	6.05	-0.84
Fund Accounting And Valuation	4.78	6.42	-1.64
Transfer Agency	5.50	6.54	-1.04
Distribution Support		6.14	-6.14
Fund Reporting	5.21	6.22	-1.01
Compliance	5.79	6.56	-0.77
Operations and custody	5.87	6.17	-0.30
	5.38	6.30	-0.92

BNY Mellon overall scores				
	2017	2016	2015	Difference: 2016-2017
Weighted share (%)	0.22	6.85	6.36	
Relationship Management and Client Service	5.27	5.86	5.47	-0.59
Value delivered	5.21	5.49	5.10	-0.28
Fund accounting	4.78	5.40	5.54	-0.62
Transfer Agency	5.50	6.17	5.79	-0.67
Distribution support	n/a	5.80	6.00	n/a
Reporting	5.21	5.35	5.45	-0.14
Compliance and regulation	5.79	5.08	5.94	0.71
Operations and custody	5.87	5.93	5.14	-0.06

## JP Morgan

Following its absence in 2016, JP Morgan has some way to go to catch up with the current survey averages in the MFA space.

Relationship Management and Client Service is notably lower than the market average falling short by 2.44 points. Fund Reporting and Operations and Custody also registered scores well below the survey average with negative gaps of 1.72 and 0.77 points respectively.

On an individual provider basis, JP Morgan's results are mixed with highs of 6.00 for Fund Accounting and 5.76 for Value Delivered. The former represents the only category score increase over the bank's 2015 results. Relationship Management and Client Service (3.84) by contrast hit a notable low. Such a score can be legitimately regarded as weak.

Client comments recognise JP Morgan's low cost of operations overall service is referred to as "poor" and "overly compliance driven."

JP Morgan scores versus market average			
	2017	All	Difference
Relationship Management and Client Service	3.84	6.28	-2.44
Value Delivered	5.76	6.05	-0.29
Fund Accounting And Valuation	6.00	6.42	-0.42
Transfer Agency	n/a	6.54	n/a
Distribution Support	n/a	6.14	n/a
Fund Reporting	4.50	6.22	-1.72
Compliance	n/a	6.56	n/a
Operations and custody	5.40	6.17	-0.77
	5.10	6.30	-1.20

JP Morgan overall scores				
	2017	2016	2015	Difference: 2016-2017
Weighted share (%)	0.24	0.40	3.44	
Relationship Management and Client Service	3.84	n/a	4.00	
Value delivered	5.76	n/a	5.76	
Fund accounting	6.00	n/a	5.68	
Transfer Agency	n/a	n/a	n/a	
Distribution support	n/a	n/a	n/a	
Reporting	4.50	n/a	6.00	
Compliance and regulation	n/a	n/a	5.71	
Operations and custody	5.40	n/a	5.69	