

Mutual Fund Administration *Survey 2019*





Built *for* comfort

An expanded questionnaire this year shows that clients of mutual fund administrators are broadly appreciative of the service they receive.

The 2019 Mutual Fund Administration Survey is the second to be produced jointly by AON McLagan Investment Services (McLagan) and Global Custodian (GC). McLagan creates and distributes the survey questionnaires, collects, cleans and analyses the data, and delivers both weighted average scores and texts to GC for publication.

As promised in 2018, the survey was expanded this year to encompass mutual fund markets other than those of the North America. This necessitated a revision of the questionnaire to take account of the peculiarities of Asian, European, Latin American and sub-Saharan Africa markets. As a result, the number of core ratings questions expanded from 29 to 46 and the number of service areas from eight to 14.

Almost all of the questions asked in previous services were

retained, maintaining a degree of continuity at both the question and the survey's area level. The expansion of the survey to cover additional geographies also provided an opportunity to enlarge the scope of the questions to encompass new areas such as KYC, AML and sanctions screening checks and middle-office services, and to break reporting down into four varieties.

The survey was open for submissions between late January and the end of May 2019. Fifty-eight completed questionnaires were received on behalf of 17 mutual fund administrators, of which eight received enough responses to publish their average scores, both in absolute terms and relative to the average scores in each service area of all providers taking part in the survey.



METHODOLOGY

The 2019 Mutual Fund Administration Survey asked respondents to address questions divided between 14 service areas: Client service, On-boarding, Fund Accounting, Transfer Agency, KYC, AML and Sanctions Screening, Distribution Support Services, Reporting to Institutional Investors, Reporting to the Manager, Reporting to Regulators, Reporting to the Tax Authorities, Reporting to Auditors, Middle Office Services, Price and Compliance Support.

One service area from 2018 (Operations and Custody) was abandoned and the findings of six questions posed in another area (Future Relationship) are not published in the magazine but reserved for buyers of post-survey research reports from McLagan.

In addition, each service area offered respondents the chance to skip an area completely or rate the entire service area on the basis of a single question, and to make written comments. In addition to contact details (14 questions) and respondent profiles (6 questions), but excluding single service area questions and spaces for comments, respondents were asked to assess their administrators on 36 questions. No questions were compulsory.

Respondents were asked to agree or disagree with a series of statements about their administrator on a 20-point scale of -5 to +5. Though responses could vary from “strongly agree” or “strongly disagree,” whether a response is negative or positive is contextual to the statement. Respondents could also select “Do not know” or “Not applicable,” as well as skip a question altogether.

To facilitate comparison with the scores of previous years, the analysis published in this issue of the magazine is based on a reconfiguration of the answers given by respondents to match the 1 (“Unacceptable”) to 7 (“Excellent”) scoring range familiar in GC surveys for many years.

The scores are also weighted for the size and sophistication of the respondents, as measured by assets under management (AuM) and the range of asset classes in which they invest, investment strategies they pursue and number of services they purchase from their provider.

SERVICE AREA	GLOBAL	
Fund accounting	6.56	Very good
Reporting to regulators	6.46	Very good
KYC, AML and sanctions screening	6.34	Very good
Reporting to the tax authorities	6.34	Very good
Reporting to auditors	6.26	Very good
Transfer agency	6.24	Very good
Compliance support	6.04	Very good
Reporting to institutional investors	5.98	Good
Distribution support services	5.96	Good
Price	5.95	Good
Middle office services	5.91	Good
Reporting to the manager	5.89	Good
Client services	5.86	Good
On-boarding	5.65	Good

OVERVIEW

Based on the aggregated scores, it would seem clients of mutual fund administrators are broadly happy with the service they receive with rated providers as a whole achieving an average across all service areas of above 6.00.

The table to the left shows the relative assessments of the different service categories in this year’s survey from the respondent sample as a whole. As is evident, all scores are comfortably in the range of Good or Very Good.

More detail is available in the individual provider write ups that follow. We are most grateful to all fund managers who took the time and trouble to complete a respondent questionnaire, as well as to the mutual fund administrators who encouraged their clients to do so, and who completed a provider questionnaire of their own.

Apex Fund Services (Formerly Atlantic Fund Services)

“We have been very happy with Atlantic Fund Services and have recommended them to others,” says a client. As ever for this administrator, clients name-check their contacts. One describes his relationship manager as “a great resource” who will “always go above and beyond to help solve any issues or research questions.” Another says that the “the top management team is exceptional” and make “wonderful partners.” When it comes to on-boarding new clients, the score speaks for itself. One recent joiner cannot resist reinforcing its message: “New clients are handled very well.”

The question clients new and old will be asking is what the impact on this extraordinarily client-focused culture will be from the acquisition of the firm by Apex Group, announced in March. Membership of the Apex Group means they are now serviced by the fifth largest fund administrator in the world, with \$610 billion under administration and a network of 40 offices.

For Atlantic staff, Apex provides new career opportunities as well as the security of working for a provider demonstrably committed to the business. Apex would be foolish to tamper with a culture that generates such lavish testimonials and its limited exposure to ‘40 Act funds means that is unlikely, particularly since it adds a new dimension to its pursuit of large fund management mandates in North America.

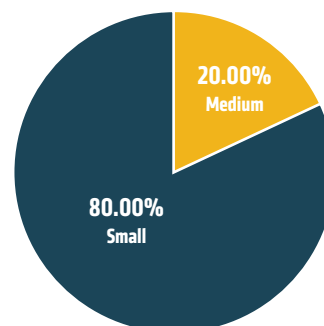
There are no signs of early doubts in these scores. As a swansong for Atlantic as an independent administrator their sweetness is not offset by even a scintilla of bitterness. In the core service of fund accounting (“Never had an error in the calculation of our NAV”) and transfer agency the scores are embarrassingly far ahead of the benchmarks. True, the only slight blemishes occur in transfer agency, where clients detect scope for further economies, and the associated field of distribution support. This last has long proved a volatile area for a firm whose scores are

consistently high, and 2019 is no exception. The detail suggests room for improvement on regulatory compliance support when managers enter new markets, though it is a field in which Atlantic provides a limited service. Reliance on third parties makes it an intrinsically difficult area to impose quality control.

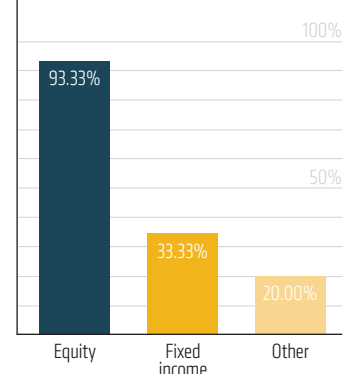
Membership of a genuinely global firm means the issue can be addressed in time. For now, Atlantic will be pleased at the improvement in perceptions of price, after a period of stasis on value delivered. “Very competitive pricing,” notes a client. There is patchiness in the scores for reporting, but in a narrow band that divides the excellent from the very good. “Always very professional with good follow-up to ensure they have all the required information for filings,” is the account of regulatory reporting offered by one respondent.

PROFILE OF RESPONDENTS

By assets under management (AuM)



By investment strategies



Weighted average score					
	+/- 18-2019	2019	2018	2017	2016
Client service*	-4.18%	6.42	6.70	6.55	6.54
On-boarding	n/a	6.45	n/a	n/a	n/a
Fund accounting	-1.47%	6.72	6.82	6.72	6.47
Transfer agency	-2.54%	6.53	6.70	6.65	6.52
KYC, AML and sanctions screening	n/a	7	n/a	n/a	n/a
Distribution support services	9.02%	6.77	6.21	6.17	5.63
Reporting to institutional investor	n/a	6.9	n/a	n/a	n/a
Reporting to the manager	5.16%	6.93	6.59	6.51	6.53
Reporting to regulators	n/a	6.82	n/a	n/a	n/a
Reporting to the tax authorities	n/a	6.87	n/a	n/a	n/a
Reporting to auditors	n/a	6.87	n/a	n/a	n/a
Middle office services	n/a	n/a	n/a	n/a	n/a
Price	2.03%	6.52	6.93	6.41	6.22
Compliance support	-0.60%	6.66	6.70	6.70	6.53
Operations and custody	n/a	n/a	6.32	5.94	6.28
Total	1.22%	6.66	6.58	6.46	6.34

Weighted average scores versus global averages				
	2019	2018	2017	2016
Client service*	9.56%	12.40%	4.10%	4.10%
On-boarding	14.16%	n/a	n/a	n/a
Fund accounting	2.44%	12.90%	4.50%	2.20%
Transfer agency	4.65%	5.50%	1.70%	1.50%
KYC, AML and sanctions screening	10.41%	n/a	n/a	n/a
Distribution support services	13.59%	-0.80%	0.50%	-13.90%
Reporting to institutional investor	15.38%	n/a	n/a	n/a
Reporting to the manager	17.66%	9.90%	4.50%	5.40%
Reporting to regulators	5.57%	n/a	n/a	n/a
Reporting to the tax authorities	8.36%	n/a	n/a	n/a
Reporting to auditors	9.74%	n/a	n/a	n/a
Middle office services	18.44%	n/a	n/a	n/a
Price	9.58%	8.60%	5.60%	3.50%
Compliance support	10.26%	6.20%	2.10%	3.70%
Operations and custody	n/a	8.80%	-3.90%	1.60%
Total	9.18%	8.40%	2.40%	1.10%

BNY Mellon

This marks a welcome return to the survey by the giant global custodian bank after its unexpected absence in 2018. The scores, which includes submissions by clients of the CIBC Mellon joint venture in Canada as well as BNY Mellon itself, indicate Canadian clients are marginally happier than their counterparts elsewhere. But the overall averages are robust in the core service areas of fund accounting and transfer agency. “There have been NO instances of material NAV differences,” asserts a client, whose opinion is based on daily testing of the accuracy of BNY Mellon NAV calculations with a second administrator. There is nothing wrong with the scores for reporting to regulators, tax authorities and auditors, though not every client is making use of these services.

While the averages are still good, the bank will be disappointed by the scores for reporting to investors and managers. The underlying details suggest clients would like more flexibility in the structure of reports to investors and in the model by which reports to managers are generated and delivered, such as reporting teams dedicated to particular funds. It is a good example of how hard it is for banks, burdened with heavier capital costs as well as more onerous regulation than non-bank fund administrators, to compete with stand-alone providers. In fact, BNY Mellon remains adrift of the global benchmarks, which are influenced primarily by the non-bank providers in the survey, in every service area.

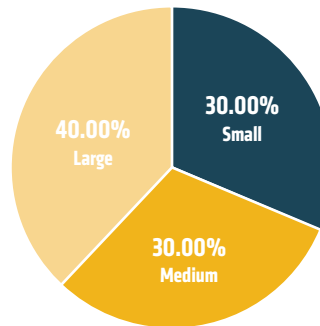
There is, however, a reason fund managers choose to work with bank-owned administrators. Almost every respondent for BNY Mellon is also using the bank as a custodian – the European clients as a UCITS-compliant depository bank too – because they prefer the additional security that provides. Clients also value the additional services a bank can provide. Sizeable minorities are using BNY Mellon as a cash manager, a stock loan agent and

as an FX execution agent. It is clear from the scoring that clients have no issues with their relationship managers or day-to-day contacts, but do not feel the sense of partnership that smaller, non-bank administrators achieve with even their largest clients.

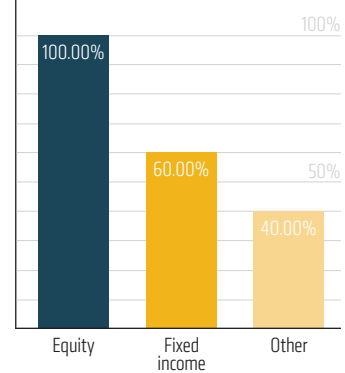
Making invoices easier to follow would be a step in the right direction. “BNY Mellon invoicing can be a little confusing if you do not understand how it is specifically structured, given that we have 90-plus ETFs that are operational,” as one client puts it. One area where there is unequivocal room for improvement is compliance services. This is an area of importance to managers, and the detailed scores indicate the bank could do better in keeping clients informed about regulatory developments and helping them meet their regulatory obligations. “BNY Mellon does not provide us any compliance support” is the tart assessment of one respondent.

PROFILE OF RESPONDENTS

By assets under management (AuM)



By investment strategies



Weighted average score					
	+/-18-2019	2019	2018	2017	2016
Client service*	n/a	5.38	6.70	6.55	6.54
On-boarding	n/a	4.93	n/a	n/a	n/a
Fund accounting	n/a	6.45	6.82	6.72	6.47
Transfer agency	n/a	5.93	6.70	6.65	6.52
KYC, AML and sanctions screening	n/a	5.24	n/a	n/a	n/a
Distribution support services	n/a	5.59	6.21	6.17	5.63
Reporting to institutional investor	n/a	5.06	n/a	n/a	n/a
Reporting to the manager	n/a	5.02	6.59	6.51	6.53
Reporting to regulators	n/a	6.60	n/a	n/a	n/a
Reporting to the tax authorities	n/a	6.27	n/a	n/a	n/a
Reporting to auditors	n/a	5.52	n/a	n/a	n/a
Middle office services	n/a	6.50	n/a	n/a	n/a
Price	n/a	5.39	6.93	6.41	6.22
Compliance support	n/a	3.92	6.70	6.70	6.53
Operations and custody	n/a	n/a	6.32	5.94	6.28
Total	1.22%	5.52	n/a	5.43	5.66

Weighted average scores versus global averages				
	2019	2018	2017	2016
Client service*	8.19%	n/a	-1.01%	-7.66%
On-boarding	-12.74%	n/a	n/a	n/a
Fund accounting	-1.68%	n/a	-1.64%	-7.17%
Transfer agency	-4.97%	n/a	-1.04%	-7.17%
KYC, AML and sanctions screening	-17.35%	n/a	n/a	n/a
Distribution support services	-6.21%	n/a	-6.14%	-9.52%
Reporting to institutional investor	-15.38%	n/a	n/a	n/a
Reporting to the manager	-14.77%	n/a	-1.01%	-7.93%
Reporting to regulators	2.17%	n/a	n/a	n/a
Reporting to the tax authorities	-1.10%	n/a	n/a	n/a
Reporting to auditors	-11.82%	n/a	n/a	n/a
Middle office services	9.98%	n/a	n/a	n/a
Price	-9.41%	n/a	-0.84%	-8.83%
Compliance support	-35.10%	n/a	-0.77%	-9.86%
Operations and custody	n/a	n/a	-0.30%	-5.83%
Total	-9.51%	0.00%	-0.92%	-7.44%



“We will give Citi more business as we grow,” is the vote of confidence every administrator seeks. It is the reward for a consistently strong performance in the core service of fund accounting (Citi does not provide transfer agency services in North America) and the vital area of client service. “Citi does a reliable job for us day in and day out,” affirms the same client that is promising the bank more business.

Unlike its peers, Citi has always kept client contacts onshore, and close to both its fund accounting hub in Columbus and its specialist custody centre in Tampa. Though this was initially as much by accident as design, clients demonstrably like the truncated line of communication between notification of an issue and its resolution. Better still, the much-improved price-power ratio of digital technology since the offshoring boom at the turn of the century means Citi can keep its prices competitive too. By investing in cost-cutting technology, the bank achieves a score for value that is almost as good as that for service. “Citi has been a great partner fees-wise!” as a client puts it.

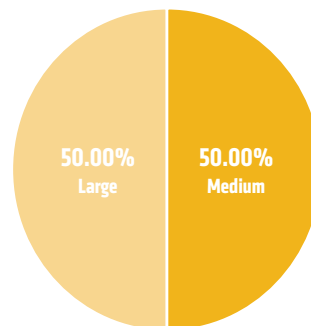
New technology has also enabled the bank to automate and accelerate interactions with clients, as well as expand and enhance the range of services. Self-learning machines now read client queries, search for the information to resolve them, and put draft answers in front of service reps. No wonder the scoring of reporting to managers (“Citi does a good job for us in this area”) and to tax authorities (“solid job”) and auditors (“reliable”) – a new tax optimisation tool allows managers to monitor the tax status of funds through the creation and delivery of reports – track client service so closely. Even the client who says of regulatory reports that “Citi does a decent job in this area; it just takes them a bit longer than others” cannot argue with the score. Besides, the number and range of regulatory reports that managers must file in the United States is so bewildering that even

the Securities and Exchange Commission (SEC) has launched an Investment Company Reporting Modernisation Rule to streamline the process. Citi has launched a service that enables managers to file the new and more frequent SEC reports without heavy investment in new systems. It is successful enough to sell on a stand-alone basis too. The bank is also helping funds classify their assets correctly to meet the monthly Liquidity Management reports now demanded by the SEC.

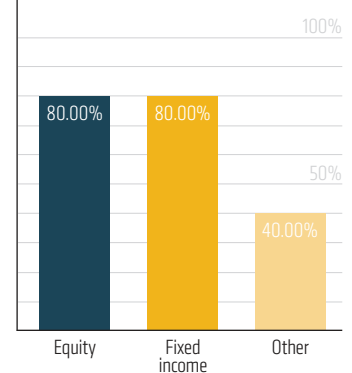
Predictably, the score for compliance support is almost perfect. A proprietary Cloud, which impresses managers anxious about the security implications of using AWS or Azure, makes it much easier for Citi to access the necessary client data to deliver these new services. Citi really is turning fund administration into data management.

PROFILE OF RESPONDENTS

By assets under management (AuM)



By investment strategies



Weighted average score					
	+/-18-2019	2019	2018	2017	2016
Client service*	8.62%	6.68	6.15	6.66	n/a
On-boarding	n/a	6.14	n/a	n/a	n/a
Fund accounting	12.64%	6.95	6.17	6.6	n/a
Transfer agency	n/a	n/a	n/a	n/a	n/a
KYC, AML and sanctions screening	n/a	n/a	n/a	n/a	n/a
Distribution support services	n/a	n/a	n/a	n/a	n/a
Reporting to institutional investor	n/a	6.18	n/a	n/a	n/a
Reporting to the manager	10.87%	6.63	5.98	6.40	n/a
Reporting to regulators	n/a	6.59	n/a	n/a	n/a
Reporting to the tax authorities	n/a	6.58	n/a	n/a	n/a
Reporting to auditors	n/a	6.55	n/a	n/a	n/a
Middle office services	n/a	6.27	n/a	n/a	n/a
Price	11.86%	6.32	5.65	6.18	n/a
Compliance support	4.99%	6.94	6.61	6.76	n/a
Operations and custody	n/a	n/a	6.32	5.94	6.28
Total	10.54%	6.6	5.98	6.55	n/a

Weighted average scores versus global averages				
	2019	2018	2017	2016
Client service*	13.99%	4.80%	5.70%	n/a
On-boarding	8.67%	n/a	n/a	n/a
Fund accounting	5.95%	3.90%	2.70%	n/a
Transfer agency	n/a	n/a	n/a	n/a
KYC, AML and sanctions screening	n/a	n/a	n/a	n/a
Distribution support services	n/a	n/a	n/a	n/a
Reporting to institutional investor	3.34%	n/a	n/a	n/a
Reporting to the manager	12.56%	3.20%	2.80%	n/a
Reporting to regulators	2.01%	n/a	n/a	n/a
Reporting to the tax authorities	3.79%	n/a	n/a	n/a
Reporting to auditors	4.63%	n/a	n/a	n/a
Middle office services	6.09%	n/a	n/a	n/a
Price	6.22%	-12.70%	2.10%	n/a
Compliance support	14.90%	10.20%	3.00%	n/a
Operations and custody	n/a	-3.90	0.3%	n/a
Total	8.37%	-1.40%	3.80%	n/a

J.P. Morgan

These results are a substantial improvement on the last appearance in this survey by J.P. Morgan two years ago. There is no obvious area of weakness in the core services of fund accounting and transfer agency, though a hard taskmaster might say the detailed scores indicate an appetite for more on the transfer agency side. That would not be surprising. J.P. Morgan expressly seeks business from the largest and most international fund management complexes in the world. The downward pressure on revenue and margins in the global asset management industry has certainly drawn the attention of the management of the major mutual fund brands to the supervisory and operational costs of maintaining multiple transfer agency relationships around the world.

Transfer agency, for so long a Cinderella business, has also re-emerged of late not just as an unwelcome source of cost but as a potentially powerful tool in asset-gathering around the world. Yet none of the respondents to this survey are using J.P. Morgan to help them structure, market and sell their funds to investors around the world. The less-than-stellar performance by J.P. Morgan in another field closely associated with transfer agency - namely, KYC, AML and sanctions screening - amplifies the sense that the bank is less advanced in its thinking on this issue than a leading global investor services provider ought to be.

There is also room for improvement in the preparation and delivery of reports to fund managers, where the detailed scores indicate an unsatisfied appetite among clients of the bank for richer and more comprehensive and up-to-date information on which to base investment decisions today, as opposed to finding out what happened yesterday. This set of clients does not even rely on the bank to report to their investors, or for any kind of data management either.

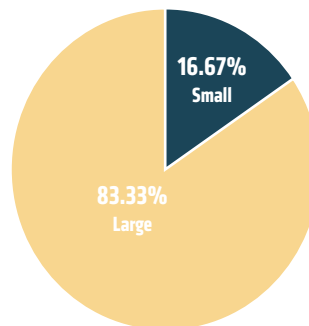
True, this may not be a representative sample of the J.P. Mor-

gan client base. For an organisation that aims explicitly to ply global asset managers not just with fund accounting and transfer agency but with a full array of custody, middle office, securities lending and financing, clearing and collateral management and execution and order-routing services, it is noticeable that this set of respondents is not making full use of the services of the bank.

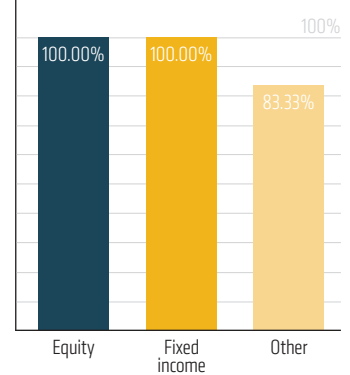
All of that said, J.P. Morgan is getting the delivery of reports to third parties - auditors, regulatory, tax authorities - spectacularly right. There is nothing too worrisome in the perception of client service either, though there is nothing enthusiastic about it. "J.P. Morgan is responsive to inquiries and issues," is the assessment of one respondent.

PROFILE OF RESPONDENTS

By assets under management (AuM)



By investment strategies



Weighted average score					
	+/-18-2019	2019	2018	2017	2016
Client service*	n/a	5.38	6.70	6.55	6.54
On-boarding	n/a	4.93	n/a	n/a	n/a
Fund accounting	n/a	6.45	6.82	6.72	6.47
Transfer agency	n/a	5.93	6.70	6.65	6.52
KYC, AML and sanctions screening	n/a	5.24	n/a	n/a	n/a
Distribution support services	n/a	5.59	6.21	6.17	5.63
Reporting to institutional investor	n/a	5.06	n/a	n/a	n/a
Reporting to the manager	n/a	5.02	6.59	6.51	6.53
Reporting to regulators	n/a	6.60	n/a	n/a	n/a
Reporting to the tax authorities	n/a	6.27	n/a	n/a	n/a
Reporting to auditors	n/a	5.52	n/a	n/a	n/a
Middle office services	n/a	6.50	n/a	n/a	n/a
Price	n/a	5.39	6.93	6.41	6.22
Compliance support	n/a	3.92	6.70	6.70	6.53
Operations and custody	n/a	n/a	6.32	5.94	6.28
Total	0.00%	0.00%	0.00%	0.00%	0.00%

Weighted average scores versus global averages				
	2019	2018	2017	2016
Client service*	8.19%	n/a	-1.01%	-7.66%
On-boarding	-12.74%	n/a	n/a	n/a
Fund accounting	-1.68%	n/a	-1.64%	-7.17%
Transfer agency	-4.97%	n/a	-1.04%	-7.17%
KYC, AML and sanctions screening	-17.35%	n/a	n/a	n/a
Distribution support services	-6.21%	n/a	-6.14%	-9.52%
Reporting to institutional investor	-15.38%	n/a	n/a	n/a
Reporting to the manager	-14.77%	n/a	-1.01%	-7.93%
Reporting to regulators	2.17%	n/a	n/a	n/a
Reporting to the tax authorities	-1.10%	n/a	n/a	n/a
Reporting to auditors	-11.82%	n/a	n/a	n/a
Middle office services	9.98%	n/a	n/a	n/a
Price	-9.41%	n/a	-0.84%	-8.83%
Compliance support	-35.10%	n/a	-0.77%	-9.86%
Operations and custody	n/a	n/a	-0.30%	-5.83%
Total	-9.51%	0.00%	-0.92%	-7.44%

Northern Trust

This marks a welcome return to the mutual fund administration survey, after a prolonged absence, by a major provider of services to both '40 Act and UCITS funds. It is an auspicious one too, at least in terms of client service, which is one standard by which the Chicago-headquartered bank is always willing to be judged. But apart from an excellent score in that area, and an even better one among new clients it has on-boarded of late, Northern Trust finds itself adrift of the global benchmarks set by the average of all responses to the survey in other service areas. This does not mean clients are unimpressed – only that their collective verdict places Northern Trust below the high standard set by other providers in the survey (and they include some rival global custodian banks as well the independent fund administrators that tend to out-perform their bank-owned rivals).

The scores in the core service areas of fund accounting and transfer agency are cases in point, the averages placing the bank somewhere between very good and excellent. In the related field of KYC, AML and sanctions screening, there are no complaints either. The outcome in the five varieties of reporting, on the other hand, is patchy as well as under-whelming. That will disappoint a bank which looks to help sophisticated asset managers streamline their operations by automating regulatory, financial and fiscal reporting.

Perceptions of the support Northern Trust offers clients obliged to comply with regulations are consonant with those returns, and suggest the bank needs to invest in regulation monitoring and implementation tools for its clients as well as regulatory reporting. Managers would also like Northern to lower its prices, though it is not as easy for a regulated bank to deliver these as it is for a non-bank provider.

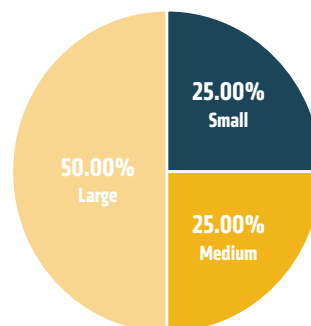
The area in which Northern Trust has most obvious room for improvement is distribution support. With equity markets weak,

and revenues and profits under pressure, fund managers are looking for asset growth, particularly in non-domestic markets. One consequence is that they hold their fund administrators to a higher standard, and this audience at least reckons Northern Trust has yet to rise to the challenge.

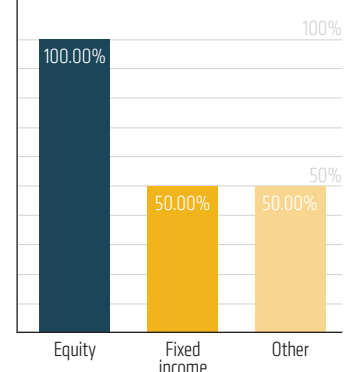
Yet there is no doubt about the scale of the ambition of the bank in this business. Its acquisition of the fund administration units of UBS Asset Management in Luxembourg and Switzerland two years ago greatly expanded its presence in continental Europe. The bank can also make a case that it is the global leader in the application of blockchain to fund administration, starting with private equity funds. Perhaps 2020 will see a more consistent performance.

PROFILE OF RESPONDENTS

By assets under management (AuM)



By investment strategies



Weighted average score					
	+/-18-2019	2019	2018	2017	2016
Client service*	n/a	6.55	n/a	n/a	n/a
On-boarding	n/a	6.91	n/a	n/a	n/a
Fund accounting	n/a	5.78	n/a	n/a	n/a
Transfer agency	n/a	5.83	n/a	n/a	n/a
KYC, AML and sanctions screening	n/a	5.95	n/a	n/a	n/a
Distribution support services	n/a	3.50	n/a	n/a	n/a
Reporting to institutional investor	n/a	4.90	n/a	n/a	n/a
Reporting to the manager	n/a	5.25	n/a	n/a	n/a
Reporting to regulators	n/a	4.34	n/a	n/a	n/a
Reporting to the tax authorities	n/a	5.02	n/a	n/a	n/a
Reporting to auditors	n/a	5.51	n/a	n/a	n/a
Middle office services	n/a	5.83	n/a	n/a	n/a
Price	n/a	4.93	n/a	n/a	n/a
Compliance support	n/a	4.43	n/a	n/a	n/a
Operations and custody	n/a	n/a	n/a	n/a	n/a
Total	n/a	5.54	n/a	n/a	n/a

Weighted average scores versus global averages				
	2019	2018	2017	2016
Client service*	11.77%	n/a	n/a	n/a
On-boarding	22.30%	n/a	n/a	n/a
Fund accounting	-11.89%	n/a	n/a	n/a
Transfer agency	-6.57%	n/a	n/a	n/a
KYC, AML and sanctions screening	-6.15%	n/a	n/a	n/a
Distribution support services	-41.28%	n/a	n/a	n/a
Reporting to institutional investor	-18.06%	n/a	n/a	n/a
Reporting to the manager	-10.87%	n/a	n/a	n/a
Reporting to regulators	-32.82%	n/a	n/a	n/a
Reporting to the tax authorities	-20.82%	n/a	n/a	n/a
Reporting to auditors	-11.98%	n/a	n/a	n/a
Middle office services	-1.35%	n/a	n/a	n/a
Price	-17.14%	n/a	n/a	n/a
Compliance support	-26.66%	n/a	n/a	n/a
Operations and custody	n/a	n/a	n/a	n/a
Total	-9.18%	n/a	n/a	n/a

State Street

A CEO of State Street once described the essence of the bank as fund accounting. Gratifyingly, the average score in that area has soared this year. Clients think the giant global custodian bank does a good job of reporting to regulators on their behalf as well. Otherwise, these results are a case of another year, another indifferent scores. It would be easy to dismiss the findings as the inevitable consequence of servicing asset managers running hundreds of billions of dollars that have no need to feel grateful to a provider that wants their business. But the survey shows that other banks servicing similarly demanding clients are doing better with the same audience.

“State Street is able to effectively leverage multi-jurisdictional/global relationships from a centralised client service team,” is how a respondent describes the service he receives, but the accompanying score suggests this is not translating into a great experience for the average client. The detail indicates that clients have yet to feel the sense of partnership that characterises the healthiest relationships in the fund administration industry. The score for on-boarding implies that lack of warmth sets in at an early stage. That for transfer agency, which is respectable rather than enthusiastic, speaks of an unfulfilled appetite for innovation.

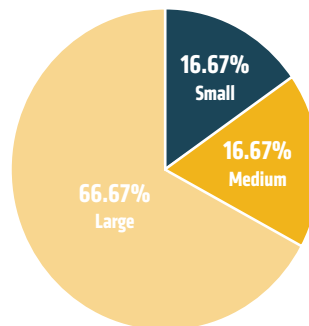
There is work to be done in the related field of KYC, AML and sanctions screening as well. The details of the scores for all forms of reporting except the regulatory point to breakdowns in the flows of information and a limited choice of service model. It cannot be easy to super-serve clients when the bank is engaged in constant cost-cutting. On top of that, weaker equity markets are shrinking ad valorem income and making State Street more dependent on banking revenues rather than servicing fees. But buy-side clients are under pressure too, and for the same reasons. Which is why those muted scores in distribution support

and transfer agency, which press State Street to help managers find more fund distributors and sell more funds around the world and cut their costs of distribution and servicing at the same time, are so telling.

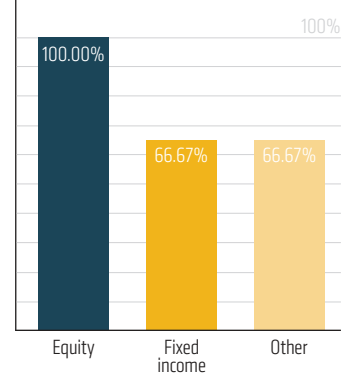
In this context, the acquisition in October last year of Charles River Development is strategically important. It indicates a shift at State Street towards providing an integrated front, middle and back office service, which in turns opens up new possibilities in both technology outsourcing and data management for buy-side clients. If the new model can help fund managers cut their costs, extract valuable investment insights from their data and distribute more funds, State Street will within a few years be leading this survey, not lagging it.

PROFILE OF RESPONDENTS

By assets under management (AuM)



By investment strategies



Weighted average score					
	+/-18-2019	2019	2018	2017	2016
Client service*	7.93%	4.90	4.54	4.44	5.10
On-boarding	n/a	3.50	n/a	n/a	n/a
Fund accounting	24.07%	6.03	4.86	5.49	5.60
Transfer agency	-5.59%	5.24	5.55	5.68	5.10
KYC, AML and sanctions screening	n/a	4.33	n/a	n/a	n/a
Distribution support services	n/a	4.58	n/a	n/a	5.89
Reporting to institutional investor	n/a	5.51	n/a	n/a	n/a
Reporting to the manager	-14.37%	4.17	4.87	4.70	4.60
Reporting to regulators	n/a	6.09	n/a	n/a	n/a
Reporting to the tax authorities	n/a	4.73	n/a	n/a	n/a
Reporting to auditors	n/a	5.33	n/a	n/a	n/a
Middle office services	n/a	4.31	n/a	n/a	n/a
Price	-10.65%	4.70	5.26	3.97	5.27
Compliance support	-6.17%	5.02	5.35	5.25	4.93
Operations and custody	n/a	n/a	5.08	5.23	5.61
Total	0.80%	5.06	5.02	4.97	5.26

Weighted average scores versus global averages				
	2019	2018	2017	2016
Client service*	-16.38%	-23.80%	-29.30%	-18.70%
On-boarding	-38.05%	n/a	n/a	n/a
Fund accounting	-8.08%	-19.50%	-14.50%	-11.50%
Transfer agency	-16.03%	-12.60%	-13.10%	-20.60%
KYC, AML and sanctions screening	-31.70%	n/a	n/a	n/a
Distribution support services	-23.15%	n/a	n/a	-8.10%
Reporting to institutional investor	-7.86%	n/a	n/a	n/a
Reporting to the manager	-29.20%	-18.80%	-24.40%	-25.60%
Reporting to regulators	-5.73%	n/a	n/a	n/a
Reporting to the tax authorities	-25.39%	n/a	n/a	n/a
Reporting to auditors	-14.86%	n/a	n/a	n/a
Middle office services	-27.07%	n/a	n/a	n/a
Price	-21.07%	-10.50%	-34.40%	-12.20%
Compliance support	-16.89%	-15.20%	-20.00%	-21.60%
Operations and custody	n/a	-12.50%	-15.20%	-9.20%
Total	-17.05%	-17.20%	-21.10%	-16.10%

U.S. Bank Global Fund Services

“US Bancorp will be considered for additional business,” is the kind of under-statement the business development team at any mid-Western bank would enjoy. But the fund services arm of Milwaukee-headquartered U.S. Bank has now built a sizeable business on the back of its reputation for being a client-friendly organisation. It currently services 560 fund families in the United States and another 49 in Europe, which between them run 3,432 investment portfolios worth \$1.14 trillion in client assets, four fifths of them in UCITS and `40 Act funds.

“US Bancorp is a reliable performer in what we ask them to do,” writes a respondent. Though the under-statement – one client says of middle office services simply that “they are fine” – is not always illuminating, the cumulative effect is insightful. Dependability, for example, is a characteristic that shines through the comments on on-boarding (“scheduling and accuracy”), transfer agency (“does a reliable job for our business”), KYC, AML and sanctions screening (“US Bancorp does a reliable job in KYC and AML”) and reporting to managers (“Does a decent job for us - no specific complaints”), investors (“US Bancorp has provided timely reporting to date”), regulators (“reliable and accurate”) and tax authorities (“Solid”).

Where there are weaknesses, they tend to be highly specific. Respondents would like greater flexibility in reporting to their investors, for example. Calls for more overt assistance in working with fund distributors to help managers sell funds are more systemic than that, and account for the depressed mood of the distribution support scores by comparison with last year. The assessment of pricing, by contrast, has effectively stood still over the last 12 months. One client claims he has “no issue with invoicing” while another contends that “US Bancorp is a bit more rigid with fees.”

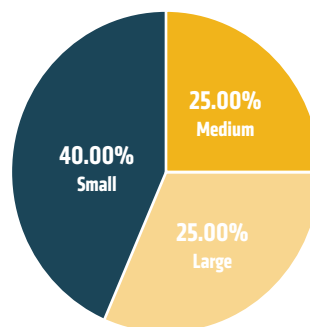
The bank will be more concerned by the slippage in compli-

ance support, which was a strong area for U.S. Bank in 2018. One respondent “appreciates the collaborative approach with our compliance support team” but a second says that “US Bancorp provides limited compliance support. Most of the heavy lifting compliance work is completed in-house at the advisor.” Though the overall outcome is slightly adrift of last year, the questionnaire has changed considerably, and the scoring of the core services of fund accounting and transfer agency remains excellent.

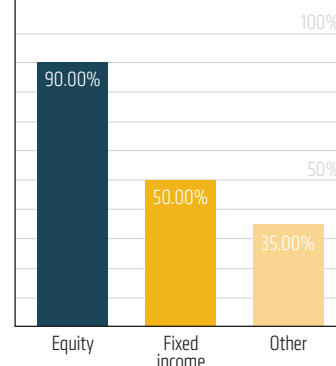
Though the bulk of the clients by number are running relatively small amounts of money – more than nine out of ten are managing less than \$5 billion – the excellent average scores U.S. Bank collect in most service areas are by no means dependent on the gratitude of minnows. The bank gets some of its best scores from its largest clients.

PROFILE OF RESPONDENTS

By assets under management (AuM)



By investment strategies



Weighted average score					
	+/-18-2019	2019	2018	2017	2016
Client service*	-5.49%	6.55	n/a	n/a	n/a
On-boarding	n/a	6.91	n/a	n/a	n/a
Fund accounting	n/a	5.78	n/a	n/a	n/a
Transfer agency	0.94%	5.83	n/a	n/a	n/a
KYC, AML and sanctions screening	n/a	5.95	n/a	n/a	n/a
Distribution support services	-11.53%	3.50	n/a	n/a	n/a
Reporting to institutional investor	n/a	4.90	n/a	n/a	n/a
Reporting to the manager	-3.06%	5.25	n/a	n/a	n/a
Reporting to regulators	n/a	4.34	n/a	n/a	n/a
Reporting to the tax authorities	n/a	5.02	n/a	n/a	n/a
Reporting to auditors	n/a	5.51	n/a	n/a	n/a
Middle office services	n/a	5.83	n/a	n/a	n/a
Price	0.51%	4.93	n/a	n/a	n/a
Compliance support	-7.97%	4.43	n/a	n/a	n/a
Operations and custody	n/a	n/a	n/a	n/a	n/a
Total	-2.74%	5.54	n/a	n/a	n/a

Weighted average scores versus global averages				
	2019	2018	2017	2016
Client service*	2.90%	7.10%	5.30%	5.60%
On-boarding	7.26%	n/a	n/a	n/a
Fund accounting	-2.74%	4.20%	3.90%	3.20%
Transfer agency	2.72%	0.10%	1.20%	1.90%
KYC, AML and sanctions screening	-0.32%	n/a	n/a	n/a
Distribution support services	-8.56%	-1.60%	4.10%	0.20%
Reporting to institutional investor	-8.86%	n/a	n/a	n/a
Reporting to the manager	-3.23%	-2.00%	-1.00%	3.40%
Reporting to regulators	0.77%	n/a	n/a	n/a
Reporting to the tax authorities	-2.52%	n/a	n/a	n/a
Reporting to auditors	-1.76%	n/a	n/a	n/a
Middle office services	-2.20%	n/a	n/a	n/a
Price	0.34%	1.00%	4.30%	-2.30%
Compliance support	-4.47%	-0.70%	0.50%	3.00%
Operations and custody	n/a	5.70%	3.60%	0.70%
Total	-0.98%	2.40%	2.70%	1.80%

Ultimus Fund Solutions

Twenty years ago, the founders of Ultimus placed a bet that service would always trump price. So far, it has paid off. “By far the best at client service year after year,” says a respondent. “I have used most over my 35-year career and Ultimus Fund Solutions is the BEST!” Another says, “They are tip-top and touch base regularly to make sure everything works,” while a third describes Ultimus as “a great business partner.”

Clients also describe the fees as “fair” and “competitive.” New clients certainly notice they are appointing a firm whose management believes happy clients grow company revenues, and small funds become big ones. “A white-shoe, high-touch, excellent client-centric on-boarding service,” says one. A more mature client has happy memories of the same process. “They are truly a partner who has helped us from the point of fund-set-up to managing the office, legal and regulatory functions,” he says. “The board reviews and ability to help on areas such as marketing have been a bonus for us.”

As it happens, distribution support earns tributes that speak of more than an unexpected bonus. One applauds “a dedicated person” and “networking, idea generation and playbooks,” while a second praises “exemplary distribution insight and support” in the “navigation of distribution channels and marketing.”

Reporting, a blip in 2018, is this year outstanding, whether it is to managers (“flexible while still performing at a very high level”), regulators (“looking out for us every step of the way”), investors (“not had an issue to date”), auditors (“relationship with auditor is as good as it gets”) or tax authorities (“solid and thorough”).

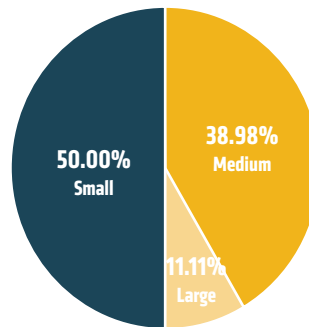
It helps that the technology team is twice the size it was a year ago, not least to help clients comply with the Modernisation and Liquidity rules. Naturally, some will wonder if this culture can survive the merger, announced in November, with Gemini

Fund Services. There are encouraging signs. Both firms use the same technology platform. Gemini brings expertise in ETFs that Ultimus lacks but its clients want. And Gemini scored almost as highly as Ultimus in this survey last year. In 2019 it would struggle to keep up.

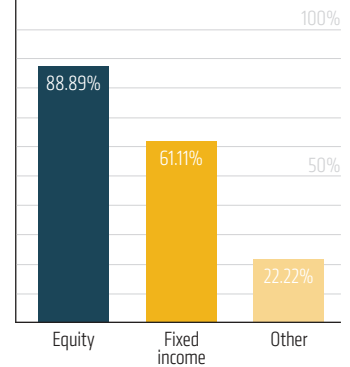
The scores in the core services of fund accounting (“Not had a fund accounting NAV error in the history of our engagement. They are better than excellent!”) and transfer agency (“Very responsive to ad hoc requests”) and the related field of KYC, AML and sanctions screening are either perfect or as close as make no difference. “We are not only completely satisfied with our relationship with Ultimus, but genuinely grateful,” writes a client. “We cannot imagine doing our work without the remarkable support they provide.”

PROFILE OF RESPONDENTS

By assets under management (AuM)



By investment strategies



Weighted average score					
	+/-18-2019	2019	2018	2017	2016
Client service*	-1.73%	6.81	6.93	6.96	6.98
On-boarding	n/a	6.92	n/a	n/a	n/a
Fund accounting	-1.72%	6.86	6.98	6.95	6.98
Transfer agency	-2.72%	6.80	6.99	6.95	6.98
KYC, AML and sanctions screening	n/a	7	n/a	n/a	n/a
Distribution support services	-1.74%	6.77	6.89	6.71	6.92
Reporting to institutional investor	n/a	6.79	n/a	n/a	n/a
Reporting to the manager	-0.29%	6.93	6.95	6.94	6.88
Reporting to regulators	n/a	6.90	n/a	n/a	n/a
Reporting to the tax authorities	n/a	6.83	n/a	n/a	n/a
Reporting to auditors	n/a	6.80	n/a	n/a	n/a
Middle office services	n/a	7	n/a	n/a	n/a
Price	-4.95%	6.53	6.87	6.87	6.81
Compliance support	-0.43%	6.96	6.99	6.98	6.93
Operations and custody	n/a	n/a	6.86	6.91	6.96
Total	-1.59%	6.83	6.94	6.91	6.93

Weighted average scores versus global averages				
	2019	2018	2017	2016
Client service*	16.21%	16.20%	10.80%	11.30%
On-boarding	22.48%	n/a	n/a	n/a
Fund accounting	4.57%	15.40%	8.30%	10.30%
Transfer agency	8.97%	10.10%	6.30%	8.70%
KYC, AML and sanctions screening	10.41%	n/a	n/a	n/a
Distribution support services	13.59%	10.10%	9.30%	8.00%
Reporting to institutional investor	13.55%	n/a	n/a	n/a
Reporting to the manager	17.66%	15.90%	11.60%	11.30%
Reporting to regulators	6.81%	n/a	n/a	n/a
Reporting to the tax authorities	7.73%	n/a	n/a	n/a
Reporting to auditors	8.63%	n/a	n/a	n/a
Middle office services	18.44%	n/a	n/a	n/a
Price	9.75%	16.80%	13.60%	13.50%
Compliance support	15.23%	10.70%	6.40%	10.20%
Operations and custody	n/a	18.00%	12.00%	12.60%
Total	11.97%	14.30%	9.70%	10.50%