The 2019 GC McLagan Private Equity Fund Administration Survey

Few signs of dissent

The results of this year's PEFA survey point to a broadly satisfied group of respondents, showing a good deal of consistency between the 2018 and 2019 surveys.

Just as in 2018, the Private Equity Fund Administration Survey, which was open for submissions between March and July 2019, asks clients to assess the services that they receive from fund administrators. This year's questionnaire covered 36 questions across 11 service areas (See Table 1). Scores for Future Relationship were not included in the total calculations printed here. Changes to the questionnaire this year were limited to excisions designed to target services considered important to last year's respondents. In total, 23 questions and one section – Corporate secretarial – were remove.

For the majority of questions, respondents were asked to assess their administrators by determining how much they agreed or disagreed with a series of statements about services. Respondents were also given the option of providing one overall assessment of a service area rather than answering individual questions. For each service area, respondents were also invited to provide commentary. A total of 202 completed questionnaires were received on behalf of 18 fund administrators. Five responses is the minimum sample number required to assess a service provider adequately enough to publish their results. As a result, we were able to provide full write ups for six separate administrators. The analysis published in this report is based on average scores given by respondents. They are weighted for the size (measured by assets under management, or AuM) and complexity (measured by the number of asset classes and investment strategies pursued) of the respondent. Scores in any question or service area which attracted less than four responses are excluded from the calculations. The suppression of scores for this reason does not mean the provider does not supply the service in question; it means only that an insufficient number of respondents scored the service to assess its quality with confidence.

TABLE 1: GLOBAL WEIGHTED AVERAGE SCORES

		Firm Size			Location		
PEFA 2019	Global Weighted Average Scores	Large	Medium	Small	Americas	EMEA	APAC
Client service	6.19	6.27	6.22	5.96	6.33	5.79	6.18
On-boarding	6.07	6.24	6.01	5.98	6.35	5.54	6.07
Geographical coverage	6.27	6.44	6.38	5.94	6.36	5.94	6.39
Reporting to limited partners	6.11	6.16	5.67	5.60	6.00	5.18	5.89
Reporting to general partners	5.80	6.20	6.00	6.00	6.20	5.88	6.10
Reporting to regulators	6.29	6.25	6.06	6.53	6.32	6.15	6.53
KYC, AML and sanctions screening	6.10	6.09	5.65	6.34	6.05	6.11	6.30
Depositary services	6.06	5.79	6.39	6.19	6.26	5.96	5.58
Capital drawdowns and distributions	6.09	6.15	6.30	5.66	6.22	5.84	5.97
Technology	5.68	5.79	5.89	5.54	5.77	5.22	6.29
TOTAL	**6.03**	**6.13**	**6.06**	**5.87**	**6.17**	**5.65**	**6.14**

Recognising that our questionnaire may be longer than some fund managers have time to complete, we offered the option for respondents to give an overall assessment of a service area, making it possible for a respondent to complete the survey in as few as 12 questions. Additionally, the format that asked clients to rate services on a scale of 1 (unsatisfactory) to 7 (excellent) was replaced with a format where clients were asked to state how much they agreed or disagreed with a statement regarding a service based on a scale of 20 points. Results presented in this survey were converted to the seven-point scale familiar to readers of the magazine.

Table 1 indicates that respondents as a whole feel that their business is well served by their private equity fund administrators. All but two categories are rated above 6:00 – the threshold between Good and Very Good, the highest possible score being 7:00. Even Technology, the lowest scoring category (5.68) receives a higher rating than in many other GC surveys.

We are most grateful to all fund managers who took the time and trouble to complete a respondent questionnaire, as well as to the private equity fund administrators who encouraged their clients to do so and who completed a provider questionnaire of their own. Without their contribution, this survey would not be possible.

Finally, we are completely committed to an ongoing process of improvement and refinement of our questionnaires and processes. Therefore, we are very open to receiving feedback from our participants and the consumers of this data. We encourage you to contact us with any thoughts, questions or suggestions that you might have.

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Apex Group

In absolute terms, these are fine scores. “Great firm and excellent service,” writes a client. “We plan to stick with Apex.” Another applauds a “very good overall CRM team” that is “very responsive and can cut through the organisation very quickly.”

Global coverage (“Strengthen the London team”) and repeated acquisitions make it hard to please everybody all of the time. “Appreciate their responsiveness but would be more comfortable with continuity in our coverage,” says one recently acquired client. Where it is needed, however, improvement comes. “The service used to be awful and we had nowhere to complain until we brought the plan to terminate the contract,” explains a respondent. “[Then] the senior leadership approached and replaced the team. The current team is great though.”

The onboarding scores suggest inorganic growth has had less impact on organic growth than might be expected. ″Well trained staff with extensive knowledge of our environment, and open to adaptation of reporting formats according to our needs,″ is how one new client describes the experience, though a second says a good experience on the administration side was marred by “continual issues with the banking custody service and connectivity.”

When it comes to dealing with clients of clients the results are mixed. KYC checks seem to go well. “Efficient and thorough,” says one client. A second finds the Apex KYC team “very diligent. Given the increased requests from LPs to complete this process they look to try to smooth the burden. They communicate and work very well with the fund′s compliance and operations group.″ Capital collections and distributions are proving more difficult. Though one manager describes the process as “robust and controlled with excellent tracking and problem resolution with LPs if needed,″ another considers it “not a slick operation - manually intensive.” A third client has kept the process in-house “because the templates have never been available in the time we need to send them to investors.”

Depositary services are obviously working as intended and if some managers do not like the implications – “A reticence to engage or provide any communication - but happy to take the fee” – others appreciate the efficiency. “Excellent co-ordination with administration services which enable us to benefit from operational efficiencies, i.e. we as client are not requested to send the same supporting evidence for cash flows separately to the fund admin and depositary departments,” says one.

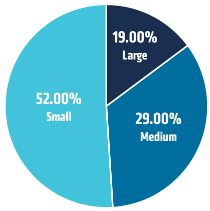
The scores for reporting to investors, on the other hand, smack of a need for improvement. This is linked to the technology (″Our investors strongly dislike the online investor portal”) that was an issue in 2017 and 2018 as well. Though some still consider it a “strong selling point” others think it “not user-friendly” or inferior to other systems they know. But these observations are signs of engagement by clients with the firm. ″Apex are keen to building a long-term relationship, through highs and lows,” concludes one. “Issues have always been tackled professionally when they arise. This is what we look for when considering the future of our relationship.″

"Well trained staff with extensive knowledge of our environment."

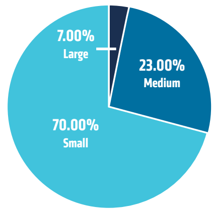
Weighted average scores		
2017	**2018**	**2019**
6.05	6.09	5.88

Profile of respondents	
Number of responses received	88
Assets under Administration (AuA)	US$234.00 billion
Number of locations serviced	24

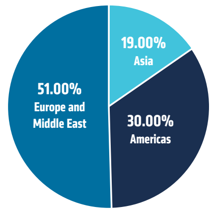
Size of respondents by AuM



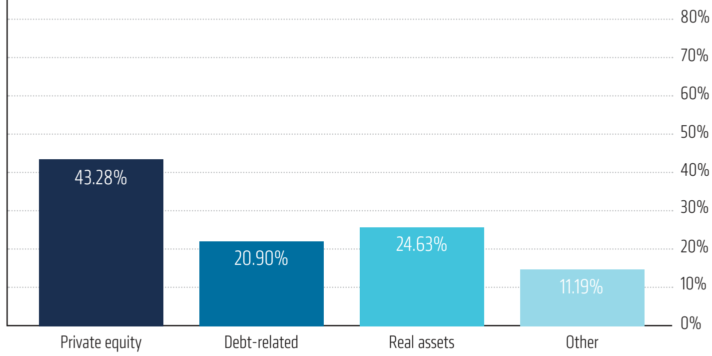
Size of respondents by Committed Capital



Respondents by location



By investment strategies



Weighted average scores by service area		
Service area	**Weighted average score**	**+/- the global average**
Client service	6.03	-2.58%
On-boarding	5.86	-3.46%
Geographical coverage	6.11	-2.55%
Reporting to limited partners	5.55	-4.31%
Reporting to general partners	6.11	n/a
Reporting to regulators	6.36	1.11%
KYC, AML and sanctions screening	6.01	-1.48%
Depositary services	6.12	0.99%
Capital drawdowns and distributions	5.93	-2.63%
Technology	5.54	-2.46%
Total	**5.88**	**-2.49%**

Citco

"We value the level of client service that Citco provides to us," writes a client. "They have shown professionalism and we commend them for that. They continuously are thinking of ways to enhance their service level both to us as well as to LPs and inform us on the best practices within the private equity industry." The score for client service bears that out, as does the growth of the private equity business at Citco, which is unusual in owing nothing to acquisition.

The detailed scores indicate that excellence is maintained on a global scale. Though this can mean a back-up team is in another time-zone, it offers service benefits as well as contingency cover. "We benefit immensely from Citco's global network of offices as they are able to offer follow-the-sun service model where they can cover our requests on 24/7 basis," says a client. "We also utilise Citco's extensive network to facilitate our needs in terms of governance as we have incorporated new entities with their C&T divisions in different jurisdictions across the globe." There is a score to match. Citco interactions with investors attract equally impressive scores – with one exception. But even if the score for depositary services is not the best – and down on last year – the outcome seems random rather than meaningful. "We enjoy working with the depositary team," counters a client. "They conduct diligent reviews on the transfer request. They are also understanding of the time-zone limitations we are facing and flexible enough to work around it with us."

The assessment of the always testing KYC checks ("The screening process was lengthy, but the team were very diligent") is uniformly positive. The same is true of capital drawdowns and distributions. "They are able to accommodate our requests to process capital drawdowns and distributions even at times when the turnaround is substantially shorter than usual," writes a respondent.

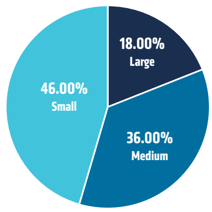
CitcoOne, the web portal which the firm has unveiled in phases since June 2016, plays some part in that experience. The CitcoConnect application offered as part of CitcoOne enables managers to share materials with investors directly, monitor their interaction with them, and secure digital signatures. In fact, CitcoOne is starting to shift perceptions of the quality of the technology - a long running issue at the firm – in general. Only reporting to GPs seems unaffected by the investment in better technology. Certainly, the scoring for reporting to both investors and regulators has enough upward momentum to feign indifference to both excellence and errors. That said, the technology issue is clearly not completely resolved. "In many instances where we have requested Citco to provide preliminary metrics and figures, Citco politely declined due to system limitations," reports a client. "There are a few functions we are interested in that are still not presented and available to us due to system limitations."

"We benefit immensely from Citco's global network of offices as they are able to offer follow-the-sun service model."

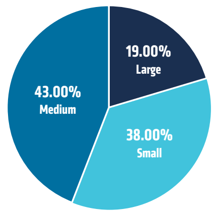
Weighted average scores		
2017	**2018**	**2019**
6.01	5.74	6.18

Profile of respondents	
Number of responses received	20
Assets under Administration (AuA)	US$250.40 billion
Number of locations serviced	60

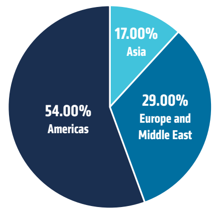
Size of respondents by AuM



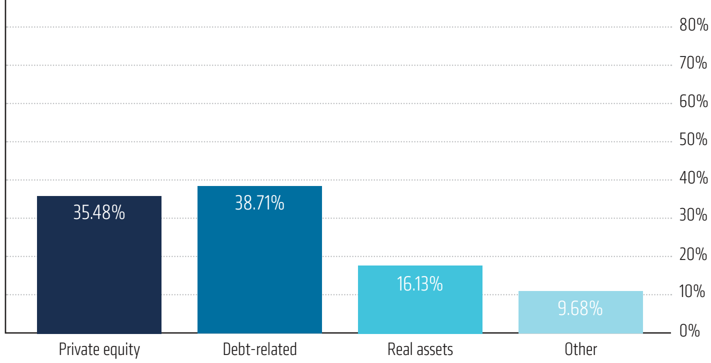
Size of respondents by Committed Capital



Respondents by location



By investment strategies



Weighted average scores by service area		
Service area	**Weighted average score**	**+/- the global average**
Client service	6.23	0.65%
On-boarding	6.18	1.81%
Geographical coverage	6.36	1.44%
Reporting to limited partners	6.10	5.17%
Reporting to general partners	5.80	-5.07%
Reporting to regulators	6.29	n/a
KYC, AML and sanctions screening	6.21	1.80%
Depositary services	5.27	-13.04%
Capital drawdowns and distributions	6.56	7.72%
Technology	5.93	4.40%
Total	**6.18**	**2.49%**

SEI

This is an impressive performance by the Oaks, Pennsylvania-based investment management, operations and processing firm. The score for client service was high in 2018, but it is even better this year. “We enjoy working with SEI and have a strong relationship with them,” says one respondent. “Their client service is top notch.” A second describes SEI as a “longstanding partner with our firm and an invaluable resource for our finance and operations,” while a third appreciates being “serviced by a strong team with skilled leaders.” SEI needs both, since clients are visibly demanding, with even domestic respondents calling for wider geographic coverage. “Would be nice to have a West Coast presence so we are not limited by East Coast business hours,” says a client, and a second echoes this sentiment. “There are times when it would be nice to have someone available later in the day,” he writes. “Being serviced by an East Coast team has its advantages and disadvantages.”

One service SEI is getting right is investor due diligence. “Using SEI to comply with KYC and AML screening/reporting has freed up a lot of time for our CCO and the quality and timeliness of work from SEI has been appreciated,” writes a client. Others confirm that “SEI has done a great job with KYC, AML, and screening process” and that “SEI handles the KYC / AML compliance efficiently for our platform.”

Another investor-facing service, investor reporting, is one of only two service areas where the overall average score has ended up lower this year than last. The other score to slide is technology. This matters to clients (”Technology is a key consideration for us as we consider investor reporting, acquisition and retention,” observes one client) but it matters to SEI as well. The sales narrative of the firm hinges on integrating customised technology and operational experts to help alternative asset managers cut costs, control risks and keep investors happy.

The details of the scores indicate the issues are not wholly technological, but also commercial. ”At our expense, SEI has been able to accommodate a variety of investor reporting changes, improving the quality of reporting to investors,” is the explanation of one client. Another alludes to a familiar problem created by standardisation. ”The capital call and distribution notice templates utilised by the administrator do not have the level of flexibility in its reporting capabilities (i.e. we cannot easily make changes to the information reported within the notices),” writes a respondent. This has not impacted the overall assessment of capital collections and distributions, where the score is up sharply.

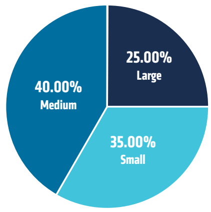
Nor has technology dented reporting to managers. “Very flexible reporting system and are open to adding additional analyses to our reporting,” is the description of GP reporting offered by one respondent. Likewise, there is nothing much wrong with the score for regulatory reporting, but one client is still looking for more. “SEI would benefit from more consistency year over year on their regulatory reporting team to ensure they maintain industry and institutional knowledge,” he says.

“Serviced by a strong team with skilled leaders.”

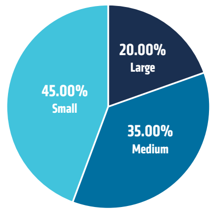
Weighted average scores		
2017	**2018**	**2019**
n/a	5.93	6.12

Profile of respondents	
Number of responses received	22
Assets under Administration (AuA)	US$327.50 billion
Number of locations serviced	8

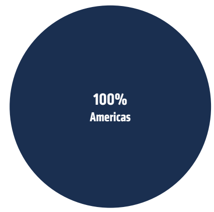
Size of respondents by AuM



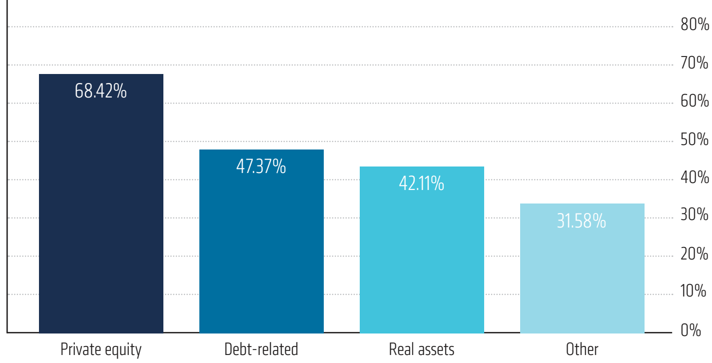
Size of respondents by Committed Capital



Respondents by location



By investment strategies



Weighted average scores by service area		
Service area	**Weighted average score**	**+/- the global average**
Client service	6.30	1.78%
On-boarding	6.37	4.94%
Geographical coverage	6.29	0.32%
Reporting to limited partners	5.85	0.86%
Reporting to general partners	6.02	-1.47%
Reporting to regulators	6.17	-1.91%
KYC, AML and sanctions screening	6.45	5.74%
Depositary services	6.59	8.75%
Capital drawdowns and distributions	6.19	1.64%
Technology	5.74	1.06%
Total	**6.12**	**1.49%**

SS&C GlobeOp

"We have got a great team!" enthuses an SS&C client. Judging by these scores, they certainly have. Between them, the averages mark a substantial improvement on the already stellar performance of last year. As in 2018, the averages clear the global benchmark in all but two areas, but this year they also reach beyond their equivalents of a year ago in seven out of ten service areas. "SS&C is a fantastic partner and we value our relationship with them," is the uninhibited verdict of one private equity fund manager.

Such accolades are a signal achievement in the wake of a series of acquisitions, with all their potential for disrupting relationships, and the continuing growth of the business - especially outside its American heartland - as the shift away from self-administration gathers pace. In fact, it is noteworthy that there is little to choose between the scoring by American respondents and their Asian counterparts. There is remarkable consistency in the scoring by size as well, with only the largest managers judging the firm slightly more harshly. This is familiar. "If we were bigger, I would want local support," admits a smaller manager.

What is surprising is the relatively unenthusiastic scoring of technology. This was an issue last year too. Since SS&C is a financial technology firm as well as a fund administrator, it is curious that investment (including acquisitions) in software and systems for staff and clients is not having a larger impact on the score. In fact, the considerable investment going into building a faster and more flexible reporting platform is not yet registering with the respondents to this survey. Reporting to investors – also an issue last year – and reporting to regulators are among the areas not to have improved in 2019. Even reporting to GPs, which has improved considerably, owes little to technology. "We don't really use this feature," says one manager.

One reason the technology is under-appreciated is that clients still talk to people rather than machines. "Having continuity on SS&C's team has been one of the keys to their success," as one client notes. When another avers that "SS&C is a great partner" it is not the technology he has in mind.

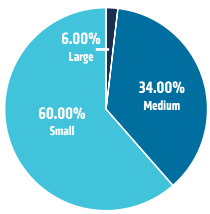
SS&C can be more pleased about perceptions of its investor due diligence services. "The professionals at SS&C fully manage our KYC and AML, for which they are knowledgeable and experienced," says a client. Effective KYC checks help build relationships, but SS&C has a grander vision. With the acquisition of Intralinks at the end of last year, SS&C has added fund-raising and corporate advisory to its repertoire. In combination with the InvestorVision reporting platform, SS&C hopes to make a significant contribution to addressing the growing need of private equity managers to be more transparent to investors about how performance is calculated and the rewards of success are shared. A banking licence aside, the firm can now reasonably claim to be a one-stop shop for private equity managers and their investors. Which is why SS&C clients can say things like this: "We look forward to continuing our relationship with SS&C as our fund administrator."

"SS&C is a fantastic partner and we value our relationship with them."

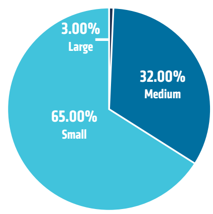
Weighted average scores		
2017	**2018**	**2019**
6.37	6.05	6.25

Profile of respondents	
Number of responses received	33
Assets under Administration (AuA)	US$550.41 billion
Number of locations serviced	16

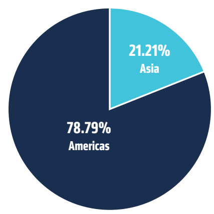
Size of respondents by AuM



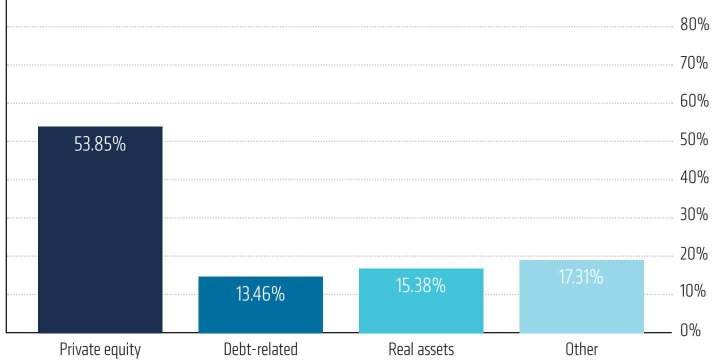
Size of respondents by Committed Capital



Respondents by location



By investment strategies



Weighted average scores by service area		
Service area	**Weighted average score**	**+/- the global average**
Client service	6.46	4.36%
On-boarding	6.28	3.46%
Geographical coverage	6.49	3.51%
Reporting to limited partners	6.18	6.55%
Reporting to general partners	6.51	6.55%
Reporting to regulators	6.23	-0.95%
KYC, AML and sanctions screening	6.35	4.10%
Depositary services	5.90	-2.64%
Capital drawdowns and distributions	6.23	2.30%
Technology	5.81	2.29%
Total	**6.25**	**3.65%**

Trident Trust

With one exception, these scores come close to perfection. "Could not be happier with the service level and knowledge of Trident Fund Services," is the verdict of one client. "Extremely flexible group that works within any structure required by your investor base." Another declares himself "extremely pleased with Trident. They do excellent work for us, are highly responsive, collaborative, and it is a genuine professional pleasure to work with them." Reps are name-checked as "great to work with" and "responsive and diligent." One respondent says simply that "we love our team" and its members "ROCK!!!"

The scores emphasise that Trident gets everything right when it interacts with the clients of the clients too. The investor due diligence is admired for speed and thoroughness. "Trident does a phenomenal job of AML/KYC screening in dealing with a large number of investors under tight deadlines," writes one user of the service. Investor reporting is error-free. "Trident is always very competent, responsive, and professional in dealing directly with our investors," says a respondent. "We have a high comfort level in allowing Trident to interact on a daily basis to investors regarding specific fund related requests."

And nothing goes wrong when it comes to collecting or distributing capital. "All four of our funds generate and make monthly distributions to hundreds of investors," explains a respondent. "Trident always performs in a high-quality manner including entering wires, performing calculations, and generating distributions and capital call notifications." The one point of vulnerability in these scores is technology. "Technology is OK," as a client puts it.

All category scores are above the market average by between 3% and 15%. In terms of absolute category scores, only one – technology – falls below 6.00, the threshold between Good and Very Good and even this is above the market average and, at 5.86, remains a more than respectable score. It is also 0.38 points above the score recorded by Trident for this category in 2018.

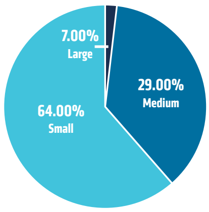
Indeed, all Trident's category scores have registered increases over last year. The largest is for reporting to regulators, which is up 0.82 points. Three categories meanwhile have passed from Good to Very Good range. These are technology, reporting to regulators and capital drawdowns and distributions. The firm's total score is also up by 0.38 points from 6.15 in 2018 to 6.53 this year.

"Extremely flexible group that works within any structure required by your investor base."

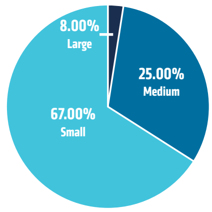
Weighted average scores		
2017	**2018**	**2019**
6.34	6.15	6.53

Profile of respondents	
Number of responses received	14
Assets under Administration (AuA)	US$35 billion
Number of locations serviced	23

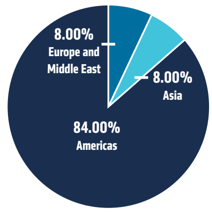
Size of respondents by AuM



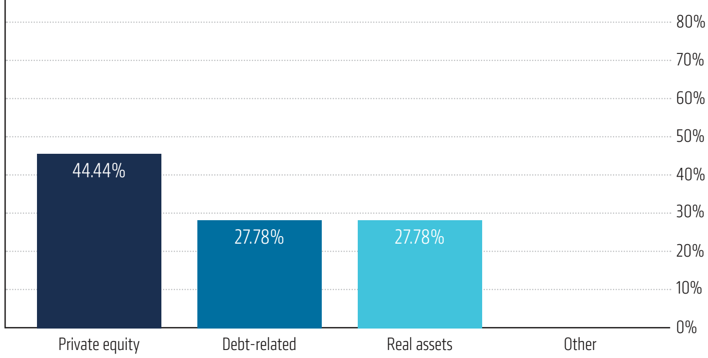
Size of respondents by Committed Capital



Respondents by location



By investment strategies



Weighted average scores by service area		
Service area	**Weighted average score**	**+/- the global average**
Client service	6.72	8.56%
On-boarding	6.33	4.28%
Geographical coverage	6.77	7.97%
Reporting to limited partners	6.65	14.66%
Reporting to general partners	6.75	10.47%
Reporting to regulators	6.62	5.25%
KYC, AML and sanctions screening	6.80	11.48%
Depositary services	6.77	11.72%
Capital drawdowns and distributions	6.55	7.55%
Technology	5.86	3.17%
Total	**6.53**	**8.29%**

Horseshoe Fund Services

"We absolutely adore Horseshoe," writes a client of the firm. Judging by these scores, the average respondent to this survey shares that sentiment. Though the firm looks after a relatively small group of sub-$1 billion funds, almost entirely in North America, it is clearly super-serving them all. With one exception, the scores in every service area taste perfection. Reporting to regulators is one of two fields where the firm actually achieves that blessed state. "We have never had a problem with any regulatory reporting requirements," explains a client. "Horseshoe manages it seamlessly."

The second perfect score is earned in capital collections and distributions, where ILPA reporting for capital calls and payouts is now in place. A respondent notes that the "Horseshoe team facilitates our wires and FX transactions in our banking system."

The one blemish occurs in technology, where the detailed scoring suggests the issues lie in fund accounting and reporting. However, there is (almost literally) nothing wrong with the scores for reporting, where the firm also moved recently to a fully ILPA-compliant model. "Horseshoe's reporting is top tier," avers a respondent. "We would never switch."

Horseshoe will be hoping its recent implementation of the AltaReturn private equity reporting and investor services platform will improve perceptions next time. Digitalisation of subscription documents is already earning dividends in onboarding, and the recently expanded specialist investor due diligence team collects plaudits. "Horseshoe is excellent at onboarding and managing our KYC, AML and other screening services," says a client. A second describes them as "very thorough."

Although drawn from a relatively small response base, Horseshoe's category scores are in most cases well above the global average, in most cases by more than 10 percentage points.

Horseshoe is also one of the rare providers rated in the survey to achieve the highest possible score (7.00) in two categories, as indicated above.

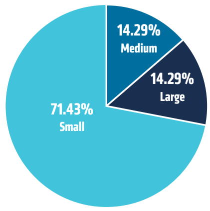
Absent from the private equity fund administration survey in 2018, this is a very pleasing set of scores with which to return. Though caution should be applied in drawing bold conclusions from a small response sample, the signs are all positive.

"We would never switch."

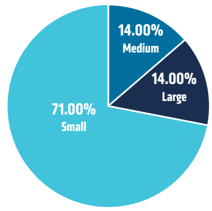
Weighted average scores		
2017	**2018**	**2019**
n/a	n/a	6.73

Profile of respondents	
Number of responses received	7
Assets under Administration (AuA)	US$3 billion
Number of locations serviced	6

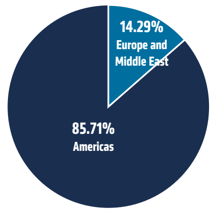
Size of respondents by AuM



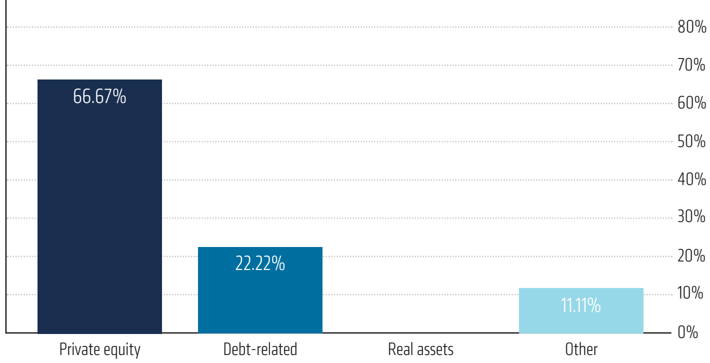
Size of respondents by Committed Capital



Respondents by location



By investment strategies



Weighted average scores by service area		
Service area	**Weighted average score**	**+/- the global average**
Client service	6.90	11.47%
On-boarding	6.84	12.69%
Geographical coverage	6.97	11.16%
Reporting to limited partners	6.96	20.00%
Reporting to general partners	6.96	13.91%
Reporting to regulators	7.00	11.29%
KYC, AML and sanctions screening	6.88	12.79%
Depositary services	n/a	n/a
Capital drawdowns and distributions	7.00	14.94%
Technology	5.73	0.88%
Total	**6.73**	**11.61%**