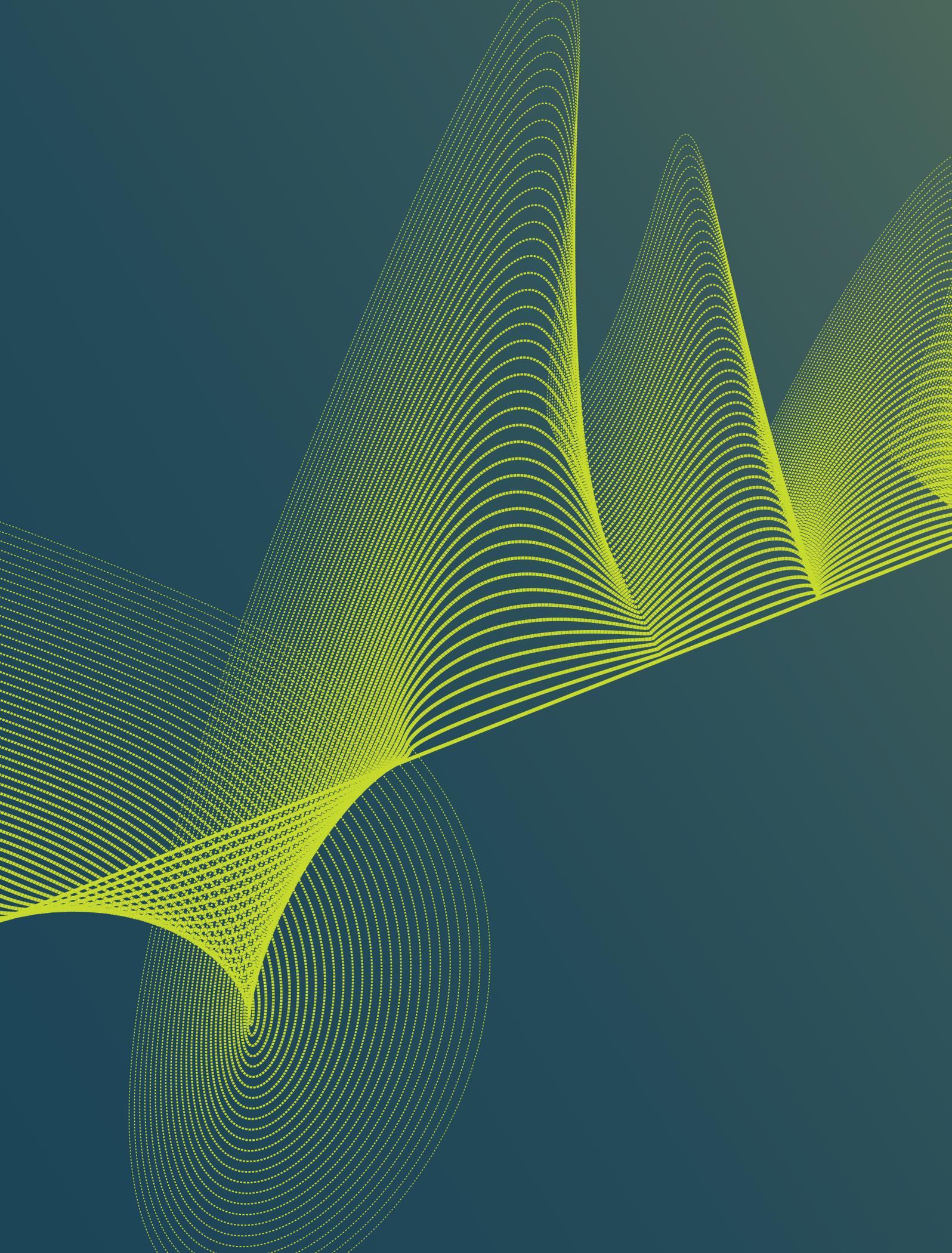




The
2019 GC
McLagan

PRIVATE EQUITY
& HEDGE FUND
ADMINISTRATION
SURVEYS





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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 removed.

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.

Recognising that our questionnaire may

TABLE 1: GLOBAL WEIGHTED AVERAGE SCORES

PEFA 2019	Global Weighted Average Scores	Firm Size			Location		
		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

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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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.

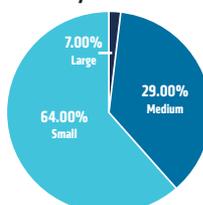
Indeed, all Trident’s category scores have registered increases over last year. The largest is for reporting to regulators, which is up 0.82 points. Three categories meanwhile have passed from Good to Very Good range. These are technology, reporting to regulators and capital drawdowns and distributions. 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.”

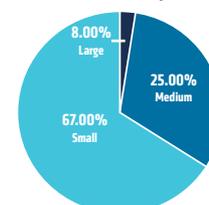
Weighted average scores		
2017	2018	2019
6.34	6.15	6.53

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

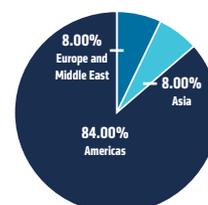
Size of respondents by AuM



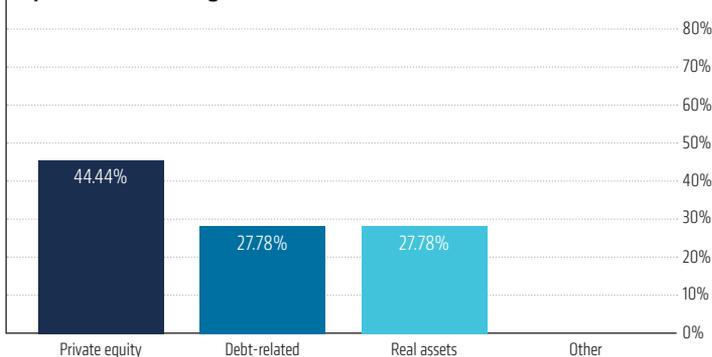
Size of respondents by Committed Capital



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%

Less is more

A shorter questionnaire this year has yielded assessments in a relatively narrow aggregate range with clients on the whole appearing content with the quality of services available.

The 2019 Hedge Fund Administration Survey marks the second year that AON McLagan Investment Services (McLagan) and Global Custodian (GC), have co-operated in the management of client experience surveys in the securities services industry. The questionnaires for this survey (both client and service provider) were developed entirely by McLagan. There is a good deal of consistency between the 2018 and 2019 surveys. That said, changes were made this year to shorten the questionnaire and a section on prime custody was added.

Recognising that the 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 19 questions. For each service area, respondents were also invited to provide commentary.

A total of 717 completed questionnaires were received on behalf of 37 fund administrators. Five responses was the minimum sample number required to assess a service provider adequately enough to publish their average scores, both in absolute terms and relative to the average scores in each service area. As a result, we were able to provide write ups for 11 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

TABLE 1: AVERAGE SCORES BY SIZE AND LOCATION

HFA 2019	Global Weighted Average Scores	Firm Size			Location		
		Large	Medium	Small	Americas	EMEA	APAC
Client service	5.86	6.04	4.95	5.13	6.25	5.27	5.88
On-boarding	5.72	5.68	4.92	5.82	6.03	5.35	5.74
Fund accounting	5.99	6.08	5.22	5.85	6.33	5.51	6.11
Investor services	5.81	5.92	5.19	4.86	6.21	5.63	5.52
Reporting to investors	5.82	5.38	5.38	4.98	6.07	5.56	5.77
Reporting to managers	5.86	5.84	5.27	5.78	6.25	5.46	5.83
Reporting to regulators	5.96	6.24	5.14	5.70	6.25	5.72	5.92
Reporting to the tax authorities	5.82	5.36	5.11	5.44	6.25	5.31	6.08
Reporting to auditors	5.96	5.89	5.36	4.77	6.29	5.64	5.90
KYC, AML and sanctions screening	5.79	5.60	5.33	5.76	6.02	5.50	5.87
Prime custody	5.29	n/a	4.45	6.56	7.00	4.41	6.57
Middle office services	6.07	6.37	5.42	5.91	6.36	5.80	6.03
Operations	6.11	6.30	5.13	6.08	6.45	5.73	6.14
Price	5.69	5.74	4.44	4.70	6.21	5.33	5.37
Overall	5.85	5.87	4.98	5.32	6.23	5.45	5.84

question; it means only that an insufficient number of respondents scored the service to assess its quality with confidence.

Table 1 indicates that, unlike in many other Global Custodian surveys, respondents have assessed their fund administrators within a fairly narrow range across all categories. The lowest overall category score, for example, is 5.29, for Prime Custody, though that is something of an outlier, introduced for the first time this year. The second lowest scoring category, Price, records an average of 5.69, while the highest rated category, Operations, receives an average of 6.11. This is one of only two categories to rate above 6.00, the other being Middle Office Services.

Mid-tier clients are the least generous in their assessments.

Leaving aside Prime Custody, their scores range from 4.92 at the lower end (for Onboarding) to 5.14 for Reporting to Regulators. From a geographical perspective, it is interesting to note a significant gap in overall appreciation of administrators between respondents based in the EMEA region and those in the Americas. The latter offer an overall assessment of an impressive 6.23, while the former are harsher, scoring their providers an average 5.45. This may be attributable to the fact that many of the largest respondents to the survey are US-based, but it is nevertheless an intriguing difference.

Trident Trust

Weighted average scores			
2016	2017	2018	2019
6.41	6.58	6.46	6.01

This year the comments are more familiar than the scores. A name-checked rep is singled out for delivering “incredible customer service in a timely manner.” Not only is he “a joy to deal with” but “the whole team at Trident does a great job and is always there to help.”

But Trident clients that participate in this survey normally attest to near-perfection in the services they receive. This does of course limit the course which the averages can take in a less-than-vintage year. To that extent, the course they have followed in 2019 was a predictable one.

There are still flashes of outright excellence. One is reporting to auditors. “Trident responds quickly to the auditor and after having done it in the first year the second year was almost completely transparent to me, the manager,” writes a respondent. Another is price, where Trident continues to be seen as good value, flexible and transparent. A third is investor services, where the firm has developed a reputation for helping its clients work successfully with their sources of capital. And if the scores do not always bear this out, Trident commands an unusual degree of loyalty. “We are closing one fund, and Trident has been very helpful as we have gone about that process,” a client explains. “But we plan to use Trident for every fund that we currently contemplate, or even imagine, until something adverse changes.”

Weighted average scores by service area		
Service area	Weighted average score	+/- the global average
Client service	5.59	-4.61%
On-boarding	6.00	4.90%
Fund accounting	5.70	-4.84%
Investor services	6.42	10.50%
Reporting to investors	6.10	4.81%
Reporting to managers	5.70	-2.73%
Reporting to regulators	4.98	-16.44%
Reporting to the tax authorities	4.13	-29.04%
Reporting to auditors	6.16	3.36%
KYC, AML and sanctions screening	6.12	5.70%
Prime custody services	n/a	n/a
Middle office services	6.09	0.33%
Operations	6.62	8.35%
Price	6.45	13.36%
Total	6.01	2.74%

We pride ourselves on the high level of professional service we give our clients and take pleasure in helping them build successful businesses. Whether a first time manager or a multi-billion dollar fund, all our clients deserve and receive the same commitment and dedication from our people.

Core Services

- Assistance with fund establishment
- Fund accounting, financial reporting
- Shareholder services/transfer agency
- Regulatory and statutory services
- Depository services
- Side entities and investment SPVs

Key Statistics

20+
Jurisdictions

10+
Fund
domiciles

\$35bn
Assets under
administration

1978
First office
opened

500+
Funds

40+
Languages
spoken

Our Global Custodian Industry Leaders Awards

- Best Onboarding for Private Equity Funds – 2019
- Hedge Fund Administrator of the Year, Best Client Service for Hedge Funds, Best Onboarding for Private Equity Funds – 2018
- Best Relationship Management and Best Client Service for North American Hedge Funds and Private Equity Funds – 2017