

2010
Private Equity
Fund Administration
Survey

Methodology

This is the 4th annual *Global Custodian* survey of private equity fund administration services. It aims to measure perceptions by private equity firms of the quality of the services provided to them by third-party administrators. While the survey is young, it continues to grow. A total of 179 authenticated responses—20% more than last year—were received on behalf of ten providers. Of those, eight providers received enough responses to be rated, which is two more than last year.

The only change to the survey this year was the addition of a separate questionnaire for institutional investors, which is separate from the traditional questionnaire for fund managers. After a minimal number of changes last year, the fund manager questionnaire was unchanged for 2010.

In the survey, respondents were asked to rate the quality of services received from their providers based on a scale of 1 to 7, where 7 is excellent; 6, very good; 5, good; 4, satisfactory; 3, weak; 2, very weak; and 1, unacceptable. Scores are weighted both for questions named by respondents as important and for the size and sophistication of the respondent.

Providers are eligible for either a Top Rating (awarded to any provider whose total weighted average score equals or betters the overall weighted average score) or a Commended Rating (a more subjective category that takes into account factors other than scores alone, but it is unusual in a *Global Custodian* survey for a provider to earn Commended status with a total weighted average score of less than 5.0). Providers are eligible for ratings in various locations (Channel Islands, Hong Kong, London, Luxembourg, Paris, Singapore and the United States) as well as in seven client-type categories divided into asset size (Less than \$100 Million, \$100 Million-\$1 Billion, \$1 Billion-\$5 Billion and More than \$5 Billion) and region (North America, Europe and Asia). The minimum number of responses necessary to secure a rating in the asset, single or multi-provider and location categories was set at five. For region categories, the thresholds were set at ten for North America and Europe and five for Asia. It is important to note that location ratings are based on the scores received for a particular provider in a particular servicing loca-

Table 2: Overall Benchmark Scores by Locations

Location	Score
Channel Islands	5.50
Hong Kong*	5.94
London	5.49
Luxembourg	5.48
Paris*	5.94
United States	6.09

* Only one provider received responses for this location; therefore, the global average was used as the benchmark.

Table 1: Global Benchmark Scores

Fund Manager	Overall	<\$100M	\$100M-\$1B	\$1B-\$5B	\$5B	Europe	Asia	North America
Client Service and Relationship Management	6.18	6.26	6.40	6.05	5.92	5.94	6.11	6.34
Value	5.68	6.15	5.85	5.55	5.38	5.43	5.61	5.84
Fund Establishment and Structuring	5.89	6.03	6.10	5.78	5.61	5.48	6.09	6.16
Capital Drawdowns	6.09	6.28	6.21	6.01	5.96	5.89	5.77	6.27
Investment Execution	5.93	6.19	6.06	5.69	6.02	5.88	6.03	5.94
Accounting and Reporting to Limited Partners	6.08	5.99	6.26	5.91	6.06	5.66	6.34	6.27
Accounting and Reporting to General Partners	5.72	5.92	5.90	5.52	5.66	5.57	5.65	5.83
Distributions	6.11	6.02	6.27	6.00	6.01	5.91	6.19	6.19
Reporting	5.92	6.09	5.93	6.06	4.74	5.67	6.21	6.10
Regulatory Reporting and Compliance	5.88	5.82	5.94	5.86	5.79	5.52	6.20	6.12
Corporate Secretarial	5.93	5.99	6.08	5.88	5.66	5.92	5.00	6.25
Technology	5.85	5.83	6.03	5.67	5.90	5.69	5.54	6.02
TOTAL	5.94	6.05	6.09	5.83	5.73	5.71	5.90	6.11

tion, while the region ratings are based on where the client is based. Additionally, providers are also eligible for ratings in the Overall category.

Best in Class (BIC) awards are given in the seven client-type categories, if a provider secures a total weighted average score that equals or betters the overall weighted average score for a particular service area within either the client size or region categories. Eligibility depends on securing a minimum of five responses in any category. In total, the most BIC awards that any provider could receive is 84.

Our ambition in this survey is to offer providers, respondents and other interested parties benchmarks against which the quality of services provided by a variety of firms can be measured. We urge all users of our surveys to recognize that the findings that are published in the magazine are only a fraction of the quantity of information gathered by the survey.

Experience has taught us that surveys do not happen by themselves, but require the investment of time and effort by providers and their clients. We are extremely grateful to the providers that had the confidence in our process and the quality of their services to take part in a survey that is still developing, and to the respondents who took the trouble to complete a long and complicated questionnaire for an

equally uncertain reward. As this survey grows and matures—and we will be working hard to ensure that it does—the risks taken by the pioneers should never be forgotten.

We strive always for accuracy. We aim also continuously to improve the efficiency of the survey process itself, to minimize its encroachment on time and to reduce the risk of errors that compromise accuracy. We are pleased to hear of any shortcomings and welcome suggestions for improvements to any aspect of its conduct and presentation. Further details of the findings published here and at www.GlobalCustodian.com are available from our director of research, Muzaffar Karabaev, in both digital and hard copy forms. He can be contacted at mkarabaev@globalcustodian.com.

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Table 1: Global Benchmark Scores

Institutional Investor	Overall	\$100M- \$1B	\$1B- \$5B	North America
Client Service and Relationship Management	5.83	6.01	5.92	5.95
Value	5.23	5.46	5.17	5.49
Transition of Clients	5.70	5.03	5.94	5.62
Capital Call Processing	5.95	6.01	6.14	6.07
Accounting and Reporting to Limited Partners	5.47	5.71	5.61	5.46
Reporting of Underlying Holdings to Limited Partners	5.16	4.89	5.29	5.44
Retention of Records	5.61	5.96	5.33	5.76
Technology	5.54	5.55	5.52	5.71
TOTAL	5.56	5.58	5.62	5.69

**Table 3: League Tables
(Fund Manager)**

OVERALL		
	Provider	Total Scores
1	CACEIS	6.17
2	Citi	6.16
3	Citco Fund Services	6.10
4	J.P. Morgan	6.06
	Global Overall	5.94
5	State Street	5.91
6	Augentius	5.78
7	SS&C PEI Solutions	5.72
8	Ipes	5.43

<\$100M		
	Provider	Total Scores
1	CACEIS	6.14
	Global Overall	6.05

\$100M-\$1B		
	Provider	Total Scores
1	Citi	6.50
2	CACEIS	6.34
3	SS&C PEI Solutions	6.22
4	State Street	6.11
	Global Overall	6.09
5	Citco Fund Services	6.02
6	J.P. Morgan	5.83
7	Augentius	5.68

\$1B-\$5B		
	Provider	Total Scores
1	State Street	6.21
2	CACEIS	6.09
3	Citi	6.01
	Global Overall	5.83
4	J.P. Morgan	5.81

\$5B+		
	Provider	Total Scores
1	J.P. Morgan	6.63
	Global Overall	5.73
2	State Street	5.06

NORTH AMERICA		
	Provider	Total Scores
1	Citco Fund Services	6.58
2	State Street	6.25
	Global Overall	6.11
3	J.P. Morgan	6.10
4	Citi	6.02
5	SS&C PEI Solutions	5.72

EUROPE		
	Provider	Total Scores
1	CACEIS	6.17
2	Augentius	5.78
	Global Overall	5.71
3	Ipes	5.43
4	State Street	5.19

ASIA		
	Provider	Total Scores
1	Citi	6.37
	Global Overall	5.90

🏆 = Top Rated 🍷 = Commended ○ = Unrated ⊕ = Not Rated ★ = Best in Class

CACEIS Investor Services

BEST IN CLASS

	Overall	<\$100M	\$100M-\$1B	\$1B-\$5B	\$5B+	North America	Europe	Asia
	🏆	🏆	🏆	🏆	⊕	⊕	🏆	⊕
Client Service and Relationship Management	6.37	★	★	★	n/a	n/a	★	n/a
Value	6.22	★	★	★	n/a	n/a	★	n/a
Fund Establishment and Structuring	6.25	★	★	★	n/a	n/a	★	n/a
Capital Drawdowns	6.27	★	★	★	n/a	n/a	★	n/a
Investment Execution	6.35	★	★	★	n/a	n/a	★	n/a
Accounting and Reporting to Limited Partners	6.03	★		★	n/a	n/a	★	n/a
Accounting and Reporting to General Partners	6.16	★	★	★	n/a	n/a	★	n/a
Distributions	6.23		★	★	n/a	n/a	★	n/a
Reporting	6.12	★	★		n/a	n/a	★	n/a
Regulatory Reporting and Compliance	6.14	★	★	★	n/a	n/a	★	n/a
Corporate Secretarial	5.75			★	n/a	n/a		n/a
Technology	6.17		★	★	n/a	n/a	★	n/a
TOTAL	6.17	6.14	6.34	6.09	n/a	n/a	6.17	n/a

CACEIS continues to shine in this survey. In an industry under pressure, with funds postponing or reducing launches where they have not actually abandoned them, CACEIS opted to enlarge the staffing and clientele of its private equity offering even as leverage vanished and capital commitments shrank. The heart of its business in Luxembourg continues to beat strongly, as real estate and micro-finance as well as private equity managers have warmed to the SICAR and SIF investment vehicles, and find the legal and fiscal framework accommodating enough. “One of the big strengths of this bank is its openness in supporting new and innovative products, and the flexibility and the adaptability of the existing structure to service them,” says a client. Luxembourg is a logical domicile for funds invested in the mounting toll of distressed assets in Europe, especially east of the Elbe, though this was the boom-that-never-was in 2009. The CACEIS operation in the Grand Duchy might even benefit from the passage of the AIFMD, as private equity managers switch domiciles from offshore locations in order to retain access to European investors. Certainly, the United Kingdom—host to the biggest private equity industry in Europe and the main source of business for Guernsey—is now a target market for CACEIS. With the burden of regulation and investor reporting likely only to increase, especially in Europe, CACEIS ought to be thrilled to lift its score for regulatory reporting to the head of the survey—for compliance complexity and cost might well be the final factor that persuades self-administrators to outsource. For now, the scores reflect the gloomier mood of the industry. The average client—and two out of three respondents rated CACEIS last year—has marked the bank down in all but a third of questions, albeit from such high levels it scarcely matters. As scores of this quality imply, most respondents struggle to explain the slippage, but one has experienced “lack of proactiveness, delay in producing regulatory data (i.e. subscription taxes) [and] slowness in treating day-to-day operating cash transfers.” A second observes that CACEIS is “not present in other interesting jurisdictions.” Although the bank offers full services out of France and the former Olympia operations in Bermuda, Canada, Ireland and New York as well as Luxembourg, a limited presence offshore may help explain why Anglo-Saxon respondents remain elusive.

RESPONDENT PROFILE

GEOGRAPHICAL ORIGIN OF RESPONDENTS

● Asia	0.0%
● Europe	95.5%
● North America	0.0%
● Others	4.5%



TOTAL AUM OF RESPONDENTS

● < \$100 million	36.4%
● \$100 million – \$1 billion	31.8%
● \$1-5 billion	31.8%
● \$5 billion +	0.0%




PERCENTAGE OF CLIENTS PURCHASING SERVICES

Settlement of investment/divestment transactions	95.5%
Accounting for and reporting to General Partners	86.4%
Management of audit process (incl. annual accounts)	77.3%
Preparation of annual accounts	72.7%
Issuance of annual accounts to Limited Partners	63.6%
Calculation of all capital calls	59.1%
Issuance of all capital call letters to Limited Partners	59.1%
Preparation of all investor reporting	54.5%
Dealing with general inquiries from Limited Partners	54.5%
Issuance of all investor reporting to Limited Partners	31.8%

REPLICATE THE WORK UNDERTAKEN

● Some of it	63.6%
● None of it	31.8%
● Most of it	4.5%



LOCATIONS RATINGS

Locations	2009	2010	2010 score
Luxembourg	🏆	🏆	6.09
Paris	🏆	🏆	6.33