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## Citco Cedes Lead in Administrator Ranking

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THE GRAPEVINE

Managing director **Becket Wolf** is leaving **Blackstone's** seed-capital unit to become chief investment officer at a family office near his home in Rye, N.Y. In addition to playing a key role in Blackstone's seeding business, Wolf has helped the firm take stakes in established hedge fund operators. Investment activity in both areas recently has been quiet. Wolf joined Blackstone in 2013 from **Citadel,** where he headed fundamental credit-product investments. He also has worked at **Laurel Ridge Asset Management.**

**Thomas Manuel** resigned last month from his post as head of strategy for **Lyxor Asset Management's** multi-manager investments in credit-product and event-driven hedge funds. Manuel

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Wells Ties Growth to Quant-Fund Operators

**Wells Fargo's** prime-brokerage division is targeting quantitative-equity funds as it seeks to crack the ranks of the major prime brokers.

With more and more capital flowing to quant funds in general and equity market-neutral vehicles in particular, Wells sees an opportunity to advance a strategy through which it has steadily gained market share by offering its services to large hedge funds that employ multiple prime brokers (see ranking on Page 5). To that end, the bank is developing a new service aimed at financing highly leveraged quant-equity funds.

Under the **Federal Reserve's** Regulation T margin rules, Wells' brokerage operation faces strict limits on the amount of leverage it can offer to stock-trading clients — no more than two times equity. Under an alternative approach known as portfolio margining, the limit can be stretched to 6.7 times equity. But that still isn't

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Citco Cedes Lead in Administrator Ranking

**Citco** has relinquished its title as long-time leader of the fund-administration sector.

Among administrators of single-manager hedge funds, Citco's ranking has dropped to third place behind **State Street** and **SS&C GlobeOp,** ending a five-year run at the top of the league table, according to **Hedge Fund Alert's** Manager Database. Measured by gross assets under administration, Citco's market share has slipped to 18.8%, from 20.6% a year earlier, while both State Street and SS&C boosted their shares to more than 20% as the amount of hedge fund assets they each administer topped the $1 trillion mark (see ranking on Page 8).

The changes at the top reflect, in part, an aggressive acquisitions strategy by SS&C in recent years, including its 2016 purchase of **Citigroup's** fund-administration business. It also has hired aggressively, assembling a staff that includes 3,000 accountants, 800 software engineers and 70 salespeople. SS&C's assets under

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Former Greenlight Exec Plans Equity Fund

Equity specialist **Andrew Rechtschaffen** is again building a hedge fund shop.

Rechtschaffen, most recently of **Greenlight Capital,** is calling his New York operation **Arex Capital.** Also on board is chief financial officer **Jason Abrams,** who previously held the same title at hedge fund operator **Broadfin Capital.**

The effort marks the second time Rechtschaffen has started his own hedge fund. In 2008, he launched a firm called **Obrem Capital** with $800 million. Before that, he worked at **Citadel,** and had previously served a stint at Greenlight.

Rechtschaffen shuttered Obrem in 2011 to rejoin Greenlight, a New York fund manager led by **David Einhorn.** He left his post as a portfolio manager last month.

Greenlight notified investors of Rechtschaffen's exit in an April 25 letter that also disclosed the departure of research analyst **Jaime Lester,** who has joined hedge fund startup **Cerrano Capital.** Lester arrived at Greenlight in 2014 after nine years

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The changes at the top reflect, in part, an aggressive acquisitions strategy by SS&C in recent years, including its 2016 purchase of **Citigroup's** fund-administration business. It also has hired aggressively, assembling a staff that includes 3,000 accountants, 800 software engineers and 70 salespeople. SS&C's assets under administration have increased some 1200% since 2012, when the **SEC** began requiring hedge fund managers to disclose their service-provider relationships via Form ADV.

"Gaining market share and hiring quality talent has been an organizational focus," said **Rahul Kanwar,** who heads SS&C's alternative-asset division. "We enhance the talent acquisition process through recruiting as well as acquisitions."

Citco, meanwhile, has been hurt by fund liquidations, losses and redemptions among several high-profile clients. They include **Fortress Investment, Landsdowne Partners, Och-Ziff Capital** and **Perry Capital.**

**Jay Peller,** head of fund services at Citco, said the company is well positioned to expand assets under administration based on projections for investment gains and inflows of fresh capital. "We expect to be back on top without buying anyone," Peller said. Meanwhile, he added, Citco's private equity and real estate fund administration business has been growing at a rapid clip.

Citco's declining market share in the hedge fund sector comes as private equity shops **General Atlantic** and **Stone Point Capital** are seeking to sell a minority stake they've owned in the business since 2011. **Bloomberg** reported on April 13 that the stake could fetch about $1 billion.

As for State Street, sources said the increase in gross assets under administration could be at least partly attributable

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to higher leverage levels among some of its clients. But **Paul Fleming,** global head of hedge funds for State Street's alternative investment solutions business, pointed to a multi-year technology upgrade dubbed Beacon that "continues to streamline efficiencies and digitally enhance processes."

The ranking, based on first-quarter regulatory filings by SEC-registered fund managers and so-called exempt filers, also shows the fund-administration market increasingly is dominated by the biggest players. The top five firms, including **BNY Mellon** and **Morgan Stanley,** now command a 74.8% market share, up from 73.2% last year. Five years ago, the top five administrators accounted for 62.4% of the hedge fund market.

Of 10,495 single-manager funds tracked by the Manager Database, 85.3% reported using at least one third-party administrator, compared to 84.3% a year earlier. During the same period, the total amount of gross hedge fund assets run by SEC-registered and exempt managers increased 8.2% to $6 trillion.

A separate ranking of administrators of multi-manager funds shows Citco gaining market share on three rivals — SS&C, State Street and BNY — and finishing in first place, up from fourth place a year ago. Citco's share of the fund-of-funds sector rose to 17.2%, from 16%, while SS&C's share dropped to 16.5%, from 18.6%; State Street's share slipped to 14.9%, from 16.4%; and BNY's share fell to 9.1%, from 12.6%. Among the top five administrators of multi-manager funds, the only other gainer was **SEI,** whose market share jumped to 11.2%, from 7.1%.

The Manager Database, which tracks 3,132 hedge fund firms, also reveals winners and losers among hedge fund auditors (see ranking on Page 9). **Ernst & Young** maintained its No. 1 ranking by picking up 99 new hedge fund clients, boosting its market share to 24.9%, from 24.1% a year earlier. No. 2-ranked **PricewaterhouseCoopers** experienced a marginal dip in market share, to 22.5%.

Among the top five hedge fund auditors, the biggest loser was No. 3-ranked **KPMG,** whose client count fell by more than 10% to 1,998. As a result, its market share slipped to 17.4%, from 19.5%.

"Our diverse portfolio includes a large number of small and emerging managers who are under significant pressure due to a crowded hedge fund market, the challenging capital-raising environment, underperformance compared to the market and lower management fees," a KPMG spokesperson said. "This has resulted in a decrease in launches and increasing closures. We do expect the market to pick up as the economy strengthens."

Rounding out the top five hedge fund auditors are **Deloitte,** which added 58 clients — enough to lift its market share to 12.3%, from 11.9% — and **RSM,** whose share decreased marginally to 3.8%.

In total, SEC-registered fund operators and so-called exempt filers employ nearly 200 different accounting firms to audit their books. But the top five firms control 81% of the market.

**Baker Tilly** cracked the top-10 list for the first time this year, as its client roster increased nearly four-fold to 83 — good for a 0.7% market share. **Christine Fenske,** who heads Baker's asset-management group, said one new client alone accounts for 30 of the additional funds.

Hedge funds are a "focused area of growth for our firm," she said, "and the focus has allowed us to put more resources into new developments." ❖