Connect with our Expertise VIRTUS PARTNERS www.virtusllc.com

www.HFAlert.com

Hedge Fund ALERT

MAY 8, 2019

6 RANKINGS: ADMINISTRATORS
7 RANKINGS: AUDITORS
8 RANKINGS: PRIME BROKERS
9 RANKINGS: CUSTODIANS
2 Challenger Exits SkyBridge Position
2 Strong Start for Coffey's Kirkoswald
2 Healthcare Pro Raising Money
4 CIBC Offering More Leverage
4 Caerus Founder Takes the Reins
4 Whitebox Planning to Issue CLOs
5 End of the Line for PhaseCapital
5 TMT Equity Shop Up and Running
11 LATEST LAUNCHES

THE GRAPEVINE

Ellington Management has added **Jonas Frantz** to its London office as a managing director responsible for marketing and investor relations. Frantz had been running his own capital-raising shop since January 2018. Before that, he started a European investor-relations unit at **Paulson & Co.** He also counts **Citigroup** as a former employer. Ellington has about 10 employees stationed in London, out of an overall staff of 142. The firm, led by **Michael Vranos,** has $8.2 billion under management.

Startup equity manager **Woodline Partners** brought in two analysts in April. **Brian Schmidt,** who covers the stocks of pharmaceutical and biotechnology

See GRAPEVINE on Back Page

US Investors Get Crack at Mubadala Vehicle

Sovereign-wealth fund **Mubadala Investment** is raising money from U.S. investors for an equity hedge fund.

Mubadala, which invests more than $225 billion for the **Emirate of Abu Dhabi,** has filed paperwork with the **SEC** for two Cayman Islands vehicles, MIC Capital Partners (Public) Parallel Cayman and MIC Capital Partners (Public) Non-U.S. Mubadala operates in the States via an investment advisor called **MIC Capital.**

MIC is a unit of Mubadala Capital, a division of the sovereign wealth fund that runs money for outside investors in addition to balance-sheet capital. To date, Mubadala's third-party offerings have included private equity, venture capital and co-investment funds — including one that raised at least $90 million in 2017 to originate bridge loans in Brazil. The new Cayman Islands vehicles appear to mark the first time it has offered hedge funds to investors in the U.S.

It's unusual for a sovereign-wealth fund to manage money for other investors,

See MUBADALA on Page 5

Major Prime Brokers Losing Market Share

The latest **SEC** data on hedge funds' prime-brokerage relationships show a number of the biggest banks continue to lose market share, while several smaller brokerages have experienced rapid growth.

Perennial front-runner **Goldman Sachs** commands an 18.1% share of the market based on the number of funds that use the bank for prime-brokerage services, according to the latest regulatory filings captured by **Hedge Fund Alert's** Manager Database. That's down from 18.8% a year ago and 21.7% in 2012, when the SEC began requiring fund managers to identify their prime brokers.

The data reveal marginal decreases in market share for second-ranked **Morgan Stanley** (16.7%, down from 16.8% in 2018 and 17.3% in 2012) and third-place **J.P. Morgan** (14%, unchanged from last year but down from 15.1% in 2012). The declines were more substantial for fourth-place **Credit Suisse** (7.6%, down from 8.1% in 2018

See BROKERS on Page 8

ExodusPoint: Schonfeld Staffers Underpaid

ExodusPoint Capital is firing back at **Schonfeld Strategic Advisors.**

ExodusPoint, which was sued by Schonfeld last year for poaching staff, has filed a counterclaim in which it boldly asserts that it will continue recruiting Schonfeld's "systematically undercompensated employees."

"There is a great deal of interest and excitement in the industry about the prospect of working at ExodusPoint and apparently widespread unhappiness with Schonfeld, even at the senior level," ExodusPoint said.

The counterclaim, filed April 26, also challenges a provision in some of Schonfeld's employment contracts that prohibits ex-employees from soliciting former colleagues for a period of five years. That's an unreasonably long non-solicitation period, ExodusPoint argues. Schonfeld filed its lawsuit last October after ExodusPoint hired **Alessandra Sassun,** the former head of human capital at Schonfeld. Schonfeld claims Sassun

See EXODUSPOINT on Page 10

Challenger Exits SkyBridge Position

Challenger Financial has sold its stake in **Anthony Scaramucci's SkyBridge Capital.**

The Adelaide, Australia, investment manager, which acquired a 10% stake in the fund-of-funds operator in 2008, "disposed of the investment" for about $3 million, according to a filing last month with U.K. corporate registrar **Companies House.** That would value SkyBridge at just $30 million or so — though its possible the transaction involved only the final piece of Challenger's stake.

Amid plans to join the **Trump Administration** in early 2017, Scaramucci reached an agreement to sell his stake in Skybridge to Chinese conglomerate **HNA Group** in a deal that valued the business at $180 million or more. The deal collapsed 10 months after Scaramucci served a 10-day stint as White House communications director.

In the two years since Scaramucci inked the agreement with HNA, SkyBridge's discretionary assets slipped by $1.7 billion to $6 billion as of Jan. 31. At the same time, its nondiscretionary assets dropped $800 million to $3.3 billion.

A mergers-and-acquisitions advisor focused on the asset-management sector said a fund-of-funds manager of SkyBridge's size, with declining assets, could expect to fetch $100 million to $135 million.

Scaramucci owns a 25-50% stake in the New York firm. **Brett Messing,** who joined SkyBridge in November as president and chief operating officer, owns a 10-25% stake, as does co-chief investment officer **Ray Nolte.** Long-time SkyBridge executive **Troy Gayeski,** recently promoted to co-chief investment officer, owns a 5-10% stake in the business.

Scaramucci has credited Challenger with keeping SkyBridge afloat during the financial crisis. Challenger acquired its 10% stake in exchange for a $100 million investment in a SkyBridge seeding fund.

After the HNA deal collapsed in April 2018, Scaramucci returned to SkyBridge as co-managing partner and resumed his role as host of the SALT Conference, which is taking place this week at the Bellagio Hotel & Casino in Las Vegas. ❖

Strong Start for Coffey's Kirkoswald

Kirkoswald Capital finished its first 12 months with a 12% gain, positioning the firm for a continued capital-raising push that increasingly is taking aim at U.S. investors.

The operation began trading its hotly anticipated Kirkoswald Global Macro Fund on April 9, 2018, and went on to finish the year with a 5.3% profit. It was up another 6.2% during the first quarter of this year, including a 3% rise in March.

That marked the fund's best month to date, at a time when many other global-macro managers struggled, founder **Greg Coffey** wrote in a letter to investors in April. "It has been a challenging 12 months for the industry and for the macro space. We have maintained a philosophy of capital preservation in difficult periods — and aggressive risk taking when the going was good," he added.

On the capital-raising front, Kirkoswald hired **Blake Benke** in April as head of business development in the U.S. Benke had been a member of **Citigroup's** capital-introduction group since 2014, following stops at **RBC, Procter & Gamble** and **Morgan Stanley.** He works closely with London-based business-development chief **Richard Blake.**

While initial reports had Kirkoswald launching with $1 billion, Coffey told investors in October that the firm was running $500 million and likely would double its assets by yearend. The plan is to stop accepting commitments at $2 billion.

The effort to reach U.S. investors follows the relocation of Kirkoswald's headquarters to New York from London at the beginning of this year. Indications were at the time that Coffey was concerned London might be losing its status as a major financial center amid the U.K.'s exit from the European Union.

Coffey came out of retirement to start Kirkoswald, having most recently been a star trader at **Moore Capital** from 2008 to 2012. His initial investors included Moore founder **Louis Bacon.**

Coffey, whose resume also includes stops at **GLG Partners** and **Macquarie,** placed a substantial amount of his own capital into the Kirkoswald fund. Marketing materials for the vehicle note that he has produced annualized gains of more than 30% across his career, for a $3 billion profit.

At GLG, Coffey's investments gained 39.8% in 2004, 80.5% in 2005, 59.9% in 2006 and 50.5% in 2007. At Moore, his portfolio was up 20.4% in 2009 and 5% in 2010, but lost 5.1% in 2011 and 2.4% in 2012.

Coffey's core team at Kirkoswald encompasses seven executives, each with at least 20 years of experience, who worked with him at Moore, GLG or Macquarie. The firm invests across equities, debt products, currencies and commodities, pursuing 3-5 medium- to long-term structural themes per year with an emerging-market bias. ❖

Healthcare Pro Raising Money

A former **OrbiMed Advisors** executive is assembling a hedge fund to invest in healthcare-company stocks.

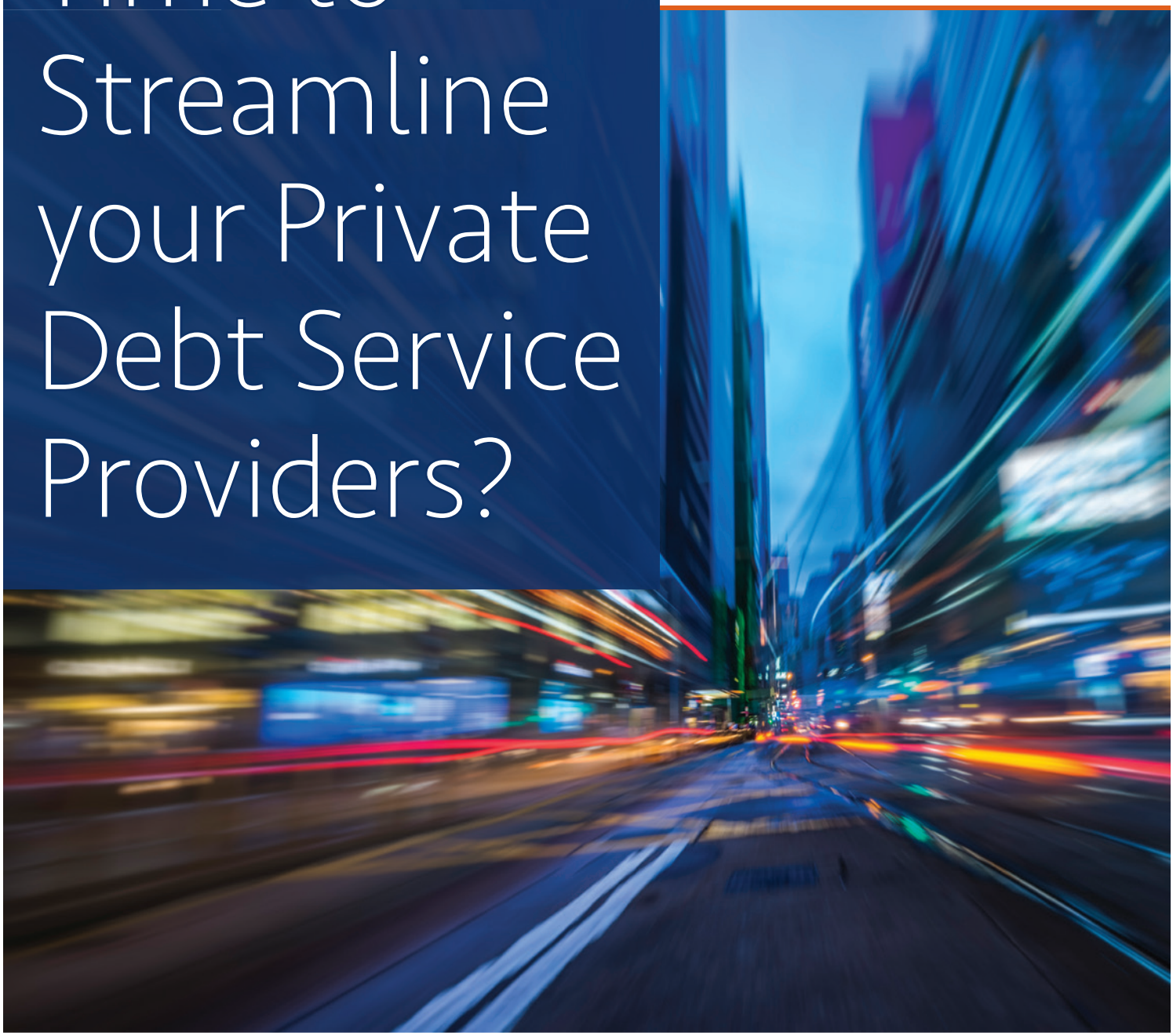
Scott Green plans to launch the vehicle by yearend via a New York management firm he has dubbed **8 Knots.** His capital-raising ambitions are unclear, although one family-office investor said he should benefit from the heavy demand for healthcare-stock funds.

Green will employ a market-neutral strategy with the goal of producing strong risk-adjusted returns with little volatility. In describing 8 Knots on **LinkedIn,** he outlined a play in which long positions in HMOs could be paired with short sales of hospital operators. The reason: HMOs increasingly have pocketed premium payments amid decreased spending on benefits, which has cut into revenues for hospitals.

Green worked at OrbiMed from 2013 to this March, most recently as a partner covering a mix of healthcare-company investments. He was a healthcare-stock analyst at **Bank of America** before that, and started his career on an internal hedge fund at **Bear Stearns.** ❖

VIRTUS PARTNERS

Time to Streamline your Private Debt Service Providers?



Imagine one integrated work-flow: Loan Capture, Processing, Agency, Cash Management, Fund Administration and Settlement Services—all with one provider.

Combining cutting-edge technology, deep domain knowledge and unparalleled Client Service, **Virtus delivers your custom-built solution**.

Simon Behan, Managing Director
simon.behan@virtusllc.com
353 (01) 566 7834

Kennedy Glasscock, Director
kennedy.glasscock@virtusllc.com
713.993.1039

Paul Livanos, Director
paul.livanos@virtusllc.com
212.634.6103

www.virtusllc.com

CIBC Offering More Leverage

CIBC is positioning its nascent U.S. prime-brokerage unit to better compete with Wall Street banks.

Starting this month, the Toronto bank is offering hedge fund clients in the U.S. "enhanced" leverage capabilities, enabling them to finance a wider variety of assets with less counterparty risk. Using its C$464 billion ($350 billion) balance sheet, CIBC will lend against hard-to-finance investments managed by multi-asset, multi-strategy and quantitative hedge funds.

Since launching last year, CIBC's U.S. prime-brokerage business has picked up only a handful of clients. But the group, led by **Michael Ginelli** and **Alexandra Krystal,** is determined to steal business from the likes of **Citigroup, Credit Suisse** and **Deutsche Bank,** which have been losing market share (see article on Page 1). To that end, Ginelli and Krystal are looking to hire sales and relationship-management professionals. They currently oversee about 25 mostly back-office personnel in the bank's New York office.

Until now, CIBC has relied on its U.S. broker-dealer arm to finance trades for hedge fund clients in the States. But under its enhanced offering, the prime-brokerage unit will leverage the bank's balance sheet to lend larger amounts against a variety of assets at competitive rates. Most other Canadian banks with U.S. prime-brokerage operations, including **Bank of Montreal, RBC** and **TD Securities,** offer more-limited leverage products.

At CIBC, plans also are in the works to develop a synthetic prime-brokerage offering.

CIBC boasts healthy "Aa2/A+" ratings from **Moody's** and **S&P,** an important consideration for fund managers mindful of how **Lehman Brothers'** 2008 collapse damaged its hedge fund clients. The Canadian bank also touts a technology platform it built from scratch — unlike many U.S. banks that are working with older systems.

"The financial crisis changed the market dramatically," Ginelli said. "Prime brokers face the challenge of having to make adjustments to legacy systems in order to perform in the new environment. As a new entrant, CIBC is able to build [a system] specifically for today's market." ❖

Caerus Founder Takes the Reins

Consumer-stock specialist **Caerus Investors** is now operating with a single portfolio manager.

Managing partner **Brian Agnew,** who helped launch Caerus in 2009, left last week to take a finance position at Reno, Nev., casino operator **Eldorado Resorts.** He had been sharing oversight of Caerus' investments with founder **Ward Davis.**

Before joining Caerus, Agnew was a senior portfolio manager within a proprietary equity unit of **J.P. Morgan.** He also has worked at **Stadia Capital, Galleon Group** and former **Morgan Stanley** unit **FrontPoint Partners.**

Davis previously co-founded **Trivium Capital,** following stops at **Chilton investment, Zweig-DiMenna Associates** and **MFS Investment.**

Caerus reported to the **SEC** on March 27 that it had five employees, including Agnew. Also at the firm were head trader **Alan Friedman** and senior researcher **Alex Wolff.**

Caerus has $400 million under management. The firm has attracted attention for its often-philosophical investor letters, including one in 2016 that suggested the firm would take short positions in companies that dismiss the buying power of millennials. The same year, it urged the board of handbag maker **Kate Spade** to pursue a sale of the company.

Caerus builds high-conviction portfolios based on fundamental research, typically holding long-term positions while maintaining low net exposure. ❖

Whitebox Planning to Issue CLOs

Whitebox Advisors, which has experience investing in collateralized loan obligations, has formed a unit to issue its own CLOs.

The division, Whitebox CLO Management, has begun buying leveraged loans via a warehouse line from **J.P. Morgan.** It also has started reaching out to CLO investors, though the timing of an inaugural issue is uncertain. The initiative first was reported by sister publication **Asset-Backed Alert.**

Whitebox has invested in CLOs through its flagship Whitebox Multi-Strategy Partners Fund and a separate vehicle dubbed Term Credit Fund 1, which the firm launched in 2017 with a focus on structured products. Whitebox's structured-product strategy has generated a 16.4% annualized return since 2010.

Its funds also invest in whole loans, having traded about $6 billion of leveraged loans since 2014, according to marketing materials for Whitebox CLO Management. Whitebox is telling investors it will retain the equity pieces of the CLOs it issues.

Leveraged-loan professionals have been expecting new issuers to enter the CLO market since a federal appeals court ruling last year eliminated the Dodd-Frank Act's risk-retention requirement for collateralized loan obligations. But barriers remain — in particular, difficulties many issuers have had selling the equity pieces of their deals amid increases in both loan prices and spreads on CLO notes.

Prospective issuers apparently have been deterred by the cost of retaining first-loss pieces. But that isn't an issue for Whitebox, a Minneapolis firm with $5.8 billion under management.

Whitebox CLO Management is led by **Paul Roos,** who joined Whitebox as a portfolio manager in 2012 from **Highland Capital,** where he structured CLOs. Roos, whose team is based in Austin, continues to oversee structured-product investments for Whitebox's funds.

Whitebox was founded in 1999 by **Andrew Redleaf,** who continues to own a large piece of the firm and remains a member of the investment committee. The firm is now led by chief investment officers **Paul Twitchell** and **Robert Vogel.**

Neuberger Berman's Dyal Capital unit acquired a minority stake in Whitebox in 2015. ❖

End of the Line for PhaseCapital

PhaseCapital, a once-$300 million fund shop that enjoyed backing from two prominent investors, is out of business.

The New York firm withdrew its SEC registration last month after chief executive **Michael DePalma,** chief investment officer **Michael Ning** and portfolio manager **Tim Gramatovich** accepted positions at other firms. After liquidating a global-macro fund and a mutual fund in December, PhaseCapital's only remaining business was a sub-advisory assignment for an actively managed fund sponsored by **Exchange Traded Concepts** of Oklahoma City.

PhaseCapital's founder, **John Donahue,** started out in Boston in 2007 with financial backing from private equity shop **Denham Capital,** which owned a 35% stake in the business. Denham is led by **Stuart Porter,** a former **Harvard Management** executive who co-founded now-defunct hedge fund shop **Sowood Capital.**

PhaseCapital received additional backing from **James Pallotta,** a former top executive at **Tudor Investment** who in 2009 spun off Tudor's Raptor Global Fund and formed **Raptor Capital** of Boston. Raptor owned a 23% stake in PhaseCapital.

PhaseCapital tried out a succession of strategies, including tactical allocation, macro and, most recently, high-yield debt. But the firm never regained its footing after its largest limited partner — a Middle Eastern sovereign-wealth fund — fully redeemed its investment in 2015. The following year, Donahue was replaced as chief executive by DePalma, who moved the firm to New York.

Its last two funds — PhaseCapital Global Macro Fund and a mutual fund called PhaseCapital Dynamic Multi-Asset Growth Fund — had a combined $92 million under management when DePalma pulled the plug in December. The plan then was to develop a separate-account business and introduce a tail-risk product, but those initiatives never panned out.

When PhaseCapital hired Gramatovich last year, he already was running a portfolio of leveraged loans and high-yield bonds for Exchange Traded Concepts' vehicle, High Yield ETF. But in March, Gramatovich was hired by **B. Riley Financial** to serve as chief investment officer for a newly formed high-yield debt unit called **Gateway Credit Partners.**

Last month, DePalma and Ning joined the $116 billion fixed-income manager **MacKay Shields,** which has taken over as subadvisor to High Yield ETF. DePalma is head of quantitative fixed-income, while Ning is a portfolio manager. High Yield ETF has about $145 million under management.

Before PhaseCapital, DePalma and Ning worked together at **AllianceBernstein.** ❖

TMT Equity Shop Up and Running

Startup equity manager **6elm Capital** has begun investing.

The New York firm started trading on April 1 with $16 million, of which about $13 million came from its partners. A formal launch of a fund called 6elm Capital Master is expected in June or July, perhaps with more than $100 million.

The two-stage approach apparently is intended to ensure that 6elm is operating smoothly before taking in more substantial outside commitments. The firm, led by former **Tourbillon Capital** partner **Kartik Joshi** and one-time **Balyasny Asset Management** portfolio manager **Anil Gondi,** has equipped itself to run a large amount of capital.

Indeed, 6elm has a professional staff of six that includes chief financial officer **Jonathan Herr,** formerly of **Hoplite Capital,** and analyst **David Fang,** previously of Balyasny.

The firm invests in the stocks of technology, media and telecommunications companies worldwide.

Joshi led similar investments at Tourbillon from 2012 to yearend 2017. His exit was unrelated to a move by Tourbillon founder **Jason Karp** to begin unwinding that $3 billion firm in October 2018. Earlier, Joshi worked at **Karsch Capital** and **Diamondback Capital.**

Gondi likewise ran a portfolio of technology stocks at Balyasny from 2004 to July 2018. He previously worked at **CapitalKey Advisors.** ❖

Mubadala ... From Page 1

and Mubadala's motivations are unclear. It may have launched the funds to accommodate one or more U.S. institutions that want to invest with Mubadala.

Mubadala's public-equity investments are managed by **Maxime Franzetti,** who presumably will serve as portfolio manager for the new funds. Franzetti, who is based in Abu Dhabi, currently manages a multi-billion-dollar long/short portfolio of concentrated investments in small and mid-cap companies in North America and Europe.

Franzetti joined Mubadala in 2008 from a London-based analyst's post at **Dresdner Kleinwort,** having previously worked at **Robert W. Baird & Co.** and **KPMG,** also in London.

Franzetti reports to **Hani Barhoush,** executive director of Mubadala Capital and a member of the investment committee overseeing the sovereign-wealth fund.

Mubadala is one of two sovereign-wealth funds investing Abu Dhabi's oil wealth. The other, **Abu Dhabi Investment Authority,** has about $800 billion of assets and ranks as the world's most aggressive allocator to hedge funds, with $62 billion of fund stakes, according to **Hedge Fund Alert's** ranking of hedge fund investors. ❖

Correction

A May 1 article, "Alkeon, Valiant Prep Venture-Style Vehicles," incorrectly reported that **Alkeon Capital** is a unit of **Oppenheimer.** Alkeon spun off from **CIBC Oppenheimer** in 2002 and still manages assets for Oppenheimer, but the New York firm is owned by chief investment officer **Panayotis Sparaggis.** ❖

For information about group subscriptions,
click "About Us" at the bottom of HFAlert.com.

RANKINGS

Top Administrators of Single-Manager Hedge Funds

Based on SEC filings by hedge fund managers.

		Client Funds' Gross Assets Under Management				
	Administrator	1Q-19 ($Mil.)	% of Total	1Q-18 ($Mil.)	% of Total	'18-'19 % Chg.
1	SS&C GlobeOp	$1,580,323.5	24.3	$1,413,221.0	22.5	11.8
2	State Street	1,234,954.9	19.0	1,233,201.5	19.7	0.1
3	Citco	1,012,680.2	15.6	1,068,148.0	17.0	-5.2
4	Northern Trust	555,439.7	8.5	417,191.1	6.7	33.1
5	BNY Mellon	470,424.9	7.2	491,375.3	7.8	-4.3
6	Morgan Stanley	350,735.5	5.4	372,470.6	5.9	-5.8
7	Hedgeserv	242,003.3	3.7	225,316.3	3.6	7.4
8	SEI	235,529.6	3.6	266,475.2	4.3	-11.6
9	MUFG	160,199.7	2.5	138,142.6	2.2	16.0
10	J.P. Morgan	102,836.9	1.6	92,449.8	1.5	11.2
11	U.S. Bank	90,461.2	1.4	85,272.2	1.4	6.1
12	Harmonic Fund Services	84,064.1	1.3	85,006.9	1.4	-1.1
13	Quintillion	62,690.1	1.0	45,535.6	0.7	37.7
14	Stone Coast Fund Services	54,234.3	0.8	52,075.6	0.8	4.1
15	HSBC	50,691.7	0.8	64,814.2	1.0	-21.8
16	BNP Paribas	40,815.2	0.6	50,547.8	0.8	-19.3
17	Brown Brothers Harriman	28,935.3	0.4	17,820.3	0.3	62.4
18	Opus Fund Services	26,974.7	0.4	14,902.3	0.2	81.0
19	Apex Fund Services	22,913.7	0.4	14,760.9	0.2	55.2
20	Citigroup	18,017.0	0.3	0.0	0.0	
	OTHERS	211,834.7	3.3	229,990.2	3.7	-7.9
	Total for Administered Funds	**6,510,404.0**	**100.0**	**6,268,272.2**	**100.0**	**3.9**
	Total for All Single-Manager Funds	**6,840,653.7**		**6,597,748.0**		**3.7**

Top Administrators of Multi-Manager Hedge Funds

Based on SEC filings by hedge fund managers.

		Client Funds' Gross Assets Under Management				
	Administrator	1Q-19 ($Mil.)	% of Total	1Q-18 ($Mil.)	% of Total	'18-'19 % Chg.
1	SS&C GlobeOp	$124,792.8	22.3	$118,004.3	20.5	5.8
2	Citco	92,025.2	16.5	99,456.9	17.3	-7.5
3	State Street Bank	74,012.5	13.3	72,639.4	12.6	1.9
4	BNY Mellon	43,752.4	7.8	45,341.3	7.9	-3.5
5	Northern Trust	39,657.2	7.1	33,954.4	5.9	16.8
6	MUFG	36,521.9	6.5	46,833.1	8.1	-22.0
7	SEI	33,003.8	5.9	35,233.5	6.1	-6.3
8	Renaissance Technologies	18,101.3	3.2	10,132.8	1.8	78.6
9	J.P. Morgan	12,606.3	2.3	12,034.2	2.1	4.8
10	Hedgeserv	10,619.3	1.9	15,503.2	2.7	-31.5
	OTHERS	73,710.8	4.5	88,433.0	8.4	-47.9
	Total for Administered Funds	**558,575.3**	**100.0**	**576,408.3**	**100.0**	**-3.1**
	Total for All Multi-Manager Funds	**617,542.5**		**630,462.2**		**-2.0**

RANKINGS

Leading Fund Administrators Expanding Footprint

The largest hedge fund administrators command an increasingly big share of the U.S. market.

Consider that the top three administrators of single-manager funds — currently **SS&C GlobeOp, State Street** and **Citco** — now have a combined market share of 58.8%, according to the latest regulatory filings captured by **Hedge Fund Alert's** Manager Database. That compares to 47.4% for the top three in 2012, when the SEC began requiring fund managers to identify third-party administrators.

The combined market share of the top 10 administrators: a whopping 91.3%, up from 84.5% seven years ago. The database shows another 213 administrators competing for less than 10% of the market.

In the past year, SS&C supplanted State Street as the top administrator of single-manager hedge funds based on total gross assets in client funds. Following years of aggressive acquisitions, SS&C now administers $1.6 trillion of U.S. hedge fund assets, for a 24.3% market share. Its advance to first place this year also reflects a change in methodology Hedge Fund Alert used to calculate the assets of its largest fund client, a $279.4 billion vehicle managed by **Capula Investment.**

For years, the field was led by Citco, which ceded the crown to State Street in 2017. While SS&C's market share jumped by nearly 2 percentage points in the past year, both Citco and State Street lost ground. State Street's share slipped to 19%, from 19.7%, while Citco dropped to 15.6%, from 17%.

Among the top 10 firms, the biggest gainer was **Northern Trust,** whose market share increased to 8.5%, from 6.7% a year earlier. Northern Trust now ranks fourth, up from sixth place in 2017.

SS&C, a financial-technology giant founded by **Bill Stone** in 1986, substantially increased its presence in the hedge fund-administration field via its 2012 acquisition of **GlobeOp.** Since then, it has bought seven more fund administrators — most recently adding **DST Systems** in April 2018. In last year's ranking, DST was in 17th place, with a 0.3% market share.

"We have been growing our talent base through training, recruitment and disciplined acquisitions," said SS&C president **Rahul Kanwar.** "Our service teams are supported by world-class applications and continuous innovation. This combination of expertise backed by technology has been validated in the marketplace."

Apex Fund Services, currently in 19th place with a 0.4% market share, is poised to move up in the ranking following a string of acquisitions this year. Since February, it has bought **Broadscope Fund Administrators, Beacon Fund Services** and **Atlantic Fund Services.**

SS&C also tops a separate ranking of administrators of multi-manager funds, with a 22.3% market share, followed by Citco (16.5%), State Street (13.3%), **BNY Mellon** (7.8%) and Northern Trust (7.1%).

A newcomer to the top-10 list of multi-manager fund administrators is **Renaissance Technologies,** which also ranks among the world's largest hedge fund managers. As an administrator, Renaissance gets league-table credit for just two funds that together have $18.1 billion of gross assets. Both vehicles are managed by **Meritage Group,** a San Francisco firm that mainly invests in other managers' hedge funds on behalf of Renaissance founder **James Simons** and other partners. Meritage is led by **Nat Simons,** James Simons' son.

A separate ranking of hedge fund

See ADMINISTRATORS on Page 9

Top Auditors of Hedge Funds

Based on SEC filings by hedge fund managers

		Number of Fund Clients				
		1Q-19	% of Total	1Q-18	% of Total	'18-'19 Chg.
1	Ernst & Young	2,815	24.8	2,849	25.1	-34
2	PricewaterhouseCoopers	2,691	23.7	2,616	23.0	75
3	KPMG	1,831	16.1	1,881	16.6	-50
4	Deloitte	1,418	12.5	1,416	12.5	2
5	RSM	416	3.7	410	3.6	6
6	EisnerAmper	326	2.9	339	3.0	-13
7	Grant Thornton	229	2.0	228	2.0	1
8	BDO	227	2.0	226	2.0	1
9	Spicer Jeffries	197	1.7	179	1.6	18
10	Cohen & Co.	119	1.0	98	0.9	21
11	CohnReznick	74	0.7	62	0.5	12
12	Elliott Davis Decosimo	67	0.6	75	0.7	-8
13	Weaver	54	0.5	41	0.4	13
14	Richey, May & Co.	53	0.5	51	0.4	2
15	Marcum	51	0.4	46	0.4	5
16	Baker Tilly	49	0.4	76	0.7	-27
17	Anchin, Block & Anchin	48	0.4	50	0.4	-2
18	Withum Smith & Brown	47	0.4	45	0.4	2
19	Mayer Hoffman McCann	42	0.4	27	0.2	15
20	Citrin Cooperman	39	0.3	40	0.4	-1
	OTHERS	573	5.0	596	5.3	-23
	TOTAL	**11,366**	**100.0**	**11,351**	**100.0**	**15**

RANKINGS

Brokers ... From Page 1

and 11% in 2012); **UBS,** in sixth place (6.2%, down from 6.4% in 2018 and 8.7% in 2012); and No. 7 **Deutsche Bank** (5.6%, down from 6.5% in 2018 and 8% in 2012).

Among the top 10, the biggest gainer over the past seven years was **Bank of America,** which now commands a 6.9% market share, unchanged from last year but up from 4.4% in 2012. During that period, BofA has moved up to fifth place, from eighth.

Beneath the top 10, several firms have notched impressive gains in the past seven years. They include No. 14 **Interactive Brokers,** which had just 45 clients in 2012 and a 0.5% share. The latest filings show the firm working with 282 funds whose managers report to the SEC, for a 2.7% market share, up from 2.4% in 2018. Also picking up market share: No. 16 **BTIG,** with 1.6%, up from 0.6% in 2012; and No. 18 **Cowen Group,** whose prime-brokerage business has grown from just four clients in 2012 to 104 today. It has a 1% market share.

Industry professionals attributed market-share losses at the top of the league table to a combination of factors, including the liquidation of a slew of prominent hedge funds in the past couple of years and fewer and smaller fund launches.

"Last year we witnessed what was probably the largest number of closures by high-profile funds, which have traditionally been prime-brokerage clients to the largest bulge-bracket firms," one source said.

Top Prime Brokers of Hedge Funds

Based on SEC filings by hedge fund managers.

		Number of Fund Clients			Clients As % of
		1Q-19	1Q-18	Change	All funds
1	Goldman Sachs	1,910	1,957	-47	18.1
2	Morgan Stanley	1,761	1,750	11	16.7
3	J.P. Morgan	1,478	1,463	15	14.0
4	Credit Suisse	806	841	-35	7.6
5	Bank of America	726	714	12	6.9
6	UBS	650	666	-16	6.2
7	Deutsche Bank	592	682	-90	5.6
8	Citigroup	583	559	24	5.5
9	Barclays	426	422	4	4.0
10	Wells Fargo	351	333	18	3.3
11	Jefferies	293	286	7	2.8
12	Fidelity Investments	290	286	4	2.7
13	BNP Paribas	284	285	-1	2.7
14	Interactive Brokers	282	248	34	2.7
15	BNY Mellon	277	273	4	2.6
16	BTIG	167	168	-1	1.6
17	Societe Generale	109	115	-6	1.0
18	Cowen Group	104	100	4	1.0
19	HSBC	89	80	9	0.8
20	Scotiabank	64	53	11	0.6
21	TD Bank	57	45	12	0.5
22	Charles Schwab	56	51	5	0.5
23	Cantor Fitzgerald	47	47	0	0.4
24	Nomura	41	41	0	0.4
25	State Street	27	27	0	0.3
	OTHERS	444	438	6	4.2
	TOTAL	**10,565**	**10,422**	**143**	**100.0**

A number of smaller prime brokers, meanwhile, have notched market-share gains as their clientele has matured. Fund operators must begin reporting to the SEC only when their gross assets exceed $25 million. Firms like BTIG and Interactive Brokers show more fund clients as the managers of those vehicles reach the $25 million mark.

Deutsche's roster of U.S. fund clients shrank by 13% in the past year, to 592, amid increasing concerns about its financial stability. Industry professionals said the bleeding likely will continue unless Deutsche can bolster its capital base.

Among Wall Street banks, Deutsche is particularly vulnerable to a shifting prime-brokerage business model. "You used to be beholden to your prime broker for certain services — risk reporting, portfolio information," said **Carl Versella,** who runs consulting firm **Double N Advisors** of Matawan, N.J. "Technology and outsourcing have diminished the prime broker value proposition."

Now, fund operators rely on their prime brokers primarily for clearing and financing. And with the memory of **Lehman Brothers'** 2008 collapse still fresh in their minds, managers pay close attention to bank balance sheets.

Hedge Fund Alert's prime-broker ranking is based on market share, as determined by the number of client funds. When a fund reports more than one prime broker, full credit is given to each. Because the ranking captures prime-brokerage relationships only among SEC-registered investment advisors and so-called exempt filers — typically firms with $25 million to $150 million of gross assets — it understates the business of brokerages that cater mainly to smaller managers and those that don't operate in the U.S. The Manager Database tracks 3,172 firms running a total of 10,565 hedge funds, with combined gross assets of $7.3 trillion.

Ranking prime brokers by number of fund clients doesn't necessarily reflect the banks' revenues and profits. Based on prime-brokerage revenue, Morgan Stanley ranks first, followed

See BROKERS on Page 9

RANKINGS

Top Custodians of Hedge Funds

Based on SEC filings by hedge fund managers.

		1Q-19 Client Funds' Gross AUM ($Mil.)	1Q-19 Client Funds (#)	1Q-19 Share of Fund AUM (%)	1Q-18 Client Funds' Gross AUM ($Mil.)	1Q-18 Client Funds (#)	1Q-18 Share of Fund AUM (%)	'18-'19 % Chg.
1	BNY Mellon	$3,670,258.8	2,490	50.2	$3,525,802.9	2,464	49.6	4.1
2	J.P. Morgan	3,307,385.6	1,964	45.2	3,320,389.2	2,003	46.7	-0.4
3	Citigroup	3,038,547.5	1,143	41.6	2,780,118.9	1,098	39.1	9.3
4	Bank of America	3,010,470.0	1,288	41.2	2,665,656.7	1,274	37.5	12.9
5	Morgan Stanley	2,971,053.2	1,748	40.6	2,655,618.1	1,710	37.3	11.9
6	Goldman Sachs	2,918,090.3	2,025	39.9	3,005,826.7	2,021	42.3	-2.9
7	State Street	2,773,715.3	1,204	37.9	2,692,321.7	1,208	37.9	3.0
8	Credit Suisse	2,426,147.5	767	33.2	2,466,225.0	788	34.7	-1.6
9	Barclays	2,062,343.1	414	28.2	1,810,574.9	437	25.5	13.9
10	UBS	1,993,633.7	721	27.3	1,880,169.9	724	26.4	6.0
11	Deutsche Bank	1,696,207.2	771	23.2	1,880,802.6	878	26.4	-9.8
12	Northern Trust	1,633,549.5	1,038	22.3	1,623,817.7	985	22.8	0.6
13	Wells Fargo	1,451,487.9	802	19.9	1,394,881.3	806	19.6	4.1
14	HSBC	1,144,315.1	297	15.7	1,098,891.7	289	15.5	4.1
15	BNP Paribas	1,136,932.3	400	15.6	1,111,350.3	389	15.6	2.3
16	Societe Generale	1,061,990.3	216	14.5	828,333.7	200	11.6	28.2
17	Scotiabank	597,860.6	72	8.2	598,309.6	64	8.4	-0.1
18	Fidelity Investments	586,420.7	397	8.0	527,905.0	386	7.4	11.1
19	Nomura	503,993.6	104	6.9	495,074.3	99	7.0	1.8
20	Standard Chartered Bank	385,765.4	110	5.3	326,919.4	90	4.6	18.0
	TOTAL	**7,310,802.1**	**10,565**	**100.0**	**7,111,445.2**	**10,422**	**100.0**	**2.8**

Brokers ... From Page 8

by J.P. Morgan and Goldman, according to London-based research shop **Coalition.**

A separate ranking of hedge fund custodians shows a fair amount of jockeying among the top banks. **BNY Mellon** moved up to first from second place last year, with a 50.2% market share measured by total gross assets of client funds. J.P. Morgan fell from first to second as its market share slipped to 45.2%, from 46.7% in 2018. BNY Mellon's advance reflects a change in methodology Hedge Fund Alert used to calculate the assets of its largest fund client, a $279.4 billion vehicle managed by **Capula Investment.**

Citigroup moved up to third place (41.6% share, up from 39.1%), while Goldman fell to sixth place from third (39.9% share, down from 42.3%). Big gains were shown by fourth-place BofA (41.2% share, up from 37.5%) and Morgan Stanley in fifth (40.6%, up from 37.3%). ❖

Try the New Mobile App

Check out **Hedge Fund Alert's** Manager Database, which was just updated with fresh details on more than 3,000 management firms. Subscribers now have two ways to view the data:

- A brand-new database app. To download our app, visit the App Store (iPhone) or Google Play Store (Android) and search for Hedge Fund Alert. Sign in to the app by using the same email address and password you use to sign in to HFAlert.com.
- Web access. Sign in to HFAlert.com and click on the Manager Database link under the Subscribers menu.

Don't know your sign-in information? Contact **JoAnn Tassie** at jtassie@hspnews.com or 201-234-3980.

Administrators ... From Page 7

auditors shows little change, with the first four positions held by the "Big Four" accounting firms. **Ernst & Young** saw its market share slip to 24.8%, based on number of fund clients, from 25.1% a year ago, but still retained its No. 1 rank. It was followed by **PricewaterhouseCoopers,** with a 23.7% market share, up from 23% a year ago; **KPMG** (16.1% share, down from 16.6%); and **Deloitte** (unchanged at 12.5%). The Big Four accounted for 70% of auditing mandates for U.S. hedge funds, the same combined share as last year. ❖

ExodusPoint ... From Page 1

tried recruiting other Schonfeld staffers — a point ExodusPoint denies.

Non-solicitation agreements typically are in force for 1-2 years, hedge fund recruiters said. Courts have "repeatedly found five-year durations unreasonable," ExodusPoint argues.

ExodusPoint wants **Andrea Masley,** a justice with the **New York State Supreme Court's** Commercial Division, to declare Schonfeld's non-solicitation clause unenforceable. It also is asking Masley to find that, in any case, Sassun didn't violate the terms of her employment contract with Schonfeld.

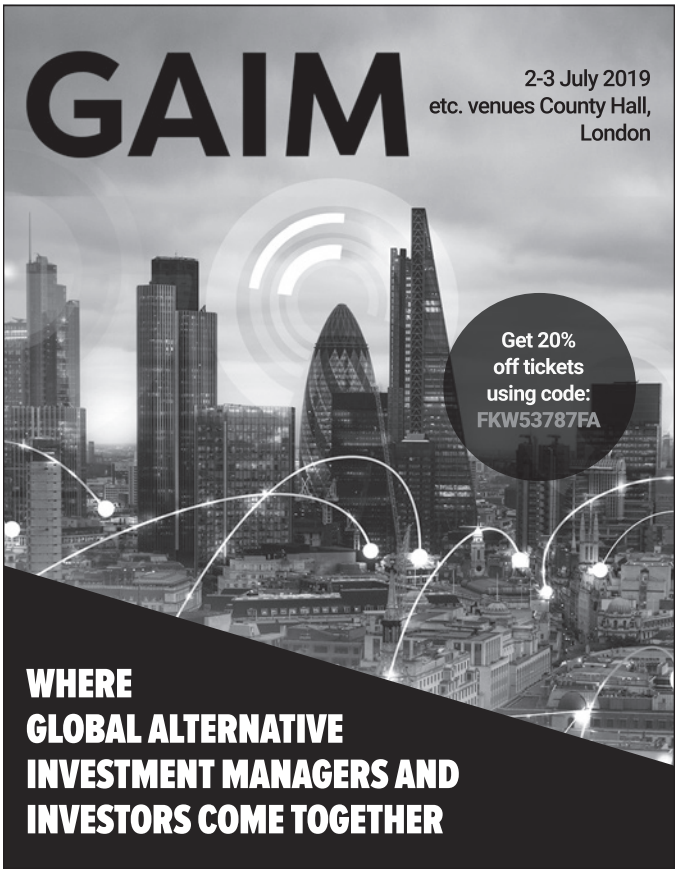
On April 3, Masley denied a motion by Schonfeld to temporarily bar ExodusPoint from seeking to hire more Schonfeld staffers. She said Schonfeld failed to show "irreparable or even continuing harm" caused by ExodusPoint's recruiting efforts.

The increasingly bitter legal dispute stems from ExodusPoint's efforts, starting in late 2017, to assemble the largest day-one staff in the industry's history. The New York firm, led by former **Millennium Management** executive **Michael Gelband,** launched a multi-strategy fund on June 1, 2018, with $8 billion of commitments, and by yearend had a staff of 203 — including 85 investment professionals. Since then, ExodusPoint has increased its headcount to about 300.

To date, ExodusPoint has hired three staffers from Schonfeld. In addition to Sassun, they are **Valmiki Prasad,** head of execution research, and **Gregoire Vidal,** head of business development for quantitative strategies.

Schonfeld, too, has been expanding its staff at a rapid clip. It hired 43 new employees in 2018, including 38 investment professionals, for a total staff of 123 at yearend. At the start of 2019, the firm was running about $2.3 billion in its multi-strategy Schonfeld Strategic Partners Fund and an equity-focused vehicle.

Schonfeld Strategic Partners gained more than 16% last year — the best showing among large multi-strategy operations. ExodusPoint's fund gained 0.6% from June 1 to Dec. 31. ❖



LATEST LAUNCHES

Fund	Portfolio managers, Management company	Strategy	Service providers	Launch	Equity at Launch (Mil.)
6elm Capital Master, 6elm Capital Partners Domicile: U.S. and Cayman Islands ☛See Page 5	Kartik Joshi and Anil Gondi 6elm Capital, New York 646-688-0533	Equity: long/short (global technology, media and telecommunications)	Prime brokers: Bank of America, Morgan Stanley Auditor: PricewaterhouseCoopers	April 1	$16
MIC Capital Partners (Public) Parallel Cayman MIC Capital Partners (Public) Non-U.S. Domicile: Cayman Islands ☛See Page 5	Maxime Franzetti Mubadala Investment, Abu Dhabi 9712-413-0000	Equity: long/short		2019	

To view all past Latest Launches entries, subscribers can click on the Databases tab at HFAlert.com

GAINING THE EDGE
CHICAGO HEDGE FUND CONFERENCE
June 19, 2019 | Chicago
Speakers are exclusively leading hedge fund investors invited to share their insights into the current sate of the hedge fund industry.
Registration is limited to 300 hedge fund professionals, including 150 hedge fund investors. There will be 7 panels and 5 hours of networking time.
100% of profits are donated to nonprofit organizations that benefit children.
REGISTER NOW
apgainingtheedge.com
AGECROFT PARTNERS LLC

THE GRAPEVINE

... From Page 1

companies, previously worked at **Partner Fund Management** and **J.P. Morgan.** Also on board is **Griffin Tormey,** who specializes in technology, media and telecommunications stocks. He was at **Citadel Global Equities,** following stops at **Union Point Advisors** and **Neuberger Berman.** The additions bring Woodline's headcount to 20. The San Francisco firm, led by former Citadel Global Equities portfolio managers **Karl Kroeker** and **Michael Rockefeller,** is aiming to launch on Aug. 1 with at least $1 billion.

Technology-stock shop **Maplelane Capital** has hired a trader. **Cory Stockmal** joined the New York firm in April from **Och-Ziff Capital,** where he dealt in equities and derivatives. Stockmal also has spent time at **Credit Suisse.** Maplelane, led by **Leon Shaulov,** was managing $3.3 billion of gross assets at yearend 2018.

Cole-Frieman & Mallon rehired **Scott Kitchens** in late April as a partner in charge of a newly opened practice in Denver, where the law firm plans to hire two more attorneys. Kitchens had been working at **Bryan Cave,** having previously served as an associate at Cole-Frieman. His new assignment encompasses work with hedge funds and private equity funds. The addition follows the early-2018 opening of an Atlanta office, which at the time was the second location for San Francisco-based Cole-Frieman.

Jordan Gershuny left his post as head of marketing and investor relations at **Jana Partners** this month to join **Tiger Global Management.** His assignment: to co-head Tiger Global's investor-relations efforts alongside **Clara Ferraro** and **Lauren Lyons.** Gershuny also has worked at **FrontPoint Partners** and **Morgan Stanley.** Tiger Global, a New York firm led by **Chase Coleman,** invests in stocks and private equity. It manages about $36 billion of gross assets.

MidOcean Credit has hired a senior analyst to cover investments in the debt of healthcare companies. **Trent Spiridellis** joined the New York operation this month from **Avenue Capital.** MidOcean Credit is led by **Steve Shenfeld.** The MidOcean Partners unit was managing $8 billion of gross assets on March 31.

GSO Capital has hired an associate to focus on distressed-debt and special-situations investments. **Nicholas Ang** started in the **Blackstone** unit's New York office in April, having previously worked at **Paulson & Co.**

Christofferson, Robb & Co. hired **Daniel Lawee** in April as a New York-based managing director responsible for marketing and business development. Lawee most recently was a portfolio manager in the fund-of-funds division of **Paamco Prisma,** following stops at **Northwater Capital** and **TD Bank.** Christofferson Robb specializes in absorbing the risk associated with the debt of energy companies from European banks. It had $4.7 billion under management at yearend 2018.

Consulting firm **Cloudbreak Compliance** has added an attorney to its regulatory compliance practice. **Leslie Buckler** joined the White Plains, N.Y., operation in April from **State Street.**

TO SUBSCRIBE

YES! Sign me up for a one-year subscription to Hedge Fund Alert at a cost of $4,697. I understand I can cancel at any time and receive a full refund for the unused portion of my 46-issue license.

DELIVERY (check one): ❑ Email. ❑ Mail.

PAYMENT (check one): ❑ Check enclosed, payable to Hedge Fund Alert.

❑ Bill me. ❑ American Express. ❑ Mastercard. ❑ Visa.

Account #: _____

Exp. date: _____ Signature: _____

Name: _____

Company: _____

Address: _____

City/ST/Zip: _____

Phone: _____

E-mail: _____

MAIL TO: Hedge Fund Alert
5 Marine View Plaza #400
Hoboken NJ 07030-5795

www.HFAlert.com
FAX: 201-659-4141
CALL: 201-659-1700

HEDGE FUND ALERT www.HFAlert.com

Telephone: 201-659-1700 **Fax:** 201-659-4141 **Email:** info@hspnews.com

Howard Kapiloff	Managing Editor	201-234-3976	hkapiloff@hspnews.com
Michael Bodley	Senior Writer	201-234-3971	mbodley@hspnews.com
Jonathan Fallon	Senior Writer	201-234-3996	jfallon@hspnews.com
Mike Frassinelli	Senior Writer	201-234-3964	mike@hspnews.com
James Prado Roberts	Senior Writer	201-234-3982	james@hspnews.com
Andrew Albert	Publisher	201-234-3960	andy@hspnews.com
Daniel Cowles	General Manager	201-234-3963	dcowles@hspnews.com
Thomas J. Ferris	Editor	201-234-3972	tferris@hspnews.com
T.J. Foderaro	Deputy Editor	201-234-3979	tjfoderaro@hspnews.com
Ben Lebowitz	Deputy Editor	201-234-3961	blebowitz@hspnews.com
Dan Murphy	Deputy Editor	201-234-3975	dmurphy@hspnews.com
Michelle Lebowitz	Operations Director	201-234-3977	mlebowitz@hspnews.com
Evan Grauer	Database Director	201-234-3987	egrauer@hspnews.com
Mary E. Romano	Advertising Director	201-234-3968	mromano@hspnews.com
Kait Hardiman	Advertising Manager	201-234-3999	kait@hspnews.com
Joy Renee Selnick	Layout Editor	201-234-3962	jselnick@hspnews.com
Barbara Eannace	Marketing Director	201-234-3981	barbara@hspnews.com
JoAnn Tassie	Customer Service	201-659-1700	jtassie@hspnews.com

Hedge Fund Alert (ISSN: 1530-7832), Copyright 2019, is published weekly by Harrison Scott Publications, Inc., 5 Marine View Plaza, Suite 400, Hoboken, NJ 07030-5795. It is a violation of federal copyright law to reproduce any part of this publication or to forward it, or a link to it (either inside or outside your company), without first obtaining permission from Hedge Fund Alert. We routinely monitor usage of the publication with tracking technology. **Subscription rate:** $4,697 per year. To expand your distribution rights, contact us at 201-659-1700 or info@hspnews.com.