

A Third of All Hedge Fund Managers Changed Service Providers in 2013

Poor quality of service is the most cited reason for managers changing service providers

Preqin's global survey of over 100 hedge fund managers in December 2013 showed that managers have frequently changed the service providers working on their funds, including fund administrators, prime brokers, custodians, auditors and law firms. Almost half of respondents indicating they had switched service provider at least once since their fund's inception. Fund administrators and prime brokers are the most frequently switched provider, and most commonly, dissatisfaction with the quality of service provided was the reason given by fund managers for changing their service provider.

Other Key Facts:

- North American and European managers have been more active in switching service providers in 2013, with 35% of each changing service providers in the past year.
- 55% of Asia and Rest of World managers have switched a service provider in the past five years (excluding the last 12 months).
- Fund administrators and prime brokers were the most commonly switched service providers in the past year and over the longer time frame.
- Three-quarters of all Asia and Rest of World fund managers have switched fund administrators over the past five years, compared to 56% and 52% of Europe- and North America-based managers.
- In contrast, 61% and 48% of Europe- and North America-based fund managers have changed prime broker compared to just 25% of Asia-Pacific-based managers.
- Dissatisfaction with the quality of service led to 62%, 53% and 86% of North America-, Europe- and Asia and Rest of World-based fund managers to change service provider respectively.
- SS&C GlobeOp was selected by the largest number of funds which launched in 2013 for administration services, following its consolidation and acquisitions in 2012.
- Morgan Stanley jointly tops the most commonly used prime broker by funds launched in 2013 with Goldman Sachs, each representing 19% of funds launched in 2013.

Please see the factsheet that follows for the more information

Comment:

"Our recent study of fund managers shows that many hedge funds change their service providers; 45% of the respondents indicated they had switched service provider at least once since their fund's inception. Dissatisfaction with the quality of the service they receive is a common concern across all fund managers, and is a particular problem in emerging regions for hedge fund management, as the service provider sector may be less developed or has little local presence. There is certainly an opportunity for groups that can provide consistent, good service on a local level to appeal to this growing group of managers in Asia-Pacific and other regions outside North America and Europe.

For Europe-based managers it has been a challenging few years in terms of fundraising, and new regulations in the region have made it more costly to run hedge funds. As such, these managers are conscious of the need for service providers to provide good value for money. As their funds grow, North America-based fund managers tend to switch service providers to firms that are better able to cope with their scale. As a result, there is a clear opportunity for different types of service providers that can provide services to funds of different sizes, or are specialized in providing services for funds of a particular size."

Amy Bensted, Head of Hedge Fund Products - Preqin

Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

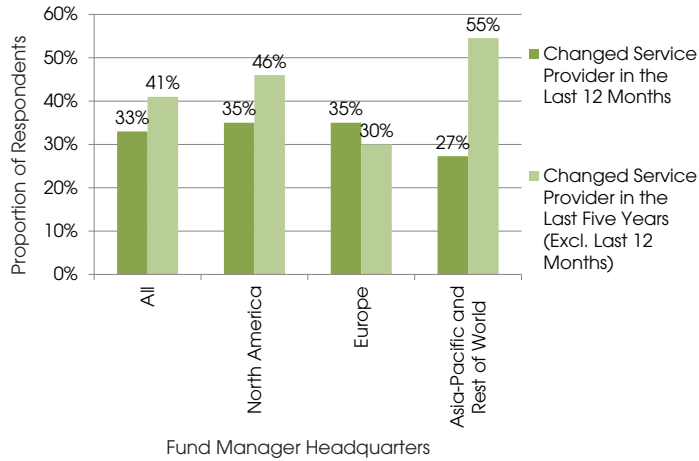
About Preqin:

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: www.preqin.com

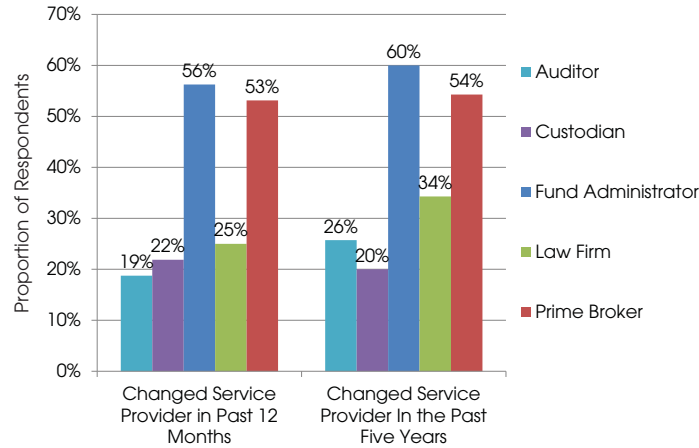
For more information, please contact: Amy Bensted on +44 (0)20 7397 9420 or abensted@preqin.com
For general press information, please contact: Nicholas Jelfs +44 (0)20 7645 8882 or press@preqin.com

Fig. 1: Proportion of Fund Managers Which Have Changed Service Providers by Regional Headquarters



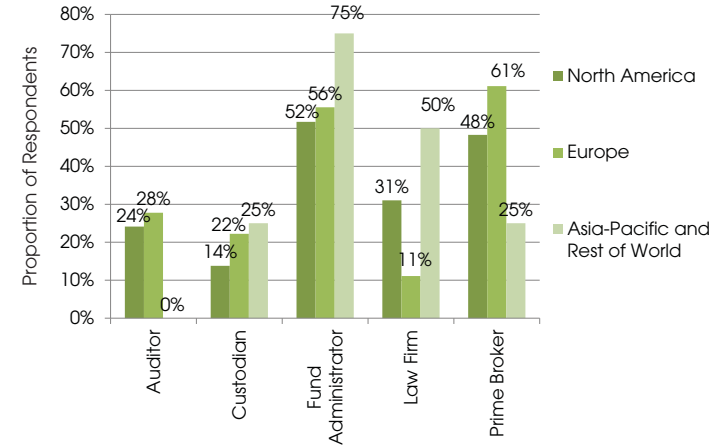
Source: Preqin Hedge Fund Manager Surveys, December 2013

Fig. 2: Service Provider Types Replaced by Hedge Fund Managers Within Each Time Frame



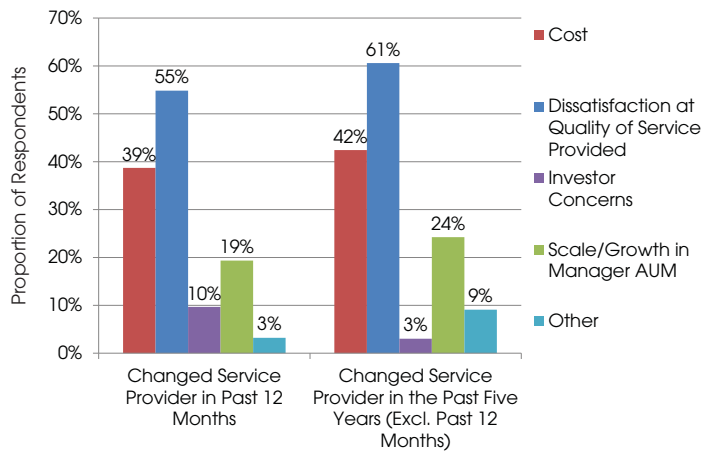
Source: Preqin Hedge Fund Manager Surveys, December 2013

Fig. 3: Service Providers Changed by Hedge Fund Managers by Regional Headquarters



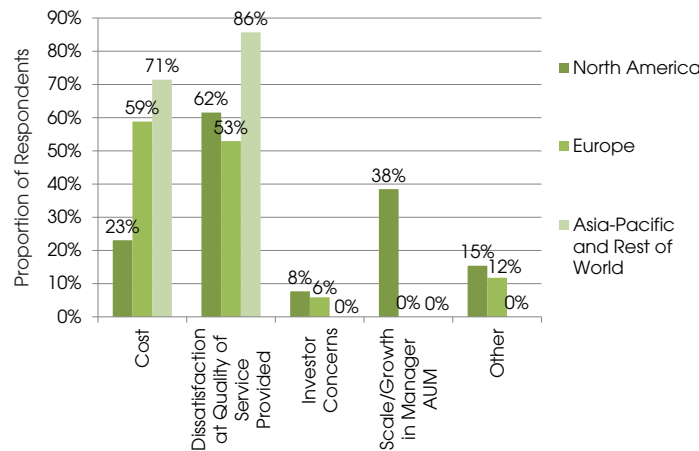
Source: Preqin Hedge Fund Manager Surveys, December 2013

Fig. 4: Reasons Why Fund Managers Have Changed Service Providers Over Each Time Frame



Source: Preqin Hedge Fund Manager Surveys, December 2013

Fig. 5: Reasons Why Fund Managers Have Changed Service Providers by Regional Headquarters



Source: Preqin Hedge Fund Manager Surveys, December 2013

Fig. 6: Top Five Fund Administrators by Proportion of 2013 Hedge Fund Launches Served

Firm	Proportion of 2013 Hedge Fund Launches Served
SS&C GlobeOp	13%
Morgan Stanley Fund Services	12%
Citco Fund Services	11%
State Street (International Fund Services)	8%
Northern Trust Fund Administration	6%

Source: Preqin Hedge Fund Analyst

Fig. 7: Top Five Fund Custodians by Proportion of 2013 Hedge Fund Launches Serviced

Firm	Proportion of 2013 Hedge Fund Launches Serviced
J.P. Morgan	15%
Goldman Sachs	12%
Morgan Stanley	12%
Credit Suisse Prime Fund Services	7%
UBS	7%

Source: Preqin Hedge Fund Analyst

Fig. 8: Top Five Prime Brokers by Proportion of 2013 Hedge Fund Launches Serviced

Firm	Proportion of 2013 Hedge Fund Launches Serviced
Morgan Stanley Prime Brokerage	19%
Goldman Sachs	19%
J.P. Morgan	14%
Credit Suisse Prime Fund Services	13%
UBS Prime Services	8%

Source: Preqin Hedge Fund Analyst

Fig. 9: Top Five Fund Auditors by Proportion of 2013 Hedge Fund Launches Serviced

Firm	Proportion of 2013 Hedge Fund Launches Serviced
EY	23%
Rothstein Kass	22%
KPMG	14%
PricewaterhouseCoopers	14%
Deloitte	10%

Source: Preqin Hedge Fund Analyst

Fig. 10: Top Five Law Firms by Proportion of 2013 Hedge Fund Launches Serviced

Firm	Proportion of 2013 Hedge Fund Launches Serviced	Headquarters
Maples and Calder	10%	US
Schulte Roth & Zabel	7%	Jersey
Sidley Austin	5%	US
Seward & Kissel	4%	US
Ogier	4%	Cayman Islands

Source: Preqin Hedge Fund Analyst

Preqin tracks 5,315 hedge fund managers. As our survey shows up to a third of hedge fund managers changed a service provider such as a prime brokers, auditors, administrators, custodians and law firms in 2013. The opportunity for service providers in the hedge fund space is clear; those service providers that can offer good quality service and value can pick up new business in 2014 from fund managers dissatisfied with their current providers.

For more information, please get in touch at:

www.preqin.com | press@preqin.com

Looking for more hedge fund data? Preqin can help.

Preqin's hedge fund products and services provide a complete 360 degree view of the hedge fund industry, including institutional investors' plans for hedge fund investments, fund performance, fund strategies, fund managers, fund terms and service providers.

If you have any specific questions or requests, please don't hesitate in touch with our press team at:

press@preqin.com