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# The age of transparency

By Rikke Lilla Eckhoff

**The private equity industry, and the fundraising market in particular, has largely followed the so-called “money chasing deals phenomena” where a period of high investment activity is followed by an increase in funds and capital raised.**

Following good returns from investments made in the early 1980s in the US, investors flocked to private equity in the second part of the decade. This vintage, however, dominated by highly leveraged deals, generated lower returns than the preceding. Consequently, investor eagerness cooled and again we saw a drop in capital raised in the early 90s, a generation that largely achieved very good returns due to investments made in the wake of the first banking crisis.

A new cycle followed in the late 1990s and early 2000s, with good returns luring LPs to queue up for tickets. Then the dotcom bubble burst. Again, investors became reluctant to make new fund commitments. GPs with capital, on the other hand, continued to invest, completing transactions at favourable prices. The 01/02 vintage proved to generate stellar returns, despite most deals being complete with lower debt levels.

And so the story goes. 2005-2006 broke every record for fund sizes and deal sizes. Already now, we see the brutal consequences of some of the acquisition with especially aggressive debt packages, as was the case in the early 1980s.

It could seem as history is repeating itself – indeed many aspects are the

Debates on the regulation of the financial services industry have made headline news, resulting in increased reporting requirements and public scrutiny

same. However, the global nature of the 2008 banking crisis and the global response it prompted bring substantial changes to the environment in which fund managers operate. In particular, debates on the regulation of the financial services industry have made headline news, resulting in increased reporting requirements and public scrutiny.

Already, the Enron scandal in 2001 had fuelled the creation of international standards for accounting rules and guidelines for good governance. The International Private Equity Valuation (IPEV), which has recently published updated guidelines, has since attempted to bring the concept of fair value from these general accounting rules into the asset class. But with a drastic drop in the valuations of listed equity post-Lehman there are legitimate questions being asked regarding pricing, many of which centre around the issue of establishing fair value when the going rate is a distressed price.

At the same time, the EU Commission is looking to create one pan-European set of rules for the alternative investment industry. The outcome of the proposed Alternative Investment Fund Managers Directive is expected to have severe consequences, particularly for larger fund managers. Furthermore, PRI principles and guidelines means that GPs are expected to monitor their entire supply chain of capital inflows and outflows.

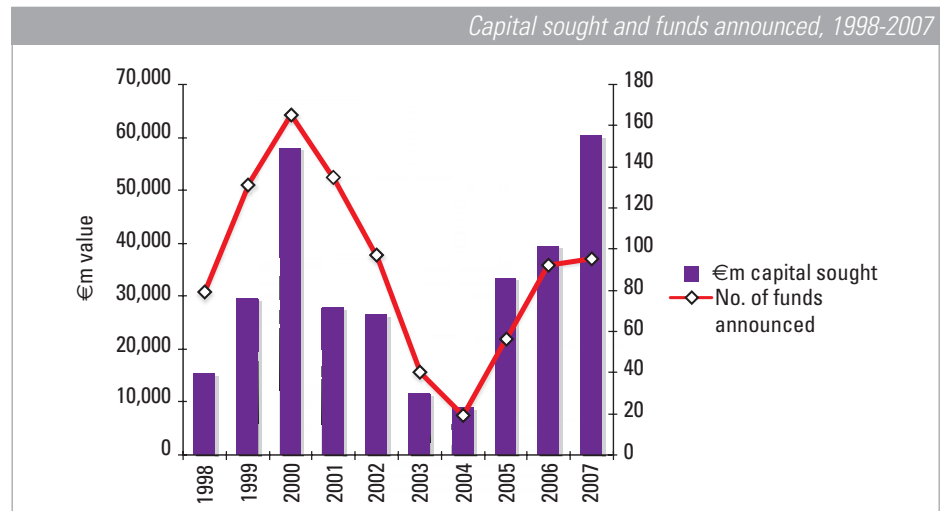
All these developments have made the private equity and venture capital industry increasingly complex and tough

to navigate, creating increased demand for third party fund administrator and services. It is a natural development of a mature industry, which can only be met with continued professionalism.

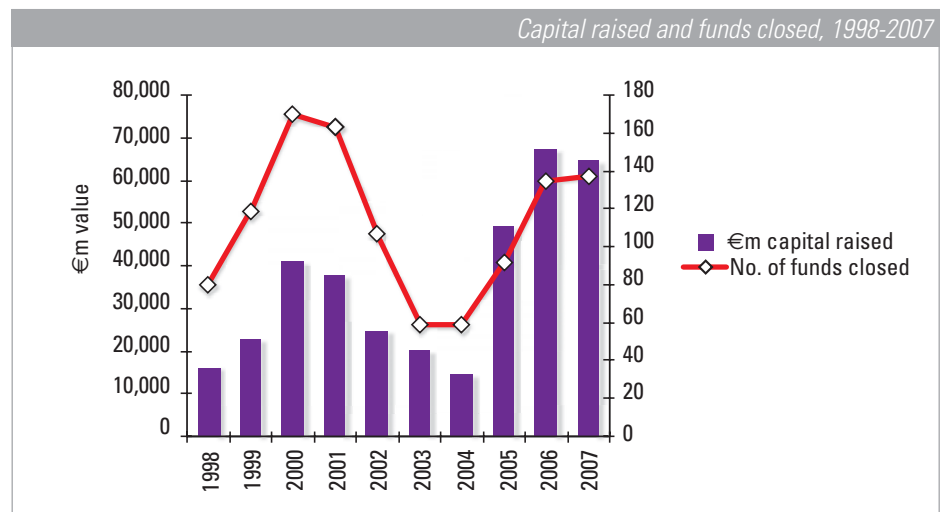
In fact, some fund administrators reported 18-20% compound growth in revenues in the years leading up to the crunch (see pages 4-6). Although growth is not nearly as explosive in the current market, a large pool of smaller and mid-sized funds remained untapped. Having to comply with ever changing regulatory requirements, it can be a time-saving and cost-efficient solution for the GP, particularly for smaller funds. With the complexity of reporting and fund structures, the technology investments required can be an expensive feat for new outfits. It eases the process of more frequent and detailed reporting for both parties, and ensures continued professionalism.

Also, as the UK market in particular has seen an increased number of spin-offs, using a third-party administrator can prove very beneficial for first-time funds. For the LPs it is a reassurance – a stamp of approval from a third party.

One could argue that there is, in fact, a PR case to be made for third party fund administration. With increased public scrutiny, it is ever more important to keep close record of accounts, to ensure that one has full control of the entire supply chain of capital from fund investors to investee companies. More transparency, inevitably calls for closer control and frequent reporting. ■



Source: unquote"/European Fundraising Review 2009



Source: unquote"/European Fundraising Review 2009

# A partner for success

By Kimberly Romaine

**When fund structures were reasonably straightforward, LPs and regulators required straightforward reporting. Now, with structures becoming more complex and LPs more demanding, the reporting requirement is more onerous. Enter the fund administrator.**

In times like these, private equity firms need all the help they can get. Diminishing revenue bases drive GPs to suss out cost-saving measures, while already-demanding LPs require ever-more information and in a timelier manner. And that's not to mention the financial regulator, who is clamping down on the asset with an iron fist. While hardly a panacea for all that plagues your average GP nowadays, fund administrators can surely alleviate symptoms.

What is fund administration? In a nutshell, it's a record-keeping service. Unlike some fancy software providers, an all-singing all-dancing fund administrator can act as a GP at the front end (when facing prospective investors' in an offshore location) and at the same time as a back-office when facing its client. An administrator can communicate with LPs, provide regulatory advice and resolve tax issues.

"A key requirement of the administrator is to maintain granular data of the fund or funds which it administers. We have seen a significant number of our clients, from new entrant private equity firms to the key industry players, acknowledging and taking steps towards adoption of the

"Institutional investors are drawn to administration since it delivers transparency, and demonstrates compliance with national reporting regimes"

Huw Jones,  
J.P. Morgan  
Private Equity  
Funds Services

Walker guidelines for transparency," says Richard Harland, business development manager at Mourant.

People are indeed catching on. Just as investor relations professionals mushroomed in the industry over recent years, fund administration appears to be following a similar growth trajectory, proving its countercyclical nature vis-à-vis the rest of the market: Some providers reported 18-20% compound growth of both revenues and profits in the years leading to the crunch. Last September, around 10% of GPs utilised the services of an outsourced fund administrator, and this figure has since more than doubled to a fifth across the world. In the UK, touted as the most administrator-savvy market, up to a quarter of GPs are believed to be outsourcing this function. This phenomenal growth is down to two major reasons: new outfits springing up as the industry shake-out spawns spinouts, and incumbent fund managers reacting to market changes.

"There is increasing demand for information from limited partners, as there is from the authorities," says Huw Jones, regional head at J.P. Morgan Private Equity Funds Services for EMEA. "They are increasing their scrutiny and want to see robust information produced in accordance with applicable accounting standards."

Indeed different players require different standards, and they change with time (*see box*).

Employing an administrator can be a cost-effective way of accommodating both. "Administrators have spent millions to

build these products to satisfy investors and regulators. Many GPs would rather use ours rather than build their own systems from scratch,” Jones says. This view is unanimous among administrators: “Fund administrators have a solid source of records at their disposal through their operating platforms, and the capability to develop distributions through their websites. This bears a lot of cost – cost which is best shared,” says Kevin Brennan, chief executive of Ipes. The fees are usually fixed, unlike some other fund services, which can increase with size. Additionally, these fees are often absorbed by the fund if outsourced, versus by the management fee – which itself has come under increasing pressure over the years.

#### Keeping up appearances

GPs may also look to fund administrators to appease stakeholders. “LPs are now carrying out a lot more due diligence and risk analysis before investing. They want to know that the fund into which they are investing is in a well regulated, controlled environment,” says Anton Seatter, manager of business development of RBC’s Private Equity and Property Funds team. Indeed, it’s all about mitigating risk, according to Harland: “A fund administrator provides

#### Who needs an administrator?

A lot of very different groups, according to the experts. “The motivation with each client is different,” says Brennan. He explains that with small or new teams, a fund administrator is an efficient way of managing the cost of launch and investor communication, achieving scale and benefiting from expertise. Larger, more established outfits, on the other hand, see administrators as business-process outsourcing and simply a way of saving money. But not all: “Large clients are difficult to unseat if they are already insured,” Brennan says. “They are often already well set up and so have the economics already there.”

Other clients are newcomers reacting to demand from investors hungry for new markets. Says Harland: “Enquiries remain quite diverse in origin. We are certainly dealing with more first-time funds whose promoters are seeking to capitalise on the markets through opportunities to acquire distressed assets or provide leverage. Enquiries from firms seeking to invest in the BRIC economies has also seen some increase. Secondary interests are coming to the fore though inconsistency in terms of pricing can prove challenging to converting or completing a deal; there is still a trend that something is worth only what another is prepared to pay.”

comfort to investors that the back-office functions are sufficiently separate from the front-office management of investments. This provides a degree of independence around reporting and the compliance and regulatory maintenance of a given structure. This independence can reduce perceived operational risks.” Jones backs up the notion that LPs seek out risk reduction, especially in today’s market: “Institutional investors are drawn to administration since it delivers transparency, and demonstrates compliance with national reporting regimes,” he says.

In fact, the use of administrators by a few may have a knock-on effect, whereby LPs see relatively polished reports by some and so ask other GPs to professionalise their game. “LPs experience the full range of standards. Some are beginning to demand better quality from their fund managers, having seen certain standards from other GPs and asking that they too develop such methods,” Brennan says, adding that a recent new client came on board for this reason.

To boot, employing such an outfit can add an element of professionalism to any GP’s offering. “There is a growing tendency for administrators to have their frameworks certified,” says Brennan. “Having your business assessed and accredited by SAS 70 in the US or AAF in Europe gives additional credibility to regulators and LPs.” This process is renewable, with most requiring re-audits every six to 12 months.

Along the same vein of keeping LPs happy, there is the non-negligible issue nowadays of “all hands on the portfolio deck”. Indeed, current troubles mean that portfolio management is more important than ever, and LPs would probably prefer to hear its GPs are outsourcing as much as possible in an effort to focus whole-heartedly on deal management. Just as many GPs don’t want to distract portfolio CEOs and so often install interim management, so too may LPs prefer to see their fund managers wholly focusing on their underlying portfolios.

#### What else you got?

There are other less-obvious reasons for teaming up with an administrator: brand. “Since the Madoff scandal, investors want to know there is a big name behind the administrator.

## Feature

Our clients find it a big plus during the due diligence process,” Jones says.

To boot, there may be ancillary services that make the partnership more valuable like, for example, foreign exchange services if cross-border transactions are required. And perhaps most pertinent nowadays, that of counsellor between GP and LP, since in today’s market, it’s about ensuring LPs don’t just commit, but that they’re good for their money. That fund administrators deal with a host of GPs, and consequently a lot of LPs, meaning they should have the ability to assess LP sentiment. “We have visibility across a wide investor base,” says Brennan, who adds that despite the current troubles, defaults among the 5,000-plus investors Ipes deal with has been less than 1%. J.P. Morgan, for example, has had a portfolio administration business servicing LPs for nine years. The business works 12,000 limited partnership agreements with 6,000 funds across more than 50 LP clients. This means the team is well placed to know what LPs want, how they want it, and whether they’re able and willing to stump up when asked. This, in turn, means the team can communicate this to its GP clients.

Despite all the positive momentum in the fund administration arena, there are some grey clouds looming. For a start, the stellar growth the market has seen is difficult to sustain, not least because the market is stabilising. The market estimates long-term growth should stabilise at around 5%. With most GPs in the UK already well aware of administrators’ merits, most new business will have to come from market consolidation.

Additionally, the wave of new business most of Europe’s dozen administrators have seen is likely to plateau or even decline, as fewer funds come to market in the next year. This means new teams will be a vital source of business for administrators in the coming years. “New fund managers not

only benefit from the range of services we provide, but they also benefit from the experience we have gained over the years from working with other fund managers. Whilst they are the experts in their field, they often look to us to provide guidance on investor relations, communications and reporting,” says Seatter, explaining that most of their new business is coming from emerging markets, boutique fund managers and new teams.

“The markets are showing enormous change and there has been a very significant slow-down in fundraising. This has been reflected in markets on a global scale,” says Harland. New enquiries are still being made and business development activity has not slowed. However, the lead time to a fund launching is much longer than in recent years, and with that the engagement of administrators and the onset of performing work is also more prolonged.” This is a knock-on effect of the credit crunch and ensuing fear of asking investors for money.

Finally, legislative requirements are becoming increasingly demanding, meaning that administrators must act quickly to ensure they continue to comply with them. Committing to build such new functionality may involve a hefty cost – though one likely better borne by an outsourced specialist than the GP himself. ■

### SAS 70 or AAF?

CONSIDERATION	AAF	SAS 70
Background	<ul style="list-style-type: none"> <li>Recently designed by representatives of investment management groups; investment consultants and accounting firms.</li> <li>Very specific and current</li> </ul>	<ul style="list-style-type: none"> <li>Designed 10+ years ago to deal with information needs of organisations which outsource to third parties.</li> <li>Less specific and current than AAF.</li> </ul>
Investors	<ul style="list-style-type: none"> <li>UK investors more familiar: pension funds, charities, fund managers and consultants</li> </ul>	<ul style="list-style-type: none"> <li>US investors more familiar: pension funds, fund managers, large investment banks</li> </ul>
Ease of use	<ul style="list-style-type: none"> <li>Prescribes control objectives to cover</li> <li>Requires testing and sign-off by management (onerous, but may thus be deemed more reliable)</li> </ul>	<ul style="list-style-type: none"> <li>Has fewer prescribed objectives than AAF</li> <li>Requires no sign-off by management, so may be deemed less onerous, though perhaps with less clout</li> </ul>
Comfort provided to users	<ul style="list-style-type: none"> <li>Specifies wider coverage</li> <li>Requires management testing (may thus be deemed more reliable)</li> <li>Promotes consistency of reporting between organisations</li> </ul>	<ul style="list-style-type: none"> <li>Requires no sign-off by management, so may be deemed to carry less clout</li> </ul>

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# Branching out

By Ashley Wassall

## Q&A

**Anton Seatter, business development manager at Royal Bank of Canada, speaks about the benefits of outsourced fund administration and why it remains lucrative despite the downturn.**

### **Specifically what administration services does RBC provide?**

RBC's private equity and property fund services team is a specialist provider of third party fund administration to closed-ended private equity and property fund arrangements. The team has provided fund administration services since 1992, originally as part of the Abacus Financial Services Group, itself part of Coopers & Lybrand until 1998. Abacus was subsequently acquired by RBC in 2005. Our core expertise is in fund accounting and reporting and this is underpinned by our strong accounting roots. We specialise in client and investor relationship management, compliance, data management, accounting and financial reporting, registered office services, directorship and corporate secretarial, and transaction processing services.

### **Who are the primary customers for these services?**

We primarily work with private equity and property funds, which are mainly closed-ended and are predominantly, though not exclusively, offshore. Our existing client base ranges from boutique fund managers to major institutions, though recently we have seen more enquiries from boutique end of market and also more "club" investors.

### **What advantages are there for groups outsourcing as opposed to performing these services in-house?**

One of the obvious drivers for outsourcing is cost. However, over time the need to deliver cost savings has been combined with the requirement to gain efficiencies that allow fund managers to focus on their core business.

"Working with a first class outsourcing partner gives fund managers direct access to high quality accounting and administrative expertise"

Anton Seatter,  
Royal Bank of  
Canada

Working with a first class outsourcing partner gives fund managers direct access to high quality accounting and administrative expertise, backed by tried and tested procedures and systems – all of which help to reduce operational risk. Fund managers may also benefit from other services provided by the service provider's group of companies, such as banking and wealth management. Essentially, outsourcing over operating an in-house back office provides not only financial savings, but savings of time and resources.

### **How has the downturn in the private equity space over the last two years affected your business?**

There has clearly been a slowdown in the number of funds reaching a closing as underlying investors remain cautious. Where new funds do close, they are often smaller than originally intended. That said, a number of fund managers are taking advantage of the downturn by seeking to create new funds investing into distressed and undervalued assets. Overall, the number of enquires we have received for new business is consistent with previous years. RBC is a financially secure institution with sound risk management and, with confidence having been knocked so severely as a result of the downturn, this has worked in our favour when fund managers are choosing their service provider.

### **What opportunities or challenges do you anticipate in the coming year?**

We believe there are many good business opportunities available as there are a number of managers who are preparing to launch new products in the near future. However, investors are now more cautious and wish to carry out additional risk analysis. Our role is to work with the fund manager to provide information in a clear and transparent way. As one of the world's strongest banks, RBC is uniquely placed among its competitors and Canada is also currently considered to be the safest financial system in the world.

### **Do you expect more competition in this area in the medium-term future?**

The trend in established markets is to outsource and we expect this to remain the same going forward. We further anticipate that outsourcing in developing markets – especially BRIC – will increase. As the global market gets bigger and more lucrative, it is inevitable that competition will increase. ■



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# Coming of age

Feature

By Ashley Wassall

**Recent investment revaluations, diligent and detailed focus from investor management and trustees, and the potential for future increased regulatory focus on transparency is driving increasing demand for outsourced administration services.**

Times are changing. Public and governmental scrutiny of private equity has already led to measures such as the Walker guidelines in the UK, while the EU Commission's proposed Alternative Investment Fund Managers Directive is set to ramp up reporting requirements at a pan-European level.

Private equity is continuing to accommodate agreeable levels of transparency and further reporting openness as a new era continues to dawn on the industry. Therefore regulators, investors, shareholders and employees have all asked questions of the industry.

Furthermore, high-profile scandals such as the Madoff case have prompted investors to demand, often as a condition of investment in a new fund, that fund managers make their administration, accounting and reporting processes and content visible and committed.

This demand for extra information and high quality is not bad news, particularly for well positioned outsourced fund administration providers. An increasing proportion of new funds are now seeking to utilise such service offerings, while even LPs with large numbers of investment agreements and underlying assets are getting in on the act.

"Since late 2008 we have seen a significant increase in our already considerable number of LP clients. They, in turn, encourage their GPs to use major administrators, perceived to bring benefits of 'best in class' practices and stability," confirms Patrick McCullagh, executive director at J.P. Morgan Private Equity Funds Services.

This positive trend is not entirely new – the outsourcing of back office functions

has been steadily increasing for a few years now according to McCullagh – but the scale on which it is being seen certainly is. Though funds launches are fewer, more are using the services of an administrator and financial services partner like J.P. Morgan.

## **Middle men**

Perhaps more significantly still, it is not just in terms of increased demand that fund administration providers are seeing an upturn. The increasing maturity of private equity has given rise to more complex investment strategies and this is driving appetite from investors for a wider range of services.

Comments McCullagh: "Strategies and activities have become much more complex, as have the investors themselves. Our role is moving from the back office into the middle office, as well as including the optional banking services that an institution such as J.P. Morgan can incorporate."

Indeed, McCullagh summarises some key service areas in which the international private equity fund administration business at J.P. Morgan specialises:

- Accounting, financial reporting and physical cash management services
- Administering the carry plan for fund managers
- Tax management services
- Implementation and migration of new funds/investments and legacy data for funds migrating from in house platforms or another administrator
- Fund structure and financials review

All this suggests that the private equity industry's evolution is also driving increasing maturation and consolidation within the fund administration sector itself. This is particularly prevalent in terms of the scale of the businesses in the space, especially in relation to the human capital and technological requirements.

"We have a team of over 225 people globally, all of which are industry specialists and not simply generic accountants. Over a period of 11 years we've also invested in our own highly customised and enriched version of a market leading technology platform, which delivers unique functionality, considerably reduced risk and increased financial advantages," notes McCullagh.

And this consolidation is likely to continue in the coming years, particularly as a result of the increased requirements expected under the aforementioned EU Commission proposals.

"The new regulations, when agreed, will drive a need from funds and investors for greater administration effort and reliability. Clients will continue to expect that we have the financial strength, deep market knowledge and long term stability to protect their needs, expenses, fee margins and reputations from within a single organisation," McCullagh concludes.

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## J.P.Morgan

# Earning their str-ipes

By Rikke Lilla Eckhoff

Q&A

**Rikke Lilla Eckhoff speaks to Ipes chief executive Kevin Brennan about fund administration's role, the resurgence of fair value accounting and the industry's adaptability in the face of growing European regulation.**

**Ipes has been in business for more than 10 years, how have you seen fund administration change over the past decade?**

The most significant development has been the changes in regulations and accounting standards, resulting in increased due diligence requirements. In addition to the globalisation of the industry with various tax requirements and GAAP conversion of accounts, these developments have driven the demand for the technical skills of fund administrators. When Ipes started out in 1998 we were one of the first specialists in the market, now there are more than 50 fund administrators offshore alone. Crucially, technological advances have enabled fund administrators to do their job more efficiently, in real time 24/7. Today, offshore is the same as next door.

**How is the current hiatus in the fundraising environment affecting your clients?**

Fundraising has slowed down, but not fully stopped; many of our clients are currently raising new funds. What we see is that, if forced to, funds with a track record choose to delay rather than cancel raising follow-on funds. New outfits raising maiden funds, on the other hand, are struggling, with processes lasting up to a year. On the bright side, other asset classes are attracting more attention. Our mezzanine clients are flourishing; their follow-on funds are very popular among investors, as are secondaries funds.

**As a fund administrator which challenges would say have impacted GPs the most?**

Three things mainly: LP demands; financial concerns; and increased

“Technological advances have enabled fund administrators to do their job more efficiently, in real time 24/7. Today, offshore is the same as next door”

Kevin Brennan,  
Ipes

scrutiny. With regards to the LPs, the increased focus on carry and fees means that there is no such thing as easy money anymore. The financial concerns are primarily brought on by underperforming portfolios which means GPs spend more time and effort on negotiating with banks. Their investors are also facing liquidity constraints, adding to the pressure for realisations despite the unfavourable economic climate. Finally, as the private equity industry has moved from the business page to the front page, it is faced with increased scrutiny from government, regulators and investors. This also applies with respect to tax issues on both a fund and personal level.

**How do you view the recent debate of fair value, which has raised questions regarding the valuations of private equity portfolios?**

Fair value is essentially judgement based. In some ways we view it as a bit of a non-debate as fair value is here to stay, for the time being at least, since returning to valuations on a cost basis isn't of benefit to investors. With financial engineering becoming a thing of the past, operational value-add has again come to the fore, and with it fair value accounting is becoming increasingly relevant. Investors are asking GPs detailed questions regarding the performance of portfolio companies.

In the December audit processes, the first in the post-Lehman era, auditors were uncertain about the value of portfolios – giving rise to such concepts such as “emphasis of matter” disclosures in the audit report. In effect, they returned to the old accounting concept of prudence and looked to write down where possible. Whilst this was not admitted – if you cut through the smokescreen this was the reality.

**Where do you see the fund administrator industry moving in the next decade?**

As investors are seeking more information, we need to rationalise how information is shared. Investor self service will probably be a key feature in future developments. Secondly, as private equity expands into new and emerging markets, fund administrators must follow and cover multiple jurisdictions. We also expect GPs to outsource an increasing range of services.

Finally, and crucially, the ongoing changes in the regulatory environment are likely to dictate how administrators operate, particularly the results of the EU AIFM Directive. Whatever the outcome, the fund administration industry will adapt to the changing needs of our clients. ■

unquote ”

# A multi-jurisdictional team with global vision



Guernsey - Jersey - London

**Ipes is one of Europe's leading specialist providers of fund administration and outsourcing services to the private equity industry. Our team of over 110 multi-skilled professionals manages in excess of \$36bn of client assets from offices in Guernsey, Jersey and London. We operate globally working for more than 70 clients with 300 funds and 4,000 investors worldwide.**

Established in Guernsey in 1998, our vision was to provide a fresh approach to fund administration, offering our clients a flexible, tailor made service designed to meet their needs. It's a strategy that works as our 11-year track record, reputation for friendly and efficient service, and impressive client base demonstrates.

Whilst we have experienced rapid growth and undergone some significant changes over the years - including a management buyout in 2008 and two recent senior appointments to our talented management team - a strong client service ethic remains at the heart of our business.

**We aim to be the best at what we do. We believe our dynamic and forward thinking team, client-focus and expertise in the private equity industry enable us to deliver on this promise.**

For more information, please contact  
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[www.ipes.com](http://www.ipes.com)



*Pictured: Hana Plsek, Michel Davy, Julie Jones and Tabatha Hawkins of Ipes Guernsey.*

# Sorting out outsourcing

Comment

By Antonia Coltman, Mourant

Mention the word “outsourcing” and it conjures up images of large global corporations transferring specific business functions to low cost countries, with sometimes questionable service quality and delivery. Outsourcing or appointing a third party service provider, in the context of fund administration is a very different proposition, writes Antonia Coltman, global head of strategy and client services at Mourant.

The aim of outsourcing is simple: to allow the fund manager to do what they do best, namely source deals, manage investments and secure performance. Outsourcing may simply involve day-to-day administration and accounting. But it may also include additional services such as regulatory, compliance and governance oversight, treasury services and tax compliance, with service delivery being provided from single or multiple jurisdictions.

With the private equity landscape changing towards more funds in the mid-tier range, cost considerations are increasingly important. Smaller, or even first-time funds, might not have the scale, technology, internal resource (or the appetite) to administer their funds in-house in a cost-efficient manner.

Particularly, the complexity of fund structures and reporting requirements requires advanced accounting and reporting platforms. A good fund administrator will have made the necessary investments in new technology, enabling them to create bespoke reports for the fund’s LPs.

#### Risk and reward

The time and potential cost saving aspects of outsourcing are obvious, but what many fail to pay enough attention to is the risk related to regulatory changes, compliance

“Smaller, or even first-time funds, might not have the scale, technology, internal resource (or the appetite) to administer their funds in-house in a cost-efficient manner”

Antonia Coltman,  
Mourant

obligations and greater external scrutiny. As fund structures become more complex, covering multiple investment vehicles and jurisdictions, an outsourcing arrangement can ensure every step complies with the relevant regulations, and thus reduce risk.

When establishing a new investment vehicle, most fund managers appoint a team of legal and tax advisers. A fund administrator will complement these services: while the lawyers will ensure the fund is structured tax efficiently, and acts according to local laws and regulations, the fund administrator’s role is wider. Notably, a fund administrator can highlight any practical considerations in the fund documentation and the fund manager can benefit from the administrator’s extensive experience and knowledge of the industry.

For new fund managers, without an established track record, comments from the fund administrator on their PPM can prove a valuable asset when talking to potential investors.

#### LP influence

The economic downturn has seen a shift in the power balance between GPs and LPs, and the pendulum is expected to swing further in favour of LPs. For example, we could see more LPs exert their influence when GPs appoint professional advisers to funds.

A development fund managers have already seen, is the increasingly sophisticated requirements from LPs with respect to the detail and quality of reporting. The benefit of outsourcing this process to a specialist third party is not only relevant for the GP, but can also bring tangible benefits for the investors. The market has also already seen LPs expressing the need for a separation between the management of the fund, ie investment activity, and the administration of the fund. By separating the two functions, funds obtain better risk management and ensure that good corporate governance is in place and guaranteed by a third party.

This trend is set to continue and we believe it will revolutionise the world of outsourcing to fund administration experts. ■



## A fund administration solution that integrates with your business

It is essential that professional fund administration provides the right benefits to suit your organisation.

With many of the world's leading private equity firms as our clients and over US\$170 billion of funds administered from our offices around the world, we are ideally positioned to service your funds when and where you need them.

Whether you are a new fund manager or an established player, Mourant's award-winning fund administration service can integrate seamlessly with your organisation and provide the perfect solution to meet your specific requirements.

Our awards:

European Offshore Fund Administrator of the Year

*ICFA Global Awards 2009*

Private Equity Fund Administrator of the Year

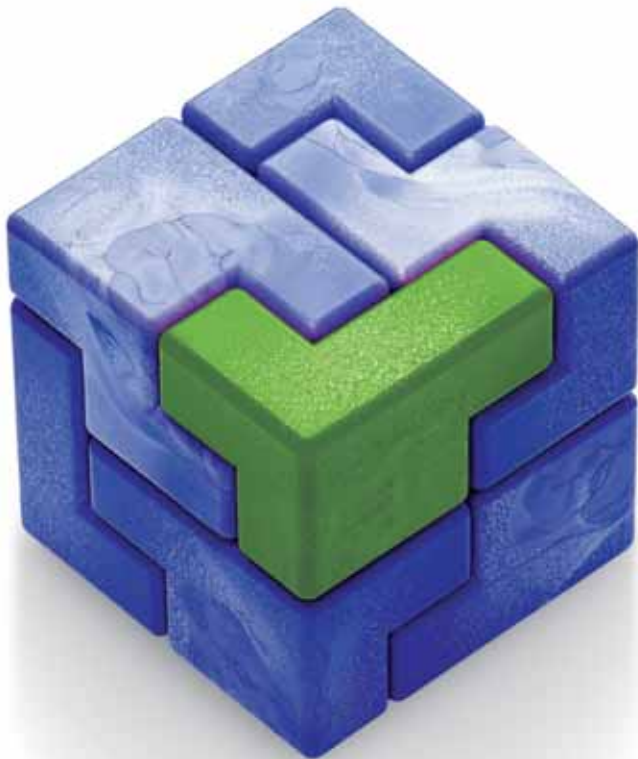
*ICFA European Awards 2008*

Fund Administrator of the Year, Channel Islands

*ICFA European Awards 2008*

European Fund Administrator of the Year

*Private Equity News 2007*



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> **find the way**

Cayman | Dublin | Guernsey | Hong Kong | Jersey | London | Luxembourg | New York | Singapore

In Cayman, Mourant International Finance Administration operates through Mourant Cayman Limited which is regulated by the Cayman Islands Monetary Authority in the conduct of trust company business; Registered office: Harbour Centre, 42 North Church Street, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands. In Guernsey, it operates through Mourant Guernsey Limited and its affiliated companies which are regulated by the Guernsey Financial Services Commission in the conduct of investment business and in the conduct of trust and company business; Registered office: First Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 6HJ. Registered number 36571. In Hong Kong, it operates through Mourant Fund Services (Hong Kong) Limited; Company Registration number 1152147; Registered office: Level 39, One Exchange Square, 8 Connaught Place, Central Hong Kong, China. In Jersey, it operates through Mourant & Co. Limited and its affiliated companies which are regulated by the Jersey Financial Services Commission in the conduct of trust company business under the Financial Services (Jersey) Law 1998; Registered office: PO Box 87, 22 Grenville Street, St Helier, Jersey, JE4 8PX, Channel Islands. In London, it operates through Mourant Fund Services (UK) Limited; Firm number 448301, which is authorised and regulated by the Financial Services Authority; Registered office: 1st Floor, Phoenix House, 18 King William Street, London, EC4N 7BP. In Luxembourg, it operates through Mourant Luxembourg S.A. which is regulated by the CSSF to provide Domiciliation, Registration and Transfer Agency Services; Registered office: 6 rue Philippe II, L-2340 Luxembourg; R.C. Luxembourg B No 88409. In Singapore, it operates through Mourant Fund Services (Singapore) Pte. Limited; Company Registration number 200712750Z; Registered office: 50 Raffles Place, #31 - 03/04, Singapore Land Tower, Singapore 048623.

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Denzil Boschat, director corporate services  
Wayne Tallowin, director  
Lindsey Doud, director corporate services  
Mr Andy Turner, business leader  
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#### SERVICES PROVIDED

- Financial planning
- Tax planning
- Treasury services
- Corporate services
- Trust and estate planning
- Company administration
- Investment services

### Appleby Trust

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#### KEY CONTACTS

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kbenest@applebyglobal.com

#### SERVICES PROVIDED

- Corporate services
- Fund administration
- Listing services
- Private client & trust services
- Employee benefit trusts
- Insurance management
- Management & accounting services
- SPVs

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JP Harrop, managing partner  
Gavin Davies, managing partner

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#### SERVICES PROVIDED

- Calculation of all capital calls
- Collection and reconciliation of all subscription amounts
- Preparation of annual accounts and management of audit process
- Corporate governance of legal entities
- Issuance of all capital call letters
- Preparation & issuance of investor reporting
- Preparation and issuance of GP reporting
- Participation in settlement of investment transactions

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**Julie Jones, commercial director**  
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**Andrew Mason, managing director (Jersey)**  
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## SERVICES PROVIDED

- Fund launches
- Accounting
- Investor relations
- Corporate services
- Investment processing
- General administration

## COMPANY DESCRIPTION

Established in Guernsey in 1998, Ipes is one of Europe's leading specialist providers of fund administration and outsourcing services to the private equity industry.

A team of 110 multi-skilled professionals manages in excess of \$36bn of client assets from offices in Guernsey, Jersey and London. The firm operates globally, working with over 70 clients, 300 funds and 5,000 investors worldwide.

Ipes is fully independent and has built up experience through working with a diverse group of clients and asset classes, offering a range of administration services for all types of private equity funds including buyout, venture capital, real estate, mezzanine and funds of funds.

Ipes completed a successful management buyout in 2008 and plans to open a new office in Luxembourg later this year.

### Ipes (Jersey) Limited

The Jersey office opened in January 2008, based around a core team of expertise to broaden our product offering and jurisdictional coverage. Ipes (Jersey) provides a full range of administrative services.

### Ipes (UK) Limited

Ipes (UK) was established in 2005 to provide clients with administration services in London. Located near to Victoria station, the gateway to Gatwick airport, and therefore our Guernsey and Jersey offices, the office is ideally positioned for meetings with clients and their advisers. Additionally, it provides a convenient base for board and other client meetings.

International Private Equity Services Limited is regulated & licensed by the Guernsey Financial Services Commission. Ipes (UK) Limited is registered in England with No. 5648495. IPES (Jersey) Limited is regulated by the Jersey Financial Services Commission to conduct Fund Services and Trust Company Business under the Financial Services (Jersey) Law 1998. IPES (Jersey) Limited has its principal place of business at its registered office, at Third Floor, South Tower, 29/31 Esplanade, St Helier, Jersey JE4 5SJ.

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<b>James Bermingham, director, group general counsel</b>	james.bermingham@aztecgroupp.co.uk
<b>Mark Wanless, associate director, private equity</b>	mark.wanless@aztecgroupp.co.uk

### SERVICES PROVIDED

- Fund administration
- Treasury services
- Domiciliation services
- Compliance services

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<b>Ian Roberts, group transition director</b>	ian.roberts@capita.je
<b>Hugo Bishop, chief operating officer</b>	anthony.okeeffe@capita.je

### SERVICES PROVIDED

- Trustee & custodian funds
- Third party fund administration
- Executive compensation
- Company administration
- Share registration services
- Alternative fund services
- Trust services

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<b>Peter Richardson, director</b>	peter.richardson@dominion.je
<b>Isabel Robins, director</b>	isabel.robins@dominion.je

### SERVICES PROVIDED

- All third party fund administration services

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### SERVICES PROVIDED

- Fund establishment
- Investment transactions
- Banking
- General fund administration
- Compliance monitoring and liaison with other advisors
- Accounting
- Registration
- Secretarial and governance
- Investor liaison

## J.P. Morgan Private Equity Fund Services

**Contact details** 60 Victoria Embankment  
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### SERVICES PROVIDED

- Private Equity and Real Estate Fund Administration
- LP Portfolio Administration and reporting
- Treasury Services, Escrow, etc

### COMPANY DESCRIPTION

J.P. Morgan Private Equity Fund Services [PEFS] is a real estate and private equity fund administrator, providing a broad and deep range of services to GPs and LPs in the U.S., Europe, Middle East and Asia. PEFS currently administers in excess of \$200bn in committed capital (and \$80bn of real estate capital) for more than 200 funds. An international team of over 225 experienced private equity and real estate specialists covers all international fund domiciles.

J.P. Morgan PEFS uses a stable and mature technology platform, which provides functionality, extensive reporting options and scalability, as well as customer specific Service Level Agreements to ensure reliable delivery. Examples of some of the additional optional services within J.P.Morgan's administration services include: US K1 tax, real estate property data aggregation, integrated debt instrument reporting and administration, carry plan administration, detailed LP investment portfolio and underlying investment reporting, single point treasury services such as FX, cash and account management.

The team works with clients to ensure support, administration and reporting from initial fund development and marketing, to fund closing and then through the complete investment and exit life-cycle. Clients include fund managers raising new funds, as well as GPs looking to scale or consolidate existing administration operations and relationships into a single source. In a competitive fund raising market place, a third party fund administrator can be used by clients in discussions with new LPs to underline the quality of underlying support and investor communication.

In 2007 and 2008 Global Custodian magazine awarded J.P. Morgan PEFS the title of 'Top Rated International Private Equity Administrator' based on a detailed survey of fund partners and senior finance staff.

## Geller & Company

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### KEY CONTACTS

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Michael Bernstein, managing director

### SERVICES PROVIDED

#### General Partner Services:

- Coordinate distributions to investors
- Advise on entity structure & fund formation
- Coordinate capital call process
- Tax/Accounting/Reporting

#### Limited Partner Services

- Communication of investment performance
- Information via website
- Handling of fund manager relationships

## Kleinwort Benson

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### SERVICES PROVIDED

- Global fund administration
- SPVs
- Custodian trustee
- Employee services administration

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Peter Huber, senior vice president  
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Scott Somerville, director (Cayman Islands)  
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### SERVICES PROVIDED

- Specialised fiduciary
- Fund administration
- Voluntary liquidations
- Accounting
- Financial statements
- Paying agent and calculation agent

## Moore Management Services Ltd

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### KEY CONTACTS

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Simon Chadwick, managing director  
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### SERVICES PROVIDED

- Fund administration
- Corporate services
- Fund management

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Mourant

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### SERVICES PROVIDED

- Fund accounting and financial reporting services
- Maintenance of investor information
- Coordination of any regulatory filings
- Provision of independent directors
- Treasury and cash management services
- U.S. tax compliance services
- Detailed investment or portfolio accounting and reporting
- Call and distribution preparation and processing
- Investor communications
- Supervision of the audit process
- Corporate secretarial services
- Compliance services
- Channel Islands Stock Exchange listing services

### COMPANY DESCRIPTION

Operating from nine strategically located offices worldwide, Mourant provides fund administration services from a wide range of jurisdictions, enabling the team to effectively coordinate administration for funds in Europe, the US or Asia. Mourant provides high quality, value-added fund administration by blending experience, operational efficiency and technology. Mourant has over \$170bn in total commitments under administration, with clients ranging from small boutiques to some of the world's largest financial institutions.

Mourant's clients include some of the industry's most notable players:

- CVC Capital Partners
- Alpha Group
- AXA Private Equity
- Terra Firma

The Mourant team will

- Provide highly skilled and knowledgeable resource to all administrative workflows
- Give access to 'best practice' knowledge
- Complement traditional fund administration functions with its treasury expertise

Awards

- *European Offshore Fund Administrator of the Year 2009*, ICFA Global Awards
- *European Private Equity Fund Administrator of the Year 2008*, *Fund Administrator of the Year 2008: Channel Islands*, ICFA European Awards
- *European Fund Administrator of the Year 2007*, Private Equity News – Awards for Excellence in Advisory Services – Europe 2007

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Jim Trotter, head of IRAS - EMEA

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### SERVICES PROVIDED

- Global custody
- Investment risk and analytical services
- Cross-border pooling
- Execution services
- Fund services
- Investment operations outsourcing
- Treasury services
- Family office

## Palmeri Fund Administrators Inc.

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### KEY CONTACTS

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Kelly Hurley, vice president of new  
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### SERVICES PROVIDED

- Accounting and reporting solutions
- Cash management and administration
- Tax solutions
- Investor service solutions

## R & H Fund services (Jersey) Limited

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### SERVICES PROVIDED

- Fund establishment
- Shareholder dealing and registration
- Statutory
- Fund accounting and valuations
- Compliance and regulatory reporting

## Schroder Administrative Services (Bermuda) Limited

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### SERVICES PROVIDED

- Fund formation and liquidation services
- Investor reporting services
- Taxation services
- Investment and legal services
- Accounting services
- Support services

## Royal Bank of Canada

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Lisa Barnett, client relationship director	lisa.barnett@rbc.com

### SERVICES PROVIDED

- Client and investor relationship management
- Registered office, directorship and corporate secretarial services
- Credit\*
- Ongoing data management, accounting & reporting
- Transaction processing
- Banking services\*
- Custody services\*

\* these services are provided by sister companies in the RBC global network

### COMPANY DESCRIPTION

RBC's private equity and property funds team provides high quality fund administration, covering a wide variety of structures including private equity, venture capital, real estate and other alternative asset class funds.

RBC has been providing specialised fund administration services since 1992, initially as part of the Abacus Financial Services Group, a financial services company that was formerly part of Coopers and Lybrand until 1998. Abacus became a wholly owned subsidiary of RBC in 2005.

The portfolio of global clients is serviced from its operations in the Channel Islands of Guernsey and Jersey, independent sovereign states, which benefit from geographical proximity to some of the world's largest financial centres.

The team's extensive industry experience enables RBC to provide bespoke services, whatever the fund structure. It develops practical solutions, suitable for the most complex and innovative structures, by focusing on the client's objectives and working closely with each client.

The range of fund services are complemented by the enhanced solutions that are available through sister companies in RBC's global network, including brokerage and custody, treasury and credit, taxation and wealth management services.

RBC has one of the highest credit ratings of any financial institution, with a high quality balance sheet, proactive risk management strategy, and a strong liquidity position. RBC is equally proud to be listed among the top 100 sustainable companies and have been ranked number 1 in the Global 100 Greenest Companies. Canada has been recognised as one of the world's safest banking systems, and RBC is one of the 15 largest banks in the world, as measured by market capitalisation.

Please contact the team for further information.

## Directory

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#### SERVICES PROVIDED

- All third party fund administration services

### Soditic & Co Ltd

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#### SERVICES PROVIDED

- Advisory
- Offshore financial services
- Corporate finance

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#### SERVICES PROVIDED

- Help with authorisation
- Ongoing management and secretarial assistance
- Provision of directors
- Assistance with the selection of auditors
- Calculation, collection and payment of fees
- Advice on structuring a vehicle

### Volaw Trust Corporate Services Ltd

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Simon Perchard, director  
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#### SERVICES PROVIDED

- Wealth management for private clients
- Administration of collective investment funds
- Structures for corporate clients
- Listing services
- Offshore employee benefit schemes
- Administration of structured finance vehicles
- Islamic & Middle East finance

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COVERING NEWS OF THE PRIVATE EQUITY MARKETS IN THE UK AND REPUBLIC OF IRELAND FOR 13 YEARS

## Activity up - first time in year

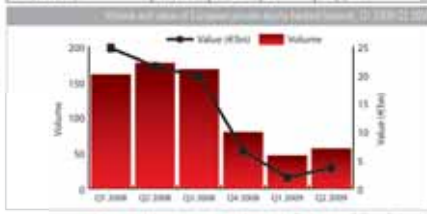
IT'S THE NEWS the market has awaited since the onset of the credit crunch: deals are happening again, with an impressive 38% increase in value in Q1, according to the Q1 2009 update\* Private Equity Barometer, sponsored by Canover. The increase sees the total value of completed deals across Europe near the €30bn mark, up from just €8.5bn in the first three months of the year. The jump in value was achieved across a similar number of deals - 230 in Q1 vs 215 in Q4 - indicating average sizes are on the way up.

Barons are again leading the figures, with 5th completed worth €4bn, nearly double Q1's value. Figures were clearly buoyed by the £553m secondary buyout of Wood Mackenzie by Charterhouse from Canover, though there are signs that other sizeable deals are in the pipeline. Q3 kicked off with the £170m secondary buyout of Viking Moorings by HSBC Private Equity (see story below), and corporate financiers suggest a pickup is underway, with completions expected by year-end.

Despite the momentum, figures still woefully lag last year's, with the value of deals done in the first half of this year down 87% on the first six months of 2008.

**IBR in the new billion - top five European buyouts, H1 2009**

Deal	Date	Value	Buyer	Target
Wood Mackenzie	Jan 2009	£4bn	UK	Charterhouse Capital Partners
Cherwell Corporation	May 2009	£1.8bn	UK	King Place Capital, Gemini Capital Management
Carage/Ma Matheson-Holby	Feb 2009	£1.7bn	UK	Abn Equity Partners, B&B
Great SAI	Jan 2009	£1.5bn	UK	S Square Capital, Palmon Capital Partners
Smurfit Group	Feb 2009	£1.2bn	UK	Blackstone



## HSBC backs £170m SBO of Viking Moorings

HSBC PRIVATE EQUITY has acquired oil services company Viking Moorings from Inflexion Private Equity for £170m, completing one of the largest UK deals this year, further indicating that the market is on the way up again (see story above).

The deal will see Inflexion roll over £25m of proceeds into the transaction to retain a reported 20% stake. Management will also invest for a minority holding. Inflexion has made a total return of 11.4x money on its

original investment and an IRR of 186%.

A club of banks, including Lloyds, HSBC, Clydesdale Bank and Royal Bank of Scotland, provided a "conservative" debt package to support the transaction.

Aberdeen-based Viking Moorings provides mooring solutions for the offshore oil and gas industry. Services include initial design and engineering assessments, computer modelling and simulation, procurement of equipment, mobilisation, equipment rental

and decommissioning through to spooling and equipment testing. It currently operates from offices in Scotland, Norway, Australia and Singapore and has delivered projects in West Africa, Australia, Asia Pacific and China.

In 2006, Inflexion acquired Viking in a £22m buyout from Balmoral Group. Inflexion invested £9m to take an 80% stake in the business. RBS provided £15m of debt facilities, which included £5m of capex and working capital.

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