

# Perspectives+

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## TABB Group praises smaller, more technically savvy administrators

New study stresses capabilities and expertise, not size, as key factors in selecting an administrator

A new study released by The TABB group is making waves across the industry after declaring the relationship with the fund administrator among the most vital a hedge fund can have. The report ([link](#)) says that investors, who are now demanding greater transparency and asset safety, require funds to have industrial strength middle- and back-office operations, enhanced investor reporting capabilities and a truly independent valuation provider. According to the study, fund administrators who possess the right mix of capabilities and expertise are best positioned to provide funds and their investors with the strength of service they require. As a result, TABB says, "The traditional method of choosing administrators by brand or reputation will be replaced... Smaller, more technically savvy administrators are the ones that will best satisfy current mandates and yield successful relationships."

The report, entitled *(Hedge) Fund Administration: The Selection Criteria for a New Market Reality*, was written by Paul Rowady, senior analyst, and Adam Sussman, director of research for TABB. Rowady and Sussman say, "administration is no longer centered simply on back-office functions dealing with accounting, valuation and share registration. Fund administration can now be defined as everything after the trade." This shift in the perceived role and responsibilities of fund administrators has fundamentally altered the processes by which administrators are selected.

### Well-known doesn't mean best fit

Historically, selecting an administrator has been a fairly straightforward exercise in due diligence, with brand and fees ranking among the most important criteria. But given new demands from investors, increased capability requirements and potentially high *(continued on page two)*

## LaCrosse to provide fund administration and operations to Parus Capital

LONDON AND MOSCOW— Parus Capital Limited, a Moscow-based investment manager, has selected LaCrosse Global Fund Services' flagship full-service offering: a combination of *LaCrosseAdmin+*™ and *LaCrosseMBO+*™ that comprises daily fund administration and a comprehensive post-trade outsourcing solution.

Launched in October 2009, the Parus Capital Opportunity Fund is an open-end investment fund incorporated in the Cayman Islands. The fund's objective is to provide long-term capital appreciation by investing primarily in equities and equity-related securities of companies based in Russia and other Commonwealth of Independent States (CIS). The fund will invest in new names with a non-controlling interest (5 percent to 25 percent) and will pursue an activist strategy. *(continued on page two)*

## ...Outsourcing (continued from page 1)

switching costs, selecting an administrator can be a “complex and resource-intensive process,” according to Sussman. “The good news is, there are clues that investors and managers can use to make well-informed selections based on their needs and the ability of an administrator, regardless of size, to meet those needs.”

The report cautions that managers should not rely too heavily on brand awareness during the selection process and should instead focus on the administrator’s capabilities, expertise and technology. “The problem with relying too heavily on brand awareness,” says Rowady, “is that a brand’s quality was often correlated with size. But size and brand do not ensure that an administrator deploys the most reliable technology, SAS Level II certified processes, domain expertise and scalability, not only in terms of size but the funds ability to adapt its operation to changing technology, regulations and market conditions.” As a result, the traditional selection process, in which brand and reputation were key factors, are being replaced by a process that prioritizes due diligence. “This shift should benefit boutique administrators more than many of the traditional providers,” maintains Rowady.

### Making the decision

According to the authors, “for all but the most vanilla investment strategies and structures, and the most mature hedge fund infrastructures, smaller, more technically savvy administrators are the ones that will best satisfy current mandates and yield successful relationships.” In the report, TABB details the three most common administrator models in use today:

- 1) custodian-owned;
- 2) broker-owned; and
- 3) independent/hybrid independent.

The report praises the hybrid independent model, stating that it “... enjoys arms-length operating independence combined with the financial backing of a larger entity and this may represent the best model.”

As an independently managed subsidiary of Cargill, a company founded in 1865 with more than \$116 billion in annual revenues, LaCrosse Global Fund Services falls squarely in the ‘hybrid independent category’. LaCrosse has the capabilities, stability and technological expertise to support the most complex fund structures and to provide fund managers with a global operating model, seasoned professionals and around-the-clock support.

The days of do-it-yourself administration are fading and many of the concerns investors and managers have can be solved by partnering with the right administrator. “The way in which investors and managers select a fund administrator and which administrator is ultimately selected will have lasting implications on fund sustainability, continuity and efficiency; all of which are crucial factors for long-term fund development,” according to TABB. “Fund managers who don’t carefully consider these criteria as the new bases for administrator selection risk jeopardizing investor capital and the ongoing viability of their own franchises.”

For more information on LaCrosse and our services, please visit [www.lacrosseglobal.com](http://www.lacrosseglobal.com).

For more information on the TABB group or to purchase the study, click [here](#) or visit [www.tabbgroup.com](http://www.tabbgroup.com).

## ...Parus (continued from page 1)

“LaCrosse has been active in the Russian and CIS markets for well over a decade, dating back to its heritage of supporting the proprietary trading activities of Cargill Global Capital Markets and subsequently Black River Asset Management. Parus Capital’s decision to select LaCrosse reinforces the message that deep knowledge and experience of a fund’s strategy, markets and instruments traded are clear differentiators,” said Rob Helszajn, LaCrosse’s head of European Client Relations and Business Development. “Parus Capital and its investors will benefit from the stability and quality of the LaCrosse platform, the expertise of LaCrosse people and institutional controls around valuations, daily reconciliations, trade confirmation and cash and collateral management.”

“Parus Capital is impressed with LaCrosse Global Fund Services’ ability to provide services covering everything after the trade. The firm’s track record, advanced operational model and Moscow office led us to select LaCrosse as the fund administrator,” said Parus Capital’s Chief Operating Officer Alexander Mikhalev.

## LaCrosse in the News

A roundup of news stories and press coverage on LaCrosse Global Fund Services. Click on the links below to open the articles in your web browser.

- + Nov. 25, 2009 **Press Release** LaCrosse Global Fund Services to provide fund administration and operations outsourcing services to Parus Capital (pdf).
- + Nov. 20, 2009 **CNBC** LaCrosse co-CEO Chris Kundro provides insight on whether 2010 will be the year the hedge fund industry regains ground on CNBC.
- + Oct. 20, 2009 **Press Release** LaCrosse Global Fund Services forms strategic alliance with Tradar. (pdf)
- + Oct. 12, 2009 **CNBC** LaCrosse co-CEO Stuart Feffer discusses the challenges facing the hedge fund industry on CNBC.
- + Sept. 25, 2009 **International Custody and Fund Administration** "Premium Reporting" Co-CEO Chris Kundro comments on the valuation process and the need for independent administration.
- + Sept. 18, 2009 **Ignites Europe** Co-CEO Stuart Feffer discusses the the benefits of choosing a boutique administrator over a larger firm.
- + Sept. 15, 2009 **MarketsMedia.com** "Bank Debt: Operational Challenges in a Profitable Market" Written by Margaret Qamoos, Senior Analyst, Operations, this article looks at the operational issues and challenges unique to the secondary loan market.
- + Sept. 1, 2009 **Hedge Funds Review** "Finding the right partner" Diamond Notch CFO Steve DiNunzio discusses the factors that went into selecting LaCrosse.

## About LaCrosse Global Fund Services

LaCrosse Global Fund Services is an independently managed subsidiary of Cargill, one of the largest privately held companies serving customers worldwide. With 9 global offices, LaCrosse can work closely with a fund's prime brokers and custodians to meet all of its operational and administrative needs. LaCrosse provides support for a wide range of strategies run by global portfolio managers, covering fixed income, distressed debt, structured credit, equities, currencies, commodities and a full range of related derivatives.

LaCrosse began as a spinout of the middle- and back-office operations that had supported Black River Asset Management and, prior to that, Cargill Global Capital Markets. Today it is an independently managed subsidiary of Cargill providing services to the alternative investment industry. For more information, visit [www.lacrosseglobal.com](http://www.lacrosseglobal.com).

To see a complete list of asset classes supported by LaCrosse Global Fund Services, please click [here](#).