



IMPACT  
CAPITAL  
MANAGERS

# WHAT'S NEXT FOR FUND ADMINISTRATION

2023 Fund Administration Report

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# ABOUT IMPACT CAPITAL MANAGERS

The Impact Capital Managers mission is to accelerate the performance of our members and to scale the private capital impact investing marketplace with integrity and authenticity. We do this through our membership association, which today includes 100+ funds representing more than \$50B in impact-focused capital, and through field-building initiatives and partnerships. The ICM community is engaged and collaborative by nature. Members must meet certain criteria, including standards in impact management and measurement. ICM is a proud organizer of the Mosaic Fellowship – placing traditionally underrepresented, top performing graduate students at leading impact funds each summer – and with Achieve Partners, a producer of the Better Money, Better World podcast.



# INTRODUCTION

Fund administration is a financial service that involves the management and oversight of investment funds, including hedge funds, private equity funds and alternative assets. Fund administrators perform a variety of tasks to ensure that the fund is operating efficiently and in compliance with regulatory requirements. These tasks may include calculating the net asset value of the fund, preparing financial statements, reconciling trades, and performing regulatory reporting.

Fund administration is a common concern of both impact and traditional fund managers. With this project, ICM sought to understand how fund administration currently works at funds, the diversity of current market offerings, what would improve functionality and value from the managers' perspective, and whether impact funds have unique needs that could be better served by existing or new products and services.

This study employed a mixed-methods approach, including an initial focus group, nine interviews, 38 survey responses, and secondary research.



# A LETTER FROM THE EXECUTIVE DIRECTOR



**Marieke Spence**  
Impact Capital Managers

"A great fund administrator should be an extension of the team."

When ICM held its first meeting on "the back office" for members last year, this was the most common refrain. Everything from the investor portal, to the data room, to integration with impact and ESG KPIs suggested that the fund administration industry might be ripe for innovation - or even disruption. How can fund admins learn from the experience of impact fund managers to build a more seamless suite of services and address gaps in the market?

We set out to answer this question and expanded our mandate to include perspectives from traditional fund managers and fund admins themselves. The result is the first study of its kind, yielding new data and actionable insights we hope will be instructive for all these stakeholders, and characterized by the nuts-and-bolts practicality that is ICM's hallmark. We invite your comments and reactions as we work to build a more effective market for impact private capital.

# EXECUTIVE SUMMARY

## Overview

The fund administration market is estimated to be a \$12Billion market. With approximately 500 global firms in the space, it's highly competitive, with a number of larger firms offering a range of services to fund managers. M&A activity has been high over the last 5 years with the highest historical level of acquisition in 2022. However new smaller, more focused companies continue to enter the space, bringing innovation and asset-class specialties.

## Innovation

There are several trends currently shaping the fund administration market. One trend is the increasing use of technology, such as artificial intelligence and machine learning, to automate and streamline processes. Another trend is the growing demand for specialized services, such as administration for alternative asset classes like

venture capital and crypto, and increased data and reporting, particularly around impact. Tech-first platforms are also making a dent in the space and forcing all administrators to compete with proprietary platforms.

## Opportunities

Recently proposed regulations could also significantly shape the market and push it toward increased transparency and reporting. Administrative needs of private capital funds reflect these anticipated regulations as well as market trends, like the multi-trillion dollar growth area of impact and ESG investing. The most desired services include data management, compliance, and effective, efficient impact measurement. Overall, the fund administration market is expected to continue growing as the demand for investment funds and related services increases.



# Market Overview

# MARKET OVERVIEW

The fund administration market is large and continues to grow. It is currently estimated to be \$12 billion globally with 500 firms in the space. Assets under administration is even larger with firms boasting an average of \$1.07 Trillion AUA and a median of \$145 Billion.

In the alternatives space, fund administrators are gearing up to meet the demands of the market. A reported 84% of investors planned to commit more capital to alternative assets leading up to 2023. By 2026, these firms expect to have an AUM of \$17.2 trillion. The crypto space is also growing with an estimated 300 million crypto investors and a few newer fund administrators creating services and products to fit their unique needs.

## \$12 Billion

2021 Market size

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## 500

Global Firms

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## \$145 Billion

Median Assets Under Administration



# FUND ADMINISTRATION COMPOSITION

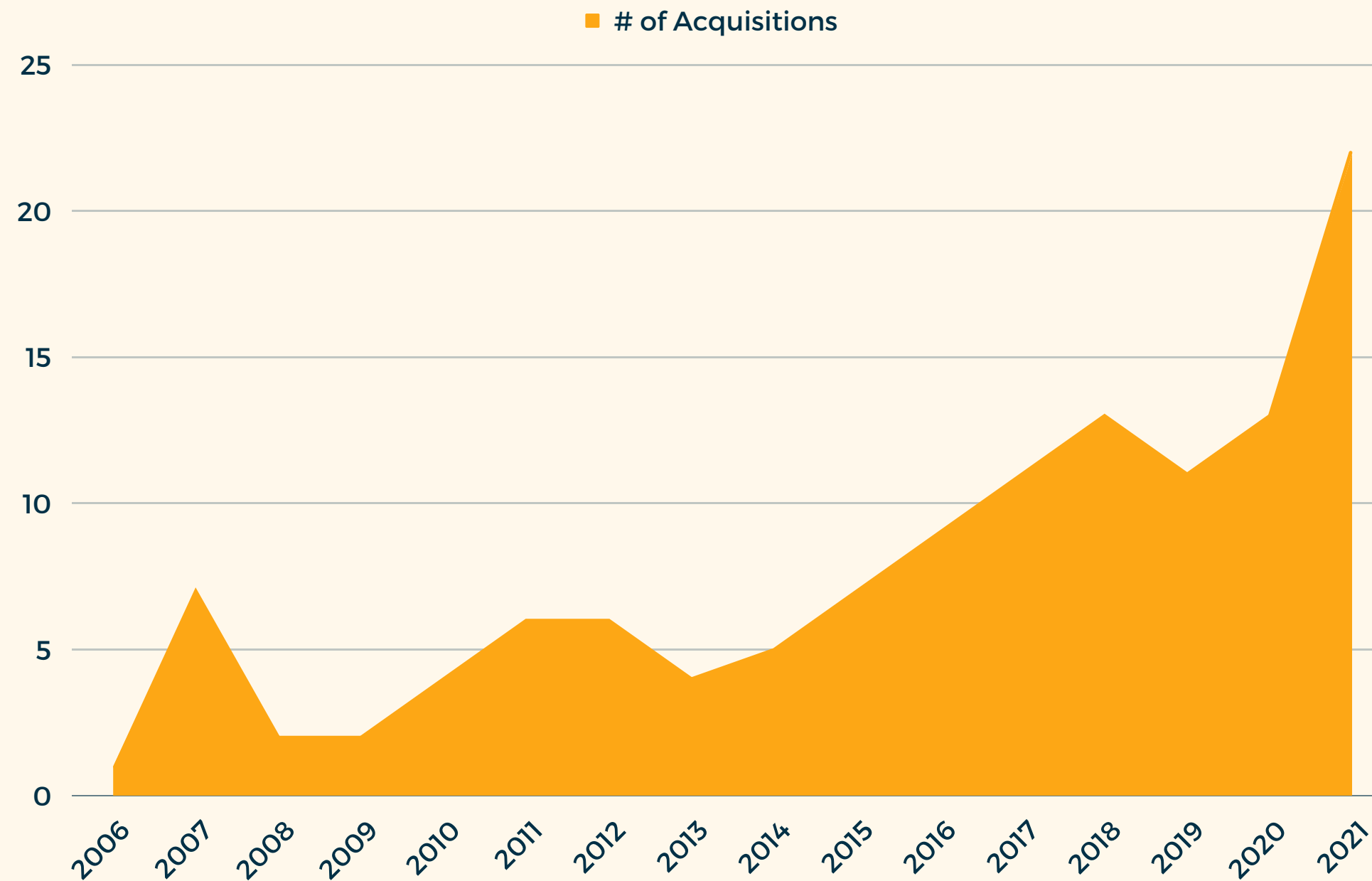
The average firm studied is seasoned, global and large. It has multiple locations across the world, focusing primarily in the Americas, Europe and Asia. It has a median of 1000 customers and approximately 419 employees ready to serve these customers. It has also been in business a median of 16 years with the oldest firm founded in 1896 and the youngest in 2020.

# of Locations	Global	Employees	Years in Business	# of Customers
12	54%	419	15	1000

# M&A ACTIVITY AND GROWTH

The fund administration space has seen a significant number of acquisitions in the last five years, leading to larger more global firms. Reasons for acquisition include wider global reach, expansion of services provided and technology "buy vs. build" decisions.

Despite recent M&A trends, our research suggests consolidation may be slowing. New players enter the space every year, many spinning off from legacy firms.



**35%**  
Increase in M&A from  
2020 to 2021

**31**  
Number of  
acquisitions by Apex  
Group over last 5  
years

# M&A SPOTLIGHT: 4PINES

## **Experts to Acquisition**

These industry experts started their firm, Carta Fund Services in 2013 and were ultimately acquired by Alter Domus in 2017.

## **New Tech-Focused Startup**

Seeing an opportunity for more focused technology in the space, they launched 4Pines in 2020 to develop specific tools for each area of a fund's business and integrate them into a unified platform.

## **Focused and Agile**

With a tech-driven strategy and nimble team, they're able to integrate all areas of the fund administration process and adjust quickly to client needs.



**Mike Trinkaus**  
CEO and Co-founder  
4Pines Fund Services

# REGULATORY CHANGES

Fund administration regulation varies by country and can be complex due to the different legal and regulatory frameworks that apply in different jurisdictions. In the United States, there are a few regulatory changes that may shift the needs of fund administration clients. This change will create more transparency and move the space deeper into data, reporting and insights.

## Recent Change: New FSOC Annual Review Process

In 2020, The Financial Stability Oversight Council (FSOC) annual review process began reviewing the asset management industry, including fund administration, to assess potential risks to financial stability. This process may result in requirements for fund administrators to provide additional information and data to regulators.

## Proposed: SEC Changes to Investment Advisers Act of 1940

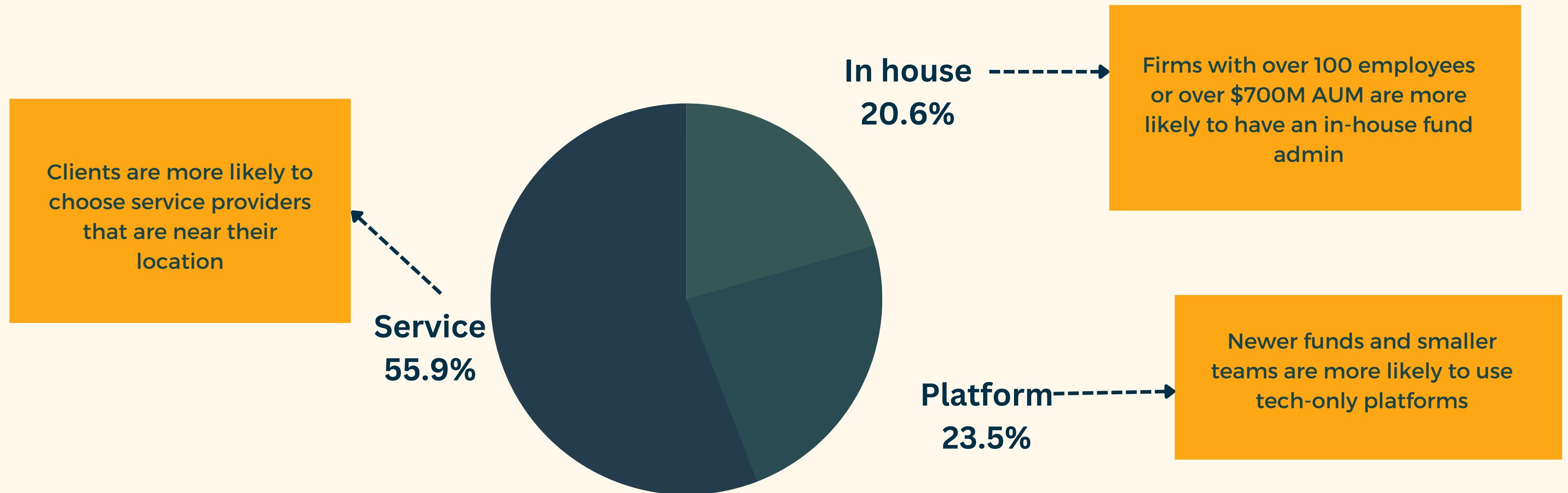
The proposed rule would require private fund advisers who are registered with the SEC to provide additional disclosure to investors about the risks and conflicts of interest associated with their funds, as well as transparency around the fees and expenses that investors will incur. The rule would also require private fund advisers to provide investors with more information about the fund's portfolio holdings, trading practices, and use of leverage. Watch for finalization of this rule in 2023.



# Landscape

# FUND ADMINISTRATION CATEGORIES

Services are by far the most popular fund administration type across the board by company size, fund size, AUM, stage and location. Hands-on service, flexibility and integration into the client's everyday operations is highly valuable in this space and services are primed to meet those needs. However, the types of fund admins used by firms diverge based on maturity. Smaller, emerging funds are more likely to use platforms, likely due to cost and the ability to start from scratch. Larger teams and funds are more likely to bring their administrator in-house as they can afford to hire a full-time role and may have more complexity.

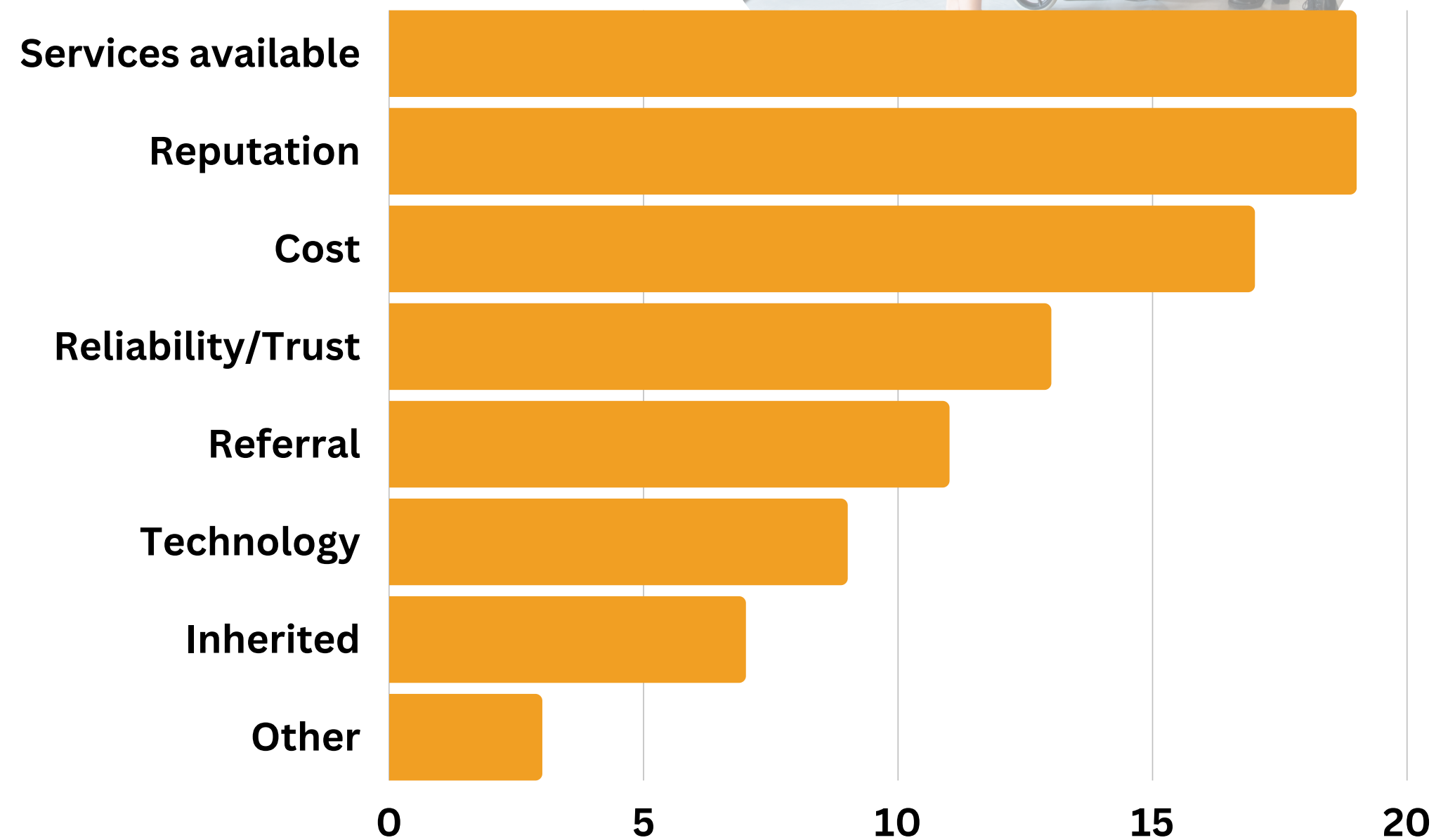


# REASONS FOR BUYING

When assessing fund administrators, available services and reputation were the most important factors. Many firms expressed the fact that they bear the consequences of any mistake a fund administrator makes, so reputation is crucial in the decision-making process.

Technology was only the sixth factor, but this may be due to the ubiquity of technology platforms in the space and/or the hesitancy of some firms to adopt new, technology-first platforms.

While a few systems were inherited, many firms reassessed their fund administrators at various inflection points and were open to switching if a different firm better met their needs.



# CUSTOMER SPOTLIGHT: WAVE EQUITY PARTNERS

A veteran in the space, Bob Wolfe developed a due diligence system to evaluate potential fund administrators. Wave Equity sent a questionnaire out to each potential fund administrator to make sure they found one that met their needs. The survey, which reflects industry best practices, includes:

- Company Information
- Available Resources
- Service Operating Model
- Compliance and Risk Management
- Client References

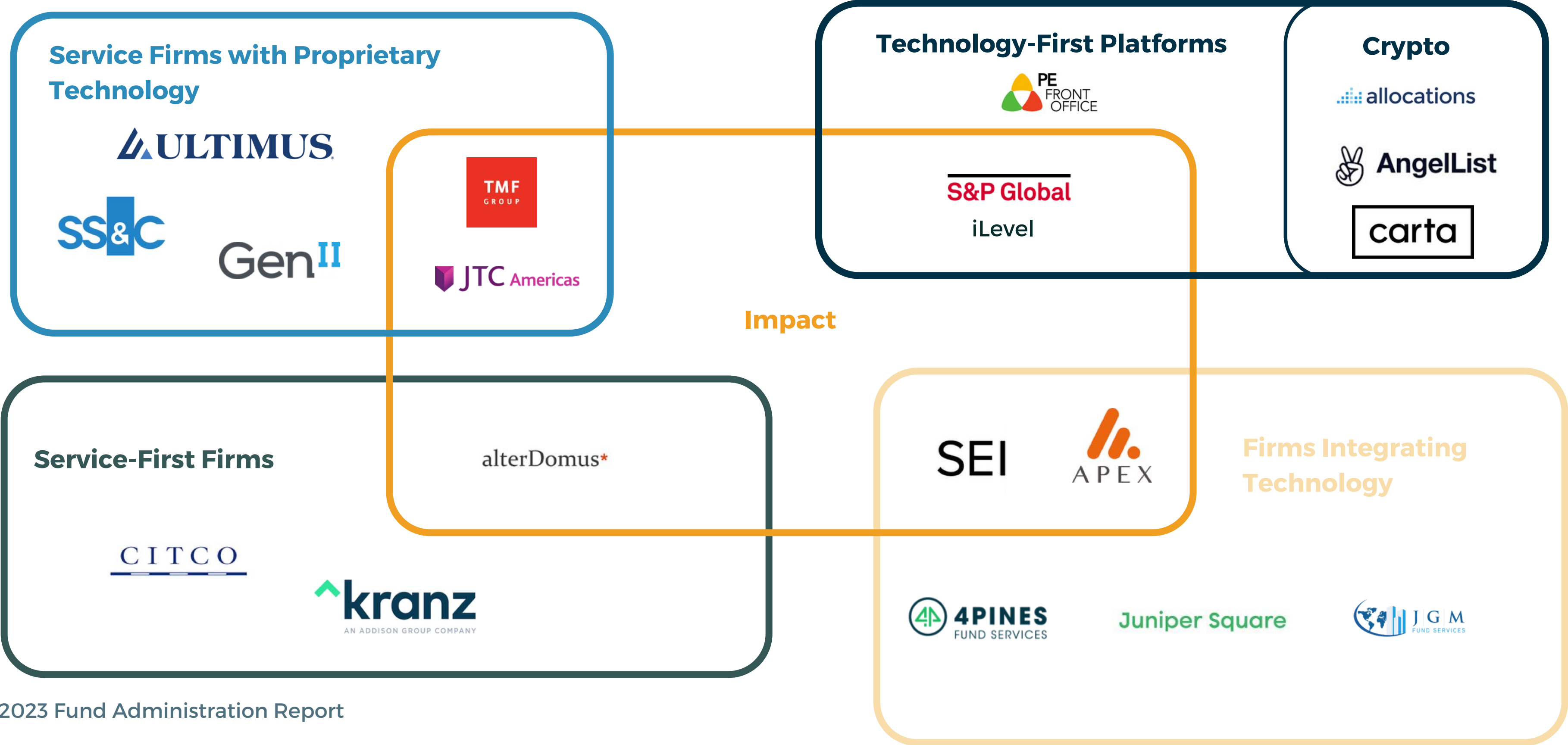


**Bob Wolfe**  
Chief Compliance Officer and  
Chief Financial Officer  
Wave Equity Partners



# US LANDSCAPE

With 78% of firms studied building, integrating or using technology in some way, it's ubiquitous in the industry. **Only 32% focus on impact funds or metrics, suggesting a market opportunity.**



# TOP FIVE FUND ADMINISTRATORS BY AUM

Fund Administrator	Headquarters	# of Locations	Global Focus	Team Size	Asset Class Specialization	AUM (in B)	Technology	Services	Impact	Founded
<b>Alter Domus</b>	Luxembourg	37	US, Europe, Middle East & Africa, Asia	4100	Debt Capital, Real Assets, Private Equity	1800	Client Portal	Accounting and Reporting, Administrative Services, AIFM Services, Asset Servicing, Capital Administration, Cash Management, Client Portal, DCM Solutions, Depository Services, Governance & Business Support, Investor Services, Middle Office Services, Set Up Divestment Services, Tax & regulatory Reporting	Aligns to the UNPRI Principles and reporting recommended by The World Economic Forum (WEF) : governance, people, planet, prosperity	2003
<b>Citco</b>	Grand Cayman, Cayman Islands	50	Americas, Europe Middle East & Africa Asia Pacific	8743	Asset Owners, Fund of Funds, Private Equity, Hedge Funds, Real Assets, Banking Clients, Investors, Corporates & Financial Institutions	1800	n/a	Accounting & operations, Investor relations, Independent pricing and external valuer, Middle office, Collateral management, Treasury/settlements, Affirmation/confirmation, Risk & transparency reporting, Financial reporting, Regulatory reporting including form PF, CPO PQR, AIFMD, OPERA tax preparation/reporting	n/a	1948
<b>Juniper Square</b>	San Francisco, CA	8	Americas	500	Deal Managers, Fund Managers, Institutional Managers, Limited Partners, Real Estate, Private Equity, Venture Capital	1500	Fund Accounting Treasury Services Investor Services	Fund Accounting, Treasury Services, Investor Services, SPVs, Debt funds, Closed end funds	n/a	2014
<b>SEI Fund Services</b>	Oaks, PA	14	Canada, Hong Kong, Ireland, India, Luxembourg, South Africa, Switzerland, UK	4700	Wealth and asset managers, Banks and broker-dealer advisors, RIAs, Institutional investors, Families and individuals, Independent trust, Insurance companies	1200	Proprietary unified platform	Technology and operations outsourcing, Asset management, Cyber protection, Fund administration, Middle Office, Regulatory services, Asset management, Outsourced CIO	Exclusionary screening Environmental, social, and governance (ESG) Integration Impact investing	1968
<b>Apex</b>		50	Europe, Americas, Asia, Australia	10000	Private Equity, Real Estate, Infrastructure, Fund of Funds and Loans/Mezzanine debt funds	960	Investor Portal, Portfolio Management, Administration	Fund & Portfolio accounting, Financial Statements, Daily Administration, Transfer Agency, Middle Office, Regulatory Reporting, Global Compliance, Tax Services	ESG Ratings and Advisory, Impact Investing Solution	2003



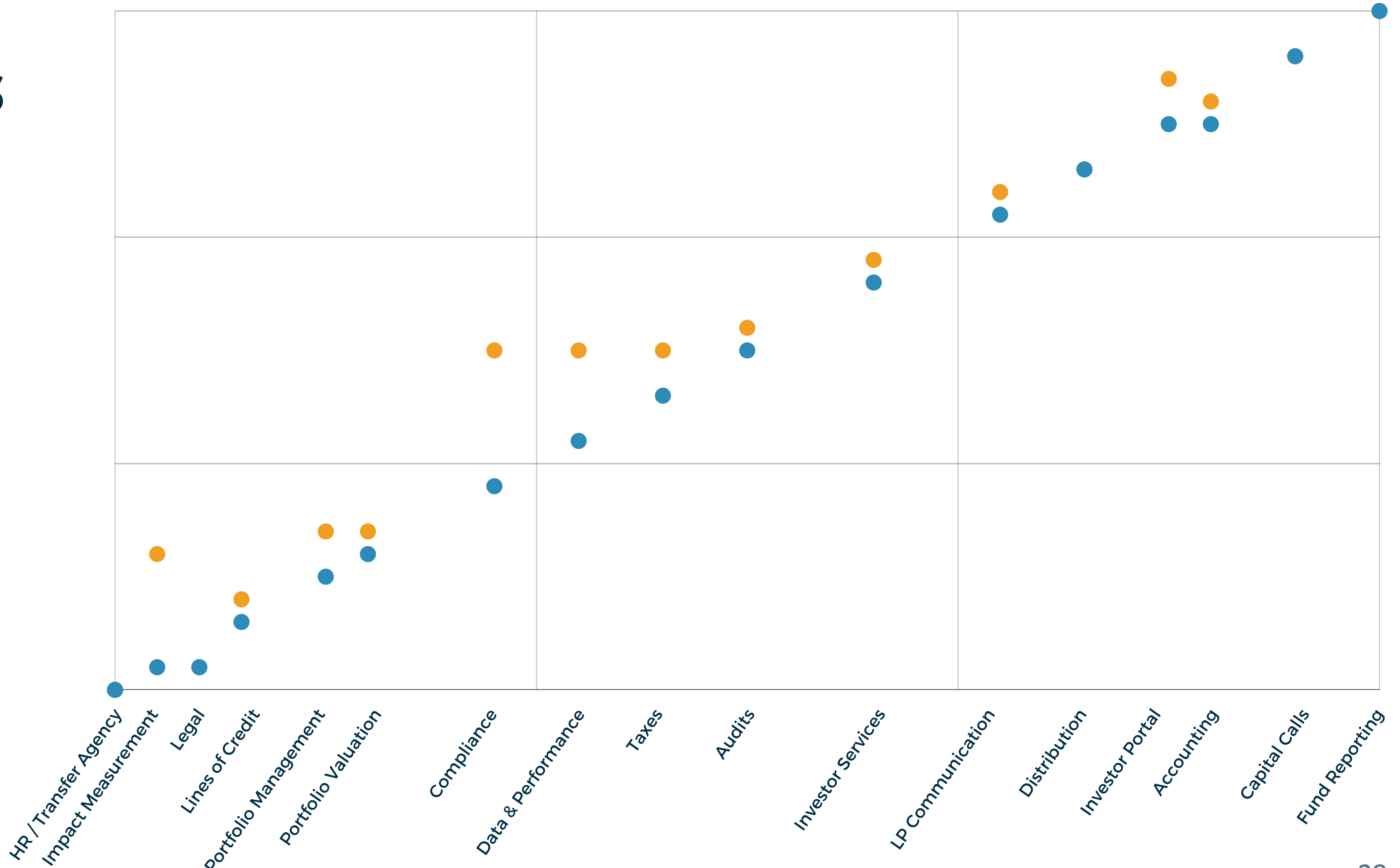
# Services & Products

# SUPPLY VS DEMAND

There are a number of gaps in services currently provided by fund administrators and what clients desire. The largest gaps are in:

1. Impact Measurement and Management
2. Compliance
3. Portfolio Management
4. Data & Performance Management
5. Lines of Credit

There were also a number of services that were well covered by the industry, including Fund Reporting, Capital Calls, Distribution. These could be considered industry tablestakes. Transfer Agency and HR as a service were not as widely used or desired by clients.



# FUND ADMINISTRATION COST

**\$50K -  
75K**

Median Cost

Yearly costs for fund administration firms ranges from as low as \$10K to over \$100K. The majority of survey respondents are paying \$100K with the median between \$50-75K. A higher AUM correlates to higher cost and higher cost correlates to in house administrators, leading to the conclusion that in-house administrators are commanding higher salaries than services or products. However, those who had in-house administrators felt they were getting the highest value of the 3 fund administrator types.

## FUND SIZE

Funds under \$185M AUM do not pay more than \$75K, 63% of those above \$185M AUM pay over \$100K.

## VS COST

## TYPE OF ADMIN

Services has widest range in median cost from \$10K to over \$100K. Platforms range from \$25-75K and in-house fund admin is consistently over \$100K.

## VS COST

## PERCEIVED VALUE

Perceived value correlates to price. Those paying under \$25K saw the least value and those paying over \$100K saw the most.

## VS COST

**\$10K -  
100K+**

Range of Cost

# NET PROMOTOR SCORE

Overall, firms would recommend their fund administrator to others, indicated by a median net promotor score of 8. However, there were a few deviations from this median.

Those paying under \$25K had a much lower NPS score and those paying between \$75K to \$100K had a near perfect score of 10. The type of administrator also created deviations. In house administrators had a median NPS of 10 and services ranged the most in recommendations, from 2-10.

Median Net  
Promoter Score

8

Cost Deviations

- Under \$25K had a NPS of 5
- \$75-100K had an an NPS of 10

Type Deviations

- In- house had an NPS of 10
- Services had the widest variation from 2-10 with a median of 8

"An important part of the type of fund administrator we work with has to do with values alignment. We are a mission-driven organization as an impact investment firm and we certainly want a partner who respects and appreciates that and wants to help us grow in that regard."

*Tazia Smith*

*Chief Operating Officer (COO) & Head of Capital Partnerships  
Closed Loop Capital*



# APPROACH TO IMPACT

Only 32% of fund administration actively promote their impact services. This is also the largest gap between current services and needs, indicating most fund administrators are lacking in this area. Given the impact market just reached \$1.64 trillion across 3,349 organizations, this is an overlooked opportunity.

Those that are actively serving these needs are doing so in 4 areas with ESG ratings being the most common.

2023 Fund Administration Report

Source:GIINSight: Sizing the Impact Investing Market 2022

## ESG Ratings & Advisory

The most common approach is evaluating a firm's performance in regards to environmental, social, and governance criteria in accordance with ratings agencies including S&P Global, MSCI, and FTSE Russell.

## Opportunity Zones

A few firms specialize in working with firms that operate in opportunity zones. This involves managing financial records and ensuring that investments meet requirements for receiving qualified tax benefits.

## Impact Reporting

Impact reporting and measurement and impact fund administration is growing in the industry. This service includes screening, gathering data, monitoring KPIs and issuing reports.

## EB-5 Visa Program

The most rare offering is advisory and administration of the EB-5 Visa program, which allows foreign investors to obtain green cards in exchange for large, job producing investment.





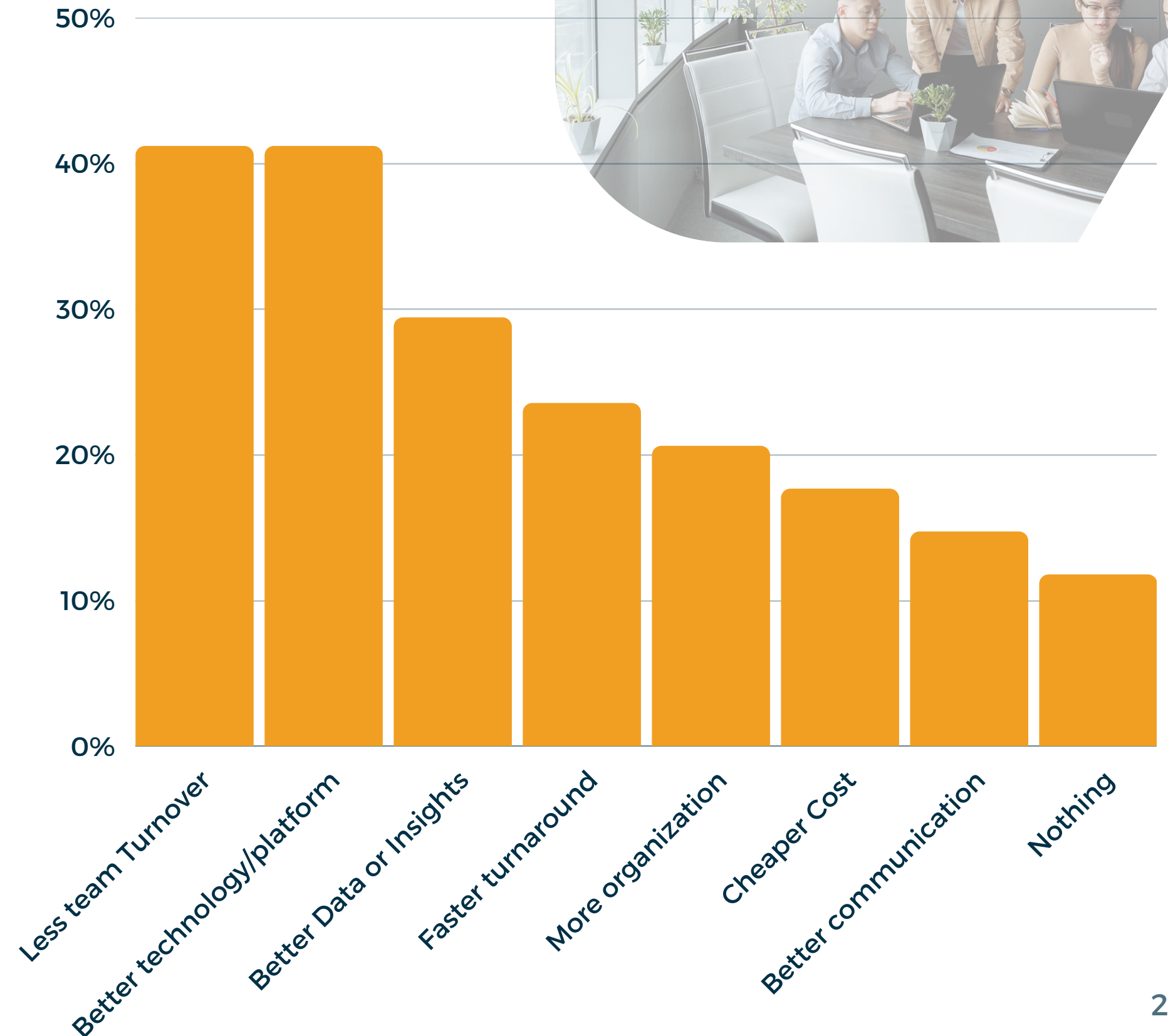
# CONCLUSIONS

# AREAS FOR IMPROVEMENT

Most survey respondents expressed a desire for less team turnover and better technology.

While 78% of fund administrators have integrated or proprietary technology, this response indicates there are still technology shortcomings. Survey participants voiced demand for integration of various fund operation platforms, deeper data and insights, and a balance of services and technology no matter the fund administration type.

Team turnover is a frustration for firms using all fund administration types as it corrodes trust, interrupts intricate processes and adds unnecessary training time. Fund administrators are compensating for the war for talent with automation, but research indicates the industry is not ready to leave these services completely in the hands of technology.



# THREATS & OPPORTUNITIES

There are a number of challenges that fund administrators and firms alike should be aware of. New proposed regulation could spell out a major shift and those with underwhelming technology and data & insights services may be unprepared. Smaller and specialized funds with unique demands are also growing significantly. These funds are seeking less expensive services, SPVs, and specialized offerings like crypto that few fund admins are specifically filling.

On the opportunities side, the impact and ESG space is primed for serious growth and existing and new impact and ESG managers demand better tracking. This correlates to the need for stronger data and analytics in the industry. One of the most desired services is compliance; fund admins who anticipate & navigate increased disclosure and reporting requirements could turn a threat into a differentiating market opportunity.

## Threats

Regulation

Underwhelming  
Technology

Smaller funds  
with new needs

Specialization

## Opportunities

Impact Measurement &  
Reporting

Data & Analytics

Compliance

Alternatives: crypto  
and SPVs

# RECOMMENDATIONS

## Technology is key

The space needs to upgrade its technology while also balancing the agility and trust that comes with hands-on services

## Better service at lower cost

Those at a lower price point are not happy with their services, opening up massive opportunity for price disruption

## Don't leave out impact

Impact and ESG are major areas for growth in the coming years and is becoming an important decision-maker

## Prepare for the data shift

Whether brought in through regulation or customer demand, better data, transparency and analytics will shift the space

# FOR INQUIRIES, CONTACT US.

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# APPENDIX

# METHODOLOGY

This study employed a mixed-methods approach, including a focus group, interviews, surveys, and secondary research. The aim of this research is to investigate the current fund administration landscape, particularly as it relates to impact investing funds. The study was originally conceived as a focus group with Impact Capital Managers members. From there, nine in-depth one-on-one qualitative interviews were conducted with a mix of venture firms and fund administrators. The interviews were conducted using a semi-structured interview guide and lasted approximately 30 minutes. The interviewees were selected using purposive sampling, and the interviews were conducted via Zoom. The interviews were recorded and transcribed for further analysis.

A survey was then created using the responses from the interviews to confirm and expand upon anecdotal insights. The survey was administered to 38 participants to gather quantitative data on the research topic. The survey consisted of both closed- and open-ended questions, and took approximately 10 minutes to complete. The survey was distributed to various investing groups online using GoogleForms. The survey data was analyzed using descriptive statistics.

The research was then augmented with secondary research. Data was collected on 30 fund administration firms. These firms were selected from the initial the interview and surveys responses and augmented by general online research. This deep dive involved collecting and analyzing various forms of data such as financial statements, service and product reviews, and news articles.

In addition to the above, the research also involved conducting secondary online research. This included reviewing relevant academic literature, government reports, and news articles, and extracting relevant information related to the research topic. The secondary data was analyzed to provide context and background information on the research topic, and to identify gaps in the existing literature that the primary data collection methods aimed to fill.

Overall, this mixed-methods approach allowed for triangulation of data and provided a comprehensive understanding of the research topic. The study followed a rigorous research design and data analysis plan to ensure the credibility and trustworthiness of the findings.



## ACKNOWLEDGMENTS

We'd like to thank all those that took the time to participate in the interviews and survey responses, as well as those who shared data and insights, made introductions and promoted the survey.



# ABOUT THE AUTHOR



**Lauren Washington**  
Impact Capital Managers  
Fund Administration Fellow

Lauren is the cofounder and CEO of Fundr, a platform that uses data and AI to empower decision making in seed investing.

Prior to this, Lauren cofounded Black Women Talk Tech, the largest membership organization and only conference for black women founders and KeepUp, an automated social listening platform. While at Black Women Talk Tech, she spearheaded the Face of a Founder report, the largest research at the time into black women tech founders.

Her companies have won multiple awards including 43North, the Advanced Imaging Society's Distinguished Leadership Award and the Austin Inno Fire Award. She has been featured in The New York Times, TechCrunch, Elle, Inc and Fortune and has been listed as a top entrepreneur in Essence Magazine, Entrepreneur Magazine, CIO Magazine, the ForbesNEXT1000 list and Austin Black Business Journal's 40 Under 40.

Lauren started her career as a special education teacher with Teach for America and went on to develop marketing and data strategy for over 100 global companies at InStyle Magazine, TVGuide and Omnicom Group. She has her BA from the University of North Carolina at Chapel Hill and her MBA from Northwestern's Kellogg School of Management.