

Convergence Review of APEX Acquisition of PINNACLE

March 12, 2015

Summary

Apex Fund Services said Tuesday March 3, 2015 it acquired **Pinnacle Fund Administration**. Financial terms weren't announced. Charlotte, North Carolina-based Pinnacle provides fund administration services to hedge funds, private equity funds, unit investment trusts and other collective schemes. **FTV Capital** is an investor of Apex Fund. **Macquarie Capital** advised Apex.

Peter Hughes founded Apex in Bermuda in 2003. He is the owner and Chairman. Before Hughes founded Apex, he was chief financial officer, accountant and business developer of FMG Fund Managers Limited at FMG Combo Fund from 2000-2003. Peter qualified as a chartered accountant in 1994. He is a fellow of the Institute of Chartered Accountants in England and Wales. Apex has \$40 billion in assets under administration and 420 employees in 37 offices across the globe.

In 2011, APEX secured a \$30mm equity commitment from FTV Partners, a \$2bn Venture Capital firm. FTV holds a minority stake in APEX. FTV Capital, the first institutional investor in Apex, is a growth equity investor with extensive experience and a global network in the financial services industry, and especially asset management.

APEX and PINNACLE US registered institutional advisors report 83 and 57 funds with Gross Assets under Management ("GAV" which is calculated net of linked feeder funds) of \$7.4bn and \$3.3bn, respectively. The US RIAs of the combined group will boast 140 funds and \$10.7bn in Gross Assets under Management, of which APEX/PINNACLE is Lead Administrator on \$7.4bn and Secondary Administrator on \$3.3bn. APEX website claims greater than \$40bn is AuA which suggests that most of their advisor clients are not registered in the US.

Fund Asset Size Profile

Of the 140 funds, 93 are hedge funds reporting GAV of \$7.7bn, 26 are Private Equity Funds reporting GAV of \$.665bn and 16 other funds reporting GAV of \$2.3bn.

Fund Count	#	%	UGAV	\$	%
>1bn<2bn	3	2%	>1bn<2bn	4.663	43%
>500mm<1bn	1	1%	>500mm<1bn	0.707	7%
>250mm<500mm	4	3%	>250mm<500mm	1.409	13%
>100mm<250mm	9	6%	>100mm<250mm	1.264	12%
<100mm	94	67%	<100mm	2.692	25%
0	29	21%	0	0	0%
Total	140	100%	Total	10.735	100%

Fund Type Profile

FUND TYPE	#	GAV(BN)
HEDGE FUNDS	93	7.700
PRIVATE EQUITY FUNDS	26	0.665
REAL ESTATE FUNDS	2	0.009
VENTURE CAPITAL FUNDS	2	0.068
OTHER-DEBT-DIVERSE	4	0.112
OTHER-EQUITY	4	1.418
OTHER-LONG ONLY	3	0.001
OTHER-LONG ONLY EQUITY	2	0.002
OTHER-MULTI STRATEGY	1	0.707
OTHER-SEPARATE ACCOUNTS	2	0.040
SUB-ADVISED FUNDS	1	0.000
TOTAL	140	10.722

League Tables

APEX/PINNACLE ranking within the Convergence Top 100 Administrators, as measured by GAV and number of funds, is 46 and 32 respectively.

Client Profile

The combined APEX/PINNACLE US RAI book is heavily concentrated in a few key names. The top 5 clients represent 58% of lead and secondary GAV. Primary GAV is credited to Administrators who either (1) are the only named Administrator for a fund or (2) are listed as the Administrator who sends statements to investors when there is more than one Administrator named by the fund. In the case of APEX, Valiant Capital Management is their largest Advisor Client with two funds and 3.3bn in GAV yet based on our rules, Morgan Stanley is the “lead” Administrator for these two funds. We suspect that APEX provides Valiant some combination of SPV Administration for Valiant’s Mauritius-based holdings, middle office services or shadow administration.

Client Impact

The complexity of APEX and PINNACLE advisor clients are quite similar which suggests the integration of PINNACLE clients should not create post transition service disruptions.