

I. Noteworthy Observations – YoY

Convergence View – TPA Industry

Fund Administrators remain a key partner to asset managers and TPAs who can offer them a greater array of front-to-back office services to manage increased business complexity will prosper.

Despite a slowdown in fund formation this year secular changes in asset management will require UMGs to outsource to TPAs more of the middle and back-office work to those that can help them manage through increased regulation, onboard new types of clients, optimize their data and offset continued fee pressure.

While TPA M&A activity sits at a 5-year low it is likely to resume as interest rates normalize and new regulations on outsourcing activities begin to weave their way through the market.

Market Values of Equities and Fixed Income

The equity markets in developed economies were bullish and the S&P 500 surged 19.6% YoY. Emerging equity markets grew slower as the MSCI Emerging Market Index rose 1.2%. Bond prices, as represented by the Bloomberg US Aggregate Bond Index, rose slightly by 0.7%.

Publicly Traded TPA Revenue Growth

Five of the nine publicly listed TPAs (PLTPAs) we follow beat their Q3 revenue estimates, yet QoQ performance ranged from negative to slightly positive due to slower client activity and lower market values. However, increased outsourcing, favorable equity markets, and a weaker dollar favorably impacted revenues YoY.

Global UMGs Advising Global Funds

At the end of Q3 2023 there were 31,174 registered and unregistered Advisers to global funds, down 1.0%, YOY.

Global Funds and Assets

There are 253,258 active public and private funds in the US and the EU with \$81.2tr in AuA, up 7.3% and 8.1% YOY, respectively,

Global Private Funds and Assets

At the end of Q3 2023 there were 209,211 active private funds in the US and the EU with \$38.9tr in AuA, up 8.9% and 5.4% YOY, respectively,

Global UMGs Advising Global Private Funds

There were 28,344 UMGs active in the market, down 1.0%, YOY.

New Private Funds Issued

UMGs launched 36,239 new private funds, essentially flat, YoY, with \$3,004 bn in AuA. Please note that this number excludes venture capital funds launched on crowd-funding platforms.

Private Fund TPA Switches

1,419 UMGs made the decision to change their TPAs, up 4.2% YoY, moving 8,737 private funds \$1,046 bn in AuA, down 9.2% and 49.2%, YoY, respectively.

Outsourcing – Private Funds

TPAs were named in 75.6% of all private funds, almost flat YoY. More UMGs are outsourcing middle and back-office functions which account for 100+ unique activities.

TPA Market Share

Three of four TPA peer groups gained market share. TPAs ranked 11-25 gained the most while TPAs ranked >50 lost the most market share.

TPA Acquisition Volume

Six M&A deals were announced down from 36 deals, or 83% YoY. Three closed accounting for 532 private funds with \$40.7bn in AUA. Buyers tended to focus on TPAs supporting PE and Other (Hybrid) funds which accounted for 186 and 152 funds, respectively.

TPA Operational Risk of their UMG Clients

The number of UMGs with high complexity/risk business profiles increased to 5,206, up from 5,004 at the end of 2022, or 4%