

## Butterfield Fulcrum: aim for the institutional grade platform



**Phil Niles**

Investors in the last few years have been looking for very reputable service providers when looking into funds; prime brokers, auditors, lawyers, fund administrators,” Phil Niles, director at Butterfield Fulcrum, a fund administrator, told Opalesque. “Gone are the days when you could use just any old firms and check the box. Investors do a lot more due diligence now. So make sure you have all those service providers in place.”

Butterfield Fulcrum is a full-service hedge fund provider that uses best in class technology and leverages it across a very diversified global client base, across all manner of funds and strategies including hard-to-value and complex fund structures. BF has offices strategically located all over the world with a

24/7 service providing capacity and employs about 500 employees.

Investors are also looking for a much more institutional-grade platform, Niles adds.

*Unfortunately, investment managers often look for the cheapest possible solution (service providers and technology).*

And while this might make sense for a small investment manager, Butterfield Fulcrum cautions then on that. For the most part investors are actually willing to pay a premium for that institutional grade platform, he says. And the cheapest solutions may or may not be the best choice.

“I always encourage managers to think of the total cost of ownership of particular solution and also to think about what it says about their firm. If you think of the audit world, a KPMG or an E&Y are definitely going to cost more than auditor XYZ that nobody has ever heard of, but it also signals a great deal about your fund, about the platform you’re trying to build, the transparency and the comfort you’re trying to provide your investors.”

*Niles also encourage managers to not just think about what they need now, but also about what they’ll need down the road. Indeed, investors are looking a long way beyond the return offered by a fund.*

“Investment managers need to think about possible changes; like if you for example go from \$50m to \$500m in AuM... will it entail changing service providers or technology? These may be some very burdensome changes to make down the road. Managers should think about their growth plans and how to align themselves with those plans. It is far easier to make those plans than later – much less costly too.”

Niles believes that investors have been looking at risks in a very different way over the last four or five years.

“Risk used to be categorised almost exclusively as risk of dollar-loss investments,” he explains. “Now, investors also think about liquidity risk, counterparty risk, all of those different types of risks that people really did not give a lot of attention to before. That is why the institutional-grade platform has become so important.”

*Unfortunately, the real Catch-22 is that such a platform is expensive relative to the asset base of the typical new or emerging manager.*

"It's definitely a trade-off that investment manager have to make. But a better one to position yourself for growth and success," Niles concludes.

- Benedicte Gravrand

**Name :** Butterfield Fulcrum

**Headquarters:** Bermuda

**Other offices in:** 10 offices in 9 countries

**Established in:** 1988

**Core service offering:** Alternative Investment administration

**Related services:** Service provider to the alternative investment industry including front, middle, back office services

**Supporting how many investment businesses:** How many investment businesses: 250

**FuM:** \$110bn

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