

Introduction to Fund Administration & Industry Overview

December 12, 2022

Presented by :

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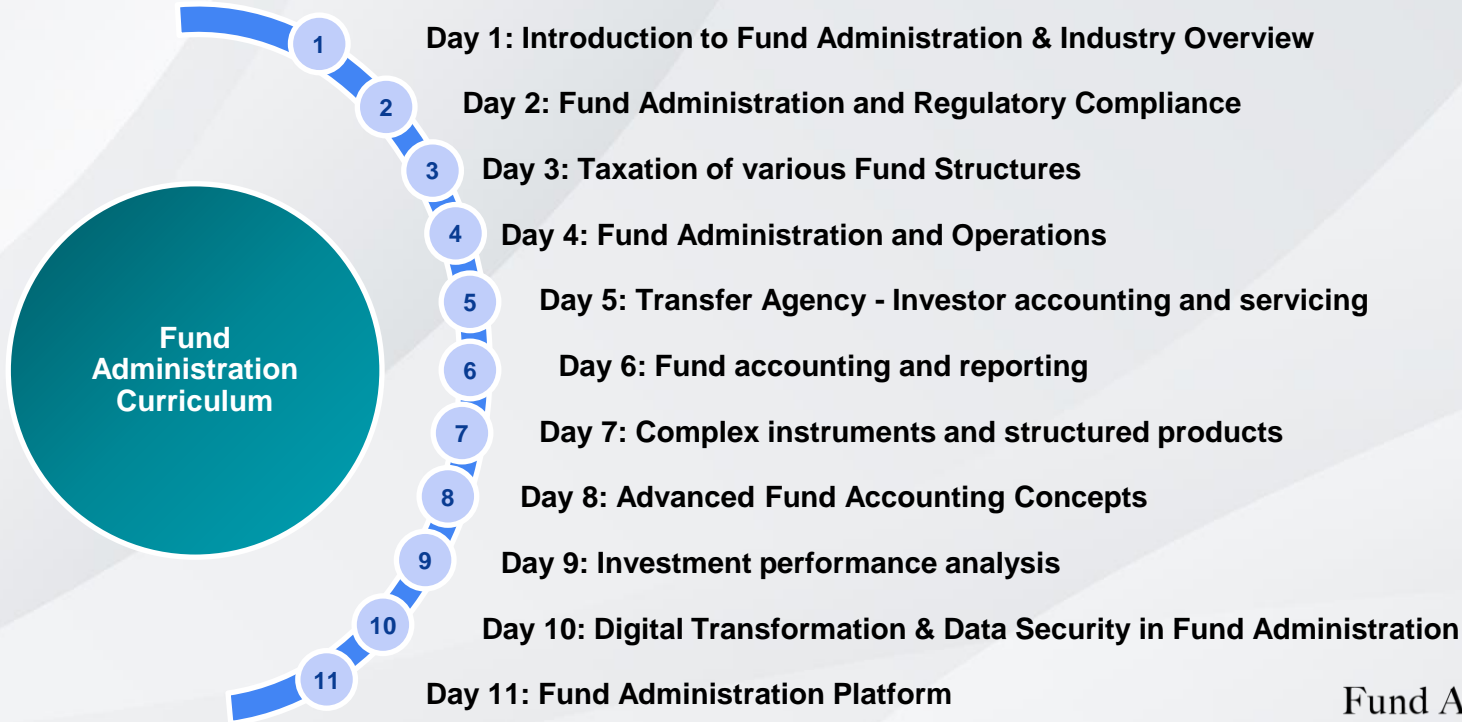
Chief Business Development Officer

KFin Technologies Ltd

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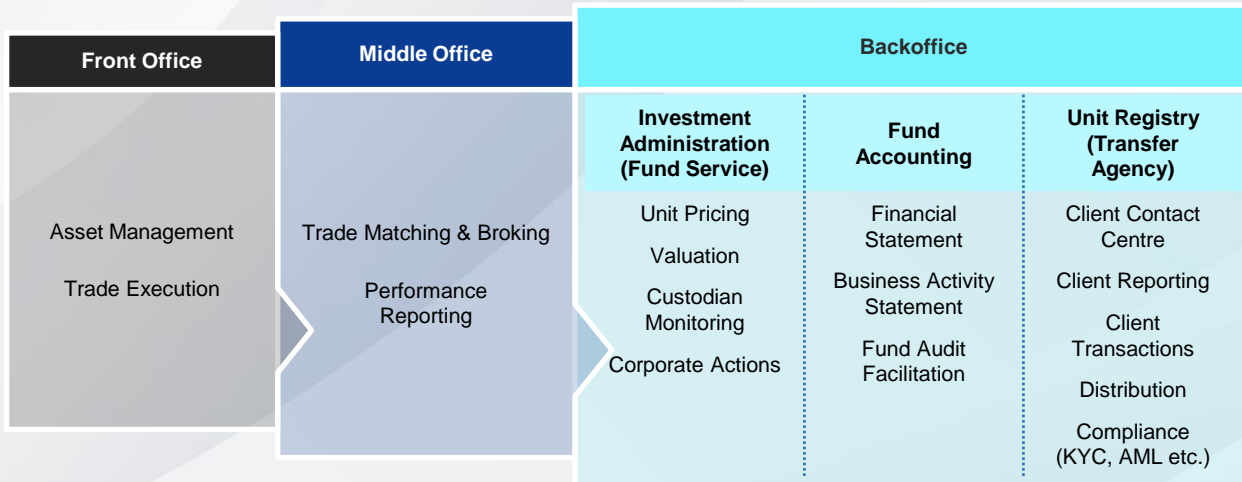
FLP PROGRAM: FUND ADMINISTRATION CURRICULUM



FUND ADMINISTRATION: INTRODUCTION

Fund administration is a service whereby a third-party company acts as an intermediary between fund managers and investors to verify and distribute assets tied to investments

Fund administration is an outsourced service where the provider executes middle-office and back-office functions



Fund administration over the years has evolved from just Fund Accounting and RTA services to offer an umbrella of solutions from tech infra to compliance and risk management

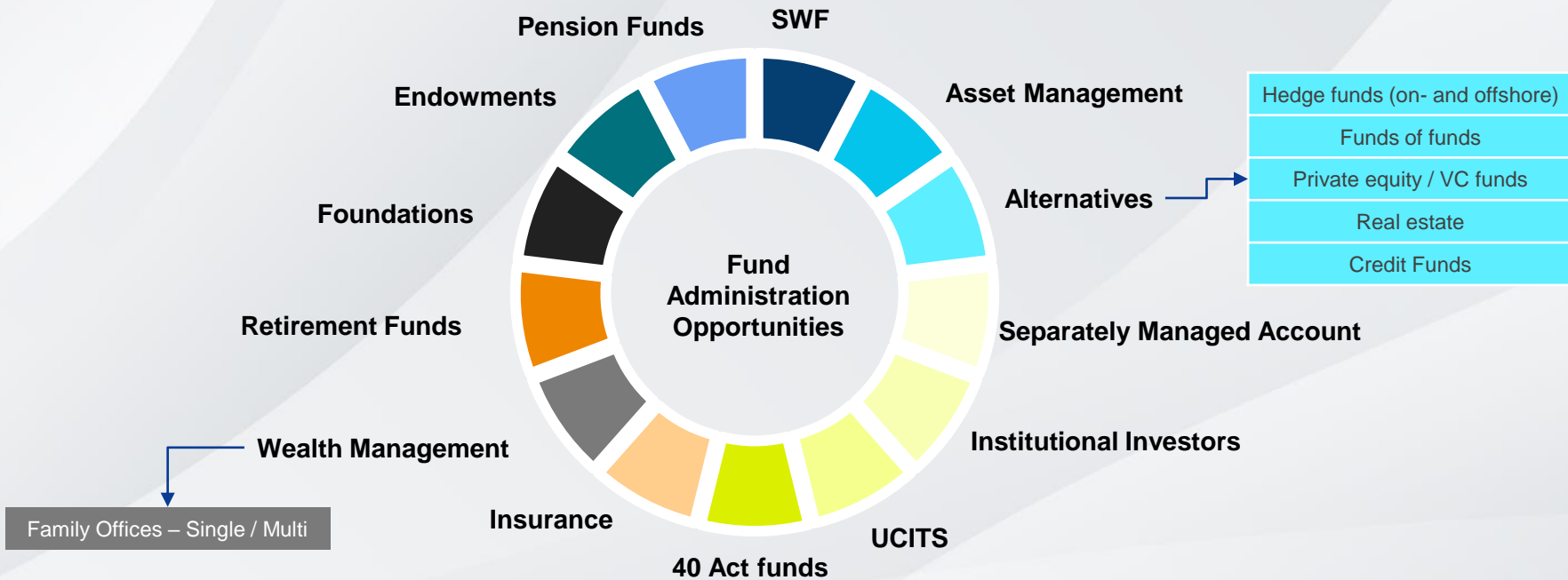
Functions of a Fund Administrator

- Processing of trade and related transactions
- Processing of withdrawals, transfers and switches
- Processing of daily corporate action
- Preparation and maintenance of book of accounts
- Processing of client (investor) documentation
- Preparation and maintenance of investor register
- Tax reporting solutions and services
- Ad-hoc trades and position activity reports
- Preparation of financial statements
- Preparation of regulatory & Compliance reporting
- Profit and loss reporting
- Risk reporting
- Computation of track investments
- Computation of performance fees
- Calculation of the NAV (daily, weekly, monthly)
- Distribution of dividends
- Distribution of investor statements and communication
- Tracking of return of capital and return rates
- Provision of share registrar and transfer agent

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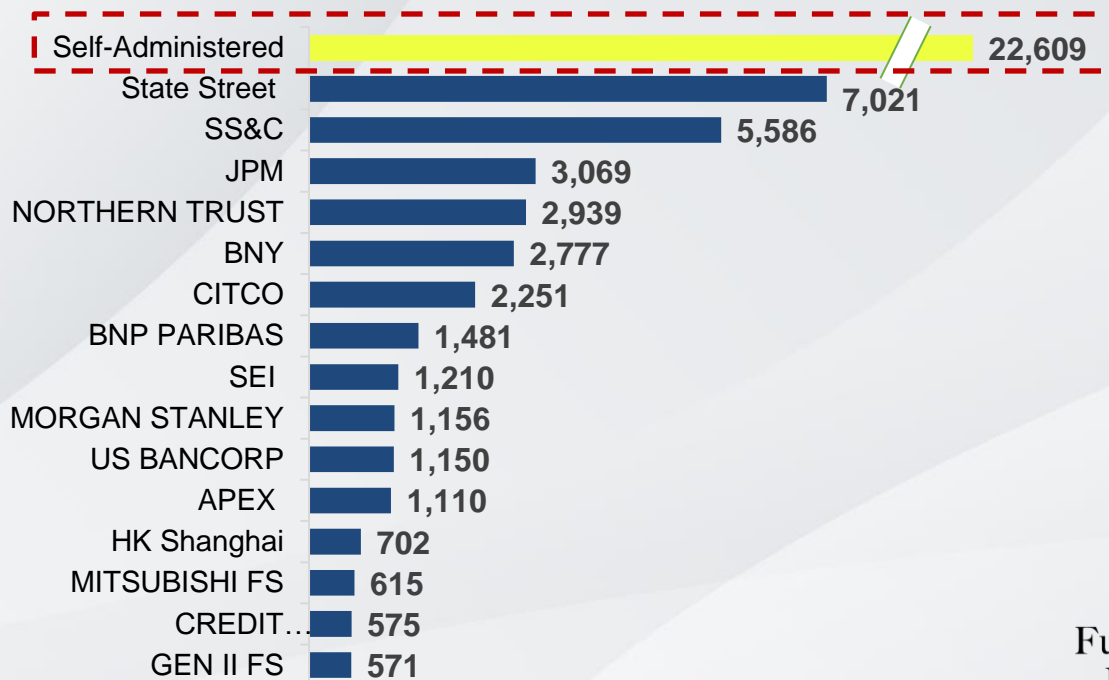


FUND ADMINISTRATION: TARGET SEGMENTS



FUND ADMINISTRATION: GLOBAL LEADERS & MARKET OPPORTUNITY

Top 15 Fund Administrator - League Table – Global AUA *USD bn, As of Mar 2022*)



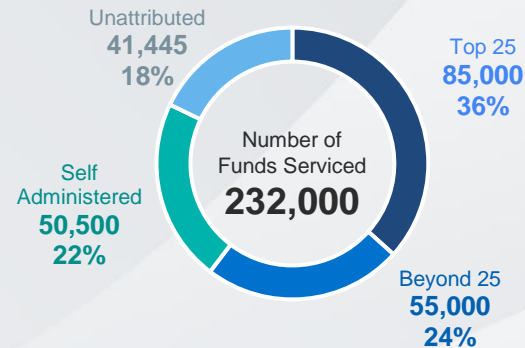
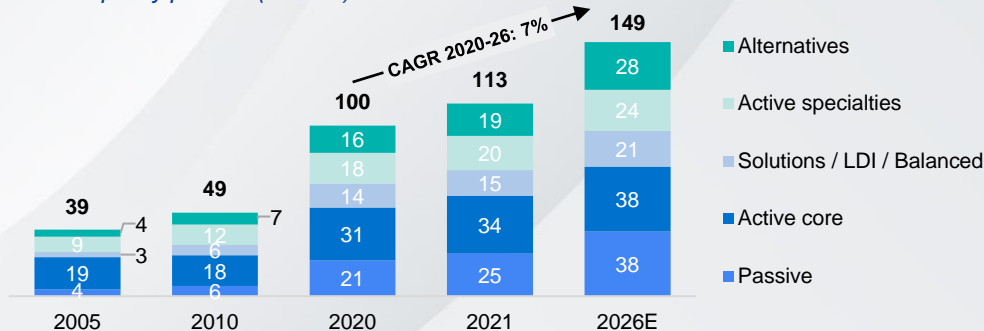
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GROWING AUM: PROPELLING THE FUND ADMINISTRATION MARKET

Alternatives and Passives have Captured a Growing Share of Global AUM

Fund Administrators & Funds Served

Global AUM split by product (USD tn)



Diversification in Assets is Changing the FA Dynamics

- As asset managers move increasingly toward multi-asset, multi-strategy portfolios, fund servicers and administrators are rapidly adjusting to a new normal
- This shift is presenting new challenges and opportunities to Fund Administrators across the globe to move ahead with technology, proficiency and skill sets to enhance service standards

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PASSIVES	ACTIVE CORE	SOLUTIONS/ LDI/ BALANCED	ACTIVE SPECIALTIES	ALTERNATIVES
- Index Funds	- Domestic large-cap equity - Government debt - Corporate debt - Money market - Structured products	- Includes target date, target maturity, liability driven, OCIO, multi-asset balanced and multi-asset allocation	- Includes equity specialties (foreign, global, emerging markets, small and midcap) - Fixed-income (emerging markets, high yield, flexible, inflation linked)	- Hedge Funds - Private Equity - Real Estate - Infrastructure - Commodities - Private Debt - Liquid Alternative

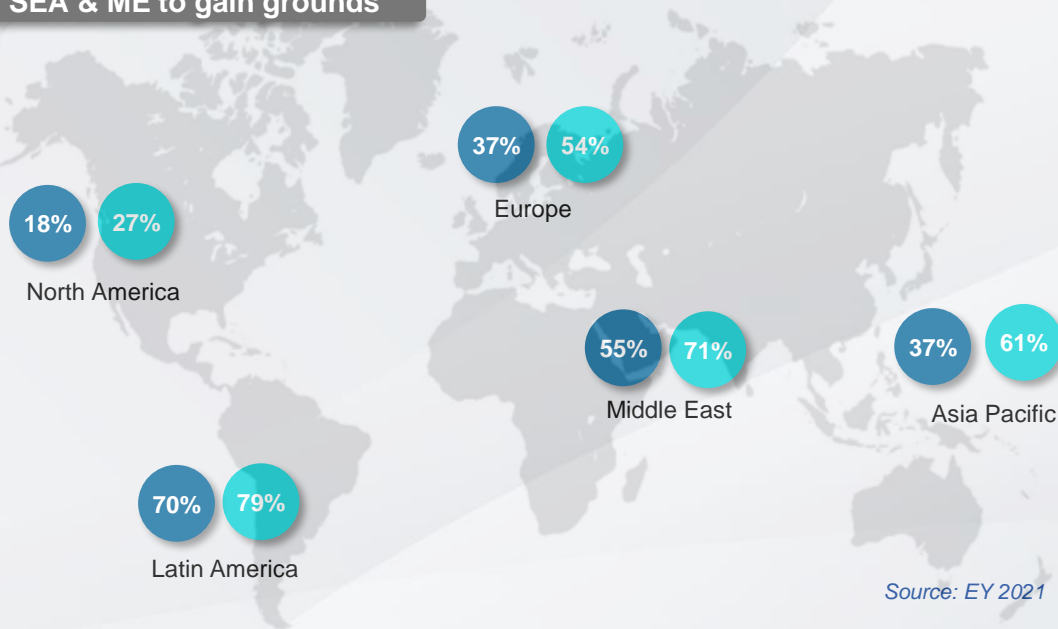
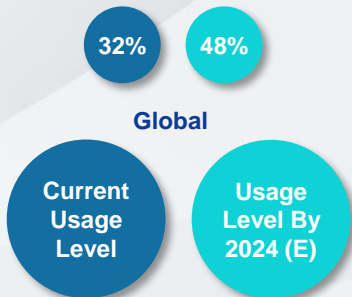
FUND ADMINISTRATION: ALTERNATIVES LEADING THE CHARGE

Rising Usage of Alternatives Among Investors Presents a Huge Opportunity for Fund Administrators

Percentage of investors with alternative investments: SEA & ME to gain grounds

The mainstreaming of alternatives has ushered opportunities for investors and advisors alike. By introducing alternatives into their portfolios, investors try to achieve their goals relating to increased diversification to mitigate market volatility, as well as to try to capture alpha, higher returns and yields

This trend present huge opportunity set for the Fund Administrators as well who are ready to offer specialized solutions for different alternatives



Source: EY 2021

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Source: EY Survey 2021

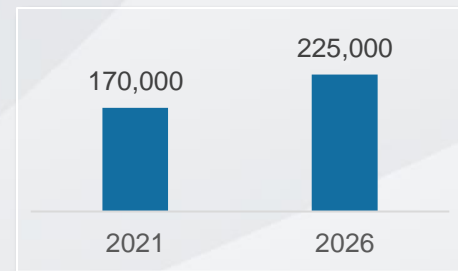


FUND ADMINISTRATION: ALTERNATIVES LEADING THE CHARGE

Big influx of family offices and funds post VCC in Singapore

- Number of licensed and registered fund management firms in Singapore rose 15% to 1,108, as of Dec 2021
- After the launch of a new corporate structure called Variable Capital Companies (VCC) in 2020 ; more than 660 VCCs had been set up or re-domiciled in Singapore
 - Investment management firms are drawn by the Cayman-like structure with the added benefit of Singapore's governance and reputation
- Funds have also taken advantage of generous tax breaks and incentives

Ultra High Net Worth (UHNW) population in Asia is predicted to rise to 225,000 by 2026



SEA'S PE VALUE HITS ALL-TIME HIGH OF \$25B

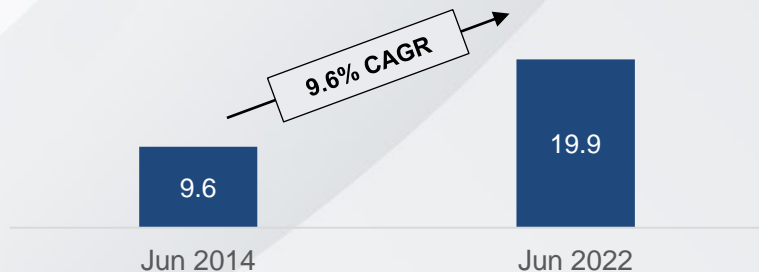
ACCORDING TO BAIN & COMPANY'S 2022 ANNUAL SEA PRIVATE EQUITY REPORT

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SIGNIFICANT GROWTH OPPORTUNITIES - GLOBAL / OFFSHORE

Mauritius, Singapore, Luxembourg, Netherlands and The Gift City In IFSC are being favorably considered while structuring India funds of funds with India allocation

The total investment by offshore funds in Indian equities (Lakh Crores, 1 USD = INR 80)



Growing Ecosystem in GIFT City

40+

AIFs already have set up base in GIFT City by Jun 2022

50+

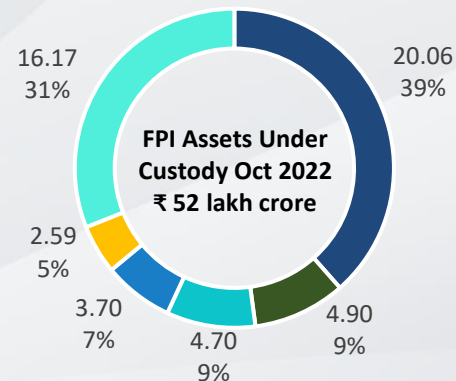
AIFs in line to enter GIFT City by the end of FY 23

12+

PMS Asset Manager & Investment Advisors registered

Offshore mutual funds form an important component of total foreign portfolio investment, apart from other large FPIs, such as AIFs, offshore insurance companies and sovereign wealth funds

- USA
- SINGAPORE
- MAURITIUS
- LUXEMBOURG
- UK
- Other



Source: Morningstar, NSDL, News Reports

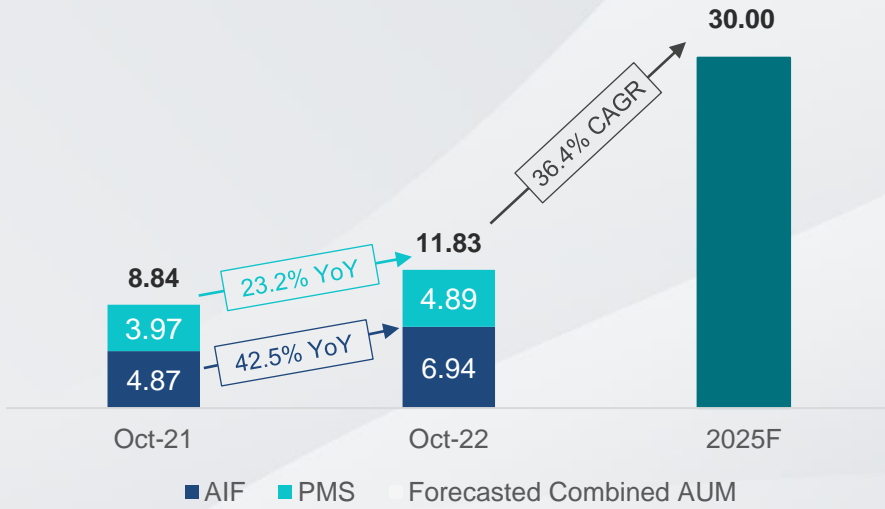
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SIGNIFICANT GROWTH OPPORTUNITIES - DOMESTIC

PMS & AIF assets set to expand rapidly, AUM to grow from Rs 12 lakh crore to Rs 30 lakh crore by 2025
(INR Lakh Crores)

- Data as of June and October 2022 shows that AIFs witnessed a staggering growth of 42.5% YoY, with assets growing to Rs 6.94 lakh crore (from Rs 4.87 lakh crore) across all three categories
- The total size of Portfolio Management Services (PMS) in India witnessed a healthy rise of 23.2% year-on-year (YoY), with assets growing to Rs 4.89 lakh crore from Rs 3.97 lakh crore



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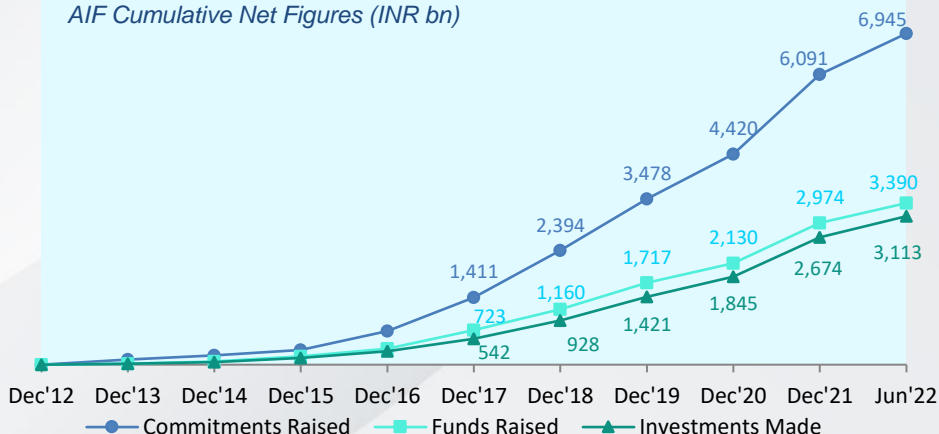
Source: PMS Bazar



INDIA: ROBUST GROWTH IN AIFs

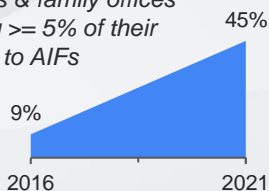
AIF commitments have grown 42% year-on-year to INR 6,955bn as of June 2022; the amount invested has risen 43% to INR 3,113 bn

AIF Cumulative Net Figures (INR bn)



HNI Investors are highly bullish towards AIF

% of HNIs & family offices allocating \geq 5% of their portfolios to AIFs



13,637

UNHI population those with net worth of USD 30m or more in India, in 2021

40%+

Family Offices have doubled their allocation in past 5 years

83%

Family offices have a significant 10%-plus allocation to private markets

50,00,000 Cr

Expected AUM of AIF by 2031

GIFT City has been envisaged as the biggest financial hub for SEA; major benefits offered for AIFs

- **Ease of Regulatory Interface:** By granting necessary powers to IFSCA to carry out the regulatory function
- **Incentivized & Simplified Tax Regime:** Including tax holiday, GST, stamp duty exemption, etc
- **Tax Incentive to AIFs:** AIFs may invest through FDI or FVCI; earlier AIFs could invest through the FPI
- **Incentivization to Non-resident Businessman**

50+

AIFs in line to enter GIFT City by the end of FY 23

40+

AIFs already have set up base in GIFT City by Jun 2022

"If Mauritius can host 2000 such funds, why can't they come here. These AIFs design investment strategies with higher returns and secure funds from global investors. These funds used to be set up in centers like Mauritius and Singapore. But now it is happening in GIFT City. These funds will bring money from global investors, and it will be invested in India,"

Dipesh Shah, Executive Director (Development), IFSCA

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FUND ADMINISTRATION: OPPORTUNITIES ACROSS VALUE CHAIN



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KEY TRENDS IN ASSET MANAGEMENT HIRING

The image displays four sequential Google search results, each for a specific hiring role in asset management. Each result includes the Google logo, a search bar with the query, navigation links (All, News, Images, Books, Videos, More), and the number of results found.

Search Query	Approximate Number of Results
Asset managers hiring Data Scientist	1,480,000,000
Asset managers hiring FDP charterholder	429,000
Asset managers hiring CFA charterholder	359,000
Asset managers hiring CAIA charterholder	280,000

FUND ADMINISTRATION & BEYOND – MUTUAL FUND



Not in Scope

- Fund management
- Risk Management

Partial Service

- Sales
- Legal & Secretary
- Product Management

Full Suite Service

- Investment Operations
- IT Infra Structure
- Marketing
- MIS & BIU
- Administration
- Contact Centre
- Learning & Development
- Digital
- Compliance
- Client Servicing & RTA
- Infosec

- Finance & Accounts
- Human Resource

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SERVICE PORTFOLIO



Digital Onboarding Solution

- Automated, AI-based, digital onboarding
- Completely paperless onboarding of your investors, distributors
- Fully compliant from regulatory and legal perspective
- Completely digitized workflow
- Analytics & dashboards



Transfer Agency Services

- KYC management
- FATCA / UBO
- Unit capital reconciliation
- Commission processing
- Payment / settlement
- Grievance management
- Refund management



Back Office Support

- Account and contribution set-up
- Call Center Support
- Daily business report
- Automated report to multiple stakeholders



Compliance Support

- Regulatory reports
- Operation compliances
- Statutory & Tax compliance



Fund Accounting

- Capital processing
- Transaction processing
- Accounting process
- Corporate actions
- Valuation process & expense management
- NAV processing
- Reconciliation
- MIS reporting & online reports
- Compliance monitoring



Tech Solutions

- Web portal for clients & investors
- Web portal for distributors
- Mobile app for end users
- Dashboards for investors, asset managers, distributors
- Customized portfolio statements

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SINGLE FAMILY OFFICES – ADMINISTRATION OPPORTUNITIES

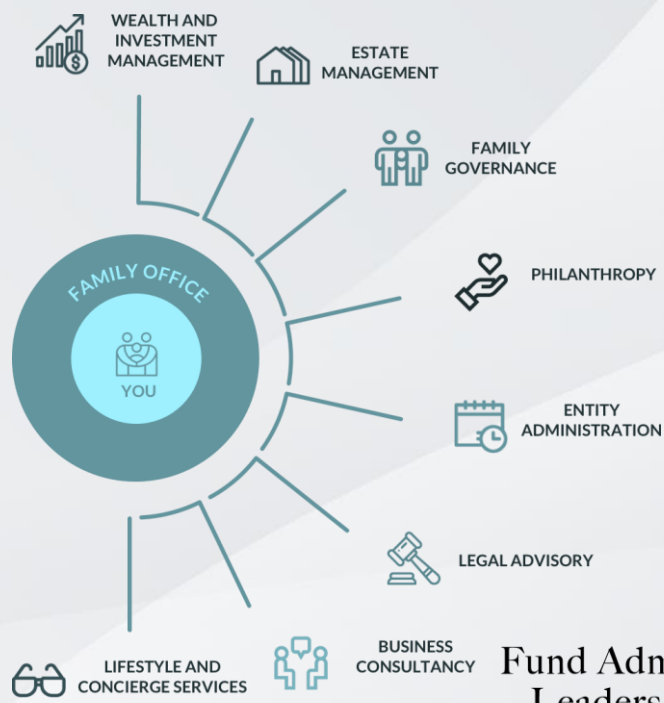
What is a Single-Family Office

- Single-family offices are private groups that manage the financial and personal affairs of one high net-worth family or individual.
- A well-structured single-family office will oversee a myriad of additional items such as insurance needs, tax planning, fiduciary responsibilities, trusts, aviation, real estate holdings, etc.
- Typically, the minimum amount of assets needed to create a financially focused single-family office is \$50 million or greater.

Why are single family offices on the rise



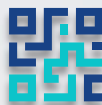
Services offered to SFOs



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KEY TRENDS IN FUND ADMIN



**Cloud Transformation
AI &
Automation**

**ESG & DEI
Reporting**

**Streamlining
Migration and
Integrated
Product Suit**

**Cybersecurity
Concerns**

**Hybrid Funds,
Digitized
Assets and
other Complex
Asset Classes**

**Diversification,
Integration,
Partnerships &
Consolidation
for geographic
and business
diversification**

**Rise in critical
functions and
technological
outsourcing**

**The regulatory
push for
transparency**

**Emphasis on
emerging
markets and
alternative
investments**

Cloud-based software-as-a-service (SaaS) or platform-as-a-service (PaaS) solutions

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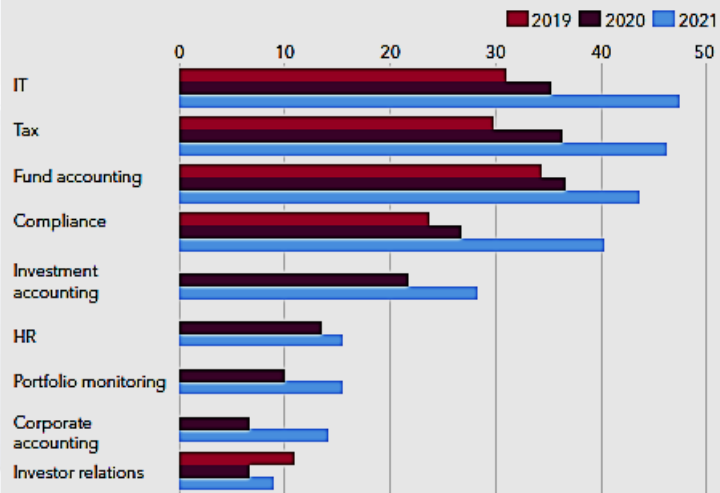
FUND ADMINISTRATION: GROWING OUTSOURCING TREND

Riding on the outsourcing trend FA industry has grown significantly over the years and is currently worth up to USD 12 bn

Outsourcing grows as firms offload non-core function: as per private fund CFO survey, almost half of firms plan to increase the outsourcing of IT, with tax, fund accounting and compliance the next most popular functions to outsource

In 2018, Ocorian conducted an online survey of specialists working within fund advisory / management, real estate and private equity profession in the Europe to find out the key drivers and functions of fund administration outsourcing

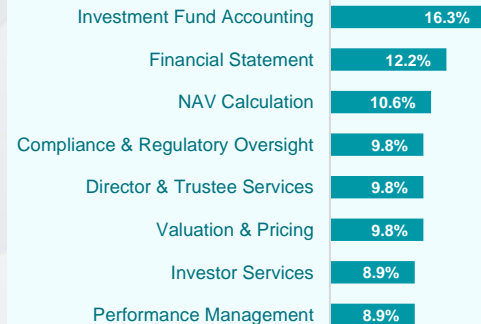
Do you plan to increase the outsourcing of these functions? (% answering 'yes')



Top Drivers to Outsource Fund Administration



Top Services to be Outsourced



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FUND ADMINISTRATION – CHALLENGES

Key Challenges

Adherence to compliance and regulatory requirements



1

Integrating data from multiple internal / external systems

2

Accurate reporting for regulators and investors

3

4

Time sensitive and high quality reporting

Key Differentiators

Fully automated robust controls for effortless and seamless execution/adherence to complex requirements



Reduced Manual Intervention

Embraces management by exception as its design paradigm to provide a 2x improvement in operational efficiency

Change Management

Inbuilt Test Automation & Regression testing tool with in-depth test scenarios to enable smooth change management

Robust Controls

Exception detection based on user defined rules as well as data analysis. To an extent operates on a 'self diagnostic' mode

Transition Management

Inbuilt tools to assist migration and parallel runs. POC toolkit which can simulate multiple days of system usage on an 'Auto Pilot' mode.

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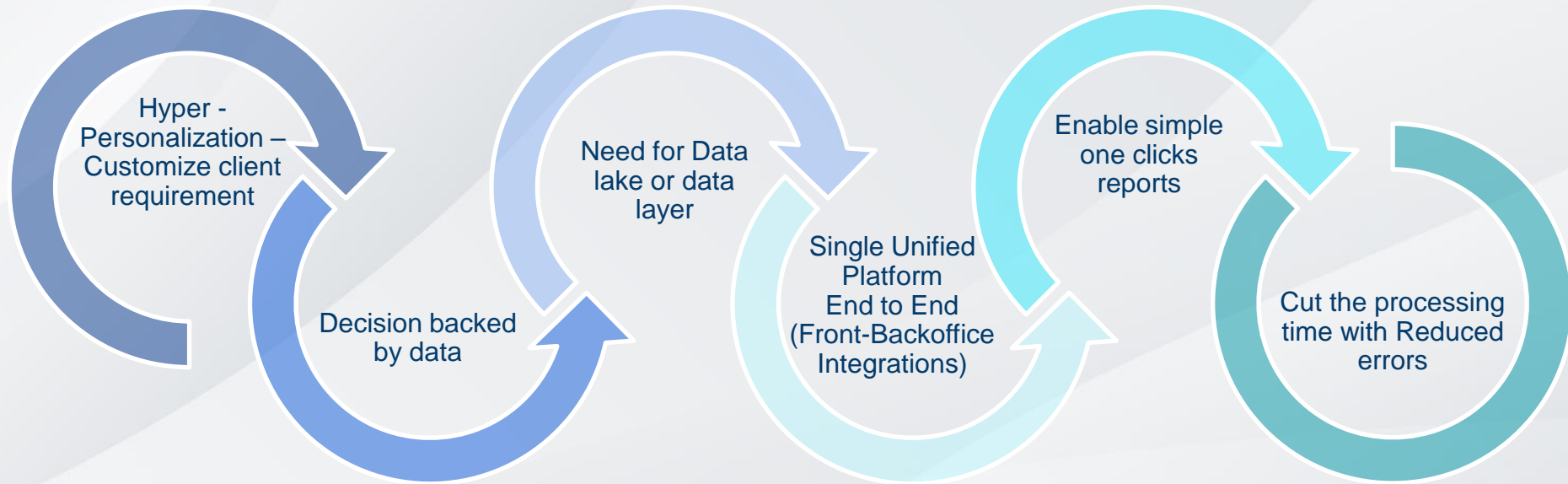


FUND ADMINISTRATION – CHALLENGES

Key Challenges in Fund Administration

- 1 High degree Manual data processing - Excel Based
- 2 Disintegrated & Disparate Systems , Complicated legacy infrastructures
- 3 Adherence to compliance and regulatory requirements
- 4 Integrating data from multiple internal/external systems
Managing multi-currency-geography operations
- 5 Obsolete Technology , Disconnected workflows
- 6 Time sensitive & High quality accurate reporting for regulators & Investors
- 7 Rapidly evolving regulatory landscape

ENHANCING FUND ADMIN WITH DIGITAL TRANSFORMATION



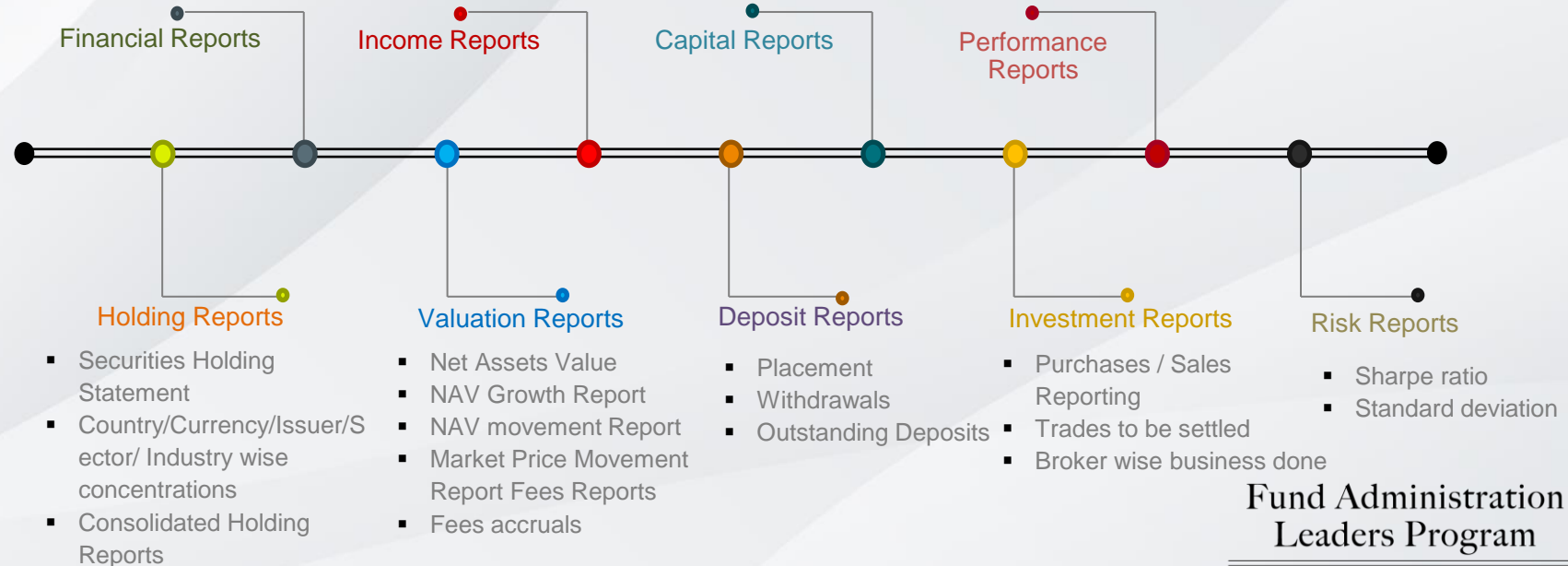
FUND ADMINISTRATION – PLATFORM

End to End Investment Management Solutions

Fund Management	Portfolio Set-up Fund set-up – Growth, Balanced, Income Client set-up – Discretionary, Non-Discretionary	Investment Decision Support System Model portfolio Mapping, pre-Deal Investment Analytics	Fund Performance Select risk & return performance measures Desktop MIS & Fund Fact Sheet generation
	Asset Classes Equities, Pref shares, Mutual Funds, FIS, MM, Bank deposits, Equity & Debt Derivatives		Quick & Bulk Trading Strategies Bulk uploads, Basket trading, Dynamic cash, position, Index Fund mgmt.
Dealing	Dealing Order management Deal execution, Approval Escalations & Workflow setup	Compliance Ability to monitor limits and exposures during dealing, Business distribution to brokers, Regulatory & internal limits monitoring	Trade Allocation Algorithms Allocation of trades in multiple funds, Waterfall Trade Allocation
Operations	Settlements Settlement calendar bank account management		Income, Valuation and Corporate Actions Automated access and processing of feeds for corporate actions like dividend, bonus, income, accrual, MTM and revaluation
	MIS Reporting Comprehensive set of MIS and Performance Reports		Accounting NAV generation module interface mechanism for core GL
Risk	Limit Monitoring Limits engine for limits parameterization and monitoring		Risk Reporting Internal and regulatory compliance reports

FUND ADMINISTRATION – REPORTS

- Trial Balance Report
- General Ledger Report
- Balance Sheet
- Profit & Loss Statement
- Cash flow reports
- Dividend report
- Interest accrual
- Amortization
- Realized Gains (Accounted)
- Income receivables
- Units created / Cancelled
- Units switched
- Unit / Share Register
- Fund Performance
- Dealing Reports
- XIRR of investors
- Compliance Reports
- Investment limits used up and available



Thank You

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