

A Trusted Provider Raises Its Mutual Fund Profile

An Interview With Northern Trust's Barbara Nelligan

Q: Northern Trust is well known for its global fund servicing, but over the past few years, you've made a real push in the area of U.S.-registered mutual funds. Why are you expanding this part of the business?

Nelligan: We have more than 30 years of fund servicing experience, which includes overseas funds, unregistered funds in the U.S., and Northern Trust's proprietary 40 Act mutual funds. Since 2000, we have been steadily expanding our third-party fund administration business. Adding a full-service capability to support third-party U.S. registered funds was really just the final step in that effort.

When we looked at the market for U.S. registered funds several years ago, we judged it to be reasonably mature. So we turned our attention towards Europe and really expanded our presence there. Given our success and some of the service provider consolidation in the U.S. in recent years, we have come full circle and have really focused on this market.

There are a couple of key drivers. First, we have built out our service offerings to the point where we can compete and service at a world-class level. We have been adding capabilities over time, and that process culminated with the addition of regulatory administration capabilities and chief compliance officer support.

Second, the consolidation of service providers in the U.S. market has created a lot of churn from the standpoint of fund managers. As others in the in-

dustry have been focused on consolidation, we have been able to keep our focus where it has always been—on enhancing capability and client service.

Q: What sort of success have you had thus far in the U.S. fund arena?

Nelligan: In just the past two years, we have added more than 40 funds—conversions as well as startups—across six new clients. We now administer over \$113 billion with more than 100 funds, so we are pleased with our progress. We have been very measured in our approach to growth to make certain that our clients and their investors have a great experience.

Q: You also have a substantial global business, right?

Nelligan: Yes. Our Global Fund Services business now provides middle and back office services to over 500 clients including more than \$1 trillion in fund administration from locations in the U.S., Ireland, the UK, Luxembourg, Guernsey, Melbourne, Hong Kong, and Singapore.

Q: What is the range of services that you offer to U.S. mutual fund sponsors?

Nelligan: We have a full service offering that includes transfer agency, fund accounting, tax, regulatory administration, post-trade compliance monitoring, CCO support, financial reporting, and global custody.

We believe our regulatory adminis-

tration and CCO support really position us as a market player. The business is built to be competitive with our peers while maintaining our focus on client service. The regulatory administration group, for instance, is fully staffed with attorneys, paralegals, and dedicated CCO support.

Q: Can you describe what sets Northern Trust's services apart as compared to your competition?

Nelligan: All the major players can produce a NAV, but we are different. Three things set us apart—platform, service, and focus.

First, our platform is truly outstanding. Differentiated in our industry, we have built out a single global middle and back office infrastructure that enables us to increase efficiency and reduce risk while delivering scale benefits, high accuracy rates, and meaningful information every day. Our clients and our service team are freed up to focus on higher value activities such as analytics and client consulting.

Our clients tell us that the tight integration of advanced tools, such as performance analytics and reporting, is a big differentiator as well.

Our platform is also one of the main reasons why we have been able to rapidly grow our business on a global basis without any negative impact to our clients or their funds.

Second, Northern Trust has for decades defined service excellence in every market we have been in. We truly appreciate the opportunity to partner with our clients, and it shows. This is a big part of why we see such a great opportunity with U.S. mutual funds. With all



Barbara Nelligan

of the consolidation in the business and the focus on size and scale, many fund sponsors are feeling lost and underappreciated. We offer a valued alternative to the factory approach.

Third, you will not find a more focused partner in the market. Northern Trust's business emphasis is asset servicing and asset management. Our clients take great comfort in this: They know that we are not distracted by large acquisitions, or by non-correlated business such as credit cards, merchant banking, or investment banking. We devote our resources and attention to activities that our fund clients care about.

Q: Can you talk a little more about your service model?

Nelligan: At Northern Trust, our clients and their needs are paramount. We recognized early on that fund sponsors and managers require a special service model, and we are organized to provide this to all of our clients.

Some providers have a rigid, "one size fits all" approach—our approach is different. We have built the model to be as flexible as our clients need it to be. We offer single or multiple points of contact. Our service team is experienced, connected, and focused on the same thing—the client experience.

We are organized to properly support each of our constituents—investors, front office, CCO, board, treasury, distributors, auditors—with the right people available and accessible to meet their individual needs. As always, we employ our unique service model to ensure we listen to our clients and incorporate their feedback into our go-forward approach.

With Northern Trust, it really is all about service excellence. Since entering the fund business we have kept our eye on that goal—and we always will.

Q: Can you describe how your strong service model is built around your people?

Nelligan: One of the keys to our strong service model is the experience level of our staff and management; long tenure is the norm here. Northern Trust is a great place to work with a strong culture, which is why we have been so successful in attracting and retaining talent. We have fueled our growth with experienced people hired from within the

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investment management community, from our peer group firms, and through internal development.

The people we look for, across all roles, are those that really fit with the things that set us apart: our culture and our client focus. We have been successful in staff growth and our Global Fund Services business has over 2,000 professionals today.

Q: Speaking of clients, which types of U.S. fund clients are you pursuing?

Nelligan: We can and do work well with all shapes and sizes. As a global player, we make sense to firms looking for a single strategic platform to advance their business across domiciles and products. We also fit very well with those looking for a knowledgeable and supportive partner to help them grow.

Q: With your competition focus-

ing on economies of scale, is Northern Trust able to compete on a commercial basis?

Nelligan: Absolutely. We have long had the scale on a global basis to deliver attractive economics. Our platform is efficient and effective and when you factor in the ability to enable client growth across products and domiciles as well as our consultative approach, we offer a very compelling proposition.

Q: How have fund boards responded to your increased profile in this market?

Nelligan: As directors have gotten to know us better, they have seen that we have a substantial business with over \$1 trillion in assets across thousands of funds serviced on the same platform globally. This allows them to quickly gain comfort with our capabilities and return their focus to what is important to them—attentive service, a focused partner, and very good value.

At the same time, we see directors asking themselves if their current providers have gotten too big and whether service levels have been maintained or enhanced. We think funds managers and boards have to ask themselves if they are getting the attention or value they deserve.

Our focus is on continued investment in our platform, our people, and our client relationships. Through the recent market turmoil, we have been viewed as the safe port in the storm—and have gained more clients than at any other point in our history. At perhaps the lowest point in the financial services industry in 80 years, when others were cutting, we have continued to invest in new capabilities in a market with entrenched competition. While others have been challenged, we continue to leverage our solid footing to move forward.

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