



# Jefferies & Company, Inc.

**BEST IN CLASS**

	Client Svc	Operations	Consulting	Financing	Sec Lending	Reporting	Cap Intro	Technology	Value	Total
Global <sup>1</sup>	6.77	6.55	5.90	5.97	6.04	6.50	6.17	6.41	6.37	6.30
<\$100M <sup>1</sup>	★	★				★	★	★	★	6.32
Single Strategy <sup>1</sup>	★	★	★	★	★	★	★	★	★	6.43
Multi-Strategy <sup>1</sup>	★	★				★	★	★	★	6.15
North America <sup>1</sup>	★	★	★	★		★	★	★	★	6.30
Single PB <sup>1</sup>	★	★		★	★	★	★	★	★	6.40

1. Were it not for the longstanding survey rule preventing a provider from rising or falling more than one category a year, this prime broker would be top rated.

This is an impressive debut by the prime brokerage unit at Jefferies, which was launched last year under the leadership of six former Bank of America executives led by Glen Dailey. It has already built a strong following among start-up, small and mid-sized equity hedge funds, servicing 140 clients in the US, all of them managing less than \$500 million. “Service[s] a segment of the market that is overlooked by the larger prime brokers,” says a client. A second says “there is not anything ... I could or would find better elsewhere.” They and others clearly like

what they find, the survey yielding average scores that are never less than “very good,” and above the survey averages in every area but one. “Jefferies is very hungry,” says a client. “Really go out of their way to make things happen for clients.” The strengths of the firm in operations and reporting are evident in the scores and comments, but client service is easily the top scoring area. “Where do I begin?” asks one client. “These guys have done everything I’ve asked them to do and quickly... I could not have had a better experience with a prime broker.”

## Methodology

This year marks the 15th anniversary of the Global Custodian Prime Brokerage Survey. A total of 2,853 authenticated responses were received on behalf of 25 prime brokerage firms. On the basis of this data, we were able to rate 15 prime brokers, and discuss a further six.

A number of detailed changes were made to the questionnaire this year. The changes, which are itemized in the sidebar entitled “Changes to the Questionnaire 2007-08,” were made to excise redundant or uninformative questions, increase the quality and usefulness of answers to existing questions in some service areas, and improve the classification of responses by region and other criteria. They did not amount to a fundamental change in the structure or direction of the survey.

As in previous years, respondents were asked to rate the services provided to them by prime brokers across 55 separate questions divided among nine service areas (client service, operations, hedge fund business consulting services, financing, securities lending, reporting, capital introductions, technology and value). They graded the quality of service on a scale of 1 to 7, where 7 is excellent; 6, very good; 5, good; 4, satisfactory; 3, weak; 2, very weak; and 1, unacceptable.

Although the underlying data allows for a more granular approach (it has 12 different assets under management

ranges), we have on grounds of space divided the results for rating purposes among five different asset sizes (less than \$100 million, \$100 million to \$1 billion, \$1-5 billion, \$5-10 billion and more than \$10 billion). This is two categories more than in 2007. Prime brokers are eligible for awards in each asset size category, subject to obtaining a minimum of 10 responses in each category.

The quantity of responses received was sufficient to enable us to add Canada and Australia to the list of markets where prime brokers are eligible for a separate rating. They can now win ratings in North America, Europe, Japan, Asia-Pacific, South Africa, Australia and Canada. To qualify, prime brokers had to secure at least 10 responses in each of Japan and South Africa, 15 in Asia-Pacific, 20 in both Europe and North America, and 5 in each of Australia and Canada.

Prime brokers are eligible for top-rated and commended status in all of these size and regional categories, and for scores from both single and multi-strategy respondents and sole and multiple prime brokerage agreements. To qualify, prime brokers had to secure at least 15 responses from single or multi-strategy funds, and a minimum of 15 responses from sole or multiple prime brokerage relationships.

In order to achieve top-rated status in any of these assets under management ranges, regions, countries, client types and relationship types, as well as globally, a service pro-





vider must achieve an overall weighted average score that equals or better the combined overall weighted average score of all the service providers taking part in the survey in any category, including the global.

Commended status is a more subjective category, and takes into account signs of improvement or deterioration from one year to the next, but no service provider with an overall average weighted score below “good” (5.0) can expect to be considered. As in all Global Custodian surveys, providers are not allowed to fall or rise by more than one category a year.

To be eligible for a global commended or top rating, providers have to be rated in some combination of at least two regions or countries: North America, Europe, Asia-Pacific, Japan, Australia, Canada and South Africa. The threshold for being rated in the survey at all was set at 30.

A provider that clears a respondent number threshold but fails to secure a high enough weighted score to be commended or top rated is declared “unrated.” A provider that fails to clear the threshold is dubbed “not rated.”

Scores are weighted in two ways. First, credit is given for scoring well in areas named as important in each service area by all respondents in the completed, qualifying questionnaires. Respondents themselves are also weighted according to their size and sophistication, which is assessed by a number of factors, including asset size, number of investment strategies pursued, and number of prime brokers used.

Prime brokers are also eligible for Best in Class awards, which single out prime brokers for excellence in servicing hedge funds in each of the nine service areas in 17 separate categories: less than \$100 million, \$100 million-\$1 billion, \$1-5 billion, \$5-10 billion, more than \$10 billion, single strategy, multiple strategy, single or multiple prime brokerage relationships, and North America, Europe, Japan, Asia-Pacific, Canada, Australia, South Africa and Global.

To be eligible for a best in class award, a provider has to secure a minimum of 10 responses in the less than \$100 million, \$100 million-\$1 billion, \$1-5 billion, \$5-10 billion, more than \$10 billion, single strategy, multiple strategy, single or multiple prime brokerage relationships categories. In the regional, country and global categories, the same minimum threshold applies as in other parts of the survey [please see Table 1 for the best in class benchmark scores]. Providers that achieve a weighted average score in any service area (such as client service) in any category (such as Asia-Pacific) that is equal to or better than the weighted average score of all providers in that combination of service area and category wins a Best in Class award for that service area in that category. It follows that providers are eligible for up to a maximum of 153 Best in Class awards. There is, after all, no less than 141 questions to answer in the survey. On the basis of 2,848 authenticated responses, that implies a total of 401,568 separate bits of data in 2008 alone. After 15 years, there is also a long history of information on which to draw. And all of that information can be assembled and re-assembled in a wide variety of combinations to offer useful knowledge to buyers as well as providers of prime brokerage services. No prime broker is like any other, just as no hedge fund is like any other. Any hedge fund that appointed a provider on the basis of a league table positioning would not be doing justice to the complexity of its own needs, let alone the complexity of the service offerings available.

As always, full research reports, based on the survey data, are available. Please contact Muzaffar Karabaev at [mkarabaev@globalcustodian.com](mailto:mkarabaev@globalcustodian.com) for details. As in previous years, we continue to collaborate with Greenwich Associates on the content of the questionnaire, the analysis of the data received, the preparation of research reports and the presentation of the results to prime brokers and other interested parties.

**TABLE 1**  
**BEST IN CLASS BENCHMARK SCORES**

	Client Svc	Operations	Consulting	Financing	Sec Lending	Reporting	Cap Intro	Technology	Value	Total
<b>Global</b>	5.99	5.91	5.82	5.88	5.99	5.81	5.48	5.75	5.91	5.84
<b>&lt;\$100M</b>	6.33	6.22	5.86	6.02	6.09	6.03	5.47	6.03	6.08	6.01
<b>\$100M-\$1B</b>	6.02	5.93	5.80	5.82	5.86	5.81	5.40	5.74	5.86	5.80
<b>\$1B-\$5B</b>	5.94	5.90	5.89	5.90	6.05	5.81	5.49	5.74	5.92	5.85
<b>\$5B-\$10B</b>	5.73	5.69	5.42	5.81	5.88	5.53	5.53	5.35	5.78	5.64
<b>\$10B+</b>	5.92	5.77	5.94	5.93	6.12	5.78	5.87	5.78	5.90	5.89
<b>Single Strategy</b>	6.14	6.07	5.95	5.97	6.06	5.96	5.58	5.92	6.06	5.97
<b>Multi-Strategy</b>	5.92	5.84	5.75	5.85	5.96	5.75	5.43	5.68	5.84	5.78
<b>North America</b>	6.08	6.03	5.89	5.98	6.10	5.92	5.54	5.84	6.01	5.93
<b>Europe</b>	5.82	5.68	5.87	5.74	5.82	5.61	5.36	5.59	5.72	5.69
<b>South Africa</b>	5.14	5.14	4.48	4.98	5.42	4.74	4.19	4.69	5.18	4.88
<b>Japan</b>	5.94	5.95	5.93	5.84	5.89	5.81	5.65	5.75	6.01	5.86
<b>Asia-Pacific*</b>	5.79	5.66	5.53	5.66	5.67	5.64	5.49	5.66	5.74	5.65
<b>Canada</b>	6.06	6.02	5.61	5.77	5.78	5.77	4.85	5.54	5.64	5.67
<b>Australia</b>	6.41	6.34	6.09	6.23	6.35	6.01	5.98	6.05	6.21	6.19
<b>Single PB</b>	6.35	6.20	6.01	6.04	6.10	6.05	5.66	6.04	6.15	6.07
<b>Multi-PB</b>	5.90	5.84	5.75	5.85	5.96	5.75	5.44	5.67	5.84	5.78

