

AMERICAS FUND SERVICES

INSIGHTS REPORT 2021



JEFFERIES

BEST PRIME BROKER

Jefferies has found the last 18 months an invigorating and uncharted period in the industry, both for itself and its clients.

“For us, the last year and a half have been more about heightened levels of focus, awareness and discipline. We have a great team working hard to ensure we navigate challenges, with strong leadership at the senior level. The years 2020 and 2021, while challenging and eventful, for us reaffirmed the controls are there and working, and it’s more about being alert and on the front foot,” says John Laub, Global Head of Prime Services.

Jefferies’ clients have also had a difficult backdrop to deal with, but the firm is encouraged to see how they have performed and saw some great outperformance from hedge fund clients, especially during H2 2020. “We are regularly engaging with our clients and that was certainly evident during this period,” says Barsam Lakani, Global Head of Prime Services Sales.

In terms of key trends, Laub notes that capital comes in different forms, a theme that has become increasingly apparent in recent years.

“We’re seeing more SMAs, fund of ones, co-invests, SPVs etc. being structured for those capital allocators,” adds Leor Shapiro, Global Head of Capital Intelligence.

Furthermore, the emergence of hedge funds doing private investments is now less an observation and one-off item, and a more common offering. “We’re seeing a movement away from simply creating a traditional public investment vehicle and far more innovation and creativity when it comes to drawing capital,” he adds.

In 2018, Jefferies launched an outsourced trading business, one that has grown significantly since inception and shows no signs of slowing. “It’s not just start-ups that are engaging us, but also more established firms where we can help with their execution needs and compliment their existing trading operation,” Laub says.

DRIVING ADVISORY SERVICES

Beyond trading and financing, Jefferies is a trusted advisor to its Prime clients and brings to them the full-service nature of its global equity sales, trading and research platform for large institutional clients. For start-up clients, it’s typically about business planning and capital formation and, for more mature clients, the focus is on new best practices, diversification, and continuity planning.

Shapiro says: “We’ve invested heavily in our advisory practices and have expanded to other geographies and regions, with the goal of sourcing and delivering that

intelligence to our clients.”

Jefferies is now seeing increasing demand and trends forming out of Europe and Asia. “The number of pedigreed start-ups out of Asia and Europe is exciting and we are an important part of their distribution needs.”

Outside of the US markets, clients continue to use equity swaps to structure and finance their portfolios and trades, and Jefferies has been actively investing and expanding its offering, with many more established firms and multi-strats engaging the firm to form a swap financing relationship.

Over the next 12-18 months, Jefferies expects the positive momentum and growth to continue and while industry assets are at a reported peak, Lakani thinks that will continue with ex-US contributing to that growth. The popularity of private investment opportunities and the convergence of public and private investing is expected to continue, and Lakani notes that outsourced solutions and especially outsourced trading will continue to flourish. “We expect that to grow in popularity,” he concludes. ■



JOHN LAUB

GLOBAL HEAD OF PRIME SERVICES, JEFFRIES

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